ECONOMICS – REGIONAL STUDIES

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

Second half of 2023

European Investment Bank

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CESEE Bank Lending Survey – H2 2023 – Autumn Edition

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

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

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

* 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.

pdf: QH-BQ-23-002-EN-N ISBN 978-92-861-5622-9 ISSN 2600-1500 doi:10.2867/98559

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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).

Autumn 2023 survey wave: conducted during September 2023. In the following, "last six months" refers to the period between April 2023 and September 2023, and "next six months" refers to the period between October 2023 and March 2024.

Participating banks: 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 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.

Survey questionnaire: 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.

[1] The Vienna Initiative is a forum for decision making and coordination which brings together all the relevant public and private sector stakeholders of EU-based cross-border banks active in Central, East and South-East Europe (central banks and regulators; commercial banks; international financial institutions). For more information on the Vienna Initiative, see: Vienna Initiative (eib.org) and Vienna Initiative (vienna-initiative.com).

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 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

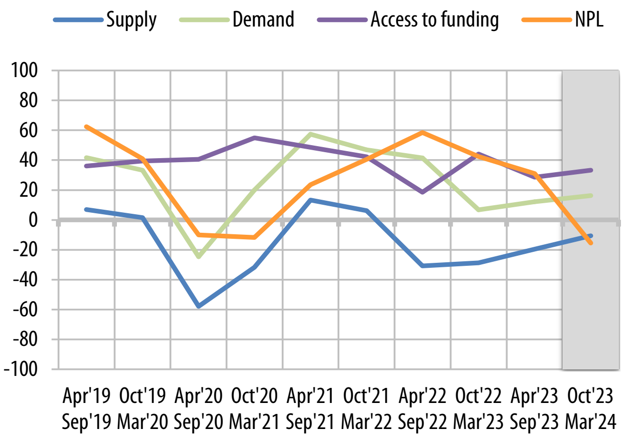
The tightening of credit supply that began in 2022 is not over, but the large supply-demand gap seen in previous six-month periods (when demand was resilient but supply tightened) is expected to diminish. More banks than before say they want to expand selectively in the region, but they report deteriorated profitability.

Summary

International banking group strategies: Most parent banks in Central, Eastern and South-Eastern Europe (CESEE) countries have maintained their level of exposure in the last six months. Some mergers and acquisitions activity took place among major players in Serbia and Romania. When asked about their **long-term strategies**, cross-border banking groups signalled they wanted to "selectively expand" (50%, up from 45% in the last round and 30% in the round before that) or maintain the same level of operations in the region (40%). **Market potential** in the region is seen as medium in most cases: banks are more optimistic about Czech Republic and Romania, more pessimistic about Bosnia and Herzegovina. However, banks say **profitability** compared to overall group operations deteriorated significantly since the previous survey round, with more than 50% of banks now signalling lower profitability in Albania, Croatia, Hungary, Poland and Romania.

The results of the CESEE Bank Lending Survey, which collected data in September 2023, 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). When looking at the local market, **credit demand** from bank clients has remained resilient and is expected to improve slightly. Fixed investments and retail, especially the housing market, contributed negatively. However, credit needs for fixed investments are expected to resume. Credit demand is expected to remain relatively strong (with Hungary and Poland as exceptions), despite the expected continued weakness on the retail side.

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.

The tightening of **credit supply,** which began in the first months of 2022 (affected by the war in Ukraine, inflation, and higher rates), is not yet over. Credit supply is expected to remain weak or neutral in almost all countries (except for Albania). The large supply-demand gap of the last few years (when demand was resilient but supply tightened) is expected to diminish.

The positive **access to funding** trend for subsidiaries in the region is expected to remain in place, driven especially by retail and corporate funding. The anticipated deterioration of **credit quality** did not materialise in the last six months. However, banks again expect an increase in non-performing loans (NPLs), affecting the retail and corporate sectors in almost all countries (except for Albania).

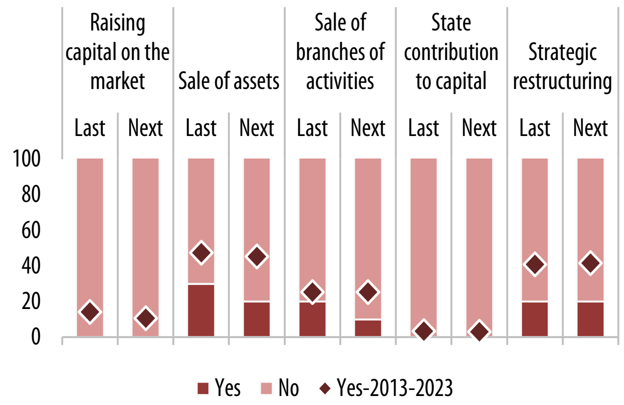
CESEE Bank Lending Survey results — parent bank level

Parent banks in Central, Eastern and South-Eastern Europe broadly maintained their positions in the region. Some mergers and acquisitions activity took place among major banks in Serbia and Romania. Following a long deleveraging trend, one-third of banks — the largest share in a decade — predict that the loan to deposit ratio will increase.

Parent banks maintained their stance and their business in Central, Eastern and South-Eastern Europe over the last six months. Around one-third of banks (more than in the previous survey round) said they sold some assets, or some branches (around 20%), or restructured their activities (20%) in the last six months. These activities were more common over the past decade (2013-2023, see Figure 2). The Serbian and Romanian banking markets were affected by some extraordinary operations: in March 2023, the Greek bank Eurobank sold its Serbian subsidiary (for €280 million) to AIK Banka, which became the second-largest banking group in Serbia. In October 2023, UniCredit, one of the largest banking groups in the region, announced that it would merge its Romanian subsidiary with the newly acquired Alpha bank in Romania (for €300 million), becoming the third-largest lender in Romania. In September 2023, Intesa Sanpaolo secured approval from Russia to sell or dispose of its assets in the country. Some major banking groups with a strong foothold in the regional markets still have a presence in Russia (Russia, Belarus and Ukraine are outside the scope of the survey).

Group-level deleveraging — lowering the loan-to-deposit ratio — was significant before 2017 but had already slowed considerably in recent years. More than one-third of banks (the largest share in a decade) now predict that the ratio will increase (Figure 3).

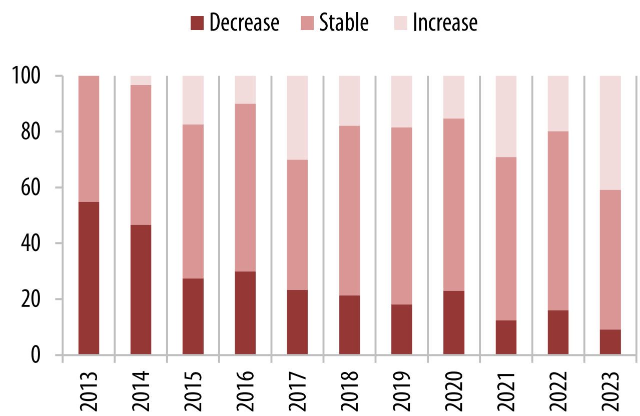
Figure 2 **Strategic operations to increase capital ratio** (in %)



Source: EIB — CESEE Bank Lending Survey.

Note: "Last" indicates the last six months (April 2023 to September 2023). "Next" indicates the next six months (October 2023 to March 2024). 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.

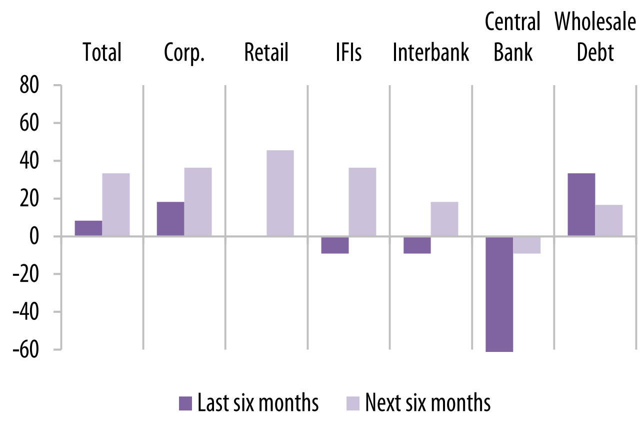
Note: See Question A.Q4 in the Annex.

Access to funding at the group level remained benign over the last six months, thanks to sustained improvements especially in retail funding, but less favourable compared to the period 2019-2022. The funding situation at the group level is expected to improve meaningfully during the next six months.

Banking groups' overall access to funding remained positive, similarly to the previous period. Corporate funding (or the collection of retail deposits) was one of the major drivers. However, funding from the central banks was strongly reduced (Figure 4a), with negative contributions also from interbank and international financial institution (IFI) funding.

Over the next six months, banking groups expect the current funding environment to improve significantly, driven by most factors, especially retail and corporate funding, while central bank contribution will again be lower.

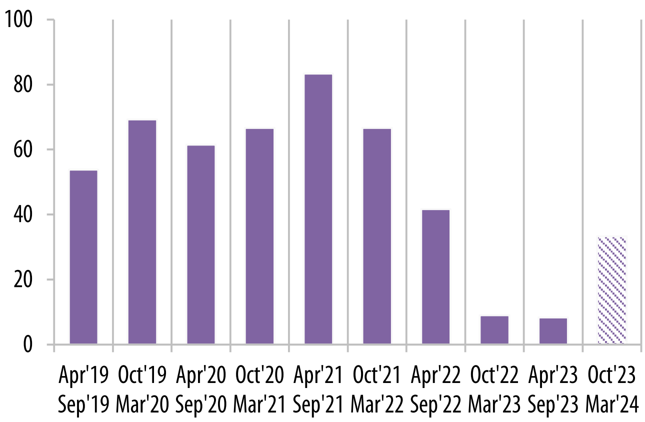
Figure 4a **Access to funding conditions** (in %)



Source: EIB — CESEE Bank Lending Survey.

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

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



Source: EIB — CESEE Bank Lending Survey.

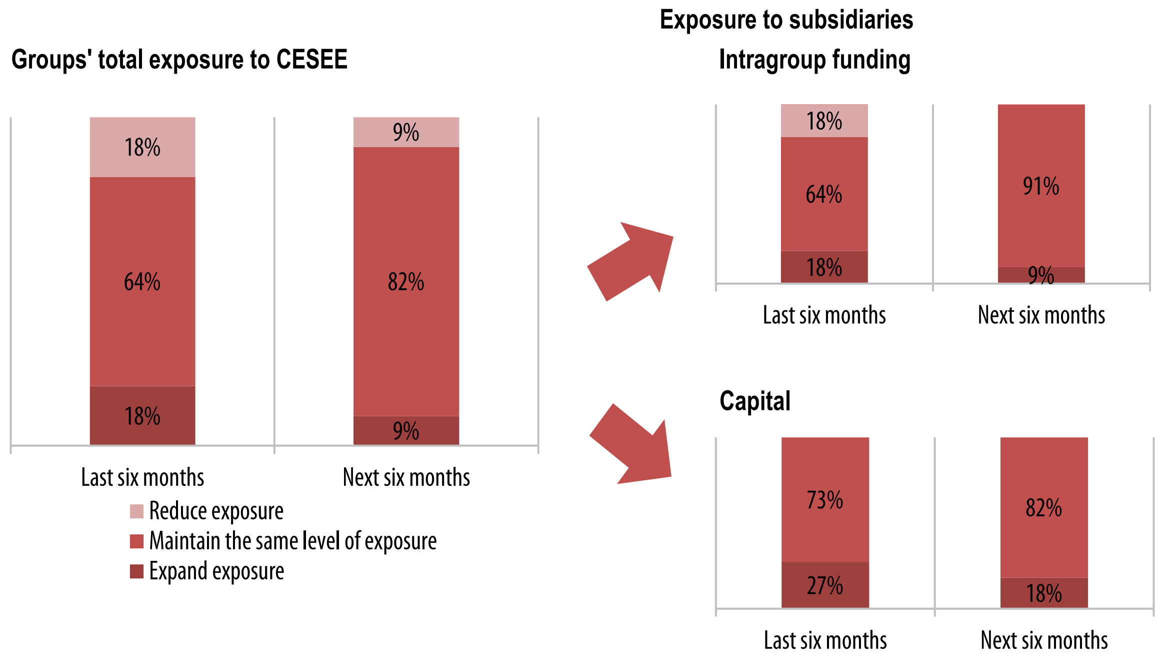
Note: The chart shows net percentages, with positive values indicating increased access to funding. See Question A.Q3 in the Annex.

Cross-border groups' exposure to Central, Eastern and South-Eastern European banking markets displayed a neutral trend over the last six months, contrary to more positive expectations expressed in the previous survey round. Most of banks (82%) expect their exposure to remain neutral in the next six months.

The total exposure of groups to Central, Eastern and South-Eastern Europe did not increase (Figure 5b), contrary to optimistic expectations in the previous survey round. Most banks (64%) maintained the same level of exposure to the region (in terms of intragroup funding to the subsidiaries, and capital) in the last six months, while 18% reduced exposure and 18% increased it (Figure 5a, left).

For the next six months, banks expect an overall neutral stance towards the banking markets in the region: 9% of the international banking groups plan to increase their exposure in the region (compared to 27% in the previous survey round), 9% to reduce their exposure, and the large majority (82%) 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 for around 80-90% of banks.

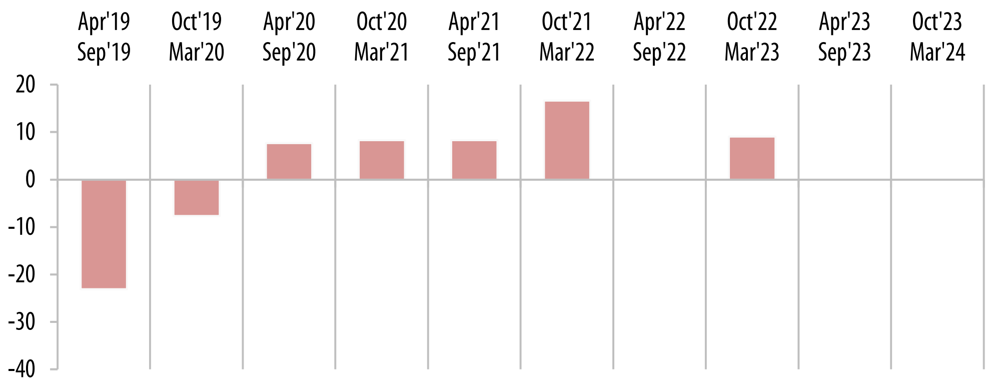
Figure 5a **Groups' total exposure to Central, Eastern and South-Eastern Europe**



Source: EIB — CESEE Bank Lending Survey.

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

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



Source: EIB — CESEE Bank Lending Survey.

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

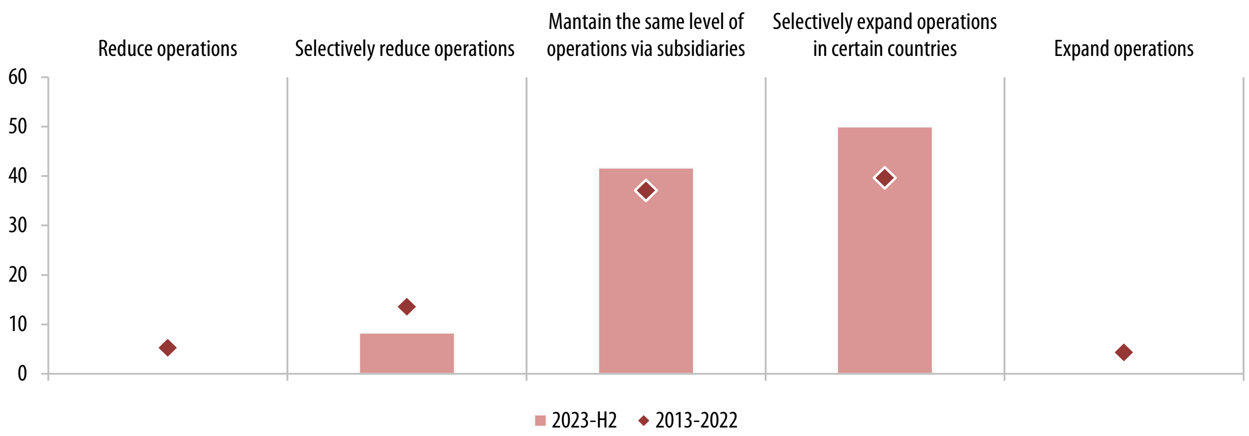
Regarding long-term strategies for regional operations, banking groups are leaning towards expansion (50% versus 45% in the previous survey round) or stability (40%). Their view on profitability, compared to overall group operations, deteriorated in various countries.

When asked about their **long-term strategy**, cross-border banking groups signal that they want to selectively expand (50%, up from 45% in the previous survey round and 30% in the round before that — see Figure 6) or at least maintain the same level of operations in the region (40%). 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 optimistic about Czech Republic and Romania (more than 60% signalling high market potential), more pessimistic about Bosnia and Herzegovina (50% signalling low market potential) and their view about the Albanian, Croatian, Serbian and Slovakian banking markets improved (see Additional CESEE regional data, A.4, at the end of the regional overview). Similarly, they perceive their overall **market positioning** and the scale of their operations as mainly optimal or satisfactory. Only some 20-30% of banks — in Croatia, Czech Republic and Romania — 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 many Western Balkan countries, such as Kosovo, North Macedonia, and Bosnia and Herzegovina, but also in Bulgaria (see Additional regional CESEE data, A.6 and A.7). However, their view on profitability deteriorated significantly since the previous survey round, with more than 50% of banks now signalling lower profitability in various countries (Albania, Croatia, Hungary, Poland and Romania) compared to overall group operations.

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 slightly improving credit demand, while supply conditions remained weak over the last six months.

In the next six months, credit demand is expected to improve: Demand will likely be driven by companies but remain very weak on the retail side (including mortgages). Supply conditions are expected to remain rather weak, especially because of the retail sector.

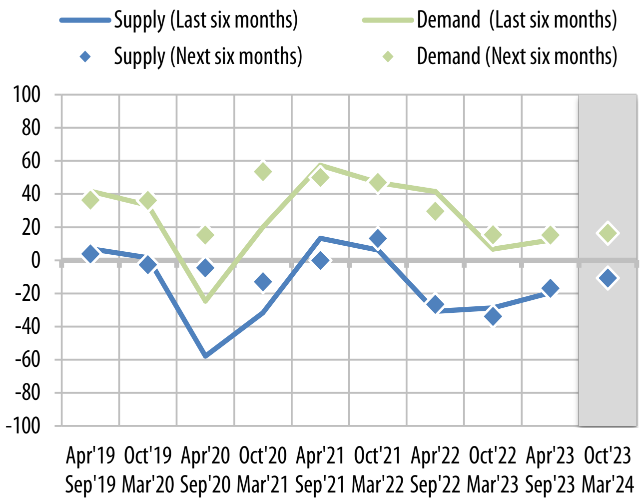
Credit demand (indicating clients' willingness to borrow from banks) remained healthy during the last six months but it had been gradually weakening since 2021-22 (Figure 7). Like in the previous survey round, fixed investments and retail components, especially the housing market, contributed negatively (see Additional CESEE regional data, A.1), and credit demand was again driven by corporate liquidity needs (for inventories and working capital, especially).

Credit needs for fixed investments are expected to resume in the coming months, especially for large corporates (see Additional CESEE regional data, A.2). This is expected to keep credit demand relatively strong (except in Hungary and Poland), despite anticipated weakness on the retail side, which will affect the housing market and consumer segments.

Credit supply conditions (representing banks' willingness to extend credit) tightened again over the last six months (Figure 7). The tightening began in the first months of 2022, likely because of the war in Ukraine, inflation, higher rates, and economic slowdowns, and it is not yet over. All business segments have been affected by tight supply conditions, especially small and medium-sized enterprises (SMEs).

Credit supply conditions are expected to deteriorate again over the next six months, but are gradually moving to a more neutral situation (see Additional CESEE regional data, A.3). The large supply-demand gap experienced in the last few years (when demand remained strong but supply tightened) may be reduced again.

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.

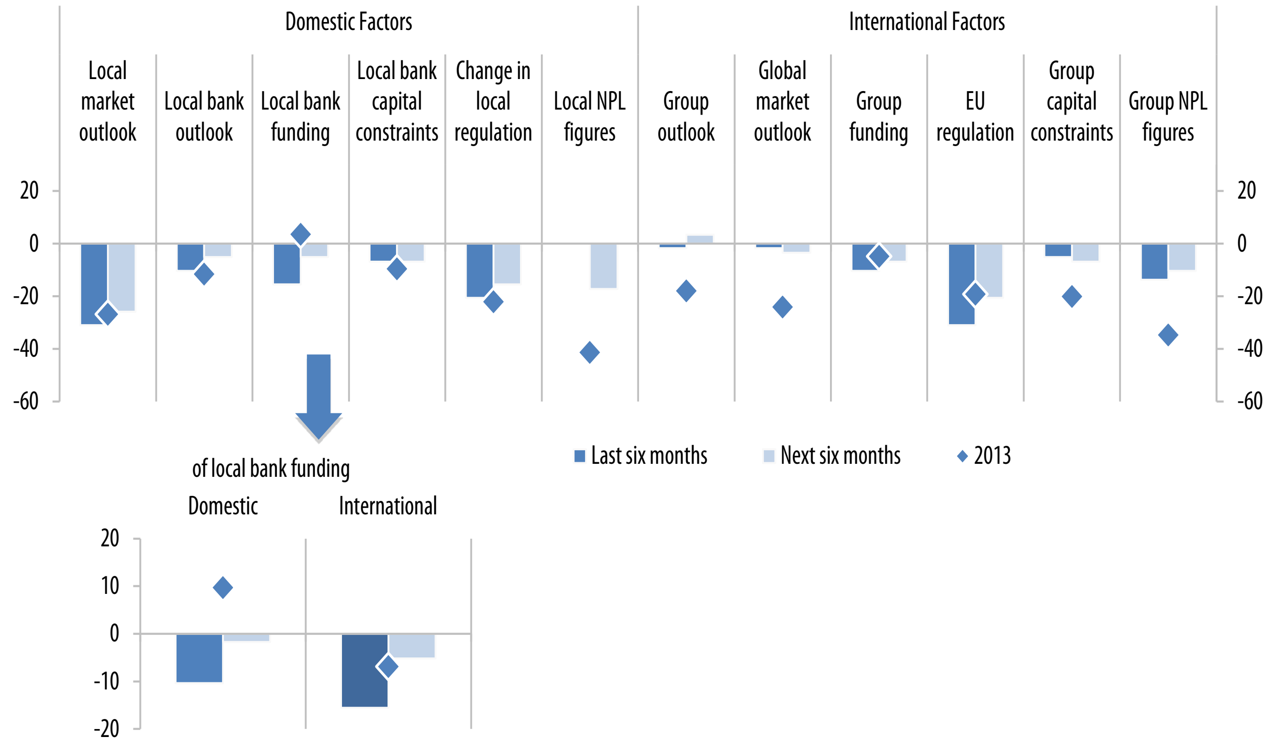
The main causes of tighter supply conditions during the past six months were the local market outlook and local and EU regulations, while credit quality was not a major concern in the local market.

The drivers of supply conditions are not expected to change much in the next six months, but credit quality in the local market is expected to deteriorate too.

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, EU regulation and local regulation.

Banking groups expect supply conditions to remain weak over the next six months, for similar reasons as in the past six months, but also because of concerns over future credit quality in the local market. Group outlook and the global market outlook do not raise major concerns.

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.

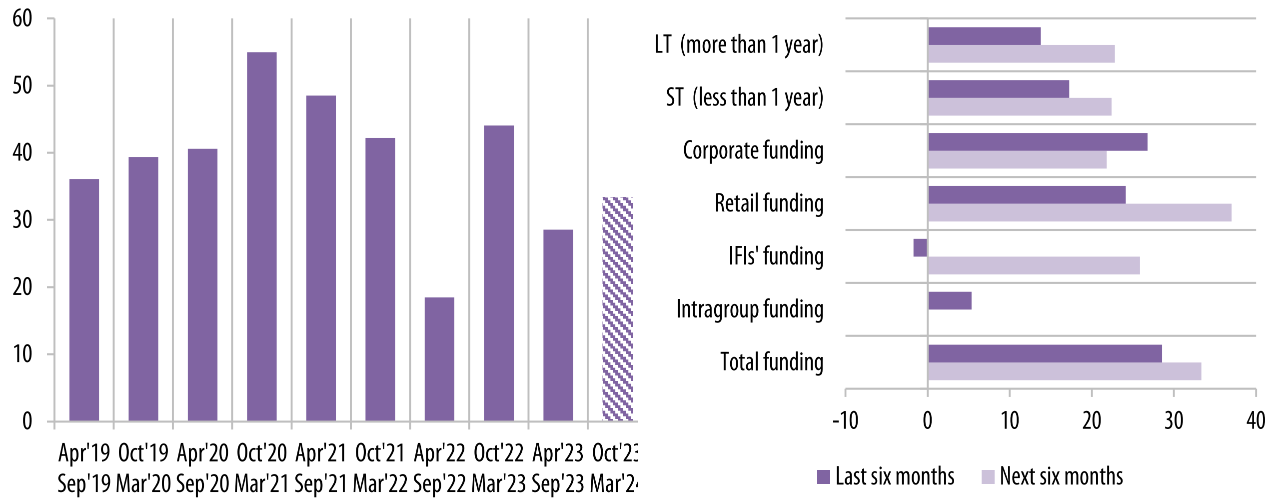
Easy access to corporate and retail deposits supported benign funding conditions over the last six months. Access to intragroup and international financial institution (IFI) funding improved slightly.

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.

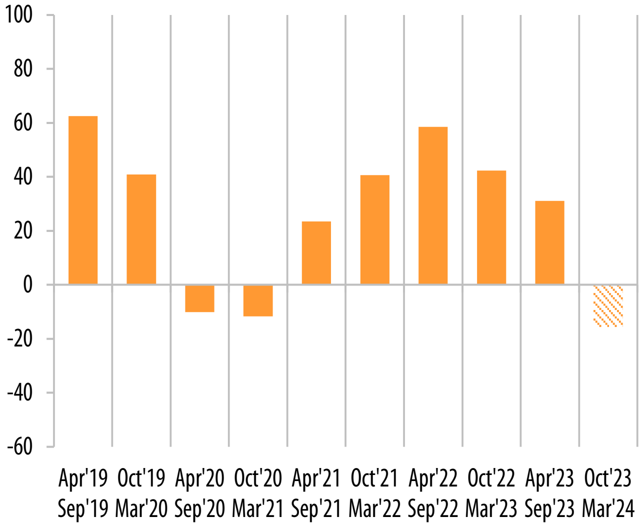
Credit quality improved again over the last six months. Once again, the deterioration of credit quality predicted in the three previous survey rounds did not materialise. However, given the weaker economic outlook and higher interest rates, banks again expect an increase in non-performing loans over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

Credit quality continued to improve following the COVID-19-related deterioration in 2020-21 (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 (slower growth, high interest rates), banks again expect a deterioration in credit quality over the next six months, affecting both retail and corporate loans. Expectations are negative for Bulgaria, Hungary, Kosovo, Serbia and Slovakia, and positive only for Albania. Credit quality is expected to remain neutral in the other countries in the region.

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

Developments over time



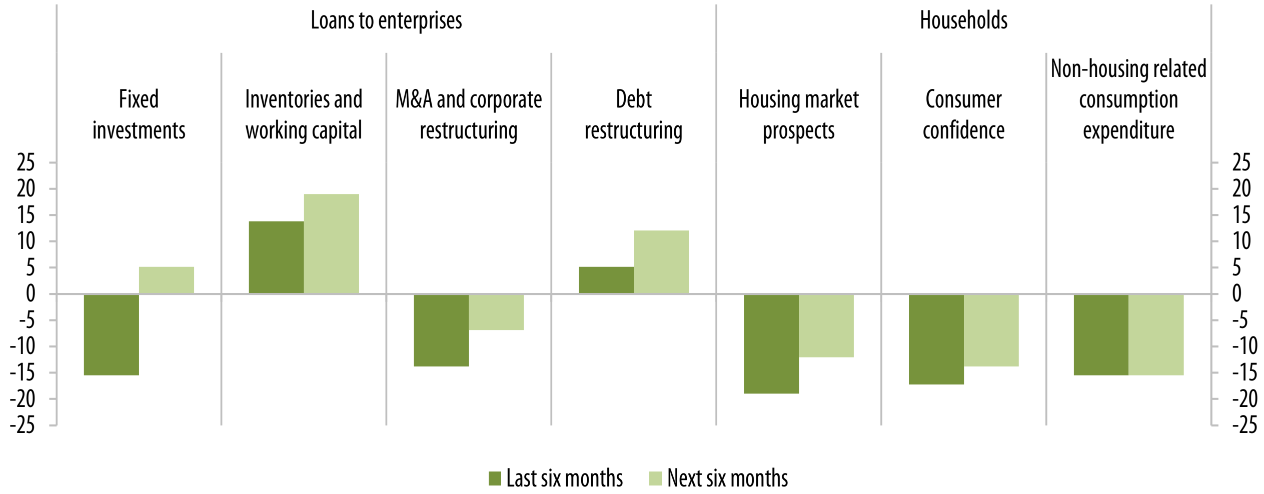
Latest survey round (Autumn 2023)

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

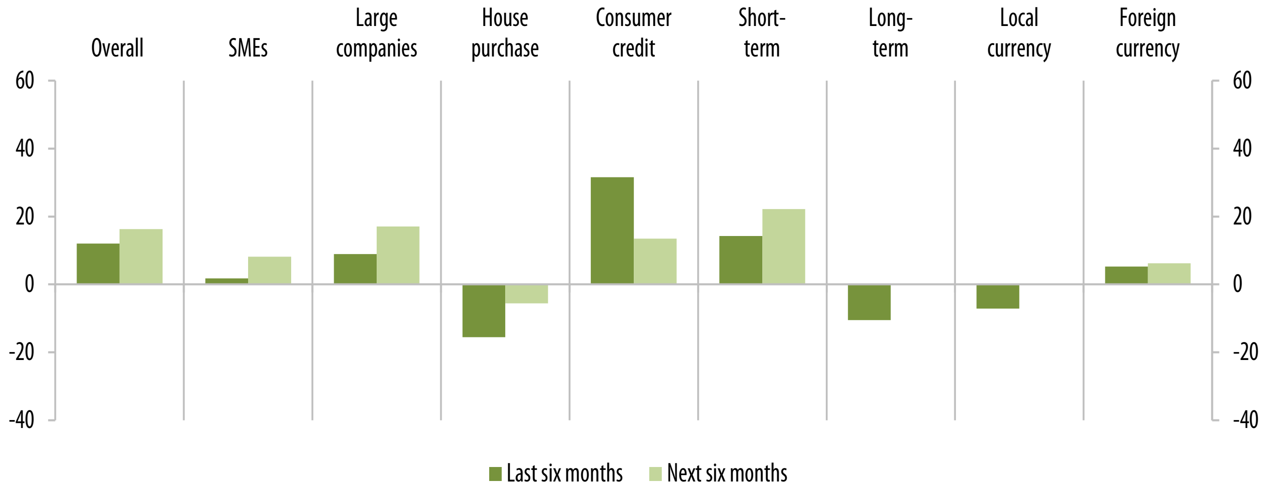
A.1 **Factors affecting demand for credit** (in %)



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.

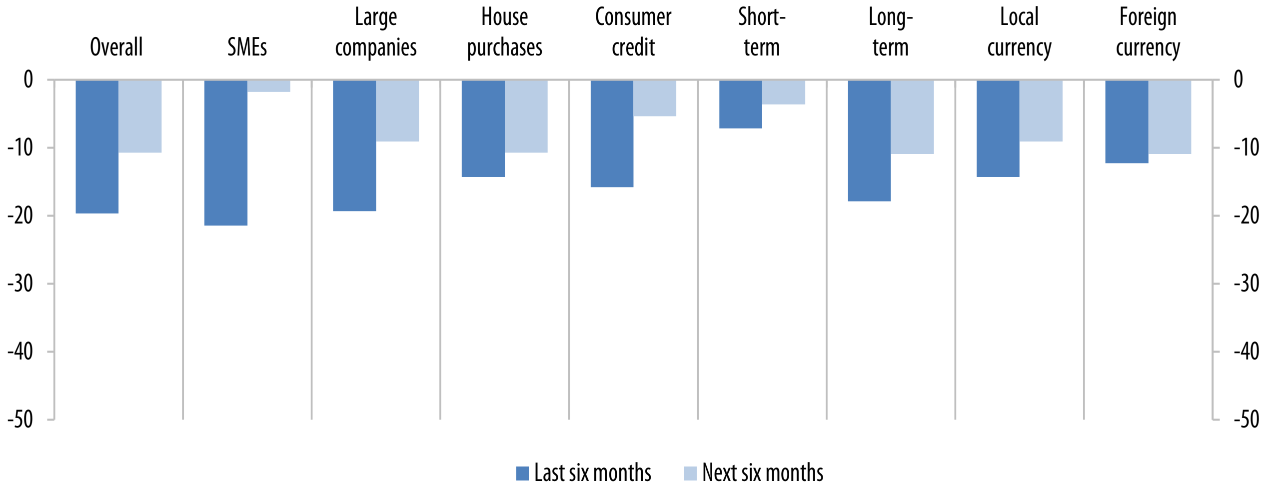
A.2 **Demand for loans or credit lines — client breakdown** (in %)



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.

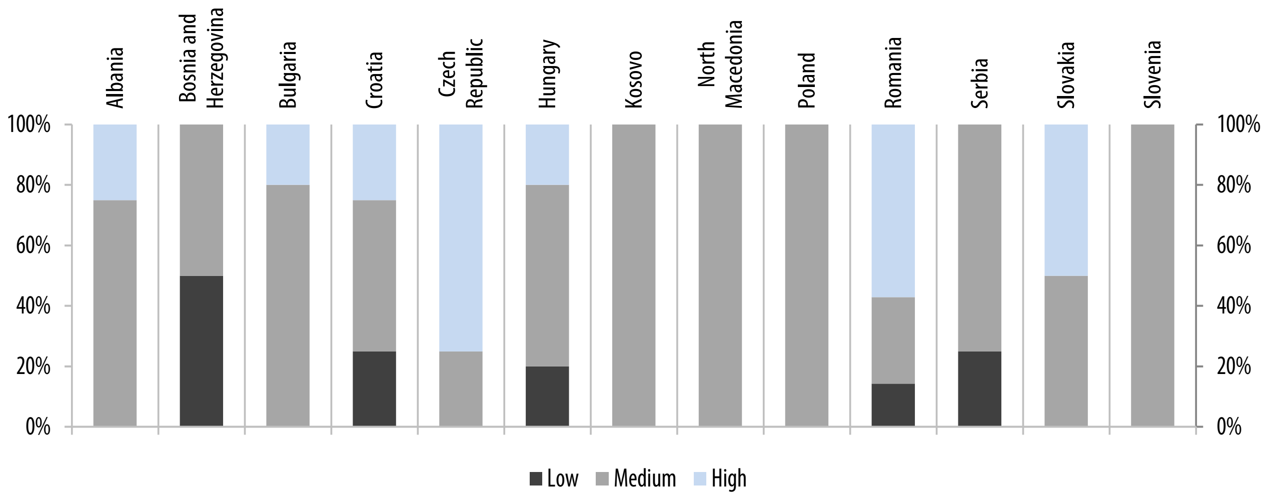
A.3 **Credit supply (credit standards) — client breakdown** (in %)



Source: EIB — CESEE Bank Lending Survey.

