Bank Lending Survey Report
Fourth Quarter - FY 2017/18

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised deposit-taking financial institutions, for the quarter ended June 2018. The objectives of the survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among deposit-taking financial institutions; capture leading information on credit developments and bank lending on the Ugandan market during the quarter ended June 2018 and expectations for the quarter ending September 2018.

Credit Standards

In the fourth quarter of FY 2017/18, credit standards on loans to enterprises were eased at a slower pace than the previous quarter.

In terms of loan duration, banks eased credit standards at a slower pace for short terms loans and increased tightening for long term loans in the quarter ended June 2018

Across firm size, credit standards were eased at a slower pace compared to the previous quarter for SMEs and tightened at a higher pace for large enterprises

In the quarter to September 2018, banks expect to further ease overall credit standards on a net basis. The net easing cuts across the loan duration and loans to SMEs. On contrary, banks expect to tighten the credit standards for large enterprises

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors; Manufacturing, Agriculture, Electricity and water, Business services and Trade registered a net easing while the rest of the sectors registered net tightening in the quarter ended June 2018

Outlook on Demand for credit

Majority of banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations.

The increase in demand is expected to be largely influenced by expanded business opportunities resulting from the start of a new financial year and expected investments in the Oil and Gas.

Outlook on Terms & Conditions for credit

Price and non-price terms and conditions for consumer credit are expected to remain largely unchanged over the next three months to September 2018. On a net basis, banks indicated a net easing for average loans, prime borrowers and collateral requirements. On the other hand, conditions were tightened for margin on riskier loans, size of the loan, maturity and non-interest charges.

The major reasons cited for the net easing include; pressure in the market to lower interest rate following the reduction in CBR and the cost of funds to banks expected to reduce, which will lead to reduction in pricing of loans.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to increase while default rate on households to decrease in the coming three months.

The expected increase in default rate on loans to enterprises is mainly attributed to the likely impact of the depreciation of the Uganda shilling against the dollar particularly from enterprises that borrowed in foreign currency.

Interest Rate Expectations

The survey results indicate that minority of the banks expect their lending rates to decrease over the next quarter to September 2018.

Introduction

The lending survey conducted by Statistics Department captures past and prospective developments in the credit market. The survey is designed to complement existing quantitative data on credit and lending rates.

The main objectives of the survey are to:

i) Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions; and

ii) Capture leading information on credit developments.

The survey covered the outturn for the quarter ended June 2018 and expectations for the quarter ending September 2018. Questionnaires were completed by all 24 commercial banks and 9 nonbank financial institutions in Uganda.

This report presents the findings from the analysis of the responses received from the commercial banks only. The methodology used in the analysis is detailed in *Appendix 3. Detailed summary results of Non-bank financial institutions are presented in Appendix 2.*

1. Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/criteria/guidelines which will determine (based on the classification by sector, area, size, duration, financial indicators, etc.) what type of loans (collaterised, non-collaterised, investment, overdraft etc.) and amount to be provided and to which clients. This survey measures changes in such standards including cases where a bank has introduced a new lending policy or amended existing one.

In the fourth quarter of FY 2017/18, credit standards on loans to enterprises were eased at a slower pace than the previous quarter.

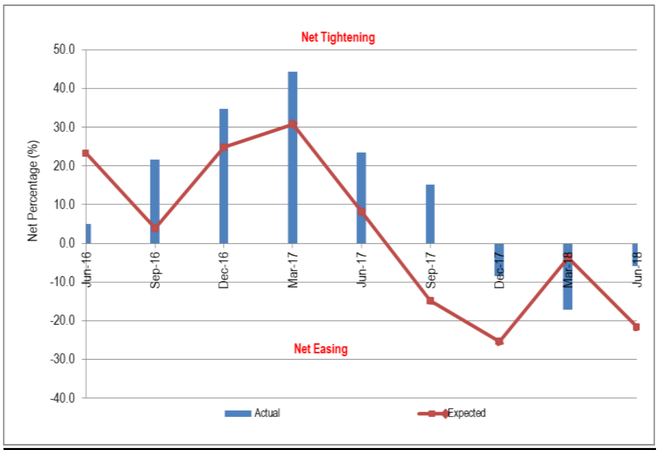
Banks reported eased credit standards on net basis at 5.9 percent in the quarter ended June 2018 compared to 17.2 percent recorded in March 2018. The overall net easing was much lower compared to the net easing of 21.7 percent that banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were eased at a slower pace compared to the previous quarter for SMEs (from 35.5 percent to 0.2 percent) and tightened at a higher pace for large enterprises (from 10.6 percent to 15.4 percent).

In terms of loan duration, banks eased credit standards at a slower pace for short terms loans and increased tightening for long term loans in the quarter ended June 2018 (*See Table 1*).

