Central, Eastern and South-Eastern Europe (CESEE)

Bank Lending Survey
Spring 2023

European
Investment Bank

Central, Eastern and South-Eastern Europe (CESEE)

Bank Lending Survey

Spring 2023

CESEE Bank Lending Survey – H1 2023 – Spring Edition

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

* This designation is without prejudice to positions on status and it is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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Introduction to the survey

The CESEE Bank Lending Survey

The **Central, Eastern and South-Eastern Europe (CESEE) Bank Lending Survey** was developed in the context of the Vienna Initiative 2.0[1] and has been endorsed by the various participating institutions as an instrument for:
-   monitoring cross-border banking activities and deleveraging in the region;
-   better understanding the determinants and constraints of credit growth;
-   gaining insights into the business strategies and market expectations of cross-border banks.

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

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

Frequency: semi-annual (March and September).

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

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

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

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

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

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

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

The second section investigates the main determinants of local banking conditions. Among the supply conditions, attention is given to credit standards and credit terms and conditions, as well as various factors that may cause them to change. Credit standards are the internal guidelines or criteria for a bank's loan policy, while credit terms and

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

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 and access to funding, changes in local regulations, and local bank capital constraints and non-performing loans (NPLs). The international factors include, for example, the group outlook, global market outlook, EU regulations, group capital constraints and group non-performing loans.

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

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

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

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

Glossary

CESEE: Central, Eastern and South-Eastern Europe

IFI: International financial institution

NPL: Non-performing loan

SME: Small and medium-sized enterprise

AL: Albania

BA: Bosnia and Herzegovina

BG: Bulgaria

HR: Croatia

CZ: Czech Republic

HU: Hungary

KS: Kosovo

MK: North Macedonia

PL: Poland

RO: Romania

SK: Slovakia

SR: Serbia

Regional overview

Banks operating in Central, Eastern and South-Eastern Europe continue to see resilient demand, tight supply conditions and a good funding environment, but signal a possible deterioration of credit quality. Their long-term strategy is tilted towards stability or expansion in the region, amid higher profitability on average.

Summary

International banking group strategies: Parent banks in countries in Central, Eastern and South-Eastern Europe (CESEE) have maintained their level of exposure (73%) or increased it (18%) in the last six months. The war in Ukraine does not appear to have affected the banking groups' strategies and commitments towards other banking markets in the region. Several large European banking groups with a significant presence in Central, Eastern and South-Eastern Europe are also present in Russia, Belarus and/or Ukraine (all three countries are outside the scope of the survey).

When asked about their **long-term strategy**, cross-border banking groups in the region signal that they wanted to maintain the same level of operations in the region (45%) or selectively expand (45%, up from 30% in the previous survey round). They reported seeing high or medium **market potential** in most banking markets in the region (more optimistic about the Czech Republic and Romania, and more pessimistic about Croatia and Bosnia and Herzegovina), and higher **profitability** locally than at the group level (except in Poland).

The results of the CESEE Bank Lending Survey, which collected data in March 2023 (during the crisis of Silicon Valley Bank and Credit Suisse), also help to disentangle the credit demand and supply trends in the region (the willingness of clients to borrow, and of banks to extend credit to their clients). **Credit demand** from bank clients has remained resilient and is expected to improve slightly. Firms' liquidity needs (or working capital) will continue to be the main driver, while fixed investments and retail segments, especially the housing market, are expected to contribute negatively in the coming months.

Credit supply remained tight over the last six months and is expected to remain weak across all business segments and in most countries. Only banks in Slovakia expect positive supply conditions over the next six months. All in all, the supply-demand gap is going to be slightly reduced in the survey's next period.

Banking groups expect the current benevolent **funding** environment to remain in place, driven especially by retail and corporate funding. The expected deterioration of **credit quality** did not

Figure 1 Banking outlook in CESEE (in %)
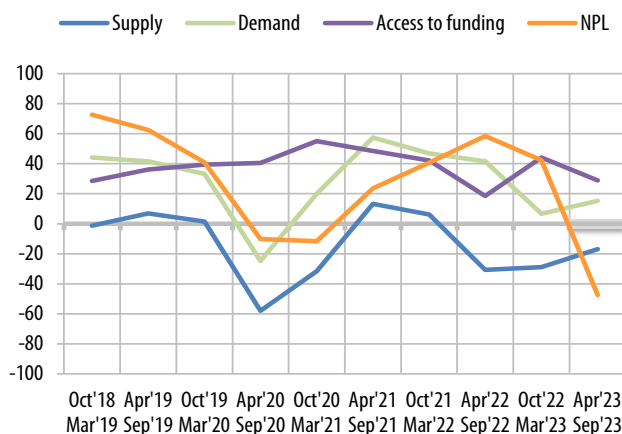
Note: All values are net percentages. Supply/demand: Positive values denote increasing (easing) demand (supply). Access to funding: Positive values indicate increased access to funding. NPL: Negative values indicate increasing non-performing loan ratios.

materialise in the last six months. However, amid the perilous economic outlook (lower growth, high inflation and higher interest rates) banks again expect an increase in non-performing loans (NPLs), affecting the retail and corporate sectors.

## CESEE Bank Lending Survey results — parent bank level

Parent banks in Central, Eastern and South-Eastern Europe broadly maintained their positions in the region. The war in Ukraine did not affect their attitude towards the region. Banks expect a similar situation over the next six months. No deleveraging is expected, as most of the banks now predict that the loans-to-deposit ratio will remain stable or increase.

The war in Ukraine does not appear to have affected the banking groups' strategies and commitments towards other banking markets in the region. Several large European banking groups with a significant presence in Central, Eastern and South-Eastern Europe are also present in Russia, Belarus and/or Ukraine (all three countries are outside the scope of the survey).

Parent banks maintained their stance and their business in Central, Eastern and South-Eastern Europe over the last six months. Some banks report having sold some assets (20%) or some branches (around 10%) or restructured their activities (20%) — like in the previous survey round — whereas these activities were more common in the past (2013-2021, see Figure 2). None of the parent banks had to raise capital in the last six months and they do not plan to in the coming months. No state intervention on capital was reported. Similar trends are expected over the next six months, with only some strategic restructuring activities in the pipeline for around one-third of banks, more than in the last six months.

Group-level deleveraging — lowering the loan-to-deposit ratio — was significant before 2017 but had already slowed considerably in recent years (Figure 3). Most of the banks now predict that the ratio will remain stable or increase.

Figure 2 **Strategic operations to increase capital ratio** (in %)
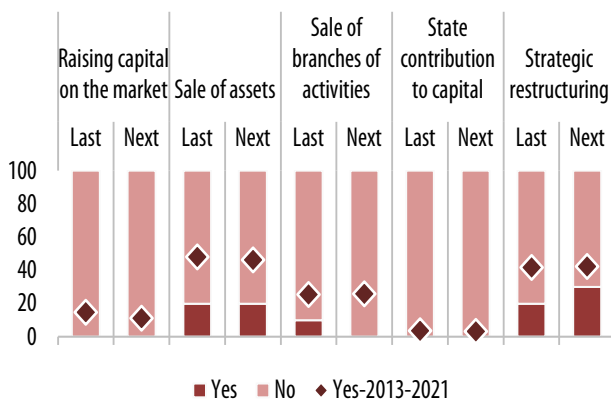
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 **Deleveraging: loan-to-deposit ratio (expectations over the next six months)** (in %)
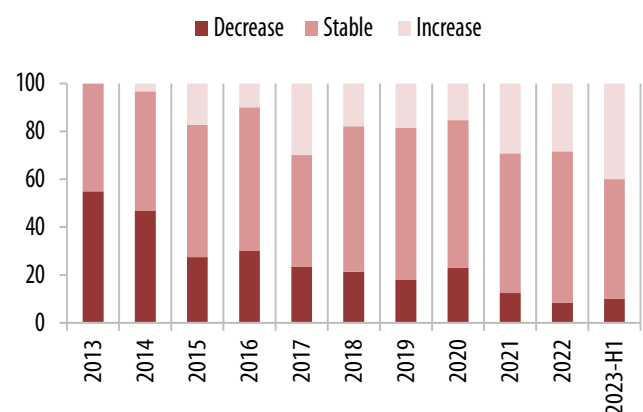
Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q4 in the Annex.

> **Group-level access to funding remained benign over the last six months, reflecting sustained improvements in retail funding. The funding situation at the group level is expected to remain favourable and even improve.**

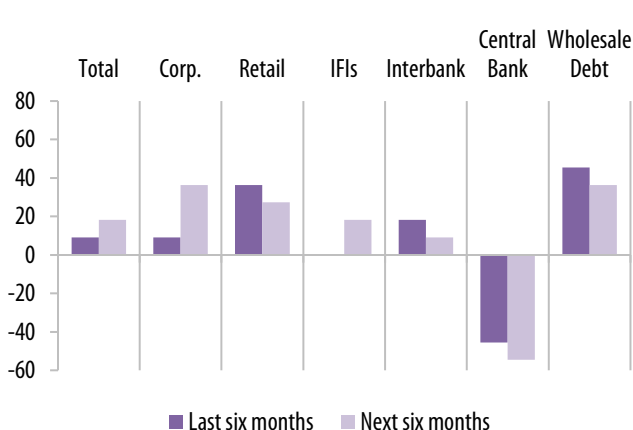Banking groups' overall access to funding in the region has remained robust over the last six months, though less than in the previous survey round. Retail funding (or the collection of retail deposits) was one of the major drivers. However, funding from the central banks was reduced (Figure 4a).

Over the next six months, banking groups expect the current benign funding environment to continue or even improve (Figure 4b), driven especially by retail and corporate funding and wholesale debt.
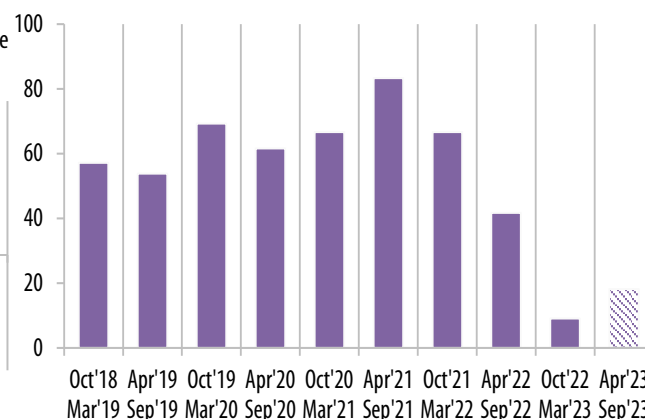
Figure 4a   **Access to funding conditions** (in %)   **Figure 4b**   **Total access to funding conditions** (in %)

Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increased access to funding. See Question A.Q3 in the Annex.
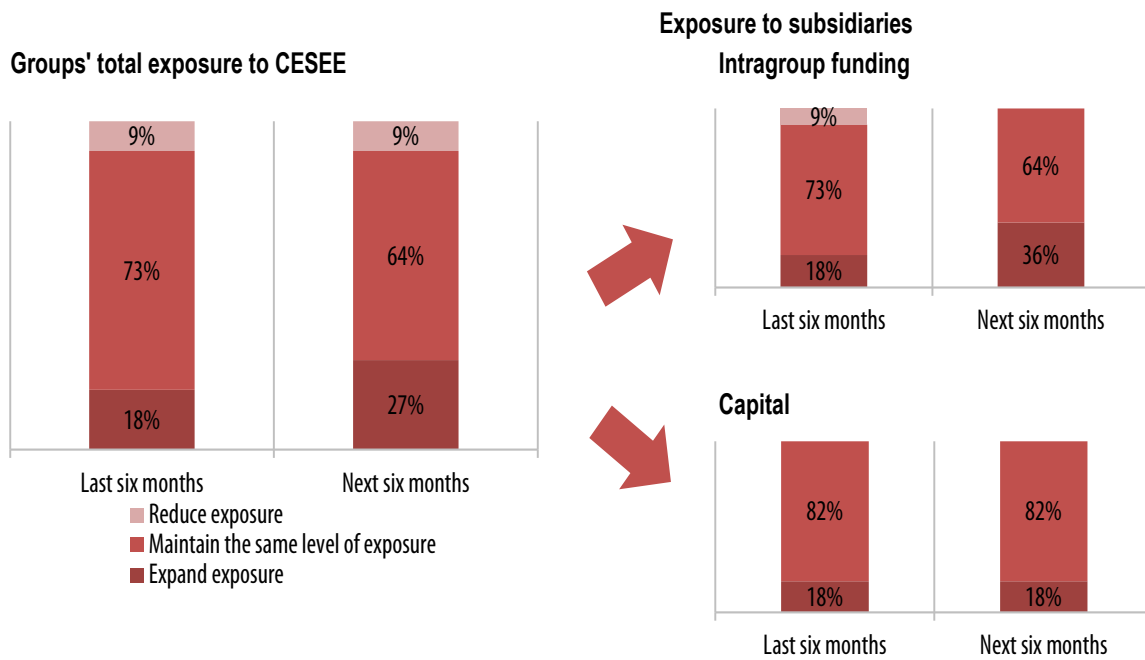
Source: EIB — CESEE Bank Lending Survey.

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

> **Cross-border groups' exposure to Central, Eastern and South-Eastern European banking markets displayed a positive trend over the last six months. Banks are even more optimistic for the next six months, with 27% of cross-border groups planning to increase their exposure in the region.**

Most banks (73%) maintained the same level of **exposure** to the region (in terms of intragroup funding to the subsidiaries, and capital) over the last six months, while only 9% reduced it (Figure 5a, left side). Nearly one bank out of five (18%) increased its exposure to Central, Eastern and South-Eastern European banking markets, compared to only 10% in the previous survey round (Figure 5a, right side).

Banks are even more optimistic for the next six months, despite uncertainty and increasing macroeconomic risks. Overall, 27% of the international banking groups plan to increase their exposure to the region, while 64% suggest they will be happy to maintain their current level of exposure. Still, 9% of banks suggest they might reduce their exposure. Capital and intragroup funding are also expected to remain stable (around 80%) or expand (around 10%).

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

Groups' total exposure to CESEE

Exposure to subsidiaries
Intragroup funding

Capital

- Reduce exposure
- Maintain the same level of exposure
- Expand exposure

Source: EIB — CESEE Bank Lending Survey.

Note: Cross-border operations involving countries in the region. See Question A.Q8 in the Annex.
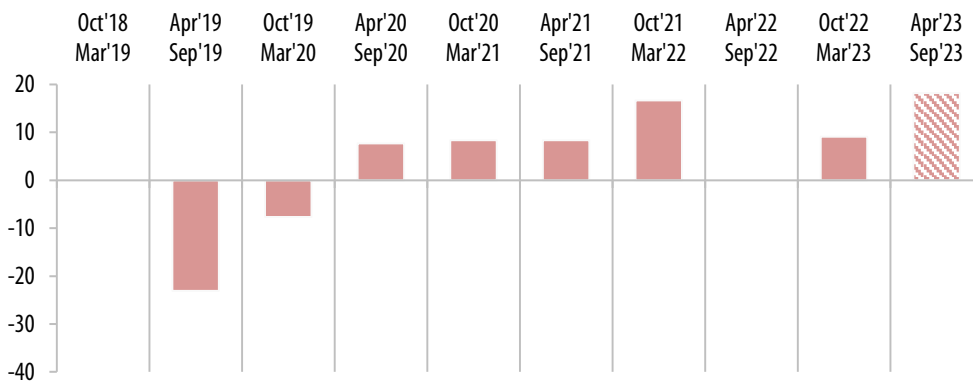
Figure 5b   **Groups' total exposure to Central, Eastern and South-Eastern Europe** (in %)

Source: EIB — CESEE Bank Lending Survey.

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

> **Regarding long-term strategies for regional operations, banking groups are leaning towards expansion (45%) or stability (45%) as they see high or medium market potential in most banking markets in the region, and higher profitability locally than at the group level.**

When asked about their **long-term strategy**, cross-border banking groups signal that they want to maintain the same level of operations in the region (45%) or selectively expand (45%, up from 30% in the previous survey round — see Figure 6). Less than 10% of banking groups plan to selectively reduce activities in the region.

Parent banks see **market potential** in the region as medium in most cases. They are more pessimistic about Croatia and Bosnia and Herzegovina (50% or more signalling low market potential) but more optimistic about the Czech Republic and Romania (see Additional CESEE regional data, A.4, at the end of the regional overview). In a similar vein, they perceive their overall **market positioning** and the scale of their operations as mainly optimal or satisfactory. However, some banks in Croatia, Hungary, Romania and Serbia assess their positioning as weak (see Additional CESEE regional data, A.5).

Most regional subsidiaries have higher **profitability** — in terms of return on assets (adjusted for cost of risk) and return on equity (adjusted for cost of equity) — than the overall group, especially in the Czech Republic and in many Western Balkan countries, such Kosovo, North Macedonia, and Bosnia and Herzegovina (see Additional regional CESEE data, A.6 and A.7). The main exception is Poland, a more mature market, where profitability is generally lower than at the group level.

Figure 6   **Group-level long-term strategies (beyond 12 months) in Central, Eastern and South-Eastern Europe** (in %)
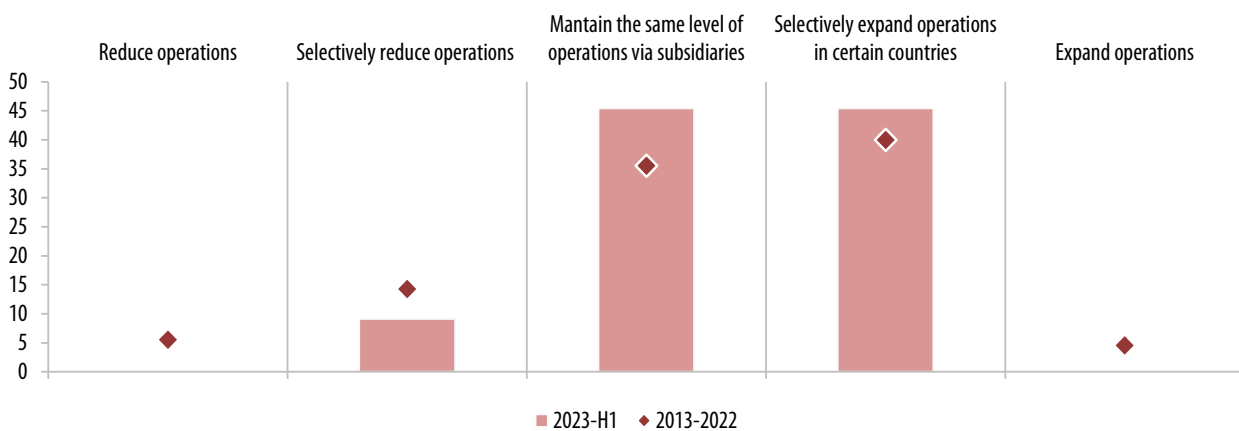
Source: EIB — CESEE Bank Lending Survey.
Note: See Question A.Q5 in the Annex.

CESEE Bank Lending Survey results — local banks/subsidiaries

Subsidiaries and local banks in Central, Eastern and South-Eastern Europe report a weakening of credit demand while supply conditions remained weak over the last six months.

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

Credit demand (indicating clients' willingness to borrow from banks) remained healthy during the last six months but it had been gradually weakening since 2021 (Figure 7) (see Additional CESEE regional data, A.2). Credit demand was once again driven by corporate liquidity needs (for inventories and, especially, working capital). However, fixed investments and retail components, especially the housing market, contributed negatively (see Additional CESEE regional data, A.1).

Banks expect credit demand to stabilise on average over the next six months. However, a deterioration is expected in Hungary, Poland and Slovakia. Working capital will remain a strong contributor, whereas a further deterioration is anticipated in the retail sector (see Additional CESEE regional data, A.1), again affecting the housing market.

Supply conditions (indicating banks' willingness to extend credit) deteriorated again over the last six months (Figure 7), affected by various factors (the war in Ukraine, higher inflation and, consequently, higher interest rates and the slowdown of economies). All business segments have been similarly affected, especially regarding the longer tenor lending.

Credit supply conditions are expected to deteriorate further over the next six months (see Additional CESEE regional data, A.3), but the supply-demand gap may be reduced compared to the previous two years, when supply conditions sharply deteriorated (especially after the Russian invasion of Ukraine and the worsening economic outlook) and demand remained strong.

Figure 7

Total supply and demand: past, current, and expected developments (in %)
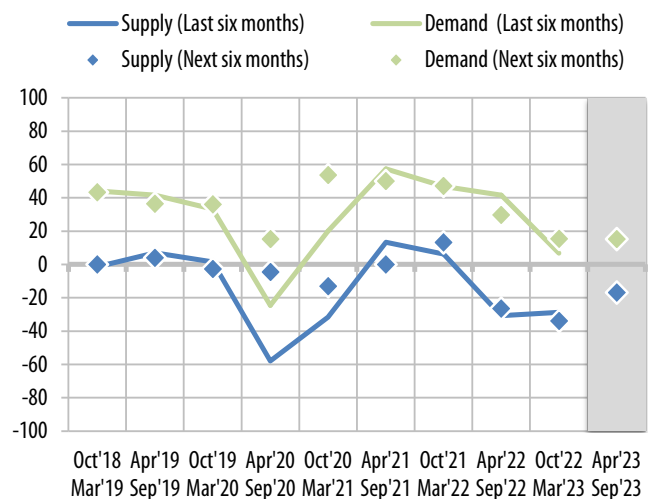
Source: EIB — CESEE Bank Lending Survey.

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

> **Following the deterioration of supply conditions in the last six months, local subsidiaries are signalling tight supply conditions ahead, due to concern related to future credit quality, local market outlook and EU regulation.**

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

Banking groups expect supply conditions to worsen over the next six months, due to concern over future credit quality, local market outlook and EU regulation.

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

Source: EIB — CESEE Bank Lending Survey.

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

> **Access to funding was extremely favourable for Central, Eastern and South-Eastern European banking subsidiaries (even stronger than before), supported mostly by corporate and retail funding. It is expected to remain solid over the next six months.**

Easy access to corporate and retail deposits supported benign funding conditions over the last six months. Access to intragroup and international financial institution (IFI) funding improved slightly.

Banking groups expect funding conditions to remain positive over the next six months (Figure 9), though slightly less than before. Corporate and (especially) retail deposits will be the main drivers.

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

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

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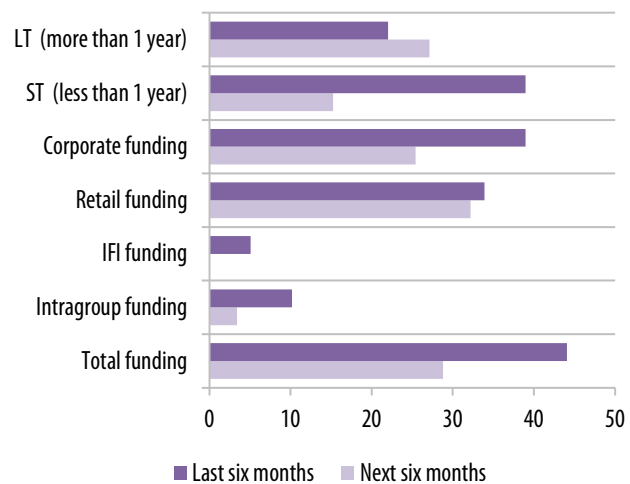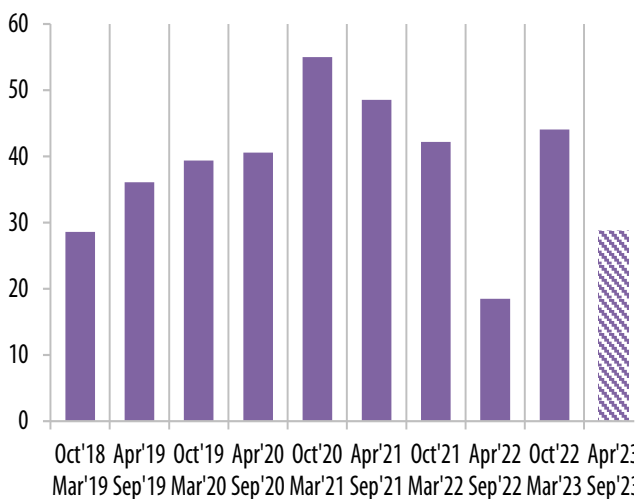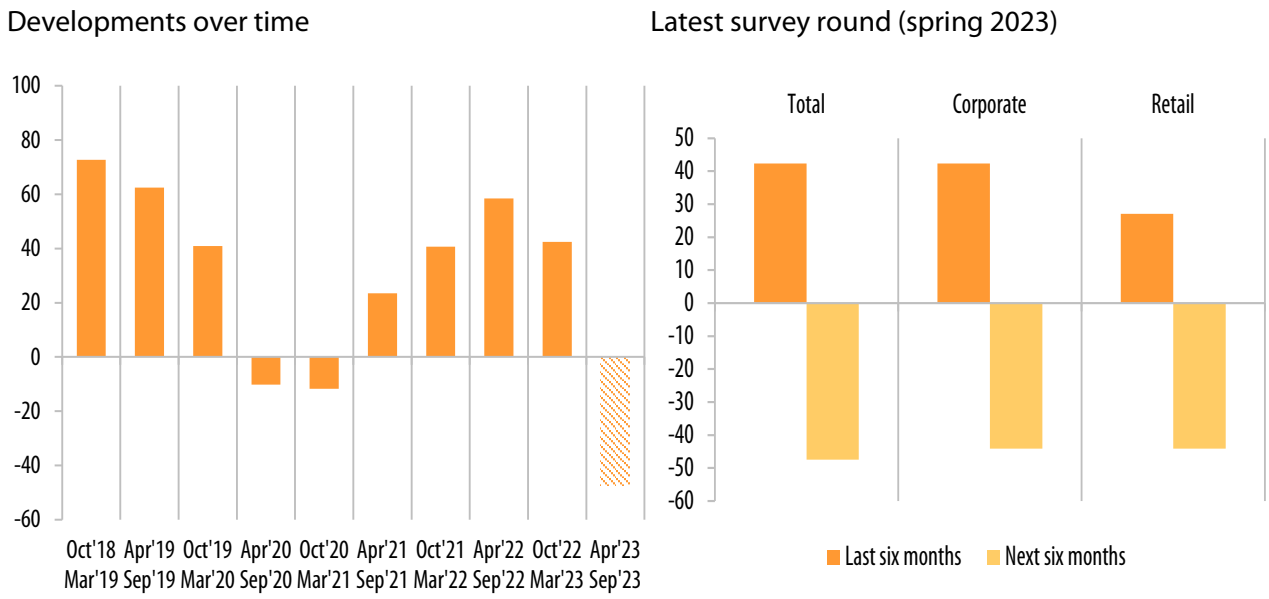

Source: EIB — CESEE Bank Lending Survey.

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

> **Credit quality improved again over the last six months, as the deterioration of credit quality predicted in the two previous survey rounds did not materialise. However, given the unfavourable economic outlook and higher interest rates, banks again expect an increase in non-performing loans in the next six months.**

Credit quality continued to improve following the COVID-19-related deterioration (mitigated by various policy measures), as Figure 10 illustrates. During the last six months, credit quality improved further, for the retail and corporate segments. (The banking sector's non-performing loans as a percentage of total loans, provided by central banks, can be seen in the Annex of the report.)

However, amid the uncertain economic outlook (lower growth, persistent high inflation, high interest rates), banks are again expecting a deterioration in credit quality over the next six months, with both retail and corporate loans significantly affected.

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

Developments over time
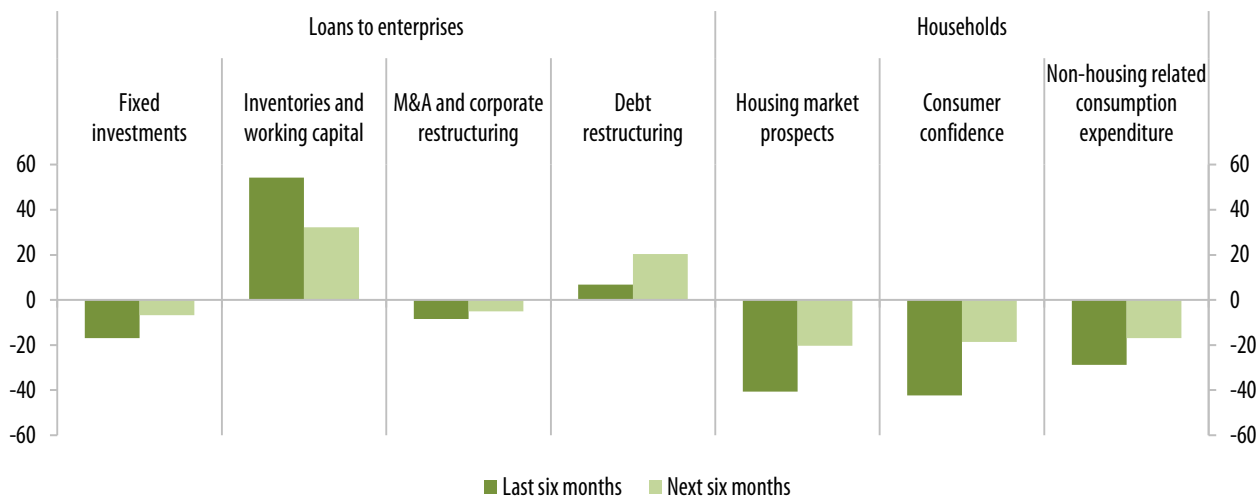
Latest survey round (spring 2023)

Source: EIB — CESEE Bank Lending Survey.

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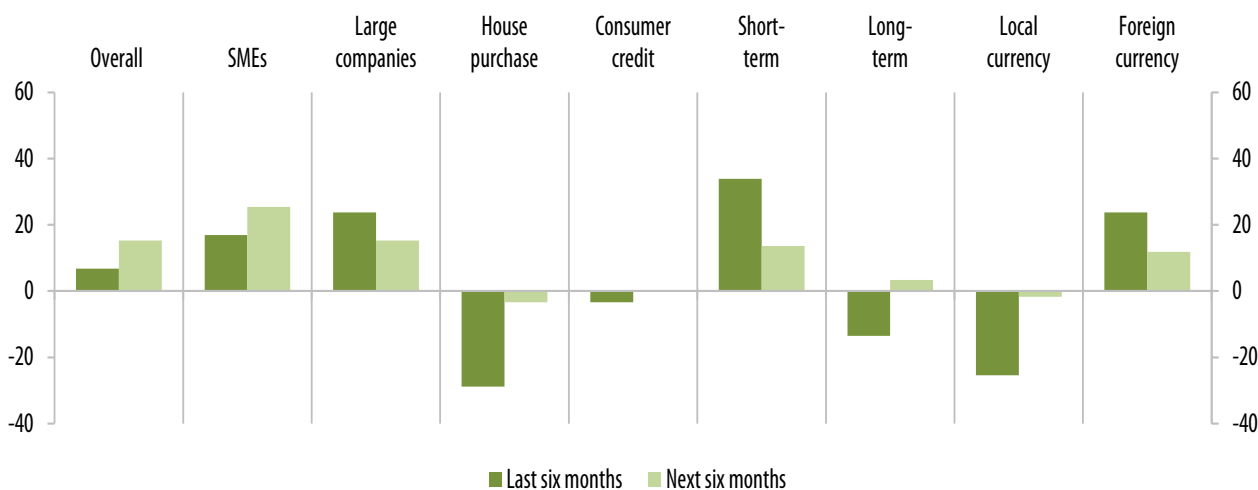
Additional CESEE regional data

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

Source: EIB — CESEE Bank Lending Survey.

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

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

Source: EIB — CESEE Bank Lending Survey.

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

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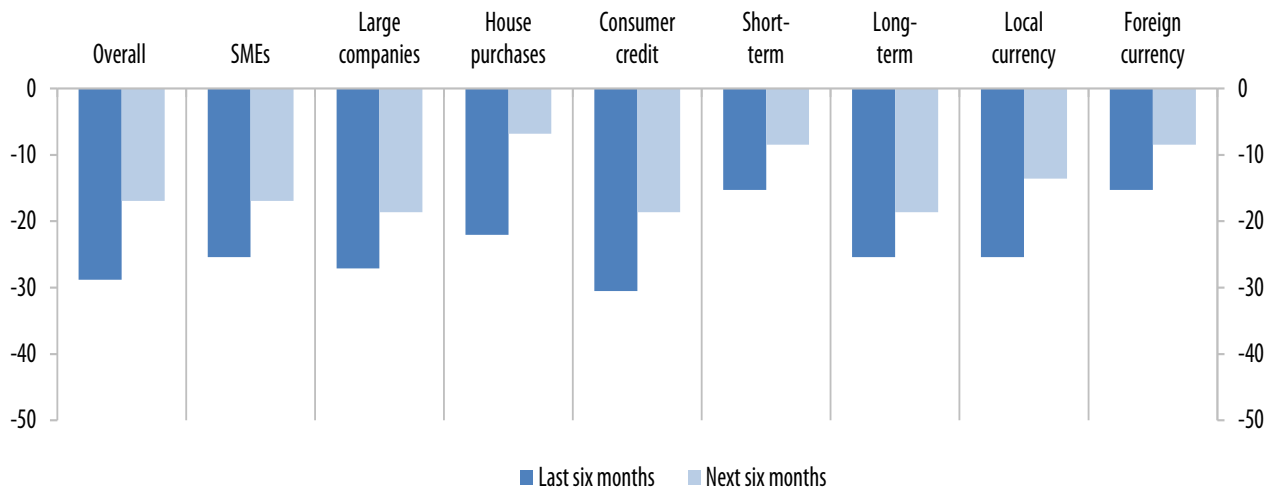

Source: EIB — CESEE Bank Lending Survey.

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

A.4   Market potential
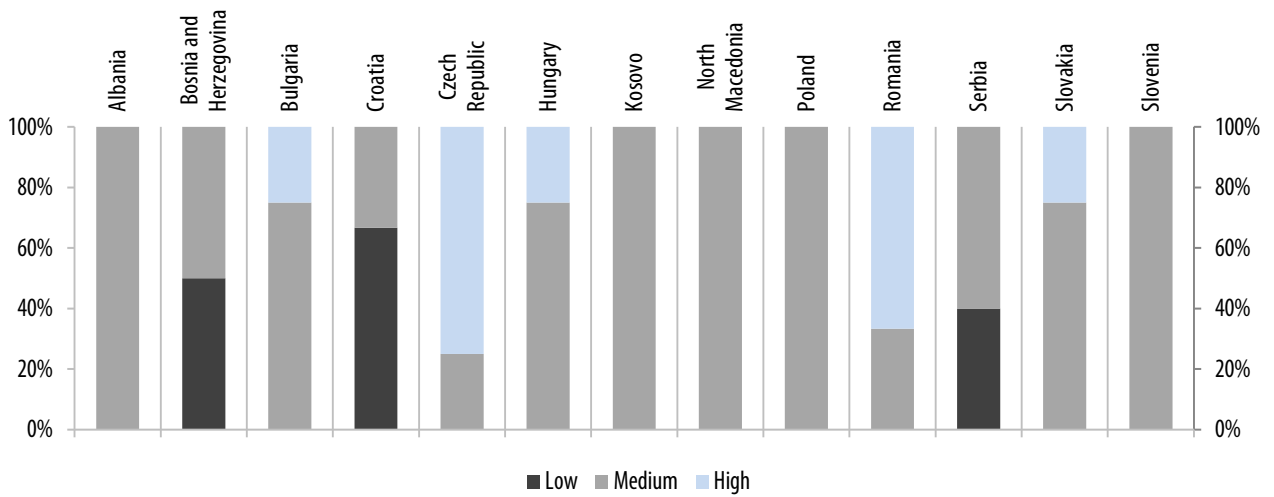
Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

A.5   Market positioning
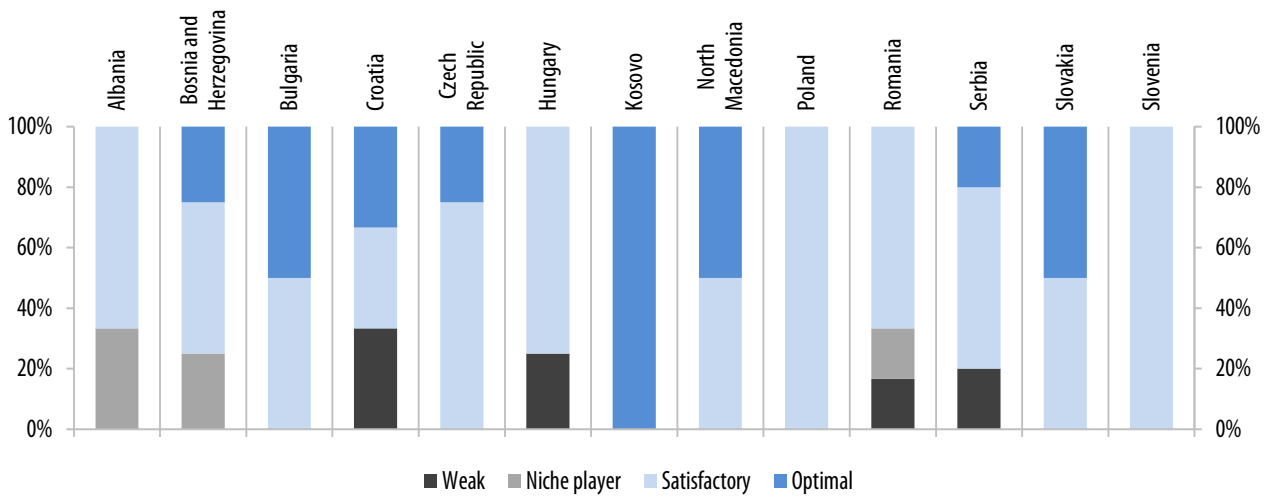
Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

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

Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

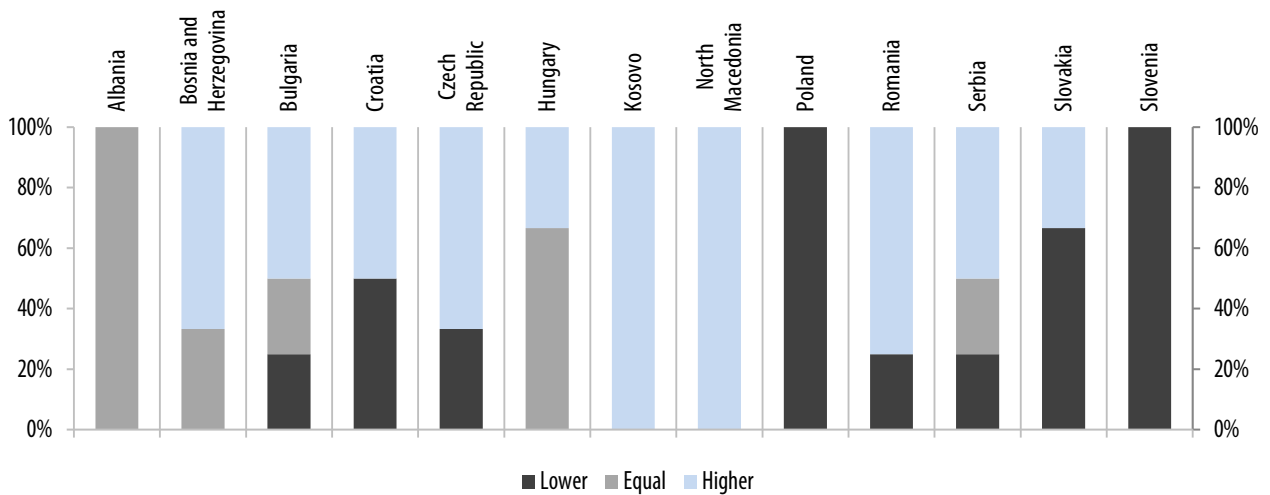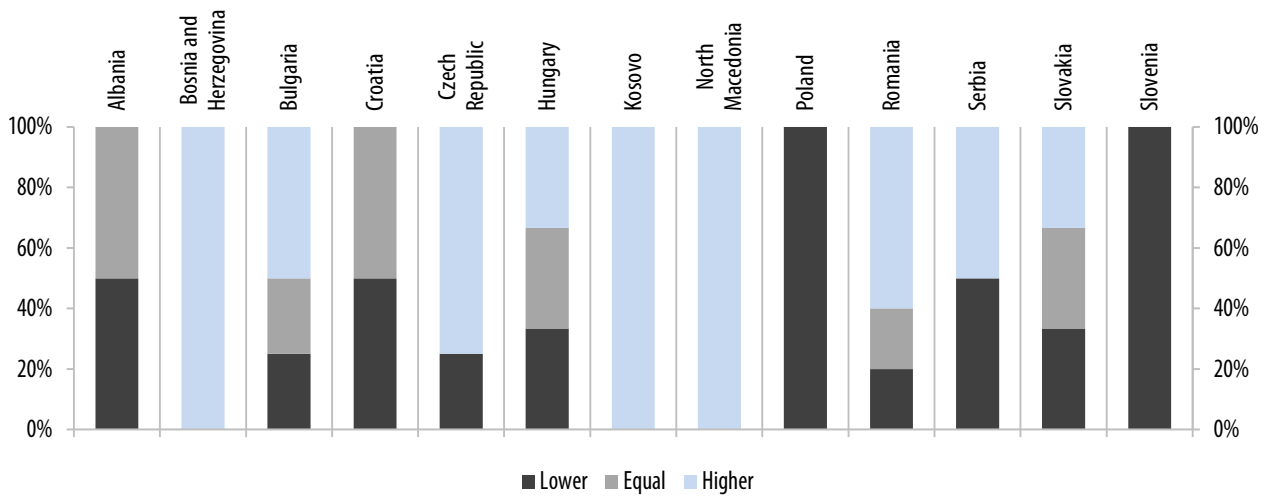**A.7** **Return on equity (adjusted for cost of equity) compared to overall group operations**

Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

Albania

Credit demand continued to increase sharply, while supply conditions tightened further. Expectations for the next six months indicate growing demand and tightening of supply conditions, signalling a continuation of the demand-supply gap. After a temporary deterioration, improvements are expected in access to funding while credit quality may deteriorate.

Summary

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

Credit demand in Albania continued to increase, outperforming the regional average. Demand increased for all types of loans, driven especially by firms' working capital needs, whereas consumer confidence contributed negatively.

On the other side, **credit supply** conditions (indicating the banks' willingness to extend credit to their clients) continued to tighten, in line with the regional trend and affected by increasing monetary policy rates. Subsidiary banks in Albania are signalling that supply conditions will continue tightening over the next six months, especially for corporations.

Access to funding, following very positive trends in the past, deteriorated in Albania but is expected to improve in the next six months.

Non-performing loan (NPL) ratios continued to improve in the corporate and retail segments over the last six months, but banks are more pessimistic about the future and a deterioration is expected for the next period, in line with regional trends.

Credit supply and credit demand (in %)
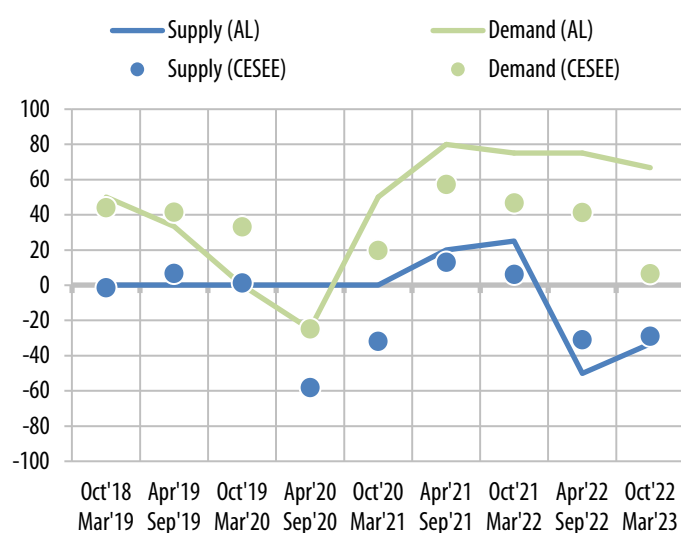
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
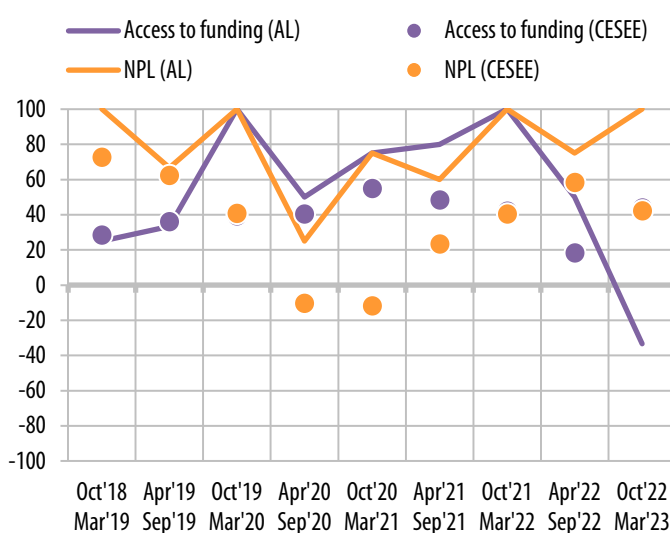
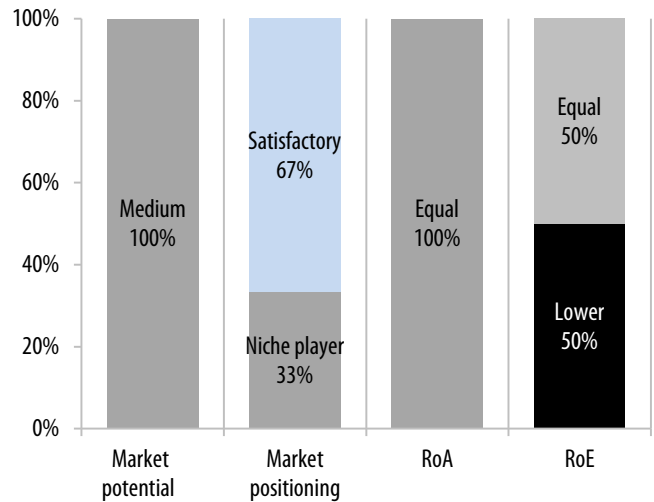Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

Figure 1   Market potential and positioning

Bank profitability deteriorated over the last six months in Albania. All international banking groups reported a lower or equal return on assets (RoA) and return on equity (RoE) for Albanian operations compared to overall group operations, while in the previous survey run, the picture was more optimistic (especially in terms of RoE, with 50% of banks mentioning higher RoA than at group level).

