Bank Lending Survey Report
Fourth 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 June 2019. 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 June 2019 and expectations for the quarter ending September 2019.

Credit Standards

In the fourth quarter of FY 2018/19, credit standards on loans to both enterprises and households were eased at a much 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 there was continued tightening for long term loans in the quarter to June 2019.

Across firm size, credit standards were tightened at a faster pace compared to the previous quarter for both large enterprises and SMEs.

In the quarter to September 2019, banks expect to tighten overall credit standards to enterprises on a net basis but a much slower pace than in the current quarter. The net tightening applies to credit standards on short term loans, long term loans and loans to large enterprises. However, credit standards to Small and medium enterprises are expected to ease on a net basis in the coming quarter to September 2019. On other hand, credit standards to households and individuals are expected to ease on a net basis in the coming quarter.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, bank reported that they had eased on a net basis for all sectors during the quarter ended June 2019.

Outlook on Demand for credit

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

Outlook on Terms & Conditions for credit

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

On the other hand, price terms and conditions for consumer credit are expected to tighten on net basis for average and riskier loans, but ease for prime borrowers. Non-price terms and conditions in reference to non-interest rate charges and duration of the loan are expected to tighten, while the terms and conditions as regards to loan size and collateral requirements are expected to ease.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to decrease slightly with majority expecting a no change. On the contrary, they expect the default rate on loans to households to increase on a net basis in the coming three months to September 2019.

The expected decrease in default rate on loans to enterprises was mainly attributed to aggressive recovery measures adopted by banks and expected injection of funds by government into the economy. The default rate on loans to households and individuals on the other hand is expected to increase majorly on account of anticipated delays in government releases leading to failure to service the salary loans in addition to seasonal effects attributed to Q1 where obligations outweigh incomes.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to remain largely unchanged, with a few financial institutions anticipating a decline over the next quarter.

Banks cited the high operational costs, high cost of funding which encompasses effects of past commitments like long term fixed deposits and the depreciating shilling which increases the cost of foreign currency borrowing, as the major factors for the slow decline in their lending rates.

Introduction

The quarterly 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 June 2019 and expectations for the quarter to September 2019. Questionnaires were completed by all 24 commercial banks and 10 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 (collateralised, non-collateralised, 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 fourth quarter of FY 2018/19, credit standards on loans to enterprises were eased at a much faster pace compared to the previous quarter.

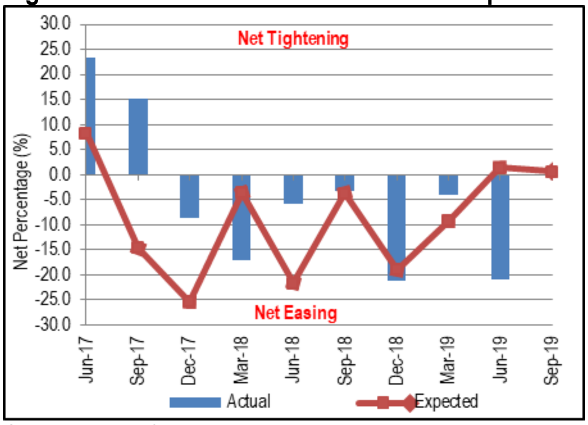
Banks reported eased credit standards on a net basis at 21.0 percent in the quarter ended June 2019, significantly higher than the 3.9 percent recorded in the quarter to March 2019. The overall net easing was contrary to the net tightening of 8.2 percent that banks had anticipated in the previous survey (*See Tables 1 & 2 and Figure 1)*.

Across firm size, credit standards were eased at a much faster pace compared to the previous quarter for both large enterprises (from 0.5 percent net tightening to 18.6 percent net easing) and SMEs (from 5.1 percent net easing to 14.1 percent).

In terms of loan duration, banks eased credit standards at a faster pace for short terms loans, while there was continued tightening for long term loans in the quarter to June 2019 (*See Table 1*).

Key reasons cited for the overall easing included: the slowdown in economic activity which necessitated easing for SMEs and the need to meet the high demand for loans by the market. Those that tightened pointed to the impact of the introduction of IFRS 9 on credit availability.

