National Bank of Serbia

REPORT ON THE RESULTS OF THE BANK LENDING SURVEY

Fourth quarter 2024

Belgrade, February 2025

Introductory note

In 2014, the National Bank of Serbia (NBS) launched the bank lending survey. The purpose of this survey is to improve the analysis of developments in the credit market by gaining insight into bank representatives' perspectives of actual and expected changes in bank loan supply and private sector loan demand.

The survey consists of ten questions relating to corporate and household loans. Respondents are asked about changes in credit standards,[1] factors affecting their change, changes in terms and conditions for loan approval, changes in loan demand and factors affecting loan demand.

This Report **sums up the results of the bank lending survey conducted from 1 to 15 January 2025**. The survey presents the attitudes of banks' representatives about changes in Q4 2024 and expected changes in the credit market in Q1 2025. The survey included 18 banks, and thus provides for the representative coverage of the credit market as these banks account for over 99% of the banking sector balance sheet total.

The survey results are presented as net percentages. As regards credit supply, the net percentage is defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased considerably" and "eased somewhat". A positive value of the net percentage indicates net tightening, and negative – net easing of credit standards. With regard to the factors, the net percentage is defined as the difference between the percentage of banks responding that a given factor contributed to tightening of credit standards and the percentage of banks responding that the same factor contributed to their easing. As regards demand for loans, the net percentage is defined as the difference between the sum of the percentages of banks responding that demand "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding that it "decreased considerably" and "decreased somewhat". Hence, a positive value of the net percentage indicates a net increase, and negative – a net decrease of demand.

The term "FX" in the analysis of results refers to loans granted in foreign currency or dinars, but indexed to a foreign currency.

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[1] Credit standards are written and unwritten internal guidelines or criteria that reflect the credit policy of the bank (e.g. priorities in terms of loans categories, collateral, sector, region, etc.).

C O N T E N T S

Overview

The results of the January survey show that, overall, banks slightly eased their standards for approving corporate loans in Q4 2024, owing to the more relaxed standards for approving long-term dinar loans, whereas standards for short-term dinar loans and for FX/FX-indexed loans were tightened. At the same time, banks expect slightly tighter corporate credit standards in Q1 2025, mostly under the impact of increased risk perception and lower risk propensity.

Banks also eased their standards for household loans in Q4 2024, and they expect to continue doing so in Q1 2025.

According to banks, corporate loan demand stepped up in Q4 2024, due to higher demand for dinar and long-term FX/FX-indexed loans. Conversely, banks expect corporate loan demand to decline mildly in Q1 2025, notably on account of the use of alternative sources of funding.

In banks' view, household demand for all types of loans went up in Q4 2024, and the trend is expected to continue in Q1 2025.

Table 1: Banks' estimates of supply and demand for specific loan categories

	Supply (credit standards)		Demand	
	Q4 2024	Q1 2025 (expectations)	Q4 2024	Q1 2025 (expectations)
Corporate sector	↘	↑	↑	↘
DINAR				
Short-term	↑	↑	↑	↘
Long-term	↓	↑	↑	↘
FX/FX-indexed				
Short-term	↑	↑	↓	↓
Long-term	↗	↑	↑	↓
Household sector	↓	↓	↑	↑
Cash (dinar)	↓	↓	↑	↑
Refinancing (dinar)	↓	↓	↑	↑
Housing (FX)	↓	↓	↑	↑
Consumer (FX)	-	↓	↗	-

Legend:

↑ Increase in demand (net percentage above 5%)

↑ Tightening of credit standards (net percentage above 5%)

↗ Increase in demand / tightening of credit standards (net percentage up to 5%)

\- Without change

↘ Decrease in demand / easing of credit standards (net percentage up to 5%)

↓ Decrease in demand (net percentage above 5%)

