National Bank of Serbia

Department for Economic Research and Statistics

TRENDS IN LENDING

First Quarter Report 2024

Belgrade, May 2024

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 the 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 (NBS) 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' perception 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 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. Assets of banks participating in the survey on average account for 50% of total bank assets 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 loan
pp – percentage point
Q – quarter

Other generally accepted abbreviations are not cited.

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Overview

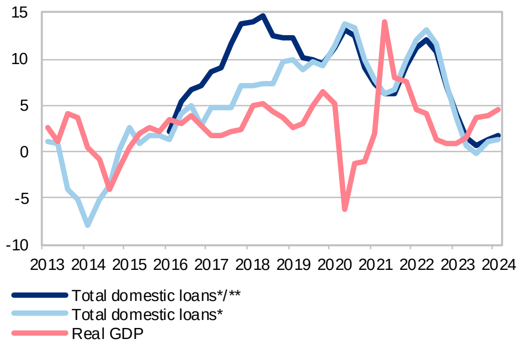
Total domestic loans, excluding the exchange rate effect, accelerated their y-o-y growth to 1.3% in March (from 1.0% at end-2023), mainly on the back of **household loans**, which sped up to 2.7% y-o-y. On the other hand, **corporate loans** stagnated in March in y-o-y terms. Lending has remained under the sway of elevated interest rates on dinar and euro-indexed loans due to the previous monetary tightening of the NBS and the ECB. Apart from that, the maturing of guarantee scheme loans continued to negatively affect the stock of corporate loans, though less so than in previous years. Nevertheless, in the first quarter of 2024, for the first time after a prolonged tightening, banks loosened their credit standards, primarily for the corporate sector. The relaxation is expected to extend into Q2, which should boost private sector lending going forward.

Total domestic bank receivables from the non-monetary sector (which apart from loan receivables also include receivables on account of investment into securities, interests and fees and other receivables) picked up y-o-y to a similar extent as domestic loans, to 1.4% in March.

Corporate loans, excluding the exchange rate effect, declined by RSD 26.6 bn or 1.7% in Q1, in part due to a seasonal contraction in lending early in the year. By loan category, receivables under investment, liquidity and working capital loans decreased, partly due to the maturing of guarantee scheme loans. Conversely, borrowing under import loans went up. Company borrowing contracted across almost all sectors – primarily transport, agriculture and construction, while companies in the energy and trade sectors increased their debt balance. In terms of enterprise size, micro, small and medium-sized enterprises reduced their credit liabilities to banks to a greater extent than large enterprises. As a result, the share of loans approved to this enterprise segment dropped to 58.7% in March.

Household loans, excluding the exchange rate effect, increased by RSD 20.9 bn or 1.4% in Q1, driven by the rise in cash loans, followed by housing loans and borrowing in transaction accounts. Thus, the share of cash in total household loans gained 0.3 pp, rising to 45.0% in Q1, while the share of housing loans contracted in the same degree, to 39.0% in March.

Y-o-y lending growth slightly accelerated in Q1 2024
(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.

The NBS kept the key policy rate on hold since August 2023, so interest rates in the interbank money market were almost unchanged, while **interest rates on dinar** corporate and household loans dropped slightly in Q1. The average interest rates on dinar corporate and household loans in Q1 equalled 8.2% and 12.5%, respectively, down by 0.2 pp each q-o-q. Interest rates in the euro area money market also displayed minimum volatility, so the average interest rate on **euro** corporate loans in Q1 remained almost unchanged (7.1%). The average interest rate on euro-indexed household loans dropped by 0.1 pp, to 6.3%. The fall was also supported by the NBS's decision on capping the interest rates on housing loans extended to natural persons.

Dinarisation of total corporate and household receivables in Q1 edged up by 0.7 pp, to 35.2% in March, reflecting a rise in dinar and a decrease in FX-indexed receivables. The degree of dinarisation of corporate receivables rose to 17.8% in March (from 17.3% at end-2023), and the degree of dinarisation of household receivables to 54.5% (from 54.1%).

As a result of a robust bank regulatory framework and of adopted measures of macroprudential policy, synchronised with those of monetary policy, **the share of non-performing in total loans in March stayed close to the minimum of around 3%**. This shows that the rise in loan repayment costs, as a consequence of interest rate hikes in the prior period, and the expiry of some of the measures which supported the private sector during the pandemic, did not impact the quality of bank assets. NPL coverage remained high – allowances for impairment of total loans measured 98.7% of gross NPLs in March, while allowances for impairment of NPLs stood at 59.1% of gross NPLs.

The capital adequacy ratio[1] at end-Q1 measured 21.2% (down by 0.2 pp from end-2023), significantly above the regulatory minimum (8.0%), which indicates a high capitalisation and resilience of the banking sector to external and domestic risks.

