NATIONAL BANK OF SERBIA
Department for Economic Research and Statistics

TRENDS IN LENDING

First Quarter Report 2022

Belgrade, May 2022

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, Eastern 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. The assets of banks participating in the survey make up on average 50% 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

Owing to a robust performance of mainly corporate loans, y-o-y growth in lending to the non-monetary sector picked up further in 2022, to 12.1% in March, excluding the exchange rate effect. Thanks to such trends in the corporate sector, **Serbian lending that posted the highest regional growth in March,**[1] **was driven more by corporate than by household lending** (contributions of 7.2 pp and 5.0 pp, respectively).

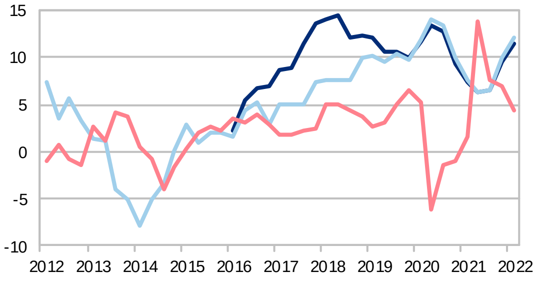
Led by the expansion in lending, y-o-y growth in **total domestic bank receivables from the non-monetary sector** (which, in addition to loan receivables, also include receivables in respect of investment in securities, interest and fees and other receivables) also sped up to 11.6% in March.

Corporate loans performed unusually well in Q1, rising by **RSD 64.1 bn** (excluding the exchange rate effect). This rise almost fully stemmed from liquidity and working capital loans, with energy companies being the leading borrowers, followed by companies from the manufacturing and real estate sectors. Banks mainly lent to large companies, but y-o-y growth in lending to micro, small and medium-sized enterprises also accelerated to 7.6% in March.

In Q1, excluding the exchange rate effect, **household loans gained RSD 23.3 bn,** similarly as in the same period last year. **The bulk of this increase (60%) referred to housing loans,** followed by cash loans. A sound performance of housing loans, which posted 16.2% y-o-y growth in March, was supported by favourable terms of borrowing and the NBS's measures from 2020 which were extended into 2022 as well (reduced minimum downpayment for first-time home buyers, lower degree of completion of a building, up-to-five-year extension in repayment term for housing loans). Housing lending was also spurred by increased real estate demand, continuous rise in the supply of flats and positive labour market developments.

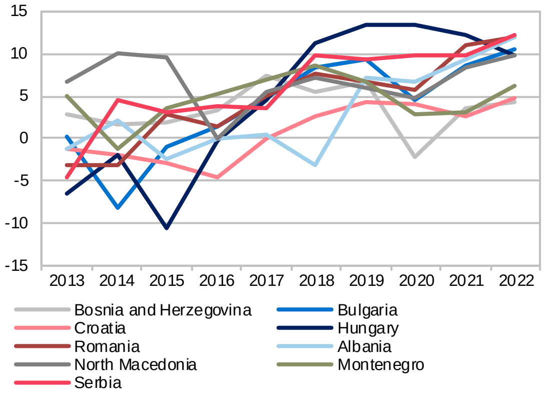
Terms of borrowing in the domestic market remained favourable from the standpoint of bolstering lending credit activity and, by extension, economic growth. Under the impact of tightening in monetary conditions, interest rates on new dinar loans to corporates and households rose mildly in Q1, averaging 3.3% and 8.5%, respectively (vs.

Y-o-y growth in lending picked up further in Q1
(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.

Lending growth in Serbia in Q1 was among the highest in the region
(nominal y-o-y growth rates, in %)



Sources: Websites of central banks and NBS calculation.

3.0% and 8.3% in the quarter before). At the same time, interest rates on euro loans were adjusted less than those on dinar loans, averaging 2.4% for the corporate and 3.4% for the household sector in Q1.

Dinarisation of total corporate and household receivables in Q1 dropped by 0.6 pp to **37.7% in March**, due to a faster rise in FX-indexed compared to dinar receivables, in both sectors. Of that, the degree of dinarisation of corporate receivables edged down by 0.5 pp to 23.5% in March, and the dinarisation of household receivables dipped by 0.2 pp to 54.4%, owing to the rise in housing loans.

[1] The comparison includes Albania, Bosnia and Herzegovina, Bulgaria, Hungary, Romania, North Macedonia, Croatia and Montenegro.

The NPL ratio declined relative to end-2021 by 0.1 pp to 3.4% in March. This is equal to its minimum recorded in November 2021, while **the corporate NPL ratio dropped to its new record low in March (2.4%).** The fact that the NPL share in total loans is **below the level recorded in the months preceding the pandemic** (when it measured 4.1%) indicates that the NBS and Government measures were timely, preventing larger negative effects on corporates and households, and by extension, on financial stability. Relative to July 2015, i.e. right before the start of the implementation of the NPL Resolution Strategy, this share dropped by 18.9 pp. The NPL coverage remains high – allowances for impairment of total loans stood at 89.2% of gross NPLs in March, while allowances for impairment of NPLs equalled 56.3% of gross NPLs.

