# Bank lending Survey Report For April to June 2013(Q4)

*Prepared by:*

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# EXECUTIVE SUMMARY

The Statistics Department of Bank of Uganda conducted the Lending Survey for Supervised Financial Institutions for quarter ended June 2013. The objectives of the Survey were to: Enhance BOU's understanding of the lending behaviour and loan financing conditions among the deposit-taking institutions; and Capture leading information on credit developments and bank lending in the Ugandan market during the reference period.

**The key findings from the survey are detailed below.**

### *Credit Standards*

Credit standards to both enterprises and households remained broadly unchanged over the quarter ended June 2013. However, on a net basis, there was a strong bias towards easing for the majority of the economic sectors with the exception of the Building, Mortgage, Construction and Real Estate, Trade, Agriculture and Mining and quarrying sectors which recorded a net tightening of credit standards and at a much faster pace than in the previous quarter. The the low turnover, low demand, shrunk in real estate market values, high default rate, slow resumption of operations at the land offices and increase in the non-performing assets of real estate business were the main factors cited for this cause.

### *Outlook on Demand for credit*

Credit demand from both enterprises and households is expected to increase more than it did in the previous quarter. A further reduction in interest rates, anticipation of increases in working capital requirements following likely general rise in business activities as traders stock up for the upcoming festive season, alignment of credit products to customers' needs, continuous improvement in the economic outlook, and payment of school fees were the major factors behind the expected increased demand for credit over the period to end September 2013.

### *Outlook on Terms & Conditions*

Majority of the price and non-price terms and conditions are expected to remain broadly unchanged, with a bias towards easing over the quarter to end September 2013, with the exception of collateral requirements which had a net tightening for both enterprises and households.

### *Outlook on the default rate on loans*

Default rate on loans to both enterprises and households is expected to increase over the quarter to end September 2013 owing to; slowdown in economic activity, the delayed payment of government obligations to enterprises and salaries for the civil servants in the case of salary loans, high incidents of joblessness coupled with increasing rates of employee layoffs and the high cost of living leading to increased non-performing loans.

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### *Interest Rate Expectations*

Lending rates are expected to decline further over the quarter to end September owing to: the stable Central Bank Rate (CBR), anticipated increase in Government spending, higher liquidity expected to decrease interest rates, reduced cost of funds, improvement in macroeconomic conditions, and Competition amongst lenders which will drive down interest rates.

### *Observed decline in loan extensions Vis-a-Vis the expected rise in credit demand and net easing of credit standards.*

An occasional question on the observed decline in loan extensions Vis-a-Vis the expected rise in credit demand and net easing of credit standards was also covered, and banks noted; the slow resumption of operations at the lands registry has delayed disbursement of secured credit and mortgage registration, market speculation of a future decline in interest rates, speculation about the effects of the June 2013 budget, banks slow reaction to the reduction in the CBR and the delayed payment of government contractors, all limiting the pace of growth in the both the supply and demand for credit.

# 1. Introduction to the lending survey

## Objectives of the Survey

The lending survey is undertaken by the Statistics Department of the Bank of Uganda (BOU) to capture past and prospective developments in the credit market[1]. The survey is designed to complement existing data on credit and lending rates by providing supplementary information on supply and demand conditions in the credit markets and the lending policies of banks.

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 and bank lending in the Ugandan market during the reference period.

## Methodology

Questionnaires were sent out to all of the 24 Commercial banks and 7 Non bank financial institutions (NBFIs) in Uganda, yielding an overall response rate of 100 and 81.7 percent for Commercial banks and Non-bank financial institutions, respectively.

## 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 a sum of each institution's market share over the three month period (April-June 2013), as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sub sector. (*Appendix 1*)

## Analysis of results

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*' i.e. the difference between the weighted balances of lenders reporting that, say, demand was increased/ decreased or credit standards were tighter/ eased. The net percentage balances are scaled to lie between ±100.

Positive net percentage balances indicate those lenders that reported/expected demand/credit availability to be higher than the previous/current three-month period, or rather that the terms and conditions on which credit was provided became cheaper or eased respectively.
The Non Bank Financial Institutions analysis is provided separately for in the *appendix* to this report.

# 2. Survey Findings

## 2.1 Credit to Enterprises

### 2.1.1 Credit standards

***Unchanged Credit availability to Enterprises in Q4***

The majority of banks (79 percent) reported that their credit standards had remained broadly unchanged in the last three months to June 2013. 10 percent of the respondents reported easing credit policy/standards for overall loans to enterprises, while there was a slight increase in the percentage of those that reported having tightened credit standards in Q4 FY 2012/2013. Overall, on a net

[1] Although the survey is distributed to all supervised financial institutions, the survey report covers only the responses received from commercial banks.

basis, there was a slowdown in the pace of easing (5 percent) compared to 11 percent of the respondents that reported a net easing in the previous survey (*Figure 1 and Table 1*).

The key factors highlighted as having attributed to the easing of credit standards on a net basis to enterprises were: a) availability of funds for onward lending; and b) increased demand for loans. On the other hand, banks that reported tightening in credit standards over the quarter cited the continued deterioration in portfolio quality of the loans as the key factor.

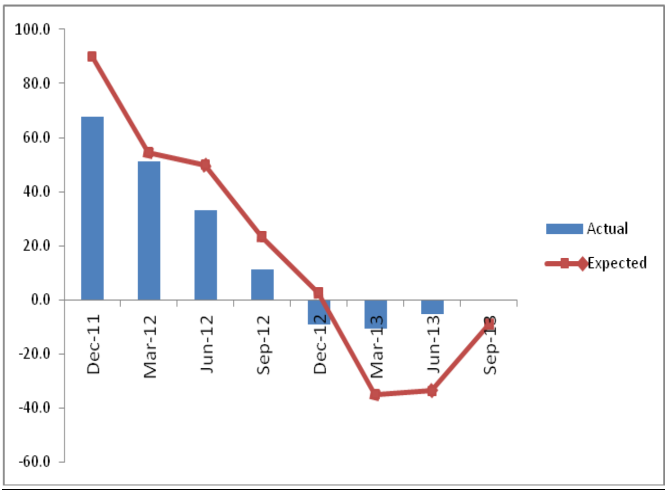
In line with the overall results above, 64.7 and 82.6 percent of the respondents reported that credit standards to Small and Medium Enterprises SMEs) and large enterprises, respectively, remained broadly unchanged. On a net basis however, 15.5 percent reported a bias towards tightening for SMEs while 4.1 percent had a bias towards net easing for large enterprises in the quarter ended June 2013. (*See Table 1*)

In terms of duration, banks seem to be more focused on short term loans rather than long term loans as depicted by the pace of easing on a net basis. Banks reported a net easing of 8.7 percent for short term loans, while a net tightening of 14.9 percent was reported for long term loans respectively in Q4 FY2012/2013.

