Bank Lending Survey Report
Second Quarter - FY 2018/19

STATISTICS DEPARTMENT, BANK OF UGANDA

Table of Contents

List of Figures

List of Tables

Executive Summary

Statistics Department conducted the lending survey for supervised deposit-taking financial institutions, for the quarter ended December 2018. 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 ended December 2018 and expectations for the quarter ending March 2019.

Credit Standards

In the second quarter of FY 2018/19, credit standards on loans to enterprises were eased at a faster pace compared to the previous quarter.

In terms of loan duration, banks eased credit standards at a faster pace for short terms loans, while easing for long term loans from a tightening observed in the quarter to September 2018.

Across firm size, credit standards were tightened at a faster pace compared to the previous quarter for large enterprises (from 4.7 percent to 8.1 percent) while easing significantly for SMEs (from 2.2 percent to -26.9 percent).

In the quarter to March 2019, banks expect to further ease overall credit standards on a net basis. The net easing applies to SMEs and short term loans. However, credit standards on long term loans and loans to large enterprises are expected to tighten on a net basis.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, Agriculture, Manufacturing, Trade, and personal and household loans registered a net easing while the rest of the sectors registered net tightening in the quarter ended December 2018.

Outlook on Demand for credit

Majority of banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across all enterprises and loan durations.

The increase in demand is expected to be largely influenced by higher economic activity as a result of low lending rates, Introduction of products designed to increase uptake by households such as collateral free micro loans to individuals and self-managed groups.

Outlook on Terms & Conditions for credit

On a net basis, banks expect price terms and conditions to ease in the quarter to March 2019 for their prime borrowers, and on average loans, but to tighten on riskier loans. All non-price terms and conditions except non-interest charges are expected to tighten on a net basis.

The easing of price terms and conditions for prime borrowers is motivated by among others, the need to stay competitive.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to increase. Similarly, they expect the default rate on loans to households to increase in the coming three months to March 2019.

The expected increase in default rate on loans both to enterprises and household is mainly attributed to depreciation of shilling against other currencies and the anticipated pressure on households for school fees, and the lag effects of the holidays on their disposable income.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to increase over the next quarter, given the projected path of inflation, and therefore of the CBR(BoU's monetary policy statement for December noted that upside risks to inflation outlook remain elevated).

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 2018 and expectations for the quarter ending March 2019. 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 (NBFIs) 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 classifications by sector, area, size, duration, financial indicators, etc.) what type of loans (collaterised, non-collaterised, investments, overdrafts etc.) and amounts 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 an existing one.

In the second quarter of FY 2018/19, credit standards on loans to enterprises were eased at a faster pace compared to the previous quarter.

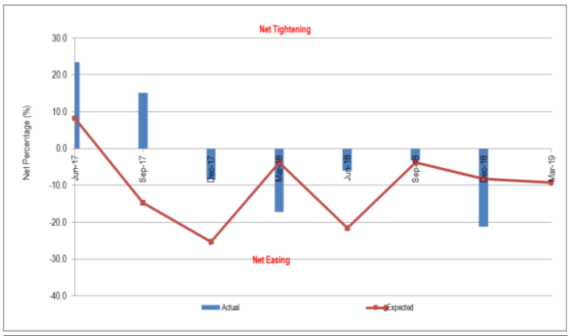
Banks reported eased credit standards on net basis at 21.2 percent in the quarter ended December 2018, significantly higher than the 3.2 percent recorded in the quarter to September 2018. The overall net easing was significantly higher compared to the net easing of 8.2 percent that banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were tightened at a faster pace compared to the previous quarter for large enterprises (from 4.7 percent to 8.1 percent) while eased significantly for SMEs (from 2.2 percent to -26.9 percent).

In terms of loan duration, banks eased credit standards at a faster pace for short terms loans and eased for long term loans, compared to the tightening in the quarter to September 2018 (*See Table 1*).