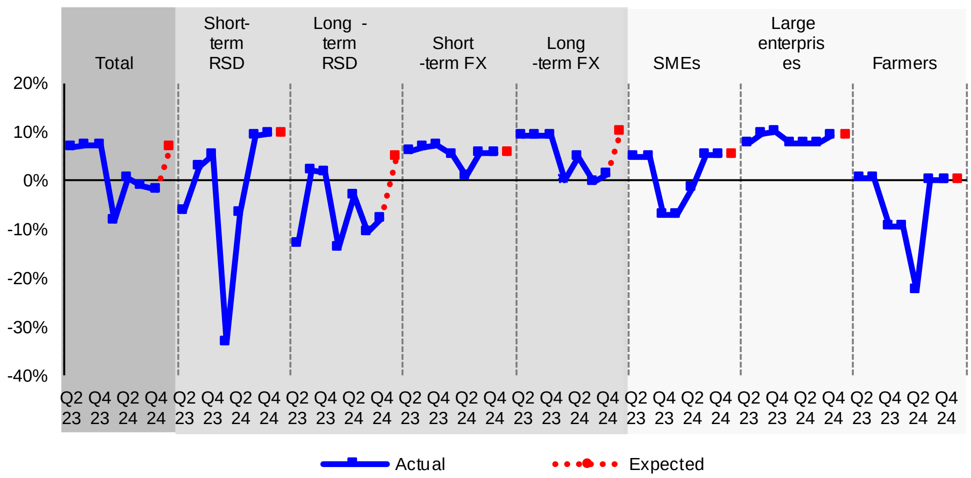
↓ Easing of credit standards (net percentage above 5%)

1. Corporate loans

1.1 Change in credit standards and contributing factors

The results of the January survey show that, overall, in Q4 2024, banks continued to slightly ease their corporate credit standards, as a result of the loosened standards for long-term dinar loans. Conversely, standards for short-term dinar loans and FX/FX-indexed loans of all maturities were slightly tightened. Banks expect a mild tightening of credit standard into Q1 2025 as well, for all types of corporate loans.

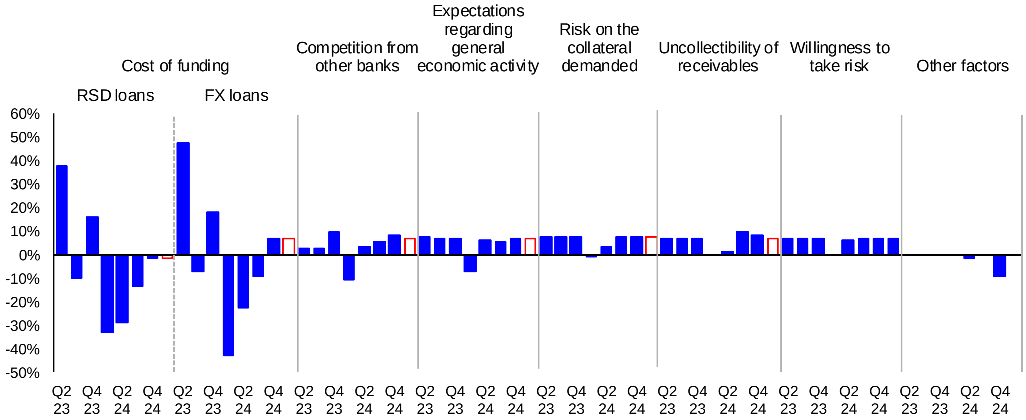
Change in credit standards as applied to the approval of loans or credit lines to corporates
(net percentage)



Source: NBS.
* Positive value indicates tightening of credit standards and negative - easing.
** The intensity of change is not shown in charts.

The easing of corporate credit standards in Q4 2024 was driven by the reduced funding costs for dinar loans, as well as promotional offers of some banks aimed at simplifying the loan approval procedures. By contrast, stricter credit standards for FX/FX-indexed loans reflected higher funding costs , lower competition in the banking sector, increased risk perception, as well as lower risk propensity of banks. According to banks, these factors will also work towards the tightening of credit standards in Q1 2025.

