NATIONAL BANK OF SERBIA
Economic Research and Statistics Department

TRENDS IN LENDING

Fourth Quarter Report 2022

Belgrade, March 2023

Introductory note

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

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

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

The results of the survey developed by the European Investment Bank in the context of Vienna Initiative 2 are also used. The survey monitors the deleveraging process of international banking groups and the accompanying restrictions to lending activity. The survey has been conducted since October 2012, twice a year, and follows subsidiaries of international banking groups in countries of Central and Southeast Europe – their strategies, market conditions and expectations. The survey aims to examine the effects of supply and demand on lending activity, and the impact of domestic and international factors on supply and demand conditions. The assets of banks participating in the survey make up 50% on average of total assets of banks in the region.

ABBREVIATIONS

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

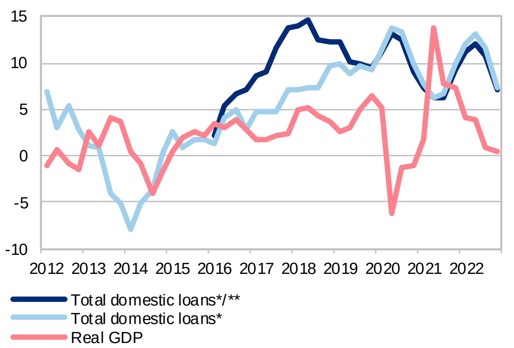
Other generally accepted abbreviations are not cited.

Contents

Overview

In 2022, banks' lending to the non-monetary sector increased by 7.3% or RSD 212.1 bn, excluding the exchange rate effect. Y-o-y lending growth slowed in December relative to September due to last year's high base, the maturing of guarantee scheme loans, and, to an extent, rising loan rates amid monetary tightening by the NBS and the ECB. **Lending in 2022 remained driven more by corporate than by household lending** (3.7 pp vs. 2.9 pp).

Y-o-y growth in lending continued to slow in Q4
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.

Y-o-y growth in total domestic banks' receivables from the non-monetary sector (which, in addition to loan receivables, also include receivables in respect of investment in securities, interest and fees and other receivables) also slowed in Q4, but picked up by 6.9% in 2022.

Excluding the exchange rate effect, **corporate loans** declined by RSD 35.1 bn in Q4, but increased by RSD 106.7 bn or 7.1% at the year level. At the quarter level, other non-categorised loans declined the most, followed by liquidity and working capital loans. The fall in the latter two categories was also prompted by the maturing of guarantee scheme loans. At the year level, the growth in corporate loans was led by the approval of working capital loans, which picked up by RSD 65.2 bn (9.4%), and investment loans – up by RSD 25.9 bn (4.2%).

Excluding the exchange rate effect, **loans to households** gained RSD 2.9 bn in Q4, owing to a rise in househing loans, while other loan categories declined. As a result, the share of housing in total household loans increased further in Q4 2022, exceeding 40% in December. The growth in household loans at the year level equalled RSD 85.4 bn or 6.3%. It was led by housing loans, which went up by RSD 55.8 bn (10.6%), followed by cash loans – up by RSD 28.6 bn (4.7%).

Given a rise in interest rates on loans due to necessary monetary policy tightening by both the NBS and the ECB in an environment of inflationary pressures, in December 2022 the NBS amended regulations, enabling banks to restructure receivables from debtors facing debt repayment difficulties, i.e. to extend the repayment terms for cash, consumer and housing loans.

Monetary tightening by the NBS continued to spill over to **higher interest rates on dinar loans to corporates and households**. In Q4, they averaged 5.9% and 11.9%, respectively (compared to 4.3% and 10.7% in Q3). At the same time, reflecting the ECB's key policy rate hike, **interest rates on euro-denominated loans** went up, averaging 4.8% and 5.5% for the corporate and household sectors in Q4, respectively, up by 1.3 pp each from Q3.

Dinarisation of the stock of total corporate and household receivables in Q4 dipped by 0.7 pp to 35.1% in December. The degree of dinarisation of corporate receivables declined by 1.1 pp to 19.4% in December as the decline in dinar receivables was sharper than the fall in FX-indexed receivables, on account of the maturing of loans under the guarantee scheme, of which a bulk (over 60%) was approved in dinars. The dinarisation of household receivables edged down by 0.7 pp to 53.1%, due to continued growth in housing loans which are almost entirely euro-indexed, while dinar receivables were declining.

The share of NPLs in total loans declined by 0.2 pp in Q4, to a new record low of 3.0% in December. This implies that the rise in loan repayment costs did not negatively affect bank asset quality and that financial stability was maintained even in a polycrisis environment which we have been facing in the past three years. Relative to July 2015, i.e. just before the start of implementation of the NPL Resolution Strategy, the share of NPLs in total loans dropped by 19.4 pp. The NPL coverage remains high – allowances for impairment of total loans stood at 102.1% of gross NPLs in December, while allowances for impairment of NPLs equalled 57.9% of gross NPLs.

