Bank Lending Survey Report April to June 2014(Q4)

STATISTICS DEPARTMENT, BANK OF UGANDA

EXECUTIVE SUMMARY

The Statistics Department of Bank of Uganda conducted the Lending Survey for Supervised Financial Institutions for the quarter ended June 2014. 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 period under review.

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 2014. However, on a net basis, there was a bias towards net easing for the majority of the sectors with the exception of the Building, Mortgage, Construction and Real Estate; and Manufacturing sectors which recorded a net tightening of credit standards. The higher incidence of non-performing loans and poor past repayment experiences in the real estate business, declining demand and slump in the real estate market values were the main factors cited for the latter, while the reliable cash returns and policy changes to focus on individual sectors that different banks have interest in, were the key reasons for the reported easing in the other sectors.

Outlook on Credit Standards

Credit standards in Q1 FY 2014/15 are expected to remain broadly unchanged, with a bias towards net easing for both enterprises and households. The availability of shorter term liquidity in the market, policy diversification aimed at easing credit access to SMEs, continued improvement in the economic environment, increased focus on consumer credit and increased control over the source of funds for repayment, were the main reasons cited for the expected easing.

Outlook on Terms & Conditions

The majority of the price and non-price terms and conditions are expected to remain broadly unchanged, with a bias towards easing for enterprises over the quarter to end September 2014. However, the exception was collateral requirements and the margin on riskier loans which had a net tightening. On the other hand, the majority of the terms and conditions for approving loans to households are expected to remain broadly unchanged with a bias towards tightening, except for the margin on other loans, margin on prime borrowers and size of the loan/credit line which continued to show a net easing.

Outlook on the default rate on loans

On a net basis, the default rate on loans to both enterprises and households is expected to increase over the quarter to end September 2014. This is attributed to: slow growth in the market due to the ongoing conflicts in South Sudan, higher taxes in Q1 as a result of the tighter budget which may lead to possible restructuring by employers, hence resulting in layoffs; and the ongoing changes in the government payroll are expected to affect salary loan repayments.

Interest Rate Expectations

Lending rates are expected to remain broadly unchanged, with a few banks expecting a decline over the quarter to end September 2014 owing to the low demand for credit coupled with the urge by customers for lower lending rates; the stiff competition among banks; and the decrease in the CBR.

Slow decline in lending rates vis-à-vis the lower and stable Central Bank Rate

Banks reported that the increase in non-performing loans and in operating expenses with no corresponding reduction in the cost of funds are key reasons that have limited them from reducing their lending rates in line with the lower and stable Central Bank Rate (CBR).

1. Introduction

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 survey covered the outturn for the quarter ended June 2014 and expectations for the quarter ending September 2014. Questionnaires were sent out to all 26 Commercial banks and 6 Non bank financial institutions (NBFIs) in Uganda, yielding response rates of 100 percent for both Commercial banks and Non-bank financial institutions.

2. Survey Findings

2.1 Credit to Enterprises

2.1.1 Credit standards

Unchanged Credit availability to Enterprises in Q4 FY 2013/14

Credit standards largely remained unchanged during the quarter ended June 2014 albeit with a stronger bias towards net tightening. The majority of banks (71.7 percent) reported that their credit standards had remained broadly unchanged during the quarter while 28.3 percent reported having tightened their credit standards. (*Figure 1 and Table 1*).

Lenders pointed out the need to minimise the impact of high default rates coupled with increasing levels of non-performing loans and the marked reduction in overall market values of collateral on their portfolio as the key factors.

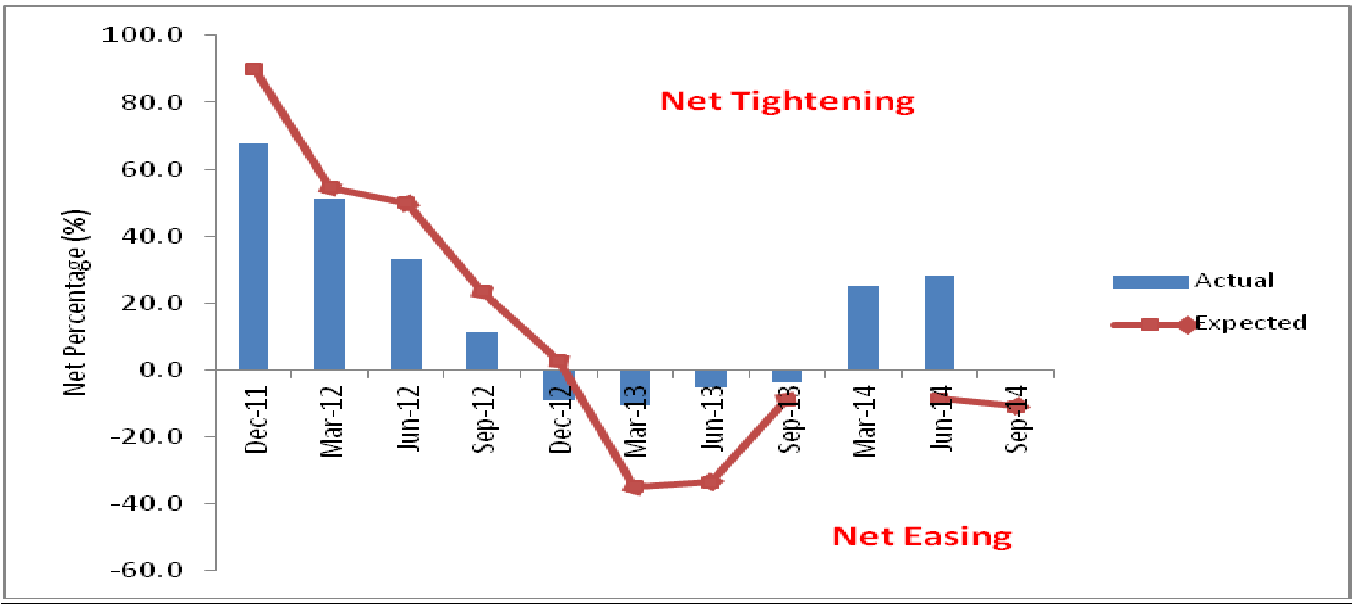
Although overall credit standards seemed to have been consistent across size of enterprises as well as maturities of the loans, on a net basis, banks reported having continued to ease credit standards for short term loans while tightening credit standards for longer loan tenors. This was attributed to uncertainty about the cash flows of long term loans borrowers