[1] The regulatory framework of Basel III has been applied since 30 June 2017.

I. Corporate sector

1. Corporate loans

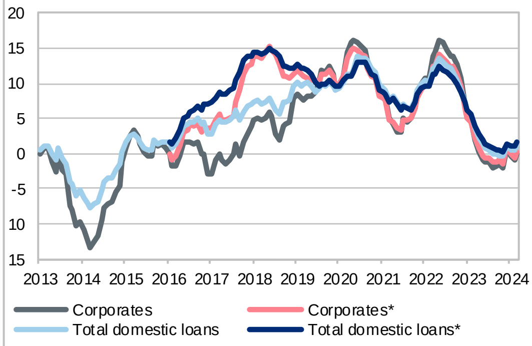
Corporate loans stagnated in y-o-y terms in March (vs. 0.9% growth in December 2023). Such trends were swayed by elevated interest rates, due to prior monetary tightening by the NBS and the ECB. A negative influence on the loan stock, though weaker than in the prior years, still came from the maturing of guarantee scheme loans. In nominal terms, the stock of corporate loans stood at RSD 1,584.6 bn in March, accounting for 19.0% of GDP, i.e. down by 0.8 pp compared to end-2023, as a result of economic growth.

In Q1, corporate loans decreased by RSD 26.6 bn, partly due to a seasonal contraction in the approval of these loans early in the year, with loans to public enterprises recording a sharper fall (RSD 16.5 bn). The fall reflected a decrease in FX-indexed loans, while dinar loans were on the rise for the second consecutive quarter. The increase in dinar loans reflected, *inter alia*, banks' adjustment to the provisions of the earlier adopted measure of the NBS. Under this measure, when calculating the capital adequacy ratio, as of 2025, banks shall reduce capital if the share of FX-indexed and FX loans in total loans approved to the non-financial and non-governmental sector after 1 July 2023 exceeds 71%.

By loan category, Q1 saw a reduction of receivables under investment loans (by RSD 22.0 bn), liquidity and working capital loans (RSD 11.2 bn), in part due to the maturing of guarantee scheme loans, as well as under other non-categorised loans (down by RSD 5.1 bn). On the other hand, borrowing under import loans went up (RSD 10.2 bn), as well as under current account overdrafts (RSD 1.5 bn). The share of liquidity and working capital loans in total corporate loans gained 0.1 pp in Q1, reaching 46.9% in March, while the share of the next largest category, investment loans, shrank to 41.2% (from 41.9% at end-2023). Other non-categorised and import loans accounted for 6.2% and 4.5% of the corporate loan stock. Investment loans continued to record y-o-y growth, which equalled 2.0% in March.

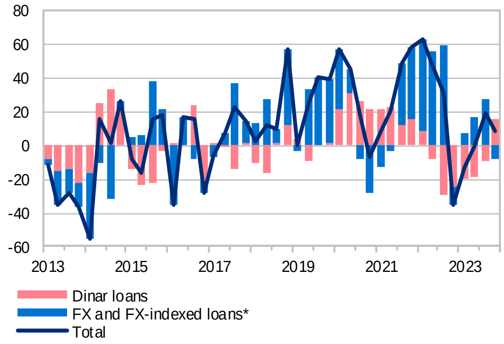
By industry, corporate borrowing shrunk across the board, mainly in the transport, agriculture and construction sectors, while companies in energy and trade sectors increased their borrowing. The maturity of corporate loans decreased mildly in Q1. At end-March, the share of long-term loans in total corporate

Corporate loan stock in March was similar as the year before (y-o-y growth rates at the programme exchange rate, in %)



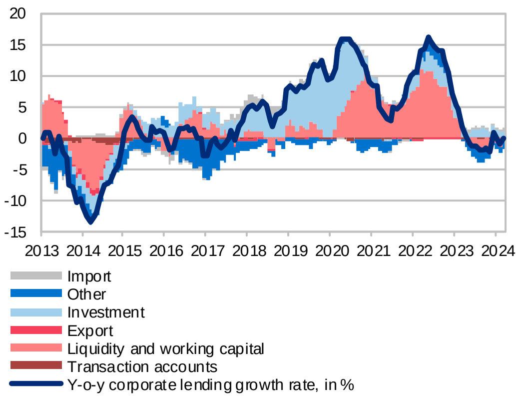
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Dinar corporate loans rose for the second quarter in a row, but insufficiently to offset a fall in FX-indexed loans
(increment, in RSD bn)



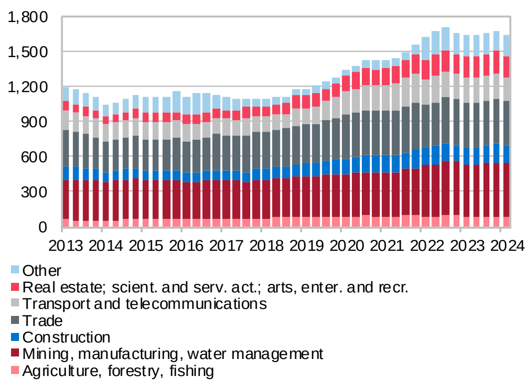
Source: NBS.
* Excluding the exchange rate effect.

