Bank Lending Survey Report
Fourth Quarter-FY 2014/15

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 2015. The objectives of the quarterly survey were to: enhance BOU's understanding of the lending behavior 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 quarter ended June 2015 and expectations for the quarter ending September 2015.

The key findings from the survey are detailed below.

Credit Standards

Banks reported having eased credit standards in net terms over the quarter to June 2015. This was contrary to anticipated net tightening reported by banks in the previous survey round. The bulk of the respondents however maintained their credit standards.

Across firm size, credit standards were tightened for both SMEs and large enterprises in net terms albeit, at a slower pace. On the other hand, in terms of the duration of the loans, banks eased credit standards on short-term loans while credit standards for long-term loans remained tight in the quarter ended June 2015.

Banks pointed to deliberate efforts to grow new lending across the different business segments as the major reason for easing credit standards during the quarter. On the other hand, the banks that tightened their credit standards highlighted the lack of long-term deposits; reduction in property market values and general economic conditions as the major reasons.

Outlook on Credit Standards

In the next quarter to September 2015, banks expect to further tighten credit standards for loans to enterprises. Banks noted that observed changes in the macro-economic environment e.g. continued depreciation of the local currency against major currencies, rising inflation, BOU tight policy stance and an uncertain political landscape as factors that is likely to impact borrowers' cash flow and debt service ability therefore leading banks to undertake cautious policy stance.

On the other hand, banks expect to ease credit policy to households, on a net basis, mainly to encourage and increase the clientele base in the newly opened branches.

Outlook on Demand for credit

Credit demand from both enterprises and households is expected to increase over the next three months to September 2015, on a net basis. The demand for financing of infrastructural projects, the need for working capital induced by the depreciation of the shilling and supply side induced factors are expected to bolster demand for credit by both enterprises and households.

Outlook on Terms & Conditions

Majority of banks anticipate maintaining their terms and conditions for credit to enterprises and households in the quarter to September 2015. In net terms, both price and non-price terms are skewed towards tightening. Banks reported having widened the margin on riskier loans on account of the current macroeconomic fundamentals suggesting intensification of risk identification by banks in light of rising cost of funds.

Outlook on the default rate on loans

The default rate on loans to both enterprises and households is expected to increase on a net basis in the coming three months. Banks expect the current macroeconomic conditions to impact on SMEs' and large enterprises' ability to repay their loans. For households however, banks pointed out that the planned removal of loan source deduction codes by government and observed layoffs is likely to worsen default rates.

Interest Rate Expectations

Lending rates are expected to increase over the quarter to end September 2015 owing to the current macroeconomic conditions and direction of BOU policy rate.

1. Introduction to the lending survey

Objectives of the Survey

The lending survey is conducted by Statistics Department of Bank of Uganda (BOU) to capture past and prospective developments in the credit market. The survey is designed to complement existing quantitative data on credit and lending rates.

The main objectives of the survey are to:

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

ii) Capture leading information on credit developments.

The survey covered the outturn for the quarter ended June 2015 and expectations for the quarter ending September 2015. Questionnaires were sent to all 25 Commercial banks and 6 Non-bank financial institutions (NBFIs) in Uganda and response rates were 96 percent for Commercial banks and 67 percent for Non-bank financial institutions.

This survey report covers only the responses received from commercial banks. The Non-Bank Financial Institutions' results are provided separately in the Appendices (7-12) to this report. In addition, the methodology used in the analysis is detailed in Appendix 1.

2. Survey Findings

2.1 Enterprises

2.1.1 Credit standards

In the last quarter of FY 2014/15, credit standards on loans to enterprises were eased contrary to tightening observed in the previous quarter.

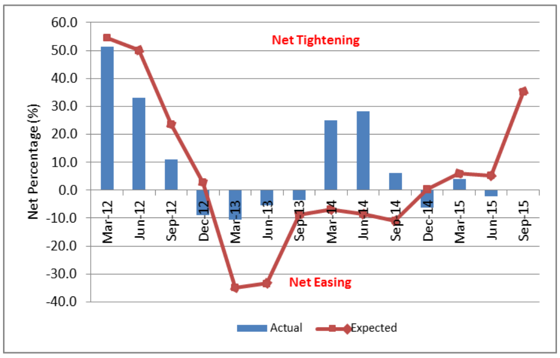
Banks reported having eased credit standards in net terms (-2.2 percent in June 2015 compared to tightening of 3.9 percent in the quarter ended March 2015).This was contrary to anticipated net tightening of 5.1 percent reported by banks in the previous survey round. The bulk of the respondents (85.9 percent) however maintained their credit standards. (Table 1 and figure 1).

