



NÁRODNÁ BANKA SLOVENSKA

Survey on Supply and Demand on Lending Market

June 2008

Summary

17 banks and 3 branches of foreign banks took part in the lending survey, conducted by the National Bank of Slovakia in the July of 2008. The volume of loans granted by these banks and branches of foreign banks comprised SKK 872,5 billion, or 97,1% of the total volume of clients' loans in the banking sector, respectively.

The volume of corporate loans continued to grow in the first half of 2008, however, banks tightened their lending standards to the loans granting to both large corporates and small and medium enterprises. The most important reasons were changes in the system of the credit risk management, changes in the liquidity position and changes in the risk appetite. In spite of the standards tightening for corporates loans, demand for these loans continued to grow.

Household loan market was proceeding with expanding. Banks eased partially credit standards for loan secured by residential real estate. The easing was influenced mainly by the following factors: continuing competition pressure from the banks and changes in the system of the credit risks management. Household loans demand continued to grow during the first half of 2008, mainly due to changes in the income of the clients and changes in the volume of expenditures for purchasing real estates.

Note to the presentation of the aggregated data:

If not otherwise stated, data in text or charts are given in **net percentage share**. 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 2008. 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“.

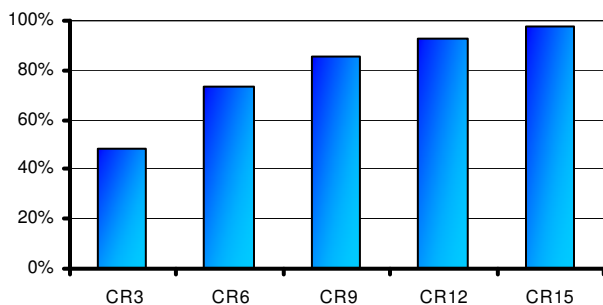
Results of survey are presented in an aggregate form. Report is based on a poin of view of individual banks and do not express views of the national banks of Slovakia.

Corporate loans

Corporate loan market

The corporate loan market (loans to corporates, domestic and foreign non-financial and financial corporations, sole traders and non-profit organizations) recorded continuing trend of total volume growth also in the first half of 2008, when these loans achieved SKK 544,6 billions in banking sector and in comparison to the average amount during the second half of 2007 they increased by 14% (SKK 67 billions). The share of the volume of the corporate loans granted by three banks with the highest market share on the total corporate loans, comprised 49% (Chart 1), same percentage as during two previous halves of the year, and the share of the 15 largest banks reached 98%.

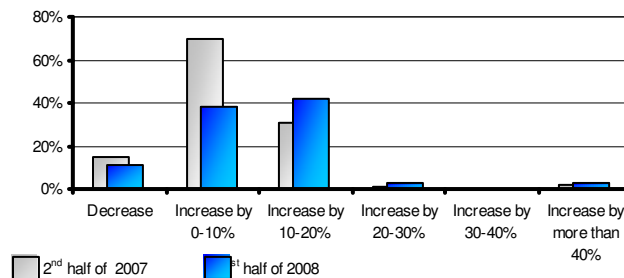
Chart 1 Concentration of corporate loans in the banking sector



CRk 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.

Corporate loans increased almost in the all banks during the first half of the 2008. This growth was up to 20% in the most of the banks (Chart 2).

Chart 2 Distribution of corporate credit growth in the first half of 2008

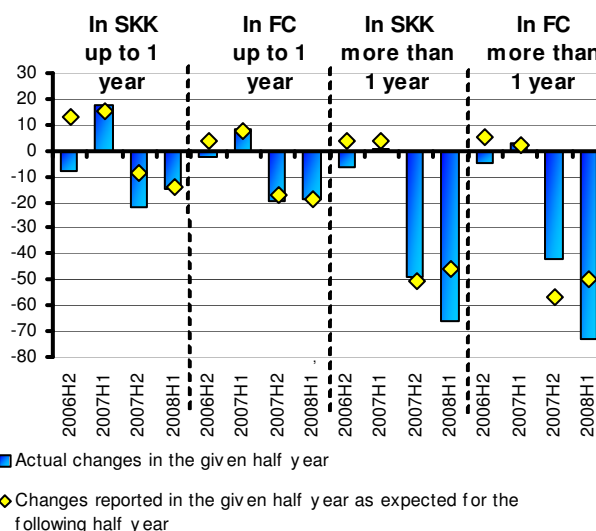


The data on horizontal axis represents changes in the volume of the corporate loans. Data on vertical axes represent the share of banks in a given column on total corporate loans.