## Table 1: Credit Standards as applied to approval of loans to Enterprises

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Mar-13 | June-13 | Mar-13 | June-13 | Mar-13 | June-13 | Mar-13 | June-13 | Mar-13 | June-13 |
| Tightened | 4 | 5 | 3.9 | 22.4 | 3.9 | 3.6 | 2.8 | 2.2 | 3.9 | 22.4 |
| Unchanged | 81 | 79 | 79.0 | 64.7 | 81.5 | 82.6 | 73.9 | 81.0 | 81.5 | 64.1 |
| Eased | 15 | 10 | 10.5 | 6.9 | 8.0 | 7.8 | 16.7 | 10.9 | 8.0 | 7.5 |
| Net % | -11 | -5 | -6.6 | 15.5 | -4.0 | -4.1 | -13.9 | -8.7 | -4.1 | 14.9 |

## Figure 1: Credit policy to Enterprises




*Notes:*

*(a) Net percentage balances are calculated by obtaining the difference between the percentages 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 graphs show the net percentages 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.*

***Credit Standards expected to ease on a net basis in Q1 FY 2013/14 but at a much slower pace.***

Since December 2012, the expectation for net easing of credit standards by lenders has been slowing down. Similarly for the quarter ending September 2013, the survey results for credit policy to enterprises point towards a net easing (*see figure 1 and Table 2*).

Majority of the respondents expect credit policy to both large and small and medium enterprises to remain broadly unchanged with a bias towards easing on a net basis in the quarter to end September 2013 (*see Table 2*) which is indicative of a likely increase in the availability of credit to enterprises in the coming period.

However, in the coming months, banks focus seems to be more on short term lending than long term as indicated by their expectation net easing for short term (7.7 percent) and net tightening for long term loans (13.5 percent).

Key factors cited for the expectations included: a) favourable monetary policy b) improvement in the general economic conditions and c) mobilisation of cheaper deposits.

The banks that expect to tighten credit standards in Q1 of FY 2013/2014 based their judgement on; the high levels of forgery on collateral, focus on short term self liquidating facilities and the desire to reduce non-performing asset portfolios.

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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | June-13 | Sep-13 | June-13 | Sep-13 | June-13 | Sep-13 | June-13 | Sep-13 | June-13 | Sep-13 |
| Tighten | 6 | 7 | 7.6 | 5.4 | 4.2 | 4.9 | 4.1 | 3.6 | 5.5 | 23.7 |
| Unchanged | 53 | 73 | 54.8 | 79.4 | 57.6 | 80.0 | 54.8 | 78.9 | 54.2 | 59.9 |
| Ease | 40 | 16 | 34.2 | 8.9 | 31.3 | 8.9 | 31.7 | 11.3 | 33.7 | 10.2 |
| Net % | -33.5 | -9.0 | -26.6 | -3.5 | -27.0 | -4.0 | -27.7 | -7.7 | -28.2 | 13.5 |

## 2.1.2 Credit Standards by Sector

*Easing of credit standards to the other sectors but tightening to the Real estate, Trade, agriculture and Mining sectors in Q4*

Banks were asked to indicate how credit policy had changed for the various sectors of the economy over the quarter ended June 2013. Banks reported that they kept credit policy broadly unchanged with a bias towards net easing for the majority of the sectors. Notably, however, lenders have continually indicated tightening in the Building, Mortgage, Construction and Real Estate sector. In the current survey, majority of the respondents reported tightening of credit standards (about 46.8 percent) in the quarter ended June 2013.

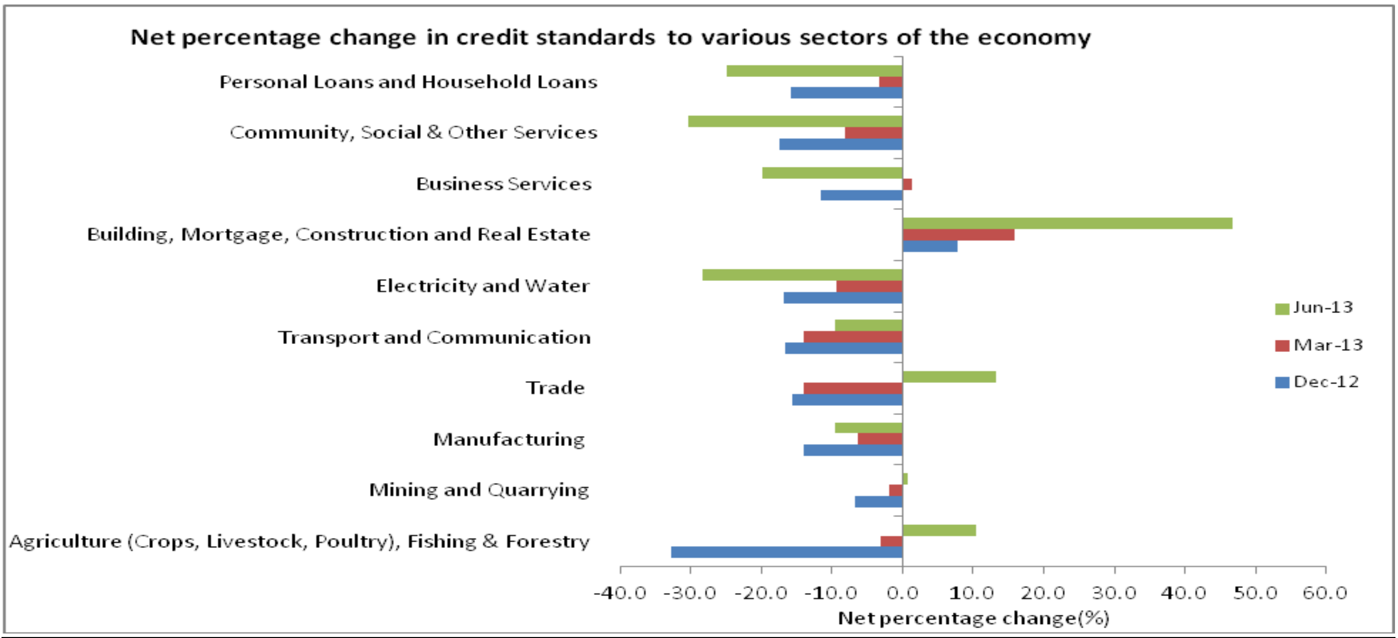
On a net basis, Building, Mortgage, Construction and Real Estate, Trade, Agriculture and Mining and Quarrying sectors were reported to have had tightened credit standards. The Community, social and other service, Electricity and water, Transport and communication, Manufacturing, Personal and household loans and Business services sectors, on the other hand, had the highest percentage of respondents reporting a net easing of credit standards.