Key reasons cited for the overall easing included: Strong credit risk management frameworks that incentivize a focus on business growth, increased short term shilling lending to SMEs (to reduce dependency on few large loans, slowdown in economic activity in some industries such as steel, and a fall in the value of collateral (especially land) motivated easing of standards to keep business growing and improved economic conditions.

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-18	Dec-18	Sep-18	Dec-18	Sep-18	Dec-18	Sep-18	Dec-18	Sep-18	Dec-18
Tightened(A)	2.7	4.7	9.4	4.7	6.1	24.0	3.6	4.3	8.3	10.8
Unchanged	81.9	68.7	73.7	63.0	82.9	59.4	75.4	57.6	82.1	73.8
Eased (B)	5.9	25.9	7.3	31.6	1.4	15.8	11.4	37.4	0.0	14.7
Net %(A-B)	-3.2	-21.2	2.2	-26.9	4.7	8.1	-7.8	-33.1	8.3	-3.9
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to March 2019, banks expect to further ease overall credit standards on a net basis. The net easing applies to SMEs and short term loans. However, credit standards on long term loans and loans to large enterprises are expected to tighten on net basis (*See Figure 1 and Table 2*).

The main reasons cited by banks for the expected easing in credit standards in the quarter to March 2019 include: strategic shifts in lending focus on lower risk groups like SMEs and for shorter time periods, continued competition and the need to keep the business growing, positive growth prospects in the medium term (through low inflation, high agricultural proceeds, and government releases that are expected to spur private investment)

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-18	Mar-19	Dec-18	Mar-19	Dec-18	Mar-19	Dec-18	Mar-19	Dec-18	Mar-19
Tighten (A)	1.2	12.5	5.1	12.8	8.0	17.4	1.2	12.5	3.5	14.6
Unchanged	69.1	65.0	59.1	70.2	49.7	65.2	34.3	60.1	74.0	70.8
Ease (B)	9.4	21.8	26.2	16.3	32.7	16.7	55.0	26.7	12.9	13.9
Net %(A-B)	-8.2	-9.3	-21.2	-3.5	-24.7	0.6	-53.8	-14.2	-9.4	0.7
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

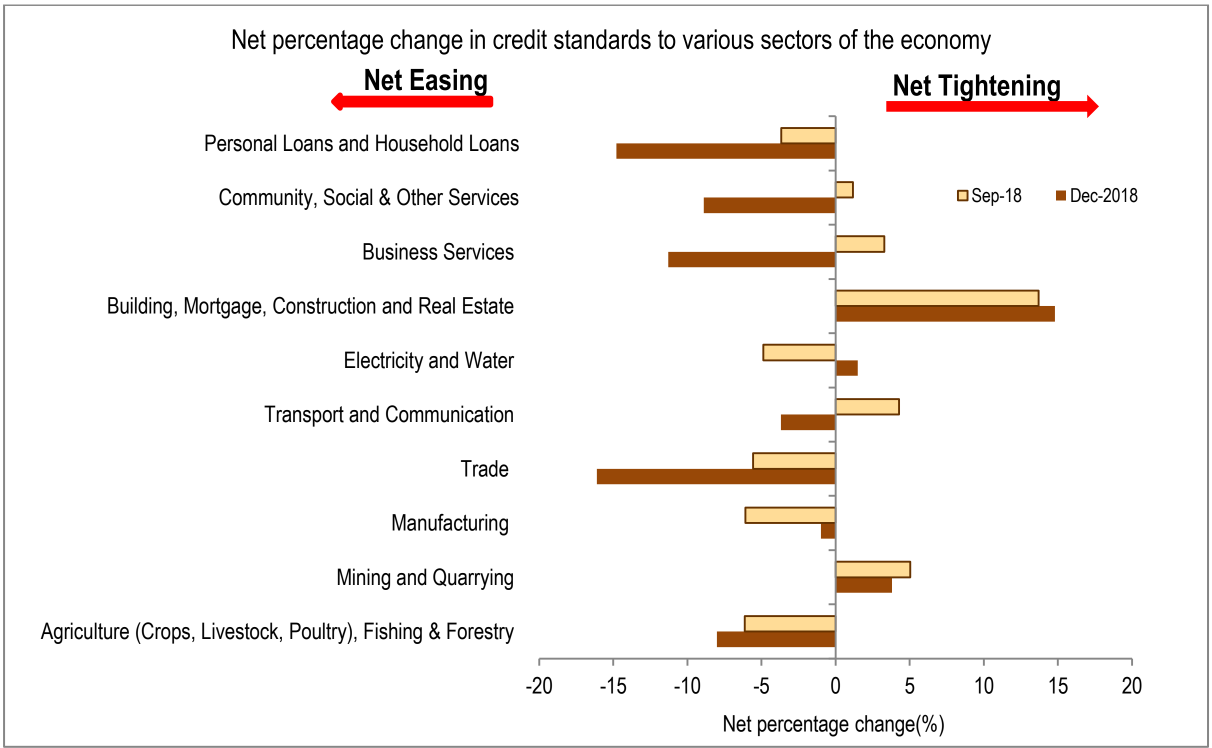
1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. Agriculture (8.0 percent), Manufacturing, (1.0 percent), Trade (16.1 percent) and personal and household (14.8 percent) registered a net easing while the rest of the sectors registered net tightening in the quarter ended December 2018 (*See Figure 2*).