Changes in the supply

Banks continued in tightening credit standards for all types of loans to large corporates, especially for long-term loans in both domestic and foreign currency during the first half of 2008 (66,3% respectively 73% share of banks that partially tightened their credit standards). Banks expect another tightening of credit standards in the next half of the year, in case of short-term loans on the same level as the first half of 2008, and less strict in case of long-term loans.

Chart 3 Changes in credit standards on loans to large corporates



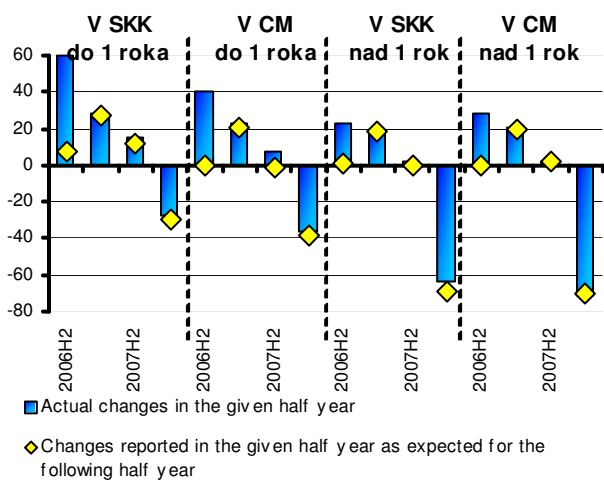
The vertical axis represents the net percentage share of banks that eased their credit standards on loans to large corporates.

Trend of credit standards easing, observed in the market of loans to small and medium sized

enterprises in the previous periods of time, suspended in the first half of 2008. Banks tightened their credit standards for short-term and long-term loans in both domestic and foreign currency and they expect the same trend also in the second half of the 2008. In case of long-term loans granted in foreign currency, 71,5% of banks tightened their credit standards. Unlike in loans to large corporates, some banks tightened their credit standards not only partially, but significantly for small and medium sized enterprises.

In comparison to the same period of the last year, we can observe considerable tightening of credit standards for all types and maturities of corporate loans.

Chart 4 Changes in credit standards on loans to small and medium enterprises

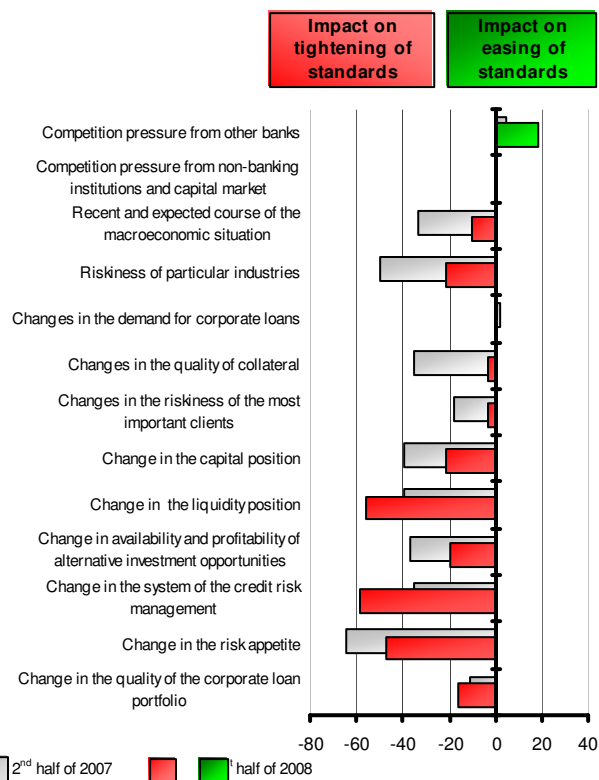


The vertical axis represents the net percentage share of banks that eased their credit standards on loans to small and medium enterprises.

The tightening of credit standards for corporate loans was particularly influenced by the changes in the banks itself (Chart 5), especially by changes in the system of credit risk management (58,7%), changes in the liquidity position (56,1%) and changes in the risk appetite of banks (47,2%). Among other factors, mentioned by banks, that influenced tightening of credit standards, we can insert mainly riskiness of particular industries, changes in the capital position, and changes in availability and profitability of alternative investment opportunities, changes in the quality of the corporate loan portfolio and worsening of the

expected course of the macroeconomic situation. In comparison to the last half of the year, assessment of factors, which influenced the changes in credit standards, changed in most cases. This influence moved from macroeconomic situation to the changes in banks. On the other hand, easing of credit standards was influenced only by the competition pressure form other banks.

