Bank Lending Survey Report
Second Quarter - FY 2017/18

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised deposit-taking financial institutions, for the quarter ending December 2017. The objectives of the survey were to: enhance BOU's understanding of the lending behavior and loan financing conditions among deposit-taking financial institutions; capture leading information on credit developments and bank lending on the Ugandan market during the quarter ending December 2017 and expectations for the quarter ending March 2018.

Credit Standards

In the second quarter of FY 2017/18, credit standards on loans to enterprises were eased contrary to the net tightening recorded in the previous quarter.

In terms of loan duration, banks eased credit standards at a higher pace for short terms loans and tightened at lower pace for long term loans in the quarter ended December 2017.

Across firm size, credit standards were eased contrary to the net tightening observed in the previous quarter for SMEs and large enterprises in net terms.

In the quarter to March 2018, banks expect to ease overall credit standards on a net basis. The net easing of credit standards cuts across loan durations and size of enterprises driven anticipated drop in CBR, competition among financial institutions and banks strategy to grow their portfolio.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors; Trade, Personal and households, Community, Social, and Other services, business services, electricity and water sectors registered a net easing, while the rest of the sectors recorded a net tightening in credit standards in the quarter ended December 2017

Outlook on Demand for credit

In the quarter to March 2018, majority of banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and long term loans. On the contrary, banks expect a decline in demand for credit for short term loans. The increase in demand is expected to be largely influenced by expected increase in school fees demand, Stability of the exchange rate and Significant improvement in macro-economic conditions supported by continued monetary easing by the central bank.

Outlook on Terms & Conditions for credit

Price and non-price terms and conditions for consumer credit are expected to remain largely unchanged over the next three months to March 2018. On a net basis, banks indicated tightening for most of the terms and conditions, except for margin on prime borrowers and size of the loan which are expected to ease. The major reasons cited for the net tightening of most price terms and conditions include; implementation of stricter provisioning standards under IFRS9, need for portfolio growth and inadequate security.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to both enterprises and households to increase similarly the households' default rate is anticipated to increase in the coming three months to March 2018. The expected increase in default rate for enterprises and household is mainly attributed to the borrowers prioritising personal spending over credit obligations during festive seasons and early withdraw and diversion of salaries.

Interest Rate Expectations

The survey results indicate that the majority of banks expect their lending rates to remain unchanged while on net basis to decrease over the next quarter to March 2018.

Introduction

The lending survey conducted by Statistics Department captures 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 December 2017 and expectations for the quarter ending March 2018. Questionnaires were completed by all 24 commercial banks and 9 nonbank financial institutions in Uganda.

This report presents the findings from the analysis of the responses received from the commercial banks only. The methodology used in the analysis is detailed in *Appendix 3. Detailed summary results of Non-bank financial institutions are presented in Appendix 2.*

1. Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/criteria/guidelines which will determine (based on the classification by sector, area, size, duration, financial indicators, etc.) what types of loans (collaterised, non-collaterised, investment, overdraft etc.) and amount to be provided and to which clients. This survey measures changes in such standards including cases where a bank has introduced a new lending policy or amended existing one.

In the second quarter of FY 2017/18, credit standards on loans to enterprises were eased contrary to the net tightening recorded in the previous quarter.

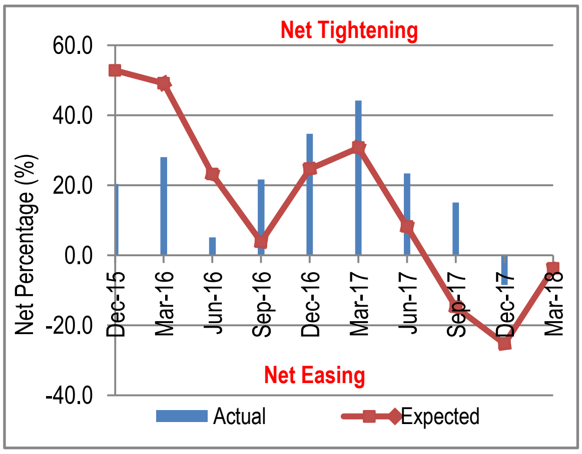
Banks reported eased credit standards on net basis at 8.5 percent in the quarter ended December 2017 contrary to 15.1 percent net tightening in September 2017. The overall net easing was much lower compared to the net easing of 25.3 percent that banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1*).

