



CESEE Bank Lending Survey

H1-2017

CESEE Bank Lending Survey – H1 2017

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EIB's Economics Department: The mission of the EIB's Economics Department is to provide economic analyses and studies to support the Bank in its operations and in its positioning, strategy and policy. The Department, a team of 30 economists and assistants, is headed by Debora Revoltella, Director of Economics.

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Table of Contents

- Regional Overview..... 5
- Albania..... 21
- Bosnia-Herzegovina..... 29
- Bulgaria..... 37
- Croatia..... 45
- Czech Republic..... 53
- Hungary..... 61
- Kosovo..... 69
- Poland..... 77
- Romania..... 85
- Serbia..... 93
- Slovakia..... 101
- Survey Description..... 109
- The Questionnaire..... 113

Regional Overview

Some international banks have continued to partially reduce their aggregate exposure to the region, discriminating among countries of operations on the basis of differentiated returns, market potential and positioning. Regional demand for credit has continued to increase over the last six months, while supply standards have not eased. Group asset quality, domestic capital and changes in regulation weigh negatively on subsidiaries' supply stance. Subsidiaries' NPL ratios have continued to decline.

Summary

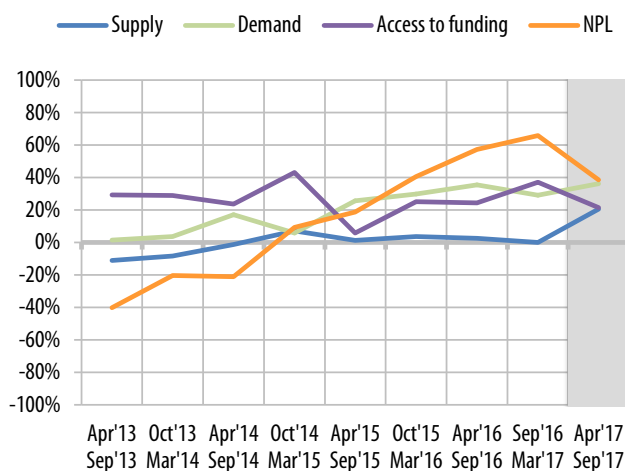
Global strategies: Restructuring of global activities has continued for some banking groups, albeit less intensely than in 2013-2016 on average. Capital increases have been mainly achieved via sales of assets. Some banking groups have continued to deleverage, but an increasing number has been re-leveraging compared to 2015-2016 levels.

Commitment to CESEE: Cross-border banking groups continue to be selective in their countries of operation in CESEE. At the same time, a large majority of international groups described the ROA of CESEE operations to be higher of that for the overall group. Only a small set of banking groups reports the intention to reduce operations as well as diminishing returns. Slightly less than a third of banking groups have continued to reduce their total exposure to the CESEE region. As a result the aggregate trend has still been negative over the last six months.

In the region: CESEE subsidiaries and local banks continue to report an increase in **demand** for credit, whilst **supply** conditions have remained unchanged over the past six months. This has generated a steadily increasing perceived demand-supply gap. On the other hand, it may also suggest that most of the new credit can be on average of a better quality than in prior credit cycles. Across the client spectrum, supply conditions eased partially in the corporate segment, including SME lending, while credit standards have tightened on mortgages and consumer credit. Changes in regulation and banks' capital constraints are perceived as key factors adversely affecting supply conditions. Groups' NPLs are also consistently indicated as a drag on supply conditions. In the last six months, **demand** for loans improved again across the board. This marks the eight consecutive semester of positive developments. All factors affecting demand have had a positive contribution. Notably, investment accounted for a good part of the strengthening in demand, whilst debt restructuring was almost irrelevant.

Access to funding has continued to ease in the CESEE region, supported by easy access to domestic sources, mainly retail and corporate deposits. IFIs funding has also contributed positively.

The flow of **NPL ratios** continued to improve. In absolute terms, the share of subsidiaries still reporting an increase in their NPL ratios fell to 9 percent, down from 60 percent in 2013.



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

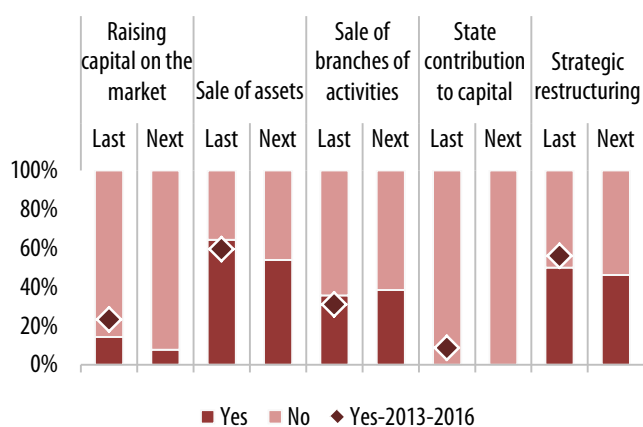
NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Restructuring of global activities has continued for some banking groups, albeit less intensely than in 2013-2016 on average. Capital increases have been mainly achieved via sales of assets. Some banking groups have continued to deleverage, but an increasing number has been re-leveraging compared to 2015-2016 levels.

Some cross-border banking groups have continued to be engaged in various forms of restructuring at the global level to increase their group capital ratios. They also expect this process to continue (Figure 1), albeit at a slower pace than previous years. Moreover, strategic restructuring expectations are, on average, lower than in 2013-2016. Lately, capital has been raised primarily through sales of assets and partially through sales of branches. In contrast to the past, no state contribution to capital has been introduced and/or expected. Compared to 2013-2016, a smaller set of banking groups has continued to raise capital on the market. Looking at the next six months, contributions to balance sheet strengthening are again expected to come mainly from sales of assets and branches, while capital market activities are expected to play a limited role. Deleveraging at the group level (Figure 2) has significantly decelerated compared to 2013 and 2014: about 30% of banking groups expects a decrease in their loan-to-deposit (LTD) ratio in 2015 and 2016, confirming the results of the October 2016H2 survey release survey. Moreover, in 2017 H1 around 30% of the banking groups expect a decrease in group-level LTD ratios. All in all, these outcomes continue to show an improved picture whereby rather balanced, but slightly upbeat, expectations prevail.

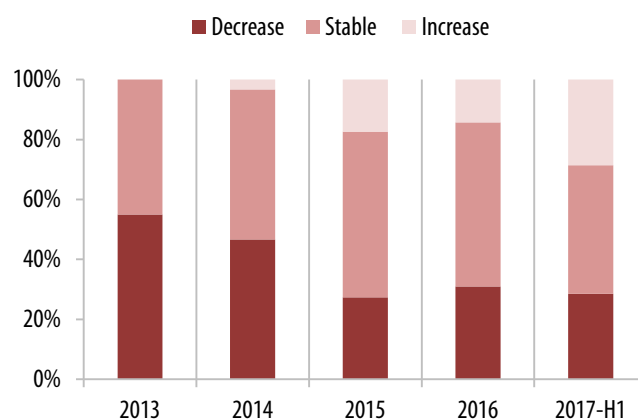
Figure 1 Strategic operations to increase capital ratio



Source: EIB – CESEE Bank Lending Survey.

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

Figure 2 Deleveraging: loan-to-deposit ratio (expectations over the next 6 months)



Source: EIB – CESEE Bank Lending Survey.

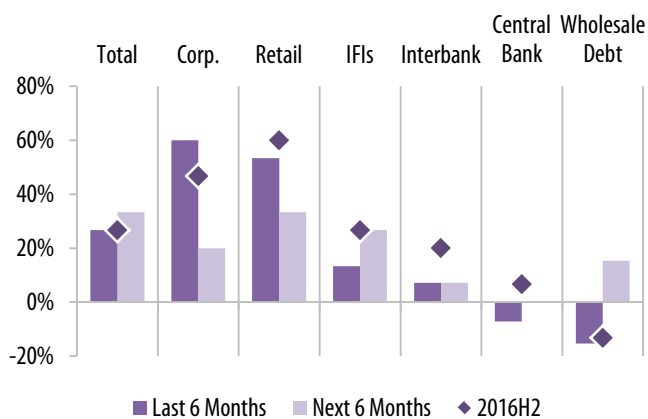
Note: See question A.Q3 – questionnaire in the Annex

Group-level funding conditions continued to ease over the past six months and improved significantly compared to 2015 and early 2016 (Figure 3.a). This is in line with the expectations embedded in the previous release of the survey.

The current release of the survey confirms the expectations embedded in the 2016H2 survey release: access to funding has been easing over the past six months. Following a mild contraction during 2015, in the first half of 2016 access to funding resumed an easing trend, which continued throughout the second half of 2016 and early 2017. This confirms our that the contraction in 2015 was to be seen as a as a temporary event. It is also in line with the expected effect of ECB long-term refinancing operations launched in March 2016 and carried out thereafter

and the vanished the long tail effects generated by the spring/summer 2015 Greek crisis. In detail, the detected dynamics in aggregate access to funding mainly reflect a significant improvement in retail and corporate funding, enhanced access to the interbank market and positive contributions from IFIs over the past six months. On the other hand, banking groups have not relied on central bank liquidity lately. Looking at the next six months, funding conditions are expected to continue easing (Figure 3.b) and more funding is predicted primarily from IFIs.

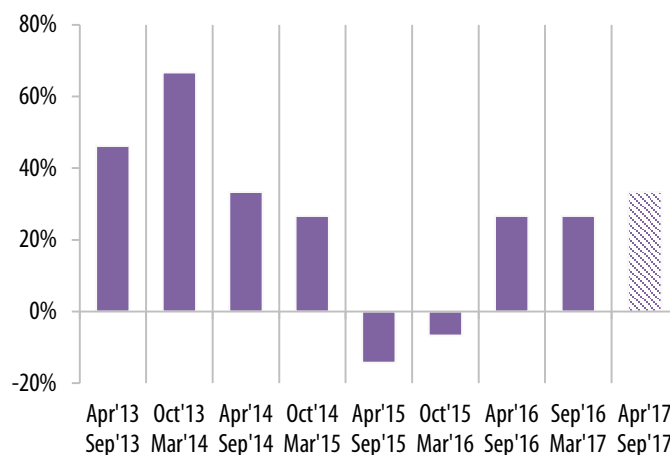
Figure 3a Access to funding conditions



Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q2 – questionnaire in the Annex

Figure 3b Total access to funding conditions



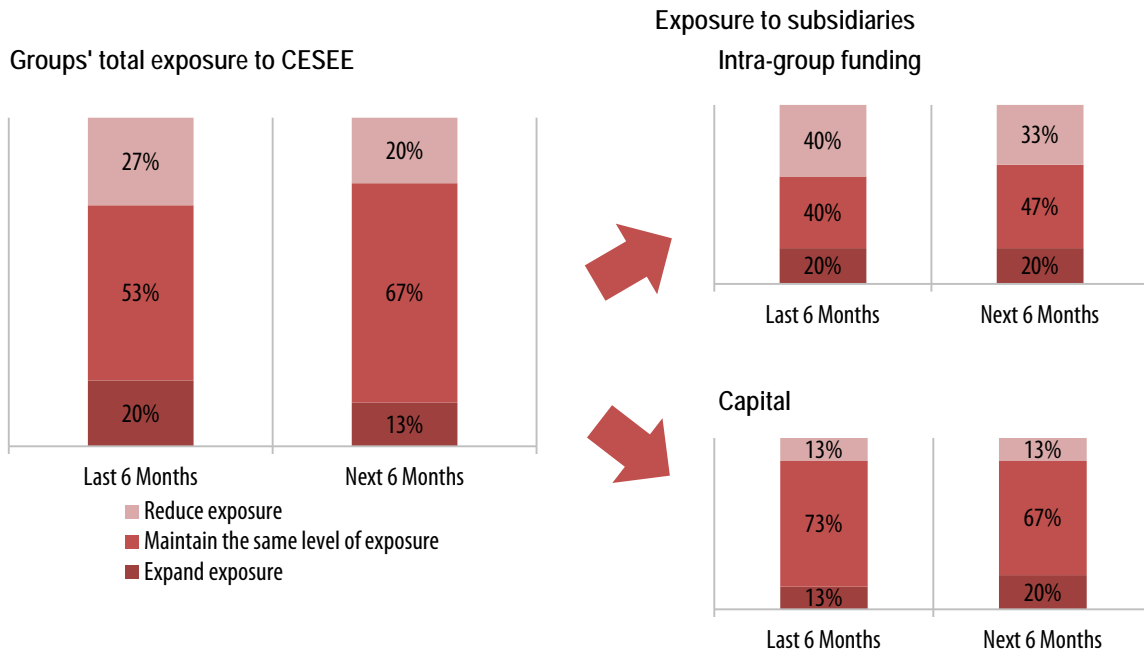
Source: EIB – CESEE Bank Lending Survey.

Note: Net percentages; positive values indicate increased access to funding – see question A.Q2 – questionnaire in the Annex

Slightly less than a third of banking groups have continued to reduce their total exposure to the CESEE region. As a result the aggregate trend has still been negative over the last six months. Looking at the next six months, the net balance is expected to still be slightly negative.

In line with the expectations embedded in the 2016 H2 release of the survey, most of the decline in exposure to the CESEE region stemmed from reduced intra-group funding to subsidiaries (as in the previous release of the survey) whereas only a few groups expanded intra-group funding of CESEE subsidiaries. This process has been slightly more pronounced over the past six months than a year ago and it is expected to continue over the next six months, although at a marginally slower pace (Figure 4.a). Most parent banks report that they have maintained their capital exposure to their subsidiaries, or even marginally increased it; moreover they expect to continue to do so. Few banking groups report a decrease in capital exposure, but this is balanced by few others reporting increases. Over the recent past increasing capital exposures have partially compensated for decreased intra-group funding, although the aggregate net balance has been negative and it continues to be so in the current release of the survey (Figure 4.b). Looking at the next six months, the net balance is expected to still be slightly negative.

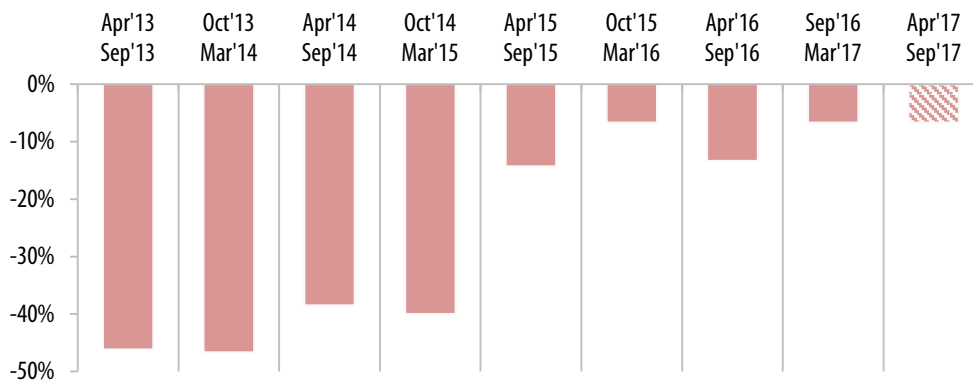
Figure 4a Groups' total exposure to CESEE



Source: EIB – CESEE Bank Lending Survey.

Note: Cross-border operations involving CESEE countries – see questions A.Q7 – questionnaire in the Annex

Figure 4b Groups' total exposure to CESEE



Source: EIB – CESEE Bank Lending Survey.

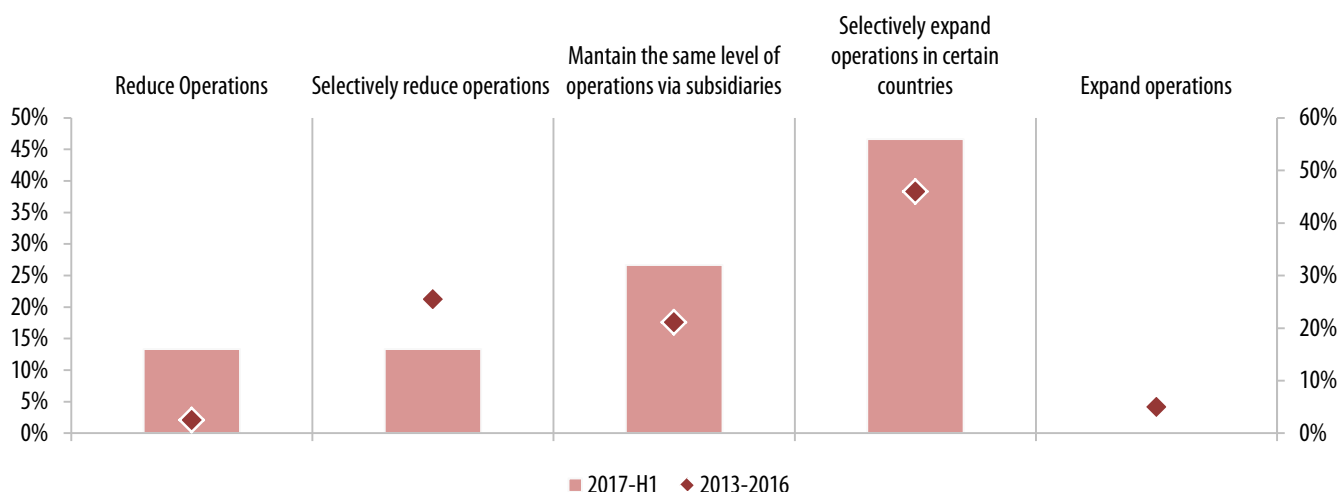
Note: Cross-border operations involving CESEE countries – see questions A.Q7 – net percentages; negative figures refer to decreasing exposure – questionnaire in the Annex

Cross-border banking groups continue to be selective in their countries of operation in CESEE (Figure 5). At the same time, a large majority of international groups described the ROA of CESEE operations to be higher of that for the overall group. Only small set of banking groups reports the intention to reduce operations as well as diminishing returns.

A large majority of international groups reported higher ROAs (return on assets) in CESEE operations than for the overall group over the past six months. Only one-fourth of the banking groups had ROAs in the CESEE region lower than overall group returns. This confirms a positive trend that emerged roughly two years ago. At the same time, a relatively small, and persistent, set of banking groups continue to point at positive but diminishing return compared to overall group activities. While cross-border banking groups continue to discriminate in terms of countries of operation (Figure 5) as they reassess their country-by-country strategies, they are also signalling their intentions to expand operations selectively in the region. Slightly less than 50 percent of the groups have a medium-to-long term strategy of selective expansion of operations, up from an average of 40 percent for 2013-2016. A smaller number of groups (roughly 30 percent) consistently indicate that they may reduce operations in the long term. Looking more carefully at the results, most but not all of such banking groups are based in Greece. In addition, market potential and positioning continue to differ significantly across countries (Annex A.4 and A.5).

The assessment of market prospects is consistent with the results reported in previous releases of the survey. Surveyed banks see the market potential (Annex A.8 for data on low market potential) as being low or having deteriorated in Albania, Croatia, Hungary, Slovenia and Ukraine, and as marginally low in Bosnia-Herzegovina, Serbia and Slovakia. In the other countries of the region, prospects are more encouraging and most banking groups see medium to reasonable market potential. In terms of market positioning, most banks in the majority of the markets remain comfortable with their scale of operations. However, weak positioning should be seen as combined with limited market potential. Some surveyed banks find their positions in Bulgaria in the weak or niche category (Annex A.9 for data on weak positioning). This is even more so in Hungary, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. Conversely, no weak positioning is detected in Croatia. Moreover the assessed profitability of markets in terms of ROA (adjusted for cost of risk) and ROE (adjusted for cost of equity) differs across countries (Annex A.6 and A.7). Broadly speaking, some signs of low profitability for some banking groups is associated with operations in most countries of the region.

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



Source: EIB – CESEE Bank Lending Survey.

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

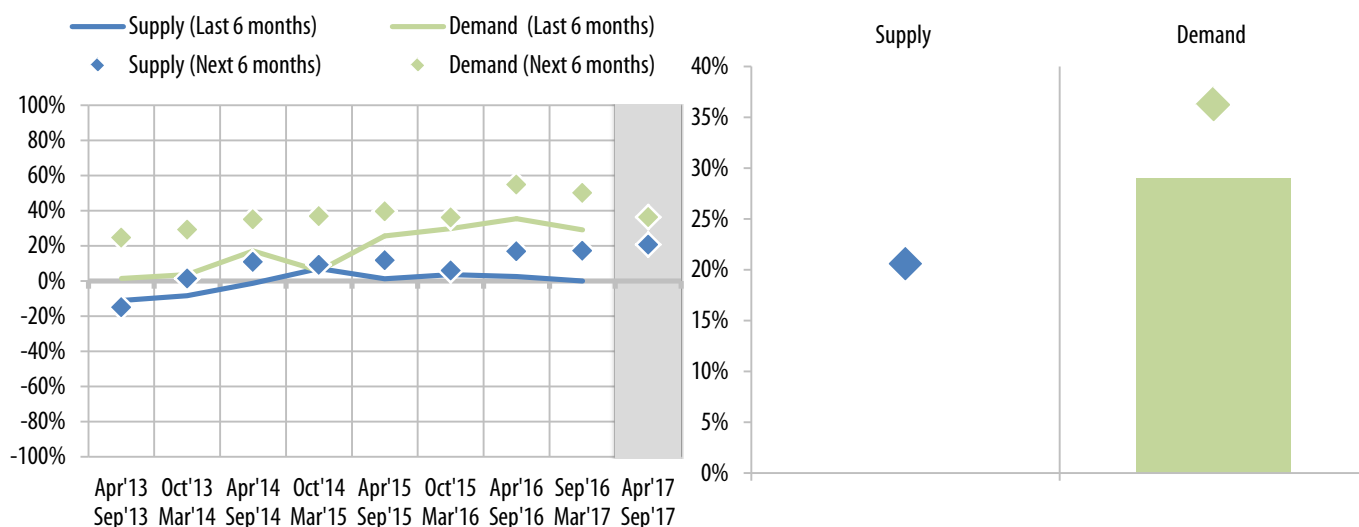
Results of the Bank Lending Survey – Local banks/subsidiaries

CESEE subsidiaries and local banks continue to report an increase in demand for credit, whilst supply conditions were unchanged over the past six months. This has generated a perceived steadily increasing demand-supply gap. On the other hand, it may also suggest that most of the new credit can be on average of a better quality than in prior credit cycles.

In the last six months, **demand** for loans and credit lines continued to increase in net balances (Figure 6). These results mark the eight consecutive semester of positive increase in credit demand for loans. However, the improvement was slightly lower than the expectations embedded in the September 2016 release of the survey. Nevertheless, the trend detected in past expectations is aligned with actual realisations. This signals that, on average, banks are able to better predict future conditions of demand, suggesting a less volatile and uncertain operating environment than before. For the fifth time in a row all factors influencing demand had a positive contribution (see Annex A.1). Working capital accounted for a good part of the demand stemming from enterprises. Contributions to demand from investment exerted a significant positive impact for the fourth consecutive time. Moreover, and in line with a trend previously detected, debt restructuring contributes less and less to propel demand. Last but not least, this is the first time that a positive contribution from investment scores higher than debt restructuring. This is a further indication of an improving and stabilising macroeconomic and financial environment, which is more conducive to investment. Contributions to demand from housing-related and non-housing-related consumption also continued to be robust and positive as well as consumer confidence continues to exert a positive effect. Looking ahead, demand is expected to continue to increase.

Supply conditions continued to remain neutral over the past six months, unchanged from the previous release of the survey. Across the client spectrum, supply conditions (credit standards) eased partially in the corporate segment, including SME lending, whilst credit standards tightened on mortgages and consumer credit (see Annex A.3). Supply conditions slightly eased on both short-term and long-term loans, primarily in local currency. In the period ahead, banks foresee a continuous **expected** expansion in credit **demand** and an easing of **expected supply** conditions. Working capital, investment, consumer confidence, housing and non-housing-related expenditures are all expected to make a positive contribution to demand. Credit demand from enterprises (primarily SMEs) and from households is also expected to be robust (see Annex A.2). Aggregate supply conditions are expected to ease and the easing seems to be broad-based (see Annex A.3). The general terms and conditions of loan supply to the corporate segment continued to partially loosen over the past six months. However,

Figure 6 Total supply and demand, past and expected development



Source: EIB – CESEE Bank Lending Survey.

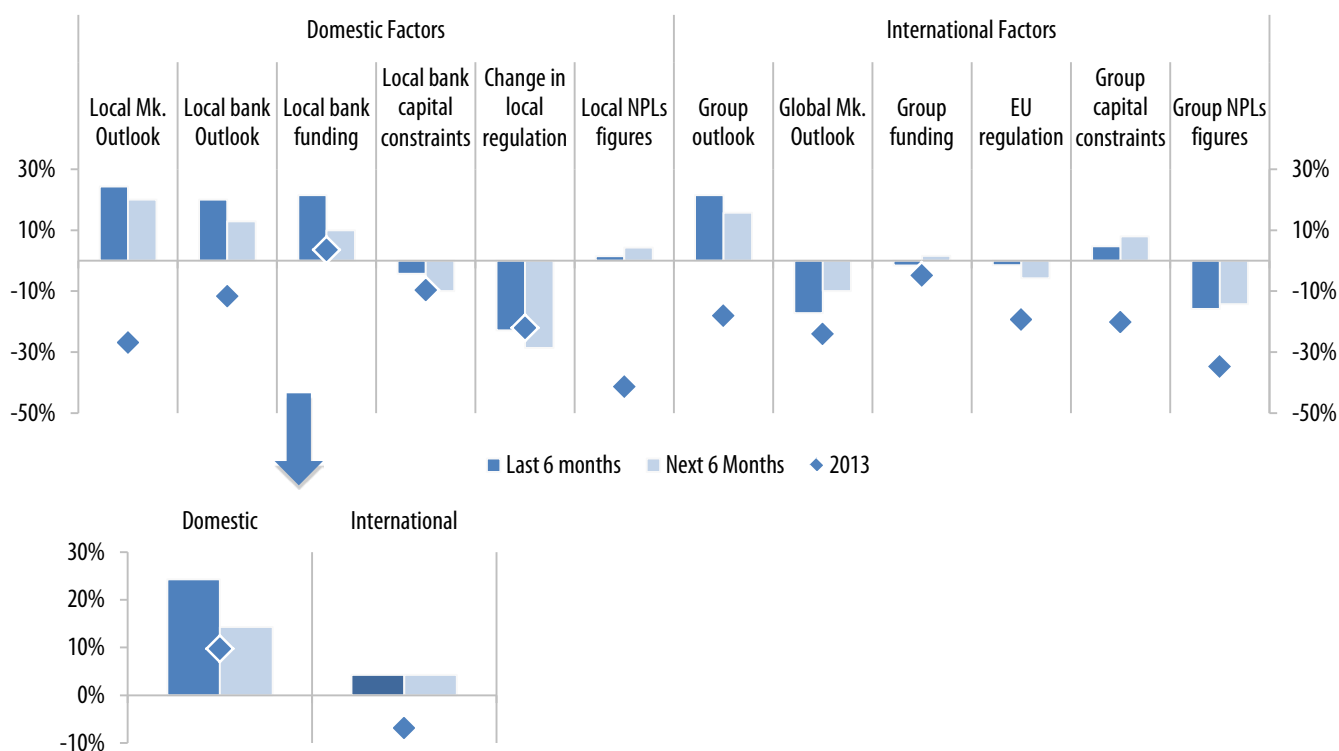
Note: Net percentages; positive figures refer to increasing (easing) demand (supply) (triangles refer to expectations derived from previous runs of the survey, lines report actual values and dotted lines expectations in the last run of the survey) – see questions B.Q1 and B.Q5 – questionnaire in the Annex

collateral requirements tightened further. A cumulated index, built on the demand and supply changes reported in Figure 6, hints at a further widening of the gap between demand and supply positions, where optimism on the demand side continues to be frustrated by the aggregate stagnation of conditions on the supply side. On the other hand, aggregate credit figures for the CESEE entered into positive territory over the past. This positive trend should be paired with the evidence derived from the survey of a strong demand and unchanged credit standard. As a result this may suggest that most of the new credit extended should be on average of a better quality than in prior credit cycles.

The domestic regulatory environment, domestic banks' capital constraints, groups' NPLs and the global market outlook are the main factors adversely affecting supply conditions.

The number of limiting factors at domestic level has been decreasing over time compared to 2013 recordings. Figure 7 shows that almost all domestic and international factors were adversely affecting supply conditions in the first half of 2013. However, the last release shows that the regulatory environment and banks' capital constraints remained limiting elements at the domestic level. As in previous surveys, neither access to domestic funding nor the domestic outlook are seen as a constraint. Also less international factors are playing a constraining role compared to 2016. Mainly global market outlook and group NPLs are mentioned as having a negative effect on credit supply conditions. Overall, an improvement is detected compared to the previous release of the survey, whereby the net negative effects are less pronounced. Looking ahead, almost all the same factors are expected to affect supply conditions in the same direction as in the recent past.

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

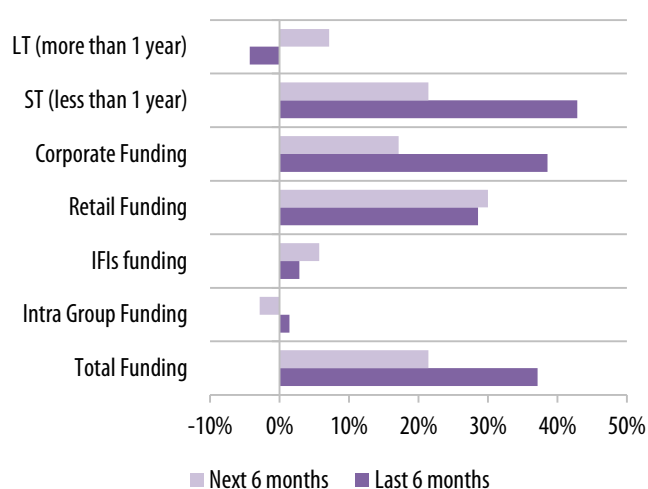
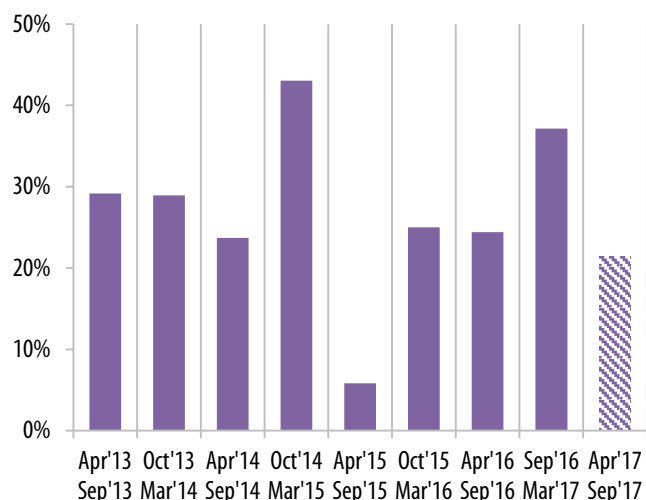
Access to funding continued to ease in the CESEE region even more than in the previous release of the survey.

Easy access to retail and corporate deposits supports a positive outlook (Figure 8). In addition, CESEE subsidiaries report easier access to short-term funding as making a positive contribution to overall funding activities. Longer-term funding conditions deteriorated partially instead. This is not a novel trend and does not support a reduction of maturity mismatches and does not help to boost banks' long-term stable funding ratios. Subsidiaries indicate that access to international and intra-group funding increased slightly on balance during the past six months.

Figure 8 Access to funding by CESEE subsidiaries

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

B. Breakdown of funding conditions – results from latest survey



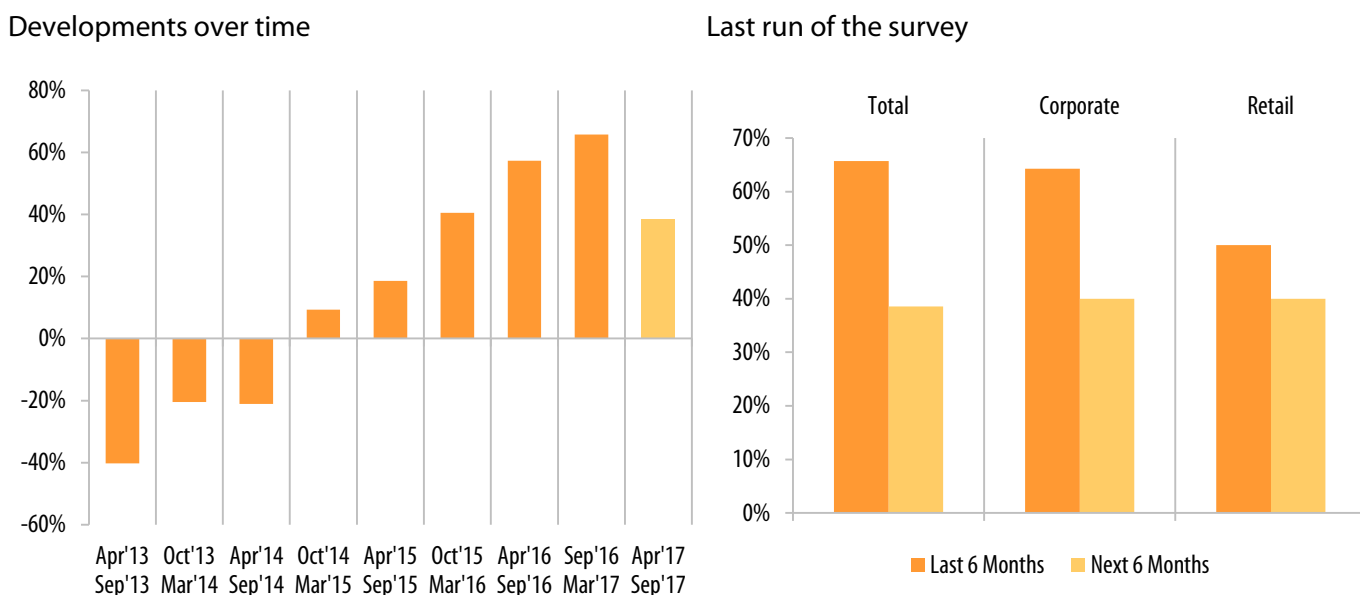
Source: EIB – CESEE Bank Lending Survey.

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

Credit quality has continued to improve, and is expected to continue to do so over the next six months, albeit at a slower pace.

The speed of deterioration in NPL ratios has been slowing down over time, as already pointed out two years ago. The September 2015 release of the survey firmly indicated a turning point in the negative spiral of NPL flows. Over the past six months, and for the fifth time, aggregate regional NPL ratios recorded an improvement in net balance terms (Figure 9). In absolute terms, the share of subsidiaries indicating an increase in their NPL ratios over the past six months fell to 9 percent. This figure is marginally down from the 12 percent indicated in the September 2016 release and substantially lower than 60 percent reported in the September 2013 survey release. All in all, the share of subsidiaries indicating either a stabilisation or decline in their NPL ratios increased. It currently stands at more than 90 percent, while only 9 percent of banks continue to expect an increase in NPLs over the next six months. NPL ratios for both the corporate and retail segments are expected to decrease.

Figure 9. Non-performing loan ratios



Source: EIB – CESEE Bank Lending Survey.

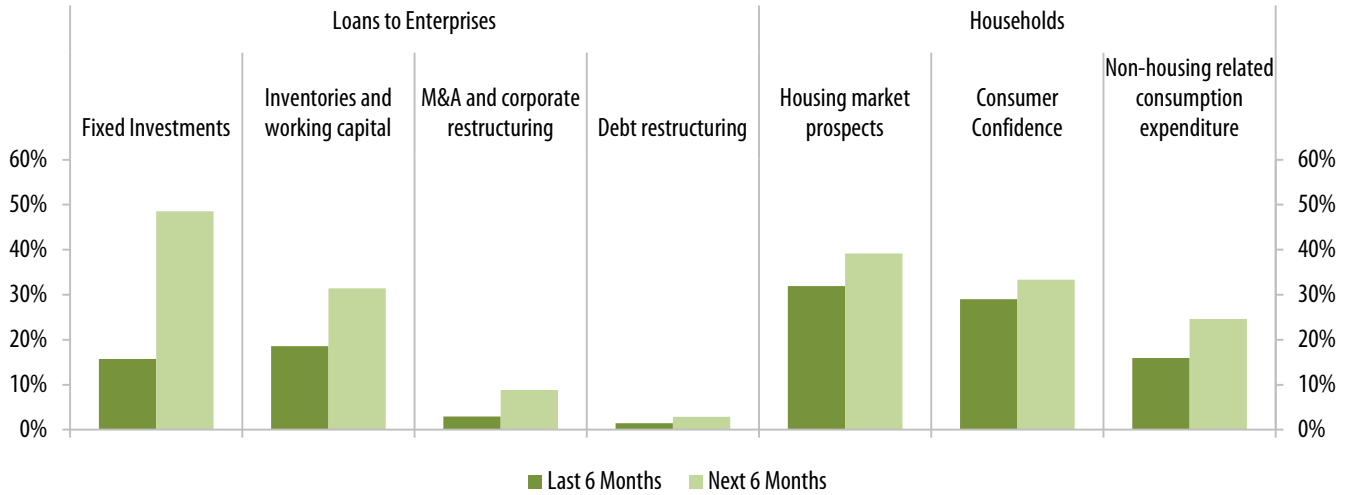
Note: Net percentage; negative figures indicate increasing NPL ratios) – see question B.Q8 – questionnaire in the Annex

The survey shows a protracted stabilisation in the regional environment, although aggregate lending levels still remain rather low. At the same time, some risks are still detected, primarily deriving from the non-domestic environment.

Supply conditions did not ease over the past six months, whilst aggregate credit demand conditions continued to be positive across the board. This has naturally increased a perceived gap between robust demand and unchanged supply conditions. On the other hand, aggregate credit figures for the CESEE entered into positive territory over the past. This positive trend should be paired with the evidence derived from the survey of a strong demand and unchanged credit standard. As a result this may suggest that most of the new credit extended should be on average of a better quality than in prior credit cycles. Nevertheless capital constraints and the regulatory environment remain a drag on a further easing of credit standards. Group NPL levels also constrained an easing of credit standards. All these features taken together still support a persistent differentiation in the attractiveness of certain markets.

Annex

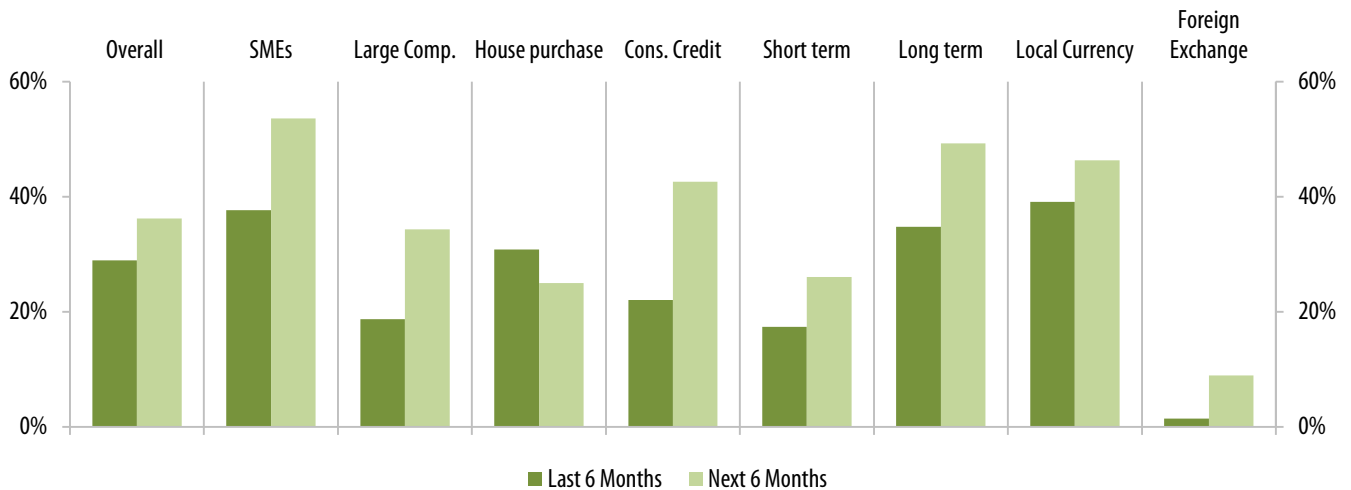
Annex A.1 Factors affecting demand for credit



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

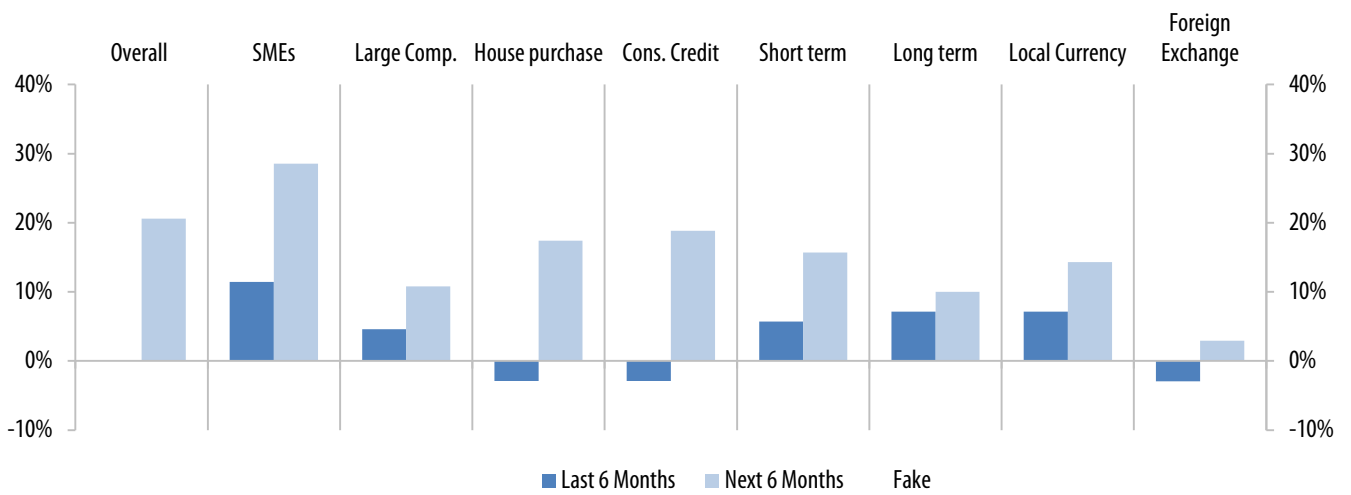
Annex A.2 Demand for loans or credit lines – client breakdown



Source: EIB – CESEE Bank Lending Survey.

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

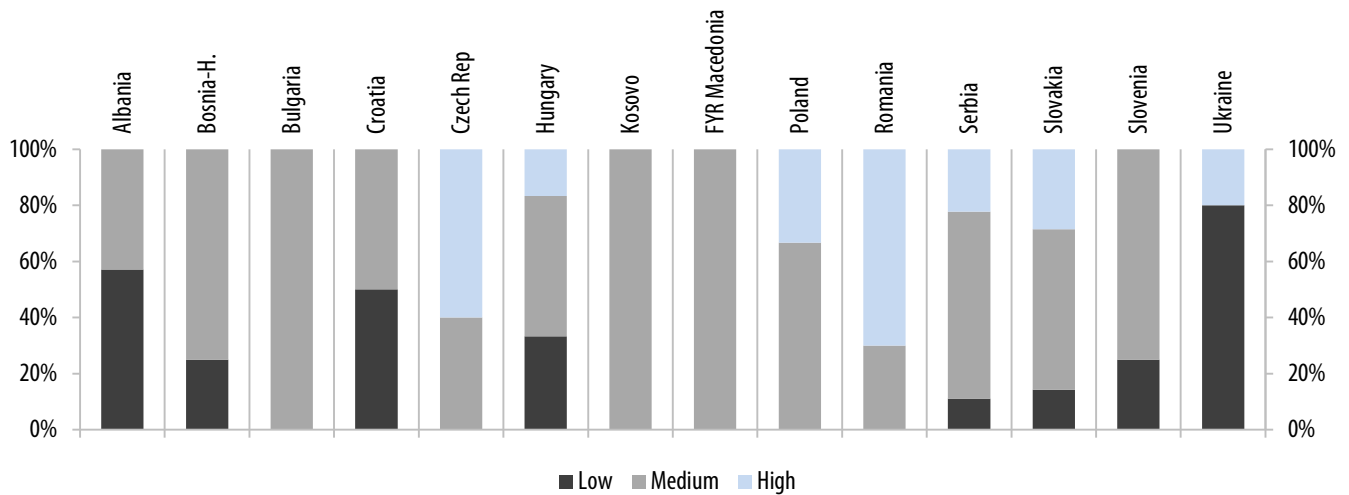
Annex A.3 Credit supply (credit standards) – client breakdown



Source: EIB – CESEE Bank Lending Survey.

