Bank Lending Survey Report
First 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 September 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 September 2017 and expectations for the quarter ending December 2017.

Credit Standards

In the first quarter of FY 2017/18, credit standards on loans to enterprises were tightened at a slower pace compared to the previous quarter.

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

Across firm size, credit standards were tightened at a much higher pace compared to the previous quarter for both SMEs and large enterprises, in net terms.

In the quarter to December 2017, banks expect to ease overall credit standards on a net basis for both loans to enterprises and households driven by the expected improvement in the macro-economic conditions and the preparation for upcoming festive season.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, the trade, business services and personal loans registered net easing while the rest of the sectors were tightened in the quarter ended September 2017.

Outlook on Demand for credit

In the quarter to December 2017, banks anticipate an overall increase in demand for credit from both enterprises and households. The increase in demand is expected to be largely influenced by the reduction in lending rates as the central bank lowers the CBR and need for school fees payment for third term.

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 December 2017. On a net basis, banks indicated easing for most of the terms and conditions, except for margin on riskier loans and Collateral requirements which are expected to tighten. The major reasons cited for the net easing of most price terms and conditions include; increased competition from other lending institutions, overall improvement in macro-economic situation and the need for portfolio growth.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to decrease while the households' default rate is anticipated to increase in the coming three months to December 2017.The expected decrease in default rate for enterprises is on account of stability of the USD against the shilling and general increase in economic activities especially trade.

Interest Rate Expectations

The survey results indicate that the majority of banks expect their lending rates to remain unchanged over the next quarter to December 2017.

Introduction

Objectives of the Survey

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 September 2017 and expectations for the quarter ending December 2017. Questionnaires were completed by all 24 commercial banks 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 first quarter of FY 2017/18, credit standards on loans to enterprises were tightened at a slower pace compared to the previous quarter.

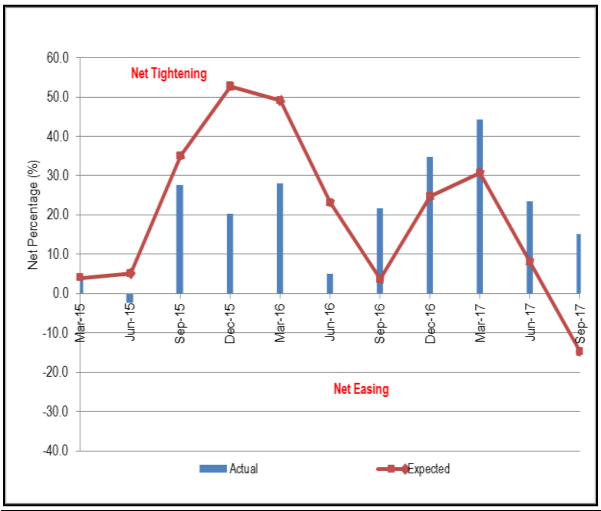
Banks reported tightened credit standards on net basis at 15.1 percent in the quarter ended September 2017 compared to 23.4 percent in June 2017. The overall net tightening was contrary to the net easing (-14.8 percent) that banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were tightened at a higher pace compared to the previous quarter for SMEs (from 3.3 percent to 6.3 percent) and large enterprises (from 29.8 percent to 32.5 percent), in net terms.

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

Key reasons cited for the overall tightening include: increased default rate, slowdown in economic activities and increase in nonperforming loans (NPLs) in the industry.

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	**Jun-17**	**Sep-17**	**Jun-17**	**Sep-17**	**Jun-17**	**Sep-17**	**Jun-17**	**Sep-17**	**Jun-17**	**Sep-17**
Tightened(A)	24.7	25.3	9.2	15.8	31.1	33.3	8.6	2.8	39.0	48.1
Unchanged	74.0	64.4	78.9	68.4	67.6	66.0	84.9	83.4	59.2	51.5
Eased (B)	1.3	10.2	5.9	9.5	1.3	0.8	6.5	13.8	1.8	0.4
Net %(A-B)	**23.4**	15.1	**3.3**	6.3	**29.8**	32.5	**2.1**	-10.9	**37.3**	47.7
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to December 2017, banks expect to ease overall credit standards on a net basis. The net easing is expected to be driven particularly by easing of credit standards for short term loans, SMEs, and large enterprises. However, banks expect to tighten their credit standards for long term loans in the same period. (*See Figure 1 and Table 2*).

The main reasons cited by banks for the expected easing in credit standards, in the quarter to December 2017 include: expected improvement in the macro-economic conditions, the need to grow the loan portfolio in a sustainable manner and preparation for the upcoming festive season.

