Bank Lending Survey Report July to September 2013(Q1)

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 September 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 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 September 2013. However, on a net basis, there was a bias towards easing for the majority of the economic sectors with the exception of the Building, Mortgage, Construction and Real Estate, and Mining and quarrying sectors which recorded a net tightening of credit standards. The increased default rate, declining demand, and slump in real estate market values were the main factors cited for this cause, while the healthy cash flows, low risk and anticipated growth in the Manufacturing sector were the key reasons for its reported easing.

Outlook on Demand for credit

Credit demand from both enterprises and households is expected to increase. Increased demand for working capital and consumer loan for the festive season, alignment of products towards customers' needs, and sustained economic stability over the recent months were the major factors behind the expected increased demand for credit over the period to end December 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 for enterprises over the quarter to end December 2013, with the exception of collateral requirements 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, with exception of the margin on average loans, margin on prime borrowers and size of the loan/credit line which showed a net easing.

Outlook on the default rate on loans

On a net basis, default rate on loans to enterprises is expected to decrease while that to households is expected to increase over the quarter to end December 2013. Those that reported a decrease in default rate cited tight monitoring and credit evaluation procedures and measures put in place and general review of credit policies by banks. On the other hand, banks that reported an increase in default rate cited the increased company layoff of workers as the key factor.

Interest Rate Expectations

Lending rates are expected to decline over the quarter to end December 2013 albeit at a slower pace owing to: the need to make credit more affordable given the stiff competition in the sector, need to retain customers and grow portfolio; and public pressure to reduce rates.

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 these surveys 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 response rates of 100 and 85.7 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 the average of each institution's market share of credit over the three month period (July-September 2013), as represented by each bank's outstanding stock of loans to total outstanding loans of the commercial banking sub sector for the same period. (*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 range between -100 and +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.

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

The Non Bank Financial Institutions analysis is provided separately 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 Q1

The majority of banks (86 percent) reported that their credit standards had remained broadly unchanged in the last three months to September 2013. 9 percent of the respondents reported easing credit policy/standards for overall loans to enterprises which was lower than the percentage registered in the previous survey results, while the percentage of those that reported having tightened credit standards in Q1 FY 2013/2014 remained unchanged. Overall, on a net basis, there was a continued slowdown in the pace of easing (3.6 percent) compared to 5.3 percent of the respondents that reported a net easing in the previous survey (*Figure 1 and Table 1*).

The key factors cited for the unchanged credit standards on a net basis to enterprises were: a) stability in interest rates and b) tight liquidity in the market.

On the other hand, banks that reported tightening of credit standards over the quarter cited; the marked overall reduction in market value of collateral over the last few months, relatively unstable economic conditions and continued poor quality of loan portfolios as the key factors.

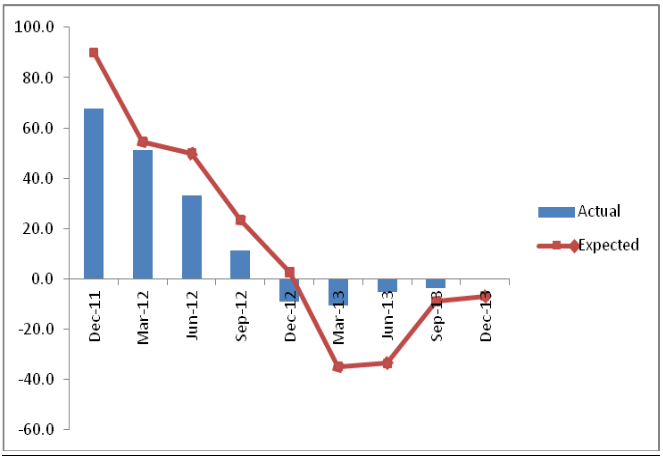
In line with the overall results above, 61.7 and 87.6 percent of the respondents reported that credit standards to Small and Medium Enterprises SMEs) and large enterprises, respectively, remained broadly unchanged. On a net basis however, 18.3 percent reported a bias towards tightening for SMEs while 5.1 percent had a bias towards net easing for large enterprises in the quarter ended September 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 15.0 percent for short term loans, compared to 2.8 percent reported for long term loans respectively in Q1 FY2013/2014.