I. Corporate sector

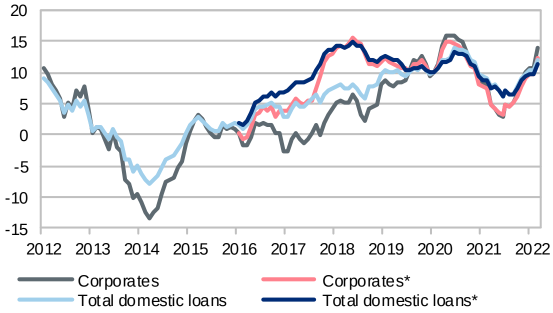
1. Corporate loans

Y-o-y growth in corporate loans picked up further in Q1, to 13.9% in March (from 9.9% at end-2021), thanks to an unusually robust loan performance for this time of the year. In nominal terms, corporate loans in March came at RSD 1,560.5 bn and their share in GDP[2] at 24.3%, up by 0.4 pp from December 2021.

Driven by lending to public enterprises, **corporate loans gained RSD 64.1 bn or 4.3% in Q1**, excluding the exchange rate effect. **In terms of purpose,** growth stemmed mainly from liquidity and working capital loans (RSD 57.6 bn), while borrowing under other non-categorised loans and transaction account overdrafts also went up (RSD 8.3 bn and RSD 2.9 bn, respectively). On the other hand, the stock of investment loans shrank by RSD 4.5 bn, while receivables under other types of loans were almost unchanged compared to end-2021. Such movements drove up the share of liquidity and working capital loans in total corporate loans to 48.0% in March, while the share of investment loans, next in size, decreased to 39.7%. **Sector-wise,** companies in the **energy sector** borrowed the most in Q1, followed by those in **manufacturing** and **real estate**, while companies in transport and trade markedly reduced their credit liabilities. Loans approved to micro, small and medium-sized enterprises made up somewhat less than two-thirds of total corporate loans in March and their y-o-y growth accelerated to 7.6%. At the same time, the maturity of corporate loans was slightly shortened relative to end-2021 and long-term loans came at 84.5% of total corporate loans in March.

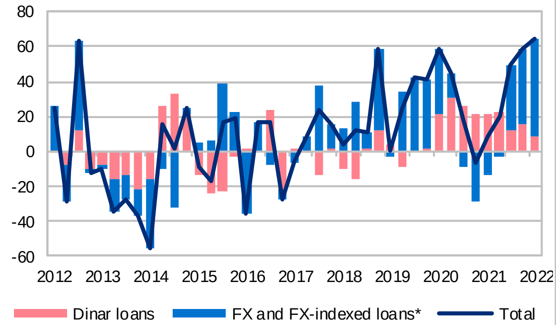
The rise in liquidity and working capital loans was also supported by lending under the **Guarantee Schemes.**[3] In January and February 2022 banks approved a total of RSD 4.5 bn (EUR 38.3 mn) worth of loans under the first[4] and the second[5] Guarantee

Above-average performance of corporate loans in Q1 led to accelerated y-o-y growth
(y-o-y growth rates at the programme exchange rate, in %)



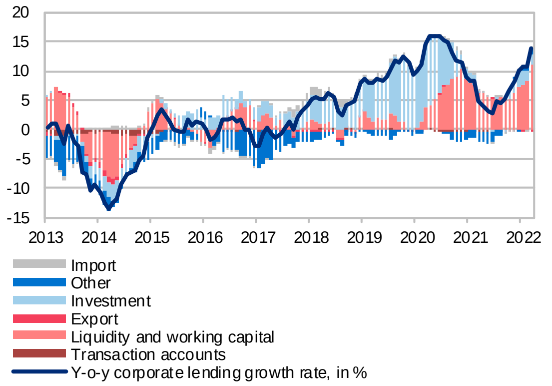
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Corporate loan growth was led by euro-indexed loans in Q1 as well
(increment, in RSD bn)



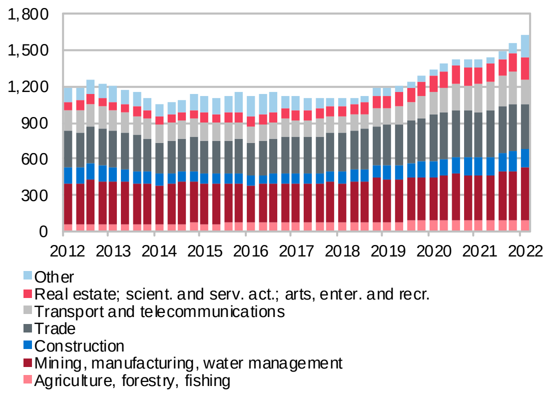
Source: NBS.
* Excluding the exchange rate effect.

