CENTRAL, EASTERN AND SOUTH-EASTERN EUROPE (CESEE)

Bank Lending Survey

Spring 2022

European Investment Bank

The EU bank

Central, Eastern and South-Eastern Europe (CESEE)

Bank Lending Survey

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CESEE Bank Lending Survey – H1 2022 – Spring Edition

June 2022

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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 EIB designed, conducted and managed the survey. The EIB wishes to thank the banks for their contributions to and participation in the survey. Finally, yet importantly, it wishes to thank all Vienna Initiative members and steering committee members for their comments and support in developing the survey.

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

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

pdf: QH-BQ-22-001-EN-N ISBN 978-92-861-5225-2 ISSN 2600-1500 doi:10.2867/131

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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 to:

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

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

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

Frequency: semi-annual (March and September).

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

The survey investigates the strategies of major international banks operating in Central, Eastern and South-Eastern Europe and their local subsidiaries, taking into account the unique nature of the banking sector in the region, since a large number of banks there are foreign-owned. The survey also covers relevant domestic players in specific local markets with the aim of better understanding 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 information derived from Bank for International Settlements (BIS) data 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 backward- and forward-looking components covering the previous six months and expectations for the following six months.

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

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

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

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

The second section investigates the main determinants of local banking conditions. Among the supply conditions, attention is given to credit standards and credit terms and conditions, as well as to the various factors that may cause them to change. Credit standards are the internal guidelines or criteria that guide a bank's loan policy, while terms and conditions are the specific obligations included in a loan contract, such as the interest rate, collateral requirements and maturity.

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

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

Most of the questions concerning supply and demand are classified into two borrower sectors — households and enterprises — with subsectors also considered where relevant. For example, the survey investigates developments for small to medium enterprises (SMEs) and large corporates as well as different types of credit lines and loans in the household sector (for example, 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 Central, Eastern and South-Eastern Europe, specifically covering non-performing loan ratio developments in the retail and corporate subsectors. The survey investigates aggregate access to funding as well as funding conditions for an extensive list of funding sources, including intragroup, retail and corporate, international financial institutions (IFIs) and wholesale.

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

Glossary

IFI: International financial institution

NPL: Non-performing loan

SME: Small and medium enterprise

CESEE: Central, Eastern and South-Eastern Europe

BIS: Bank for International Settlements

AL: Albania

BA: Bosnia-Herzegovina

BG: Bulgaria

HR: Croatia

CZ: Czech Republic

HU: Hungary

KS: Kosovo

MK: North Macedonia

PL: Poland

RO: Romania

SK: Slovakia

SR: Serbia

Regional Overview

Cross-border banking groups operating in Central, Eastern and South-Eastern Europe (CESEE) continue to see high or medium market potential in most of the region's banking markets, but the war in Ukraine is worsening expectations. Banks are signalling a potential tightening of credit supply in the next six months — with small to medium-sized firms and corporates hit the hardest — and a possible deterioration of credit quality.

Summary

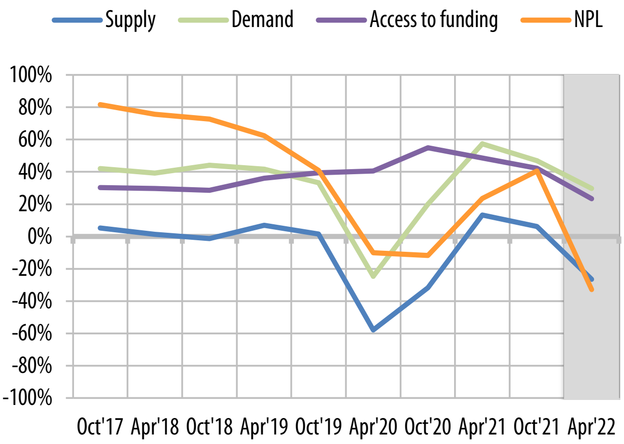
International banking group strategies: Exposure to Central, Eastern and South-Eastern European (CESEE) countries has been maintained or increased during the last six months. Cross-border banking groups continue to see high or medium market potential in most of the region's banking markets, with the highest potential seen in Poland, the Czech Republic, Hungary and Romania. They signal positive strategic intentions towards their regional operations: two-thirds of banking groups intend to maintain operations in the region, while one-third expect to selectively expand operations in certain countries. This is despite some top banking groups in the region also having a direct presence in Russia, Belarus or Ukraine.

The results of the CESEE Bank Lending Survey help to anticipate the possible impact of the war in Ukraine on the region's banking market and on the availability of credit for companies and households (Russia and Ukraine are beyond the scope of the survey). The information was collected in March 2022, and hence incorporates expectations related to the war, but does not account for potential policy responses across the region that may cushion the war's impact.

Following a positive trend in credit supply, credit demand, funding and credit quality during the last six months, **local subsidiary banks in the region** are signalling a turning point in which the geopolitical uncertainty is negatively influencing banks' expectations. **Demand** from banks' clients is expected to remain resilient, despite being tilted towards firms' liquidity needs (in other words, higher working capital) and less towards fixed investments. If the ample policy response to COVID-19 has prevented harsh deleveraging, credit tightening on the **supply** side is the new prevailing approach (with Slovakia and Kosovo the only exceptions). Such deterioration of credit supply expectations is widespread across segments but appears more relevant for small to medium-sized enterprises (SMEs) and large corporates. **Funding conditions**, which were supported by strong corporate and retail funding (local subsidiaries are self-funded in the large majority of cases), are expected to become less favourable.

Credit quality remained stable during the last six months, with no significant spike in non-performing loans (NPLs) due to COVID-19. The new shock related to war revived negative expectations, possibly taking into account second-round effects on companies (for example, higher costs, supply disruptions, withdrawal of COVID-19 support, etc.).

Figure 1 Banking outlook in CESEE



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

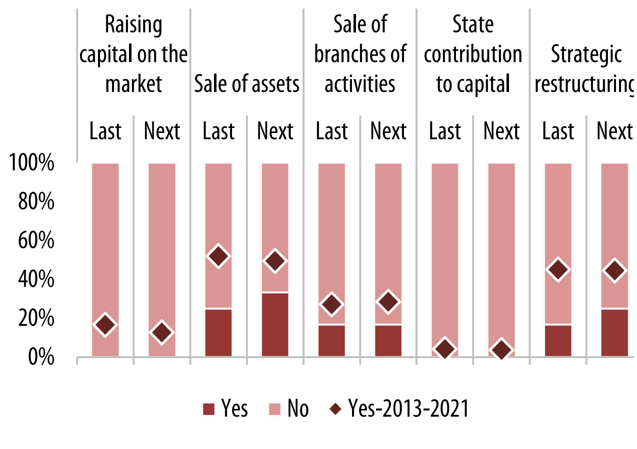
Bank Lending Survey results — parent bank level

Fewer parent banks than in the past sold assets or branches or implemented restructuring activities in the last six months. Banks expect a similar situation over the next six months: a large majority of cross-border groups in the region are signalling that they do not need to implement strategic operations to raise capital. Overall, no significant deleveraging is expected as the large majority of banks are keeping the loan-to-deposit ratio stable. This suggests that the instrumental role of policy responses after COVID-19 has limited abrupt negative effects.

Parent banks in Central, Eastern and South-Eastern Europe broadly maintained their positions in the region and were less engaged than in the past in strategic operations to increase the capital ratio. Only some parent banks sold some assets (25% of banks did so) and branches (17%) and were implementing restructuring activities (17%), whereas these activities were more common in the 2013–2021 period (Figure 2). Almost none of the parent banks had to raise capital during the last six months, and no state intervention on capital was reported. A similar trend is expected over the next six months. Several large European banking groups with an important presence in the region also have a presence in Russia, Belarus and Ukraine (these three countries are outside the scope of the CESEE Bank Lending Survey). The evolution of the business of these banking groups in Russia, Belarus and Ukraine appears not to have affected the groups' strategy and commitment towards the Central, Eastern and South-Eastern European region so far.

Deleveraging — in terms of loan-to-deposit ratio — at the group level (Figure 3) was strong before 2017 and had already slowed significantly in the pre-pandemic years. This trend remained consistent over the last six months, thus avoiding unwarranted deleveraging during the COVID-19 crisis and in recent months.

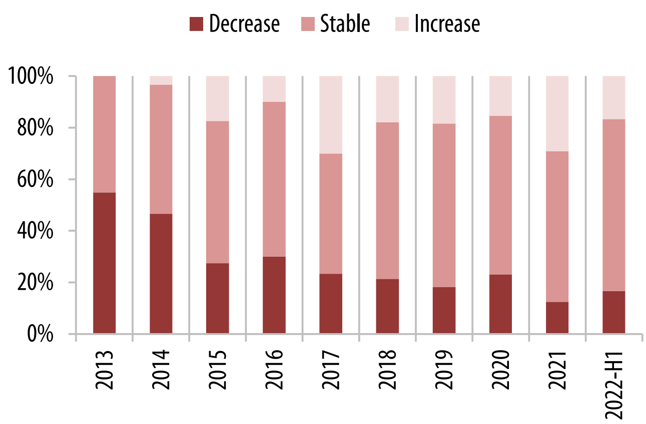
Figure 2 **Strategic operations to increase capital ratio**



Source: EIB — CESEE Bank Lending Survey.

Note: "Last" indicates the past six months — October-March 2022. "Next" indicates the next six months — April 2022 to Sept 2022. See Question A.Q2 in the Annex.

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



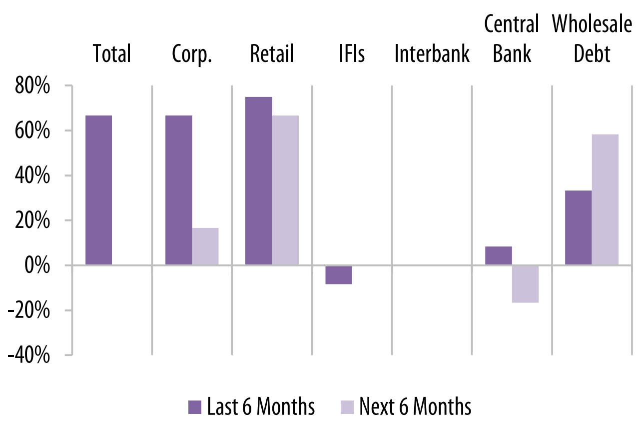
Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q4 in the Annex.

Group-level access to funding has remained solid during the last six months. Such aggregate developments reflect sustained improvements in retail and corporate deposits funding. However, in terms of access to funding, the situation is expected to become less supportive, partly due to the expected unwinding of some central banks' support measures.

Banking groups' global access to funding has remained strong over the last six months. The dynamics detected in the aggregate access to funding figures reflect sustained improvements in retail and corporate funding (in other words, increase in retail and corporate deposits), with the positive contributions of central banks and wholesale debt issuance (Figure 4a). Over the next six months, banking groups expect the current benign funding environment to deteriorate and become neutral (the same number of banks is indicating increased access to funding and decreased access to funding; see Figure 4b).

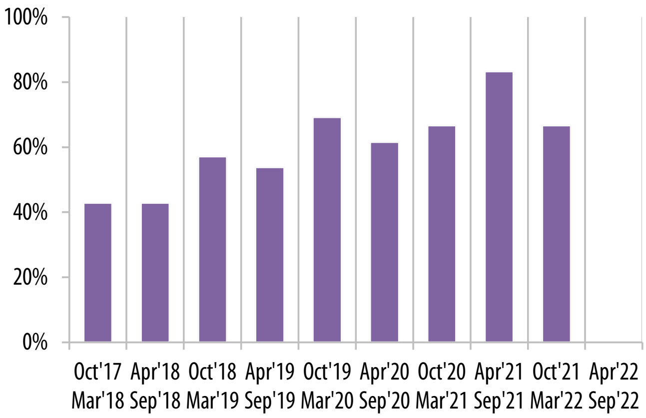
Figure 4a **Access to funding conditions**



Source: EIB — CESEE Bank Lending Survey.

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

Figure 4b **Total access to funding conditions**



Source: EIB — CESEE Bank Lending Survey.

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

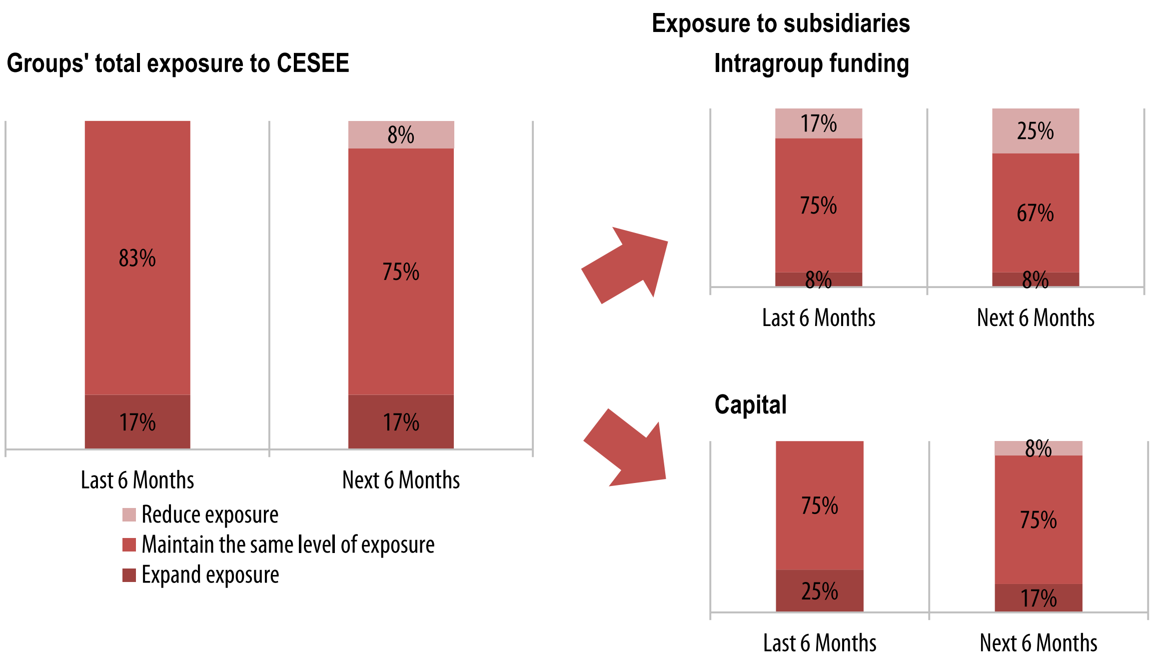
After the large negative COVID-19 shock, the trend in banking exposure to the region was positive over the past months. Notably, no group signalled contraction in its exposure to the region. Cross-border banking groups expect that the net balance of total exposure to the region will remain positive in the next six months (in other words, on average, they will maintain or expand their exposure).

Most of the banks (83%) maintained the same level of exposure to the region over the last six months and some (17%) even expanded it. This positive development is in line with the expectations expressed in the autumn 2021 wave of the survey. All parent banks report that they have maintained or expanded their capital exposure to their subsidiaries, while some marginal reductions have been recorded for intragroup funding (Figure 5a).

Despite uncertainty and the increasing risks, international banking groups currently remain confident in the region's potential. Overall, they are comfortable with their exposure, and they mainly plan to maintain (75%) or even increase their exposure (17%) to the region. Only 8% of banks have suggested that they may reduce their exposure to the region.

Once again, in terms of exposure to the region, capital will be more favoured than intragroup funding (as needs for external funding are reduced). The net balance of total exposure to the region is expected to be positive (Figure 5b) for the fifth six-month period in a row.

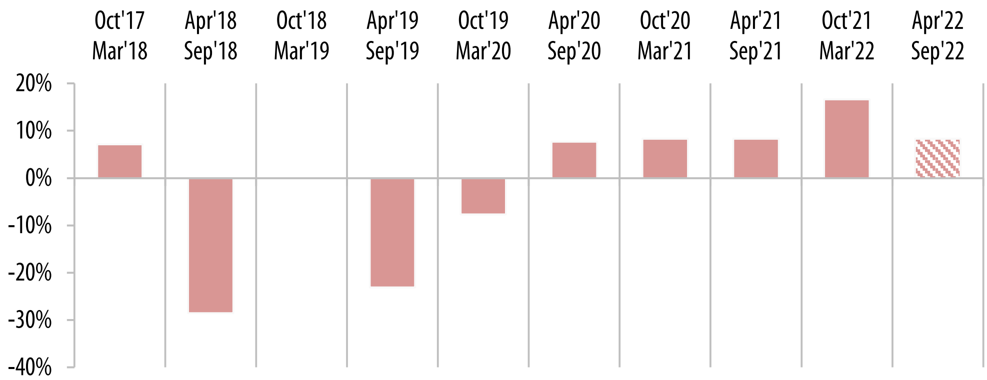
Figure 5a **Groups' total exposure to Central, Eastern and South-Eastern Europe**



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**



Source: EIB — CESEE Bank Lending Survey.

Note: Cross-border operations involving countries in the region. The chart shows net percentages, with negative figures referring to decreasing exposure. See Question A.Q8 in the Annex.

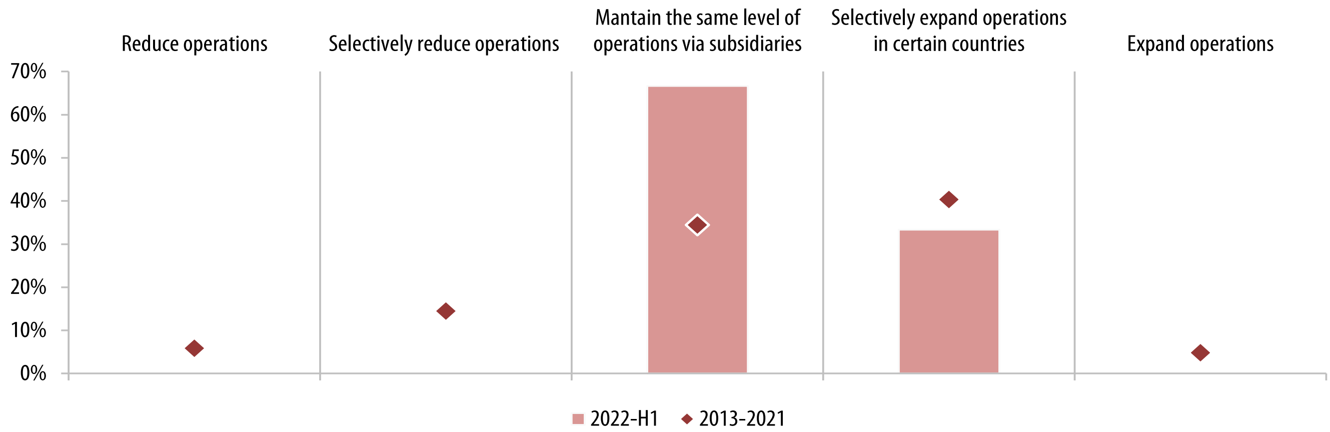
Banking group strategies are tilted towards expansion or stability in terms of their regional operations. Overall, the assessment of market prospects continues to see high or medium market potential in most of the banking markets in Central, Eastern and South-Eastern Europe.

Cross-border banking groups signal positive strategic intentions towards their regional operations, pointing to full support in this year. Two-thirds of banking groups intend to maintain operations in the region (Figure 6), while one-third intend to expand operations somewhat. The current stance continues to be a net improvement from the past, whereby 20% to 30% of banking groups on average signalled their intentions to either reduce or selectively reduce operations.

Cross-border banking groups continue to see high or medium market potential in most of the region's banking markets. They are a bit more pessimistic on Kosovo and, to a lesser extent, Bosnia-Herzegovina. They see the highest potential in Poland and the Czech Republic, as well as Hungary and Romania (see Additional regional data, A.4 and A.8, at the end of the Regional Overview). Accordingly, they perceive their overall market positioning and the scale of their operations as mainly optimal and satisfactory. However, a non-negligible share of banks in Bosnia-Herzegovina and Romania (and Ukraine and Slovenia) assess their positioning as "weak." (Annex A.5).

In terms of profitability, in the large majority of cases, the subsidiaries in the region have higher profitability — in terms of return on assets (adjusted for cost of risk) or return on equity (adjusted for cost of equity) — than the overall group (see Additional regional data A.6 and A.7). Some exceptions are found in Albania, Bosnia-Herzegovina, Poland, Romania, Serbia, Slovakia and Slovenia.

Figure 6 **Group-level long-term strategies (beyond 12 months) in CESEE**



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

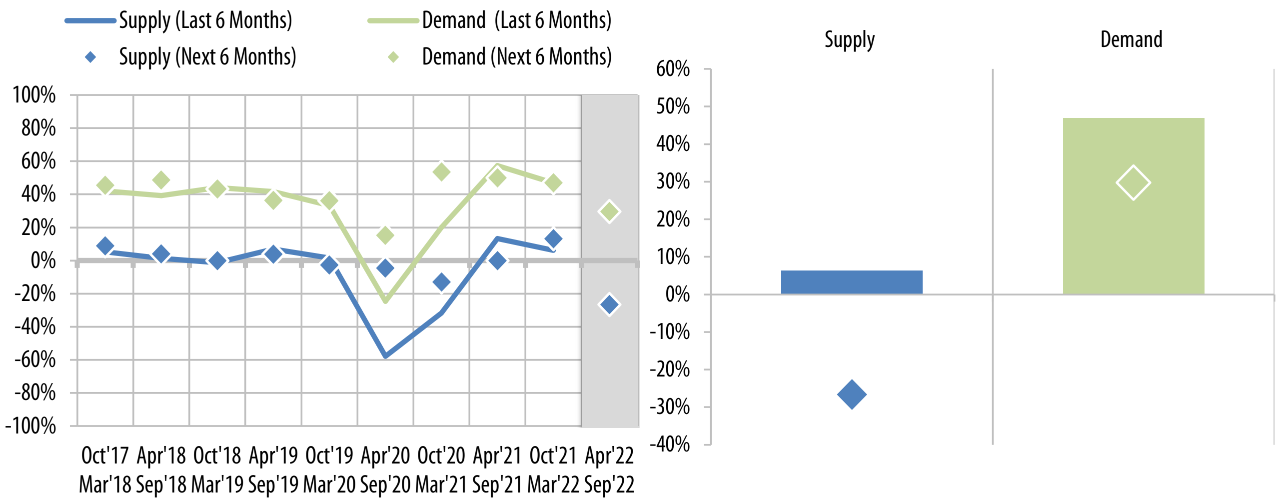
Bank Lending Survey results — local banks/subsidiaries

Subsidiaries and local banks in Central, Eastern and South-Eastern Europe report an increase in demand for credit and some easing of supply conditions over the last six months. Demand is expected to remain strong but with a different composition, favouring short-term liquidity needs at the expense of fixed investments. The increased uncertainty and worsened economic outlook are expected to significantly deteriorate supply conditions, possibly creating a mismatch between credit demand and supply.

After contracting sharply in 2020, **demand** for loans and credit lines has continued to increase in 2021 and over the last six months (Figure 7). This positive trend in demand has been driven by various factors (fixed investments and working capital for corporates; housing and consumption expenditure for retail — see Additional regional data, A.1) and is widespread across client segments (stronger in corporate and house purchase), maturities and currencies (see Additional regional data, A.2).

Banks expect further increases in credit demand in the next six months but less than before and characterised by a different composition. In particular, on the corporate side, working capital needs are expected to become more relevant again, while fixed investments will deteriorate, in line with the worsening economic outlook. On the retail side, the contribution to credit demand will be more neutral (see Additional regional data A.1).

Figure 7 Total supply and demand, past and expected development



Source: EIB — CESEE Bank Lending Survey.

Note: All indicators are in net percentages. Positive figures refer to increasing (easing) demand (supply) (diamonds refer to expectations derived from previous releases of the survey, lines report actual values and dotted lines expectations in the last one). See Questions B.Q1 and B.Q5 in the Annex.

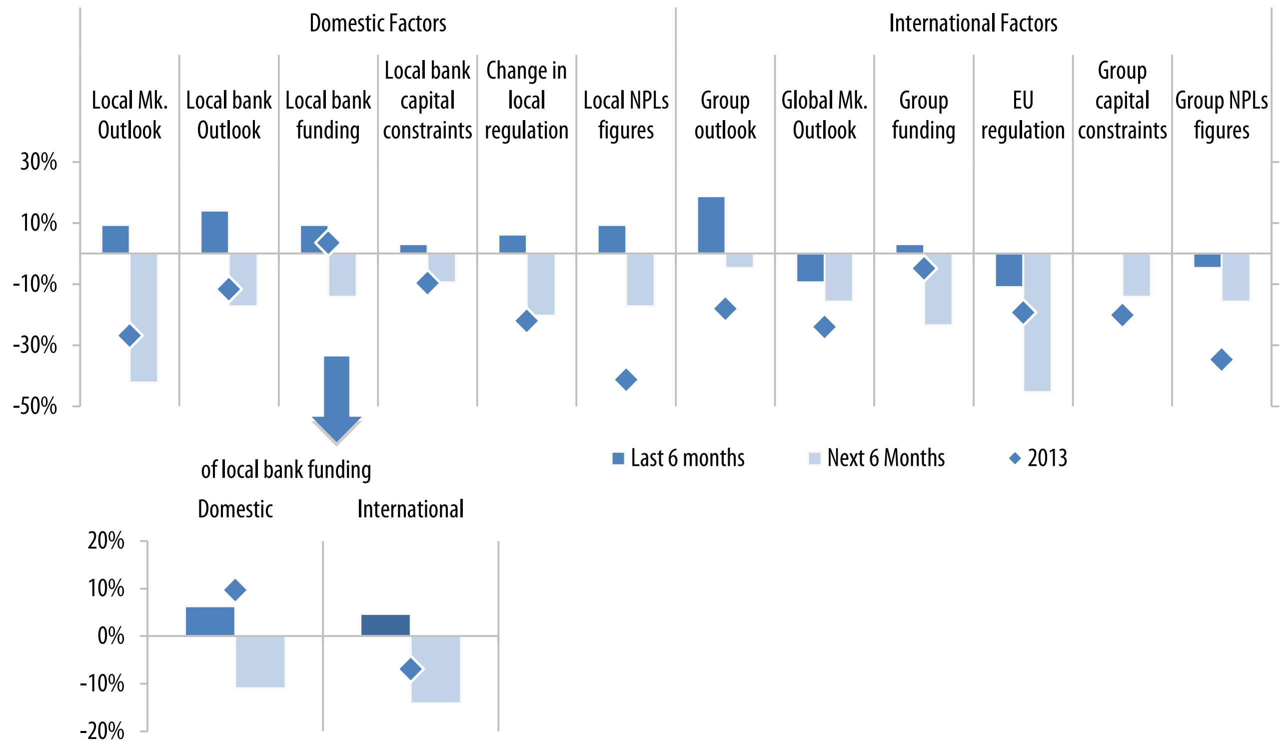
Supply conditions (credit standards) slightly eased over the last six months (Figure 7). This positive development has been widespread across segments and particularly strong in retail (house purchase and consumer credit). However, aggregate supply conditions are expected to deteriorate significantly over the next six months and across all segments (see Additional regional data, A.3). Small to medium-sized firms and corporates will be the most affected.

Banks are signalling a deterioration of supply conditions in the next six months, possibly signalling a turning point in credit trends in Central, Eastern and South-Eastern European countries. Both domestic and international factors are playing a role (economic outlook, funding conditions, regulation and credit quality).

Domestically and internationally, most of the factors contributed to the easing of supply conditions over the last six months, with the exception of the global outlook, EU regulation and concerns related to credit quality.

The current uncertainty related to the war in Ukraine and its economic effects — associated with the expectation of an unwinding of some central bank support measures put in place during COVID-19 — appear to represent a turning point in which banks are signalling a significant deterioration of supply conditions, with all factors contributing negatively. EU regulation is reported as a strong constraining element, as is the local and global market outlook.

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



Source: EIB — CESEE Bank Lending Survey.

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

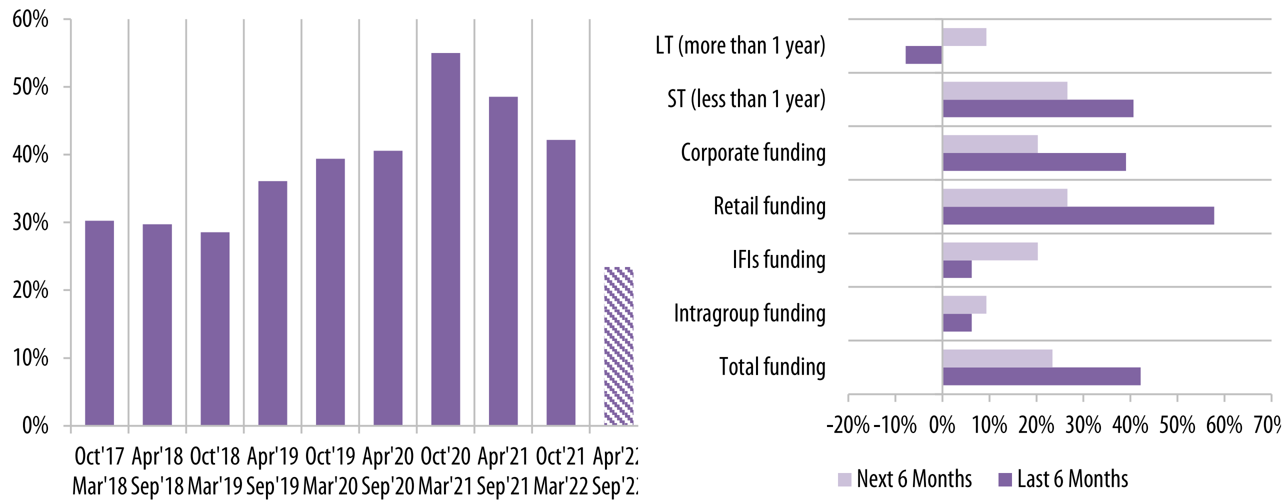
Access to funding remained favourable in the Central, Eastern and South-East European region, supported mostly by corporate and retail funding (in other words, increased availability of retail and corporate deposits).

Easy access to retail and corporate deposits supported benign funding conditions over the last six months. Looking ahead, positive funding conditions will remain, although less favourable than before (Figure 9). Subsidiaries in the region report that easier access to short-term funding is making a positive contribution to overall funding activities, while longer-term funding conditions deteriorated somewhat. Moreover, a small but positive contribution from access to intragroup and international finance institution (IFI) funding has been reported over the last six months.

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

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

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



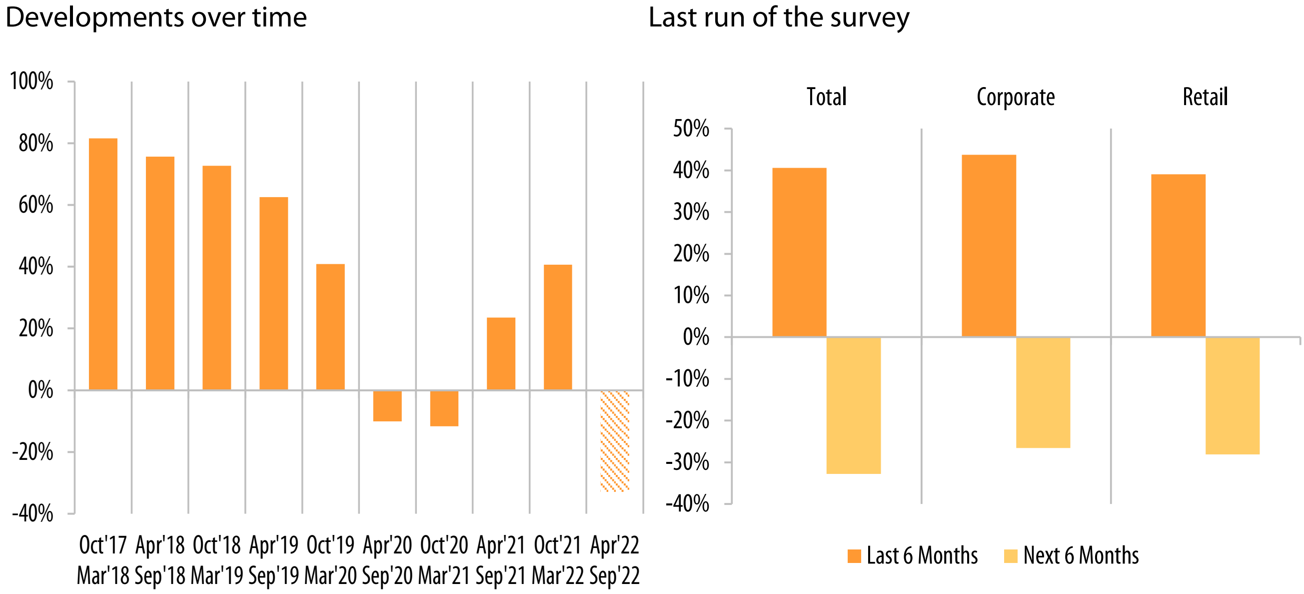
Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating an easing of access to funding. See Question B.Q9 in the Annex.

Credit quality has been evolving favourably over the last six months, but banks are expecting a deterioration going forward.

Following the sudden deterioration of credit quality expectations (Figure 9) in 2020 due to the COVID-19 crisis (although the actual deterioration was extremely limited — the Annex reports the banking sector's non-performing loans as a percentage of total loans), non-performing loans trended favourably again in 2021. Specifically, the drop in NPLs recorded over the last six months (Figure 10) was visible both in the corporate and retail segments, with a particularly strong trend apparent in corporate. The latter also benefited from some supportive COVID-related measures in 2020–2021. However, following the uncertainty related to the war in Ukraine and the possible economic consequences, banks are expecting a deterioration of credit quality going forward, significantly affecting both the retail and corporate segments.

Figure 10 **Non-performing loan (NPL) ratios**

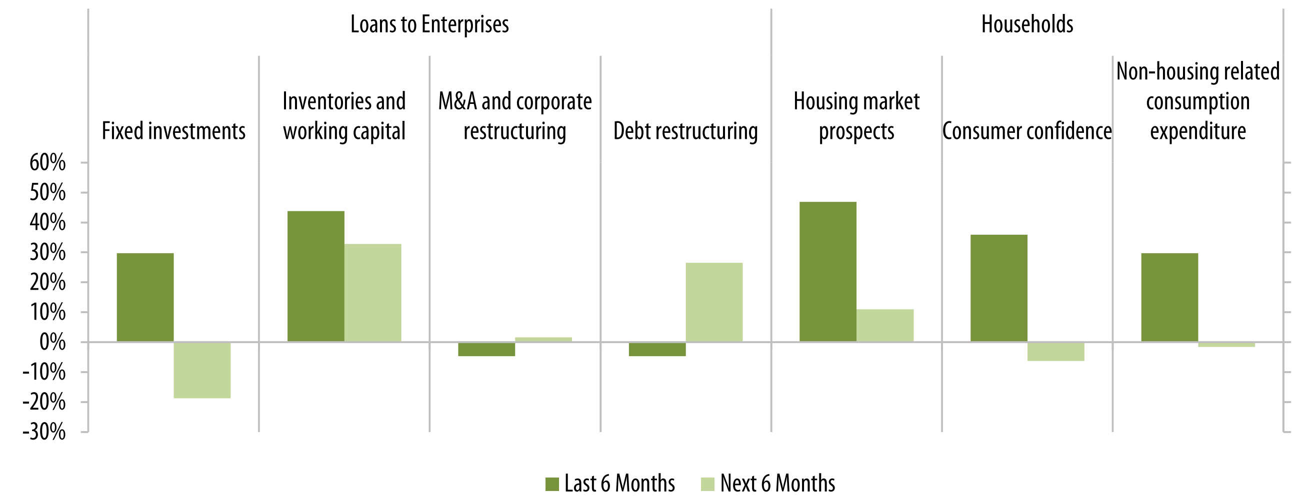


Source: EIB — CESEE Bank Lending Survey.

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

Additional regional data

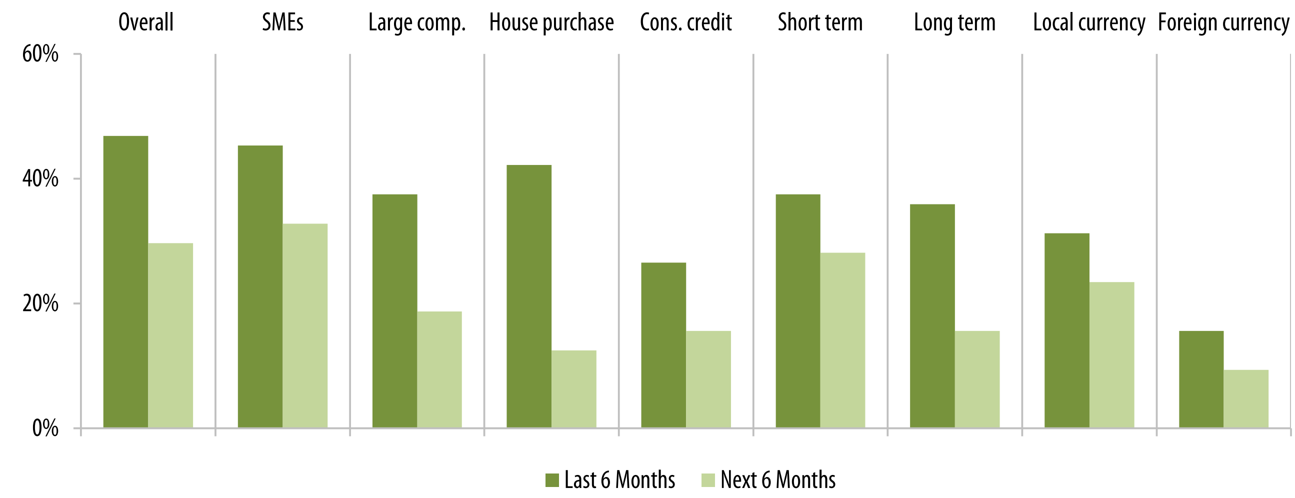
A.1 Factors affecting demand for credit



Source: EIB — CESEE Bank Lending Survey.

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

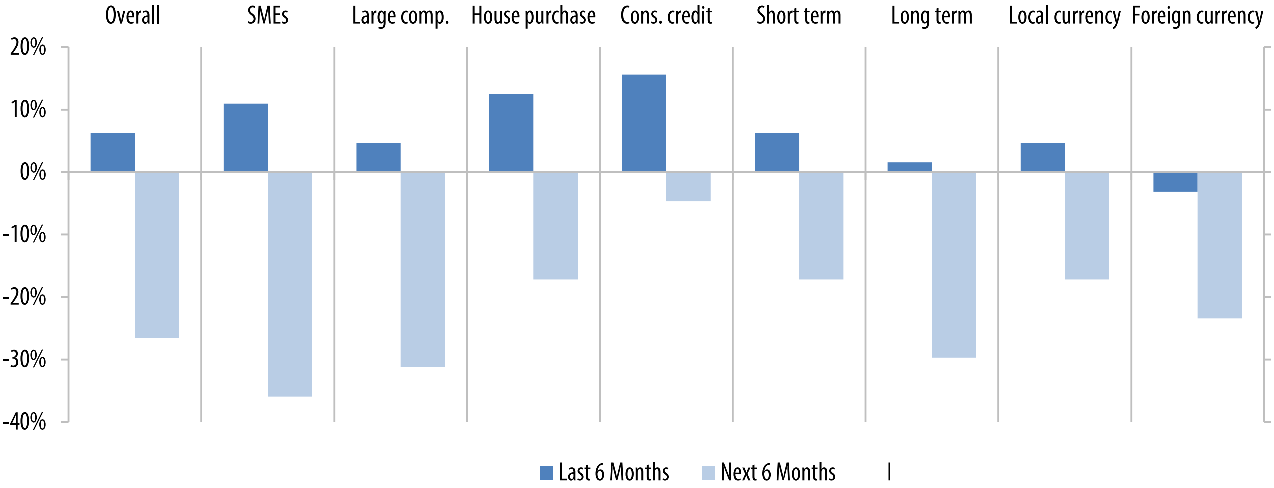
A.2 Demand for loans or credit lines — client breakdown



Source: EIB — CESEE Bank Lending Survey.

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

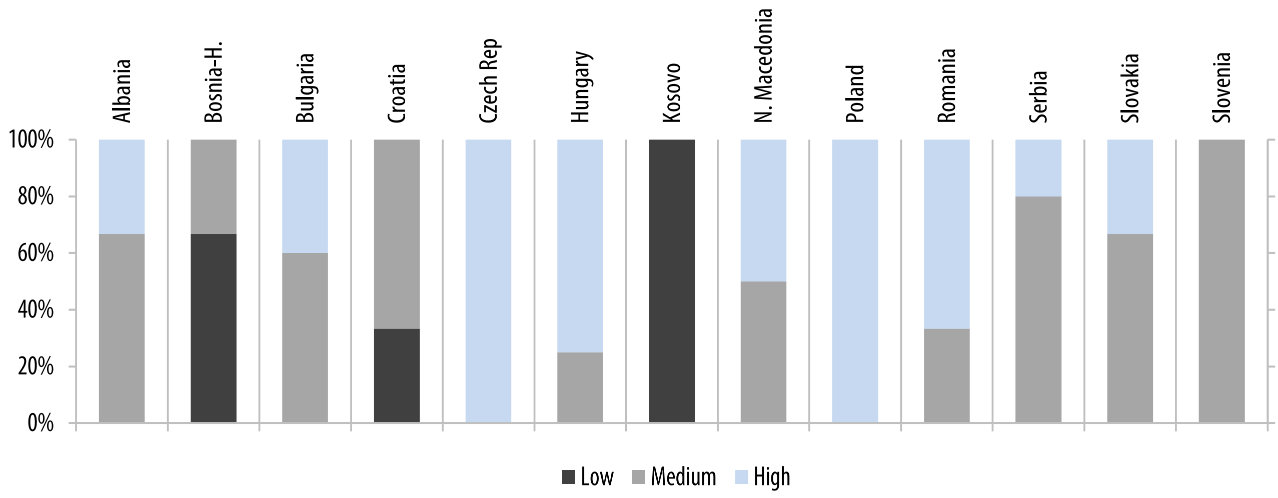
A.3 **Credit supply (credit standards) — client breakdown**



Source: EIB — CESEE Bank Lending Survey.

