Bank Lending Survey Report
Second Quarter - FY 2019/20

STATISTICS DEPARTMENT, BANK OF UGANDA

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Executive Summary

Statistics Department conducted the lending survey for supervised financial institutions, for the quarter ended December 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 December 2019 and the expectations for the quarter to March 2020.

Credit Standards

In the second quarter of FY 2019/20, credit standards on loans to both enterprises and households were eased.

Across firm size, credit standards were eased for loans to SMEs, while loans to large enterprises recorded a net tightening.

In terms of loan duration, banks eased credit standards for short term loans and tightened long term loans on a net basis in the quarter to December 2019.

In the quarter to March 2020, banks expect to tighten and ease overall credit standards on a net basis for enterprises and households respectively, at a much higher pace compared to the previous quarter's expectations. The net tightening applies to credit standards on long term loans and loans to large enterprises. On the other hand, banks anticipate easing of credit standards on short term loans and small and medium sized enterprises on a net basis in the quarter to March 2020.

Credit Standards by Economic Sector

In terms of credit standards to the different economic sectors, banks reported that they had eased on a net basis for majority of the sectors except for Building, Mortgage, Construction and Real Estate Agriculture and Mining and Quarrying which were tightened during the quarter ended December 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 to ease price terms and conditions in the quarter to March 2020 for only prime borrowers, while tightening terms and conditions on average and risky loans. The easing of price terms and conditions for prime borrowers is based on; the need to remain competitive in the market while maximising the relationships with clients, the reduction in the CBR from 10 percent to 9 percent further stimulated business thus reducing the cost of financing.

As regards non-price terms and conditions, banks expect to keep them broadly unchanged, with collateral requirements and maturity period anticipated to tighten on a net basis.

Price terms and conditions for consumer credit are expected to tighten further on a net basis for riskier loans, but ease for average loans and prime borrowers, over the next three months to March 2020. Non-price terms and conditions in reference to non-interest rate charges and size of the loan are expected to ease, while the terms and conditions as regards duration of the loan and collateral requirements are expected to tighten.

Outlook on the default rate on loans

On a net basis, banks expect the default rate on loans to enterprises to remain broadly unchanged with a bias towards increase on a net basis. Similarly, they expect the default rate on loans to households and individuals to increase in the three months to March 2020. The expected increase in default rate on loans to enterprises and households is mainly attributed to the low economic activity after the festive season, delayed government payment of contractors, and seasonal low liquidity/disposable income usually experienced in the third quarter, coupled with individual prioritisation of first term school fees payment over loan instalment repayments.

Interest Rate Expectations

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with a few financial institutions anticipating a marginal decline over the next quarter. Those that anticipated a decrease in lending rates mainly attributed it to the expected further decline in CBR.

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 December 2019 and expectations for the quarter to March 2020. Questionnaires were completed by all 25 commercial banks and 9 nonbank deposit-taking 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 banks have introduced new lending policies or amended existing ones.

In the second quarter of FY 2019/20, credit standards on loans to enterprises were eased contrary to the tightening observed in the previous quarter.

Banks reported eased credit standards on a net basis of 14.7 percent during the quarter. (*See Tables 1 & 2 and Figure 1)*.

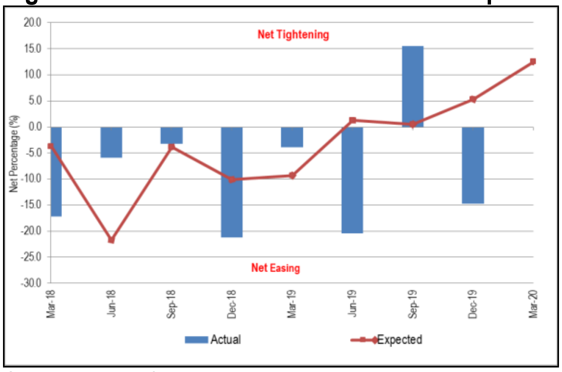
Across firm size, credit standards were eased for loans to SMEs (14.5 percent), while loans to large enterprises recorded a net tightening of 16.7 percent.

In terms of loan duration, banks eased credit standards for short term loans and tightened long term loans on a net basis in the quarter to December 2019. (*See Table 1*).

The reasons cited for the easing of loans to SMEs and short term loans include; focus on short term credit facilities which require minimal collateral, the need to tap into the increased demand from SMEs and for consumer loans for short term funding in relation to the festive season activities.