Across firm size, credit standards were tightened for both SMEs and large enterprises in net terms albeit, at a slower pace.

In terms of the duration of the loans, banks eased credit standards on short-term loans while credit standards for long-term loans remained tight in the quarter ended June 2015. (Table 1).

Banks pointed to deliberate efforts to grow new lending across the different business segments as the major reason for easing credit standards during the quarter. On the other hand, the banks that tightened highlighted lack of long term deposits; reduction in property market values and the general economic conditions as major reasons

Figure 1: Overall Credit standards to Enterprises



Notes:
(a) Net percentage balances are calculated by obtaining the difference between the percentage of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.
(b) The bar graph shows the net percentage over the previous three months. The line graph shows the expectation over the next three months.
(c)Expectations have been moved forward one quarter so that they can be compared with the actual outturn in the following quarter.

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

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15
Tightened(A)	7.3	6.3	24.9	26.7	11.8	11.8	5.2	5.1	25.0	25.0
Unchanged	89.2	85.9	70.0	64.8	88.2	81.2	92.4	85.5	70.7	66.5
Eased (B)	3.4	8.5	5.1	8.5	0.0	7.0	2.4	9.4	4.2	8.5
Net %(A-B)	**3.9**	**-2.2**	**19.8**	**18.2**	**11.8**	**4.8**	**2.7**	**-4.3**	**20.8**	**16.5**
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the next quarter to September 2015, banks expect to further tighten credit standards for loans to enterprises in net terms. This is the highest net tightening observed since June 2012 when it was 50 percent. Banks reported possible net tightening in the coming quarter across all firm sizes and duration of loans to enterprises (*See Figure 1 and Table 2*).

Banks noted that the observed changes in the macro-economic environment e.g. continued depreciation of the local currency against major currencies, rising inflation, BOU tight policy stance and an uncertain political landscape as the factors that are likely to impact the borrowers' cash flow and debt service ability therefore leading banks to undertake cautious policy stance.

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	
Stance	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15
Tighten (A)	10.5	35.1	17.6	41.2	10.5	20.4	6.9	20.1	28.2	39.0
Unchanged	84.1	64.9	72.2	54.9	84.1	79.6	69.3	72.0	65.6	61.0
Ease (B)	5.4	0.0	10.2	3.9	5.4	0.0	23.9	7.9	6.2	0.0
Net %(A-B)	**5.1**	**35.1**	**7.3**	**37.3**	**5.1**	**20.4**	**-17.0**	**12.2**	**22.0**	**39.0**
Interpretation: Negative-net easing, positive-net tightening										

