NATIONAL BANK OF SERBIA

TRENDS IN LENDING

Third Quarter Report 2018

Belgrade, December 2018

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 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. Ten Serbian banks participate in this survey, their assets making up around 50% of total assets of the Serbian banking sector.

ABBREVIATIONS

GDP – gross domestic product
rhs – right-hand scale
lhs – left-hand scale
mn – million
bn – billion
y-o-y – year-on-year
NPL – non-performing loan
pp – percentage point
H – half-year
Q – quarter

Other generally accepted abbreviations are not cited.

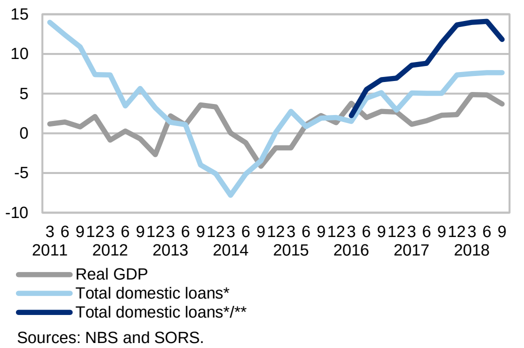
Contents

Overview

Lending growth continues aided by strong economic growth, favourable movements in the labour market and interest rates which in Q3 moved close to the minimum recorded in previous months. Favourable financial conditions were bolstered by past monetary policy easing, a lower country risk premium relative to the previous years, preservation of low interest rates in the international money market and increased competition between banks. The estimates of banks presented in the NBS lending survey indicate lending growth, supported by more favourable credit conditions and increasing credit demand. Despite significant NPL write-offs and sale, y-o-y growth of total loans (excluding the exchange rate effect[1]) stepped up since end-2017, to 7.7% in September, with corporate loans going up by 4.1%, and household loans by 12.3%. If the effect of NPL write-off and sale is excluded,[2] y-o-y growth in total loans came at 12.2% in September, of which 11.3% to corporates and 13.9% to households. Though lending has stepped up, the share of loans in GDP is still below its long-term trend,[3] which means it poses no risk to financial stability.

Corporate lending continued up in Q3 in spite of the sale of NPLs. Growth was dispersed across sectors and primarily driven by lending to enterprises engaged in trade, agriculture and construction. The volume of new loans to corporates increased by 9.4% from Q2, with 54% of new loans pertaining to current assets loans and 21% to investment loans, which had a high disbursement rate since the start of the year. In terms of enterprise size, almost 60% of total new current assets loans and 75% of new investment loans referred to the segment of micro, small and medium-sized enterprises, indicating greater accessibility to financing of this group.

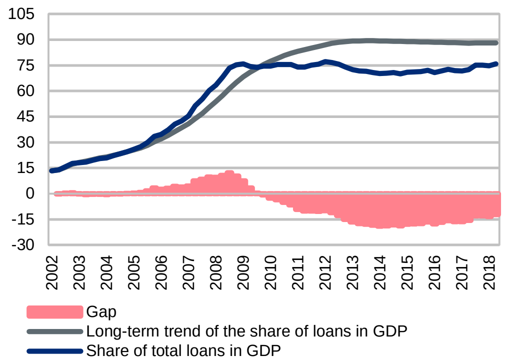
Excluding the NPL write-off and sale effect, y-o-y lending growth continues at a two-digit rate
(y-o-y growth rate, in %)



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

Also, household lending continued up on the back of cash and housing loans. The volume of new loans to households decreased in Q3 by 7.5% compared to the quarter before, when the disbursement was high. Specifically, dinar cash loans (including refinancing loans) accounted for 60% of new households loans. The approval of relatively high amounts of housing loans continued supported by the recovery of the labour and real estate markets. Owing to the high volume of new loans, growth in housing loans in the past nine months exceeded that recorded in the entire past year.

The share of total loans in GDP is still below the long-term trend
(in %)



Sources: NBS and SORS.

The share of dinar in total corporate and household receivables (dinarisation of receivables) stood at 32.8% at end-September. At the same time, almost three-quarters of new household loans in Q3 were in dinars, which allowed for the dinarisation of household lending to maintain growth and reach its new maximum of 53.2% in September. The dinarisation of corporate receivables in September was kept at the end-June level of 14.6%.

The NPL Resolution Strategy continues to yield excellent results. In little more than three years

[1] Calculated at the dinar exchange rate against the euro, Swiss franc and US dollar as at 30 September 2014 (the so-called programme exchange rate used for monitoring the performance under the arrangement with the IMF), taking into account the currency structure of loan receivables.

[2] Excluding the NPL write-off and sale effect since the beginning of 2016. As at end-September 2018, banks wrote off RSD 172.9 bn and sold RSD 87.2 bn of NPLs that were in their balance sheets at the time.