Figure 1: Overall Credit standards to enterprises



Source: Bank of Uganda

Notes:

(a) Net percentage balances are calculated by obtaining the difference between the percentages of lenders reporting that, a factor has tightened/increased and those reporting that it has eased/decreased. A negative balance indicates that more credit is available.

(b) The bar 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	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**	**Mar-19**	**Jun-19**
Tightened(A)	0.4	4.6	2.9	20.0	1.8	4.0	3.2	2.0	0.5	21.0
Unchanged	89.3	67.7	83.2	45.9	91.2	73.4	82.4	63.5	93.6	70.0
Eased (B)	4.4	25.6	8.0	34.1	1.2	22.6	8.6	34.5		9.0
Net %(A-B)	-3.9	-21.0	-5.1	-14.1	0.5	-18.6	-5.4	-32.6	0.5	12.0
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to September 2019, banks expect to tighten overall credit standards on a net basis but at a much slower pace compared to the current quarter. The net tightening applies to credit standards on short term loans, long term loans and loans to large enterprises. On the other hand, banks anticipate to ease overall credit standards for only small and medium sized enterprises on a net basis in the coming quarter to September 2019 (*See, Figure 1 and Table 2*).

The main explanations provided by banks for the expected tightening of credit standards over the quarter to September 2019 include: reviewing of loan books as a result of high write-offs and nonperforming loans recorded in the past, more concentration on loan recovery, deliberate effort by the banks to manage credit risk on account of the impact posed by the introduction of IFRS 9.

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	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**
Tighten (A)	9.0	7.0	14.2	4.3	17.7	15.2	9.0	11.7	25.7	14.7
Unchanged	77.4	86.5	60.5	89.2	71.8	81.7	70.4	79.2	66.9	85.3
Ease (B)	7.7	6.5	19.5	6.5	4.6	3.1	14.7	9.1	1.6	
Net %(A-B)	1.3	0.5	-5.4	-2.2	13.1	12.1	-5.6	2.6	24.1	14.7
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

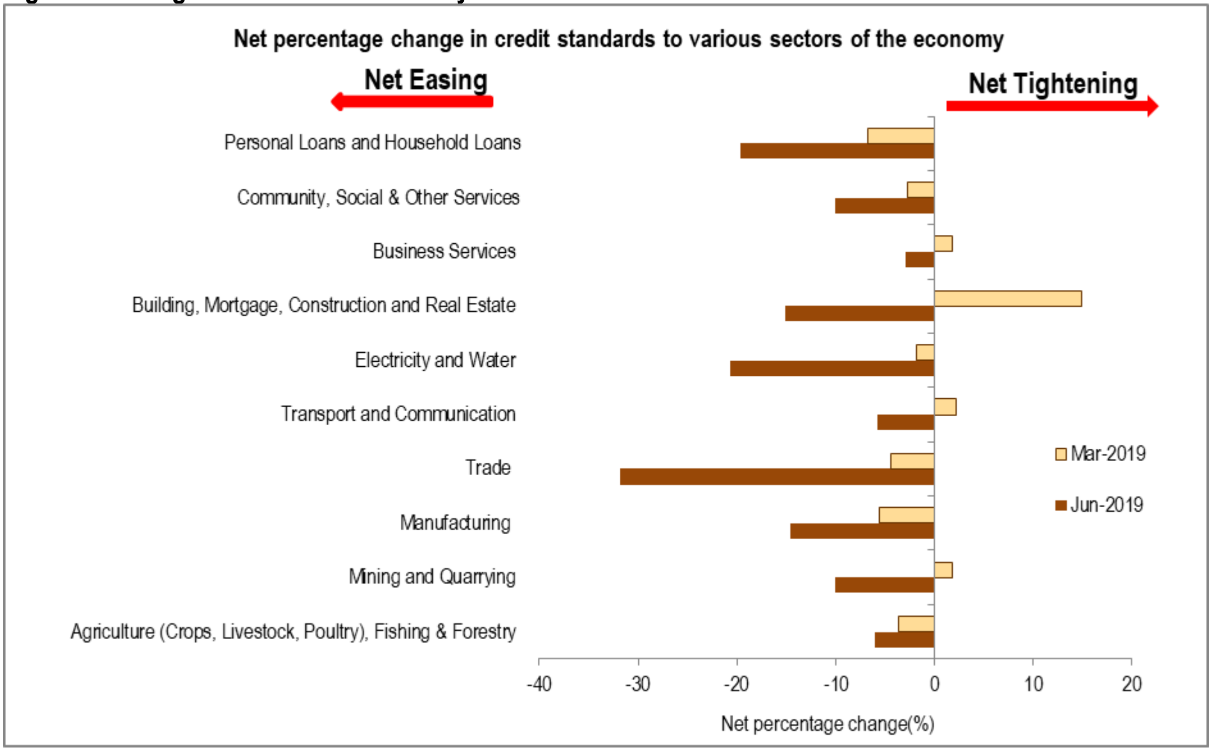
1.1.2 Credit Standards by Economic Sector