I Corporate sector

1 Corporate loans

In Q4, y-o-y growth in **corporate loans** slowed to 7.1% in December (from 14.0% in September) due to last year's high base, the maturing of guarantee scheme loans and tightening of financial conditions. In nominal terms, the stock of corporate loans stood at RSD 1,599.6 bn in December, accounting for 22.6% of GDP, down by 1.3 pp from end-2021.

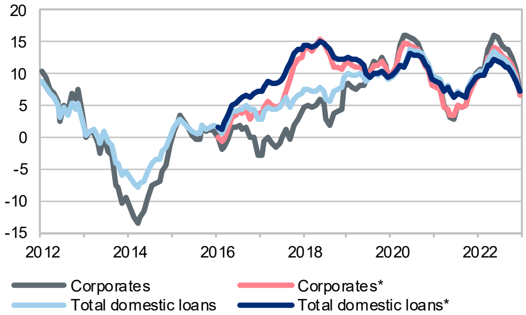
Excluding the exchange rate effect, **corporate loans declined by RSD 35.1 bn or 2.1% in Q4**, with dinar receivables declining more than FX-indexed ones, reflecting the maturing of guarantee scheme loans, which were approved mainly in dinars (over 60%). That the decline in loans reflects largely the maturing of guarantee scheme loans is also confirmed by the fact that a major portion of the decline concerned companies and not public enterprises, and that, observed by purpose, the steepest fall was recorded for liquidity and working capital loans (RSD 18.8 bn) as well as other non-categorised loans (RSD 20.6 bn).

Observed by purpose, in addition to liquidity and other non-categorised loans, transaction account overdrafts also declined (RSD 2.9 bn), while investment loans increased (RSD 7.1 bn), which is why the share of these loans in total corporate loans increased to 40.5% in December. At the same time, the share of the most prevalent, liquidity and working capital loans (47.3%) was somewhat lower than in September. The share of other non-categorised loans also declined, to 7.7% in December.

Sector-wise, Q4 saw reduced borrowing by enterprises in most sectors, mostly energy, trade and manufacturing, while a moderate rise was recorded for transportation, education and healthcare sectors. The share of long-term in total corporate loans amounted to 81.7% in December (82.4% in September). **Loans approved to micro-, small- and medium-sized enterprises** made up three fifths of total corporate loans in December, when the stock of these loans was by 2.6% lower than one year ago.

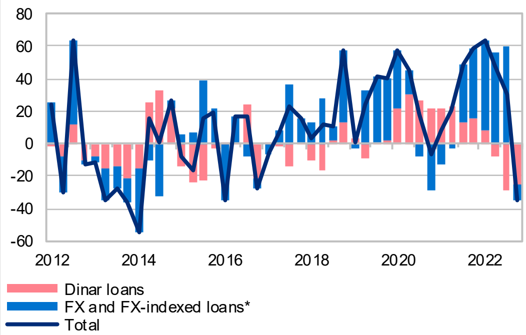
The volume of new corporate loans amounted to RSD 316.4 bn in Q4, down by 11.5% from the same period last year, when a record volume of corporate loans was approved in a single quarter. Liquidity and working capital loans (52.6%) remained prevalent

Maturing of guarantee scheme loans and rising interest rates contributed to the slowdown in y-o-y growth in corporate loans



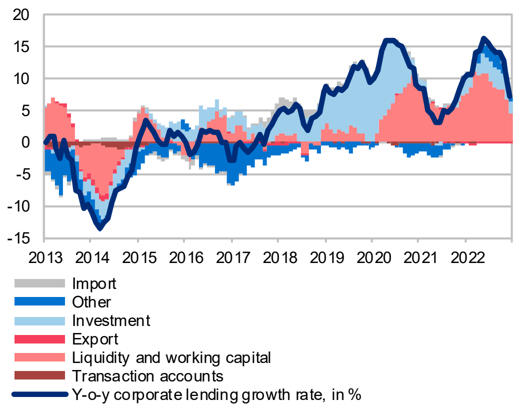
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Q4 saw a decline both in dinar and FX-indexed loans
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

Working capital loans continued to contribute the most to y-o-y growth in corporate loans
(in pp, excluding the exchange rate effect)



Source: NBS.

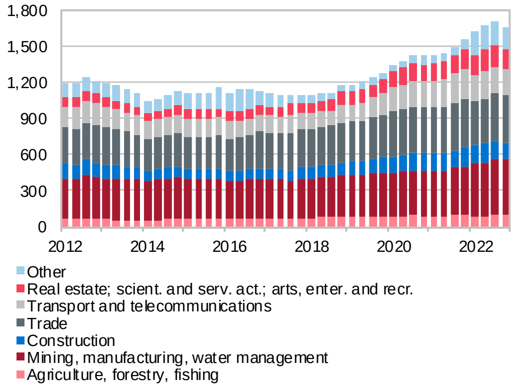
among new loans, with micro-, small- and medium-sized enterprises using more than a half of those loans. Investment loans made up 28.3% of new corporate loans in Q4, with micro-, small- and medium-sized enterprises accounting for 70.7% of those loans.

