

# Credit Conditions Survey

IV Quarter, 2022



საქართველოს ეროვნული ბანკი  
National Bank of Georgia

The National Bank of Georgia has been conducting a quarterly credit conditions survey since 2013. The survey is conducted through an online platform, and the respondents are senior managers of the banking sector. The purpose of the survey is to obtain information from respondents on current and future trends in lending. In particular, the survey includes questions about demand on loans and changes in interest and non-interest terms of lending to individuals and legal entities, as well as questions about the factors causing these changes.

The questionnaire consists of only qualitative questions and does not require quantitative evaluation by respondents. In order to convert information into quantitative units, the methodology of balance sheet statistics is used. The index ranges from -100 to 100. 100 indicates that 100% of respondents perceive a significant improvement in the trend, while the Index -100 indicates that 100% of respondents perceive a significant deterioration. 0 means that the trend has not changed compared to the previous quarter. When calculating the index, the answers of the respondents are given equal weight, regardless of the size of the bank.

Based on the analysis of the survey results, a report is prepared, which is published quarterly. In addition to the final results of the survey, this report includes official statistical information on lending trends.

The expectations presented in this report reflect only the assessment of the respondents of the credit conditions survey on the future trend of lending and not the expectations of the representatives of the National Bank of Georgia.

# Credit Conditions Survey

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## Summary

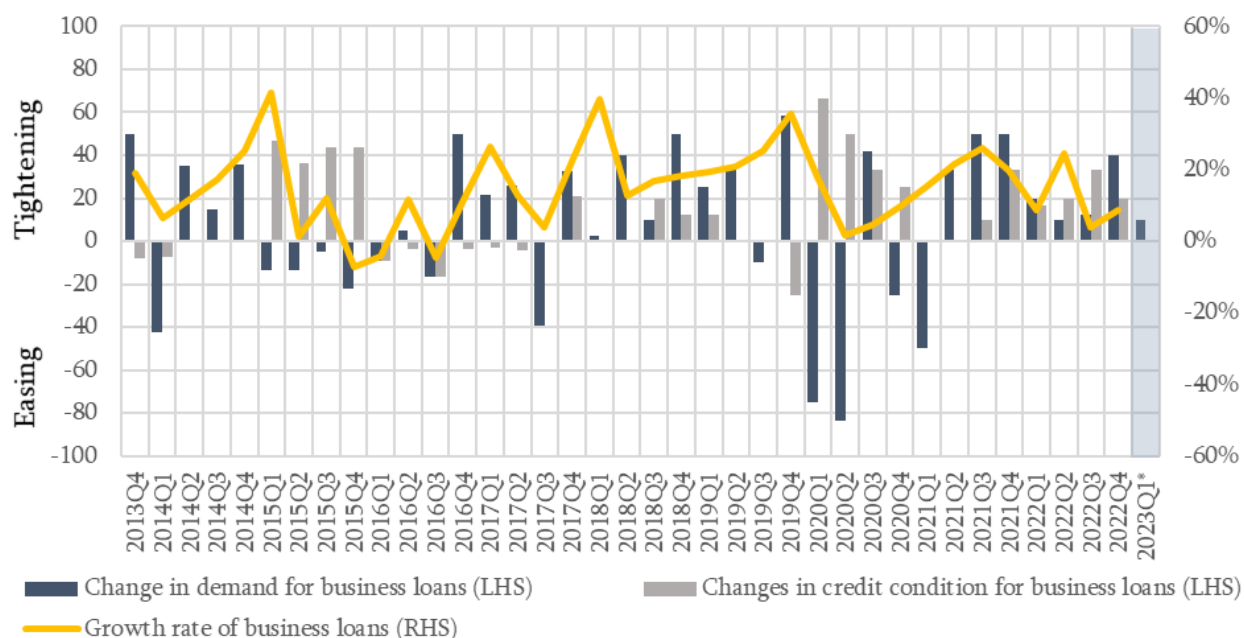
According to the credit conditions survey, in the fourth quarter of 2022, compared to the previous quarter, the demand for business loans increased slightly. Representatives of the banking sector do not expect significant changes of demand for business loans in the next quarter. According to the same survey, in the fourth quarter of 2022, compared to the previous quarter, interest rate conditions for foreign currency loans have tightened slightly, while non-interest rate conditions for business loans did not change significantly. Tightening of interest rate conditions was mainly driven by tightening of monetary policy by Federal Reserve Bank and European Central Bank and increase in cost of funds. In the next quarter, representatives of the banking sector expect slight tightening of interest rate conditions for foreign currency business loans, while non-interest rate conditions are not expected to change.

