

**ECONOMICS** – REGIONAL STUDIES

# Central, Eastern and South-Eastern Europe (CESEE)

## Bank Lending Survey

Spring 2021



European  
Investment  
Bank

*The EU bank* 



# CESEE Bank Lending Survey

Spring 2021



## **CESEE Bank Lending Survey – H1 2021 – Spring Edition**

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# Regional Overview

***Demand for loans increased while supply conditions tightened somewhat in the CESEE region between September 2020 and March 2021. NPLs have continued increasing, but less rapidly than had been expected in spring and autumn 2020 survey waves. At the same time, policy responses - regulatory and quantitative - to COVID-19 have been effective in avoiding the worst and in supporting the lending landscape. Against this backdrop, international banking groups continue to show a commitment to the region over the medium term, with their strategies tilted towards expansion or stability.***

## Summary

**International banking group strategies and commitment to the CESEE region:** Banking group strategies are tilted towards expansion or stability in the CESEE region and their medium-term market assessment in terms of market potential and positioning does not show any significant deterioration compared to the autumn 2020. Overall, a generalised stability stance in loan-to-deposit (LTD) ratios at the group-level is reported together with relatively easy access to funding conditions.

**CESEE subsidiaries and local banks** report an increase in **demand** for credit while they have tightened again **supply** conditions across the board, including on SMEs, over the past six months. Investment were a contractionary element whilst working capital needs continued to contribute positively to overall demand for loans. Housing market prospects played a substantially supportive role. Over the past six months, local market outlooks and NPLs were limiting factors for supply. Changes in the domestic regulatory environment and domestic funding conditions played an easing role, instead. Global market outlook, group NPLs and funding acted somewhat as constraints on supply conditions. Credit standards are expected to tighten only on corporates and SMEs over the next six months.

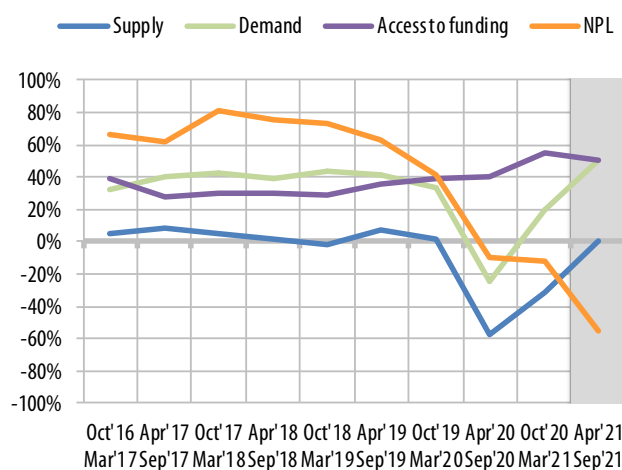
**Access to funding** has continued to ease in the CESEE region over the past six months backed by almost all sources of funding.

**NPL ratios** deteriorated, albeit less than anticipated in the autumn 2020 survey wave. The negative trend is expected to continue over the next six months.

**Policy response to the COVID-19 shock:** Regulatory and policy measures have played a supportive role to lending activity. Public guarantee schemes have been effective so far. Central banks' long-term liquidity provisions have also helped to some degree. Flexibility on treatment of NPLs, various forms of capital relief measures and adjustments of risk weights were deemed supportive.

**Moratoria on loans:** Many countries and banks have implemented moratoria measures, with total outstanding loan portfolio coverage between 0% and 20% for roughly 70% of banks and between 20% and 60-70% for the other reporting banks.

**Digitalisation processes** in response to COVID-19: Banks have continued to speed up their propensity to digitalise, notably in terms of client outreach and in the area of risk management.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages.

Supply/Demand: Positive figures refer to increasing (easing) demand (supply).

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

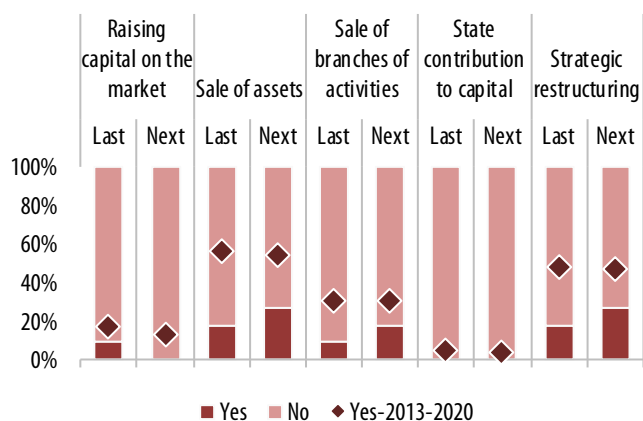
NPL: Negative figures indicate increasing NPL ratios.

## Results of the Bank Lending Survey – Parent banks

**Following the COVID-19 shock and throughout the pandemic, activities to increase capital saw a significant reduction with little sales of assets or branches. Lately, less than 20% of banking groups continued restructuring activities in their global operations, with few sales of assets and branches. Overall, unwarranted deleveraging did not happen so far, with banking groups reporting a generalised stability stance in their LTD ratios. This suggests that the policy responses have been instrumental in limiting the most abrupt negative effects in 2020 and early 2021.**

As detected in the 2020 waves of the survey, the COVID-19 shock has brought about a significant decrease in activities to increase capital. Less than 20% of banking groups continued restructuring activities at the global level to increase group capital ratios and a relatively small share - slightly above 20% - expects this process to persist over the next six months (Figure 1). Lately, capital has been raised only through sales of assets and branches as well as on the market, but fewer banks have engaged in sales compared to long term norms (i.e. 2013-2020) and also compared to the pre-pandemic year. Moreover, no state intervention on capital are reported. Looking at the next six months, contributions to balance sheet strengthening are again expected to come mainly from sales of assets and branches with a slight pick-up compared to the recent past, albeit at still compressed levels compared to medium term average (2013-2020). Deleveraging at the group level (Figure 2) has slowed significantly already in the pre-pandemic years (since 2017) when assessed against 2013 and 2014 levels. This stance is confirmed also the spring 2021 wave of the survey. Specifically, the share of banks expecting deleveraging is at the level of 2019, which was the lowest level reached since 2013. Overall, banking groups report a generalised stability stance in their LTD ratios. At the margin some banking groups - little more than 20% - even report a tentative expected increase in their LTD ratios compared to 2020. This is also a signal that the policy response has been able to limit the most abrupt negative effects so far, thus avoiding unwarranted deleveraging.

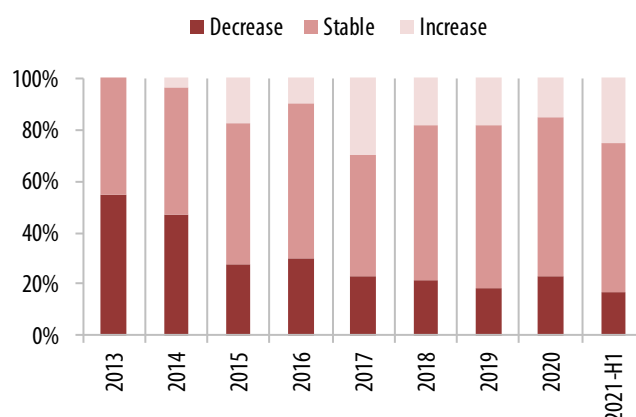
**Figure 1 Strategic operations to increase capital ratio**



Source: EIB – CESEE Bank Lending Survey.

Note: "Last" indicates the past six months – March/Sept 2020 and "Next" indicates the next six months – Oct 2020/March 2021; See question A.Q2 for details – questionnaire in the Annex.

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



Source: EIB – CESEE Bank Lending Survey.

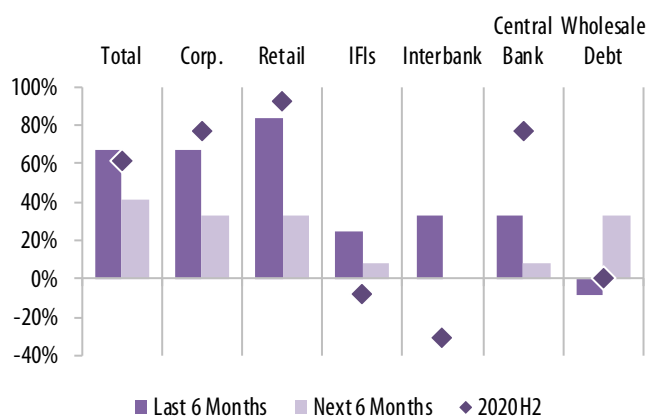
Note: See question A.Q4 – questionnaire in the Annex.



**Group-level access to funding continued to be easy toward the end of 2020 and beginning of 2021. This suggests that monetary and regulatory policy responses have continued to generate accommodative buffers to alleviate potential stresses derived from a resurgence of COVID-19 during winter. The aggregate developments reflect sustained improvements in retail and corporate funding as well as significant positive contributions from liquidity injections by central banks. On the other hand, wholesale debt issuance did not contribute to easing funding conditions.**

Banking groups’ global access to funding has continued to ease over the past six months. Notably almost all factors contributed positively as expected in the autumn 2020 wave of the survey. The dynamics detected in the aggregate access to funding figures reflect sustained improvements in retail and corporate funding as well as significant positive contributions from central banks’ liquidity injections and IFIs (Figure 3a). Notably, also interbank markets have been contributing positively contrary to 2020, thus signalling a further unlocking of liquidity conditions. This suggests that monetary and regulatory policy responses have continued to generate accommodative buffers (see COVID-19 special module on policy responses – pages 14-15) to alleviate potential stresses derived from the COVID-19 pandemic and its resurgence during the winter period. On the other hand, wholesale debt issuance did not contribute to easing funding conditions. Over the next six months, a positive trend in easy access to funding is expected to continue (Figure 3b).

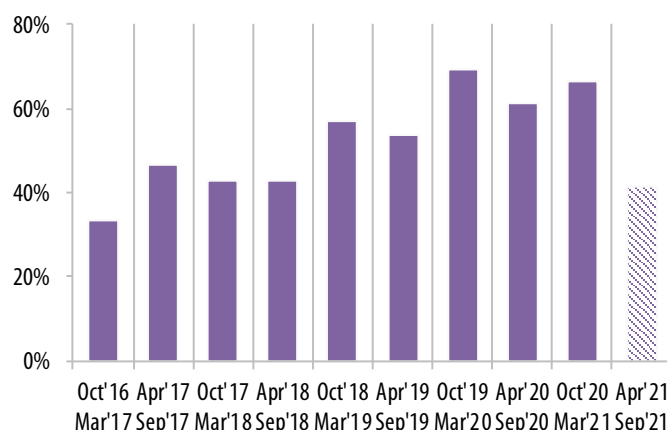
**Figure 3a Access to funding conditions**



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q3 – questionnaire in the Annex.

**Figure 3b Total access to funding conditions**



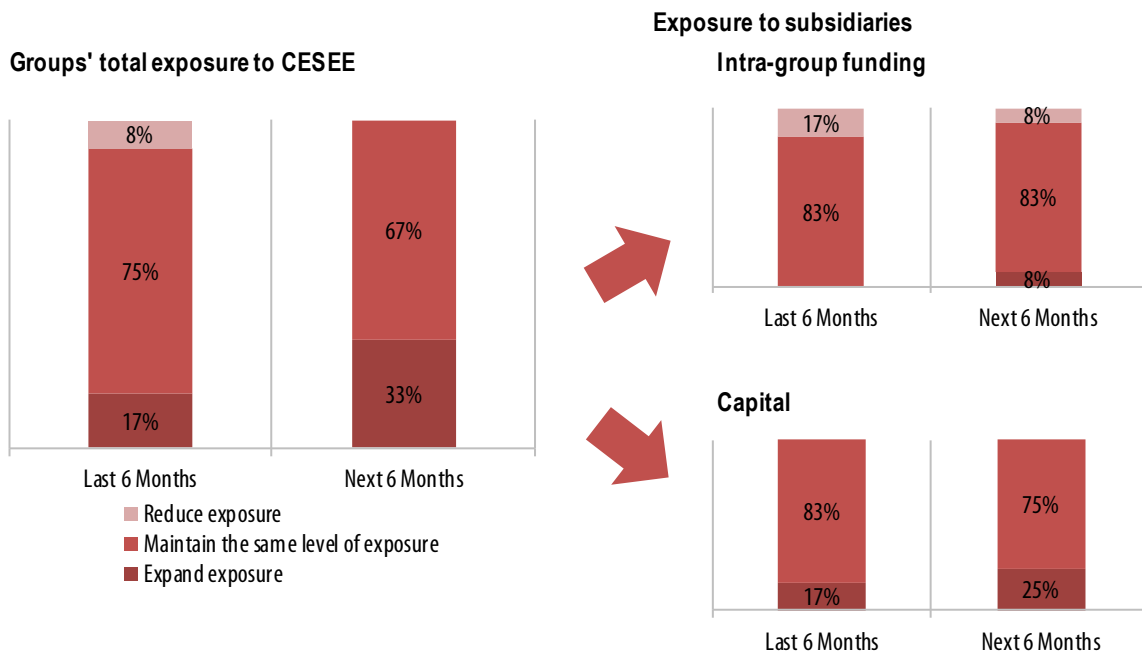
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q3 – questionnaire in the Annex.

**Following the large negative COVID-19 shock, banking exposures in net balances to the region started to expand over the past six months. Notably, few groups signal contraction - and only in terms of intra-group funding. Banking groups also expect an expansion of cross border exposures.**

The trend of total exposure to the CESEE region has been slightly positive over the past six months, because the number of banks declaring a reduction in their exposures to the region was lower than those declaring an increase in exposures. This is the second time in a row following the initial sharp and abrupt outflow caused by the COVID-19 shock. Moreover, this positive development is in line with the expectations formed in the autumn 2020 wave of the survey. Prior to the COVID-19 pandemic, exposures had been oscillating, reflecting an increased level of global uncertainty and volatility. This calls for a cautious approach when interpreting the current outcomes. All parent banks report that they have maintained, or expanded, their capital exposure to their subsidiaries and expect to continue to do so (Figure 4a). Looking at the next six months, the net balance of total exposure to the region is expected to be largely positive, with no banking groups indicating intentions to decrease exposures.

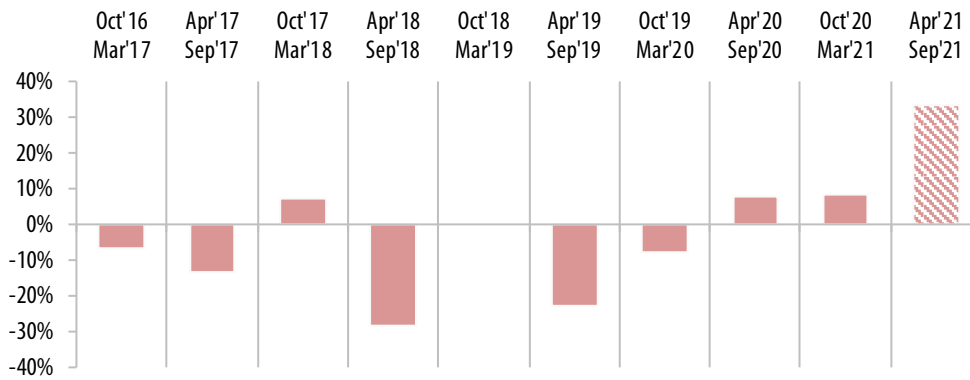
**Figure 4a** Groups' total exposure to CESEE



Source: EIB – CESEE Bank Lending Survey.

Note: Cross-border operations involving CESEE countries – see questions A.Q8 – questionnaire in the Annex.

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



Source: EIB – CESEE Bank Lending Survey.

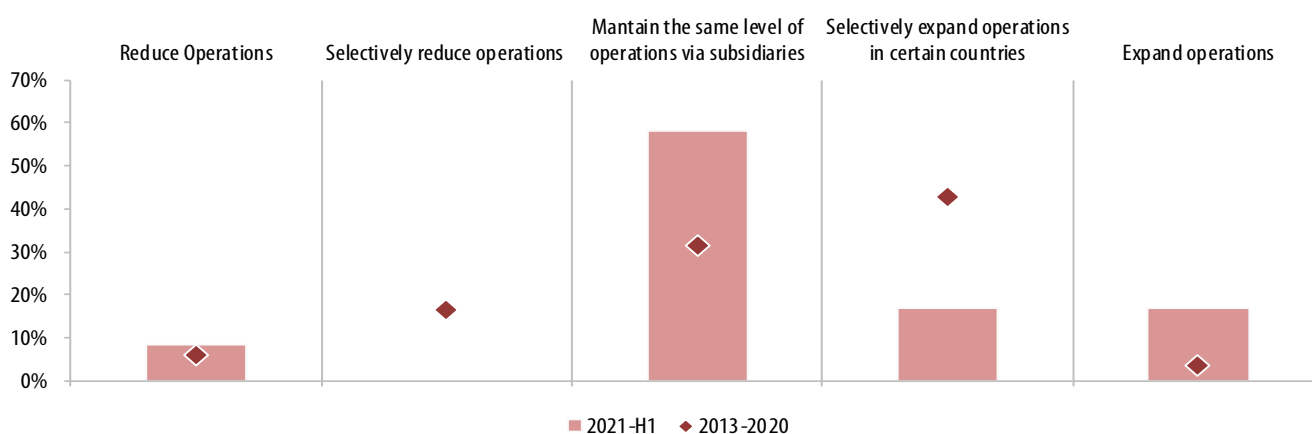
Note: Cross-border operations involving CESEE countries – see questions A.Q8 – net percentages; negative figures refer to decreasing exposure – questionnaire in the Annex.

**Banking group strategies are tilted towards expansion or stability in the CESEE region. Overall, the assessment of market prospects shows diversified potential and profitability across countries. Nonetheless, the current assessment does not show any significant deterioration compared to the pre-COVID-19 period.**

Cross-border banking groups signal positive strategic intentions towards their regional operations, thus pointing at full support during the wintertime resurgence of the pandemic. Contrary to the autumn 2020 wave of the survey, a small share of Groups’ signals tentative intentions to reduce operations. Around 60% of the banking Groups intends to maintain operations in the region (Figure 5), whilst roughly 30% intends to expand operations selectively. The current stance continues to be a net improvement from the past whereby on average 20% to 30% of banking groups signalled intentions to either reduce or selectively reduce operations. It also suggests that many of the restructuring processes launched in the past either reached completion or are still on hold. Profitability of the regional operations is still largely considered to be equal or higher than the profitability of the total Group operations for more than 70% of the banking groups. Nonetheless, this marks a decrease compared to the recent. On the other hand, it is expected to be temporary in nature because more than 80% of banking groups expect their regional profitability to be equal or superior to the total groups profitability over the next six months.

At the same time, banking groups continue to discriminate in terms of countries of operation as they reassess their country-by-country strategies and heterogeneity between countries continues to emerge (Annexes A.4/A.5). The assessment of market prospects at country level builds on the previous waves of the survey. Surveyed banks see signs of somewhat increasing lower market potential (Annex A.8 for data on low market potential) in Bosnia-Herzegovina and Kosovo. In the other countries of the region, banking groups see essentially medium to reasonable market potential. In terms of market positioning, most banks remain comfortable with the scale of their operations in the majority of markets. Some surveyed banks find their market positions in Bosnia-Herzegovina to be in the weak category (Annex A.9 for data on weak positioning). This is also partially the case in Hungary, Romania, Serbia, Slovakia, Slovenia and Ukraine. Overall, this picture suggests that in many markets there was no negative combined effect of low market potential and weak positioning. Finally, yet importantly, the assessed profitability of markets in terms of RoA (adjusted for cost of risk) and return on equity (RoE – adjusted for cost of equity) differs across countries (Annexes A.6 and A.7). Except for the countries with profitability on balance higher than group levels, the percentage of responses indicating low profitability ranges between a minimum of 20% and a maximum of 100%.

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



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q5 – questionnaire in the Annex.

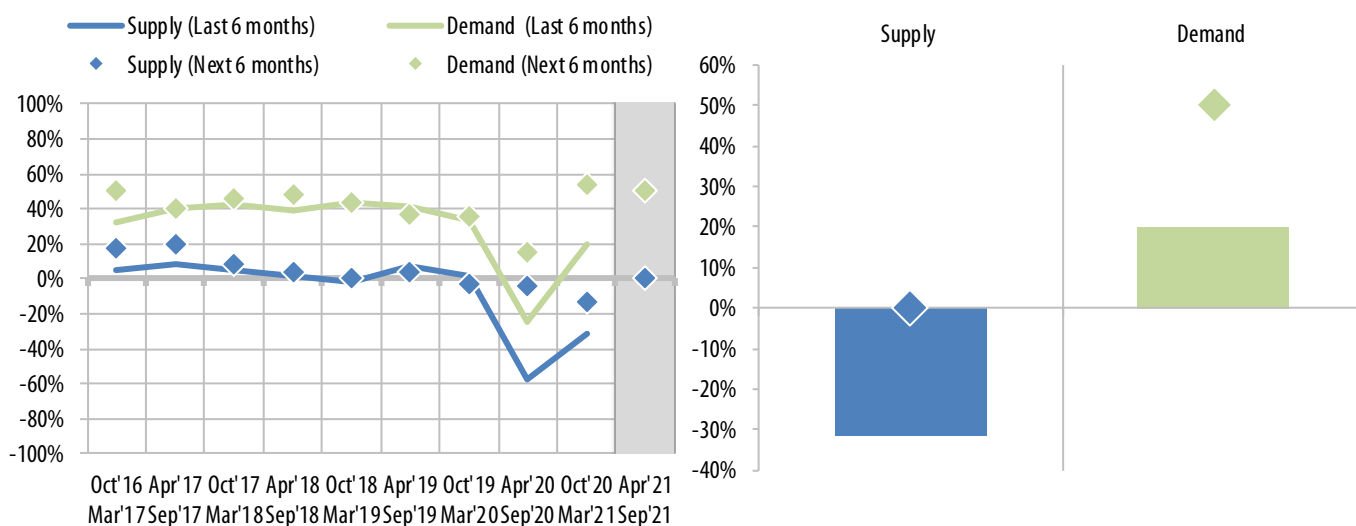
**Results of the Bank Lending Survey – Local banks/subsidiaries**

**CESEE subsidiaries and local banks report an increase in demand for credit whilst supply conditions still tightened over the past six months. Many demand factors started to play a positive role again except demand from companies for investment purposes. Credit standards tightened across the board, especially on corporate and SME lending. Notably, credit standards are expected to be neutral over the next six months on the back of still tightening conditions in the enterprise segment (SMEs and corporates) and easing on the household side. Collateral requirements have tightened significantly across the board over the past six months.**

**Demand** for loans and credit lines has increased in the last six months (Figure 6). This follows a sharp contraction recorded in the second and third quarter of 2020 due to the COVID-19 shock, which also marked the first contraction in aggregate demand in the past six years. This rebound in demand is also aligned with the expectations embedded in the autumn 2020 release of the survey. The increase in demand was primarily supported by working capital needs, debt restructuring but also positive housing market prospects (see Annex A.2). Debt restructuring started to be a positive contributing element since march 2020 whilst its contribution was close to zero in pre-pandemic years. On the other hand, the contribution from investment continued to be negative as already detected in spring and autumn 2020 waves of the survey. This is a significant turnaround because fixed investment were among the highest positive contributors prior to the COVID-19 pandemic. Non-housing-related consumption and consumer confidence did not support demand conditions. In the period ahead, banks expect further increases in credit demand. Almost all elements are expected to be supportive including fixed investment thus brightening the outlook.

**Supply** conditions tightened over the past six months (October 2020 to March 2021), albeit less than in the April to

**Figure 6 Total supply and demand, past and expected development**



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive figures refer to increasing (easing) demand (supply) (triangles 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 – questionnaire in the Annex.

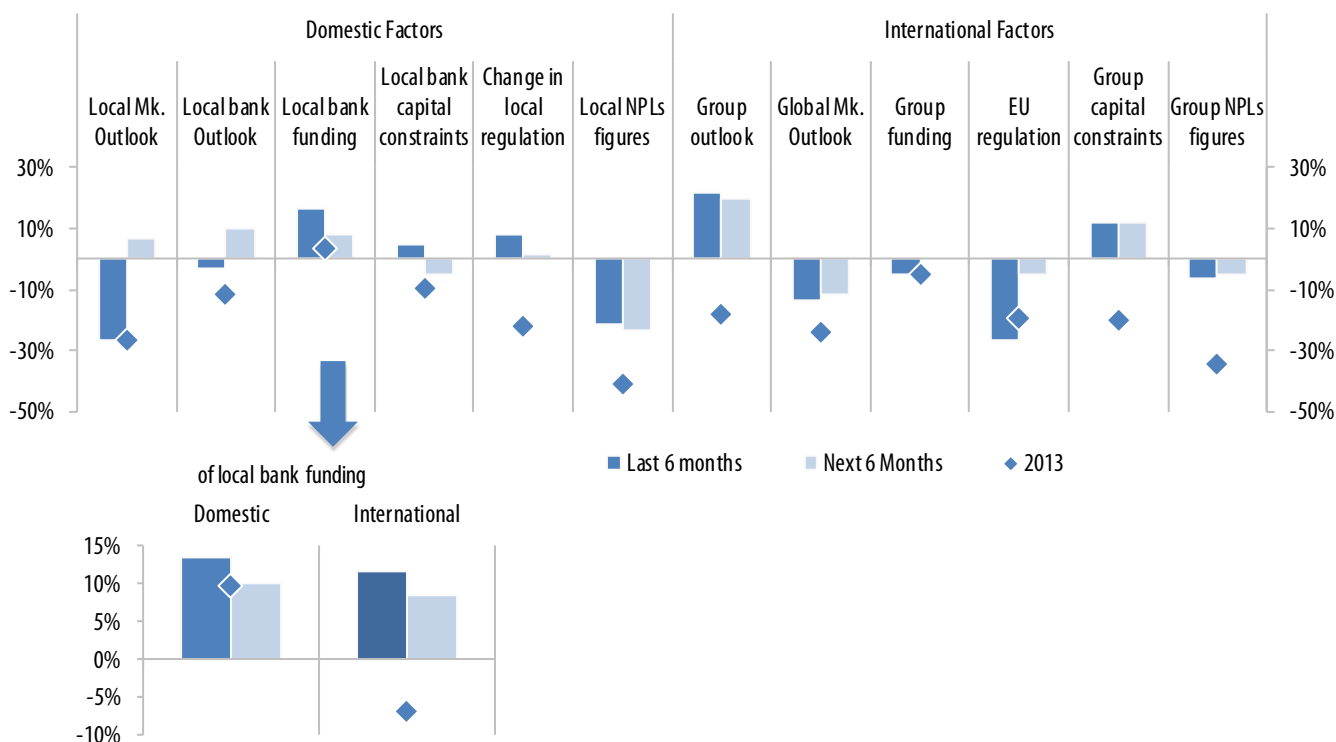
September 2020 window (Figure 6). Credit standards tightened across the client spectrum, notably on SME and corporate lending (Annex A.3). Aggregate supply conditions are expected to slowly move towards a neutral stance but not to ease in the next six months. Despite a tightening in supply conditions, approval rates have increased in the past six months compared to the significant drop recorded from April to September 2020. The terms and conditions of loan supply tightened in terms of size of the loans and only slightly in terms of maturity. Collateral

requirements tightened across the board over the past six months, even more so for SMEs. The expectation of a neutral supply stance hides uneven expectations across client portfolios. Specifically, the household segment is expected to benefit from easing standards whilst SMEs and large corporates are expected to still face tightening credit standards.

**Some domestic and international factors limited supply over the past six months. Market outlooks and NPLs were limiting factors at the local level. Changes in the domestic regulatory environment as well as domestic funding conditions played an easing role. Global market outlook, EU regulation and, to a lesser extent, group NPLs as well as group funding acted as constrains on local banks supply conditions.**

The number of domestic and international factors limiting supply is higher compared to 2019. However, the spring 2021 results show already an improvement compared to last year when in some instances the tightening factors moved closer to the very negative levels recorded in 2012/2013 (Figure 7). The latest survey release shows that local market outlooks and NPLs are limiting factors. Changes in the domestic regulatory environment and local bank funding played an easing role, thus suggesting that local regulatory actions continued to play their part in alleviating the negative effects of the COVID-19 crisis. Moreover, some international factors also contributed to constraining supply conditions. Notably, global market outlook and EU regulation have contributed to a tightening of supply conditions. NPLs at the group level and group funding (via the intra-group channel) also played a mild constraining role. Looking ahead, mainly local NPLs and global market outlook are expected to constrain supply, with also a small contribution from banking groups’ NPLs and the global market outlook.

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



Source: EIB – CESEE Bank Lending Survey.

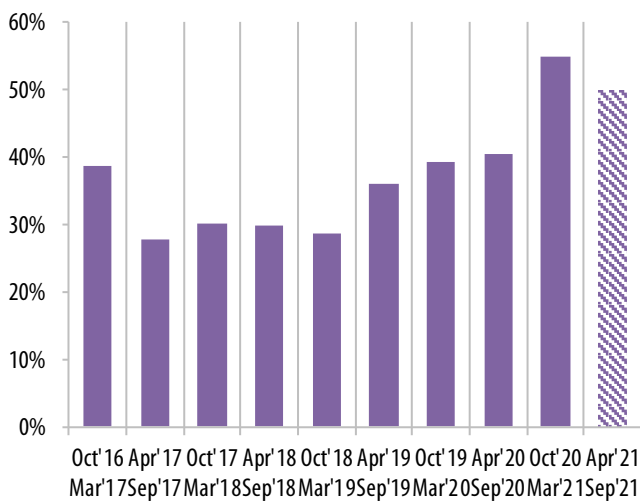
Note: Net percentage; positive figures refer to a positive contribution to supply – see question B.Q4 – questionnaire in the Annex.

**Access to funding continued to ease in the CESEE region, supported mostly by local sources and IFIs. On the other hand, intra-group funding for the second time is no longer assisting these positive developments.**

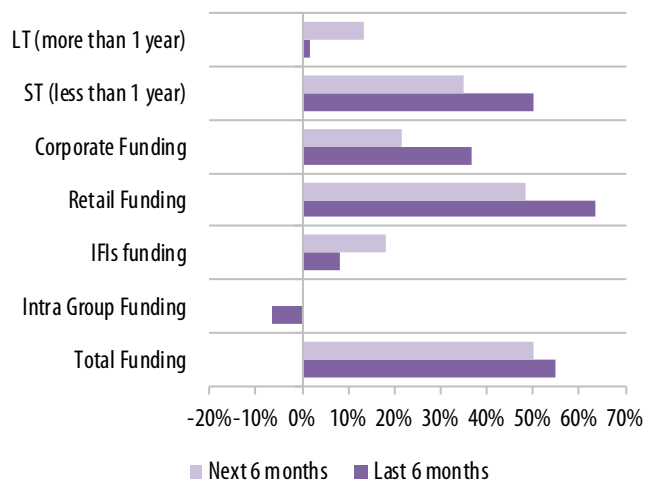
Easy access to retail and corporate deposits supports a positive outlook (Figure 8). In addition, CESEE subsidiaries report that easier access to short-term funding is making a positive contribution to overall funding activities. IFI funding contributed positively. Longer-term funding conditions have only marginally eased. Subsidiaries did not indicate a positive contribution from access to international and intra-group funding over the past six months.

**Figure 8 Access to funding for CESEE subsidiaries**

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



B. Breakdown of funding conditions – results from latest survey



Source: EIB – CESEE Bank Lending Survey.

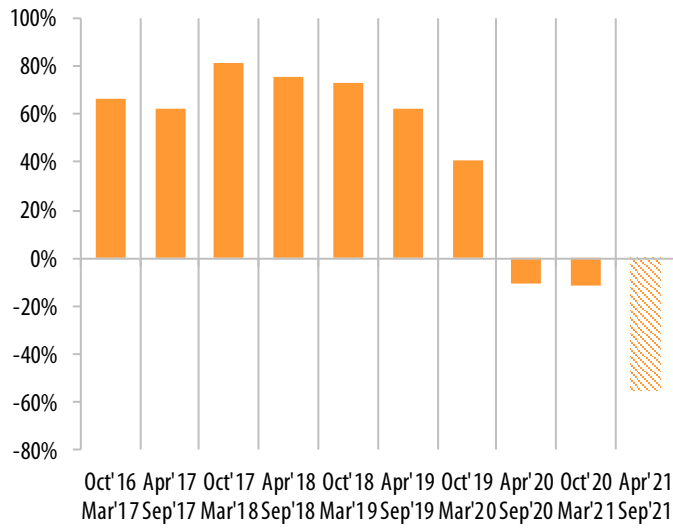
Note: Net percentage; positive figures refer to an easing of access to funding – see question B.Q9 – questionnaire in the Annex.

**Credit quality has deteriorated, albeit less than anticipated in autumn 2020. This negative trend is expected to continue over the next six months in both corporate and retail segments.**

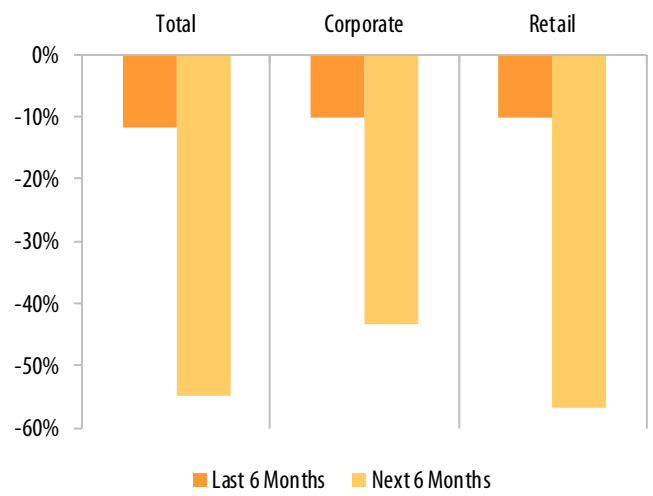
The COVID-19 crisis has brought about a significant change to the asset quality in portfolios. The fall in NPLs recorded until early 2020 came to an end. NPL figures deteriorated at the regional level over past six months (Figure 9). However, banks expectation both in spring 2020 and in autumn 2020 were more negative regarding NPLs developments compared to what the same very banks actually recorded over the same period ex-post.. This suggests that the policy and banks’ strategic responses may have played a mitigating role. NPL ratios are expected to deteriorate further across the board over the next six months. In absolute terms, the share of subsidiaries indicating an increase in their NPL ratios currently stands at roughly 43%, whilst 32% still indicated a decrease over the past six months. Over the next six months, 65% of banks expect an increase in NPL ratios whilst 10% still expects a decrease.

**Figure 9 Non-performing loan (NPL) ratios**

Developments over time



Last run of the survey



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios – see question B.Q8 – questionnaire in the Annex.

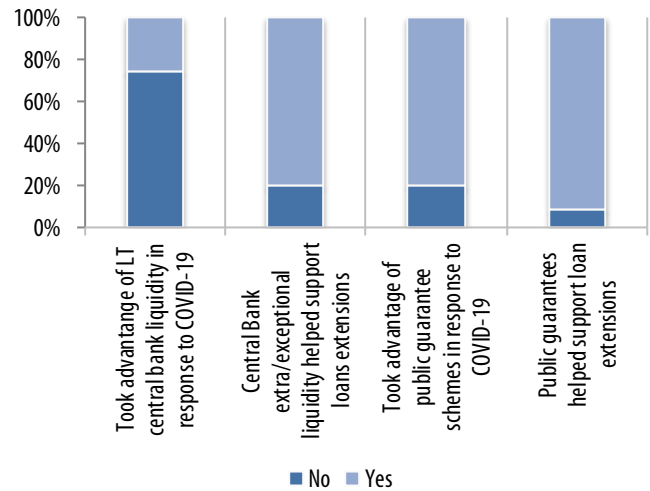
**COVID-19 Special Module**

**Regulatory and policy measures supporting lending**

Banks operating in the region report that regulatory and policy measures to support lending have played a significant positive role. Notably, banks that took advantage of public guarantee schemes indicate that these have been very effective in supporting loan extensions (Figure 1). A smaller group of banks took advantage of central bank long-term refinancing operations. These facilities are identified as being supportive to credit conditions by the vast majority of banks drawing from the liquidity lines. Among the set of regulatory and policy actions, some seem to have a more active role than others in supporting lending to the economy (Figure 2). Specifically, flexibility on NPL treatment is deemed very supportive. Various forms of capital relief measures, including the release of regulatory buffers, have also contributed significantly. Adjustment of risk weights was also considered a relevant measure.

**Figure 1**

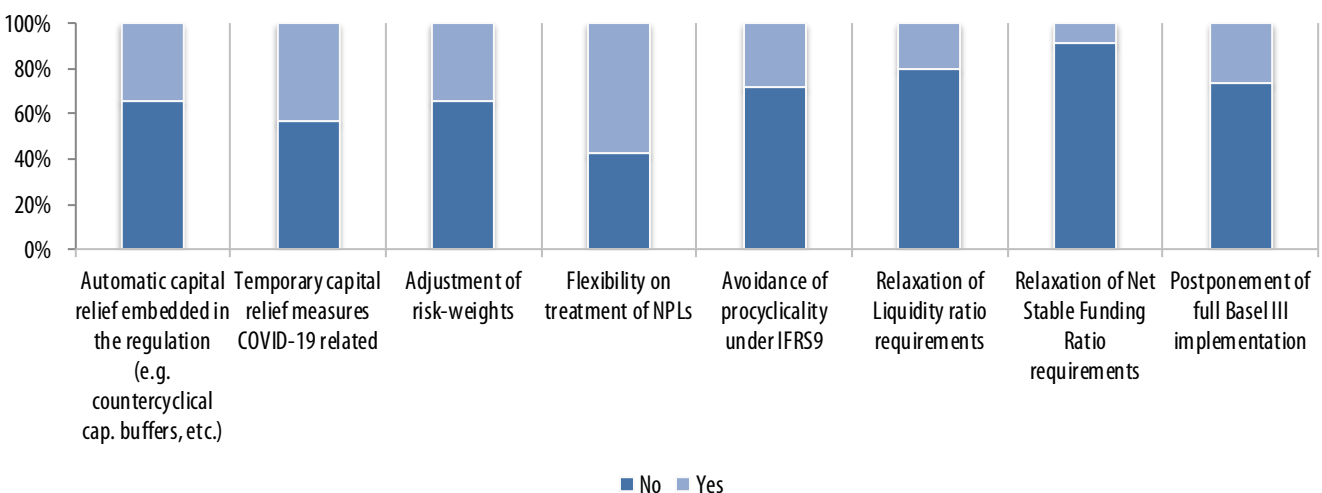
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

**Figure 2**

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



Source: EIB – CESEE Bank Lending Survey.

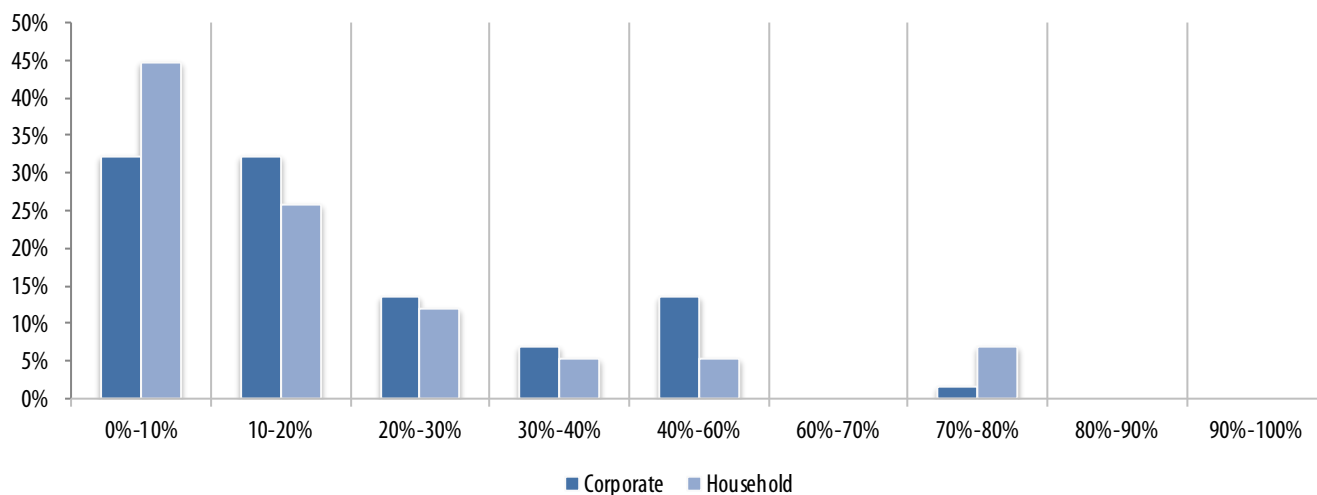
Note: PTI = payment-to-income ratio; LTV = loan-to-value ratio.



### Moratoria incidence and uptake

Many countries and banks in the region have implemented moratoria measures in response to the COVID-19 shock. The participation varies across the region. 30% to 45% of banks indicate that moratoria have equalled 0% to 10% whilst another 25% to 30% of banks indicate a 10-20% share of their outstanding portfolios. For the remaining 25-30% of banks, moratoria ranged between 20% and 70% of total outstanding portfolios. To note that compared to the autumn 2021 wave of the survey the share of portfolios covered by moratoria has decreased.

**Figure 3** Percentage of your corporate/household portfolio/clients' loans



Source: EIB – CESEE Bank Lending Survey.

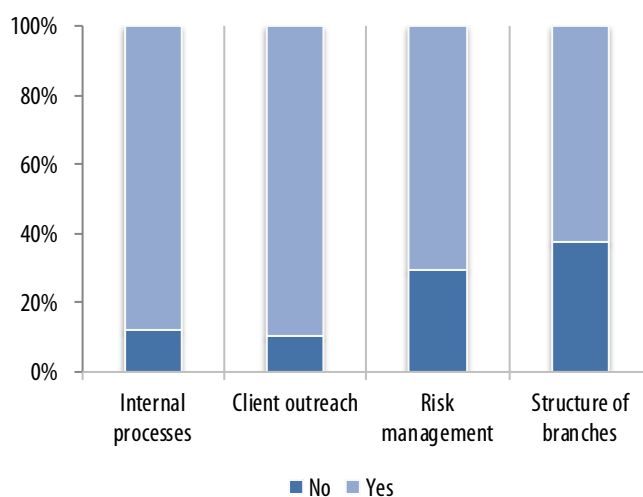
Note: x-axis – shares of loan portfolio are in terms of total balance sheet size; y-axis percentage of banks

### Impact on strategic priorities in terms of digitalisation

Banks have sped up digitalisation processes in response to COVID-19. Specifically, banks report that they are speeding up implementation of digitalisation strategies to increase their client outreach. In this context, digitalisation is also expected to impact the structure of bank branches. The acceleration of digitalisation processes is expected to impact the area of risk management as well as the structuring of internal processes.

**Figure 4**

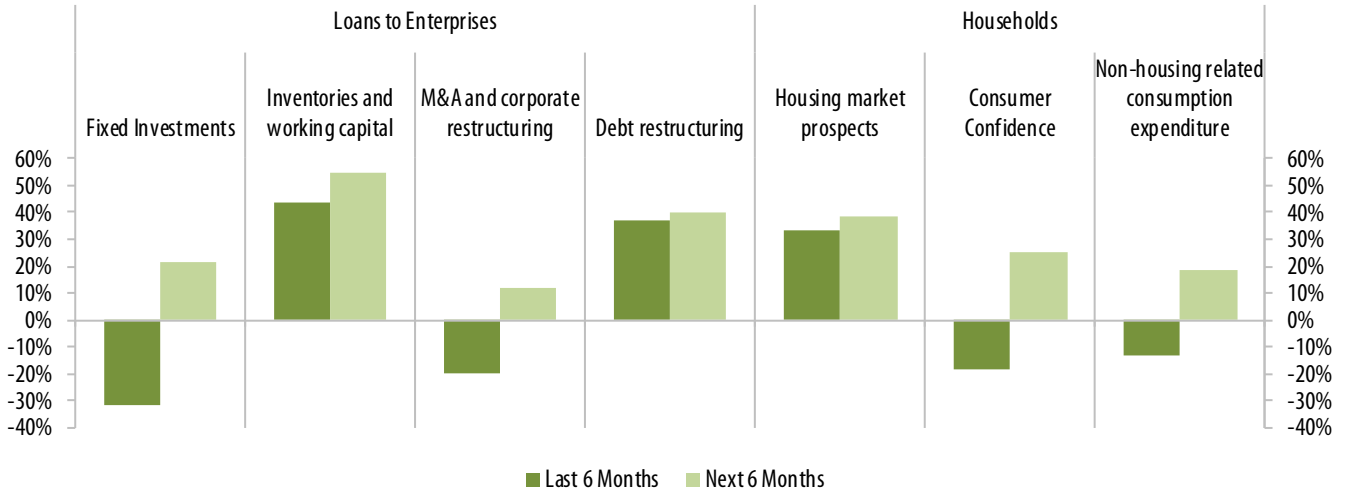
**Due to COVID-19 propensity to speed up digitalisation in terms of:**



Source: EIB – CESEE Bank Lending Survey.

# Annex

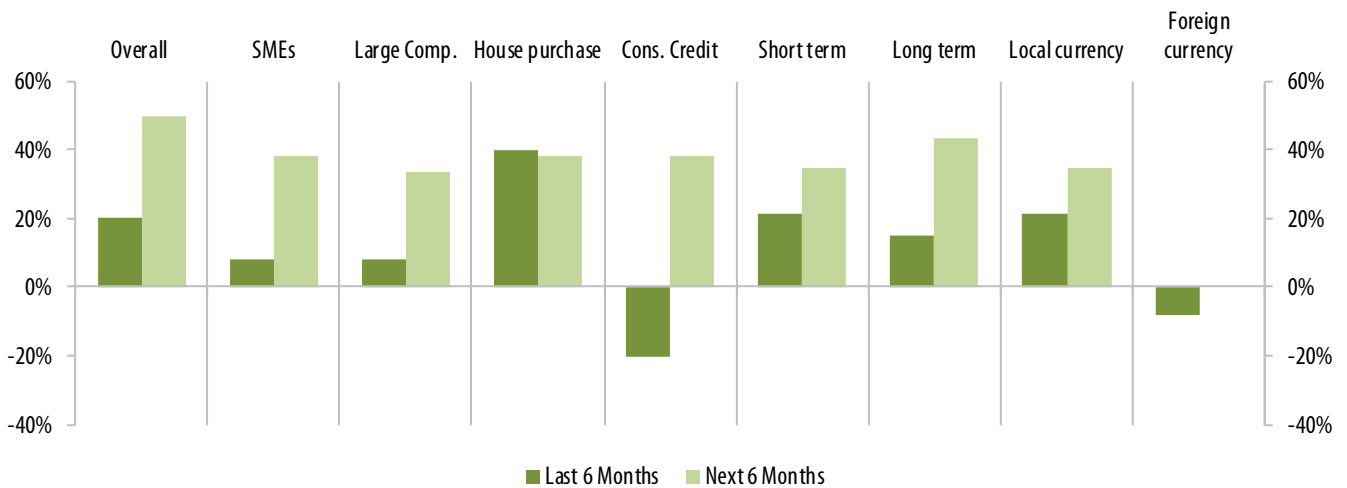
## Annex A.1 Factors affecting demand for credit



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate a positive contribution to demand conditions – see question B.Q7 – questionnaire in the Annex.

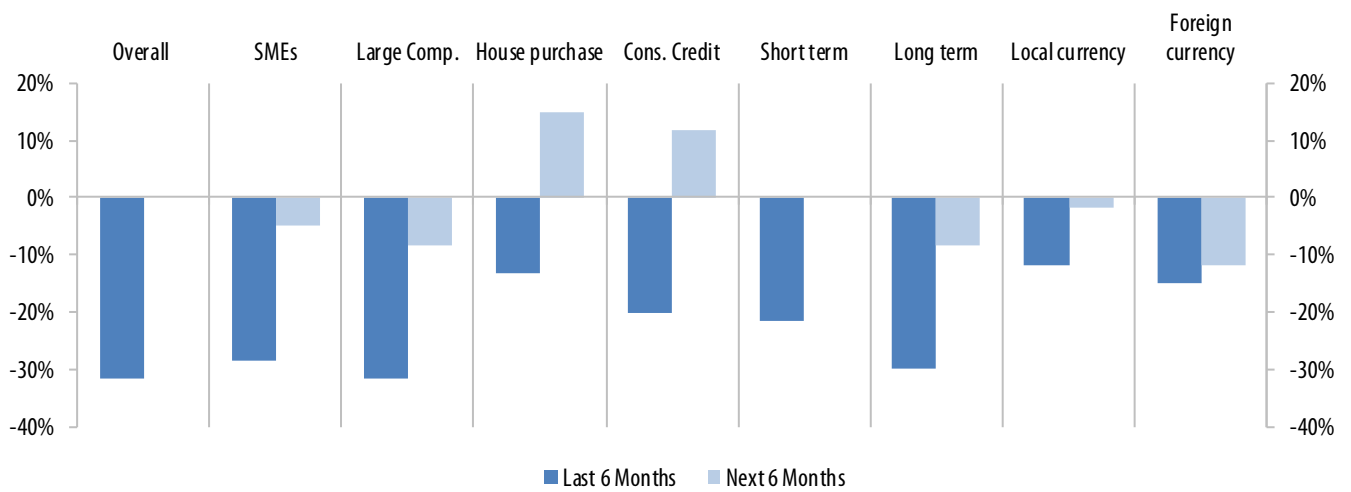
## Annex A.2 Demand for loans or credit lines – client breakdown



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increasing demand – see question B.Q5 – questionnaire in the Annex.

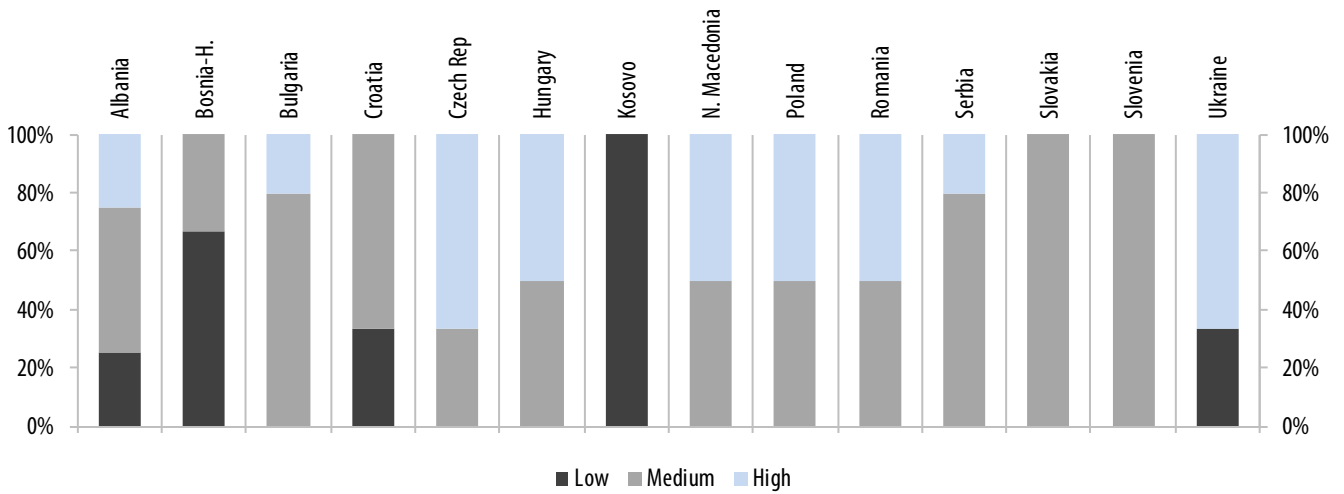
**Annex A.3 Credit supply (credit standards) – client breakdown**



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate an easing supply – see question B.Q1 – questionnaire in the Annex.

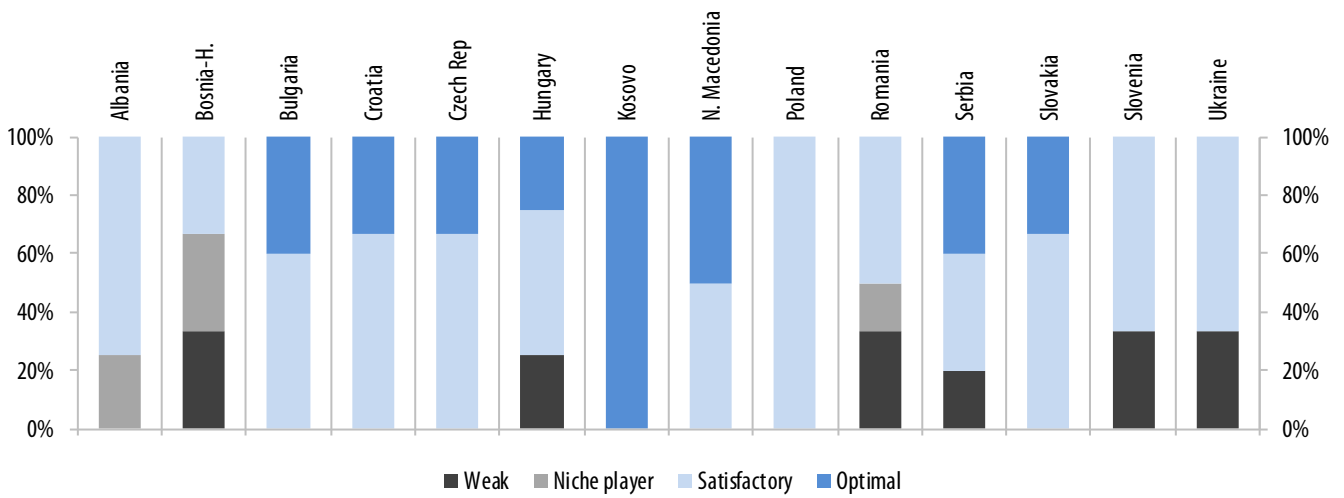
### Annex A.4 Market potential



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.

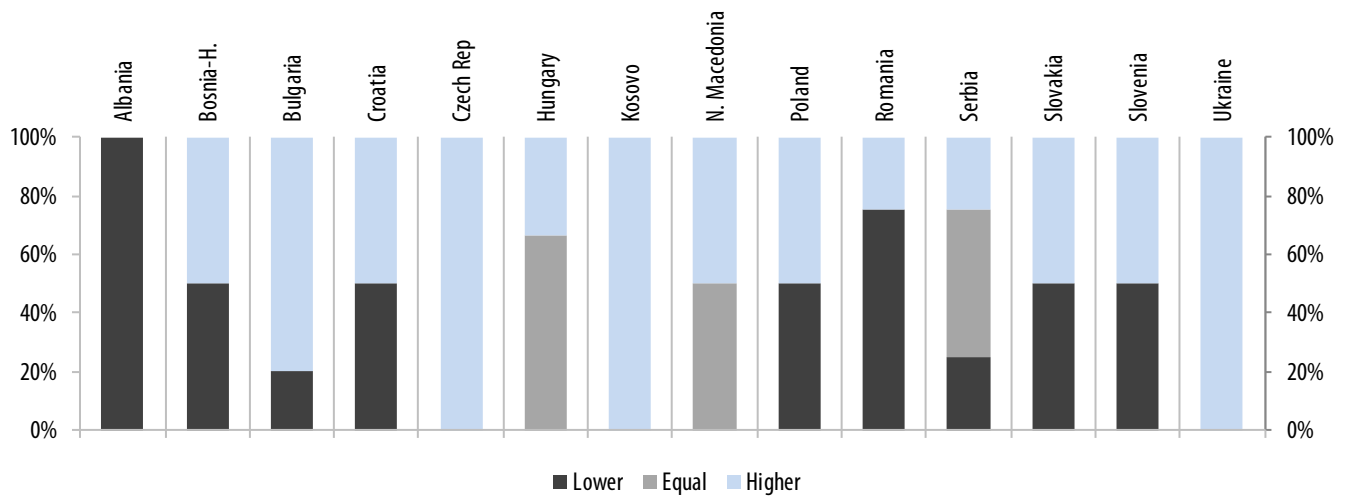
### Annex A.5 Market positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.

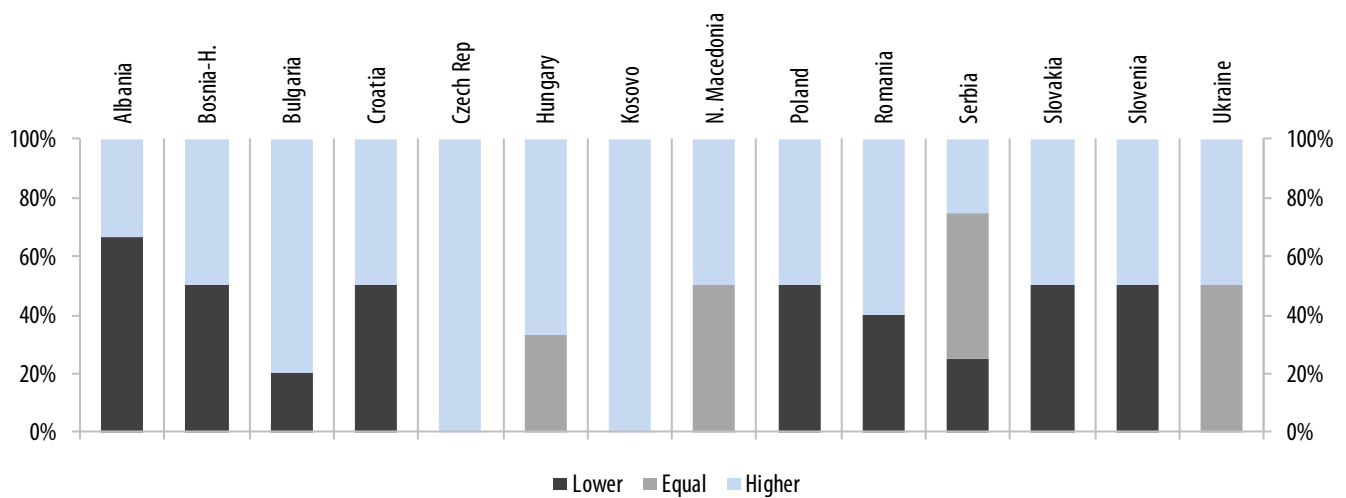
**Annex A.6 Return on assets (adjusted for cost of risk) compared to overall group operations**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.