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

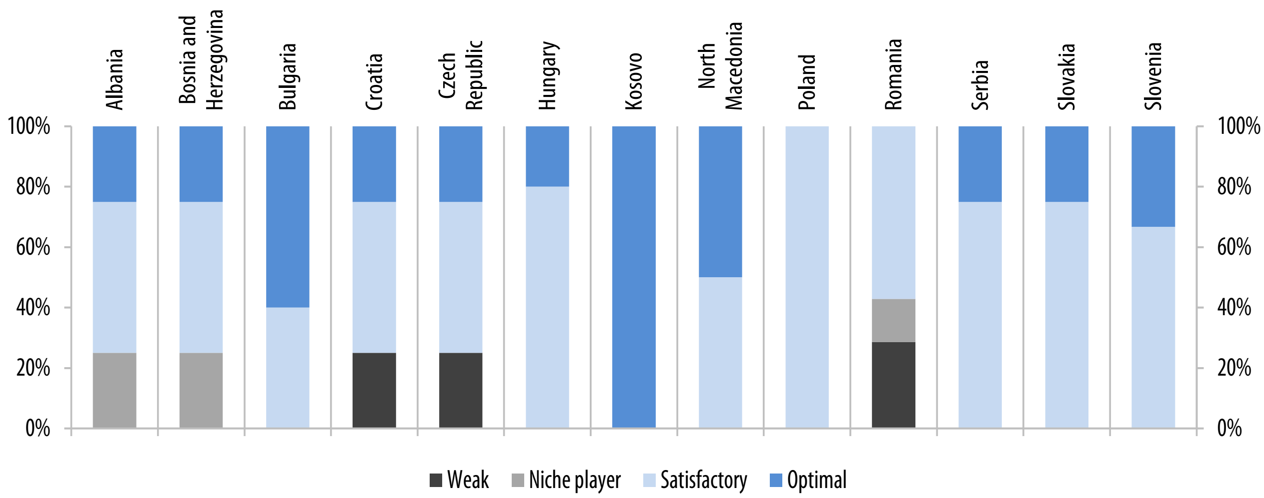
A.4 Market potential



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

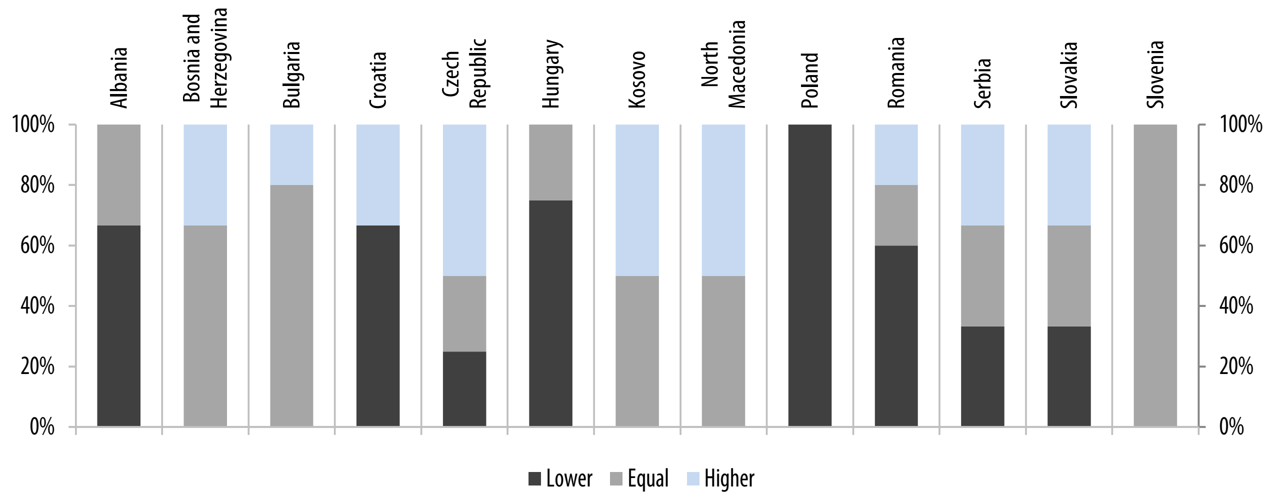
A.5 Market positioning



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

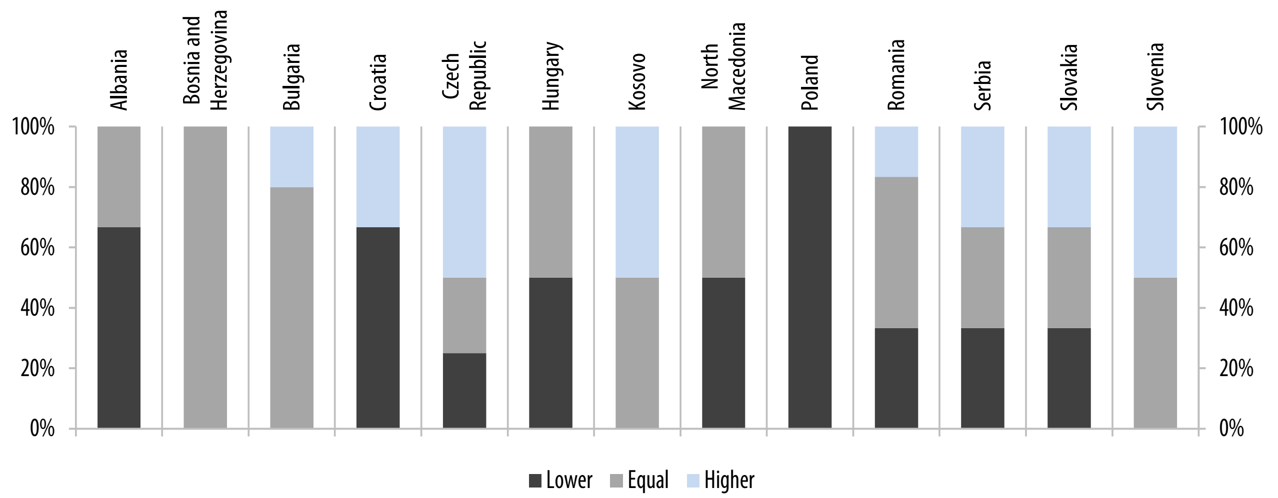
A.6 **Return on assets (adjusted for cost of risk) compared to overall group operations**



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 stagnated, while supply conditions tightened further. A significant recovery in demand conditions and tightening of supply is expected in the next six months, signalling a continuation of the demand-supply gap. Credit quality is expected to improve.

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, with a deterioration against the previous survey round. Some improvements have been registered in market potential and market positioning, with all parent banks considering the Albanian market to have medium or high potential.

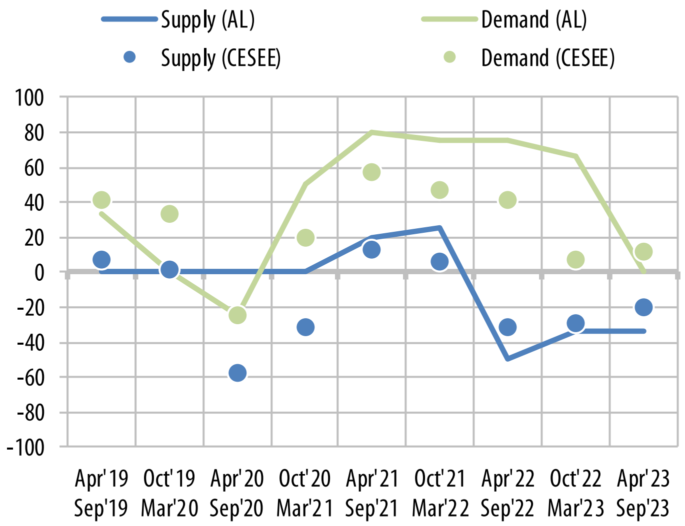
Credit demand in Albania stagnated, in line with the regional average. More segments registered an improvement, but long-term loans decreased. Strong demand conditions are expected to return in the next six months, more so than for the wider region.

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 increased 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 in the last six months but is expected to improve in the next six months.

Non-performing loan (NPL) ratios remained unchanged in the corporate and retail segments over the last six months and are expected to improve for the next period, exceeding regional trends.

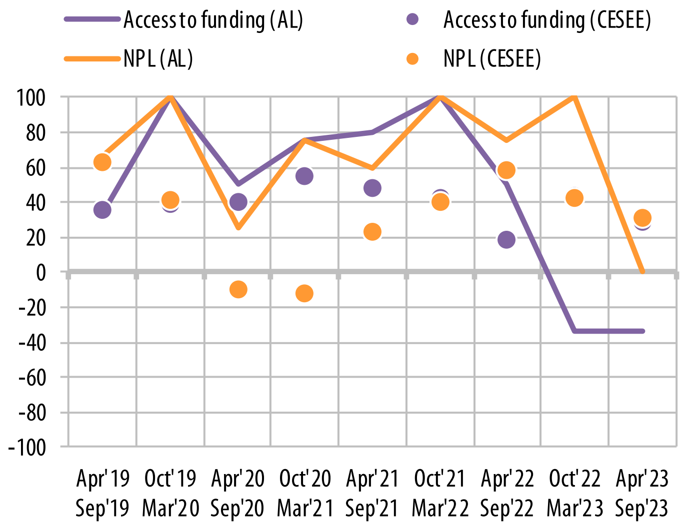
Credit supply and credit demand (in %)



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.

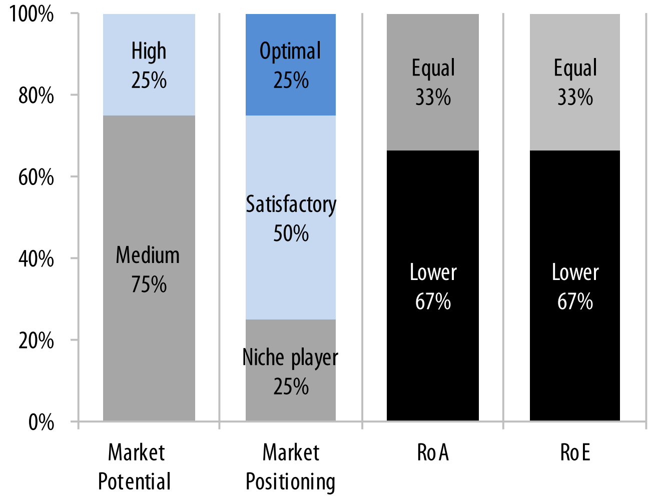
CESEE Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Bank profitability deteriorated further over the last six months in Albania. Most international banking groups reported a lower 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 RoA, with 100% of banks mentioning equal profitability compared to group level).

Albania's market potential and market positioning improved. Parent banks consider the Albanian market to have medium to high potential, and three-quarters continue to report their market positioning as satisfactory or optimal.

One-third of the parent banks present in Albania are considering deleveraging in Central, Eastern and South-Eastern Europe, but all intend to maintain or selectively increase their level of operation via subsidiaries.



Source: EIB — CESEE Bank Lending Survey.

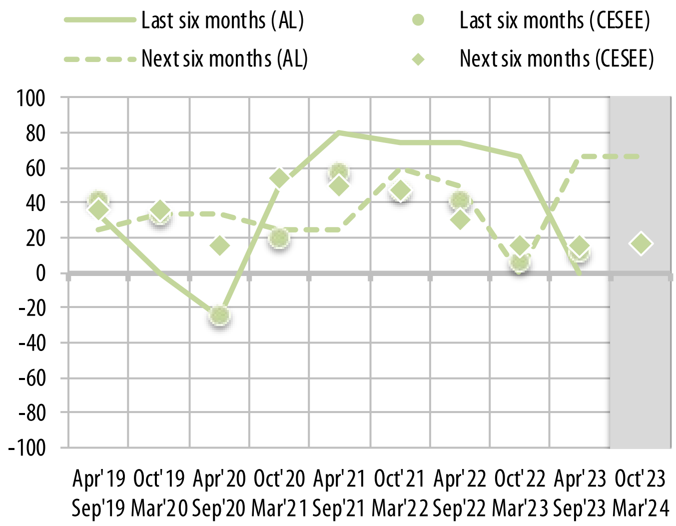
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Demand for loans in Albania stagnated during the last six months, contrary to the expectations expected in the previous survey round, and aligned with the regional average.

Expectations for the next six months point towards a recovery, with a return of strong demand conditions, more than for the wider region.



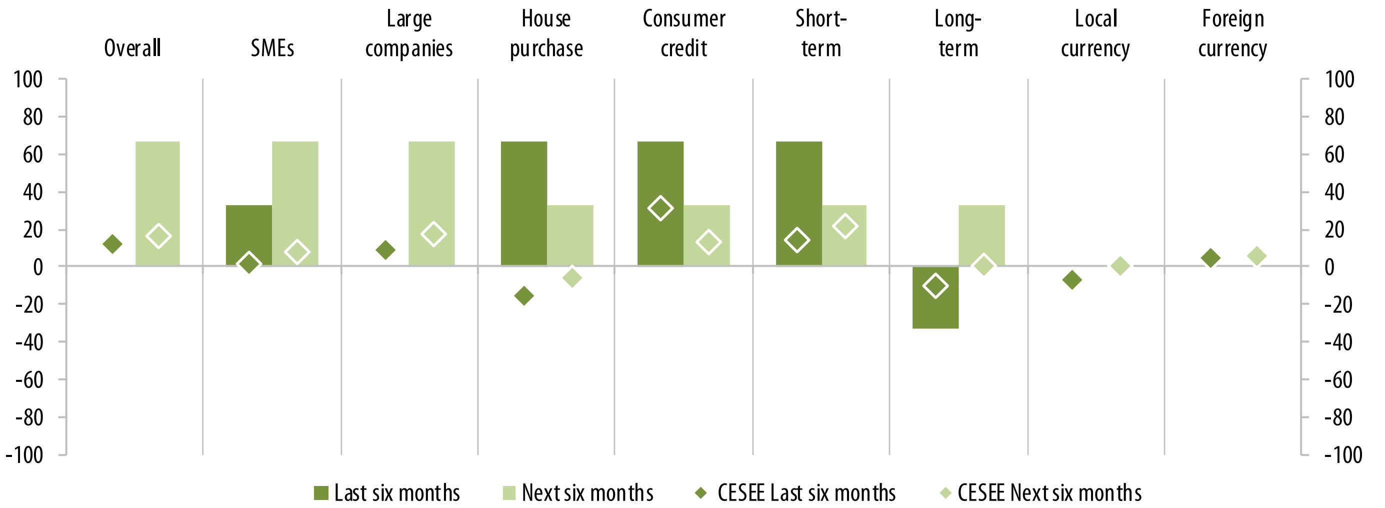
Source: EIB — CESEE Bank Lending Survey.

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 stagnated overall during the last six months but increased for small and medium-sized enterprises and households, particularly in the short term.

Overall credit demand is expected to turn positive on average in the next six months across all credit segments.



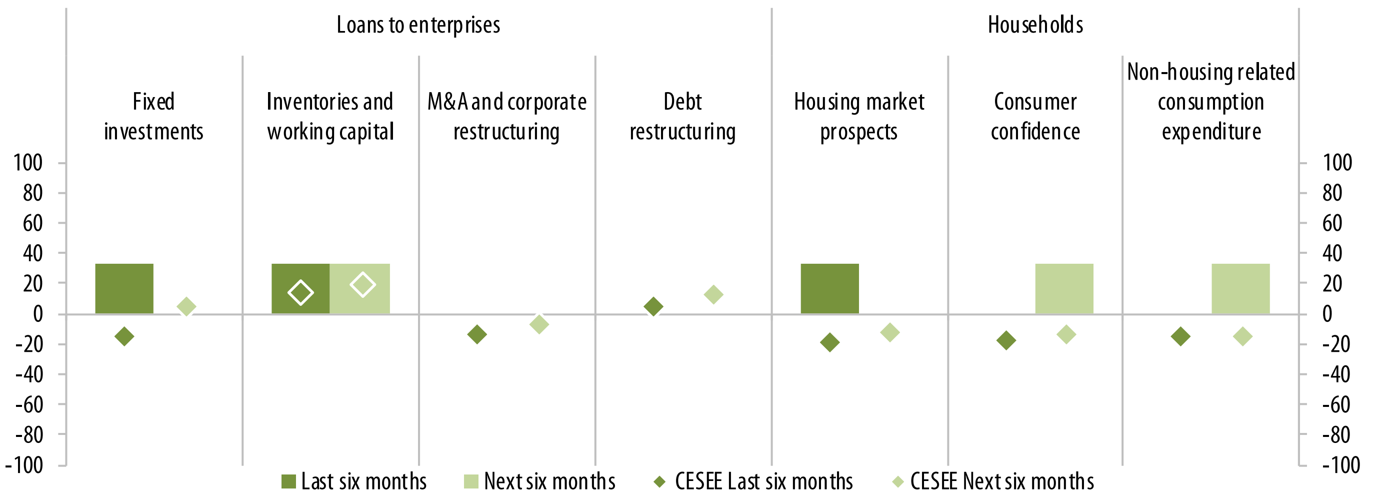
Source: EIB — CESEE Bank Lending Survey.

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 %)

Working capital (typically short-term) and fixed investments (typically long-term) contributed to corporate loan demand, whereas other factors had a neutral contribution. In the household segment, mortgage loans were the driver of demand.

During the next six months, demand for loans is expected to be driven by working capital for companies and consumer loans for households.



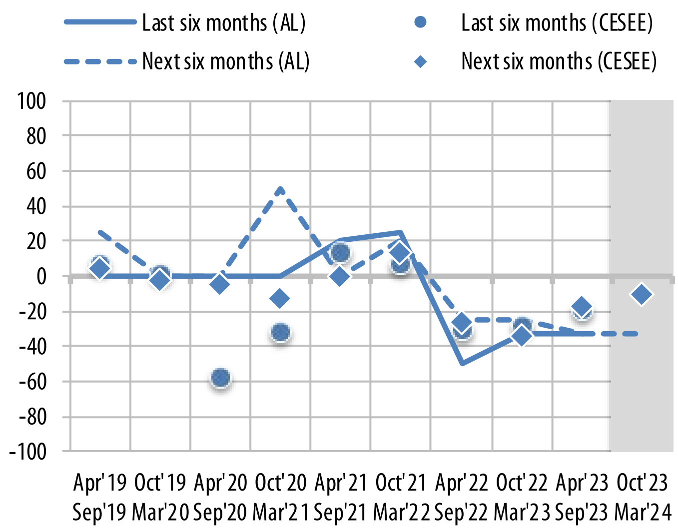
Source: EIB — CESEE Bank Lending Survey.

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 **Aggregate supply developments** (in %)

Credit standards in Albania tightened for the third period in a row, 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, more than in the region, in line with global trends of tighter monetary policy conditions to tackle inflation.



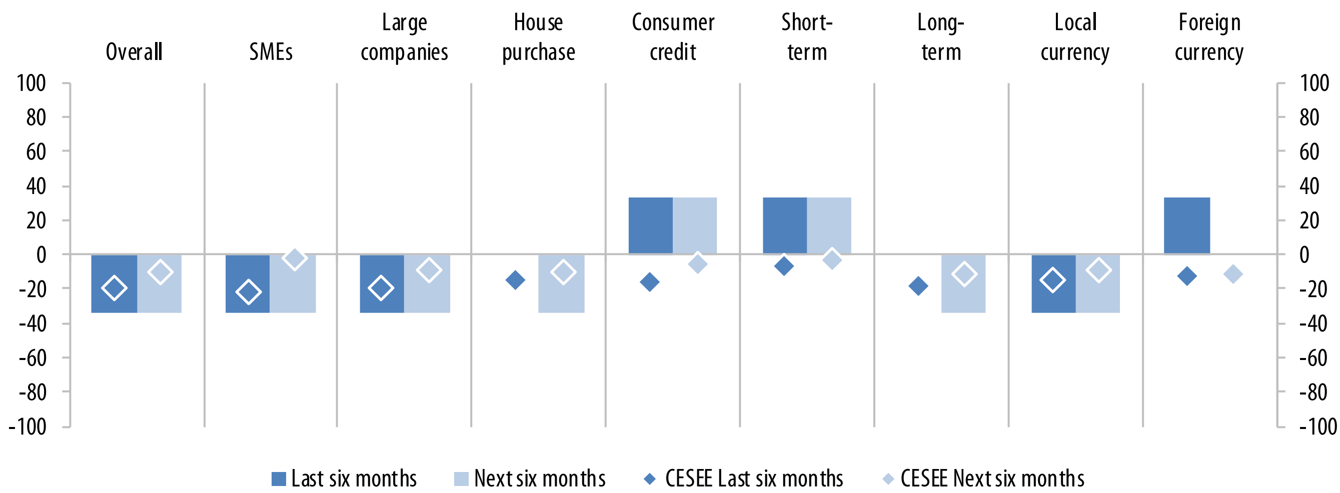
Source: EIB — CESEE Bank Lending Survey.

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 6 **Supply components and segments** (in %)

Credit supply conditions tightened for the corporate segment (both for small and medium firms and large corporates) and were neutral for mortgages. They eased for consumer loans.

The same trend across segments is expected for the next six months, except for mortgages, which are expected to be weak in terms of credit supply.



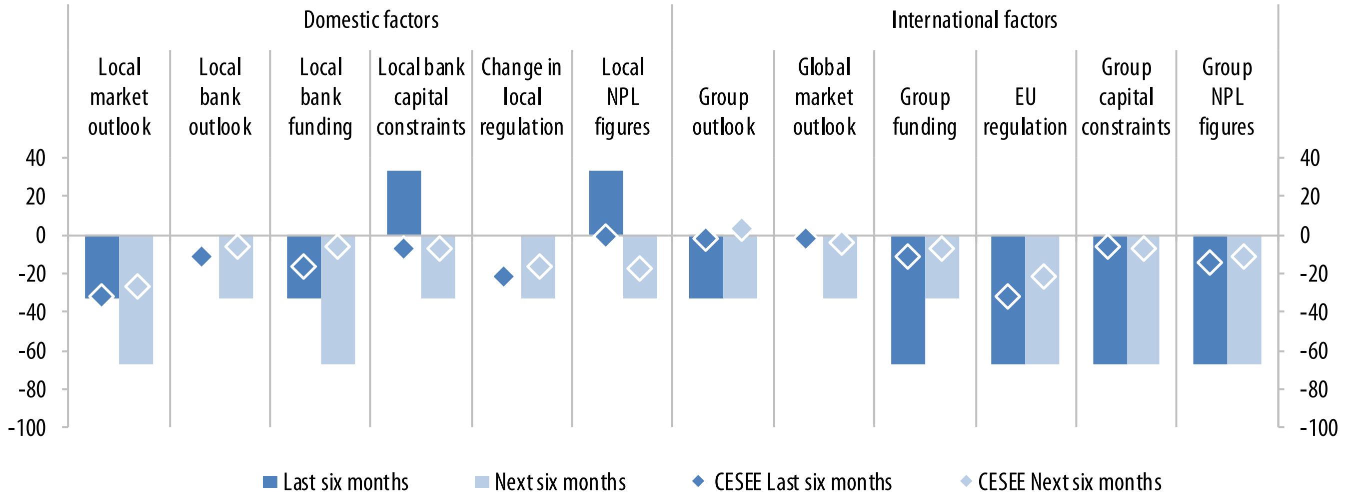
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 **Factors contributing to supply conditions** (in %)

Local market outlook and local bank funding contributed negatively to credit supply conditions in Albania over the last six months, while local bank capital constraints and non-performing loans in the local market continued to make positive contributions. All international factors contributed negatively, except for the global market outlook which had a neutral contribution.

Supply conditions are expected to deteriorate over the next six months, driven by both international and local factors.



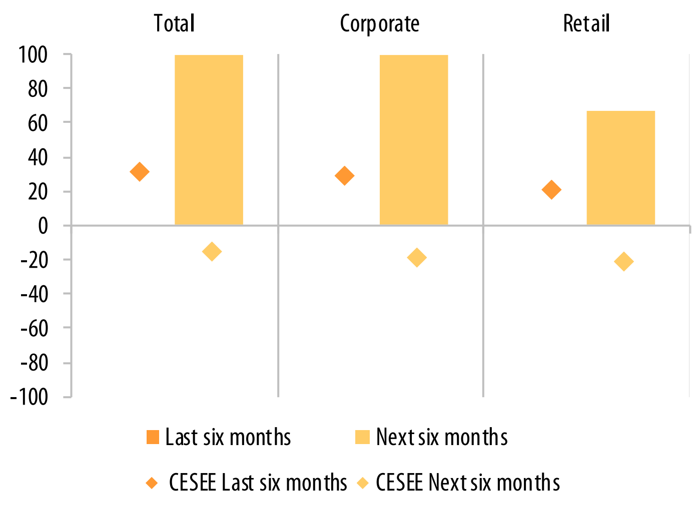
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **Non-performing loan ratios** (in %)

The expected deterioration in non-performing loans did not materialise. The credit portfolio quality has been maintained for the corporate and retail segments over the last six months.

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



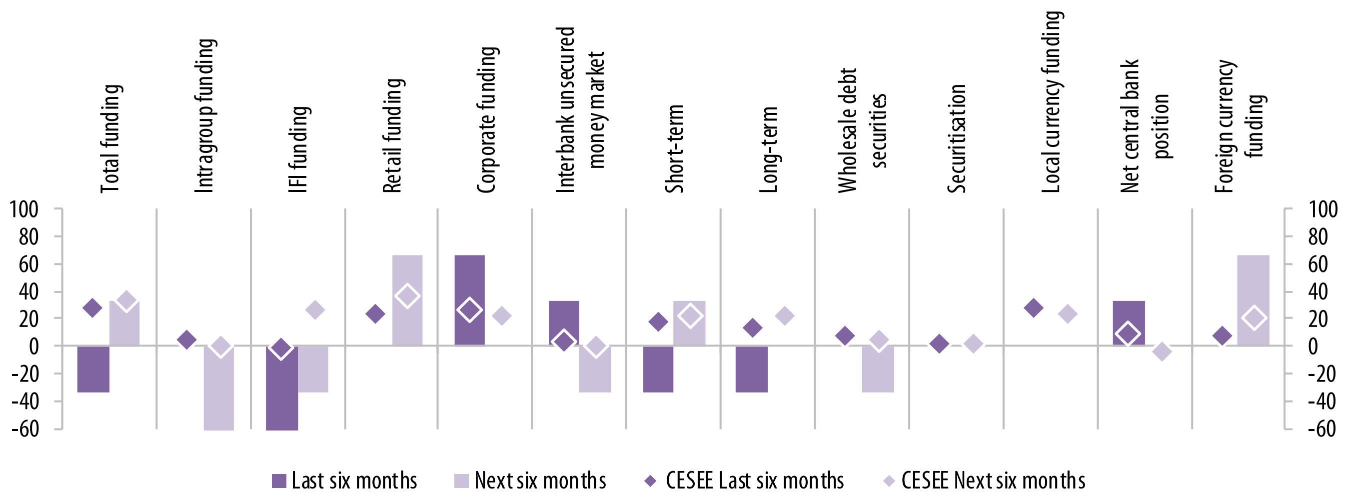
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

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

Banks expect funding conditions to improve during the next six months, driven mainly by retail (that is, higher retail deposits) and foreign currency funding.



Source: EIB — CESEE Bank Lending Survey.

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

Bosnia and Herzegovina

Credit supply conditions continued to tighten during the last six months and are expected to tighten further in the next six months. Credit demand recovered slightly, and the positive trend is expected to continue. Profitability deteriorated, and half of parent banks consider Bosnia and Herzegovina's market potential to be medium and half consider it low.

Summary

Group assessment of positioning and market potential: Half of parent banks report that Bosnia and Herzegovina has low market potential (50%), the worst rating among the Central, Eastern and South-Eastern European countries surveyed. The profitability of local banks deteriorated from the previous period, with most banks reporting profitability that is equal to the overall group level.

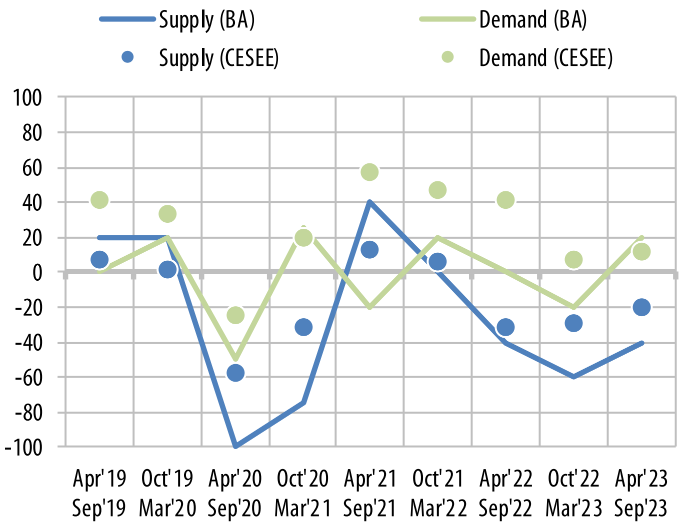
Demand for loans recovered over the last six months, driven mainly by corporations and an ongoing improvement in consumer loans. Further improvement is expected for the same segments in the next six months.

Credit supply conditions have tightened further across the board and banks in Bosnia and Herzegovina expect this trend, which began in 2021, to continue.

Access to funding remained generally unchanged, despite improved funding from international finance institutions, retail deposits, the interbank market and the net central bank position.

Credit quality improved in the corporate and retail segments. However, in line with decelerated economic activity, banks expect an increase in non-performing corporate loans in the next six months but overall credit quality is expected to remain neutral.

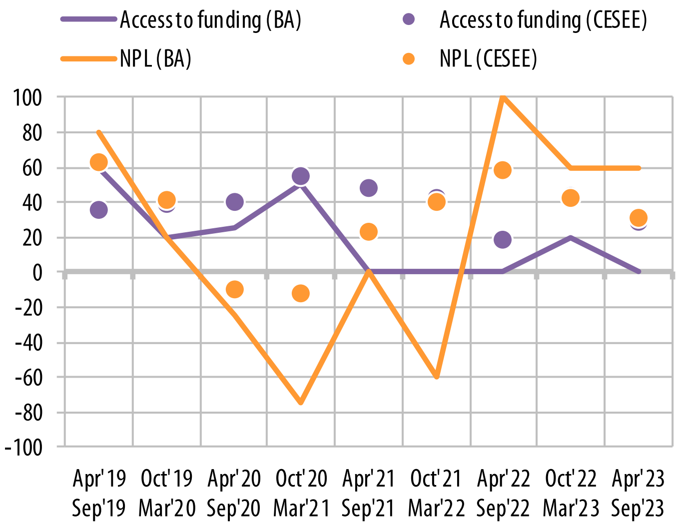
Credit supply and credit demand (%)



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.

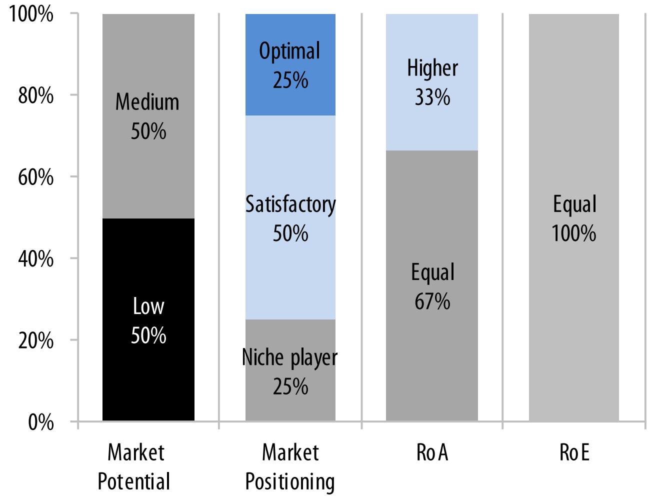
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

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, positioning Bosnia and Herzegovina as the country with the worst rating in the region.

Profitability indicators are relatively better: Whereas parent banks started to report lower profitability for local operations in many Central, Eastern and South-Eastern European countries, they continued to declare a higher or equal return on assets (RoA) and return on equity (RoE) in Bosnia and Herzegovina compared to the overall group. Market positioning also continued to be positive for three-quarters of parent banks (satisfactory or optimal).



Source: EIB — CESEE Bank Lending Survey.

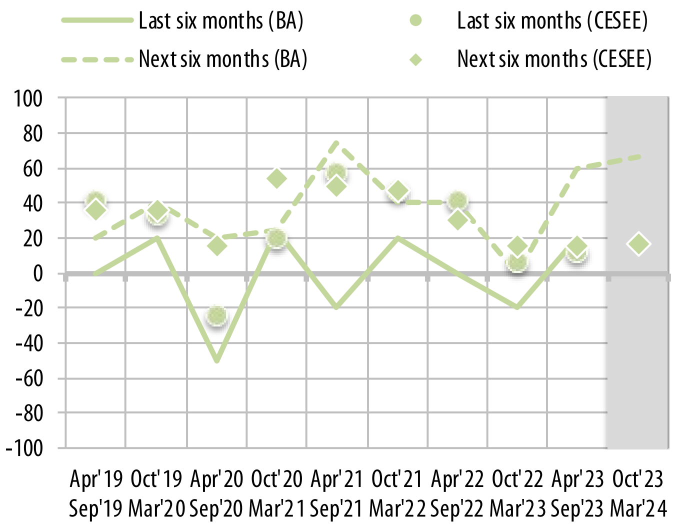
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

After some volatility in recent years, demand for credit recovered over the last six months, in line with the regional average.

Improvements in credit demand are expected over the next six months, significantly above the regional trend.



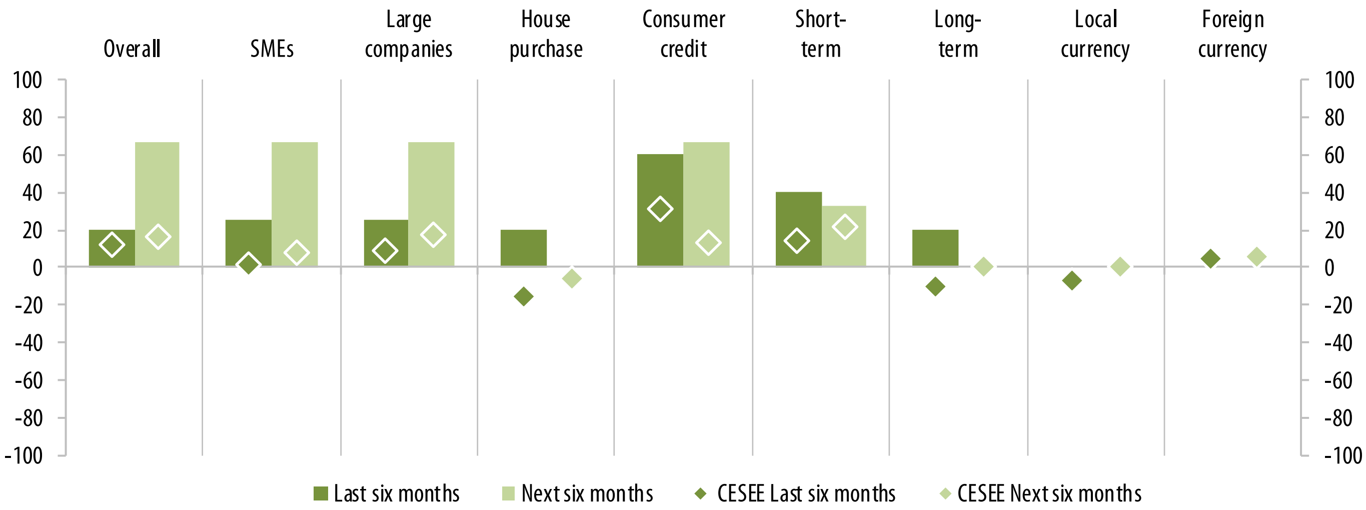
Source: EIB — CESEE Bank Lending Survey.

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 increase in demand for loans was driven by all corporate and household segments.

Growth in demand is expected over the next six months for most segments. The strongest growth is expected for business and consumer loans, while demand for mortgage loans is expected to stay unchanged.



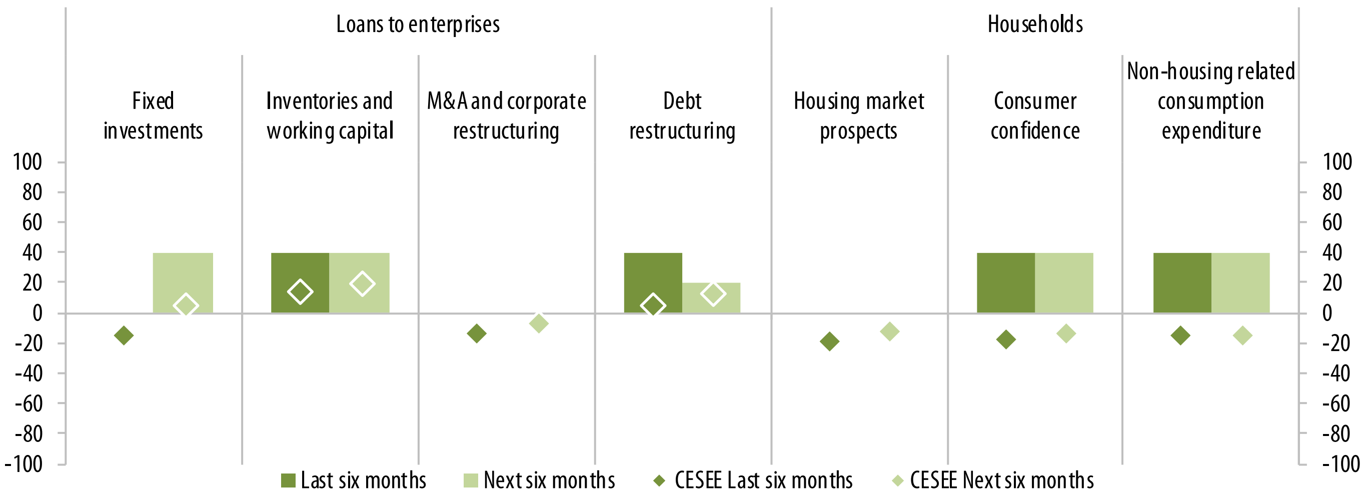
Source: EIB — CESEE Bank Lending Survey.

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

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

Most factors contributed positively to credit demand over the last six months, including working capital and debt restructuring of enterprises, and consumer confidence and non-housing related consumption expenditure of households.

Parent banks expect the same factors and fixed investments to contribute positively in the next six months.



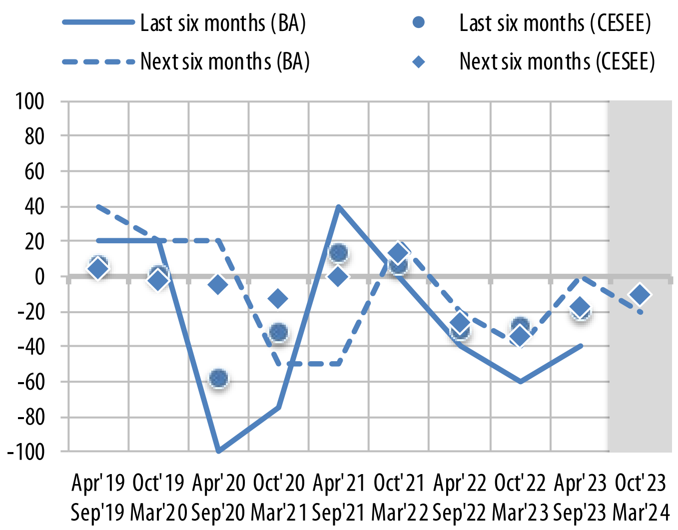
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Aggregate supply developments (in %)

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

Over the next six months, banks in Bosnia and Herzegovina expect credit supply conditions to tighten further, continuing a trend that began in 2021.