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

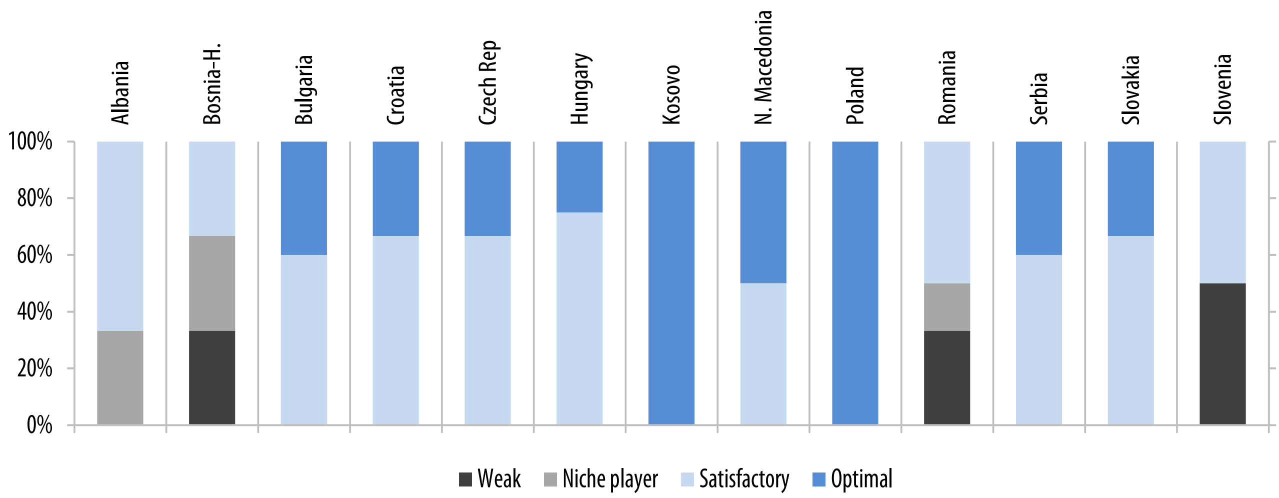
A.4 Market potential



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

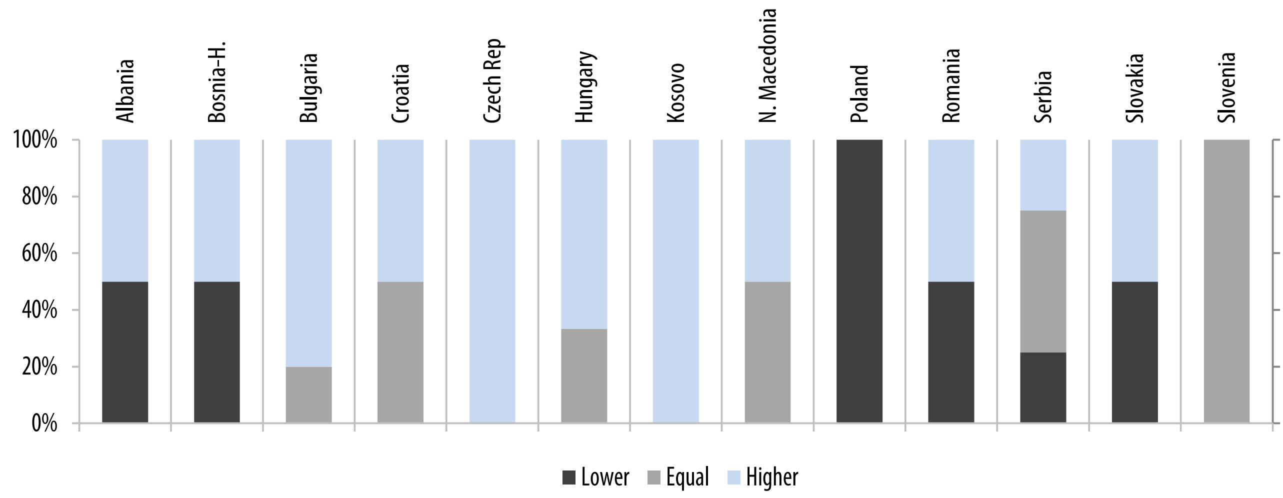
A.5 Market positioning



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

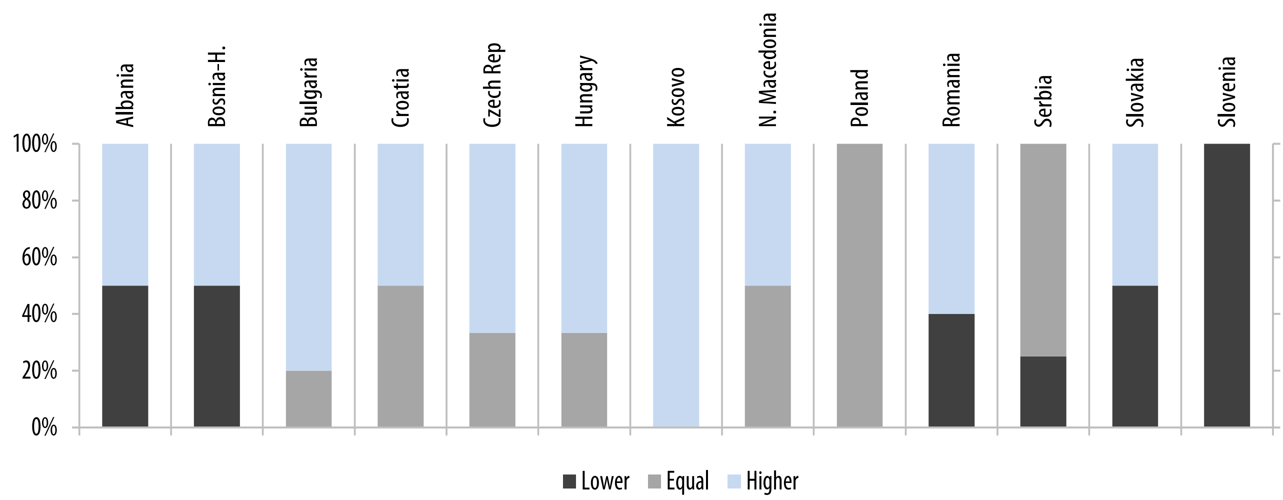
A.6 **Return on assets (adjusted for cost of risk) compared to overall group operations**



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

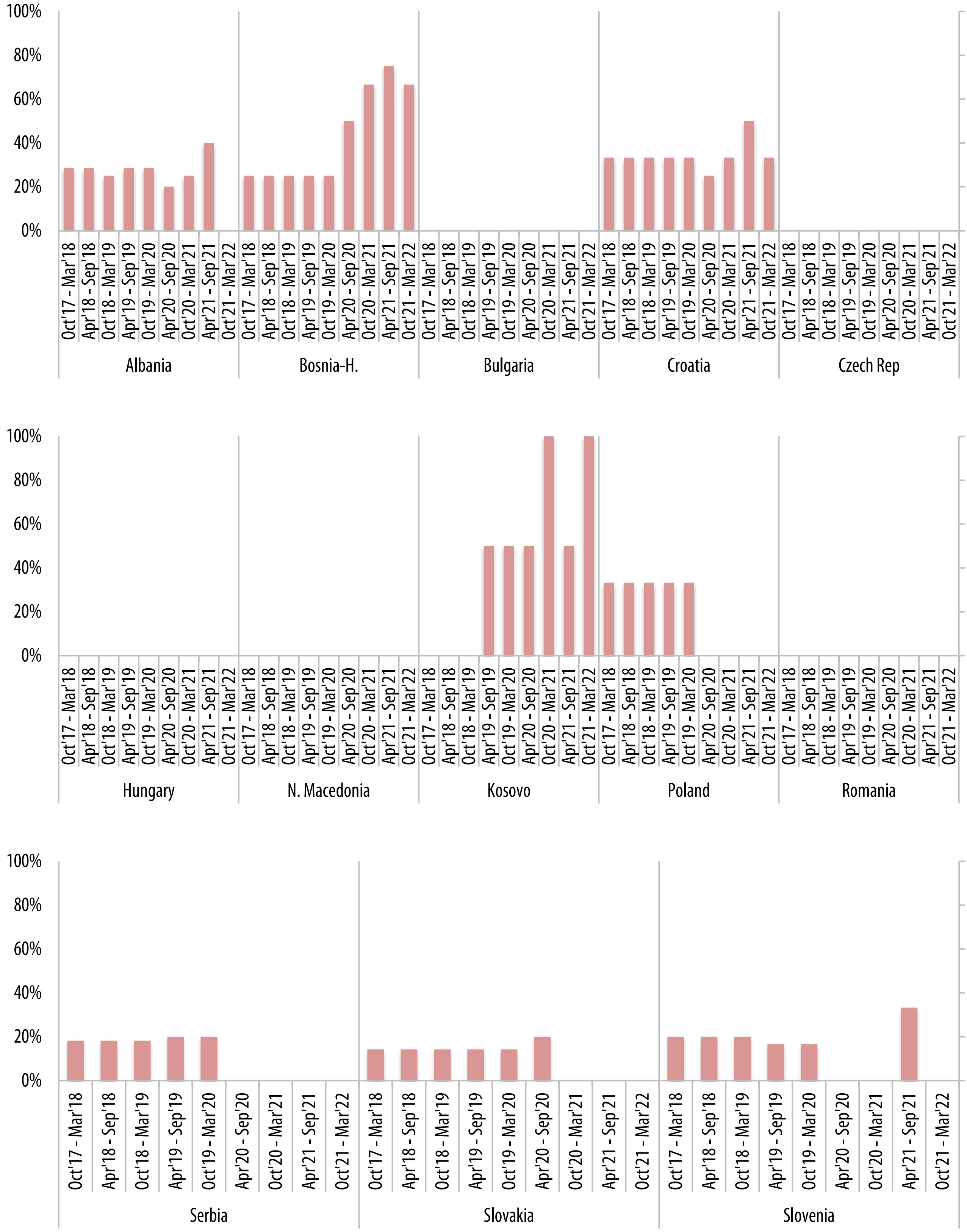
A.7 **Return on equity (adjusted for cost of equity) compared to overall group RoE**



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

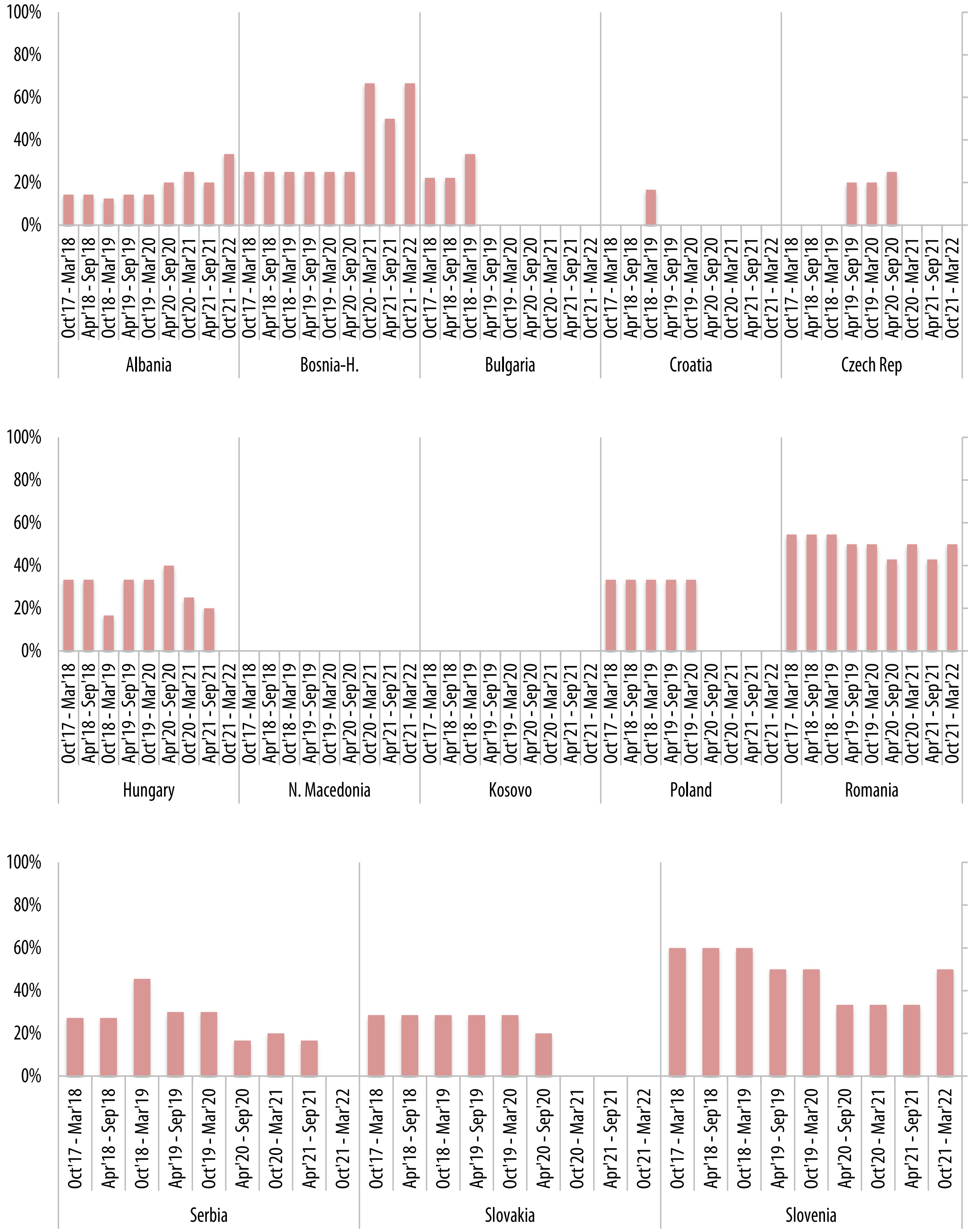
A.8 **Share (%) of parent banks indicating low market potential**



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

A.9 **Share (%) of parent banks indicating weak/niche positioning**



Source: EIB — CESEE Bank Lending Survey.

Note: See Question A.Q1 in the Annex.

Albania

Credit demand continued to improve sharply, while supply conditions softened for the second consecutive period. Expectations for the next six months indicate some slowdown of demand and a tightening of supply conditions. Access to funding will remain positive and non-performing loans are expected to worsen.

Summary

Group assessment of positioning and market potential: Half of international banking groups reported lower profitability for Albanian operations than for overall group operations, placing Albania below other countries in Central, Eastern and South-Eastern Europe (CESEE). Still, all the parent banks considered the Albanian market to have medium or high potential.

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

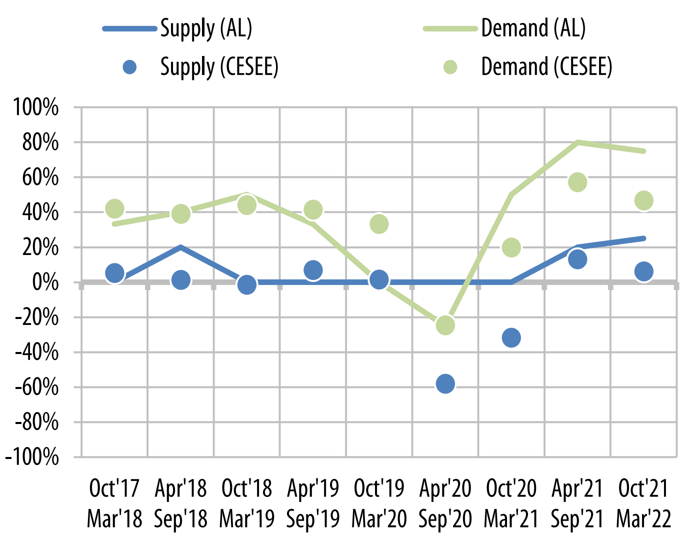
Credit supply conditions eased slightly for the second consecutive period above the neutral regional trend, driven by the easing of corporate loans (both for small to medium enterprises and large corporates). The approval rate of loan applications increased over the last six months for all types of loans, except for large companies and consumer credit.

Subsidiary banks in Albania, however, are signalling a turning point, with a tightening of supply conditions expected for the next six months, especially for corporations (for small firms and, even more, for large corporates). By contrast with the regional average, softer credit supply conditions are expected for household segments.

Access to funding in Albania continued to improve further on the back of better access to most funding sources, and it is expected to remain supportive.

Non-performing loan ratios continued to improve in both corporate and retail segments over the last six months but deterioration is expected for the next period, in line with regional trends.

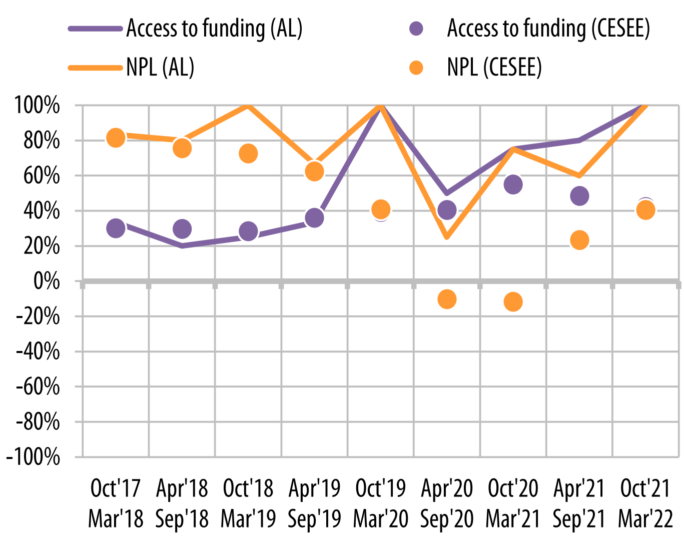
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

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

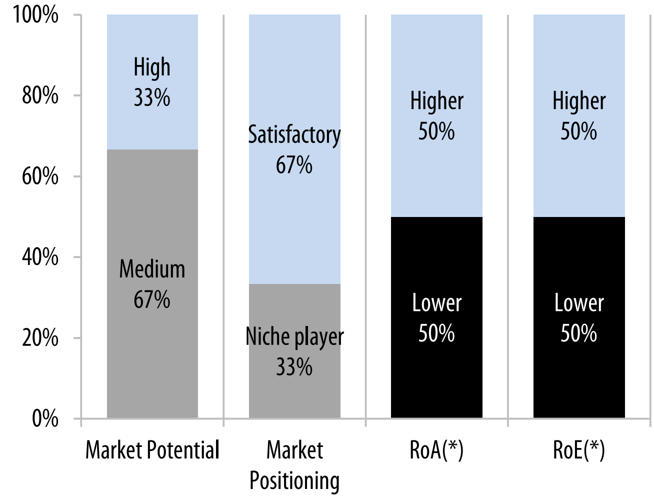
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Bank profitability slightly improved over the last six months in Albania, but it remained among the worst performing countries in the region.

Half of international banking groups reported a lower return on assets (RoA) and return on equity (RoE) for Albanian operations compared to overall group operations.

Still, all the parent banks consider the Albanian market to have medium or high potential, and two-thirds declare it to have satisfactory market positioning.



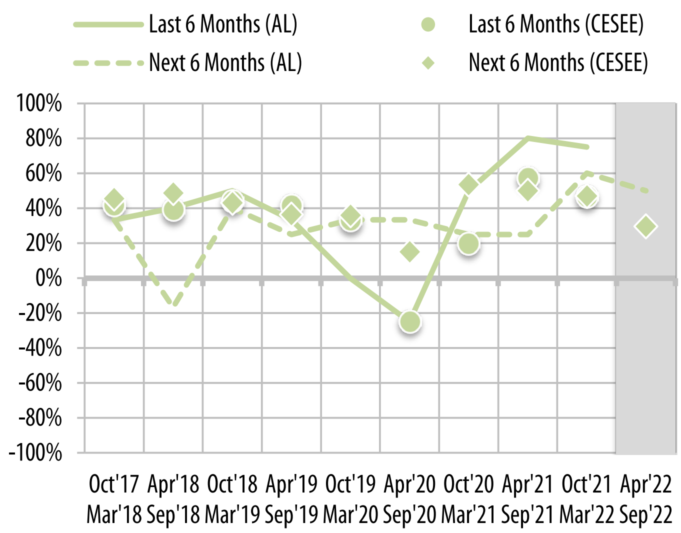
Source: EIB – CESEE Bank Lending Survey.

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

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Demand for loans in Albania recovered above expectations from the beginning of 2021 and continued to improve over the last year, above the regional average. Expectations for the next six months point towards a continuation of the recovery but with less intensity.

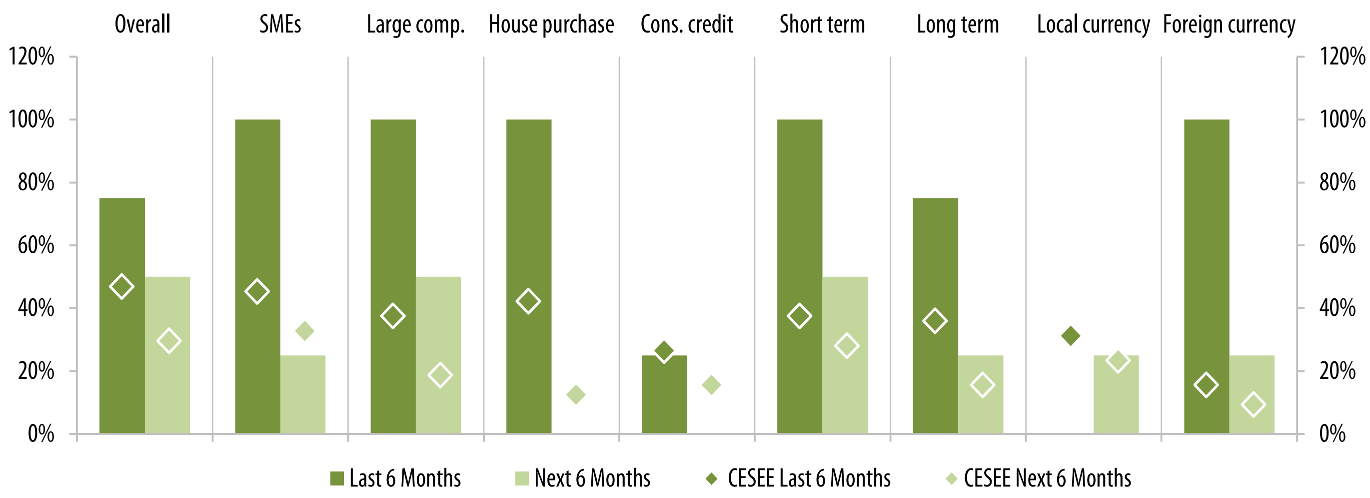


Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Demand for loans increased overall and across the different categories. Besides small to medium firms (SMEs) and mortgage loans, the drivers of the previous period's increases, credit demand increased substantially for large corporations as well. Demand is expected to continue to increase for the next six months, albeit at a slightly slower pace, but credit demand for the retail segments is becoming significantly less supportive than before.

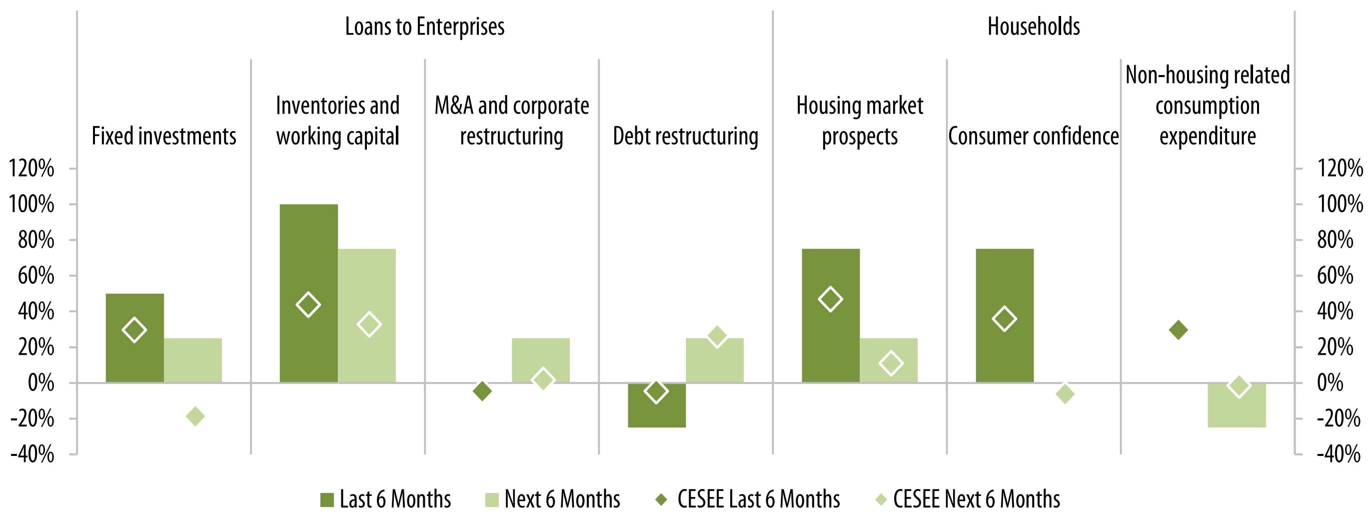


Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Working capital, driven by firms' liquidity needs, continued to contribute the most to the demand for loans, while fixed investments, housing market prospects and improving consumer confidence also contributed positively over the last six months. Corporate and debt restructuring had a neutral and slightly negative impact, respectively, and they are expected to remain low for the next six months.

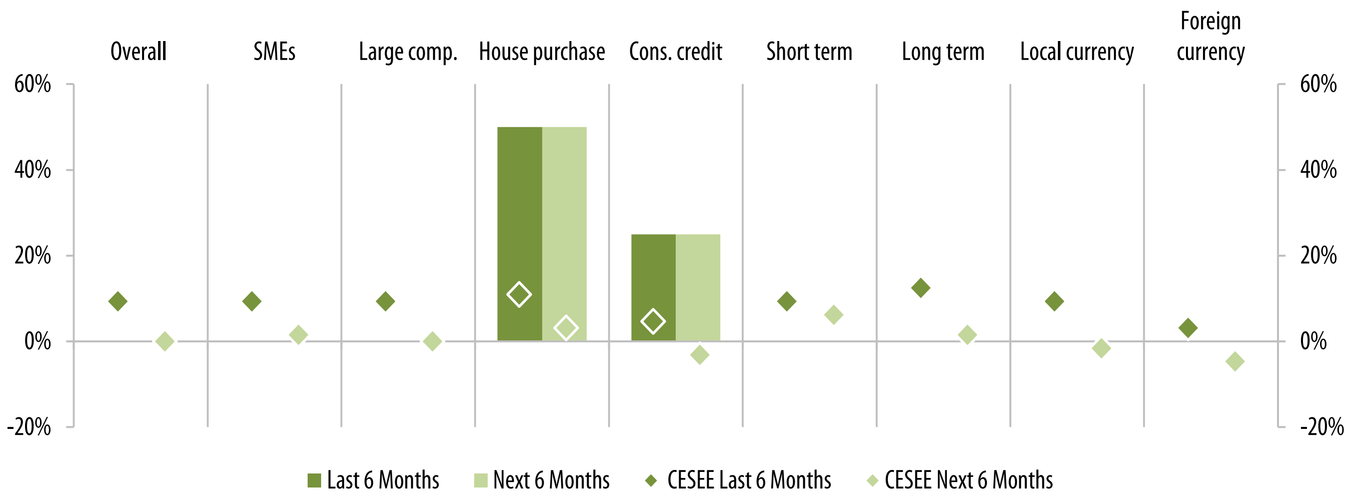


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The perceived quality of loan applications remained unchanged for corporates and improved for retail (house purchase and consumer credit) over the last six months. A similar trend is expected for the next six months for the same segments.

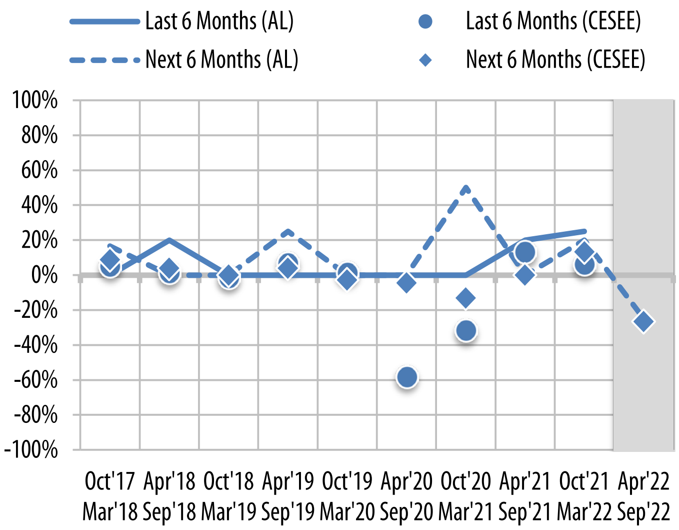


Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Demand for loans in Albania recovered above expectations from the beginning of 2021 and continued to improve over the last year, above the regional average. Expectations for the next six months point towards a continuation of the recovery but with less intensity.

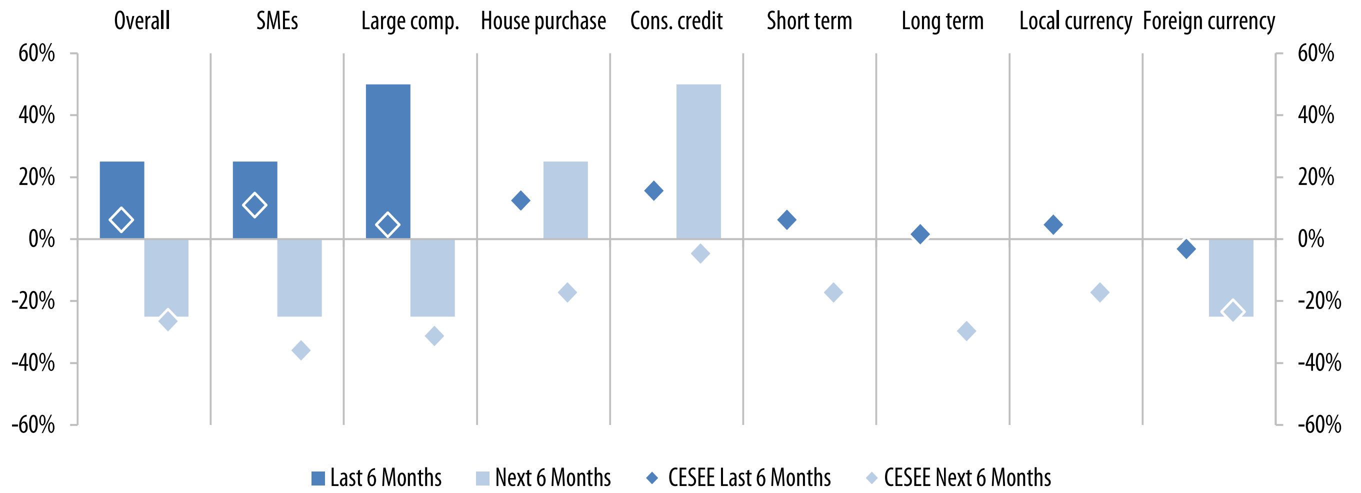


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Overall credit supply conditions eased, driven by the easing of corporate loans (for both small to medium firms and large corporates). Subsidiary banks in Albania, however, are suggesting a turning point, with a tightening of supply conditions expected for the next six months, especially for corporations (for small firms and even more so for large corporates). By contrast with the Central, Eastern and South-Eastern Europe average, softer credit supply conditions are expected for household segments.

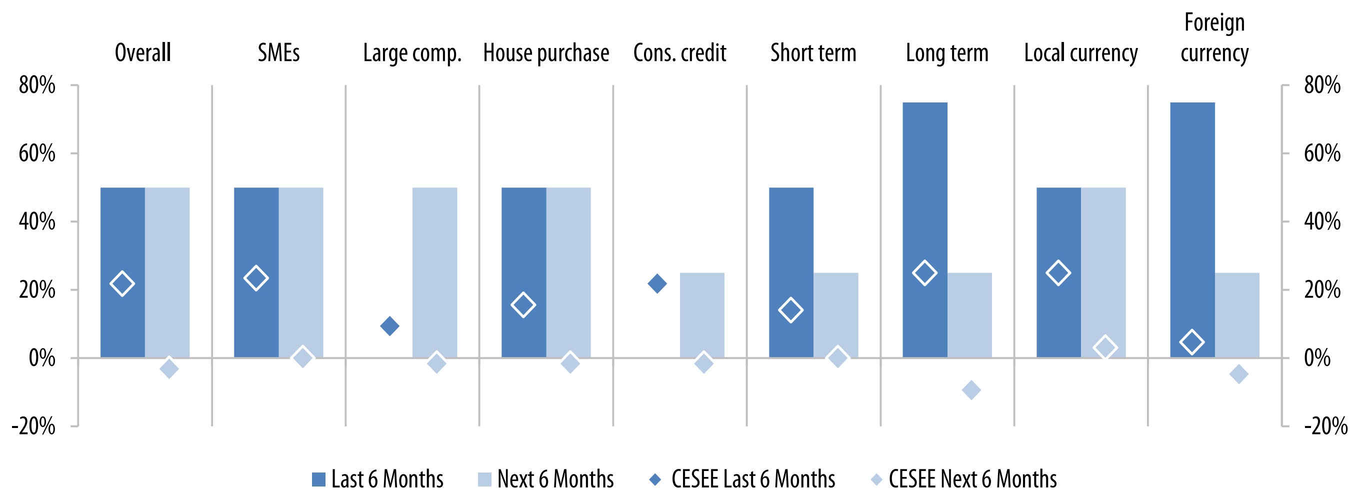


Source: EIB — CESEE Bank Lending Survey.

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

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

Local subsidiary approval rates increased over the last six months for most of the segments, except for large corporations and consumer credit, both of which remained unchanged. A positive trend is also expected across the board for the next six months.



Source: EIB — CESEE Bank Lending Survey.

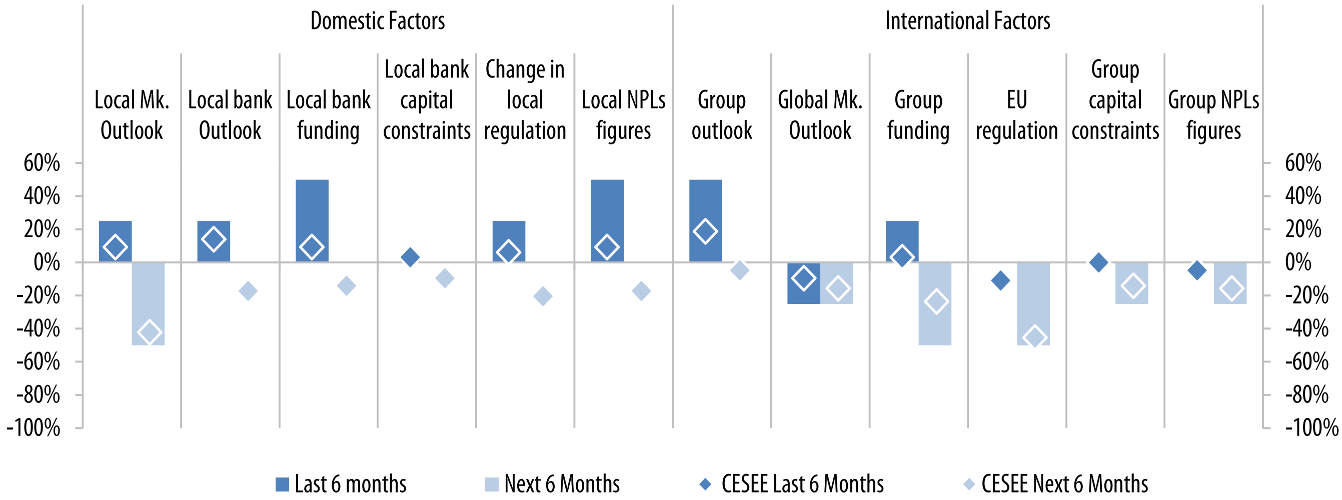
Note: The chart shows net percentages, with positive figures indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions

Most domestic factors contributed positively to credit supply conditions over the last six months in Albania, except local bank capital constraints, which made a neutral contribution.

As for international factors, the global market outlook continued to contribute negatively while the group outlook and group funding continued to make a positive contribution.

Both the local and global market outlooks are expected to contribute negatively in the next six months, together with EU regulation, group capital constraints and credit quality.



Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

The cleaning-up process of the banks' portfolios in Albania continued for both the corporate and retail segments over the last six months. The deterioration in non-performing loans was not visible, partly due to the crisis relief measures in place, such as loan moratoriums, postponing of payments and reinforcement of more stringent measures on reclassified loans until 2022. Following the favourable situation of the last six months, local banks in Albania expect some increase in NPLs for the next period, in line with regional trends.

The NPL ratio in Albania, although decreasing, remained one of the highest in the region, at 5.7% at the end of 2021.

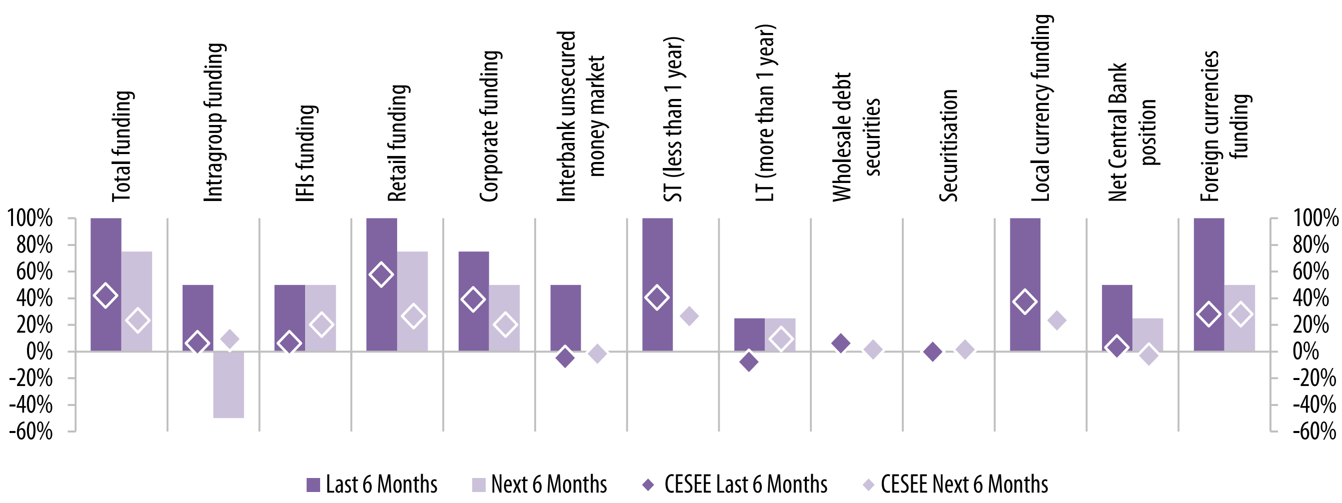
Source: EIB — CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Bank funding in Albania continued to improve over the last six months, supported by most of the segments, while domestic retail and corporate deposits continued to have the highest positive trend. Wholesale debt securities and securitisation remained stable.

Banks expect funding conditions to remain supportive during the next six months, driven by retail and corporate savings and international financial institution (IFI) funding, while intragroup funding may contribute negatively.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Bosnia-Herzegovina

Credit supply conditions were neutral during the last six months but are expected to deteriorate for small to medium-sized firms and large corporates. Credit demand returned to a slightly positive trend, and is expected to remain robust. Most parent banks still consider Bosnia's market potential to be low.

Summary

Group assessment of positioning and market potential: The majority of parent banks assess the market potential of Bosnia-Herzegovina as low, while the profitability of local banks is also positioned below the regional average.

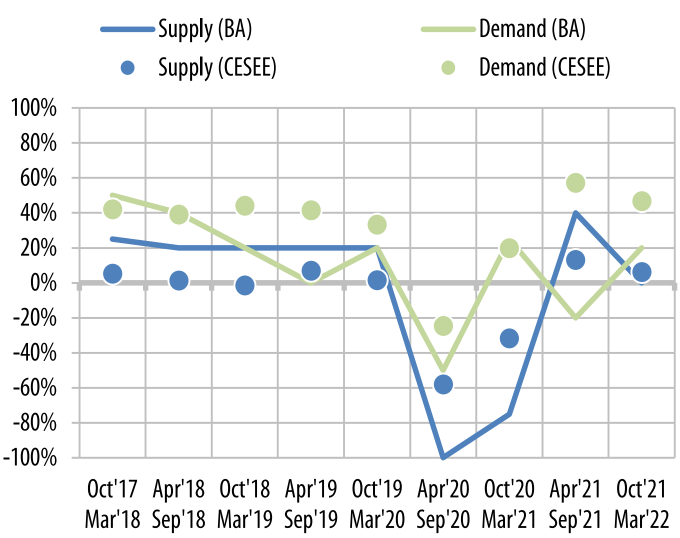
Demand for loans returned to a slightly positive trend over the last six months, driven by the higher demand for mortgage and corporate loans. Demand is expected to remain strong across all major segments in the next six months.

Credit supply conditions remained neutral overall over the last six months, although they improved somewhat for small to medium firms. Bank approval rates decreased for household segments, driven by consumer loans, while the rates for corporates remained unchanged. Credit supply conditions are expected to deteriorate, especially for small to medium firms (SMEs) and large corporates.

Access to funding remained unchanged on balance for the second consecutive period, although better access has been indicated for retail, corporate and international financial institution (IFI) funding.

Credit quality began to deteriorate again, a trend that is expected to continue in the next six months, mainly driven by the corporate segment, while banks expect the retail business to be more protected from credit quality deterioration.

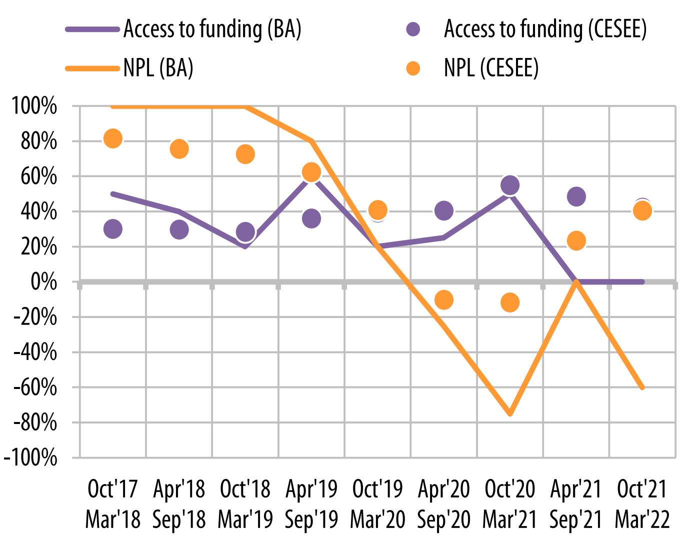
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

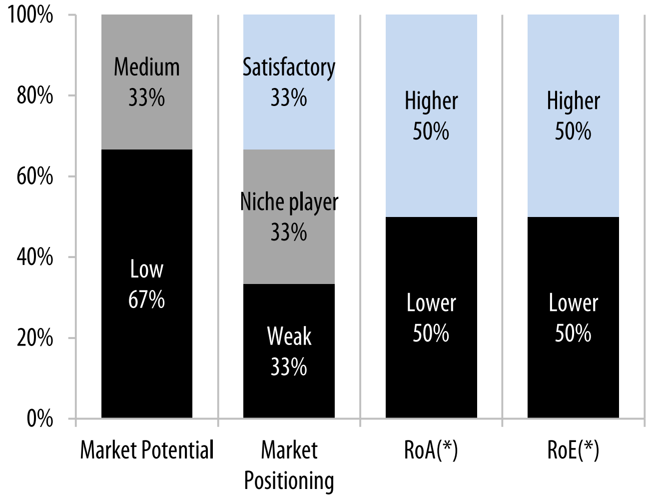
Note: All indicators in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The assessment of Bosnia-Herzegovina's banking market is less optimistic than it is for other countries of the region. Two-thirds of parent banks consider the market potential of Bosnia-Herzegovina to be low. Half of them indicate lower profitability of the local market, in terms of return on assets and return on equity, relative to the overall group's profitability. Consequently, many parent banks see their market positioning in the country as suboptimal — one-third consider it weak and another third consider it a niche player.

In terms of its market potential in the local market, Bosnia-Herzegovina is positioned among the worst countries in the region.



Source: EIB — CESEE Bank Lending Survey.

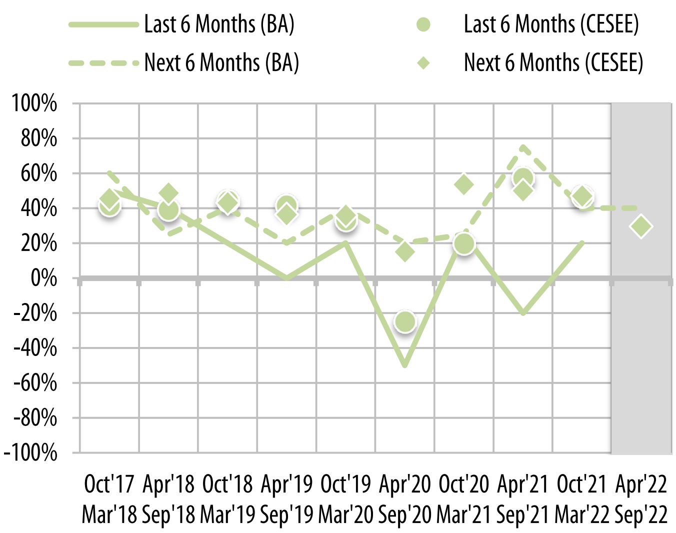
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

After experiencing volatility in recent years, demand for credit returned to positive over the last six months, but it remains below the regional average.

A positive trend is expected over the next six months, in line with regional tendencies.



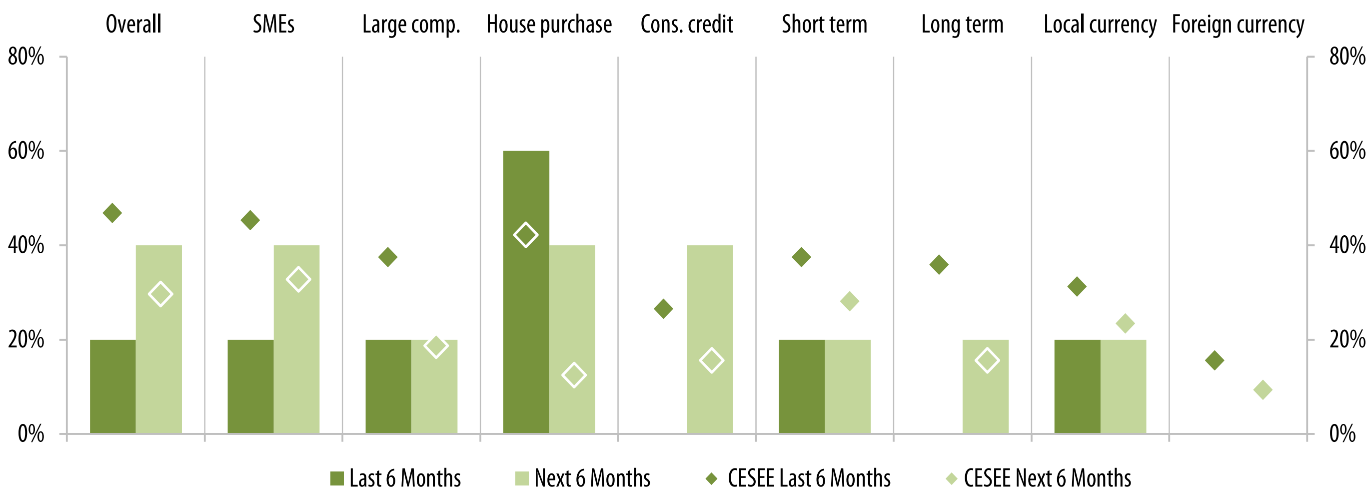
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Demand for loans increased on balance, as mentioned above, with the strongest increase in demand for mortgage loans and supportive contributions for small to medium-sized enterprises (SMEs) and large corporations.

A widespread recovery of credit demand is expected across all segments for the next six months, affecting both short- term and long-term financing.



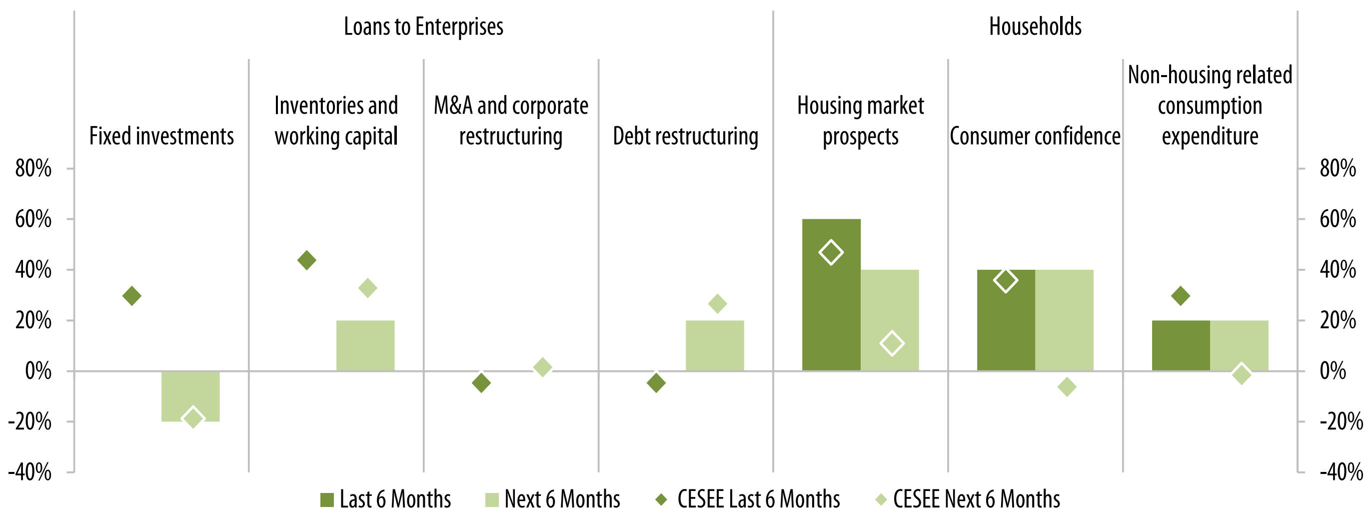
Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Among the factors affecting credit demand, all household factors contributed positively to credit demand in the last six months, while all corporate segments made a neutral contribution.

Looking ahead, the positive factors will continue to come from the household segment, which is expected to remain significantly stronger than the corporate segment.

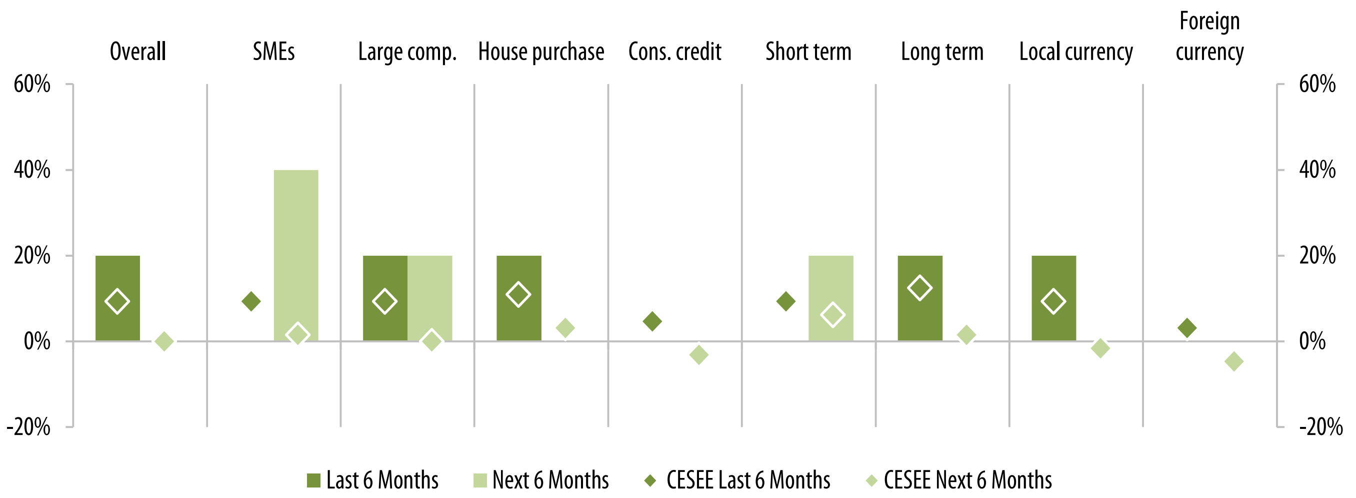


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The quality of loan applications in Bosnia-Herzegovina improved over the last six months, mainly due to the increasing quality of demand from large companies and mortgage loans. For the next period, the quality of loans is expected to remain unchanged overall but also improve for the corporate segment, especially for small to medium firms.



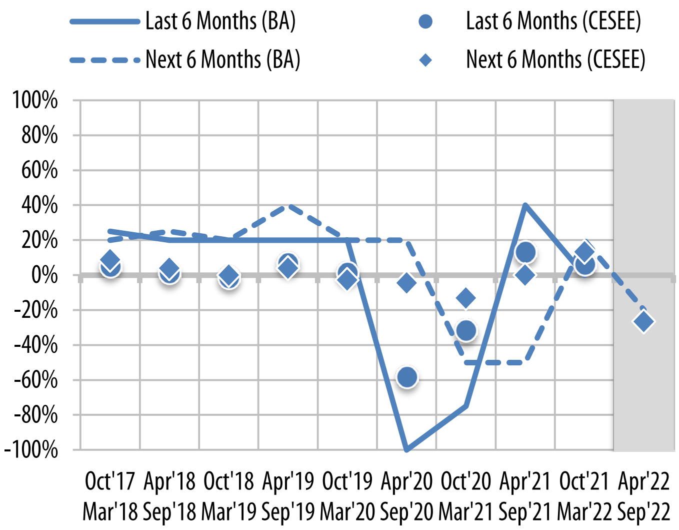
Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Supply conditions in Bosnia-Herzegovina remained neutral over the last six months after some easing in the previous period and following an abrupt deterioration as a result of COVID-19.

