Bank Lending Survey Report
July to September 2014(Q1),FY14/15

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 September 2014. The objectives of the 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 period under review.

The key findings from the survey are detailed below.

Credit Standards

Credit standards for both enterprises and households remained broadly unchanged over the quarter ended September 2014. 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 transport sectors which recorded a net tightening of credit standards. Increased default rate, slump in real estate market values, and signs of an overvalued property market were the main factors cited for this cause, while public pressure to increase lending to agriculture, and the increased awareness of the agriculture credit facility drove easing in that sector.

Outlook on Demand for credit

Credit demand from both enterprises and households is expected to increase. Increased demand for working capital and consumer loans for the festive season, expected reduction in the CBR, and demand for capital to provide primary and ancillary services for the upcoming major infrastructure projects were the major factors behind the expected increase in demand for credit over the period to end December 2014.

Outlook on Terms & Conditions

Price margins[1] on riskier loans are expected to tighten, while margins on prime borrowers remain unchanged. Non price terms and conditions too are expected to remain unchanged with a bias towards easing except for collateral requirements and maturity period. Factors cited for easing include targeting of big enterprises considered less risky but price sensitive, while declining property values drove the tightening aspect.

Outlook on the default rate on loans

On a net basis, the default rate on loans to enterprises is expected to decrease while that on loans to households is expected to remain unchanged over the quarter to end December 2014.

[1] Margins are payments of cash or deposits of collateral that cover actual or potential obligations incurred. The required provision of margin reflects counter party risk. (IMF monetary and financial statistics manual.)

Those that reported a decrease in default rate cited tight credit monitoring and evaluation procedures put in place, and the expected high revenues for enterprises during the festive season that will improve their capacity to pay.

Interest Rate Expectations

Lending rates are expected to remain largely unchanged over the quarter to end December 2014 owing to the need to balance profitability with competiveness, stable macroeconomic environment, and the effect of prevailing impaired assets on the cost of funds preventing further easing.

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[2]. The survey is designed to complement existing data on credit and lending rates by providing supplementary information on supply and demand conditions in the credit markets and the lending policies of banks.

The main objectives of the survey are to:

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

ii) Capture leading information on credit developments and bank lending in the Ugandan market during the reference period.

The survey covered the outturn for the quarter ended September 2014 and expectations for the quarter to end December 2014. Questionnaires were sent out to all 25 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.

See appendix 1 for methodology and Analysis of results.

[2] 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* (7 – 12) 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 (93.6 percent) reported that their credit standards had remained broadly unchanged in the last three months to September 2014. Only 0.2 percent of the respondents reported easing credit standards for overall loans to enterprises while the percentage of those that reported having tightened credit standards in Q1 FY 2014/2015 stood at 6.3 percent. Overall, on a net basis, there was a bias towards tightening of 6.1 percent during the quarter. (*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 economy in general and b) Banks staying the course to achieve their portfolio objectives.

On the other hand, banks that reported tightening of credit standards over the quarter cited: increased risks like fraud (e.g. fake land titles), the marked reduction in market value of collateral over the last few months and their desire to reduce on unsecured lending as the key factors.

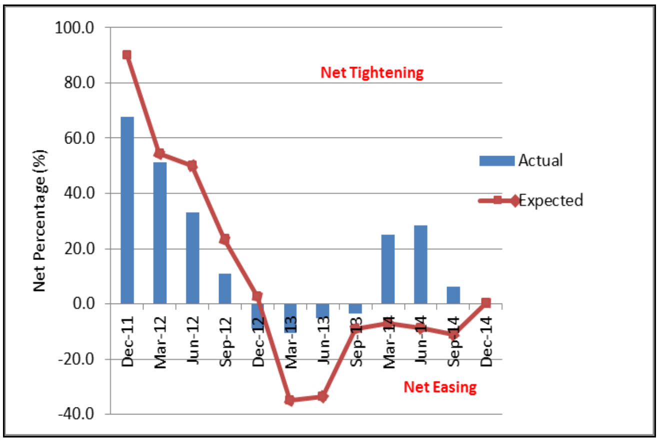
In terms of lending to different sizes of enterprises, respondents reported having maintained credit standards broadly unchanged to both Small and Medium Enterprises (SMEs) and large enterprises. On a net basis however, there was a bias towards tightening for SMEs and large enterprises in the quarter under review as depicted in *Table* 1 below.