[3] Calculated in line with the methodology for countercyclical capital buffer, including data for Q3 2018.

since its adoption, the amount of NPLs has shrunk by more than 67%, and their share in total loans by 16 pp (of which by 3.4 pp in 2018). In September, **the share of NPLs in total loans stood at 6.4%, which is the new lowest level since this indicator of banks' assets quality was introduced. Along with preserved financial stability owing to the NBS macroprudential policy, these results contributed to Serbia's progress in the global competitiveness ranking of the World Economic Forum for 2018, in the context of the financial soundness indicators.** Further improvement in NPL indicators is also highlighted in the November EIB's CESEE Bank Lending Survey for H2 2018[4], and the trend in NPLs to corporates is expected to continue in the coming period.

[4] Ten banks from Serbia, whose assets make up around a half of total banking sector assets, participated in this survey (http://www.eib.org/en/infocentre/publications/all/cesee-bls-2018-h2.htm).

I. Corporate sector

1. Corporate loans

Y-o-y growth in lending to corporates (excluding the exchange rate effect) stood at 4.1% in September and was somewhat slower relative to end-2017 (4.3%). At the same time, the growth was recorded in Q3 despite the sizeable sale of receivables to entities outside the banking sector, which contributed to further improvement of NPL indicators. Excluding the effect of NPL write-off and sale since the beginning of 2016, the y-o-y rise in corporate loans stood at 11.3% in September.[5]

Excluding the exchange rate effect, corporate loans increased by 1.0% or RSD 10.8 bn in Q3. The total increase is attributable to the growth in corporate lending, while loans to public enterprises were kept at almost the same level as at end-Q2. In nominal terms, corporate loans went up by RSD 13.6 bn to RSD 1,083.4 bn in Q3, while their share in estimated annual GDP[6] in September (21.9%)[7] was unchanged relative to June.

The volume of new corporate loans in Q3 (RSD 230.0 bn) was 9.4% higher than in Q2. As before, the bulk of new corporate loans in Q3 were current assets loans (53.8%), followed by investment loans (21.1%). Observed from the start of the year, banks approved RSD 153.6 bn of investment loans, by 3.4% higher than in the same period a year earlier, indicating that aside from foreign direct investment, loans are sources of financing investment in this and in the previous three years. In terms of enterprise size, almost 60% of total new current assets loans and almost 75% of new investment loans in Q3 referred to the segment of micro, small and medium-sized enterprises, indicating greater accessibility to financing of these groups.

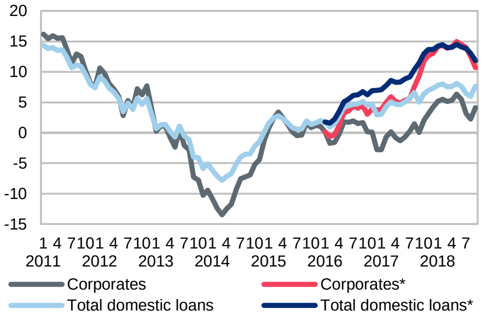
By sector, **the rise in loans to corporates in Q3 was driven** primarily **by lending to enterprises engaged in trade, agriculture and construction**, and to a lesser extent the rise in the real estate and energy sector. The sales of NPLs and high volume of loans maturing in August reflected on the reduced stock of loans to manufacturing and transport relative to end-Q2. Relative to end-2017, lending to all sectors, with

[5] From the beginning of 2016 until September 2018, banks wrote off RSD 130.8 bn of corporate NPLs and sold RSD 85.1 bn of NPLs that were in their balance sheets at the time.

[6] GDP in the past four quarters.

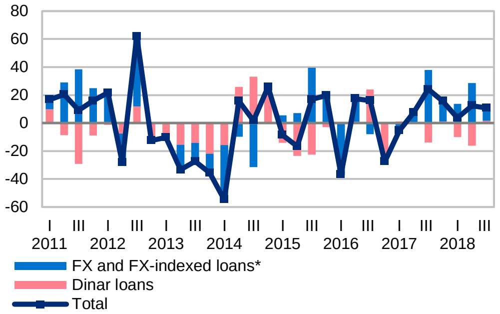
[7] The indicator was calculated according to the revised data series on GDP.

