NATIONAL BANK OF SERBIA
Economic Research and Statistics Department

TRENDS IN LENDING

First Quarter Report 2023

Belgrade, May 2023

Introductory note

Trends in Lending is an in-depth analysis of the latest trends in lending, which aims to ensure better understanding of the conditions prevailing in the domestic lending market. It looks into lending developments, cost of borrowing by households and corporates and lending market conditions, by examining factors behind loan supply and demand.

Credit aggregates, as a quantified expression of movements in the lending market, are calculated based on banking sector balance sheet statistics as a source of data on the balance of domestic banks' loan receivables. Given the relatively high share of foreign currency-indexed loans in loan portfolios, the increment and growth rates are calculated excluding the effect of changes in the dinar exchange rate against other currencies in the loan portfolio.

The report also draws on the results of the bank lending survey conducted by the National Bank of Serbia since early 2014. Participation in the survey is voluntary. This survey has greatly improved the understanding of developments in the domestic lending market, allowing insight into bankers' perceptions of actual and expected changes with regard to loan supply and private sector loan demand.

The report also relies on the results of the survey developed by the European Investment Bank in the context of the Vienna Initiative 2 to monitor deleveraging by cross-border banking groups and the resultant constraints on lending activity. This survey, conducted since October 2012 on a semi-annual basis, monitors subsidiaries of international banking groups in Central, Eastern and South-Eastern Europe, focusing on their strategies, market conditions and expectations. The purpose of the survey is to observe the effects of movement in supply and demand on lending activity, and to gauge the impact of domestic and international factors on supply and demand conditions. The assets of banks participating in the survey make up on average 50% of total assets of banks in the region.

ABBREVIATIONS

GDP – gross domestic product
ECB – European Central Bank
mn – million
bn – billion
y-o-y – year-on-year
NPL – non-performing loans
pp – percentage point
Q – quarter

Other generally accepted abbreviations are not cited.

Contents

Overview

Y-o-y, **banks' lending to the non-monetary sector** continued to slow down under the influence of high last year's base, the maturing of loans from the guarantee schemes and higher interest rates against the background of restrictive monetary policies of the NBS and ECB. Excluding the exchange rate effect, **total lending to the non-monetary sector decelerated y-o-y to 3.7% in March**, with corporate loans' growth slowing to 2.0% and that of household loans to 4.4%.

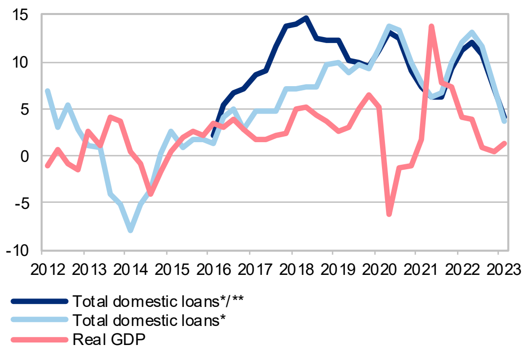
Total domestic banks' receivables to the non-monetary sector (which apart from loan receivables also include receivables from securities investments, interest and fees and other receivables) continued to lose pace in y-o-y terms in 2023, their growth measuring 3.5% in March.

Corporate loans, excluding the exchange rate effect, decreased by RSD 12.5 bn in Q1, or by 0.8%. Around one half of this decrease pertained to investment loans, followed by non-categorised loans and liquidity and current asset loans, whose contraction also reflected the maturing of guarantee scheme loans. The maturing of guarantee scheme loans, the effects of which are estimated to peak in H1, reflected on a decline in loans to micro and small enterprises, which absorbed the bulk of these loans (around 72%), while the borrowing of medium-sized and large enterprises increased. Sector-wise, borrowing of companies in manufacturing, agriculture, transport and real estate contracted, while energy and trade companies increased their borrowing.

Household loans decreased by RSD 0.8 bn or 0.1% in Q1, due to the reduction in non-categorised and cash loans, as well as reduced lending to entrepreneurs, while housing loans extended their growth. Such movements increased the share of housing in total household loans relative to end-2022, to 40.4% in March, with cash loans remaining the dominant category, at 43.7% in March.

The NBS continued to tighten monetary conditions in Q1, which translated into a **continued rise** in interest rates in the interbank money market and **interest rates on dinar loans.** In Q1 they averaged 6.4% for corporates and 13.4% for households (compared to 5.9% and 11.9%, respectively, in Q4 2022). Also, the extended tightening of the ECB's monetary policy drove interest rates in the euro area money market **further up** and by extension **euro interest rates in the domestic market** as well, which in Q1 averaged 5.8% for the corporate and 6.8% for the household sector (vs 4.8% and 5.5%, respectively, in Q4 2022).

Y-o-y lending growth continued to decelerate in Q1
(y-o-y growth rates, in %)



Sources: NBS and SORS.
* Excluding the exchange rate effect.
** Excluding the effect of NPL write-off and sale since early 2016.