Investment and import loans contributed to the y-o-y growth in corporate lending in Q1
(in pp, excluding the exchange rate effect)



Source: NBS.

Loans to the manufacturing and trade sectors account for the bulk of receivables from corporates
(stock, in RSD bn)



Source: NBS.

loans stood at 87.6% (vs 88.2% in December 2023). Observed by enterprise size, **micro, small and medium-sized enterprises** reduced their credit liabilities to banks to a greater extent than large enterprises, so the share of loans approved to this enterprise segment in March (58.7%) was 0.4 pp lower than at end-2023, and their stock was 2.2% lower than a year earlier.

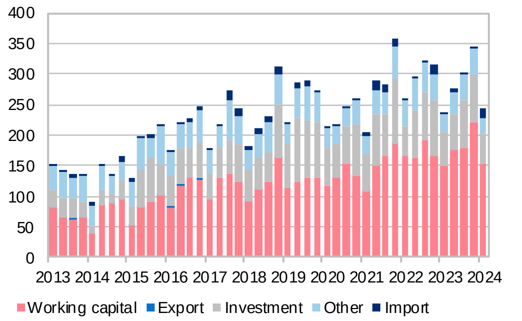
The volume of new corporate loans in Q1 amounted to RSD 244.4 bn, up by 2.3% y-o-y. Liquidity and working capital loans remained dominant – at 62% of new corporate loans, with slightly over a half of these loans being channelled to micro, small and medium-sized enterprises. Investment loans accounted for one fifth of new loans and two thirds of these loans went to micro, small and medium- sized enterprises.

Reflecting a decrease in FX-indexed receivables and a rise in dinar receivables of corporates, **the degree of dinarisation of corporate receivables** increased from 17.3% at end-2023 to 17.8% in March. The share of euro-indexed and euro receivables dropped by 0.4 pp to 82.1% in March, while the share of dollar receivables stayed unchanged from the beginning of the year, at 0.2%. In the structure of FX and FX-indexed loans, those linked to EURIBOR accounted for almost 80% in March, the bulk of them being attached to the three-month EURIBOR. Speaking of dinar corporate loans, 38% were attached to the BELIBOR, mostly one-month.

The share of NPLs in total corporate loans stood at 2.3% in March, and at 2.6% only for loans to companies, which is an increase by 0.2 pp each compared to end-2023.[2] By industry, the share of NPLs in March ranged between 0.7% for energy and 4.6% for transport, while the real estate sector recorded a new low (0.9%). This indicates that economic support measures during the pandemic were adequate and timely and bank asset quality was preserved even after their expiry. At the same time, this confirms that the rise in the costs of repayment of existing corporate loans did not lead to any significant increase in NPLs. **Relative to July 2015**, i.e. immediately before the start of the implementation of the NPL Resolution Strategy, **the share of NPLs in total corporate loans went down by 22.6 pp**, and the most prominent decrease was recorded in construction, real estate and trade.

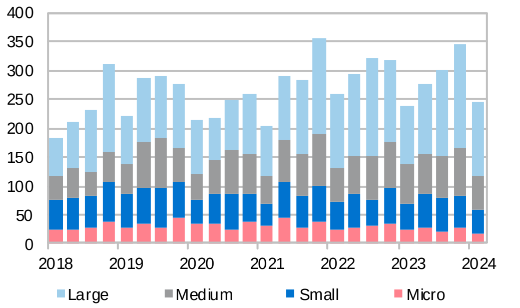
[2] Important factors contributing to the sharp fall in NPLs from 2016 onwards were the successful implementation of the NPL Resolution Strategy and implementation of the Decision on the Accounting Write-Off of Bank Balance Sheet Assets. In accordance with the Strategy, the NBS adopted the Action Plan (https://nbs.rs/en/scripts/showcontent/index.html?id=8678), aimed at strengthening banks' capacity for NPL resolution and contributing to the development of the NPL market. Some activities in the action Plan have been fully implemented, in some cases even before the deadline.