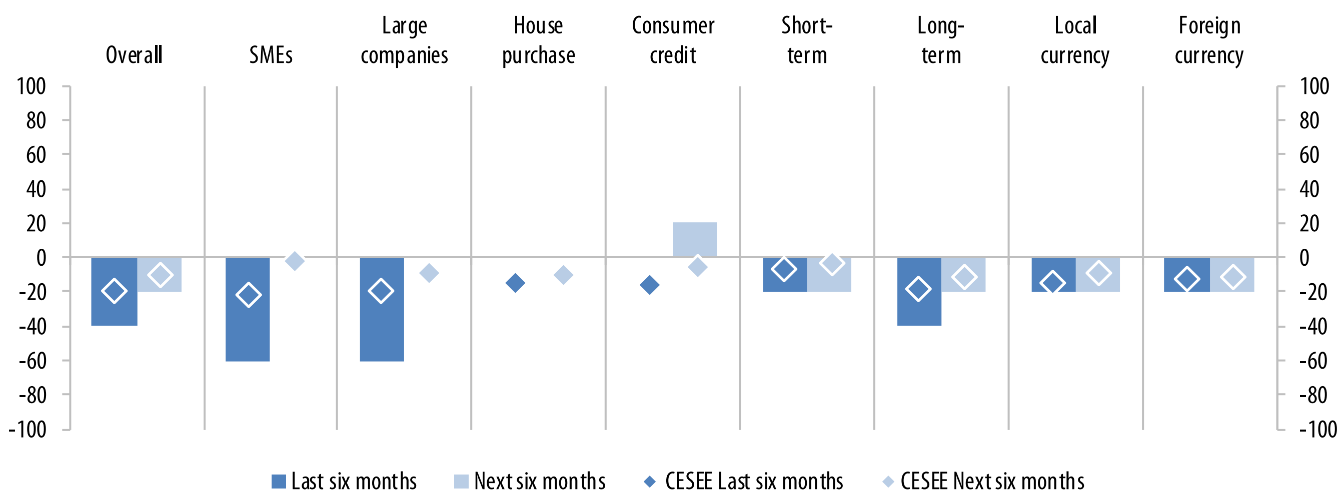
Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

Credit standards in Bosnia and Herzegovina's banking market have tightened overall, driven by the corporate segments, while the household segment stayed neutral.

A slight tightening is expected in the next six months overall, but some softening is likely for consumer credit.



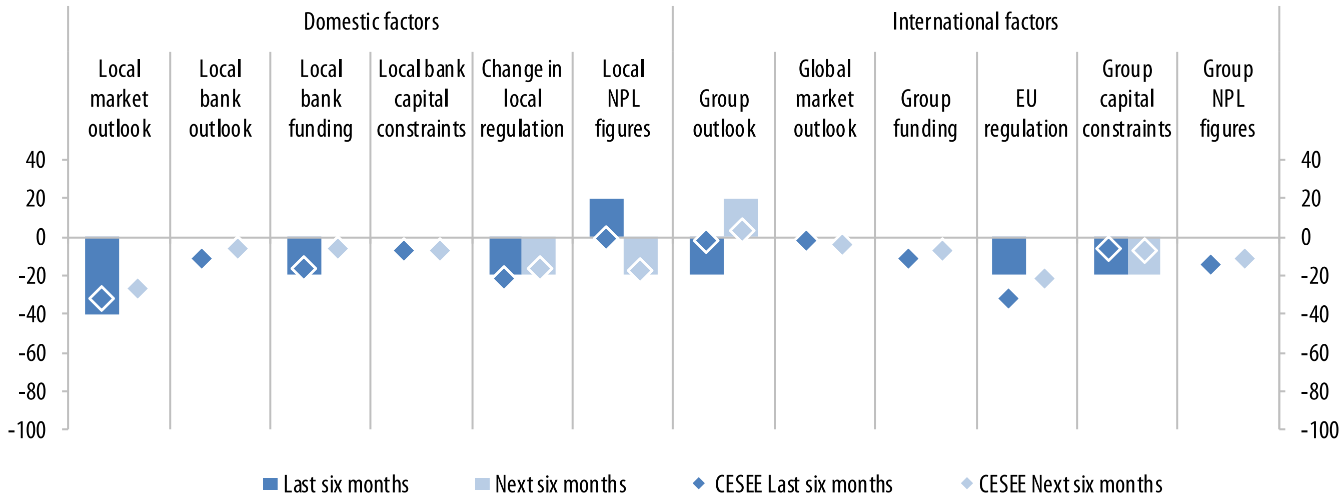
Source: EIB — CESEE Bank Lending Survey.

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 7 **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 non-performing loan figures was positive. Local bank outlook and local bank capital constraints stayed neutral. Of the international factors, the global outlook, EU regulation and group capital constraints contributed negatively, while the other factors had a neutral contribution.

In the next six months, most local and international factors are expected to stay neutral or contribute negatively to credit supply conditions. Only the group outlook is expected to contribute positively.



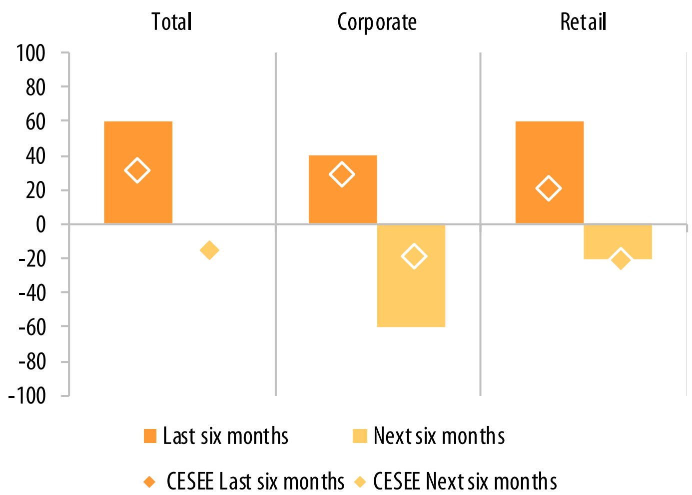
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **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.



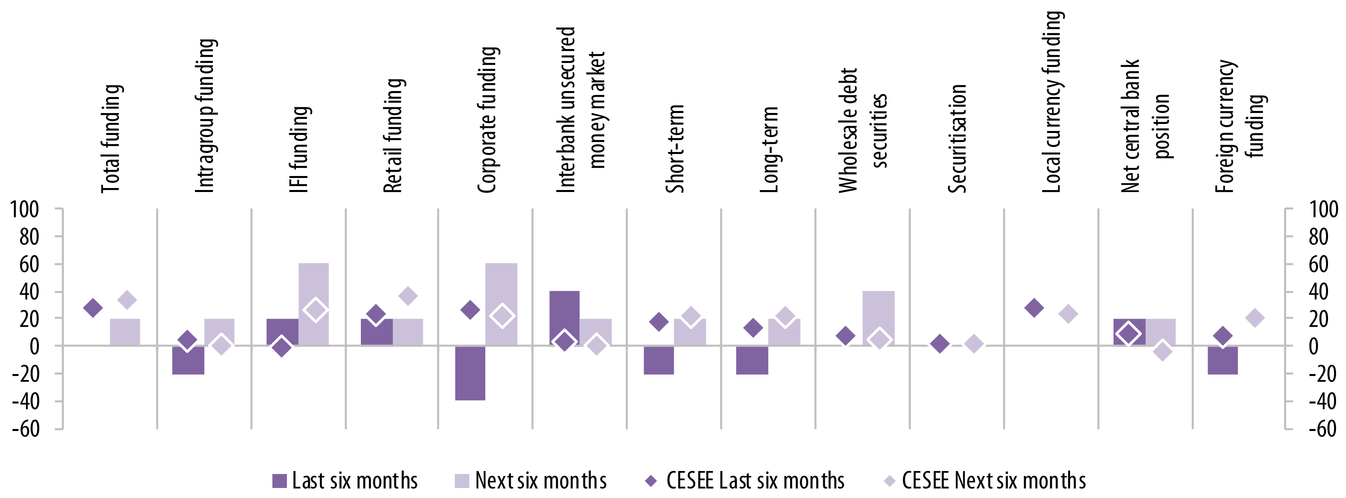
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

Access to funding remained unchanged in the last six months. By segment, access to funding increased for international financial institutions (IFIs), retail funding (retail deposits), interbank money market and net central bank position, but decreased for intragroup and corporate funding.

For the next six months, banks expect better access to funding overall, driven mainly by international financial institutions and corporate funding (corporate deposits) and wholesale debt securities.



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. Credit demand remained positive, and credit supply neutral. The worsening outlook is expected to affect credit demand, credit supply and credit quality negatively in the next six months.

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. Returns on assets for Bulgarian operations consistently remain higher than or equal to overall group returns. Moreover, half of parent banks operating in Bulgaria regard their current market positioning as optimal.

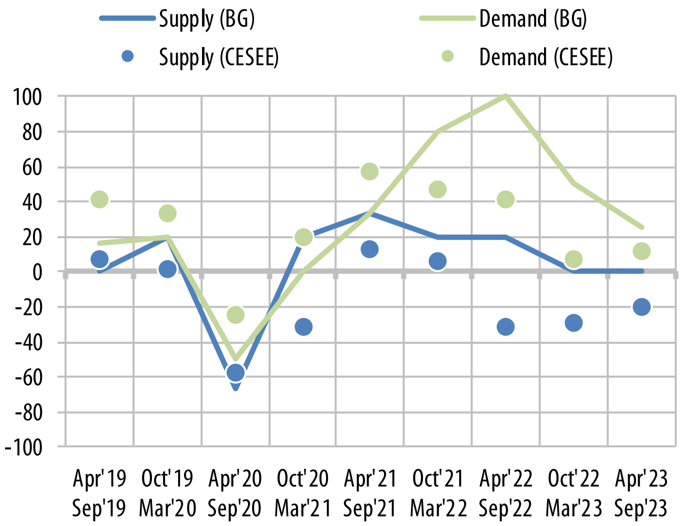
Demand for loans weakened across segments in the last six months, following the sharp deterioration that began in 2020 and the subsequent rebound. Over the next six months, demand is expected to slow further.

Credit supply conditions remained stable after continuous improvement over the past two years across market segments. Supply conditions are expected to remain stable in the next six months.

Access to funding remained robust over the last six months. The improvement is mostly attributable to 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.

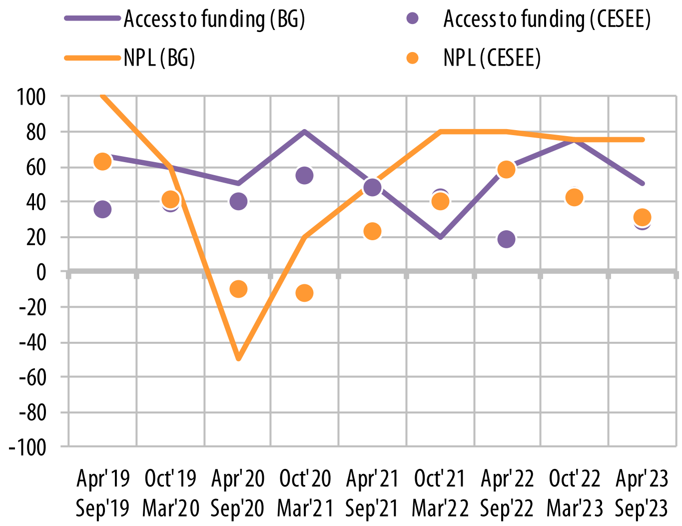
Credit supply and credit demand (in %)



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.

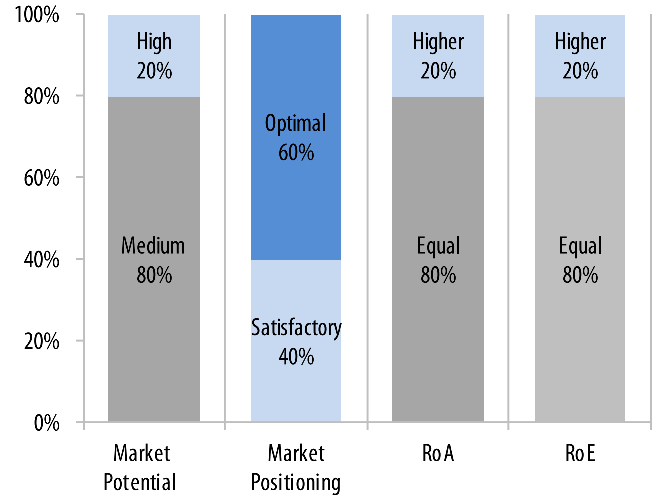
CESEE Bank Lending Survey results — parent bank level

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 (80%) or high potential (20%) and regard their market positioning as satisfactory (40%) or optimal (60%).

Local subsidiary banks in Bulgaria are more profitable than at the group level. In line with their high level of satisfaction with the market positioning, all banks reported that returns on assets (RoA) and equity (RoE) in Bulgaria are higher than (20%) or equal (80%) to overall group returns.



Source: EIB — CESEE Bank Lending Survey.

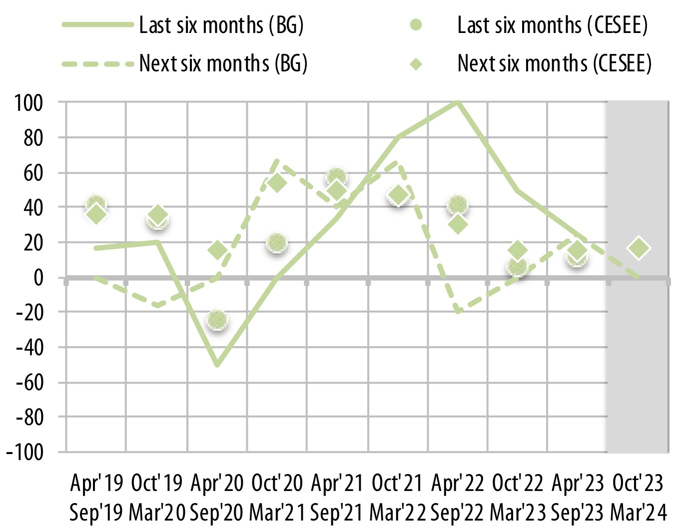
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Changes in demand for loans in Bulgaria since 2019 have followed a pattern similar to the wider region. Demand for loans in Bulgaria declined following the outbreak of the COVID-19 pandemic, and then picked up somewhat later than in the rest of Central, Eastern and South-Eastern Europe (CESEE), but remained strong for a longer period. Demand started to cool down in late 2022 and early 2023, as lending rates rose. Over the next six months, demand is expected to continue cooling down as optimism declines, in line with developments in the rest of the region.

High uncertainty and unexpected growth in 2022 and early 2023 likely account for credit demand significantly exceeding banks' expectations in this period. At the same time, expectations for a continuing economic slowdown globally and in the region are the most likely explanation for continuing pessimism about credit demand.



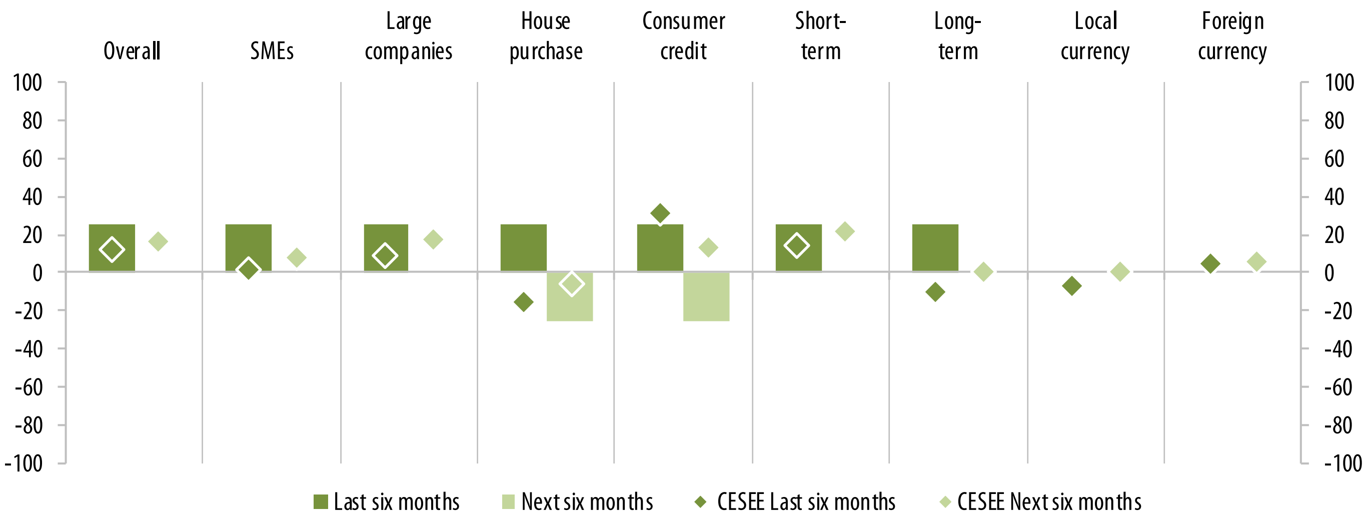
Source: EIB — CESEE Bank Lending Survey.

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 20% of respondents, and for every market segment. These findings are in line with the slowing of the Bulgarian economy in 2023.

Over the next six months, banks expect overall corporate loan demand to remain stable, though it might weaken in the retail segment. A net 25% of respondents expect a decline in demand for mortgage loans and a decline in demand for consumer credit.



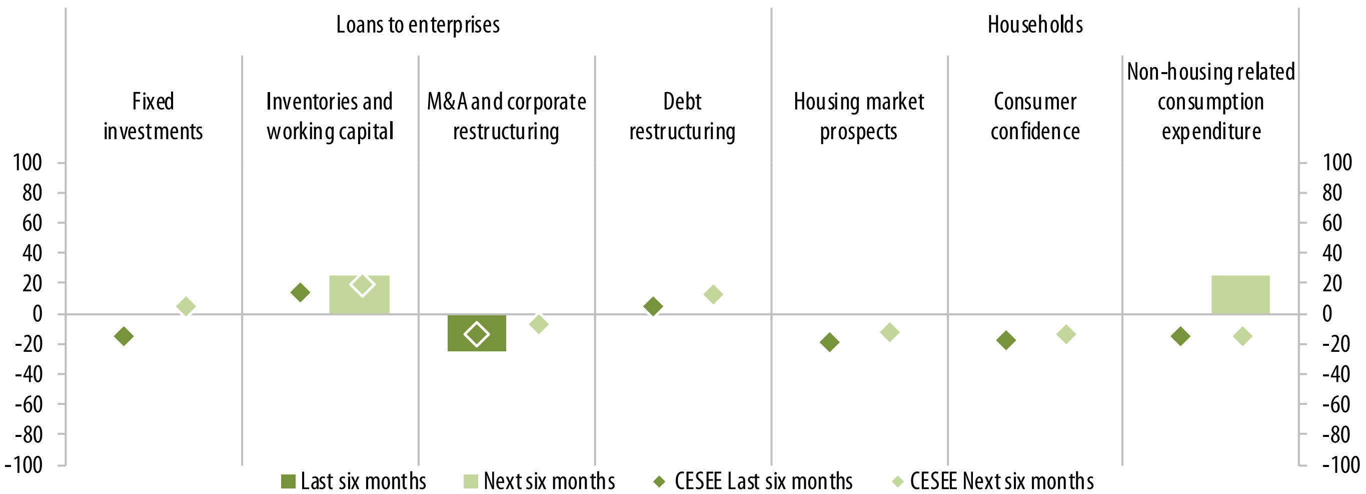
Source: EIB — CESEE Bank Lending Survey.

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 remained stable after an increase at the beginning of 2022. Demand for loans to finance working capital has also been flat over the past six months.

In the next six months, demand for investment loans is expected to remain stable, while demand for working capital loans continues to grow (for a net 25%). Declining consumer confidence and deteriorating housing market prospects have brought down expectations for demand in retail, where it is expected to remain stable over the next six months.

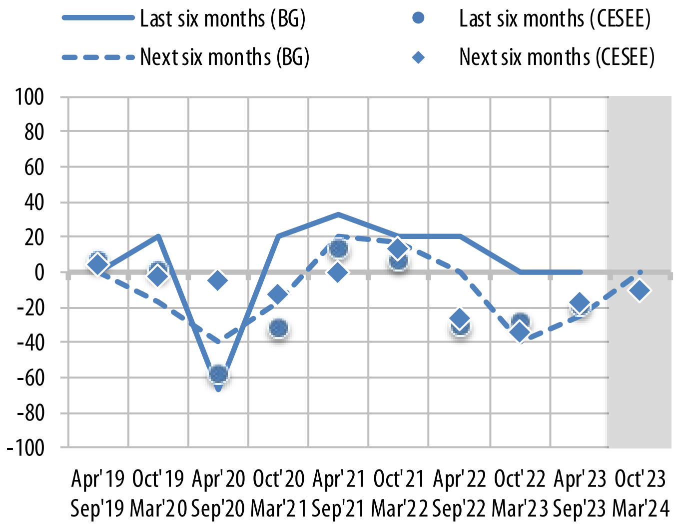


Source: EIB — CESEE Bank Lending Survey. Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. M&A refers to mergers and acquisitions. See Question B.Q7 in the Annex.

Figure 5 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, supply conditions are expected to remain stable. These expectations are in line with the average forecast for the region and reflect the effects of tightening monetary policy and an ongoing economic slowdown.



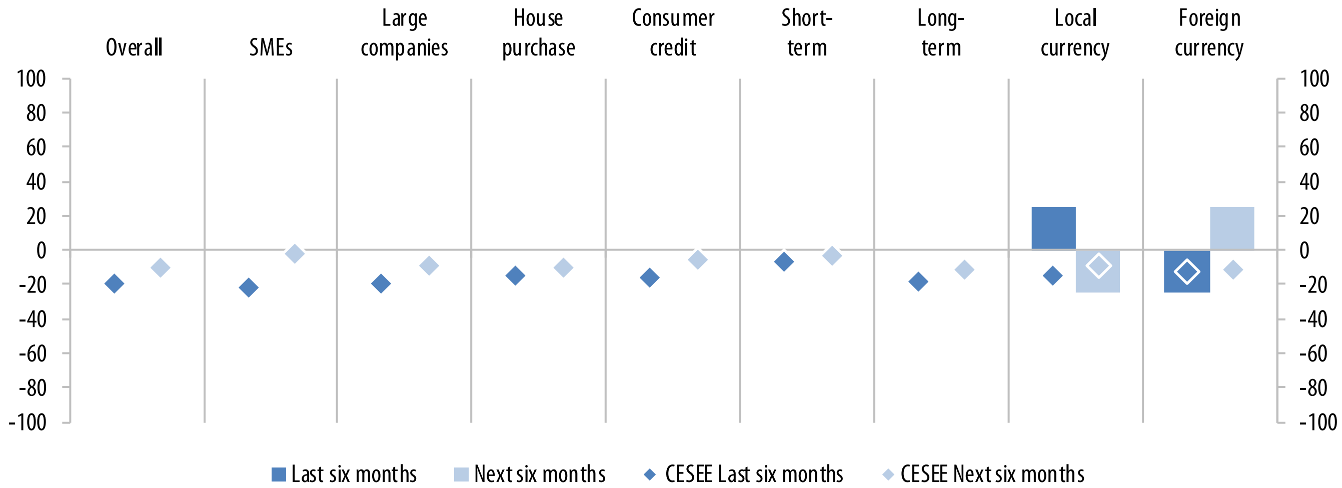
Source: EIB — CESEE Bank Lending Survey.

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 6 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, banks expect credit standards to stay neutral across all market segments, slightly better than the regional trend.



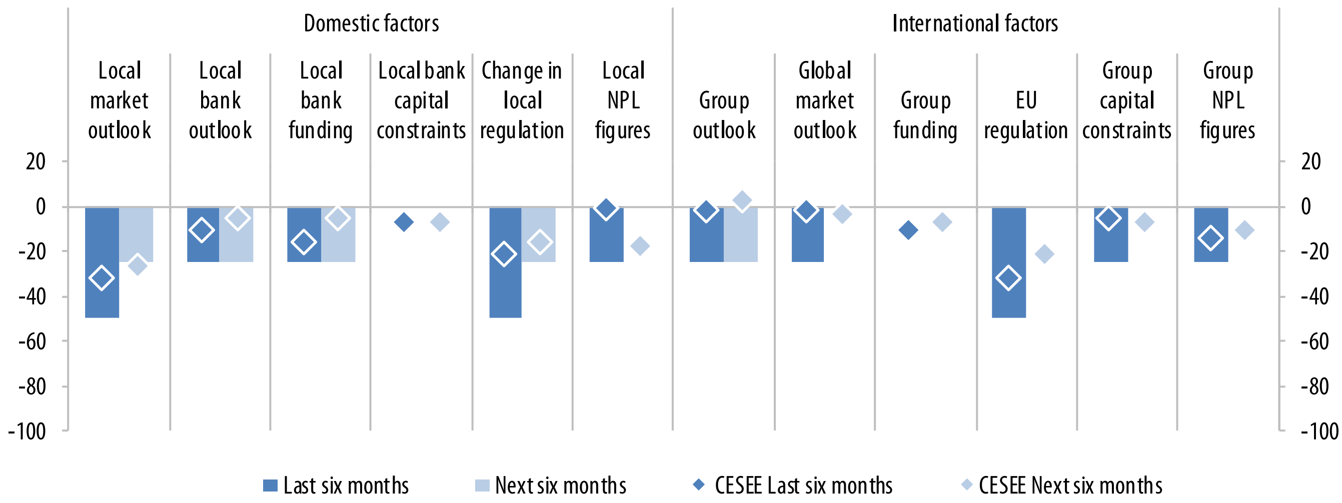
Source: EIB — CESEE Bank Lending Survey.

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 7 Factors contributing to supply conditions (in %)

While supply conditions remained stable, various factors contributed negatively to the conditions over the last six months. For a net 50% of respondents, the local market outlook and both domestic and EU regulation contributed negatively. For a net 25% of respondents, non-performing loan (NPL) figures at the local and group levels, as well as the outlook and local bank funding, negatively affected supply conditions.

In the next six months, the same factors are expected to continue exerting downward pressure on supply conditions.



Source: EIB — CESEE Bank Lending Survey.

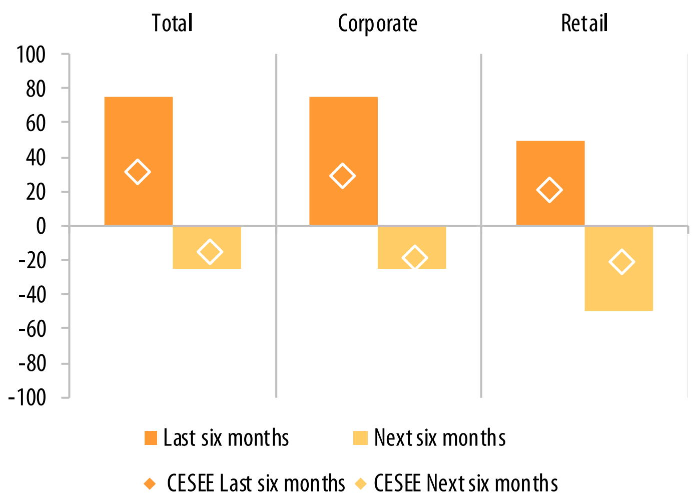
Note: The chart shows net percentages, with positive values indicating a positive contribution to supply. See Question B.Q4 in the Annex.

Figure 8 Non-performing loan ratios (in %)

Between 2017 and 2023, most local subsidiaries in Bulgaria reported declining non-performing loan ratios, though the ratios remained above regional averages. Restructuring of 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 overall, though less in the retail segments than in the corporate segment.

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



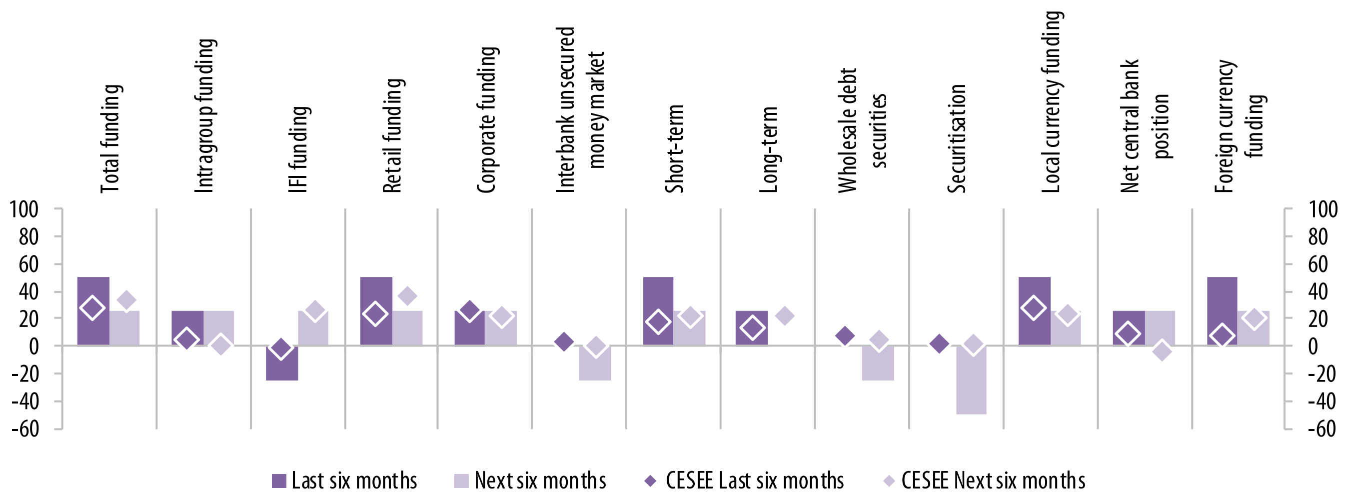
Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Access to funding** (in %)

Access to funding for Bulgarian subsidiaries has improved over the last six months (net 50%), 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 (net 25% of respondents), 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, corporate and intragroup funding. Over the next six months, these categories are all expected to continue contributing to better access to funding.



Source: EIB — CESEE Bank Lending Survey.

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

Croatia

Credit supply conditions continued to tighten. Further tightening is expected in the next six months, in line with monetary conditions. On the other hand, credit demand remains buoyant and is expected to stay positive. Credit quality improved and is expected to remain solid.

Summary

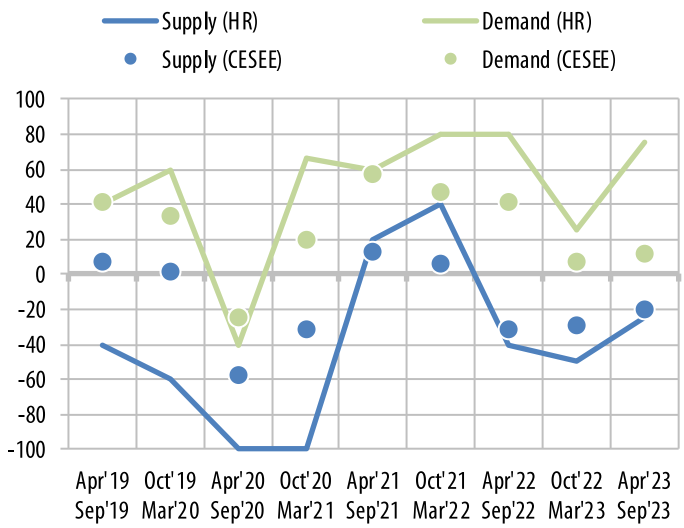
Group assessment of positioning and market potential: International banking groups reported that the profitability of operations in Croatia declined further compared to the overall group in the last six months. Nevertheless, their market positioning in the country improved slightly, with three-quarters of the banks describing it as satisfactory or optimal, and market potential assessed as medium or high, but still below other countries in the region.

Credit demand remained robust and continued to expand after the post-pandemic recovery, while **credit supply** conditions continued to tighten, increasing the demand-supply gap. Banks expect these trends to continue less intensely in the next six months.

Access to funding remained unchanged over the last six months, while some funding sources such as domestic corporate deposits, funding by international financial institutions, central bank positioning and foreign currency funding deteriorated slightly. For the next six months, funding conditions are expected to be favourable overall and for the main segments.

Non-performing loan (NPL) ratios improved for the corporate and retail segments in the last six months and no major change is expected for the next period.

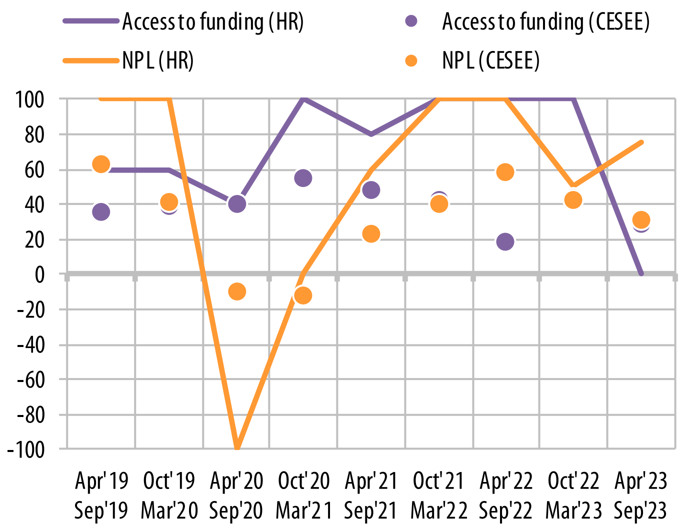
Credit supply and credit demand (in %)



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.

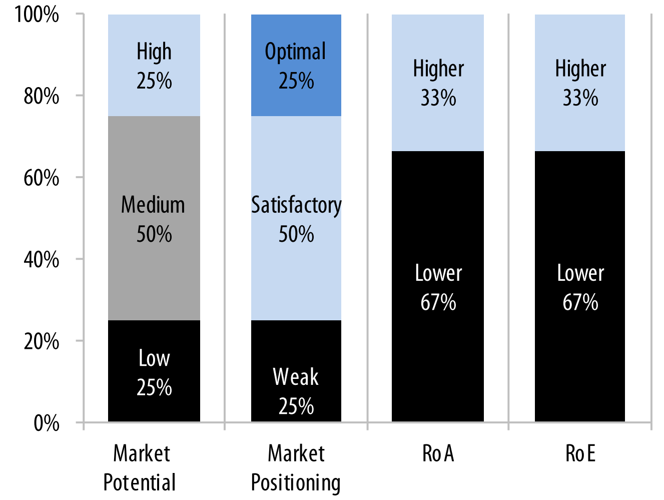
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

CESEE Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Croatia's market potential improved over the last six months, with only a quarter of banks indicating low potential, compared to two-thirds in the previous survey round. The Croatian banking market also improved slightly in terms of market positioning, with a quarter of banks perceiving their positioning as weak compared to a third in the previous round.

On the other hand, profitability compared to overall group operations deteriorated, in line with the regional trend, with two-thirds of parent banks indicating that their Croatian subsidiaries had a lower return on assets (RoA) and return on equity (RoE) than the overall group.



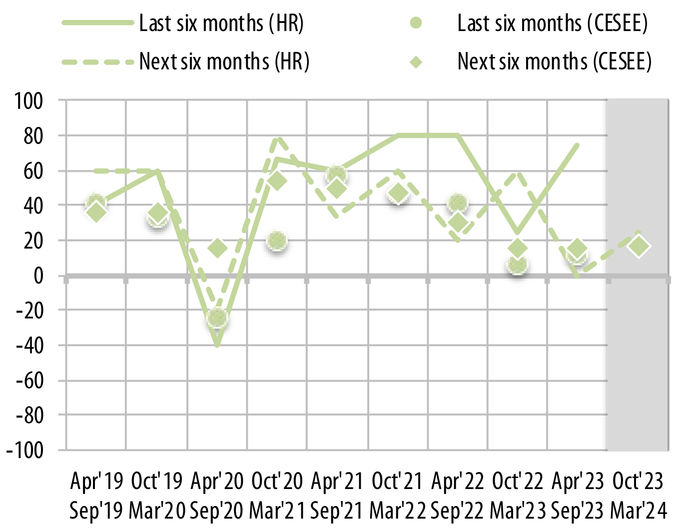
Source: EIB — CESEE Bank Lending Survey. RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Loan demand remained strong and even accelerated. The increase in credit demand in Croatia exceeded expectations and the regional average.

For the next six months, Croatian banks expect a slight increase in demand, in line with regional expectations.