Dinarisation of total receivables to corporates and households in Q1 dropped by 0.7 pp, to 34.4% in March, under the impact of declining dinar and rising FX-indexed receivables. Of that, the degree of dinarisation of corporate receivables fell by 1.3 pp, to 18.1% in March, whereby the reduction in dinar receivables was also impacted by the maturing of guarantee scheme loans, the majority of which (over 60%) were approved in dinars. Dinarisation of household loans declined by 0.3 pp, to 52.8%, due to the smaller amount of dinar loans, the major part of which were cash loans, as well as due to the continued rise in housing loans which were almost fully euro-indexed.

The NPL share in total loans, which in Q1 dropped to its lowest level on record – 3.0% in March, indicates that the rising loan repayment costs, as a result of interest rate increase and discontinuation of some measures that supported the private sector during the pandemic, did not affect the quality of bank assets. Relative to July 2015, i.e. immediately before the beginning of implementation of the NPL Resolution Strategy, the share of NPLs in total loans fell by 19.4 pp. The NPL coverage remains high – allowances for impairment of total loans stood at 102.9% of gross NPLs, while allowances for impairment of NPLs equalled 58.4% of gross NPLs in March.

I. Corporate sector

1. Corporate loans

Y-o-y growth in **corporate loans** continued to lose pace in Q1, measuring 2.0% in March (down from 7.1% in December 2022) and reflecting the high base from the previous year, the maturing of guarantee scheme loans and monetary policy tightening by the NBS and ECB. In nominal amount, the stock of corporate loans stood at RSD 1,586.5 bn in March and their share in GDP[1] at 21.7%, down by 0.9 pp compared to end-2022.

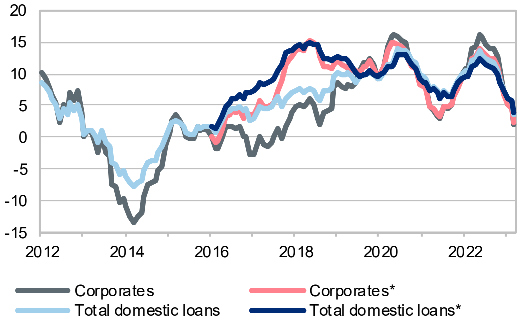
During Q1, corporate loans decreased by RSD 12.5 bn or 0.8%, excluding the exchange rate effect. Due to the maturing of guarantee scheme loans, generally approved in dinars (over 60%), dinar loans recorded a decrease which exceeded the rise in FX-indexed loans. That the maturing of guarantee scheme loans contributed to a decrease in loans is also confirmed by the fact that loan receivables from corporates went down, while loans to public enterprises increased.

In terms of purpose, investment loans shrank the most (RSD 6.5 bn) in Q1, followed by liquidity and working capital loans, as well as non-categorised loans, going down by RSD 3.6 bn each. At the same time, current account overdrafts decreased by RSD 1.5 bn, while only import loans went up by RSD 2.6 bn. However, in y-o-y terms, the greatest contribution to the rise in corporate loans came from investment loans. The structure of corporate loans in March changed only slightly relative to end-2022 and remained dominated by liquidity and working capital, as well as investment loans, accounting for 47.4% and 40.4%, respectively. They are followed by other non-categorised and import loans, which make up 7.5% and 3.8% of corporate loans.

Sector-wise, borrowing decreased in most sectors in Q1, to the greatest extent among companies in manufacturing, agriculture and transport. On the other hand, only energy companies increased their borrowing. The maturity of loans approved to the corporate sector increased in Q1 and at end-March the share of long-term loans in total corporate loans measured 82.2% (compared to 81.7% in December 2022). **Loans approved to micro, small and medium-sized enterprises** made up three-fifths of

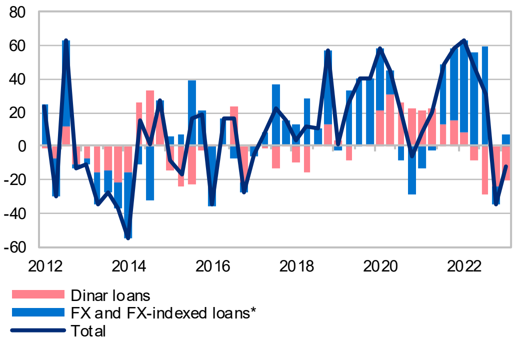
[1] GDP realised in the last four quarters.

Maturing loans under the guarantee schemes and rising interest rates contributed to a slowdown in y-o-y growth in corporate loans
(y-o-y growth rates at the programme rate, in %)



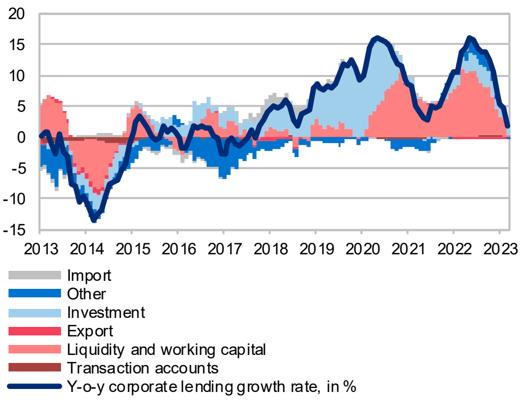
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Fall in dinar loans exceeded the increase in FX-indexed loans during Q1
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

Investment loans gave the major push to y-o-y corporate lending growth in March
(in pp, excluding the exchange rate effect)



Source: NBS.

total corporate loans in March and their stock declined by 4.6% compared to one year ago.