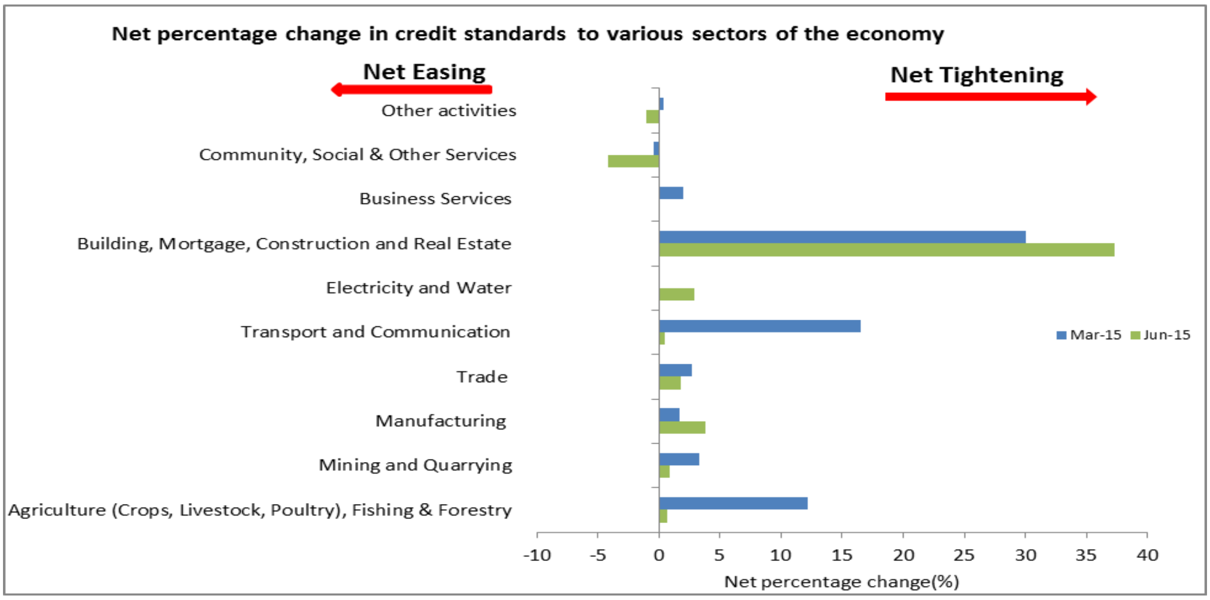
Source: Bank of Uganda

2.1.2 Credit Standards by Sector

In terms of the sectors of the economy, majority of banks reported having kept overall credit standards broadly unchanged in the quarter ended June 2015. On a net basis however, banks further tightened credit standards for loans to the building, mortgage, construction and real estate (37.3 percent); manufacturing (3.8 percent) and electricity and water (2.9 percent) sectors.

The main reasons cited particularly for tightening of credit standards to building, mortgage, construction and real estate sector were: the long-term nature of the projects which require long-term deposits that are currently scarce; delayed payments to contractors for work done which impact on their credit performance and the weakening of property markets. (*See Figure 2*)

Figure 2: Changes in credit standards by economic sector



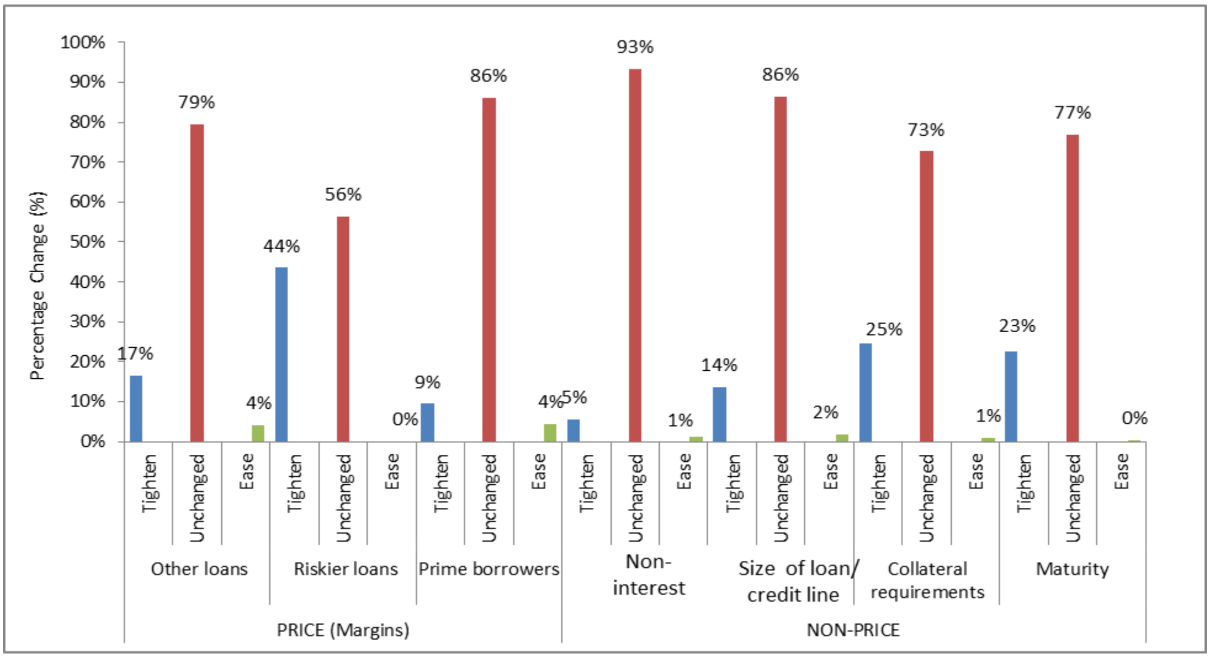
Source: Bank of Uganda

2.1.3 Expectations in the Terms and Conditions for Credit to Enterprises

Although majority of banks anticipate maintaining their terms and conditions for credit to enterprises in the quarter to September 2015 unchanged, in net terms, both price and non-price terms are skewed towards tightening(Figure 3).This suggests anticipated worsening of financing conditions to enterprises in the coming months.