Major reasons given for net easing for agriculture included optimism about the harvest given the heavy rains experienced in the quarter to December, and the increase in the budget allocation to the sector in the 2018/19 national budget. Easing in the trade sector was on account of respondents' strategic shift towards more lending to SMEs, as they are considered low risk. Manufacturing received a net easing due to an increase in demand in that sector.

The building, mortgage, construction and real estate sector registered the highest net tightening (14.8 percent) on account of low uptake of loans and poor performance of loans from the sector. This was followed by mining and quarrying (3.8 percent) and Electricity and Water (1.5 percent). Respondents indicated that the tightening was due to the credit history observed in these sectors to avoid high default rates.

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 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).

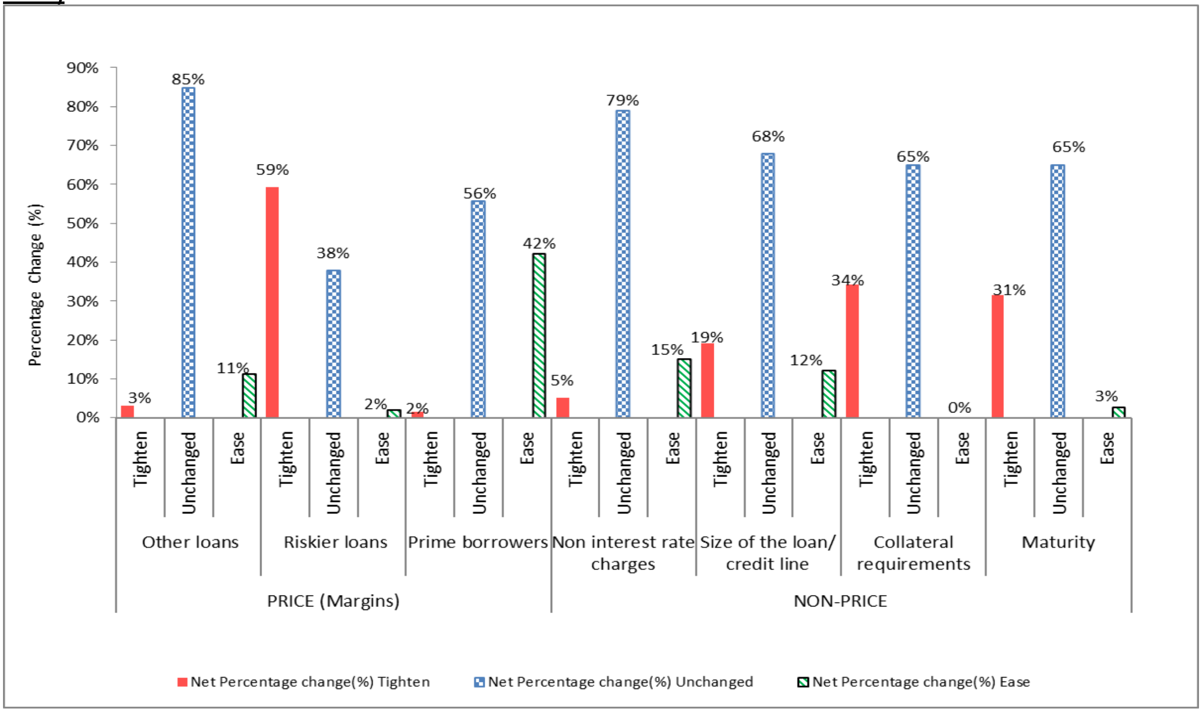
On a net basis, banks expect price terms and conditions to ease in the quarter to March 2019 for their prime borrowers and on average loans, but to tighten on risky loans.