Across firm size, credit standards were eased contrary to the net tightening observed in the previous quarter for SMEs (from 6.3 percent to 10.6 percent) and large enterprises (from 32.5 percent to 2.9 percent).

In terms of loan duration, banks eased credit standards at a higher pace for short terms loans and tightened at lower pace for long term loans in the quarter ended December 2017 (*See Table 1*).

Key reasons cited for the overall easing include: expected improvement in macro-economic conditions and expected increase in demand for goods in the festive season.

Figure 1: Overall Credit standards to enterprises



Source: Bank of Uganda

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	
Bank's action	Sep-17	Dec-17	Sep-17	Dec-17	Sep-17	Dec-17	Sep-17	Dec-17	Sep-17	Dec-17
Tightened(A)	25.3	3.6	15.8	6.8	33.3	8.7	2.8	0.4	48.1	3.7
Unchanged	64.4	83.7	68.4	71.2	66.0	79.7	83.4	71.9	51.5	88.5
Eased (B)	10.2	12.1	9.5	17.4	0.8	11.6	13.8	28.1	0.4	7.4
Net %(A-B)	15.1	-8.5	6.3	-10.6	32.5	-2.9	-10.9	-27.7	47.7	-3.7
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to March 2018, banks expect to ease overall credit standards on a net basis. The net easing of credit standards cuts across loan durations and size of enterprises (*See Figure 1 and Table 2*).

The main reasons cited by banks for the expected easing in credit standards, in the quarter to March 2018 include: anticipated drop in CBR, competition among financial institutions and banks strategy to grow their portfolio.

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	
Bank's expected action	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18
Tighten (A)	4.2	0.5	4.4	5.2	10.7	0.5	0.1	0.1	18.5	1.8
Unchanged	61.8	89.2	56.0	65.0	69.5	94.9	69.3	68.6	76.7	90.5
Ease (B)	29.5	4.2	28.9	21.2	15.4	0.5	24.7	23.1	0.4	3.7
Net %(A-B)	-25.3	-3.7	-24.5	-16.1	-4.7	-0.1	-24.6	-23.1	18.1	-1.9
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

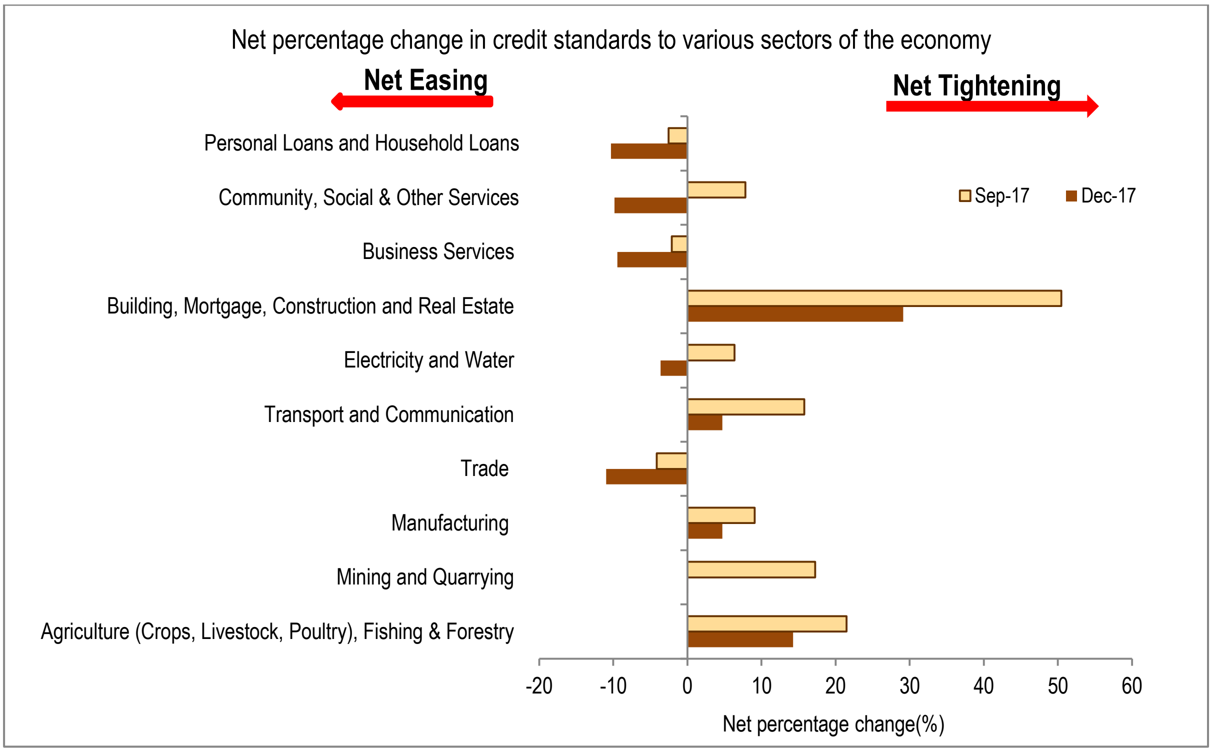
1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. The Trade, Personal and households, community, social, and other services, business services, electricity and water sectors registered a net easing, while the rest of the sectors recorded a net tightening in credit standards in the quarter ended December 2017 (*See Figure 2*). Major reasons given for net easing for trade sector include the anticipated growth in sales during the festive season and anticipated further reduction in Central Bank Rate (CBR).