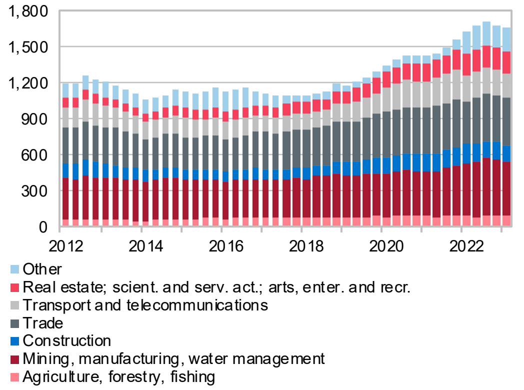
The volume of new corporate loans in Q1 equalled RSD 238.8 bn, down by 7.7% y-o-y, reflecting the tightening in financial conditions, a necessary measure to curb inflationary pressures. In Q1, companies continued to mostly use liquidity and working capital loans (62.6%), with over half of these loans being channelled to micro, small and medium-sized enterprises. Investment loans accounted for 23.3% of new corporate loans, with over 80% of this loan category being absorbed by micro, small and medium-sized enterprises.

The degree of dinarisation of corporate receivables decreased in Q1 by 1.3 pp, to 18.1% in March, since dinar receivables partly contracted due to the maturing of guarantee scheme loans, which were predominantly approved in dinars, while FX-indexed receivables went up. At the same time, the share of euro-indexed and euro receivables edged up by 1.3 pp to 81.7% in March, while the share of dollar receivables (0.2%) remained unchanged compared to end-2022. In the structure of FX and FX-indexed loans, in March one third related to loans approved at a fixed interest rate, a little less than a half was linked to the three-month EURIBOR and one-tenth to the six-month EURIBOR. As for dinar corporate loans, one third was approved at a fixed interest rate, around 40% was linked to the one-month BELIBOR and the remaining part was linked to the NBS's key policy rate and the three-month and six-month BELIBOR.

The NPL share in total corporate loans in March dropped to a new minimum of 2.0%, down by 0.1 pp compared to end-2022.[2] Looking at companies only, the NPL share in total loans in March did not change from end-2022 (2.3%), while sector-wise, it recorded a new low in the real estate sector, remained unchanged in manufacturing, trade and construction and increased mildly in transport and agriculture. This shows that economic support measures during the pandemic were adequate and timely, and that banks' asset quality was preserved even after the measures were discontinued. It also shows that the rising repayment costs of existing corporate loans did not drive NPLs up. **Compared to July 2015**, i.e. just before the beginning of implementation of the NPL

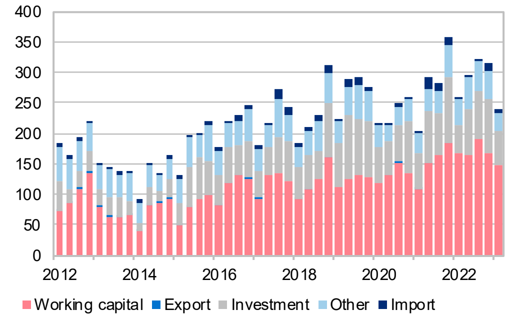
[2] Important drivers behind the strong fall in NPLs from 2016 onwards were the successful implementation of the NPL Resolution Strategy and implementation of the Decision on Accounting Write-off of Bank Balance Sheet Assets. In line with the Strategy, the NBS adopted the Action Plan (https://nbs.rs/sr_RS/scripts/showcontent/index.html?id=8661) aimed at strengthening banks' NPL resolution capacities and contributing to the NPL market development. The envisaged activities were fully implemented, some even ahead of the timeframe.

The bulk of corporate receivables are loans to manufacturing and trade
(stock, in RSD bn)



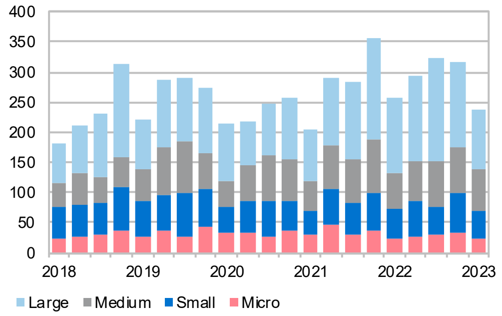
Source: NBS.