Parent banks consider the Albanian market to have medium potential (one-third considered it high potential in the previous survey), and two-thirds continue to report their market positioning as satisfactory.

Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2   Aggregate demand developments (in %)

The recovery in demand for loans in Albania has exceeded expectations since the beginning of 2021, and aggregate demand remains significantly above the regional average. Expectations for the next six months point towards the same trend: Strong demand conditions remain in place, more so than for the wider region.
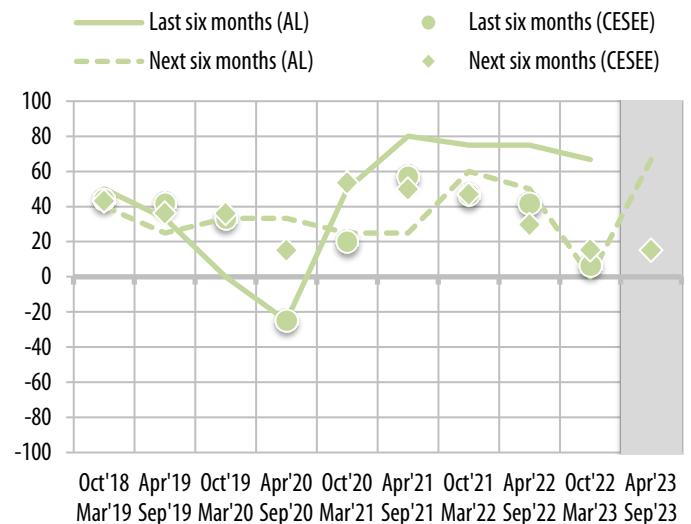
Source: EIB — CESEE Bank Lending Survey.

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

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

Demand for loans increased overall and across the different categories, particularly in the short term and foreign currency components.

Overall credit demand is expected to continue this positive trend on average for the next six months, with stronger growth coming from mortgage loans.
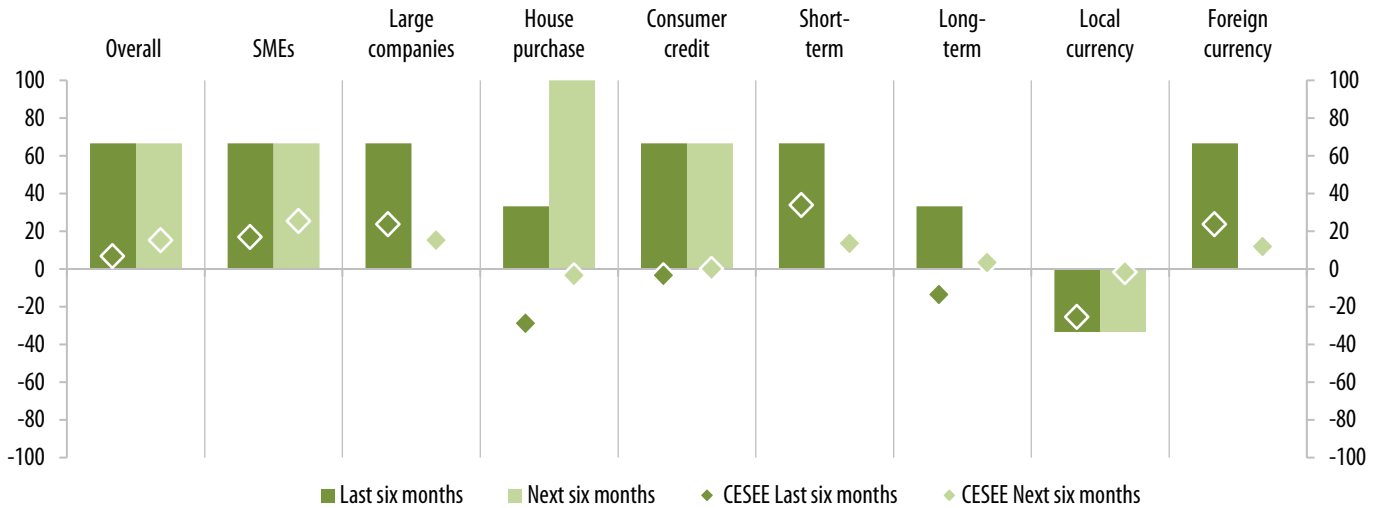

Source: EIB — CESEE Bank Lending Survey.

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

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

Working capital, driven by firms' liquidity needs, was the main contributor to loan demand, whereas demand for most of the other factors had a neutral contribution. In the household segment, consumer confidence contributed negatively, but is expected to improve.

During the next six months, demand for loans will again be driven by working capital. Fixed investments (on the corporate side) and mortgage market (on the retail side) are expected to have a neutral contribution.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

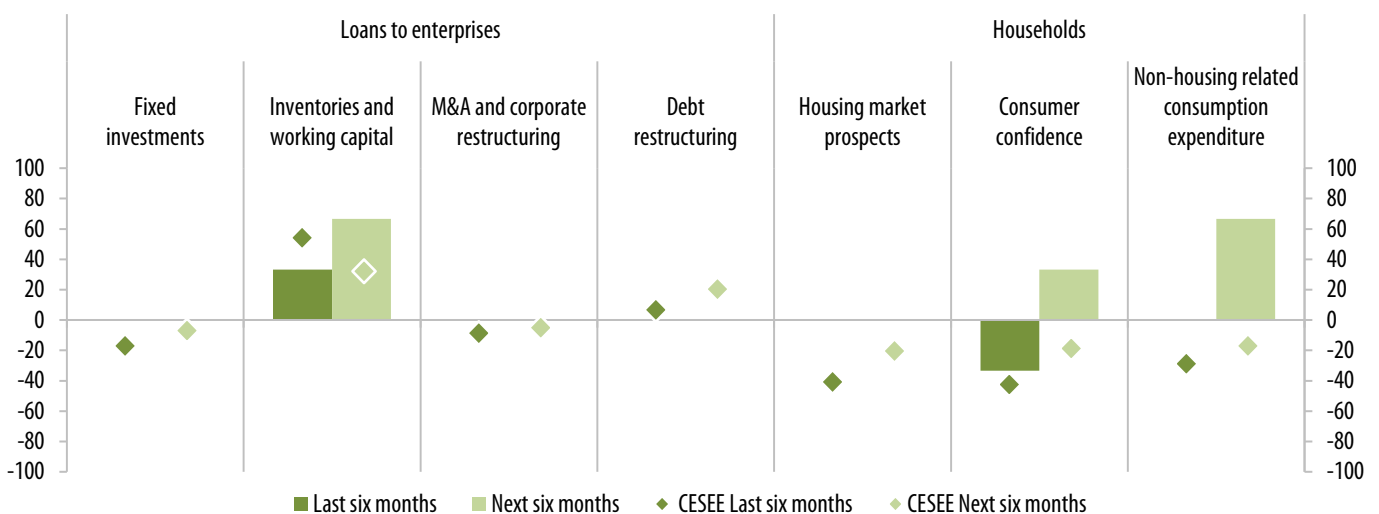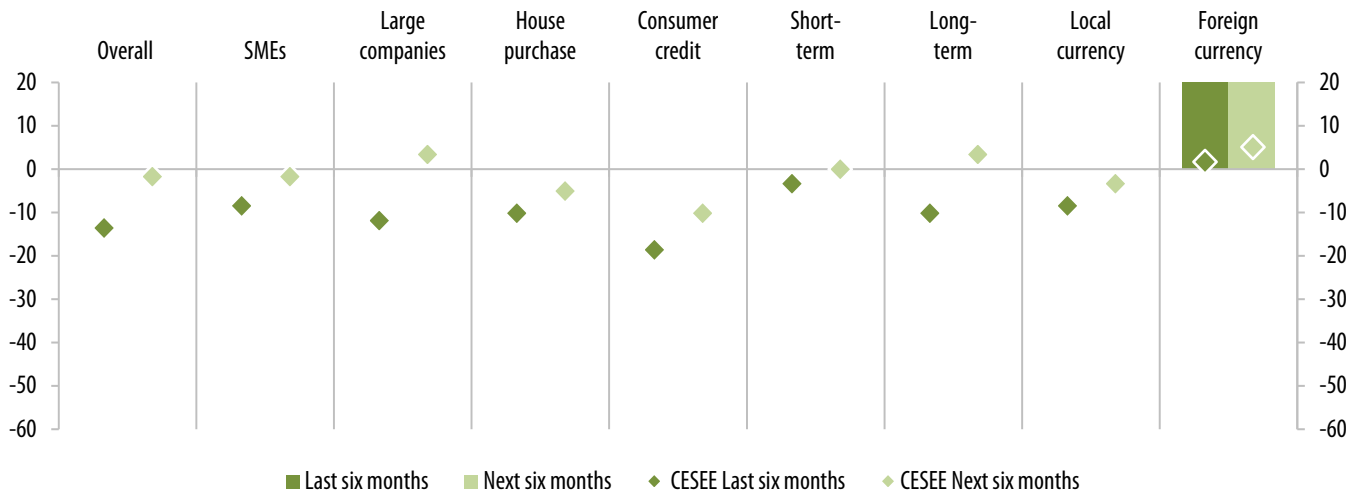No change is expected over the next six months, in line with regional expectations.

Source: EIB — CESEE Bank Lending Survey.

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

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

Credit standards in Albania tightened for the second period in a row after years of softening — similar to the regional trend.

Over the next six months, the tightening of credit supply (indicating the willingness of banks to extend credit to their clients) is expected to continue in Albania and the wider region, in line with global trends of increasing policy rates to tackle inflation.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 7   Supply components and segments (in %)

Credit supply conditions tightened for the corporate segment, while they eased for consumer loans.

Further tightening is expected for the next six months for the corporate segment, while no change is expected for the household segment.
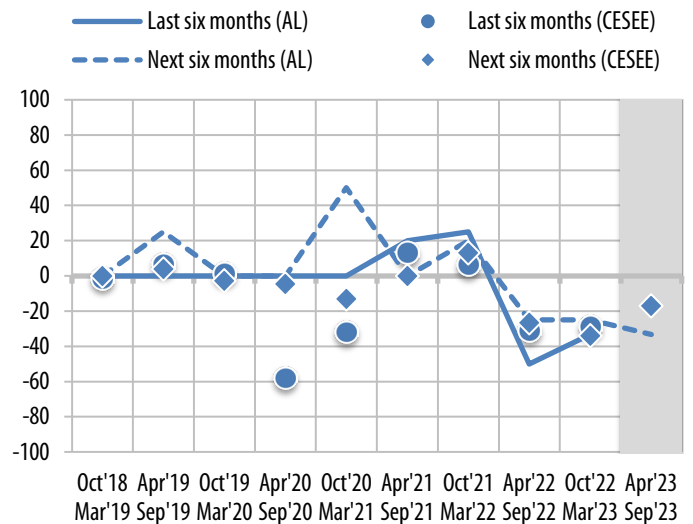

Source: EIB — CESEE Bank Lending Survey.

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 (local subsidiary) approval rates for loan applications (in %)

Local subsidiary approval rates increased across the board during the last six months.

A similar positive trend is expected for the next six months, in contrast to the unchanged approval rates expected for the wider region and despite the tightening of supply conditions mentioned previously.
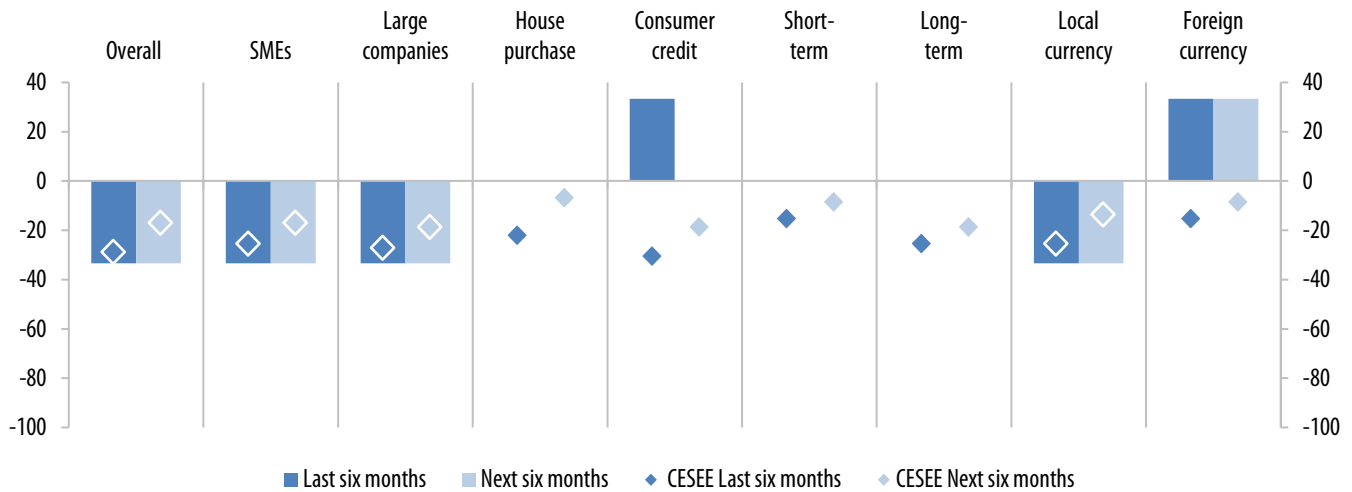

Source: EIB — CESEE Bank Lending Survey.

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

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

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

Supply conditions are expected to deteriorate over the next six months, driven by both international and local factors, whereas concerns over non-performing loans and the international and local outlook are prevailing.
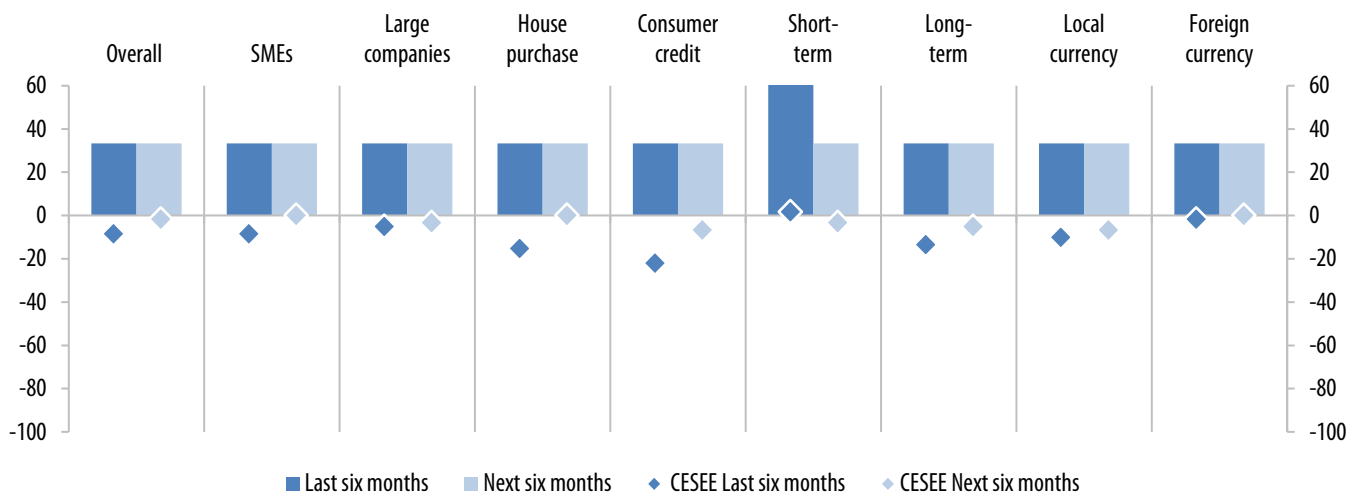

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios (in %)

The expected deterioration in non-performing loans did not materialise. The cleaning-up process of banks' portfolios continued for the corporate and retail segments over the last six months.

Local banks in Albania expect a deterioration in credit quality (in other words, an increase in non-performing loans) during the next six months, affecting both corporate and retail business.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11 Access to funding (in %)

Bank funding in Albania deteriorated slightly over the last six months, contrary to the prevailing trend in the region. However, retail, interbank and central bank funding improved.

Banks expect funding conditions to improve during the next six months, driven mainly by retail and international financial institution (IFI) funding, while corporate deposits are expected to contribute less.
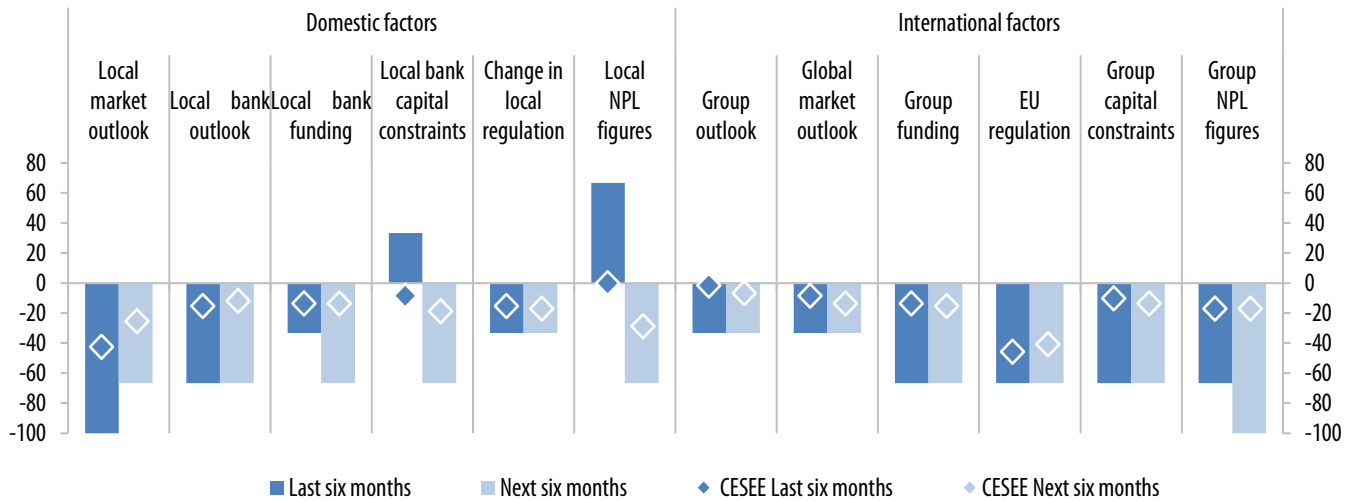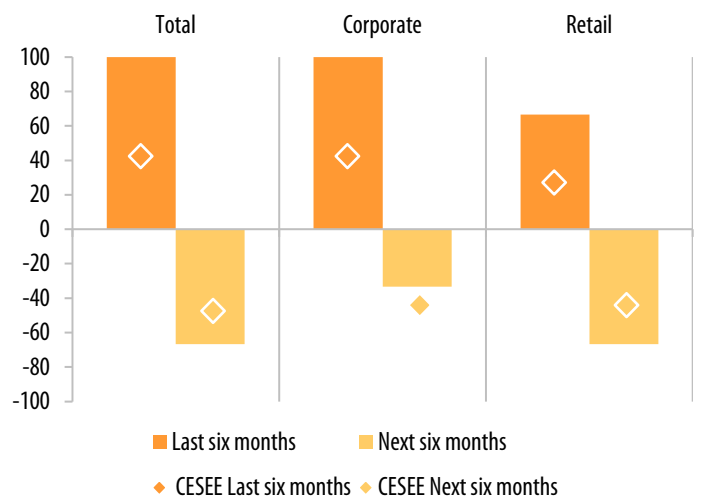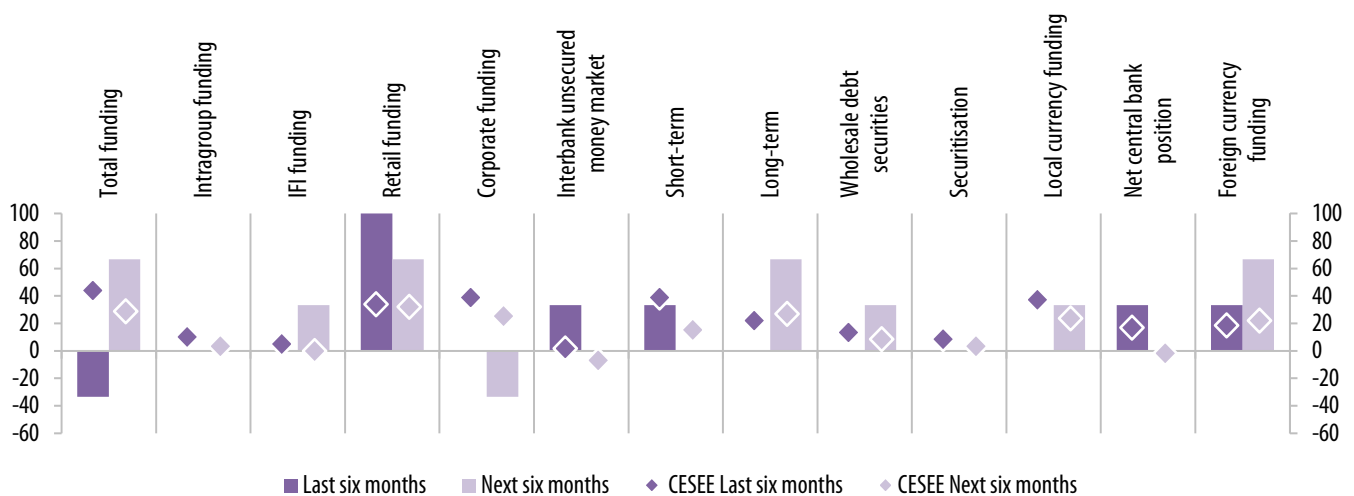
Source: EIB — CESEE Bank Lending Survey.

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

Bosnia and Herzegovina

Credit supply conditions continued to tighten during the last six months in all segments but are expected to remain unchanged in the next six months. Credit demand deteriorated slightly but is expected to recover. Most parent banks consider Bosnia and Herzegovina's market potential to be low, but profitability continues to be strong.

Summary

Group assessment of positioning and market potential: Half of parent banks report that Bosnia and Herzegovina has low market potential (50%). However, the profitability of local banks stayed positive, and for most banks was higher than overall group profitability.

Demand for loans decreased over the last six months, driven mainly by large corporations and an ongoing positive evolution for small and medium-sized enterprises (SMEs) and consumer loans. An improvement is expected for all segments in the next six months.

Credit supply conditions have tightened further across the board but now banks in Bosnia and Herzegovina expect credit supply conditions to remain unchanged, after several semesters of tightening.

Access to funding improved slightly, driven by better funding from retail and corporate deposits, securitisation, local currency funding and net central bank position.

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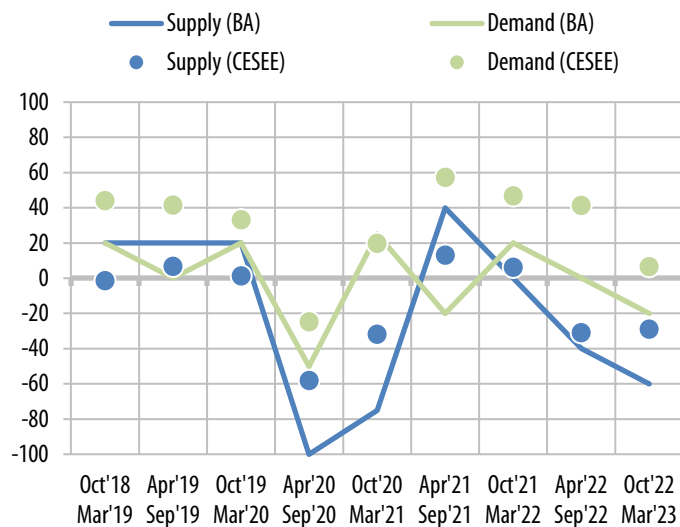
Credit supply and credit demand (%)

Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (%)

Source: EIB — CESEE Bank Lending Survey.

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

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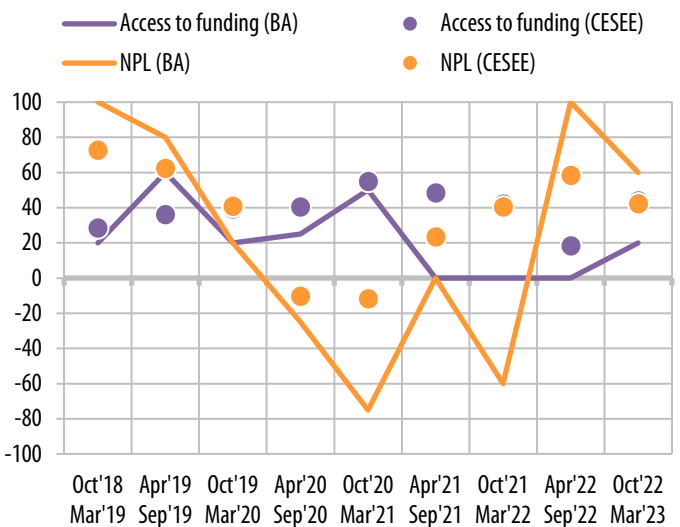
CESEE Bank Lending Survey results — parent bank level

Figure 1   **Market potential and positioning**

The outlook for the banking market is less optimistic in Bosnia and Herzegovina than in the rest of the region. Specifically, half of parent banks rate market potential as low, and the other half as medium, for Bosnia and Herzegovina — the second worst rating of all the surveyed countries (after Croatia).

Nevertheless, profitability indicators remained strong for the second consecutive period: Whereas half of parent banks reported lower profitability for local operations in the beginning of 2022, most banks in this round continued to declare a higher return on assets and return on equity in Bosnia and Herzegovina compared to the overall group, following the positive turnaround in the second half of 2022. Market positioning also continued to be positive for three-quarters of parent banks (satisfactory or optimal).
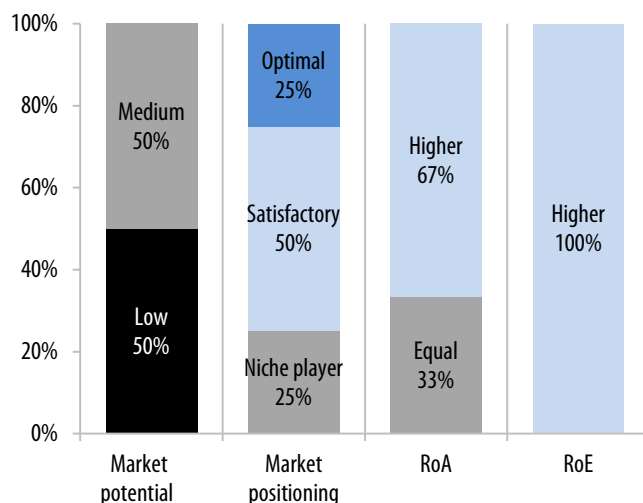
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

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

After displaying some volatility in recent years, demand for credit decreased over the last six months, below the regional average.

Improvements in credit demand are expected over the next six months, significantly above the regional trend.
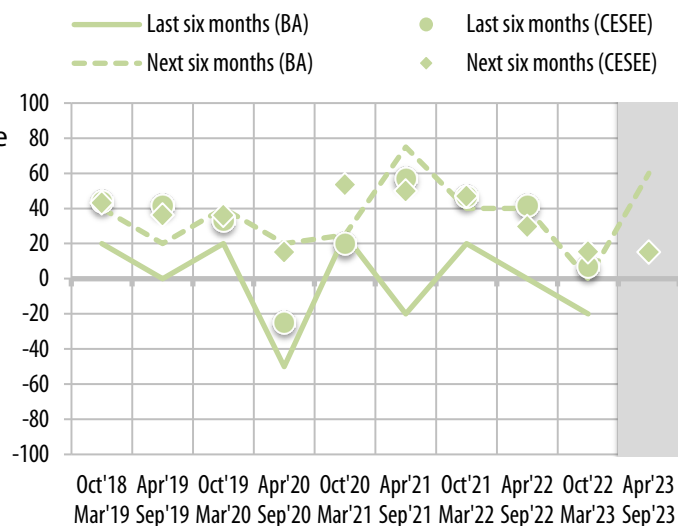
Source: EIB — CESEE Bank Lending Survey.

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

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

The decrease in the demand for loans was mainly driven by large companies, while demand for consumer loans and loans for small and medium-sized enterprises (SMEs) increased.

Growth in demand is expected over the next six months for most segments. The strongest growth is expected for small and medium businesses, suggesting that this segment may be more resilient.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

Parent banks expect a neutral contribution overall by the same factors in the next six months.

Source: EIB — CESEE Bank Lending Survey.

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

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

Overall, the quality of loan applications in Bosnia and Herzegovina remained unchanged over the last six months, though it improved for small firms and consumer loans.

For the next six months, the quality of loans is expected to improve overall and for most loan types. However, the quality of loan applications for house purchases is not expected to change.
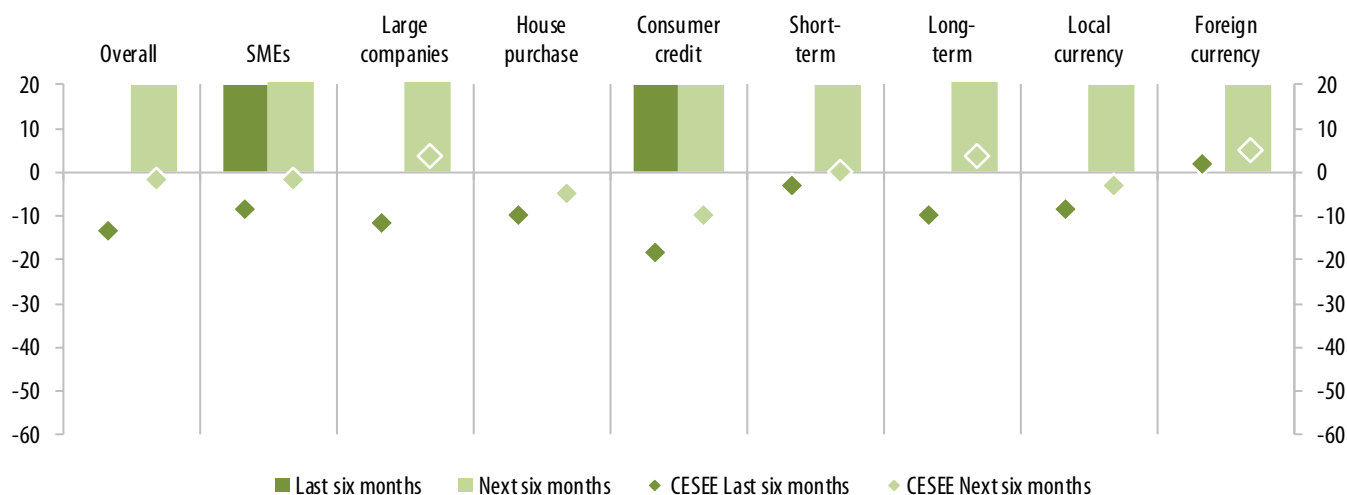
Legend: ■ Last six months ■ Next six months ◆ CESEE Last six months ◆ CESEE Next six months

Source: EIB — CESEE Bank Lending Survey.

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

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

Supply conditions in Bosnia and Herzegovina continued to tighten over the last six months, more than the average trend in Central, Eastern and South-Eastern Europe.

Over the next six months, banks in Bosnia and Herzegovina expect credit supply conditions to stay neutral, after several semesters of tightening.

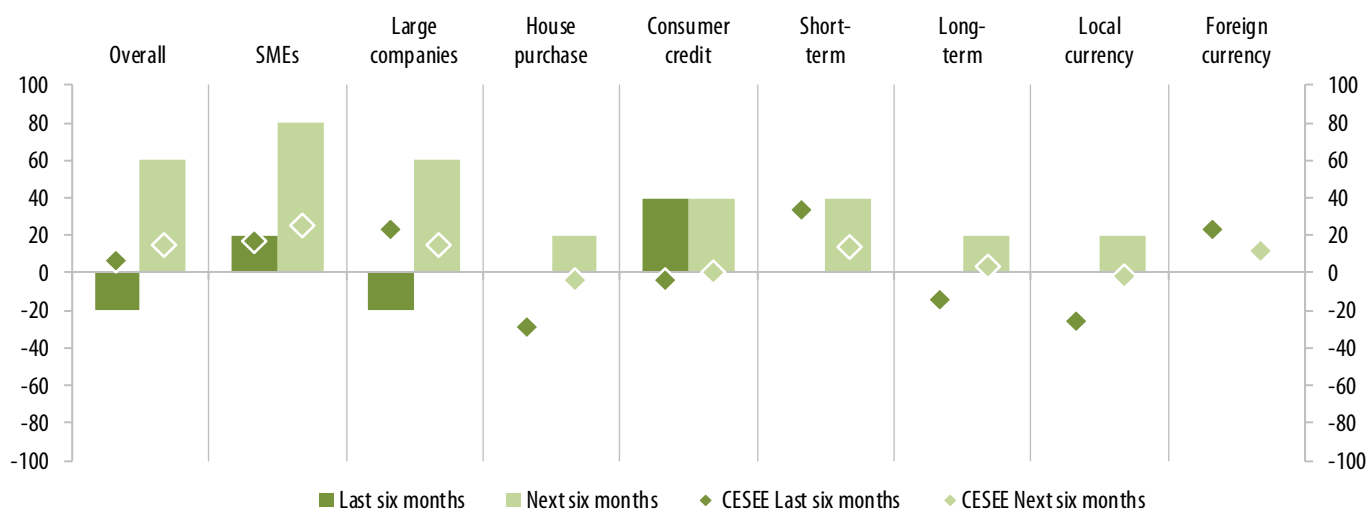Legend: —— Last six months (BA) ● Last six months (CESEE) - - - Next six months (BA) ◆ Next six months (CESEE)
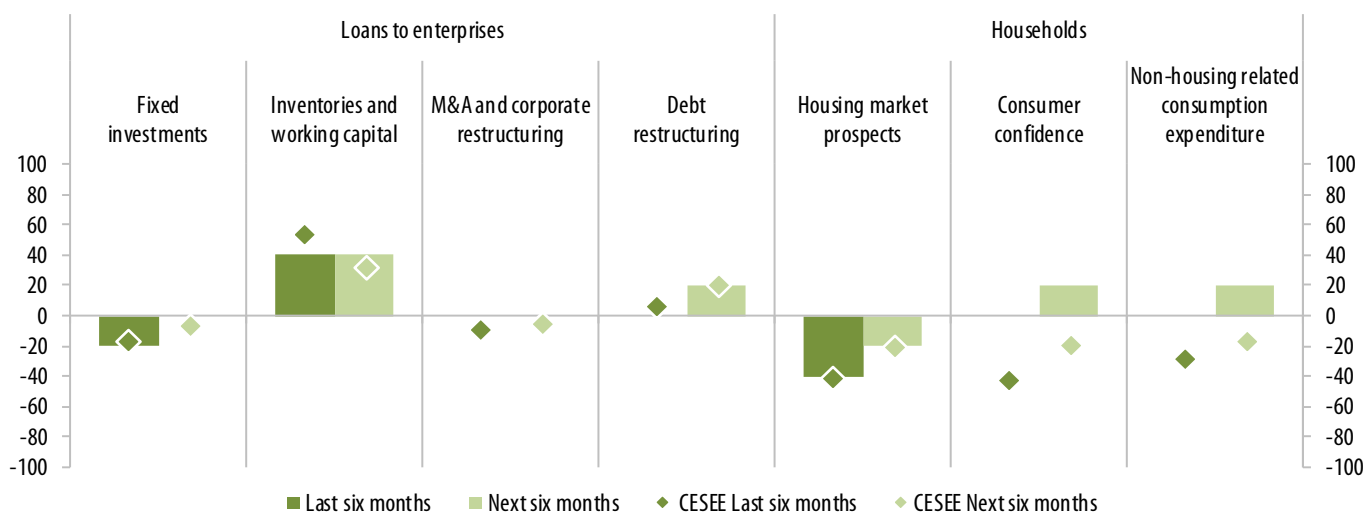
Source: EIB — CESEE Bank Lending Survey.

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

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

Credit standards in Bosnia and Herzegovina's banking market have tightened across all segments, with corporate segments particularly affected.

A neutral stance is expected in the next six months, while a continuation of tightening is expected for the region.

Source: EIB — CESEE Bank Lending Survey.

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

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

Loan approval rates decreased overall and across all segments in the last six months.

In the next six months, the approval rate is expected to improve for mortgage and consumer loans and stay neutral for all other segments.
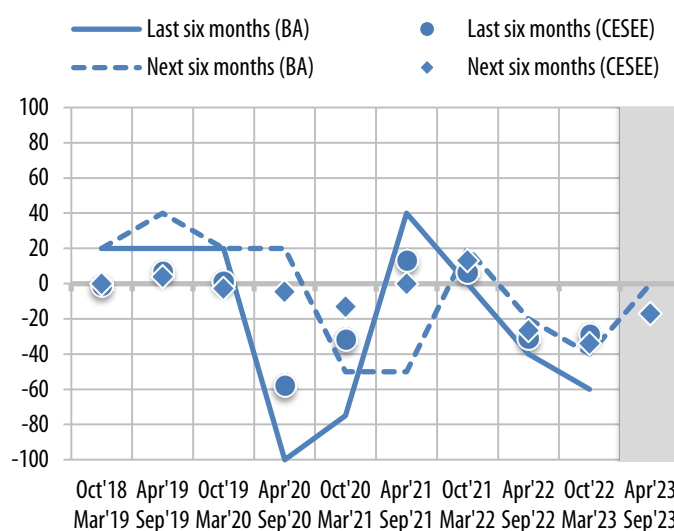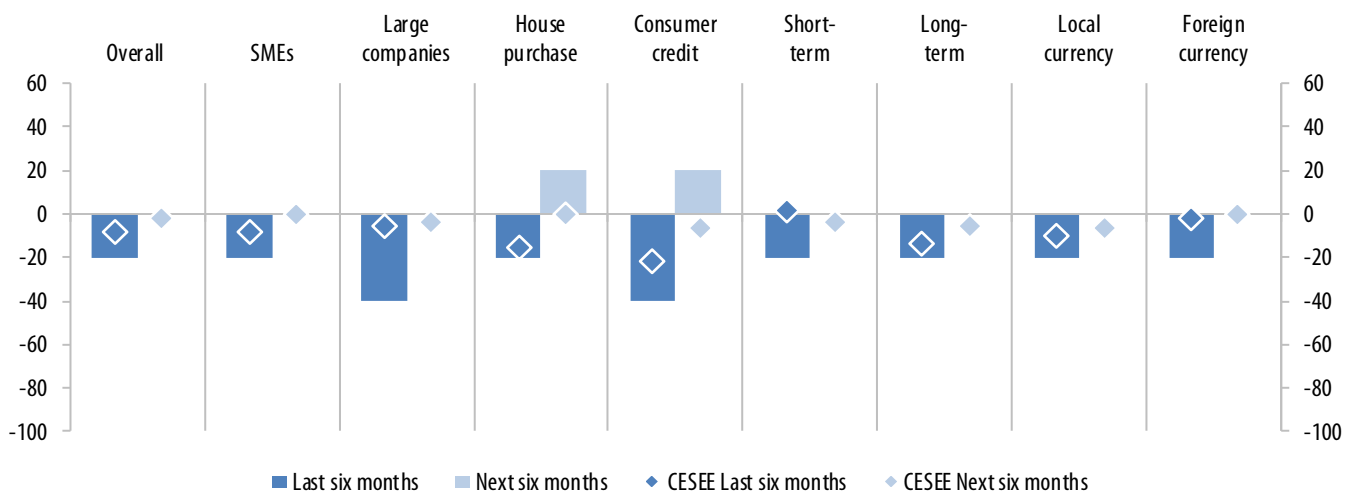

Source: EIB — CESEE Bank Lending Survey.

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

Figure 9   Factors contributing to supply conditions (in %)

Most domestic factors contributed negatively to credit supply conditions over the last six months, but the contribution of local bank funding and change in local regulation was neutral. The only positive contribution was made by local non-performing loans. Of the international factors, contributions were negative from a global market and EU regulation outlook, while the group outlook had a positive contribution. The other three factors made neutral contributions.

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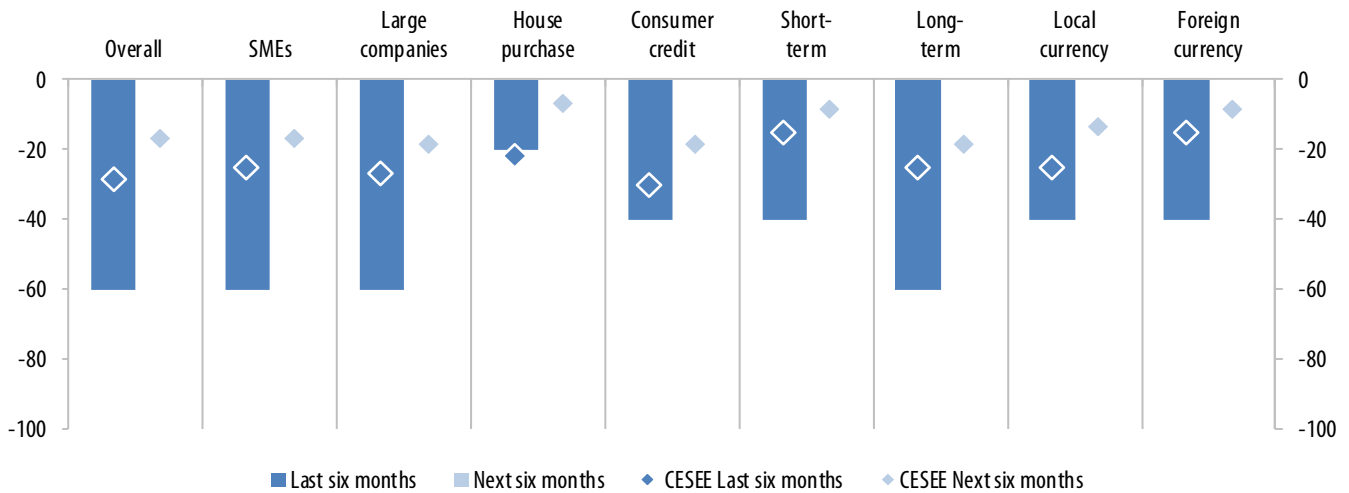

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10   Non-performing loan ratios (in %)

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

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

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11   Access to funding (in %)

Access to funding improved slightly during the last six months. By segment, access increased for retail and corporate funding (that is, the collection of retail and corporate deposits), securitisation, local currency funding and a net central bank position, but decreased further for intragroup and interbank funding.

For the next six months, banks expect better access to funding overall, driven mainly by the same factors as in the last six months.
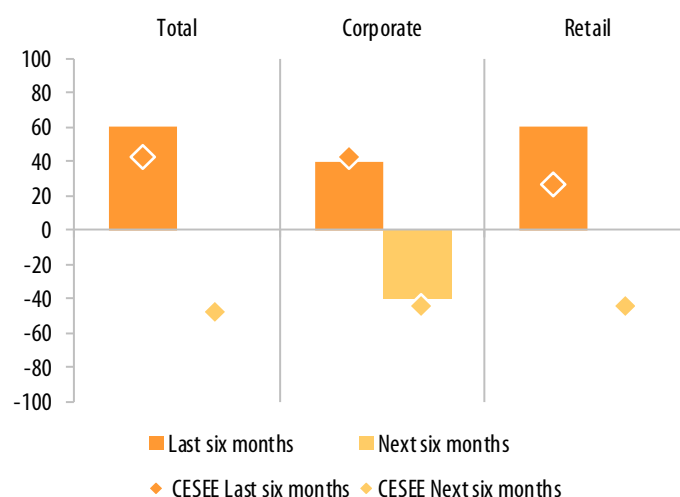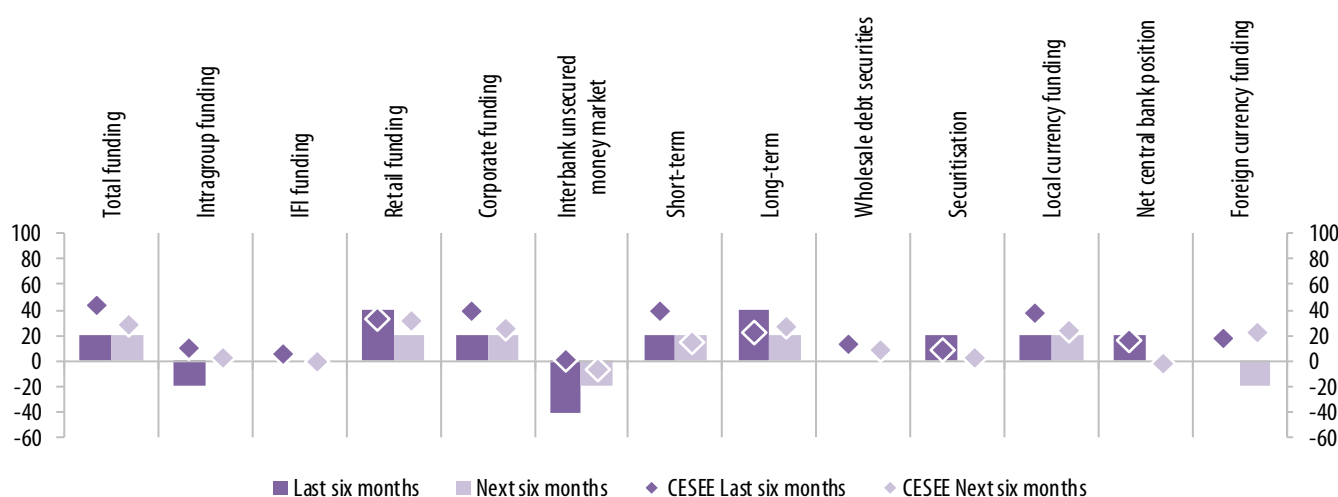

Source: EIB — CESEE Bank Lending Survey.