According to the credit conditions survey, in the fourth quarter of 2022, compared to the previous quarter, the demand for retail loans increased slightly. Representatives of the banking sector expect slight increase in demand for retail loans in the next quarter. According to the survey, non-interest rate conditions for retail loans did not change significantly, while interest rate conditions have tightened slightly for domestic and foreign currency loans. Representatives of the banking sector expect slight tightening of interest rate conditions for foreign currency loans in the next quarter.

## Credit conditions and trends for business loans

According to the credit conditions survey, in the fourth quarter of 2022, compared to the previous quarter, the demand for business loans increased slightly. Representatives of the banking sector do not expect significant changes in demand for business loans in the first quarter of 2023. According to the data available to the National Bank, in the fourth quarter 2022, compared to previous quarter, the annualized growth rate<sup>1</sup> of business loan portfolio equaled 9%. In terms of currencies, the growth of the corporate loan portfolio was mainly driven by domestic currency loans. It is important to emphasize that the growth of business loans was primarily driven by an increase in loans issued to trade, transport and communication and manufacturing sectors. According to the survey, in the first quarter of 2023 significant changes in demand for business loans is not expected (see Figure 1).

Figure 1. Changes in demand for business loans and credit conditions<sup>2</sup>



Source: Credit conditions Survey, NBG.

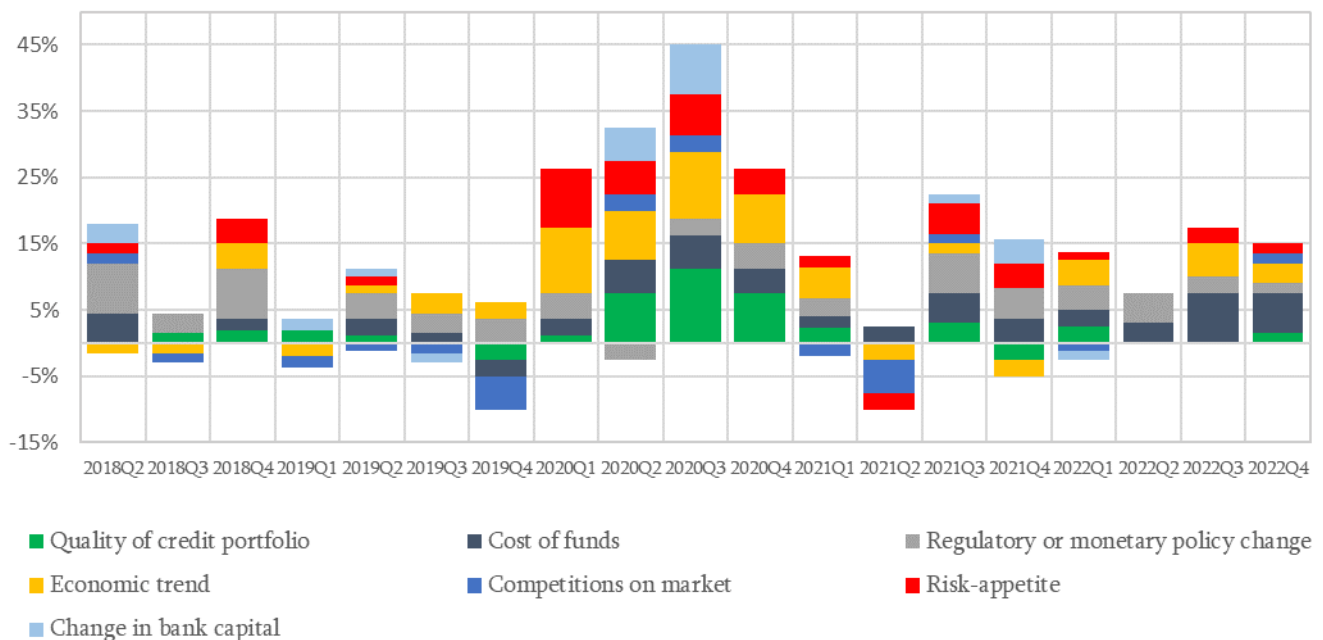
In the fourth quarter of 2022, compare to previous quarter, credit conditions for foreign currency business loans tightened slightly, which was caused by an increase in cost of funds. Slight tightening in credit conditions was mainly driven by increase in cost of funds (see Figure 2). According to the data available to the National Bank, non-interest rate conditions, such as loan limits did not change significantly, while loan maturity decreased slightly for loans issued in euro (see Figure 3). Representatives of the banking

<sup>1</sup> The data reflects the annualized growth of seasonally adjusted loans, excluding the exchange rate effect.

