Bank Lending Survey Report
First Quarter - FY 2018/19

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 ended September 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 September 2018 and expectations for the quarter ending December 2018.

Credit Standards

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

In terms of loan duration, banks eased credit standards at a slower pace for short terms loans and slightly reduced tightening for long term loans in the quarter ended September 2018

Across firm size, credit standards were tightened at a slower pace compared to the previous quarter for large enterprise while tightened at a higher pace for SMEs.

In the quarter to December 2018, banks expect to further ease overall credit standards on a net basis. The net easing cuts across the loan duration and firm size.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors; Agriculture, Manufacturing, Trade, Electricity and water and personal and household registered a net easing while the rest of the sectors registered net tightening in the quarter ended September 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 in the post-harvest period of July to September and the Introduction of collateral free micro loans to individuals and self-managed.

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 2018. On a net basis, banks indicated a net easing for average loans, prime borrowers, interest rate charges, size of the loan, and collateral requirements. On the other hand, terms and conditions were tightened for margin on riskier loans and maturity.

The major reasons cited for the net easing was attributed to the continued reduction in the CBR.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to both and households to enterprises to increase in the coming three months.

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 increase in spending during the festive season.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to remain unchanged over the next quarter to December 2018. Bank's effort to remain competitive in the market was main reason cited.

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 September 2018 and expectations for the quarter ending December 2018. Questionnaires were completed by all 24 commercial banks and 9 nonbank financial institutions in Uganda.

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

1. Survey Findings

1.1 Enterprises

1.1.1 Credit Standards to Enterprises

Credit standards consist of internal banking rules/criteria/guidelines which will determine (based on the classification by sector, area, size, duration, financial indicators, etc.) what type 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 2018/19, credit standards on loans to enterprises were eased at a slower pace compared to the previous quarter.

Banks reported eased credit standards on net basis at 3.2 percent in the quarter ended September 2018 compared to 5.9 percent recorded in June 2018. The overall net easing was slightly lower compared to the net easing of 3.8 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 slower pace compared to the previous quarter for large enterprises (from -0.2 percent to 2.2 percent) while tightened at a higher pace for SMEs (from 15.4 percent to 4.7 percent).

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

Key reasons cited for the overall easing include: Competition within the banking sector, improved macro-economic outlook and the need to achieve revenue targets.

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-18**	**Sep-18**	**Jun-18**	**Sep-18**	**Jun-18**	**Sep-18**	**Jun-18**	**Sep-18**	**Jun-18**	**Sep-18**
Tightened(A)	1.8	2.7	3.2	9.4	15.4	6.1	1.8	3.6	10.6	8.3
Unchanged	88.8	81.9	91.8	73.7	83.0	82.9	78.9	75.4	85.7	82.1
Eased (B)	7.8	5.9	3.4	7.3	0.0	1.4	17.6	11.4	2.1	0.0
Net %(A-B)	-5.9	-3.2	-0.2	2.2	15.4	4.7	-15.8	-7.8	8.5	8.3
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

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

The main reasons cited by banks for the expected easing in credit standards, in the quarter to December 2018 include: expected high demand for the Christmas sales, competition and the continued reduction in the CBR.

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	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**
Tighten (A)	0.7	1.2	1.1	5.1	1.9	8.0	0.0	1.2	5.1	3.5
Unchanged	93.2	69.1	93.8	59.1	95.4	49.7	89.8	34.3	87.9	74.0
Ease (B)	4.5	9.4	3.5	26.2	1.1	32.7	8.6	55.0	5.4	12.9
Net %(A-B)	-3.8	-8.2	-2.4	-21.2	0.7	-24.7	-8.6	-53.8	-0.4	-9.4
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