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

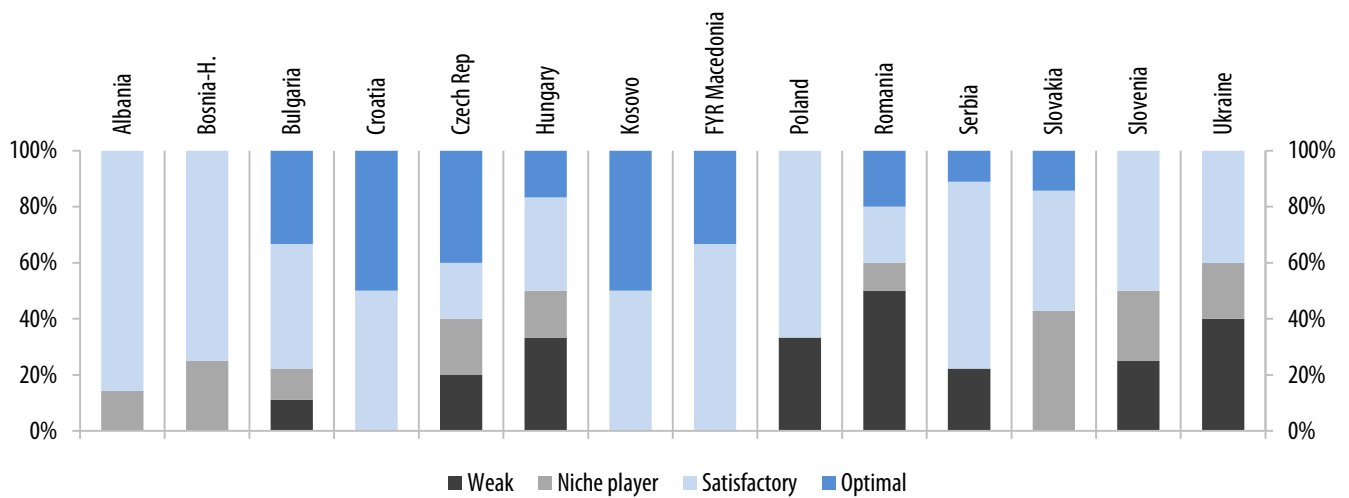
Annex A.4 Market potential



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15 – questionnaire in the Annex

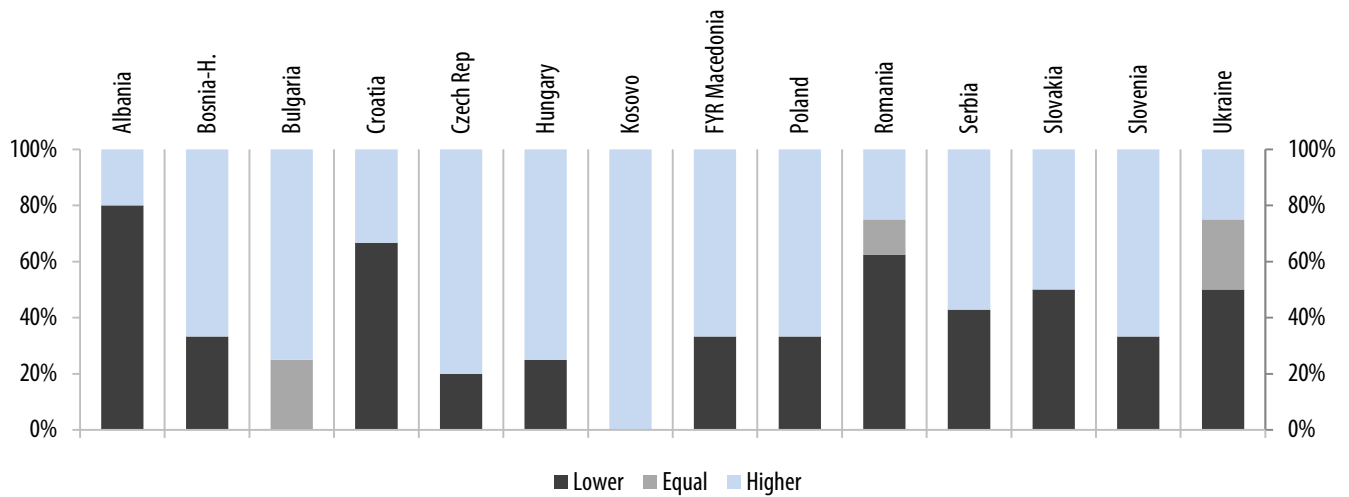
Annex A.5 Market positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15 – questionnaire in the Annex

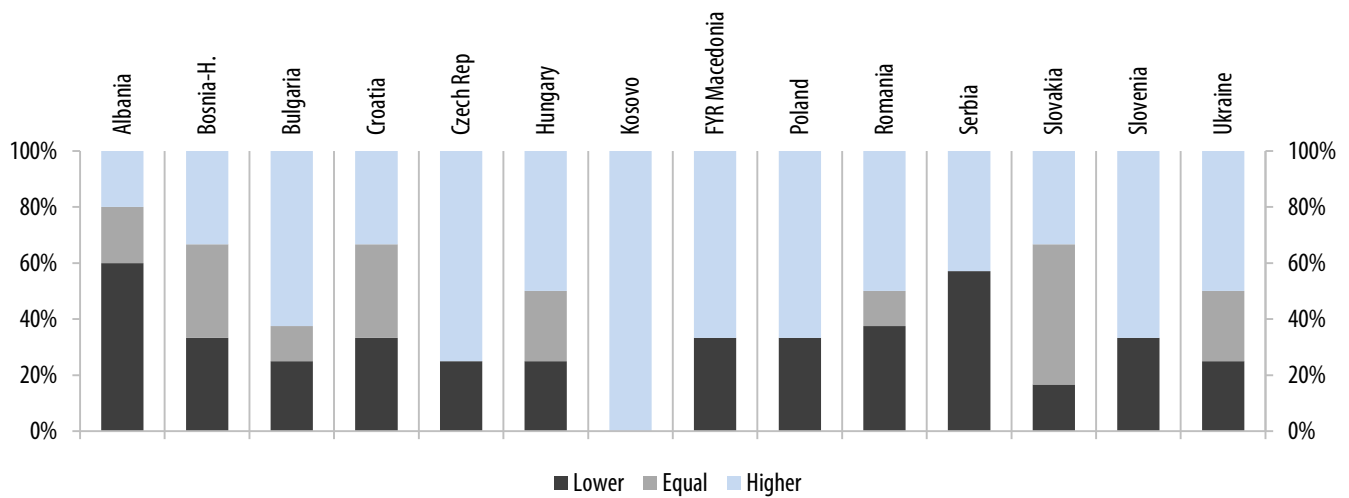
Annex A.6 Return on assets (adjusted for cost of risk) compared to overall group operations



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15 – questionnaire in the Annex

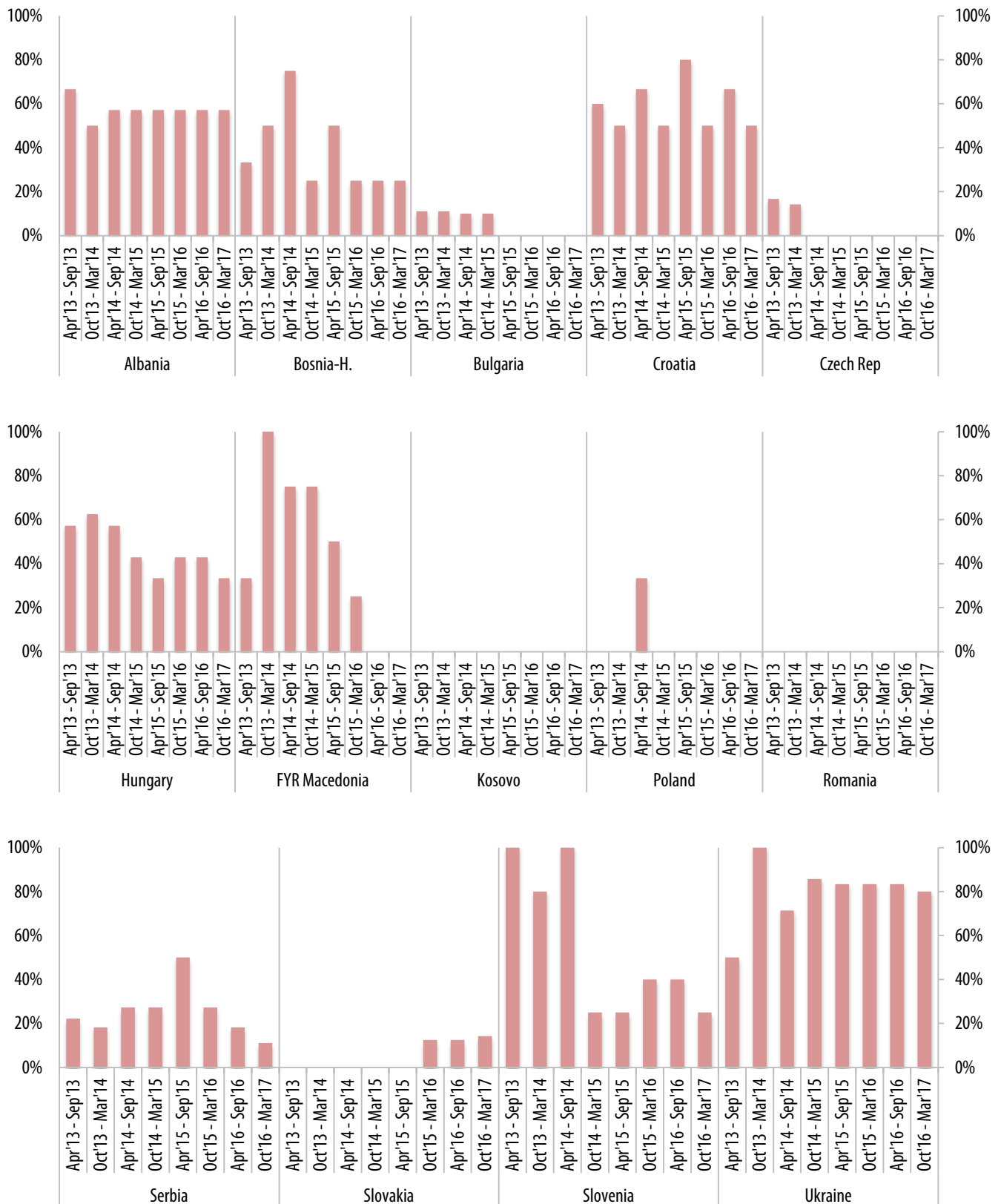
Annex A.7 Return on equity (adjusted for cost of equity) compared to overall group ROE



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15 – questionnaire in the Annex

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



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15 – 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.Q15 – questionnaire in the Annex

Albania

Some selective improvements in the credit cycle going ahead, while market potential remains limited. NPL overhang weights negatively on bank profitability.

Summary

Group assessment of positioning and market potential: Albania is seen by the parent banking groups as a market with low to medium potential and comparatively lower profitability than the group, also due the still high NPL overhang. Majority of parent banks regard their current market position as satisfactory.

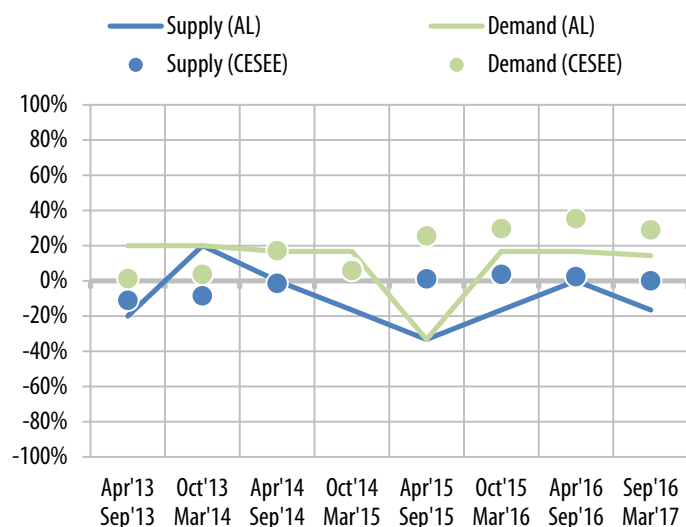
Credit demand in Albania has been increasing modestly, while **supply conditions** have become slightly tighter during the last six months. Both demand and supply conditions are expected to moderately improve over the next six months hand in hand with the improving macroeconomic environment.

The **credit supply conditions** have become tighter for the corporate sector, but they have eased for loans to the household sector in the last six months. Lending standards are expected to ease for all loan segments over the next six months, although slightly more for the households than for the corporates.

The increase in **demand for loans** in Albania has been driven by loans to the SMEs and consumer credit in the last six months. Loan demand by SMEs is expected to dominate also over the next six months. While still below CESEE region as a whole, household demand for house purchase loans and consumer credit is expected to strengthen over the next six months. Debt restructuring remains the underlying factor of loan demand as the deleveraging process goes on. The quality of loan applications has been increasing across all loan segments.

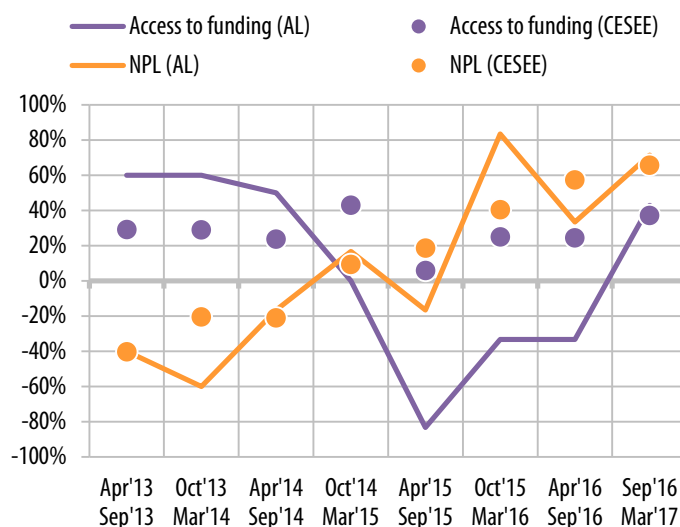
Access to funding: In line with previous expectations, access to funding of bank subsidiaries in Albania has improved and is expected to improve further over the next six months. Improvements have been recorded for both retail and corporate funding as well as for FX funding.

NPL figures, while still high, continue improving, and this trend is expected to persist over the next six months across both corporate and retail loans.



Source: EIB – CESEE Bank Lending Survey.

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



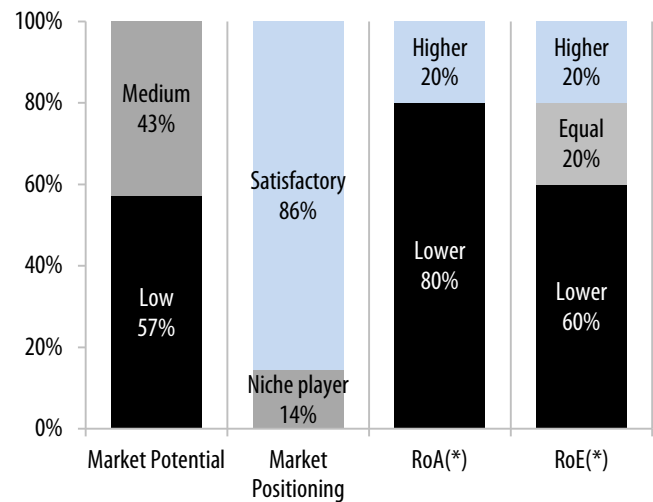
Source: EIB – CESEE Bank Lending Survey.

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 majority of local banks in Albania have been less profitable than their parent banking groups in the last six months. High level of non-performing loan has been weighing negatively on bank profitability. Overall 57 percent of the parent banks see the market potential in Albania as low, and 86 percent of them regard their current market positioning as satisfactory.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

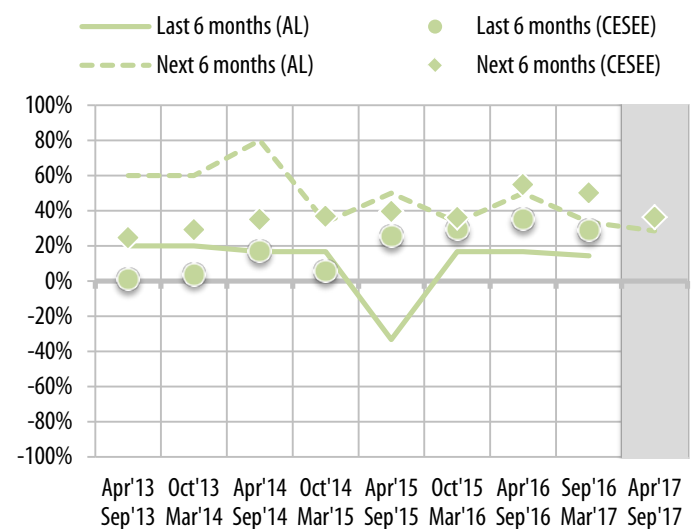
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

With the strengthening economic recovery in Albania supported by corporate investment and household consumption, loan demand in Albania has been expanding carefully, below expectations and lagging behind the CESEE region as a whole.

Figure 2 Demand side developments

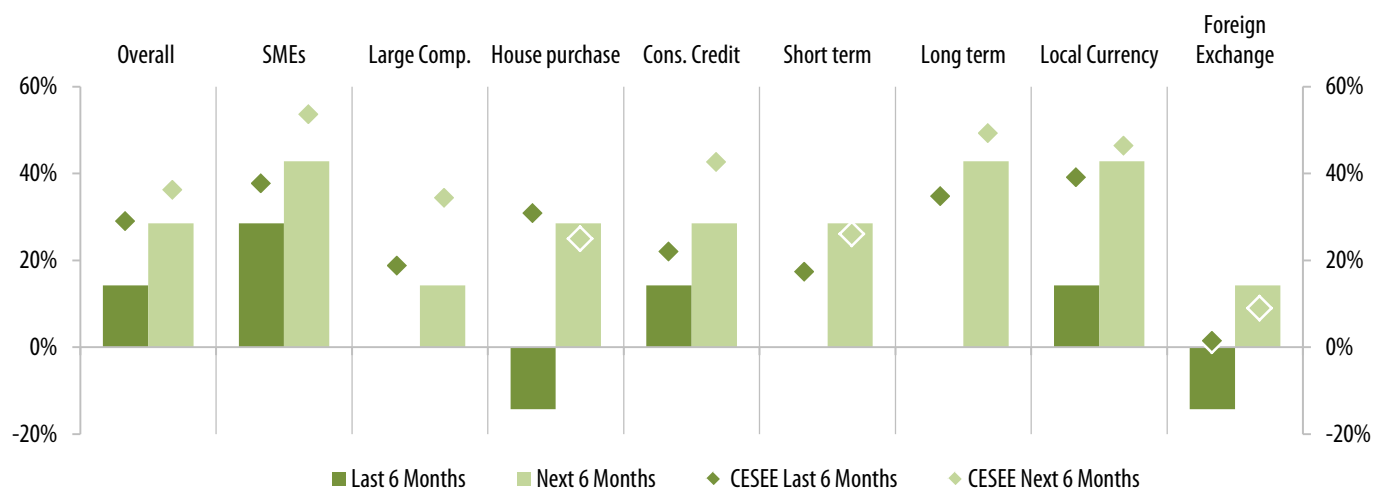


Source: EIB – CESEE Bank Lending Survey.

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

The increase in loan demand in the last six months has been driven by SME loans and consumer credit. On the other hand, demand for large corporate loans has been unchanged and demand for house purchase loans and foreign exchange loans registered a net decline. Over the next six months, loan demand by SMEs is expected to remain the strongest, and demand for large corporate loans is expected to increase. Households' loan demand is expected to strengthen, with an expected increase in the demand for house purchase loans and consumer credit. Nevertheless, the increase in loan demand over the last six months and the expected increase in loan demand for the next six months are below the CESEE average.

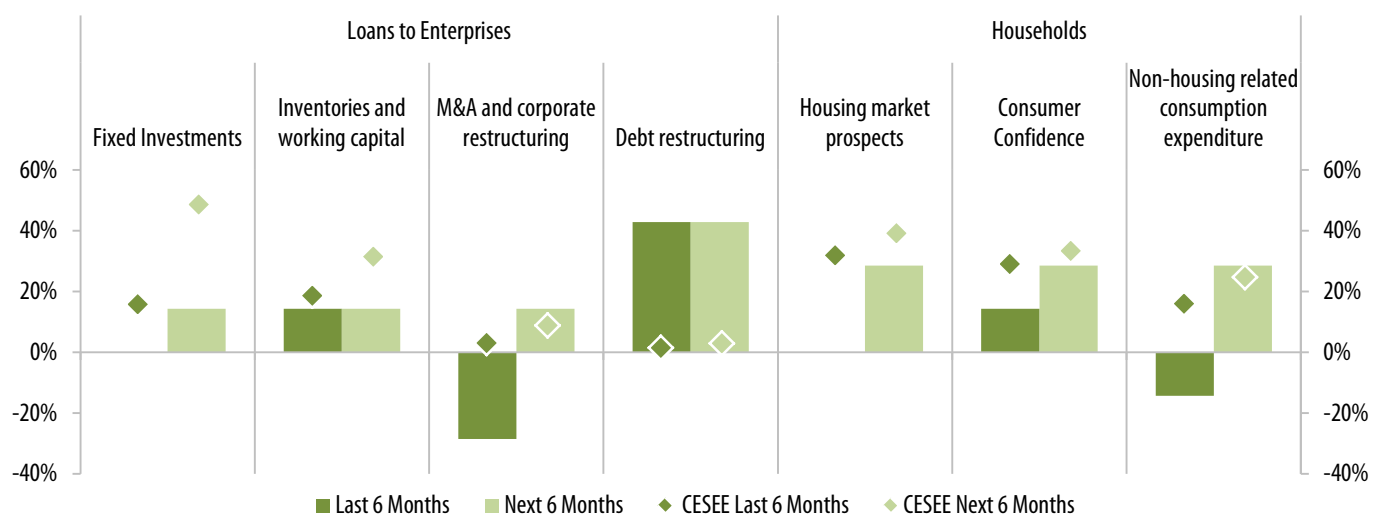


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

NPL overhang continues to have its toll on loan demand, with debt restructuring remaining the dominant factor affecting demand for loans, above the CESEE average. The contributions of fixed investment and housing market prospects to loan demand have been unchanged in the last six months. Over the next six months, debt restructuring is expected to remain the main factor contributing to increased loan demand, but housing market prospects, consumer confidence and non-housing related household consumption are expected to support loan demand as well. The contribution of corporate investment, while positive, is expected to be below the CESEE average.

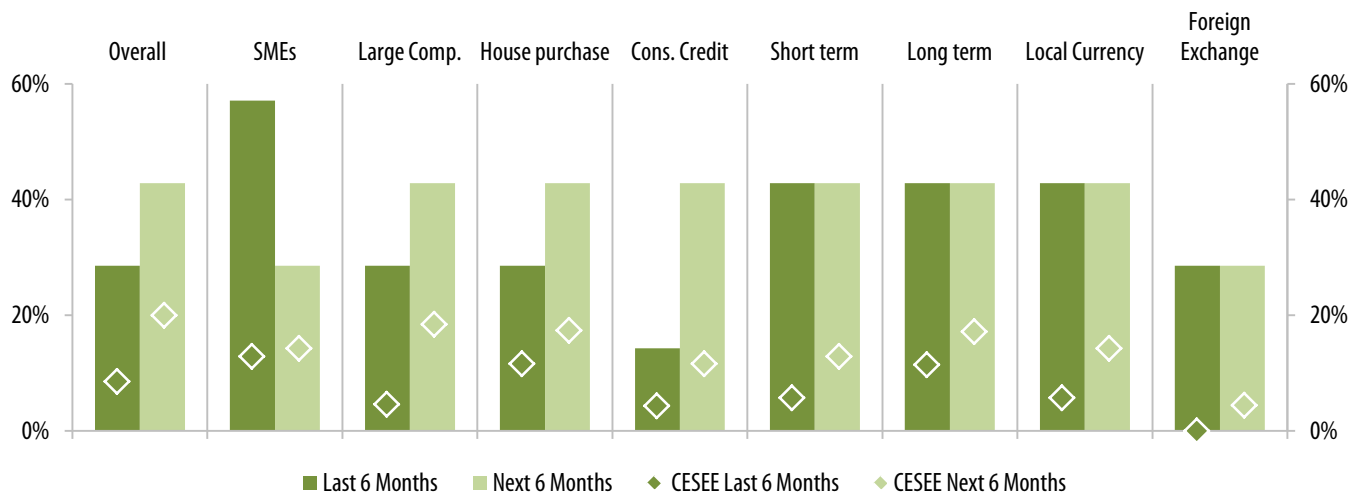


Source: EIB – CESEE Bank Lending Survey.

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 has increased across all loan segments during the last six months, above the CESEE region as a whole. The quality of loan applications increased the most for loans to SMEs (as in the previous period), and the least for consumer credit. Over the next six months, the quality of loan applications is expected to increase further.



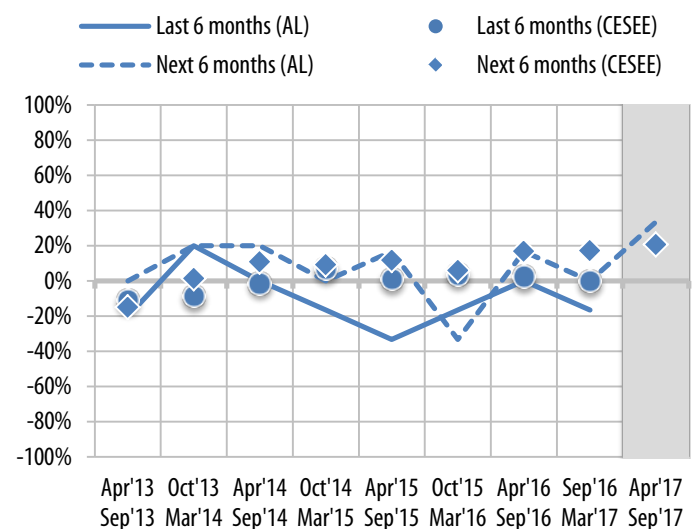
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

After being neutral in the previous period, credit standards have become tighter once again during the last six months. The banks' expectations about the credit standards have been more optimistic recently, and they point to some easing of lending conditions over the next six months.

Figure 6 Supply developments

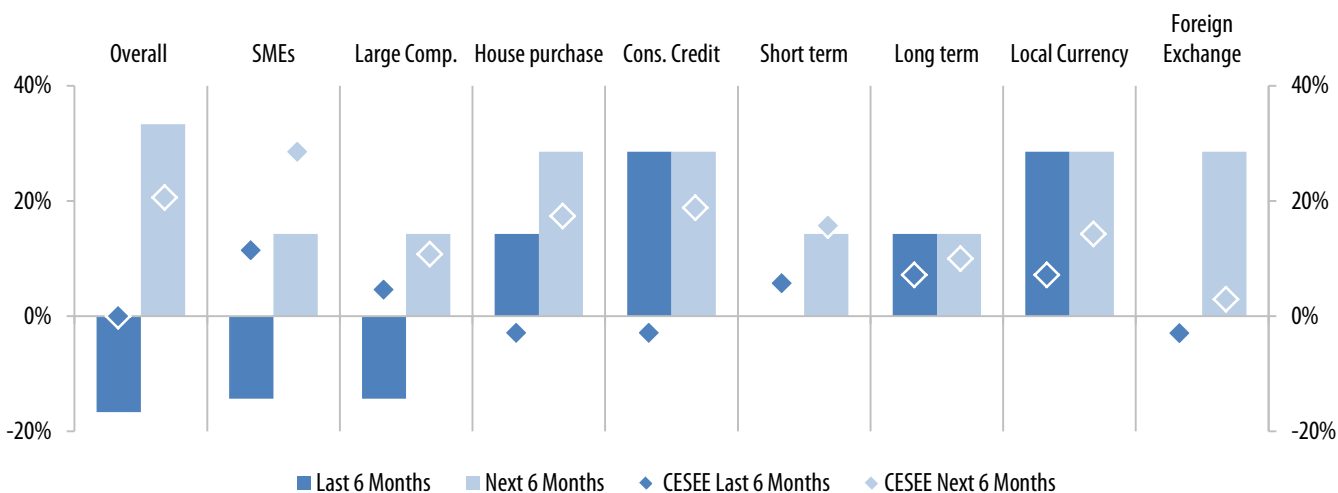


Source: EIB – CESEE Bank Lending Survey.

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

The tightening of lending conditions during the last six months has been driven by the corporate sector, namely SME loans and large corporate loans. On the other hand, bank lending to the households (house purchase and consumer credit) has witnessed an easing of credit standards in the last six months. Looking ahead, banks expect a broad-based easing of lending conditions across the board, more for loans to the household sector (above the CESEE average) than for loans to the corporate sector.

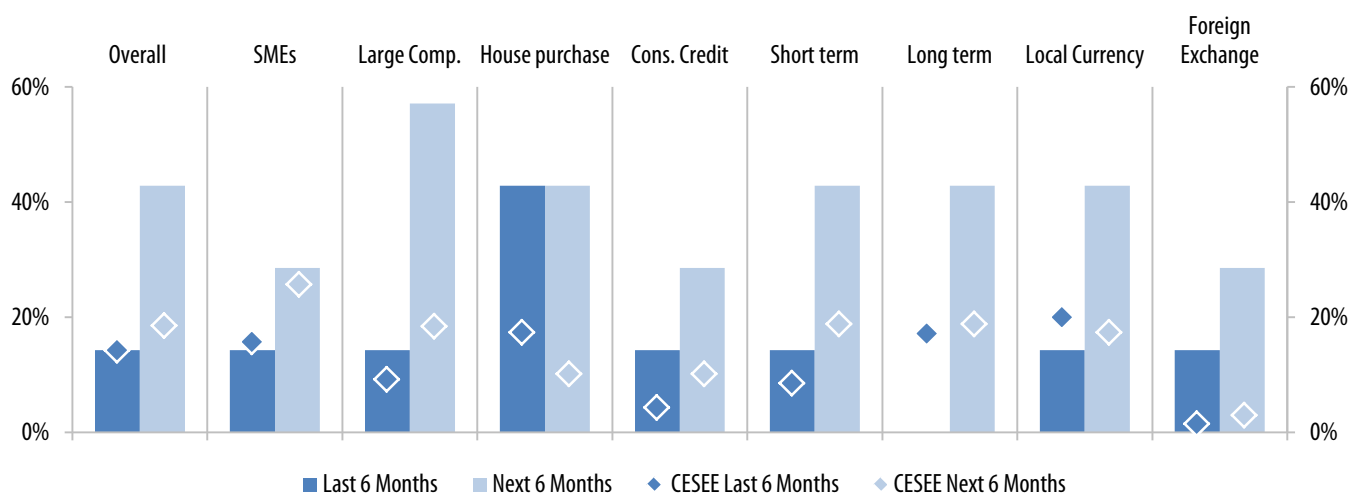


Source: EIB – CESEE Bank Lending Survey

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

In line with previous expectations, the approval rate has picked up during the last six months, in line with the CESEE region as a whole. The increase in the banks' approval rate has been more broad-based, but the highest increase has been registered for house purchase loans, far above the CESEE average. Over the next six months, further improvements in the loan approval rate are expected in Albania, surpassing the CESEE regional expectations. The approval rate for large corporate loans is expected to have be the highest, followed by house purchase loans.

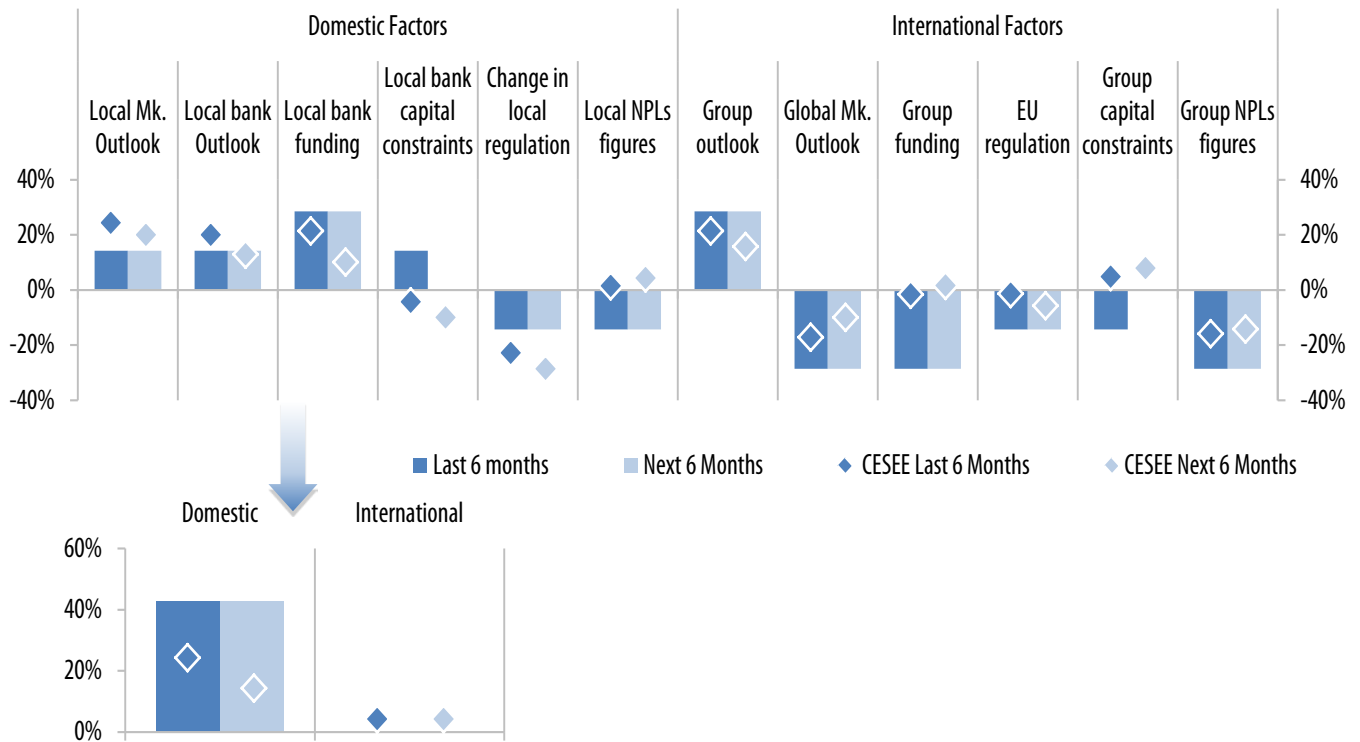


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

The high level of NPLs continues to weigh negatively on credit supply conditions in Albania. Except changes in local regulation, in comparison to the previous period, domestic factors have turned into positive contribution to credit supply. On the other hand, international factors have a broadly neutral contribution to lending conditions. Among the international factors, all except group outlook have had a negative contribution to lending conditions in Albania over the last six months.

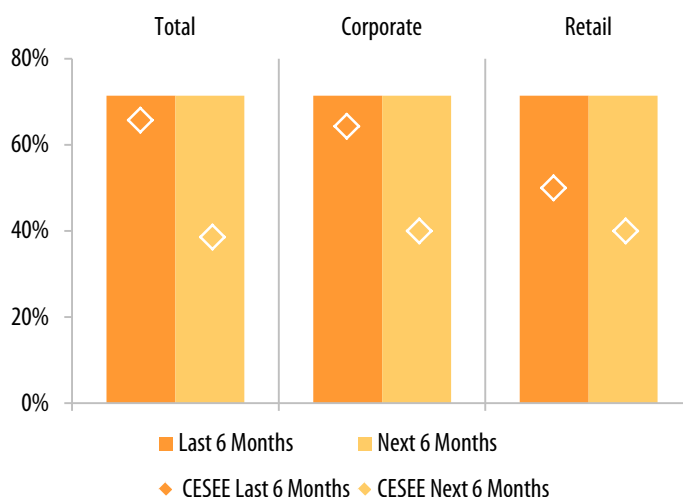


Source: EIB – CESEE Bank Lending Survey.

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

In line with previous expectations, NPL reduction in Albania has been strong during the last six months, for both corporate and retail loans. Over the next six months, banks' expect the continuation of the favourable deleveraging trend across the loan segments, and above the CESEE regional average.

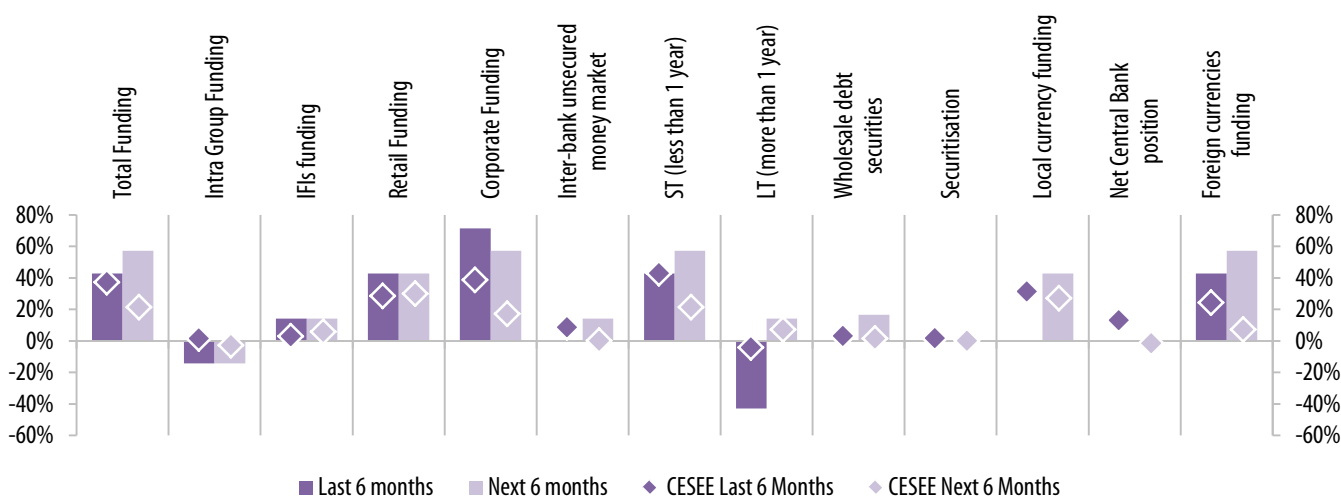


Source: EIB – CESEE Bank Lending Survey.

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 improved in the last six months and further improvement is expected over the next six months. Both access to domestic deposit funding (retail and corporate) as well as to foreign currency funding has improved and is expected to improve further. Access to intra-group funding has been deteriorating slightly. Despite the relatively significant presence of Greek subsidiaries in Albania, the negative spillovers from the Greek parent banks to their subsidiaries in Albania have been contained.



Source: EIB – CESEE Bank Lending Survey.

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

Bosnia-Herzegovina

More neutral credit supply conditions facing a stabilized loan demand after a recent contraction. Credit quality has been improving with some deterioration expected for the corporate sector

Summary

Group assessment of positioning and market potential: 75% of the groups operating in Bosnia and Herzegovina report a medium potential for the local market. The same share of respondents indicates a satisfactory positioning in the market, which reflects also a relatively positive achievement on profitability in comparison to overall group operations.

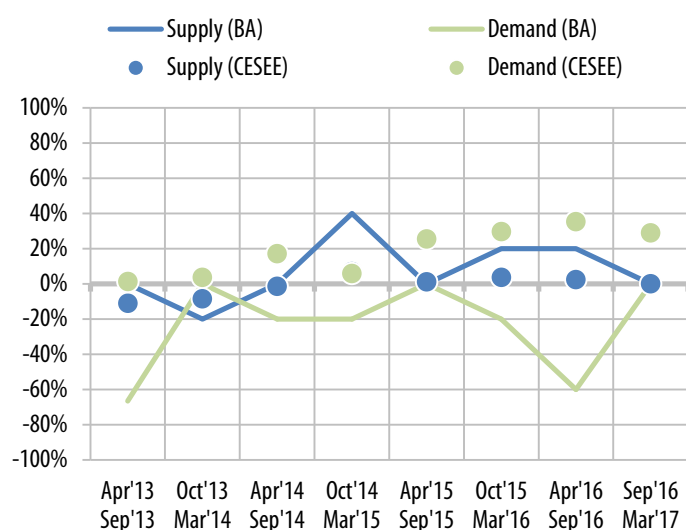
After a drop in **credit demand in the previous period, it has become more neutral over the last six months**, while credit **supply conditions have become broadly neutral**. Loan demand has been rather subdued for a while and has been lagging behind the credit standards. Both loan demand and credit standards are expected to improve over the next six months.

Credit supply conditions have eased for large corporate loans as well as for house purchase loans and consumer credit. Local subsidiaries expect a slight credit easing across the board in the coming months. While the ongoing deleveraging as well as local market and bank outlook hold back the credit supply, local bank funding has been contributing positively to the credit supply conditions.

Demand for loans has remained broadly unchanged after a period of a net decrease. In the last six months, demand for loans has been supported by SMEs and large corporates, as well as households' demand for house purchases and consumer credit in light of the strengthening household consumption. In the coming months, local banks expect a more broad-based increase in demand for loans. Debt restructuring keeps contributing to the loan demand as a result of the deleveraging process. Over the next six months, corporate investment is expected to act stronger as a factor behind loan demand.

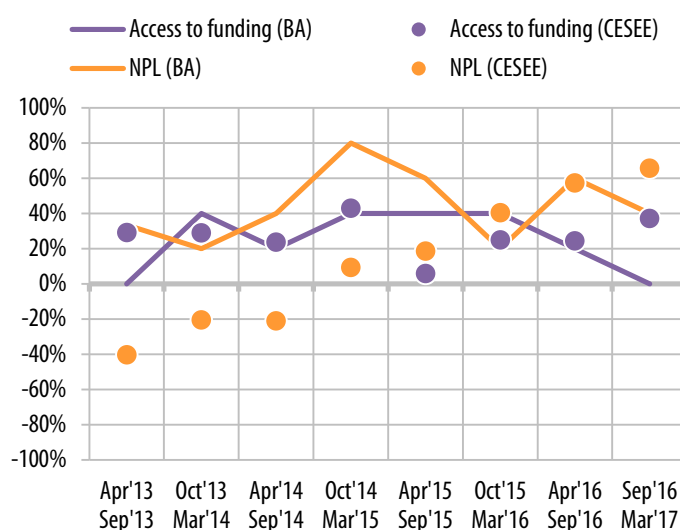
Access to funding has remained unchanged, with main improvements from retail deposits and interbank unsecured money market. Retail deposits are expected to contribute positively also in the coming months.

NPL figures have declined recently, although an increase in NPL ratio is expected for corporate loans.



Source: EIB – CESEE Bank Lending Survey.

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



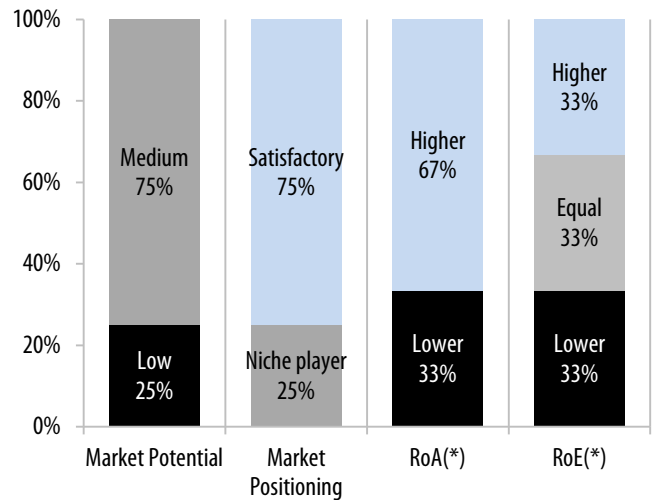
Source: EIB – CESEE Bank Lending Survey.

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 views of the parent banking groups operating in Bosnia and Herzegovina regarding the market potential and positioning have remained broadly unchanged from the previous period. Overall 75% of respondents envisage a medium market potential and the same share regards their current market positioning as satisfactory. About 67% of local banks report higher return on assets (adjusted for the cost of risk) than the overall group operations, and 66% of banks report higher or equal return on equity (adjusted for the cost of equity) than the overall group operations, despite the still relatively high NPL ratio and subdued loan demand.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

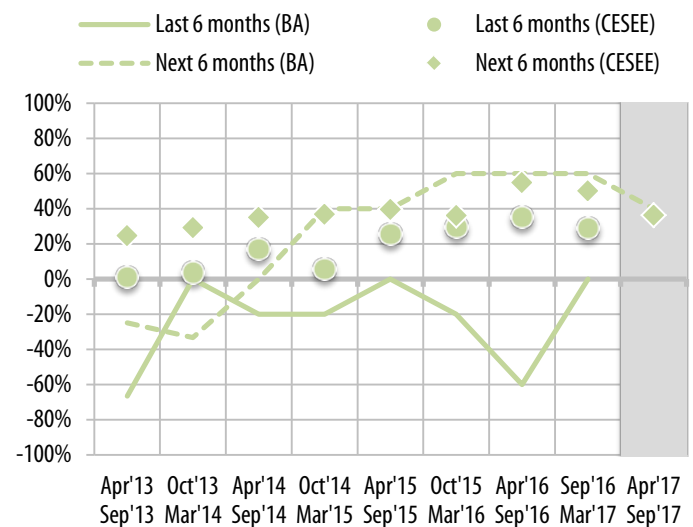
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

From a sharp net decrease in loan demand in the previous period, demand for credit remained broadly unchanged during the last six months. Loan demand remains well below the expectations series and below the CESEE region as a whole. Over the next six months, the local subsidiaries continue expecting an increase (albeit smaller than in the previous period) in the demand for credit.