Table 1: 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
Tightened	5	5	22.4	27.7	3.6	3.7	2.2	2.2	22.4	6.0
Unchanged	79	86	64.7	61.7	82.6	87.6	81.0	80.5	64.1	85.2
Eased	10	9	6.9	9.3	7.8	8.7	10.9	17.3	7.5	8.8
Net %	-5.3	-3.6	15.5	18.3	-4.1	-5.1	-8.7	-15.0	14.9	-2.8

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 Q2 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 December 2013, the survey results for credit policy to enterprises point towards a net easing but at a slower pace. (*see figure 1 and Table 2*).

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

In line with the out turns observed in the quarter ended September 2013, the banks' focus still seems to be more on short term lending than long term as indicated by their expected net easing for short term loans (17.6 percent) compared to 3.2 percent for long term loans.

Key factors cited for the expectations included: a) increases in deposits hence increasing availability of funds for lending and b) increased demand for loans.

The banks that expect to tighten credit standards in Q2 of FY 2013/2014 based their judgement on; increased default rates and review of credit policies as the major reasons.

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	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Tighten	7	7	5.4	6.5	4.9	3.0	3.6	1.5	23.7	6.0
Unchanged	73	79	79.4	75.4	80.0	81.6	78.9	79.3	59.9	84.8
Ease	16	14	8.9	19.6	8.9	12.5	11.3	19.1	10.2	9.2
Net %	-9.0	-7.0	-3.5	-13.1	-4.0	-9.5	-7.7	-17.6	13.5	-3.2

2.1.2 Credit Standards by Sector

Easing of credit standards to the other sectors but tightening to the Building, mortgage and Real estate and Mining sector in Q1 FY 2013/14

Banks were asked to indicate how credit policy had changed for the various sectors of the economy over the quarter ended September 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 and Mining and quarrying sectors.

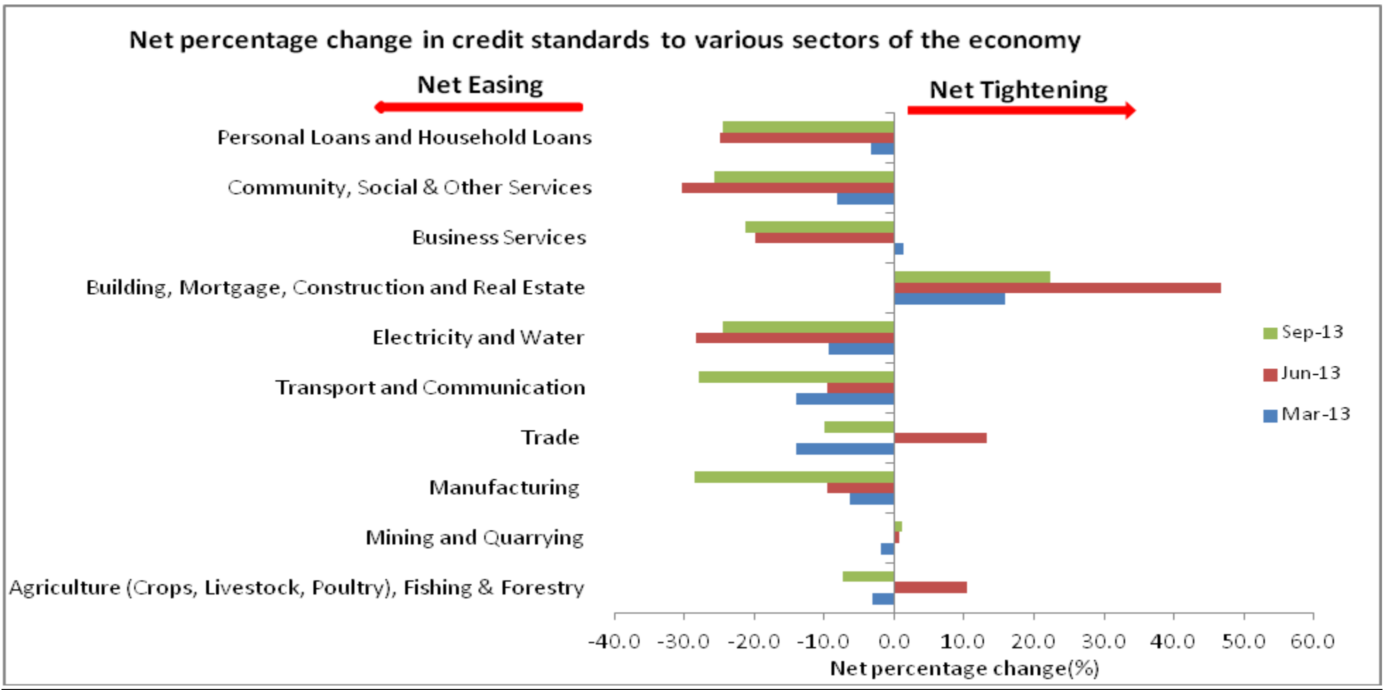
On a net basis, Building, Mortgage, Construction and Real Estate, and Mining and Quarrying sectors were reported to have had tightened credit standards. The Community, Social and