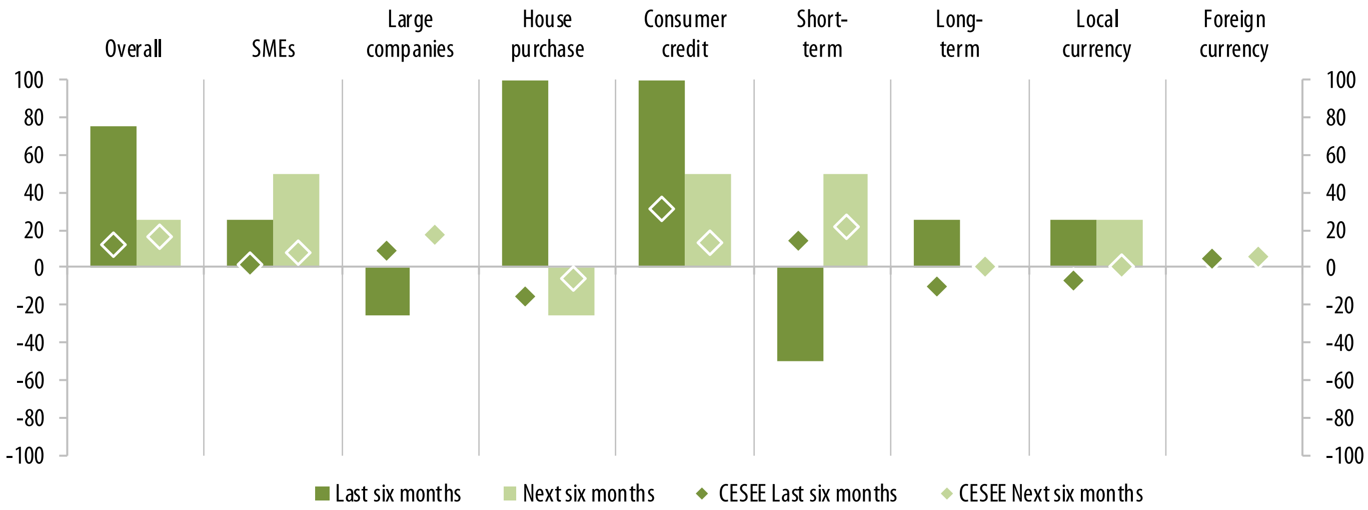
Source: EIB — CESEE Bank Lending Survey.

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 continued to increase over the last six months in most segments, except large companies and short-term loans, which dropped.

A slight increase in loan demand is expected in the next six months overall (in line with the regional average), with a slight improvement for small and medium enterprises (SMEs) and consumer credit, and a negative contribution from mortgage loans.

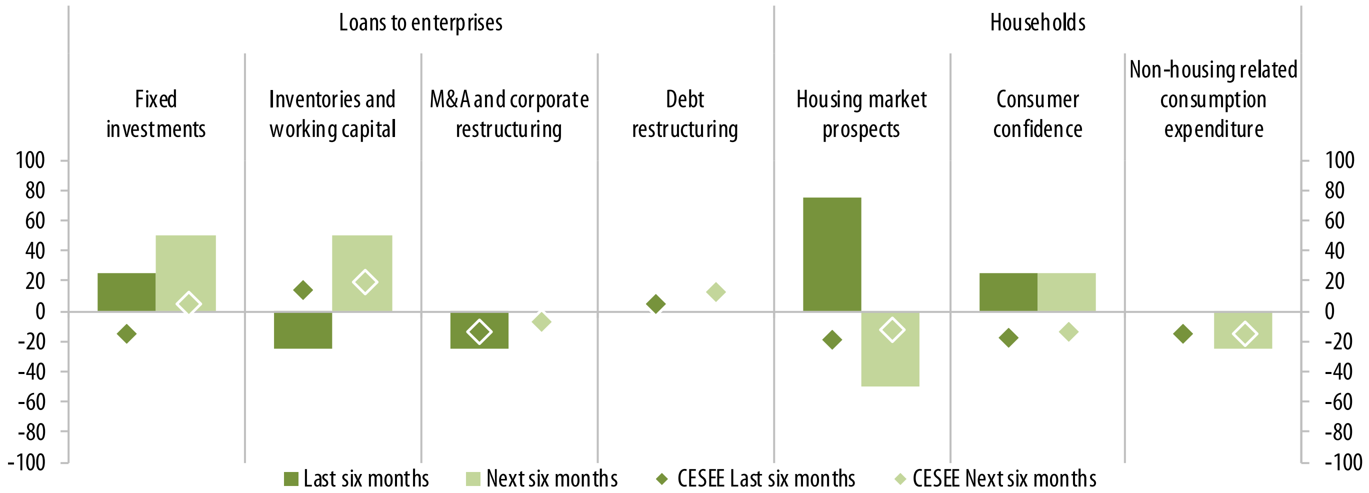


Source: EIB — CESEE Bank Lending Survey.

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 %)

Fixed investments of firms, housing market and household consumer confidence contributed positively to an increase in demand for loans in the last six months, while working capital, mergers and acquisitions (M&A) and corporate restructuring contributed negatively. In the next six months, demand for working capital, fixed investments, and household consumer confidence are expected to contribute positively, while housing market prospects and non-housing related expenditures are expected to drag down credit demand.



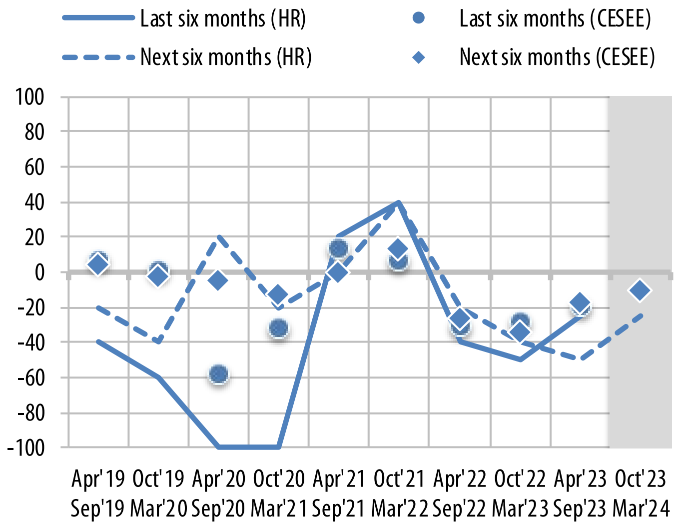
Source: EIB — CESEE Bank Lending Survey.

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 Aggregate supply developments (in %)

Credit conditions tightened further over the last six months for the third period in a 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.



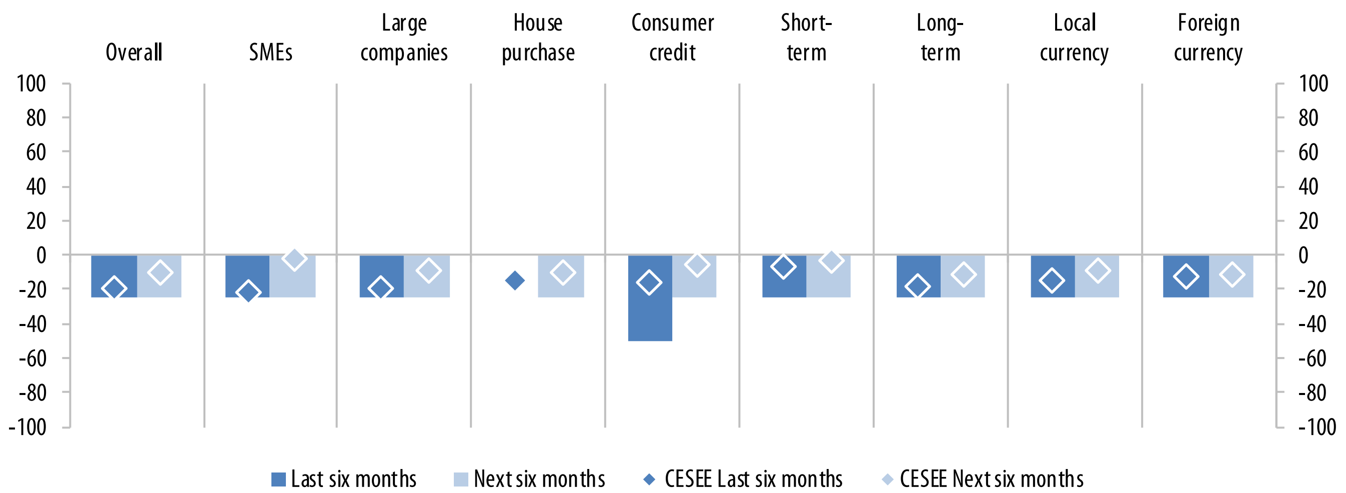
Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

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

This tightening of supply conditions is expected to continue over the next six months across all segments, including house purchases, more than the regional average.



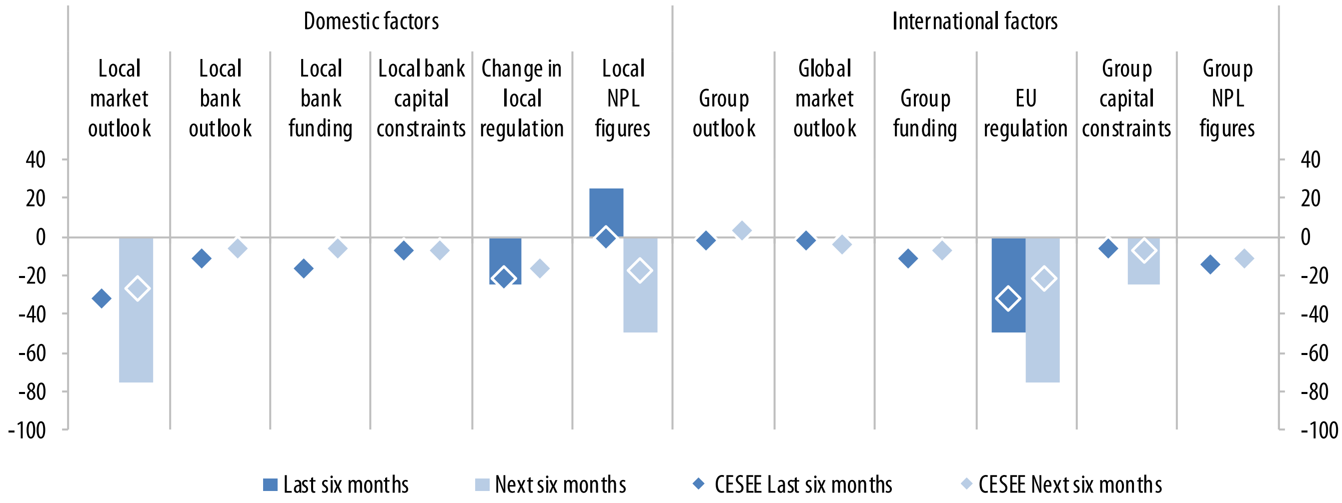
Source: EIB — CESEE Bank Lending Survey.

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 7 **Factors contributing to supply conditions** (in %)

While overall credit supply conditions tightened, only regulation (at EU and local level) is perceived as a driving factor in the last six months.

In the next six months, the local market outlook and the possible deterioration of credit quality, together of EU regulation, are the main drivers of tight supply conditions.



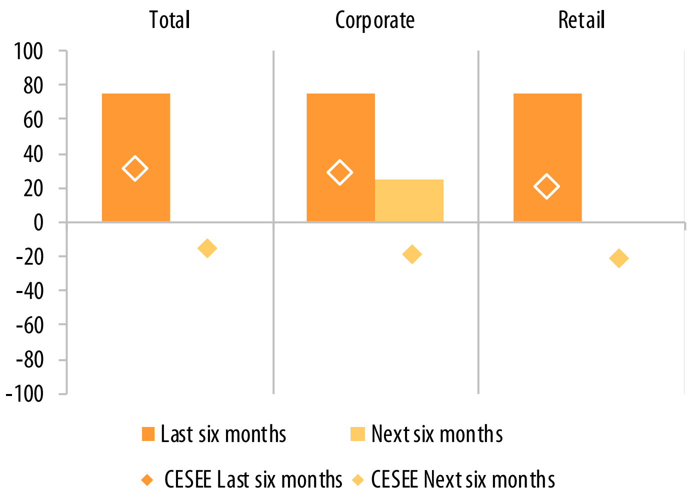
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **Non-performing loan ratios** (in %)

Credit quality improved in the Croatian banking market in the last six months, more than the average level of improvement in Central, Eastern and South-Eastern Europe.

The positive trend is expected to continue for corporate loans and no change is expected in the credit quality of the retail segment, whereas a slight deterioration is expected at the regional level.



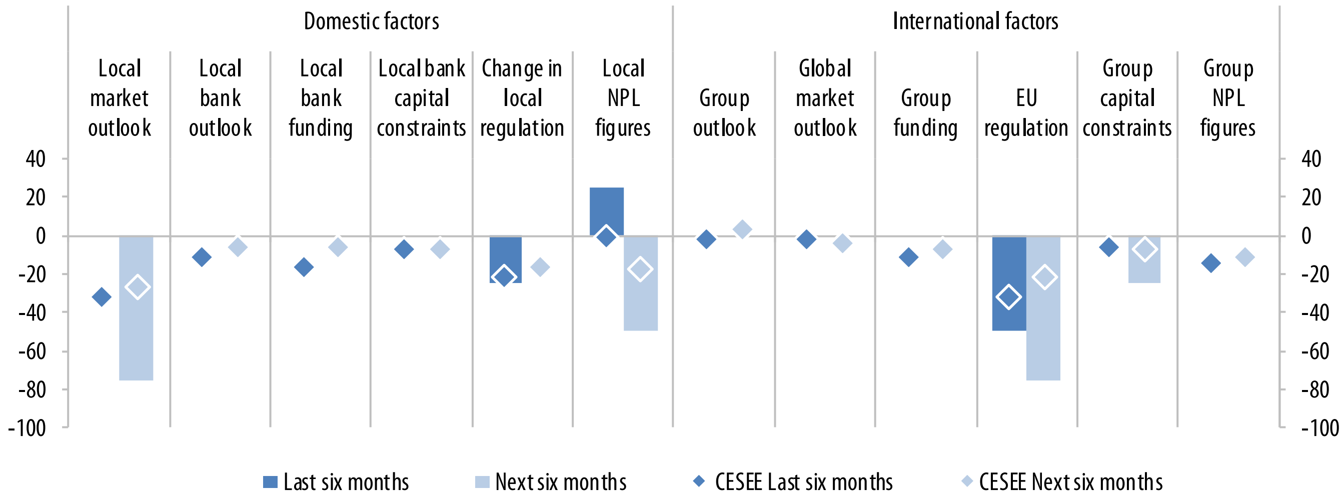
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

Access to funding did not change in the last six months, but access to some sources deteriorated, such as international financial institution funding, corporate deposits, local currency funding, net central bank position and foreign currency funding.

Access to funding is expected to improve overall and in the next six months, except for the net central bank position, which is expected to deteriorate further.



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

While demand for loans started to grow again over the past six months, supply remained restricted. With interest rates in the local currency significantly higher than in euros, bank clients demanded relatively more loans in euros. In the next six months, banks expect loan demand to continue to grow and supply to change little.

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 most see little reason to change their positioning. Banks consider the Czech Republic the market with the highest potential in the region.

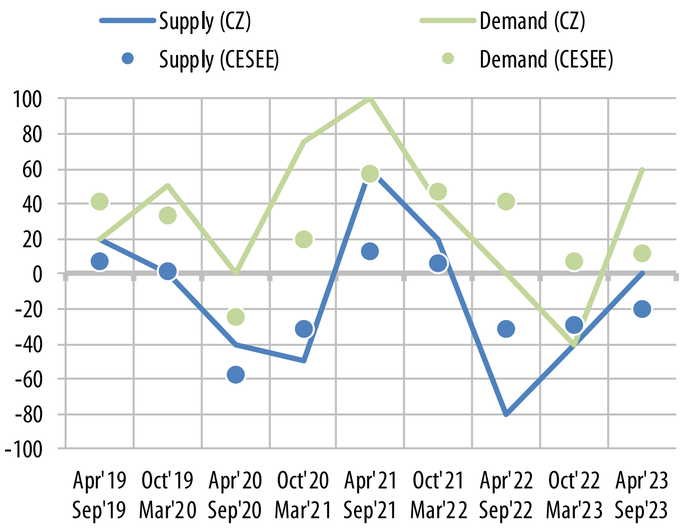
Banks report that **demand for loans** picked up in the last six months, on balance. Demand for mortgages, consumer loans, and loans for large companies increased at most banks. In contrast, loan demand for small and medium-sized enterprises (SMEs) has not yet recovered. With the interest rate difference between the koruna and the euro still significant, demand for local currency loans fell and for foreign currency loans rose. In the next six months, most banks expect demand for loans to continue to increase, except by small firms.

The **supply of loans** remained unchanged, on balance. A small majority of banks tightened their supply of loans for large companies and house purchases, like those in the rest of the region.

Most banks reported that their **non-performing loans** (NPLs) improved over the last six months, driven by the corporate sector. Banks on balance do not expect further increases.

Access to funding also improved for most banks in the Czech Republic. An exception is funding in foreign currency, which deteriorated, presumably reflecting the consequences of monetary tightening in the euro area. Most banks expect their funding conditions to remain solid over the next six months.

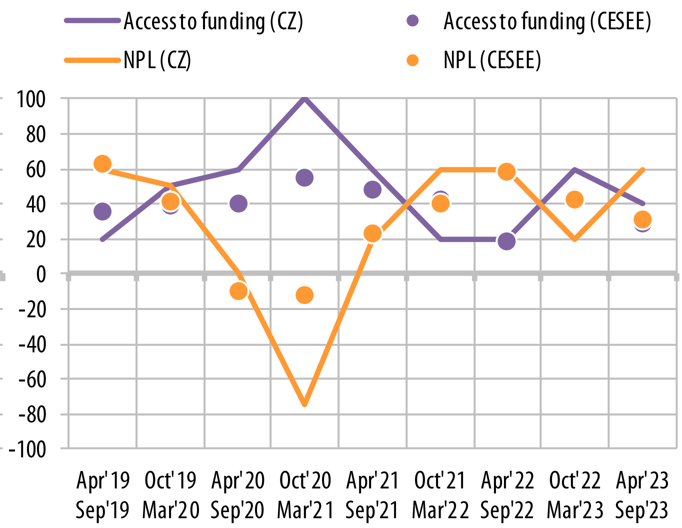
Credit supply and credit demand (in %)



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.

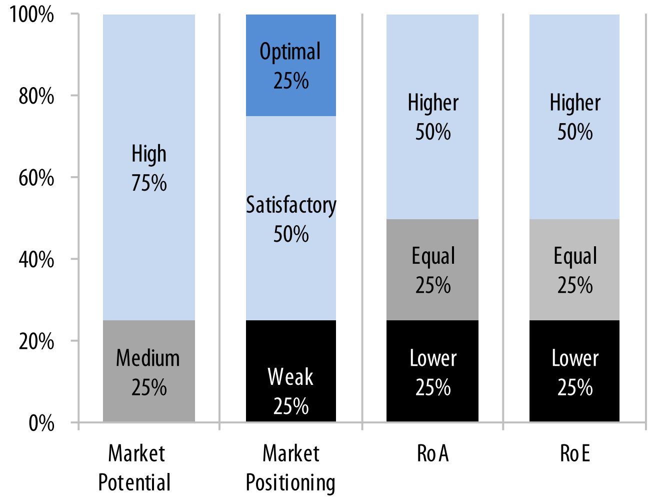
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative figures indicate increasing NPL ratios.

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 most see little reason to change their positioning. It is considered the market with the highest potential in the region.

Banks reported that their returns on assets (RoA) and returns on equity (RoE) were higher on balance in the Czech Republic than for their overall groups, reflecting higher interest margins and lower costs.



Source: EIB — CESEE Bank Lending Survey.

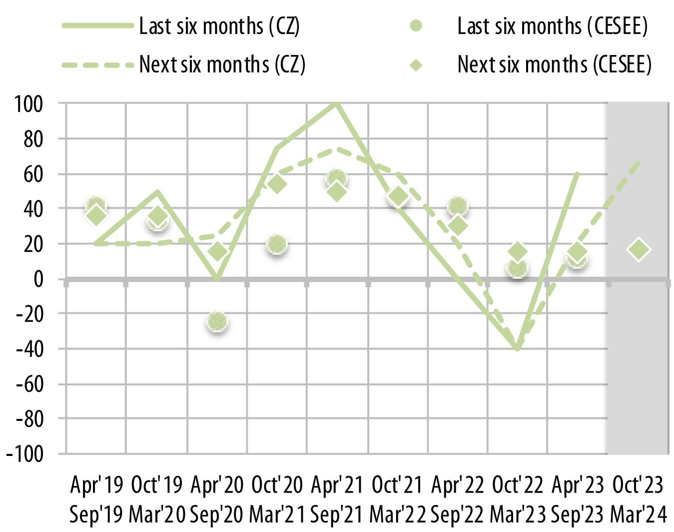
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand in the Czech Republic appeared to recover significantly over the past six months, having previously declined by more than in the rest of the region.

Over the next six months, most banks expect credit demand to continue to recover, perhaps because real disposable income is expected to make up for some of the losses incurred in the past year. The forecast appears to be more optimistic than for the rest of Central, Eastern and South-Eastern Europe.



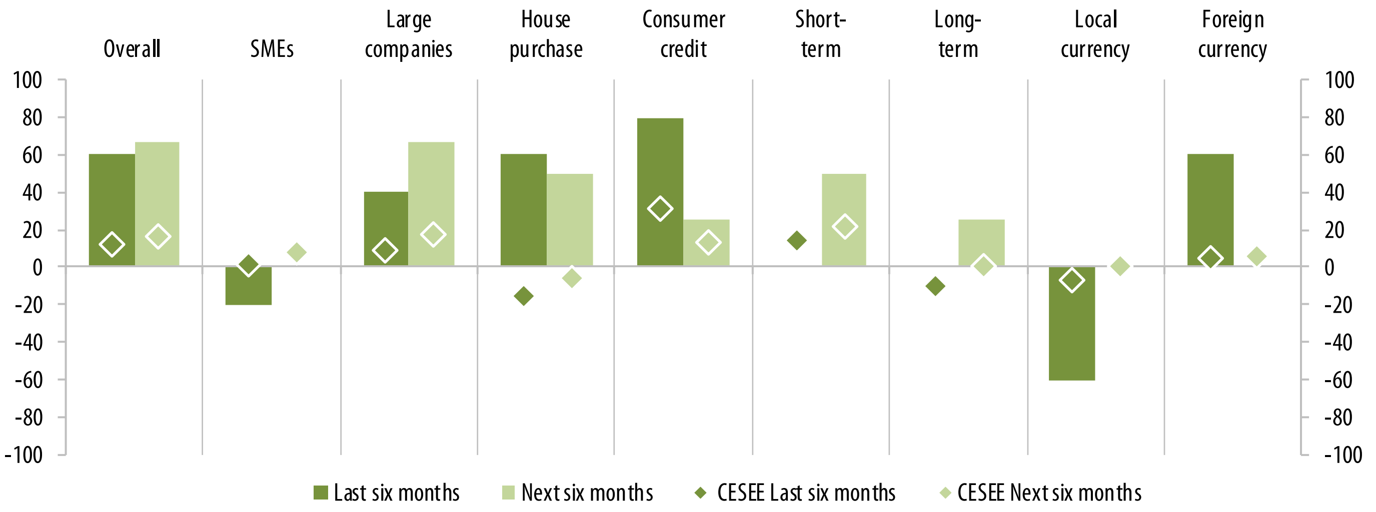
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating increasing demand. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (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 %)

Banks reported that overall demand for loans increased during the last six months. Demand for mortgages, consumer loans, and by large companies increased at most banks. In contrast, demand by small and medium firms has not yet recovered. With the difference between local currency and euro interest rates still high, demand for local currency loans fell while demand for foreign currency loans increased.

Most banks expect demand for loans to continue to increase, and the currency composition to remain unchanged. Demand by small and medium-sized enterprises is not yet expected to turn around.

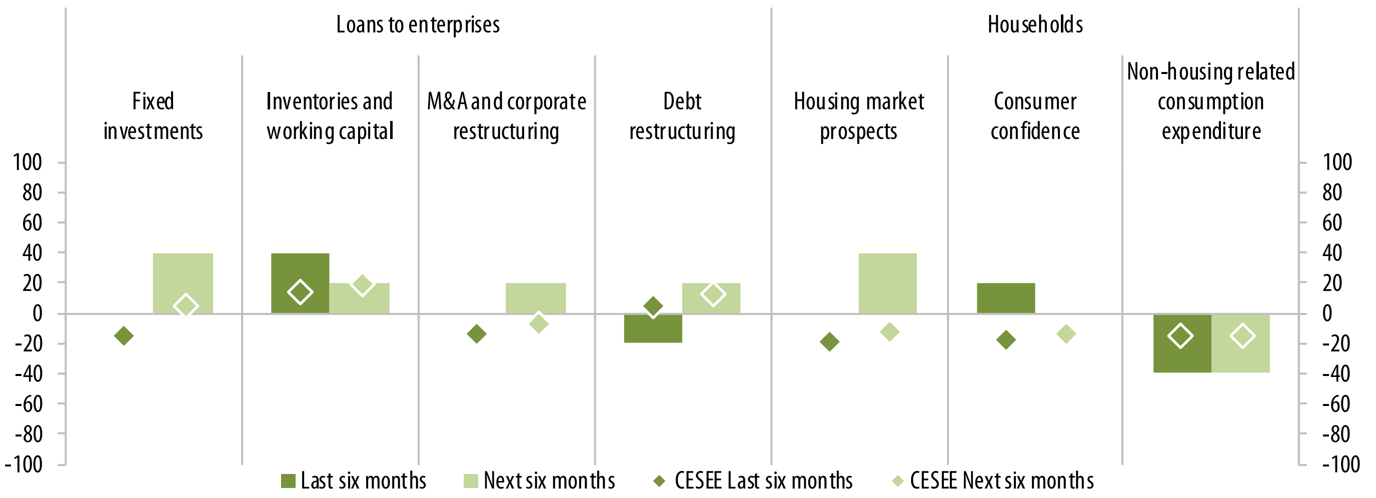


Source: EIB — CESEE Bank Lending Survey.

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 %)

Demand for working capital increased at most interviewed banks. Most other factors neither increased nor decreased loan demand. In the coming six months, companies' fixed investments and the housing market are expected to support the demand for loans, while non-housing related consumption expenditure is expected to remain weak.



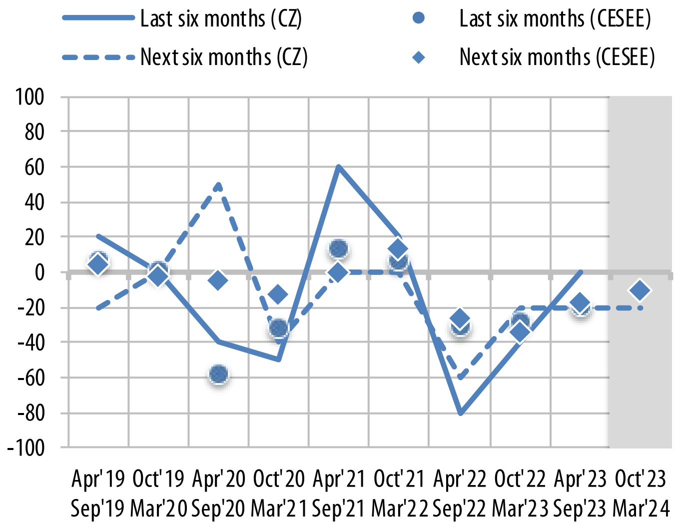
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 **Aggregate supply developments** (in %)

While demand for loans increased, banks said loan supply remained broadly unchanged.

This was in line with the rest of the region and is expected to remain similar over the coming six months.



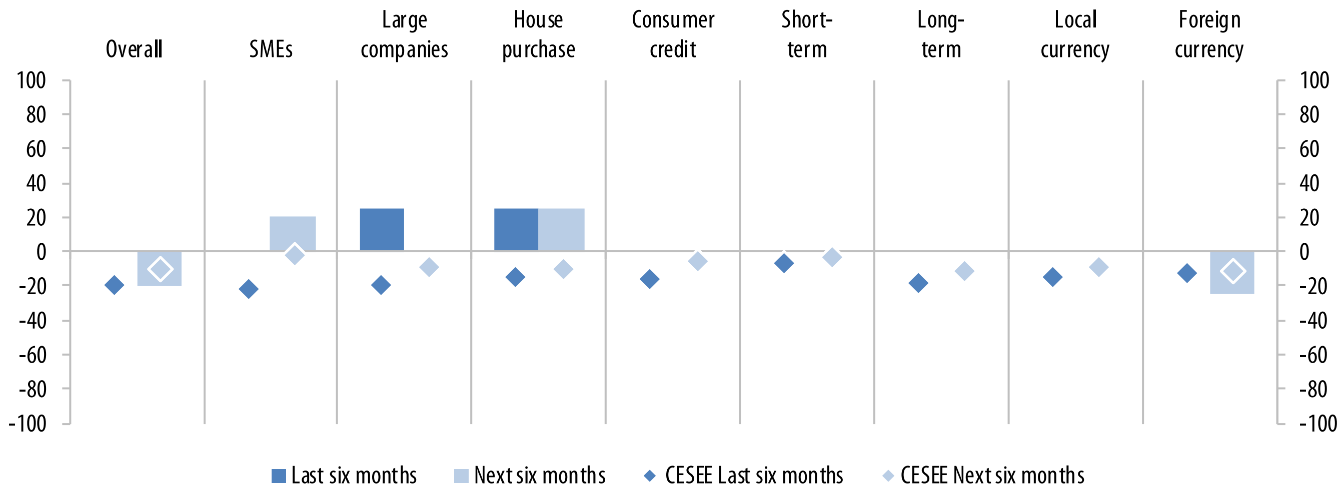
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (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 6 **Supply components and segments** (in %)

Banks on average left their supply of loans broadly unchanged. A small majority of banks tightened their supply of loans for large companies and house purchases.

In the next six months, a similarly small majority intend to lower their supply of loans to small and medium-sized enterprises and for house purchases.

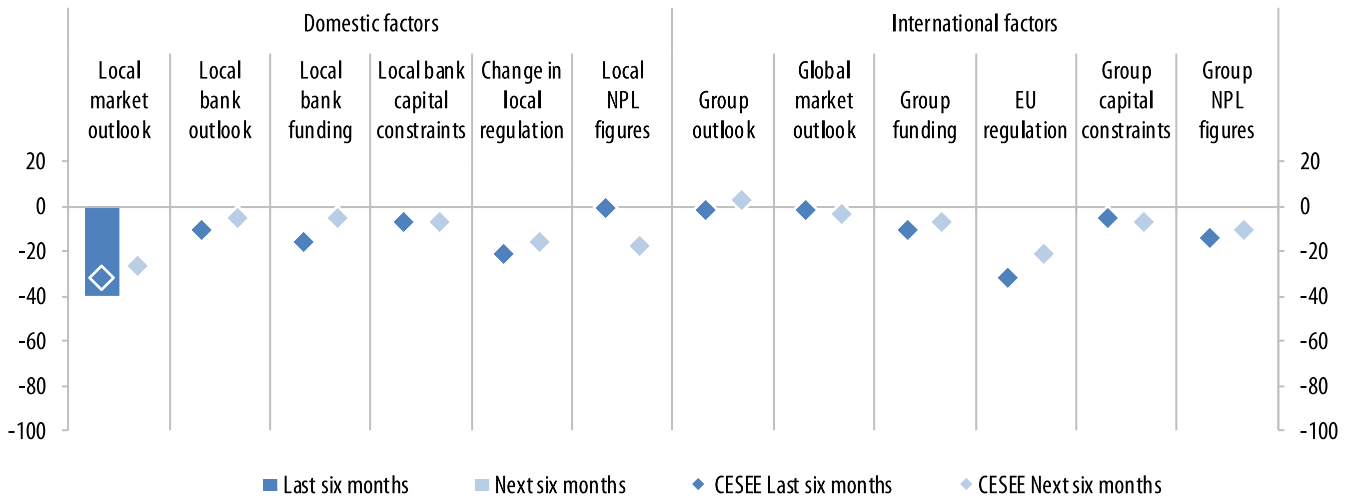


Source: EIB — CESEE Bank Lending Survey.

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 7 **Factors contributing to supply conditions** (in %)

The deteriorating outlook of the local market appears to have been the driving factor for the slight decline in the supply of loans from Czech banks. All other factors have had and are expected to have a broadly neutral impact on supply conditions.



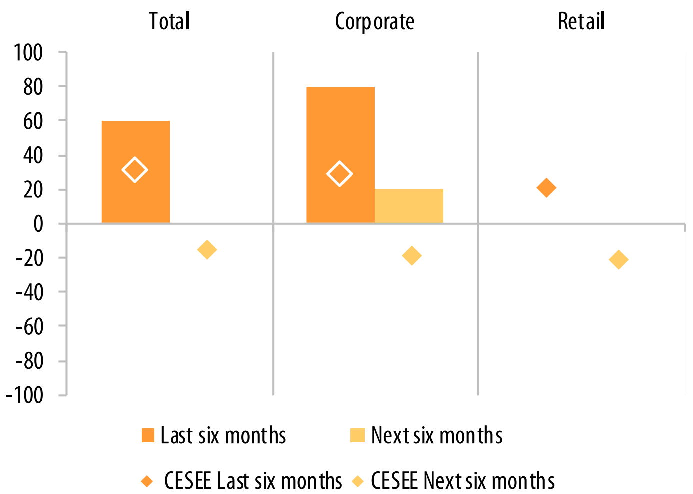
Source: EIB — CESEE Bank Lending Survey.

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 8 **Non-performing loan ratios** (in %)

Most interviewed Czech banks reported that their non-performing loan ratio improved, driven by corporate lending.

The banks do not expect further increases, on balance, in the next six months.



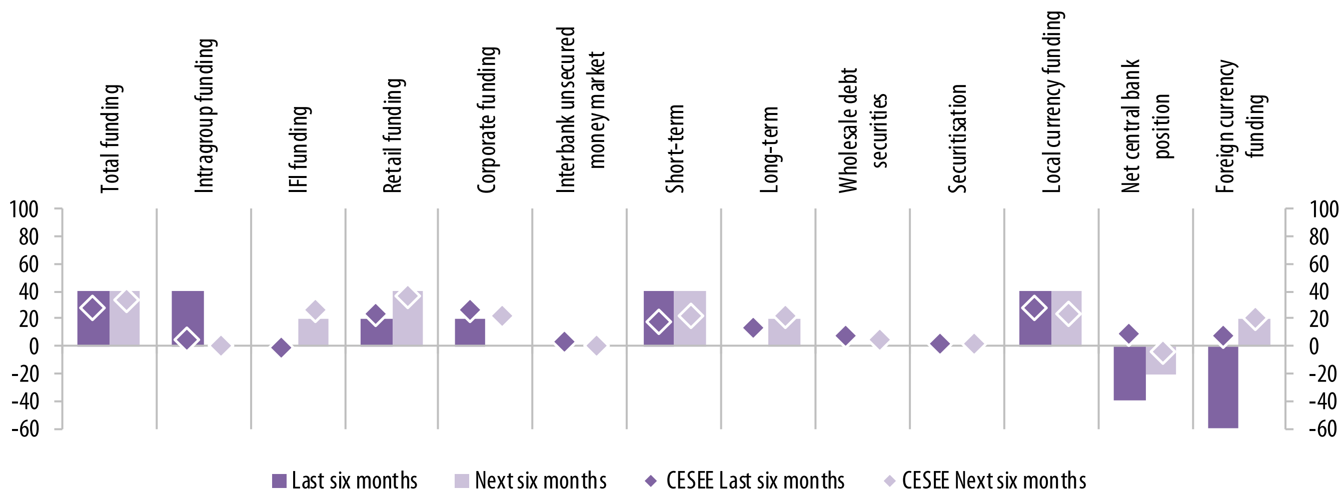
Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Access to funding** (in %)

Access to funding improved for most banks (40% net) in the Czech Republic. Most found it easier to access funding from deposits by international financial institutions (IFIs), retail, and corporate clients over the last six months. The availability of local currency funding also improved. In contrast, that of foreign currency funding deteriorated, presumably reflecting the consequences of monetary tightening in the euro area.

Most banks expect their funding conditions to continue to improve over the next six months as the negative influence of tighter foreign currency funding dissipates.



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 do not expect the situation to improve. They expect credit demand to decline, supply conditions to tighten and non-performing loan ratios to rise, especially in the corporate segment.

Summary

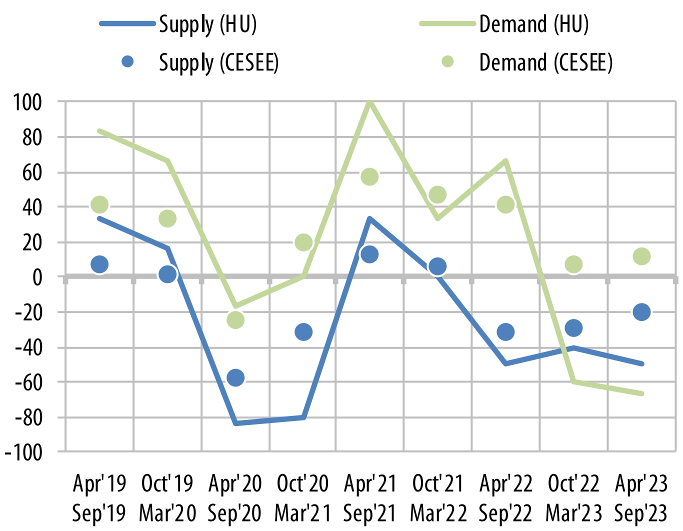
Group assessment of positioning and market potential: Most parent banks consider the Hungarian market to have medium potential, a worse outlook than in the previous survey round. In this aspect, Hungary trails the Czech Republic, Romania and Slovakia. Most banking groups (80%) consider their positioning in the Hungarian market as satisfactory, while the remaining 20% report optimal positioning. In terms of profitability, banks are signalling deteriorating conditions compared to the previous survey round. For a large share of banks, profitability is now lower compared to overall group operations.