<sup>2</sup> The index of change in credit conditions and demand, ranges from -100 to 100. 100 indicates that 100% of respondents perceive a significant improvement in the trend, while the Index -100 indicates that 100% of respondents perceive a significant deterioration. 0 means that the trend has not changed compared to the previous quarter. 2023Q1\* indicates the expectations over the first quarter of 2023 of representatives of the banking sector.

sector do not expect significant changes in non-interest rate conditions in the next quarter. As for interest rate conditions, slight tightening was mainly driven by increase in monetary policy rates by Federal Reserve Bank and European Central Bank. In particular, according to the data available to the National Bank, in December, relative to September, the interest rate on large business loans issued in national currency within the month did not change significantly and equaled to 14.4%. As for foreign currency loans, in December compared to September, the interest rate for euro-denominated corporate loans increased by 1.0 pp to 8.4%, while the interest rates on corporate loans issued in USD increased by 1.9 pp and equaled 10.7%. For SME loans, the interest rates on national currency loans did not change significantly and amounted to 14.6%. While for the SME loans issued in euro and USD, interest rates increased slightly and stood at 6.7% and 7.6%, respectively (see Figure 3). According to the credit conditions survey, interest rate conditions tightened for fixed interest rate loans issued in foreign currency. Representatives of the banking sector expect slight increase in interest rate conditions for business loans issued in foreign currency in the next quarter.

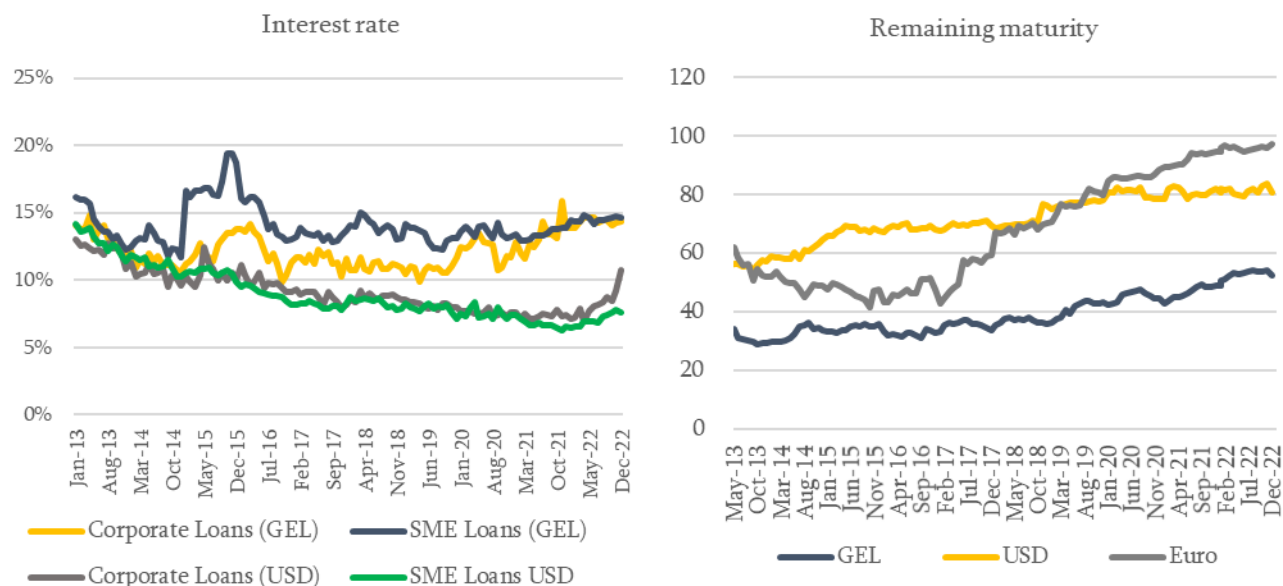
**Figure 2. Factors affecting changes in the credit conditions for business loans<sup>3</sup>**



Source: Credit conditions survey

<sup>3</sup> The figure shows the share of each factor in the change in credit conditions. The positive share indicates the share of the factor in tightening, while a negative one indicates a share in easing.