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

Bank Action	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14
Tightened	25.8	28.3	25.6	27.3	5.5	4.0	2.8	1.5	24.4	28.5
Unchanged	72.0	71.7	71.1	67.4	93.2	96.0	72.9	73.0	73.9	71.2
Eased	0.8	0.0	3.0	0.5	0.0	0.0	22.5	25.5	0.4	0.3
Net %	25.0	28.3	22.7	26.9	5.5	4.0	-19.7	-24.0	24.0	28.2
Interpretation	Net tightening	Net tightening	Net tightening	Net tightening	Net tightening	Net tightening	Net easing	Net easing	Net tightening	Net tightening

[1] Although the survey targets all supervised financial institutions, this survey report analyses only the responses received from the commercial banks.

Figure 1: Credit standards 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.
(d) The jump in the expected credit standards' line in March 2014 is due to the fact that the survey was not conducted in the quarter ended December 2013.

In the coming quarter to September 2014, the majority of banks expect to maintain overall credit standards to enterprises unchanged (87.5 percent). On a net basis however, banks expect to ease overall credit standards in Q1 FY 2014/15 with a focus on lending mainly to SMEs (-14.2 percent) and on short term loans (-32.8 percent) (*see Figure 1 and Table 2*).

Key factors behind the likely easing of credit standards include; availability of shorter term liquidity in the market and policy changes aimed at easing access to SMEs[2] .

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

Bank Action	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tighten	1.5	0.8	1.8	0.6	3.2	4.9	0.0	0.6	23.6	27.7
Unchanged	87.0	87.5	84.9	84.6	94.7	89.8	74.4	66.0	74.1	67.6
Ease	10.1	11.8	13.0	14.8	0.7	5.3	24.2	33.4	1.9	4.6
Net %	-8.6	-11.0	-11.2	-14.2	2.6	-0.4	-24.2	-32.8	21.7	23.1
Interpretation	Net easing	Net easing	Net easing	Net easing	Net tightening	Net easing	Net easing	Net easing	Net tightening	Net tightening