Corporate lending continues up despite a high NPL sale and write-off
(y-o-y growth rate at the programme exchange rate, in %)



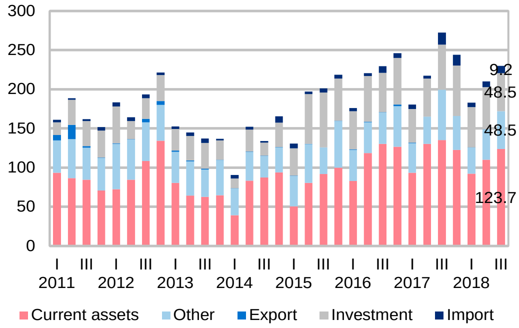
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Growth in corporate lending in Q3 was similar to Q2
(increase, in RSD bn)



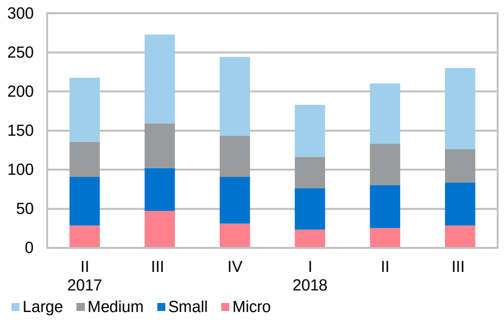
Source: NBS.
* Excluding the exchange rate effect.

Financing investments by bank loans increased
(new loans, in RSD bn)



Source: NBS.

Lending to micro, small and medium-sized enterprises accounts for three fifths of new corporate loans in 2018
(in RSD bn)



Source: NBS.

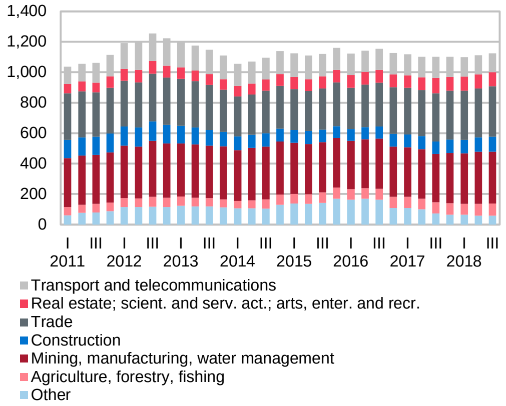
the exception of transport, was higher in September, indicating that the recovery of lending to corporates was widely dispersed across industries. In terms of the purpose, current assets loans still accounted for the bulk of corporate loans (49.0%), followed by investment loans (31.4%).

During Q3, 17.3% of new corporate loans were in dinars, with the highest degree of dinarisation in large enterprises and the lowest in micro enterprises. Such currency composition of new corporate loans resulted in unchanged dinarisation of receivables in September (14.6%) relative to June. On the other hand, the share of euro-indexed and euro-denominated loans rose to 84.4%, whereas under the influence of maturing loans the share of dollar and Swiss franc loans continued to decline and stood at 0.7% and 0.2%, respectively, in September.

Owing to the successful implementation of the NPL Resolution Strategy,[8] the Decision on the Accounting Write-off of Bank Balance Sheet Assets, applied as of September 2017, as well as owing to the rise in lending, the share of NPLs in total loans continued to decline. Q3 saw a decline in the share of NPLs in total corporate loans – by 2.4 pp to 5.7% in September, and by 2.6 pp to 5.8% for companies, whereby their shares were trimmed by 4.7 pp and 5.05 pp respectively in nine months. The share of NPLs contracted for all sectors and stands at a multiyear minimum, while it is most pronounced in the construction, real estate and trade sectors. A significant contraction of corporate NPLs, which was more pronounced compared to the regional average, is also highlighted in the November EIB's CESEE Bank Lending Survey for H2 2018 and the downward trend in NPLs is expected to continue in the coming period. According to the results of the NBS bank lending survey, the lower level of NPLs worked towards the easing of corporate credit standards in Q3.

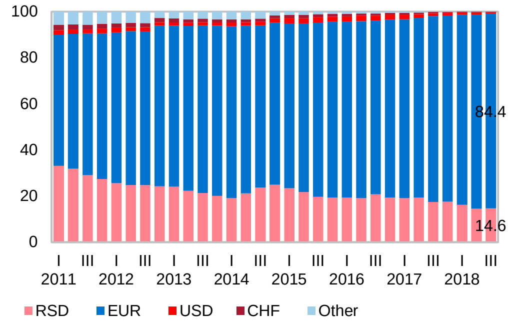
Falling NPLs reduce the systemic risk, although from the aspect of financial stability it must be underlined that even the earlier higher level of NPLs did not jeopardise financial sector stability, having in mind the fact that they were fully covered by regulatory provisions and allowances for impairment. Allowances for impairment of total loans to gross NPLs stood at 78.2%, and regulatory provisions for balance sheet exposure continued to fully cover gross NPLs, at 153.3% in September. Also, the capital adequacy ratio rose further, to 22.8% at end-September, considerably above the prescribed

Lending to manufacturing and trade sectors accounts for the bulk of corporate receivables
(stocks, in RSD bn)



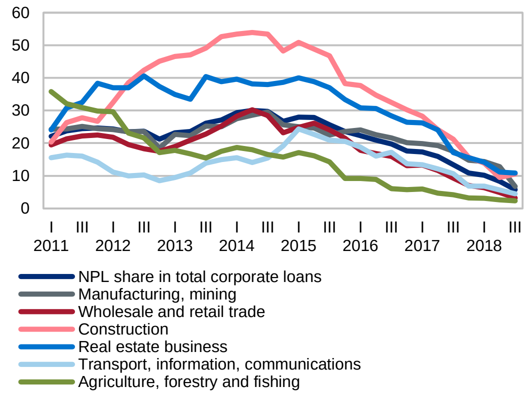
Source: NBS.