The key factors cited for the tightening of credit standards to mainly the Building, Mortgage, Construction and Real Estate sector were: the low turnover, low demand, shrunk in real estate market values, high default rate, slow resumption of operations at the land offices and increase in the non-performing assets of real estate business.

On the other hand, banks that reported easing of credit policy to the Community, social and other services, Electricity and water, Transport and communication, Manufacturing, Personal and household loans and Business services sectors cited; the increment in the risk appetite borne out of the healthy cash returns accruing from these sectors.

Notably, however, those that reported easing in the Agricultural sector cited; the good prospects and priority for Government through inclusive economic development using this sector and the rolling out of the agricultural credit facility by Bank of Uganda

Figure 2: Changes in credit standards by economic sector




### 2.1.3 Expected Changes in Terms & Conditions for Credit to Enterprises

**Price terms:** *Expectation of unchanged margins for banks in Q1 FY 2013/14*

In the quarter to September 2013, the majority of the respondents (70.7 per cent) expect the margin on riskier loans to remain broadly unchanged. About 29.3 percent of respondents expect a wider (tighter) margin while no bank expressed willingness to ease in the next quarter.

Majority of the respondents (56 percent) expect the margin on prime borrowers to remain basically unchanged. 42.5 percent expect the margin on prime lending to narrow (ease), while only 1.5 percent expects the margin to widen over the next quarter. The margin on average loans is expected to ease on a broader basis (58.8 percent) while 38 percent expect it to remain unchanged with only 3.2 percent expecting a wider (tighter) margin.

**Non-Price terms:** *Expected to remain unchanged in Q1 FY 2013/14*

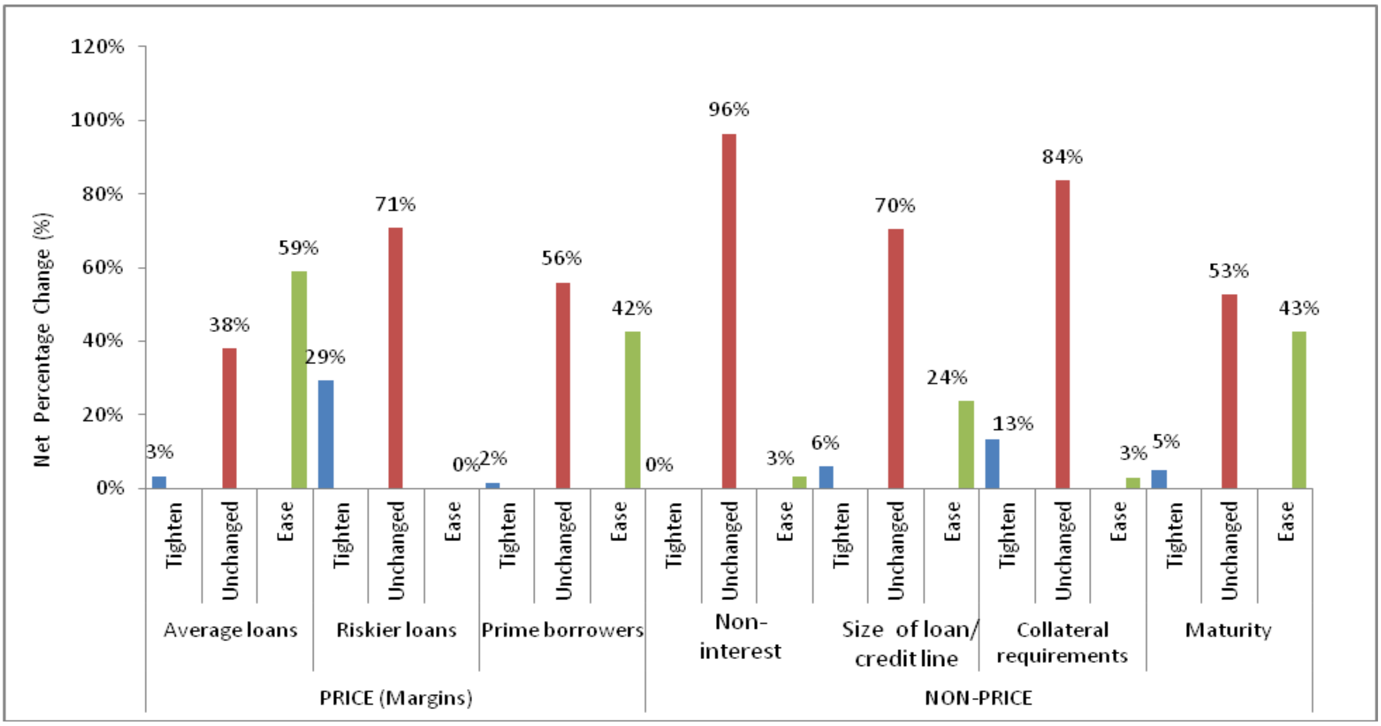
Like in the previous survey, non-price terms and conditions are expected to remain broadly unchanged with a bias towards easing. On a net basis, all terms and conditions on non-interest rate charges, maturity and size of the loan or credit line are expected to ease, while those on collateral requirement are expected to tighten on a net basis in the quarter to end September 2013.