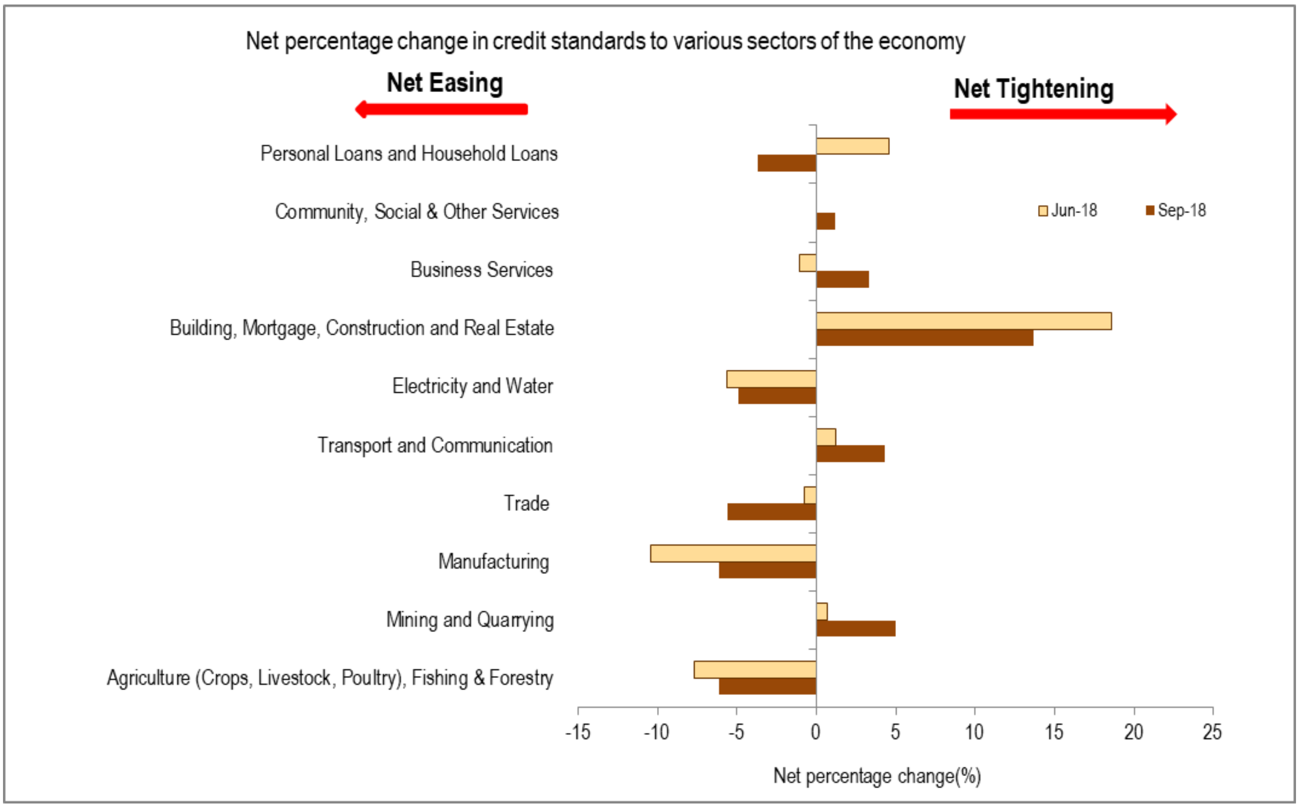
1.1.2 Credit Standards by Economic Sector

Banks were asked to indicate how their credit standards had changed for the different sectors of the economy. Agriculture (6.1 percent), Manufacturing, (6.1 percent), Trade (5.6 percent) Electricity and water (4.9 percent) and personal and household (3.7 percent) registered a net easing while the rest of the sectors registered net tightening in the quarter ended September 2018 (*See Figure 2*).

Major reasons given for net easing for agriculture and trade were; high interest by government and other agencies to invest in agriculture and end of year that is usually associated with increase in trade activities respectively.

The building, mortgage, construction and real estate sector registered the highest net tightening (13.7 percent) on account of the fluctuations of Building and Mortgage prices, delayed repayments of mortgage and lack of long term financing suitable for the sector. This was followed by mining and quarrying (5.0 percent) and Transport (4.3 percent). Respondents indicated that the tightening was due to the credit history observed in these sectors to avoid 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.