Write-off of NPLs of companies in bankruptcy contributes to the decreased share of dinar in total loans
(currency structure, in %)



Source: NBS.

Share of NPLs in all sectors is at multiyear minimums
(gross principle, in %)



Source: NBS.

[8] Activities envisaged in the NBS's Action Plan (http://www.nbs.rs/internet/english/55/npl/action_plan.pdf), aimed at boosting banks' capacity for NPL resolution and providing a contribution to the development of the NPL market, were implemented in full, some of them even before the deadline. Their implementation was one of the important factors that led to the sharp fall in NPLs in 2016, 2017 and 2018.

minimum which stands at 8% since the introduction of Basel III[9] standards in the domestic regulatory framework, confirming the high capitalisation of the domestic banking sector.

2. Cost of corporate borrowing

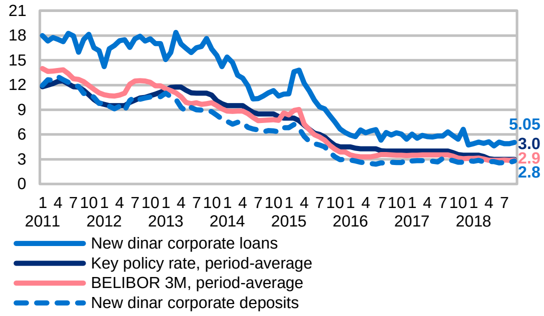
Owing to a decline in interest rates in the previous period, interest rate expenses of corporates were reduced significantly, even though borrowing has increased, which was also conducive to the rise in profitability of the Serbian economy. Relative to May 2013, interest rates on dinar corporate loans were trimmed by 11.4 pp to 5.05% in September 2018, which confirms that the fall was induced by the NBS's monetary policy easing. Interest rates on euro-indexed loans to corporates averaged 2.7% in September, down by 4.6 pp compared with May 2013. This was facilitated by lower interest rates in the euro area money market, and even more so by the fall in the country risk premium, relative to previous years, primarily owing to stronger macroeconomic indicators at home and prospects going forward. Increased interbank competition in the lending market also worked towards a fall in interest rates on both dinar and euro-indexed loans.

The price of dinar corporate loans remained favourable throughout Q3, which is also confirmed by the average weighted interest rate on dinar loans which stood at 5.05% in September, almost unchanged relative to June. In terms of the purpose, the interest rate on new investment loans decreased by 0.6 pp to 5.3% relative to June. On the other hand, rates on other uncategorised loans were revised up by 0.2 pp to 5.3%, whereas rates on current assets loans remained the same as in June and stood at 4.9% in September.

The average weighted interest rate on new euro and euro-indexed loans to corporates lost 0.1 pp in Q3, measuring 2.7% in September. This was a result of lowered interest rates on import loans by 0.4 pp to 1.7% and interest rates on investment loans, by 0.1 pp to 3.0%. On the other hand, rates on euro-indexed current assets loans (2.6%) did not change relative to June, whereas rates on loans used for other purposes edged up by 0.2 pp to 2.8%.

Interest rates on dinar loans hovered around the minimum in Q3*

(weighted average values, per annum, in %)

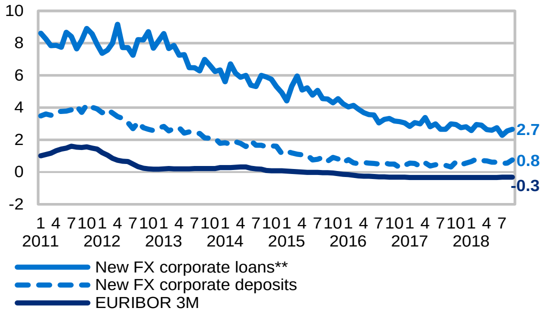


Source: NBS.

* Excluding revolving loans, current account overdrafts and credit card debt.