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 25.6 percent for short term loans, in contrast to a net tightening of 32.6 percent reported for long term loans in the 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	
	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tightened	28.3	6.3	27.3	2.7	4	8.1	1.5	2	28.5	32.8
Unchanged	71.7	93.6	67.4	93.4	96	91.9	73	70.4	71.2	67
Eased	0	0.2	0.5	0.2	0	0	25.5	27.6	0.3	0.2
Net %	28.3	6.1	26.8	2.5	4	8.1	-24	-25.6	28.2	32.6

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.

Credit Standards expected to tighten on a net basis in Q2 FY 2014/15 but at a much slower pace.

Banks consistently expected an easing after December 2011 that bottomed out between March and June 2013, and began to plateau in September 2013. In the next three months to December 2014 however, respondents expect credit policy to tighten on a net basis (*See figure 1 and Table 2*).

Majority of the banks expect credit standards to both large and small and medium enterprises to remain broadly unchanged with a bias towards tightening on a net basis (except for short term loans) in the quarter to end December 2014 (*see Table 2*). This is indicative of a likely decrease in the availability of credit to enterprises in the coming period.

In line with the out turns observed in the quarter ended September 2014, the banks' focus still seems to be more on short term lending rather than long term as indicated by their expected net easing for short term loans (26.7 percent) compared to the expected tightening for long term loans of 1.5 percent. Key factors cited for the expectations include: a) increased default rates b) review of credit policies as the major reasons.

The banks that expect to ease credit standards in Q2 of FY 2014/2015 cited increases in deposits hence increasing availability of funds for lending and increase in demand for loans 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	
Stance	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Tighten	0.8	1.5	0.6	7.2	4.9	6.9	0.6	0.6	27.7	6.9
Unchanged	87.5	97.5	84.6	90.6	89.8	90.7	66.0	69.5	67.6	87.8
Ease	11.8	1.2	14.8	2.4	5.3	2.5	33.4	27.3	4.6	5.4
Net %	-11.0	0.3	-14.2	4.8	-0.4	4.4	-32.8	-26.7	23.1	1.5
Interpretation: Negative-net easing, positive-net tightening										

2.1.2 Credit Standards by Sector

Easing of credit standards in other sectors but tightening in the Building, mortgage and Real estate and Transport sectors in Q1 FY 2014/15