Due to the pandemic, working capital loans contributed the most to y-o-y corporate loan growth
(in pp, excluding the exchange rate effect)



Source: NBS.

The bulk of corporate receivables are loans extended to manufacturing and trade companies
(stock, in RSD bn)



Source: NBS.

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[2] GDP realised in the last four quarters.

[3] For more details about the Guarantee Scheme loans see table: Measures of the NBS and the Serbian Government aimed at supporting lending activity in conditions of the COVID-19 pandemic, p. 15.

[4] Law on Establishment of the Guarantee Scheme as a Measure of Support to the Economy for Mitigating the Consequences of the COVID-19 Pandemic Caused by the SARS-CoV-2 Virus (RS Official Gazette, Nos 153/2020 and 40/2021).

[5] Law on Establishment of the Second Guarantee Scheme as a Measure of Additional Support to the Economy Due to the Prolonged Negative Impact of the COVID-19 Pandemic Caused by the SARS-CoV-2 Virus (RS Official Gazette, Nos 40/2021 and 129/2021).

Scheme. Thus, the total amount of loans disbursed with Government support under both Guarantee Schemes since the start of the first programme reached RSD 279.1 bn (EUR 2.4 bn), where 61.6% of loans approved were in dinars. Given that almost 90% of total loans approved were new loans, we may expect their positive effects on economic activity in the coming period. These loans were mostly used by small (45.5%), medium-sized (28.1%) and micro-enterprises (26.4%).

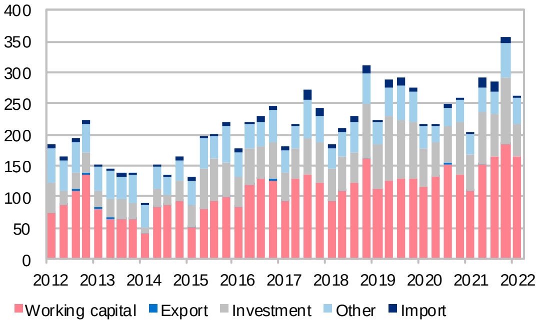
The volume of new corporate loans in Q1 equalled RSD 258.8 bn, up by 26.8% from the same period last year. In Q1, companies continued to use liquidity and working capital loans mostly (64.2%), with somewhat less than half of these loans being channelled to micro, small and medium-sized enterprises. Investment loans accounted for 19.0% of new corporate loans in Q1, with over 80% of this loan category being channelled to micro, small and medium-sized enterprises.

With FX-indexed corporate receivables rising more sharply than dinar ones, the **degree of dinarisation of corporate receivables** decreased by 0.5 pp in Q1, to **23.5% in March**. The share of euro-indexed and euro receivables increased to the same degree, to 76.2% in March, while the share of dollar receivables (0.3%) remained unchanged.

The NPL share in total corporate loans edged down by 0.4 pp in Q1, to 2.4% in March, its new minimum. Relative to July 2015, i.e. right before the beginning of implementation of the NPL Resolution Strategy, **this share dropped by 22.5 pp**[6]**.** The NPL share in total loans extended to companies also contracted by 0.4 pp to 2.6% in March. This indicates that economic aid measures were adequate and timely and even after they ceased banks managed to maintain asset quality. Sector-wise, compared to end-2021 this indicator decreased in all sectors except in trade, with the sharpest drop in the energy sector (by 1.6 pp) and transport and agriculture (by 1.4 pp in each). Compared to the start of Strategy implementation, the most pronounced decrease was recorded in construction, real estate and trade.

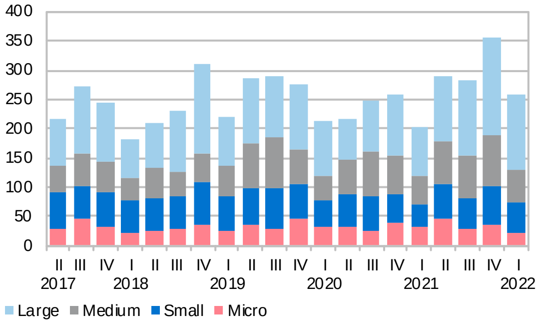
The capital adequacy ratio[7] at end-Q1 measured 20.0%. This is well above the regulatory minimum (8.0%) and signals high capitalisation and resilience of the banking sector to external and domestic risks.