Working capital and investment loans remained the most dominant in Q1
(new loans, in RSD bn)



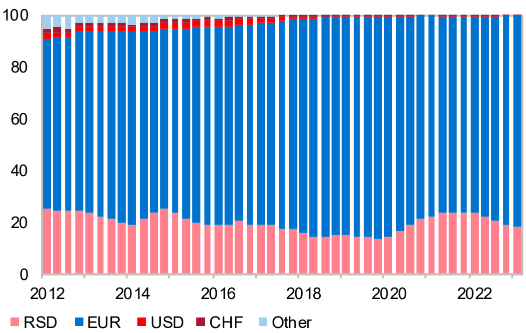
Source: NBS.

Loans to micro, small and medium-sized enterprises accounted for almost 60% of new loans in Q1
(in RSD bn)



Source: NBS.

Mautring loans under the guarantee scheme drove down dinarisation in Q1
(currency structure, in %)



Source: NBS.

Resolution Strategy, this **share dropped by 22.9 pp**, and the sharpest decrease was recorded in the construction, real estate and trade sectors.

The capital adequacy ratio[3] at end-Q1 stood at 20.5%, well above the regulatory minimum (8.0%), which signals high capitalisation and resilience of the banking sector to external and domestic risks.

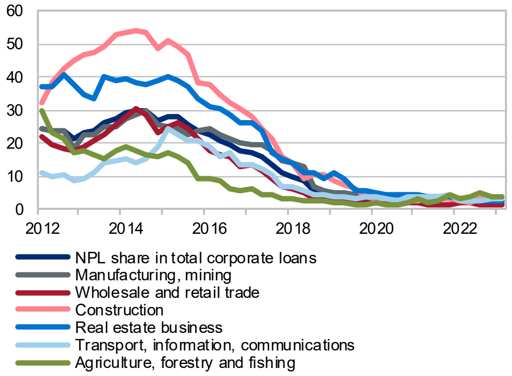
2. Cost of corporate borrowing

Continued tightening of monetary conditions by the NBS and ECB in Q1 reflected on further growth in interest rates on dinar and euro-indexed corporate loans. Interest rates on all loan categories went up, regardless of the company size.

With a view to impacting heightened inflationary pressures, mostly coming from the international environment, the NBS gradually tightened monetary conditions since October 2021 by raising the weighted average interest rate on one-week reverse repo auctions, and as of April 2022, also by lifting the key policy rate, which resulted in the **weighted average interest rate on new corporate loans going up 0.5 pp to 6.4% in Q1.** Out of that, interest rates on working capital and investment loans increased (by 1.0 pp to 8.3% and by 0.9 pp to 8.4%, respectively), while the cost of other non-categorised loans (3.25%) was somewhat lower than in Q4 2022. Average interest rates in Q1 ranged between 4.7% for large corporates and 9.6% for microenterprises. Relative to September 2021, i.e. before the start of the NBS's monetary tightening, the rate on new dinar corporate loans rose by 3.2 pp as at March 2023.

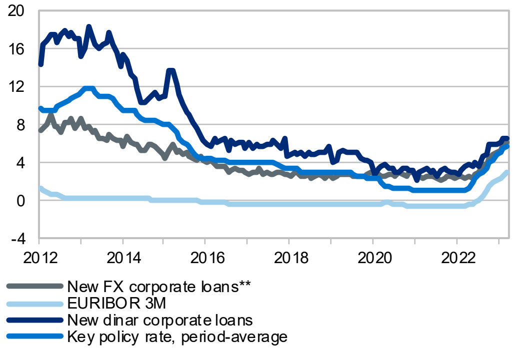
The weighted average interest rate on new euro and euro-indexed corporate loans rose by 1.0 pp on average in Q1 to 5.8%. Rates on loans for all purposes increased, with interest rates on the most dominant liquidity and working capital loans recording the most pronounced growth (by 1.2 pp to 6.0%). The price of investment loans rose by 0.8 pp to 5.7%, while rates on non-categorised euro-indexed loans went up 0.6 pp to 4.3%, and on import loans by 0.2 pp to 6.0%. In terms of company size, the average price of borrowing ranged from 5.6% for medium-sized enterprises to 6.4% for microenterprises. Relative to June 2022, i.e. just before the ECB embarked on a cycle of interest rate hikes, and as at March 2023, the average rate on new euro loans to corporates was 3.4 pp higher.

The NPL share continued to hover close to the minimum for almost all sectors
(gross principle, in %)



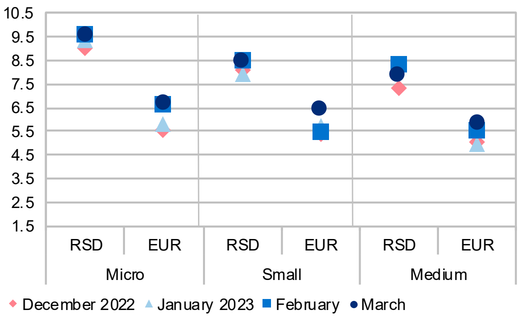
Source: NBS.

Interest rates on corporate loans continued up in Q1*
(weighted average values, p.a., in %)



Sources: NBS and European Banking Federation.
* Excluding revolving loans, current account overdrafts and credit card debt.
** Euro and euro-indexed.