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	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**
Tighten (A)	4.4	4.2	9.2	4.4	14.6	10.7	0.0	0.1	20.7	18.5
Unchanged	75.1	61.8	55.9	56.0	83.3	69.5	91.4	69.3	77.3	76.7
Ease (B)	19.2	29.5	27.6	28.9	0.8	15.4	7.2	24.7	0.7	0.4
Net %(A-B)	**-14.8**	-25.3	**-18.4**	-24.5	**13.8**	-4.7	**-7.2**	-24.6	**20.0**	18.1
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

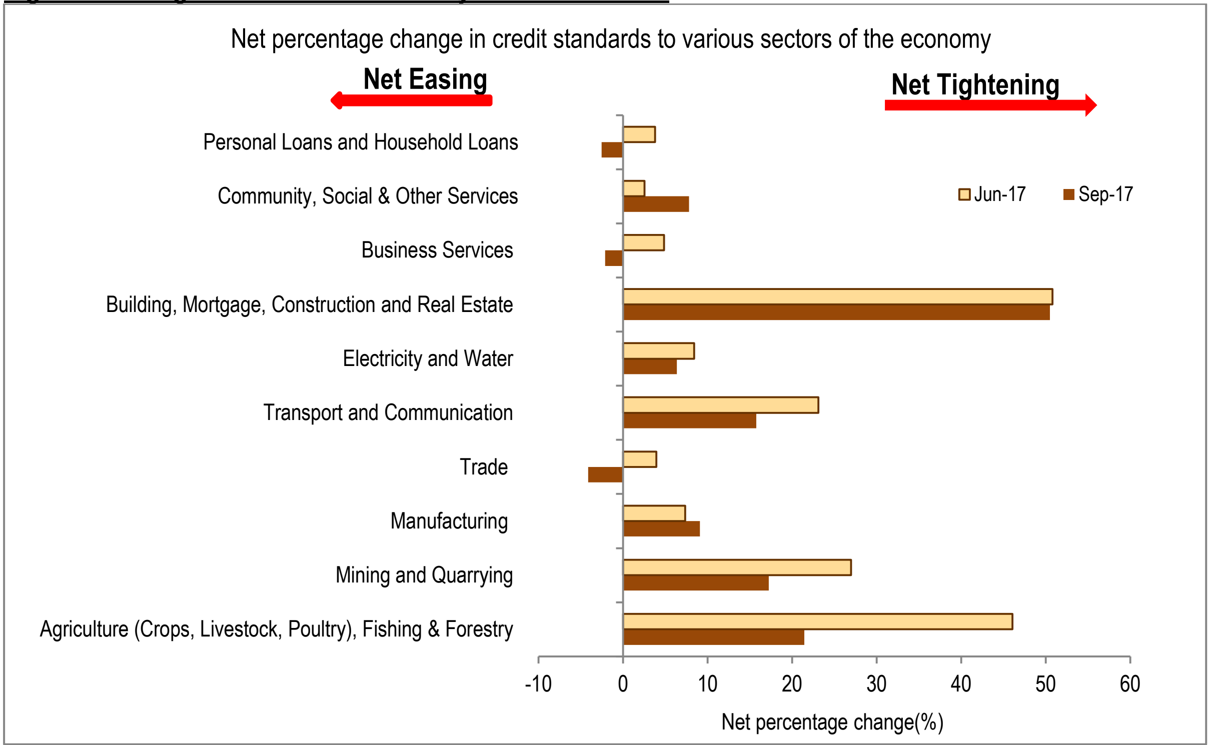
1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. Contrary to June 2017, Personal and households, trade and business services sectors registered a net easing, while the rest of the sectors recorded a net tightening in credit standards in the quarter ended September 2017 (*See Figure 2*).

The building, mortgage, construction and real estate sector registered the highest net tightening (50.2 percent) on account of high default rate and low business in the estate market. The continuous tightening of credit standards in this sector is corroborated with the decline in share of credit to the sector at 23.4 percent in December 2016 compared to 20.9 percent at end August 2017.This sector was followed by Agriculture (21.5 percent), Mining and Quarrying (17.3 percent) and Transport (15.8 percent). Major reasons given for tightening in agriculture were the increase in the default rate and related risks due to unfavourable weather conditions.

On the other hand, trade, business service, personal and house hold loans registered net easing of (4.1 percent), (2.5 percent) and (2.1 percent) respectively. Major reasons given for net easing for trade sector were, reduction in CBR, stability in the shilling against the US$ and high competition in the market.

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.