Figure 2 Demand side developments

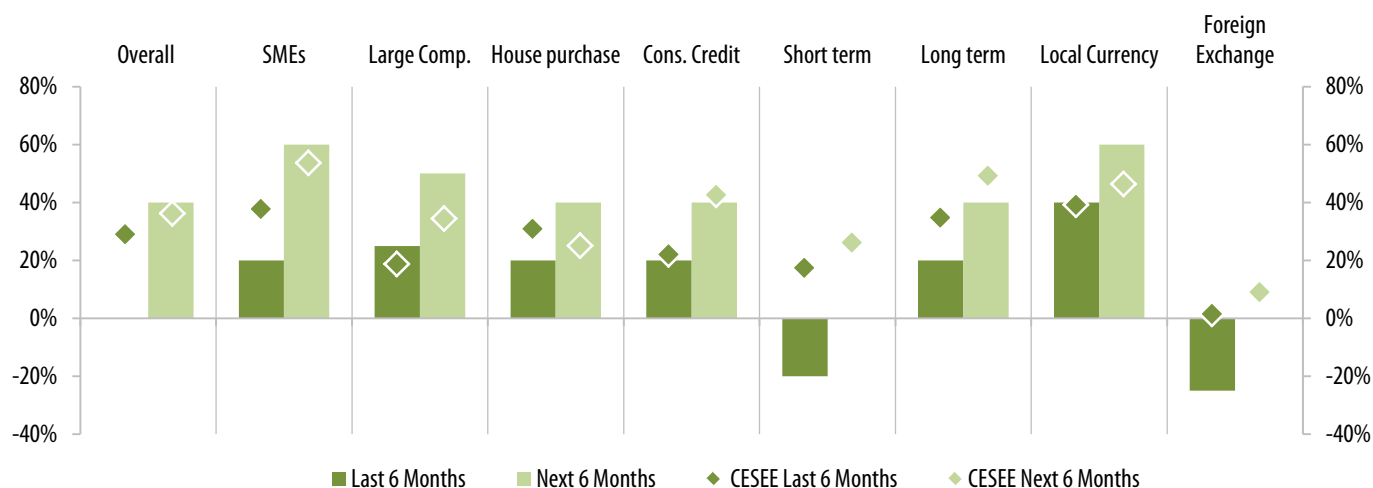


Source: EIB – CESEE Bank Lending Survey.

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

While the overall loan demand remained unchanged during the last six months, it recorded small increases for loans to SMEs and large corporates, local currency loans as well as households' demand for house purchase loans and consumer credit. This corresponds to a recent strengthening households' consumption in Bosnia and Herzegovina. A net decrease in loan demand in the last six months was recorded for short-term loans and foreign-exchange loans. Over the next six months, local banks expect a broad-based increase in loan demand, in line with CESEE average.

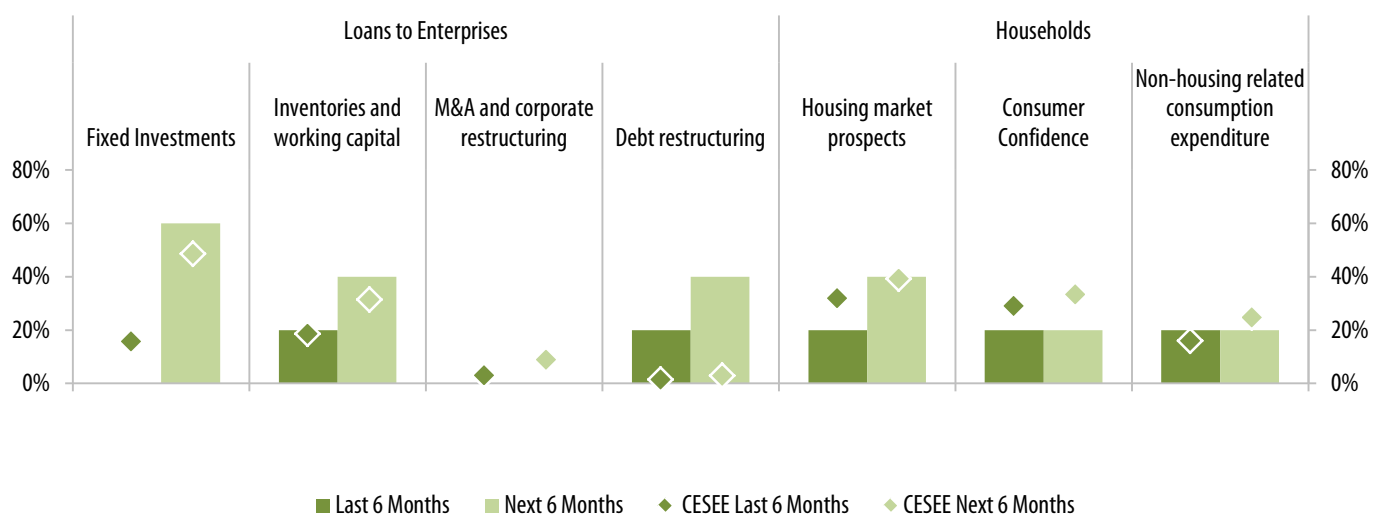


Source: EIB – CESEE Bank Lending Survey.

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 on the enterprise side in the last six months, inventories and working capital as well as debt restructuring were the only ones recording a net increase. The NPL reduction process continues contributing to the loan demand for debt restructuring purposes, above the CESEE regional average. Over the next six months, corporate investment should contribute the most to enterprise loan demand. On the household front, all factors exercised a positive contribution to loan demand over the last six months, supporting the story of an improving situation of the household sector, despite the still high unemployment rate.

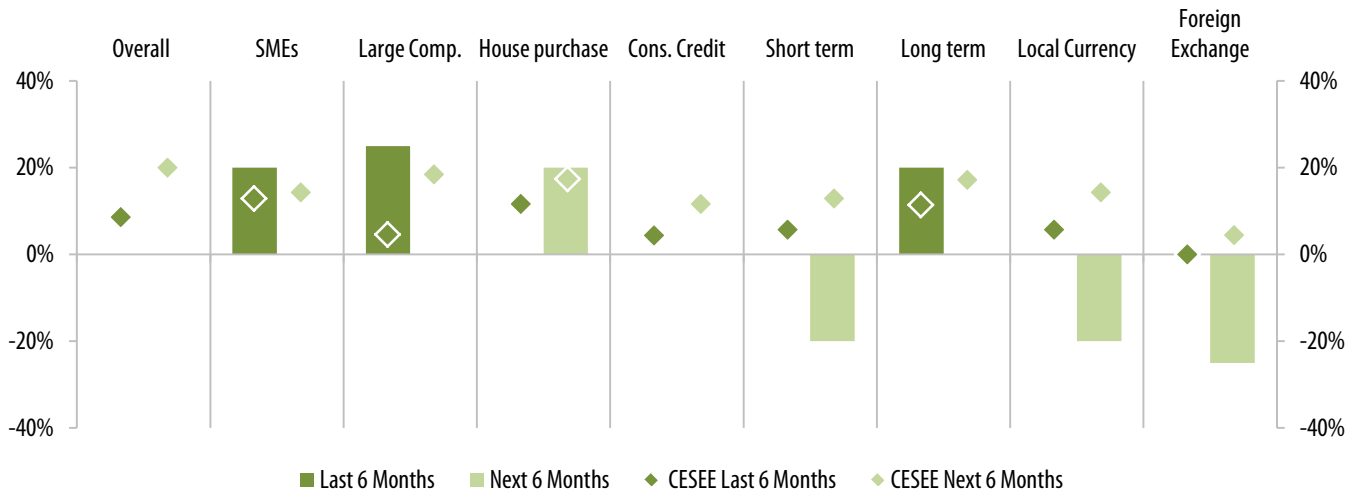


Source: EIB – CESEE Bank Lending Survey.

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 has remained unchanged on balance during the last six months, while it recorded an improvement for the CESEE region as a whole. The quality of loan applications improved for loans to SMEs and large corporations as well as for long term loans. Going forward, the quality of loan applications is expected to remain broadly unchanged (again below CESEE average), with improvements for house purchase loans but net deterioration for short term, local currency and foreign exchange loans.



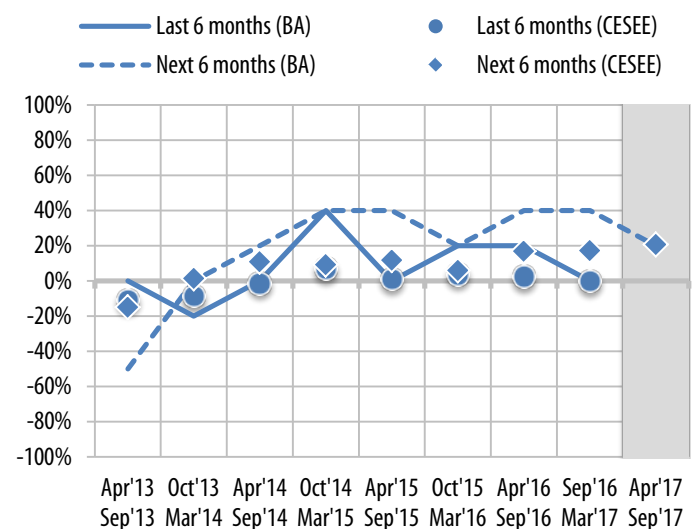
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

Credit conditions in Bosnia and Herzegovina had been running ahead of the subdued loan demand over the last few years, but they have turned more neutral during the last six months, in sync with the CESEE region as a whole. The expectations series has been consistently more optimistic. Local subsidiaries expect easing in credit standards over the next six months, but to a lesser extent than previously and in line with the CESEE average.

Figure 6 Supply developments

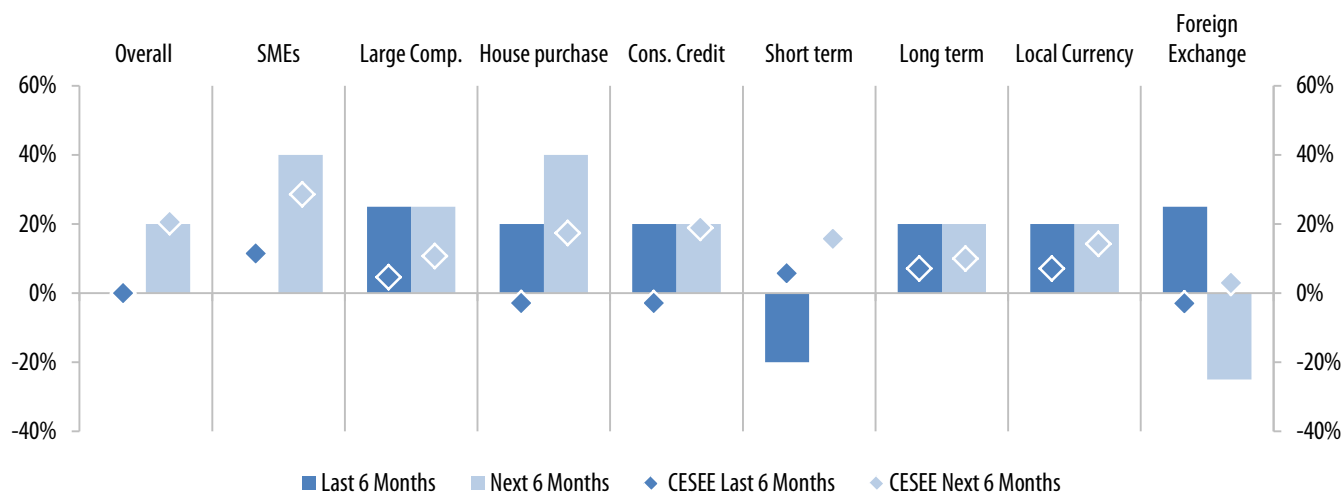


Source: EIB – CESEE Bank Lending Survey.

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

While overall credit standards have been unchanged during the last six months, they eased for large corporate loans as well as house purchase loans and consumer credit, and for long term, local and foreign currency loans – all above the CESEE region as a whole. Credit standards have tightened for short term loans. Looking ahead, local banks expect a fairly broad-based easing of credit standards, except for short term loans and with an expected tightening of credit conditions for foreign-exchange loans.

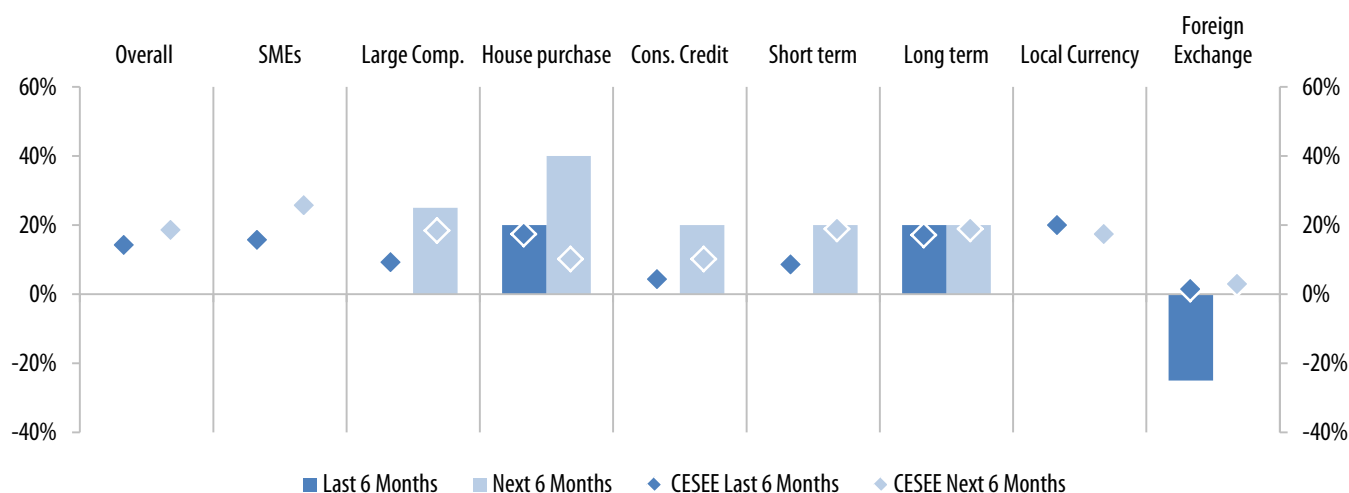


Source: EIB – CESEE Bank Lending Survey

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

Unlike the improvement in the CESEE region as a whole, the loan approval rate in Bosnia and Herzegovina has been unchanged in the last six months and the same is expected for the coming comings. While the loan approval rate for house purchase loans has increased recently, it has shrunk for foreign exchange loans. Over the next six months, improving loan approval rate is expected for house purchase loans (significantly above the CESEE average), large corporate and consumer credit.

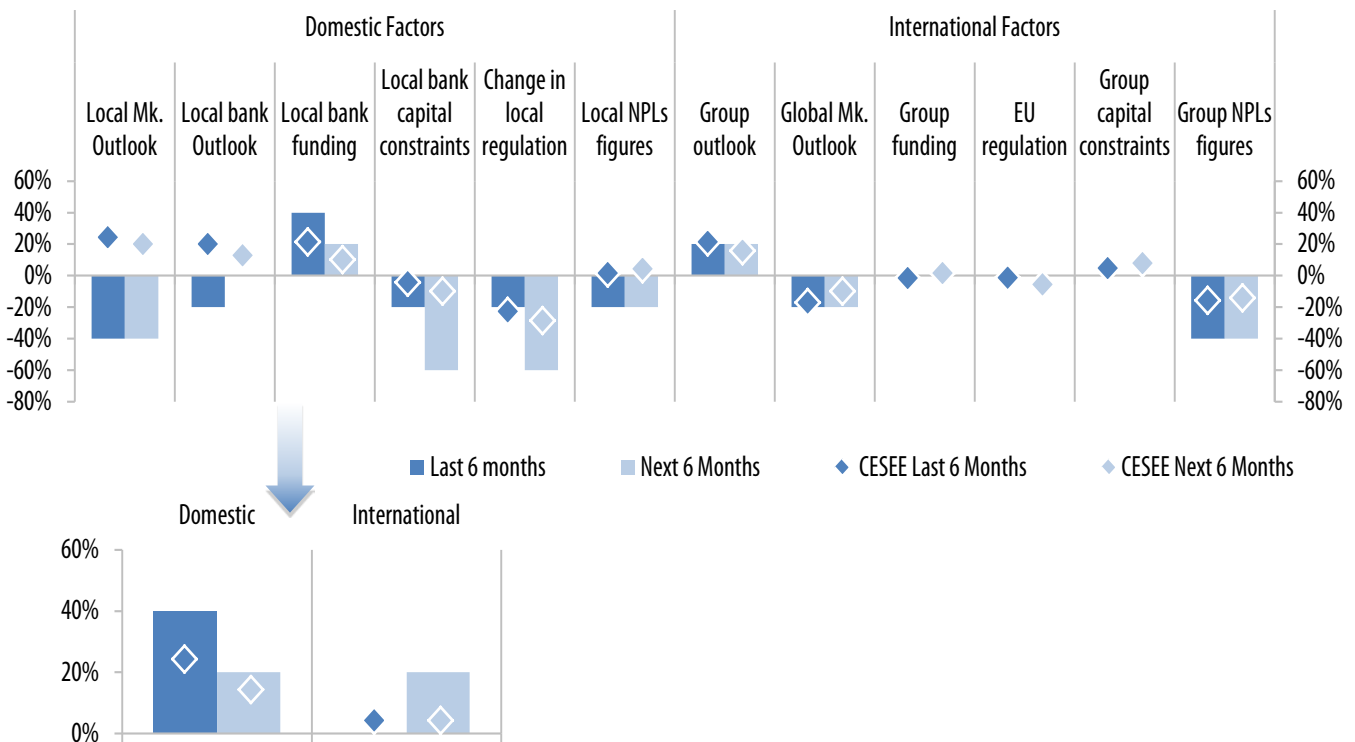


Source: EIB – CESEE Bank Lending Survey

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 bank funding remains the dominant positive factor affecting credit supply conditions. Besides that, local market outlook and local bank outlook have been contributing negatively to the credit supply conditions in Bosnia and Herzegovina, unlike in the CESEE region as a whole. Relatively lower bank capitalizations compared to regional peers leads to slightly negative contribution of local bank capital constraints to credit supply conditions. Declining but still high NPL ratio leads to negative effect of local NPL figures on credit supply conditions. Changes in local regulations contribute negatively to credit supply conditions as well. Among the international factors, group outlook contributes positively to credit supply conditions, but global market outlook and group NPL figures exert a negative influence. Broadly similar environment for both domestic and international factors is expected to persist in the coming 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

NPL ratios have been declining in Bosnia and Herzegovina during the last six months, mostly for corporate loans, although below the pace of the CESEE region as a whole. Over the next six months, local banks expect an overall increase in NPL ratios, driven by an increase in corporate NPL figures, while retail NPL ratio is expected to decline further.

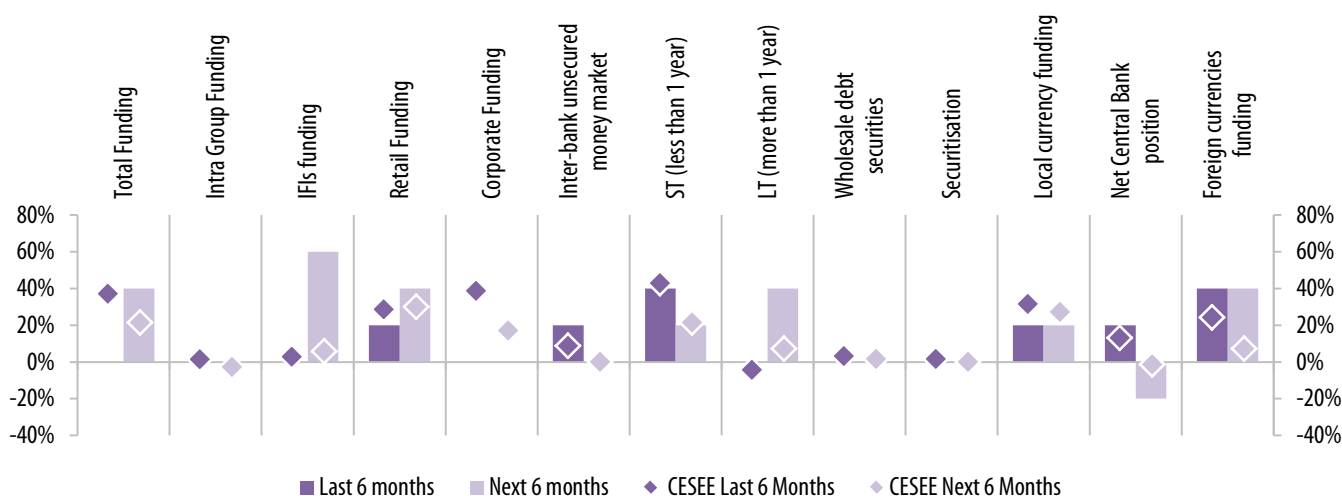


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Overall access to bank funding has remained unchanged during the last six months, lagging behind the CESEE region as a whole. The main improvements came from retail deposits and interbank unsecured money market. Both local and foreign currency funding has improved. Banks in Bosnia and Herzegovina expect an improvement in access to funding over the next six months, mainly coming from IFIs and retail deposits. Access to local and foreign currency funding is expected to improve further.



Source: EIB – CESEE Bank Lending Survey.

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

Bulgaria

A market with average potential, with signs of increasing credit demand, but with a still large legacy of NPLs.

Summary

Group assessment of positioning and market potential: Parent banks operating in Bulgaria show a strong commitment towards the region. All groups find that the country’s market potential is medium. Returns on equity and assets in Bulgaria are seen as high and exceeding those of the overall group. This has been the case consistently over the past two years. The majority of the parent banks operating in Bulgaria seem to be relatively satisfied with their current market positioning.

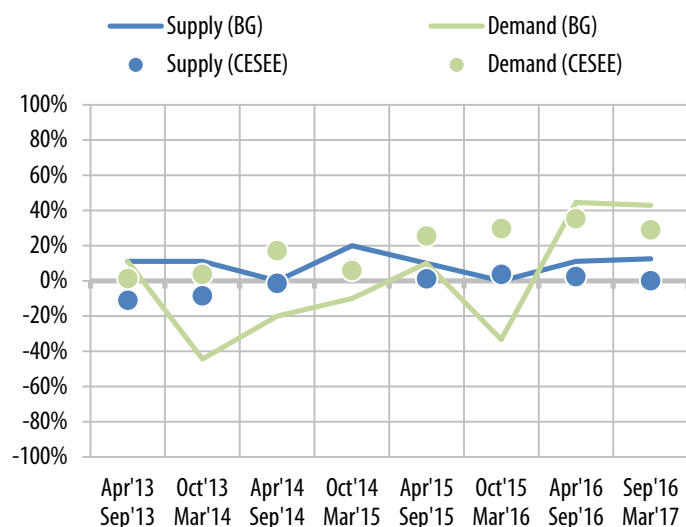
Credit demand has been increasing in Bulgaria for the first time in four years, while **supply conditions have been stable**.

Credit supply conditions have been broadly neutral in the last six months. There has been some easing for SMEs and consumer credit. Looking ahead, local subsidiaries expect credit supply to improve across all segments, reflecting better local market conditions.

Demand for loans has gradually strengthened over the past year. This has been driven mostly by households and to a lesser extent by corporates. A majority of respondents expect demand to strengthen further over the next six months.

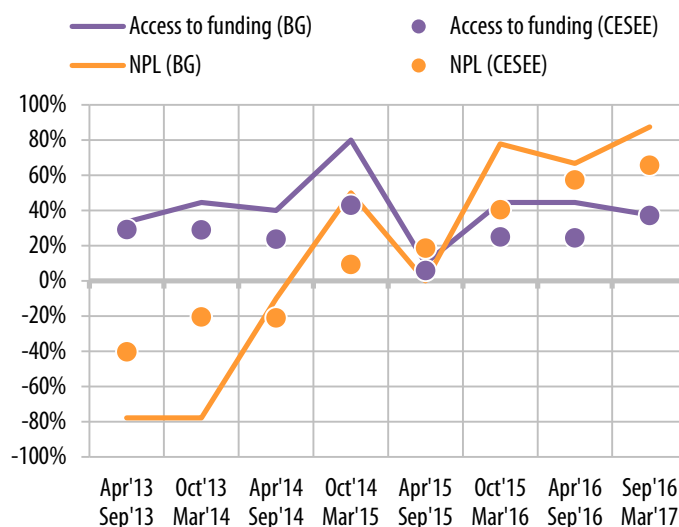
Access to funding: Access to funding has continued improving over the past six months following a multiannual trend. The improvement is mostly due to high and sustained growth of household and corporate deposits.

NPL figures have continued to improve in all segments.



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

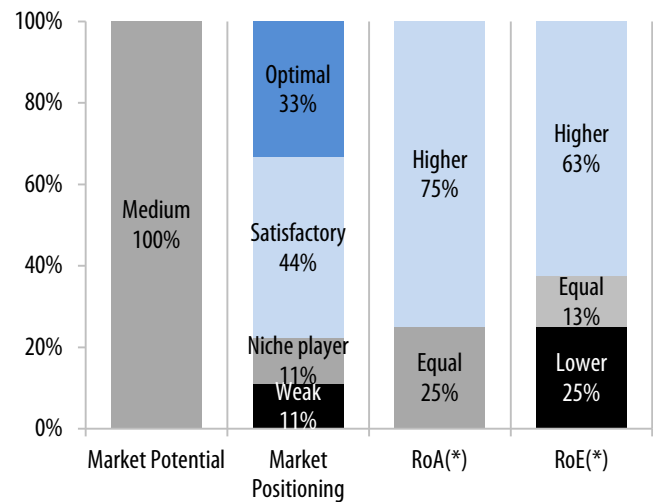
Foreign banks operating in Bulgaria show a strong commitment towards the CESEE region. About three quarters of the foreign banks present in the country plan to expand regional operations.

All foreign banks with operations in Bulgaria see the market as have a medium potential (Figure 1). The banks that consider their market positioning as satisfactory or optimal as very high (77%). This assessment comes after several years of strategic repositioning, as pointed out in previous volumes of this publication.

A majority of parent banks assesses returns from operations in Bulgaria as higher than those for the group as a whole. This has remained the case over the past three years.

As a result funding conditions to subsidiaries...

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15. (*) 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

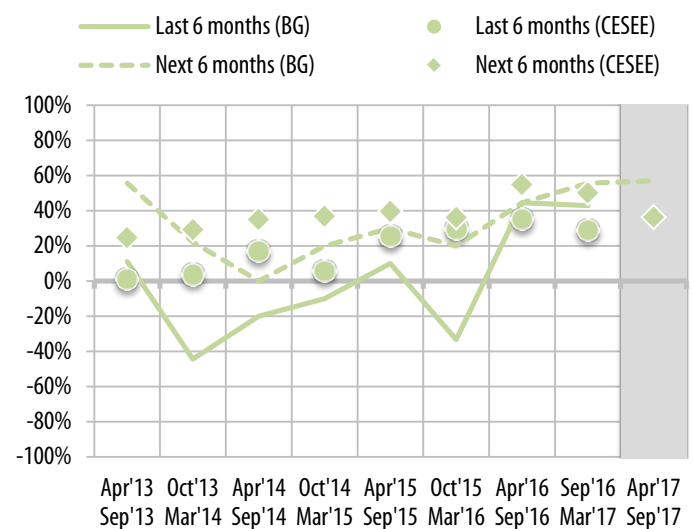
Demand for loans in Bulgaria has gradually strengthened over the past two years as the economy has improved. Private and public consumption as well as external demand have underpinned the output growth. Investment, however, has been weak in comparison to levels attained before the financial crisis in 2008.

This weakness is common to the corporate and household sectors. Government investment has been more resilient largely due to European Structural and Investment Funds.

Local bank's assessment of loan demand has reflected this weakness consistently over the past years. That said, the latest figures show that a more and more local banks see loan demand, including for investment loans, increasing again and expect this to continue in the next six months.

As a result, in a second consecutive survey wave local banks assess loan demand in Bulgaria more positively than the CESEE average.

Figure 2 Demand side developments

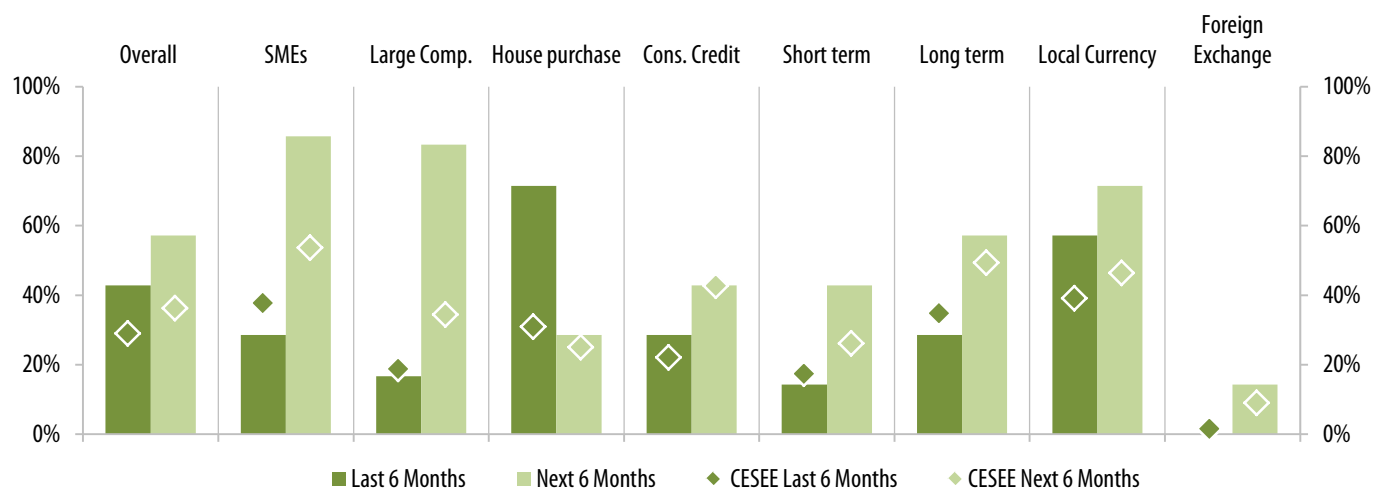


Source: EIB – CESEE Bank Lending Survey.

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

Stronger loan demand comes predominantly from households. Demand from the corporate sector is also seen as improving but to a smaller degree. The increase of households' demand for loans is both for house purchases and consumer spending. Demand from these market segments is expected to increase also over the next six months. Strengthening household demand is in line with observed strengthening of aggregate consumer spending and the bottoming out of house prices. Strengthening loan demand from corporates, albeit to a smaller degree, raises hope that a recovery of corporate investment in the country has finally set in.



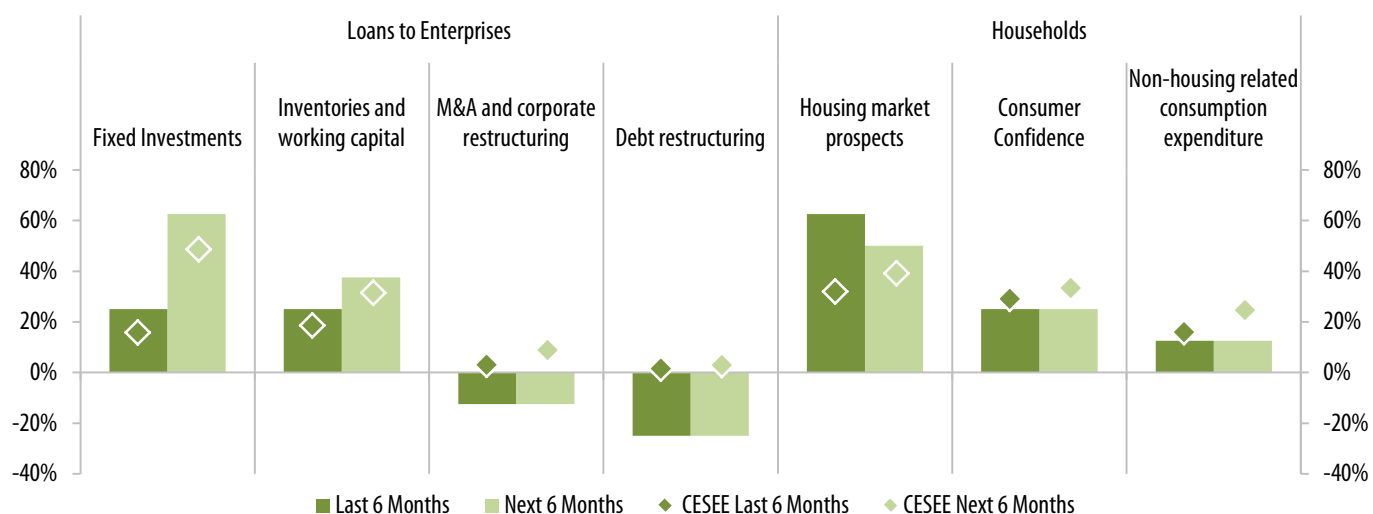
Source: EIB – CESEE Bank Lending Survey.

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 individual factors contributing to credit demand, investment and working capital have been the strongest, and they are expected to remain so in the text six months by an even higher share of respondents.

As in the previous survey wave, households demand for loans is underpinned by housing market expectations and to a lesser degree by consumer confidence in the last few months. The role of these drivers is expected to remain in the coming two quarters, with the housing market expected to remain more important by a higher share of local banks.

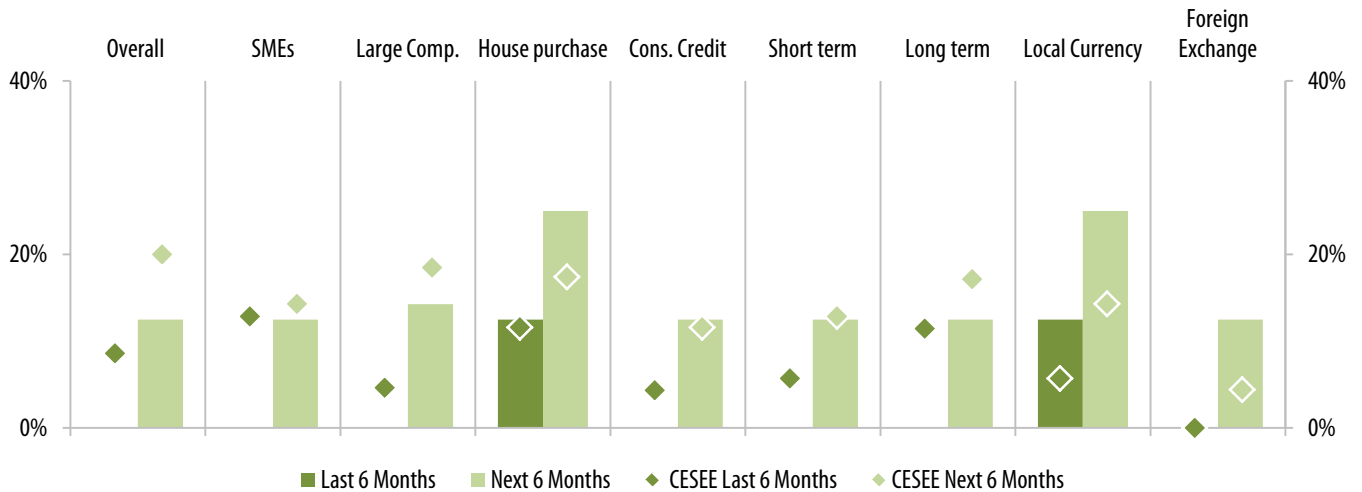


Source: EIB – CESEE Bank Lending Survey.

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

Increasing demand for mortgage loans is accompanied by increased quality of loan applications in this segment. Quality in remaining segments is seen as remaining broadly stable. Quality of loan applications is expected to increase over the next six months across market segments. Banks are most optimistic for the housing loans 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

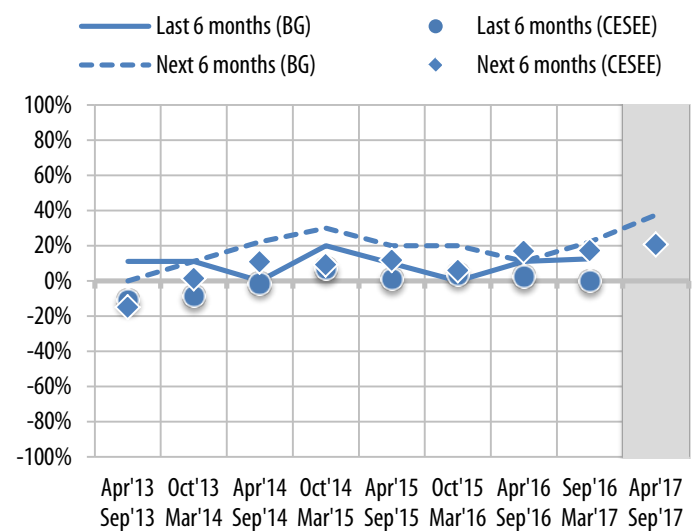
Aggregate supply developments

Credit supply conditions have been broadly neutral in the last six months, as it has been the case over the past four years. There has been a slight improvement of credit conditions for two segments: SMEs and consumer credit.

As in the second half of 2016, the lack of a significant improvement of credit conditions is likely related to the local banks’ aversion to taking more risk, as well as their focus on portfolio restructuring and reduction of non-performing loans. That said, banks are more optimistic about credit supply conditions over the next six months.

The dynamics of supply conditions in Bulgaria over the past six months is similar to that of the aggregate CESEE region, where credit conditions have been stable over the past two years.

Figure 6 Supply developments

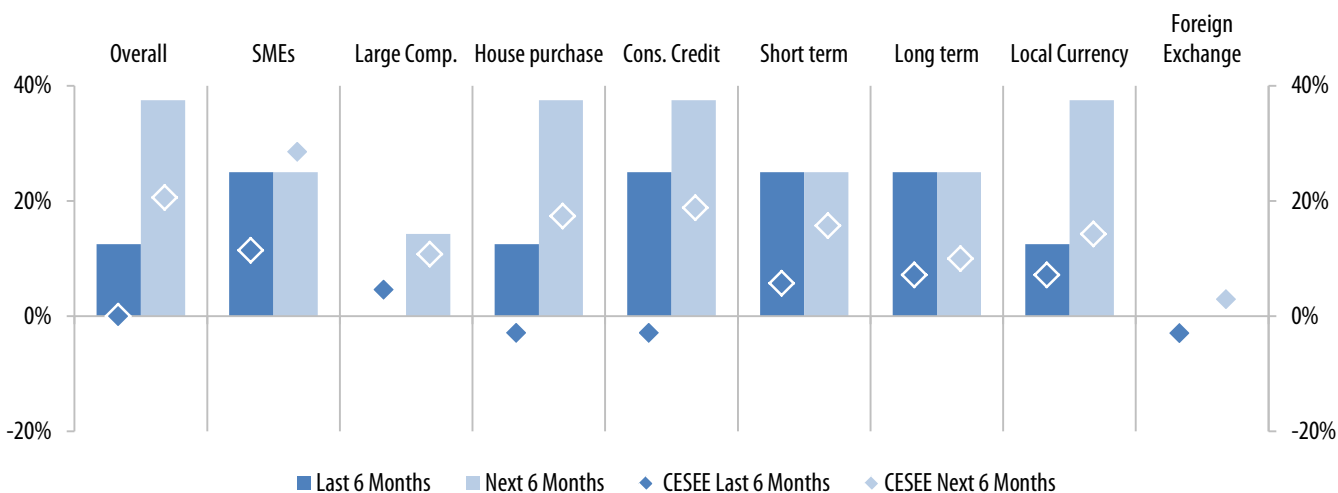


Source: EIB – CESEE Bank Lending Survey.

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

A small majority of survey respondents see credit conditions slightly improving for SMEs, while they are described as broadly stable for the households segment. Looking ahead, banks expect supply conditions to improve across segments. This optimism is the highest for mortgage loans.

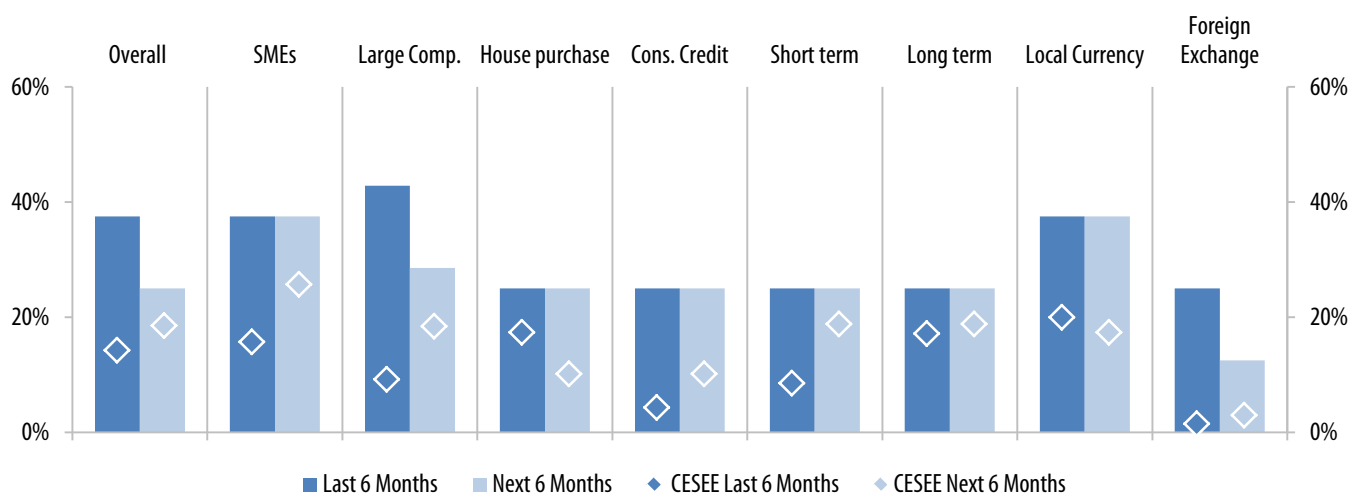


Source: EIB – CESEE Bank Lending Survey

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 rates have not changed or have slightly improved at best. The corporate sector has been the main beneficiary. This is in line with data showing an increase in new business to corporates since the beginning of 2016. Approval rates for house purchases in Bulgaria have been assessed as improving by a small majority of local banks, as are approval rate for the remaining market segments. Approval rates are expected to continue improving by a similar net share of banks over the next six months.

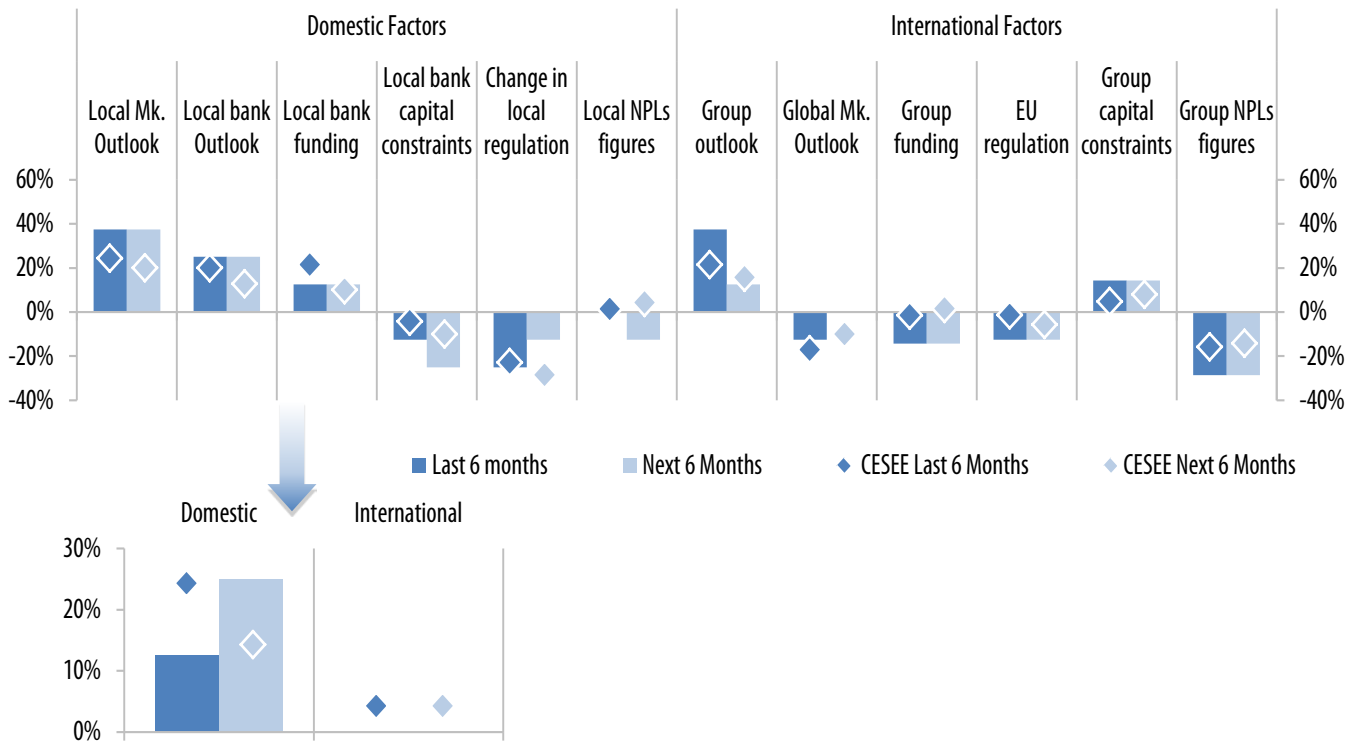


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Domestic factors are behind the modest improvements in supply conditions. Local market outlook and group outlook are the main positive contributors to supply conditions in Bulgaria. These are, however, broadly offset by change in domestic regulation and group NPL figures.