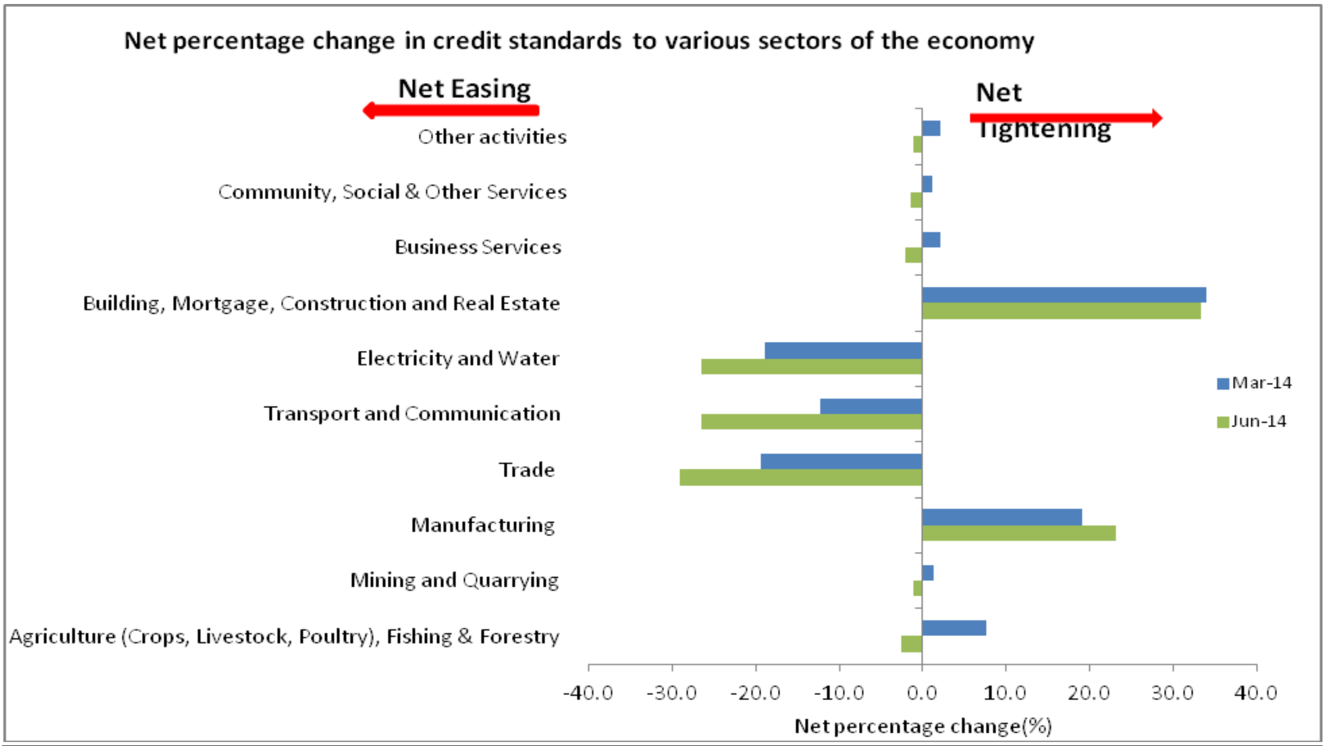
[2] Small and Medium Enterprises

2.1.2 Credit Standards by Sector

During the quarter, banks credit standards remained broadly unchanged for all sectors. However on a net basis, there was a net easing for most sectors. Credit standards were tightened for the Building, Mortgage, Construction and Real Estate; and Manufacturing sectors on a net basis. Banks cited; higher incidence of non-performing loans and poor repayment experiences in the real estate sector, declining demand and slump in the real estate market values, as the key factors.

Banks reported a net easing of credit standards in the Trade, Transport and communication and Electricity and water mainly on account of reliable cash returns accruing from these sectors. (*see figure* 2).

Figure 2: Changes in credit standards by economic sector (enterprises).



2.1.3 Expected Changes in Terms & Conditions for Credit to Enterprises

Price terms: ***Expectation of unchanged margins for banks in Q1 FY 2014/15***

Credit terms and conditions are specific obligations agreed upon between the banks and borrower. In the quarter to September 2014, all price terms are expected to remain broadly unchanged. However on a net basis, the margin on prime borrowers and other loans are expected to narrow (ease), while banks expect the margin on riskier loans to widen (tighten).

Non-Price terms: ***Expected to remain unchanged in Q1 FY 2014/15***

Non-price terms and conditions are expected to remain unchanged with a bias towards easing for the majority of terms, except for collateral requirements. On a net basis, all terms and conditions on non-interest rate charges, loan maturity periods[3] and size of loans or credit lines are expected to ease, while those on

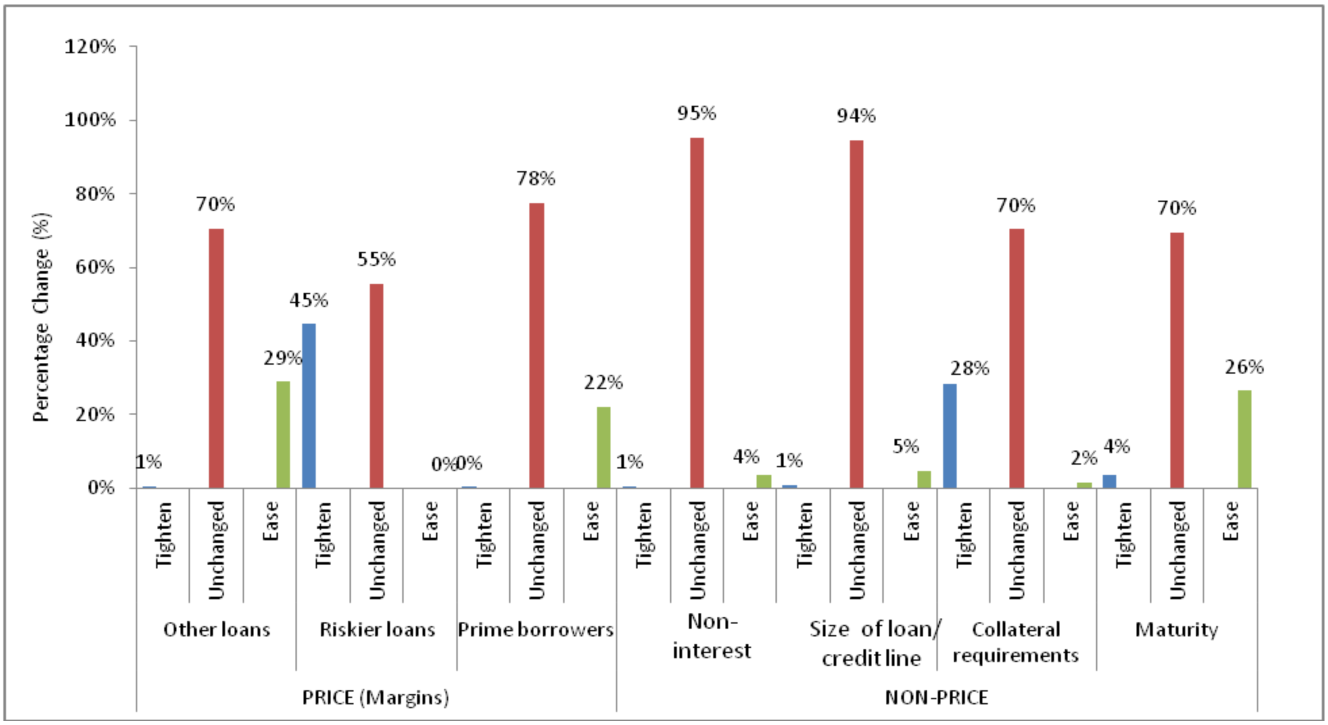
[3] There was a higher percentage of banks that expect to tighten loan maturity periods that they did in the previous survey results.