Banks reported that they had eased credit standards for the different sectors of the economy on a net basis in the quarter to June 2019. The following sectors had the highest percentage of net easing; Trade (31.8%) followed by Electricity and Water (20.6%), Personal and Household (19.6%), Building, Mortgage, Construction and Real Estate (15.1%), Manufacturing (14.5%), Community, Social & Other Services (10.1%) and Mining and Quarrying (10.0%). (*See, Figure 2*).

The major reasons given for the net easing for trade sector include: diversion from provision of letters of credit to import and export loans, increased demand for BID bond; Easing in the Electricity and Water sector is on account of respondents' strategic shift towards targeting government contractors under the different contractual agreements and the rural electrification project whose works will intensify in the next quarter. Manufacturing received a net easing due to increased demand as a result of new companies coming up in the sector and the short term nature of their facilities needed which require lower costs.

The easing to the building, mortgage, construction and real estate sector was attributed to the need to expand the personal mortgage segment.

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.

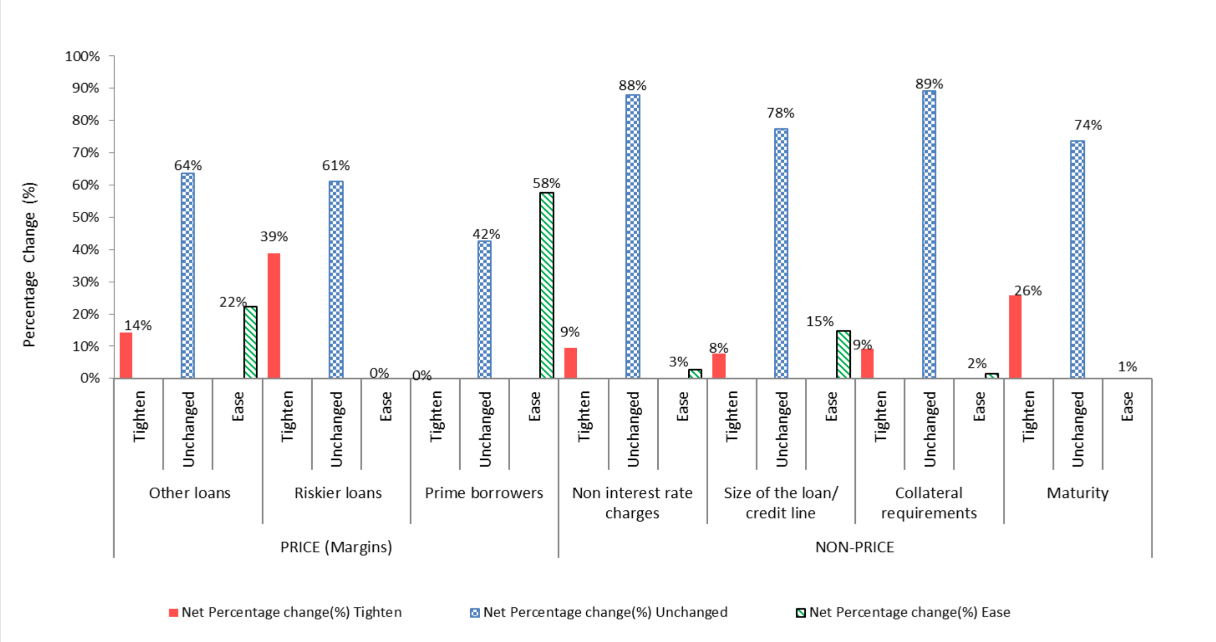
b) non-price related terms and conditions that include the maximum size of the loan, access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus long-term).