Despite the decline recorded in Q4, corporate lending was relatively high at the year level, with growth in corporate loans amounting to RSD 106.7 bn. By purpose, the growth was led by the approval of working capital loans, which increased by RSD 65.2 bn (9.4%), followed by investment loans, which went up by RSD 25.9 bn (4.2%).

Due to a sharper fall in dinar than in FX-indexed receivables – as loans approved under the guarantee scheme (mainly in dinars – over 60%) were maturing – **the degree of dinarisation of corporate receivables fell** in Q4 by 1.1 pp to **19.4% in December**. At the same time, the share of euro-indexed and euro receivables went up by 1.2 pp to 80.4% in December, while the share of dollar receivables declined marginally (0.2%). Within the structure of FX and FX-indexed loans, loans approved at a fixed interest rate in late 2022 accounted for 33%, loans linked to three-month EURIBOR made up 48.5%, and those linked to six-month EURIBOR – 11%. When it comes to dinar corporate loans, 31% were approved at a fixed rate. Close to 47% were linked to one-month BELIBOR, and 10% to the NBS key policy rate, while the share of loans linked to three-month and six-month BELIBOR was close to 9% and 3%, respectively.

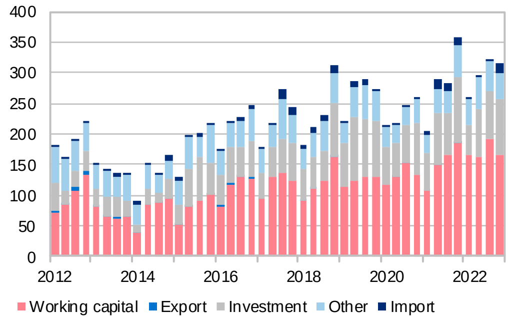
The share of NPLs in total corporate loans fell to a new low in Q4, equalling 2.1% in December, down by 0.1 pp on September.[1] The share of NPLs in total loans to companies declined by the same amount, to 2.3% in December. These shares for manufacturing, trade and real estate business recorded their new record lows in Q4. This means that economic support measures during the pandemic were adequate and timely and that, once they were wound down, bank asset quality was maintained. This also shows that the rising costs of the repayment of existing loans did not trigger a rise in NPLs. **Relative to July 2015**, i.e. just before the start of implementation of the NPL Resolution Strategy, **this share declined by 22.9 pp**, with the most pronounced fall recorded for construction, real estate business and trade sectors.

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



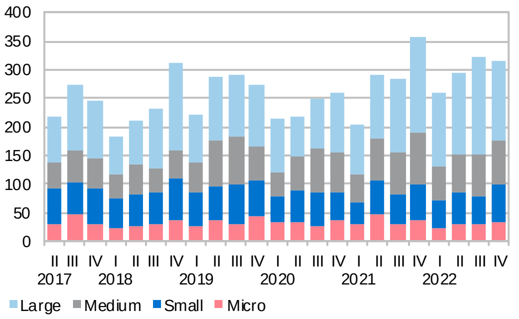
Source: NBS.

Working capital and investment loans remained dominant in Q4 as well
(new loans, in RSD bn)



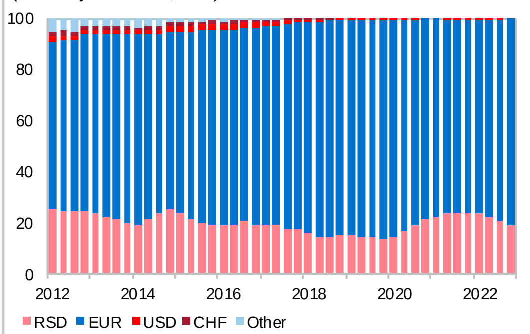
Source: NBS.

Loans to micro-, small- and medium-sized enterprises constituted more than a half of new loans in Q4
(in RSD bn)



Source: NBS.

The maturing of guarantee scheme loans contributed to a decline in dinarisation in Q4
(currency structure, in %)



Source: NBS.

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

The capital adequacy ratio[2] at end-Q3 measured 19.5%[3]. This is well above the regulatory minimum (8.0%) and signals high capitalisation and resilience of the banking sector to external and domestic risks.

