

# Bank Lending Survey for Bosnia and Herzegovina (Report for the first quarter of 2022)

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## Introduction

The results of bank lending survey (BLS) relate to changes observed during the first quarter of 2022 and expectations for the second quarter of 2022. The survey was conducted between 15 and 20 April 2022. Due to status changes in the first quarter of 2022, one bank has been excluded from the representative sample of banks, which previously consisted of the 8 largest banks in Bosnia and Herzegovina. A total of 7 banks were surveyed in this round and a response rate was 100%.

### *1 General notes*

The BLS questionnaire contains 16 standard questions on realized and expected future developments on the supply and demand side of loans: 4 forward-looking questions and 12 backward-looking questions. Those questions distinguish between three loan categories: loans or credit lines to enterprises; household loans for housing purchase; and consumer and general purpose loans. For all three categories, questions are asked about the credit standards applied to the approval of loans, the change of terms and conditions of new loans approval, loan demand, the factors affecting loan supply and demand conditions, and the percentage of loan applications being rejected. Survey questions are generally phrased in terms of changes over the past three months or expected changes over the next three months. Survey participants are asked to indicate in a qualitative way the strength of any tightening or easing (for standards and conditions) or the strength of any decrease or increase (for demand), reporting changes using the following five-point scale: (1) tightened/decreased considerably, (2) tightened/decreased somewhat, (3) basically no change, (4) eased/increased somewhat or (5) eased/increased considerably.

The responses of the individual banks participating in the BLS are aggregated and processed to form results for whole banking sector in Bosnia and Herzegovina.

The results of the survey are presented as a net percentage. The net percentage for answers to questions about credit standards is defined as the difference between the total share of the banks answering that credit standards were "significantly eased" and "moderately eased" and the total share of the banks answering "significantly tightened" and "moderately tightened".

A negative net percentage indicates that a larger proportion of banks has tightened credit standards ("net tightening"), whereas a positive net percentage indicates that a larger proportion of banks has eased credit standards ("net easing").

Likewise, the term "net demand" refers to the difference between the percentage of banks reporting an increase in loan demand and the percentage of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks has reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks has reported a decline in loan demand.

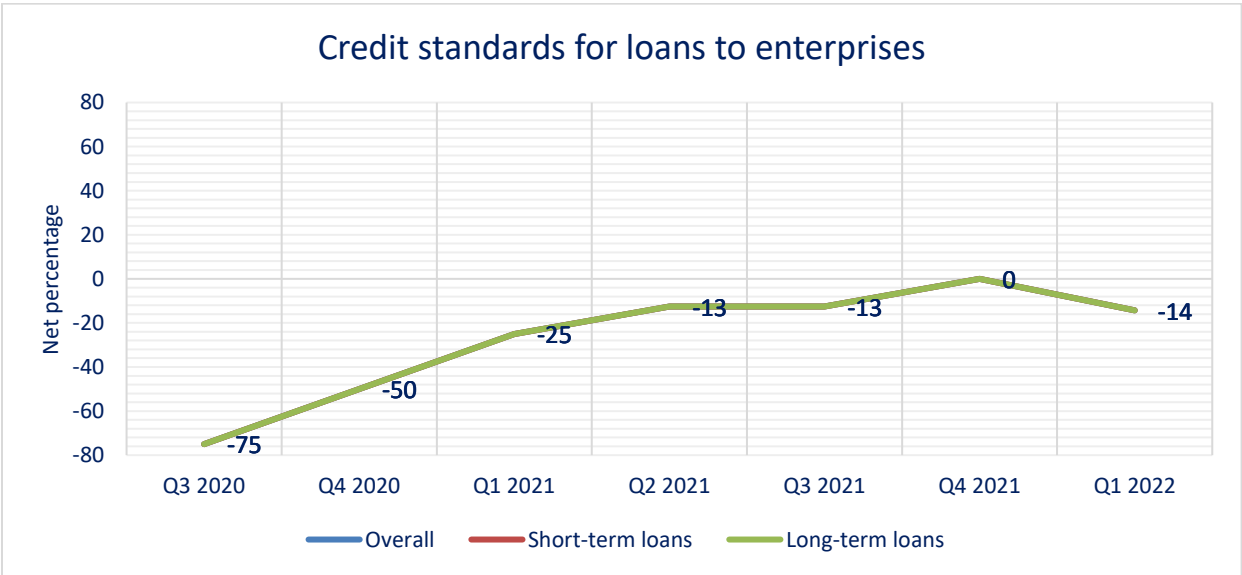
In addition to the “net percentage” indicator, the CBBH also publishes diffusion index as an alternative measure of banks’ responses to questions relating to changes in credit standards and net demand. The diffusion index is constructed in the following way: respondents who have answered “considerably” are given a score of 1, which is twice as large as that given to respondents who have answered “somewhat” (score of 0.5). The interpretation of the diffusion index follows the same logic as the interpretation of net percentages.