The building, mortgage, construction and real estate sector registered the highest net tightening (29.1 percent) on account of slow business activity in the real estate market. This sector was followed by Agriculture (14.3percent), both manufacturing (4.7 percent) and Transport (4.7 percent). Major reasons given for tightening in agriculture include the increase in uncertainty on ownership of unregistered properties pledged as collateral and effects of unfavourable weather.

On the other hand, trade, personal and house hold loans, community and social, business service, and, and electricity and water, registered net easing of (11.0 percent), (10.3 percent), (9.9 percent), (9.5 percent) and (3.6 percent), respectively.

Figure 2: Changes in credit standards by economic sector



Source: Bank of Uganda

1.1.3 Expectations in the Terms and Conditions for Credit to Enterprises

Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower. In the context of this survey, they comprise of:

a) Price-related terms and conditions that include the direct price or interest rate.

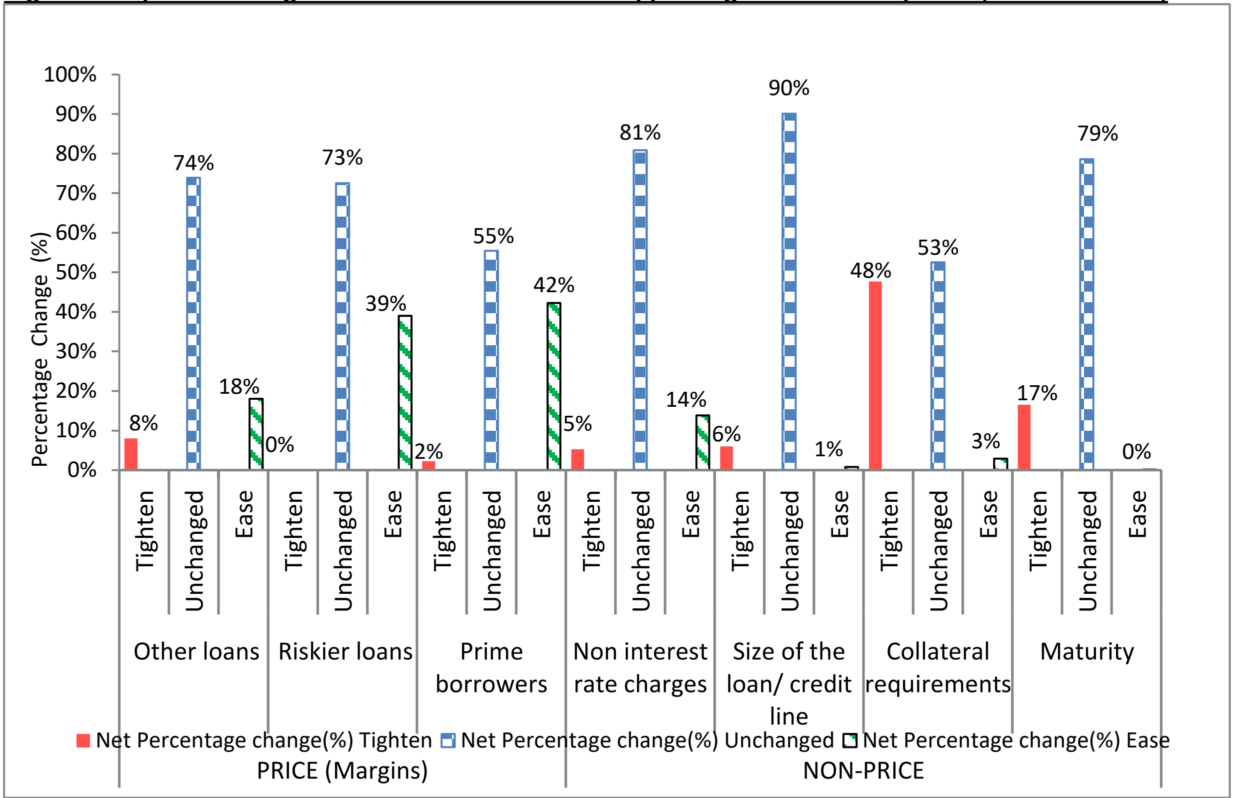
b) Non-price related terms and conditions that include the maximum size of the loan, the access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