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

Bulgaria

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

Summary

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

Demand for loans is strong across segments, following a sharp deterioration in the first half of 2020 and subsequent stabilisation. Over the next six months, however, demand is expected to slow significantly.

Credit supply conditions remained stable after continuous improvement over the past two years across market segments. However, this improvement has reversed since last year and supply conditions are expected to remain weak.

Access to funding continued to be extremely robust over the last six months. The improvement is mostly attributable to the high, sustained growth of household deposits and corporate deposits.

Non-performing loans (NPLs) improved over the last two years, thereby returning to the positive trend of the four years preceding the pandemic. Expectations for the next six months, however, are more pessimistic, both for corporate and retail.

Credit supply and credit demand (in %)
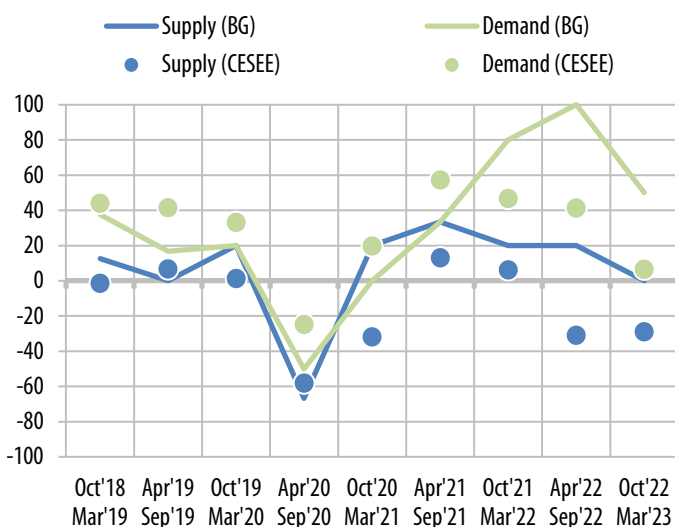
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)

Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level
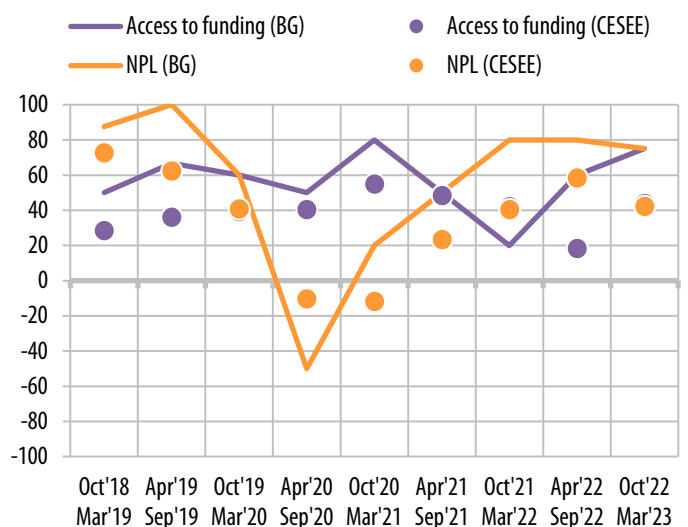
Figure 1   Market potential and positioning

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

All foreign banks operating in Bulgaria view the country as a market with medium (75%) or high potential (25%) and regard their market positioning as satisfactory (50%) or optimal (50%).
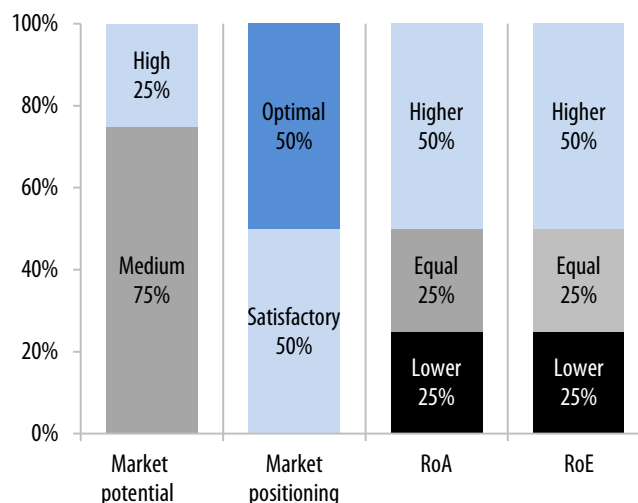
Local subsidiary banks in Bulgaria are more profitable than at group level: In line with their high level of satisfaction with the market positioning, 75% of banks reported that returns on assets and equity in Bulgaria are higher than or equal to overall group returns.

Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2   Aggregate demand developments (in %)

Changes in demand for loans in Bulgaria since 2016 have followed a similar pattern to the wider region. In the first half of 2021, however, demand continued to increase, contrary to the rest of Central, Eastern and South-Eastern Europe (CESEE), with the proportion of Bulgarian subsidiaries reporting rising demand steadily growing for a year. Demand slightly eased at the end of 2022 and early 2023 but remains buoyant, with a net 50% of banks seeing it as increasing. Over the next six months, it is likely that demand will remain positive but continue cooling off as optimism declines, in line with developments in the rest of the region.

High uncertainty and positive growth surprises in 2022 and early 2023 likely account for credit demand significantly exceeding banks' expectations in the last survey round. At the same time, expectations for a continuing economic slowdown globally and in the region are the most likely explanation for the pessimism about credit demand.
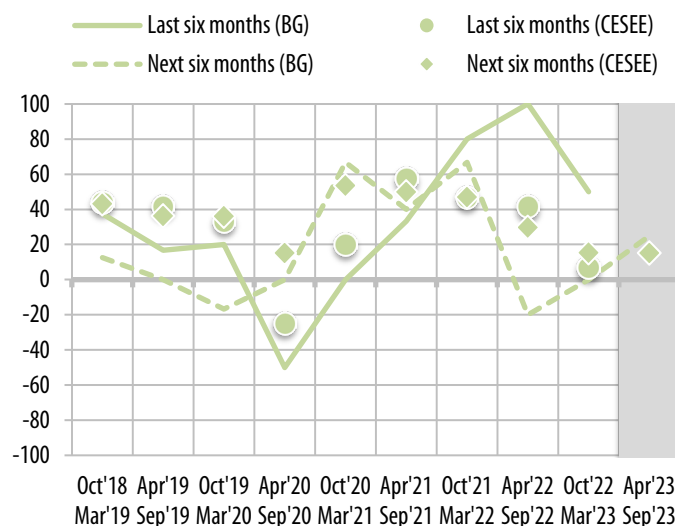
Source: EIB — CESEE Bank Lending Survey.

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

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

Overall loan demand was assessed as increasing over the last six months by a net 50% of respondents, and for every market segment. These findings are in line with strong private consumption spending throughout 2022.

Over the next six months, banks expect overall loan demand to remain positive but to cool off, particularly in the retail segment, where a net 25% of respondents expect a decline in demand for mortgage loans and 50% expect a decline in demand for consumer credit.
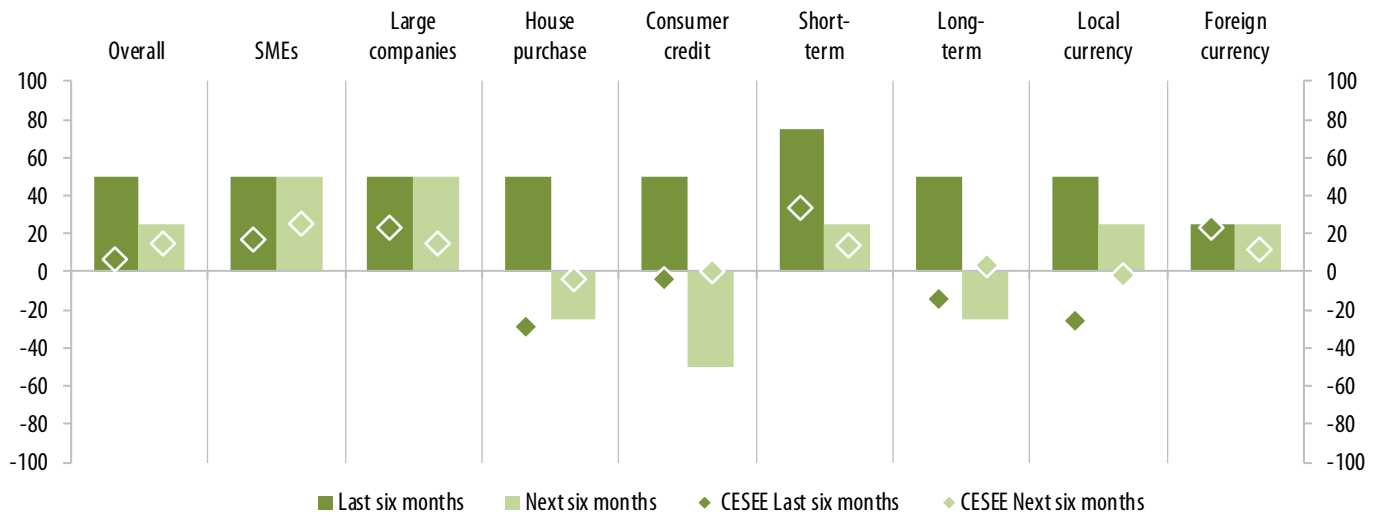

Source: EIB — CESEE Bank Lending Survey.

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

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

Loan demand for fixed investments has increased during the last six months (net 50% of respondents). Demand for loans to finance working capital has also grown over the last six months (net 75%).

In the next six months, demand for investment loans is expected to increase by a net 20% of respondents, while demand for working capital loans continues to grow (for a net 75%). Declining consumer confidence and deteriorating housing market prospects explain the expected declines in household demand for loans going forward.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 5	Quality of loan applications (in %)

The quality of loan applications in Bulgaria was stable in the last six months across all market segments and maturities, except consumer credit, where a net 25% reported worsening quality of loan applications.

In the next six months, respondents do not expect major changes in the quality of loan applications, except in the SME corporate segment, where a quarter of respondents expect deterioration in quality of applications.
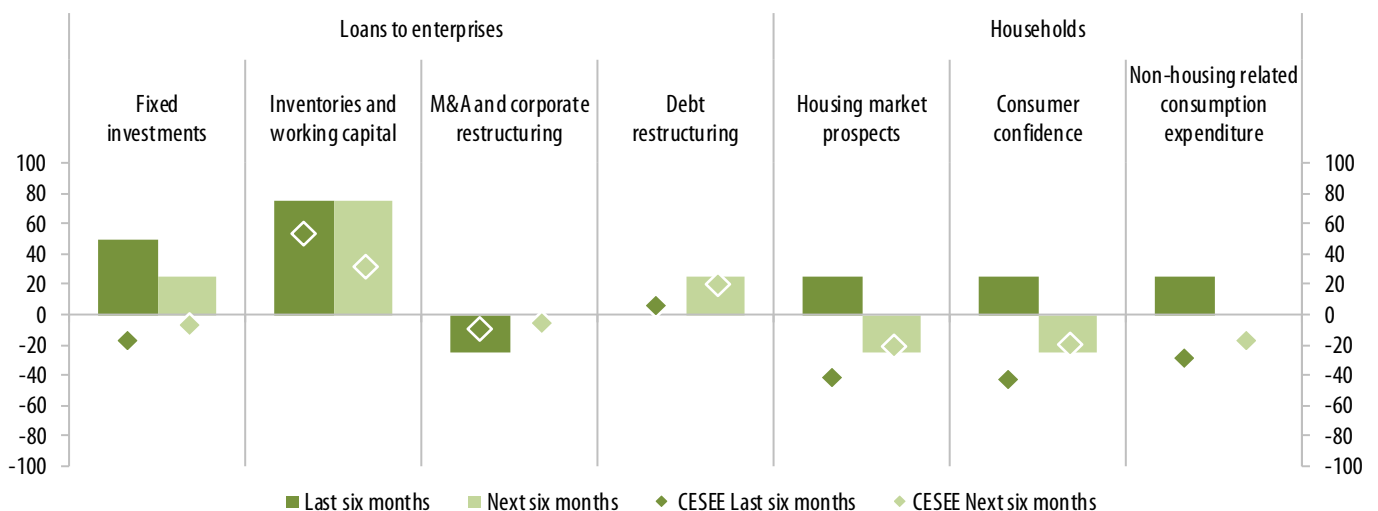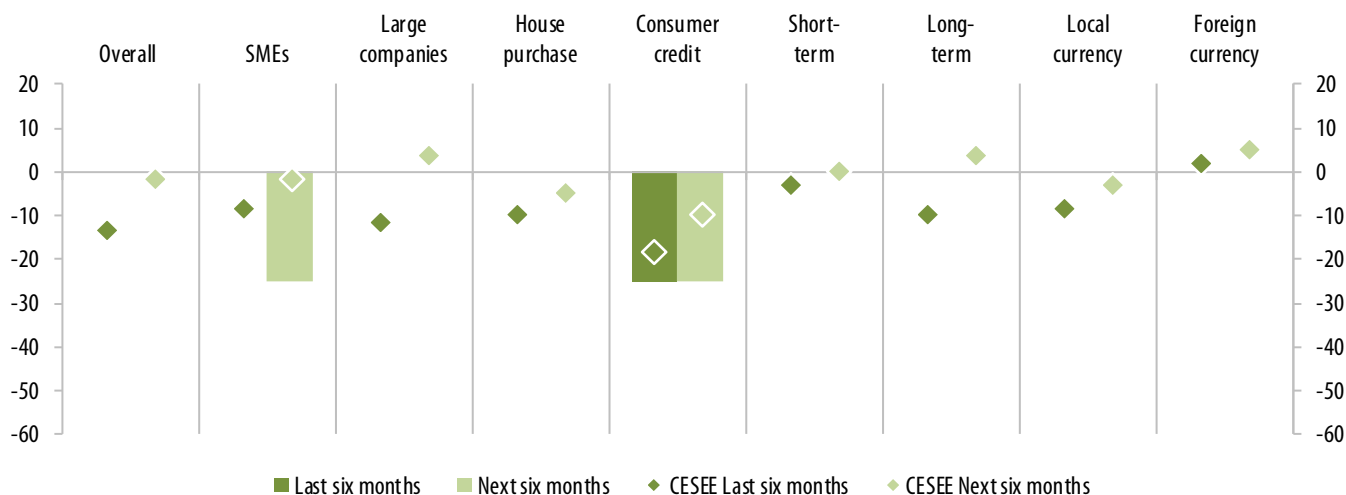

Source: EIB — CESEE Bank Lending Survey.

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

Figure 6	Aggregate supply developments (in %)

In the last six months, supply conditions (expressing the banks' willingness to extend credit to their clients) remained broadly unchanged following a string of improvements in the wake of a brief deterioration in the first half of 2020. The improvements in recent years resulted from the strengthening of economic activity and banking sector balance sheets, which enabled Bulgarian banks to relax loan conditions.

Over the next six months, however, supply conditions are expected to deteriorate for around a net 25% of respondents. These expectations are in line with the average forecast for the region and reflect the effect of tightening monetary policy and an ongoing economic slowdown.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 7   Supply components and segments (in %)

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

In the next six months, however, banks expect to tighten credit standards across all market segments, in line with regional trends.
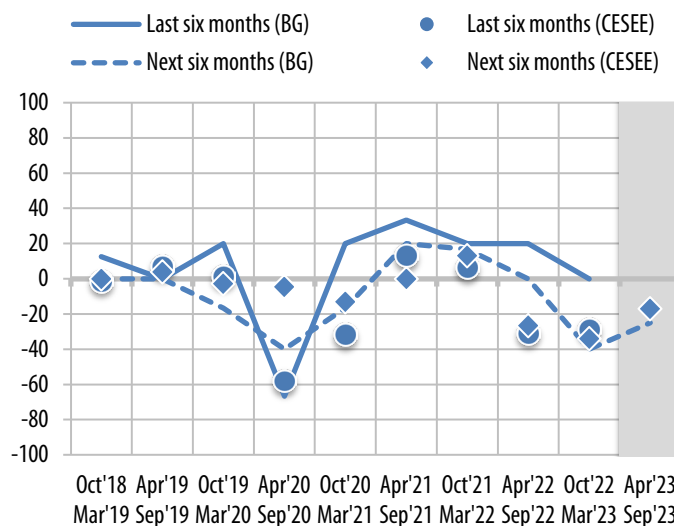

Source: EIB — CESEE Bank Lending Survey.

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

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

Approval rates are assessed as unchanged across most market segments, except for consumer credit, where a small majority of respondents (net 25%) reported decreasing rates.

Over the next six months, banks expect little change in approval rates, but small firms and consumer credit may be affected (a net 25% of respondents expect a decline in their approval rates).

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 %)

Diverging effects in an array of domestic and international factors resulted in stable supply conditions over the last six months. For around a net 40% of respondents, local bank funding and EU regulation exerted downward pressure on supply conditions. This was offset by a more optimistic view about the group outlook: A net 50% of respondents reported it as a force improving supply conditions.

In the next six months, local market conditions are expected to continue deteriorating (net 75%), as are local non-performing loan figures and changes in local regulation (around a net 20%). Of the international factors, global market outlook (net 20%) and especially EU regulation (net 75%) are expected to exert negative pressure on supply conditions.

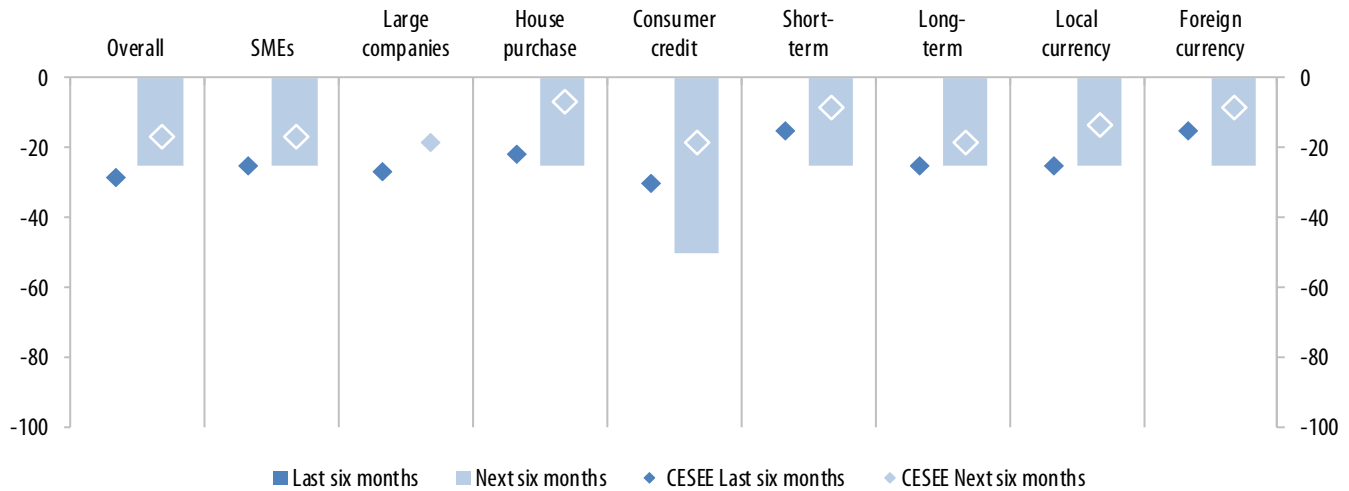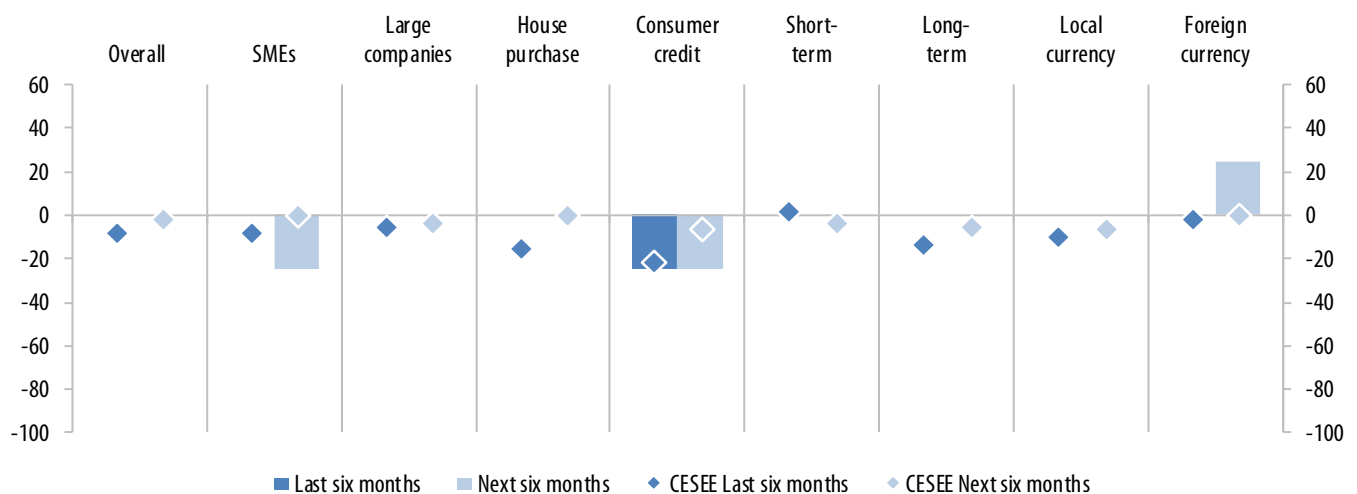Source: EIB — CESEE Bank Lending Survey.

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

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

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

In recent months, surveyed banks indicated that the non-performing loan ratios in Bulgaria improved in the retail and corporate segments for most respondents (net 75%).

Over the next six months, however, respondents expect a deterioration in non-performing loan ratios across segments. The deteriorating economic outlook along with tighter financial conditions and higher interest rates explain the drop.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

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

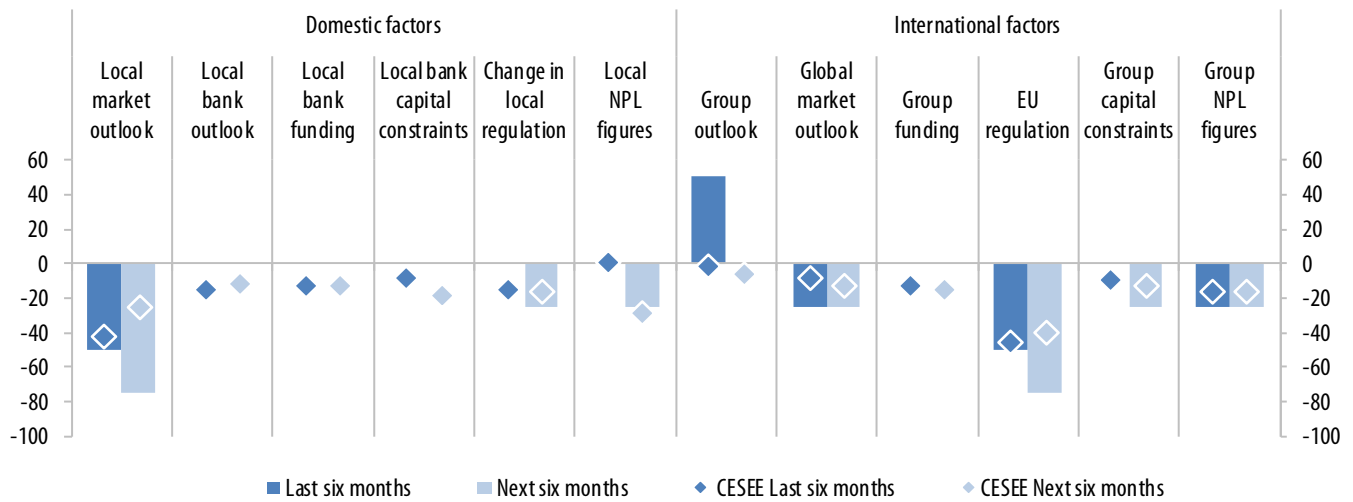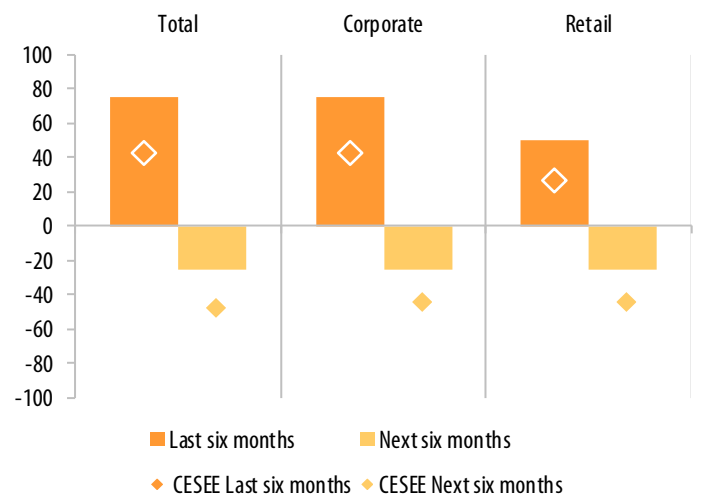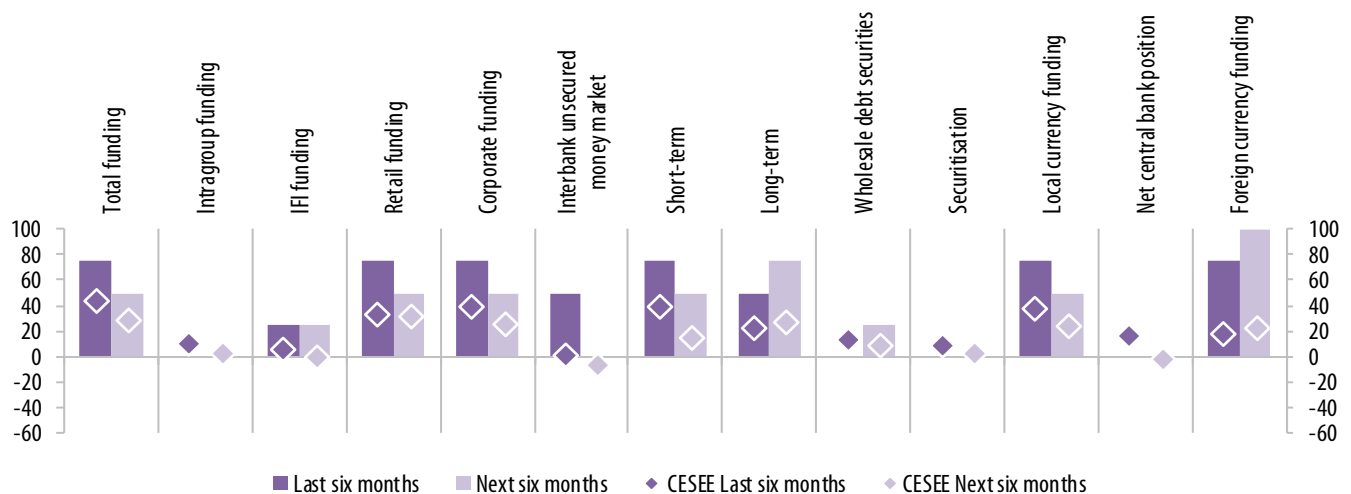Source: EIB — CESEE Bank Lending Survey.

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

Croatia

The banking outlook in Croatia is worsening. Credit supply conditions continued to tighten, and this negative dynamic is expected to continue, in line with tightening monetary conditions. Credit demand is decelerating and a deterioration in credit quality is expected.

Summary

Group assessment of positioning and market potential: International banking groups reported that the profitability of operations in Croatia worsened compared to the overall group in the last six months. Their market positioning in the country also deteriorated, with one-third describing it as weak and two-thirds saying market potential was low, and both indicators below the regional average.

Credit demand decelerated after the post-pandemic recovery but remained robust, while **credit supply** conditions continued to tighten. Banks expect these trends to continue in the next six months.

Access to funding continued to improve over the last six months, while domestic retail and corporate deposits remained the main funding sources. For the next six months, funding conditions are expected to be less favourable and stay neutral overall.

Non-performing loan (NPL) ratios improved for the corporate and retail segments in the last six months. In line with the regional trend, a deterioration is expected over the next six months.
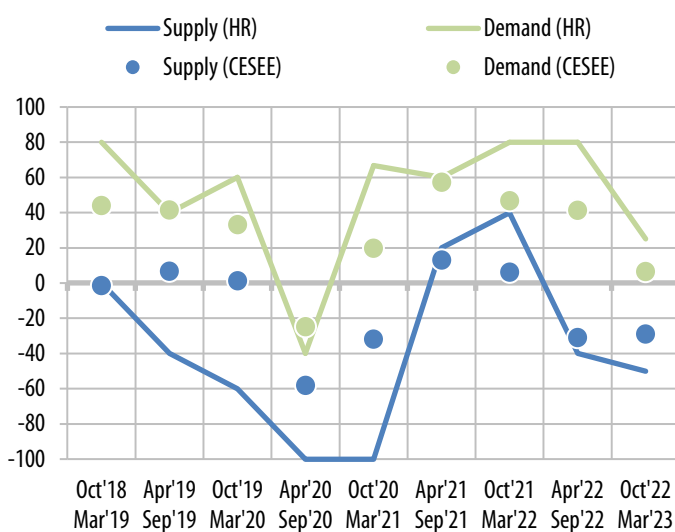
Credit supply and credit demand (in %)

Source: EIB – CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
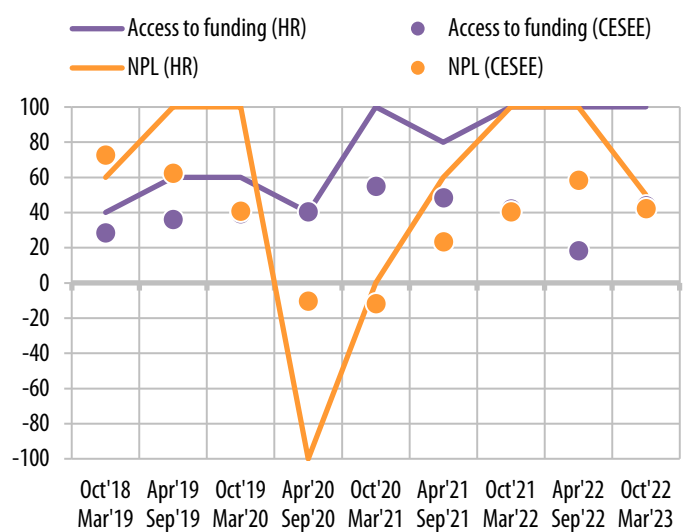
Source: EIB – CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

Figure 1   Market potential and positioning (in %)

Croatia's market potential deteriorated over the last six months, with two-thirds of banks indicating low potential. In terms of market positioning, the Croatian banking market also worsened, with one-third of banks perceiving their positioning as weak compared to the previous survey round (when all banks reported satisfactory or optimal positioning).

Half of parent banks indicated that their Croatian subsidiaries had a lower return on assets (RoA) and return on equity (RoE) than the overall group, while the other half reported equal return on equity compared to the group. This, too, had worsened compared to the previous period (when no parent banks reported lower profitability from Croatian operations).
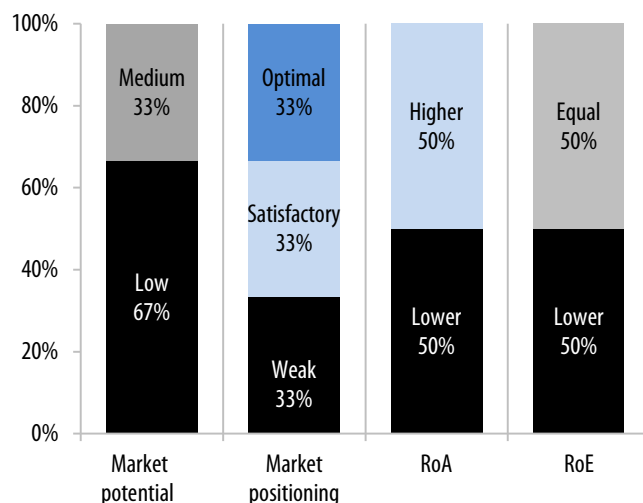
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2   Aggregate demand developments (in %)

Loan demand remained strong but decelerated, after two years of strong increases. The deceleration in credit demand in Croatia exceeded expectations but was in line with the regional average.

For the next six months, Croatian banks expect no change in demand.
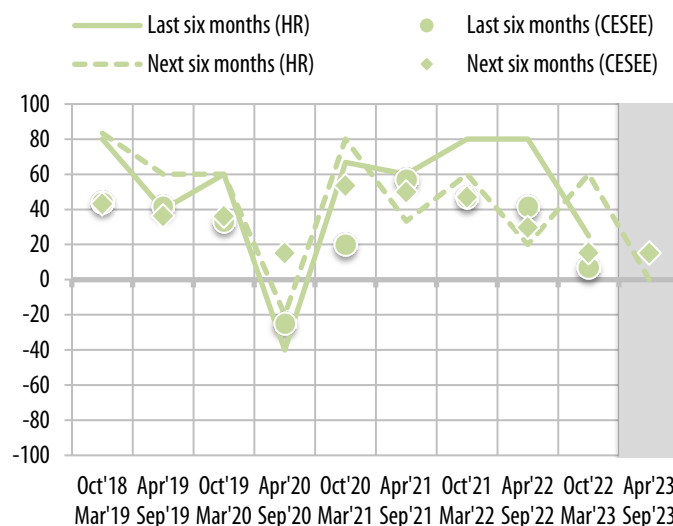
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3   Demand components and segments (in %)

Credit demand from clients of the banks surveyed continued to increase over the last six months in most segments, except consumer loans, where there was no change, and long-term loans, which dropped.

No change in loan demand is expected in the next six months overall (unlike the regional average), with a slightly positive change for small and medium enterprises (SMEs) and mortgage loans, and a negative contribution from consumer credit.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4   Factors affecting demand for loans (in %)

Inventories and working capital were the only factor that contributed positively to an increase in demand for loans in the last six months, while fixed investments, housing market prospects and consumer confidence contributed negatively. In the next six months, demand for loans for working capital and fixed investments are expected to contribute positively, while consumer confidence and non-housing related expenditures will all drag down credit demand.

Source: EIB — CESEE Bank Lending Survey.

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

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

The perceived quality of loan applications deteriorated overall in the last six months, mainly driven by household credit. Corporate segments, however, were resilient.

No change in loan application quality is expected in the next six months, except for loans for small and medium-sized enterprises and consumers, which are expected to decline.

Source: EIB — CESEE Bank Lending Survey.

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

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

Credit conditions tightened further over the last six months for the second period in row, following a post-pandemic easing.

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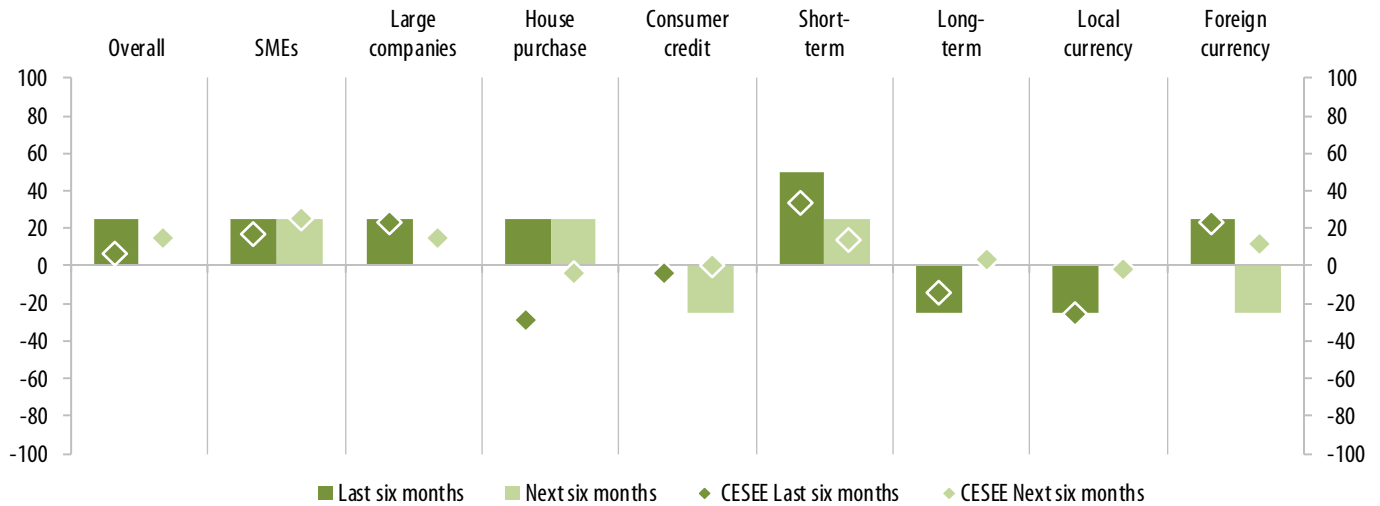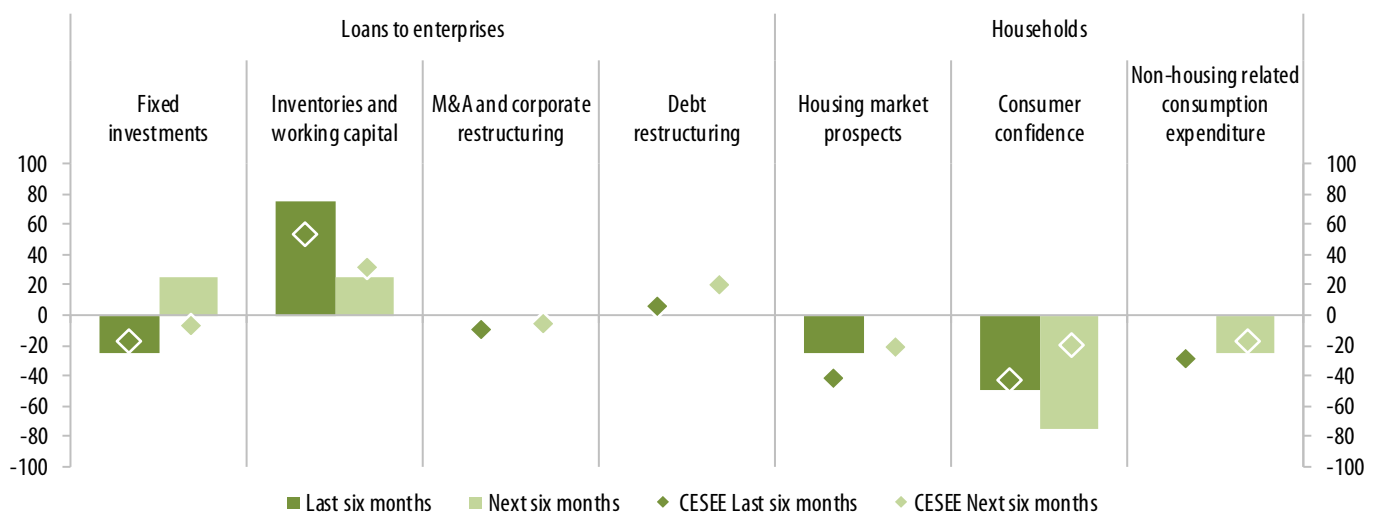

Source: EIB — CESEE Bank Lending Survey.

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

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

Credit supply conditions tightened significantly during the last six months across every segment except mortgage loans, which remained unchanged.

This tightening of supply conditions is expected to continue in all segments, including house purchases, over the next six months, and more than the regional average.
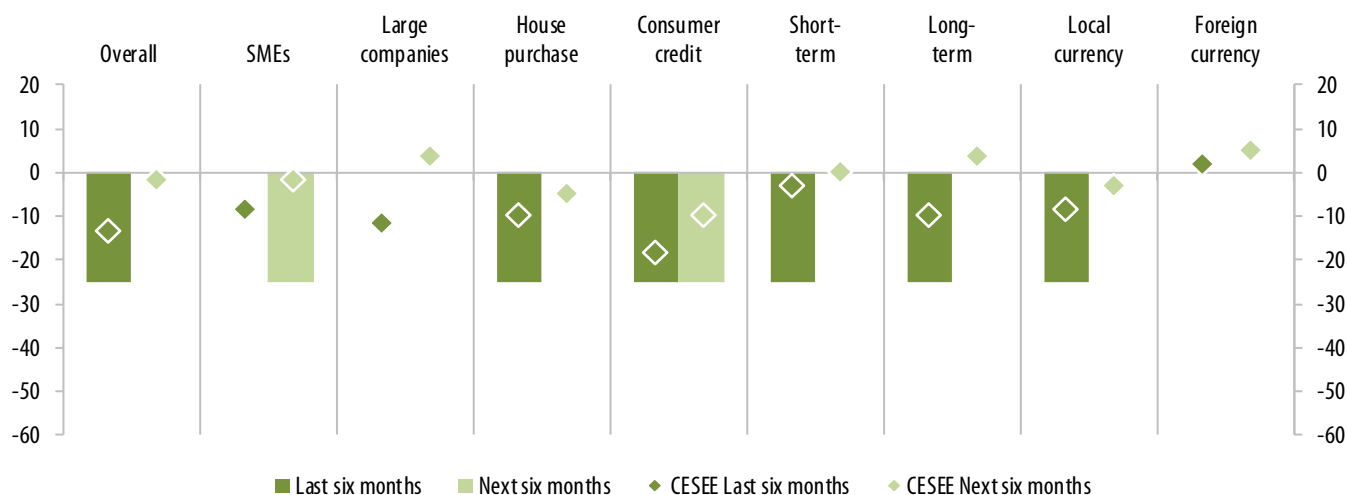
Source: EIB — CESEE Bank Lending Survey.

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

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

Consistent with the tightening of supply conditions, the overall approval rate declined slightly in Croatia over the last six months, in line with the regional average. There were negative developments in all segments, with the approval rate for consumer credit decreasing the most.

Approval rates are expected to fall in all segments over the next six months, particularly for consumer loans.
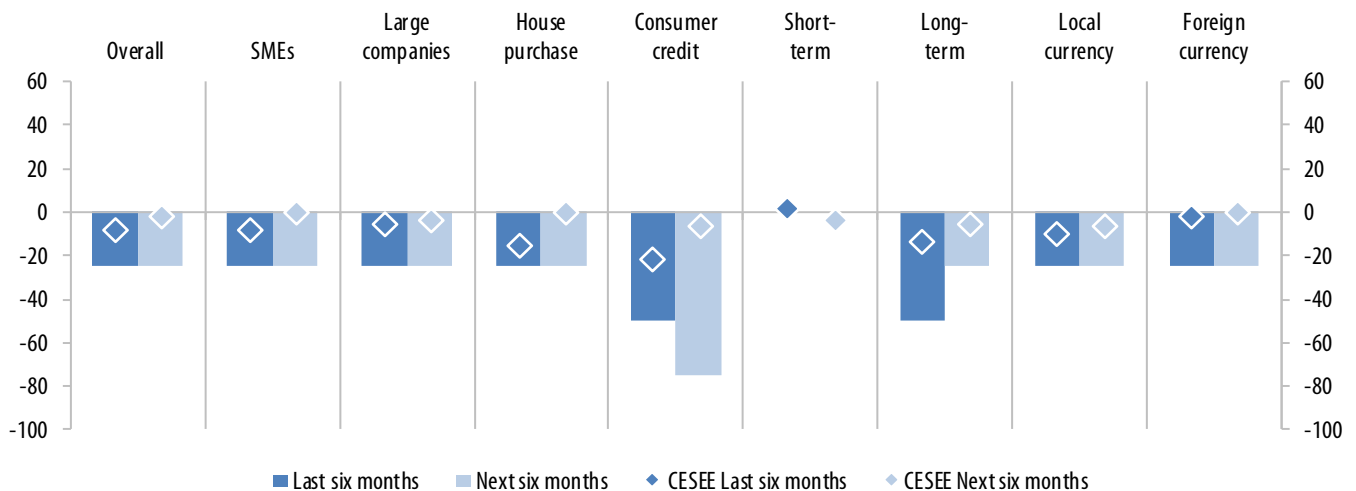
Source: EIB — CESEE Bank Lending Survey.

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

Figure 9   Factors contributing to supply conditions (in %)

Among domestic factors, local market outlook contributed negatively to supply conditions, while all other factors made neutral contributions. Most of the international factors made a neutral contribution to credit conditions, except for group outlook, which contributed positively, and EU regulation, which contributed negatively.