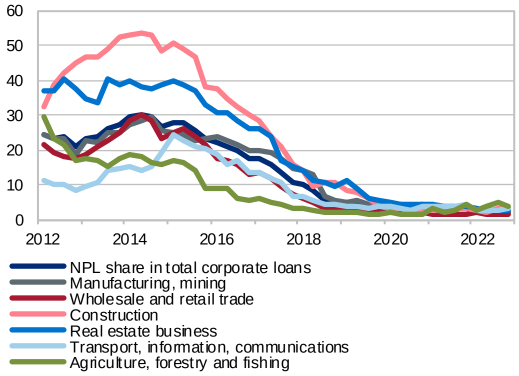
2 Cost of corporate borrowing

Interest rates on dinar and euro-indexed corporate loans further increased, reflecting monetary tightening by the NBS and the ECB. Interest rates on loans of all purposes, extended to companies of all sizes, went up.

Aiming to influence elevated inflationary pressures originating mainly from the international environment, since October 2021, the NBS has been gradually tightening monetary conditions by raising the weighted average interest rate at one-week reverse repo auctions and, from April 2022, also by raising the key policy rate. As a result, **the weighted average interest rate on new dinar corporate loans increased in Q4, by 1.6 pp to 5.9%**. Loans of all purposes have become costlier, with interest rates on working capital loans going up by 2.3 pp to 7.4% and interest rates on investment and other non-categorised loans – by 1.3 pp and 0.5 pp each to 7.4% and 3.3%, respectively. In Q4, average rates ranged from 4.4% for large enterprises to 8.2% for micro-enterprises. Relative to September 2021, i.e. before the start of NBS monetary tightening, the rate on new dinar corporate loans increased by 2.5 pp as at December.

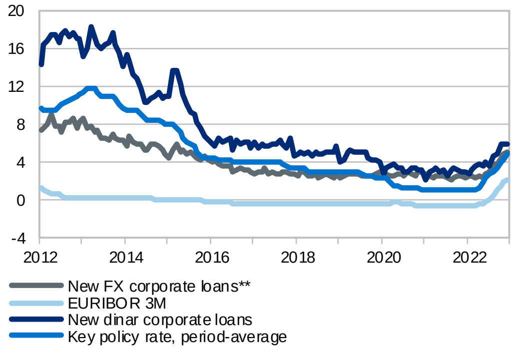
The weighted average interest rate on new euro and euro-indexed corporate loans rose by 1.3 pp on average in Q4 to 4.8%. As in the case of dinar loans, rates on loans of all purposes increased. The rates on the most dominant, liquidity and working capital loans increased by 1.2 pp to 4.8%, and the rates on investment loans by 1.3 pp to 4.9%. The most pronounced rise was recorded for rates on import loans (by 2.7 pp to 5.8%), while those on non-categorised euro-indexed loans went up by 0.5 pp to 3.6%. In terms of company size, the average price of borrowing ranged from 4.6% for large to 5.4% for micro-enterprises.

The NPL ratio in some sectors dropped to new lows in Q4
(gross principle, in %)



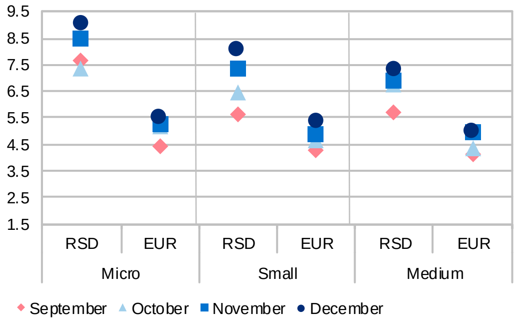
Source: NBS.

Interest rates on corporate loans continued up in Q4*
(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 cost of borrowing of micro-, small- and medium-sized enterprises increased in Q4
(weighted average values, p.a., in %)



Source: NBS.

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

[3] The latest available data.

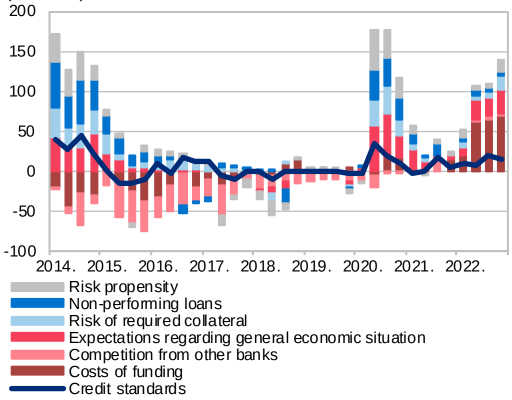
3 Assessment of loan supply and demand – based on the results of the bank lending survey

The results of the **NBS January Bank Lending Survey** indicate that banks tightened their corporate credit standards (internal criteria) further in Q4, though to a lesser extent than expected in the previous survey. Standards became somewhat more stringent for FX-indexed than for dinar loans. In terms of company size, standards for large enterprises were tightened more. In banks' view, as in the previous quarter, in Q4 the tightening of standards was mostly due to the higher cost of loan financing sources (in line with the effects of monetary tightening by the ECB and the NBS in an environment of inflationary pressures) and the general economic uncertainty, which led to diminished risk propensity. Moreover, as assessed by some banks, the riskiness of the required collateral and NPLs continued to influence the tightening of standards. Banks expect further, though less pronounced tightening of standards in Q1 2023, on account of the same factors as in Q4.