**2 Loans to enterprises**

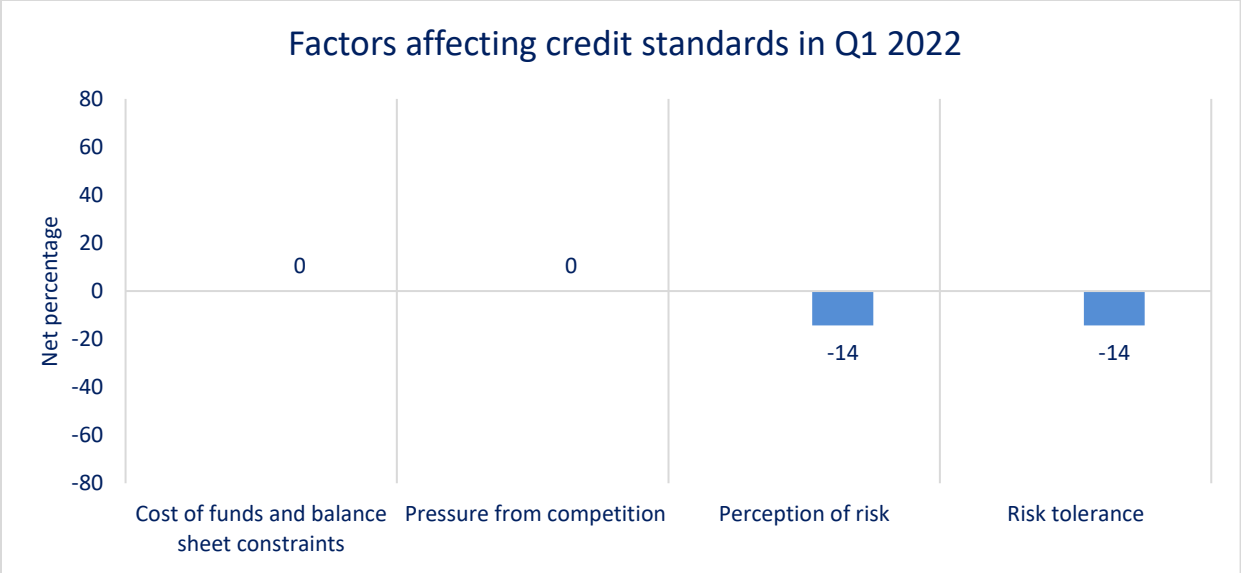
**2.1 Supply**

**2.1.1 Credit standards for loans to enterprises**

Credit standards for loans to enterprises slightly tightened in the first quarter of 2022 (net percentage -14%). A slight tightening of credit standards is observed for approval of both short-term loans and long-term loans to enterprises (see Appendix, Question 1).

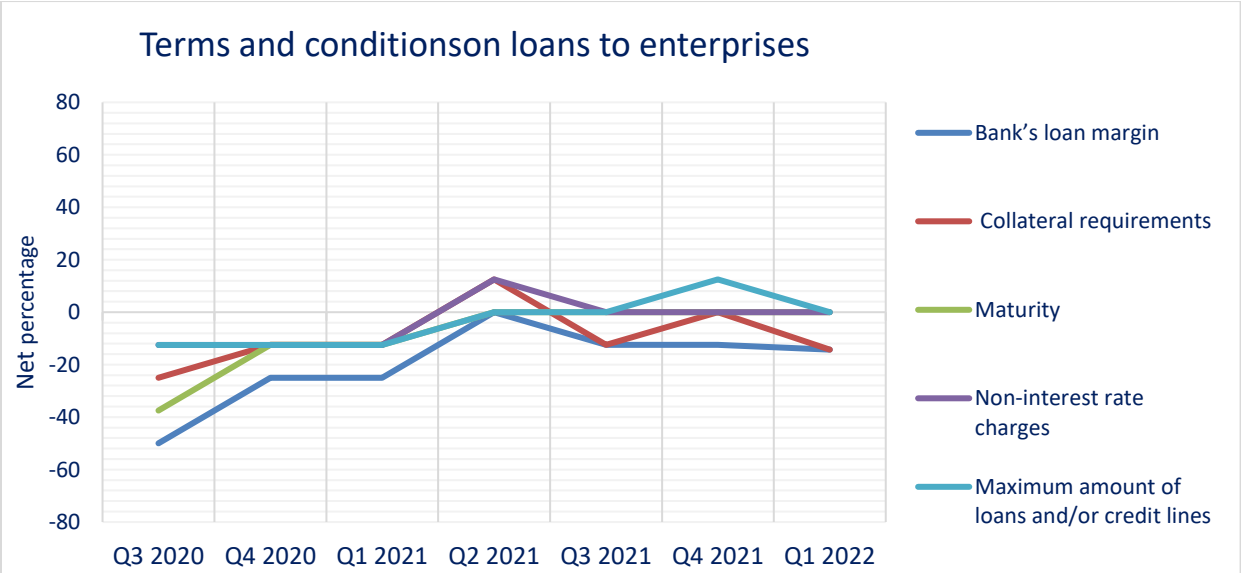


This tightening of the standards was mainly driven by risk perception and risk tolerance (net percentage -14%). Other factors, costs of funds and balance sheet constraints and pressure from competition had no impact on banks’ credit standards as applied in the process of the approval of loans and/or credit lines to enterprises (see Appendix, Question 2).