Other Services; 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. (*see figure 2*)

The key factors cited for the tightening of credit standards to mainly the Building, Mortgage, Construction and Real Estate sector were: high default rates, declining demand in the sector and slump in real estate market values.

Notably, however, those that reported easing in the Manufacturing sector cited; the good cash flows accruing from the sector, low risk and anticipated growth in the sector as the key factors.

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 Q2 FY 2013/14***

In the quarter to December 2013, the majority of the respondents (48.6 per cent) expect the margin on riskier loans to remain broadly unchanged. About 35.4 percent of respondents expect a wider (tighter) margin while 15.9 percent of the banks expressed willingness to ease in the next quarter.

Majority of the respondents (64.7 percent) expect the margin on prime borrowers to remain unchanged. 33.9 percent expect the margin on prime lending to narrow (ease), while only 1.4 percent expects the margin to widen over the next quarter. The margin on average loans is expected to remain unchanged (49.9 percent) while 41.2 percent expect it to ease and only 9.0 percent expect a wider (tighter) margin.

Non-Price terms: ***Expected to remain unchanged in Q2 FY 2013/14***

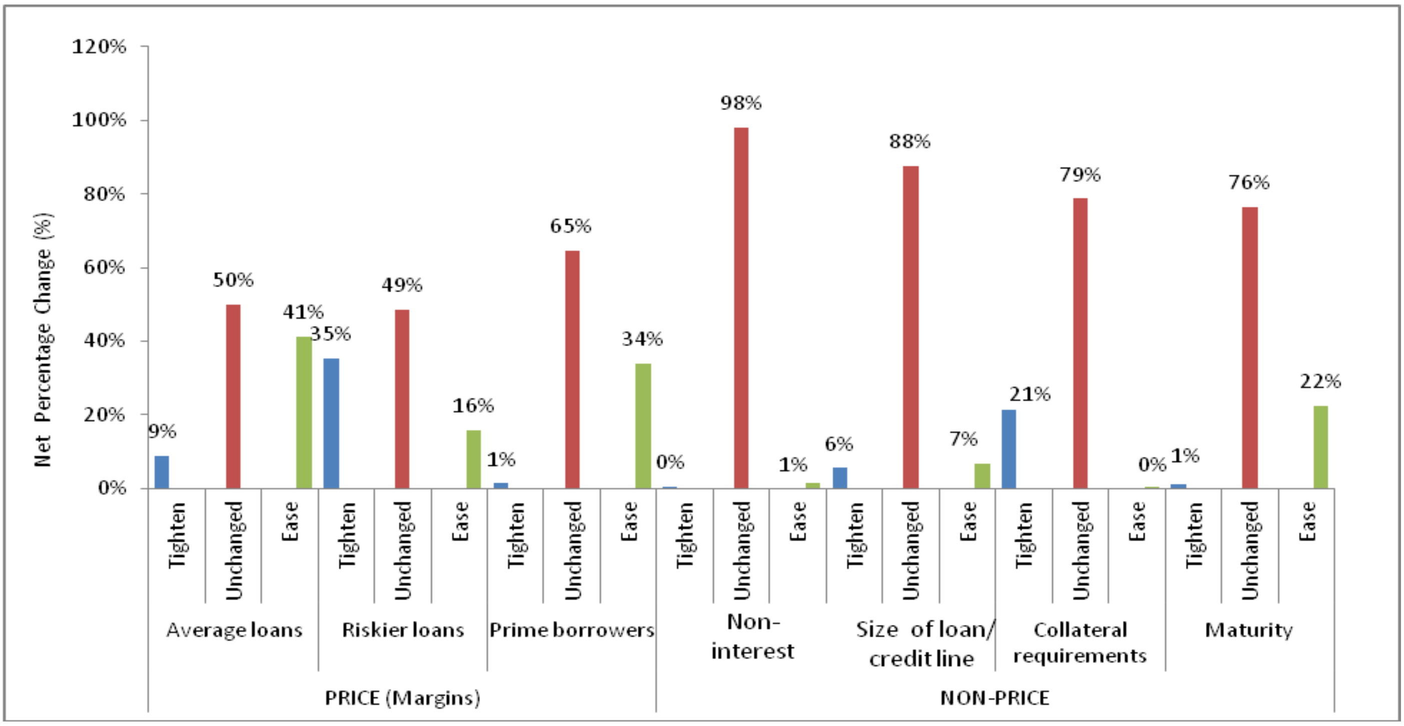
Similar to the previous survey, non-price terms and conditions are expected to remain unchanged with a bias towards easing for the majority of terms, except for collateral requirements. On a net basis, all terms and conditions on non-interest rate charges, maturity and size of loans or credit lines are expected to ease, while those on collateral requirement are expected to tighten on a net basis in the quarter to end December 2013.

The factors cited for the expected easing of most of the terms and conditions include; anticipated growth in deposits, reduction in costs of funds for lending, and competition between banks.

On the other hand, the declining property values were cited as the key reason for the expected continued tightening of terms and conditions on 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 December 2013</u>