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

High share of non-performing loans has been a major factor for tight credit conditions since the beginning of the global financial crisis in 2008. Until recently, banks have been reluctant to reduce NPLs, but this seems to have changed in 2016.

In the first half of 2017 banks continued to report that NPL figures have improved across institutional sectors. Hard data confirms this: NPL figures have been coming down throughout 2016 and early 2017 albeit only gradually. Like in 2016, restructuring of corporate portfolios has had a bigger contribution.

Developments in overall NPL figures over the past six months are expected to continue. This is broadly similar to what is observed in the CESEE region on average.

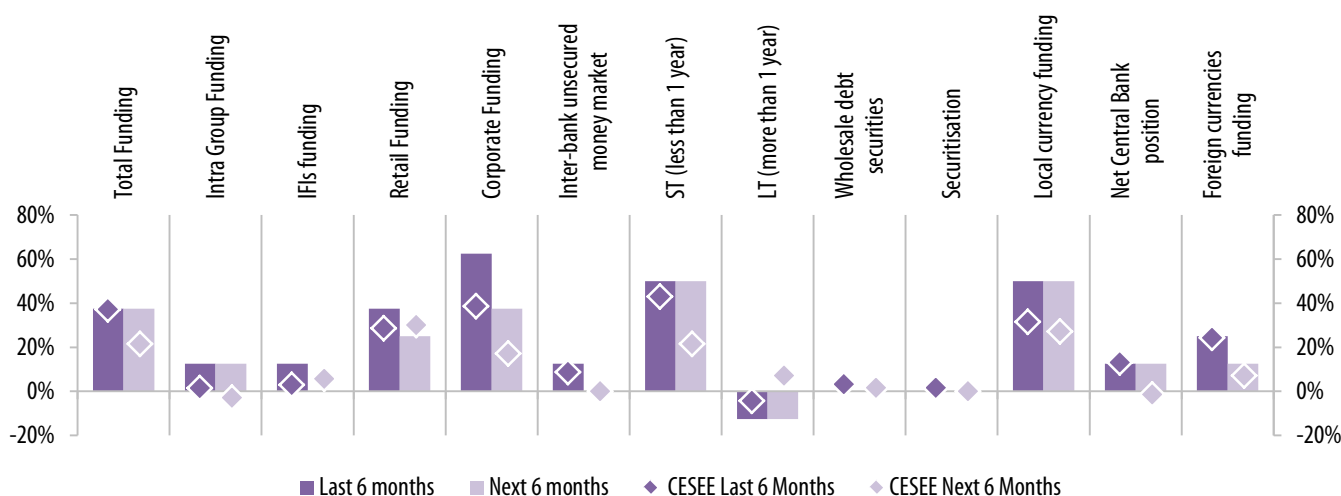


Source: EIB – CESEE Bank Lending Survey.

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 continued improving over the past six months on a trend that started in the second half of 2013. Main contributors continue to be improved retail and corporate funding. This is largely due to continued deleveraging in both the household and corporate sectors, which followed the burst of the real estate bubble in 2009. As a result, household and corporate deposits in the banking sector have been growing at an average rate of 7.5% since 2009 (in real terms), while average annual real GDP growth has been about 1.5%.



Source: EIB – CESEE Bank Lending Survey.

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

Croatia

Some softening in loan demand recently, but buoyant expectations persist. Progress on NPLs reduction supports the credit turnaround and bank profitability. Banks have been shifting towards domestic sources of funding.

Summary

Group assessment of positioning and market potential: The share of parent banks seeing at least a medium market potential has increased. A growing number of parent banks regard their current market position as optimal, in line with an increasing number of banks reporting higher or equal profitability than the overall group operations. NPL overhang continues to weigh negatively on banks' profitability.

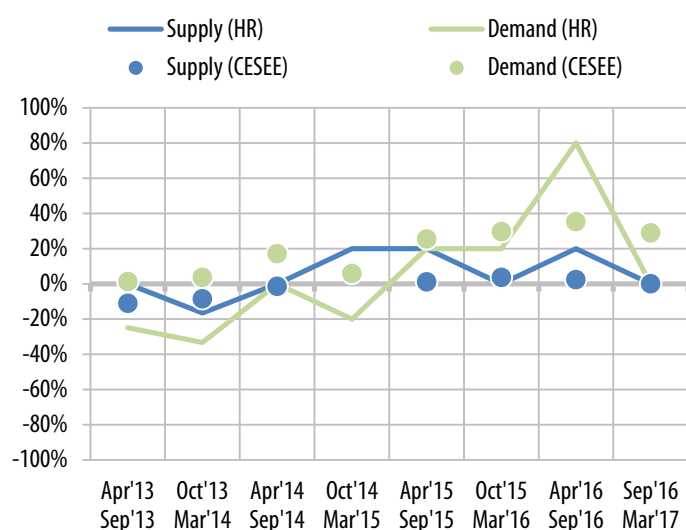
Credit demand has moderated over the last six months and **credit supply conditions** have become more neutral. The credit supply conditions have been lagging behind the credit demand. The turn in the NPL cycle bodes well for the credit and bank profitability recovery going forward.

Credit supply conditions have eased further for loans to SMEs and larger corporations over the last six months. Aggregate lending standards are expected to ease again over the next six months, surpassing the CESEE aggregate. Approval rates for house purchase loans and consumer credit are tightening.

Demand for loans has softened somehow over the last six months but is expected to regain its strength across all loan segments and surpass the CESEE average going forward. Consumer confidence and corporate inventories are driving demand for loans. Credit demand for house purchases has decreased over the last six months, but is expected to recover in the next six months together with positive expected contribution of housing market prospects to loan demand.

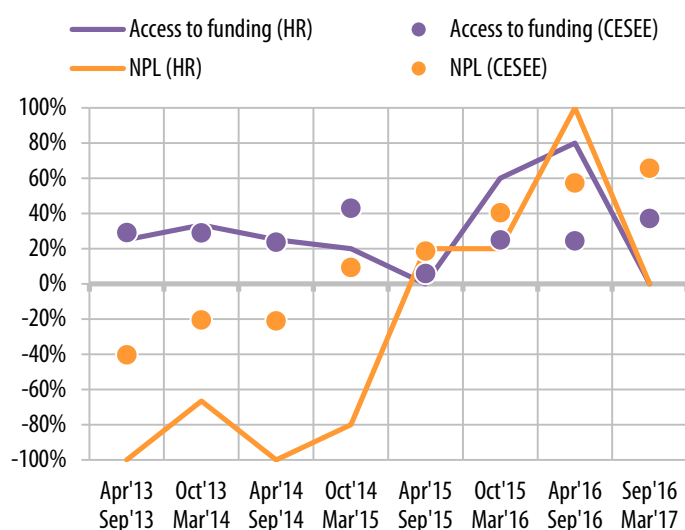
Access to funding has stayed unchanged over the last six months. Banks continue shifting towards more stable domestic sources of finance while access to intragroup funding has been decreasing.

NPL figures have improved for retail loans over the last six months, and the process is expected to continue across all loan segments in the next six months.



Source: EIB – CESEE Bank Lending Survey.

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



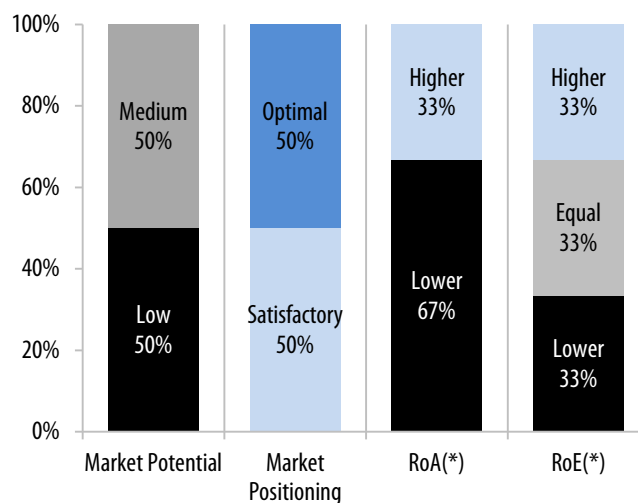
Source: EIB – CESEE Bank Lending Survey.

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

Compared to six months ago, the share of parent banks operating in Croatia that see at least a medium market potential has increased while the share of those viewing the market potential as low has decreased. The number of parent banks regarding their current market position as optimal has increased substantially and there is no banking group that regards its current market position as weak. This relates to a growing number of correspondents reporting higher or equal profitability than the overall group operations. Nevertheless, the share of correspondents assessing lower return on assets compared to overall group operations has increased over the last six months. The non-performing loans overhang, the legacy of the conversion of households' Swiss franc loans into euros as well as the recent struggle of a major food producer and retailer have weighed negatively on banks' profitability and market prospects.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15. (*) 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.

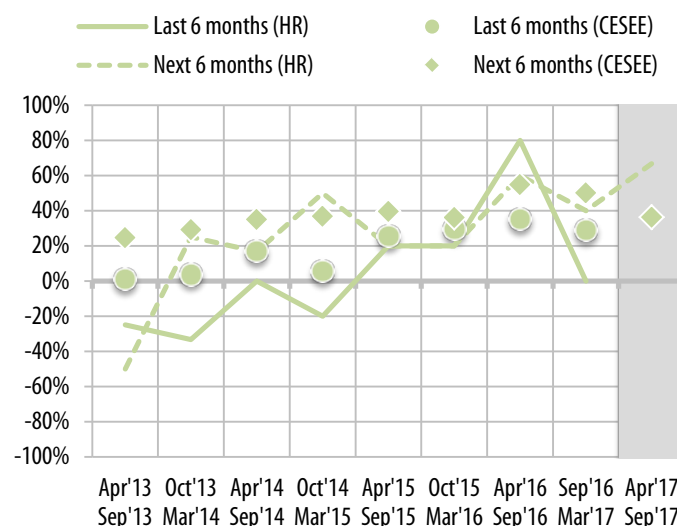
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

While strong consumption and investment growth have been driving loan demand in the last couple of years and thus supporting the broader recovery of the Croatian economy, the last six months have brought some softening of the demand for loans.

Credit demand in Croatia has fallen behind the past expectations from six months ago, as well as behind the credit demand observed in the CESEE region. Nevertheless, the expected credit demand is strong and above the CESEE as a whole.

Figure 2 Demand side developments

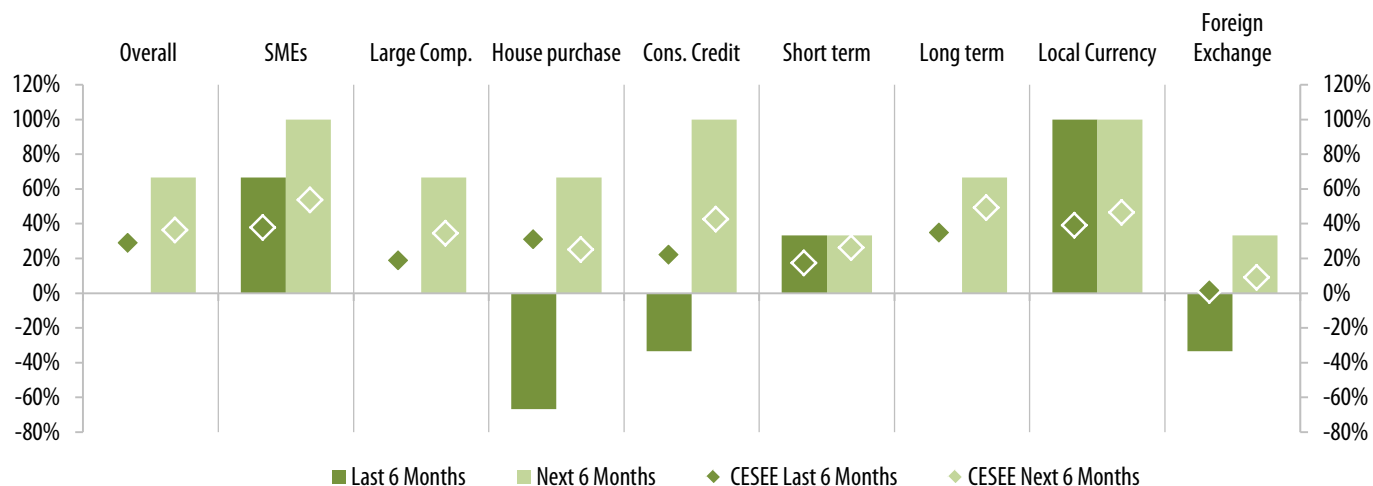


Source: EIB – CESEE Bank Lending Survey.

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 moderated in the last six months across most components except SME loans, short term and local currency loans. In line with expectations from six months ago, credit demand for house purchases has decreased. Going forward, loan demand expectations remain very strong across all components and are above CESEE average, including for loans in foreign currency. In addition, while the appetite for local currency loans persists, the demand expectations for foreign currency loans have now turned positive.



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

Consumer confidence and corporate inventories remain the leading factors contributing positively to loan demand. On the other hand, fixed investments and housing market prospects have become less supportive factors, running behind the CESEE as a whole. Debt restructuring continues to have a positive contribution to loan demand (above the region as a whole) as a results of the ongoing deleveraging process. Looking ahead, housing market prospects and consumer confidence are expected to have the strongest positive contribution to loan demand, above the regional average.

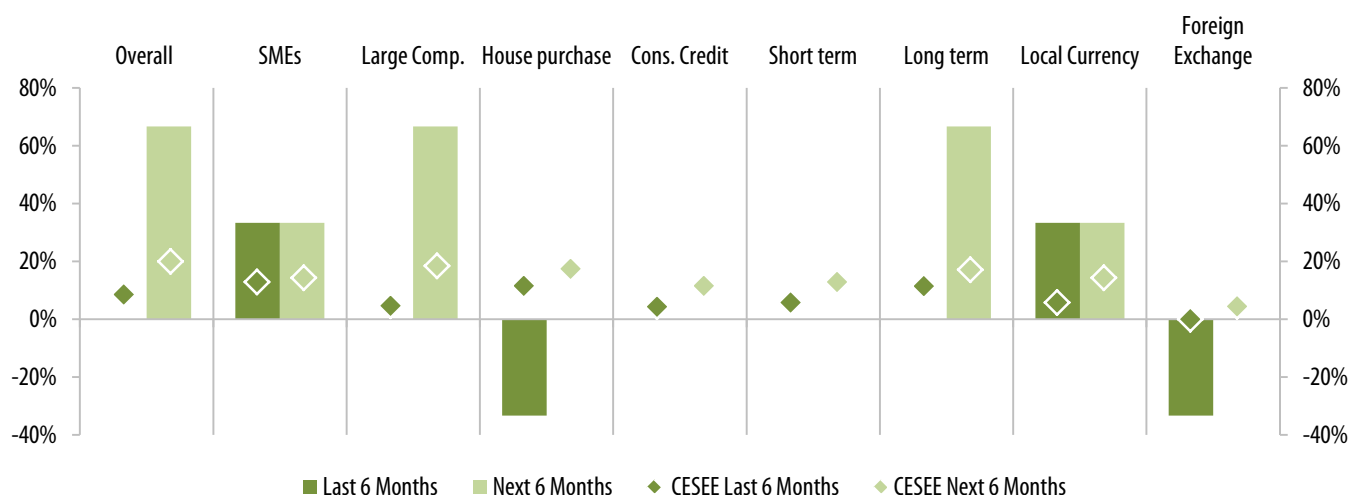


Source: EIB – CESEE Bank Lending Survey.

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 quality of overall loan applications has not changed during last six months and is expected to improve over the next six months, the quality of applications for house purchase loans and foreign exchange loans has deteriorated during the last six months. On the other hand, the quality of applications for loans to SMEs and local currency loans has improved and is expected to improve further, and runs above the CESEE average. Expectations about the quality of applications for large corporate loans and long term loans are running high.



Source: EIB – CESEE Bank Lending Survey

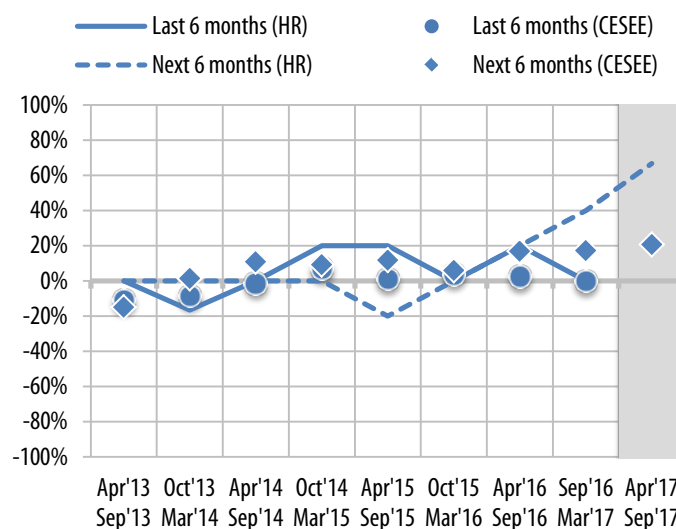
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply developments continue lagging behind credit demand in Croatia.

During the last six months, lending standards have become more neutral, but are expected to ease again in the next six months, above the CESEE region as a whole.

Figure 6 Supply developments

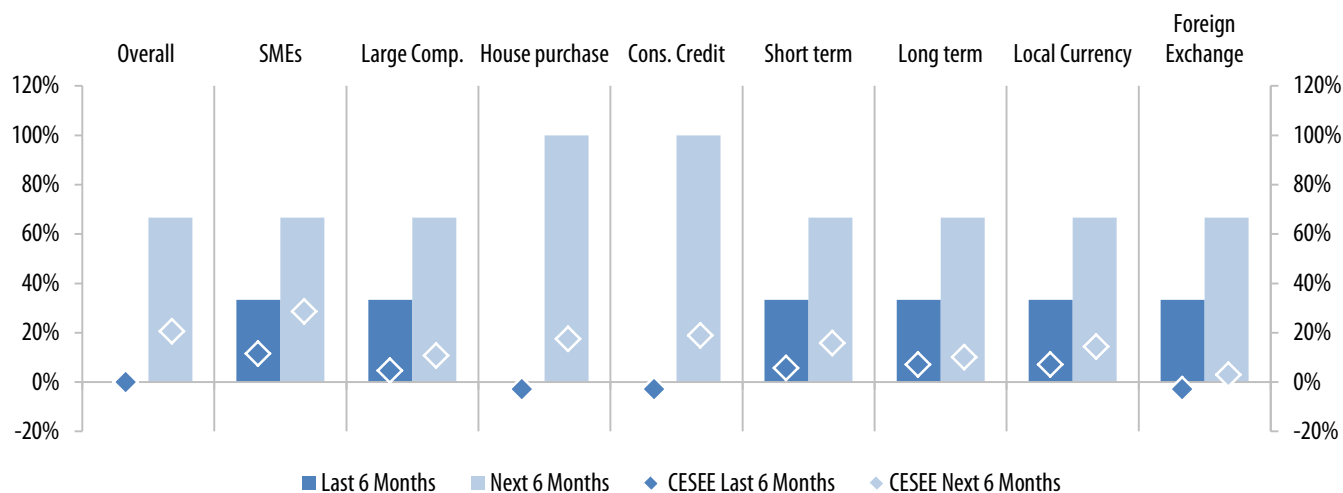


Source: EIB – CESEE Bank Lending Survey.

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

While on aggregate credit supply conditions have remained broadly neutral over the last six months, they have eased further for loans to SMEs and large corporations and across short and long term loans – all above CESEE average. Credit standards are expected to ease materially across the main loan segments and components in the next six months.

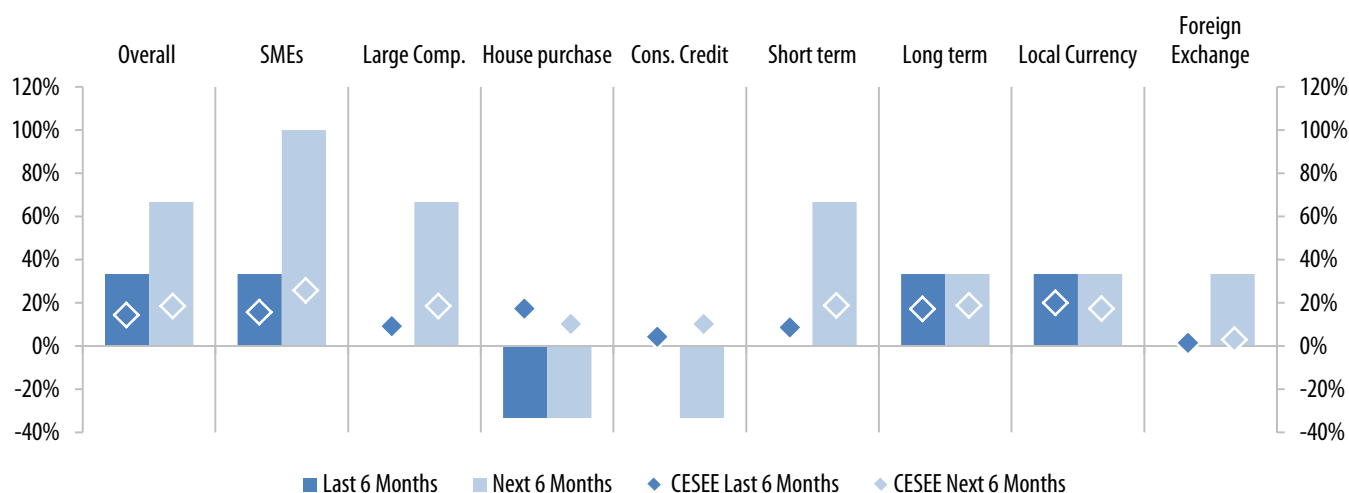


Source: EIB – CESEE Bank Lending Survey

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

Overall approval rates have increased during the last six months in Croatia, and they have been more favourable than in the CESEE region as a whole. Loans to SMEs have received the highest increase in the banks' approval rate. On the contrary, house purchase loans have experienced a net decline in the approval rate. Over the next six months, the overall approval rate is expected to improve further, particularly for the loans to SMEs and large corporate loans, but it is expected to deteriorate for house purchase loans and consumer credit.



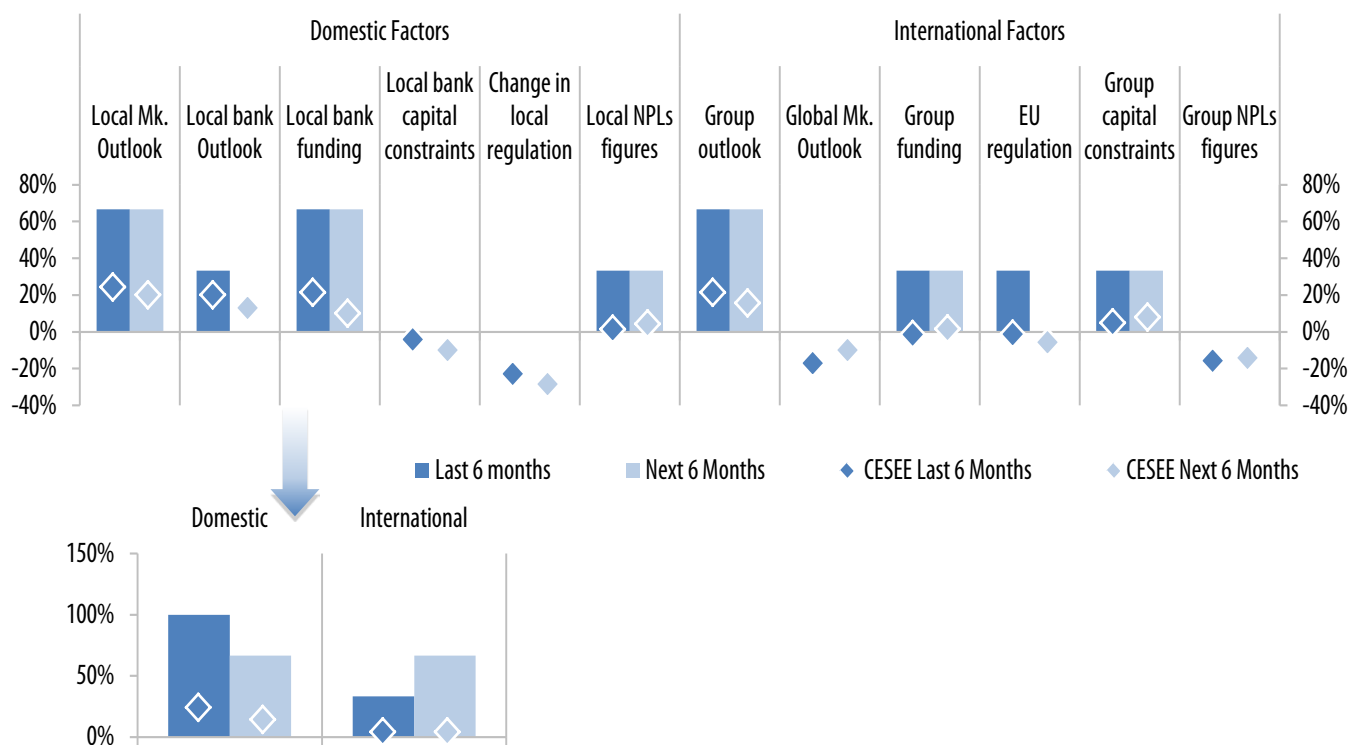
Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Strong domestic demand in Croatia is reflected in a positive contribution of local market outlook to credit supply conditions. Progress on NPLs reduction continues contributing positively to easier credit standards. The positive contribution of local market outlook, local bank outlook and local bank funding to credit conditions in Croatia has been stronger than the CESEE average.

Among the international factors affecting credit standards in Croatia, group market outlook, group funding, EU regulation and group capital constraints have exhibited a positive contribution to credit supply conditions in Croatia over 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

Although the total NPL ratio has not changed over the last six months, it has declined further for retail loans. Further reductions in NPLs are expected over the next six months across all loan segments and above the CESEE average.

The progress on NPLs reduction will continue feeding positively to banks' profitability, local market outlook and to banks' ability to easy credit standards going forward.

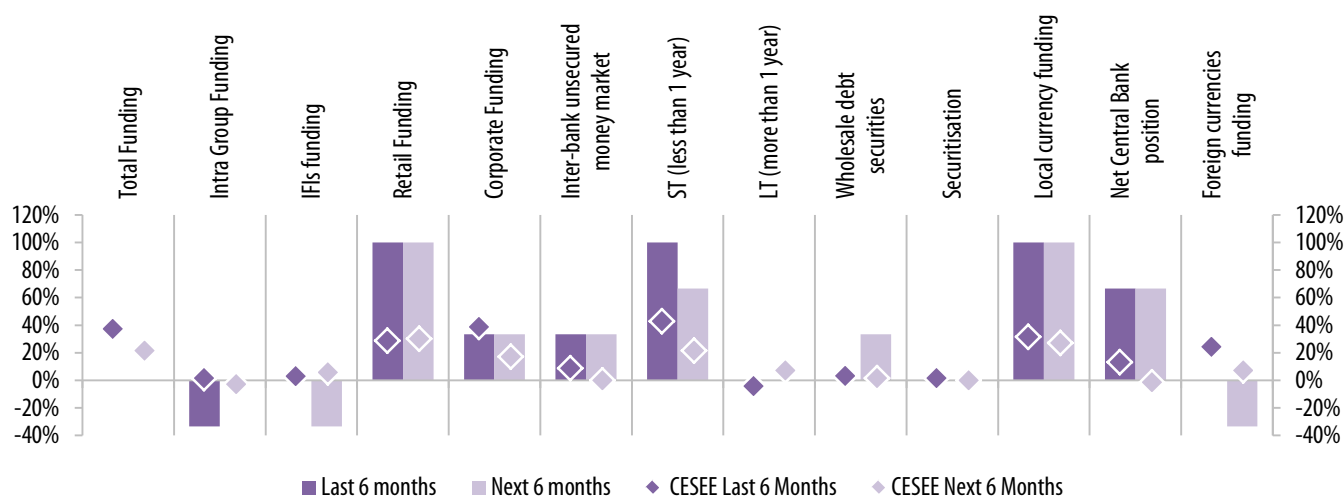


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding of Croatian banks has stayed broadly unchanged during the last six months and is expected to remain stable going forward. The deleveraging process in the economy is reflected in a positive contribution of retail and corporate deposits to banks' funding. Access to intragroup funding has been decreasing as access to domestic deposit funding is picking up. Local currency funding of the Croatian banks has been strong. Looking ahead, Croatian banks are better placed to support their current lending with more stable domestic sources of finance.



Source: EIB – CESEE Bank Lending Survey.

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

Czech Republic

A profitable and locally funded market with high potential. Strong credit demand recently, with expectations of some softening of credit demand by households. Lending standards easing further for corporates, while becoming more neutral to tighter for the households.

Summary

Group assessment of positioning and market potential: Majority of banks operating in the Czech Republic envisage high to medium market potential. Local bank profitability is higher than at the group level.

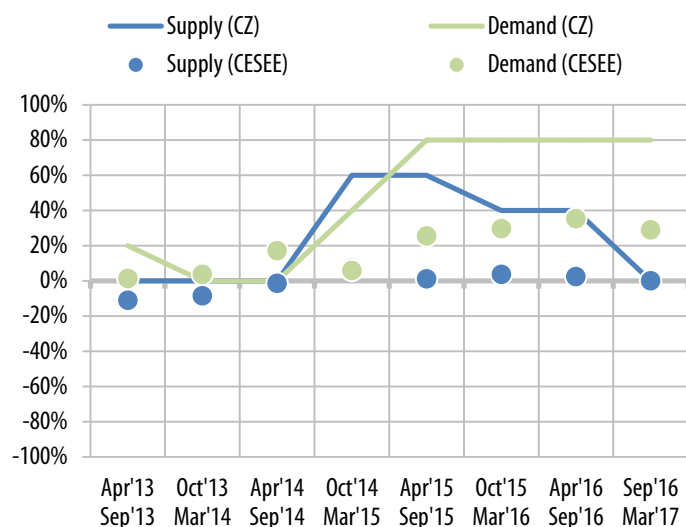
On the back of strong domestic demand, Czech banks report that **credit demand has been strongly increasing**, while **supply conditions have become broadly neutral** in the last six months. Over the next six months, credit demand should remain strong, while credit standards will remain neutral.

On the **credit supply** side the lending conditions have become more neutral in the last six months and they are expected to remain neutral over the next six months. In line with recent legislative changes for consumer credit and macro-prudential recommendations for mortgages, credit standards for house purchase loans have tightened in the last six months, and they have become more neutral for consumer credit. Further tightening of credit standards for house purchase loans is expected over the next six months. Credit standards for SME loans and large corporate loans have eased in the last six months, and they are expected to ease the most for SME loans over the next six months.

Credit Demand in the Czech Republic has been driven particularly by loans to SMEs, large corporate loans and house purchase loans in the last six months. While demand for SME loans and large corporate loans is expected to remain strong over the next six months, demand for house purchase loans is expected to register a net decrease and demand for consumer credit is expected to soften.

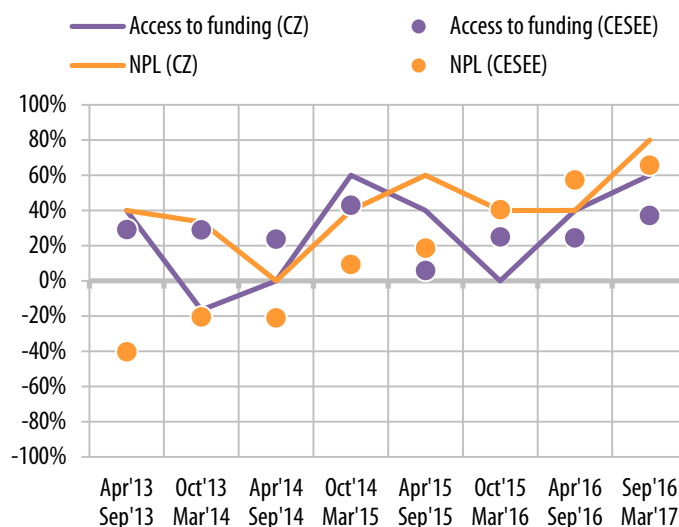
Access to funding has improved for bank subsidiaries in the Czech Republic in the last six months. The Czech banking sector is predominantly funded by local deposits. Over the next six months, retail funding from households is expected to increase further.

NPL figures have improved significantly in all segments in the last six months.



Source: EIB – CESEE Bank Lending Survey.

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



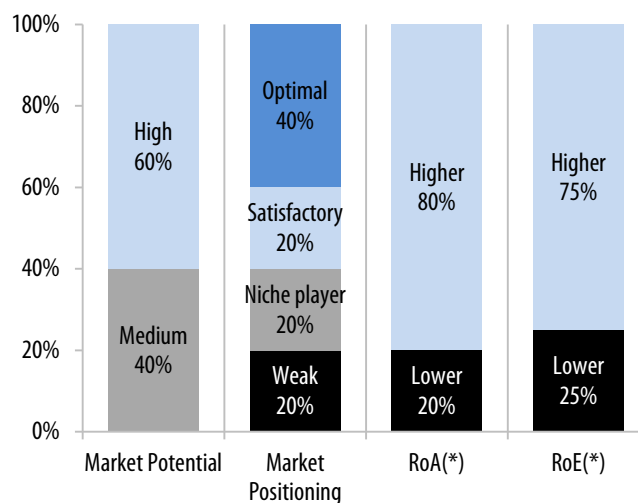
Source: EIB – CESEE Bank Lending Survey.

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 majority of the Czech banks remain more profitable than their foreign parent banking groups. All parent banks see high to medium market potential on the Czech market and none of them sees low market potential. 60 percent of the correspondents regard their current market positioning as optimal or satisfactory. During the last six months, there has been an increase in the number of banks that report a weak market positioning, or that regard themselves as a niche market player.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

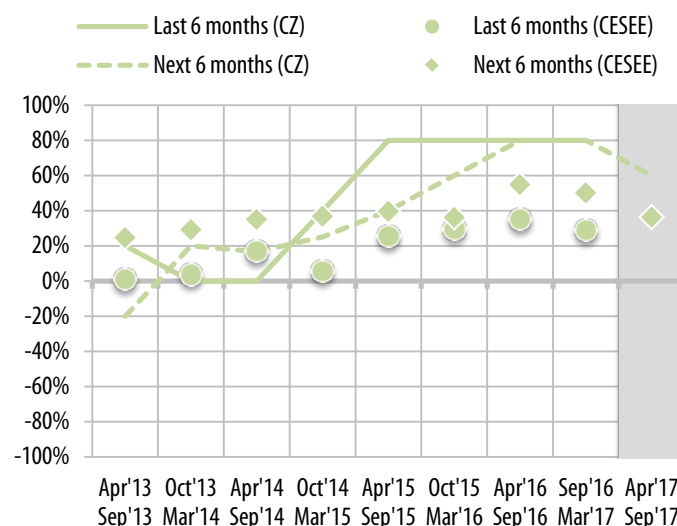
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

Strong domestic demand in the Czech economy is being translated into a growing demand for loans. Credit demand in the Czech Republic remained very strong during the last six months, in line with previous expectations and surpassing the CESEE region as a whole. Over the next six months, banks expect the continuation of strong credit demand, albeit a slightly smaller increase than during the last six months.

Figure 2 Demand side developments

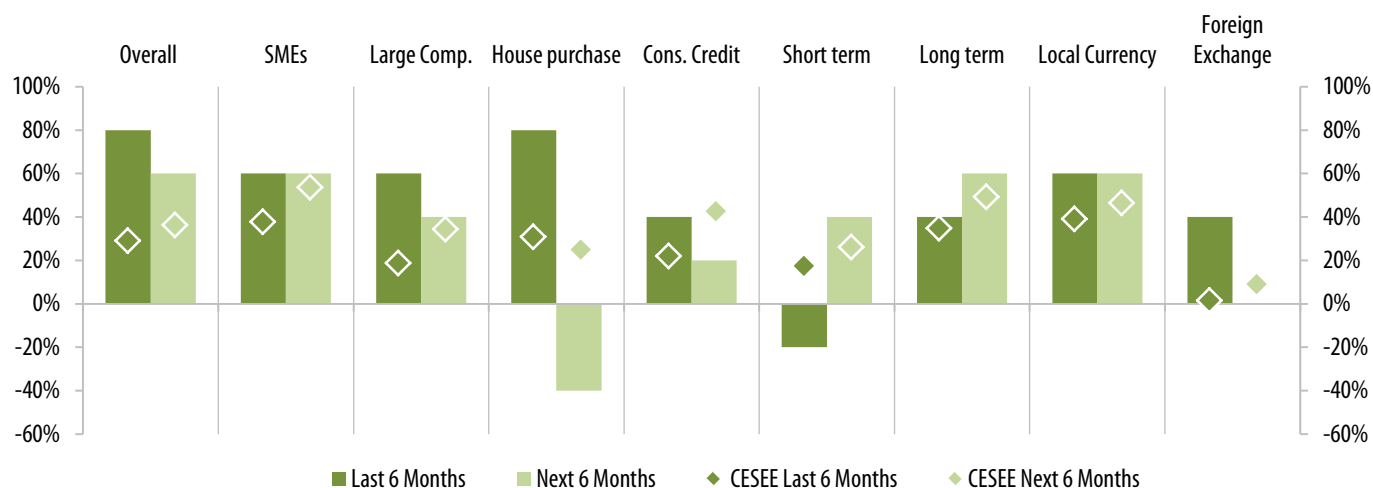


Source: EIB – CESEE Bank Lending Survey.

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

The credit demand in the Czech Republic has been strong for most loan segments during the last six months, with the largest contributions by the demand for loans to SMEs, large corporate loans and house purchase loans, all above the CESEE average. Looking ahead, demand is expected to remain strong for loans to SMEs and large corporate loans, but it is expected to decrease for house purchase loans over the next six months. Demand for consumer credit is expected to be weaker. The softening in the demand for house purchase loans and consumer credit is reflects the recent legislative changes for consumer credit and Czech National Bank’s macro-prudential recommendations for mortgages.

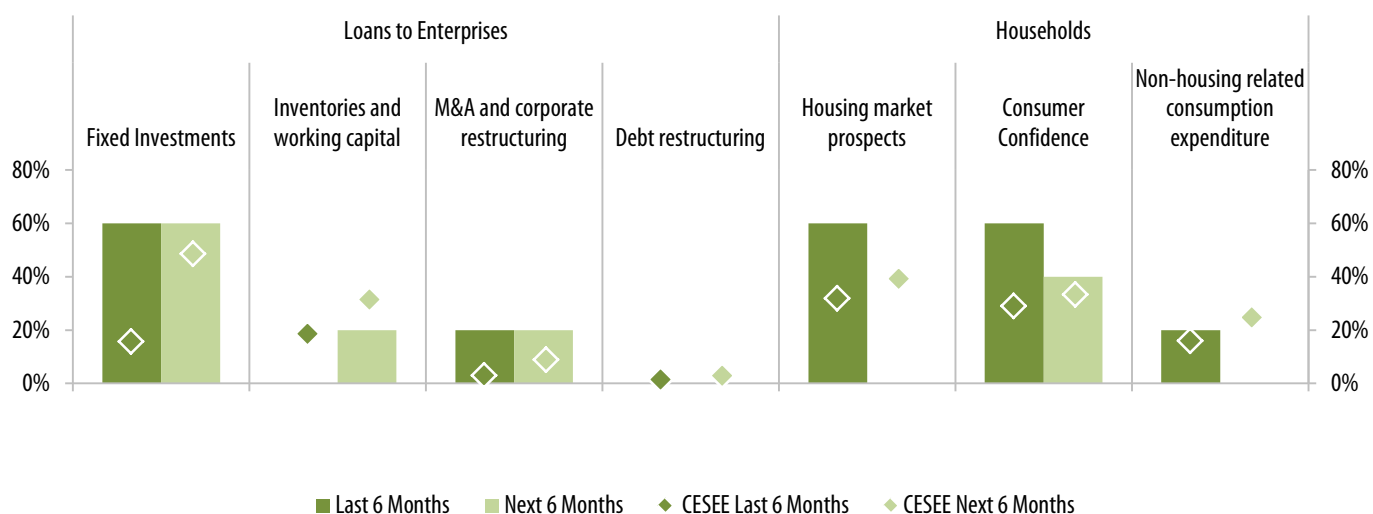


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Fixed investments on the corporate side and housing market prospects and consumer confidence on the households’ side have been the main factors affecting loan demand in the last six months – above the CESEE average. Looking ahead, fixed investments and consumer confidence are expected to remain as strong demand factors. Housing market prospects are expected to affect the demand in a broadly neutral way over the next six months.

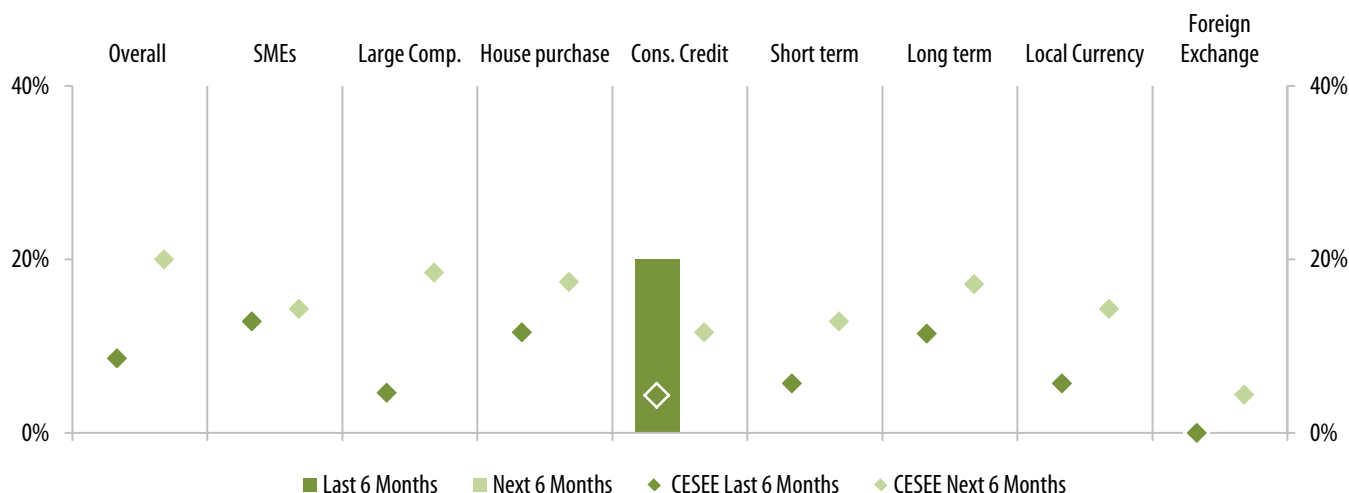


Source: EIB – CESEE Bank Lending Survey.

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

As in previous periods, the quality of loan applications has been stable, in contrast with the CESEE region as a whole where the quality of loan applications has been witnessing a broad-based improvement. The only exception has been consumer credit in the Czech Republic where the quality of loan applications has been improving during the last six months, as it did in the previous period. No change to the quality of loan applications in the Czech Republic is expected over the next six months.



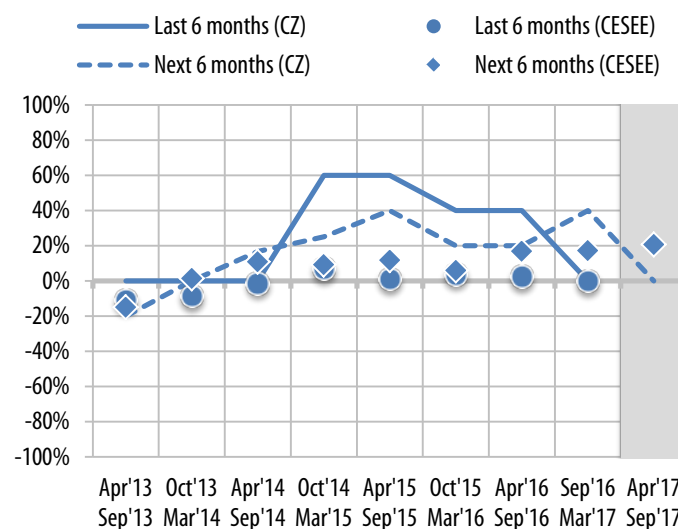
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

After a period of easing credit standards from late 2014, lending conditions in the Czech Republic have become broadly neutral during the last six months, in line with the CESEE region as a whole. Credit standards have fallen behind expectations in the last six months. Over the next six months, credit standards in the Czech Republic are expected to remain neutral. This cautions development signals that after a period of strong credit growth over the last couple of years, banks are starting to react to the recent changes in the regulatory environment.