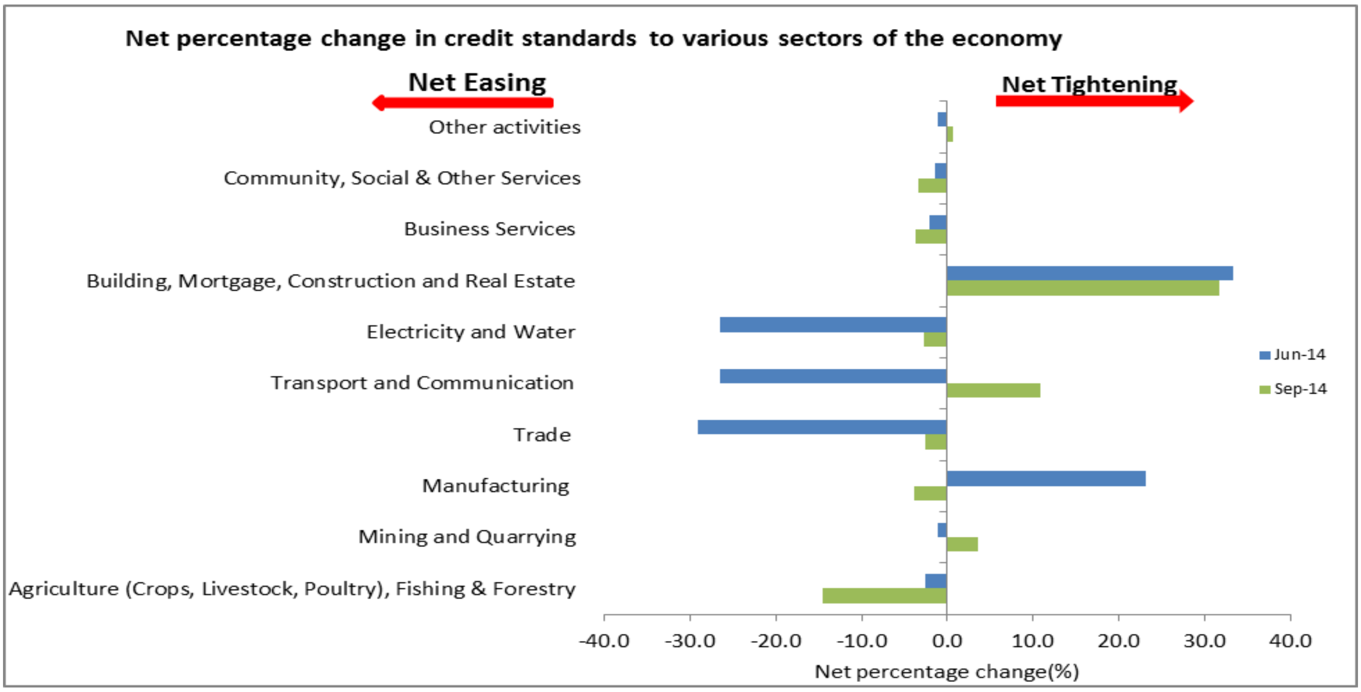
Banks were asked to indicate how credit standards had changed for the various sectors of the economy over the quarter ended September 2014. Banks reported that they kept credit policy broadly unchanged with a bias towards net easing for the majority of the sectors. Notably, however, lenders continue to indicate tightening in the Building, Mortgage, Construction and Real sector.

On a net basis, Building, Mortgage, Construction and Real Estate, Transport and Communication, and Mining and Quarrying sectors were reported to have tightened credit standards. Agriculture, Fishing and Forestry 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 the Building, Mortgage, Construction and Real Estate sector were: increased defaults due to slump in the sector's market values, declining demand for real estate and higher risk of fraud.

On the other hand, the reasons for the easing in the agriculture sector were: increased awareness of, and exploitation of the agriculture credit facility, and political pressure to increase lending to this sector.

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 tighter margins for riskier loans in Q2 FY2014/15

In the quarter to December 2014, the majority of the respondents (55 per cent) expect the margin on riskier loans to tighten. 45 percent of the respondents expect no change while none thought it would ease.

Majority of the respondents (70 percent) expect the margin on prime borrowers to remain unchanged. 21 percent expect the margins to tighten and none expect an easing. The margin on average loans is expected to remain unchanged (66 percent) while 30 percent expect it to ease, and only 4.0 percent expect a wider (tighter) margin.