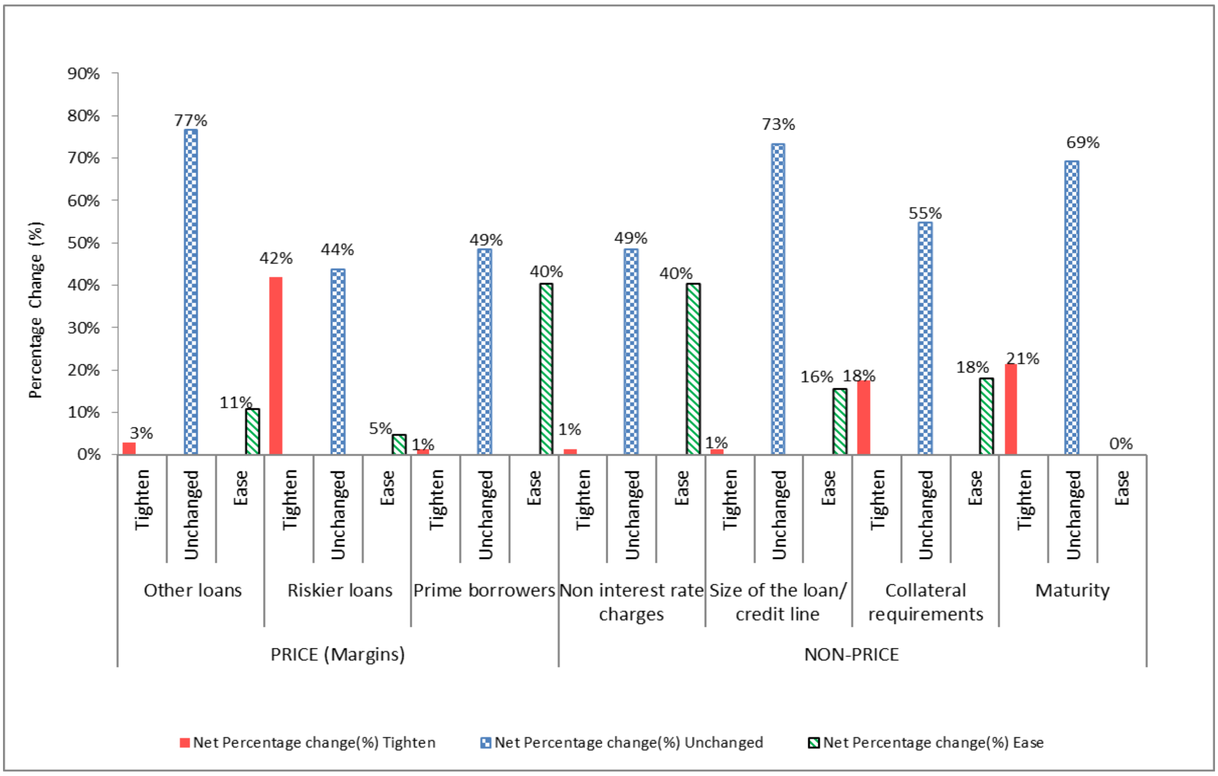
b) Non-price related terms and conditions that include the maximum size of the loan, the access conditions as well as other terms and conditions in the form of: non-interest charges (e.g. fees); collateral requirements (including compensating balances); loan covenants and maturities (short-term versus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

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

The easing of price terms and conditions is attributed to the continued reduction in the CBR.

All non-price terms and conditions are expected to remain largely unchanged, with an easing on a net basis. (See Figure 3).

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (September-December 2018)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to December 2018, majority of banks (63.9 percent) anticipate an overall increase 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) Increase in Government expenditure leading to high demand.

b) Increase in demand for credit in preparation for the festive season.

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	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**	**Sept-18**	**Dec-18**
Increase(A)	82.3	63.9	87.6	63.4	69.4	52.6	85.6	65.0	71.1	52.0
Unchanged	14.0	26.5	8.7	22.4	25.7	36.0	10.7	23.3	24.0	37.4
Decrease(B)	2.1	0.0	2.1	4.7	3.3	1.9	2.1	2.1	3.3	1.0
Net %(A-B)	80.2	63.9	85.5	58.7	66.1	50.7	83.5	62.9	67.8	51.0
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 (14.1 percent) higher than the net easing of (3.6 percent) observed in the previous period (*See Appendix 1*). Reasons cited were; Competition and the need to grow loans to households in the quarter ended September 2018.

Similarly, in the quarter to December 2018, banks expect to ease credit standards to households, a net easing of 16.6 percent, attributed to higher economic activity in the post-harvest period of July to September and the Introduction of collateral free micro loans to individuals and self-managed groups. (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 2018. On a net basis, banks indicated a net easing for average loans, prime borrowers, interest rate charges, size of the loan, and collateral requirements. On the other hand, terms and conditions were tightened for margin on riskier loans and maturity. (See Appendix 1).