Figure 6 Supply developments

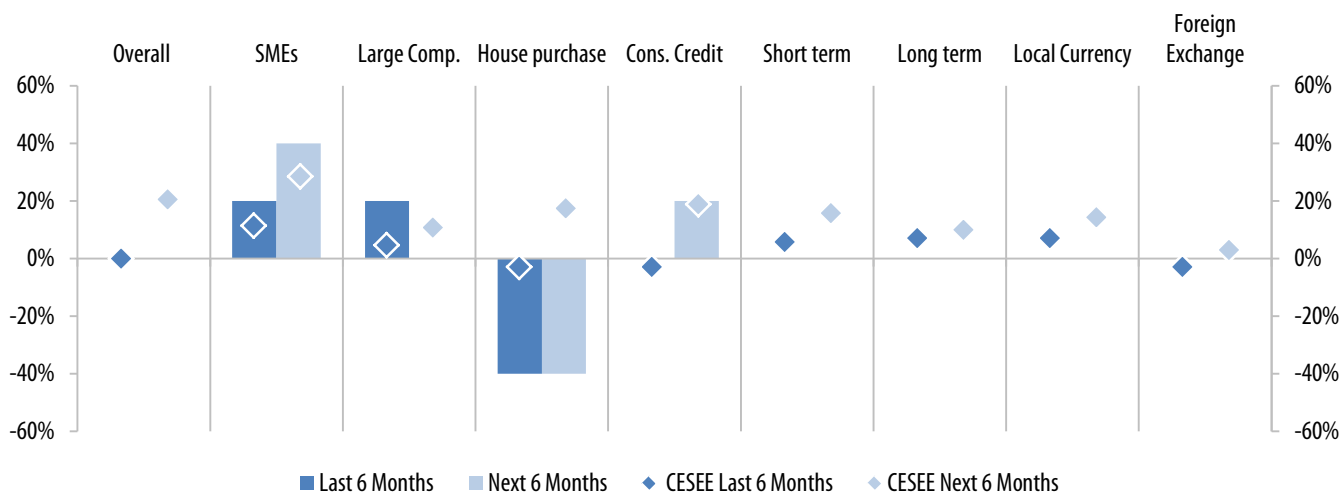


Source: EIB – CESEE Bank Lending Survey.

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 for house purchase loans have tightened in the last six months and they have become more neutral for consumer credit during the same period. On the other hand, credit standards for SME loans and large corporate loans have eased in the last six months. Going forward, credit standards for house purchase loans are expected to tighten further, while those for consumer credit are expected to ease slightly in the next six months. Credit standards for loans to SMEs are expected to ease the most in the next six months.

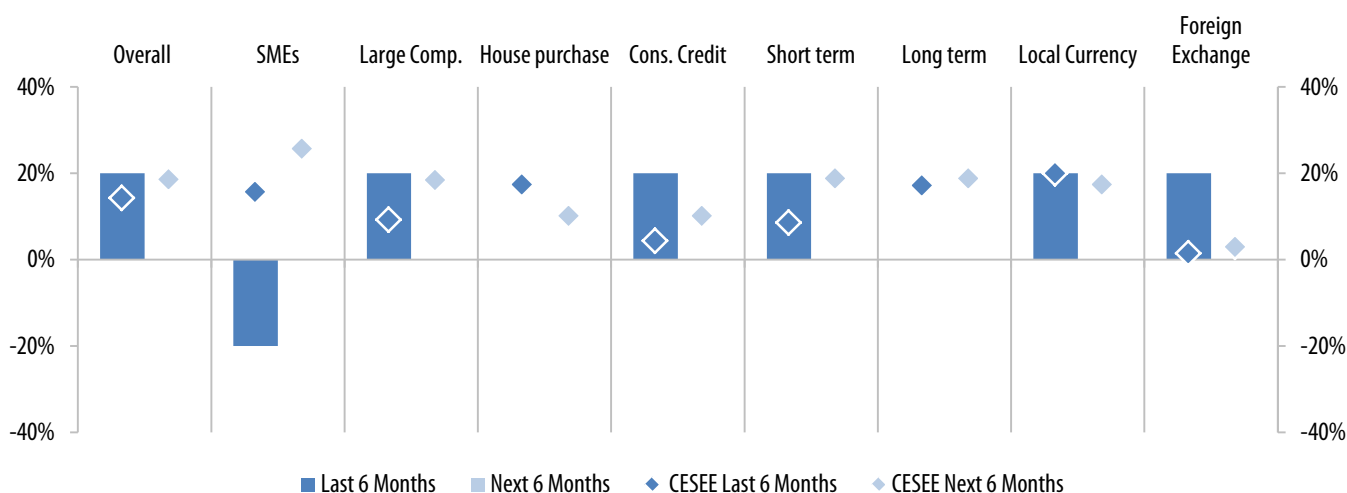


Source: EIB – CESEE Bank Lending Survey

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

Banks' loan approval rate has increase during the last six months, broadly in line with the CESEE average. While the approval rate for loans to SMEs has decreased recently, it has gone up for large corporate loans and consumer credit, and it has remained unchanged for house-purchase loans. Over the next six months, no change is expected to the overall banks' approval rate (despite more upwards expectations for the CESEE region as a whole).

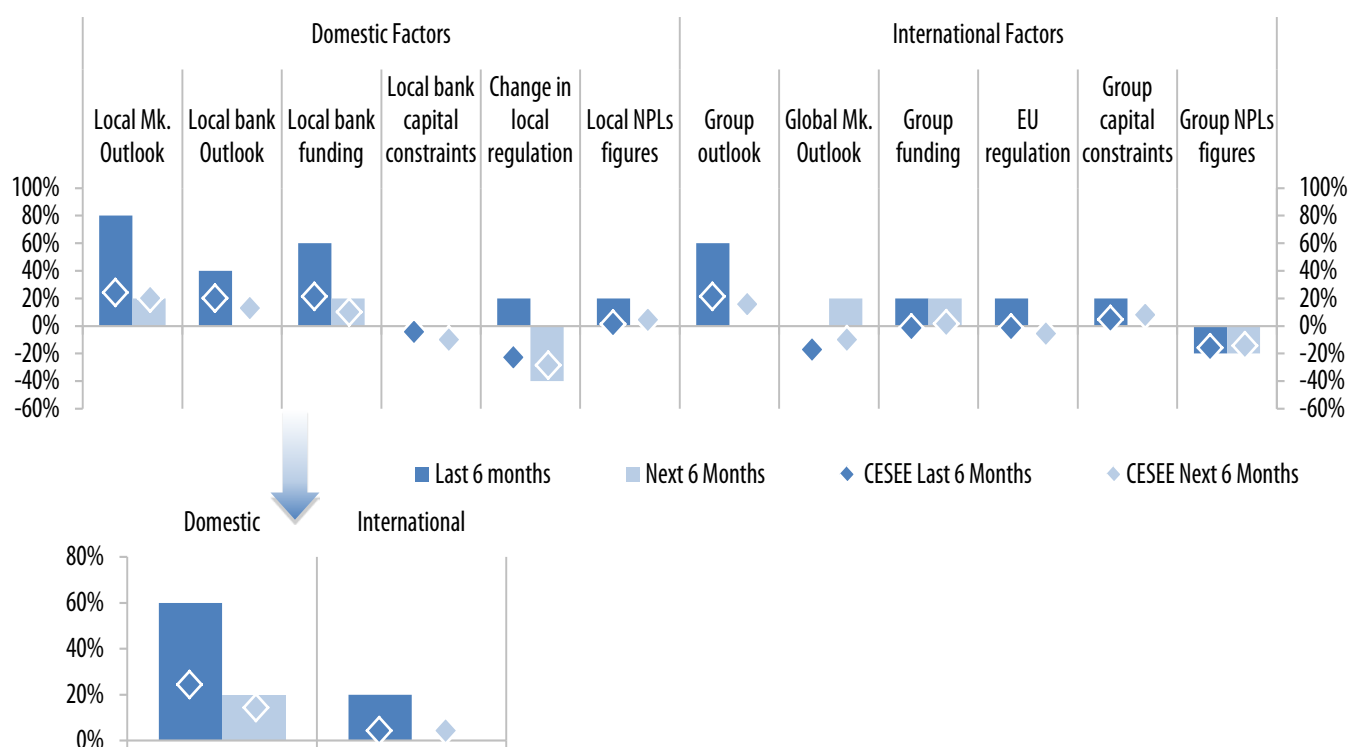


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

High bank profitability and good market potential is reflected in positive contributions of local market outlook and local bank outlook to credit supply conditions in the Czech Republic during the last six months, surpassing the CESEE average. Likewise, local bank funding has contributed positively to credit standards. Among the international factors, group outlook has exhibited the strongest positive influence over the credit supply conditions in the Czech Republic. Over the next six months, local market and bank outlook and local bank funding are expected to have a lesser positive impact on credit supply conditions in the Czech Republic, while changes in local regulation are expected to influence credit supply conditions negatively. Group NPL figures have acted as a negative factor on the Czech credit supply conditions in the last six months, and they are expected to have the same effect over 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

Total NPL reduction in the Czech Republic has been significant during the last six months and stronger than the CESEE average, particularly for the retail non-performing loans.

Over the next six months, the Czech banks do not expect any change to their NPL ratios. In contrast, the expectations for the CESEE region as a whole point to further NPL reduction in the next six months.

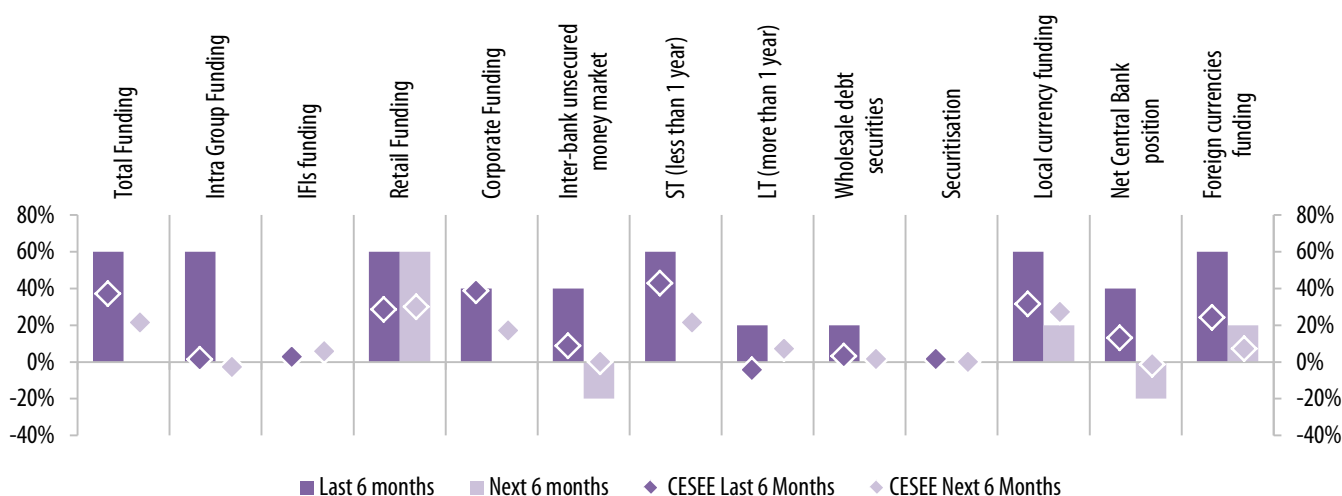


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding of the Czech banks has improved during the last six months, ahead of the CESEE region as a whole. Czech banks are predominantly funded from local deposits. The main improvements have been reported for retail and corporate funding, intra-group funding and the money market. Access to foreign currency funding has also been strong. Over the next six months, total funding is expected unchanged, while access to retail funding is expected to increase further. Access to inter-bank unsecured money market is expected to worsen.



Source: EIB – CESEE Bank Lending Survey.

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

Hungary

Despite strong credit demand and improving supply conditions, banking groups remain somewhat cautious about the Hungarian market.

Summary

Group assessment of positioning and market potential: Parent banks consider the Hungarian market to be among the less attractive within the CESEE region, particularly within the Visegrad 4 group. Only half of the banking groups find that their positioning in the Hungarian market is satisfactory or optimal. Risk-adjusted return on equity exceed overall group operations: an improvement relative to the previous editions of the survey.

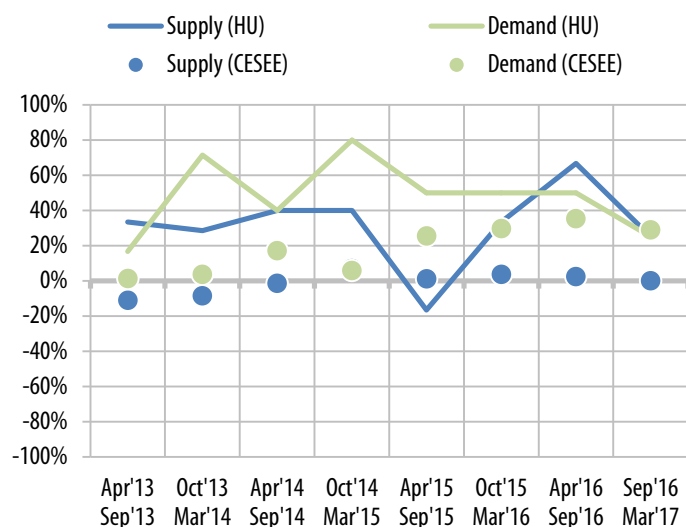
Hungarian banks report that both **credit demand and supply conditions have been improving**, but at a slower pace than before.

Credit supply conditions have been still improving further in the last six months, and banks expect to see very strong improvements again in the near future. They are more optimistic about the developments in Hungary than in the rest of the CESEE.

Demand for loans has also been increasing across most of the spectrum of products and segments over the last six months.

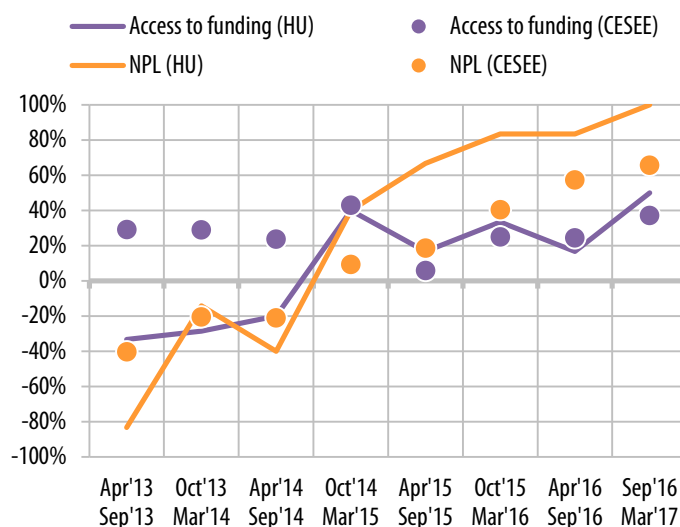
Access to funding: Overall access to funding by Hungarian banks improved in line with the CESEE region. The improvement is due chiefly to sources coming from the domestic corporate sector. Central bank funding is on the decline, in line with the phase-out of the National Bank of Hungary's Funding for Growth programme.

NPL figures have improved in all segments.



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

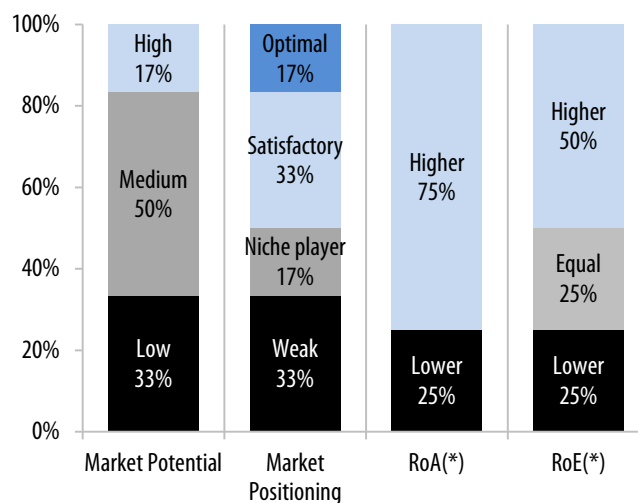
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Hungary show a strong commitment towards the region. Three quarter of the groups present in the country plan to selectively expand their operations in CESEE.

Parent banks, however, consider the Hungarian market to be among the less attractive within the CESEE region, confirming the results of the previous surveys. About half of the banking groups responding find the country’s market potential to be medium, and a third of them find it low, which makes Hungary the lowest-scoring market within the Visegrad 4 group.

About 50 per cent of the banking groups find that their position in the Hungarian market is satisfactory or optimal, yet a third of the groups find it weak. Parent banks find, on average, that risk-adjusted return on equity is somewhat above overall group operations. It is an improvement relative to the previous editions of the survey.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15. (*) 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.

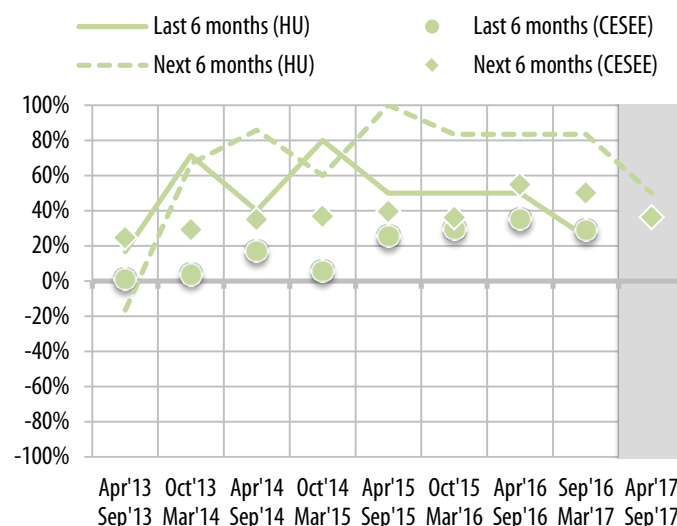
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Hungarian banks report still report a strengthening of credit demand for the past six months, and expect some further increase for the forthcoming period. However, the increase is smaller than it was in six month ago.

Both the data referring to the past, and the change expected by the financial institutions for the next six months suggest the dynamics of the demand for loans in Hungary to be in line with that of the CESEE region.

Figure 2 Demand side developments



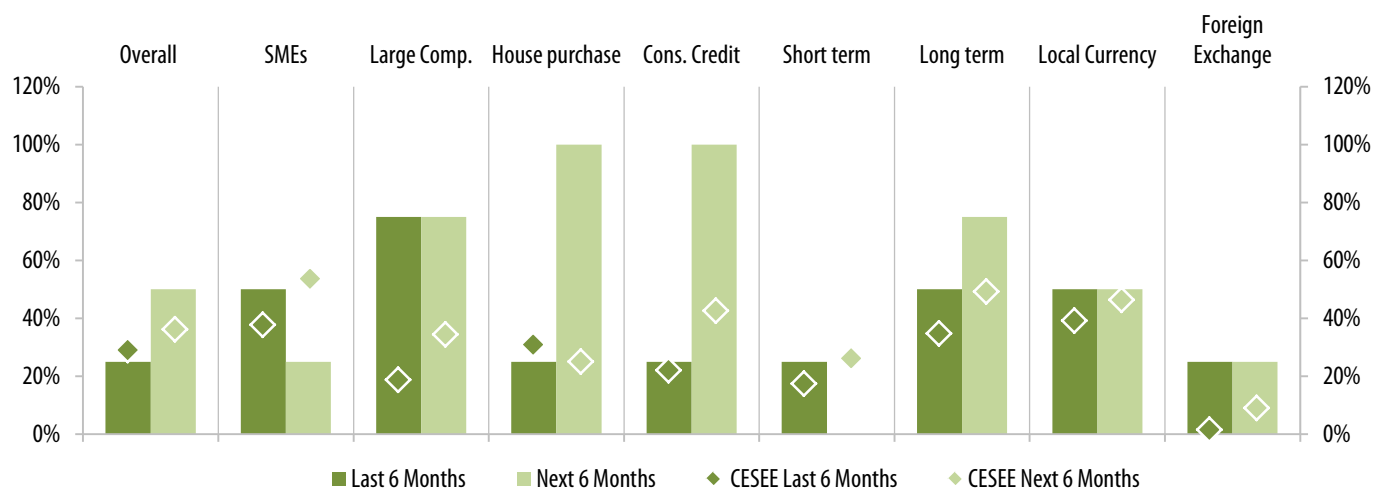
Source: EIB – CESEE Bank Lending Survey.

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

An increase in demand can be observed in almost all market segments and subcategories. Demand has been particularly strong for large corporates and SMEs, however, looking ahead, banks expect strong credit growth in the household segment.

As to the currency denomination, data shows preference towards borrowing in Hungarian forint versus foreign currency denominated loans; although after a long period of decline banks now report an increase in demand for FX loans, too.



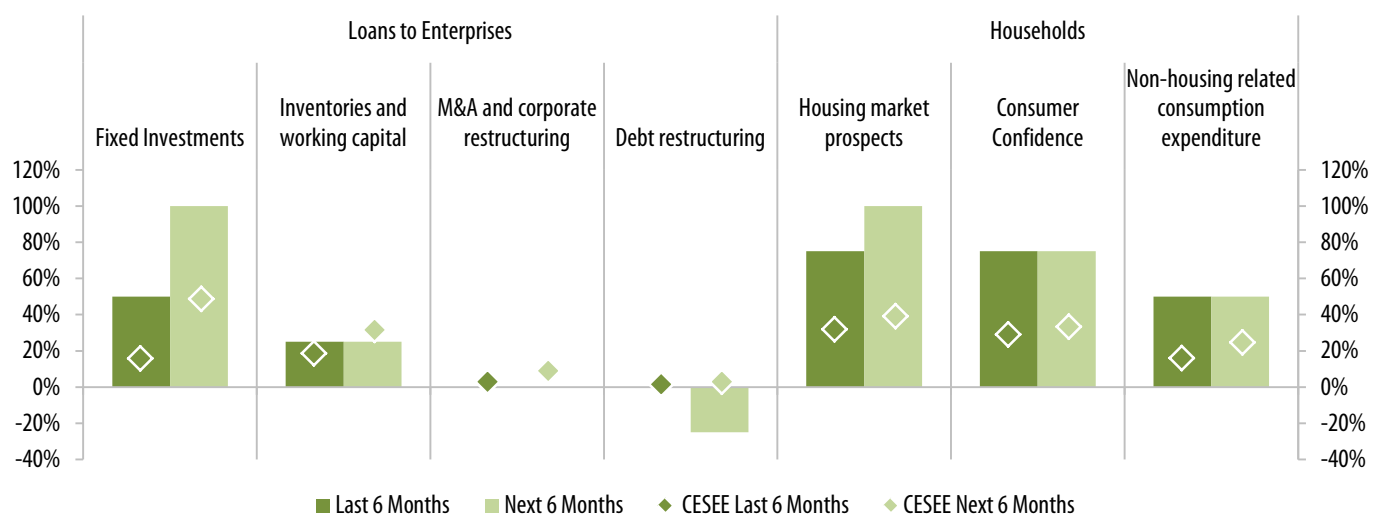
Source: EIB – CESEE Bank Lending Survey.

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 the individual factors, investment-related demand has been the strongest in the corporate sector, and they are expected to remain so in the next six months.

As for households, housing market expectations seem to be the strongest factor behind credit demand; however, the other components, such as consumer confidence and consumption expenditure are also providing a strong positive contribution.

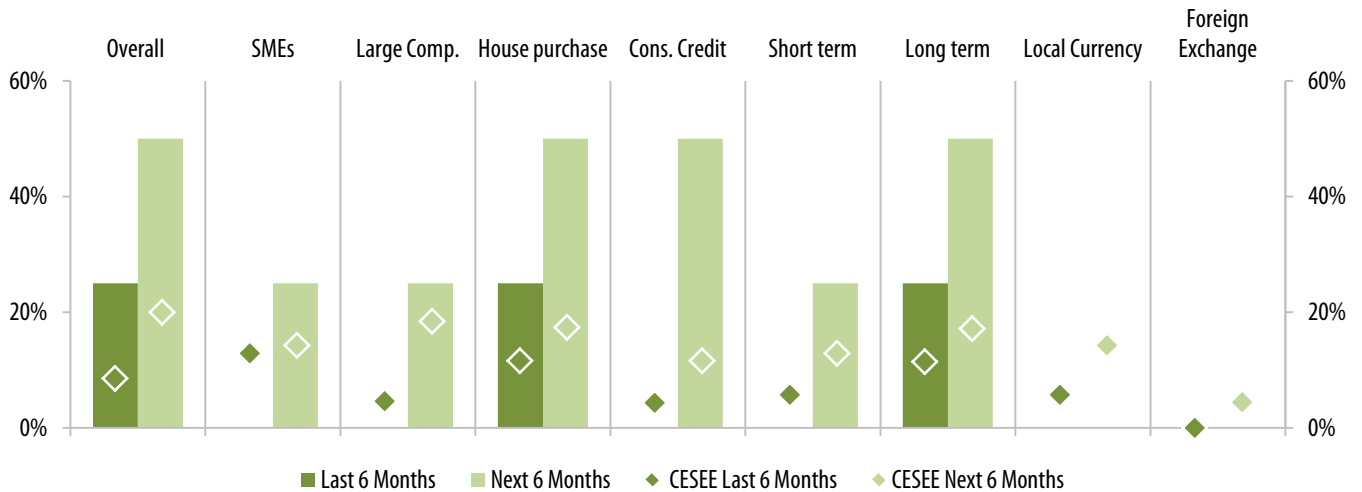


Source: EIB – CESEE Bank Lending Survey.

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 perceived quality of loan applications has improved somewhat in the last six months, and Hungarian banks expect that to improve even further in the coming months.



Source: EIB – CESEE Bank Lending Survey

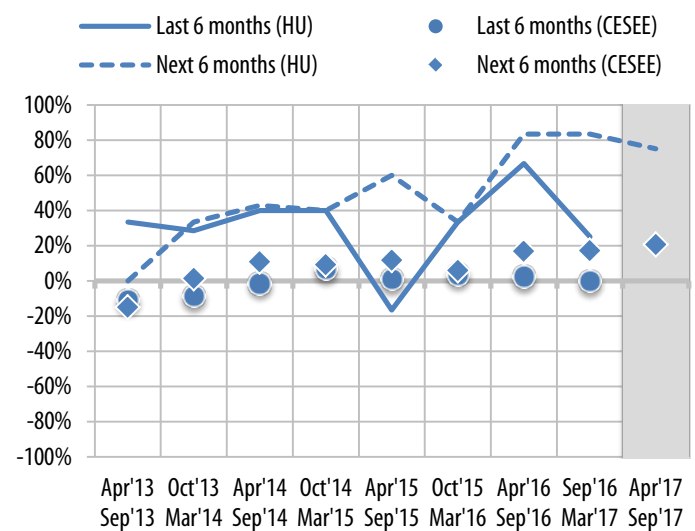
Note: Net percentages - positive figures refer to increasing quality of demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Credit supply conditions have been still improving further in the last six months, but by much less than expected six month ago. However, when looking ahead, banks are expected to see very strong improvements again in the near future.

Banks believe that the dynamics of credit supply conditions in Hungary is in line with the CESEE; however, when looking ahead, they are more optimistic about the developments in Hungary than in the rest of the CESEE.

Figure 6 Supply developments

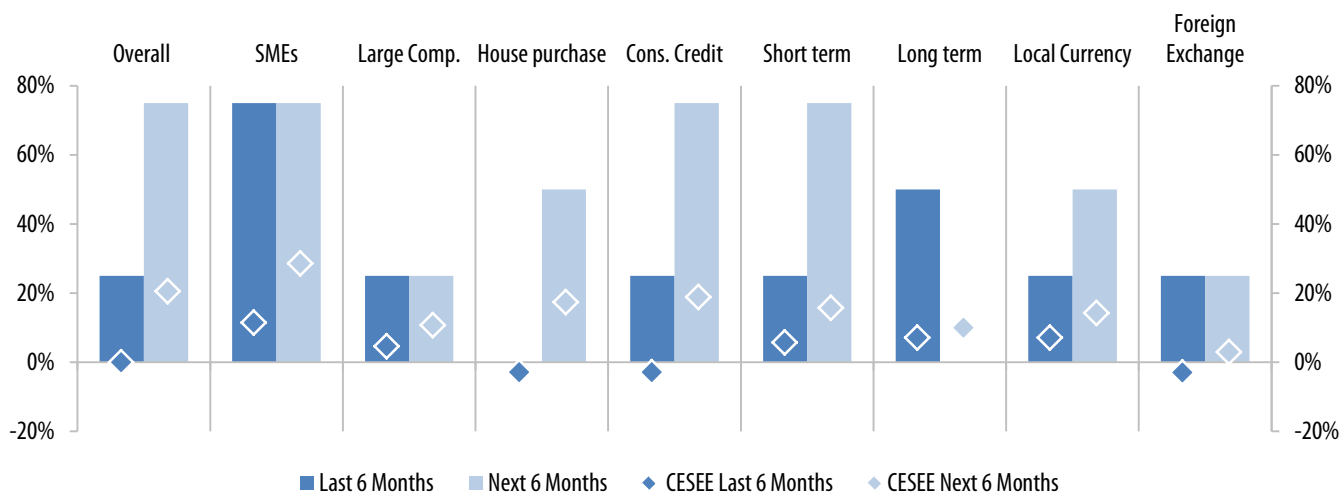


Source: EIB – CESEE Bank Lending Survey.

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

Although credit supply conditions have been improving in all segments, the strongest positive developments can be observed in the case of SME loans; whereas credit supply conditions for households improved at a slower pace and more selectively. Looking ahead, banks expect strong increase in all segments, clearly above the CESEE average.

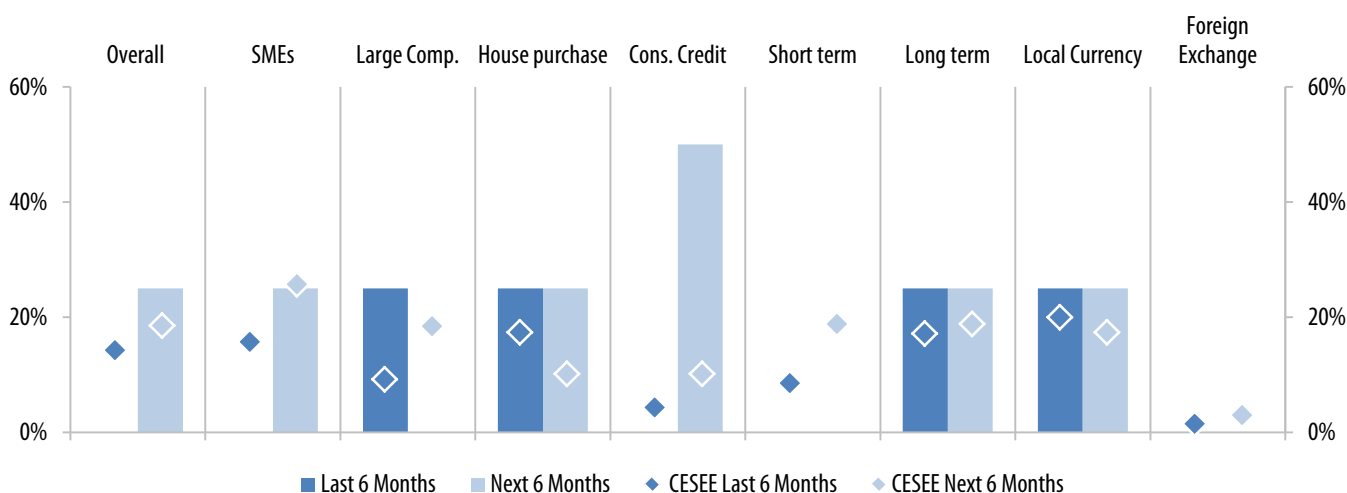


Source: EIB – CESEE Bank Lending Survey

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

The approval rates of credit applications have improved in certain segments in the last two quarters, and are expected to improve further in the coming months. These developments are broadly in line with the CESEE average.

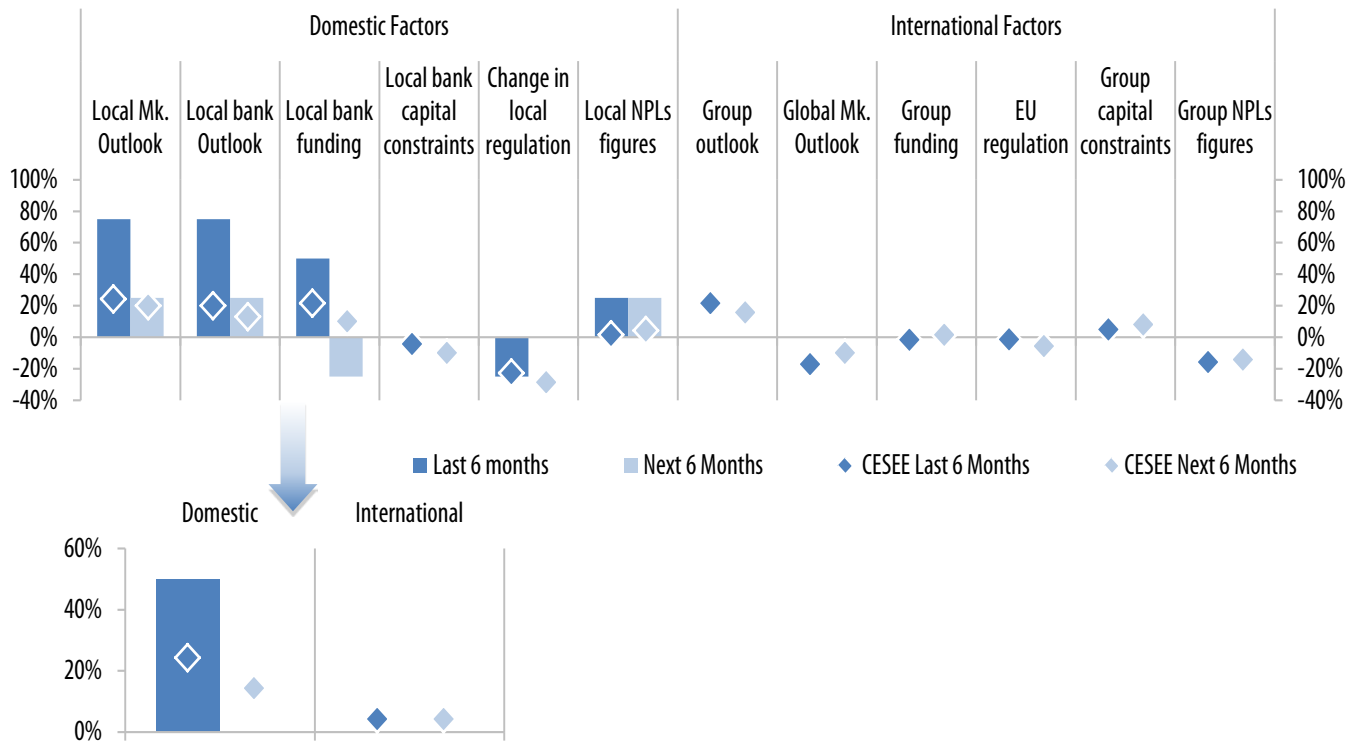


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

The improvement in credit supply conditions is mainly due to domestic factors: better local market and bank outlook, better funding conditions, and improving NPL figures. Local regulation is somewhat contractionary. International factors have a neutral impact on 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

NPL figures in Hungary have been improving significantly, more in the corporate and somewhat less the retail segments. The improvement is in line with the general developments of NPLs in CESEE, but yet more pronounced.

Further progress in the resolution of non-performing loans is expected in the coming months.



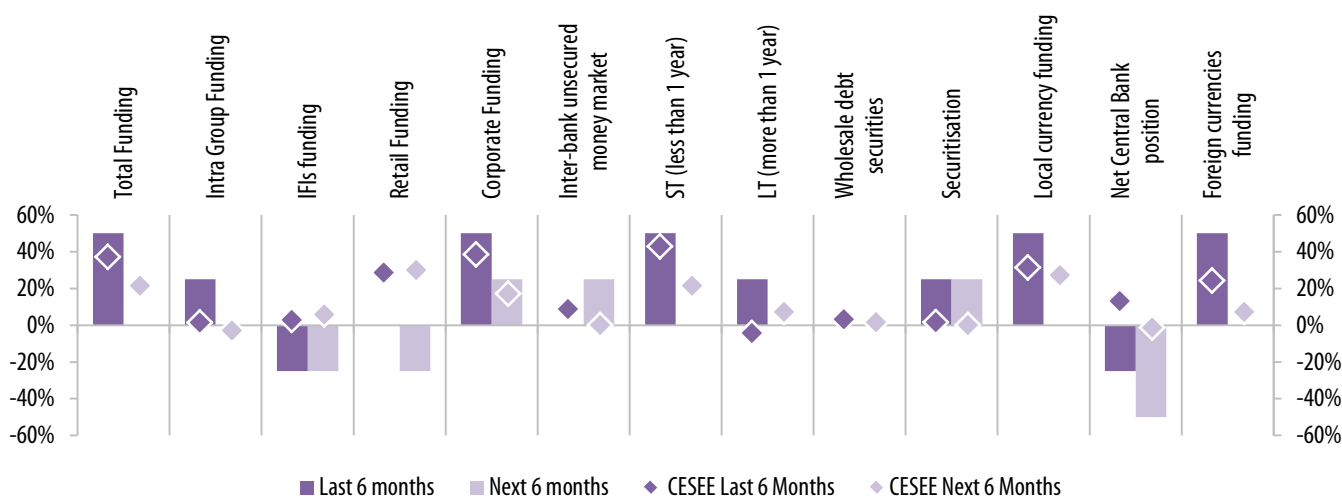
Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

In line with the developments in CESEE, overall access to funding by Hungarian banks has improved over the last months. The strongest contributor is corporate funding. Intragroup funding is having a positive contribution after a long period of decline.

The importance of central bank funding has already declined, and is expected to decline further. This most likely reflects the ongoing phase-out of the National Bank of Hungary's *Funding for Growth* programme.



Source: EIB – CESEE Bank Lending Survey.

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

Kosovo

A profitable market with further catching-up potential. Some credit demand softening recently, but credit conditions remain supportive.

Summary

Group assessment of positioning and market potential: Parent banks operating in Kosovo continue seeing a medium market potential and optimal to satisfactory market positioning. The profitability of the local banks has been strong and above the overall group operations.

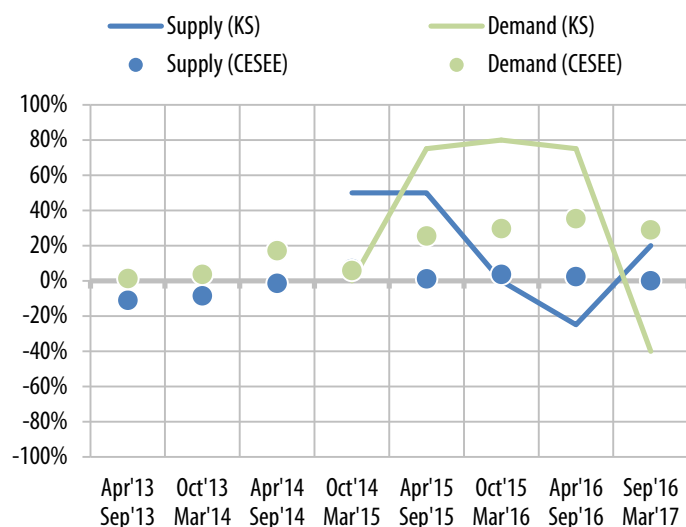
Banks report a net decrease in **credit demand** in the last six months, while **credit supply conditions** have eased slightly. Going forward, local banks expect improvements for both supply and demands side, in line with the CESEE region as a whole.

After a dip in the credit standards, overall **credit supply conditions** have eased again, driven by credit to SMEs, large corporations and for house purchase loans. A more broad-based credit easing is expected over the next six months on the back of strong economic growth in Kosovo. Domestic factors have been very favourable to credit supply conditions.

The net decrease in the **demand for loans** has been driven by SMEs, large companies and consumer credit. Nevertheless, households' demand for house purchases has remained strong and so are its expectations. Loan demand by both the corporate and the household sectors is expected to increase over the next six months. Corporate investment and housing market purchases are expected to become important motives behind the loan demand in the coming months. The quality of loan applications has been improving for most loan segments.

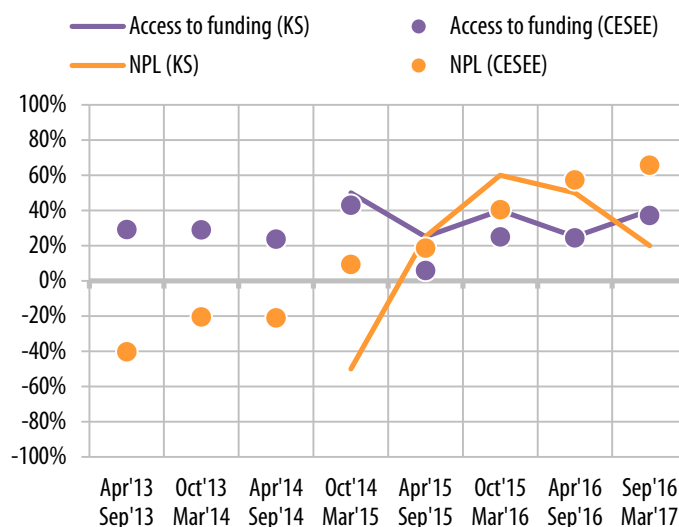
Access to funding has improved mostly on the back of an increase in retail and corporate funding, adding to the already favourable deposits base of the banks in Kosovo.

NPL figures have declined to a lesser extent than the CESEE average and they are expected to worsen over the next six months on the back of strong credit growth.



Source: EIB – CESEE Bank Lending Survey.

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



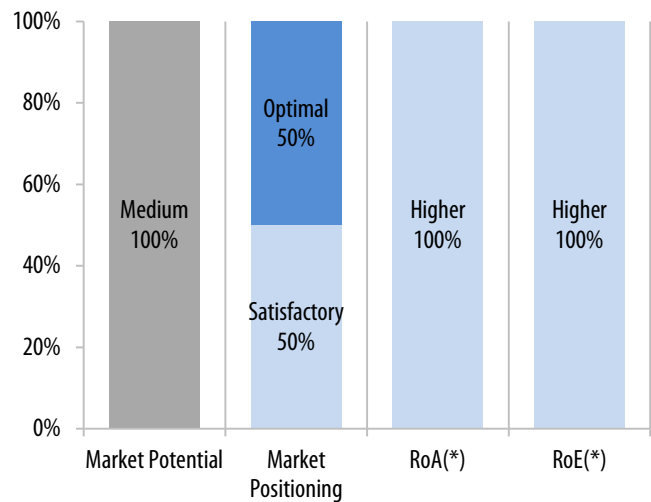
Source: EIB – CESEE Bank Lending Survey.

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 period, the profitability of local banks in Kosovo remains above the overall group levels. Despite its small size, the young population, high remittances inflows and improving institutional frameworks bode well for the banking business in Kosovo. Parent banking groups regard the market potential as medium and their current market positioning is equally split between optimal and satisfactory.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

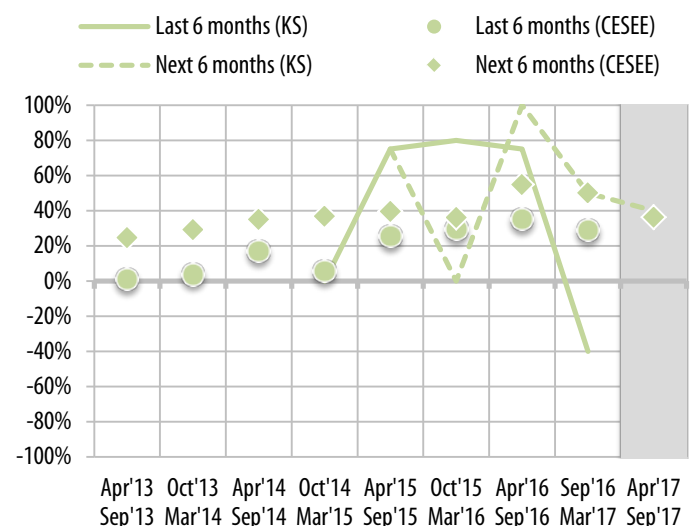
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

After a period of strong loan demand from mid-2015 and despite the strong domestic demand growth in Kosovo, the demand for loans contracted during the last six months, below the CESEE region as a whole. Over the next six months, local banks expect a net increase in loan demand, albeit smaller than in previous periods.