Chart 5 Factors influencing changes in credit standards on corporate loans

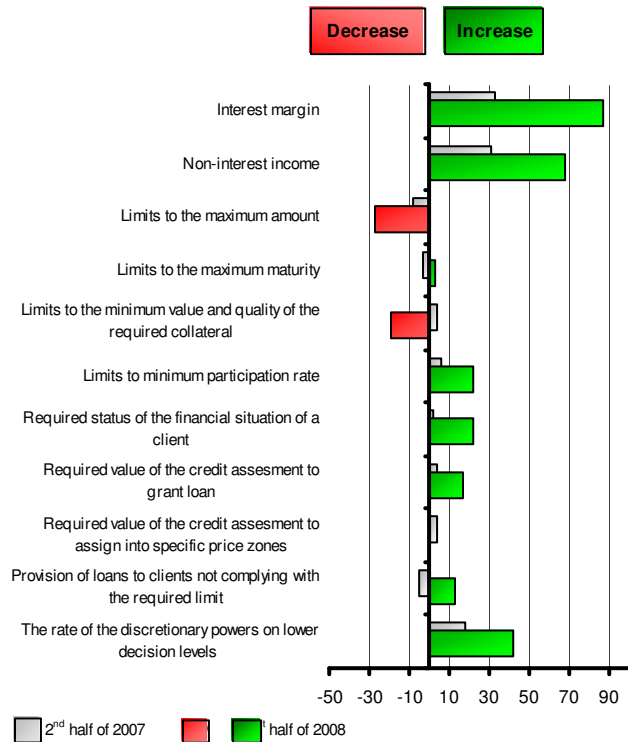


The horizontal axis represents the net percentage share of banks.

Tightening of credit standards for large corporates as well as small and medium sized enterprises was also accompanied with changes in specific terms on corporate loans (Chart 6), mainly by the increase of the interest margins (this change was recorded in the most of the banks), increase of net non-interest income and increase of the rate of the discretionary powers on lower decision levels. Easing of credit standards was reflected by decreasing of limits to the maximum amount of granted loans as well as by decreasing of limits to

the minimum value and quality of the required collateral.

Chart 6 Changes in specific terms on corporate loans

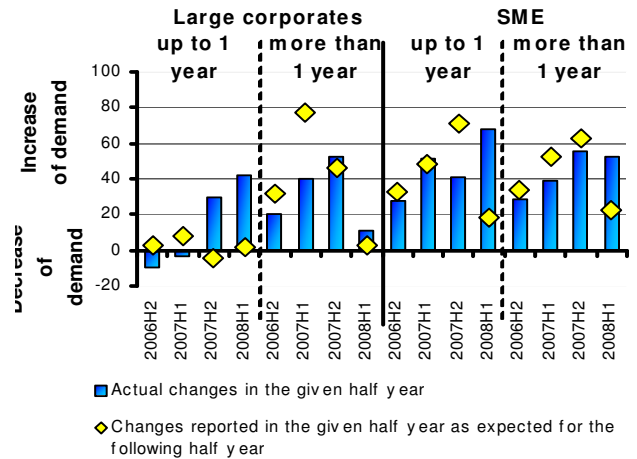


The horizontal axis represents the net percentage share of banks.

Changes in the demand

Increase of demand on loans to large corporates and small and medium sized enterprises continued in the first half of 2008. The most important increase of demand (67,9%) was recorded in case of short-term loans to small and medium sized enterprises. In comparison to the previous half of the year, there was recorded decreasing of demand on long-term loans to large corporates. However, in the second half of the 2008, banks do not expect a significant change in demand on loans, in spite of the tightening of credit standards, rather they expect partial increase of demand on loans to the small and medium sized enterprises.