More negative trends are expected over the next six months, especially for the local market outlook, local capital constraints, non-performing loan figures and EU regulation.
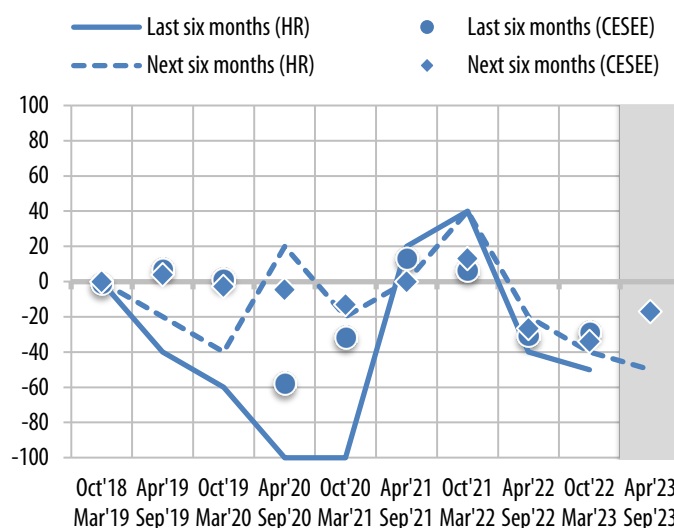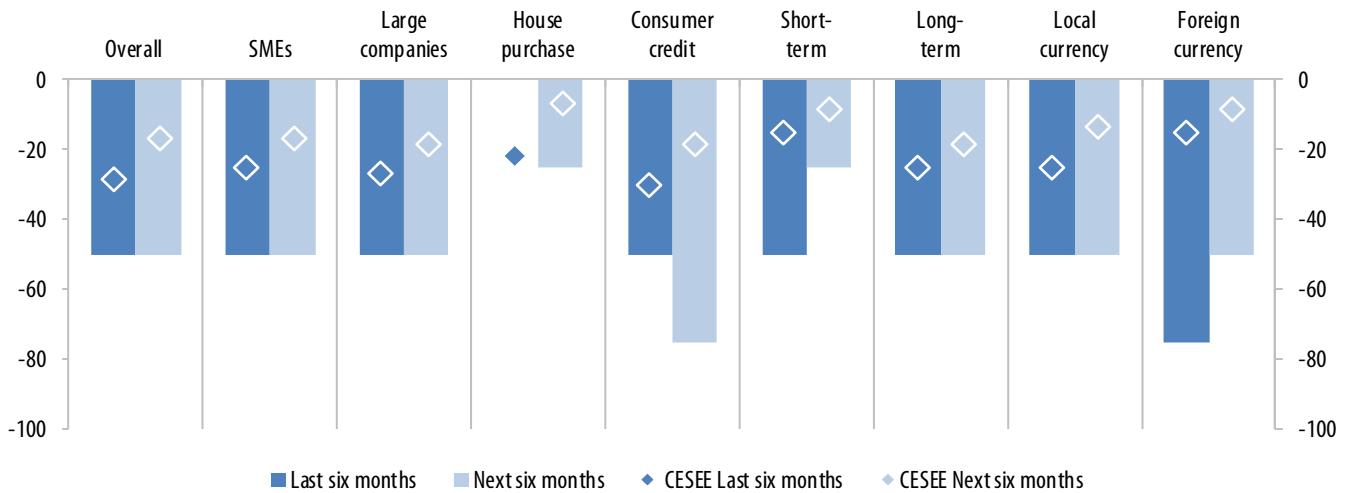

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10   Non-performing loan ratios (in %)

Credit quality improved in the Croatian banking market in the last six months, like in the rest of Central, Eastern and South-Eastern Europe.

The non-performing loan ratios of the corporate and retail segments improved, but these positive trends are expected to turn negative, in line with the trend in the rest of the region.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11   Access to funding (in %)

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

No change is expected in overall access to funding in the next six months, but retail funding, IFI funding and the net central bank position are expected to decline.
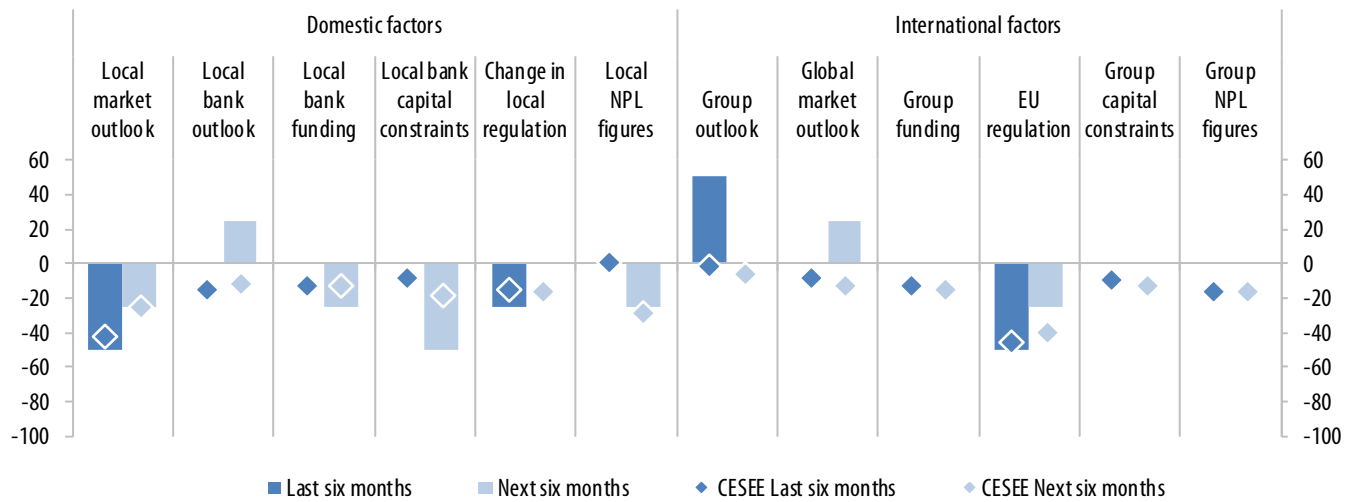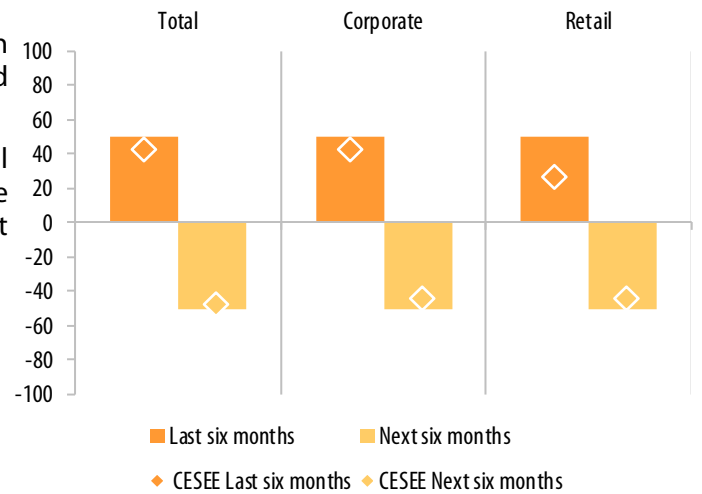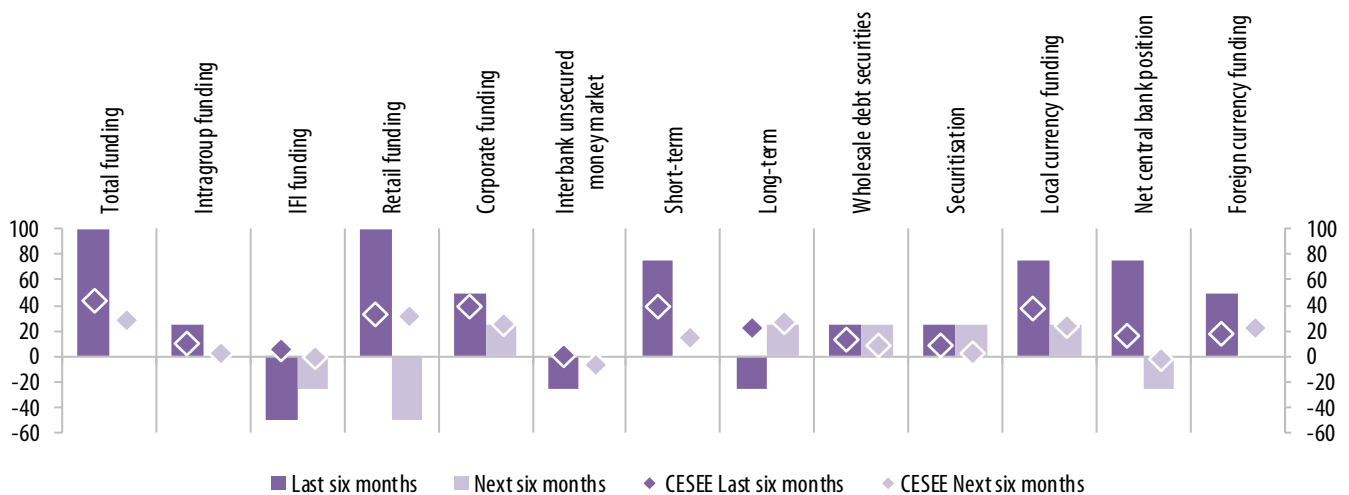

Source: EIB — CESEE Bank Lending Survey.

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

Czech Republic

High interest rates and the war in Ukraine have continued to temper risk appetite and reduce demand for loans, especially mortgages. Over the next six months, banks expect demand and supply to stabilise in line with an improving economy and expectations of cuts in official interest rates.

Summary

Group assessment of positioning and market potential: All parent banks operating in the Czech Republic say the country's banking market has high or medium potential and see little reason to change their positioning. Moreover, their profitability in the Czech Republic is higher than at group level.

On balance, banks reported that overall **demand for loans** continued to decline during the last six months. However, there were large differences across product groups. All banks saw demand for mortgages decline, arguably reflecting the sharp increase in official interest rates and declining real incomes. In contrast, demand for foreign currency loans increased as corporates took advantage of lower borrowing costs in euros relative to Czech crowns. For the next six months, banks expect overall demand to stabilise, in line with the wider region.

The **supply of bank credit** continued to contract in the Czech Republic over the last six months across the product range. These developments were somewhat more pronounced than in the wider region. A small majority of banks expect to continue tightening loan supply in the months ahead, as in the rest of the region.

A small majority of banks reported lower ratios of **non-performing loans** (NPLs) over the last six months. This is a more positive development than what banks had expected in the previous survey. Banks expect non-performing loan ratios to increase over the next six months as would be typical following an economic downturn.

Access to funding improved for most banks in the Czech Republic. A majority found it easier to access retail and corporate funding over the last six months. The availability of foreign currency funding also improved. Most banks expect their access to funding to improve further over the next six months.
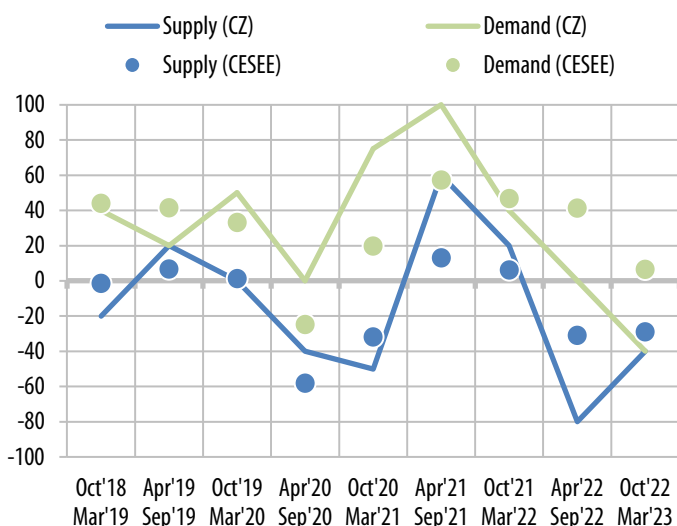
Credit supply and credit demand (in %)

Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
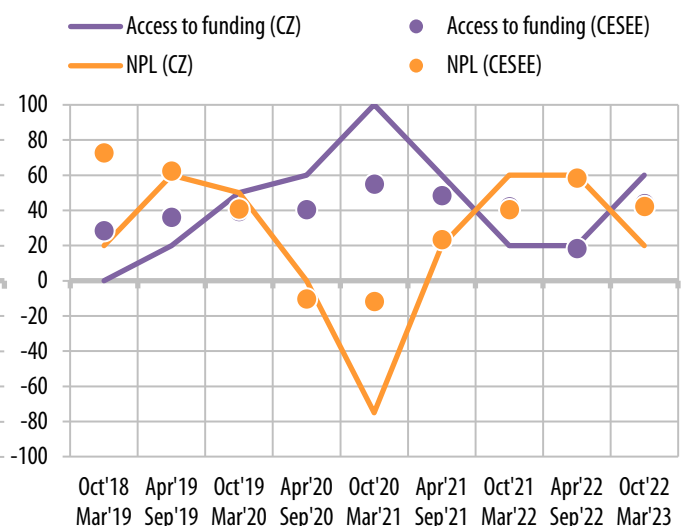
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

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

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

Most banks reported that returns on assets and returns on equity were higher in the Czech Republic than for their overall groups, reflecting higher interest margins and lower costs.
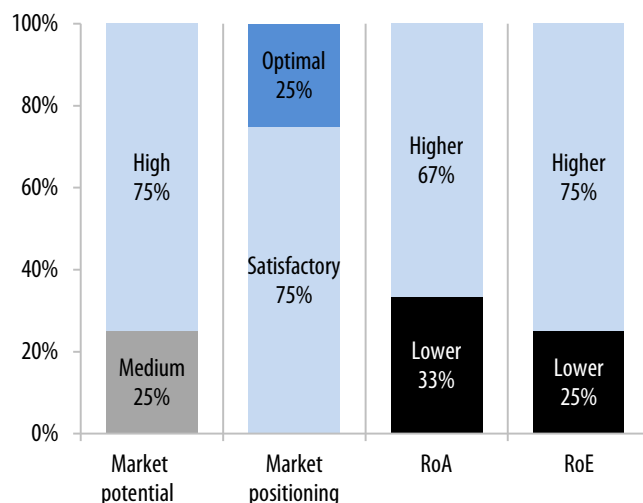
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

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

Contrary to the average in the region, credit demand in the Czech Republic took a significant hit during the last six months: The share of banks reporting increased demand for loans has continued to decline.

Over the next six months, most banks expect credit demand to remain broadly unchanged, as real disposable income is expected to make up for some of the losses incurred during the last six months. The forecast coincides with the rest of Central, Eastern and South-Eastern Europe as inflation recedes, and wages make up some of the lost ground.
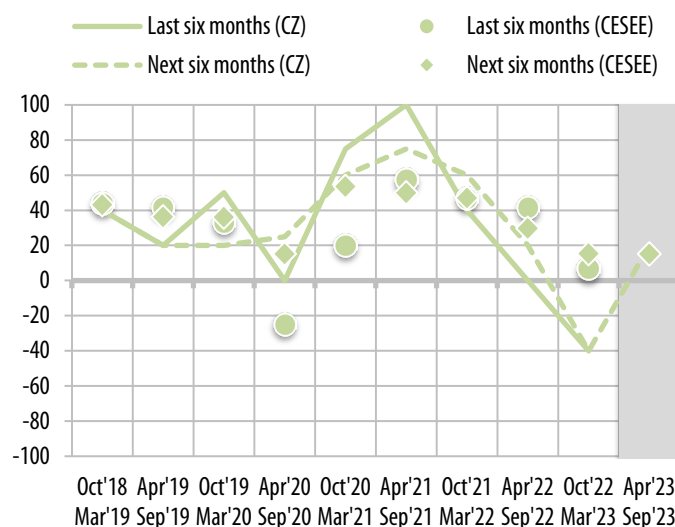
Source: EIB — CESEE Bank Lending Survey.

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

| Figure 3	Demand components and segments (in %)

On balance, banks reported that overall demand for loans declined during the last six months. There were large differences across product groups. All banks saw demand for mortgages decline, arguably reflecting the sharp increase in official interest rates and declining real incomes. In contrast, demand increased for loans to large companies. Demand for foreign currency loans also increased at most banks as corporates benefited from lower borrowing costs in euros compared to Czech crowns. For the next six months, banks expect overall demand to stabilise, in line with the wider region. The demand for mortgages is not expected to decline further.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4	Factors affecting demand for loans (in %)

A weakening housing market, lower consumer confidence and reduced non-housing related spending (which might typically be financed by taking out loans) drove the decline in loans to households in Czech Republic, more than in the rest of the region. In the corporate markets, banks reported that loan demand was supported by the need to finance working capital, while demand for investment spending declined. Over the next six months, banks expect the factors driving the demand for household loans to stabilise, and those for corporate loans to remain unchanged.

Source: EIB — CESEE Bank Lending Survey.

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

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

The quality of loan applications has deteriorated for the majority of banks, for most types of lending. Only the quality of demand for housing loans did not change, after it declined at most banks in the previous survey period. The majority of banks reporting a decline in loan quality was much larger in the Czech Republic than in the rest of the region.

On balance, banks expect the deterioration in application quality to halt across product categories, particularly for mortgages and consumer credit.

Source: EIB — CESEE Bank Lending Survey.

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

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

Banks reported that on balance, the supply of bank credit continued to contract in the Czech Republic over the last six months. This assessment was in line with the rest of the region.

A small majority of banks expects to continue tightening loan supply in the months ahead. These developments are similar in the wider region.
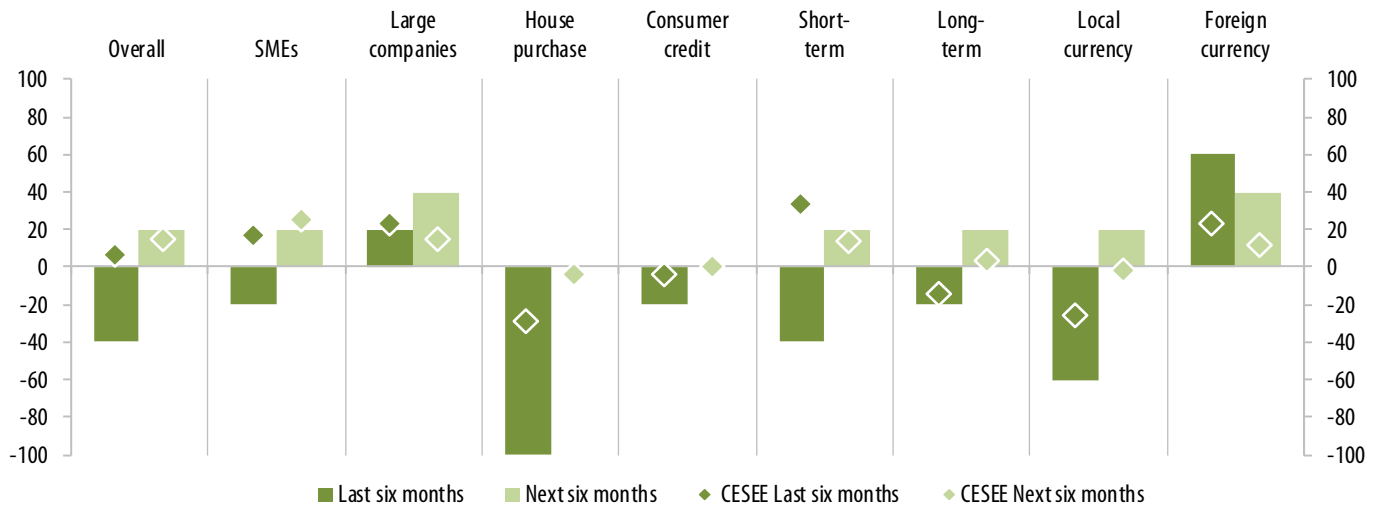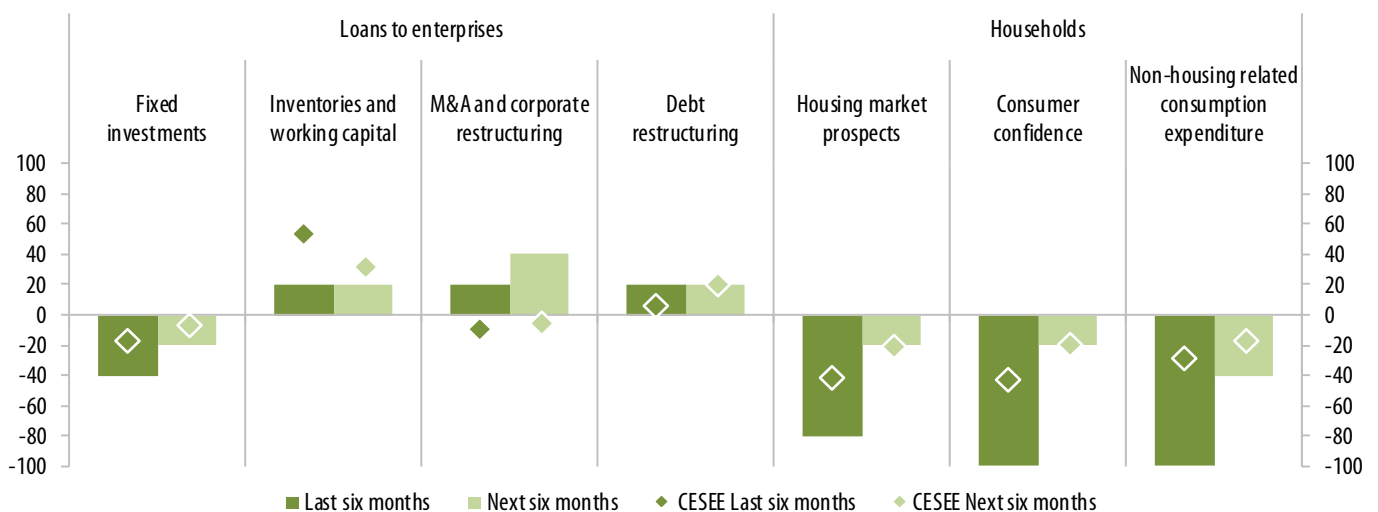

Source: EIB — CESEE Bank Lending Survey.

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

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

On balance, Czech banks cut their supply of loans in the last six months across their product range, especially for consumer credit. The trend in consumer credit was more significant than in Central, Eastern and South-Eastern Europe on average.

A smaller majority of banks (20%) expect to tighten loan supply over the next six months. Most of the products will be affected, apart from the mortgage market, according to banks' expectations.
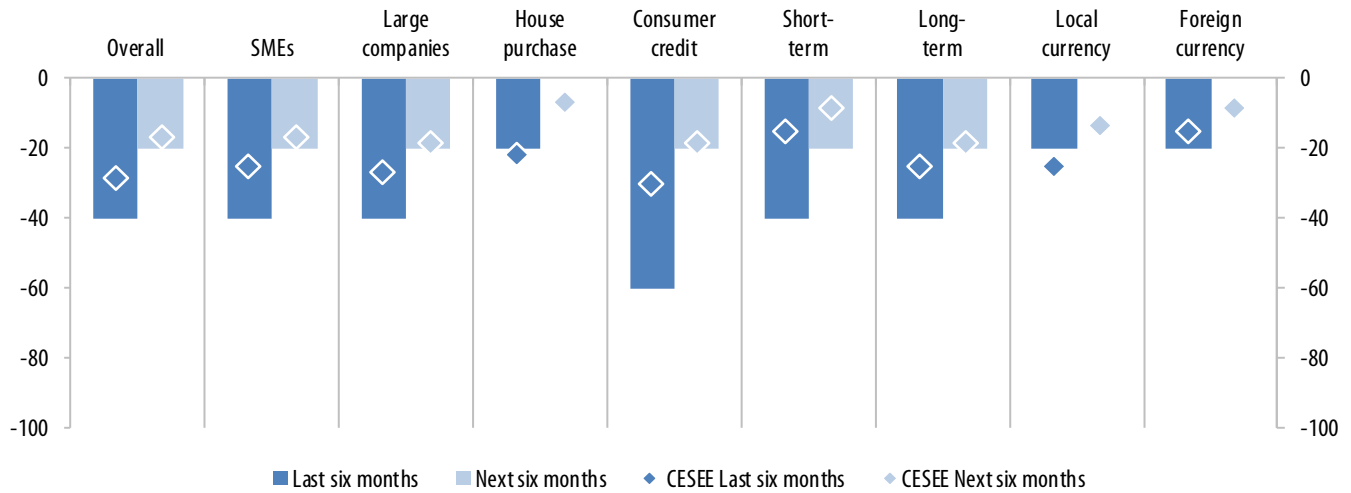
Source: EIB — CESEE Bank Lending Survey.

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

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

With both the demand and the supply of loans declining, approval rates did not change on balance (apart from consumer credit). Banks expect the same to hold true over the next six months. This is similar in the rest of the region.
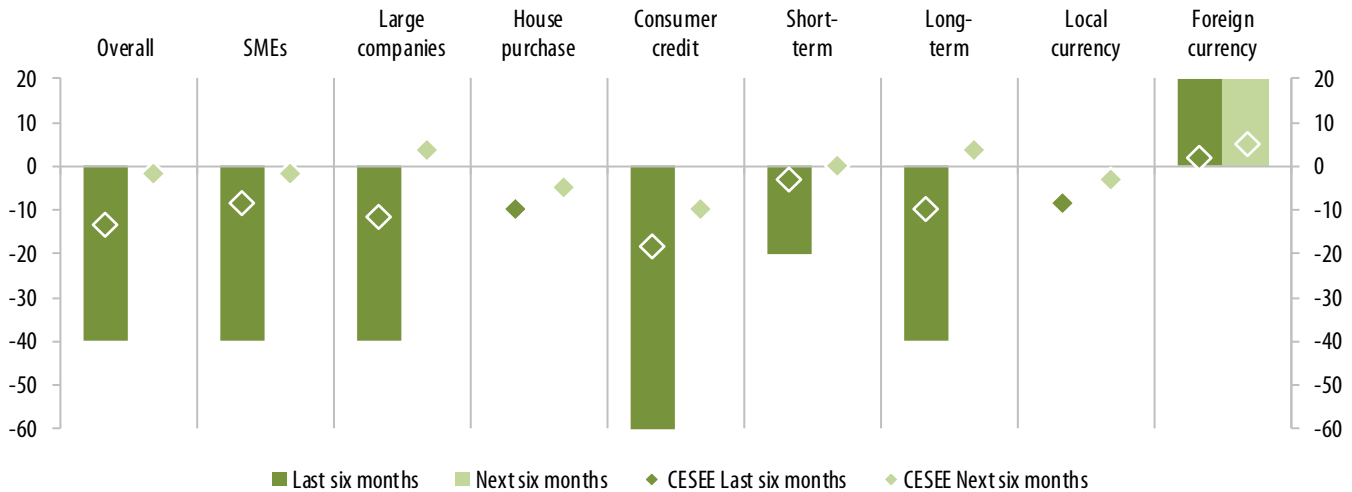

Source: EIB — CESEE Bank Lending Survey.

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

Figure 9   Factors contributing to supply conditions (in %)

The deteriorating outlook of the local market appears to have been the driving factor for the decline in the supply of loans from Czech banks. A range of international factors also depressed supply conditions at a small majority of banks. Among the international factors, EU regulation was reported most often. The responses were similar in the rest of the region, but the deterioration of the local market outlook appears to have been more significant in the Czech Republic. Similar trends are expected in the next six months.
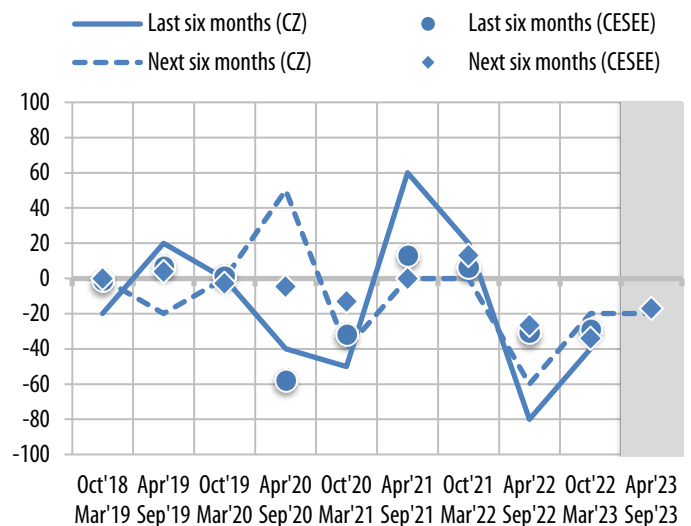

Source: EIB — CESEE Bank Lending Survey.

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

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

A small majority of banks reported lower ratios of non-performing corporate and retail loans over the last six months. This is a more positive development than what banks had expected in the previous survey.

Banks again expect non-performing loan ratios to increase over the next six months as would be typical following an economic slowdown. This trend will affect both corporate and retail business. Banks in the rest of the region share these assessments.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11 — Access to funding (in %)

Access to funding improved for most banks (60% in net terms) in the Czech Republic. Most found it easier to access retail and corporate funding over the last six months. The availability of foreign currency funding also improved.

Most banks expect their funding conditions to remain positive over the next six months, again driven by customers' deposits (corporate and retail, especially).
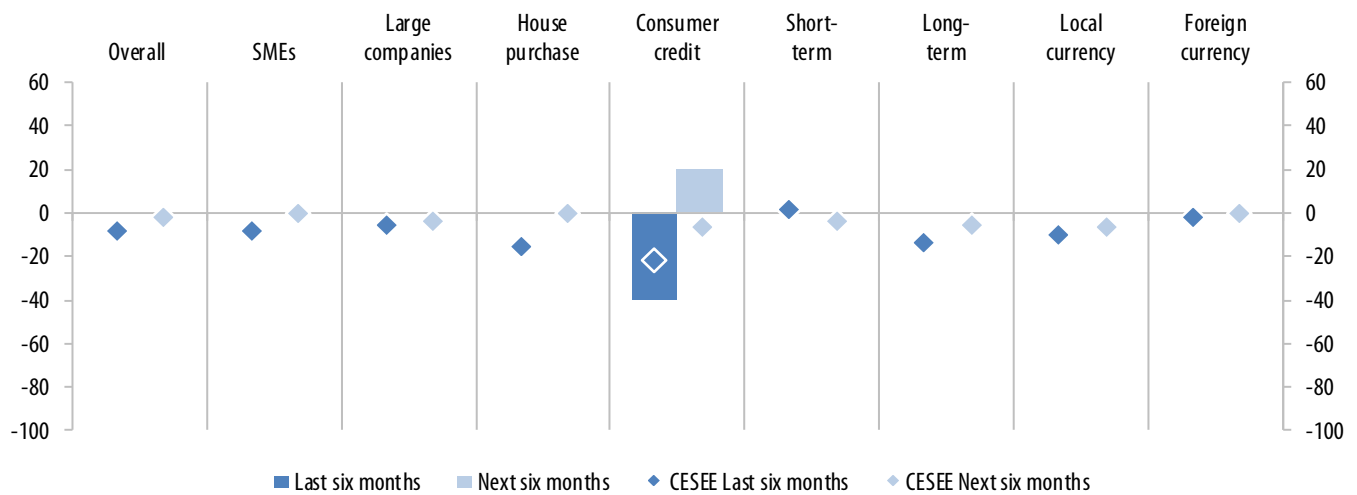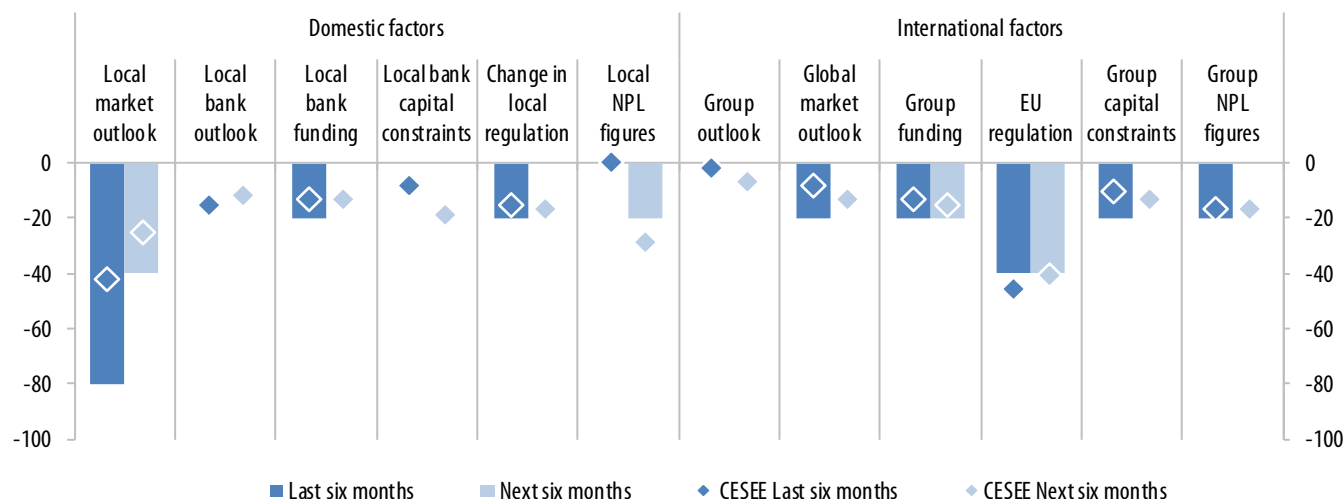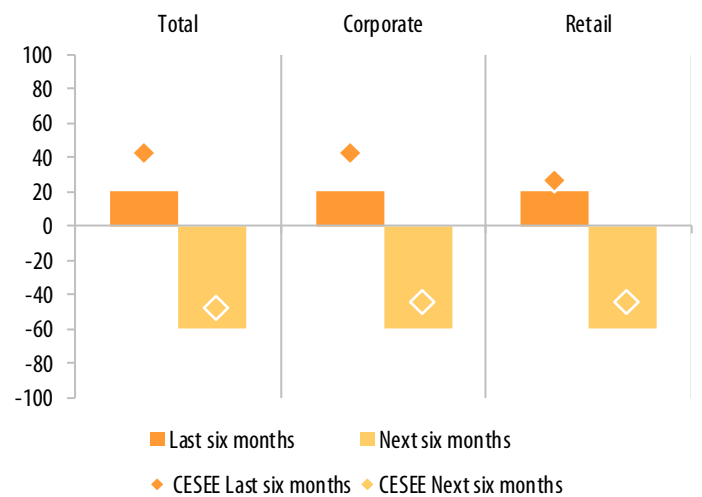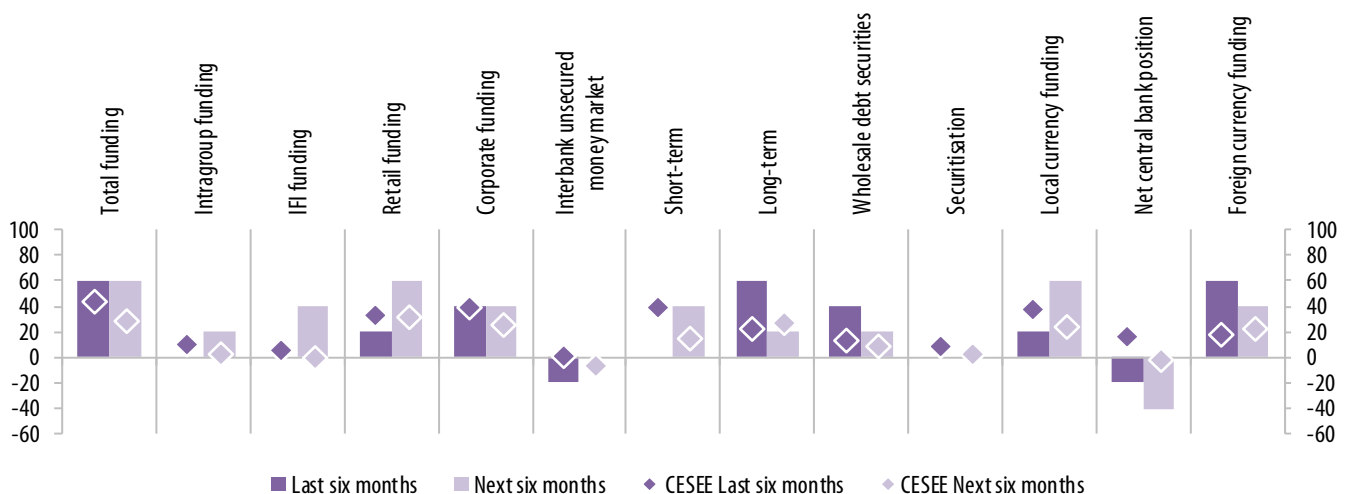

Source: EIB — CESEE Bank Lending Survey.

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

Hungary

After falling credit demand and worsening supply conditions over the last six months, banks in Hungary expect the situation to deteriorate further, with credit demand declining, supply conditions tightening and non-performing loan ratios rising.

Summary

Group assessment of positioning and market potential: Parent banks consider the Hungarian market to have medium to high potential, a worse outlook than in the previous survey round. In this aspect, Hungary trails only the Czech Republic and Romania, and is similar to Bulgaria and Slovakia. Most banking groups (75%) consider their positioning in the Hungarian market as satisfactory, while the remaining 25% report weak positioning. Return on assets (RoA) in Hungary is similar to the regional average.

Hungarian banks report that **credit demand** sharply decreased over the last six months, while **credit supply conditions tightened**. For the next six months banks expect a decline in **credit demand** across most segments (unlike the regional average, where demand remains strong). **Credit supply** is expected to tighten further across all segments, signalling a deterioration of credit conditions. In terms of supply, Hungarian banks are more pessimistic regarding all segments than other banking markets in the region.

Overall **access to funding** was adequate in the last six months but, unlike in the rest of the region, it is expected to deteriorate.

Non-performing loan (NPL) ratios improved moderately over the last six months, but banks report a very negative outlook for the corporate and retail sectors.

Credit supply and credit demand (in %)
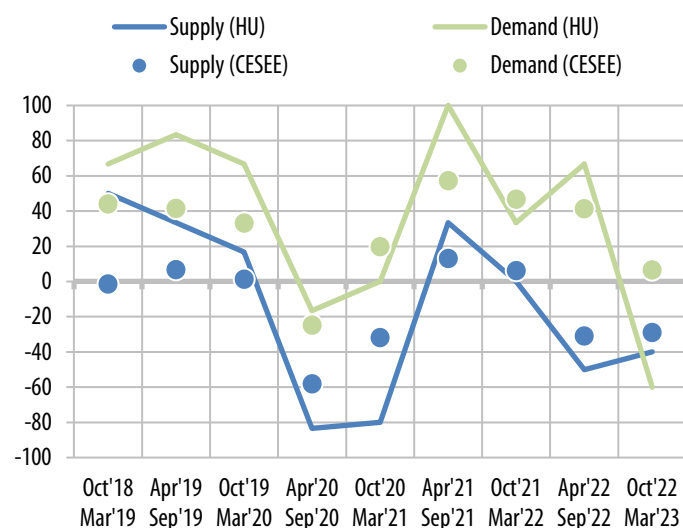
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
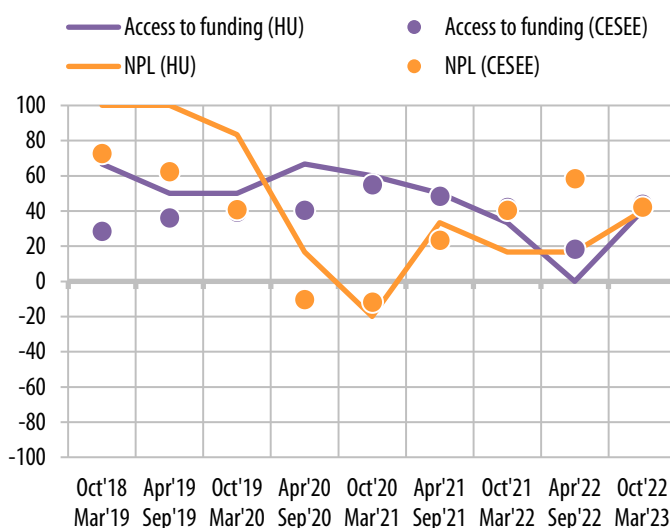
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

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

Many of the parent banks operating in Hungary also have a presence elsewhere in Central, Eastern and South-Eastern Europe (CESEE). Most parent banks (75%) consider the Hungarian market to have medium potential, while the remaining 25% perceive high potential. This outlook is the same as in the previous survey round, and places Hungary behind the Czech Republic and Romania and in line with Bulgaria and Slovakia.

Banks' positioning in the Hungarian market is deemed satisfactory by 75% of banking groups and weak by the other 25%, a decline since the previous survey round.

Return on assets (RoA) for local Hungarian banks is mostly equal (67%) to the group RoA level or higher (33%), while return on equity (RoE) for local banks is evenly split into three segments: lower, higher or equal to the group RoE level. Both indicators reflect deteriorating conditions compared to the previous survey round.
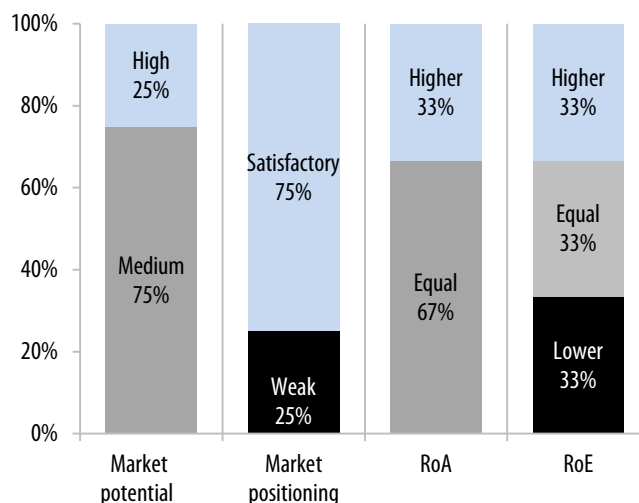
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

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

Credit demand is declining abruptly: Hungarian banks reported a sharp decline in credit demand over the last six months, as predicted in the previous survey round. Demand for loans in Hungary were below the levels seen on average in the rest of the region.

Banks expect credit demand to decrease in the next six months, in contrast to the generally expected moderate increase on average in the rest of the region.
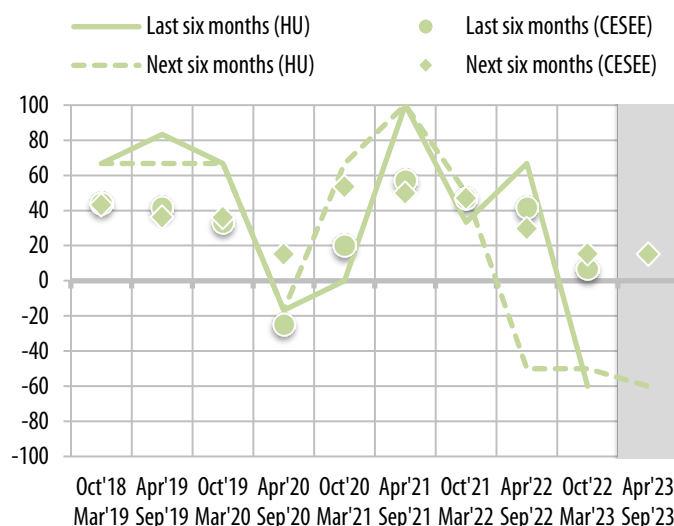
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3   Demand components and segments (in %)

Loan demand decreased for almost all segments in the last six months. These developments are more negative than the overall situation in Central, Eastern and South-Eastern Europe. Housing loans and consumer credit demand decreased significantly, more than the average in the rest of the region.

For the next six months, banks expect credit demand to decrease in most segments, especially for large companies, long-term loans and mortgages. This outlook is worse than the average expectation for the rest of the region, where demand remains robust.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4   Factors affecting demand for loans (in %)

Regarding the individual factors driving loan demand in the corporate segment, investment-related demand decreased, whereas demand to fund working capital remained positive. In the household segment, consumer confidence and consumption spending made negative contributions to loan demand.

Over the next six months, banks expect fixed investments in the corporate sector and all three household factors to weigh negatively on demand. These household sector expectations are consistent with the outlook for the region.

Source: EIB — CESEE Bank Lending Survey.

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

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

The overall quality of loan applications deteriorated in the last six months, especially for consumer credit, and is expected to decline or stagnate for all segments over the next six months, an outlook that is more negative than in the region on average.

Source: EIB — CESEE Bank Lending Survey.

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

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

Credit supply conditions (indicating the banks' willingness to extend credit) in Hungary tightened significantly over the last six months, in line with expectations reported in autumn 2022. The situation is similar for the rest of the region.

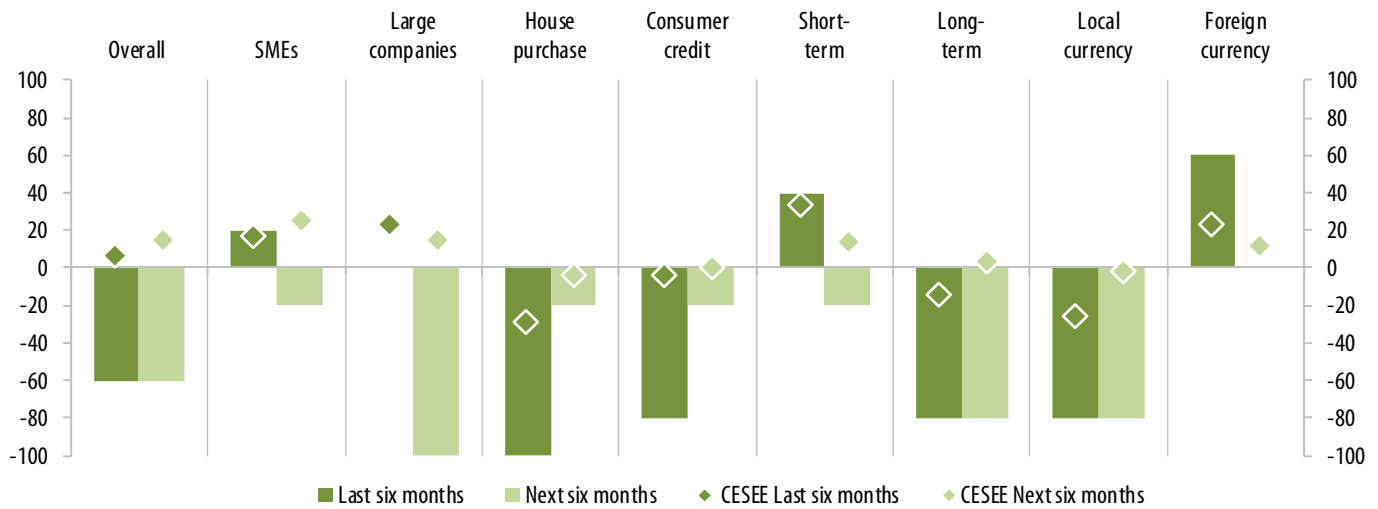Banks expect supply to tighten further in the coming months, exceeding the regional average.
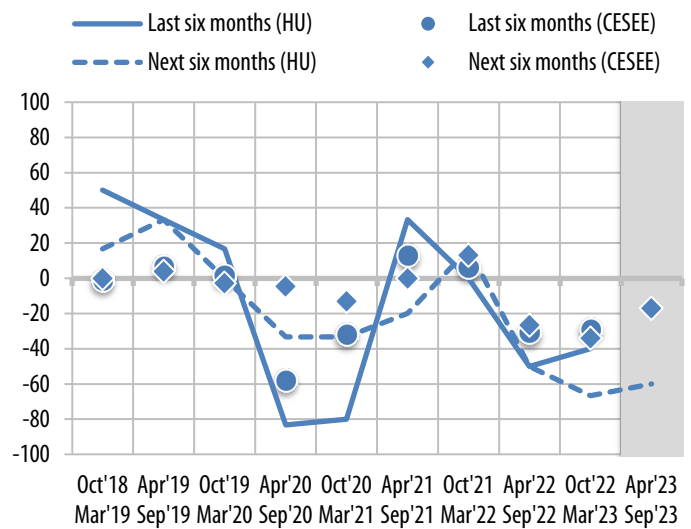
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7   Supply components and segments (in %)

Credit supply conditions have worsened in every segment during the last six months, which is broadly in line with developments elsewhere in the region, and sometimes a bit worse. Supply conditions worsened considerably in the consumer segment.