collateral requirements are expected to tighten in the quarter to end September 2014.

The factors cited for the expected easing of most of the terms and conditions include; the increased demand for loans, the need to remain competitive in the market and the stability of the Central Bank Rate.

On the other hand, risk based pricing strategies, high default rate, and declining property values were reported as the key reasons for the expected tightening of terms and conditions on the margin on riskier loans and collateral requirements. Figure 3 illustrates the expected changes in the terms and conditions for approving loans to enterprises.

<u>**Figure 3: Expected changes in terms & conditions for approving loans to enterprises for Quarter ending September 2014**</u>



2.1.4 Default rate on loans to enterprises

Majority of the banks (49.3 percent) expect the default rate by enterprises to remain broadly unchanged in the quarter to end September 2014.

Notably, a significant number of banks anticipate an increase in the default rate (38.1 percent) compared to those that expect a decrease (12.3 percent) for the quarter to end September 2014. (*See Table 3*).

The key factors cited for the expected increase in the default rate on loans to enterprises were; slow growth in the market due to the ongoing conflict in South Sudan and higher taxes expected in Q1 FY 2014/15 following the budget that could possibly impact on repayment of loans by consumers.

Table 3: Default rate expectations for the next three months (July-September 2014)(enterprises)

Bank Action	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Decrease	8.9	12.3	8.5	11.7	7.9	12.9	8.1	11.7	7.6	11.4
Unchanged	49.2	49.3	50.0	47.1	51.1	51.4	62.3	50.0	52.0	53.0
Increase	41.6	38.1	41.4	36.3	41.0	35.5	30.5	38.1	39.5	35.5
Net %	32.8	25.8	32.9	24.6	33.0	22.5	22.3	26.4	31.9	24.1
Interpretation	Net increase	Net increase	Net increase	Net increase	Net increase	Net increase	Net increase	Net increase	Net increase	Net increase

2.2 Credit to Households and Individuals

2.2.1 Credit standards

Unchanged credit standards to households in Q4 FY 2013/14

In the quarter ended June 2014, the majority of lenders (about 64.3 per cent) reported unchanged overall availability of credit provided to households and individuals. On a net basis however, banks reported a faster pace of easing of credit standards as compared to the previous quarter.

The major reasons cited by respondents that eased credit standards on a net basis were; the overall improvements in the economic conditions evidenced by the low and stable Central Bank Rate and relatively lower interest rates, competition among banks and more focus being given to personal lending.

On the other hand, banks that reported tightening of credit standards cited; the change in risk management strategies and the high non-performing loans existing in the household sector.

Outlook: Eased credit standards to households anticipated in Q1 FY 2014/15

In the quarter to end September 2014, the majority of the commercial banks (about 50.5 percent) expect the overall credit standards to households and individuals to ease. They based their judgement on the continued improvement in the economic environment, more focus to be given to consumer credit and increased control over the source of repayment. On the other hand, 45.5 percent of the respondents expect unchanged credit standards, while 3.8 percent expect tightening of credit standards during Q1 FY 2014/15.

2.2.2 Outlook on Terms & Conditions for Credit to Households

The majority of lenders reported that they expect to keep their overall terms and conditions for consumer credit unchanged in the quarter to end September 2014. On a net basis, the majority of the banks showed a bias towards tightening of the terms and conditions with the exception of the margin on other loans, margin on prime borrowers and the size of the loan/credit line which continued to show a net easing.

2.2.3 Default rate on loans to Households

Expected increase in default rate on a net basis in Q1 FY 2014/15

The majority of the commercial banks (about 53.7 percent) expect the default rate on loans to households to increase over the quarter to end September 2014. About 36 percent expect the default rate to remain unchanged and 10.2 percent expect a decrease in the default rate on loans to households in Q1 FY 2014/15.

