



NÁRODNÁ BANKA SLOVENSKA

Survey on Supply and Demand on Lending Market

June 2011

Summary

Thirteen banks and five branches of foreign banks took part in the lending survey, conducted by the Národná banka Slovenska in June 2011. The volume of clients' loans granted by these banks and branches of foreign banks comprised EUR 32.96 billion as of June 30, 2011 corresponding to 96.49% of the total volume of clients' loans in the banking sector.

The volume of corporate loans in the first half of 2011 recorded a slight increase of 5.2%, compared to the previous half a year. In most banks there was no major change in credit standards; moderately easing of credit standards was indicated for loans to large corporates and for short term loans, while moderately tightening for small and medium enterprises loans, where banks' liquidity position and costs associated with the capital position had the biggest influence. Banks repeatedly recorded an increase in demand for loans by corporates, in all the categories. This increase was mainly affected by the following factors: supplies and working capital, debt restructuring and long term investments.

In the first half of 2011, the volume of loans to households rose by 5.7% semi-annually (and by 12.3% year on year), where banks didn't change their credit standards on real estate loans and eased their credit standards on consumer loans again. This was mainly caused by the expected general economic activity. In the next period, banks don't expect noticeable increase in demand for loans to households.

Note to the presentation of the aggregated data:

If not otherwise stated, data in text or charts are given in **net percentage share (hereinafter NPS)**. For example, the net percentage share of banks that eased their credit standards is calculated as the difference between the percentage market share of banks, which reported easing of their credit standards, and the percentage market share of banks, which reported tightening of their credit standards. Said differently, individual answers of banks are weighted by the volume of loans of the respective type for the first half of 2011. More details on this calculation and on the method of aggregation of individual answers can be found in the document „Methodology of the survey evaluation“.

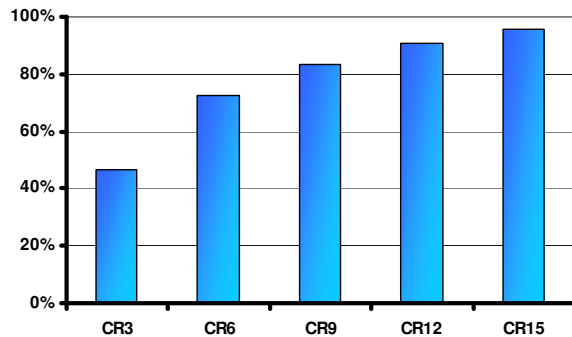
Results of survey are presented in an aggregate form. Report is based on views of individual banks and do not express views of the National bank of Slovakia.

Corporate loans

Situation on the market of corporate loans

The total volume of granted corporate loans in the banking sector was EUR 18.56 billion in the first half of 2011, which means an increase of 6.4% year on year, realized mainly in the previous half a year (by EUR 0.92 billion or 5.2%, respectively). The concentration of loans in the banking sector remains largely unchanged compared to the previous observed periods; the share of three largest banks in the volume of corporate loans slightly decreased to 46%, and the share of nine major banks represented 83% (Chart 1).

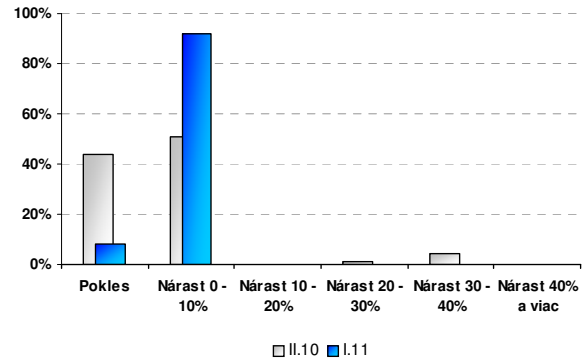
Chart 1 Concentration of the corporate loans granted in the banking sector



CR*k* index expresses the share of loans granted by *k* banks with the highest volume of the corporate loans on the total volume of the corporate loans.

An increase in the volume of corporate loans (up to 10%), which was recorded by banks and branches of foreign banks with a market share of 92%, was considerably higher against to the previous half a year. On the other hand, decrease of the volume of corporate loans slowed down, which was marked by banks with 8% market share (market share of these banks represented 44% to the end of the year 2010) (Chart 2).