Working capital and investment loans remained dominant in Q1 as well
(new loans, in RSD bn)



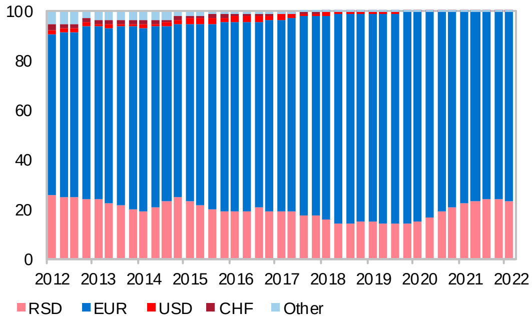
Source: NBS.

Loans to micro, small and medium-sized enterprises made up one half of new loans in Q1
(in RSD bn)



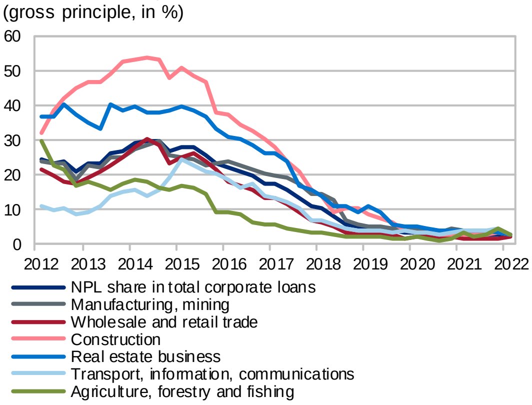
Source: NBS.

Dinarisation of corporate receivables mildly declined in Q1
(currency structure, in %)



Source: NBS.

NPL ratio in some sectors dropped to new minimums in Q1
(gross principle, in %)



Source: NBS.

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[6] 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.

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

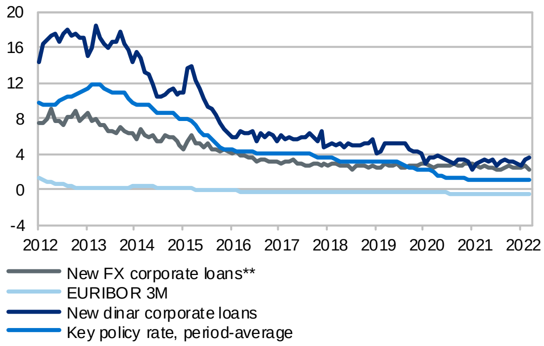
2. Cost of corporate borrowing

Despite going up mildly, interest rates on dinar corporate loans remained favourable, moving close to their lowest levels, thanks to past monetary policy easing by the NBS and favourable lending under the Guarantee Schemes. Also helpful was the NBS's decision from July 2020 to pay a higher remuneration rate (0.5 pp above the standard rate) to banks that approve dinar loans at a rate at least 0.5 pp lower than the maximum rate envisaged by the laws on the first and the second Guarantee Scheme.

The weighted average interest rate on new dinar corporate loans in Q1 (3.3%) was 0.3 pp higher than in Q4 2021. In terms of purpose, interest rates on working capital loans went up (by 0.5 pp to 3.6%), as did the rates on investment loans (by 0.8 pp to 5.0%), while rates on other non-categorised loans dropped (by 0.4 pp to 2.4%). In terms of company size, average interest rates moved from 2.5% for large to 5.2% for micro enterprises.

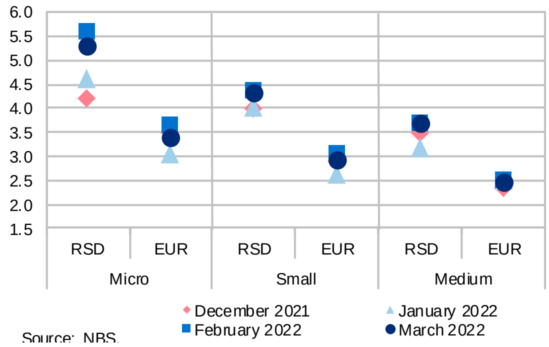
The weighted average interest rate on new euro and euro-indexed loans decreased by 0.1 pp to 2.4% in Q1. Though the average interest rate on liquidity and working capital loans (2.3%) remained the same as in the quarter before, the rise in the share of this loan category, approved at a rate lower than that on other loans, drove down the average price of euro-denominated corporate loans. A decline in the interest rate on investment loans (by 0.1 pp to 2.9%) also contributed to the decrease, while rates on other non-categorised euro-indexed loans went up (by 0.1 pp to 2.1%), as did the rates on import loans (by 0.2 pp to 1.8%). In terms of company size, the average price of borrowing moved from 2.0% for large to 3.4% for micro-enterprises.

Interest rates on dinar loans moved close to rates on FX-loans in Q1 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.