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

The easing of price terms and conditions for prime borrowers is based on the need to stay competitive in the market, attract new borrowers and keep the existing ones. Risky loans will be tightened as lenders mitigate the risk of high default rates and the need to keep quality loan books.

All non-price terms and conditions except the size of the loan are expected to tighten on a net basis (See, Figure 3). The reasons provided especially for collateral and maturity include: the need to improve the quality of collateral in line with the IFRS 9 requirements, downsizing of impairment costs and the strategy by banks to concentrate more on short term facilities rather than long-term which are presumed to be more risky.

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



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to September 2019, banks anticipate an overall net increase (66.7%) in demand for credit. The expected increase in demand cuts across enterprise size 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) Need for funds by traders for importation as they stock up for the festive season in advance.

b) Contractors in the construction sector are expected to borrow more as a result of the increasing government development projects.

c) Increase in economic activity in the period due to release of funds as per approved budget.

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	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**	**Jun-19**	**Sep-19**
Increase(A)	75.6	73.1	82.2	81.1	67.3	68.6	78.7	67.6	63.8	57.6
Unchanged	18.6	20.6	12.0	12.5	25.6	22.6	15.5	27.0	25.4	26.3
Decrease(B)	0.0	6.3	0.0	6.3	1.2	8.9	0.0	5.4	4.4	16.2
Net %(A-B)	75.6	66.7	82.2	74.8	66.1	59.7	78.7	62.2	59.4	41.4
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 by 2.1 percent that is higher than the net easing of 1.8 percent observed in the previous period (*See, Appendix 1*). The easing was mostly driven by the demand for loans following back to school fees payments and the harvest season.

Similarly, in the quarter to September 2019, banks expect to ease credit standards to households at a higher pace (a net easing of 10.7%), attributed to; increased financial inclusion measures through mobile loans, designing of tailor-made products for different regions, the growth in the economy which in turn drives demand for credit (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 a net basis for average and riskier loans, but ease for prime borrowers, over the next three months to September 2019. Non-price terms and conditions in reference to non-interest rate charges and duration of the loan are expected to tighten, while the terms and conditions as regards loan size and collateral requirements are expected to ease (See, Appendix 1).

The major justification for the anticipated tightening of the margin on average and riskier loans include; high cost of borrowing, impact of IFRS 9 on the portfolio, and the high loan to deposit ratio. On the other hand, banks cited the need to retain their best customers and competition in the market as the major reason for the expected easing of margins to prime borrowers.

In regards to non-price terms and conditions, the major reasons cited for net tightening include; impact of IFRS 9 on the portfolio and the need to reduce on the exposure as loans to individuals and households are mainly unsecured. On the other hand, easing of the loan size and collateral requirements was attributed to the need to grow the portfolio and the consideration for alternative collateral other than tangible assets.

Demand for Credit by households

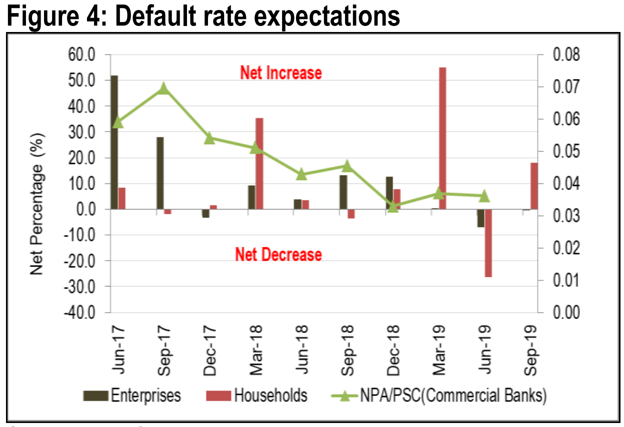
Credit demand by households is expected to increase slightly in the three months to September 2019 with 59.9 percent of banks expecting the demand to remain broadly unchanged, while 37.9 percent anticipating an increase. The anticipated increase in demand is attributed to the expected demand for short term loans as a result of the need for funds for third term school fees and second semester university tuition payments, and the seasonal effects usually experienced in Q1 of the financial year will drive the increase in demand.