On the other hand, the approval of loans to large enterprises and long term loans has tightened as the banks ensure that loans are based on fairly adequate cash flows that can sustain smooth recoveries even in hard conditions and also the need to manage the credit Concentration risk.

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	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**	**Sep-19**	**Dec-19**
Tightened(A)	19.3	3.8	14.1	9.9	18.8	23.4	6.2	0.0	33.9	13.8
Unchanged	76.9	77.6	65.4	65.6	80.4	69.8	65.6	83.0	64.6	77.4
Eased (B)	3.8	18.5	20.5	24.5	0.8	6.8	28.2	17.0	1.4	8.8
Net %(A-B)	15.5	-14.7	-6.4	-14.5	18.1	16.7	-22.0	-17.0	32.5	5.1
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

In the quarter to March 2020, banks expect to tighten overall credit standards on a net basis, at a much higher pace compared to the previous quarter's expectations. The net tightening applies to credit standards on long term loans and loans to large enterprises. On the other hand, banks anticipate easing of credit standards on short term loans and small and medium sized enterprises on a net basis in the quarter to March 2020 (*See, Figure 1 and Table 2*).

The reasons provided by banks for the expected tightening of credit standards over the quarter to March 2020 include; the need to maintain a good portfolio quality, the impact of IFRS9 and the expected unfavourable or uncertain economic environment which is anticipated to have a negative impact on the portfolio.

On other hand, the expected easing of credit standards in the coming quarters was attributed to; increased demand for short term loans and trading in cereals as a result of the harvest period.

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-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**
Tighten (A)	11.6	18.2	0.5	7.1	15.1	32.1	16.4	1.6	25.0	37.5
Unchanged	82.1	76.1	74.4	80.3	80.5	66.4	69.9	70.2	70.6	59.1
Ease (B)	6.3	5.7	25.2	12.6	4.4	1.5	13.7	28.2	4.4	3.4
Net %(A-B)	5.4	12.5	-24.7	-5.6	10.7	30.6	2.7	-26.6	20.6	34.1
Interpretation: Negative-net easing, positive-net tightening										

Source: Bank of Uganda

1.1.2 Credit Standards by Economic Sector

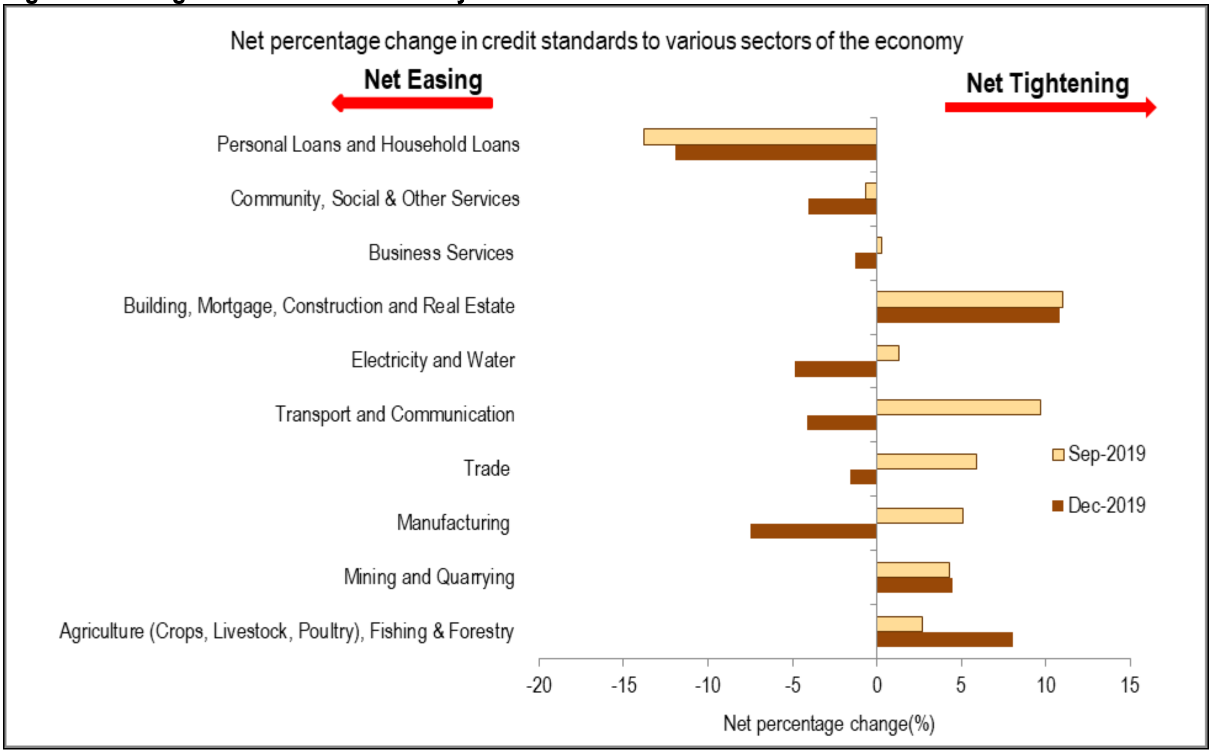
Banks reported that they had eased credit standards for the majority of the sectors of the economy on a net basis in the quarter to December 2019. The following sectors recorded a net easing; Personal and Household (11.9%) followed by Manufacturing (7.5%), Electricity and water (4.9), Transport and Communication (4.2%), Community, social and other services (4.1%) Trade (1.6%), and Business Services (1.3), while there was tightening for Building, Mortgage, Construction and Real Estate (10.8%), Agriculture (8.0%), and Mining and Quarrying (4.4%) (*See, Figure 2*).

