



NATIONAL BANK OF SERBIA

REPORT ON THE RESULTS OF THE BANK LENDING SURVEY

Fourth Quarter Report 2021

Belgrade, February 2022

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 both loan supply and private sector loan demand.

The survey consists of ten questions relating to loans to enterprises and households. 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 **presents the results of the bank lending survey carried out from 10 to 24 January 2022**. The survey reports bank representatives' views on changes during the fourth quarter of 2021 and expected changes in the credit market in the first quarter of 2022. The survey included 21 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. As regards the factors, the net percentage is defined as the difference between the percentage of banks responding that a given factor contributed to the 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 foreign currency.

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.).

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Overview

The January survey results indicate that banks slightly tightened the corporate credit standards for FX-indexed loans in Q4 2021, while keeping the standards for dinar loans unchanged. According to banks, similar trends are expected in Q1 2022.

Banks estimated that household credit standards were eased in Q4 (for the third consecutive quarter), primarily for dinar loans, while standards for FX-indexed loans were unchanged. Banks expect similar trends in Q1.

According to banks, corporate and household loan demand continued up in Q4, and is expected to rise further in Q1. The financing of capital investment, in addition to providing funds for current assets, is becoming an increasingly significant factor of the rise in corporate loan demand, while the need to purchase real estate property is the leading factor of the increase in household loan demand.

Table 1 Bank assessments regarding supply and demand for selected loan categories

	Supply (credit standards)		Demand	
	Q4 2021	Q1 2022 (expectations)	Q4 2021	Q1 2022 (expectations)
Corporate sector	↗	↗	↑	↑
SMEs	↑	↑	↑	↑
Large enterprises	↗	↗	↑	↑
Farmers	-	-	↓	↓
Household sector	↓	↓	↑	↑
Cash (dinar)	↓	↓	↑	↑
Refinancing (dinar)	↓	↓	↑	↑
Housing (FX)	-	↓	↑	↑
Consumer (FX)	↗	-	-	-

Legend:

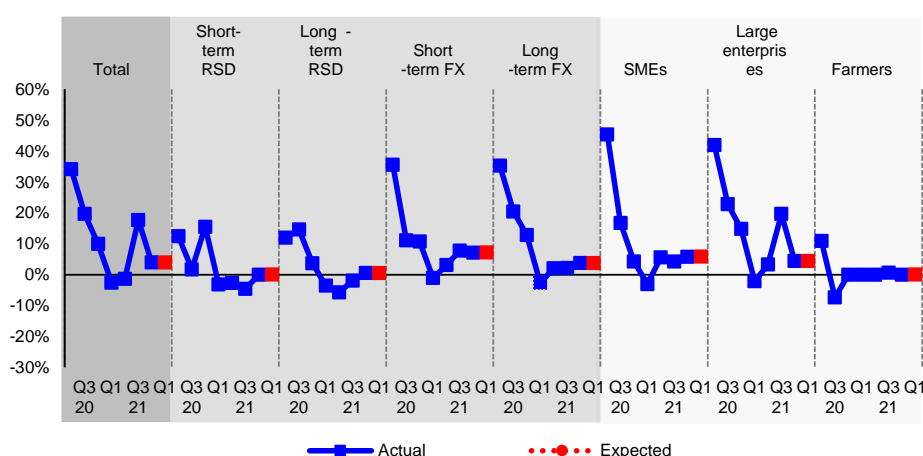
- ↑ Increase in demand (net percentage above 5%)
- ↑ Tightening of credit standards (net percentage above 5%)
- ↗ Increase in demand / tightening of credit standards (net percentage up to 5%)
- Without change
- ↘ Decrease in demand / easing of credit standards (net percentage up to 5%)
- ↓ Decrease in demand (net percentage above 5%)
- ↓ Easing of credit standards (net percentage above 5%)

1. Loans to enterprises

1.1 Change in credit standards and contributing factors

The January survey results show that in Q4 banks, in accordance with expectations from the October survey, slightly tightened overall corporate credit standards. The tightening affected FX-indexed loans granted mostly to SMEs. On the other hand, standards for dinar loans to corporates stayed unchanged in Q4.