Working capital and investment loans were dominant in Q1
(new loans, in RSD bn)



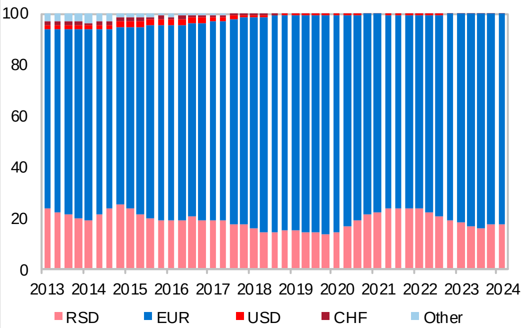
Source: NBS.

Loans to micro, small and medium-sized enterprises accounted for more than a half of new loans in Q1
(in RSD bn)



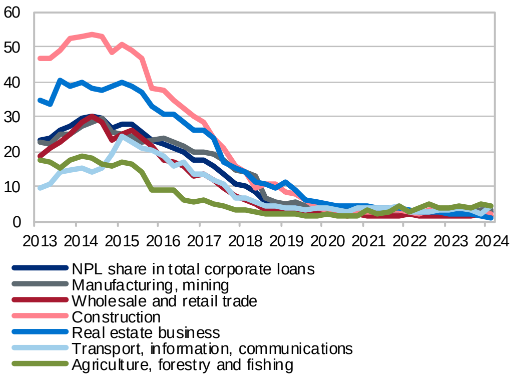
Source: NBS.

The rise in dinar and the fall in FX-indexed loans boosted dinarisation in Q1
(currency structure, in %)



Source: NBS.

The share of NPLs continued to move close to the minimum for almost every industry
(gross principle, in %)



Source: NBS.

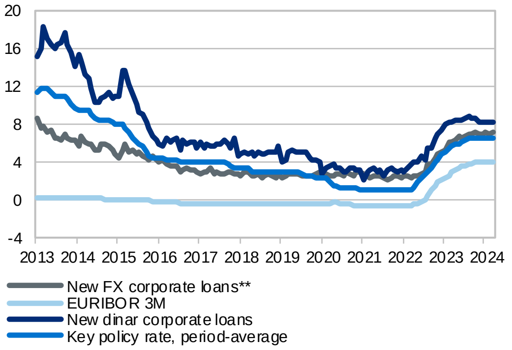
2. Cost of corporate borrowing

Owing to minimum volatility of interest rates in the domestic market and euro area money market in Q1, the average interest rate on new dinar corporate loans dropped slightly, while the interest rate on euro loans remained almost unchanged.

Aiming to impact the strengthened inflationary pressures mostly coming from the international environment, since October 2021 the NBS gradually tightened monetary conditions by increasing the weighted average interest rate on one-week reserve repo auctions and as of April 2022 until July 2023 by also raising the key policy rate. The key policy rate was kept on hold thereafter, so the interest rates in the interbank money market in Q1 were also almost unchanged. The stabilisation of interest rates in the money market contributed to a mild decline in **the weighted average interest rate on new dinar loans in Q1, to 8.2%** (from 8.4% in Q4 2023). The interest rates on working capital loans dropped to 8.1% (from 8.3%) and on other non-categorised loans to 8.3% (from 8.4%), while the interest rate on investment loans stayed unchanged (9.3%). The cost of borrowing for small and large enterprises edged down, while going slightly up for micro and medium-sized enterprises. The average interest rate moved from 7.9% for small to 9.5% for micro enterprises. Relative to September 2021, i.e prior to the monetary tightening by the NBS, concluding with March 2024, the interest rate on new dinar corporate loans increased by 4.9 pp. This is largely consistent with the increase in the weighted average repo interest rate (5.5 pp) and suggests that interest margins did not go further up.

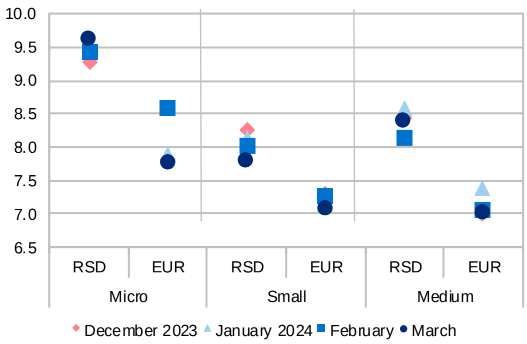
The weighted average interest rate on new euro and euro-indexed loans to corporates stayed almost unchanged relative to Q4 2023, amounting to 7.1% in Q1. The interest rate on the most dominant loan categories, liquidity and working capital loans, dropped by 0.1 pp to 6.8%. Rate increases were recorded for investment loans (by 0.1 pp to 7.4%), other non-categorised loans (by 0.3 pp to 7.4%) and import loans (by 1.1 pp to 7.8%). By enterprise size, the cost of borrowing declined for small and medium-sized enterprises, and increased for micro and large enterprises, so the average cost of borrowing ranged from 7.0% for large to 8.0% for micro enterprises. Relative to June 2022, i.e. immediately before the ECB launched the cycle of interest rate hikes, concluding with March 2024, the average interest rate on new corporate loans in euros went up by 4.4 pp, mirroring the rise in the three-month EURIBOR (4.2 pp).