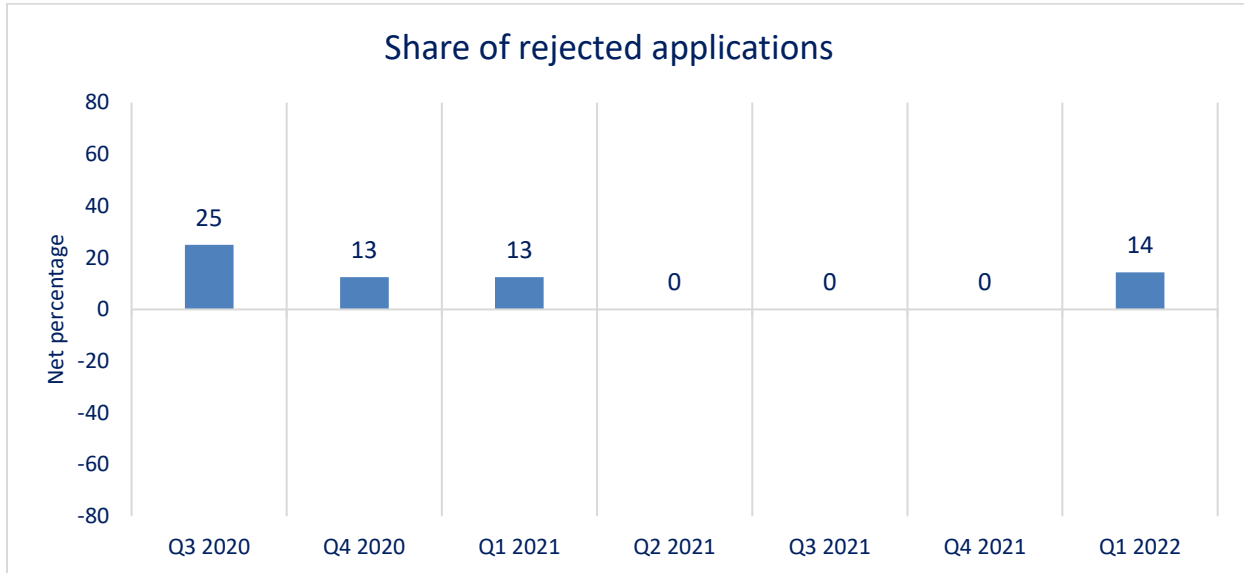
**2.1.2 Terms and conditions on loans to enterprises**

In the first quarter of 2022, the conditions for approving loans to enterprises were slightly changed (i.e. contractual provisions from loan contracts), related to bank’s loan margin and the collateral requirements. The net percentage for bank’s loan margin and the collateral requirements was -14%. Other conditions for loan approvals to enterprises remained the same compared to the previous quarter (see Appendix, Question 3).



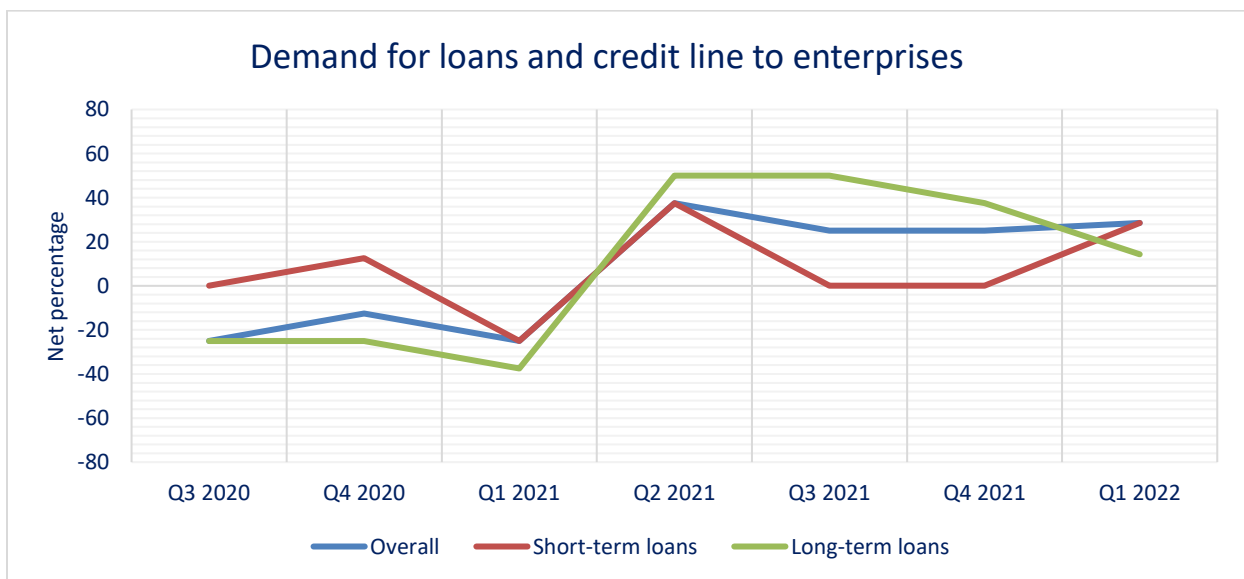
### 2.1.3 Share of rejected application for loans to enterprises

In the first quarter of 2022, banks reported slightly net increase in the share of rejected applications for loans to enterprises compared to previous quarter (see Appendix, Question 4).