Cost of borrowing for micro, small and medium-sized enterprises remained favourable in Q1
(weighted average values, p.a., in %)



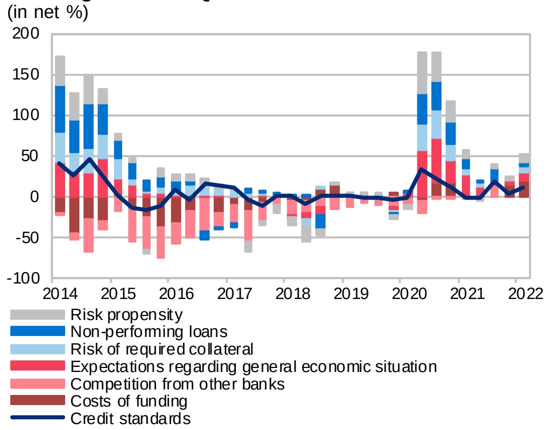
Source: NBS.

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

The results of **the NBS's April Bank Lending Survey** indicate that banks additionally tightened their corporate credit standards in Q1 and that this tightening almost fully concerned FX-indexed loans. In banks' view, more stringent standards resulted mainly from higher costs of loan sources, general economic uncertainty and, consequently, lower risk appetite. Banks deem that the same factors will drive a further tightening of standards in Q2.

According to survey results, fees, commissions and interest margins went up for all client categories in Q1, and collateral requirements were tightened. On the

Credit standards for FX-indexed corporate loans were tightened in Q1 as well
(in net %)



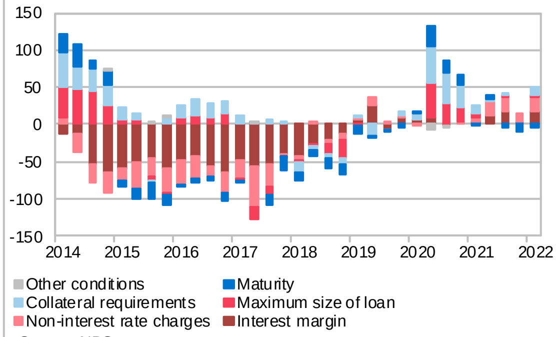
Source: NBS.
Note: Growth indicates the tightening and decline indicates the easing of credit standards.

other hand, in the case of large enterprises, maturity was slightly extended and maximum loan amount was raised.

Loan demand by companies of all sizes continued up in Q1, though less than expected in the January survey. Working capital and capital investment financing were the main drivers of demand. Banks expect demand to continue up in Q2, driven by liquidity needs and the refinancing of existing loans.

In Q1, banks tightened price and collateral requirements and extended the maturity of corporate loans

(in net %)

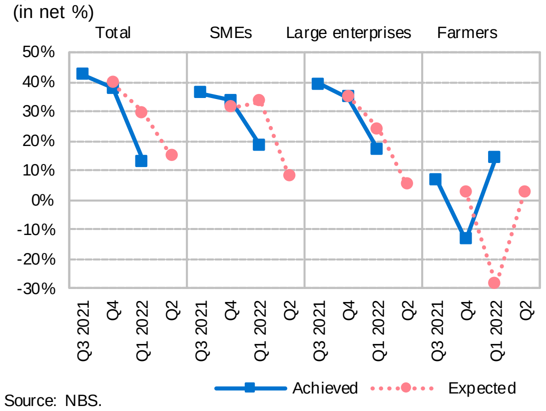


Source: NBS.

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

In Q1, loan demand grew less than expected in the January survey and similar growth is expected in Q2

(in net %)



Source: NBS.

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

II. Household sector

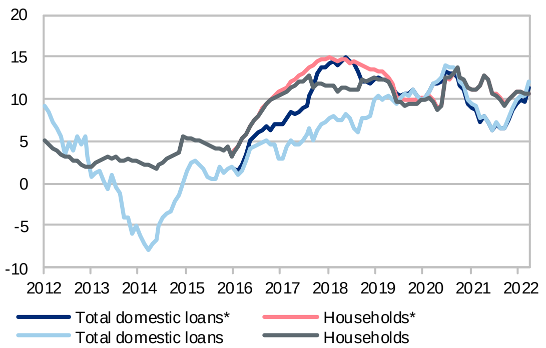
1. Loans to households

Loans to households increased by 10.7% y-o-y in March, similarly as in December 2021 (10.8%). In nominal terms, the stock of loans to households measured 1,389.3 bn in March, making up 46.4% of banks' loan receivables from the non-monetary sector and 21.6% of GDP.[8]

Excluding the exchange rate effect, **household loans gained RSD 23.3 bn or 1.7% in Q1.** This is close to the increase recorded in the same period last year. The bulk (60%) of the increment in household loans referred to housing loans, which gained RSD 14.1 bn, posting y-o-y growth of 16.2% in March. Such good performance of housing loans reflected favourable terms of borrowing, increased demand for real estate and continued growth in the supply of flats. Housing loans were followed by cash loans, which gained RSD 8.8 bn in Q1, as well as by liquidity and working capital loans to entrepreneurs (RSD 2.9 bn) and current account overdrafts (RSD 1.4 bn). At the same time, other non-categorised loans decreased by RSD 2.6 bn, while household liabilities under loans for other purposes posted minor changes. As a result of the increase in housing loans, their share in total household loans climbed by 0.4 pp to 39.3% in March. Though their share dipped further by 0.1 pp in Q1, cash loans remained dominant in the structure of household loans (44.0% in March).