Interest rates on dinar corporate loans dropped mildly 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.

The price of borrowing for medium-sized enterprises declined in Q1
(weighted average values, p.a., in %)



Source: NBS.

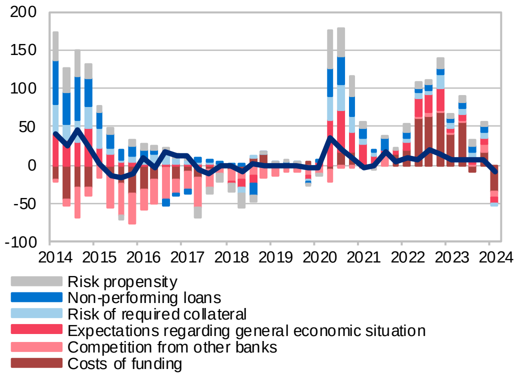
3. Assessment of loan supply and demand – based on the results of bank lending survey

The results **of the April NBS Bank Lending survey** show that in Q1, for the first time after a prolonged period of tightening, banks **relaxed corporate credit standards,** with the expectation of the tendency to extend into Q2 as well. Standard easing mainly concerned dinar loans and was supported by the lower costs of the funding sources, the impact of the competition and positive economic outlook. Standards were eased for small and medium-sized enterprises and agricultural producers and tightened for large enterprises.

According to the survey, in Q1 banks reduced interest margins for enterprises of all sizes. On the other hand, collateral requirements tightened further and the maximum loan amount was lowered. Maturity requirements did not change for more than a year, and fees and commissions for the third quarter in a row.

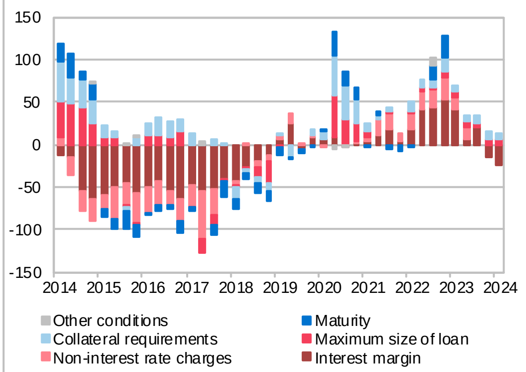
In banks' view, corporates increased their demand for dinar loans and reduced the demand for FX loans. Overall, **corporate loan demand edged down mildly in Q1**. Banks expect a rise in corporate loan demand in Q2, driven by the financing of capital investments and working capital.

In Q1 banks relaxed credit standards for corporates for the first time in two and a half years
(in net %)



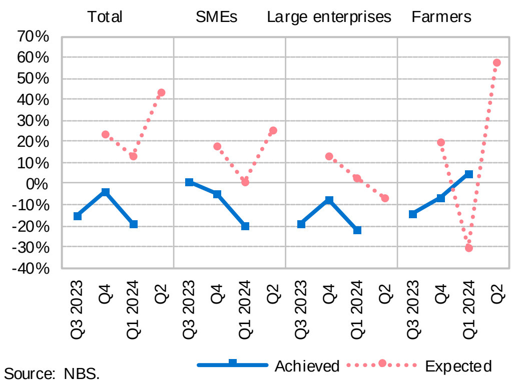
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Interest margins for loans declined in Q1, for the second quarter in a row
(in net %)



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

Contrary to expectations, corporate loan demand dropped in Q1, and banks expect it to rise in Q2
(in net %)



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

II. Household sector

1. Household loans

The y-o-y growth in household loans accelerated to 2.7% in March (from 1.2% at end-2023). In addition to the rising demand and intensified disbursement of new loans, the acceleration was driven by the gradual waning of the adverse impact of the accounting treatment of housing loan receivables on the stock of loans due to the adoption of the decision on capping the interest rates on housing loans in September 2023.[3] In nominal terms, the stock of household loans stood at RSD 1,485.9 bn in March, accounting for 47.4% of banks' loan receivables from the non-monetary sector and 17.8% of GDP (0.2 pp lower than at end-2023).