Hungarian banks report that **credit demand** decreased over the last six months (contrary to the regional average), and **credit supply conditions tightened**. For the next six months banks expect further decline in **credit demand** across most segments (again, unlike the regional average, where demand increased moderately). **Credit supply** is expected to tighten further across most segments, signalling a simultaneous deterioration of demand and supply conditions.

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

Non-performing loan (NPL) ratios improved moderately over the last six months, despite negative expectations. Banks report a negative outlook again, mainly because of the corporate sector.

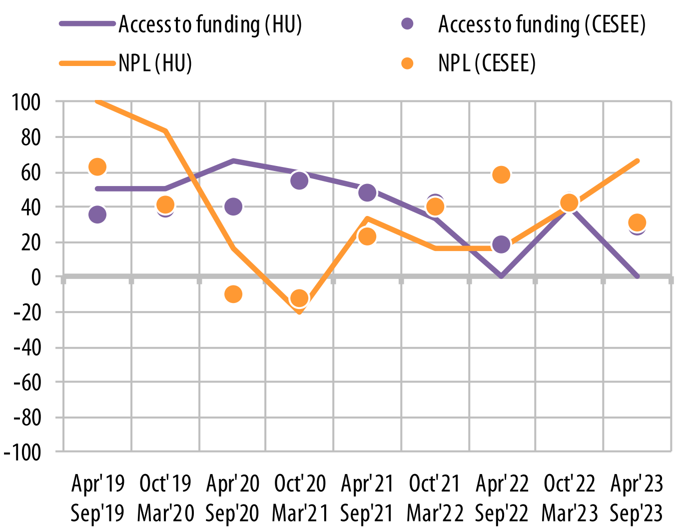
Credit supply and credit demand (in %)



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.

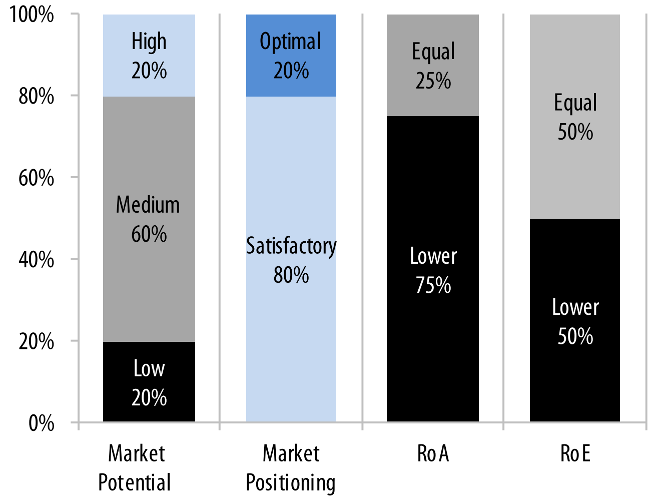
CESEE Bank Lending Survey results — parent bank level

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 (60%) consider the Hungarian market to have medium potential, 20% perceive a high potential, and 20% perceive a low potential. This outlook is worse than the previous survey round and places Hungary behind the Czech Republic, Romania, Bulgaria and Slovakia, but ahead of Serbia.

The positioning of banks in the Hungarian market is deemed satisfactory by 80% of banking groups and optimal by the other 20%, an improvement since the previous survey round.

Return on assets (RoA) for local Hungarian banks is mostly lower (75%) than the group RoA level or equal to it (25%), while return on equity (RoE) for local banks is evenly split: lower or equal to the group RoE level. Both indicators reflect deteriorating conditions compared to the previous survey round.



Source: EIB — CESEE Bank Lending Survey.

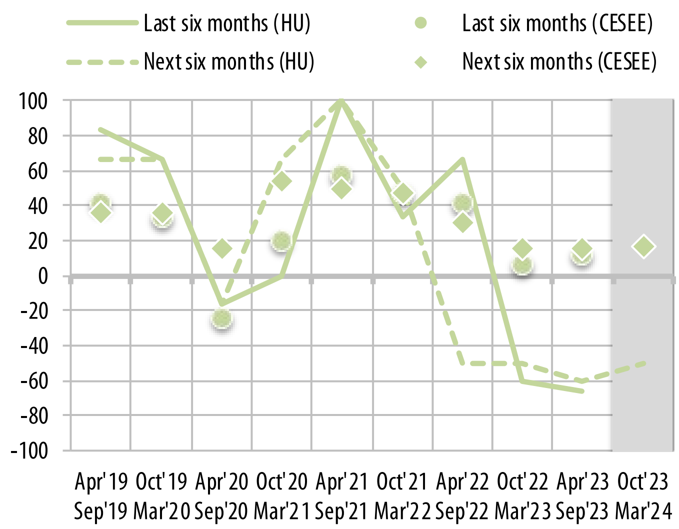
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand continues to decline significantly: Hungarian banks reported a sharp drop 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, where demand remained sustained.

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.

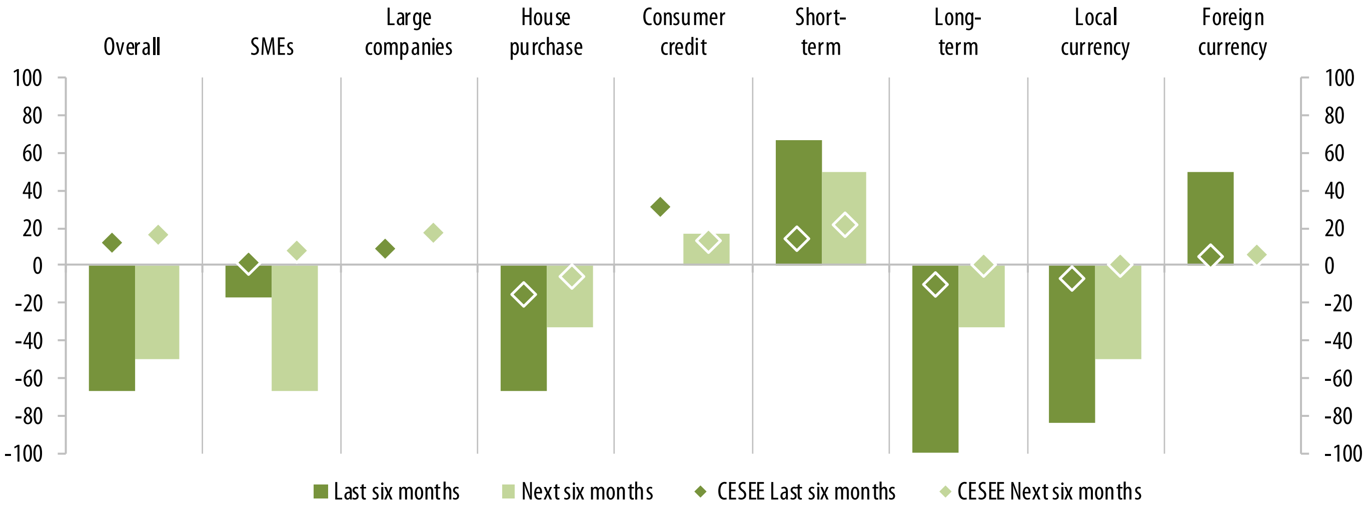


Source: EIB — CESEE Bank Lending Survey.

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 more overall in the last six months than in Central, Eastern and South-Eastern Europe as a whole. Housing loans demand decreased significantly – more than the average in the rest of the region – and was among the worst performing segments. Demand from large companies and consumers remained largely unchanged. Demand has shifted from long- to short-term loans. For the next six months, banks expect credit demand to decrease again overall, especially in the small and medium-sized enterprise (SME) and housing loan sectors. This outlook is worse than the average expectation for the rest of the region.



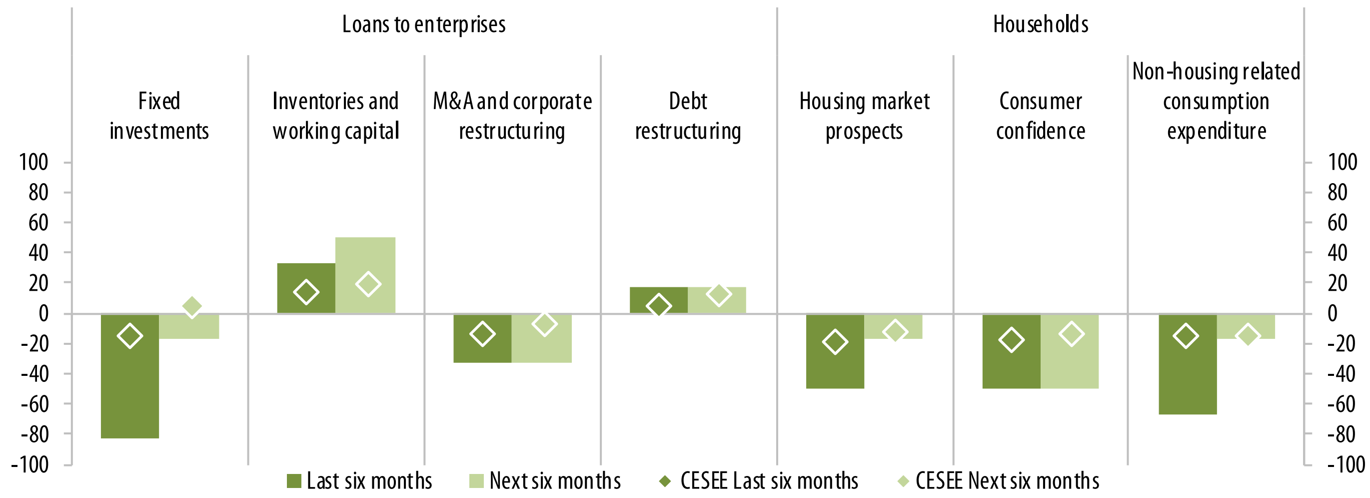
Source: EIB — CESEE Bank Lending Survey.

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 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 housing market and consumer confidence for households to weigh less negatively on demand. Expectations for these segments are similar for the region.



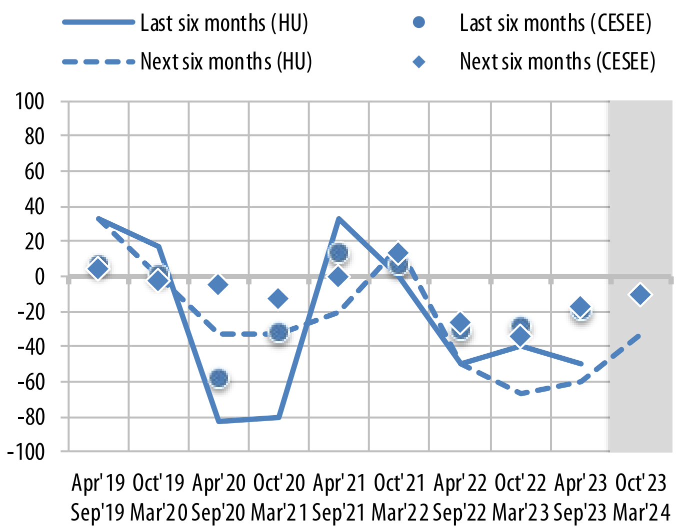
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 **Aggregate supply developments** (in %)

Credit supply conditions (indicating the banks' willingness to extend credit) in Hungary tightened further over the last six months, in line with expectations reported in the spring of 2023. Credit supply conditions tightened also in the rest of the region, but to a lesser extent.

Banks expect supply to tighten further in the coming months but to a somewhat lesser extent.



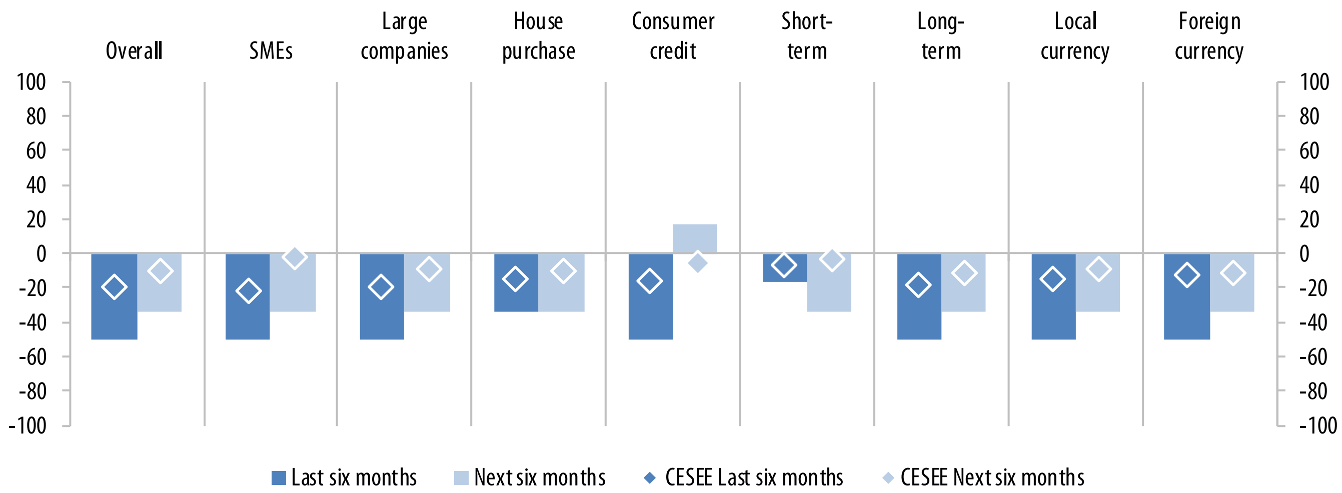
Source: EIB — CESEE Bank Lending Survey.

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 6 **Supply components and segments** (in %)

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

Banks project worsening conditions for the next six months overall. The expectations of banks in Hungary are more pessimistic than other banking markets in the region in all segments, except for consumer credit.



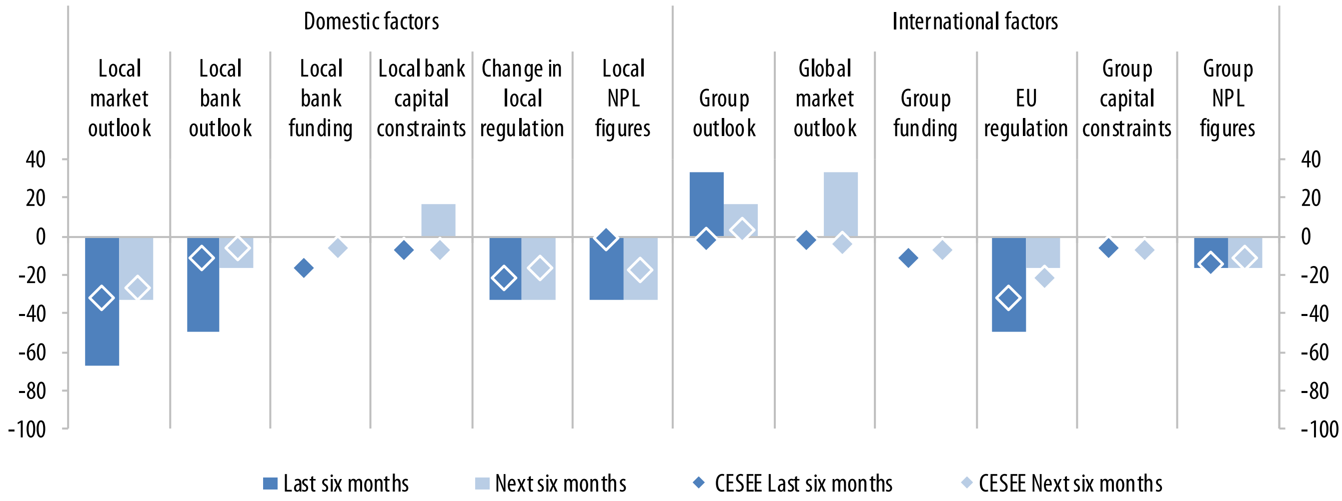
Source: EIB — CESEE Bank Lending Survey.

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 7 **Factors contributing to supply conditions** (in %)

The local market outlook and the local bank outlook weighed most negatively on supply conditions in the last six months. Of the international factors, banks report that EU regulation contributed negatively, as in previous survey rounds, and the group outlook contributed positively.

Banks expect most domestic and international factors to contribute less negatively in the next six months. Furthermore, improvement is expected in local capital constraints and in the global outlook.



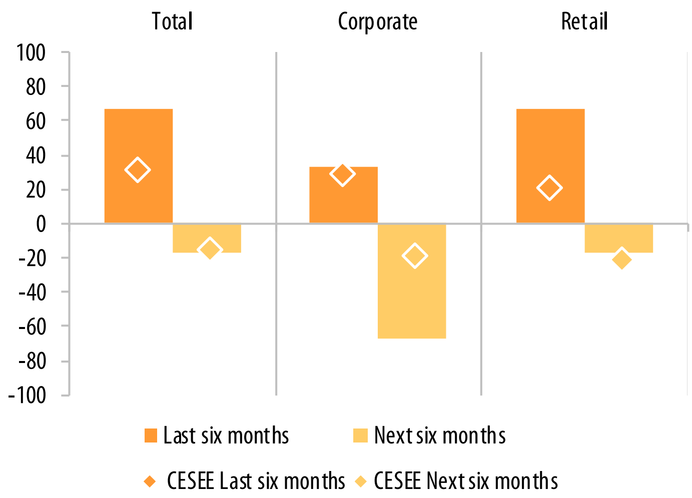
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **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.

However, banks expect some deterioration in the overall non-performing loans ratio in the next six months again, in line with the total regional average. Expectations for non-performing loans in the corporate sector are more negative than the regional average.



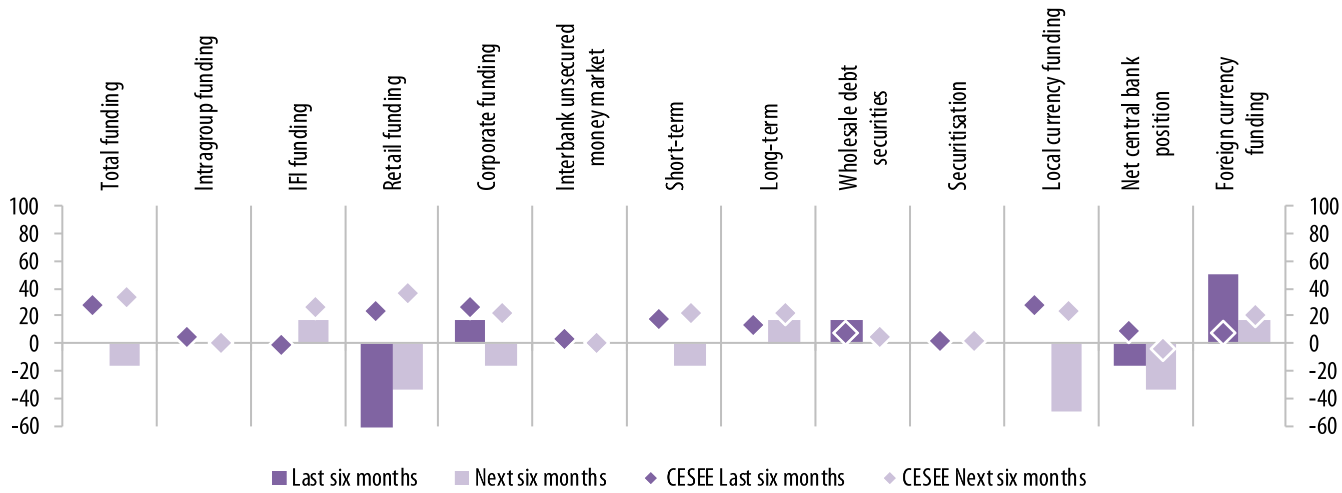
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

Overall access to funding for Hungarian banks remained unchanged in the last six months, except in two segments: Access to funding deteriorated in retail (contrary to the regional average) and foreign currency funding improved.

A slight deterioration is expected in the next six months. Across segments, banks in Hungary show diverse expectations that reveal a vulnerability in retail funding, local currency funding and in the net central bank position. 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 conditions are favourable: Both credit demand and supply were positive during the last six months. In the next six months, demand is expected to remain robust and supply conditions to be neutral. Banks see favourable access to funding but are pessimistic about future credit quality.

Summary

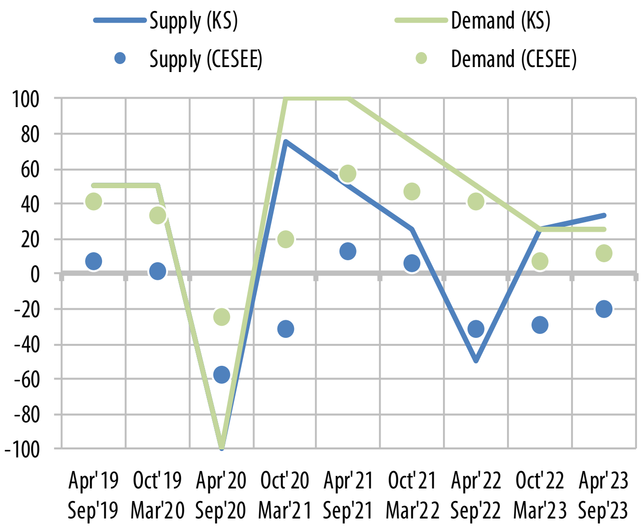
Group assessment of positioning and market potential: All banks continue to rate the market potential in Kosovo* as medium and assess their market positioning as optimal. The profitability of banks remained resilient, despite elevated global uncertainty and fast-rising interest rates.

Credit demand remained positive over the last six months, despite some weakness on the corporate side, especially among small and medium-sized enterprises, with demand for housing loans and consumer credit contributing positively. Banks expect loan demand to remain resilient in the next six months.

Credit supply improved marginally in the last six months, still materially better than the regional average, driven mainly by continued lending to large companies and short-term credit. Banks expect credit supply to be neutral in the next six months.

Funding conditions are positive, with positive contributions from retail and corporate deposits, and are expected to remain so in the next six months. **Credit quality** has not deteriorated but banks expect a downturn in the next six months across the retail and corporate segments.

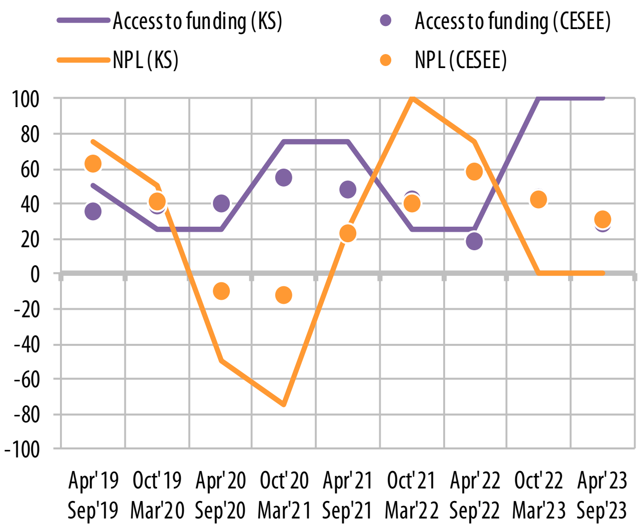
Credit supply and credit demand (in %)



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.

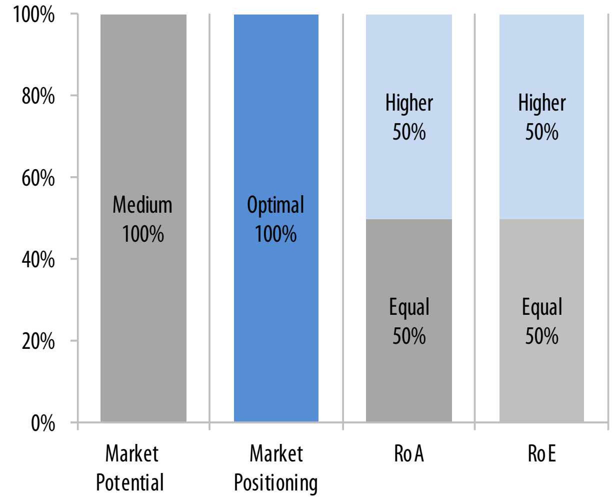
* This designation is without prejudice to positions on status and it is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

CESEE Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The profitability of local subsidiary banks declined somewhat compared to previous survey periods, with parent banks evenly split between equal or higher profitability for their operations in Kosovo compared to overall group operations.

All banks continue to assess their market positioning as optimal but rate the market potential of Kosovo's banking market as medium.



Source: EIB — CESEE Bank Lending Survey.

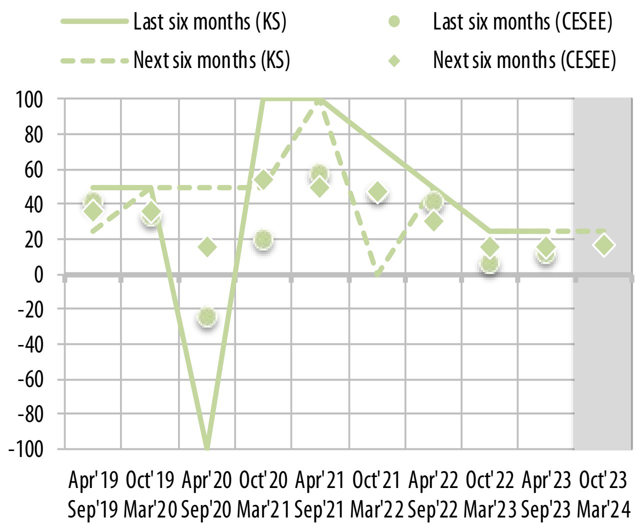
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand remained stable and positive in Kosovo over the last six months. In the next six months, credit demand is expected to remain broadly unchanged and in line with the regional average.

Credit demand continued to be relatively strong. After a strong recovery (real GDP grew 10.7% in 2021), economic growth moderated in 2022 (+3.7%). According to the International Monetary Fund's October 2023 World Economic Outlook, Kosovo's gross domestic product will grow 3.8% in 2023 and 4% in 2024.



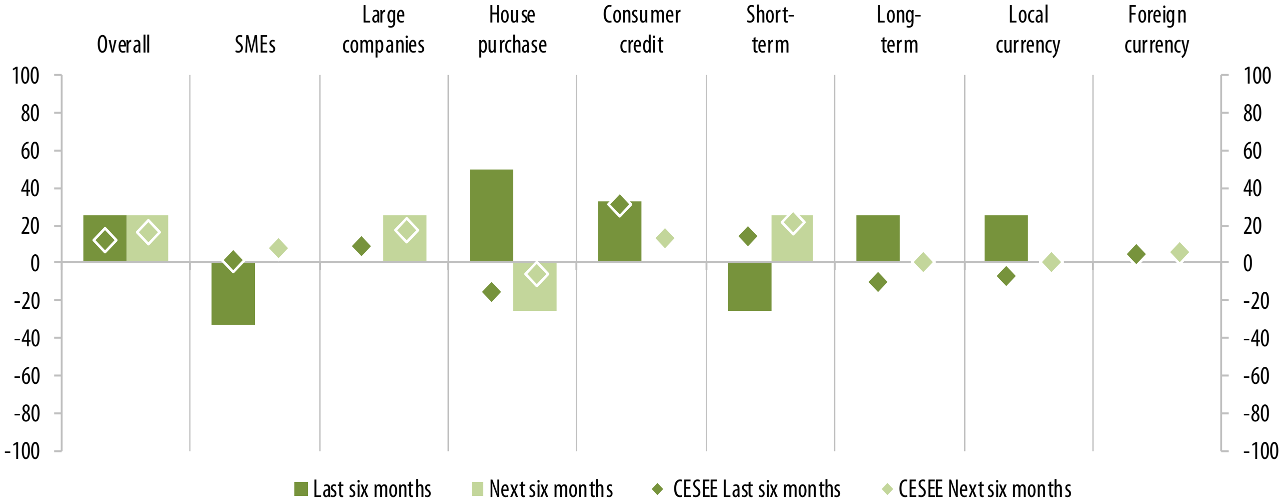
Source: EIB — CESEE Bank Lending Survey.

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 positive, especially for housing and consumer loans, while on the corporate side credit demand from small and medium-sized enterprises (SMEs) declined and was neutral for large corporates.

Banks in Kosovo expect credit demand to remain positive in the next six months, in line with the regional average, supported by a recovery in lending to enterprises and short-term financing.



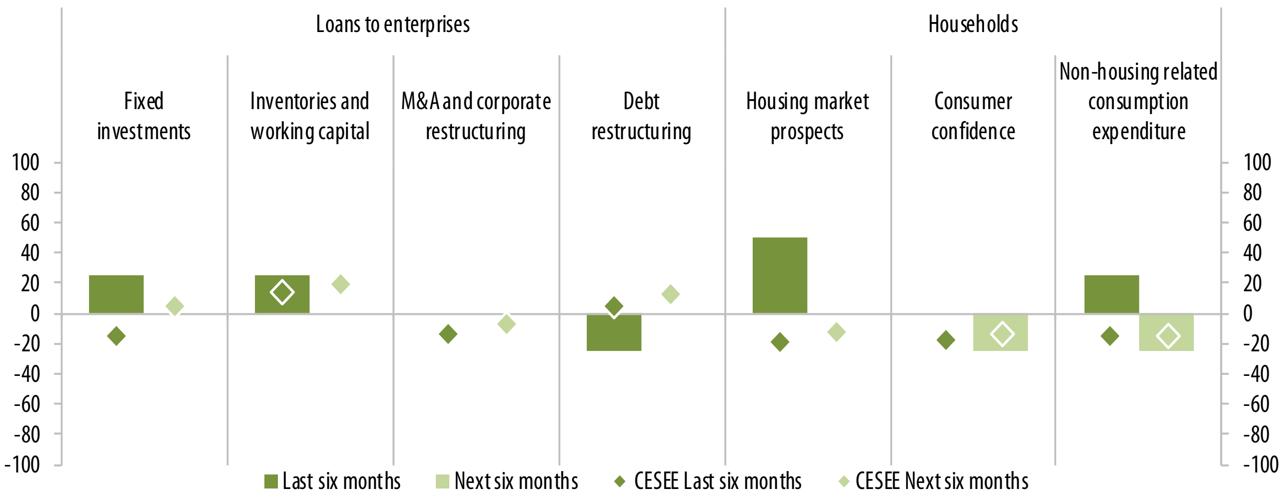
Source: EIB — CESEE Bank Lending Survey.

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 %)

Among corporates, financing for fixed investment and inventories and working capital supported credit demand in the last six months, while credit demand in mergers and acquisitions (M&A) and restructuring was neutral or declined. Household demand for real estate contributed positively in the retail segment.

In the next six months, demand is expected to be broadly unchanged for both corporates and housing loans, consistent with a still-elevated uncertainty and financing costs. Credit demand in the retail segment is expected to remain subdued in the next six months, in line with the regional average.



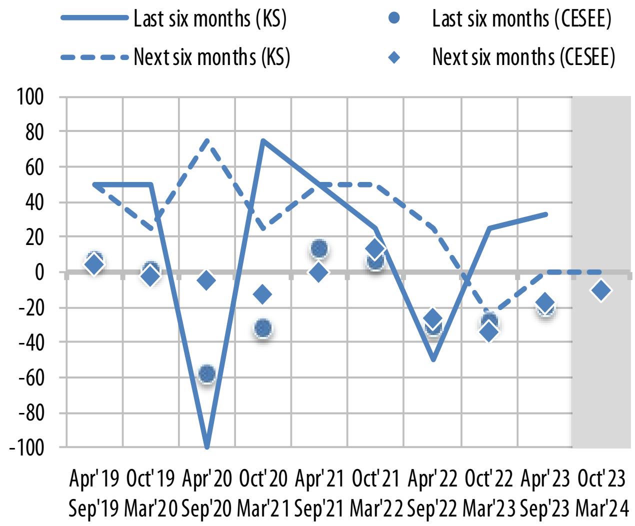
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Aggregate supply developments (in %)

Credit supply conditions in Kosovo (expressing the willingness of banks to extend credit to their clients) were favourable in the last six months, materially better than the regional average and better than expected during the previous survey round.

However, banks expect supply conditions to turn from positive to neutral in the next six months.



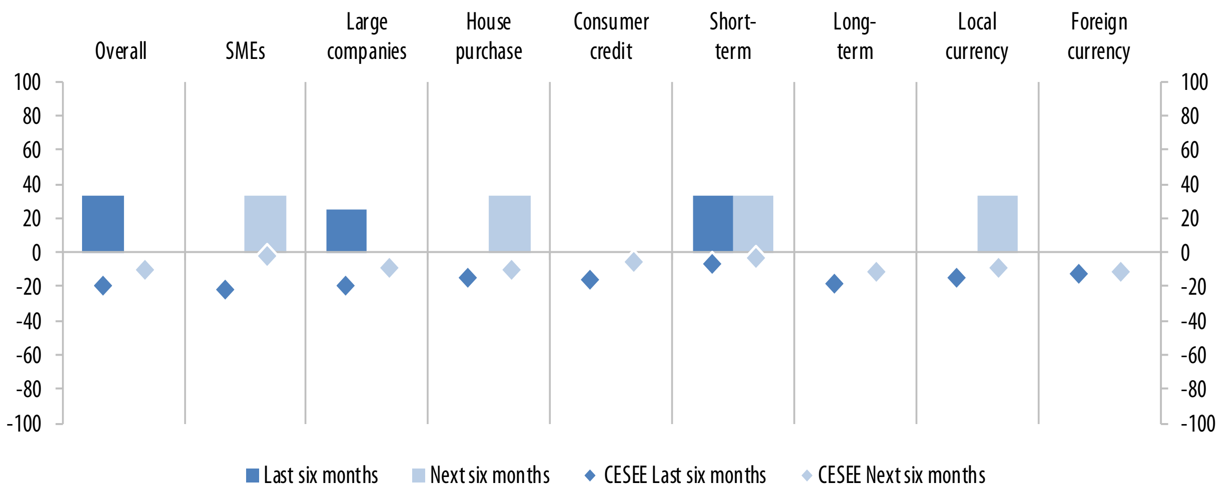
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive values indicating easing supply. The two expectations series (dotted line and diamonds) are shifted forward to be comparable to the perceptions series (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 6 Supply components and segments (in %)

Overall supply conditions were favourable and better than the regional average in the past six months, driven mainly by continued lending to large companies and for short-term credit. Credit supply in other market segments was neutral.

Credit is expected to rebound in the next six months for lending to small and medium-sized enterprises (SMEs) and the real estate sector, while other market segments are expected to remain largely neutral. Credit supply conditions are expected to be in line with, or marginally better, than the regional average during the next six months.



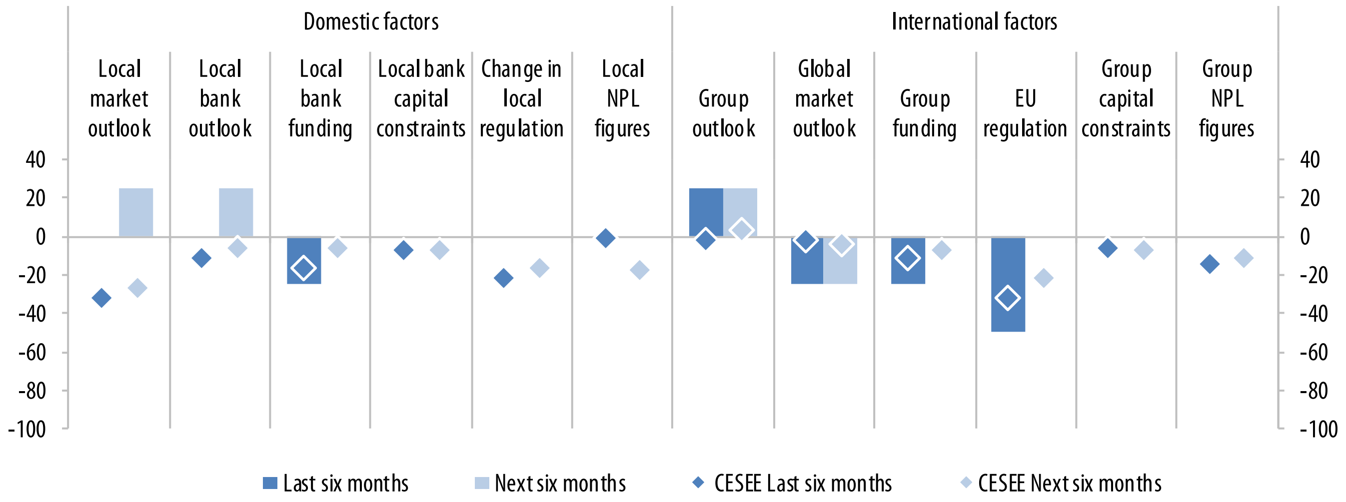
Source: EIB — CESEE Bank Lending Survey.