The major reasons cited for the net easing include; the prevailing interest rate conditions and need for the bank to remain competitive in the market.

On the other hand, the major reasons reported for the anticipated tightening include; high risks and implications of IFRS9

1.2.3 Demand for Credit by households

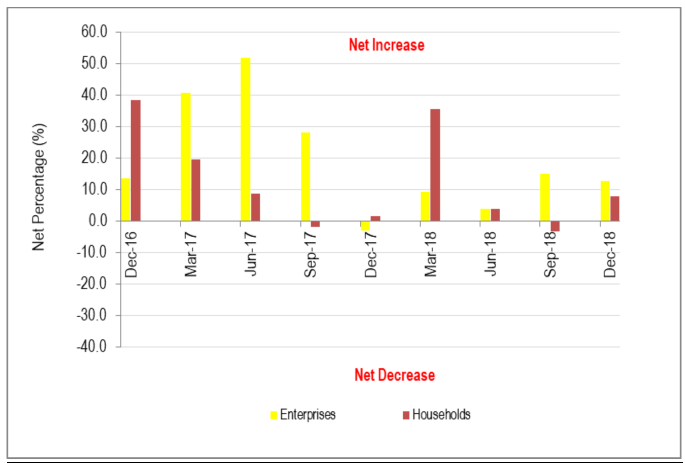
Credit demand by households is expected to increase in the three months to December 2018 with 60.1 percent of banks anticipating an increase, lower than the 77.3 percent that expected an increase in the previous survey. The anticipated increase in demand was attributed to; festive period expenditure 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 December 2018. On a net basis, 12.7 percent expect the default rate on loans to enterprises to increase lower than the 15.0 percent anticipated in the previous quarter. Similarly, 7.7 percent of the banks expect the default rate on loans to households to increase in the coming three months to December 2018 (See Appendix 1).

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 increase in spending during the festive season.

Figure 4: Default rate expectations



Source: Bank of Uganda

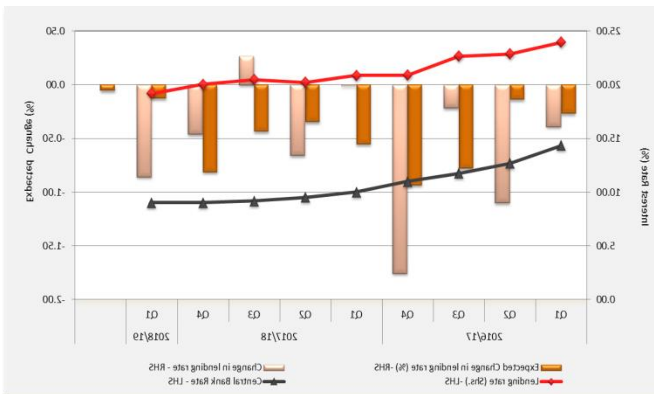
1.4 Interest Rate Expectations for Q2 FY 2018/19

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 rate in the coming three months.

The survey results indicate that (4.2 percent) of the banks expect their lending rates to decrease, while 85.7 percent expect the rates to remain unchanged over the next quarter to December 2018.

The average percentage decrease in lending rate over the quarter to December 2018 is estimated at 0.06 percentage points (See Figure 5).The anticipated decline in lending rates was mainly attributed to the Banks' efforts to remain competitive in the market together with the reduction in the central bank rate.

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 Q1 FY 2018/2019.

The easing of credit standards to enterprises was attributed to competition within the banking sector, improved macro environment outlook and the need to achieve their revenue targets.

The default rate on loans to enterprises is anticipated to increase in the coming three months to December 2018 largely due to the depreciation of shilling against other currencies.

The survey results indicate that majority of the banks expect their lending rates to largely remain unchanged over the next quarter to December 2018 given the Banks' efforts to remain competitive in the market.

APPENDICES

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
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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
	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
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
	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
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
	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
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
	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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
	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
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
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
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
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
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
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
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
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
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
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
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
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	-0.1	-0.1

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.