The easing of price terms and conditions for prime borrowers is motivated by among others, the need to stay competitive. Risky loans face a tightening as lenders continue efforts to keep default rates low.

All non-price terms and conditions except non-interest charges are expected to tighten on a net basis (See Figure 3).

Reasons cited include the persistence of large volumes of lending outside the Credit Reference Bureau framework. Additionally, provisioning requirements under the IFRS9 and the desire to improve loan quality incentivise a tightening of collateral requirements.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (Quarter to March 2019)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2019, banks anticipate an overall net increase (45.6%) in demand for credit. The expected increase in demand cuts across all enterprises and loan durations.(*See Table 3* below).

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

a) Low lending rates expected to attract new borrowers, as the economy continues to perform robustly and inflation remains low.

b) Government is expected to release funds for infrastructure and other development expenditure.

c) Demand for working capital, especially before the anticipated increase in taxes in the next financial year.

Table 3: Demand expectations for the next three months

	Overall		Loans to SMEs		Large enterprises		Short-term Loans		Long-term Loans	
Bank's expected action	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**	**Dec-18**	**Mar-19**
Increase(A)	63.9	66.0	63.4	59.0	52.6	42.3	65.0	70.4	52.0	54.5
Unchanged	26.5	12.9	22.4	20.0	36.0	37.8	23.3	10.3	37.4	14.8
Decrease(B)	0.0	20.4	4.7	20.4	1.9	19.2	2.1	18.6	1.0	30.0
Net %(A-B)	63.9	45.6	58.7	38.6	50.7	23.2	62.9	51.8	51.0	24.4
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 (19.9 percent) higher than the net easing of 14.1 percent observed in the previous period (*See Appendix 1*). Reasons cited were; better loan servicing by fixed income households, competition and the need to grow loans to households in the quarter ended December 2018.

Similarly, in the quarter to March 2019, banks expect to ease credit standards to households (a net easing of 6.2 percent), attributed to among others, strategic moves to increase lending to self-employed individuals in a competitive environment, introduction of collateral free loans to self-managed groups, increase in short term lending due to low default rates, expectation of increased demand as households seek to pay school fees, etc. (See Appendix 1).

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to tighten on net basis for average and riskier loans, but ease for prime borrowers, over the next three months to March 2019. Non-price terms and conditions are expected to tighten for all categories except loan size, which is expected to ease (See Appendix 1).

The major reasons cited for the net easing include; low interest rates (and therefore cost of funds), and the need for banks to remain competitive in the market.