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

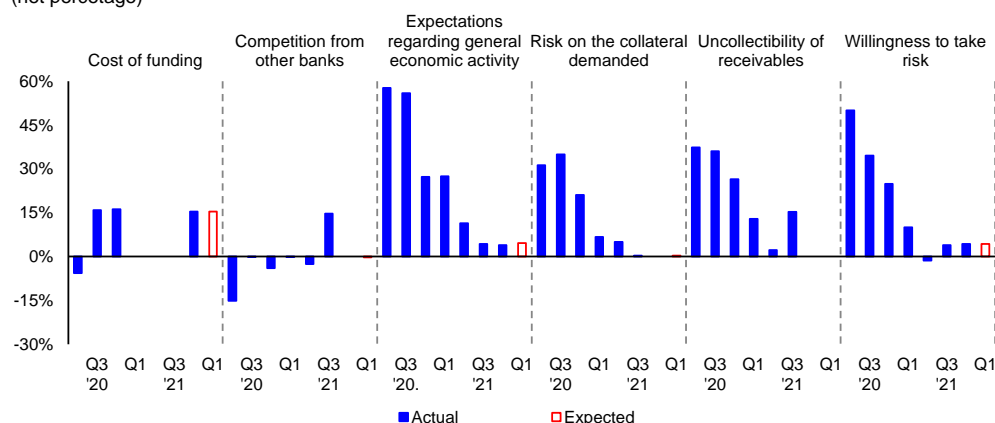


Source: NBS.

* 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 enterprises
(net percentage)



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.

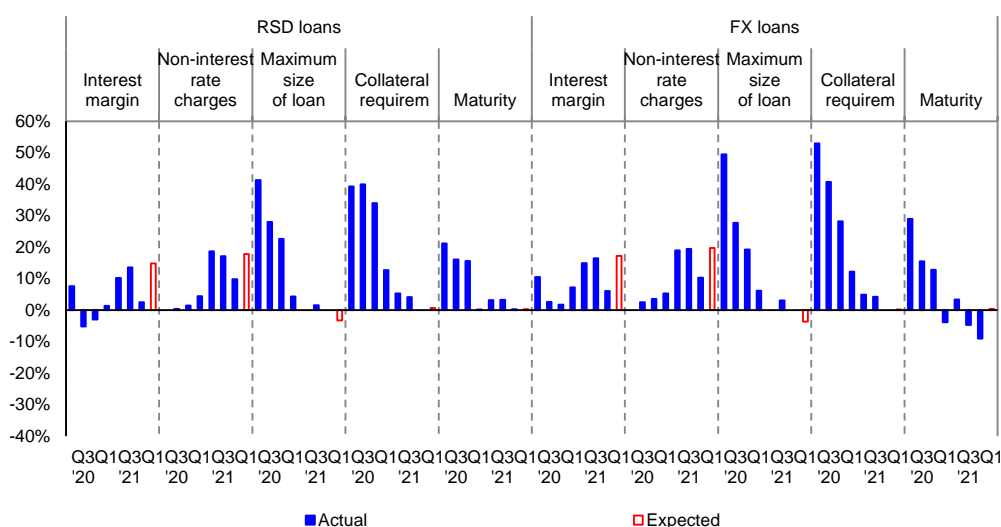
The tightening of corporate credit standards reflects higher costs of sources of loan financing, and to a smaller extent, also reduced bank risk propensity, as well as expectations regarding overall economic situation.

Banks expect similar trends to extend into Q1 2022.

1.2 Conditions and terms for approving loans to enterprises

Still present uncertainty regarding the course of the coronavirus pandemic induced moderate tightening of credit price conditions for corporates in Q4 – banks increased slightly fees and commissions, as well as interest margins, mostly for large enterprises. On the other hand, banks estimate that interest margins charged to SMEs were reduced which can be associated with favourable financing conditions under Guarantee Schemes.