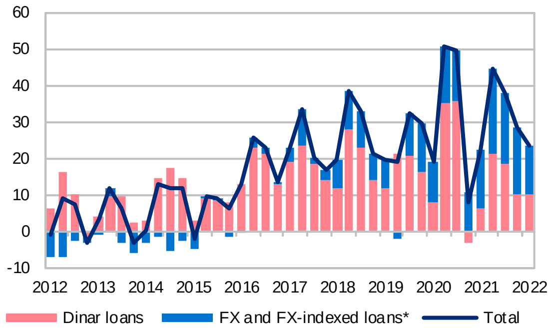
Housing loans were also supported by the measures adopted by the NBS in 2020, the validity of which measures was extended to 2022 as well. Banks are allowed to extend the repayment term of housing loans by maximum five years and to reduce the down payment required in first-time home purchases from 20% to 10%, while the minimum degree of completion of the building eligible for housing loan financing has been lowered. In addition, until end-2022, a bank may approve a loan of maximum RSD 90,000, with a term of up to two years, to clients not receiving their salary or pension through an account with that bank, which has further facilitated access to dinar short-term loans. Measures relating to repayment term extension and the refinancing of cash, consumer and other loans (except housing loans) were wound down in late 2021.

Y-o-y growth in household loans was similar in Q1 as in late 2021
(y-o-y growth rates at the programme exchange rate, in %)



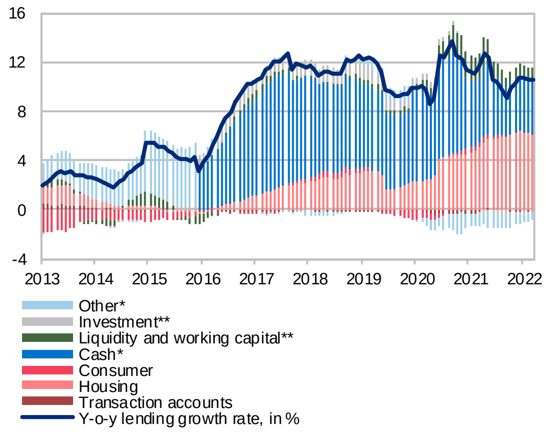
Source: NBS.
* Excluding the effect of NPL write-off and sale since early 2016.

Three-fifths of the increment in household loans in Q1 referred to euro-denominated housing loans
(increment, in RSD bn)



Source: NBS.
* Excluding the exchange rate effect.

Since June 2021, housing loans have 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.

[8] GDP in the past four quarters.

New household loans measured RSD 127.8 bn in Q1, slightly more (by 1.3%) than in Q1 2021. Cash loans made up 59.3% of new loans in Q1, while housing loans accounted for 23.2% of new household loans. Growth in households' demand for housing loans continued from the previous period, with new housing loans measuring RSD 29.7 bn in Q1.

The rise in FX-indexed loans, propped up by growth in housing loans which are almost entirely euro-denominated (over 99%), outstripped that in dinar loans. As a result, the **dinarisation of household receivables**[9] dipped by 0.2 pp in Q1 to 54.4% in March. At the same time, the share of euro receivables increased by 0.2 pp in Q1 to 45.5% in March, while the share of Swiss franc receivables remained unchanged (0.1%).

The share of NPLs in total household loans increased slightly in Q1, by 0.1 pp to 4.2%[10] **in March.** Favourable NPL indicators show that the measures of the NBS and the Serbian Government were timely and contributed to avoiding major negative effects of the pandemic on households' creditworthiness. Compared to the period immediately before the adoption of the NPL Resolution Strategy, this share dropped by 7.0 pp. In terms of purpose, in Q1 the NPL share dropped for housing loans (by 0.1 pp) and current account overdrafts (by 0.4 pp), and increased for cash loans (by 0.4 pp), consumer loans and credit cards (by 0.1 pp each).

2. Cost of household borrowing

Households continued to borrow under favourable terms in Q1 as well, which contributed to further credit growth.

The weighted average interest rate on new dinar loans to households in Q1 stood at 8.5%, having increased slightly (by 0.2 pp) from Q4 2021. This increase was mainly driven by higher interest rates on cash (by 0.1 pp to 9.0%) and other non-categorised loans (by 0.6 pp to 6.6%). Conversely, average interest rates on consumer and housing loans[11] dipped by 0.2 pp each to 1.7% and 7.1%, respectively.