Looking ahead, banks in Bosnia-Herzegovina, like in other countries in the region, expect a retightening of credit supply, influenced by the general tightening of financial conditions at the global level and the possible direct and indirect effects of the war in Ukraine.



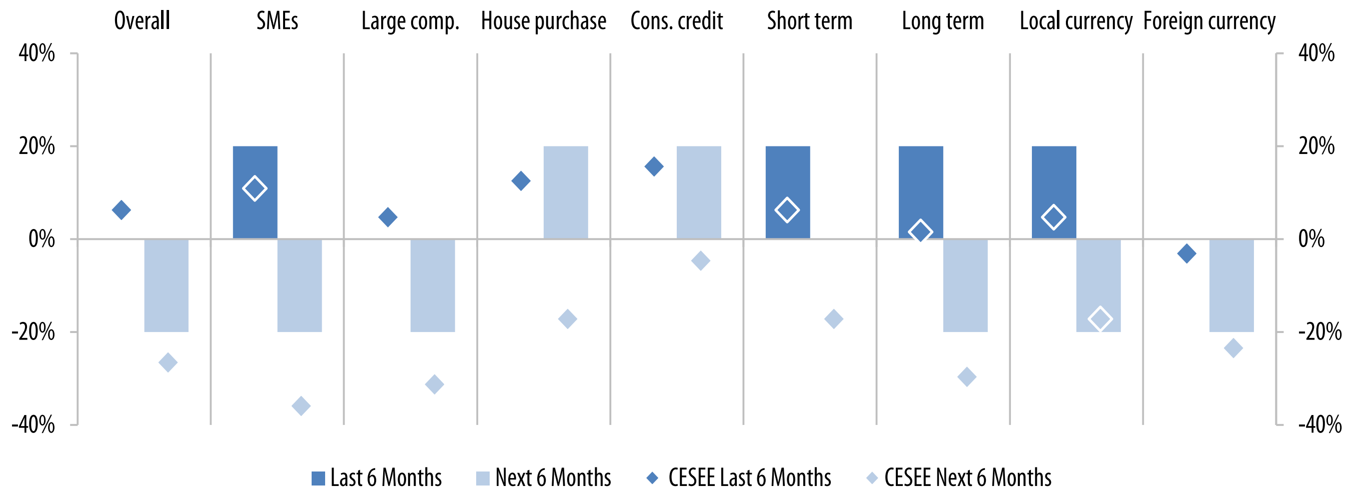
Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit standards in Bosnia-Herzegovina's banking market remained neutral across the board, as mentioned, except for small to medium firms, which benefited from better credit conditions over the last six months.

A retightening of supply conditions is expected for the next six months, especially for the corporate segment (both small to medium firms and large corporates), whereas further easing is expected for households.



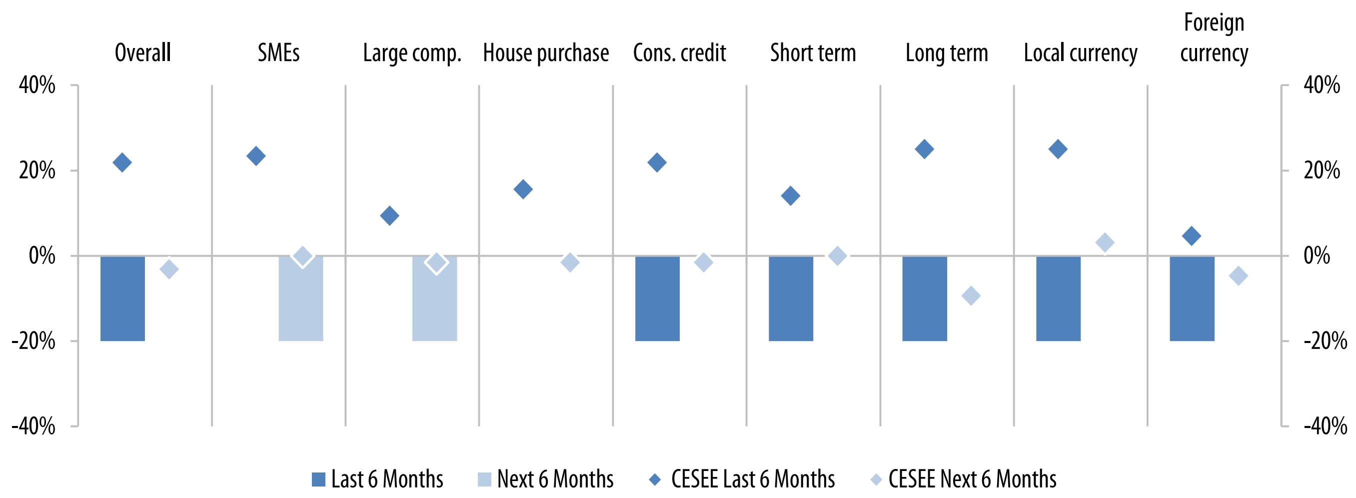
Source: EIB — CESEE Bank Lending Survey.

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

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

Loan approval rates in Bosnia-Herzegovina decreased on balance over the last six months, driven mainly by a lower approval rate for consumer loans, while other categories remained unchanged.

In the next six months, the approval rate for households is expected to remain unchanged, while a lower approval rate is expected for corporate loans, again pointing towards worsening supply conditions concentrated in the corporate sector.



Source: EIB — CESEE Bank Lending Survey.

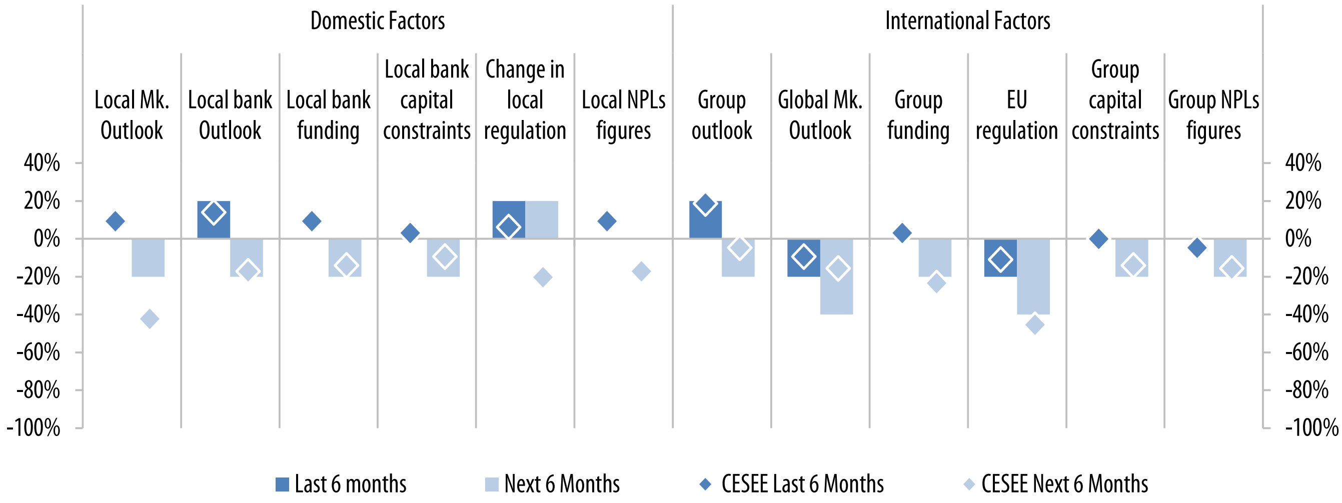
Note: The chart shows net percentages, with positive figures indicating higher approval rates. See Question B.Q2 in the Annex.

Figure 9 Factors contributing to supply conditions

The local bank outlook and changes in local regulation supported the supply of credit over the last six months, while other local factors made a rather neutral contribution.

Among international factors, global market outlook and EU regulation contributed negatively, while group outlook was a positive factor over the last six months.

In the next six months, most factors, both local and international, are expected to contribute negatively to credit supply conditions.

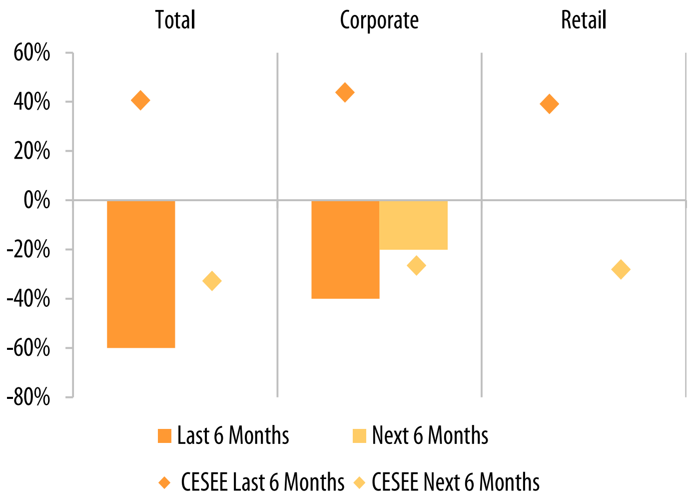


Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Non-performing loan ratios deteriorated in Bosnia-Herzegovina over the last six months, mainly due to corporate loans, whereas they improved on average in Central, Eastern and South-Eastern Europe. No overall change in credit quality is expected for the next six months, although some 20% of reporting banks expect deterioration in the corporate segment.

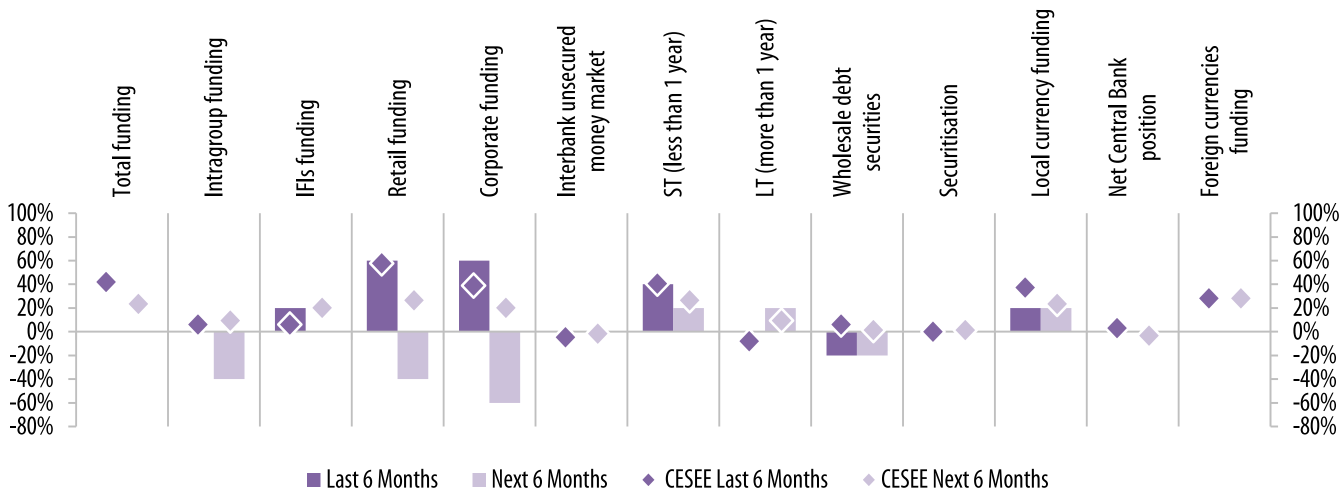


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating decreasing NPL ratios. See Question B.Q8 in the Annex.

Figure 11 Access to funding

Access to bank funding remained unchanged on average over the last six months, although banks indicated that there was increasing access to retail, corporate and international financial institution (IFI) funding. For the next six months, banks expect that the major recent sources of funding — retail and corporate deposits — may turn negative. In addition, intragroup funding will be less supportive.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Bulgaria

Bulgaria's market, seen by parent banks to have medium/high potential, has been recovering after a large deterioration in credit demand and supply during COVID-19, but the war in Ukraine is expected to have a negative effect on demand and credit quality.

Summary

Group assessment of positioning and market potential: Parent banks operating in Bulgaria show a strong commitment towards the region and assess the country's market potential as medium or high. Most parent banks saw returns on assets in Bulgaria as high and mostly exceeding those of the group overall. This has been the case consistently over the last three years. The majority of the parent banks operating in Bulgaria seemed to be satisfied with their current market positioning, even after accounting for the COVID-19 impact.

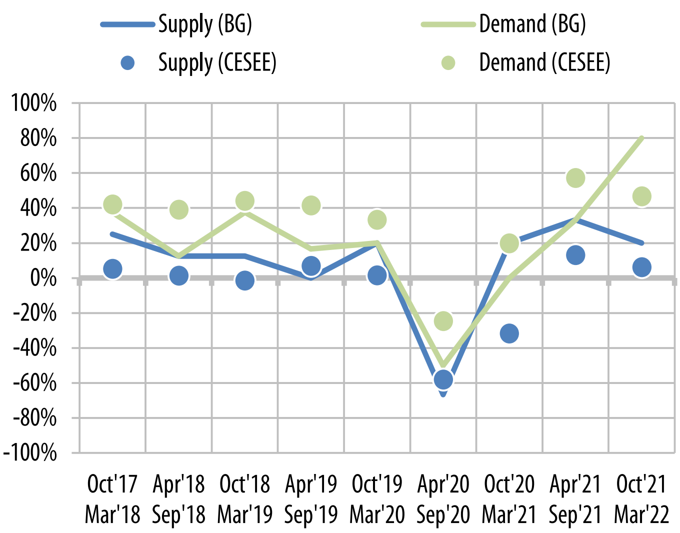
Credit supply conditions have continuously improved in the last year across market segments following a significant deterioration in the first half of 2020. However, this gradual improvement is expected to stall in the next six months.

Demand for loans has improved, especially in the small to medium-sized businesses segment, following a sharp deterioration in the first half of 2020 and a subsequent stabilisation. Demand for working capital is expected to be the main driver of corporate demand over the next six months, while demand for investment loans is expected to weaken.

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

Non-performing loans (NPLs) improved again over the past year, following a slight deterioration in the first half of 2020, thereby returning to the positive trend of the last four years. Expectations for the next six months, however, are pessimistic.

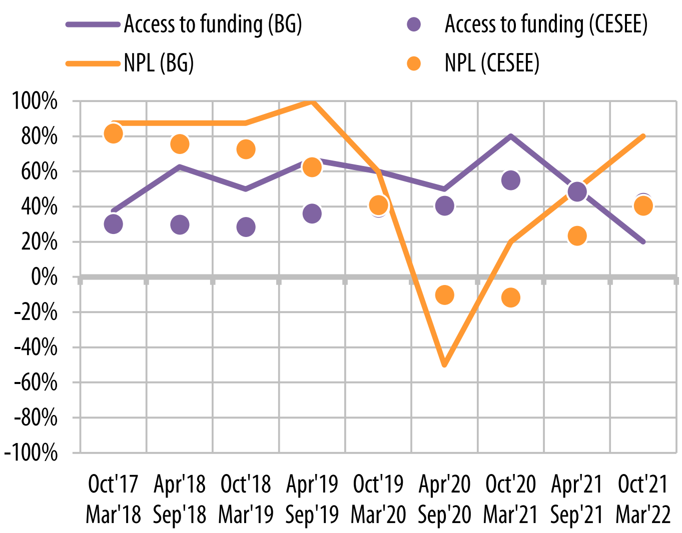
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

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

Bank Lending Survey results — parent bank level

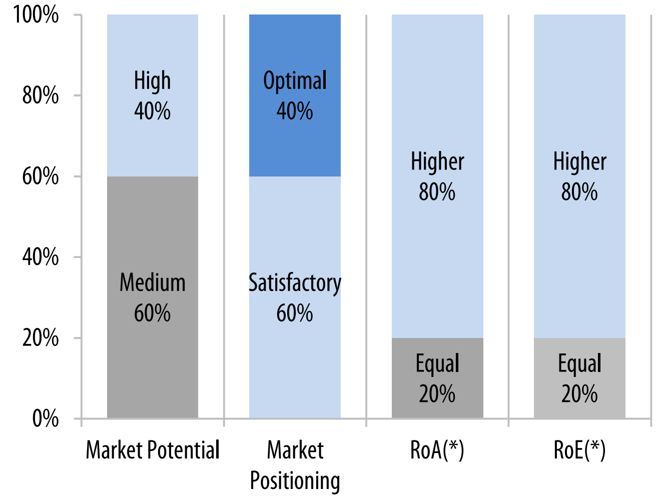
Figure 1 Market potential and positioning

A majority of respondents (60%) plan to expand their regional operations in Central, Eastern and South-Eastern Europe. Parent banks have consistently shown a strong commitment to the region over the last five years.

All foreign banks with operations in Bulgaria consider the country as a market with medium or high potential. All respondents considered their market positioning as satisfactory (60%) or optimal (40%).

Banks' satisfaction with their market positioning is also reflected in their assessment of returns on operations in Bulgaria as higher (for 80% of banks) than their overall group returns. This assessment has changed little over the last five years.

As a result, a majority of parent banks have increased exposure to subsidiaries (net 20% of respondents) by increasing capital and cross-border lending by net 40% for both types of exposure.



Source: EIB — CESEE Bank Lending Survey.

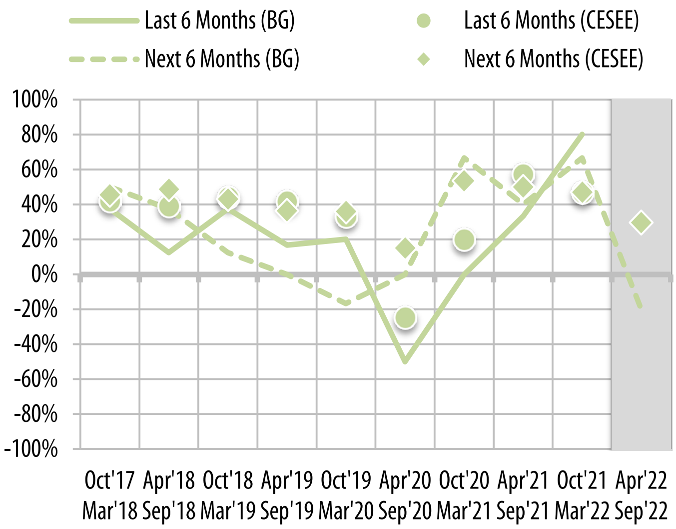
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Changes in demand for loans in Bulgaria since 2016 have been following a similar development to those in the aggregate region, but they are more volatile. Demand was assessed as increasing in the first half and the second half of 2021 by a large majority of Bulgarian subsidiaries. However, respondents are very pessimistic regarding demand developments in 2022. Net 20% expect a reduction in loan applications in Bulgaria, in contrast to the rest of the region, where net 30% of respondents still expect increasing demand. While expectations of demand in the six months ahead have consistently undershot actual numbers over the last two years, banks clearly signal a slowdown in lending.

High overall inflation and even higher increases in energy prices are the most likely culprit, given the high energy dependence of the Bulgarian economy and its large share of low-income households. High inflation reduces real incomes and therefore demand, while energy price increases squeeze corporate profits. Higher economic and political uncertainty also negatively affects demand for investment loans.

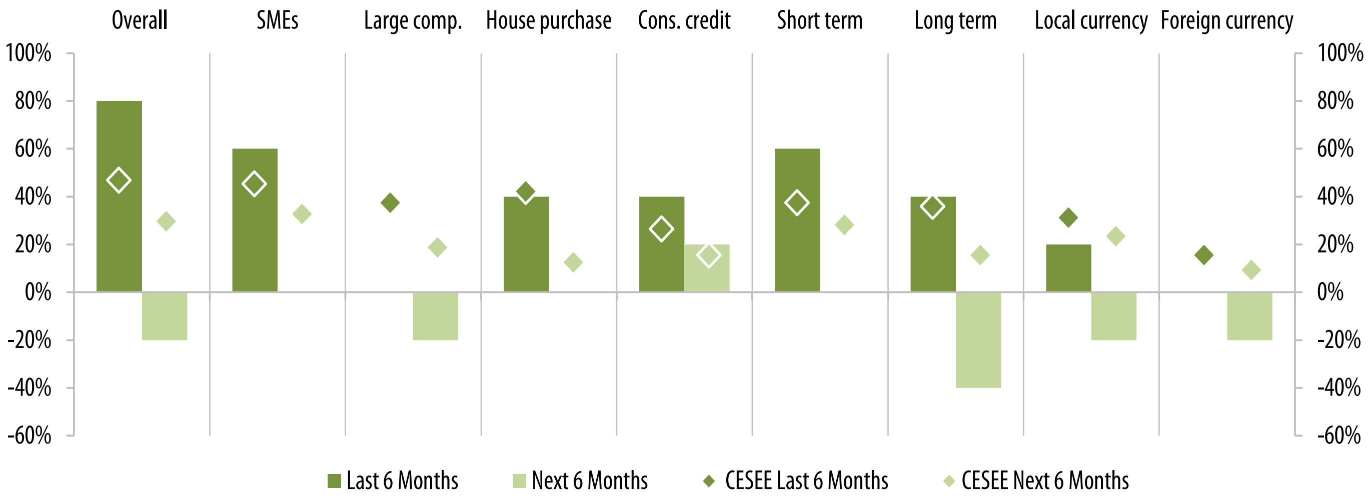


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Overall loan demand has increased over the last six months. Loan demand from the household sector has increased both for consumer credit and for house purchases. This is in line with growing private consumption expenditures in 2021. Among corporates, the demand for loans from small to medium firms (SMEs) is assessed as increasing by a majority of respondents. Demand from large corporates, however, is assessed as stable. Expectations about loan demand are rather pessimistic, with net 20% of respondents expecting an overall decline in loan demand, driven by large corporations.

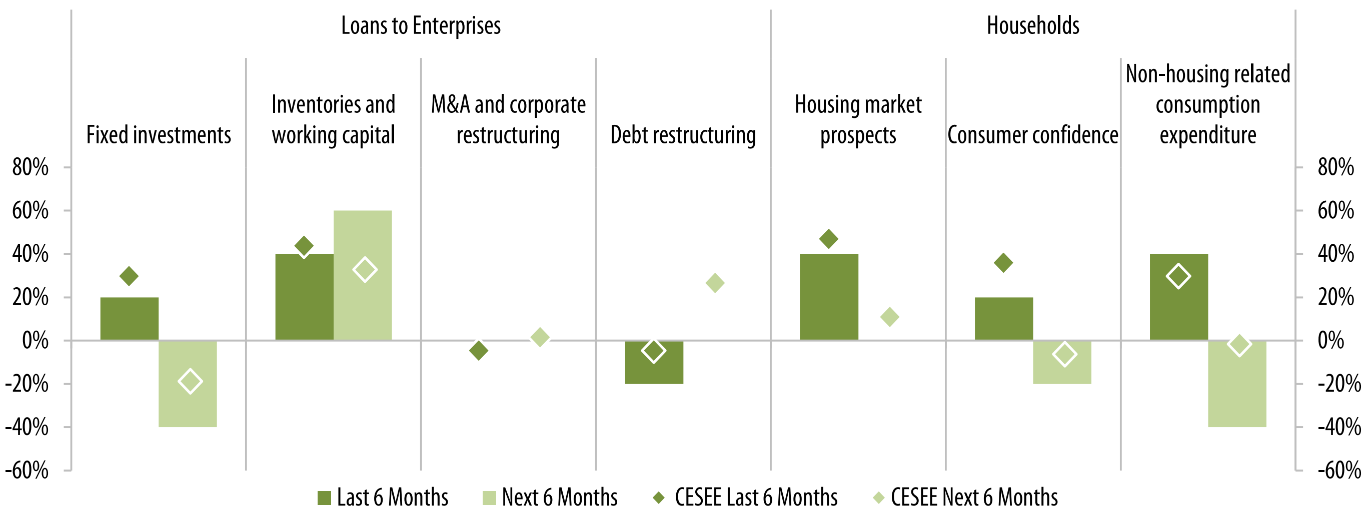


Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Gradually increasing corporate investment in the second half of 2021 is behind the ongoing return of corporate demand for loans over the last six months. Respondents see demand for loans for fixed investment as increasing. Demand for loans to finance working capital has grown over the last six months, too. In the next six months, however, 40% of respondents expect declining demand for investment loans, while demand for working capital is expected to remain buoyant. Stagnating housing markets and weak consumer confidence are behind expectations for declining household demand for loans.

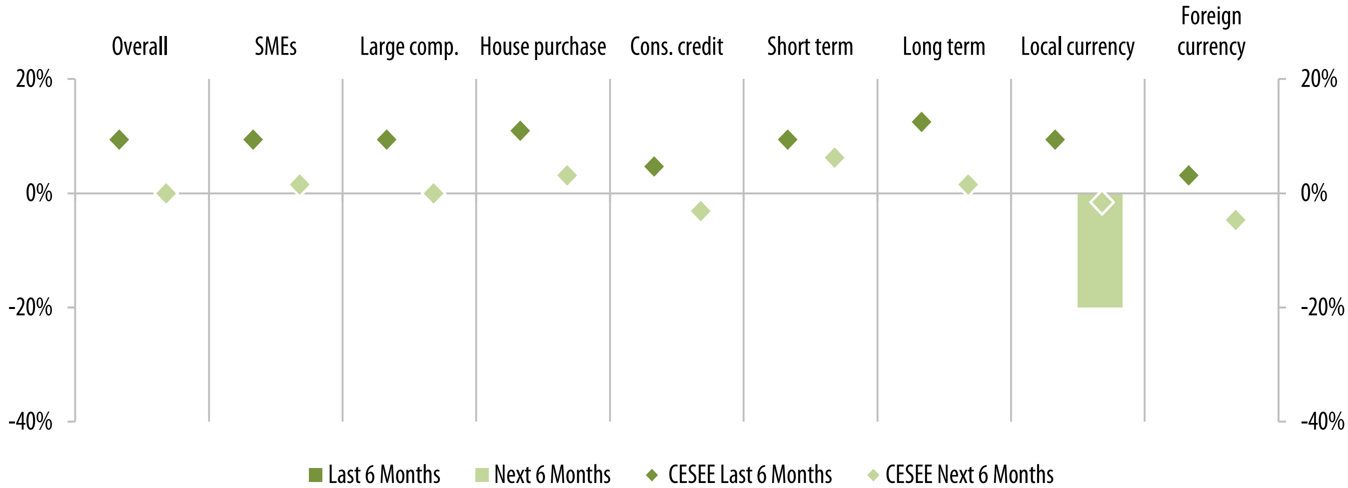


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The quality of loan applications in Bulgaria was stable in the last six months. This was the case across market segments and maturities. In the next six months, respondents do not expect any major changes in the quality of loan applications.



Source: EIB — CESEE Bank Lending Survey.

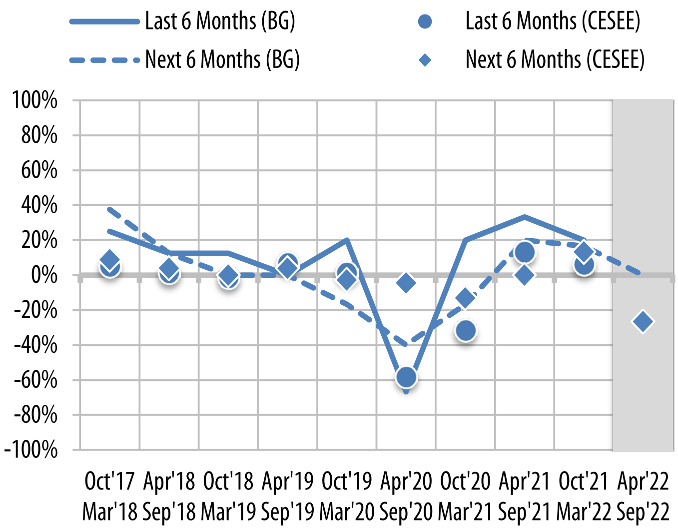
Note: The chart shows net percentages, with positive figures indicating an increasing quality of demand. See Question B.Q6 in the Annex.

Figure 6 Aggregate supply developments

After significant improvements in 2017 and early 2018, supply conditions stabilised in line with developments in the aggregate region, where credit conditions were stable in the years leading up to the pandemic. In the last six months, supply conditions continued to improve following the deterioration in the first half of 2020 and the subsequent bounce back.

The latest development returns to a situation that resulted from years of improvements in supply conditions. These improvements were the result of strengthening economic activity and banking sector balance sheets. This allowed Bulgarian banks to relax loan conditions and expand their loan portfolios after years of decline and stagnation.

Over the next six months, supply conditions are expected to be less supportive. These expectations reflect the banking sector's uncertainty about financial conditions in the near term, with a likely gradual tightening of monetary policy in the euro area and uncertainties related to the war in Ukraine.

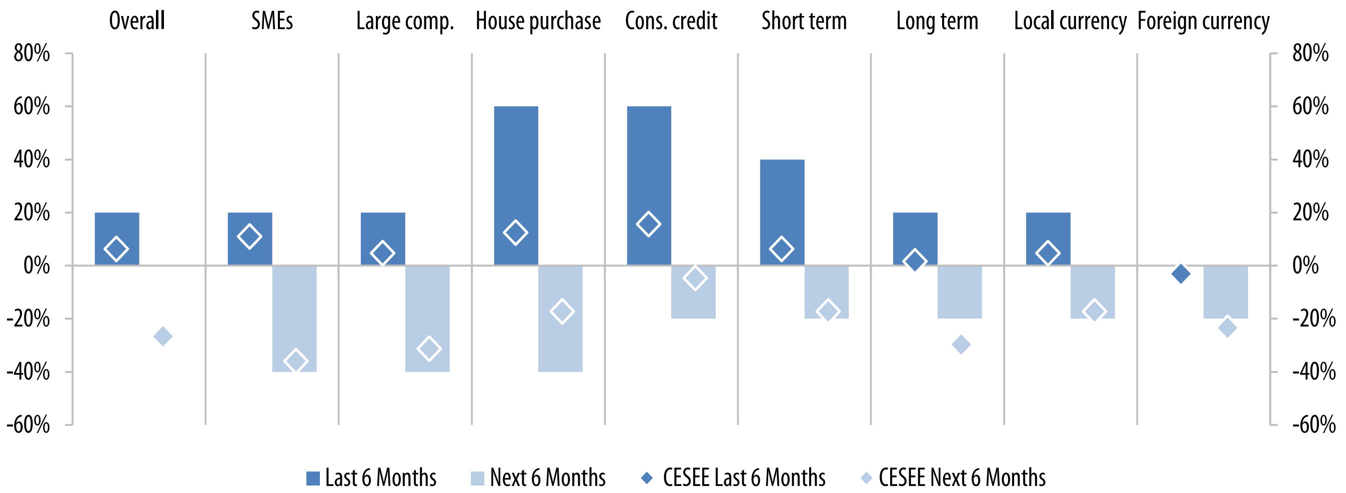


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit supply conditions were perceived as improving across all market segments over the past six months, as mentioned. In the next six months, banks are expected to tighten credit standards somewhat across most market segments, for retail and especially for corporations.

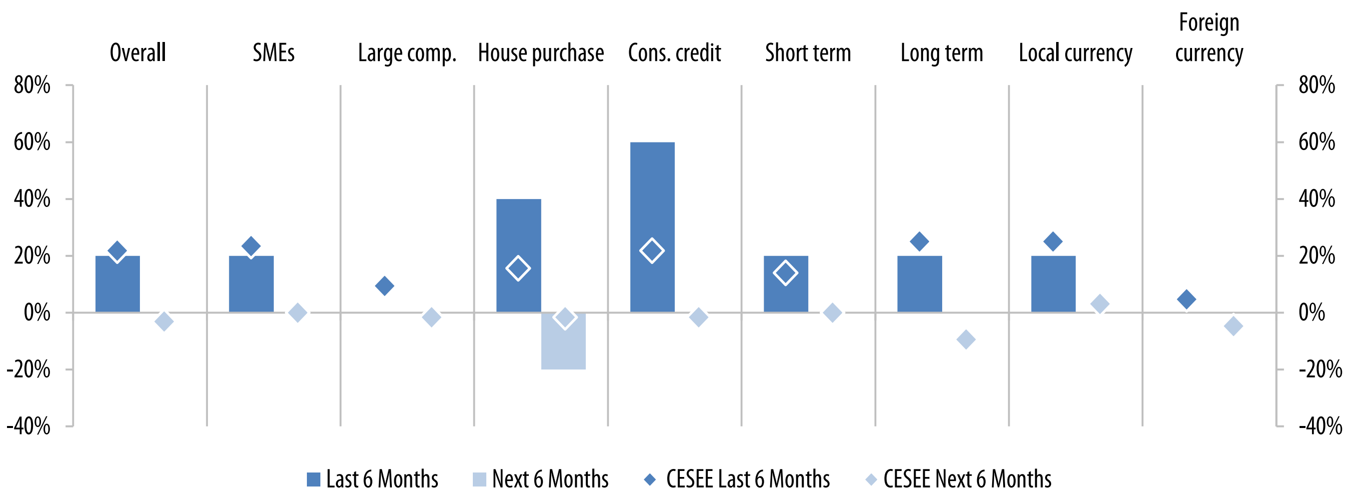


Source: EIB — CESEE Bank Lending Survey.

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

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

Approval rates have increased for a small majority of respondents in the past six months. The increase was driven by loans for house purchases and consumer credit and less so by small to medium enterprises. Overall, approval rates are expected to remain stable over the next six months. Across market segments, a small majority of respondents expect a decline in approval rates for loans for house purchases.

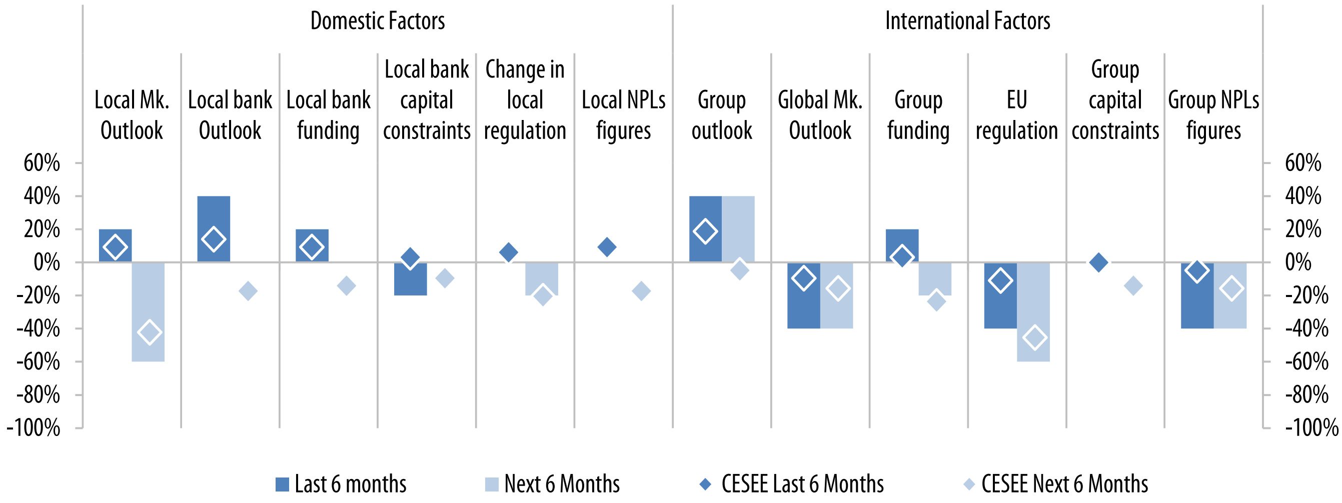


Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

Both domestic and international factors contributed to the improvement in supply conditions over the last six months. On the domestic side, local bank funding and outlook had a positive contribution. Among international factors, improvements in group outlook and funding contributed positively. Group outlook and non-performing loans (NPLs), as well as EU regulation, weighed down supply conditions. In the next six months, local market conditions are expected to deteriorate. Global market outlook, group non-performing loans and EU regulation are expected to continue to exert negative pressure on supply conditions.



Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

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

Between 2017 and 2021, the vast majority of local subsidiaries reported improving NPL figures, with ratios declining. They nevertheless remain among the highest in the region. Restructuring corporate portfolios has had a significant effect, partly because NPLs are concentrated in the corporate segment.

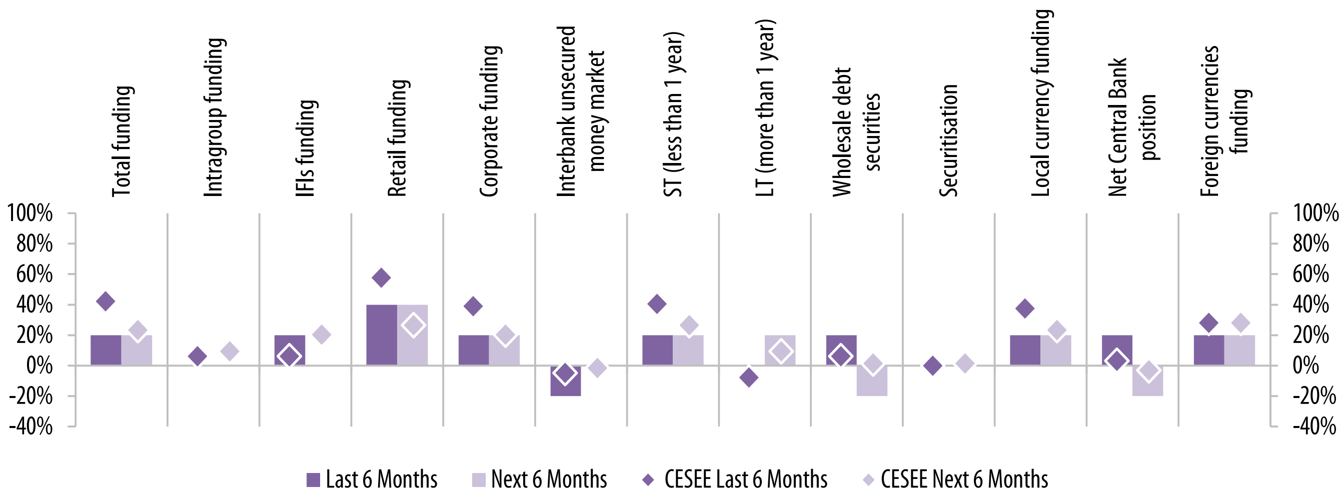
NPL ratios in Bulgaria continued to improve over the past six months in both the retail and corporate segments. Over the next six months, however, respondents anticipate a reversal of the trend.

Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating decreasing NPL ratios. See Question B.Q8 in the Annex.

Figure 11 Access to funding

Access to funding for Bulgarian subsidiaries has improved over the past six months, continuing a trend that started in the second half of 2013 and was not interrupted by the pandemic. This improvement is expected to be maintained in the next six months, as the European Central Bank and local monetary authorities are committed to maintaining an open credit channel. The main contributors, as before, are retail and corporate funding, which are mostly short-term and in the local currency.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Croatia

Positive trends were registered for both the demand and supply of loans in the last six months. A deceleration is expected in the next six months amid tightening credit conditions, in line with regional trends. Still, better access to funding and improving non-performing loan ratios could continue.

Summary

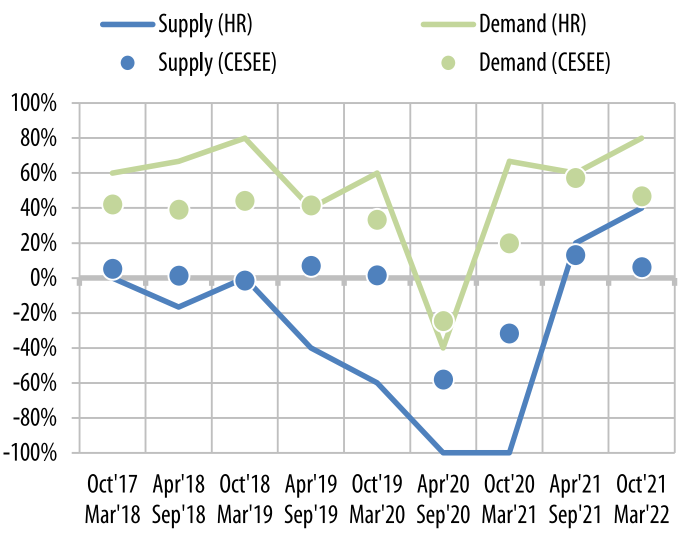
Group assessment of positioning and market potential: International banking groups reported either higher or equal profitability compared to the overall group performance over the last six months, while preserving a relatively stable market positioning, assessed as satisfactory or optimal. Parent banks' assessment of Croatia's market potential slightly improved but remained below the regional average.

Credit demand continued to recover for the third consecutive period, following a sharp drop in 2020, while **credit supply** conditions eased further. Hence both the demand and supply of loans improved across the board over the last six months. At the same time, banks are signalling a possible deterioration of credit supply conditions in the next six months, which could especially affect small businesses and consumers.

Access to funding continued to improve over the last six months for all banks, while domestic retail and corporate deposits remained the main sources of funding.

Non-performing loan figures improved for both the corporate and retail segments over the last six months and, unlike the prevailing trend in the region, further improvements are expected.

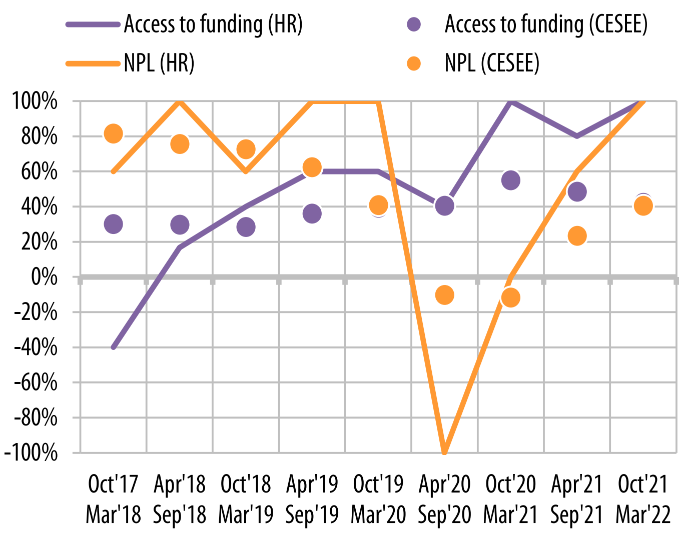
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

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

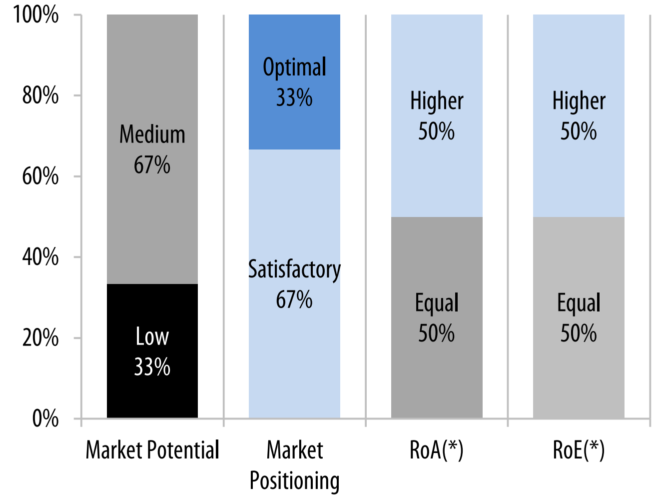
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Parent banks operating in Croatia remained optimistic for the region, as two-fifths of them plan to selectively increase their presence, while the rest intend to maintain their level of operations.

Croatian market potential improved over the last six months, though it remained the fourth lowest in the region, with prevailing assessments of medium (67%) or low (33%) potential. In terms of market positioning, Croatia is assessed as relatively better than its peers, as either satisfactory (two-thirds) or optimal (one-third).

Half of the parent banks perceive the profitability of Croatian banks to be higher than the group's profitability, while the other half say they have the same level of profitability in terms of return on assets (RoA) and return on equity (RoE) as those at the group level.



Source: EIB — CESEE Bank Lending Survey.

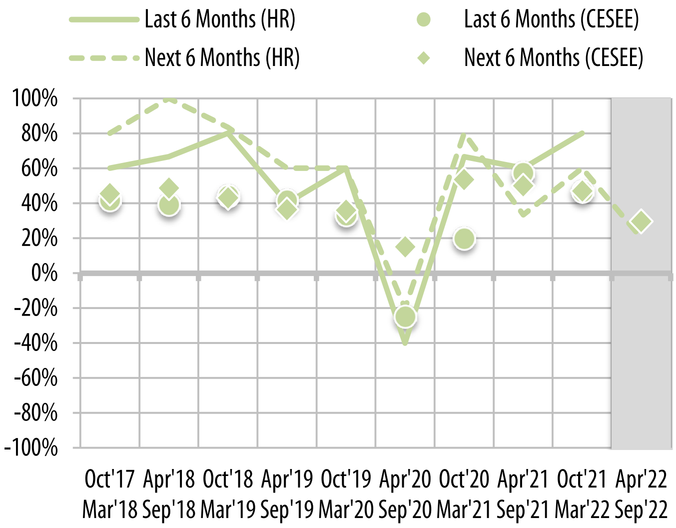
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Loan demand continued to recover over the last six months for the third consecutive six-month period, after a sharp drop in the second half of 2020. The increase in demand was slightly above expectations and the average in the Central, Eastern and South-Eastern Europe region.

For the next six months, Croatian banks expect a continuation of the positive trend in line with the region, although less pronounced.

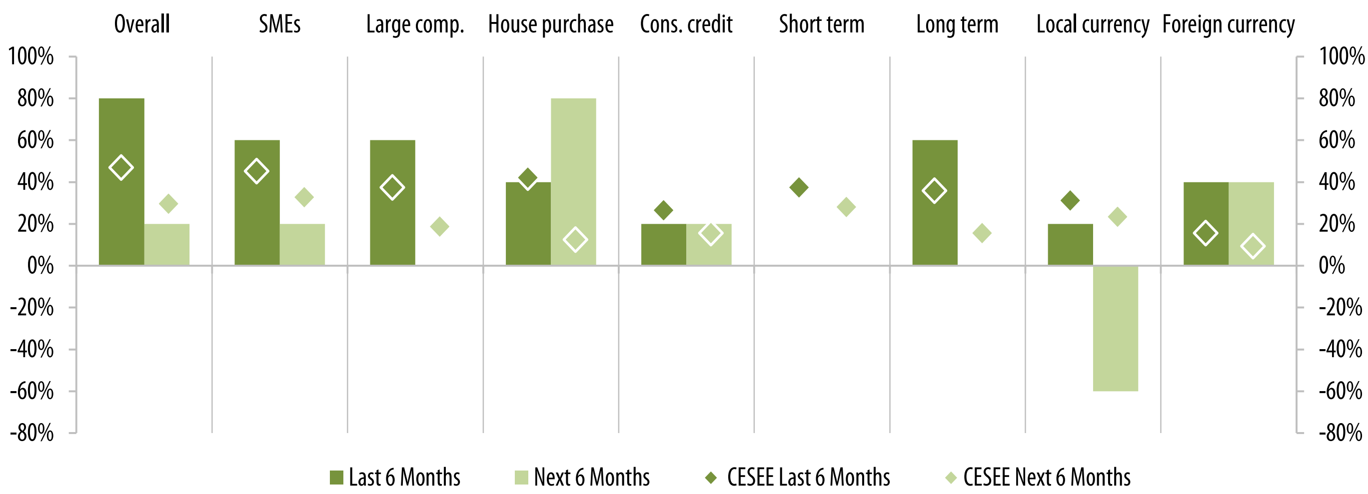


Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Credit demand continued to increase over the last six months across the board and even more in the corporate segment. Demand increased in both local and foreign currencies. A further increase in loan demand is expected in the next six months for most of the segments, except for credit for large corporations.