Key reasons cited for the overall easing include: stable lending rates accompanied by stable prices in agricultural output, efforts to grow the loan book and improved macroeconomic environment.

Figure 1: Overall Credit standards to enterprises



Source: Bank of Uganda

Notes:

(a) Net percentage balances are calculated by obtaining the difference between the percentage of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.

(b) The bar graph shows the net percentage over the previous three months. The line graph shows the expectation over the next three months.

(c)Expectations have been moved forward one quarter so that they can be compared with the actual outturn in the following quarter.

Table 1: Credit Standards as applied to approval of loans to enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's action	**Mar-18**	**Jun-18**	**Mar-18**	**Jun-18**	**Mar-18**	**Jun-18**	**Mar-18**	**Jun-18**	**Mar-18**	**Jun-18**
Tightened(A)	5.2	1.8	5.2	3.2	11.3	15.4	7.6	1.8	7.2	10.6
Unchanged	72.5	88.8	49.9	91.8	88.1	83.0	53.4	78.9	91.2	85.7
Eased (B)	22.3	7.8	40.7	3.4	0.6	0.0	39.0	17.6	1.7	2.1
Net %(A-B)	-17.2	-5.9	-35.5	-0.2	10.6	15.4	-31.4	-15.8	5.5	8.5
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to September 2018, banks expect to further ease overall credit standards on a net basis. The net easing cuts across the loan duration and loans to SMEs. On contrary, banks expect to tighten credit standards for large enterprises (*See Figure 1 and Table 2*).

The main reasons cited by banks for the expected easing in credit standards, in the quarter to September 2018 include: increased competition and a stable central bank rate.

On the other hand, banks that expect to tighten credit standards indicated that the tightening due to the increased risks especially in the real estate sector.

Table 2: Expectations for Credit Standards as applied to approval of loans to enterprises

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**
Tighten (A)	0.8	0.7	3.9	1.1	10.8	1.9	0.0	0.0	10.8	5.1
Unchanged	77.2	93.2	66.4	93.8	84.2	95.4	75.6	89.8	82.3	87.9
Ease (B)	22.5	4.5	25.4	3.5	5.4	1.1	24.4	8.6	7.4	5.4
Net %(A-B)	-21.7	-3.8	-21.5	-2.4	5.4	0.7	-24.4	-8.6	3.5	-0.4
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

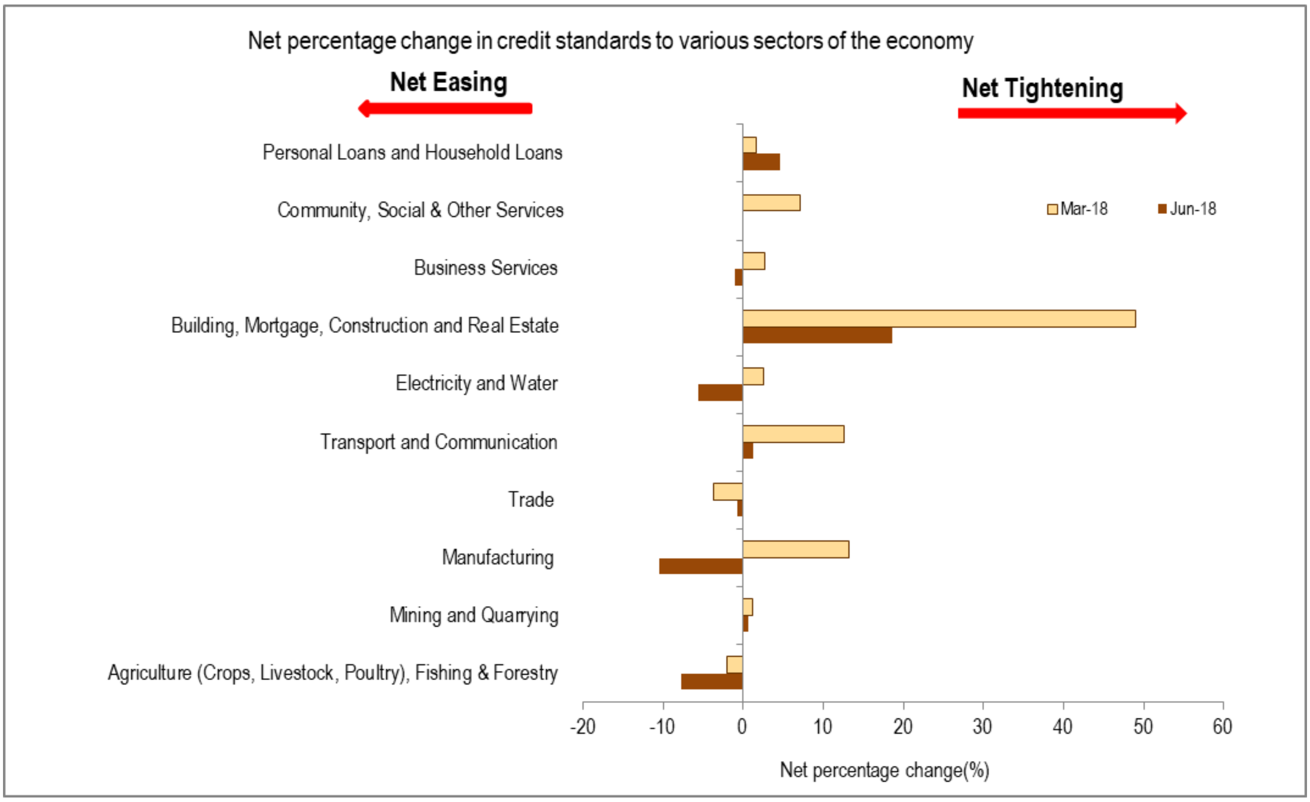
1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. The Manufacturing, (10.4 percent), Agriculture (7.7 percent), Electricity and water (5.6 percent), Business services (1.1 percent) and Trade (0.8 percent) registered a net easing while the rest of the sectors registered net tightening in the quarter ended June 2018 (*See Figure 2*).