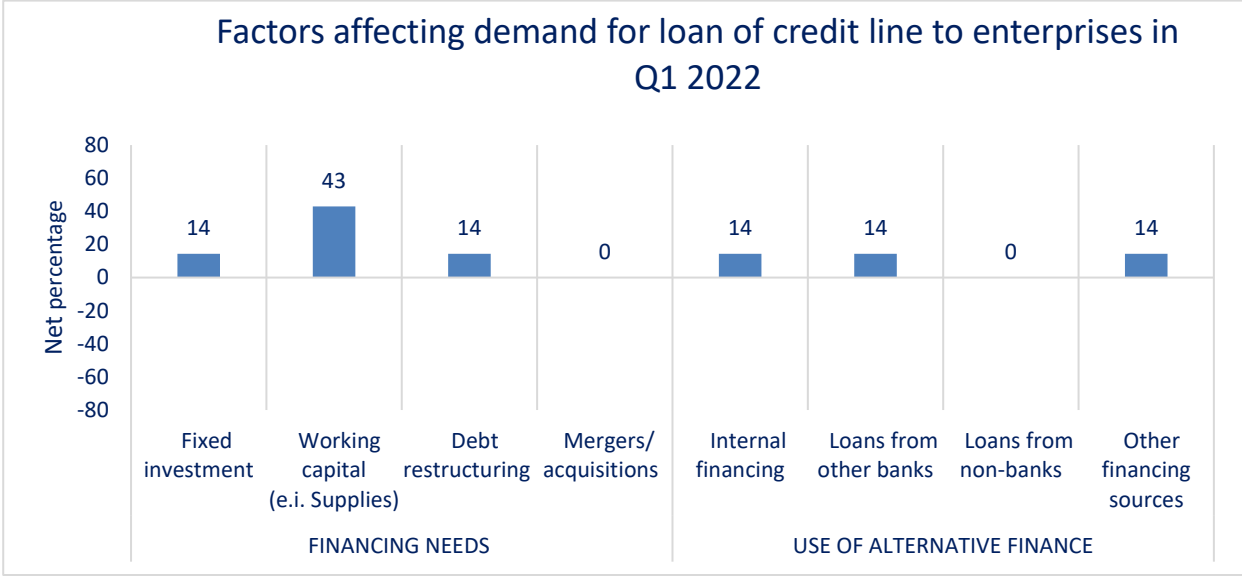


### 2.2 Demand for loans and/or credit lines to enterprises

Enterprise demand for loans and / or credit lines continued to grow in the first quarter of 2022, with a slightly larger increase in demand for short-term than long-term loans (see Appendix question 5).



Banks reported that financing needs for fixed investment in their clients' working capital and debt restructuring contributed to higher enterprises demand for loans in the first quarter of 2022. Also, regarding the use of alternative financing sources had positive impact on demand, except for loans from non-bank financial institutions that had no impact on demand of enterprises for loans and/or credit lines (see Appendix, Question 6).



**Expectations for the second quarter of 2022**

Concerning the expectations for the second quarter, the net result from the collected answers indicates slight easing of credit standards for approval of short-term loans to enterprises, unlike the standards applied to long-term loans, where a slight tightening is expected (see Appendix, Question 7).

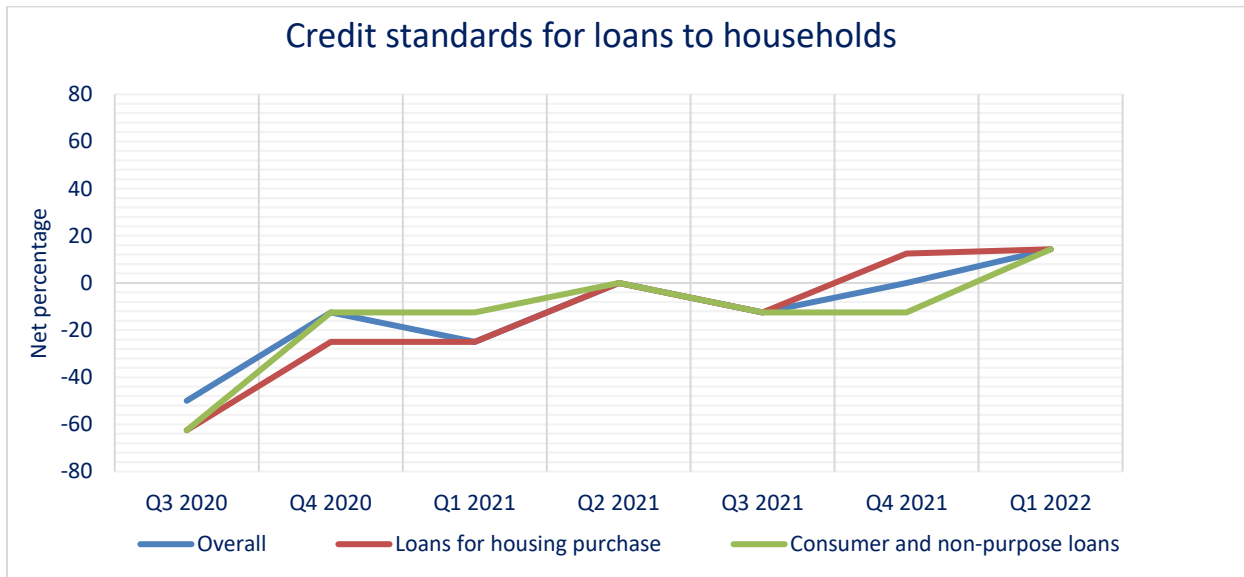
Banks expect that the upward trend in the demand for both short-term and long-term loans to enterprises will continue in the second quarter of 2022 (see Appendix, Question 8), with slightly higher demand for short-term than long-term loans and / or credit lines to enterprises (more banks expect an increase in demand for short-term than long-term loans).