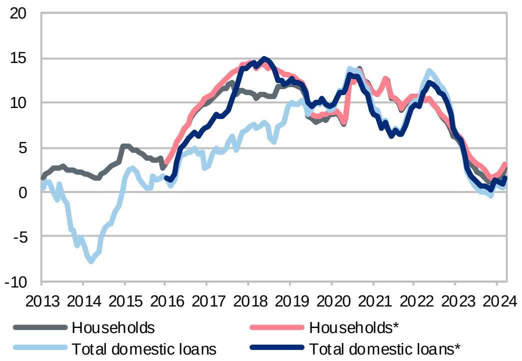
Household loans increased in Q1, by RSD 20.9 bn, driven by the rise in cash loans (RSD 13.9 bn), followed by housing loans (RSD 4.5 bn) and borrowing under transaction accounts (RSD 1.9 bn). The said movements were conducive to an increase in the share of cash loans, as the dominant loan category, by 0.3 pp in Q1, to 45.0% of total household loans in March, while the share of housing loans declined to the same extent, to 39.0%. At the same time, in the category of loans granted to entrepreneurs, the stock of liquidity and working capital loans increased by RSD 1.5 bn, while the stock of investment loans dropped by RSD 0.5 bn.

In order to relieve the burden of housing loan users amid rising interest rates, in September 2023, the NBS adopted a decision[4] temporarily capping the interest rate for first-time users of housing loans subject to a variable interest rate approved before the entry into force of the decision and the contracted amount of up to EUR 200,000. For those borrowers, the nominal interest rate was temporarily capped, for a 15-month period, starting from the October instalment, and the bank will not be allowed to request from the borrower the interest rate difference arising from the application of this Decision. Through the interest rate capping, instalments of most loans were reduced by 10% to 25%, whereby the disposable household income increased. This Decision temporarily capped the

[3] The decline in the stock of housing loans in Q4 2023 was a reflection of the accounting treatment of housing loans due to the decision to temporarily cap the interest rates on housing loans as the value of these receivables was modified down on account of changes in contracted cash flows in its early application. This amount will be gradually returned to the stock of housing loans during the 15 months of the application of this decision.

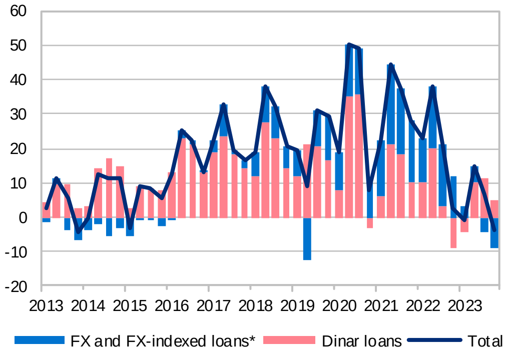
[4] Decision on Temporary Measures for Banks related to Housing Loans to Natural Persons (RS Official Gazette, Nos 78/2023.

Y-o-y growth in household loans accelerated 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.

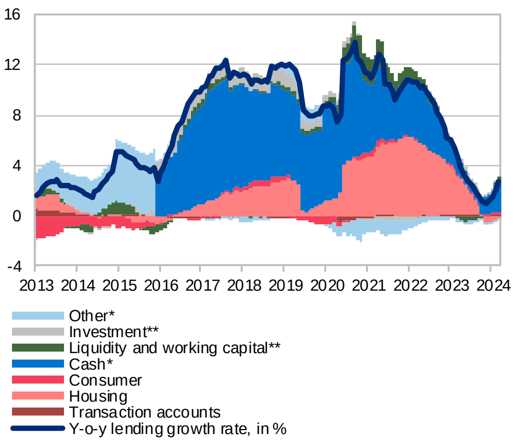
Growth in household loans in Q1 was driven by dinar lending
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

In Q1, cash loans contributed the most to the y-o-y rise in household loans

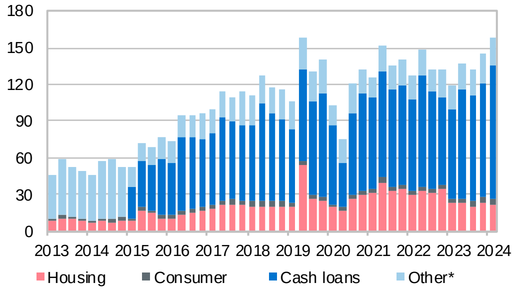
(in pp, excluding the exchange rate effect)



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

interest rates on new housing loans approved in the period of the Decision implementation, while also enabling early repayment of a housing loan under favourable conditions. Housing loans were also supported by earlier amendments to regulations with permanent reduction in the minimum amount of down-payment for first-time home buyers from 20% to 10% as of 2020. As for other loan categories, since December 2022, a one-off restructuring of cash, consumer and other loans without a specific purpose was enabled on a permanent basis, without any repercussions for the banks' capital. In addition, the application of the measure enabling the approval of consumer loans up to RSD 90,000 under a simplified procedure was extended until the end of 2024.