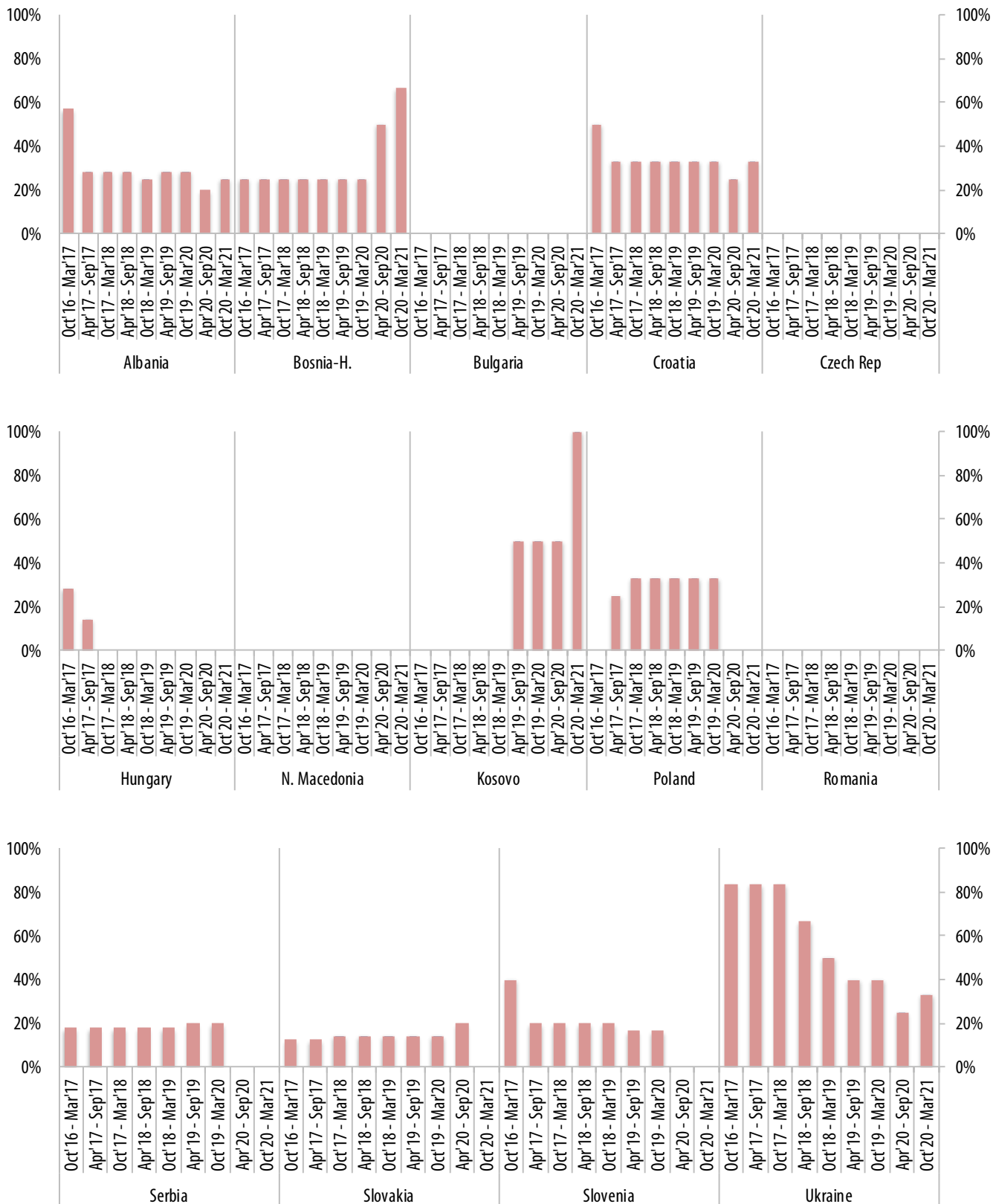
**Annex A.7 Return on equity (adjusted for cost of equity) compared to overall group RoE**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.

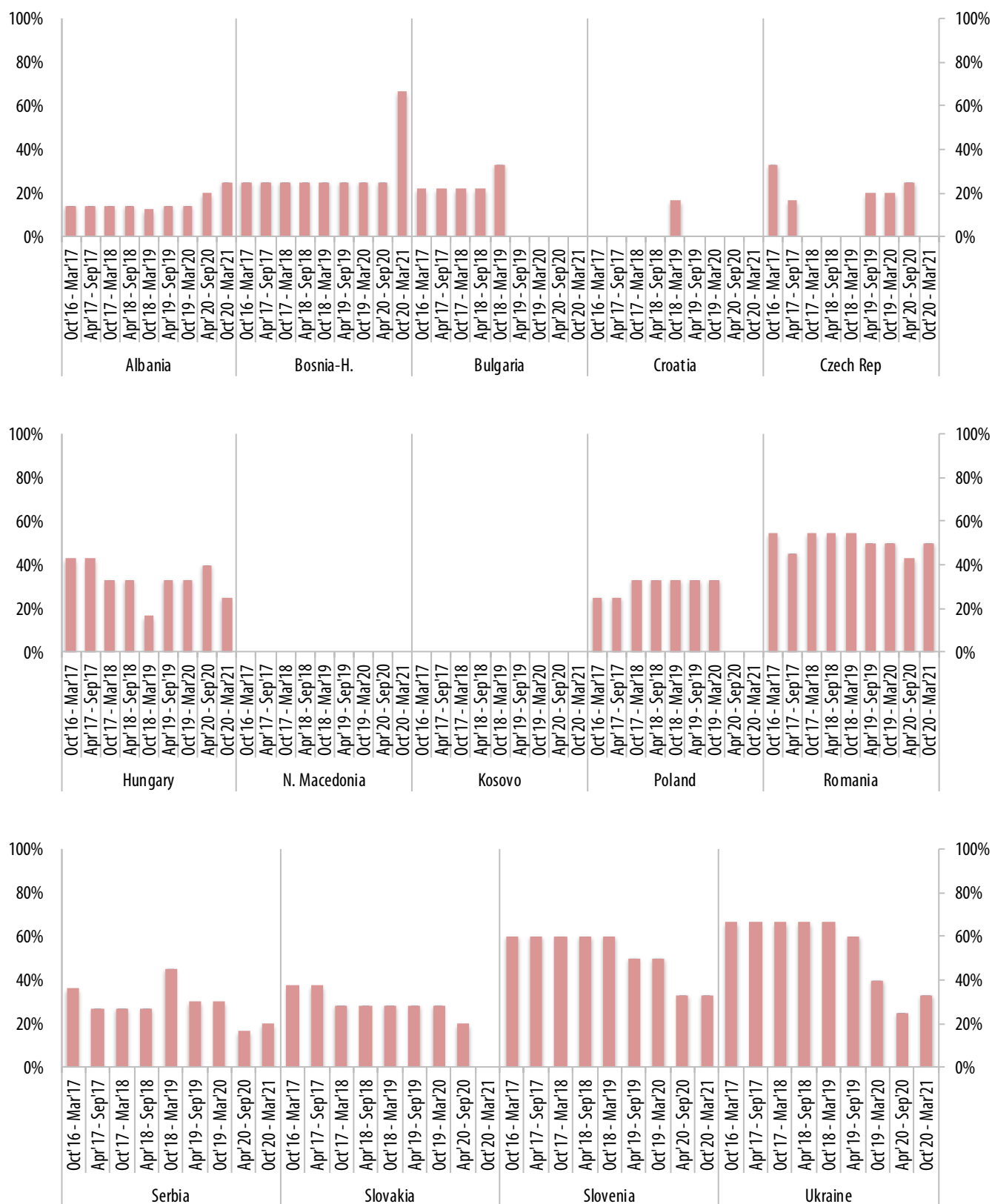
**Annex A.8 Share (%) of parent banks indicating “low” market potential**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.

### Annex A.9 Share (%) of parent banks indicating a “weak/niche” positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1 – questionnaire in the Annex.





# Albania

**Credit demand recovered sharply, above the region while supply conditions remained neutral. Expectations for the next six months indicate continuation of recovery on demand amid improving access to funding and still lowering NPL.**

## Summary

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

**Credit demand** in Albania recovered sharply following the COVID-19 outbreak, more than the regional average. Demand increased mainly on corporate and mortgage loans.

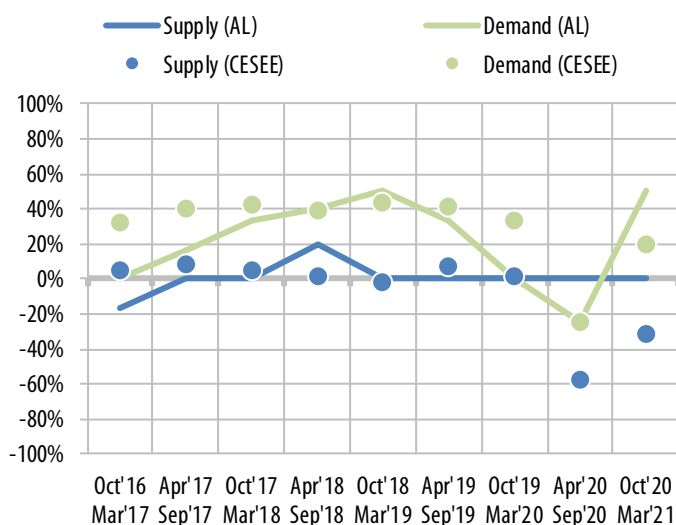
**Credit supply** conditions remained neutral, contrary to the still tightening regional trend. Approval rate of loan applications increased during the last six months for corporates and mortgage loans.

**Access to funding** in Albania continued to improve further on the back of better access to local retail deposits.

**NPL ratios** continued to improve on both corporate and retail segment during the last six months and further improvement is expected for the next six months.

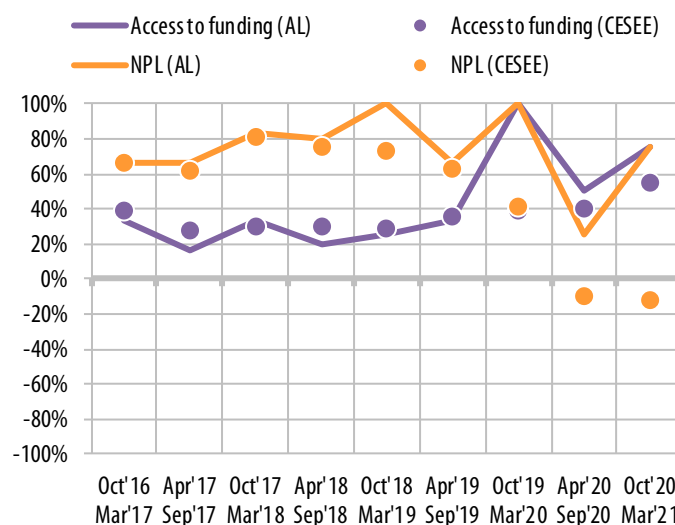
**COVID-19 measures:** local banks find that guarantee programmes, together with the flexibility in the treatment of the NPL, are the most helpful in maintaining credit during the pandemic shock.

**Loan Moratoria** on interest payments and capital repayments affects, for most of banks, between 20% and 60% of the bank's corporate client portfolios. The incidence is lower in the household segment.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

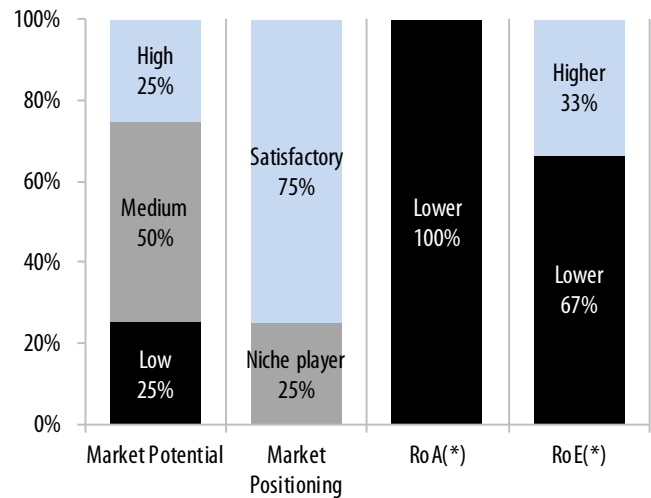
## Results of the Bank Lending Survey – Parent banks level

Bank profitability worsened considerably during the last six months in Albania, while it has been already one of the worst performers among CESEE countries.

All international banking groups reported a lower return on assets for Albanian operations compared to the overall group operations, while 42% of the parent banks consider above group level profitability in the whole CESEE region.

Still, most of the parent banks consider the Albanian market to have medium or high potential and satisfactory market positioning, and only 25% of parent banks find their market potential low.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

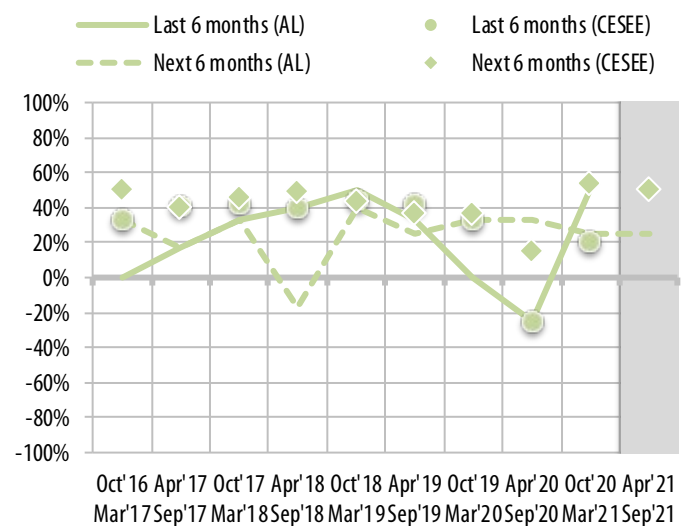
Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Demand for loans in Albania recovered above expectations and above regional average. Expectations for the next six months shows a continuation of the increasing trend.

**Figure 2 Demand side developments**

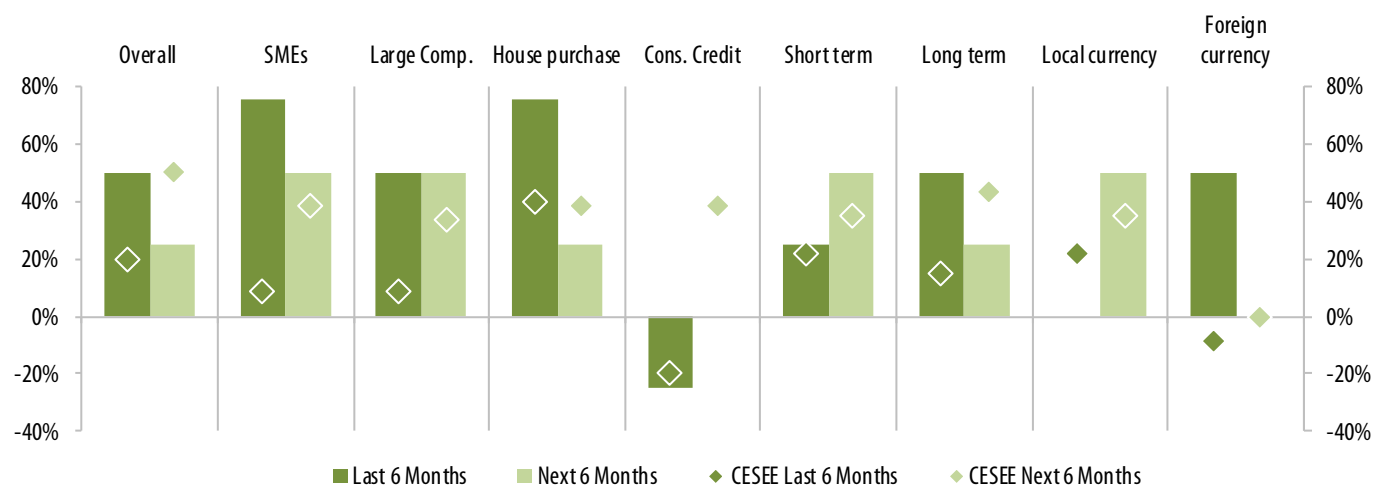


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Demand for loans increased overall and across the board, except consumer loans. SMEs and mortgages are leading the demand increase, above regional trend. A continuation of demand’s increase is expected for the next six months, although at a lower phase.

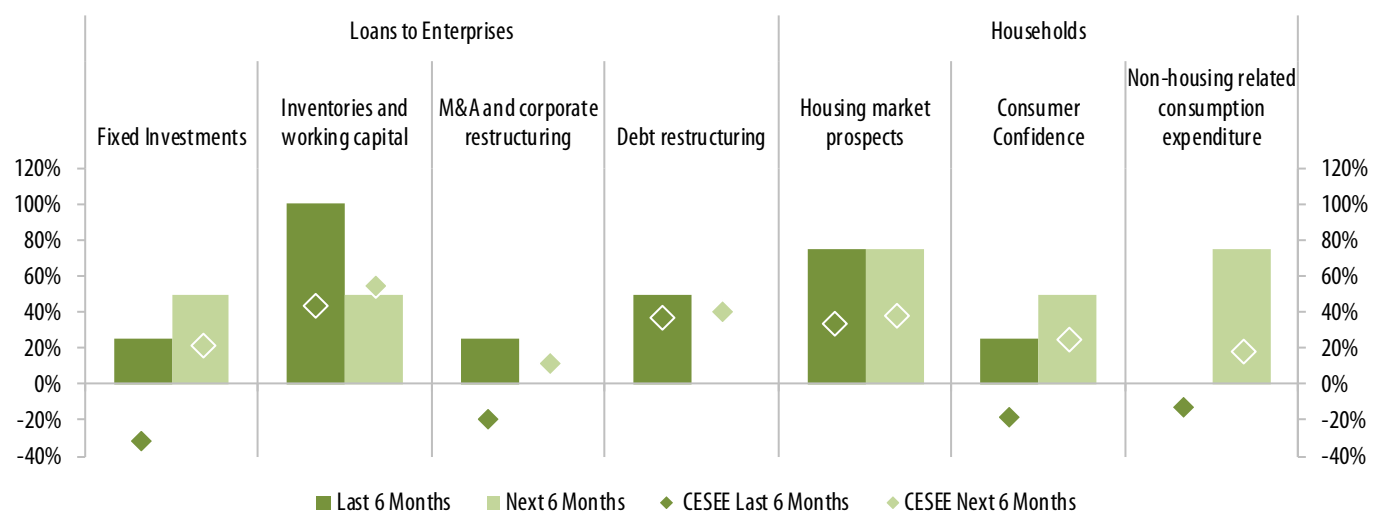


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Working capital needs had the strongest contribution to the demand for loans while debt restructuring and housing market prospects contributed also positively. Fixed investments, contrary to the CESEE region, had a positive, albeit small, contribution.

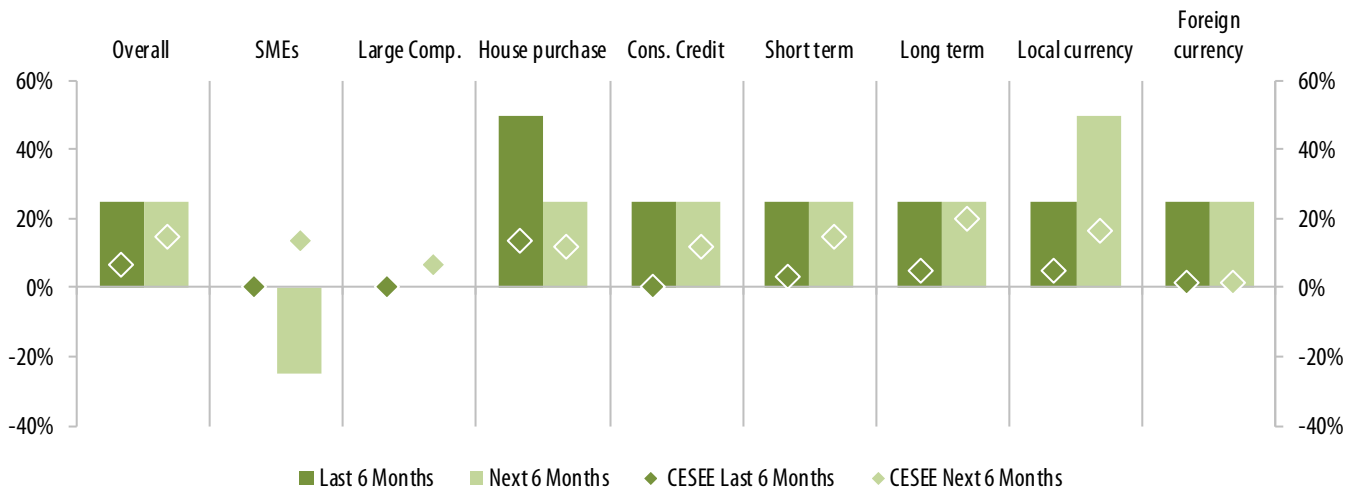


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

## Figure 5 Quality of loan applications

In line with the regional trend, the perceived quality of loan applications improved during the last six months for households segment while for corporations remained neutral. Further improvements are expected for the next six months for all segments, except SMEs.



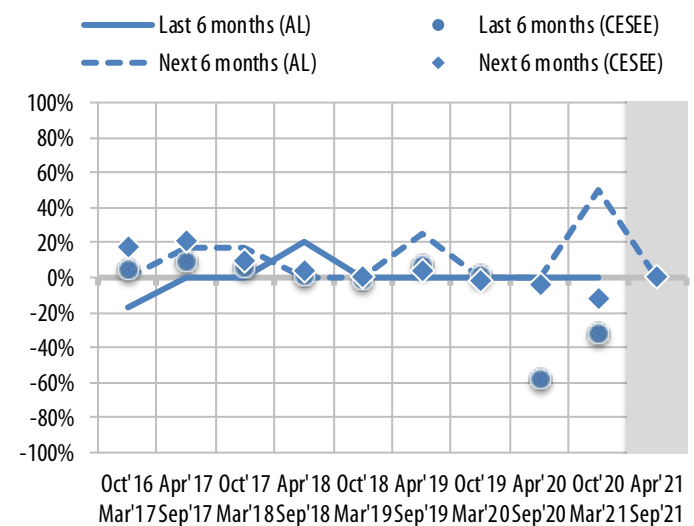
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

## Aggregate supply developments

Credit standards remained neutral for the fifth consecutive period, while the CESEE average showed a continuation of tightening. Neutral supply conditions are expected for the next six month, for both Albania and CESEE region overall.

Figure 6 Supply developments

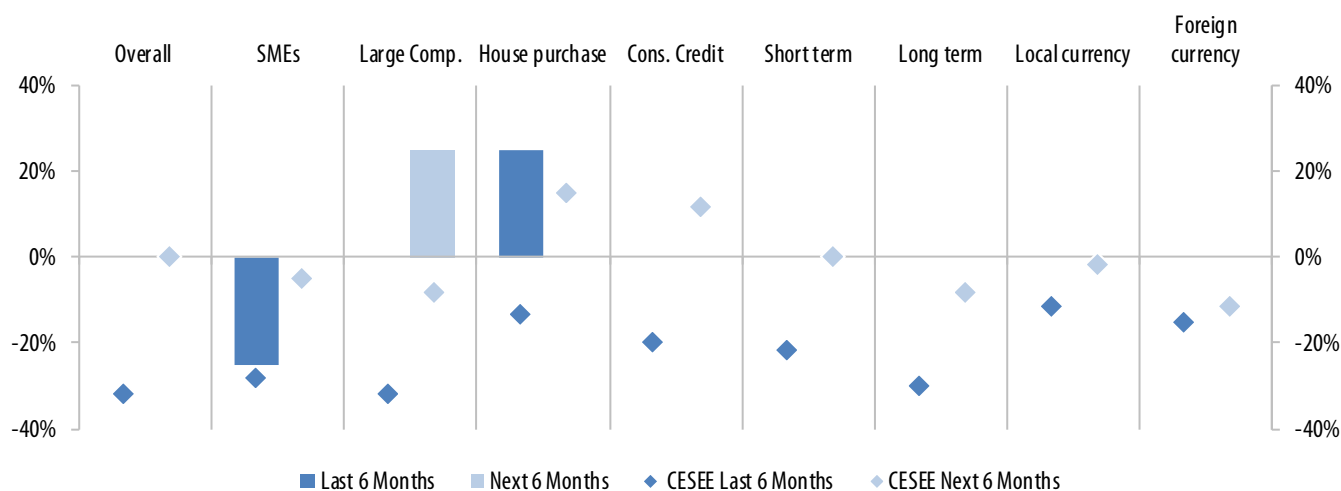


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

**Figure 7 Supply components and segments**

Overall credit supply conditions stayed neutral, as the tightening of SMES loans has been counterbalanced by the easing for the mortgage loans. A loosening of conditions is expected for large corporations for the next six months.

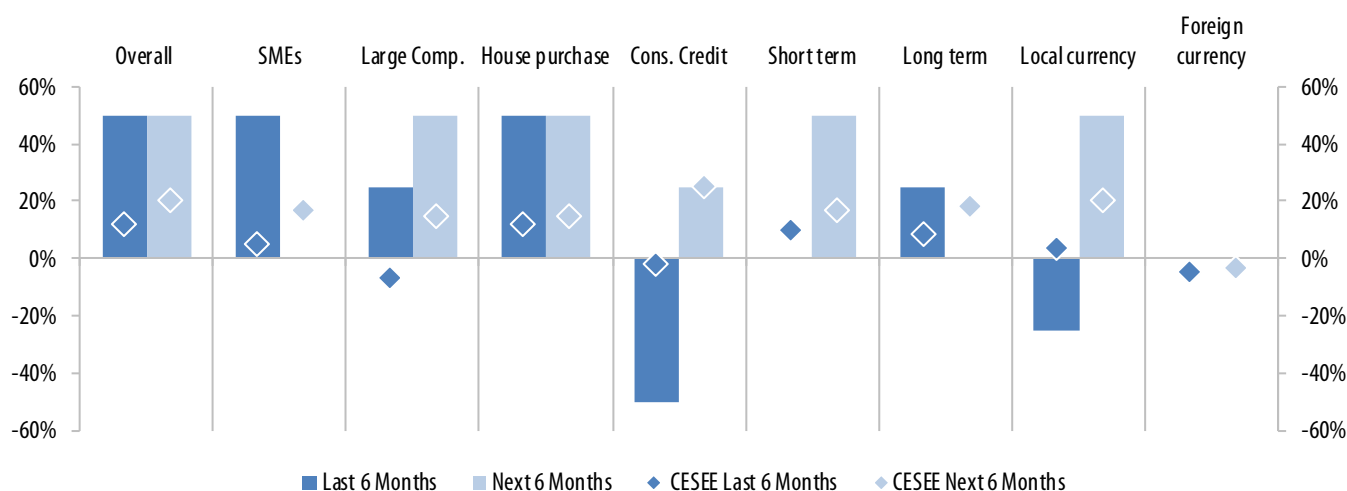


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications**

The approval rate increased during the last six months for most of the segments, except for consumer loans. The highest increase in approval rate have been registered for mortgage loans and SMEs.



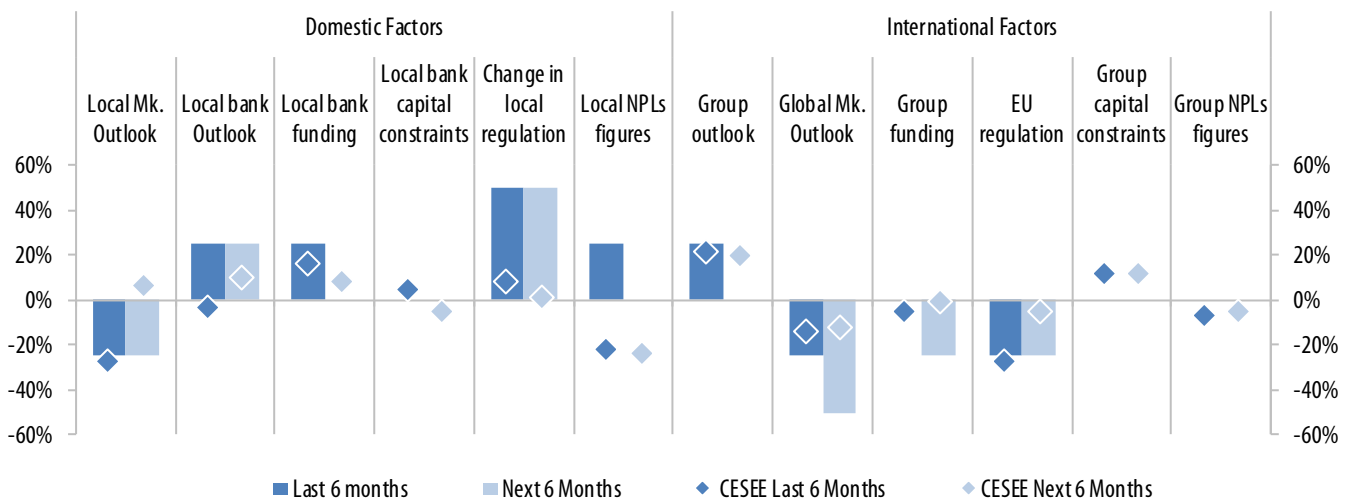
Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Among the domestic factors, local market outlook stayed negative in Albania, in line with the regional trend. Other domestic factors had a positive or neutral contribution, with change in local regulation having the strongest positive impact. Local bank funding turned positive, while local NPL figures continued to contribute positively (contrary to the average of CESEE) for the fifth consecutive period.

Regarding the international factors, global market outlook and EU regulations contributed negatively. Factors contribution for the next period seems to be similar to the observed one during the last six months.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

The cleaning-up process of the bank’s portfolio in Albania continued for both corporate and retail segment over the past six months. The deterioration in the NPL might not be visible yet thanks to the crisis relief measures, such as loan moratoria and postponing of reinforcement of more stringent measures of reclassified loans until 2022. This might explain why, local banks in Albania expects the continuation of NPL reduction, while an increase in NPL is expected for the whole region.

The NPL ratio in Albania although decreasing, remained the highest in the CESEE region, at slightly above 8 percent at the end-2020.



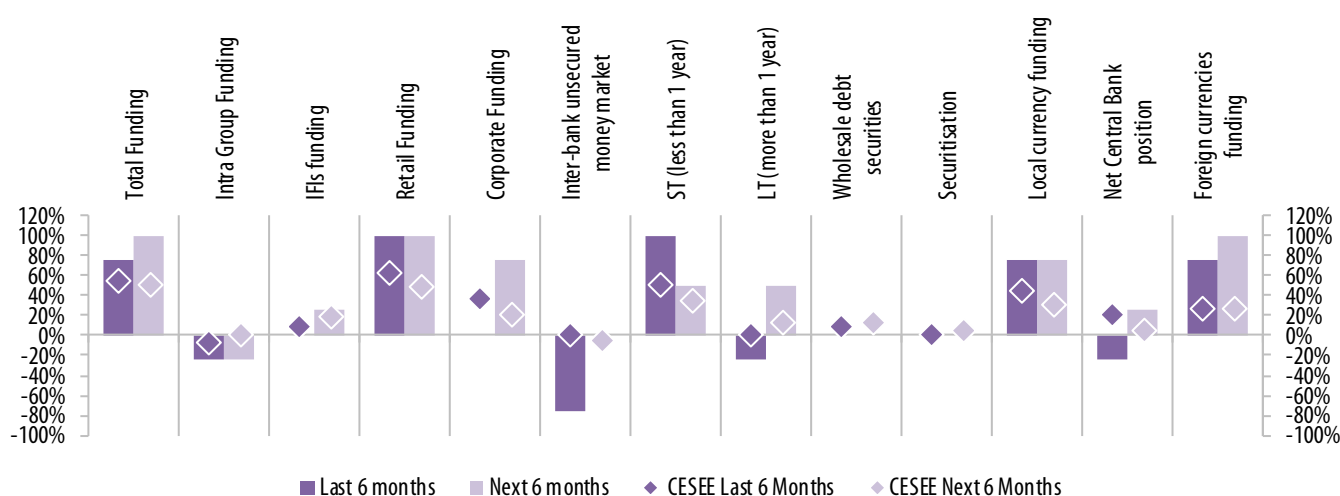
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Bank funding in Albania has continued to improve in the last six months mainly supported by domestic retail deposits while access to intra-group funding and inter-bank funding deteriorated.

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



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

## COVID19 Special Module

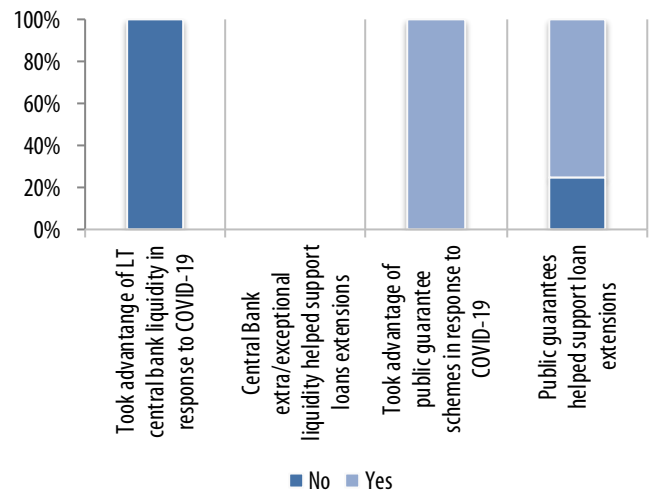
### Regulatory and policy measures supporting lending

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

Looking at the impact of the various regulatory measures, Albanian banks believe that the most helpful steps to support lending during the pandemic was the flexibility of the NPL treatment while other measures were less relevant.

Figure 12

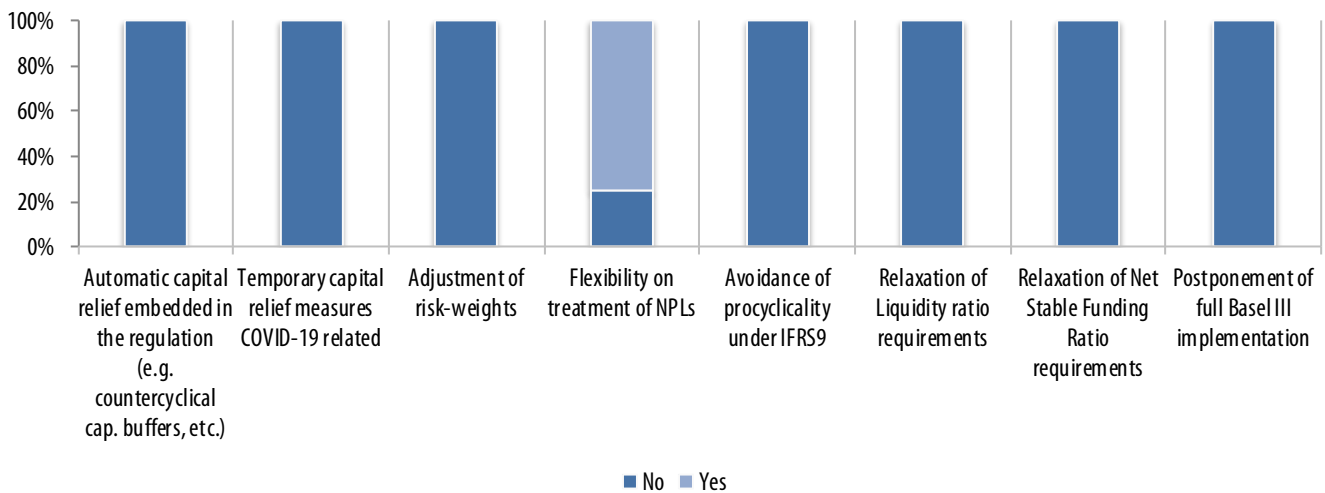
Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees



Source: EIB – CESEE Bank Lending Survey.  
Note:

Figure 13

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



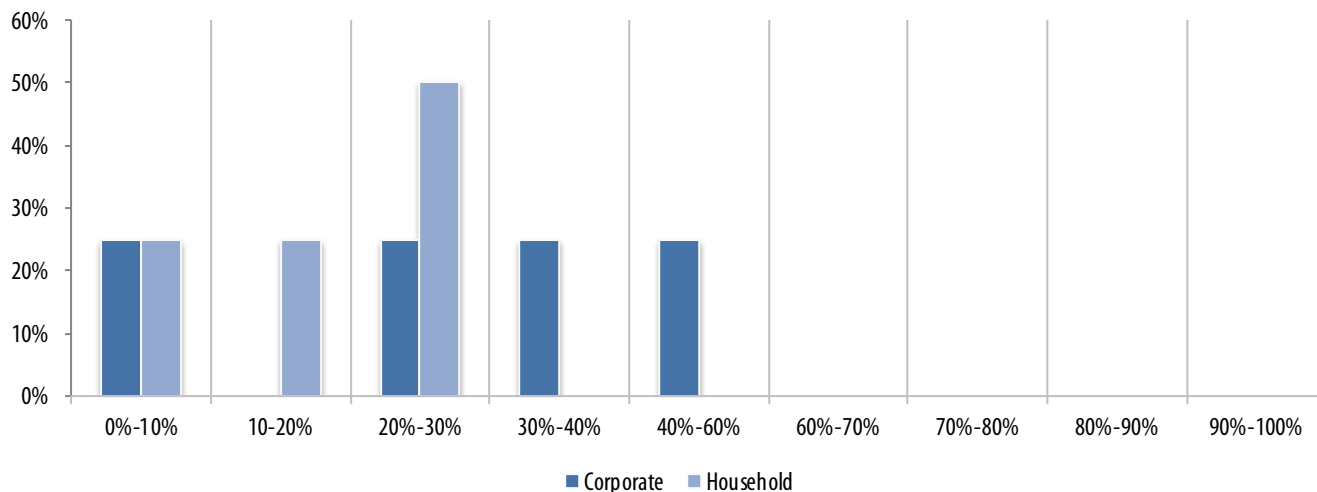
Source: EIB – CESEE Bank Lending Survey.



### Moratoria incidence and uptake

For most of Albanian banks, moratoria on interest payments and capital repayments affects between 20% and 60% of the bank’s corporate client portfolios. The incidence is lower in the household segment, where no more than 30% of the clients are typically taking advantage of the payment moratoria.

**Figure 14** Percentage of your corporate/household portfolio/clients’ loans

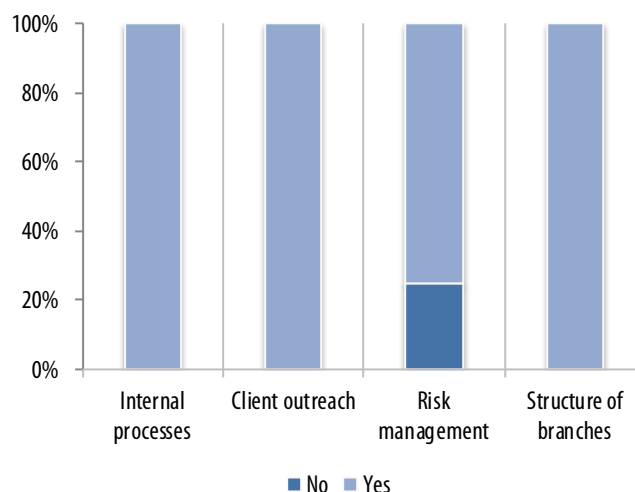


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic pushed local banks assigning stronger priorities towards digitalisation. All banks are increasing digitalisation efforts in the areas of internal processes, client outreach and structure of branches. Additionally, 80% of banks also pursue faster digitalisation in risk management.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size



# Bosnia-Herzegovina

*The COVID-19 shock has triggered a strong tightening in credit conditions while credit demand is already recovering. Expectations for the next six months indicate a still high credit supply-demand gap amid worsening of NPLs. A large share of parent banks considers the Bosnian market potential*

## Summary

**Group assessment of positioning and market potential:** The overwhelming majority of parent banks considers the Bosnian market potential as low while parent bank’s commitment to the region weakened during the last six months. Profitability of the local banks positioned also below regional average, although the split of local banks, among those above and below group-level profitability, is at par.

**Demand for loans** recovered during the last six months across all household and corporate segments. The overall quality of loan applications stayed neutral, but deteriorating for SMEs and consumer credit.

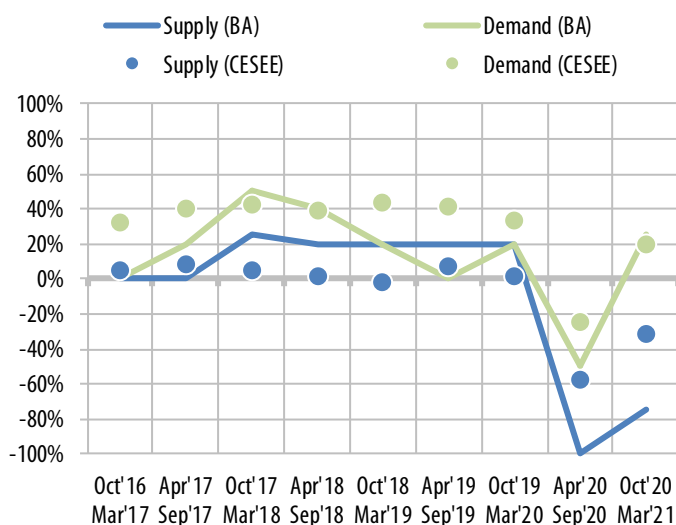
**Credit supply** conditions tightened severely for the second consecutive period following the COVID-19 outbreak, after more than two years of easing. Banks approval rate continued to decline for all segments.

**Access to funding** improved further, in line with regional trend, but supported only by the IFI funding.

**NPL figures** continued to deteriorate, more than in the CESEE region.

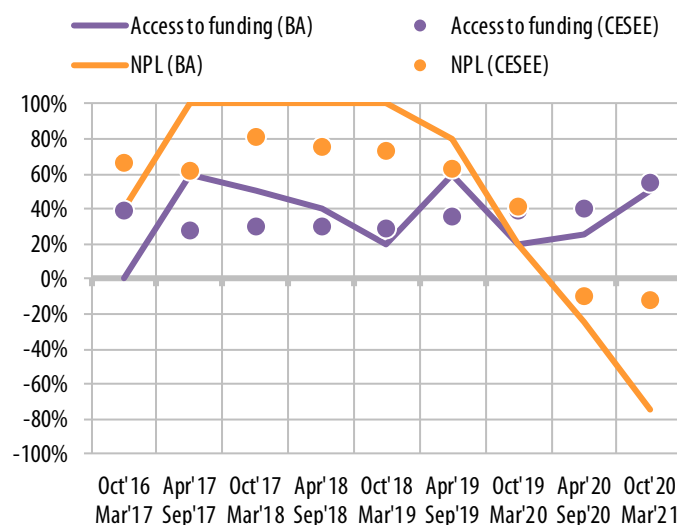
**COVID-19 measures:** local banks find that guarantee programmes, together with the relaxation of the liquidity ratio requirements, the flexibility of the NPL treatments and the avoidance of pro-cyclicality under IFRS9 are the most helpful maintaining credit during the pandemic shock. About 40% of banks consider also automatic capital relief measures contributed to support credit extensions.

**Loan Moratoria** affect around 30-40% of the corporate portfolio of one third of the local banks while for the rest of the banks the corporate uptake was at maximum 10%. The incidence is relatively lower in the household segment.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

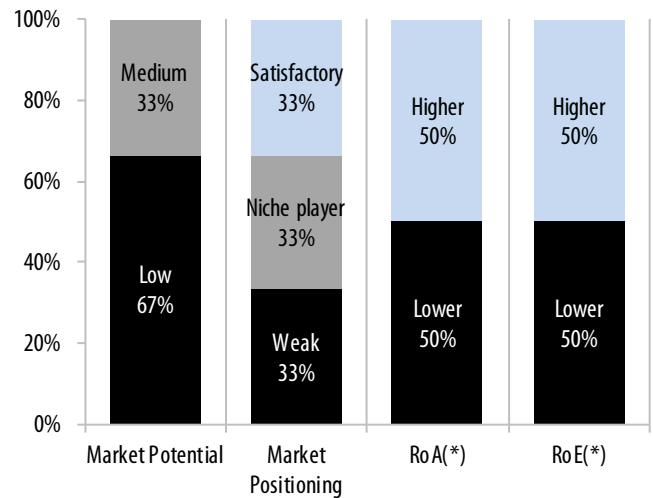
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Parent banks' commitment to the region weakened during the last six months as one third of the banking groups present in the country planned to decrease their operations in CESEE. The same share of parent banks consider its market positioning in Bosnia and Herzegovina as weak and the overwhelming majority see a low market potential in the local market (the second lowest potential in the CESEE region, after Kosovo).

Profitability of the local banks was also slightly below regional average, but still the split of local parent banks, among those above and below group-level profitability, is at par.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

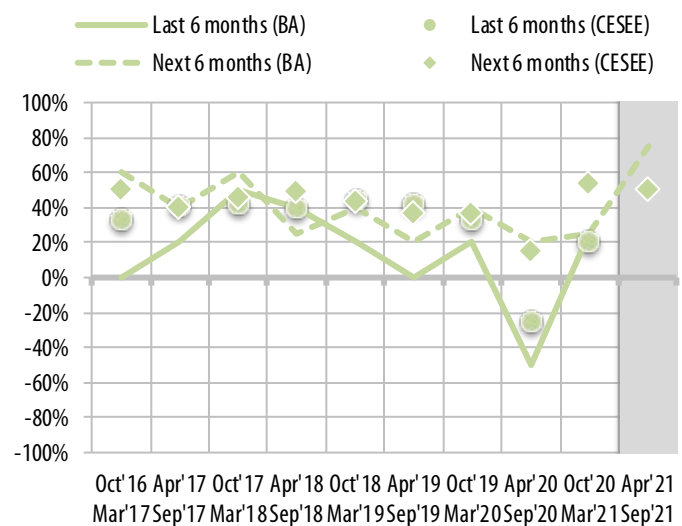
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Demand for credit recovered significantly during the last six months, in line with both expectations and regional trend.

Further recovery is expected for the next period, just as for the region.

**Figure 2 Demand side developments**

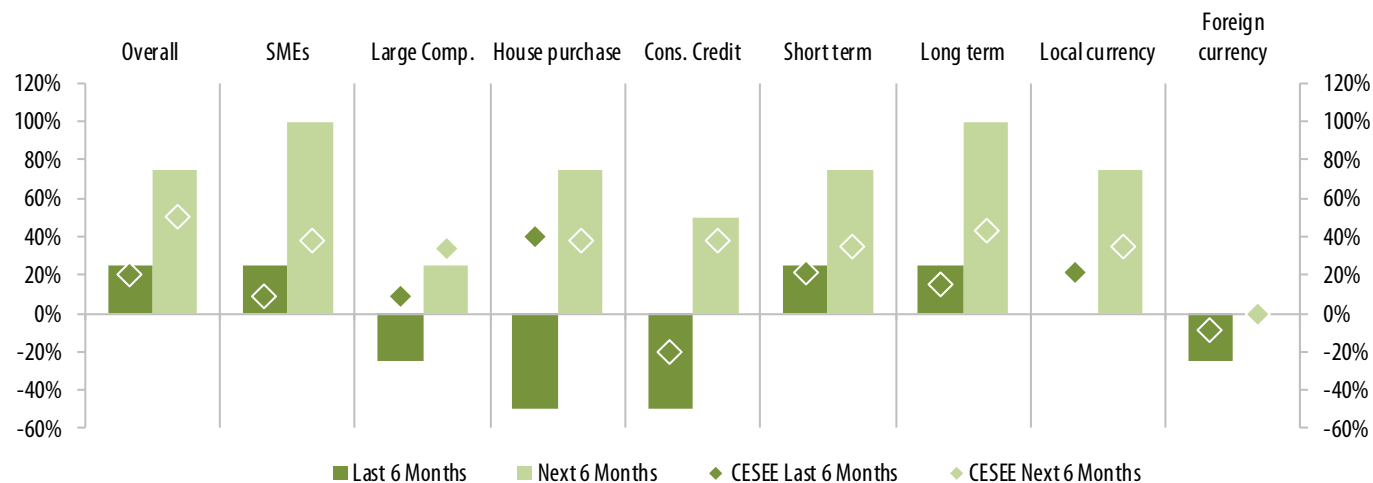


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Demand for loans increased on balance, mainly driven by SMEs but scored worse for the household segment, both for consumer credit (similar to CESEE) and mortgages (contrary to CESEE). A stronger and widespread recovery across all segments is expected for the next six months.

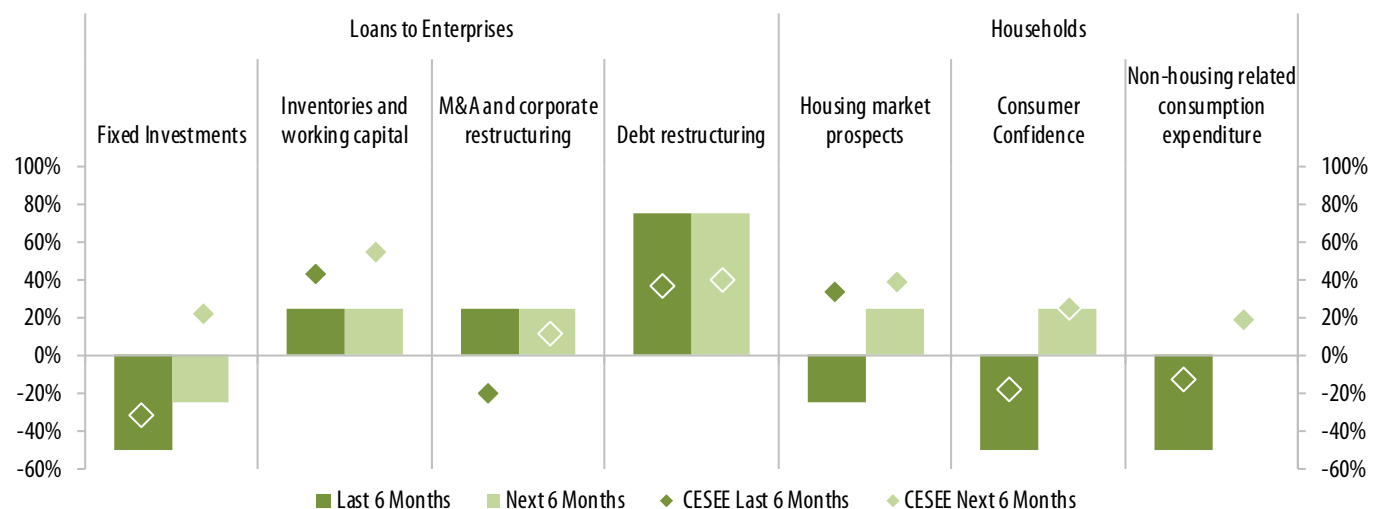


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Among the factors affecting credit demand, all household factors contributed negatively. For corporate, reduced investments contributed to lower demand, while corporate restructuring, demand for working capital and M&A and corporate restructuring increased. For the next six months, all factors except fixed investments are expected to bring a positive contribution.

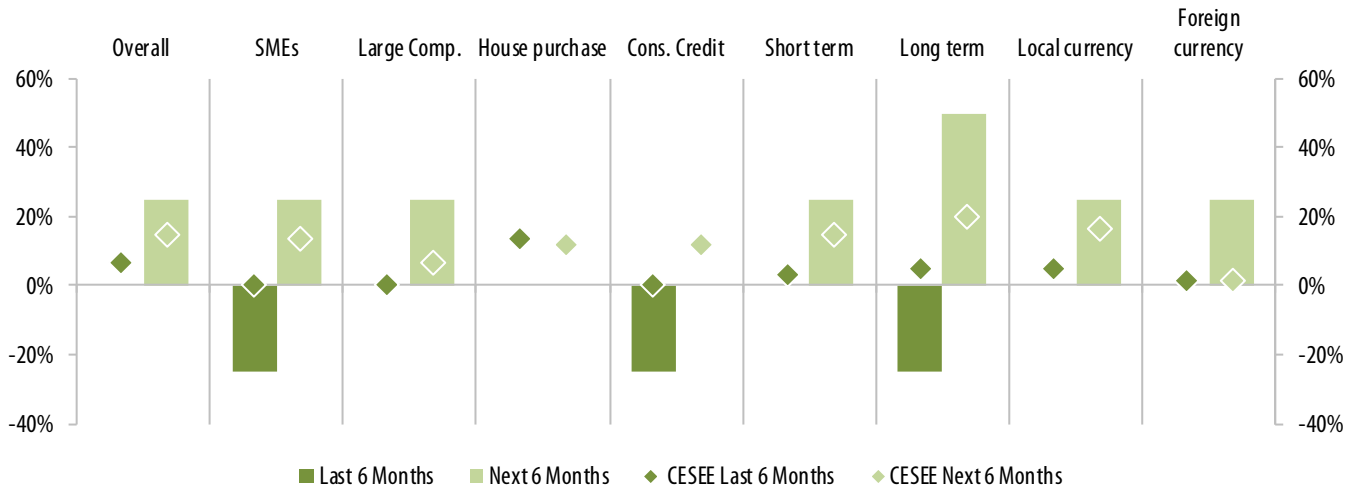


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

The quality of loan applications in Bosnia and Herzegovina stayed neutral, although deteriorating for SMEs and consumer credits. A general improvement is expected for the next period, mainly on the corporate side.



Source: EIB – CESEE Bank Lending Survey

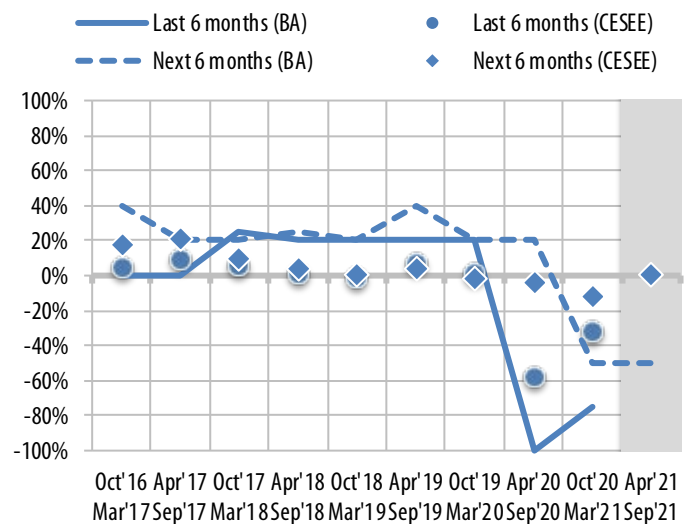
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Supply conditions in Bosnia-Herzegovina tightened sharply in H2 2020 and remained so during the last six months, more than the regional average.

The lending portfolio started to decline as of September 2020 and kept the contraction path (-1% yoy as of February 2021) below the regional average (+3% yoy as of February 2021).

**Figure 6 Supply developments**

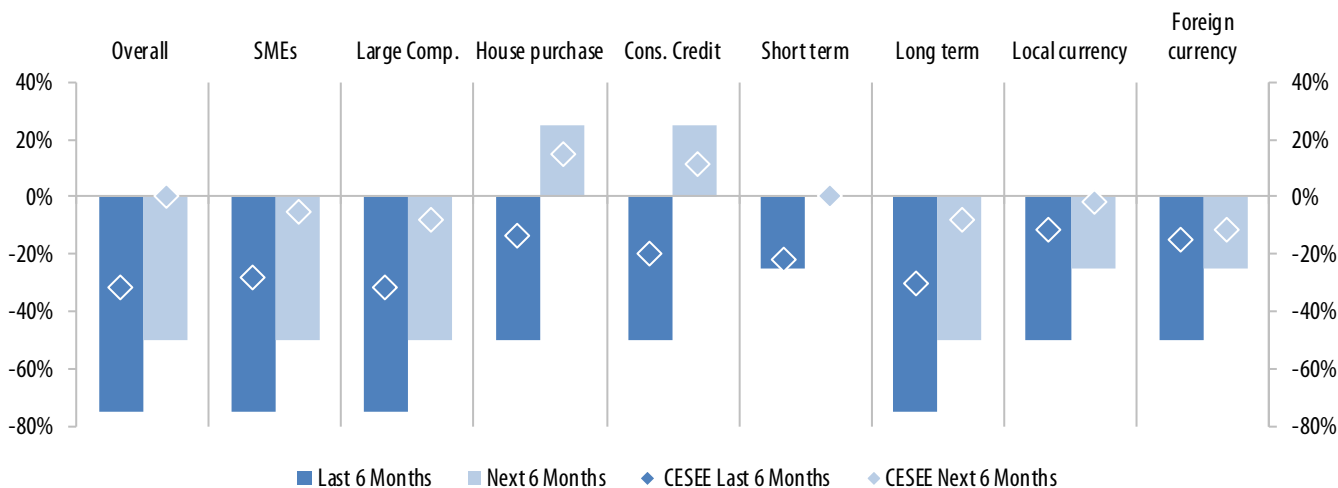


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

**Figure 7 Supply components and segments**

Credit standards have tightened strongly across all segments during the last six months. Further tightening is expected for the next period, with the exception of the households segment, where some easing is expected.

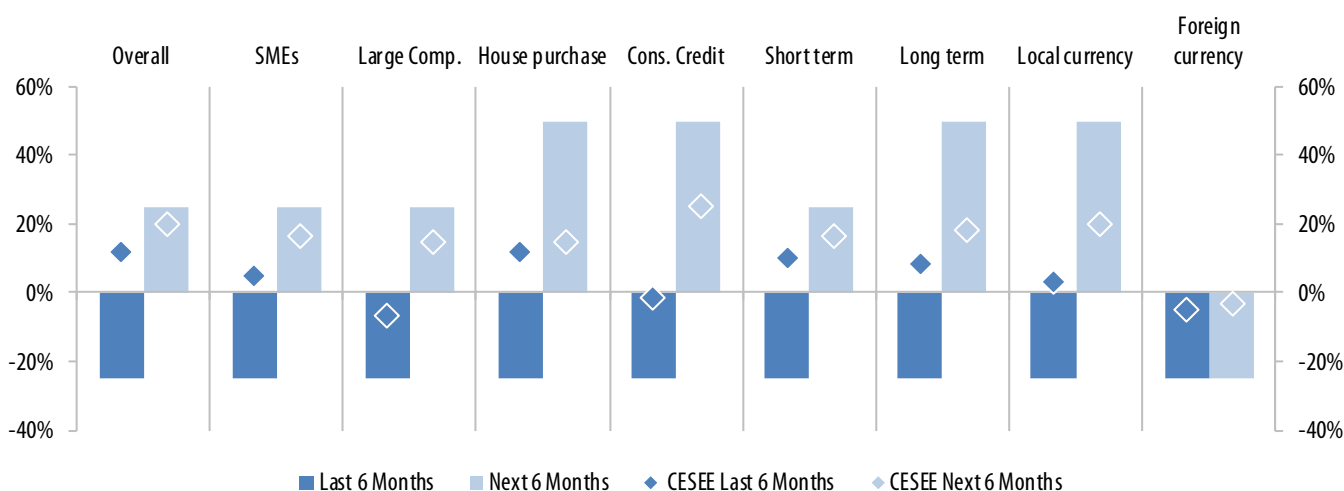


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications**

Loan approval rates in Bosnia and Herzegovina decreased across the board during the last six months, contrary to slight easing in the region. An easing for both households and corporates is expected for the next six months.



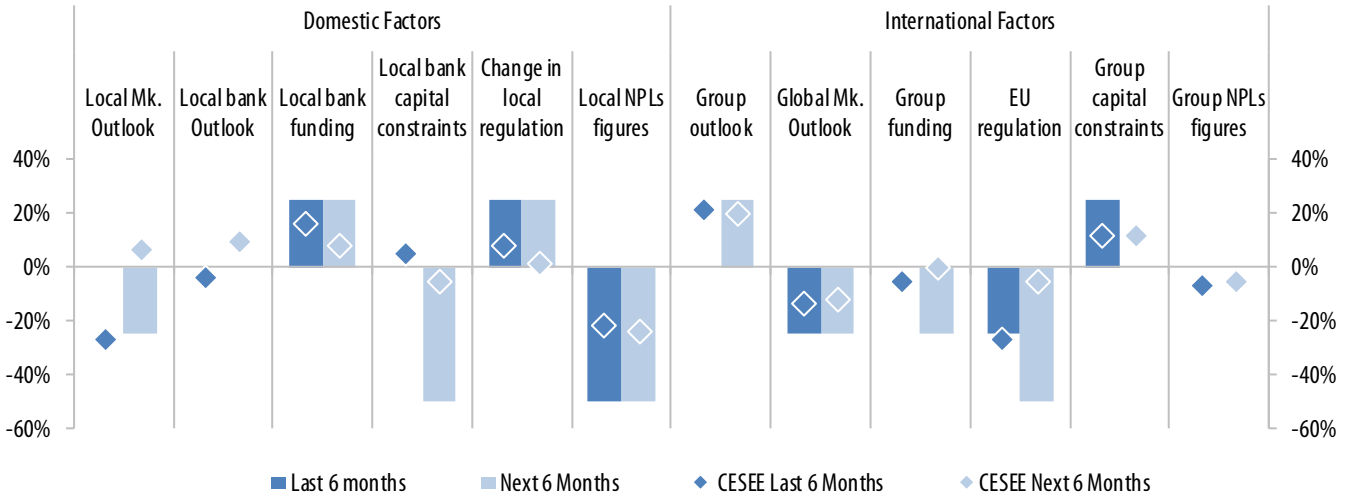
Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Non-performing loans were the main negative contributor to credit supply factors, while change in local regulation and local bank funding were supporting the supply of credit.

Among international factors, EU regulation and global market outlook contributed negatively while group capital constraints has been the only positive factor.



