

# CENTRAL, EASTERN AND SOUTH-EASTERN EUROPE (CESEE)



Bank Lending Survey  
Autumn 2021



# Central, Eastern and South-Eastern Europe (CESEE) Bank Lending Survey

Autumn 2021

## **CESEE Bank Lending Survey – H2 2021 – Autumn Edition**

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Coordination and management: Luca Gattini  
Editors: Luca Gattini and Debora Revoltella

### **Chapter authors**

Regional overview: Luca Gattini  
Albania, Bosnia and Herzegovina, Croatia: Rozalia Pal  
Bulgaria: Atanas Kolev  
Czech Republic and Slovak Republic: Jochen Schanz  
Hungary: Peter Harasztosi  
Kosovo, North Macedonia, Serbia: Simon Savsek  
Poland: Alfredo Baldini  
Romania: Patricia Wruuck

Data, layout and statistics: Rafal Banaszek

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

[economics@eib.org](mailto:economics@eib.org)  
[www.eib.org/economics](http://www.eib.org/economics)

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# Introduction to the survey

## Key data

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

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

**Target groups:** international banks active in CESEE (interviewed at group level), the subsidiaries of these banking groups as well as local banks (interviewed at single-entity level).

**Countries covered:** Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, North Macedonia, Kosovo, Poland, Romania and Serbia<sup>1</sup>.

**Frequency:** semi-annual (March and September).

**Autumn 2021 survey wave:** conducted during September 2021. In the following, "last six months" refers to the period April to September 2021 and "next six months" refers to the period October 2021 to March 2022.

## The CESEE bank lending survey

The *CESEE bank lending survey* was developed by the EIB in the context of the Vienna Initiative 2.0<sup>2</sup> and has been endorsed by the various participating institutions as an instrument to:

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

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

The survey is a unique instrument for monitoring banking sector trends and challenges in CESEE. 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 information derived from Bank of International Settlements (BIS) data concerning cross-border banks' exposure.

The survey is administered by the European Investment Bank, under a confidentiality agreement with the individual participating banks. It is addressed to these banks' senior officials. Most questions have backward- and forward-looking components, covering the prior six months and expectations for the following six months.

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<sup>1</sup> Details for Slovenia and Ukraine are not presented on a standalone basis because of the low coverage in terms of number of banks.

<sup>2</sup> For more information on the Vienna Initiative see: [Vienna Initiative \(eib.org\)](https://www.eib.org) and [Vienna Initiative \(vienna-initiative.com\)](https://www.vienna-initiative.com).

In terms of coverage, the latest survey involved 12 international groups operating in CESEE and 70 local subsidiaries/independent domestic players. It is highly representative of international groups active in CESEE and also of local market conditions, as participants collectively represent, on average, 50% of local banking assets.

The detailed survey questionnaire is contained in the Annex. The survey is divided into two sections: the first is addressed to international groups and the second to domestic banks/international subsidiaries.

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

The second 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 to the various factors that may cause them to change. Credit standards are the internal guidelines or criteria that guide a bank's loan policy, while terms and conditions 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, access to funding, changes in local regulation, local bank capital constraints and local bank non-performing loans (NPLs). The international factors include, for example, the group outlook, global market outlook, EU regulation, group capital constraints and group non-performing loans.

Demand for loans is investigated by considering loan applications. Among the elements that may affect loan demand, various factors relating to the financing needs of enterprises and households are examined. For enterprises, 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 concerning demand and supply are classified into two borrower sectors — households and enterprises — 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 (e.g. consumer credit and loans for house purchases). Maturity and currency dimensions are also explored.

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

The survey also includes a special COVID-19 module investigating the effects of policy support on lending activity, moratoria coverage as well as the reshaping of banking models in response to the COVID-19 crisis.

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

## Acronyms

IFIs: International financial institutions; SMEs: Small and medium-sized enterprises; CESEE: Central, Eastern and South-Eastern Europe; AL: Albania; BA: Bosnia and Herzegovina; BG: Bulgaria; HR: Croatia; CZ: Czech Republic; HU: Hungary; MK: North Macedonia; KS: Kosovo; PL: Poland; RO: Romania; SK: Slovakia; SR: Serbia



# Regional overview

*Between April and September 2021, demand for loans increased robustly and supply conditions eased somewhat, primarily for households rather than small and medium-sized enterprises (SMEs) or large corporates. International banking group strategies are tilted towards selective expansion, thus showing medium-term commitment to the Central, Eastern and South-Eastern Europe (CESEE) region. Policy responses appear to have been effective in supporting the lending landscape so far.*

## Summary

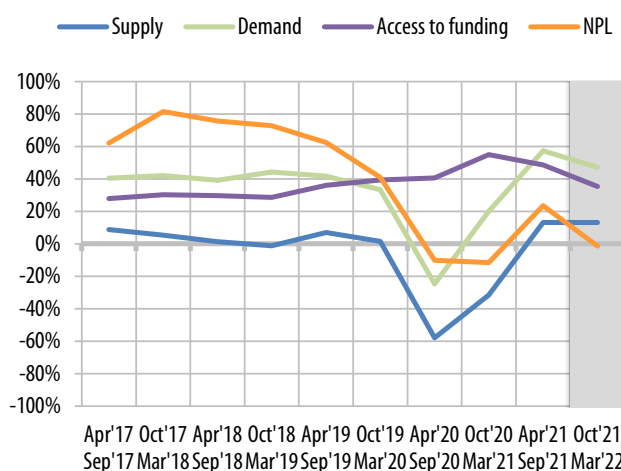
**International banking group strategies and commitment to the CESEE region:** Last year, activities to increase capital saw a significant reduction, with few sales of assets or branches. This trend continued over the last six months. Unwarranted deleveraging has not happened so far, with a generalised stability stance in loan-to-deposit ratios or even expected increases, suggesting the instrumental role of policy responses in limiting abrupt negative effects. Against this backdrop, banking group strategies are tilted towards selective expansion in the CESEE region, and their medium-term assessment of market potential and positioning shows no significant deterioration. Accordingly, the trend in banking exposures to the region was positive over the last six months.

**Local and subsidiary banks in CESEE** reported a robust increase in **demand** for credit across the board and somewhat easing **supply** conditions over the last six months. After contracting sharply in Q2 and Q3 2020, demand for loans and credit lines has continued to rise, accelerating further compared to early 2021. This was supported by working capital needs but also positive housing market prospects, consumer confidence and consumer expenditure needs. Notably, the contribution from investment turned positive again after severe contractions in 2020 and early 2021. Supply conditions eased over the last six months after tightening in 2020 and early 2021. However, whereas household segments of the credit market substantially eased, supply conditions did not ease for companies, particularly SMEs. Many domestic and international factors limited supply conditions last year, but almost no factor was considered a limitation over the last six months: the global market outlook, group non-performing loans (NPLs) and local bank capital were only marginal constraints.

**Access to funding** continued to ease in the CESEE region, supported by corporate and retail funding and by international financial institutions (IFIs).

**Credit quality** started to improve again after mild deterioration in 2020. Nonetheless, this positive rebound is not expected to continue over the next six months, thus signalling a still elevated level of uncertainty.

**Policy response:** Regulatory and policy measures have played a supportive role so far. Notably, public guarantee schemes and central bank liquidity provisions have facilitated credit extensions. Flexibility on the treatment of non-performing loans, various forms of capital relief, adjustments of risk-weights and avoidance of procyclicality under IFRS 9 were also considered paramount by many banks.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages.

Supply/Demand: positive values indicate increasing (easing) demand (supply).

Access to funding: positive values indicate increased access to funding.

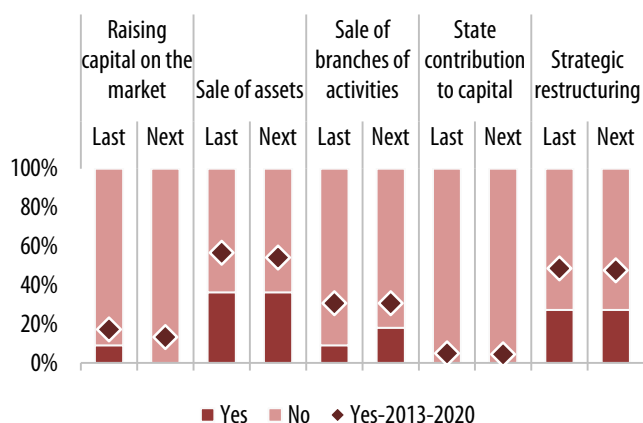
Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

**Last year, activities to increase capital saw a significant reduction, with few sales of assets or branches. This trend continued over the last six months, with roughly 20% of banking groups restructuring activities in their global operations. Overall, unwarranted deleveraging has not happened so far, with banking groups reporting a generalised stability stance in their loan-to-deposit ratios or even expected increases, thus suggesting that policy responses are playing an instrumental role in limiting abrupt negative effects**

The COVID-19 shock triggered a significant decrease in activities to increase capital during 2020. However, in H2 2021, roughly 20% of banking groups continued restructuring activities at the global level to increase group capital ratios; a similar percentage of parent banks expect this process to continue over the next six months (Figure 1). Over the past two years, capital has been raised mainly through asset sales and only marginally from branch sales or on the market. Fewer banks have engaged in these activities compared to long-term trends (i.e. 2013-2020) and also compared to the pre-pandemic year. Moreover, no state interventions on capital have been reported, consistent with recent waves of the survey. Deleveraging at the group level (Figure 2) had already slowed significantly pre-pandemic (since 2017) when assessed against 2013 and 2014 levels. This trend persists in the latest survey: specifically, the share of banks expecting to deleverage is at the lowest level since 2013, with many banking groups reporting a generalised stability stance or even an expected increase in their loan-to-deposit ratios compared to 2020. This also signals that policy responses have been able to limit the most abrupt negative effects so far, thus avoiding unwarranted deleveraging.

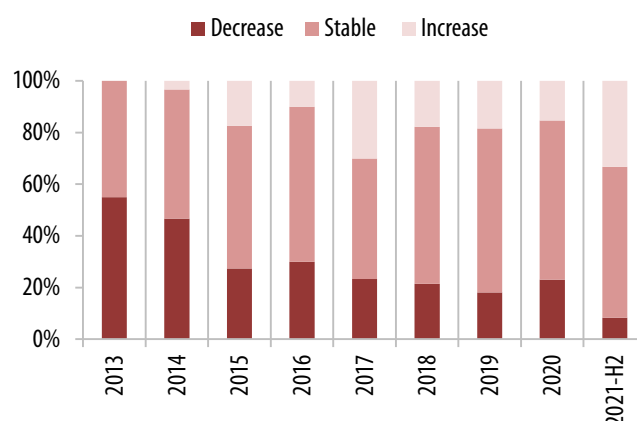
**Figure 1 Strategic operations to increase capital ratio**



Source: EIB, CESEE bank lending survey.

Note: "Last" indicates the past six months (April–September 2021) and "Next" indicates the next six months (October 2021–March 2022). For details, see Question A.Q2 in the Annex.

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



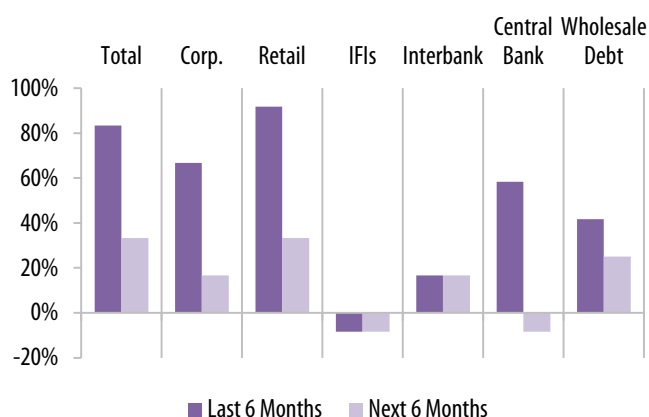
Source: EIB, CESEE bank lending survey.

Note: See Question A.Q4 in the Annex.

**Group-level access to funding continued to ease in H2 2021. The aggregate developments reflect sustained improvements in retail and corporate funding, as well as significant positive contributions from liquidity injections by central banks. In addition, wholesale debt issuance contributed to easing funding conditions.**

Banking groups' global access to funding continued to ease over the last six months. Notably, almost all factors contributed positively, as forecast in the spring 2021 survey. The dynamics detected in the aggregate access to funding figures reflect sustained improvements in retail and corporate funding, as well as significant positive contributions from central banks' liquidity injections (Figure 3a). Contrary to 2020, interbank markets have also been contributing positively, thus signalling further unlocking of liquidity conditions. This suggests that monetary and regulatory policy responses have created buffers against potential stresses deriving from the outbreak and subsequent waves of COVID-19 (see the COVID-19 module on policy responses). Notably, wholesale debt issuance also helped to ease funding conditions. Over the next six months, the trend of easing access to funding is expected to continue (Figure 3b), albeit less robust than in the last six months.

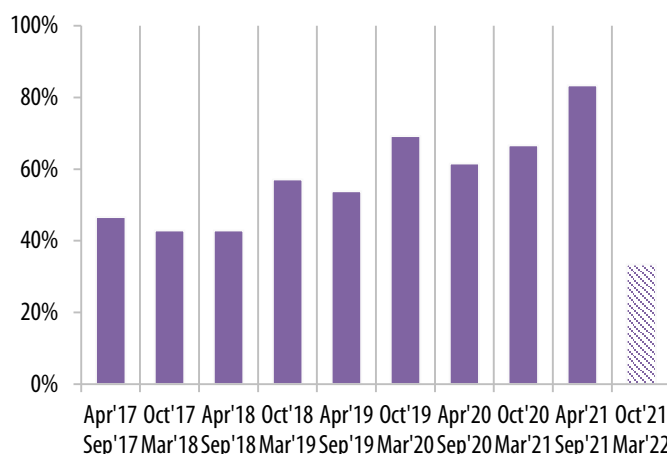
**Figure 3a Access to funding conditions**



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 3b Total access to funding conditions**



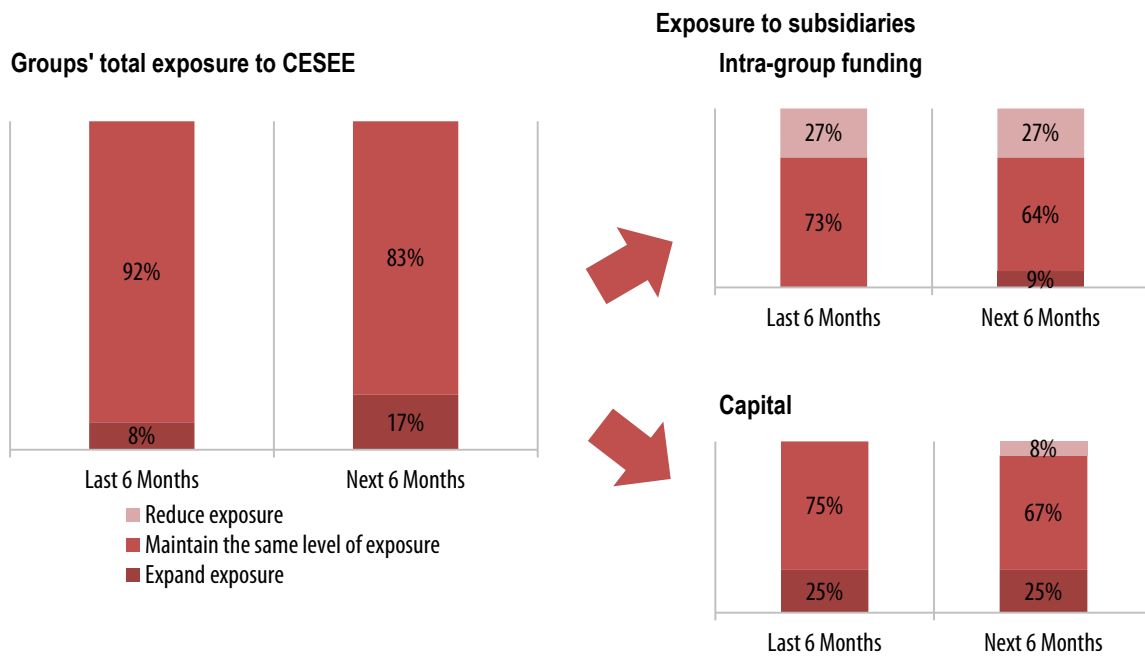
Source: EIB, CESEE bank lending survey.

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

**With economies beginning to recover from the huge COVID-19 shock, the trend in banking exposures to the region was positive over the last six months. Notably, only a few groups signal contraction, and only in terms of intra-group funding. Banking groups also expect an expansion of cross-border exposures over the next six months.**

The trend of total exposure to CESEE was slightly positive over the last six months, with more banks declaring an increase than a reduction in their exposures to the region for the third consecutive survey wave, following the initial sharp and abrupt outflow caused by the COVID-19 shock. Moreover, this positive development is in line with expectations formed in the spring 2021 survey. Before the COVID-19 pandemic, exposures had been oscillating, reflecting an increased level of global uncertainty and volatility. This calls for a cautious approach when interpreting the current outcomes. All parent banks report either maintaining or expanding their capital exposure to subsidiaries, though some marginal reductions were reported for intra-group funding (Figure 4a). Looking at the next six months, the net balance of total exposure to the region is expected to be largely positive (Figure 4b).

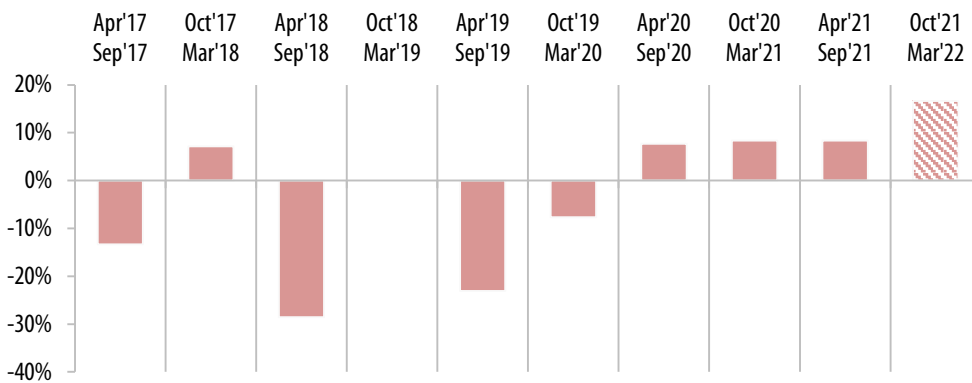
**Figure 4a** Groups' total exposure to CESEE



Source: EIB, CESEE bank lending survey.

Note: These figures cover the cross-border operations of international banks involving CESEE countries. See Question A.Q8 in the Annex.

**Figure 4b** Groups' total exposure to CESEE – net percentages



Source: EIB, CESEE bank lending survey.

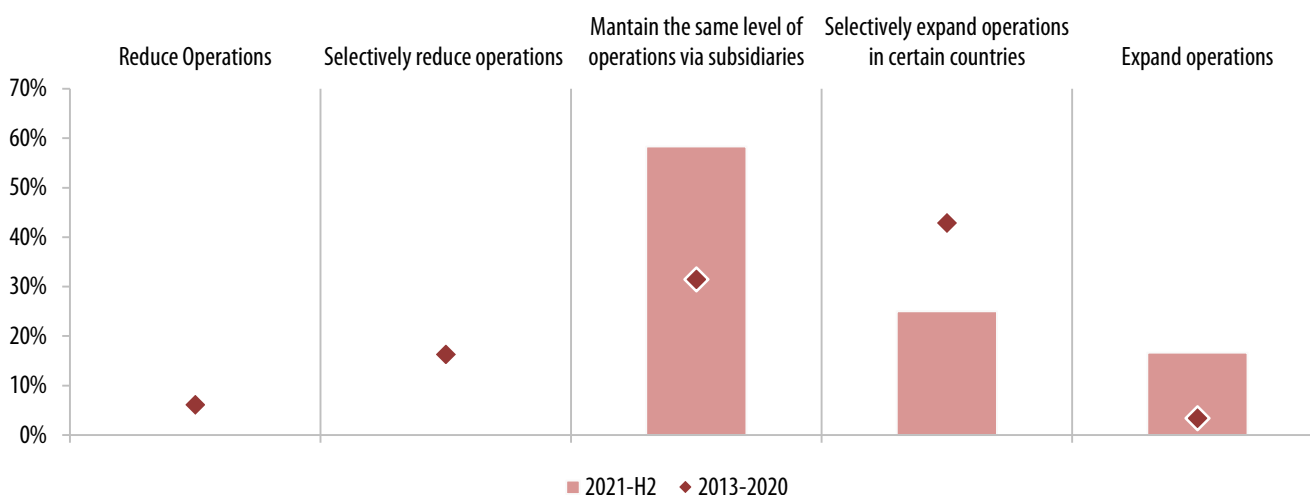
Note: This figure covers the cross-border operations of international banks involving CESEE countries. The chart shows net percentages, with negative values indicating decreasing exposure. See Question A.Q8 in the Annex.

**Banking group strategies are tilted towards expansion or stability in the CESEE region. Overall, the assessments of market prospects show diversified potential and profitability across countries, without significant deterioration compared to the pre-COVID-19 period.**

Cross-border banking groups signal positive strategic intentions towards their regional operations, highlighting full support for their subsidiaries and exposures during 2021. Around 60% of surveyed banking groups intend to maintain operations in the region (Figure 5), while 40% intend to somewhat expand operations. The current stance remains an improvement from a couple of years ago, when an average of 20–30% of banking groups signalled intentions to either reduce or selectively reduce operations. It also suggests that many of the restructuring processes launched in the past have reached completion or are still on hold. The profitability of regional operations fell somewhat last year during the first wave of the COVID-19 pandemic. Over the last six months, however, it is largely considered to have been equal to or higher than the profitability of overall group operations by more than 80% of banking groups, and this situation is expected to continue in the next six months.

At the same time, differences persist in banking groups’ assessments of market potential and positioning for CESEE countries, requiring regular reassessment of their country-by-country strategies. Conversely, the previously detected cross-country heterogeneity has somewhat abated (Annexes A.4 and A.5). Surveyed banks see signs of slightly lower market potential in Bosnia and Herzegovina, but signalled no substantial changes for other countries compared to the spring 2021 survey (see Annex A.8 for data on low market potential). In terms of market positioning, most banks remain comfortable with the scale of their operations in the majority of CESEE markets, although some surveyed banks regard their market positions to be weak in Bosnia and Herzegovina, Hungary, Romania, Serbia, Slovenia and Ukraine (see Annex A.9 for data on weak positioning). Overall, this picture suggests that in many markets there was no negative combined effect of low market potential and weak positioning. Finally yet importantly, the assessed profitability of markets in terms of return on assets (RoA, adjusted for cost of risk) and return on equity (RoE, adjusted for cost of equity) differs across countries (Annexes A.6 and A.7). The percentage of responses indicating low profitability ranges between 20% and 100%.

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



Source: EIB, CESEE bank lending survey.

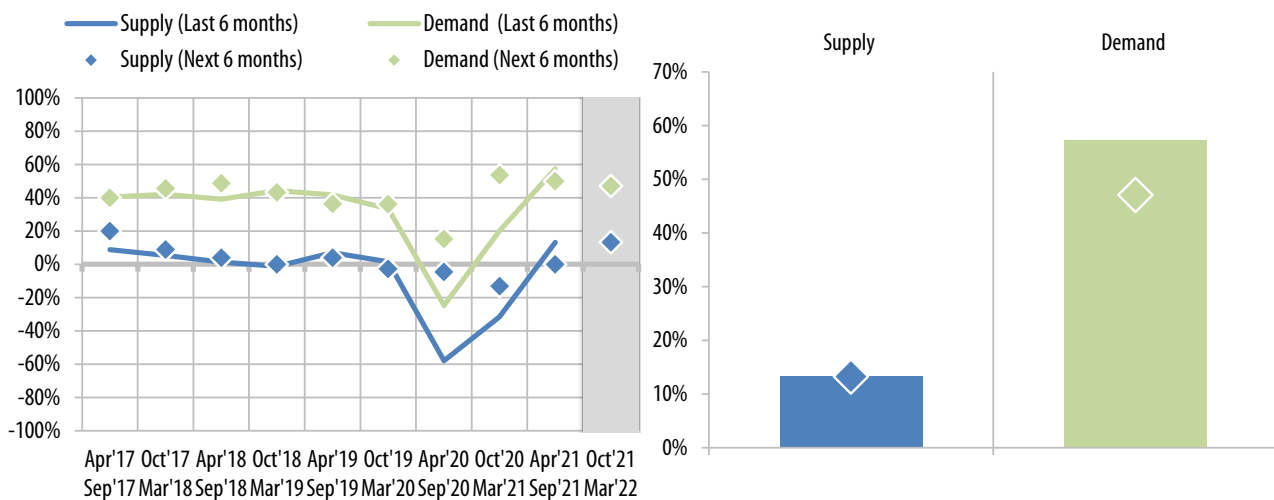
Note: See Question A.Q5 in the Annex.

## Results of the CESEE bank lending survey: Local/subsidiary banks

**Subsidiary and local banks in CESEE report an increase in demand for credit and some easing of supply conditions over the last six months. All demand factors played a positive role, including corporate investments. The easing of credit standards was uneven, with conditions still not changing for SMEs but easing significantly in the household segment.**

After contracting sharply in Q2 and Q3 2020, **demand** for loans and credit lines continued to increase in the last six months (Figure 6) and accelerated further compared to early 2021. This positive trend in demand is also aligned with expectations formulated in the spring 2021 survey. The rise in demand was primarily supported by working capital, together with positive housing market prospects, consumer confidence and consumer expenditure needs (see Annex A.2). Debt restructuring started to make a positive contribution in March/April 2020, having had negligible influence in pre-pandemic years. However, its impact has been decreasing over time. Notably, support for demand from investment loans turned positive again after sharp contractions in 2020 and early 2021. This significant turnaround signals a substantial improvement in the real economic conditions for companies. In the next six months, banks expect further increases in credit demand, supported by all elements but with a strong contribution from fixed investment, thus brightening the outlook.

**Figure 6 Total supply and demand: past, current and expected developments**



Source: EIB, CESEE bank lending survey.

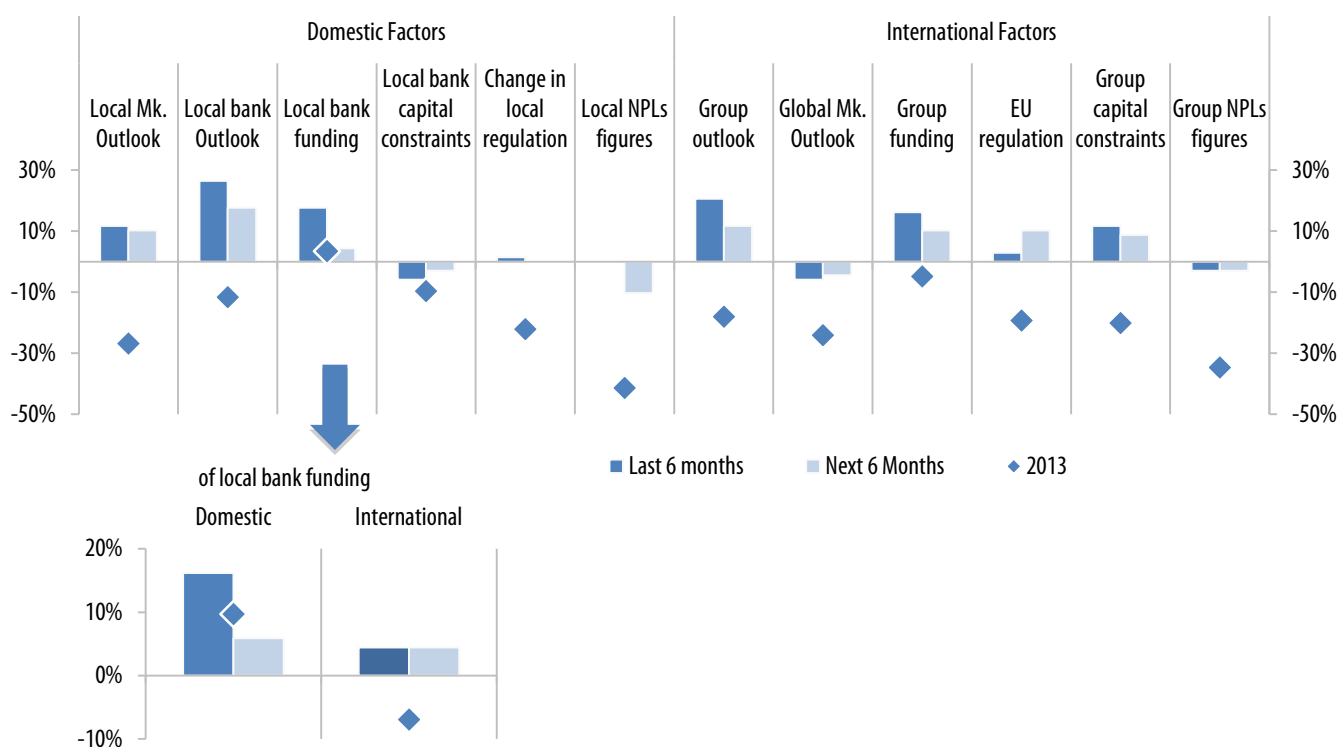
Note: All indicators in net percentages, with positive values indicating increasing (easing) demand (supply). Diamonds represent expectations derived from previous rounds of the survey, solid lines report actual values, and diamonds show expectations in the latest survey. See Questions B.Q1 and B.Q5 in the Annex.

**Supply** conditions (credit standards) eased over the last six months (Figure 6), having tightened in 2020 and early 2021. This is a very positive development. However, the aggregate figures hide divergent assessments of single segments of the market (Annex A.3). Notably, supply conditions eased substantially in the household segment but not at all for corporates and SMEs. Looking at the maturity breakdowns, the easing trend manifested primarily for short-term credit extensions. Aggregate supply conditions are expected to ease further in the next six months, including for large corporates and SMEs. This forecast is supported by the increase in approval rates in the last six months. The terms and conditions of loan supply eased across the board except on collateral requirements, primarily for SMEs.

**Last year, many domestic and international factors limited supply conditions. However, in this survey wave almost no factor still exercises a strong limitation anymore, although the global market outlook, group non-performing loans and local bank capital level appear to be marginal constraints.**

Almost no factor seems to be substantially constraining supply conditions (Figure 7). The number of domestic and international factors limiting supply is lower compared to 2020, when some tightening factors approached the very negative levels recorded in 2012/2013. While capital at the local bank level seems to be a somewhat limiting element, local market and bank outlooks and local funding conditions helped to ease credit standards. Among the international factors, the global market outlook and group non-performing loans were reported as somewhat constraining supply conditions, whereas group outlook, funding and capital conditions have contributed substantially to easing them. In addition, EU regulation is not reported as a constraining element. Looking ahead, almost all factors are expected to make a neutral or positive contribution to supply conditions over the next six months.

**Figure 7 Factors contributing to supply conditions (credit standards)**



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.

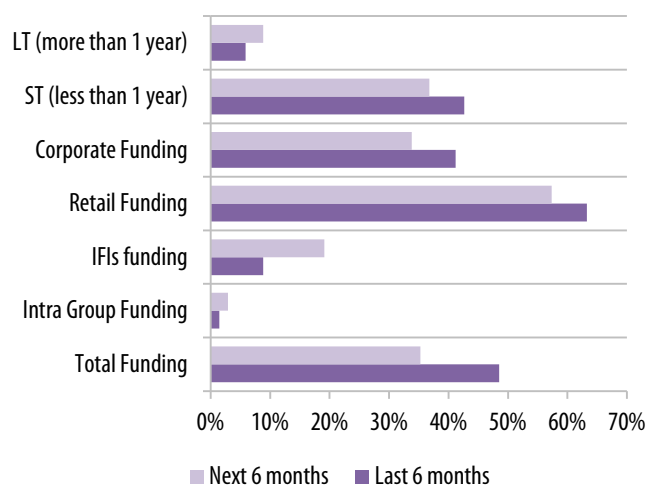
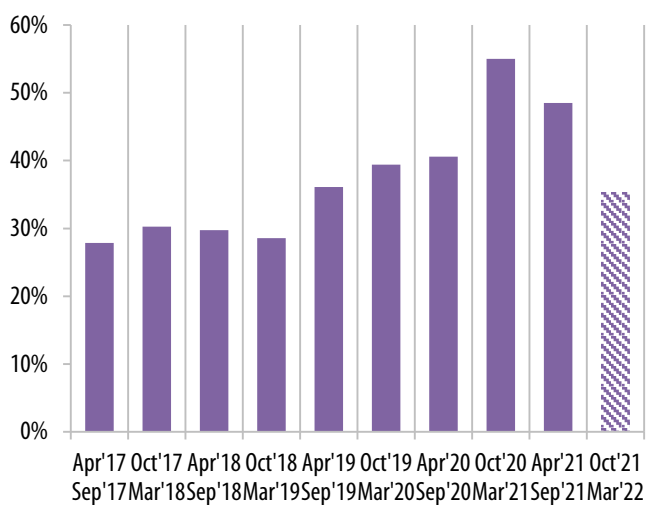
**Access to funding continued to ease in the CESEE region, supported mostly by corporate and retail funding and by international financial institutions.**

Easing access to retail and corporate deposits supports a positive outlook (Figure 8). In addition, CESEE subsidiaries and local banks reported that easier access to short-term funding is making a positive contribution to overall funding activities. IFI funding also contributed positively, while longer-term funding conditions have eased somewhat. Moreover, banks reported a small but positive contribution from access to international and intra-group funding over the last six months.

**Figure 8 Access to funding**

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

B. Breakdown of funding conditions (results from latest survey)



Source: EIB, CESEE bank lending survey.

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

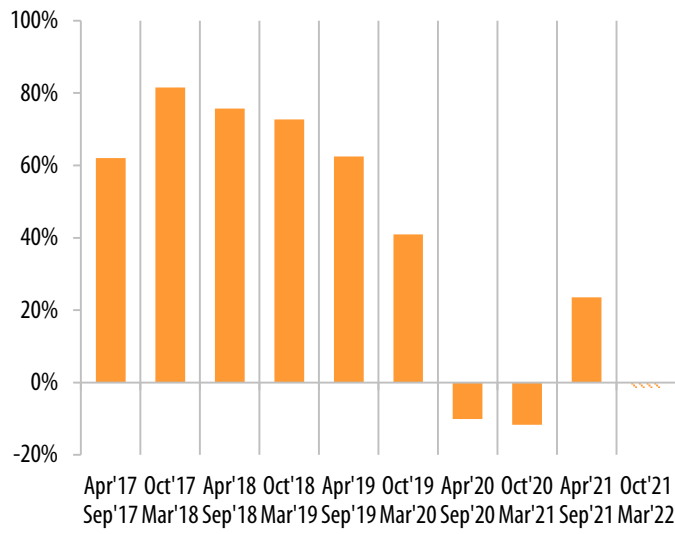
**Credit quality started to improve again after mild deterioration in 2020. Nonetheless, this positive rebound is not expected to continue over the next six months, thus signalling a still elevated level of uncertainty.**

The COVID-19 crisis reversed the positive trend in asset quality improvements, with non-performing loan ratios ceasing to fall after early 2020. Some small but persistent increases in non-performing loans have been recorded in previous survey waves. More positively, however, non-performing loan ratios improved at the regional level over the last six months (Figure 9), both in the corporate and retail segments. This suggests that policy responses and banks' strategic adjustments may have played a mitigating role. Conversely, non-performing loan ratios are not expected to improve further over the next six months, thus signalling that elevated uncertainty persists. In absolute terms, the share of subsidiaries indicating an increase in their non-performing loan ratios currently stands at roughly 22%, much lower than the 43% recorded six months ago and very different from the 65% of banks that forecast an increase in non-performing loans in the spring 2021 survey.



**Figure 9 Non-performing loan ratios**

Developments over time



Autumn 2021 survey wave



Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

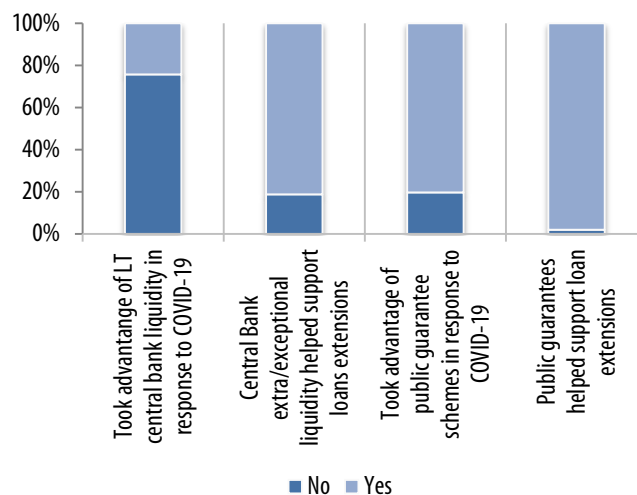
COVID-19 module

Regulatory and policy measures supporting lending

Banks operating in the region reported that regulatory and policy measures to support lending have played a significant positive role. Notably, banks that took advantage of public guarantee schemes indicate that these have been very effective in supporting loan extensions (Figure 1) — a recurrent finding over the last three survey waves. Those banks taking advantage of central bank refinancing operations consider that these facilities have supported credit conditions. Among the set of regulatory and policy measures, some seem to have been more active than others in supporting lending to the economy (Figure 2). In particular, flexibility on non-performing loan treatment is deemed very supportive. Various forms of capital relief measures, including the release of regulatory buffers, have also contributed significantly, as have the adjustment of risk-weights and avoidance of procyclicality under IFRS 9.

Figure 1

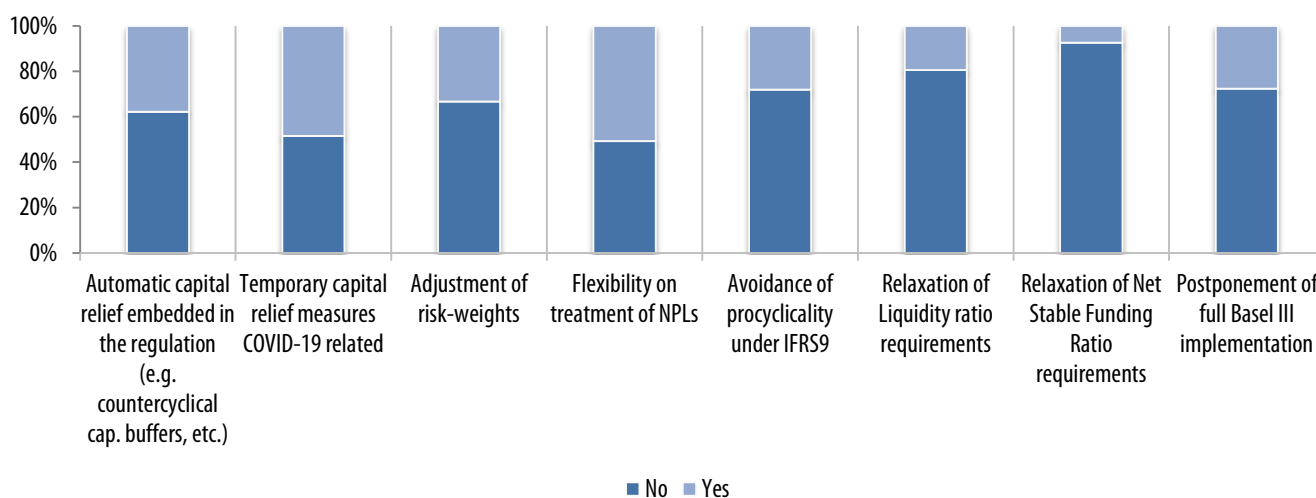
Uptake and impact on lending of the central bank’s liquidity facilities and government interventions in terms of public guarantees



Source: EIB, CESEE bank lending survey.

Figure 2

Did the following regulatory and policy measures help to support/maintain lending to the economy?

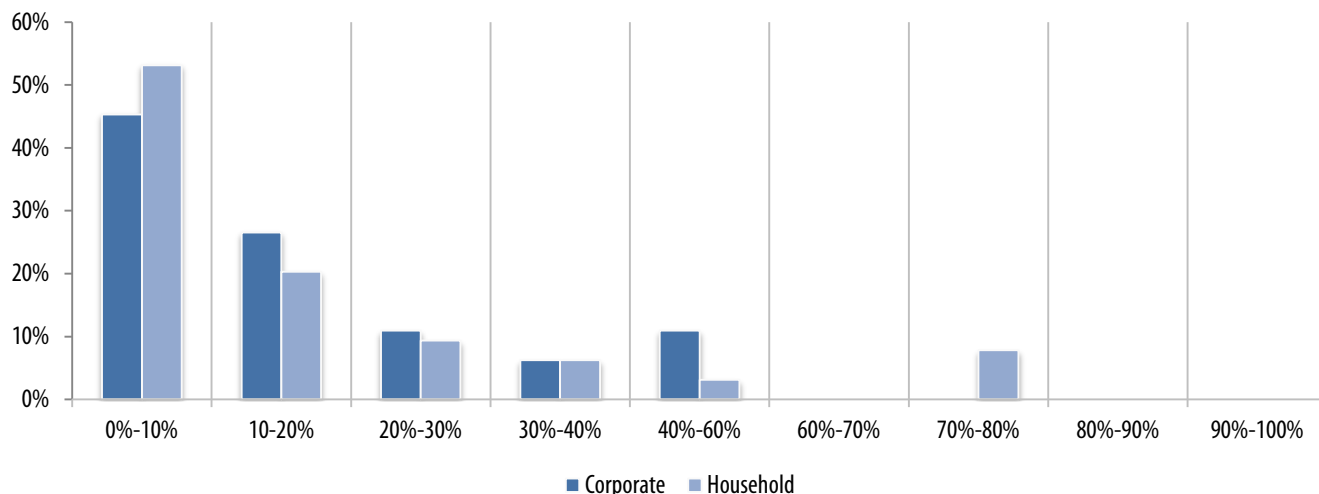


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

Many countries and banks in the region have implemented moratoria measures in response to the COVID-19 shock. Participation levels vary across CESEE. About 50% of banks indicate that moratoria affected 0–10% of outstanding portfolios, while another 35% of banks indicate that 10–20% of outstanding portfolios are affected. For the remaining 15% of banks, moratoria covered between 20% and 70% of total outstanding portfolios. Notably, compared to the autumn 2021 survey, the extent of portfolios covered by moratoria has decreased significantly.

**Figure 3 Outstanding loan portfolio covered by moratoria and share of banks**



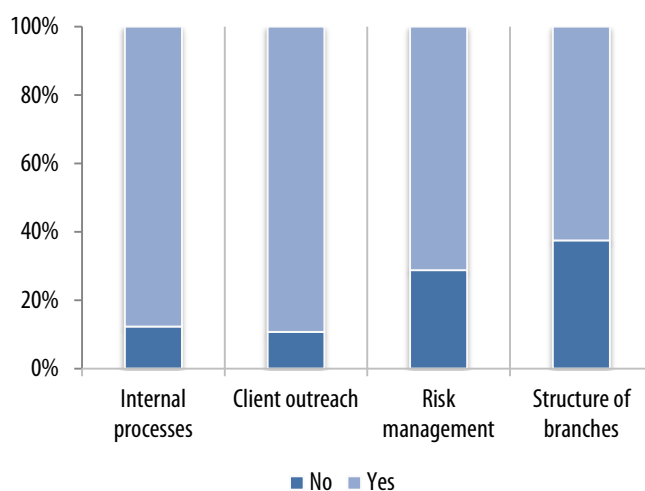
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares of the loan portfolio in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

Banks continue to accelerate digitalisation processes in response to COVID-19. Specifically, banks reported speeding up the implementation of digitalisation strategies to increase client outreach, restructure internal processes and improve risk management. In this context, digitalisation is also expected to impact the structure of bank branches.

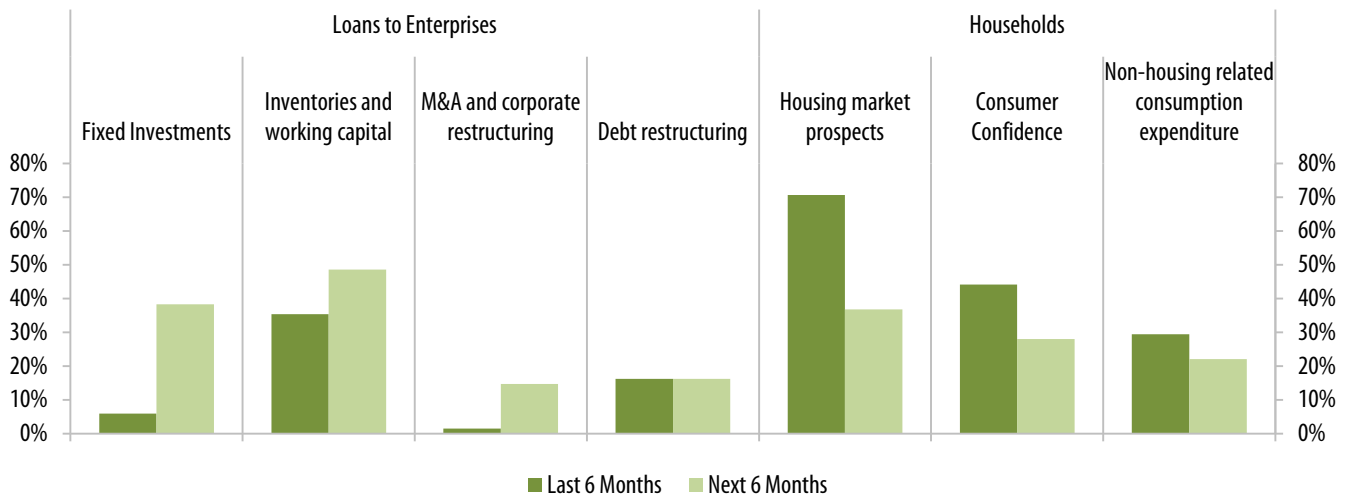
**Figure 4 Did COVID-19 increase the propensity to accelerate aspects of digitalisation?**



Source: EIB, CESEE bank lending survey.

## Annex

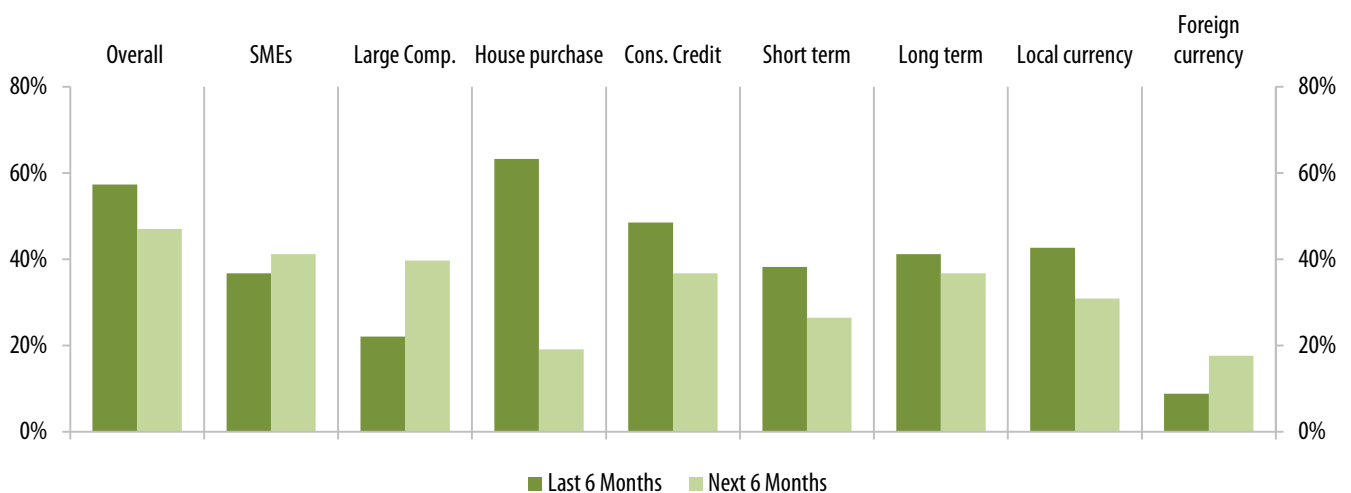
### Annex A.1 Factors affecting demand for credit



Source: EIB, CESEE bank lending survey.

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

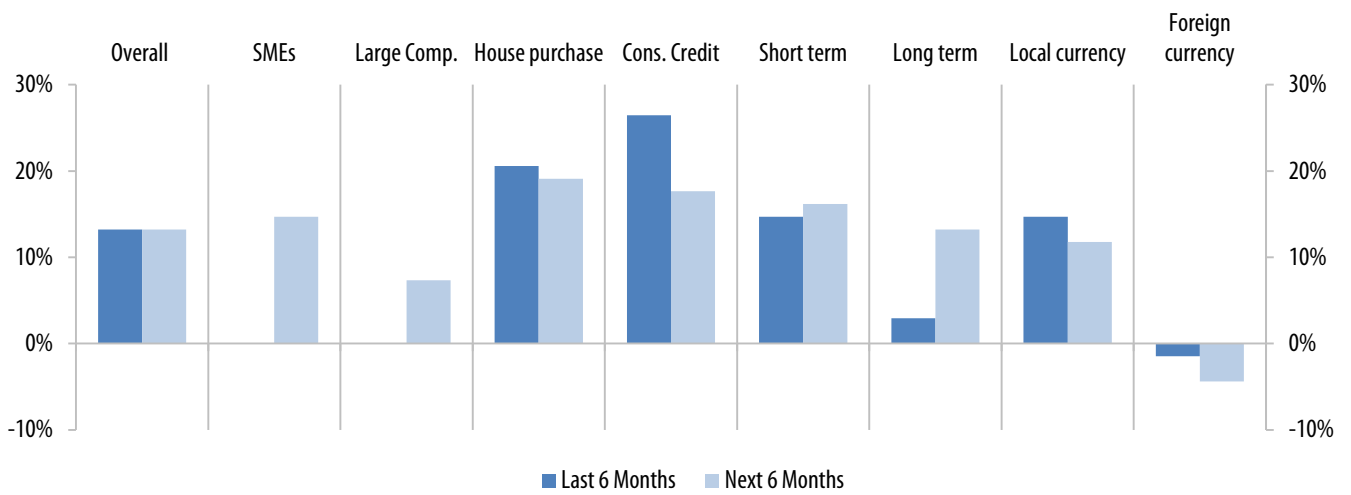
### Annex A.2 Demand for loans or credit lines – client breakdown



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.

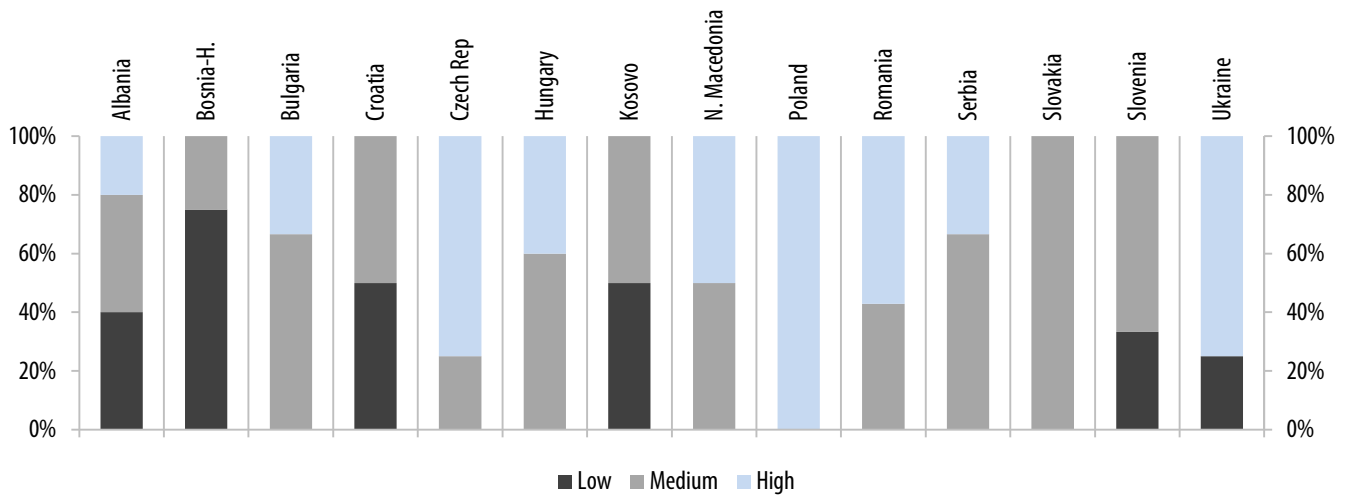
**Annex A.3 Credit supply (credit standards) – client breakdown**



Source: EIB, CESEE bank lending survey.

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

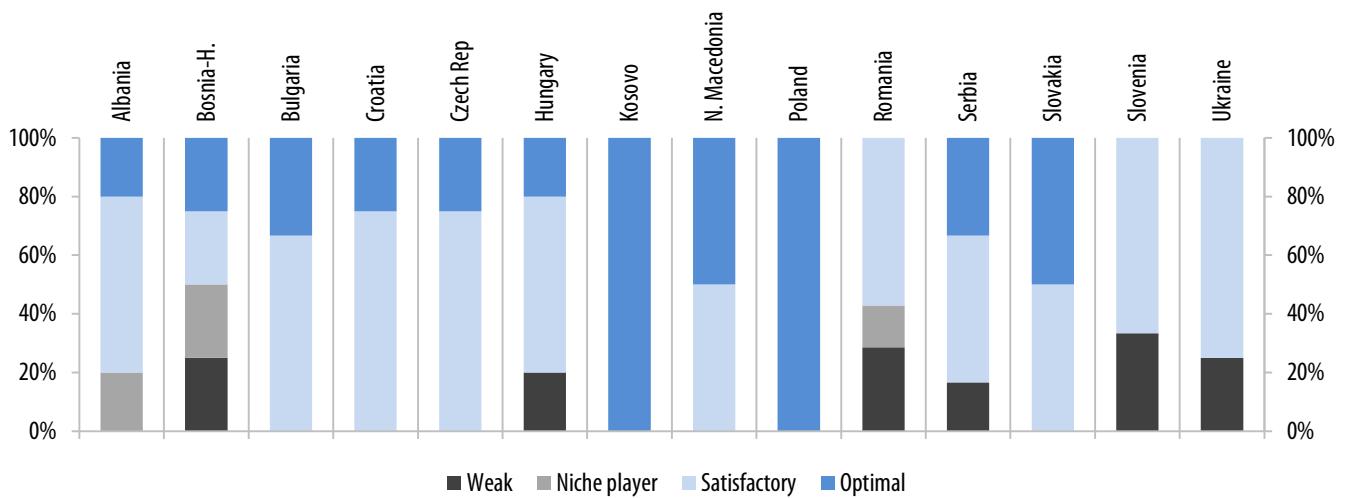
### Annex A.4 Market potential (by country of operations)



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.

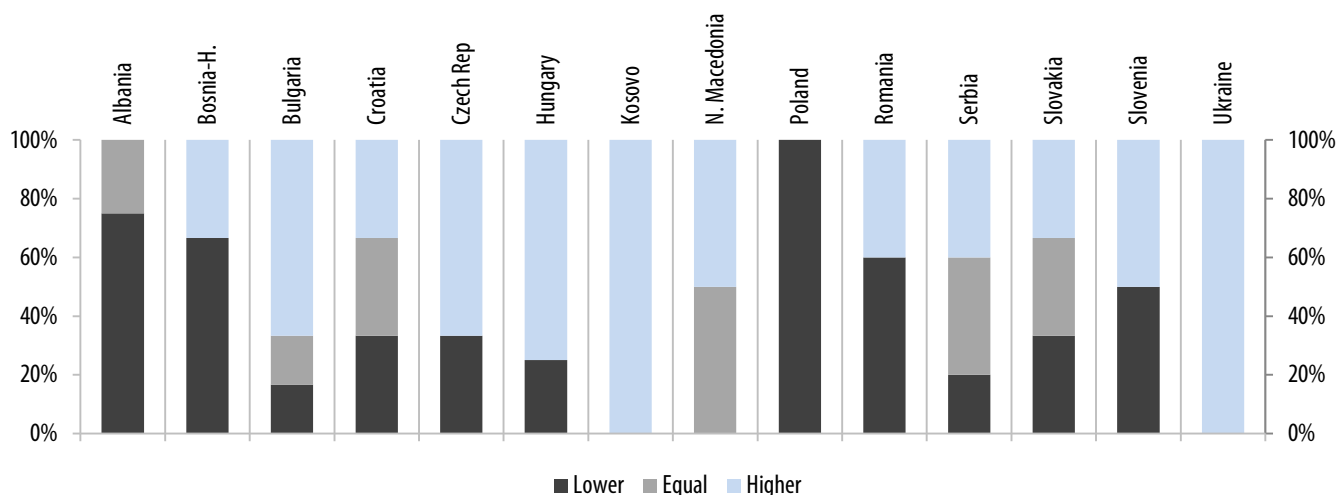
### Annex A.5 Market positioning (by country of operations)



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.

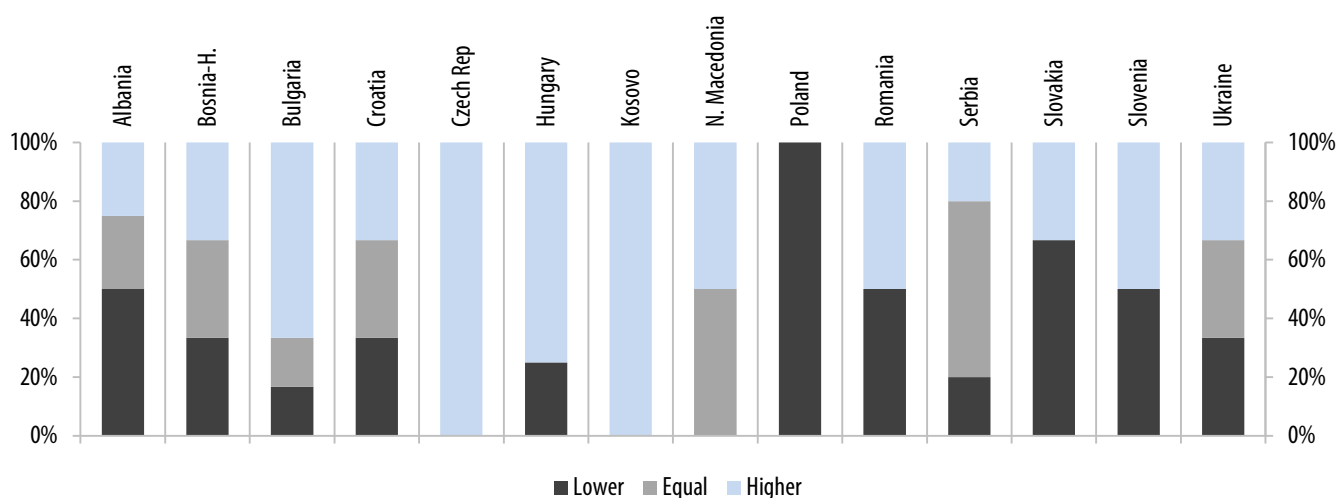
### Annex A.6 Return on assets (adjusted for cost of risk) in CESEE country compared to overall group operations



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.