APPENDICES

Appendix 1: Summary of Bank Lending Survey results-Commercial Banks 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**
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
	Next three months	22.0	-31.4	0.0	-2.0	63.5	4.3	5.3
SMEs	Past three months	41.0	19.0	-4.0	7.6	21.8	34.6	-15.1
	Next three months	2.7	-34.6	17.5	-19.3	64.2	6.4	-35.5
Large enterprises	Past three months	21.7	19.0	-31.2	18.5	35.6	7.0	-12.0
	Next three months	13.0	-31.4	0.5	-20.5	34.5	31.9	38.3
Short term loans	Past three months	18.3	28.5	-2.5	-9.7	8.8	-5.1	7.4
	Next three months	-26.8	-34.6	-31.7	26.2	34.0	-37.9	-63.2
Long term loans	Past three months	0.6	19.0	-22.7	1.2	52.1	-26.0	15.0
	Next three months	2.7	-21.9	-9.6	0.0	20.7	29.3	25.3
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
Mining and Quarrying	Past three months	28.5	2.8	0.0	7.0	0.0	25.7	0.0
Manufacturing	Past three months	30.1	2.8	7.1	7.0	7.3	4.3	-1.9
Trade	Past three months	40.3	28.5	-32.4	-5.0	7.3	2.1	-7.7
Transport and Communication	Past three months	30.1	28.5	-29.4	5.8	36.1	19.6	-1.9
Electricity and Water	Past three months	30.1	2.8	7.1	-3.9	6.7	0.0	-16.8
Building, Mortgage, Construction and Real Estate	Past three months	40.3	6.0	-2.5	-2.7	7.3	-9.5	28.4
Business Services	Past three months	40.3	28.5	-32.4	-5.0	7.3	-4.8	-5.6
Community, Social & Other Services	Past three months	30.1	12.3	-2.5	-5.0	21.1	-18.6	-18.7
Personal Loans and Household Loans	Past three months	30.1	0.4	-32.4	-2.7	14.0	-26.0	0.6
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
Margin on riskier loans	Next three months	34.1	12.3	12.6	42.6	45.2	45.0	42.1
margin on prime borrowers	Next three months	-26.8	-57.1	-31.3	16.5	-30.6	-62.7	-60.7
Non-interest rate charges	Next three months	0.0	-25.1	0.0	-44.6	-16.9	-44.1	-31.5
Size of the loan or credit line	Next three months	-7.5	-34.6	0.5	-39.0	13.4	25.3	10.5
Collateral requirements	Next three months	13.6	-10.4	0.0	-9.7	31.5	50.5	-9.3
Maturity	Next three months	2.7	-18.6	0.0	-12.0	-26.2	16.5	-59.4
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
SMEs	Next three months	29.0	58.3	30.6	-0.2	42.6	64.9	72.3
Large enterprises	Next three months	18.4	22.7	30.8	-30.8	26.1	53.0	12.6
Short term loans	Next three months	29.0	63.1	32.3	-29.6	42.6	26.2	72.3
Long term loans	Next three months	28.6	32.6	40.5	-11.6	25.5	47.0	40.7
Default rate on loans to enterprises								
Overall	Next three months	12.9	-14.3	-10.2	30.8	-13.0	-13.2	-16.8
SMEs	Next three months	29.9	-40.9	-10.7	30.8	-13.6	-27.0	-46.1
Large enterprises	Next three months	19.7	-0.9	-19.7	30.8	4.1	-4.1	-20.0
Short term loans	Next three months	22.4	-52.8	-10.7	19.9	-14.4	-14.2	-42.5
Long term loans	Next three months	35.4	8.6	-1.0	30.8	-14.4	-11.1	-0.6
Period		**Mar-17**	**Jun-17**	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**	**Sep-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
	Next three months	1.0	7.5	-0.5	3.3	-13.8	14.6	22.7
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
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
Margin on riskier loans	Next three months	14.8	-10.0	2.9	15.2	32.3	25.7	12.6
Margin on prime borrowers	Next three months	-7.5	-9.5	-0.6	-10.2	-32.9	-46.8	-63.2
Non-interest rate charges	Next three months	2.7	-21.9	0.0	-10.9	0.2	0.0	-63.2
Size of the loan or credit line	Next three months	-6.3	-21.9	0.0	0.0	1.6	2.1	-27.7
Collateral requirements	Next three months	-7.9	2.4	-6.7	4.4	-28.4	33.1	13.6
Maturity	Next three months	-16.6	-21.9	0.0	0.0	-29.8	25.7	9.1
Default rate on loans to households	Next three months	4.1	11.5	21.4	-19.5	-11.3	-31.2	22.1

(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.

<u>APPENDIX 3: Methodology</u>

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