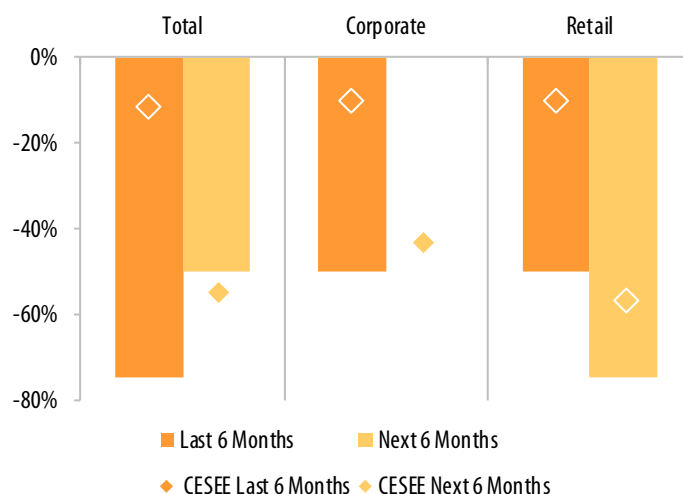
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex



**Figure 10 Non-performing loan ratios**

NPL ratios continued to strongly deteriorate in Bosnia and Herzegovina during the last six months, more than in the CESEE region. The deterioration is visible in both corporate and retail segment. Further deterioration is expected for the next six months, mainly in retail segment.

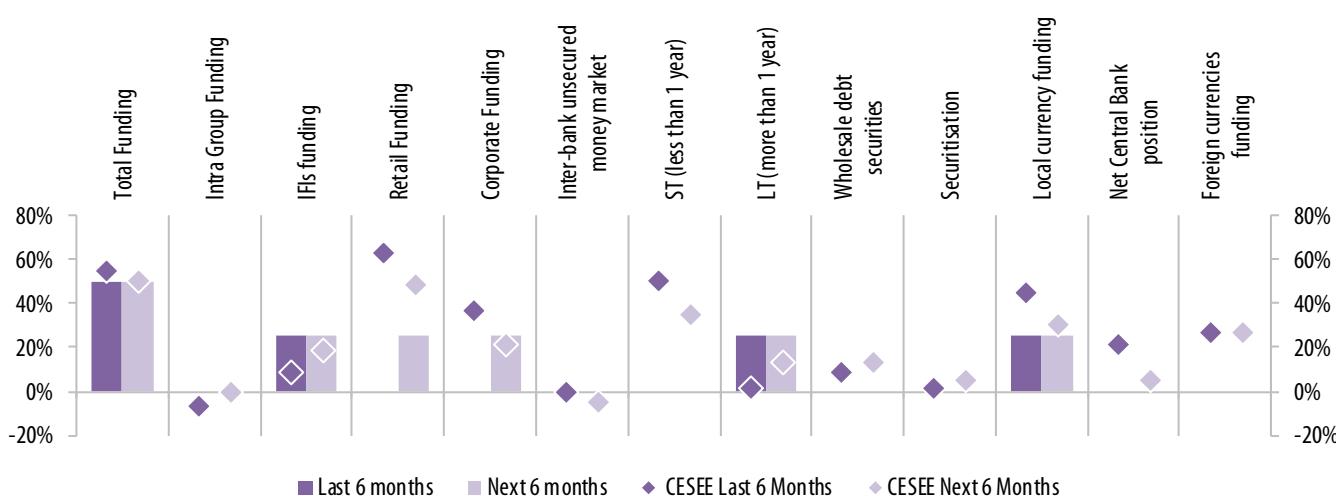


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Access to bank funding improved during the last six months mainly thanks to better IFIs funding. Domestic retail and corporate deposits remained neutral, while they were the major source of funding in the last three years until mid-2020 (and also very relevant for the average of CESEE). Net central bank position remained neutral. In the context of the COVID-19 crisis, the IFIs and Central Bank pledged to step in to support liquidity conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

**COVID19 Special Module**

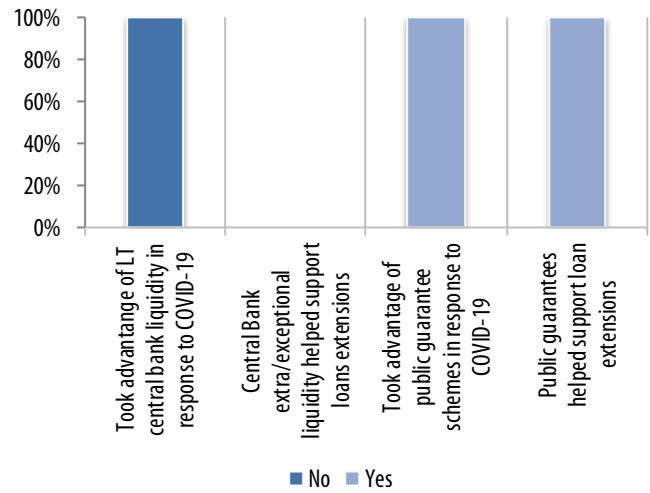
**Regulatory and policy measures supporting lending**

All banks participating to the survey took advantage of the public guarantee schemes launched as a response to the COVID-19 pandemic. All respondents believe that the public guaranties helped supporting loan extensions.

Looking at the impact of the various regulatory measures, most of the local banks believe that the helpful steps to support lending during the pandemic have been the relaxation of the liquidity ratio requirements, the flexibility of the NPL treatments and the avoidance of pro-cyclicality under IFRS9. About 40% of banks consider also that automatic capital relief measures contributed to support credit supply.

**Figure 12**

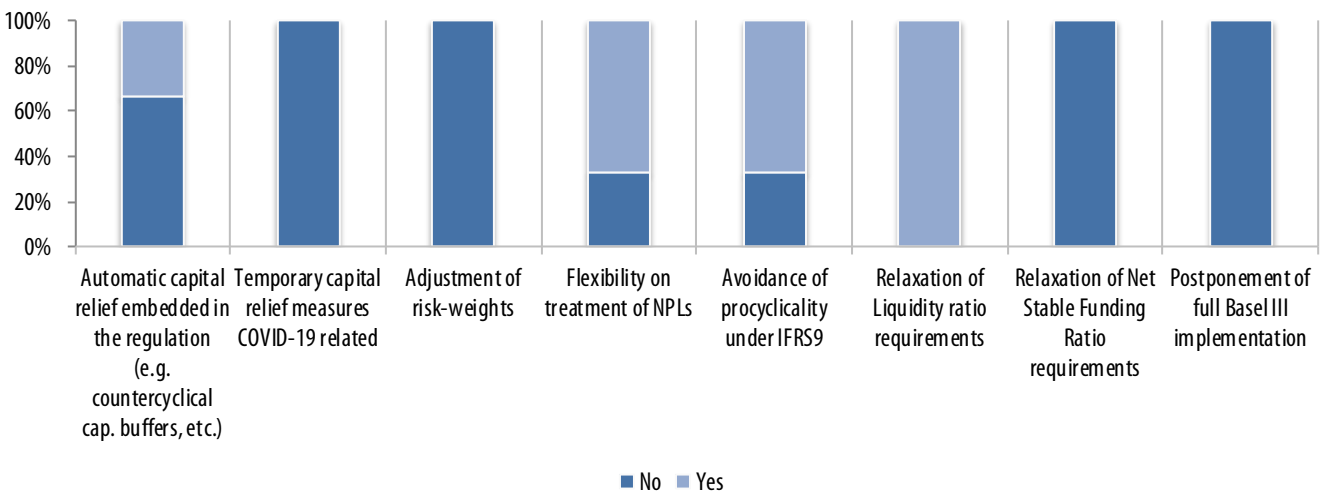
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

**Figure 13**

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

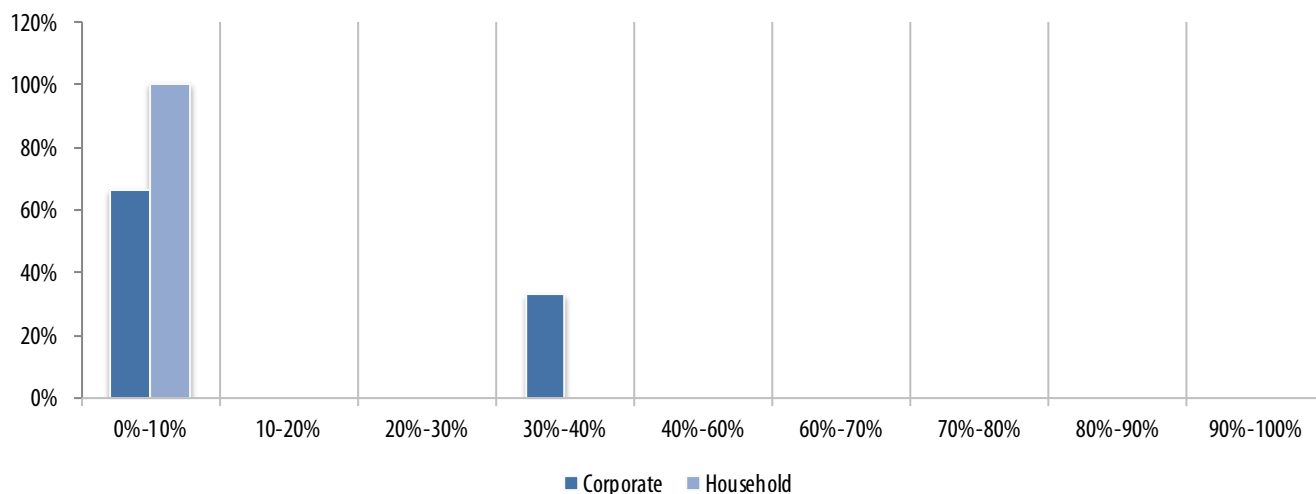


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect around 30-40% of the corporate portfolio of one third of the local banks, while for the rest of the banks the corporate uptake was at maximum 10%. The incidence is relatively lower in the household segment.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

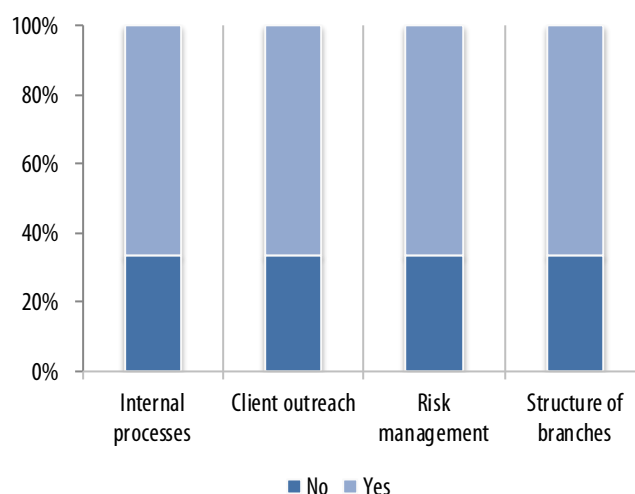


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic pushed most of the local banks assigning stronger priorities towards digitalisation. Around 70% of banks are increasing digitalisation efforts in all areas such as internal processes, client outreach, risk management and branches' structure.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Bulgaria

*A market with medium potential, as described before the COVID-19 crisis, is regaining position after a large deterioration in credit demand, tightening supply, and a widely-perceived increase in NPLs.*

## 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. Most parent banks saw returns on assets in Bulgaria as high and mostly exceeding those of the overall group. This has been the case consistently over the past three years. The majority of the parent banks operating in Bulgaria seemed to be satisfied with their current market positioning even after internalising the COVID-19 impact.

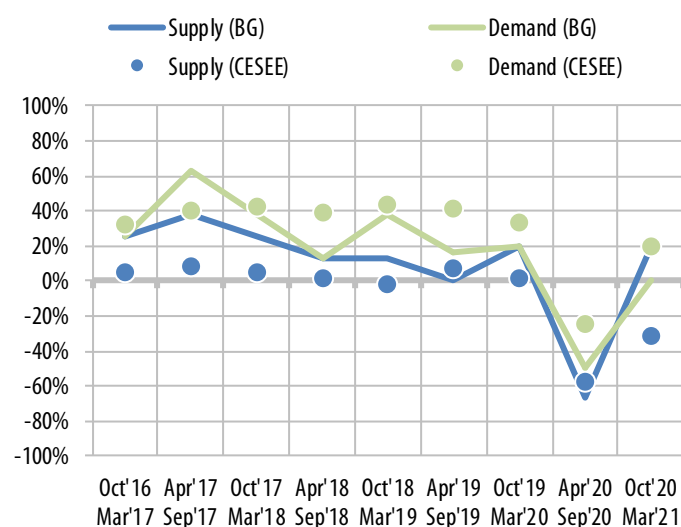
**Credit supply** conditions have slightly improved in the last six months across market segments following a significant deterioration in the first half of 2020. This gradual improvement is expected to continue in the next six months.

**Demand for loans** remained stable in most segments following a sharp deterioration in the first half of 2020. Demand for working capital should continue to be the main driver of corporate demand over the next six months.

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

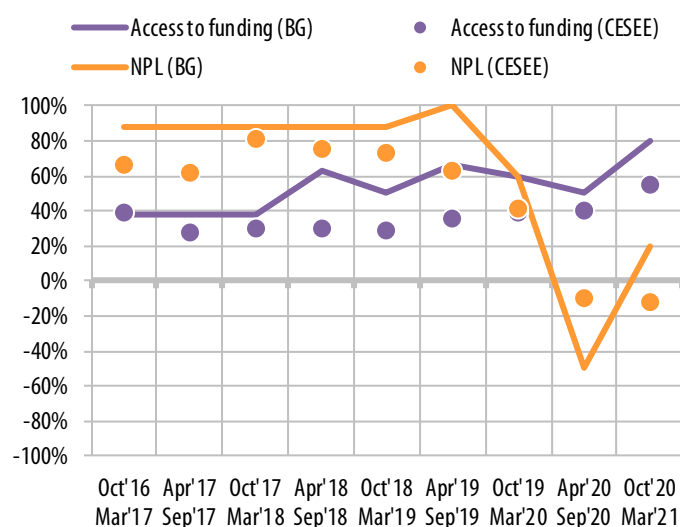
**NPL figures** have been improving again over the past six months, following the increase in the first half of 2020. Thereby returning to the positive trend over the past three years. Its sustaining might be clouded by expiry of credit moratoria and government support measures for the economy.

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



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

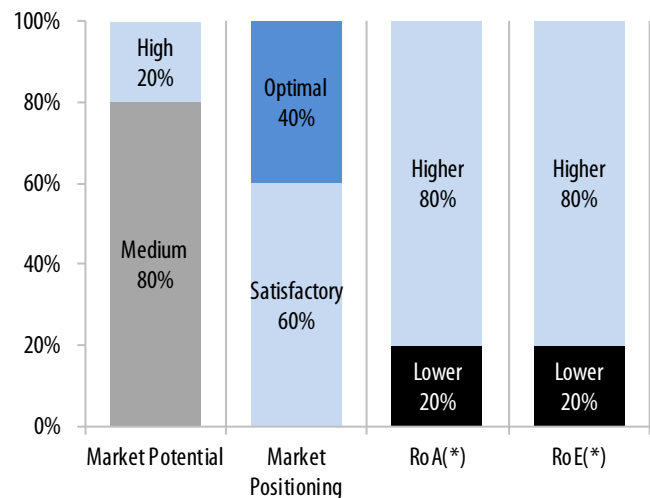
A large majority of respondents (80%) plan to expand regional operations in CESEE. Answers from parent banks have been very stable over the past four years, showing strong commitment to the region.

All foreign banks with operations in Bulgaria saw a market of medium and high potential (Figure 1). All respondents considered their market positioning as satisfactory (60%) or optimal (40%). This satisfaction is reflected in mostly absent plans for strategic restructuring.

A large majority of parent banks (80%) assessed returns from operations in Bulgaria as higher than or equal to their overall group returns (Figure 1). This assessment has changed little over the past five years.

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

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

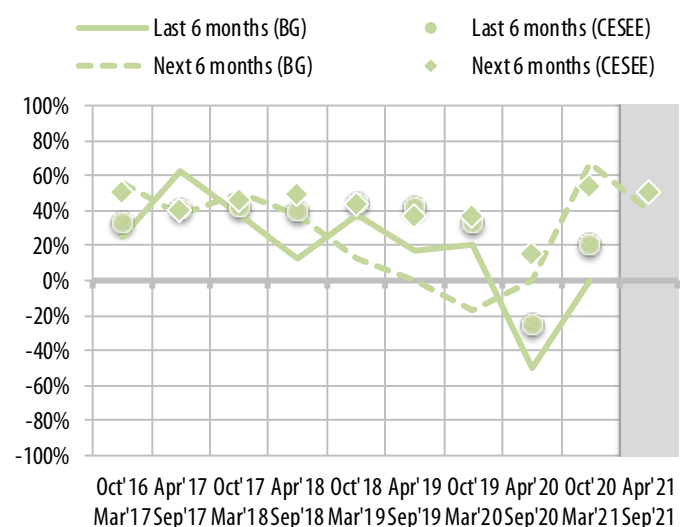
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Changes in demand for loans in Bulgaria since 2016 have been of a similar magnitude to those in the aggregate CESEE region, but more volatile. After a substantial moderation in H1 2018, loan demand picked up again in H2 2018 only to return to H1 2018 levels in H2 2019. Demand is assessed as stable in H1 2021 following a majority assessment of a decline in H1 2020 (nearly 60%). It is expected to rebound in the six months ahead by about 20% of respondents (net). There are two caveats in assessing these expectations. First, the ongoing COVID-19 crisis embeds substantial uncertainty in them. The second caveat is that expectations about demand for six months ahead have consistently undershot actual numbers over the past two years.

Expected increase in demand for loans may be undermined by a weaker or delayed recovery, increasing leverage ratios and declining net worth of businesses resulting from a long period of weak cash flows. Furthermore, uncertainty emanating from a fragmented new parliament, which is unable to elect a stable government, may suppress credit demand.

**Figure 2 Demand side developments**

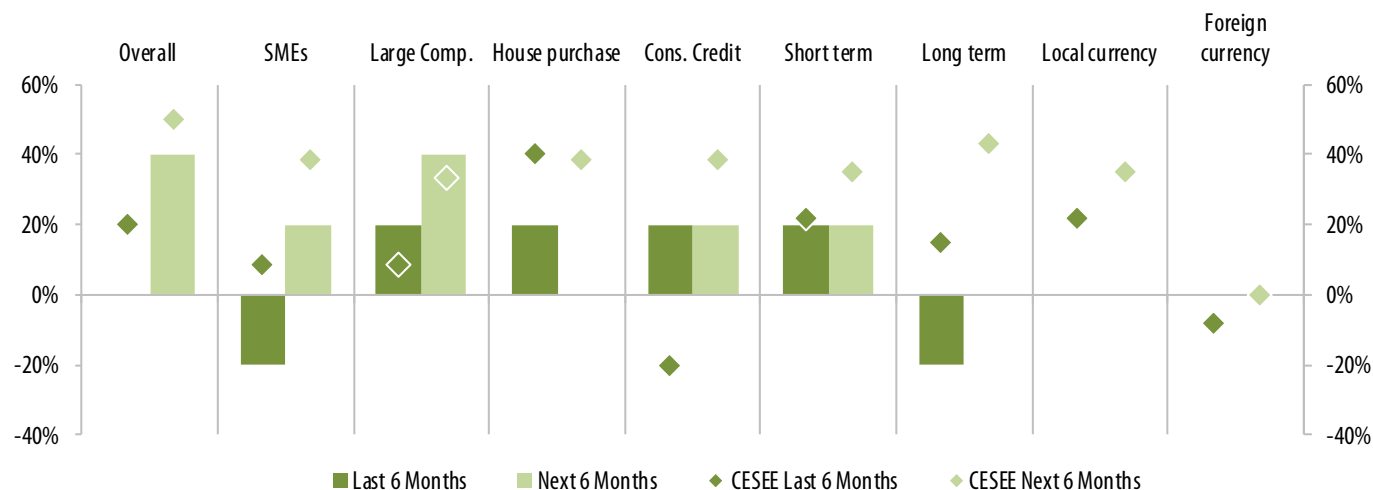


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Overall loan demand remains stable after a decline in H2 2020. Loan demand from the household sector fell in H1 2020 (net 33% of respondents) both for consumer credit and for house purchases, discontinuing robust growth over the past two years. It has regained some ground over the past six months. This is in line with growing private consumption expenditures H2 2020. Among corporates, demand for loans of SMEs continued its decline in H1 2020, as 20% (net) of respondents affirm this. Demand from large corporates, however, bounced back (net 20%). Across maturities, demand for short-term loans has increased (20%), whereas that for long-term loans has fallen (20%).

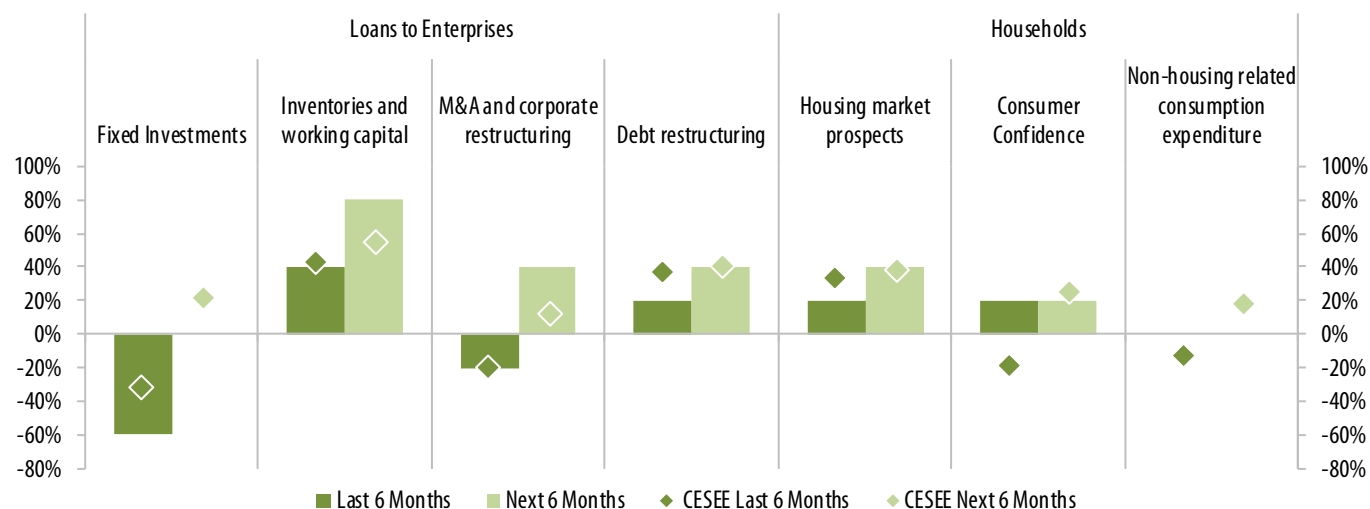


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Collapsing corporate investment is behind the decline of corporate demand for loans over the past six months, similar to H1 2020. Net 60% of respondents see declining demand for loans for fixed investment. Demand for loans to finance working capital is perceived as increasing (40%). This effect comes as companies with viable businesses, but significantly reduced cash flows, were struggling to shore up liquidity. In the next six months, working capital and corporate debt restructuring will be driving growth of corporate loan demand. Household demand for loans picked up slightly and is expected to continue with small gains over the next six months as consumers regain their confidence, similar to other CESEE peers.

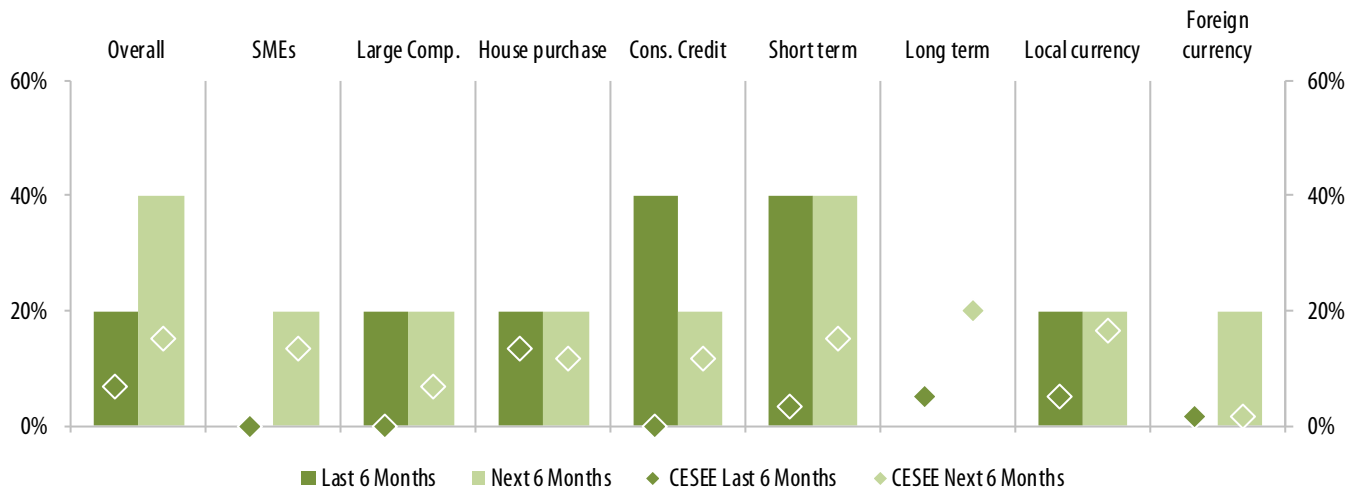


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

Quality of loan applications has increased in H2 2020 (net 20% of respondents). In the retail segment, quality of applications for consumer credit was perceived as increasing by net 40% of respondents, while perceptions about quality of applications for house purchases was seen as increasing by 20%. In the corporate segment, quality was seen as increasing for applications by large corporates and as unchanged for SMEs. Quality of loan applications in the next six months will likely increase across market segments.



Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

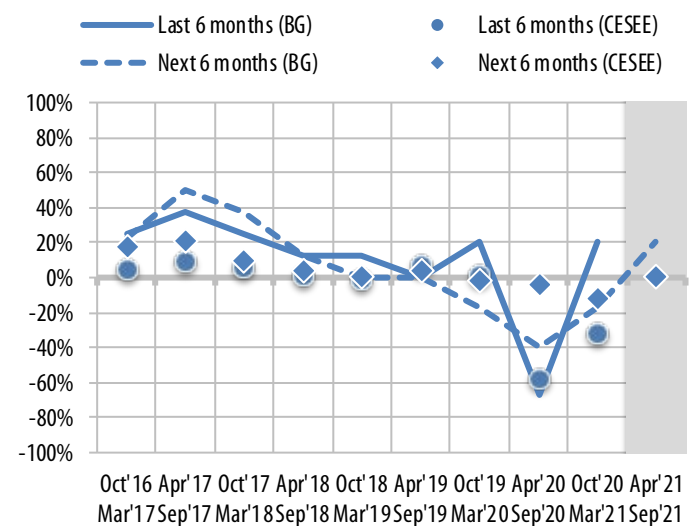
**Aggregate supply developments**

After significant improvements in supply in 2017 and early 2018, supply conditions stabilised in line with developments in the aggregate CESEE region, where credit conditions have been stable over the past two years. In the last six months, supply conditions bounced back (net 20% of respondents) following the decline in H1 2020.

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 following the Global financial crisis.

Over the next six months, a small net majority (20%) expects supply conditions to improve further.

**Figure 6 Supply developments**



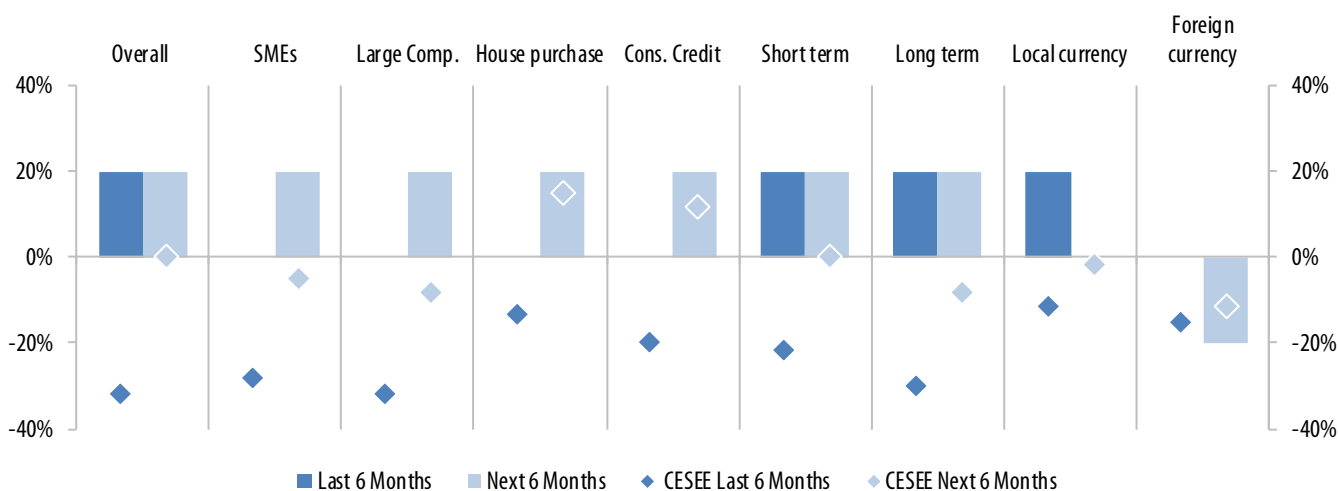
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.



**Figure 7 Supply components and segments**

Credit supply conditions were perceived as stable across all market segments over the past six months. This is in stark contrast with H1 2020, when a large majority of respondents (67%) reported tighter credit conditions. Looking forward, it is very likely that banks will ease somewhat credit standards for both corporates (20%) and households (20%).

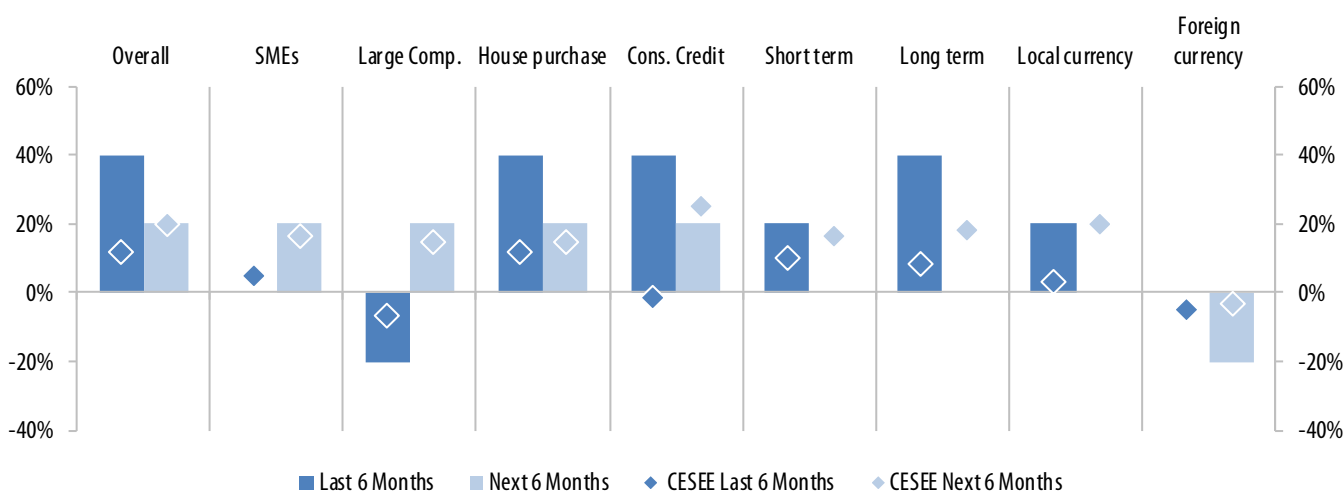


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications**

Approval rates have increased for a majority of respondents (net 40% of respondents) in the past six months. The increase was driven by loans for house purchases and consumer credit (40%). Approval rates for corporates were still seen as stable (SMEs) and declining (large corporates – 20%). Approval rates are expected to increase further over the next six months (net 20% of respondents).

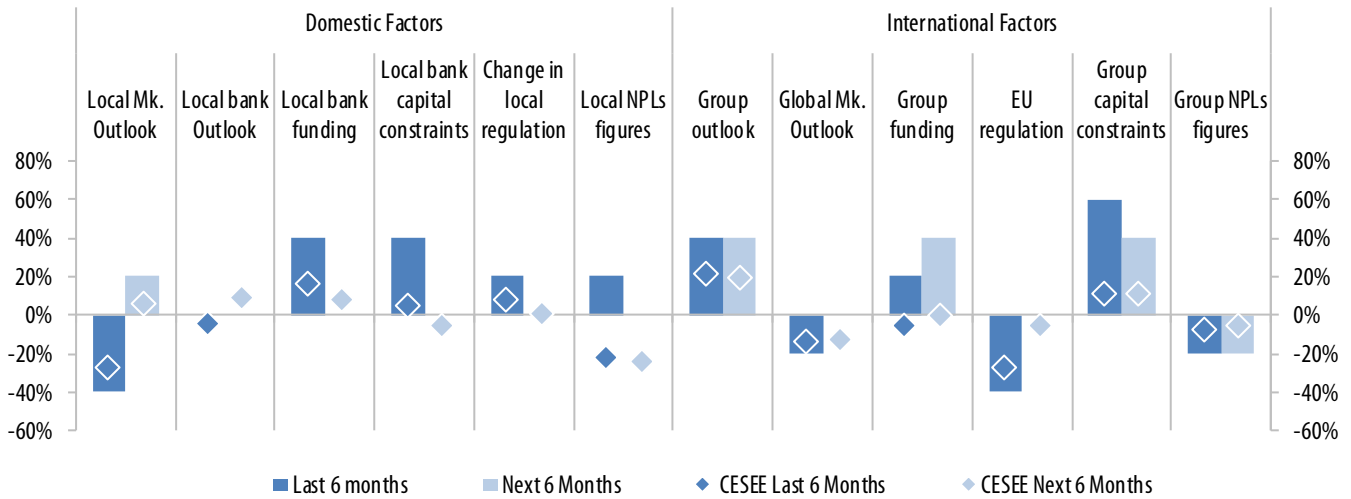


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Both domestic and international factors contributed to the improvement in supply conditions. On the domestic side, local bank funding and bank capital constraints, as well as local NPL figures had a positive contribution. Among international factors, improvements in group outlook, funding and capital constraints contributed positively to improvement of supply conditions. In the next six months, the local market outlook, the group outlook as well as the group capital constraints are expected to drive a further improvement in supply conditions.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to 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 the Bulgaria resulted in a very high share of non-performing loans on the books of Bulgarian banks. These have been a major constraining factor on credit conditions since 2008. Until 2016, banks have been reluctant to reduce NPLs, but this has changed since.

Between 2017 and 2019, the vast majority of local subsidiaries report improving NPL figures across institutional sectors. Hard data confirm this: NPL ratios have been coming down throughout 2016-19. They nevertheless remain among the highest in the region. Restructuring of corporate portfolios has had a bigger contribution, partly because NPLs are concentrated in the corporate segment.

NPL ratios in Bulgaria returned to improvement during the past six months in both the retail and the corporate segment, after deterioration in H1 2020. This process is expected to continue over the next six months by net 40% of respondents. That said, the removal of economic support measures might cloud this outlook.

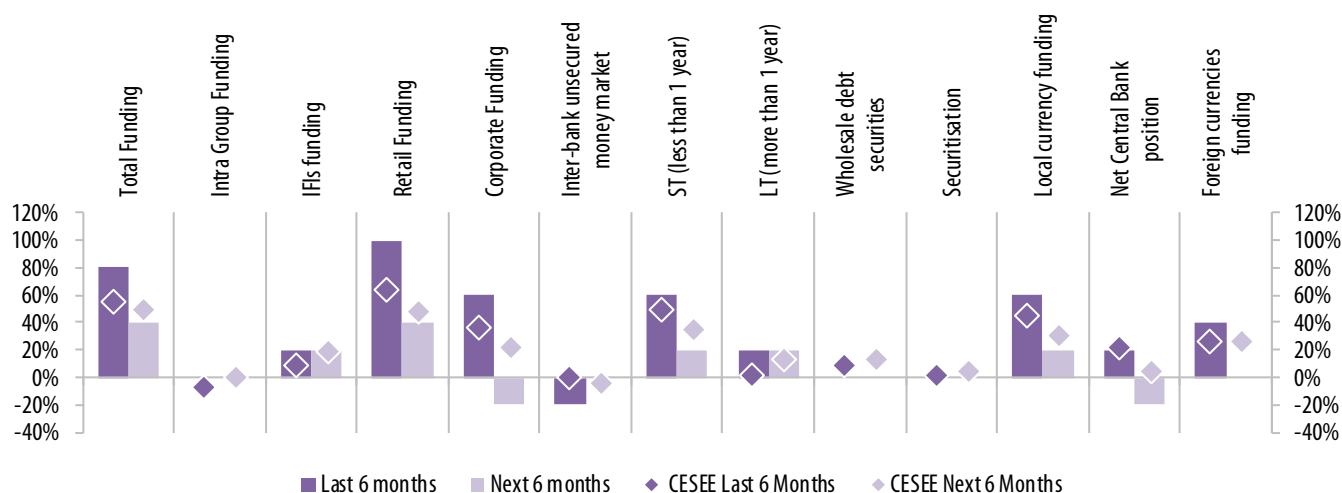


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Access to funding for Bulgarian subsidiaries has made a substantial improvement over the past six months (net 80% of respondents) continuing a trend that started in the second half of 2013. This improvement is expected to continue in the coming six months, as the ECB and local monetary authorities are committed to maintain open the credit channel. The main contributors, as before, are retail and corporate funding that are mostly short term and in local currency.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

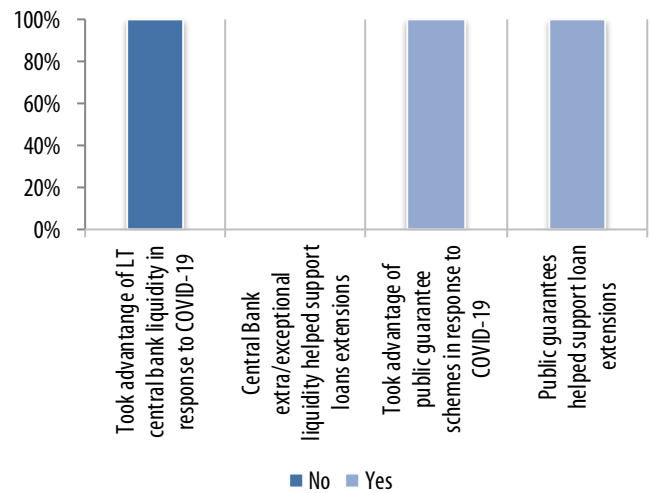
**COVID19 Special Module**

**Regulatory and policy measures supporting lending**

The Bulgarian central bank did not provide additional direct financing. Rather, measures were focused on freeing up internal resources of commercial banks, like revoking the increase of counter-cyclical capital buffers for 2020-21, as well as requiring banks to capitalise their full profit that amounts to aggregate BGN 850mn for 2020 (Figure 13). The Bulgarian government made available several guarantee schemes that were taken up by all of the respondents (Figure 12) and reporting banks assessed them as very supportive to their lending operations.

**Figure 12**

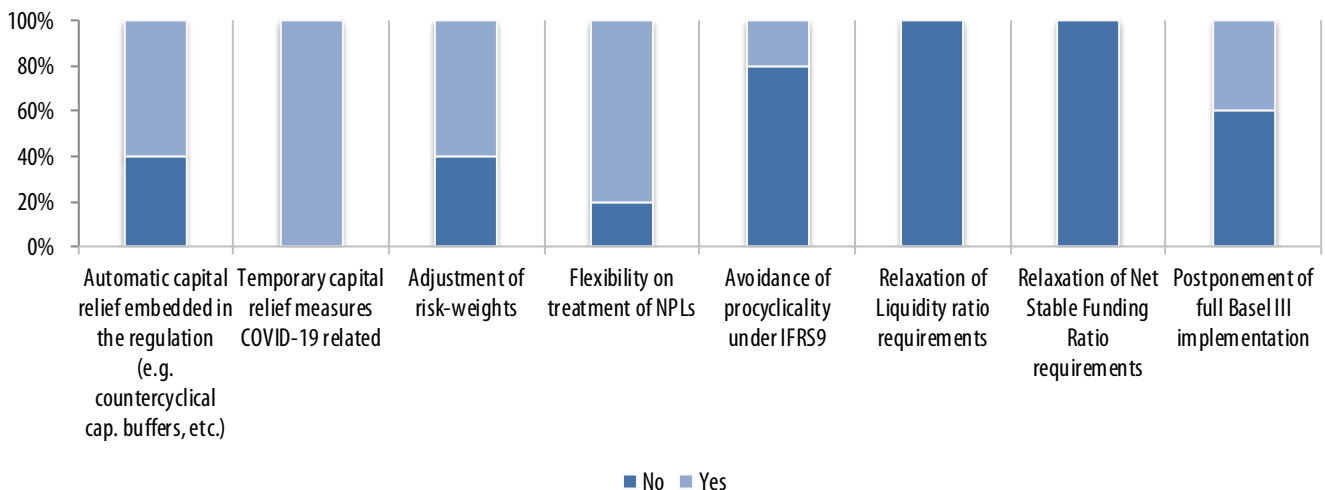
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

**Figure 13**

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

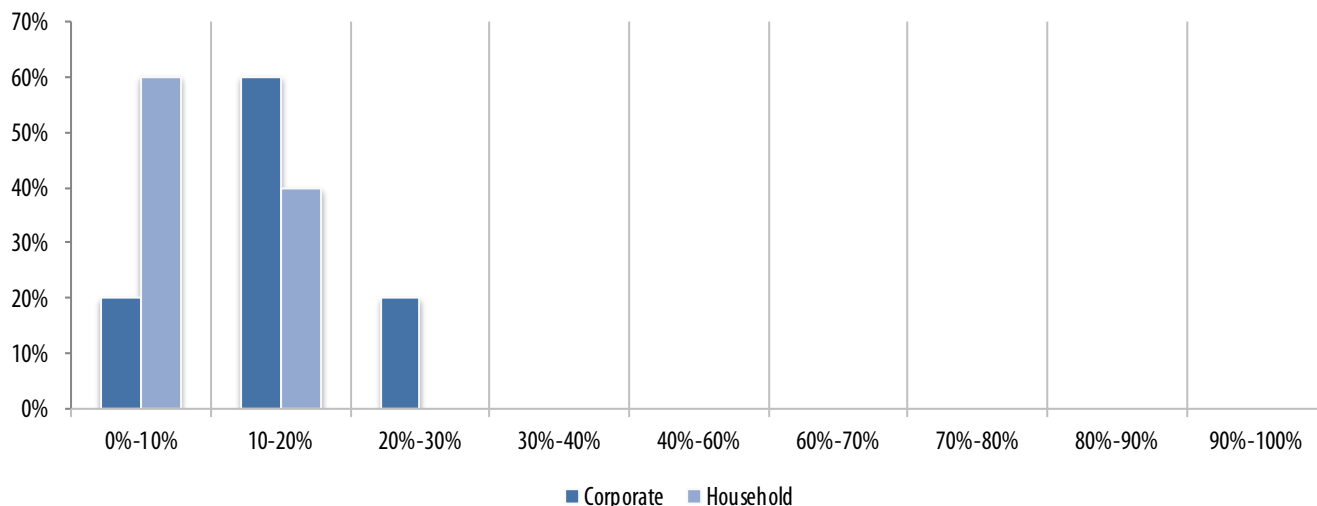


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

The association of Bulgarian banks co-ordinated an agreement between commercial banks and the Bulgarian Central Bank to introduce the possibility of temporary suspension of payments on loans and interest by borrowers that are not in arrears or in default. Such a suspension can be implemented at the request of the borrower and subsequent approval by the lender. The majority of respondents seem to have implemented this measure for a small part of their portfolio. The moratorium has been extended twice since its initial approval

**Figure 14** Percentage of your corporate/household portfolio/clients' loans



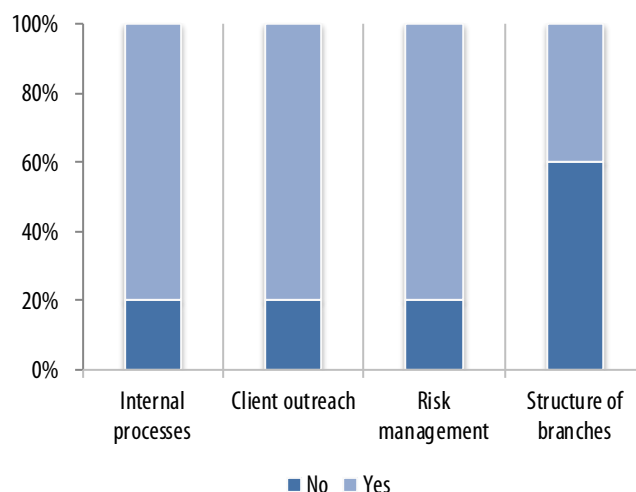
Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

COVID-19 appears to have a significant impact on digitalisation plans of Bulgarian banks. This is part of a broader drive of the corporate sector to spur digitalisation in line with new realities after the pandemic outbreak.

All respondents see a rationale to speed up digitalisation of their internal processes and client outreach due to COVID-19 outbreak (net 80% of respondents). A large majority also sees the need to speed up digitalisation of their risk management practices (80%). Net 40% of respondents is inclined to speed up digitalisation of their branches.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Croatia

**Increasing demand-supply gap with tightening supply conditions and recovered demand. Expectations for the next six months point at a more neutral stance of supply conditions, improving access to funding but worsening NPLs.**

## Summary

**Group assessment of positioning and market potential:** An evenly split share of international banking groups reported higher and lower return on equity compared to the overall group performance over the last six months, whilst preserving a relatively stable market positioning - assessed as satisfactory or optimal. Two third of parent banks operating in Croatia consider the market potential medium and one third considers it low, thus marking a deterioration compared to the past survey releases.

**Credit demand** recovered considerably over the last six months following the sharp drop in previous period while **credit supply** conditions continued to tighten strongly, increasing the gap between demand and supply. Demand for loans has been improving across the board, except for the consumer loans.

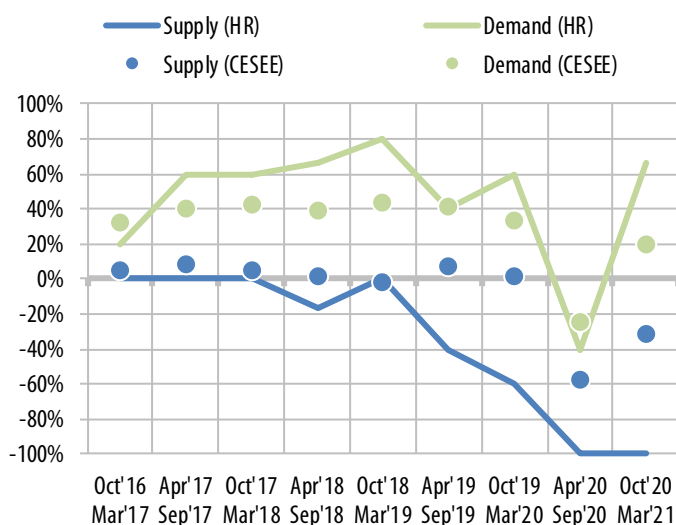
**Credit supply** conditions tightened severely and among all segments. Moreover, local NPL figures and local market outlook remained the main drag to credit supply while EU regulation contributed also negatively.

**Access to funding** has improved further over the last six months for all banks, while domestic retail and corporate funding together with inter-bank money market remained the main sources of funding. On the contrary, access to IFIs' and intra-group funding decreased.

**NPL figures** deteriorated further for retail segment during the last six months, while corporate NPLs improved slightly.

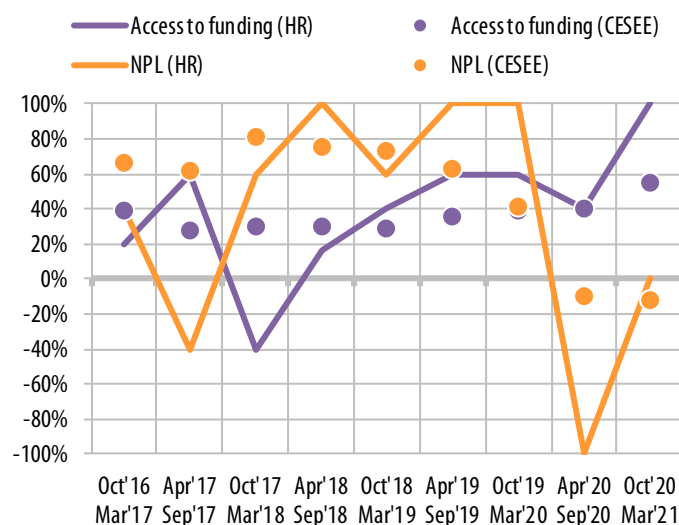
**COVID-19 measures:** Croatian banks believe that the several support measures helped to maintain lending during the pandemic, such as: guaranty measures, flexibility of the NPL treatment, temporary capital relief measures, adjustment of risk-weights, relaxation of liquidity ratio requirements and postponement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

**Loan Moratoria** affects around 10-40% of the Croatian corporations while the incidence is much lower in the household segment (maximum of 10%).



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

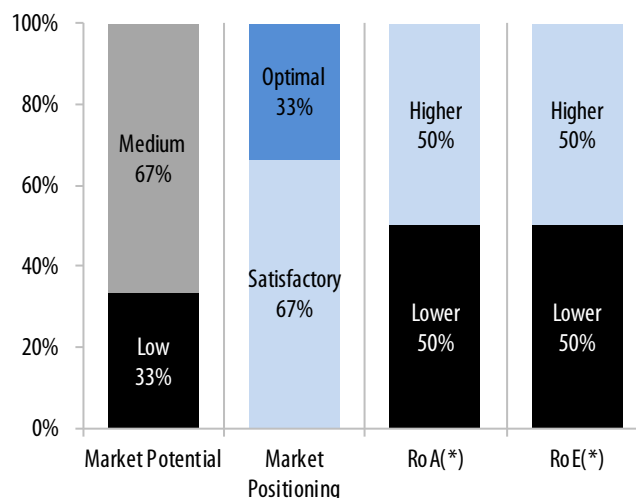
## Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Croatia became pessimistic towards the region, as one third of them plan to reduce their presence for the first time since 2015, while the rest intend to maintain the level of operations.

Two third of parent banks operating in Croatia continued to consider the market potential as medium, while one third assess it as low potential. This places the country behind its regional peers. In terms of market positioning, Croatia is assessed relatively better than peers, with either satisfactory (two third) or optimal (one third) positioning.

Profitability of Croatian banks is perceived to be comparable to group’s profitability because the same share of parent banks (half) considers return on assets and equity above and below those seen on the group level.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

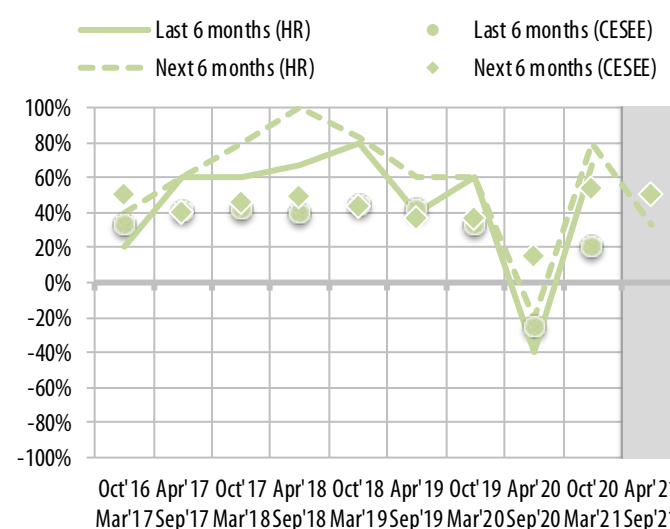
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Loan demand recovered considerably during the last six months after the sharp drop of previous period. The increase in demand is in line with expectations and above the CESEE average.

For the next six months, Croatian banks expect a continuation of the positive trend. While plummeting consumption has affected negatively demand for consumer loans, emergency liquidity needs of companies pushed for a higher loan demand from corporates, also supported by policy measures.

**Figure 2 Demand side developments**



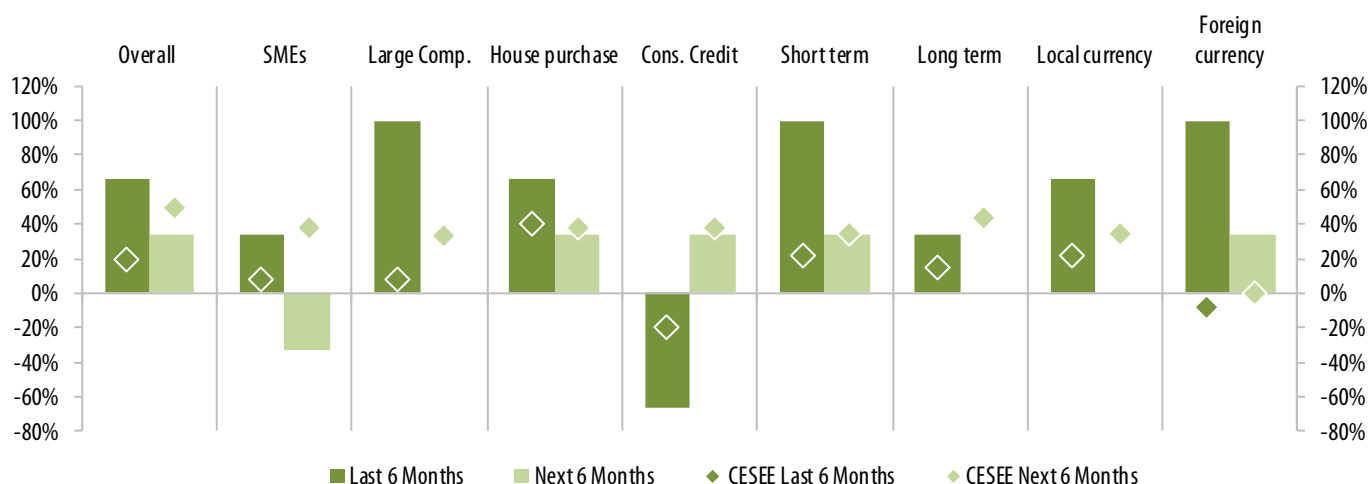
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.



**Figure 3 Demand components and segments**

Credit demand has increased in the last six months mainly driven by stronger demand for large companies and loans for SMEs and mortgage loans had also a positive trend. Consumer loans remained negative. Demand increased in both local and foreign currency. A further increase in loan demand is expected in the next six months for most of the segments, except loans for SMEs.

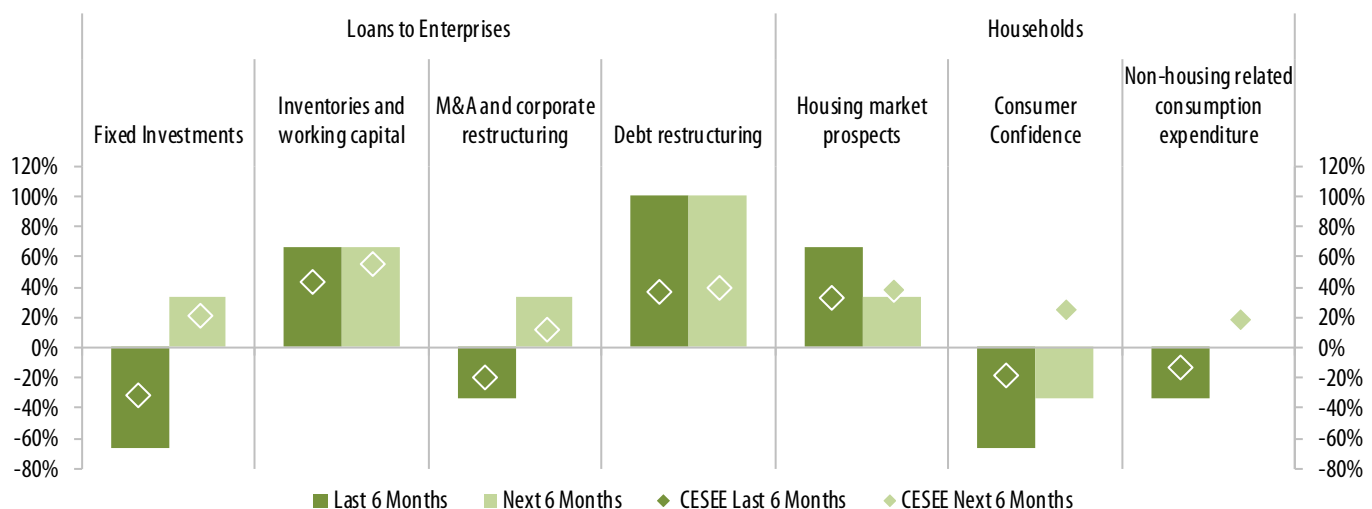


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

**Figure 4 Factors affecting demand for loans**

Debt restructuring and loans work working capital contributed on the corporate side to positive loan demand during the last six months. Looking at the households segment, only housing market prospects contributed positively to demand for loans whilst consumer confidence and non-housing related consumption expenditure drove demand down.

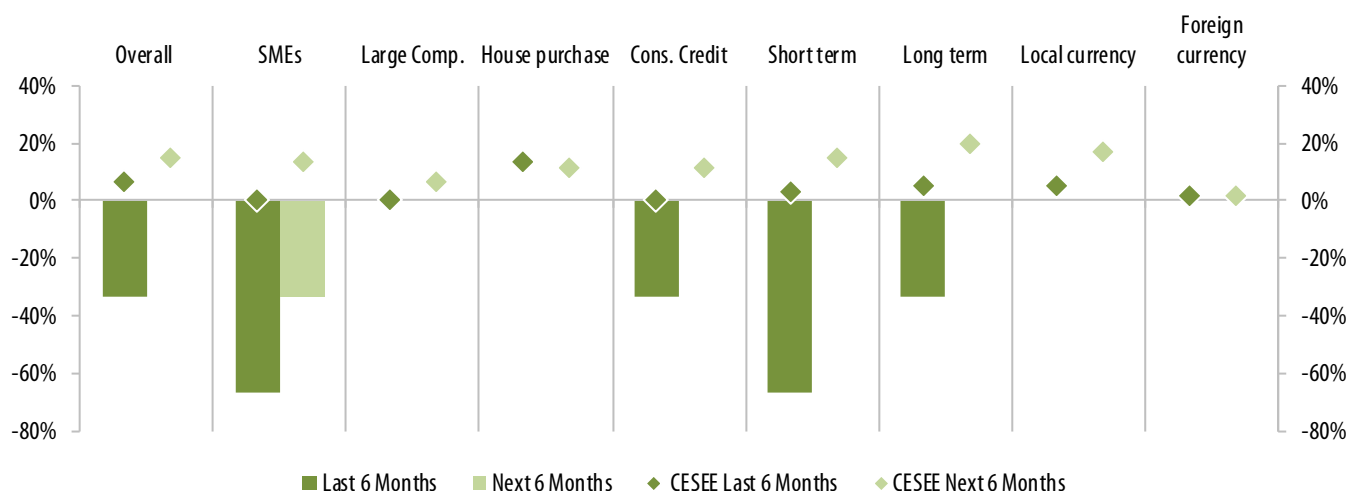


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

The perceived quality of overall loan applications deteriorated for the second period during the last six months, in particular of those for SMEs and consumer loans. Further deterioration of quality is expected for SMEs loan applications while no further change is anticipated for the rest of the segments.