The key factors cited for the expected increase in default rate were; increased restructuring by employers due to the expected high tax burden in Q1 which may result in layoffs and the ongoing changes in the government payroll that are expected to continue affecting salary loan repayments.

2.3 Interest Rate Expectations for Quarter 1, FY 2014/15

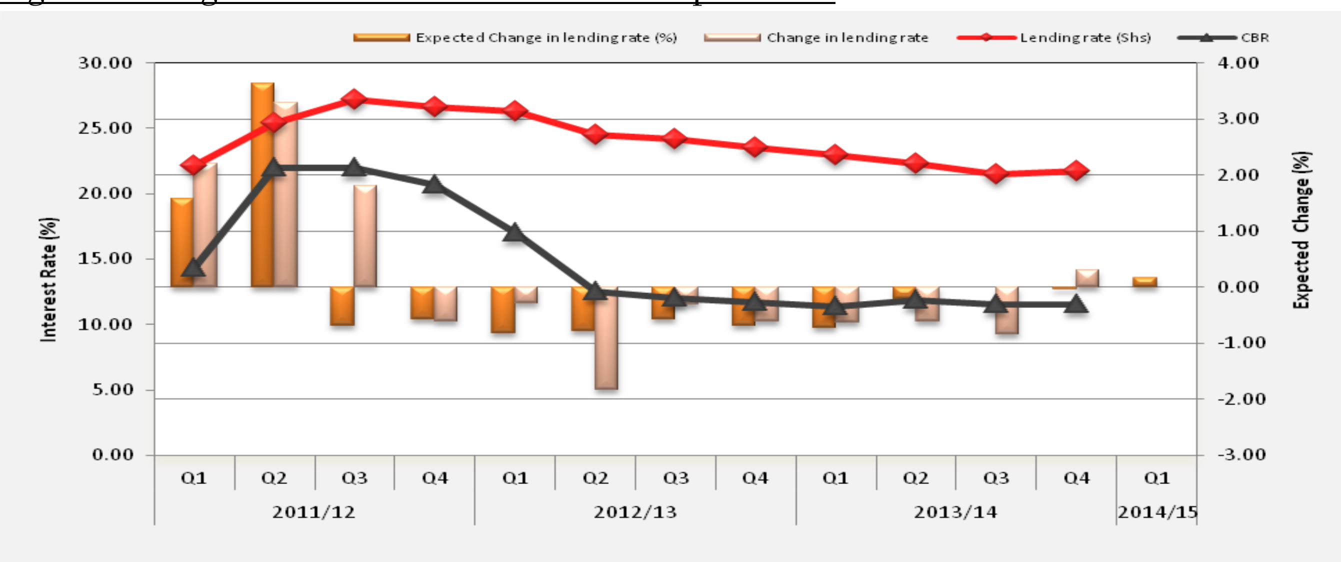
Interest rates expected to remain broadly unchanged in Q1 FY 2014/15

The average percentage, by which banks expect to increase lending rates over the next quarter to September 2014, is 0.16 percentage points[4] as shown in *Figure 4 below*. One (1) bank expects lending rates to increase over the next quarter to September 2014; five (5) banks expect the rates to reduce, while the remaining 20 banks expect unchanged lending rates over the next quarter as shown in *Appendix 3*.

The banks that reported an expected decline in interest rates cited: the low demand for credit coupled with the urge by customers for lower lending rates; the stiff competition among banks; and the decrease in the CBR.

Banks that anticipated unchanged interest rates cited: the relative stability in the economy as envisaged by the stable inflation rate, slow reduction in the cost of funds and unchanged cost of banking operations, as the key reasons.

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 This was mainly affected by the higher weight of Stanbic bank which expected an increase in interest rates, hence over whelming the other five banks that expect a reduction but with lower weights.

2.4 Slow decline in lending rates vis-à-vis the lower and stable Central Bank Rate (CBR).

Banks were asked to explain the observed slow decline in market lending rates despite Bank of Uganda maintaining its Central Bank Rate (CBR) at a lower rate of 11.5 percent for the past six months.

The Banks cited; the increase in non-performing loans and increase in operating expenses with no corresponding reduction in the cost of funds.

3. Conclusion

The bank lending survey for the fourth quarter of FY 2013/2014 indicated that majority of the banks reported unchanged credit standards regarding the overall availability of loans to enterprises and households. However, on a net basis, banks indicated that they had tightened their credit standards for enterprises and eased standards on a net basis for households at a much faster pace than they did in the previous quarter for both categories.

Lenders that reported tighter credit conditions cited; tight economic conditions experienced in the past months, high default rates coupled with increasing levels of non-performing loans, the marked reduction in overall market values of collateral and the change in risk management strategies as the key factors.

On the other hand, banks that reported eased credit standards especially for the households cited; the overall improvements in the economic conditions evidenced by the stable Central Bank Rate and relatively lower interest rates, competition among banks and increased focus on personal lending, as the key reasons.