Factors affecting credit standards as applied to the approval of loans or credit lines to corporates
(net percetage)

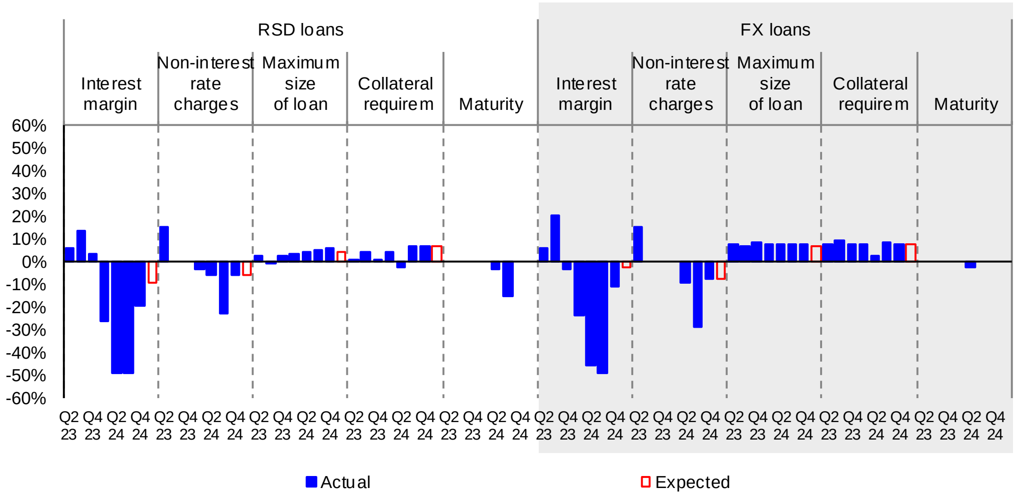


Source: NBS.
* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.
** The intensity of change is not shown in charts..

1.2 Conditions and terms for approving corporate loans

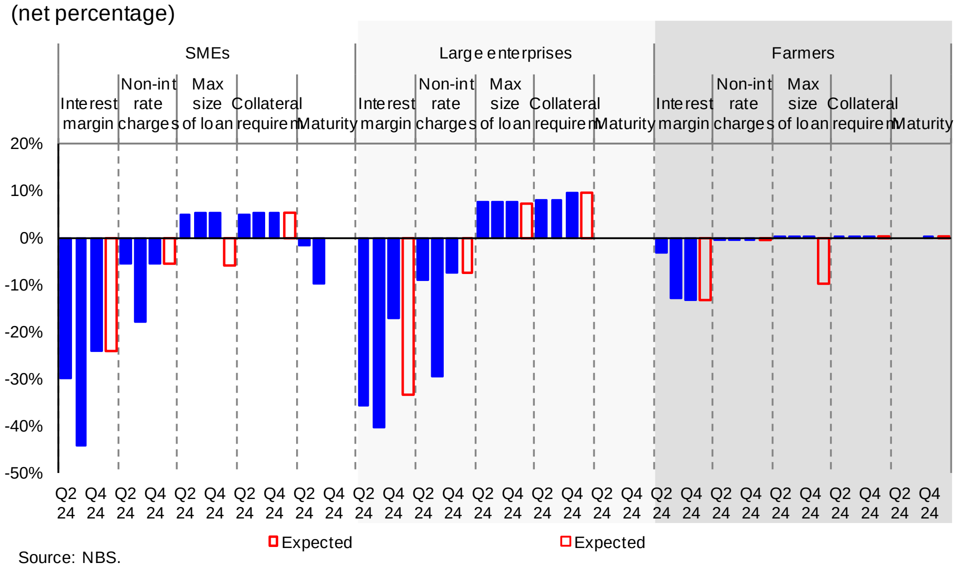
In Q4 2024, banks continued to ease the terms of approving corporate loans – interest margins, and fees and commissions were reduced for both dinar and FX/FX-indexed loans, and this reduction affected all corporates regardless of their size. By contrast, banks reduced the maximum loan amount and slightly tightened collateral requirements.

Change in conditions and terms for approving loans or credit lines to corporates
(net percentage)



Source: NBS.
* Positive value indicates tightening of conditions and negative - easing.
** The intensity of change is not shown in charts.