Source: EIB – CESEE Bank Lending Survey

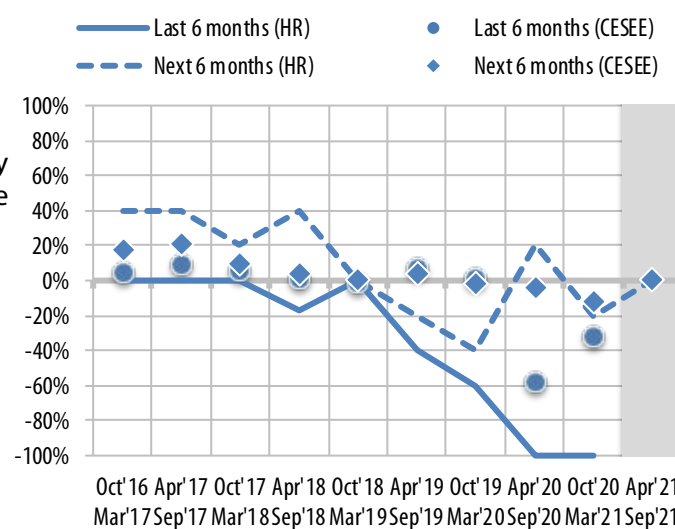
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Credit supply in Croatia tightened strongly for the second consecutive period, more severely than the regional average and below the expectations formulated six months ago. A more neutral stance is expected for the next period, in line with regional average.

The tighter or neutral credit conditions since 2015 may suggest that most of the new credit extended should be of better quality than in previous credit cycles.

**Figure 6 Supply developments**

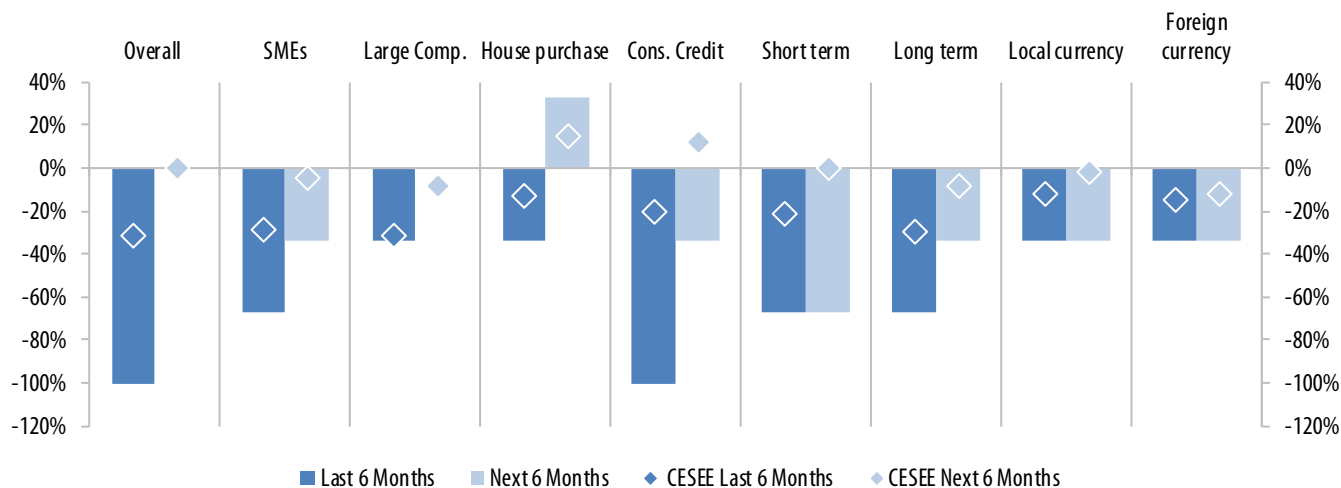


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

**Figure 7 Supply components and segments**

Credit supply conditions continued to tighten remarkably across the board during the last six months. Further tightening is expected for SMEs and consumer credit while some easing is anticipated for the mortgage loans.

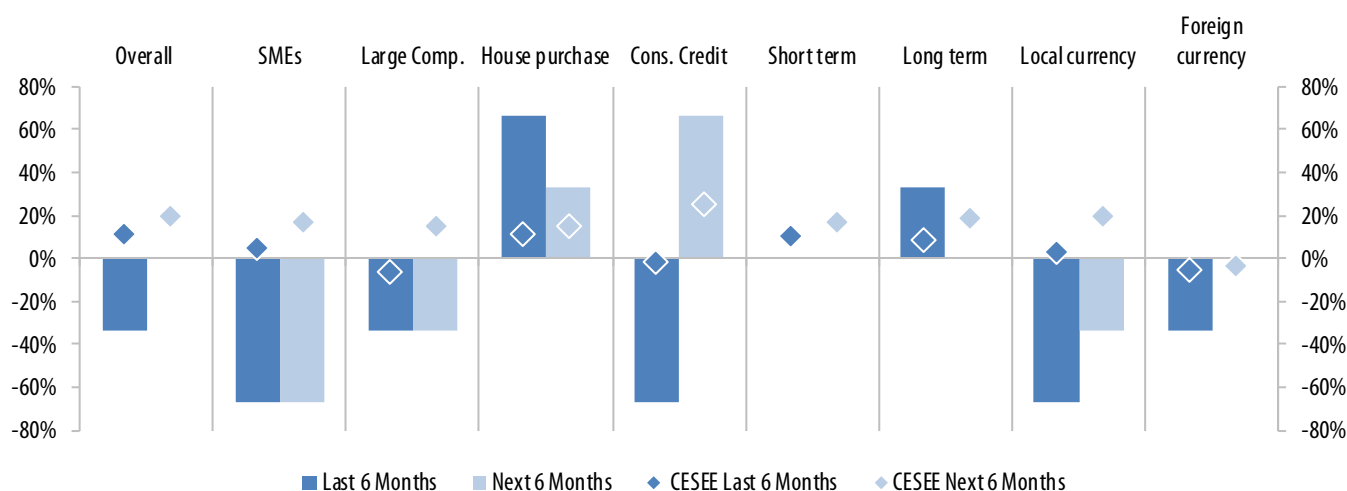


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications**

Overall approval rate continued to decrease in Croatia during the last six months, below the CESEE region. The only positive development was registered on mortgage and long-term loans, while the strongest tightening was registered for SMEs' loans and consumer credit.

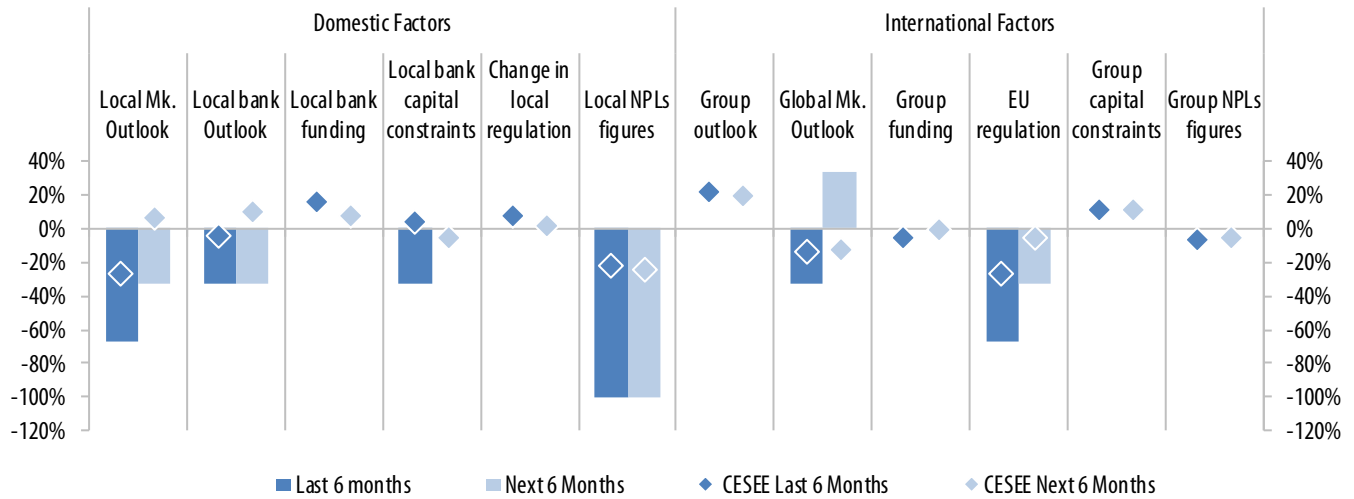


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Local market outlook and local NPL figures had the strongest negative contribution to supply among domestic factors, while none of the factors contributed positively. Among international factors, EU regulation and global market outlook contributed negatively to domestic credit conditions.

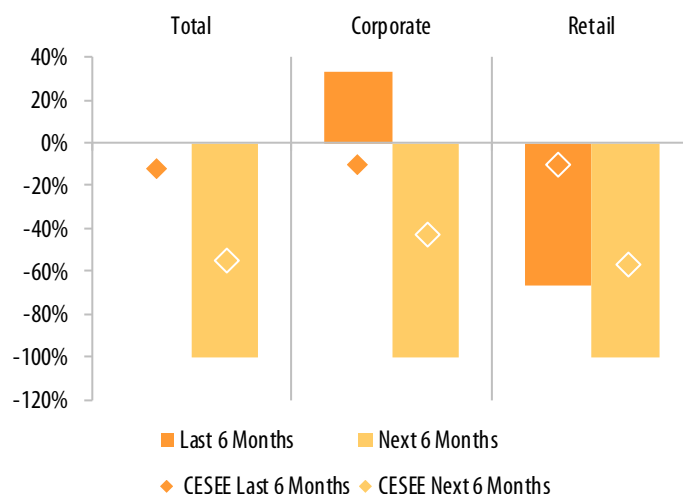


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

NPL ratio over the last six months deteriorated further in the retail segment, while a slight decrease has been declared for the corporate segment. Further deterioration is expected across all segments over the next six months.

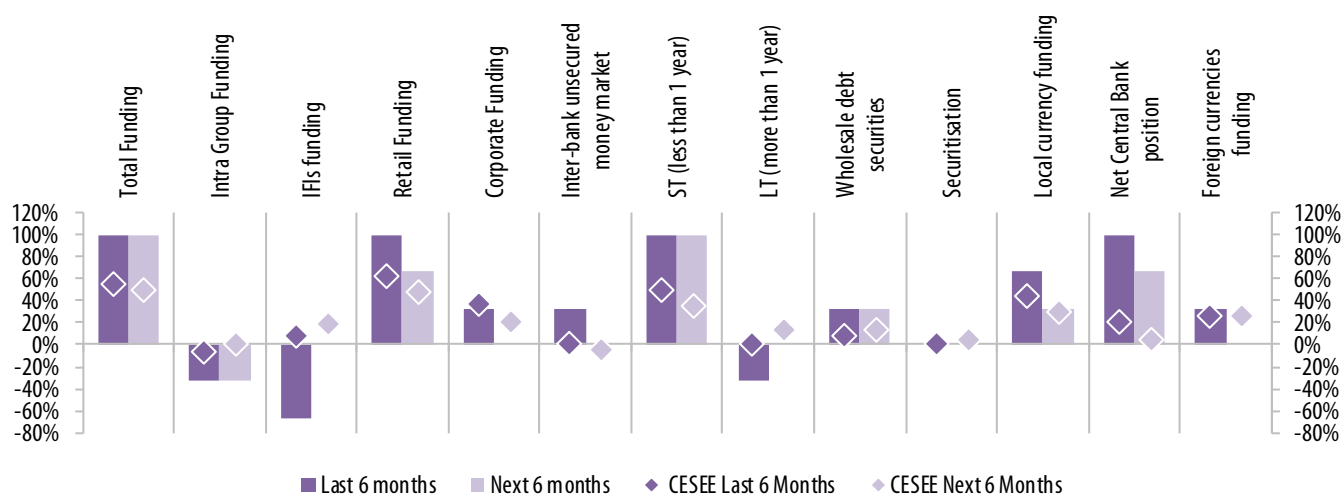


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Access to funding increased further during the last six months, mainly due to better access to retail funding and Central Bank positions. Corporate funding and inter-bank money market contributed also positively, although with a lesser amount while access to IFI funding and Intra-group funding deteriorated. Both local and foreign currency funding increased. Further improvement in access to funding is expected for the next six months.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

## COVID19 Special Module

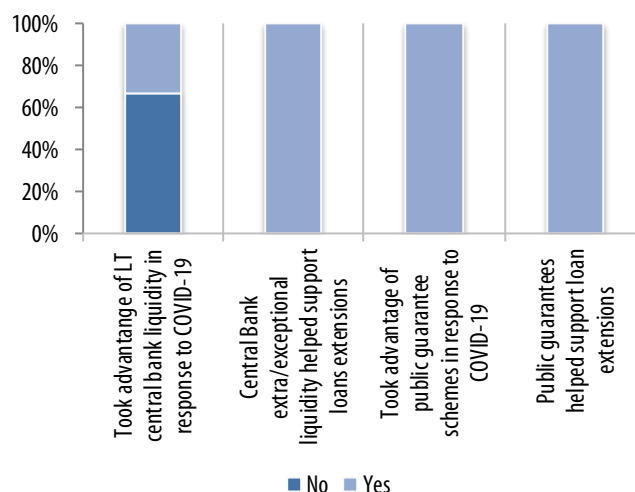
### Regulatory and policy measures supporting lending

All Croatian banks participating into the survey took advantage of the public guarantee schemes launched as a response to the COVID-19 pandemic. One third took advantage also of LT central bank liquidity. All respondents believe that both liquidity facilities and public guaranties helped in supporting loan extensions.

Looking at the impact of the various regulatory measures, Croatian banks believe that the several support measures helped to maintain lending during the pandemic, such as: flexibility of the NPL treatment, Covid-19 related temporary capital relief measures, adjustment of risk-weights, relaxation of liquidity ratio requirements and postponement of full Basel III implementation.

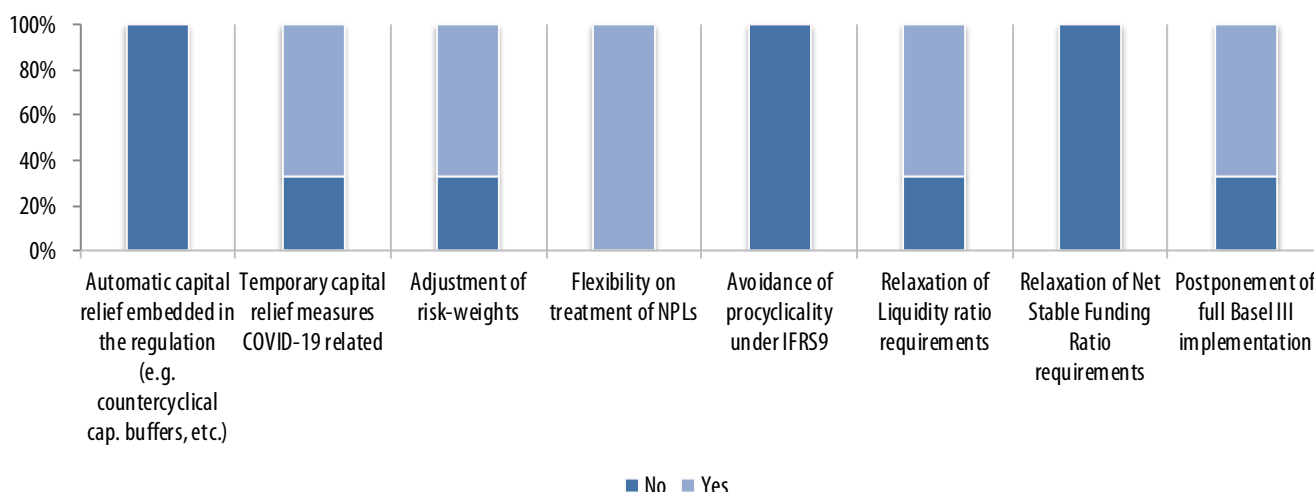
Figure 12

Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees



Source: EIB – CESEE Bank Lending Survey.

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

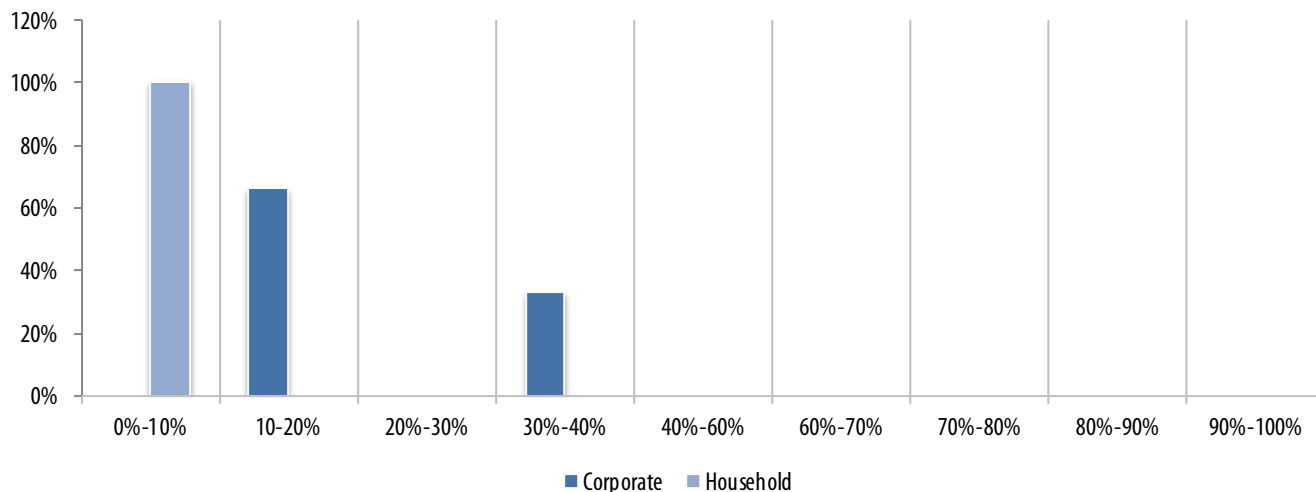


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect around 10-40% of the Croatian bank's corporate portfolio. The incidence is lower in the household segment, where up to 10% of the portfolio took advantage of the payment moratoria.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

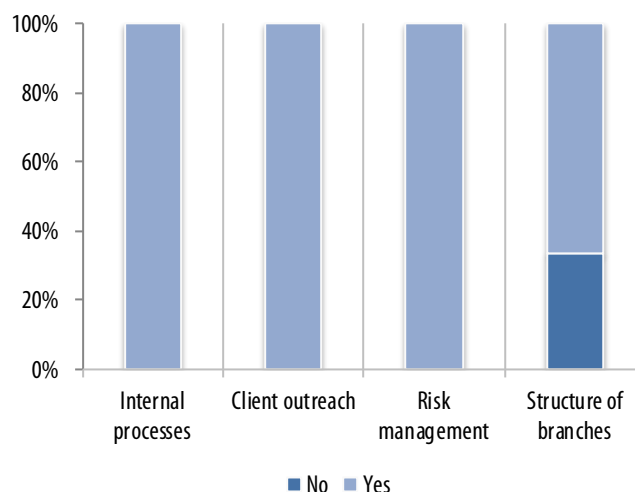


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

The COVID-19 pandemic pushed local banks assigning stronger priorities to digitalisation efforts. All banks are increasing digitalisation efforts in the areas of internal processes, client outreach and risk management. In addition, two third of banks also pursue faster digitalisation in the structure of branches.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.





# Czech Republic

*The Covid-19 pandemic continued to hit the Czech economy and has started to impact banks. While loan demand increased due to a booming housing market, supply declined. All banks expect non-performing loans to increase following the end of a statutory moratorium in October 2020.*

## Summary

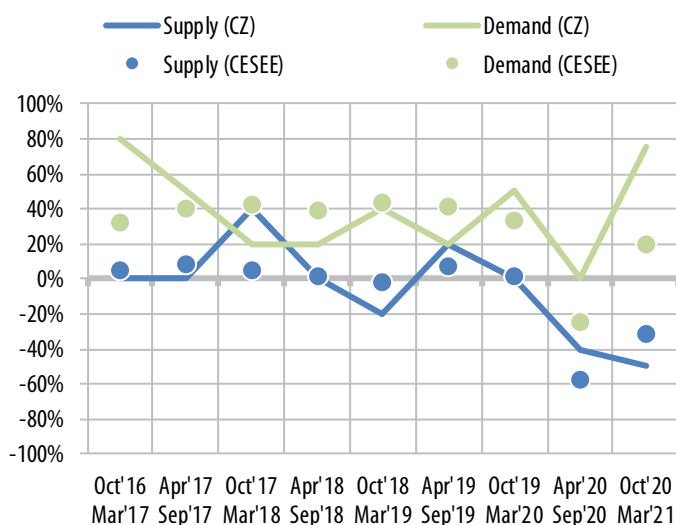
Banking remains more profitable in the Czech Republic than in other countries. The majority of parents believed that the market potential of the Czech Republic is high and saw little reason to change their positioning.

On balance, banks reported that aggregate **demand for loans** increased over the past six months. This development appears to be driven by strong demand for mortgages. Looking ahead, most banks expect loan demand to increase, mostly because the housing market remains strong and because consumer confidence should recover once the Covid-19 pandemic wanes.

Meanwhile, **credit supply** fell. This may have reflected the expiry of some public support schemes, in particular the end of a statutory loan moratorium in October 2020. Non-performing loans (**NPLs**) rose and are expected to rise further at a large majority of reporting banks. However, quantitatively the increase may be quite small. The vast majority of borrowers resumed servicing their loans when their moratoria expired. Banks do not expect to tighten credit supply any further over the next six months.

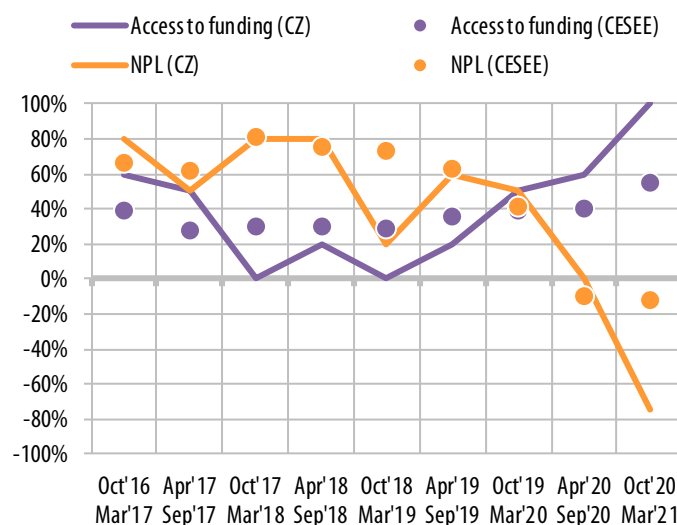
All banks report that **access to funding** improved. One reason may be increased savings of households and corporates; another is likely to have been the supportive monetary policy background.

**Fiscal, monetary, and regulatory measures** all appeared to have supported lending. Public loan guarantees were most frequently quoted as supporting lending. Almost all banks participated in a corresponding scheme. Regulatory measures, in particular those that aimed at reducing procyclicality and at treating NPLs, also supported lending.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

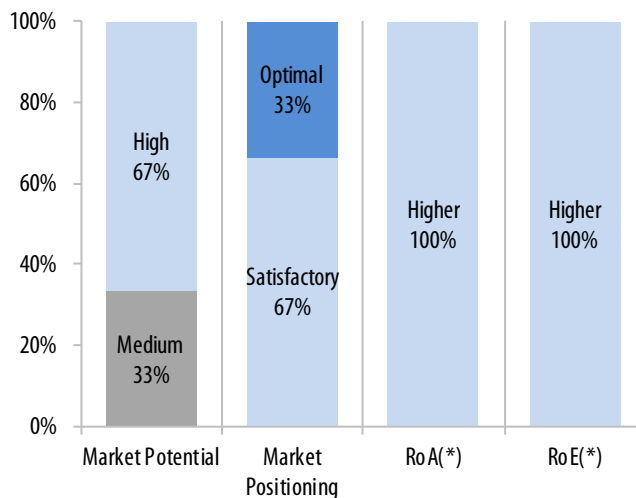
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

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

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

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

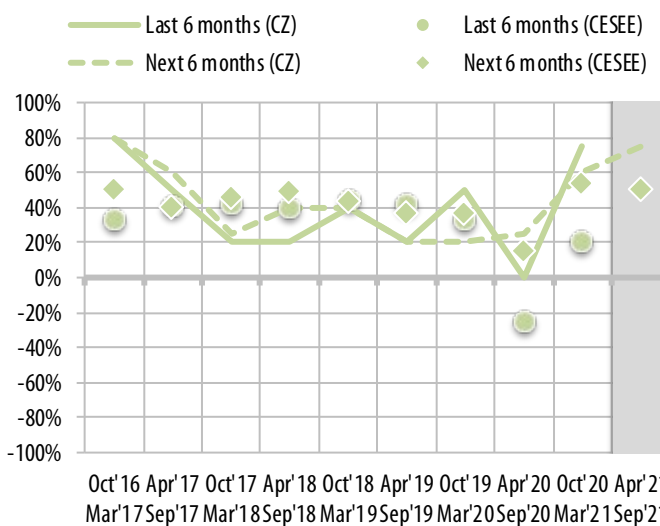
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

On balance, banks reported that aggregate demand for loans increased over the past six months. This development appears to be driven by strong demand for mortgages. On balance, Banks in Czechia saw greater demand for loans than on average in the CESEE region.

Looking ahead, most banks expect loan demand to increase, mostly because the housing market remains strong and because consumer confidence should pick up once the Covid-19 pandemic wanes.

**Figure 2 Demand side developments**

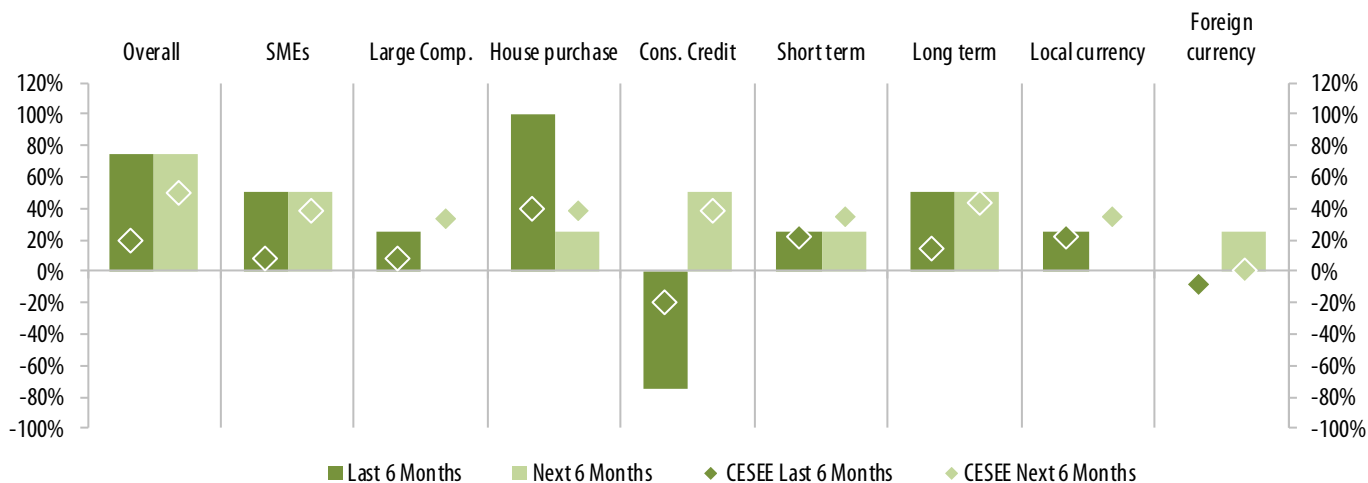


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

All perceived increasing demand for mortgages, reflecting a booming housing market. In contrast, demand for consumer credit fell at most reporting banks but is expected to recover over the next six months. These developments are similar but somewhat less pronounced in the rest of the CESEE region.

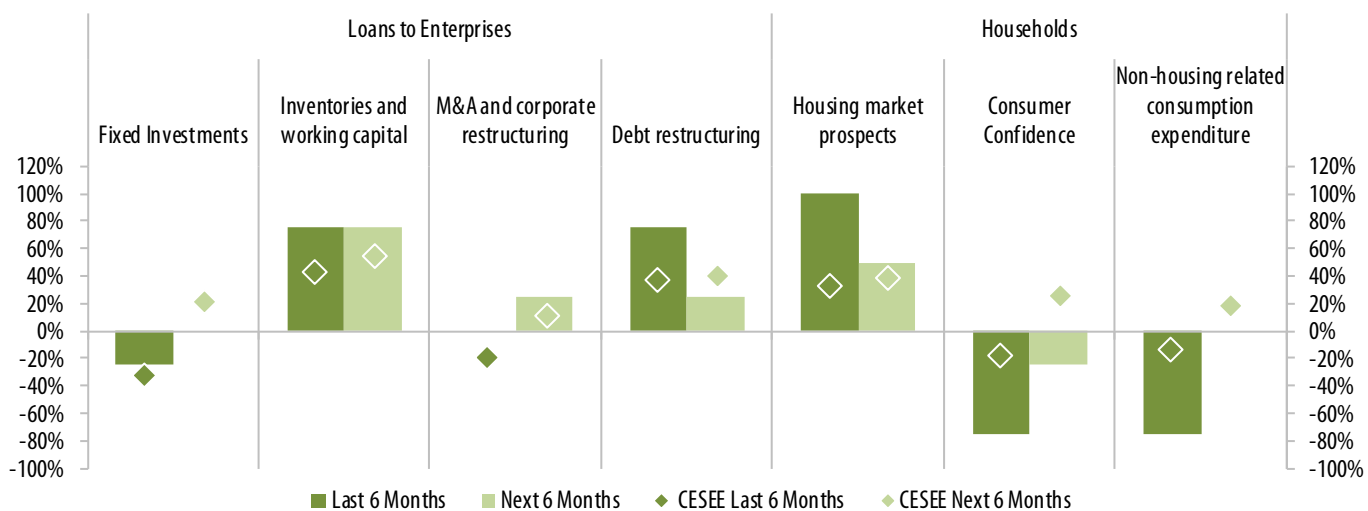


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

The belief that house prices would continue to rise appears to have more than offset the impact of tighter lending standards and economic uncertainty on mortgage lending. There was no such offsetting factor for consumer lending, where confidence continued to weigh on the demand. For corporate loans, banks expect the composition of demand to continue to move in favour of loans to fund working capital while fixed investment remains weak. Debt restructuring is also expected to continue to add to corporate loan demand.

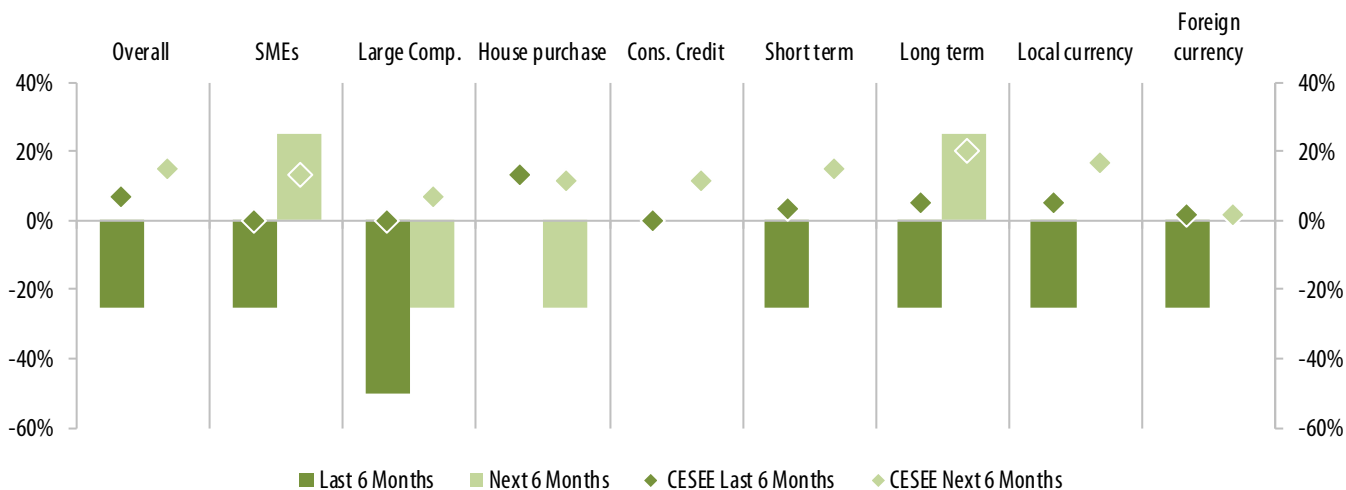


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

The quality of loan applications appears to have fallen, in particular for corporate loans. No substantial improvement appears in sight. In contrast, banks in the rest of the CESEE region, on balance, thought that the quality of loan applications had increased.



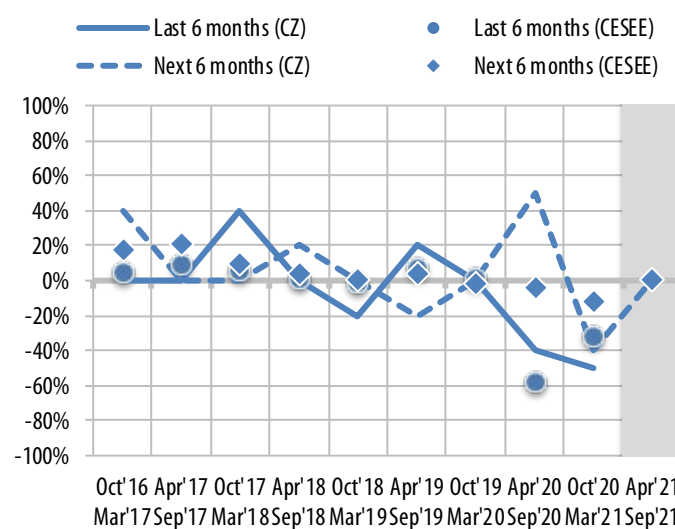
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

As in the rest of the CESEE regions, banks responded to the Covid-19 pandemic by tightening their credit supply. Further tightening is not expected over the next six months.

**Figure 6 Supply developments**

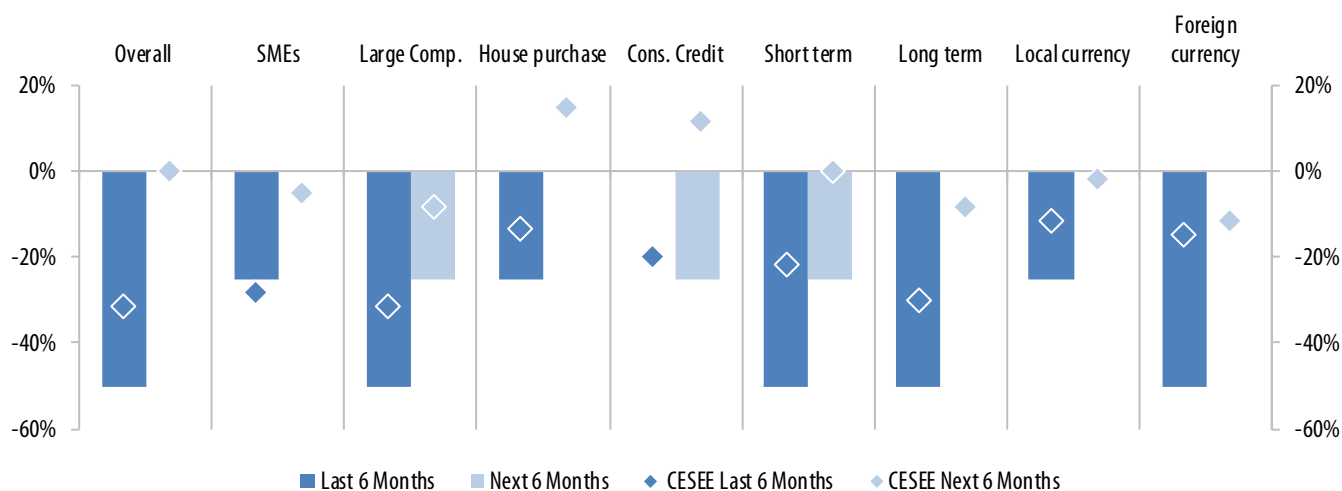


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 7 Supply components and segments

Almost all reporting banks tightened credit standards for corporate credit and mortgages. Consumer credit standards did not change on balance, perhaps because they had already been tightened during the first six months of the pandemic. Over the next six months, credit standards are expected to remain broadly unchanged. This is similar to the rest of the CESEE region.

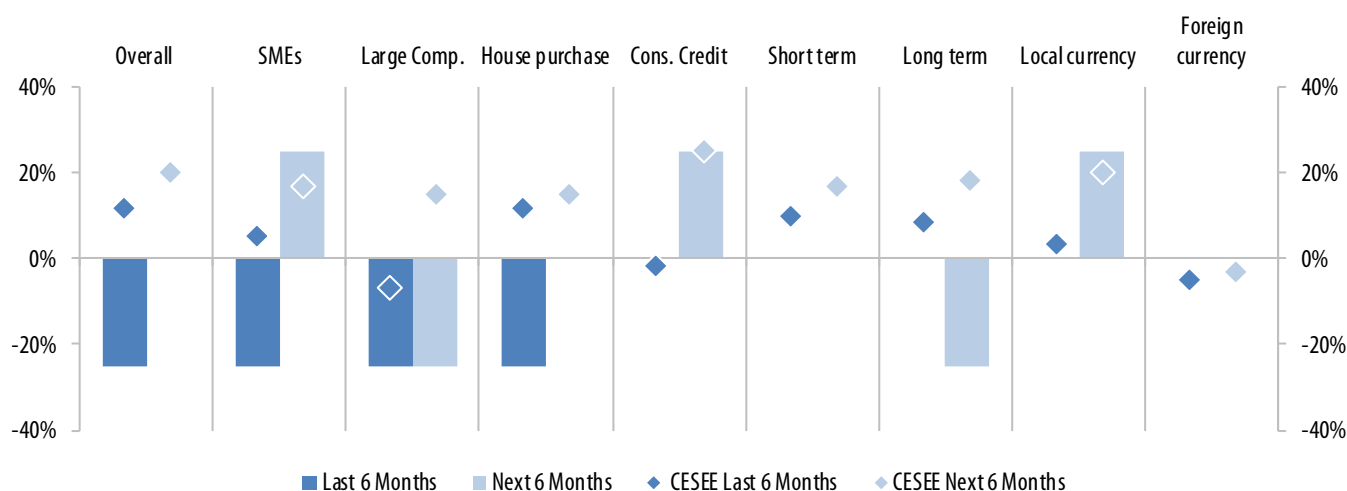


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

### Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

In line with a perceived deterioration in the quality of loan applications, most responding banks approved a lower share of loans. This concerned most types of lending, with the exception of consumer credit, where demand fell off anyway. In contrast, approval rates in the rest of the CESEE region increased.

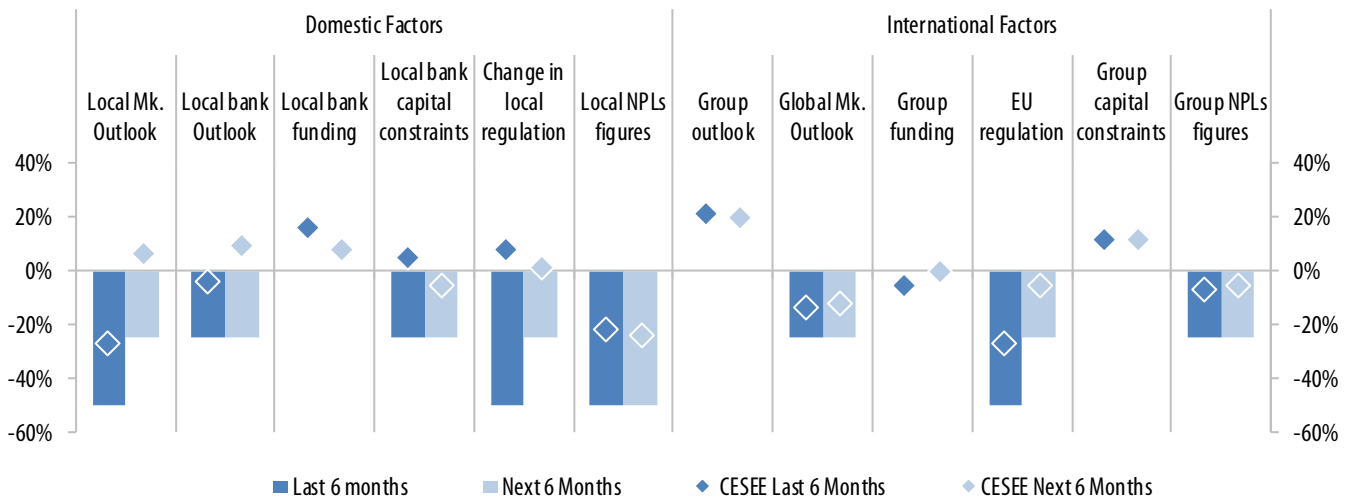


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

All major supply factors restricted lending more for banks in the Czech Republic than for those in other CESEE countries. In the Czech Republic, banks primarily reduced their loan supply because their local market outlook worsened, because of changes in local regulation (arguably reflecting the expiry of crisis relief measures), and because local and group NPLs increased. International factors constraining loan supply at the group level included the global market outlook and changes in EU regulation.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

Following the end of the loan moratorium in October 2020, NPLs rose at a large majority of reporting banks. This trend is likely to continue in the coming months. However, quantitatively the increase may be quite small. The vast majority of borrowers resumed servicing their loans when their moratoria expired.

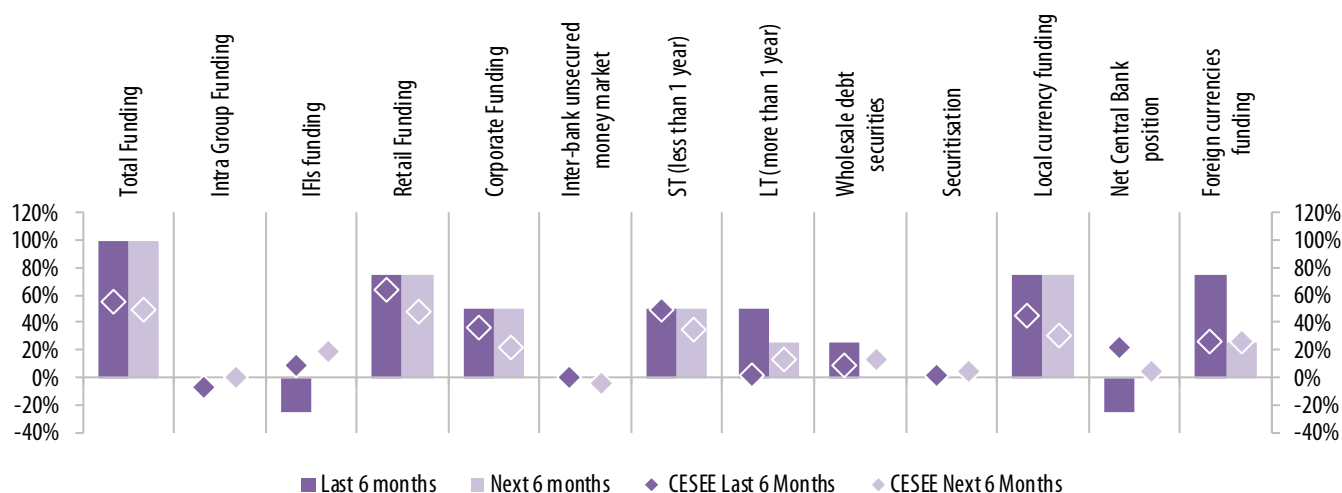


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Banks found it easier to access funding during the last six months. Already they were already largely funded by stable domestic deposits. Their access to retail and corporate funding further increased, presumably reflecting increased savings by households. These developments are similar to those in the rest of the region.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

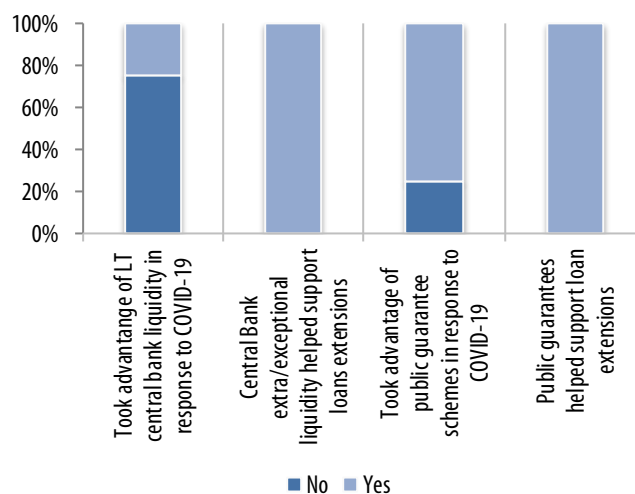
## COVID19 Special Module

### Regulatory and policy measures supporting lending

Fiscal, monetary, and regulatory measures all appeared to have supported lending. Public loan guarantees were most frequently quoted as supporting lending. Almost all banks participated in a corresponding scheme. Statutory loan moratoria expired in end-October. However, regulatory measures, in particular those that aimed at reducing procyclicality and at providing additional flexibility regarding the treatment of NPLs, also supported lending.

Figure 12

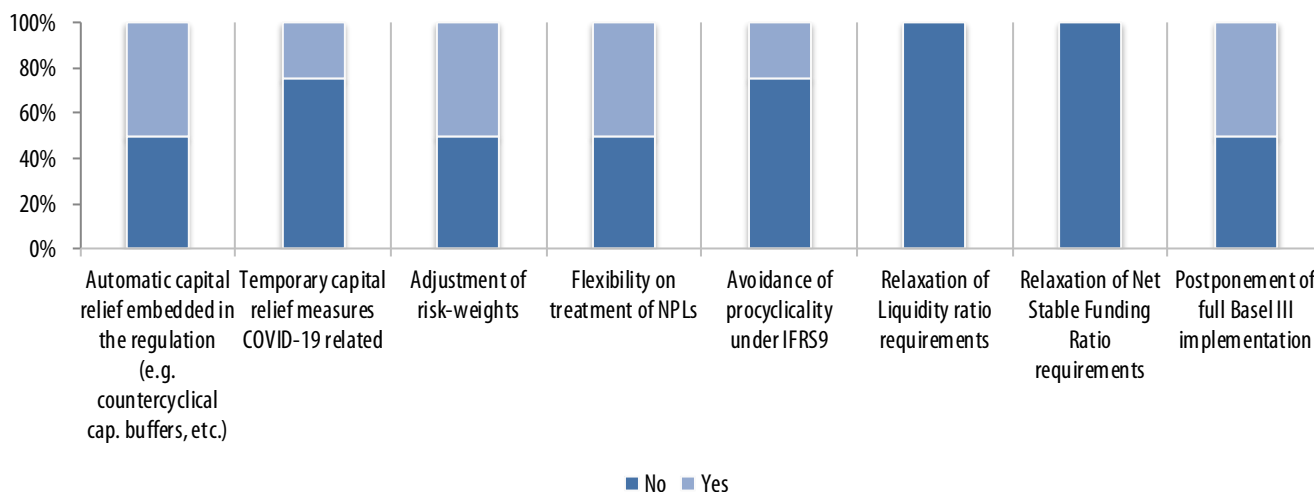
Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees



Source: EIB – CESEE Bank Lending Survey.

Figure 13

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



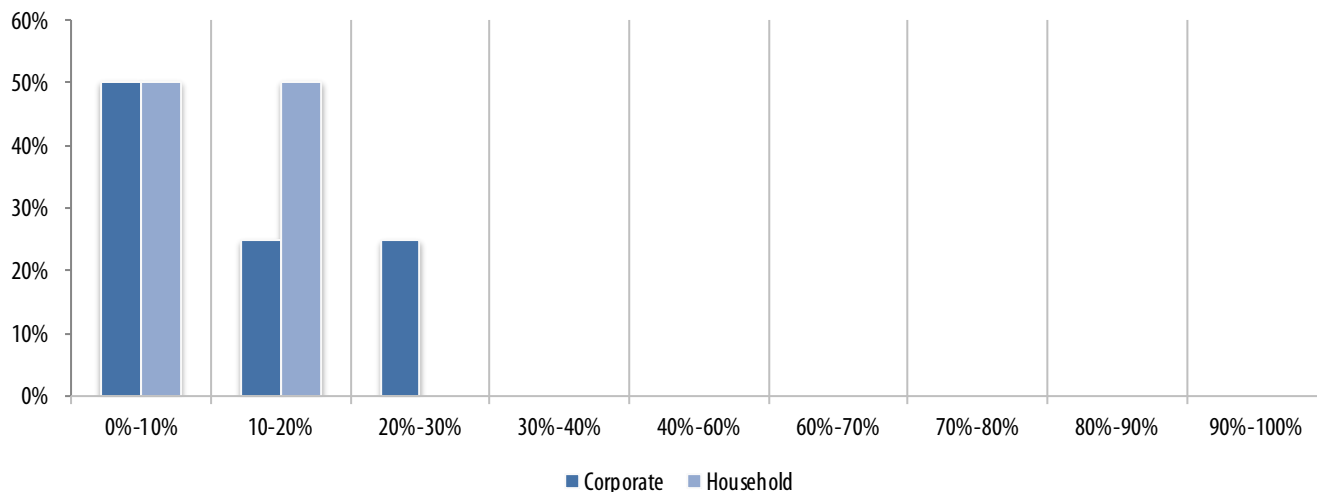
Source: EIB – CESEE Bank Lending Survey.



### Moratoria incidence and uptake

All responding banks report that 10-20% of their household loans benefited from payments moratoria. For corporate loans, the incidence appears to be somewhat higher.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

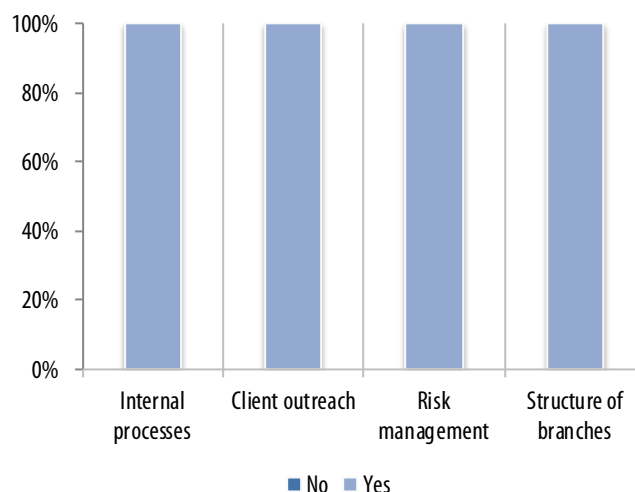


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

All banks report that the Covid-19 pandemic will prompt them to speed up their digitalisation efforts.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Hungary

**One year into the COVID-19 pandemic, the Hungarian market has been characterised by stagnating credit demand and rapidly deteriorating supply conditions. Expectations for the next six months indicate recovering demand, tight supply conditions, and deteriorating portfolio quality.**

## Summary

**Group assessment of positioning and market potential:** Parent banks consider the Hungarian market to have medium to high potential, reflecting an improving outlook compared to the earlier survey rounds. It puts the country somewhat behind the Czech Republic, in line with Poland and Romania, and slightly ahead of Slovenia or Slovakia. Half of the banking groups find that their position in the Hungarian market is satisfactory, another 25% of the groups find their positioning weak, and 25% find it optimal. Risk-adjusted returns on assets and equity are somewhat higher than elsewhere.

Hungarian banks report that **credit demand** stagnated over the last six months, with a strong deterioration in **credit supply** conditions.

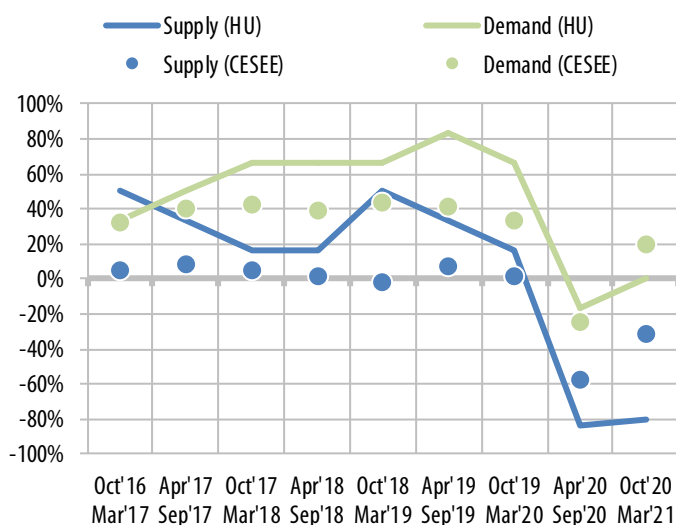
**Credit supply:** Credit supply conditions have been deteriorating severely in all segments in the last six months, except for mortgages. Looking ahead, supply is expected to tighten somewhat further.

**Demand for loans:** Hungarian banks reported stagnating demand in the past six months, but demand was rather uneven across segments, with consumer credit demand by households being the most affected. For the next 6 months banks expect the recovery of credit demand across the board.

**Access to funding:** Overall access to funding was strong, in line with the CESEE region as a whole, over the past six months. The improvement was due chiefly to domestic sources: both corporate and retail deposits had a strong positive influence.

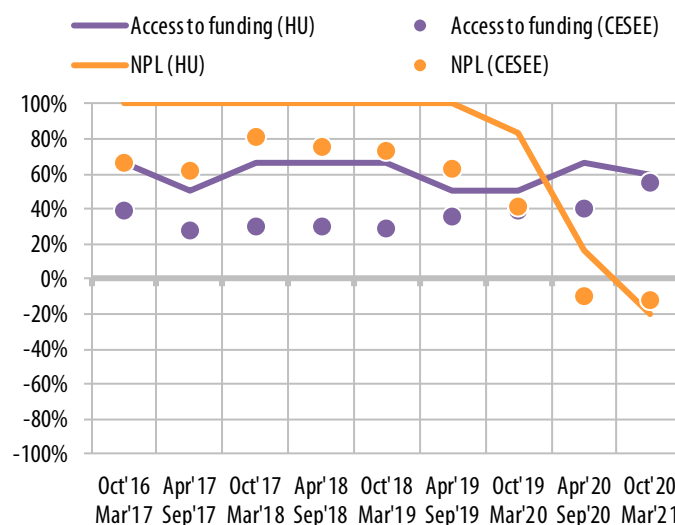
**NPL ratios** has deteriorated marginally over the past six months, but banks expect a drastic worsening of credit quality over the upcoming period.

**COVID-19 measures:** Hungarian banks find that liquidity support, guarantee programmes, together with the temporary capital relief measures are all useful supporting access to finance during the pandemic.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

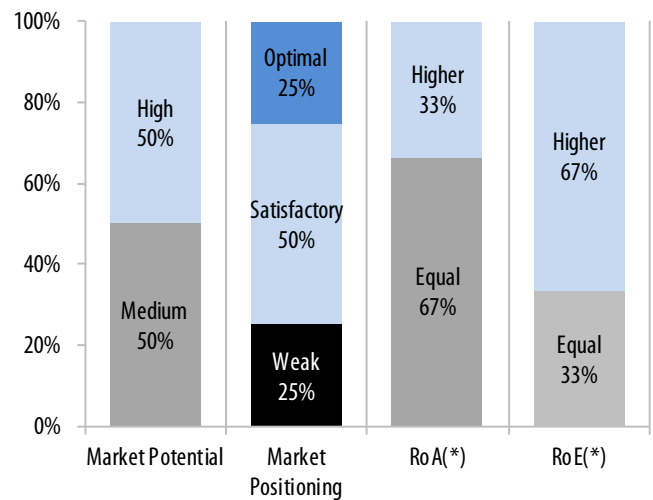
## Results of the Bank Lending Survey – Parent banks level

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

Half of the parent banks consider the Hungarian market to have high potential, while another considers it medium. This reflects an improving outlook compared to the earlier survey rounds. It puts the country somewhat behind the Czech Republic, in line with Poland and Romania, and slightly ahead of Slovenia or Slovakia, according to the Survey.

About 50% of the banking groups find that their position in the Hungarian market is satisfactory, 25% find it optimal, while 25% of the groups find their positioning weak. Risk-adjusted returns on assets and equity are somewhat higher on average than those seen in other operations of the groups.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

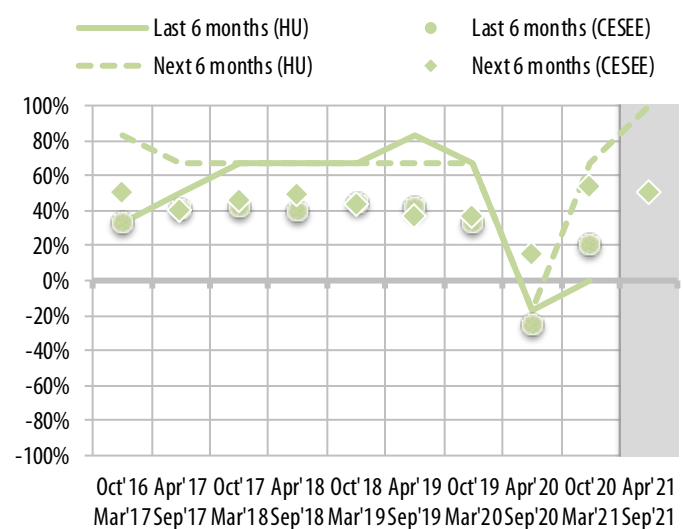
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Hungarian banks reported a stagnation in credit demand in the past six months, well below the expectations formulated in the Survey of Autumn 2020. Demand for loans in Hungary was somewhat below the level seen in the rest of the CESEE region.

Nevertheless, banks expect a rapid recovery of credit demand for the next six months, both in Hungary and in the rest of the region.

**Figure 2 Demand side developments**



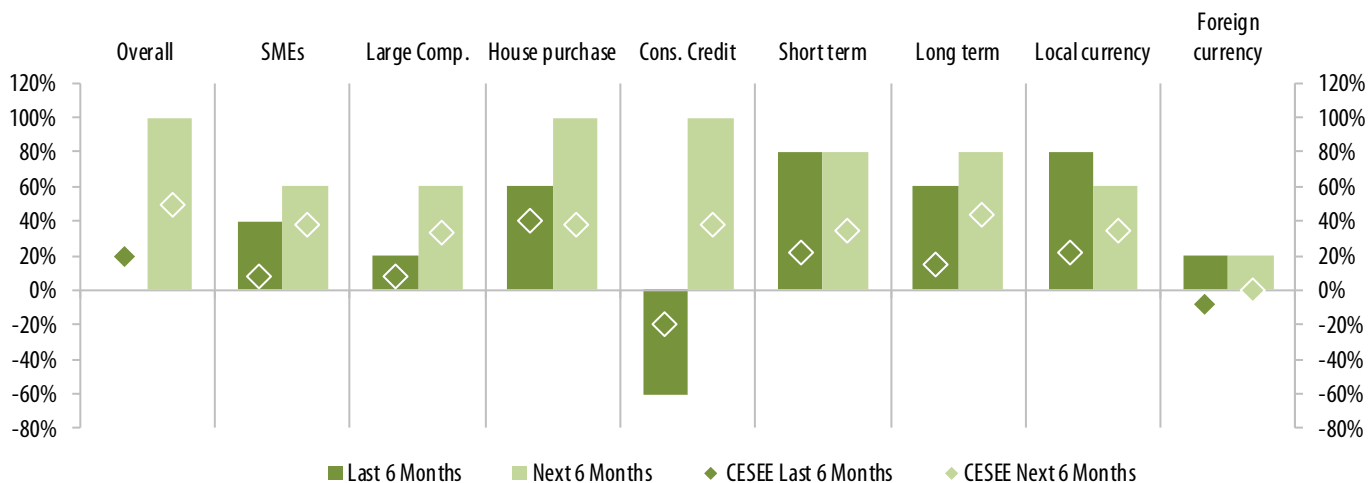
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Loan demand in the past six months was relatively more pronounced for the corporate sector, and for mortgages, where demand actually increased. Consumer credit demand by households, however, was negatively affected by the COVID-19 crisis. These developments are broadly in line with the overall picture for CESEE.

Looking ahead, banks expect a rapid recovery of credit demand in all segments, both short term and long term.