Cost of borrowing for micro, small and medium-sized enterprises increased during Q1
(weighted average values, p.a., in %)



Source: NBS.

[3] Регулаторни оквир стандарда Базел III примењује се од 30. јуна 2017.

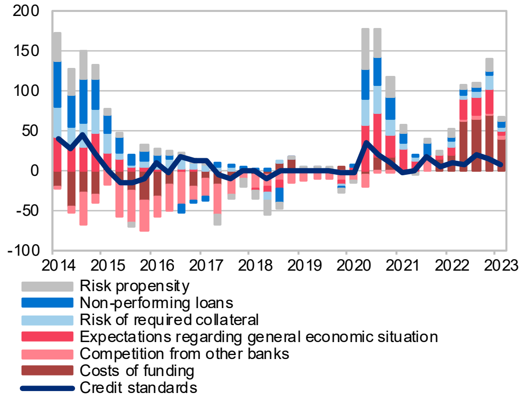
3. Assessment of loan supply and demand – based on the results of the bank lending survey

The results of the **NBS April Bank Lending Survey** indicate that in Q1 banks continued to tighten their corporate credit standards, in line with expectations stated in the previous survey. The tightening was less pronounced than in Q4 2022, with standards being tightened both for dinar and FX-indexed loans, while in terms of company size, standards for large enterprises were tightened more. In banks' view, as in the previous quarter, the tightening of standards in Q1 was mostly due to the higher cost of loan financing sources (in line with the effects of monetary tightening by the ECB and the NBS in an environment of inflationary pressures) and to a lesser degree general economic uncertainty, which led to diminished risk propensity, and riskiness of the required collateral and NPLs. Banks expect similar tightening to continue in Q2 under the impact of the same factors as in Q1.

According to the survey results, Q1 saw the tightening of price conditions for companies of all sizes. Some banks reduced the maximum loan amount for small and medium-sized enterprises and tightened collateral requirements. Loan maturity requirements were not changed.

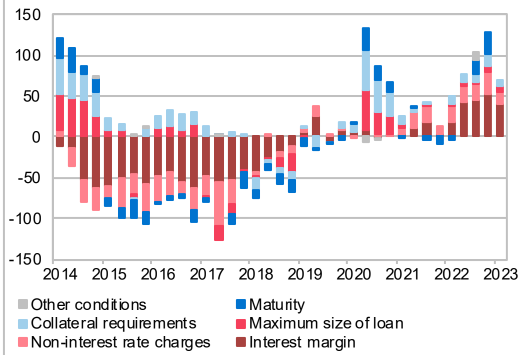
Contrary to expectations, **Q1 saw a decrease in corporate loan demand**, while loan demand of agricultural producers remained unchanged. Banks believe that dampened needs for financing capital investments and subdued corporate activity in terms of mergers/acquisitions resulted in lower demand, while financing working capital and debt restructuring still drove demand up. Banks expect corporate loan demand to continue up in Q2, driven by financing working capital and capital investments, and to a lesser extent debt restructuring.

Banks continued tightening corporate credit standards during Q1
(in net %)



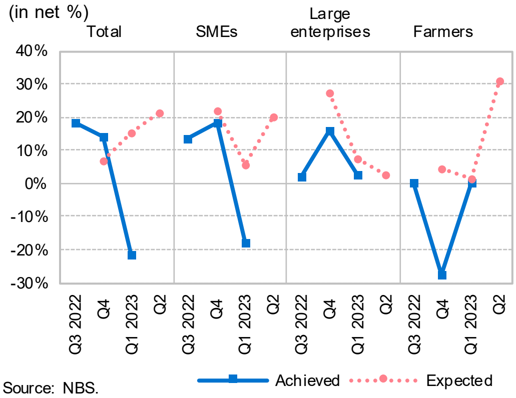
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Q1 saw tighter price conditions and collateral requirements, and lower maximum loan amount for corporates
(in net %)



Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Contrary to expectations, loan demand contracted in Q1, and banks expect it to go up in Q2
(in net %)



Source: NBS.
* Positive value indicates an increase in demand, and negative value indicates a decrease.

II. Household loans

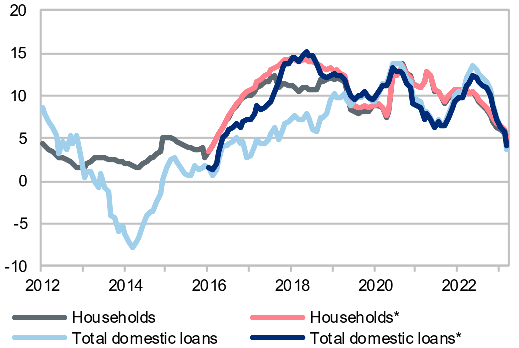
1. Household loans

Y-o-y rise in household loans decelerated further in Q1, to 4.4% in March, down from 6.3% at end-2022. This is partly a result of dampened loan demand amid rising interest rates and the effects of last year's high base. In nominal terms, the stock of household loans stood at RSD 1,448.3 bn in March, accounting for 46.8% of banks' loan receivables from the non-monetary sector and 19.8% of GDP.[4]