A substantial percentage of banks (44 percent) reported having increased the margin on riskier loans due to the current macroeconomic fundamentals suggesting intensification of risk identification by banks in light of the rising cost of funds.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises for Quarter ending September 2015



Source: Bank of Uganda

2.1.4 Demand for Credit by Enterprises

Despite the anticipated net tightening of credit standards to enterprises, banks are still optimistic about an increase in demand for credit by enterprises in the next three months to September 2015. The bulk of the demand is expected to come from large enterprises (32.8 percent) and mainly short term loans (42.9 percent)(See Table 3).

Table 3: Demand expectations for the next three months (July-September 2015)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15
Increase(A)	42.4	9.7	44.2	12.3	39.6	13.1	45.3	7.1	39.8	9.7
Unchanged	45.5	44.3	46.0	41.7	48.7	39.3	45.8	41.6	48.5	45.9
Decrease(B)	12.1	44.5	9.8	44.5	11.7	46.0	8.9	50.0	11.7	42.9
Net %(A-B)	**30.4**	**34.8**	**34.5**	**32.2**	**27.9**	**32.8**	**36.4**	**42.9**	**28.2**	**33.2**
Interpretation: Negative-net decrease, positive-net increase										

Source: Bank of Uganda

Some of the major reasons given for the expectation above are:

a) Planned infrastructural projects by Government in the short to medium term that will require financing.
b) The depreciation of the shilling that is likely to increase the working capital requirements especially among importers.

On the other hand, those that anticipate a decrease in credit demand highlighted the apprehension by firms as the 2016 general elections near as a major reason that may lead them into postponement of capital investments.

2.2 Households and Individuals

2.2.1 Credit standards to households

In the quarter ended June 2015, banks reported having eased credit standards, on a net basis, to households and individuals albeit at a slower pace (-0.9 percent compared to -10.4 percent in March 2015). The majority of banks (73.3 percent) maintained credit standards for loans to households in June 2015. (See appendix 2).

Banks noted that the net easing in credit policy to households was mainly driven by the desire to maintain existing clients as well as grow salary-based loan portfolio.

In the coming months, banks[1] also expect to ease credit policy to households on a net basis (-17.6 percent) mainly to encourage and increase the clientele base in newly opened branches.

2.2.2 Outlook on Terms and Conditions for Credit to Households

The majority of lenders indicated that they expect to keep their terms and conditions for consumer credit unchanged over the next three months to September 2015. However, on a net basis, there was a bias towards tightening for both price and non-price terms, similar to the observation for enterprises. (See appendix 4).

2.2.3 Demand for Credit

In the coming three months, banks anticipate the demand for credit by households to increase. 57.6 percent of the respondents noted that the demand would go up compared to 24.9 percent that reported

[1] Crane bank and Bank of India

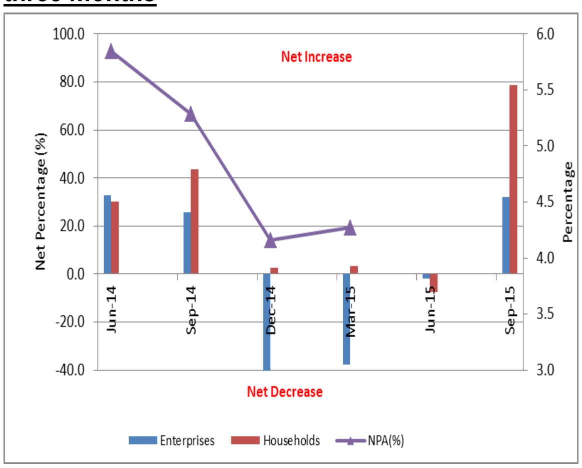
that demand for credit would drop. Banks pointed to supply induced factors, such as increased marketing in the segment and signing of MOUs with different large companies as the reasons for increase in demand.

2.3 Expected Default rate on loans to enterprises and Households

Banks were asked to report their expectations on the change in the default rates on loans to enterprises and households over the quarter to end September 2015. On a net basis, 32.5 percent and 78.9 percent expect default rates on loans to enterprises and households, respectively, to increase in the coming three months. Banks expect the current macroeconomic conditions to impact on SMEs' and large enterprises' ability to repay their loans.

With respect to households, banks pointed out that the planned removal of loan source deduction codes by Government and observed layoffs are likely to worsen default rates.