On a net basis, most banks expect all price terms and conditions to ease in the quarter to March 2018.

The easing of all price terms and conditions is attributed to anticipated decline in the central bank rate and match with the pricing competitiveness in the market.

All non-price terms and conditions are expected to remain largely unchanged. However, size of the loan, collateral requirements and maturity of the loan are expected to be tightened on a net basis. (See Figure 3).

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (Jan – Mar 2018)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2018, majority of banks (72.8 percent) anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and long term loans. On contrary, banks expect a slowdown in demand for credit for short term loans compared to the previous quarter. (*See Table 3* below).

Some of the major reasons given for the overall expected increase in demand by enterprises above include:

a) Expected increase in school fees demand,
b) Stability of the exchange rate and
c) Significant improvement in macro-economic conditions supported by continued monetary policy easing by the central bank.

Table 3: Demand expectations for the next three months (January –March 2018)

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Dec-17**	**Mar-18**	**Dec-17**	**Mar-18**	**Dec-17**	**Mar-18**	**Dec-17**	**Mar-18**	**Dec-17**	**Mar-18**
Increase(A)	76.9	72.8	87.2	74.1	51.8	67.6	93.6	75.4	33.3	69.9
Unchanged	22.0	25.1	6.4	21.3	48.1	32.4	6.3	24.6	64.0	30.1
Decrease(B)	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.0
Net %(A-B)	76.8	72.8	87.1	74.0	51.7	67.5	93.5	75.4	33.1	69.9
Interpretation: Negative-net decrease, positive-net increase										

Source: Bank of Uganda

1.2 Households and Individuals

1.2.1 Credit standards to households

Banks eased credit standards to households and individuals on a net basis (24.0 percent) compared to the net easing of 27.2 percent observed in the previous period (*See Appendix 1*). Banks noted high efforts to diversify credit portfolio, reduction in cost of funds and reduction in the banks' lending rates as a result of Central bank easing of monetary policy, as the main reasons for easing credit to households.

Similarly, in the quarter to March 2018, banks expect to ease credit standards to households, a net easing of 33.3 percent, attributed to the need to grow loan portfolio and maintain the current and robust credit management framework. (See Appendix 1).

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price and non-price terms and conditions for consumer credit are expected to remain largely unchanged over the next three months to March 2018. On a net basis, banks indicated tightening for most of the terms and conditions, except for margin on prime borrowers and size of the loan which are expected to ease. (See Appendix 1).

The major reasons cited for the net tightening of most price terms and conditions include; implementation of stricter provisioning standards under IFRS9, need for portfolio growth and inadequate security.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to March 2018 with 89.2 percent of banks anticipating an increase, slightly higher than the 80.7 percent that expected an increase in the previous survey. The anticipated increase in demand was attributed to the need for school fees payment for first term 2018 and to satisfy individual needs due to overspending in the festive season