The cost of FX loans to corporates remained favourable in Q3 as well*

(weighted average values, per annum, in %)



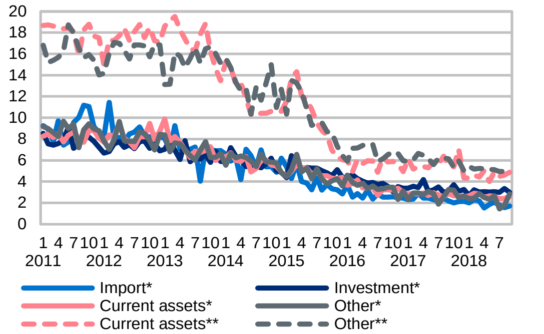
Sources: NBS and European Banking Federation.

* Excluding revolving loans, current account overdrafts and credit card debt.

** Euro and euro-indexed.

Interest rates on all types of corporate loans multiple times lower than five years ago

(weighted average values, per annum, in %)



Source: NBS.

* Euro and euro-indexed.

** Dinar.

[9] The Basel III regulatory framework is applied as of 30 June 2017 when application of the Decision on Capital Adequacy of Banks (RS Official Gazette, No 103/2016) started, introducing this standard in the domestic legislation.

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

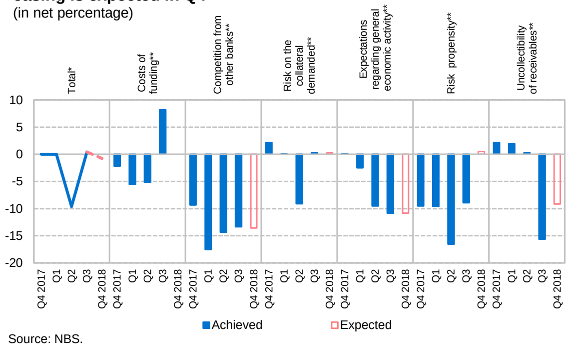
According to the October NBS Bank Lending Survey, corporate credit standards remained unchanged in Q3, which is consistent with expectations stated in the previous survey. However, according to banks, most of the factors contributed to the easing of credit standards throughout Q3, with the most dominant ones being NPL reductions, competition in the banking sector and positive expectations regarding the economic outlook. According to their assessment, the same factors shall work towards the easing of credit standards in Q4.

According to the results of the survey, **in Q3 banks offered to corporates more favourable price conditions, extended maximum loan maturity and loan amount, and relaxed collateral requirements**. In terms of enterprise size, the majority of requirements were somewhat more eased for large enterprises.

As expected, loan demand of corporates continued to grow in Q3. It was primarily driven by the need to finance current assets and capital investment, and the same factors are likely to remain the key drivers of demand in Q4.

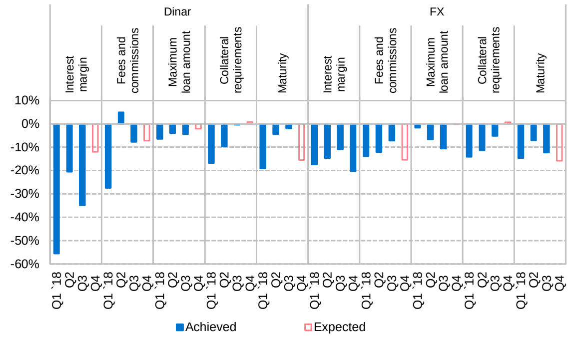
According to the EIB's CESEE Bank Lending Survey published in November, corporate loan demand in Serbia continued to rise faster than the region's average and was led by the higher demand of SMEs. Such movements are expected to continue in the period ahead, whereby the loan demand of SMEs will be higher than the region's average. The surveyed banks estimated that the quality of loan applications of SMEs improved even more in the previous period.

Credit standards for corporates were not changed in Q3, and their easing is expected in Q4
(in net percentage)



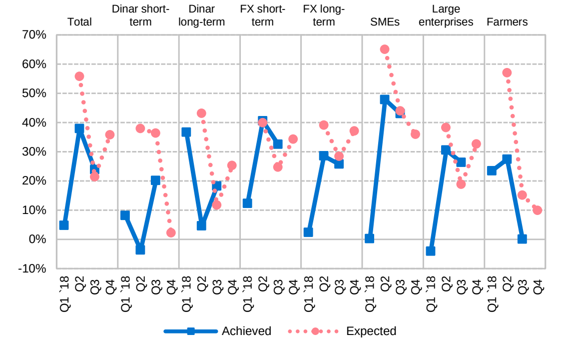
Source: NBS.
* Positive values indicate tightening of conditions and negative – easing, relative to the previous quarter.
** Positive values indicate the contribution of individual factors to tightening, and negative values indicate the contribution to easing of lending standards.

Corporate loan conditions were more favourable during Q3
(in net percentage)



Source: NBS.
* Positive value indicates tightening of conditions and negative – easing.