<u>Figure 4: Default rate expectations for the next three months</u>

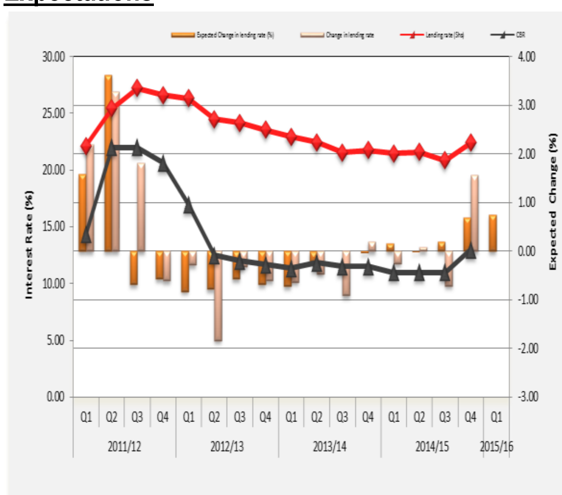


2.4 Interest Rate Expectations for Quarter 1, FY 2015/16

The survey results indicate that the majority of banks expect to increase lending rates over the next quarter to September 2015 as shown in *Figure 4.* The increases reported by banks ranged between 100-150 basis points, with the average percentage increase in lending rates over the next quarter to September 2015 estimated at 0.75 percentage points.

Banks that expect to increase lending rate noted the increasing yields on government securities and low liquidity position in the market; depreciation of the shilling, rising inflation and the increase in CBR as the major factors for their expectation.

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



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

3. Conclusion

The bank lending survey results indicated that banks eased credit standards in net terms for both enterprises and households in Q4 FY 2014/2015, although with a large percentage of banks maintaining their credit standards. The net easing was driven by deliberate efforts to grow the clientele base across different business segments and individual customers especially in the new bank branches.

In the coming months to September 2015, the expectation of lenders is towards net tightening of credit standards for both enterprises and households in response to the observed changes in macroeconomic environment.

In terms of demand, most lenders anticipate credit demand to increase despite anticipated tightening of credit standards. The increased demand for financing of infrastructural projects, the need for working capital induced by the depreciation of the currency and supply side induced factors are expected to bolster demand for credit by both enterprises and households.

Lenders expect interest rates to trend upwards in line with the current macroeconomic fundamentals and direction of BOU policy rate.

APPENDICES

APPENDIX 1: Methodology

Questions:

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

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the three month period (April-May 2015), as represented by each bank's new gross extensions to total new gross extensions of the commercial banking sub sector for the same period.

Analysis of data:

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

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

On the other hand, interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels and by how much. The responses were weighted by the responding institutions' market share of the total credit market for the quarter ended June 2015 as shown in *Appendix 3*.

Illustration

'Eased somewhat' + 'Eased considerably' = Eased

'Tightened somewhat' + 'Tightened considerably' = Tightened

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

Interpretation of percentage change

-100 0 +100

Eased / Decreased Tightened / Increased

COMMERCIAL BANKS:

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

Banks' Action	Dec-14	Mar-15	Jun-15
Tighten (A)	31.5	23.8	3.3
Unchanged	42.1	42.0	73.3
Eased (B)	26.4	34.2	4.2
Net %(A-B)	**5.1**	**-10.4**	**-0.9**

APPENDIX 3: Household and consumer credit standards-expectations by Banks

Banks' Expectation for quarter ending	Mar-15	Jun-15	Sep-15
Tighten(A)	9.1	21.5	12.7
Unchanged	30.0	50.5	57.0
Ease(B)	60.9	28.0	30.3
Net %(A-B)	**-51.8**	**-6.5**	**-17.6**

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

	Price						Non-price							
Expected Action	Average loans		Riskier loans		Prime borrowers		Non-interest rate		size of loan		collateral		Maturity	
	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15
Tighten(A)	38.4	22.7	39.3	31.0	10.2	12.3	9.0	4.9	5.5	11.6	12.6	13.1	22.7	8.8
Unchanged	60.0	76.9	59.7	69.0	69.5	84.6	73.6	92.4	76.8	89.7	70.0	85.2	76.4	91.2
Ease (B)	1.6	0.0	1.0	0.0	20.3	2.7	17.3	2.3	17.6	0.0	17.3	0.0	0.8	0.0
Net %(A-B)	**36.8**	**22.7**	**38.3**	**31.0**	**-10.1**	**9.6**	**-8.3**	**2.6**	**-12.0**	**11.6**	**-4.6**	**13.1**	**21.9**	**8.8**