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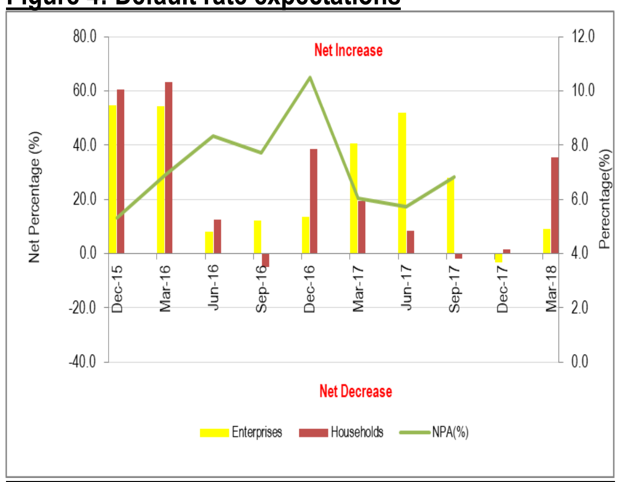
1.3 Expected Default rate on loans to enterprises and households

Banks were asked to report their expectations on the change in default rates on loans to enterprises and households over the quarter to March 2018. On a net basis, 9.1 percent of the banks expect the default rate on loans to enterprises to increase in the coming three months to March 2018 (See Appendix 1).

Similarly, in a quarter to March 2018, on a net basis, 35.5 percent of the banks expect the default rate on loans to households to increase (See Appendix 1).

The expected increase in default rate for enterprises and household is mainly attributed to the borrowers prioritising personal spending over credit obligations during festive season and early withdraw and diversion of salaries.

Figure 4: Default rate expectations



Source: Bank of Uganda

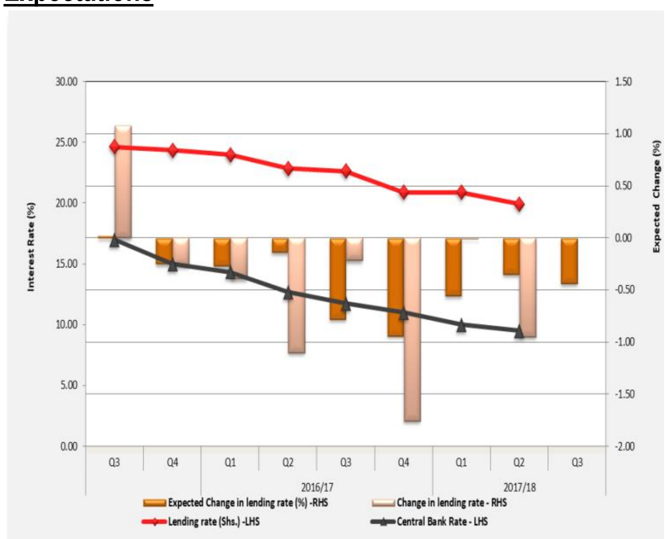
1.4 Interest Rate Expectations for Q3 FY 2017/18

In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rate in the coming three months.

The survey results indicate that majority of the banks(61.3 percent) expect their lending rates to remain largely unchanged, while 37.2 percent expect the rates to decrease over the next quarter to March 2018.

The average percentage expected decrease in lending rates over the next quarter to March 2018 is estimated at 0.35 percentage points (See *Figure 5)*.
The anticipated decline in lending rates was attributed to; the expected further reduction in the CBR, competition from other financial institutions.

Figure 5: Changes in interest rates vis-à-vis Net Expectations



Source: Bank of Uganda

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.

1.5 Trend in Lending Rates

With regards to the observed decline in CBR, banks were further requested to provide their opinions on the slow decline in the lending rates on new loans to borrowers. Some of the major reasons suggested include: risks associated with lending (high default rate), cost of funds is still high and hence a limiting factor and unbudgeted expenses like technology upgrade.

2. Conclusion

The bank lending survey results indicate that banks eased their credit standards to both enterprises and households in Q2 FY 2017/2018.

In the quarter to March 2018, banks indicated a net easing of most price terms and conditions attributed to a decline in the central bank rate and competition from other financial institutions.

The default rate on loans to both enterprises and households is anticipated to increase in the coming three months to March 2017 largely due to borrowers prioritising personal spending over credit obligations during festive season and early withdraw and diversion of salaries.

The survey results indicate that lending rate is expected to decrease by 0.44 percentage points over the next quarter.