**Figure 3. Interest rates and remaining maturity for business loans<sup>4</sup>**



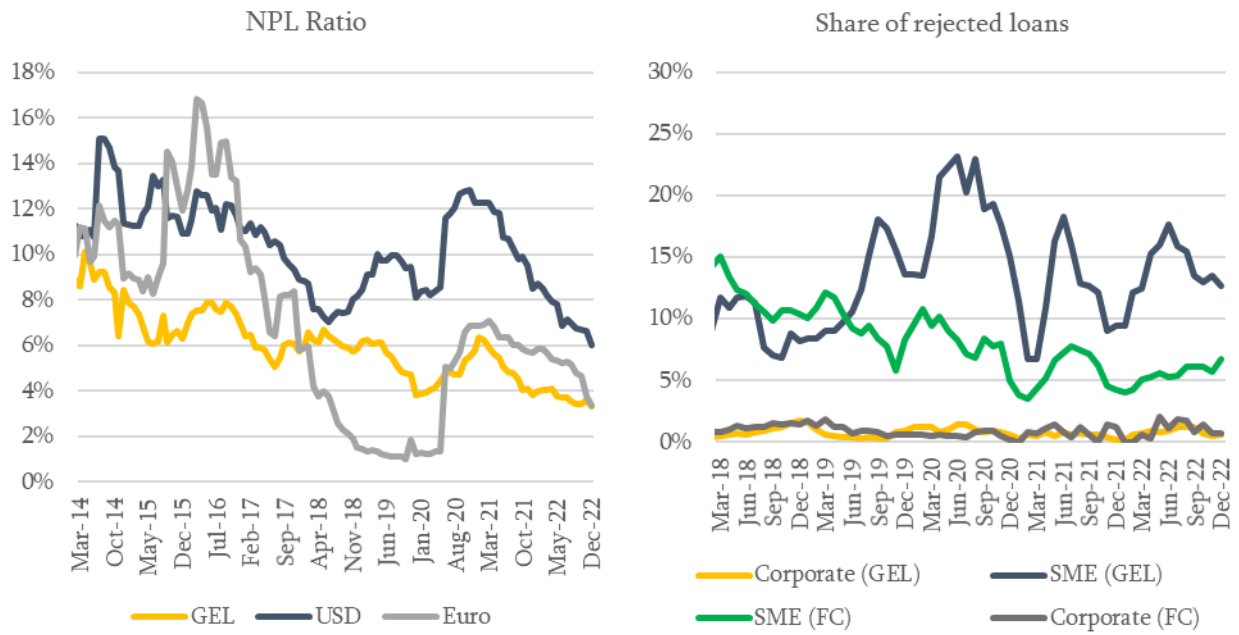
Source: NBG.

**In the fourth quarter of 2022, the share of non-performing loans (NPL) in business decreased somewhat.** In the fourth quarter, compared to the previous quarter, the overall share of NPLs in business loans equaled to 4%. In terms of currencies, it is important to indicate that the share of NPLs in business loans issued in domestic currency did not change significantly and stood at 3%, while the share of NPLs for loans issued in USD and in euro decreased and equaled to 6% and 3%, respectively (see Figure 4). According to the credit conditions survey, representatives of the banking sector do not expect significant change in the share of NPLs in business loans, in the next quarter. It is noteworthy that the share of restructured loans in the fourth quarter of 2022, compared to the previous quarter decreased by 0.7 pp and stood at 18.3%, which indicates the improvement of the quality of business loan portfolio.

**In the fourth quarter of 2022, compared to the previous quarter, the share of rejected loans in large business loans decreased slightly, while for SME loans issued in foreign currency increased slightly.** In the fourth quarter, compared to the previous quarter, the share of rejected loans in large business loans decreased slightly and equaled to 0.6%. Whereas the share of rejected loans in SME portfolio for loans issued in domestic currency decreased to 12.7%, while for the foreign currency loans increased slightly and equaled to 6.7% (see Figure 4).

<sup>4</sup> Interest rate and remaining maturity in months on SME and large business loan flows issued within a month.