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



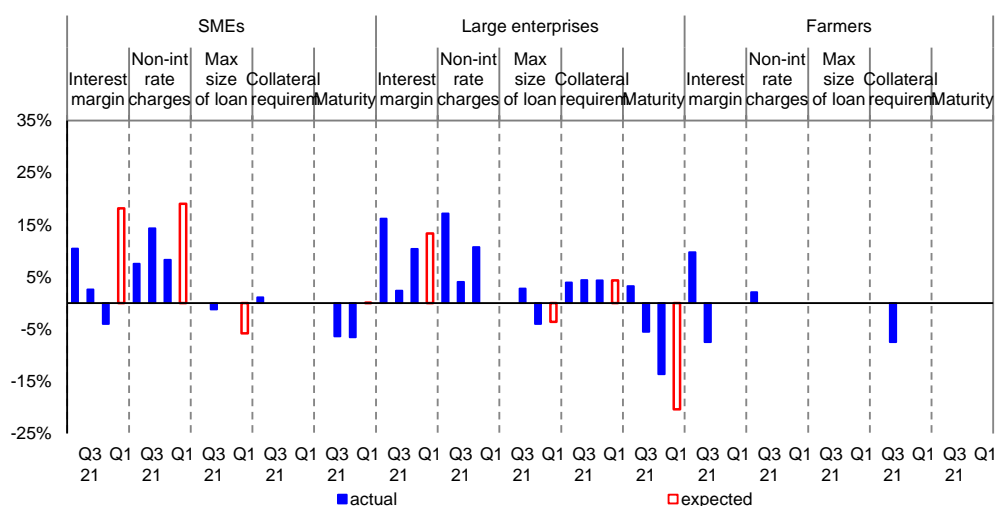
Source: NBS.

* Positive value indicates tightening of conditions and negative - easing.

** The intensity of change is not shown in charts.

At the same time, maximum maturity of FX loans was raised, for all enterprises regardless of the size, while maximum loan amount was also increased for large enterprises, which banks expect to continue in Q1 2022.

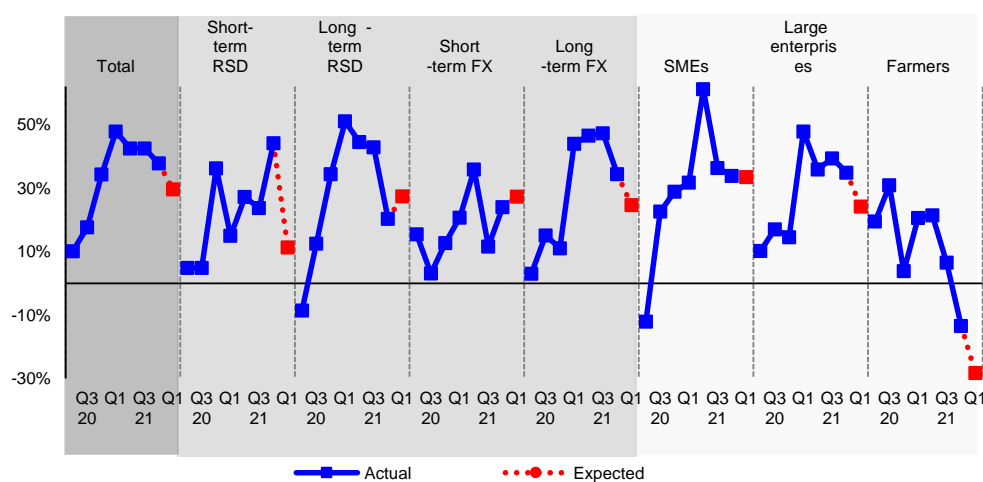
Change in conditions and terms for approving loans or credit lines to enterprises (net percentage)



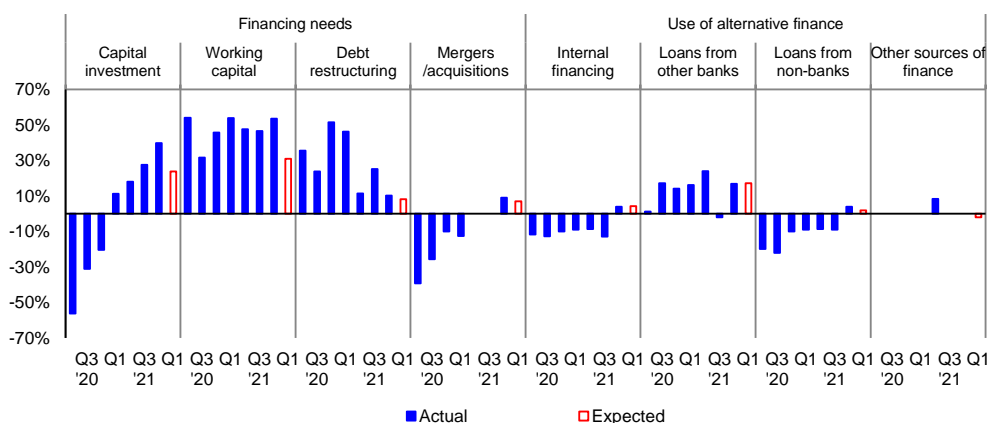
1.3 Demand for loans to enterprises and contributing factors

According to the survey, banks estimated that corporate loan demand went up in Q4, and a further rise is expected in Q1. A great number of banks (measured as the NP) stated that the demand for dinar loans went up more than that for FX-indexed loans, as did the demand for long-term relative to short-term loans.