Figure 2 Demand side developments

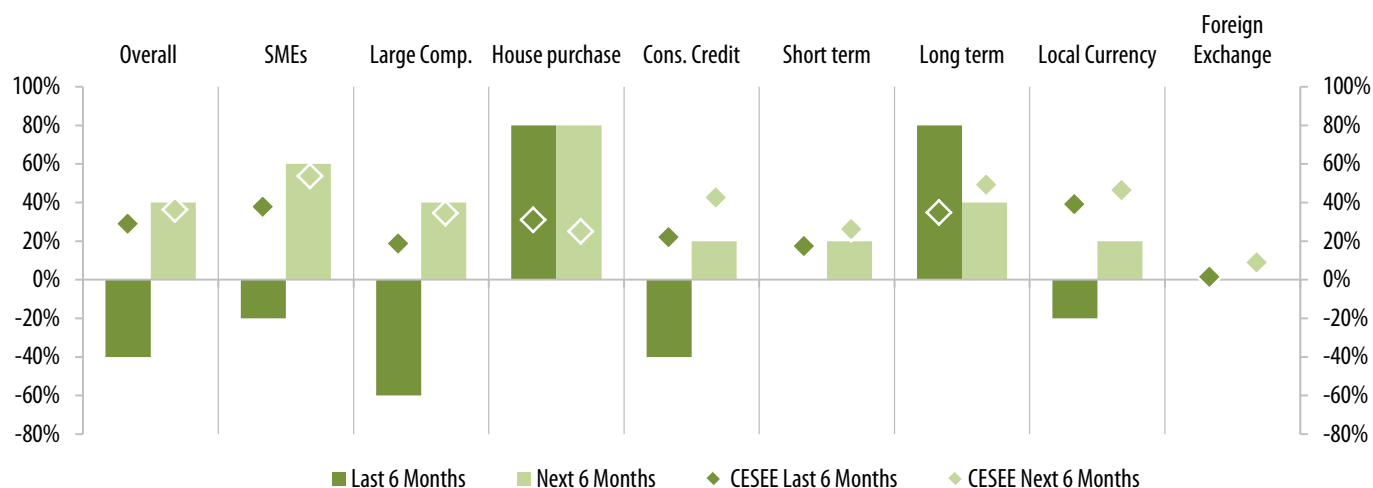


Source: EIB – CESEE Bank Lending Survey.

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

The main contribution to the net decrease in loan demand during the last six months has come from loans to SMEs, large corporate loans, consumer credit and local currency loans. On the other hand, households' demand for house purchase loans has retained its strength from previous periods. Over the next six months, local banks expect an increase in loan demand in line with CESEE average, mainly driven by house purchase loans, SME loans and large corporate loans. Demand for consumer credit and local currency loans is expected to recover as well.

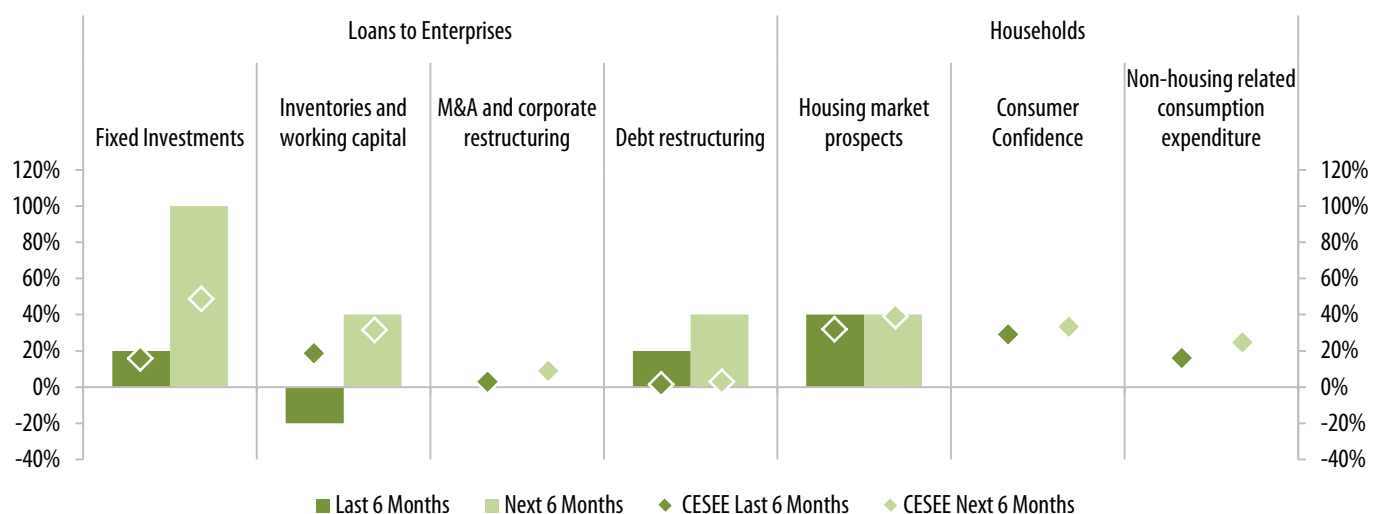


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

While fixed investments and debt restructuring have contributed slightly positively to loan demand during the last six months, corporate spending on inventories and working capital contributed negatively. On the household side, housing market prospects have been driving demand for loans as other factors have remained unchanged. Going forward, corporate investment and housing market prospects are expected to contribute most to demand for credit.

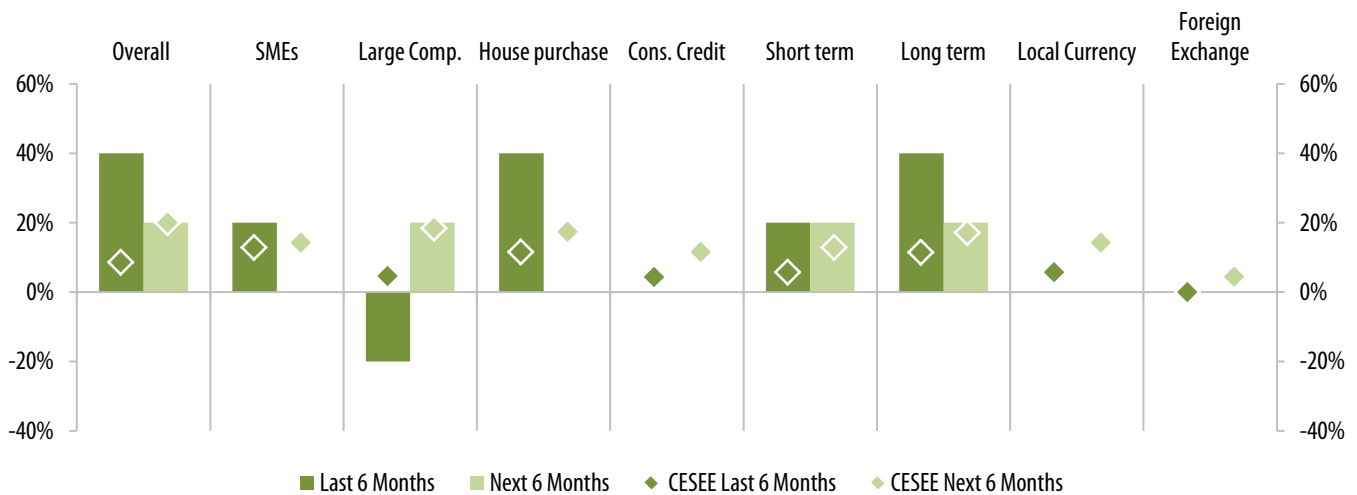


Source: EIB – CESEE Bank Lending Survey.

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 the last six months, the quality of overall loan applications has improved significantly, and above the CESEE regional average. This improvement has been driven by loans to SMEs, house purchase loans and short- and long-term loans. On the other hand, the quality of loan applications for large corporate loans has deteriorated. Looking ahead, the quality of overall loan applications is expected to improve further, though to a lesser extent. The quality of large corporate loan applications is expected to improve.



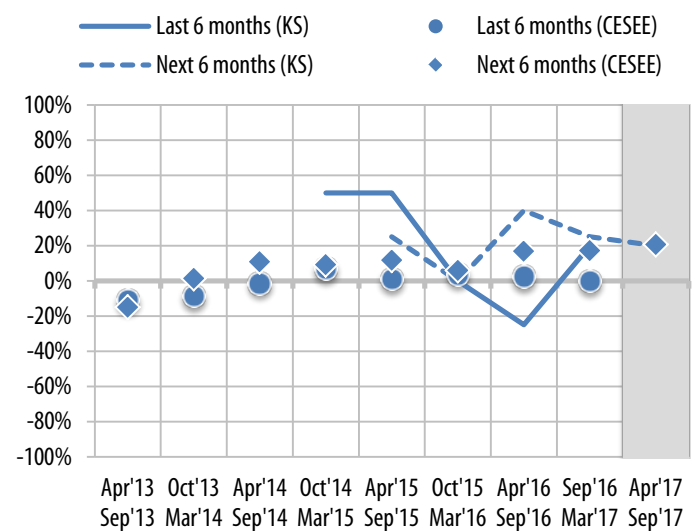
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

Despite some tightening of credit conditions in the last period, the last six months have marked a return of easing lending standards in Kosovo, while the overall CESEE region has recorded more neutral lending standards. Going forward, local banks expect a continuation of the easing credit standards over the next six months, in line with the CESEE regional expectations.

Figure 6 Supply developments

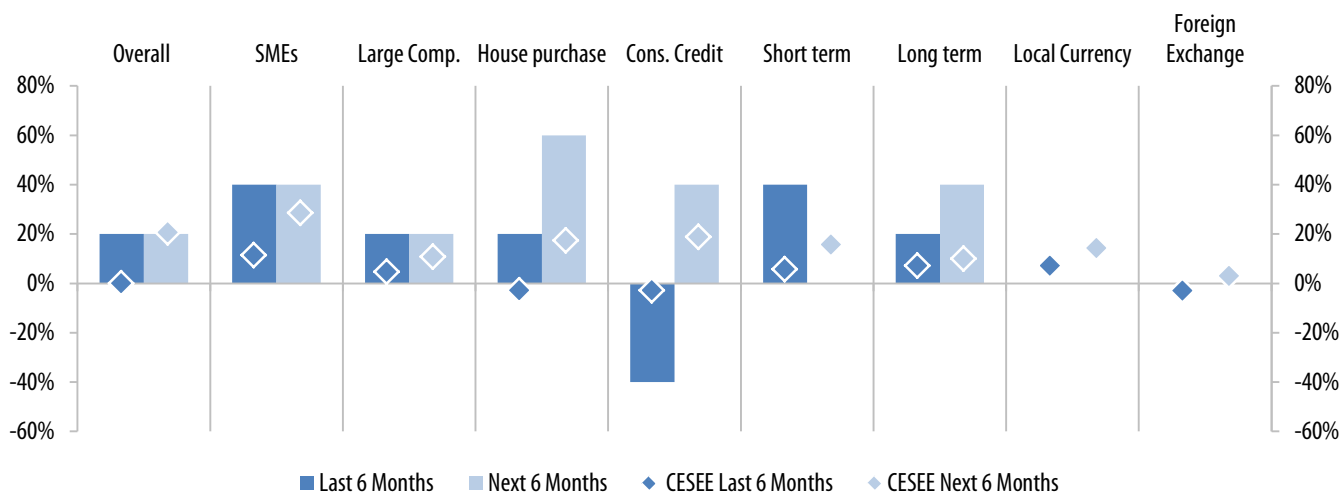


Source: EIB – CESEE Bank Lending Survey.

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

During the last six months, credit standards have eased for loans to SMEs, large corporations and to households for house purchase, all above CESEE average. Consumer credit has experienced a tightening of credit standards. Over the next six months, local banks expect further easing of credit standards for loans to SMEs, large corporates and for households' house purchase loans. In addition, credit standards for consumer credit are expected to ease as well, giving additional boost to households' strong consumption growth.

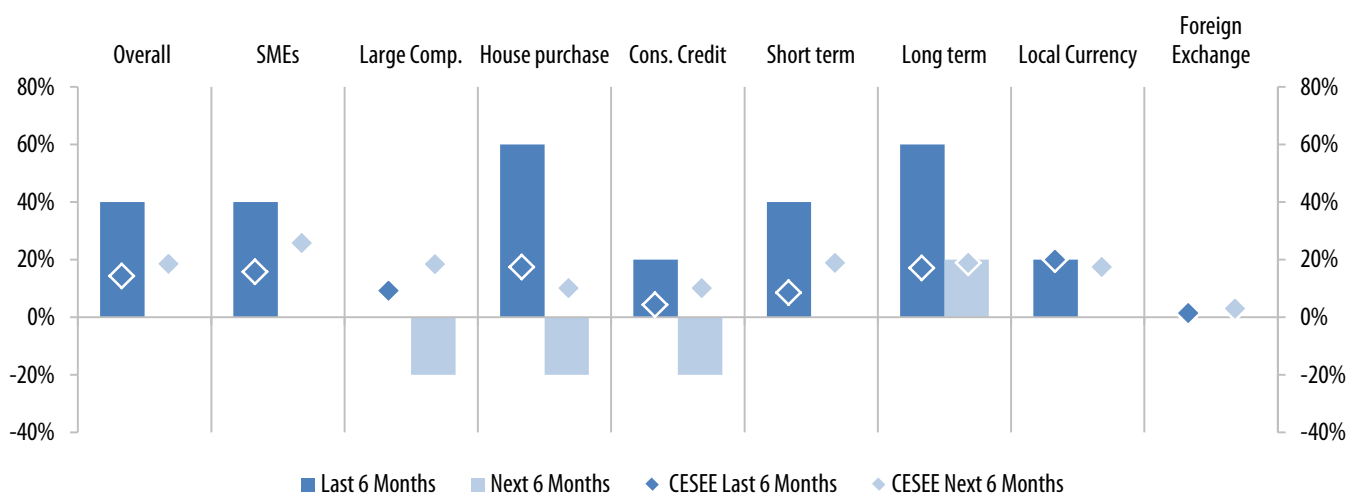


Source: EIB – CESEE Bank Lending Survey

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 banks' loan approval rate in Kosovo continues to be rather volatile. After a net overall decline in the previous period, the approval rate has improved during the last six months, mainly for loans to SMEs and house purchase loans. Looking ahead, no change is expected for the overall approval rate, with a net decline expected for the approval rate for large corporate loans, house purchase loans and consumer credit.

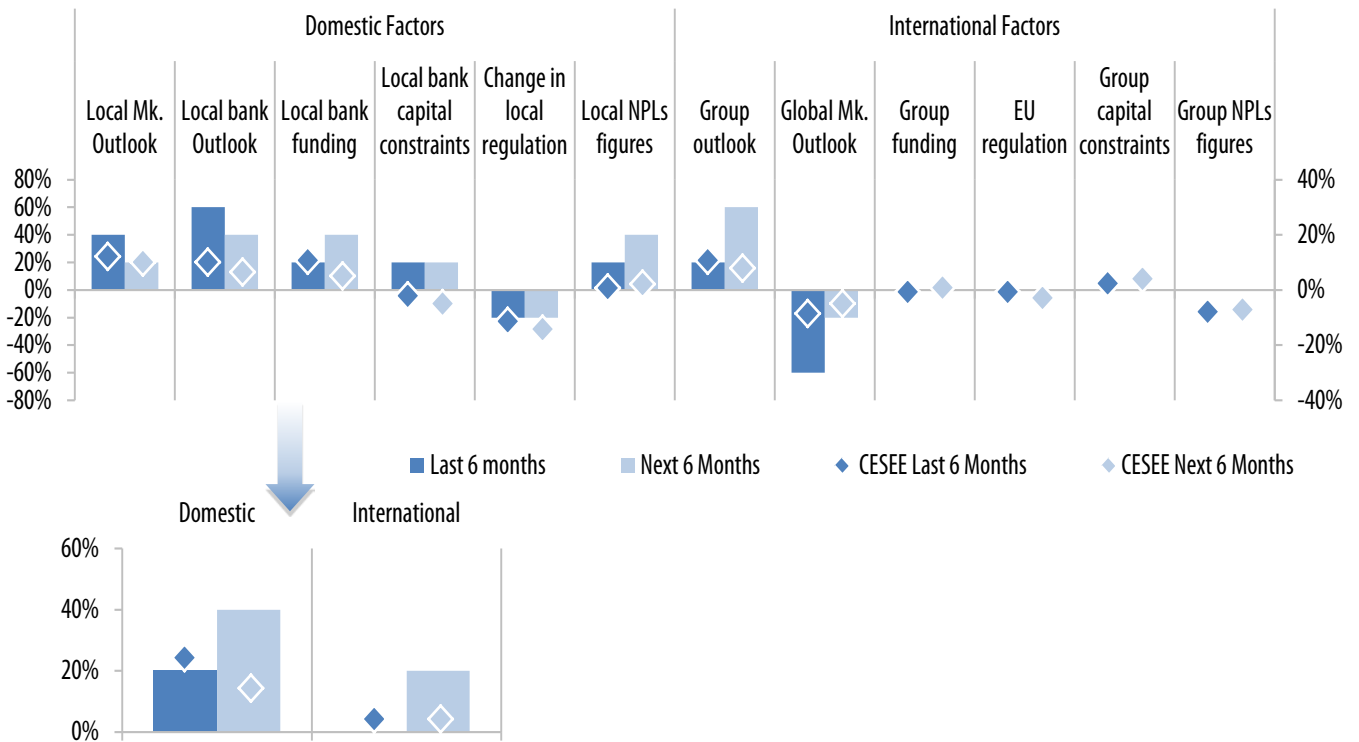


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Except changes in local regulation, domestic factors have been overwhelmingly contribution positively to credit supply conditions in Kosovo in the last six months and they are expected to contribute more in total over the next six months. Local bank outlook runs ahead of the CESEE region as a whole. As for the contribution of international factors, group outlook has been providing a tailwind and global market outlook being a headwind.



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 improvements in the credit quality from the recent periods have slowed down during the last six months, with total NPL reduction being below the CESEE average. As a probable results of the ongoing strong credit growth in Kosovo, local banks expect a net increase in NPL ratios for both corporate and retail loans over the next six months.

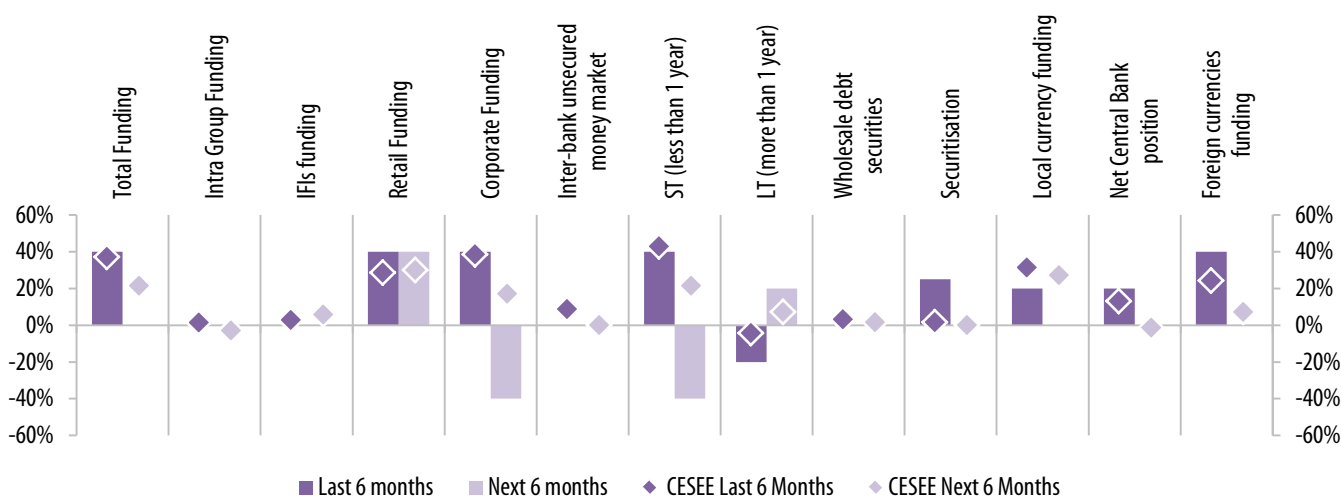


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Access to funding for banks in Kosovo has improved in the last six months, driven predominantly by retail and corporate deposits. Kosovar banks have a strong local deposit funding base. Foreign currency funding has also improved over the last six months. Over the next six months, total funding conditions are expected to remain broadly unchanged, with retail funding expected to improve further, but corporate funding expected to deteriorate.



Source: EIB – CESEE Bank Lending Survey.

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

Poland

The Polish banking market has lost some of its attractiveness amid deteriorating regulatory environment and below-average outlook for both supply and demand.

Summary

Group assessment of positioning and market potential: Parent banks operating in Poland show a relatively strong commitment towards the region. While parent banks still consider the Polish market to be among the more attractive ones within CESEE, a clear deterioration in the assessment of market potential can be observed relative to the earlier editions of the survey, and also relative to some peer countries. As to profitability, only a third of the parent banks believe that returns are below the group average, which is a slight improvement from six month ago.

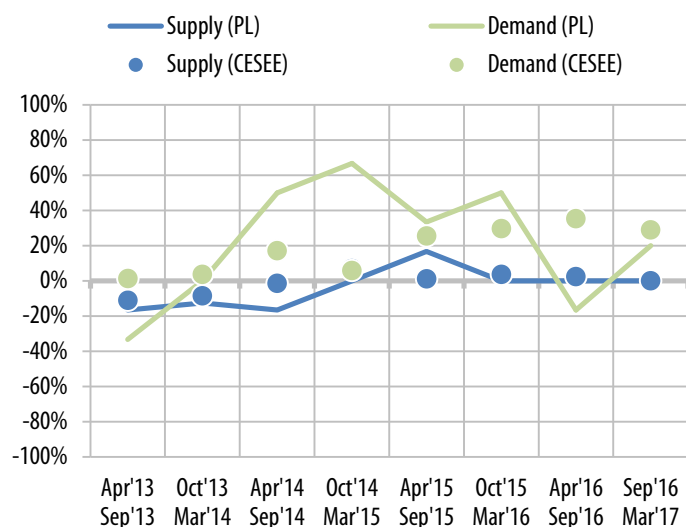
Polish banks report that **credit demand has been increasing again**, while **supply conditions have been stagnating**.

Credit supply conditions have been broadly neutral in the last six months, in line with the rest of the CESEE region. Looking ahead, Polish banks expect the overall neutral stance for credit supply to continue.

After a brief decline, **credit demand** started to grow again in Poland, albeit at a slower pace than earlier. The overall broadening of demand is more or less in line with the dynamics observed in the CESEE in general. However, looking ahead, banks are expecting a moderation in credit demand.

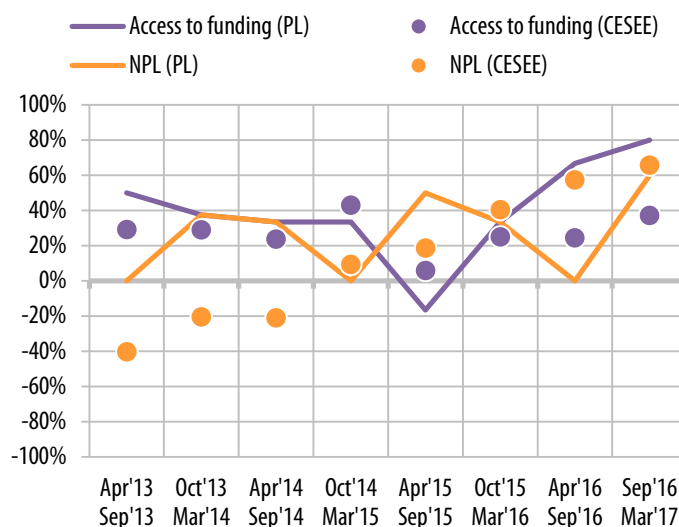
On aggregate, Polish banks' **access to funding has improved** in the last six months. This is mainly due to better conditions on the retail market segment, and partly to wholesale securities issuances.

NPLs have been described as improving on aggregate.



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

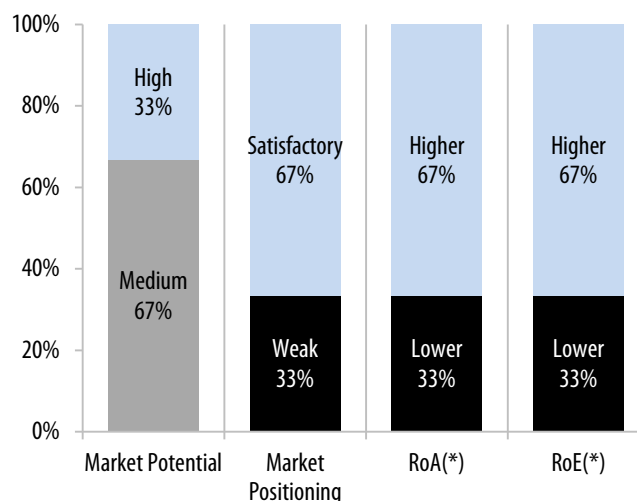
Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Poland show a relatively strong commitment towards the region. Three quarter of groups present in the country plan to maintain their regional operations at their current level, while the rest of them plan to selectively expand its CESEE activity.

While parent banks still consider the Polish market to be among the more attractive ones within CESEE, a deterioration in the assessment of market potential can be observed relative to the earlier editions of our survey, and also relative to some peer countries.

As to profitability, only a third of the parent banks believe that returns are below the group average, which is a slight improvement from six month ago. However, the assessment on returns is still far from the levels observed a few years ago, when banks had reported business prospects in Poland to be among the best in the region (Figure 1).

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15. (*) 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.

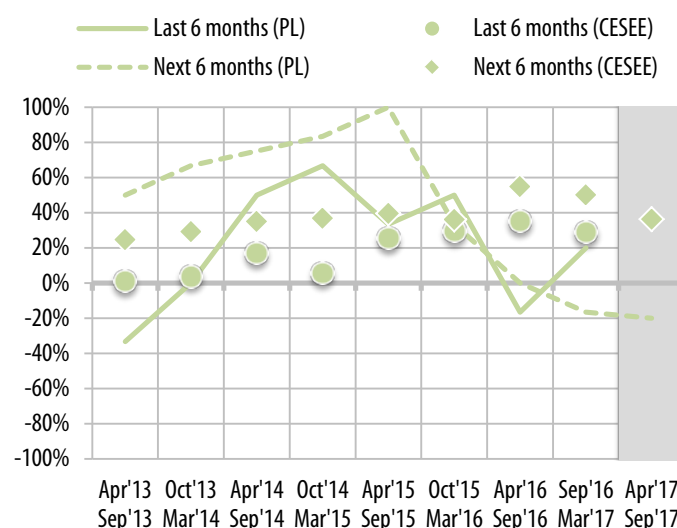
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

After a brief decline, credit demand started to grow again in Poland, albeit at a slower pace than earlier. The overall broadening of demand is more or less in line with the dynamics observed in the CESEE in general.

However, looking ahead, Polish banks are expecting a moderation in credit demand. This is in stark contrast with the overall CESEE outlook, which is still in the positive territory (Figure 2).

Figure 2 Demand side developments



Source: EIB – CESEE Bank Lending Survey.

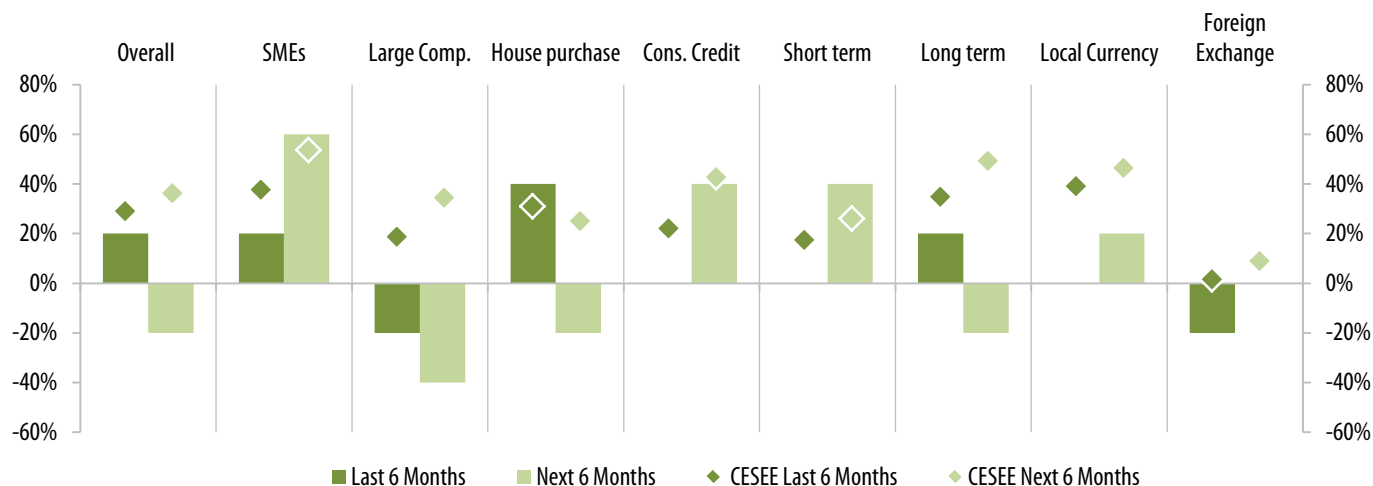
Note: See Question B.Q5 in the Annex - Net percentages - positive figures refer to increasing demand. Moreover the two expectations series (circles and diamonds) are shifted forward so as to be comparable to the perceptions series (lines), i.e. expectations reported at time t for the next six months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

Figure 3 Demand components and segments

For the corporate sector in Poland, demand by large corporations has been declining somewhat, whereas SMEs are showing an increasing interest towards borrowing (Figure 3).

As to the households, demand towards mortgage products has increased, while the demand consumer credit has been mainly neutral.

Credit demand is broadly in line with overall developments in the CESEE region.



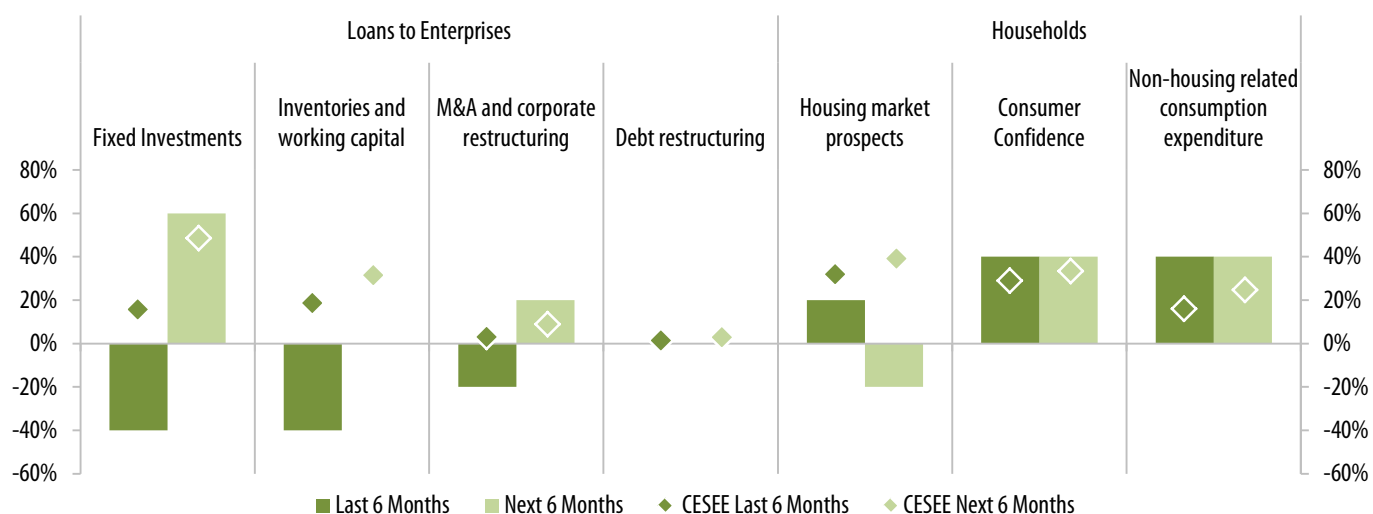
Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Demand for both investment loans and working capital has been contracting in the past six months. As to households, consumer confidence and consumption expenditure have been the key drivers of credit demand. Looking ahead, banks expect further an improvement in these categories (Figure 4).

The broad-based optimism about the factors affecting household demand for credit is in line with the rest of the CESEE.



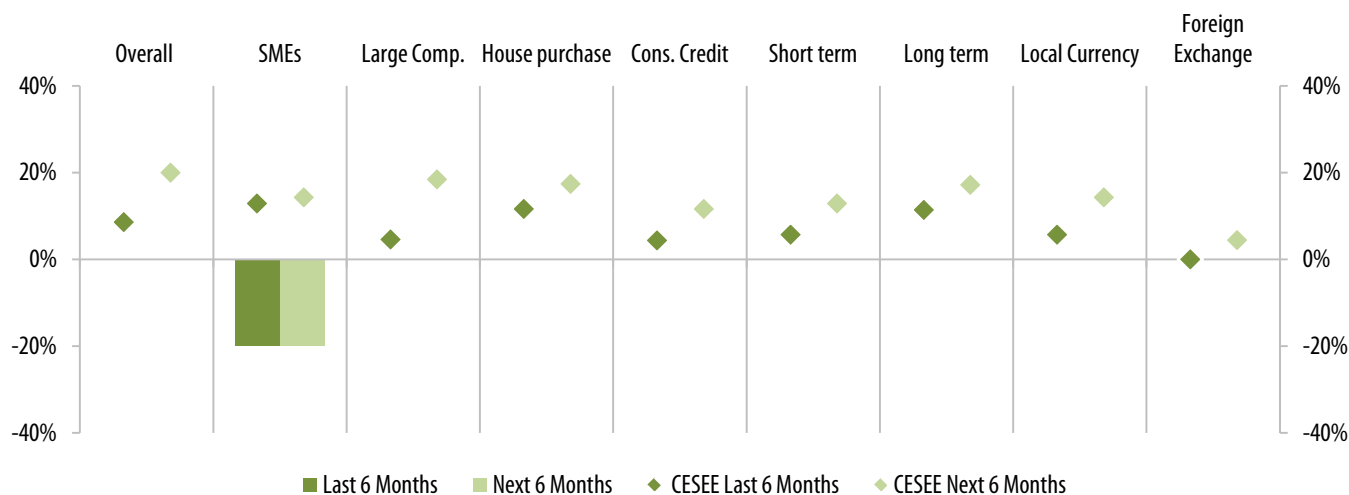
Source: EIB – CESEE Bank Lending Survey.

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 has been almost steady across the board, with a minor decline for the SME segment.

Elsewhere in CESEE banks report stronger improvements in the quality of the loan application across all the segments.



Source: EIB – CESEE Bank Lending Survey

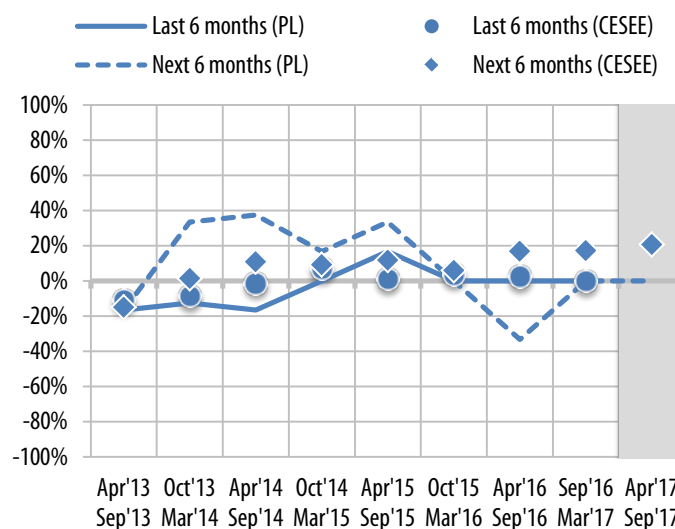
Note: Net percentages - positive figures refer to increasing of quality demand. Full question see B.Q6 in the Annex

Aggregate supply developments

Just like in CESEE in general, credit supply conditions in Poland, have been broadly neutral in the last six months. This is also in line with the banks' own expectation formulated six months ago.

Looking ahead, Polish banks expect the overall neutral stance for credit supply to continue, whereas the rest of the region expects a strengthening.

Figure 6 Supply developments



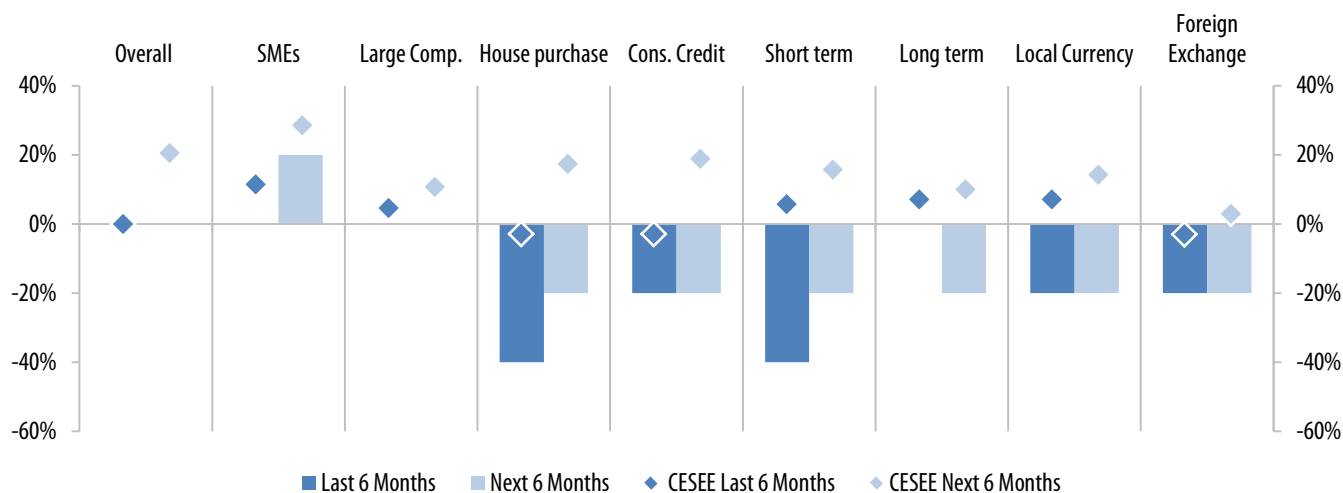
Source: EIB – CESEE Bank Lending Survey.

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

The supply of loans to both SMEs and large corporates has been stable in the last six months in Poland. In the retail segment, the supply of mortgage products has been significantly reduced, and a smaller decline was observed for consumer credit.

Looking ahead, banks expect neutral or slightly declining supply conditions in all segments, which represent a pessimistic outlook relative to the CESEE average.

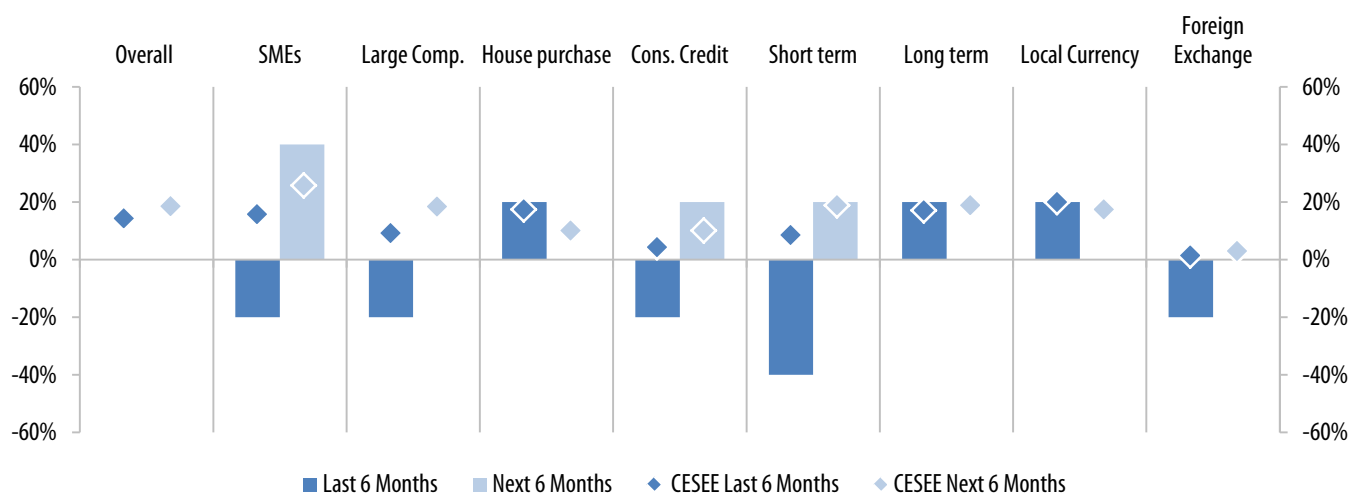


Source: EIB – CESEE Bank Lending Survey

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

Loan approvals have become tighter in all segments, with the exception of housing loans, where an easing in the conditions was reported. Looking ahead, banks expect a more neutral stance, with the possibility of moderate increases in the approval rates for SMEs and consumer credit.

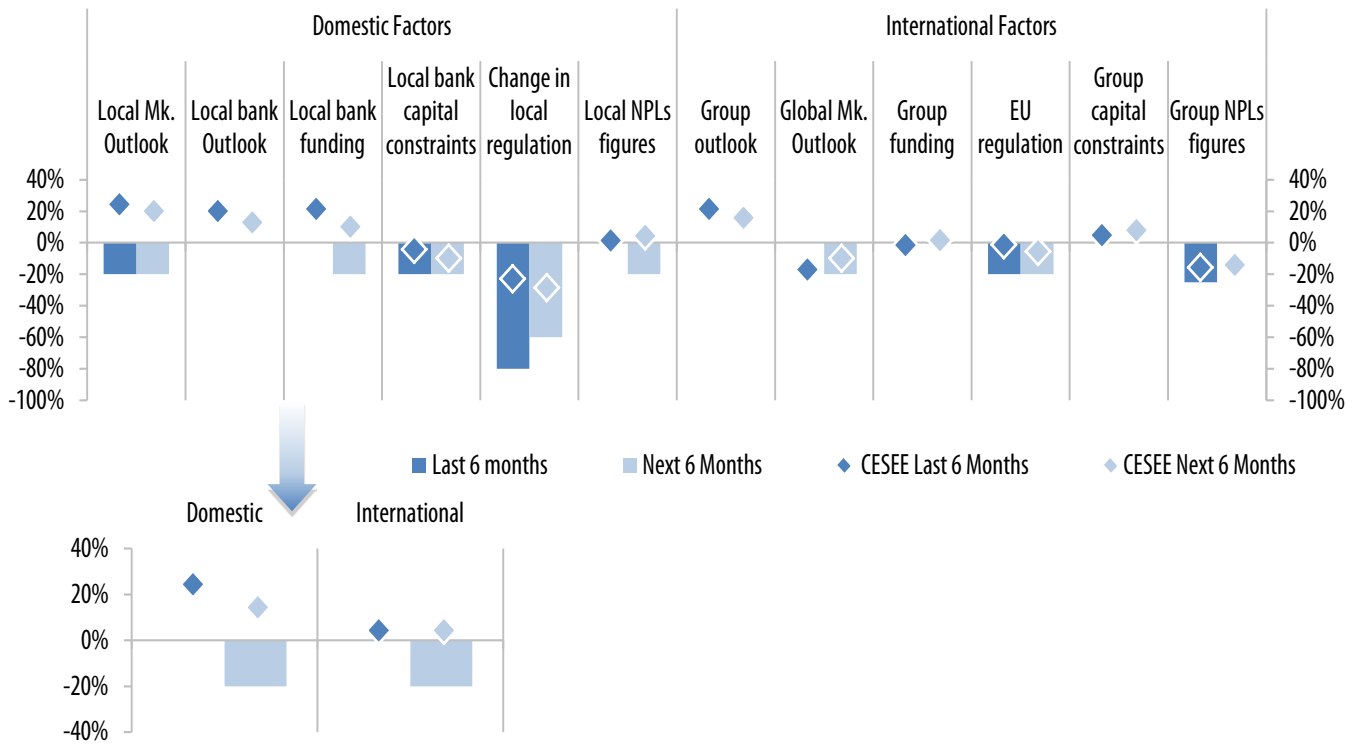


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Polish banks see international factors as broadly neutral with respect to credit supply conditions. Domestic regulatory changes, however, have been asserting a strong negative influence on credit supply, and this restraining effect is expected to remain strong in the future, too.



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 Poland have been improving significantly in the last six months on aggregate. The positive trends have been observed both in the household segment and also on the corporate loan portfolio.

Unlike for the CESEE average, where further improvements are projected, asset quality in Poland is expected to deteriorate slightly over the next six months. Nevertheless, Poland has the lowest level of NPL ratio in the region.