The reasons cited for the net tightening of the Building, Mortgage, Construction and Real Estate sector include; the increased default by the players within the sector and the high credit concentration risk to real estate.

The tightening to the Agriculture sector was attributed to the weather conditions experienced during the quarter which were seen as a hindrance to production.

Trade and Personal loans were eased on account of increased demand for the festive season activities. Manufacturing on the other hand, was eased as result of its growing importance in economic growth in terms of import substitution especially for the SMEs 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).

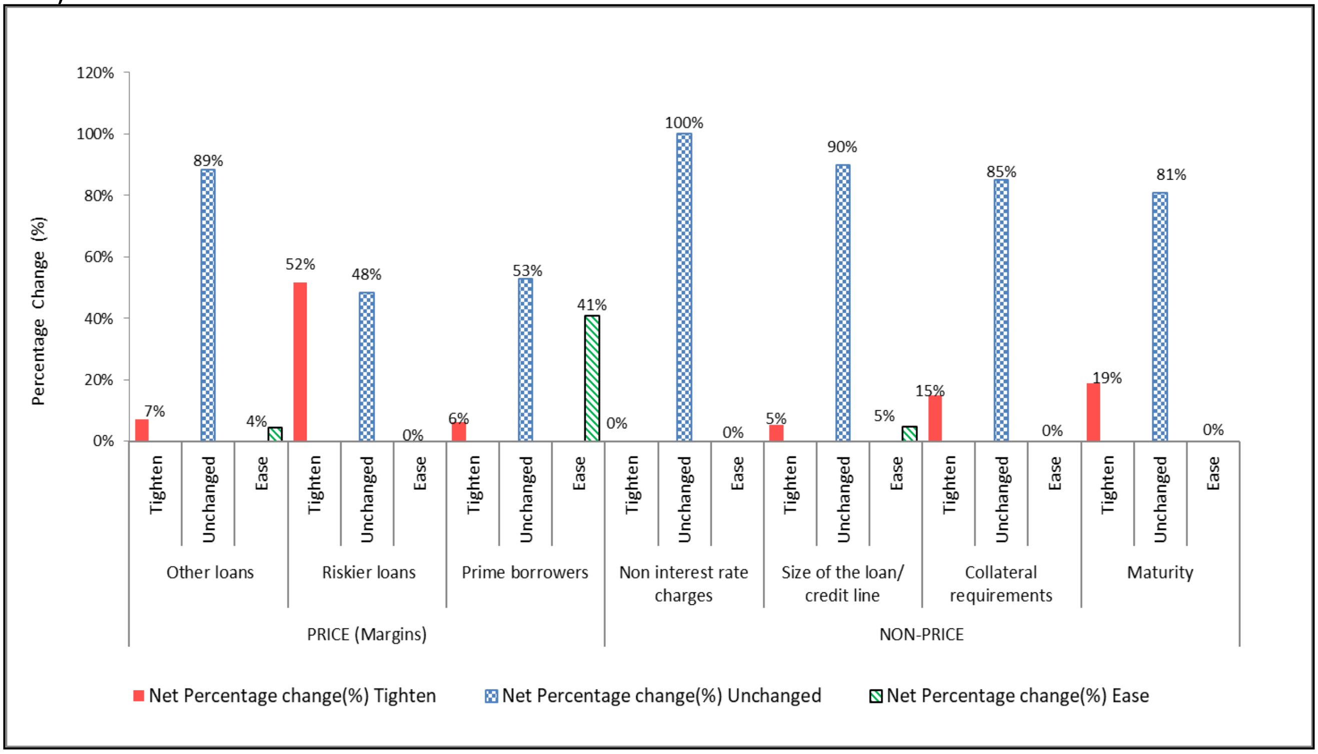
Majority of the banks expect to keep their price terms and conditions unchanged. On a net basis, banks expect to ease price terms and conditions in the quarter to March 2020 for only prime borrowers, while tightening terms and conditions on average and risky loans.