As regards interest rate expectations, the majority of the banks expect lending rates to remain unchanged. A few banks expect a decline over the quarter to end September 2014 owing to: the low demand for credit coupled by the urge by customers for lower lending rates; the stiff competition among banks and the decrease in the CBR. On the other hand, those expecting unchanged interest rates cited; the relative stability in the economy as envisaged by the stable inflation rate, slow reduction in the cost of funds and unchanged costs of banking operations, as the key reasons.

4. Policy Implications

The survey results indicate that the banks' expectations point towards unchanged credit standards (for both enterprises and households) with a bias towards net easing for households and net tightening on the part of enterprises at a faster pace in both cases than it was predicted in the previous survey results coupled with unchanged terms and conditions in the quarter to end September 2014.

Looking forward, it is likely that the anticipated easing of credit standards coupled with the stable economic environment and the continued focus by banks on personal lending is likely to lead to continued growth in credit especially among the households in Q1 FY 2014/15.

APPENDICES

APPENDIX 1: Methodology

Questions:

The questions in the Bank 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 (April-June 2014), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period. (*Appendix 2*)

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 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.

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. The responses were weighted by the respondent Institutions' market share in the total credit market for the quarter ended June 2014 as shown in *Appendix 3*.

APPENDIX 2: Credit Standards as applied to approval of loans to households by banks

Bank Action	Jan-Mar 14	Apr- Jun 2014
Tightened	2.8	2.3
Unchanged	69.4	64.3
Eased	27.8	33.2
Net %	-25.0	-30.9
Interpretation	Net easing	Net easing

APPENDIX 3: Household and consumer credit standards-expectations (July-September 2014) by banks

Bank Action	Apr- Jun 2014	Jul-Sep 14
Tightened	5.8	3.8
Unchanged	46.0	45.5
Eased	48.3	50.5
Net %	-42.5	-46.7
Interpretation	Net easing	Net easing

APPENDIX 4: Expected changes in terms & conditions for approving loans to households by banks

Bank Action	Margin on other loans		Margin on riskier loans		Margin on prime borrowers		Non-interest rate charges		Size of loan/credit line		Collateral requirements		Maturity	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tightened	0.0	1.6	2.6	18.0	0.0	1.1	21.9	25.8	0.4	1.7	2.6	5.0	1.5	1.6
Unchanged	63.1	93.2	97.4	81.8	88.2	85.5	76.6	71.7	75.9	69.5	96.0	94.5	97.0	98.2
Eased	36.9	2.4	0.0	0.0	10.7	13.2	1.4	2.2	22.6	28.6	1.3	0.0	1.4	0.3
Net%	-36.9	-0.9	2.6	18.0	-10.7	-12.1	20.5	23.6	-22.2	-26.9	1.3	5.0	0.1	1.3
Interpretation	Net easing	Net easing	Net tightening	Net tightening	Net easing	Net easing	Net tightening	Net tightening	Net easing	Net easing	Net tightening	Net tightening	Net tightening	Net tightening

APPENDIX 5: Household and consumer credit default rate expectations (July-September 2014) by banks

Bank Action	Apr-Jun 2014	Jul-Sep 14
Decrease	7.8	10.0
Unchanged	54.1	36.0
Increase	38.1	53.7
Net %	**30.3**	**43.7**
Interpretation	Net increase	Net increase

APPENDIX 6: Credit Standards as applied to approval of loans to enterprises by NBFIs

NBFI Action	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14	Mar-14	Jun-14
Tightened	12.4	43.5	12.4	43.5	36.8	43.5	12.4	17.2	12.4	17.2
Unchanged	64.3	56.5	64.3	56.5	39.9	56.5	64.3	82.8	64.3	82.8
Eased	0.0	0.0	23.3	0.0	23.3	0.0	0.0	0.0	0.0	0.0
Net %	**12.4**	**43.5**	**-10.9**	**43.5**	**13.4**	**43.5**	**12.4**	**17.2**	**12.4**	**17.2**
Interpretation	Net tightening	Net tightening	Net easing	Net tightening	Net tightening	Net tightening	Net tightening	Net tightening	Net tightening	Net tightening

APPENDIX 7: Expectations for Credit Standards as applied to approval of loans to enterprises by NBFIs

NBFI Action	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tightened	12.4	0.0	12.4	0.0	12.4	0.0	12.4	0.0	17.5	0.0
Unchanged	87.6	100.0	55.6	100.0	87.6	100.0	55.6	100.0	82.5	100.0
Eased	0.0	0.0	32.0	0.0	0.0	0.0	32.0	0.0	0.0	0.0
Net %	**12.4**	**0.0**	**-19.6**	**0.0**	**12.4**	**0.0**	**-19.6**	**0.0**	**17.5**	**0.0**
Interpretation	Net tightening	Unchanged	Net easing	Unchanged	Net tightening	Unchanged	Net easing	Unchanged	Net tightening	Unchanged