Figure 4. Share of NPL and Rejected loans in business loans



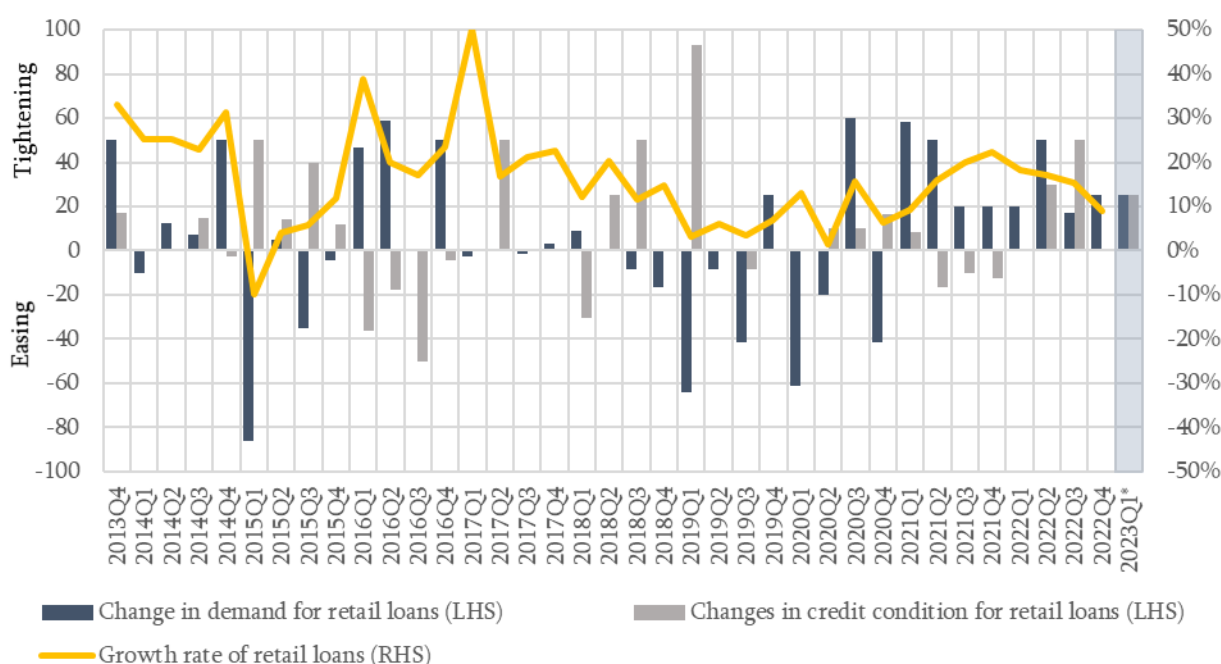
Source: NBG.



## Credit conditions and trends for retail loans

According to the credit conditions survey, in the fourth quarter of 2022, compared to the previous quarter, demand for retail loans increased slightly. In the next quarter, slight increase in demand for retail loans is expected. In particular, according to the data available to National Bank, in the fourth quarter, compared to the third quarter, the annualized growth rate<sup>5</sup> of retail loans equaled to 9% (see Figure 5). In terms of currencies, the growth of retail loan portfolio was mainly driven by domestic currency loans. It is important to indicate that in the fourth quarter foreign currency lending growth equaled to 0.1%. Representatives of the banking sector expect slight increase in demand for retail loans in the next quarter.