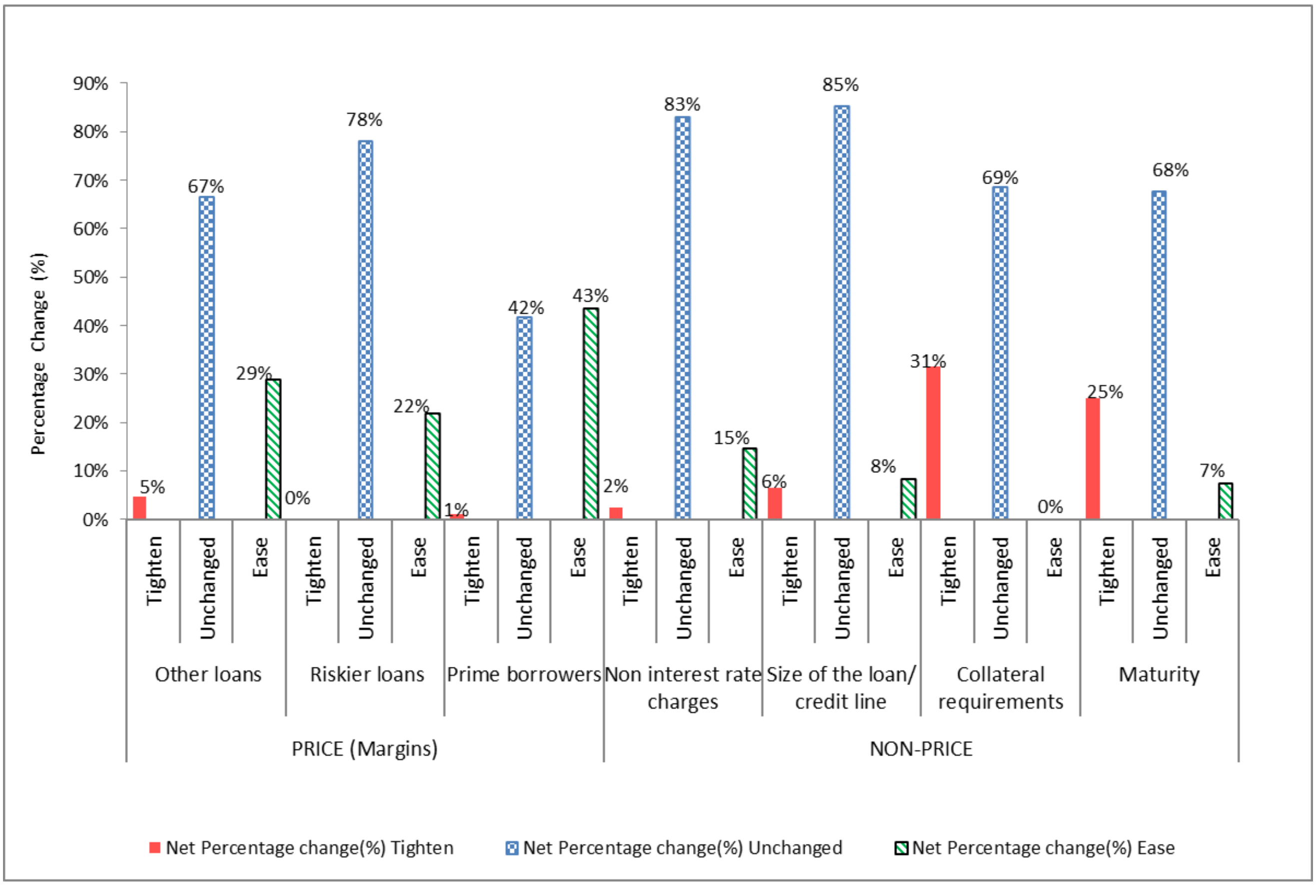
b) Non-price related terms and conditions that include the maximum size of the loan, the access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus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

On a net basis, most banks expect to ease all price terms and conditions in the quarter to December 2017.

The easing of all price terms and conditions is attributed to the expected further reduction in the Central Bank Rate, reduction in cost of funds and competition from other lending financial institutions.

For non-price terms and conditions, non interest rate changes and size of the loan are expected to remain largely unchanged while 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 (July – Sept 2017)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2017, majority of banks (76.9 percent) anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and duration of the loans (*See Table 3* below).

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

a) Reduction in lending rates as the central bank lowers the CBR;
b) Reduction in the cost of funds;
c) A promising macro-economic outlook.