On the other hand, the major reasons reported for the anticipated tightening include; high risks stemming from among others, the proposed merger of government agencies, and implications of IFRS9

1.2.3 Demand for Credit by households

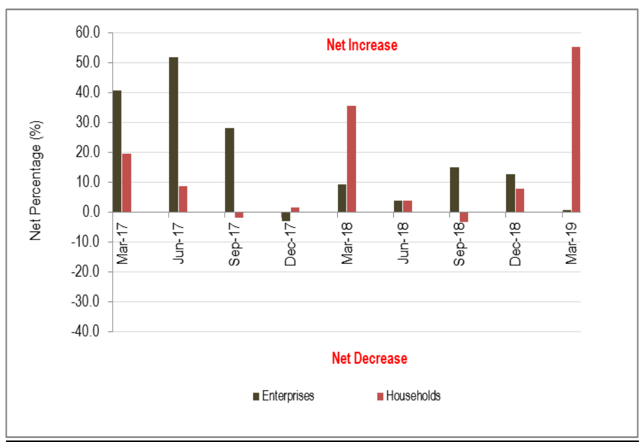
Credit demand by households is expected to increase in the three months to March 2019 with 71.3 percent of banks anticipating an increase, higher than the 60.1 percent that expected an increase in the previous survey. This was attributed to expected increase in demand (for school fees) by households in the 3rd quarter, the expectation that salaried earners will receive increments and an increase in cost of living.

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 2019. On a net basis, 0.5 percent of banks expect the default rate on loans to enterprises to increase, lower than the 12.7 percent that anticipated the same in the previous quarter. Similarly, 55.0 percent of the banks expect the default rate on loans to households to increase in the coming three months to March 2019 (See Appendix 1).

Households are expected to buckle under the pressure of school fees requirements in the 3rd quarter, and the lag effects of festive season expenditures. The expected increase in default rate on loans to enterprises is mainly attributed to exchange rate fluctuations of the shilling against other currencies.

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q3 FY 2018/19

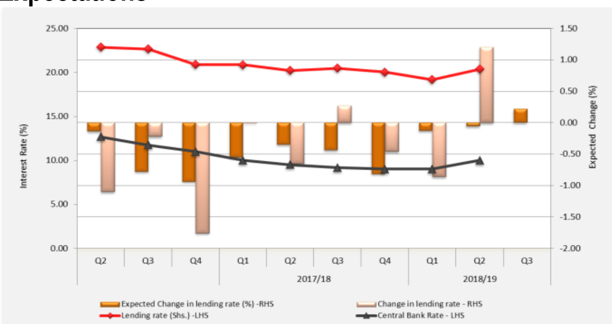
In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that (16.3 percent) of the banks expect their lending rates to increase, while 79.7

percent expect the rates to remain unchanged over the next quarter to March 2019.

The average percentage increase in lending rates over the quarter to March 2019 is estimated at 0.22 percentage points (See Figure 5).The anticipated increase in lending rates was mainly attributed to high cost of funds (e.g high fixed deposit rates), high cost of operations, and an expected increase in the CBR given the projected path of inflation (BoU's monetary policy statement for December noted that upside risks to inflation outlook remain elevated).

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.*

2. Conclusion

The bank lending survey results indicate that banks eased their credit standards to both enterprises and households in Q2 FY 2018/2019.

The easing of credit standards to enterprises was attributed to improved economic conditions, increased short term shillings lending to SMEs (to reduce dependency on few large loans) and strong credit risk management frameworks that incentivize a focus on business growth .

Despite the expected easing of credit standards, respondents expect default rate on loans to both enterprises and households to increase in the coming three months to March 2019. In the household sector, this is largely due to the pressures of school fees in the 3rd quarter, and lag effects of the holiday spending on households' disposable income.

The survey results indicate that majority of the banks expect their lending rates to increase over the next quarter, given the projected path of inflation and therefore of the CBR.