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 7 Factors contributing to supply conditions (in %)

Compared to the previous survey, most domestic factors — except for local bank funding — turned from negative to neutral, and now score better than the regional average. Among the international factors, the market outlook, group funding and EU regulation weighed negatively on credit supply, according to banks in Kosovo. Conversely, the group outlook was positive.

In the next six months, banks in Kosovo expect most domestic and international determinants of credit supply to be either positive or neutral, with the notable exception of the global market outlook, which remains gloomy.



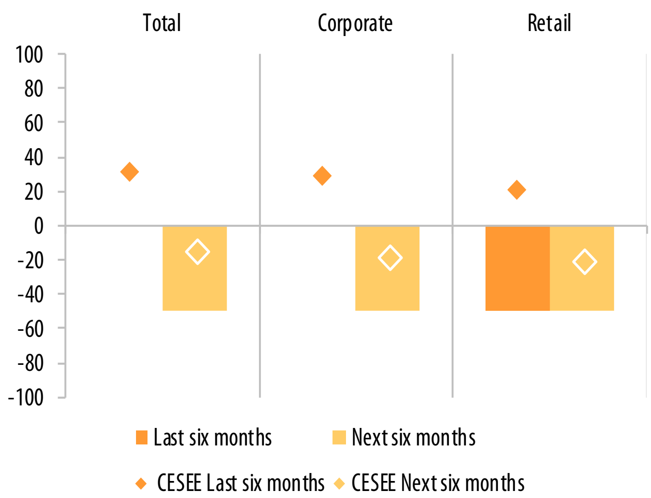
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 Non-performing loan ratios (in %)

Survey data indicate that credit quality has been neutral in the last six months and has improved in the retail segment. This trend is better than the regional average.

Banks expect a decline in the non-performing loan ratios over the next six months for both corporate and retail clients.



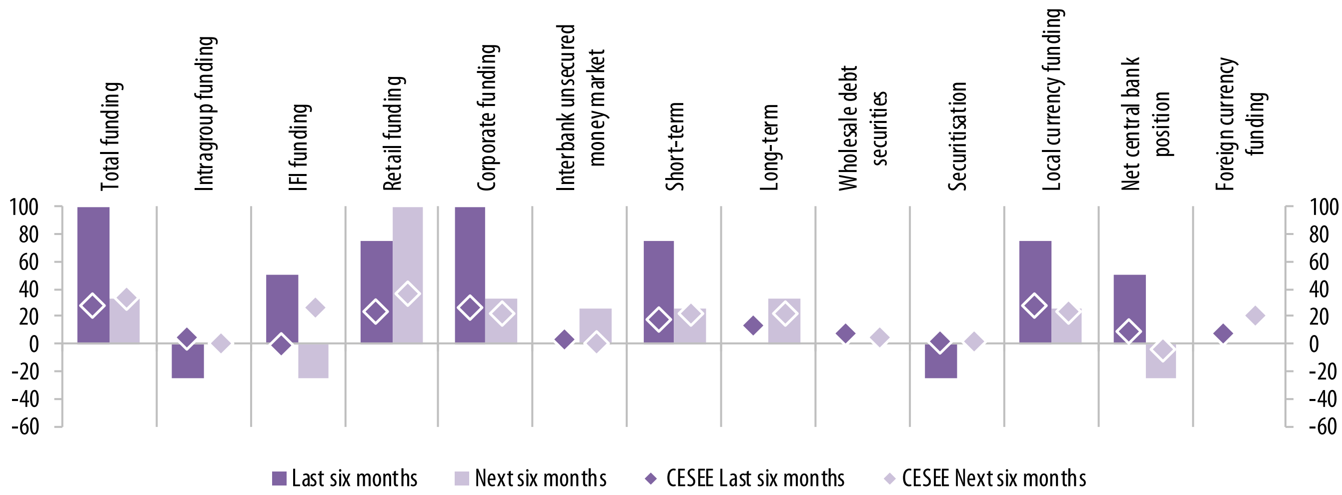
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

Overall access to funding remained particularly strong in Kosovo over the last six months and substantially better than the regional average. This was driven especially by positive contributions from retail and corporate deposits, while intragroup funding contributed negatively. Improved access to funding, driven by deposits, was concentrated on shorter maturities and in local currency.

Banks remain somewhat optimistic about access to funding in the next six months, particularly regarding retail deposits, while expectations about other funding sources are more conservative. Funding is expected to be more evenly distributed across short- and long-term maturities, and local currency funding is expected to remain positive.



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

Loan demand weakened, but remained robust and well above the regional average, and supply conditions continued to be tight. In the coming months, credit demand is expected to remain positive and supply to ease somewhat. The retail segments appear more affected in terms of credit demand, supply and credit quality.

Summary

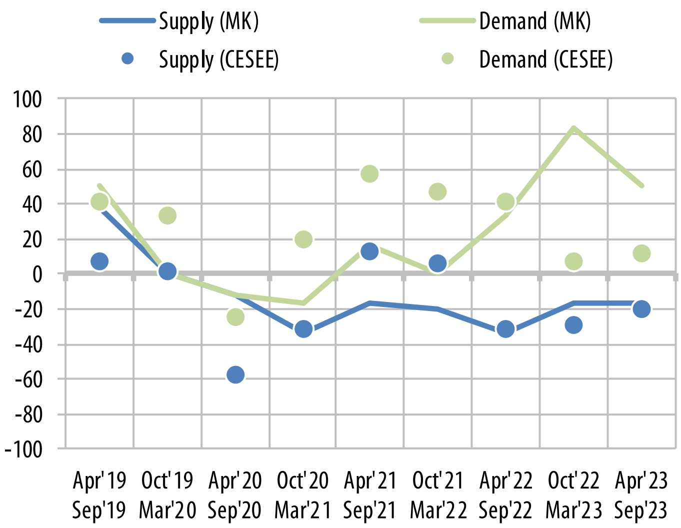
Group assessment of positioning and market potential: The North Macedonian financial system is largely foreign-owned (over 70% of assets, loans and deposits) and parent banking groups perceive their current market positioning in the country as either satisfactory (50%) or optimal (50%). Banking market potential is assessed as medium. Banks report profitability for local operations, broadly in line with profitability at the group level, a deterioration since the survey's previous round.

Credit demand conditions continued to be positive over the last six months, with the exception of the demand for mortgages. Conditions are expected to slightly weaken overall for retail in the coming months but to remain robust, especially for companies.

Credit supply remained tight over the last six months, with a marked decline in the housing and retail segments. In the coming months, supply-side conditions are expected to be neutral, slightly better than the regional average.

Access to funding remained positive in North Macedonia over the last six months, and above the regional average, supported primarily by retail and corporate deposits. Funding availability is expected to remain stable in the next six months. **Credit quality** was neutral in the last six months and is expected to remain stable (though weaker on the retail side).

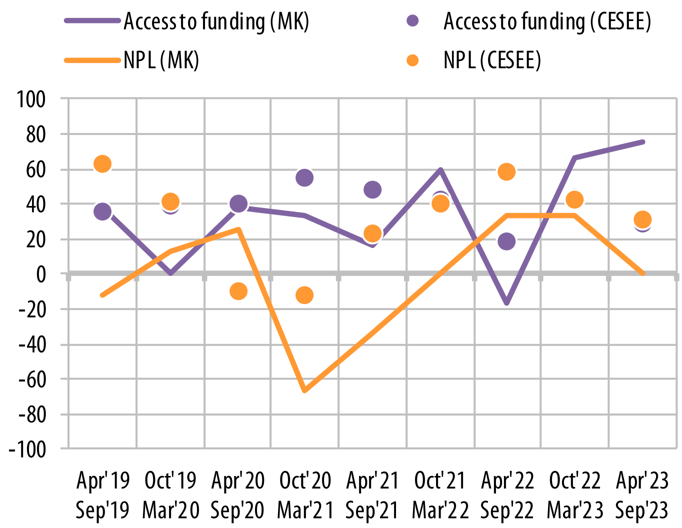
Credit supply and credit demand (in %)



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.

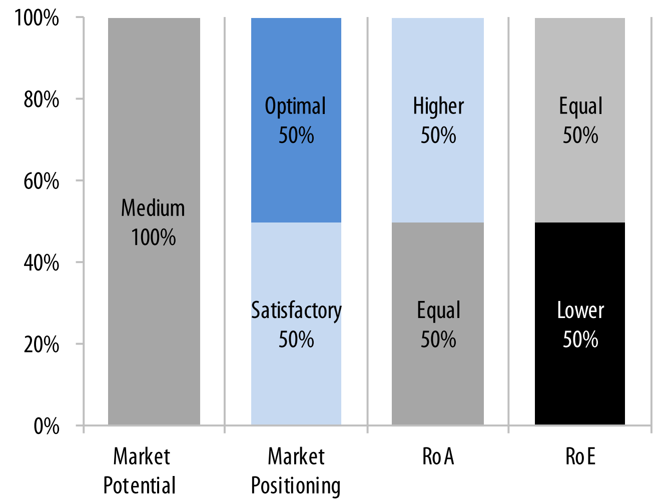
CESEE Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

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.

Parent banking groups operating in North Macedonia perceive their current market positioning as satisfactory (50%) or optimal (50%), and rate the market potential as medium, in line with results from the previous survey round.

Banks reported profitability broadly in line with the group level, in terms of returns on assets (RoA) and equity (RoE). This marks a decline since the previous survey round, when all surveyed banks indicated higher profitability domestically than at the group level.



Source: EIB — CESEE Bank Lending Survey.

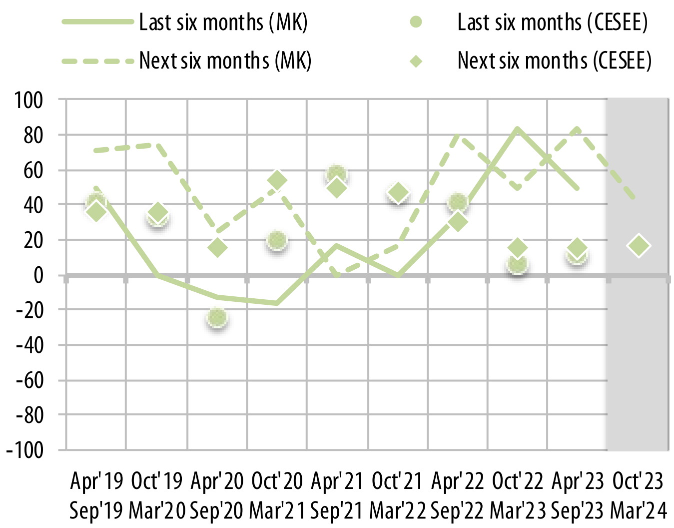
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand conditions deteriorated somewhat over the last six months but remained positive and were materially better than the regional average.

Credit demand is expected to remain stable in the next six months, in light of a continued economic recovery. Gross domestic product grew 3.9% in 2021 and 2.2% in 2022 and growth is projected at 2.5% in 2023, according to the International Monetary Fund's World Economic Outlook, October 2023.



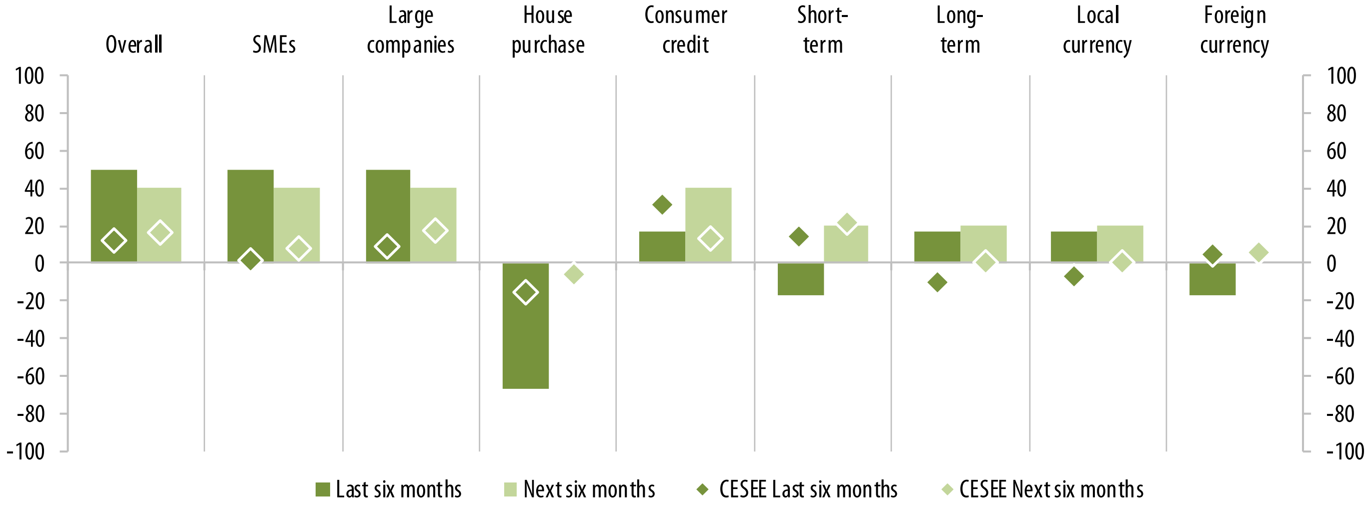
Source: EIB — CESEE Bank Lending Survey.

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 %)

Credit demand was positive in the last six months, markedly better than the regional average. This trend was mainly driven by small and medium firms (SMEs) and large corporates. A notable exception was the weakening in demand for housing loans. Credit demand was concentrated on long-term funding and local currency lending.

Banks in North Macedonia remain optimistic about demand in the next six months, with most business segments expected to contribute positively, especially in the corporate sector.



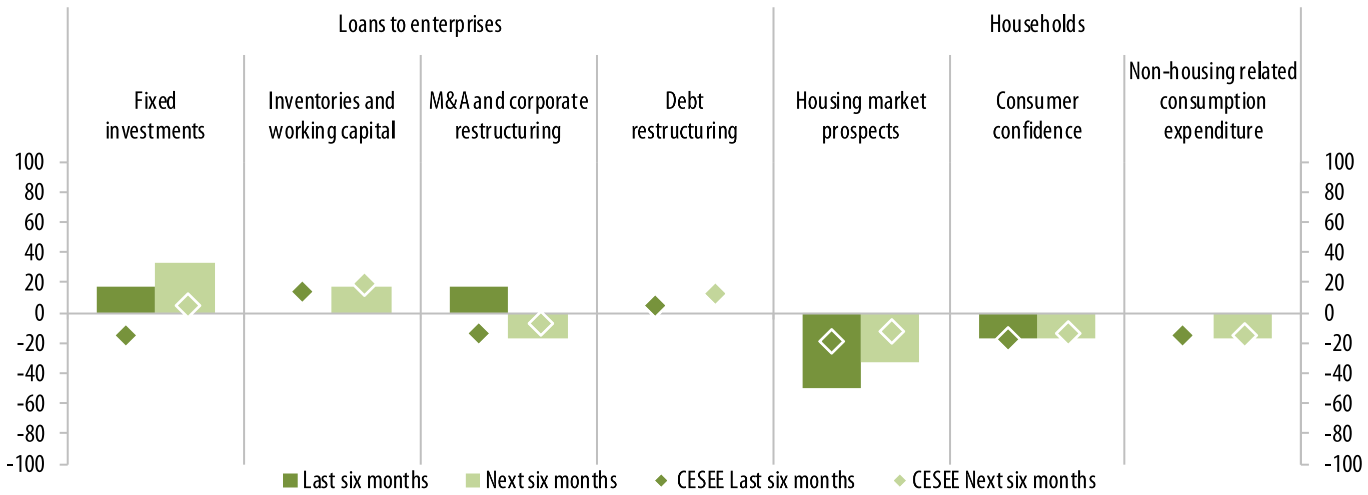
Source: EIB — CESEE Bank Lending Survey.

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, mergers and acquisitions (M&A) and restructuring were among the main drivers of positive credit demand during the last six months, while the other factors affecting corporates' demand for loans were neutral. The housing market and consumer confidence weighed negatively on the retail market.

In the next six months, banks expect some positive contributions to credit demand from corporates' fixed investments. In contrast, contributions from households are expected to be negative in both mortgage and retail loans.

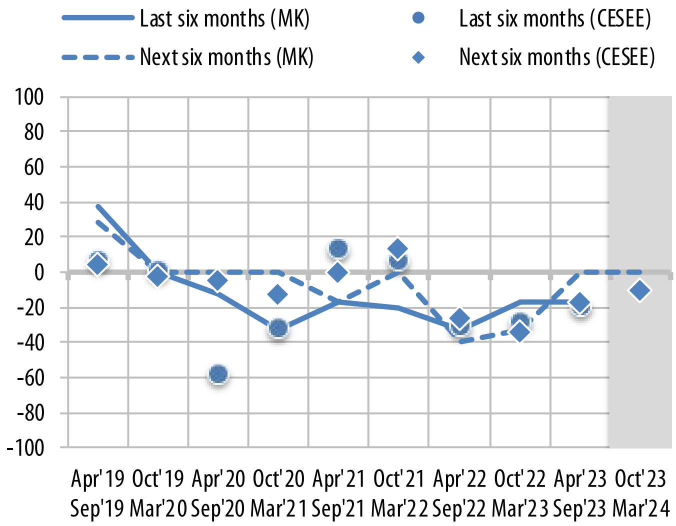


Source: EIB — CESEE Bank Lending Survey.
Note: The chart shows net percentages, with positive values indicating a positive contribution to demand. See Question B.Q7 in the Annex.

Figure 5 Aggregate supply developments (in %)

Credit supply in North Macedonia remained negative over the last six months, somewhat worse than anticipated in the previous survey round but in line with the regional average.

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



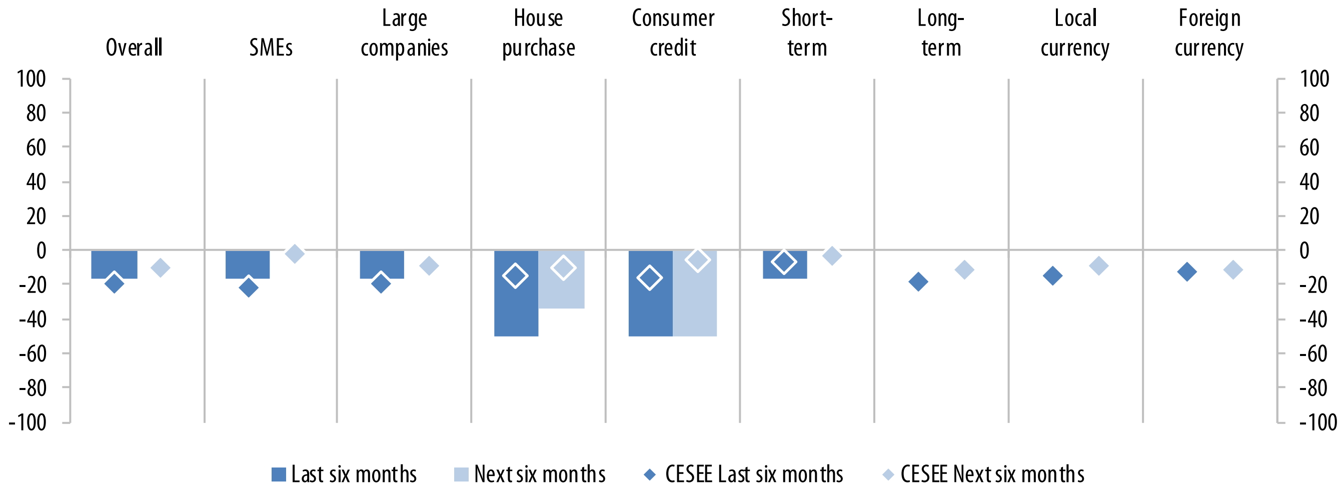
Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

All business segments were affected by tight credit supply conditions, including small and medium-sized enterprises (SMEs) and large companies, house purchases and consumer credit. While this trend was in line with the regional average for corporate clients, it was markedly worse for the housing and consumer loan segments in North Macedonia compared to the region, though less so than in the previous survey round.

In the next six months, supply conditions in the housing and retail segments are expected to remain tight in North Macedonia, worse than the regional average, and neutral in other market segments.



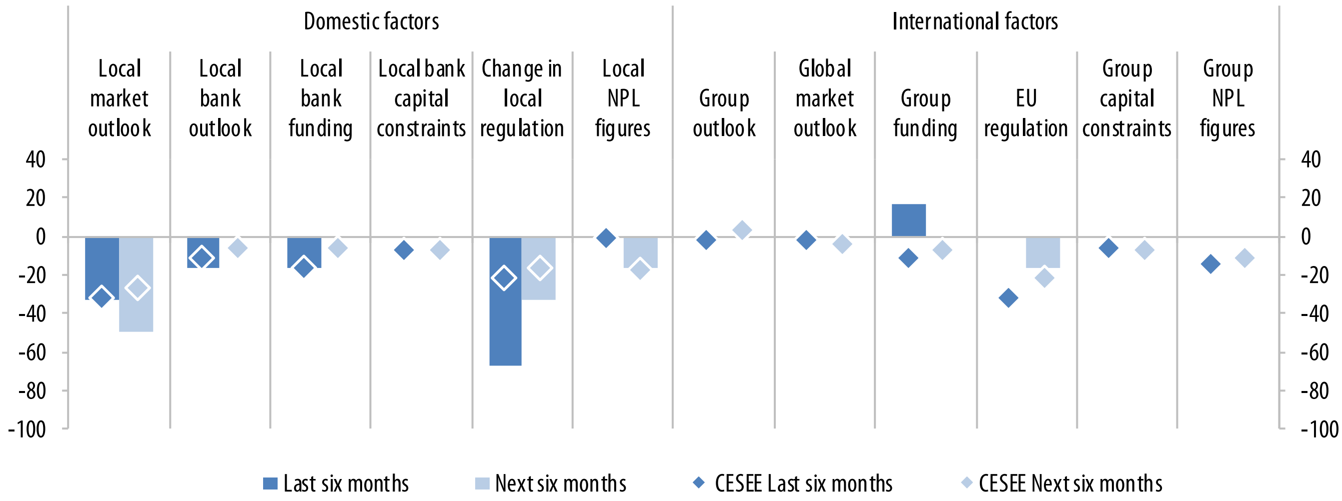
Source: EIB — CESEE Bank Lending Survey.

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 7 **Factors contributing to supply conditions** (in %)

Various domestic factors contributed negatively to supply conditions, including the market and banks' outlook, local funding conditions, and regulatory changes. International factors affecting banks' credit supply were mostly neutral, broadly in line with the regional average.

In the next six months, banks in North Macedonia expect a further deterioration of some factors, with domestic and EU regulatory changes, and in particular the local market outlook, among the negative factors.



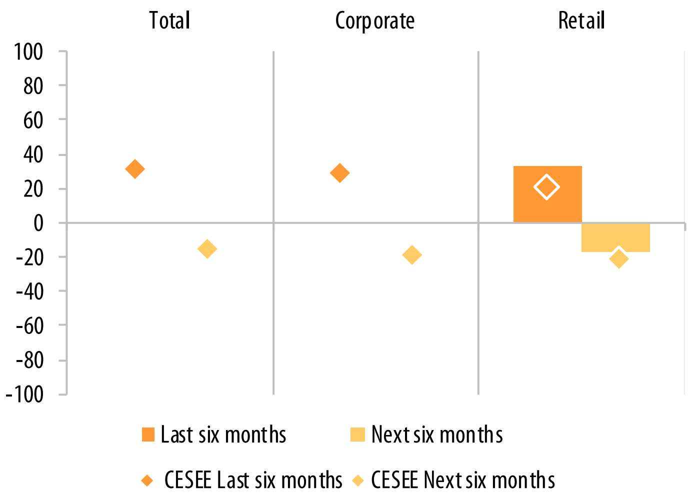
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **Non-performing loan ratios** (in %)

Credit quality during the past six months was broadly neutral, a decline compared to the previous survey results and below the regional average.

For the next six months, banks expect non-performing loan ratios to remain broadly unchanged overall, while credit quality for retail clients is expected to decline.



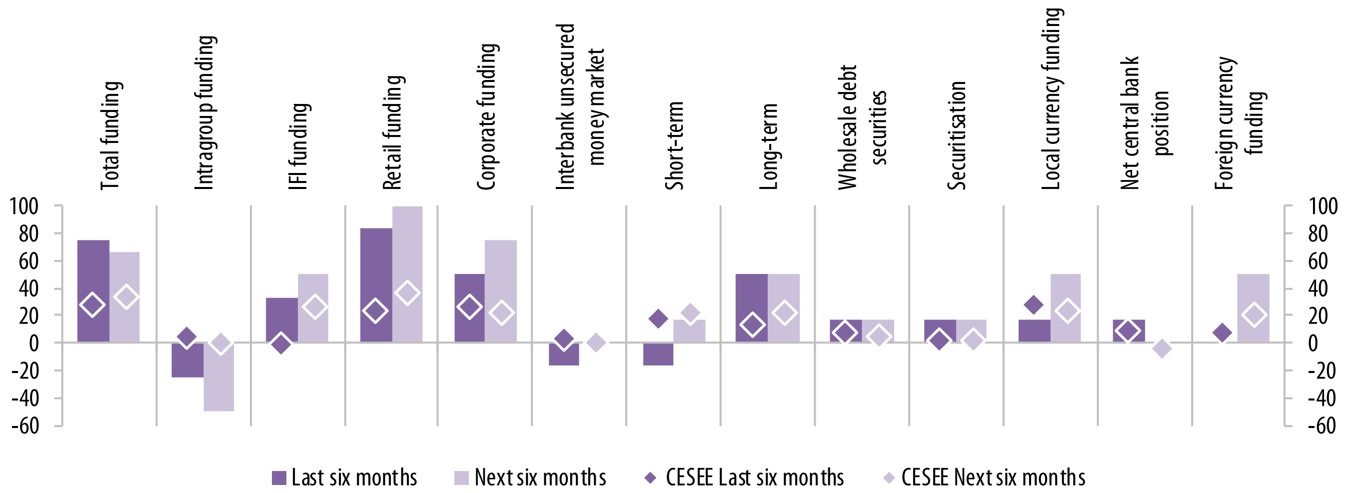
Source: EIB — CESEE Bank Lending Survey.

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 9 **Access to funding** (in %)

Access to funding for banks in North Macedonia remained positive over the last six months. As in the previous survey round, retail and corporate funding were particularly strong, while intragroup funding contributed negatively. Access to funding was concentrated on long-term sources, and both local and foreign funding contributed positively.

Over the next six months, the outlook for access to funding remains positive, with the corporate and retail funding segments making the largest 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

Though overall credit conditions in Poland remained tight in the past six months, banks expect an increase in loan demand in the next six months. This trend seems to be driven by a recovery in mortgage financing and an improvement in the quality of retail loans. Banks remain cautious, given the uncertain market outlook and tight capital constraints.

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, contrary to the regional average.

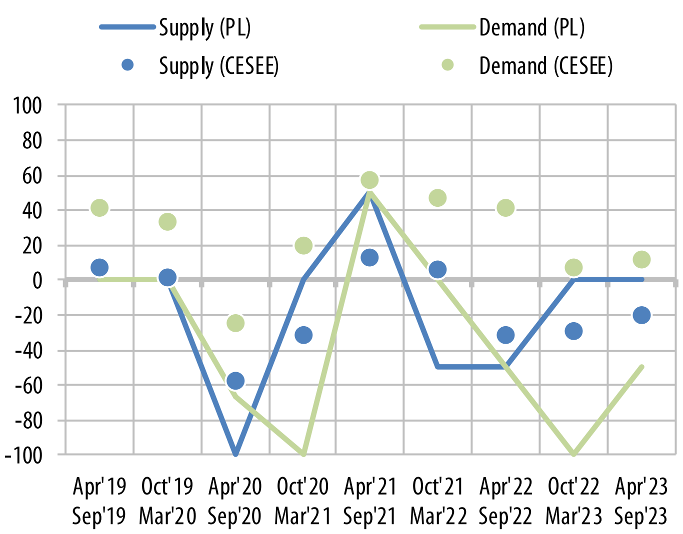
Credit demand in Poland remains weak but there have been signs of recovery in the last six months. On balance, more banks expect credit demand to improve than to deteriorate in the next six months, which is better than the trend in the rest of region. Housing loans seem to be a key driver for this optimism.

Credit supply conditions in Poland have remained neutral over the last six months. While they are expected to remain in the neutral territory going forward, local market outlook and tight capital constraints are listed as the key impediments to credit supply in the next six months.

Overall **access to funding** continued to be favourable for banks in Poland in the last six months, mostly driven by a surge in retail deposits on the back of high interest rates. Funding conditions are expected to remain positive.

Credit quality improved in the retail segment and it was neutral in the corporate segment in the last six months. Banks expect credit quality to stabilise in the next six months.

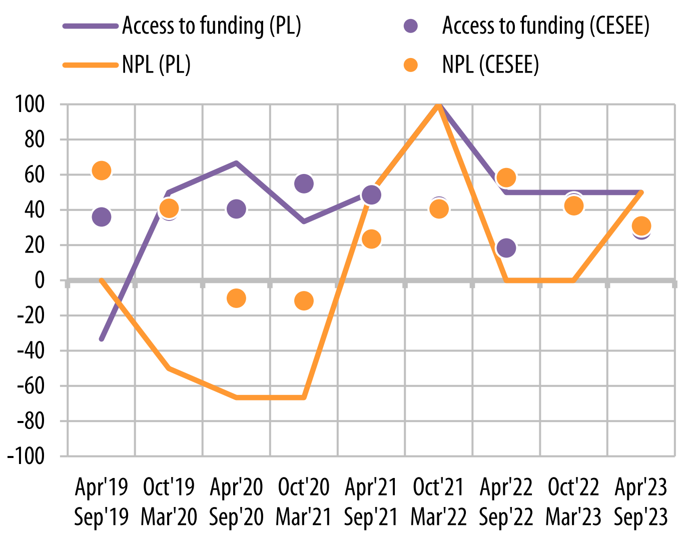
Credit supply and credit demand (in %)



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.

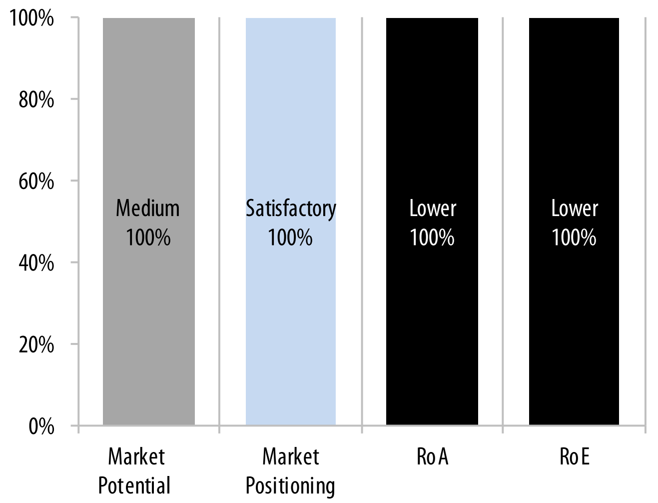
CESEE Bank Lending Survey results — parent bank level

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 (from Spain, Portugal, Netherlands, France) 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 (from Austria, Italy, Hungary, Belgium, etc.).

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.

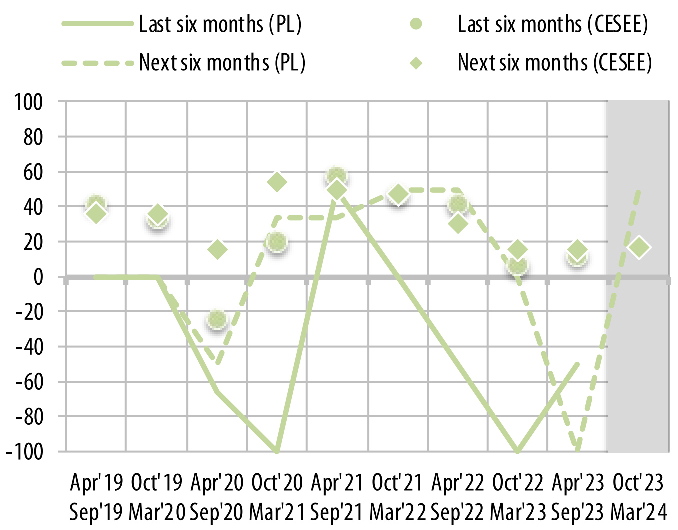
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1. in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

While credit demand conditions in Poland remain tight, some banks started reporting an increase in demand from their clients over the last six months. The trend is expected to continue in the near future, with more banks expecting increasing credit demand in the next six months. These developments can be attributed to two subsequent interest rate cuts in September and October 2023, and additional credit support measures provided by the Polish authorities in the second half of 2023 – particularly towards mortgage holders.

In summary, while credit conditions remain tighter on balance than in the wider region, Polish banks appear to be more optimistic going forward than other banks in the region.



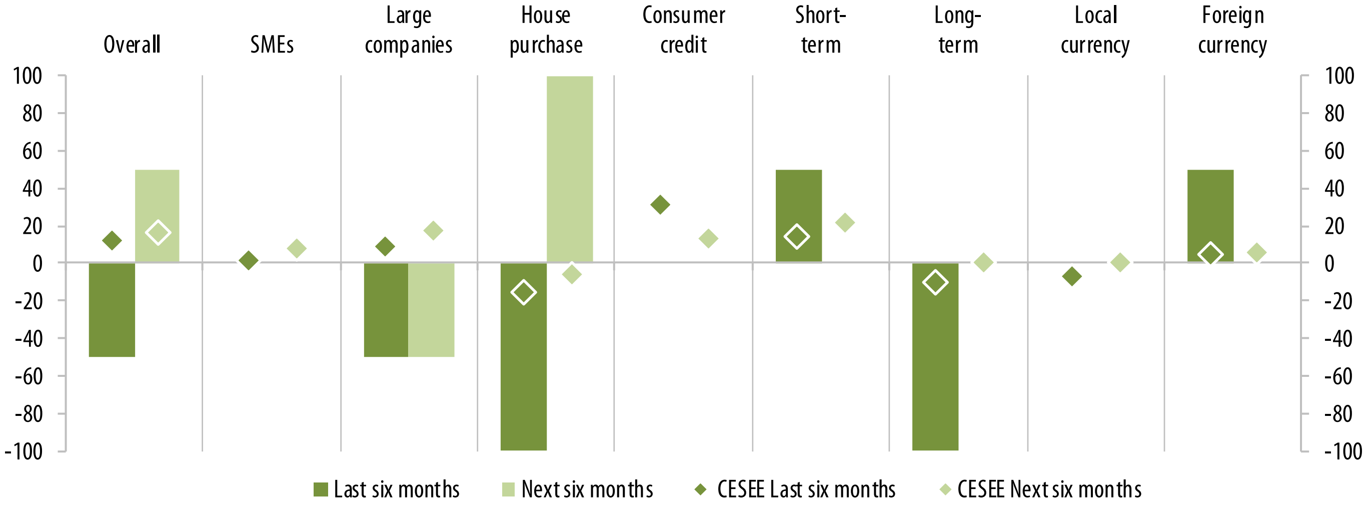
Source: EIB — CESEE Bank Lending Survey.

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 %)

On balance, credit demand has declined in Poland in the last six months, driven by reduced interest among larger firms, and clients looking to purchase houses (typically long-term credit).

The subdued credit demand is expected to recover in the next six months, predominantly driven by an expected increase in the number of mortgage applications. Starting from a low base, it is too early to say if this signals a reversal in the mortgage lending cycle.



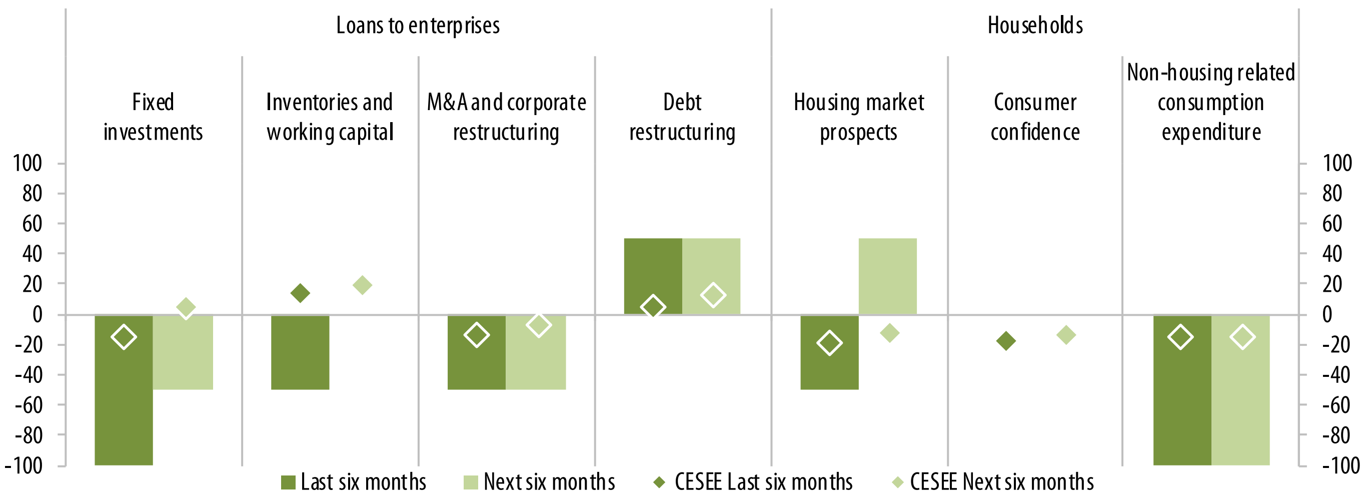
Source: EIB — CESEE Bank Lending Survey.