APPENDIX 5: Household and consumer credit demand expectations by Banks

Banks' expectation	Mar-15	Jun-15	Sep-15
Increase(A)	79.2	24.2	24.9
Unchanged	15.5	52.3	17.6
Decrease(B)	5.3	23.5	57.6
Net %(A-B)	**73.9**	**0.7**	**32.7**

APPENDIX 6: Household and consumer credit default rate expectations by Banks

Banks' expectation	Mar-15	Jun-15	Sep-15
Increase(A)	28.0	21.3	0.9
Unchanged	47.4	50.1	19.4
Decrease(B)	24.6	28.6	79.7
Net %(A-B)	**3.3**	**-7.3**	**78.9**

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

Period			2012/13				2013/14				2014/15		
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	11.1	-8.9	-10.6	-5.3	-3.6	n/a**	25.0	28.3	6.1	-6.3	3.9	-2.2
	Next three months	2.7	-34.8	-33.5	-9.0	-7.0	n/a**	-8.6	-11.0	0.3	5.8	5.1	35.1
SMEs (b)	Past three months	29.1	10.4	-6.6	15.5	18.3	n/a**	22.7	26.9	2.5	14.3	19.8	18.2
	Next three months	2.2	-56.1	-26.6	-3.5	-13.1	n/a**	-11.2	-14.2	4.8	-0.7	7.3	37.3
Large enterprises	Past three months	15.5	-4.5	-4.0	-4.1	-5.1	n/a**	5.5	4.0	8.1	-6.3	11.8	4.8
	Next three months	-13.7	-24.9	-27.0	-4.0	-9.5	n/a**	2.6	-0.4	4.4	4.9	5.1	20.4
Short term loans	Past three months	13.6	-12.6	-13.9	-8.7	-15.0	n/a**	-19.7	-24.0	-25.7	-12.3	2.7	-4.3
	Next three months	-47.2	-59.9	-27.7	-7.7	-17.6	n/a**	-24.2	-32.8	-26.7	-44.9	-17.0	12.2
Long term loans	Past three months	45.6	0.6	-4.1	14.9	-2.8	n/a**	24.0	28.2	32.5	26.6	20.8	16.4
	Next three months	2.3	-25.4	-28.2	13.5	-3.2	n/a**	21.7	23.1	1.5	38.2	22.0	39.0
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	-39.3	-32.8	-3.0	10.3	-7.4	n/a**	7.7	-2.5	-14.6	-3.5	12.2	0.7
Mining and Quarrying	Past three months	0.0	-6.8	-1.8	0.7	1.0	n/a**	1.3	-1.1	3.6	5.8	3.3	0.9
Manufacturing	Past three months	-8.0	-14.0	-6.4	-9.6	-28.6	n/a**	19.0	23.1	-3.9	-6.7	1.6	3.8
Trade	Past three months	-15.6	-15.6	-13.9	13.3	-10.0	n/a**	-19.4	-29.1	-2.5	-1.2	2.7	1.8
Transport and Communication	Past three months	-10.5	-16.7	-14.0	-9.5	-27.9	n/a**	-12.3	-26.4	10.8	-5.0	16.5	0.4
Electricity and Water	Past three months	-7.6	-16.7	-9.3	-28.3	-24.5	n/a**	-18.8	-26.4	-2.7	-10.1	0.0	2.9
Building, Mortgage, Construction and Real Estate	Past three months	47.2	7.8	15.8	46.8	22.4	n/a**	33.9	33.2	31.8	29.3	30.0	37.3
Business Services	Past three months	-2.9	-11.7	1.2	-20.0	-21.3	n/a**	2.1	-2.1	-3.7	-15.1	2.0	0.0
Community, Social & Other Services	Past three months	-5.4	-17.5	-8.2	-30.3	-25.8	n/a**	1.1	-1.5	-3.5	-13.3	-0.5	-4.2
Personal Loans and Household Loans	Past three months	-8.1	-15.9	-3.3	-24.8	-24.6	n/a**	2.0	-1.1	0.6	-9.3	0.3	-1.0
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	-17.2	-43.4	-29.0	-55.6	-32.2	n/a**	-23.2	-28.3	-25.7	4.1	17.5	12.4
Margin on riskier loans	Next three months	41.0	21.1	9.3	29.3	19.5	n/a**	37.8	44.5	56.1	58.9	58.9	43.6
margin on prime borrowers	Next three months	-31.4	-44.4	-46.0	-41.0	-32.5	n/a**	-8.3	-21.8	-21.1	-22.2	13.0	5.0
Non-interest rate charges	Next three months	-4.3	-2.4	-10.0	-3.3	-1.0	n/a**	-0.8	-3.1	-2.8	6.7	9.0	4.2
Size of the loan or credit line	Next three months	3.4	3.4	-8.1	-17.7	-1.2	n/a**	-0.3	-3.9	-2.8	2.7	13.4	11.8
Collateral requirements	Next three months	31.9	1.0	-10.4	10.3	21.2	n/a**	25.2	26.6	31.3	39.3	25.3	23.8
Maturity	Next three months	5.6	-16.2	-21.6	-37.7	-21.4	n/a**	-19.6	-22.9	4.3	32.3	29.1	22.3
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	86.1	52.0	66.6	64.5	57.6	n/a**	6.9	26.4	58.4	26.2	30.4	34.8
SMEs	Next three months	81.1	70.3	59.7	37.3	60.5	n/a**	-9.6	-7.0	29.0	27.0	34.5	32.2
Large enterprises	Next three months	52.7	68.9	43.0	38.0	46.1	n/a**	-13.0	-8.4	48.3	42.1	27.9	32.8
Short term loans	Next three months	81.5	70.7	68.6	38.1	78.2	n/a**	28.5	48.3	53.2	35.4	36.4	42.9
Long term loans	Next three months	37.4	60.9	69.6	59.7	46.1	n/a**	-17.7	-9.0	1.1	-3.4	28.2	33.2
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**	-25.1	-67.8	12.1	-3.1	n/a**	32.8	25.8	-43.3	-37.9	-2.0	32.5
SMEs	Next three months	n/a**	-47.7	-57.3	0.1	-4.0	n/a**	32.9	24.6	-18.6	-12.6	16.8	35.3
Large enterprises	Next three months	n/a**	-16.3	-42.4	0.2	2.2	n/a**	33.0	22.5	-37.7	-35.2	0.6	13.9
Short term loans	Next three months	n/a**	-43.5	-65.0	12.9	-3.1	n/a**	22.3	26.4	-52.8	-41.3	-2.5	6.0
Long term loans	Next three months	n/a**	-42.6	-60.1	19.1	3.5	n/a**	31.9	24.1	-41.1	-35.8	-2.9	12.2