Major reasons given for net easing for manufacturing sector were increased demand for credit and continued reduction of Central bank rate. Other reasons cited were increased competition from other financial institutions and favorable weather conditions.

The building, mortgage, construction and real estate sector registered the highest net tightening (18.6 percent) on account of low uptake in the sector arising from difficulties already being experienced in loan service in this sector. This was followed by personal and household (4.6 percent) and Transport (1.2 percent). Respondents indicated that the tightening was due to the high default rates observed in these sectors.

Figure 2: Changes in credit standards by economic sector



Source: Bank of Uganda

1.1.3 Expectations in the Terms and Conditions for Credit to Enterprises

Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower. In the context of this survey, they comprise of:

a) Price-related terms and conditions that include the direct price or interest rate.

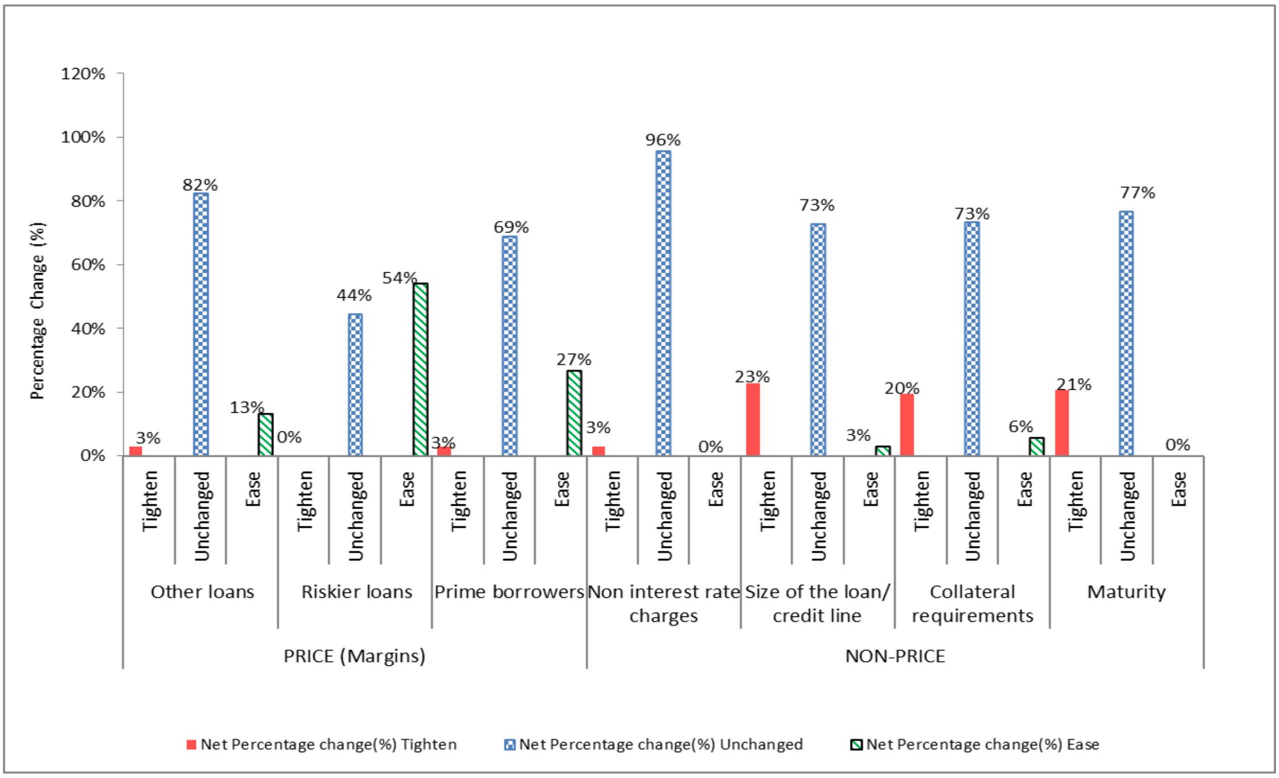
b) Non-price related terms and conditions that include the maximum size of the loan, the access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

On a net basis, banks expect price terms and conditions to ease in the quarter to September 2018.