Figure 5. Changes in demand for retail loans and credit conditions<sup>6</sup>



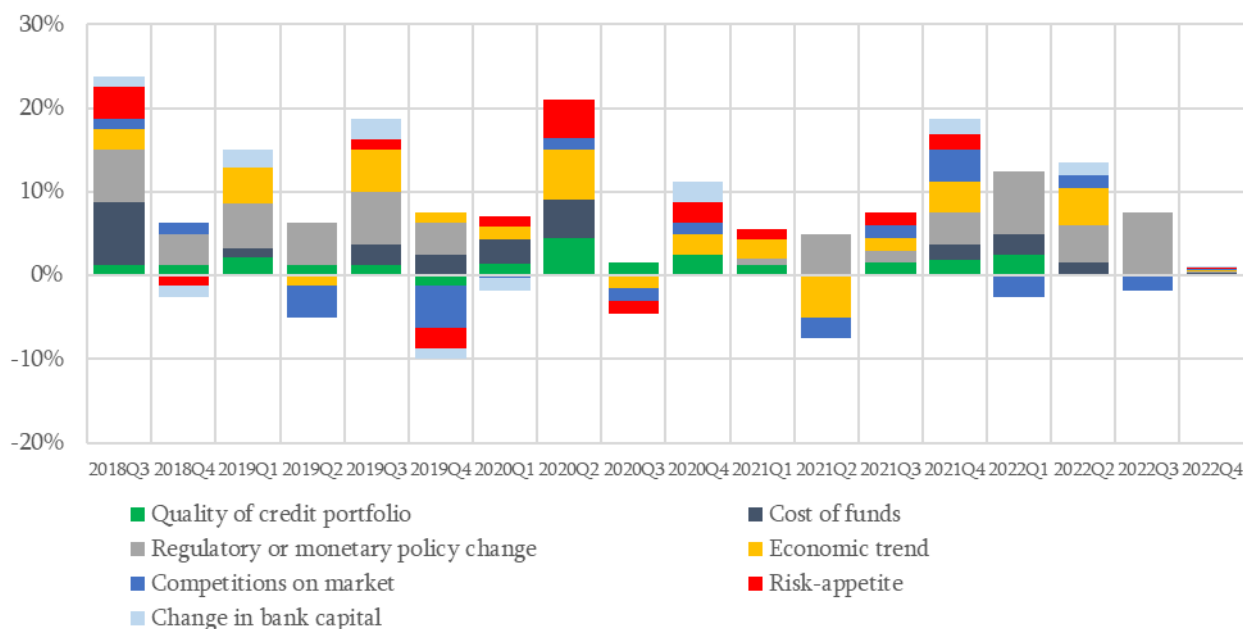
Source: Credit conditions Survey, NBG.

In the fourth quarter of 2022, non-interest rate conditions for retail loans did not change significantly. According to the data available to the National Bank, in the fourth quarter of 2022 compared to the previous quarter, loan maturity for the loans denominated in euro decreased slightly. While loan-to-value (LTV) and payment-to-income (PTI) ratios did not change significantly. Overall lending conditions did not change significantly (see Figure 7-8).

<sup>5</sup> This data reflects the annualized growth of seasonally adjusted loans, excluding the exchange rate effect.

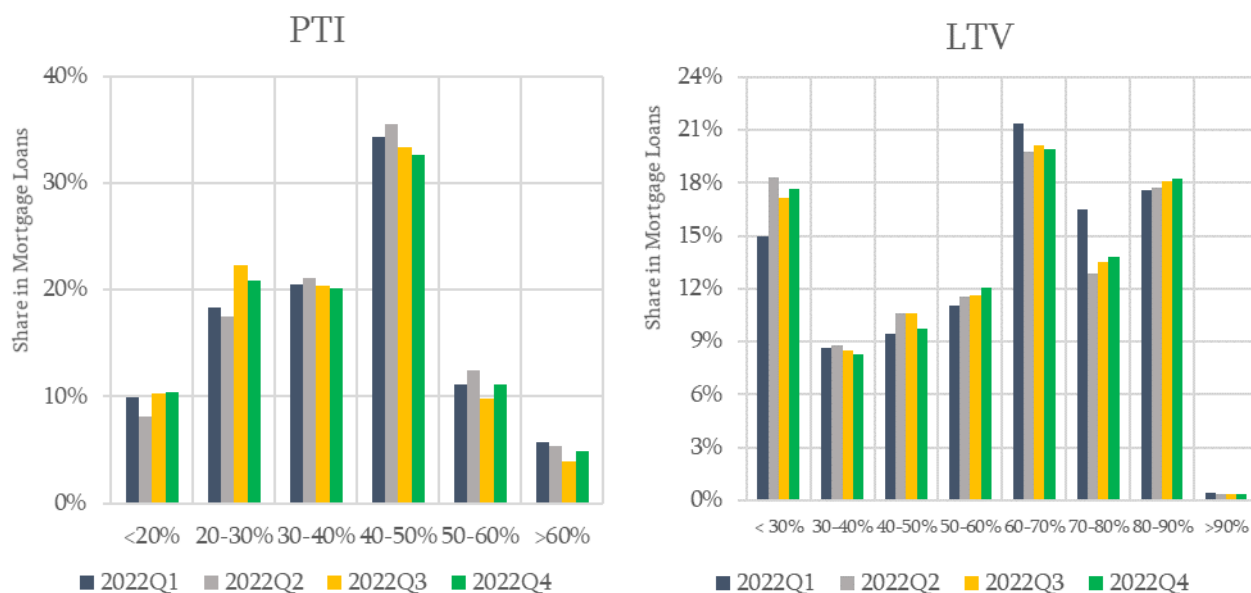
<sup>6</sup> See the second note of Figure 1.