The easing of price terms and conditions for prime borrowers is based on; the need to remain competitive in the market while maximising the relationships with clients, the reduction in the CBR from 10 percent to 9 percent further stimulated business thus reducing the cost of financing.

On other hand, the continued tightening for riskier loans is mainly affected by the IFRS9 regime which emphasises that the riskier the facility the higher the chance of increased pricing.

As regards non-price terms and conditions, banks expect to keep them broadly unchanged, with collateral requirements and maturity period anticipated to tighten on a net basis (See, Figure 3). The reasons cited for the anticipated tightening of the collateral requirements and maturity period include; the need to meet IFRS9 requirements, the need for a fall-back position during recovery and non-repayment, more focus on short term lending rather than long-term.

Figure 3: Expected changes in terms & conditions for approving loans to enterprises (Quarter to March 2020)



Source: Bank of Uganda

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2020, 61.1 percent of the banks anticipate an overall increase in demand for credit. The expected increase in demand cuts across enterprise size and loan durations, although at a slower pace compared the previous survey expectations (*See Table 3* below).

Banks noted the fact that business is always slow in the third quarter, but identified some reasons that are expected to drive the increase in credit demand by enterprises which include;

a) Efforts to grow SME credit with short term facilities.
b) Continued stability of the economy.
c) Reduction in CBR coupled with improvement in Bank capital could spur uptake to some extent.
d) The opening of the school term could drive the need for credit demand by the education sector players.

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-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**	**Dec-19**	**Mar-20**
Increase(A)	88.1	61.1	90.0	49.6	78.5	51.7	71.0	41.5	51.8	46.4
Unchanged	10.7	15.7	10.0	15.7	18.4	23.0	27.8	18.7	33.8	37.0
Decrease(B)	1.2	23.3	0.0	34.8	3.1	25.3	1.2	39.8	13.9	16.6
Net %(A-B)	87.0	37.8	90.0	14.8	75.4	26.5	69.8	1.7	37.9	29.8
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 41.4 percent, higher than the net easing of 33.3 percent observed in the previous period (*See, Appendix 1*). The easing hinged on; the reduction in interest rates, festive season demands, digitalisation of loan application for easy access to credit by borrowers.

Similarly, in the quarter to March 2020, banks expect to ease credit standards to households at a higher pace (a net easing of 32.2%), compared to the previous quarter which had a (net easing of 3.0%). The expected easing is attributed to the seasonal demand for school fees as the new term opens and the relatively stable economic environment (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 further on a net basis for riskier loans, but ease for average loans and prime borrowers, over the next three months to March 2020. Non-price terms and conditions in reference to non-interest rate charges and size of the loan are expected to ease, while the terms and conditions as regards duration of the loan and collateral requirements are expected to tighten (See, Appendix 1).

The reasons cited for the anticipated easing of the margin on average loans and margin on prime borrowers include; reduction in the CBR, competition for the good customers in the market On the other hand, for the tightening on riskier loans, banks envisaged the need to subject high margins to match the expected risk.

In regards to non-price terms and conditions, the major reasons cited for net easing include the stable economy, competition in the market and the anticipated further reduction in the CBR. The expected tightening of the collateral requirements is largely driven the IFRS provisioning regime and the need to ease recovery in the event of default, while loan duration is hinged on the high turnover associated with personal lending.