During Q1, household loans decreased by RSD 0.8 bn or 0.1%. By purpose, the contraction was recorded for household receivables under non-categorised (RSD 1.7 bn) as well as cash (RSD 0.6 bn) and consumer loans (RSD 0.1 bn). In contrast, housing loans rose by RSD 1.4 bn, while their y-o-y growth in March measured 8.0%. Borrowing under transaction accounts are also on the rise (RSD 1.3 bn). As a result of the said trends, the share of housing loans in total household loans edged up 0.1 pp during Q1, to 40.4% in March, while the share of cash loans (43.7%) remained the same as at end-2022. At the same time, within loans granted to entrepreneurs, investment loans continued up, by RSD 1.6 bn, while liquidity and working capital loans dropped by RSD 2.8 bn.

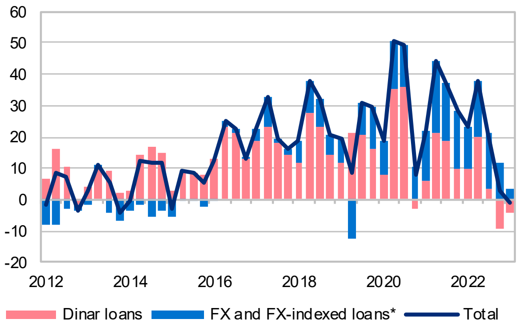
Housing loans were supported by NBS measures adopted in 2020 and extended into 2023. Banks were enabled to extend the repayment term for housing loans by five years at the longest. Also, lower minimum degree of completion of works was required for the purchase of apartments financed with a housing loan. In addition, in 2020 the downpayment for the purchase of the first residential real estate has been permanently trimmed from 20% to 10%. Bearing in mind the rise in the interest rates, in December 2022, the NBS supplemented the current regulations enabling banks to reschedule receivables from debtors faced with difficulties in loan repayment. Repayment term extension by up to nine years was enabled for cash and consumer loans and by up to 11 years for loans used for car purchases.

Y-o-y growth of household loans slowed down further in Q1
(y-o-y growth rates at the programme exchange rate, in %)



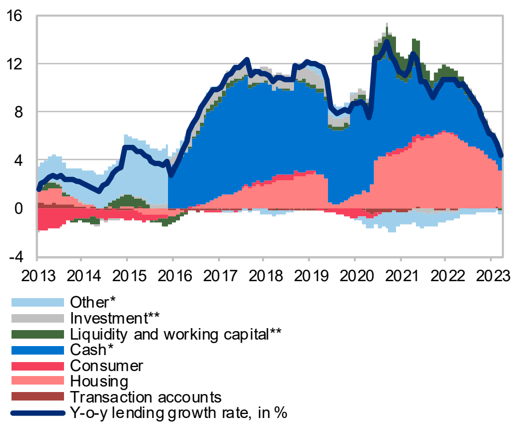
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

In Q1, for household segment as well, the fall in dinar loans exceeded the increase in FX-indexed loans



Source: NBS.
* Excluding the exchange rate effect.

Since June 2021, housing loans were the greatest contributor to y-o-y growth of household loans
(in pp, excluding the exchange rate effect)



Source: NBS.
* Until December 2015, the contribution of cash loans is shown within the contribution of other loans.
** Loans extended to entrepreneurs.

[4] GDP in the last four quarters.

The volume of new household loans in Q1 (RSD 120.0 bn) was 6.1% lower than in Q1 2022. Cash loans made up 60.3% and housing loans 19.3% of new household loans in Q1.

The rise in FX-indexed receivables and the decline in dinar receivables in Q1 reduced the **dinarisation of household receivables**[5] by 0.3 pp to 52.8% in March. At the same time, the share of euro receivables went up by 0.2 pp, to 47.0%, while the share of receivables in Swiss francs (0.1%) remained unchanged. In the structure of FX and FX-indexed household loans, loans approved at a fixed rate accounted for almost a third in March (25% for housing loans), and their share has been on the rise in the last few months as EURIBOR increased. Loans indexed to the three-month EURIBOR accounted for almost a quarter and those linked to the six-month EURIBOR for somewhat less than a half of FX and FX-indexed loans. In the structure of dinar household loans, over 60% of loans was approved at the fixed rate, almost a quarter was indexed to the three-month BELIBOR and more than one tenth of loans to the six-month BELIBOR.

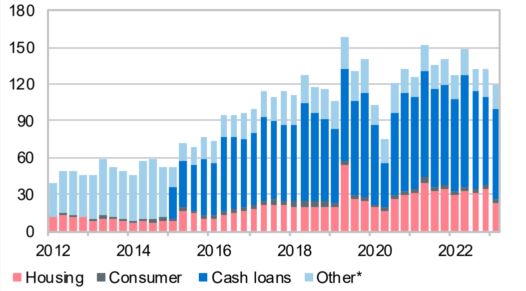
The share of NPLs in total household loans edged up 0.1 pp from end-2022, measuring 4.1% in March.[6] By purpose, relative to end-2022, the share of NPLs in March was unchanged for housing loans, it edged down 0.5 pp for current account overdrafts, and up by 0.2 pp for credit cards, 0.3 pp for cash and 0.6 pp for consumer loans. Favourable NPL indicators suggest that NBS and Government measures were timely and that they helped avoid a more serious adverse impact of the crises in these past three years on citizens' creditworthiness. This share is lower by 7.3 pp than in the period just before the adoption of the NPL Resolution Strategy.