Period			2012/13				2013/14			2014/15			
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2**	Q3	Q4	Q1	Q2	Q3	
How have your bank’s credit policy as applied to the approval of loans to households and non-enterprises changed?	Past three months	1.1	-29.8	-21.1	-45.6	-1.0	n/a**	-25.0	-30.9	-26.3	5.1	-10.4	-0.9
	Next three months	-12.9	-64.7	-46.0	-57.2	-31.1	n/a**	-42.5	-46.7	-35.5	-51.8	-6.6	-17.6
Please indicate how you expect demand for loans to households (for purposes of consumer credit) to change?	Next three months	87.3	71.7	64.0	76.3	75.8	n/a**	66.0	56.5	58.5	73.9	0.7	32.7
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	-25.1	-37.6	-35.8	-36.6	-11.1	n/a**	-36.9	-0.9	-11.0	-2.2	36.8	22.7
Margin on riskier loans	Next three months	36.3	10.2	5.2	-16.0	5.3	n/a**	2.6	18.0	9.3	21.0	38.3	31.0
Margin on prime borrowers	Next three months	-23.2	-27.6	-39.0	-43.1	-20.6	n/a**	-10.7	-12.1	-9.7	-3.1	-10.1	9.6
Non-interest rate charges	Next three months	-4.4	1.7	0.0	16.0	28.5	n/a**	20.5	23.6	21.8	-2.8	-8.3	2.6
Size of the loan or credit line	Next three months	9.8	-27.6	-14.6	-39.1	-15.6	n/a**	-22.2	-26.9	-27.7	-24.1	-12.0	11.6
Collateral requirements	Next three months	9.6	8.8	3.1	5.1	10.8	n/a**	1.3	5.0	2.5	9.9	-4.6	13.1
Maturity	Next three months	-1.1	-15.3	-17.8	-22.1	1.2	n/a**	0.1	1.3	1.2	22.9	21.9	8.8
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**	-50.0	-32.7	31.8	42.4	n/a**	30.3	43.7	2.4	3.3	-7.3	78.9