2.1.4 Demand for Credit

Demand for credit expected to increase in Q2 FY 2013/14

The net demand for credit from enterprises for the second quarter of FY 2013/2014 is expected to increase as majority of the banks anticipate an increase.

The overall percentage of banks expecting a rise in credit demand was 57.6 per cent while no bank expects a decline. About 42.4 percent of respondents expect credit demand to remain unchanged over the next quarter to end December 2013. (*See Table 3 below*).

Table 3: Demand expectations for the next three months (October-December 2013)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Increase	70.9	57.6	43.5	60.5	44.5	46.4	44.5	78.2	65.7	48.7
Unchanged	22.6	42.4	44.3	38.2	42.9	53.3	43.0	21.8	22.2	48.7
Decrease	6.4	0.0	6.2	0.0	6.6	0.3	6.4	0.0	6.1	2.6
Net %	**64.5**	**57.6**	**37.3**	**60.5**	**38.0**	**46.1**	**38.1**	**78.2**	**59.7**	**46.1**

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

a) Alignment of products towards customers' needs.

b) Sustained economic stability over the recent months.

c) Increased demand for working capital in preparation for the festive season.

2.1.5 Default rate on loans to enterprises

Default rate expected to decrease on a net basis in Q2 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 December 2013. Majority of the respondents (70.6 percent) expect the default rate by enterprises to remain broadly unchanged in the quarter to end December 2013.

Notably, there were more banks that anticipate a decrease in default rate (16.0 percent) than those that expect an increase (12.9 percent) for the quarter to end December 2013. . (*See Table 4 below*).

The key factors cited for the expected decrease in default rate on loans to enterprises were; tight monitoring and credit evaluation procedures and measures put in place and general review of credit policies by banks.

On the other hand, respondents who reported an expected increase in default rates cited the low liquidity and delayed payments from government as the key reasons.