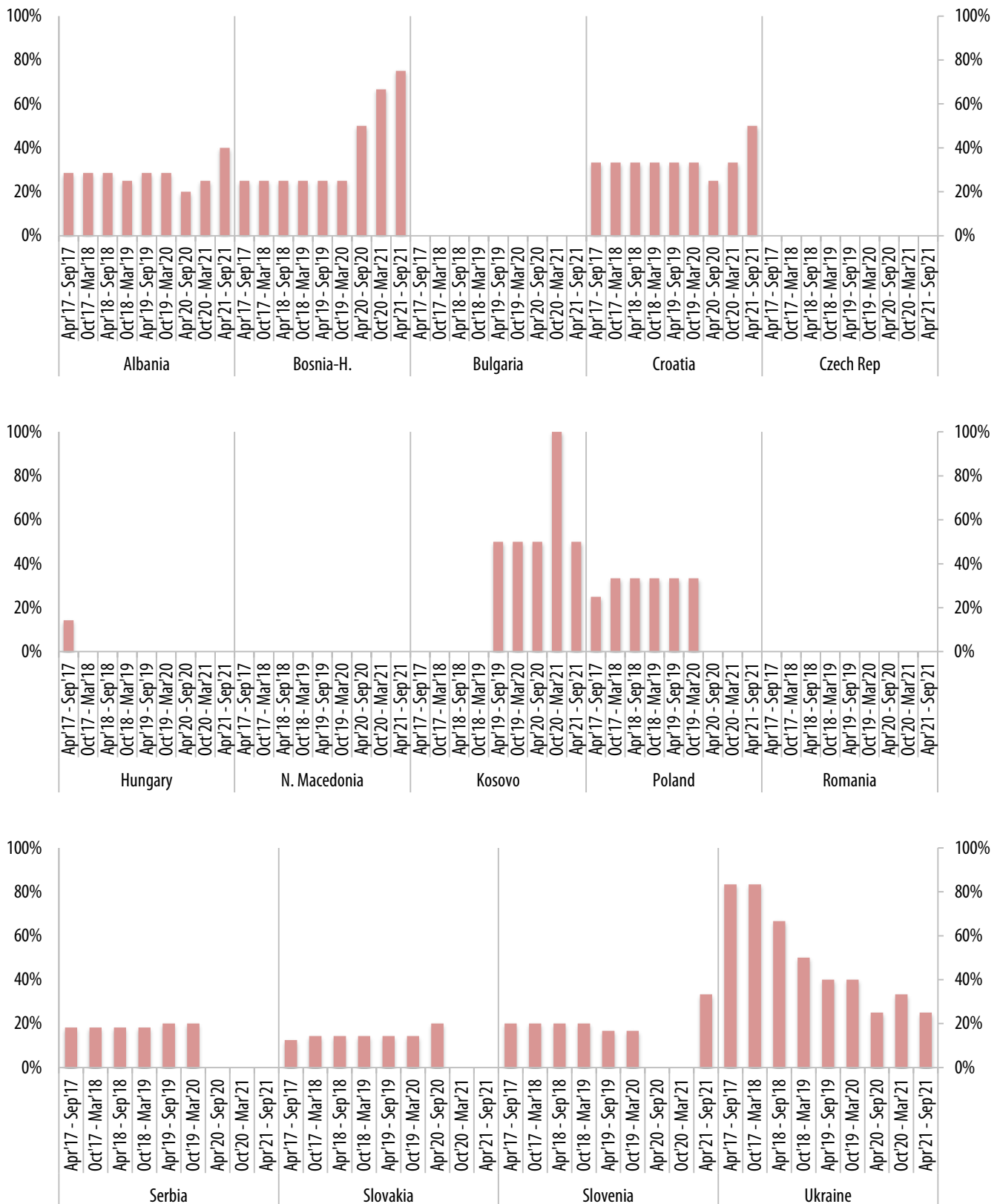
### Annex A.7 Return on equity (adjusted for cost of equity) in CESEE country compared to overall group RoE



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.

**Annex A.8 Percentage of parent banks indicating “low” market potential (by country of operations)**



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.



### Annex A.9 Percentage of parent banks indicating “weak” or “niche” market positioning (by country of operations)



Source: EIB, CESEE bank lending survey.

Note: See Question A.Q1 in the Annex.



# Albania

**Credit demand recovered sharply to exceed the regional average, while supply conditions show signs of softening for the first time in three years. Expectations for the next six months indicate continuing recovery on both the demand and supply sides amid improving access to funding and further lowering of non-performing loans.**

## Summary

**Group assessment of positioning and market potential:** The large majority of international banking groups reported lower profitability for Albanian operations than for overall group operations, placing Albania below other CESEE countries. Still, over half of parent banks considered the Albanian market to have medium or high potential.

**Credit demand** in Albania continued to recover following the COVID-19 outbreak, exceeding the regional average. Demand increased for all types of loans except for large corporations.

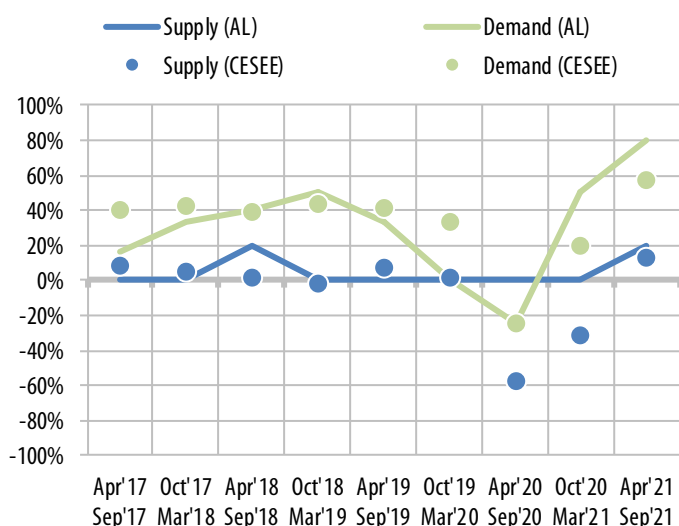
**Credit supply** conditions eased slightly, surpassing the neutral trend in the wider region. The approval rate for loan applications increased during the last six months for all types of loans except consumer credit.

**Access to funding** in Albania continued to improve, mainly driven by better access to local retail and corporate deposits, together with a positive contribution from international financial institutions.

**Non-performing loan ratios** continued to improve in both the corporate and retail segments during the last six months, and further improvement is expected over the next six months.

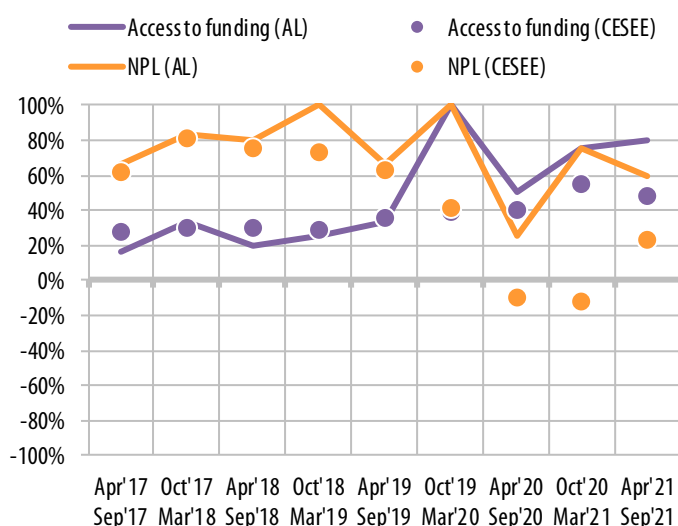
**COVID-19 measures:** Local banks reported that guarantee programmes and flexibility in the treatment of non-performing loans have been most helpful in maintaining credit during the pandemic shock.

For most banks, **moratoria** on interest payments and capital repayments are affecting between 0% and 60% of corporate portfolios but no more than 30% of household portfolios.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

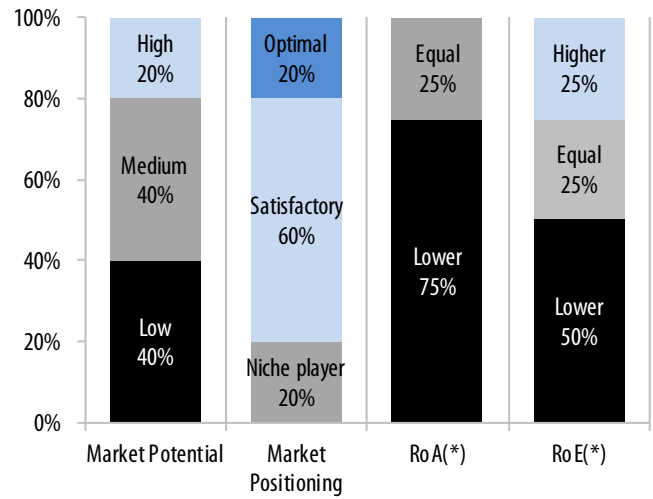
## Results of the CESEE bank lending survey: Parent banks

Bank profitability improved slightly during the last six months, but Albania remained one of the worst performers on this measure in the region.

Albanian operations had a lower return on assets compared to overall group operations for 75% of international banking groups. This compares poorly with the CESEE aggregate — 55% of parent banks reported above-group-level profitability from operations in CESEE countries.

Nonetheless, 60% of parent banks consider the Albanian market to have medium or high potential, and 80% regard their market positioning in the country as satisfactory or optimal.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

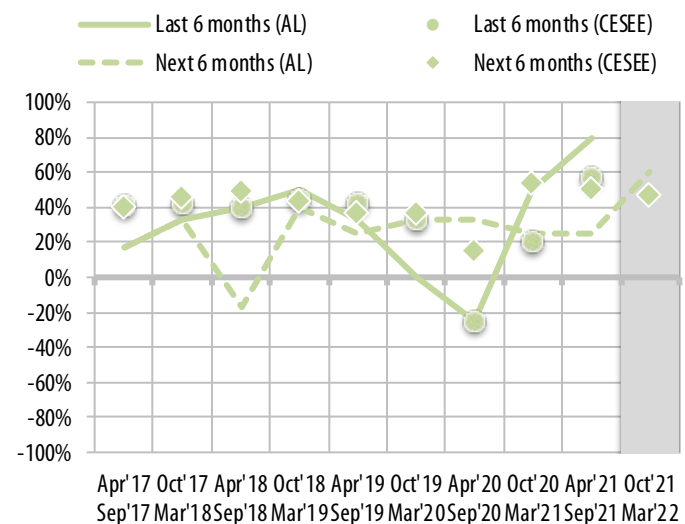
Note: RoA: return on assets (adjusted for cost of risk) of local banks compared to overall group operations; RoE: return on equity (adjusted for cost of equity) of local banks compared to overall group RoE. See Question A.Q1 in the Annex.

## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Demand for loans in Albania recovered above expectations and exceeded the regional average for the period following the COVID-19 shock. Continuing recovery is expected over the next six months.

**Figure 2** Demand side developments

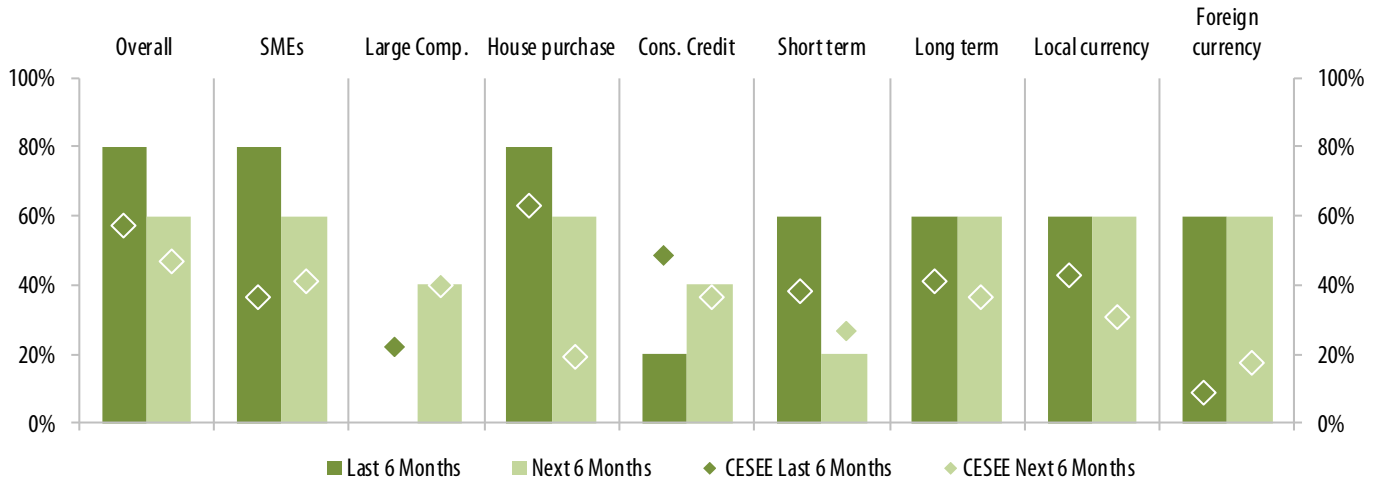


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 in every segment except large corporations. SME borrowing and mortgage loans are leading the rise in demand, exceeding regional averages. Demand is expected to continue increasing over the next six months, albeit at a slightly slower pace.

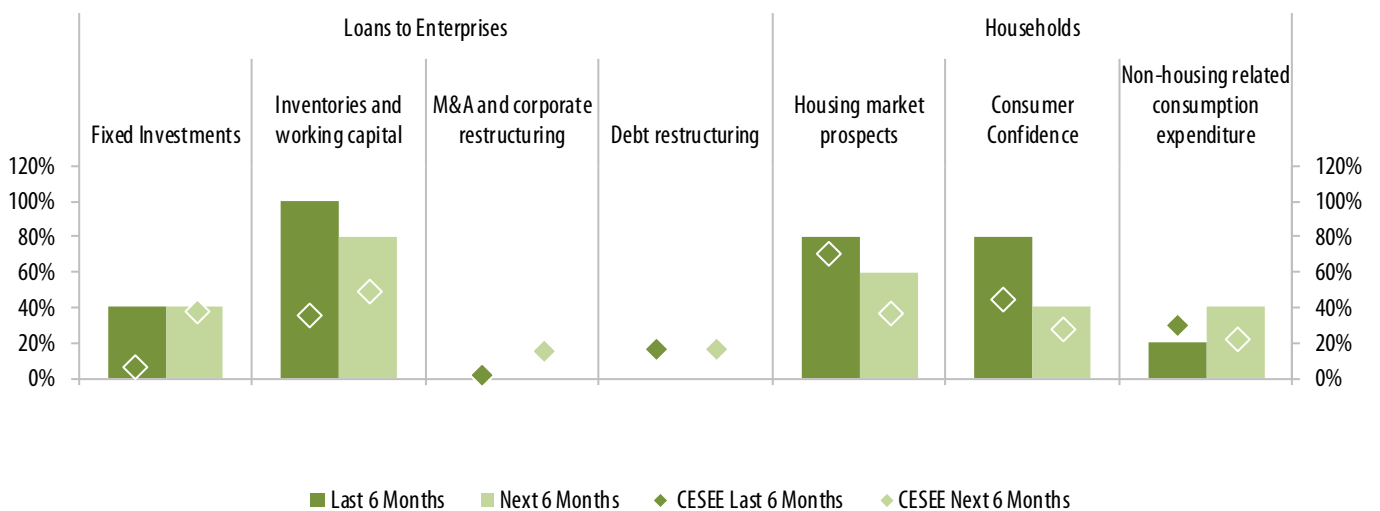


Source: EIB, CESEE bank lending survey.

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

**Figure 4 Factors affecting loan demand**

Working capital needs made the strongest contribution to demand for loans, while fixed investments and all household factors also contributed positively. Corporate and debt restructuring each had a neutral impact; this is expected to persist for the next six months.

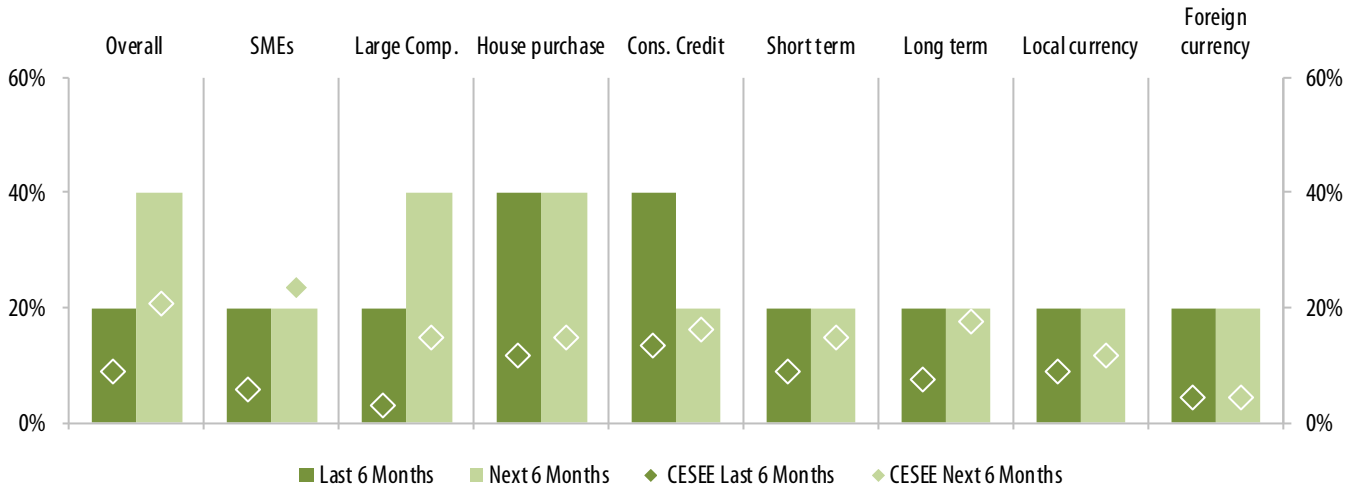


Source: EIB, CESEE bank lending survey.

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**

Already exceeding regional averages, the perceived quality of loan applications improved during the last six months for households and corporations. Further improvements are expected for the next six months in all segments but especially for large corporations and mortgage loans.



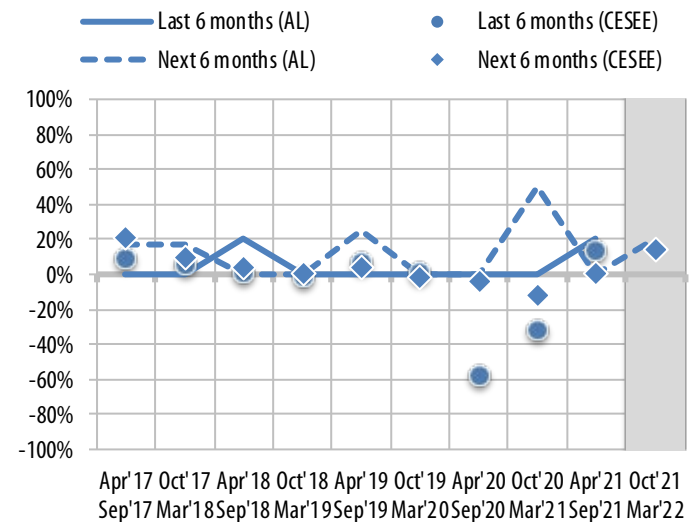
Source: EIB, CESEE bank lending survey.

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

**Aggregate supply developments**

Credit standards in Albania started to soften for the first time in three years, while remaining neutral in the wider region. Further softening is expected for the next six months, both in Albania and the CESEE aggregate.

**Figure 6 Supply developments**

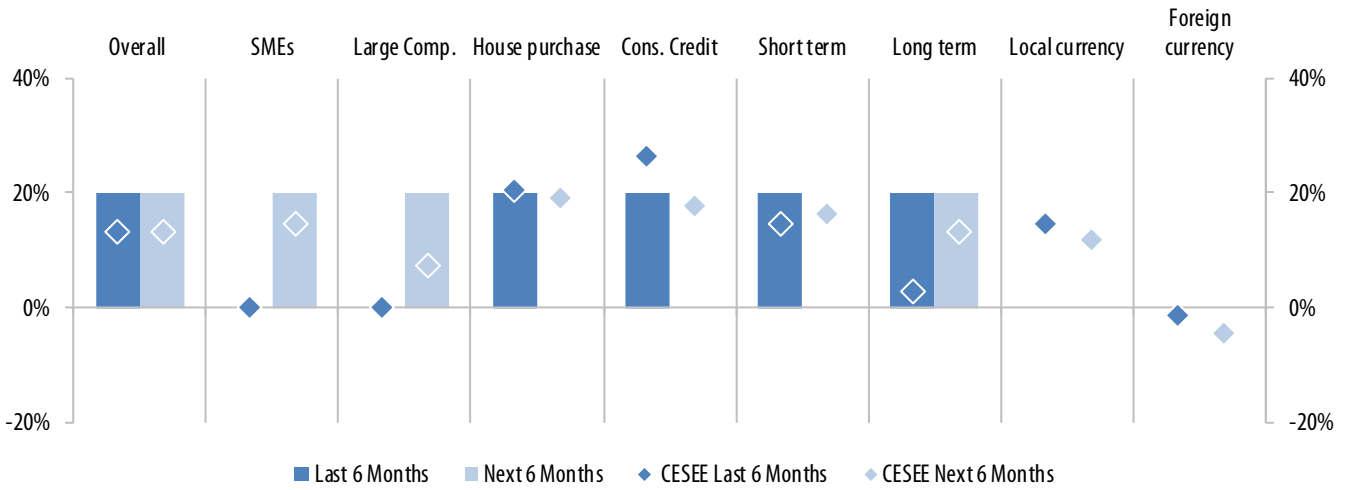


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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**

Overall credit supply conditions eased, driven by the easing for household loans. A loosening of conditions for large corporations and SMEs is expected during the next six months.

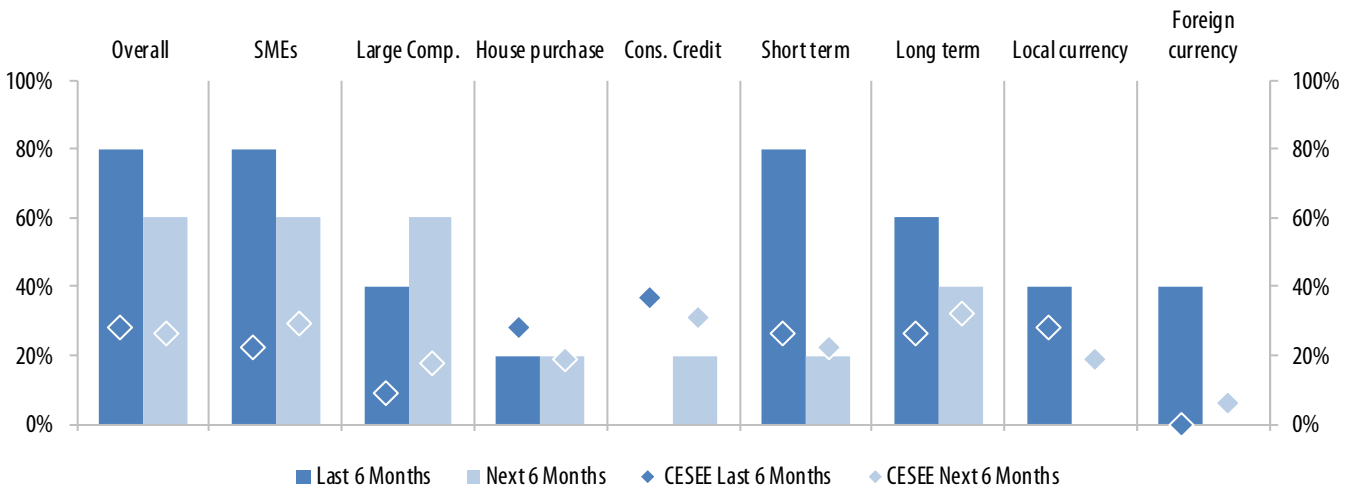


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications**

The approval rate increased during the last six months for every segment except consumer credit. The highest increase in approval rates was for loans to SMEs.



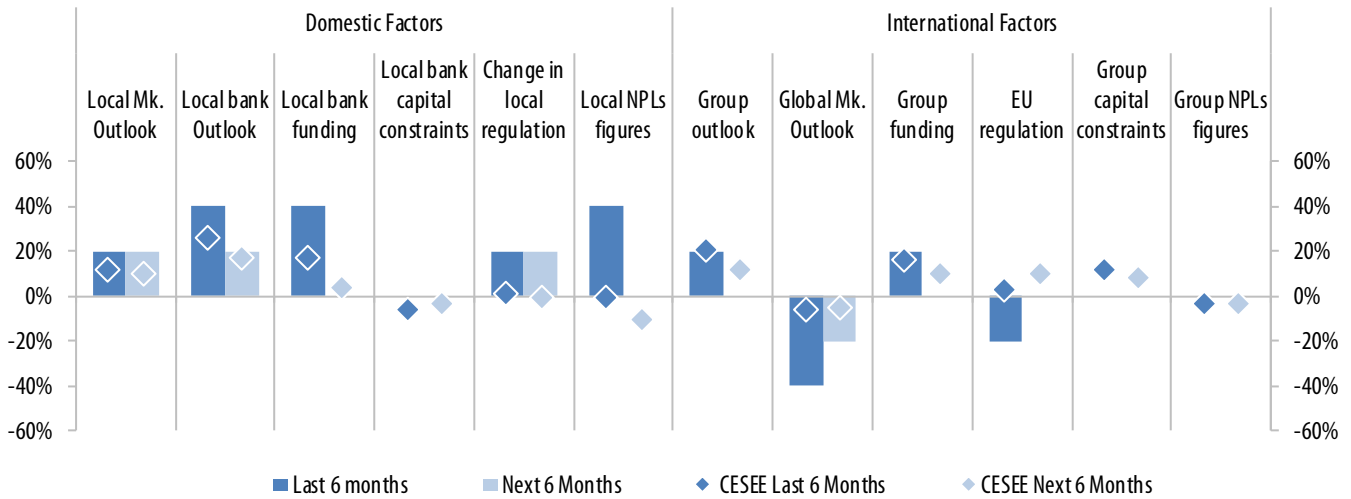
Source: EIB, CESEE bank lending survey

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**

All domestic factors contributed positively to supply conditions except for local bank capital constraints, which made a neutral contribution.

Of the international factors, global market outlook and EU regulation continued to contribute negatively whereas group outlook and group funding made a positive contribution to 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**

The cleaning-up of bank portfolios continued for the corporate and retail segments over the last six months. Deterioration in non-performing loans has not yet become visible, thanks also to crisis relief measures such as loan moratoria and the postponement of more stringent measures for reclassified loans to 2022. This might explain why local banks in Albania expect non-performing loan ratios to continue falling, compared to the stagnation expected in the wider region.

Although the total non-performing loan ratio in Albania is decreasing, it remains the highest in CESEE, at slightly above 7% in mid-2021.



Source: EIB, CESEE bank lending survey.

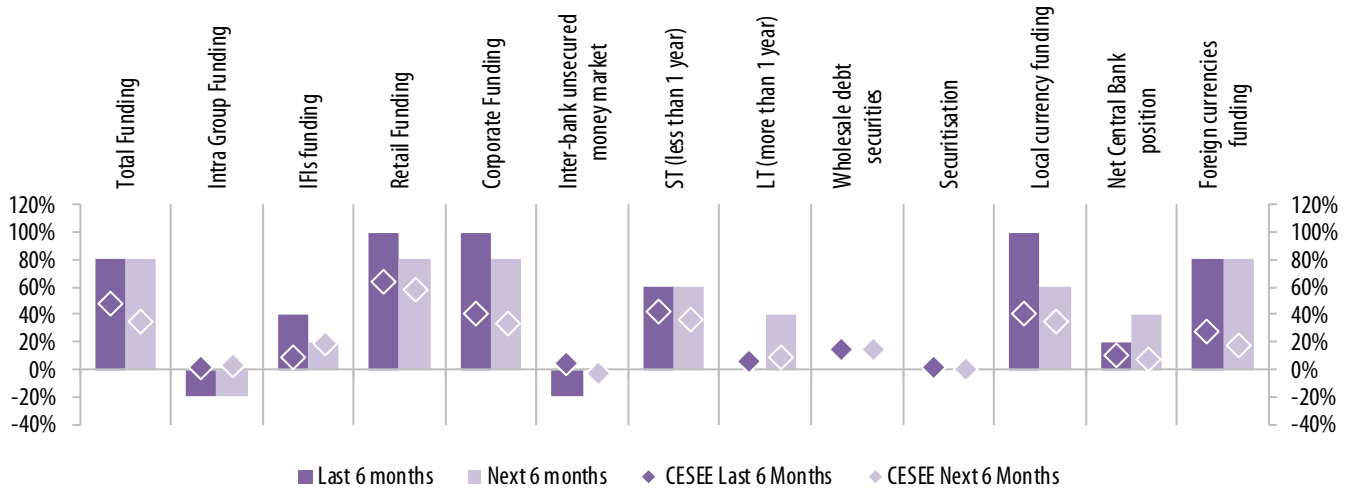
Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.



**Figure 11 Access to funding**

Bank funding in Albania continued to improve in the last six months, mainly supported by domestic retail and corporate deposits but also helped by IFI funding. By contrast, access to intra-group funding and inter-bank funding continued to deteriorate.

Further improvements in funding are expected for the next six months, driven by retail and corporate savings and IFI funding.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

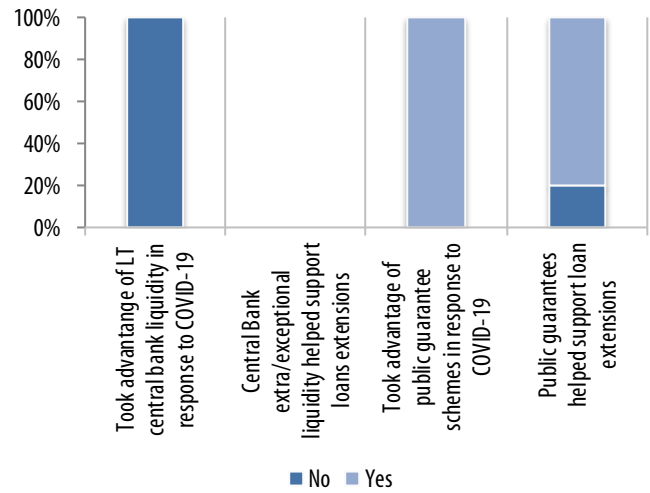
**Regulatory and policy measures supporting lending**

All participating Albanian banks took advantage of the public guarantee schemes launched in response to the COVID-19 pandemic. Most respondents (80%) believe that the public guarantees helped to support loan extensions.

Regarding the impact of various regulatory measures, Albanian banks believe that only the flexibility on non-performing loan treatment helped to maintain lending during the pandemic.

**Figure 12**

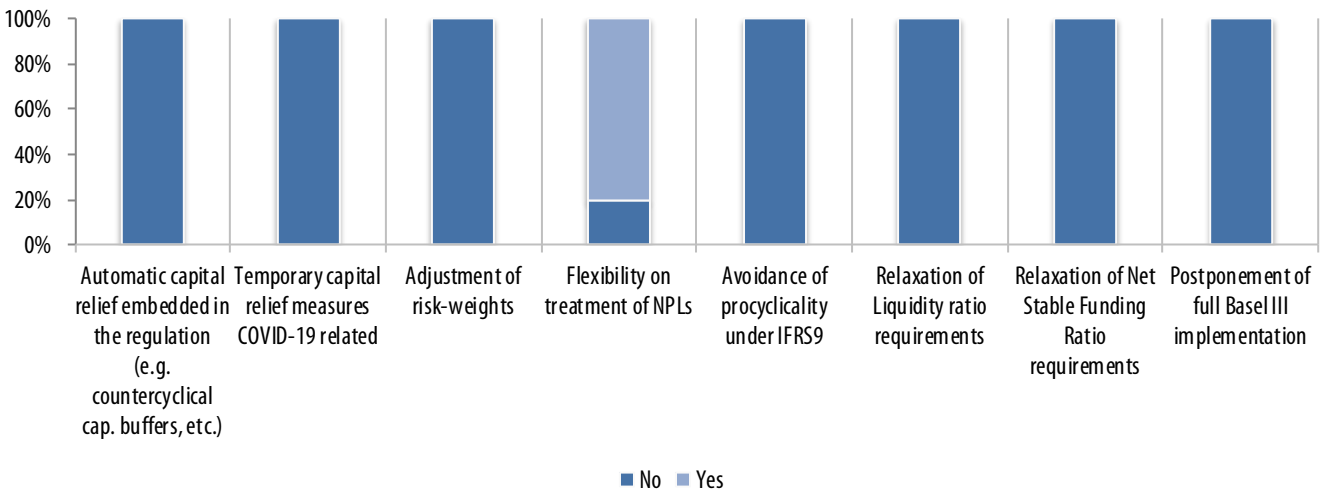
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**

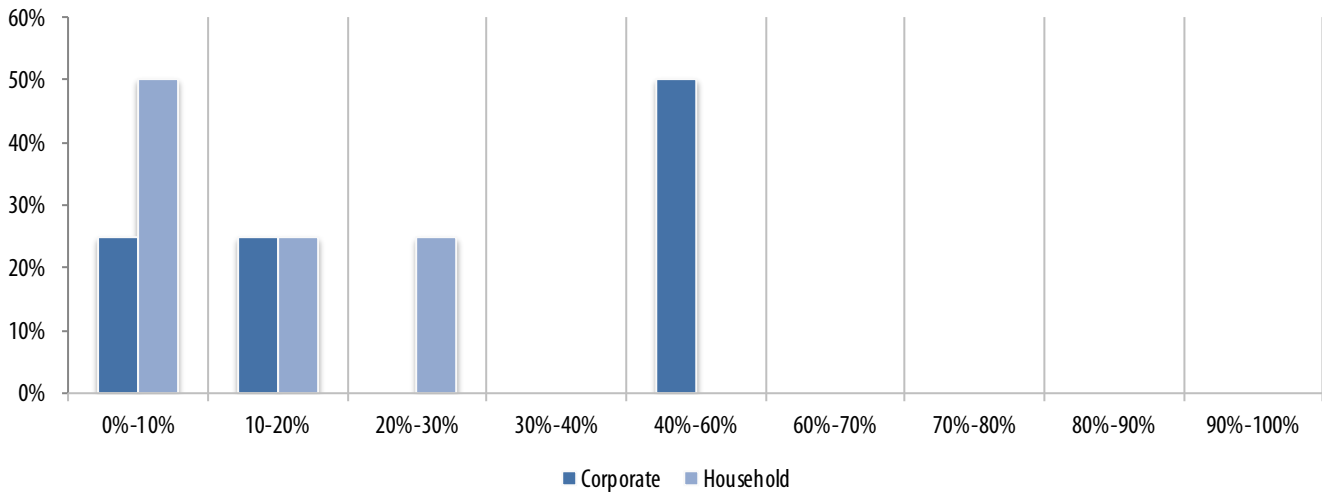


Source: EIB, CESEE bank lending survey.

**Moratoria incidence and uptake**

For most Albanian banks, moratoria on interest payments and capital repayments affect between 0% and 60% of the corporate loan portfolio but no more than 30% of the household loan portfolio.

**Figure 14 Percentage of outstanding loan portfolio covered by moratoria**



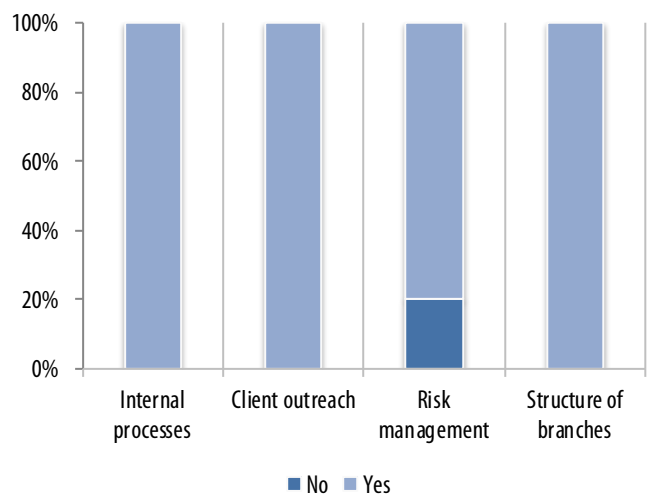
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

**Impact on strategic priorities in terms of digitalisation**

The COVID-19 pandemic pushed local banks to prioritise digitalisation. All banks reported increased digitalisation efforts for internal processes, client outreach and branch structure. Additionally, 80% of banks have pursued faster digitalisation in risk management.

**Figure 15 Did COVID-19 increase the propensity to accelerate aspects of digitalisation?**



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Bosnia and Herzegovina

**Credit conditions show signs of softening after the strong tightening amid the COVID-19 shock. However, credit demand returned to a negative trend during the last six months. For a large majority of parent banks, the Bosnian market has low potential.**

## Summary

**Group assessment of positioning and market potential:** The market potential of Bosnia and Herzegovina is considered as low by 75% of parent banks and this is also reflected in relatively low profitability compared to group operations.

**Credit demand** returned to a negative trend during the last six months, driven mainly by the lower demand for corporate loans. The quality of loan applications stayed neutral overall but deteriorated for SMEs and consumer credit.

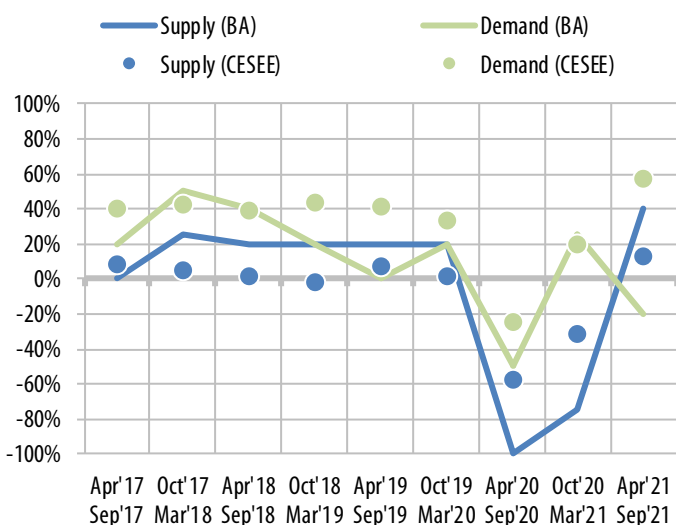
**Credit supply** conditions started to ease during the last six months, after widespread tightening following the COVID-19 outbreak. Bank loan approval rates increased for households but remained unchanged for corporations.

**Access to funding** remained unchanged overall, although improved access was reported for retail, corporate, intra-group and IFI funding.

**Non-performing loan ratios** remained unchanged during the last six months, after a one-year deterioration.

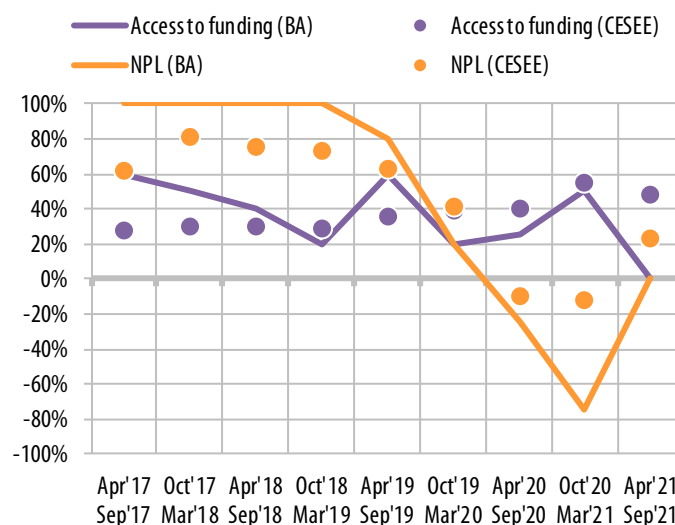
**COVID-19 measures:** Local banks in particular endorsed the benefits of avoiding procyclicality under IFRS 9, the relaxation of liquidity ratio requirements and flexibility on non-performing loan treatment. About 50% of banks also say that automatic and temporary capital relief measures helped support the credit supply.

**Moratoria** affect 0–40% of the corporate loan portfolio but no more than 10% of the household loan portfolio of local banks.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

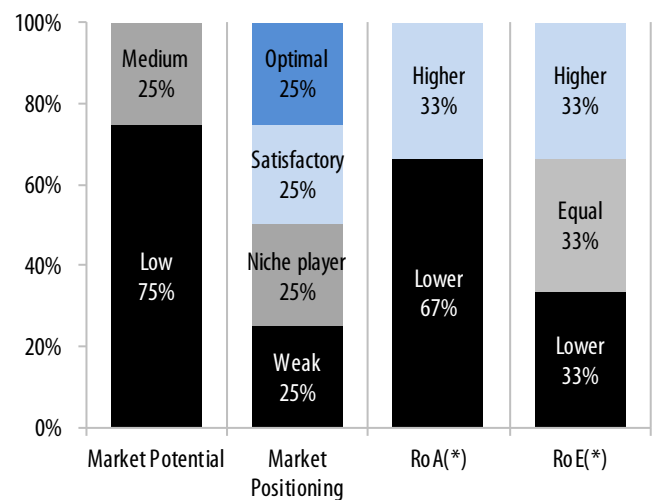
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

The market potential of Bosnia and Herzegovina is rated as low by 75% of parent banks, while 67% reported that profitability in the local market is lower than for the overall group in terms of return on assets. Moreover, 50% of parent banks consider their market positioning in Bosnia and Herzegovina as weak or niche.

In terms of market potential, Bosnia and Herzegovina's rating is the worst in CESEE.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

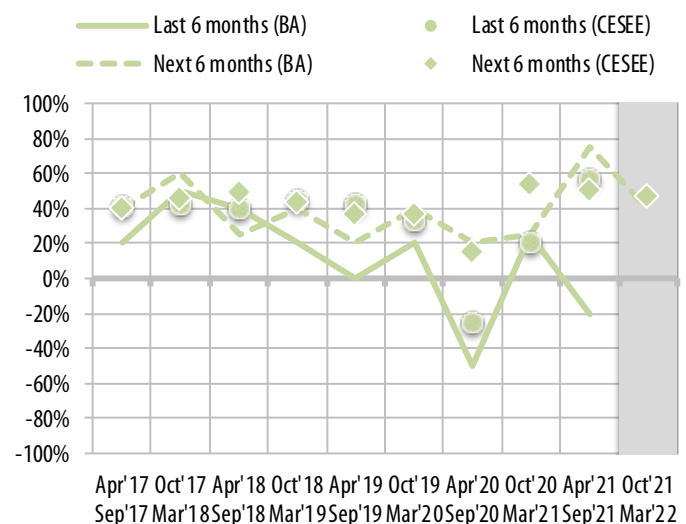
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Demand for credit in the country returned to a negative trend during the last six months, in contrast to continuous recovery in the region.

A return to increasing demand is expected for the next six months, in line with the regional trend.

**Figure 2** Demand side developments

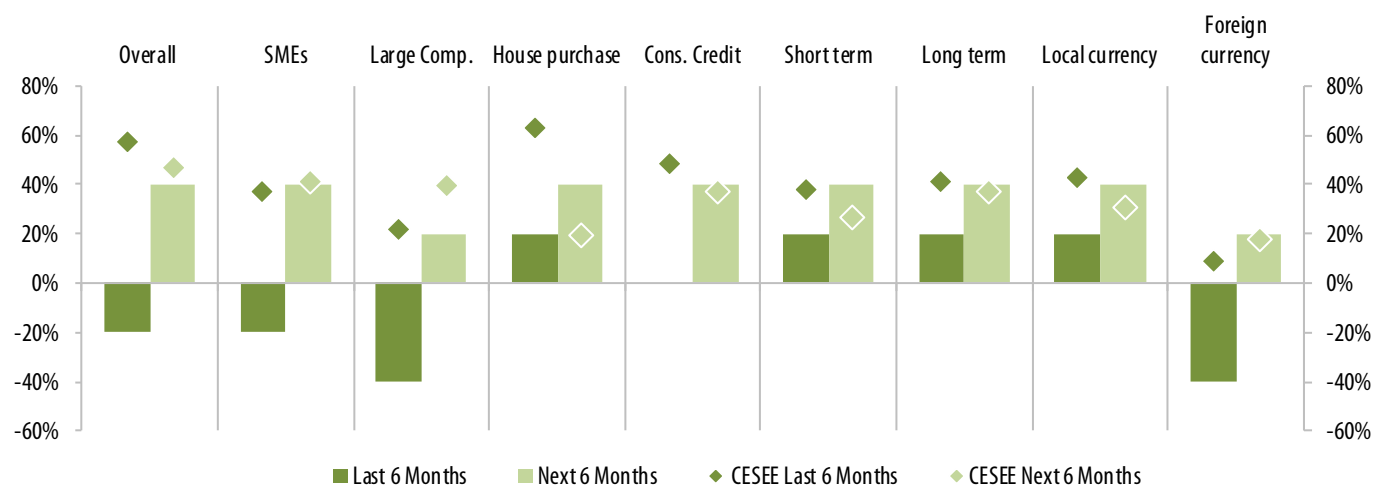


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 decreased overall, mainly driven by lower demand from large corporations and SMEs. By contrast, demand for mortgage loans increased, but was still below the CESEE average. A widespread recovery in demand is expected across all segments in the next six months.

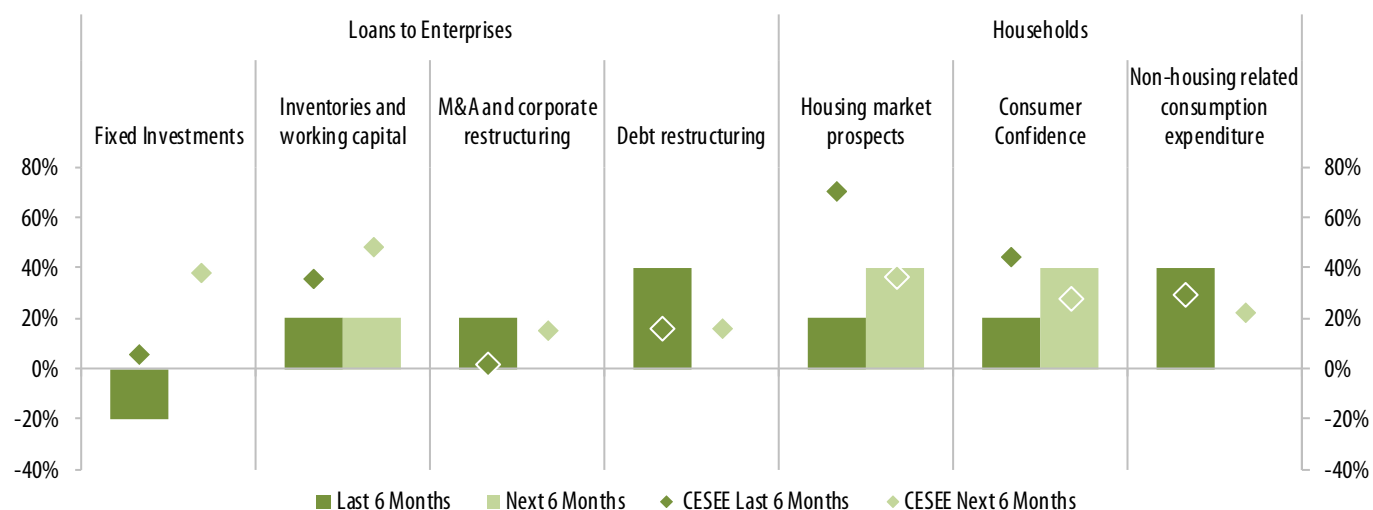


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

All household factors contributed positively to credit demand, as did all corporate factors except fixed investments, whose contribution was negative. For the next six months, all factors are expected to make either a neutral or positive contribution, whereas a more positive overall trend is expected in the CESEE aggregate.

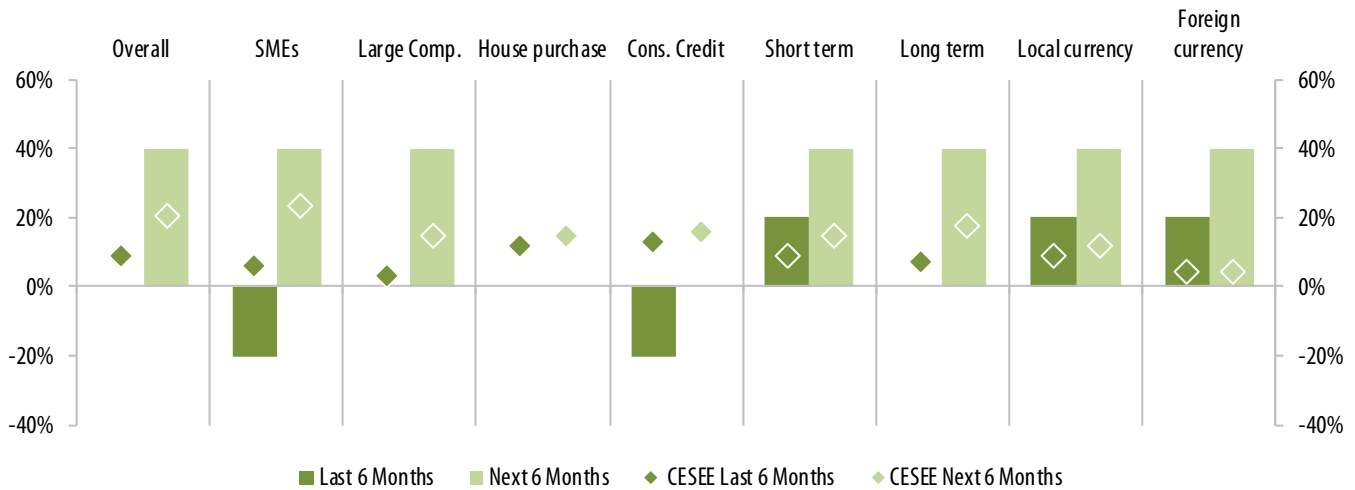


Source: EIB, CESEE bank lending survey.

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**

The quality of loan applications in Bosnia and Herzegovina stayed neutral overall but continued to deteriorate for SMEs and consumer credit. A general improvement is expected for the next six months, mainly on the corporate side.



Source: EIB, CESEE bank lending survey.

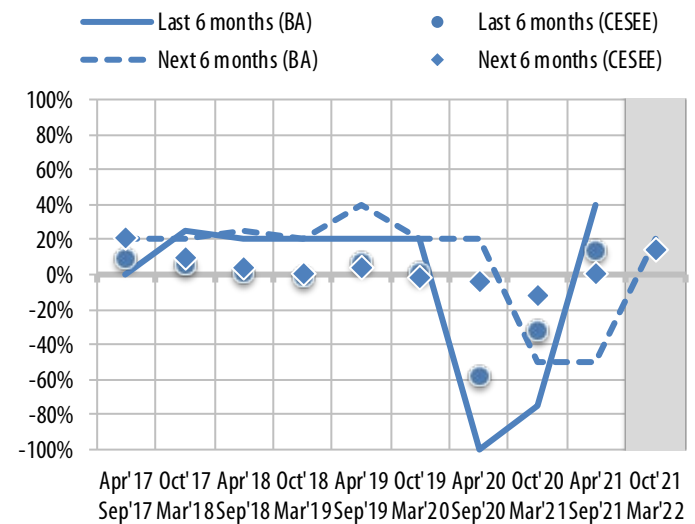
Note: The chart shows net percentages, with positive values indicating increasing quality of demand. See Question B.Q6 in the Annex.

**Aggregate supply developments**

Supply conditions in Bosnia and Herzegovina returned to easing during the last six months, after one year of widespread tightening.

Looking ahead, a small net percentage of banks in Bosnia and Herzegovina and the same net percentage in the wider region expect an easing of the credit supply over the next six months.

**Figure 6 Supply developments**



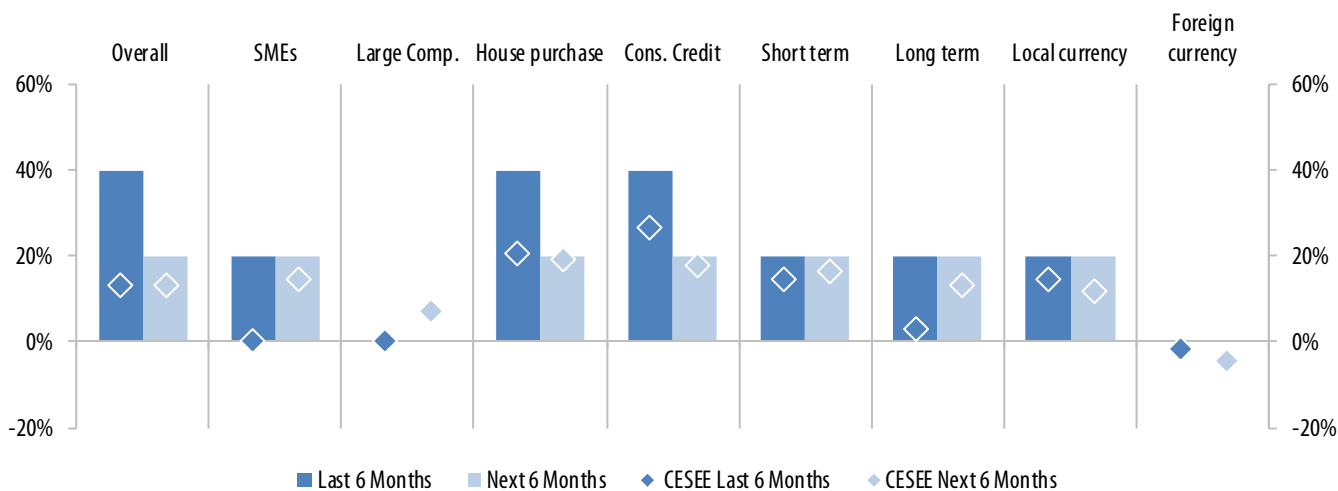
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

During the last six months, credit standards eased across all segments except for large corporations and foreign currency loans (both neutral). Further easing is expected for the next six months, again with the exception of large corporations and foreign currency loans (both expected to be neutral).

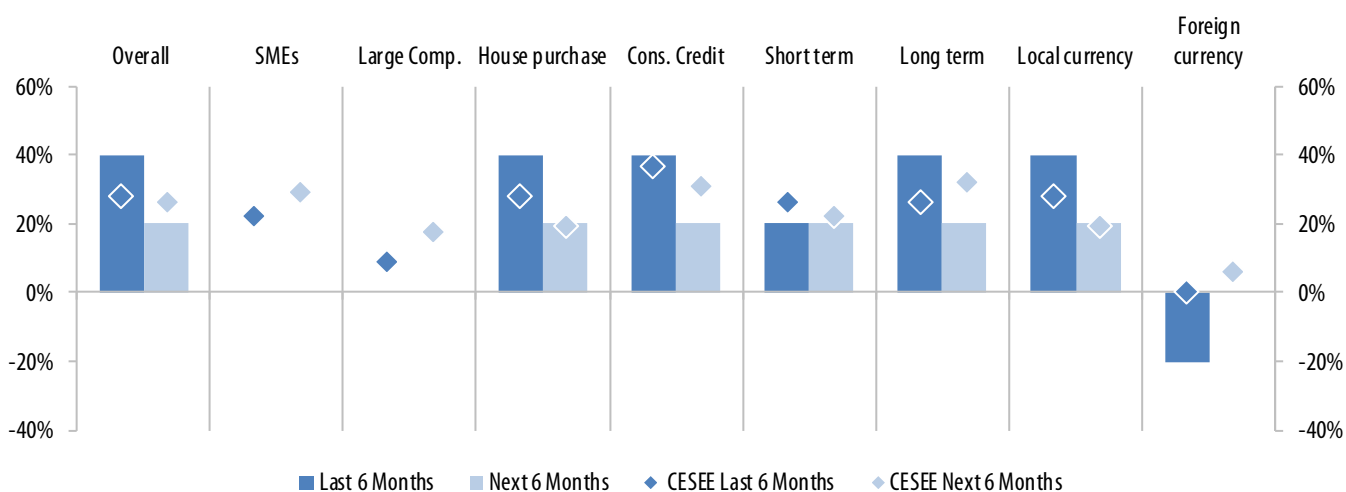


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

Loan approval rates in Bosnia and Herzegovina increased overall during the last six months, driven mainly by household loans. Over the next six months, the approval rate is expected to increase further for household borrowing but remain the same for corporate borrowing.



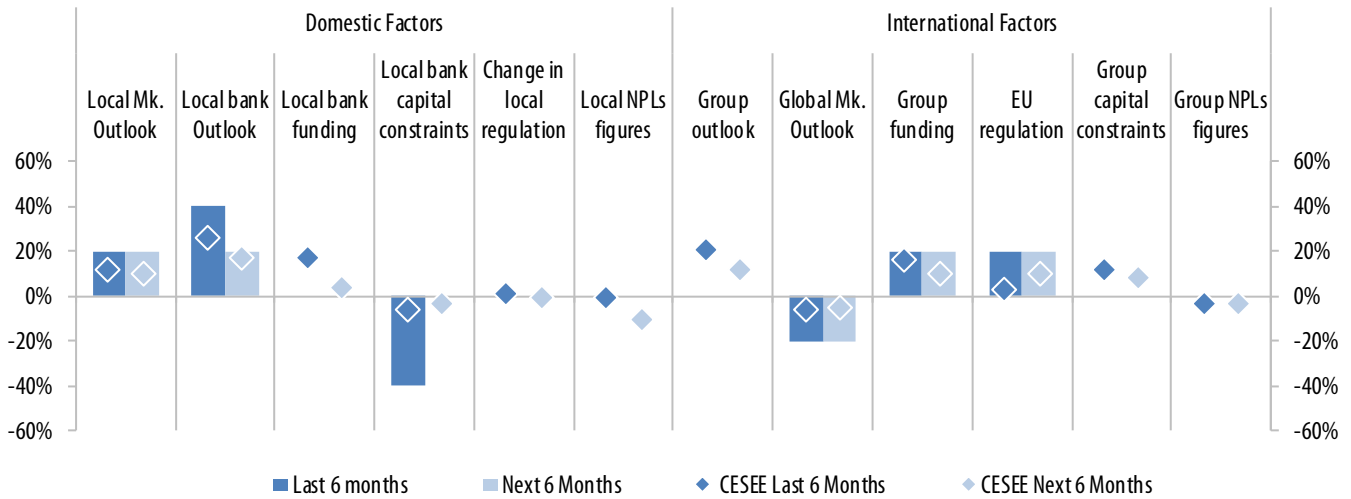
Source: EIB, CESEE bank lending survey

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**

Of the domestic factors, local bank capital constraints made the only negative contribution to credit supply, while local market outlook and local bank outlook made supportive contributions.

Among the international factors, global market outlook contributed negatively while group funding and EU regulation made positive contributions to credit supply during the last six months.

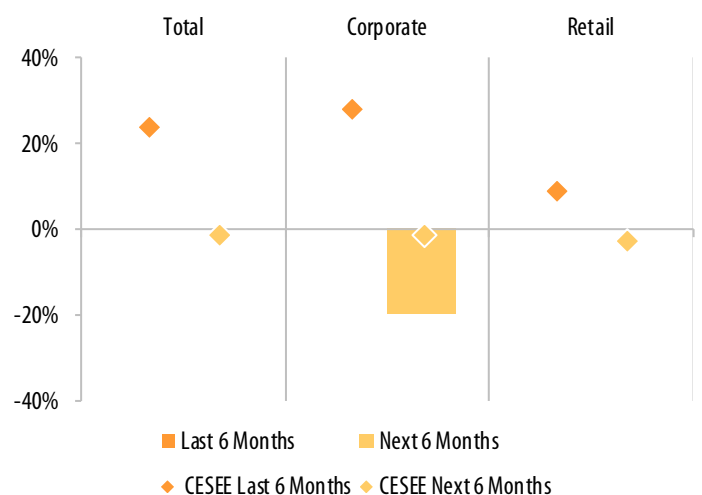


Source: EIB, CESEE bank lending survey.