Figure 6. Factors affecting changes in the credit conditions for retail loans<sup>7</sup>



Source: Credit conditions Survey

Figure 7. Distribution of payment-to-income (PTI) and loan-to-value (LTV) ratios



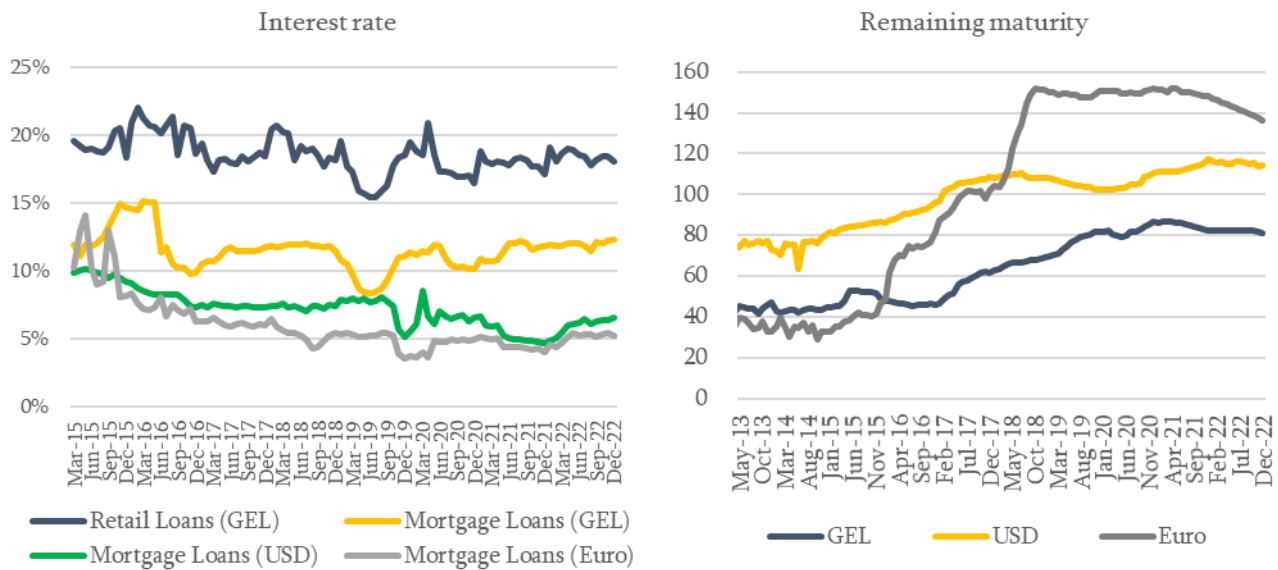
Source: NBG

Interest rates for retail loans issued in domestic and foreign currency increased slightly. In particular, in December relative to September, interest rates for consumer loans issued in domestic currency did not

<sup>7</sup> See notes of Figure 2.

change significantly and stood at 18%, while for mortgage loans increased slightly to 12.3%. Whereas for foreign currency dominated loans, interest rates for mortgage loans issued in USD increased by 0.2 pp to 6.5%, while for mortgages issued in euro increased slightly to 5.3% (see Figure 8). Respondents of the survey, expect slight tightening of interest rate conditions for consumer and mortgage loans, issued in domestic and foreign currency.