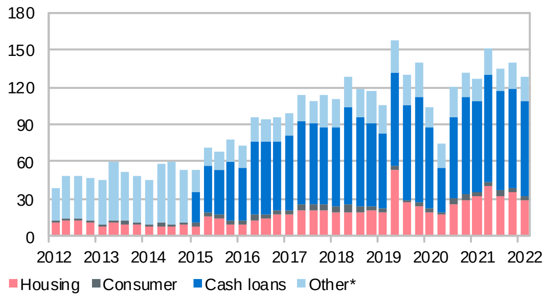
The weighted average interest rate on new euro-indexed household loans edged up by 0.1 pp in Q1 to 3.4%. The average interest rate on the dominant, housing loans (2.6%) did not change, while the rate on consumer loans climbed by 0.2 pp to 4.4%.

[9] Including non-profit institutions and entrepreneurs.

[10] With entrepreneurs and private households included, this share rose by 0.2 pp to 4.3% in March, while dropping by 7.9 pp relative to July 2015.

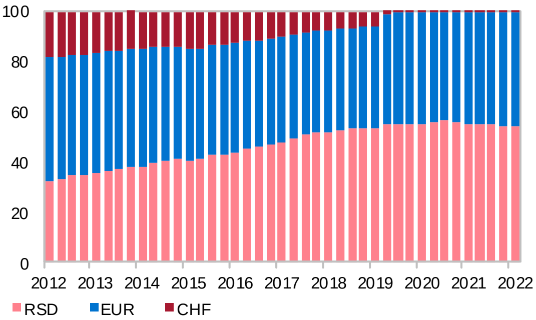
[11] Used for residential adaptation (energy efficiency loans) and more expensive than loans for the puchase of real estate.

The bulk of new loans in Q1 were cash and housing loans
(new loans, in RSD mn)



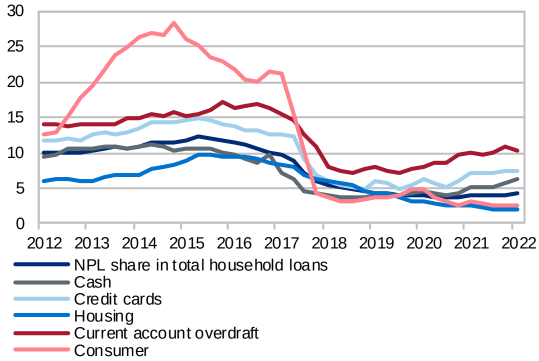
Source. NBS.
* Until December 2014, the 'other loans' category implied cash and other loans together.

At end-Q1, slightly less than 55% of household receivables was in dinars
(currency structure, in %)



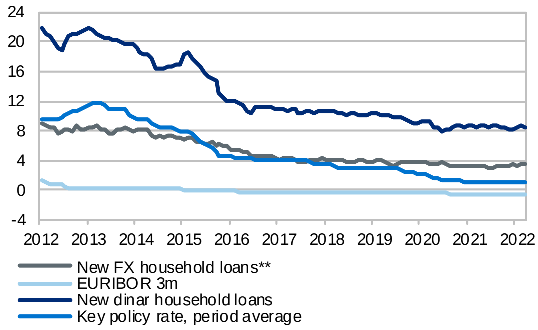
Source: NBS.

The share of NPLs in total household loans remained close to all-time lows in Q1
(gross principle, in %)



Source: NBS.

In Q1, the average price of both dinar and FX loans increased slightly*
(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.

Conversely, the average interest rate on cash loans declined (by 0.3 pp to 2.9%), as did the rate on other non-categorised loans (by 0.1 pp to 6.5%).

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

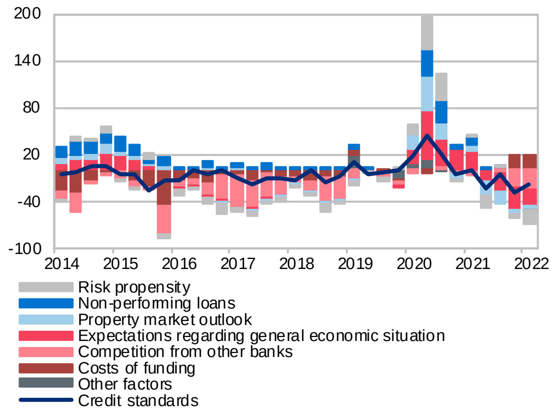
According to the results of the NBS's April Bank Lending Survey, banks continued to ease credit standards for households in Q1, for the fourth consecutive quarter. The easing referred primarily to dinar cash and refinancing loans. Standards for FX-indexed housing loans were relaxed as well. The easing of standards was mostly due to banking sector competition, labour market rebound and factors relating to the real estate market, while higher costs of sources of financing worked in the opposite direction. Banks expect standards to be tightened in Q2, under the impact of higher costs of financing, uncertainty regarding the overall economic situation and the resulting diminished risk propensity.