Graf 2 Distribution of corporate credit growth



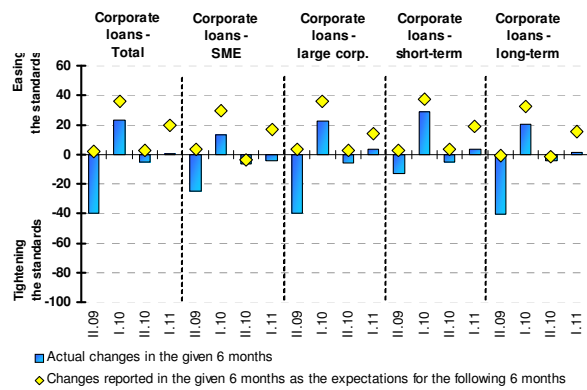
The data on horizontal axis represents changes in the volume of the corporate loans. Data on vertical axes represent the share of banks in a given column on total corporate loans.

Changes in the supply

The majority of banks (88.6%) reported no major change in their credit standards for corporate loans in the first half of 2011, compared to the previous observed period. The banks and branches of foreign banks stated partial tightening of standards in loans to SME only (reported by 4.2% of NPS of banks). On the other hand, moderate credit standards' easing was detected in large corporate loans (3.7% of NPS) as well as from the point of view of maturity in both short-term loans and long-term corporate loans (Chart 3).

Initial expectations of banks, indicating either no or a mild change in credit standards, were met. On the contrary, in the following period banks (19.6% of NPS) expect easing of credit standards to corporate loans, as it was indicated by nearly one quarter of surveyed banks, across all the categories. The most this should be reflected in short-term loans granting, where 22.1% banks mentioned partial easing of credit standards. No major change in credit standards to corporate loans expects 64.6% of surveyed banks.

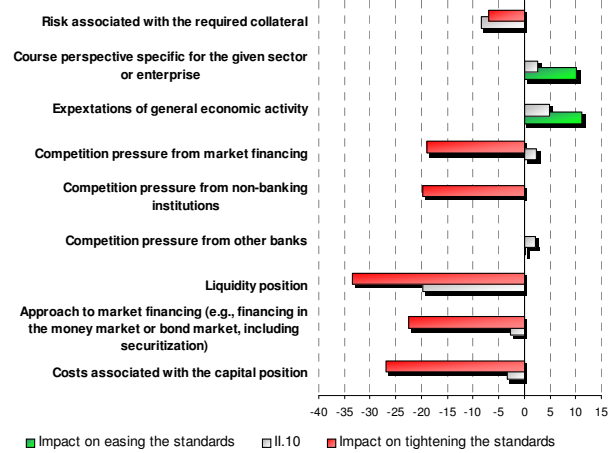
Chart 3 Changes in credit standards on corporate loans



The vertical axis represents the net percentage share.

In Chart 4 we can see the impact of multiple factors on credit standards in the 1st half of 2011. Credit standards easing was affected, similarly as in the previous half a year, mainly by the expectations of general economic activity (mentioned by 11.3% of banks (NPS)) as well as the course perspective specific for the given sector. On the other hand, a tightening of the standards was influenced by a large number of factors. Among them, the liquidity position of bank (mentioned by 33.5% of banks (NPS)) and costs associated with the capital position of bank (mentioned by 27% of banks (NPS)), were more significant. Other factors, which had influence on credit standards tightening in some banks, were approach to market financing, competition pressure from both non-banking institutions and market financing and risks associated with the required collateral. Compared to the previous period, the influence of factors, that affected both easing and tightening of credit standards, was stronger.

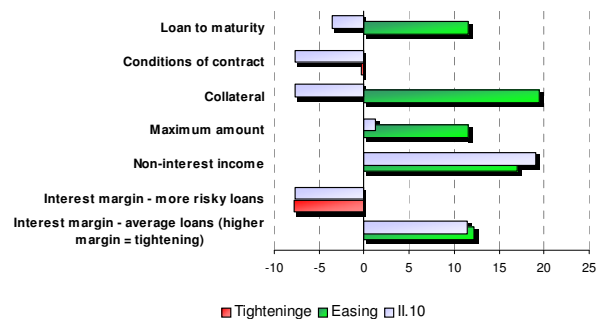
Chart 4 Factors influencing the changes in credit standards on corporate loans - Total



The horizontal axis shows the net percentage share.