The easing of price terms and conditions is attributed to banks efforts aimed at maintaining existing prime customers amidst tight competition.

All non-price terms and conditions are expected to remain largely unchanged, with a tightening on a net basis. (See Figure 3).

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (June-September 2018)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2018, majority of banks (82.3 percent) anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations. (*See Table 3* below).

Some of the major reasons given for the overall expected increase in demand by enterprises above include:

a) Expected business opportunities resulting from the start of a new financial year.

b) Expected investments in the Oil and Gas.

Table 3: Demand expectations for the next three months

	Overall		**Loans to SMEs**		**Large enterprises**		**Short-term Loans**		**Long-term Loans**	
Bank's expected action	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**	**Jun-18**	**Sept-18**
Increase(A)	82.9	82.3	85.8	87.6	76.8	69.4	83.5	85.6	0.0	71.1
Unchanged	17.1	14.0	10.0	8.7	20.8	25.7	16.5	10.7	24.9	24.0
Decrease(B)	0.0	2.1	0.0	2.1	2.4	3.3	0.0	2.1	75.1	3.3
Net %(A-B)	82.9	80.2	85.8	85.4	74.4	66.0	83.5	83.4	75.1	67.8
Interpretation: Negative-net decrease, positive-net increase										

Source: Bank of Uganda

1.2 Households and Individuals

1.2.1 Credit standards to households

Banks eased credit standards to households and individuals on a net basis (3.6 percent) lower than the net easing of (11.1 percent) observed in the previous period (*See Appendix 1*). High competition was the main reason cited for easing of credit standards to households in the quarter ended June 2018.

Similarly, in the quarter to September 2018, banks expect to ease credit standards to households, a net easing of 2.0 percent, attributed to higher economic activity in the post-harvest period of July to September and Bank's product and marketing campaigns (See Appendix 1).

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price and non-price terms and conditions for consumer credit are expected to remain largely unchanged over the next three months to September 2018. On a net basis, banks indicated a net easing for average loans, prime borrowers and collateral requirements. On the other hand, terms and conditions were tightened for margin on riskier loans, size of the loan, maturity and non-interest charges. (See Appendix 1).

The major reasons cited for the net easing include; pressure in the market to lower interest rate following the reduction in CBR and expected reduction in banks cost of funds.

On the other hand, the major reasons reported for the anticipated tightening include; implications of IFRS9 and high level risks especially on riskier loans.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to September 2018 with 77.3 percent of banks anticipating an increase, slightly lower than the 79.4 percent that expected an increase in the previous survey. The anticipated increase in demand was attributed to; increased cost of living as result of increased taxes on some goods as per budget 2018/19 and the need for payment of school fees.

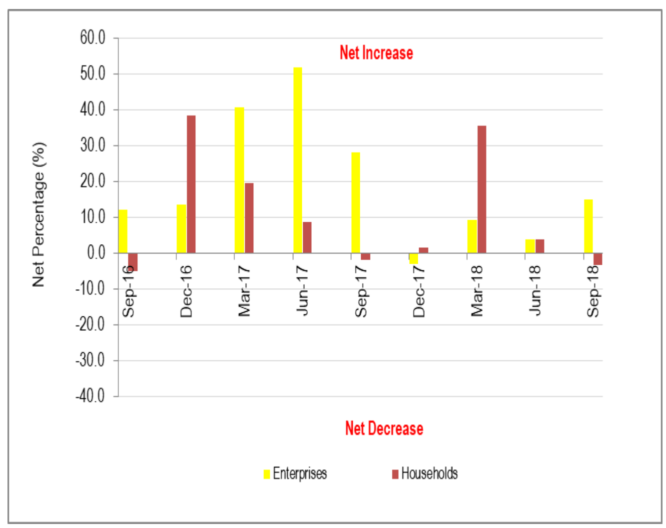
1.3 Expected Default rate on loans to enterprises and households

Banks were asked to report their expectations on the change in default rates on loans to enterprises and households over the quarter to September 2018. On a net basis, 15.0 percent expect the default rate on loans to enterprises to increase higher than the 3.7 percent anticipated in the previous quarter. On the contrary, 3.5 percent of the banks expect the default rate on loans to households to decline in the coming three months to September 2018 (See Appendix 1).