The factors cited for the expected easing of all terms and conditions on non-interest rate charges, maturity and size of the loan or credit line include; a) the need for flexibility of charges so as to achieve the required loan volumes, b) competition from other Financial Institutions and c) the review of maturity periods of loans.

On the other hand, the key reasons cited for the expected tightening of terms and conditions on collateral requirements were; a) the declining property values, and b) opting for alternative securities due to the depression in the prices of land.

Figure 3 illustrates the expected changes in the terms and conditions for credit to enterprises.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises for Quarter Ending September 2013




### 2.1.4 Demand for Credit

*Demand for credit expected to increase in Q1 FY 2013/14*

Like in the previous survey results, the net demand for credit from enterprises for the first quarter of FY 2013/2014 is expected to increase as the percentage of banks anticipating an increase is much higher than those that expect a decrease.

The overall percentage of banks expecting a rise in credit demand was 70.9 per cent while 6.4 percent of the banks expect a decline. About 22.6 percent of respondents expect credit demand to remain broadly unchanged over the next quarter to end September 2013. (*See Table 3 below*).

Table 3: Demand expectations for the next three months (July-September 2013)

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 |
| Decrease | 0.0 | 6.4 | 0.0 | 6.2 | 0.0 | 6.6 | 0.0 | 6.4 | 0.0 | 6.1 |
| Unchanged | 32.1 | 22.6 | 32.4 | 44.3 | 50.4 | 42.9 | 24.0 | 43.0 | 23.8 | 22.2 |
| Increase | 66.6 | 70.9 | 59.7 | 43.5 | 43.0 | 44.5 | 68.6 | 44.5 | 69.6 | 65.7 |
| Net % | 66.6 | 64.5 | 59.7 | 37.3 | 43.0 | 38.0 | 68.6 | 38.1 | 69.6 | 59.7 |

Some of the major reasons given for the outlook above were;

a) Further reduction in interest rates.

b) Anticipation of increases in working capital requirements following likely general rise in business activities as traders stock up for the upcoming festive season.

c) Alignment of credit products to customers' needs.

### 2.1.5 Default rate on loans to enterprises

*Default rate expected to increase on a net basis in Q1 FY 2013/14*

Banks were asked to report on how they expect the default rate on loans to enterprises to change over the quarter to end September 2013. Majority of the respondents (46.7 percent) expect the default rate by enterprises to remain broadly unchanged in the quarter to end September 2013.

In line with these conclusion, foreign currency non-performing assets of banks decreased ffrom

On a net basis, however, 12.1 percent of the respondents expect the default rates to increase in the quarter to end September 2013. . *(See Table 4 below).*

The key factors cited for the expected increase in default rate on loans to enterprises were; the slowdown in economic activity which has affected cash flows of borrowers, increase in non-performing loans as the repayment portfolio does not show any signs of recovery and the delayed payment of Government obligations to most enterprises.

On the other hand, respondents who reported an expected decrease in default rates cited; more monitoring tools and measures put in place and successfully implemented, continued reduction in interest rates, and the continued use of the Credit Reference Bureau (CRB).

Table 4: Default rate expectations for the next three months (July-September 2013)

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 |
| Decrease | 74.3 | 20.2 | 63.2 | 15.5 | 43.0 | 14.2 | 65.0 | 16.3 | 61.6 | 13.5 |
| Unchanged | 19.1 | 46.7 | 24.3 | 62.9 | 49.8 | 65.5 | 25.7 | 48.5 | 27.6 | 47.9 |
| Increase | 6.5 | 32.3 | 5.9 | 15.6 | 0.6 | 14.3 | 0.0 | 29.2 | 1.5 | 32.6 |
| Net % | -67.8 | 12.1 | -57.3 | 0.1 | -42.4 | 0.2 | -65.0 | 12.9 | -60.1 | 19.1 |

## 2.2 Credit to Households and Individuals

### 2.2.1 Credit standards

*Eased credit standards to households in Q4*

In the quarter ended June 2013, the majority of lenders (about 53.3 per cent), reported easing of the overall availability of credit provided to households and individuals with a much faster pace on a net basis than in the previous quarter.

Some of the major reasons cited by respondents for easing the credit standards included; improvement in the general macroeconomic conditions, reduction in lending rates, ease in documentary requirements for group scheme lending, increase in loan maturity periods and the need to attract customers due to intense competition from other Institutions.

On the other hand, banks that reported tightening of credit standards cited; the high default rate and credit losses and the strict measures to monitor the increasing default rates as the key factors.

*Outlook: Net easing of credit standards to households anticipated in Q1 FY 2013/14*

Majority of the Commercial banks (about 66.9 percent) expect the overall standards to households and individuals to ease in the quarter to end September 2013. On a net basis, banks reported a much faster pace of easing (57.2 percent) than in the previous survey results (46 percent). 22.3 percent of the respondents expect the credit standards to remain basically the same while 9.7 percent expect the standards to tighten.

Key factors cited for the faster pace of easing included; a) interest rate concessions basing on customer retention and acquisition strategies; and b) reduction in both arrears and Non performing loans.
On the other hand, banks that reported tightening cited the mixed signals about Government's continued support in collection of loan instalment payments for civil servant loan clients to Financial Institutions through payment solutions Uganda.