APPENDICES

Appendix 1: Summary of Bank Lending Survey results-Commercial Banks

Appendix 1: 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			2014/15				2015/16				2016/17			2017/18	2017/18
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Credit policy as applied to the approval of loans or credit lines to enterprises															
Overall	Past three months	6.1	-6.3	3.9	-2.2	27.7	20.4	28.1	5.1	21.6	34.7	44.3	23.4	15.1	-8.5
	Next three months	0.3	5.8	5.1	35.1	52.8	49.2	23.2	3.8	24.7	30.7	8.2	-14.8	-25.3	-3.7
SMEs	Past three months	2.5	14.3	19.8	18.2	35.8	51.2	45.7	13.1	31.7	29.5	32.2	3.3	6.3	-10.6
	Next three months	4.8	-0.7	7.3	37.3	48.8	45.5	34.5	7.3	29.5	24.0	7.8	-18.4	-24.5	-16.1
Large enterprises	Past three months	8.1	-6.3	11.8	4.8	28.8	34.3	33.1	5.0	20.2	40.9	51.1	29.8	32.5	-2.9
	Next three months	4.4	4.9	5.1	20.4	36.3	42.7	34.5	14.8	29.7	31.6	16.5	13.8	-4.7	-0.1
Short term loans	Past three months	-25.7	-12.3	2.7	-4.3	25.5	4.4	-3.2	2.7	7.1	14.2	30.4	2.1	-10.9	-27.7
	Next three months	-26.7	-44.9	-17.0	12.2	7.7	25.1	19.1	-1.8	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1
Long term loans	Past three months	32.5	26.6	20.8	16.4	44.6	45.3	24.0	18.1	34.5	36.0	43.6	37.3	47.7	3.7
	Next three months	1.5	38.2	22.0	39.0	55.1	53.3	46.5	18.6	41.8	40.8	9.5	20.0	18.1	-1.9
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-14.6	-3.5	12.2	0.7	0.3	13.7	23.2	-2.8	18.5	38.0	30.6	46.1	21.5	14.3
Mining and Quarrying	Past three months	3.6	5.8	3.3	0.9	6.9	15.1	22.0	1.7	3.2	20.3	7.3	27.0	17.3	0.1
Manufacturing	Past three months	-3.9	-6.7	1.6	3.8	6.0	33.2	39.1	11.6	17.5	37.1	9.0	7.4	9.1	4.7
Trade	Past three months	-2.5	-1.2	2.7	1.8	5.6	19.7	31.7	9.3	25.8	37.5	14.9	4.0	-4.1	-11.0
Transport and Communication	Past three months	10.8	-5.0	16.5	0.4	11.5	30.6	40.4	1.8	20.6	32.8	33.6	23.1	15.8	4.7
Electricity and Water	Past three months	-2.7	-10.1	0.0	2.9	4.1	9.8	25.2	7.1	11.0	18.5	8.7	8.4	6.4	-3.6
Building, Mortgage, Construction and Real Estate	Past three months	31.8	29.3	30.0	37.3	38.4	46.2	43.0	31.3	41.1	58.9	70.1	50.8	50.5	29.1
Business Services	Past three months	-3.7	-15.1	2.0	0.0	2.0	-2.1	23.3	-2.1	5.4	20.5	5.5	4.9	-2.1	-9.5
Community, Social & Other Services	Past three months	-3.5	-13.3	-0.5	-4.2	13.9	7.9	26.3	1.3	10.7	21.4	4.4	2.6	7.8	-9.9
Personal Loans and Household Loans	Past three months	0.6	-9.3	0.3	-1.0	2.7	10.5	8.2	14.2	-19.2	17.2	7.1	3.8	-2.5	-10.3
Terms and conditions for approving loans or credit lines to enterprises															
Margin on average loans	Next three months	-25.7	4.1	17.5	4.1	17.5	12.4	31.1	33.9	10.6	0.5	-56.5	-18.7	-24.2	-10.0
Margin on riskier loans	Next three months	56.1	58.9	58.9	58.9	58.9	43.6	49.4	58.8	51.6	78.5	77.8	75.4	78.1	72.6
margin on prime borrowers	Next three months	-21.1	-22.2	13.0	-22.2	13.0	5.0	19.7	23.1	-5.0	-13.1	-69.8	-59.2	-42.4	-40.0
Non-interest rate charges	Next three months	-2.8	6.7	9.0	6.7	9.0	4.2	10.6	16.6	1.8	17.1	4.6	-4.7	-12.2	-8.6
Size of the loan or credit line	Next three months	-2.8	2.7	13.4	2.7	13.4	11.8	21.1	52.2	40.7	56.9	1.3	15.1	-1.8	5.2