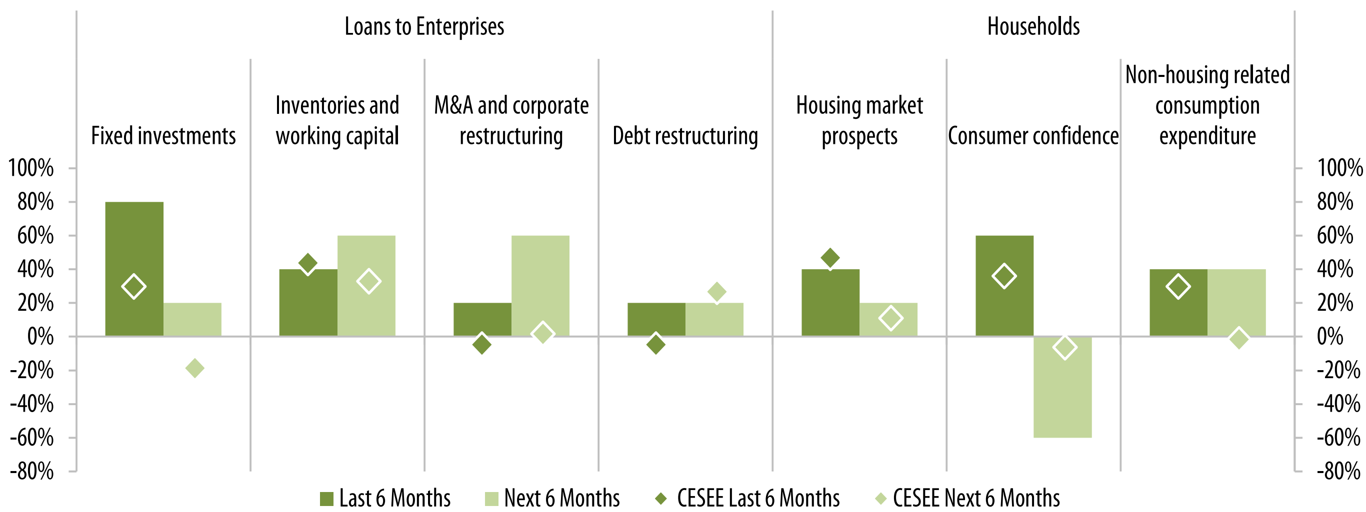


Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

All factors contributed positively to the strong demand for loans, especially investments. In the next six months, loans for working capital and corporate restructuring are expected to contribute most to this positive trend, while consumer confidence is expected to drive demand down.

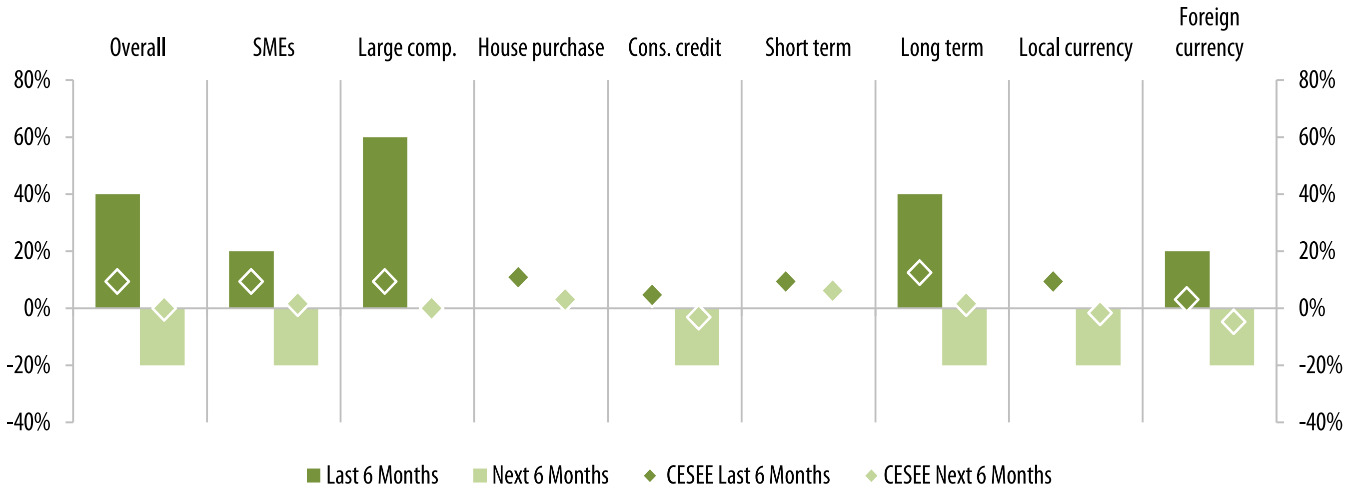


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The perceived quality of overall loan applications improved over the last six months, mainly for corporate loans, while household loans remained unchanged. For the next period, some deterioration in quality is expected, especially for small to medium enterprises (SMEs) and consumer loans.



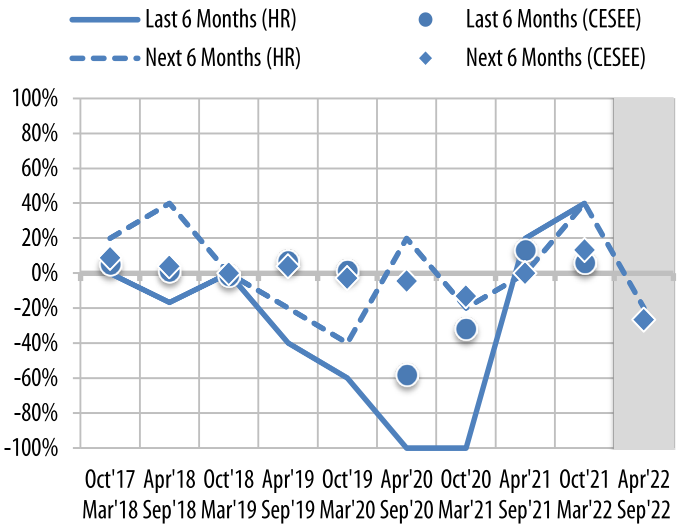
Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Credit conditions eased further over the last six months after periods of widespread credit tightening in 2019 and 2020, especially.

A retightening of the supply conditions is expected for Croatia in the next period, in line with the regional average and the global trend of fighting inflation, and due to the uncertainty related to the war in Ukraine.

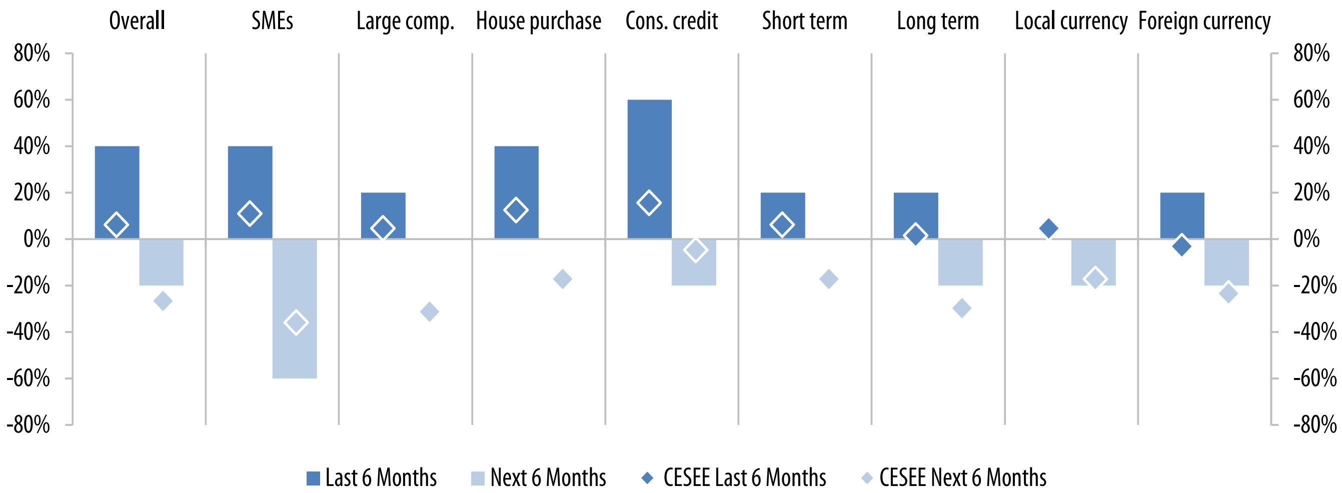


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7	Supply components and segments

Credit supply conditions eased on balance over the last six months, especially across both the household and corporate segments. The expected tightening of credit supply in the next six months is mainly for the small to medium business and consumer segments.

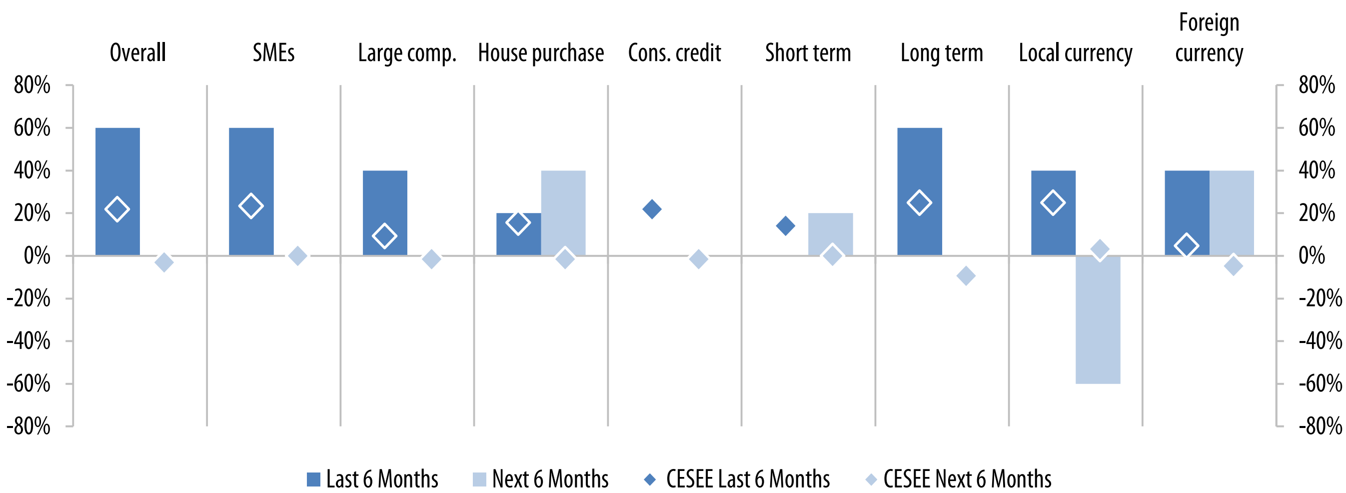


Source: EIB — CESEE Bank Lending Survey.

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

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

Overall, approval rates increased in Croatia over the last six months, above the regional trend. This positive development was driven mainly by corporate and mortgage loans, while approval rates for consumer credit did not change. No change is expected in the next six months except for mortgage loans, where the approval rate is anticipated to increase. A switch in favour of foreign currency loans is also likely.

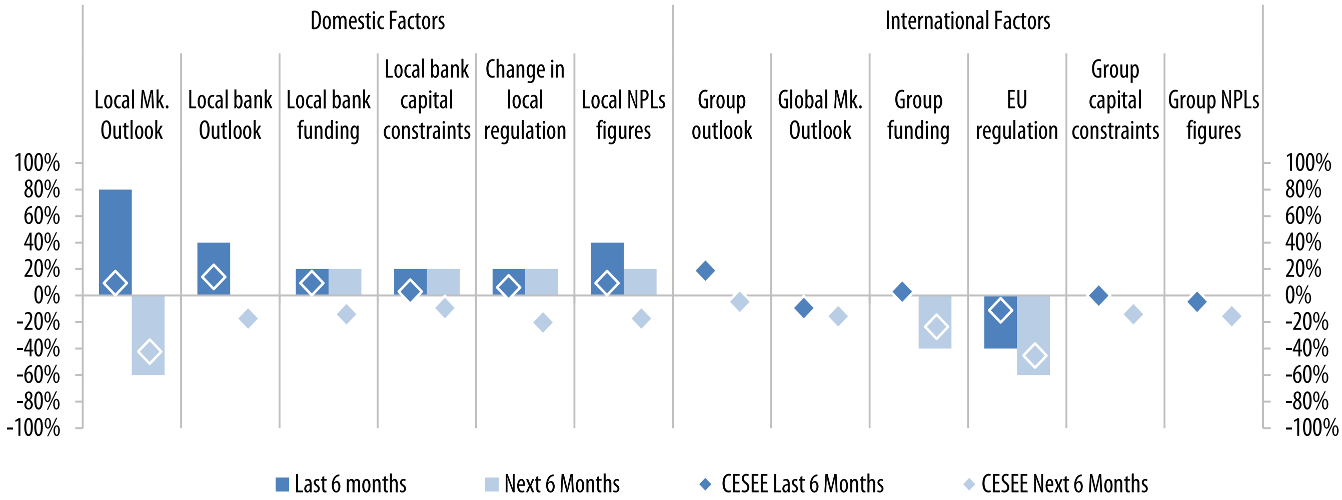


Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

All domestic factors contributed positively, with the local market outlook making the strongest contribution to supply. Among international factors, EU regulation was the negative driver of credit conditions. A relatively more negative trend is expected for the next six months for most of the contributing factors.

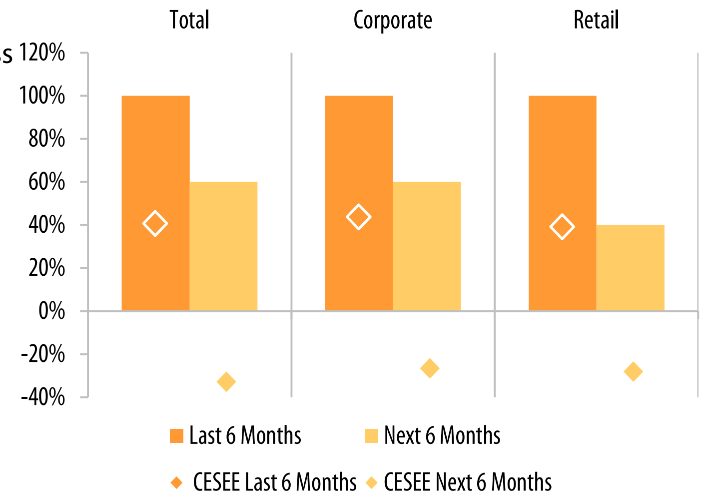


Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

The non-performing loan ratio in Croatia improved over the last six months, driven by both the corporate and retail segments. This trend is expected to continue across all segments over the next six months, in contrast with the negative trend at the regional level.

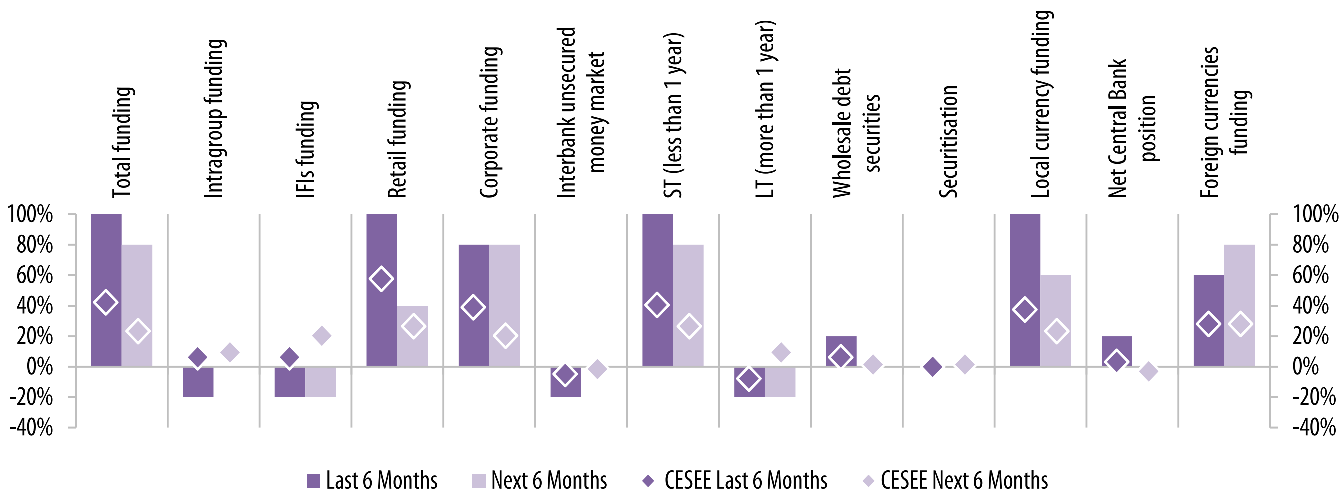


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating decreasing NPL ratios. See Question B.Q8 in the Annex.

Figure 11 Access to funding

Access to funding increased further over the last six months, mainly due to better access to retail and corporate funding. Both local and foreign currency funding increased. A small majority of banks declared a deterioration of intragroup, interbank and international financial institution (IFI) funding. Further improvement in access to total funding is expected in the next six months, driven by the same sources.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Czech Republic

Rapidly rising interest rates and the outbreak of war in Ukraine have started to temper risk appetite and reduced the affordability of loans over the survey period. Over the next six months, credit demand and especially credit supply are expected to soften, particularly for mortgages.

Summary

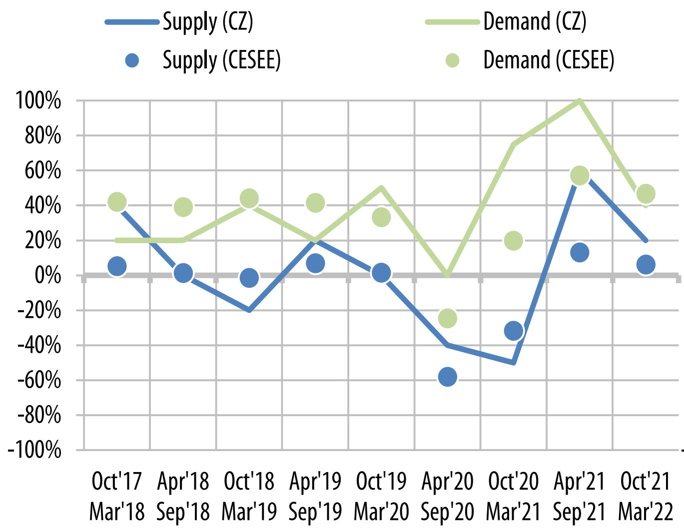
Rapidly rising interest rates and the outbreak of war in Ukraine have started to temper risk appetite and reduced the affordability of loans over the survey period. As inflation surged, the Czech National Bank increased its repo rate from 0.75% to 5% between 30 September 2021 and 31 March 2022. On balance, both the demand for loans and the supply of loans continued to increase during the last six months, but only for a small majority of banks.

Other than for mortgages, most banks report that **demand for loans** increased over the last six months. In contrast to developments elsewhere in Central, Eastern and South-Eastern Europe, demand for mortgages and the quality of mortgage applications declined for a small majority of banks in the Czech Republic, likely reflecting the particularly rapid increase in interest rates. The decline in the demand for mortgages is expected to continue as limits on the loan to value (LTV), debt service to income (DSTI) and debt to income (DTI) credit ratios entered into force in April 2022.

The **supply of loans** has not changed much over the last six months. However, most banks expect to respond to the outbreak of war in Ukraine by tightening their credit standards, particularly for mortgages.

Access to funding does not appear to have changed significantly for banks in the Czech Republic. Funding conditions remain supportive: a majority of banks found it easier to access retail funding in the last six months. They were already largely funded by stable domestic deposits. These developments are similar to those observed in the rest of the region and are not expected to change substantially over the next six months.

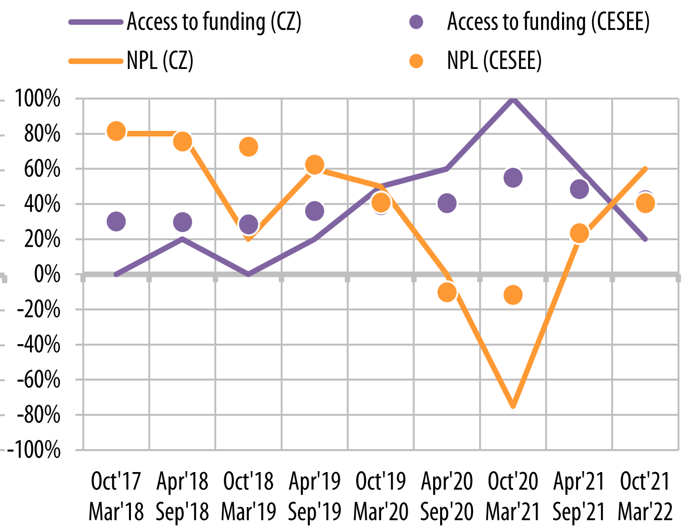
Credit supply and credit demand



Source: EIB – CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB – CESEE Bank Lending Survey.

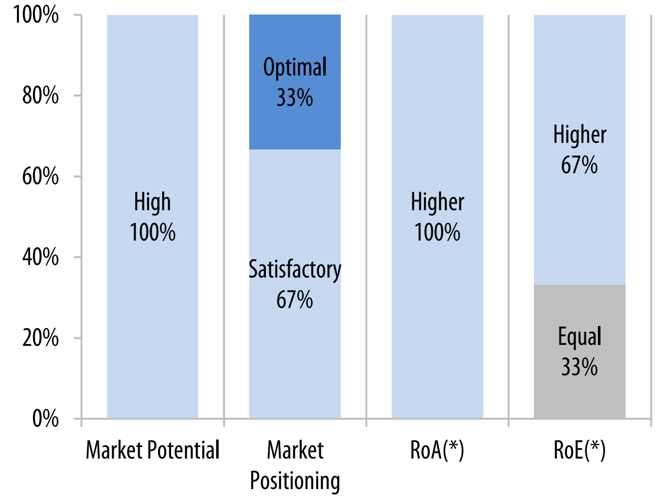
Note: All indicators in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Most banks in the Czech Republic belong to banking groups that are also present in the rest of the region. All parent banks with a presence in the Czech banking market believe that the market's potential is high and see little reason to change their positioning.

Most banks report that returns on assets and on equity are higher in the Czech Republic than within their groups.

Figure 1 **Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

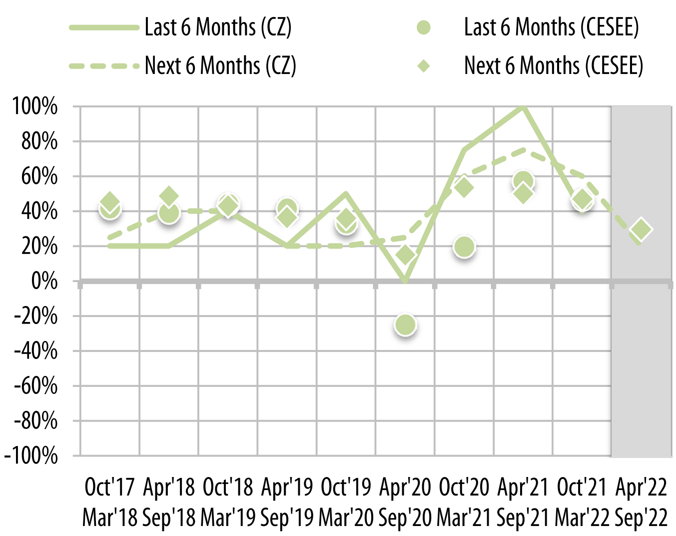
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1.

Bank Lending Survey results — local bank/subsidiary level

Aggregate demand developments

While the share of banks reporting higher demand for loans has declined, most report that demand has expanded over the last six months. This majority is expected to shrink as higher interest rates and increased uncertainty take their toll. The picture is similar in the rest of Central, Eastern and South-Eastern Europe.

Figure 2 **Demand-side developments**

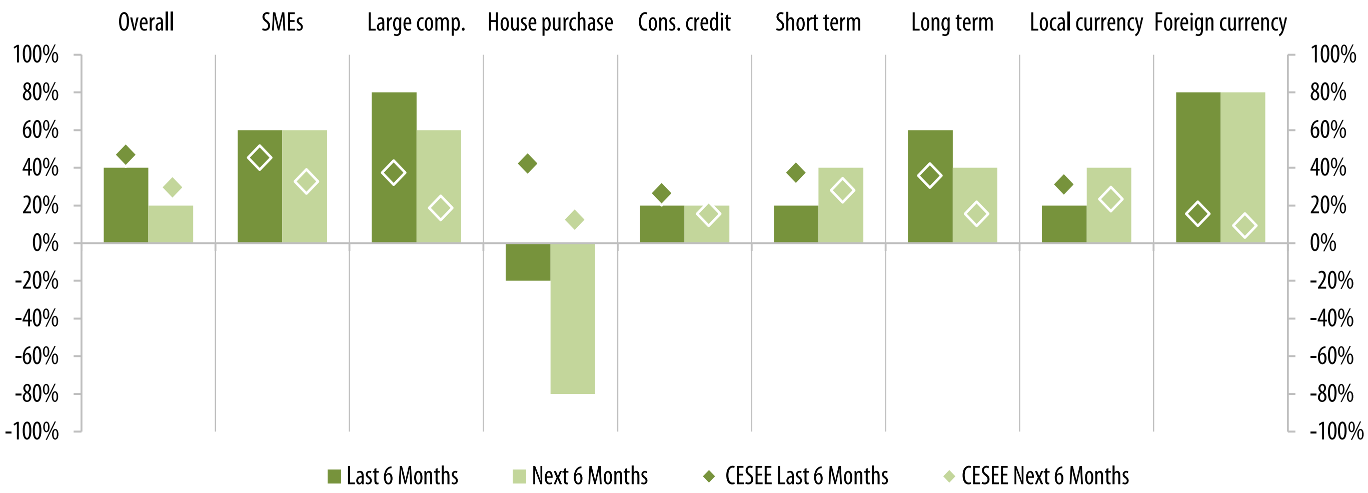


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Other than for mortgages, most banks report that demand for loans has increased over the last six months. In contrast to developments elsewhere in the region, demand for mortgages declined, likely reflecting the particularly rapid rise in interest rates. This decline is likely to continue as limits on the loan to value (LTV), debt service to income (DSTI) and debt to income (DTI) ratios entered into force in April 2022. Relative to their peers in the region, a larger majority of banks in the Czech Republic expects demand for corporate loans, long-term loans and foreign currency loans to continue to increase.

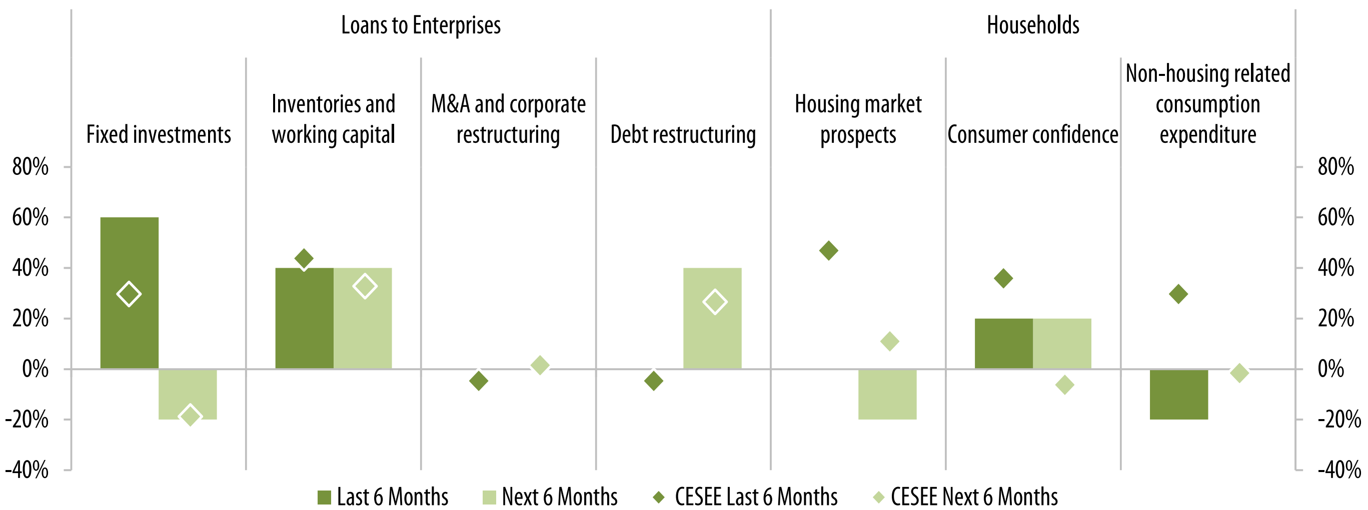


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

While corporate demand for fixed investments and working capital continued to increase for a majority of banks, on balance, demand for loans for mergers and acquisitions and for debt restructuring remained unchanged. The picture for the next six months is somewhat gloomier: demand for fixed investment is expected to fall, while demand for working capital and debt restructuring is expected to increase. Among loans for households, housing market prospects are expected to reduce demand for mortgages.



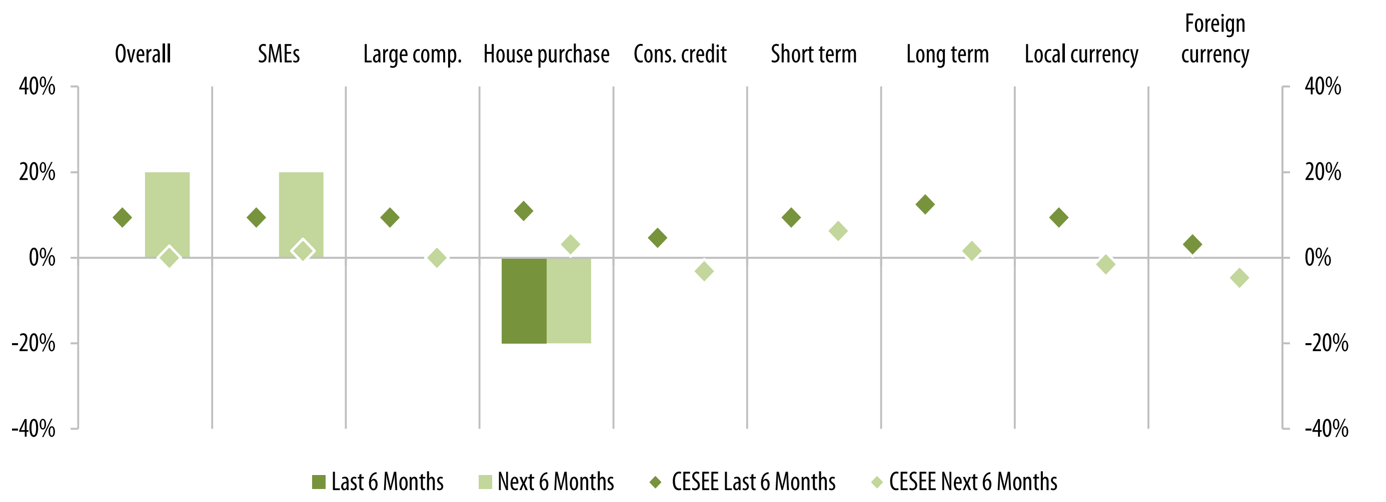
Source: EIB – CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The quality of loan applications does not appear to have changed much over the last six months.

A small majority of banks report a decline in the quality of demand for mortgages and/or expect such a decline over the next six months.



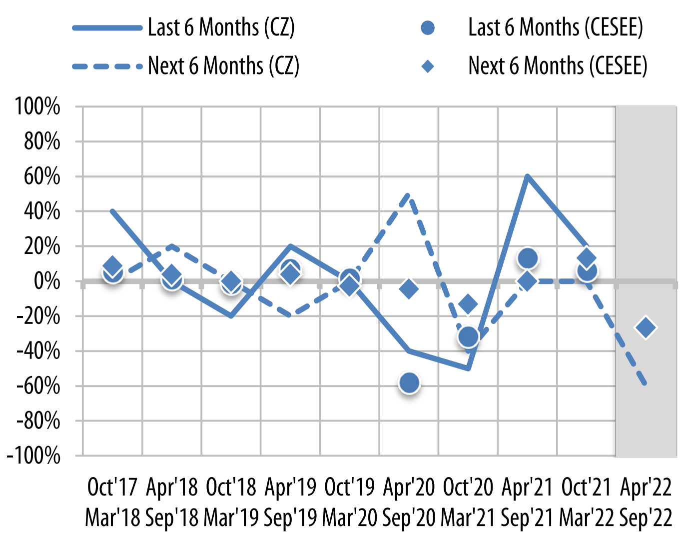
Source: EIB – CESEE Bank Lending Survey.

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

Aggregate supply developments

Over the last six months, the supply of loans did not change much. However, most banks expect to respond to the outbreak of war in Ukraine by tightening their credit standards. This development signals a turning point in supply conditions that is even more accentuated than in the rest of Central, Eastern and South-Eastern Europe.

Figure 6 Supply developments



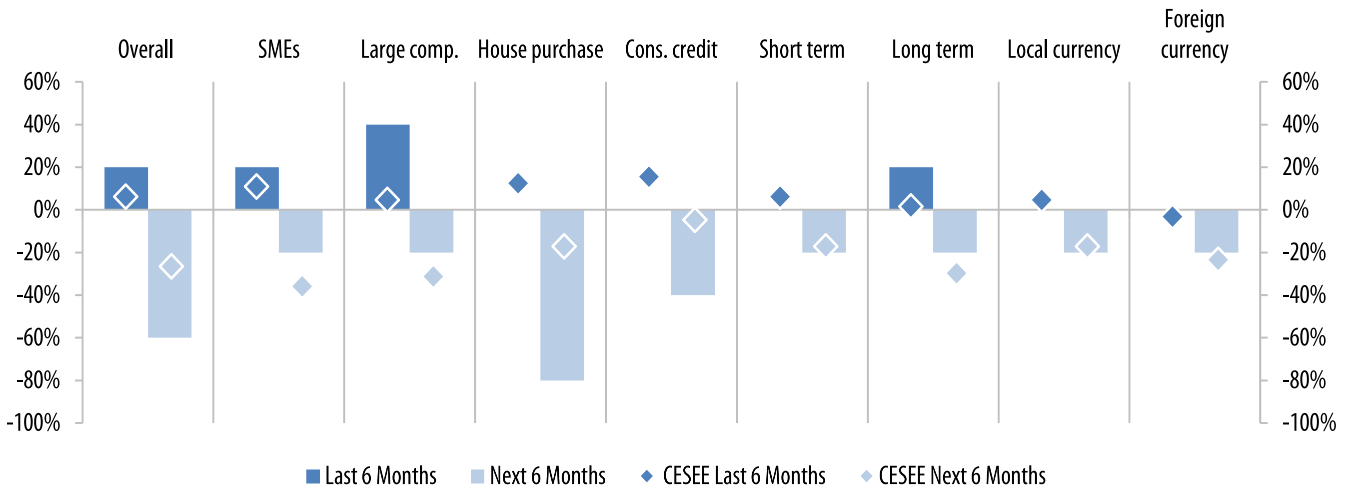
Source: EIB – CESEE Bank Lending Survey.

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

Figure 7 **Supply components and segments**

Across the product spectrum, Czech banks report not having changed their supply of loans much over the last six months. An exception is loans to large corporates, likely reflecting high competition between lenders in this market segment.

In the next six months, most banks expect to tighten their loan supply, as mentioned. The majority of banks that expect to tighten their supply is particularly large in the retail segment, specifically for the supply of mortgages.

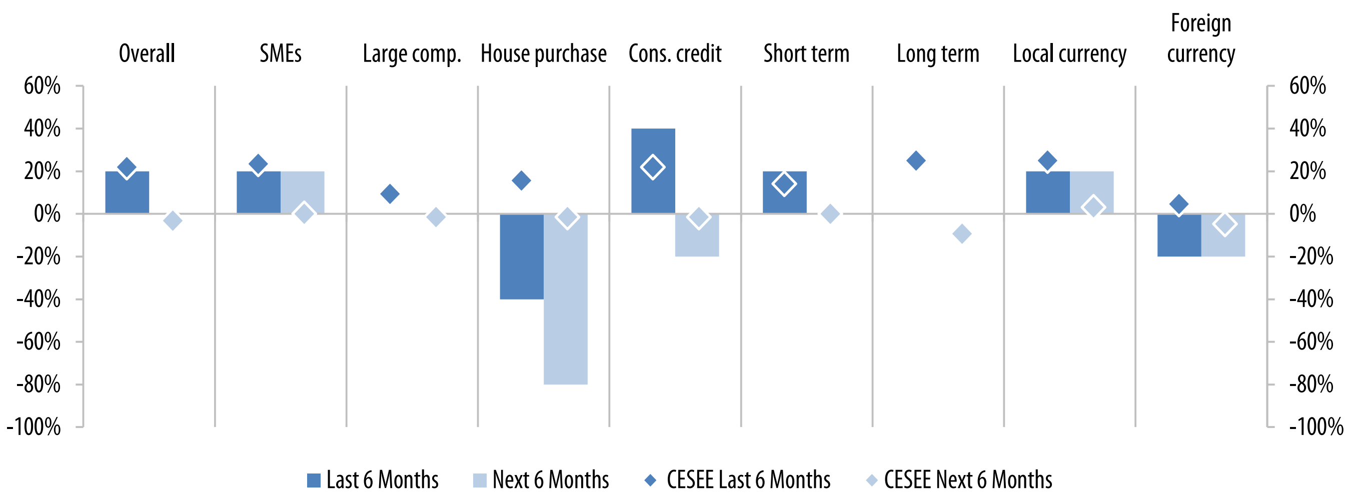


Source: EIB – CESEE Bank Lending Survey.

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

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

Whereas banks report that their approval rates remained broadly stable or improved on average across products, they declined for mortgages and are expected to decline further in an increasing majority of banks. Approval rates for consumer credit, having increased in most banks over the last six months, are also expected to decline in a small majority of banks.

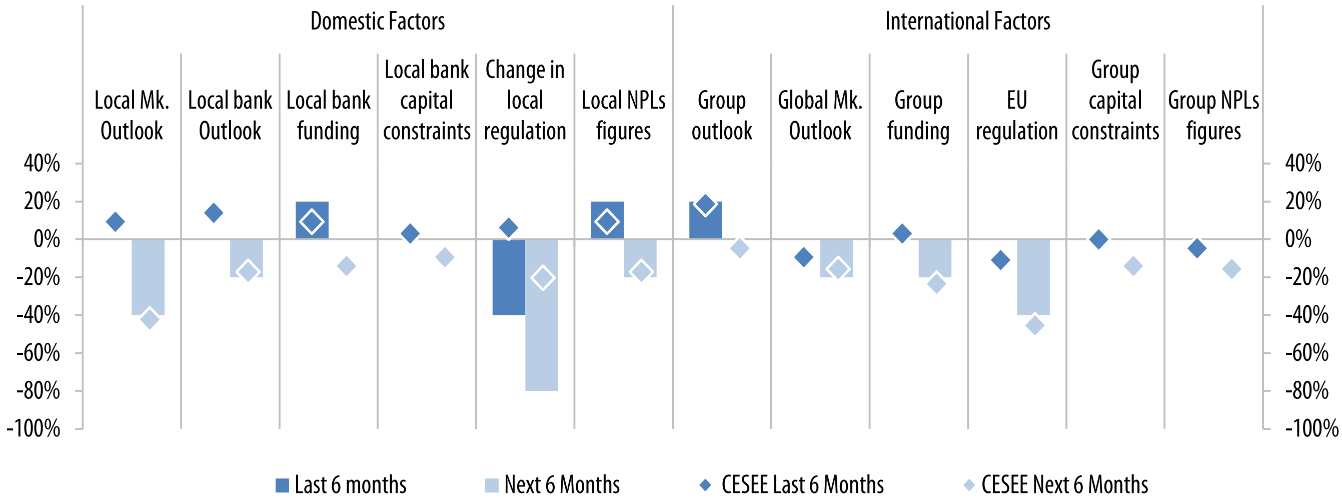


Source: EIB – CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

Over the last six months, none of the usual factors affecting supply conditions appears to have dominated, with the exception of the tightening of prudential regulation. Past and anticipated increases in the countercyclical capital buffer and the anticipation of the introduction of limits on the loan to value, debt service to income and debt to income credit ratios in April 2022 are likely to have dampened loan supply. These regulatory changes are expected to continue to weigh on loan supply. Other factors weakening supply conditions are related to deterioration in the local and global market outlook and group funding.

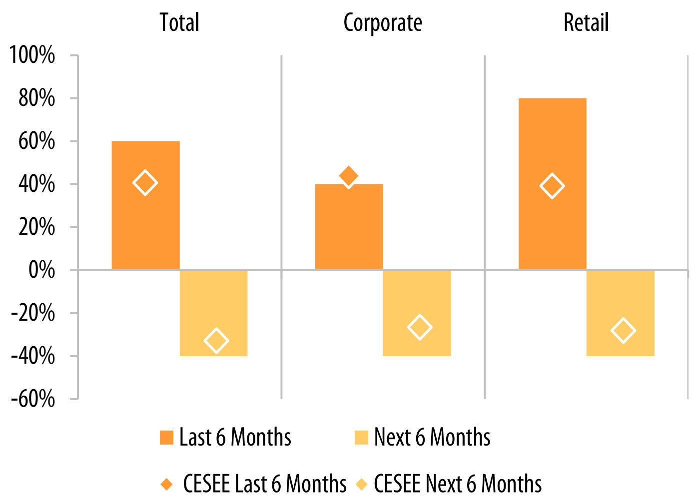


Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Credit quality in the Czech Republic has been improving over the last six months, in line with other countries in the region. However, banks are now signalling a turning point and expecting that non-performing loans will start to grow, both in the corporate and retail segments.

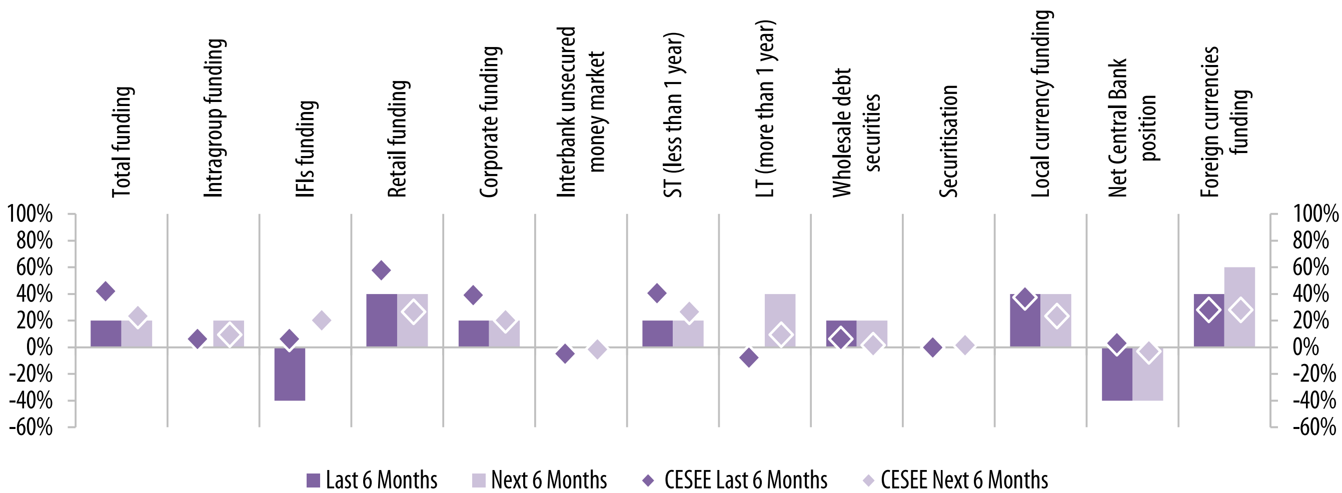


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding does not appear to have changed significantly for banks in the Czech Republic. A majority of banks found it easier to access retail funding over the last six months. They were already largely funded by stable domestic deposits. These developments are similar to those in the rest of the region and are not expected to change substantially over the next six months, as funding is expected to remain supportive, with corporate and retail deposits as the main drivers.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Hungary

Recovering from the COVID-19 pandemic, the Hungarian market has experienced improving credit demand and stagnating supply conditions. Expectations for the next six months indicate unchanged demand but tightening supply conditions and worsening non-performing loan ratios.

Summary

Group assessment of positioning and market potential: Parent banks consider the Hungarian market to have medium to high potential, reflecting an improved outlook compared to earlier survey rounds. Currently, the survey places the country a bit behind the Czech Republic and Bulgaria and slightly ahead of Slovenia, Poland and Romania. Three-quarters of the banking groups find that their position in the Hungarian market is satisfactory, while the remaining one-quarter find their positioning optimal. Risk-adjusted returns on assets and equity are mostly higher in Hungary than elsewhere.

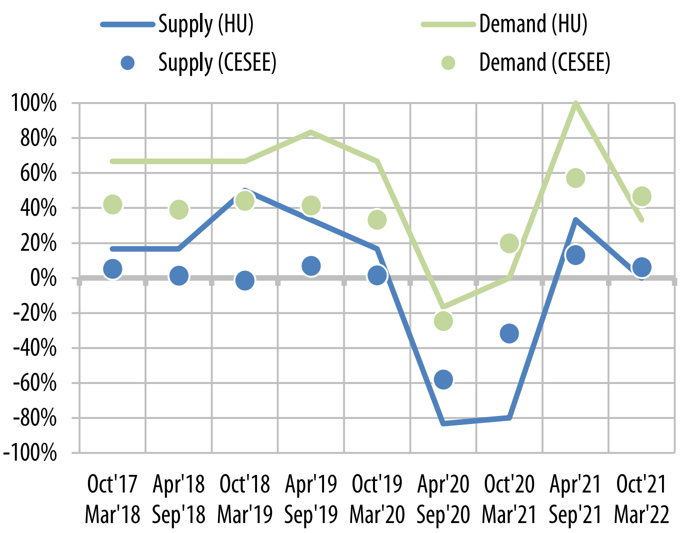
Hungarian banks report that **credit demand increased** in the last six months, along with broadly **unchanged credit supply conditions**.

For the next six months, banks expect a decline in **credit demand** across the board, except for the small businesses segment, which is expected to remain unchanged. **Credit supply** is expected to tighten, signalling a deterioration of credit conditions.

Access to funding: Overall access to funding was adequate, in line with the Central, Eastern and South-Eastern Europe (CESEE) region as a whole, but it is expected to deteriorate.

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

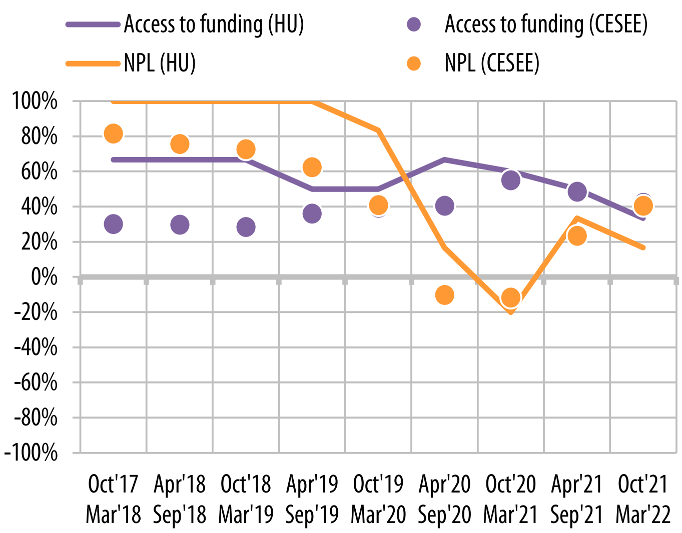
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

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

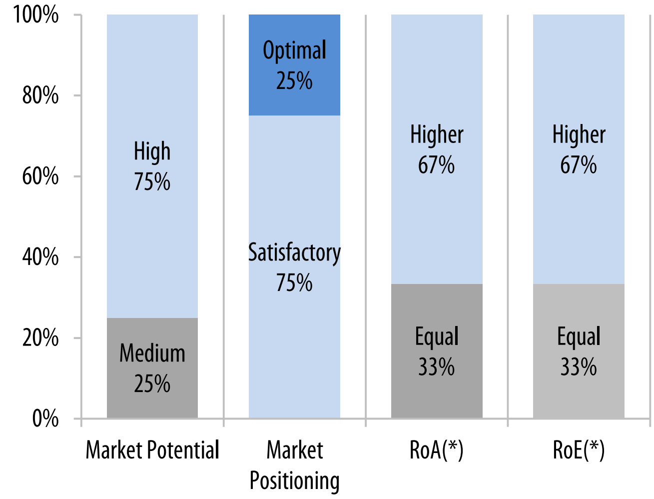
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Many of the parent banks operating in Hungary have a presence in other countries in Central, Eastern and South-Eastern Europe and show commitment to the region. All responding banking groups present in Hungary plan to maintain or selectively expand their operations in the region.