Table 4: Default rate expectations for the next three months (October-December 2013)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Increase	32.3	12.9	15.6	12.5	14.3	11.9	29.2	12.9	32.6	12.3
Unchanged	46.7	70.6	62.9	69.7	65.5	78.3	48.5	70.7	47.9	78.8
Decrease	20.2	16.0	15.5	16.5	14.2	9.7	16.3	16.0	13.5	8.9
Net %	12.1	-3.1	0.1	-4.0	0.2	2.2	12.9	-3.1	19.1	3.5

2.2 Credit to Households and Individuals

2.2.1 Credit standards

Unchanged credit standards to households in Q1

In the quarter ended September 2013, the majority of lenders (about 65.5 per cent), reported unchanged overall availability of credit provided to households and individuals. On a net basis however, banks reported easing of credit standards but at a much slower pace than in the previous quarter.

The major reason cited by respondents for the credit standards above was the reduced demand and the tight liquidity in the market.

On the other hand, banks that reported tightening of credit standards cited; reduction in land and property values, high turnover in jobs, coupled with the removal of some civil servants from government payroll, as the major factors.

Outlook: Unchanged credit standards to households anticipated in Q2 FY 2013/14

Majority of the Commercial banks (about 61.1 percent) expect the overall credit standards to households and individuals to remain unchanged in the quarter to end December 2013. On a net basis, banks reported an expected easing of credit standards but at much slower pace (31.1percent) than in the previous quarter (57.2 percent).

Key factors cited for the outlook included; a) the need to drive credit growth towards high income earners; b) need to ease restriction on one time defaulters and c) high demand of credit expected in preparation for the festive season.

2.2.2 Demand expectations for credit from Households

Increase in Credit Demand from households expected in Q2 FY 2013/14

In the quarter ending December 2013, 82.2 percent of lenders expect demand for credit by households to increase. This is much higher than the 76.6 percent that was recorded for the quarter ended September 2013. 6.4 percent of the respondents anticipated a decline in credit demand in the next quarter and about 11.4 percent of the respondents expect credit demand from households to remain unchanged in the quarter to end December 2013.

Key factors cited for the expected increase in credit demand by households included: stability in interest rates[2], improved economic conditions, increase in demand for consumer loans and seasonal effect attributed to the preparations 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 December 2013. On a net basis, majority of the banks showed a bias towards tightening of the terms and conditions with the exception of margin on average loans, margin on prime borrowers and size of the loan/credit line which showed a net easing.

2.2.4 Default rate on loans to Households

Default rate expected to increase on a net basis in Q2 FY 2013/14

Majority of the Commercial banks (about 49.7 percent) expect the default rate on loans to households to increase over the quarter to end December 2013. About 42.9 percent expect the default rate to remain unchanged and 7.4 percent expect a decrease in the default rate on loans to households in Q2 FY 2013/2014.

The key factor cited for the increase in default rate was the increased company layoffs of workers.

2.3 Interest Rate Expectations for Quarter 2, FY 2013/14

Interest rates expected to decline in Q2 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*.