According to the survey results, Q4 saw the tightening of price conditions for companies of all sizes. Loan maturity was shortened and collateral requirements were tightened. Some banks reduced the maximum loan amount for small and medium-sized enterprises.

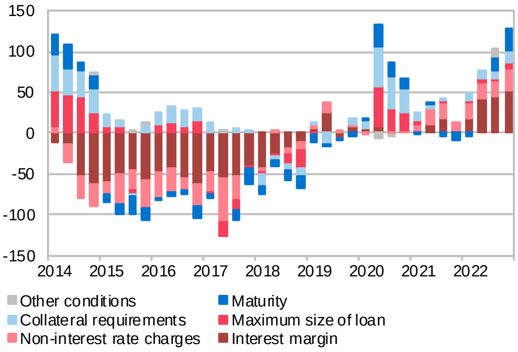
Corporate loan demand continued up in Q4, though somewhat less than in Q3, but more than expected in the previous survey. As estimated by banks, the growth in demand was almost equally distributed among small, medium-sized and large enterprises, while farmers' demand for loans was declining. The growth was also driven by the need to finance working capital and, to a lesser extent, debt restructuring. On the other hand, capital investment financing worked in the opposite direction. Banks expect the same factors, as well as investment financing, to drive demand growth in Q1 2023.

Banks tightened further corporate credit standards in Q4
(in net %)



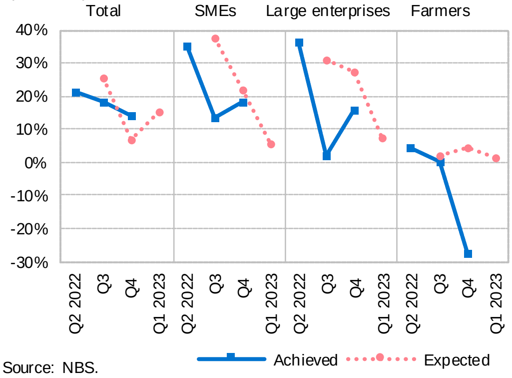
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

Q4 saw the tightening of price conditions and collateral requirements, a reduction in maturity and maximum amount of corporate loans
(in net %)



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

Demand for loans increased in Q4 as well, though less than in Q3, with further growth expected in Q1 2023
(in net %)



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

II Household sector

1 Household loans

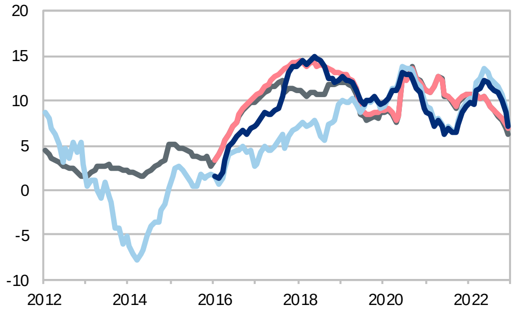
Y-o-y rise in household loans kept decelerating in Q4, from 8.3% in September **to 6.3% in December,** partly as a result of the last year's high base effect due to the measures aimed at facilitating the repayment of loans to debtors affected by the pandemic, and also a somewhat lower demand for loans due to higher interest rates. In nominal terms, the stock of household loans stood at RSD 1,449.3 bn in December, accounting for 46.6% of banks' loan receivables from the non-monetary sector and 20.4% of GDP.

Excluding the exchange rate effect, **household loans increased by 0.2% or RSD 2.9 bn in Q4**, with a decline in dinar and further rise in FX-indexed loans. The increase was driven by housing loans, which went up by RSD 9.9 bn. Their y-o-y growth, though slower, remained at a double-digit level (10.6%). In addition to housing loans, consumer loan receivables also went up (RSD 0.3 bn), while other household loan categories declined. A drop in cash loans was the most striking (RSD 4.5 bn) as well as transaction account debts (RSD 1.6 bn). As a result of the said trends, the share of housing loans in total household loans reached 40.3% in December, up by 1.6 pp from end-2021, while the share of cash loans (43.7%) went down by 0.6 pp from a year earlier. At the same time, within loans granted to entrepreneurs, investment loans increased by RSD 0.9 bn, while liquidity and working capital loans dropped by RSD 1.3 bn.

At the level of the year, the rise in household loans measured RSD 85.4 bn, or 6.3%. The increase was driven by housing loans which rose by RSD 55.8 bn, and then by cash loans which went up by RSD 28.6 bn (4.7%).