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**

Non-performing loan ratios remained unchanged in Bosnia and Herzegovina during the last six months, in contrast to decreases in the CESEE aggregate. No overall change is expected for the next six months, although net 20% of reporting banks expect deterioration in the corporate segment.

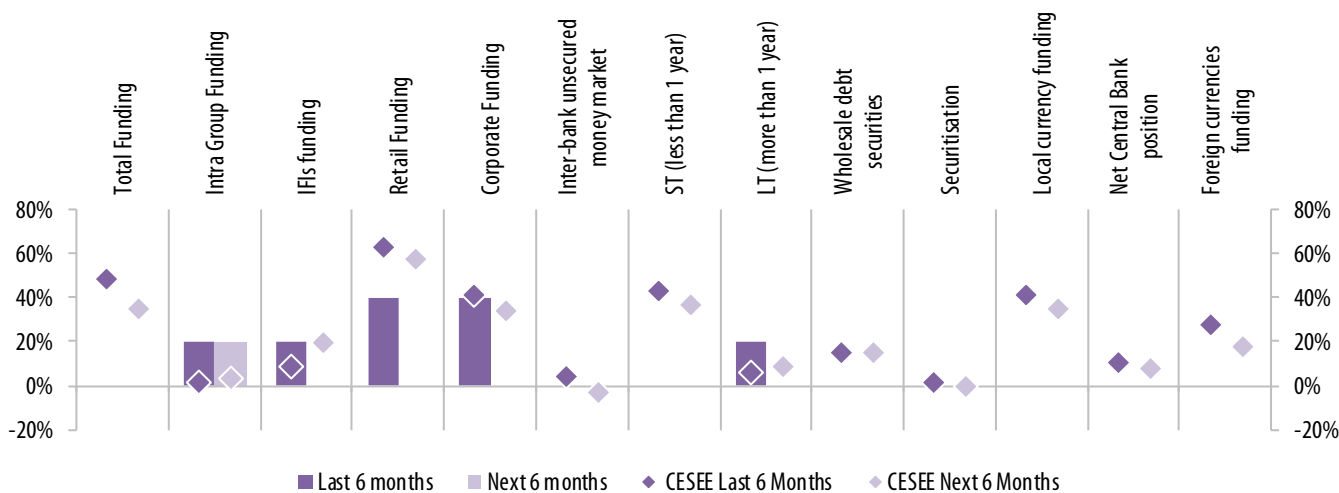


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Access to bank funding remained unchanged overall during the last six months, although banks reported increased access to retail, corporate, intra-group and IFI funding. For the next six months, access to all types of funding is expected to remain the same.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

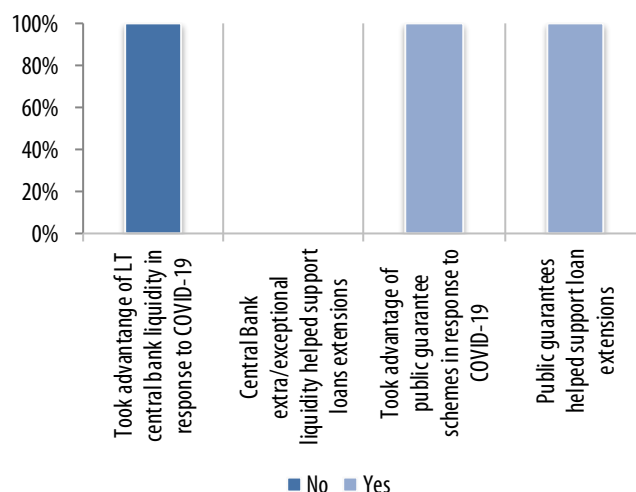
**Regulatory and policy measures supporting lending**

All responding banks took advantage of the public guarantee schemes launched in response to the COVID-19 pandemic. Moreover, they all believe that these guarantees helped support loan extensions.

Regarding the impact of various regulatory measures, most local banks believe that lending was most effectively supported by the avoidance of procyclicality under IFRS 9, the relaxation of liquidity ratio requirements and flexibility on non-performing loan treatment. About 50% of banks also say that automatic and temporary capital relief measures helped support the credit supply.

**Figure 12**

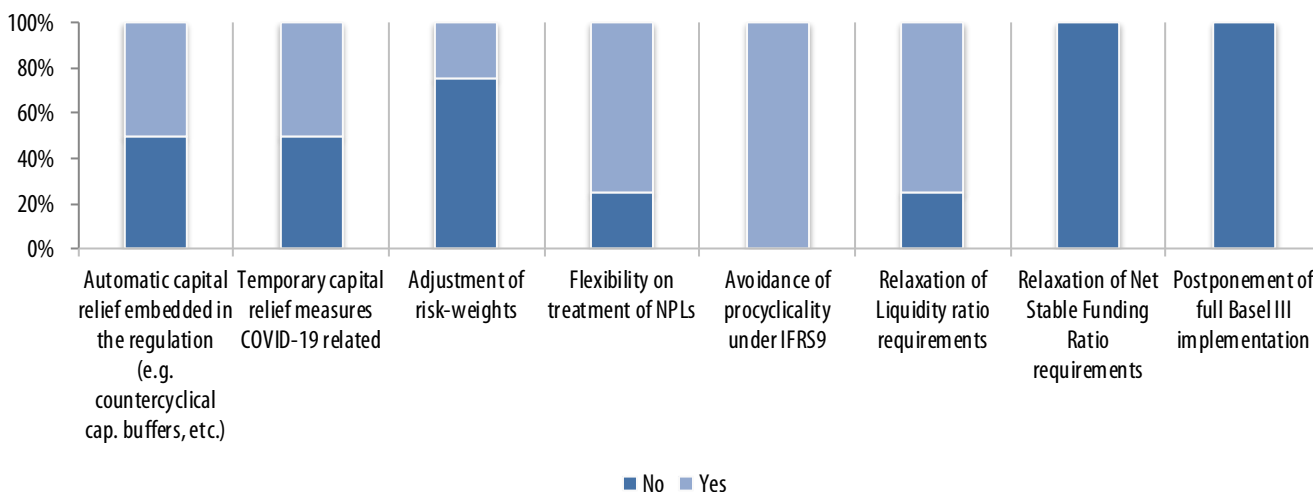
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**

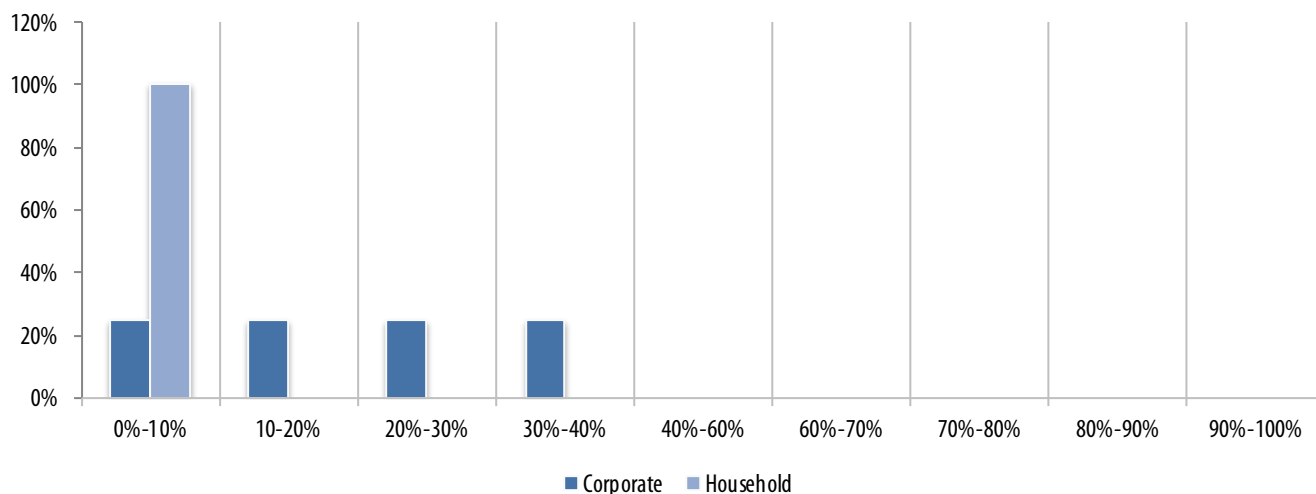


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect between 0% and 40% of the corporate loan portfolio but no more than 10% of the household loan portfolio of local banks.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



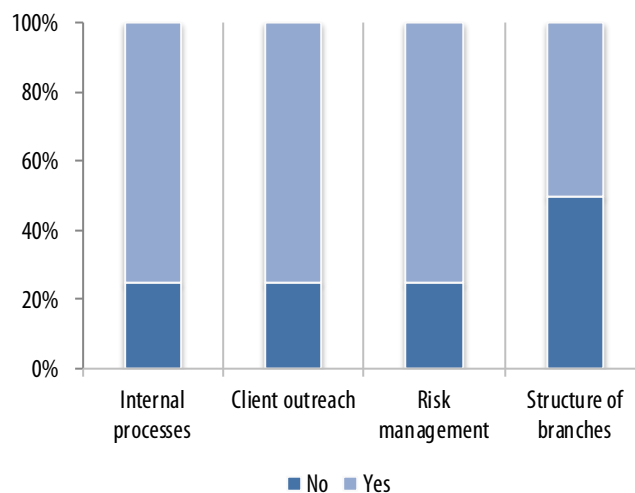
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic has pushed most local banks to prioritise digitalisation. Around 75% of banks have increased digitalisation efforts in internal processes, client outreach and risk management, while around half have increased digitalisation in their branches, thus modifying their structure.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Bulgaria

**A market with medium potential pre-COVID-19 is regaining its position after a large deterioration in credit demand, tightening supply and a widely perceived increase in non-performing loans.**

## Summary

**Group assessment of positioning and market potential:** Parent banks operating in Bulgaria show a strong commitment to the country and assess its market potential as medium or high. For most parent banks, return on assets and return on equity in Bulgaria exceeded overall group levels — a consistent trend over the past three years. The majority of parent banks are satisfied with their current market positioning in Bulgaria, even after internalising the COVID-19 impact.

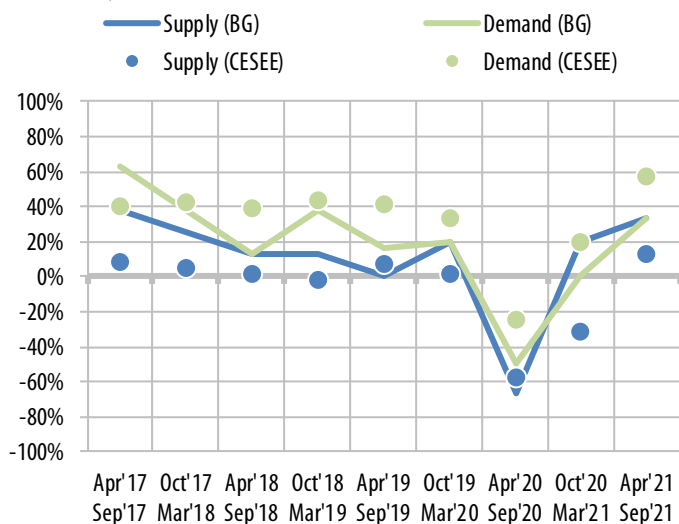
**Credit demand** has improved, especially in the retail segment following a sharp deterioration in H1 2020 and a subsequent stabilisation. Working capital and fixed investments are expected to be the main drivers of corporate demand over the next six months.

**Credit supply** conditions have continuously improved in the past year across market segments following a significant deterioration in H1 2020. This gradual improvement is expected to continue in the next six months.

**Access to funding** continued to improve in the last six months, as part of a multiannual trend. The improvement is mostly due to the high and sustained growth of household deposits and, to a lesser extent, of corporate deposits.

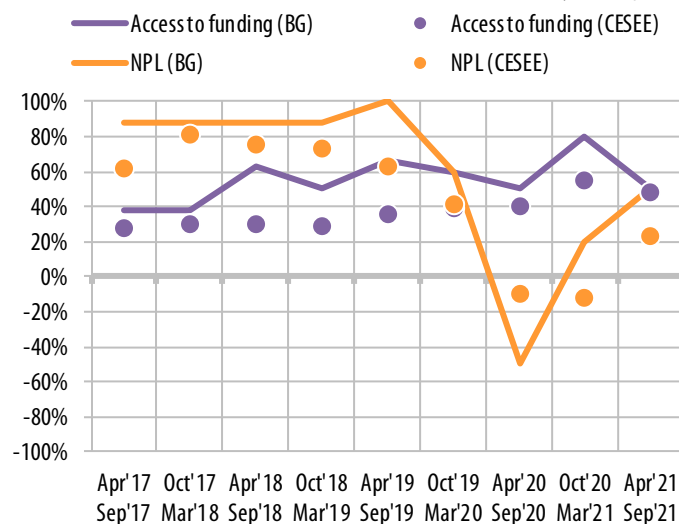
**Non-performing loan ratios** have improved again over the past year following the increase in H1 2020, thereby returning to the positive trend recorded prior to the pandemic shock. However, this progress might be held back by the expiry of credit moratoria and government support measures for the economy.

**COVID-19** has spurred digitalisation plans across Bulgaria’s banking sector. Measures introduced by local monetary and fiscal authorities to counter the pandemic’s economic effects were well received by Bulgarian



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

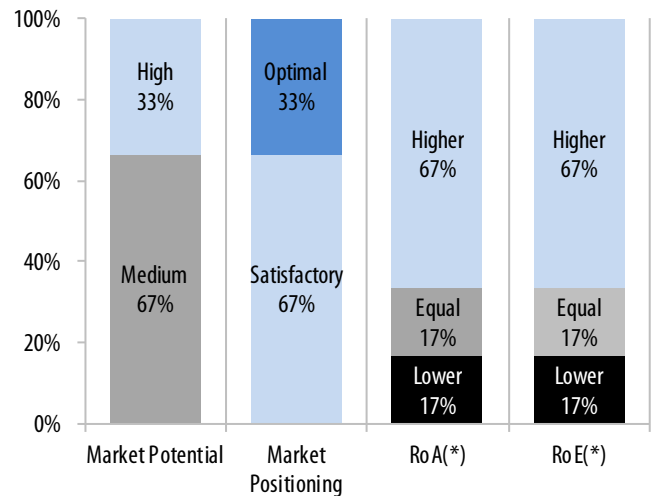
A large majority of respondents (83%) plan to expand regional operations in CESEE. This intention from parent banks has been very stable over the past four years, showing strong commitment to the region.

All foreign banks with operations in Bulgaria regarded the market as having medium or high potential, and all considered their market positioning as satisfactory or optimal (Figure 1). This satisfaction is reflected in very few banks planning strategic restructuring.

A large majority of parent banks (84%) assessed return on assets and return on equity in Bulgaria as higher than or equal to overall group levels (Figure 1). This assessment has changed little over the past five years.

Consequently, a majority of parent banks have increased exposure to subsidiaries (net 17% of respondents), with rising capital and cross-border lending for net 50% and net 33% of respondents, respectively.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

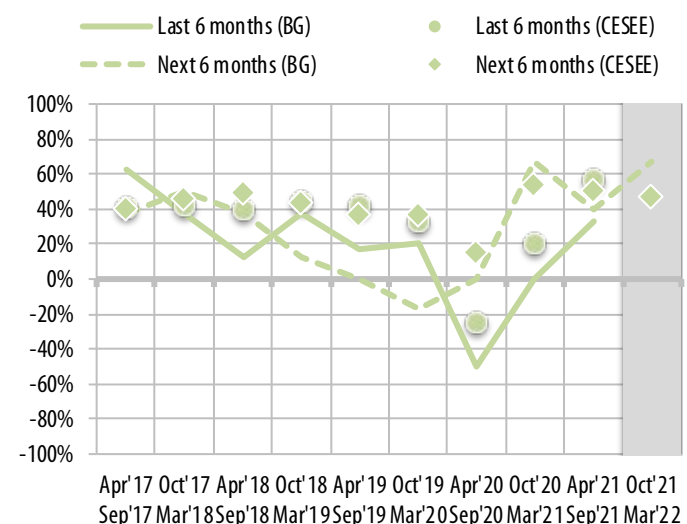
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Since 2016, changes in demand for loans in Bulgaria have been of a similar magnitude to those in the CESEE aggregate, but more volatile. After a substantial moderation in H1 2018, loan demand picked up again in H2 2018, only to return to H1 2018 levels in H2 2019. Demand is assessed as increasing in H2 2021, following a majority assessment of stagnation in H1 2021. An even higher share of respondents (net 67%) forecast rising demand in the six months ahead. There are two caveats in assessing these expectations. First, the ongoing COVID-19 crisis embeds substantial uncertainty. Second, expectations of demand for six months ahead have consistently undershot actual numbers over the past two years.

The expected increase in demand for loans may be undermined by an ongoing resurgence of COVID-19 infections, increasing leverage ratios and declining net worth of businesses following a long period of weak cash flows. Furthermore, a string of general elections have resulted in parliaments unable to elect a stable government, producing uncertainty that may suppress credit demand.

**Figure 2** Demand side developments



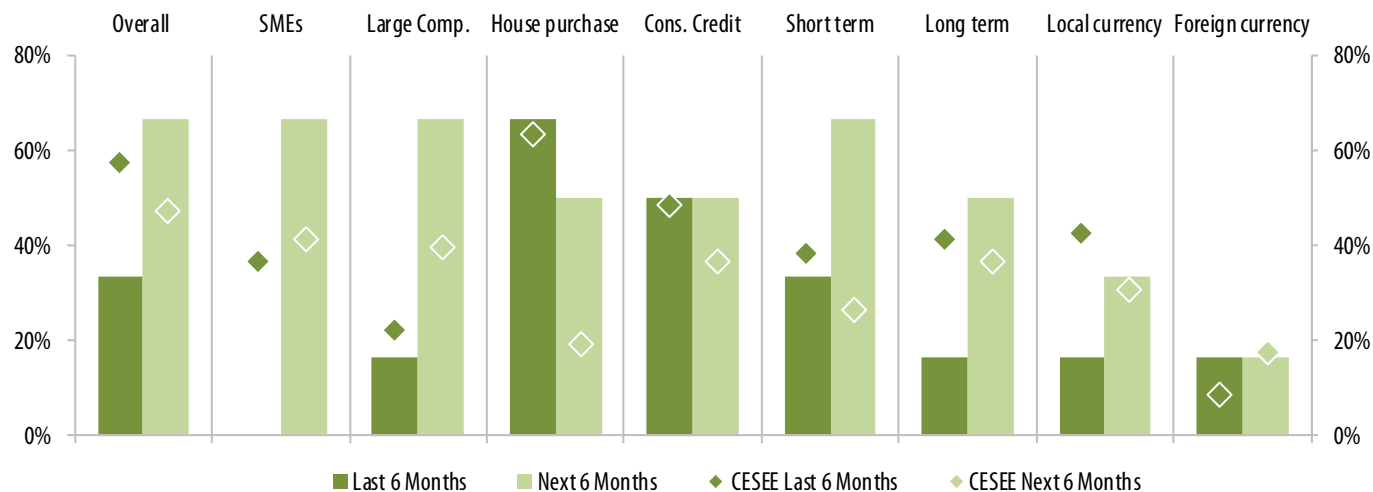
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Overall loan demand increased in H2 2021 according to a majority of respondents (net 33%). Loan demand from the household sector increased for consumer credit (net 50%) and house purchases (net 67%), reversing a decline in H1 2021. These rises are in line with growing private consumption expenditures in H1 2021. Among corporates, demand from SMEs stabilised after a year of continued decline, while demand from large corporates is gradually increasing. Across maturities, demand for short-term loans is assessed as having increased by more respondents (net 33%) than demand for long-term loans (net 17%).

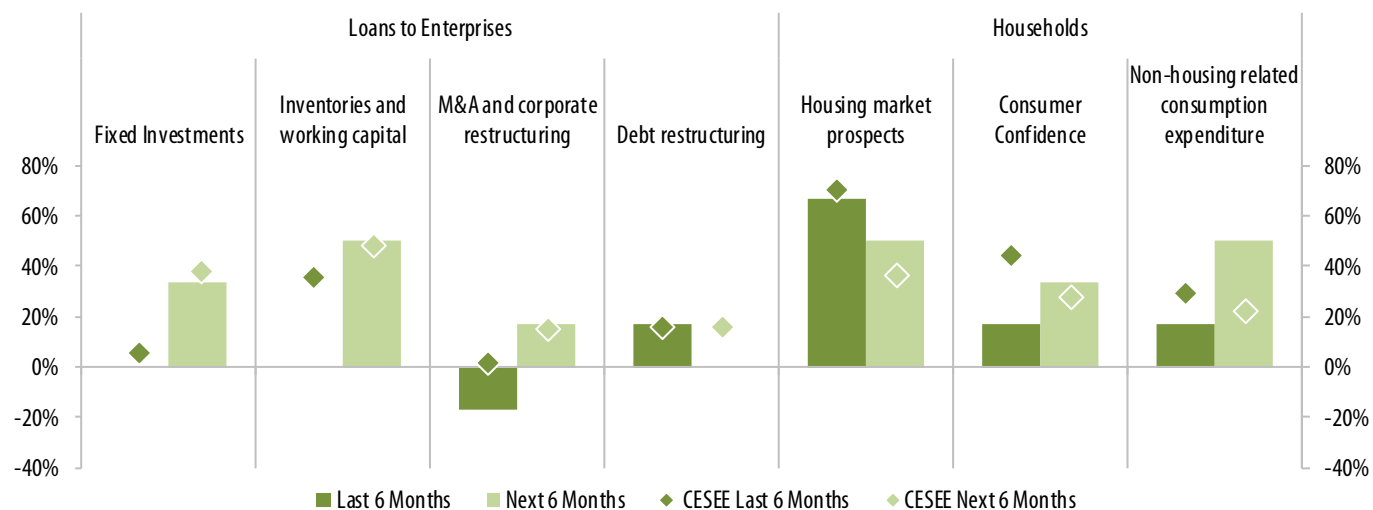


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Gradually increasing corporate investment in H1 2021 is behind the ongoing recovery of corporate demand for loans over the last six months. Demand for loans for fixed investments is regarded as stable, as is demand for loans to finance working capital, following an increase in H1 2021 (net 40%). In the next six months, fixed investment, working capital and, to a lesser extent, corporate debt restructuring are expected to drive growth in corporate loan demand. Household demand for loans rose over the last six months, especially driven by housing market prospects, and such gains are expected to continue over the next six months as consumers regain their confidence, as in other CESEE countries.

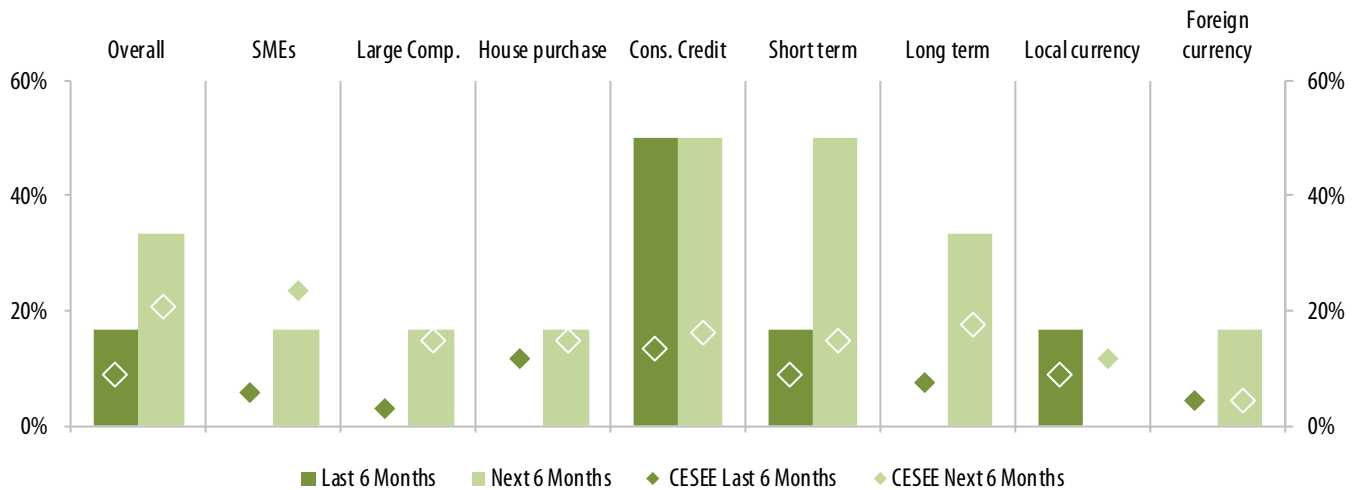


Source: EIB, CESEE bank lending survey.

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

The quality of loan applications increased overall in H2 2021 (net 17% of respondents). In the retail segment, the quality of applications was perceived as increasing for consumer credit (net 50%) but stable for house purchases. In the corporate segment, quality was seen as stable for applications from large corporates and SMEs. Application quality is expected to increase over the next six months in every market segment except local currency.



Source: EIB, CESEE bank lending survey.

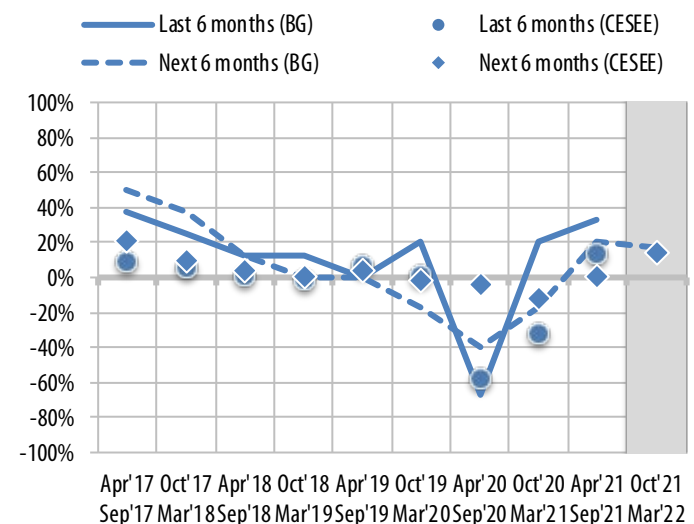
Note: The chart shows net percentages, with positive values indicating increasing quality of demand. See Question B.Q6 in the Annex.

## Aggregate supply developments

After significant improvements in supply in 2017 and early 2018, supply conditions stabilised in line with developments in the aggregate CESEE, where credit conditions were stable in the years before the pandemic. In the last six months, supply conditions bounced back (net 33% of respondents) following the decline in H1 2020 (net -67%) and small easing in H2 2020 (net 20%).

The latest developments restore the situation to that resulting from years of improvements in supply conditions, driven by strengthening economic activity and banking sector balance sheets. This progress enabled Bulgarian banks to relax loan conditions and expand their loan portfolios after years of decline and stagnation following the global financial crisis.

Over the next six months, a small net majority (17%) expect supply conditions to improve further.

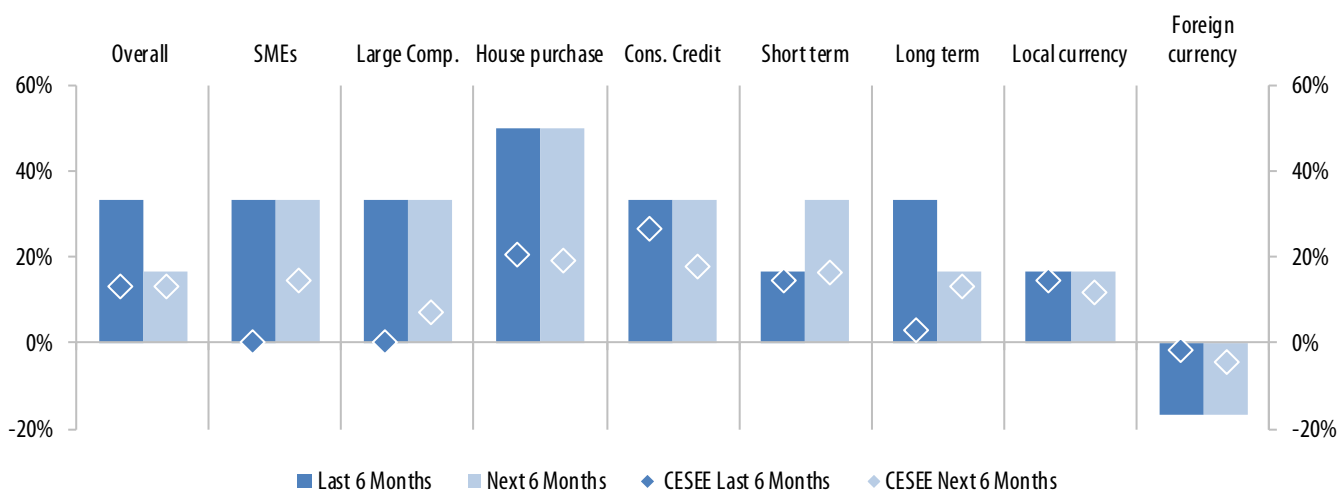
**Figure 6** Supply developments

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 allow comparison with the perceptions series (solid line), i.e. 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 were perceived as improving across all market segments except foreign currency over the last six months. This continues the progress reported in H1 2021, when perceptions about credit supply rebounded after dismal assessments in H2 2020. Looking forward, banks are expected to continue easing credit standards for corporates, including SMEs (net 33%) and house purchases (net 50%).

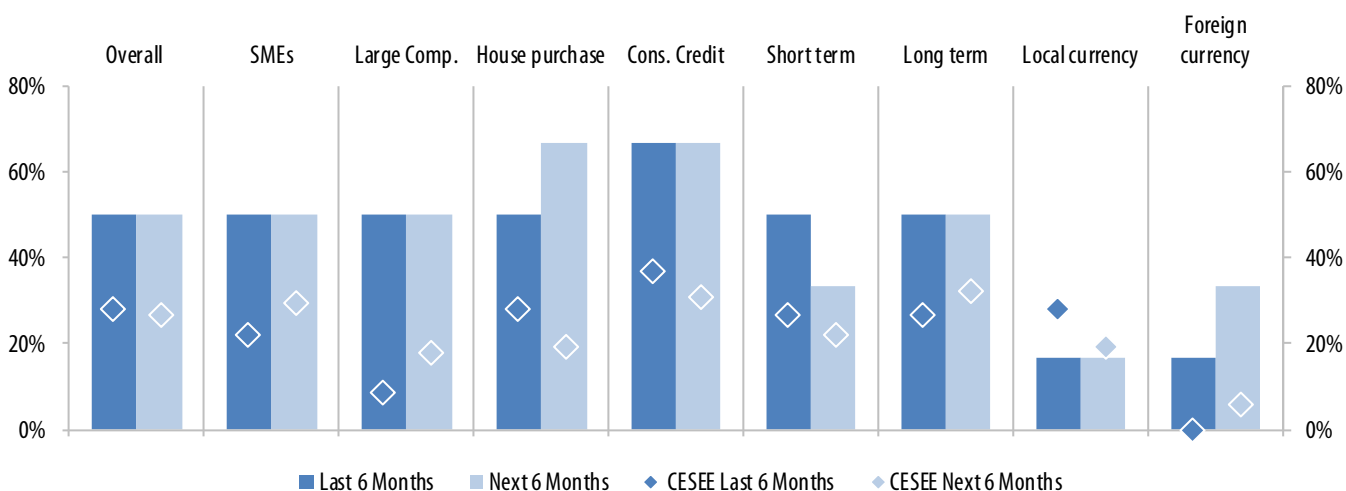


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications**

Approval rates increased for a majority of respondents (net 50%) in the last six months. The increase was also driven by loans for house purchases (50%) and consumer credit (67%). Approval rates for corporates, including SMEs, were also assessed as increasing by a solid majority of respondents (net 50%). Approval rates are expected to increase further over the next six months (net 50% for approvals overall).

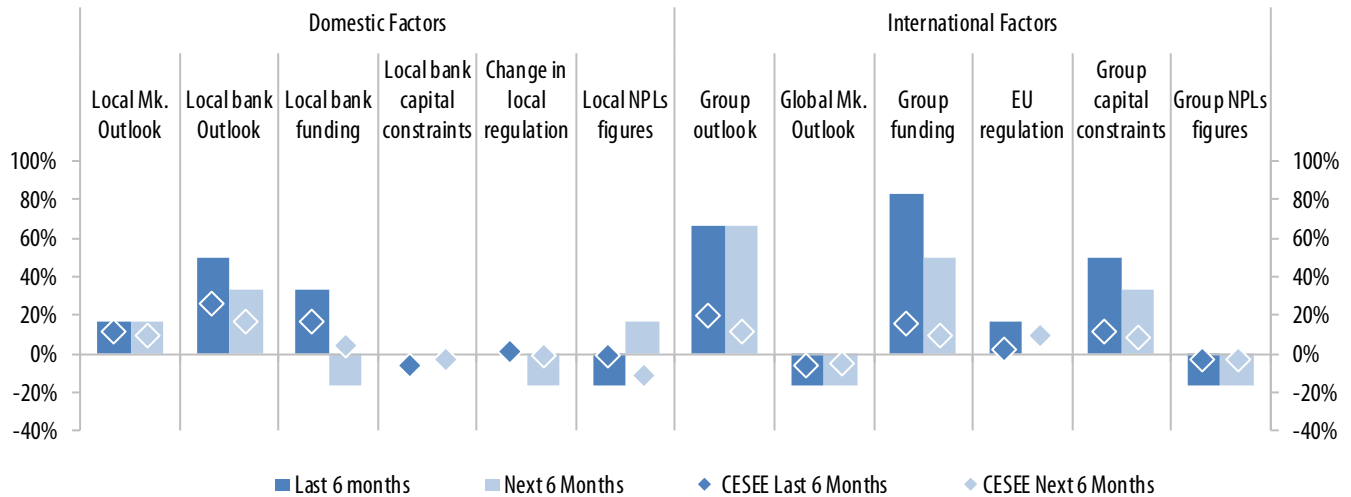


Source: EIB, CESEE bank lending survey

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**

Both domestic and international factors contributed to the improvement in supply conditions. On the domestic side, local bank funding and outlook made a positive contribution. Among the international factors, group outlook, funding and capital constraints contributed positively to improving supply conditions. The same domestic and international factors are expected to contribute to further improvements in supply conditions over the next six months.



Source: EIB, CESEE bank lending survey.

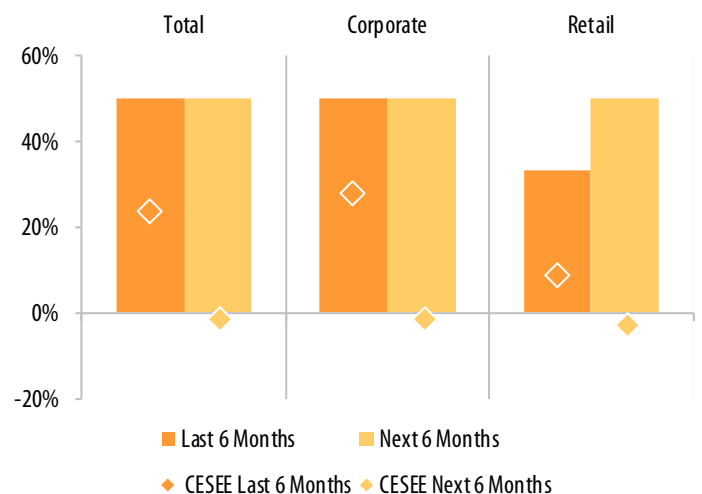
Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

**Figure 10 Non-performing loan ratios**

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

Between 2017 and 2019, the vast majority of local subsidiaries reported improving non-performing loan figures across institutional sectors. Hard data confirm this: non-performing loan ratios declined throughout 2016–2019. Nevertheless, they remain among the highest in the region. Restructuring of corporate portfolios has made a bigger contribution, partly because non-performing loans are concentrated in the corporate segment.

Non-performing loan ratios in Bulgaria continued to improve during the last six months in both the retail and corporate segments, after deterioration in H2 2020 and a rebound in H1 2021. This process is expected to continue over the next six months by net 50% of respondents. However, the removal of economic support measures might cloud this outlook.

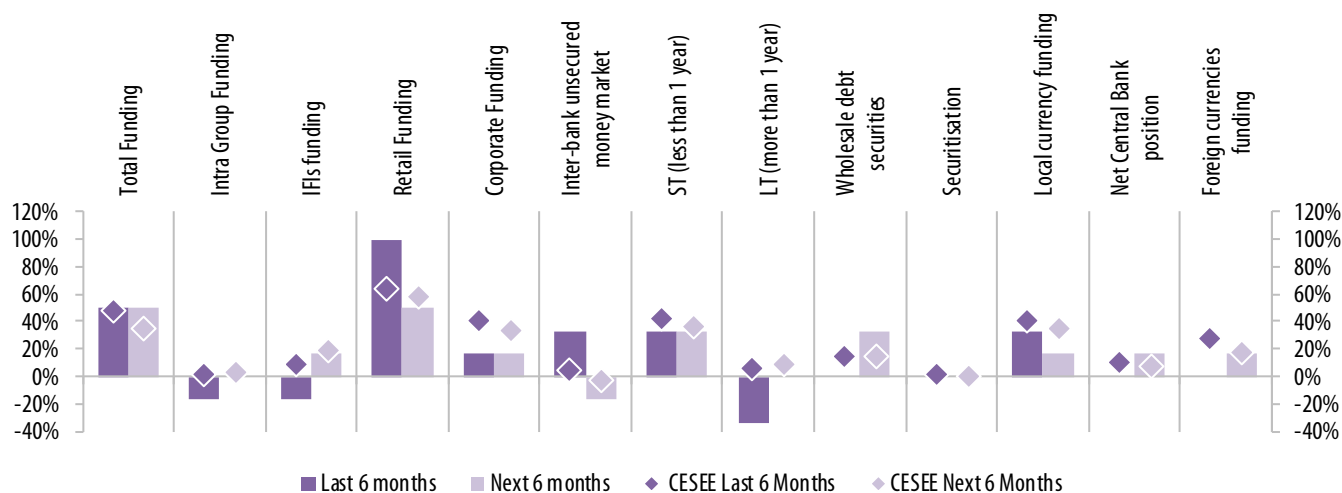


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Access to funding for Bulgarian subsidiaries substantially improved over the last six months (net 50% of respondents), continuing a trend that started in H2 2013 and was not interrupted by the pandemic. This improvement is expected to continue in the coming six months, as the European Central Bank and local monetary authorities have committed to keeping the credit channel open. The main contributors are retail and corporate funding, mostly short-term and in local currency.



Source: EIB, CESEE bank lending survey.

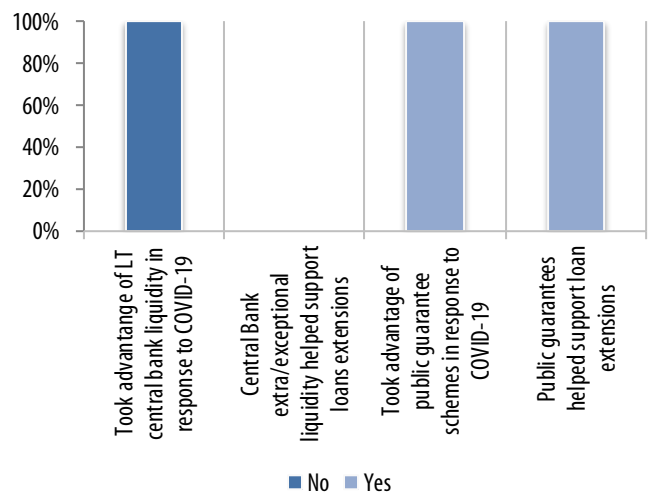
Note: The chart shows net percentages, with positive values indicating easier access to funding. See Question B.Q9 in the Annex.

**COVID-19 module**

**Regulatory and policy measures supporting lending**

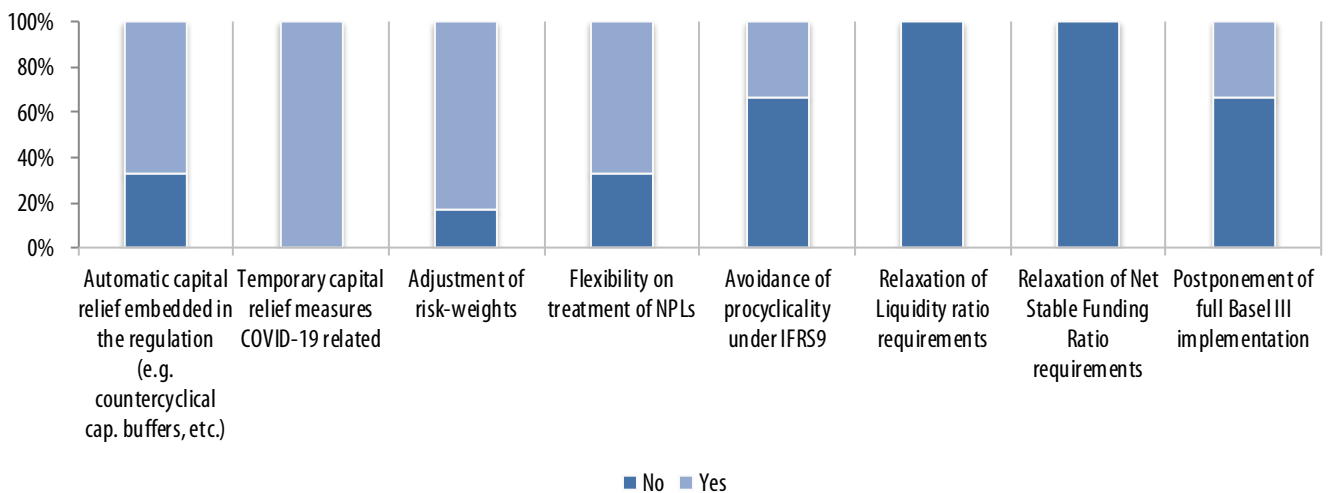
The Bulgarian central bank did not provide additional direct financing in response to the pandemic. Instead, measures were focused on freeing up the internal resources of commercial banks, for instance by revoking the increase in counter-cyclical capital buffers for 2020–2021 and the requirement for banks to capitalise their full profit, amounting to an aggregate of BGN 850 million for 2020. The Bulgarian government made several guarantee schemes available, which all respondents took up (Figure 12) and assessed as very supportive for their lending operations. All respondents benefited from the temporary capital relief measures and the vast majority also took advantage of risk-weight adjustments (Figure 13).

**Figure 12** Uptake and impact on lending of the central bank’s liquidity facilities and government interventions in terms of public guarantees



Source: EIB, CESEE bank lending survey.

**Figure 13** Regulatory and policy measures that helped to support/maintain lending to the economy

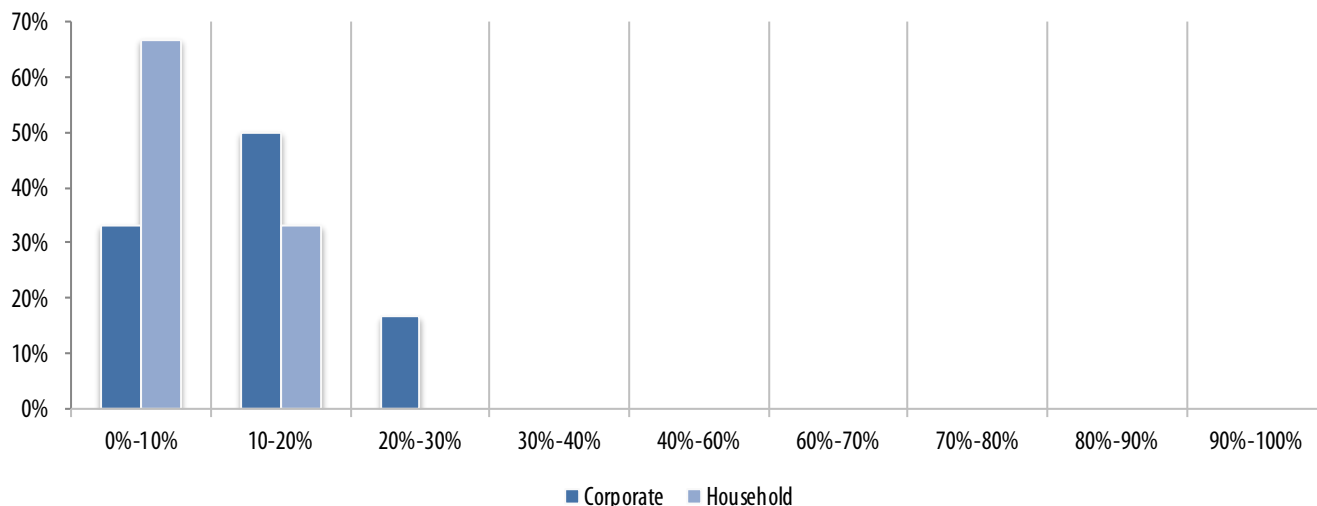


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

The Association of Bulgarian Banks coordinated an agreement between commercial banks and the Bulgarian central bank to allow temporary suspension of payments on loans and interest by borrowers not in arrears or default. This suspension can be implemented at the request of the borrower and subsequent approval by the lender. The majority of respondents reported still having this measure in place for a small part of their portfolio. The moratorium has been extended twice since its initial approval.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



Source: EIB, CESEE bank lending survey.

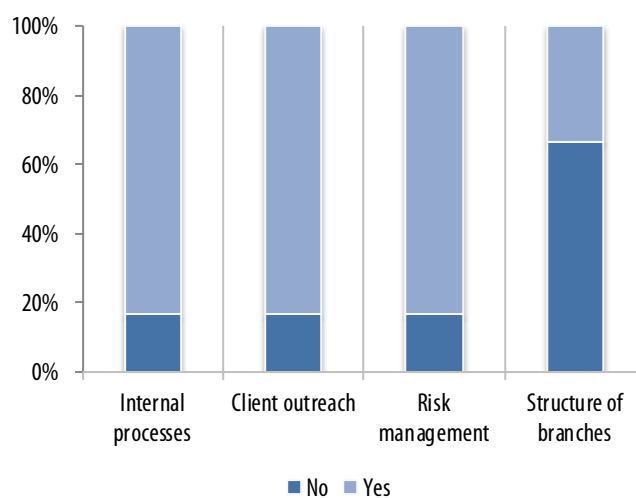
Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

COVID-19 has significantly impacted the digitalisation plans of Bulgarian banks, as part of a broader drive in the corporate sector to spur digitalisation in line with new realities since the pandemic outbreak.

The vast majority of respondents see a rationale to speed up digitalisation of their internal processes, client outreach and risk management processes (83% for each). Furthermore, 33% of respondents are inclined to speed up digitalisation of their branches.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.





# Croatia

*The demand–supply gap has improved with some easing of supply conditions and recovering demand. These improvements are expected to continue over the next six months, amid increasing access to funding and decreasing non-performing loans.*

## Summary

**Group assessment of positioning and market potential:** An evenly split share of international banking groups reported higher and lower profitability in Croatia compared to overall group performance, while market positioning was assessed by all respondents as satisfactory or optimal, revealing relative stability on this measure. However, parent banks’ assessment of market potential in Croatia deteriorated further, with ratings of either medium (50%) or low (50%).

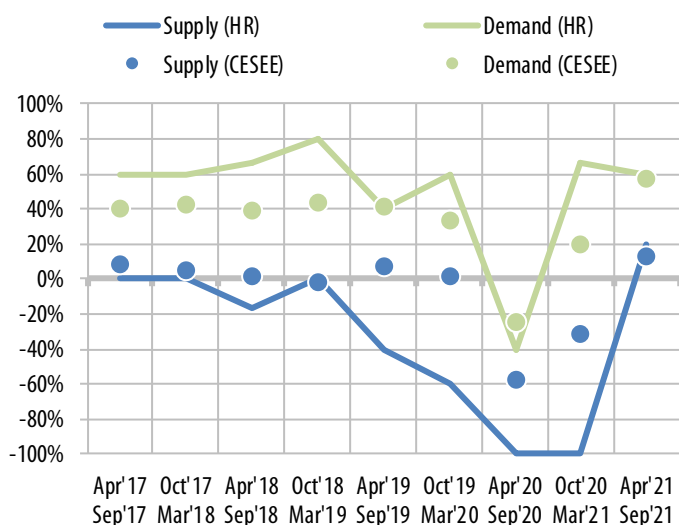
**Credit demand** continued to recover over the last six months, following the sharp drop in the previous period. Demand for loans has improved across the board. Meanwhile, **credit supply** conditions have softened, mainly driven by the household segment. In combination, these two trends have narrowed the gap between demand and supply.

**Access to funding** improved further over the last six months for almost all banks, while domestic retail and corporate funding remained the main sources.

**Non-performing loan figures** improved for the corporate segment during the last six months, but deteriorated slightly for the retail segment.

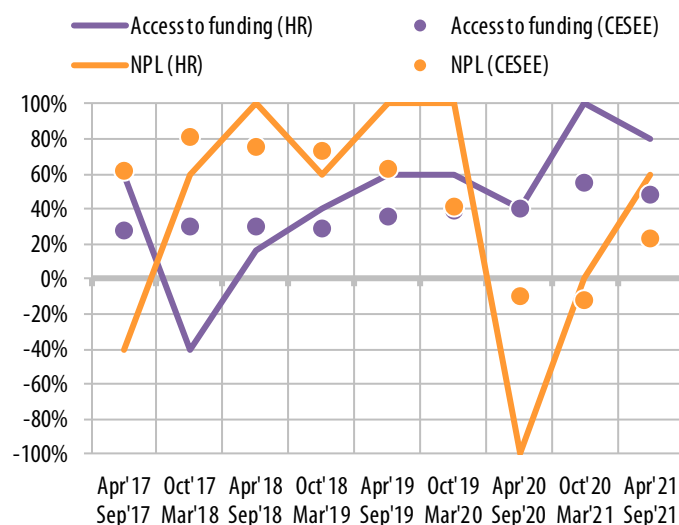
**COVID-19 measures:** Croatian banks believe that several support measures helped to maintain lending during the pandemic, including guarantee measures, flexibility on non-performing loan treatment, temporary capital relief measures, adjustment of risk-weights, relaxation of liquidity ratio requirements and the postponement of full Basel III implementation.

**Loan moratoria** affect between 0% and 40% of the corporate loan portfolio but no more than 10% of the household loan portfolio of Croatian banks.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

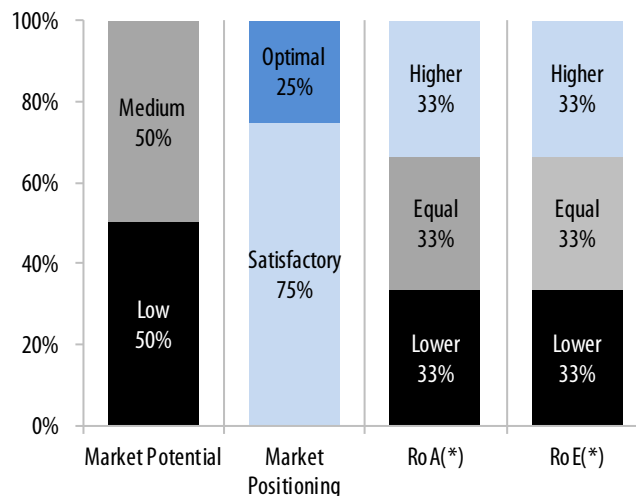
## Results of the CESEE bank lending survey: Parent banks

Parent banks operating in Croatia became relatively more optimistic towards the region compared to the previous period, with 40% planning to increase or selectively increase their presence and the other 60% intending to maintain their current level of operations.

Nevertheless, the country's market potential deteriorated during the last six months to be considered either low or medium by parent banks. On this measure, Croatia now ranks behind regional peers. In terms of market positioning, though, Croatia was assessed as either satisfactory (75%) or optimal (25%), performing relatively better than peers.

In terms of profitability, Croatian banks perform comparably to overall groups for return on assets and return on equity, with an equal split of parent banks reporting better, equivalent and inferior profitability at the local level compared to the group level.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

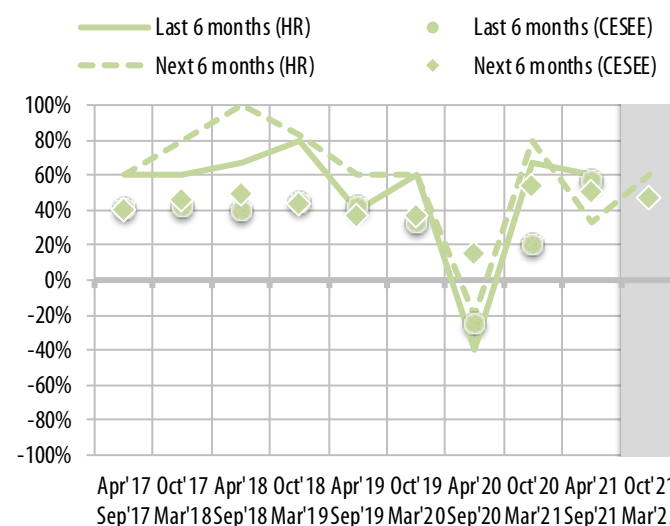
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Loan demand continued to recover during the last six months for the second time in a row, after dropping sharply in H2 2020. The increase in demand has slightly surpassed expectations and is in line with the CESEE average.

For the next six months, Croatian banks expect a continuation of the positive trend.

**Figure 2** Demand side developments

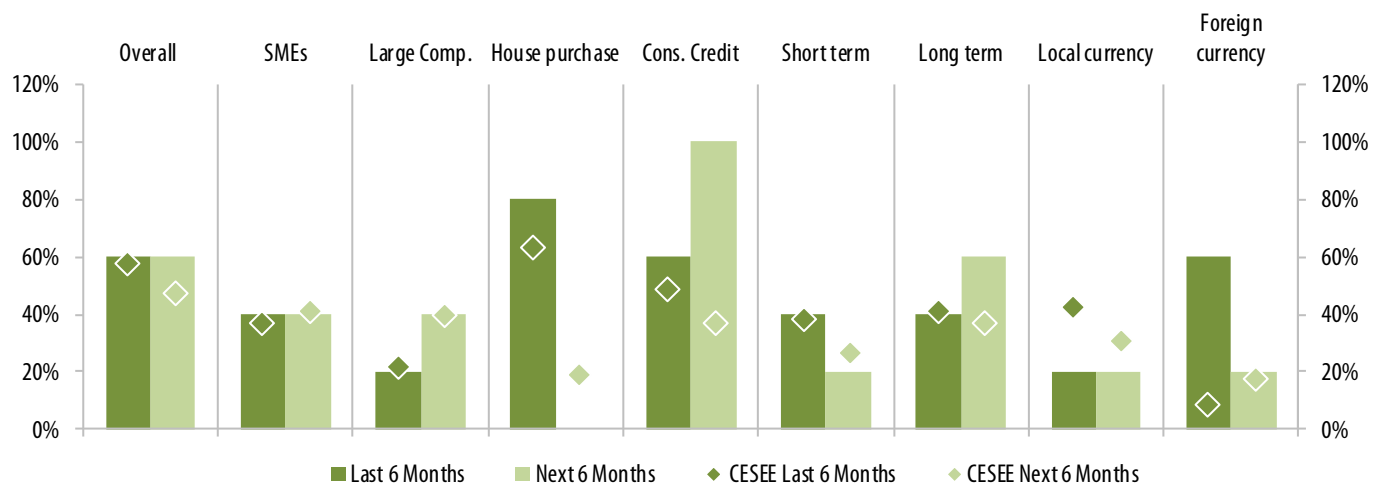


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Credit demand increased across the board in the last six months, especially in the household segment. Demand increased in both local and foreign currency. Over the next six months, loan demand is expected to increase further in every segment except mortgage loans.

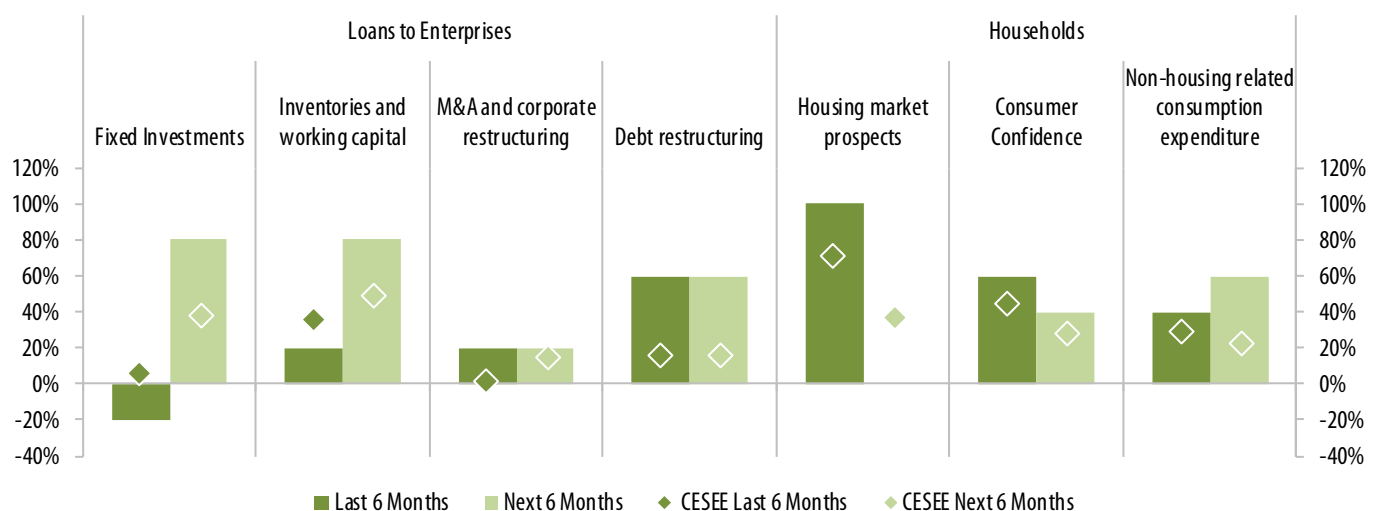


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Debt and corporate restructuring and loans for working capital all contributed positively on the corporate side during the last six months. On the household side, all three factors drove a rise in demand, with housing market prospects making a significant contribution.

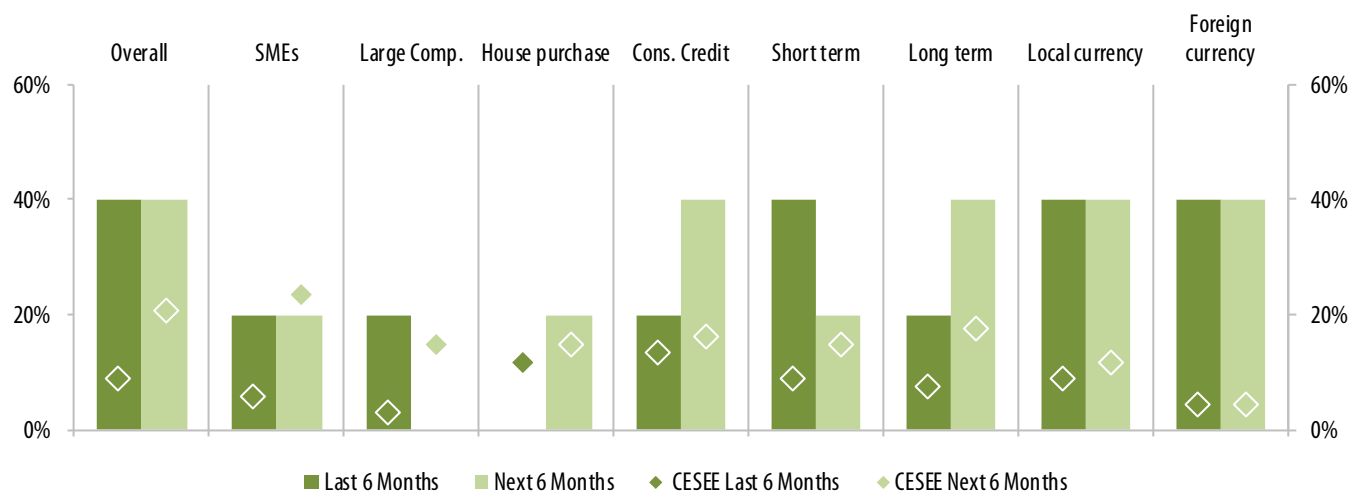


Source: EIB, CESEE bank lending survey.