Banks project worsening conditions overall for the next six months. The expectations of banks in Hungary are more pessimistic than other banking markets in the region in all segments.
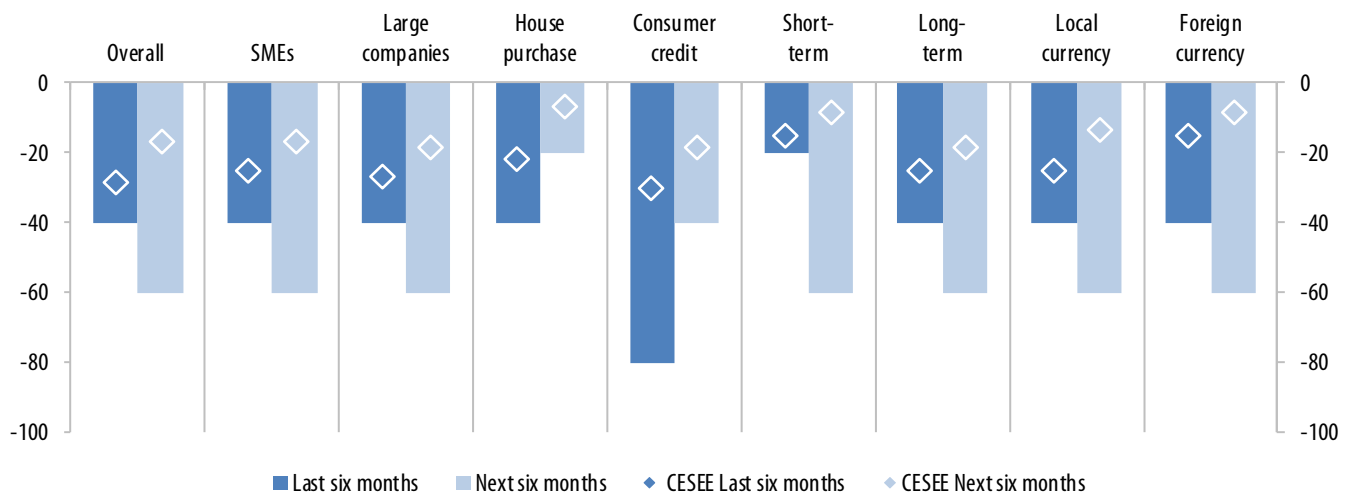
Source: EIB — CESEE Bank Lending Survey.

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

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

Approval rates for credit applications have deteriorated in all segments. The greatest decline in the last six months was in the consumer credit segment, while approval rates remained unchanged for house purchase and short-term loan segments.

Over the next six months, approval rates are expected to worsen overall. By contrast, the average regional expectations indicate a stagnation of approval rates in most segments.
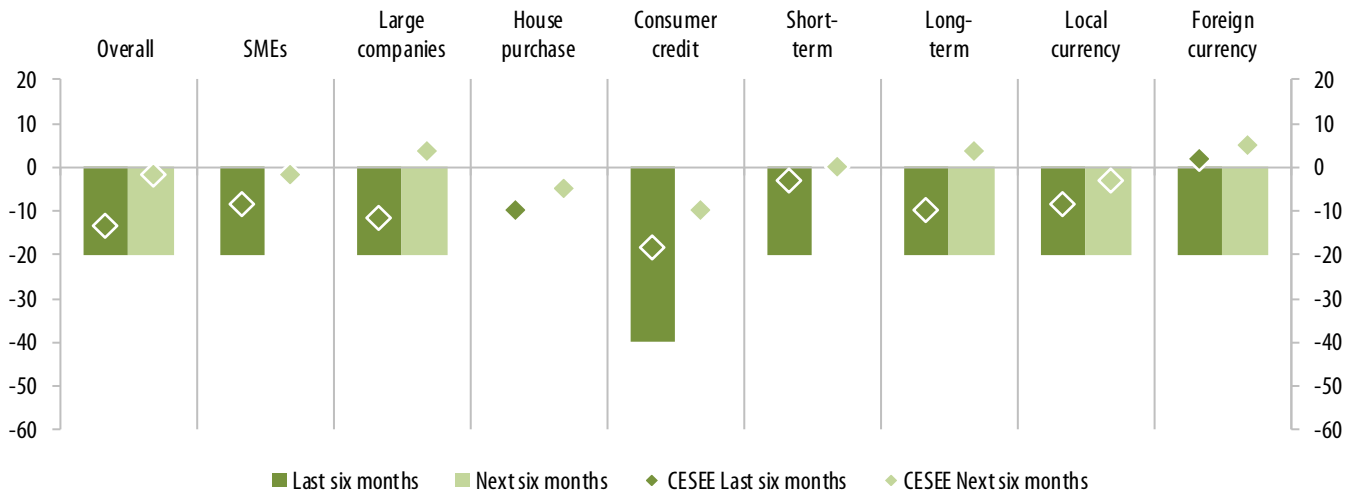

Source: EIB — CESEE Bank Lending Survey.

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

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

All domestic factors pushed banks in Hungary to take a more cautious stance in the last six months. Of the international factors, all factors except the group outlook contributed negatively to supply conditions.

Banks report that they are worried that all domestic factors and international factors will worsen in the next six months, affecting supply conditions.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

In the next six months, however, banks again expect a deterioration in the overall non-performing loans ratio, in line with the regional average.
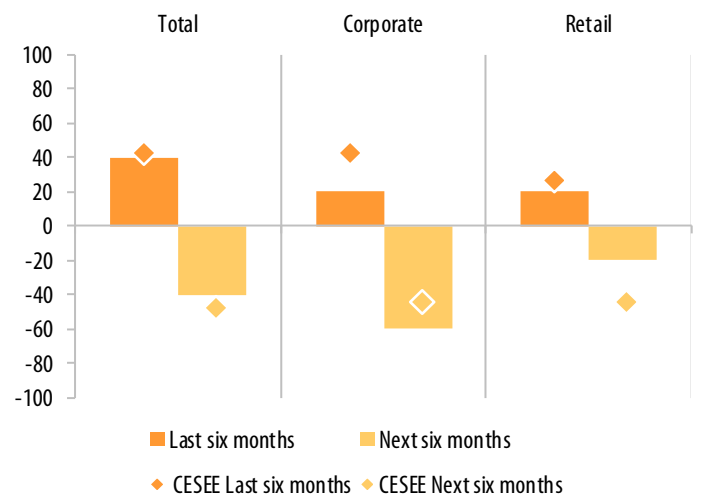
Source: EIB — CESEE Bank Lending Survey.

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

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

Overall access to funding for Hungarian banks improved in the last six months. Specific segments showed a mixed performance: Access to funding deteriorated in retail (contrary to the regional average), but improved in terms of short term, local currency and the net central bank position.

For the next six months expectations are unfavourable in general. Across segments, banks in Hungary show diverse expectations that exhibit vulnerability, in retail funding and the net central bank position in particular. This assessment is more pessimistic than the average in the region.
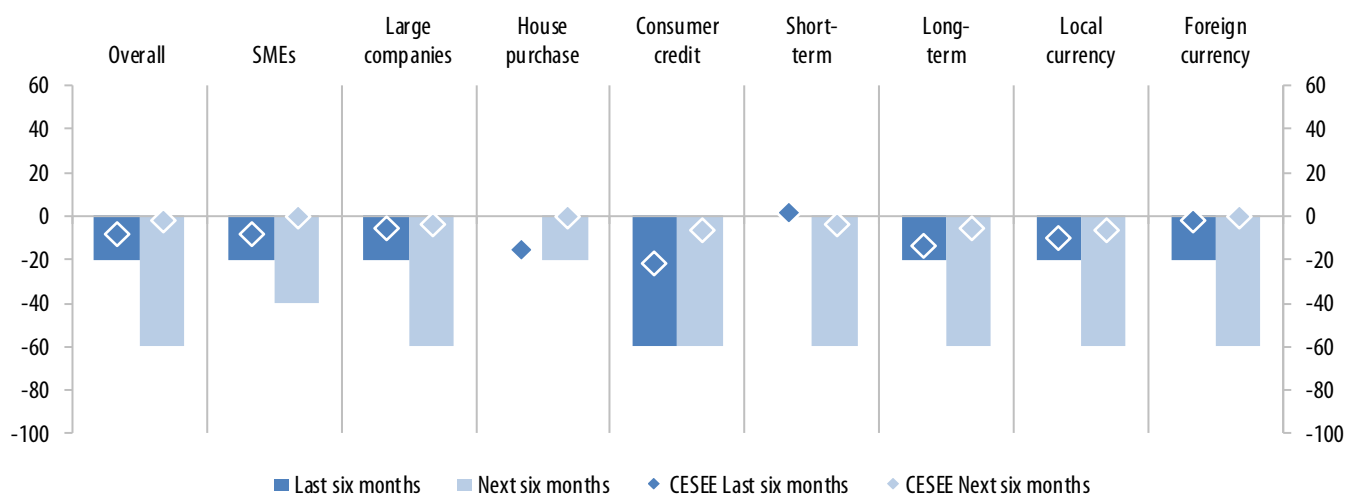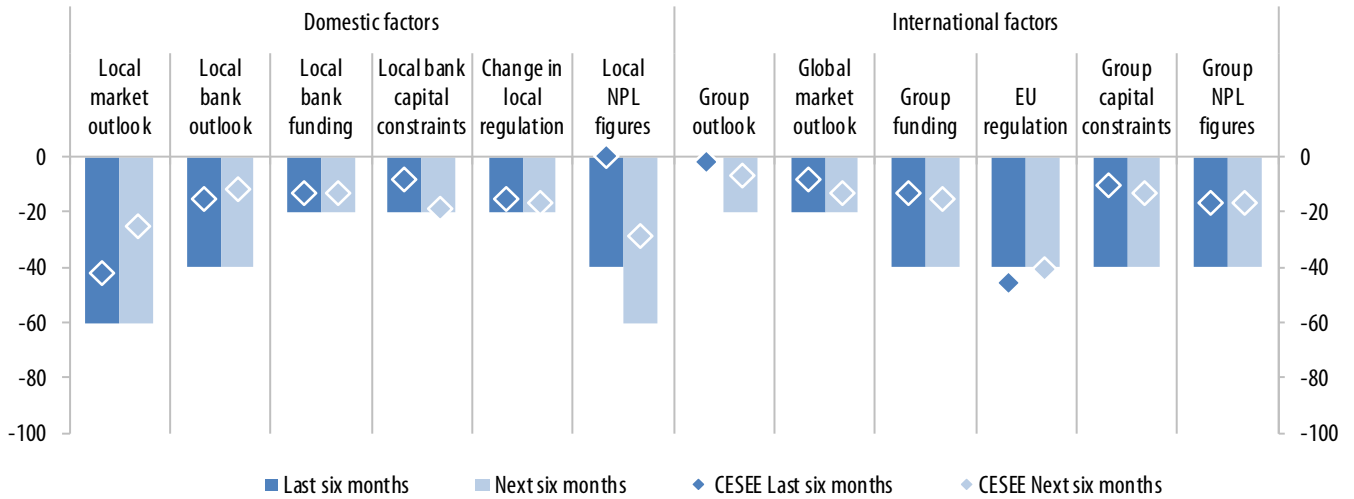

Source: EIB — CESEE Bank Lending Survey.

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

Kosovo

Credit demand and supply conditions were positive during the last six months, but the outlook for the next six months is generally less favourable (demand still robust, but supply conditions neutral). Banks are also signalling a possible increase in non-performing loans, which did not materialise in the last six months.

Summary

Group assessment of positioning and market potential: All banks continue to rate the market potential in Kosovo[*] as medium and assess their market positioning as optimal. Parent banks indicate strong profitability in Kosovo, typically driven by higher interest margins and lower operating costs, above the levels observed elsewhere in Central, Eastern and South-Eastern Europe (CESEE).

Credit demand grew over the last six months, despite some weakness on the corporate side (lower demand for investments and working capital). For the next six months, despite moderate economic growth, banks expect loan demand to remain resilient.

Credit supply improved in the last six months, contrary to the regional average. However, banks operating in Kosovo expect credit supply to be neutral in the next six months. Overall, the evolution of demand and supply conditions is likely to maintain a significant demand-supply gap.

While **funding** conditions were good and are expected to remain strong, banks in Kosovo, more than in the rest of the region, expect a possible increase in **non-performing loans** (NPLs) in the next six months.
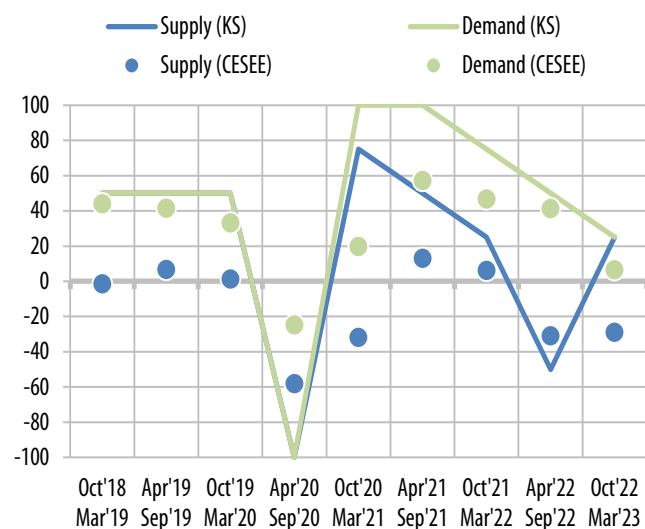
Credit supply and credit demand (in %)

Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
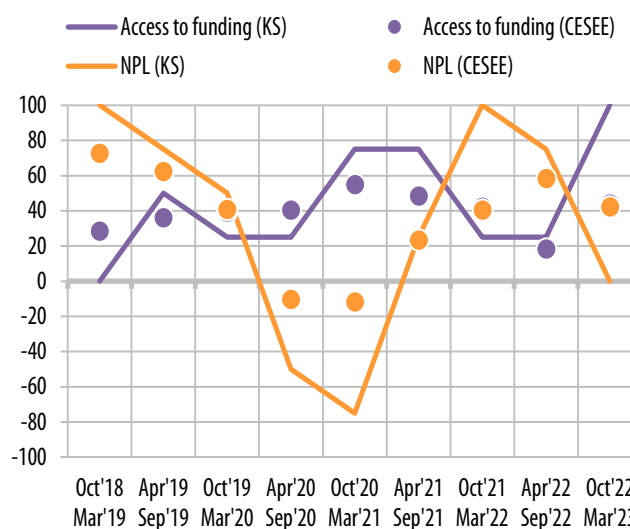
Source: EIB — CESEE Bank Lending Survey.

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

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[*] This designation is without prejudice to positions on status and it is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

CESEE Bank Lending Survey results — parent bank level

Figure 1 — Market potential and positioning

As in the previous surveys, the profitability of local subsidiary banks remains very strong and above levels observed elsewhere in Central, Eastern and South-Eastern Europe. All parent banks indicate that profitability is higher for their operations in Kosovo than for overall group operations.

All banks continue to assess their market positioning as optimal but rate the market potential as medium.
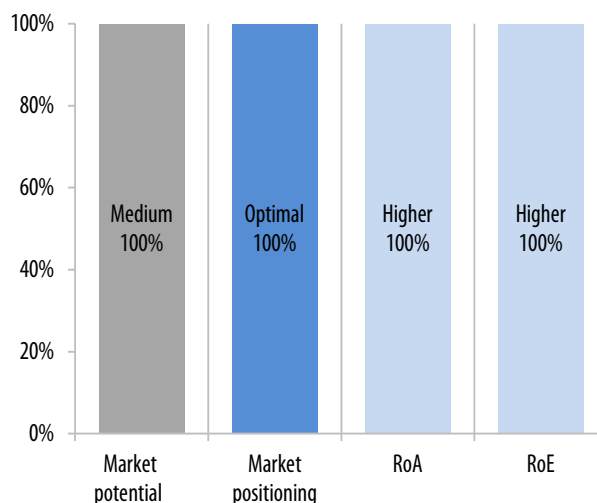
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 — Aggregate demand developments (in %)

Credit demand continued to grow in Kosovo over the last six months, though the growth continued to decelerate. In the next six months, credit demand is expected to remain positive (similar to the regional aggregate).

Following a strong recovery (real GDP grew 10.7% in 2021), economic growth became more moderate (+3.7% in 2022). According to the International Monetary Fund's spring 2023 World Economic Outlook, Kosovo's gross domestic product will grow 3.5% in 2023 and 3.9% in 2024.
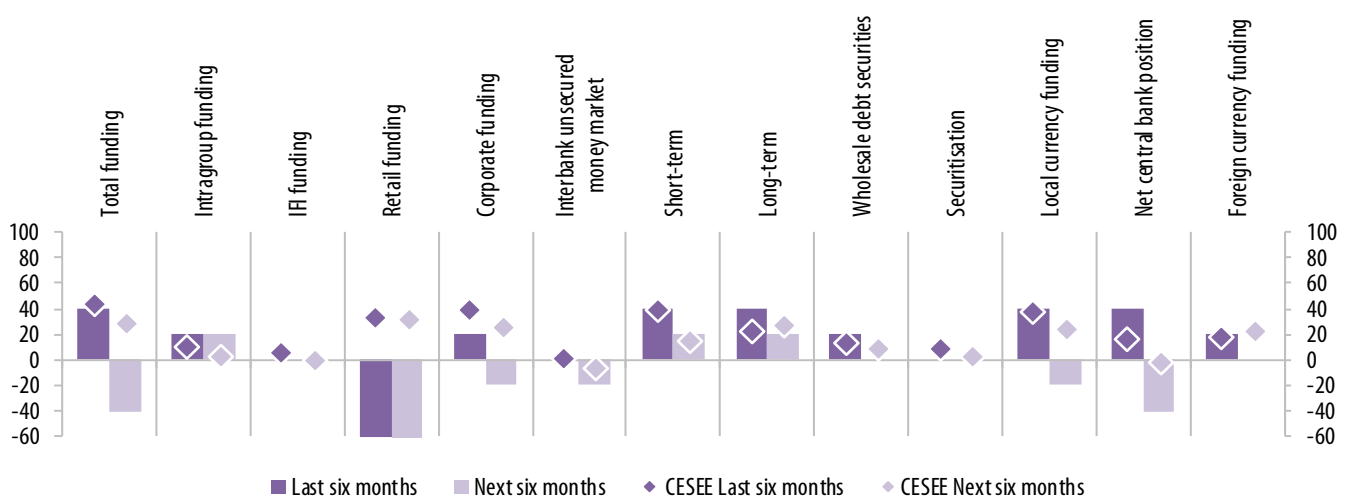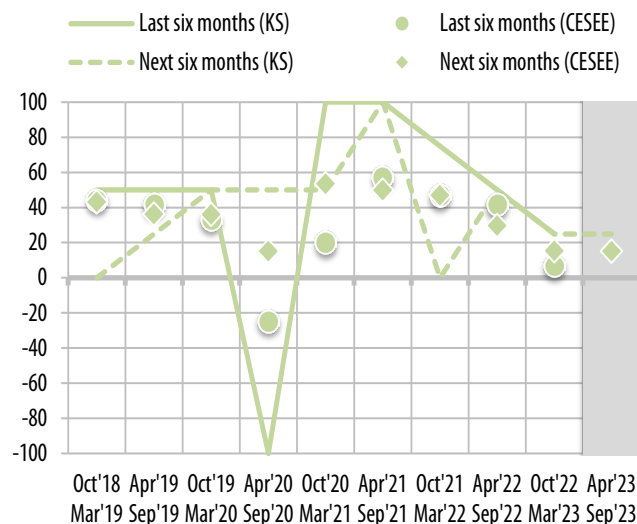
Source: EIB — CESEE Bank Lending Survey.

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

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

Credit demand was strong across all major segments except for large companies, long-term and local currency. In the retail sector, loan demand was particularly strong for consumer credit, while it remained stable for corporations and for the mortgage segment. Banks in Kosovo expect credit demand to remain strong, above the regional average, driven by demand from small firms and house purchase.

Source: EIB — CESEE Bank Lending Survey.

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

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

Long-term fixed investment financing for corporates was the main driver negatively affecting credit demand in the last six months, while consumer financing was the most resilient.

In the next six months, demand is expected to be stronger for both fixed investments and working capital (on the corporate side) and for mortgages and consumer finance (on the retail 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 %)

The quality of loan applications in Kosovo improved during the last six months.

A significant deterioration is expected in the next six months, more than the regional average, driven by the retail segments and by small and medium enterprises (SMEs). The only exception is large corporates, for which quality is expected to remain stable.

Legend: ■ Last six months ■ Next six months ◆ CESEE Last six months ◆ CESEE Next six months

Source: EIB — CESEE Bank Lending Survey

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

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

Credit supply conditions in Kosovo (expressing the banks' willingness to extend credit to their clients) were favourable in the last six months, unlike the regional average.

However, banks expect a more neutral stance in terms of credit supply in the next six months. The previous survey period indicated tightening supply conditions, which did not materialise.
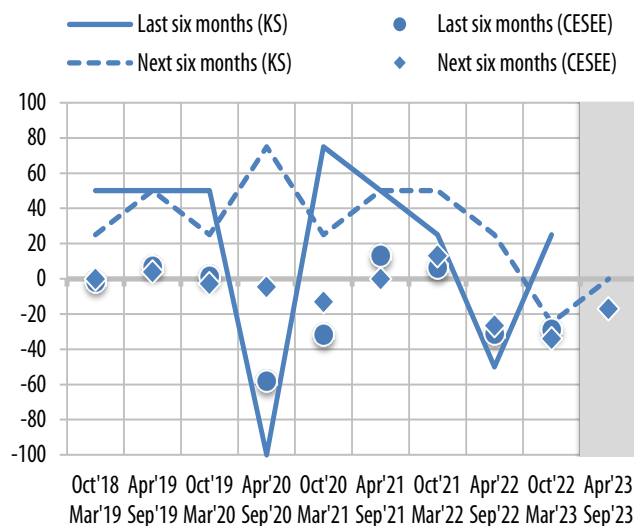
Legend: — Last six months (KS) ● Last six months (CESEE) - - Next six months (KS) ◆ Next six months (CESEE)

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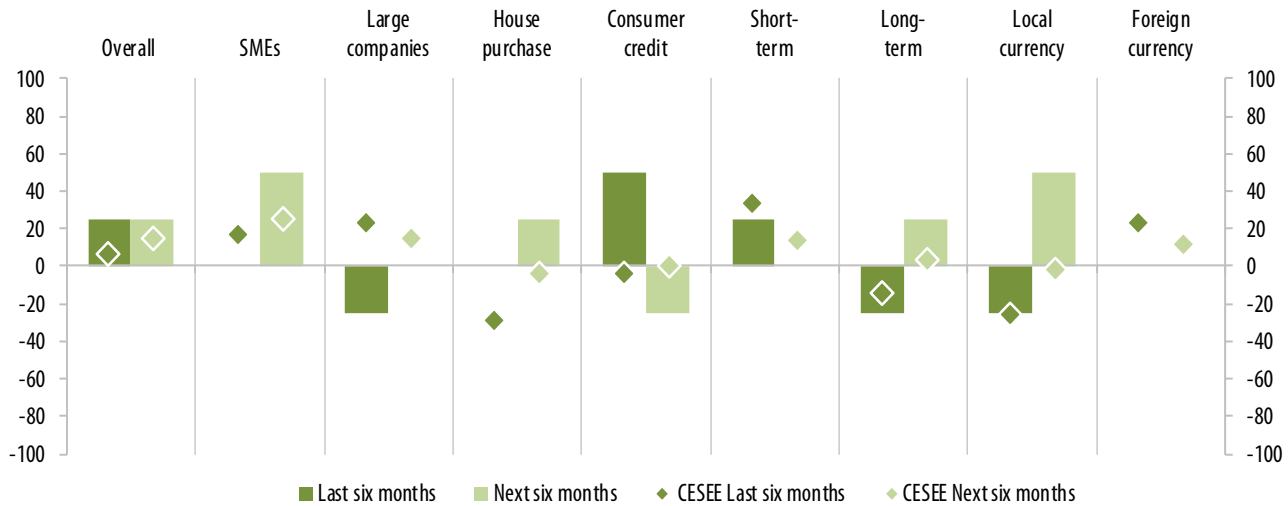
Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (solid line and circles). In other words, expectations reported at time *t* for the next six months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

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

Overall supply conditions were favourable, driven mainly by the retail segment (house purchase and consumer credit). Credit supply remained neutral in the corporate sector (small and medium-sized enterprises and large corporates).

Neutral supply conditions are expected during the next six months across most business segments, except for small firms, house purchase and maturities.
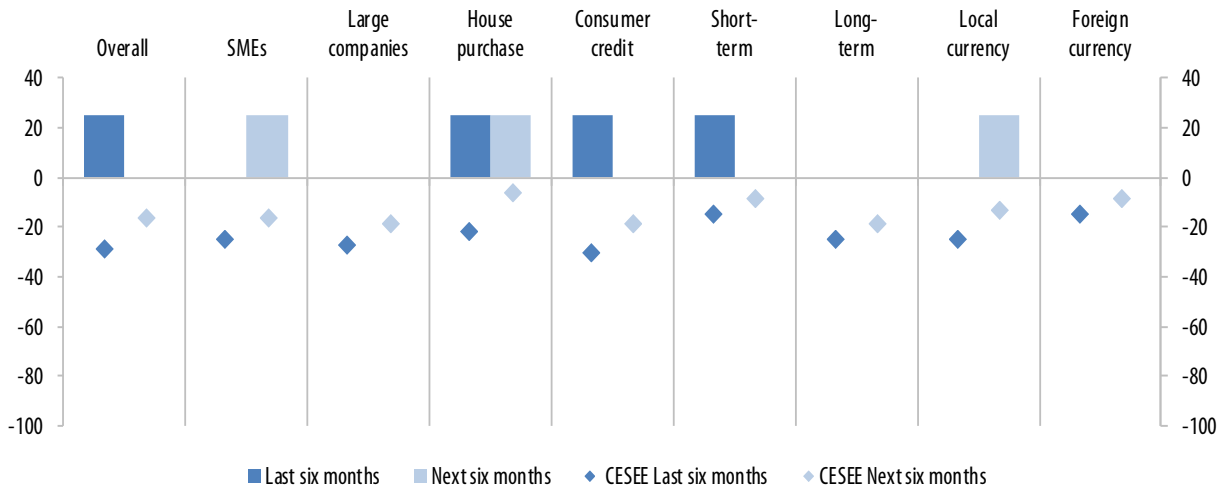
Source: EIB — CESEE Bank Lending Survey.

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

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

The overall bank approval rate for loan applications remained stable in the last six months. The approval rate worsened for small and medium-sized businesses and consumer credit but was largely unchanged for large corporates and house purchase.

Over the next six months, approval rates are expected to improve, especially for small firms, house purchase and consumer credit.
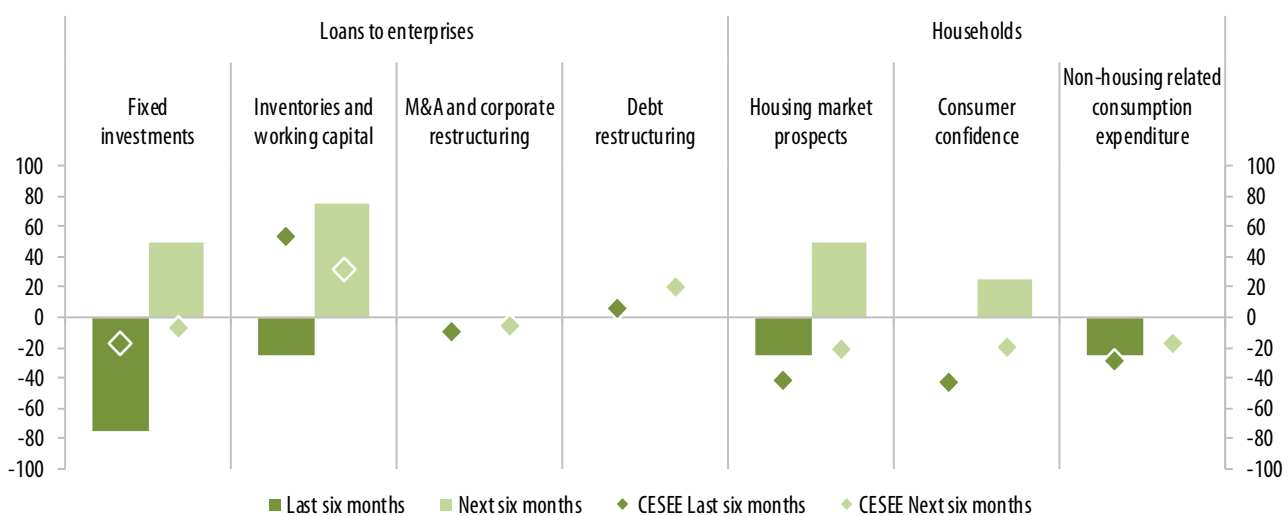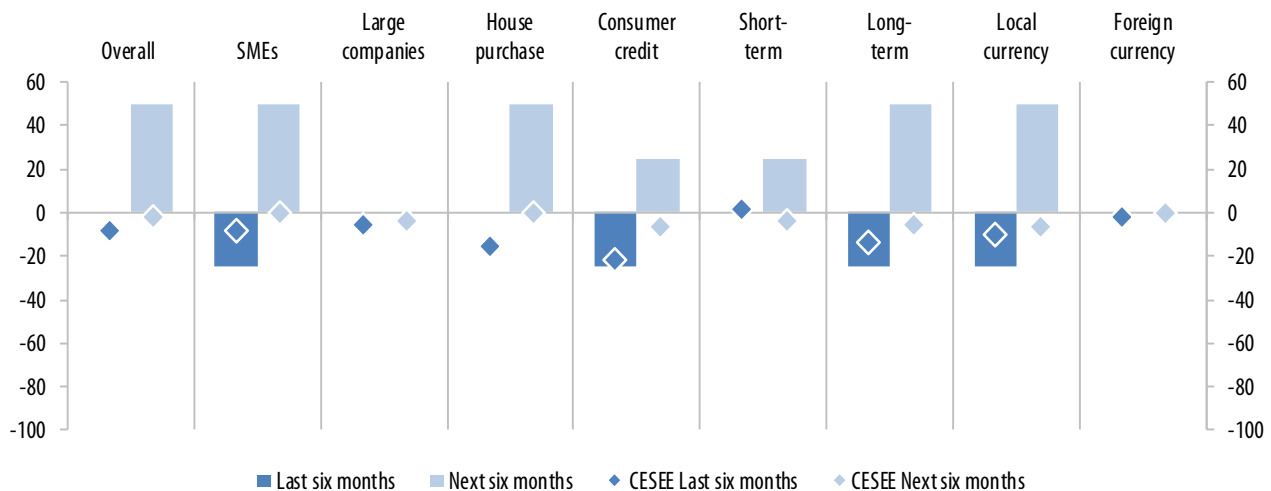

Source: EIB — CESEE Bank Lending Survey.

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

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

Both domestic and international factors weighed negatively on credit supply. EU regulation remains one of the factors contributing negatively to credit supply, according to the banks in Kosovo.

Forecasts are neutral for most factors in the next six months, with only concerns about credit quality (local non-performing loan figures) contributing negatively.
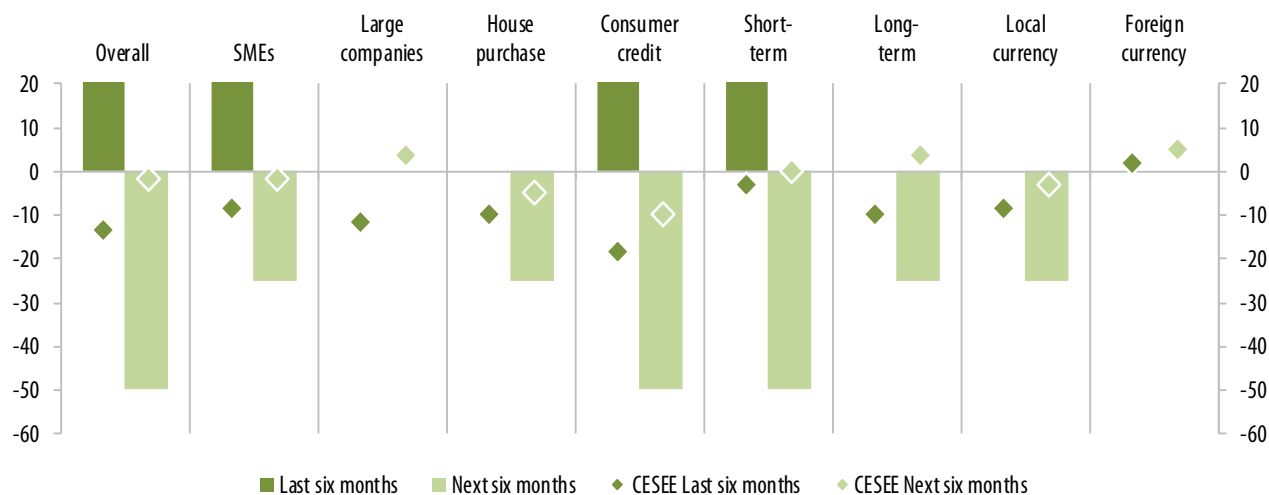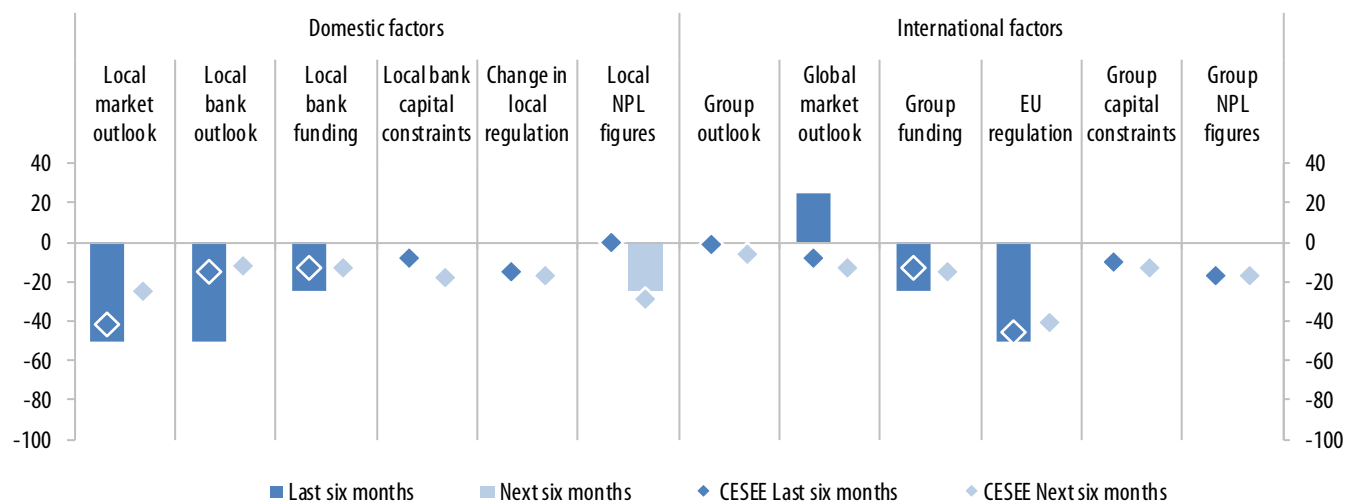

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios (in %)

Non-performing loan ratios declined in 2022, according to central bank regulatory data. Survey data show that the overall credit quality trend was neutral, with only the retail business contributing positively.

Such trend was therefore less significant than in the region on average.

However, banks in Kosovo are signalling a possible increase in non-performing loans over the next six months, more than in the rest of the region.
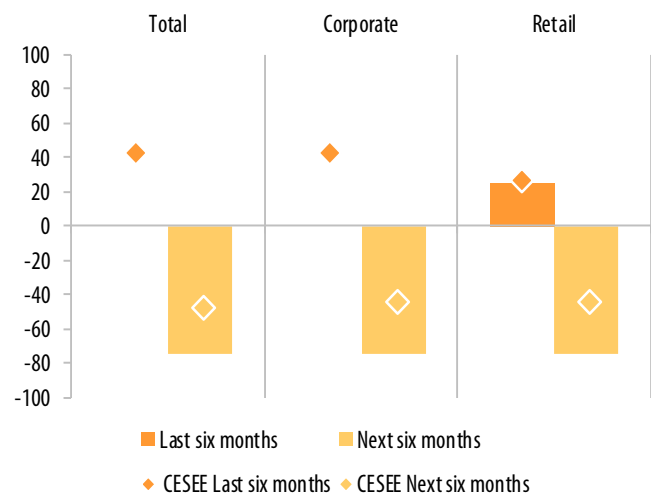
Source: EIB — CESEE Bank Lending Survey.

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

Figure 11 Access to funding (in %)

Access to funding improved in Kosovo over the last six months, driven especially by retail and corporate funding (meaning higher deposits). This improvement was across maturities. On the other hand, international finance institute funding was rather weak.

Banks remain optimistic about access to funding in the next six months, particularly regarding retail funding.

Source: EIB — CESEE Bank Lending Survey.

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

North Macedonia

While loan demand stayed strong, supply conditions tightened. However, in the coming months the credit demand will remain strong and supply will slightly improve. Non-performing loans, which continued to decline in the last six months, are forecasted to increase, amid slower economic growth and higher interest rates.

Summary

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

Credit demand conditions were strong over the last six months (apart from consumer credit) and are expected to remain robust, driven mainly by the corporate sector: small and medium enterprises (SMEs), and large corporations especially.

Credit supply tightened again over the last six months in all segments. In the coming months, supply-side conditions are expected to be rather neutral, and slightly better than the regional average.

Access to funding improved in North Macedonia over the last six months, even more than the regional average. Funding availability could further improve in the next six months, with corporate and retail funding expected to make the strongest contributions. **Credit quality** followed a favourable trend in the last six months, but banks expect the overall non-performing loan (NPL) ratio to deteriorate amid the economic slowdown and higher interest rates.

Credit supply and credit demand (in %)
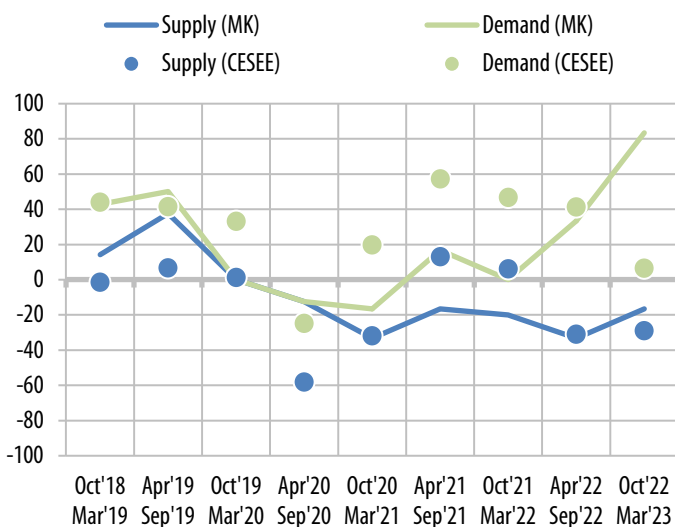
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
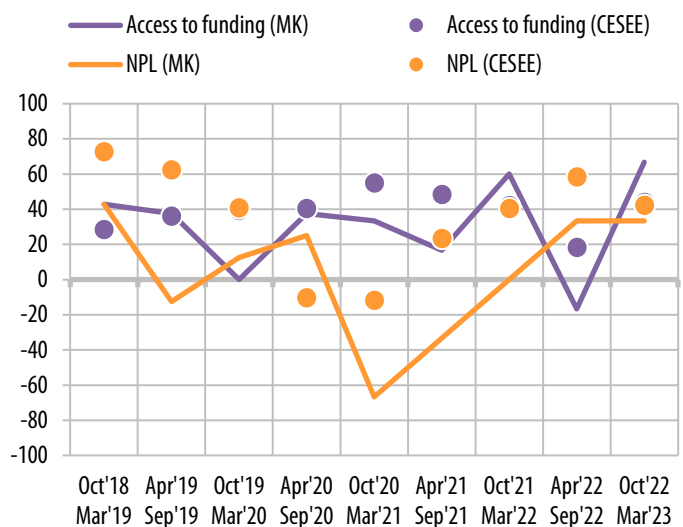
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

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

As in the previous survey round, banks in North Macedonia reported higher profitability than at the group level (higher margins and lower costs compared to the group), in terms of returns on assets and equity. This represents an improvement since the last survey round.

Accordingly, parent banking groups operating in North Macedonia perceive their current market positioning as satisfactory (50%) or optimal (50%). They all rate the market potential as medium.
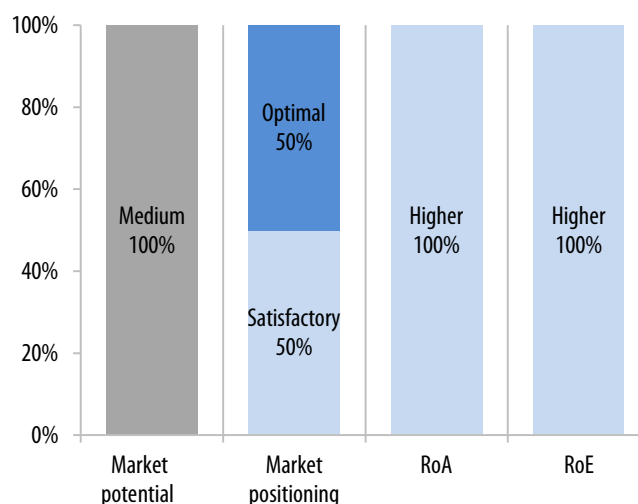
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Credit demand conditions improved over the last six months.

Credit demand is also expected to remain strong in the next six months, despite the expected slowdown in economic activity. Gross domestic product grew 3.9% in 2021 and 2.2% in 2022 and the growth is projected to further soften to 1.4% in 2023, according to the International Monetary Fund's World Economic Outlook, April 2023.
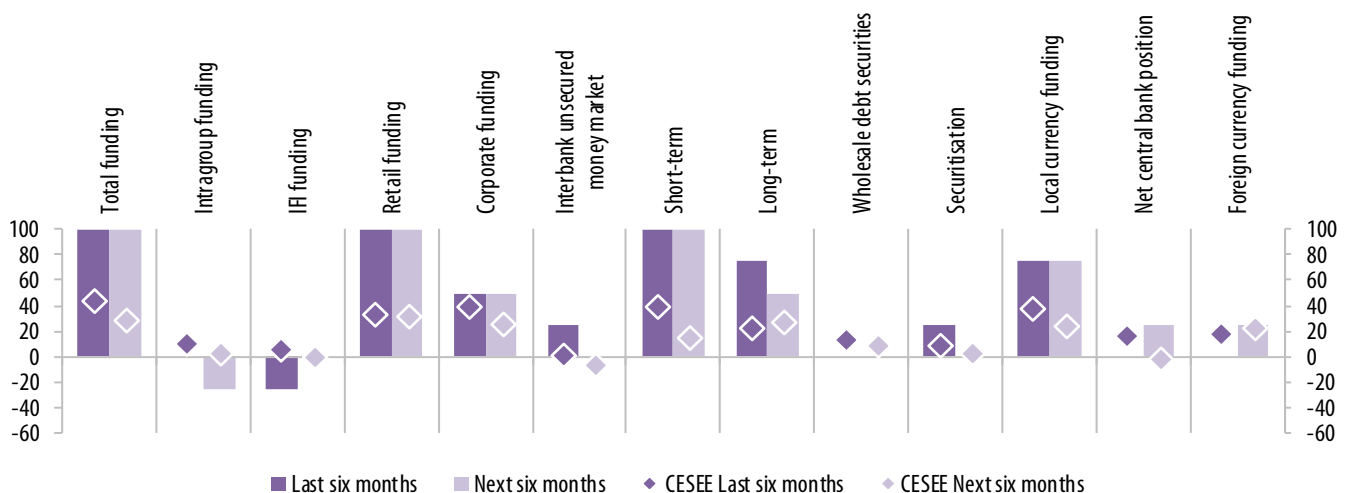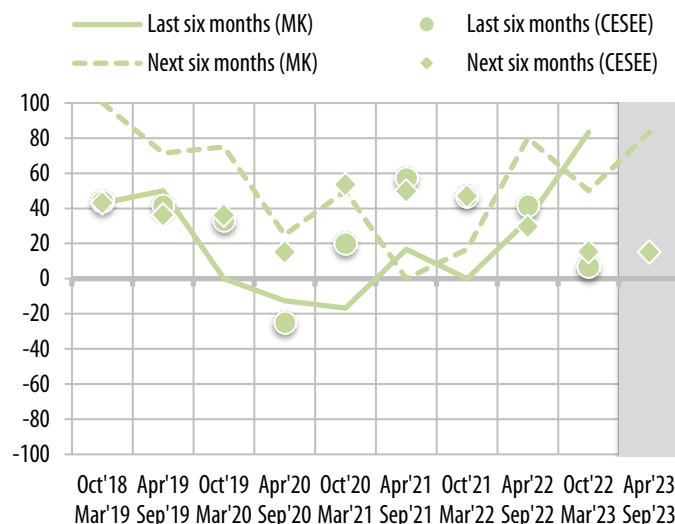

Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments (in %)

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

Banks in North Macedonia remain optimistic about demand developments for the next six months, with all business segments expected to contribute positively, especially in the corporate segments (small and medium firms and large companies).