APPENDIX 8: Expected changes in terms & conditions for approving loans to enterprises by NBFIs

NBFI Action	Margin on other loans		Margin on riskier loans		Margin on prime borrowers		Non-interest rate charges		Size of loan/credit line		Collateral requirements		Maturity	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tightened	0.0	0.0	12.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged	75.6	100.0	87.6	100.0	87.6	88.5	100.0	94.2	100.0	66.3	68.0	100.0	100.0	100.0
Eased	24.4	0.0	0.0	0.0	12.4	11.5	0.0	5.8	0.0	33.7	32.0	0.0	0.0	0.0
Net%	**-24.4**	**0.0**	**12.4**	**0.0**	**-12.4**	**-11.5**	**0.0**	**-5.8**	**0.0**	**-33.7**	**-32.0**	**0.0**	**0.0**	**0.0**
Interpretation	Net easing	Unchanged	Net tightening	Unchanged	Net easing	Net easing	Unchanged	Net easing		Net easing	Net easing	Unchanged	Unchanged	Unchanged

APPENDIX 9: Credit Standards as applied to approval of loans to households by NBFIs

NBFI Action	Jan-Mar 14	Apr- Jun 2014
Tightened	0.0	0.0
Unchanged	87.6	100.0
Eased	12.4	0.0
Net %	**-12.4**	**0.0**
Interpretation	Net easing	Unchanged

APPENDIX 10: Household and consumer credit standards-expectations (July-September 2014) by NBFIs

NBFI Action	Apr- Jun 2014	Jul-Sep 14
Tightened	5.1	0.0
Unchanged	82.5	100.0
Eased	12.4	0.0
Net %	**-7.3**	**0.0**
Interpretation	Net easing	Unchanged

Appendix 11: 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		2011/12				2012/13				2013/14			
Part I: Enterprises		Q1	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	33.7	67.6	51.3	33.1	11.1	-8.9	-10.6	-5.3	-3.6	n/a**	25.0	28.3
	Next three months	89.9	54.5	50.0	23.4	2.7	-34.8	-33.5	-9.0	-7.0	n/a**	-8.6	-11.0
SMEs (b)	Past three months	42.2	38.0	58.7	32.7	29.1	10.4	-6.6	15.5	18.3	n/a**	22.7	26.9
	Next three months	84.8	54.4	49.0	18.4	2.2	-56.1	-26.6	-3.5	-13.1	n/a**	-11.2	-14.2
Large enterprises	Past three months	36.0	67.6	58.6	31.1	15.5	-4.5	-4.0	-4.1	-5.1	n/a**	5.5	4.0
	Next three months	61.3	50.7	74.6	6.8	-13.7	-24.9	-27.0	-4.0	-9.5	n/a**	2.6	-0.4
Short term loans	Past three months	24.7	55.1	46.4	27.9	13.6	-12.6	-13.9	-8.7	-15.0	n/a**	-19.7	-24.0
	Next three months	59.3	34.8	38.0	5.0	-47.2	-59.9	-27.7	-7.7	-17.6	n/a**	-24.2	-32.8
Long term loans	Past three months	39.9	85.9	62.7	33.8	45.6	0.6	-4.1	14.9	-2.8	n/a**	24.0	28.2
	Next three months	98.8	77.1	80.1	37.5	2.3	-25.4	-28.2	13.5	-3.2	n/a**	21.7	23.1
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	25.1	60.3	51.0	29.9	-39.3	-32.8	-3.0	10.3	-7.4	n/a**	7.7	-2.5
Mining and Quarrying	Past three months	-2.1	2.9	53.8	39.5	0.0	-6.8	-1.8	0.7	1.0	n/a**	1.3	-1.1
Manufacturing	Past three months	10.2	19.0	53.1	42.9	-8.0	-14.0	-6.4	-9.6	-28.6	n/a**	19.0	23.1
Trade	Past three months	39.7	27.5	47.4	44.0	-15.6	-15.6	-13.9	13.3	-10.0	n/a**	-19.4	-29.1
Transport and Communication	Past three months	36.9	58.2	52.1	39.7	-10.5	-16.7	-14.0	-9.5	-27.9	n/a**	-12.3	-26.4
Electricity and Water	Past three months	7.3	6.5	50.6	41.8	-7.6	-16.7	-9.3	-28.3	-24.5	n/a**	-18.8	-26.4
Building, Mortgage, Construction and Real Estate	Past three months	67.0	57.5	60.2	48.2	47.2	7.8	15.8	46.8	22.4	n/a**	33.9	33.2
Business Services	Past three months	62.7	28.6	54.1	44.0	-2.9	-11.7	1.2	-20.0	-21.3	n/a**	2.1	-2.1
Community, Social & Other Services	Past three months	14.5	21.3	54.4	45.2	-5.4	-17.5	-8.2	-30.3	-25.8	n/a**	1.1	-1.5
Personal Loans and Household Loans	Past three months	52.3	0.0	48.2	35.2	-8.1	-15.9	-3.3	-24.8	-24.6	n/a**	2.0	-1.1
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	98.9	21.0	35.0	-42.3	-17.2	-43.4	-29.0	-55.6	-32.2	n/a**	-23.2	-28.3
Margin on riskier loans	Next three months	96.4	93.7	70.6	36.7	41.0	21.1	9.3	29.3	19.5	n/a**	37.8	44.5
margin on prime borrowers	Next three months	45.9	-2.0	1.1	-45.8	-31.4	-44.4	-46.0	-41.0	-32.5	n/a**	-8.3	-21.8
Non-interest rate charges	Next three months	18.0	-19.1	49.3	-0.5	-4.3	-2.4	-10.0	-3.3	-1.0	n/a**	-0.8	-3.1
Size of the loan or credit line	Next three months	55.0	69.5	61.3	28.3	3.4	3.4	-8.1	-17.7	-1.2	n/a**	-0.3	-3.9
Collateral requirements	Next three months	51.7	71.9	31.5	38.1	31.9	1.0	-10.4	10.3	21.2	n/a**	25.2	26.6
Maturity	Next three months	48.9	20.4	24.3	29.9	5.6	-16.2	-21.6	-37.7	-21.4	n/a**	-19.6	-22.9
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	-67.6	-77.9	-44.8	28.9	86.1	52.0	66.6	64.5	57.6	n/a**	6.9	26.4
SMEs	Next three months	-62.0	-65.7	-11.0	69.6	81.1	70.3	59.7	37.3	60.5	n/a**	-9.6	-7.0
Large enterprises	Next three months	-40.0	-80.0	-45.7	32.3	52.7	68.9	43.0	38.0	46.1	n/a**	-13.0	-8.4
Short term loans	Next three months	-10.4	-71.9	-9.8	30.2	81.5	70.7	68.6	38.1	78.2	n/a**	28.5	48.3
Long term loans	Next three months	-69.7	-82.0	-57.9	-9.9	37.4	60.9	69.6	59.7	46.1	n/a**	-17.7	-9.0
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**	-25.1	-67.8	12.1	-3.1	n/a**	32.8	25.8
SMEs	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-47.7	-57.3	0.1	-4.0	n/a**	32.9	24.6
Large enterprises	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-16.3	-42.4	0.2	2.2	n/a**	33.0	22.5
Short term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-43.5	-65.0	12.9	-3.1	n/a**	22.3	26.4
Long term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-42.6	-60.1	19.1	3.5	n/a**	31.9	24.1