Non-Price terms:
Expected to remain unchanged in Q2 FY 2014/15

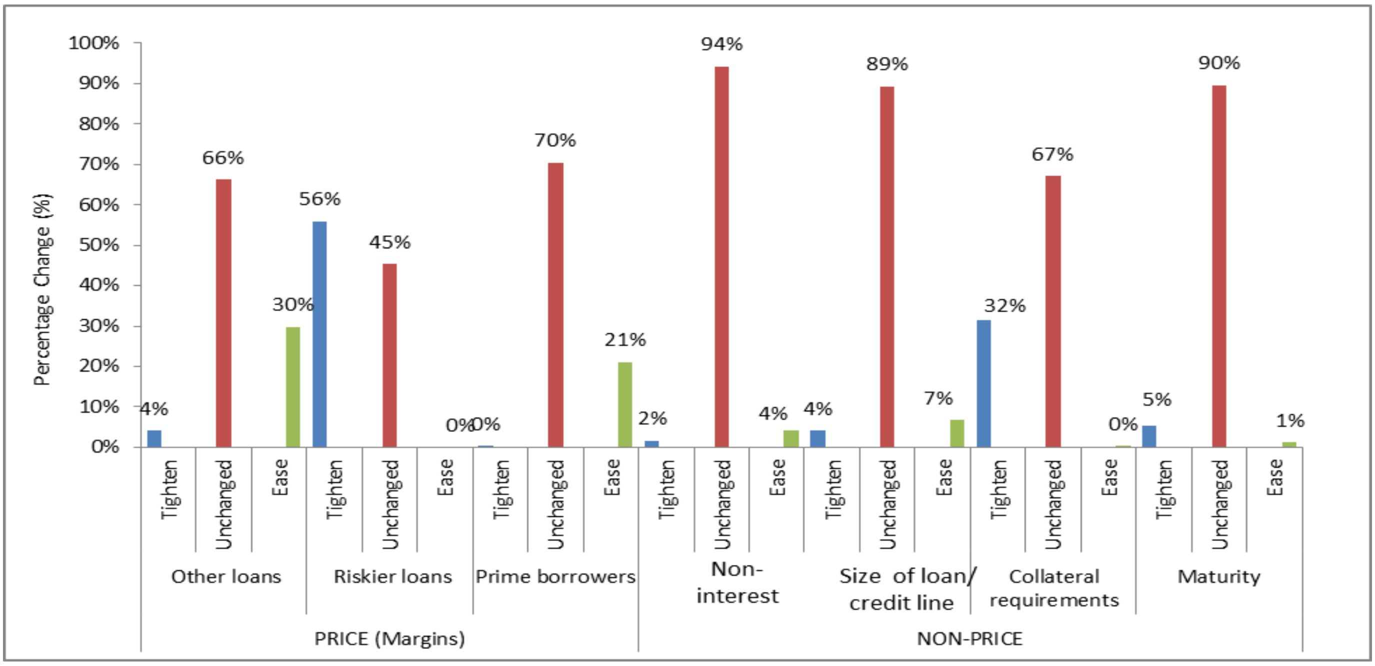
Similar to the previous survey, non-price terms and conditions are expected to remain unchanged with a bias towards easing for the majority of terms, except for collateral requirements and maturity. On a net basis, all terms and conditions on non-interest rate charges are expected to ease, except those on collateral requirements and maturity that are expected to tighten in the next quarter.

The factor cited for the expected easing of most of the terms and conditions was the focus on big enterprises that are considered less risky by the banks which leads to big concessions because they are generally price sensitive.

On the other hand, declining property values (most used as collateral), and the introduction of a new tax on non-interest charges following the reading of the fiscal budget in June 2014 were cited as the key reasons for the expected 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 2014</u>



2.1.4 Demand for Credit

Demand for credit expected to increase in Q2 FY 2014/15

The demand for credit from enterprises for the second quarter of FY 2014/2015 is expected to increase, as 58.4 percent of bank percent of the banks anticipate an overall increase.

The percentage of banks expecting demand to stay unchanged is 41.4 percent, while 0.2 percent expect a decrease in the quarter to December 2014. (*See Table 3 below*).

Table 3: Demand expectations for the next three months (October-December 2014)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	14-Sep	14-Dec	14-Sep	14-Dec	14-Sep	14-Dec	14-Sep	14-Dec	14-Sep	14-Dec
Increase	26.4	58.4	18.2	29.1	17.5	48.3	48.9	53	18.8	25.8
Unchanged	73.3	41.4	45.6	64.8	50.5	45.5	44.3	41.1	47.1	43.3
Decrease	0	0.2	25.2	0.2	25.8	0.2	0.6	0	27.9	24.9
Net %	**26.4**	**58.2**	**-7**	**28.9**	**-8.4**	**48.1**	**48.3**	**53**	**-9**	**0.9**
Interpretation: Negative-net easing, positive-net tightening										

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

a) Large infrastructure projects being undertaken or expected to be undertaken will spur credit demand for primary and ancillary services.

b) Increased demand for working capital in preparation for Christmas shopping.

c) Expected reduction in CBR and prime lending rates given the decline in inflation.