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans (in %)

Fixed investments and working capital were among the main drivers of positive credit demand during the last six months. The housing market also contributed positively.

In the next six months, banks again expect positive contributions from corporates, in terms of credit demand. No change is predicted for the housing market, whereas consumer confidence is expected to contribute positively.

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

Figure 5 — Quality of loan applications (in %)

Most of the banks in North Macedonia signalled a significant deterioration in the quality of loan applications overall during the last six months, contrary to the slight deterioration in the regional average. The corporate sector is the main driver, but retail segments also contributed negatively.

The quality of loan applications overall is expected to improve over the next six months, driven by corporates (small and medium firms and large enterprises), while staying neutral for retail.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 — Aggregate supply developments (in %)

Credit standards in North Macedonia tightened over the last six months (though less than in the previous period), broadly consistent with expectations in the previous survey round.

Supply-side conditions are likely to remain neutral in the next six months, slightly better than the regional average.

Source: EIB — CESEE Bank Lending Survey.

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

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

All business segments were affected by tight credit supply conditions (that is, banks were less willing to extend credit to their clients). Small and medium firms were among the most affected, together with large companies and house purchases, and consumer credit was also affected.

In the next six months, supply conditions are expected to remain stable in North Macedonia, better than the regional average. Consumer credit will be the most affected by tighter supply conditions.
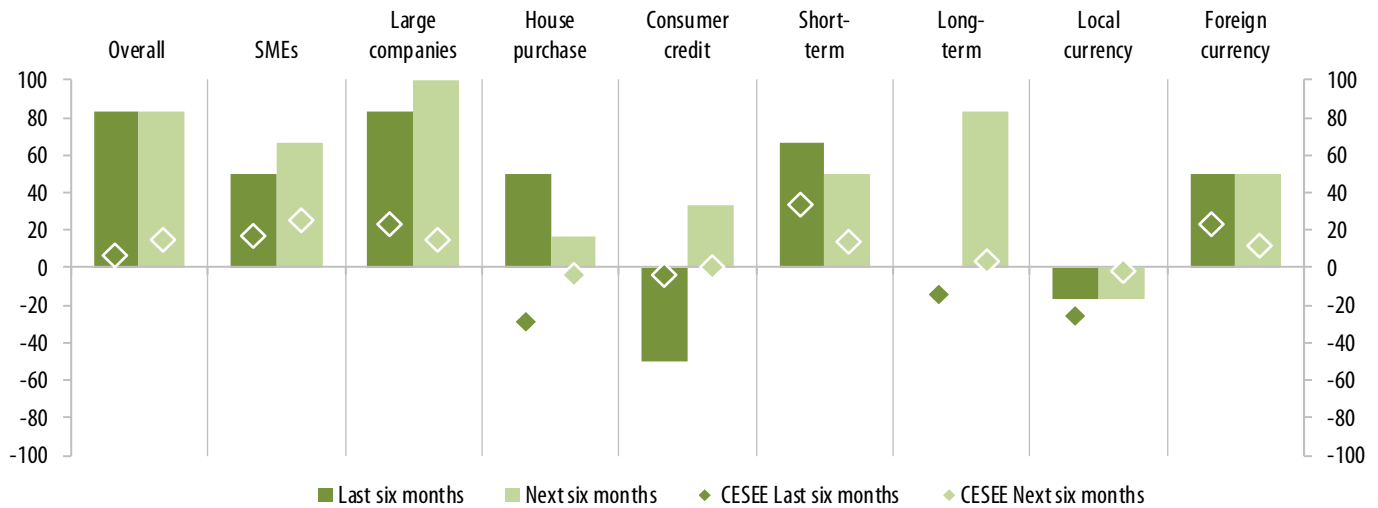

Source: EIB — CESEE Bank Lending Survey.

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

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

Bank loan approval rates improved overall during the last six months.

Over the next six months, approval rates are expected to improve again overall, driven by small and medium enterprises, and remain above the regional average. Banks also predict worse approval rates for the house purchase and consumer segments.
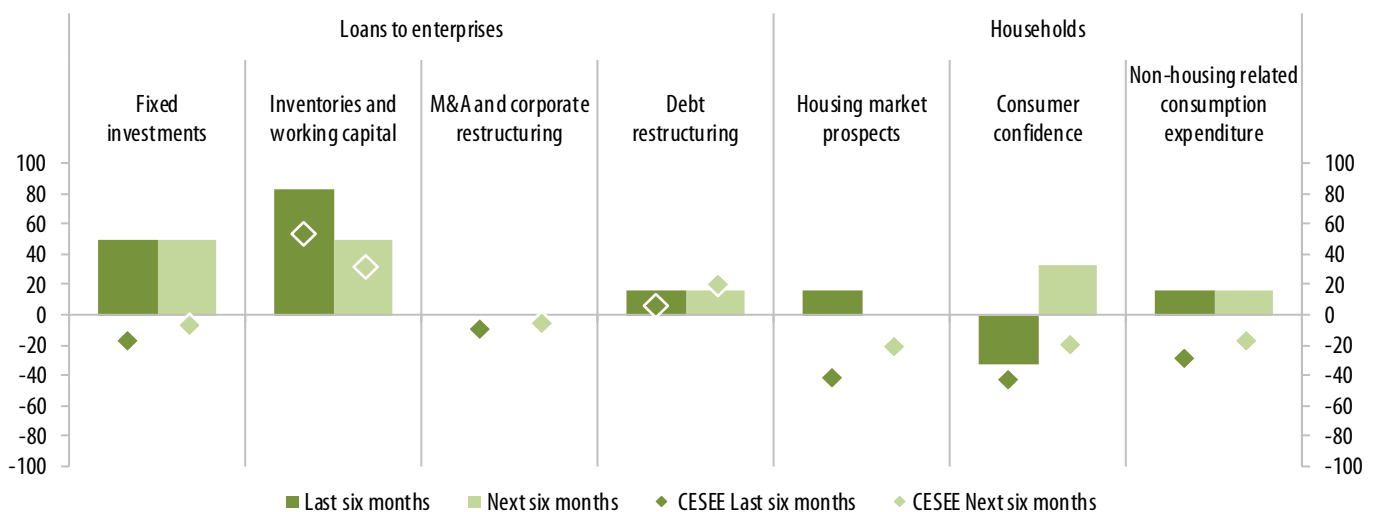

Source: EIB — CESEE Bank Lending Survey.

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

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

Various domestic factors contributed negatively to supply conditions (in particular the local market outlook).

In the next six months, banks in North Macedonia expect a similar situation, with negative forecasts for all domestic factors. Of the international factors, EU regulation is expected to make a negative contribution.
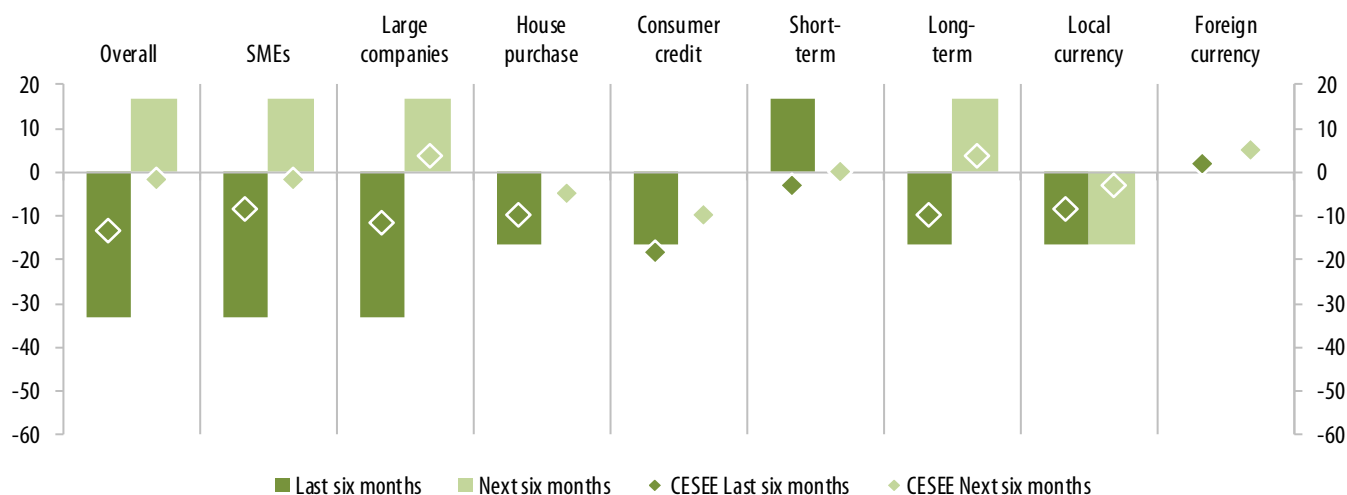

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10   Non-performing loan ratios (in %)

Banks in North Macedonia signalled improvements in credit quality during the last six months, driven by the corporate and retail segments.

For the next six months, banks expect non-performing loan ratios to deteriorate in the retail segments in a context of lower economic growth and higher interest rates (average interest rates applied to the clientele in North Macedonia increased by 1% in 2022).

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11   Access to funding (in %)

Access to funding for banks in North Macedonia improved over the last six months. Retail and corporate funding were particularly strong, and intragroup funding was also supportive. Recent years were characterised by elevated credit growth (and high funding needs), and the loan-to-deposit ratio is now close to 90%, according to central bank data.

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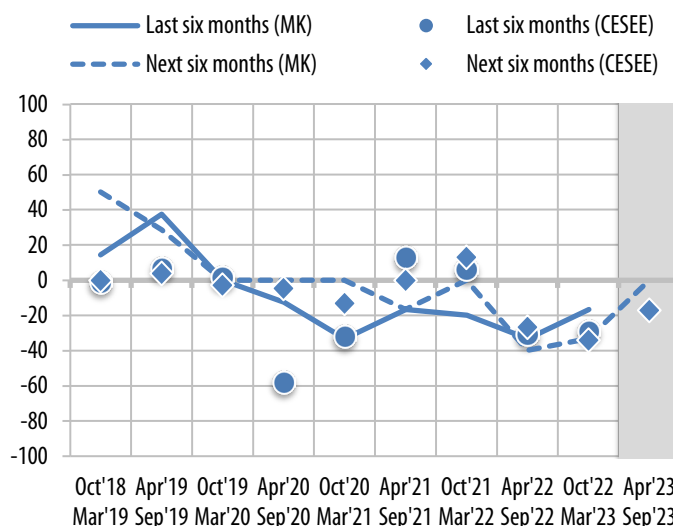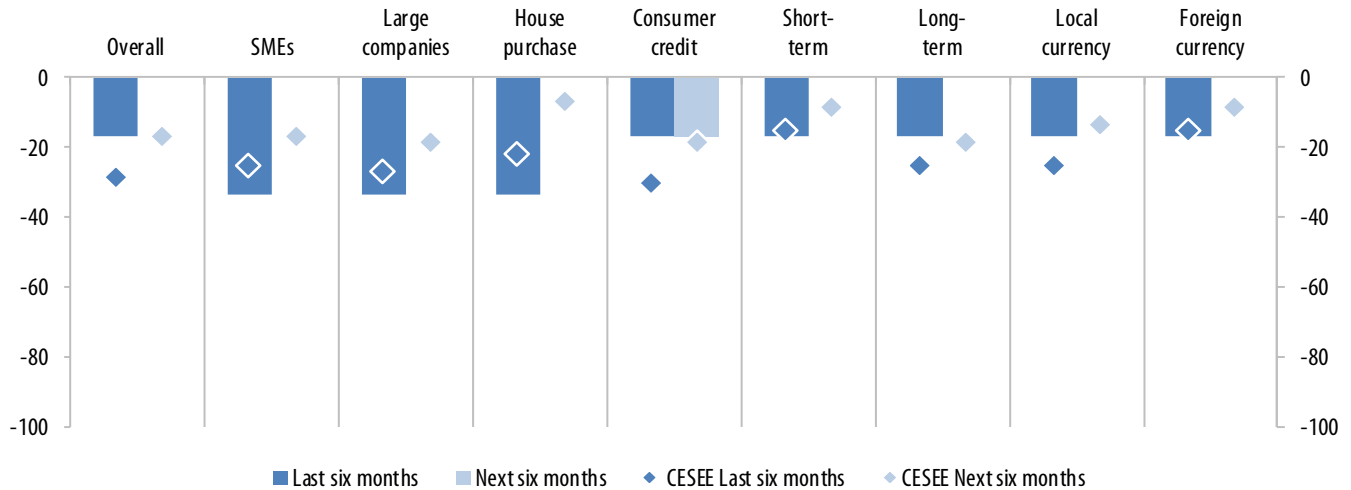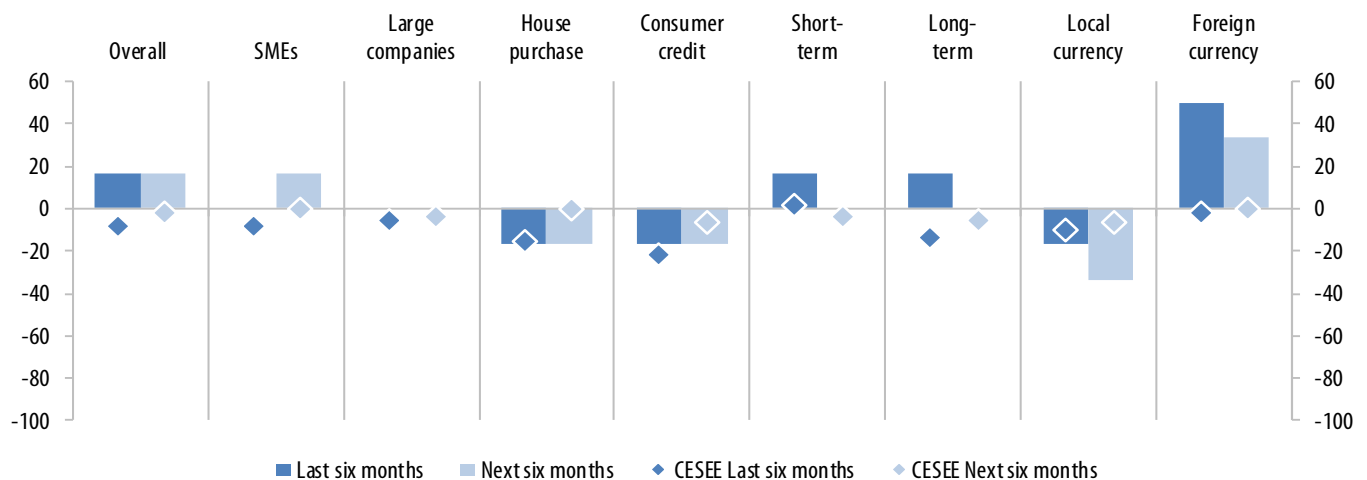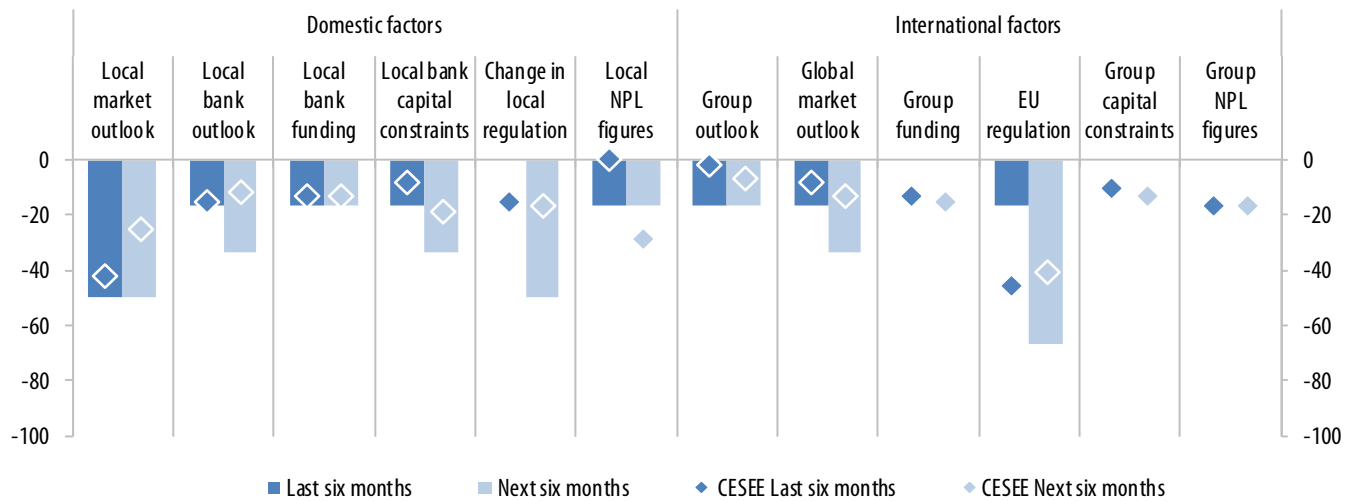

Source: EIB — CESEE Bank Lending Survey.

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

Poland

While supply conditions seem to have stabilised, Polish banks expect continued deterioration in demand for credit. Banks expect an improvement in the overall loan approval rates, but credit quality in the corporate and retail segments may become a concern over the next six months.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland consider their positioning in the Polish market as satisfactory. However, all banks reported that their local operations in Poland were less profitable than overall group operations.

Credit demand in Poland continued to fall in the last six months. All the respondent banks expect subdued credit demand in the coming months and are substantially more pessimistic than banks in the rest of Central, Eastern and South-Eastern Europe (CESEE).

Credit supply conditions in Poland improved in the last six months and are expected to remain neutral during the next six months. Banks project an overall improvement in loan approvals in the upcoming period, which is consistent with recovering supply conditions.

Overall **access to funding** continued to be favourable for banks in Poland in the last six months, mostly driven by corporate and retail deposits rather than group funding, and it is expected to remain positive.

The overall **credit quality remained stable**, as an improvement in the corporate loan quality was offset by a deterioration in the retail segment. Banks expect credit quality to decline in both segments in the next six months.
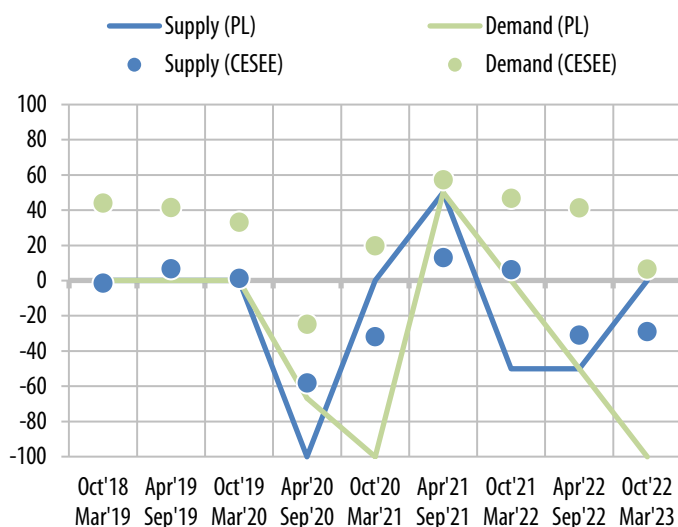
Credit supply and credit demand (in %)

Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
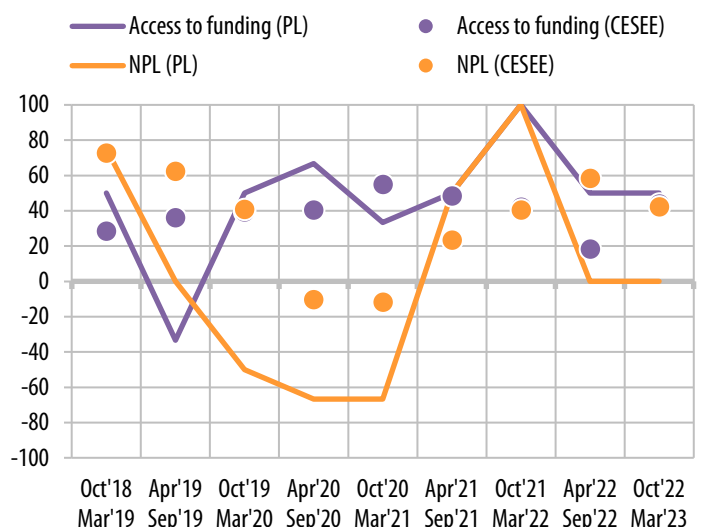
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

Figure 1 — Market potential and positioning (in %)

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

Major international players with a presence in Poland do not have subsidiaries elsewhere in the region, contrary to many other pan-regional banks operating in various countries in Central, Eastern and South-Eastern Europe. The groups in Poland all assess the potential of the local market as medium.

However, measured by returns on assets (RoA) and equity (RoE), local operations in Poland are less profitable than at the group level, contrary to banks in most of the other countries in the region.
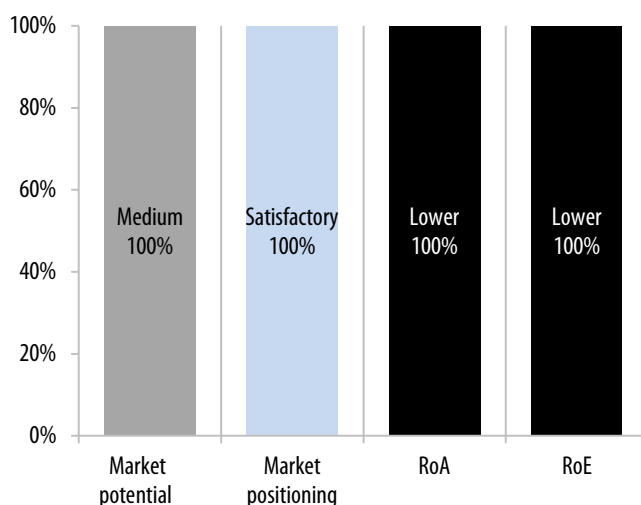
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 — Aggregate demand developments (in %)

Credit demand continues to decelerate in Poland. All the respondent banks report lower credit demand from their clients in the last six months. This is consistent with the trend observed in the wider region, which can be attributed to tighter financial conditions, higher inflation and the ongoing war in Ukraine.

All the Polish banks expect the subdued credit demand to continue in the next six months, which is substantially more pessimistic than other banks in the region on average.
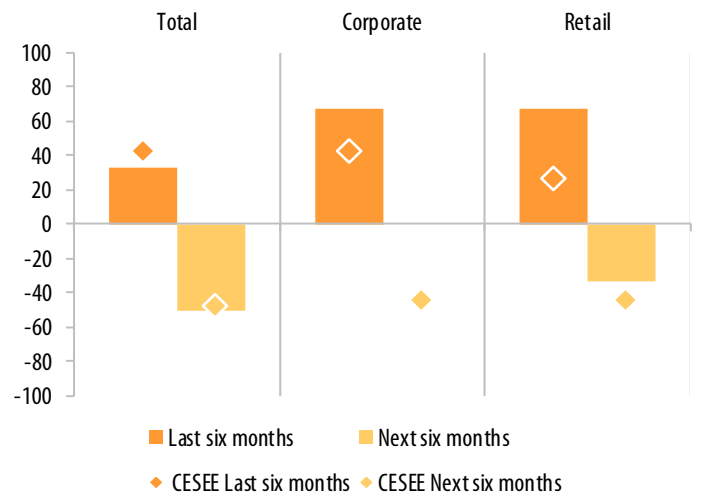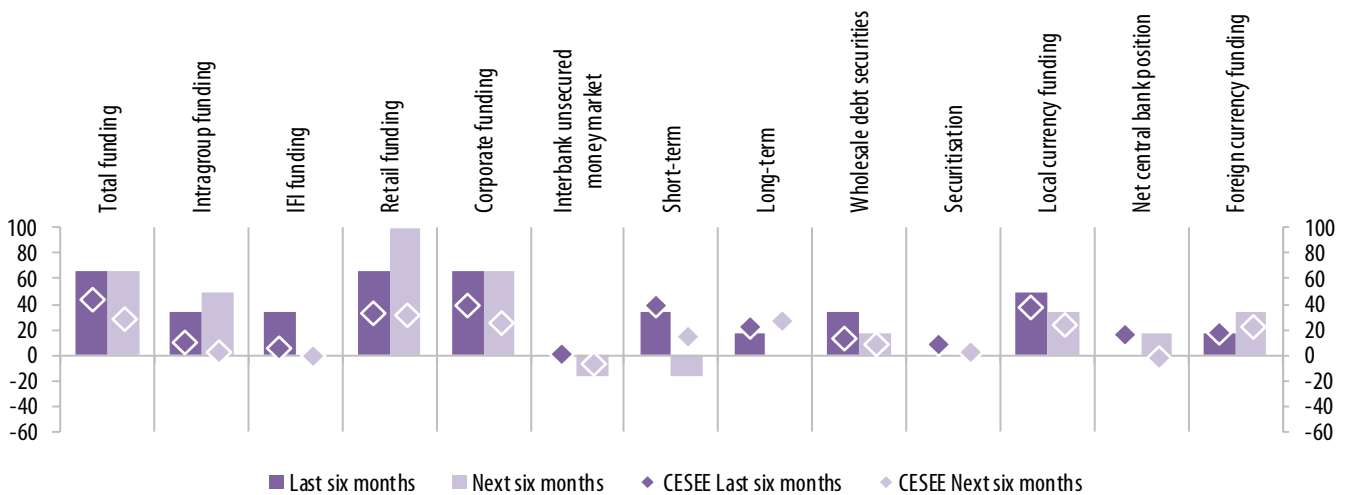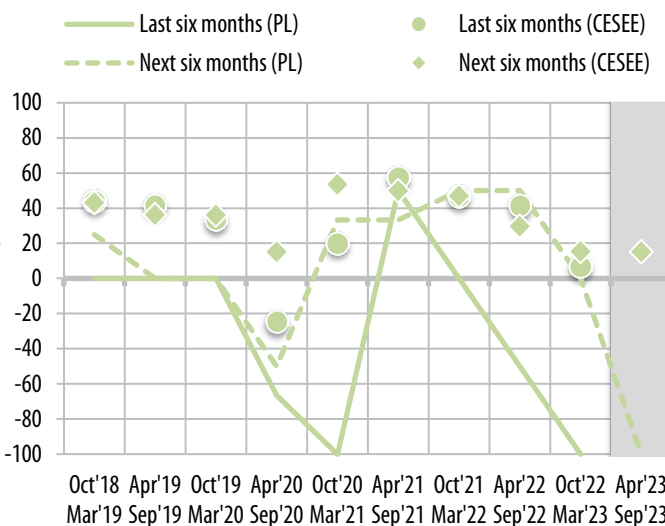
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3   Demand components and segments (in %)

All the respondent banks in Poland report that credit demand declined in the last six months. The steepest drops are observed among loans for house purchases, local currency and long-term loans. Some respondents report an uptick in credit demand among larger corporates, but not enough to offset the declines observed in the other market segments.

The subdued credit demand is expected to continue in the next six months across all the market segments.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4   Factors affecting demand for loans (in %)

Banks report negative demand contribution from corporates among all the loan types except for inventories and working capital in the last six months in Poland, signalling high liquidity needs for corporations (but less willingness to invest). This is largely consistent with the patterns reported across the region.

Household loans are under more pressure, with all the banks reporting negative demand contribution across loan types. On balance, this is more negative than in the wider region. The banks do not anticipate an improvement in the demand for credit in any of the loan types in the next six months.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

However, respondents expect that the loan quality will deteriorate in the small and medium-sized enterprise (SME) segment in the coming months.

Source: EIB — CESEE Bank Lending Survey

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

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

Credit supply conditions in Poland have gradually improved despite recent pessimism and are reported to have been stable in the last six months.

This pattern is expected to continue in the next six months, with banks in Poland a bit more optimistic than banks in the region on average.
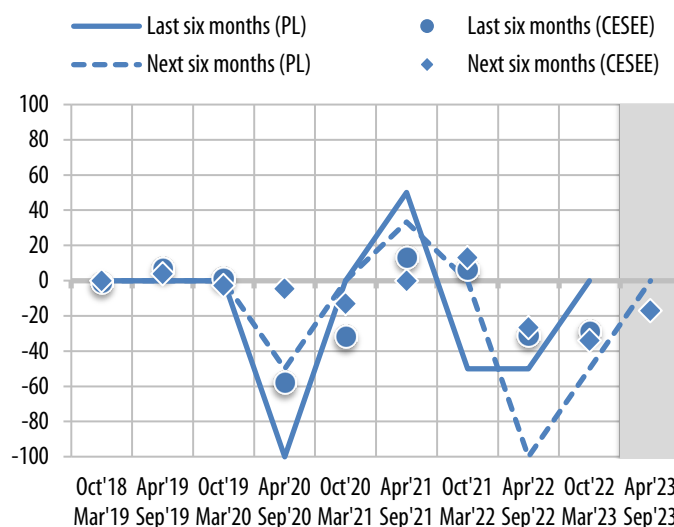
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7   Supply components and segments (in %)

Credit supply conditions remained neutral in the last six months, although some market segments improved, including corporates (small and medium businesses and larger firms), house purchases and short-term lending.

In the coming months, banks anticipate tighter financial conditions for loans to larger corporates and long-term financing. Polish banks are more positive about all the market segments than banks across the region.
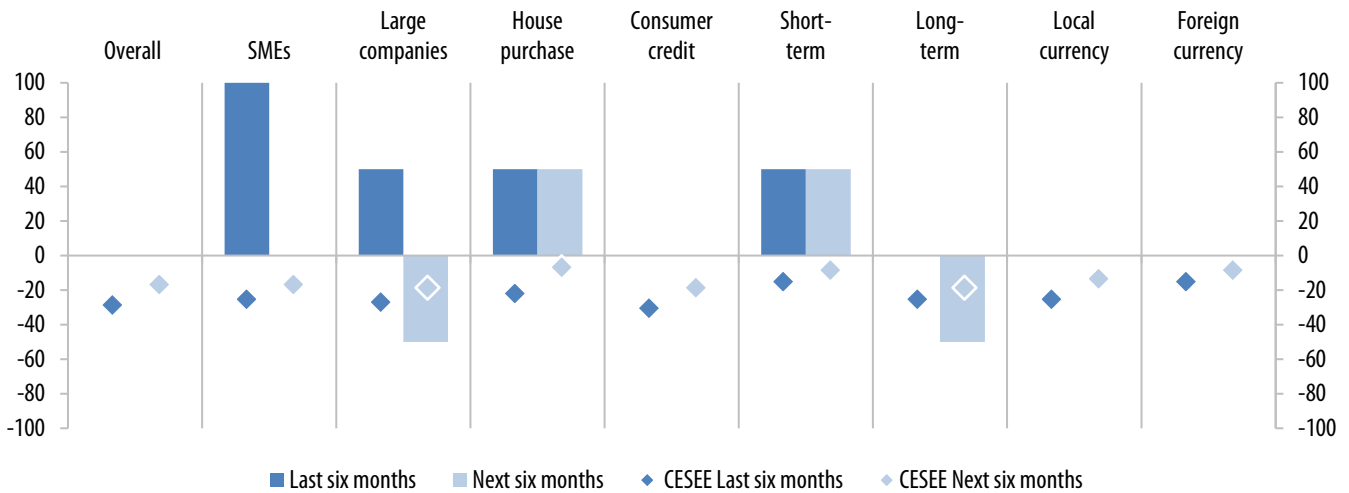
Source: EIB — CESEE Bank Lending Survey

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

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

Loan approval rates have stagnated or declined in all segments except large companies and short-term loans. The most significant deterioration was recorded for house purchases and for long-term financing.

Banks project an overall improvement in loan approvals in the next six months, significantly better than in the wider region, which is consistent with recovering supply conditions.
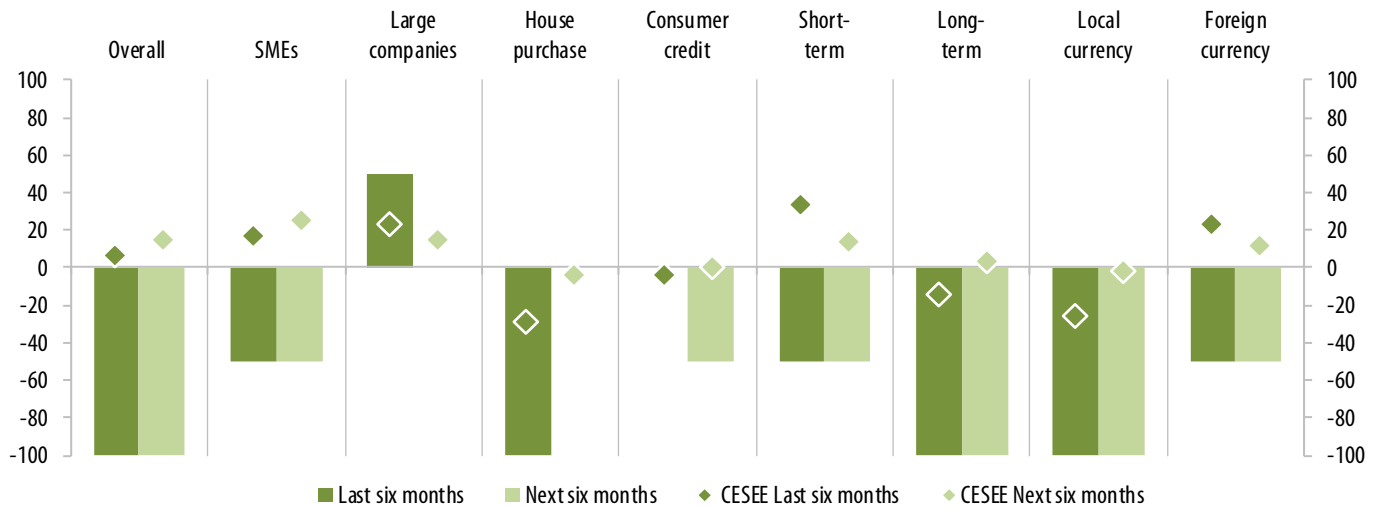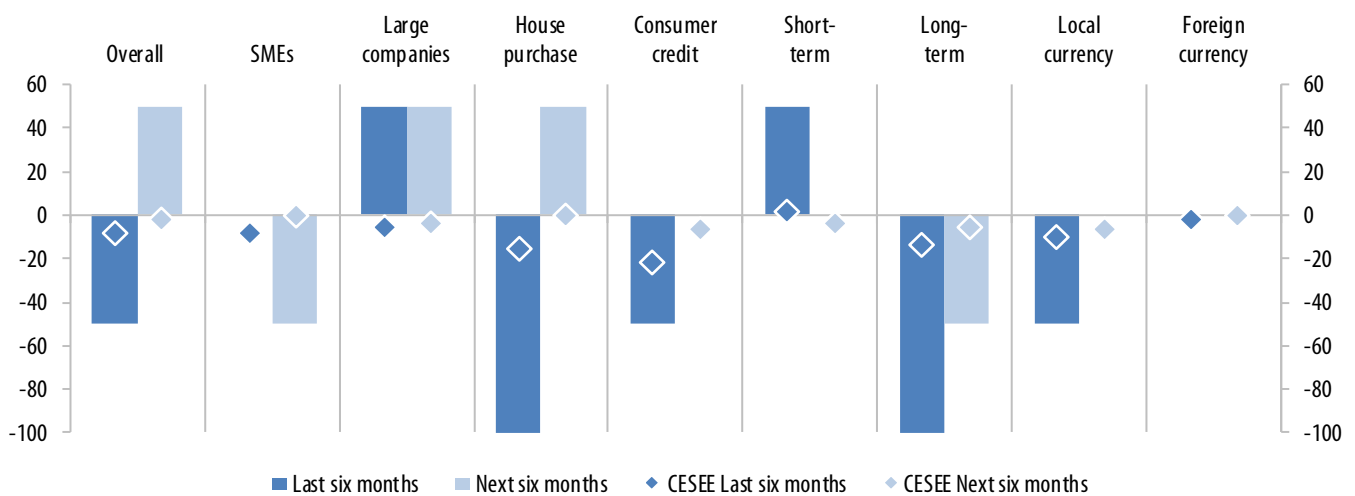

Source: EIB — CESEE Bank Lending Survey

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

Figure 9	Factors contributing to supply conditions (in %)

Various factors contributed to stagnating or declining credit supply conditions in Poland over the last six months, particularly domestic factors.

Among the international factors, the negative contribution comes from EU regulation, which is consistent with patterns reported by other banks in the region. Polish banks anticipate that the bottlenecks in supply conditions will persist in the next six months.
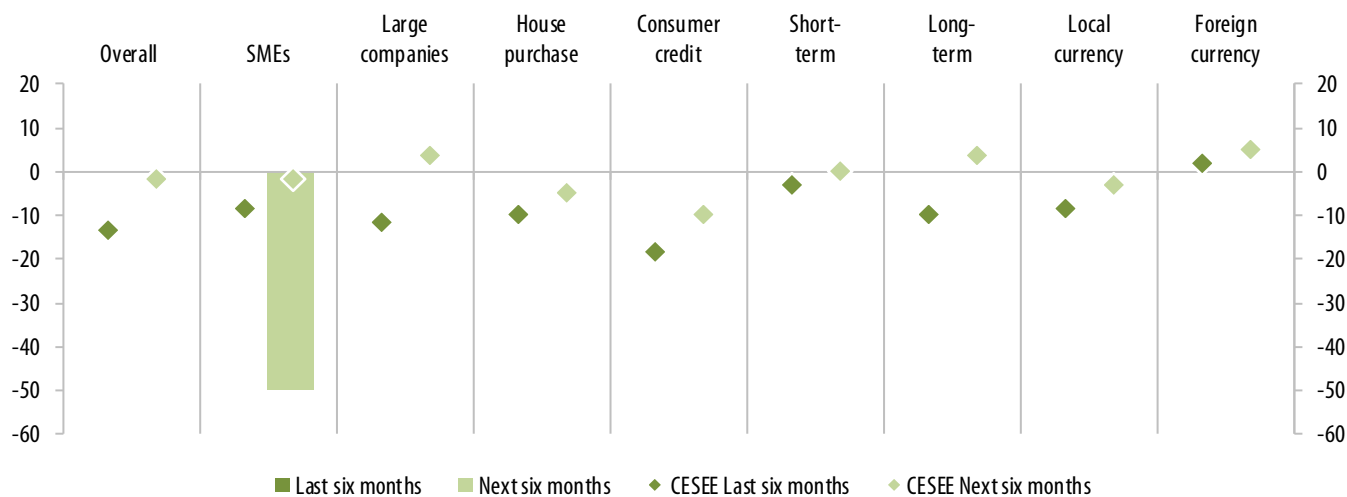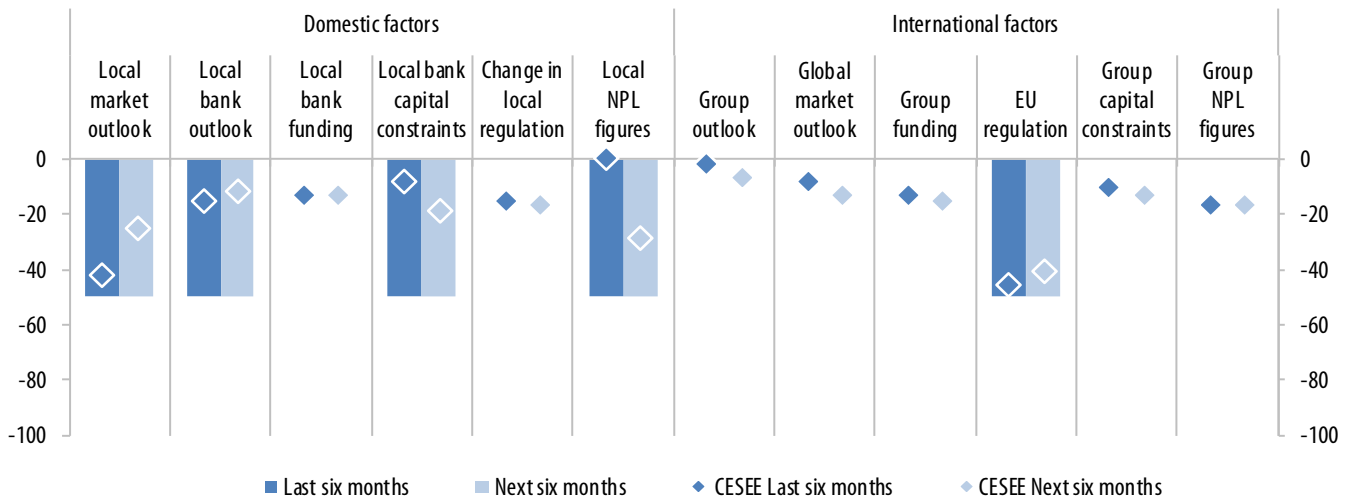

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10   Non-performing loan ratios (in %)

Overall credit quality remained constant in Poland in the last six months, with the improvement in corporate loan quality offset by a deterioration in the retail segment.

However, credit quality is expected to become less supportive over the next six months. Banks expect higher non-performing loans (NPLs) in both corporate and retail segments. This is consistent with the broader region.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 11   Access to funding (in %)

Polish banks' total access to funding improved in the last six months, with better access reported mostly for corporate funding, but also for deposits, short-term instruments and local currency funding.

Banks expect that these sources of funding will continue to improve banks' overall access to funding in the next six months.

Source: EIB — CESEE Bank Lending Survey.

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

Romania

Credit demand remained strong in Romania over the last six months, driven by corporates and consumers. In contrast, deteriorating supply conditions led to a marked decline in credit supply. Supply is expected to deteriorate further over the next six months, as is credit quality.

Summary

Group assessment of positioning and market potential: Two-thirds of surveyed banks perceive the Romanian banking market as having high potential — a better ratio than in the last survey round. Most banks are also satisfied with their market positioning in Romania, with only 17% describing it as weak. Banks' operations in Romania are reported to be more profitable than overall group operations, by 75% of participants for return on assets (RoA) and by 60% for return on equity (RoE).

Credit demand improved further over the last six months — driven by robust demand in the corporate segment and a ramp up in the retail segment. Demand for housing loans continued to deteriorate. Banks expect overall credit demand to grow strongly over the next six months.

Credit supply conditions worsened over the last six months in Romania across the board following patterns observed throughout Central, Eastern and South-Eastern Europe (CESEE). Banks in Romania expect credit supply to deteriorate further over the next six months, especially for long-term loans.

Access to funding improved over the last six months after a drop in the previous survey round. **Credit quality** of loans in Romania remained high, well above the regional average. Banks expect further improvements in access to funding over the next six months, but are more pessimistic regarding credit quality, which is projected to deteriorate significantly.

Credit supply and credit demand (in %)
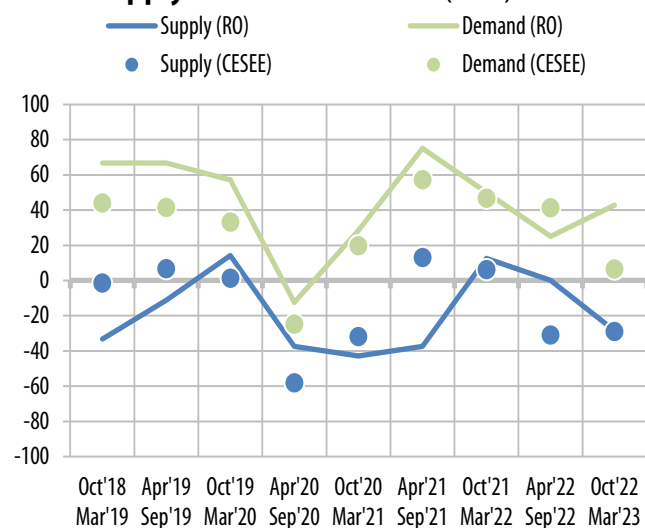
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
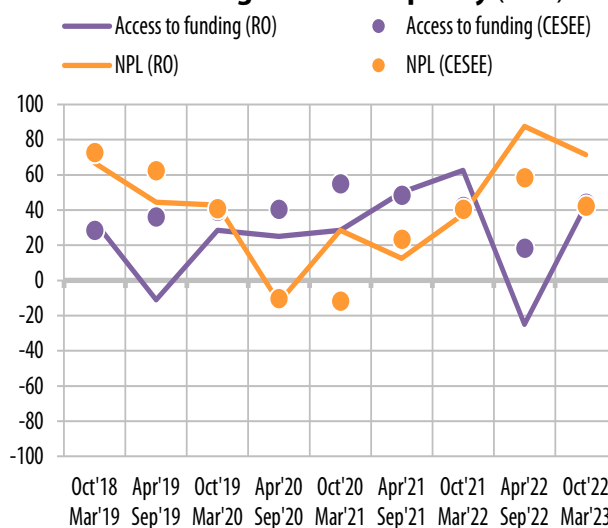
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

Figure 1   Market potential and positioning (in %)

Romania's banking market has high potential, according to two-thirds of survey participants. This ratio is among the highest across the region and has grown compared to the previous survey round (50%).

The ratio of banks reporting satisfactory market positioning has also improved since the last survey round (67% this time vs. 50% last time). Only 17% of banks now report their market positioning as weak, compared to 33% in the previous survey round.