Loan demand is expected to rise in Q4, equally led by the demand of SMEs and large enterprises
(in net percentage)



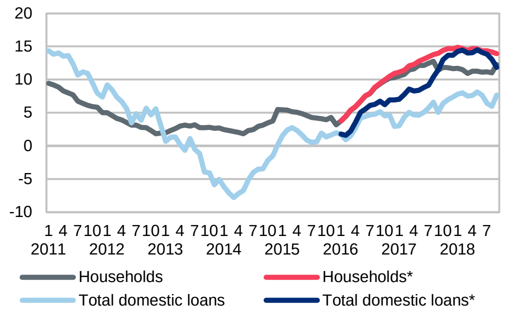
Source: NBS.
* Positive value indicates an increase in demand, and negative value indicates a decrease.

II. Household sector

1. Household loans

The y-o-y growth of household loans accelerated during Q3 and equalled 12.3% in September, excluding the exchange rate effect. Y-o-y growth was spurred by the fact that in September 2017 household loans recorded a fall due to the beginning of application of the Decision on the Accounting Write-Off of Bank Balance Sheet Assets. Excluding the NPL write-off and sale effect, y-o-y household lending growth decelerated and equalled 13.9% in September.[10] The stock of household loans equalled RSD 991.1 bn in September, accounting for around 47% of bank loan receivables from the non-monetary sector. Their share in estimated annual GDP[11] equalled 19.9% in September, up by 0.4 pp from June.

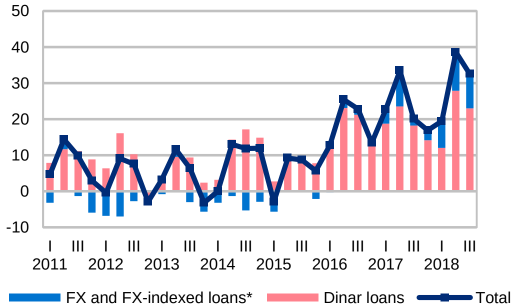
Y-o-y growth in household loans accelerated further in Q3
(y-o-y growth rates at the programme exchange rate, in %)



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

In the course of Q3, excluding the exchange rate effect, household loans rose by 3.4% or RSD 32.6 bn. Cash loans (including refinancing loans) and housing loans were dominant and in Q3 rose by RSD 19.2 bn and RSD 8.3 bn, respectively. Since the start of the year, housing loans increased by RSD 20.7 bn, exceeding the growth recorded in the entire past year (RSD 17.7 bn). This contributed to the recovery of the real estate market. Investment lending to entrepreneurs increased in Q3 by RSD 2.4 bn, with current account overdrafts and borrowing on credit cards rising slightly as well.

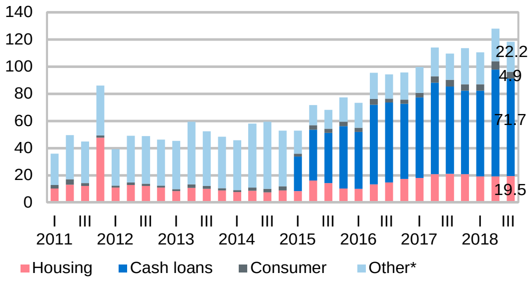
Growth in household loans continued to be driven by dinar loans
(increase, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

The volume of household loans in Q3 (RSD 118.3 bn) was by 7.5% lower than in Q2 and by 8.0% higher than in the same period last year. In Q3 citizens continued to use predominantly cash loans and refinancing loans, which made up 60% of new household loans, with almost over 99% of these loans being in dinars (and almost three-quarters having the repayment term over five years). The volume of new housing loans (RSD 19.5 bn) was by 1.9% higher than in Q2 and by 7.4% lower than in the same period last year. However, if we exclude loans refinanced with the same bank, housing loans rose 2.1% relative to the corresponding period a year before.

Cash and housing loans accounted for the bulk of new lending
(new loans, in RSD bn)



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

By purpose, cash and housing loans were the dominant category of household loans – at 40.1% and 38.1% respectively, in September. Since the start of the year, the share of consumer loans edged

[10] Excluding the NPL write-off and sale effect since the beginning of 2016. By September 2018, banks wrote off RSD 37.2 bn worth of NPLs from households and sold RSD 1.5 bn worth of receivables from entrepreneurs.

[11] GDP in the past four quarters.

up, and in September they accounted for 2.5% of household loans. They were mostly made up of dinar loans for the purchase of mobile phones and household appliances, as well as FX-indexed loans for car purchases. Higher lending to entrepreneurs was also conducive to growth in household loans through the disbursement of investment and current assets loans, whose share in total household lending equalled 6.3% and 3.7% respectively in September.

Almost three quarters (74%) of new household loans in Q3 were in domestic currency, whereas in 2017 this share was 71% on average. Owing to this, the dinarisation of household receivables reached its new maximum of 53.2% in September, up by 1.4 pp from end-2017. At the same time, the share of euro-indexed and euro-denominated receivables declined to 40.2% and of Swiss franc-denominated ones to 6.6%.