Chart 5 shows particular changes in corporate loans granting terms, which had influence on credit standards change. On the contrary to the previous reporting period, the factor with the main impact on credit standards tightening was change in interest margins on more risky loans (7.8% of NPS). The majority of change in loans granting terms led to easing of credit standards on corporate loans in some banks, on the other hand. They were influenced by a change in collateral (19.4% of NPS), decreasing of non-interest margin (mentioned by 17% of banks (NPS)), a change in interest margin on average loans, a change in maturity of loan (11.5% of NPS) and a change in maximum amount of loan.

Chart 5 Changes in specific terms on corporate loans

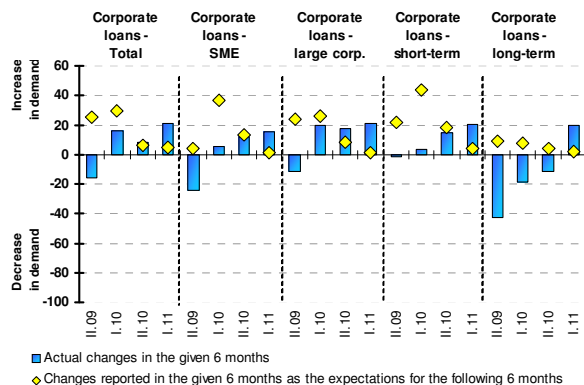


The horizontal axis shows the net percentage share.

Changes in the demand

As in the previous reporting periods, even in the first half of 2011 an increase in the corporate loans demand continued. This increase in demand was noticed for all categories evaluated. Net percentage share of banks that mentioned partial increase in demand for large corporate loans represented 21.4%, while in the case of loans to SME it was 15.7%. About a quarter of surveyed banks indicated partial increase in demand for short-term as well as long-term corporate loans. A slight majority of banks, however, mentioned no significant change in corporate loans demand. Banks' expectations to corporate loans in total, expressed in the previous half a year, were not always confirmed by a real state of demand for the corporate loans to the end of the first half of 2011. The expectations of banks were fulfilled only in the cases of loans to SME and short-term loans. In the next period, banks expect no significant change in corporate loans demand (indicated by 84.9% of surveyed banks), or expect only very slight increase in demand for short-term loans, respectively.

Chart 6 Changes in the demand for household loans

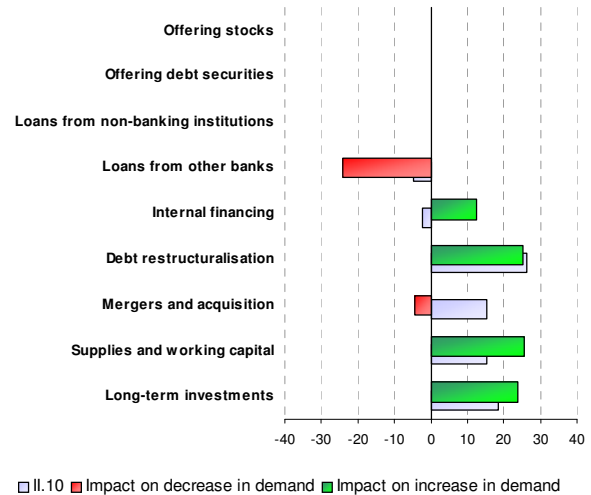


The vertical axis shows the net percentage share.

Two factors had the impact on decrease in demand in the 1st half of 2011, according to banks in survey, namely granting loans from other banks (indicated by 24% of NPS of banks) and corporate restructuring (mentioned by 4.5% of NPS of banks), what can we see in Chart 7. On the other hand, demand was positively influenced mainly by the following factors, which also led to its increasing: supplies and working capital (25.6% of NPS), debt restructuring (25.1%

of NPS), long-term investments (23.9% of NPS) and internal financing.