2. Cost of household borrowing

The tightening of NBS and ECB monetary policies as a response to inflationary pressures keeps translating on the cost of household loans.

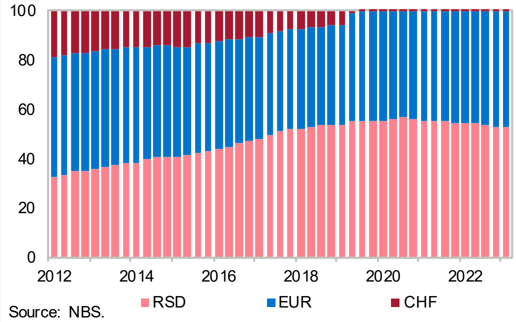
The weighted average rate on new dinar household loans increased by 1.5 pp on average, to 13.4% in Q1. The interest rates on dinar loans for almost all purposes rose and the rate on the most dominant, cash loans went up by 1.6 pp, to 14.1%. The rate on housing loans[7] rose to a similar degree (by 1.5 pp to

The largest share of new loans in Q1 were cash and housing loans
(new loans, in RSD bn)



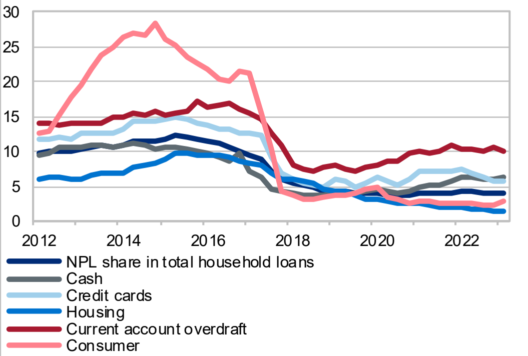
Source. NBS.
* Until December 2014, the 'other loans' category implied cash and other loans together.

Due to the rise in FX-indexed and decline in dinar receivables in Q1, the dinarisation of household receivables dropped little below 53%
(currency structure, in %)



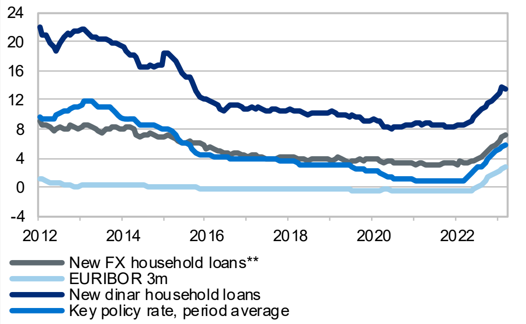
Source: NBS.

NPL share in total household loans remained close to the lowest levels in Q1
(gross principle, in %)



Source: NBS.

The average price of dinar and FX loans increased in Q1 as well*
(weighted average values, p.a., in %)



Sources: NBS and European Banking Federation.
* Excluding revolving loans, current account overdrafts and credit card debt.
** Euro and euro-indexed.

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[5] Including non-profit institutions and entrepreneurs.

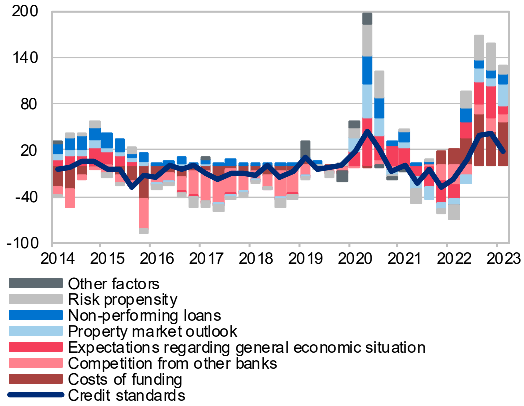
[6] If entrepreneurs and private households are included, the share also rose by 0.1 pp to 4.1% in March, but decreased by 8.1 pp from July 2015.

[7] Used for refurbishment of apartments, which are more expensive than loans used for purchasing apartments.

12.4%), while the rate on other non-categorised loans went up by 0.9 pp to 11.2%. Only the rate on consumer loans went down, by 0.1 pp to 2.8%. Relative to September 2021, i.e. before the NBS's monetary policy tightening, the rate on new dinar loans to households was 5.1 pp higher as at March 2023.

The weighted average rate on new euro-indexed household loans went up by 1.3 pp on average, to 6.8% in Q1. The rise was recorded for loans of all purposes, with rates on housing and consumer loans rising by 1.1 pp to 5.8% and 6.4% respectively. The average price of other non-categorised loans went up by 1.2 pp to 8.9%, and on cash loans by 1.4 pp to 4.3%. Relative to June 2022, i.e. just before the ECB embarked on a cycle of interest rate hikes, and as at March 2023, the average rate on new euro household loans was 3.4 pp higher, just as with corporates.