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

The perceived quality of loan applications improved overall and for every loan type except mortgage loans, for which quality remained unchanged. Over the next six months, banks expect further increases in application quality for all loan types except lending to large corporations (no change expected).



Source: EIB, CESEE bank lending survey.

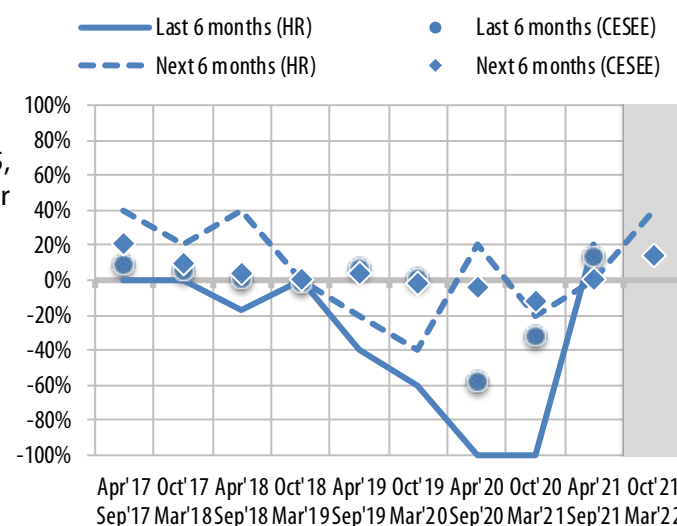
Note: The chart shows net percentages, with positive values indicating increasing quality of demand. See Question B.Q6 in the Annex.

### Aggregate supply developments

A small majority of banks reported that credit conditions eased during the last six months, following a year of widespread credit tightening. Supply conditions in Croatia are expected to continue softening over the next six months, surpassing the regional average.

Given the tighter or neutral credit conditions since 2015, most of the new credit extended should be of better quality than in previous credit cycles.

Figure 6 Supply developments

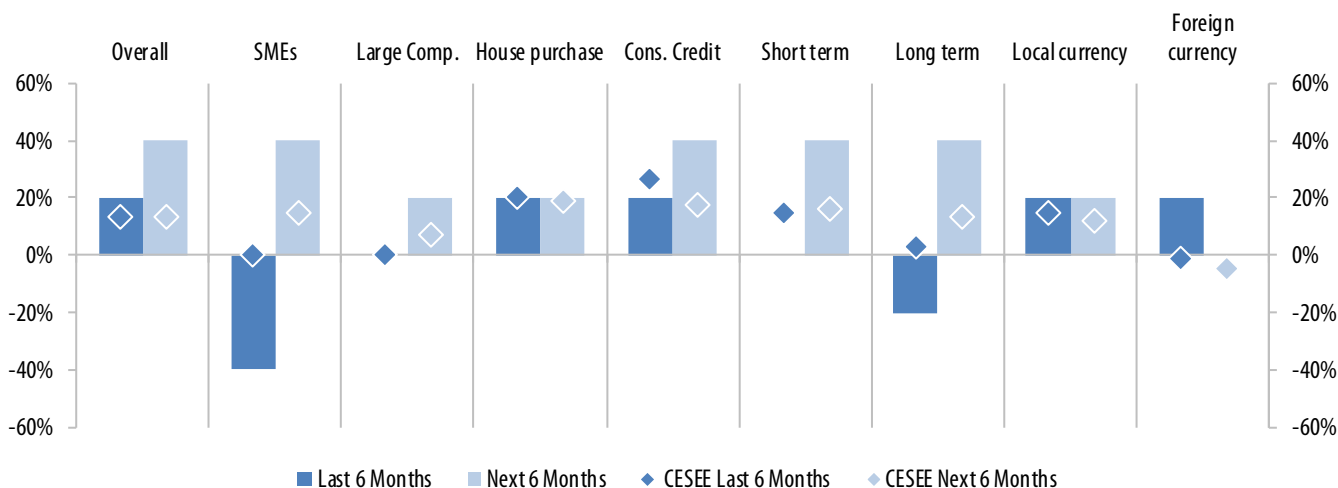


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 eased overall during the last six months, mainly driven by the household segment. Further tightening was reported for SMEs, while supply conditions for large corporations remained unchanged.

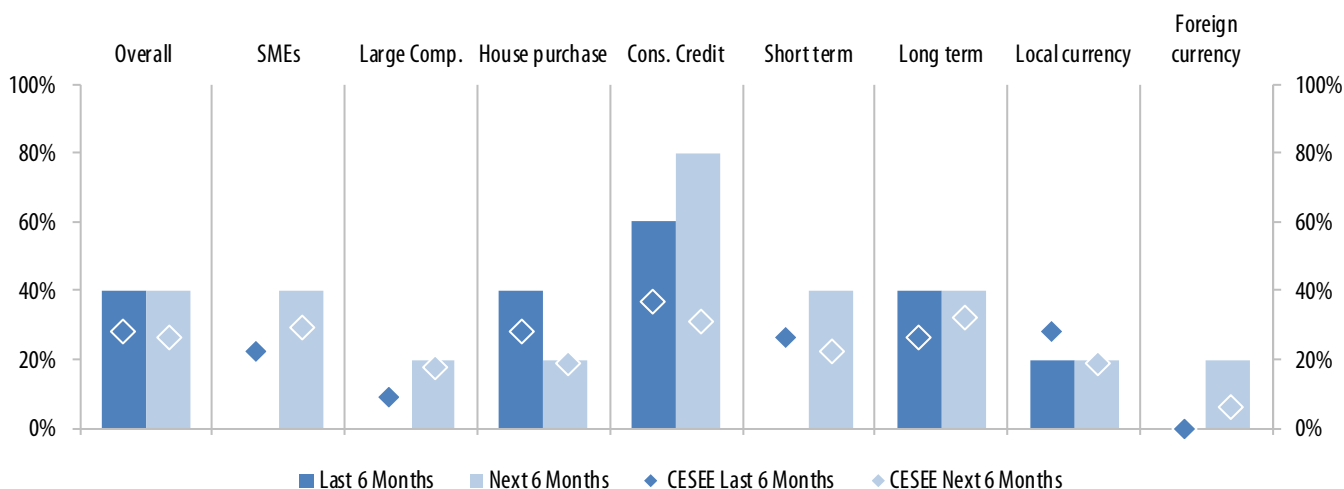


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

The loan approval rate increased overall in Croatia during the last six months, in line with the CESEE aggregate. This positive development was driven mainly by consumer credit and mortgage loans, while the approval rates for SMEs and large corporations did not change. Over the next six months, the approval rate is expected to improve for all segments.

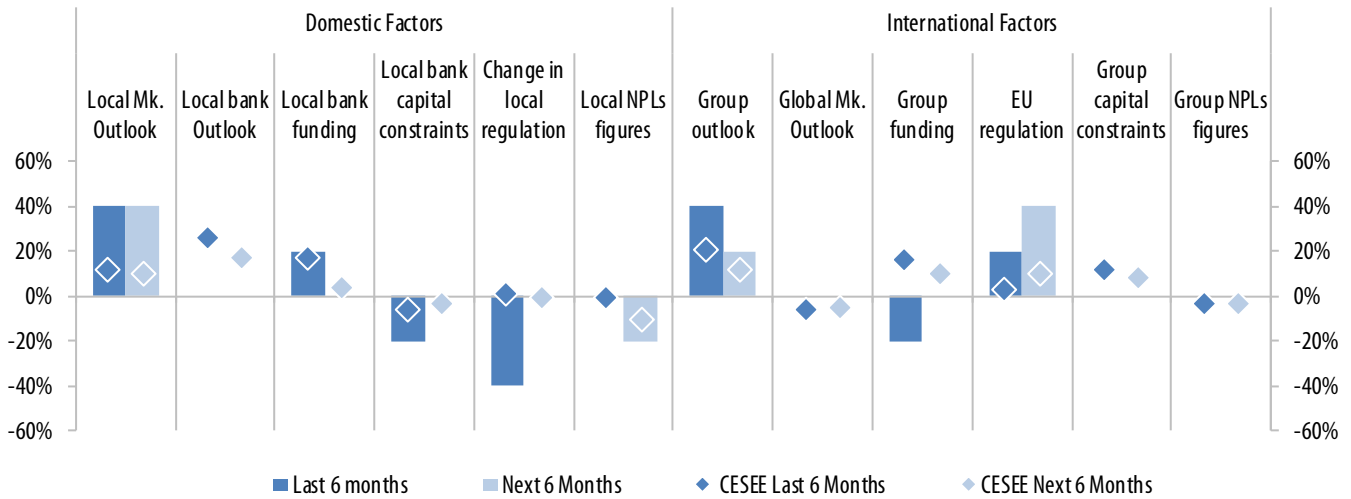


Source: EIB, CESEE bank lending survey

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**

Among the domestic factors, local market outlook made the strongest positive contribution to supply conditions, while change in local regulation and local bank capital constraints made negative contributions. Of the international factors, group outlook and EU regulation were the positive drivers of credit conditions. Similar trends are expected in the next six months.



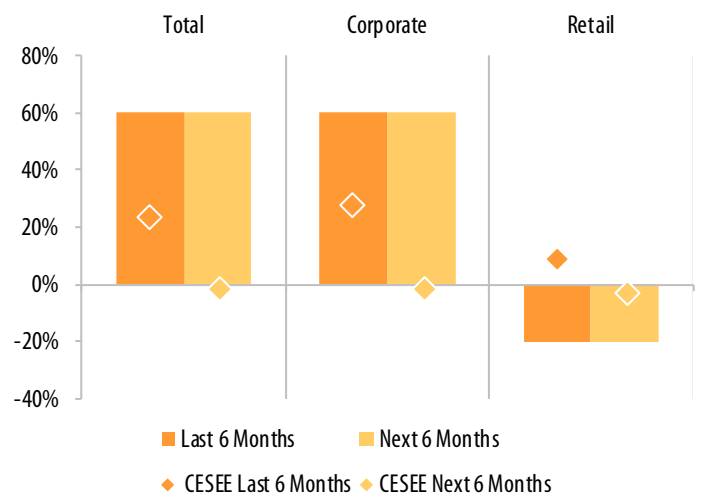
Source: EIB, CESEE bank lending survey.

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

**Figure 10 Non-performing loan ratios**

The total non-performing loan ratio improved over the last six months, driven entirely by the corporate segment, as the retail non-performing loan ratio slightly deteriorated.

A continuation of these trends is expected over the next six months.

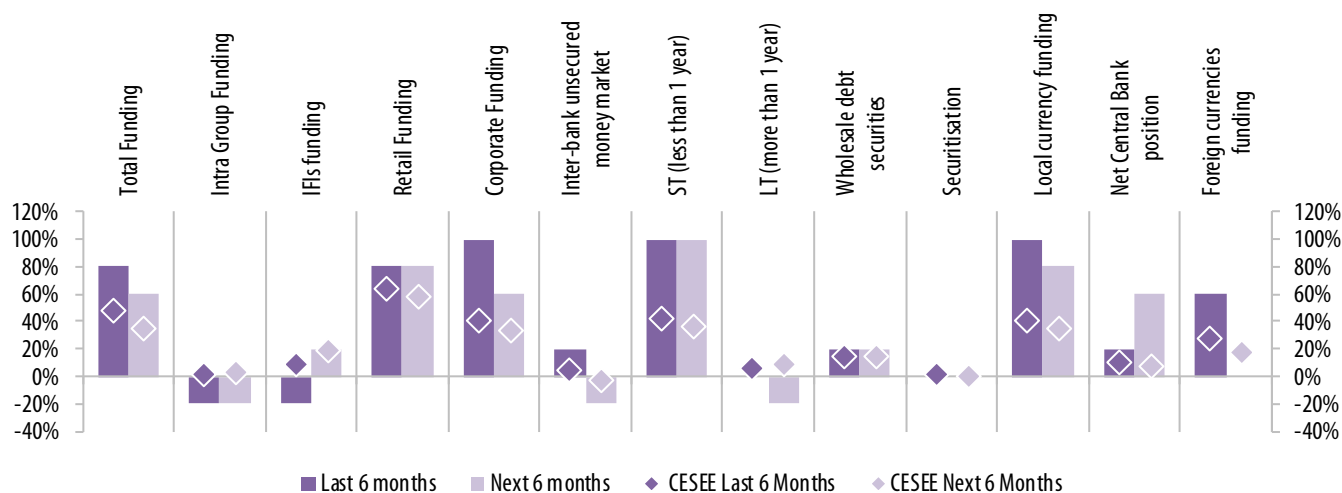


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Access to funding increased further during the last six months, mainly due to better access to retail and corporate funding. The inter-bank money market, wholesale debt securities and central bank funding also contributed positively, albeit to a lesser extent. Access increased for both local and foreign currency funding. By contrast, a small majority of banks reported a deterioration in access to intra-group and IFI funding. Further improvements in access to funding are expected over the next six months.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

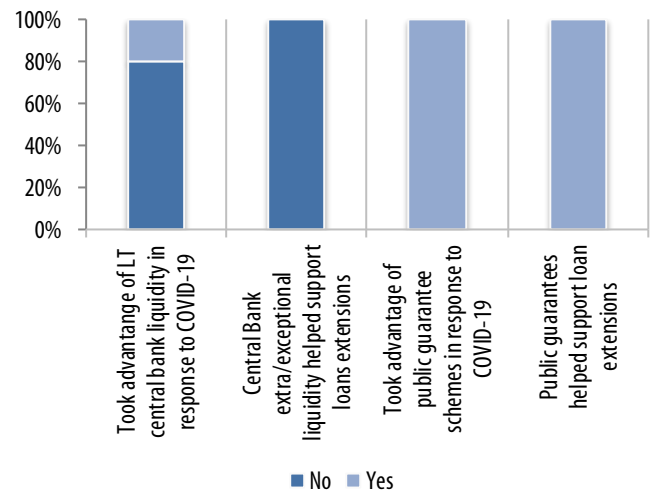
**Regulatory and policy measures supporting lending**

All participating Croatian banks took advantage of the public guarantee schemes launched in response to the COVID-19 pandemic. One-fifth also took advantage of long-term central bank liquidity. All respondents believe that liquidity facilities and public guarantees helped to support loan extensions.

Croatian banks believe that several regulatory and policy measures helped to maintain lending during the pandemic, such as flexibility on non-performing loan treatment, COVID-19-related temporary capital relief, adjustment of risk-weights, relaxation of liquidity ratio requirements and the postponement of full Basel III implementation.

**Figure 12**

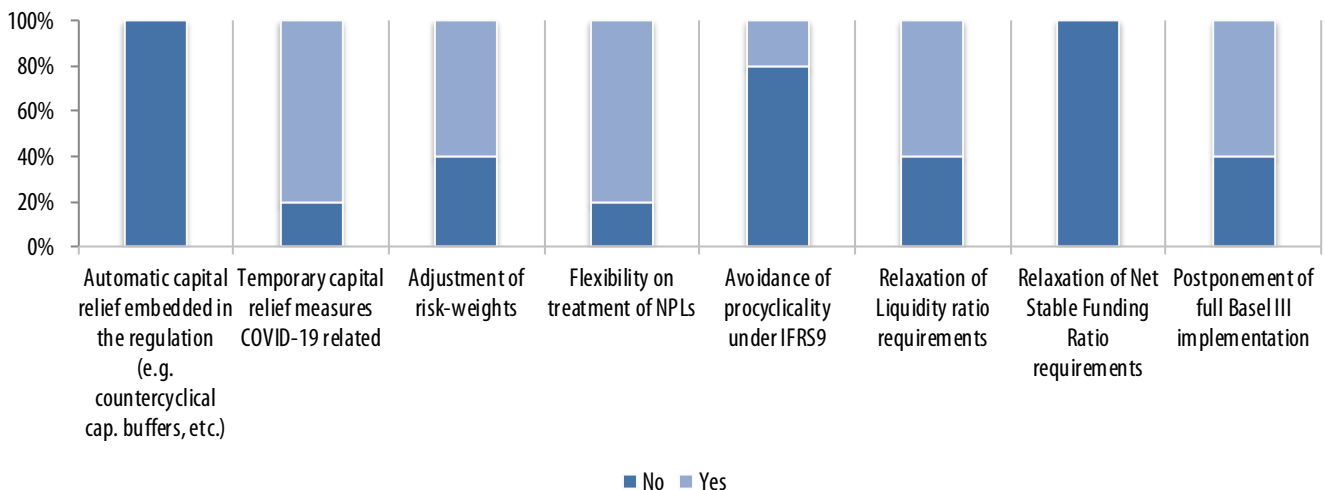
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**



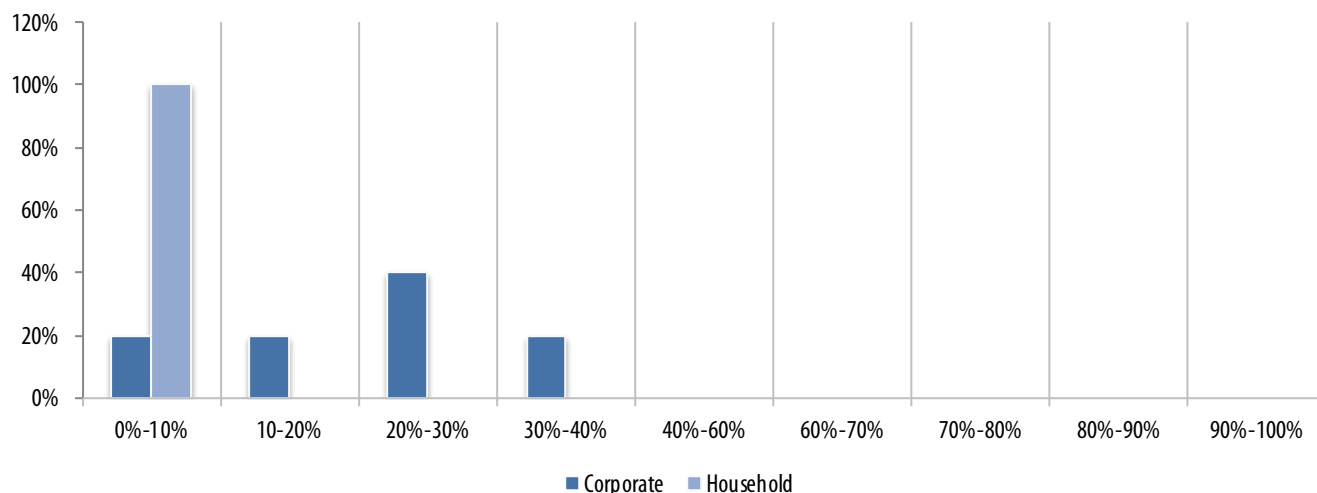
Source: EIB, CESEE bank lending survey.



### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect between 0% and 40% of the corporate loan portfolio but no more than 10% of the household loan portfolio of Croatian banks.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



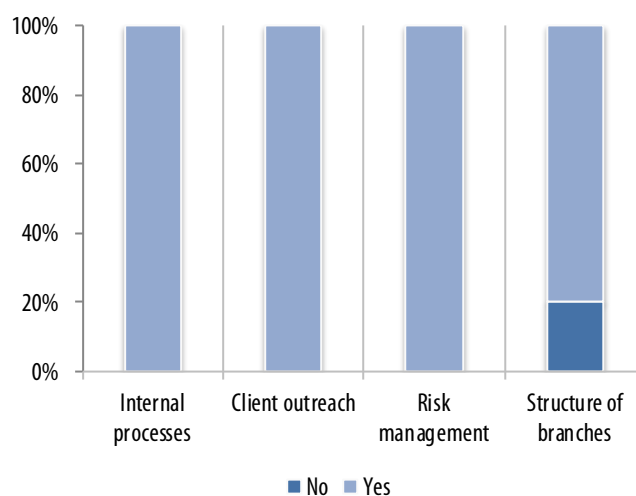
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic pushed local banks to prioritise digitalisation. All banks have increased digitalisation efforts in internal processes, client outreach and risk management. In addition, 80% of banks are pursuing faster digitalisation in their branches.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Czech Republic

*Having emerged from the country's second lockdown, the Czech economy rapidly recovered, with increasing demand for loans. Non-performing loans rose as anticipated but banks expect them to decline over the next six months. As credit risks appeared to decline, banks raised the supply of loans.*

## Summary

**Group assessment of positioning and market potential:** Banking remains more profitable in the Czech Republic than in other CESEE economies. The majority of parent banks believe that the market potential of the Czech Republic is high and see little reason to change their market positioning.

After the Czech economy emerged from the second wave of the pandemic, **credit demand** increased in every segment over the last six months. Other than for mortgages, most banks expect loan demand to increase further in the next six months. A long period of rising house prices and tighter monetary policy is making housing less affordable.

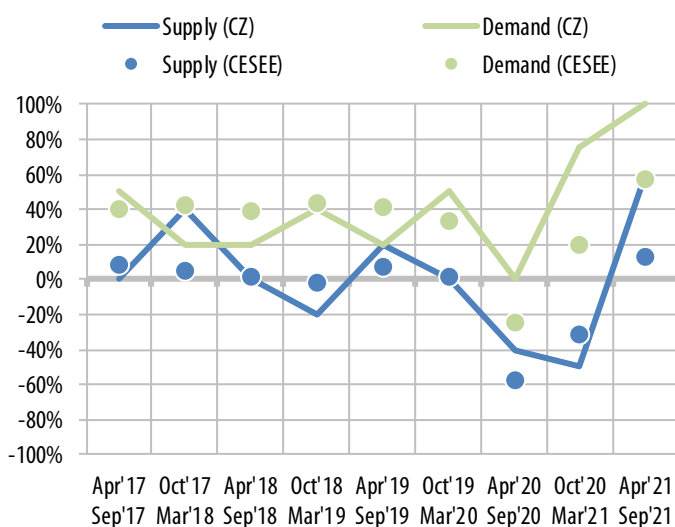
With credit risks appearing to decline, banks increased the **credit supply** across their product range. Relative to their CESEE peers, Czech banks appear to have eased credit standards sooner.

**Non-performing loan ratios** rose but are expected to decline as the economic outlook improves.

**Access to funding** improved, driven by the better economic outlook and plausibly by high household and corporate savings.

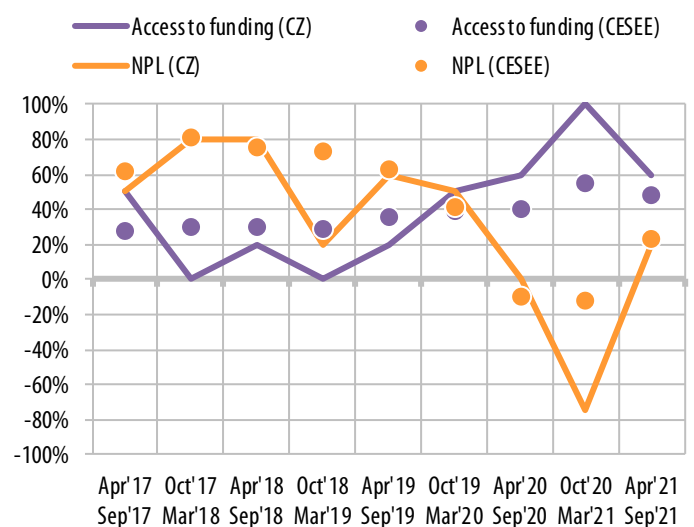
**COVID-19 measures:** All banks believe that public loan guarantees have supported lending, and almost all banks participated in a corresponding scheme. Regulatory measures, particularly the flexible treatment of non-performing loans, are also considered to have supported lending.

Finally, all banks reported that the pandemic led them to accelerate **digitalisation** efforts.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

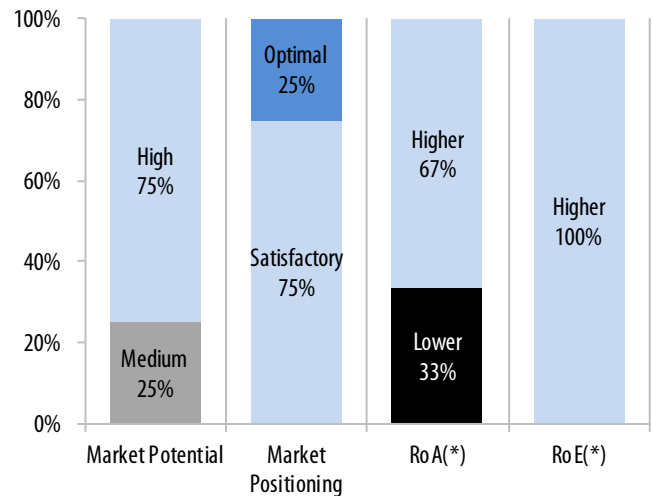
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

Most banks in the Czech Republic belong to banking groups also present in the rest of the CESEE region. The majority of parent banks believe that the Czech market has high potential and see little reason to change their positioning.

All banks reported a higher return on equity and 67% reported a higher return on assets for Czech operations compared to overall group operations.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

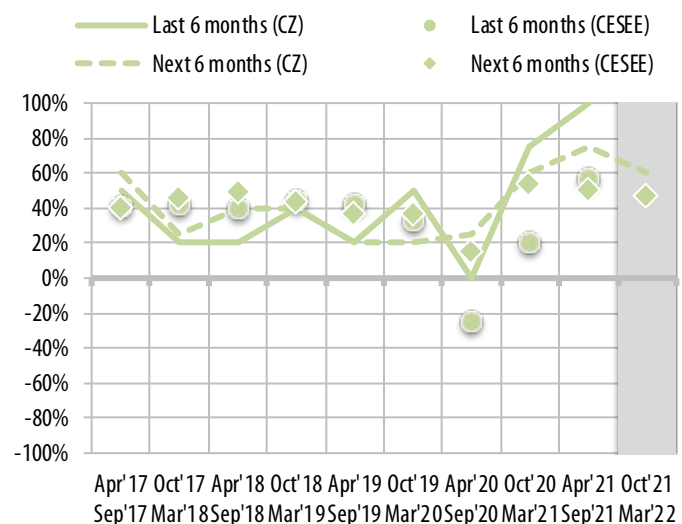
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

All banks reported increasing demand for loans over the last six months, reflecting the emergence of the Czech economy from the pandemic wave during Q2 2020. The picture in the rest of CESEE is somewhat more mixed, with most but not all banks reporting increased demand.

Looking ahead, most banks in the Czech Republic and the rest of CESEE expect loan demand to continue rising as the economic recovery continues.

**Figure 2** Demand side developments

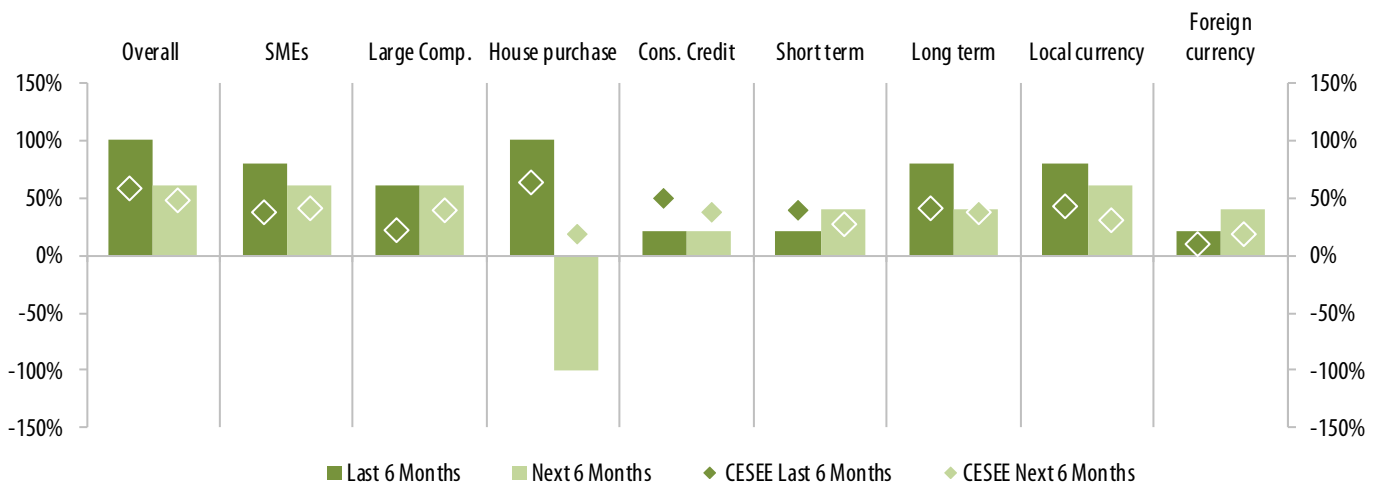


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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**

Most banks reported that non-financial corporates' demand for loans increased across the product spectrum. Loans to households also increased, particularly for mortgages. However, banks expect demand for mortgages to fall over the next six months, amid high property prices and interest rate rises. Developments were similar in the rest of the region. However, the CESEE aggregate expectation is a further rise in mortgage demand over the next six months. This likely reflects that the Czech National Bank is tightening policy faster than its CESEE peers.

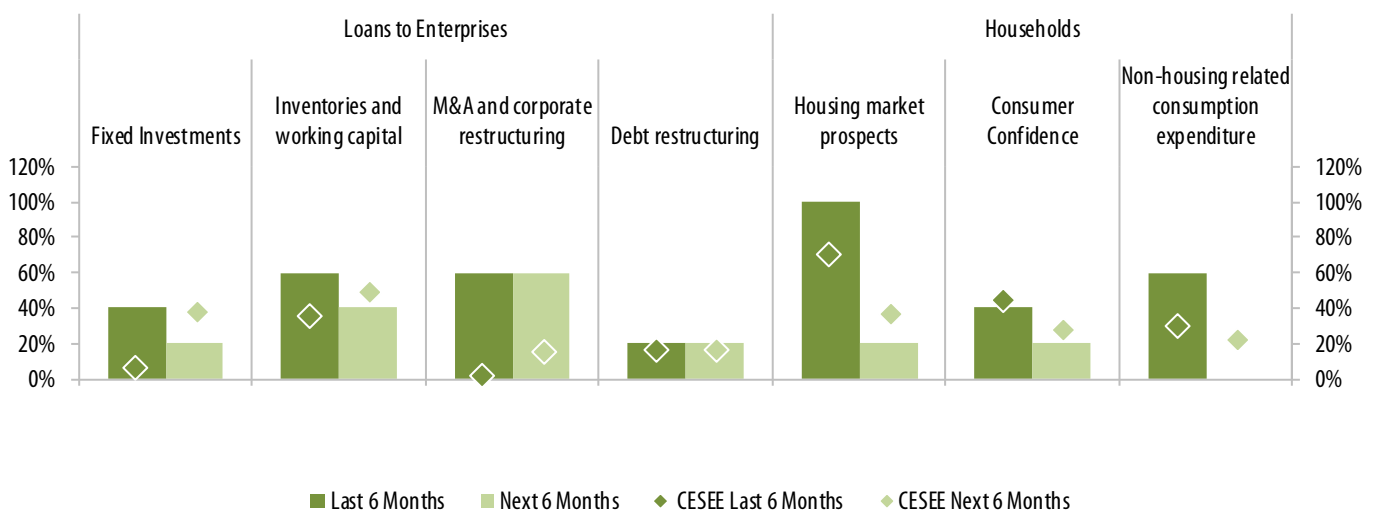


Source: EIB, CESEE bank lending survey.

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

**Figure 4 Factors affecting loan demand**

Most banks reported that every business segment drove non-financial corporates' increased demand for loans. On the household side, housing market prospects were the greatest driver of loan demand. However, this is likely to change over the next six months as higher interest rates take their toll.

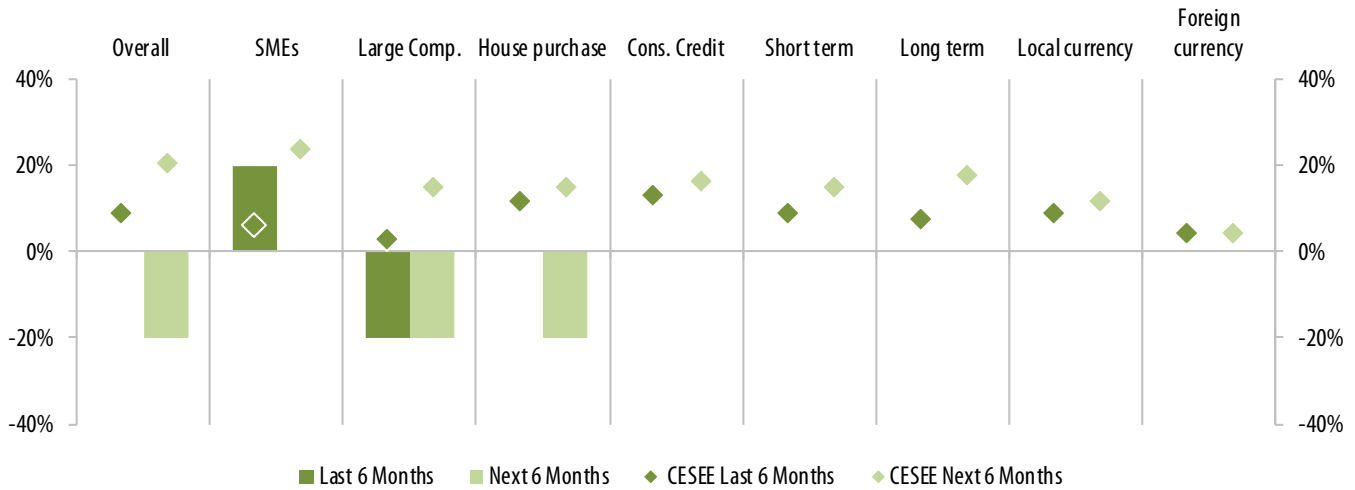


Source: EIB, CESEE bank lending survey.

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**

The quality of loan applications does not appear to have changed, other than a slight improvement for SMEs. This is broadly similar to the situation in the rest of CESEE, with only small majorities of respondents reporting increasing quality of applications for various types of loans.



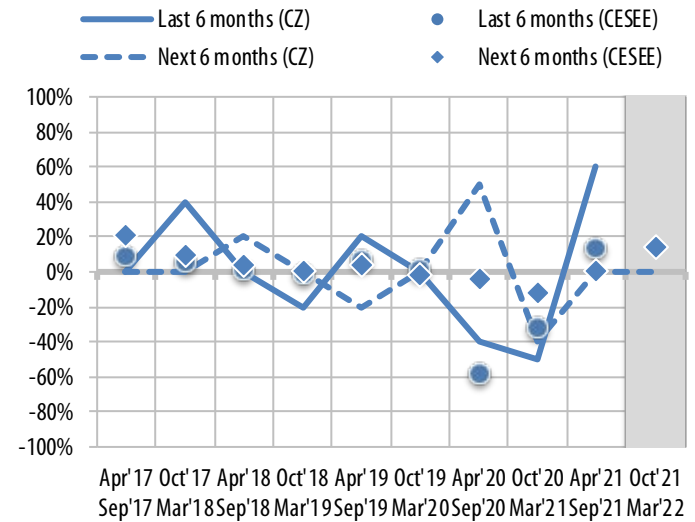
Source: EIB, CESEE bank lending survey.

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

**Aggregate supply developments**

Most banks responded to the country's emergence from the second wave of the COVID-19 pandemic by increasing their credit supply. However, further loosening is not expected over the next six months.

**Figure 6 Supply developments**

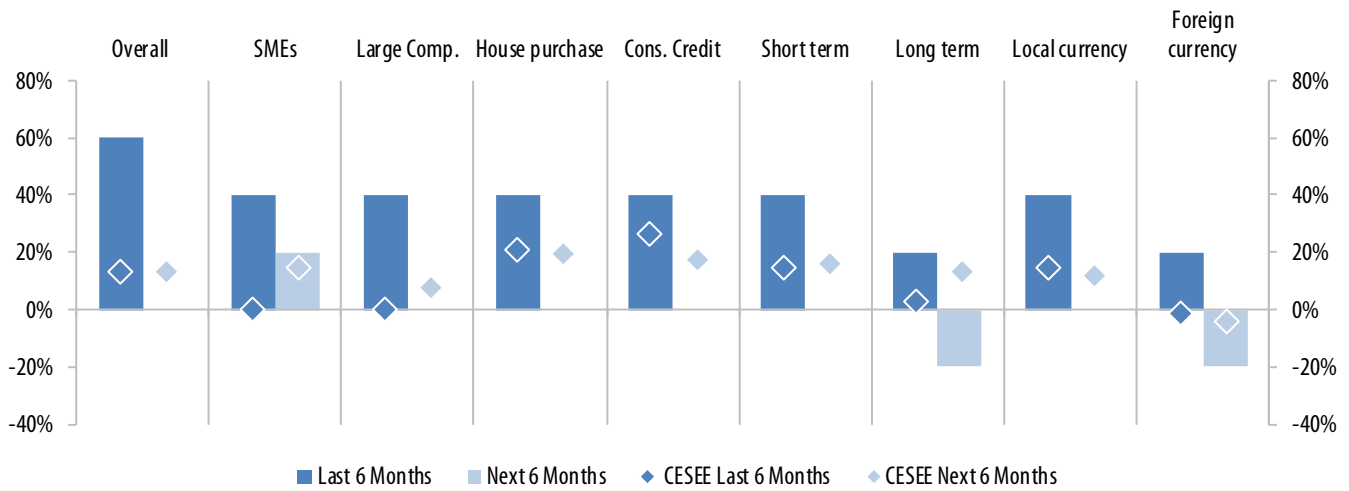


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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**

Czech banks appear to have eased credit standards by more than their CESEE peers across every segment.

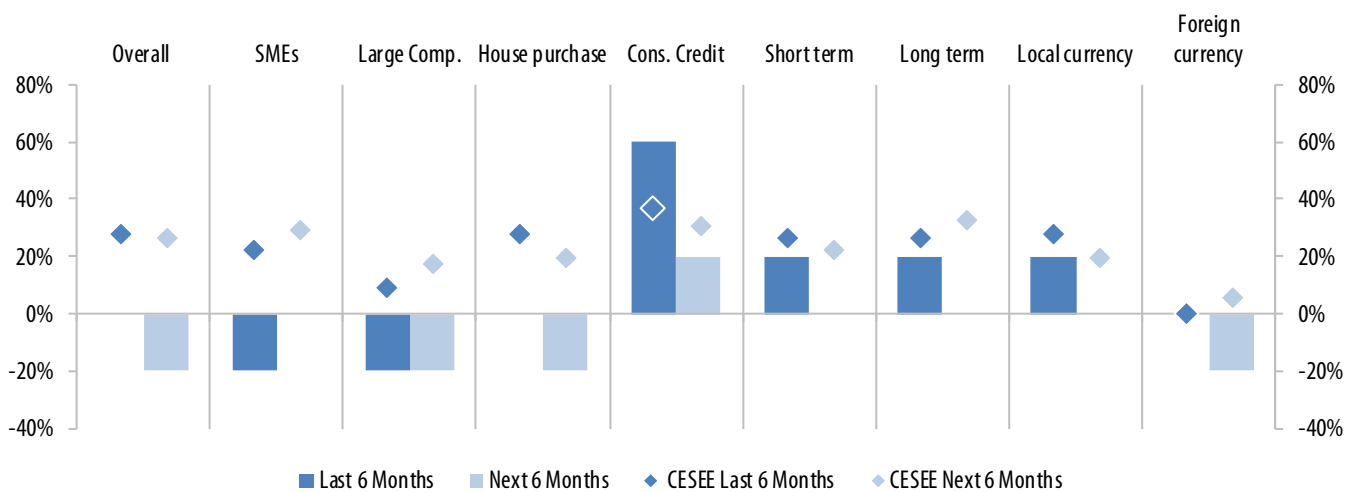


Source: EIB, CESEE bank lending survey

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

**Figure 8 Credit supply: Local/subsidiary bank approval rates for loan applications**

Banks accommodated most of the increase in demand for loans: approval rates remained broadly unchanged for most loan products. A prominent exception was the approval rate for consumer loans, for which most banks reported an increase as economic prospects improved.

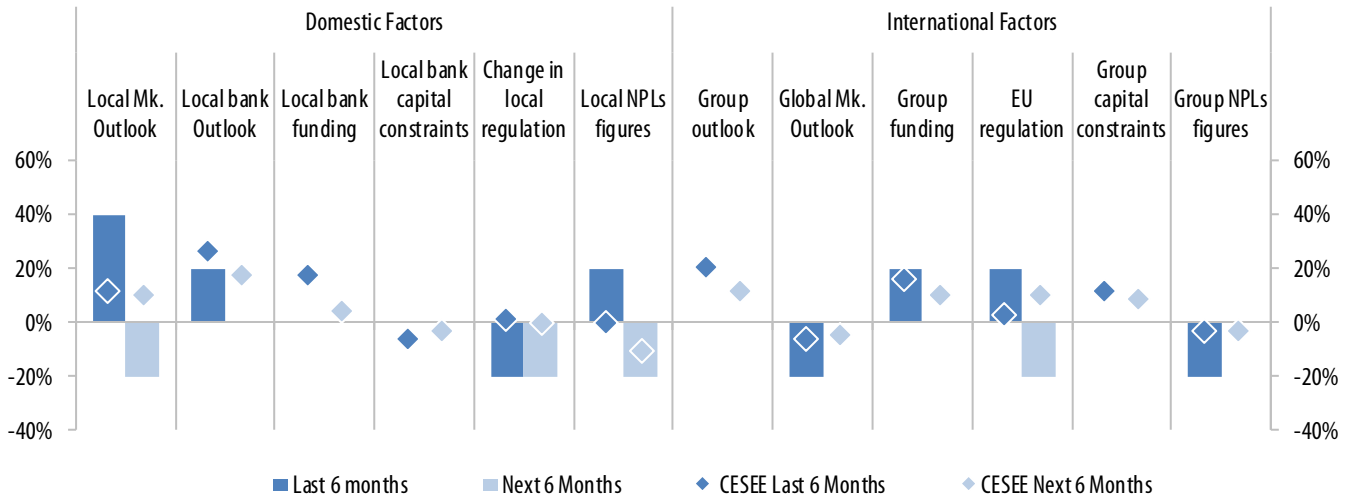


Source: EIB, CESEE bank lending survey

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**

Most banks reported that the improved market outlook in the Czech Republic contributed to higher credit supply. A small minority reported that local regulatory changes had tightened credit supply, perhaps referring to the Czech National Bank’s decisions in May and August 2021 to increase the countercyclical capital buffer in 2022.



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**

Non-performing loans decreased at a large majority of reporting banks during the last six months but the majority of banks expect this trend to reverse over the next six months. Banks in other CESEE countries are somewhat more optimistic regarding the outlook for non-performing loans.



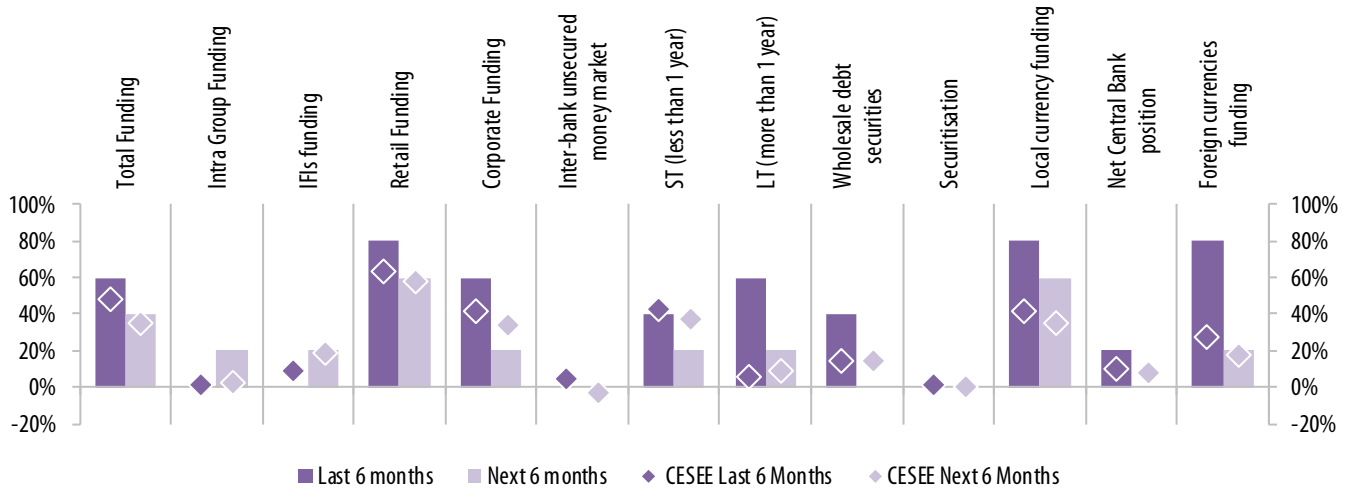
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.



**Figure 11 Access to funding**

Banks found it easier to access funding during the last six months. Already largely funded by stable domestic deposits, banks' access to retail and corporate funding further increased, likely reflecting high savings by households and companies. 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 easier access to funding. See Question B.Q9 in the Annex.

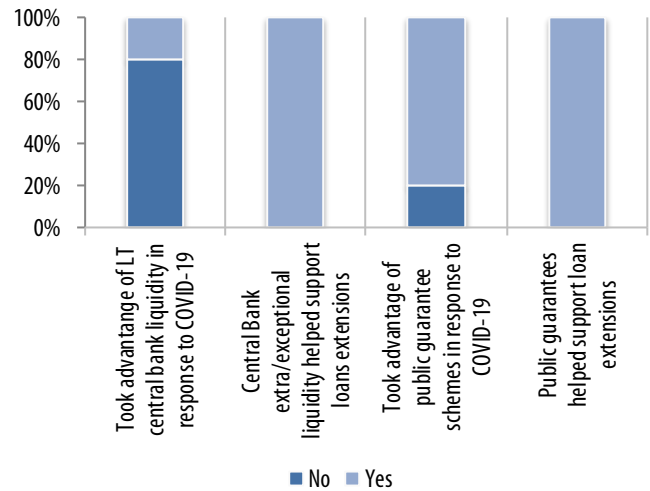
**COVID-19 module**

**Regulatory and policy measures supporting lending**

Fiscal, monetary and regulatory measures all appear to have supported lending. Public loan guarantees were indicated by all banks to have been beneficial, and almost all banks participated in a corresponding scheme. Regulatory measures, particularly those providing flexibility on the treatment of non-performing loans, were also acknowledged to have supported lending.

**Figure 12**

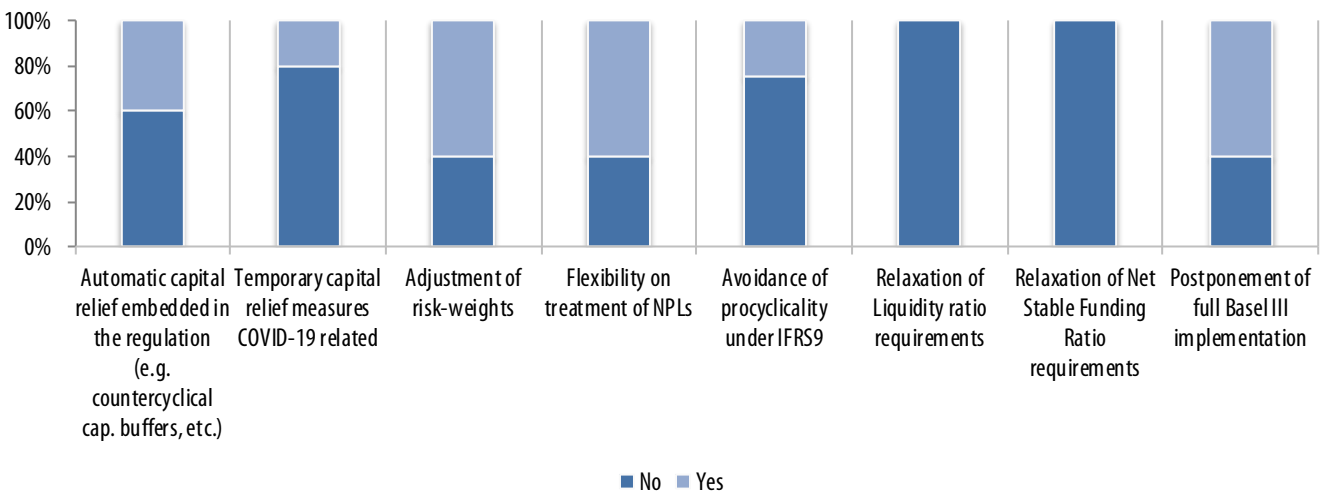
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**

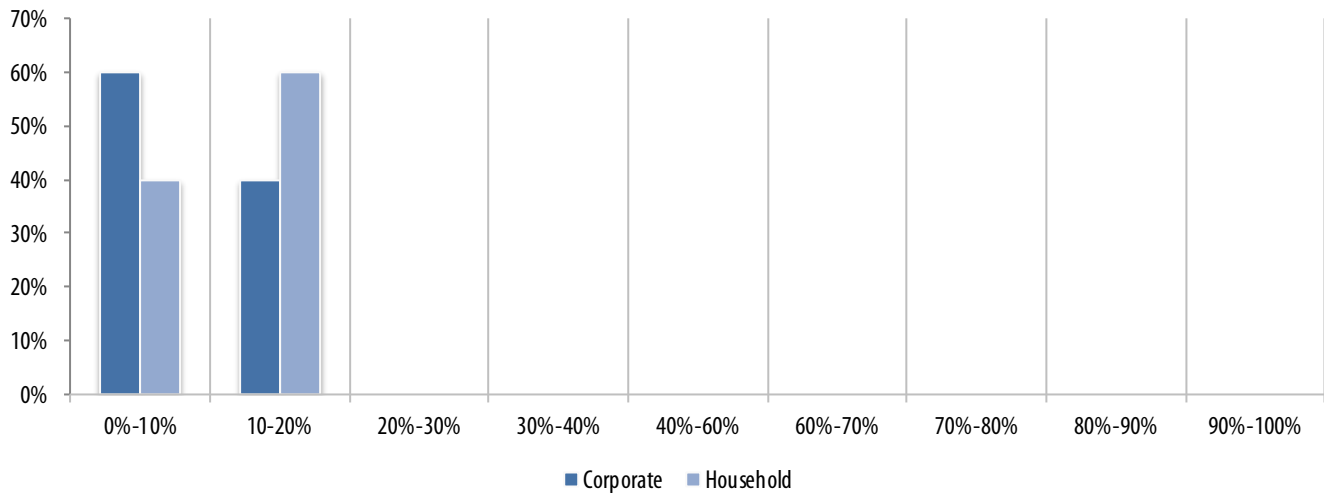


Source: EIB, CESEE bank lending survey.

## Moratoria incidence and uptake

Banks reported that up to 20% of their household loan portfolio and of their corporate loan portfolio benefited from payment moratoria.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



Source: EIB, CESEE bank lending survey.

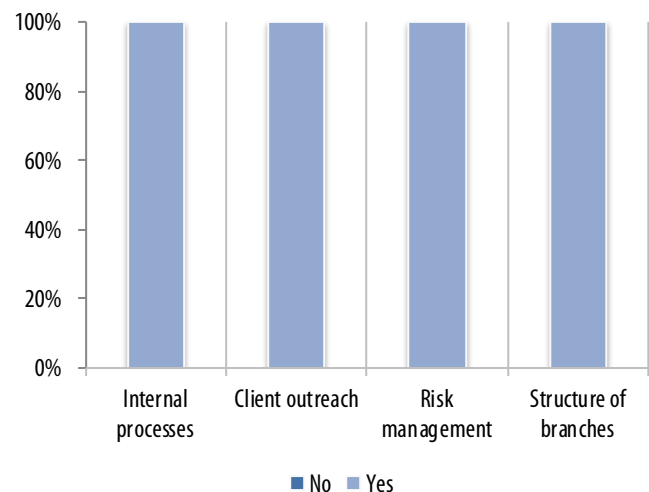
Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

## Impact on strategic priorities in terms of digitalisation

All banks reported that the COVID-19 pandemic will prompt them to accelerate digitalisation efforts.

**Figure 15**

**Did COVID-19 increase the propensity to accelerate aspects of digitalisation?**



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Hungary

**Over one year into the COVID-19 pandemic, the Hungarian market has been characterised by stagnating credit demand and deteriorating supply conditions. These both turned positive over the last six months.**

## Summary

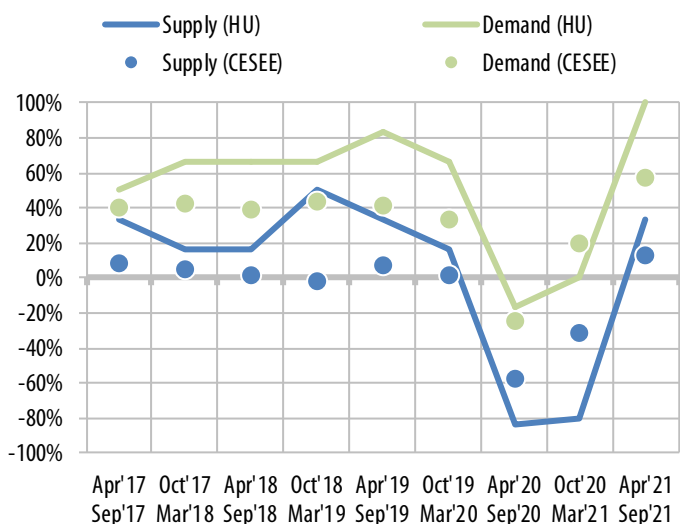
**Group assessment of positioning and market potential:** Parent banks consider the Hungarian market to have medium to high potential, reflecting an improved outlook compared to previous survey rounds. This market potential rating places Hungary somewhat behind Poland, in line with the Czech Republic and Romania, and slightly ahead of Slovenia and Slovakia. More than half of banking groups regard their position in the Hungarian market as satisfactory, while the others are equally split between weak (20%) and optimal (20%) ratings.

**Credit demand** increased during the last six months across all segments, along with a significant improvement in **credit supply** conditions. Looking ahead, credit demand and credit supply are both expected to improve moderately over the next six months.

**Access to funding** was strong overall during the last six months, in line with the CESEE region. The improvement was due chiefly to domestic sources, with both corporate and retail deposits having a strong positive influence.

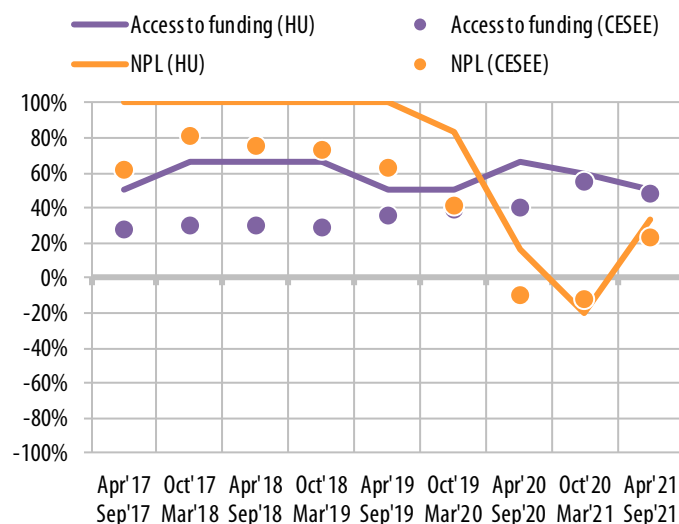
**Non-performing loan ratios** improved over the last six months, but banks report a negative outlook for the corporate sector.

**COVID-19 measures:** Hungarian banks indicate that liquidity support, guarantee programmes and temporary capital relief measures have all been useful in supporting access to finance during the pandemic.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

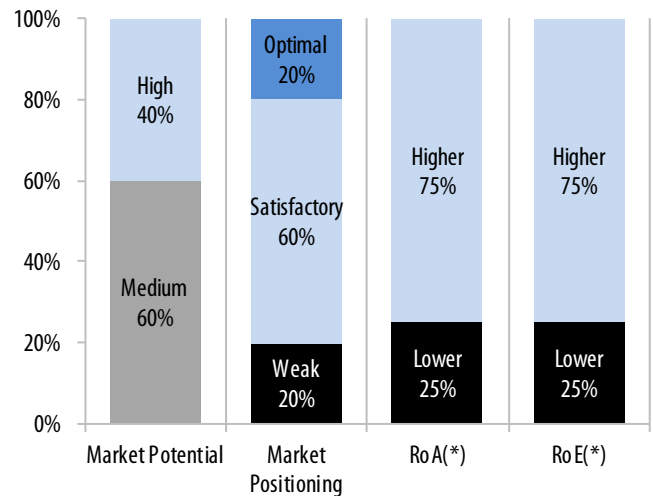
## Results of the CESEE bank lending survey: Parent banks

Most parent banks operating in Hungary show commitment towards the region. About 80% of responding banking groups present in the country plan to maintain or expand their operations in CESEE.

The majority of parent banks consider the Hungarian market to have medium potential, while the other 40% consider it high. This reflects a somewhat worsening outlook compared to earlier survey rounds: in terms of market potential, Hungary ranks somewhat behind Poland, in line with the Czech Republic and Romania, and slightly ahead of Slovenia and Slovakia.

Most banking groups (60%) regard their position in the Hungarian market as satisfactory, while the remainder find it optimal (20%) or weak (20%). Risk-adjusted return on assets and return on equity are mostly higher in Hungary than for the overall group.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

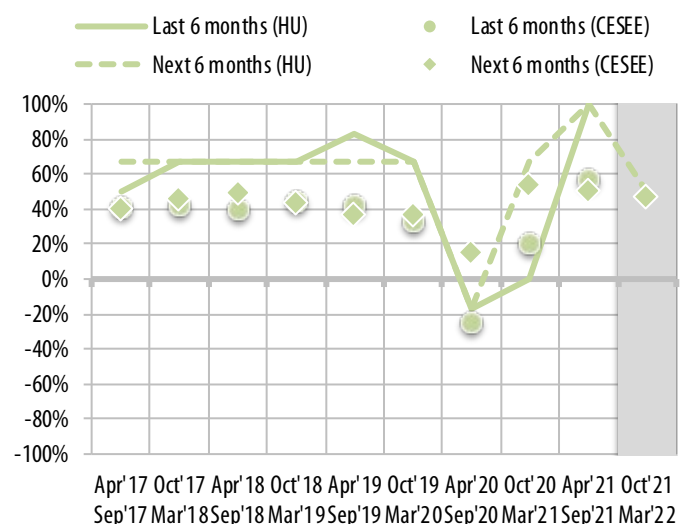
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Hungarian banks reported an increase in credit demand in the last six months, in line with expectations formulated in the spring 2021 survey. Demand for loans in Hungary was somewhat above the level seen in the wider region.

Banks expect an increase in credit demand for the next six months, albeit smaller than the rise experienced over the last six months.