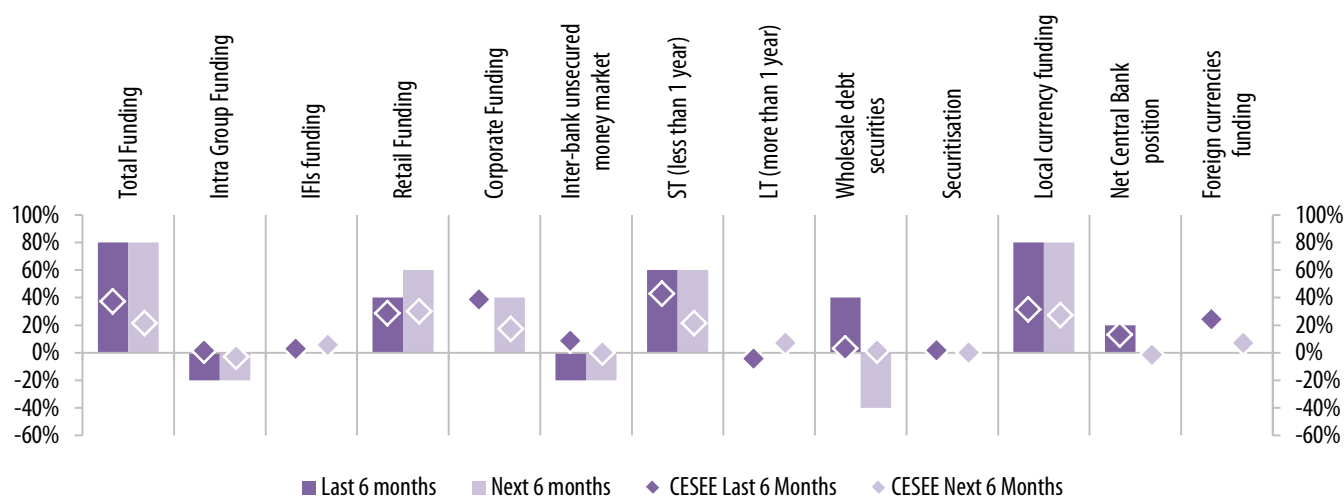


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

On aggregate, Polish banks' access to funding has improved in the last six months. This is mainly due to better conditions on the retail market segment, and partly to wholesale securities. The improvement occurred mainly in short-term funding denominated in PLN. (Figure 11).



Source: EIB – CESEE Bank Lending Survey.

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

Romania

A heterogeneous market with improving demand conditions, funding and decreasing NPLs; supply conditions are still lagging behind

Summary

Group assessment of positioning and market potential: Parent banks operating in Romania provide a rather mixed picture about their market potential and positioning, suggesting a relatively high heterogeneity in the Romanian market. This is also reflected in the reported market profitability. More than a third considers their market position satisfactory or optimal whilst half of the Groups detect a weak positioning. Despite this rather muted landscape banks continue to look optimistically into the future as three quarters of them see the market potential as high.

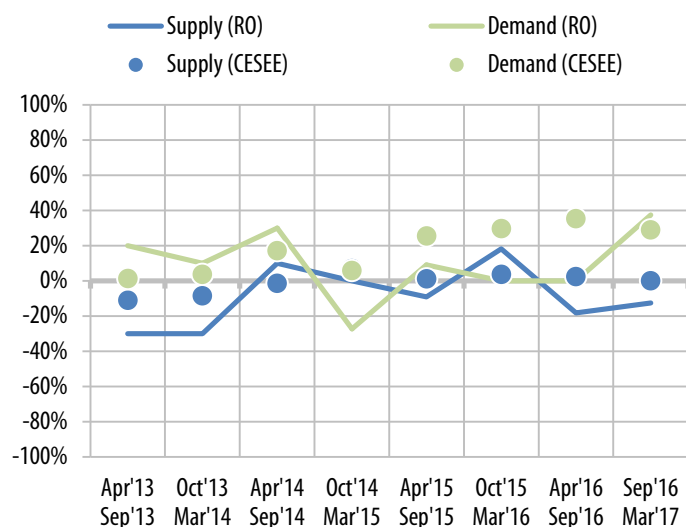
Credit demand has increased in line with past expectations and the regional aggregate, while **supply conditions have tightened slightly**.

Credit supply conditions have slightly tightened in spite of previous easing expectations and a neutral development in the CESEE region. The tightening has stemmed primarily from the household segment where stricter credit standards were recorded on mortgages and consumer credit; also banks' approval rates have decreased in the last months. Mostly international factors played a limiting effect, namely Groups' NPLs, Groups' funding, the global outlook as well as the EU regulation.

Aggregated **demand for loans** has increased over the last six months, catching up with banks' expectations voiced in the last round. This is also quite a turnaround compared to the recent past. Inventories and working capital followed by M&A and investment contributed positively to demand whilst debt restructuring played a contractionary role.

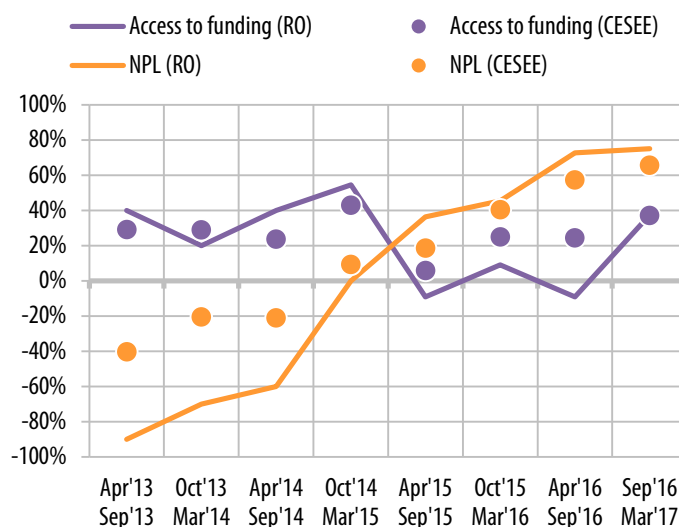
Access to funding has improved primarily supported by positive developments in retail and corporate funding as well as central bank and interbank market.

NPL figures have continued to improve in all segments.



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.

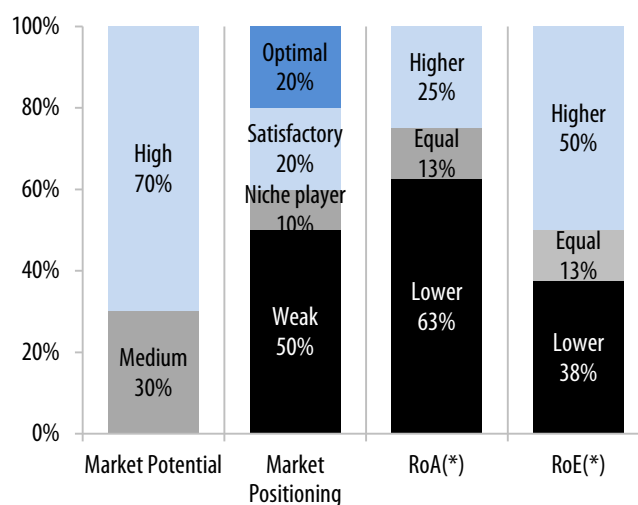
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

Parent banks operating in Romania provide a rather mixed picture about their market potential and positioning, suggesting a relatively high heterogeneity in the Romanian market. This is also reflected in the reported market profitability. On the one hand, a large majority of banks report a lower RoA of the domestic operations compared to overall group operations. On the other hand, half of the banks signal RoE of domestic operations higher than overall group results.

This heterogeneity is reflected in groups' assessment of their market positioning. While more than a third considers their market position satisfactory or optimal, half of the banks detect a weak positioning. Despite this rather muted landscape banks continue to look optimistically into the future as three quarters of them see the market potential as high.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

Note: See question A.Q15. (*) 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.

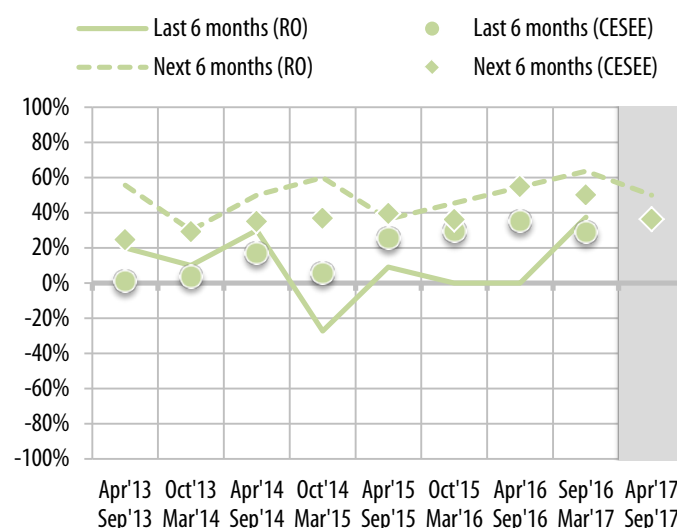
Results of the Bank Lending Survey - local banks/subsidiaries level

Aggregate demand developments

Credit demand in Romania is reported to have increased over the last six months, catching up with banks' expectations voiced in the last round. This is also quite a turnaround compared to the recent past, whereby demand has been stagnant or even partially shrinking for two years in a row. This has determined a continuous underscoring of Romania's credit demand compared to the steady recovery in the aggregate regional demand.

For the next half a year banks foresee a robust increase in credit demand in Romania, in line with the CESEE average.

Figure 2 Demand side developments

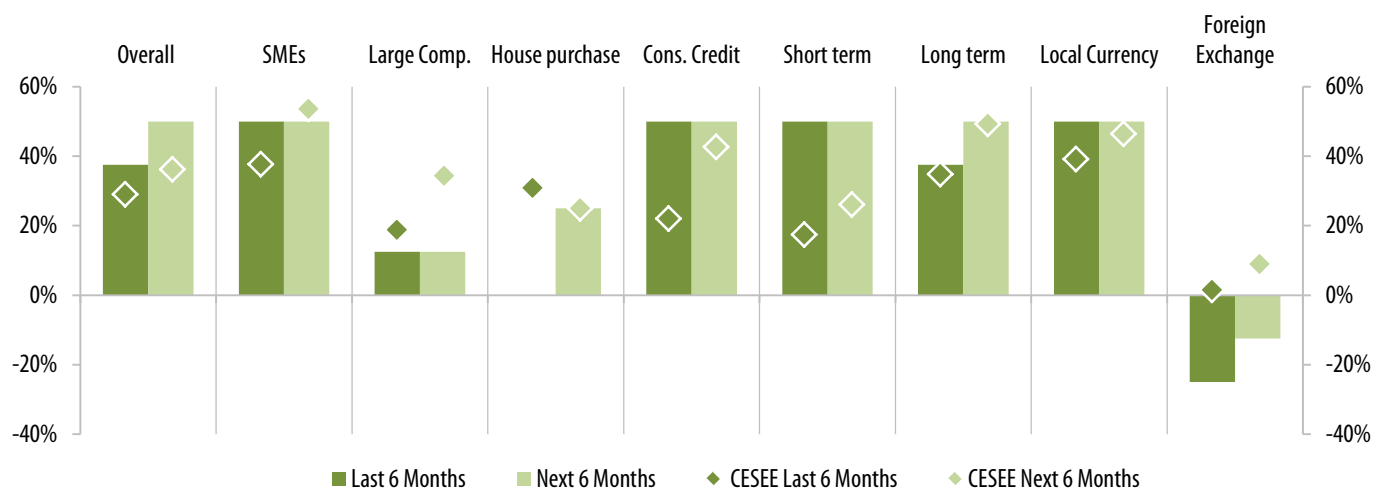


Source: EIB – CESEE Bank Lending Survey.

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 in Romania has increased. This was reflected in all segments and sectors at varying degrees of intensity. SMEs demand and consumer credit increased sharply. Large corporate demand increased more moderately. Also demand for short-term as well as long-term financing increased, primarily in local currency. These trends are expected to continue over the next six months.

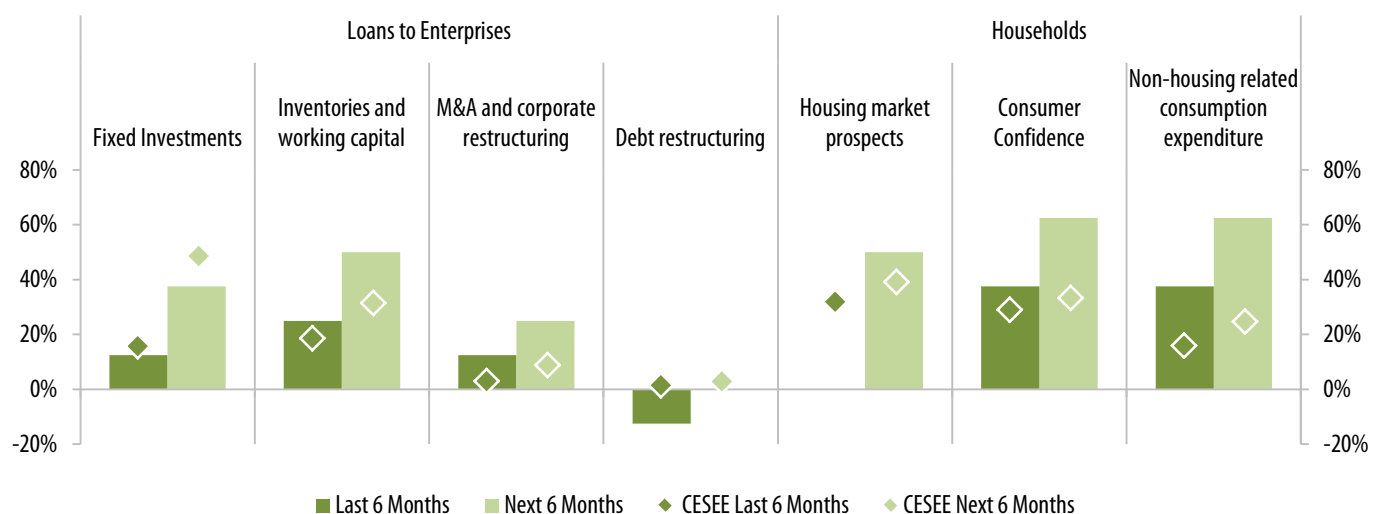


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Most surveyed factors both in the corporate and the household segments have made a positive contribution to demand over the last six months. On the corporate side demand has been driven predominantly by inventories and working capital, followed by M&A and investment. To the contrary debt restructuring has played a contractionary role for the first time. Fixed investment is expected to contribute more and more to a strengthening in demand conditions in the months ahead, in line with the CESEE region. In the household segment, rising consumer confidence and non-housing related consumption expenditures have been the main factors affecting demand.

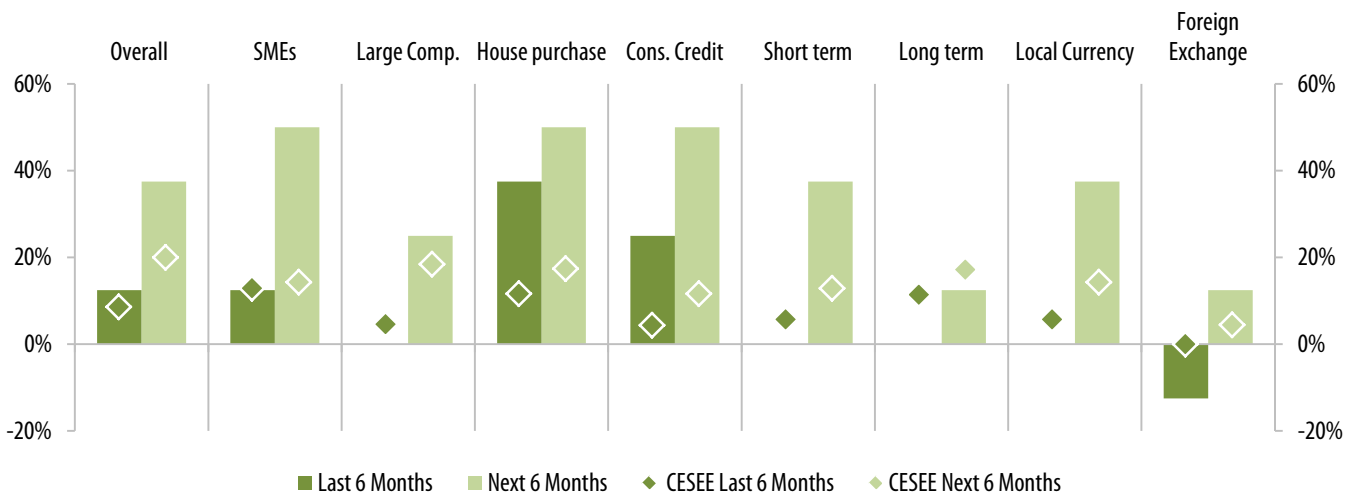


Source: EIB – CESEE Bank Lending Survey.

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 in Romania has improved across most loan categories, in line with the CESEE. In the previous survey release this dimension outperformed the CESEE average. Largest improvements have been recorded on the household side. Also the SME segment has witnessed quality improvements. The overall quality progress is likely to strengthen further in the near future and it is expected to be driven by basically all segments.



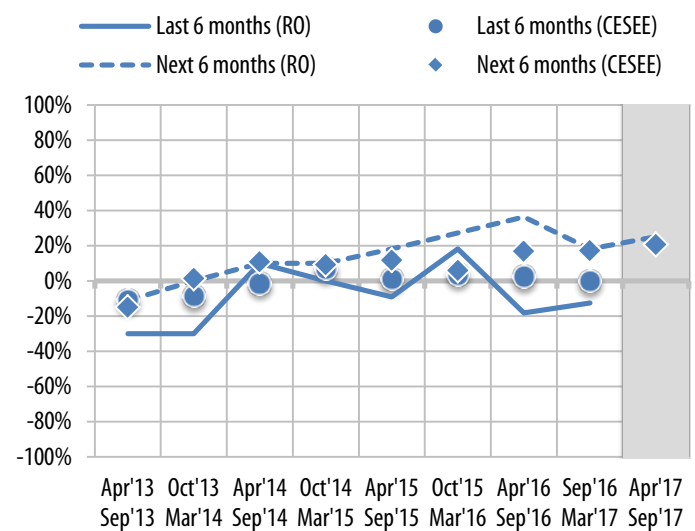
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

Credit supply conditions have not been aligned with banks’ earlier expectations. As a result a slight tightening was recorded over the last six months, scoring little below the CESEE regional average. On average over the past three years supply conditions (credit standards) did not change substantially, if anything tightened slightly on a cumulative basis. A slight easing of credit supply conditions in Romania is expected over the next six months in line with the CESEE average.

Figure 6 Supply developments

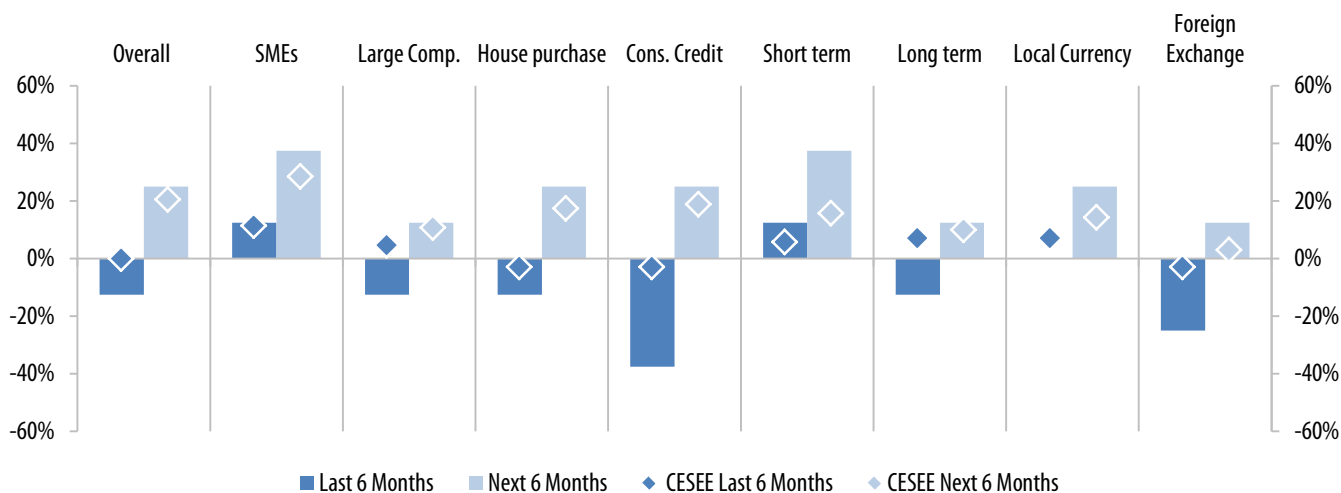


Source: EIB – CESEE Bank Lending Survey.

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

The tightening of credit supply conditions has stemmed primarily from the household segment where stricter credit standards were recorded on mortgages and consumer credit. Accordingly also longer term maturities have seen a slight tightening. On the corporate side, only the large corporates segment recorded some tightening. Looking ahead, a relatively broad-based relaxation of credit conditions is in the pipeline.

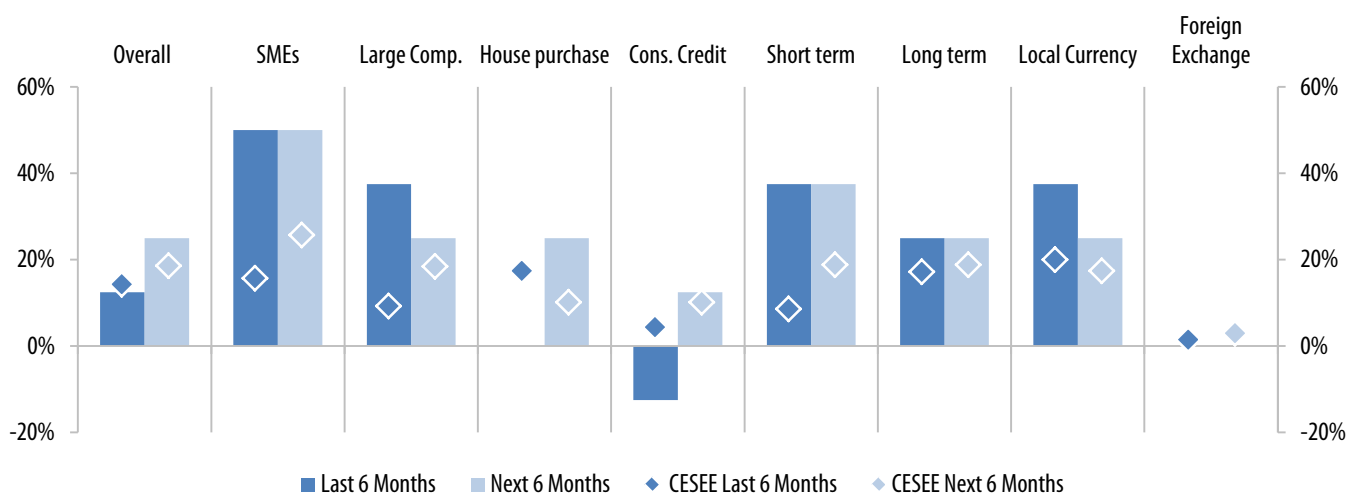


Source: EIB – CESEE Bank Lending Survey

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

In line with the deteriorated overall supply conditions, approval rates decreased. Specifically they decreased for consumer credit applications. In the months ahead, banks are prepared to approve more easily both short- and long-term loan applications in local currency from companies as well as households.

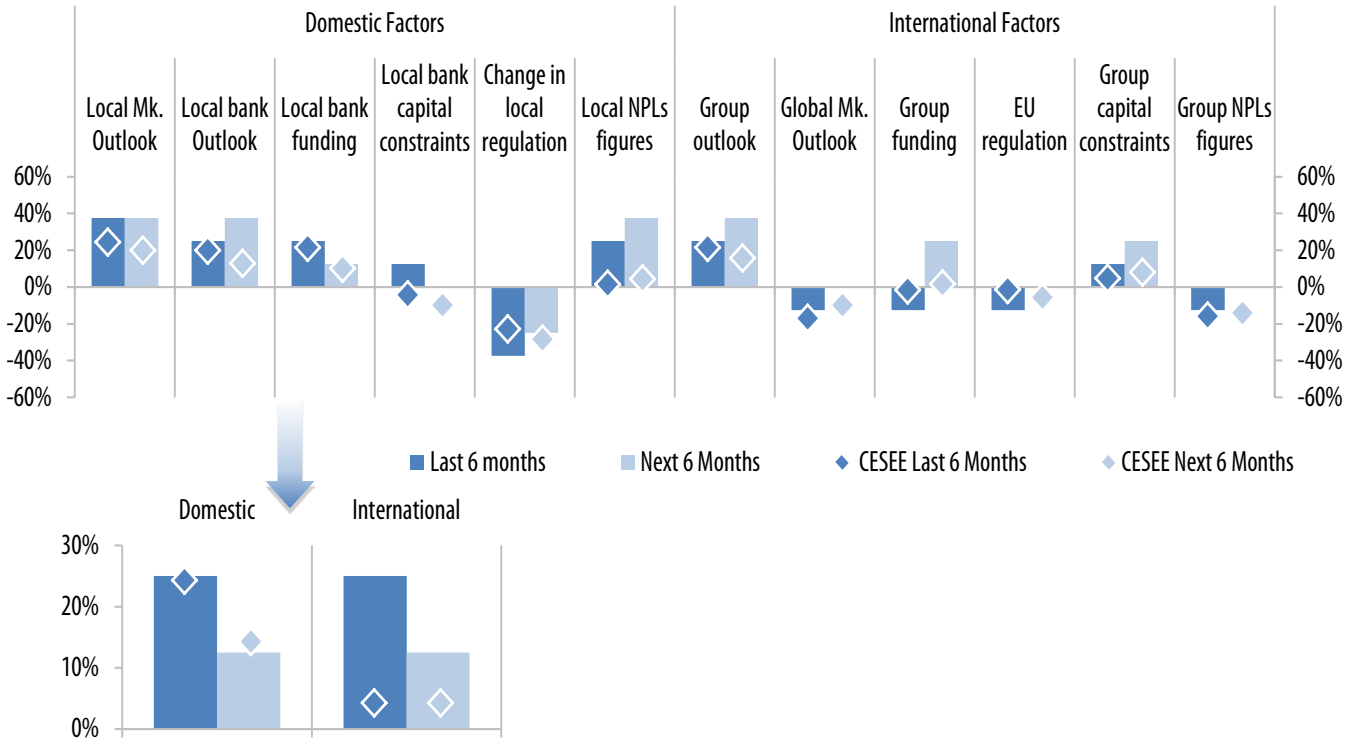


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Some domestic and international factors played a facilitating role in easing credit standards, whilst others exercised a negative contribution. On the domestic side, all factors had an easing contribution except changes in local regulation. To the contrary a larger number of international factors played a limiting effect, namely Groups' NPLs, Groups' funding, the global outlook as well as EU regulation. A less constraining effect from domestic factors is expected in the upcoming period.



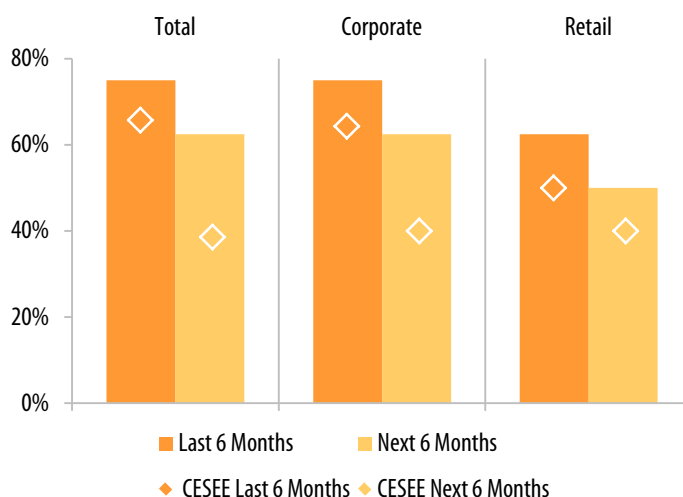
Source: EIB – CESEE Bank Lending Survey.

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 strongly and above the CESEE average both in the corporate and retail segments. This trend was recorded also in the previous release of the survey.

The trend is expected to continue in the next six months both in the retail and corporate sectors.

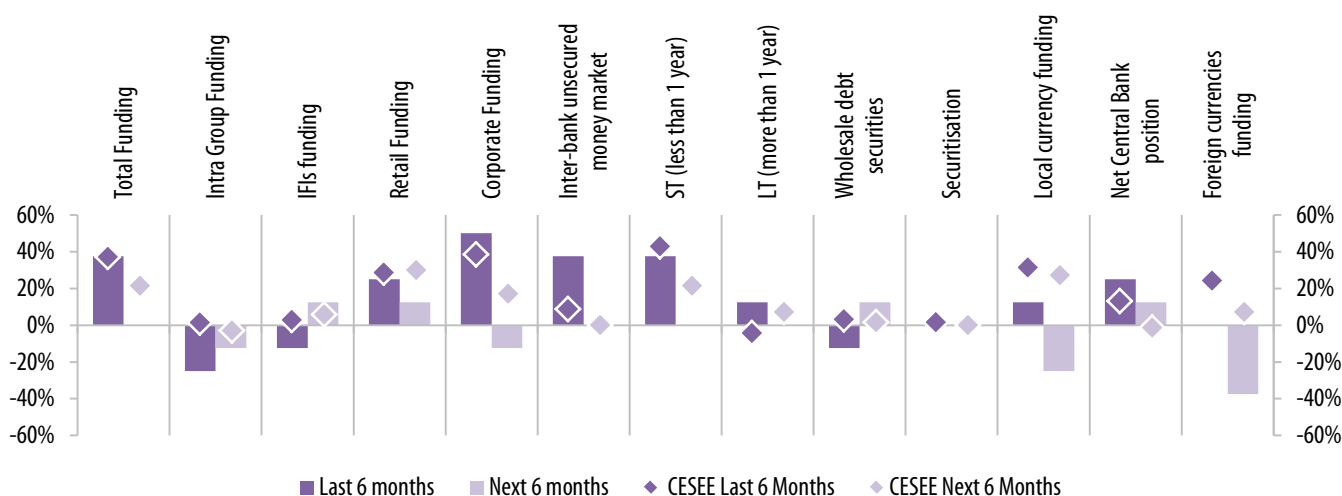


Source: EIB – CESEE Bank Lending Survey.

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 eased for subsidiaries in Romania over the past months supported by positive developments in retail and corporate segments. Also the inter-bank secured market contributed positively as well as net central bank funding positions. On the other hand, wholesale debt market, IFIs funding and intra-group funding were not described as supportive of the easing in access to funding. For the months ahead banks expect the overall balance of funding sources to level off.



Source: EIB – CESEE Bank Lending Survey.

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

Serbia

Credit conditions moving to neutral after years of tightening, while demand for loans softer but still positive. Credit quality and bank profitability improving.

Summary

Group assessment of positioning and market potential: The view of the parent banking groups operating in Serbia regarding the market potential has been marginally improving recently. Market positioning is seen as satisfactory to optimal. Debt deleveraging and overall recovery of the Serbian economy has led to improved bank profitability indicators.

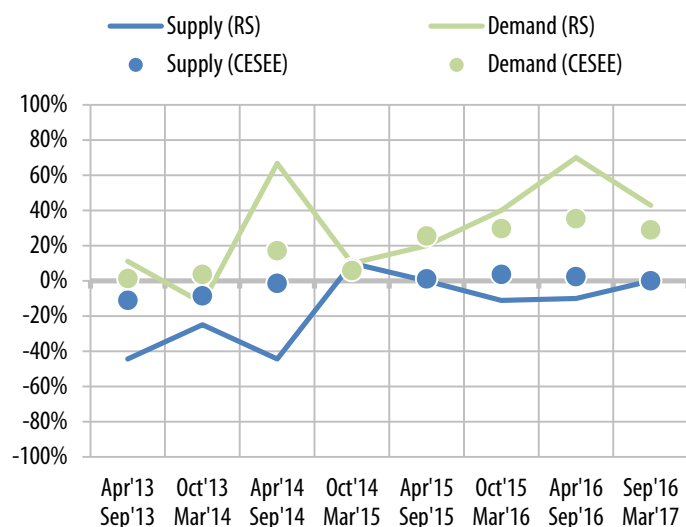
During the last six months, **credit demand has increased**, but to a lesser extent than previously, while **supply conditions have become more neutral at last**. While still positive, further softening of credit demand is expected over the next six months amid improving credit standards.

Credit supply conditions have been easing recently in particular for loans to SMEs, house purchase loans and consumer credit, as banks have been reacting to a recent pickup in credit demand. This tendency is expected to continue. Credit conditions for large corporate loans remain unchanged. Factor-wise, most domestic and international factors have been contributing negatively to credit supply conditions in Serbia, with some improvements expected for local market outlook as a supply-side factor.

Demand for loans has risen to varying extent across all components and sectors during the last six months. The softening in the expected net increases in credit demand will come primarily from SMEs and household demand for house purchase loans. On the other hand, consumer credit demand remains strong and demand for loans by large companies is expected to increase further. Among the factors affecting loan demand, corporate investment as well as household housing- and non-housing expenditures have been the main drivers.

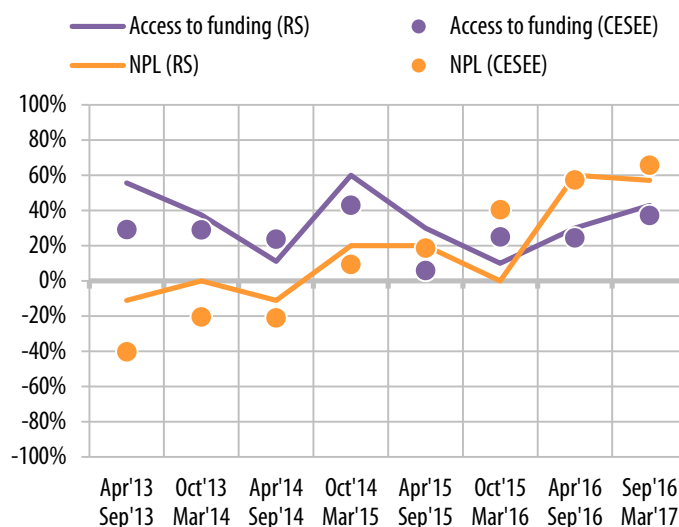
Access to funding for local banks has improved recently, mainly thanks to better corporate funding.

NPL figures have been improving strongly recently and this trend is expected to continue.



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.

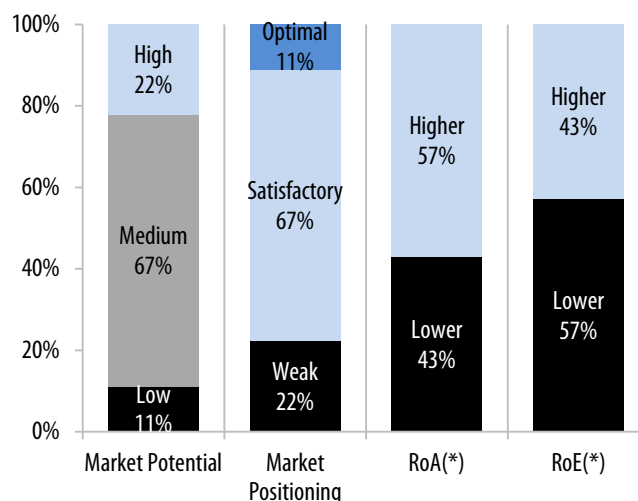
Note: All indicators in net percentages; Access to funding: positive values indicate increased access to funding; NPL: Negative figures indicate increasing NPL ratios

Results of the Bank Lending Survey – Parent banks level

On the margin, the view of the parent banking groups operating on the Serbian market has been improving recently. Overall 89% of parent banks see medium to high market potential in Serbia and 78% of parent banks regard their current market positioning as satisfactory to optimal – both marking an improvement from the previous period. The share of banks seeing a low market potential and weak market positioning has decreased in the last six months.

In light of the recovering Serbian economy, bank profitability indicators have also improved recently. In comparison to the previous period, a higher share of banks report higher profitability of their local banking operations in comparison to the overall group operations.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

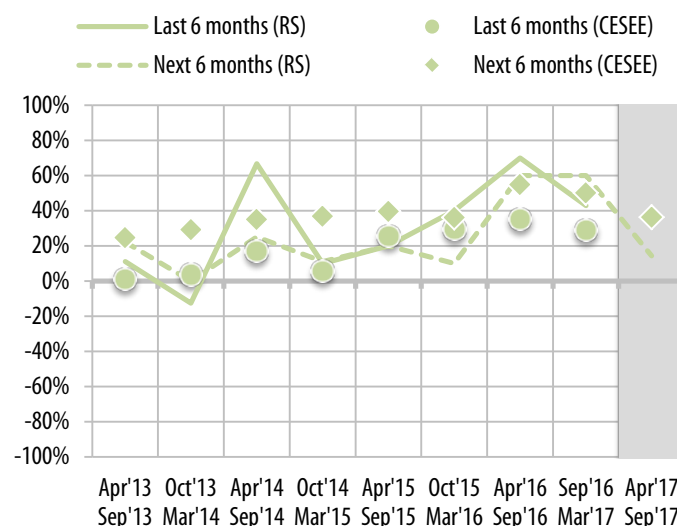
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

Credit demand in Serbia has been improving since late-2015 and it has remained strong and slightly above the CESEE region as a whole during the last six months. Nevertheless, the net improvement has been softer in the last six months than in the previous period. Going forward, local banks expect further slowing of the net increases in credit demand, below the CESEE average over the coming six months.

Figure 2 Demand side developments

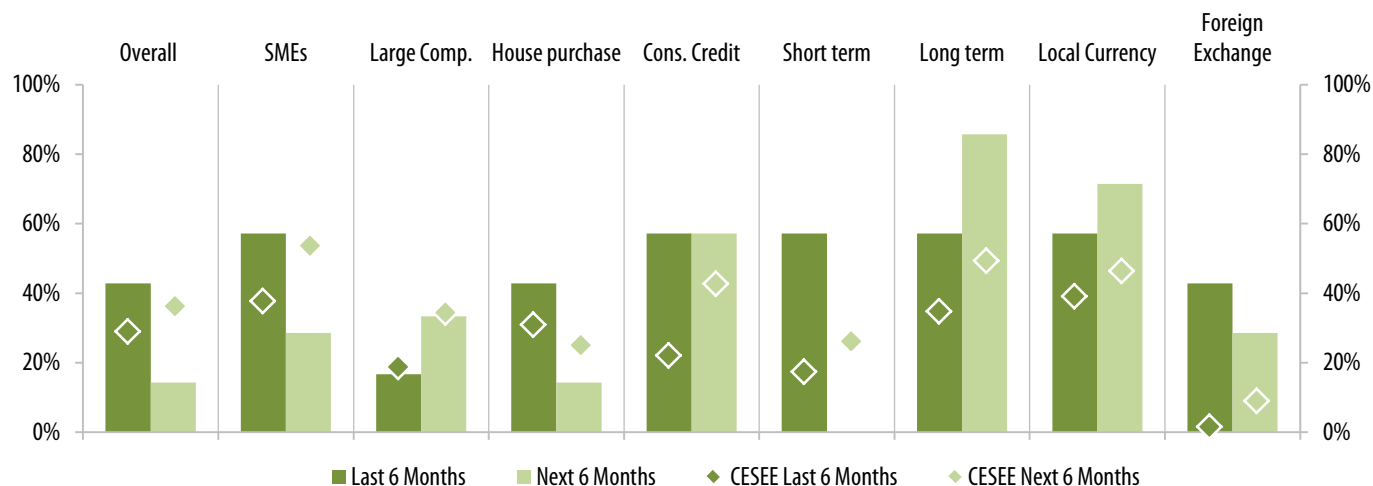


Source: EIB – CESEE Bank Lending Survey.

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

An increase in credit demand has been visible across all loan segments and components, with large corporate loan demand being on the weaker side and the SMEs loan demand and household demand for house purchase loans and consumer credit being on the stronger side. Both local and foreign currency loan demand has been strong. The softening of the credit demand in the next six months is expected to be determined mostly by SMEs, household's house purchase credit demand and demand for foreign exchange loans, while large corporate credit demand and demand for local currency loans are expected to strengthen further. Consumer credit demand remains strong.

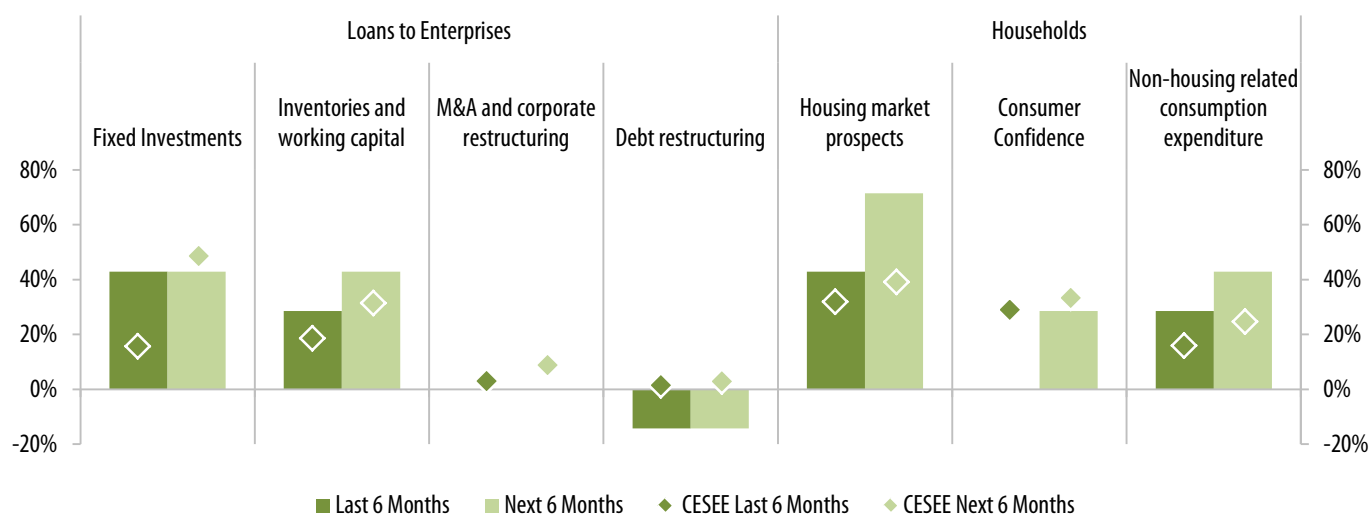


Source: EIB – CESEE Bank Lending Survey.

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

Figure 4 Factors affecting demand for loans

Gross fixed capital formation, and recently also households' consumption have been the drivers of the economic recovery in Serbia. Accordingly, corporate fixed investments, inventories and working capital as well as housing market prospects and non-housing related consumption expenditures have been the largest factors contributing to the increase in net demand in the last six months. This picture is expected to persist over the coming months, with an additional impetus from an improving consumer confidence.

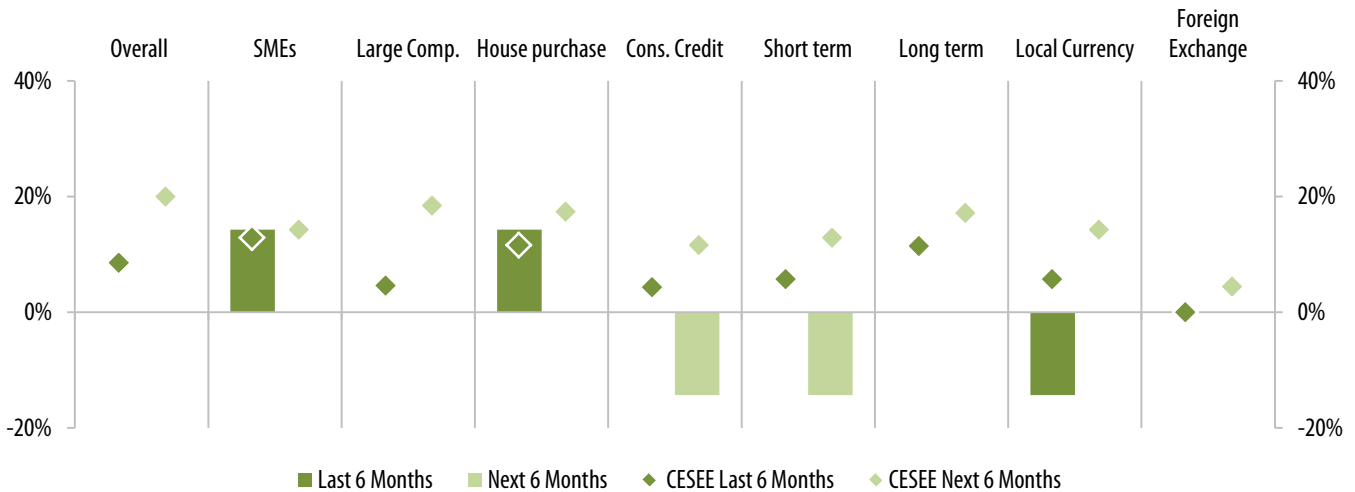


Source: EIB – CESEE Bank Lending Survey.