### 3 Loans to households

#### 3.1 Supply

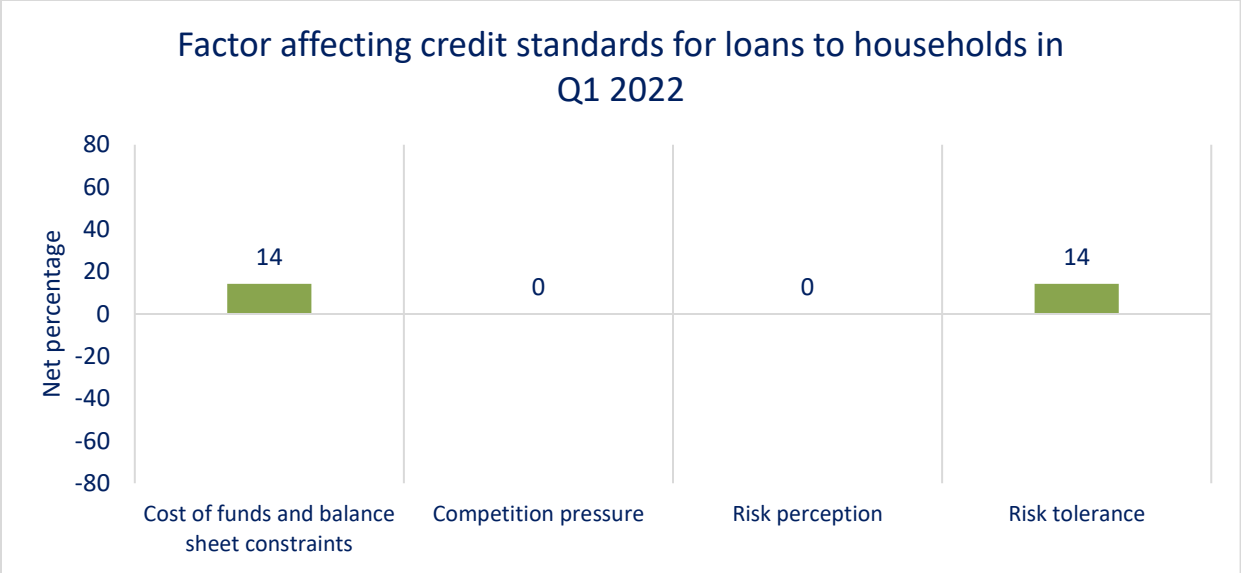
##### 3.1.1 Credit standards for loans to households

The net percentage of changes in the first quarter of 2022 indicate slight easing of credit standards (i.e. internal guidelines or credit approval criteria) for loans for housing purchase as well as consumer and non-purpose loans (see Appendix, Question 9).



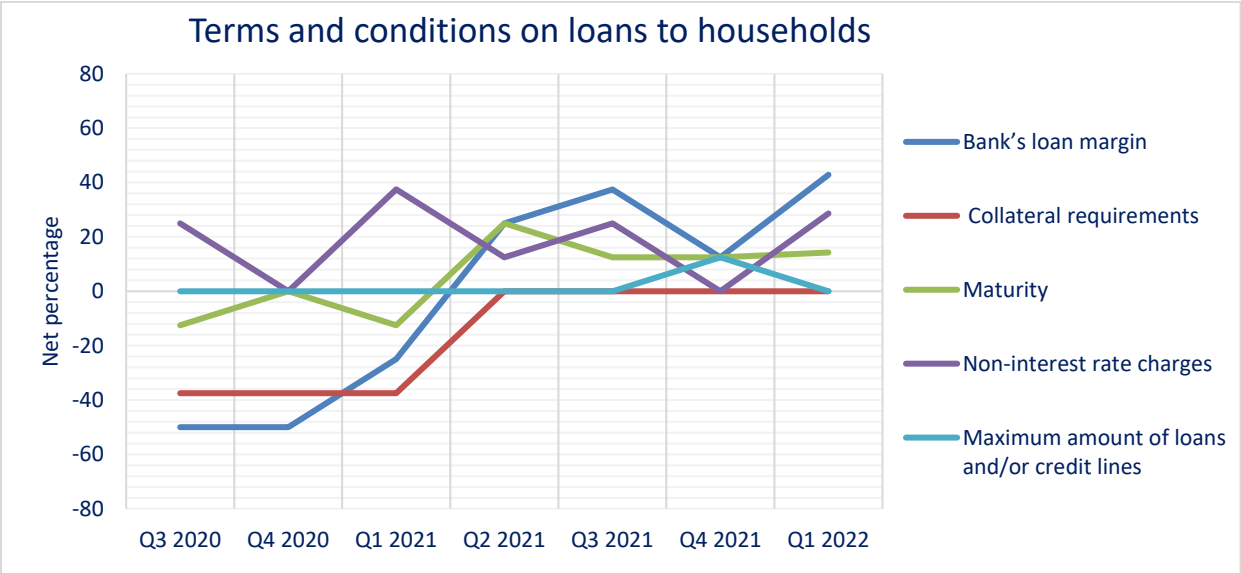
According to the banks' report, the easing of the standards was mainly driven by banks' risk tolerance and cost of funds and balance sheet constraints, while other factors remain unchanged and had no impact on banks' credit standards as applied in the process of the approval of loans to households (see Appendix, Question 10).