Of those that expect a decline in demand, reasons cited include the sustained conflict in South Sudan that is shrinking the market, the general sluggishness of the economy and high taxes.

2.1.5 Default rate on loans to enterprises

Default rate expected to decrease on a net basis in Q2 FY 2014/15

Banks were asked to report on how they expect the default rate on loans to enterprises to change over the quarter to end December 2014. Majority of the respondents (51.7 percent) expect the overall default rate by enterprises to decline in the quarter to end December 2014. Of those who responded, 39.6 percent expect rates to remain unchanged, and 8.7 percent anticipate an increase. (*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, the festive season is expected to generate enough revenue for businesses so as to avoid default.

On the other hand, respondents who reported an expected increase in default rates cited an expected reduction in government spending that might affect her service providers.

Table 4: Default rate expectations for the next three months (October-December 2014)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Increase	38.1	8.7	36.3	8.7	35.5	11.4	38.1	0.2	35.5	9.0
Unchanged	49.3	39.6	47.1	60.6	51.4	39.7	50.0	46.7	53.0	41.0
Decrease	12.3	51.7	11.7	27.1	12.9	48.9	11.7	53.0	11.4	49.9
Net %	**25.8**	**-43.1**	**24.6**	**-18.4**	**22.5**	**-37.5**	**26.4**	**-52.8**	**24.1**	**-40.9**

2.2 Credits to Households and Individuals

2.2.1 Credit standards

Unchanged credit standards for households in Q1

In the quarter ended September 2014, the majority of lenders (about 65.8 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 slightly slower pace than in the previous quarter.

The major reason cited by respondents for unchanged standards was banks' unchanged retail credit and lending policies. Those that eased said increase in reliable information as provided by the CRB led to better credit decisions.

On the other hand, banks that reported tightening of credit standards cited; reduction in land and property values (biggest source of collateral), and high turnover in jobs.

Outlook: Ease in credit standards to households anticipated in Q2 FY 2014/15

Majority of the Commercial banks (about 48.8 percent) expect the overall credit standards to households and individuals to ease in the quarter to end December 2014. On a net basis, banks expect an easing of credit standards at a slower pace (35.5 percent) than in the previous quarter (46.7 percent).

Key factors cited for the outlook include; 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 2014/15

In the quarter ending December 2014, 59.5 percent of lenders expect demand for credit by households to increase. This is slightly higher than the 56.8 percent that was recorded for the quarter ended September 2014. 1.2 percent of the respondents anticipate a decline in credit demand in the next quarter and about 39.3 percent of the respondents expect credit demand from households to remain unchanged in the quarter to end December 2014.

Key factors cited for the expected increase in credit demand by households include: continued easing of interest rates to result in price reductions, 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 keep their terms and conditions for consumer credit unchanged over the next three months to December 2014. On a net basis, the bias towards easing was for average loans and prime borrowers while other categories faced a net tightening. *Please refer to appendix6*

Most banks cited a need to attract or retain borrowers as the prime reason for keeping conditions unchanged.