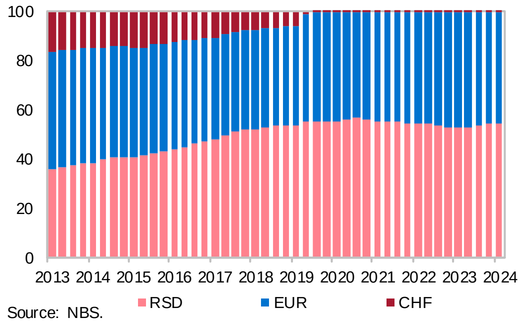
Cash loans accounted for the bulk of new loans in Q1
(new loans, in RSD bn)



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

The volume of new household loans amounted to RSD 157.8 bn in Q1, up by 31.5% y-o-y. This was driven mainly by cash loans, which accounted for almost 70% of new household loans. The next largest category were housing loans, which made up 13% of new household loans (a decrease from 2022, when they accounted for over one-fifth of new household loans on average), reflecting the elevated real estate prices and costs of borrowing.

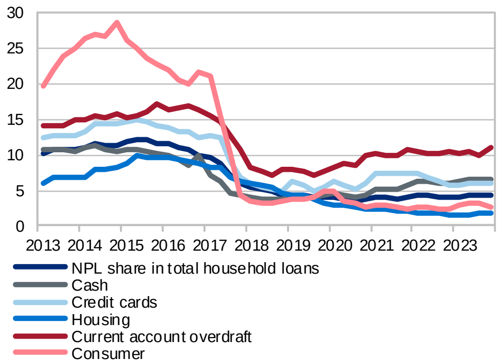
In Q1, households primarily borrowed in dinars, so the dinarisation of household receivables reached 54.5% in March
(currency structure, in %)



Source: NBS.

Borrowing in dinars accounted for over four fifths of the rise in household loans in Q1 (mainly on account of cash loans), boosting **the dinarisation of household loans**[5] in Q1 by 0.4 pp, to 54.5% in March. At the same time, the share of euro receivables declined by the same degree, to 45.4%, while the share of receivables in Swiss francs (0.1%) was unchanged. In the structure of FX and FX-indexed household loans, close to 77% of loans were linked to mostly six-month EURIBOR. In the structure of dinar household loans, around 72% of loans were granted at a fixed rate while the most dominant loans among those approved at a variable rate were loans linked to three-month BELIBOR.

Share of NPLs in total household loans stayed close to the lowest levels in Q1
(gross principle, in %)



Source: NBS.

The share of NPLs in total household loans stood at 4.3% in March[6], down by 0.1 pp from end-2023 with the most dominant loan categories (cash and housing loans) recording a drop in this share. NPL indicators, still close to their lowest values, suggest that NBS and Government measures were timely and that they helped avoid more serious adverse impact of the crises we have been facing in the past three years on citizens' creditworthiness. Compared to the period just before the adoption of the *NPL Resolution Strategy*, the NPL share in the household sector is lower by 7.0 pp.

[5] Including non-profit institutions and entrepreneurs.

[6] If entrepreneurs and private households are included, this share amounted to 4.2%, also dropping by 0.1 pp from end-2023 and by 7.9 pp from July 2015.

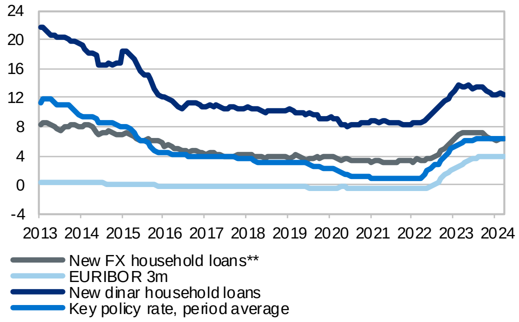
2. Cost of household borrowing

After a fall in the previous quarter, the average cost of dinar borrowing and household borrowing in euros dropped mildly in Q1. The implementation of NBS decision on capping the interest rates on housing loans to natural persons pushed the interest rates on euro loans down. The reduction in the interest rates on dinar loans was brought about by promotions on cash loans in some banks.

In Q1, the weighted average rate on new dinar household loans equalled 12.5%, down by 0.2 pp from Q4 2023. The decrease was driven by the rates on cash loans which went down by 0.5 pp, to 12.9%. The interest rate on other non-categorised loans stayed almost unchanged (10.5%), while the rates on consumer and housing loans[7] increased – by 0.1 pp to 3.2% and by 3.2 pp to 15.3%, respectively. Relative to September 2021, i.e. before the onset of NBS monetary policy tightening, in March 2024, the interest rate on new dinar household loans was higher by 3.9 pp.