### 2.2.2 Demand expectations for credit from Households

*Increase in Credit Demand from households expected in Q1 FY 2013/14*

In the quarter ending September 2013, 76.6 per cent of lenders expect demand for credit by households to increase much higher than the 64.3 percent that was recorded for the quarter ended June 2013. 0.4 percent of the respondents anticipated a decline in credit demand in the next quarter and about 19.6 percent of the respondents expect credit demand from households to remain unchanged in the quarter to end September 2013.

Key factors cited for the expected increase in credit demand included:, continuous improvement in the economic outlook, ease and stability of interest rates[2] , payment of school fees in Q1 FY 2013/2014 and preparation for the upcoming festive season.

### 2.2.3 Outlook on Terms & Conditions for Credit to Households

The majority of lenders indicated that they expect to maintain their overall terms and conditions for consumer credit unchanged over the next three months to September 2013. On a net basis, majority of the banks showed a bias towards easing of the terms and conditions with the exception of non-interest rate charges, and collateral requirements which showed a net tightening.

### 2.2.4 Default rate on loans to Households

*Default rate expected to increase on a net basis in Q1 FY 2013/14*

Majority of the Commercial banks (about 50.9 percent) expect the default rate on loans to households to increase over the quarter to end September 2013. About 30.1 percent expect the default rate to remain unchanged and approximately 19 percent expect a decrease in the default rate on loans to households in Q1 FY 2013/2014.

Key factors cited for the increase in default rate are; delayed salary payments for the civil servants in the case of salary loans , high incidents of joblessness coupled with increasing rates of employee layoffs and the high cost of living hence leading to increased non-performing loans.

## 2. 3 Interest Rate Expectations for Quarter 4, FY 2012/13

*Interest rates expected to decline in Q1 FY 2013/14*

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. The responses were weighted by the respondent Institutions' market share in the total credit market as shown in *Appendix 2*.

The average percentage, by which banks expect to reduce lending rates over the next quarter to September 2013, is 0.72 percentage points as shown in *Figure 4 below*, higher than the 0.69 percentage points' decline which was anticipated

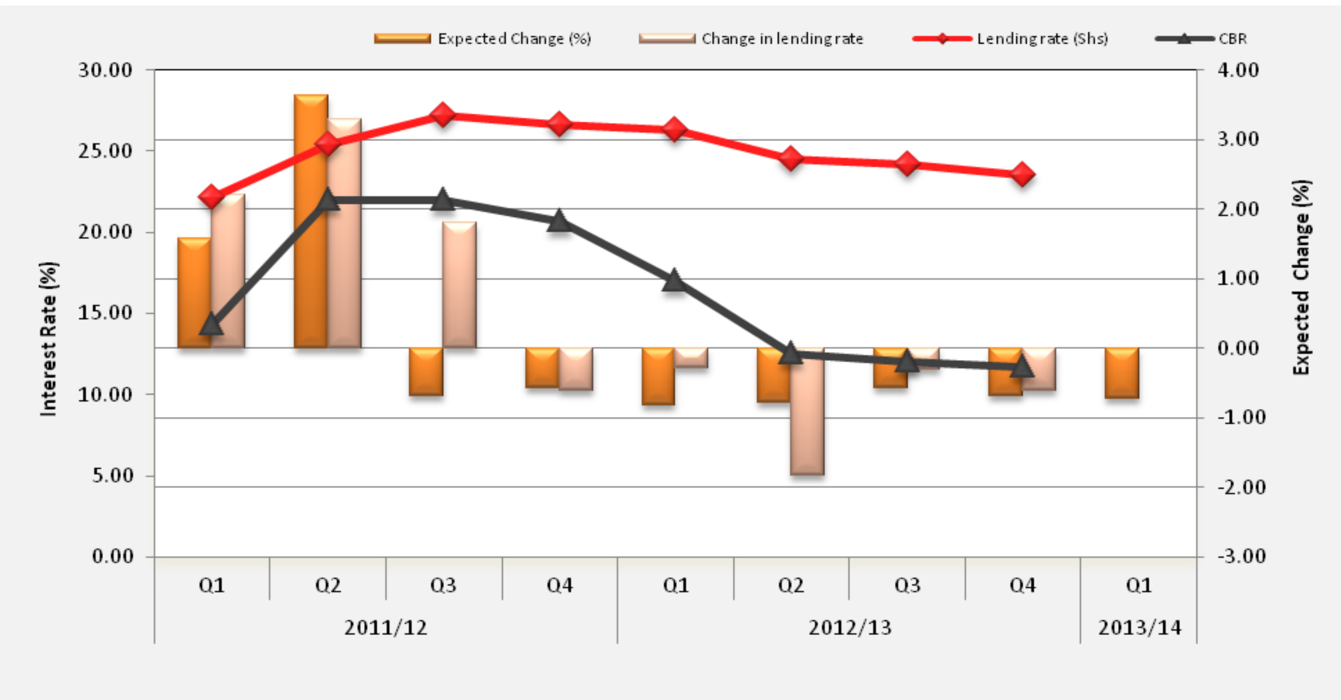
[2] Dating back from Q2 FY 2013/2013, Interest rates have been decreasing and have been coupled with an increase in credit demand.

in the previous survey results. 15 out of the 24 banks expect lending rates to reduce over the next quarter to September 2013, while 9 banks expect unchanged lending rates over the next quarter as shown in *Appendix 2*.

The main reasons cited for the reducing outlook above include; continued reduction in the Central Bank Rate(CBR), expected increase in Government spending and therefore higher liquidity expected to decrease interest rates, reduction in cost of funds, improvement in macroeconomic conditions, and Competition amongst lenders which will drive down interest rates.

On the other hand, banks that anticipated constant interest rates noted that the decline in prime lending rates will be offset by increased government borrowing (treasury bills), which negatively impacts on the costs of funds since fixed deposit rates tend to be tied to treasury bill rates.

Figure 4: Changes in interest rates vis-à-vis Net Expectations




*Notes: 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.*

## 4. Occasional Question

The survey also included an occasional question concerning aspects of banks' lending which are summarised below;

### 4.1 Observed decline in loan extensions Vis-a-Vis the expected rise in credit demand and net easing of credit standards.