2.2.4 Default rate on loans to Households

Default rate expected to remain unchanged in Q2 FY 2014/15

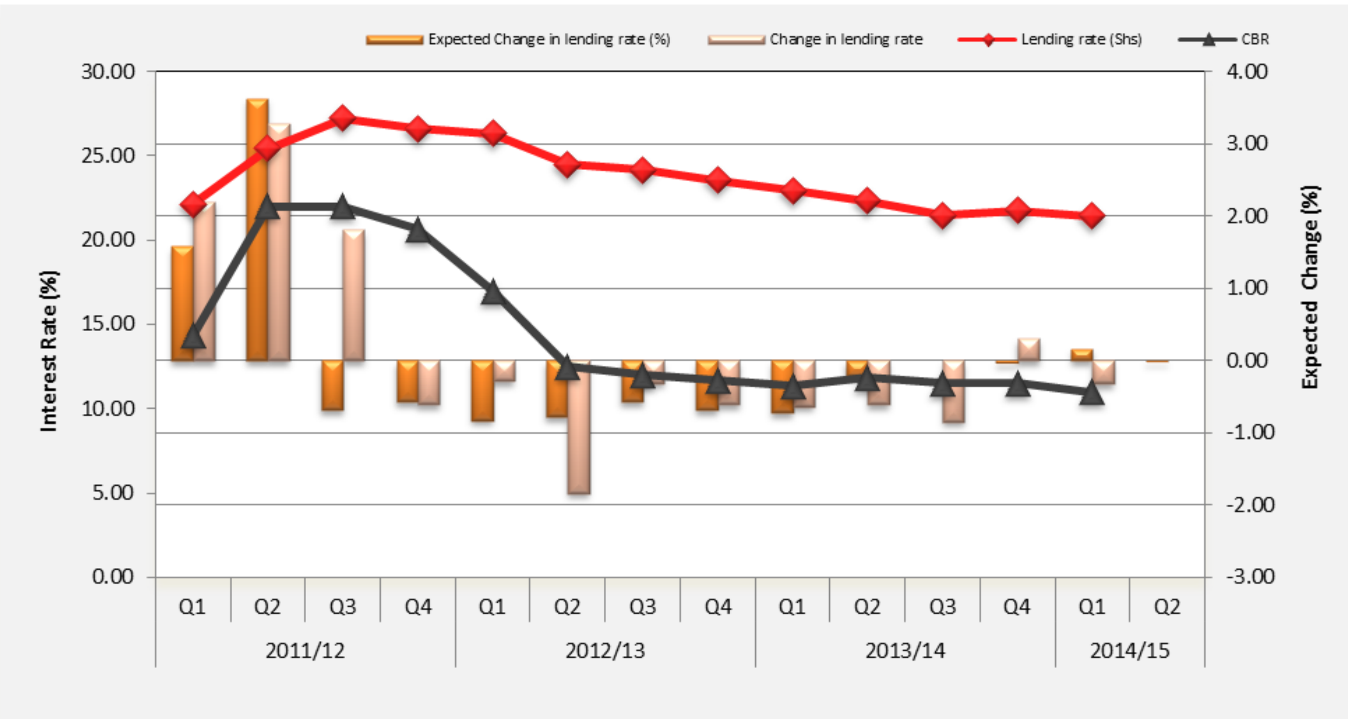
Majority of the Commercial banks (about 60.0 percent) expect the default rate on loans to households to remain unchanged over the quarter to end December 2014. About 21.1 percent expect the default rate to increase and 18.9 percent expect a decrease in the default rate on loans to households in that quarter. The key factors cited for the net increase in default rates however, was the persistence of the effects on layoffs of workers by NGOs when donors withdrew aid.

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

The results indicate that banks expect to maintain lending rates over the next quarter to December 2014 as shown in *Figure 4 below*,. 2 out of the 25 banks expect lending rates to reduce over the next quarter to December 2014, one expects an increase, and the rest expect unchanged lending rates over the next quarter as shown in *Appendix 2*.

The banks that reported unchanged interest rates cited the need to remain profitable while being competitive, stable macroeconomic environment and the inability to ease further, given the effect of impaired assets on the cost of funds as the main reasons driving their opinion.

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 2014/2015 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 tightening of credit standards for enterprises and easing for households respectively.

According to the banks, net easing of credit standards was mainly driven by stability in interest rates and public pressure to reduce lending rates.