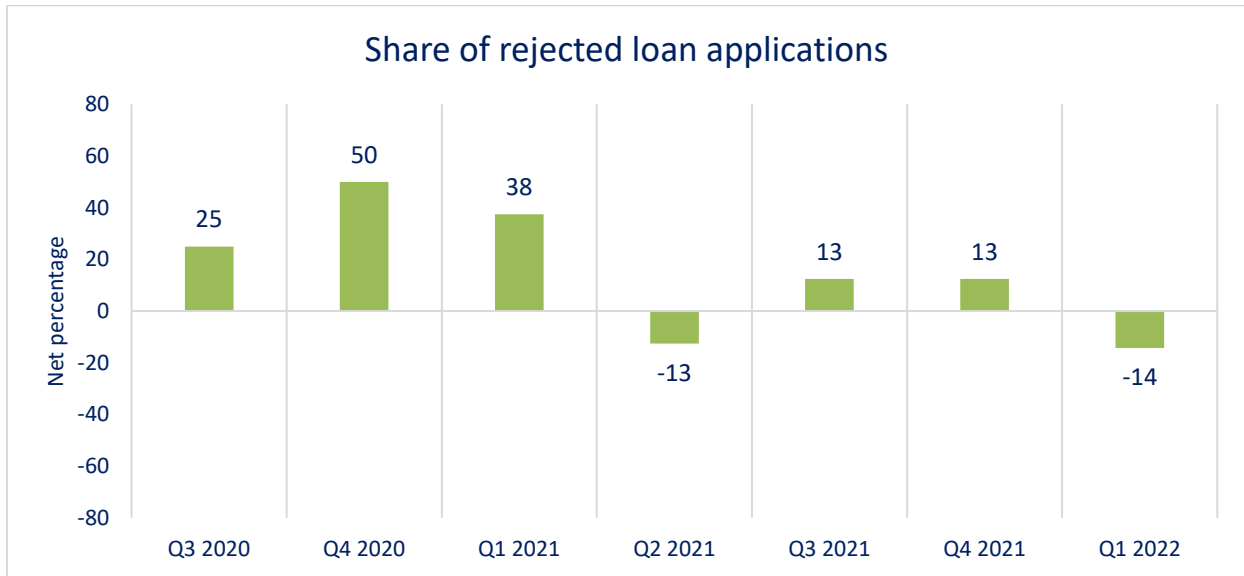
**3.1.2 Terms and conditions on loans to households**

Banks' terms and conditions (i.e. banks' actual terms and conditions agreed in the loan contract) for loans approvals to households were eased in the first quarter of 2022. This easing is related to lower bank's loan margins and non-interest rate charges, as well as slightly eased maturity, while collateral requirements and the maximum loan amount remained unchanged (see Appendix, Question 11).



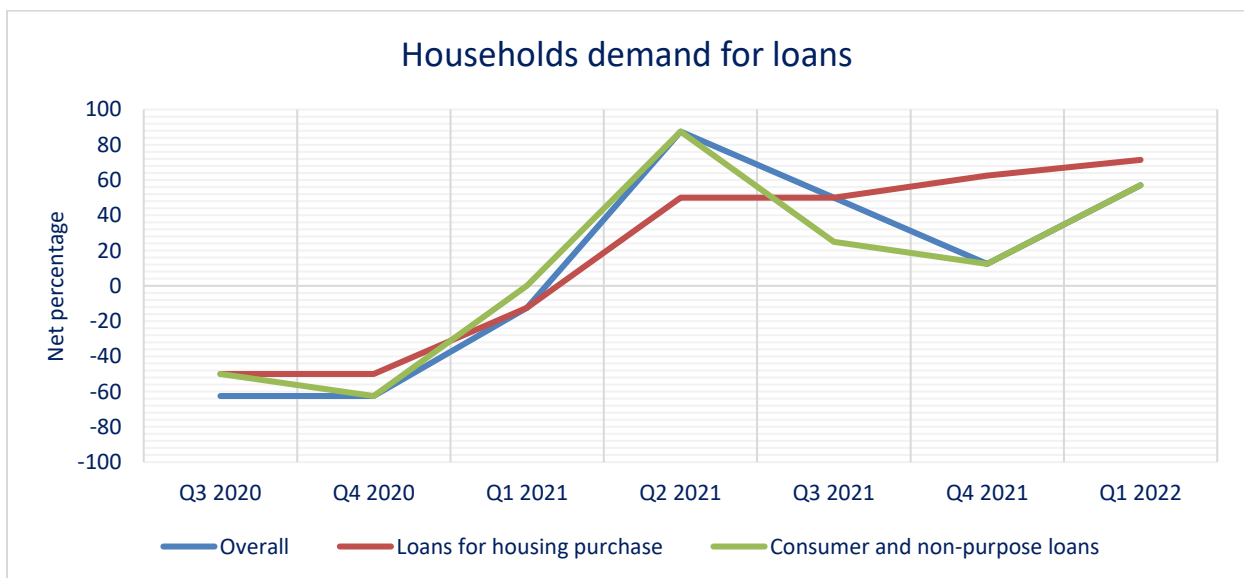
### 3.1.3 Share of rejected application for loans to households

In the first quarter of 2022, banks indicated a slight net decrease of the share of rejected household loan applications (see Annex, Question 12).