The majority of the parent banks (75%) consider the Hungarian market to have high potential, while 25% consider it to have medium potential. This reflects a somewhat improved outlook compared to the earlier survey round. It puts the country a bit behind the Czech Republic and Bulgaria and slightly ahead of Slovenia, Poland and Romania, according to the survey.

About 75% of the banking groups find that their position in the Hungarian market is satisfactory, 25% find it optimal and none of the groups find their positioning weak. Risk-adjusted returns on assets and equity are mostly higher on average than those seen in other operations.



Source: EIB — CESEE Bank Lending Survey.

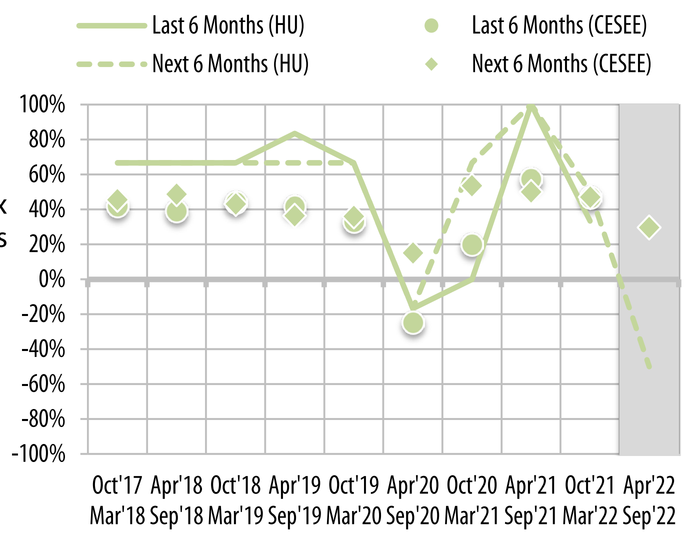
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Hungarian banks reported a smaller increase in credit demand in the last six months, in line with the expectations formulated in the previous editions of the survey. Demand for loans in Hungary corresponds to the levels seen in the rest of the region.

Banks expect a decrease in credit demand for the next six months, which contrasts with the rest of the region's general expectation to see an increase.



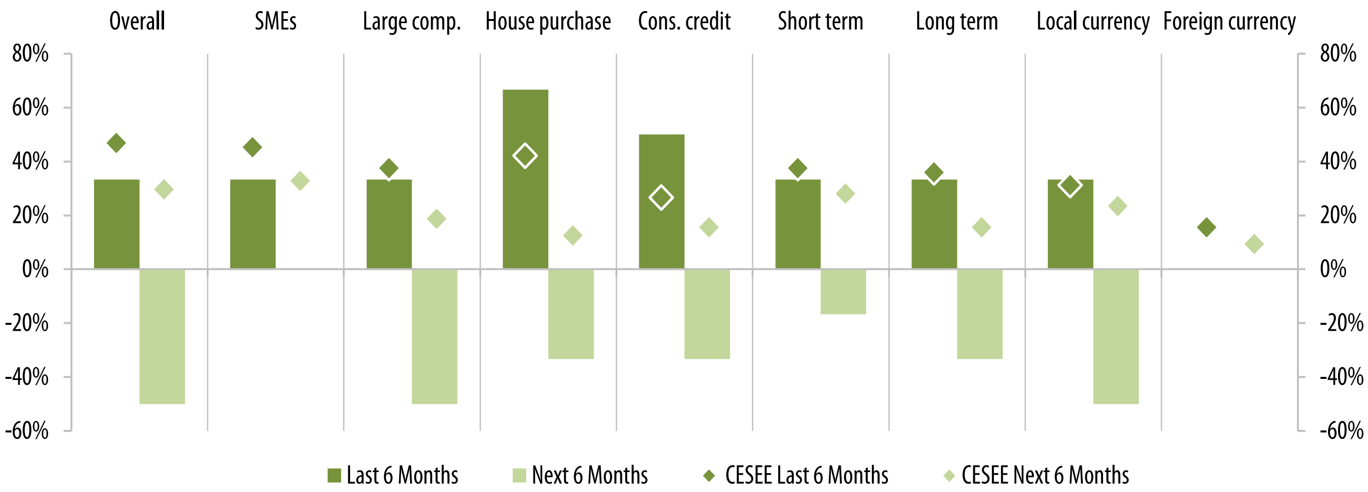
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Loan demand in the last six months increased for all segments, apart from foreign currency lending, which was unchanged. Even consumer credit demand by households, which had been negatively affected by the COVID-19 crisis, expanded. These developments are broadly in line with the overall picture for Central, Eastern and South-Eastern Europe in all segments.

Banks expect a decrease in credit demand in all segments except for small to medium firms and foreign currency. This is in contrast with the rest of the region for all segments, where strong credit demand is still expected.



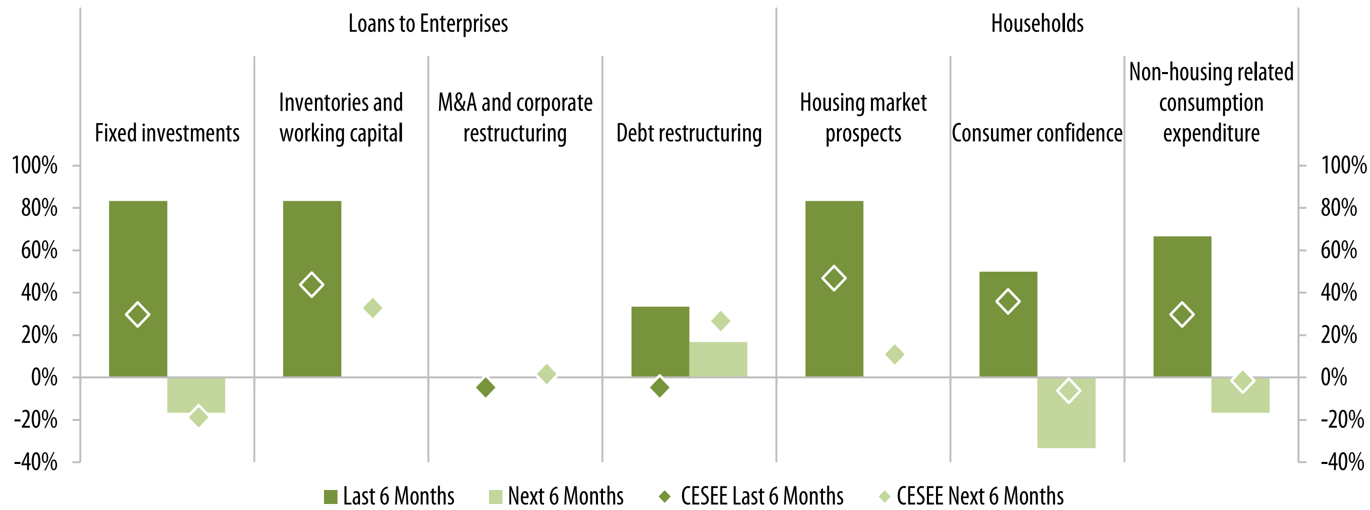
Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

When looking at the individual factors for loan demand in the corporate segment, both investment-related demand and working capital needs remained positive. For households, both housing market prospects and consumer confidence had a positive influence on loan demand.

Fixed investment in the corporate sector, consumer confidence and non-housing consumption expenditure in the household sector are expected to weigh negatively on demand. These expectations are coherent with the overall picture for the region.



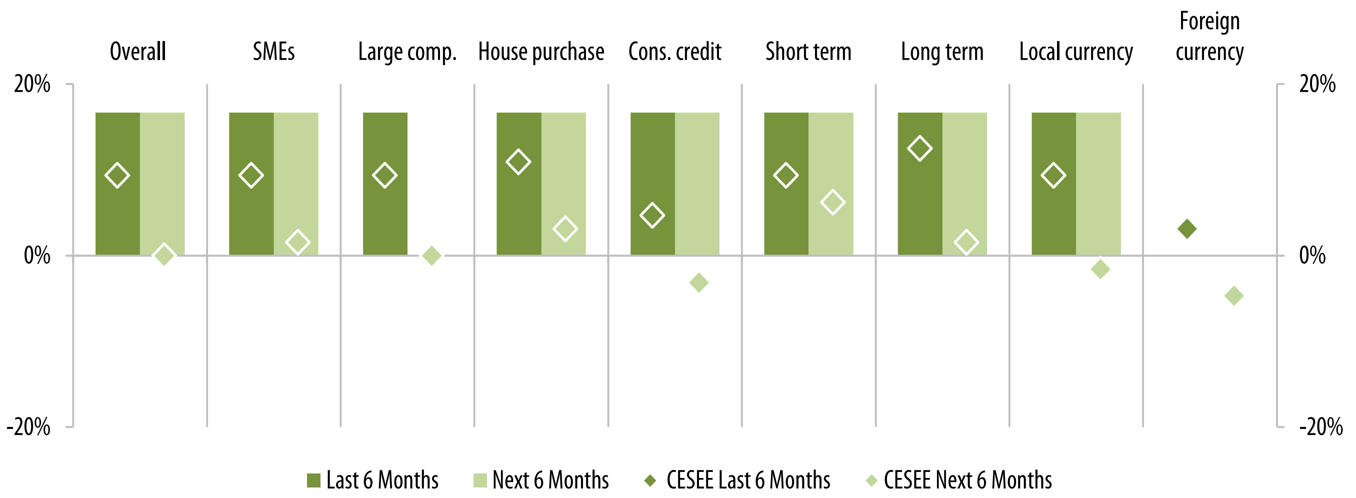
Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The overall perceived quality of loan applications has moderately improved in the last six months and marginally improved for the small businesses sector and for households. The quality of applications stagnated for foreign currency loans.

The quality of loan applications is expected to further improve marginally for all segments except large corporations and foreign currency, where stagnation is expected. Expectations are in line with the overall picture for the region.



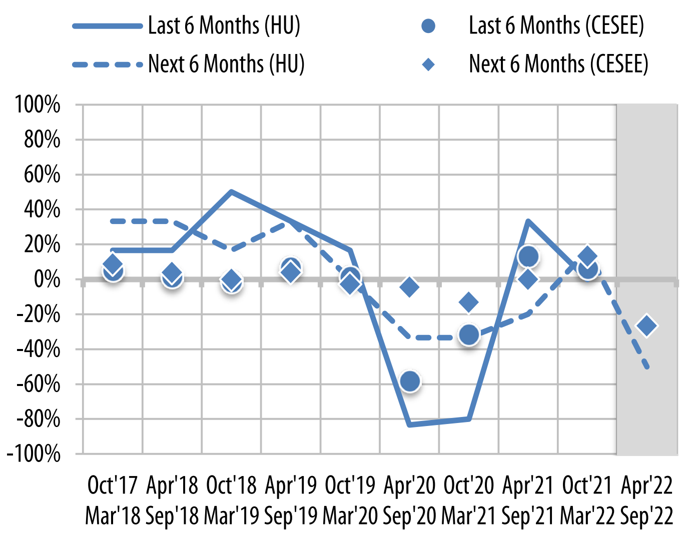
Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Credit supply conditions in Hungary remained unchanged over the last six months, only very slightly below the banks' expectations in the autumn of 2021. The situation is similar for the rest of the region.

Looking ahead, supply is expected to tighten, similar to the regional average, signalling a turning point in banks' credit supply conditions.

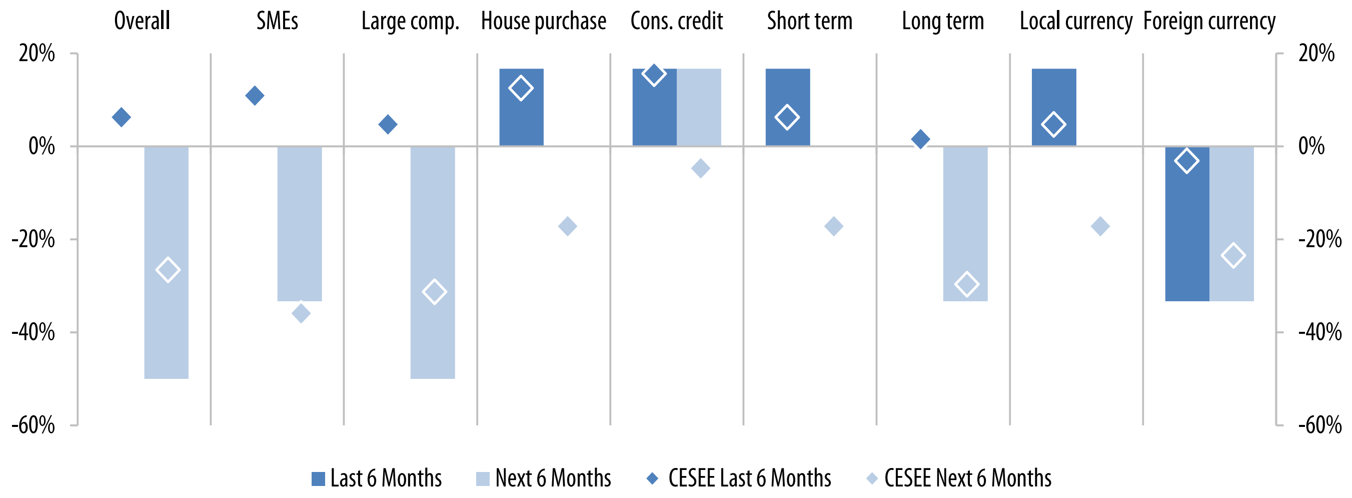


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit supply conditions have slightly stagnated or moderately improved in most segments in the last six months, except for foreign currency loans, where supply conditions worsened. This is broadly in line with the developments elsewhere in the region. Banks project worsening conditions for corporate loans, long-term loans and in the foreign currency segment in the next six months. The negative outlook is in line with the expectations of other banking markets in the region.



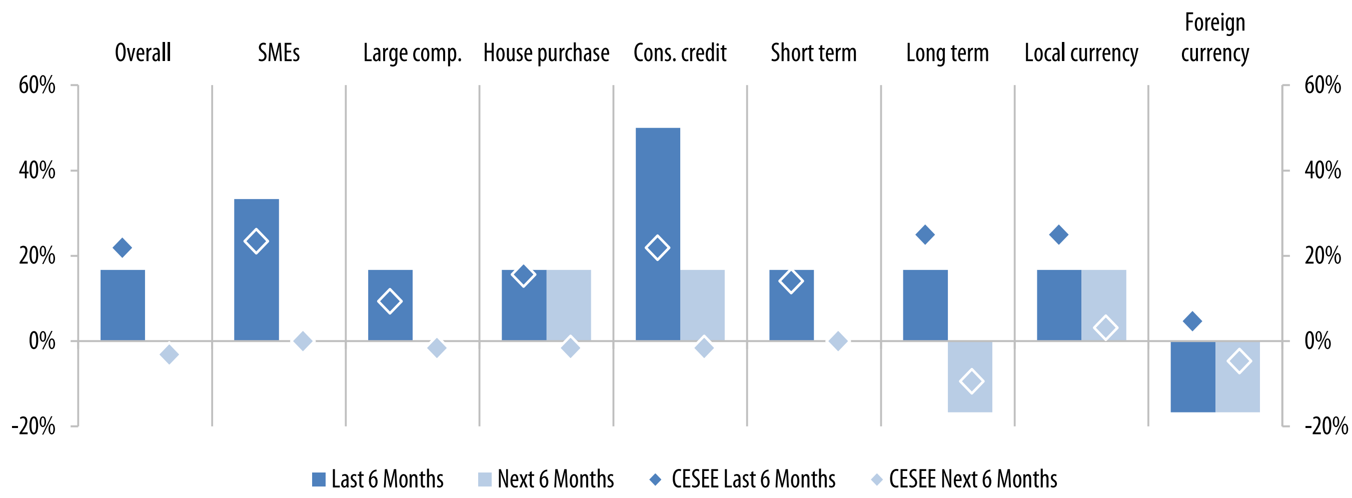
Source: EIB — CESEE Bank Lending Survey.

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

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

The approval rates of credit applications improved for all segments, except for foreign currency loans. The greatest improvement in the last six months was in the consumer credit segment. Approval rates worsened for foreign currency loans. These developments are broadly in line with the rest of the region, though approval rates increased for consumer loans in Hungary more than in the rest of the region.

Approval rates are expected to remain unchanged overall in the next six months, to improve further for both corporates and households and to worsen for long-term loans and for the foreign currency loan segment.

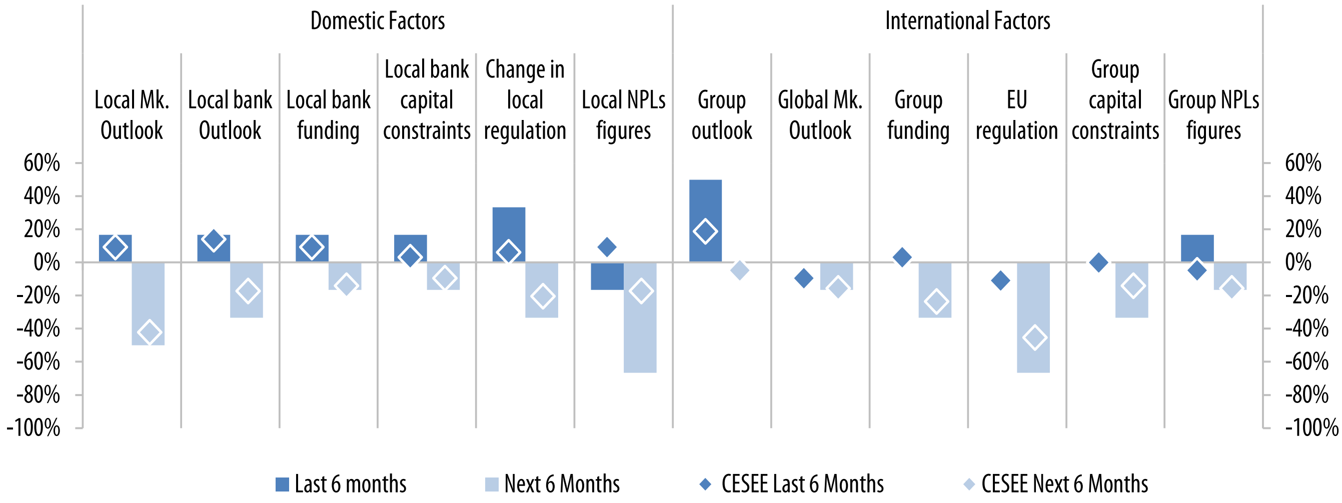


Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

Local bank funding, regulations, capital constraints, local market and bank outlook were the factors that strengthened credit supply, while non-performing loans pushed the banks to take a more cautious stance in the last six months. When it comes to international factors, group outlook and group non-performing loans had a positive impact over that period. Banks are worried that all local and international factors in Hungary will worsen in the next six months, except for the global outlook, where no change is expected.



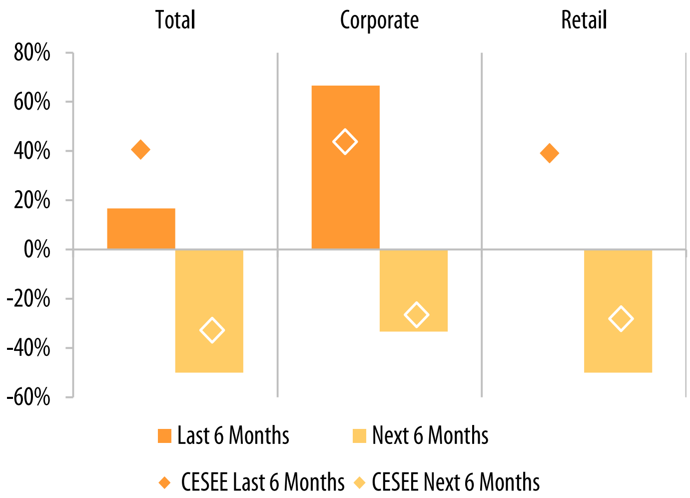
Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Non-performing loan figures in Hungary improved in the corporate segment and remained unchanged in the retail segment over the last six months, according to the banks that participated in the survey.

In the next six months, however, banks expect a dramatic deterioration in the rate of non-performing loans overall. This is in line with the negative outlook for the region.

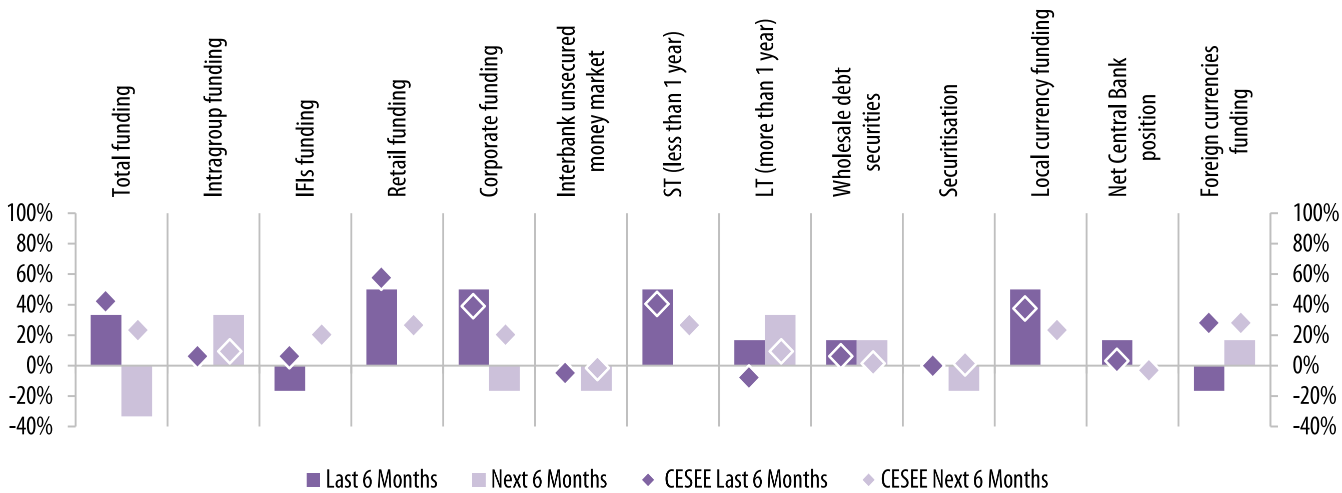


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating decreasing NPL ratios. See Question B.Q8 in the Annex.

Figure 11 Access to funding

In line with developments in the rest of Central, Eastern and South-Eastern Europe, overall access to funding for Hungarian banks has improved over the last six months. The strongest contributors were corporate and retail deposits (with short maturity). Access to foreign currency funding and funding from international financial institutions (IFIs) worsened. However, funding conditions are expected to deteriorate during the next six months.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Kosovo

In the last six months, credit demand and credit supply conditions were encouraging, and the outlook is generally more favourable than in the broader region. Nevertheless, some cooling off is expected, and non-performing loans might increase. Profitability remains strong and market positioning optimal.

Summary

Group assessment of positioning and market potential: The profitability of local banks remains very strong and above levels observed in other countries in Central, Eastern and South-Eastern Europe. All parent banks indicate high profitability for their operations in Kosovo and continue to assess their market positioning as optimal, but say the market potential remains low.

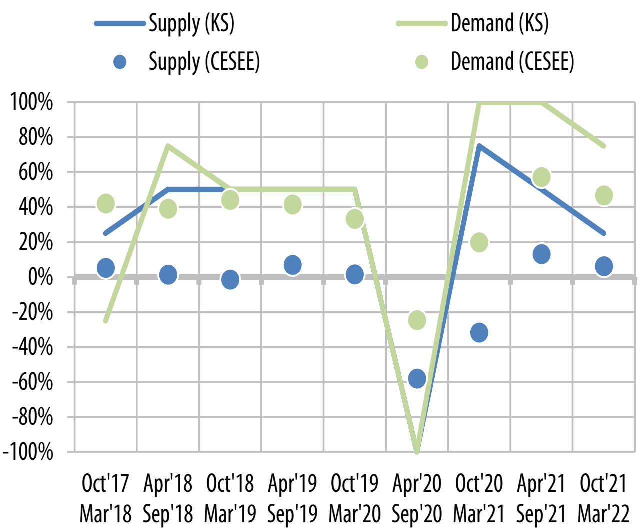
Credit demand was strong in the last six months, remaining above the regional average, and **credit supply** was more supportive. Loan demand and loan supply will likely remain stronger in Kosovo than in the region as a whole.

Credit supply remains favourable in Kosovo and improved again over the last six months. This was the case especially for small to medium-sized businesses, loans for house purchases, and consumer credit. Easing of credit conditions is likely to persist in Kosovo in the next six months.

Demand for loans was robust across all major segments and has been consistently stronger than the regional average for almost two years. Demand is expected to remain stronger than the regional average but to weaken somewhat in both the consumer and corporate sectors.

Access to funding improved in the last six months. Access to retail funding was particularly strong, while access to corporate funding was constrained. Banks are expected to remain more cautious regarding access to funding. As in the previous survey, **non-performing loan** increases have remained limited in Kosovo. However, banks continue to signal a potential increase in NPL ratios in the next six months.

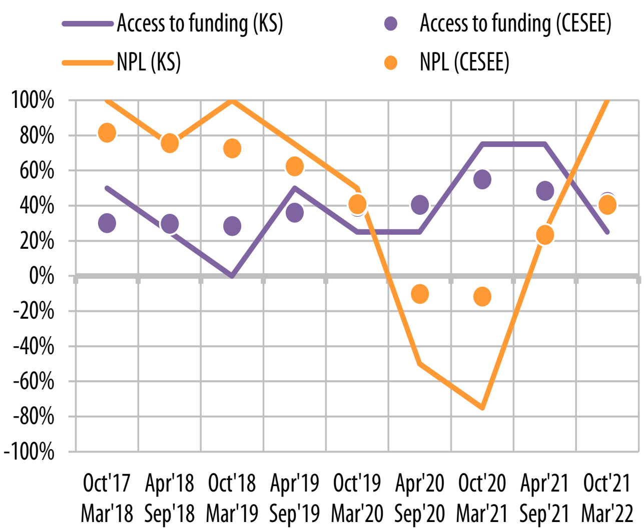
Credit supply and credit demand



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.

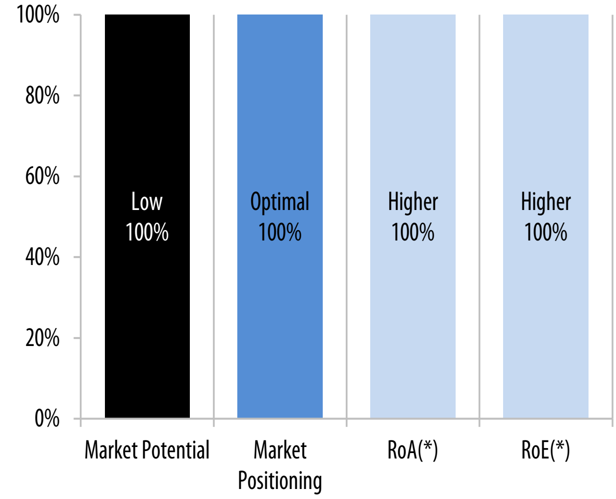
Note: All indicators are in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

As in the previous survey, the profitability of local banks remains very strong and above levels observed in other countries in Central, Eastern and South-Eastern Europe. All parent banks indicate a higher profitability of their operations in Kosovo.

All banks continue to assess their market positioning as optimal, but say that the market potential is low.



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.

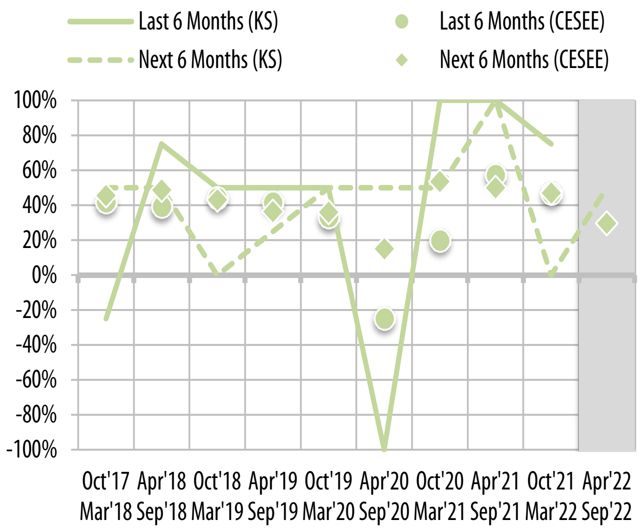
Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Credit demand was very strong in Kosovo over the last six months, remaining well above the regional average. For the next six months, loan demand is likely to remain above the regional average.

Following a recovery of 9.5% in 2021, economic growth is expected to moderate in the next two years. According to the April 2022 International Monetary Fund's World Economic Outlook, the country's gross domestic product will grow 2.8% in 2022 and 3.9% in 2023.

Growth moderation is likely to cool off part of the loan demand, which will nevertheless remain solid under the baseline growth scenario.

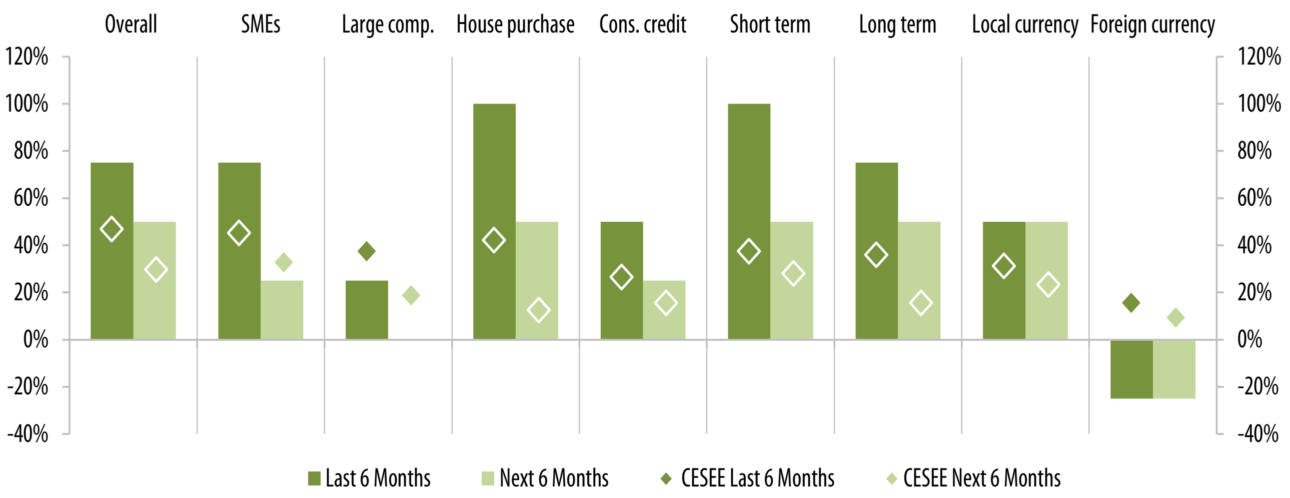


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Credit demand was strong across all major segments and consistently above the regional average for almost two years. Only demand for foreign currency loans was weak. In the corporate sector, loan demand was particularly driven by the small to medium-sized enterprise sector, while in the household segment, demand for house purchases remained very robust. Banks in Kosovo expect credit demand to remain above the regional average but weaken somewhat in both the corporate and household sectors. Demand from large corporates in particular is likely to move more into a neutral territory in the next six months.



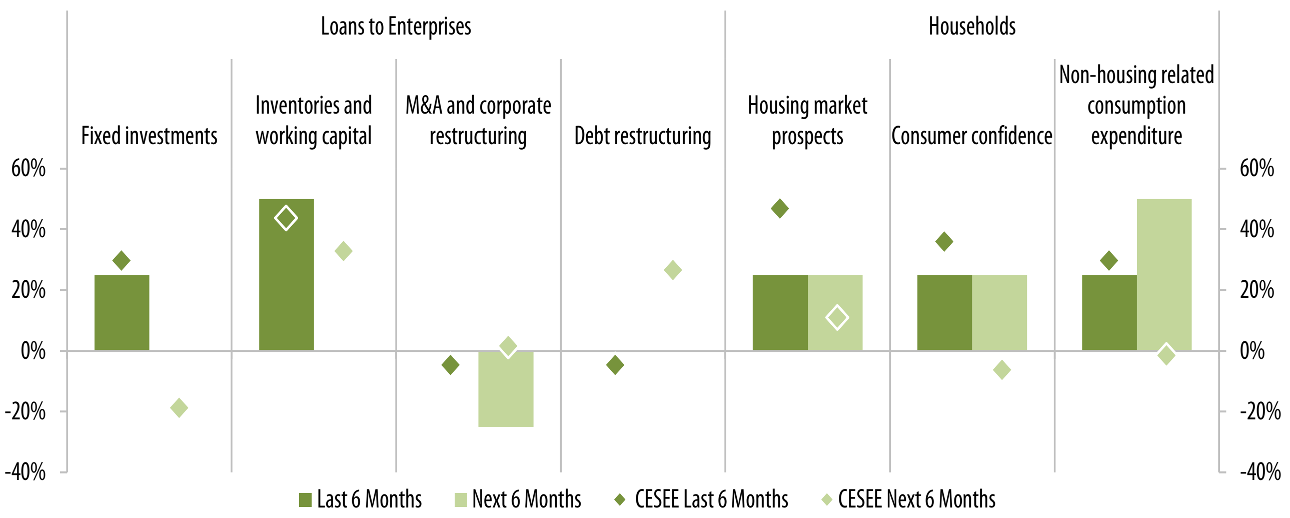
Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Short-term liquidity needs (inventories and working capital), as well as loans for fixed investments, were the major factors contributing positively to demand on the corporate side in this survey. For households, demand was supported by all three subcomponents (housing, consumer confidence and consumption expenditures) but by less than in the regional aggregate.

In the next six months, demand is expected to remain strong in the household sector but move into more neutral territory regarding loans to enterprises.



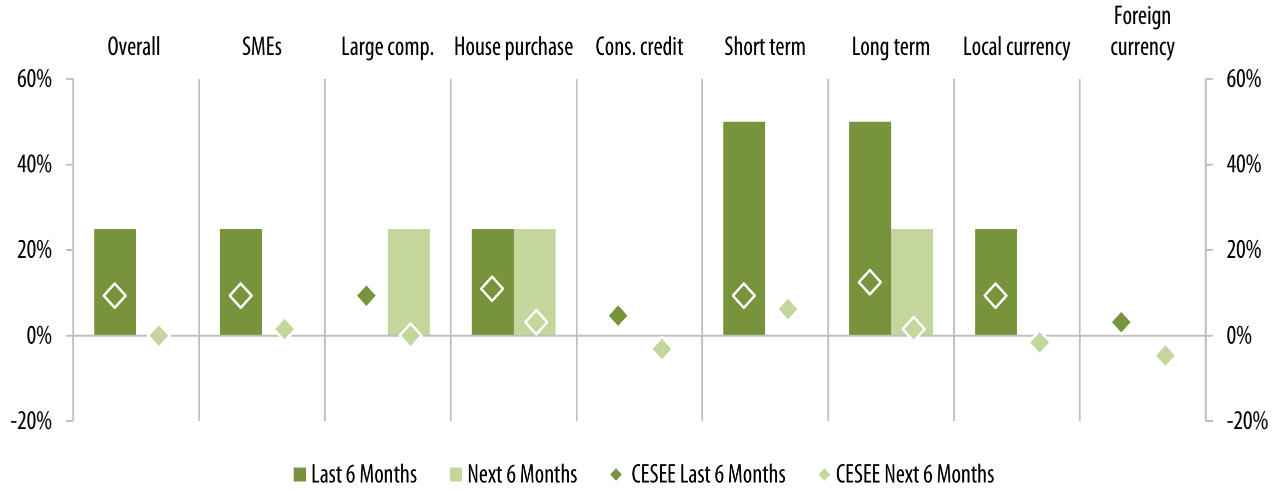
Source: EIB – CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

In Kosovo, the quality of loan applications was strong and above the regional average over the last six months, in particular for small businesses and for house purchases. On the other hand, quality remained broadly unchanged for large corporations and consumer credit.

In the next six months, the outlook is expected to be aligned with the regional average, apart from for large corporates and house purchases, where quality is expected to improve.

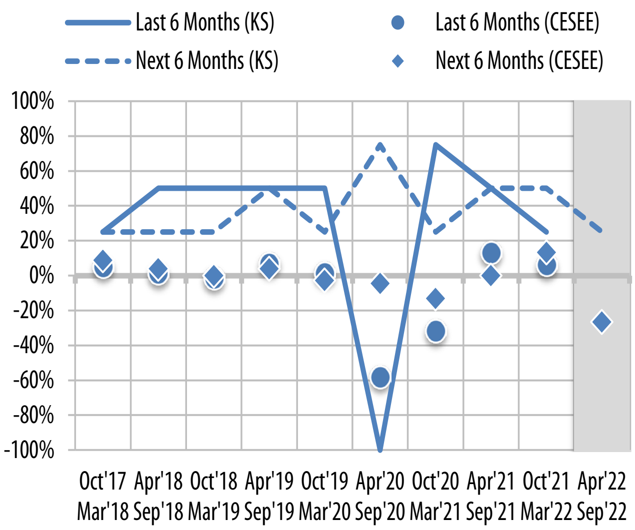


Source: EIB – CESEE Bank Lending Survey

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

Figure 6 Aggregate supply developments

Credit supply conditions remained rather favourable in Kosovo over the past three quarters. However, unlike trends in the region, banks expect a further easing of credit supply in Kosovo.



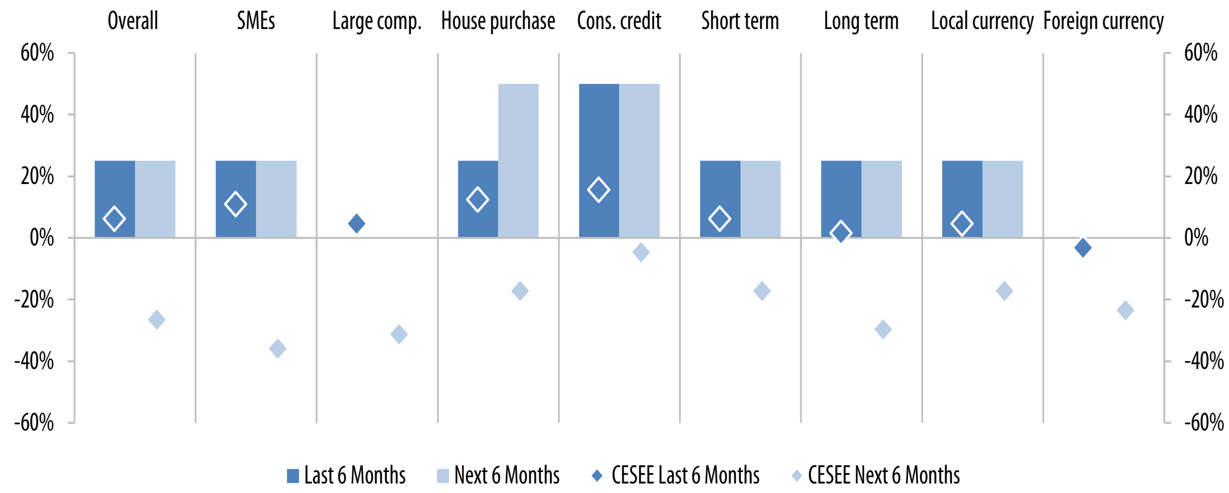
Source: EIB – CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

As in the previous survey, supply conditions remained favourable in Kosovo and improved again over the last six months. These developments were particularly driven by the small to medium-sized business sector, the supply of loans for house purchases and consumer credit.

As previously mentioned, contrary to the broader regional trends, the easing of supply conditions is likely to persist in Kosovo in the next six months, and this outlook is expected to again be driven by softening conditions for small businesses and both consumer segments. Supply conditions are expected to remain supportive for both maturity segments.



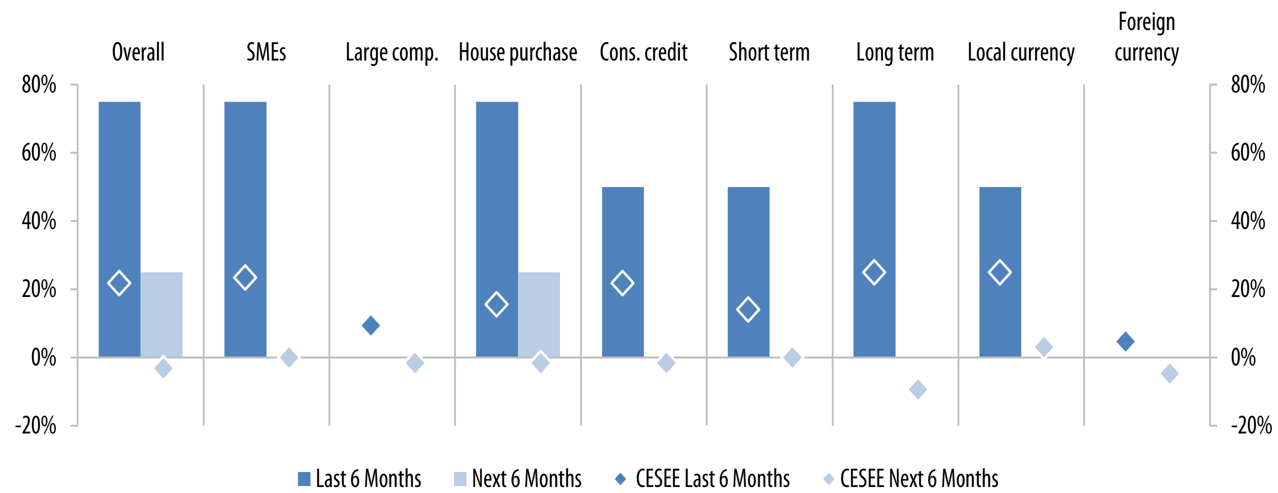
Source: EIB – CESEE Bank Lending Survey.

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

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

As in previous surveys, the overall bank approval rate for loan applications in Kosovo improved considerably in the last six months and remains well above the regional average. Approval rates were particularly strong for small to medium-sized businesses and house purchases, whereas they were broadly neutral for large corporates.

Over the next six months, approval rates are expected to remain above the regional average, but some cooling off is expected for small firms, as well as for house purchases and consumer credit.



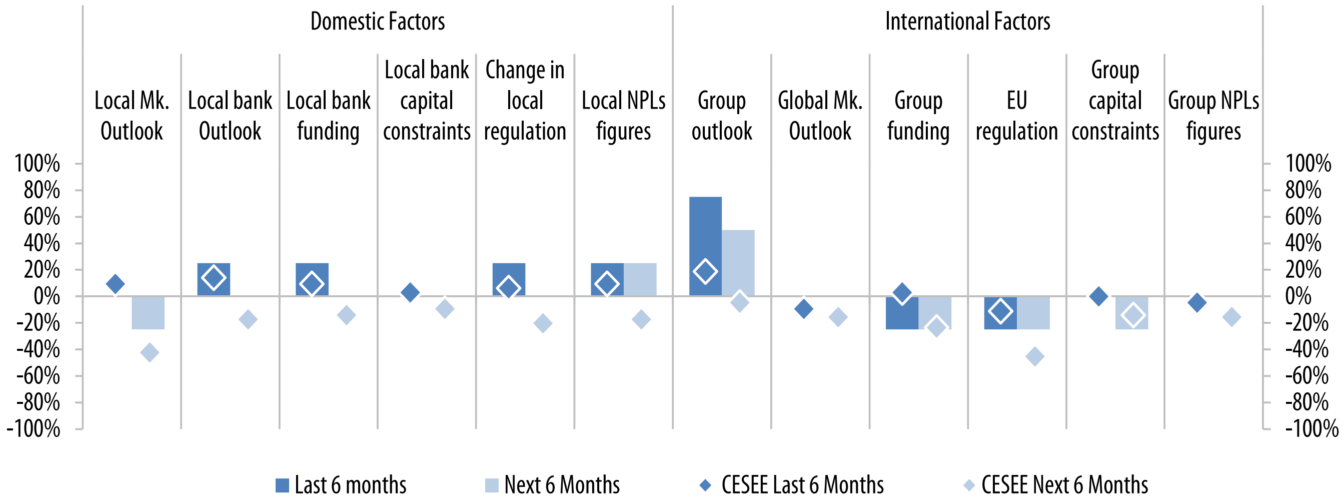
Source: EIB – CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

Apart from group funding and EU regulation, all factors were considered either supportive or neutral for the supply-side developments over the last six months. The group outlook was the most significant supportive factor in this respect.

Most of the factors are expected to be more neutral (not having a positive or negative contribution to supply conditions) in the next six months, with local market outlook, group funding, EU regulation and group capital constraints being the most pressing.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Broadly supporting the macroeconomic data, non-performing loan ratios mostly declined in Kosovo in the last six months. The decline was driven by both the corporate and retail sectors.

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

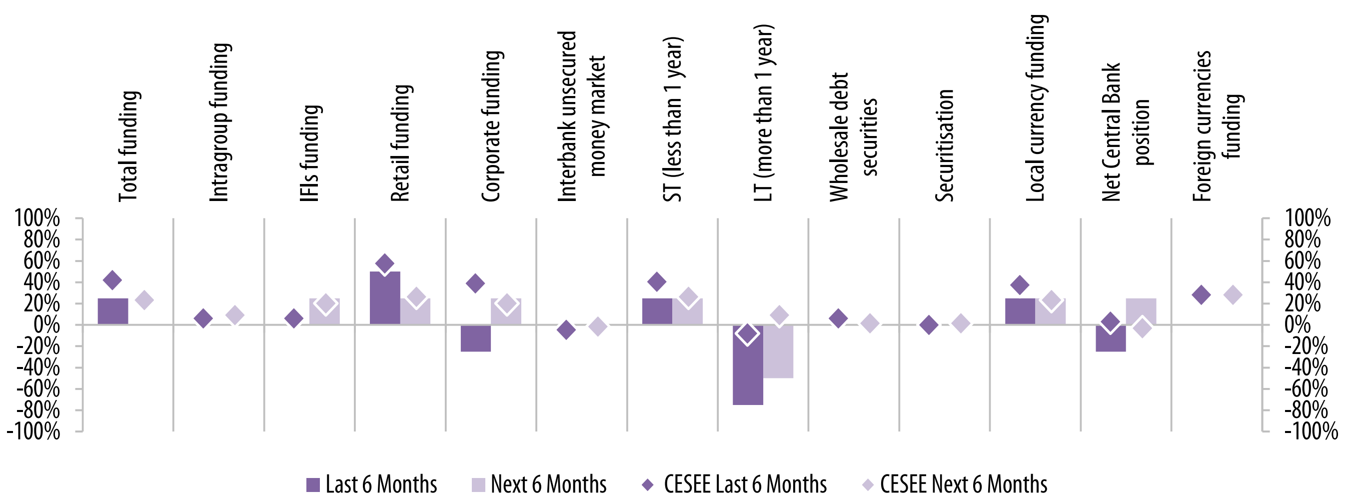
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding further improved in Kosovo over the last six months, especially thanks to retail funding (in other words, higher deposits), while access to corporate funding was constrained. Access to short-term funding continued to improve although it was substantially deteriorating in the long-term segment.

Banks remain more cautious regarding access to funding in the next six months, particularly regarding the longer-term segment.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

North Macedonia

While loan demand remained generally unchanged, supply conditions again deteriorated over the last six months, particularly for small to medium-sized firms. Banks expect a more robust demand in the next six months, but the supply side is likely to deteriorate, with potential increases in non-performing loans.

Summary

Group assessment of positioning and market potential: Confirming the results of the previous survey, the parent banking groups regarded their current market positioning as either satisfactory (50%) or optimal (50%). In a similar vein, the market potential was assessed as either medium (50%) or high (50%). The profitability profile also remained unchanged, with most banks seeing return on assets (RoA) and return on equity (RoE) as equal (50%) or higher (50%) compared to the overall group profitability.