Chart 7 Factors influencing changes in demand for corporate loans



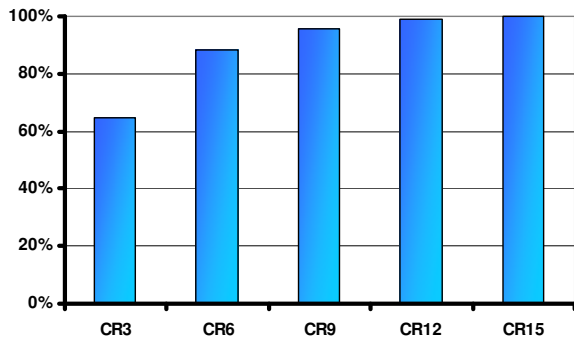
The horizontal axis shows the net percentage share.

Loans to households

Situation on the market of loans to households

The volume of loans granted to households reached EUR 15.6 billion in the first half of 2011. Compared to the second half of 2010 this figure represents an increase of 5.7% (and a year to year increase of 12.3% or EUR 1.71 billion, respectively). The share of banks in the lending volume stayed more or less unchanged compared to the previous half a year, where the share of the three largest banks still accounted for 65% and the share of the nine largest banks slightly decreased to 95% (see Chart 8).

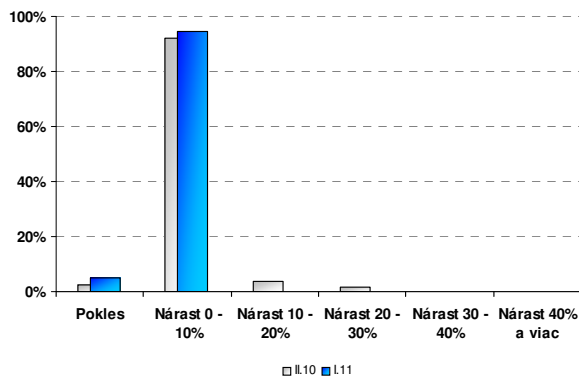
Chart 8 Concentrations of the household loans granted in the banking sector



CR*k* index indicates the share of loans granted by *k* banks with the highest volume of the household loans on the total volume of the household loans.

Compared to the previous half a year, no significant changes appeared in the distribution of household credit growth (Chart 9). Only 5% of banks under review reported decrease in the volume of household loans, while the volume of loans increased in the majority of banks. Banks with the market share of 95% recorded the increase of volume of lending up to 10%.

Graf 9 Distribution of household credit growth



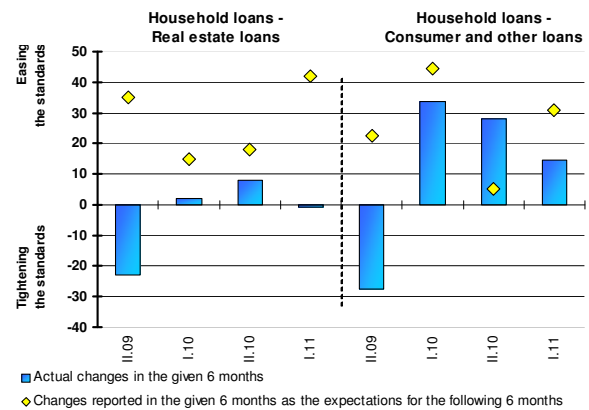
The data on horizontal axis represents changes in the volume of the household loans. Data on vertical axes represents the share of banks in a given column on total household loans.

Changes in the supply

Regarding the real estate loans, majority of banks (96%) did not realise any significant change in their credit standards. Credit standards easing was related to consumer and other loans only, where 14.6% of banks (NPS) eased their credit standards. From the last assessed periods we can observe gradual decline in terms of granting of the type of loans relaxing. Banks' expectations related to credit standards were not fulfilled, when banks

expected rather greater easing of credit standards on real estate loans and less easing of standards on consumer loans. In the next period banks expect significant easing of credit standards on loans to households, more noticeable in the case of real estate loans (mentioned by 42.1% of NPS of banks) as in the case of consumer and other loans (30.8% of NPS).