Demand for Credit by households

Credit demand by households is expected to increase greatly in the three months to March 2020 with 83.4 percent of banks anticipating the demand to rise. This is a more ambitious expectation compared to the 68.5 percent that expected demand to grow in the previous survey results. The anticipated increase in demand is attributed to the expected desire for loans to meet financing needs for school fees payment and the impact of increased consumption during the festive period, hence the need for adequate funds to meet the demands of the New Year.

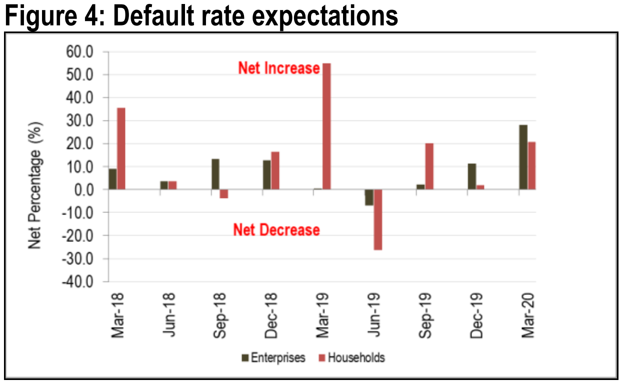
1.3 Expected Default rate on loans to enterprises and households

Banks generally expect the default rate on loans to enterprises to remain broadly unchanged, with a bias of 28.3 percent towards increasing on a net basis. The default rate is expected to increase on a net basis across all enterprises and loan durations at a much faster pace than in the previous survey results.

On the side of households and individuals, 47.7 percent of the banks expect the default rate on loans to households to remain unchanged, with 20.9 percent expecting an increase on net basis in the coming three months to March 2020 (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to the; low economic activity after the festive season, delayed government payment of contractors, and seasonal low liquidity/disposable income usually experienced in the third quarter, coupled with individual prioritisation of first term school fees payment over loan instalment repayments.

Figure 4: Default rate expectations



Source: Bank of Uganda

1.4 Interest Rate Expectations for Q3 FY 2019/20

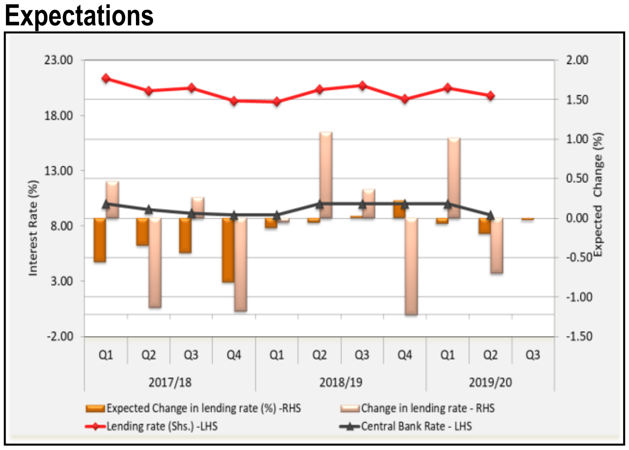
In an effort to understand the direction of interest rates from the lenders point of view, banks were asked to indicate the direction and magnitude of the change in their lending rates in the coming three months.

The survey results indicate that majority of the banks (62.7%) expect their lending rates to remain broadly unchanged, 20.0 percent expect the rates to decrease, while 17.4 percent expect the rates to increase over the next quarter to March 2020.

Banks that anticipated their lending rates to remain constant attributed it to the stability of the CBR, the need to remain competitive in the market while also meeting their operational costs and they don't expect any change in the short-term to the cost of funds, hence no alteration in pricing is expected.

The lending rate is anticipated to marginally decrease on average by 0.03 percentage points, over the quarter to March 2020 (See Figure 5). Those that anticipated a decrease in lending rates mainly attributed it to the expected further decline in CBR.

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 2019/2020. On the other hand, they expect to tighten credit standards for enterprises and further easing for households in the quarter to March 2020.

The reasons cited for the easing of loans to SMEs and short term loans was the focus on short term credit facilities which require minimal collateral, the need to tap into the increased demand from SMEs and for consumer loans for short term funding in relation to the festive season activities.

On the other hand, the approval of loans to large enterprises has tightened as the banks ensure that loans are based on fairly adequate cash flows that can sustain smooth recoveries even in hard conditions and also the need to manage the credit Concentration risk.

The demand for loans by enterprises and households is expected to increase in the quarter to March 2020, at a slower and higher pace, respectively than was anticipated in the previous survey results.