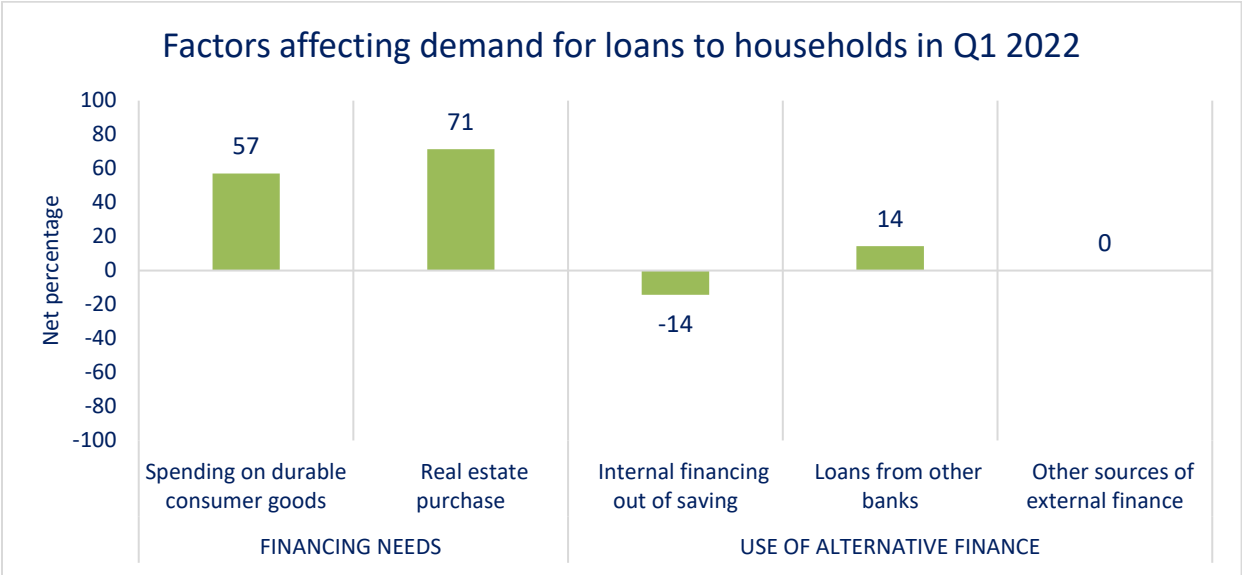


### 3.2. Demand for loans to households

Banks reported that household demand for loans increased in the first quarter of 2022, which is in line with expectations from the previous round of reporting. The increase in demand for housing loans is very pronounced, while the increase in demand for consumer and general purpose loans is somewhat smaller (see Appendix, Question 13).



During the first quarter of 2022, financial needs for spending on durable consumer goods and real estate purchases had a positive contribution to demand for loans. From the standpoint of alternative financing, internal financing out of saving stand out as a factor with a negative effect on household demand for loans (see Appendix, Question 14).



**Expectations for the second quarter of 2022**

Based on the question on expectations, banks predict that there will be no changes in credit standards for loans for housing purchase, while banks expect easing of credit standards for consumer and general purpose loans in the second quarter of 2022 (see Appendix, question 15).

Banks have a rather optimistic view of household demand for loans in the second quarter of 2022. Therefore, the increase in the demand is expected for consumer and general purpose loans as well as for loans for housing purchase (see Annex, Question 16).

## ANNEX

### Consolidated answers of banks for the first quarter of 2022, related to the questions from the survey questionnaire

#### I. Loans or credit lines to enterprises

1. Over the past three months, how have your bank's credit standards as applied to the approval of loans and/or credit lines to enterprises, changed?

(in percentages)	Overall	Short-term loans	Long-term loans
Tightened considerably	0	0	0
Tightened somewhat	14	14	14
Remained basically unchanged	86	86	86
Eased somewhat	0	0	0
Eased considerably	0	0	0
Total	100	100	100
Net percentage	-14	-14	-14
Diffusion index	-7	-7	-7

2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans and/or credit lines to enterprises?

(in percentages)	Cost of funds and balance sheet constraints	Pressure from competition	Perception of risk	Risk tolerance
Contributed considerably to tightening	0	0	0	0
Contributed somewhat to tightening	0	0	14	14
Contributed to keeping basically unchanged	100	100	86	86
Contributed somewhat to easing	0	0	0	0
Contributed considerably to easing	0	0	0	0
Total	100	100	100	100
Net percentage	0	0	-14	-14
Diffusion index	0	0	-7	-7

3. Over the past three months, how have your bank's terms and conditions for new loans and/or credit lines to enterprises changed?

(in percentages)	Bank's loan margin (higher margins = tightening, lower margins = easing)	Collateral requirements	Maturity	Non-interest rate charges	Maximum amount of loans and/or credit lines
Tightened considerably	0	0	0	0	0
Tightened somewhat	14	14	0	0	0
Remained basically unchanged	86	86	100	100	100
Eased somewhat	0	0	0	0	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	-14	-14	0	0	0
Diffusion index	-7	-7	0	0	0

4. Over the past three months (apart from normal seasonal fluctuations), has the share of enterprise loan applications that were completely rejected by your bank increased, remained unchanged or decreased?\*

(in percentages)	Share of rejected applications
Decreased considerably	0
Decreased somewhat	0
Remain basically unchanged	86
Increased somewhat	14
Increased considerably	0
Total	100
Net percentage	14
Diffusion index	7

\*Since the second quarter of 2021, there were changes in the analysis of the share of rejected loan applications compared to previous quarters. Instead of the number of rejected loan applications, an information on the change of volume of rejected loans applications during the observed quarter is provided.

5. Over the past three months (apart from normal seasonal fluctuations), how has the demand for loans and/or credit lines to enterprises changed at your bank?

(in percentages)	Overall	Short-term loans	Long-term loans
Decreased considerably	0	0	0
Decreased somewhat	0	0	14
Remain basically unchanged	71	71	57
Increased somewhat	29	29	29
Increased considerably	0	0	0
Total	100	100	100
Net percentage	29	29	14
Diffusion index	14	14	7

6. Over the past three months (apart from normal seasonal fluctuations), how have the following factors affected the overall demand for loans and/or credit lines to enterprises?