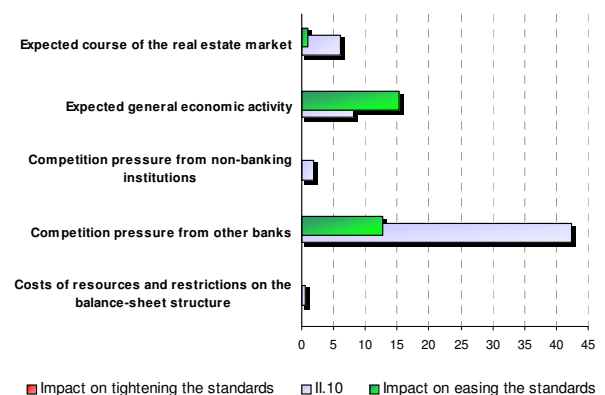
Chart 10 Changes in credit standards on household loans



The vertical axis represents the net percentage share of banks that eased their credit standards on loans to households.

The expected general economic activity (15.3% of NPS) and increasing of competition pressure from other banks (12.6% of NPS) in particular had the biggest influence on the credit standards easing in case of real estate loans, but the impact was not so noticeable as in the previous evaluated half a year (see Charter 11).

Chart 11 Factors influencing the changes in credit standards on household loans - Real estate loans

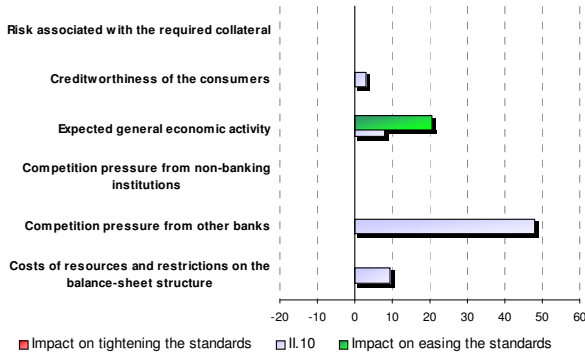


The horizontal axis shows the net percentage share.

The only factor that affected credit standards on household consumer loans easing in the first

half of 2011 was expected general economic activity, what was indicated by 20.6% of banks (NPS) (see Chart 12).

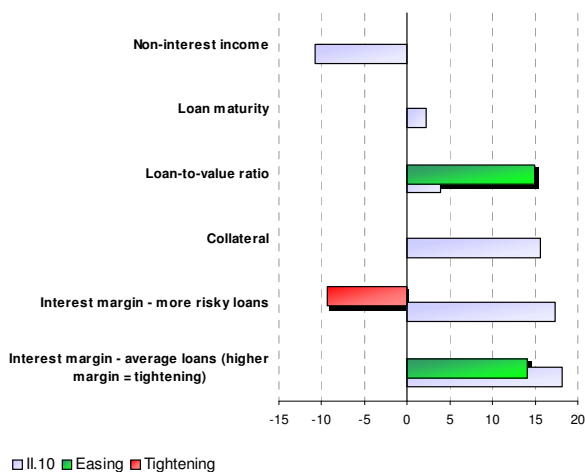
Chart 12 Factors influencing the changes in credit standards on household loans - Consumer and other



The horizontal axis shows the net percentage share.

The change in specific terms on real estate loans granting (see Chart 13) had not noticeable influence on credit standards on particular type of loans. Since there was no change in standards compared to the previous half a year, easing of banks' specific terms on loans in case of loan-to-value ratio (indicated by 14.9% of banks – NPS) and lower interest margin related to average loans (14.1% of NPS) were on the other hand compensated by the tightening of other condition of granting real estate loans – higher interest margin on more risky loans (mentioned by 9.4% of NPS of banks).

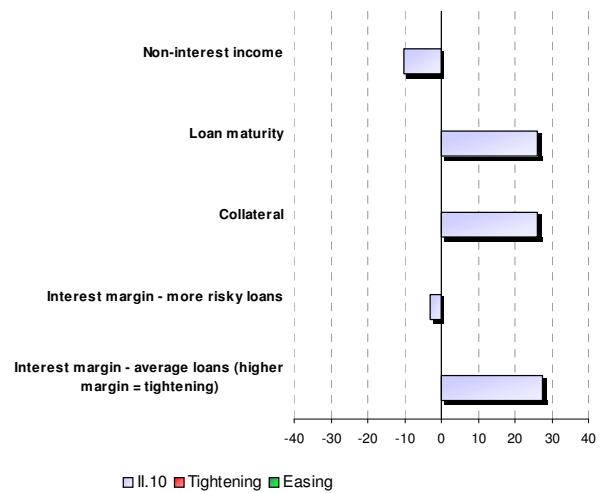
Chart 13 Changes in specific terms on household loans - real estate loans



The horizontal axis shows the net percentage share.