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	2017/18	2017/18	2018/19	2018/19
Part I: Enterprises		Q1	Q2	Q3	Q4	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	-17.2	-5.9	-3.2	-21.2
	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	-21.7	-3.8	-8.2	-9.3
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	-10.6	-35.5	-0.1	2.2	-26.9
	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	-21.5	-2.4	-21.2	-3.5
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	-2.9	10.6	15.4	4.7	8.1
	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	5.4	0.7	-24.7	0.6
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	-31.4	-15.8	-7.8	-33.1
	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	-24.4	-8.6	-53.8	-14.2
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	5.5	8.5	8.3	-3.9
	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	3.5	-0.4	-9.4	0.7
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	-2.0	-7.7	-6.1	-8.0
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	1.2	0.7	5.0	3.8
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	13.2	-10.4	-6.1	-1.0
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	-3.7	-0.8	-5.6	-16.1
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	4.7	12.5	1.2	4.3	-3.7
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	2.5	-5.6	-4.9	1.5
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	49.0	18.6	13.7	14.8
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	2.7	-1.1	3.3	-11.3
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	7.1	0.0	1.2	-8.9
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	1.6	4.6	-3.7	-14.8
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	-19.2	-10.5	-7.8	-8.2
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	72.6	62.7	44.4	37.3	57.3
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	-5.7	-23.8	-39.1	-40.6
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	-10.2	2.8	-14.2	-10.0
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	-14.1	20.0	-0.5	7.1
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	33.1	14.0	27.6	34.3
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	14.0	20.5	21.3	28.7
Expected 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	82.9	80.2	63.9	45.6
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	85.8	85.4	58.7	38.6
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	74.4	66.0	50.7	23.2
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	83.5	83.4	63.0	51.8
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	75.1	67.8	51.0	24.4
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	3.7	15.0	12.7	0.5
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	4.6	29.8	32.4	29.5
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	1.6	20.6	16.5	0.6
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	3.9	11.9	14.7	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	3.7	23.5	9.9	14.7
Period		2014/15				2015/16				2016/17									
Part II: Households		Q1	Q2	Q3	Q4	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	-11.1	-3.6	-14.1	-19.9
	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	-10.2	-2.0	-16.6	-6.2
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	79.4	77.3	60.1	71.3
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	-12.7	-5.4	-17.4	0.5
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	51.2	6.5	38.5	18.6
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	-15.1	-30.9	-34.8	-17.1
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	0.1	2.8	-2.8	2.1
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	-3.0	3.2	-2.8	-5.3
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	16.9	-0.7	-0.3	12.8
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	-5.1	3.3	3.1	13.9
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	3.6	-3.5	7.7	55.0
Period		2014/15				2015/16													
Part III: Occassional Questions		Q1	Q2	Q3	Q4	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	-68.3	-12.6	-4.2	16.3
Percentage change	Next three months	0.0	0.2	0.7	0.8	0.8	0.7	-0.3	-0.3	-0.1	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.13	-0.06	-0.06

Note: All figures are on a 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.