**Figure 2** Demand side developments



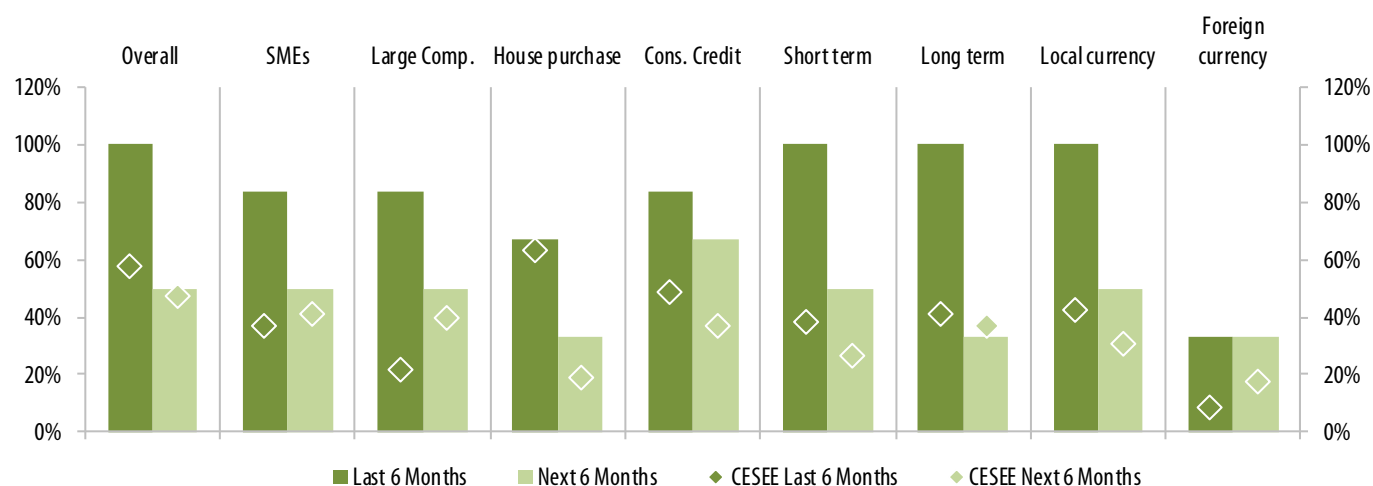
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Loan demand increased for all segments in the last six months. For consumer credit demand, this marks a shift from the negative effect of the COVID-19 crisis reported previously. The increases in demand are more pronounced than in the CESEE aggregate in every segment except house purchases, for which the demand change is in line with that of the wider region.

Over the next six months, banks expect an increase in credit demand in all segments, and on both short and long-term maturities, similarly to banks in other CESEE countries.

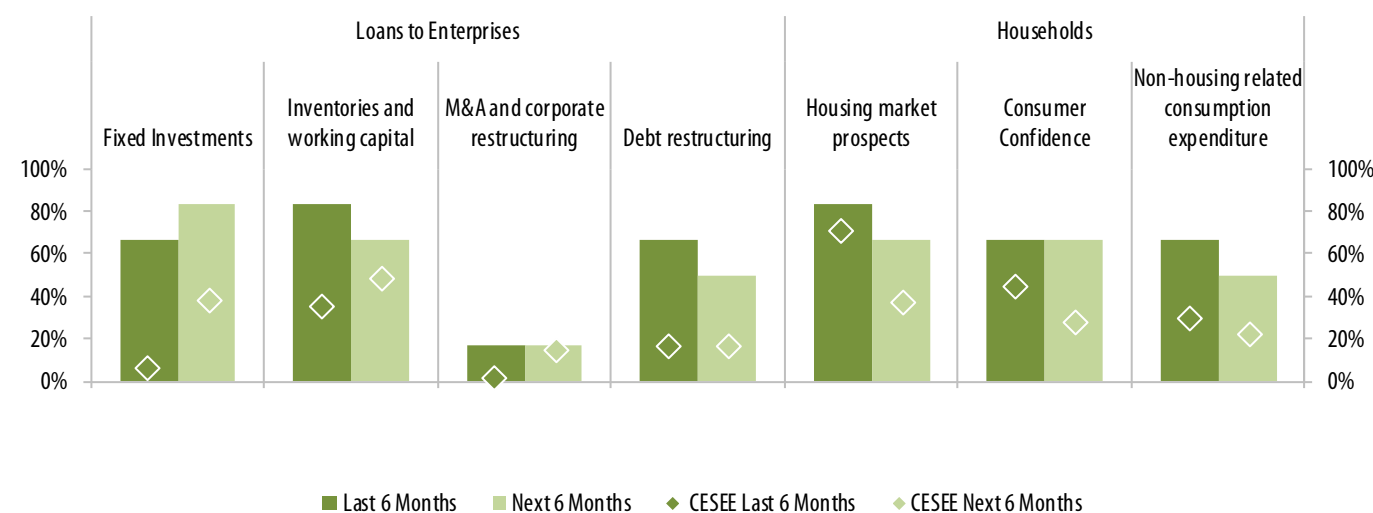


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Among the individual factors of loan demand on the corporate side, both investment-related demand and working capital needs remained positive. On the household side, housing market prospects and consumer confidence positively influenced loan demand. All factors are expected to influence credit demand positively in the next six months, similarly to the overall picture for CESEE.

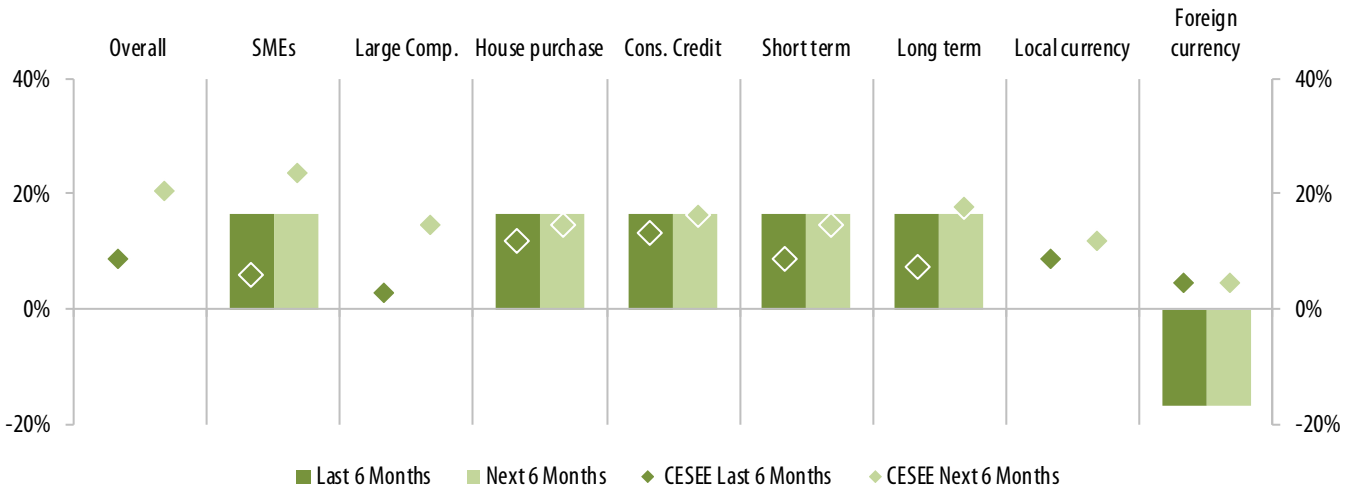


Source: EIB, CESEE bank lending survey.

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

While the perceived quality of loan applications stagnated overall in the last six months, quality somewhat improved for SMEs and households, but slightly declined for foreign currency loans. Over the next six months, no overall change is expected and the direction of change in each respective segment is expected to persist.



Source: EIB, CESEE bank lending survey.

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

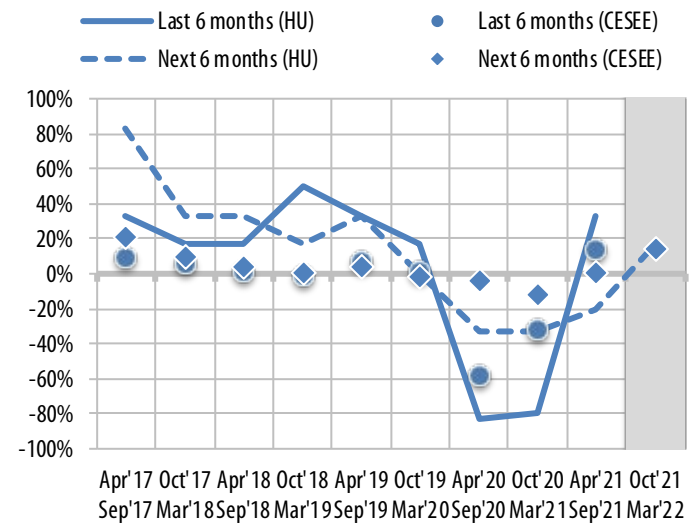
### Aggregate supply developments

Credit supply conditions in Hungary improved sharply over the last six months, above the banks' own expectations formulated in spring 2021.

The improvement was similar to that of the CESEE region but from a lower base, as supply conditions in Hungary were relatively tighter over the 18 months following the COVID-19 outbreak than in the rest of CESEE.

Looking ahead, supply is expected improve moderately, similarly to the CESEE average.

Figure 6 Supply developments



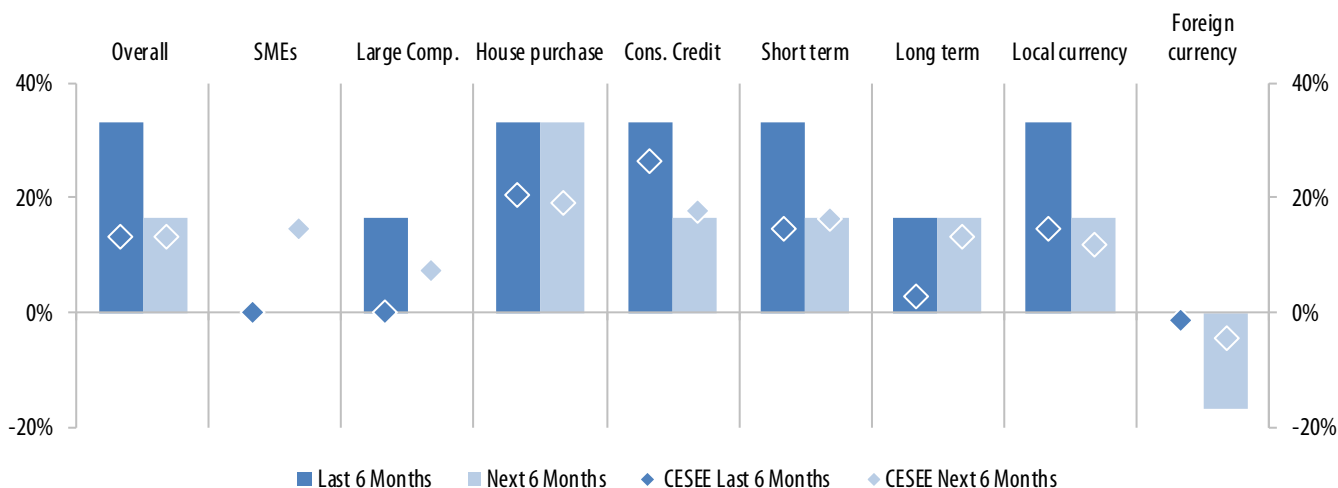
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 the last six months, credit supply conditions improved overall and in every segment except foreign currency loans and SME borrowing, where supply stagnated. The developments are broadly in line with those elsewhere in the region. Looking ahead, banks project further improvement overall and in all segments except SMEs and large corporations (both stagnating) and foreign currency (declining).

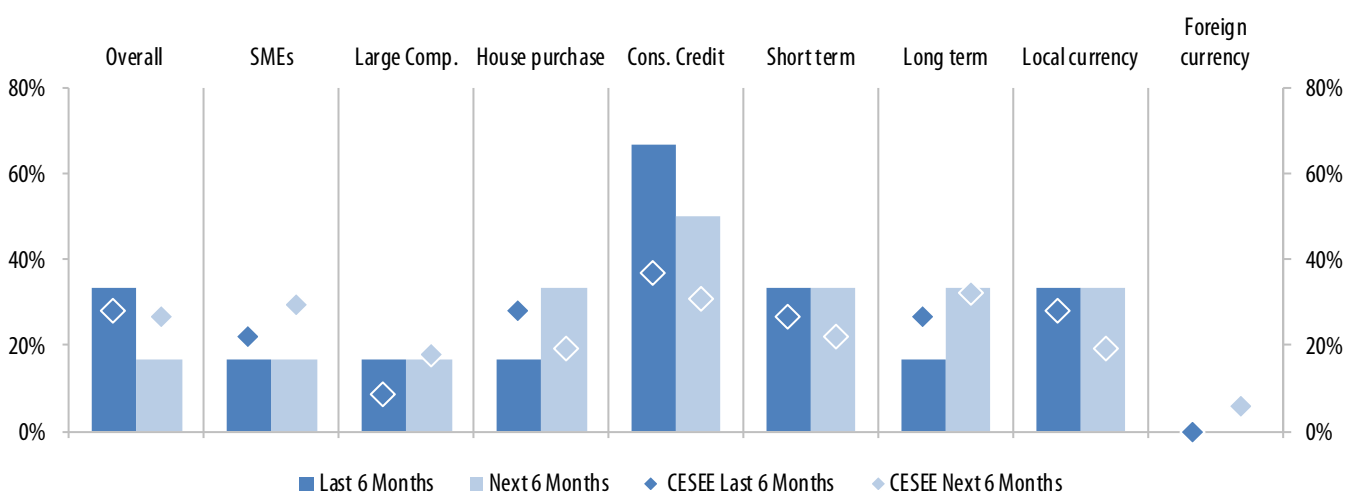


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

The approval rates for credit applications improved overall and for every segment except foreign currency loans (unchanged). A significant improvement was recorded on consumer credit applications. The developments are broadly in line with those in the wider region: only consumer loans had a substantially higher net percentage reporting improvement in Hungary compared to the CESEE aggregate. Looking ahead, approval rates are expected to further improve for corporates and households but remain unchanged for foreign currency loans over the next six months.

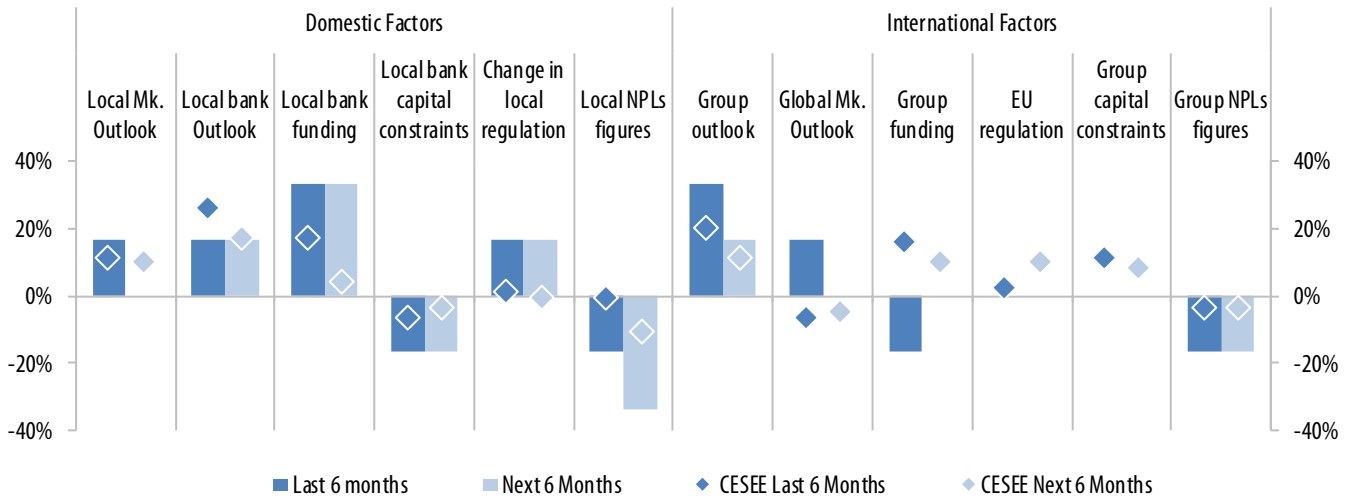


Source: EIB, CESEE bank lending survey

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**

Of the domestic factors, local bank funding, change in local regulation, and the local market and bank outlook strengthened supply conditions, whereas local bank capital constraints and local non-performing loans pushed banks towards a more cautious stance. Among the international factors, group outlook and global market outlook made positive contributions to supply conditions, while group funding and group non-performing loans exerted a negative impact. Looking ahead, banks expect local non-performing loan figures in particular and local bank capital constraints to continue constraining credit supply in Hungary.



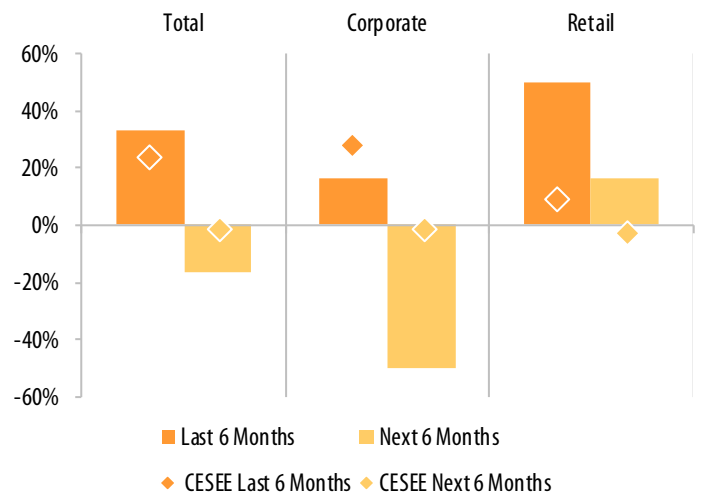
Source: EIB, CESEE bank lending survey.

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**

Non-performing loan ratios in Hungary improved slightly in the corporate segment and substantially in the retail segment over the last six months.

Looking ahead, however, banks expect a dramatic deterioration in the corporate non-performing loan ratio. Their outlook is significantly more negative than that of peers for the CESEE region, where the corporate non-performing loan ratio is not expected to change.

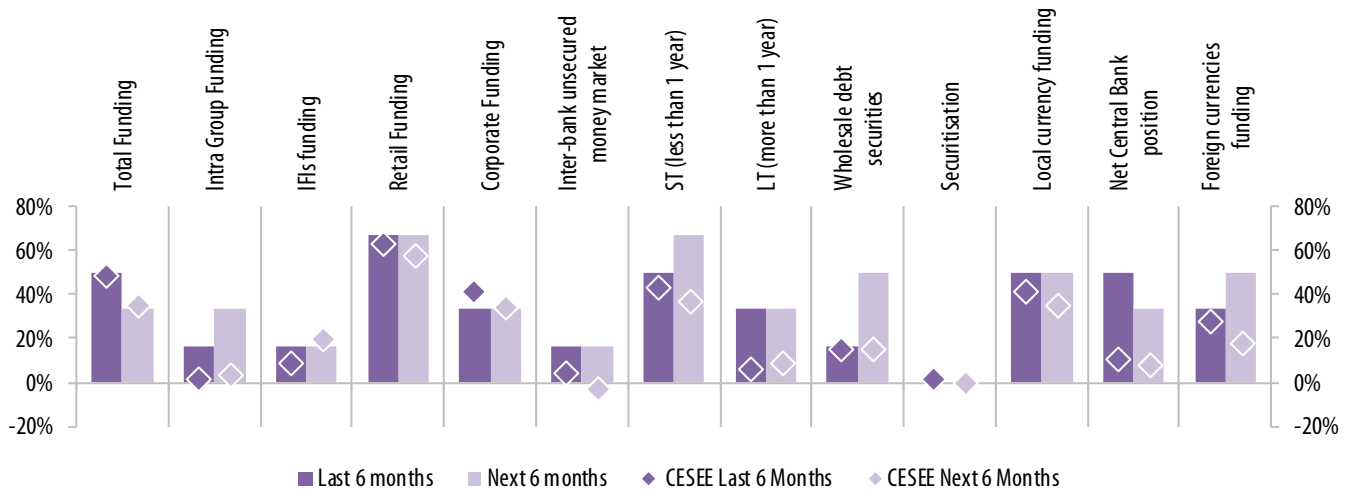


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

In line with developments in the CESEE region over the last six months, access to funding improved overall for Hungarian banks. The strongest contributor was the domestic side, with both corporate and retail deposits (with short maturity) having a substantial positive influence.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

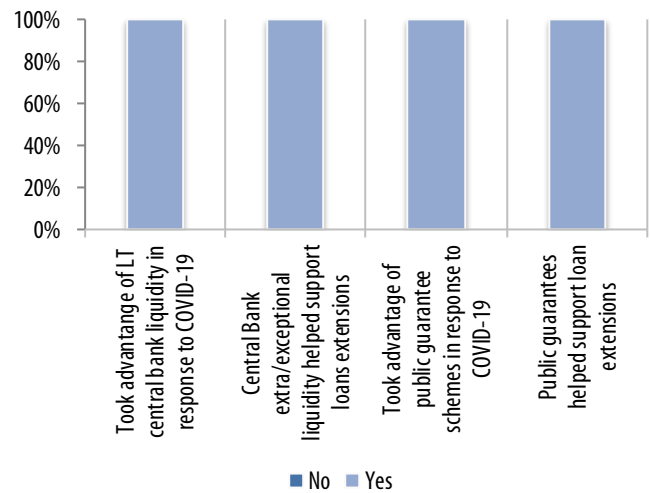
**Regulatory and policy measures supporting lending**

All surveyed Hungarian banks took advantage of the central bank's liquidity facilities and the public guarantee schemes launched in response to the COVID-19 pandemic. All respondents believe that the liquidity facilities had a key role in supporting credit supply, and there is also consensus that the guarantee programmes supported lending activity.

Regarding the impact of various regulatory measures, Hungarian banks believe that lending during the pandemic was most effectively supported by temporary capital relief measures and automatic capital relief embedded in the regulation.

**Figure 12**

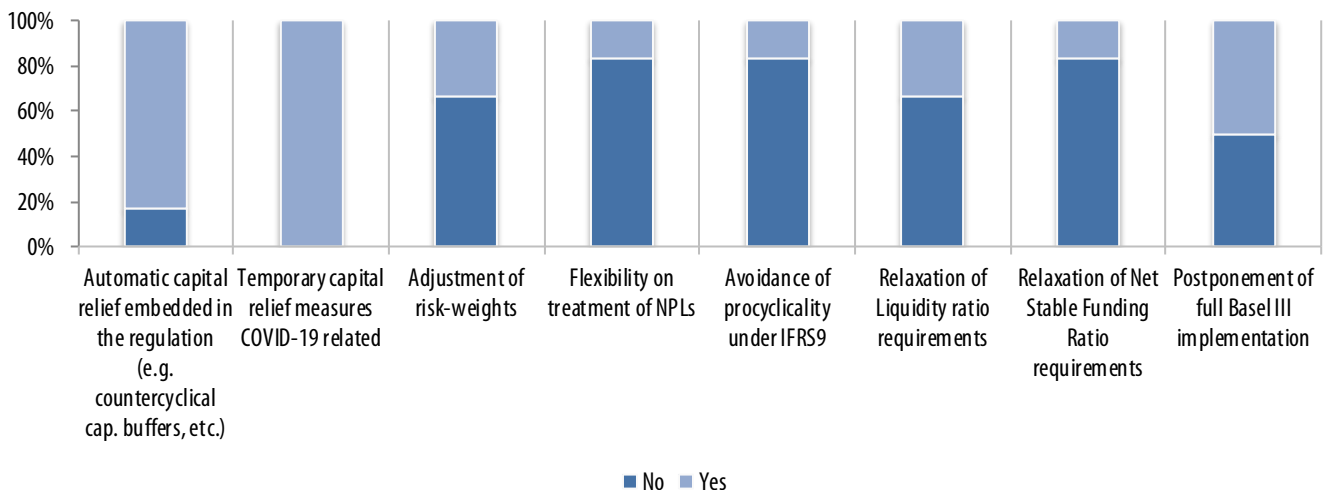
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**

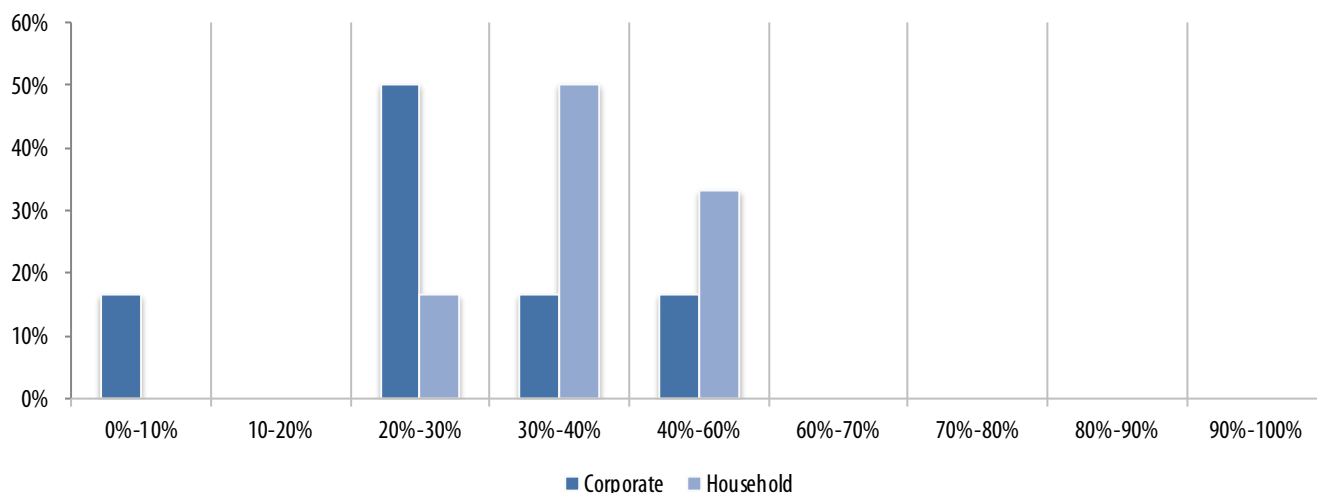


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affected between 0% and 60% of the corporate loan portfolio and between 20% and 60% of the household loan portfolio of Hungarian banks. A large proportion of household loan clients are evidently taking advantage of payment moratoria.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



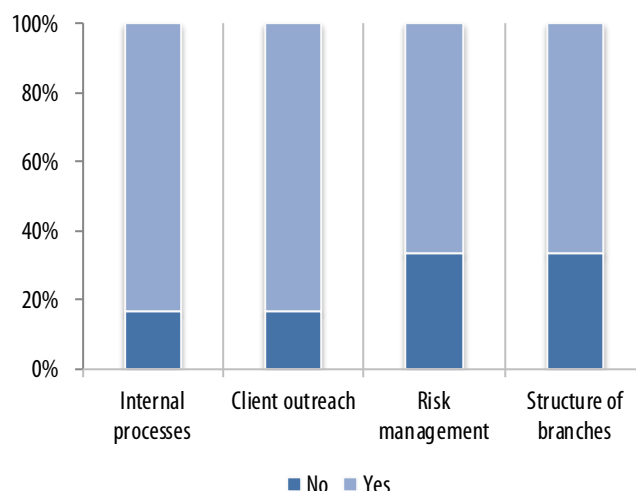
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic has pushed Hungarian banks to prioritise digitalisation. Most banks are increasing digitalisation efforts in internal processes and client outreach. In addition, many banks are pursuing faster digitalisation in branch structure and risk management.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Kosovo

**Banks continued to report encouraging demand and supply conditions in Kosovo, both above the regional averages. Some cooling off is expected in the coming six months, with potential non-performing loan increases. Profitability remains strong and market positioning optimal, but with limited potential.**

## Summary

**Group assessment of positioning and market potential:** The profitability of local banks in Kosovo is strong and above overall group levels. All parent banks consider their market positioning as optimal but assess market potential as low (50%) or medium (50%).

**Credit demand** substantially improved again over the last six months, much more than in the CESEE aggregate. Nevertheless, banks expect a softening of demand conditions in the next six months.

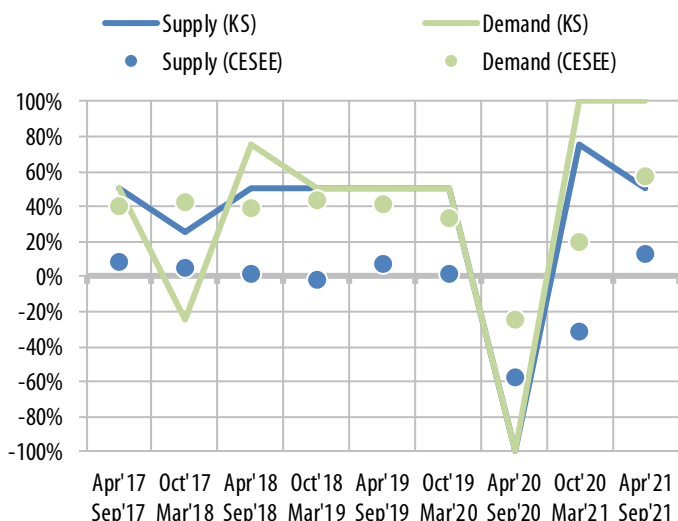
**Credit supply** softened further across all major segments during the last six months, particularly for SMEs. As in the previous survey, the outlook is rather favourable and brighter than in CESEE overall.

**Demand for loans** increased considerably once again across all major segments of loans, mostly above regional averages.

**Access to funding** improved in the last six months but remained rather diverse across major segments. Retail, intra-group and IFI funding, particularly in the short term, again enhanced overall access, while corporate and longer-term funding were more reserved. Looking ahead, Kosovo banks remain more cautious regarding access to finance than their regional peers.

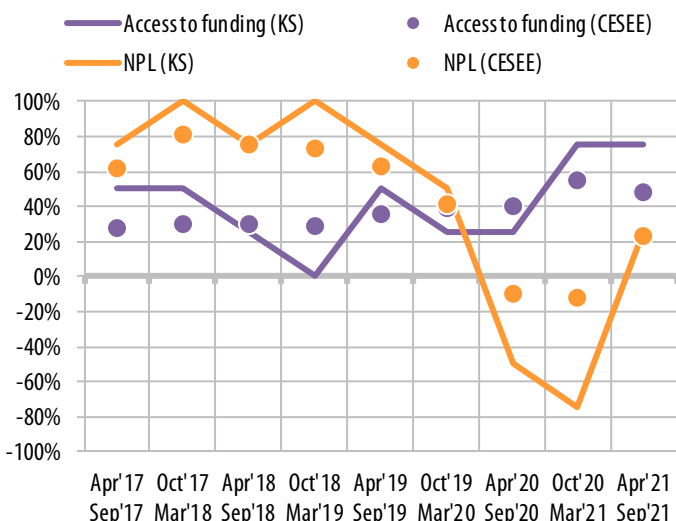
**Non-performing loan increases** remained limited in Kosovo, as in the region overall. However, banks expect a potential increase in non-performing loan ratios in the coming six months.

The **COVID-19 module** suggests modest utilisation of related policy measures by banks. However, many banks appear to have accelerated their digitalisation processes.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



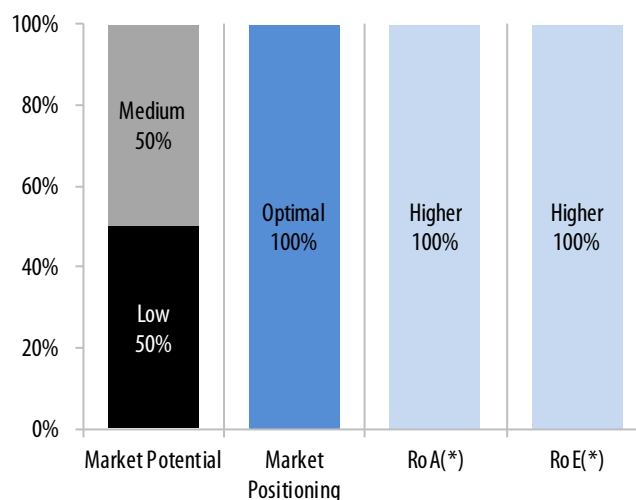
Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

The profitability of local banks remains very strong and above the levels observed in other CESEE countries. All parent banks in Kosovo see their current market positioning as optimal but assess the market potential as either low (50%) or medium (50%).

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

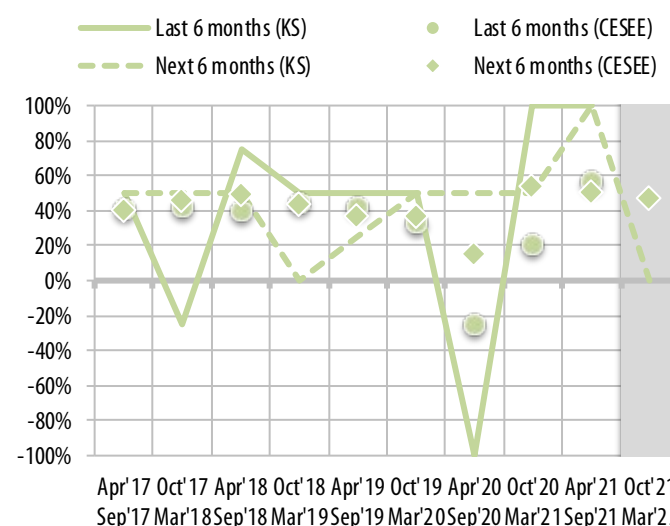
Credit demand has improved substantially over the past year in Kosovo, remaining above the CESEE aggregate and consistent with a strong rebound of economic activity.

Following a contraction of 5.3% in 2020, the Kosovar economy is projected to expand by up to 6% in 2021, according to the October 2021 World Economic Outlook forecast.

Resilient growth is expected to stimulate demand from consumers, who will require more loans as their incomes improve, and the expansion of investment by companies, requiring credit from banks.

A gradual softening of growth is projected for 2022, which will also gradually cool off demand for loans in the coming six months.

**Figure 2** Demand side developments



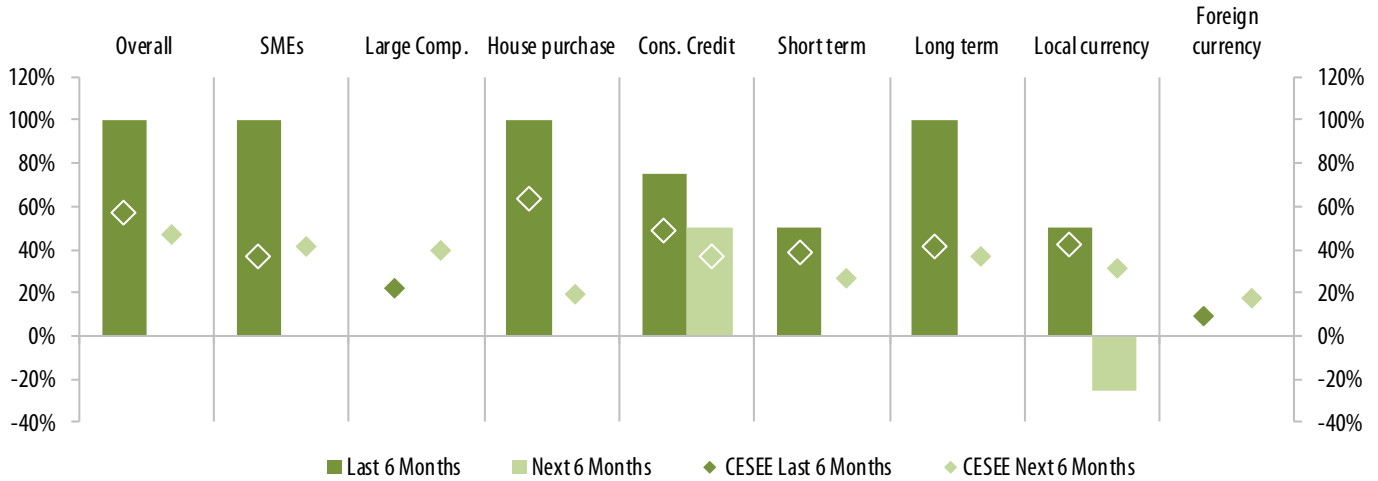
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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**

Apart from large corporates, credit demand was strong across all major segments and has now remained above the CESEE average for a year. In the coming six months, however, demand is expected to remain supportive but fall below the CESEE average across most segments, while demand from large corporations will remain neutral.

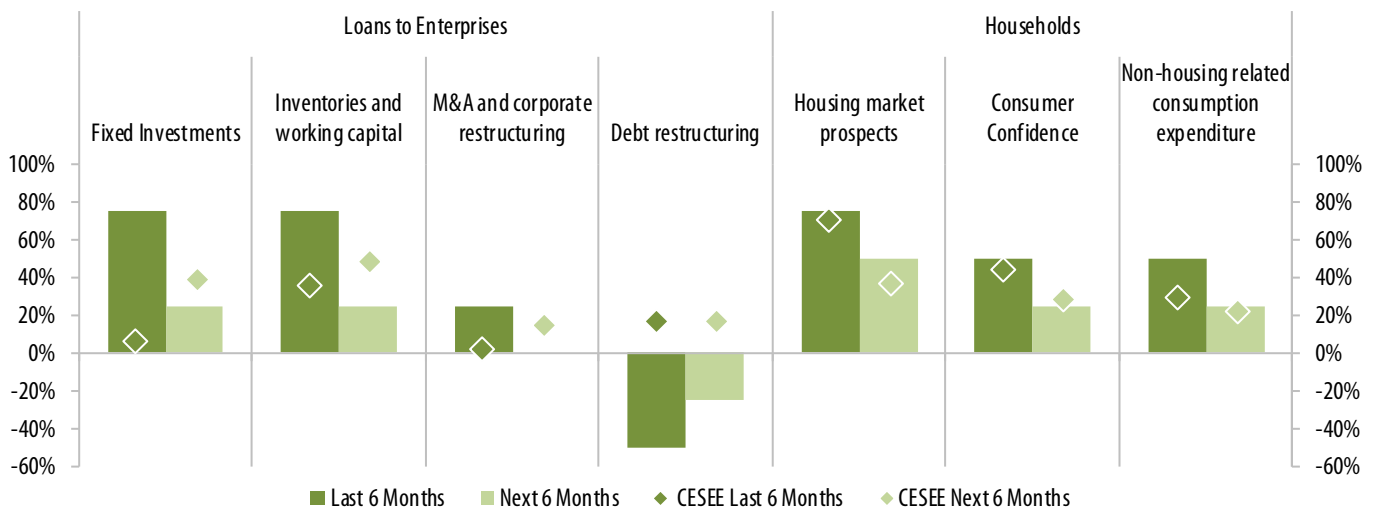


Source: EIB, CESEE bank lending survey.

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

**Figure 4 Factors affecting loan demand**

For corporates, inventories and working capital, as well as loans for fixed investments, were the major factors contributing positively to demand, while demand for debt restructuring made a negative contribution to overall conditions. For households, demand was particularly supported by housing market prospects, while consumer confidence and non-housing-related consumer expenditures were also stronger than in the CESEE aggregate. In the coming six months, demand will be driven by similar factors but will soften overall, falling below the CESEE average for most segments.

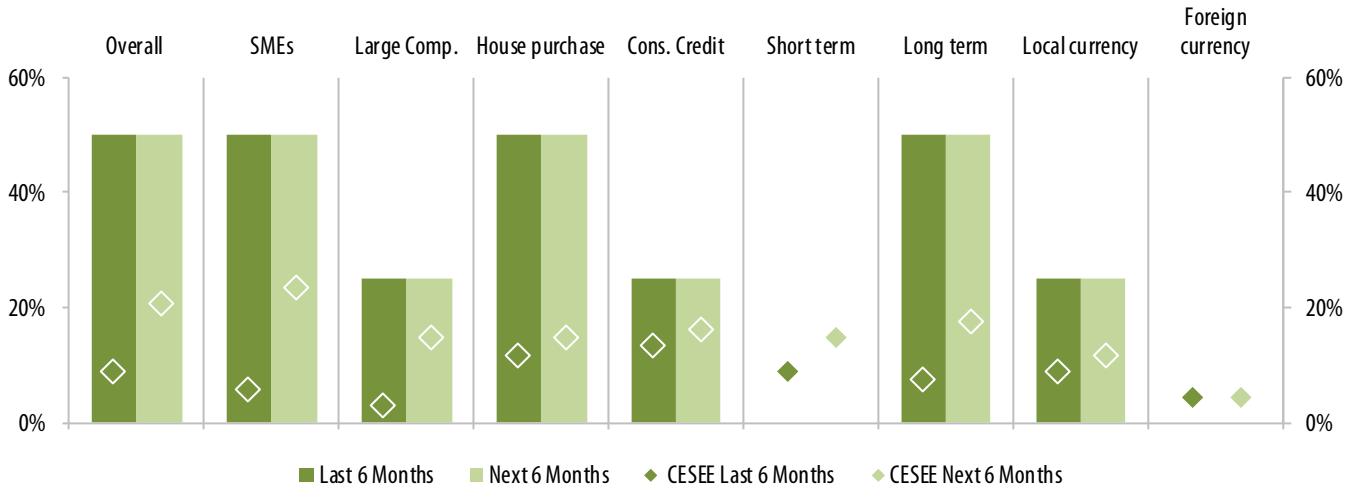


Source: EIB, CESEE bank lending survey.

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**

The overall quality of loan applications remains very high and is expected to improve further in the coming six months. Quality rose across all major segments, and remains markedly high for SMEs, house purchases and longer maturities. The outlook remains more optimistic than in the wider region across most segments.



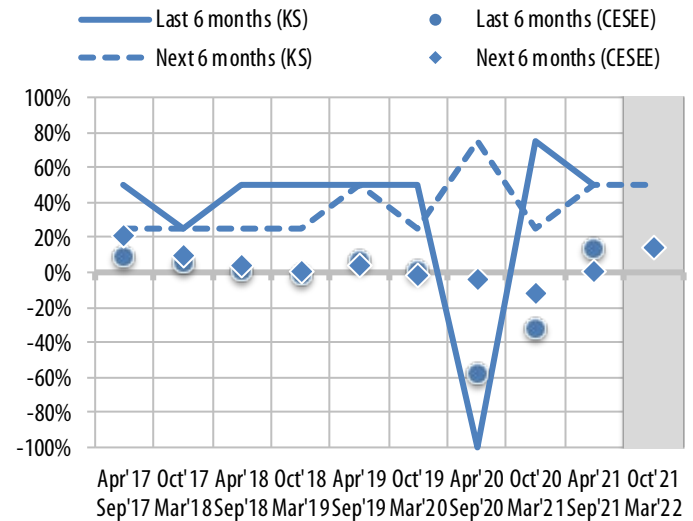
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating rising quality of loan applications. See Question B.Q6 in the Annex.

**Aggregate supply developments**

In line with credit demand conditions, credit supply conditions also improved extensively over the last six months. The net easing of credit standards was again stronger than in the CESEE aggregate and is likely to remain as such in the coming six months.

**Figure 6 Supply developments**

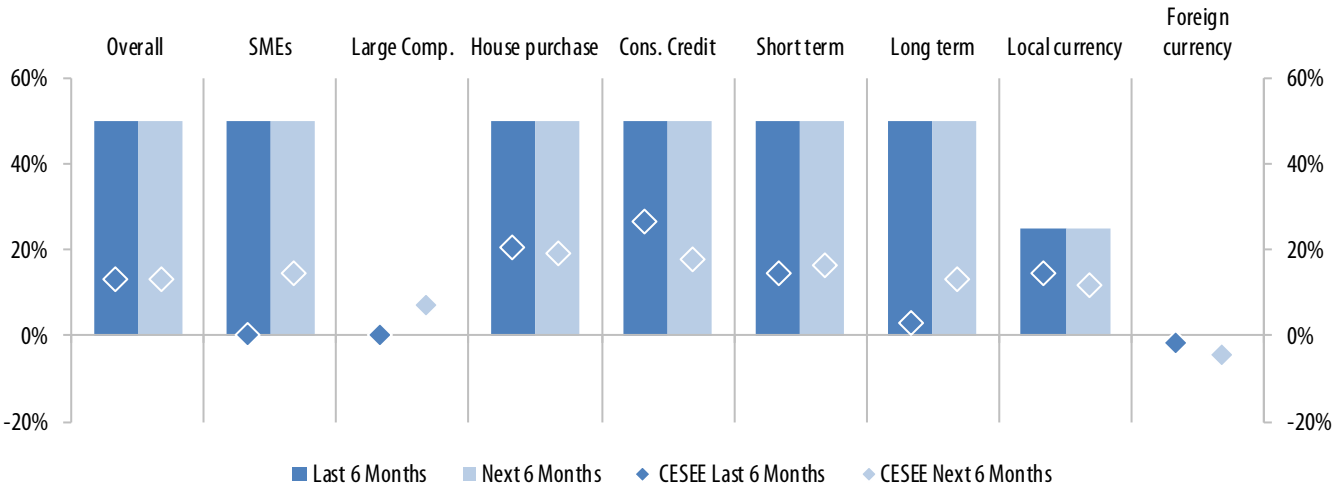


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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**

Supply conditions remain very favourable and improved again in the last six months. In the coming six months, they are mostly expected to remain well above CESEE averages. The softening of credit standards was particularly strong for SMEs, household purchases and consumer credit, but more neutral for large corporates. Supply conditions improved strongly for both maturity segments. As in the last survey, banks expect a similar pattern in the coming six months.

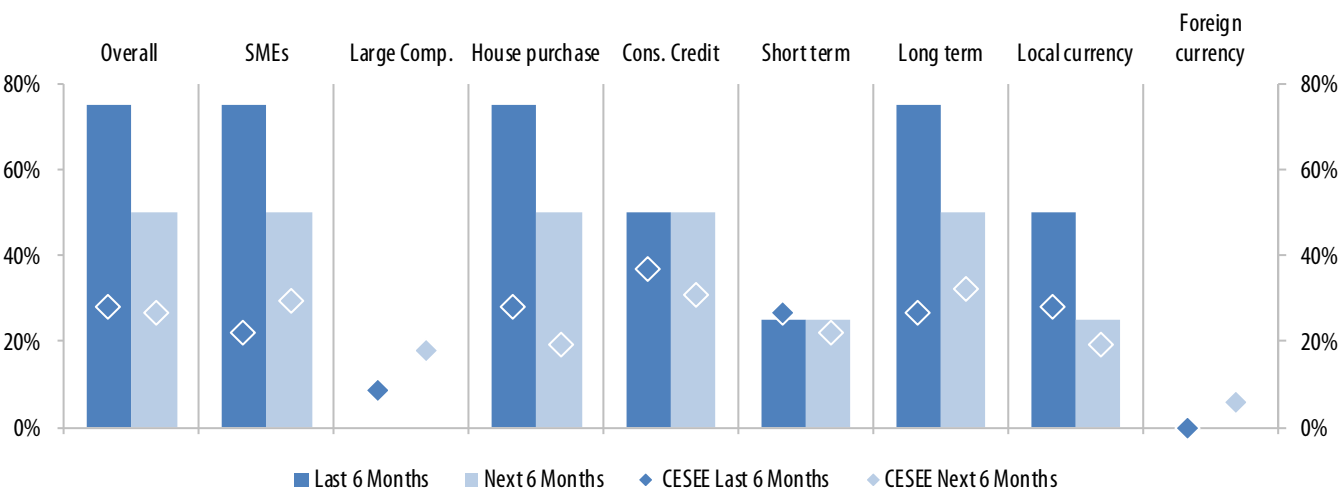


Source: EIB, CESEE bank lending survey.

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 approval rates for loan applications**

As in the previous survey, overall loan approval rates by banks in Kosovo improved considerably in the last six months. The approval rate is also well above the CESEE aggregate, particularly for SMEs, house purchases and longer maturities, though it remains more muted for large corporations. The trend is expected to continue over the coming six months, albeit with lower intensity.

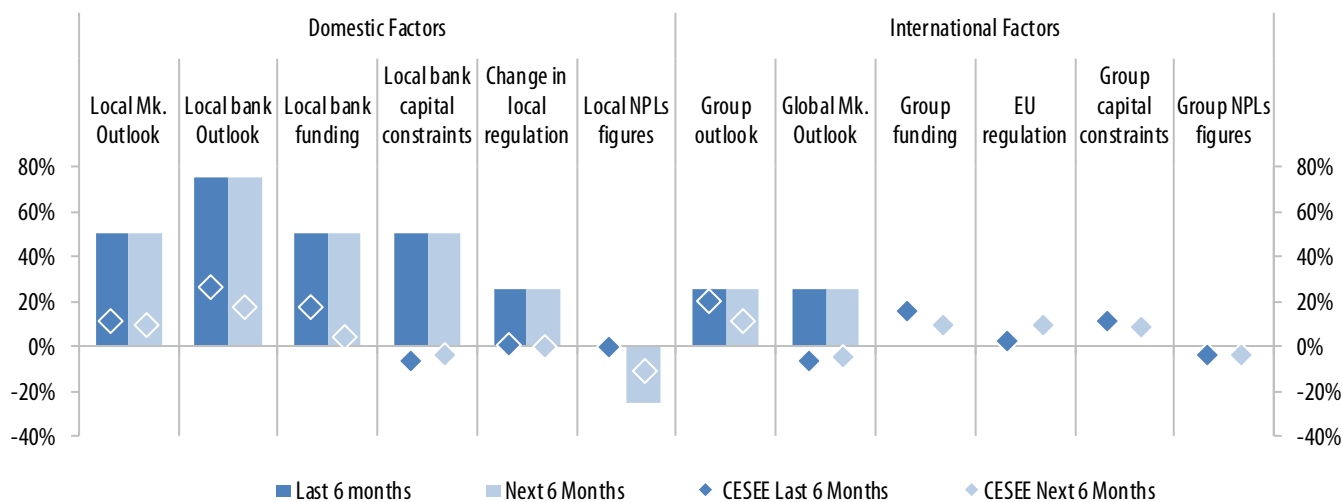


Source: EIB, CESEE bank lending survey.

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**

Apart from local non-performing loan figures, all domestic factors supported supply-side conditions in the last six months. The local bank outlook was particularly strong, while the levels for other factors also remained above CESEE averages. For international factors underpinning supply conditions, only the group outlook and global market outlook remained supportive, while others were neutral in their impact. Over the next six months, supply conditions will be supported by similar factors but their intensity will decline, falling below the CESEE aggregate in some cases.



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**

Largely consistent with the macroeconomic data, non-performing loan ratios continued to decline, primarily owing to continued policy support. The decline was stronger in the retail segment. Nevertheless, non-performing loan ratios are likely to increase in the coming six months, more strongly than in the region overall.

In the context of the pandemic, the Central Bank of Kosovo extended its loan restructuring programme to 31 March 2021 (IMF Policy Response Tracker) and signalled that it stands ready to provide further support if needed (see also the COVID-19 module). Nevertheless, caution is needed as policy support is being gradually phased out.

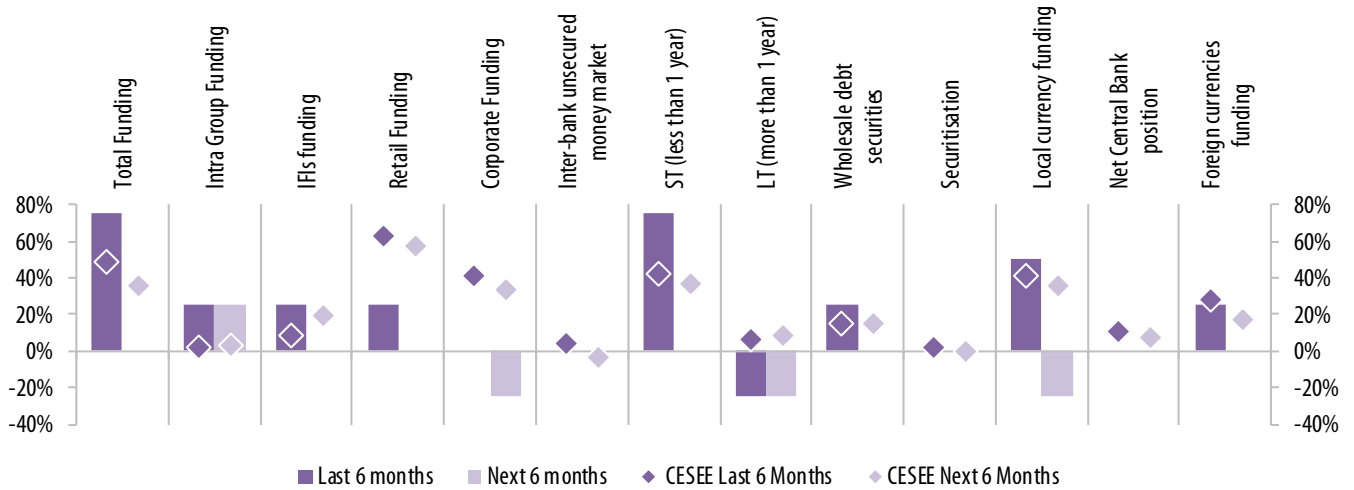


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Banks in Kosovo reported further improvements in access to funding. Consistent with the two previous surveys, progress varied across categories. Retail, intra-group and IFI funding, particularly in the short term, again enhanced overall access to funding, whereas corporate and longer-term funding were more reserved. In line with the previous survey’s results, banks remain more cautious than their regional peers regarding access to funding in the coming six months, with corporate, local currency and longer-term funding expected to be especially restricted.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

**Regulatory and policy measures supporting lending**

In response to the pandemic, authorities took a number of measures to alleviate pressure on economic agents.

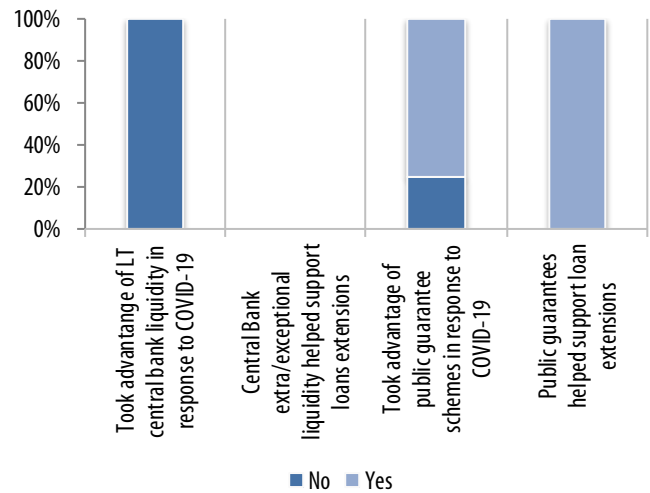
For 2020, a Mitigation and Recovery Package was estimated to amount to about 4.3% of gross domestic product (GDP), declining to 3.1% of GDP for 2021.

The Central Bank of Kosovo and the Kosovo Banking Association also undertook many measures, such as allowing banks to temporarily suspend payments of loan instalments until June 2020. The Central Bank allowed loan restructuring for up to one year, with applications open until the end of September 2020. In February 2021, it further extended the loan restructuring programme to 31 March 2021, allowing loans that were not previously restructured to have their maturity extended by nine months (see the IMF Policy Response Tracker for more information).

A number of these measures were also undertaken by banks in Kosovo, targeting firms and households (Figures 12 and 13).

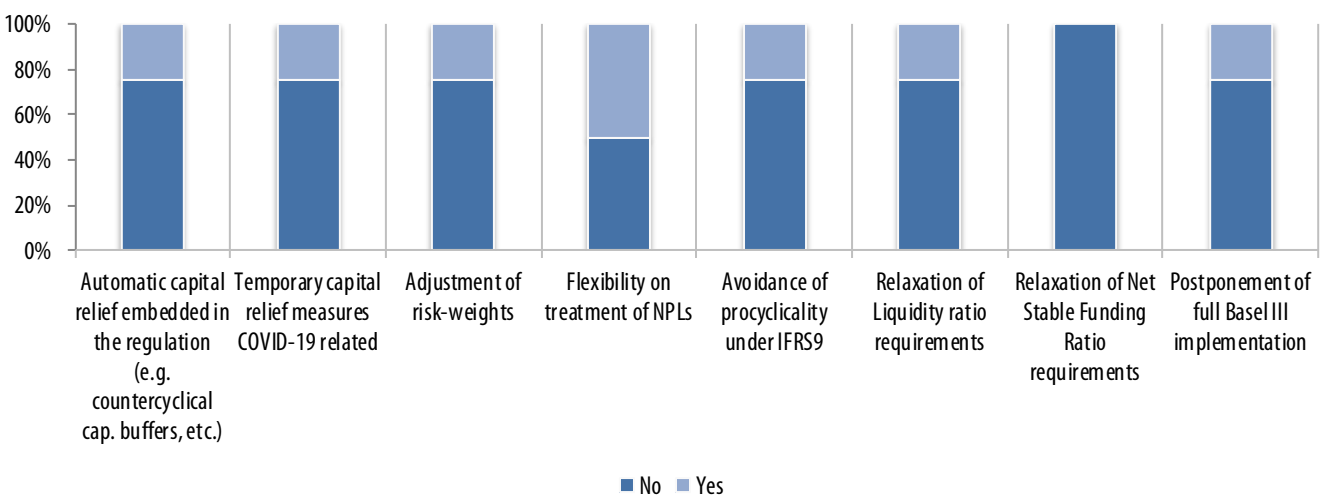
**Figure 12**

**Uptake and impact on lending of the central bank’s liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13** **Regulatory and policy measures that helped to support/maintain lending to the economy**

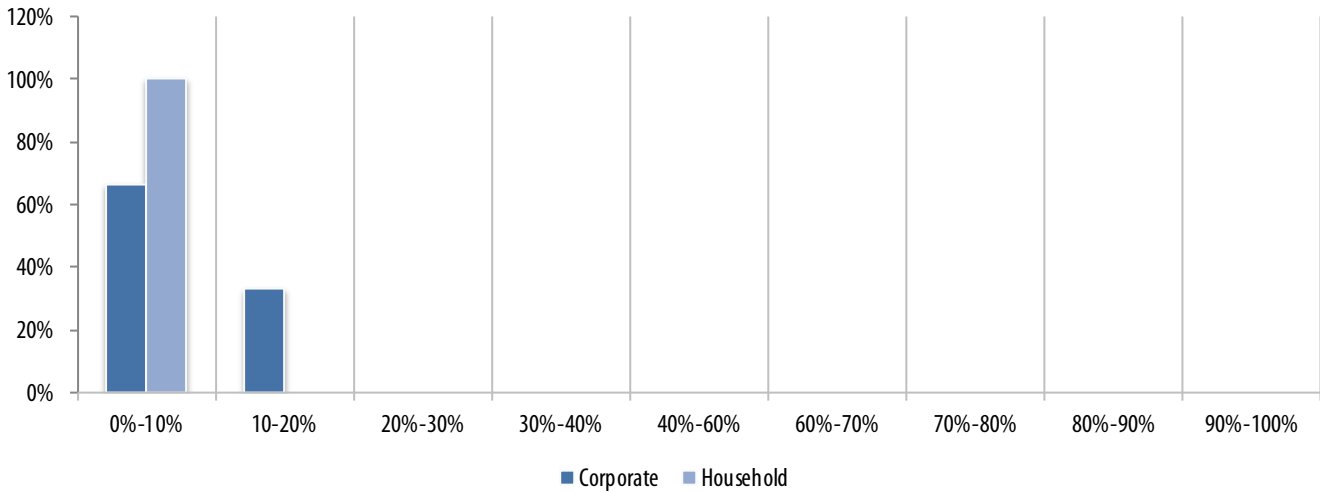


Source: EIB, CESEE bank lending survey.