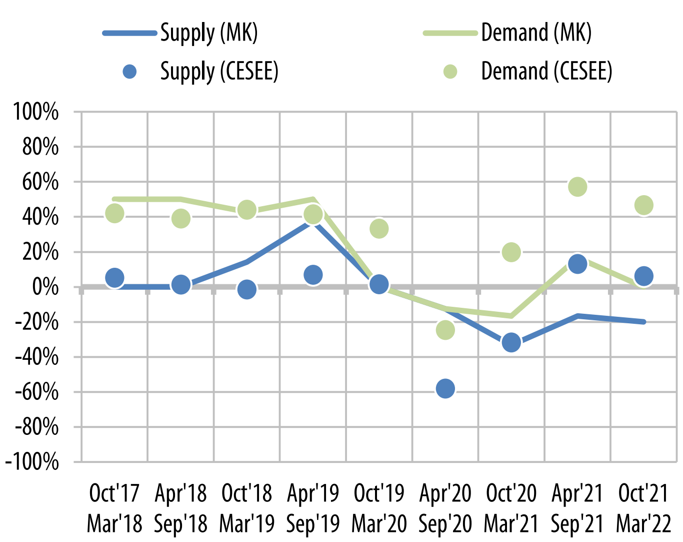
Credit demand conditions were generally unchanged over the last six months, although they were still improving in the Central, Eastern and South-Eastern Europe region overall. However, banks in North Macedonia expect a strong increase in demand in the next six months in both the consumer and corporate segments. The quality of loan applications also did not change much in the country in the last six months, while it improved in the regional aggregate. This trend is likely to reverse in the next six months.

As in the previous survey, **credit supply conditions** tightened again over the last six months, and are likely to continue tightening in the next six months, particularly for small companies. Banks' overall loan approval rates improved over the last six months, consistent with the regional aggregate, but not for small to medium-sized firms, for which they declined.

Access to funding improved strongly over the last six months, above the regional average. Retail funding and corporate funding were particularly robust. Access to funding is expected to remain rather favourable.

The non-performing loan ratios remained unchanged in the last six months, but banks predict an increase in the next six months.

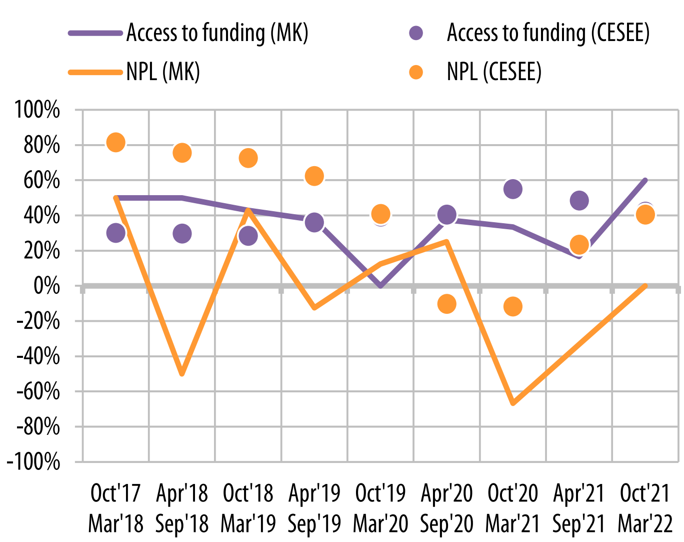
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages. Supply/demand: Positive figures refer to increasing (easing) demand (supply).

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

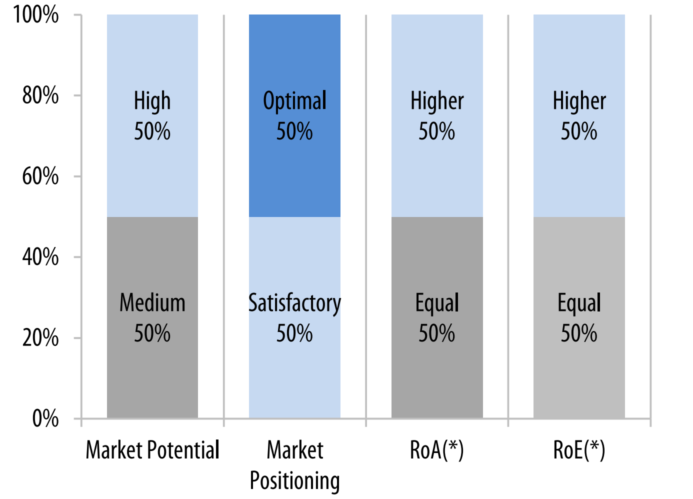
Note: The chart shows net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL. ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

As in the previous survey, the parent banking groups operating in North Macedonia perceived their current market positioning as either satisfactory (50%) or optimal (50%). Similarly, the assessment of market potential was favourable and remains unchanged when compared to the previous survey, at medium (50%) or high (50%).

Banks also reported equal (50%) or higher (50%) RoA and RoE when compared to the overall group profitability.



Source: EIB – CESEE Bank Lending Survey.

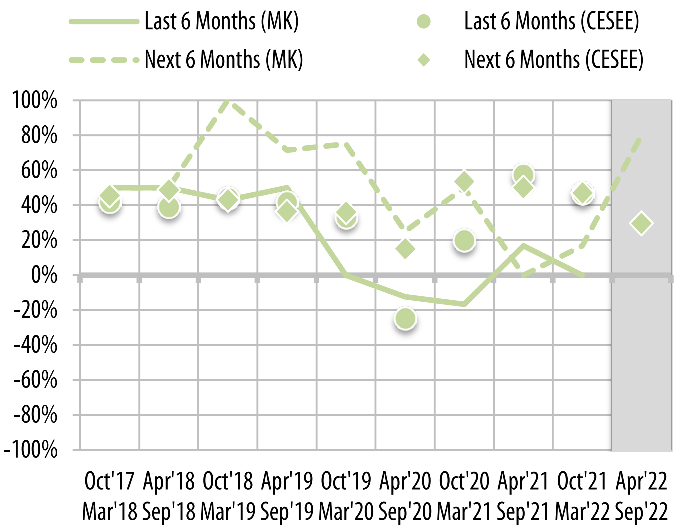
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Credit demand conditions were practically unchanged over the last six months in North Macedonia, while they were still improving in the Central, Eastern and South-Eastern Europe region overall. However, demand is expected to pick up more substantially in the next six months.

Gross domestic product (GDP) increased by 4.0% in 2021, but did not yet return to the pre-pandemic level of economic activity. GDP growth is projected to soften somewhat, reaching 3.2% this year and 2.7% in 2023 (according to the International Monetary Fund's World Economic Outlook, April 2022). Such developments will only modestly support demand from households and corporates.

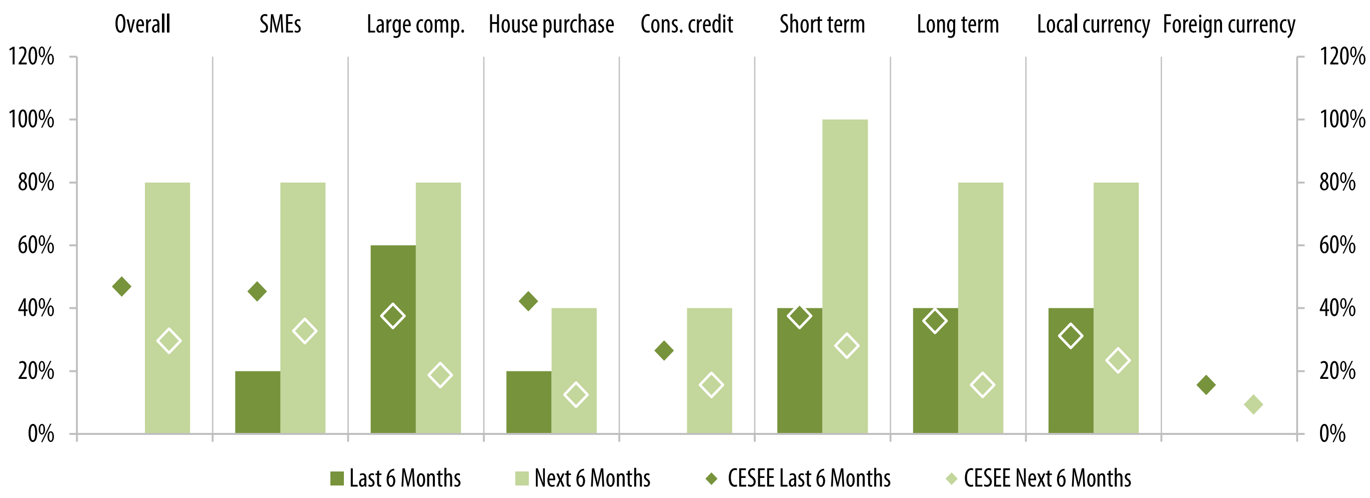


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Overall, credit demand in North Macedonia was rather muted over the last six months, while banks are more optimistic regarding demand developments for the next six months. Looking at the last six months, demand from corporates was rather strong, but less robust from small to medium-sized businesses. On the consumer side, it remained supportive only for house purchases. In the next six months, a rebound in credit demand will be driven by the corporate segment, both for small firms and large corporates. Demand for consumer credit is also expected to pick up.

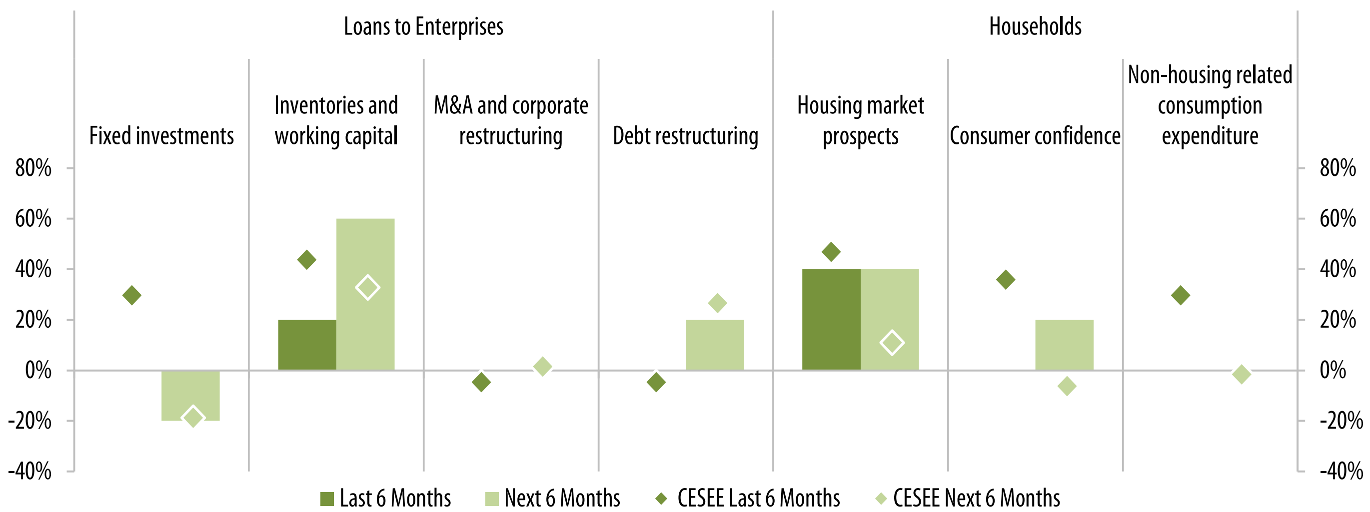


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

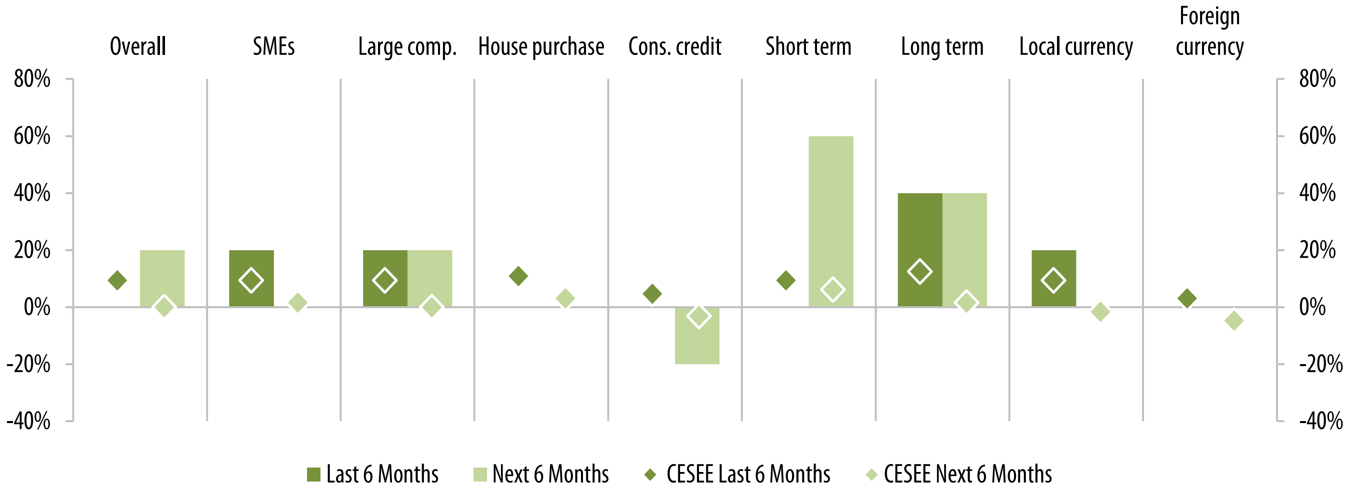
Demand for fixed investment loans, mergers and acquisitions (M&A), and corporate restructuring, as well as for debt restructuring, remained broadly unchanged over the last six months. As such, demand was driven mostly by housing market prospects and loans for inventories and firms' liquidity needs (in other words, working capital). In the next six months, banks expect a declining demand for loans for fixed investments, while loans for inventories and working capital will remain supportive. Debt restructuring and consumer confidence are also expected to remain supportive.



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

Figure 5 Quality of loan applications

Banks in North Macedonia did not signal, on average, a change in the quality of loan applications over the last six months. The quality of loan applications is expected to improve in the next six months, driven by large corporates in the long-term segment. The quality of loan applications for consumer credit is likely to deteriorate somewhat.

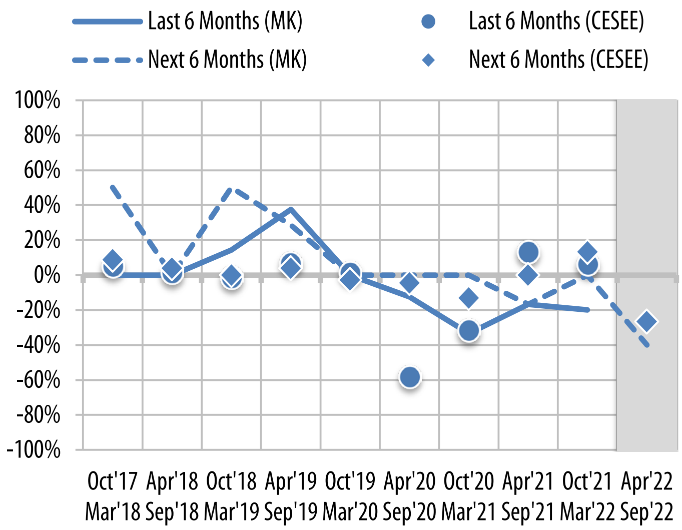


Source: EIB – CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Unlike the regional average, and in line with the previous survey, credit standards in North Macedonia tightened again over the last six months. The supply-side conditions are likely to deteriorate further in the next six months, more than the regional average.

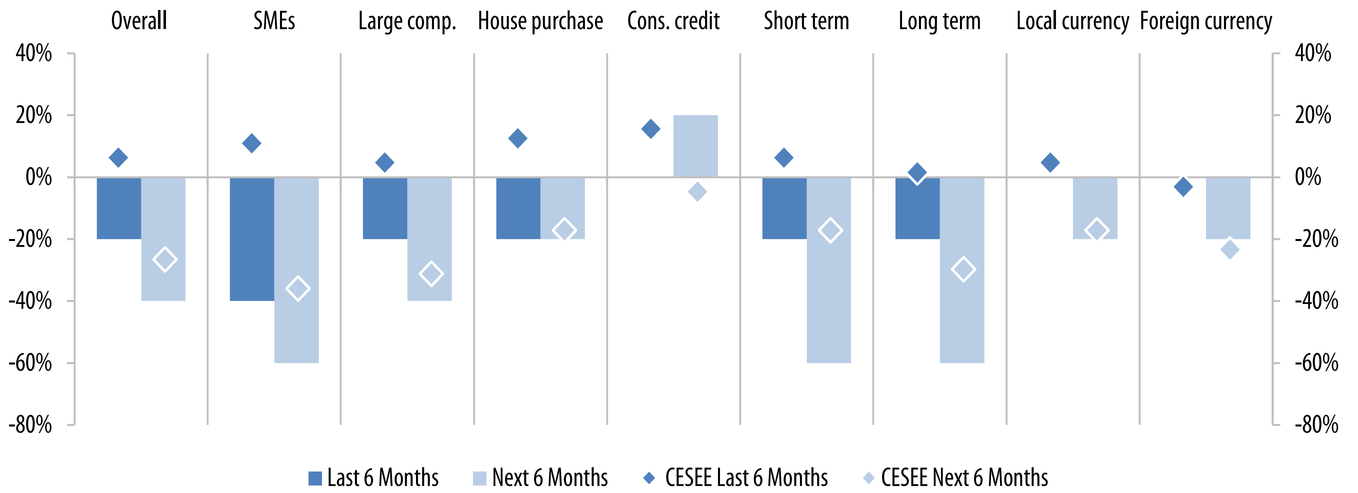


Source: EIB – CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit standards tightened for all corporate segments over the last six months and were particularly constrained for small businesses. They became tenser for house purchases as well, but were broadly unchanged for consumer credit. In the next six months, supply conditions are expected to tighten more significantly in North Macedonia than in the Central, Eastern and South-Eastern Europe region as a whole, particularly for small companies. On the other hand, some softening is expected for consumer credit, which seems less likely in the regional aggregate. A general tightening is expected in both the short- and long-term segments and across both currency profiles.

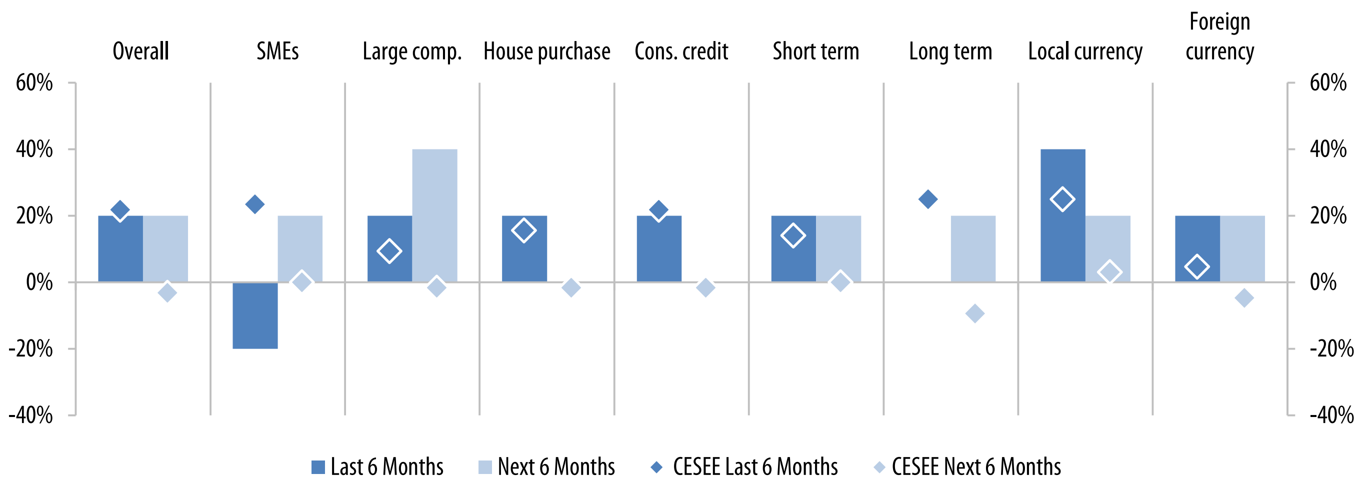


Source: EIB – CESEE Bank Lending Survey.

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

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

Overall, bank loan approval rates improved on average over the last six months, consistent with the regional aggregate. While approval rates declined for small to medium-sized firms in North Macedonia, they remained firmly positive across other segments, particularly for large corporates. A notable exception to these developments is long-term funding, where approval rates were unchanged. Approval rates are likely to remain above the regional average in the next six months. Banks predict increases for the corporate segment, but are more conservative regarding the household segment.

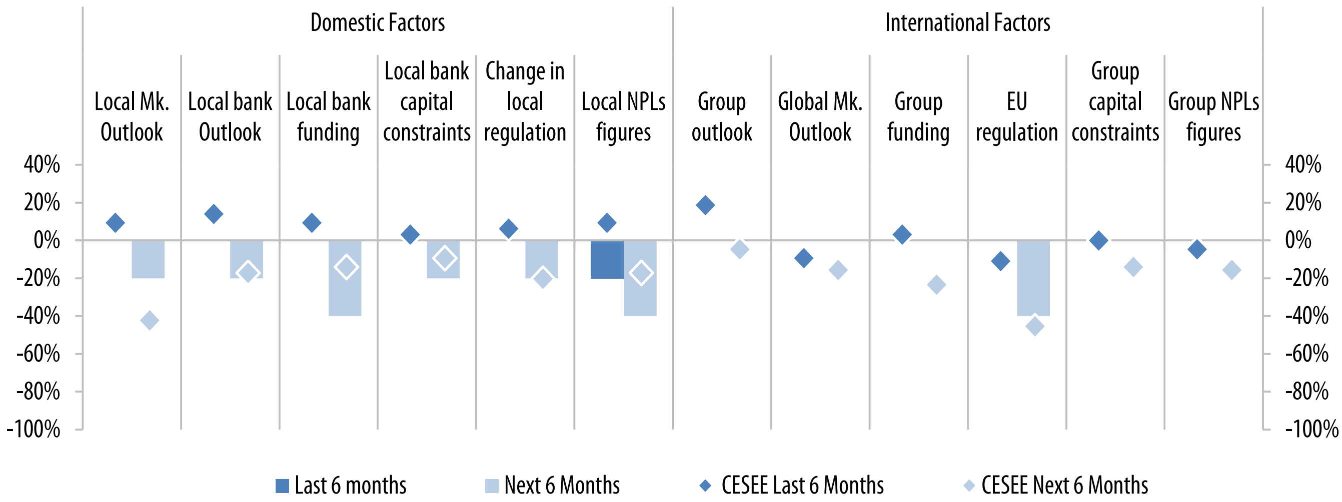


Source: EIB – CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

The main domestic and international factors were broadly unchanged in terms of their influence on supply conditions, apart from the negative impact related to concerns over local non-performing loans. As mentioned, in the next six months, supply conditions are expected to tighten more significantly in North Macedonia than in the region as a whole. Among the domestic factors, local bank funding and non-performing loans are the main drivers for this negative development. Among the international factors, North Macedonian banks mention the effects of EU regulation.



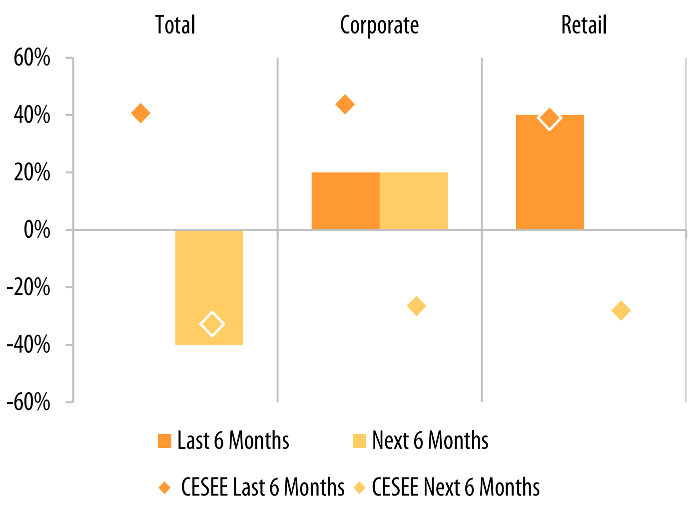
Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Unlike the regional average, and broadly confirming the macroeconomic data, the overall non-performing loan ratio did not change much in North Macedonia over the last six months. Nevertheless, banks signalled some improvements in the corporate and retail sectors, which is more consistent with the regional results.

Banks in North Macedonia, similarly to the rest of the region, expect the non-performing loan ratio to deteriorate in the next six months.



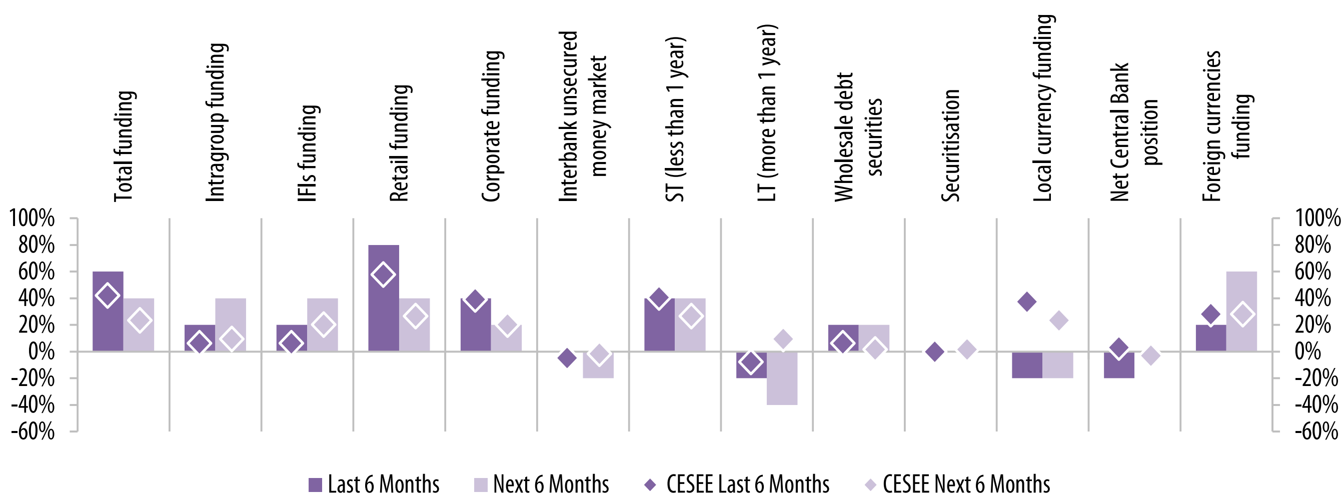
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

As in the previous survey, access to funding improved strongly in North Macedonia over the last six months, above the regional average. Retail funding and corporate funding were particularly robust. The short-term segment outpaced the performance of the long-term segment.

Access to funding is expected to remain strong, with practically all components in positive territory. A notable exception is interbank unsecured money. The short-term segment will continue to outperform the long-term segment, while foreign currency funding is expected to improve further.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Poland

The global outlook and spillovers from the war in Ukraine are prompting Polish banks to expect worsening supply conditions, reduced demand for credit and a deterioration of asset quality, which are more pronounced than in the rest of Central, Eastern and South-Eastern Europe.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland show commitment to the Polish market and plan to maintain their regional operations at their current level, as they all consider their market positioning to be optimal.

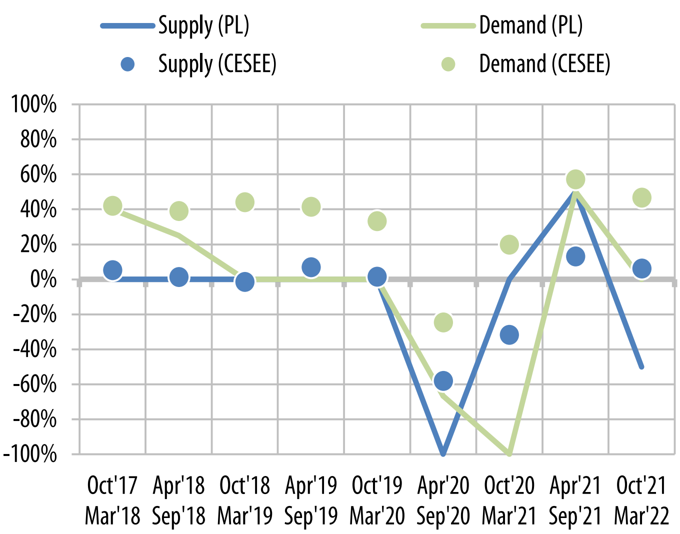
Credit demand in Poland started to slow down over the last six months, more than in the Central, Eastern and South-Eastern Europe region, and is expected to weaken further.

After a promising rebound in 2021, **credit supply conditions** worsened significantly in Poland in the last six months, more than in the rest of the region. A general worsening of credit conditions across all business segments and categories is expected in the upcoming months.

On aggregate, Polish banks' **access to funding** continued to improve over the last six months, mostly driven by local funding (retail and corporate deposits) rather than group funding.

Banks are also signalling a turning point in terms of credit quality. Following a positive trend over the last six months, all banks surveyed expect **non-performing loan ratios** to deteriorate.

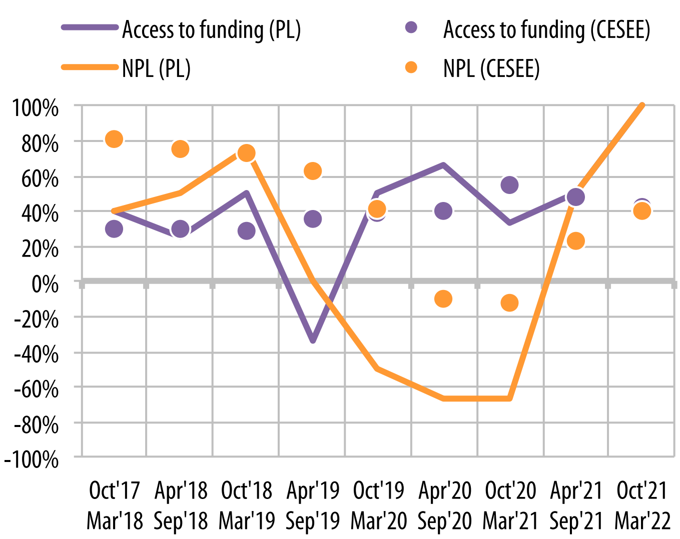
Credit supply and credit demand



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.

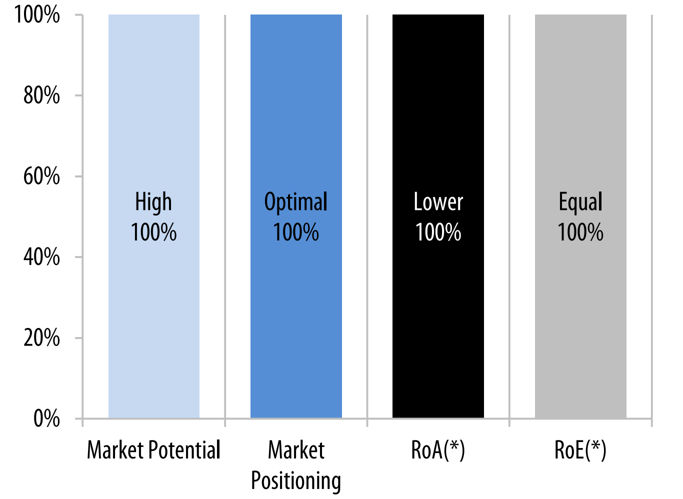
Note: All indicators are in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Parent banks operating in Poland show commitment to the Polish market and plan to maintain their regional operations at their current level, as they all consider their market positioning to be optimal.

Parent banks share the same views on the Polish market's strategic outlook within the Central, Eastern and South-Eastern Europe region (however, major international players operating in Poland do not have subsidiaries in other markets in the region), with high market potential. However, views are less sanguine about profitability, measured as the return on equity (RoE) and return on assets (RoA) of Polish operations compared to their regional peers.



Source: EIB – CESEE Bank Lending Survey.

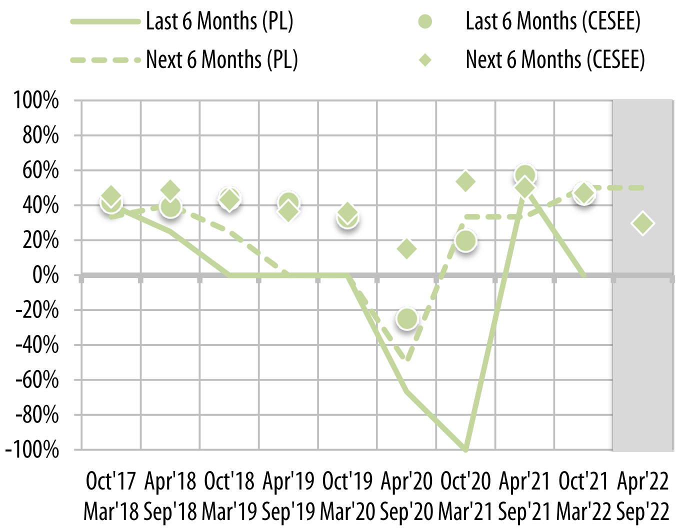
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

After bouncing back in 2021, credit demand in Poland lost momentum again and slowed down over the last six months, weakened by tighter financial conditions due to higher inflation and the outbreak of war in Ukraine. In the last six months, credit demand fell in the Polish market, widening the gap with demand trends in the rest of the region. The slowdown in credit demand was significantly worse than the banks' own expectations, formed in the autumn of 2021 after the second phase of the COVID-19 outbreak.

Polish banks are not expecting credit demand to improve in the next quarter and predict it will remain below the rest of the countries in the region.

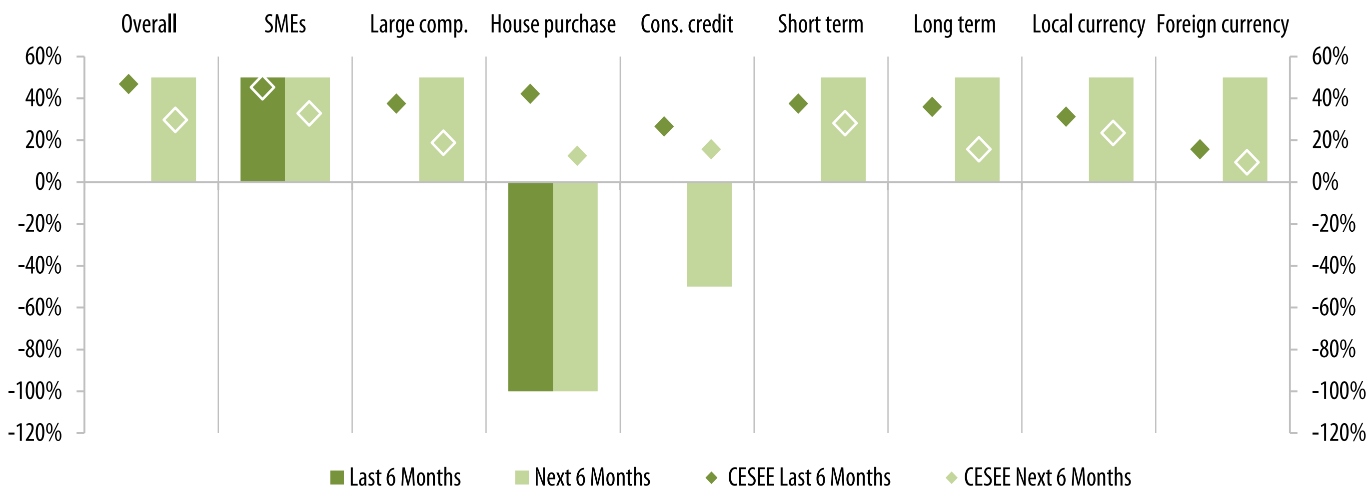


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Credit demand in the last six months stagnated in all credit segments. In contrast with an increase in the regional average, credit demand for house purchases strongly declined. While small businesses' credit demands have increased in the last six months, credit demand from large companies stagnated. Banks expect a partial recovery of demand for loans in the next six months in all business areas except house purchases and consumer credit.

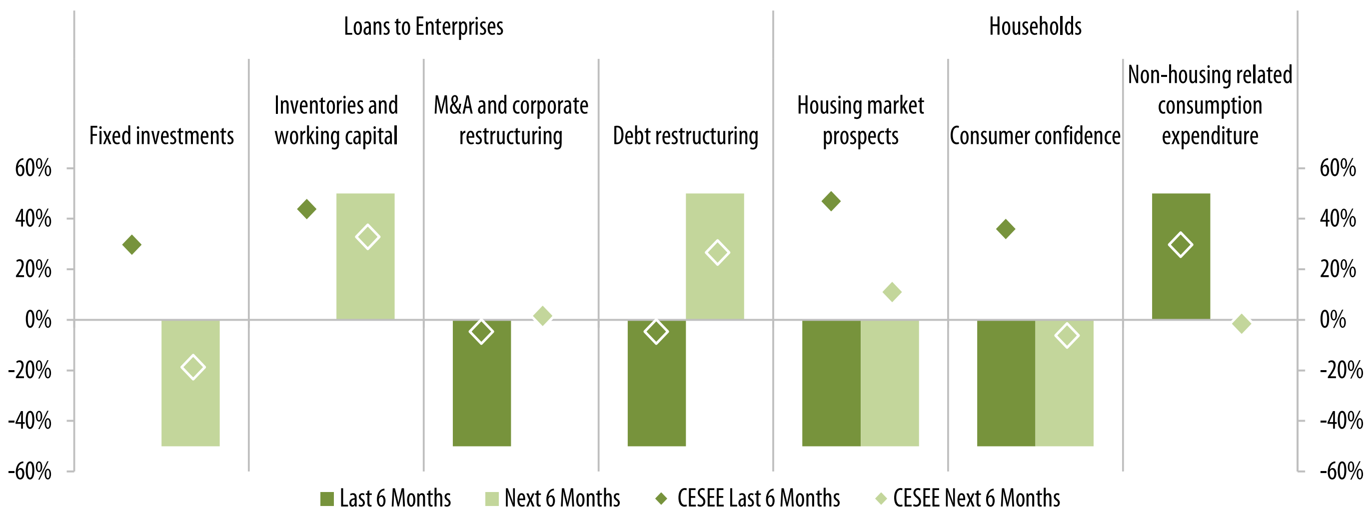


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Loans to corporates remained stagnant or declined, as mentioned, in contrast with an increase in most of the countries in Central, Eastern and South-Eastern Europe, with the exception of mergers and acquisitions (M&A) and corporate restructuring. In the next six months, a decline is expected in the demand for fixed investments and debt restructuring, an increase is expected in working capital loans and no change is expected in merger and acquisition (M&A) activity. With respect to households, consumer confidence and the housing market outlook dropped sharply in the last six months, thus reducing credit demand for home mortgages (in contrast with positive growth in most countries in the region). Non-housing credit demand declined and is projected to stagnate in the next six months.

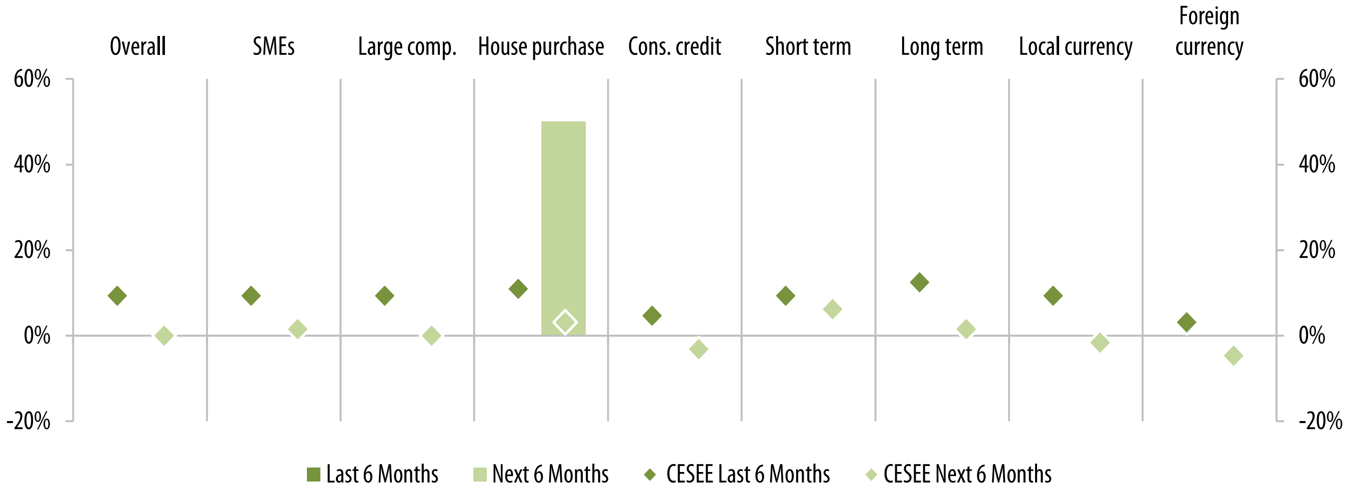


Source: EIB – CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The quality of loan applications remained stable in all segments covered by the survey but is expected to increase in the next six months in the house purchase category, as reported elsewhere in the region.



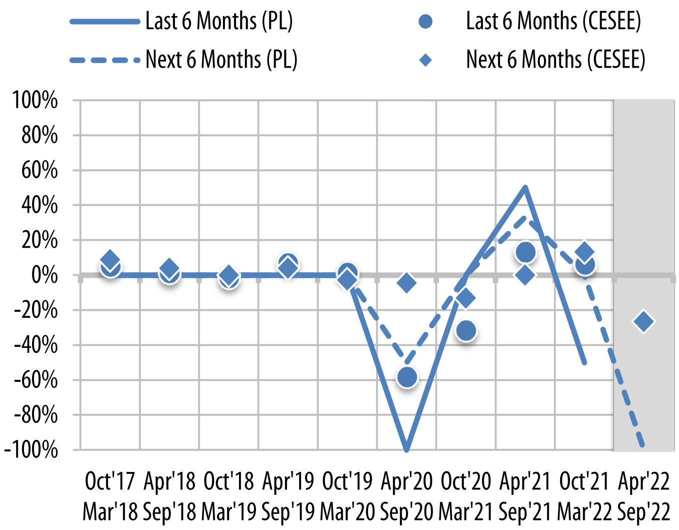
Source: EIB – CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Following a period of rebound in the second half of 2021, credit supply conditions dropped significantly in Poland in the last six months, exceeding banks' expectations in the autumn of 2021 and dropping more significantly than the supply developments in the rest of the region.

Polish banks expect the overall credit supply to continue to decline in the coming months.

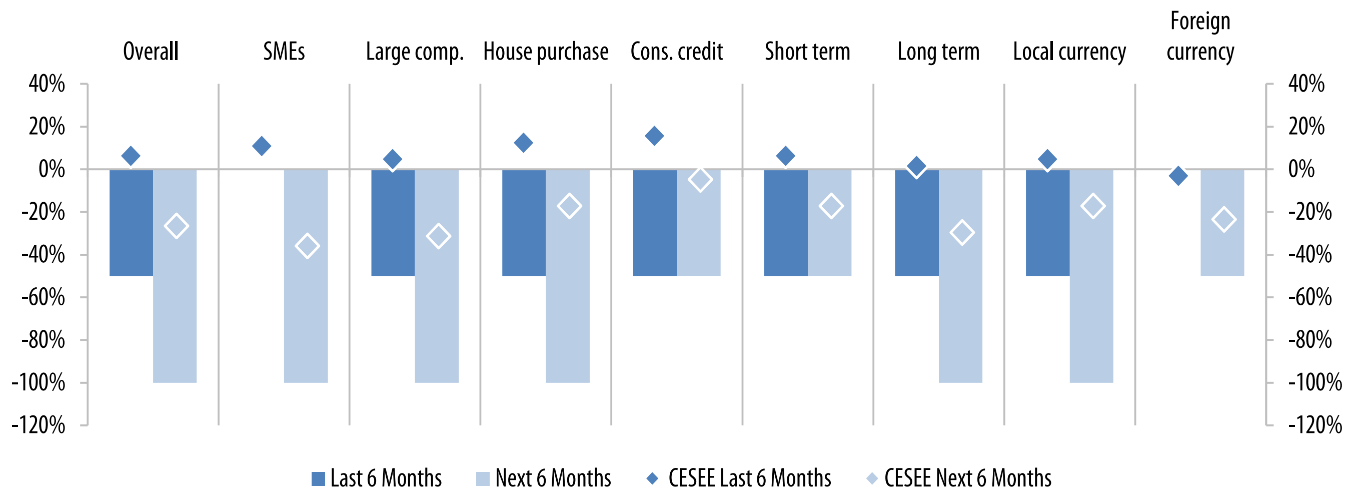


Source: EIB – CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit supply declined in all segments, while in Central, Eastern and South-Eastern Europe the average remained constant. Banks expect credit supply conditions to worsen in the next six months. A stronger decline than in the rest of the region is projected across all segments, especially affecting corporate segments and long-term lending.

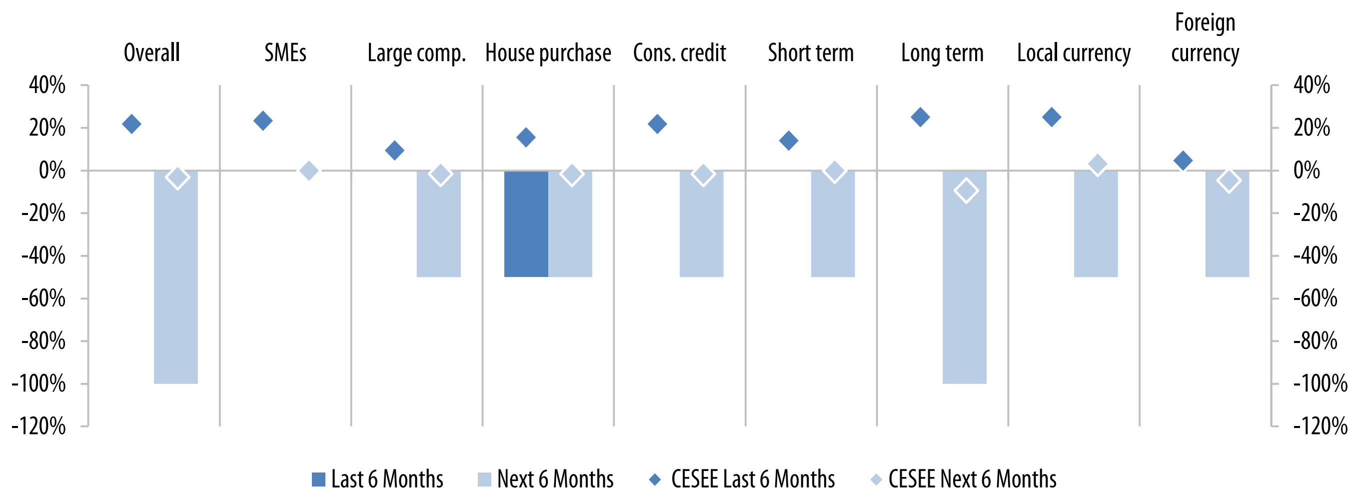


Source: EIB – CESEE Bank Lending Survey.

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

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

Loan approval rates have been stagnating or declining in all segments, whereas they improved slightly in other regional markets. Banks project a sharp decline in loan approvals in the next six months while they are expected to remain constant in other countries (despite the deterioration of supply credit conditions signalled by banks in the region).