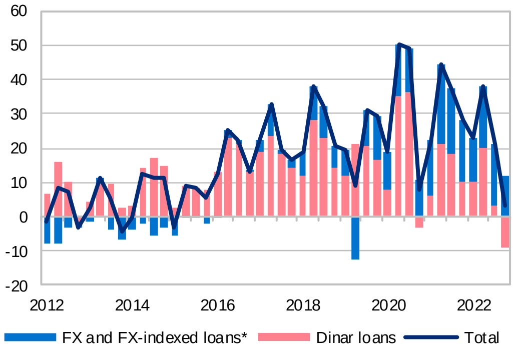
Housing loans were supported by NBS measures adopted in 2020 and extended into 2022. Banks were enabled to extend the repayment term for housing loans by five years at the longest. Also, lower minimum degree of completion of works was required for purchase of apartments financed with a housing loan.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

Y-o-y growth in household loans continued to slow in Q4
(y-o-y growth rates at the programme exchange rate, in %)



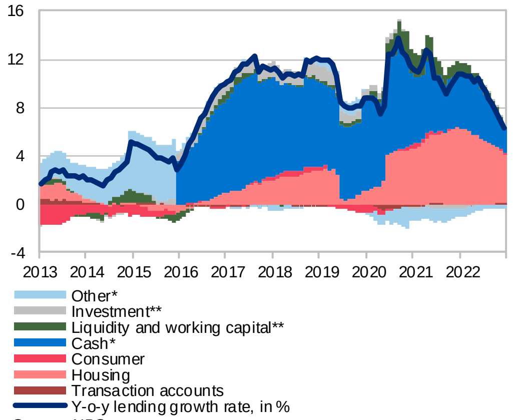
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Household loans increased in Q4 owing to FX-indexed loans
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

Since June 2021, housing loans contributed most to y-o-y growth 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.

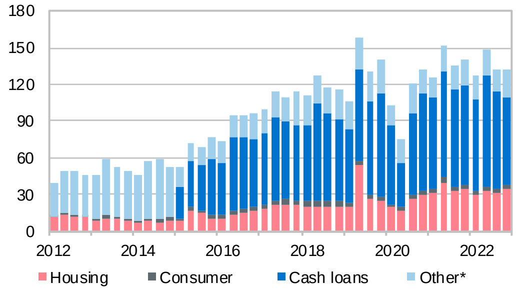
cash and consumer loans and by up to 11 years for loans used for car purchases. Further, banks will be able to extend the repayment term by five years at most for housing loans in 2023, too.

The volume of new household loans in Q4 (RSD 132.1 bn) was 5.9% lower than in Q4 2021. Cash loans made up 53.5% and housing loans 26.1% of new household loans in Q4. The volume of new housing loans in Q4 (RSD 34.5 bn) was insignificantly lower than in the same period last year.

The rise in FX-indexed receivables and the decline in dinar receivables in Q4 reduced the **dinarisation of household receivables**[4] by 0.7 pp, to 53.1% in December. At the same time, the share of euro receivables went up by 0.8 pp, to 46.8%, while the share of receivables in Swiss francs (0.1%) was the same as in September. In the structure of FX and FX-indexed household loans, loans approved at a fixed rate at end-2022 accounted for 28% (housing loans for 24%) and their share has been on the rise in the last few months as EURIBOR increased. Loans indexed to three-month EURIBOR accounted for 24% and those linked to six-month EURIBOR for 47% of FX and FX-indexed loans. In the structure of dinar household loans, 61% of loans were approved at the fixed rate, 25% were indexed to three-month BELIBOR and 12% to six-month BELIBOR.

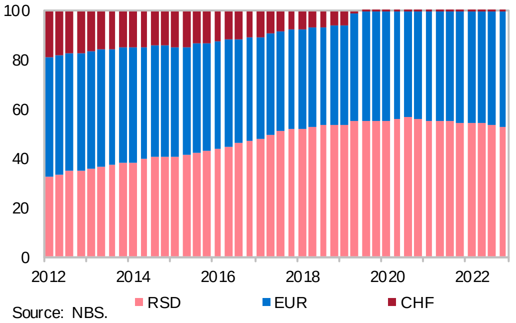
The share of NPLs in total household loans dropped by 0.2 pp from September and at end-2022 it stood at 4.0%.[5] As for purpose, the share of NPLs in Q4 was reduced for loans for almost all purposes of which for housing loans by 0.2 pp, cash loans by 0.1 pp and credit cards by 0.6 pp. Favourable NPL indicators suggest that NBS and Government measures were timely and that they helped avoid a more serious adverse impact of the crises we have faced in the past three years on citizens' creditworthiness. This share is lower by 7.3 pp than in the period just before the adoption of the NPL Resolution Strategy.