The share of NPLs in total household loans declined further in Q3, dropping to the lowest level on record. This was due not only to increased lending, but also to stepped-up NPL write-off. The share of NPLs in household loans came at 4.7% in September, down by 0.2 pp from June and by 0.9 pp from end-2017.[12] The NPL share is decreasing in all loan categories. In nine months, the share of NPLs in cash loans went down by 0.5 pp to 3.7%, in housing loans by 0.7 pp to 5.5%, and in consumer loans by 1.3 pp to 3.1%.

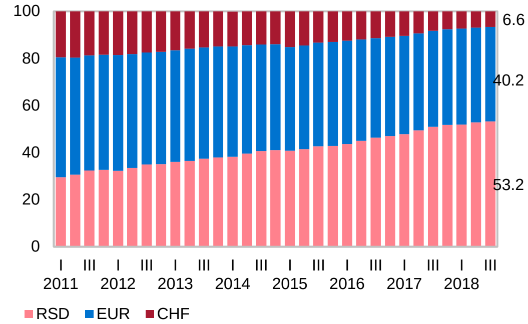
2. Cost of household borrowing

Owing to significant monetary policy easing by the NBS, a fall in the country risk premium, low rates in the international money market and increased interbank competition in the lending market, the cost of household borrowing reached new lows in June and continued to be favourable in the following months. At the same time, the costs of the repayment of existing loans were also reduced, which reflects positively on the households' disposable income.

After reaching its new minimum in June (10.1%), the average weighted interest rate on dinar household loans edged up slightly in Q3 and stood at 10.2% in September. Relative to May 2013, when the cycle of monetary policy easing by the NBS began, it was more than halved (a fall of 10.4 pp). A slight increase of the average rate in Q3 was induced by the increase of rates on cash loans (by 0.2 pp) to 10.6% in September. The rates on housing loans were also increased (5.7%). On the other hand, rates

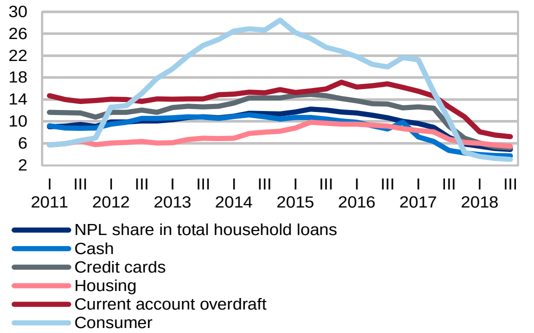
[12] With entrepreneurs and private households included, the share equalled 4.9% in September, down by 0.2 pp from June and by 1.0 pp from end-2017.

Dinarisation of household receivables reached its new maximum in Q3
(currency structure, in %)



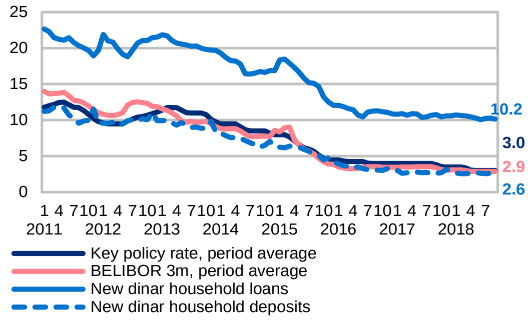
Source: NBS.

NPL share in total household loans is at a minimum
(gross principle, in %)



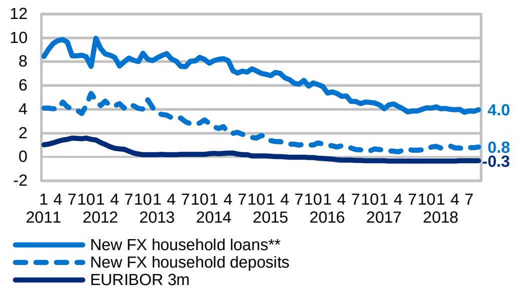
Source: NBS.

Relative to 2013, interest rates on dinar loans to households have halved*
(weighted average values, per annum, in %)



Source: NBS.
* Excluding revolving loans, current account overdrafts and credit card debt.

Relative to 2013, the cost of FX borrowing has halved as well*
(weighted average values, per annum, in %)



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

on consumer loans were lowered (by 0.2 pp to 8.2%), as well as on other uncategorised loans (by 0.4 pp to 8.5%).

The average rate on euro-denominated and euro-indexed dinar loans to households went up relative to its June low – 3.8%, and stood at 4.0% in September, down by 4.1 pp from May 2013. At the same time, the rate on housing loans remained at its minimum (2.8%) throughout Q3. The average rate increase was supported by the rise in rates on consumer loans (by 0.25 pp to 4.95%) and other uncategorised loans (by 0.9 pp to 6.4%).