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 %)

Polish banks report negative or neutral demand contribution from both households and corporates, except for debt restructuring transactions, in the last six months.

Housing market prospects appear to be one of the key drivers of the expected increased demand in the next six months, being substantially above the regional trends, while most other categories will remain neutral.



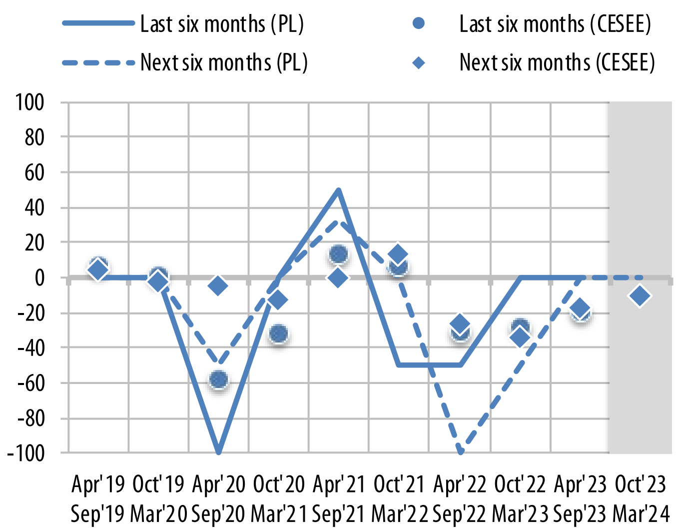
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Aggregate supply developments (in %)

Credit supply conditions in Poland remained unchanged over the last six months. They can be described as neutral on balance, with as many banks reporting easing of credit supply as tightening.

This pattern is expected to continue in the next six months, similar to the regional average.



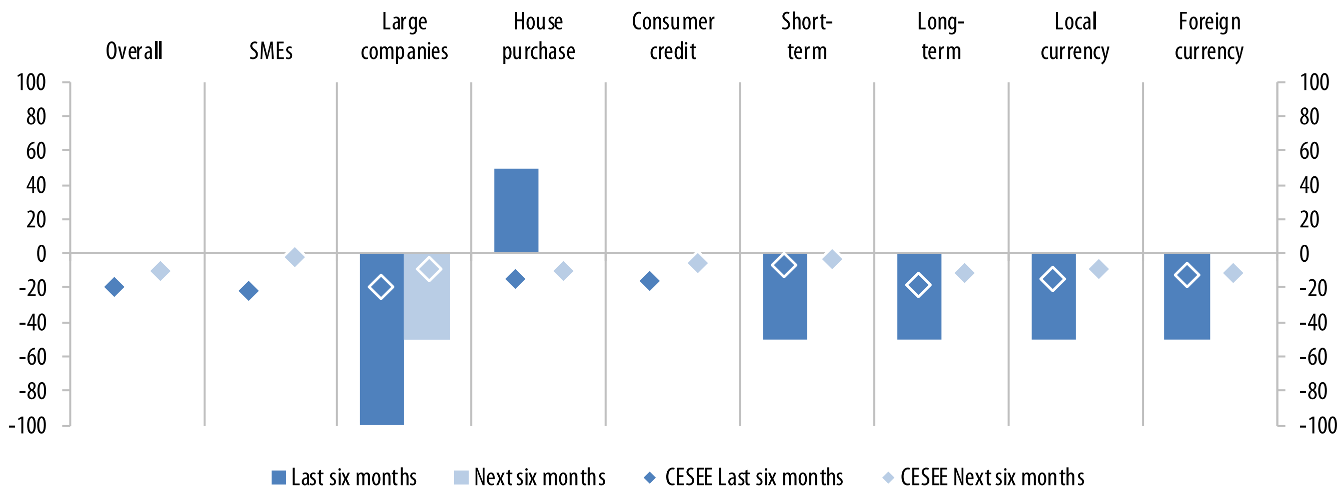
Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

Despite credit reported as tightening across most market segments, overall credit supply conditions remained neutral in the last six months, thanks to the easing of mortgage lending.

In the coming months, banks anticipate supply conditions to be neutral across the market segments. The gap between Polish banks and other banks in the region regarding future supply conditions is gradually narrowing.



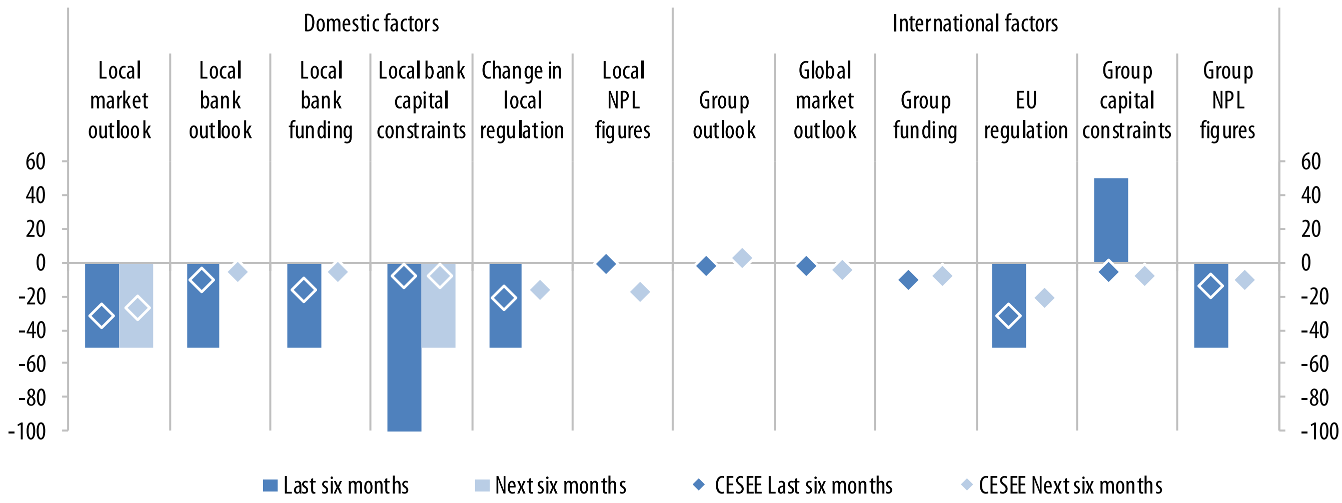
Source: EIB — CESEE Bank Lending Survey

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 7 **Factors contributing to supply conditions** (in %)

Banks reported that credit supply conditions in Poland were neutral despite restraints from both domestic and international factors. Capital constraints within banking groups were the only factor to ease in the last six months. Local capital constraints were tight, however, and are expected to remain tight in the coming months. Among the international factors, EU regulation contributed negatively, as reported also by other banks in the region.

Local market outlook will continue to weigh down on the supply conditions in the next six months.



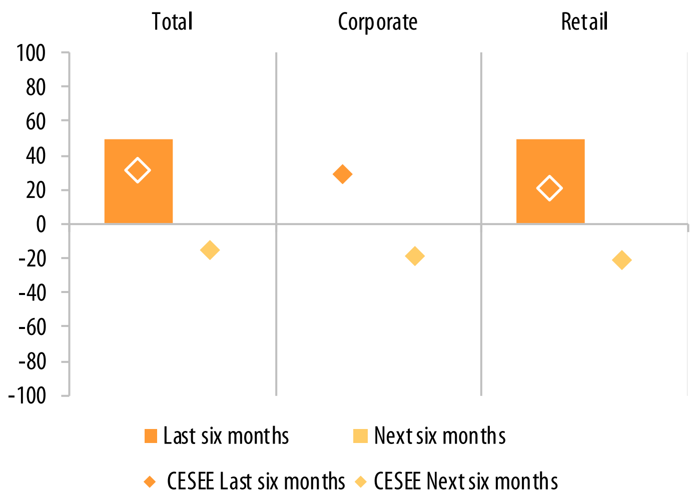
Source: EIB — CESEE Bank Lending Survey.

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 8 **Non-performing loan ratios** (in %)

Overall credit quality improved in Poland in the last six months, predominantly driven by the improvement in the retail sector.

Credit quality is expected to remain stable in the next six months, both in the corporate and retail sectors. This is modestly better than the credit quality conditions expected in the rest of the region.



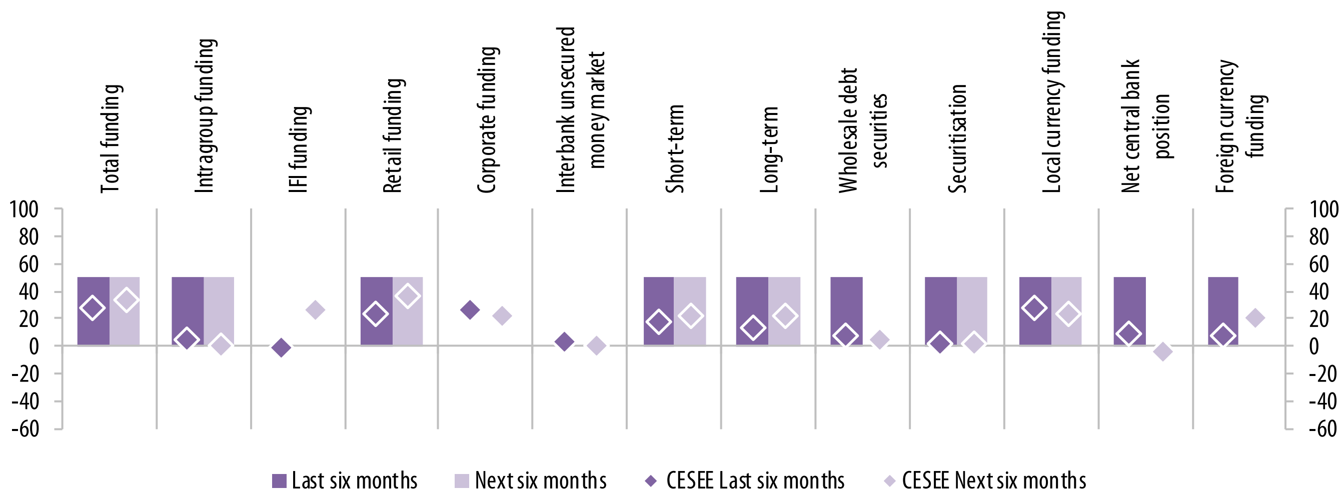
Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Access to funding** (in %)

Polish banks' total access to funding improved in the last six months, with better access reported mostly for retail deposits, both in the short term and the long term.

Banks expect that access to funding will continue to improve 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 mainly by corporates. In contrast, credit supply conditions deteriorated further. While banking market potential remains high, the system's profitability started to deteriorate, in line with the regional trend.

Summary

Group assessment of positioning and market potential: Most surveyed banks perceive the Romanian banking market as having high potential — in the third best position in the region. Most banks also describe their market positioning in Romania as satisfactory. Nevertheless, banks' profitability in Romania deteriorated compared to the previous survey round, in line with the regional trend.

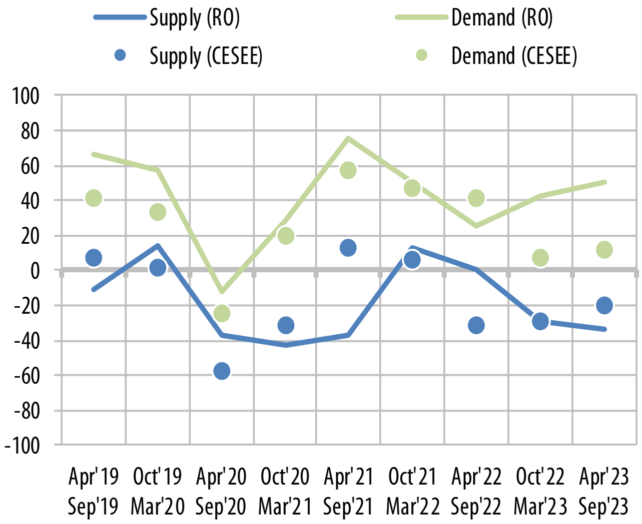
Credit demand improved further over the last six months — driven particularly by robust demand in the corporate segment. Demand for housing loans remained unchanged. Banks expect overall credit demand to continue to grow over the next six months.

Credit supply conditions continued to tighten in the last six months across the board following patterns observed throughout Central, Eastern and South-Eastern Europe. Banks in Romania expect credit supply to stay unchanged over the next six months.

Access to funding continued to improve over the last six months after a deterioration in the first half of 2022. Funding conditions are expected to be good in the next six months.

Credit quality in Romania remained strong, contrary to previous expectations, and no major change is expected for the next period.

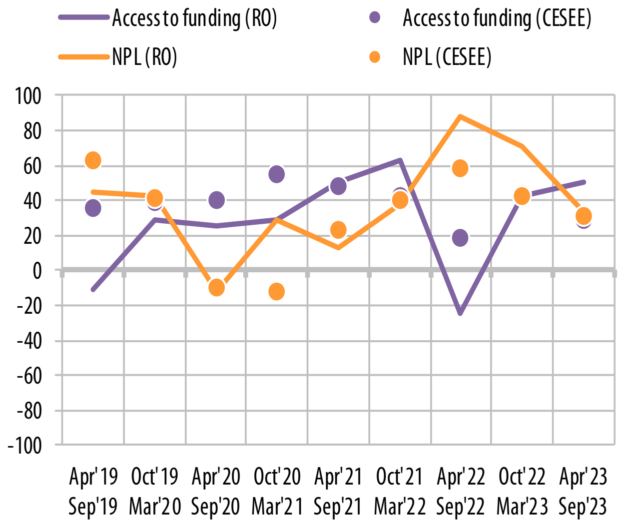
Credit supply and credit demand (in %)



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.

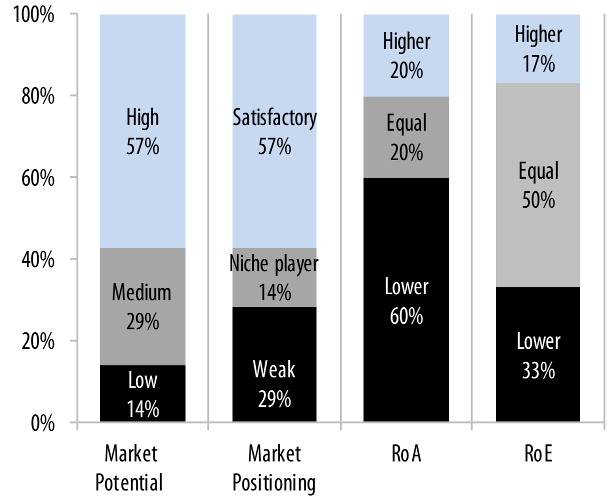
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

CESEE Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning (in %)

Romania's banking market continues to have high potential, according to most survey participants. This is also reflected in the recent expansion of UniCredit, one of the major groups operating in the region, which bought 90% of Alpha Banks' Romanian business and became the third biggest player in the local market. Romania's market potential is among the highest in the region, but it decreased slightly from the previous survey round, when two-thirds of parent banks considered it high. The ratio of banks reporting satisfactory market positioning also decreased since the last survey round (when it was 67%).

Bank profitability compared to overall group operations deteriorated. For most banking groups, Romanian operations were less profitable compared to the overall group, while in the previous period 75% of banks said Romanian operations were higher in terms of return on assets.



Source: EIB — CESEE Bank Lending Survey.

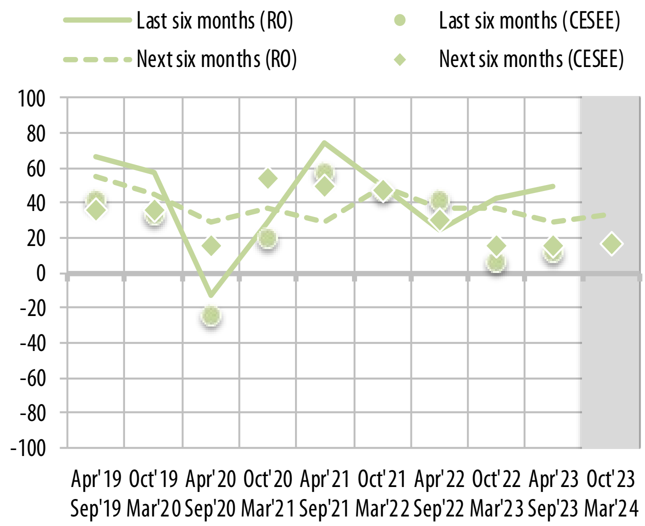
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Credit demand in Romania was slightly above 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. Demand remained robust and was above values recorded in the rest of Central, Eastern and South-Eastern Europe.

Banks in Romania continue to be optimistic about credit demand growth in the next six months. The expected increase in demand likely reflects the strong wage and profit growth recorded in 2022, which almost kept up with inflation.



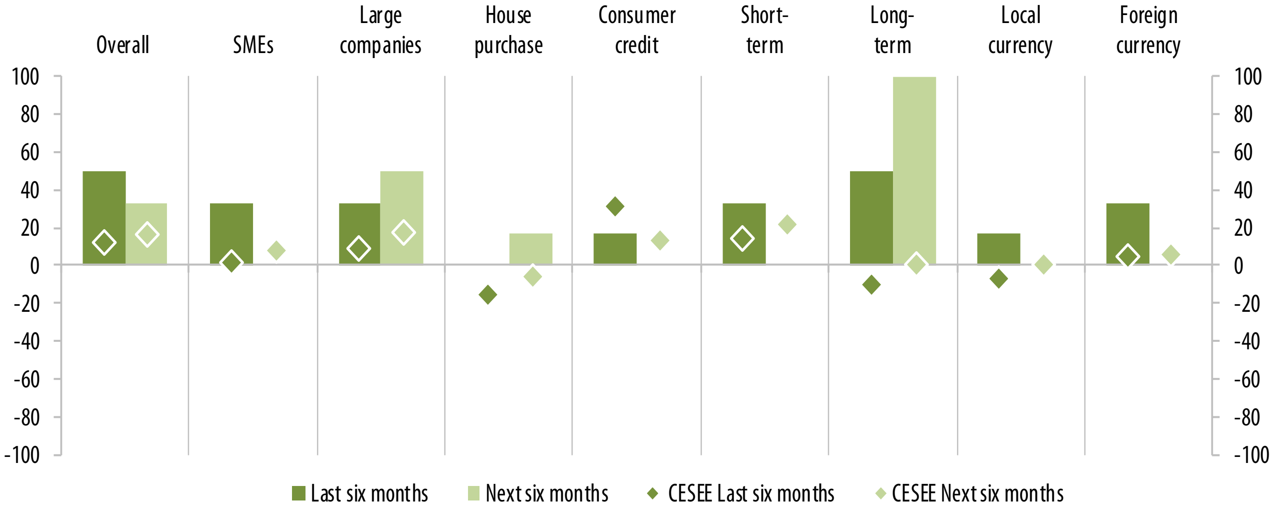
Source: EIB — CESEE Bank Lending Survey.

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 companies and consumer credit drove the increase, while credit demand for house purchases remained unchanged. Demand increased for all segments in terms of maturity and currency denomination.

Over the next six months, banks expect demand to continue growing, but to a lesser extent, driven mainly by demand for large companies and long-term loans. Demand for mortgage loans is also expected to recover slightly.

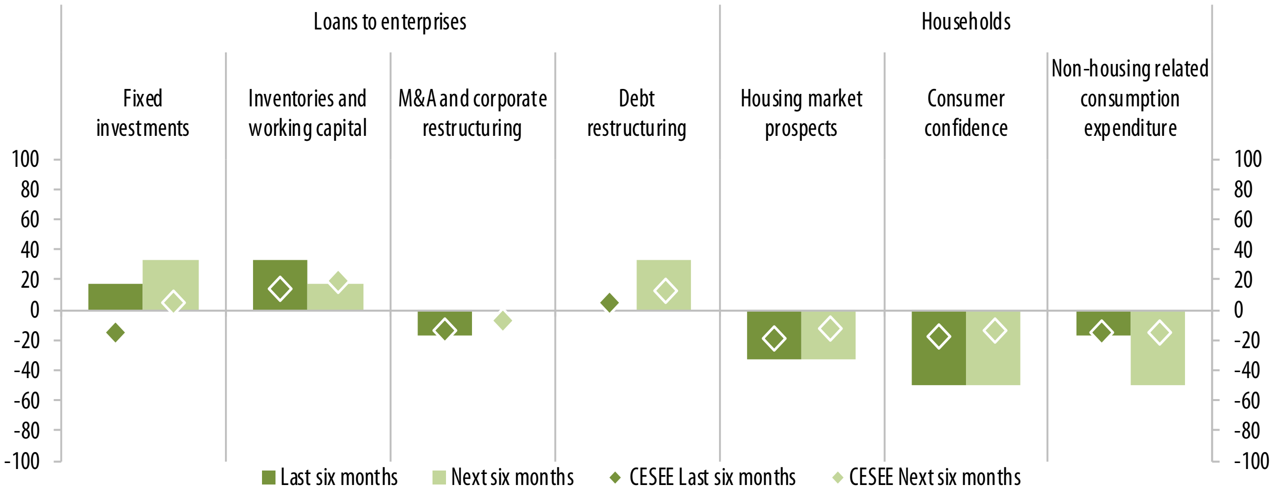


Source: EIB — CESEE Bank Lending Survey.

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 all household factors contributed negatively. The same factors are expected to contribute to loan demand in the same way in the coming months. Demand for loans related to debt restructuring is expected to pick up over the next six months.



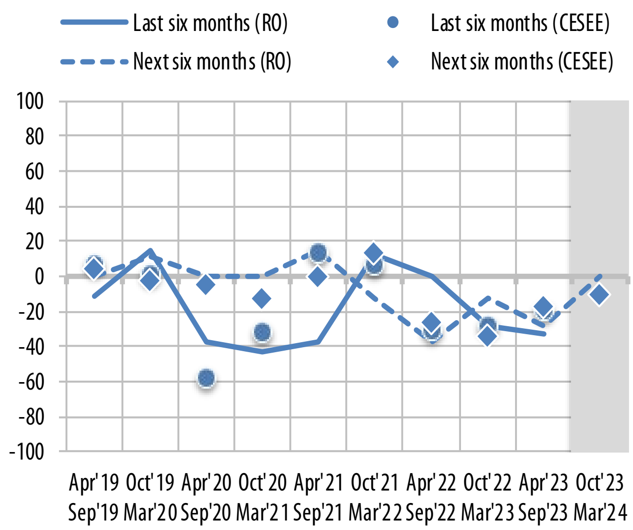
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Aggregate supply developments (in %)

Credit supply conditions deteriorated for the second period in a row, following the post-COVID-19 easing.

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.



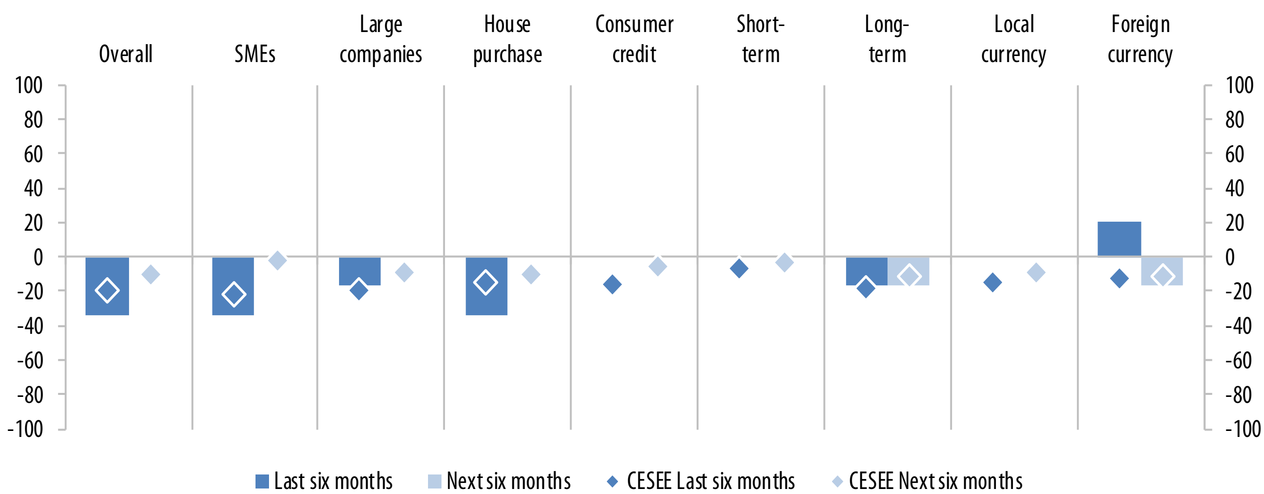
Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

Credit supply conditions deteriorated for corporates and mortgage loans and remained the same for consumer loans.

In the next six months, banks expect most of the components and segments of loan supply not to change, except for conditions for long-term and foreign currency loans, which could tighten.



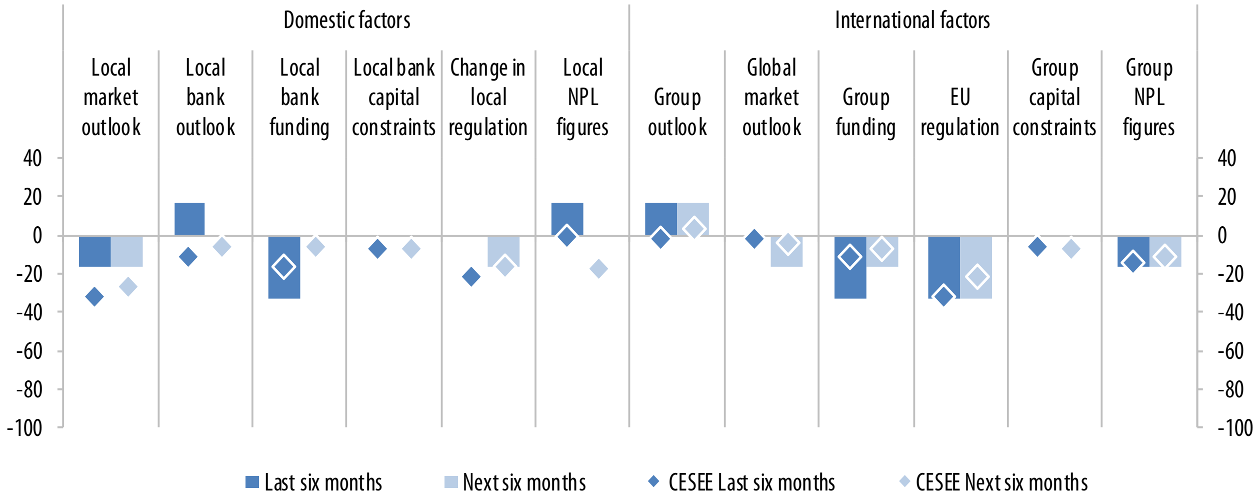
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Factors contributing to supply conditions (in %)

The contribution of domestic factors to supply conditions was mixed. On the one hand, local bank outlook and non-performing loan (NPL) figures continued to contribute positively to credit supply. On the other, the Romanian market outlook and poor local bank funding conditions contributed negatively to credit supply, as in the previous period. The contribution of domestic factors is expected to remain the same or deteriorate over the next six months.

Most of the international factors contributed negatively to supply conditions, apart from the global market outlook and capital constraints, which did not change. For the next period, the same factors are expected to be the main drivers.



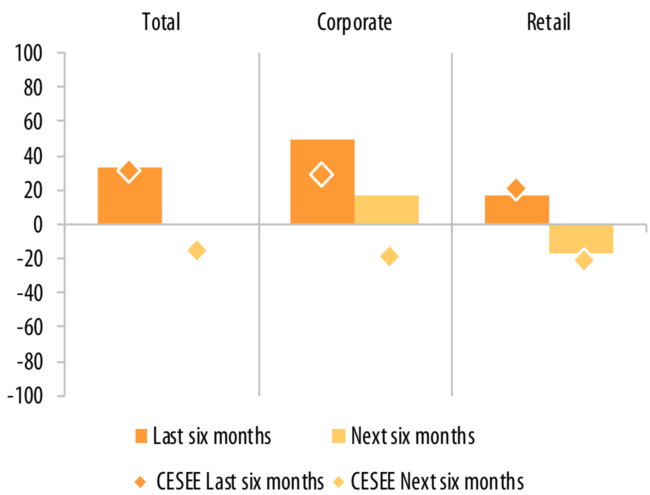
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 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, like the regional average. Improvements were driven by the corporate and retail segments. Banks' negative expectations regarding loan performance did not materialise in Romania or in the region.

Banks expect no major change in non-performing loan ratios over the next six months. Credit quality is expected to decrease most in the retail sector and to improve slightly in the corporate segment. The continued expectation of deteriorating non-performing loan ratios is likely related to persistent inflation, high uncertainty, and the economic slowdown.



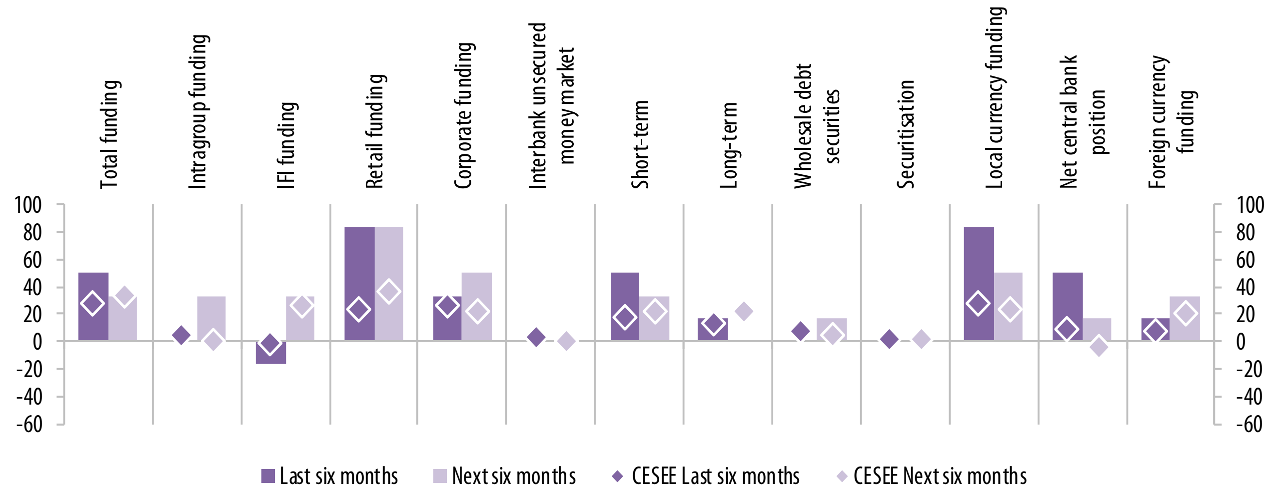
Source: EIB — CESEE Bank Lending Survey.

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 9 **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 retail funding, local currency funding and net central bank position recorded significant improvement, while international financial institution (IFI) funding deteriorated slightly.

In the next six months, retail funding is expected to improve further, in line with the regional average. Most of the funding sources will remain robust.



Source: EIB — CESEE Bank Lending Survey.

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

Serbia

The gap between credit demand and supply has narrowed, with the simultaneous decline in credit demand (especially for housing loans) and easing of supply. Credit quality deteriorated and is expected to worsen, more than the regional average.

Summary

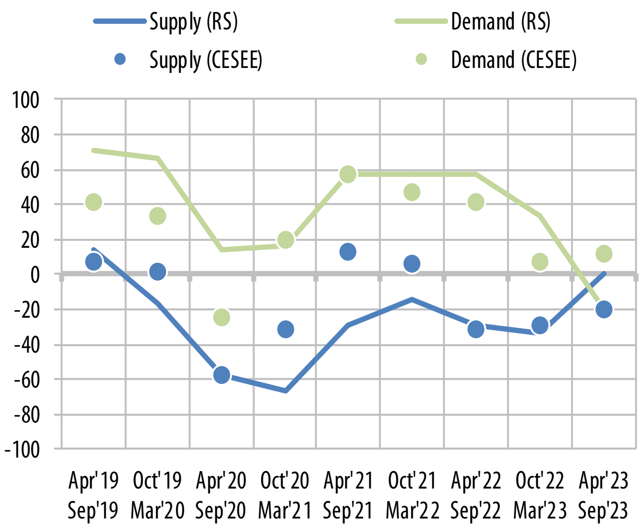
Group assessment of positioning and market potential: The Serbian banking market is considered more attractive now than six months ago. Market potential is considered low for 25% of parent banking groups and medium for 75%. Similarly, 75% of parent banks now assess their market positioning in Serbia as satisfactory, and about 25% as optimal. In terms of profitability, 66% of banks report that return on assets (RoA) and return on equity (RoE) for local operations is equal to or higher than that of overall group operations. It is noteworthy that in March 2023 the Greek bank Eurobank sold its Serbian subsidiary for €280 million to AIK Banka, which has become the second-largest banking group in the country.

Loan demand declined over the last six months, especially for mortgages, and is expected to remain weak in the next six months.

Credit supply conditions, indicating the banks' willingness to provide credit, eased over the last six months, and are expected to remain broadly unchanged in the next six months, marginally better than the regional average.

Banks in Serbia expect further improvements in **access to funding** over the next six months, as retail and corporate deposits have proved resilient to market gyrations. **Credit quality** has been deteriorating and banks anticipate a further deterioration for both retail and corporate clients.

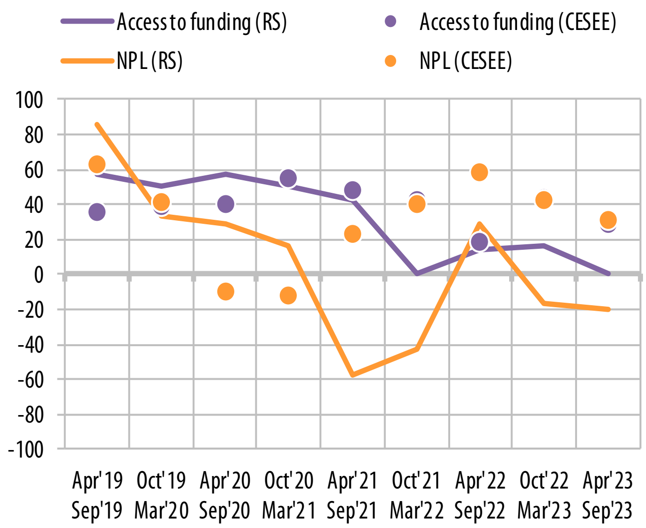
Credit supply and credit demand



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.

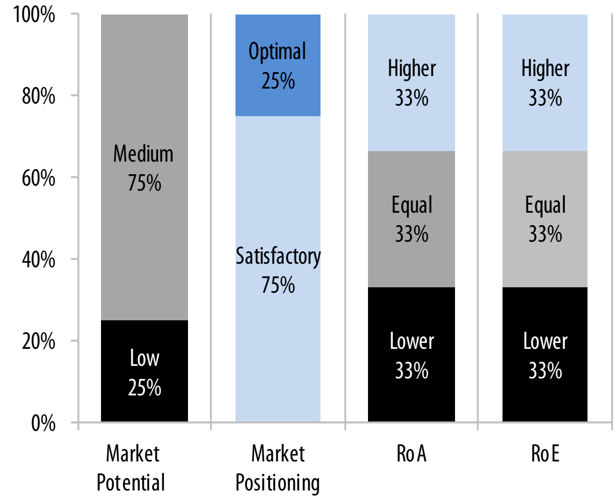
Note: All indicators in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

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 more attractive now than it was six months ago. Market potential is considered low for 25% of parent banking groups and medium for 75%. Similarly, 75% of parent banks now assess their market positioning in Serbia as satisfactory, and about 25% as optimal (vs. 20% in the previous survey round).

In terms of profitability, 33% of banks report that return on assets (RoA) and equity (RoE) for local operations is higher than for overall group operations, marking a decline compared to previous survey results.



Source: EIB — CESEE Bank Lending Survey.

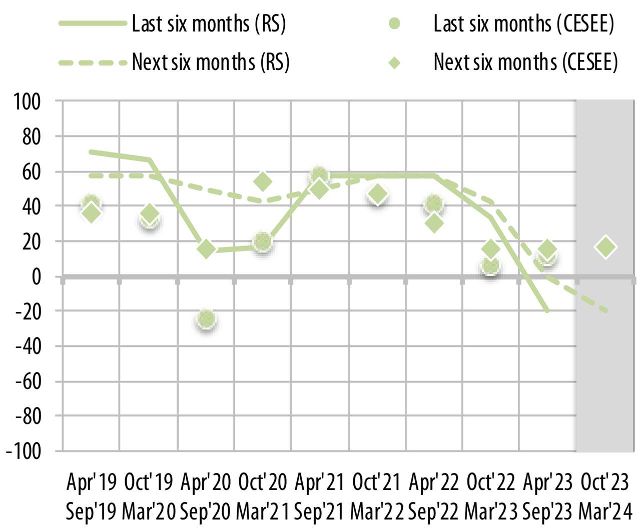
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments (in %)

Loan demand in Serbia declined markedly and turned negative over the last six months, below the regional average and below expectations in the previous survey round.