On the other hand, 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 2014. The key factors given for these credit demand expectations in Q2 FY 2014/2015 are: increased demand for working capital and consumer loans in preparation for the festive season, increased revenue from the festive shopping is also expected to improve the capacity of enterprises to service loans.

On interest rate expectations, banks expect lending rates to remain largely unchanged over the quarter to end December 2014

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 2014 although at a slower pace. This could be attributed to the upcoming festive season in Q2 FY 2014/2015 and the stable economic situation.

Looking forward, it is likely that the anticipated 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 2014/2015.

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. See *illustration below*

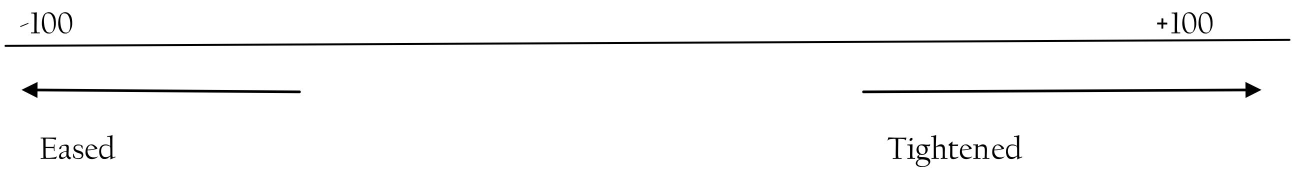
On the other hand, Interest rate expectations were derived by asking commercial banks whether they were likely to charge higher or lower lending rates in the next three months, compared to the previous quarter's levels, and by how much. The responses were weighted by the respondent Institutions' market share in the total credit market for the quarter ended June 2014 as shown in *Appendix 3*.

Illustration

'Eased somewhat' + 'Eased considerably' = Eased
'Tightened somewhat' + 'Tightened considerably' = Tightened

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

Interpretation of percentage change



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

	Jun-14	Sep-14
Tighten	2.3	3.9
Unchanged	64.3	65.8
Eased	33.2	30.2
Net %	-30.9	-26.3

APPENDIX 3: Household and consumer credit standards-expectations (October-December 2014) by Banks

	Sep-14	Dec-14
Tighten	3.8	13.4
Unchanged	45.5	37.8
Ease	50.5	48.8
Net %	-46.7	-35.5

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

	Average loans		Riskier loans		Prime borrowers		Non-interest rate		size of loan		collateral		Maturity	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Tighten	1.6	3.0	18.0	9.3	1.1	3.0	25.8	24.7	1.7	1.4	5.0	5.4	1.6	1.4
Unchanged	93.2	83.1	81.8	89.6	85.5	84.5	71.7	71.4	69.5	69.5	94.5	91.8	98.2	99.6
Ease	2.4	14.0	0.0	0.0	13.2	12.6	2.2	2.8	28.6	29.1	0.0	2.9	0.3	0.2
Net %	-0.9	-11.0	18.0	9.3	-12.1	-9.7	23.6	21.8	-26.9	-27.7	5.0	2.5	1.3	1.2

APPENDIX 5: Household and consumer credit demand expectations (October-December 2014) by Banks

	Sep-14	Dec-14
Decrease	0.4	1.2
Unchanged	42.5	39.3
Increase	56.8	59.5
Net %	**56.5**	**58.3**

APPENDIX 6: Household and consumer credit default rate expectations (October-December 2014) by Banks

	Sep-14	Dec-14
Decrease	10.0	18.9
Unchanged	36.0	60.0
Increase	53.7	21.1
Net %	**43.7**	**2.2**

APPENDIX 7: 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-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14	Jun-14	Sep-14
Tightened	43.5	36.0	43.5	25.8	43.5	25.8	17.2	36.0	17.2	25.8
Unchanged	56.5	64.0	56.5	74.2	56.5	53.0	82.8	64.0	82.8	74.2
Eased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net %	**43.5**	**36.0**	**43.5**	**25.8**	**43.5**	**25.8**	**17.2**	**36.0**	**17.2**	**25.8**