Collateral requirements	Next three months	31.3	39.3	25.3	39.3	25.3	23.8	37.7	38.6	26.4	14.2	45.8	23.1	31.5	44.8
Maturity	Next three months	4.3	32.3	29.1	32.3	29.1	22.3	40.7	43.5	30.9	34.3	20.8	4.1	17.6	16.3
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?															
Overall	Next three months	58.4	26.2	30.4	34.8	-38.9	-37.9	68.1	30.1	74.7	33.5	89.5	87.8	76.8	72.8
SMEs	Next three months	29.0	27.0	34.5	32.2	-40.2	-34.4	85.7	31.1	75.7	15.2	95.1	92.0	87.1	74.0
Large enterprises	Next three months	48.3	42.1	27.9	32.8	-52.0	-43.9	30.3	25.8	59.9	6.6	71.0	56.3	51.7	67.5
Short term loans	Next three months	53.2	35.4	36.4	42.9	1.1	-21.8	88.3	39.0	74.4	17.2	79.9	92.9	93.5	75.4
Long term loans	Next three months	1.1	-3.4	28.2	33.2	-17.5	-46.4	25.4	9.7	48.3	8.8	78.5	48.1	33.1	69.9
Default rate on loans to enterprises															
Overall	Next three months	-43.3	-37.9	-2.0	32.5	54.7	54.4	8.1	12.0	13.5	40.7	51.8	28.0	-3.2	9.1
SMEs	Next three months	-18.6	-12.6	16.8	35.3	49.5	54.4	26.4	12.0	19.3	29.4	50.1	31.7	-3.2	11.2
Large enterprises	Next three months	-37.7	-35.2	0.6	13.9	24.8	34.7	14.7	16.6	17.7	40.8	40.0	52.9	7.0	8.9
Short term loans	Next three months	-52.8	-41.3	-2.5	6.0	33.3	51.3	27.4	13.5	13.8	33.4	50.4	42.4	-5.9	0.9
Long term loans	Next three months	-41.1	-35.8	-2.9	12.2	47.8	37.9	19.7	21.2	13.4	30.7	47.4	41.1	-2.0	6.0
Period			2014/15				2015/16				2016/17				
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-26.3	5.1	-10.4	-0.9	6.9	26.8	-13.0	12.7	-8.7	11.0	-7.3	-5.9	-27.2	-24.0
	Next three months	-35.5	-51.8	-6.6	-17.6	42.7	48.7	0.2	22.9	-11.6	-7.7	13.1	-17.5	-28.5	-33.3
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	58.5	73.9	0.7	32.7	-35.0	-52.5	8.3	62.5	56.4	47.5	67.8	68.0	80.7	89.2
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	-11.0	-2.2	36.8	22.7	28.8	40.1	5.6	-9.4	-15.9	-8.6	-37.8	-54.2	-17.6	2.1
Margin on riskier loans	Next three months	9.3	21.0	38.3	31.0	32.2	43.6	10.7	6.7	4.0	28.3	38.3	52.0	61.3	48.2
Margin on prime borrowers	Next three months	-9.7	-3.1	-10.1	9.6	12.9	30.4	5.9	-10.5	-29.5	-29.1	-41.8	-56.0	-18.0	-10.5
Non-interest rate charges	Next three months	21.8	-2.8	-8.3	2.6	8.8	24.2	5.4	2.2	2.0	4.9	5.7	4.1	-4.8	6.1
Size of the loan or credit line	Next three months	-27.7	-24.1	-12.0	11.6	23.3	42.1	18.8	5.6	-6.4	21.9	5.1	5.3	-9.5	-6.8
Collateral requirements	Next three months	2.5	9.9	-4.6	13.1	15.1	27.4	7.1	6.9	9.2	23.1	-15.6	23.7	18.2	17.1
Maturity	Next three months	1.2	22.9	21.9	8.8	10.6	21.8	5.4	4.5	14.7	20.5	-14.1	1.5	-1.7	0.6
Default rate on loans to households	Next three months	2.4	3.3	-7.3	78.9	60.7	63.2	12.5	-5.0	38.4	19.5	8.5	-1.8	1.6	35.5
Period			2014/15			2015/16									
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Lending rates expectation															
Increae(+)/Decrease(-)	Next three months	0.3	7.5	53.1	78.3	37.8	45.8	-21.4	-39.4	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2
Percentage change	Next three months	0.00	0.20	0.69	0.75	0.78	0.70	-0.25	-0.27	-0.14	-0.78	-0.94	-0.56	-0.35	-0.44

Note: All figures are on net basis except where stated. 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.