Banks were asked to explain the relatively slow growth in loan extensions (decline in private sector credit) over the quarter ended June 2013 despite banks predicting increased credit demand and net easing of credit standards in the previous survey results.

Banks reported; the slow resumption of operations at the Lands Registry that delayed disbursement of secured credit and mortgage registration, market speculation of a future decline in interest rates compelled consumers to delay borrowing, overall economic slowdown leading companies to reduce borrowing to conserve cash, Speculation about the effects of the June 2013 budget suppressed the credit appetite, banks not decreasing their lending rates in spite of a reduction in the CBR, and the delayed payment of Government contractors which broke the money cycle.

**5. Conclusion**

On the supply side: the bank lending survey for the fourth quarter of FY 2012/2013 indicated that majority of the banks reported unchanged and eased credit policy/standards regarding the overall availability of loans to enterprises and households respectively.

However, on a net basis, banks indicated a marked overall continued increase in the pace of easing of credit standards for households, but a decrease in the case of enterprises.

According to the banks, easing of credit policy/standards was mainly driven by reduction in lending rates, intense competition from other institutions, signs of recovery of economic activities, and increase in loan maturity periods.

Lenders that reported tighter credit conditions cited; the continued deterioration in portfolio quality, the high default rate and credit losses and the strict measures to monitor the increasing default rates as the key factors.

On the demand side: most lenders anticipate credit demand from both enterprises and households to increase, over the next three months to September 2013. The key factors given for these credit demand expectations in Q1 FY 2013/2014 are: Further reduction in interest rates; anticipation of increases in working capital requirements following likely general rise in business activities as traders stock up for the upcoming festive season; alignment of credit products to customers' needs; continuous improvement in the economic outlook, and payment of school fees.

**6. Policy Implications**

The survey results indicate the banks' expectations pointing towards a further increase in credit demand (from both enterprises and households), unchanged terms and conditions and broadly unchanged credit standards with a bias towards net easing in the quarter ending September 2013. This could be a result of the continued easing of the CBR coupled with a substantive decrease in the cost of borrowing and the continued albeit slow pick up of economic activity.

Looking forward, it is likely that the continued reduction in the cost of borrowing, favourable economic outlook, festive season expectations and school fees payment could lead to growth in both credit demand and supply in Q1 FY 2013/2014.

APPENDIX 1: Credit Standards as applied to approval of loans to enterprises by NBFIs

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Mar-13 | Jun-13 | Mar-13 | Jun-13 | Mar-13 | Jun-13 | Mar-13 | Jun-13 | Mar-13 | Jun-13 |
| Tightened | 29.9 | 17.3 | 29.9 | 0.0 | 29.9 | 17.3 | 0.0 | 22.3 | 29.9 | 17.3 |
| Unchanged | 70.1 | 77.7 | 34.4 | 82.7 | 34.4 | 59.6 | 81.6 | 77.7 | 51.7 | 82.7 |
| Eased | 0.0 | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net % | **29.9** | **12.2** | **29.9** | **0.0** | **29.9** | **17.3** | **0.0** | **22.3** | **29.9** | **17.3** |

APPENDIX 2: Expectations for Credit Standards as applied to approval of loans to enterprises by NBFIs

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-13 | Sep-13 | Mar-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 |
| Tightened | 5.2 | 5.1 | 5.2 | 28.4 | 0.0 | 0.0 | 5.2 | 0.0 | 5.2 | 0.0 |
| Unchanged | 73.0 | 76.9 | 29.9 | 36.3 | 25.9 | 76.9 | 73.0 | 94.9 | 91.5 | 100.0 |
| Eased | 0.0 | 0.0 | 44.3 | 18.1 | 29.9 | 0.0 | 0.0 | 5.1 | 0.0 | 0.0 |
| Net % | **5.2** | **5.1** | **-39.2** | **10.3** | **-29.9** | **0.0** | **5.2** | **-5.1** | **5.2** | **0.0** |
| | | | | | | | | | | |

APPENDIX 3: Expected changes in terms & conditions for approving loans to enterprises

| | Margin on average loans | | Margin on riskier loans | | Margin on prime borrowers | | Non-interest rate charges | | Size of loan/credit line | | Collateral requirements | | Maturity | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 |
| Tightened | 3.3 | 5.7 | 3.3 | 5.7 | 18.4 | 0.0 | 33.2 | 5.7 | 33.2 | 5.7 | 3.3 | 34.0 | 3.3 | 5.7 |
| Unchanged | 43.2 | 59.0 | 73.0 | 59.0 | 76.4 | 39.1 | 43.2 | 59.0 | 17.3 | 30.7 | 73.0 | 30.7 | 25.9 | 59.0 |
| Eased | 48.3 | 35.3 | 0.0 | 17.3 | 0.0 | 42.9 | 0.0 | 0.0 | 44.3 | 63.7 | 0.0 | 35.3 | 29.9 | 17.3 |
| Net% | **-45.0** | **-29.7** | **3.3** | **-11.6** | **18.4** | **-42.9** | **33.2** | **5.7** | **-11.1** | **-58.0** | **3.3** | **-1.3** | **-26.5** | **-11.6** |

APPENDIX 4: Credit Demand expectations from enterprises (April-June 2013) by NBFIs

| | Overall | | Loans to SMEs | | Large enterprises | | Short-term Loans | | Long-term Loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 | Jun-13 | Sep-13 |
| Decrease | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unchanged | 43.2 | 25.6 | 25.9 | 0.0 | 55.8 | 25.6 | 43.2 | 0.0 | 73.0 | 30.7 |
| Increase | 33.2 | 56.4 | 33.2 | 81.9 | 3.3 | 51.3 | 33.2 | 81.9 | 3.3 | 51.3 |
| Net % | **33.2** | **56.4** | **33.2** | **81.9** | **3.3** | **51.3** | **33.2** | **81.9** | **3.3** | **51.3** |