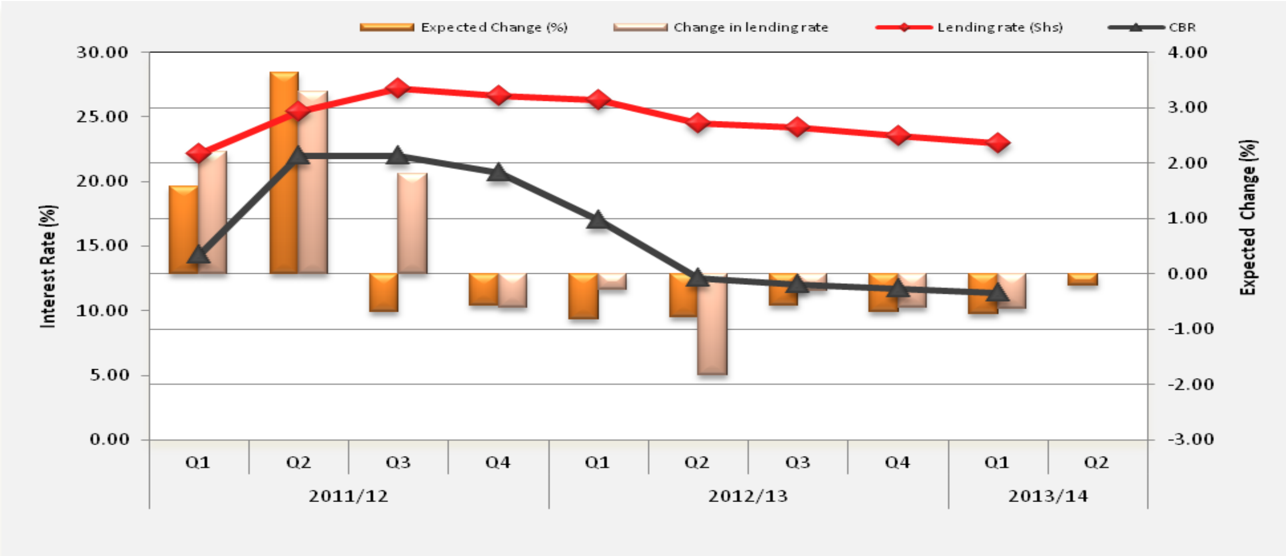
The average percentage, by which banks expect to reduce lending rates over the next quarter to December 2013, is 0.22 percentage points as shown in *Figure 4 below*, much lower than the 0.72 percentage points' decline which was anticipated in the previous survey results. 5 out of the 24 banks expect lending rates to reduce over the next quarter to December 2013, while the remaining 19 banks expect unchanged lending rates over the next quarter as shown in *Appendix 2*.

The banks that reported an expected decline in interest rates cited; the need to make credit more affordable given the stiff competition in the sector, the need to retain customers and grow the portfolio; and public pressure to reduce rates.

On the other hand, banks that anticipated an increase in interest rates mentioned that the tighter monetary policy as evidenced by rise of CBR to 12% and the increasing loss of deposits as the key reasons.

[2] Interest rates have been decreasing as far back as June 2013.

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.

3. Conclusion

On the supply side: the bank lending survey for the first quarter of FY 2013/2014 indicated that majority of the banks reported unchanged standards regarding the overall availability of loans to enterprises and households.

However, on a net basis, banks indicated a slower pace of easing of credit standards for both households and enterprises.

According to the banks, easing of credit policy/standards was mainly driven by stability in interest rates, tight liquidity in the market and reduced demand.

Lenders that reported tighter credit conditions cited; the marked overall reduction in market value of collateral over the last few months, relatively unstable economic conditions, high turnover in jobs and continued poor quality of loan portfolios 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 December 2013. The key factors given for these credit demand expectations in Q2 FY 2013/2014 are: alignment of products towards customers' needs, sustained economic stability over the recent months, increased demand for working capital and consumer loans in preparation for the festive season,

On interest rate expectations, banks expect lending rates to decline over the quarter to end December 2013 albeit at a slower pace owing to: the need to make credit more affordable given the stiff competition in the sector, need to retain customers and grow portfolio; and public pressure to reduce rates.

4. Policy Implications

The survey results indicate that banks' expectations point 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 December 2013 although at a much slower pace. This could be attributed to the upcoming festive season in Q2 FY 2013/2014 and the stable economic situation.

Looking forward, it is likely that the continued easing of credit standards, stable economic outlook, festive season and increased availability of deposits for onward lending could lead to growth in both credit demand and supply in Q2 FY 2013/2014.