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



Factors affecting the demand for loans or credit lines to enterprises
(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.

The growth in demand of SMEs was distributed equally. At the same time, farmers' demand for loans subsided in Q4, probably as a consequence of seasonal factors.

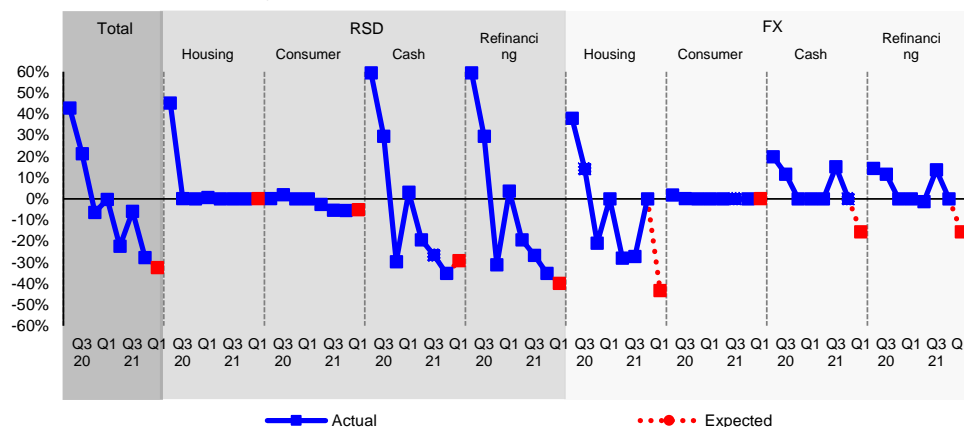
Banks assessed that the need for financing current assets and capital investments were the dominant factors driving the rise in corporate loan demand. Also, for the first time since the outbreak of the pandemic, banks estimated that accumulated funds of enterprises and loans from non-banking institutions no longer worked towards lower loan demand, which is attributable to the reduced need for government direct fiscal aid in the form of subsidies.

2. Household loans

2.1 Change in credit standards and contributing factors

The survey indicates that household credit standards were eased in Q4 (for the third quarter in a row), in line with the expectations stated in the October survey. Further standard relaxation is expected in Q1. Standards were eased for dinar loans, primarily for the most dominant types of loans – cash loans and refinancing loans. Standards for FX-indexed loans stayed unchanged in Q4.

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

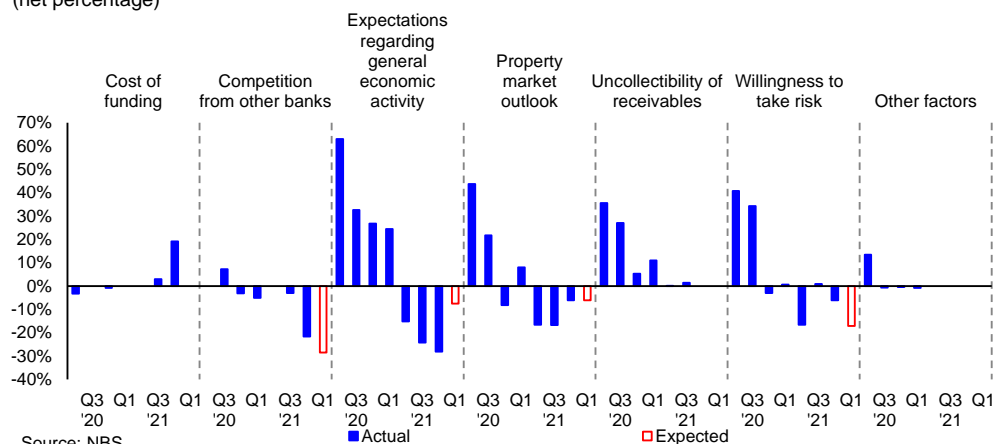


Source: NBS.