APPENDIX 5: Household and consumer credit standards-expectations (April-June 2013) by NBFIs

| | Jun-13 | Sep-13 |
|---|---|---|
| Decrease | 0.0 | 33.4 |
| Unchanged | 81.6 | 22.9 |
| Increase | 0.0 | 25.6 |
| Net % | **0.0** | **7.8** |

APPENDIX 6: Household and consumer credit demand expectations (April-June 2013) by NBFIs

| | Jun-13 | Sep-13 |
|---|---|---|
| Decrease | 0.0 | 0.0 |
| Unchanged | 76.4 | 51.3 |
| Increase | 5.2 | 30.7 |
| Net % | **5.2** | **30.7** |

Appendix 7: 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/credit availability/defaults to be higher than over
the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

| | | Net percentage balances [a] | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Period** | | 2010/11 | | | 2011/12 | | | | 2012/13 | | | |
| **Part I: Enterprises** | | Q2* | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **How has your bank's credit policy as applied to the approval of loans or credit lines to enterprises changed?** | | | | | | | | | | | | |
| Overall | Past three months | -0.3 | -11.7 | 5.9 | 33.7 | 67.6 | 51.3 | 33.1 | 11.1 | -8.9 | -10.6 | -5.3 |
| | Next three months | -3.5 | 13.4 | 55.6 | 89.9 | 54.5 | 50.0 | 23.4 | 2.7 | -34.8 | -33.5 | -9.0 |
| SMEs (b) | Past three months | 25.8 | -19.6 | -16.8 | 42.2 | 38.0 | 58.7 | 32.7 | 29.1 | 10.4 | -6.6 | 15.5 |
| | Next three months | -41.5 | 8.5 | 24.2 | 84.8 | 54.4 | 49.0 | 18.4 | 2.2 | -56.1 | -26.6 | -3.5 |
| Large enterprises | Past three months | -6.4 | -11.7 | 11.3 | 36.0 | 67.6 | 58.6 | 31.1 | 15.5 | -4.5 | -4.0 | -4.1 |
| | Next three months | -7.4 | 18.5 | 61.2 | 61.3 | 50.7 | 74.6 | 6.8 | -13.7 | -24.9 | -27.0 | -4.0 |
| Short term loans | Past three months | 28.5 | -10.1 | -22.1 | 24.7 | 55.1 | 46.4 | 27.9 | 13.6 | -12.6 | -13.9 | -8.7 |
| | Next three months | -4.9 | 14.9 | 26.9 | 59.3 | 34.8 | 38.0 | 5.0 | -47.2 | -59.9 | -27.7 | -7.7 |
| Long term loans | Past three months | 32.5 | 7.6 | 5.6 | 39.9 | 85.9 | 62.7 | 33.8 | 45.6 | 0.6 | -4.1 | 14.9 |
| | Next three months | 10.9 | 16.7 | 16.6 | 98.8 | 77.1 | 80.1 | 37.5 | 2.3 | -25.4 | -28.2 | 13.5 |
| **How has your institution's credit policy as applied to the approval of loans or credit lines to enterprises changed for the following sectors?** | | | | | | | | | | | | |
| Agriculture (Crops, Livestock, Poultry), Fishing & Forestry | Past three months | n/a** | n/a** | n/a** | 25.1 | 60.3 | 51.0 | 29.9 | -39.3 | -32.8 | -3.0 | 10.3 |
| Mining and Quarrying | Past three months | n/a** | n/a** | n/a** | -2.1 | 2.9 | 53.8 | 39.5 | 0.0 | -6.8 | -1.8 | 0.7 |
| Manufacturing | Past three months | n/a** | n/a** | n/a** | 10.2 | 19.0 | 53.1 | 42.9 | -8.0 | -14.0 | -6.4 | -9.6 |
| Trade | Past three months | n/a** | n/a** | n/a** | 39.7 | 27.5 | 47.4 | 44.0 | -15.6 | -15.6 | -13.9 | 13.3 |
| Transport and Communication | Past three months | n/a** | n/a** | n/a** | 36.9 | 58.2 | 52.1 | 39.7 | -10.5 | -16.7 | -14.0 | -9.5 |
| Electricity and Water | Past three months | n/a** | n/a** | n/a** | 7.3 | 6.5 | 50.6 | 41.8 | -7.6 | -16.7 | -9.3 | -28.3 |
| Building, Mortgage, Construction and Real Estate | Past three months | n/a** | n/a** | n/a** | 67.0 | 57.5 | 60.2 | 48.2 | 47.2 | 7.8 | 15.8 | 46.8 |
| Business Services | Past three months | n/a** | n/a** | n/a** | 62.7 | 28.6 | 54.1 | 44.0 | -2.9 | -11.7 | 1.2 | -20.0 |
| Community, Social & Other Services | Past three months | n/a** | n/a** | n/a** | 14.5 | 21.3 | 54.4 | 45.2 | -5.4 | -17.5 | -8.2 | -30.3 |
| Personal Loans and Household Loans | Past three months | n/a** | n/a** | n/a** | 52.3 | 0.0 | 48.2 | 35.2 | -8.1 | -15.9 | -3.3 | -24.8 |
| **How do you expect your institution's terms and conditions for approving loans or credit lines to enterprises to change?** | | | | | | | | | | | | |
| Margin on average loans | Next three months | 14.1 | 33.9 | 40.9 | 98.9 | 21.0 | 35.0 | -42.3 | -17.2 | -43.4 | -29.0 | -55.6 |
| Margin on riskier loans | Next three months | 68.5 | 40.1 | 46.9 | 96.4 | 93.7 | 70.6 | 36.7 | 41.0 | 21.1 | 9.3 | 29.3 |
| margin on prime borrowers | Next three months | -21.6 | 24.5 | 8.2 | 45.9 | -2.0 | 1.1 | -45.8 | -31.4 | -44.4 | -46.0 | -41.0 |
| Non-interest rate charges | Next three months | 25.3 | -1.1 | 11.7 | 18.0 | -19.1 | 49.3 | -0.5 | -4.3 | -2.4 | -10.0 | -3.3 |
| Size of the loan or credit line | Next three months | -24.7 | -24.6 | 41.1 | 55.0 | 69.5 | 61.3 | 28.3 | 3.4 | 3.4 | -8.1 | -17.7 |
| Collateral requirements | Next three months | 36.3 | 3.1 | 53.1 | 51.7 | 71.9 | 31.5 | 38.1 | 31.9 | 1.0 | -10.4 | 10.3 |
| Maturity | Next three months | -20.8 | -5.7 | 30.4 | 48.9 | 20.4 | 24.3 | 29.9 | 5.6 | -16.2 | -21.6 | -37.7 |
| **Please indicate how you expect demand for loans or credit lines by enterprises to change at your institution?(apart from normal seasonal fluctuations)?** | | | | | | | | | | | | |
| Overall | Next three months | 58.0 | 27.1 | -18.1 | -67.6 | -77.9 | -44.8 | 28.9 | 86.1 | 52.0 | 66.6 | 64.5 |
| SMEs | Next three months | 50.3 | 18.4 | 4.8 | -62.0 | -65.7 | -11.0 | 69.6 | 81.1 | 70.3 | 59.7 | 37.3 |
| Large enterprises | Next three months | 11.7 | 23.7 | -20.8 | -40.0 | -80.0 | -45.7 | 32.3 | 52.7 | 68.9 | 43.0 | 38.0 |
| Short term loans | Next three months | 53.3 | 24.5 | 8.3 | -10.4 | -71.9 | -9.8 | 30.2 | 81.5 | 70.7 | 68.6 | 38.1 |
| Long term loans | Next three months | 25.6 | 5.8 | 7.2 | -69.7 | -82.0 | -57.9 | -9.9 | 37.4 | 60.9 | 69.6 | 59.7 |
| **Please indicate how do you expect the default rate on loans to enterprises to change over the next three months ? ?** | | | | | | | | | | | | |
| Overall | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -25.1 | -67.8 | 12.1 |
| SMEs | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -47.7 | -57.3 | 0.1 |
| Large enterprises | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -16.3 | -42.4 | 0.2 |
| Short term loans | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -43.5 | -65.0 | 12.9 |
| Long term loans | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -42.6 | -60.1 | 19.1 |