Change in conditions and terms for approving loans or credit lines to corporates
(net percentage)



Source: NBS.
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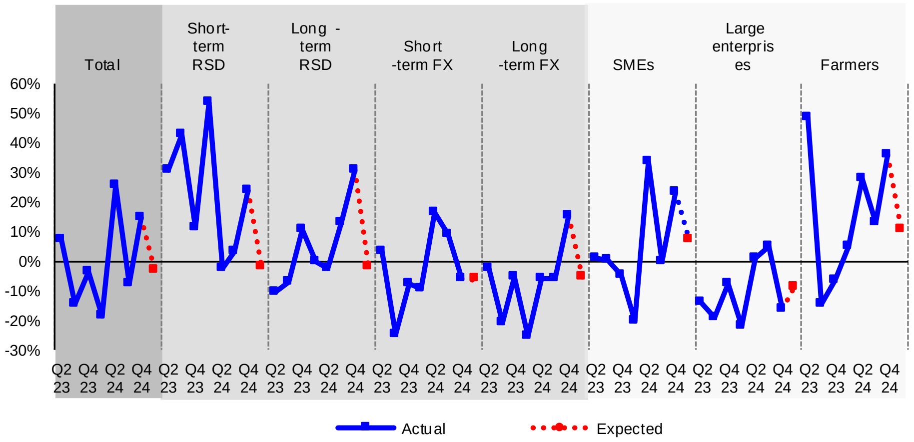
Similar trends are expected to extend into Q1 2025 – relaxation of terms with regard to interest margins, fees and commissions on the one hand, and reducing the maximum loan amount and tightening of collateral requirements on the other.

1.3 Demand for corporate loans and contributing factors

Banks assessed that corporate loan demand increased in Q4 2024, owing to a higher demand for dinar loans and long-term FX/FX-indexed loans. The rise in demand was driven by the need to finance capital investments. Conversely, the demand for short-term FX/FX-indexed loans dropped mildly, reflecting corporates' reduced need to finance working capital and increased use of alternative sources of funding.

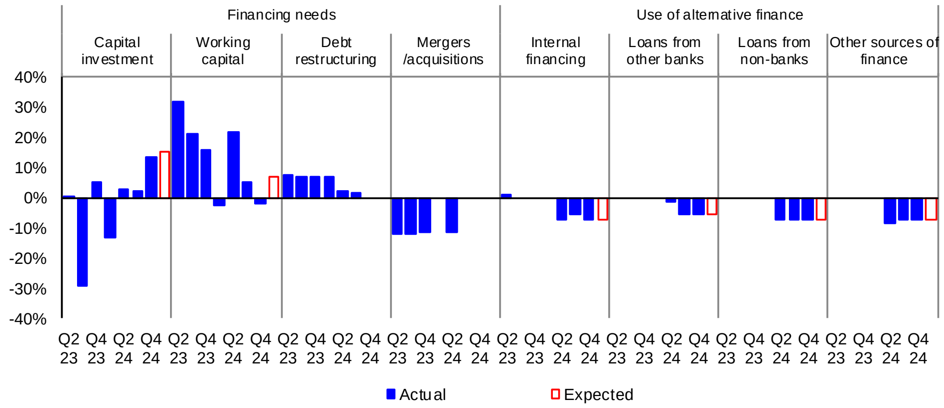
Banks expect a mild decline in corporate demand for all types of loans in Q1 2025 as a reflection of intensified use of alternative sources of funding.

Change in demand for loans or credit lines to corporates
(net percentage)



Source: NBS.
* Positive value indicates an increase in demand and negative - a decrease.
** The intensity of change is not shown in charts.

Factors affecting the demand for loans or credit lines to corporates
(net percentage)



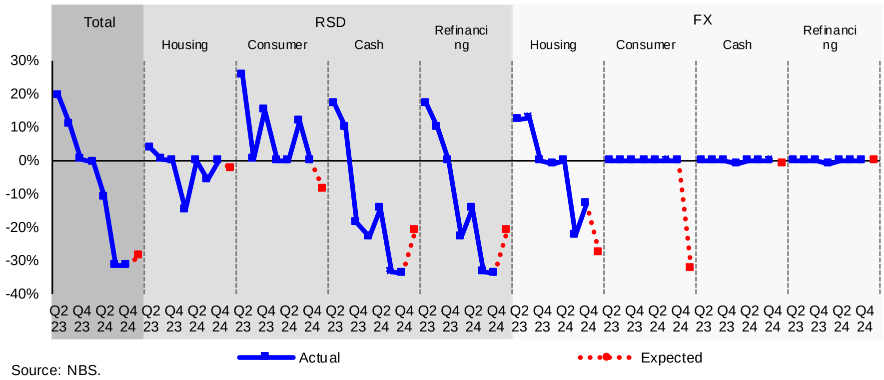
Source: NBS.
* Positive value indicates the contribution of individual factors to an increase in demand, and negative - to a decrease .
** The intensity of change is not shown in charts.