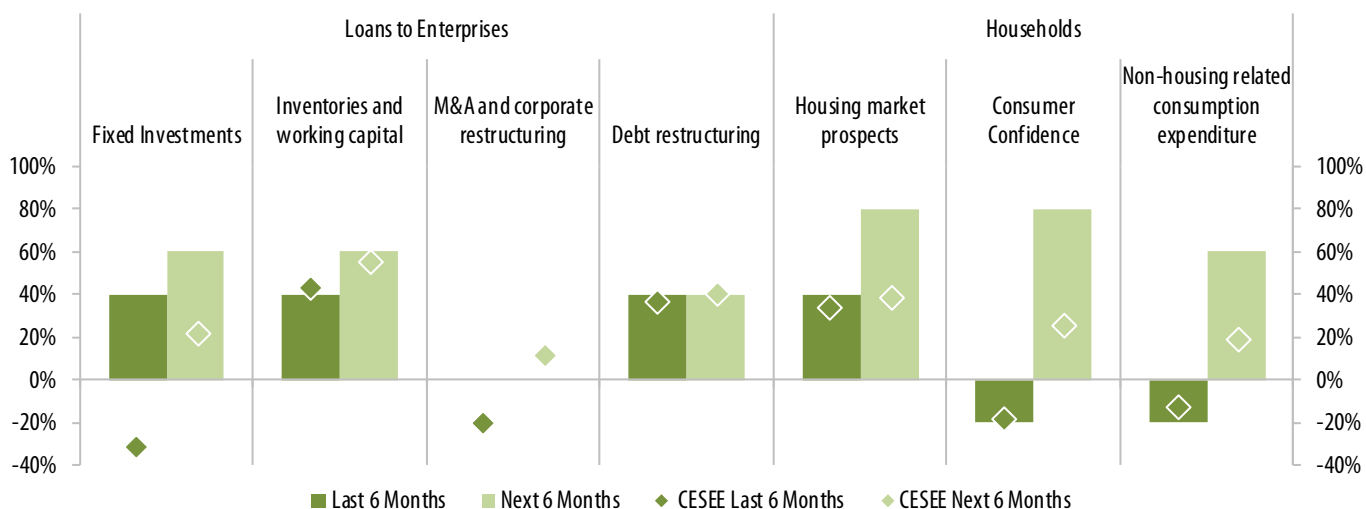


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

When looking at individual factors of loan demand in the corporate segment, both investment-related demand and working capital needs remained positive (while only the latter was contributing positively in CESEE on average). As for households, housing market prospects were positive, while consumer confidence asserted a somewhat negative influence on loan demand. Investment, working capital, debt restructuring, housing and consumer outlook are all expected to influence credit demand positively in the next six months.



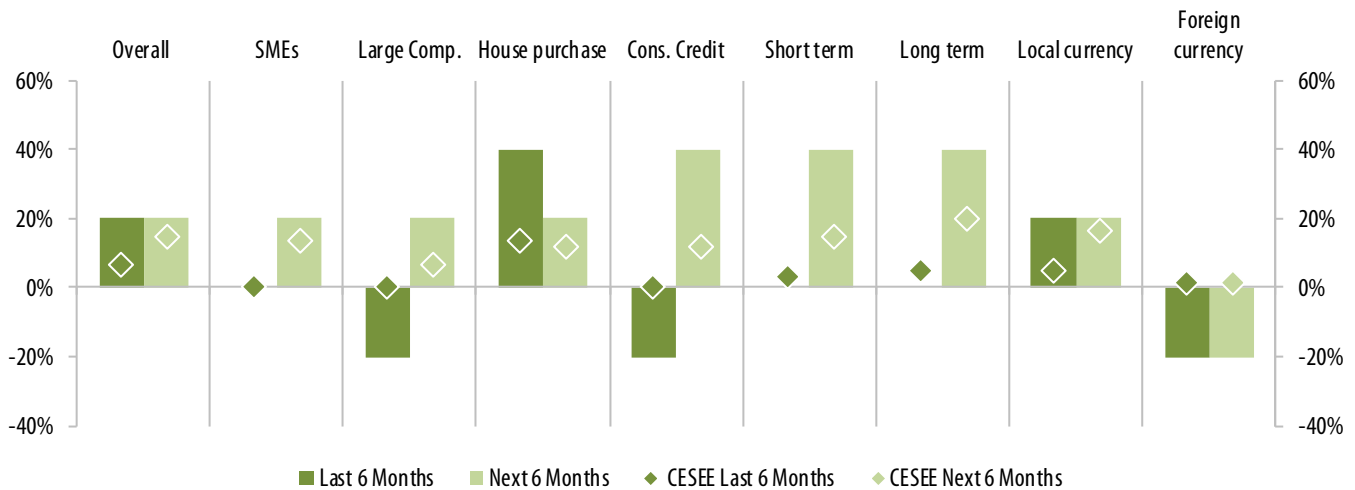
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

While the overall perceived quality of loan applications has marginally improved on balance in the last six months, it was in fact limited to the housing loans where the quality has improved significantly. The quality of applications slightly declined for the large firms and for consumer loans.

Loan applications quality is expected to increase further in all segment in the coming months.



Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

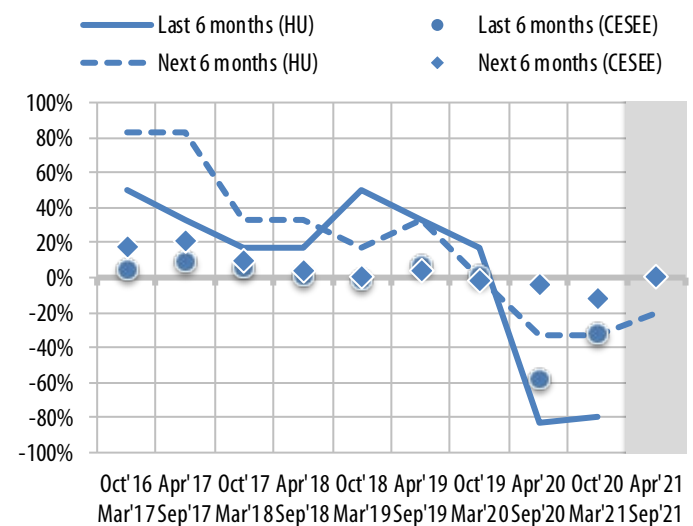
**Aggregate supply developments**

Credit supply conditions in Hungary have further deteriorated over the last six months, well below the banks’ own expectations formulated in Autumn 2020.

The decline is more severe than in the rest of the CESEE, but from a higher base, as supply conditions in the country were relatively looser before the Covid-19 outbreak than in the rest of the CESEE.

Looking ahead, supply is expected to remain tight (more than in CESEE on average), reflecting the pandemic’s continuing impact on banks’ credit policy.

**Figure 6 Supply developments**

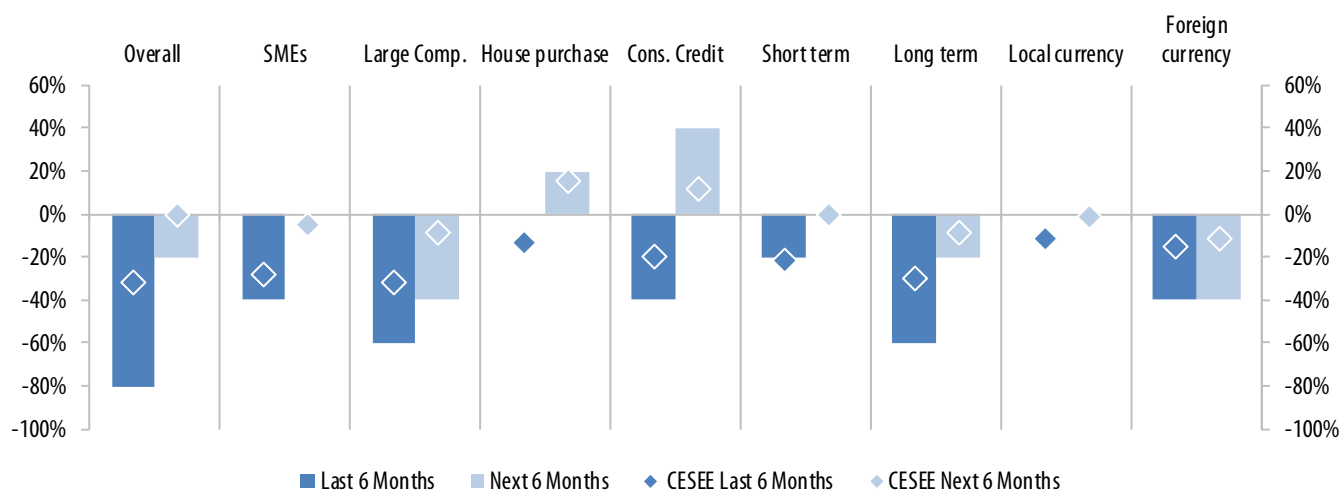


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 7 Supply components and segments

Credit supply conditions have been deteriorating severely and almost uniformly in all segments in the last six months, except for housing loans, where supply stagnated. This is broadly in line with the developments elsewhere in the region. Looking ahead, banks project further tightening in the corporate sector, and possible cautious easing in the household segment.



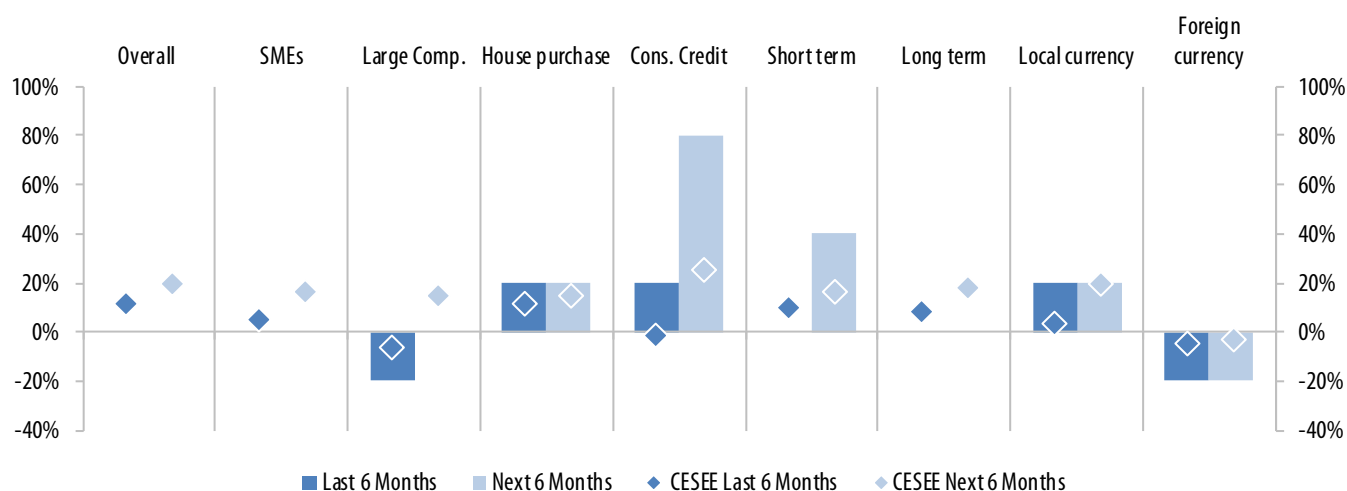
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

### Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications

The approval rates of credit applications broadly stagnated for the corporate segment, while slightly improved for households over the past six months. These developments are broadly in line with the rest of the region.

Looking ahead, approval rates are expected to stagnate for corporates, and improve for households, in particular for consumer credit.

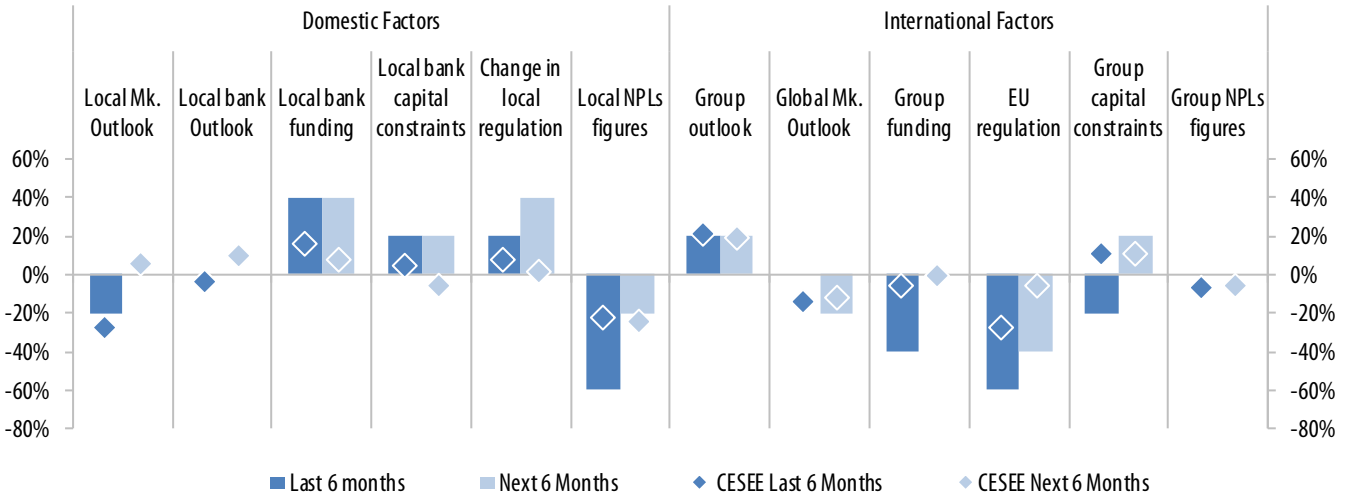


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Local bank funding (driven by higher deposits), regulations and local capital position have strengthened the supply, while local market outlook and NPLs pushed the banks towards a more cautious stance. When it comes to international factors, they mainly exerted negative impact over the past six months. Looking ahead, banks are worried about EU regulations, global market outlook and local NPLs as potential negative factors of influence on credit supply in Hungary.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex



**Figure 10 Non-performing loan ratios**

NPL figures in Hungary were slightly deteriorating in the corporate segment, while improved in the retail segment over the past six months, according to the Survey.

Looking ahead, however, banks expect a dramatic deterioration in the rate of non-performing loans. This expected deterioration is possibly linked to the eventual phasing out of the various COVID-19 emergency support measures targeting the different types of borrowers.

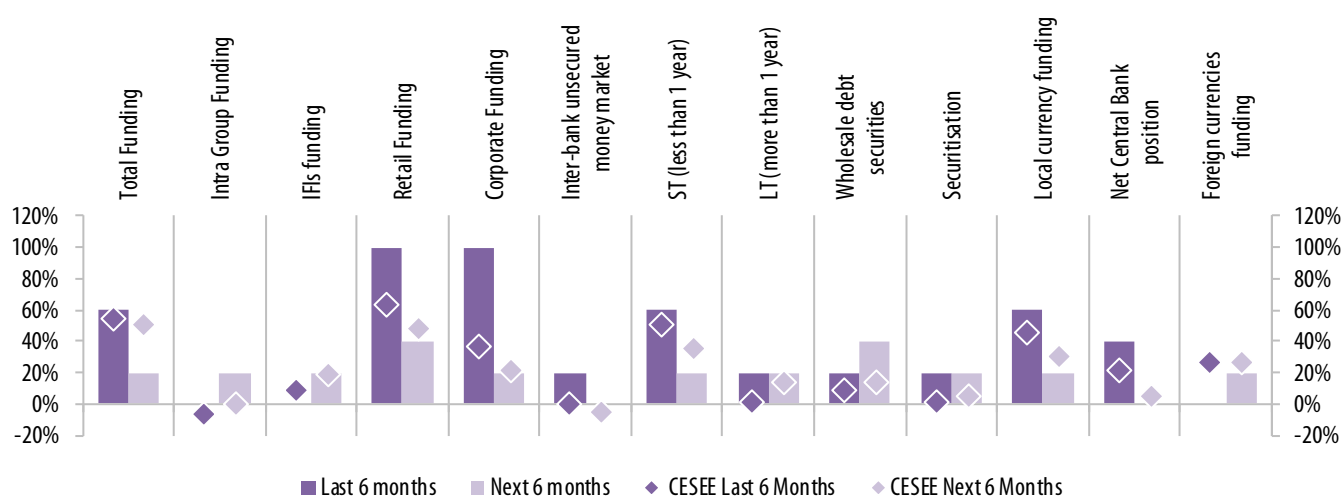


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

In line with developments in the rest of the CESEE region, overall access to funding for Hungarian banks has improved over the last months. The strongest contributor is the domestic side: both corporate and retail deposits (with short maturity) had a strong positive influence. These improvements are broadly in line with the CESEE developments.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

**COVID19 Special Module**

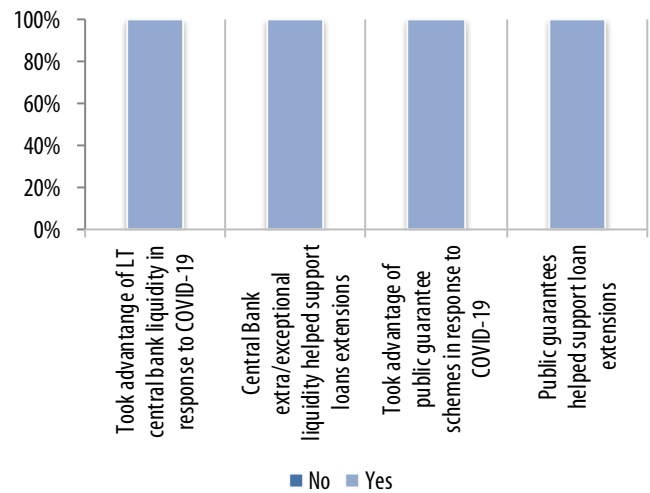
**Regulatory and policy measures supporting lending**

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

Looking at the impact of the various regulatory measures, Hungarian banks believe that the most helpful steps to support lending during the pandemic include the temporary capital relief measures.

**Figure 12**

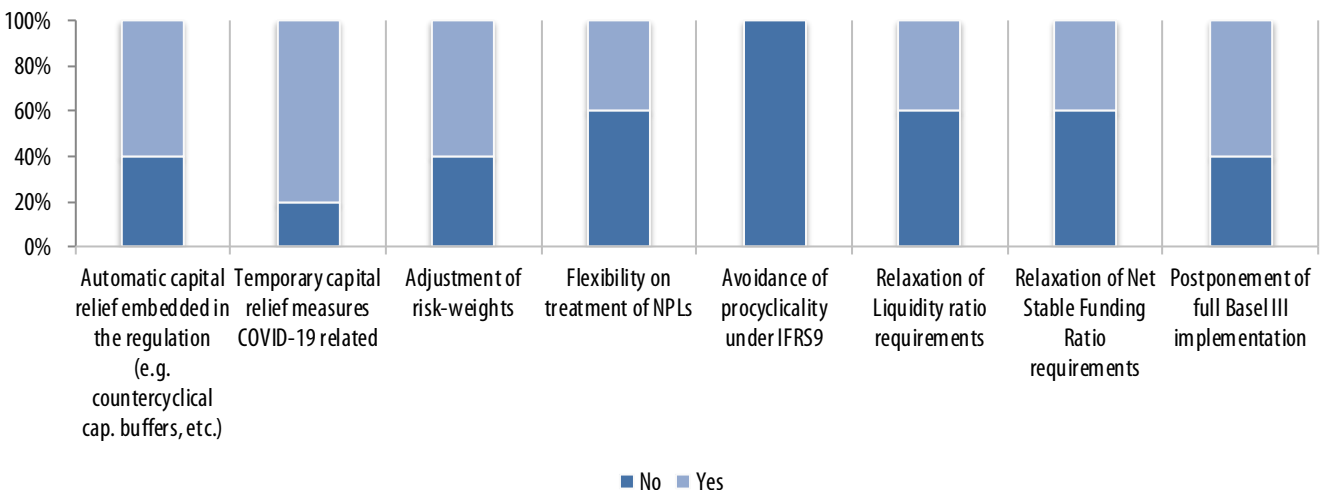
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

**Figure 13**

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

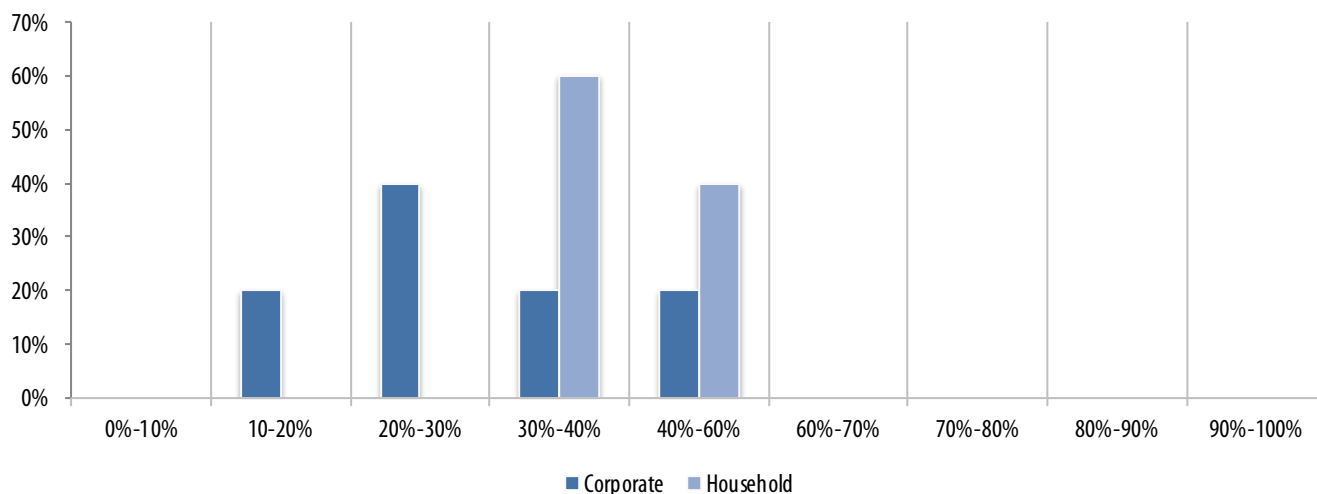


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affected between 20% and 60% of the bank’s corporate clients in Hungary. The incidence is higher in the household segment, where a large part of the clients are taking advantage of the payment moratoria.

**Figure 14** Percentage of your corporate/household portfolio/clients’ loans

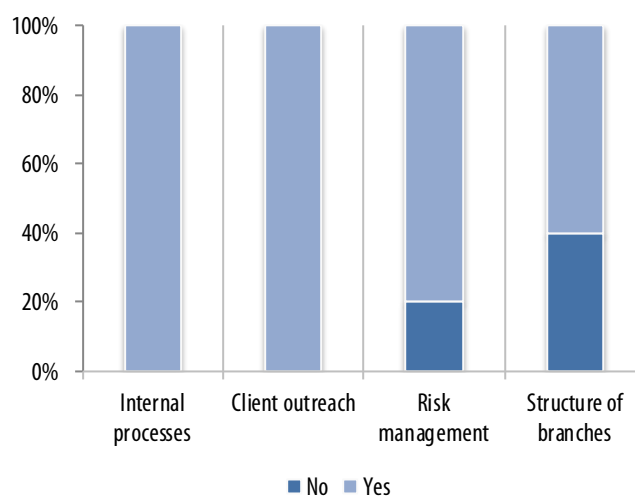


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

According to the survey, the COVID-19 pandemic pushed Hungarian banks assigning stronger priorities towards digitalisation. All banks are increasing digitalisation efforts in the areas of internal processes and client outreach. In addition, many banks also pursue faster digitalisation in the structure of branches and risk management.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Kosovo

**Banks signal stronger demand and supply conditions in Kosovo, both above the CESEE region averages. The profitability remains robust and market positioning optimal, but with low potential. Access to funding also seems to have been improving, but NPL ratios are likely to increase.**

## Summary

**Group assessment of positioning and market potential:** the profitability of local banks in Kosovo remains robust and above the overall group levels. All parent banks consider their market positioning as being optimal, while uniformly assessing the market potential as being low at the same time.

**Credit demand** improved substantially over the past six months in Kosovo, much more than in the CESEE aggregate. The same also holds for **credit supply**, where conditions softened more strongly than in the region.

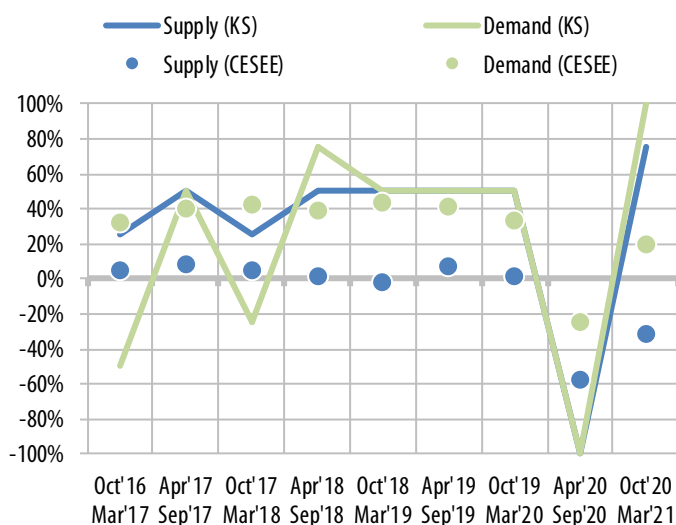
**Credit supply** conditions enhanced across all major segments during the last six months, including for SMEs. Banks in Kosovo also expect further easing of credit standards in the coming six months, outpacing the CESEE region.

**Demand for loans** also increased considerably across all major segments of loans, mostly above regional averages. Banks preserved positive outlook also for the next six months.

**Access to funding** improved during the last six months, but was again rather diverse across segments. Retail funding, particularly in the short term segment, was improving, while the inter-bank unsecured money market and, more generally, longer term funding, were more restrained in this respect. Positive outlook is expected also for the coming six months.

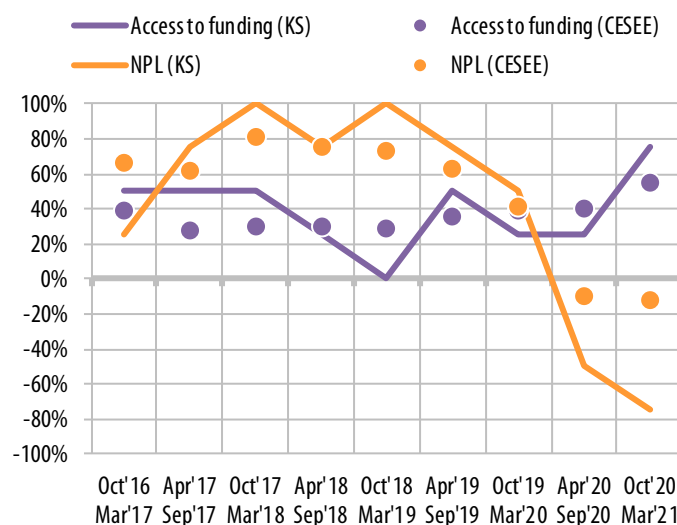
**NPL increase** seem to have been stronger in Kosovo than in the CESEE aggregate during the last six months. NPL ratios increased for both corporate and retail loans. According to banks, NPLs are likely to increase further in the coming six months.

The **COVID-19 module** suggest strong utilization of related policy measures by banks. Consistent with the results of the previous survey, a number of banks speeded up their digitalization processes.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



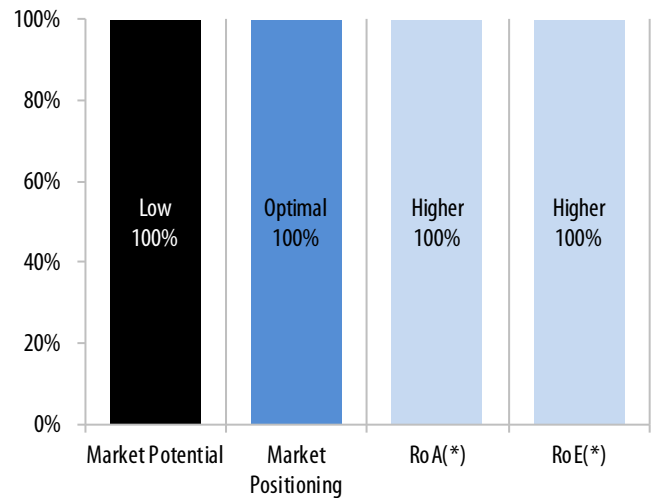
Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

The profitability of local banks in Kosovo remains very high and above levels observed in other CESEE countries. While all parent banks see their current market positioning as optimal, they also assess the market potential as low.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

## Results of the Bank Lending Survey - local banks/subsidiaries level

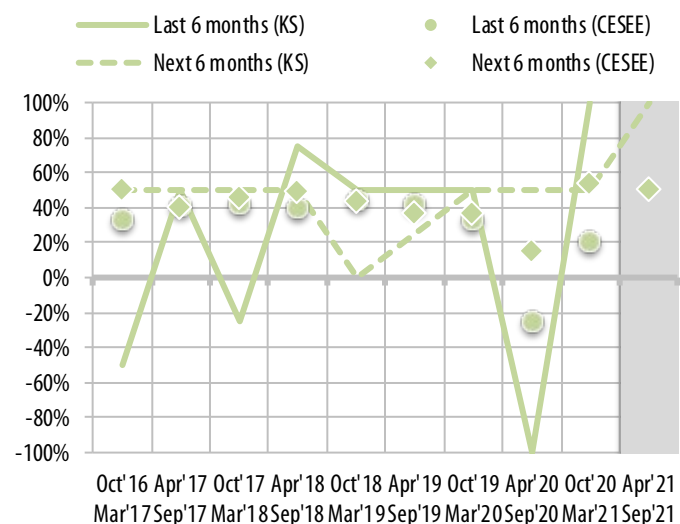
### Aggregate demand developments

Following the pandemic, credit demand improved substantially over the past six months in Kosovo, above the CESEE aggregate.

Following a contraction of about 6% in 2020, the Kosovar economy is projected to expand by 4.5% in 2021 according to the April 2021 WEO forecast. Such a recovery underpins favourable demand side conditions, as consumers are likely to demand more loans as their incomes rise, while firms should gradually expand their investments, benefitting the corporate segment.

Consistent with the projected recovery, banks also signal strong loan demand in the coming six months.

**Figure 2 Demand side developments**

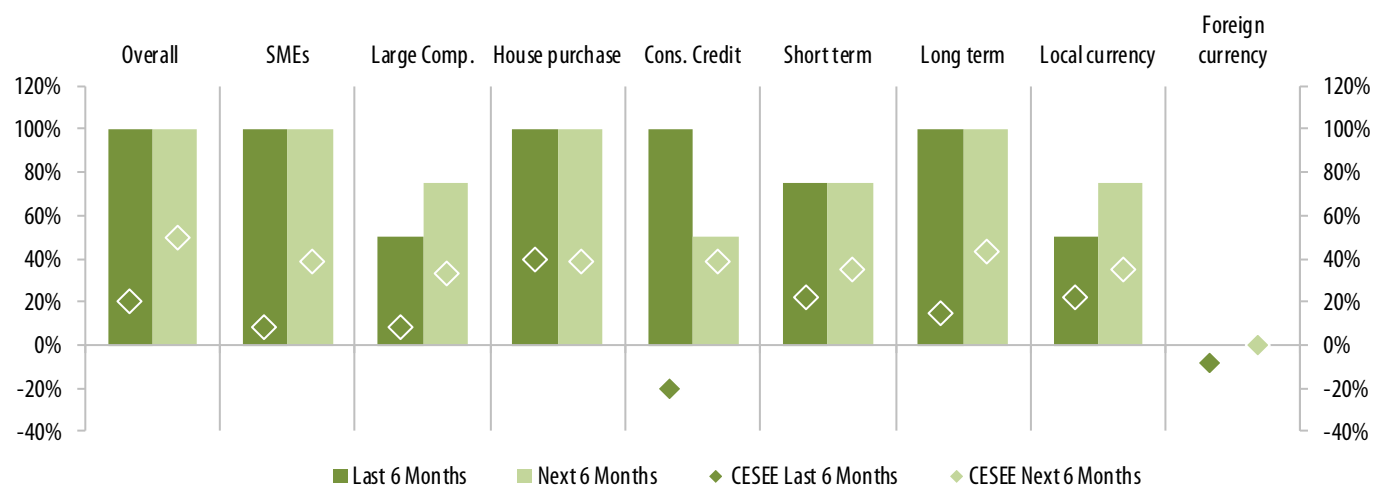


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Credit demand increased across all major segments and above the CESEE region in the last six months. Credit demand is also expected to increase further in the coming six months, remaining above the CESEE average across all segments.

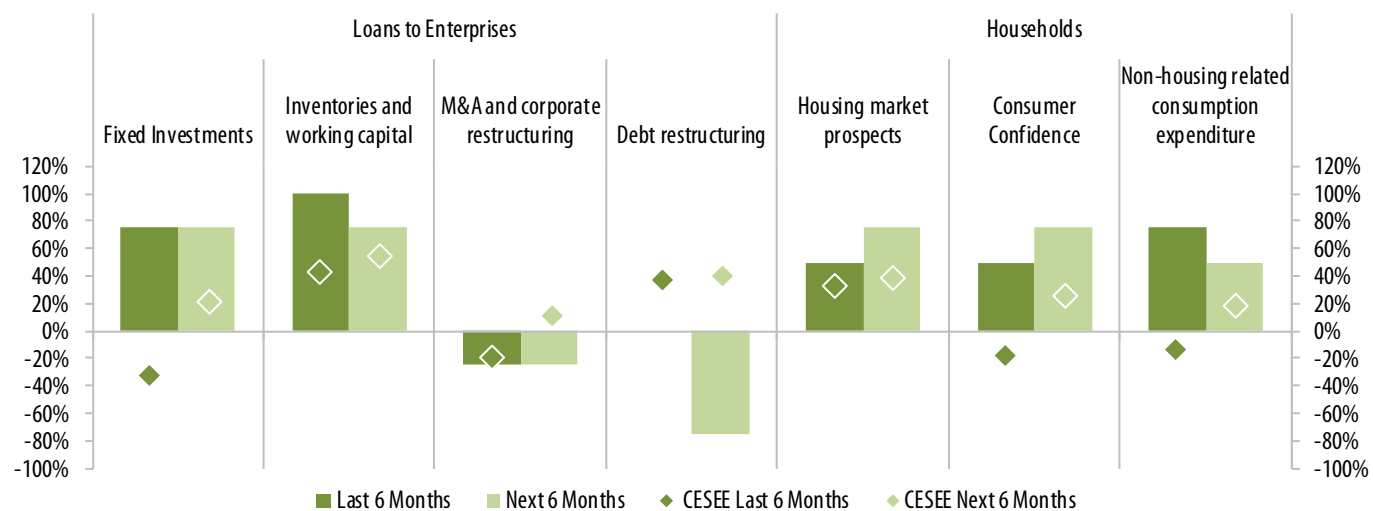


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Looking at the factors affecting demand for loans, inventories and working capital, as well as loans for fixed investments, were the major factors contributing to demand on the corporate side. On the households side, demand was supported by all factors. For the coming six months, debt restructuring is likely to contribute negatively to demand on the corporate side, while the underlying momentum is expected to remain supportive across all factors on the household side.

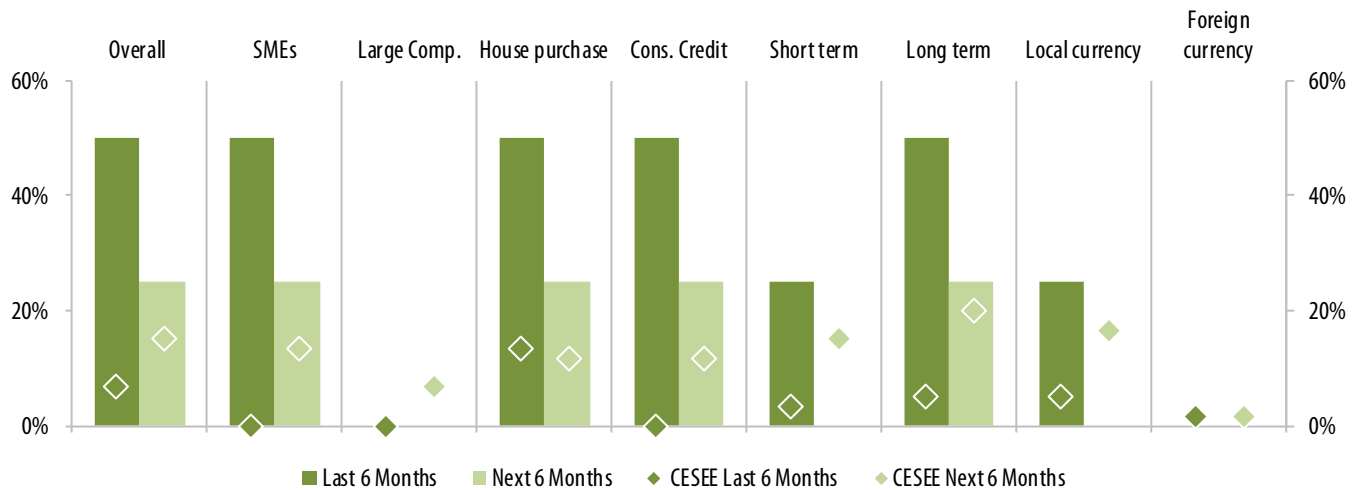


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

### Figure 5 Quality of loan applications

The overall quality of loan applications increased in Kosovo during the last six months and is likely to improve further in the coming six months. The overall quality of loan applications improved markedly in the SMEs, household purchases and consumer credit segments, while it was more balanced among larger corporations. It also follows from the survey that the quality improved more strongly for the longer maturities. Also the outlook remains more optimistic than in the region across all segments, with the exception of large corporates, across shorter maturities and as regards the local currency segment.



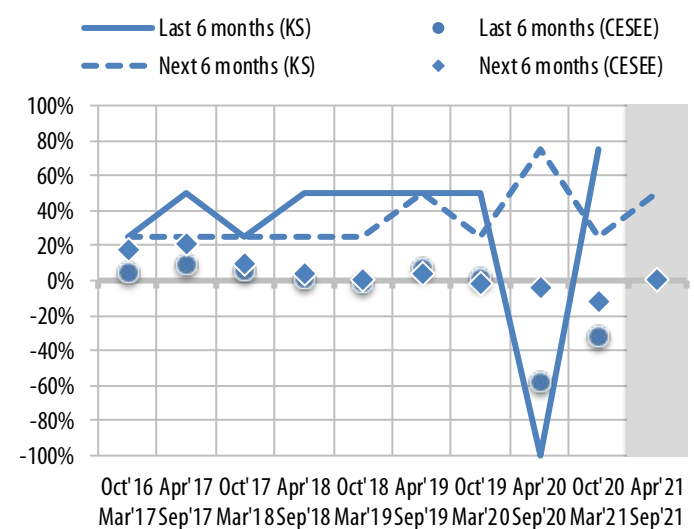
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

### Aggregate supply developments

Just like credit demand conditions, credit supply improved substantially over the last six months. The net easing of credit standards was again stronger than in the CESEE aggregate. This trend is likely to persist in the coming six months.

Figure 6 Supply developments



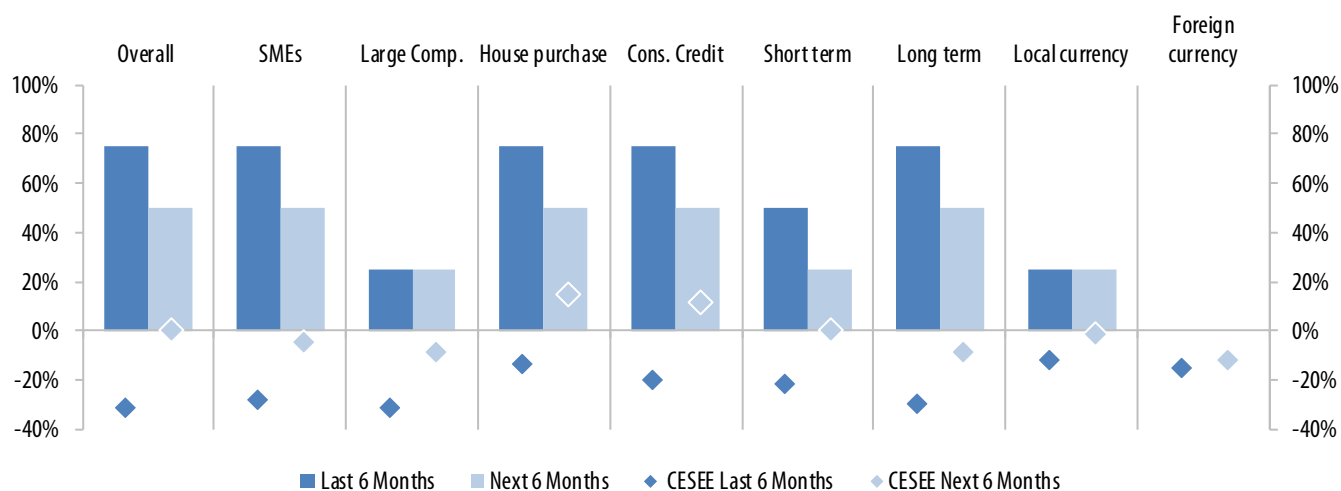
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.



### Figure 7 Supply components and segments

Supply conditions improved substantially in the past six months across a number of categories, consistently above the CESEE average. Similar to the demand side, softening of credit standards was strong for SMEs, household purchases and consumer credit and, to a lesser extent, also for large corporates. Supply conditions seem to have improved more strongly on the long term loans. Banks expect a similar pattern also in the coming six months.

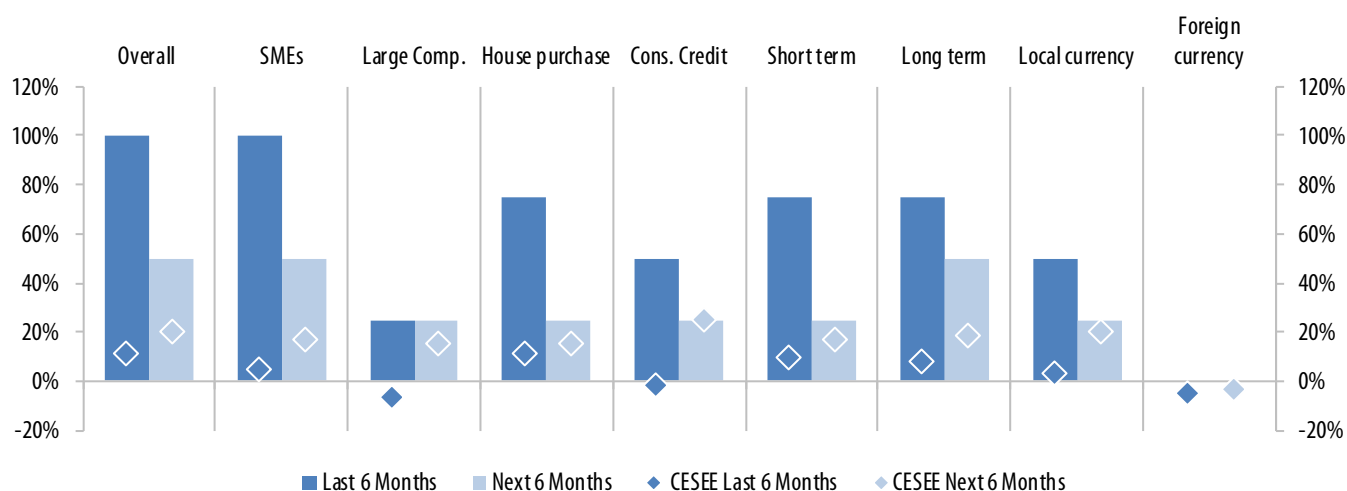


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

### Figure 8 Credit supply: banks’ (local subsidiaries’) approval rate for loan applications

During the last six months, the overall banks’ approval rate for loan applications in Kosovo improved considerably, mainly above the CESEE aggregate. Again, the approval rates were stronger for SMEs, household purchases and consumer credit, while they increased less for large corporations. A similar, but less pronounced pattern, is expected also for the coming six months.

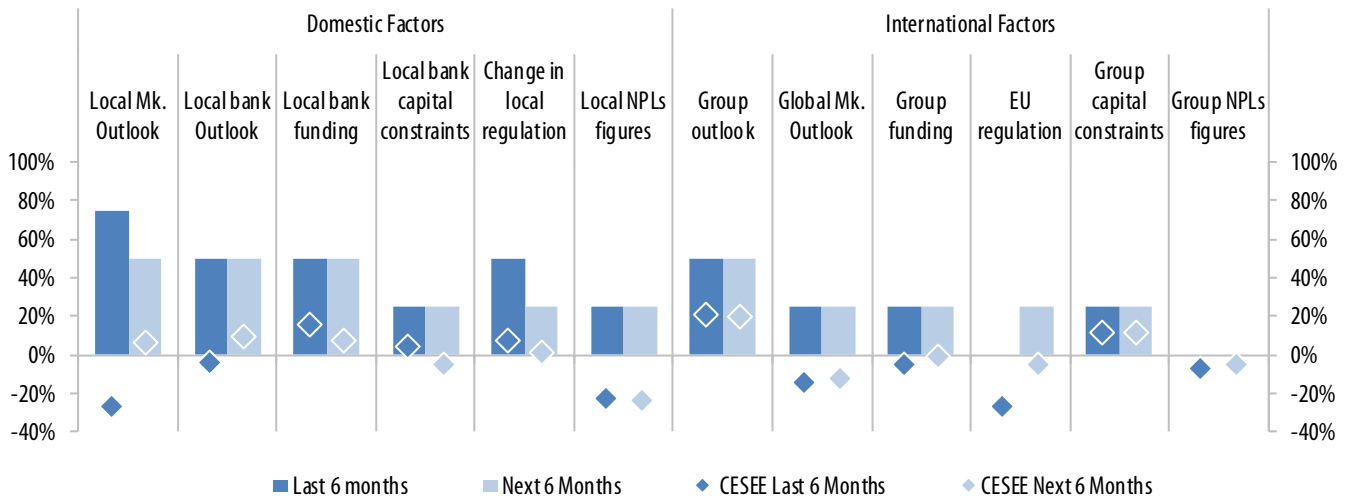


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

All domestic factors, and a large majority of international factors supported supply-side conditions in the past six months. Local market outlook was the strongest factor among the domestic factors, while group outlook was the most supportive among the international ones. As a matter of fact, EU regulation and group NPL figures were the only neutral factors in the last six months. Looking ahead, a large majority of factors will continue to support supply conditions in the coming six months. While local NPLs are still likely to impact negatively supply conditions in the region, banks believe that this will not be the case in Kosovo.



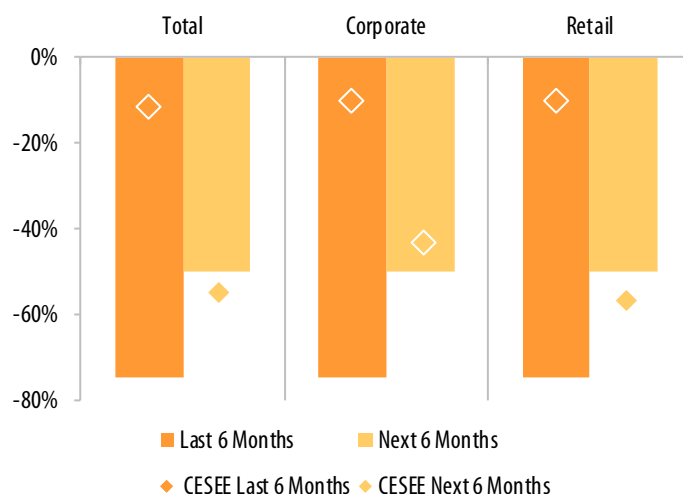
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

According to banks, the NPLs ratio increase was much stronger in Kosovo than in the CESEE aggregate during the last six months. NPL ratios increased strongly for both, corporate and retail loans. NPLs are likely to increase further in the coming six months in Kosovo, at a similar pace as in the region.

In the context of the pandemic, the Central Bank of Kosovo extended its loan restructuring program to March 31, 2021 (IMF policy response tracker) and signalled it stands ready to provide further support if needed (CBK, March 2021) – see also the COVID-19 module.

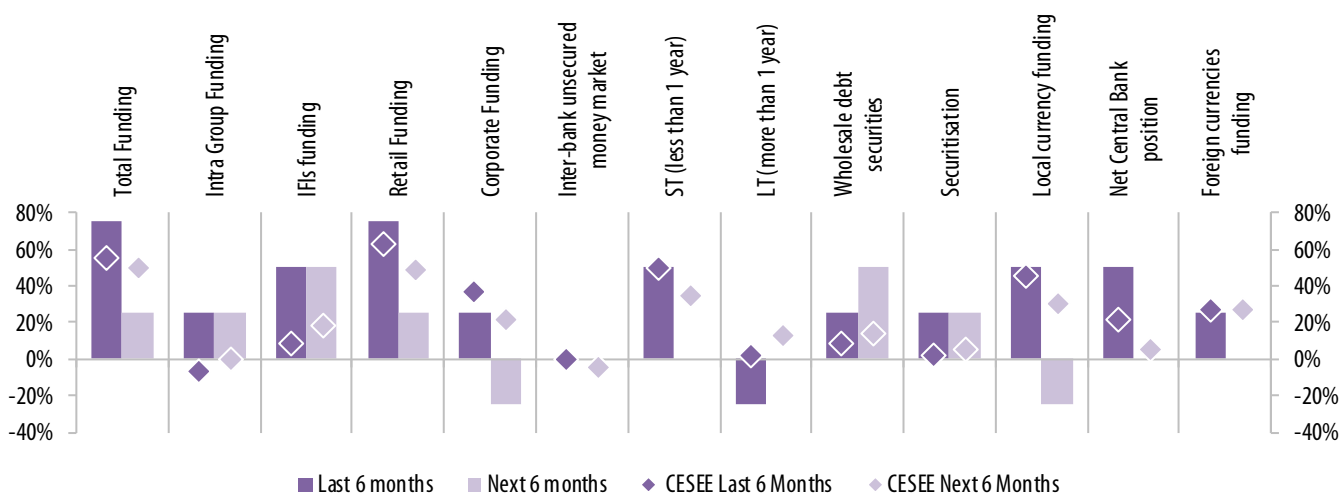


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Similar as in the previous survey, access to total funding for banks in Kosovo improved during the last six months, but was very diverse across categories. Retail funding, particularly in the short term segment, was again enhancing overall funding, while the inter-bank unsecured money market and, more generally, longer term funding, were more restrained in this respect. While being more optimistic about access to funding in the recent past, banks in Kosovo are slightly more cautious about the future when compared with the region. In particular, corporate funding and local currency funding are likely to contribute negatively to overall access to finding in the coming six months.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

## COVID19 Special Module

### Regulatory and policy measures supporting lending

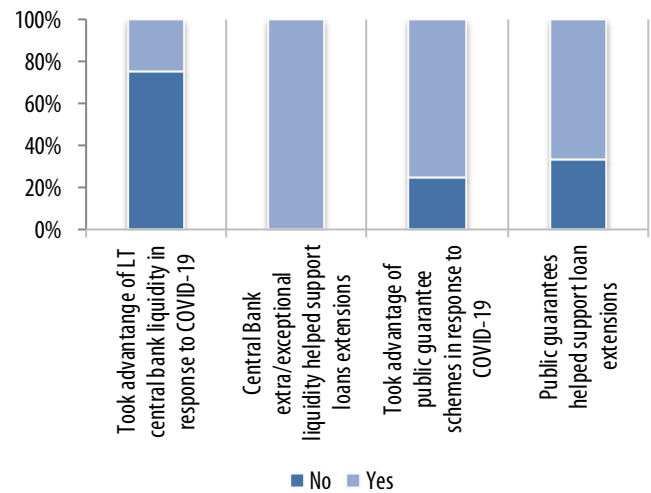
In response to the pandemic, authorities took a number of measures to alleviate pressure on economic agents.

For example, the CBK and the Kosovo Banking Association allowed banks to suspend temporarily payments of loan instalments, a measure that ended in June 2020. The CBK also allowed loan restructuring for up to one year and the process of application was until end of September. In February 2021, the CBK further extended the loan restructuring program to March 31, 2021, which will allow loans that were previously not restructured due to the pandemic to extend the maturity by 9 months (see also the IMF COVID-19 policy tracker for more information).

A number of fiscal measures were also undertaken, some of them in a form of loans and guarantees for affected businesses and households. These measures seem to have been utilized by a number of banks (Figures 12 and 13).

Figure 12

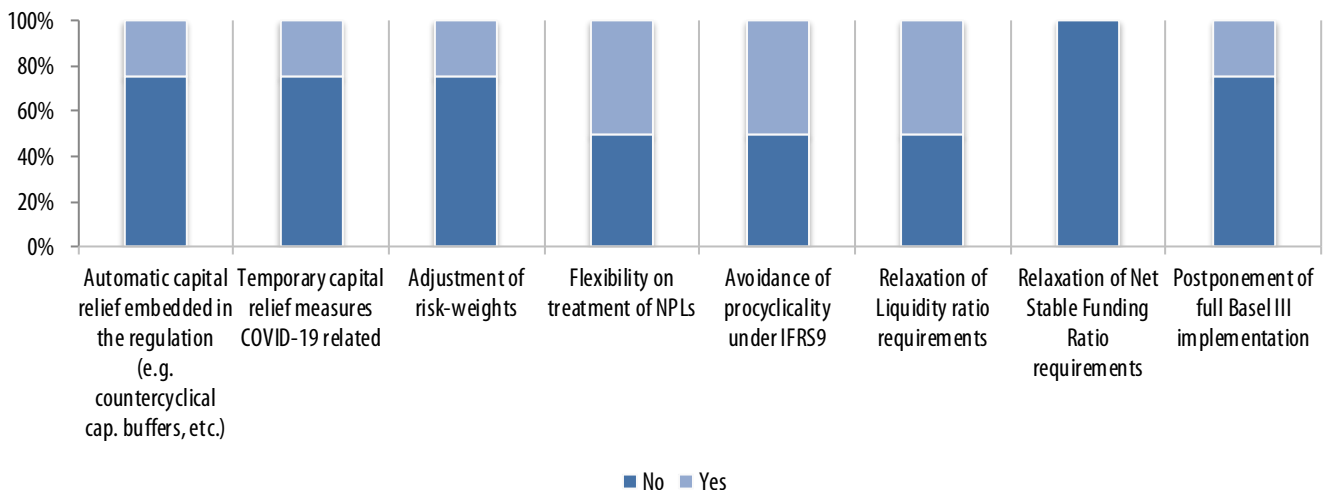
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

Figure 13

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

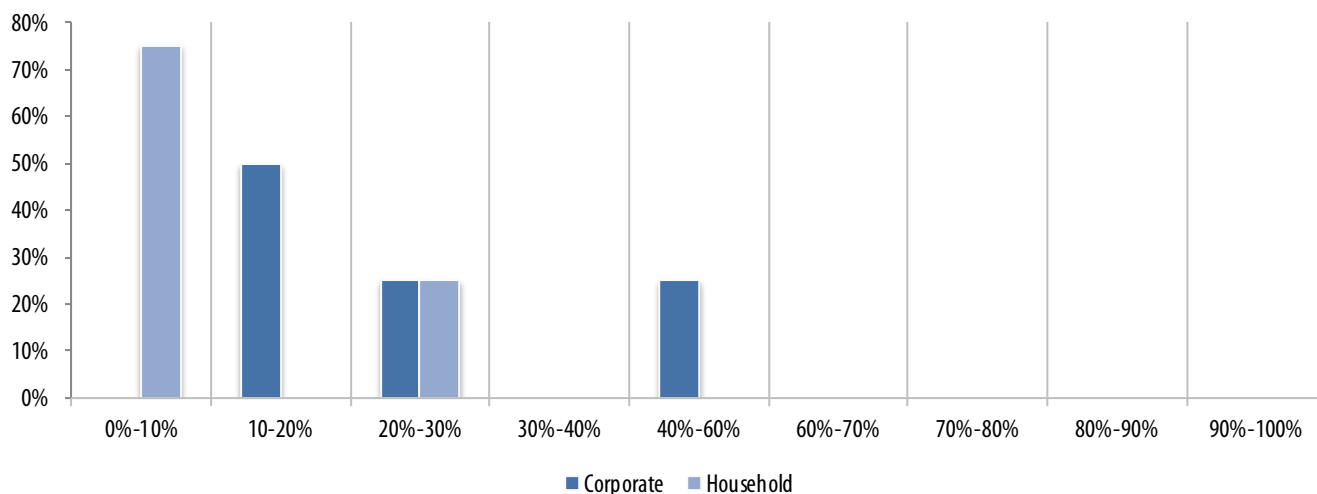


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

The pandemic-related measure on moratoria (see also above) was utilized by banks in both segments, corporate and household. For the latter, a vast majority of banks suggested between a 0% to 10% coverage of their portfolios, while for corporates these shares seems to be higher (Figure 14).

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

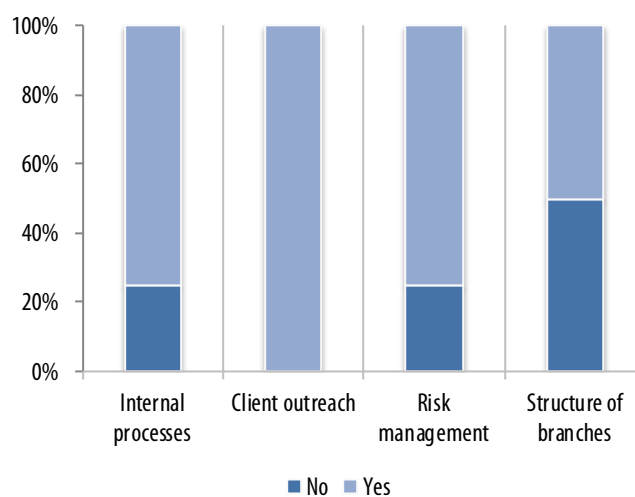


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

In response to the pandemic, a number of banks adjusted risk management practices, digitalized internal processes or client outreach. Some of the banks even changed the structure of their branches (Figure 15) as digitalization processes advanced.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# North Macedonia

**Contrary to the CESEE average, loan demand in North Macedonia compressed again in the past six months, while tightening of credit standards was broadly in line with the region. Loan approval rates remained largely unchanged. Banks utilized policy measures, but still signalled an increase in NPLs.**

## Summary

**Group assessment of positioning and market potential:** confirming the previous survey, the parent banking groups regarded their current market positioning as either satisfactory (50%) or optimal (50%). Similarly, they saw the market potential as either medium (50%) or high (50%). Profitability profile also remained unchanged, with most banks seeing ROE and ROE as equal (50%) or higher (50%) compared to the overall group profitability.

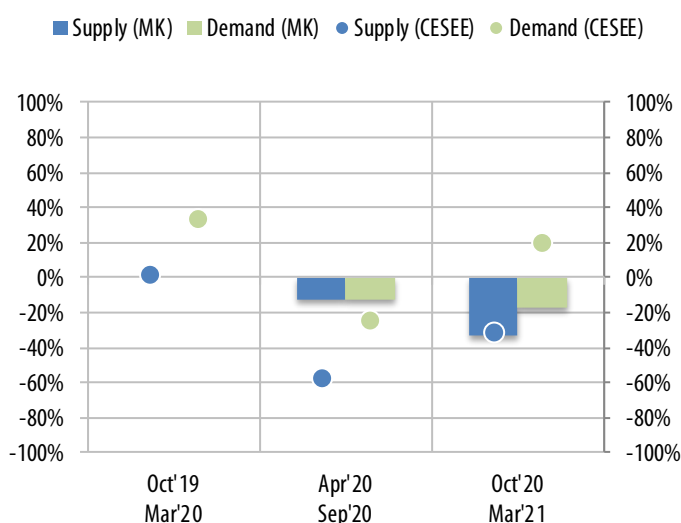
Contrary to the CESEE average, **credit demand** in North Macedonia continued to decline in the past six months. The quality of loan applications also seem to have deteriorated. Looking ahead, banks expect credit demand to remain broadly unchanged in the coming six months, while banks in the region expect it to increase substantially.

**Credit supply conditions** tightened in the last six months, similarly than in the CESEE region and are, contrary to the region, expected to tighten further in the coming six months. Banks' overall loan approval rate remained broadly unchanged.

**Access to funding** improved during the last six months, with some divergence within the subgroups. Access to retail and corporate deposits improved again significantly in the last six months. Looking ahead, funding is expected to improve further in the coming six months, driven by very similar components.

