

Belarus

More FX lending amidst an increased use of the credit registry

Foreign bank branches are few and far between in Belarus (Chart 1). Foreign banks are typically Western-owned in other EBRD countries of operation, but in Belarus they are mostly subsidiaries of Russian state banks. Compared to other countries, these subsidiaries appear to be managed quite hands-off - the share of banks that report their parent bank's influence is "important" or "very important" in their credit risk portfolio management, their choice of clients and their credit risk assessment is far below the regional average. These foreign banks limit themselves to activities in the main cities whereas domestic bank branches service smaller locales. Interestingly, foreign-owned state banks are seen as strong competitors across all customer types whereas domestic state banks are only seen as serious competitors in retail lending.

Over the period 2007 to 2011, Belarusian banks increasingly reported that insufficient credit demand was holding back their lending to both small and medium-sized enterprises (SMEs)

and large enterprises. Over this same period, banks complained less about problems with loan officers accurately assessing credit risks. This positive development is likely related to a strong increase in banks that actively use the services of a credit registry. This is due to the passage of laws concerning credit histories and the creation of the central bank credit registry in 2009 (Chart 2).

Of the banks surveyed in Belarus, 60 per cent report having increased foreign currency lending between 2007 and 2011. Banks cite an increased supply of FX deposits as an important reason for this noteworthy increase as well the attractiveness of FX loan rates and the related high demand for FX loans. Competition from other banks that provide FX loans plays a role too (Chart 3).

Concerning the legal environment, banks in Belarus are near the top of the region in terms of agreeing or strongly agreeing with the description of their court system as efficient, impartial and able to enforce its decisions. Additionally, Belarusian banks report the shortest average wait time in the region to receive a court judgment to enforce their security over collateral (Chart 4). Furthermore, less than 5 per cent of the banks surveyed in Belarus report holding more capital due to uncertainty over future laws and regulations.

Chart 1 Bank localities by ownership

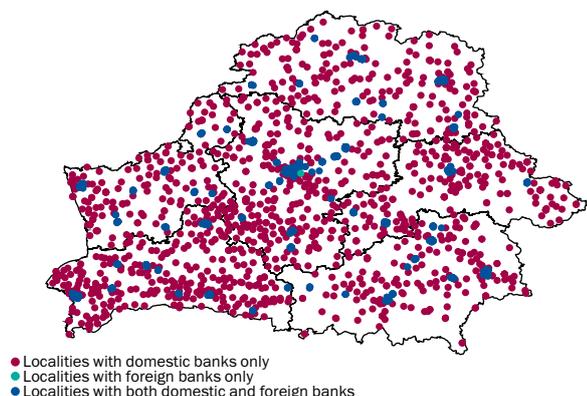


Chart 2 Proportion of banks using credit registry

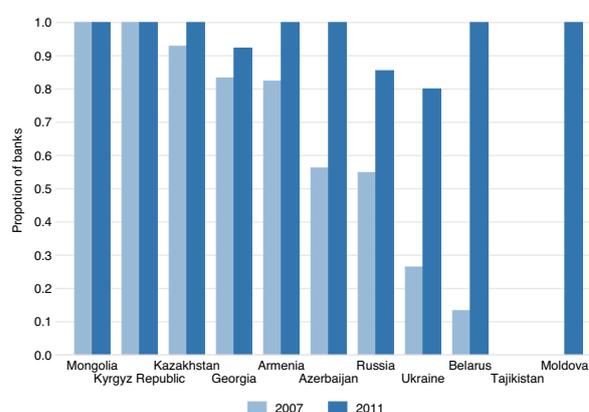


Chart 3 Reasons for increasing FX lending

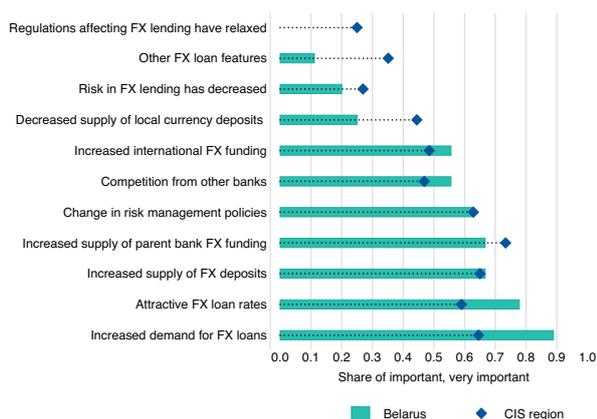


Chart 4 Time taken for court enforcement of security over collateral