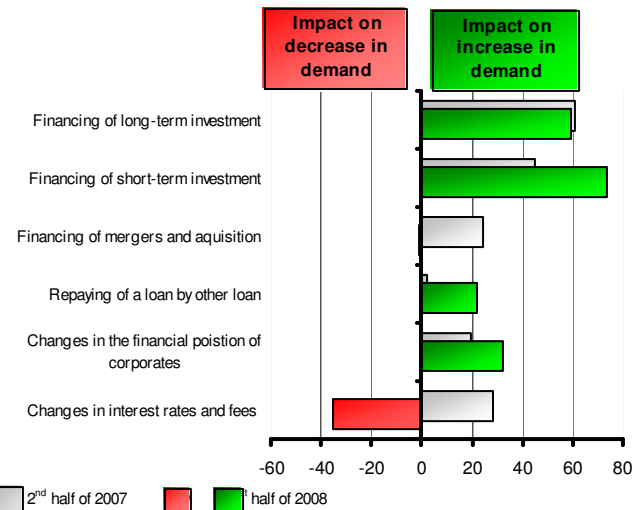
Chart 7 Changes in the demand for corporate loans



The vertical axis represents the net percentage share of banks.

The financing of short-term investment had the most important influence to the increase of demand on corporate loans in comparison to the previous half of the year (what is also the change against previous time periods). Between other factors, that influenced increase of demand, we can mention financing of long-term investment, changes in the financial position of corporates as well as repaying of a loan by other loan. Increase in interest rates and fees had impact on decrease in demand (mainly in demand on long-term loans to large corporates).

Chart 8 Factors influencing changes in demand for corporate loans



The horizontal axis represents the net percentage share of banks.

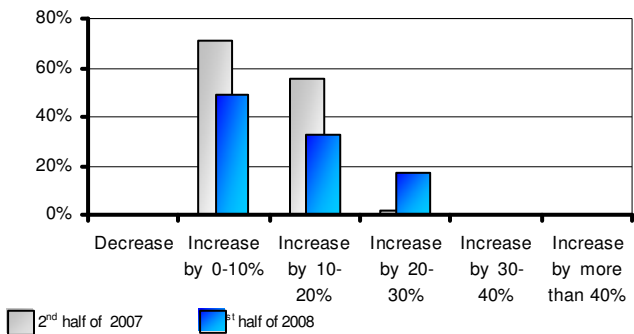
Household loans

Household loan market

The increase of household loans continued in the first half of 2008. From the second half of 2007, their volume increased by 13%.

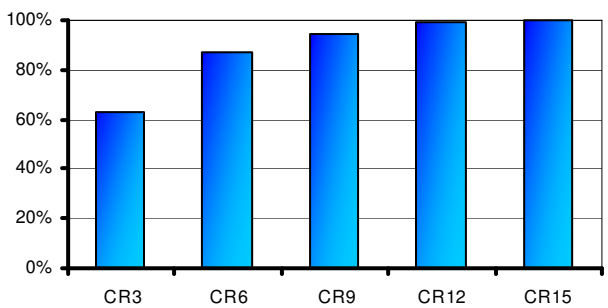
Three largest banks with the share 63% on the total household loans hold the predominant position in the retail market. However, as we can see in the Chart 9, the increase of household credit growth was evenly distributed in the first half of 2008.

Chart 9 Distribution of household credit growth in the first half of 2008



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

Chart 10 Concentration of household loans in the banking sector



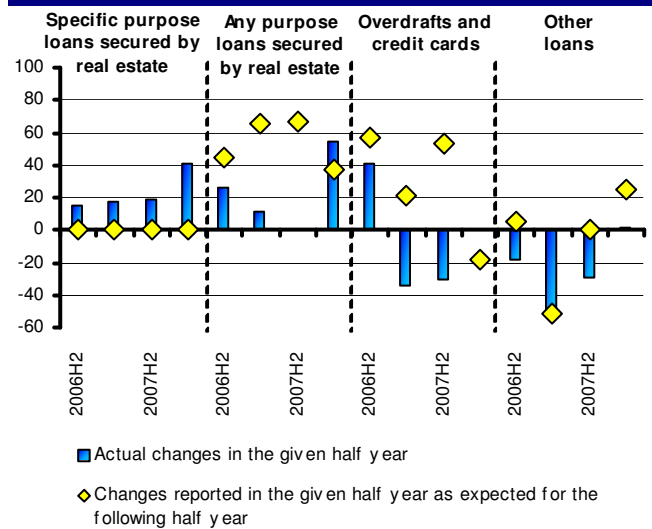
CRk index expresses the share of loans granted by k banks with the highest volume of the household loans on the total volume of the household loans.