**Moratoria incidence and uptake**

Banks used pandemic-related moratoria measures, but to a more limited extent than in the region overall. Banks indicated that 0–10% of retail (household) loans took advantage of moratoria, while the percentage for corporate loans was only slightly higher for some banks (Figure 14).

**Figure 14 Corporate/household loans taking advantage of moratoria (as percentage of total balance sheet size)**

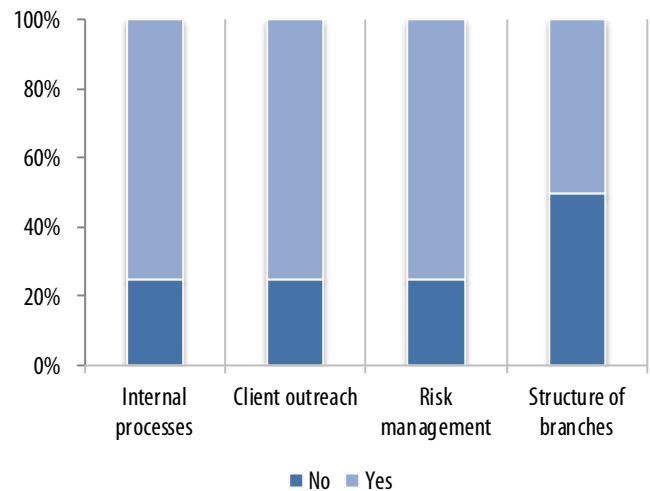


Source: EIB, CESEE bank lending survey.  
 Note: shares are in terms of total balance sheet size.

**Impact on digitalisation strategies and priorities**

In response to the pandemic, several banks adjusted risk management practices by digitalising internal processes or client outreach. Some banks even changed branch structure as digitalisation processes advanced.

**Figure 15 Did COVID-19 increase the propensity to accelerate aspects of digitalisation?**



Source: EIB, CESEE bank lending survey.  
 Note: The y-axis values represent the percentage of respondents.





# North Macedonia

*Loan demand improved only modestly in North Macedonia in the last six months, while supply conditions deteriorated further. Recent developments and future prospects are less promising than in the region overall, including for non-performing loans, for which banks anticipate increases.*

## Summary

**Group assessment of positioning and market potential:** Consistent with the previous survey, parent banking groups regarded their current market positioning as either satisfactory (50%) or optimal (50%). Similarly, market potential was assessed as either medium (50%) or high (50%). The profitability profile also remained unchanged, with most banks seeing return on assets and return on equity as equal to (50%) or higher than (50%) overall group profitability.

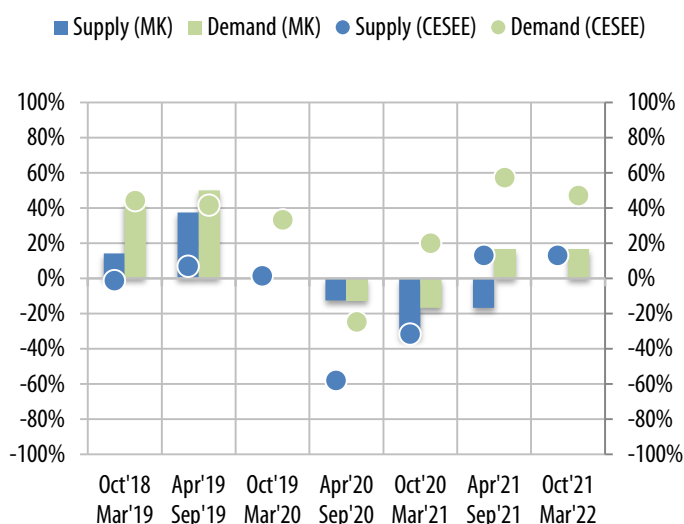
**Credit demand** in North Macedonia recovered somewhat in the last six months, but to a limited extent and less than in the CESEE aggregate. While the quality of loan applications became more neutral, it remained rather weak relative to the wider region. In the coming six months, banks expect credit demand to improve but by less than the regional average.

Contrary to the CESEE region, **credit supply** conditions tightened further in the last six months. Supply-side conditions will remain broadly unchanged in the coming six months, with easing group capital constraints being the only supportive factor.

**Access to funding** improved during the last six months, but by less than in the region overall. In the coming six months, intra-group and foreign currency funding are expected to become more supportive of access.

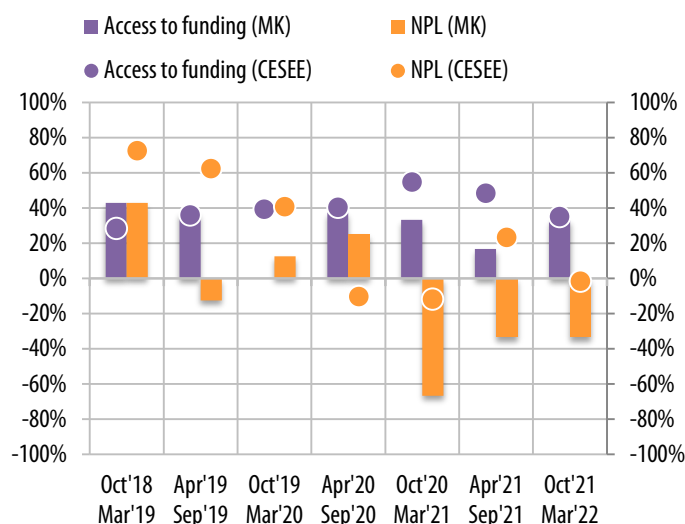
**Non-performing loan ratios** deteriorated substantially in the last six months, whereas they improved in the CESEE aggregate. Banks expect a further increase in non-performing loan ratios in the coming six months, particularly in the corporate segment.

A number of measures were taken to alleviate pressure on banks in response to the pandemic. The **COVID-19 module** shows that banks responded moderately to these measures and accelerated some digitalisation processes.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

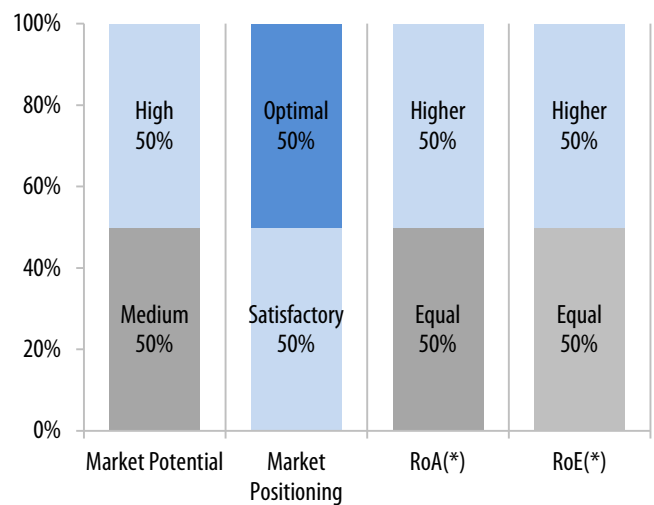
## Results of the CESEE bank lending survey: Parent banks

The parent banking groups operating in North Macedonia regarded their current market positioning as either satisfactory (50%) or optimal (50%). In addition, parent banks saw market potential in the country as either medium (50%) or high (50%).

Parent banks also reported an equal (50%) or higher (50%) return on assets and return on equity for local banks compared to overall group profitability.

These results are consistent with the feedback received in the previous two surveys.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

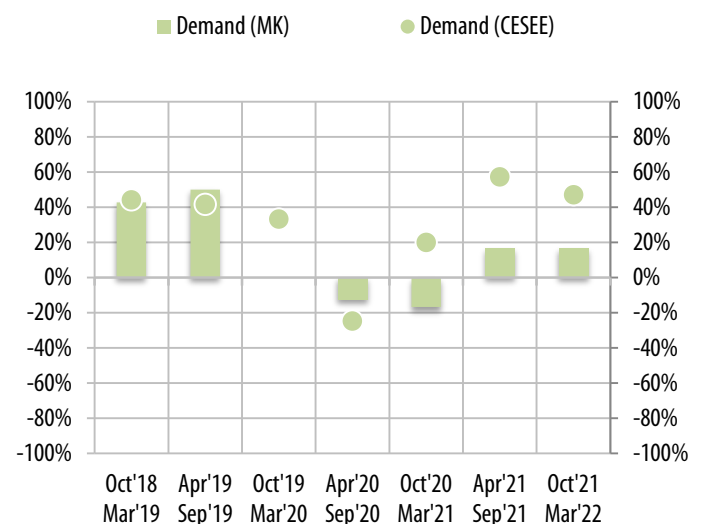
## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Although it increased, credit demand remained rather constrained in the last six months when compared with the CESEE average. This trend is likely to persist in the coming six months.

Gross domestic product (GDP) contracted by 4.5% in 2020 as a consequence of the pandemic. Looking ahead, GDP is projected to rebound by 4% this year and by 4.2% in 2022 (IMF World Economic Outlook, October 2021). This will likely support credit demand from both households and corporates, but only to a certain extent.

**Figure 2** Demand side developments

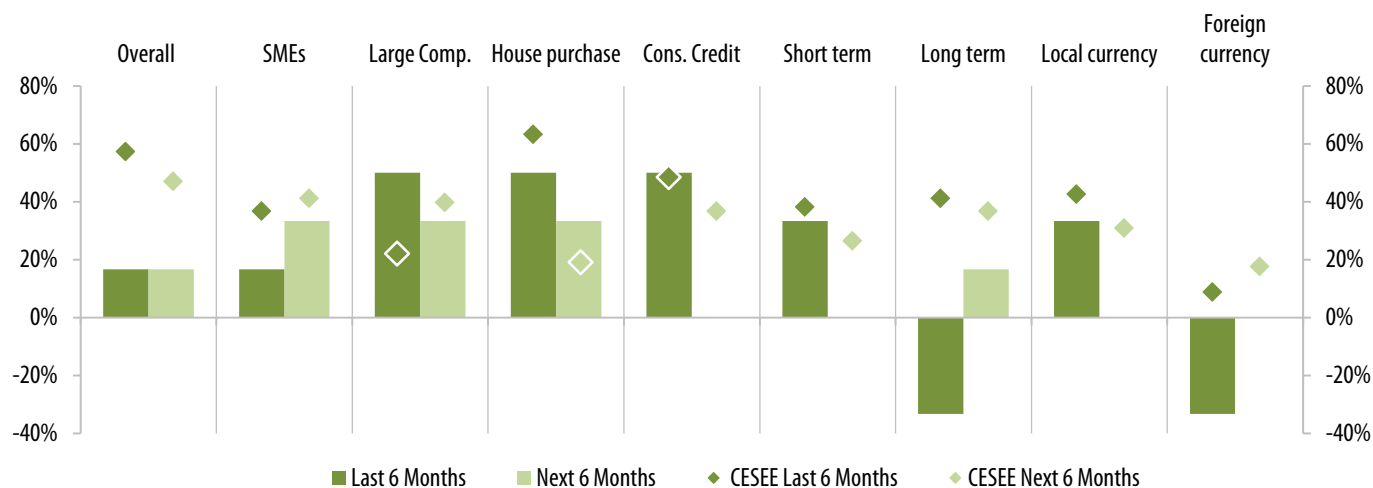


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand.

### Figure 3 Demand components and segments

Contrary to the CESEE average, credit demand was still rather weak in the last six months and, while supportive, is likely to remain modest in the coming six months. Demand from large corporates was strong, but was much more limited from SMEs. On the household side, demand was driven by house purchases and consumer credit. Regarding maturity, the short-term segment was supportive but the long-term segment remained depressed, although it is expected to support demand in the coming six months. Looking ahead, credit demand will be driven by the corporate sector and by house purchases in the household segment. Foreign currency funding is also expected to become more neutral.

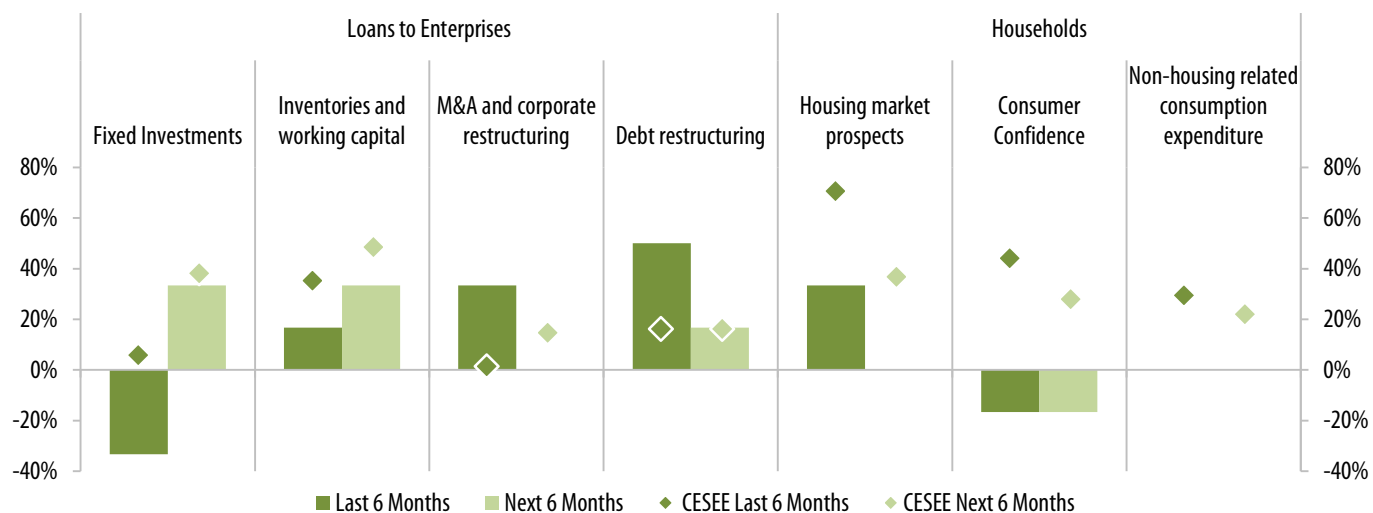


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Banks reported that demand for investment loans shrank in the last six months. Inventories and working capital, mergers and acquisitions and corporate restructuring, demand for debt restructuring, and housing market prospects were the key supportive factors, whereas consumer confidence contributed negatively to demand. In the coming six months, demand for fixed investments is expected to recover, while inventories and working capital will remain supportive. On the household side, housing market prospects are expected to have a more neutral impact going forward, while the effect of consumer confidence is expected to remain negative.

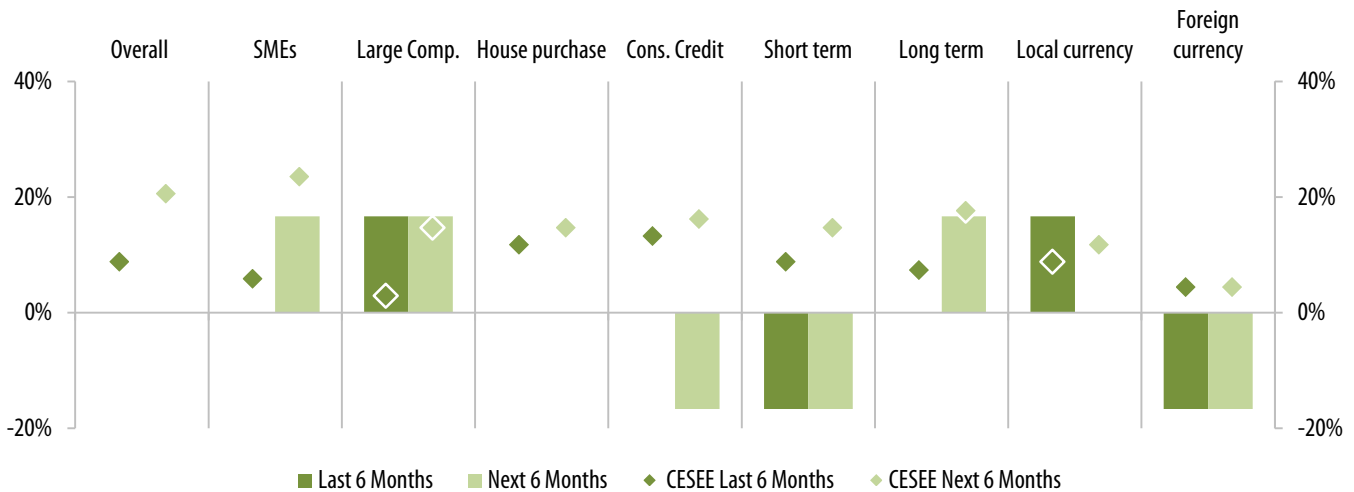


Source: EIB, CESEE bank lending survey.

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**

While the quality of loan applications improved on average in CESEE over the last six months, the overall position in North Macedonia was neutral. The quality of loan applications improved only for large companies, deteriorated in the short-term and foreign currency segments, and was neutral for all other categories. These developments are likely to persist in the coming six months, with improvements expected only for SMEs and long-term maturities.



Source: EIB, CESEE bank lending survey

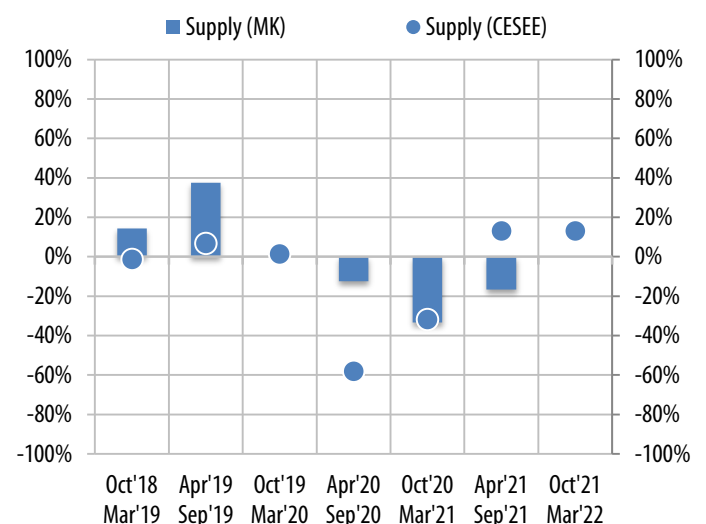
Note: The chart shows net percentages, with positive values indicating rising quality of loan demand. See Question B.Q6 in the Annex.

**Aggregate supply developments**

Contrary to the CESEE average, credit standards in North Macedonia tightened further in the last six months. Surveyed banks expect supply-side conditions to remain broadly unchanged in the coming six months.

A number of policy measures (see the COVID-19 module) are likely to have prevented an even sharper tightening of credit standards in the country. As some of the policy measures have already expired, the situation requires close monitoring in the coming months.

**Figure 6 Supply developments**

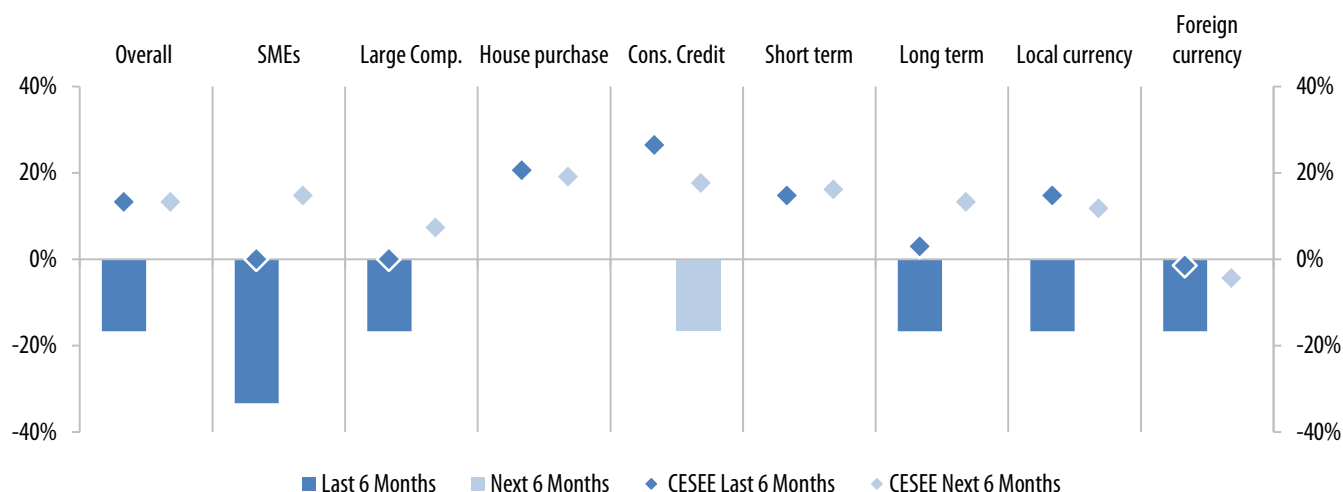


Source: EIB, CESEE bank lending survey.

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

### Figure 7 Supply components and segments

In line with the previous survey's results, credit standards tightened for all corporate segments (especially SMEs) and remained largely unchanged for the consumer segments. Looking ahead, banks expect developments towards more neutral conditions in the coming six months, whereas credit standards are expected to loosen further in the wider region. Contrary to the CESEE aggregate, credit standards in consumer credit are likely to tighten further in North Macedonia.

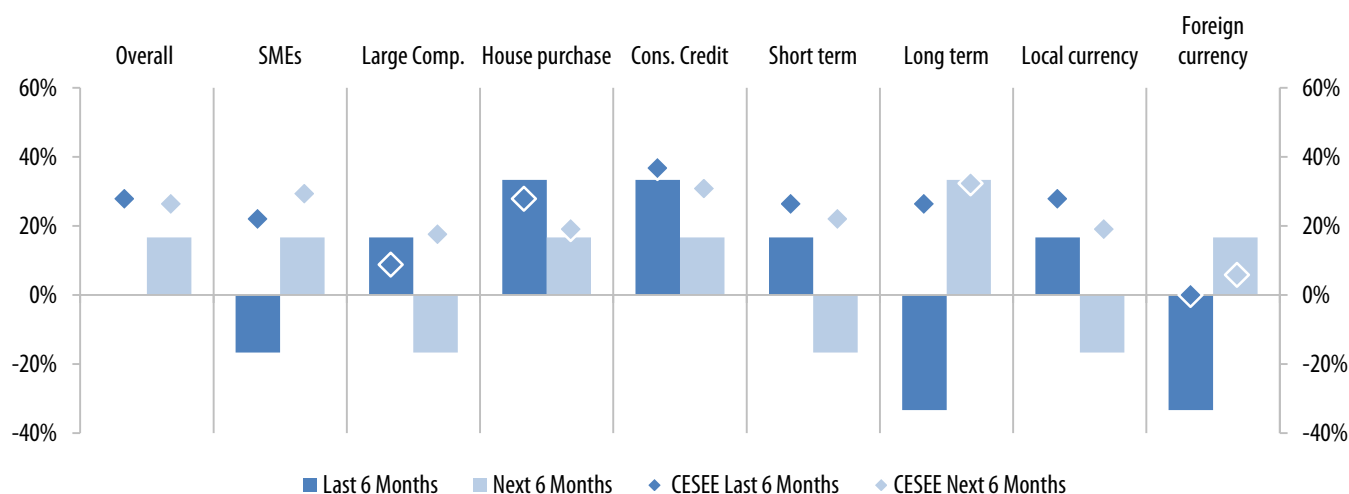


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

Consistent with the previous survey, banks' overall loan approval rates in North Macedonia were broadly unchanged in the last six months. By segment, approval rates for loan applications improved for large companies, house purchases and consumer credit but deteriorated for SMEs. Moreover, approval rates remained very limited for long-term and foreign currency loan applications. Looking ahead, approval rates are expected to increase overall and particularly in the SME, long-term maturity and foreign currency segments. Nevertheless, banks expect approval rates to deteriorate for large corporations and in the short-term and local currency segments in the coming six months.

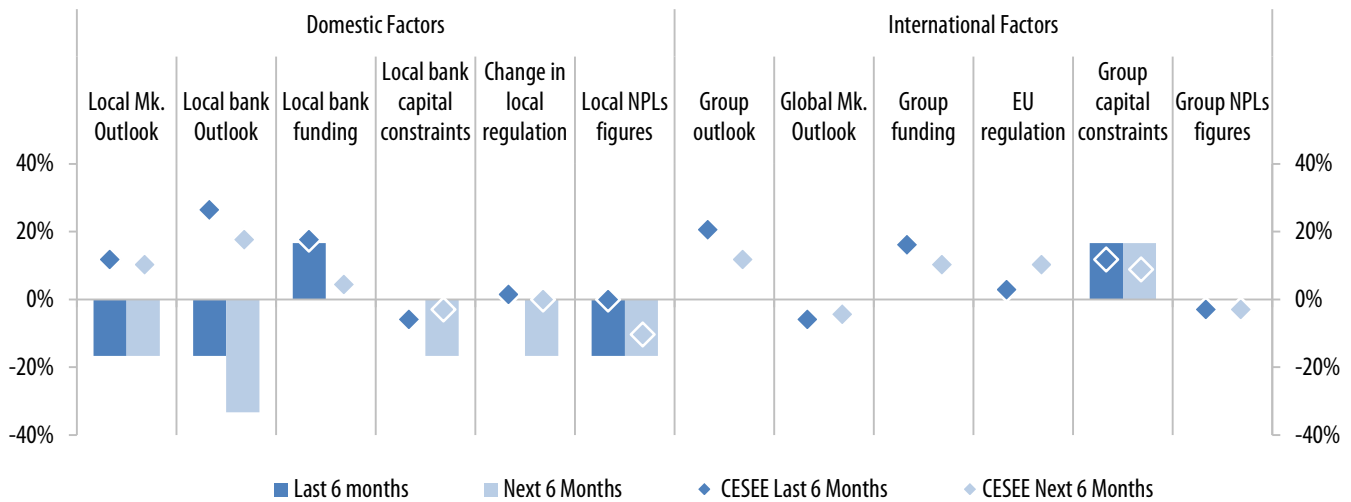


Source: EIB, CESEE bank lending survey

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**

As in the previous survey, local market and bank outlooks were the main negative contributors to supply conditions in the last six months. Among the other domestic factors, local non-performing loan figures also weakened supply conditions, whereas local bank funding was supportive. Of the international factors, group capital constraints made a positive contribution, while all the others were neutral. Looking ahead, a number of domestic factors are expected to constrain supply over the coming six months, while group capital constraints will remain the only supportive international factor, albeit with a slightly less positive contribution.



Source: EIB, CESEE bank lending survey.

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

**Figure 10 Non-performing loan ratios**

Banks' non-performing loan ratios deteriorated substantially in the corporate and retail segments in the last six months, whereas both improved in the CESEE aggregate.

In the context of the pandemic, the authorities implemented a broad range of measures (e.g. relaxation of loan classification standards for non-performing loans, payment deferrals), which likely prevented even sharper increases in non-performing loans (see also the COVID-19 module). Nevertheless, some of these measures have expired, so the situation needs to be closely monitored.

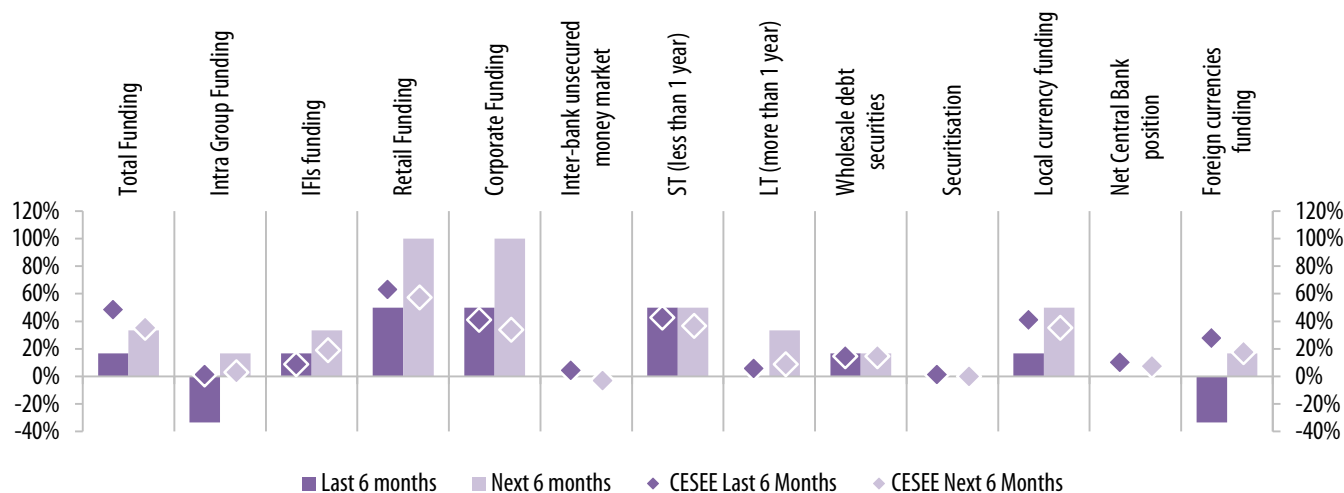


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing NPL ratios. See Question B.Q8 in the Annex.

## Figure 11 Access to funding

Access to funding improved during the last six months in North Macedonia, but by less than in the region overall. Access to retail and corporate deposits was strong in the last six months and will remain robust over the next six months. Conversely, access to intra-group and foreign currency funding was limited. Across maturities, access increased for short-term funding but was unchanged for long-term funding. Access to funding is expected to improve in the coming six months for similar components, with intra-group and foreign currency funding contributing to the expected improvement.



Source: EIB, CESEE bank lending survey.

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

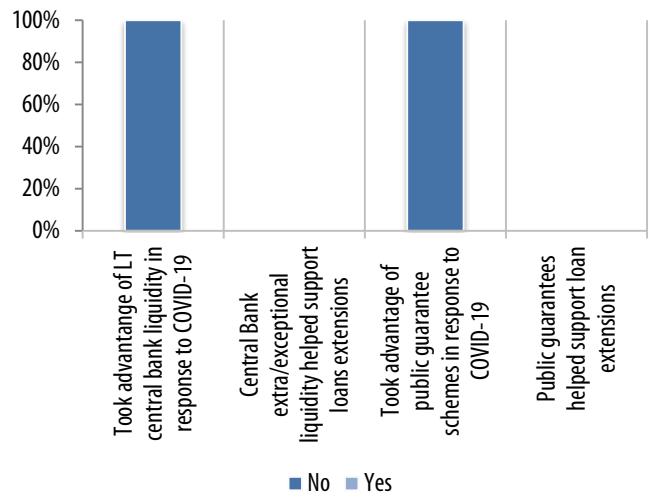
**COVID-19 module**

**Regulatory and policy measures supporting lending**

To alleviate the impact of the pandemic, the authorities took a number of measures (see also the IMF Policy Response Tracker for other measures). For instance, the National Bank of the Republic of North Macedonia cut its policy rate by a cumulative 75 basis points to 1.25%. It also set up a repo line with the European Central Bank (open until March 2022) that will provide access to liquidity of up to €400 million in exchange for eligible collateral. Via other instruments, it also offered additional liquidity to banks and revised its credit risk regulation to temporary restructuring of loans (extended until March 2021). In addition, it temporarily relaxed the loan classification standards for non-performing loans. However, the regulatory flexibility formally ended on 31 March 2021, and only a minor part of banks' credit portfolios still benefit from payment grace periods, which will expire gradually throughout 2021.

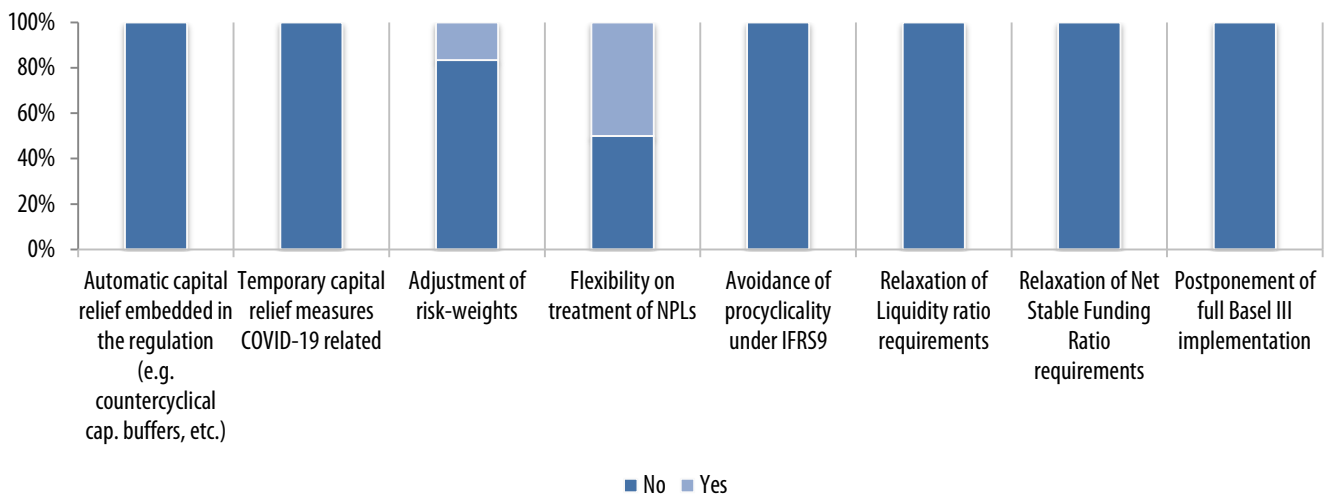
The National Bank has also reduced reserve requirements by the amount of new loans to firms in affected sectors. In February 2021, it temporarily restricted dividend payments by banks unless in the form of shares; this restriction was withdrawn in September 2021. Banks reported that their use of these measures has been rather limited (Figures 12 and 13).

**Figure 12 Uptake and impact on lending of central bank liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13 Regulatory and policy measures that helped to support/maintain lending to the economy**



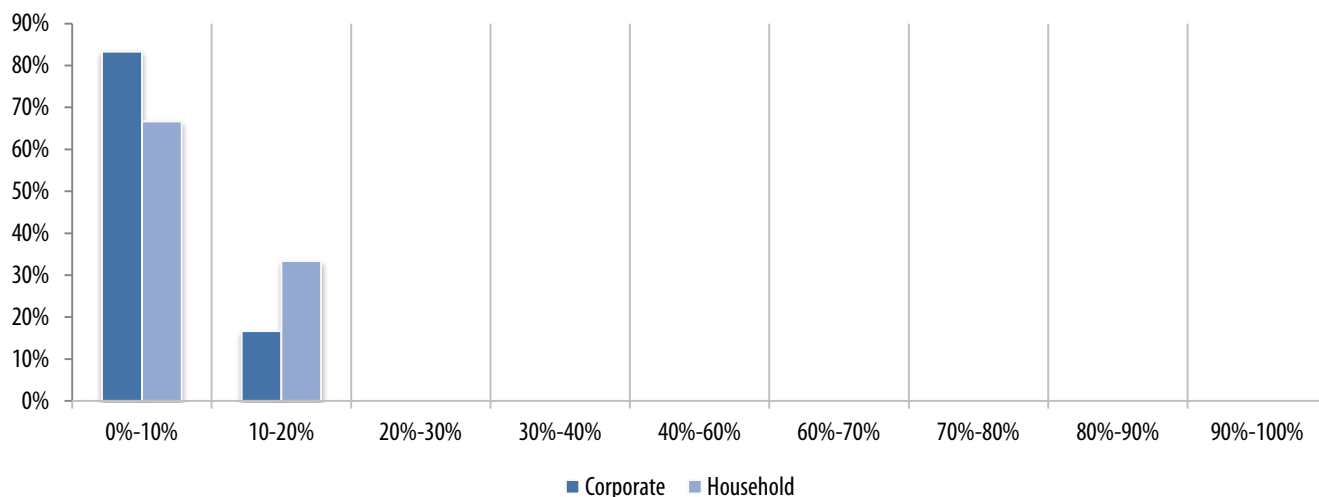
Source: EIB, CESEE bank lending survey.



### Moratoria incidence and uptake

Among the most important measures were a loan repayment moratorium and a loan reclassification moratorium. Bank deployed both measures. Up-to-date the coverage concerns only 0–20% of the portfolios along to a decline in the overall region as moratoria measures fade.

**Figure 14 Corporate/household loans taking advantage of moratoria (as percentage of total balance sheet size)**

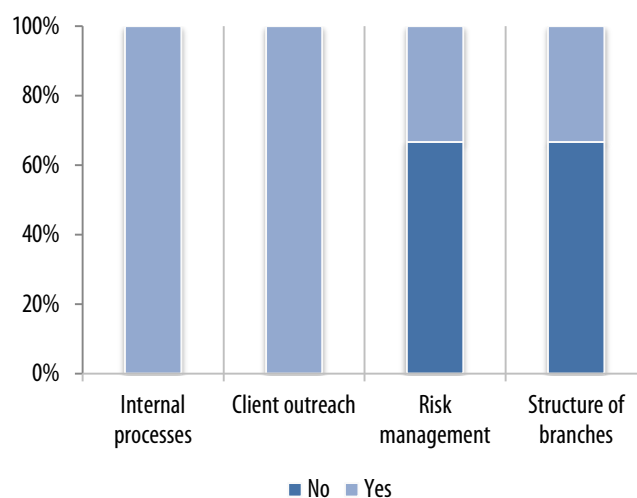


Source: EIB, CESEE bank lending survey.  
 Note: shares are in terms of total balance sheet size

### Impact on digitalisation strategies and priorities

In response to the pandemic, all banks in North Macedonia appear to have accelerated their digitalisation of internal processes and client outreach. About 30% digitalised automated risk management practices and adjusted branch structure.

**Figure 15 Did COVID-19 increase the propensity to accelerate aspects of digitalisation?**



Source: EIB, CESEE bank lending survey.  
 Note: percentage of survey respondents



# Poland

**With the COVID-19 pandemic gradually abating, the Polish banking market has bounced back with supply conditions matching rising credit demand. For the upcoming half-year, banks expect improving supply conditions and a reduction in non-performing loans.**

## Summary

**Group assessment of positioning and market potential:** Parent banks operating in Poland are committed to the country, reporting high market potential and optimal market positioning.

Polish banks reported that **supply conditions** have improved and **credit demand** has recovered markedly since spring 2021.

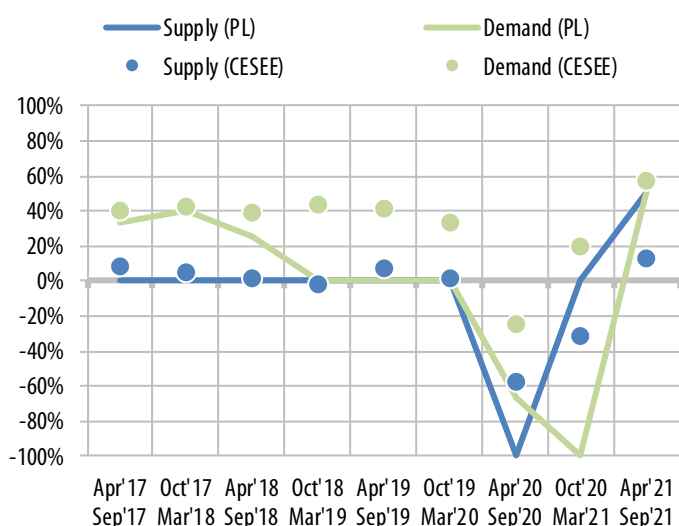
**Credit supply:** More than one year on from the COVID-19 outbreak, credit supply conditions moderately improved in Poland in the last six months. Looking ahead, a further slight improvement is expected over the next six months.

**Credit demand:** As in the CESEE region, credit demand in Poland has bounced back. Looking ahead, Polish banks expect this momentum to continue.

Polish banks reported that **access to funding** improved overall in the last six months, mostly driven by group funding.

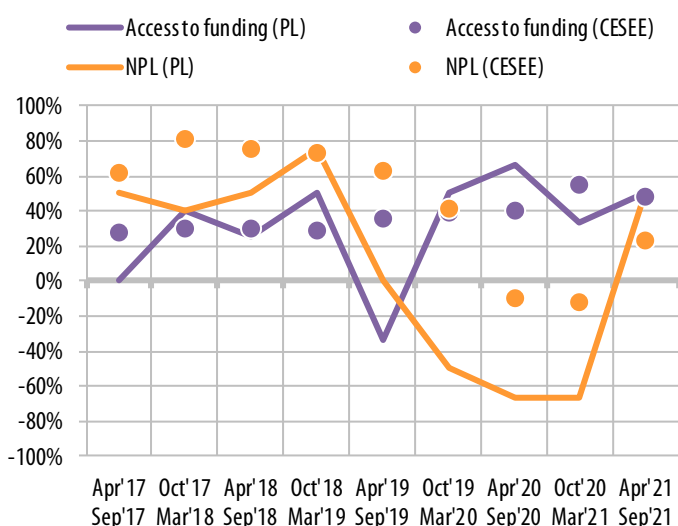
**Non-performing loan ratios** declined in both the corporate and retail segments during the last six months, and further easing is expected over the next six months.

**COVID-19 measures:** Polish banks reported that guarantee programmes, automatic capital relief measures and the flexible treatment of non-performing loans have been the most helpful public policy measures to maintain credit during the pandemic shock. Moratoria affect only a small share of the banks' credit portfolios (higher for households than for corporates).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

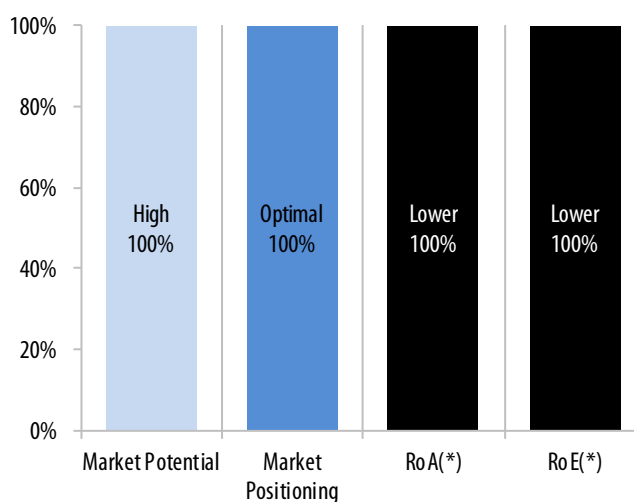
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

Parent banks operating in Poland indicated commitment towards the country and planned to maintain their local operations at current levels. They also considered their market positioning as optimal.

As for the CESEE region, parent banks regard the Polish market as having high potential. However, unlike regional peers, they reported lower profitability for local banks than for overall group operations (measured by return on assets and return on equity; see Figure 1).

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

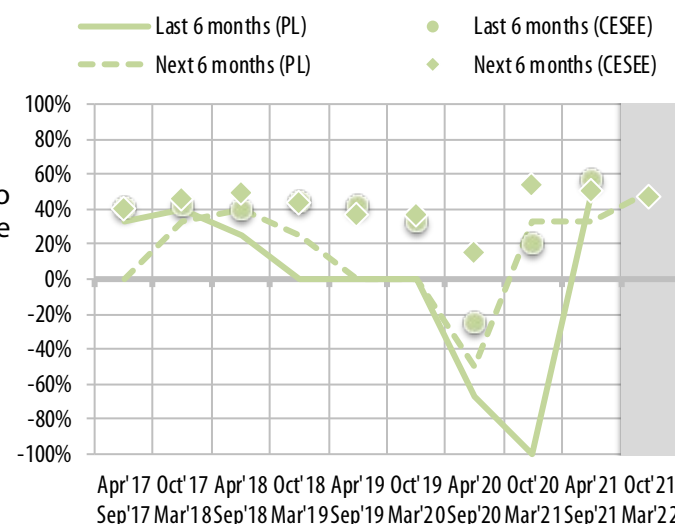
## Results of the CESEE bank lending survey: Local banks/subsidiaries

### Aggregate demand developments

As the COVID-19 pandemic gradually loosened its grip over the economy, credit demand in Poland bounced back over the last six months, catching up with demand in the CESEE region. The recovery in credit demand was significantly better than the banks' own expectations in spring 2021, amid the second wave of the outbreak.

Looking ahead, Polish banks expect credit demand to maintain this momentum in the next six months, in line with other CESEE countries (Figure 2).

**Figure 2** Demand side developments

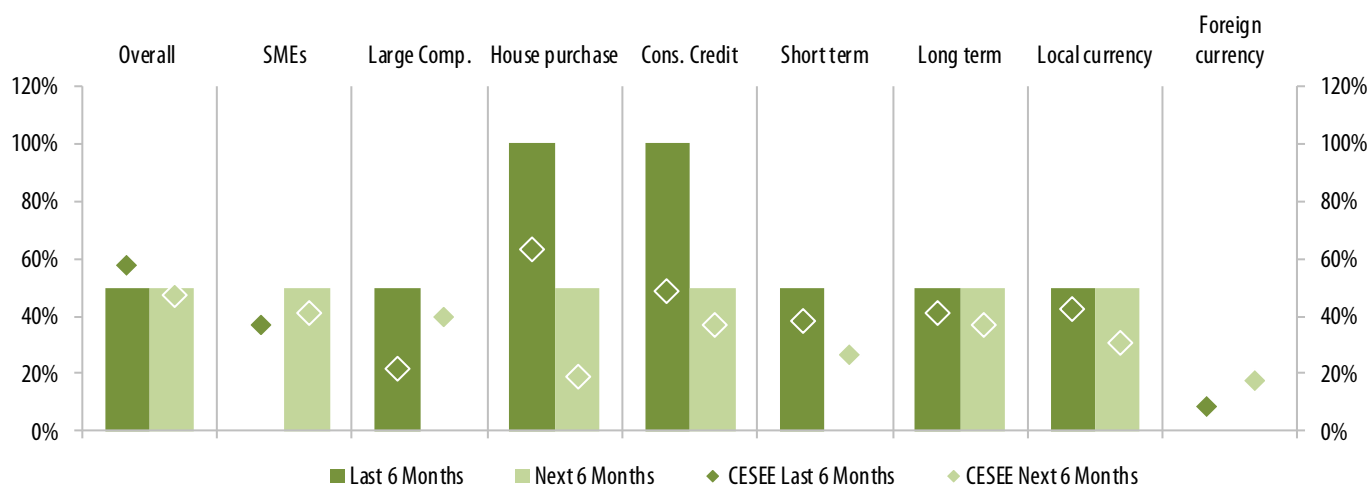


Source: EIB, CESEE bank lending survey.

Note: This chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Credit demand rebounded partially in many credit segments and was particularly strong for house purchases and consumer credit. The rebound in Poland exceeded or matched CESEE averages across the board. While large companies' credit demand increased over the last six months, demand from SMEs was stagnant. Looking ahead, banks expect a partial recovery of demand for loans in the next six months in all business areas.

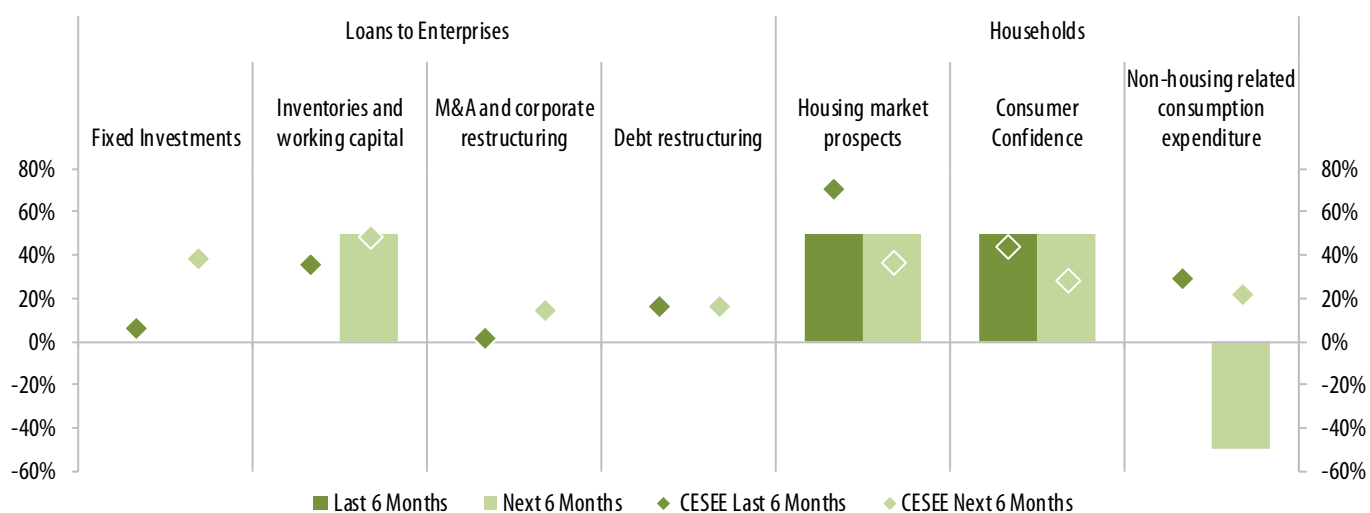


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Loans to corporates remained stagnant. Looking ahead, banks expect increases in demand for working capital. For households, consumer confidence and housing market prospects rebounded in the last six months, thus boosting credit demand for home mortgages (broadly similar to most CESEE countries). However, non-housing credit demand is projected to decline in the next six months.

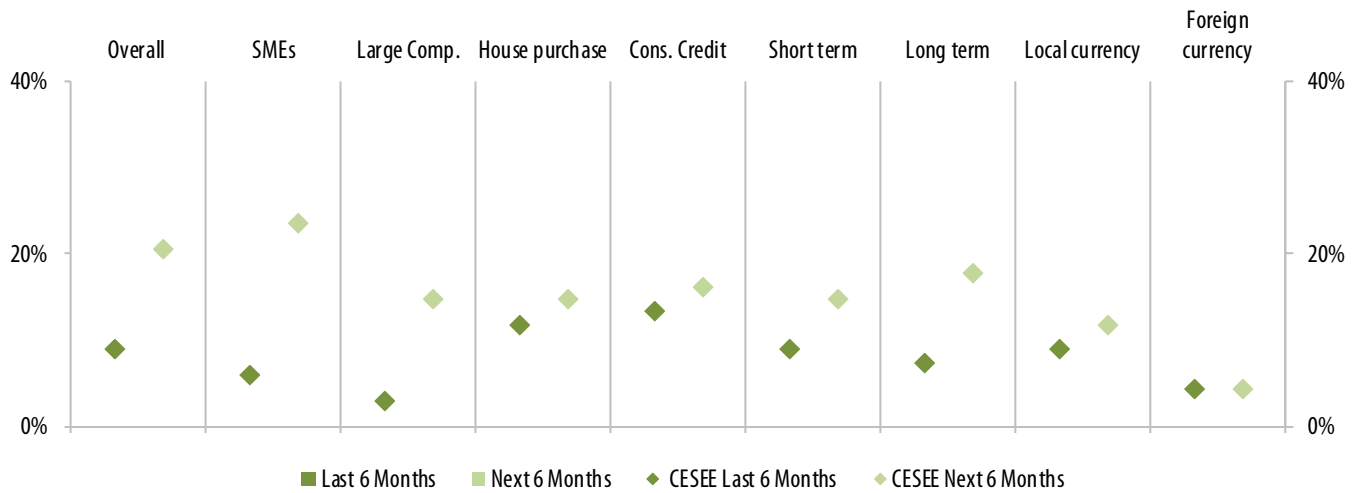


Source: EIB, CESEE bank lending survey.

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**

The quality of loan applications remained stable in all segments covered by the survey.



Source: EIB, CESEE bank lending survey.

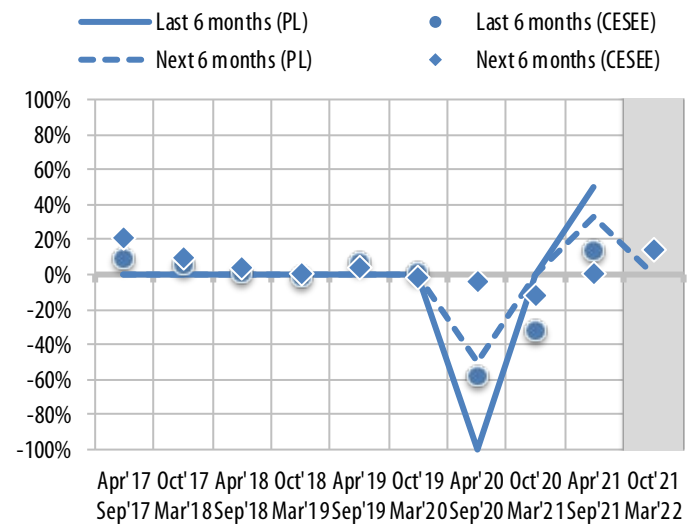
Note: The chart shows net percentages, with positive values indicating rising quality of loan applications. See question B.Q6 in the Annex.

**Aggregate supply developments**

Following a period of no change in early 2021, credit supply conditions moderately eased in Poland in the last six months, exceeding banks' expectations in spring 2021 and supply developments in the CESEE region.

Looking ahead, Polish banks expect the overall credit supply to improve slightly in the coming six months.

**Figure 6 Supply developments**

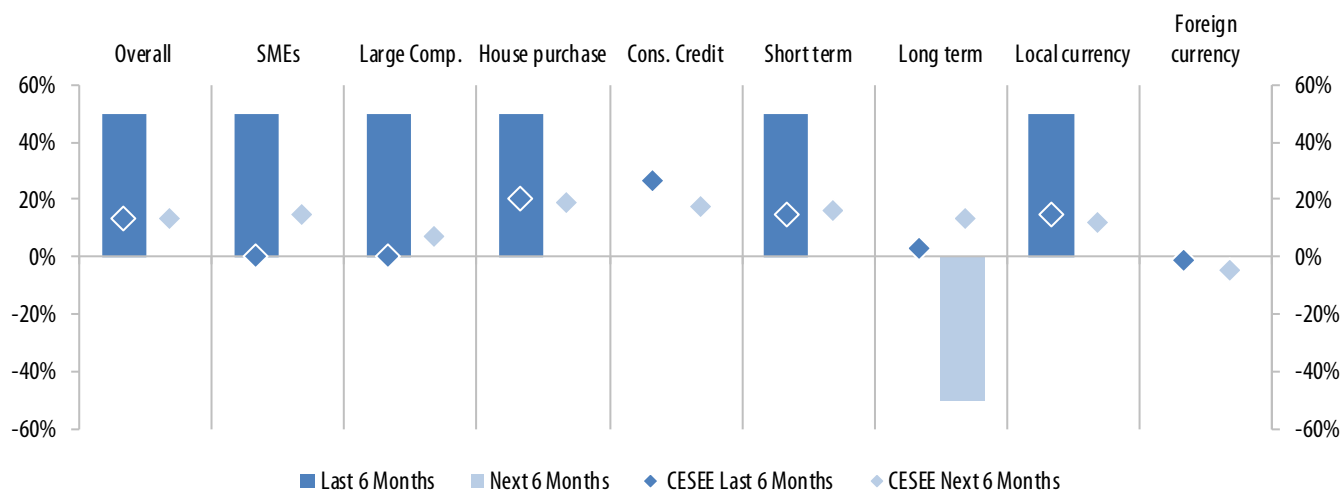


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 increased in most segments above CESEE averages, though no change was reported for consumer credit, long-term maturity and foreign currency. Banks expect credit supply conditions to remain unchanged in the next six months, except for the long-term loan segment, where a decline is forecast.

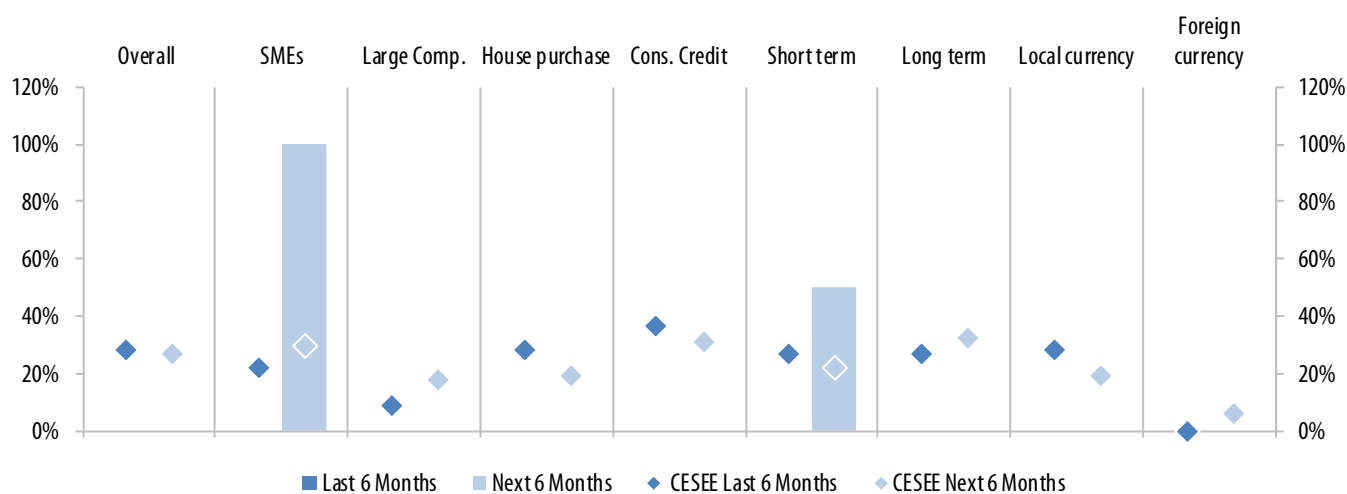


Source: EIB, CESEE bank lending survey.

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 approval rates for loan applications**

Loan approval rates stagnated in all segments over the last six months, whereas improvements are reported in the CESEE region.

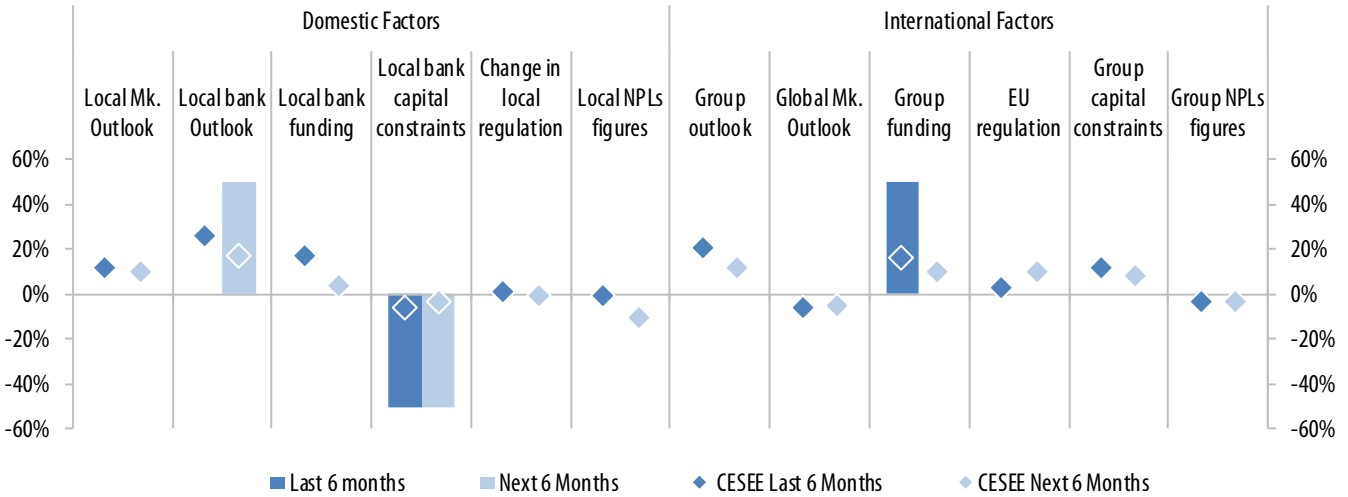


Source: EIB, CESEE bank lending survey.