In the next three months to March 2020, the default rate on loans to both enterprises and households is expected to increase on a net basis. The expected increase in default rate on loans to enterprises and households is mainly attributed to the; low economic activity after the festive season, delayed government payment of contractors, and seasonal low liquidity/disposable income usually experienced in the third quarter, coupled with individual prioritisation of first term school fees payment over loan instalment repayments.

The survey results indicate that majority of the banks expect their lending rates to remain broadly unchanged, with only a few anticipating a marginal 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				2019/20	
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Credit policy as applied to the approval of loans or credit lines to enterprises															
Overall	Past three months	21.6	34.7	44.3	23.4	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9	-20.4	15.5	-14.7
	Next three months	24.7	30.7	8.2	-14.8	-25.3	-3.7	-21.7	-3.8	-10.1	-9.3	1.3	0.5	5.4	12.5
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	-13.7	-6.4	-14.5
	Next three months	29.5	24.0	7.8	-18.4	-24.5	-16.1	-21.5	-3.9	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6
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	5.6	-18.1	18.1	16.7
	Next three months	29.7	31.6	16.5	13.8	-4.7	-0.1	5.4	0.7	-15.8	0.6	18.3	11.7	10.7	30.6
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	-10.5	-31.7	-22.0	-17.0
	Next three months	-14.6	-1.0	-10.9	-7.2	-24.6	-23.1	-24.4	-7.0	-44.9	-14.2	-10.8	2.5	2.7	-26.6
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	5.7	11.7	32.5	5.1
	Next three months	41.8	40.8	9.5	20.0	18.1	-1.9	3.5	-0.4	-0.5	0.7	29.2	14.3	20.6	34.1
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	18.5	38.0	30.6	46.1	21.5	14.3	-2.0	-7.6	-6.1	-8.0	-8.7	-5.8	2.7	8.0
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	6.9	-9.8	4.3	4.4
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	-14.2	5.1	-7.5
Trade	Past three months	25.8	37.5	14.9	4.0	-4.1	-11.0	-3.7	-2.3	-5.6	-16.1	-9.5	-31.0	5.9	-1.6
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	-5.6	9.7	-4.2
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	-20.1	1.3	-4.9
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	20.0	-14.7	11.0	10.8
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	-2.9	0.3	-1.3
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	-9.8	-0.7	-4.1
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	-11.9	-19.1	-13.8	-11.9
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	-7.8	-13.2	2.7
Margin on riskier loans	Next three months	51.6	78.5	77.8	75.4	78.1	72.6	62.7	45.8	46.1	57.3	56.5	37.9	40.3	51.7
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	-32.8	-56.0	-39.6	-34.5
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	6.6	-6.4	0.0
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	6.6	-6.9	-0.1	0.8
Collateral requirements	Next three months	26.4	14.2	45.8	23.1	31.5	44.8	33.1	13.8	36.5	34.3	13.5	7.4	1.0	15.0
Maturity	Next three months	30.9	34.3	20.8	4.1	17.6	16.3	14.0	20.3	30.1	28.7	24.5	24.6	8.6	18.8
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	72.8	45.6	80.7	67.6	87.0	37.8
SMEs	Next three months	75.7	15.2	95.1	92.0	87.1	74.0	85.8	87.2	67.6	38.6	87.3	75.4	90.0	14.8
Large enterprises	Next three months	59.9	6.6	71.0	56.3	51.7	67.5	74.4	67.1	59.6	23.2	61.0	60.7	75.4	26.5
Short term loans	Next three months	74.4	17.2	79.9	92.9	93.5	75.4	83.5	83.6	71.8	51.8	83.8	63.2	69.8	1.7
Long term loans	Next three months	48.3	8.8	78.5	48.1	33.1	69.9	75.1	67.3	59.9	24.4	59.4	43.0	37.9	29.8
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	2.2	11.5	28.3
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	6.7	6.5	26.1
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	18.3	-5.7	15.3
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	2.2	0.4	9.8
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	19.8	-3.8	5.6
Period		2016/17				2017/18				2018/19				2019/20	
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-8.7	11.0	-7.3	-5.9	-27.2	-24.0	-11.1	-1.2	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4
	Next three months	-11.6	-7.7	13.1	-17.5	-28.5	-33.3	-10.2	-0.4	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2
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	68.9	71.3	76.3	39.5	52.1	83.4
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	7.1	-25.2	-7.0
Margin on riskier loans	Next three months	4.0	28.3	38.3	52.0	61.3	48.2	51.2	6.4	47.4	18.6	50.4	27.5	60.3	73.7
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	-16.3	-41.4	-42.5
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	4.0	-13.3	-16.4
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	-17.5	-0.6	-28.6	-27.6
Collateral requirements	Next three months	9.2	23.1	-15.6	23.7	18.2	17.1	16.9	0.9	8.6	12.8	13.0	-2.7	2.3	10.2
Maturity	Next three months	14.7	20.5	-14.1	1.5	-1.7	0.6	-5.1	3.3	12.0	13.9	1.0	4.5	-8.1	2.2
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	16.6	55.0	-26.3	20.3	2.0	20.9
Period		2016/17				2017/18				2018/19				2019/20	
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Lending rates expectation Increae(+)/Decrease(-)	Next three months	-43.6	-36.3	-73.1	-49.5	-33.7	-37.2	-68.3	-12.7	-4.2	16.3	22.1	-10.0	-19.6	-2.6
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	-0.07	-0.20	-0.03