| | | Net percentage balances | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Period** | | 2010/11 | | | 2011/12 | | | | 2012/13 | | | |
| **Part II: Households** | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **How have your bank's credit policy as applied to the approval of loans to households and non-enterprises** | Past three months | -49.6 | -26.9 | 16.9 | 22.8 | 72.4 | 53.1 | 15.7 | 1.1 | -29.8 | -21.1 | -45.6 |
| | Next three months | 21.4 | -14.6 | 52.0 | 88.3 | 81.2 | 9.2 | -5.7 | -12.9 | -64.7 | -46.0 | -57.2 |
| **Please indicate how you expect demand demand for loans to households (for purposes of consumer credit) to change?** | Next three months | 64.8 | 77.5 | 79.8 | -40.8 | -68.5 | 33.0 | 55.5 | 87.3 | 71.7 | 64.0 | 76.3 |
| **How do you expect your institution's terms and conditions for approving loans or credit lines to households to change?** | | | | | | | | | | | | |
| Margin on average loans | Next three months | 15.0 | 16.5 | 52.8 | 91.7 | 0.7 | 39.5 | -32.8 | -25.1 | -37.6 | -35.8 | -36.6 |
| Margin on riskier loans | Next three months | 35.0 | 37.7 | 64.3 | 95.5 | 35.9 | -10.1 | 13.1 | 36.3 | 10.2 | 5.2 | -16.0 |
| Margin on prime borrowers | Next three months | 0.0 | 0.0 | 0.0 | 0.0 | -26.2 | 27.2 | -44.3 | -23.2 | -27.6 | -39.0 | -43.1 |
| Non-interest rate charges | Next three months | 23.9 | 2.6 | 9.5 | 23.2 | -12.7 | 27.5 | -5.7 | -4.4 | 1.7 | 0.0 | 16.0 |
| Size of the loan or credit line | Next three months | 23.8 | 2.7 | 22.2 | 79.2 | 77.4 | 12.6 | 34.8 | 9.8 | -27.6 | -14.6 | -39.1 |
| Collateral requirements | Next three months | 28.5 | 5.6 | 40.8 | 87.3 | -0.1 | 13.5 | 8.6 | 9.6 | 8.8 | 3.1 | 5.1 |
| Maturity | Next three months | 26.0 | -12.4 | 3.3 | 42.1 | 11.9 | -13.0 | 28.9 | -1.1 | -15.3 | -17.8 | -22.1 |
| **Please indicate how do you expect the default rate on loans to households to change over the next three months ?** | Next three months | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | n/a** | -50.0 | -32.7 | 31.8 |

| | | Net percentage balances | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Period** | | 2010/11 | | | 2011/12 | | | | 2012/13 | | | |
| **Part III: Occassional Questions** | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **To what extent have the events in the global financial markets affected your bank's willingness to lend?** | Past three months | 0 | 0 | 0 | 12.29903 | -15.2368 | -9.24084 | -3.72706 | 39.76854 | n/a** | n/a** | n/a** |
| | Next three months | 0.0 | 0.0 | 0.0 | -46.8 | -12.8 | -8.4 | -4.2 | 58.3 | n/a** | n/a** | n/a** |
| **How do you expect the lending rates at your institution;** | | | | | | | | | | | | |
| To change? | Next three months | 25.6 | 36.4 | 85.1 | 92.4 | -31.1 | -16.5 | -66.8 | -69.3 | -78.6 | -42.9 | -50.4 |
| And by how much?[(c)] | Next three months | 0.30 | 0.74 | 1.58 | 3.62 | -0.68 | -0.57 | -0.83 | -0.78 | -0.57 | -0.69 | -0.72 |

* The frequency of the lending survey was increased from bi annual to quarterly in the Q2 FY 2010/11 survey.

** Additional question not asked in survey.

(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/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on whichcredit was provided became cheaper or looser respectively.

(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.