Bank profitability remained at around the same levels compared to the last survey. For 75% of banking groups, Romanian operations outperformed the overall group in terms of return on assets. A similar situation was reported regarding return on equity.
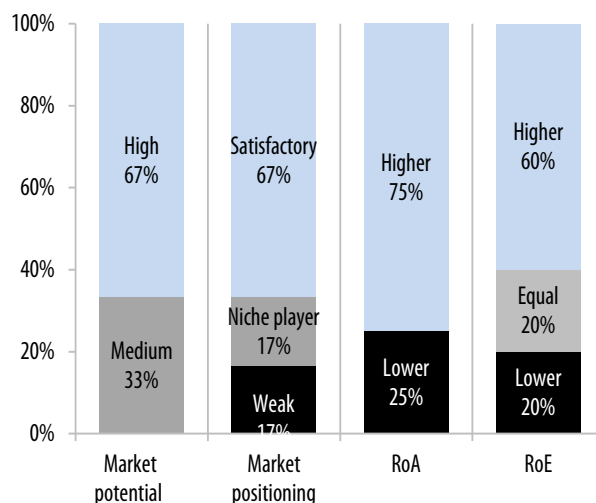
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2   Aggregate demand developments (in %)

Credit demand in Romania was in line with the expectations expressed in the last survey round. Increased uncertainty over the winter caused by rising energy prices did not turn into an economic recession. As a consequence, demand remained robust and was significantly above values recorded in the rest of Central, Eastern and South-Eastern Europe.

Banks in Romania remain optimistic about credit demand growth in the next six months, projecting that it will grow more than elsewhere in the region. The expected strong demand likely reflects the strong wage and profit growth recorded in 2022, which almost kept up with inflation.
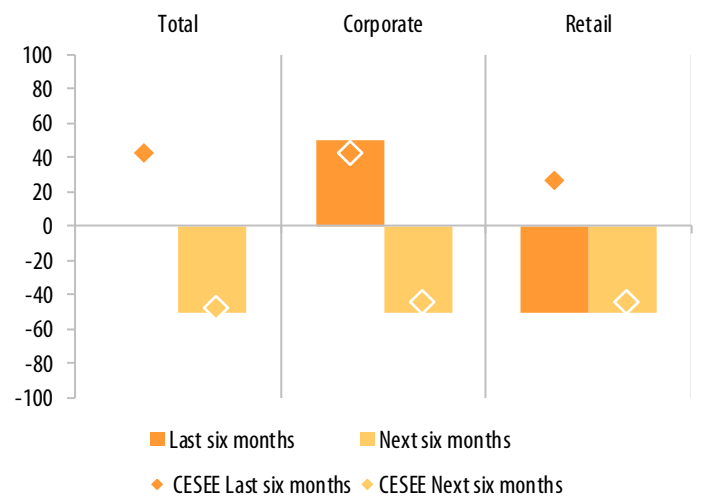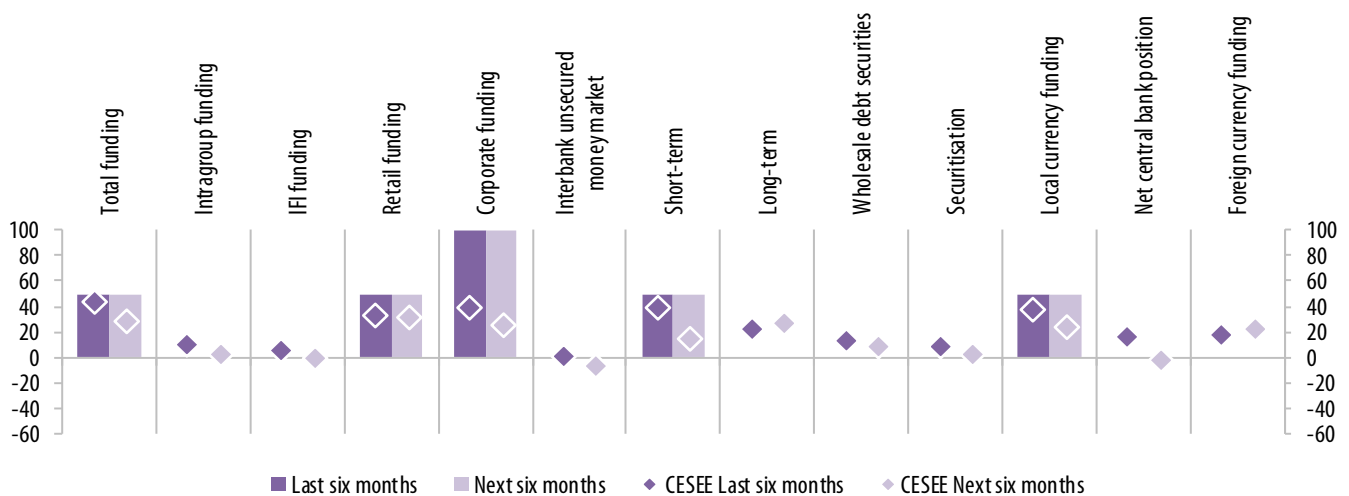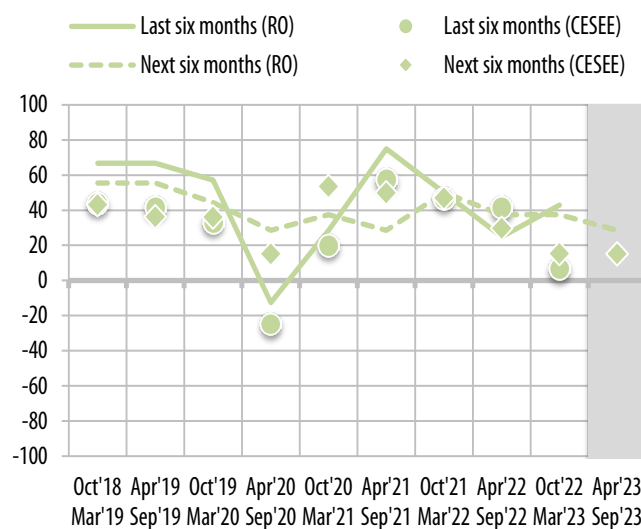

Source: EIB — CESEE Bank Lending Survey.

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

Figure 3   Demand components and segments (in %)

Overall demand for credit increased over the last six months. Demand from small and medium-sized enterprises (SMEs) and large companies drove the increase, while credit demand for house purchases recorded a sharp decrease, in line with developments in the region. Short-term loans continued to be in high demand, and foreign currency loan demand also picked up pace because of the high interest rate differential between loans denominated in Romanian leu and foreign currencies.

Over the next six months, banks expect demand to continue growing, but at a lower rate. Demand for house purchase loans is going to decline again in the next six months, but less than in the last 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 demand for loans (in %)

Investments in fixed assets and inventories were responsible for the increase in demand on the corporate side, while the poor performance of housing markets drove the decline in demand for credit for households. These factors are also most likely to affect the demand for loans in Romania in the coming months. Demand for loans related to debt restructuring is expected to pick up over the next months, much more than that in the rest of the region.

Source: EIB — CESEE Bank Lending Survey.

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

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

</div>

The overall quality of loan applications has stayed constant over the last six months and is expected to follow the same pattern over the next six months. Loan application quality for house purchases and consumer credit deteriorated over the last six months, signalling that inflation and rising interest rates affected borrowers who sought credit at the end of 2022. In contrast, applications for loans in foreign currency were of a better quality over the last six months and are expected to be of a better quality in 2023.

In the next six months, banks expect the quality of loan applications from households to remain stable.

Source: EIB — CESEE Bank Lending Survey.

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

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

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Credit supply conditions deteriorated sharply in Romania over the last six months, in line with the regional average.

Rising rates dampened the ability of banks to finance themselves at low rates, and this was mirrored in a tightening of bank loan supply. Banks expect a further tightening in the supply of credit during the next six months. These expectations are related to the low consumer and business confidence recorded currently in Romania.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments (in %)

Credit supply conditions deteriorated for most of the supply components and segments. Romanian banks reported a sharp tightening of credit conditions for households, in terms of both house purchases and consumer credit. Supply of credit to small and large firms has also tightened over the last six months.

In the next six months, banks expect that all components and segments of loan supply will experience further tightening of lending conditions, with the retail part penalised more. Conditions for long-term loans and foreign currency loans are expected to deteriorate further.
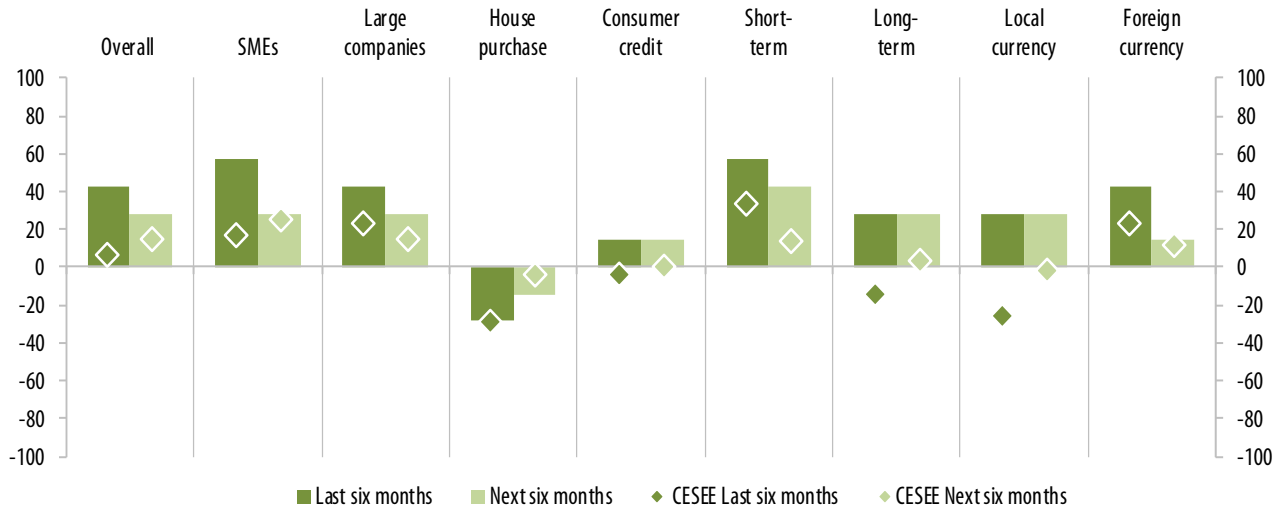

Source: EIB — CESEE Bank Lending Survey.

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

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

Despite the tightening of credit supply, the overall loan approval rate increased during the last six months in Romania, whereas the regional average recorded a decline. Small firms and large companies in Romania were the ones that received more credit, while loan applications for home purchases recorded a decline in approval rates.

Banks are optimistic about approval rates for corporates over the next six months but predict that the situation in the mortgage market will deteriorate further.
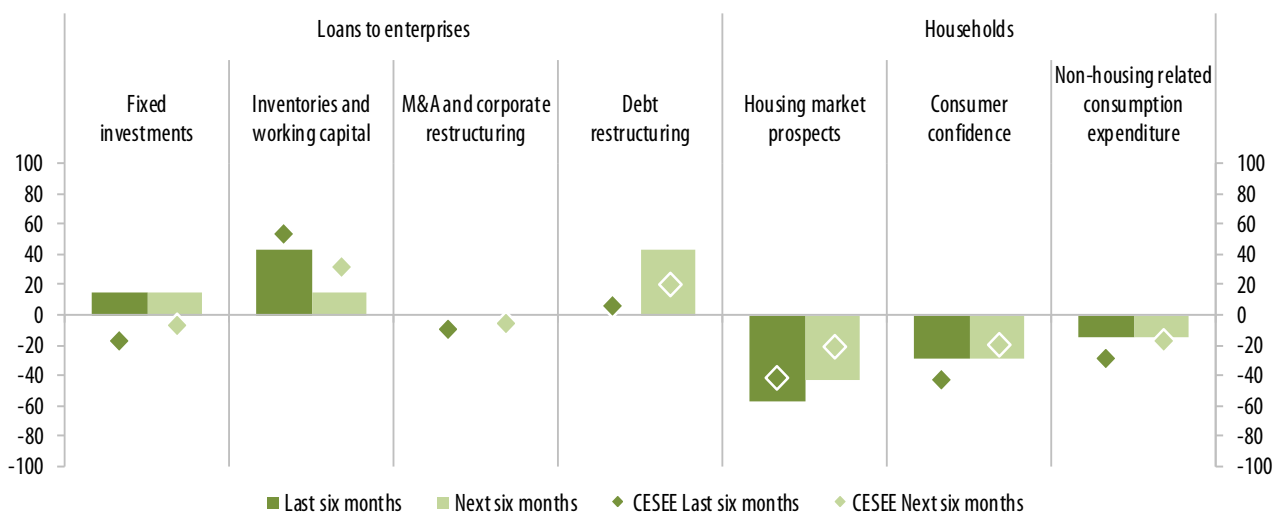

Source: EIB — CESEE Bank Lending Survey.

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

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

The contribution of domestic factors to supply conditions was mixed. On one side, local bank outlook, capital constraints and non-performing loan (NPL) figures contributed positively to the credit supply. On the other, the Romanian market outlook and poor local bank funding conditions contributed negatively to credit supply. The contribution of domestic factors is expected to remain uneven over the next six months.

All international factors contributed negatively to supply conditions, apart from the global outlook. Changes in EU regulation were viewed as having the largest negative contribution.
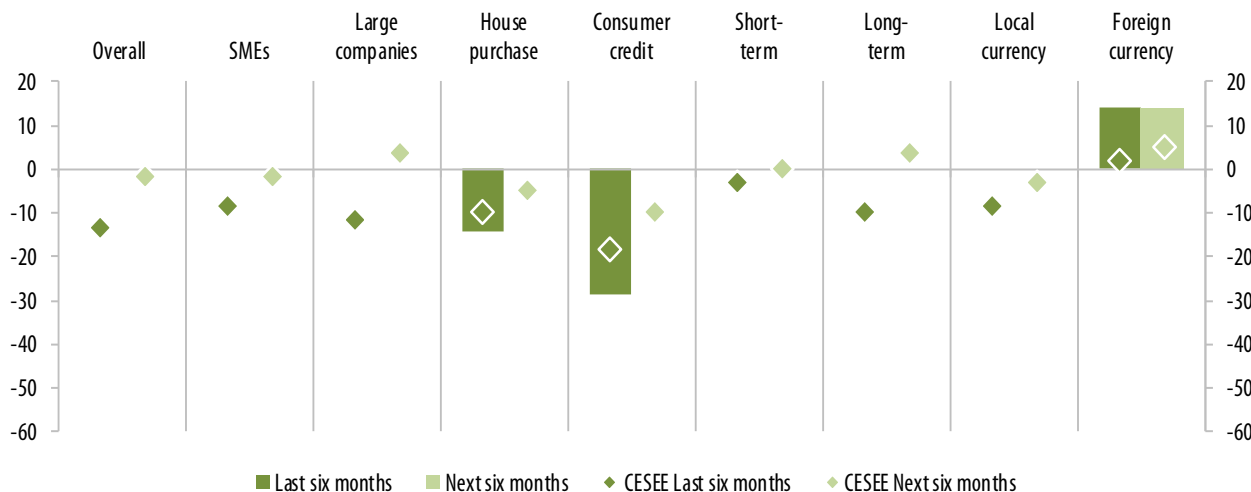

Source: EIB — CESEE Bank Lending Survey.

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

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

Despite an expectation of deteriorating non-performing loan ratios recorded in the last survey round, overall credit quality in Romania improved over the last six months, more than the regional average. Improvements were driven by the corporate and retail segments.

Banks expect another significant deterioration in non-performing loan ratios over the next six months. Credit quality is expected to decrease most in the retail sector, similarly to the previous survey round. The continued expectation of deteriorating non-performing loan ratios is likely related to persistent inflation and high uncertainty linked to the war in Ukraine. So far, banks' negative expectations regarding loan performance have not materialised in Romania.
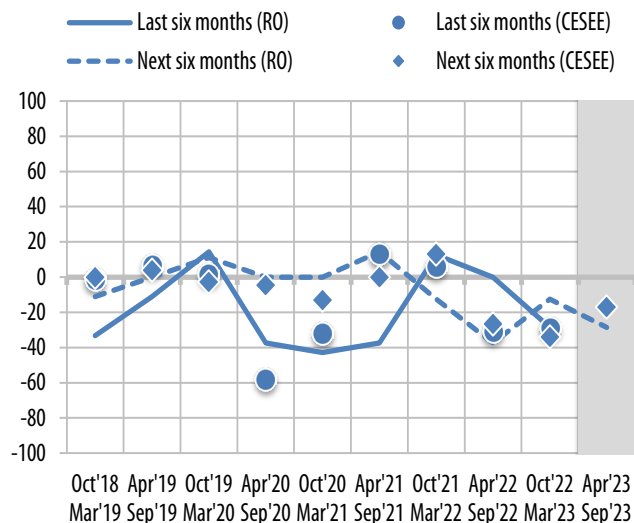
Source: EIB — CESEE Bank Lending Survey.

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

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

Access to funding for banks in Romania improved over the last six months. Both short-term and long-term funding improved. Notably, the net central bank position recorded the highest improvement.

In the next six months, retail funding is expected to improve significantly, well above the regional average. Corporate funding is also expected to improve, in line with the regional average. Local currency funding will remain robust, while international finance institute (IFI) funding will likely deteriorate.
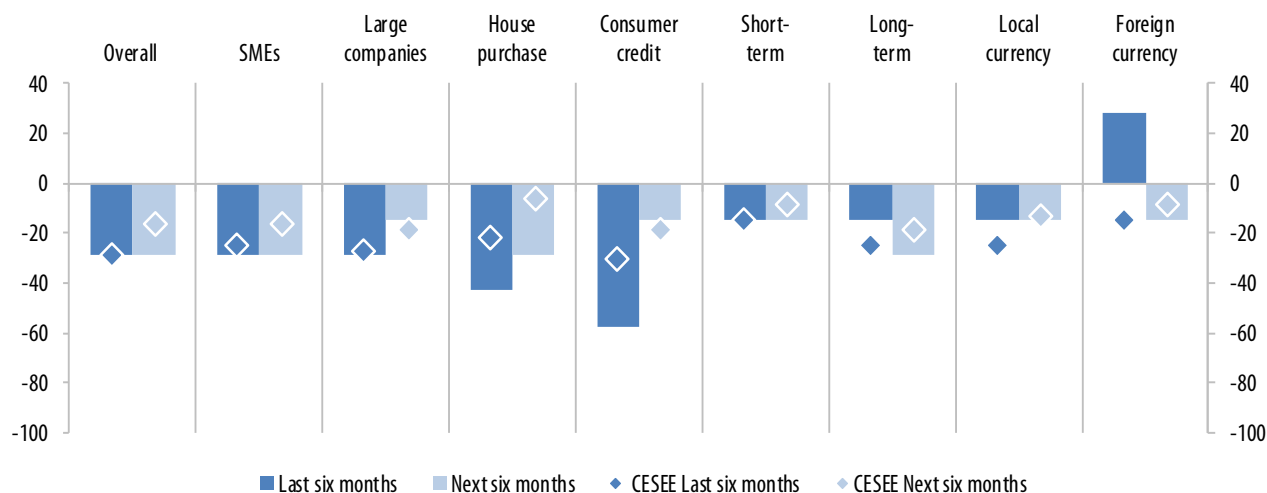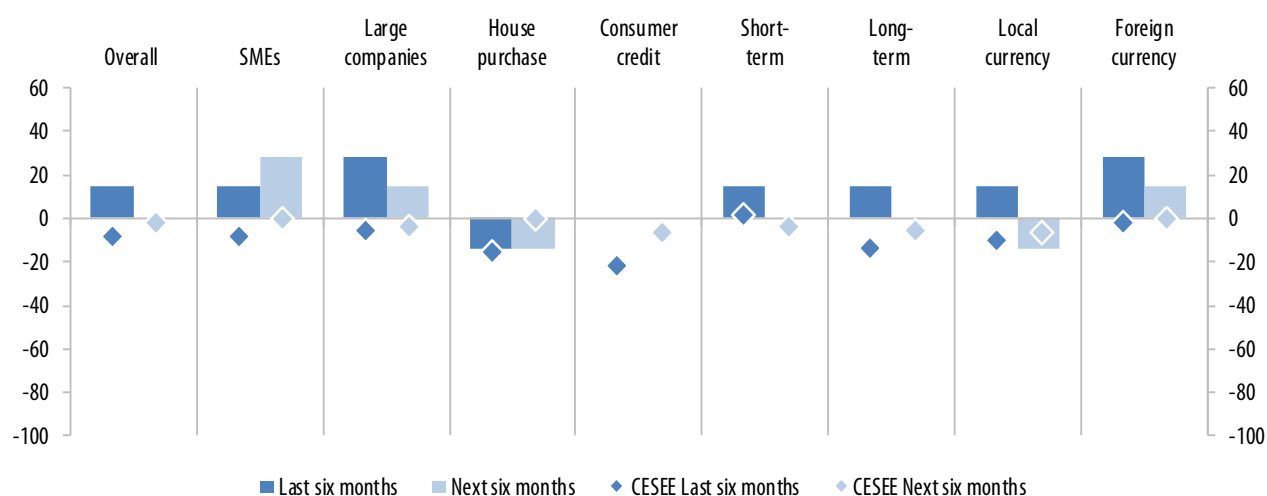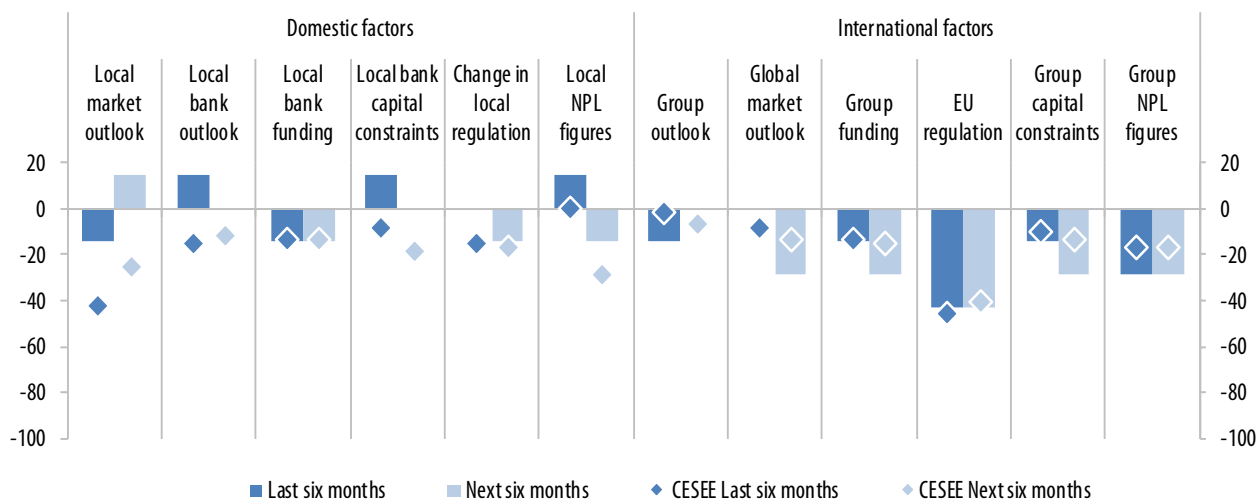
Source: EIB — CESEE Bank Lending Survey.

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

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Serbia

Credit supply conditions are expected to tighten further, affecting the corporate segments in particular, and loan demand is expected to experience a slowdown, affecting retail segments more than others. Credit quality began to deteriorate and it is expected to worsen.

Summary

Group assessment of positioning and market potential: the Serbian banking market is considered less attractive now than six months ago. Market potential is considered low for 40% of parent banking groups and medium for 60%. Similarly, 20% of parent banks now assess their market positioning in Serbia as weak. In terms of profitability, 50% of banks report that return on assets (RoA) and return on equity (RoE) for local operations is higher than that of overall group operations — like previous survey results.

Loan demand remained strong over the last six months (especially for large corporates and their liquidity needs, and less so for investments). In the next six months, loan demand may experience a gradual slowdown.

Credit supply conditions, indicating the banks' willingness to provide credit, were tight over the last six months, and are expected to remain tight in the next six months, in line with the regional average.

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

Banks in Serbia expect further improvements in **access to funding** over the next six months, better than the regional average. Such improvement is expected to occur across almost every major segment except intragroup funding. Contrary to the regional average, **credit quality** has been deteriorating. Banks anticipate a further deterioration.

Credit supply and credit demand
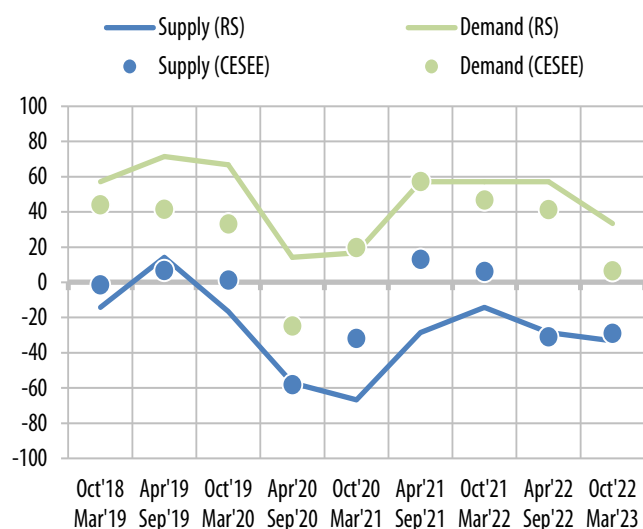
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality
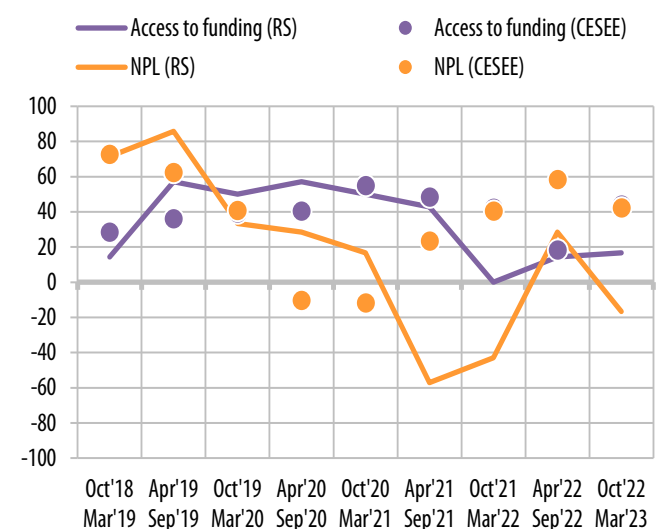
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

Figure 1   Market potential and positioning

The Serbian banking sector is characterised by a significant presence of foreign banks (representing more than 80% of total banking assets in 2022). These include large European banking groups that operate in various Central and Eastern European countries. The Serbian banking market is perceived as less attractive now than it was six months ago: Market potential is considered low for 40% of parent banking groups and medium for 60% (it was considered high for 20% in the previous survey). Similarly, 20% of parent banks now assess their market positioning in Serbia as weak, and only 20% as optimal (versus 40% in the previous survey round).

In terms of profitability, 50% of banks report that return on assets and equity for local operations is higher than for overall group operations — similar to previous survey results.
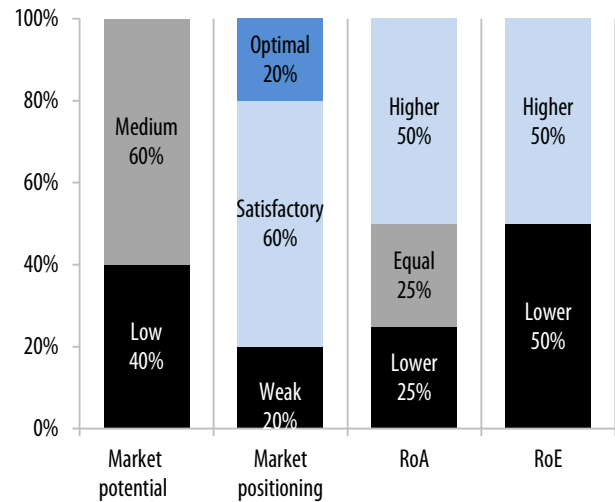
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2   Aggregate demand developments (in %)

Loan demand in Serbia, or the willingness of bank clients to borrow money, remained strong over the last six months.

Serbia's economic growth is expected to be low in 2023 (2% according to the April 2023 IMF World Economic Outlook), and expectations for credit demand for the next six months suggest that loan demand will be neutral, weaker than the regional average.
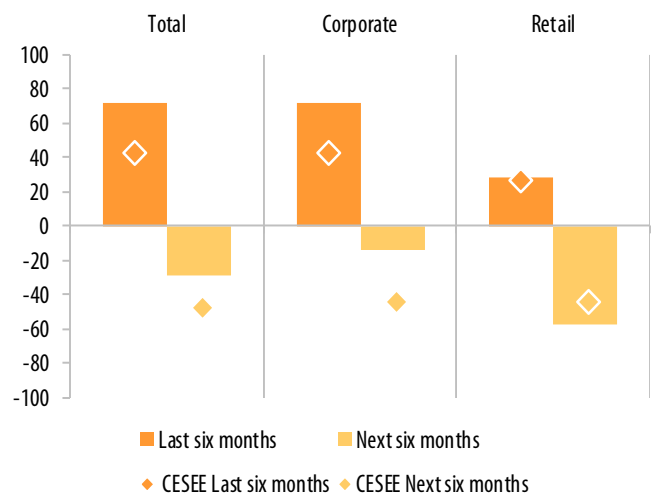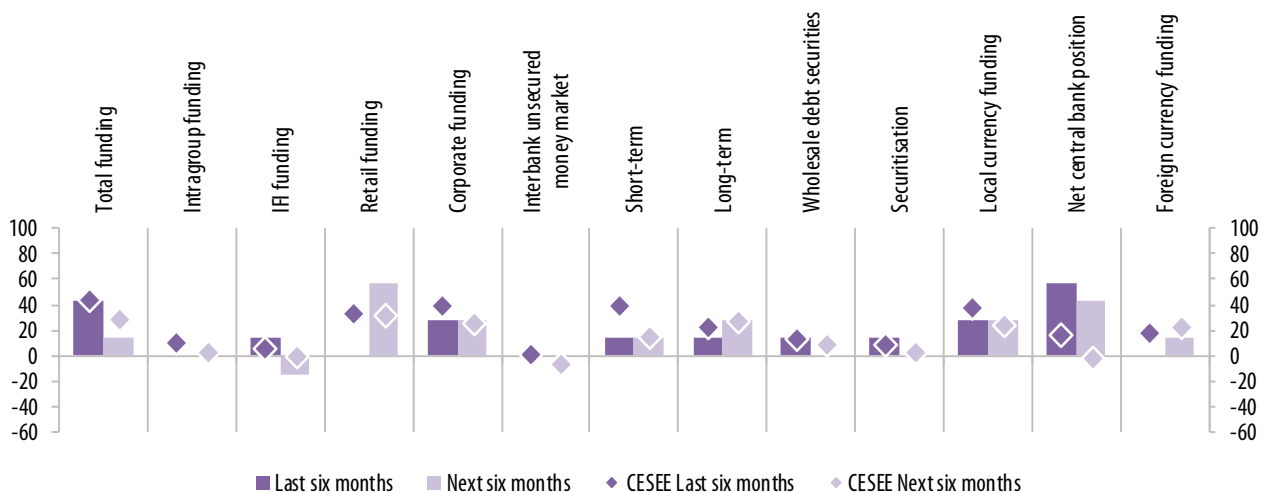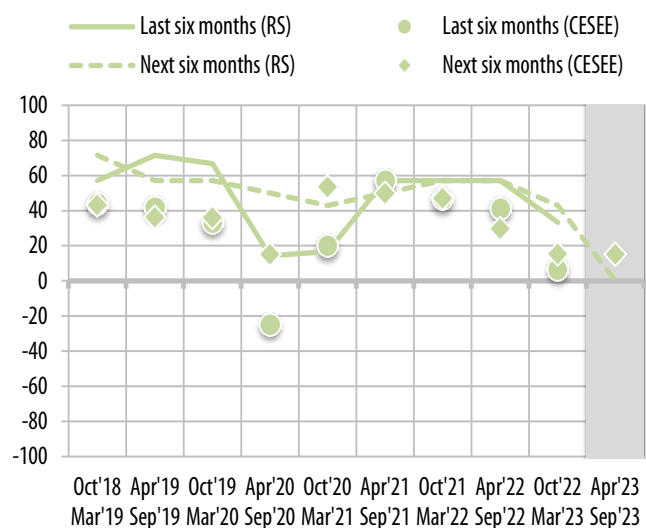

Source: EIB — CESEE Bank Lending Survey.

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

Figure 3   Demand components and segments (in %)

Credit demand over the last six months was stronger in Serbia than in the rest of the region, and this trend will likely persist over the next six months. In particular, demand from large corporates has been vigorous, while demand for mortgages was weak.

Forecasts for the next six months suggest that credit demand will cool off. Amid higher interest rates, demand for mortgages will remain weak.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 4   Factors affecting demand for loans (in %)

Need for working capital was the main driver of credit demand in the last six months, while demand for loans to fund investments (and mergers and acquisitions and restructuring) remained weak on the corporate side — and across the board on the retail side. Similar trends are expected for the next six months, signalling that companies have liquidity needs but are reluctant to commit to investment projects. All household segments are expected to contribute negatively to loan demand in the next six months.
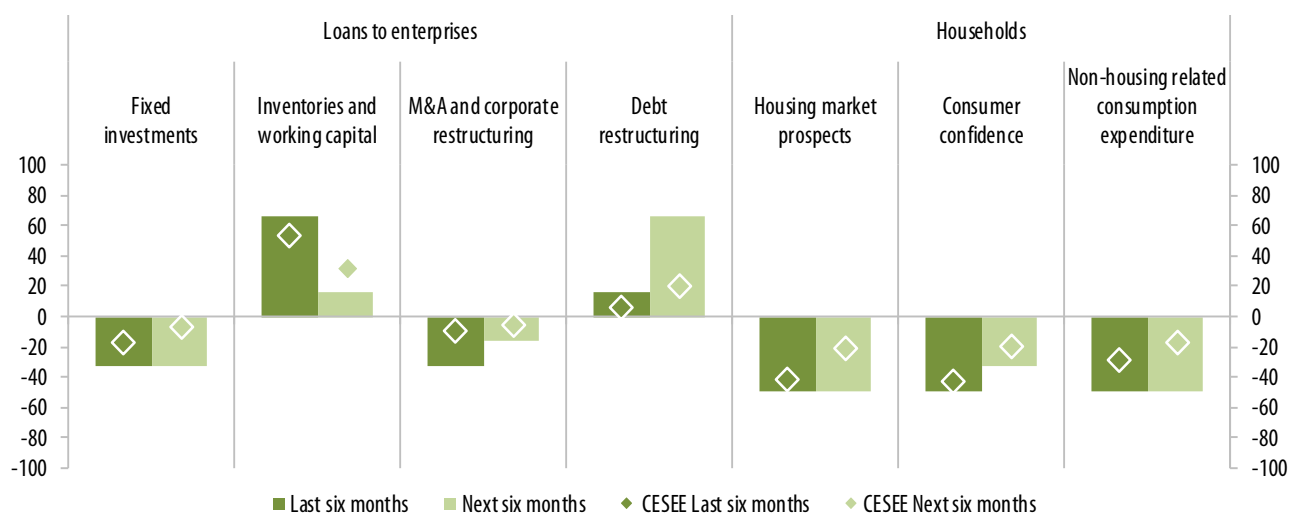
Source: EIB — CESEE Bank Lending Survey.

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

Quality of loan applications (in %)

corporates and mortgages. This deterioration is more significant than in the region on average.

In the next six months, banks in Serbia expect to experience a stable trend in the quality of loan applications across all segments.

Source: EIB — CESEE Bank Lending Survey.

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

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

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

In the next six months, credit supply conditions in Serbia and the rest of Central, Eastern and South-Eastern Europe (CESEE) are expected to remain tight, as financial conditions locally and internationally are tightening. Monetary policy in Serbia continued to tighten and the central bank raised its policy rate from 1% at the end of 2021 to 5.5% in February 2023.

Source: EIB — CESEE Bank Lending Survey.

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

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

Credit standards tightened again in Serbia over the last six months across all segments, in line with average trends in Central, Eastern and South-Eastern Europe. All business segments were affected. Aggregate supply conditions are expected to tighten again over the next six months, especially for small firms and corporates.

Source: EIB — CESEE Bank Lending Survey.

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

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

The overall bank approval rate for loan applications worsened in the last six months, driven primarily by the corporate sector.

In the next six months, banks expect further deterioration in approval rates, with the exception of small and medium firms. Credit supply in the retail segments (house purchase and consumer credit) will be neutral, better than the regional averages.
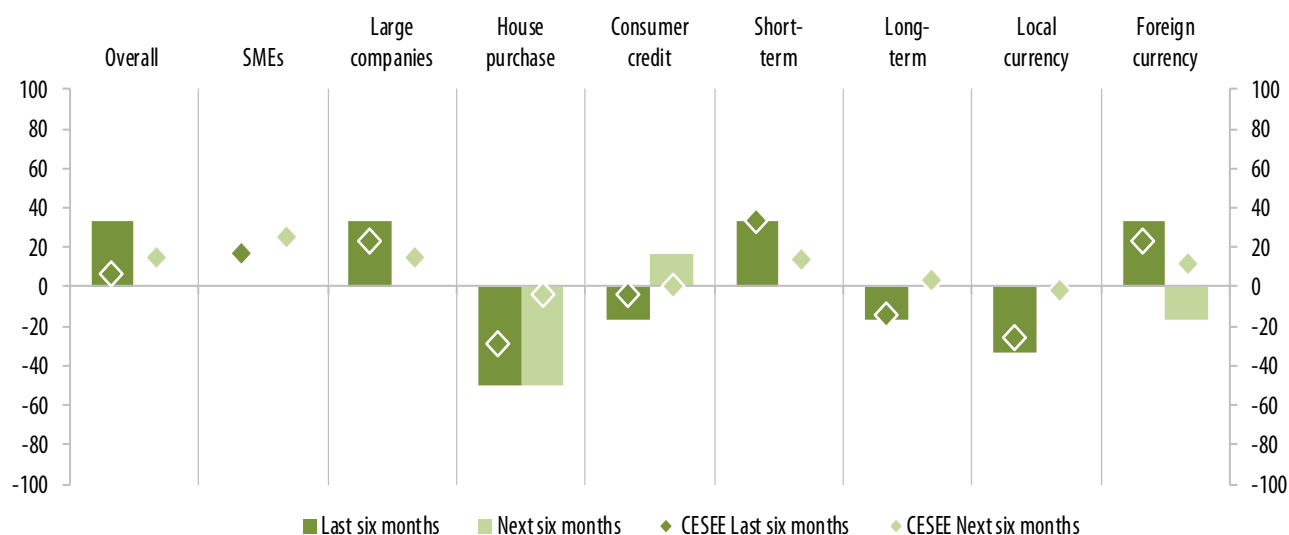

Source: EIB — CESEE Bank Lending Survey.

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 %)

International factors contributed more than local factors to the deterioration of supply conditions over the last six months. Internationally, changes in EU regulation were the most significant negative contributor to credit supply conditions in Serbia.

In the next six months, domestic factors — especially capital constraints, local regulation and non-performing loans (NPLs) — and international factors (mainly EU regulation) are expected to continue constraining supply conditions.

Source: EIB — CESEE Bank Lending Survey.

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

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

Consistent with negative expectations in the previous survey round and contrary to the improvement in the region on average, banks in Serbia reported a deterioration in credit quality over the last six months, affecting the corporate and retail segments.

For the next six months, banks anticipate further deterioration of credit quality, with non-performing loans expected to increase in the corporate and retail segments. Expectations of a possible increase from historically low levels of non-performing loans is explained by the slowdown of economic activity in Serbia and internationally, and by the tightening of monetary policy.
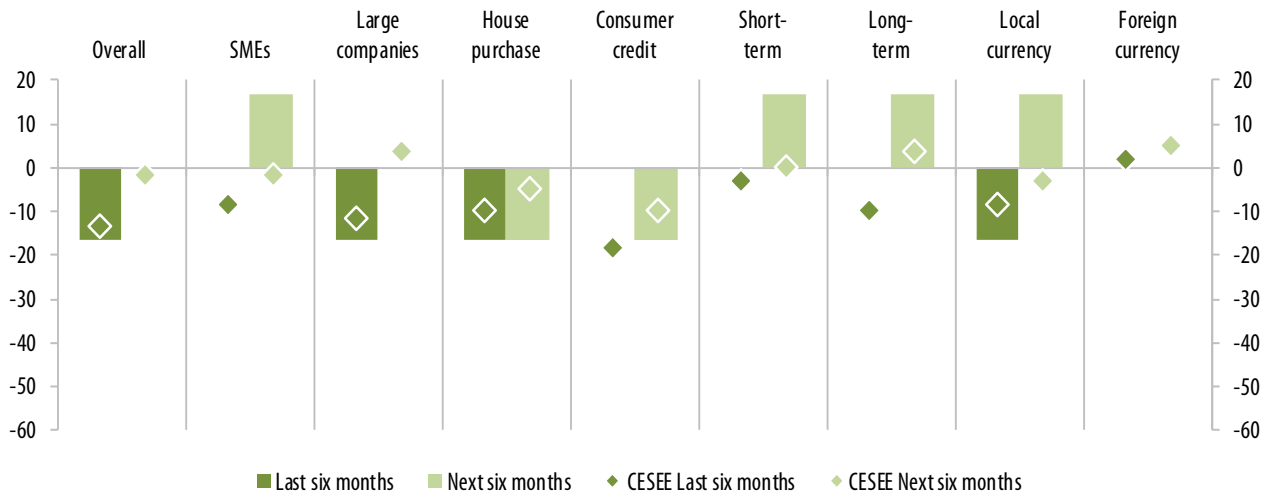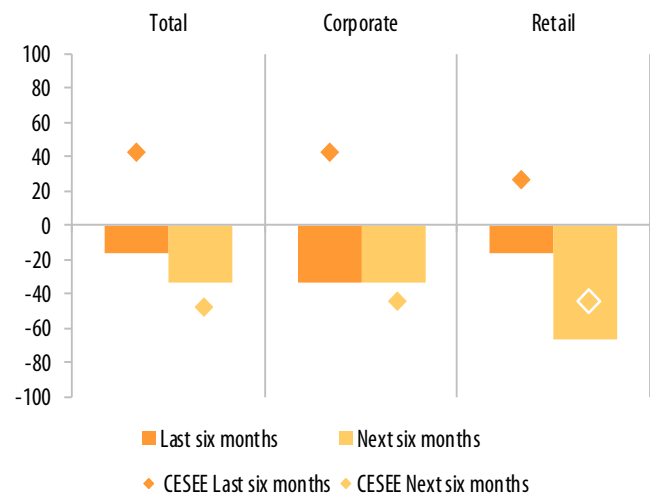
Source: EIB — CESEE Bank Lending Survey.

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

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

Access to funding remained favourable for Serbian banks over the last six months. International financial institution funding, corporate funding and, to a lesser extent, retail funding continued to contribute positively, while the impact of intragroup funding was neutral.