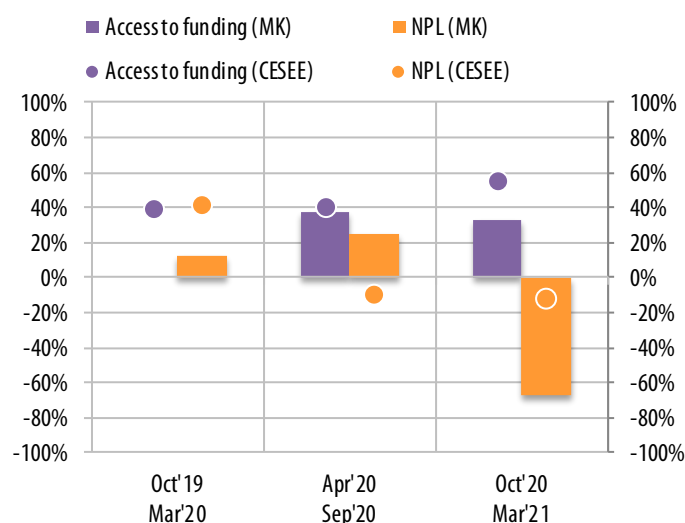
**The NPL ratios** deteriorated substantially and more strongly than in the CESEE aggregate in the past six months. The increase in NPL ratio was stronger for the retail segment. Banks signal further increase in these ratios in the coming six months.

A number of measures have been taken to alleviate pressure on banks in response to the pandemic. The **COVID-19 module** shows that banks responded to these measures and accelerated their digitalization processes.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

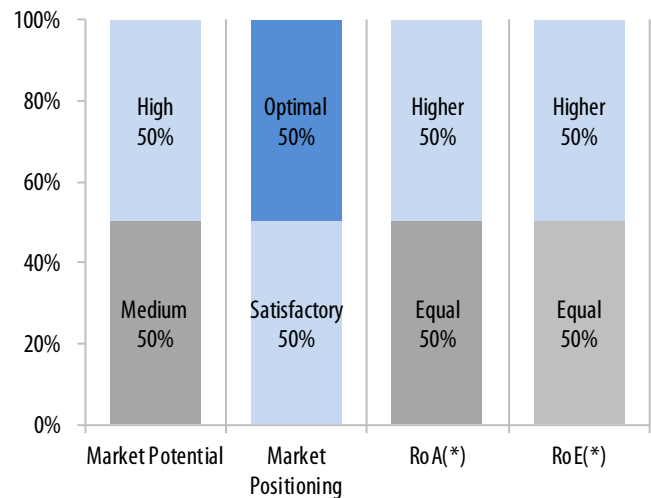
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

As in the previous survey, the parent banking groups operating in North Macedonia regarded their current market positioning as either satisfactory (50%) or optimal (50%). Similarly, parent banks saw the market potential in North Macedonia as either medium (50%) or high (50%).

Profitability profile remained unchanged compared to the previous survey with banks reporting equal (50%) or higher (50%) RoA and RoE, compared to the overall group profitability.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

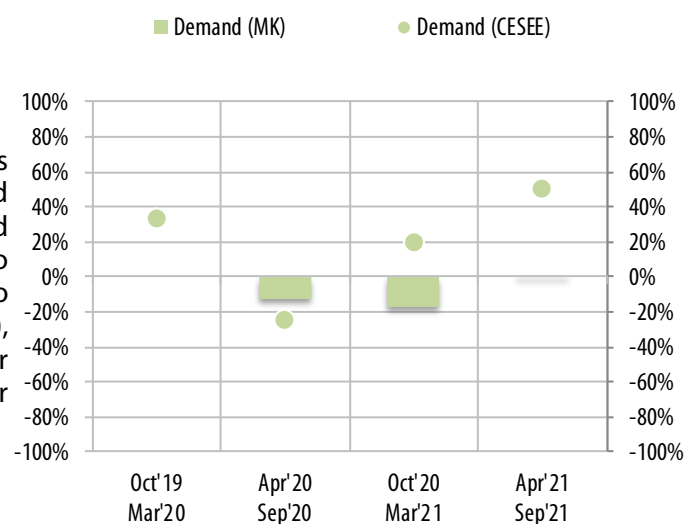
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Contrary to the CESEE average, credit demand in North Macedonia continued to decline in the past six months. Looking ahead, banks expect credit demand to remain broadly unchanged in the coming six months, while banks in the region expect it to increase substantially.

Due to the pandemic, GDP declined by 4.5% in 2020, as consumption and investment contracted. This is reflected in the survey results, where demand for corporates and consumer loans compressed. Nevertheless, owing also to the policy response (eg. direct financial assistance to firms, reduced interest rates – see the COVID-19 module), GDP is projected to recover by 3.8% in 2021 and by further 4.0% in 2022 (IMF WEO, April 2021). Therefore, demand for loans is expected to gradually recover.

**Figure 2 Demand side developments**



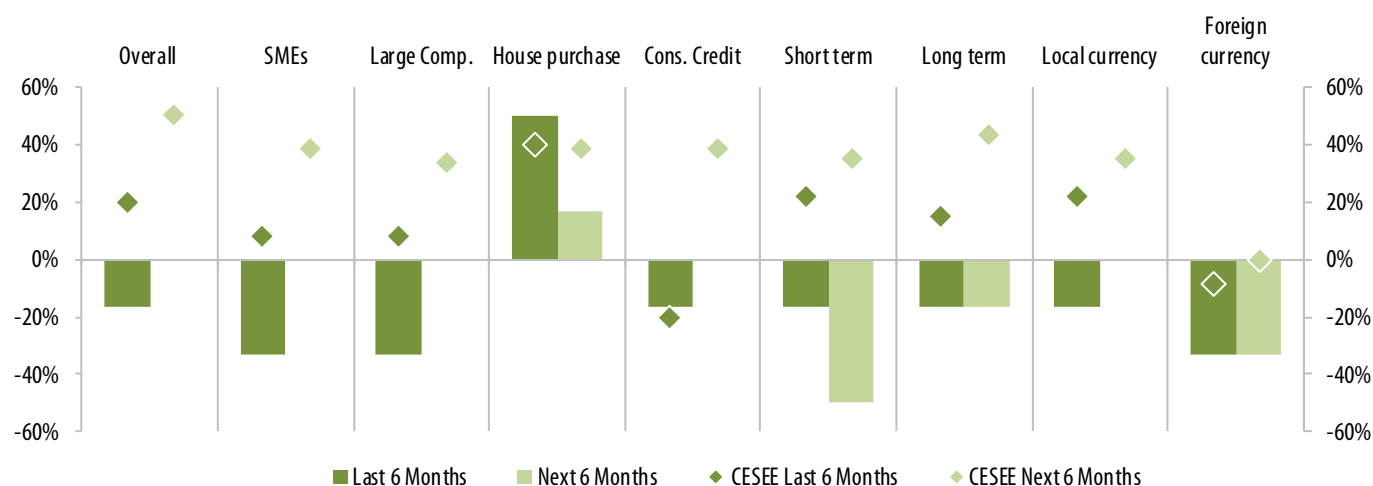
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand.



### Figure 3 Demand components and segments

Contrary to the CESEE average, credit demand was contracting over a large majority of segments in the previous six months. Demand from corporates was particularly weak, as was the demand for consumer loans. On the other hand, demand for household purchases was even stronger than in the average of CESEE. Credit demand is expected to only gradually pick up, still remaining in broadly neutral territory for corporates in the next six months.

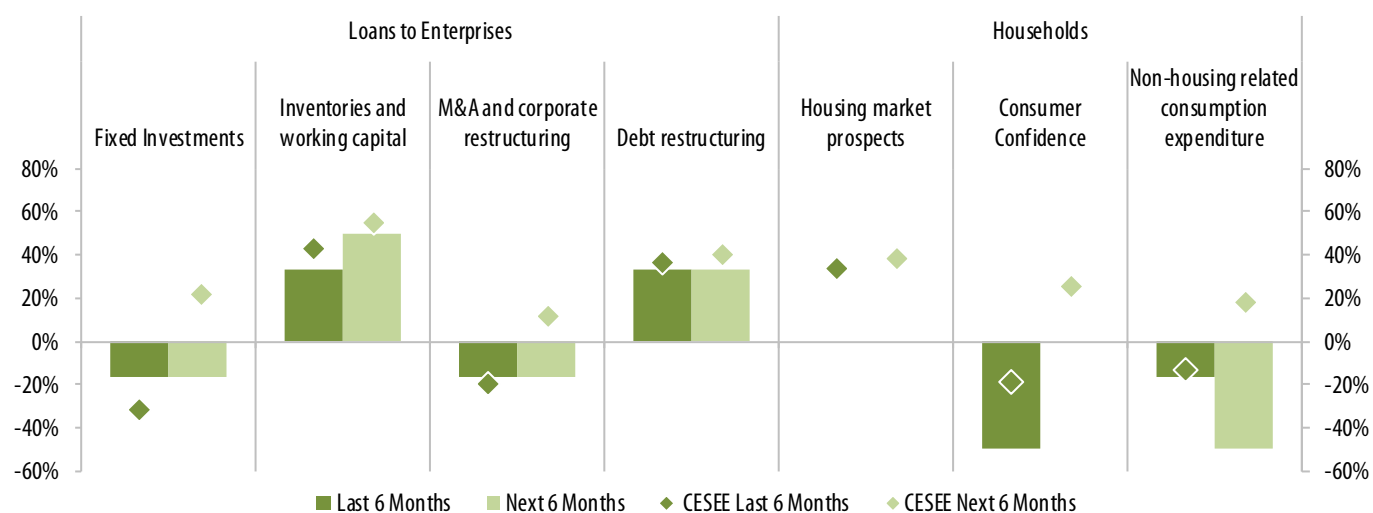


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

As in the previous survey, business investment shrank again in the last six months, as did loans for M&A and corporate restructuring. On the other hand, firms undertook measures for debt restructuring and were also in the need of loans for inventories and working capital. A very similar profile on the corporate side is expected in the following six months. On the household side, housing market prospects were rather neutral, while consumer confidence remained in the negative territory. In the coming six months, the latter is expected to improve, not restraining further demand. However, the outlook for non-housing related consumption expenditure will remain rather bleak.

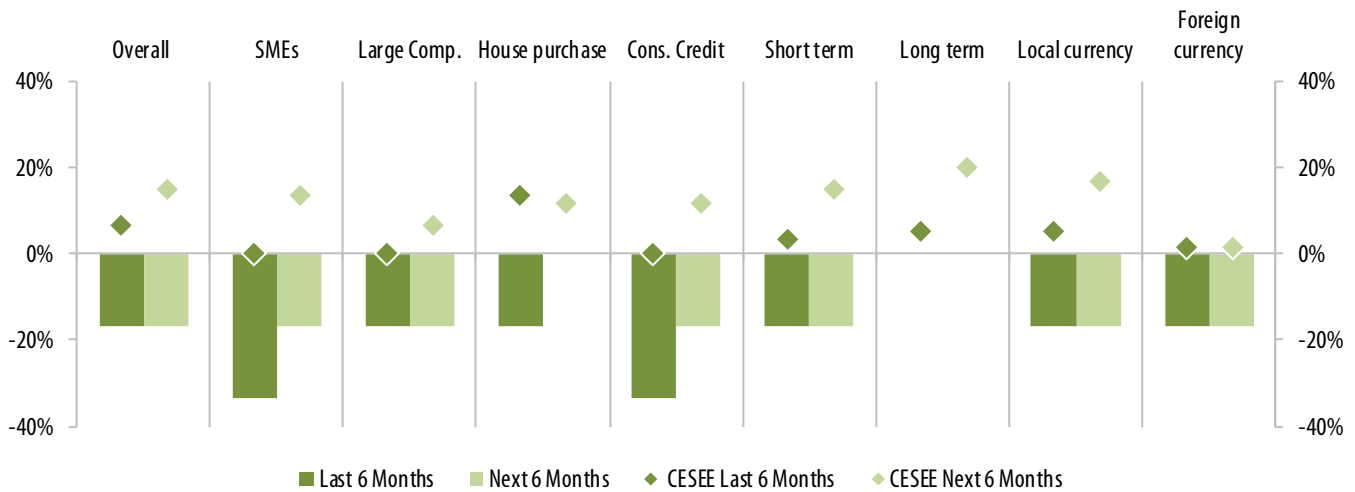


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

Contrary to the CESEE average, the overall quality of loan applications deteriorated in North Macedonia across all major segments. The quality of loan application deteriorated more substantially in the segments of SMEs and consumer credit as well as on short-term maturities. A further deterioration, with a rather similar pattern, is expected also for the coming six months.



Source: EIB – CESEE Bank Lending Survey

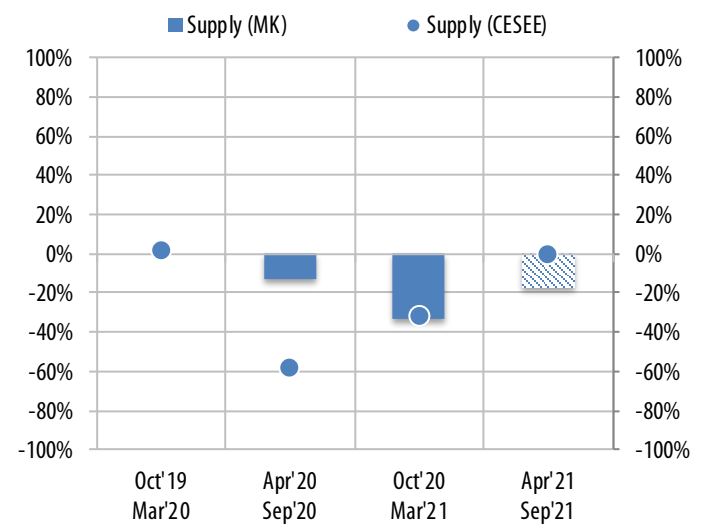
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

In line with the CESEE average, credit standards in North Macedonia again tightened in the last six months.

A number of policy measures (see the COVID-19 module) probably prevented even sharper tightening of credit standards in North Macedonia. Looking ahead, banks expect credit standards to tighten somewhat in North Macedonia, while they are expected to remain broadly unchanged in the region.

**Figure 6 Supply developments**

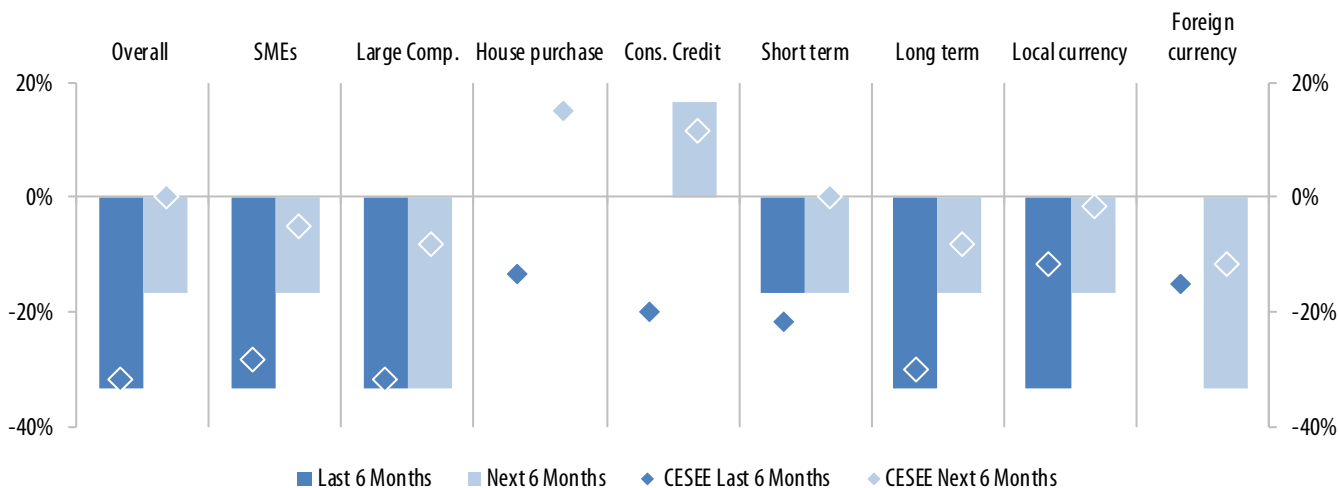


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply.

**Figure 7 Supply components and segments**

Credit standards tightened for all corporate segments and remained largely unchanged for the household and consumer segments. Longer-term maturities and local currency segments were affected more strongly. Banks expect further tightening for SMEs and corporates and not on consumer credit or mortgages. Large corporations and foreign currency loans are expected to be particularly affected, both experiencing tightening of standards above the CESEE average.

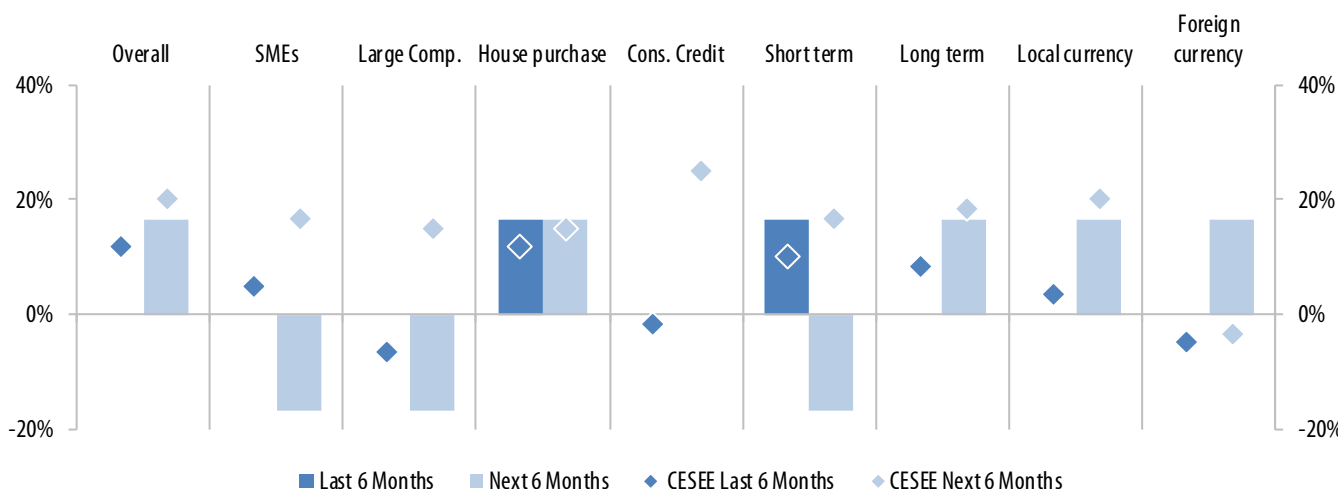


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications**

Banks' overall loan approval rates in North Macedonia were broadly unchanged in the last six months. The approval rate of loan applications increased only for house purchases. Similarly as in the region, overall approval rates for loan application are expected to increase in the coming six months, driven mostly by house purchases as they are expected to decline in the corporate segments. The increase in approval rates in the short-term segment in the past six months is likely to be substituted by the longer term segment in the coming six months.

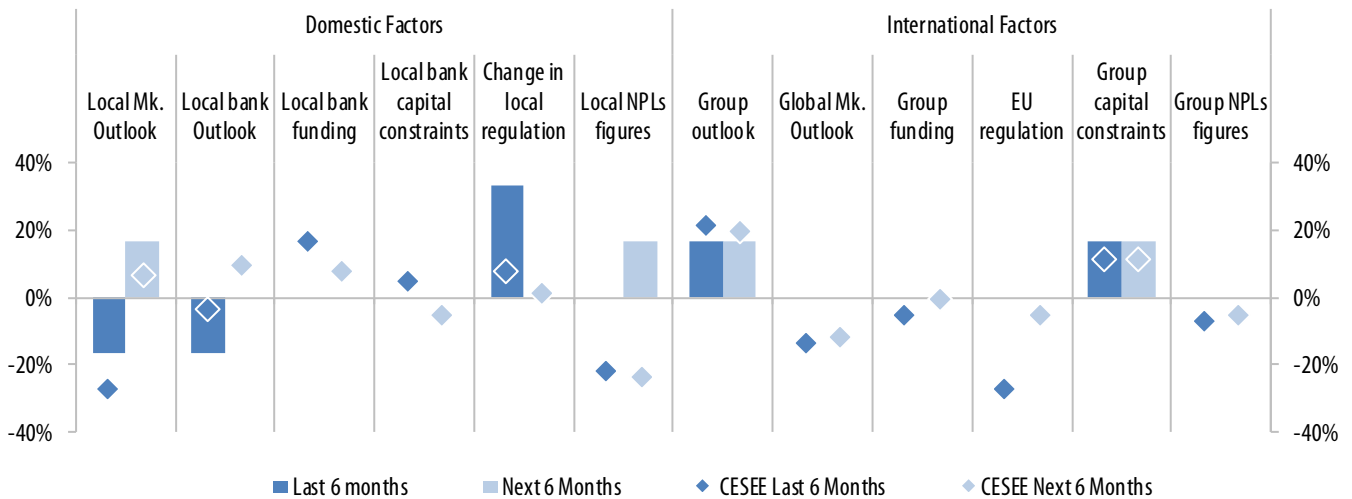


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Among domestic factors, local market and bank outlooks were the main factors contributing negatively to supply conditions in the past six months. Banks also suggest that changes in local regulation were an important softening factor. Among international factors, group outlook and group capital levels were further strengthening supply. In the coming six months, local market outlook is expected to improve, while group outlook and group capital levels will remain supportive.



Source: EIB – CESEE Bank Lending Survey.

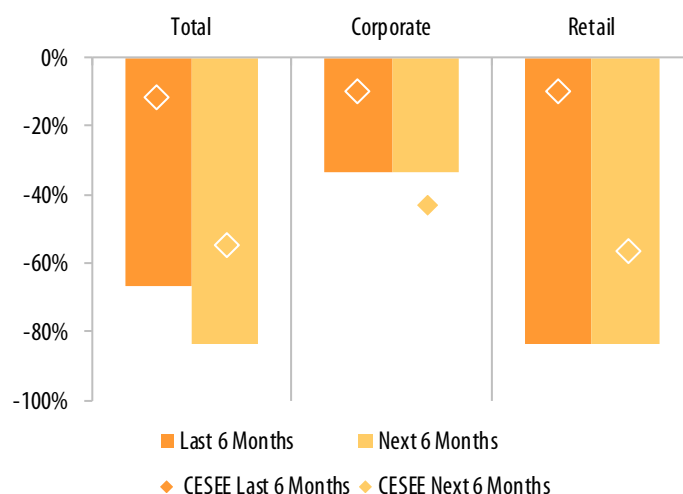
Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

Over the past six month, the total NPL ratio deteriorated substantially and more strongly than in the CESEE aggregate. The increase in NPL ratio was stronger for the retail segment.

In the context of the pandemic, the authorities implemented a broad range of measures (including relaxation of the loan classification standards for NPLs, payment deferrals etc.), which likely prevented even a sharper increase in NPLs (see also the COVID-19 module).

Banks, however, indicate a further increase in NPL ratios in the coming six months.

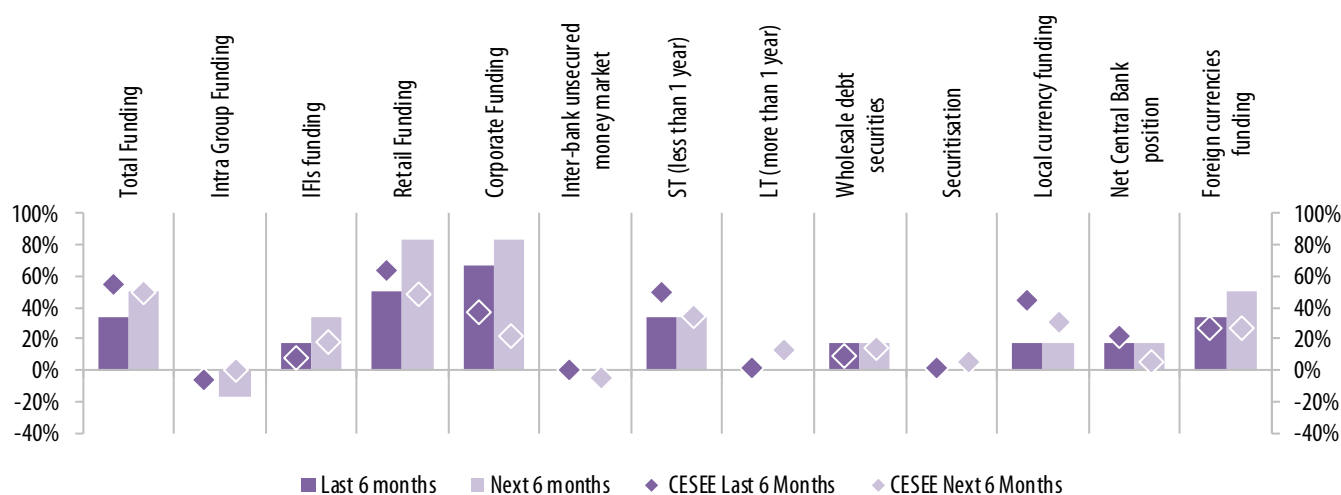


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Access to funding in the country improved during the last six months, with some divergence within the subgroups. Access to retail and corporate deposits improved again significantly in the last six months. Across maturities and currencies, short-term and foreign-currency funding was increasing more strongly. Looking ahead, funding is expected to improve further in the coming six months, driven by very similar components.



Source: EIB – CESEE Bank Lending Survey.

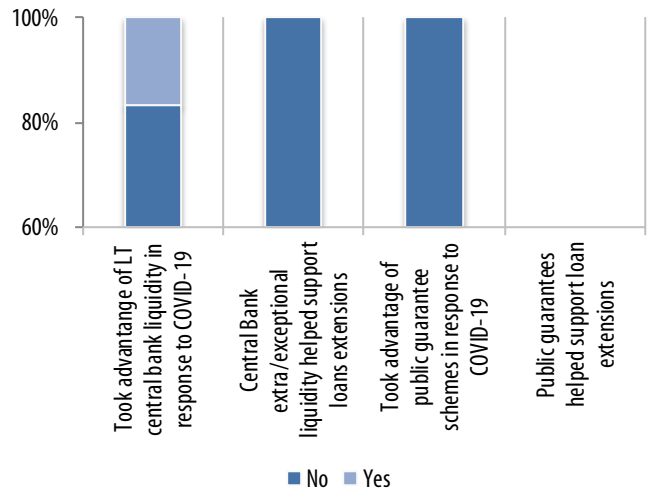
Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

**COVID19 Special Module**

**Regulatory and policy measures supporting lending**

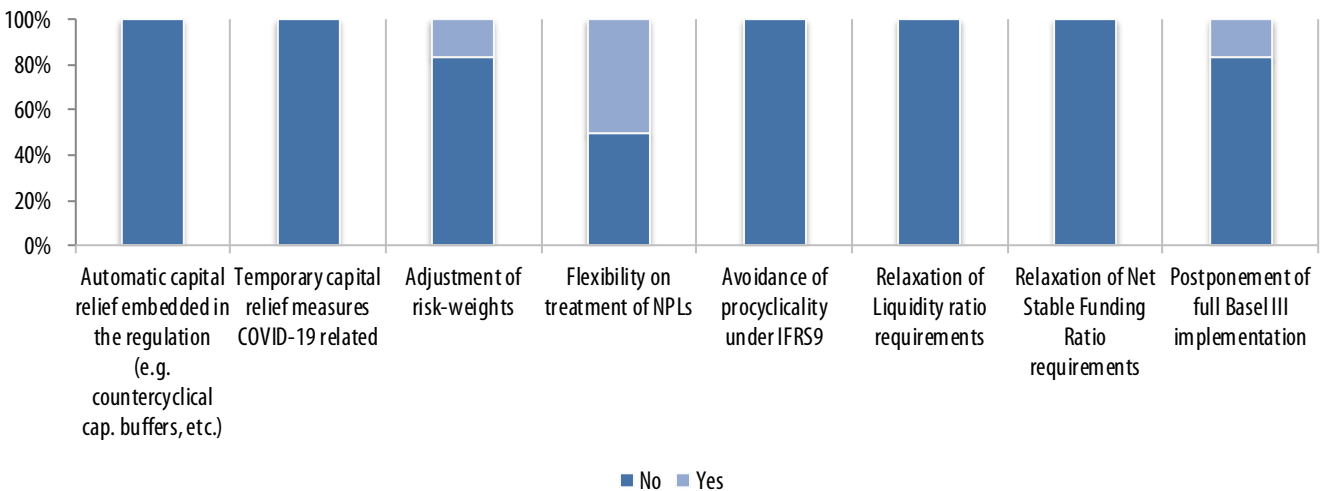
To alleviate impacts of the pandemic, a number of measures have been taken by the authorities (see also the IMF COVID-19 policy tracker for other measures). Among others, the National Bank of the Republic of North Macedonia (NBRNM) cut its policy rate by a cumulative 75 basis points to 1.25%. It also set up repo line with the ECB (open until March 2022) that will provide access to EUR liquidity of up to EUR 400m in exchange of eligible collateral. Via other instruments it also offered additional liquidity to banks and revised its credit risk regulation to encourage banks to restructure loans temporarily (extended until March 2021). In addition, it temporarily relaxed the loan classification standards for NPLs. The extension remains in place for loans to companies most affected by the pandemic. The NBRNM has also reduced reserve requirements by the amount of new loans to firms in affected sector etc. In February 2021, the NBRNM decided to temporarily restrict dividend payments by banks unless in the form of shares. The restriction is currently in force through 2021 but will be reviewed no later than September 2021. Banks seem to have utilized these measures to some extent (Figures 12 and 13).

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



Source: EIB – CESEE Bank Lending Survey.

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

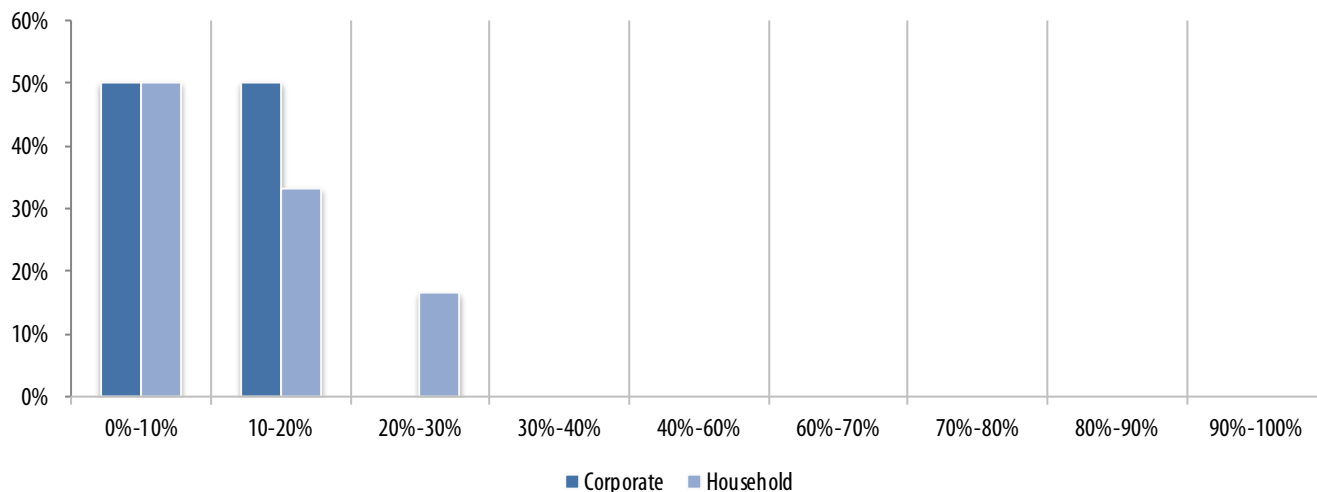


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

Among the most important measures were the loan repayment moratorium and the loan reclassification moratorium (see above). Both measures seem to have already been deployed by banks with the vast majority of banks declaring a 10% to 20% coverage of their portfolios.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

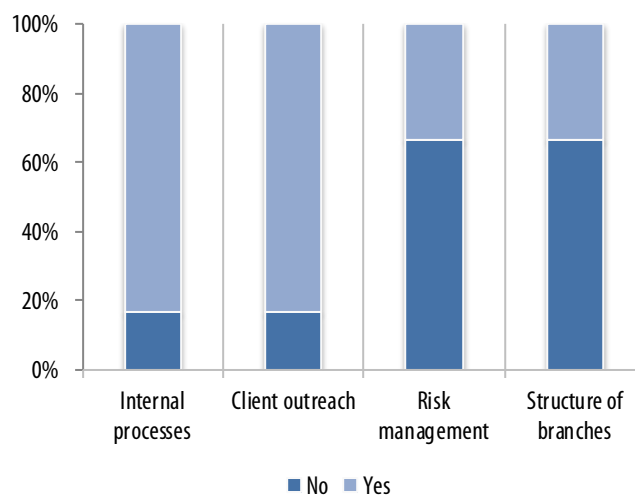


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

The digitalisation process of the banking sector in North Macedonia seem to have also advanced promptly in response to the pandemic. Almost 90% of banks speeded up their internal processes and client outreach, while about 30% of them adjusted and automated risk management practices and structure of branches.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.





# Poland

**One year into the COVID-19 shock, the Polish banking market has experienced stagnating supply conditions and severely declining credit demand. For the upcoming half-year, banks expect somewhat improving supply conditions, a recovery of demand, and a worsening of NPLs.**

## Summary

**Group assessment of positioning and market potential:** Parent banks operating in Poland show commitment towards the region, but they hold heterogeneous views on the potential of the Polish market, with views split equally between high and medium market potential. They consider their market positioning as satisfactory.

Polish banks report that **supply conditions** have stagnated and **credit demand** has deteriorated markedly since Autumn 2020.

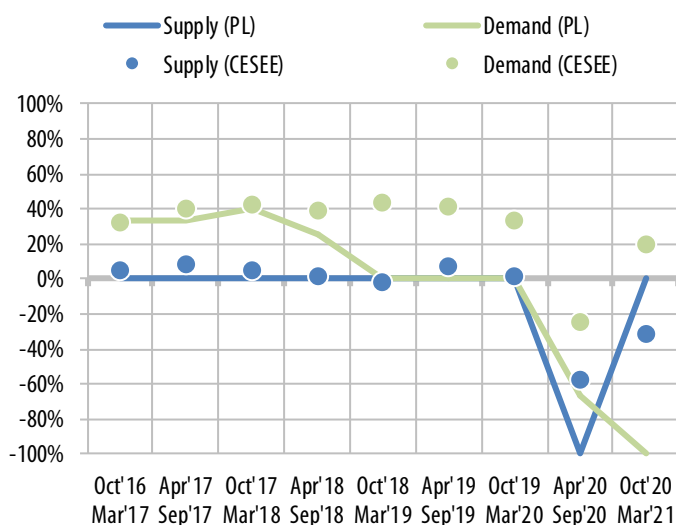
**Credit supply:** After a pronounced tightening in the first 6 months of the COVID-19 outbreak, credit supply conditions remained broadly unchanged in Poland in the last six months. Looking ahead, a slight improvement is expected.

**Credit demand:** While credit demand broadly stagnated in the CESEE region, the Polish market has been showing deceleration that was even more pronounced than the one experienced during the first six months of the COVID-19 pandemic. Looking ahead, Polish banks are expecting the credit demand to rebound.

On aggregate, Polish banks' **access to funding** has been improving slightly in the last six months.

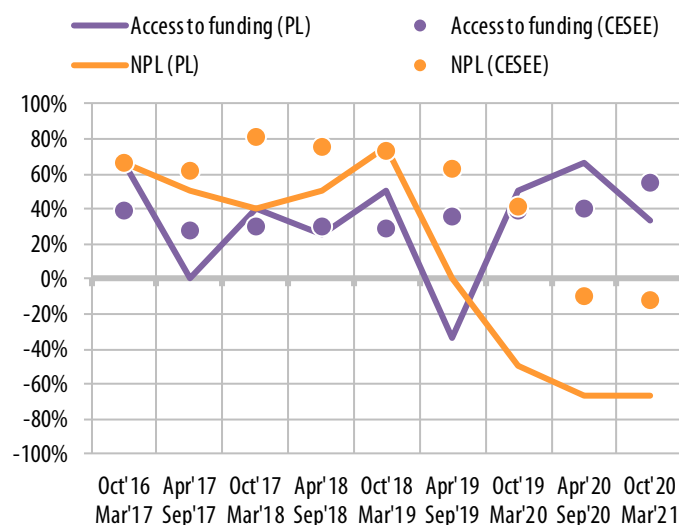
**NPLs** have been described as deteriorating in the corporate segments, and are expected to increase further in all segments in the next six months.

**COVID-19 measures:** Polish banks find that guarantee programmes, together with the automatic capital relief measures and flexible treatment of NPLs, have been the most helpful public policy measures to maintain credit during the pandemic shock. Moratoria affects only a small share of the banks' credit portfolios, and it is higher on households segment than on corporate.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

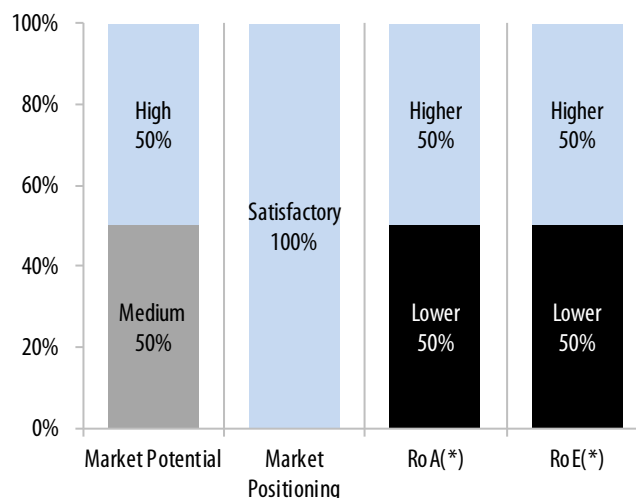
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Poland show commitment towards the region and planned to maintain their regional operations at their current level. They consider their market positioning as satisfactory.

However, parent banks have somewhat heterogeneous views on the Polish market’s strategic outlook within the CESEE region, with views split equally between high and medium market potential. Views are even more divergent about the relative profitability (measured as return on equity and return on assets) of Polish operations compared to regional peers (Figure 1).

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

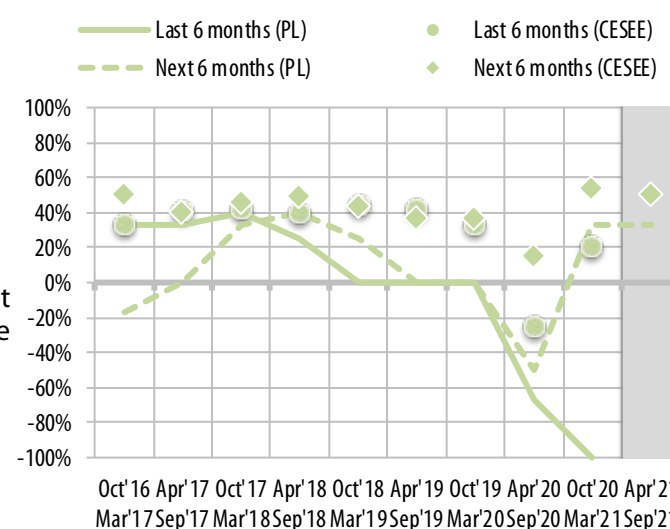
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

Credit demand in Poland declined sharply over the last six months as the effects of the COVID-19 continued to influence the economy. While credit demand broadly stagnated in the CESEE region, the Polish market has been showing deceleration that was even more pronounced than the one experienced during the first six months of the COVID-19 pandemic. The fall in credit demand was significantly worse than the banks’ own expectations formed in Autumn 2020 after the initial phase of the outbreak.

Looking ahead, Polish banks are expecting the credit demand to rebound in the next quarter, in line with the rest of the CESEE (Figure 2).

**Figure 2 Demand side developments**

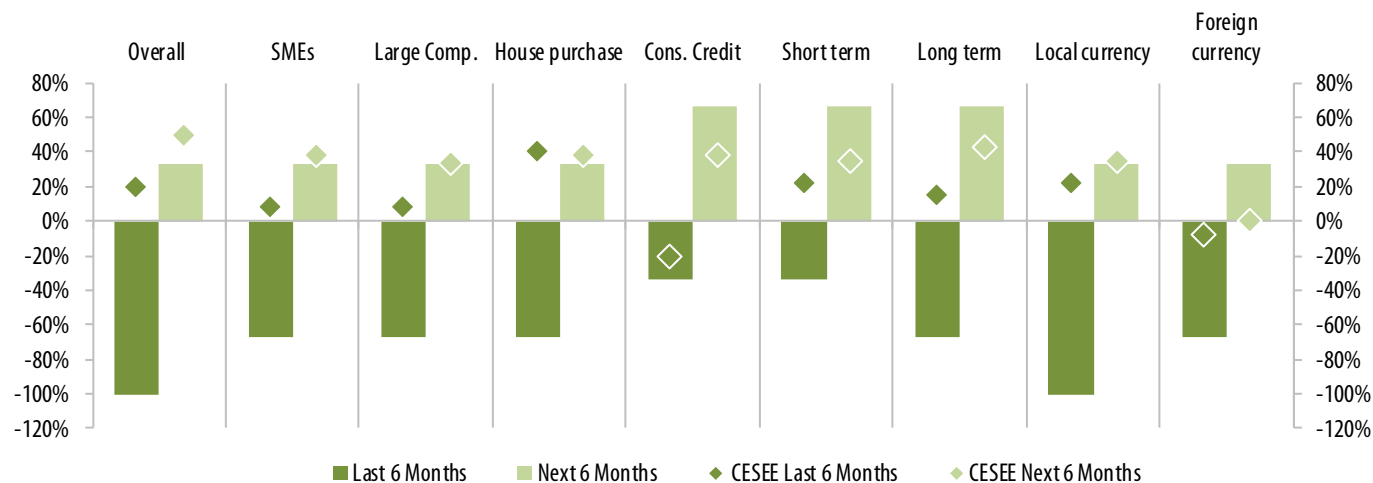


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Credit demand decelerated uniformly across all segments, and the decline well exceeds the CESEE average across the board. The fall in demand is somewhat less pronounced for the consumer credit segment than elsewhere (Figure 3). Looking ahead, banks expect a partial recovery of demand for loans in the next 6 months in all business areas.

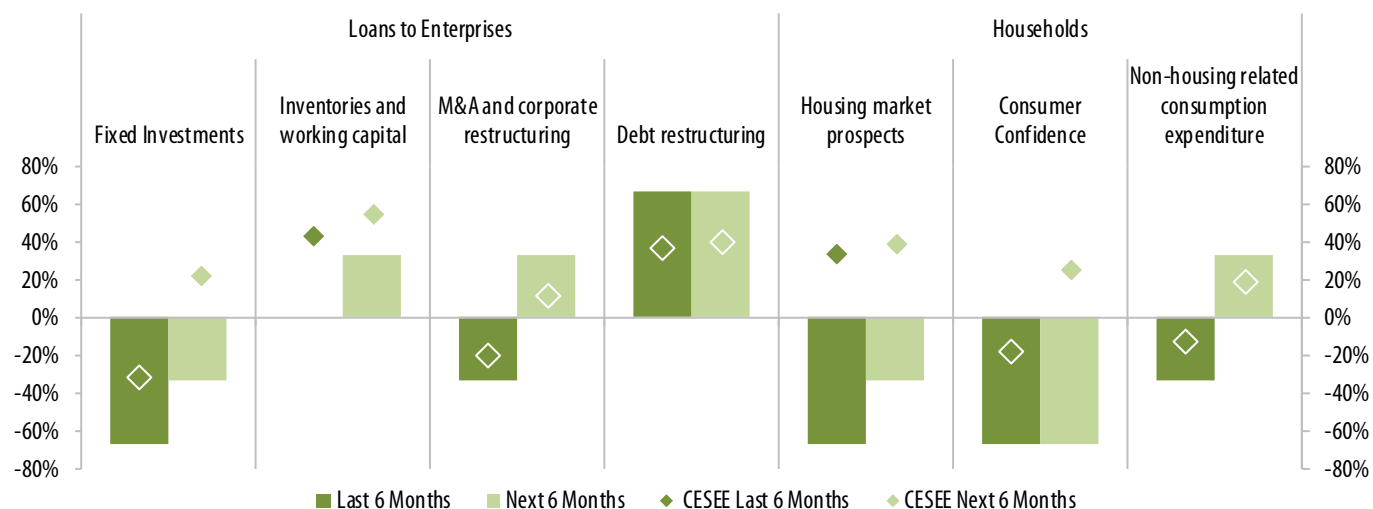


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Investment outlook, consumer confidence and housing market outlook all deteriorated in the last six months, thus moderating credit demand for households. As for the corporates, debt restructuring had a minor positive impact on demand, while working capital needs stagnated (contrary to the trend in most of CESEE countries). Looking ahead, improvement is expected on the working capital side, in M&A activity and debt restructuring, while demand for fixed investments is expected to remain subdued. The factors affecting households’ credit demand are projected to put a brake on retail borrowing in the next six months.

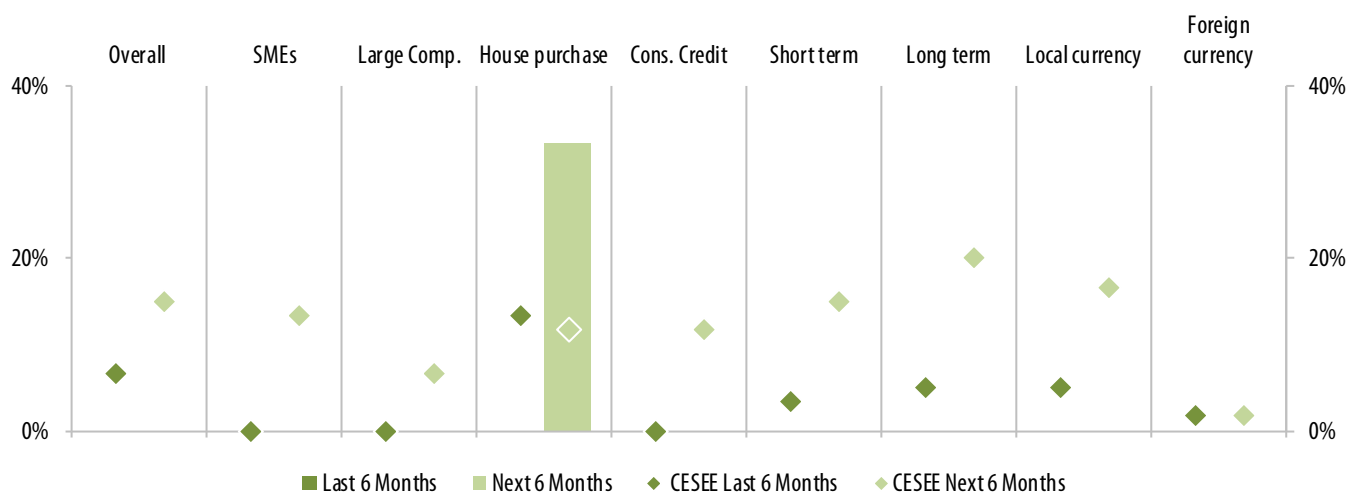


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

The quality of loan applications were stable in all segments covered by the survey, and they expected to remain at the same level in the next 6 months. The only exception is housing loans, where an improvement is projected. Elsewhere in the CESEE region, banks also reported slight improvements in the quality of loan applications (Figure 5).



Source: EIB – CESEE Bank Lending Survey

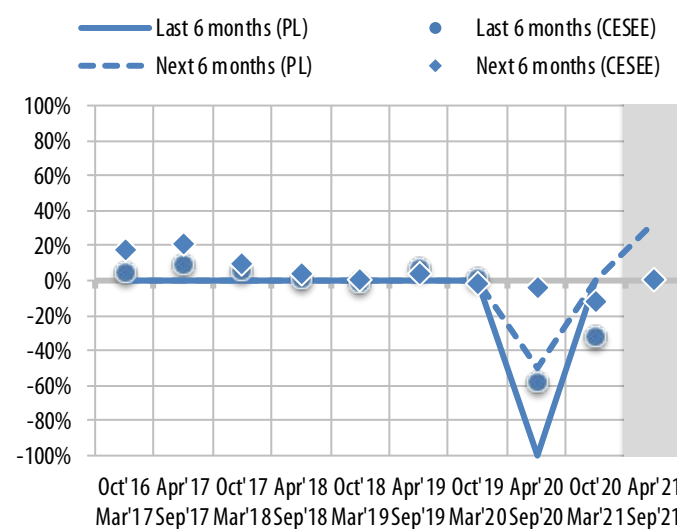
Note: Net percentages - positive figures refer to increasing of quality demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

After a pronounced tightening in the first few months of the COVID-19 outbreak, credit supply conditions remained broadly unchanged in Poland in the last six months. This was in line with the overall developments in the CESEE region, but more pronounced. The stagnation in credit supply was in line with the banks’ own expectations formulated in Autumn 2020.

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

**Figure 6 Supply developments**

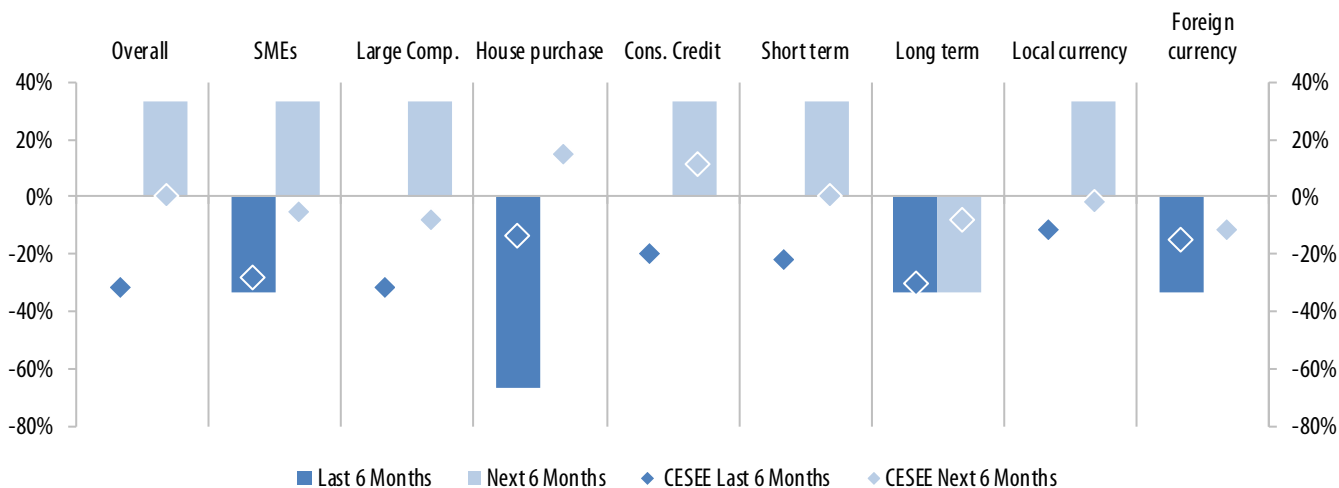


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

**Figure 7 Supply components and segments**

Credit supply declined in some segments, such as SMEs and mortgage loans. Banks expect credit supply conditions for both smaller and large firms, and for consumer credit to improve in the next six months. However, no such improvement is projected for the housing loan segment (Figure 7).

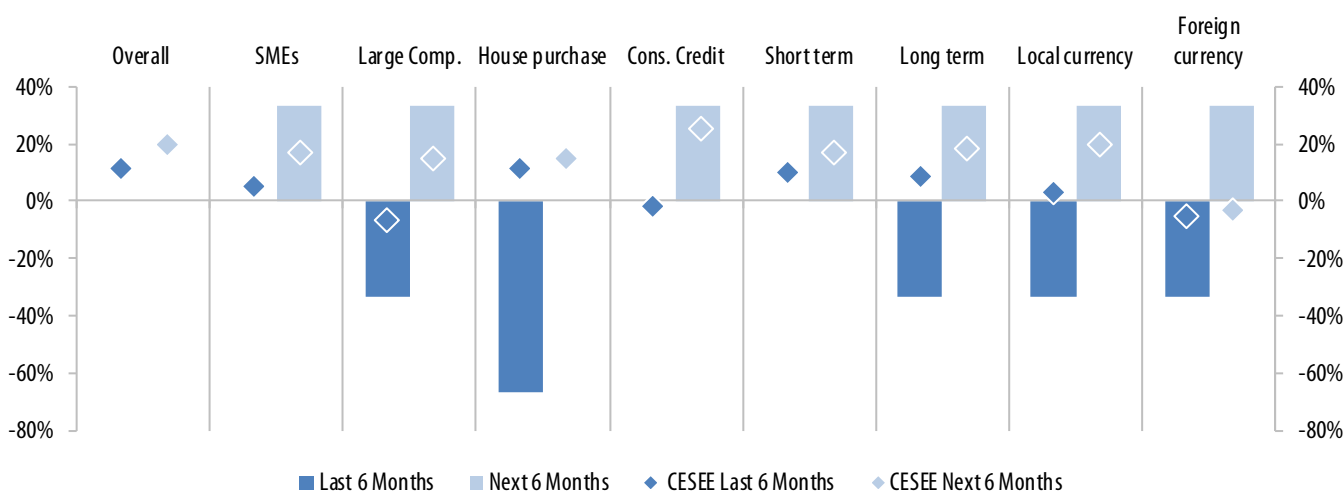


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications**

Loan approval rates have been stagnating or declining in all segments. The picture is somewhat more negative than in other CESEE markets. Looking ahead, banks project improvements in loan approvals in the upcoming period (Figure 8).

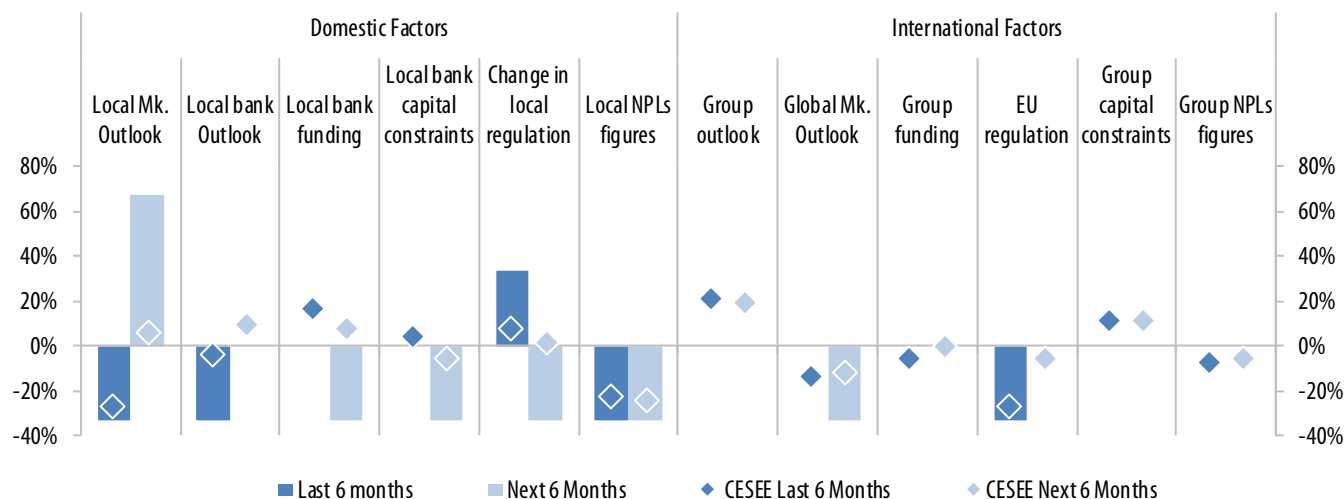


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

According to Polish banks, stagnating credit supply conditions experienced over the last six months are due to the worsening of local and global market outlook, worse local banking outlook, and changes in the EU regulations. Local regulations had a positive contribution to credit supply. For the next six month, they expect improvements in the local market outlook, but a negative influence from local funding, capital constraints, local regulations and NPLs.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

NPL ratios in Poland have been deteriorating heavily in the last six months, according to the banks' own perceptions. This deterioration was, however, confined to the corporate segment.

Further deterioration of the credit quality is expected over the next six months, affecting both corporate clients as well as the household segment.

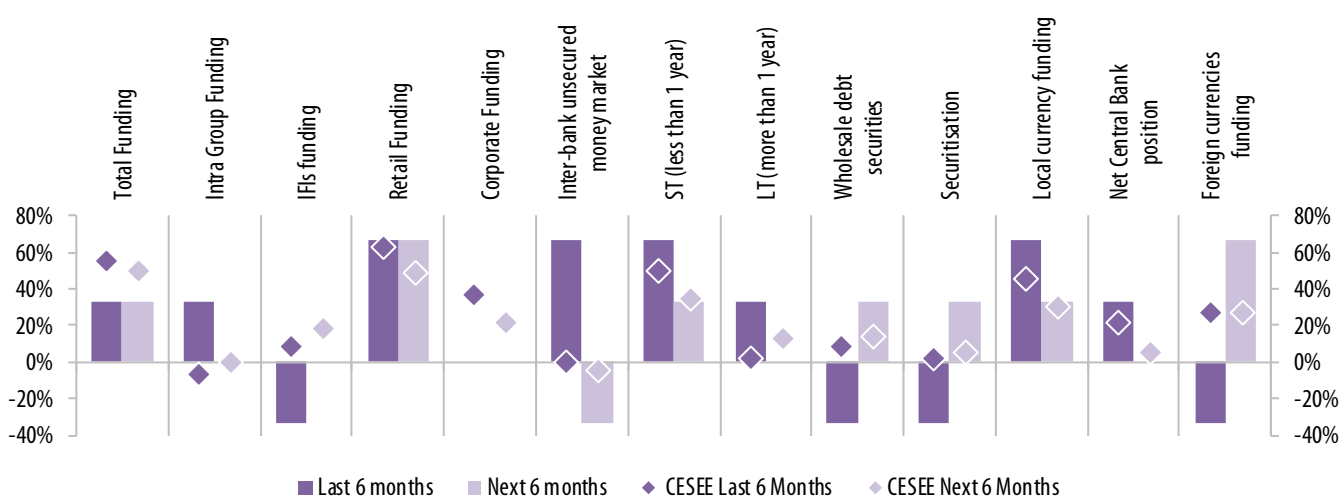


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Polish banks' total access to funding has improved somewhat in the last six months. Better funding conditions were reported in the intragroup, retail and interbank funding segments. Central bank funding also gained importance, while funding from international financial institutions decreased.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

## COVID19 Special Module

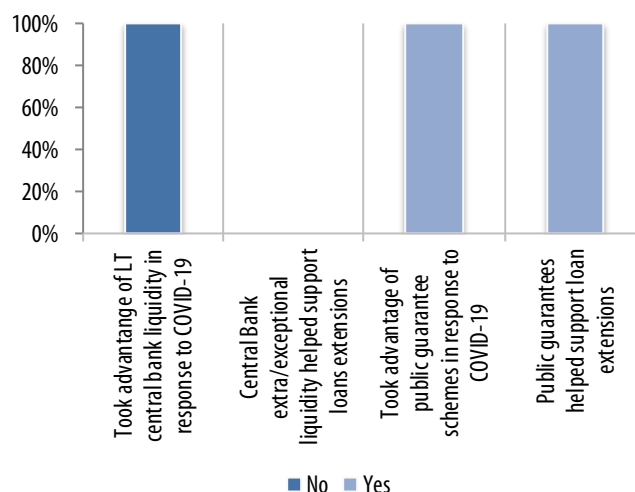
### Regulatory and policy measures supporting lending

All Polish respondents to the survey took advantage of public guarantee schemes as a response to the COVID-19 crisis. They also believe that the guarantee programmes helped to support access to credit (Figure 12). The respondents have not actively sought emergency central bank liquidity facilities over the last months.

When it comes to regulatory measures, banks believe that the automatic capital relief rules and flexibility in the treatment of NPLs were the most useful in supporting credit flow to the economy (Figure 13).