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 has remained unchanged in the past six months and is expected to remain broadly unchanged over the next six months – a slight worsening of the environment in comparison to the previous period. Loan applications by SMEs and house purchase loan applications have registered an improved quality in the last six months. Over the next six months, the quality of loan applications for consumer credit is expected to worsen.



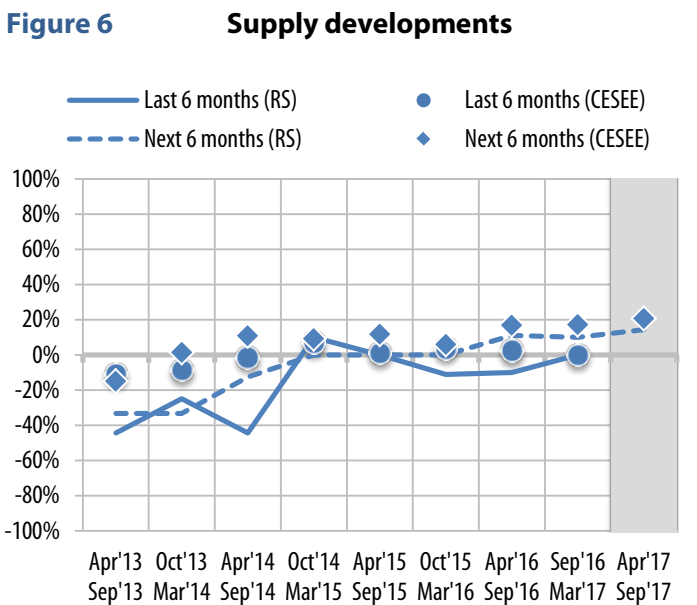
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

For the first time since late-2015, credit standards in Serbia have moved from tighter to more neutral in the last six months, and they are currently in line with the CESEE average.

The expectations series has been recently more optimistic, and local banks expect an easing of credit standards over the next six months.

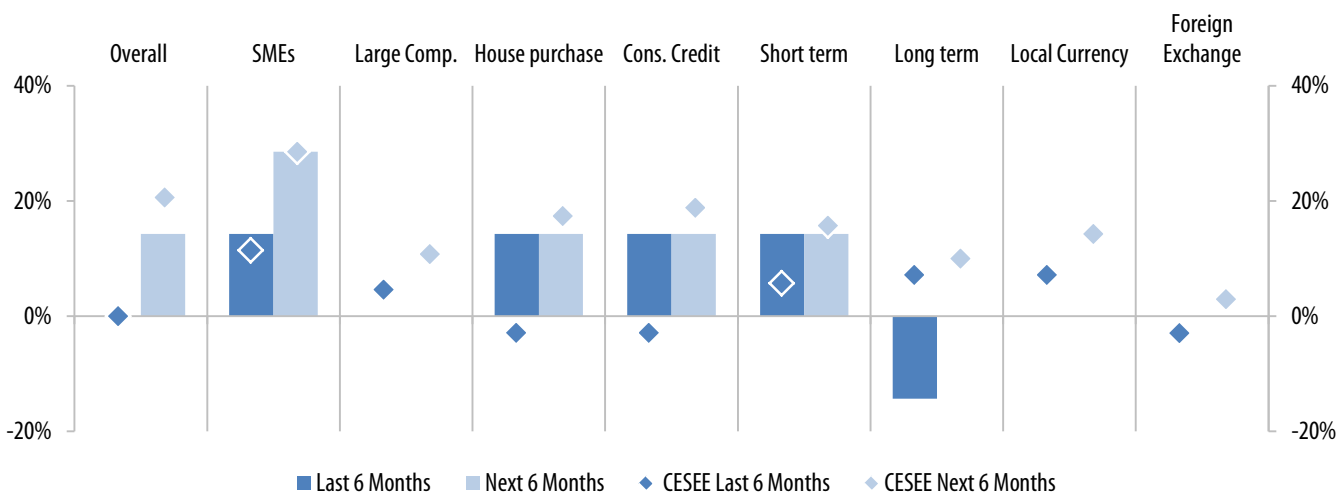


Source: EIB – CESEE Bank Lending Survey.

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

During the last six months, credit standards have eased for loans to SMEs, house purchase loans, consumer credit and short term loans, while they have become tighter for long term loans. Looking ahead, local banks expect further credit easing for loans to SMEs, house purchase loans and consumer credit over the next six months. Credit supply conditions for large companies have remained unchanged in the last six months and they are expected to remain the same in the coming months as well.

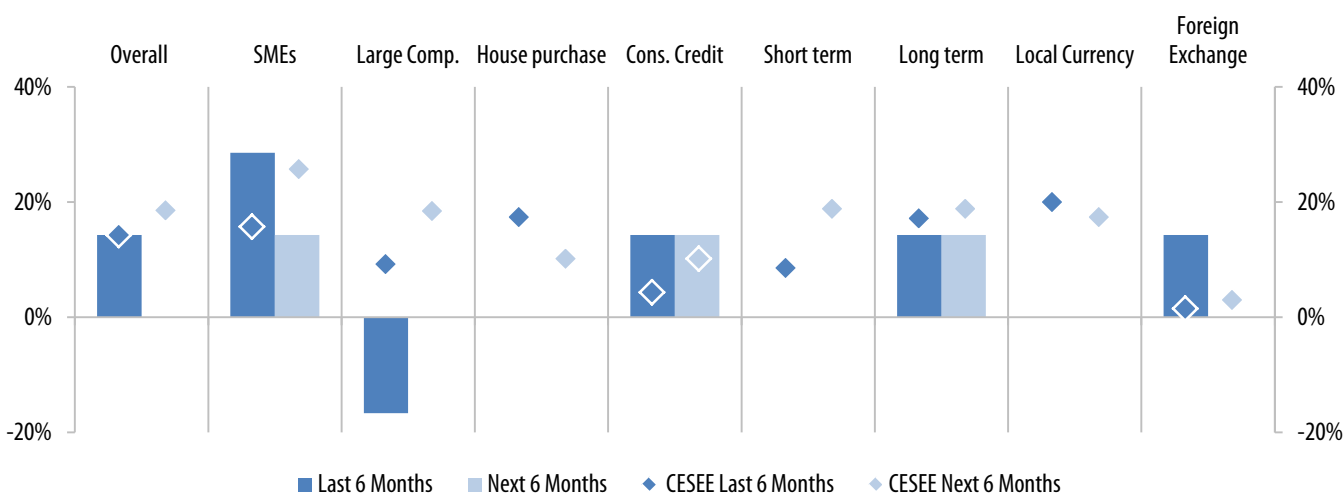


Source: EIB – CESEE Bank Lending Survey

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

After its previous tightening, the banks' loan approval rate in Serbia has increased during the last six months in line with the broader CESEE region. The largest improvements have been registered for the approval rate of the loans to the SMEs and consumer credit, while the approval rate for large corporate loans has declined. Over the next six months, local banks do not expect any change to their overall loan approval rate, with improvements expected for the approval rate of loans to the SMEs and consumer credit.

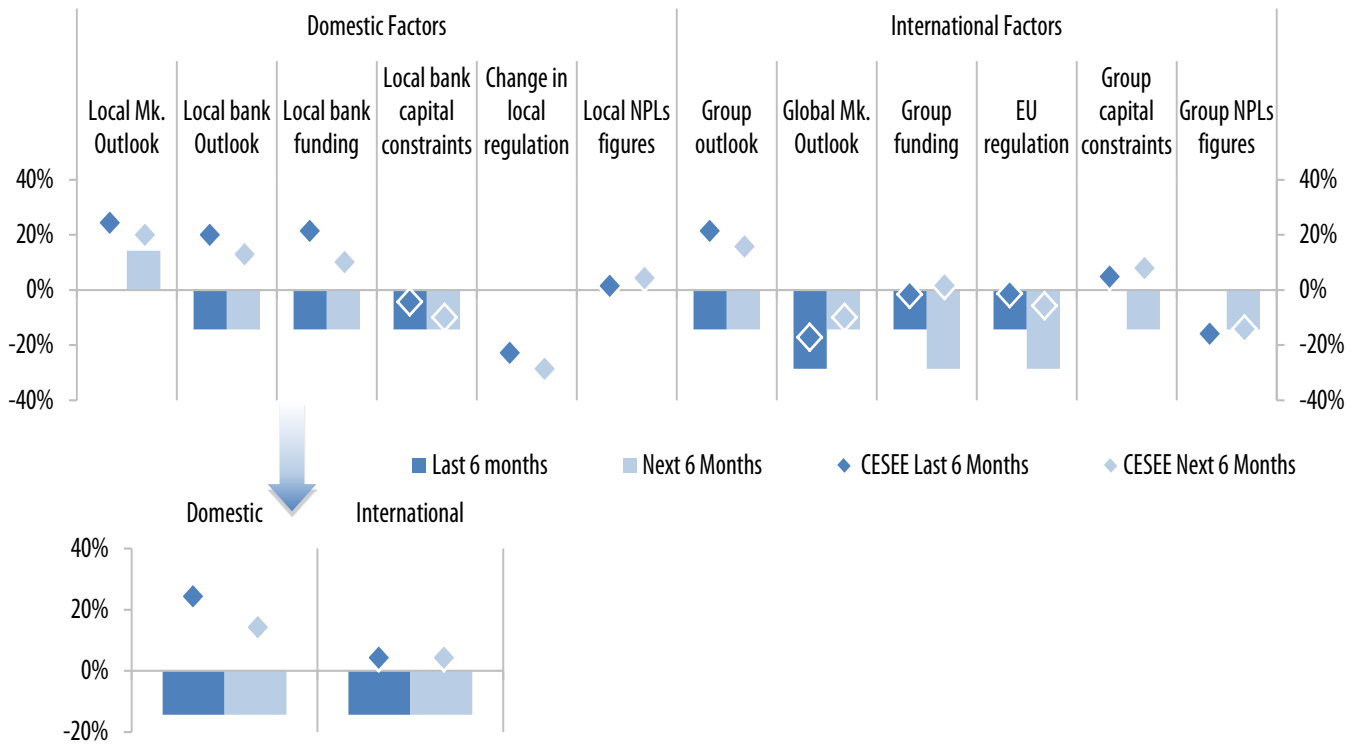


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Factors contributing to credit supply condition have yet to mark a turnaround in the credit cycle in Serbia. As in the previous period and in contrast to the CESEE region as a whole, most domestic and international factors have kept contributing negatively to credit supply conditions in Serbia during the last six months. Broadly the same picture is expected over the next six months, with an exception of local market outlook expected to contribute positively to credit supply conditions. Local NPLs figures continue having a broadly neutral impact on 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

As debt deleveraging in the Serbian economy goes on, the NPL reduction has continued also during the last six months, for both corporate and retail loans. Looking ahead, the decrease in NPL ratios for both loan segments is expected also over the next six months, surpassing the CESEE regional average.

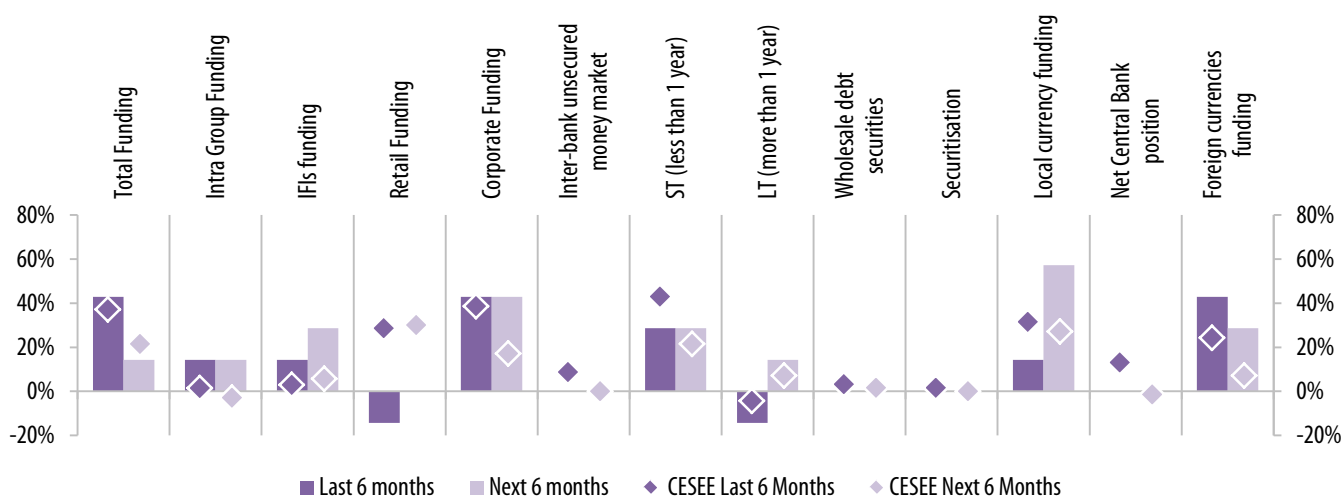


Source: EIB – CESEE Bank Lending Survey.

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 improving loan-to-deposits ratio in Serbia, access to funding by local banks is getting more favourable. During the last six months, access to retail funding worsened (in contrast to previous positive expectations), but the banks’ access to corporate funding improved significantly, and in line with the CESEE average. Access to foreign currency funding has also improved for local banks. Over the next six months, total bank funding is expected to improve slightly, mainly on the back of better corporate and IFIs funding. Both local and foreign currency funding is expected to improve.



Source: EIB – CESEE Bank Lending Survey.

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

Slovakia

Profitable market with stable domestic funding and declining trend of NPL ratios. Credit growth has been strong, but loan demand seems to be softening to healthier levels and lending standards are expected to become slightly tighter.

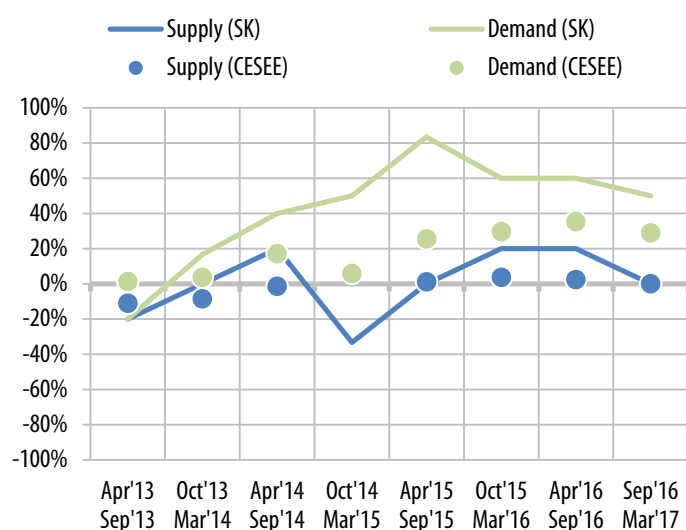
Summary

Group assessment of positioning and market potential: Slovakian banking sector is predominantly owned by foreign banking groups and remains highly profitable for the parent banks. The parent banking groups continue to see high to medium market potential in Slovakia. Group market outlook and local market outlook are contributing positively to local credit supply conditions.

The recent tightening of macro-prudential regulation in Slovakia seems to be bringing some initial signs of cooling off dynamics on the credit market. While **credit demand** has remained broadly robust during the last six months and ahead of the **credit supply**, over the next six months the local banks' expectations point to a net decrease in overall credit demand. **Demand for loans** has been mainly driven by demand for large corporate loans and house purchase loans during the last six months, and these are also the two main demand components contributing to the expected net slowdown in credit demand over the next six months. Nevertheless, credit demand expectations in Slovakia have traditionally been conservative. Among the factors affecting credit demand, corporate fixed investments and housing market prospects are expected to remain positive over the next six months.

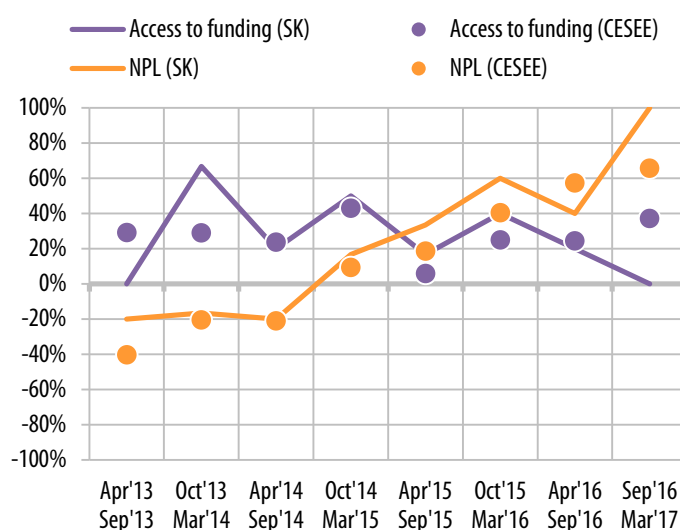
Credit supply conditions have become broadly neutral during the last six months, and are expected to become somehow tighter over the next six months, particularly for large corporate loans, house purchase loans and consumer credit. Banks' approval rate for house purchase loans and consumer credit is expected to decline.

Access to funding: Slovakian banks rely predominantly on domestic deposits. During the last six months, banks' access to deposits from households and companies remained stable. Local banks' access to intra-group funding strengthened during the last six months. **NPL ratios** decreased over the last six months and are expected to decrease further, namely for corporate loans.



Source: EIB – CESEE Bank Lending Survey.

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



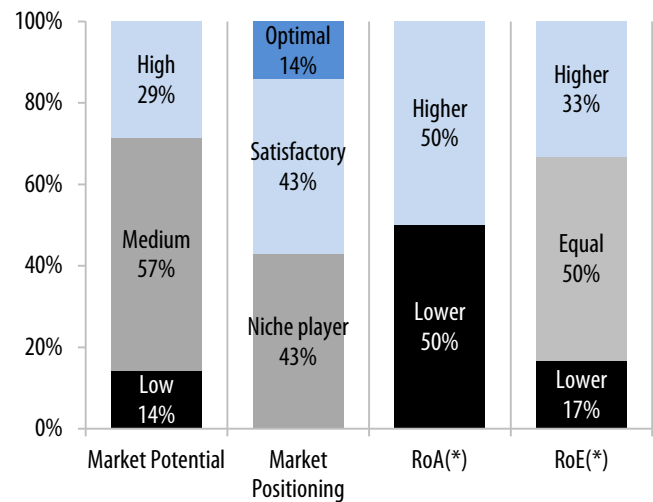
Source: EIB – CESEE Bank Lending Survey.

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 share of correspondents with higher profitability than the group has decreased during the last six months. Overall 86 percent of the parent banking groups operating in Slovakia continues to see high or medium market potential in Slovakia. The Slovakian banks remain highly profitable for their parent banking groups. Going forward, local banks' profitability can be negatively affected by narrowing net interest margins.

Figure 1 Market potential and positioning



Source: EIB – CESEE Bank Lending Survey.

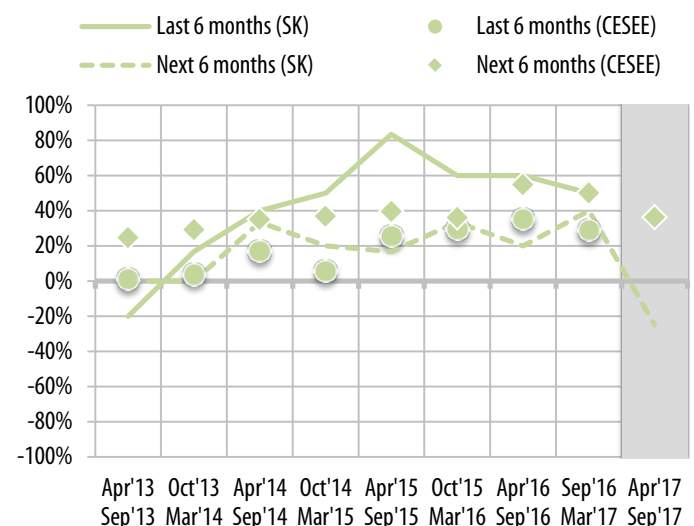
Note: See question A.Q15. (*) Return on assets (adjusted for cost of risk) compared to overall group operations; return on equity (adjusted for cost of equity) compared to overall group ROE.

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

Aggregate demand developments

During the last six months, credit demand has increased to a lesser extent than six months before, although it remains broadly robust in line with strong domestic demand in Slovakia, and above the CESEE region as a whole. Over the next six months, the local banks' expectations point to a net decrease in credit demand. The expectations series, however, continues to be more conservative than the actual demand perceptions, hence the current dip in expected credit demand could still be interpreted as a temporary development.

Figure 2 Demand side developments

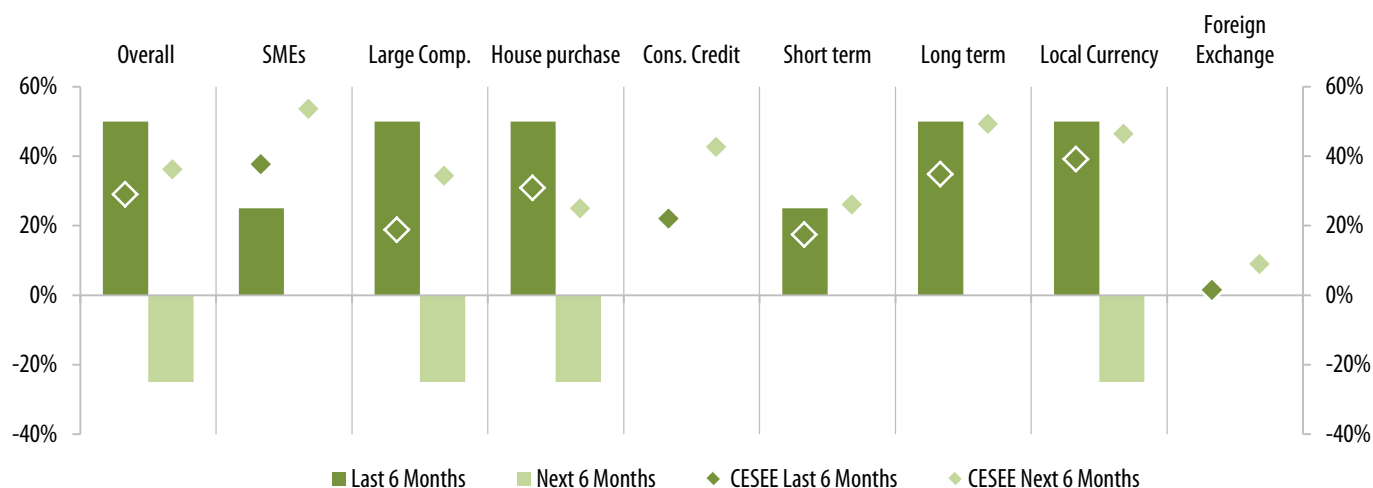


Source: EIB – CESEE Bank Lending Survey.

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 remained robust over the last six months, although slightly weaker than in previous periods. Demand for large corporate loans, house purchase loans and long term, local currency loans have been driving the credit demand during the past six months, surpassing the CESEE region as a whole. In the next six months, the expected net slowdown in credit demand is to be driven mainly by demand for large corporate loans and house purchase loans.

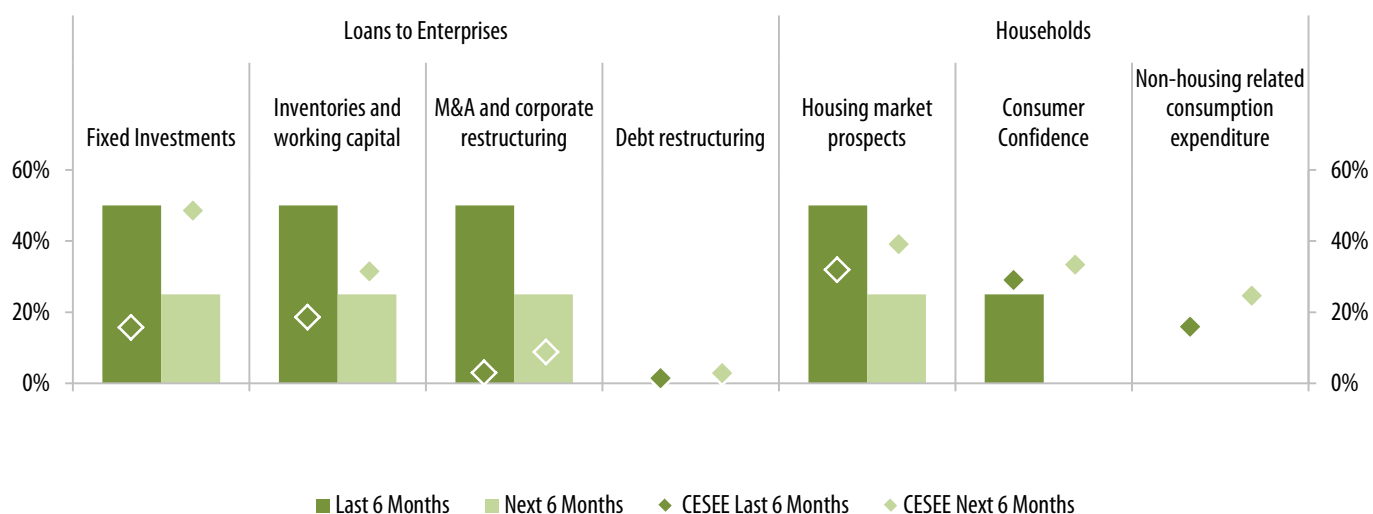


Source: EIB – CESEE Bank Lending Survey.

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 fixed investments, inventories and working capital investments, mergers and acquisitions and corporate restructuring as well as housing market prospects have been the strongest factors contributing to the strength of credit demand during the last six months. All of these factors are expected to continue exhibiting positive (although slightly smaller) influence on credit demand over the next six months.

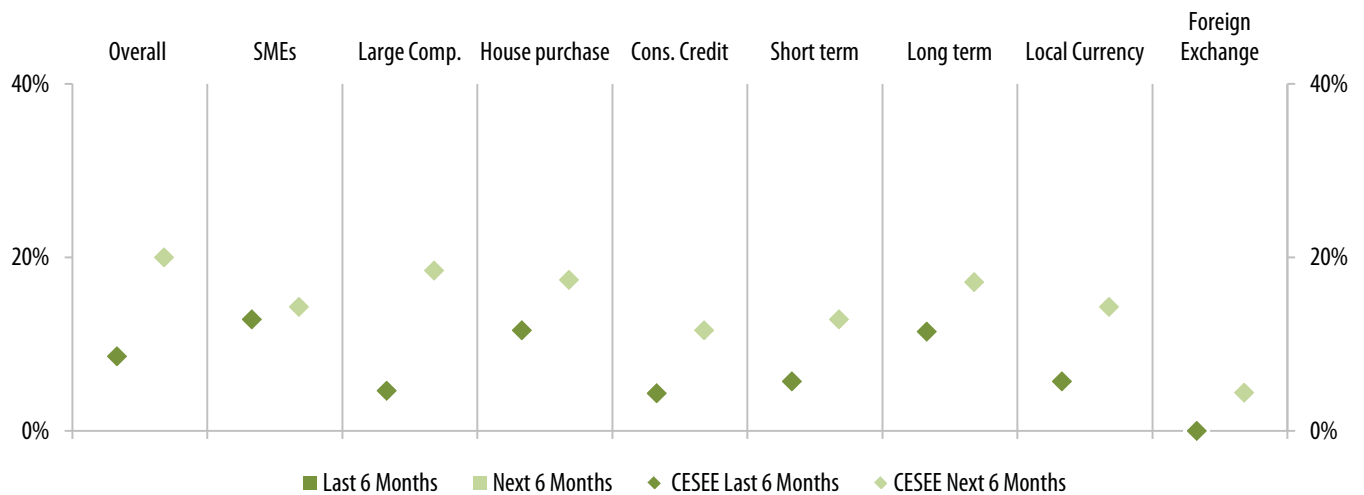


Source: EIB – CESEE Bank Lending Survey.

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 has been unchanged during the last six months. Over the next six months, the quality of loan applications is not expected to have strong impact on credit demand.



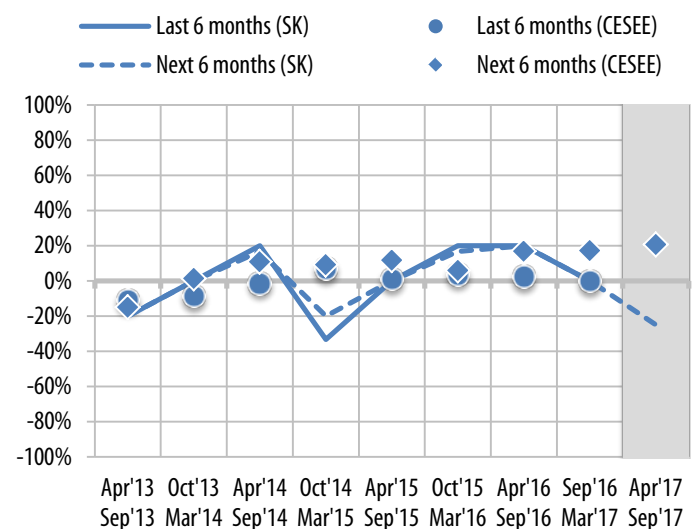
Source: EIB – CESEE Bank Lending Survey

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

Aggregate supply developments

Lending standards in Slovakia have become broadly neutral during the last six months, in line with the CESEE peers. Over the next six months and unlike in the region as a whole, credit conditions in Slovakia are expected to become tighter.

Figure 6 Supply developments

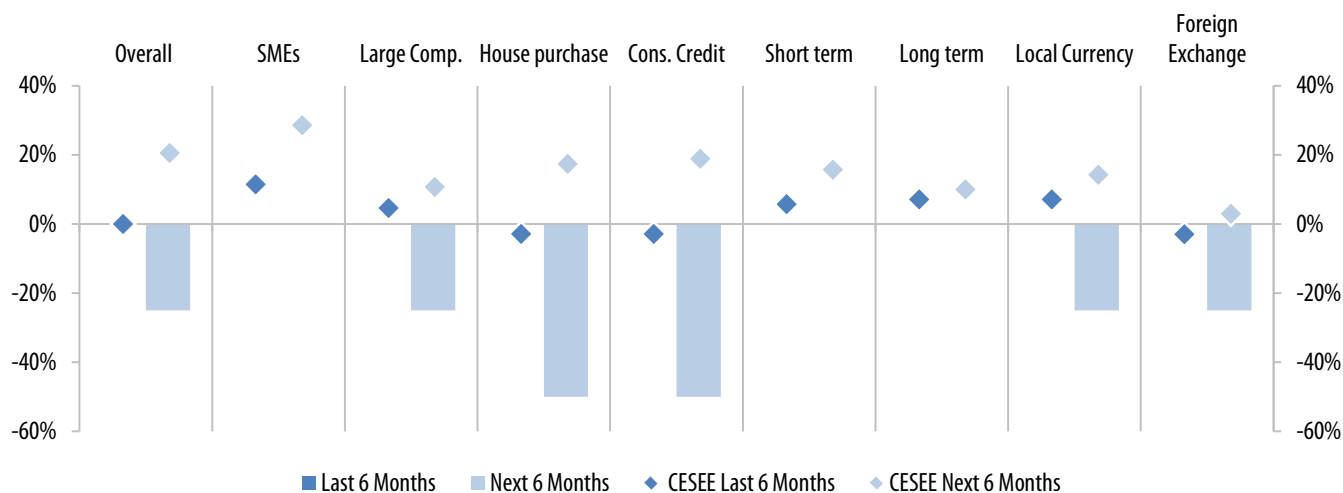


Source: EIB – CESEE Bank Lending Survey.

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

While credit standards in Slovakia were unchanged in the last six months across all loan components and segments, they are expected to broadly tighten over the next six months. Most visible tightening of supply conditions is expected for large corporate loans, house purchase loans and consumer credit. Credit standards for consumer credit have been tightening already for the past year.

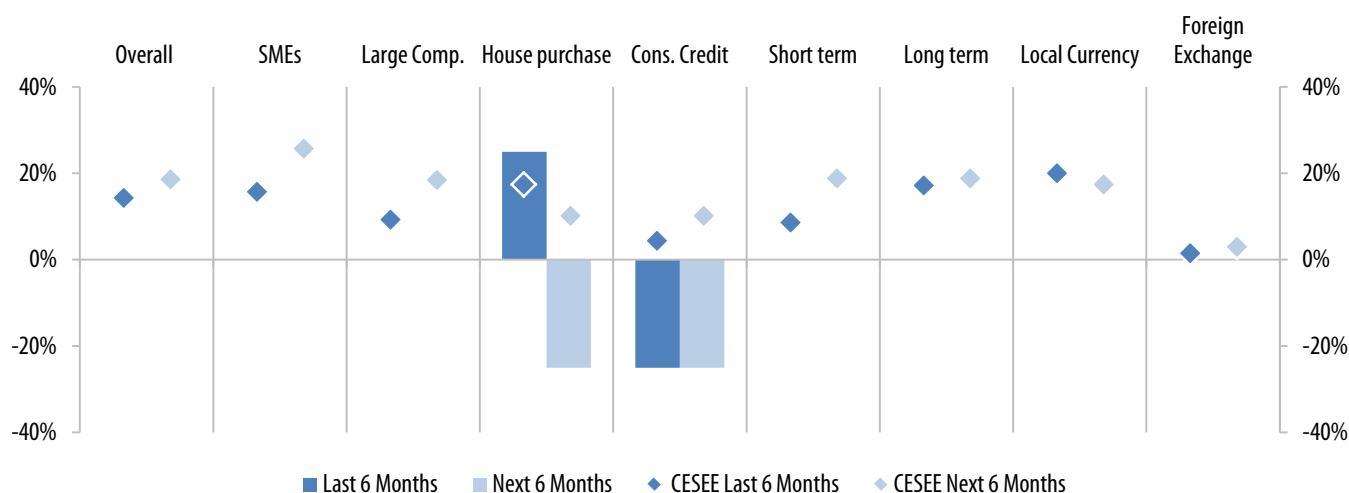


Source: EIB – CESEE Bank Lending Survey

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 overall banks' loan approval rate has been unchanged during the last six months, which masks an unexpected improvement of the approval rate for house purchase loans and further worsening for consumer credit's approval rate. Going forward, with still unchanged overall approval rate expectations, banks expect a net decline in their approval rate for house purchase loans and consumer credit.

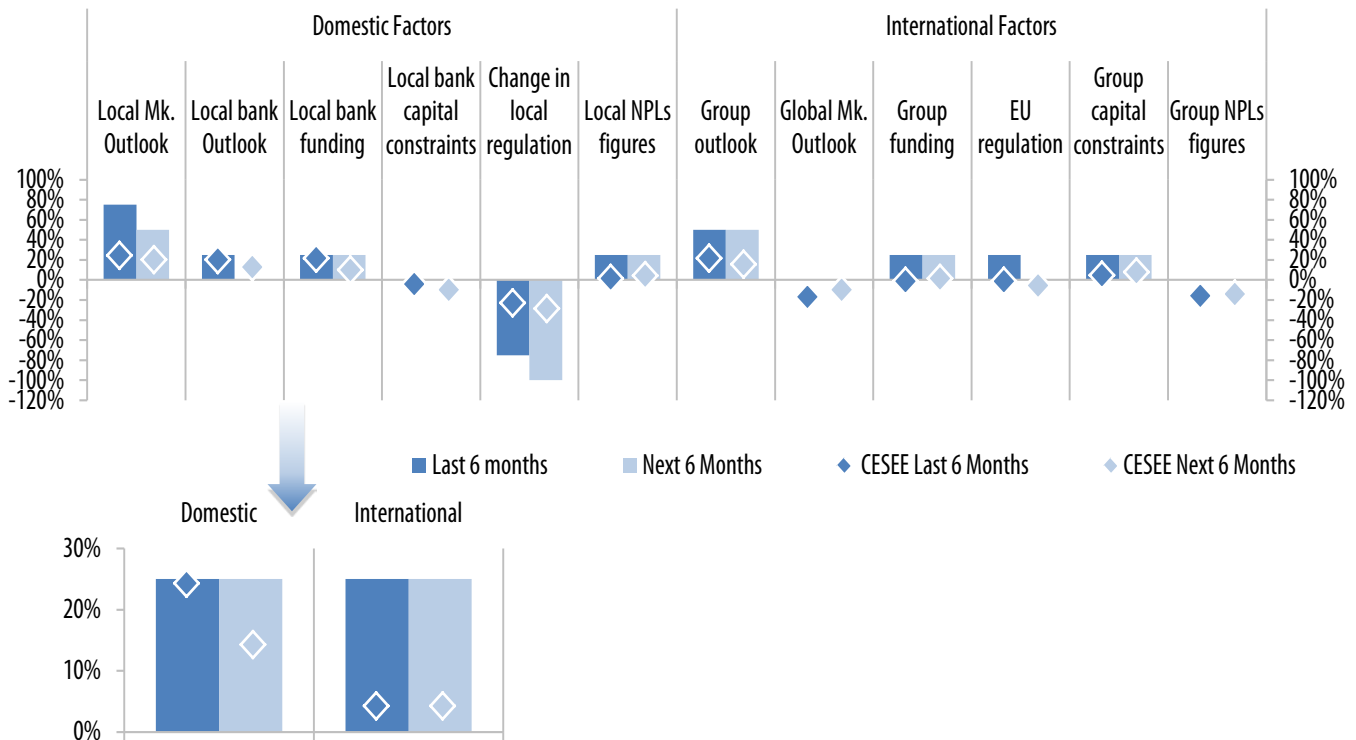


Source: EIB – CESEE Bank Lending Survey

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

Figure 9 Factors contributing to supply conditions

Continued strong domestic demand in Slovakia is reflected in a positive contribution of local market outlook to credit supply conditions, above the CESEE average. Changes in local regulation continue to weigh more negatively on credit supply conditions in Slovakia. Group market outlook, among the international factors, has been the most positive factor contributing to easier credit supply conditions. International factors remain overall a more positive factor in Slovakia than for the CESEE as a whole.



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 reduction in Slovakia over the last six months has been strong for both corporate and retail loans, and above the CESEE average. Total NPL ratio is expected to remain stable during the next six months, and it is expected to decrease further for corporate loans. Strong economic growth in Slovakia, improving labour market, and low interest rates environment bode well for the private sectors' ability to service its debt. Banks' loan provisioning is also relatively high in Slovakia.

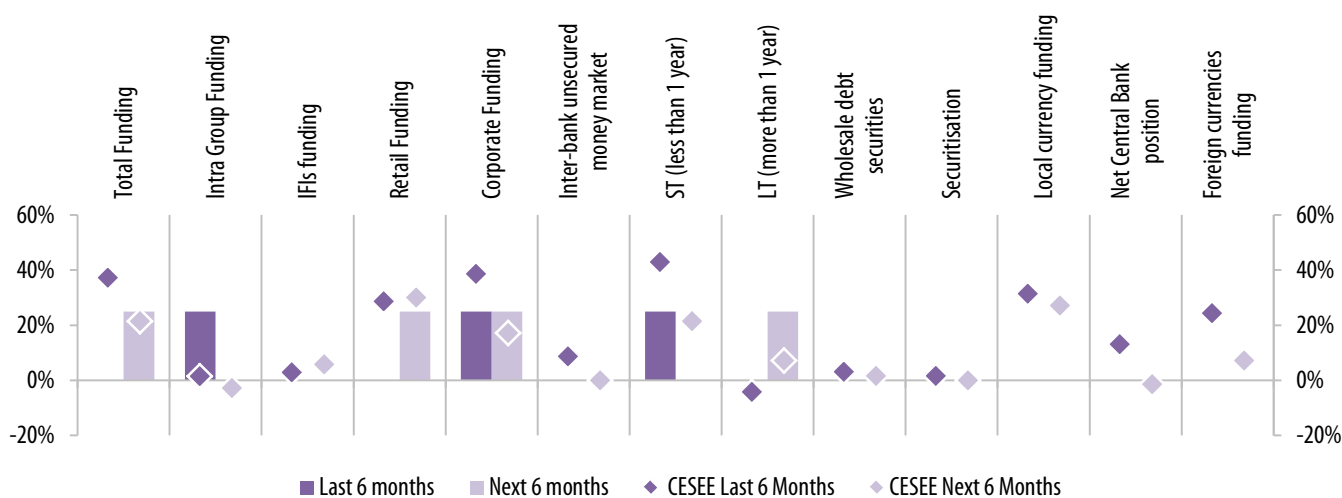


Source: EIB – CESEE Bank Lending Survey.

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

Figure 11 Access to funding

Total funding for banks in Slovakia has been unchanged during the last six months and is expected to improve over the next six months. Funding conditions remain broadly stable, with banks predominantly funding their activities from domestic retail and corporate deposits. In line with the previous expectations, intragroup funding has been strong during the last 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

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:

- 15 international groups
- 85 local banks/subsidiaries.

Average coverage: 50% of regional banking assets.

Countries covered: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine¹.

Periodicity: semi-annual (Sep/Oct and Mar/Apr). 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-annual basis in February/March and September. The first survey was carried out in September/October 2012. Most

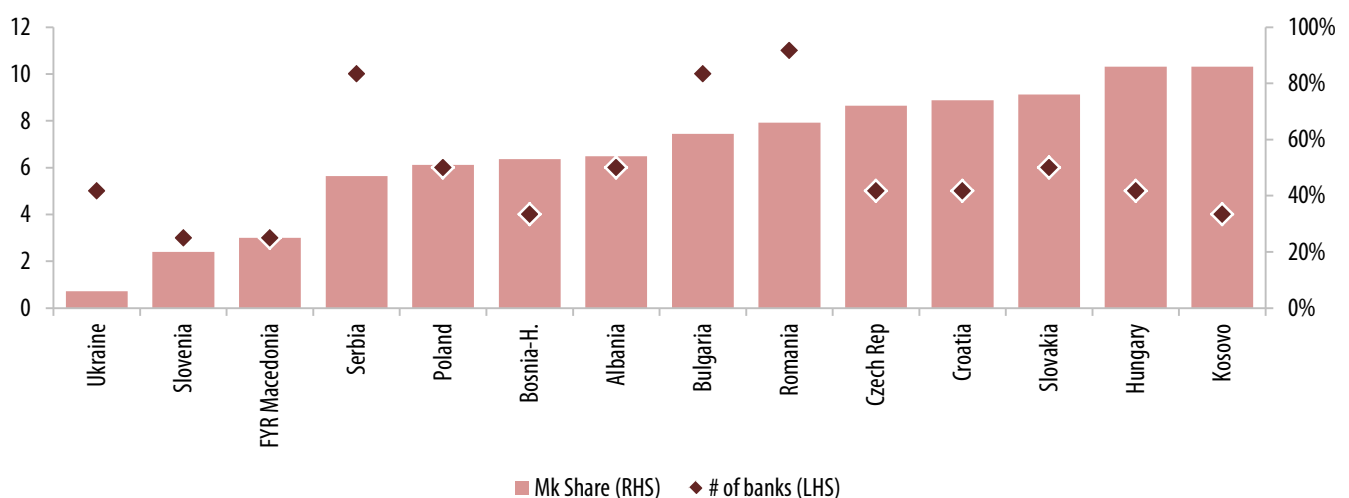
¹ Details for Estonia, Macedonia, Slovenia and Ukraine are not presented on a stand-alone basis, due to the relatively low coverage in terms of number of banks.

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 countries currently included in the survey are: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. The coverage varies by country – Figure 1 presents the percentage of assets covered in each country and number of banks included.

Figure 1 Market share and number of banks



Source: EIB – CESEE Bank Lending Survey.

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 LAST six months?</i>	<i>...How do you expect it to change over the NEXT six months?</i>
Total		
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...

--	--

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

--	--

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

	LAST 6 months	NEXT 6 months

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

	LAST 6 months	NEXT 6 months

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

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

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

	<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>
Overall		
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>
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q2 - Credit Supply: bank's (local subsidiary)'s approval rate for loan applications...

	<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>
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q3 - Credit supply: have bank's conditions and terms (e.g. maturity, pricing, size of average loan, etc.) for approving loans or credit lines changed/will they change?...
OVER the LAST 6 months

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

OVER the NEXT 6 months

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

B.Q4 - Factors affecting your bank's credit standards (credit supply).

Have the following domestic and international factors contributed to tighten (ease) your credit standards over the past six months, and do you expect them to contribute to tighten (ease) your credit standards over the next six months?

Over the **LAST** six months

Over the **NEXT** six months

Impact on credit standards

A) Domestic Factors - affecting your subsidiary

i) Local market outlook		
ii) Local bank outlook		
iii) Local 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>
Overall		
Loans to small and medium-sized enterprises		
Loans to large enterprises		
Loans to households for house purchase		
Consumer credit (other than loans for house purchase)		
Short-term loans		
Long-term loans		
Local Currency		
Foreign Currency		

B.Q6 - Has the quality of the Loan Applications changed / Do you expect it to change?

	<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>
Overall		
Applications from small and medium-sized enterprises		
Applications from large enterprises		
Applications from households for house purchase		
Applications for consumer credit (other than loans for house purchase)		
Applications for short-term loans		
Applications for long-term loans		
Applications for Local Currency		
Applications for Foreign Currency		

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

...Loans or credit lines to enterprises

...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		

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




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

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

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