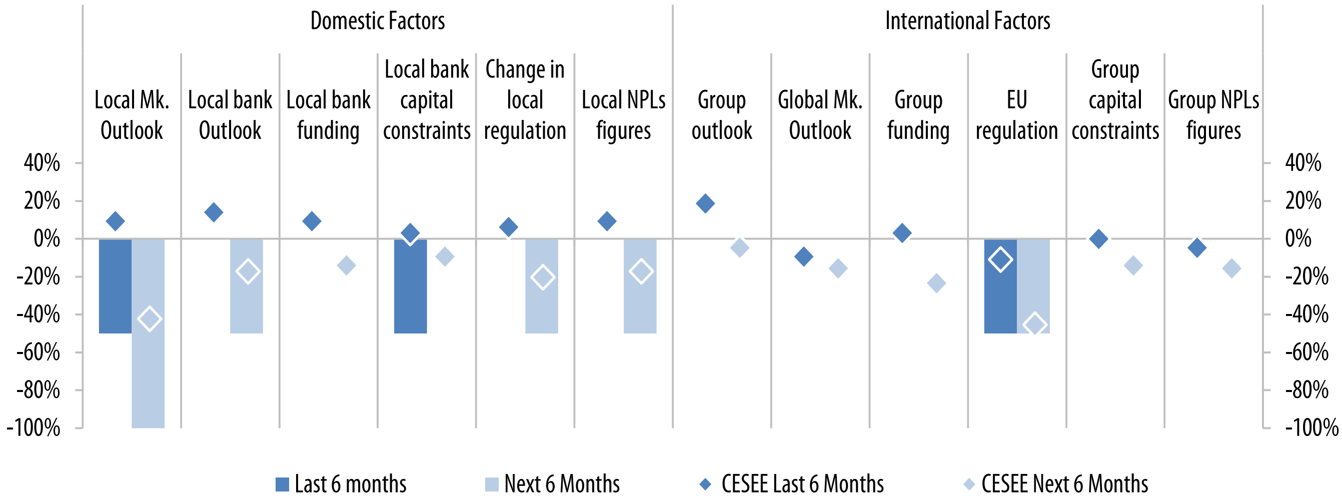


Source: EIB – CESEE Bank Lending Survey.

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

Figure 9 **Factors contributing to supply conditions**

According to Polish banks, tightened supply conditions were affected in particular by local bank capital constraints, the local market outlook and EU regulation. For the next six months, Polish banks expect tighter conditions due to domestic factors and mainly no change in international factors.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Credit quality improved and non-performing loan ratios declined across all banks in Poland in the last six months. This improvement was stronger in the retail segment than in the corporate segment and was above the regional average.

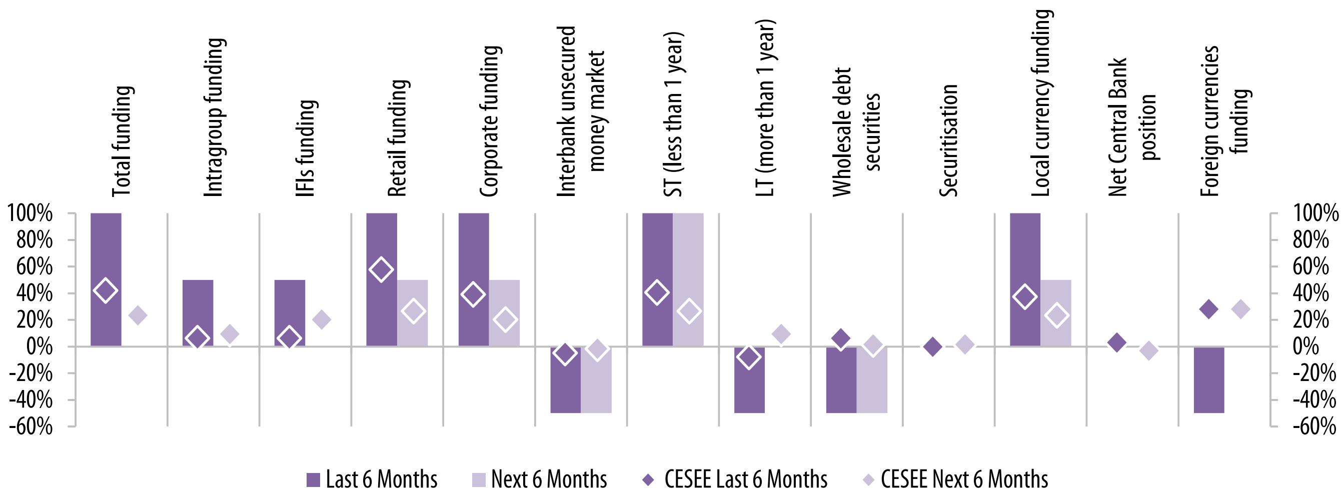
However, credit quality is expected to become less supportive over the next six months, affecting both corporate clients and the retail segment.

Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Polish banks' total access to funding improved in the last six months. Better funding conditions were reported in the intragroup, international financial institutions (IFIs), retail and corporate funding segments. In the next six months, funding conditions are expected to become neutral, supported by still positive funding related to retail and corporate deposits.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Romania

Following a positive period for the Romanian banking sector, tightening credit standards and a deterioration of credit quality may emerge in the next months. Demand for credit is expected to remain strong, despite weakening investments, and funding conditions supportive.

Summary

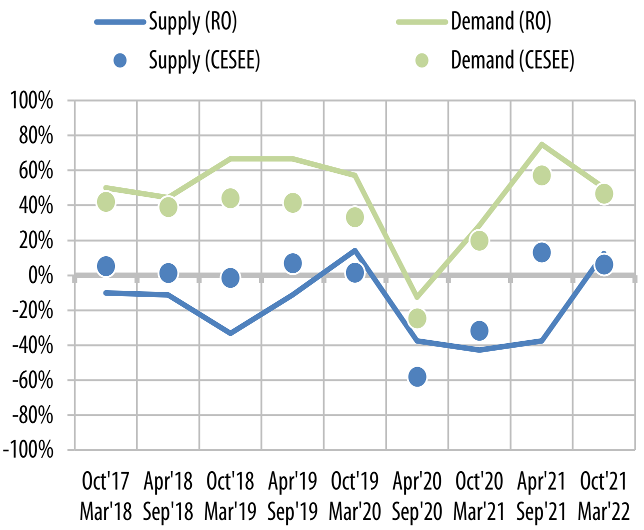
Group assessment of positioning and market potential: Two-thirds of the parent banks participating in the survey consider Romania a market with high potential. This is very favourable compared to other countries in the region. Assessment of market positioning remains divided, with half of the respondents considering their positioning satisfactory but one-third suggesting their positioning is weak. Views on profitability compared to group operations are mixed and remain polarised, split equally among those assessing it as being higher and those assessing it as lower.

Credit demand continued to grow over the last six months, in line with the regional trend. This was driven by developments in both the household and corporate segments. Demand for credit is expected to remain strong in the months ahead.

Credit supply eased slightly in the last six months, but a retightening is expected in the next six months, in line with regional trends.

While **access to funding** is expected to remain supportive, as it was in the last six months, **credit quality** may deteriorate in the next six months. The expected deterioration of credit quality will affect both retail and corporate segments, signalling once again a change in the banks' expectations of a more negative outlook for Romania and the Central, Eastern and South-Eastern Europe region as a whole.

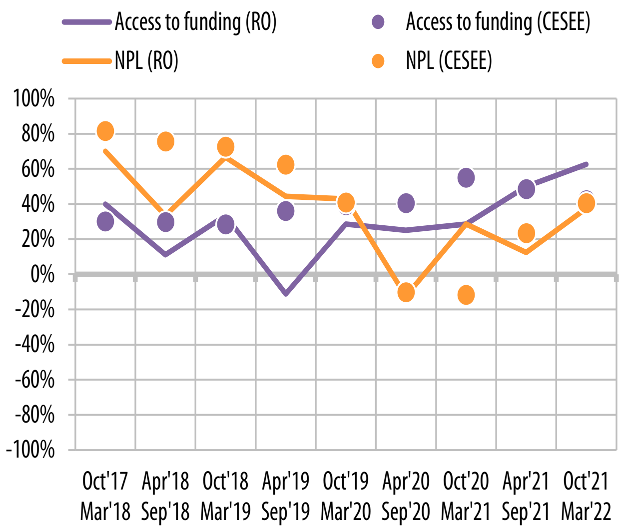
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

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

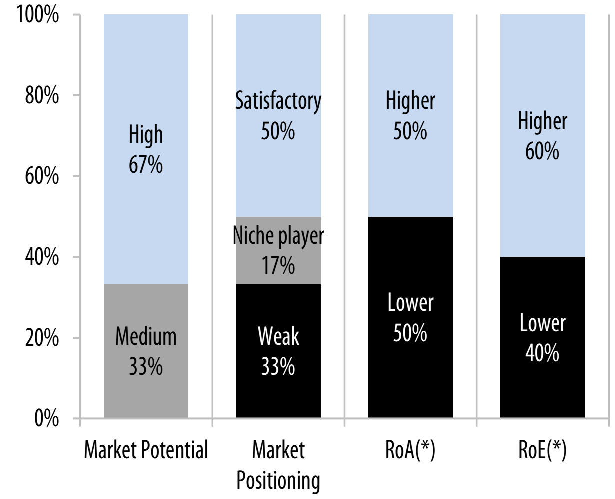
Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The assessment of the Romanian banking market's potential seems to be returning to the high levels seen before COVID-19, and is among the highest across the region.

Assessment of profitability is mixed and remains polarised. Half of parent banks reported higher returns on assets (RoA) on domestic operations compared to overall group results, and 60% reported higher returns on equity (RoE). At the same time, half of banks reported lower RoAs, while not a single bank saw profitability on par with the region.

Views on market positioning are similarly divided. One-third reported weak market positioning, while half considered market positioning to be satisfactory.



Source: EIB — CESEE Bank Lending Survey.

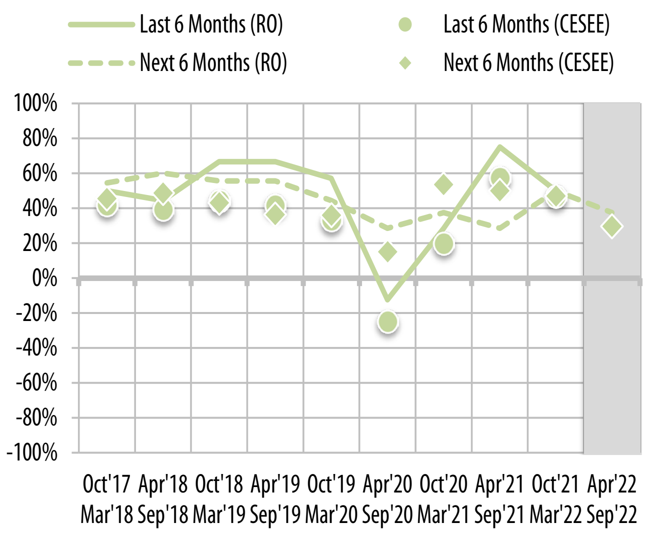
(*) RoA: return on assets (adjusted for cost of risk) compared to overall group operations; RoE: return on equity (adjusted for cost of equity) compared to overall group RoE. See Question A.Q1 in the Annex.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

Credit demand in Romania recovered further over the last six months after a drop in the autumn of 2020. Persistent liquidity needs, policy support measures and hopes for a strong recovery work to support demand.

Banks in Romania and in the region remain optimistic about demand dynamics for the next six months. The optimism reflects the economic recovery registered during 2021. However, uncertainty related to the impact of the war in Ukraine and higher inflation in Romania and the rest of the region remains very high.

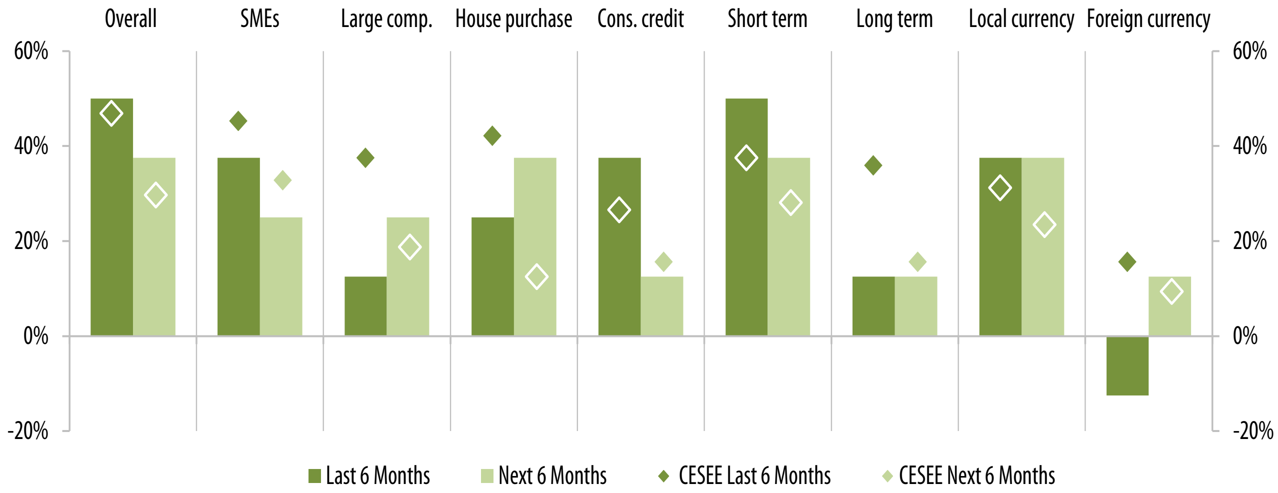


Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 **Demand components and segments**

Aggregate demand for loans in Romania has strongly increased on balance and across the board in the last six months. Notably, appetite for short-term and local currency financing increased. Looking ahead, banks expect strong credit demand in all segments.

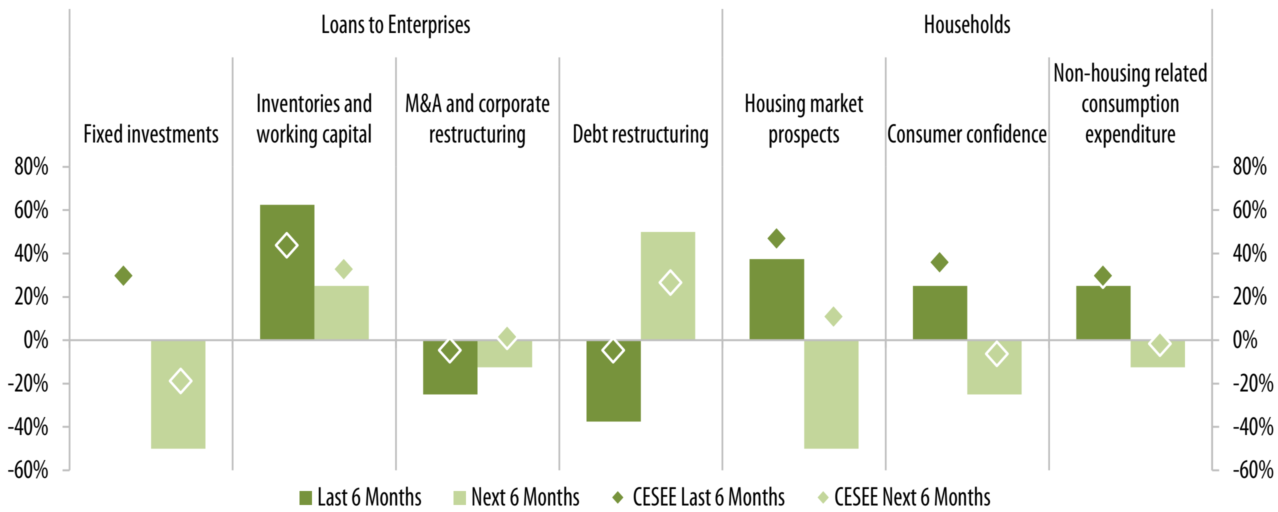


Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 **Factors affecting demand for loans**

The increase in demand over the last six months was supported by inventories, fixed investments and all household factors. By contrast, the contribution of investments was unchanged. Overall, expectations on most of the factors, except debt restructuring and working capital, are more negative. Demand related to investments is expected to be among the most affected.

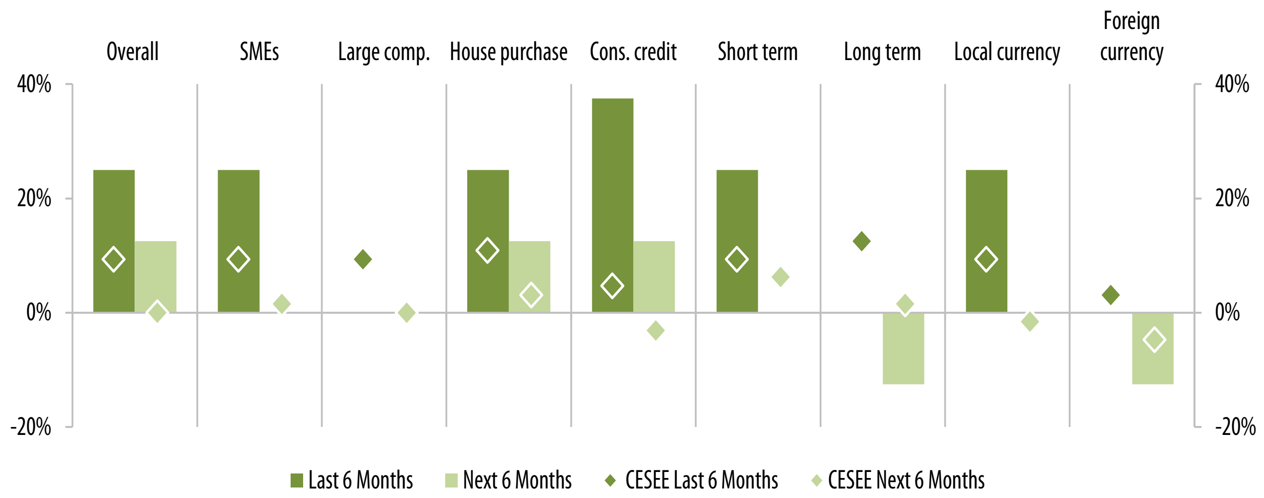


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The quality of loan applications in Romania has improved over the last six months. Improvements have been strongest in the household segment and small to medium enterprises (SMEs), above the regional trend. Looking ahead, banks expect the quality of loan applications from households to increase, while for corporates, the quality of loans is expected to remain unchanged.



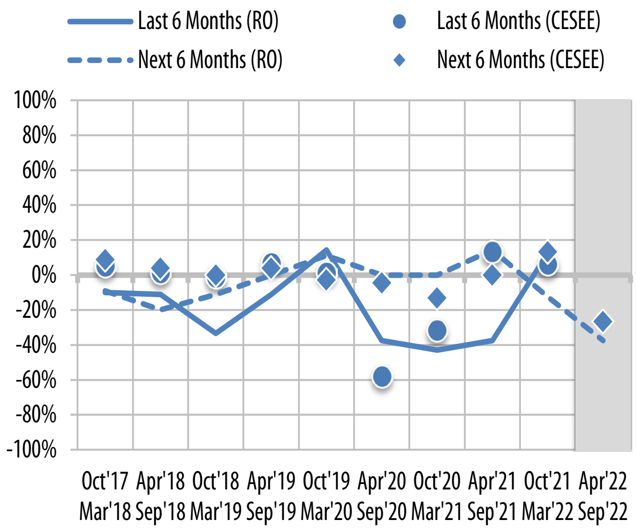
Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Credit supply conditions improved slightly in Romania, in line with the rest of the region, after three consecutive periods of tightening.

In Romania, credit standards have tightened on a cumulative basis since 2015 in contrast to a prolonged period of expectations for them to remain unchanged. Expectations point to a retightening in the next six months, in line with regional and global trends.

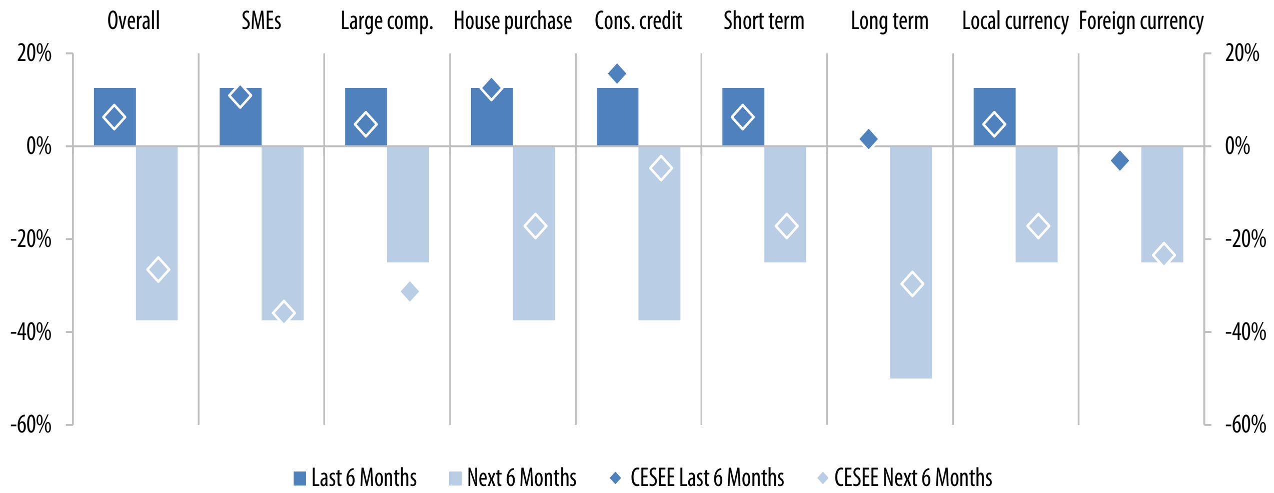


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Credit supply conditions improved overall and across segments over the last six months, as mentioned. Banks expect a retightening of supply conditions in the next six months, affecting all segments — retail and corporate, short-term and long-term, and local and foreign currencies.

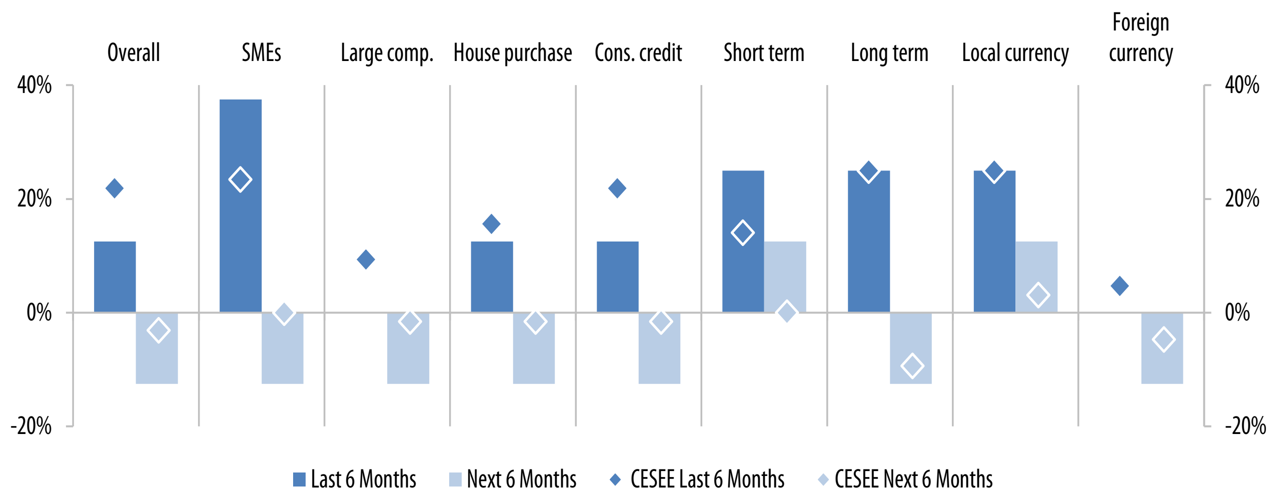


Source: EIB — CESEE Bank Lending Survey.

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

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

Overall, approval rates increased over the last six months, though slightly below the regional trend. Notably, it became easier for small firms to get loans, possibly reflecting policy support measures and a strong recovery. Approval rates favoured local versus foreign currency loans. Banks expect approval rates to decrease for both corporate and household loans in the next six months, in line with a more negative outlook in terms of credit supply conditions.

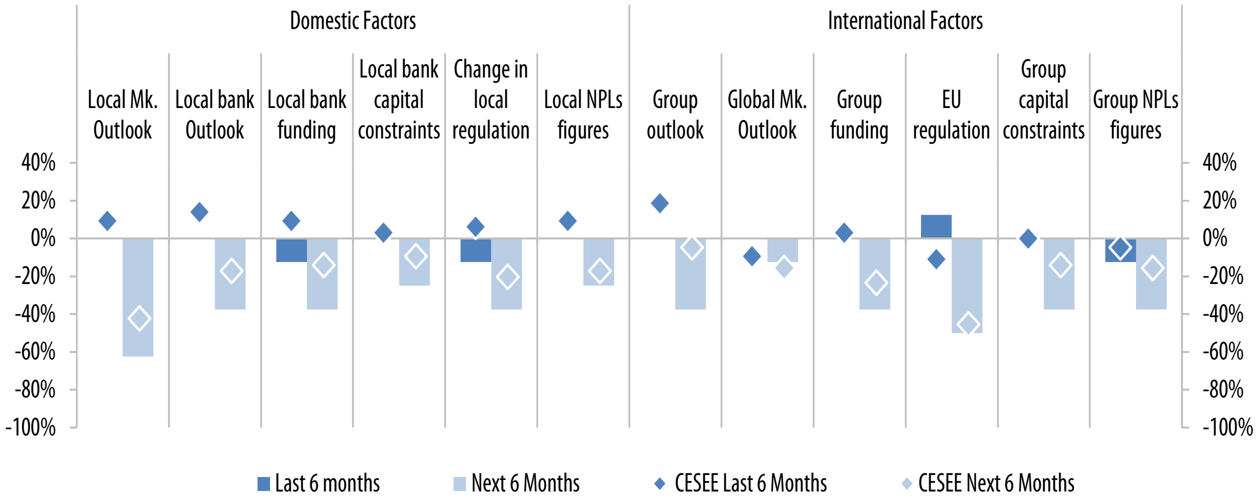


Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Factors contributing to supply conditions**

In the last six months, credit supply conditions for all domestic factors remained unchanged, while among the international factors, only EU regulation contributed positively to the easing of conditions. For the next six months, banks expect all factors to turn negative, in line with the overall tightening expectations.



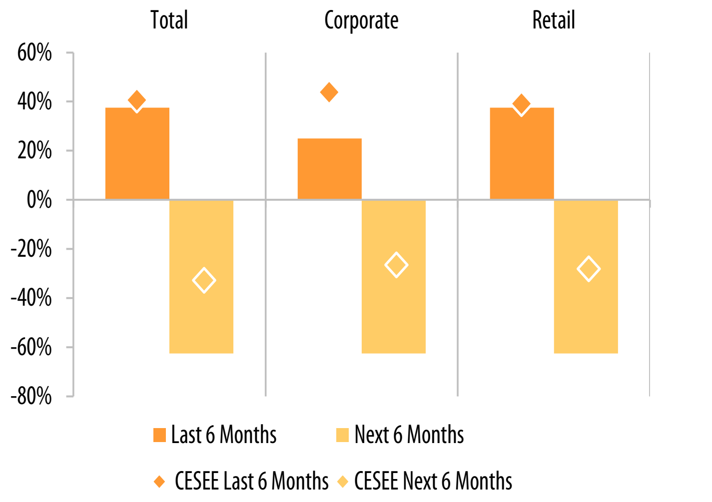
Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

Non-performing loan (NPL) ratios in Romania have improved over the last six months, similarly to the regional average. Improvements in NPLs were driven by both the corporate and retail segments and also reflect temporary policy support measures, legislative adjustments and the strong recovery during 2021.

Banks predict a significant deterioration over the next months, with the non-performing loan ratio expected to increase for both corporate and retail segments.

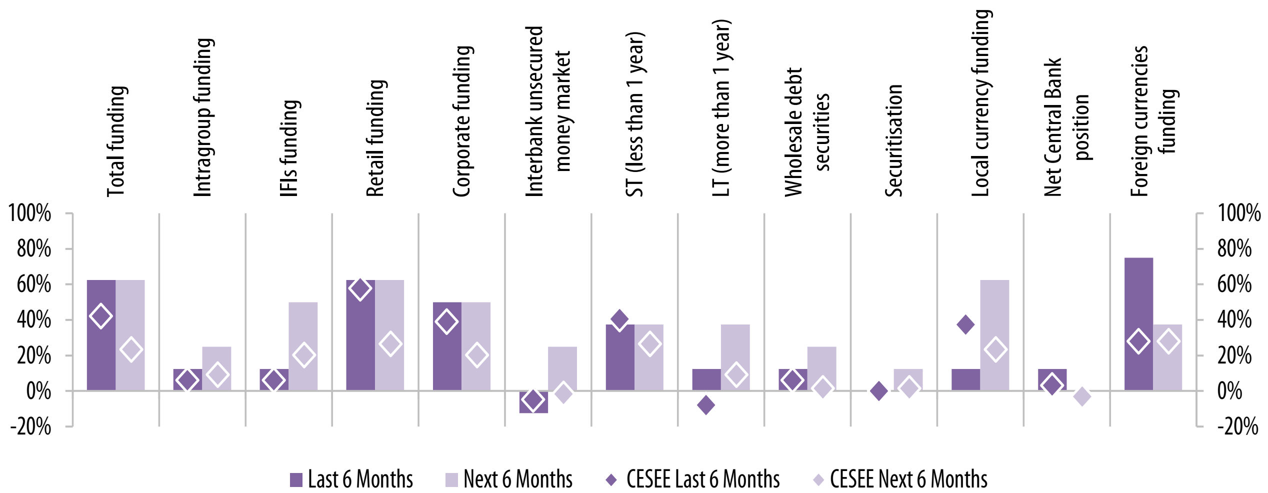


Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating decreasing NPL ratios. See Question B.Q8 in the Annex.

Figure 11 Access to funding

On balance, access to funding improved for banks in Romania over the last six months, notably for retail, corporate and foreign currency. Only interbank money market funding worsened. Banks remain optimistic regarding access to funding in the next six months, with all sources expected to go up except the net central bank position, which is expected to remain unchanged.



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Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Serbia

While credit demand remains strong and is expected to remain stable, banks anticipate a deterioration on the supply side, and the gap between demand and supply is likely to widen. On the positive side, the market remains attractive and access to funding supportive.

Summary

Market attractiveness marginally deteriorated but remains rather satisfactory, with 20% of parent banking groups now assessing market potential as high and 80% assessing it as medium. All parent banks assess their market positioning in Serbia as satisfactory to optimal.

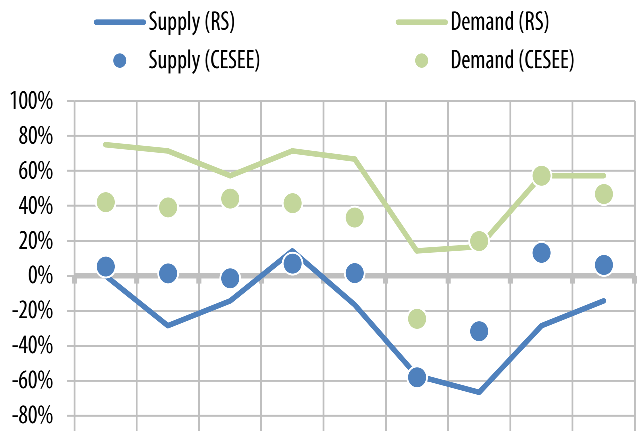
In line with the average in the Central, Eastern and South-Eastern Europe region, **loan demand** in Serbia increased over the last six months. On the other hand, **credit standards** tightened again in the country, whereas they were softening in the broader region. A further tightening of credit standards is expected in Serbia in the next six months, opening up a gap as loan demand is expected to remain resilient.

Credit supply tightening over the last six months was identified particularly for large corporates and in the longer-term segment. Aggregate supply conditions are expected to compress further and more than in the regional aggregate over the next six months. These developments are likely to be more evident in the corporate segments, most notably for small to medium-sized firms. Largely consistent with the regional average, **demand for loans** increased for most segments over the last six months, including for small businesses.

The overall **quality of loan applications** remained unchanged over the last six months, in contrast to the region as a whole, where it improved. While the quality improved for small businesses, it remained unchanged across other major segments. In the next six months, banks in Serbia will take a more neutral stance regarding the quality of loan applications. As such, the divergence with the region is likely to persist as the overall quality of loan applications is expected to deteriorate in Central, Eastern and South-Eastern Europe on average.

Access to funding mostly did not change for Serbian banks over the last six months, while it was supportive in the broader region. In the next six months, banks expect access to funding to improve somewhat, which is broadly in line with the regional aggregate, but they also anticipate potential increases in **non-performing loan ratios**.

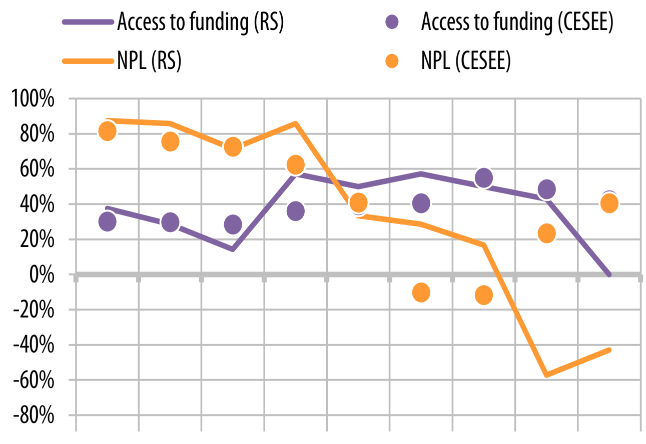
Credit supply and credit demand



Source: EIB — CESEE Bank Lending Survey.

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

Access to funding and credit quality



Source: EIB — CESEE Bank Lending Survey.

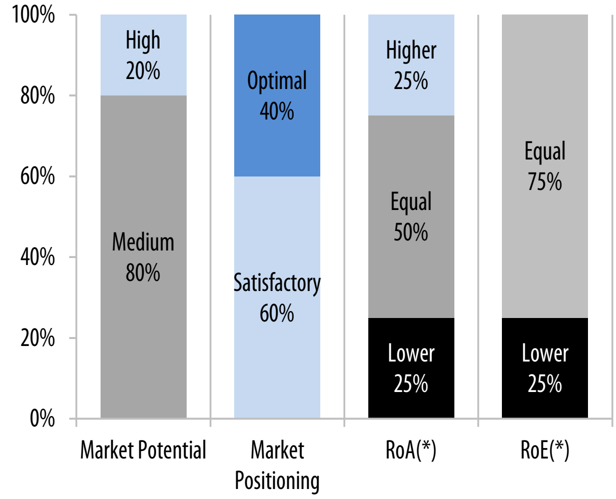
Note: All indicators in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL. ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

The Serbian banking market's attractiveness declined somewhat when compared to the previous survey, with 20% of parent banking groups now assessing the market potential as high and 80% assessing it as medium, (down from 33% and 67% respectively six months ago). On the other hand, all parent banks now asses their market positioning in Serbia as satisfactory to optimal.

In terms of profitability, 75% of local banks report their return on assets/equity as higher or equal when compared to the overall group operations.



Source: EIB – CESEE Bank Lending Survey.

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

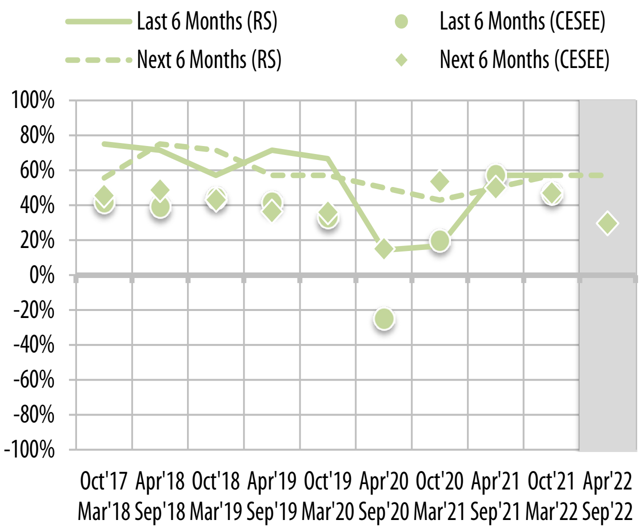
Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

In Serbia, loan demand remained rather strong over the last six months, evolving largely in line with the regional average.

In the next six months, loan demand will likely outpace the regional average, maintaining solid levels.

Serbia's economy grew by 7.4% in 2021, representing one of the highest GDP growth rates in the region. Due to a global slowdown, growth is projected to moderate in the next two years and to reach 3.5% in 2022 and 4.0% in 2023 (according to the April 2022 IMF World Economic Outlook). Therefore, demand for loans is also likely to moderate somewhat in next six months but remain supportive as projected growth rates remain close to the longer-term growth averages.

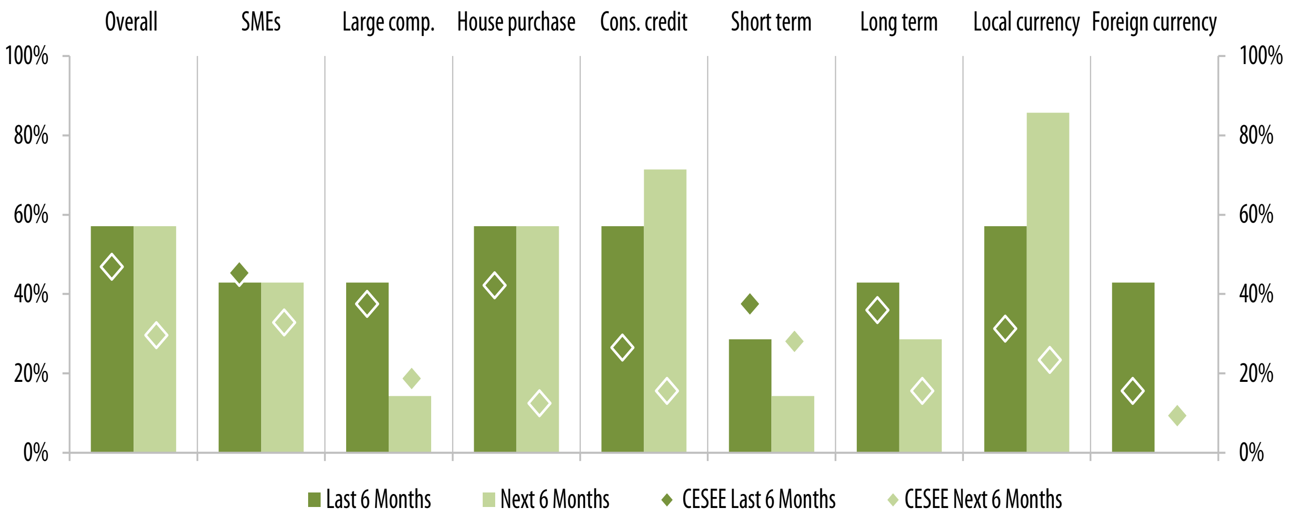


Source: EIB – CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Credit demand over the last six months was stronger than in the rest of the region, and this trend is likely to persist over the next six months. Demand from the corporate and the household sectors was vigorous in the last six months. Compared to the previous survey, demand from small to medium-sized firms grew and is now aligned with the region. The credit demand of the different segments may vary significantly in the next six months: larger corporates will show a lower demand for credit, whereas the household sector is likely to continue showing particularly robust demand for mortgages and consumer credit, especially.

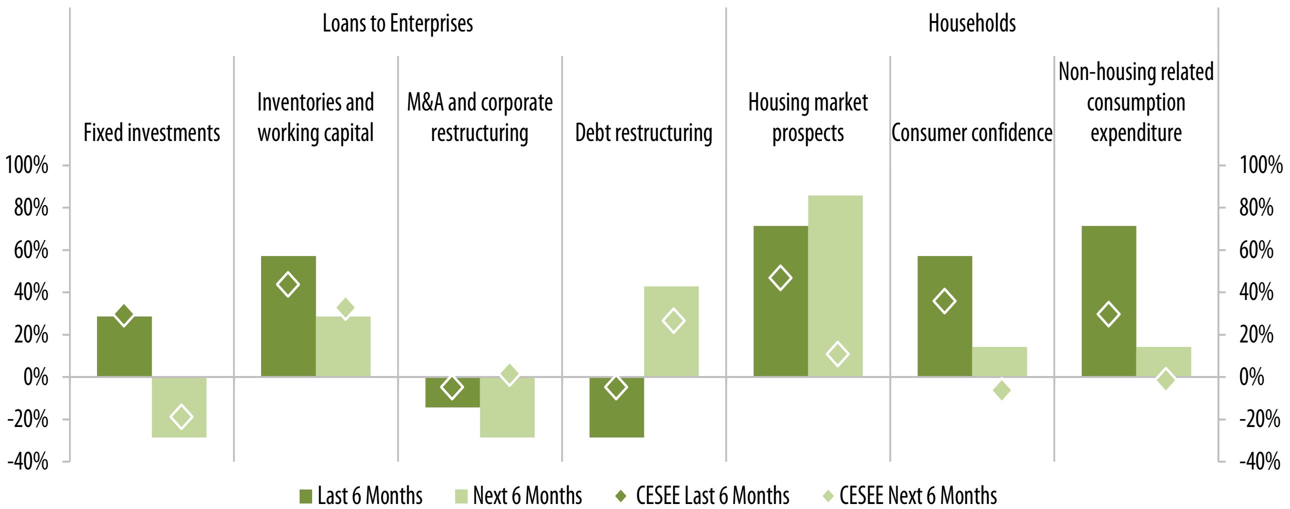


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Demand for financing for fixed investments turned positive over the last six months, aligning it with the regional average. Demand for loans for inventories and working capital remained strong, but declined for mergers and acquisitions and corporate and debt restructuring. In the household segment, housing market prospects drove the demand, but consumer confidence was also strong, as was consumption expenditure. In the next six months, the demand for fixed investment is likely to revert to negative territory. Banks expect more demand for debt restructuring and, on the household side, favourable housing developments are remaining the driving force of credit demand.

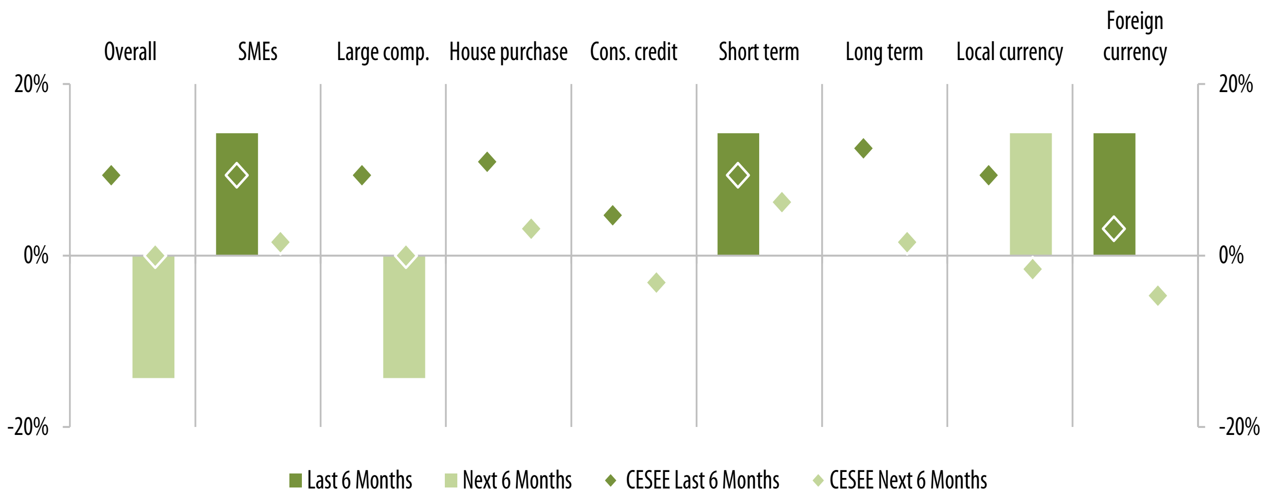


Source: EIB – CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

The overall quality of loan applications in Serbia remained unchanged over the last six months, contrary to the region, where it improved. The exception was for small Serbian firms, where the quality of loan applications improved. Serbian banks reported that the quality of short-term and foreign currency loan applications also improved. In the next six months, banks in Serbia expect to experience a deterioration in the quality of loan applications.



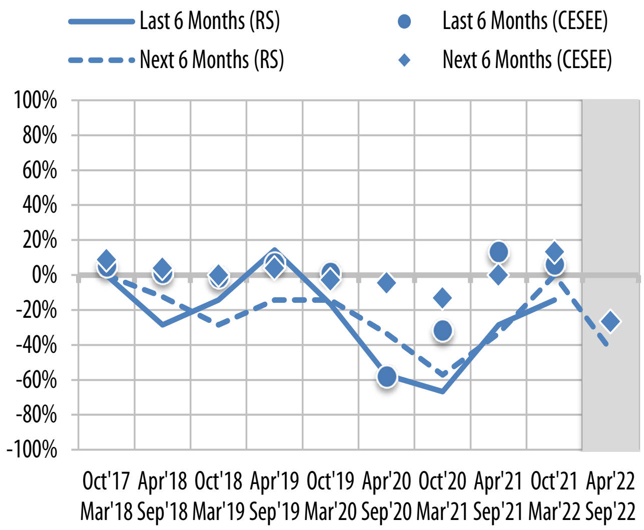
Source: EIB – CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

Credit standards in Serbia remained tight over the last six months, while they were broadly neutral in the regional aggregate.

In the next six months, credit supply conditions are expected to tighten further and even more than in the regional aggregate.

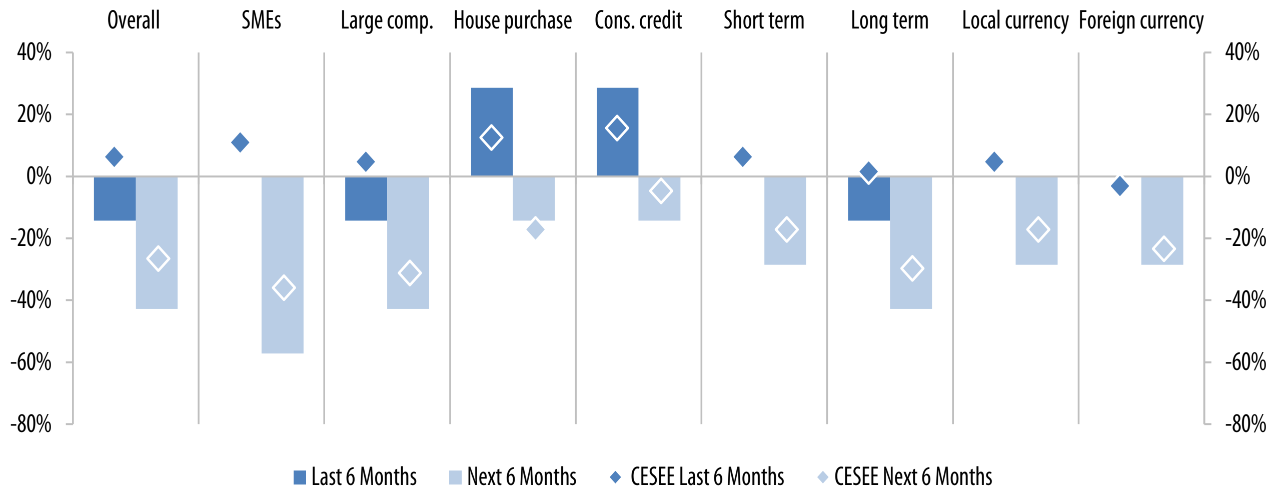


Source: EIB – CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

Driven by the corporate segment, credit standards tightened again in Serbia over the last six months, while they were still softening somewhat in Central, Eastern and South-Eastern Europe on average. As in the previous survey, this was not the case in the consumer segment, with credit supply expanding for mortgages and consumer credit. Aggregate supply conditions are expected to deteriorate significantly and more than in the regional aggregate. These negative developments are expected to be more evident in the corporate and small to medium-sized enterprise segments. Nevertheless, a deterioration of supply conditions is expected to occur in the household segment as well.