Credit demand expectations for the next six months indicate that loan demand will remain compressed and below the regional average. Serbia's economic growth in 2023 is expected at 2%, and to accelerate during the following years, according to the October IMF World Economic Outlook.



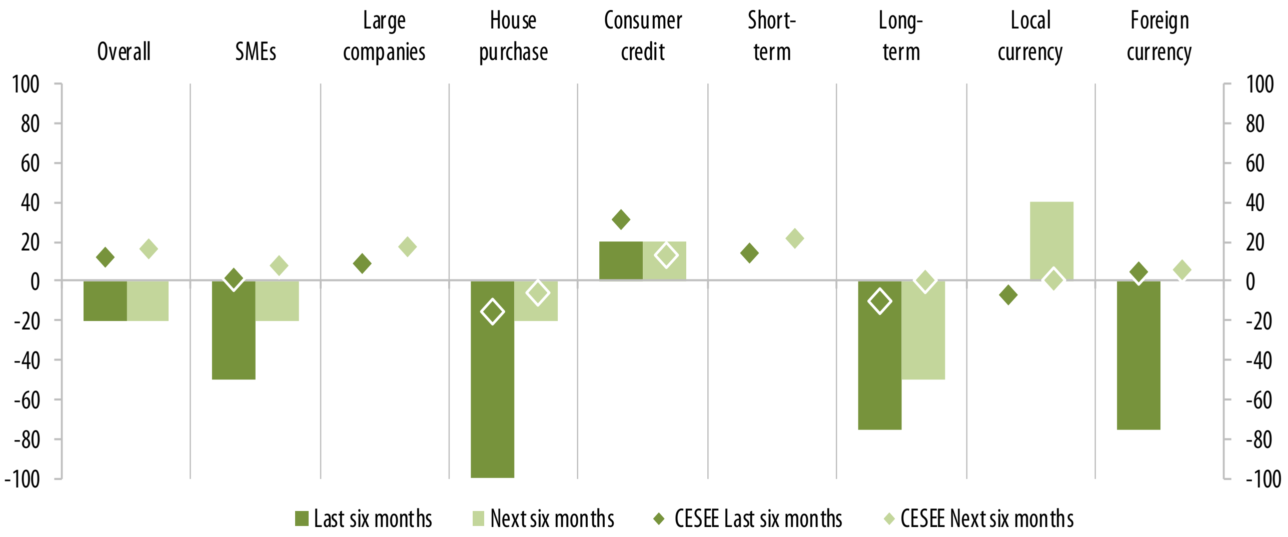
Source: EIB — CESEE Bank Lending Survey.

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 not as resilient in Serbia as in the rest of the region, and this trend is expected to persist over the next six months. Credit appetite from small firms (SMEs) has been weak, and household demand for mortgage loans deteriorated substantially compared to the previous survey round, well below the regional average. Credit demand for long-term and foreign currency borrowing also contributed negatively.

Expectations for the next six months suggest that credit demand will remain weak overall and below the regional average.

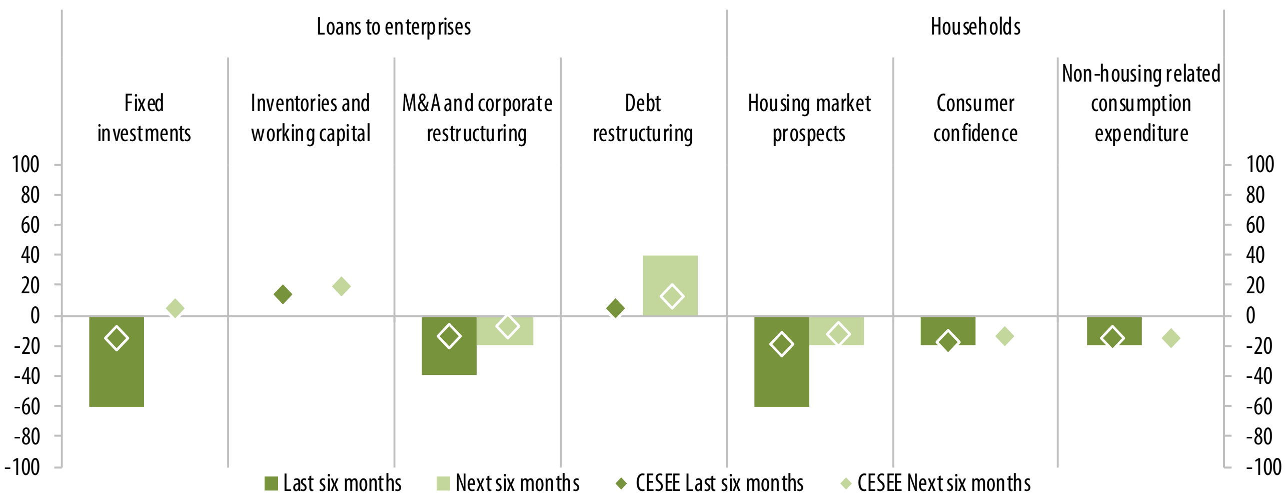


Source: EIB — CESEE Bank Lending Survey.

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 and mergers and acquisitions (M&A) remained weak on the corporate side, while loan demand for inventories and working capital and debt restructuring became neutral (from positive in the previous survey round). Credit demand on the retail side was also weak across the board, especially for housing projects. Banks expect credit demand to normalise in the next six months and return to neutral across the various categories.



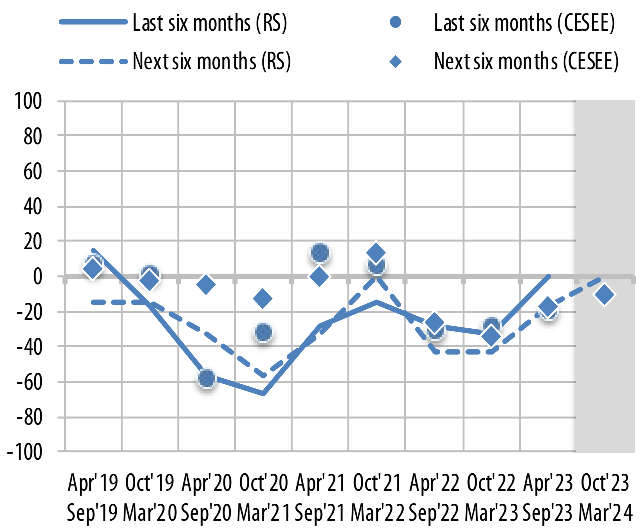
Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments (in %)

Credit supply eased somewhat in the last six months, more than expected in the past survey round, and has been looser than the regional average.

In the next six months, credit supply conditions are expected to remain broadly unchanged, in line with the regional trend, as financial conditions locally and internationally benefit from a pause in the tightening cycle. The central bank of Serbia raised its policy rate to 6.5% in July 2023 and has been on hold since.

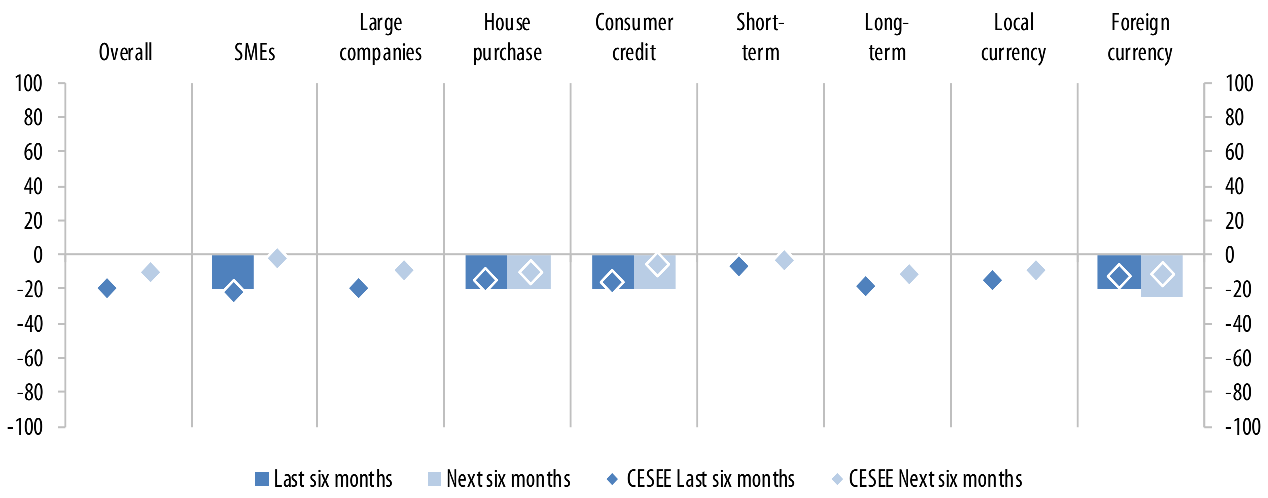


Source: EIB — CESEE Bank Lending Survey.

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 6 Supply components and segments (in %)

Credit supply was neutral over the last six months, marking an improvement compared to the previous survey round. The small firm (SME), mortgage and consumer loans, and foreign currency lending segments remained negative, broadly in line with average trends in the region. Most components of credit supply conditions are expected to be neutral over the next six months, but retail is expected to suffer tight credit conditions.



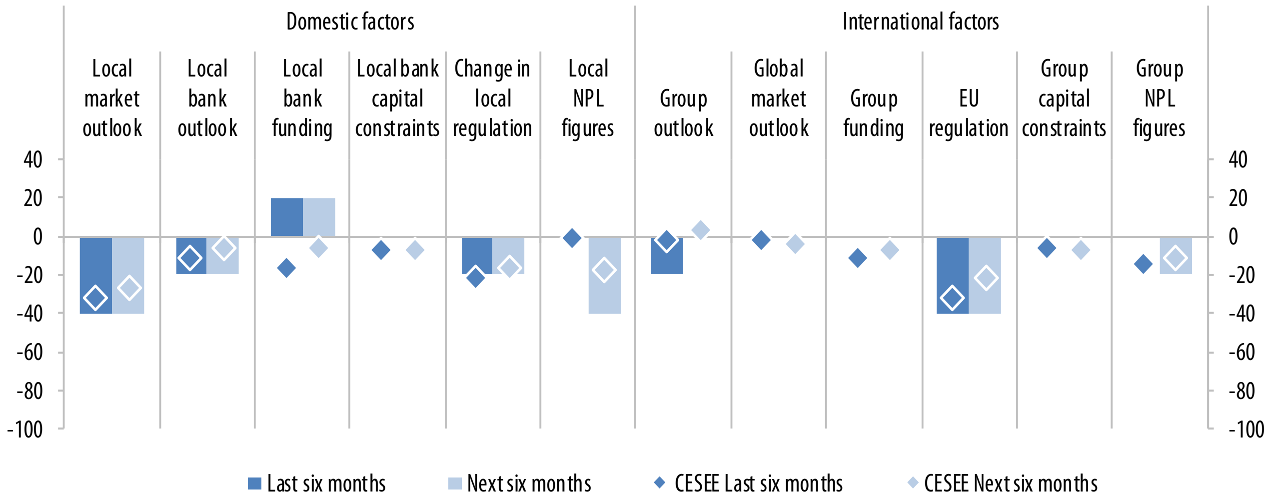
Source: EIB — CESEE Bank Lending Survey.

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 7 **Factors contributing to supply conditions** (in %)

Both domestic and international factors contributed to the deterioration of supply conditions over the last six months. The outlook for the local market and local banks deteriorated compared to the previous survey round. Among international factors, changes in EU regulation remained the most significant negative contributor to credit supply conditions in Serbia, in line with the regional average.

The same factors are expected to continue constraining supply conditions also in the next six months.



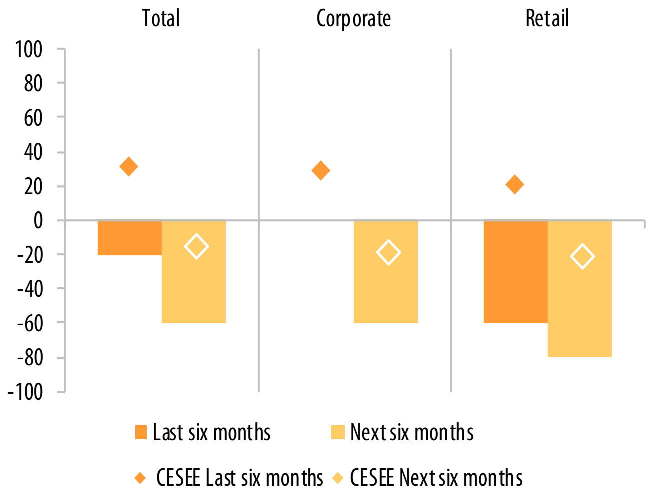
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **Non-performing loan ratios** (in %)

In line with pessimistic expectations in the previous survey round, banks in Serbia reported a deterioration in credit quality over the last six months, in contrast to the regional trend.

For the next six months, banks anticipate a further deterioration of credit quality, with non-performing loans expected to increase in the corporate and retail segments.



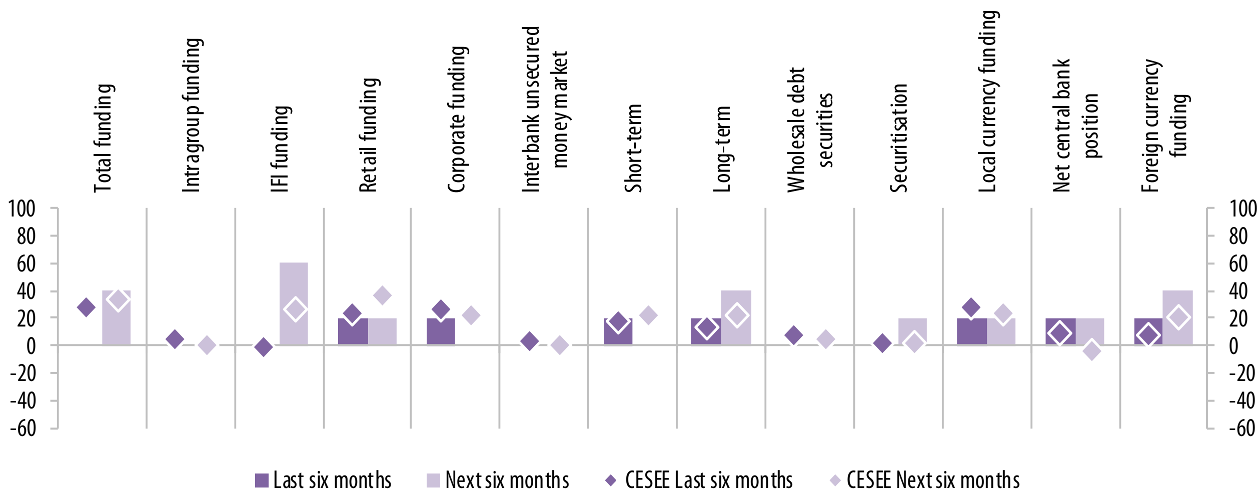
Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Access to funding** (in %)

Overall access to funding was neutral in the last six months, with positive contributions from corporate and retail funding, in line with the regional average. Positive contributions to banks' funding conditions were evenly split across short- and long-term funding, and local and foreign currency funding.

Banks expect an improvement in access to funding over the next six months, in line with the regional average. Retail deposits and funding from international financial institutions (IFIs) are expected to be positive drivers.



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 remained unchanged on balance, halting the reported decline in the previous survey round. In contrast, supply continued to tighten, driven by tighter funding conditions. Credit quality has held up much better but is expected to fall over the coming six months.

Summary

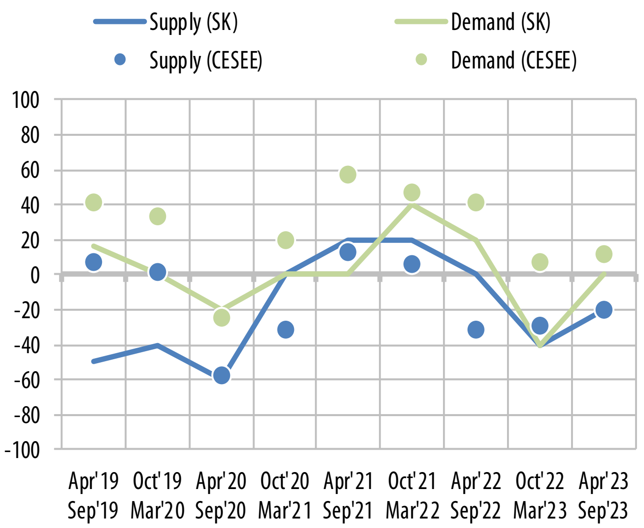
Group assessment of positioning and market potential: The commitment of banking groups to Slovakia remains solid. Half of parent banks regard Slovakia's market potential as high. Most see little reason to change their positioning.

On balance, banks reported that **demand for loans** remained unchanged over the last six months, after most reported a decline six months earlier. A particularly large majority of banks reported lower demand for mortgages, arguably possibly reflecting increasing interest rates, and the cooling of the residential property market. Their assessment of mortgage demand is more negative than that of their peers in the rest of the region. Banks expect the deterioration to continue.

Most banks reported that their **credit supply** continued to tighten over the last six months. Both domestic and international factors contributed to the decline in loan supply. Most banks pointed to deteriorating funding conditions, presumably reflecting the increase in the European Central Bank's official interest rates. The outlook of banks is somewhat more optimistic and in line with the rest of the region.

Access to funding changed little over the last six months and is expected to remain unchanged on balance. **Credit quality** held up better than expected and remained unchanged in the last six months. Banks expect non-performing loan (NPL) ratios to deteriorate again over the next six months, due to their corporate business.

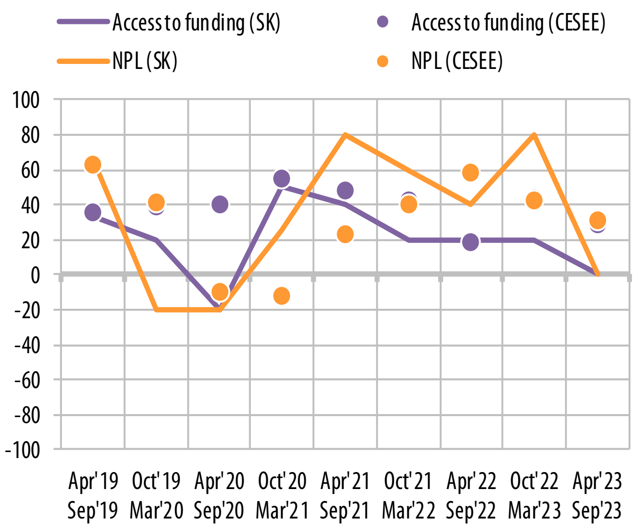
Credit supply and credit demand (in %)



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.

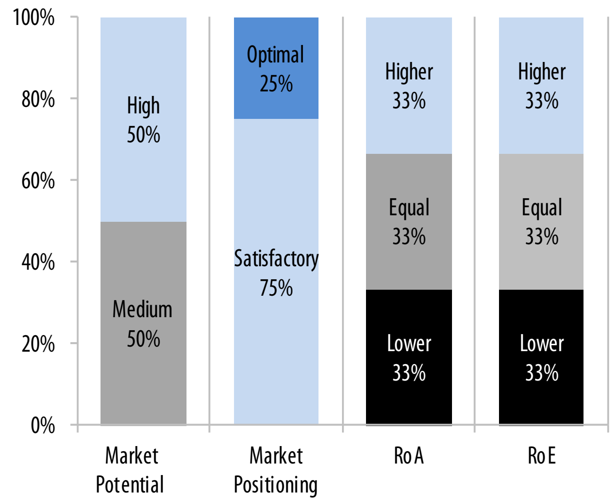
Note: All values are net percentages. Access to funding: Positive values indicate increased access. Non-performing loans: Negative values indicate an increase in the NPL ratio.

CESEE Bank Lending Survey results — parent bank level

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

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.

The returns on assets (RoA) and on equity (RoE) of these subsidies are not unlike those in the rest of the region.



Source: EIB — CESEE Bank Lending Survey.

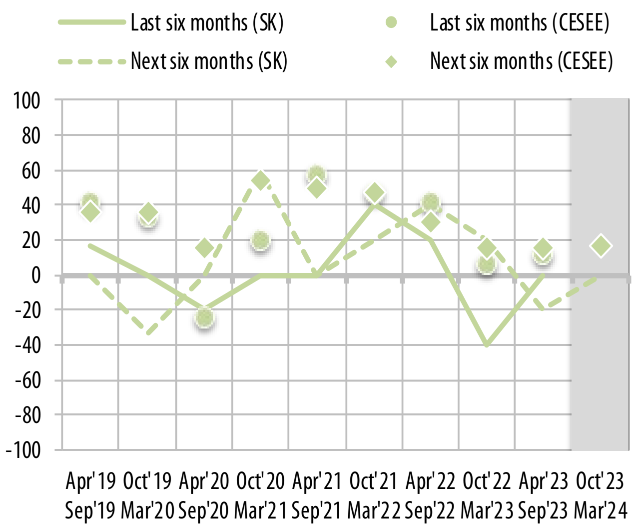
RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

CESEE Bank Lending Survey results — local bank/subsidiary level

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

The demand for loans at banks in Slovakia appears to have stabilised after a net decline in the preceding review period. Loan demand remained unchanged in general over the last six months.

Most banks in Slovakia expect demand to recover slightly over the next six months, similarly to the rest of the region.

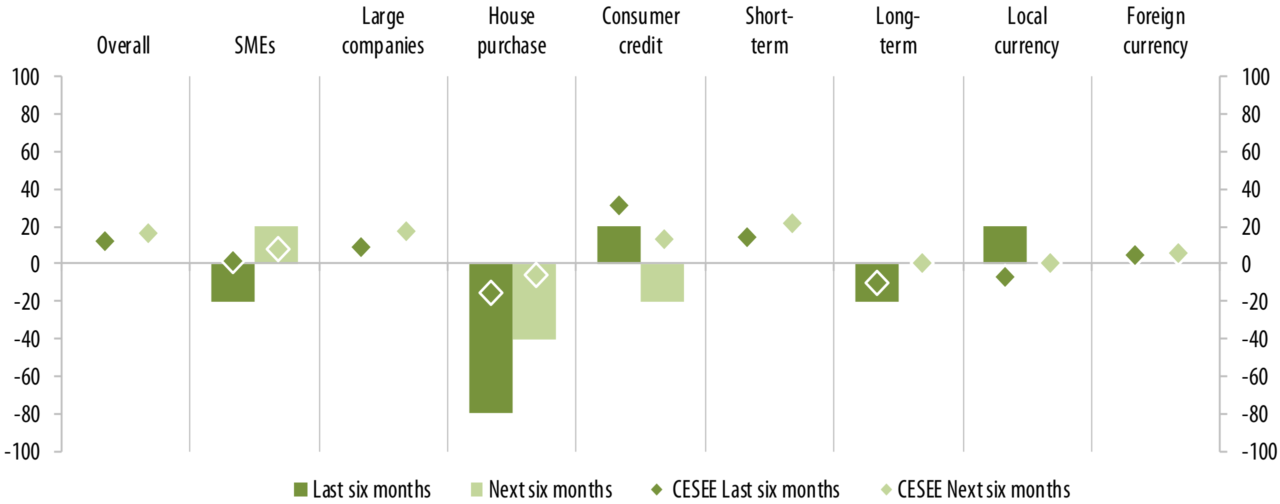


Source: EIB — CESEE Bank Lending Survey.

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 %)

Other than for mortgages, demand for loans remained generally unchanged over the last six months. Almost 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. Slovakian banks assess mortgage demand more negatively than their peers in the region and they expect the deterioration to continue over the next six months.



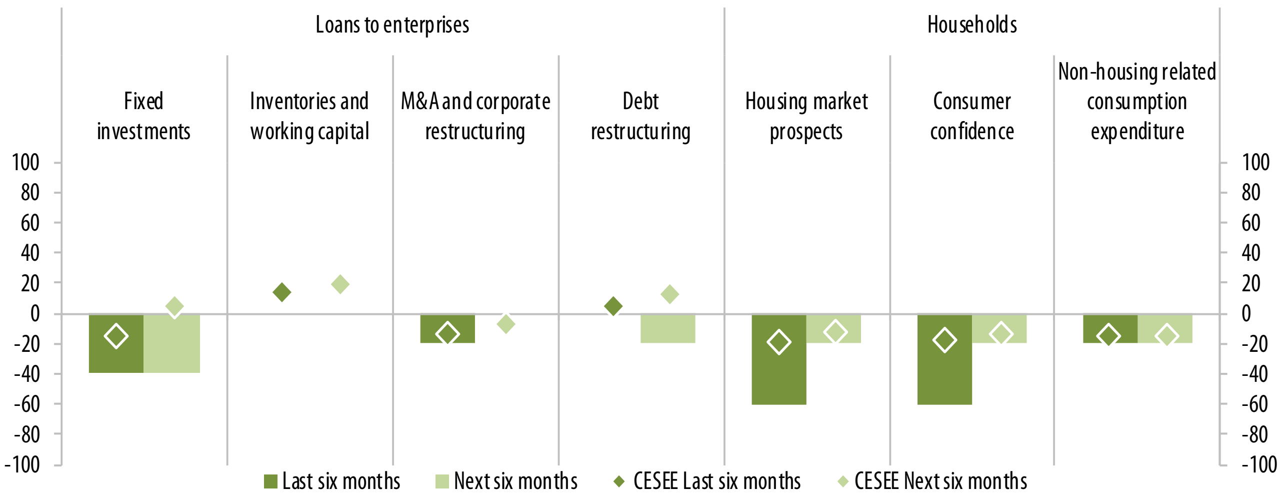
Source: EIB — CESEE Bank Lending Survey.

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 declining demand for fixed investments were the main drivers of weak demand for loans. Banks had anticipated this weakening six months earlier. Over the next six months, these factors are expected to be less of a drag on loan demand.

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.



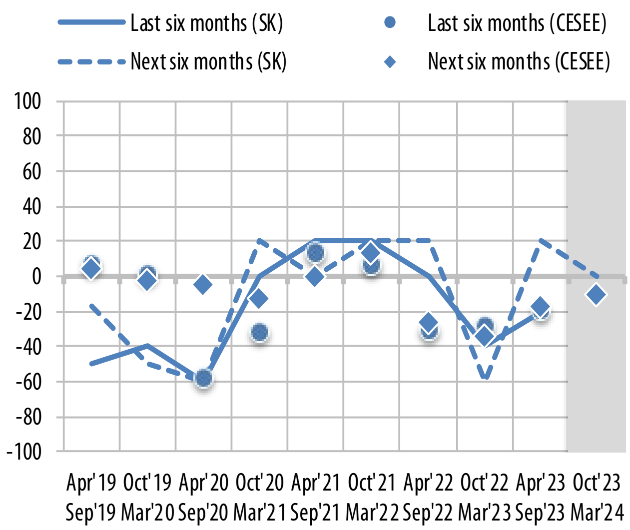
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 **Aggregate supply developments** (in %)

Most banks reported that supply conditions (indicating the banks' willingness to extend credit) continued to tighten over the last six months. This contrasts with their expectations six months ago, when they had anticipated a slight relaxation of loan supply.

On balance, banks expect credit supply to remain unchanged over the next six months, like banks in the rest of the region.



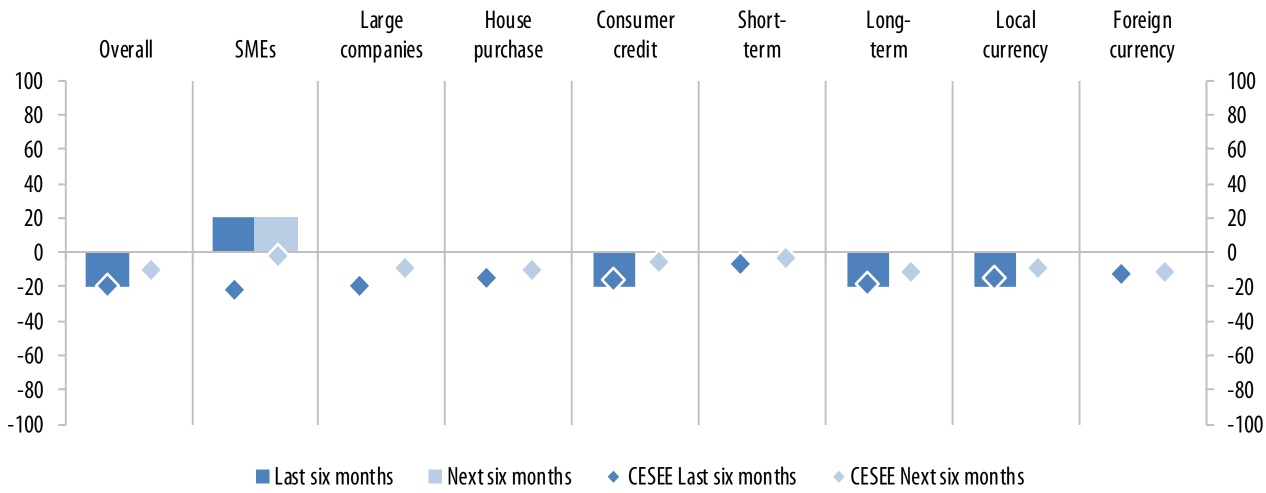
Source: EIB — CESEE Bank Lending Survey.

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 6 **Supply components and segments** (in %)

The decline of credit supply conditions in the last six months affected almost all product segments. Interestingly, supply of mortgages did not generally tighten. Banks attribute the sharp decline in the volume of mortgage lending from 2022 to 2023 to the demand for mortgages.

Banks do not expect changes to credit supply in the next six months. This is similar to the assessment of other banks in the region.



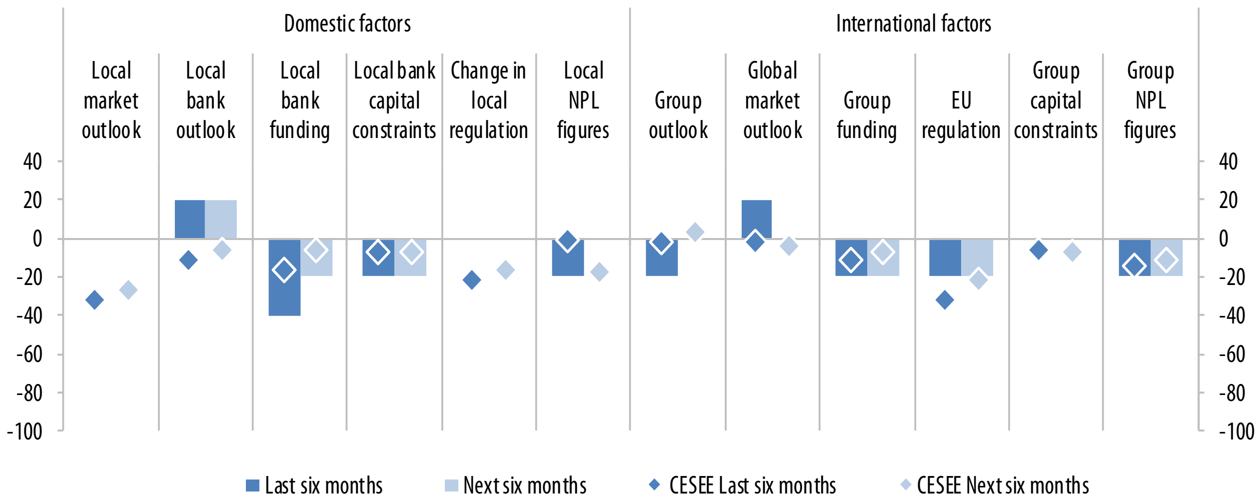
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 **Factors contributing to supply conditions** (in %)

Both domestic and international factors contributed to the decline in loan supply. For once, regulatory changes played less of a role. Instead, most banks pointed to a deterioration in domestic funding conditions, which likely reflects the tightening of monetary policy in the euro area. Nevertheless, their assessment of the local market outlook is less pessimistic than that of other banks in the region.

Banks expect the same factors to continue to shape their loan supply in the next six months.



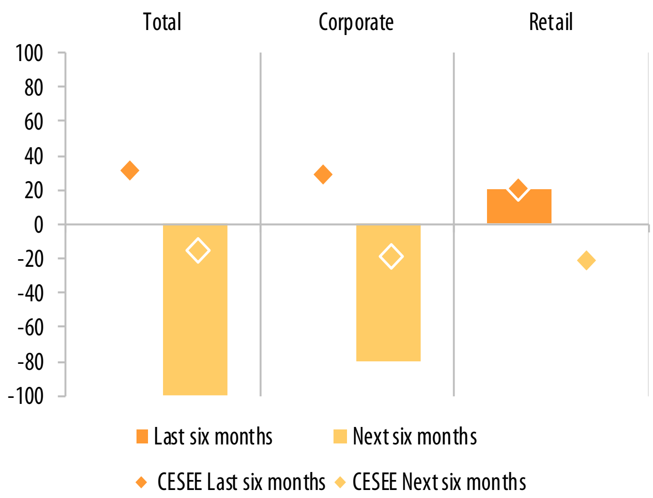
Source: EIB — CESEE Bank Lending Survey.

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

Figure 8 **Non-performing loan ratios** (in %)

Banks reported that there was little change in non-performing loans over the past six months. This outcome was better than what they had expected six months earlier. That said, banks unanimously continue to expect non-performing loan ratios to deteriorate, particularly in the corporate sector.

Banks in the rest of the region are less pessimistic regarding the expected increase in non-performing loans. This may be because they have already seen some increase over the past six months, reflecting the earlier tightening of monetary policy in non-euro area economies (see, for example, the results for Poland and the Czech Republic).



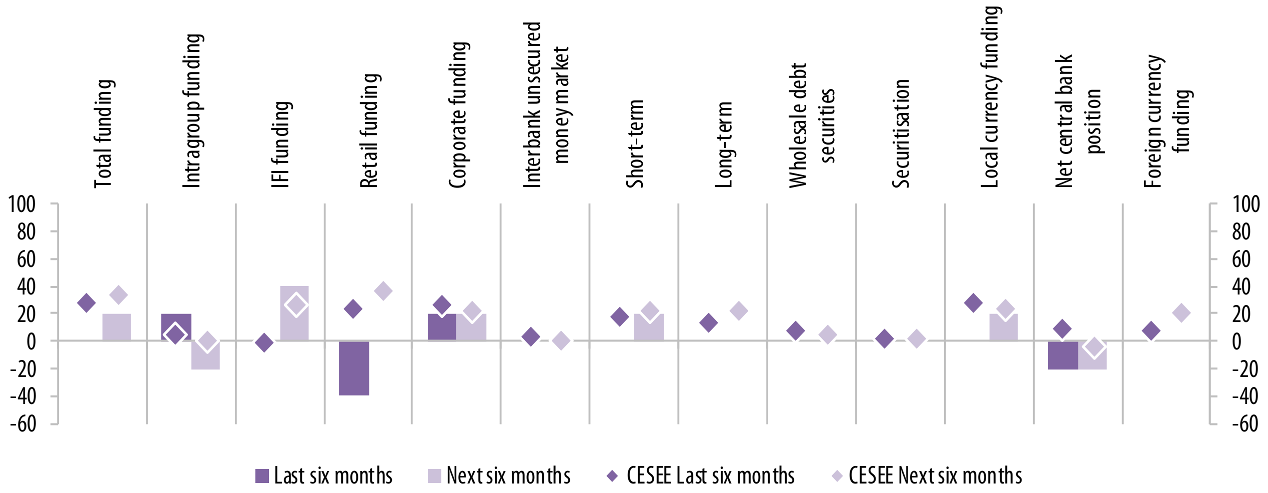
Source: EIB — CESEE Bank Lending Survey.

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 9 Access to funding (in %)

Access to funding has changed little for banks in Slovakia, similarly to the rest of the region. Retail funding has become less ample, but banks report that corporate funding has increased, perhaps reflecting a desire by corporates to increase their cash buffers given the deteriorating macroeconomic environment.

Banks in Slovakia expect some improvement in their funding over the next six months like other banks 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.

Annex

Non-performing loans in % of total loans (more than 90 days overdue)													
	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
2023Q2	5.20	4.10	3.80	2.99	1.80	2.98	2.00	2.79	5.60	2.65	3.00	1.66	3.81
2023Q1	5.15	4.20	4.05	3.17	1.90	3.21	2.00	2.76	5.50	2.73	3.00	1.67	3.83
2022Q4	5.00	4.50	4.63	3.01	1.90	3.21	2.00	2.83	5.60	2.65	3.00	1.69	3.89
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

Source: WIIW

Credit to private sector, y/y growth rate

	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
2023M7	-0.20	5.05	10.25	8.32	4.86	6.88	13.89	5.71	-3.83	5.03	0.16	5.27	2.31
2023Q2	1.43	5.04	10.87	9.18	5.37	6.99	14.32	6.49	-3.09	5.79	0.33	6.18	2.95
2023Q1	3.76	5.05	10.80	10.18	3.30	11.52	14.60	6.51	-1.26	9.25	2.70	8.39	4.29
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

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

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

Loans to households

A) Financing needs		
Housing market prospects		
Consumer confidence		
Non-housing related consumption expenditure		

B.Q8 — Gross non-performing 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) Bank Lending Survey

Second half of 2023

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PDF: ISBN 978-92-861-5622-9

2023-0288