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

**Figure 9 Factors contributing to supply conditions**

According to Polish banks, all factors contributed to stagnating credit supply conditions over the last six months, except for local bank capital constraints, which had a negative impact, and group funding, which had a positive effect. For the next six months, the local bank outlook is expected to improve but the negative influence of local capital constraints will persist.



Source: EIB, CESEE bank lending survey.

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

**Figure 10 Non-performing loan ratios**

Over the last six months, non-performing loan ratios in Poland declined in the corporate segment but remained unchanged in the retail segment.

Banks forecast improvements in corporate and retail non-performing loan ratios during the next six months.



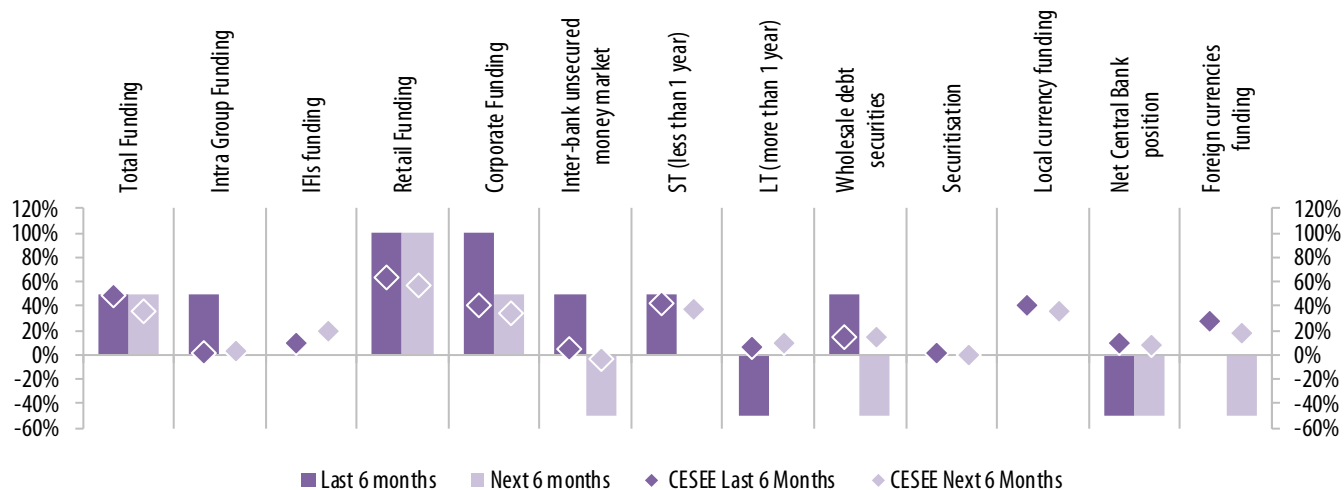
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.



**Figure 11 Access to funding**

Overall access to funding improved somewhat in the last six months, with better access reported in the intra-group, retail and corporate funding segments. However, central bank funding lost importance, while funding from international financial institutions remained flat.



Source: EIB, CESEE bank lending survey.

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

## COVID-19 module

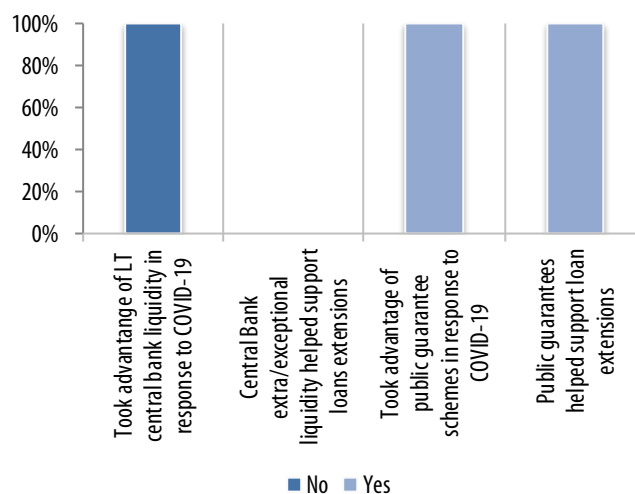
### Regulatory and policy measures supporting lending

As in the spring 2021 survey, all Polish respondents continued to take advantage of public guarantee schemes introduced in response to the COVID-19 crisis. They also reported that the guarantee programmes helped support access to credit (Figure 12). However, no surveyed banks actively sought emergency central bank liquidity facilities over the last six months.

Regarding regulatory measures, the banks reported that automatic structural capital relief rules were most useful in supporting credit flow to the economy, followed by flexibility in the treatment of non-performing loans (Figure 13). However, the other temporary measures were not considered supportive.

Figure 12

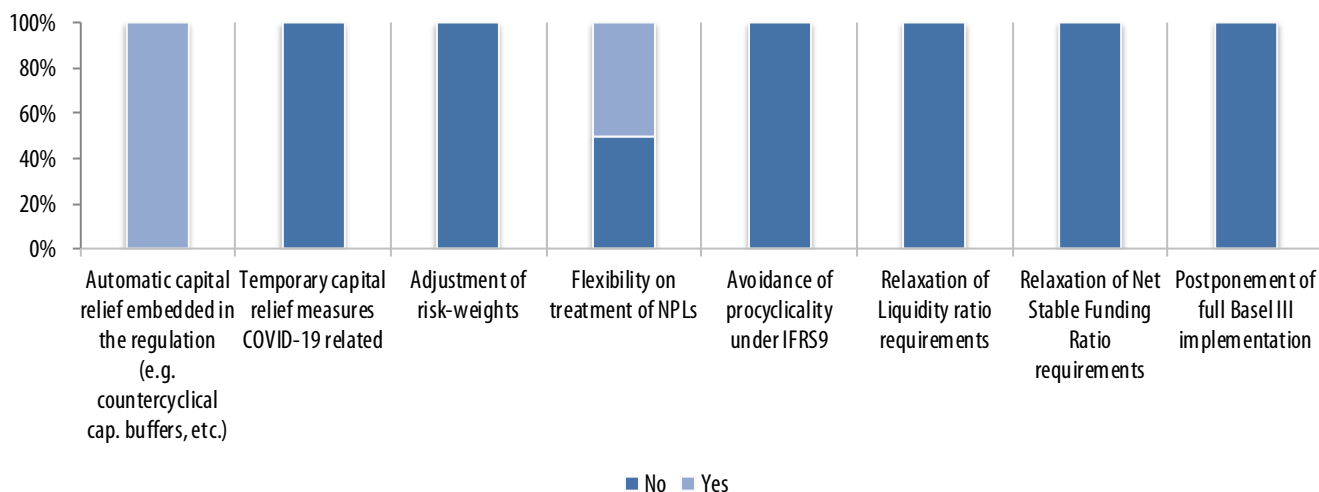
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

Figure 13

**Regulatory and policy measures that helped to support/maintain lending to the economy**

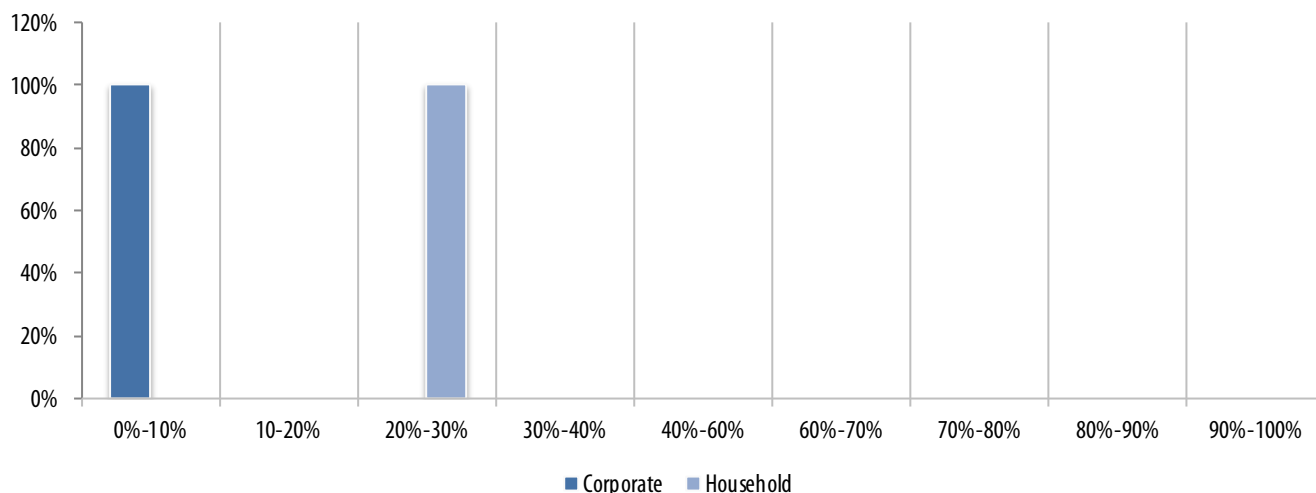


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

Polish bank portfolios are less influenced by loan moratoria compared to peers in other CESEE countries. In the loan portfolios of Polish banks, 20–30% of the outstanding household clients and less than 10% of corporate clients were covered by moratoria.

**Figure 14** Percentage of corporate/household loans taking advantage of moratoria (as percentage of total balance sheet size)

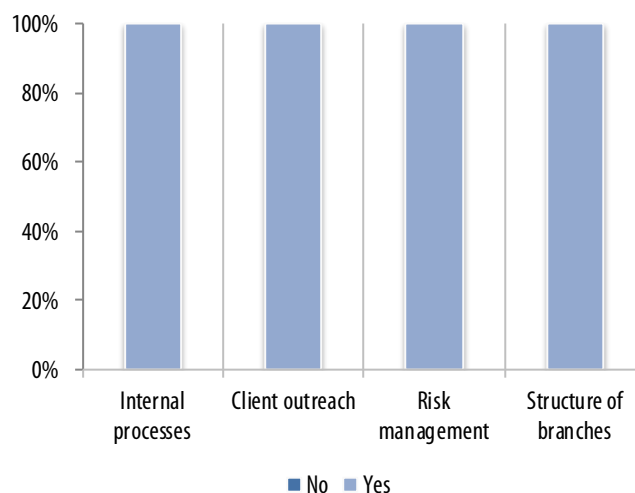


Source: EIB, CESEE bank lending survey.

### Impact on strategic priorities in terms of digitalisation

In response to the COVID-19 shock and subsequent measures, Polish banks are accelerating the implementation of digitalisation strategies in all activity segments.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.



# Romania

**COVID-19 continues to affect credit developments, and the gap between supply and demand has widened. However, the rise in non-performing loans is still paused.**

## Summary

**Group assessment of positioning and market potential:** Over half of parent banks considered Romania a market with high potential, comparing very favourably with regional peers. However, the assessment of market positioning remains divided, with 57% of parent banks rating it satisfactory but also 29% describing it as weak. Local profitability compared to group-level profitability improved for return on assets but, despite some weakening, remained slightly stronger for return on equity, with 50% of parent banks expecting a higher return on equity in Romania than overall.

**Credit demand** picked up strongly over the last six months, in line with the regional trend. This was driven by developments in the household segment and by SMEs, which benefited from policy support.

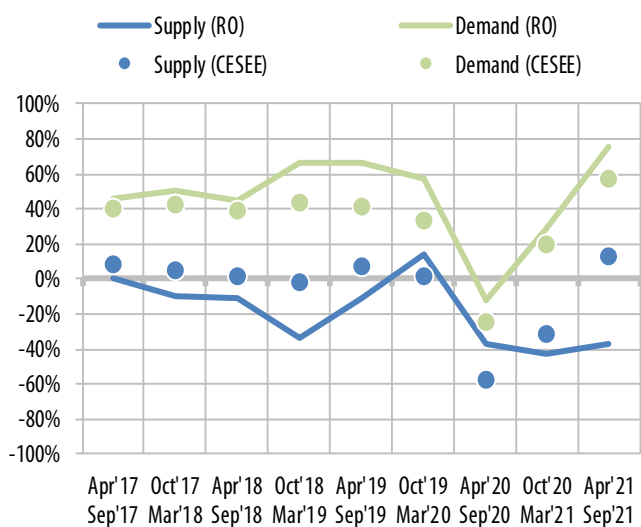
**Credit supply** tightened in the last six months, particularly through the tightening of credit standards in the corporate segment.

**Access to funding** improved overall during the last six months, in line with the regional trend. Retail and foreign currency funding positively contributed to improved access.

**Non-performing loan ratios** have not worsened as yet, but concerns remain for the months ahead.

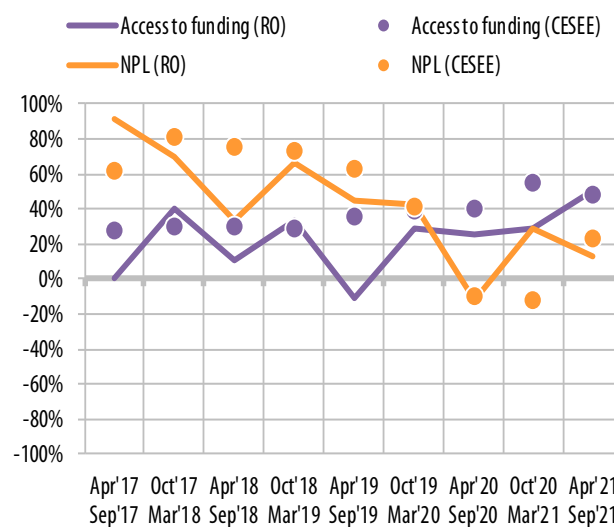
**COVID-19 measures:** Most regulatory and policy measures aimed at supporting lending are viewed favourably by banks, with automatic and temporary capital relief measures and risk-weight adjustment considered particularly beneficial. The majority of responding banks took advantage of public guarantee schemes, which they consider to have helped support loan extensions. Focusing on the longer-term impact of COVID-19, banks clearly expect the pandemic to boost the digitalisation of their activities.

**Moratoria** on interest payments and capital repayments affect up to 20% of the corporate portfolio and up to 30% of the household portfolio of Romanian banks, though 0–10% is most common for household loans.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

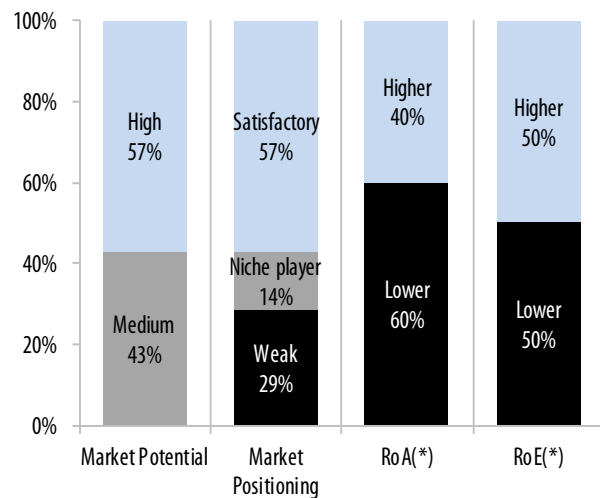
## Results of the CESEE bank lending survey: Parent banks

Views on market potential have improved compared to the previous survey wave. Assessment of profitability is mixed and remains polarised: 40% of parent banks reported a higher return on assets in Romania compared to overall group operations, while 50% reported that return on equity was higher locally than at the group level (vs. 25% in H1 2021). For return on equity, the percentage of banks reporting lower local profitability (50%) has dropped since H1 2021 (60%). However, no responding bank saw profitability in Romania as on a par with the wider region.

Views on market positioning are similarly divided, with 29% reporting it as weak (vs. 33% in H1 2021) and the majority (57%) as satisfactory. No bank regards market positioning as optimal, potentially reflecting still high levels of uncertainty.

Banks' assessment of market potential in Romania seems to have returned to the high level seen previously (e.g. 50% in H2 2020); in relative terms, the country scores highest in the region.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

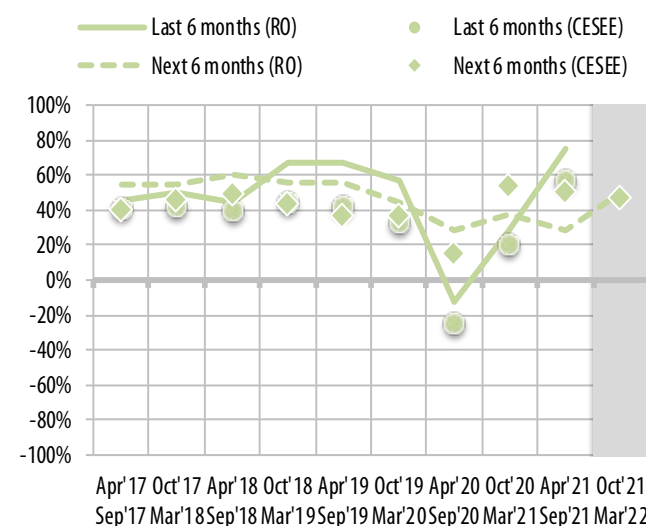
Credit demand in Romania recovered somewhat over the last six months, after the autumn 2020 wave reported the strongest drop since the start of the survey. Persistent liquidity needs, policy support measures and hopes for a strong recovery are supporting demand.

Against this backdrop, year-on-year growth was higher in credit to corporates than in consumer credit during Q3 2021 (households: 2021 +9.2%, 2020 +1.3%; corporates: 2021 +17.5%, 2020 +2.8%).

The drop in credit demand in H2 2020 and its subsequent increase in spring 2021 are broadly in line with regional developments. Similarly, for the next six months, banks in Romania and the wider region are optimistic about demand dynamics. In particular, demand in Romania is expected to return to pre-pandemic levels.

Current optimism reflects expectations for a strong recovery. However, uncertainty remains very high over how the pandemic might develop over the winter months and its potential toll on economic activity in Romania and the CESEE region.

**Figure 2** Demand side developments

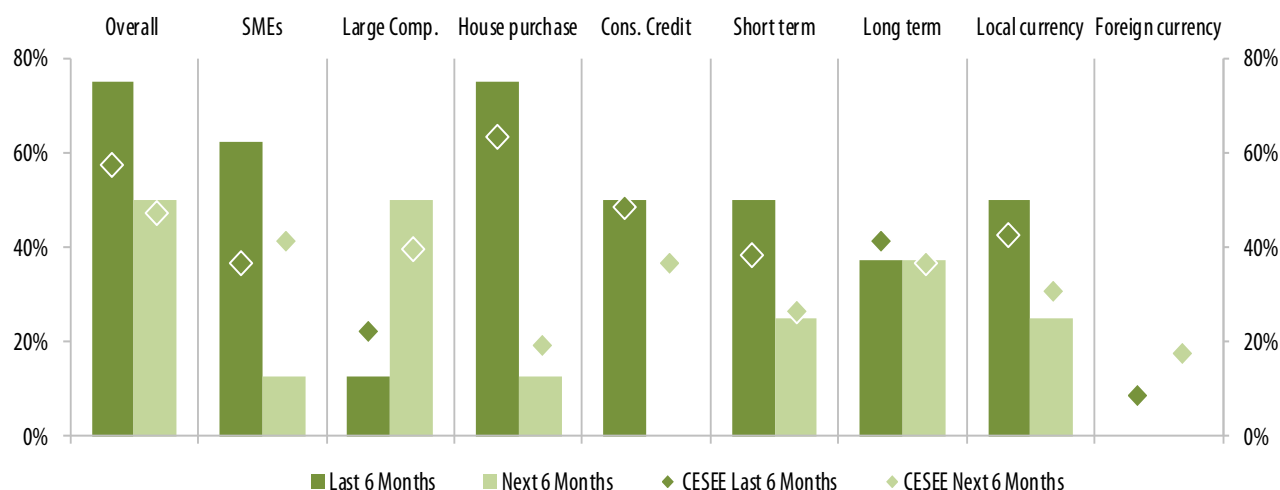


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 in Romania strongly increased in the last six months, both overall and in every segment except foreign currency. In the household segment, demand for mortgage credit surged. Demand from SMEs similarly bounced back, accompanied by improved demand from large corporates. Notably, appetite for long-term financing (i.e. related to investment) returned in line with the regional average. While demand for funds in foreign currency remained subdued, demand for local currency loans increased again. Looking ahead, banks expect further improvements, especially in the large corporates segment.

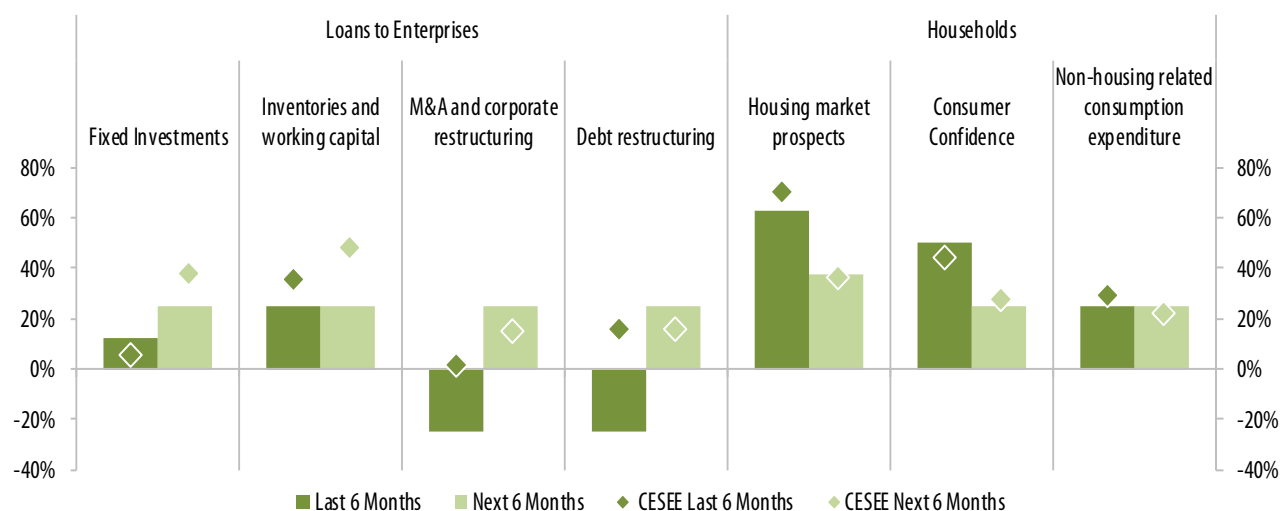


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

The pickup in demand in the corporate segment, strongly driven by SMEs, was supported by lending for inventories and fixed investments. In the household segment, housing market prospects continued to make a strong positive contribution to demand, while consumption expenditure and consumer confidence also signalled hopes for recovery. Overall, assessments for the household sector in Romania were aligned with those of regional peers over the last six months. Expectations are also similar.

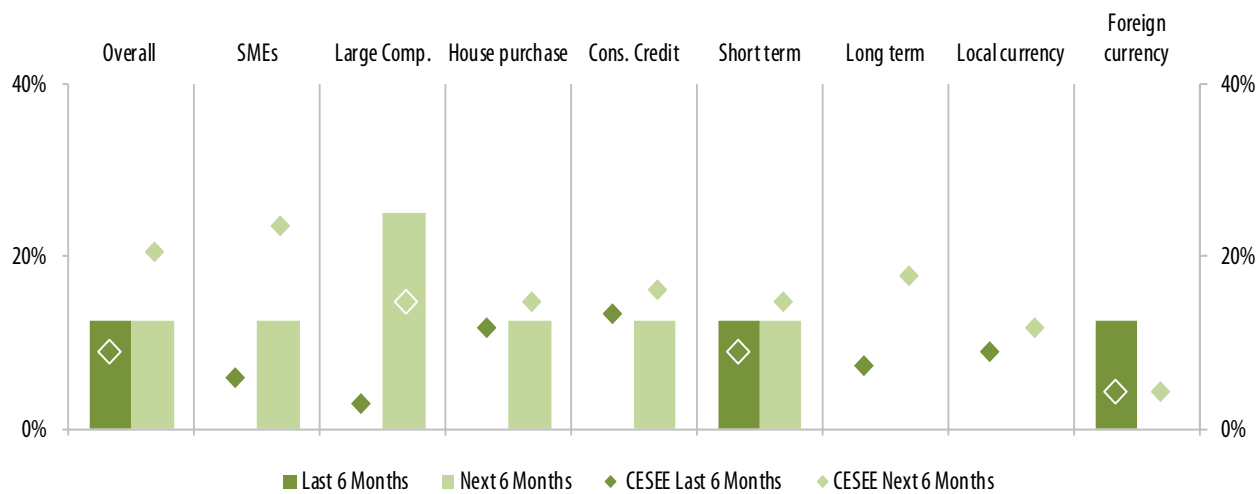


Source: EIB, CESEE bank lending survey.

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

The quality of loan applications in Romania improved overall during the last six months. Improvement was strongest (and above the regional average) in the foreign currency segment. Looking ahead, banks expect this pattern to continue.



Source: EIB, CESEE bank lending survey.

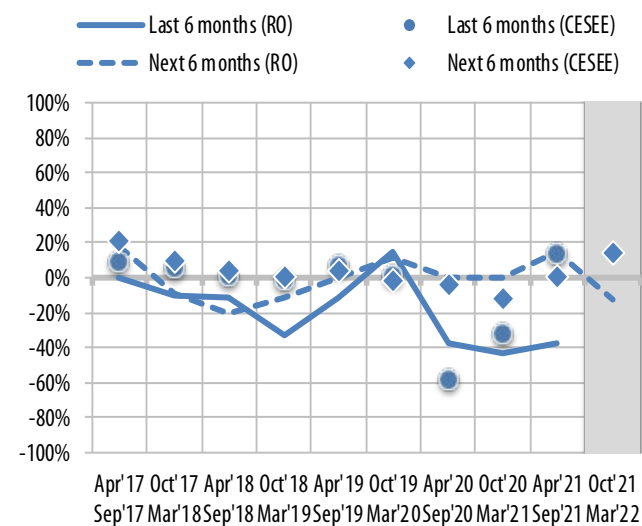
Note: The chart shows net percentages, with positive values indicating increasing quality of demand. See Question B.Q6 in the Annex.

### Aggregate supply developments

Credit supply conditions tightened further in Romania, in contrast to the regional trend. The changes recorded for the last six months add to the sharp moves in supply conditions for banks in Romania and CESEE in autumn 2020.

Credit standards in Romania have tightened on a cumulative basis since 2015. Banks began revising their outlook downward in 2017, also reflecting moves towards monetary tightening before 2020. Looking ahead, further tightening is expected over the next six months.

Figure 6 Supply developments



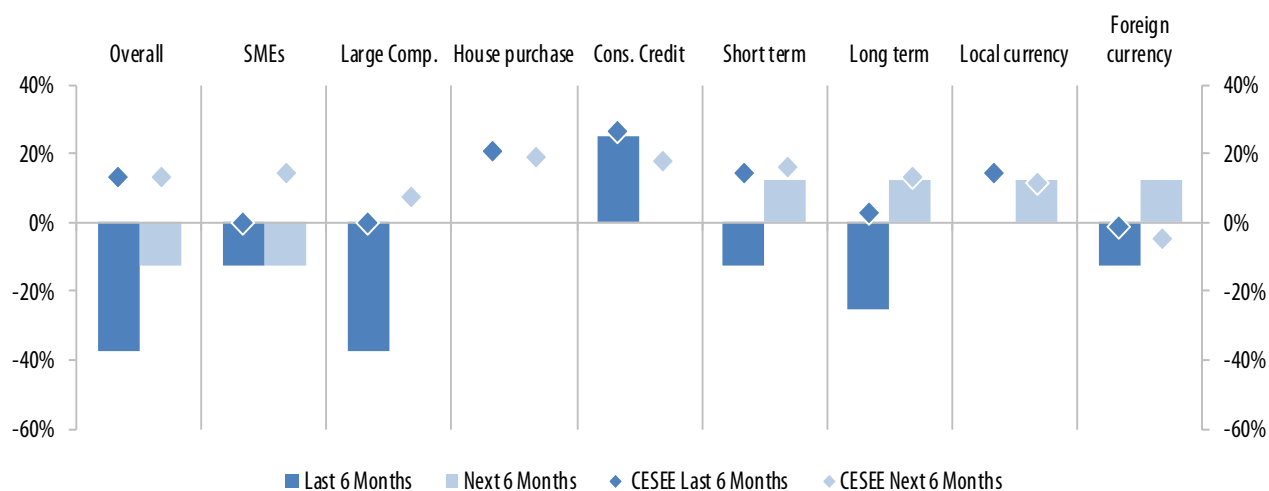
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 showed mixed developments across segments. Tighter credit standards were most prominent for large corporations and long-term loans, both contrasting with the regional averages. Looking ahead, banks expect some further tightening, notably for credit to SMEs.

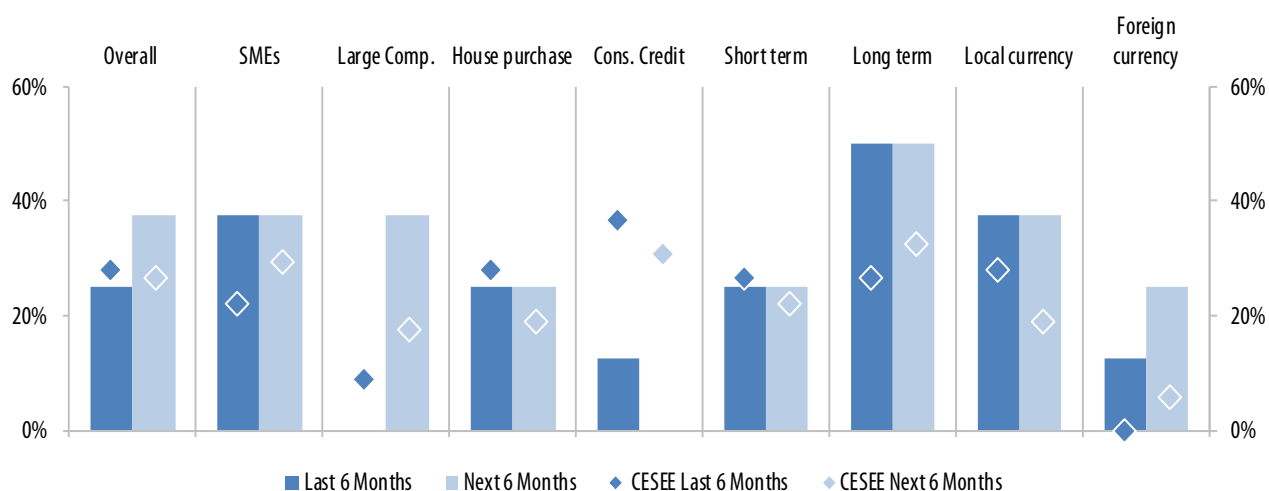


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

The overall loan approval rate increased substantially during the last six months, in line with the regional trend. In particular, getting loans became easier for SMEs, potentially reflecting policy support measures and hopes for a strong recovery. Similarly, a higher approval rate was reported for lending to fund house purchases. Conditions eased across maturities and for credit in local and foreign currencies. Looking ahead, banks expect approval rates to increase further, especially for long-term credit.

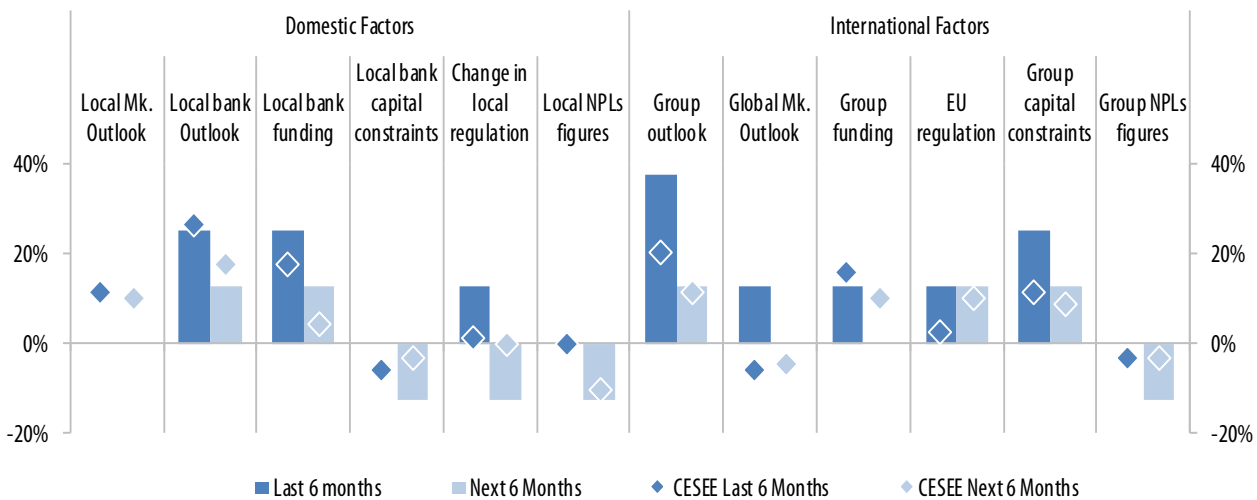


Source: EIB, CESEE bank lending survey.

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**

Of the domestic factors, local bank outlook and funding were the main positive contributors to supply conditions. While most of the international factors contributed to the tightening of credit standards, group outlook and capital constraints continued to be positive contributors. Both local and group non-performing loan figures in Romania made a neutral net contribution over the last six months, but are expected to become negative factors in the next six months, potentially reflecting concerns that non-performing loans will worsen as policy support is gradually removed.



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**

Non-performing loan figures in Romania reportedly improved over the last six months, similar to regional averages. Looking ahead, however, most banks expect non-performing loan ratios to increase.

Before the COVID-19 shock, Romania’s non-performing loan ratio reached 4.1% at the end of Q4 2019, below the European Banking Authority (EBA) threshold of 8% and within the EBA-defined medium-risk bucket. Non-performing loans edged up to 4.2% in June 2020, but the June 2021 figure was 3.8%.

The improvement in non-performing loan ratios was driven mainly by the corporate segment and also reflects (temporary) policy support measures, legislative adjustments and hopes for a strong recovery. Amid the COVID-19 crisis, a nine-month loan payment deferral was announced for affected companies and households. The National Bank of Romania stated that it would use flexibilities in the legislative framework for reclassification and provisioning of deferred loans, and not count these as defaults for the given period.

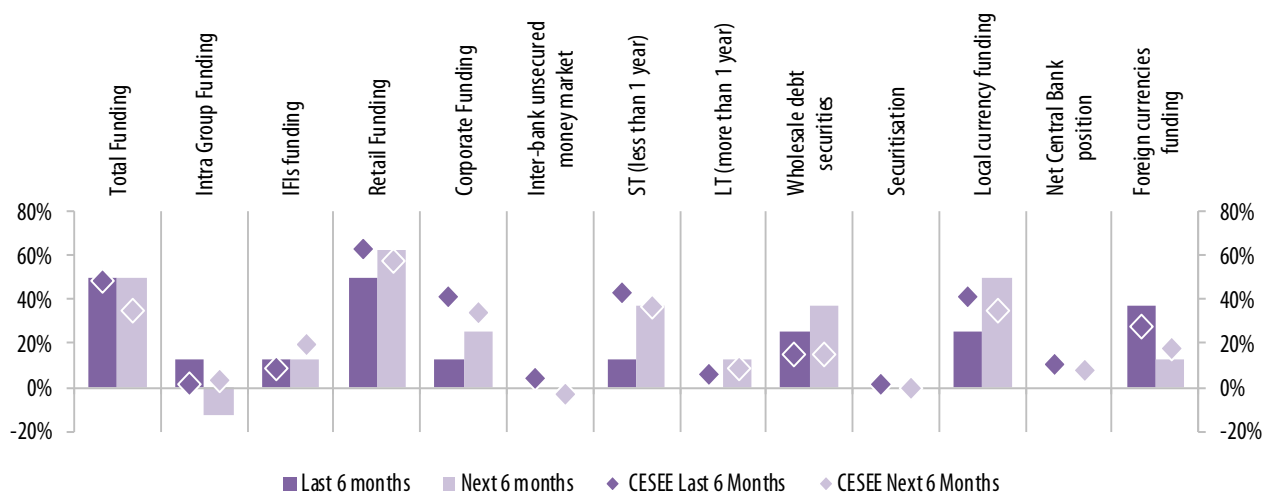


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Overall access to funding improved for banks in Romania over the last six months. In particular, accessing retail and foreign currency funding became easier, as did accessing local currency funding. No funding segment was perceived to have worsened. Looking ahead, banks remain optimistic regarding the funding situation. In the context of the COVID-19 crisis, the National Bank of Romania has provided liquidity support. Repo transactions reached RON 42 billion in 2020, while the total volume of government securities purchased on the secondary market amounted to RON 5.3 billion.



Source: EIB, CESEE bank lending survey.

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

**COVID-19 module**

**Regulatory and policy measures supporting lending**

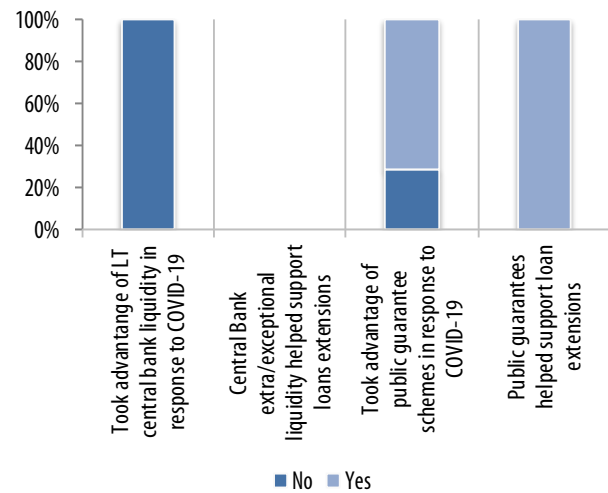
In 2020, to mitigate the economic impact of the pandemic, the Romanian government provided an envelope of around 3% of GDP for loan guarantees and subsidised interest for firms on borrowing for working capital and investment. Other measures included faster VAT reimbursement, suspending foreclosures on overdue debtors, discounts for paying corporate income taxes, postponement of property tax, temporary tax exemptions, and changes in the insolvency legislation.

Responding banks unanimously agree that public guarantees helped to support loan extensions. Most also took advantage of public guarantee schemes aimed at mitigating the impact of the pandemic on corporates over the last six months.

Responses suggest that policy measures helped to support loan provision and demand, particularly regarding SME activities. The regulatory and policy measures regarded as especially beneficial are capital relief measures and the adjustment of risk-weights.

**Figure 12**

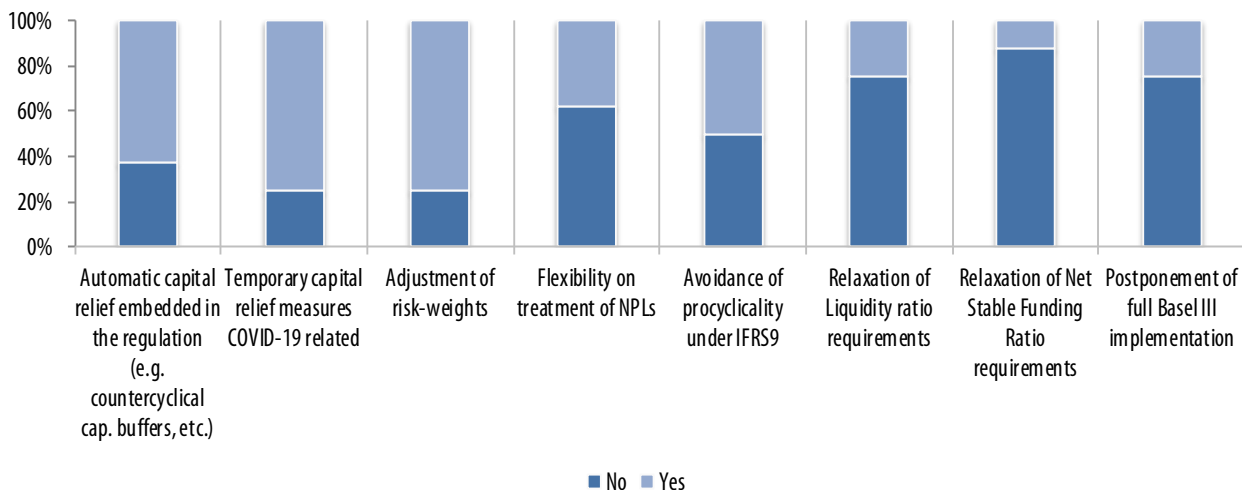
**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**

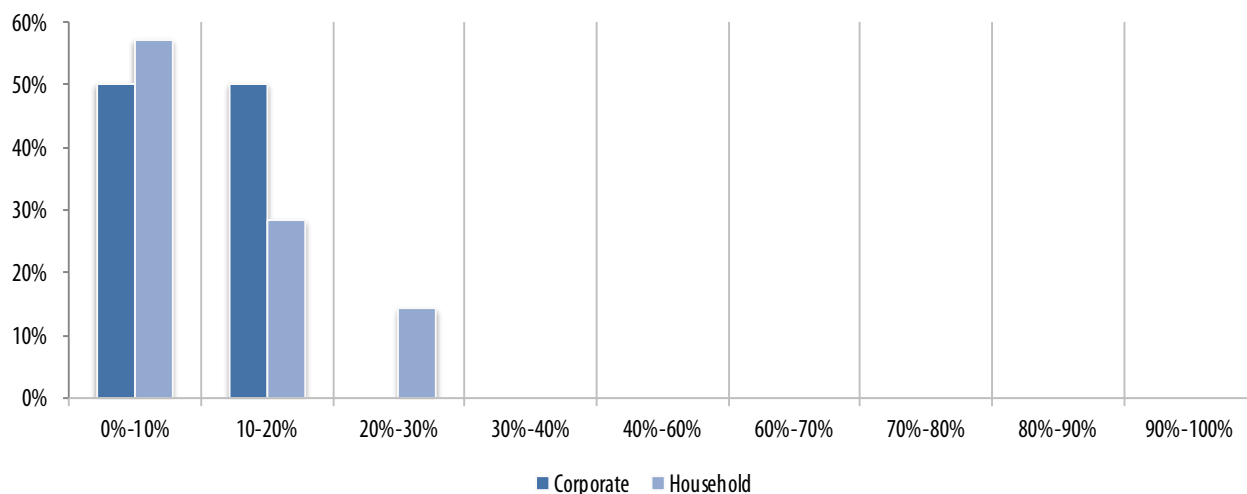


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect up to 20% of the corporate loan portfolio for half of Romanian banks, and up to 10% for the other half. For a small proportion of banks, up to 30% of the household loan portfolio is affected, but the percentage for the majority of banks is between 0% and 10%.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

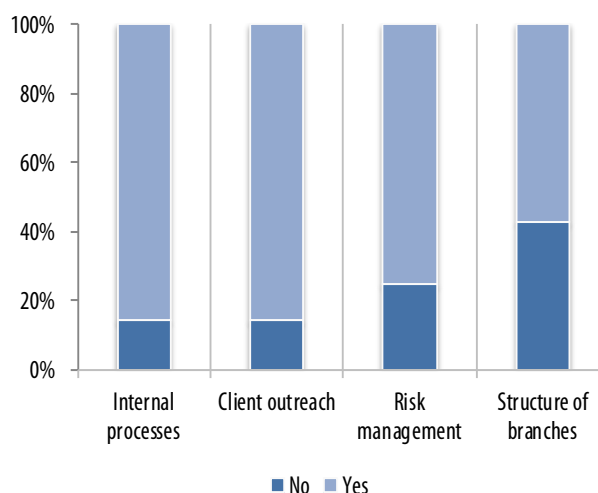
### Impact on strategic priorities in terms of digitalisation

Banks in Romania clearly expect the COVID-19 shock to boost the digitalisation of their activities. Most notably, they expect changes in internal processes and client outreach to make more use of digital channels.

About 70% of banks expect digitalisation to accelerate for risk management processes.

Meanwhile, about 60% of banks expect accelerated digitalisation to impact branches. Romania has a relatively thin branch network, especially in rural areas, which is one factor contributing to low financial intermediation and to financial exclusion. In recent years, banks have invested in new ways of delivering banking services, including agents and digital channels. Greater provision of digital financial services can, in principle, help to address access gaps while providing savings on infrastructure. However, complementary support for financial literacy is also needed to address access and intermediation issues.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# Serbia

**Credit demand remains very resilient in Serbia, although supply-side developments are still muted. Overall, the market is attractive and access to funding supportive. However, some caution is warranted in the coming months as policy support is gradually phased out, which may affect non-performing loans.**

## Summary

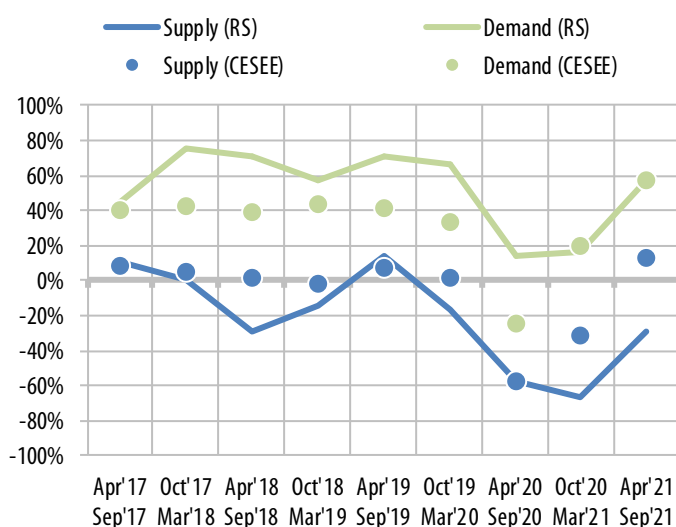
**Group assessment of positioning and market potential:** Market attractiveness improved somewhat, with banking groups operating in Serbia assessing market potential as either high (33%) or medium (67%). In addition, 83% of banking groups perceived their current market positioning as satisfactory or optimal, and 80% reported a higher or equal return on assets and return on equity for local banks compared to overall group operations.

Consistent with the CESEE average, **loan demand** in Serbia increased in the last six months. However, **credit standards** tightened again in Serbia, compared to softening in the CESEE aggregate. Supply conditions in the country are expected to become more balanced in the coming six months, but will not yet align with expected loan demand. **Credit supply conditions** tightened further across most segments during the last six months, except for consumer credit. Tightening was observed for SMEs, large corporates, and even house purchases. Looking ahead, supply conditions are expected to become more neutral, but not for large corporates and foreign currency loans. Largely consistent with CESEE averages, **demand for loans** increased for most segments during the last six months. However, demand from SMEs remains neutral. The overall **quality of loan applications** deteriorated over the last six months, driven by applications from large companies. Banks expect robust credit demand across all major segments in the coming six months, largely in line with regional averages.

**Access to funding** increased moderately during the last six months, supported mainly by retail, corporate and IFI funding. In the coming six months, funding from international financial institutions is expected to improve further and be the key driver for access, together with retail funding.

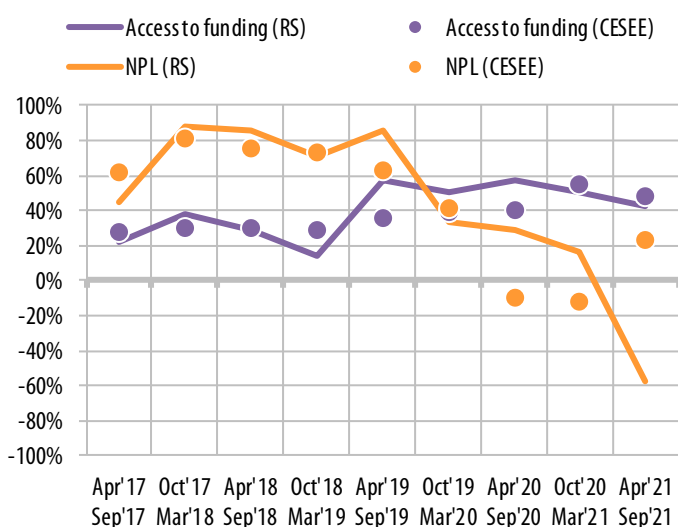
Banks reported that **non-performing loan ratios** have increased and that this trend is likely to continue over the next six months as policy measures are gradually phased out.

Serbian banks utilised **COVID-19-related policy measures** and have advanced their digitalisation processes.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

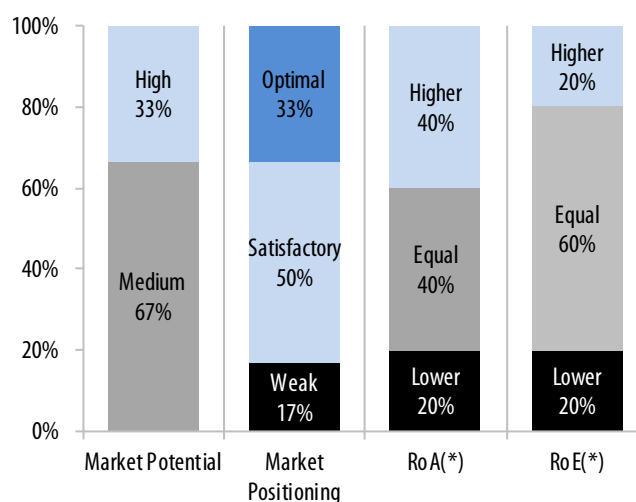
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

Compared to the previous survey, market attractiveness has improved marginally. Parent banking groups now see market potential as either high (33%) or medium (67%). Their market positioning has also improved, with 83% perceiving it to be satisfactory or optimal.

In terms of profitability, 80% reported that local banks match or outperform overall group operations (measured by return on assets and return on equity) — another slight improvement compared to the previous survey.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

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

## Results of the CESEE bank lending survey: Local banks/subsidiaries

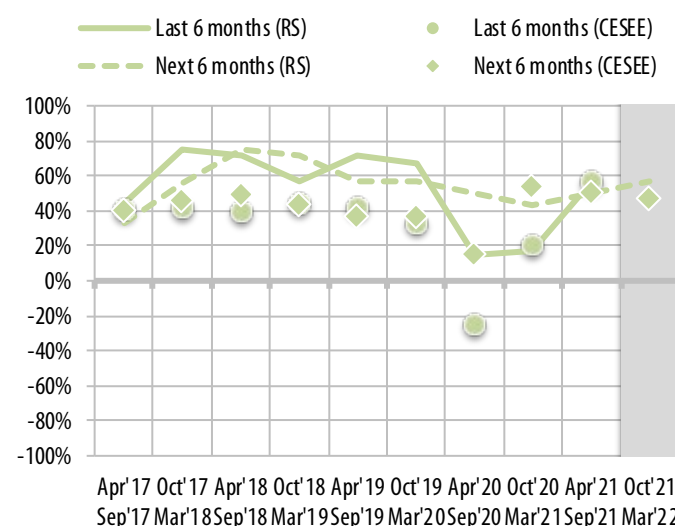
### Aggregate demand developments

Loan demand in Serbia increased in the last six months, aligning with the CESEE average. It is also expected to remain close to the regional average in the coming six months.

Extensive policy support mitigated a strong contraction of economic activity, with GDP dropping by a relatively modest 1% in 2020 (IMF World Economic Outlook, October 2021). The recovery is expected to be very strong this year (6.5% y/y growth), and also in 2022 (4.5% y/y growth).

Demand for consumer credit is expected to rise as household incomes improve, while demand for loans from corporates will rise as investment activity strengthens.

**Figure 2** Demand side developments



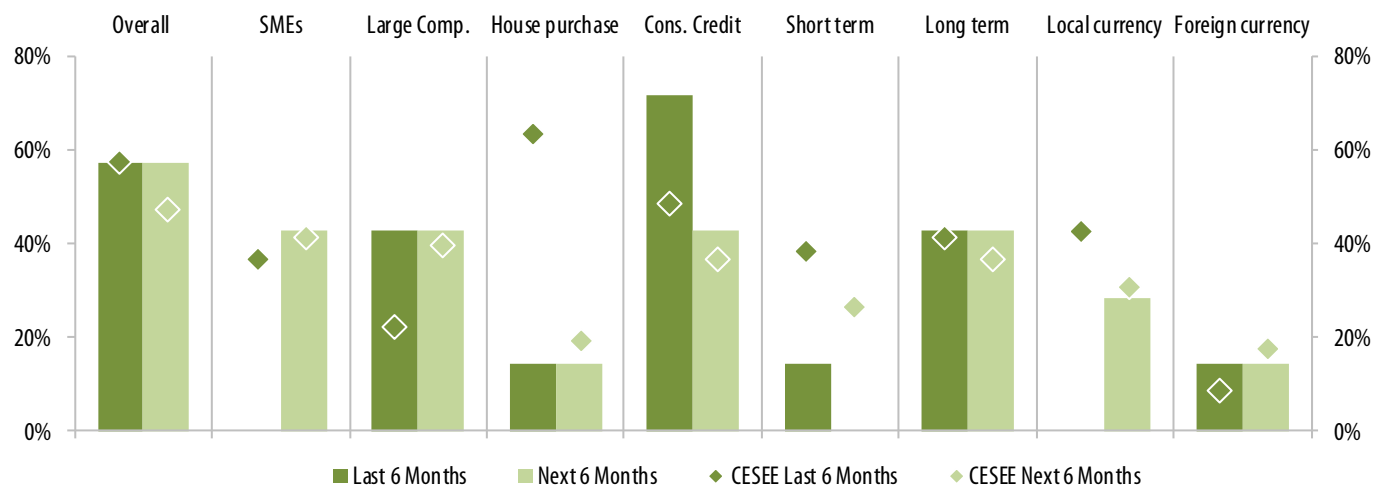
Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Overall demand improved in the last six months and remained closely aligned with the regional average. Nevertheless, a dichotomy persisted for demand from SMEs, which was neutral in Serbia but very strong in the wider region. By contrast, demand for consumer credit remained strong in Serbia, with consumption contracting less than in peer countries, but demand for house purchases softened. Looking ahead, demand is expected to remain strong as the recovery continues, particularly with a rise in demand from SMEs.

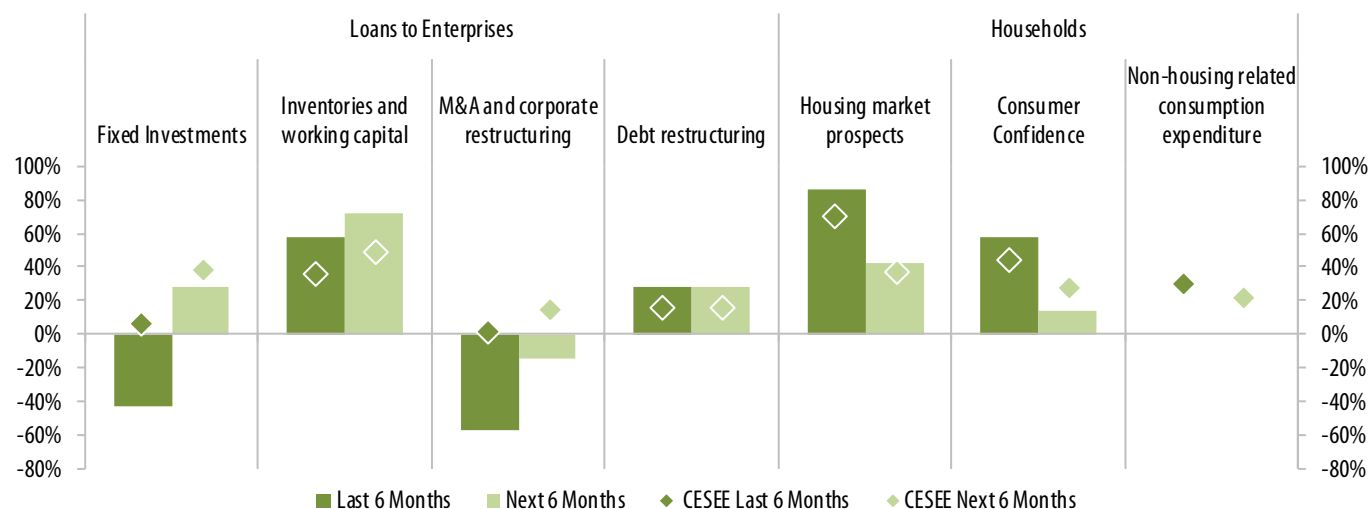


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

In line with the previous survey, and contrary to the CESEE aggregate, financing for fixed investments shrank again. A similar dichotomy exists for mergers and acquisitions and corporate restructuring, whereas demand for debt restructuring and for inventories and working capital was more in line with regional averages. On the household side, housing market prospects and consumer confidence drove demand for credit. Looking ahead, demand for investment loans is projected to pick up, while credit for inventories and working capital and for debt restructuring will remain strong. Also in the coming six months, housing market prospects will remain the driving force of demand on the household side.

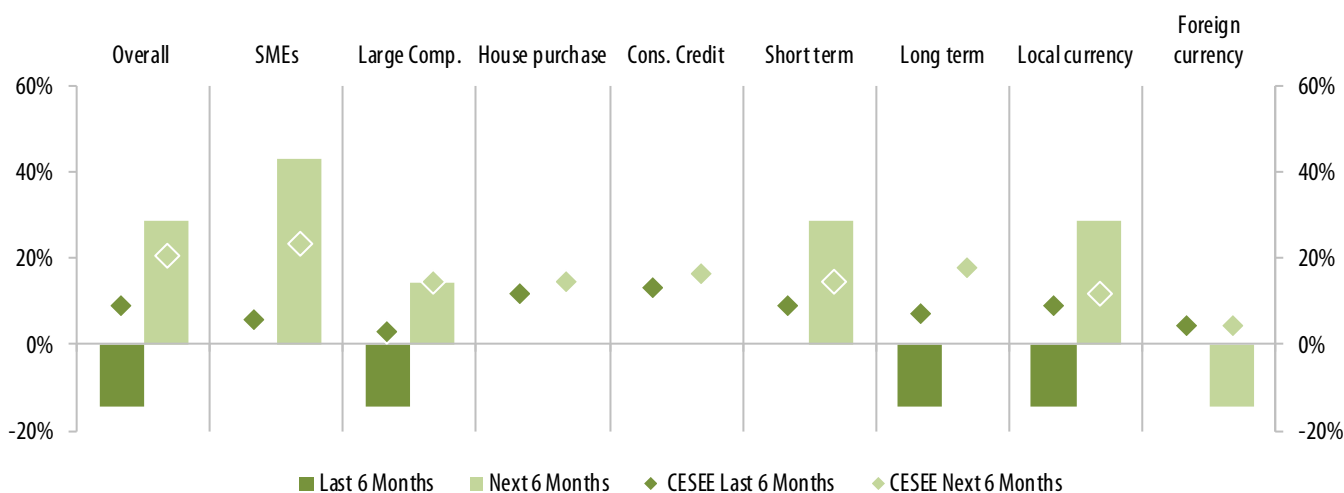


Source: EIB, CESEE bank lending survey.

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 contrast to the previous survey and the CESEE average, the overall quality of loan applications in Serbia deteriorated during the last six months, driven primarily by large companies. On the household side, application quality remained broadly neutral for housing and consumer credit. Regarding maturities, application quality deteriorated for long-term funding but was neutral in the short-term segment. In the coming six months, the quality of loan applications is expected to improve overall and particularly for SMEs, short-term funding and loans denominated in local currency.