Changes in the supply

Banks partially eased their credit standards on both specific purpose loans and any purpose loans, secured by the real estate, in comparison to

the second half of 2007. Credit standards related to the overdrafts, credit cards and other loans remained unchanged in majority of cases. In the next half of the year banks do not expect substantial change of credit standards in granting loans secured by the real estate, while in granting any purpose loans secured by the real estate and other loans they expect partial easing of credit standards and in granting overdrafts and credit cards the tightening of the credit standards.

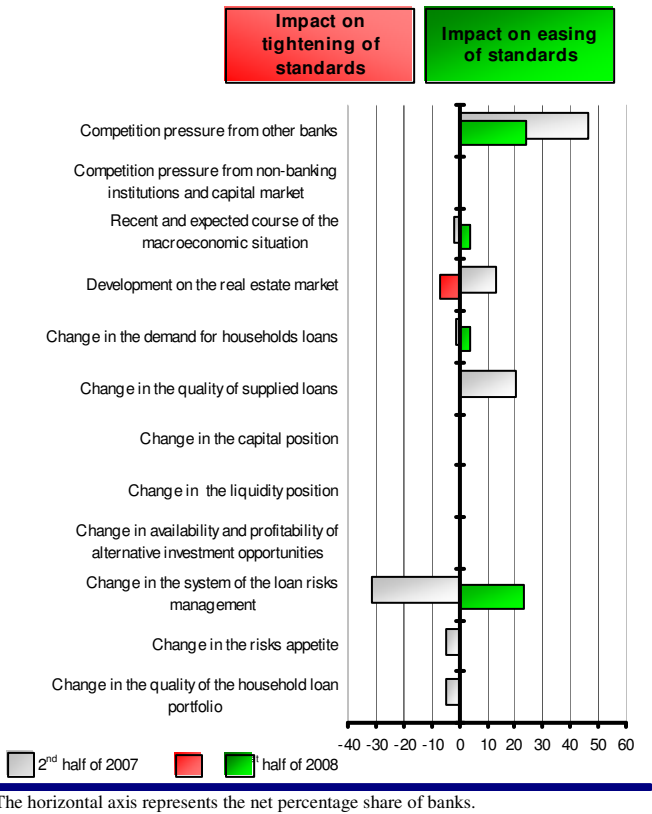
Chart 11 Changes in credit standards on loans to households



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

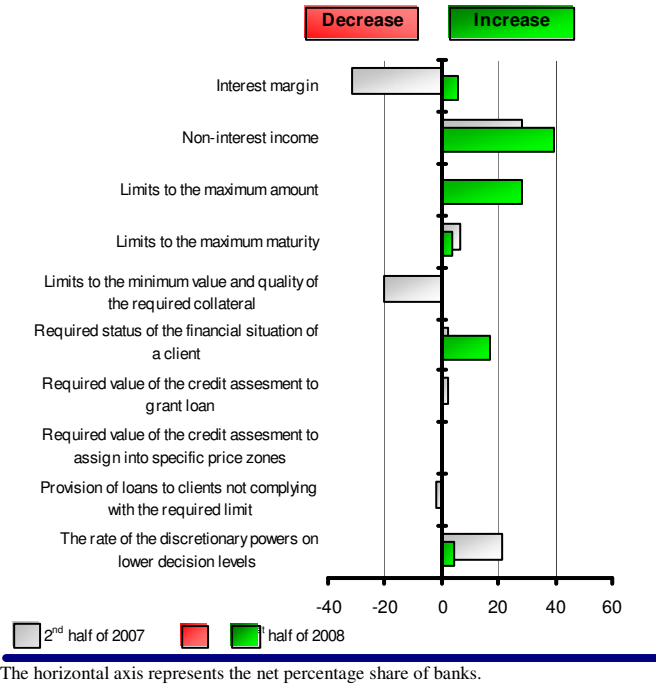
Especially two factors influenced the partial easing of credit standards in the first half of 2008: continuing competition pressure from other banks (24%) as well as changes in the system of the credit risk management (23%). Expected course of the macroeconomic situation and changes in the demand for household loans had minor influence. On the other hand, partial tightening of the credit standards was influenced by the development on the real estate market.

Chart 12 Factors influencing changes in credit standards on household loans



Changes in specific terms on household loans appeared mainly in the areas of increasing of non-interest income and limits to the maximum amount of the loan. On the other hand, tightening of the credit standards in some banks arised from increasing of the required status of the financial situation of a client. In comparison with the previous half a year, interest margin from loans increased.