Net percentage balances

Period		2011/12				2012/13				2013/14			
Part II: Households		Q1	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	22.8	72.4	53.1	15.7	1.1	-29.8	-21.1	-45.6	-1.0	n/a**	-25.0	-30.9
	Next three months	88.3	81.2	9.2	-5.7	-12.9	-64.7	-46.0	-57.2	-31.1	n/a**	-42.5	-46.7
											n/a**		
Please indicate how you expect demand for loans to households (for purposes of consumer credit) to change?	Next three months	-40.8	-68.5	33.0	55.5	87.3	71.7	64.0	76.3	75.8	n/a**	66.0	56.5
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	91.7	0.7	39.5	-32.8	-25.1	-37.6	-35.8	-36.6	-11.1	n/a**	-36.9	-0.9
Margin on riskier loans	Next three months	95.5	35.9	-10.1	13.1	36.3	10.2	5.2	-16.0	5.3	n/a**	2.6	18.0
Margin on prime borrowers	Next three months	0.0	-26.2	27.2	-44.3	-23.2	-27.6	-39.0	-43.1	-20.6	n/a**	-10.7	-12.1
Non-interest rate charges	Next three months	23.2	-12.7	27.5	-5.7	-4.4	1.7	0.0	16.0	28.5	n/a**	20.5	23.6
Size of the loan or credit line	Next three months	79.2	77.4	12.6	34.8	9.8	-27.6	-14.6	-39.1	-15.6	n/a**	-22.2	-26.9
Collateral requirements	Next three months	87.3	-0.1	13.5	8.6	9.6	8.8	3.1	5.1	10.8	n/a**	1.3	5.0
Maturity	Next three months	42.1	11.9	-13.0	28.9	-1.1	-15.3	-17.8	-22.1	1.2	n/a**	0.1	1.3
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**	-50.0	-32.7	31.8	42.4	n/a**	30.3	43.7

Net percentage balances

Period		2011/12				2012/13				2013/14			
Part III: Occassional Questions		Q1	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	12.29903	-15.2368	-9.24084	-3.72706	39.76854	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
	Next three months	-46.8	-12.8	-8.4	-4.2	58.3	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
How do you expect the lending rates at your institution;													
To change?	Next three months	92.4	-31.1	-16.5	-66.8	-69.3	-78.6	-42.9	-50.4	-21.3	n/a**	-3.3	4.9
And by how much?(c)	Next three months	3.62	-0.68	-0.57	-0.83	-0.78	-0.57	-0.69	-0.72	-0.22	n/a**	-0.04	0.16

* 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.

(d) The survey was not conducted in Q2** FY 2013/14