Period			2012/13				2013/14			2014/15			
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2**	Q3	Q4	Q1	Q2	Q3	Q3
To what extent have the events in the global financial markets affected your bank’s willingness to lend?	Past three months	39.76854192	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
	Next three months	58.3	n/a**	n/a**	n/a**	n/a**	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	-69.3	-78.6	-42.9	-50.4	-21.3	n/a**	-3.3	4.9	0.3	7.5	53.1	78.3
And by how much?(c)	Next three months	-0.78	-0.57	-0.69	-0.72	-0.22	n/a**	-0.04	0.16	0.00	0.20	0.69	0.75

* 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/default rate to be higher than over the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.
(d) The survey was not conducted in Q2** FY 2013/14

Appendix 8: Non bank Financial Institutions

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

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

Part I: Enterprises	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15
Credit Standards										
Past Quarter	Overall		SMEs		Large Ent.		Short term		Long term	
Tightened	3.1	0.0	3.1	0.0	3.1	0.0	3.1	0.0	3.1	0.0
Unchanged	96.9	100.0	96.9	83.8	96.9	100.0	96.9	100.0	96.9	100.0
Eased	0.0	0.0	0.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0
Net	**3.1**	**0.0**	**3.1**	**-16.2**	**3.1**	**0.0**	**3.1**	**0.0**	**3.1**	**0.0**
Expectation										
Tighten	3.1	0.0	24.7	0.0	3.1	0.0	3.1	0.0	3.1	0.0
Unchanged	96.9	100.0	75.3	100.0	96.9	100.0	96.9	100.0	96.9	100.0
Ease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net	**3.1**	**0.0**	**24.7**	**0.0**	**3.1**	**0.0**	**3.1**	**0.0**	**3.1**	**0.0**
Expected Demand for Credit										
Decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Remain the same	78.4	0.5	63.8	0.5	85.4	21.9	78.4	0.5	78.4	0.5
Increase	21.6	83.2	36.2	83.2	14.6	61.9	21.6	83.2	21.6	83.2
Net	**21.6**	**83.2**	**36.2**	**83.2**	**14.6**	**61.9**	**21.6**	**83.2**	**21.6**	**83.2**
Expected changes in terms & conditions for approving loans to enterprises										
Price Terms					**Margin of other loans**		**Margin of riskier loans**		**Margin of prime loans**	
Tighten					0.0	21.4	0.0	21.4	0.0	21.4
Unchanged					100.0	62.4	100.0	62.4	85.4	62.4
Ease					0.0	0.0	0.0	0.0	14.6	0.0
Net					**0.0**	**21.4**	**0.0**	**21.4**	**-14.6**	**21.4**
Non price Terms			**Non interest rate charges**		**Size of loan**		**Collateral requirement**		**Maturity**	
Tighten			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged			100.0	83.8	85.4	83.8	100.0	62.4	100.0	83.8
Ease			0.0	0.0	14.6	0.0	0.0	21.4	0.0	0.0
Net			**0.0**	**0.0**	**-14.6**	**0.0**	**0.0**	**-21.4**	**0.0**	**0.0**

Part II: Households	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15	Mar-15	Jun-15
Credit Standards										
Past Quarter										
Tightened									0.0	0.0
Unchanged									100.0	83.8
Eased									0.0	16.2
Net									**0.0**	**-16.2**
Expectation										
Tighten									0.0	0.0
Unchanged									100.0	83.8
Ease									0.0	0.0
Net									**0.0**	**0.0**
Expected Demand for Credit										
Decrease									0.0	16.2
Remain the same									85.4	21.9
Increase									14.6	61.9
Net									**14.6**	**45.6**
Expected changes in terms & conditions for approving loans to enterprises										
Price Terms					**Margin of other loans**		**Margin of riskier loans**		**Margin of prime loans**	
Tighten					0.0	21.4	0.0	21.4	0.0	21.4
Unchanged					100.0	78.6	100.0	78.6	85.4	78.6
Ease					0.0	0.0	0.0	0.0	14.6	0.0
Net					**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non price Terms			**Non interest rate charges**		**Size of loan**		**Collateral requirement**		**Maturity**	
Tighten			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged			100.0	100.0	100.0	100.0	100.0	78.6	96.9	99.5
Ease			0.0	0.0	0.0	0.0	0.0	21.4	0.0	0.0
Net			**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-21.4**	**0.0**	**0.0**

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the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
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