1.3 Expected Default rate on loans to enterprises and households

Banks generally expect the default rate on loans to enterprises to remain largely unchanged (70.5%), with 0.5 percent expecting a decrease on a net basis. Furthermore, the default rate on short term loans is expected to decline on a net basis, while that on long term loans, loans to SMEs and large enterprises is anticipated to increase on a net basis.
On the side of households and individuals, 60.7 percent of the banks expect the default rate on loans to households to remain unchanged, with 18.1 percent expecting an increase on a net basis in the coming three months to September 2019 (See Appendix 1).

The expected decrease in default rate on loans to enterprises is mainly attributed to the: aggressive recovery measures adopted by banks, expected injection of funds by government into the economy to clear arrears, increased trade as businesses stock early for the festive season, improved relationship management with borrowers. The Household and individual default rate is expected to increase majorly on account of delayed government releases leading to failure to service the salary loans in a timely manner and seasonal effects of Q1 where obligations outweigh incomes.

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q1 FY 2019/20

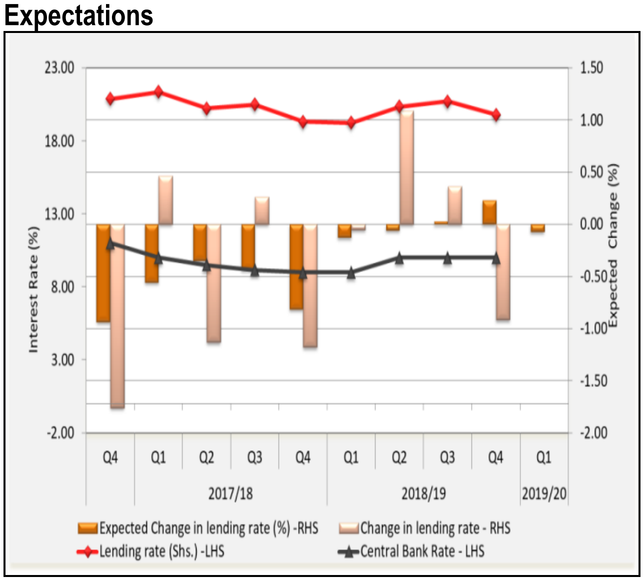
In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that majority of the banks (89.7%) expect their lending rates to remain broadly unchanged, while 10.3 percent expect the rates to decrease over the next quarter to September 2019.

Banks that anticipated constancy in lending rates attributed it to the stability in the Central bank rate (CBR) which is expected to remain unchanged in the short-run and no significant change in the cost of borrowing.

The lending rate is anticipated to decrease on average by 0.07 percent, over the quarter to September 2019 (See Figure 5). Those that anticipated a decrease in lending rates mainly attributed it to the competitive pricing in the market and the need to attract more SMEs.

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 Occasional Question

Banks were asked about the slow decline in their lending rates to borrowers despite the Bank of Uganda reducing its policy rate (the Central Bank Rate (CBR)). They cited the high operational costs, high cost of funding which encompasses effects of past commitments like long term fixed deposits and the depreciating shilling which increases the cost of foreign currency borrowing, as the major factors limiting the decline in their lending rates.

2. Conclusion

The bank lending survey results indicate that banks eased their credit standards to both enterprises and households in Q4 FY 2018/2019. On the other hand, they anticipated tightening for enterprises and further easing for household in the quarter to September 2019.

The easing of credit standards to enterprises was attributed to the slowdown in economic activity which necessitated easing for SMEs and the need to meet the high demand for loans by the market. Those that tightened pointed to the impact of the introduction of IFRS 9, which emphasizes fair value treatment and provisions of future loan losses that will limit availability of funds for credit.

The demand for loans by enterprises and households is expected to increase in the quarter to September 2019, albeit at a slower pace than was anticipated in the previous survey results.

In the next three months to September 2019, the default rate on loans to enterprises and households is expected to decrease and increase on a net basis, respectively. Within the household sector, the expected increase in default rate was mainly attributed to delayed government releases leading to failure to service the salary loans in a timely manner and seasonal effects of Q1 where obligations outweigh incomes.