The expected increase in default rate on loans to enterprises is mainly attributed to the likely impact of the depreciation of the Uganda shilling against the dollar particularly from enterprises that borrowed in foreign currency.

The expected decrease in default rate on loans to household is mainly due to the strict credit monitoring systems that have been put in place.

Figure 4: Default rate expectations



Source: Bank of Uganda

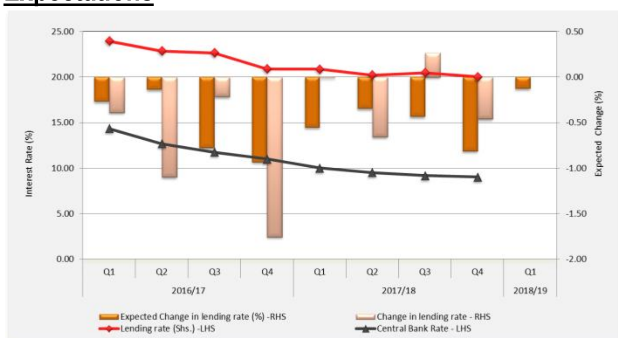
1.4 Interest Rate Expectations for Q1 FY 2018/19

In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rate in the coming three months.

The survey results indicate that (12.6 percent) of the banks expect their lending rates to decrease, while 85.7percent expect the rates to remain unchanged over the next quarter to September 2018.

The average percentage decrease in lending rate over the quarter to September 2018 is estimated at 0.13 percentage points (See *Figure 5)*.The anticipated decline in lending rates was mainly attributed to competition in response to the reduction in the CBR.

<u>Figure 5: Changes in interest rates vis-à-vis Net Expectations</u>



Source: Bank of Uganda

<u>Notes:</u> The line graphs show actual lending rate and CBR outturns over the quarter. The bar graphs show the average percentage, by which lending rates were expected to increase over the next quarter following the survey and the actual change in lending rates over the quarter. Expectations have been moved forward by one quarter so as to be comparable with the actual outturns.

1.5 Trend in Lending Rates

With regards to the observed decline in CBR, banks were further requested to provide their opinions on the slow decline in the lending rates on new loans to borrowers. The major reason provided by banks was the cost of funds still high.

2. Conclusion

The bank lending survey results indicate that banks eased their credit standards to both enterprises and households in Q4 FY 2017/2018.

The easing of credit standards to enterprises was attributed to stable lending rates accompanied by stable prices in agricultural output, efforts to maintain the quality of the loan book and improved macro-economic environment.

The default rate on loans to enterprises is anticipated to increase in the coming three months to September 2018 largely due to depreciation of the Uganda shilling against the dollar, as a result of extended borrowing of enterprises in foreign currency.

The survey results indicate that minority of the banks expect their lending rates to decrease over the next quarter to September 2018. Competition in the industry and reduction in the CBR by the central bank are cited as the major reasons driving these expectations.