* 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.

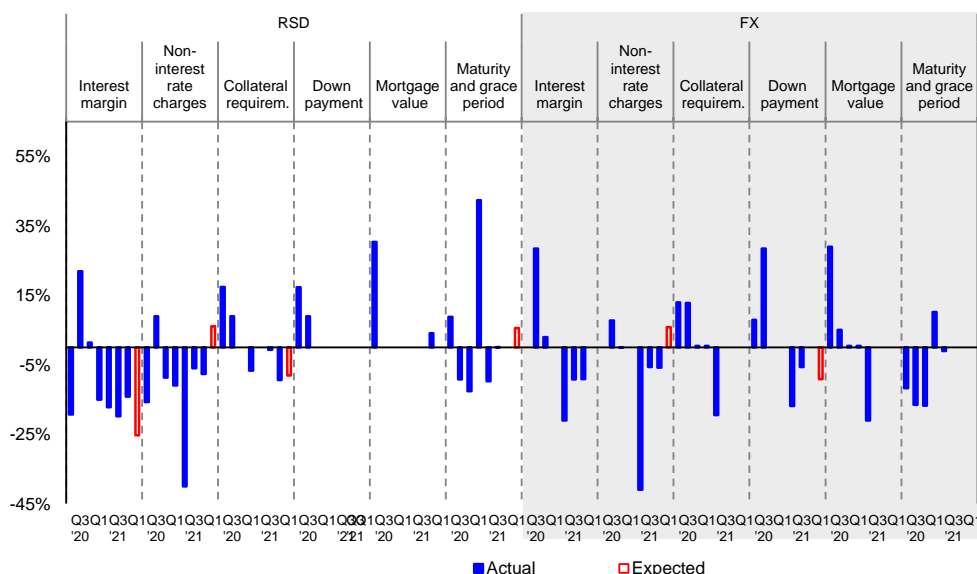
** The intensity of change is not shown in charts.

Banks estimated that standard easing was largely a result of competition in the banking sector and recovery of the labour market, and less so of greater risk propensity and positive developments in the real estate market. On the other hand, according to bankers, costs of the sources of financing (as in the case of corporates) worked towards credit standard tightening.

2.2 Conditions and terms for approving household loans

According to banks, household credit standards were eased in Q4 and are expected to ease further in Q1. Bankers believe that interest margins and the accompanying loan costs were lowered for both dinar and FX-indexed loans. Additionally, conditions regarding the required collateral were eased for dinar loans.

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

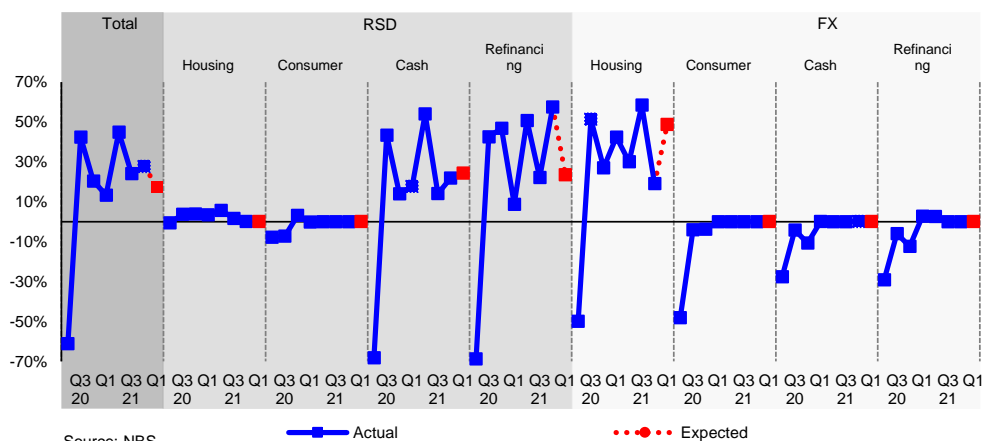


2.3 Household loan demand and contributing factors

Banks assessed that household loan demand increased in Q4, and further rise is expected in Q1. Households were mostly interested in dinar cash and refinancing loans, and FX-indexed housing loans.

This is in line with the banks' view that stronger loan demand was driven primarily by the need for real estate purchases and refinancing.

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



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