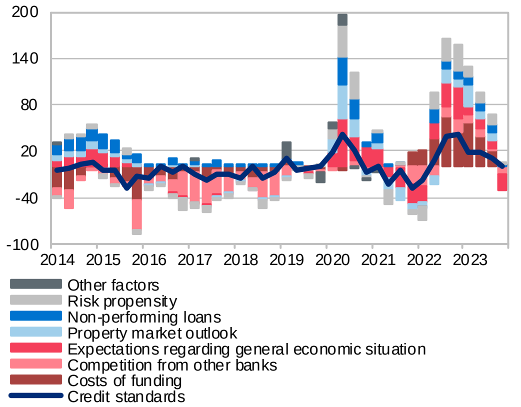
The weighted average rate on new euro-indexed household loans went down by 0.1 pp on average in Q1, to 6.3%. At the same, the average interest rate on housing loans stayed almost unchanged (5.1%) owing to the NBS Decision to cap the interest rates on housing loans. The interest rates on consumer loans and on other non-categorised loans decreased, by 0.2 pp to 6.4% and by 0.3 pp to 9.7%, respectively, while the rate on cash loans increased (by 0.3 pp, to 3.7%). Relative to June 2022, i.e. immediately before the ECB launched the cycle of interest rate hikes and concluding with March 2024, the average rate on new euro household loans went up by 2.7 pp.

Interests on dinar household loans dropped further 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.

Banks slightly eased household credit standards in Q1 owing to positive expectations regarding economic activity
(in net %)



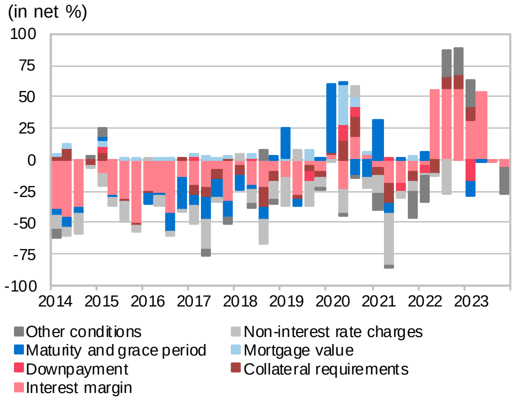
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

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

According to the April NBS bank lending survey, banks slightly relaxed credit standards for households driven by positive expectations concerning economic activity. By purpose, standards for dinar cash loans and refinancing loans were relaxed the most. Standards for FX-indexed housing loans were also relaxed mildly after sever quarters. Banks expect that household credit standards should ease further in Q2.

The survey shows that in Q1, interest margins for both dinar and FX-indexed loans dropped, while fees and commissions also declined for dinar loans.

In Q1, banks reduced interest margins and fees and commissions for household loans
(in net %)



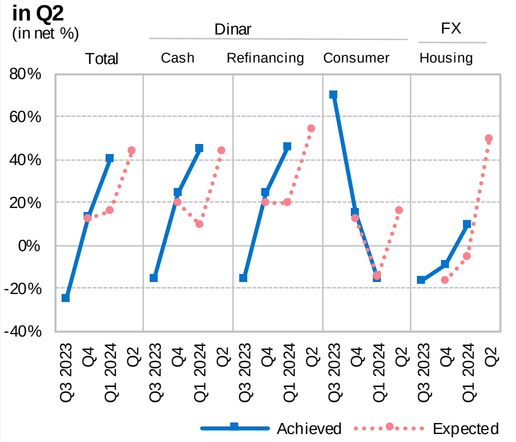
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

[7] Loans used for refurbishment of flats and more expensive than loans used for the purchase of flats.

The household loan demand went up in Q1, above the expectations from the previous survey. The rise in demand affected primarily dinar cash loans and refinancing loans. For the first time in a year and a half, banks assessed that the demand for FX-indexed housing loans also went up which is attributable to the NBS Decision to cap the interest rates on this type of loans and most probably also to expectations that the ECB might embark on monetary policy easing soon. At the same time, the demand for dinar consumer loans dropped. As banks estimate, the rise in demand was driven by the refinancing of the current loans and procurement of durable goods with positive impact from higher wages, while the real estate market situation, marked by high prices of flats, worked in the opposite direction. In Q2, banks anticipate a further rise in demand driven by FX-indexed housing loans and dinar cash, refinancing and consumer loans.

Household loan demand increased more than expected in Q1 and banks anticipate a further rise in Q2

(in net %)



Source: NBS.

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

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 31 October 2022.
- 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.