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with only a few anticipating a 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		2016/17				2017/18				2018/19			
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans or credit lines to enterprises													
Overall	Past three months	21.6	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9	-21.0
	Next three months	24.7	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8	-19.0	-9.3	1.3	0.5
SMEs	Past three months	31.7	29.5	32.2	3.3	6.3	-10.6	-35.5	-0.1	2.2	-26.9	-5.1	-14.1
	Next three months	29.5	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-3.9	-21.2	-3.5	-5.4	-2.2
Large enterprises	Past three months	20.2	40.9	51.1	29.8	32.5	-2.9	10.6	16.8	4.7	8.1	0.5	-18.6
	Next three months	29.7	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7	-24.7	0.6	13.1	12.1
Short term loans	Past three months	7.1	14.2	30.4	2.1	-10.9	-27.7	-31.4	-15.6	-7.8	-33.1	-5.4	-32.6
	Next three months	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-7.0	-53.8	-14.2	-5.6	2.6
Long term loans	Past three months	34.5	36.0	43.6	37.3	47.7	3.7	5.5	8.4	8.3	-3.9	0.5	12.0
	Next three months	41.8	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4	-9.4	0.7	24.1	14.7
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	18.5	38.0	30.6	46.1	21.5	14.3	-2.0	-7.6	-6.1	-8.0	-3.6	-6.0
Mining and Quarrying	Past three months	3.2	20.3	7.3	27.0	17.3	0.1	1.2	0.7	5.0	3.8	1.8	-10.0
Manufacturing	Past three months	17.5	37.1	9.0	7.4	9.1	4.7	13.2	-10.3	-6.1	-1.0	-5.6	-14.5
Trade	Past three months	25.8	37.5	14.9	4.0	-4.1	-11.0	-3.7	-2.3	-5.6	-16.1	-4.4	-31.8
Transport and Communication	Past three months	20.6	32.8	33.6	23.1	15.8	4.7	12.5	1.2	4.3	-3.7	2.1	-5.7
Electricity and Water	Past three months	11.0	18.5	8.7	8.4	6.4	-3.6	2.5	-5.5	-4.9	1.5	-1.8	-20.6
Building, Mortgage, Construction and Real Estate	Past three months	41.1	58.9	70.1	50.8	50.5	29.1	49.0	20.2	13.7	14.8	14.9	-15.1
Business Services	Past three months	5.4	20.5	5.5	4.9	-2.1	-9.5	2.7	-1.1	3.3	-11.3	1.7	-3.0
Community, Social & Other Services	Past three months	10.7	21.4	4.4	2.6	7.8	-9.9	7.1	0.0	1.2	-8.9	-2.7	-10.1
Personal Loans and Household Loans	Past three months	-19.2	17.2	7.1	3.8	-2.5	-10.3	1.6	4.5	-3.7	-14.8	-6.8	-19.6
Terms and conditions for approving loans or credit lines to enterprises													
Margin on average loans	Next three months	10.6	0.5	-56.5	-18.7	-24.2	-10.0	-19.2	-10.1	-7.8	-8.2	-12.5	-8.0
Margin on riskier loans	Next three months	51.6	78.5	77.8	75.4	78.1	72.6	62.7	45.8	37.3	57.3	51.4	38.9
margin on prime borrowers	Next three months	-5.0	-13.1	-69.8	-59.2	-42.4	-40.0	-5.7	-24.9	-39.1	-40.6	-27.7	-57.5
Non-interest rate charges	Next three months	1.8	17.1	4.6	-4.7	-12.2	-8.6	-10.2	3.0	-14.2	-10.0	-14.4	6.8
Size of the loan or credit line	Next three months	40.7	56.9	1.3	15.1	-1.8	5.2	-14.1	19.7	-0.5	7.1	11.7	-7.1