Figure 12

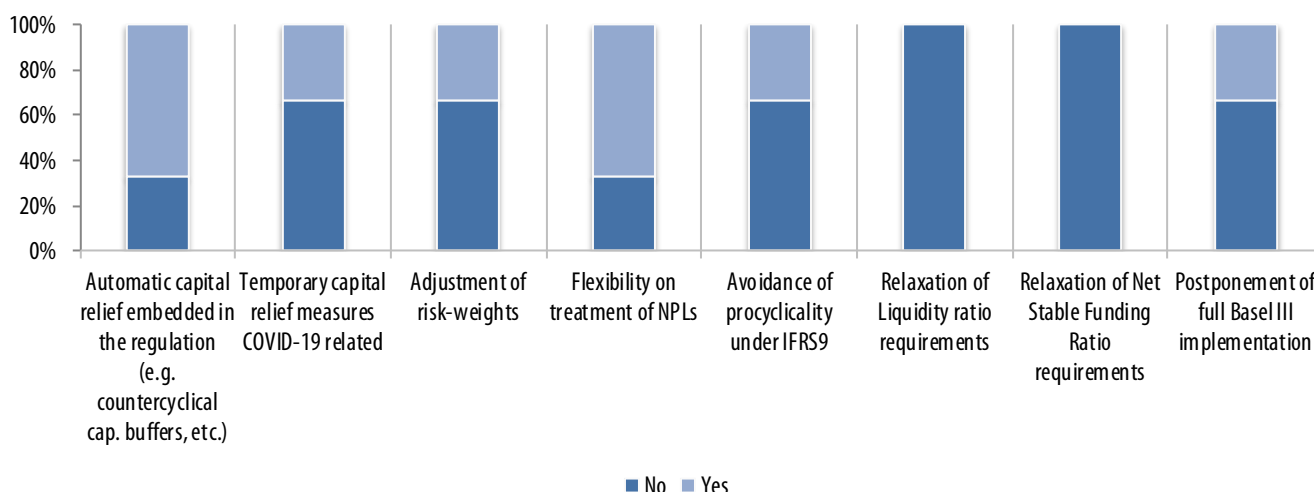
Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees



Source: EIB – CESEE Bank Lending Survey.

Figure 13

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



Source: EIB – CESEE Bank Lending Survey.

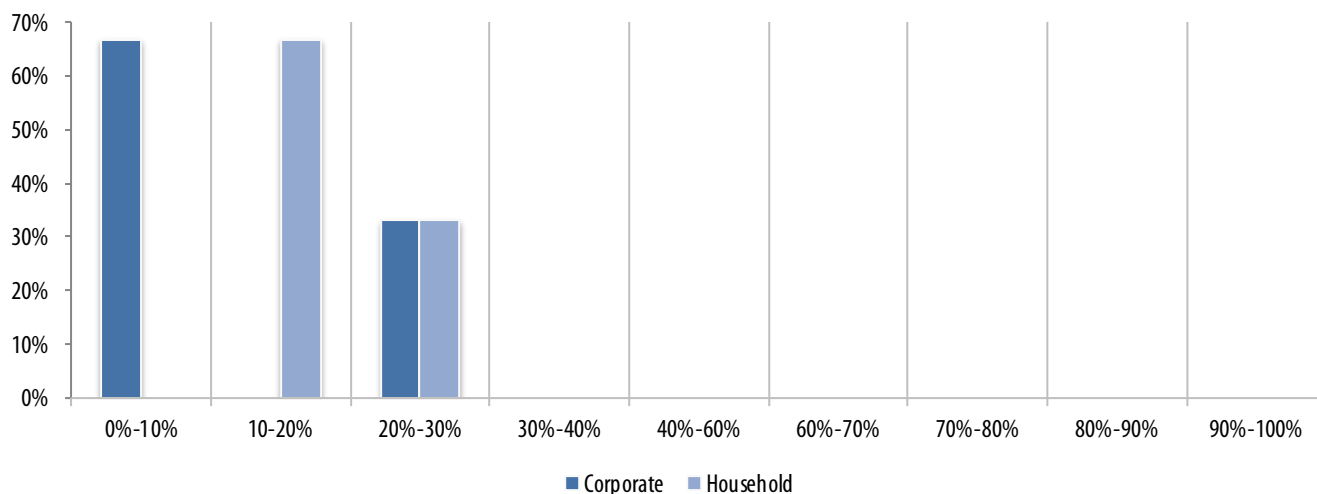
Note: PTI means payment-to-income ratio; LTV means Loan-to-value ratio



### Moratoria incidence and uptake

Polish banks' portfolios are not much influenced by loan moratoria as in other countries. However, in the household portfolio of Polish banks, between 10 and 30 per cent of clients took advantage of the moratoria. This share is lower in the corporate segment.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

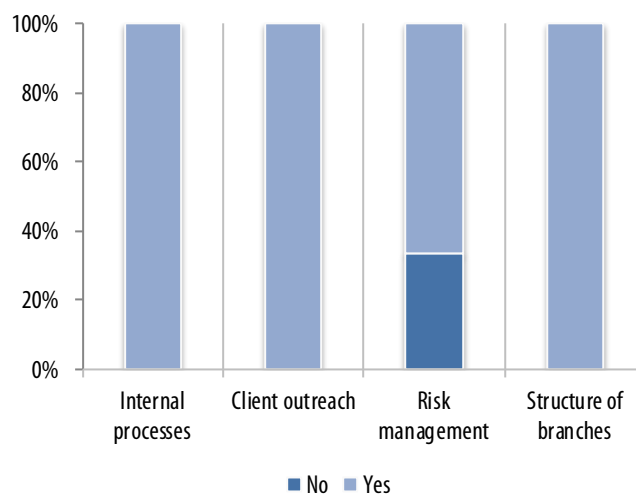


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

As a response to the COVID-19 shock and the subsequent measures, Polish banks are speeding up the implementation of their digitalisation strategies in all segments of activity.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Romania

**COVID-19 continues to affect credit developments. The gap between supply and demand has widened. NPLs increase temporarily paused.**

## Summary

**Group assessment of positioning and market potential:** half of the parent banks considered Romania a market with high potential. While fewer than previously, this was still favourable in regional comparison. Assessment of market positioning became increasingly divided with one half considering positioning satisfactory but also a third describing a weak positioning. Views on profitability compared to group operations became more mixed with a majority reporting higher returns on equity but only a quarter realizing higher returns on assets.

**Credit demand** has picked up over the past six months in line with the regional trend. This was driven by developments in the household segment and small corporations, benefiting from policy support.

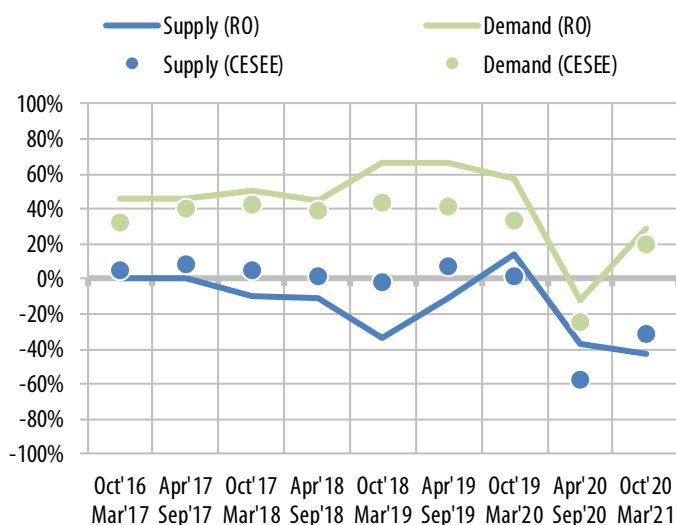
**Credit supply** tightened in the past six months. Tightening of credit standards affected the household and the corporate segments.

**Access to funding** has improved on balance over the last six months, albeit less strongly compared to the regional pattern. Both retail and corporate funding contributed to improvements.

**NPL figures** had stopped worsening for the moment, but concerns remain for the months looking ahead.

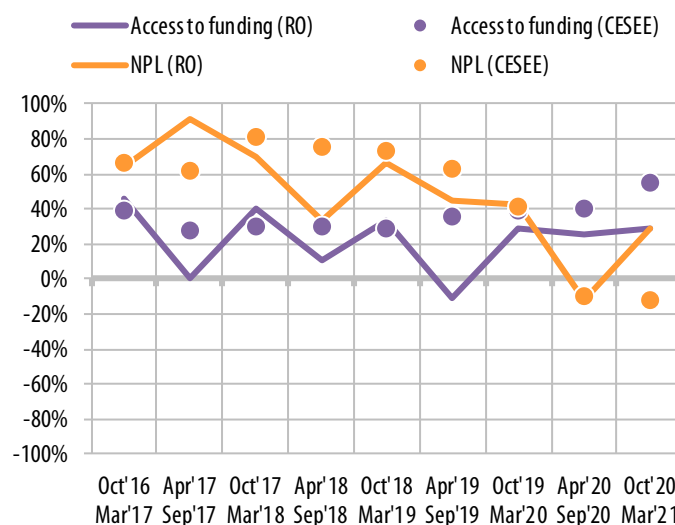
**Covid-19 measures:** Most regulatory and policy measures for banks aimed at supporting lending are viewed favourably with particular positive effects on lending stemming from automatic and temporary capital relief measures and the adjustment of risk weights. The majority of responding institutions took advantage of public guarantee schemes, which have helped to support loan extensions according to local banks. Focusing on the longer-term impact of COVID-19, banks clearly expect the pandemic to boost digitalisation of their activities.

**Loan Moratoria:** Moratoria on interest payments and capital repayments affect up to 20% of Romanian banks' corporate portfolios and around 10-20% of the household portfolio in most banks.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

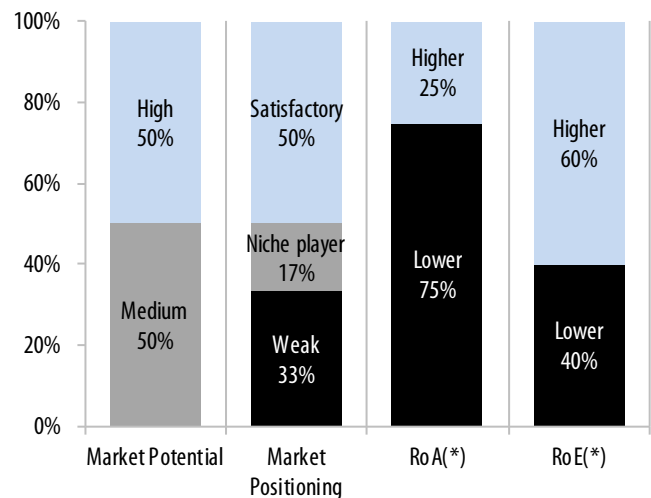
## Results of the Bank Lending Survey – Parent banks level

Views on market potential further cooled compared to the last wave of the survey and assessment of profitability is increasingly polarised. One quarter of parent banks reported higher RoA on domestic operations compared to overall group results and 60 percent report higher RoE (H2 2020 20 percent and 33 percent). At the same time, three quarters state lower returns on assets and 40 percent lower returns on equity in comparison (H2 2020 40 percent and 17 percent). Not a single bank saw profitability as on par with the region.

Views on market positioning are similarly divided. Exactly a third reports weak market positioning (H2 2020 29 percent). Half of the banks find it satisfactory. No bank regards the positioning as optimal potentially reflecting high levels of uncertainty.

Fewer banks than before view Romania as a market with high potential (H2 2020 50 percent) but it still reaches the 2<sup>nd</sup> best market assessment across the region in relative terms.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

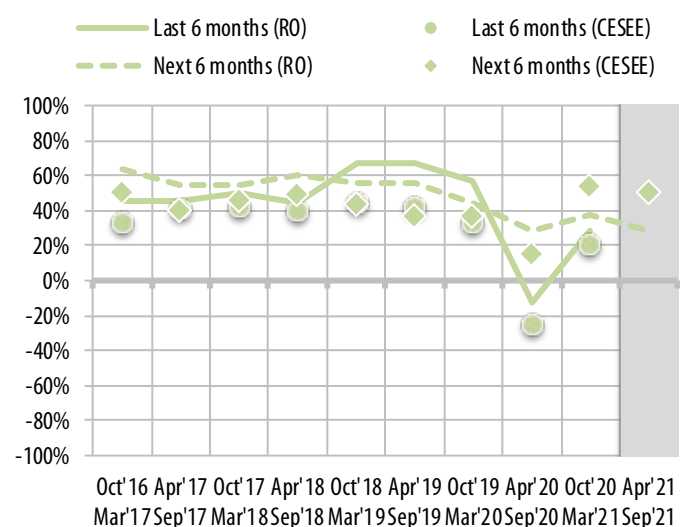
Credit demand in Romania recovered somewhat over the last six months after the Autumn 2020 wave marked the strongest drop since the start of the survey. Persistent liquidity needs, policy support measures and hopes for the recovery work to support demand.

Against this backdrop, credit to corporates surpassed year on year growth in consumer credit at the start of 2021 (households: Q1 2021 + 4.1 percent, Q1 2020 + 6.5 percent; corporates: Q1 2021 + 8.2 percent + 3.9 percent).

The drop in credit demand in H2 2020 as well as the increase in Spring 2021 are broadly in line with regional developments. However, for the next six months banks expect weaker dynamics in Romania compared to regional peers. Also, they expect credit demand in Romania to remain weaker compared to the years preceding the COVID-19 shock.

Current muted expectations contrast with a strong Q4 and solid prospects for recovery. However, after the last crisis, credit demand in Romania had lagged economic recovery for a prolonged period.

**Figure 2 Demand side developments**

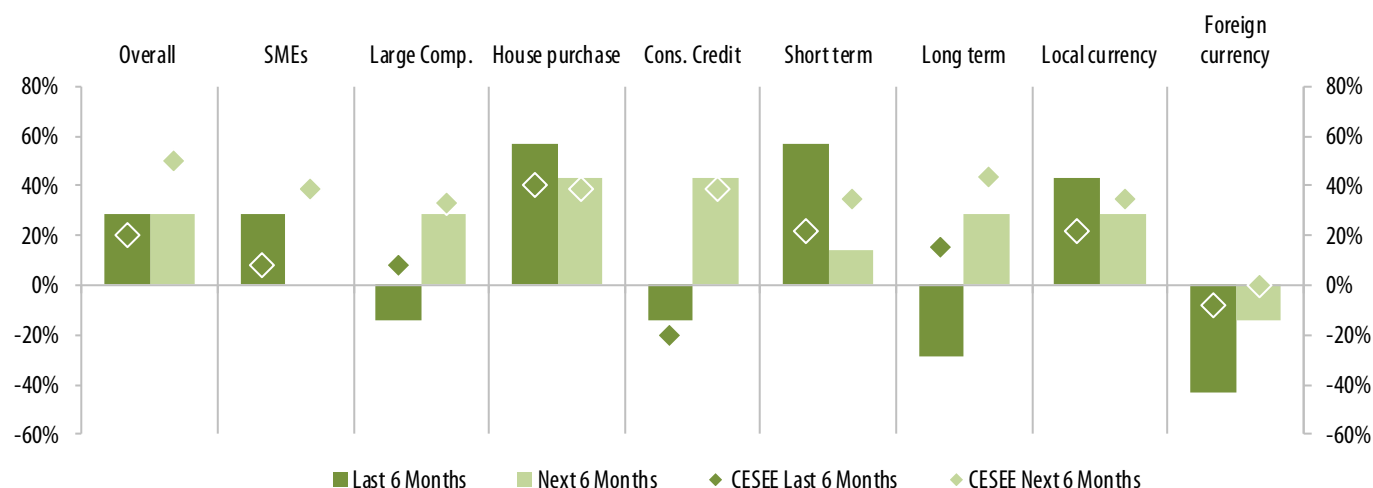


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

Aggregated demand for loans in Romania has increased on balance in the last six months. In the household segment, demand for mortgage credit bounced back. In contrast, demand for consumer credit fell further. Large corporates demand weakened while SME’s demand increased. Demand for long-term financing, i.e. related to investment, dropped again sharply contrasting with the regional average. Appetite for funds in foreign currency fell strongly. In contrast, demand for loans in local currency held up and remained positive on balance. Looking ahead, banks expect improvements in particular for the household segment.

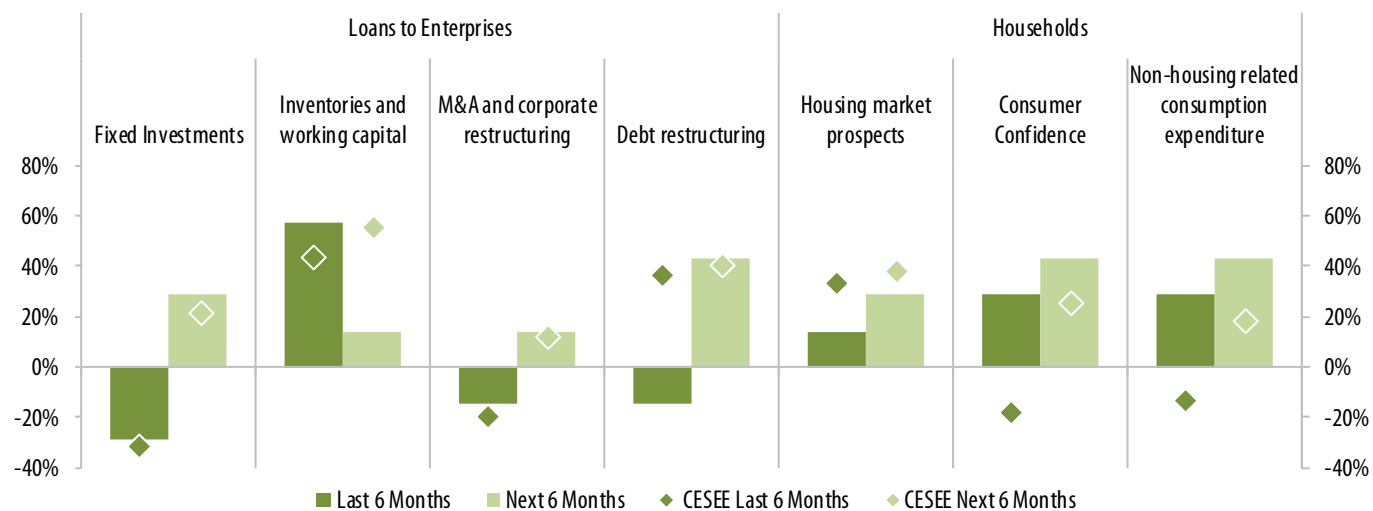


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

The pick-up in demand, mostly driven by SMEs for the corporate segment over the last six months, was supported only by inventories and working capital needs. In the household segment, housing continued to make a positive contribution to demand and consumption expenditure and consumer confidence signal some hopes for recovery. Overall, assessments for the household sector in Romania for the last six months have been more positive than for regional peers contrasting with developments expected.

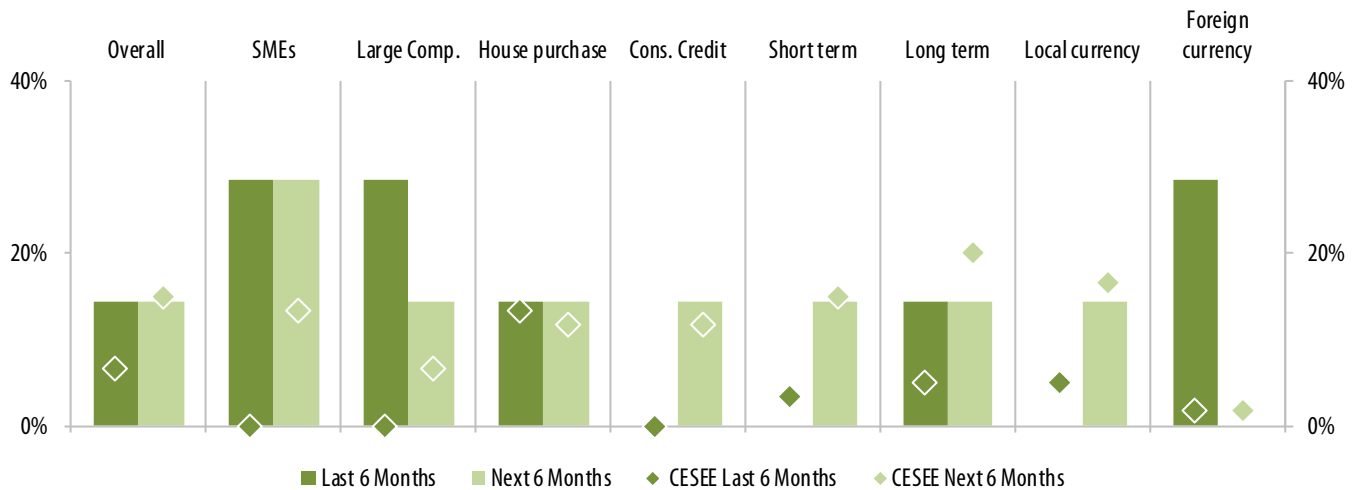


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

The quality of loan applications in Romania has improved over the last 6 months. Improvements are strongest in the corporate segment and well above the regional trend. Looking ahead, banks expect this pattern to continue.



Source: EIB – CESEE Bank Lending Survey

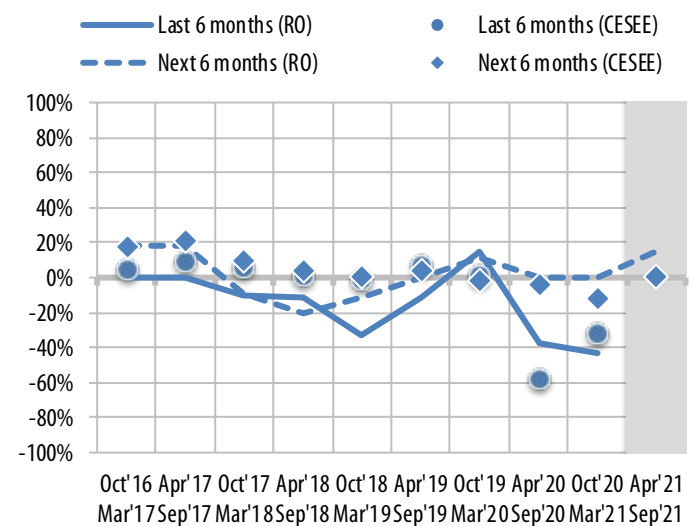
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

Credit supply conditions further tightened in Romania and across the region. The change recorded for the last six months adds to the sharp move in supply conditions of banks in Romania and CESEE seen in autumn.

In Romania, credit standards have tightened on a cumulative basis since 2015 – having contrasted for a prolonged period with expectations. Banks had started to revise their outlook downward since 2017, also reflecting moves towards monetary tightening prior to 2020. However, looking ahead to the next six month expectations appear to be slightly improving.

**Figure 6 Supply developments**

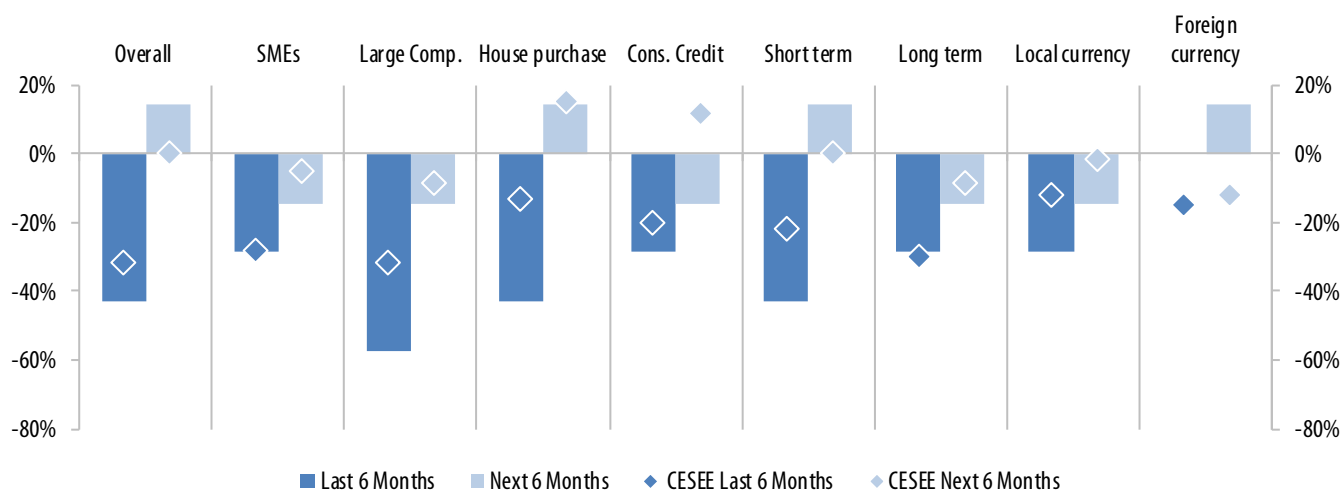


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 7 Supply components and segments

Credit supply conditions showed similar developments across segments. Tighter credit standards were recorded in particular for large corporations, house purchases and for short-term loans. In contrast with developments in autumn 2020, the tightening was somewhat more pronounced in comparison to the regional average. Looking ahead, banks expect some easing, notably for house purchases, short-term credit and lending in foreign currency.

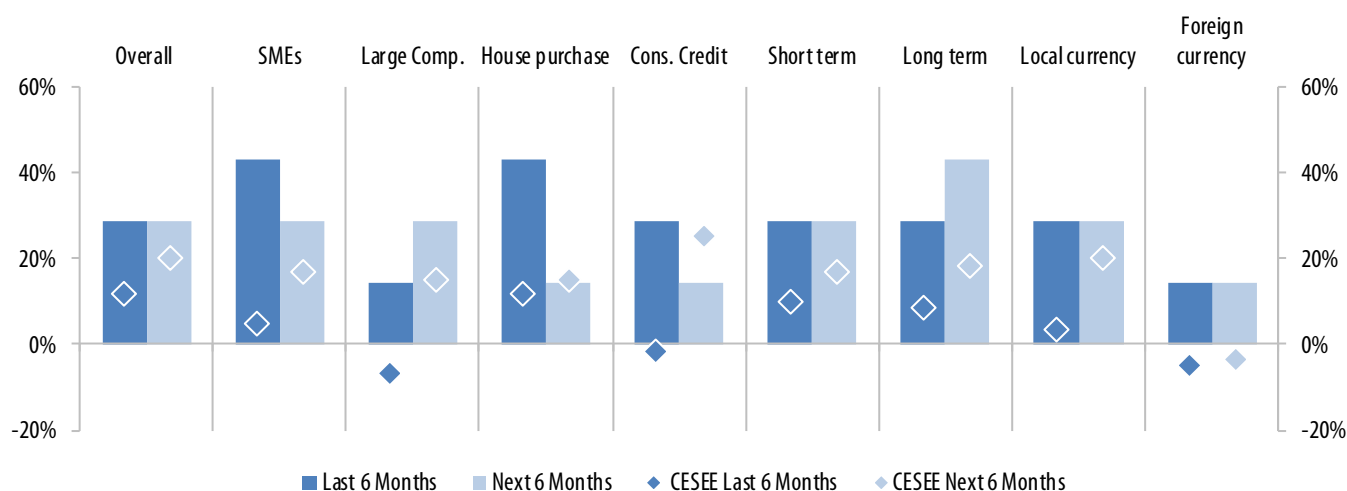


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

### Figure 8 Credit Supply: bank's (local subsidiary)'s approval rate for loan applications

Overall approval rates increased substantially during the last six months, surpassing regional patterns. In particular, getting loans got easier for small firms potentially reflecting policy support measures. Similarly, higher approval rates were reported for lending to households. Conditions eased across maturities and for credit in domestic as well as foreign currency. Looking ahead, banks expect approval rates to increase further with conditions for long-term credit getting easier in particular.

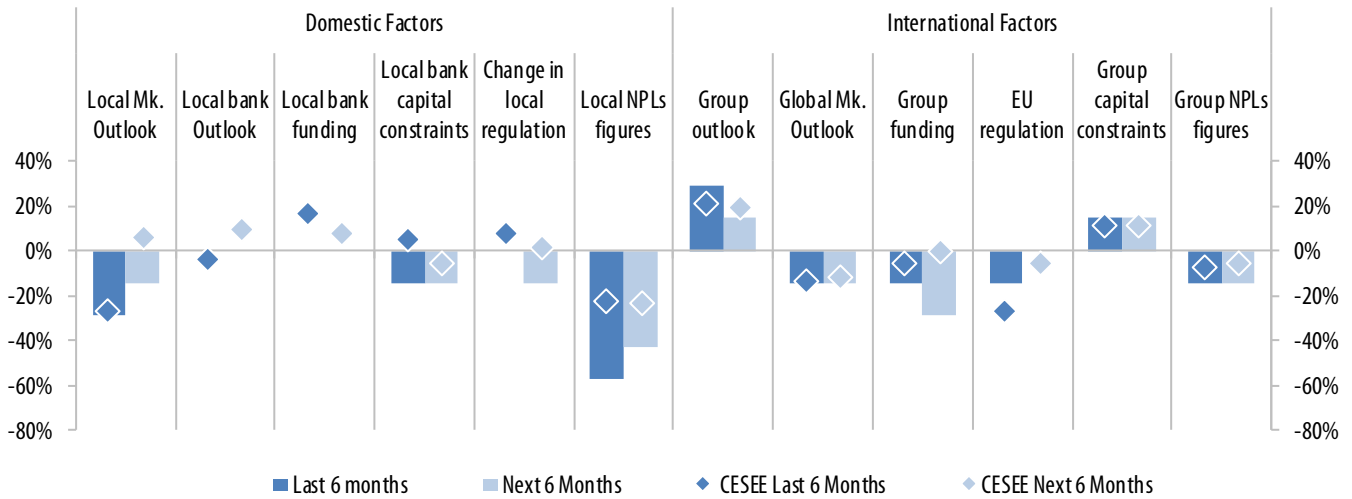


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

While most of the domestic and international factors contributed to the tightening of credit standards, changes in the group outlook and group capital constraints stand out against the trend. For the second time since 2016, the contribution of local NPL figures in Romania is negative. Moreover, this time the impact of NPLs on supply is viewed more negatively compared to regional peers. Banks expect this pattern to continue for the next six months potentially reflecting concerns about worsening of NPLs once policy support is being gradually removed.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex



**Figure 10 Non-performing loan ratios**

NPL figures in Romania have been described as improving over the last six months, contrasting with the regional average. Looking ahead, however, most banks expect non-performing loan ratios to increase.

Prior to the COVID-19 shock, the non-performing loan ratio in Romania reached 4.1 percent at the end of Q4 2019, a level below the EBA threshold of 8 percent, i.e. within the EBA-defined medium-risk bucket. After NPLs edged up in June 2020, reaching 4.2 percent, latest figures for December stood at 3.7 percent.

Improvements in NPLs are driven by the corporate segment and also reflect (temporary) policy support measures and legislative adjustments. In the context of COVID-19 crisis, a nine-month loan payment deferral has been announced for those companies and households that have been affected by the crisis. The National Bank of Romania stated that it will use the flexibilities in the legislative framework in terms of reclassification and provisioning of deferred loans and not to count them as default for the given period.

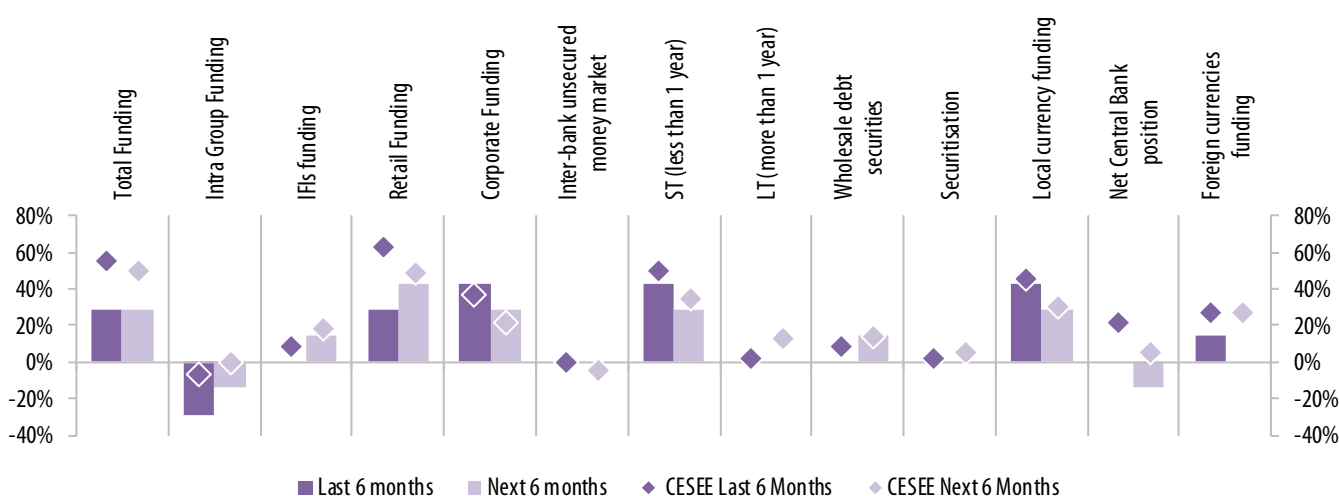


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

On balance, access to funding has improved for banks in Romania over the past months. In particular, tapping corporate and short-term funding became easier. Similarly, access to funding in local and foreign currency improved. In contrast, access to intra-group funding again worsened. Looking ahead, banks remain cautiously optimistic with regards to the funding situation. In the context of the COVID-19 crisis, the National Bank of Romania has provided liquidity support. Repo transactions reached some RON 42 bn in 2020 while the total volume of government securities purchased on the secondary market amounted to RON 5.3 bn.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

**COVID19 Special Module**

**Regulatory and policy measures supporting lending**

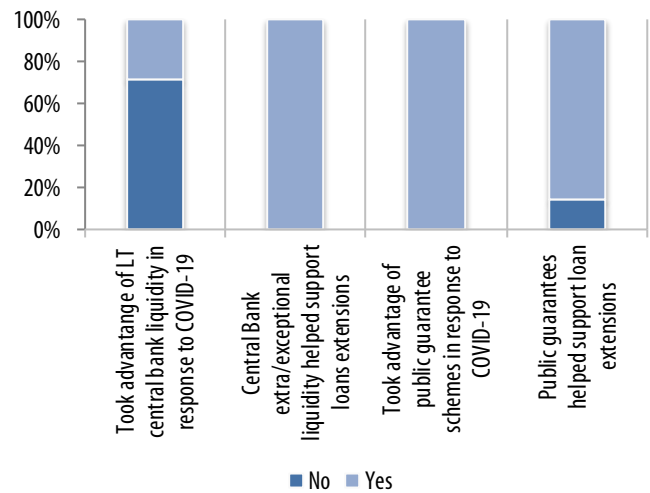
To mitigate the economic impact of the pandemic the Romanian government has provided 2020 an envelope of around 3 percent of GDP for loan guarantees and subsidized interest for working capital and investment for firms. Other measures include faster VAT reimbursement, suspending foreclosures on overdue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

Banks almost unanimously agree that the guarantees put in place helped to provide loan extensions. All responding institutions view Central Bank support for liquidity favourably and took advantage of public guarantee schemes aimed to mitigate the impact of the pandemic on corporates over the last six months.

Responses suggest that policy measures helped to support loan provision and demand, particularly with a view to SME lending activities. Most regulatory and policy measures for banks are also viewed favourably with particular positive effects for capital relief measures and the adjustment of risk weights.

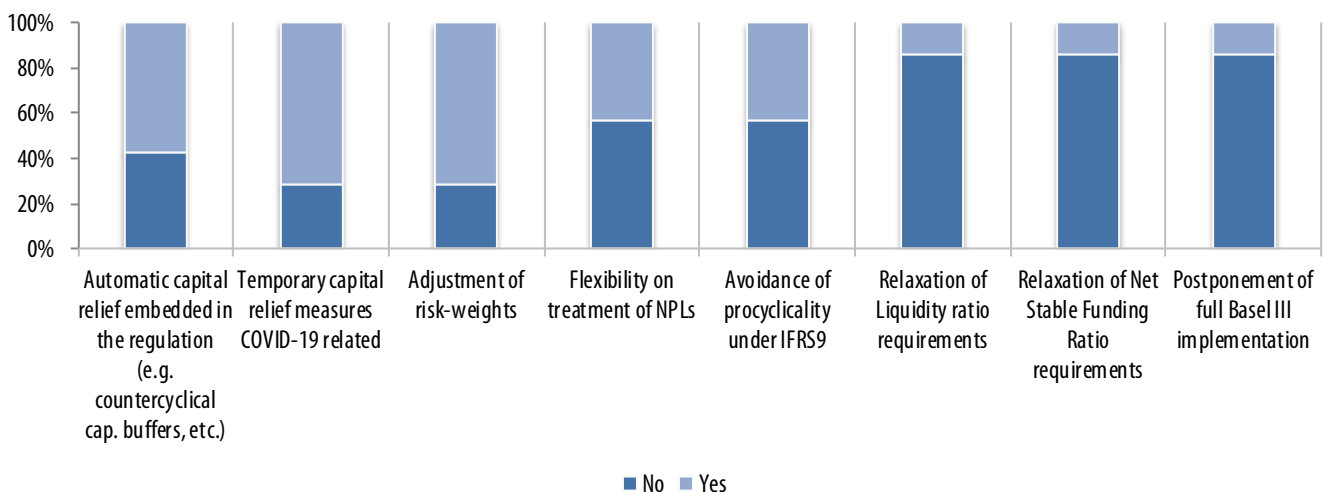
**Figure 12**

**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

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



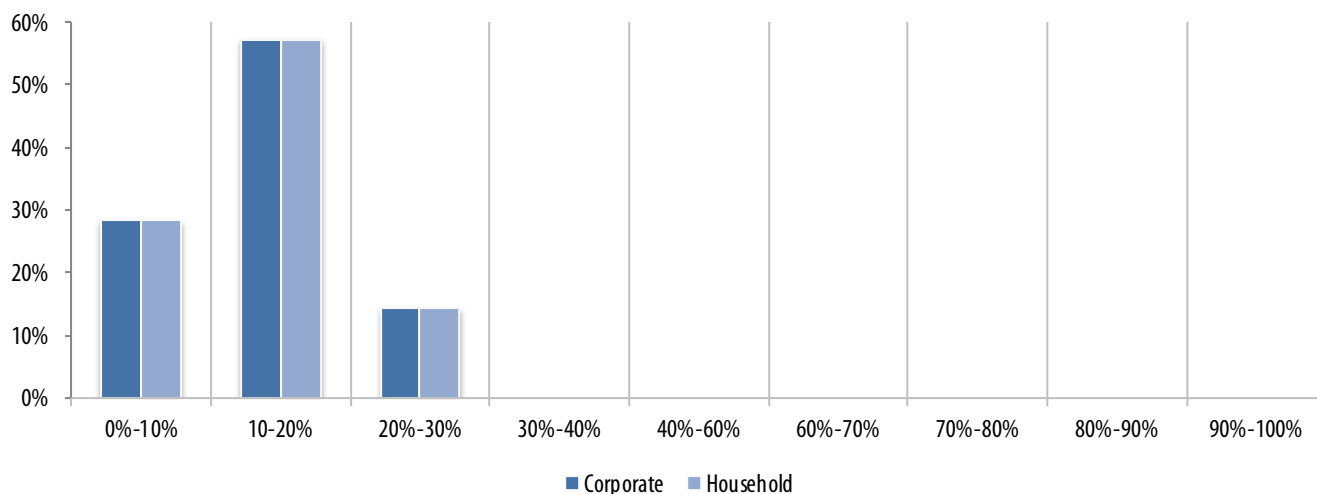
Source: EIB – CESEE Bank Lending Survey.

Note: PTI means payment-to-income ratio; LTV means Loan-to-value ratio

### Moratoria incidence and uptake

Moratoria on interest payments and capital repayments affect up to 20 percent of Romanian banks' corporate portfolios in most banks with up to 30 percent for a few. Patterns are similar for the household and corporate segment.

**Figure 14** Percentage of your corporate/household portfolio/clients' loans



Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

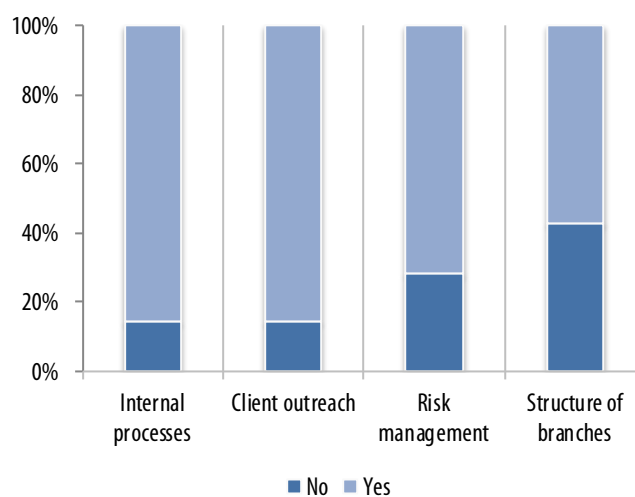
### Impact on strategic priorities in terms of digitalisation

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

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

About 60 percent of the banks are expecting accelerated digitalisation to impact on branches. Romania has a relatively thin branch network, especially in rural areas, which is one of the factors that contributed to low financial intermediation and financial exclusion. Banks have invested in new ways of delivering banking services, including agents and via digital channels over the last years. Stronger use of digital financial service provision can in principle help to address access gaps while providing savings on infrastructure. However, these would best be complemented with support for financial literacy to address access and intermediation issues.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Serbia

**Owing also to the strong policy support, credit demand remained rather resilient in Serbia. However, banks tightened credit standards and remained cautious. In addition, banks signal potential increases in NPLs.**

## Summary

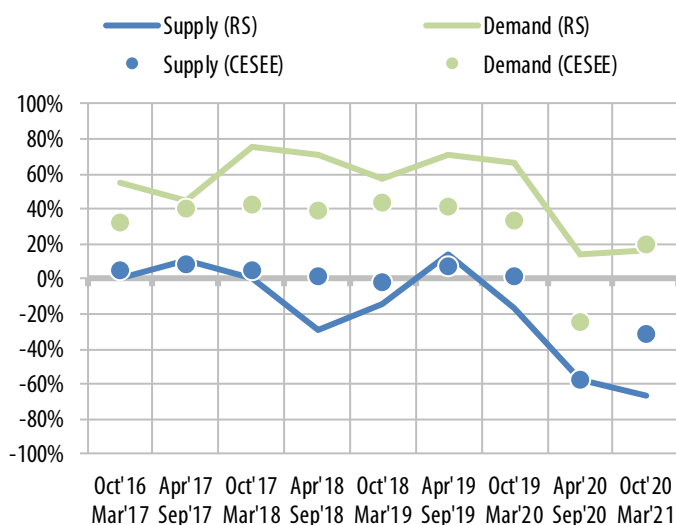
**Group assessment of positioning and market potential:** market attractiveness remained sound, banking groups operating in Serbia saw market potential either high (20%) or medium (80%). Furthermore, 80% of banking groups also perceived their current market positioning as satisfactory to optimal and 75% of local banks report a higher or equal return on assets/equity compared to the overall group operations.

In line with the CESEE average, **loan demand** in Serbia increased in the past six months. After being steadily above the CESEE average over the last five years, it is now expected to come close to the regional average. On the other hand, **credit standards** in Serbia tightened even more strongly than in the CESEE average.

**Credit supply conditions** tightened across most segments during the last six months, with the exception of those for house purchases, which remained broadly unchanged. Credit conditions were particularly limiting for SMEs. Also for the next six months, banks have taken a more vigilant approach compared to the CESEE average across all major segments. In line with the CESEE average, **demand for loans** increased for most segments during the last six months. Nevertheless, demand from SMEs was contracting, while it remained rather strong for consumer credit and house purchases. Banks expect robust credit demand across all major segments also in the coming six months.

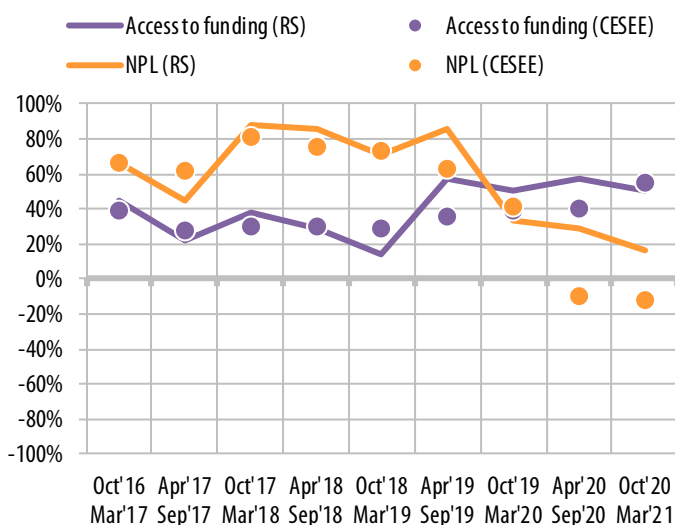
**Access to funding** for banks located in Serbia increased during the last six months. The intragroup funding declined somewhat, while the IFIs funding, retail and corporate funding remained resilient. Looking ahead, access to finance should steadily improve. The positive trend in **NPL** reduction has continued, but it is expected to reverse in coming months.

**COVID-19-related policy measures** have been partly utilized by banks and there is evidence that digitalization processes were also stepped up.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

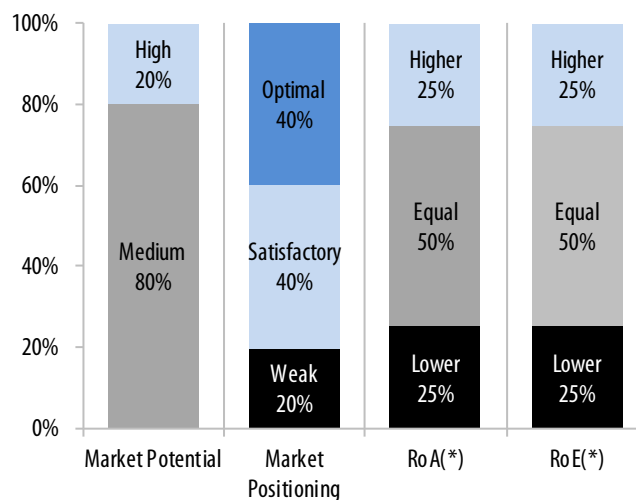
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

As in the previous survey, market attractiveness remained sound, as 20% and 80% of parent banking groups saw market potential as either high or medium, respectively. Furthermore, 80% of all parent banking groups also perceived their current market positioning as satisfactory to optimal.

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

**Figure 1** Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

## Results of the Bank Lending Survey - local banks/subsidiaries level

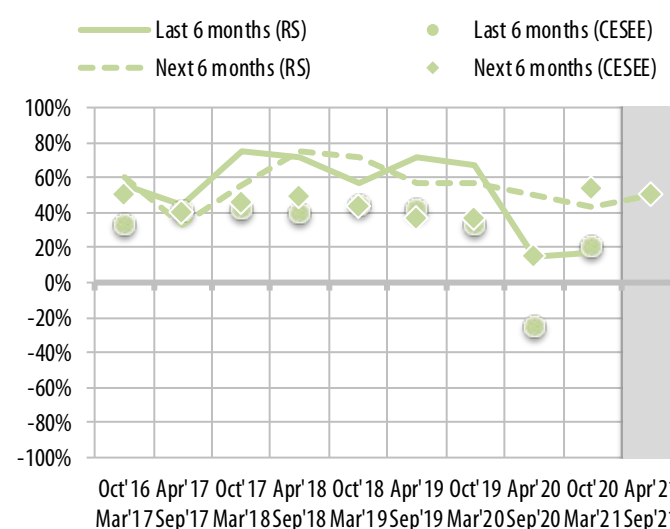
### Aggregate demand developments

As in the CESEE average, loan demand in Serbia increased in the past six months. Being steadily above the CESEE average over the last five years, it is expected to come closer to the regional average in the coming six months.

The economic impact of the pandemic was cautioned by substantial policy support, which was among the highest in the Western Balkans. Consequently, GDP dropped by a relatively modest 1% in 2020 (April 2021 IMF WEO), while the economy is projected to expand by 5% this year.

As the economy recovers from the pandemic, demand for consumer credit is likely to increase as incomes improve, while a higher demand for loans for corporates should be supported by the investment opportunities.

**Figure 2** Demand side developments

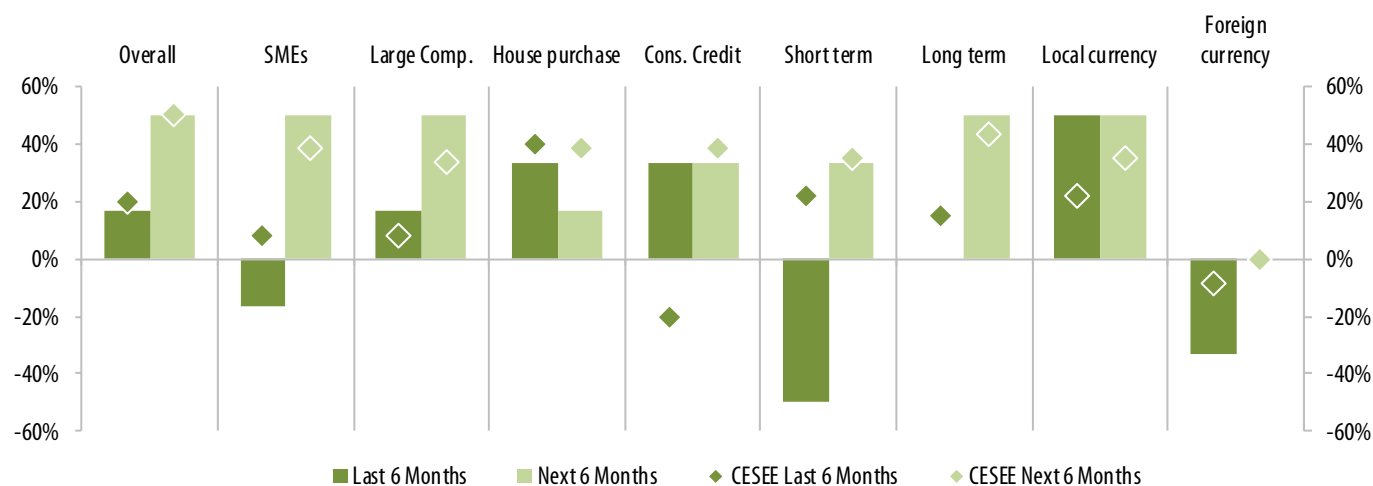


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 3 Demand components and segments

In line with the CESEE rational average, overall demand developments were improving in the last six months. To the contrary, demand from SMEs was contracting. On the other hand, demand for consumer credit remained strong, as consumption was not contracting as much as in peer countries. Demand for house purchases was also rather robust. As the economy recovers, a much stronger credit demand is expected in the coming six months. Banks believe it will be rather broad based, including for SMEs.

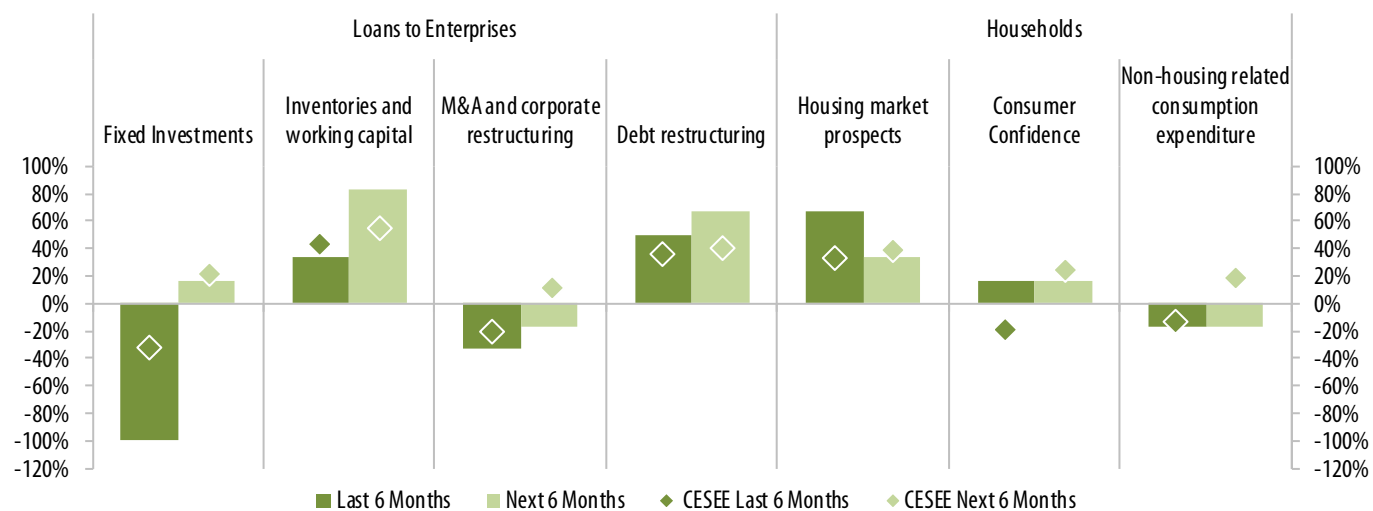


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

In line with the previous survey, financing of fixed investments shrank most drastically among the firm-related factors, while demand for debt restructuring was strong and largely in line with the CESEE aggregate. On the households side, housing market prospects were affecting positively demand for credit. In the coming six months, demand for investment loans is expected to recover, while credit for inventories and working capital, as well as for debt restructuring, are expected to remain strong. Housing market prospect will continue to drive demand on the household side.

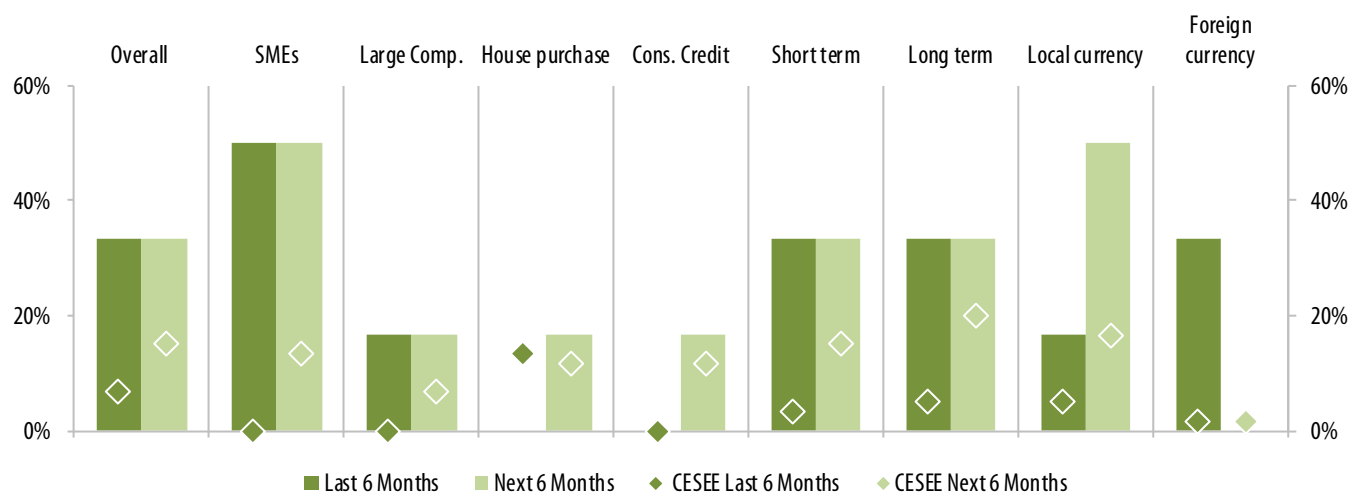


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

### Figure 5 Quality of loan applications

The overall quality of loan applications improved in a majority of segments in the last six months. The improvement in quality was also assessed higher than the regional aggregate. It was particularly strong for SMEs, while it remained broadly neutral in the segments of housing and consumer credit. The quality of loan applications improved across both maturities and particularly for the foreign currency loans. Banks expect that the quality will improve further in the coming six months, especially for SMEs and for loans denominated in the local currency.



Source: EIB – CESEE Bank Lending Survey

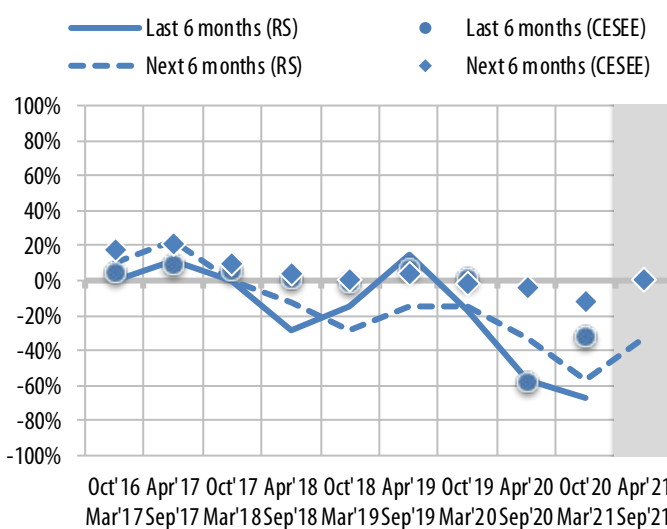
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

### Aggregate supply developments

During the last six months, credit standards in Serbia tightened even more strongly than in the CESEE average. The sustained loan demand since 2015 has been now facing tighter credit standards for two consecutive survey waves.

Looking ahead, tightening of credit standards is likely to persist in Serbia in the coming six months, which is not the case for the CESEE aggregate.

Figure 6 Supply developments



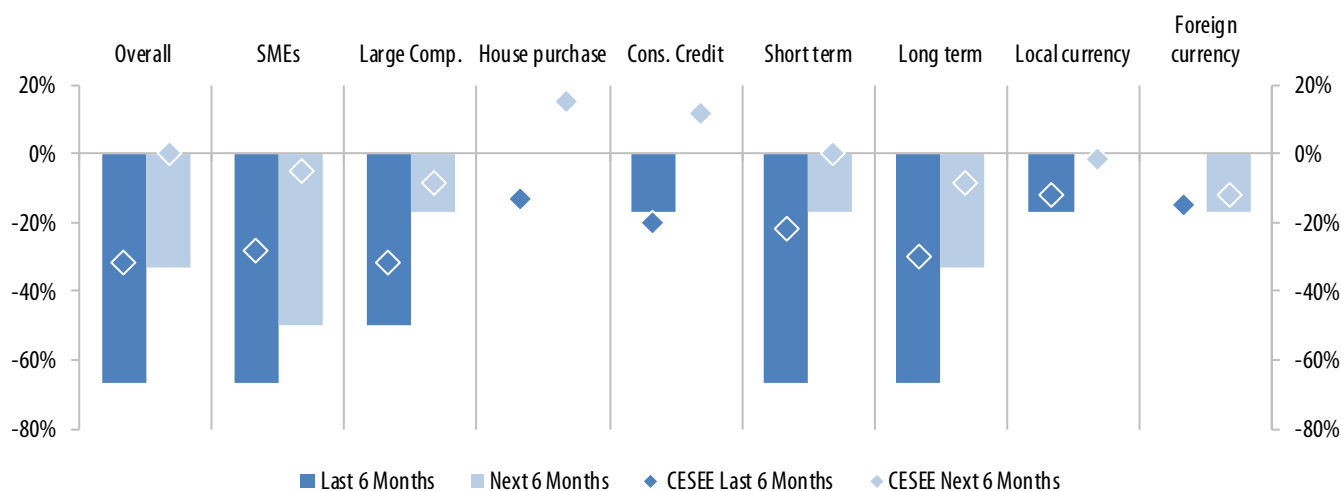
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.



**Figure 7 Supply components and segments**

Across almost all segments, credit standards tightened more than in the CESEE average during the last six months. The exceptions were only household purchases and consumer credit. Supply conditions were particularly tense for SMEs, while tightening was observed across all maturity segments. Banks seem to have again taken a more cautious stance towards SMEs, which were hit harder by the pandemic. Also for the next six months, banks have taken a more vigilant approach compared to the CESEE average across all major segments.