(in percentages, unless otherwise stated)	FINANCING NEEDS				USE OF ALTERNATIVE FINANCE			
	Fixed investment	Working capital (e.i. Supplies)	Debt restructuring	Mergers/acquisitions	Internal financing	Loans from other banks	Loans from non-banks	Other financing sources
Contributed considerably to lower demand	0	0	0	0	0	0	0	0
Contributed somewhat to lower demand	14	0	0	0	0	0	0	0
Contributed to keeping basically unchanged	57	57	86	100	86	86	100	86
Contributed somewhat to higher demand	29	43	14	0	14	14	0	14
Contributed considerably to higher demand	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100
Net percentage	14	43	14	0	14	14	0	14
Diffusion index	7	21	7	0	7	7	0	7

7. Please indicate how you expect your bank's credit standards as applied to the approval of loans and/or credit lines to enterprises to change over the next three months?

(in percentages)	Overall	Short-term loans	Long-term loans
Tighten considerably	0	0	0
Tighten somewhat	14	0	29
Remained basically unchanged	71	86	57
Ease somewhat	14	14	14
Ease considerably	0	0	0
Total	100	100	100
Net percentage	0	14	-14
Diffusion index	0	7	-7

8. Please indicate how you expect demand for loans and/or credit lines to enterprises to change over the next three months at your bank (apart from normal seasonal fluctuations)?

(in percentages, unless otherwise stated)	Overall	Short-term loans	Long-term loans
Decrease considerably	0	0	0
Decrease somewhat	14	14	29
Remain basically unchanged	43	43	29
Increase somewhat	43	43	43
Increase considerably	0	0	0
Total	100	100	100
Net percentage	29	29	14
Diffusion index	14	14	7

## II. Loans to households

9. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed?

(in percentages, unless otherwise stated)	Overall	Loans for housing purchase	Consumer and non-purpose loans
Tightened considerably	0	0	0
Tightened somewhat	0	0	0
Remained basically unchanged	86	86	86
Eased somewhat	14	14	14
Eased considerably	0	0	0
Total	100	100	100
Net percentage	14	14	14
Diffusion index	7	7	7

10. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households?

(in percentages)	Cost of funds and balance sheet constraints	Pressure from competition	Perception of risk	Risk tolerance
Contributed considerably to tightening	0	0	0	0
Contributed somewhat to tightening	0	0	0	0
Contributed to keeping basically unchanged	86	100	100	86
Contributed somewhat to easing	14	0	0	14
Contributed considerably to easing	0	0	0	0
Total	100	100	100	100
Net percentage	14	0	0	14
Diffusion index	7	0	0	7

11. Over the past three months, how have your bank's terms and conditions for new loans to households changed?

(in percentages)	Bank's loan margin (higher margins =tightening, lower margins = easing)	Collateral requirements	Maturity	Non-interest rate charges	Maximum amount of loans
Tightened considerably	0	0	0	0	0
Tightened somewhat	0	0	0	0	0
Remained basically unchanged	57	100	86	71	100
Eased somewhat	43	0	14	29	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	43	0	14	29	0
Diffusion index	21	0	7	14	0

12. Over the past three months (apart from normal seasonal fluctuations), has the share of households loan applications, that were completely rejected by your bank increased, remained unchanged or decreased?\*

(in percentages)	Share of rejected applications
Decreased considerably	0
Decreased somewhat	14
Remain basically unchanged	86
Increased somewhat	0
Increased considerably	0
Total	100
Net percentage	-14
Diffusion index	-7

\*Since the second quarter of 2021, there were changes in the analysis of the share of rejected loan applications compared to previous quarters. Instead of the number of rejected loan applications, an information on the change of volume of rejected loans applications during the observed quarter is provided.

13. Over the past three months (apart from normal seasonal fluctuations), how has the demand for loans to households changed at your bank?

(in percentages)	Overall	Loans for housing purchase	Consumer and non-purpose loans
Decreased considerably	0	0	0
Decreased somewhat	14	0	14
Remain basically unchanged	14	29	14
Increased somewhat	71	57	71
Increased considerably	0	14	0
Total	100	100	100
Net percentage	57	71	57
Diffusion index	29	43	29

14. Over the past three months (apart from normal seasonal fluctuations), how have the following factors affected the overall household demand for loans?

(in percentages, unless otherwise stated)	FINANCING NEEDS		USE OF ALTERNATIVE FINANCE		
	Spending on durable consumer goods, such as cars, furniture, etc.	Real estate purchase	Internal financing out of saving	Loans from other banks	Other sources of external finance
Contributed considerably to lower demand	0	0	0	0	0
Contributed somewhat to lower demand	14	0	14	0	0
Contributed to keeping basically unchanged	14	29	86	86	100
Contributed somewhat to higher demand	71	71	0	14	0
Contributed considerably to higher demand	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	57	71	-14	14	0
Diffusion index	29	36	-7	7	0

15. Please indicate how you expect your bank's credit standards as applied to the approval of households loans to change over the next three months?

(in percentages, unless otherwise stated)	Overall	Loans for housing purchase	Consumer and non-purpose loans
Tighten considerably	0	0	0
Tighten somewhat	14	14	0
Remained basically unchanged	71	71	86
Ease somewhat	14	14	14
Ease considerably	0	0	0
Total	100	100	100
Net percentage	0	0	14
Diffusion index	0	0	7



16. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations)?

(in percentages, unless otherwise stated)	Overall	Loans for housing purchase	Consumer and non-purpose loans
Decrease considerably	0	0	0
Decrease somewhat	14	0	14
Remain basically unchanged	29	57	14
Increase somewhat	57	43	57
Increase considerably	0	0	14
Total	100	100	100
Net percentage	43	43	57
Diffusion index	21	21	36