Appendix 2: Summary of Bank Lending Survey results-NBFIs

Appendix 2: 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-17	Jun-17	Sep-17	Dec-17
Credit policy as applied to the approval of loans or credit lines to enterprises					
Overall	Past three months	39.2	19.0	-2.5	-9.7
	Next three months	22.0	-31.4	0.0	-2.0
SMEs	Past three months	41.0	19.0	-4.0	7.6
	Next three months	2.7	-34.6	17.5	-19.3
Large enterprises	Past three months	21.7	19.0	-31.2	18.5
	Next three months	13.0	-31.4	0.5	-20.5
Short term loans	Past three months	18.3	28.5	-2.5	-9.7
	Next three months	-26.8	-34.6	-31.7	26.2
Long term loans	Past three months	0.6	19.0	-22.7	1.2
	Next three months	2.7	-21.9	-9.6	0.0
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors					
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	40.3	15.5	-4.0	16.7
Mining and Quarrying	Past three months	28.5	2.8	0.0	7.0
Manufacturing	Past three months	30.1	2.8	7.1	7.0
Trade	Past three months	40.3	28.5	-32.4	-5.0
Transport and Communication	Past three months	30.1	28.5	-29.4	5.8
Electricity and Water	Past three months	30.1	2.8	7.1	-3.9
Building, Mortgage, Construction and Real Estate	Past three months	40.3	6.0	-2.5	-2.7
Business Services	Past three months	40.3	28.5	-32.4	-5.0
Community, Social & Other Services	Past three months	30.1	12.3	-2.5	-5.0
Personal Loans and Household Loans	Past three months	30.1	0.4	-32.4	-2.7
Terms and conditions for approving loans or credit lines to enterprises					
Margin on average loans	Next three months	-6.3	-21.9	-2.9	-14.0
Margin on riskier loans	Next three months	34.1	12.3	12.6	42.6
margin on prime borrowers	Next three months	-26.8	-57.1	-31.3	16.5
Non-interest rate charges	Next three months	0.0	-25.1	0.0	-44.6
Size of the loan or credit line	Next three months	-7.5	-34.6	0.5	-39.0
Collateral requirements	Next three months	13.6	-10.4	0.0	-9.7
Maturity	Next three months	2.7	-18.6	0.0	-12.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?					
Overall	Next three months	27.1	35.8	30.1	-21.9
SMEs	Next three months	29.0	58.3	30.6	-0.2
Large enterprises	Next three months	18.4	22.7	30.8	-30.8
Short term loans	Next three months	29.0	63.1	32.3	-29.6
Long term loans	Next three months	28.6	32.6	40.5	-11.6
Default rate on loans to enterprises					
Overall	Next three months	12.9	-14.3	-10.2	30.8
SMEs	Next three months	29.9	-40.9	-10.7	30.8
Large enterprises	Next three months	19.7	-0.9	-19.7	30.8
Short term loans	Next three months	22.4	-52.8	-10.7	19.9
Long term loans	Next three months	35.4	8.6	-1.0	30.8
Period		**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**
Part II: Households					
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	30.1	-12.4	-32.4	-3.8
	Next three months	1.0	7.5	-0.5	3.3
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	53.9	40.5	2.8
Terms and conditions for approving loans or credit lines to households					
Margin on average loans	Next three months	13.0	-12.4	-0.6	0.7
Margin on riskier loans	Next three months	14.8	-10.0	2.9	15.2
Margin on prime borrowers	Next three months	-7.5	-9.5	-0.6	-10.2
Non-interest rate charges	Next three months	2.7	-21.9	0.0	-10.9
Size of the loan or credit line	Next three months	-6.3	-21.9	0.0	0.0
Collateral requirements	Next three months	-7.9	2.4	-6.7	4.4
Maturity	Next three months	-16.6	-21.9	0.0	0.0
Default rate on loans to households	Next three months	4.1	11.5	21.4	-19.5

(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.

APPENDIX 3: 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 (October-December 2017), 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.

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