2. Household loans

2.1 Change in credit standards and contributing factors

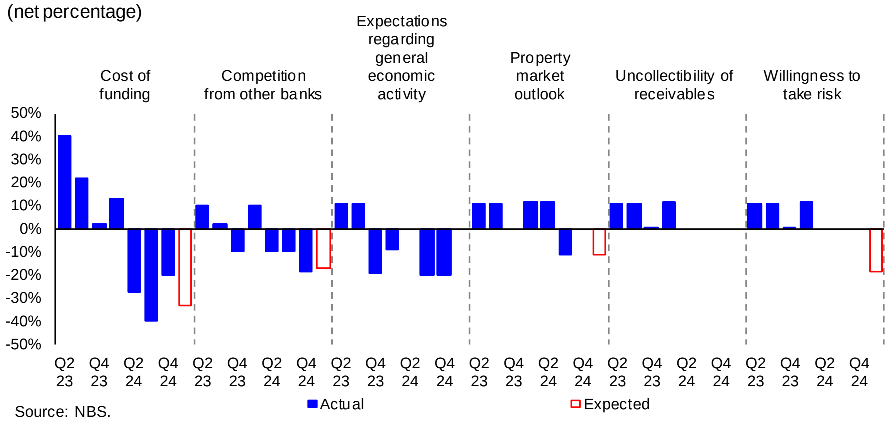
The survey results indicate that household credit standards were eased in Q4 2024, consistent with expectations from the previous survey. By individual category – credit standards were eased for dinar cash and refinancing loans as well as for FX-indexed housing loans, while standards for other loans were not changed.

Change in credit standards as applied to the approval of loans or credit lines to households (net percentage)



Source: NBS.
* Positive value indicates tightening of credit standards and negative - easing.
** The intensity of change is not shown in charts.

Factors affecting credit standards as applied to the approval of loans or credit lines to households
(net percentage)



Source: NBS.
* Positive value indicates the contribution of individual factors to the tightening of credit standards and negative - to the easing.
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In Q4 2024, the easing of credit standards was driven by lower funding costs, competition in the loan market and expectations regarding wages.

Banks anticipate household credit standards to ease further in Q1 2025, and this pertains to almost all types of household loans. This will be aided by the pronounced competition in the loan market, improved outlook for the real estate market and banks’ greater risk appetite in addition to lower funding costs.

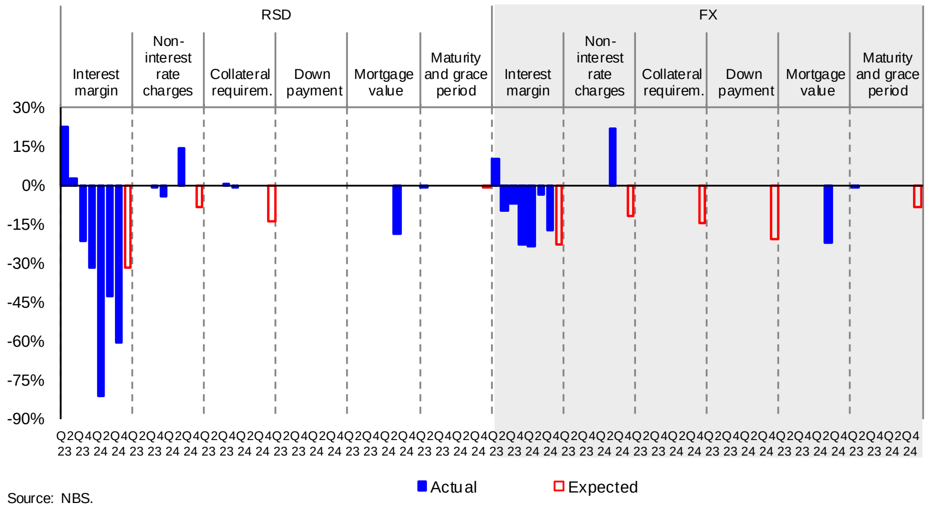
2.2 Conditions and terms for approving household loans

The terms for approving household loans were eased in Q4 2024, largely on account of lower interest margins. Banks anticipate loan approval conditions to ease further in Q1 2025, on account of lower collateral requirements, and lower fees and commissions in addition to lower interest margins as well as improve terms regarding maturity and the amount of down-payments and deposits in case of FX-indexed loans.