Regarding consumer and other loans (see Chart 14) banks did not indicate any change in specific terms on loans granting, which could influence reported easing of credit standards in the particular type of credit.

Chart 14 Changes in specific terms on household loans - consumer and other loans

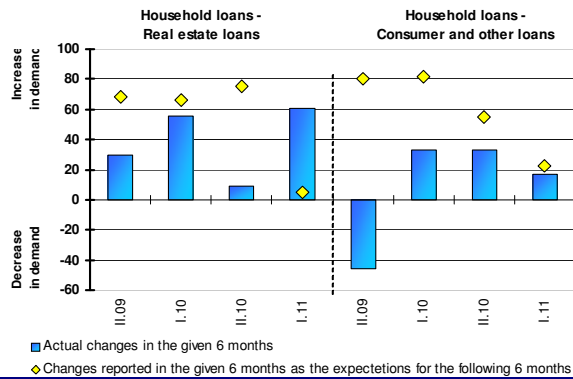


The horizontal axis shows the net percentage share.

Changes in the demand

Households' demand for real estate loans was significant in the first half of 2011, where 60.3% of surveyed banks (NPS) indicated partial increase of real estate loans demand (see Chart 15). This demand was comparable to the demand for the same period of year 2010. Households' demand for the consumer and other loans continued (mentioned by 16.8% of banks – NPS). Real demand for real estate loans as well as for the consumer and other loans were only slight different from the banks' previous expectations, when banks assumed rather its further significant increase. On the contrary, in the next half a year banks do not expect other considerable change of demand on real estate loans (mentioned by 91.5% of banks) or expect only very slight increase in demand (5.1% of banks), respectively. Lower increase in demand is also expected in the case of consumer and other loans (22.8% of NPS of banks).

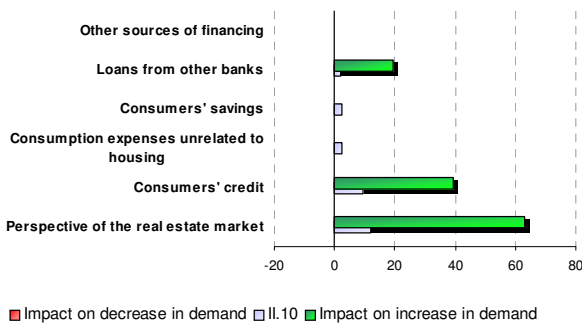
Chart 15 Changes in the demand for household loans



The vertical axis shows the net percentage share.

There was a number of factors which influenced a partial increase of demand for real estate loans, among them can be mentioned mainly the perspective of the real estate market (indicated by 63% of NPS of banks) as well as the consumers' credit, which indicated 39.4% of banks (NPS) (see Chart 16). The factors had more considerable impact on increase in demand as in the previous half a year.

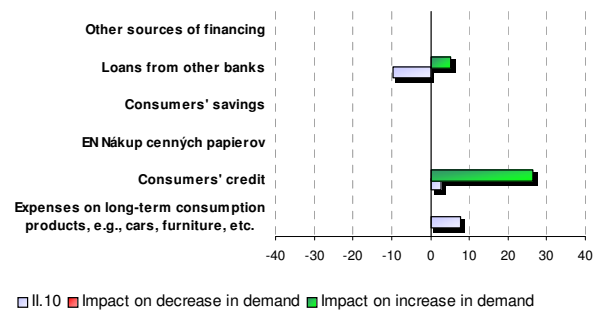
Chart 16 Factors influencing changes in demand for household loans - real estate loans



The horizontal axis shows the net percentage share.

Mainly the increasing of consumers' credit (26.5% of NPS of banks) and partially granting of loans from the other banks (indicated by 5.2% of banks - NPS) had an impact on demand on the consumer and other loans increase.

Chart 17 Factors influencing changes in demand for household loans - consumer and other loans



The horizontal axis shows the net percentage share.