APPENDICES

APPENDIX 1: Credit Standards as applied to approval of loans to households by Banks

	Jun-13	Sep-13
Tightened	7.7	16.8
Unchanged	39.0	65.5
Eased	53.3	17.8
Net %	**-45.6**	**-1.0**

APPENDIX 2: Household and consumer credit standards-expectations (October-December 2013) by Banks

	Sep-13	Dec-13
Decrease	9.7	0.9
Unchanged	22.3	61.1
Increase	66.9	32.0
Net %	**57.2**	**31.1**

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

	Margin on average loans		Margin on riskier loans		Margin on prime borrowers		Non-interest rate charges		Size of loan/credit line		Collateral requirements		Maturity	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Tightened	2.7	9.0	7.2	21.2	1.3	6.0	22.4	28.9	4.6	7.5	5.1	10.8	1.4	7.5
Unchanged	57.9	70.9	69.7	62.8	54.4	67.4	70.8	70.6	51.7	69.5	92.7	88.3	75.0	86.3
Eased	39.3	20.1	23.2	15.9	44.4	26.6	6.3	0.4	43.7	23.1	0.0	0.0	23.6	6.3
Net%	**-36.6**	**-11.1**	**-16.0**	**5.3**	**-43.1**	**-20.6**	**16.0**	**28.5**	**-39.1**	**-15.6**	**5.1**	**10.8**	**-22.1**	**1.2**

APPENDIX 4: Household and consumer credit demand expectations (October-December 2013) by Banks

	Sep-13	Dec-13
Decrease	0.4	6.4
Unchanged	19.6	11.4
Increase	76.6	82.2
Net %	**76.3**	**75.8**

APPENDIX 5: Household and consumer credit default rate expectations (October-December 2013) by Banks

	Sep-13	Dec-13
Decrease	19.0	7.4
Unchanged	30.1	42.9
Increase	50.9	49.7
Net %	**31.8**	**42.4**

APPENDIX 6: 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	Jun-13	Sep-13	Jun-13	Sep-13	Jun-13	Sep-13	Jun-13	Sep-13
Tightened	17.3	11.3	0.0	11.3	17.3	0.0	22.3	0.0	17.3	11.3
Unchanged	77.7	72.1	82.7	55.8	59.6	55.8	77.7	42.3	82.7	55.8
Eased	5.1	16.6	0.0	16.3	0.0	16.6	0.0	24.8	0.0	0.0
Net %	**12.2**	**-5.4**	**0.0**	**-5.0**	**17.3**	**-16.6**	**22.3**	**-24.8**	**17.3**	**11.3**

APPENDIX 7: 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	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Tightened	5.1	0.0	28.4	0.0	0.0	0.0	0.0	0.0	0.0	24.8
Unchanged	76.9	100.0	36.3	100.0	76.9	88.7	94.9	88.7	100.0	75.2
Eased	0.0	0.0	18.1	0.0	0.0	0.0	5.1	11.3	0.0	0.0
Net %	**5.1**	**0.0**	**10.3**	**0.0**	**0.0**	**0.0**	**-5.1**	**-11.3**	**0.0**	**24.8**

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

	Margin on average loans		Margin on riskier loans		Margin on prime borrowers		Non-interest rate charges		Size of loan/credit line		Collateral requirements		Maturity	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Tightened	5.7	5.3	5.7	16.6	0.0	0.0	5.7	5.3	5.7	5.3	34.0	0.0	5.7	30.1
Unchanged	59.0	78.4	59.0	67.2	39.1	72.5	59.0	78.4	30.7	52.6	30.7	78.4	59.0	53.7
Eased	35.3	16.3	17.3	16.3	42.9	11.3	0.0	0.0	63.7	42.1	35.3	16.3	17.3	0.0
Net%	**-29.7**	**-11.0**	**-11.6**	**0.3**	**-42.9**	**-11.3**	**5.7**	**5.3**	**-58.0**	**-36.8**	**-1.3**	**-16.3**	**-11.6**	**30.1**

APPENDIX 9: Credit Demand expectations from enterprises (October-December) by NBFIs

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13	Sep-13	Dec-13
Decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged	25.6	55.8	0.0	31.1	25.6	55.8	0.0	31.1	30.7	72.5
Increase	56.4	27.9	81.9	52.6	51.3	16.6	81.9	52.6	51.3	11.3
Net %	**56.4**	**27.9**	**81.9**	**52.6**	**51.3**	**16.6**	**81.9**	**52.6**	**51.3**	**11.3**

APPENDIX 10: Household and consumer credit standards-expectations (October-December) by NBFIs

