

Slovak Republic

The banks covered by the survey account for 86 per cent of total banking assets in the Slovak Republic. Most of them are owned by foreign banks.¹ Bank branch networks in the Slovak Republic are highly concentrated in the most densely populated cities (Chart 1). Nearly 80 per cent of the country's banks expect their branch network to shrink over the next five years – the second-highest level in Central Europe and the Baltic States (CEB) and well above the average of the EBRD economies as a whole (Chart 2).²

More than 60 per cent of banks surveyed in the Slovak Republic say they have climate change and social policies and targets in place, while all banks have environmental policies and targets, the highest share in CEB (Chart 3). Likewise, when it comes to SME lending, Slovak banks lead the way in CEB in undertaking corporate governance-related impact assessments. (Chart 4). Sixty per cent of banks also provide loans for the specific purpose of improving the energy efficiency of commercial real estate, residential housing, and SMEs and/or corporate clients. While this proportion is above the average for commercial real estate in the CEB and EBRD economies, it lags in the other two areas.

In the sphere of digital technology, the Slovak Republic is one of the economies leading the way. It is one of only two EBRD economies where all of the banks surveyed say they have adopted digital wallet technology (the other being Estonia) (Chart 5). The comparable averages in the CEB and EBRD regions are around 50 and 40 per cent, respectively. The use of biometric authentication for customer identification and algorithms to improve credit decision-making is also widely used by Slovak banks, with 80 per cent and 60 per cent of banks, respectively, employing these tools commercially, nearly double the CEB average.

Chart 1 Branch presence of surveyed banks

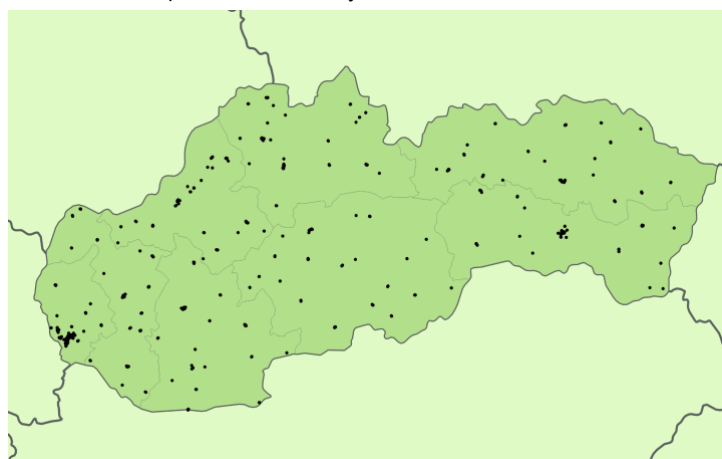


Chart 2 Branch network expectations, next five years

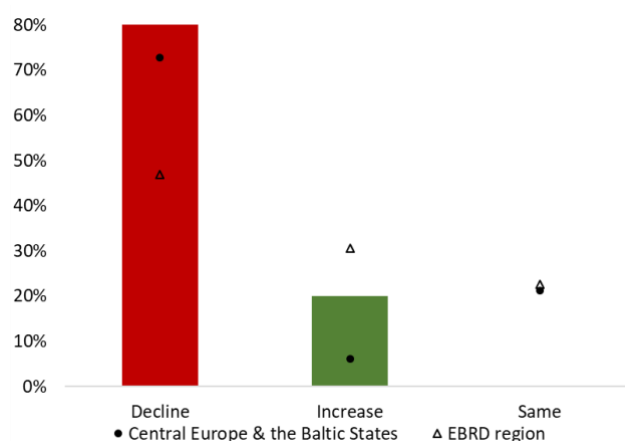


Chart 3 ESG policies and targets

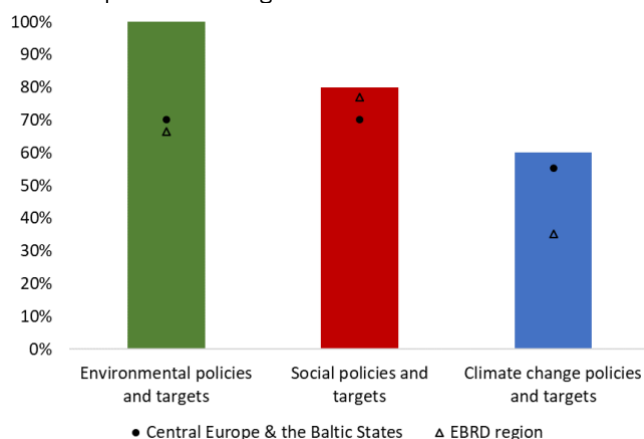
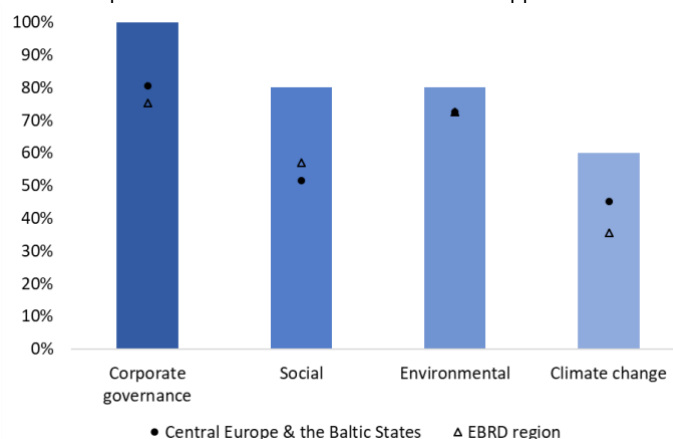


Chart 4 Impact assessment of SMEs before loan approval



¹ Foreign bank assets account for almost 93% of this.