Collateral requirements	Next three months	26.4	14.2	45.8	23.1	31.5	44.8	33.1	13.8	27.6	34.3	13.5	7.6
Maturity	Next three months	30.9	34.3	20.8	4.1	17.6	16.3	14.0	20.3	21.3	28.7	24.5	25.2
Expected demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?													
Overall	Next three months	74.7	33.5	89.5	87.8	76.8	72.8	82.9	82.0	63.9	45.6	75.6	66.7
SMEs	Next three months	75.7	15.2	95.1	92.0	87.1	74.0	85.8	87.2	58.7	38.6	82.2	74.8
Large enterprises	Next three months	59.9	6.6	71.0	56.3	51.7	67.5	74.4	67.1	50.7	23.2	66.1	59.7
Short term loans	Next three months	74.4	17.2	79.9	92.9	93.5	75.4	83.5	83.6	63.0	51.8	78.7	62.2
Long term loans	Next three months	48.3	8.8	78.5	48.1	33.1	69.9	75.1	67.3	51.0	24.4	59.4	41.4
Default rate on loans to enterprises													
Overall	Next three months	13.5	40.7	51.8	28.0	-3.2	9.1	3.7	13.2	12.7	0.5	-7.0	-0.5
SMEs	Next three months	19.3	29.4	50.1	31.7	-3.2	11.2	4.6	29.5	32.4	29.5	20.0	4.2
Large enterprises	Next three months	17.7	40.8	40.0	52.9	7.0	8.9	1.6	18.8	16.5	0.6	-2.8	16.1
Short term loans	Next three months	13.8	33.4	50.4	42.4	-5.9	0.9	3.9	11.8	14.7	1.0	-2.5	-0.5
Long term loans	Next three months	13.4	30.7	47.4	41.1	-2.0	6.0	3.7	23.2	9.9	14.7	10.6	17.6
Period		2016/17				2017/18				2018/19			
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-8.7	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-1.2	-14.1	-19.9	-1.8	-2.1
	Next three months	-11.6	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-0.4	-16.6	-6.2	-17.2	-10.7
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	56.4	47.5	67.8	68.0	80.7	89.2	79.4	79.1	60.1	71.3	71.1	37.9
Terms and conditions for approving loans or credit lines to households													
Margin on average loans	Next three months	-15.9	-8.6	-37.8	-54.2	-17.6	2.1	-12.7	-5.1	-17.4	0.5	-12.7	7.3
Margin on riskier loans	Next three months	4.0	28.3	38.3	52.0	61.3	48.2	51.2	6.4	38.5	18.6	45.3	28.2
Margin on prime borrowers	Next three months	-29.5	-29.1	-41.8	-56.0	-18.0	-10.5	-15.1	-30.4	-34.8	-17.1	-27.5	-16.8
Non-interest rate charges	Next three months	2.0	4.9	5.7	4.1	-4.8	6.1	0.1	3.0	-2.8	2.1	-0.3	4.1
Size of the loan or credit line	Next three months	-6.4	21.9	5.1	5.3	-9.5	-6.8	-3.0	3.2	-2.8	-5.3	-12.4	-0.6
Collateral requirements	Next three months	9.2	23.1	-15.6	23.7	18.2	17.1	16.9	0.9	-0.3	12.8	13.0	-2.7
Maturity	Next three months	14.7	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3	3.1	13.9	1.0	4.6
Default rate on loans to households	Next three months	38.4	19.5	8.5	-1.8	1.6	35.5	3.6	-3.7	7.7	55.0	-26.3	18.1
Period		2016/17				2017/18				2018/19			
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lending rates expectation Increae(+)/Decrease(-)	Next three months	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.7	-4.2	16.3	22.1	-10.3
Percentage change	Next three months	-0.1	-0.8	-0.9	-0.6	-0.3	-0.4	-0.8	-0.1	-0.1	0.0	0.2	-0.1