**Figure 8. Interest rates and remaining maturity for retail loans<sup>8</sup>**



Source: NBG

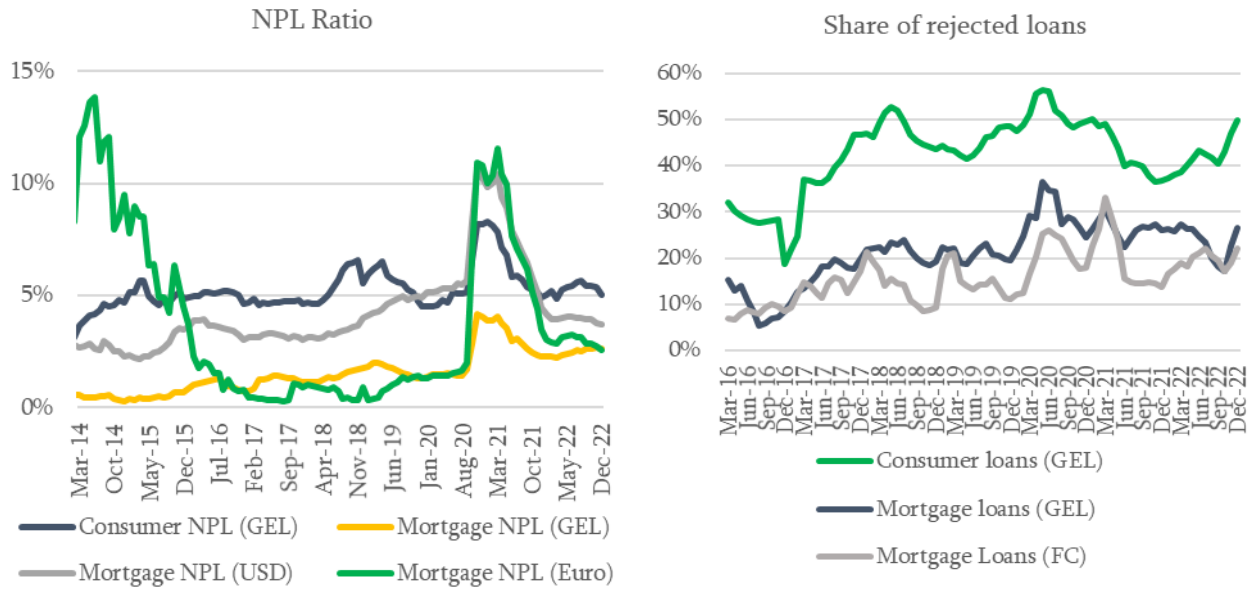
**In the fourth quarter of 2022, compared to the previous quarter, the share of non-performing loans (NPL) did not change significantly.** In particular, according to the data available to the National Bank, the share of NPLs in mortgage and consumer loans did not change significantly and equaled to 3% and 5%, accordingly. In terms of currencies, the share of NPLs in foreign currency mortgage loans did not change significantly. In particular, the share of NPLs in euro-denominated mortgage loans equaled to 3%, while the share of NPLs in mortgage loans issued in USD equaled to 4%. Also for mortgages issued in national currency, in the fourth quarter of 2022, compared to the previous quarter, the share of NPL did not change significantly and equaled to 3% (see Figure 9). Representatives of the banking sector expect slight decreases in the share of NPLs, in the first quarter of 2023. It is important to note that according to the data available to the National Bank, in the fourth quarter of 2022, compared to the previous quarter, the share of restructured loans in retail loans did not change significantly and equaled to 6.8%, which is 1.7 pp lower compared to the fourth quarter of 2021. This indicates improvement of quality of retail loan portfolio.

**In the fourth quarter of 2022, the share of rejected loans in retail portfolio increased.** In particular, in the fourth quarter of 2022, compared to the previous quarter, the share of rejected loans in consumer loans increased and on average equaled to 50%. As for mortgage loans issued in domestic currency the share of

<sup>8</sup> Interest rate and remaining maturity in months on retail loan flows issued within a month.

rejected loans increased to 27%, while for the loans issued in foreign currency increased to 22% (see Figure 9).

**Figure 9. Share of NPL and Rejected loans in retail loans**



Source: NBG

## Disclaimer

The report was prepared by the Financial Stability Policy Analysis Division of the Financial Stability Department of the National Bank of Georgia. The expectations presented in this report reflect only the assessment of the respondents of the credit conditions survey on the future trends of lending and not the expectations of the representatives of the National Bank. The statistics presented in the report on the current trends of lending are intended for current analytical purposes only, as some of the data presented here may be subject to periodic review and, consequently, they may contain measurement errors. Although every effort is made to ensure their timeliness, correctness, and completeness, the full accuracy of the data is not guaranteed by the National Bank of Georgia. Some data published in the report may differ from those published on the official website of the National Bank website because supervisory data is used in the calculations.

Data are presented as of 31/12/2022.

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