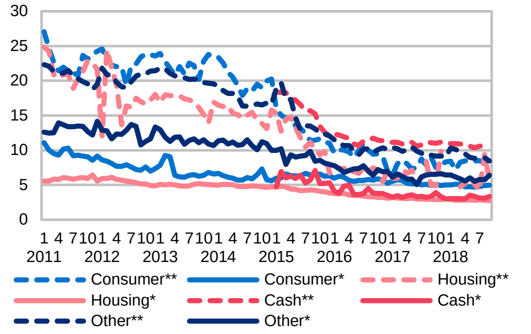
3. Assessment of loan supply and demand – based on the results of bank lending surveys

According to the results of the October NBS Bank Lending Survey, household credit standards were eased throughout Q3, primarily for dinar cash loans and refinancing loans, as well as for FX housing loans. Interbank competition, higher risk propensity and lower costs of sources of funding are the main factors that contributed to the easing of credit standards. Banks expect standards to be further eased in Q4, primarily for dinar loans, driven mainly by interbank competition and lower costs of sources of funding.

Banks assessed that household borrowing terms were more favourable in Q3 on account of lower interest margins and associated costs for all loan categories, with additionally relaxed collateral requirements and extended loan maturities for dinar loans. Expectations for Q4 include further relaxation of price conditions for loans, as well as extended maturity and lower collateral requirements.

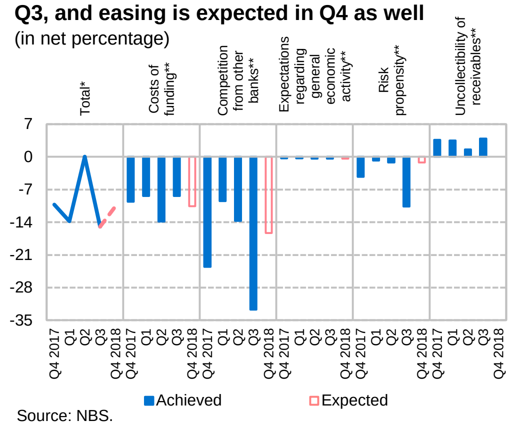
As expected, loan demand continued to grow in Q3. Banks estimated that the household loan demand expanded for dinar cash and consumer loans, and for FX housing loans. The demand was driven by the need to refinance and purchase real estate, which was additionally supported by the positive situation in the real estate market. The survey suggests that banks expect the same factors, along with the need to purchase durable consumer goods, to retain the influence on the rise in demand in Q4.

Interest rates on new household loans were close to the minimum in Q3
(weighted average values, per annum, in %)



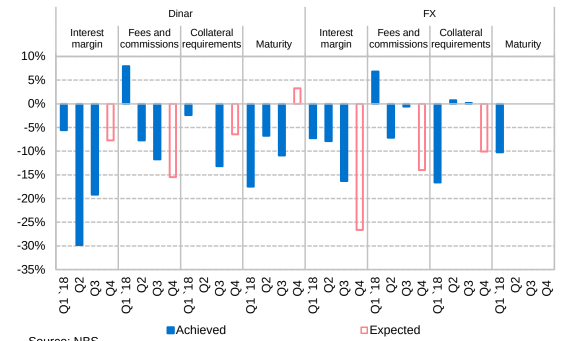
Source: NBS.
* Euro and euro-indexed.
** Dinar.

Credit standards for households were eased in Q3, and easing is expected in Q4 as well
(in net percentage)



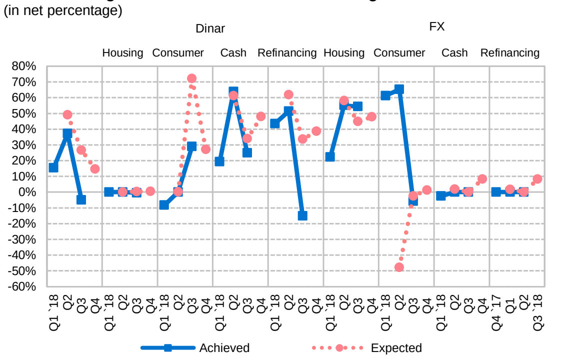
Source: NBS.
* Positive values indicate tightening of conditions and negative – easing, relative to the previous quarter.
** Positive values indicate the contribution of individual factors to tightening, and negative values indicate the contribution to easing of lending standards.

Conditions of household borrowing in dinars improved in Q3
(in net percentage)



Source: NBS.
* Positive value indicates tightening of conditions and negative – easing.

Banks expect household loan demand to grow in Q3, primarily on account of higher demand for cash and housing loans
(in net percentage)



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 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.