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.

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		Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Credit policy as applied to the approval of loans or credit lines to enterprises								
Overall	Past three months	-9.7	9.4	33.6	-14.6	-24.1	8.0	59.6
	Next three months	-2.0	63.5	5.8	5.9	-9.2	2.4	45.0
SMEs	Past three months	7.6	21.8	33.6	-11.5	-8.9	8.7	57.7
	Next three months	-19.3	64.2	8.0	-35.1	3.4	2.4	44.5
Large enterprises	Past three months	18.5	35.6	5.6	8.0	9.1	9.5	26.1
	Next three months	-20.5	34.5	33.8	38.5	9.2	16.3	22.6
Short term loans	Past three months	-9.7	8.8	-5.2	-23.4	-20.4	-17.0	53.5
	Next three months	26.2	34.0	-37.0	-63.0	-16.0	-16.3	33.3
Long term loans	Past three months	1.2	52.1	-27.9	14.5	-17.7	22.9	30.3
	Next three months	0.0	20.7	28.3	25.4	-9.2	-3.8	22.5
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	16.7	20.5	-18.1	12.6	-18.1	5.4	-45.7
Mining and Quarrying	Past three months	7.0	0.0	26.1	0.0	0.0	0.0	30.3
Manufacturing	Past three months	7.0	7.3	2.9	-1.9	-4.5	0.0	7.9
Trade	Past three months	-5.0	7.3	0.7	-7.2	-21.1	-3.8	-3.9
Transport and Communication	Past three months	5.8	36.1	18.4	-1.9	-21.1	-4.5	-6.5
Electricity and Water	Past three months	-3.9	6.7	-3.2	-16.4	-4.5	0.0	-11.1
Building, Mortgage, Construction and Real Estate	Past three months	-2.7	7.3	-11.1	28.5	-8.0	40.7	12.0
Business Services	Past three months	-5.0	7.3	-3.4	-5.2	-17.1	-4.5	-2.9
Community, Social & Other Services	Past three months	-5.0	21.1	-17.4	-18.3	-12.6	8.7	-10.7
Personal Loans and Household Loans	Past three months	-2.7	14.0	-27.9	0.6	-17.7	-16.3	-9.8
Terms and conditions for approving loans or credit lines to enterprises								
Margin on average loans	Next three months	-14.0	-45.8	-56.8	-47.4	32.1	12.5	-4.5
Margin on riskier loans	Next three months	42.6	45.2	44.2	41.8	40.2	9.4	28.7
margin on prime borrowers	Next three months	16.5	-30.6	-62.1	-60.5	-2.4	-6.3	-31.4
Non-interest rate charges	Next three months	-44.6	-16.9	-43.2	-31.2	9.2	0.0	29.4
Size of the loan or credit line	Next three months	-39.0	13.4	25.7	11.0	-3.2	0.8	-15.0
Collateral requirements	Next three months	-9.7	31.5	49.8	-9.8	-12.6	3.8	42.1
Maturity	Next three months	-12.0	-26.2	15.2	-59.8	-28.7	23.6	17.6
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?								
Overall	Next three months	-21.9	42.6	83.3	72.1	-9.0	67.5	67.7
SMEs	Next three months	-0.2	42.6	64.4	72.1	-21.5	42.6	62.2
Large enterprises	Next three months	-30.8	26.1	52.3	12.7	-36.7	-11.6	10.4
Short term loans	Next three months	-29.6	42.6	25.2	72.1	17.5	67.5	31.3
Long term loans	Next three months	-11.6	25.5	47.7	40.9	24.3	33.9	56.3
Default rate on loans to enterprises								
Overall	Next three months	30.8	-13.0	-11.9	-16.3	8.3	-10.7	-36.0
SMEs	Next three months	30.8	-13.6	-25.9	-45.8	28.7	-11.4	-38.9
Large enterprises	Next three months	30.8	4.1	-5.6	-19.6	12.6	-29.2	-30.5
Short term loans	Next three months	19.9	-14.4	-12.9	-42.2	16.7	-27.7	-38.9
Long term loans	Next three months	30.8	-14.4	-9.8	-0.1	-4.3	-14.5	-28.1

Period		Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Part II: Households								
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-3.8	25.7	-14.9	-31.2	-20.4	-29.2	-10.7
	Next three months	3.3	-13.8	-14.9	-22.8	-4.9	-7.8	45.3
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	2.8	37.9	37.7	44.2	32.7	34.7	86.2
Terms and conditions for approving loans or credit lines to households								
Margin on average loans	Next three months	0.7	-29.8	-29.2	-43.5	-12.6	-3.8	-12.4
Margin on riskier loans	Next three months	15.2	32.3	26.1	12.7	13.8	9.5	25.8
Margin on prime borrowers	Next three months	-10.2	-32.9	-46.0	-63.0	-35.7	-16.3	-28.2
Non-interest rate charges	Next three months	-10.9	0.2	0.0	-27.9	0.0	8.7	27.4
Size of the loan or credit line	Next three months	0.0	1.6	2.2	27.4	-11.3	-3.0	-15.2
Collateral requirements	Next three months	4.4	-28.4	33.6	13.7	1.2	-19.7	18.0
Maturity	Next three months	0.0	-29.8	26.1	9.2	0.0	-16.3	18.0
Default rate on loans to households	Next three months	-19.5	-11.3	-31.7	22.7	40.8	-11.4	-65.3

(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 (March - May 2019), 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