APPENDICES

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	Mar-18	Jun-18	Sep-18	Dec-18
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	9.4	34.6	-15.1	-24.0
	Next three months	22.0	-31.4	0.0	-2.0	63.5	4.3	5.3	-8.3
SMEs	Past three months	41.0	19.0	-4.0	7.6	21.8	34.6	-15.1	-8.9
	Next three months	2.7	-34.6	17.5	-19.3	64.2	6.4	-35.5	4.2
Large enterprises	Past three months	21.7	19.0	-31.2	18.5	35.6	7.0	-12.0	9.8
	Next three months	13.0	-31.4	0.5	-20.5	34.5	31.9	38.3	8.3
Short term loans	Past three months	18.3	28.5	-2.5	-9.7	8.8	-5.1	7.4	-21.1
	Next three months	-26.8	-34.6	-31.7	26.2	34.0	-37.9	-63.2	-16.6
Long term loans	Past three months	0.6	19.0	-22.7	1.2	52.1	-26.0	15.0	-17.6
	Next three months	2.7	-21.9	-9.6	0.0	20.7	29.3	25.3	-8.3
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	20.5	-19.3	12.0	-18.8
Mining and Quarrying	Past three months	28.5	2.8	0.0	7.0	0.0	25.7	0.0	0.0
Manufacturing	Past three months	30.1	2.8	7.1	7.0	7.3	4.3	-1.9	-4.5
Trade	Past three months	40.3	28.5	-32.4	-5.0	7.3	2.1	-7.7	-21.7
Transport and Communication	Past three months	30.1	28.5	-29.4	5.8	36.1	19.6	-1.9	-21.7
Electricity and Water	Past three months	30.1	2.8	7.1	-3.9	6.7	0.0	-16.8	-4.5
Building, Mortgage, Construction and Real Estate	Past three months	40.3	6.0	-2.5	-2.7	7.3	-9.5	28.4	-7.1
Business Services	Past three months	40.3	28.5	-32.4	-5.0	7.3	-4.8	-5.6	-16.9
Community, Social & Other Services	Past three months	30.1	12.3	-2.5	-5.0	21.1	-18.6	-18.7	-12.5
Personal Loans and Household Loans	Past three months	30.1	0.4	-32.4	-2.7	14.0	-26.0	0.6	-17.6
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	-45.8	-56.0	-47.7	32.7
Margin on riskier loans	Next three months	34.1	12.3	12.6	42.6	45.2	45.0	42.1	40.7
margin on prime borrowers	Next three months	-26.8	-57.1	-31.3	16.5	-30.6	-62.7	-60.7	-3.2
Non-interest rate charges	Next three months	0.0	-25.1	0.0	-44.6	-16.9	-44.1	-31.5	8.3
Size of the loan or credit line	Next three months	-7.5	-34.6	0.5	-39.0	13.4	25.3	10.5	-3.2
Collateral requirements	Next three months	13.6	-10.4	0.0	-9.7	31.5	50.5	-9.3	-12.5
Maturity	Next three months	2.7	-18.6	0.0	-12.0	-26.2	16.5	-59.4	-28.5
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	42.6	83.5	72.3	-8.1
SMEs	Next three months	29.0	58.3	30.6	-0.2	42.6	64.9	72.3	-20.6
Large enterprises	Next three months	18.4	22.7	30.8	-30.8	26.1	53.0	12.6	-35.6
Short term loans	Next three months	29.0	63.1	32.3	-29.6	42.6	26.2	72.3	16.6
Long term loans	Next three months	28.6	32.6	40.5	-11.6	25.5	47.0	40.7	24.9
Default rate on loans to enterprises									
Overall	Next three months	12.9	-14.3	-10.2	30.8	-13.0	-13.2	-16.8	9.0
SMEs	Next three months	29.9	-40.9	-10.7	30.8	-13.6	-27.0	-46.1	29.2
Large enterprises	Next three months	19.7	-0.9	-19.7	30.8	4.1	-4.1	-20.0	12.5
Short term loans	Next three months	22.4	-52.8	-10.7	19.9	-14.4	-14.2	-42.5	17.3
Long term loans	Next three months	35.4	8.6	-1.0	30.8	-14.4	-11.1	-0.6	-3.4
Period		**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**
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	25.7	-14.6	-31.1	-21.1
	Next three months	1.0	7.5	-0.5	3.3	-13.8	14.6	22.7	4.9
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	53.9	40.5	2.8	37.9	38.6	44.5	33.2
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	-29.8	-30.3	-43.3	-12.5
Margin on riskier loans	Next three months	14.8	-10.0	2.9	15.2	32.3	25.7	12.6	13.7
Margin on prime borrowers	Next three months	-7.5	-9.5	-0.6	-10.2	-32.9	-46.8	-63.2	-36.2
Non-interest rate charges	Next three months	2.7	-21.9	0.0	-10.9	0.2	0.0	-63.2	0.0
Size of the loan or credit line	Next three months	-6.3	-21.9	0.0	0.0	1.6	2.1	-27.7	11.3
Collateral requirements	Next three months	-7.9	2.4	-6.7	4.4	-28.4	33.1	13.6	1.2
Maturity	Next three months	-16.6	-21.9	0.0	0.0	-29.8	25.7	9.1	0.0
Default rate on loans to households	Next three months	4.1	11.5	21.4	-19.5	-11.3	-31.2	22.1	41.3

(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 -August 2018), 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