The bulk of new loans in Q4 were cash and housing loans
(news loans, in RSD bn)



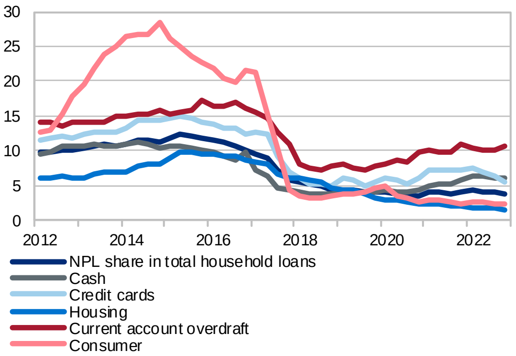
Source. NBS.
* Until December 2014, the 'other loans' category implied cash and other loans together.

Under the impact of rising FX-indexed and falling dinar receivables in Q4, dinarisation of household receivables dropped to around 53%
(currency structure, in %)



Source: NBS.

The share of NPLs in total household loans remained close to the lowest levels in Q4
(gross principle, in %)



Source: NBS.

[4] Including non-profit institutions and entrepreneurs.
[5] If entrepreneurs and private households are included, the share also dropped by 0.2 pp, to 3.9%, in December, and by 8.2 pp from July 2015.

2 Cost of household borrowing

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

The weighted average rate on new dinar household loans increased by 1.2 pp on average, to 11.9% in Q4. The interest rates on dinar loans for all purposes rose and the rate on the most dominant, cash loans went up by 1.3 pp, to 12.5%, while the rate on other non-categorised loans increased by the same amount, averaging 10.3% in Q4. The interest rate on consumer loans increased by 0.8 pp, to 2.9%, and on housing loans[6] by 0.7 pp, to 10.8%.

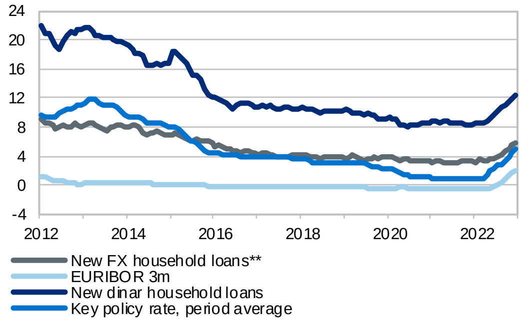
The weighted average rate on new euro-indexed household loans went up by 1.2 pp on average, to 5.5% in Q4. The rise was driven primarily by the increase in the average rate on housing loans (by 1.3 pp, to 4.7%), while the rate on other non-categorised loans went up by 0.9 pp, to 7.7%, and on consumer loans by 0.8 pp, to 5.4%. Only the average rate on cash loans dropped by 0.6 pp, to 2.9%.

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

According to NBS January Bank Lending Survey and in line with the expectations stated in the previous survey, **banks further tightened household credit standards in Q4.** As in Q3, the tightening affected dinar cash loans and refinancing loans the most as well as housing loans with an FX clause. Credit standards were tightened mostly under the impact of higher costs of financing, uncertainty as to the general economic situation and consequent higher risk aversion. Competition in the banking sector, expected rise in NPLs as well as the situation in the real estate market (rising prices of real estate coupled with the increase in the interest rates on housing loans) worked in the same direction, though to a lower extent. Banks expect that the same factors will bring about new tightening of standards in Q1 2023, but it should be more moderate than in Q4.

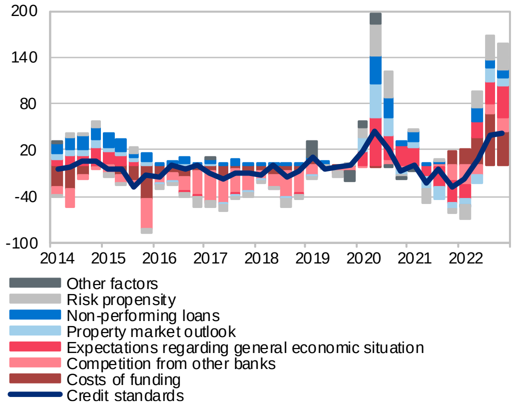
Banks estimate that in Q4, interest margins increased for both dinar and FX-indexed loans and collateral requirements tightened. On the other hand, other

The average price of dinar and FX loans increased in Q4 as well*
(weighted average values, p.a., in %)



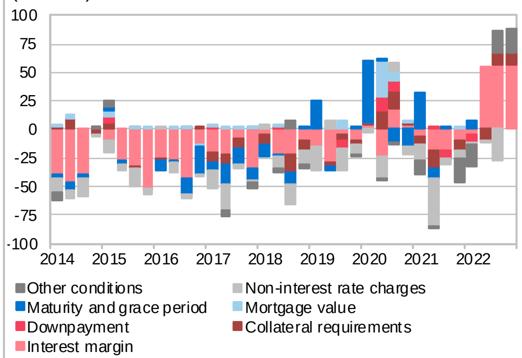
Sources: NBS and European Banking Federation.
* Excluding revolving loans, current account overdrafts and credit card debt.
** Euro and euro-indexed.