APPENDIX 8: 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-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Tightened	0	0	0	0	0	0	0	0	0	25.8
Unchanged	100	100	100	100	100	45.7	100	100	100	74.2
Eased	0	0	0	0	0	33.1	0	0	0	0
Net %	0	0	0	0	0	-33.1	0	0	0	25.8

APPENDIX 9: 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	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep -14	Dec -14	Sep-14	Dec-14	Sep -14	Dec-14	Sep -14	Dec-14
Tightened	0.0	0.0	0.0	28.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.8	0.0	0.0
Unchanged	100.0	74.2	100.0	71.2	88.5	64.0	94.2	100.0	66.3	66.9	100.0	41.2	100.0	74.2
Eased	0.0	25.8	0.0	0.0	11.5	25.8	5.8	0.0	33.7	33.1	0.0	33.1	0.0	25.8
Net%	0.0	-25.8	0.0	28.8	-11.5	-25.8	-5.8	0.0	-33.7	-33.1	0.0	-7.3	0.0	-25.8

APPENDIX 10: Credit Demand expectations from enterprises (October-December) by NBFIs

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14	Sep-14	Dec-14
Decrease	0	25.8	0	0	0	25.8	0	25.8	0	0
Unchanged	28.6	24.2	22.9	50	1.5	24.2	22.9	24.2	22.9	24.2
Increase	71.4	50	77.1	50	92.7	43.4	77.1	50	71.4	75.8
Net %	**71.4**	**24.2**	**77.1**	**50**	**92.7**	**17.6**	**77.1**	**24.2**	**71.4**	**75.8**

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

	Sep-14	Dec-14
Decrease	0	25.8
Unchanged	100	74.2
Increase	0	0
Net %	**0**	**-25.8**

APPENDIX 12: Household and consumer credit demand expectations (October-December) by NBFIs

	Sep-14	Dec-14
Decrease	11.5	33.1
Unchanged	60.8	25.8
Increase	27.7	41.2
Net %	**16.3**	**8.1**

Appendix 13: 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.

Net percentage balances (a)

Period		2011/12				2012/13				2013/14				2014/15
Part I: Enterprises		Q1	Q2	Q3	Q4	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	n/a**	25.0	28.3	6.1
	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	0.3
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	2.5
	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	4.8
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	8.1
	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	4.4
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	-25.7
	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	-26.7
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	32.5
	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	1.7
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	-14.6
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	3.6
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	-3.9
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	-2.5
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	10.8
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	-2.7
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	31.6
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	-3.7
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	-3.5
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	0.6
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	n/a**	-23.2	-28.3	-25.7
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	55.9
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	-20.9
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	-2.8
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	-2.6
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	31.3
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	4.3
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	-67.6	-77.9	-44.8	28.9	86.1	52.0	66.6	64.5	57.6	n/a**	6.9	26.4	58.2
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	28.9
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	48.1
Short term loans	Next three months	-10.4	-71.9	-9.8	30.2	81.5	70.7	68.6	38.1	78.2	n/a**	28.5	48.3	53.0
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	0.9
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	-43.1
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	-18.4
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	-37.5
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	-52.8
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	-40.9

Net percentage balances

Period		2011/12				2012/13				2013/14				2014/15
Part II: Households		Q1	Q2	Q3	Q4	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	n/a**	-25.0	-30.9	-26.3
	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	-35.5
											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	58.3
How do you expect your institution's terms and conditions for approving loans or credit lines to households to change?														
Margin on average loans	Next three months	91.7	0.7	39.5	-32.8	-25.1	-37.6	-35.8	-36.6	-11.1	n/a**	-36.9	-0.9	-11.0
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	9.1
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	-9.7
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	21.8
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	-27.5
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	2.5
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	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	n/a**	30.3	43.7	2.2

Net percentage balances

Period		2011/12				2012/13				2013/14				2014/15
Part III: Occassional Questions		Q1	Q2	Q3	Q4	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**	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**	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	0.3
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	n/a**	-0.04	0.16	0.0

* 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