APPENDICES

Appendix 1: Summary of Bank lending survey results

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'.
These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institution's market share over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sector.
The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Period		2014/15				2015/16				2016/17				2017/18	2017/18	2017/18	2017/18
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
lines to enterprises																	
Overall	Past three months	6.1	-6.3	3.9	-2.2	27.7	20.4	28.1	5.1	21.6	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9
	Next three months	0.3	5.8	5.1	35.1	52.8	49.2	23.2	3.8	24.7	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8
SMEs	Past three months	2.5	14.3	19.8	18.2	35.8	51.2	45.7	13.1	31.7	29.5	32.2	3.3	6.3	-10.6	-35.5	-0.1
	Next three months	4.8	-0.7	7.3	37.3	48.8	45.5	34.5	7.3	29.5	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-2.4
Large enterprises	Past three months	8.1	-6.3	11.8	4.8	28.8	34.3	33.1	5.0	20.2	40.9	51.1	29.8	32.5	-2.9	10.6	15.4
	Next three months	4.4	4.9	5.1	20.4	36.3	42.7	34.5	14.8	29.7	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7
Short term loans	Past three months	-25.7	-12.3	2.7	-4.3	25.5	4.4	-3.2	2.7	7.1	14.2	30.4	2.1	-10.9	-27.7	-31.4	-15.8
	Next three months	-26.7	-44.9	-17.0	12.2	7.7	25.1	19.1	-1.8	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-8.6
Long term loans	Past three months	32.5	26.6	20.8	16.4	44.6	45.3	24.0	18.1	34.5	36.0	43.6	37.3	47.7	3.7	5.5	8.5
	Next three months	1.5	38.2	22.0	39.0	55.1	53.3	46.5	18.6	41.8	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors																	
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-14.6	-3.5	12.2	0.7	0.3	13.7	23.2	-2.8	18.5	38.0	30.6	46.1	21.5	14.3	-2.0	-7.7
Mining and Quarrying	Past three months	3.6	5.8	3.3	0.9	6.9	15.1	22.0	1.7	3.2	20.3	7.3	27.0	17.3	0.1	1.2	0.7
Manufacturing	Past three months	-3.9	-6.7	1.6	3.8	6.0	33.2	39.1	11.6	17.5	37.1	9.0	7.4	9.1	4.7	13.2	-10.4
Trade	Past three months	-2.5	-1.2	2.7	1.8	5.6	19.7	31.7	9.3	25.8	37.5	14.9	4.0	-4.1	-11.0	-3.7	-0.8
Transport and Communication	Past three months	10.8	-5.0	16.5	0.4	11.5	30.6	40.4	1.8	20.6	32.8	33.6	23.1	15.8	4.7	12.5	1.2
Electricity and Water	Past three months	-2.7	-10.1	0.0	2.9	4.1	9.8	25.2	7.1	11.0	18.5	8.7	8.4	6.4	-3.6	2.5	-5.6
Building, Mortgage, Construction and Real Estate	Past three months	31.8	29.3	30.0	37.3	38.4	46.2	43.0	31.3	41.1	58.9	70.1	50.8	50.5	29.1	49.0	18.6
Business Services	Past three months	-3.7	-15.1	2.0	0.0	2.0	-2.1	23.3	-2.1	5.4	20.5	5.5	4.9	-2.1	-9.5	2.7	-1.1
Community, Social & Other Services	Past three months	-3.5	-13.3	-0.5	-4.2	13.9	7.9	26.3	1.3	10.7	21.4	4.4	2.6	7.8	-9.9	7.1	0.0
Personal Loans and Household Loans	Past three months	0.6	-9.3	0.3	-1.0	2.7	10.5	8.2	14.2	-19.2	17.2	7.1	3.8	-2.5	-10.3	1.6	4.6
to enterprises																	
Margin on average loans	Next three months	-25.7	4.1	17.5	4.1	17.5	12.4	31.1	33.9	10.6	0.5	-56.5	-18.7	-24.2	-10.0	-19.2	-10.5
Margin on riskier loans	Next three months	56.1	58.9	58.9	58.9	58.9	43.6	49.4	58.8	51.6	78.5	77.8	75.4	78.1	72.6	62.7	44.4
margin on prime borrowers	Next three months	-21.1	-22.2	13.0	-22.2	13.0	5.0	19.7	23.1	-5.0	-13.1	-69.8	-59.2	-42.4	-40.0	-5.7	-23.8
Non-interest rate charges	Next three months	-2.8	6.7	9.0	6.7	9.0	4.2	10.6	16.6	1.8	17.1	4.6	-4.7	-12.2	-8.6	-10.2	2.8
Size of the loan or credit line	Next three months	-2.8	2.7	13.4	2.7	13.4	11.8	21.1	52.2	40.7	56.9	1.3	15.1	-1.8	5.2	-14.1	20.0
Collateral requirements	Next three months	31.3	39.3	25.3	39.3	25.3	23.8	37.7	38.6	26.4	14.2	45.8	23.1	31.5	44.8	33.1	14.0
Maturity	Next three months	4.3	32.3	29.1	32.3	29.1	22.3	40.7	43.5	30.9	34.3	20.8	4.1	17.6	16.3	14.0	20.5
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?																	
Overall	Next three months	58.4	26.2	30.4	34.8	-38.9	-37.9	68.1	30.1	74.7	33.5	89.5	87.8	76.8	72.8	82.9	80.2
SMEs	Next three months	29.0	27.0	34.5	32.2	-40.2	-34.4	85.7	31.1	75.7	15.2	95.1	92.0	87.1	74.0	85.8	85.4
Large enterprises	Next three months	48.3	42.1	27.9	32.8	-52.0	-43.9	30.3	25.8	59.9	6.6	71.0	56.3	51.7	67.5	74.4	66.0
Short term loans	Next three months	53.2	35.4	36.4	42.9	1.1	-21.8	88.3	39.0	74.4	17.2	79.9	92.9	93.5	75.4	83.5	83.4
Long term loans	Next three months	1.1	-3.4	28.2	33.2	-17.5	-46.4	25.4	9.7	48.3	8.8	78.5	48.1	33.1	69.9	75.1	67.8
Default rate on loans to enterprises																	
Overall	Next three months	-43.3	-37.9	-2.0	32.5	54.7	54.4	8.1	12.0	13.5	40.7	51.8	28.0	-3.2	9.1	3.7	15.0
SMEs	Next three months	-18.6	-12.6	16.8	35.3	49.5	54.4	26.4	12.0	19.3	29.4	50.1	31.7	-3.2	11.2	4.6	29.8
Large enterprises	Next three months	-37.7	-35.2	0.6	13.9	24.8	34.7	14.7	16.6	17.7	40.8	40.0	52.9	7.0	8.9	1.6	20.6
Short term loans	Next three months	-52.8	-41.3	-2.5	6.0	33.3	51.3	27.4	13.5	13.8	33.4	50.4	42.4	-5.9	0.9	3.9	11.9
Long term loans	Next three months	-41.1	-35.8	-2.9	12.2	47.8	37.9	19.7	21.2	13.4	30.7	47.4	41.1	-2.0	6.0	3.7	23.5