In Q4, banks tightened further credit household standards
(in net %)



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

Interest margins increased and collateral requirements were tightened in Q4
(in net %)



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

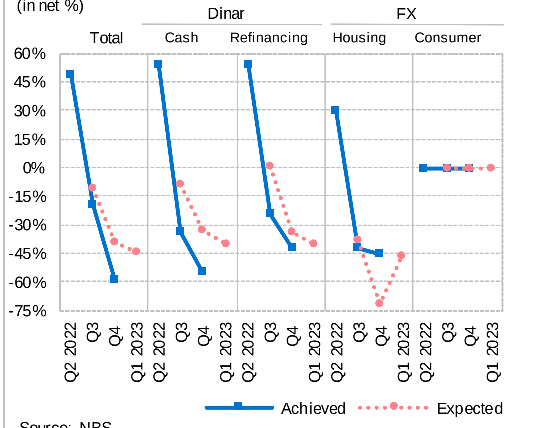
[6] Used for refurbishment of apartments , which are more expensive than loans used for purchasing apartments.

conditions for household loans (downpayment, mortgage value, maturity and fees and commissions) were not changed.

Banks assess that household demand for loans dropped significantly in Q4, and the drop exceeded October survey expectations. Further decline in demand is anticipated in Q1 2023. The demand for dinar consumer, cash, refinancing and euro-indexed housing loans decreased. Banks estimate that increased prices of real estate and a rise in interest rates contributed to the decline in demand.

In Q4, citizens' loan demand declined more than expected, with banks expecting a further fall in Q1 2023

(in net %)



Source: NBS.

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

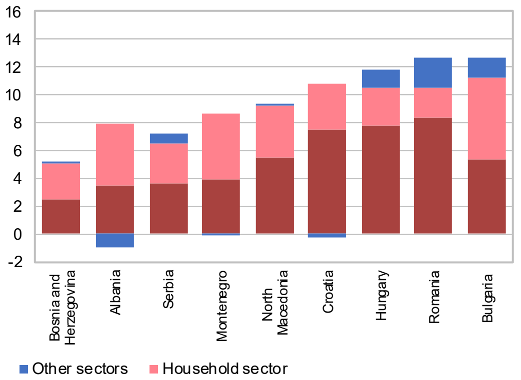
III Regional comparison[7]

The rise in lending decelerated in 2022 compared to 2021 also in Albania, Romania and Hungary. The highest lending growth in 2022 was recorded in Romania and Bulgaria (12.7% each) and the lowest in Bosnia and Herzegovina (5.2%). In most analysed countries, as in Serbia, corporate loans largely contributed to lending growth.

The share of loans in GDP in 2022 was lower than in 2021 in almost every country of the region as lending activity was rising somewhat slower than nominal GDP. In Serbia, this share amounted to 43.8% at end-2022, somewhat lower than the regional average. The share of domestic loans in GDP in the region ranges from around 28% (Romania) to around 54% (North Macedonia).[8]

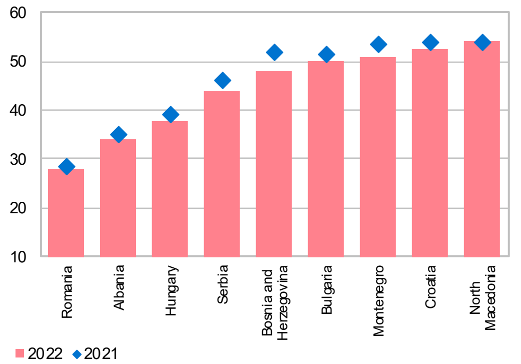
Results of the **CESEE Bank Lending Survey – Autumn 2022**[9], conducted by the European Investment Bank which covered the period from April until September 2022, indicate that a rise in demand for loans in Serbia in this as in the previous reporting period (October 2021 – March 2022) was higher than the regional average. It is expected that the demand will rise at a somewhat slower pace in the coming period, but it will still be above the regional average. On the other hand, it was estimated that banks continued with standards tightening. In the last reporting period the tightening was at the level of the regional average with further tightening expected in the coming period. Similar to regional trends, access to the sources of financing was improved in the previous six months. Banks relied primarily on international financial institutions as well as household and corporate deposits for financing of lending.

In most countries of the region, lending growth in 2022 was led by corporate lending (contributions to nominal y-o-y growth rate, in pp)



Sources: Websites of central banks and NBS calculation.

Share of loans in GDP declined in almost all countries of the region in 2022
(in %)



Sources: Websites of central banks, Eurostat and NBS calculation..
Note: Data for Q3 2022, apart from Serbia (Q4 2022).

[7] According to NBS calculations, based on data available on the websites of central banks and Eurostat.

[8] The data about the shares of loans in GDP for every country is the data for Q3 2022, except for Serbia (Q4 2022).

[9] https://www.eib.org/en/publications/20220190-cesee-bls-2022-h2.

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.