² Bars in Charts 2, 3, 4, 6 and 8 refer to the percentage share of banks in the Slovak Republic.

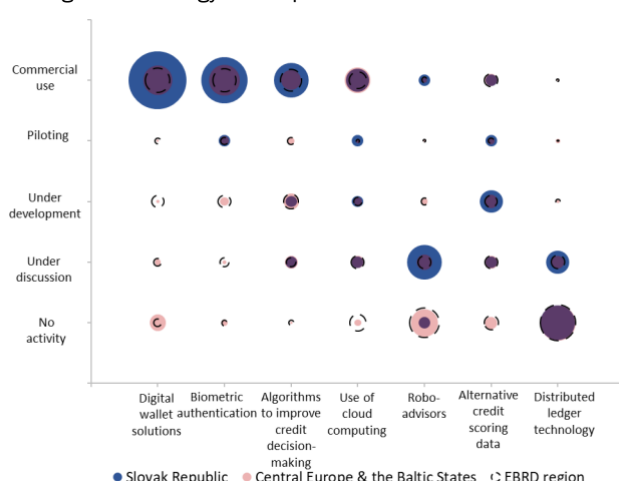
Meanwhile, only a small minority of banks consider the use of automated credit scoring using an algorithm to be important or very important for lending to small and medium-sized enterprise (SME) customers. The shift to digital technologies is also apparent in the high percentage (80 per cent) of Slovak banks accepting online applications for loans to SMEs (Chart 6). Perhaps unsurprisingly, lending to SMEs is very streamlined in terms of decision-making, with an average of just 1.6 layers of approval. The Slovak Republic has the second-lowest number of approval layers in the EBRD regions (after Estonia), 27 per cent below the EBRD economy average (Chart 7).

Slovak banks also tend to have fewer concerns about fintech companies and emerging technologies than their peers. On average, a lower proportion of banks report concerns about information technology (IT) security and regulatory uncertainty in the fintech space than in the CEB and EBRD economies overall, while no Slovak bank cites financial constraints or difficulties in identifying and establishing links with fintech companies.

Unlike the CEB region, on average, where a lack of creditworthy customers, sufficient collateral and loan officers' skills in evaluating credit risks are said to be key constraints on lending to innovative research and development-intensive industries such as IT, chemicals and pharmaceuticals, all banks surveyed in the Slovak Republic say the main constraint is simply a lack of creditworthy customers (Chart 8). This is further reflected in Slovak bank lending to innovative industries, which accounts for just 6 per cent or so of all lending (by volume).

Turning to the impact of COVID-19, all of the banks surveyed in the Slovak Republic say their enforcement of debt recovery has been negatively affected by the temporary closure or suspension of the courts or increased delays in court proceedings. This is the highest percentage in the EBRD regions, where just under 75 per cent of all banks say they encountered such issues during the pandemic.

Chart 5 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 6 Accepts online applications for loans

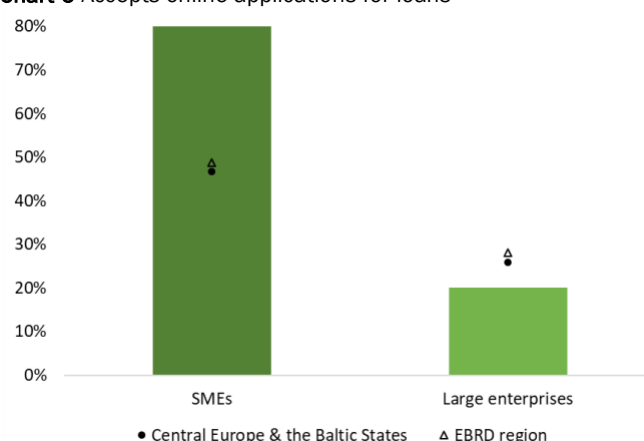


Chart 7 Typical number of decision layers, SME lending

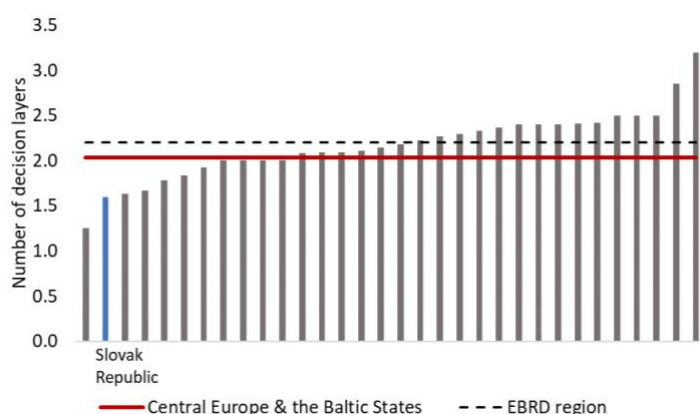


Chart 8 Constraints on lending to innovative industries