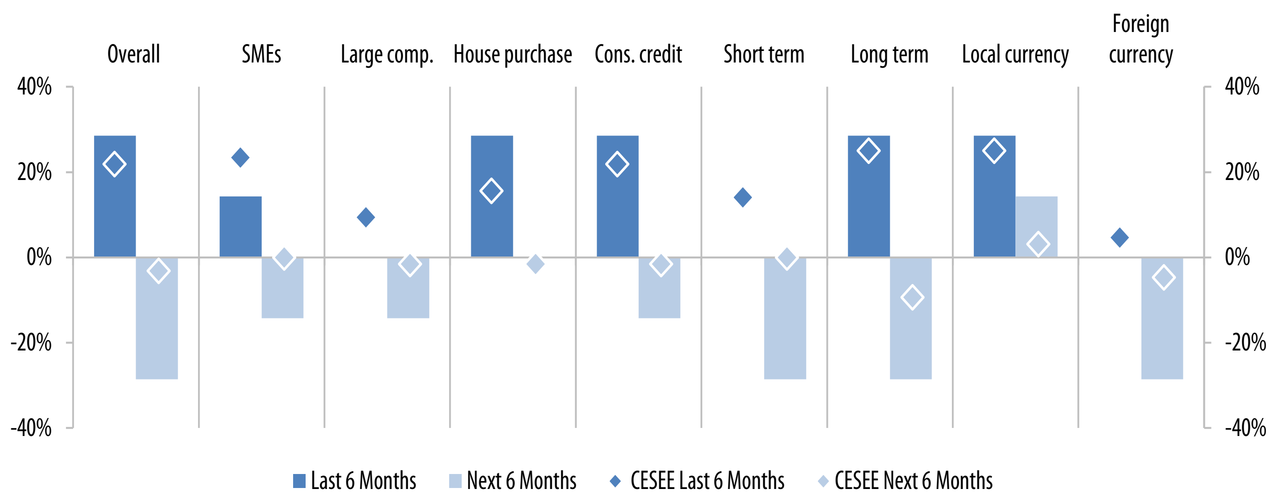


Source: EIB – CESEE Bank Lending Survey.

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

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

Overall bank approval rates for loan applications picked up strongly in Serbia over the last six months, outpacing the regional average. They were driven by improvements in the small to medium-sized business segment and in both household segments (house purchases and consumer credit). Long-term and local currency approval rates were particularly strong. In the next six months, banks expect a deterioration in approval rates across all major segments apart from house purchases, where they are expected to remain unchanged. Compared to the regional aggregate, approval rates are expected to decline more substantially, opening up a gap with a strong loan demand.

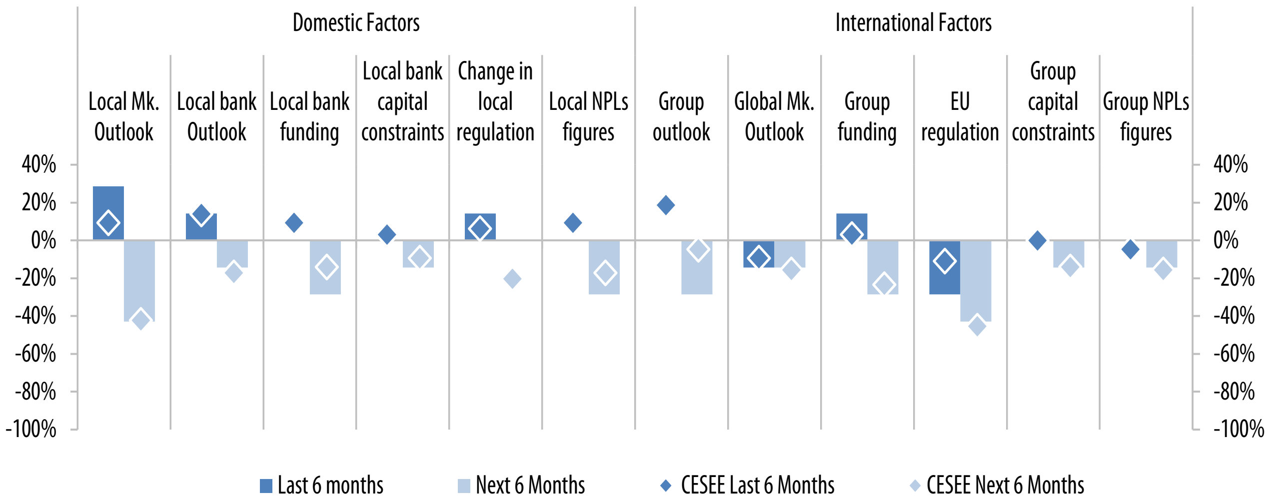


Source: EIB – CESEE Bank Lending Survey.

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

Figure 9 Factors contributing to supply conditions

Changes in EU regulations and global market outlooks are mentioned as having contributed most negatively to credit supply conditions over the last six months in Serbia. On the other hand, the local market outlook and changes in local regulations (among the domestic factors), as well as group funding (among the international factors), contributed positively to credit supply conditions. In the next six months, the local market outlook, together with local bank funding and local non-performing loan figures (among the domestic factors) and further deterioration in EU regulation (among the international factors), will constrain the supply conditions.



Source: EIB – CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

In line with the previous survey, and unlike the regional average, banks reported a deterioration of non-performing loan ratios in Serbia over the last six months. Once again, both retail and corporate sectors contributed to this deterioration.

For the next six months, banks are anticipating a negative trend, with non-performing loans expected to increase again and more strongly than in the regional aggregate across both segments.

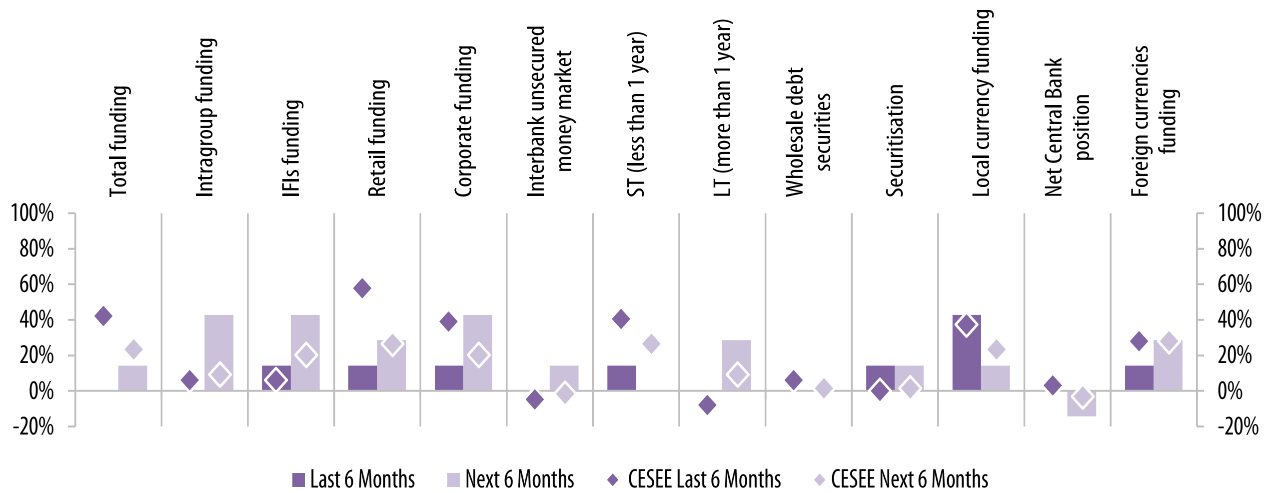
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding remained mostly unchanged for Serbian banks over the last six months, while it was supportive in Central, Eastern and South-Eastern Europe. International financial institutions (IFI) funding and retail and corporate funding contributed positively, while other categories were mostly neutral. Access to local currency funding also improved over the last six months.

Banks expect access to funding to improve somewhat in the next six months, which is broadly in line with the regional aggregate. The improvement can be expected to occur across practically all major segments.



Source: EIB – CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Slovakia

Demand for consumer loans remained strong and banks expect them to continue growing, with the exception of loans to households. Unlike in other countries in Central, Eastern and South-Eastern Europe, credit supply conditions are not expected to deteriorate, while funding conditions remain supportive.

Summary

Parent banks regard Slovakia's market potential as medium and see little reason to change their positioning.

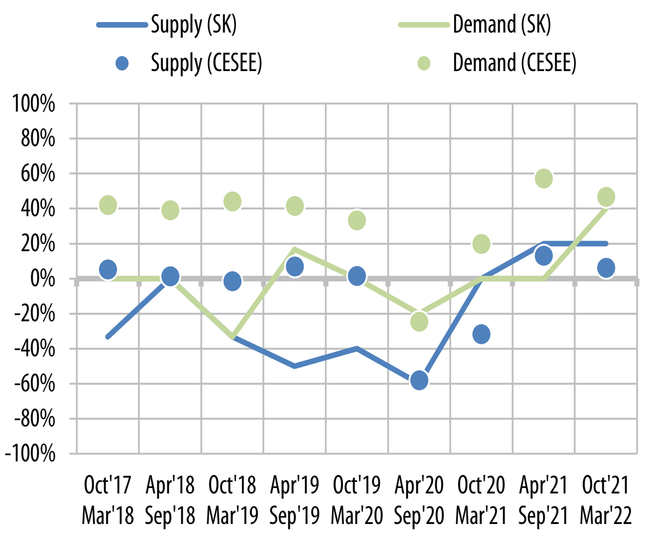
Banks in Slovakia reported, on balance, that aggregate **demand for loans** had increased over the last six months. A particularly large majority of banks reported higher demand for mortgages, reflecting the booming housing market (residential property prices increased by close to 20% in 2021).

Demand is expected to continue to increase over the next six months, with the exception of demand for mortgages and consumer credit. On the corporate side, the picture is somewhat gloomier. Few banks expect loans for fixed investments to fall. Most banks instead expect corporate demand for mergers and acquisitions (M&A) and restructurings to rise.

A small majority of banks reported that **credit supply** had improved over the last six months. Most domestic factors supported loan supply, in particular a decline in non-performing loan ratios. Banks expect the gradual increase in credit supply to continue over the next six months, unlike in the rest of the region, where banks expect a significant deterioration of credit supply conditions. On balance, banks in Slovakia do not expect international factors to weigh on their loan supply.

Bank funding conditions did not change much. The availability of retail funding continued to improve, whereas that of longer-term funding declined for most banks. No significant changes are expected over the next six months as access to funding is expected to remain sound. These developments in terms of funding are broadly in line with those in the rest of the region.

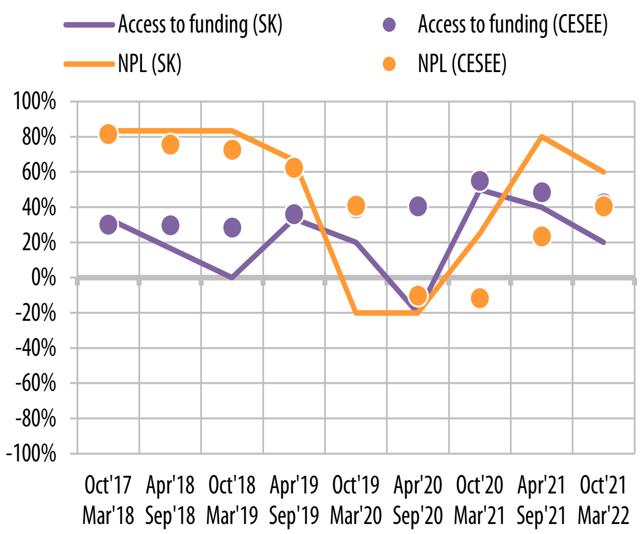
Credit supply and credit demand



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.

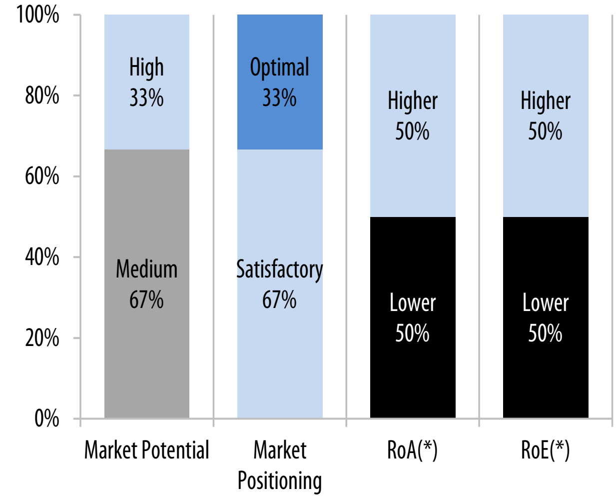
Note: All indicators are in net percentages. Access to funding: Positive values indicate increased access to funding. Non-performing loans: Negative figures indicate increasing NPL. ratios.

Bank Lending Survey results — parent bank level

Figure 1 Market potential and positioning

Most banks in Slovakia belong to banking groups that are also present in the rest of Central, Eastern and South-Eastern Europe. Two-thirds of parent banks regarded Slovakia's market potential as medium and saw little reason to change their positioning (one-third considered the Slovakian banking market to have high potential).

Parent banks' average assessment of the profitability of their operations is split in two: for half of the banking groups, the profitability of their Slovakian subsidiary is higher than their profitability at the group level, and for the other half the opposite is true.



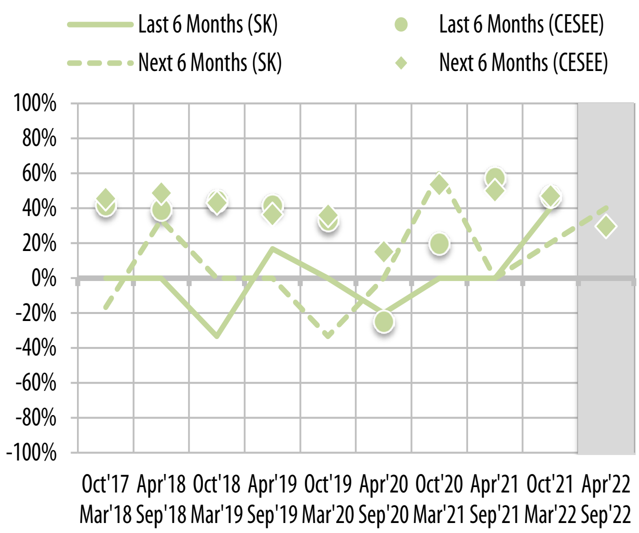
Source: EIB — CESEE Bank Lending Survey.

(*) 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.

Bank Lending Survey results — local bank/subsidiary level

Figure 2 Aggregate demand developments

On balance, banks in Slovakia reported that aggregate demand for loans had increased over the last six months. Demand is expected to pick up further for a majority of banks over the next six months, in line with their peers in the region.



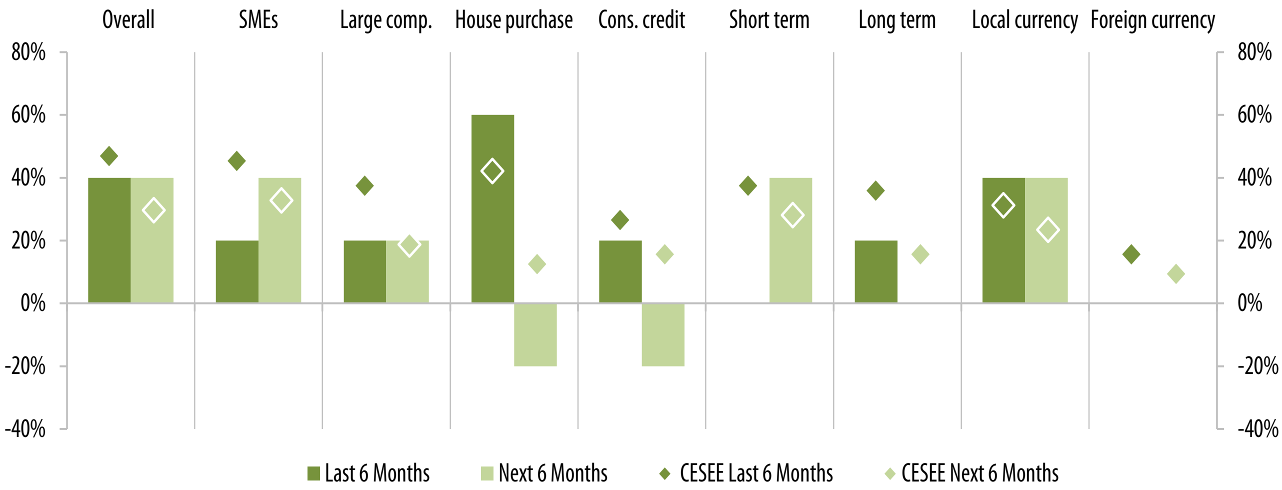
Source: EIB — CESEE Bank Lending Survey.

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

Figure 3 Demand components and segments

Demand for loans has increased over the last six months, as mentioned, and this is broadly in line with the rest of the region. A particularly large majority of banks report higher demand for mortgages: residential property prices increased by close to 20% in 2021, and demand for housing was strong in Slovakia.

Demand for credit is expected to continue to remain strong on balance over the next six months, with the exception of demand for mortgages and consumer credit. This may reflect high inflation (which is eroding real incomes), geopolitical uncertainty and gradually increasing interest rates.

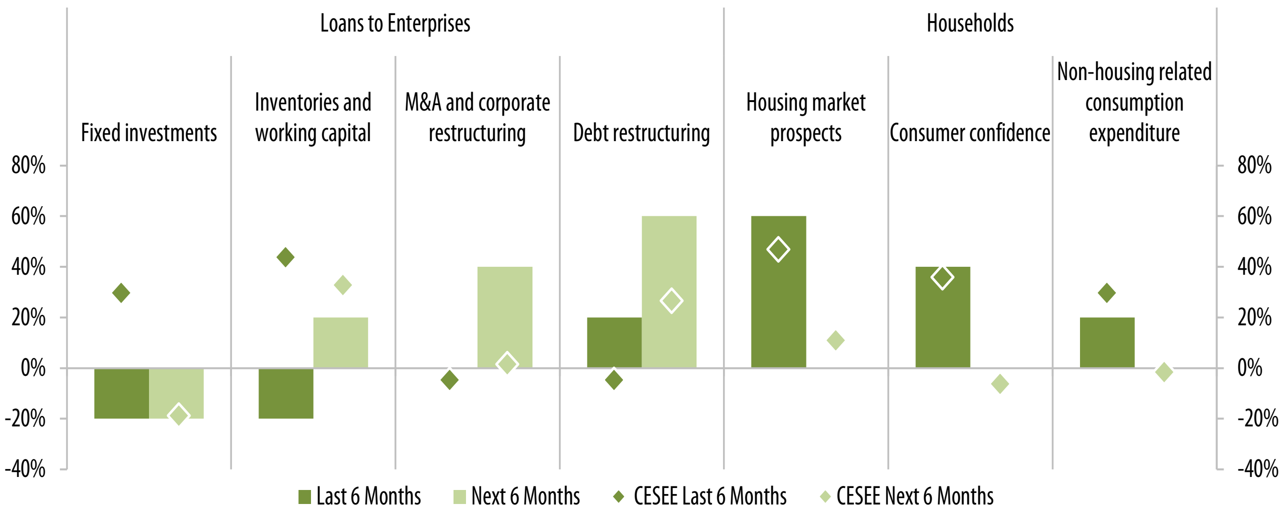


Source: EIB — CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

The majority of banks reported that the trends in the housing market and high consumer confidence were the main drivers of loan demand. Banks do not believe that these factors will continue to support loan demand in the next six months, similarly to the rest of the region. On the corporate side, the picture is somewhat gloomier. A small net balance of banks expects loans for fixed investments to fall, while most banks instead expect corporate demand for mergers and acquisitions and restructurings to rise.

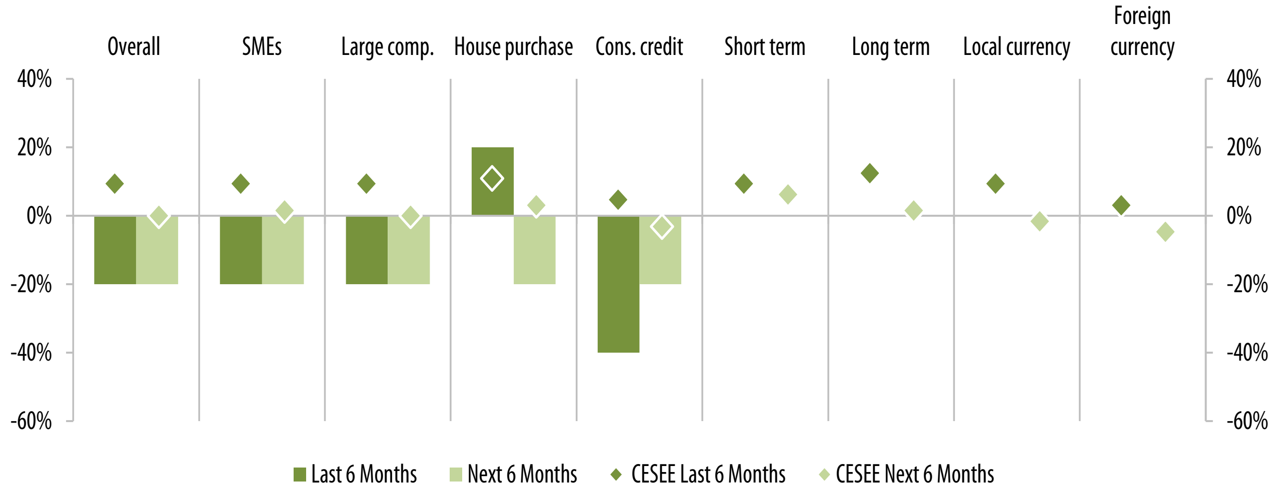


Source: EIB — CESEE Bank Lending Survey.

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

Figure 5 Quality of loan applications

On balance, a small majority of banks reported that the quality of loan applications deteriorated over the last six months, with the exception of mortgage loans. The quality of consumer loans declined in a larger majority of banks, as did loan applications of small to medium-sized enterprises (SMEs) and large companies. A deterioration of credit quality is expected to continue over the next six months across all client segments.

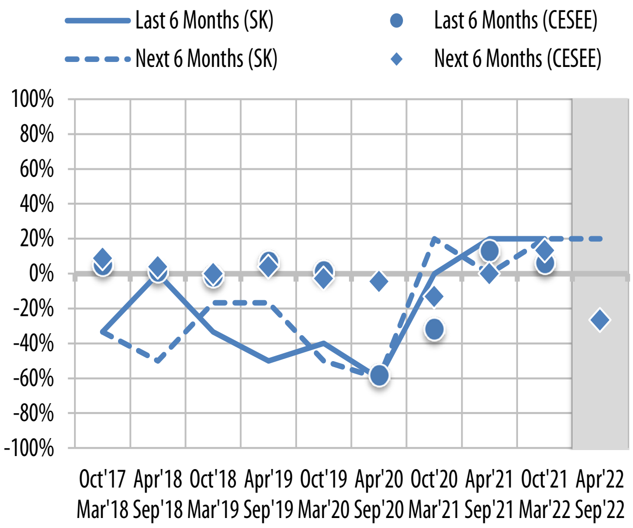


Source: EIB — CESEE Bank Lending Survey.

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

Figure 6 Aggregate supply developments

A small majority of banks reported that credit supply had improved over the last six months. This gradual improvement is expected to continue over the next six months. The outlook is more optimistic than in other countries in the region, where a deterioration in supply conditions is expected.

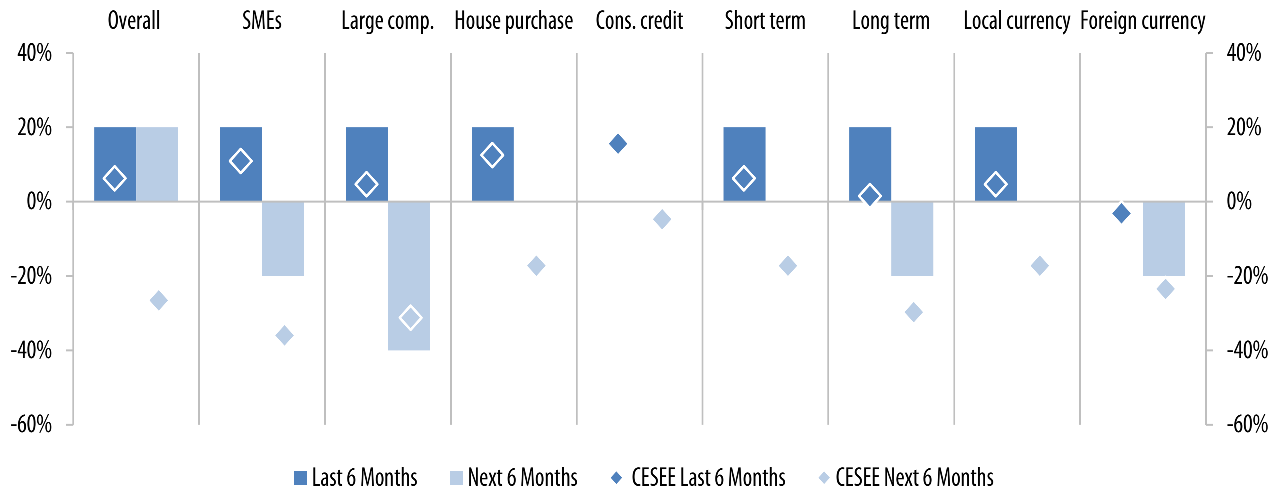


Source: EIB — CESEE Bank Lending Survey.

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

Figure 7 Supply components and segments

A small majority of banks reported that they had loosened their lending standards for almost all product types apart from consumer loans and foreign currency loans. The picture in the next six months appears gloomier, especially for corporations: Indeed, credit supply to large corporates is expected to decline in a particularly large majority of banks. Most banks also expect the supply of long-term loans and loans to small to medium enterprises (SMEs) to decline.

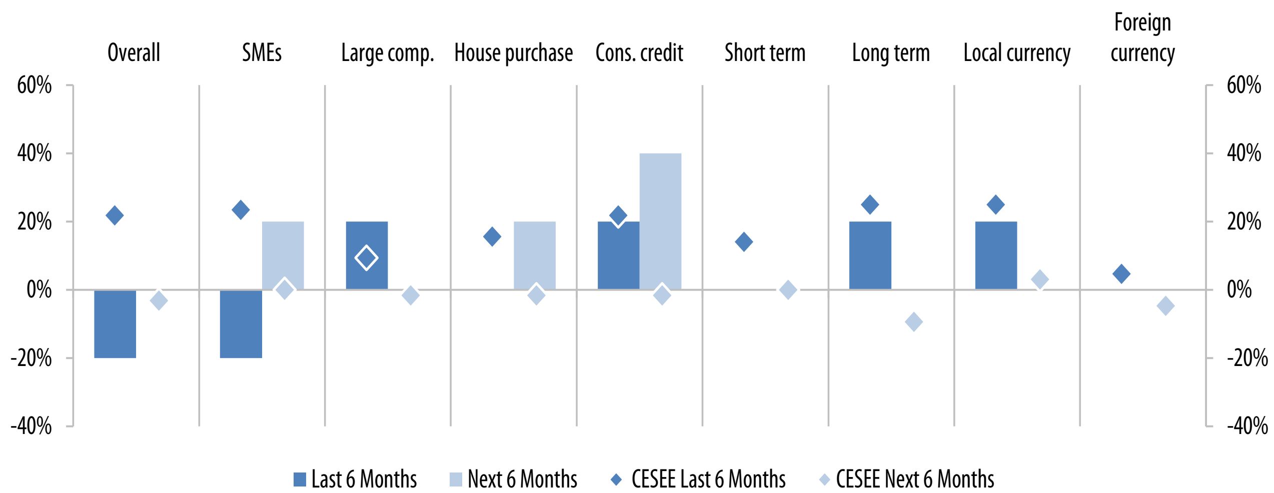


Source: EIB — CESEE Bank Lending Survey.

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

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

On balance, banks reported that they were more restrictive, approving a smaller share of loans over the last six months. In the next six months, banks appear willing to approve a greater share of loans to households, particularly consumer loans.

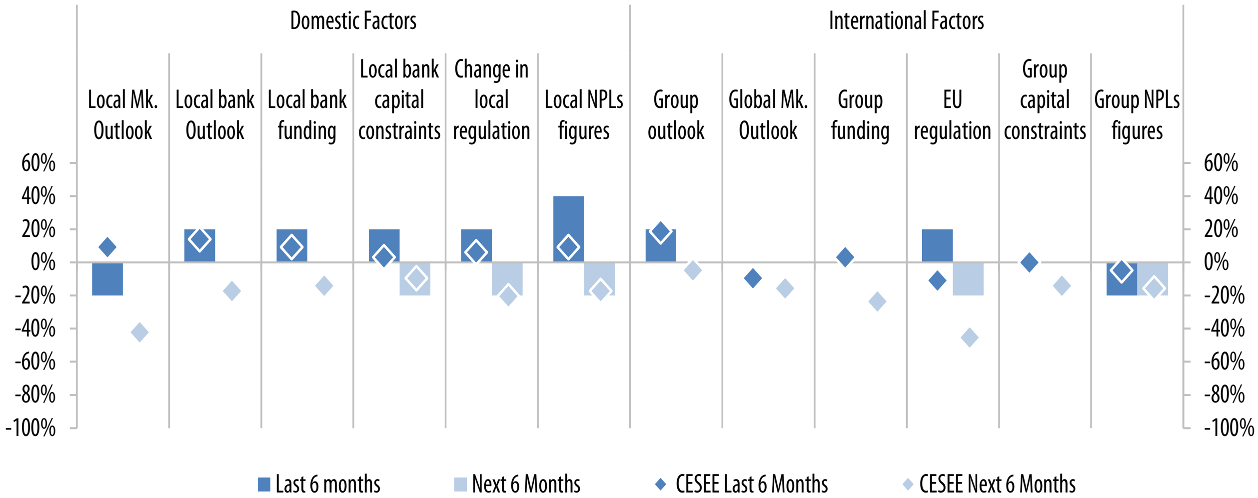


Source: EIB — CESEE Bank Lending Survey.

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

Figure 9 **Factors contributing to supply conditions**

Most banks reported that domestic factors supported loan supply, in particular the favourable situation of local non-performing loans (NPLs). Only a small majority of banks expect the local market outlook to deteriorate in the next six months, in contrast to their more pessimistic peers in the Central, Eastern and South-Eastern Europe region. On balance, banks do not expect international factors to weigh on their loan supply.

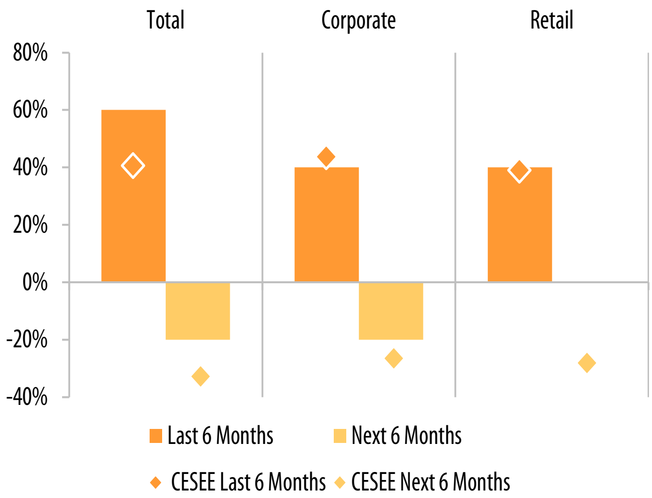


Source: EIB — CESEE Bank Lending Survey.

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

Figure 10 Non-performing loan ratios

A large majority of banks reported that credit quality was improving and that their non-performing loan ratios had fallen over the last six months, more than the average of other economies in the region. Non-performing loans are expected to increase again on balance in the next six months, with a more difficult situation predicted on the corporate side.

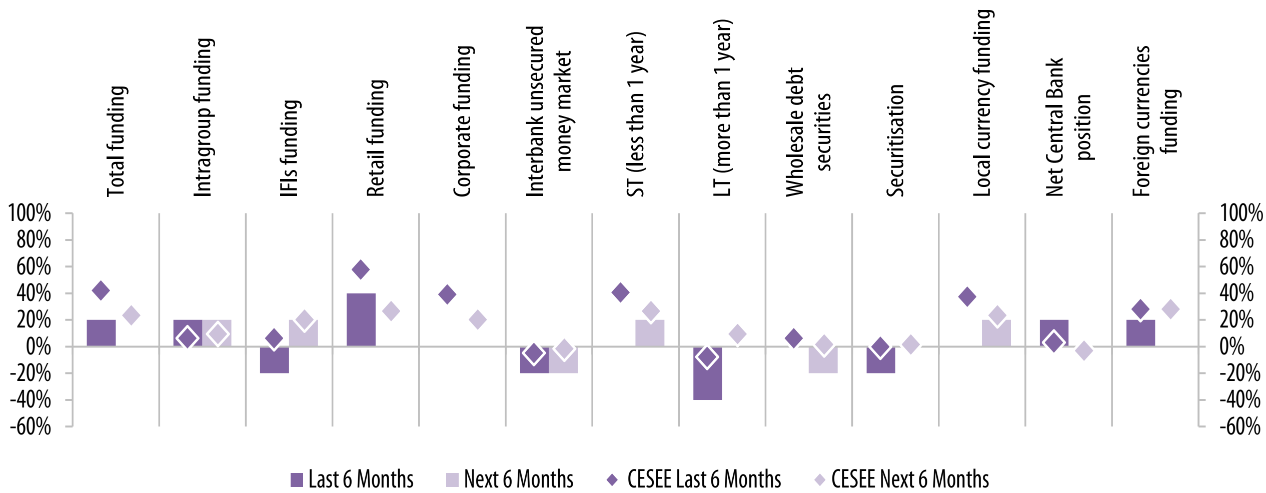


Source: EIB — CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Banks' funding conditions did not change much on balance and remained rather positive. The availability of retail funding continued to improve, whereas that of longer-term funding declined for most banks. No significant changes in funding conditions are expected over the next six months. Intragroup funding will remain supportive. These developments are broadly in line with those in the rest of the region.



Source: EIB — CESEE Bank Lending Survey.

Note: The chart shows net percentages, with positive figures indicating increasing/better access to funding. See Question B.Q9 in the Annex.

Annex

Non-performing loans in % of total loans (more than 90 days overdue)													
	AL	**BA**	**BG**	**HR**	**CZ**	**HU**	**KS**	**MK**	**PL**	**RO**	**RS**	**SK**	**CESEE**
2021Q4	5.65	5.78	6.03	4.33	2.40	3.28	2.30	3.20	5.80	3.35	3.50	1.90	4.31
2021Q3	6.49	5.55	6.44	4.68	2.60	3.04	2.40	3.49	6.30	3.65	3.55	1.98	4.61
2021Q2	7.12	5.70	6.72	5.07	2.70	3.40	2.50	3.44	6.50	3.78	3.60	2.10	4.79
2021Q1	7.96	6.00	7.10	5.27	2.80	3.57	2.70	3.39	6.80	3.94	3.90	2.23	5.02
2020Q4	8.11	6.10	7.45	5.43	2.70	3.60	2.70	3.28	7.00	3.83	3.70	2.34	5.12
2020Q3	8.30	6.60	7.78	5.49	2.30	3.84	2.70	3.33	7.00	4.06	3.40	2.48	5.13
2020Q2	8.09	6.70	8.11	5.50	2.40	3.98	2.60	4.56	6.90	4.38	3.70	2.69	5.20
2020Q1	8.21	6.60	8.00	5.39	2.40	4.15	2.90	4.83	6.60	3.94	4.00	2.81	5.06
2019Q4	8.37	7.40	6.62	5.53	2.50	4.06	2.00	4.61	6.60	4.09	4.10	2.81	5.04
2019Q3	10.61	7.74	7.56	6.03	2.70	4.48	2.30	4.81	6.80	4.58	4.70	2.80	5.37
2019Q2	11.23	8.03	7.31	7.25	2.80	4.92	2.50	5.36	6.80	4.74	5.20	2.89	5.54
2019Q1	11.38	8.50	7.55	7.40	3.20	5.22	2.60	5.11	6.80	4.90	5.50	2.95	5.69
2018Q4	11.08	8.80	7.80	7.56	3.30	5.43	2.70	5.11	6.80	4.96	5.70	3.06	5.77
2018Q3	12.89	9.39	8.68	8.07	3.30	6.17	2.80	4.95	7.00	5.56	6.41	3.40	6.14
2018Q2	13.27	9.31	9.29	8.89	3.40	6.59	2.80	5.02	7.10	5.71	7.81	3.46	6.39
2018Q1	13.43	9.66	9.56	8.92	3.60	6.98	2.90	5.04	7.70	6.16	9.20	3.60	6.81
2017Q4	13.23	10.05	10.43	11.35	4.00	7.52	3.10	6.24	6.80	6.41	9.85	3.61	6.85
2017Q3	14.78	10.78	11.73	12.51	4.00	8.47	3.60	6.49	6.90	7.96	12.21	3.92	7.42
2017Q2	15.58	11.09	12.39	13.16	4.30	9.23	3.90	6.63	6.90	8.32	15.58	4.02	7.79
2017Q1	17.44	11.49	12.92	13.91	4.50	10.16	4.50	6.18	6.90	9.36	16.82	4.26	8.21
2016Q4	18.27	11.78	13.17	13.80	4.80	10.75	4.90	6.39	7.10	9.62	17.03	4.37	8.49
2016Q3	21.29	12.12	14.02	14.65	5.20	12.50	5.10	7.19	7.30	10.00	19.51	4.67	9.10
2016Q2	19.96	12.11	14.40	14.99	5.30	13.59	5.30	7.41	7.30	11.30	20.22	4.70	9.42
2016Q1	19.31	13.24	14.74	16.12	5.50	14.50	5.90	10.52	7.40	13.52	20.92	4.71	10.00
2015Q4	18.22	13.71	14.51	16.65	5.80	13.59	6.20	10.43	7.50	13.51	21.58	4.81	10.00
2015Q3	20.57	13.83	14.48	17.05	6.10	15.54	6.80	11.26	7.90	15.73	21.98	5.31	10.74
2015Q2	20.94	14.07	15.01	17.34	6.00	14.90	7.20	11.02	8.00	16.20	22.78	5.48	10.83
2015Q1	22.85	14.19	17.17	17.14	6.10	14.71	8.10	11.12	8.20	20.20	22.60	5.57	11.45
2014Q4	22.80	14.17	16.75	17.06	6.10	16.65	8.30	10.89	8.10	13.93	21.54	5.54	10.93
2014Q3	24.98	16.08	18.13	17.24	6.20	17.78	8.50	11.75	8.20	15.33	23.01	5.64	11.49
2014Q2	24.07	15.47	17.97	16.59	6.30	18.07	8.20	11.38	8.30	19.19	23.01	5.46	11.87
2014Q1	24.02	14.89	16.74	16.11	6.50	18.23	8.60	10.70	8.40	20.39	22.25	5.46	11.94
2013Q4	23.22	15.12	16.87	15.70	5.90	17.74	8.70	11.07	8.50	21.87	21.37	5.32	11.98
2013Q3	24.34	14.86	17.22	15.32	5.90	18.14	8.50	11.32	8.50	21.56	21.06	5.57	11.98
2013Q2	24.39	14.28	17.09	15.11	6.00	18.25	7.80	11.86	8.70	20.30	19.93	5.49	11.88
2013Q1	23.99	13.83	16.92	14.57	6.00	17.86	7.60	11.44	8.90	19.08	19.88	5.35	11.73

Source: WIIW

Credit to private sector, y/y growth rate													
	AL	BA	BG	HR	CZ	HU	KS	MK	PL	RO	RS	SK	CESEE
2022Q1	12.16	4.26	10.53	4.70	9.28	9.78	18.37	9.79	5.38	14.96	12.38	8.77	8.34
2021Q4	9.55	3.70	8.27	2.28	8.36	12.83	15.42	8.23	4.61	14.26	10.23	7.19	7.50
2021Q3	7.20	2.74	7.33	2.17	6.32	11.49	12.25	6.17	2.89	12.96	6.92	5.98	5.87
2021Q2	6.06	2.05	6.20	1.57	4.18	10.26	12.23	5.01	0.47	10.88	7.26	5.08	4.03
2021Q1	2.42	-0.40	4.51	0.77	3.21	9.01	7.68	5.12	-2.04	6.93	8.93	5.12	2.29
2020Q4	6.92	-2.50	4.46	3.47	4.10	13.45	7.07	4.61	0.42	5.00	11.06	5.02	3.71
2020Q3	5.32	-0.55	4.25	4.50	4.75	12.55	7.65	7.40	0.56	4.19	14.38	5.29	3.93
2019Q2	6.60	0.36	4.88	4.13	5.61	13.68	6.39	6.71	2.91	4.10	13.89	6.05	5.14
2020Q1	8.85	3.46	7.05	5.97	6.40	18.36	9.17	5.88	5.97	6.23	11.47	6.56	7.25
2019Q4	6.62	6.68	7.36	3.87	5.20	13.14	10.02	6.07	4.65	7.02	8.93	6.55	6.05
2019Q3	5.06	6.04	6.51	1.77	5.15	13.25	10.26	5.53	6.05	7.15	9.71	7.63	6.61
2019Q2	3.62	6.03	5.98	2.57	5.43	11.37	10.51	8.07	5.34	6.66	8.95	7.22	6.13
2019Q1	-0.77	5.28	7.51	3.54	6.79	11.53	11.47	8.97	7.07	7.73	9.61	8.54	7.42
2018Q4	-3.59	5.48	7.54	2.26	6.83	10.57	10.81	7.21	7.17	7.84	9.91	9.78	7.44
2018Q3	-3.53	6.32	6.10	1.68	6.70	9.63	11.47	7.83	5.84	6.44	6.40	9.52	6.46
2018Q2	-2.44	6.98	5.73	2.20	6.12	8.72	11.41	6.15	5.50	6.95	4.44	10.20	6.21
2018Q1	0.36	7.19	3.80	0.67	5.52	5.05	10.57	5.65	4.44	5.89	2.16	9.86	5.06
2017Q4	0.72	7.33	3.27	-0.10	6.53	5.47	11.65	5.43	3.08	5.26	2.13	9.85	4.57
2017Q3	0.88	7.34	4.14	0.33	6.47	4.63	10.26	4.01	4.10	7.24	0.77	11.20	5.24
2017Q2	-1.52	6.22	3.57	-1.33	7.27	2.30	10.17	4.09	4.02	3.94	2.21	11.74	4.81
2017Q1	0.09	4.75	3.33	-2.26	6.75	0.14	10.93	-1.16	4.69	2.67	4.48	11.24	4.64
2016Q4	0.24	3.54	0.97	-4.29	6.73	-1.33	10.50	-0.06	5.28	0.89	2.35	9.30	4.15
2016Q3	0.49	2.41	-0.69	-5.97	6.48	-4.59	9.67	1.52	4.90	0.46	5.97	8.75	3.56
2016Q2	-0.10	2.18	-1.21	-6.24	6.51	-5.75	8.33	2.50	5.22	0.57	4.65	7.36	3.38
2016Q1	-2.05	3.31	-2.27	-6.95	7.94	-6.44	8.80	8.53	5.38	2.34	2.07	8.02	3.73
2015Q4	-2.64	2.02	-1.57	-3.09	6.63	-12.34	7.23	9.60	7.07	2.50	3.02	9.69	4.17
2015Q3	-1.89	0.96	-10.07	-1.55	8.57	-9.36	7.76	8.89	6.43	0.37	3.11	8.15	3.70
2015Q2	0.72	0.69	-10.17	-0.62	5.88	-8.26	7.87	9.09	6.82	-0.45	5.43	8.69	3.59
2015Q1	2.48	-0.10	-9.20	-0.49	3.81	-6.72	6.06	9.25	6.67	-3.62	7.31	7.78	3.00
2014Q4	2.39	1.68	-8.15	-2.03	2.69	-0.27	6.23	10.00	5.80	-3.71	4.46	6.70	2.71
2014Q3	1.92	3.24	1.98	-3.58	2.78	-3.90	4.71	9.51	5.69	-4.87	-0.81	7.45	2.59
2014Q2	-1.55	3.97	2.10	-2.55	3.84	-2.46	3.63	8.61	4.76	-4.29	-4.48	6.22	2.34
2014Q1	-2.07	3.81	1.22	-1.99	2.85	-5.95	2.57	7.55	4.51	-2.98	-6.50	5.37	1.71
2013Q4	-1.15	2.86	-0.01	-1.46	4.06	-4.43	2.56	6.51	3.31	-3.43	-4.95	5.41	1.45
2013Q3	-1.73	1.94	0.68	-2.47	2.38	-1.62	2.89	3.76	2.95	-3.42	-4.60	4.78	1.18
2013Q2	0.98	1.69	0.99	-4.72	1.92	-5.44	3.42	3.83	2.11	-1.22	-0.52	4.42	0.61
2013Q1	1.36	2.16	2.34	-6.77	2.84	-4.52	4.36	4.43	2.34	0.25	1.76	4.04	1.11

Source: WIIW

The Questionnaire

The questionnaire is divided into two parts:

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

PART A

A.Q1 How do you assess in each country…

Country	…market potential	…your subsidiary's current positioning	…Return on assets (adjusted for cost of risk)	…Return on assets (adjusted for cost of risk) compared to overall group operations	…Return on equity (adjusted for cost of equity)	…Return on equity (adjusted for cost of equity) compared to overall group ROE
Albania						
Bosnia-H.						
Bulgaria						
Croatia						
Czech Republic						
Estonia						
Hungary						
Kosovo						
Latvia						
Lithuania						
Macedonia						
Poland						
Romania						
Serbia						
Slovakia						
Slovenia						
Ukraine						

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

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

A.Q3 — Group funding: group's access to funding...		
	…How has it changed over the ***LAST*** *six months?*	*…How do you expect it to change over the* ***NEXT*** *six months?*
Total		
Retail (deposits and bonds to clients)		
Corporate (deposits and bonds to clients)		
Interbank market		
IFIs		
Wholesale debt securities		
Loans or credit lines from the Central Bank		
Securitisation		
Short-term funding (any source)		
Long-term funding (any source)		

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

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

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

A.Q7 — Profitability of the strategy in CESEE region: ROA of your CESEE operations is higher/lower/equal to that for the overall group…		
	LAST 6 months	**NEXT** 6 months

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

	LAST 6 months	**NEXT** 6 months
Total Exposure		
Exposure to subsidiaries — intra-group funding		
Exposure to subsidiaries — capital		
Direct cross-border lending to domestic clients, booked in the BS of the parent company		
MFIs — funding to banks not part of the group, booked in the BS of the parent		

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

	*…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 enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local currency		
Foreign currency		

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

	…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 enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local currency		
Foreign currency		

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

OVER the LAST 6 months

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

OVER the NEXT 6 months

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

B.Q4 — Factors affecting your bank's credit standards (credit supply).
Have the following domestic and international factors contributed to tighten (ease) your credit standards over the past six months, and do you expect them to contribute to tighten (ease) your credit standards over the next six months?

	Over the **LAST** six months	Over the **NEXT** six months
Impact on credit standards		
A) Domestic Factors *— affecting your subsidiary*		
i) Local market outlook		
ii) Local bank outlook		
iii) Local bank access to total funding		
iii.a) of which: domestic		
iii.b) of which: international/intra-group		
iv) Local bank capital constraints		
v) Change in local regulation		
vi) Competition		
vii) Credit quality (NPLs)		
viii) Bank's liquidity position		
ix) Risk on collateral demanded		
B) International Factors *— affecting your subsidiary*		
i) Group company outlook		
ii) Global market outlook		
iii) Overall group access to funding		
iv) EU regulation		
v) Group capital constraints		
vi) Global competition		
vii) Credit quality (NPLs)		

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 enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local currency		
Foreign currency		

B.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 enterprises		
Applications from households for house purchase		
Applications for consumer credit (other than loans for house purchase)		
Applications for short-term loans		
Applications for long-term loans		
Applications for local currency		
Applications for foreign currency		

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

...Loans or credit lines to enterprises

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

...Loans to households

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

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

	…Has the non-performing loans ratio changed over the last six months?	*…How do you expect the non-performing loans ratio to change over the next six months?*
Total		
Retail		
Corporate		

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

	Over the **LAST** six months	Over the **NEXT** six months
A) Total funding		
A.1) Intra-group funding		
A.2) IFIs (international financial institutions) **funding**		
A.3) Retail funding (deposits and bonds to clients)		
A.4) Corporate funding (deposits and bonds to clients)		
A.5) Inter-bank unsecured money market		
A.6) Wholesale debt securities		
A.7) Securitisation		
A.8) Net Central Bank position		
B.1) Local currency funding		
B.2) Short-term (less than 1 year)		
C.1) Long-term (more than 1 year)		
C.2) Foreign currencies funding		

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pdf: ISBN 978-92-861-5225-2

07/2022 – EN