Source: EIB, CESEE bank lending survey

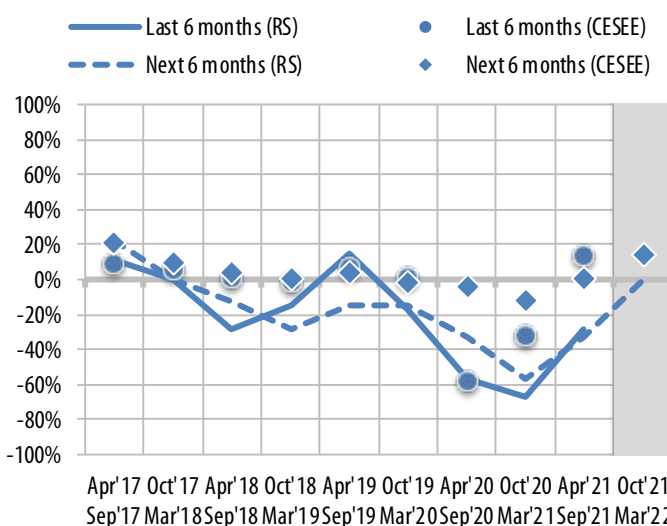
Note: The chart shows net percentages, with positive values indicating rising quality of loan applications. See Question B.Q6 in the Annex.

### Aggregate supply developments

During the last six months, credit standards in Serbia tightened somewhat, despite softening in the wider region. Sustained loan demand since 2015 has now faced tightening credit standards for more than a year.

Nevertheless, aggregate supply conditions are expected to become neutral in the coming six months, aligning closer to the CESEE aggregate.

Figure 6 Supply developments

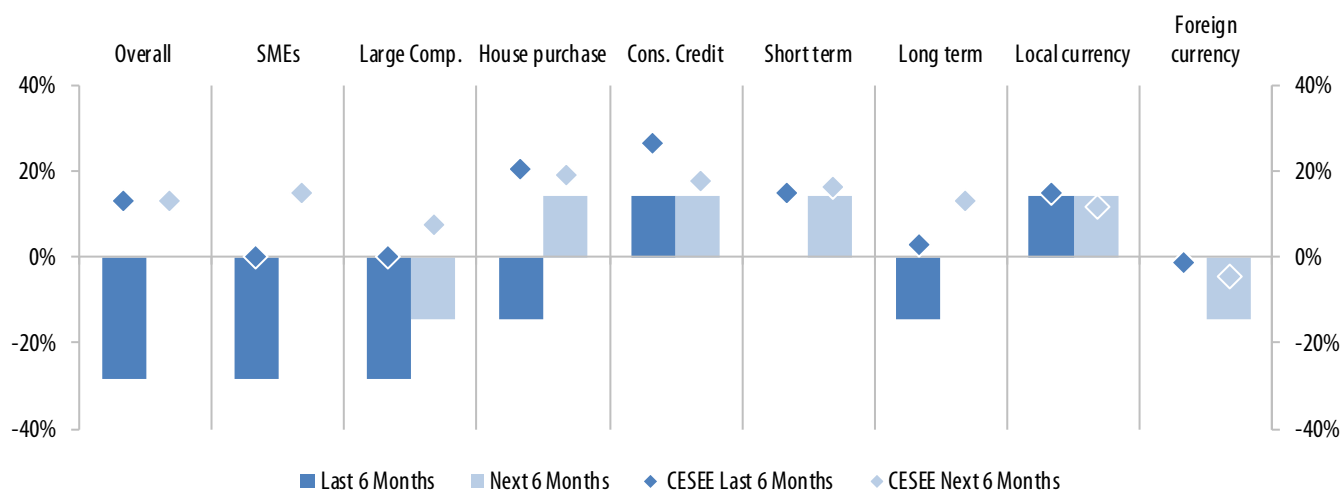


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

Overall credit standards tightened again in Serbia during the last six months, in contrast to their softening in the CESEE aggregate. The only exception was consumer credit, but the relaxing of standards in this segment was not as substantial as in the wider region. Tightening was observed for SMEs, large corporates and even house purchases. Regarding maturities, banks took a more cautious approach in the long-term segment. For the next six months, supply conditions are expected to become more neutral overall but not for large corporates and foreign currency loans. Some softening is expected for house purchases, local currency loans and the short-term segment.

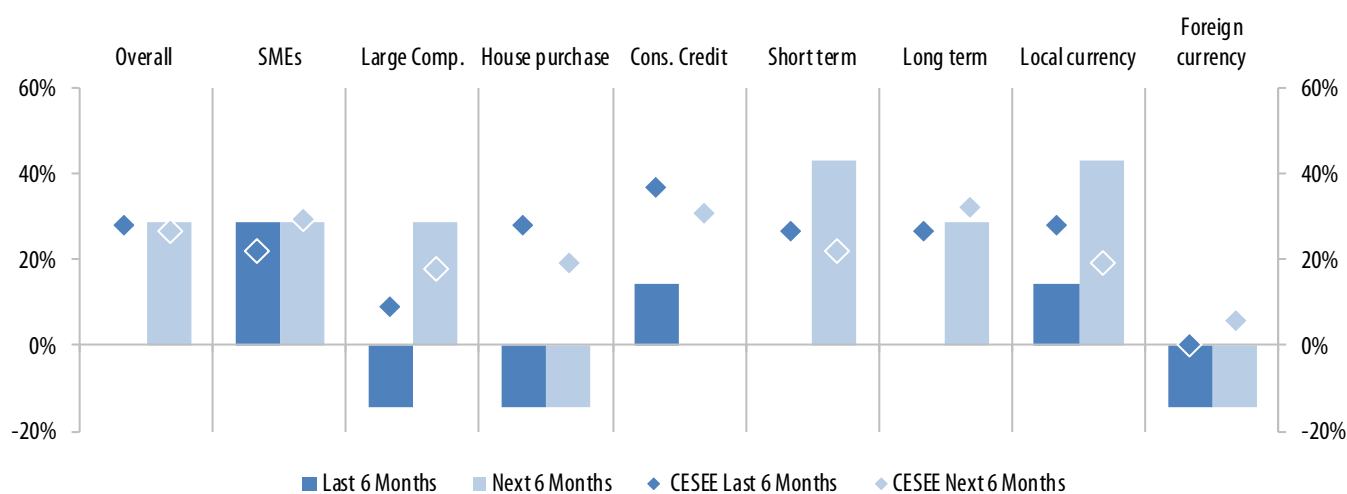


Source: EIB, CESEE bank lending survey

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 approval rates for loan applications

As in the previous survey and contrary to the regional average, banks' overall approval rate for loan applications remained broadly unchanged in the last six months. Nevertheless, this rate is expected to align closely with the CESEE average in the coming six months, driven particularly by expected improvements in the corporate sector. In the last six months, approval rates for loan applications declined for large corporations and house purchases but improved for consumer credit. Approval rates are projected to improve for long-term, short-term and local currency loans in the next six months.

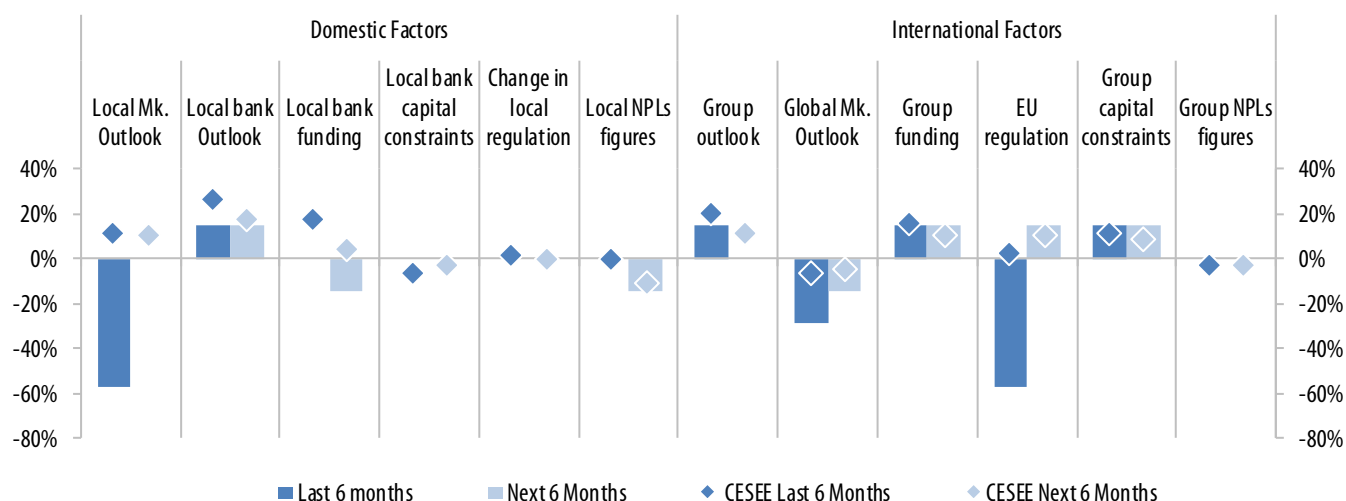


Source: EIB, CESEE bank lending survey

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 line with the previous survey's results, changes in local market outlook (among the domestic factors) and EU regulation (among the international factors) contributed most negatively to credit supply conditions in the last six months. Conversely, local bank outlook (among the domestic factors) and group outlook, group funding and group capital constraints (among the international factors) contributed positively to supply conditions. The overall situation is expected to improve to neutral in the coming six months, driven particularly by EU regulation being much more supportive.



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

Contrary to CESEE averages, banks in Serbia reported a deterioration in non-performing loan ratios in the retail and corporate sectors over the last six months.

Non-performing loans are also expected to increase in both segments in the coming six months, while remaining unchanged in the CESEE aggregate.

The Serbian authorities acted decisively in providing pandemic support, which was among the strongest in the Western Balkans. For example, support included a three-month moratorium on all repayments under bank loans and financial leasing agreements. More broadly, it likely prevented a much more pronounced impact of the pandemic on banks' balance sheets (see also the COVID-19 module for other measures). Going forward, several measures will be gradually phased out, so close monitoring of the situation is needed in the coming months.

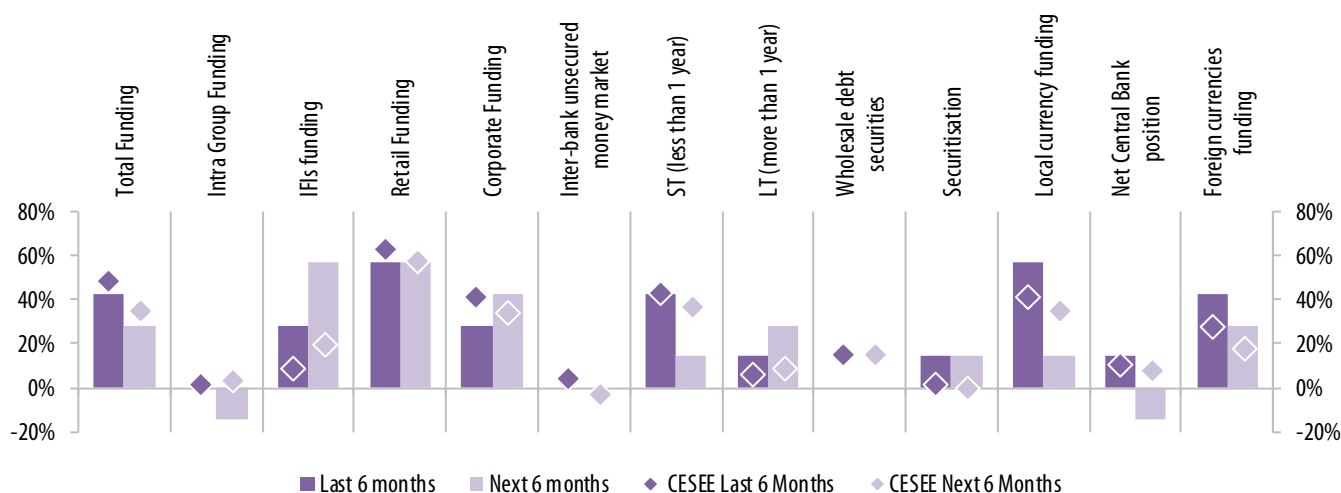


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Access to funding improved again in Serbia during the last six months, albeit to a somewhat lower degree than in the CESEE aggregate. Access was particularly supported by retail funding, followed by corporate and IFI funding. In the coming six months, funding from international financial institutions is expected to improve further and will be the key support for access, together with retail funding. Conversely, intra-group funding is expected to deteriorate in the coming six months. As reported previously, the National Bank of Serbia announced liquidity support for banks through an additional €/RSD swap auction and repo purchase auction of dinar government securities (see also the COVID-19 module). This has helped sustain foreign and local currency needs.



Source: EIB, CESEE bank lending survey.

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

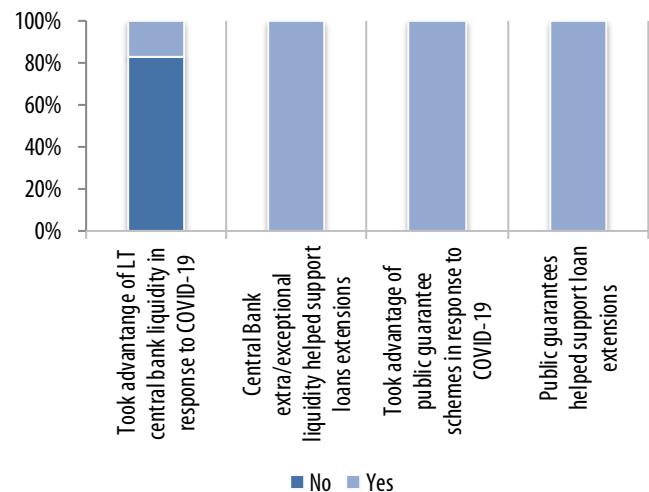
## COVID-19 module

### Regulatory and policy measures supporting lending

Among other important measures (see also the IMF Policy Response Tracker), the National Bank of Serbia cut the key policy rate from 2.25% to 1.00% and engaged in a series of €/RSD swap auctions, repo purchases and outright purchases of government securities, while also reducing the FX swap interest rates. It also implemented a three-month moratorium on loans, relaxed the loan-to-value (LTV) cap for first home buyer mortgage loans, and set up a repo line arrangement with the ECB to address possible euro liquidity needs. This instrument was extended until 31 March 2022. Moreover, a two-month moratorium was introduced to relieve debtors of repaying their liabilities during August and September 2020. In August 2020, the National Bank of Serbia adopted measures intended to provide easier access to housing loans for individuals in 2021. Towards the end of 2020, it adopted new measures to support affected debtors (corporates and households). Some of these measures appear to have had a major impact on banks (Figures 12 and 13). As these measures are being gradually phased out, close monitoring is required in the coming months.

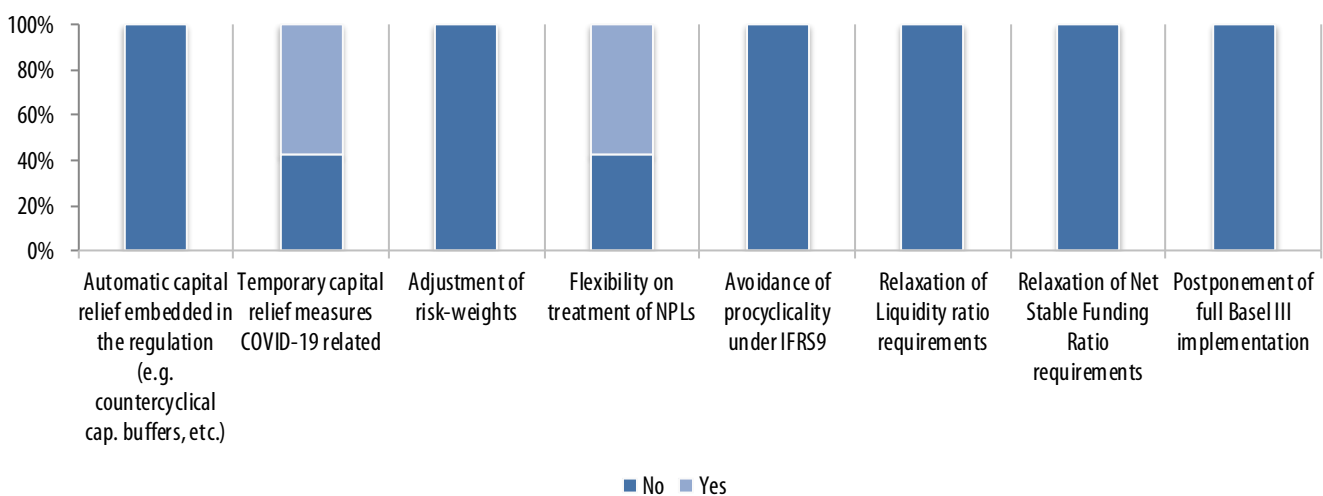
Figure 12

**Uptake and impact on lending of the central bank's liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

Figure 13 **Regulatory and policy measures that helped to support/maintain lending to the economy**

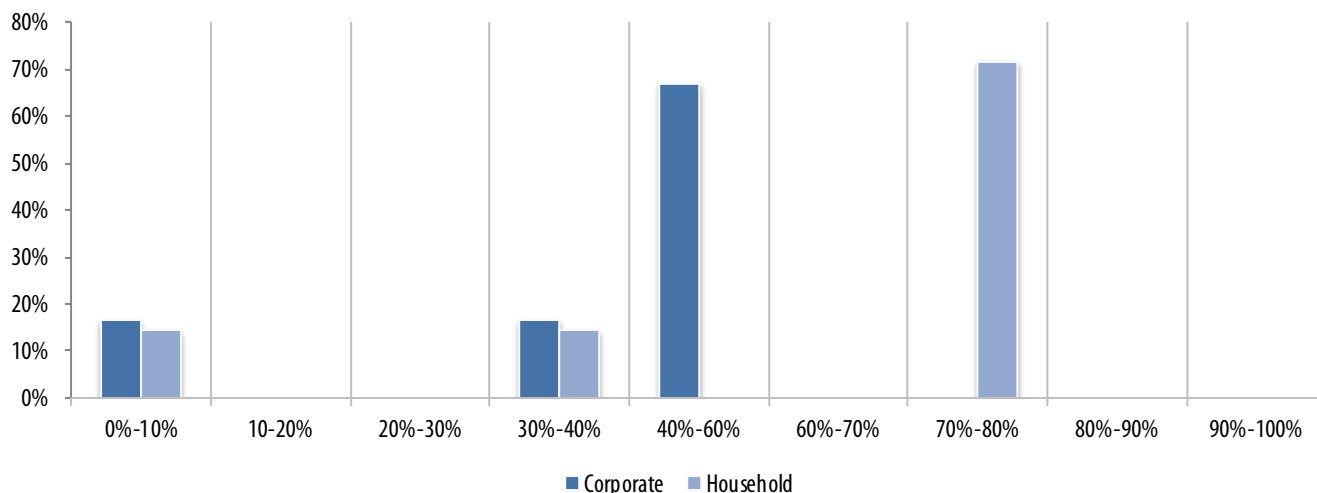


Source: EIB, CESEE bank lending survey.

### Moratoria incidence and uptake

The uptake of moratoria measures has been strong, offering another explanation for why non-performing loans have not yet increased strongly in Serbia. In the household segment, these measures mostly influenced 70–80% of the portfolio, while in the corporate sector the percentages are lower but still significant and above CESEE averages.

**Figure 14** Percentage of corporate/household loans taking advantage of moratoria (as percentage of total balance sheet size)

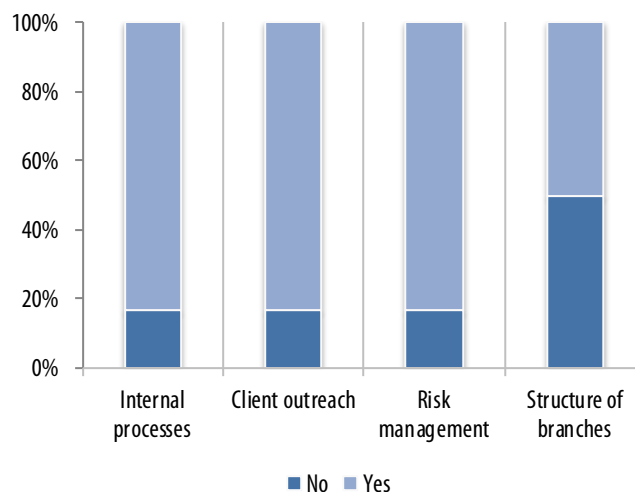


Source: EIB, CESEE bank lending survey.

### Impact on strategic priorities in terms of digitalisation

Most banks advanced their digitalisation in response to the pandemic, particularly for internal processes, client outreach and risk management. Branch structure was also impacted (Figure 15).

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.





# Slovakia

**After the economy emerged from the second wave, demand for consumer loans picked up and supply eased. Non-performing loans decreased and are not expected to rise.**

## Summary

**Group assessment of positioning and market potential:** Parent banks regard Slovakia's market potential as medium and they hold a satisfactory to optimal market positioning.

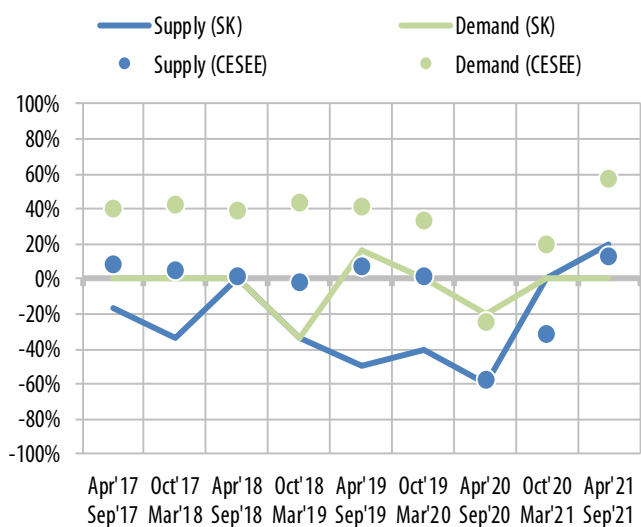
Banks in Slovakia reported no change in aggregate **credit demand** over the last six months. Most reported that demand for consumer loans increased, while a small majority reported less demand from SMEs. Banks' responses paint a weaker picture of loan demand in Slovakia than in the rest of CESEE, where demand for mortgages appears to be growing more strongly. The quality of loan applications remained broadly unchanged.

Reflecting the emergence of the economy from the second wave of the pandemic, aggregate **credit supply** rose slightly over the last six months, in line with the rest of the CESEE region. However, no change is expected during the coming six months. **Credit standards** were loosened, particularly for consumer credit and mortgage lending, thus reversing the tightening that had occurred during COVID-19's second wave.

**Non-performing loan ratios** decreased. The majorities reporting non-performing loan decreases were higher in Slovakia than in the CESEE aggregate. Banks expect no further increases in non-performing loans over the next six months, even though most report that 10–20% of their household loan portfolio and corporate loan portfolio benefits from payment moratoria.

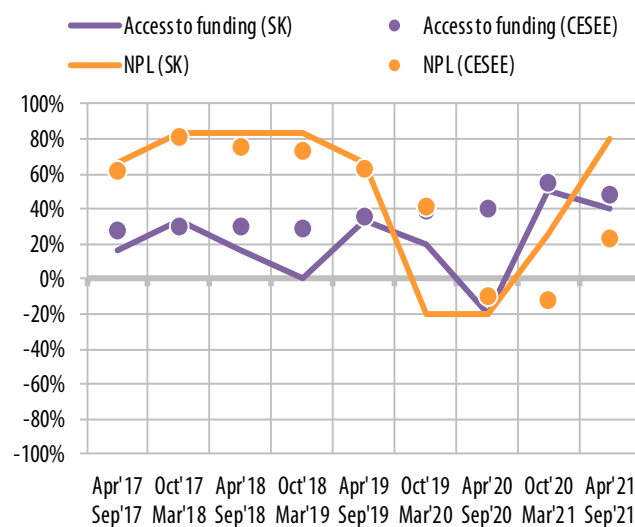
**Access to funding** continued to improve for most banks, likely driven by increased household savings and the supportive monetary policy background.

Banks also reported that **policy measures** continued to support lending. All banks endorsed the benefits of public loan guarantees, and most participated in a corresponding scheme. Most banks also participated in the Central Bank's long-term funding operations.



Source: EIB, CESEE bank lending survey.

Note: All indicators in net percentages; Supply/Demand: positive values indicate increasing (easing) demand (supply).



Source: EIB, CESEE bank lending survey.

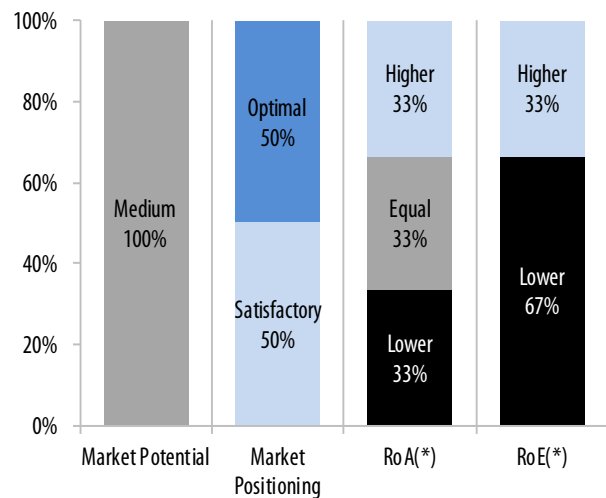
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; Non-performing loans: negative values indicate increasing non-performing loan ratios.

## Results of the CESEE bank lending survey: Parent banks

Most banks in Slovakia belong to parent groups with a presence in the rest of the CESEE region. All parent banks regard Slovakia's market potential as medium and they hold a satisfactory to optimal market positioning.

Parent banks' assessment of the profitability of operations deteriorated somewhat in Slovakia with an increase in banks reporting lower profitability for CESEE than for group operations.

**Figure 1** Market potential and positioning ratings (% of participants)



Source: EIB, CESEE bank lending survey.

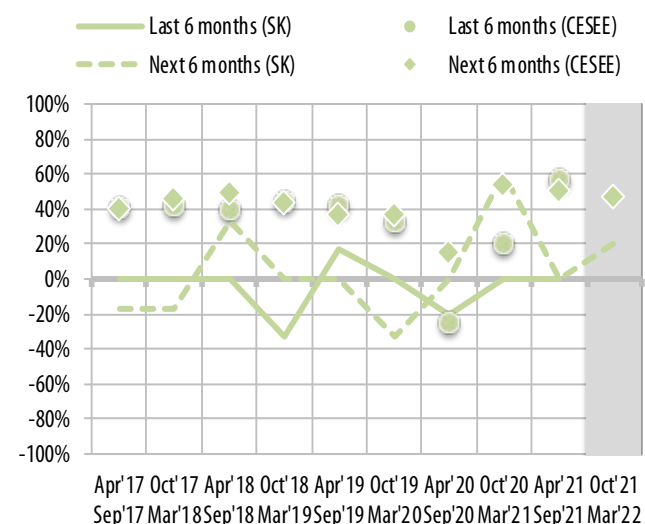
Note: RoA: return on assets (adjusted for cost of risk) of local banks compared to overall group operations; RoE: return on equity (adjusted for cost of equity) of local banks compared to overall group RoE. See Question A.Q1 in the Annex.

## Results of the CESEE bank lending survey: Local/subsidiary banks

### Aggregate demand developments

Banks in Slovakia reported no change in aggregate demand for loans over the last six months. Only a small majority expect demand to pick up over the next six months. Their responses paint a weaker picture of loan demand than those of banks in the rest of CESEE, where demand has grown and is expected to continue growing by a large majority of banks.

**Figure 2** Demand side developments

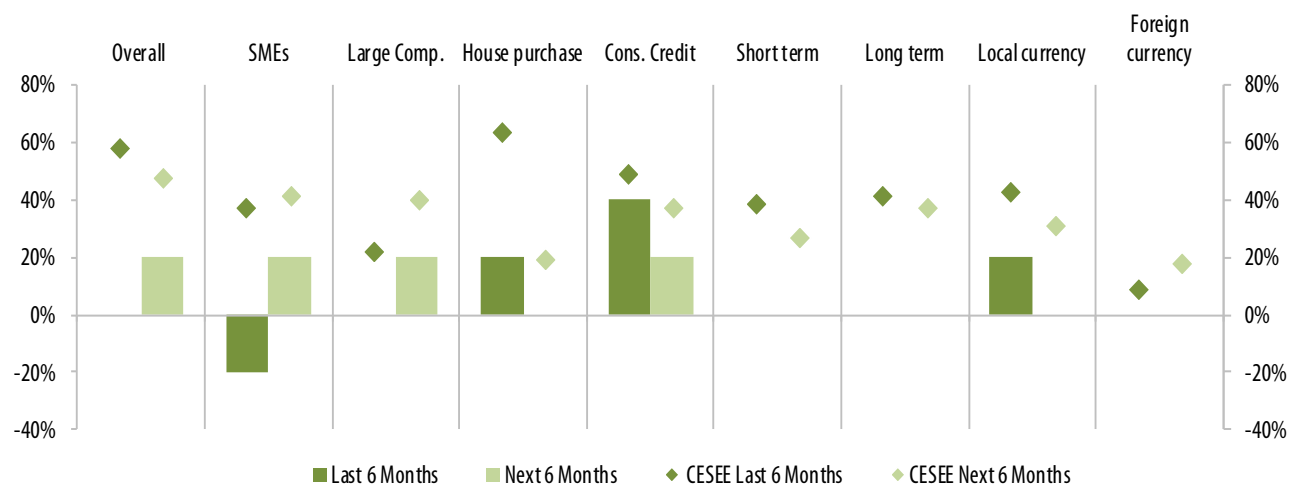


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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 has recovered less in Slovakia than in the CESEE aggregate, particularly for mortgages: the majority reporting an increase in mortgage demand was much smaller in Slovakia than in the wider region. Demand for consumer credit improved during the last six months, whereas demand for corporate loans remained stable and demand for loans to SMEs declined. Looking ahead, banks expect loan demand to remain broadly stable over the next six months, representing a slightly more pessimistic assessment than that of banks in the rest of CESEE.

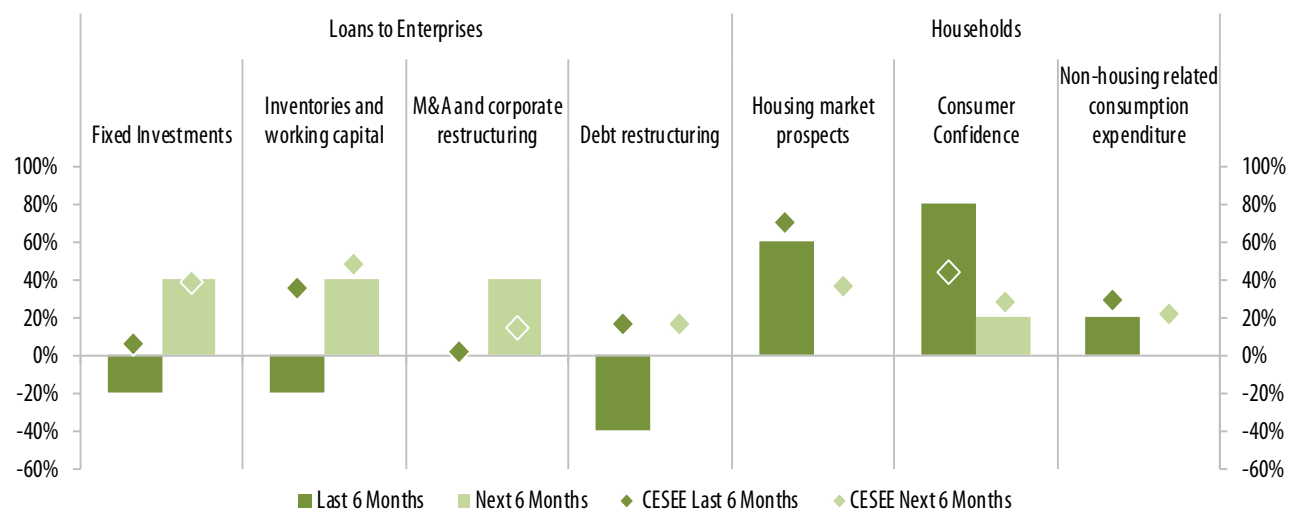


Source: EIB, CESEE bank lending survey.

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

### Figure 4 Factors affecting loan demand

Most banks reported that strong prospects for the housing market and high consumer confidence were the main drivers of loan demand. By contrast, demand for loans to fund debt restructuring declined. Both developments arguably reflect the improved economic environment.

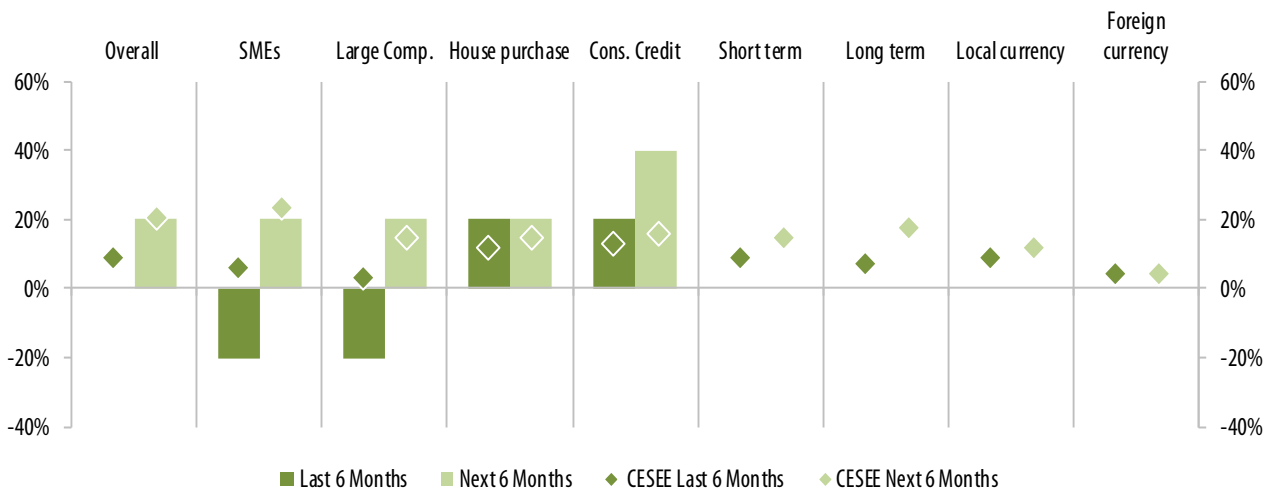


Source: EIB, CESEE bank lending survey.

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**

Banks reported that the quality of loan applications remained unchanged overall during the last six months, although application quality improved for consumer credit and mortgage loans.



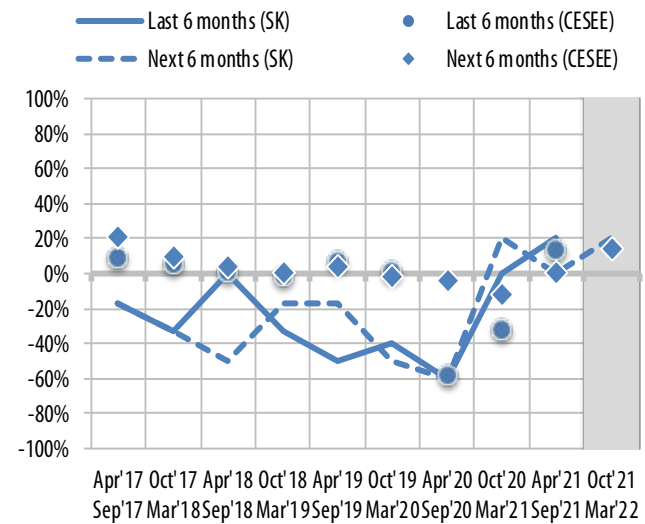
Source: EIB, CESEE bank lending survey.

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

**Aggregate supply developments**

A small majority of banks reported an improvement in credit supply over the last six months, presumably reflecting lower credit risks as the economy emerged from the second wave of the pandemic. This gradual improvement is expected to continue over the next six months. The developments in Slovakia are broadly in line with the rest of the CESEE region.

**Figure 6 Supply developments**

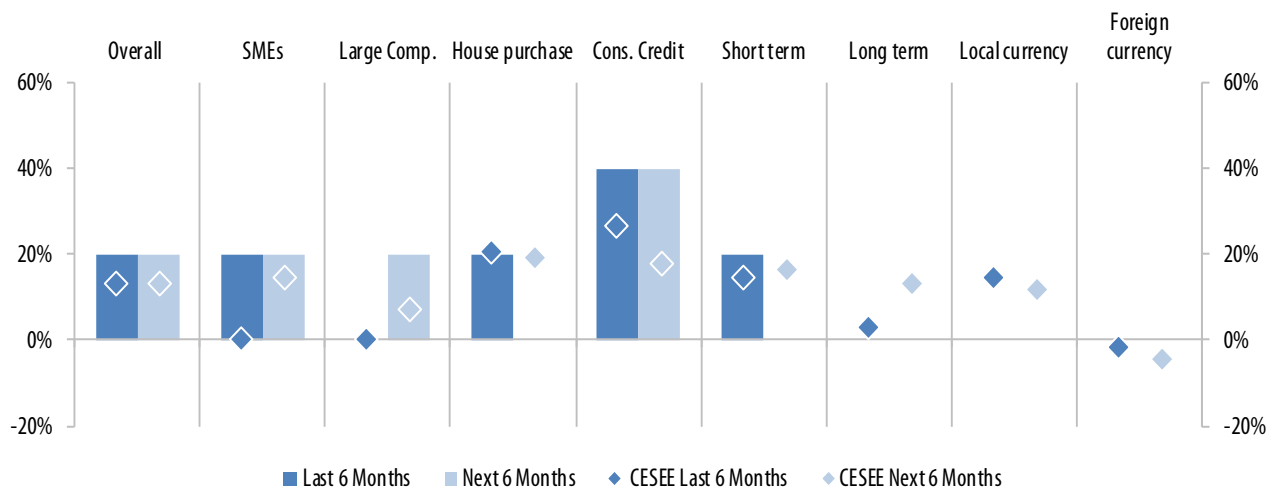


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to allow comparison with the perceptions series (solid line), i.e. 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

A small majority of banks reported that they loosened lending standards overall. As the economy emerged from lockdowns during the second wave of COVID-19, most banks increased the supply of consumer credit, but the supply of credit to large companies did not change. These developments are expected to continue over the next six months, remaining similar to CESEE region averages.

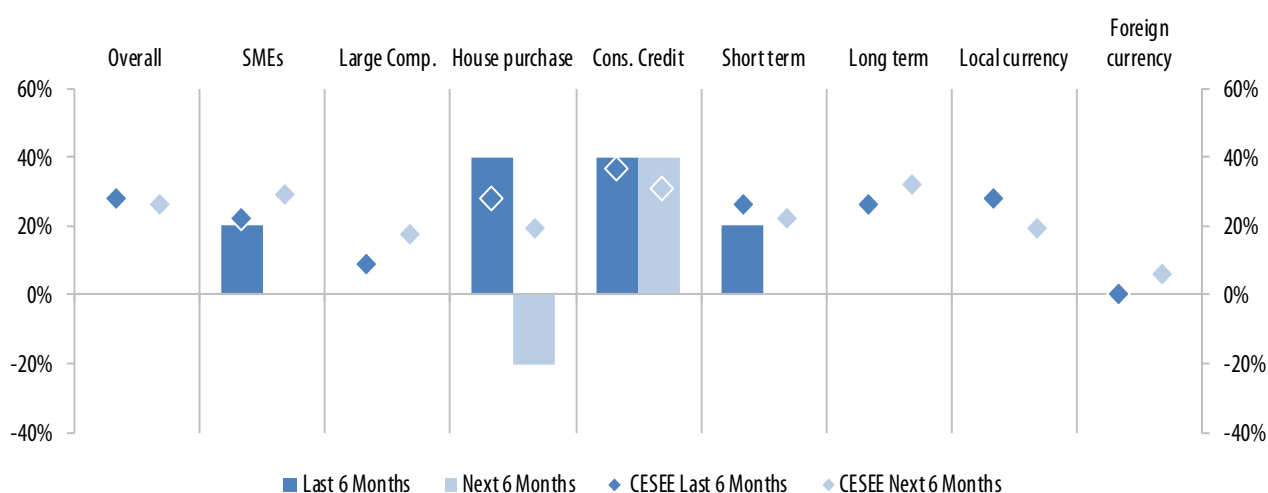


Source: EIB, CESEE bank lending survey.

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 approval rates for loan applications

In line with the improving economic environment, bank approval rates increased for consumer credit and mortgage loans, mirroring developments in the wider region. However, banks in Slovakia do not expect a further increase in their mortgage approval rate over the next six months, in contrast to their CESEE peers.

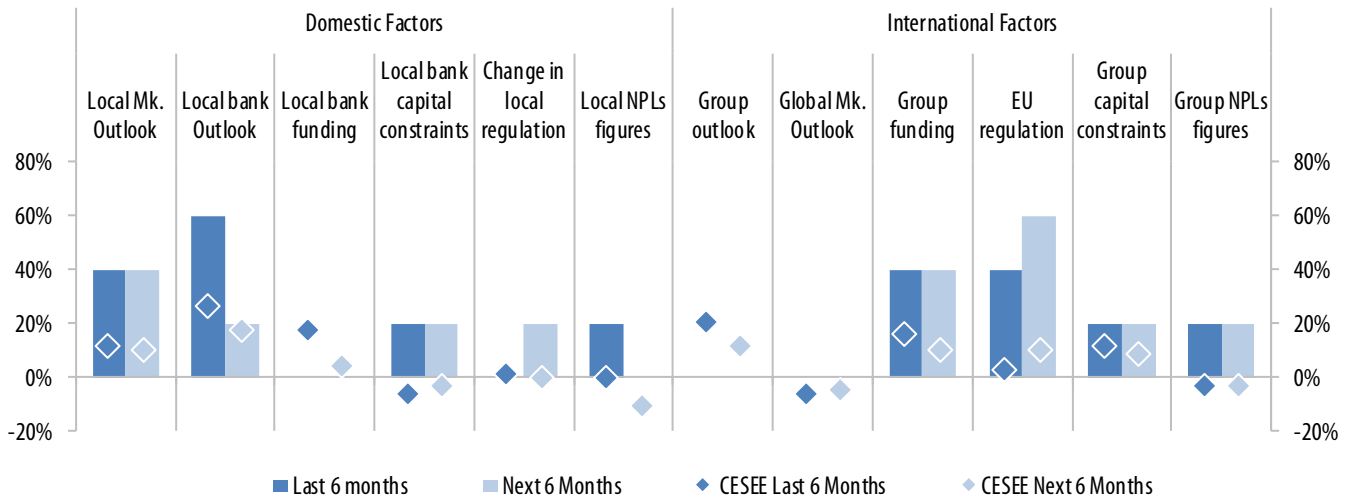


Source: EIB, CESEE bank lending survey

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**

Most banks reported that the local bank outlook and market outlook contributed to higher credit supply, which was also boosted by better-than-expected non-performing loans. Several international factors also made positive contributions to supply conditions, such as group funding 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**

A large majority of banks reported that their non-performing loan ratios decreased over the last six months. Improvements were also reported in the CESEE aggregate, but by smaller net percentages. However, expectations for the next six months indicate that banks in Slovakia and the wider region expect no further improvement in non-performing loan ratios.

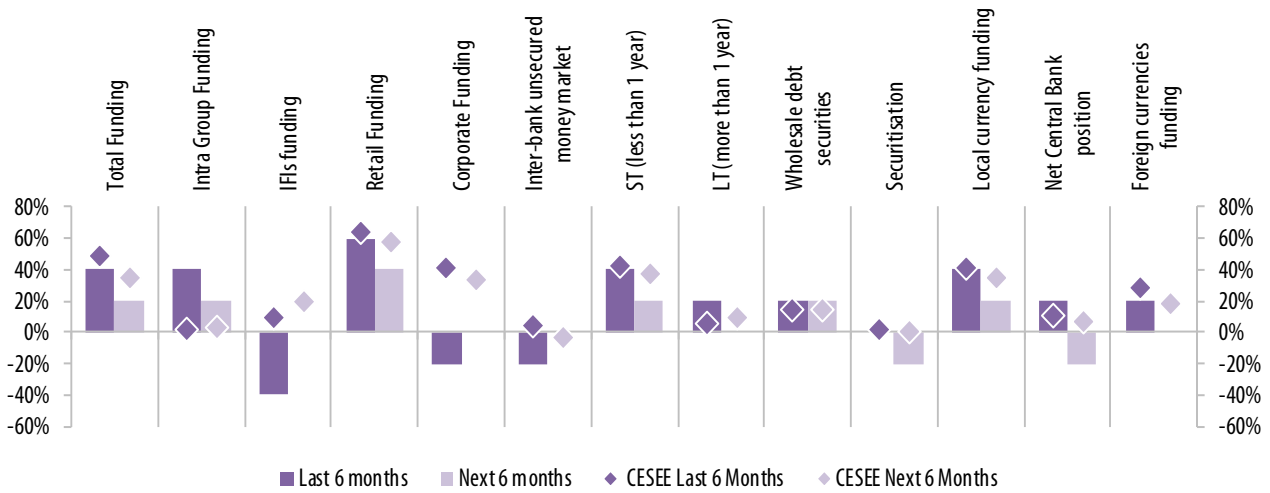


Source: EIB, CESEE bank lending survey.

Note: The chart shows net percentages, with negative values indicating increasing non-performing loan ratios. See Question B.Q8 in the Annex.

**Figure 11 Access to funding**

Bank funding conditions continued to improve overall during the last six months. Most banks experienced rising access to retail funding as household savings remained high. Intra-group funding also improved.



Source: EIB, CESEE bank lending survey.

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

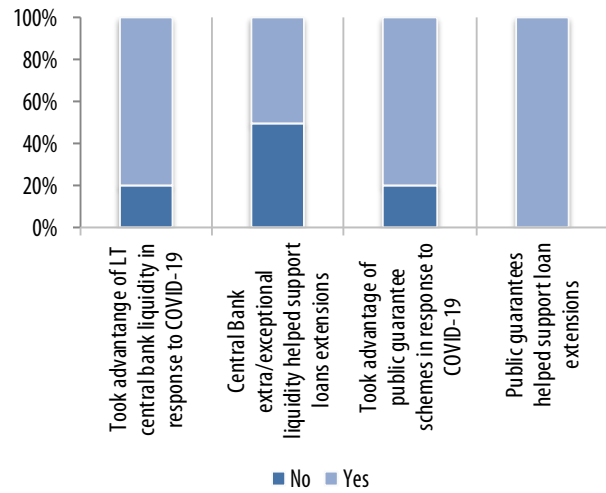
**COVID-19 module**

**Regulatory and policy measures supporting lending**

All banks reported that public loan guarantees have supported lending, and most banks participated in a corresponding scheme. Most banks also participated in the Central Bank’s long-term funding operations. The perceived importance of regulatory measures has declined, although most banks believe that avoidance of procyclicality under IFRS 9 has helped support lending.

**Figure 12**

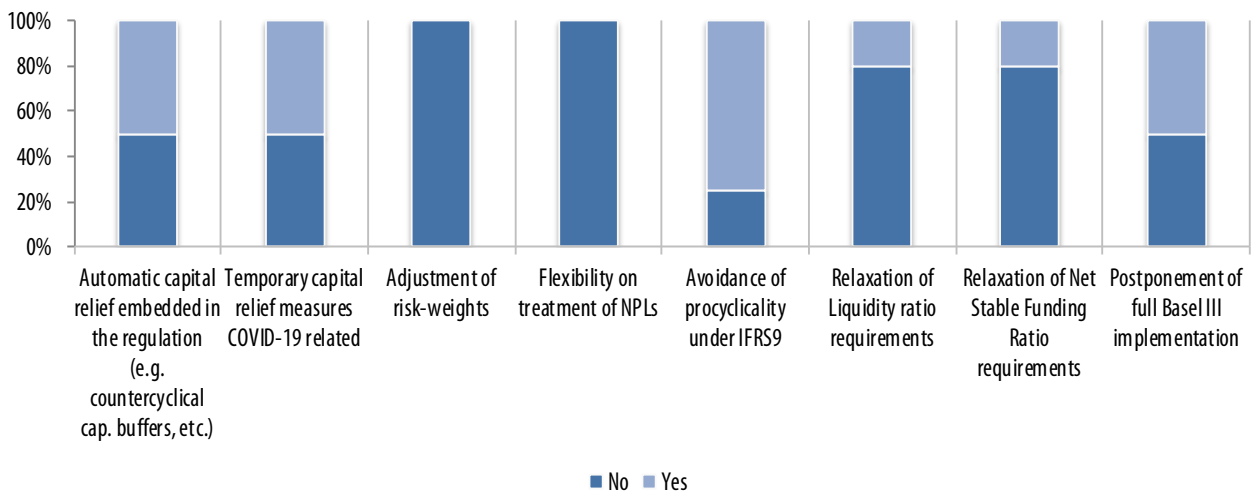
**Uptake and impact on lending of the central bank’s liquidity facilities and government interventions in terms of public guarantees**



Source: EIB, CESEE bank lending survey.

**Figure 13**

**Regulatory and policy measures that helped to support/maintain lending to the economy**



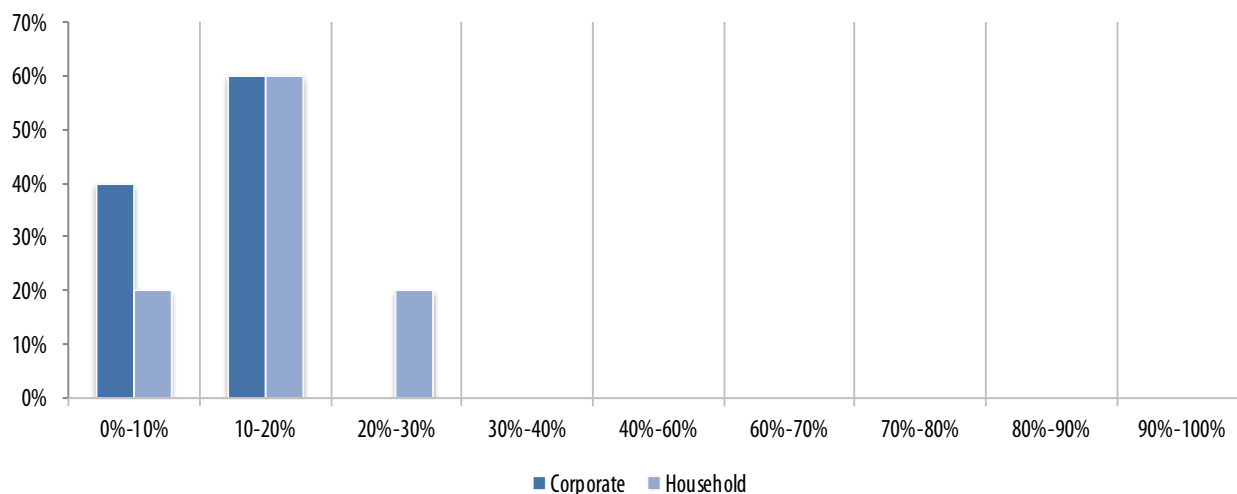
Source: EIB, CESEE bank lending survey.



### Moratoria incidence and uptake

The majority of banks report that 10–20% of their household loan portfolio and corporate loan portfolio are affected by payment moratoria. For a small percentage of banks, the affected household portfolio is up to 30%.

**Figure 14** Percentage of outstanding loan portfolio covered by moratoria



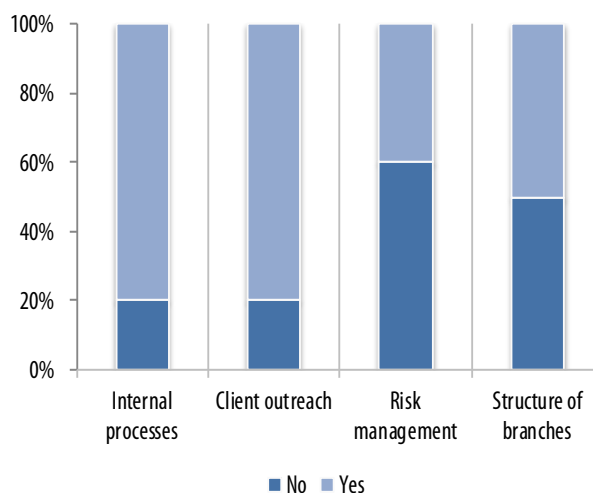
Source: EIB, CESEE bank lending survey.

Note: The x-axis represents the shares in terms of total balance sheet size; the y-axis represents the percentage of banks.

### Impact on strategic priorities in terms of digitalisation

Most banks report that the COVID-19 pandemic prompted them to accelerate the digitalisation of their internal processes and client outreach. Some banks also expect the digitalisation of risk management and of branch structure to pick up.

**Figure 15** Did COVID-19 increase the propensity to accelerate aspects of digitalisation?



Source: EIB, CESEE bank lending survey.

Note: The y-axis values represent the percentage of respondents.



# 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
2021 Q2	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
2021 Q1	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
2020 Q4	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
2020 Q3	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
2020 Q2	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
2020 Q1	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
2019 Q4	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
2019 Q3	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
2019 Q2	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
2019 Q1	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
2018 Q4	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
2018 Q3	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
2018 Q2	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
2018 Q1	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
2017 Q4	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
2017 Q3	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
2017 Q2	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
2017 Q1	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
2016 Q4	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
2016 Q3	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
2016 Q2	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
2016 Q1	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
2015 Q4	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
2015 Q3	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
2015 Q2	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
2015 Q1	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
2014 Q4	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
2014 Q3	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
2014 Q2	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
2014 Q1	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
2013 Q4	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
2013 Q3	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
2013 Q2	24.39	14.28	17.09	15.11	6.00	18.25	7.80	11.86	8.70	20.30	19.93	5.49	11.88
2013 Q1	23.99	13.83	16.92	14.57	6.00	17.86	7.60	11.44	8.90	19.08	19.88	5.35	11.73

Source: Vienna Institute for International Economic Studies (WIIW).

Credit to private sector, y/y growth rate													
	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
2021 M8	6.78	2.45	7.29	2.27	5.59	11.61	12.08	6.25	2.42	12.44	7.93	5.77	5.51
2021 Q2	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
2021 Q1	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
2020 Q4	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
2020 Q3	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
2019 Q2	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
2020 Q1	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
2019 Q4	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
2019 Q3	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
2019 Q2	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
2019 Q1	-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
2018 Q4	-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
2018 Q3	-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
2018 Q2	-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
2018 Q1	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
2017 Q4	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
2017 Q3	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
2017 Q2	-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
2017 Q1	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
2016 Q4	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
2016 Q3	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
2016 Q2	-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
2016 Q1	-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
2015 Q4	-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
2015 Q3	-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
2015 Q2	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
2015 Q1	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
2014 Q4	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
2014 Q3	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
2014 Q2	-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
2014 Q1	-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
2013 Q4	-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
2013 Q3	-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
2013 Q2	0.98	1.69	0.99	-4.72	1.92	-5.44	3.42	3.83	2.11	-1.22	-0.52	4.42	0.61
2013 Q1	1.36	2.16	2.34	-6.77	2.84	-4.52	4.36	4.43	2.34	0.25	1.76	4.04	1.11

Source: Vienna Institute for International Economic Studies (WIIW).

# Questionnaire

**The questionnaire is divided into two parts:**

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

## PART A

### A.Q1 - How do you assess the following aspects 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 return on equity
Albania						
Bosnia and Herzegovina						
Bulgaria						
Croatia						
Czech Republic						
Estonia						
Hungary						
Kosovo						
Latvia						
Lithuania						
Macedonia						
Poland						
Romania						
Serbia						
Slovakia						
Slovenia						
Ukraine						

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

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

**A.Q3 - Group access to funding**

	<i>How has it changed over the <b>LAST</b> six months?</i>	<i>How do you expect it to change over the <b>NEXT</b> six months?</i>
<b>Total</b>		
Retail (deposits and bonds to clients)		
Corporate (deposits and bonds to clients)		
Interbank market		
International financial institutions		
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, how do you expect the loan-to-deposit ratio of your group to develop?**

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**A.Q5 - Long-term strategic approach (beyond 12 months): What are your group's plans for operations via subsidiaries in CESEE?**

--	--

**A.Q6 - Profitability of the strategy in the CESEE region: How have/will activities in CESEE contribute to the group's total return on assets?**

	<b>LAST 6 months</b>	<b>NEXT 6 months</b>

**A.Q7 - Profitability of the strategy in the CESEE region: Please state whether the return on assets of your CESEE operations is higher/lower/equal to that for the overall group.**

	<b>LAST 6 months</b>	<b>NEXT 6 months</b>

**A.Q8 - Group total exposure to CESEE: What has your group done/what are your group's plans for cross-border operations with CESEE countries?**

	<b>LAST</b> 6 months	<b>NEXT</b> 6 months
<b>Total exposure</b>		
Exposure to subsidiaries - intra-group 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 funding to your own subsidiaries in CESEE**

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



## PART B

### B.Q1 - Credit supply: Bank (local subsidiary) credit standards applied when assessing credit applications

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

### B.Q2 - Credit supply: Bank (local subsidiary) approval rate for loan applications

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

**B.Q3 - Credit supply: Have bank terms and conditions (e.g. maturity, pricing, size of average loan) for approving loans or credit lines changed/will they change?**

**OVER the LAST 6 months**

	<b>Overall</b>	<b>Loans to small and medium-sized enterprises</b>	<b>Loans to large companies</b>	<b>Loans to households for house purchases</b>	<b>Consumer credit</b> (other than loans for house purchases)
--	----------------	--	---------------------------------	--	--

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**

	<b>Overall</b>	<b>Loans to small and medium-sized enterprises</b>	<b>Loans to large companies</b>	<b>Loans to households for house purchases</b>	<b>Consumer credit</b> (other than loans for house purchases)
--	----------------	--	---------------------------------	--	--

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 a tightening (easing) of your credit standards over the last six months, and do you expect them to contribute to a tightening (easing) of 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		
a) of which: domestic		
b) of which: international/intra-group		
iv) Local bank capital constraints		
v) Change in local regulation		
vi) Competition		
vii) Credit quality (non-performing loans)		
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 (non-performing loans)		

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

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

**B.Q6 - Has the quality of loan applications changed/do you expect it to change?**

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

**B.Q7 - Factors affecting client demand for loan applications**

**Loans or credit lines to enterprises**

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

**Loans to households**

<b>A) Financing needs</b>		
Housing market prospects		
Consumer confidence		
Non-housing-related consumption expenditure		

**B.Q8 - Gross non-performing loan ratios in your local subsidiary/branch (excluding extraordinary operations)**

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

---

**B.Q9 - Has the access to funding of your local subsidiary/branch changed over the last six months, or do you expect it to change over the next six months?**


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	Over the <b>LAST</b> six months	Over the <b>NEXT</b> six months
<b>A) Total funding</b>		
<b>A.1) Intra-group funding</b>		
<b>A.2) International financial institution funding</b>		
<b>A.3) Retail funding</b> (deposits and bonds to clients)		
<b>A.4) Corporate funding</b> (deposits and bonds to clients)		
<b>A.5) Interbank unsecured money market</b>		
<b>A.6) Wholesale debt securities</b>		
<b>A.7) Securitisation</b>		
<b>A.8) Net central bank position</b>		
<b>B.1) Local currency funding</b>		
<b>B.2) Short-term (less than 1 year)</b>		
<b>C.1) Long-term (more than 1 year)</b>		
<b>C.2) Foreign currency funding</b>		





**European  
Investment  
Bank**

*The EU bank* 

**European Investment Bank**  
98 -100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
+352 4379-1  
[www.eib.org](http://www.eib.org) – [info@eib.org](mailto:info@eib.org)

 [twitter.com/EIB](https://twitter.com/EIB)

 [facebook.com/EuropeanInvestmentBank](https://facebook.com/EuropeanInvestmentBank)

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