In banks' view, collateral requirements in Q1 were eased, interest rate margins, fees and commissions declined, while loan maturity was shortened.

In Q1, **household loan demand continued to expand** and was directed towards dinar cash and refinancing loans and euro-indexed housing loans. According to banks, the rise in household demand was driven almost equally by the refinancing of existing liabilities and developments in the real estate market. **Demand is expected to go up further in Q2,** spurred by the above factors and the procurement of durable consumer goods.

Banks continued to ease household credit standards in Q1

(in net %)

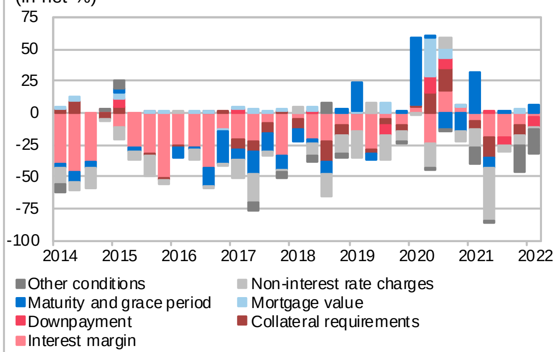


Source: NBS.

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

Loan price conditions were more favourable, collateral requirements were eased, and loan maturity shortened in Q1

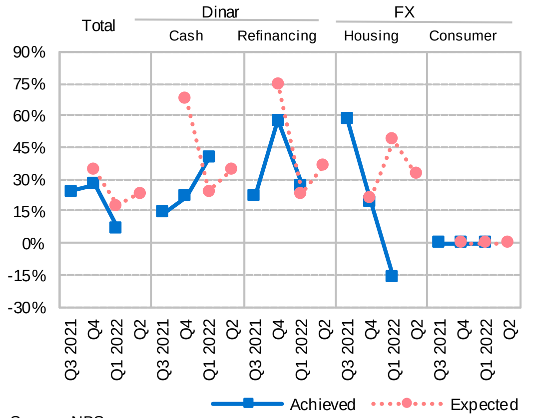
(in net %)



Source: NBS.

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

Household loan demand increased slightly less than expected in the January survey, and is anticipated to expand further in Q2



Source: NBS.

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

Measures of the NBS and the Serbian Government aimed at supporting lending activity in conditions of the COVID-19 pandemic

	2020										2021		2022
	March	April	May	June	July	August	Sep.	Oct.	Nov.	December	January - March	April - December	January - March
Monetary policy measures													
Key policy rate													
	Cut by 0.5 pp, to 1.75%	Cut by 0.25 pp, to 1.5%		Cut by 0.25 pp, to 1.25%						Cut by 0.25 pp, to 1.00%			
More favourable conditions for Guarantee Scheme loans													
					Stimulated approval of dinar loans under the Guarantee Scheme at lower interest rates – a reduction of at least 50 bp below the maximum rates stipulated by Laws on the first and the second Guarantee Schemes is compensated by the NBS through a 50 bp higher then standard remuneration rate on allocated dinar required reserves								
Additional NBS measures													
Moratorium													
		Moratorium on debt payments				Moratorium on debt payments				Moratorium on debt payments for debtors unable to settle their liabilities due to the pandemic, with the extension of the repayment period so that the debtor's monthly liabilities are not higher than before the approval of facilities			
Housing loans													
				Mandatory downpayment for first-time home buyers may be reduced from 20% to 10%									
						Reduction of the minimum degree of completion of a building eligible for financing via bank housing loans							
						Extension of repayment term for housing loans by up to five years							
Other loans													
21					Extension of repayment term and refinancing of consumer, cash and other household loans (except housing) by up to eight years								
						Banks are allowed to extend household dinar loans (up to 90,000 dinars) of maximum two-year maturity only based on signed statement on employment/pension							
Serbian Government measures													
Guarantee Schemes													
		With Government guarantees, commercial banks may approve to micro, small and medium-sized enterprises and entrepreneurs a total of EUR 2.5 bn in loans for liquidity and the procurement of working capital which should be put into use by end-July 2022. Loans may be approved in dinars at the maximum interest rate of 1M BELIBOR + 2.5 pp or in euros, at the maximum interest rate of 3M EURIBOR + 3.0 pp. Maximum loan maturity is 36 months, including a grace period of 9-12 months											
											Loans intended for enterprises from vulnerable sectors (transport, catering, travel agencies and hotels in towns) and enterprises which recorded a fall in business revenue of over 20% during 2020. A total of EUR 500 mn may be approved in liquidity and working capital loans through July 2022. Loans may be approved in dinars at the maximum interest rate of 1M/3M BELIBOR + 2.75 pp or in euros, at the maximum interest rate of 3M EURIBOR + 4.0 pp. Maximum loan maturity is 60 months, including a grace period of 18-24 months.		

Source: NBS.

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.