Table 3: Demand expectations for the next three months (October-December 2017)

	Overall		**Loans to SMEs**		**Large enterprises**		**Short-term Loans**		**Long-term Loans**	
Bank's expected action	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**	**Sep-17**	**Dec-17**
Increase(A)	87.8	76.9	92.0	87.2	62.3	51.8	92.9	93.6	49.4	33.3
Unchanged	11.7	22.0	1.5	6.4	31.2	48.1	6.6	6.3	48.9	64.0
Decrease(B)	0.0	0.1	0.0	0.1	6.0	0.1	0.0	0.1	1.3	0.1
Net %(A-B)	**87.8**	76.8	**92.0**	87.1	**56.3**	51.7	**92.9**	93.5	**48.1**	33.1
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 (27.2 percent) compared to the net easing of 5.9 percent observed in the previous period (*See Appendix 1*). Banks noted high efforts to spur credit growth, reduction in cost of funds and general promising macro-economic outlook as the main reasons for easing credit to households.

Similarly, in the quarter to December 2017, banks expect to ease credit standards to households, a net easing of 28.5 percent, attributed to the need to grow loan portfolio, in order to spur credit growth and reduction in CBR. (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 December 2017. On a net basis, banks indicated easing for most of the terms and conditions, except for margin on riskier loans and collateral requirements which are expected to tighten. (*See Appendix 1*).

The major reasons cited for the net easing of most price terms and conditions include; increased competition from other lending institutions, overall improvement in macro-economic conditions and the need to grow portfolio.

1.2.3 Demand for Credit by households

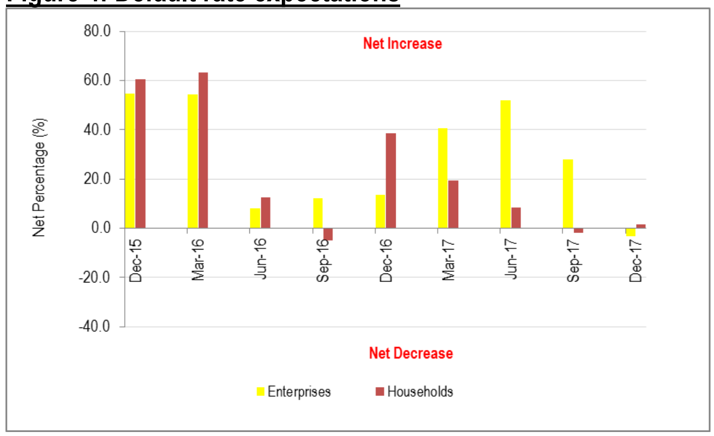
Credit demand by households is expected to increase in the three months to December 2017 with 80.7 percent of banks anticipating an increase, higher than the 68.0 percent that expected an increase in the previous survey. The anticipated increase in demand was attributed to; the expected increase in spending during the festive season and the need for school fees payment for third term.

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 December 2017. On a net basis, 3.2 percent of the banks expect the default rate on loans to enterprises to decrease, and expect the household default rate on loans to remain unchanged in the coming three months to December 2017 (See Appendix 1).

The expected decrease in default rate for enterprises is mainly attributed to the stability of the US dollar against the shilling, general increase in economic activities especially trade and continued close monitoring.

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q2 FY 2017/18

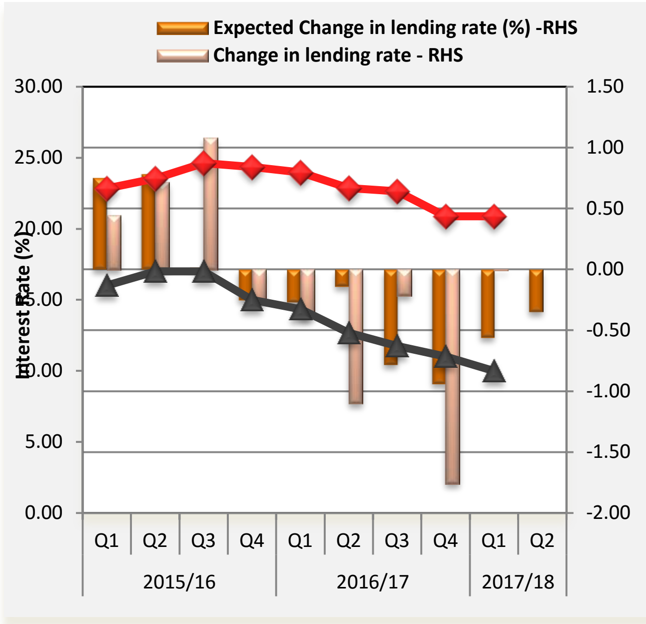
In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rate in the coming three months.