	Sep-13	Dec-13
Decrease	33.4	0.0
Unchanged	22.9	46.7
Increase	25.6	25.8
Net %	**-7.8**	**25.8**

APPENDIX 11: Household and consumer credit demand expectations (October-December) by NBFIs

	Sep-13	Dec-13
Decrease	0.0	0.0
Unchanged	51.3	46.7
Increase	30.7	37.0
Net %	**30.7**	**37.0**

Appendix 12: 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
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
	Next three months	89.9	54.5	50.0	23.4	2.7	-34.8	-33.5	-9.0	-7.0
SMEs (b)	Past three months	42.2	38.0	58.7	32.7	29.1	10.4	-6.6	15.5	18.3
	Next three months	84.8	54.4	49.0	18.4	2.2	-56.1	-26.6	-3.5	-13.1
Large enterprises	Past three months	36.0	67.6	58.6	31.1	15.5	-4.5	-4.0	-4.1	-5.1
	Next three months	61.3	50.7	74.6	6.8	-13.7	-24.9	-27.0	-4.0	-9.5
Short term loans	Past three months	24.7	55.1	46.4	27.9	13.6	-12.6	-13.9	-8.7	-15.0
	Next three months	59.3	34.8	38.0	5.0	-47.2	-59.9	-27.7	-7.7	-17.6
Long term loans	Past three months	39.9	85.9	62.7	33.8	45.6	0.6	-4.1	14.9	-2.8
	Next three months	98.8	77.1	80.1	37.5	2.3	-25.4	-28.2	13.5	-3.2
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
Mining and Quarrying	Past three months	-2.1	2.9	53.8	39.5	0.0	-6.8	-1.8	0.7	1.0
Manufacturing	Past three months	10.2	19.0	53.1	42.9	-8.0	-14.0	-6.4	-9.6	-28.6
Trade	Past three months	39.7	27.5	47.4	44.0	-15.6	-15.6	-13.9	13.3	-10.0
Transport and Communication	Past three months	36.9	58.2	52.1	39.7	-10.5	-16.7	-14.0	-9.5	-27.9
Electricity and Water	Past three months	7.3	6.5	50.6	41.8	-7.6	-16.7	-9.3	-28.3	-24.5
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
Business Services	Past three months	62.7	28.6	54.1	44.0	-2.9	-11.7	1.2	-20.0	-21.3
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
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
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
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
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
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
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
Collateral requirements	Next three months	51.7	71.9	31.5	38.1	31.9	1.0	-10.4	10.3	21.2
Maturity	Next three months	48.9	20.4	24.3	29.9	5.6	-16.2	-21.6	-37.7	-21.4
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
SMEs	Next three months	-62.0	-65.7	-11.0	69.6	81.1	70.3	59.7	37.3	60.5
Large enterprises	Next three months	-40.0	-80.0	-45.7	32.3	52.7	68.9	43.0	38.0	46.1
Short term loans	Next three months	-10.4	-71.9	-9.8	30.2	81.5	70.7	68.6	38.1	78.2
Long term loans	Next three months	-69.7	-82.0	-57.9	-9.9	37.4	60.9	69.6	59.7	46.1
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
SMEs	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-47.7	-57.3	0.1	-4.0
Large enterprises	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-16.3	-42.4	0.2	2.2
Short term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-43.5	-65.0	12.9	-3.1
Long term loans	Next three months	n/a**	n/a**	n/a**	n/a**	n/a**	-42.6	-60.1	19.1	3.5

Net percentage balances

Period		2011/12				2012/13				2013/14
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
	Next three months	88.3	81.2	9.2	-5.7	-12.9	-64.7	-46.0	-57.2	31.1
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
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
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
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
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
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
Collateral requirements	Next three months	87.3	-0.1	13.5	8.6	9.6	8.8	3.1	5.1	10.8
Maturity	Next three months	42.1	11.9	-13.0	28.9	-1.1	-15.3	-17.8	-22.1	1.2
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

Net percentage balances

Period		2011/12				2012/13				2013/14
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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**
	Next three months	-46.8	-12.8	-8.4	-4.2	58.3	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
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

* 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 r

(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