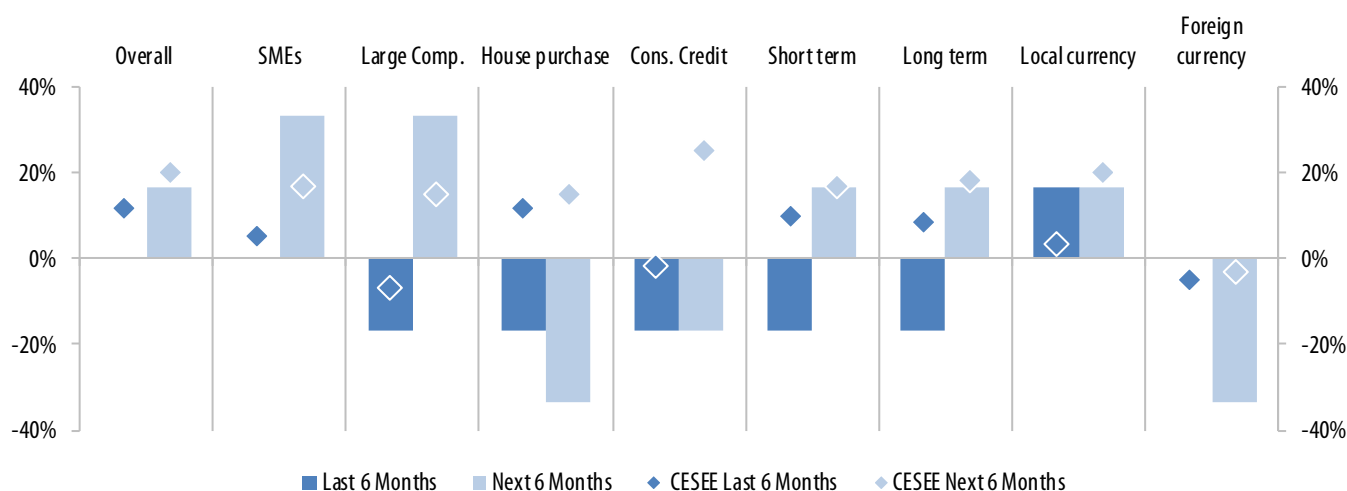


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

**Figure 8 Credit supply: banks' (local subsidiaries') approval rate for loan applications**

The overall banks' approval rate of loan applications remained broadly unchanged in the last six months, while the dynamics is expected to improve in the coming six months. To the contrary, overall approval rates increased in the CESEE aggregate in the past six months. The approval rate was broadly unchanged for SMEs, while it deteriorated for large corporates, household purchases and consumer credit. According to banks, approval rates are likely to increase for enterprises and decline for households in the next six months. Foreign currency loan applications are likely to be disproportionately affected.

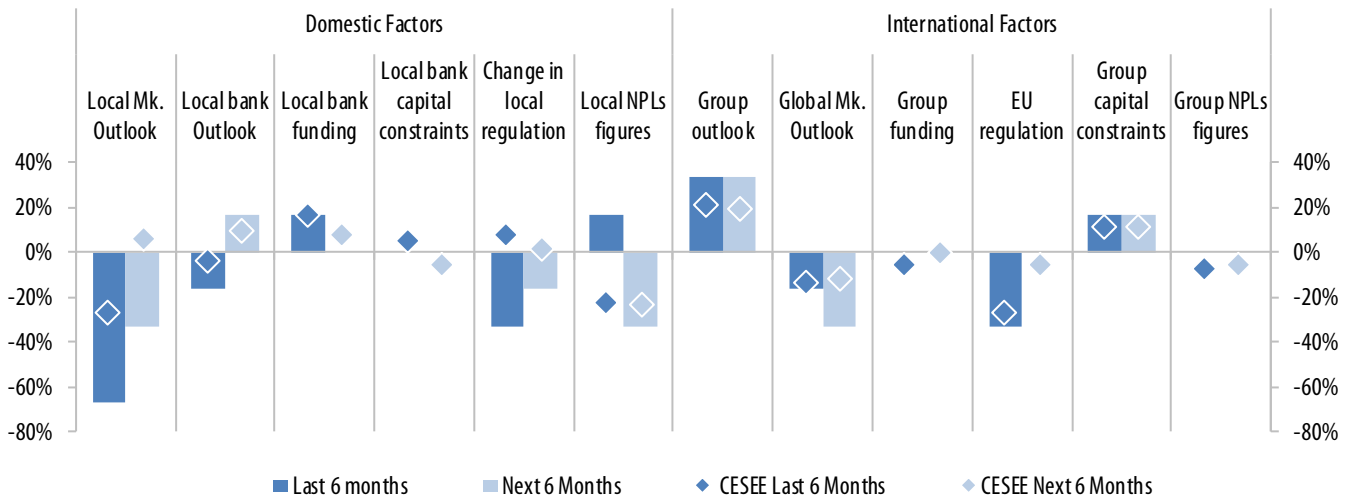


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Anne

**Figure 9 Factors contributing to supply conditions**

As in the previous survey, changes in local market outlook (among the domestic factors) and EU regulation (among the international factors) contributed most negatively to credit supply conditions in the previous six months in Serbia. The impact of local bank funding and local NPLs figures (among the domestic factors) as well as group outlook (among the international factors) were contributing positively to the supply. Banks expect local and global market outlook, as well as local NPLs figures, to impact supply conditions most negatively in the next six months. On the other hand, local and group bank outlooks, as well as group capital constraints, should mainly support credit supply.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

Driven by the corporate segment and in sharp contrast to the CESEE average, the NPL ratio in Serbia was declining in the last six months. On the other hand, retail segment was already experiencing an increase in the ratio.

NPLs are expected to increase in the coming six months in both segments, but by less than in the CESEE aggregate.

In response to the pandemic, the Serbian authorities implemented a broad policy support, including a 3-months moratorium on all repayments under bank loans and financial leasing agreements. As a matter of fact, the policy support was among the strongest in the region, likely also preventing a much more pronounced impact of the pandemic on banks' balance sheets (see also the COVID-19 module for other measures).

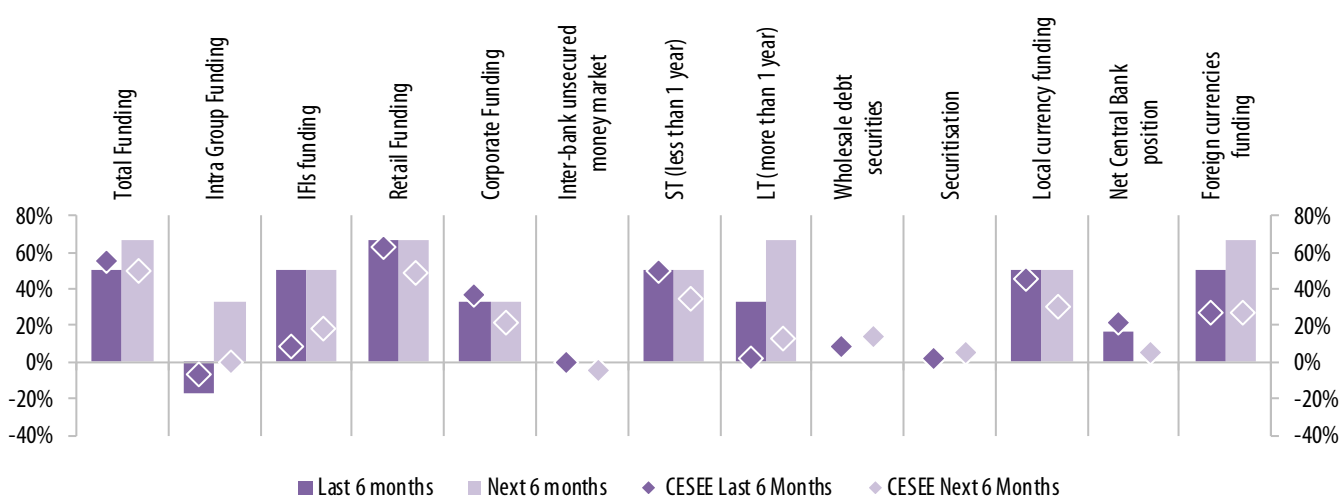


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

In line with the CESEE average, access to funding for banks located in Serbia increased during the last six months. Intragroup funding declined somewhat, while the IFIs funding, retail and corporate funding remained strong. Looking ahead, intragroup funding is likely to improve in the coming six months, while other components of funding are expected to remain broadly stable. As reported previously, the National Bank of Serbia announced liquidity support to banks through an additional EUR/RSD swap auction and repo purchase auction of dinar government securities (see also the COVID-19 module). Presence of IFIs was also strong.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

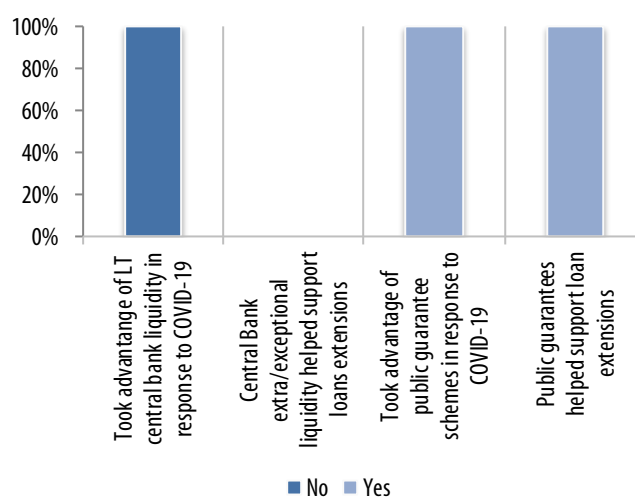
## COVID19 Special Module

### Regulatory and policy measures supporting lending

Among other important measures (see also the IMF COVID-19 policy tracker), the National Bank of Serbia (NBS) cut the key policy rate from 2.25% to 1.00% and engaged in a series of EUR/RSD swap auctions/repo/outright purchases of government securities, while also reducing the FX swap interest rates. The NBS implemented a 3-month moratorium on loans and relaxed the loan-to-value (LTV) cap for first-home buyers mortgage loans and set up a repo line arrangement with the ECB to address possible euro liquidity needs. This instrument was extended until end-March 2022. Moreover, a new 2-month moratorium was introduced, relieving debtors of repaying their liabilities during August and September 2020. In August 2020, the NBS adopted measures through 2021 intended to provide easier access to housing loans for individuals. Towards the end of 2020, the NBS adopted new measures to support affected debtors (corporates and households). These measures envisage rescheduling and refinancing of bank loans and a six-month grace period with extension of repayment terms. Some of these measures seem to have had an impact on banks (Figures 12 and 13).

Figure 12

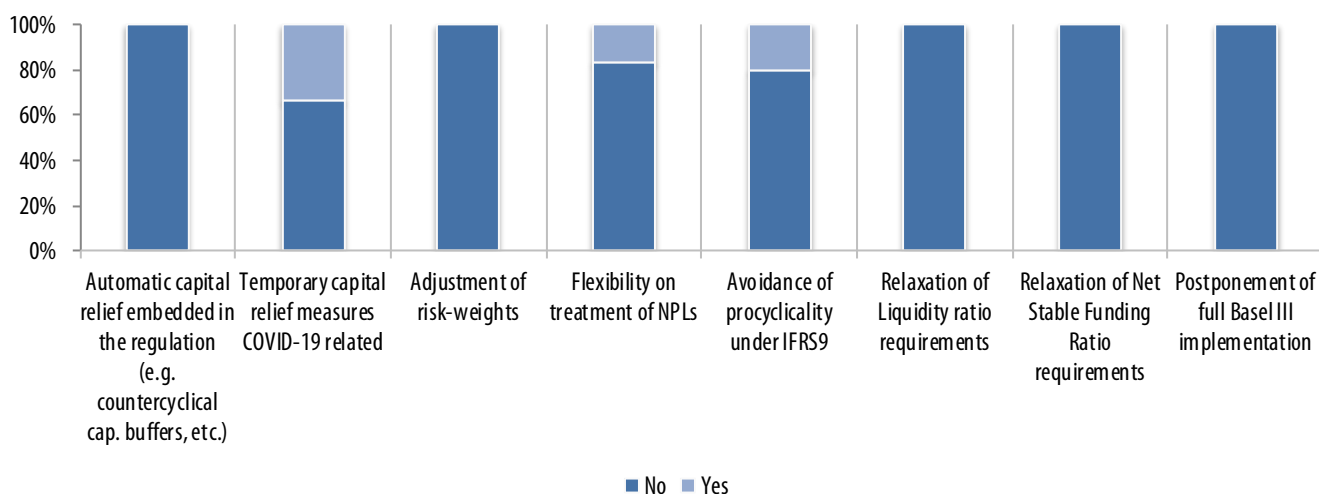
### Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees



Source: EIB – CESEE Bank Lending Survey.

Figure 13

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

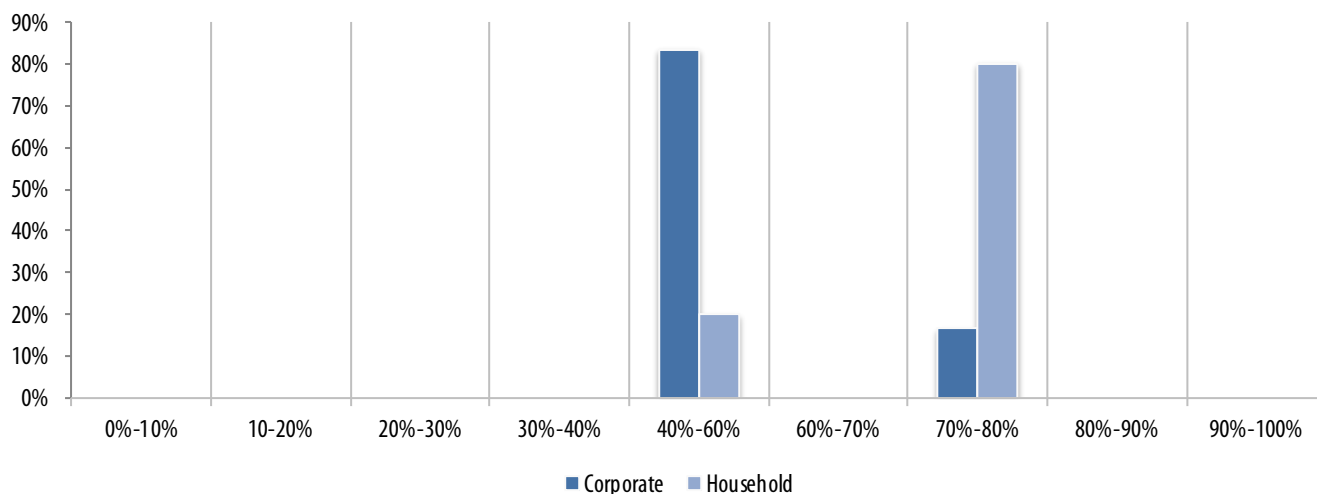


Source: EIB – CESEE Bank Lending Survey.

### Moratoria incidence and uptake

The uptake of the moratoria measures was strong and might offer an explanation why NPL ratio was not increasing in Serbia. In the household segment, these measures mostly influenced 70%-80% of the portfolio, while in the corporate sector the percentages are lower, but still significant and above CESEE averages (Figure 14).

**Figure 14** Percentage of your corporate/household portfolio/clients' loans

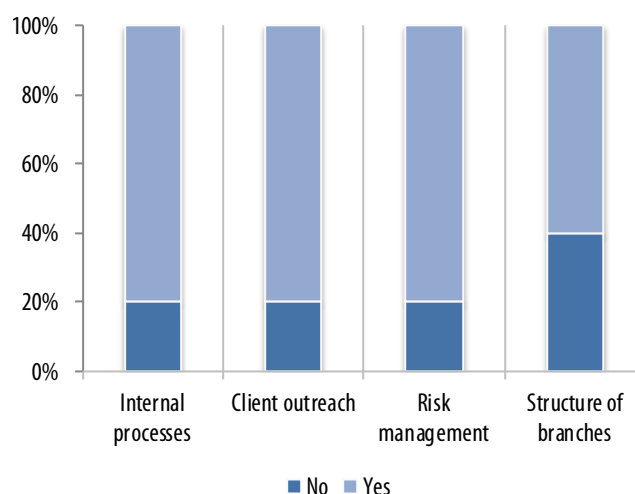


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

In response to the pandemic, most banks speeded up digitalization, particularly internal processes, client outreach and risk management. Structure of branches was also affected by these processes (Figure 15).

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.



# Slovakia

*Declining demand for consumer loans and mortgages was offset by higher corporate demand for working capital and debt restructuring. Non-performing loans have not yet picked up markedly but are expected to increase once support measures, such as loan moratoria, expire.*

## Summary

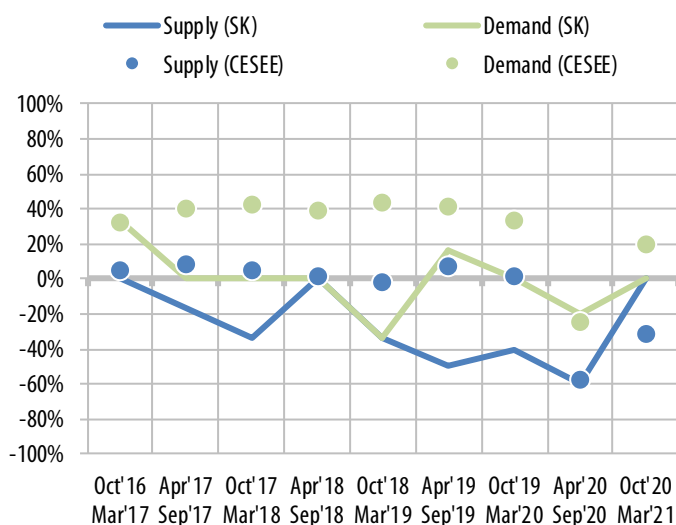
**Group assessment of positioning and market potential:** As COVID-19 hit the region, parents of banking groups became somewhat more pessimistic about the profitability of their operations in Slovakia. This brought their assessment more in line with the CESEE average. However, most remained satisfied with their market positioning.

On balance, banks in Slovakia reported that aggregate **credit demand** has not changed over the past six months. The weakness of consumer lending was partly offset by higher corporate loan demand, according to the Survey. Households responded to rising unemployment, economic uncertainty, and lockdowns by reducing their demand for loans and by increasing their bank deposits. Corporate loan demand continued to move away from investment finance towards working capital and debt restructuring. The quality of loan applications worsened for most responding banks. Looking at the next months, banks in Slovakia expect credit demand to recover by less than those in rest of the CESEE region, with the household segment as the most affected.

Aggregate **credit supply** remained on balance unchanged. As the local market outlook deteriorated, banks in Slovakia tended to tighten their **credit standards** for mortgage and consumer lending despite a supportive policy environment. For corporate loans, credit standards tightened in particular for loans to SMEs.

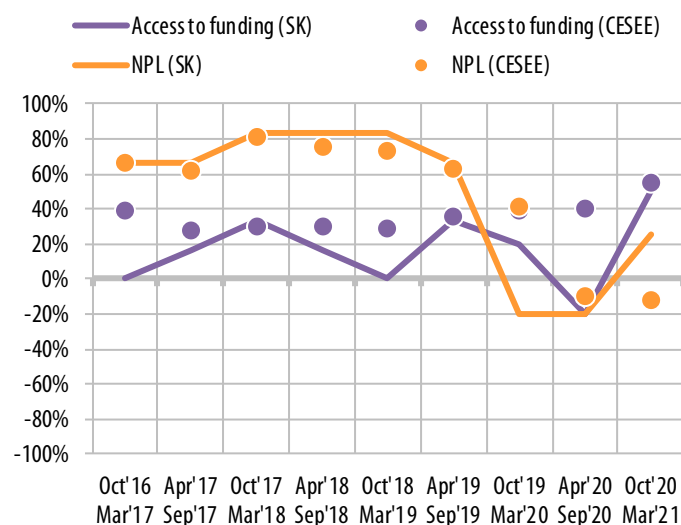
So far, a small majority of banks reported lower **NPL ratios** over the past six months, better than CESEE average. But looking ahead all responding banks expect NPLs to increase as crisis relief measures expire.

Despite the deteriorating macroeconomic environment, **access to funding** improved for most reporting banks. One reason are increased savings of households and corporates; another is likely to have been the supportive monetary policy background.



Source: EIB – CESEE Bank Lending Survey.

Note: All indicators in net percentages; Supply/Demand: positive figures refer to increasing (easing) demand (supply)



Source: EIB – CESEE Bank Lending Survey.

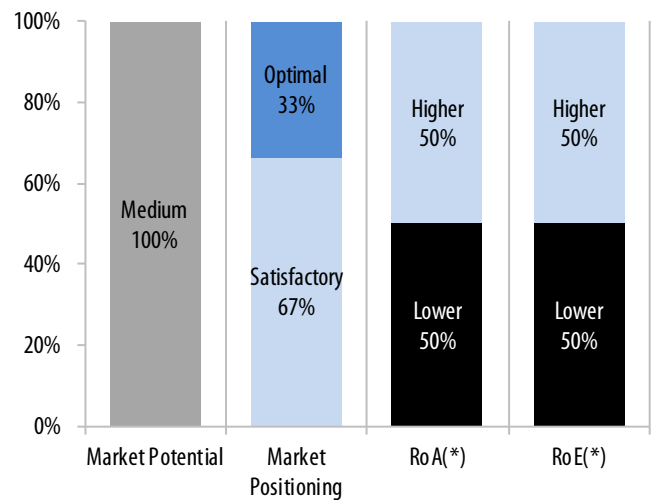
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

## Results of the Bank Lending Survey – Parent banks level

Most banks in Slovakia belong to banking groups that are also present in the rest of the CESEE region. Parents regarded Slovakia’s market potential as medium and saw little reason to change their positioning.

Parents’ assessment of the profitability of their operations remains in line with that of other CESEE markets.

**Figure 1 Market potential and positioning**



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q1. (\*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

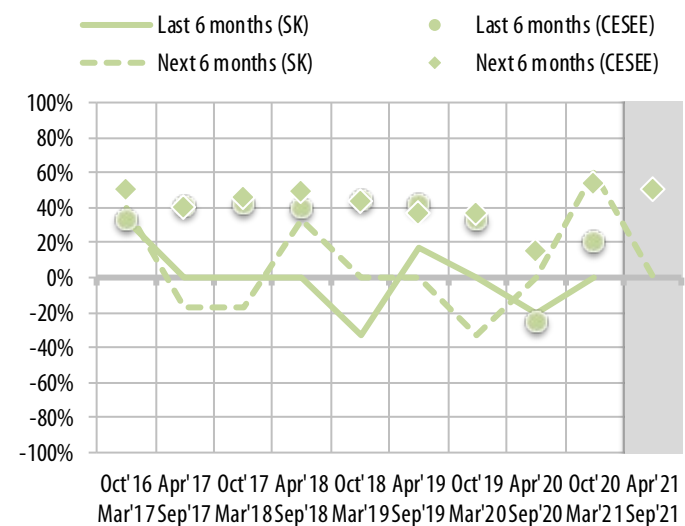
## Results of the Bank Lending Survey - local banks/subsidiaries level

### Aggregate demand developments

On balance, banks in Slovakia reported that aggregate demand for loans had not changed much over the past six months. With the exception of mortgages, the number of loan applications fell and the quality of these applications worsened at most responding banks.

Over the next six months, banks expect demand for new loans to remain broadly unchanged as investment remains weak. This is more pessimistic than in the rest of CESEE.

**Figure 2 Demand side developments**



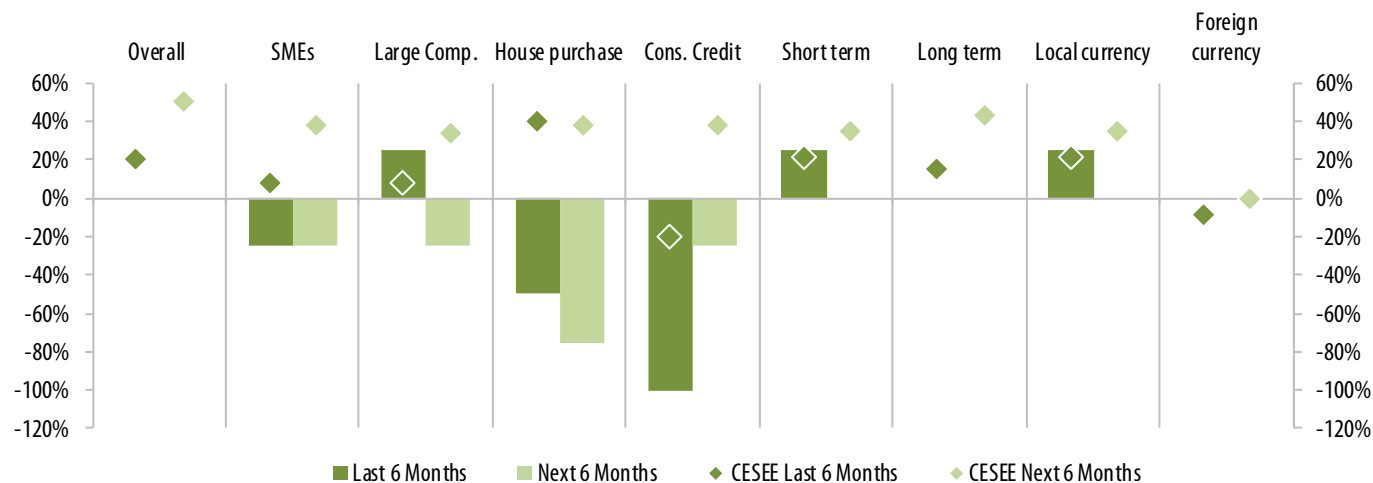
Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.



### Figure 3 Demand components and segments

Overall, banks in Slovakia expect demand to recover by less than those in rest of the CESEE region. The household segment is the most affected. The majority of banks in Slovakia reported significantly weaker demand for consumer credit and housing relative to the previous six months. For consumer loans, this assessment is mirrored in a decline of outstanding consumer loans, by over 15% since February 2020. For mortgages, whose stock was up 8.6% y-o-y in February 2021, banks' answers may be related to the fact that mortgage demand grew more slowly than before. Banks expect consumer credit demand to remain weak and mortgage demand to weaken further.

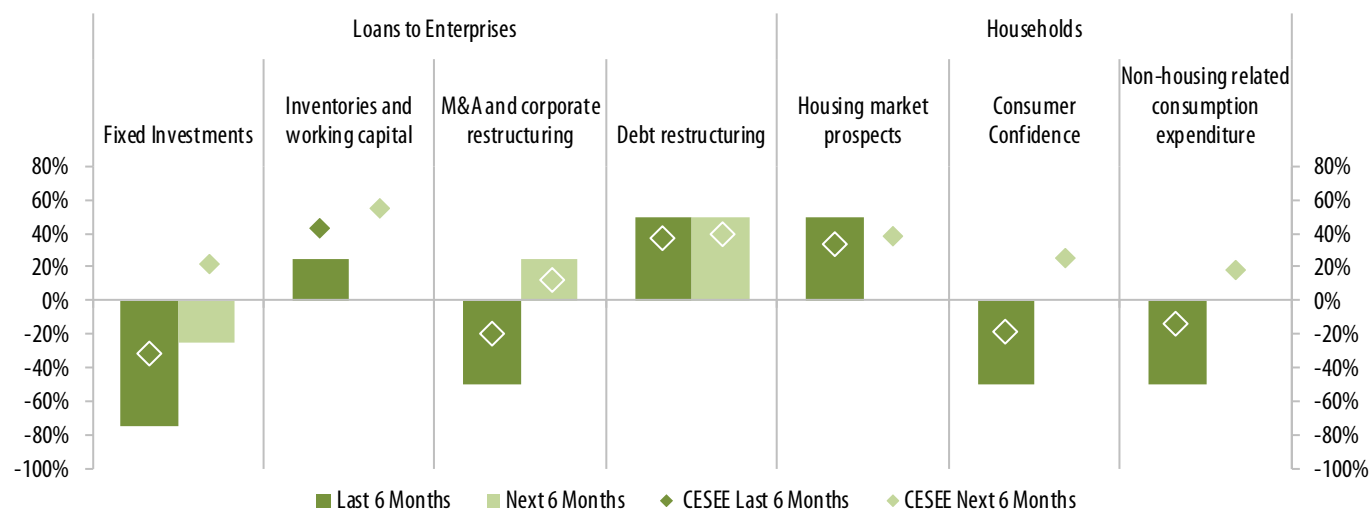


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages - positive figures refer to increasing demand. Full question see B.Q5 in the Annex

### Figure 4 Factors affecting demand for loans

Corporate loans were negatively affected by the lower demand for fixed investments (more significantly than the average of CESEE), while debt restructuring and the need to fund inventories and working capital supported loan demand and are expected to continue to do so. Lower consumer confidence depressed loan demand for households, while positive housing market prospects supported loan demand. This was similar to the rest of the CESEE region.

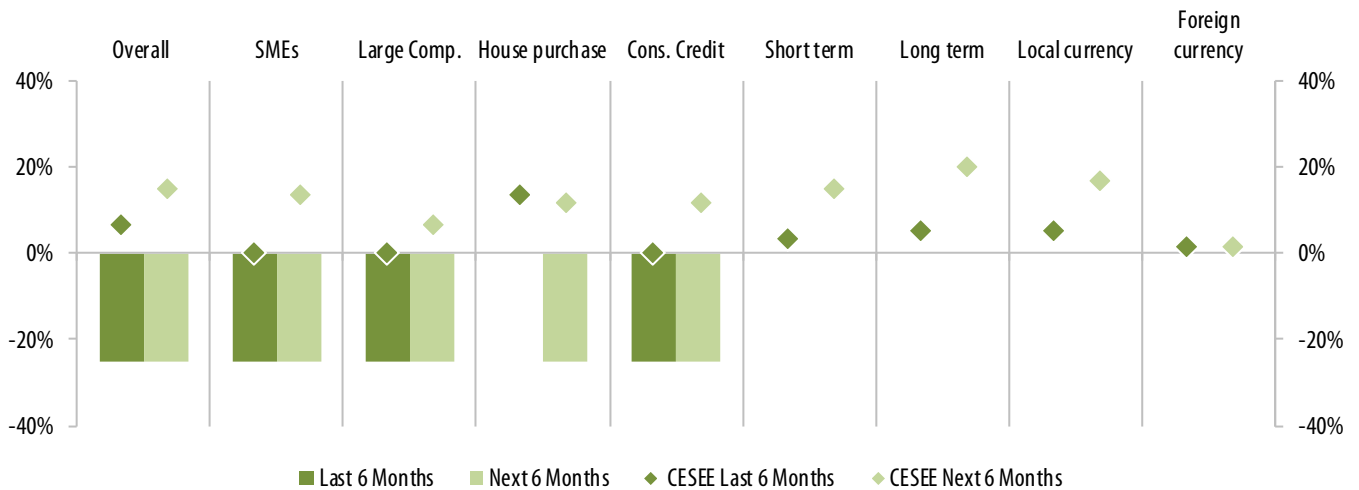


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage - positive figures refer to a positive contribution to demand. Full question see B.Q7 in the Annex

**Figure 5 Quality of loan applications**

On balance, banks reported that the quality of loan applications deteriorated, a development that is likely to continue during the coming six months. Banks in the rest of the region are not signalling, on average, a deterioration of the quality of loans applications and are also more optimistic about the future.



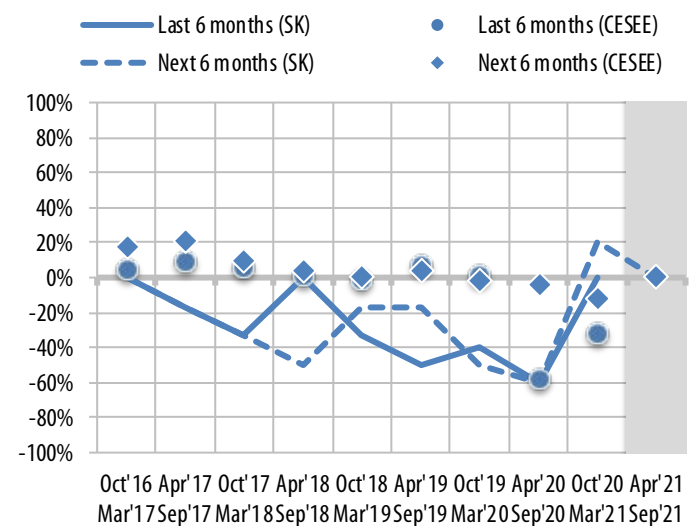
Source: EIB – CESEE Bank Lending Survey

Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

**Aggregate supply developments**

The deterioration in credit supply has halted: having tightened their supply of credit during the first phase of the pandemic, banks in Slovakia on balance kept supply constant over the past six months. No change is expected during the coming six months.

**Figure 6 Supply developments**

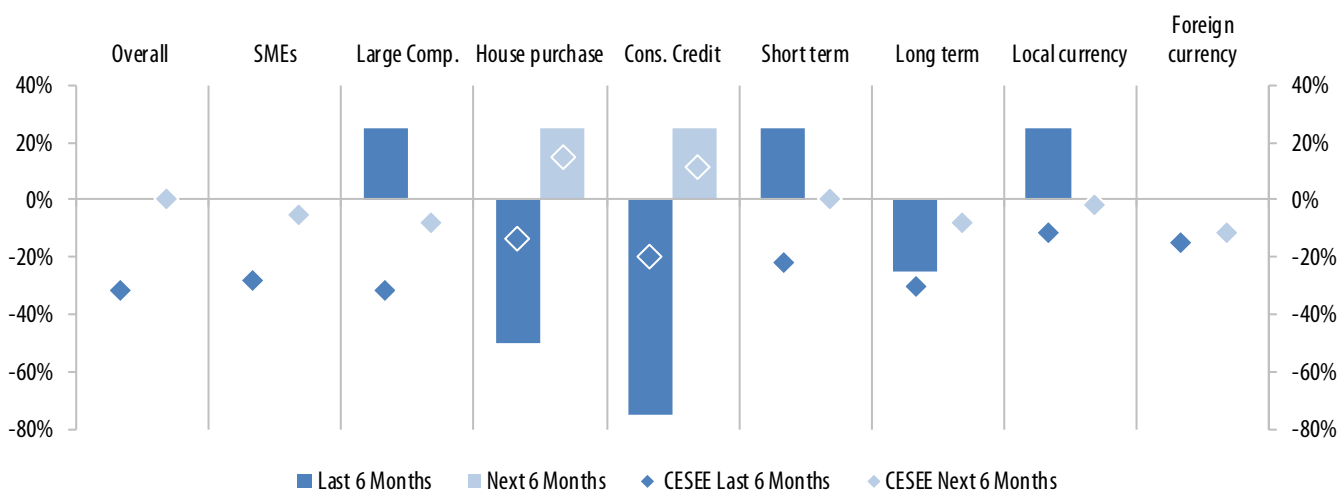


Source: EIB – CESEE Bank Lending Survey.

Note: See Question B.Q1 in the Annex - Net percentages - positive figures refer to easing supply. Moreover, the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months are plotted in the chart at time t+1.

### Figure 7 Supply components and segments

Banks reported that their overall lending standards remaining unchanged. This masked considerable differences across product groups. A large majority of banks tightened credit standards for mortgages and consumer credit over the past six months, more than in the rest of the region. That said, answers suggest that some of this tightening might be reversed. Standards for longer-term loans tightened on balance while those for shorter-term loans, which especially supported companies` working capital needs, eased.

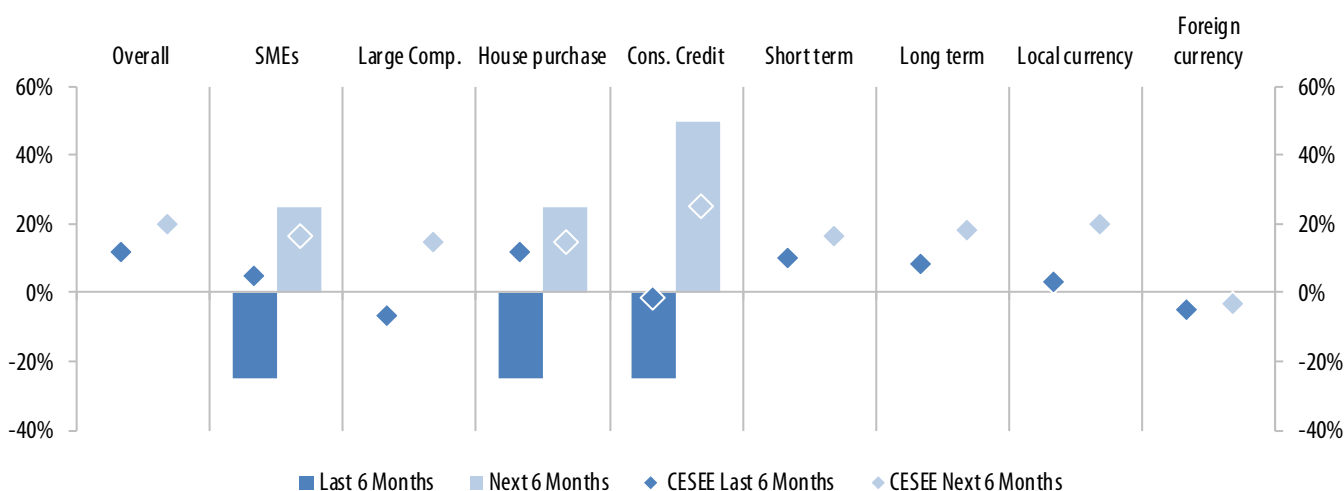


Source: EIB – CESEE Bank Lending Survey

Note: Net percentages; positive figures refer to easing supply conditions. See Question B.Q1 in the Annex

### Figure 8 Credit supply: banks’ (local subsidiaries’) approval rate for loan applications

In line with overall unchanged credit standards, banks’ approval rate for loan applications remained broadly overall unchanged, but the household sector, together with SME, was negatively affected. Indeed, for consumer and mortgage credit, the approval rate on balance fell, reflecting tighter credit conditions. Banks expect this to unwind over the next six months.

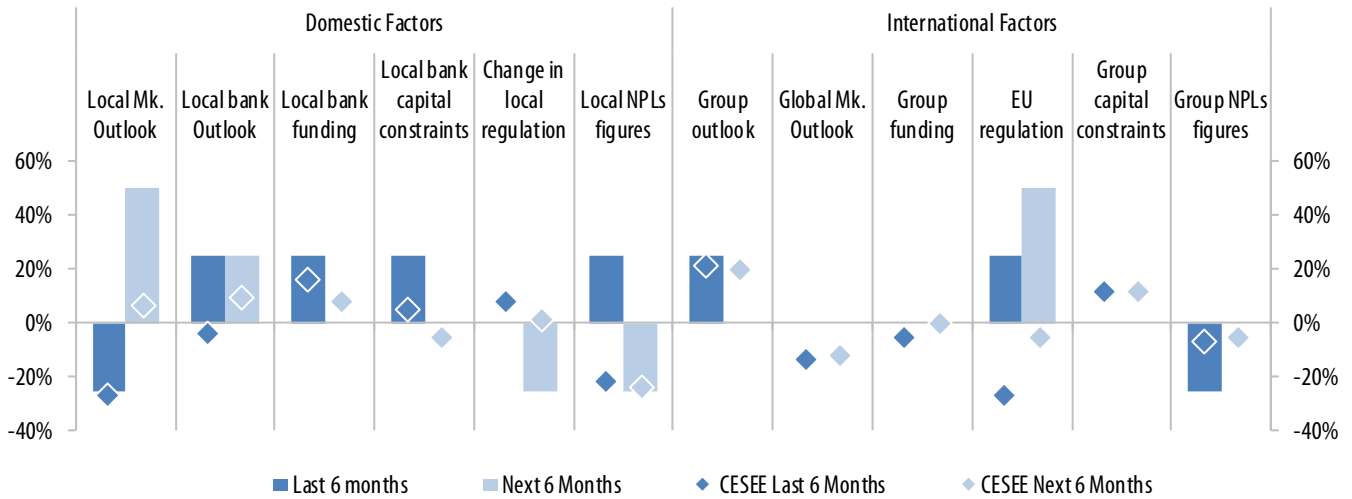


Source: EIB – CESEE Bank Lending Survey

Note: Net percentage; positive figures refer to higher approval rates. See Question B.Q2 in the Annex

**Figure 9 Factors contributing to supply conditions**

Respondents attributed on balance lower loan supply to the pandemic-induced deterioration in the market outlook. The support deriving from EU regulation, in contrast, is believed to have increased loan supply. The market outlook is expected to improve as the pandemic is progressively brought under control, but NPLs and changes in local regulation are signalled as a possible elements contributing to tighter supply conditions during the next six months.

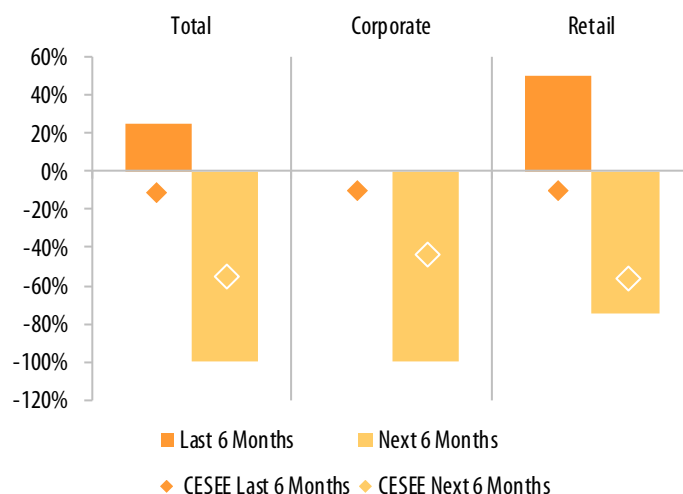


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures refer to a positive contribution to supply. See Question B.Q4 in the Annex

**Figure 10 Non-performing loan ratios**

A large majority of banks expect non-performing loans to rise in the coming months. The situation is similar in other CESEE countries. So far, crisis relief measures, in particular borrowers' ability to defer loan repayments, have contained the increase. Looking ahead, however, the share of non-performing loans may increase as some households that applied for moratoria saw a marked decline in income (eg, sole traders and those operating in sectors most hit by the pandemic), while others have higher debt-service-to-income ratios (see National Bank of Slovakia (2020), *Financial Stability Report*, November).

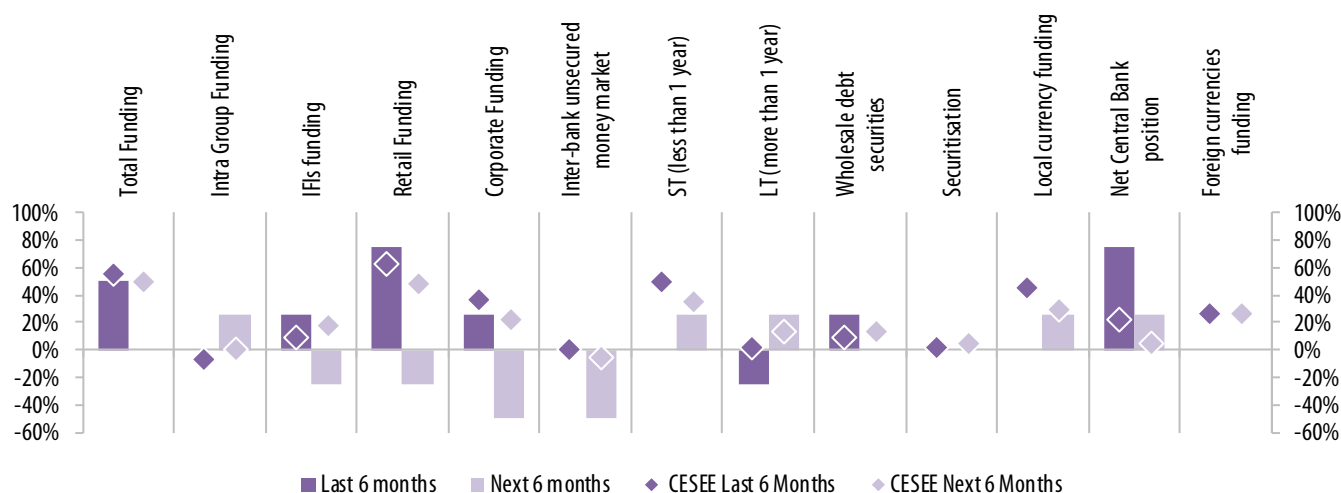


Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; negative figures indicate increasing NPL ratios. See Question B.Q8 in the Annex

**Figure 11 Access to funding**

Banks' funding conditions on balance improved over the past six months in Slovakia. Most banks saw more retail funding, arguably reflecting a combination of increased precautionary and forced savings by households. Banks expect some of these savings to be unwound as the pandemic is retreating.



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentage; positive figures indicate increasing/better access to funding. See Question B.Q9 in the Annex

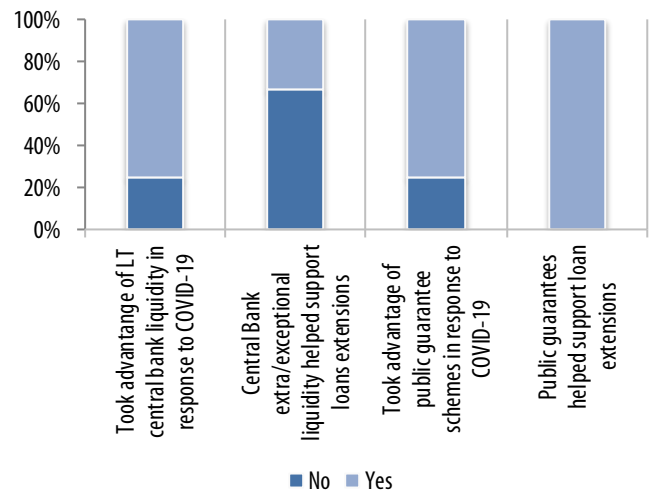
**COVID19 Special Module**

**Regulatory and policy measures supporting lending**

Public loan guarantees were the most frequently quoted measure that supported lending, with almost all banks participating in a corresponding scheme. Regulatory measures, in particular avoiding that expected loan provisioning would have a procyclical effect, and flexibility regarding the treatment of NPLs also helped. That said, banks did not appear to make use of all exceptional regulatory measures: internal credit standards were increasingly tighter than what regulators required (see National Bank of Slovakia (2020), *Financial Stability Report*, November).

**Figure 12**

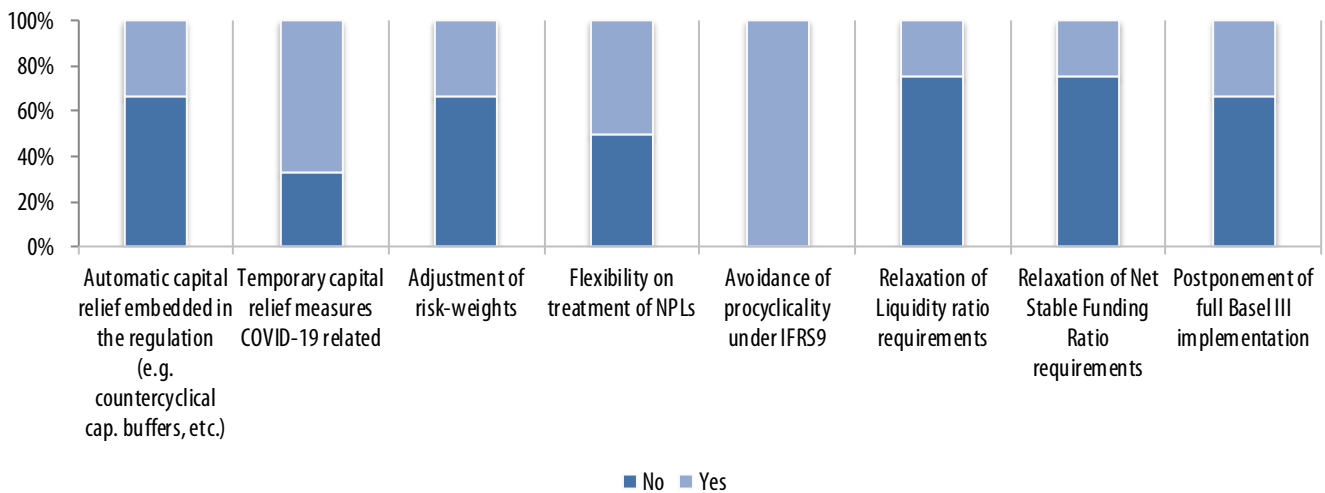
**Uptake and impact on lending of Central Banks liquidity facilities and government interventions in terms of public guarantees**



Source: EIB – CESEE Bank Lending Survey.

**Figure 13**

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



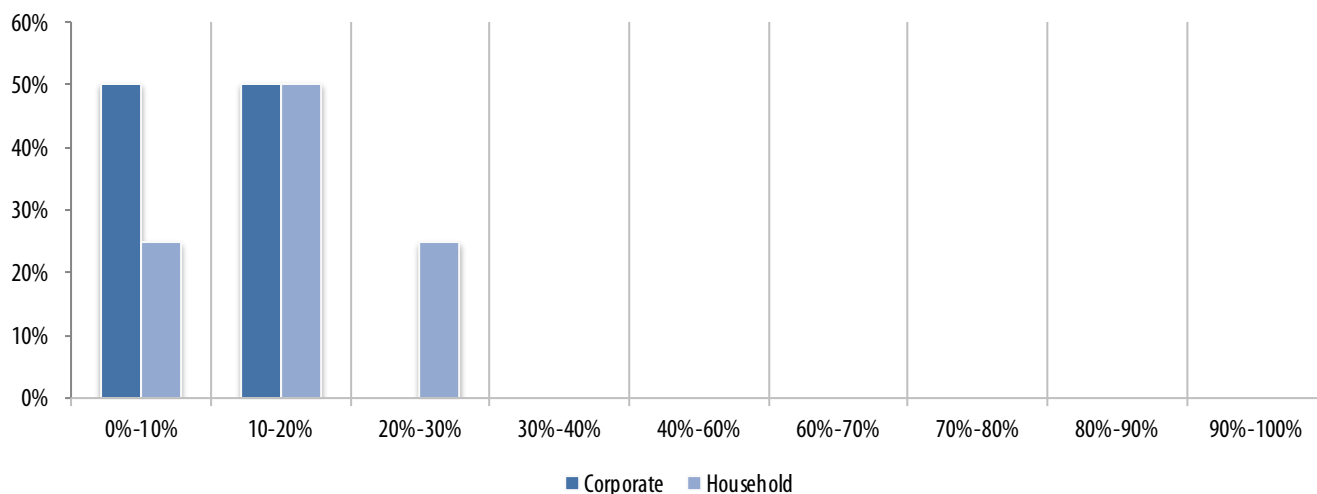
Source: EIB – CESEE Bank Lending Survey.

Note: PTI means payment-to-income ratio; LTV means Loan-to-value ratio

### Moratoria incidence and uptake

Most banks report that 10-20% of their household loans benefit from payments moratoria, and somewhat less for corporate loans. The ability of borrowers to defer loan repayments is likely to have been a key factor limiting the increase in non-performing loans so far (see above).

**Figure 14** Moratoria incidence: Percentage of your corporate/household portfolio/clients' loans

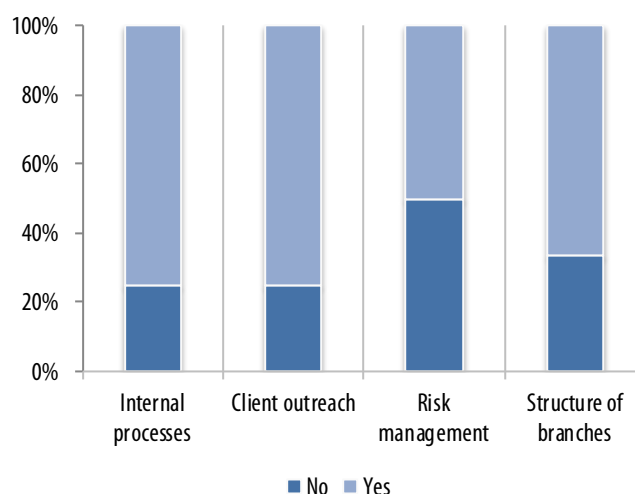


Source: EIB – CESEE Bank Lending Survey.  
 Note: shares are in terms of total balance sheet size

### Impact on strategic priorities in terms of digitalisation

Most banks report that the COVID-19 pandemic will prompt them to speed up the digitalisation of both their internal processes and of their outreach to clients. The digitalisation of risk management and of the structure of bank branches will also pick up.

**Figure 15** Due to COVID-19 propensity to speed up digitalisation in terms of:



Source: EIB – CESEE Bank Lending Survey.





# Annex

Non-performing loans in % of total loans (more than 90 days overdue)													
	AL	BA	BG	HR	CZ	HU	XK	MK	PL	RO	RS	SK	CESEE
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	5.08
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	5.08
2020Q2	8.09	6.70	8.11	5.45	2.40	3.98	2.60	4.56	7.00	4.38	3.70	2.69	5.18
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	5.01
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	4.99
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	5.29
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	5.44
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	5.59
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	5.66
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	5.99
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	6.21
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	6.64
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	6.59
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	7.08
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	7.42
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	7.77
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	8.03
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	8.56
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	8.86
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	9.35
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	9.46
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	10.16
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	10.30
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	10.92
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	10.49
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	11.01
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	11.42
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	11.53
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	11.58
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	11.63
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	11.62
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	11.46

Source: WIW

Credit to private sector, y/y growth rate													
	AL	BA	BG	HR	CZ	HU	XK	MK	PL	RO	RS	SK	CESEE
2021M2	5.36	-0.78	4.13	2.72	4.29	11.65	6.14	4.31	-0.73	5.36	10.47	4.29	3.05
2020Q4	6.92	-2.50	4.46	3.47	4.10	13.46	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
2020Q2	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
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



# Survey Description

## Key statistics

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

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

**Target groups:** international banks active in CESEE interviewed at group level and local banks/local subsidiaries of these groups interviewed at single-entity level:

- 14 international groups
- between 70 and 80 local banks/subsidiaries.

**Average coverage:** 50% of regional banking assets.

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

**Periodicity:** semi-annual (Sep and Mar). The first survey was conducted in October 2012.

## The CESEE Bank Lending Survey – technical note

The CESEE Bank Lending Survey was developed in the context of the Vienna Initiative 2.0 and has been endorsed by the various institutions participating in VI 2.0 as an instrument to:

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

Taking into account the unique nature of the regional banking sector, with a large proportion of banks being foreign-owned, the survey investigates both the strategies of international banks active in CESEE and the market conditions and market expectations as perceived by the local subsidiaries/local banks. To that end, the survey covers the major international banks operating in CESEE and their subsidiaries in the region. At the same time, to gain a full understanding of local market conditions, an effort has been made to also include in the survey the relevant domestic players in a specific local market.

Given these features, the survey is a unique instrument for monitoring banking sector trends and challenges in CESEE. It complements domestic bank lending surveys by adding the value of comparability across countries and the unique feature of specifically addressing the parent/subsidiary nexus. It also complements information derived from BIS data concerning cross-border banks' exposure.

The survey is administered by the European Investment Bank, under a confidentiality agreement with the individual participating banks. It is addressed to senior officials of the banks involved and is conducted on a semi-

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<sup>1</sup> Details for Slovenia and Ukraine are not presented on a stand-alone basis, due to the relatively low coverage in terms of number of banks.

annual basis in March and September. The first survey was carried out in September/October 2012. Most of the questions have a backward and a forward-looking component, covering the six months before and expectations over the following six months.

In terms of coverage, the latest survey involved 15 international groups operating in CESEE and 90 local subsidiaries/independent domestic players. It is highly representative of international groups active in CESEE and also of local market conditions, as it relates on average to 50% of local banking assets.

The detailed survey questionnaire is contained in the annex. The survey is divided into two sections, the first addressed to international groups, the second to domestic banks/subsidiaries of international groups.

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

The second part of the survey is addressed to domestic/subsidiary banks operating in the CESEE region and 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 be responsible for changes to them. Credit standards are the internal guidelines or criteria that guide a bank's loan policy. The terms and conditions of a loan refer to the specific obligations included in a loan contract, such as the interest rate, collateral requirements and maturity. The survey includes a set of questions assessing the underlying factors affecting the bank's credit standards. Factors are clustered into domestic and international components. Examples of local factors are the local market outlook, local bank outlook and local bank access to funding, changes in local regulation, local bank capital constraints and local bank NPLs (non-performing loans). Among the international factors, the survey includes the group outlook and global market outlook but also EU regulation, group capital constraints and group NPLs.

Demand for loans is also investigated in terms of loan applications. Among the elements that may affect loan demand, various factors relating to financing needs in both the household and enterprise sectors are examined. For the enterprise sector, the survey includes fixed investment, inventories and working capital, corporate restructuring and debt restructuring. For the household sector, the survey considers the effects of housing market prospects, consumer confidence and non-housing-related consumption expenditure.

Most of the questions concerning demand and supply are classified according to two borrower sectors: households and enterprises. Further breakdowns are also considered. For example, the survey investigates developments in the SME and large corporate segments as well as different types of credit lines and loans in the household sector (e.g. consumer credit and loans for house purchases). In addition, maturity and currency dimensions are also explored.

The survey includes specific questions on credit quality and the funding conditions for banks in CESEE. Specifically it includes questions on NPL ratio developments, providing a breakdown between the retail and corporate subsectors. The survey investigates aggregate access to funding as well as funding conditions for an extensive list of funding sources. These include intra-group funding, retail and corporate funding, funding from international financial institutions (IFIs) and wholesale funding.

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

# 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 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 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...**

	<i>...How has it changed over the <b>LAST</b> six months?</i>	<i>...How do you expect it to change over the <b>NEXT</b> six months?</i>
<b>Total</b>		
Retail (deposits and bond to clients)		
Corporate (deposits and bond 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...**

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

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**A.Q6 - Profitability of the strategy in CESEE region: the contribution of activities in CESEE in total ROA of the Group is/will...**

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

**A.Q7 - Profitability of the strategy in CESEE region: ROA of your CESEE operations is higher/lower/equal of that for the overall group...**

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

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

	<b>LAST</b> 6 months	<b>NEXT</b> 6 months
<b>Total Exposure</b>		
Exposure to Subsidiaries - intra-group funding		
Exposure to Subsidiaries - capital		
Direct cross border lending to domestic clients, booked in the 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...**

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

## PART B

### B.Q1 - Credit Supply: bank's (local subsidiary)'s credit standards applied when assessing credit applications...

	<i>...How have they changed over the last six months?</i>	<i>...How do you expect them to change over the next six months?</i>
<b>Overall</b>		
Loans to small and medium-sized enterprises		
Loans to large 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...

	<i>...How has it changed over the last six months?</i>	<i>...How do you expect it to change over the next six months?</i>
<b>Overall</b>		
Loans to small and medium-sized enterprises		
Loans to large 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 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**

	<b>Overall</b>	<b>Loans to SMEs</b>	<b>Loans to large companies</b>	<b>Loans to households for house purchase</b>	<b>Consumer credit</b> (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**

	<b>Overall</b>	<b>Loans to SMEs</b>	<b>Loans to large companies</b>	<b>Loans to households for house purchase</b>	<b>Consumer credit</b> (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 banks 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)...**

	<i>...How has it changed over the last six months?</i>	<i>...How do you expect it to change over the next six months?</i>
<b>Overall</b>		
Loans to small and medium-sized enterprises		
Loans to large 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?**

	<i>...How has it changed over the last six months?</i>	<i>...How do you expect it to change over the next six months?</i>
<b>Overall</b>		
Applications from small and medium-sized enterprises		
Applications from large 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**

*...How have they changed over the last six months?*

*...How do you expect them to change over the next six months?*

**A) Financing needs**

Fixed Investments		
Inventories and working capital		
M&A and corporate restructuring		
Debt restructuring		

**...Loans to Household**

**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		

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**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?**


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Over the **LAST** six monthsOver the **NEXT** six months

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





**ECONOMICS** – REGIONAL STUDIES

# **Central, Eastern and South-Eastern Europe (CESEE)**

## **Bank Lending Survey**

Spring 2021



**European  
Investment  
Bank**

*The EIB bank*

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