The survey results indicate that majority of the banks(65.6 percent) expect their lending rates to remain largely unchanged, while 33.7 percent expect the rates to decrease over the next quarter to December 2017.

The average percentage decrease in lending rates over the next quarter to December 2017 is estimated at 0.35 percentage points, compared to the 0.56 percentage points decline that was anticipated in the previous survey (See *Figure 5)*.

The anticipated decline in lending rates was attributed to; the expected further reduction in the CBR and competition from other lending institutions.

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



Source: Bank of Uganda

<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.

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 loans to borrowers. Some of the major reasons suggested include: fixed operational costs, high credit losses, risk profile of borrowers particularly enterprises and high default rates.

2. Conclusion

The bank lending survey results indicate that banks tightened their credit standards to enterprises at a slower pace compared to the previous quarter, but eased credit standards to households in Q1 FY 2017/2018.

In the quarter to December 2017, banks indicated a net easing of all price terms and conditions, on account of the need for portfolio growth, competition from other financial institutions and promising macro-economic conditions.

The default rate on loans to enterprises is expected to decrease while that of households is anticipated to increase in the coming three months to December 2017.

The survey results indicate a higher percentage of banks that expect their lending rates to remain unchanged however on a net basis, the lending rate is expected to decrease 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
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Period			2014/15				2015/16				2016/17			
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
	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
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
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
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
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
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
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
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
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
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
Period			2014/15			2015/16								
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
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

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
Credit policy as applied to the approval of loans or credit lines to enterprises				
Overall	Past three months	39.2	19.0	98.1
	Next three months	22.0	-31.4	0.0
SMEs	Past three months	41.0	19.0	98.7
	Next three months	2.7	-34.6	0.6
Large enterprises	Past three months	21.7	19.0	98.1
	Next three months	13.0	-31.4	0.0
Short term loans	Past three months	18.3	28.5	98.1
	Next three months	-26.8	-34.6	-0.8
Long term loans	Past three months	0.6	19.0	98.1
	Next three months	2.7	-21.9	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	98.7
Mining and Quarrying	Past three months	28.5	2.8	0.0
Manufacturing	Past three months	30.1	2.8	98.1
Trade	Past three months	40.3	28.5	98.1
Transport and Communication	Past three months	30.1	28.5	98.2
Electricity and Water	Past three months	30.1	2.8	98.1
Building, Mortgage, Construction and Real Estate	Past three months	40.3	6.0	98.1
Business Services	Past three months	40.3	28.5	98.1
Community, Social & Other Services	Past three months	30.1	12.3	98.1
Personal Loans and Household Loans	Past three months	30.1	0.4	98.1
Terms and conditions for approving loans or credit lines to enterprises				
Margin on average loans	Next three months	-6.3	-21.9	-0.1
Margin on riskier loans	Next three months	34.1	12.3	0.1
margin on prime borrowers	Next three months	-26.8	-57.1	-0.8
Non-interest rate charges	Next three months	0.0	-25.1	0.0
Size of the loan or credit line	Next three months	-7.5	-34.6	0.0
Collateral requirements	Next three months	13.6	-10.4	0.0
Maturity	Next three months	2.7	-18.6	0.0
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?				
Overall	Next three months	27.1	35.8	0.7
SMEs	Next three months	29.0	58.3	0.8
Large enterprises	Next three months	18.4	22.7	0.0
Short term loans	Next three months	29.0	63.1	0.8
Long term loans	Next three months	28.6	32.6	0.0
Default rate on loans to enterprises				
Overall	Next three months	12.9	-14.3	0.0
SMEs	Next three months	29.9	-40.9	0.0
Large enterprises	Next three months	19.7	-0.9	-0.7
Short term loans	Next three months	22.4	-52.8	0.0
Long term loans	Next three months	35.4	8.6	0.0
Period		**Mar-17**	**Jun-17**	**Sep-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	98.1
	Next three months	1.0	7.5	0.0
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	53.9	0.0
Terms and conditions for approving loans or credit lines to households				
Margin on average loans	Next three months	13.0	-12.4	0.0
Margin on riskier loans	Next three months	14.8	-10.0	0.1
Margin on prime borrowers	Next three months	-7.5	-9.5	0.0
Non-interest rate charges	Next three months	2.7	-21.9	0.0
Size of the loan or credit line	Next three months	-6.3	-21.9	0.0
Collateral requirements	Next three months	-7.9	2.4	-98.1
Maturity	Next three months	-16.6	-21.9	0.0
Default rate on loans to households	Next three months	4.1	11.5	-97.4

(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 (July-September 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