Period		2014/15				2015/16				2016/17							
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-26.3	5.1	-10.4	-0.9	6.9	26.8	-13.0	12.7	-8.7	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-3.6
	Next three months	-35.5	-51.8	-6.6	-17.6	42.7	48.7	0.2	22.9	-11.6	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-2.0
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	58.5	73.9	0.7	32.7	-35.0	-52.5	8.3	62.5	56.4	47.5	67.8	68.0	80.7	89.2	79.4	77.3
Terms and conditions for approving loans or credit lines to households																	
Margin on average loans	Next three months	-11.0	-2.2	36.8	22.7	28.8	40.1	5.6	-9.4	-15.9	-8.6	-37.8	-54.2	-17.6	2.1	-12.7	-5.4
Margin on riskier loans	Next three months	9.3	21.0	38.3	31.0	32.2	43.6	10.7	6.7	4.0	28.3	38.3	52.0	61.3	48.2	51.2	6.5
Margin on prime borrowers	Next three months	-9.7	-3.1	-10.1	9.6	12.9	30.4	5.9	-10.5	-29.5	-29.1	-41.8	-56.0	-18.0	-10.5	-15.1	-30.9
Non-interest rate charges	Next three months	21.8	-2.8	-8.3	2.6	8.8	24.2	5.4	2.2	2.0	4.9	5.7	4.1	-4.8	6.1	0.1	2.8
Size of the loan or credit line	Next three months	-27.7	-24.1	-12.0	11.6	23.3	42.1	18.8	5.6	-6.4	21.9	5.1	5.3	-9.5	-6.8	-3.0	3.2
Collateral requirements	Next three months	2.5	9.9	-4.6	13.1	15.1	27.4	7.1	6.9	9.2	23.1	-15.6	23.7	18.2	17.1	16.9	-0.7
Maturity	Next three months	1.2	22.9	21.9	8.8	10.6	21.8	5.4	4.5	14.7	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3
Default rate on loans to households	Next three months	2.4	3.3	-7.3	78.9	60.7	63.2	12.5	-5.0	38.4	19.5	8.5	-1.8	1.6	35.5	3.6	-3.5
Period		2014/15				2015/16											
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lending rates expectation																	
Increae(+)/Decrease(-)	Next three months	0.3	7.5	53.1	78.3	37.8	45.8	-21.4	-39.4	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.6
Percentage change	Next three months	0.0	0.2	0.7	0.8	0.8	0.7	-0.3	-0.3	-0.1	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.1

Note: All figures are on net basis except where stated. Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/loo
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

APPENDICES

Appendix 1: Summary of Bank Lending Survey results-Commercial Banks Appendix 2: Summary of Bank Lending Survey results-NBFIs

Appendix 2: Non bank Financial Institutions

To calculate aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'.
These scores are then weighted by lenders' market shares. The weights used in the computation were derived by taking an average of each institution's market share over the three month period , as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sector.
The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or credit standards were tighter/looser. The net percentage balances are scaled to lie between ±100.
This annex reports the net percentage balance of respondents for each question in the lending survey questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.