Banks continued to tighten household credit standards in Q1
(in net %)

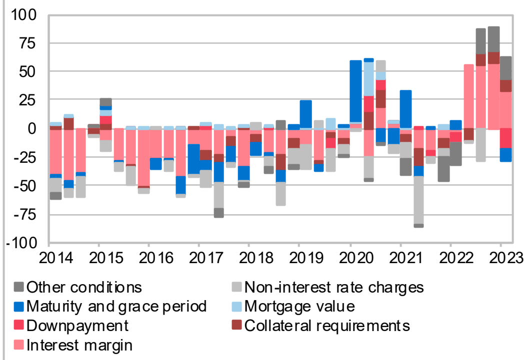


Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

3. Assessment of loan supply and demand – based on the results of bank lending surveys

According to NBS April Bank Lending Survey, banks further tightened household credit standards in Q1, though more moderately than in Q4 2022. The tightening mostly affected dinar cash loans and refinancing loans, as well as consumer and housing loans. As for the latter, the tightening was much less pronounced than in Q4 2022. Credit standards were tightened mostly under the impact of higher costs of financing. The situation in the real estate market (rise in real estate prices, with growth in rates on housing loans), behaviour of banking sector competition and the anticipated rise in NPLs, uncertainty as to the general economic situation and the consequent higher risk aversion worked in the same direction, though to a lesser degree. Banks expect that the same factors as in Q1 will bring about a new tightening of standards in Q2.

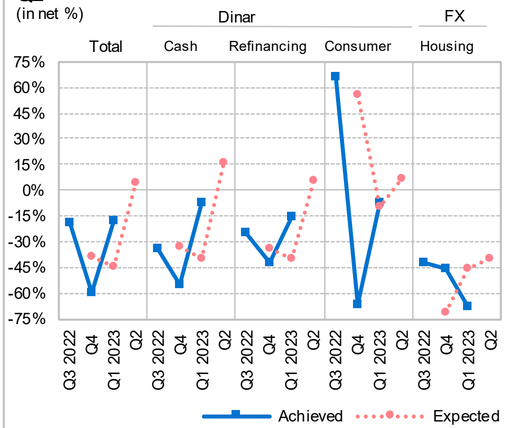
In Q1 interest margins increased, collateral requirements were tightened, while mandatory downpayment was lowered and loan maturity extended
(in net %)



Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Banks estimate that in Q1, interest margins increased for both dinar and FX-indexed loans and collateral requirements tightened. On the other hand, conditions pertaining to downpayment were mitigated, loan maturity was extended, and fees and commissions were not changed.

Household loan demand contracted more than anticipated in Q1 and banks expect it to expand in Q2
(in net %)



Source: NBS.
* Positive value indicates an increase in demand, and negative value indicates a decrease.

Banks assess that household demand for loans dropped in Q1, though the decrease was less pronounced than in Q4 2022 and the expectations expressed in the January survey. The demand for euro-indexed housing loans decreased, as well as for dinar refinancing, cash and consumer loans. Banks estimate that the high-trending prices of apartments are a key factor behind dampened demand. In Q2 they expect a mild rise in demand, focused on dinar loans, notably cash ones.

Methodological notes

- Loans imply bank receivables under the loan principal.
- Receivables imply receivables under loans, interests and charges, paid deposits, securities and shares of companies.
- All types of receivables are expressed according to the gross principle, i.e. not reduced by allowances for impairment.
- Dinar receivables are receivables extended in dinars without an FX-clause. The FX clause implies a currency clause that defines hedging against changes in the dinar exchange rate.
- When excluding the exchange rate effect, the calculation is based on the original currency composition and the exchange rate of the dinar against the euro, the US dollar and the Swiss franc as at 30 September 2014.
- New business includes all financial arrangements (credits and deposits) the terms of which are agreed for the first time during the reporting month, as well as all existing contracts the terms of which were re-agreed (through annexes), with the active participation of the client.
- The sectoral classification of monetary statistics is used. The corporate sector includes public enterprises, companies and the non-financial sector in bankruptcy, while the household sector includes citizens, entrepreneurs, private households with employed persons and registered farmers. By way of exception:
  - with newly-approved loans, the household sector includes non-profit institutions serving households (in accordance with the ECB methodology);
  - with non-performing loans, the sectors are presented separately, but are aggregated for the sake of comparison with the monetary statistics data.
- The term non-performing loans implies the stock of the total outstanding debt under individual loans (including the amount of arrears):
  - where the payment of principal or interest is past due (within the meaning of the decision on classification of balance sheet assets and off-balance sheet items) over 90 days;
  - where 90 days of interest payments have been attributed to the loan balance, capitalized, refinanced or delayed;
  - where payments are less than 90 days overdue, but the bank assessed that the borrower’s repayment ability has deteriorated and doubts that the payments will be made in full.