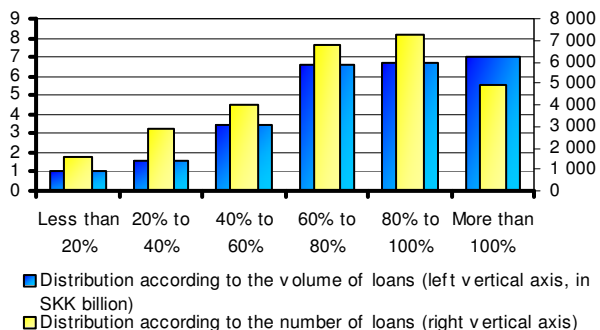
Chart 13 Changes in specific terms on household loans



Credit protection of the loans

In comparison to the second half of 2007, distribution of loan-to-value ratio decreased in all categories with LTV up to 40% in the first half of 2008. The most noticeable decrease we can see in the last category with LTV more than 100%. A change arised also in the distribution according to the number of loans, where number of loans decreased in the categories with LTV from 60% to 80% and more than 100% and it increased in category with LTV from 80% to 100%, in comparison to the previous period.

Chart 14 Distribution of loan-to-value ratio (housing loans granted in the first half of 2008)



estate, changes in the volume of expenditures for other consumption as well as changes in the development on the real estate market and changes in macroeconomic outlook were the main factors that influenced the demand for household loans in the first half of 2008. Compare to the previous half of the year, changes in the income volume, changes in the volume of expenditures for other consumption and financing with loans from other banks increased. The impact of other mentioned factors on demand for household loans has decreased.

Changes in the demand

In the first half of 2008, the easing of credit standards was partially influenced by the demand for household loans, where, in comparison to the second half of 2007, we can see the increase of retail loans in all categories. The highest increase of demand was recorded in specific purpose loans secured by real estate (almost 93% net percentage share); however, any purpose loans secured by real estate (60,2%) and credit cards recorded also considerable increase. In the next half of the year, banks expect another increase in the demand for household loans in all categories.

Chart 16 Factors influencing changes in demand for household loans

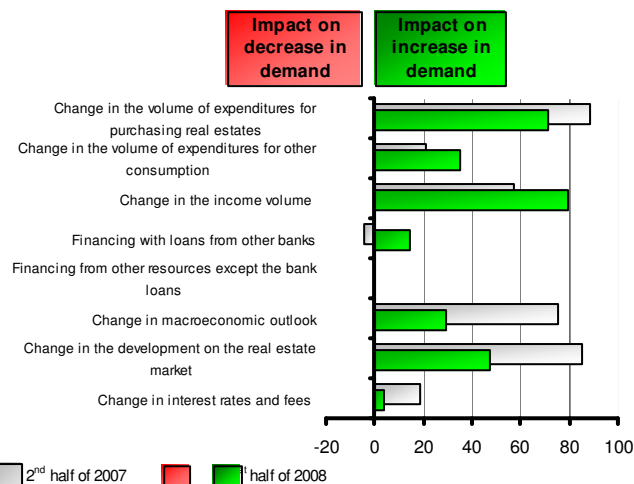
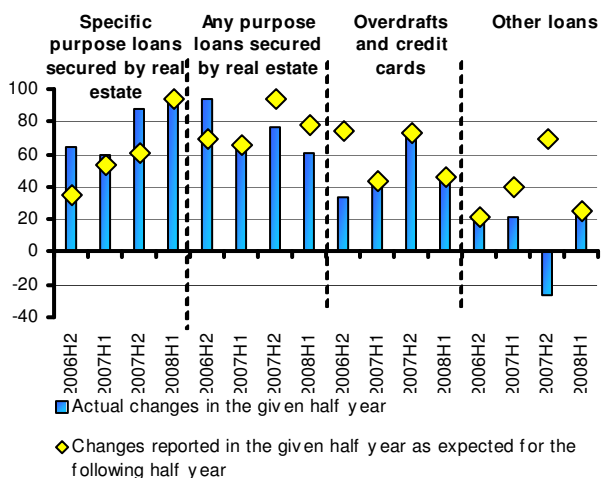


Chart 15 Changes in the demand for household loans



The vertical axis represents the net percentage share of banks.

Changes in the income volume and changes in the volume of expenditures for purchasing real