Part I: Enterprises		**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**
Credit policy as applied to the approval of loans or credit lines to enterprises							
Overall	Past three months	39.2	19.0	-2.5	-9.7	9.4	34.6
	Next three months	22.0	-31.4	0.0	-2.0	63.5	4.3
SMEs	Past three months	41.0	19.0	-4.0	7.6	21.8	34.6
	Next three months	2.7	-34.6	17.5	-19.3	64.2	6.4
Large enterprises	Past three months	21.7	19.0	-31.2	18.5	35.6	7.0
	Next three months	13.0	-31.4	0.5	-20.5	34.5	31.9
Short term loans	Past three months	18.3	28.5	-2.5	-9.7	8.8	-5.1
	Next three months	-26.8	-34.6	-31.7	26.2	34.0	-37.9
Long term loans	Past three months	0.6	19.0	-22.7	1.2	52.1	-26.0
	Next three months	2.7	-21.9	-9.6	0.0	20.7	29.3
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors							
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	40.3	15.5	-4.0	16.7	20.5	-19.3
Mining and Quarrying	Past three months	28.5	2.8	0.0	7.0	0.0	25.7
Manufacturing	Past three months	30.1	2.8	7.1	7.0	7.3	4.3
Trade	Past three months	40.3	28.5	-32.4	-5.0	7.3	2.1
Transport and Communication	Past three months	30.1	28.5	-29.4	5.8	36.1	19.6
Electricity and Water	Past three months	30.1	2.8	7.1	-3.9	6.7	0.0
Building, Mortgage, Construction and Real Estate	Past three months	40.3	6.0	-2.5	-2.7	7.3	-9.5
Business Services	Past three months	40.3	28.5	-32.4	-5.0	7.3	-4.8
Community, Social & Other Services	Past three months	30.1	12.3	-2.5	-5.0	21.1	-18.6
Personal Loans and Household Loans	Past three months	30.1	0.4	-32.4	-2.7	14.0	-26.0
Terms and conditions for approving loans or credit lines to enterprises							
Margin on average loans	Next three months	-6.3	-21.9	-2.9	-14.0	-45.8	-56.0
Margin on riskier loans	Next three months	34.1	12.3	12.6	42.6	45.2	45.0
margin on prime borrowers	Next three months	-26.8	-57.1	-31.3	16.5	-30.6	-62.7
Non-interest rate charges	Next three months	0.0	-25.1	0.0	-44.6	-16.9	-44.1
Size of the loan or credit line	Next three months	-7.5	-34.6	0.5	-39.0	13.4	25.3
Collateral requirements	Next three months	13.6	-10.4	0.0	-9.7	31.5	50.5
Maturity	Next three months	2.7	-18.6	0.0	-12.0	-26.2	16.5
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?							
Overall	Next three months	27.1	35.8	30.1	-21.9	42.6	83.5
SMEs	Next three months	29.0	58.3	30.6	-0.2	42.6	64.9
Large enterprises	Next three months	18.4	22.7	30.8	-30.8	26.1	53.0
Short term loans	Next three months	29.0	63.1	32.3	-29.6	42.6	26.2
Long term loans	Next three months	28.6	32.6	40.5	-11.6	25.5	47.0
Default rate on loans to enterprises							
Overall	Next three months	12.9	-14.3	-10.2	30.8	-13.0	-13.2
SMEs	Next three months	29.9	-40.9	-10.7	30.8	-13.6	-27.0
Large enterprises	Next three months	19.7	-0.9	-19.7	30.8	4.1	-4.1
Short term loans	Next three months	22.4	-52.8	-10.7	19.9	-14.4	-14.2
Long term loans	Next three months	35.4	8.6	-1.0	30.8	-14.4	-11.1
Period		**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**
Part II: Households							
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	30.1	-12.4	-32.4	-3.8	25.7	-14.6
	Next three months	1.0	7.5	-0.5	3.3	-13.8	14.6
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	53.9	40.5	2.8	37.9	38.6
Terms and conditions for approving loans or credit lines to households							
Margin on average loans	Next three months	13.0	-12.4	-0.6	0.7	-29.8	-30.3
Margin on riskier loans	Next three months	14.8	-10.0	2.9	15.2	32.3	25.7
Margin on prime borrowers	Next three months	-7.5	-9.5	-0.6	-10.2	-32.9	-46.8
Non-interest rate charges	Next three months	2.7	-21.9	0.0	-10.9	0.2	0.0
Size of the loan or credit line	Next three months	-6.3	-21.9	0.0	0.0	1.6	2.1
Collateral requirements	Next three months	-7.9	2.4	-6.7	4.4	-28.4	33.1
Maturity	Next three months	-16.6	-21.9	0.0	0.0	-29.8	25.7
Default rate on loans to households	Next three months	4.1	11.5	21.4	-19.5	-11.3	-31.2

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

APPENDIX 3: Methodology

Questions:

The questions in the lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the three month period (March -May 2018), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period.

Analysis of data:

For the analysis of aggregate results, lenders who report that credit conditions have changed 'considerably' are summed together with those who report that conditions have changed 'somewhat'. The results are summarized by calculating '*net percentage balance*' which is the difference between the weighted balances of lenders reporting that, say, demand had increased/ decreased or credit standards were tightened/ eased. The net percentage balances are scaled to a range between -100 and +100.

Positive net percentage balances indicate those lenders that reported/expected demand/default rate to be higher than the previous/current three-month period, or rather that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.(See *illustration below)*

On the other hand, interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels and by how much.

Illustration:

'Eased somewhat' + 'Eased considerably' = Eased

'Tightened somewhat' + 'Tightened considerably' = Tightened

Response	**Fraction of total giving response (%)**
Eased / Decreased	X
Unchanged	Y
Tightened / Increased	Z
Net percentage change	Z- X

Interpretation of percentage change:

-100 0 +100

Eased / Decreased Tightened / Increased