2.3 Household loan demand and contributing factors

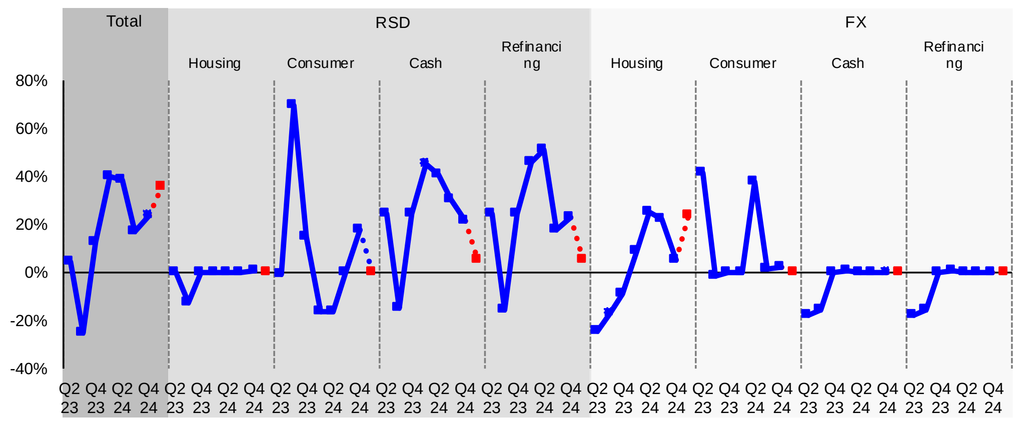
In Q4 2024, household demand went up, dominantly for dinar consumer, cash and refinancing loans as well as for FX housing and consumer loans. Banks estimated that the rise in loan demand was driven by the need for refinancing, purchase of durable consumer goods and higher wages. They anticipate further growth in household demand for dinar and FX/FX-indexed loans in Q1 2025 as well.

Change in conditions and terms for approving loans or credit lines to households
(net percentage)



Source: NBS.
* Positive value indicates tightening of conditions and negative - easing.
** The intensity of change is not shown in charts.

Change in demand for loans or credit lines to households
(net percentage)



Source: NBS.
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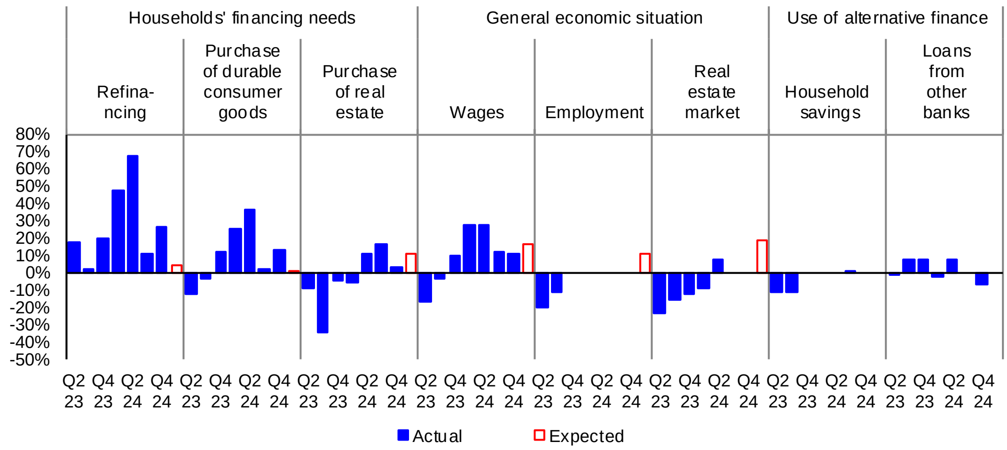
Factors affecting the demand for loans or credit lines to households
(net percentage)



Source: NBS.
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