Banks expect further improvements in access to funding over the next six months, even better than the regional average. Such improvement is expected to occur across almost every major segment, excluding intragroup funding.
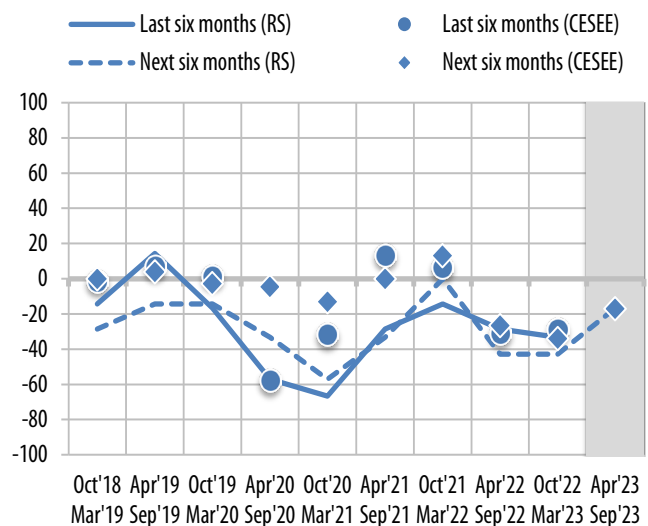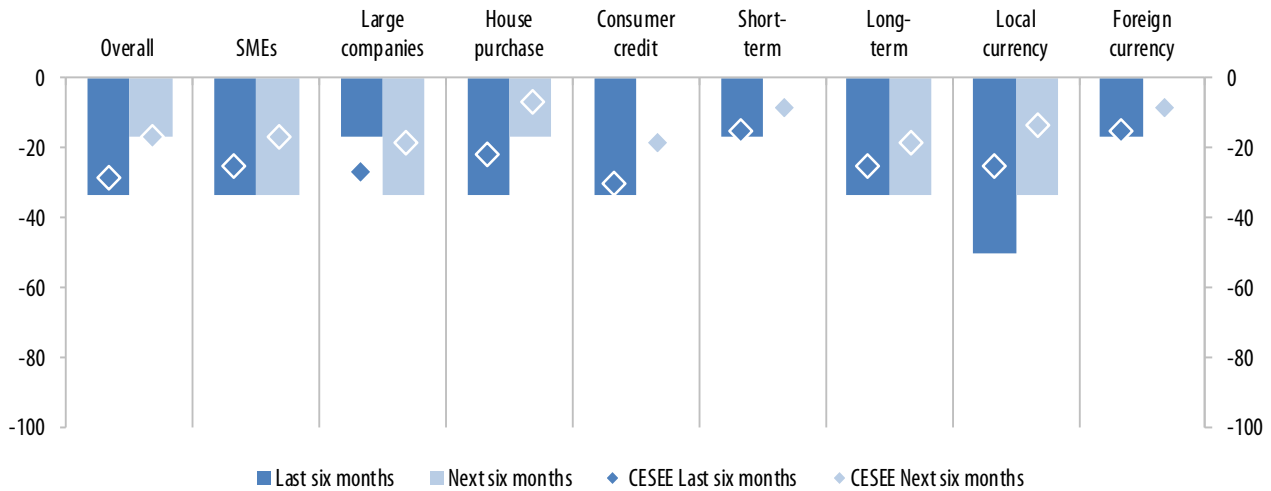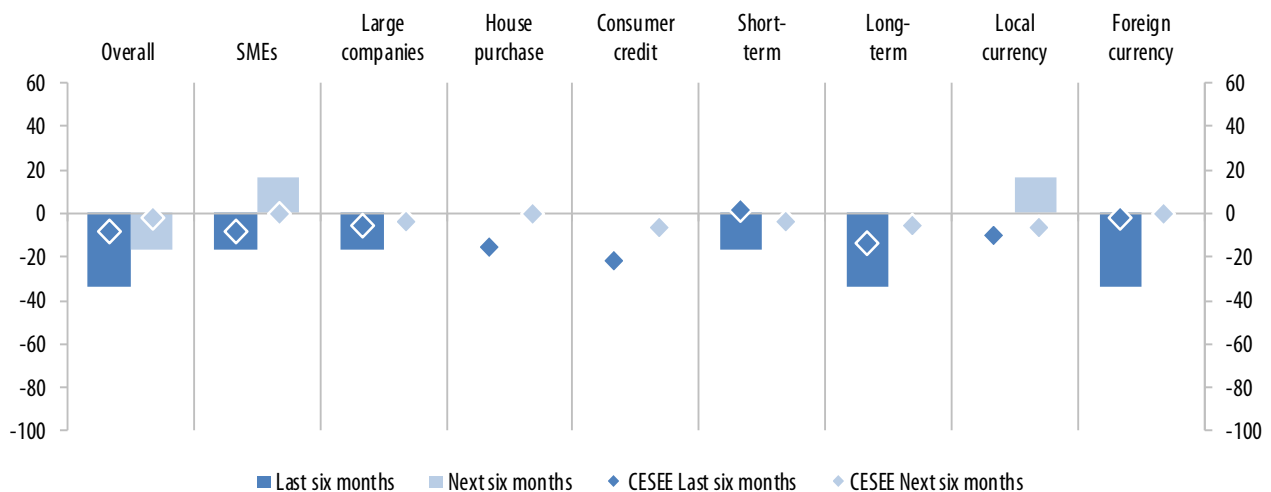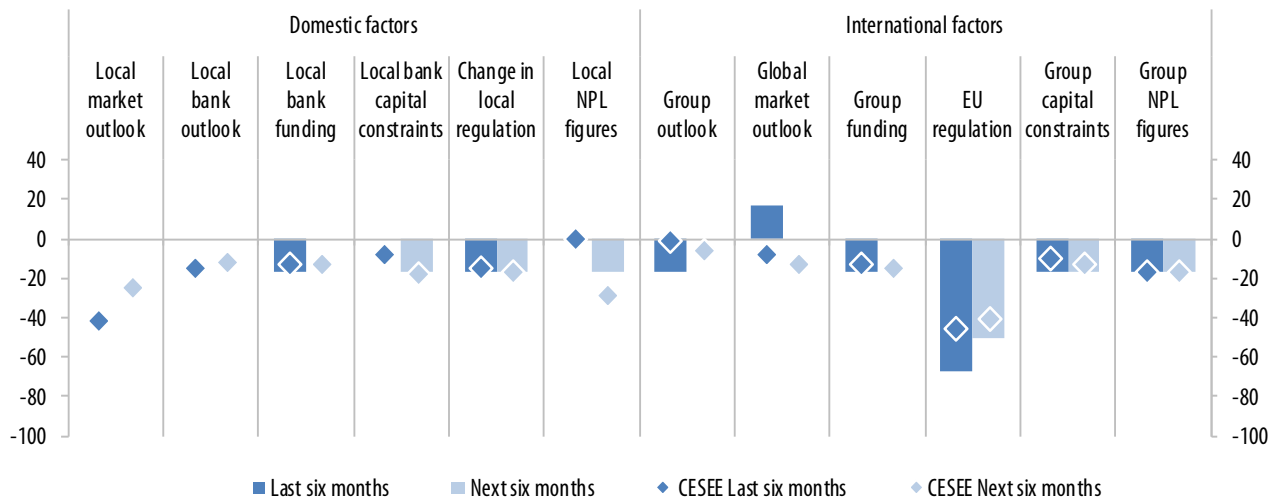
Source: EIB — CESEE Bank Lending Survey.

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

Slovakia

Credit demand and supply decreased over the last six months, but banks in Slovakia are somewhat more optimistic than their peers in the rest of the region, and they expect credit supply to recover. Credit quality has held up much better than could have been expected considering the macroeconomic context, but a deterioration is expected.

Summary

Group assessment of positioning and market potential: The commitment of banking groups to Slovakia remains strong. 33% of parent banks regard Slovakia's market potential as high and 67% regard it as medium. Most see little reason to change their positioning, which is assessed as optimal (50%) or satisfactory (50%).

Most banks reported that **demand for loans** decreased in every segment over the last six months. A particularly large majority of banks reported lower demand for mortgages (arguably reflecting higher interest rates), lower real incomes, and the cooling of the residential property market, where prices started to decline towards the end of 2022. The assessment of banks is more negative than that of their peers in the rest of the region. Banks expect the deterioration to continue over the next six months.

Most banks reported that their **credit supply** (expressing the banks' willingness to extend credit) declined. On balance, this decline affected all product segments. Regulatory changes were cited by most banks to have constrained loan supply. This may reflect the tightening of the countercyclical capital buffer from 1% to 1.5%, with effect from August 2023. A small majority of banks expects supply to recover in the coming months, except for supply by large companies and consumers. Their outlook is somewhat more optimistic than that of banks in the rest of the region.

Credit quality improved over the last six months, in contrast to expectations expressed by banks during the previous survey round. Banks expect non-performing loan (NPL) ratios to deteriorate again over the next six months, as would be expected following the deterioration of the macroeconomic environment.

Access to funding changed little over the last six months but is expected, on balance, to remain unchanged.

Credit supply and credit demand (in %)
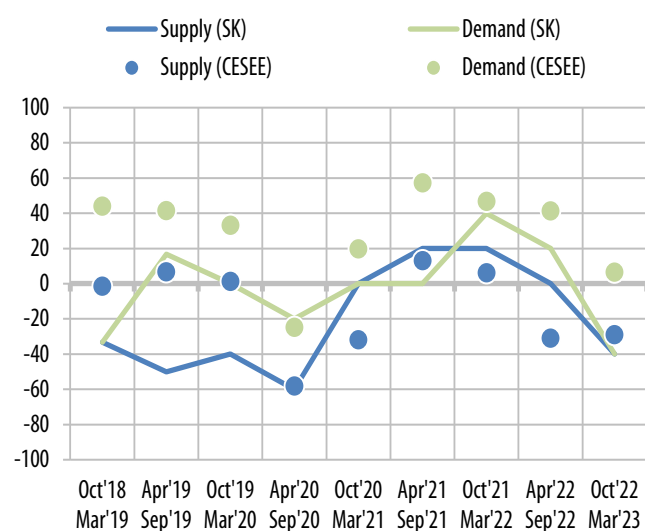
Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality (in %)
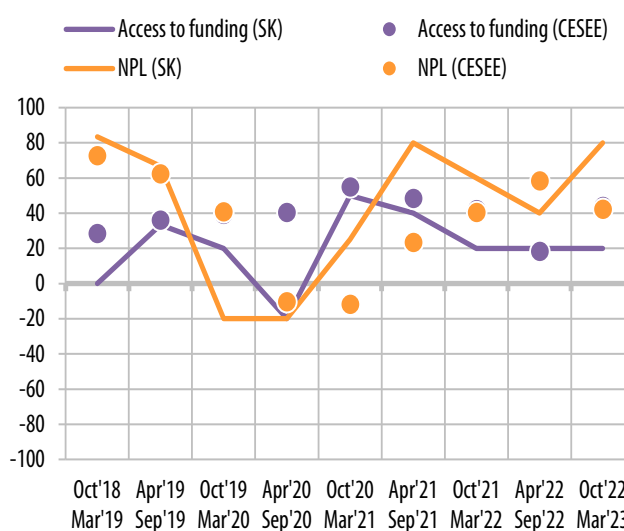
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — parent bank level

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

More than half of parent banks reported a lower return on assets for their Slovakian subsidiaries than for the overall group (contrary to the situation in most of the Central, Eastern and South-Eastern European markets, where the subsidiaries were more profitable than the holdings).
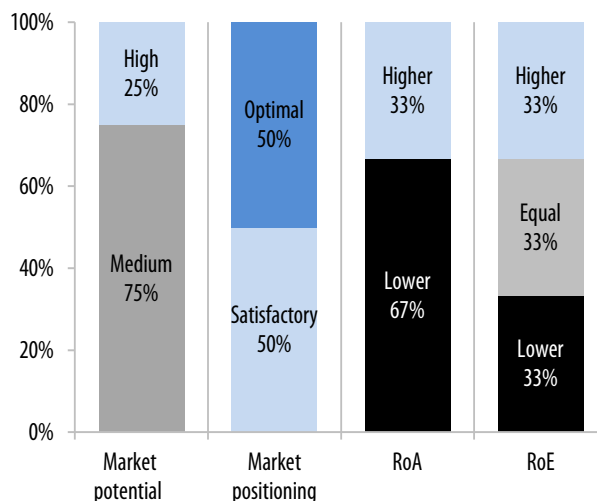
Source: EIB — CESEE Bank Lending Survey.

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

CESEE Bank Lending Survey results — local bank/subsidiary level

Banks in Slovakia reported that demand for loans from clients decreased over the last six months.

Most banks in Slovakia expect demand to continue to decline over the next six months, unlike in the rest of the region, where demand is expected to remain strong.
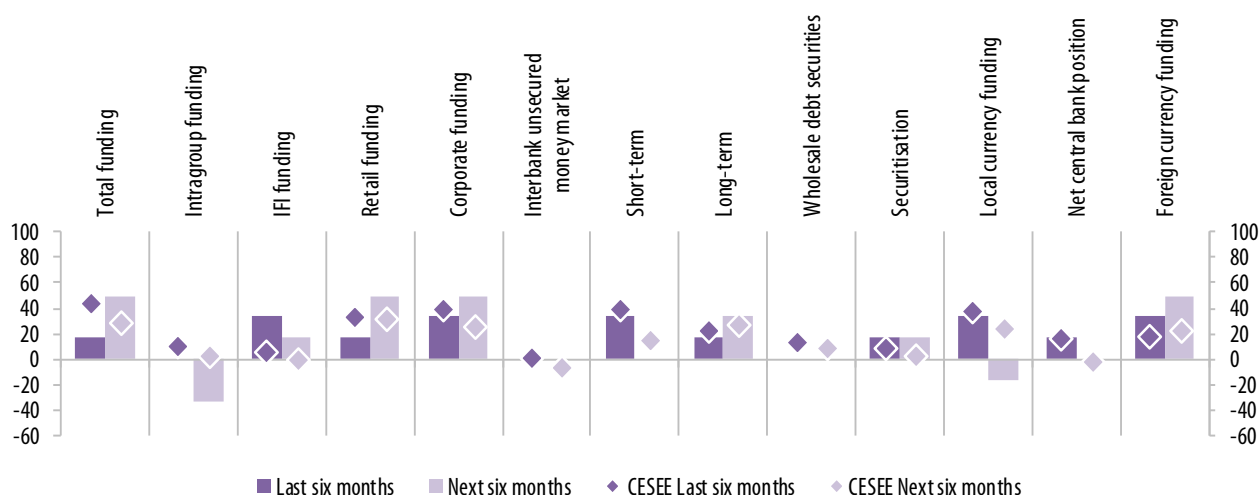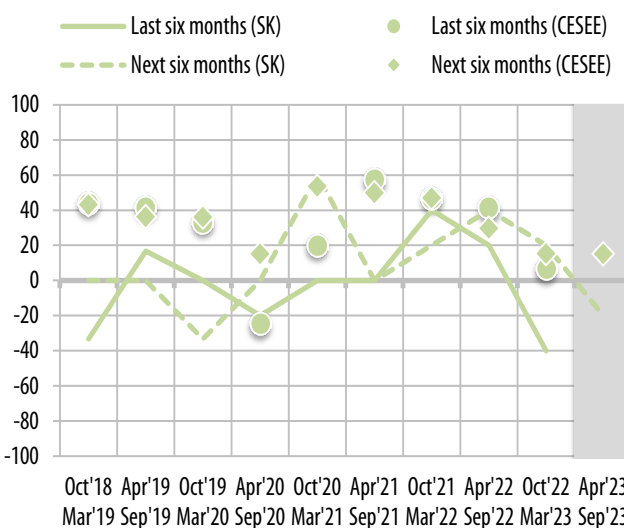

Source: EIB — CESEE Bank Lending Survey.

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

Demand components and segments (in %)

Most banks reported that demand for loans decreased in every segment over the last six months. All banks reported lower demand for mortgages, possibly reflecting higher interest rates, lower real incomes and the cooling of the residential property market, where prices started to decline towards the end of 2022. The assessment of Slovakian banks is more negative than that of their peers in the rest of the region and they expect the deterioration to continue over the next six months.
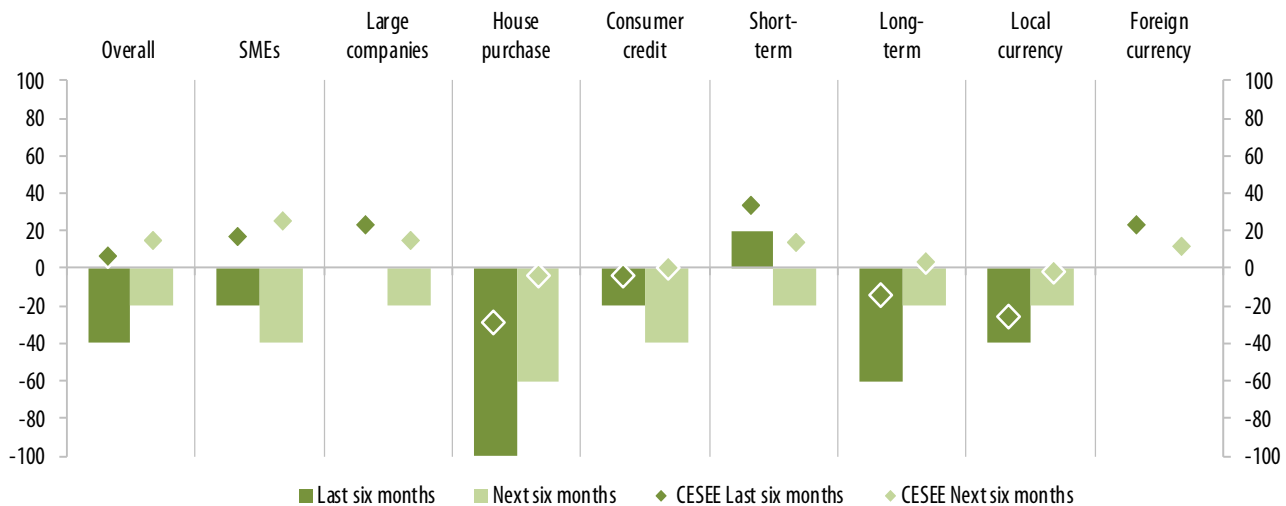
Source: EIB — CESEE Bank Lending Survey.

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

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

Most banks reported that housing market prospects, declining consumer confidence and weaker non-housing related consumption expenditures were the main drivers of increasing loan demand. Banks had anticipated this weakening six months earlier. Over the next six months, these factors are expected to continue slowing down loan demand.

Banks also reported a change in the composition of demand for corporate loans. Demand for investments declined, while demand for financing working capital increased. This development, typical for an economic slowdown, had also been anticipated by banks six months earlier. Overall, the picture is a bit more negative than in the rest of the region. This may reflect the later tightening of monetary policy in euro area countries compared to non-euro economies in the region.
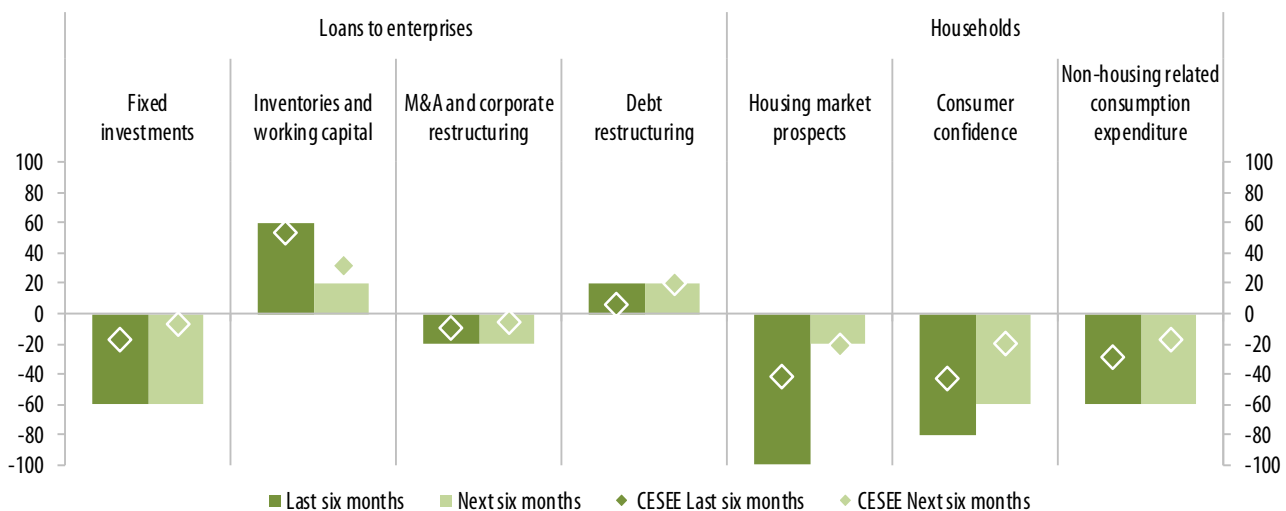
Source: EIB — CESEE Bank Lending Survey.

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

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

A small majority of banks reported that the quality of loan applications deteriorated over the last six months.

This trend is expected to persist for small and medium-sized enterprises (SMEs), mortgages and consumer credit. Banks' assessments in Slovakia are somewhat more negative than those in the wider region.

Source: EIB — CESEE Bank Lending Survey.

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

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

Most banks reported that supply conditions (indicating the banks' willingness to extend credit) tightened over the last six months, as they had anticipated.

Some of this tightening is expected to reverse over the next six months. This expected improvement of supply conditions is much more significant in Slovakia than at the regional level. Slovakia is the only country in the region in which supply conditions are expected to be strong.

Source: EIB — CESEE Bank Lending Survey.

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

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

The decline of credit supply conditions in the last six months affected all product segments, and the retail business in particular.

A small majority of banks expects supply to recover in the coming months, except for supply to large companies and consumers. The Slovakian banks' outlook is somewhat more optimistic than that of their peers in the rest of the region.

Source: EIB — CESEE Bank Lending Survey.

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

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

With both demand and supply of loans declining, approval rates did not change much on balance. Only approval rates for mortgages and consumer credit declined.

Banks expect the same to hold true over the next six months. This is similar in the rest of the region.

Source: EIB — CESEE Bank Lending Survey.

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

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

Most banks said regulatory changes constrained loan supply. This may reflect the tightening of the countercyclical capital buffer from 1% to 1.5%, with effect from August 2023. Compared to the rest of the region, banks assess the local market outlook to be less negative.

Banks in Slovakia expect regulatory pressures to continue to reduce loan supply in the coming months.

Source: EIB — CESEE Bank Lending Survey.

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

Figure 10   Non-performing loan ratios (in %)

The majority of banks reported lower ratios of non-performing corporate loans over the last six months, and broadly unchanged non-performing ratios for retail loans. This is a better development than banks expected in the previous survey.

Banks now expect non-performing loan ratios to increase over the next six months because of the economic slowdown. This trend would likely affect mainly the corporate sector.

Banks in the rest of the region share these assessments but are more optimistic about the corporate sector and more pessimistic for the retail sector.
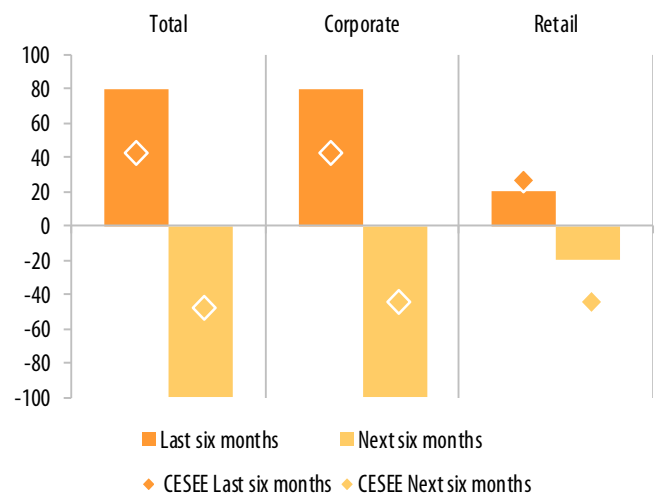
Source: EIB — CESEE Bank Lending Survey.

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

Figure 11   Access to funding (in %)

Access to funding has changed little for banks in Slovakia, similarly to the rest of the region.

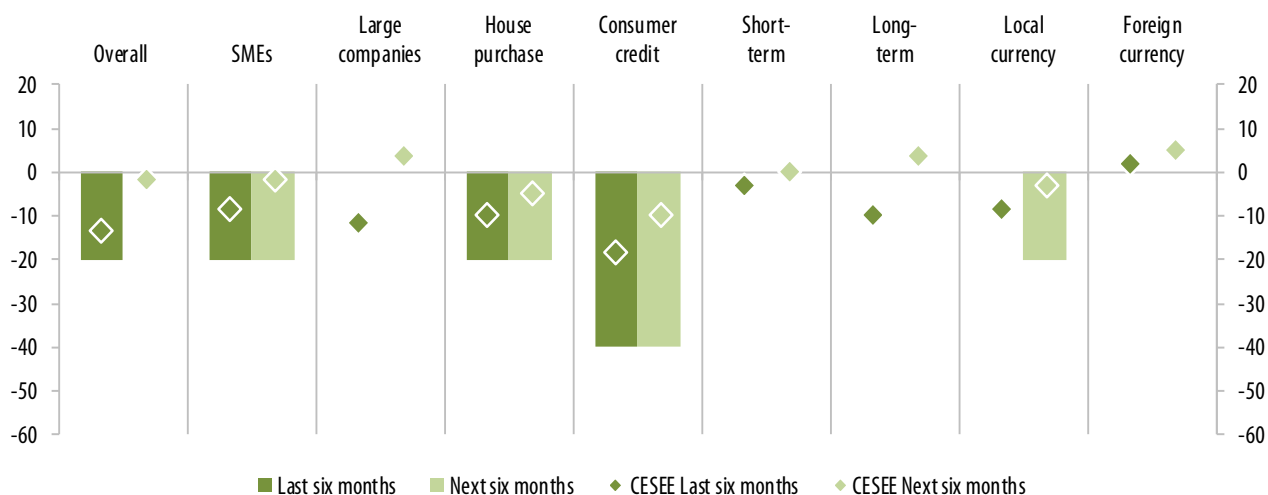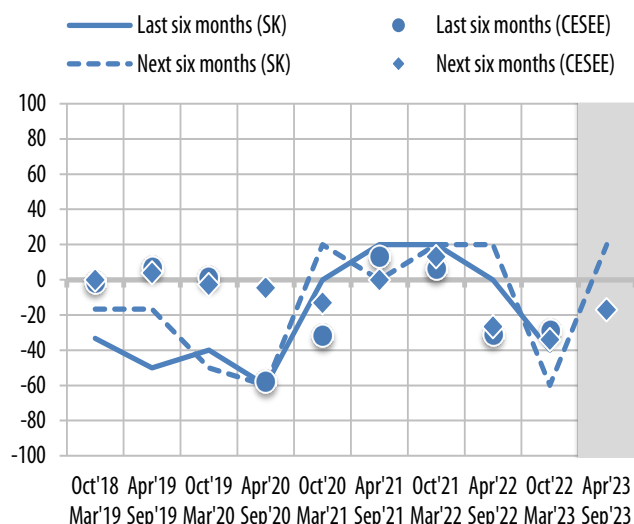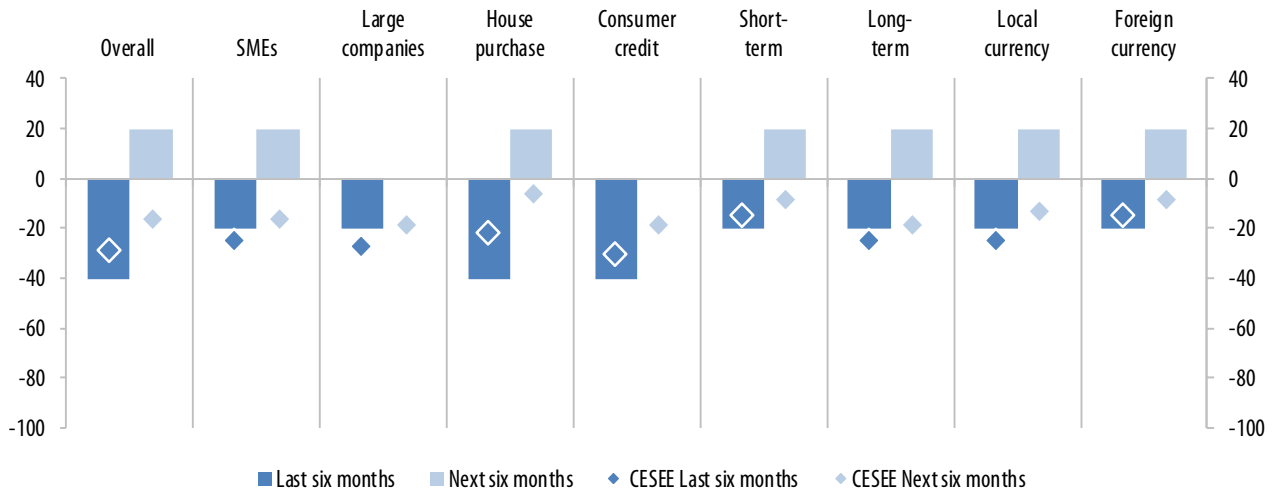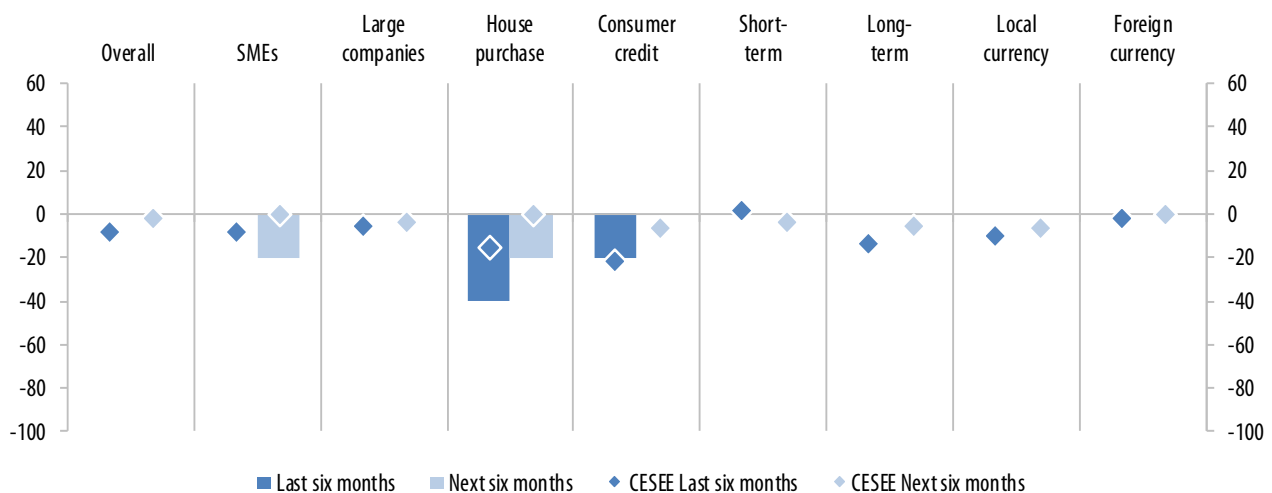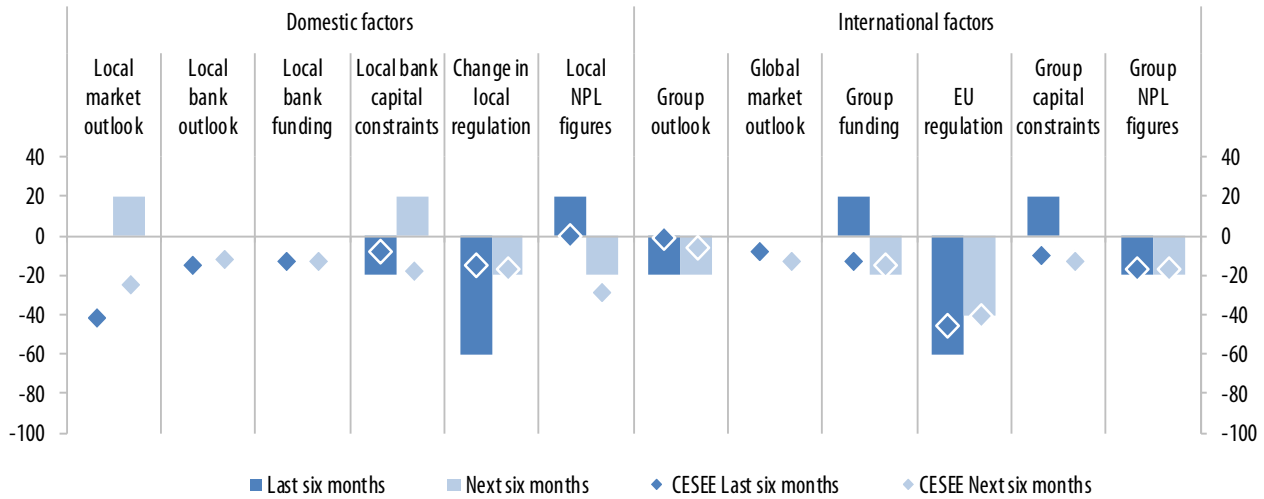Banks in Slovakia expect little change over the next six months.
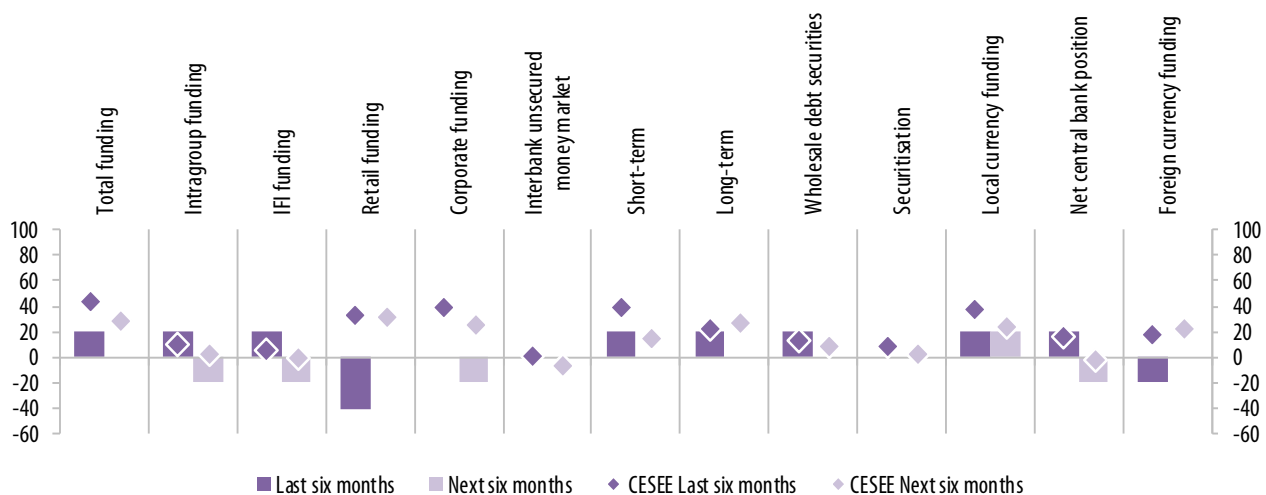
Source: EIB — CESEE Bank Lending Survey.

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

Annex

	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
Non-performing loans in % of total loans (more than 90 days overdue)													
2022Q4	5.00	4.50	4.63	3.01	1.90	3.21	2.00	2.83	5.70	2.65	3.00	1.69	3.93
2022Q3	5.06	4.90	5.09	3.29	2.00	3.41	2.10	3.24	5.70	2.82	3.20	1.82	4.04
2022Q2	5.32	5.20	5.24	3.82	2.10	3.47	2.10	3.21	5.60	3.01	3.26	1.93	4.08
2022Q1	5.24	5.40	5.50	4.16	2.30	3.15	2.10	3.06	5.70	3.31	3.40	1.97	4.19
2021Q4	5.65	5.78	6.03	4.33	2.40	3.20	2.30	3.20	5.80	3.35	3.50	1.90	4.30
2021Q3	6.49	5.55	6.44	4.68	2.60	3.04	2.40	3.49	6.30	3.65	3.55	1.98	4.61
2021Q2	7.12	5.70	6.72	5.07	2.70	3.40	2.50	3.44	6.50	3.78	3.60	2.10	4.79
2021Q1	7.96	6.00	7.10	5.27	2.80	3.57	2.70	3.39	6.80	3.94	3.90	2.23	5.02
2020Q4	8.11	6.10	7.45	5.43	2.70	3.60	2.70	3.28	7.00	3.83	3.70	2.34	5.12
2020Q3	8.30	6.60	7.78	5.49	2.30	3.84	2.70	3.33	7.00	4.06	3.40	2.48	5.13
2020Q2	8.09	6.70	8.11	5.50	2.40	3.98	2.60	4.56	6.90	4.38	3.70	2.69	5.20
2020Q1	8.21	6.60	8.00	5.39	2.40	4.15	2.90	4.83	6.60	3.94	4.00	2.81	5.06
2019Q4	8.37	7.40	6.62	5.53	2.50	4.06	2.00	4.61	6.60	4.09	4.10	2.81	5.04
2019Q3	10.61	7.74	7.56	6.03	2.70	4.48	2.30	4.81	6.80	4.58	4.70	2.80	5.37
2019Q2	11.23	8.03	7.31	7.25	2.80	4.92	2.50	5.36	6.80	4.74	5.20	2.89	5.54
2019Q1	11.38	8.50	7.55	7.40	3.20	5.22	2.60	5.11	6.80	4.90	5.50	2.95	5.69
2018Q4	11.08	8.80	7.80	7.56	3.30	5.43	2.70	5.11	6.80	4.96	5.70	3.06	5.77
2018Q3	12.89	9.39	8.68	8.07	3.30	6.17	2.80	4.95	7.00	5.56	6.41	3.40	6.14
2018Q2	13.27	9.31	9.29	8.89	3.40	6.59	2.80	5.02	7.10	5.71	7.81	3.46	6.39
2018Q1	13.43	9.66	9.56	8.92	3.60	6.98	2.90	5.04	7.70	6.16	9.20	3.60	6.81
2017Q4	13.23	10.05	10.43	11.35	4.00	7.52	3.10	6.24	6.80	6.41	9.85	3.61	6.85
2017Q3	14.78	10.78	11.73	12.51	4.00	8.47	3.60	6.49	6.90	7.96	12.21	3.92	7.42
2017Q2	15.58	11.09	12.39	13.16	4.30	9.23	3.90	6.63	6.90	8.32	15.58	4.02	7.80
2017Q1	17.44	11.49	12.92	13.91	4.50	10.16	4.50	6.18	6.90	9.36	16.82	4.26	8.21
2016Q4	18.27	11.78	13.17	13.80	4.80	10.75	4.90	6.39	7.10	9.62	17.03	4.37	8.49
2016Q3	21.29	12.12	14.02	14.65	5.20	12.50	5.10	7.19	7.30	10.00	19.51	4.67	9.10
2016Q2	19.96	12.11	14.40	14.99	5.30	13.59	5.30	7.41	7.30	11.30	20.22	4.70	9.42
2016Q1	19.31	13.24	14.74	16.12	5.50	14.50	5.90	10.52	7.40	13.52	20.92	4.71	10.00
2015Q4	18.22	13.71	14.51	16.65	5.80	13.59	6.20	10.43	7.50	13.51	21.58	4.81	10.00
2015Q3	20.57	13.83	14.48	17.05	6.10	15.54	6.80	11.26	7.90	15.73	21.98	5.31	10.74
2015Q2	20.94	14.07	15.01	17.34	6.00	14.90	7.20	11.02	8.00	16.20	22.78	5.48	10.83
2015Q1	22.85	14.19	17.17	17.14	6.10	14.71	8.10	11.12	8.20	20.20	22.60	5.57	11.45
2014Q4	22.80	14.17	16.75	17.06	6.10	16.65	8.30	10.89	8.10	13.93	21.54	5.54	10.93
2014Q3	24.98	16.08	18.13	17.24	6.20	17.78	8.50	11.75	8.20	15.33	23.01	5.64	11.49
2014Q2	24.07	15.47	17.97	16.59	6.30	18.07	8.20	11.38	8.30	19.19	23.01	5.46	11.87
2014Q1	24.02	14.89	16.74	16.11	6.50	18.23	8.60	10.70	8.40	20.39	22.25	5.46	11.94

Source: WIIW

Credit to private sector, y/y growth rate												
	AL	**BA**	**BG**	**HR**	**CZ**	**HU**	**KS**	**MK**	**PL**	**RO**	**RS**	**SK**	**CESEE**
2023M2	5.05	5.08	11.33	11.68	2.80	11.72	15.14	7.66	-0.86	9.90	4.79	9.44	4.73
2022Q4	7.01	5.26	12.22	10.89	4.52	11.58	16.06	9.36	0.23	11.21	6.46	10.83	5.77
2022Q3	12.77	4.69	13.09	10.45	7.03	14.96	18.32	9.92	4.82	15.12	11.16	11.77	8.85
2022Q2	12.46	4.77	12.36	7.35	8.06	13.36	17.34	9.94	5.66	16.65	12.81	11.32	9.16
2022Q1	12.16	4.26	10.53	4.65	9.28	9.77	18.37	9.79	5.38	14.96	12.38	8.77	8.33
2021Q4	9.55	3.70	8.27	2.77	8.36	12.83	15.42	8.23	4.61	14.26	10.23	7.19	7.52
2021Q3	7.20	2.74	7.33	3.09	6.32	11.49	12.25	6.17	2.89	12.96	6.92	5.98	5.91
2021Q2	6.06	2.05	6.20	2.65	4.18	10.26	12.23	5.01	0.47	10.88	7.26	5.08	4.08
2021Q1	2.42	-0.40	4.51	1.50	3.21	9.01	7.68	5.12	-2.04	6.93	8.93	5.12	2.33
2020Q4	6.92	-2.50	4.46	1.93	4.10	13.45	7.07	4.61	0.42	5.00	11.06	5.02	3.64
2020Q3	5.32	-0.55	4.25	2.49	4.75	12.55	7.65	7.40	0.56	4.19	14.38	5.29	3.84
2019Q2	6.60	0.36	4.88	1.74	5.61	13.68	6.39	6.71	2.91	4.10	13.89	6.05	5.03
2020Q1	8.85	3.46	7.05	3.31	6.40	18.36	9.17	5.88	5.97	6.23	11.47	6.56	7.13
2019Q4	6.62	6.68	7.36	3.49	5.20	13.14	10.02	6.07	4.65	7.02	8.93	6.55	6.03
2019Q3	5.06	6.04	6.51	2.10	5.15	13.25	10.26	5.53	6.05	7.15	9.71	7.63	6.62
2019Q2	3.62	6.03	5.98	2.42	5.43	11.37	10.51	8.07	5.34	6.66	8.95	7.22	6.12
2019Q1	-0.77	5.28	7.51	3.52	6.79	11.53	11.47	8.97	7.07	7.73	9.61	8.54	7.42
2018Q4	-3.59	5.48	7.54	2.63	6.83	10.57	10.81	7.21	7.17	7.84	9.91	9.78	7.46
2018Q3	-3.53	6.32	6.10	2.50	6.70	9.63	11.47	7.83	5.84	6.44	6.40	9.52	6.50
2018Q2	-2.44	6.98	5.73	2.53	6.12	8.72	11.41	6.15	5.50	6.95	4.44	10.20	6.22
2018Q1	0.36	7.19	3.80	0.86	5.52	5.05	10.57	5.65	4.44	5.89	2.16	9.86	5.07
2017Q4	0.72	7.33	3.27	1.51	6.53	5.47	11.65	5.43	3.08	5.26	2.13	9.85	4.65
2017Q3	0.88	7.34	4.14	0.70	6.47	4.63	10.26	4.01	4.10	7.24	0.77	11.20	5.25
2017Q2	-1.52	6.22	3.57	0.24	7.27	2.30	10.17	4.09	4.02	3.94	2.21	11.74	4.89
2017Q1	0.09	4.75	3.33	-1.22	6.75	0.14	10.93	-1.16	4.69	2.67	4.48	11.24	4.69
2016Q4	0.24	3.54	0.97	-3.30	6.73	-1.33	10.50	-0.06	5.28	0.89	2.35	9.30	4.19
2016Q3	0.49	2.41	-0.69	-4.44	6.48	-4.59	9.67	1.52	4.90	0.46	5.97	8.75	3.64
2016Q2	-0.10	2.18	-1.21	-5.41	6.51	-5.75	8.33	2.50	5.22	0.57	4.65	7.36	3.42
2016Q1	-2.05	3.31	-2.27	-5.47	7.94	-6.44	8.80	8.53	5.38	2.34	2.07	8.02	3.80
2015Q4	-2.64	2.02	-1.57	-2.83	6.63	-12.34	7.23	9.60	7.07	2.50	3.02	9.69	4.18
2015Q3	-1.89	0.96	-10.07	-1.58	8.57	-9.36	7.76	8.89	6.43	0.37	3.11	8.15	3.70
2015Q2	0.72	0.69	-10.17	-0.86	5.88	-8.26	7.87	9.09	6.82	-0.45	5.43	8.69	3.58
2015Q1	2.48	-0.10	-9.20	-0.45	3.81	-6.72	6.06	9.25	6.67	-3.62	7.31	7.78	3.00
2014Q4	2.39	1.68	-8.15	-2.43	2.69	-0.27	6.23	10.00	5.80	-3.71	4.46	6.70	2.69
2014Q3	1.92	3.24	1.98	-3.92	2.78	-3.90	4.71	9.51	5.69	-4.87	-0.81	7.45	2.57
2014Q2	-1.55	3.97	2.10	-4.17	3.84	-2.46	3.63	8.61	4.76	-4.29	-4.48	6.22	2.24
2014Q1	-2.07	3.81	1.22	-2.68	2.85	-5.95	2.57	7.55	4.51	-2.98	-6.50	5.37	1.67

Source: WIIW

The Questionnaire

The questionnaire is divided into two parts:

- **Part A addressed to parent banks**

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

PART A

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

Country	…market potential	…your subsidiary's current positioning	…Return on assets (adjusted for cost of risk)	…Return on assets (adjusted for cost of risk) compared to overall group RoA	…Return on equity (adjusted for cost of equity)	…Return on equity (adjusted for cost of equity) compared to overall group RoE
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 strategic operations to increase the capital ratio and/or will it conduct strategic operations? If yes, which type?

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

[*] This designation is without prejudice to positions on status and it is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

A.Q3 — Group funding: group's access to funding...

	*…How has it changed over the **LAST** six months?*	*…How do you expect it to change over the **NEXT** six months?*
Total		
Retail (deposits and bonds to clients)		
Corporate (deposits and bonds to clients)		
Interbank market		
International financial institutions (IFIs)		
Wholesale debt securities		
Loans or credit lines from the central bank		
Securitisation		
Short-term funding (any source)		
Long-term funding (any source)		

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

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

A.Q6 — Profitability of the strategy in CESEE region: The contribution of activities in CESEE in total return on assets (RoA) of the group is/will…

LAST six months	**NEXT** six months

A.Q7 — Profitability of the strategy in CESEE region: Return on assets (RoA) of your CESEE operations is higher/lower/equal to that for the overall group…

LAST six months	**NEXT** six months

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

	LAST six months	**NEXT** six months
Total Exposure		
Exposure to subsidiaries — intragroup funding		
Exposure to subsidiaries — capital		
Direct cross-border lending to domestic clients, booked in the balance sheet of the parent company		
MFIs (monetary financial institutions) — funding to banks not part of the group, booked in the balance sheet of the parent company		

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

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

PART B

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

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

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

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

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

Over the LAST six months

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

Over the NEXT six months

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

B.Q4 — Factors affecting your bank's credit standards (credit supply).
Have the following domestic and international factors contributed to the tightening (or easing) of your credit standards over the last six months, and do you expect them to contribute to the tightening (or 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		
iii.a) of which: domestic		
iii.b) of which: international/intragroup		
iv) Local bank capital constraints		
v) Change in local regulation		
vi) Competition		
vii) Credit quality (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)…

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

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

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

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

Loans or credit lines to enterprises

	How have they changed over the *LAST* six months?	How do you expect them to change over the *NEXT* six months?
A) Financing needs		
Fixed investments		
Inventories and working capital		
Mergers and acquisitions and corporate restructuring		
Debt restructuring		

Loans to households

	How have they changed over the *LAST* six months?	How do you expect them to change over the *NEXT* six months?
A) Financing needs		
Housing market prospects		
Consumer confidence		
Non-housing related consumption expenditure		

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

	Has the non-performing loan ratio changed over the *LAST* six months?	How do you expect the non-performing loan ratio to change over the *NEXT* six months?
Total		
Retail		
Corporate		

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

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

Central, Eastern and South-Eastern Europe (CESEE)

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European Investment Bank