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	Sep-19	Dec-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	13.4	59.6	4.4	-21.9
	Next three months	-2.0	63.5	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1
SMEs	Past three months	7.6	21.8	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7
	Next three months	-19.3	64.2	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5
Large enterprises	Past three months	18.5	35.6	5.6	8.0	9.1	14.3	26.1	11.6	18.4
	Next three months	-20.5	34.5	33.8	38.5	9.2	11.0	22.6	-7.1	1.1
Short term loans	Past three months	-9.7	8.8	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2
	Next three months	26.2	34.0	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5
Long term loans	Past three months	1.2	52.1	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3
	Next three months	0.0	20.7	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8
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	0.7	-45.7	-19.9	12.4
Mining and Quarrying	Past three months	7.0	0.0	26.1	0.0	0.0	0.0	30.3	3.1	0.0
Manufacturing	Past three months	7.0	7.3	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0
Trade	Past three months	-5.0	7.3	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5
Transport and Communication	Past three months	5.8	36.1	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1
Electricity and Water	Past three months	-3.9	6.7	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0
Building, Mortgage, Construction and Real Estate	Past three months	-2.7	7.3	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0
Business Services	Past three months	-5.0	7.3	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0
Community, Social & Other Services	Past three months	-5.0	21.1	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0
Personal Loans and Household Loans	Past three months	-2.7	14.0	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0
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	12.6	-4.5	11.5	-20.5
Margin on riskier loans	Next three months	42.6	45.2	44.2	41.8	40.2	14.8	28.7	11.1	25.5
margin on prime borrowers	Next three months	16.5	-30.6	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4
Non-interest rate charges	Next three months	-44.6	-16.9	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4
Size of the loan or credit line	Next three months	-39.0	13.4	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2
Collateral requirements	Next three months	-9.7	31.5	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6
Maturity	Next three months	-12.0	-26.2	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5
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	72.7	67.7	67.9	-28.7
SMEs	Next three months	-0.2	42.6	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7
Large enterprises	Next three months	-30.8	26.1	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9
Short term loans	Next three months	-29.6	42.6	25.2	72.1	17.5	72.7	31.3	65.6	-12.3
Long term loans	Next three months	-11.6	25.5	47.7	40.9	24.3	28.1	56.3	9.0	15.9
Default rate on loans to enterprises										
Overall	Next three months	30.8	-13.0	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0
SMEs	Next three months	30.8	-13.6	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0
Large enterprises	Next three months	30.8	4.1	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8
Short term loans	Next three months	19.9	-14.4	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0
Long term loans	Next three months	30.8	-14.4	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6

Period		Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-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	-34.8	-10.7	-5.0	-25.9
	Next three months	3.3	-13.8	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7
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	41.0	86.2	67.8	-3.6
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	3.8	-33.9
Margin on riskier loans	Next three months	15.2	32.3	26.1	12.7	13.8	8.9	25.8	11.9	-21.7
Margin on prime borrowers	Next three months	-10.2	-32.9	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4
Non-interest rate charges	Next three months	-10.9	0.2	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0
Size of the loan or credit line	Next three months	0.0	1.6	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1
Collateral requirements	Next three months	4.4	-28.4	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0
Maturity	Next three months	0.0	-29.8	26.1	9.2	0.0	-16.4	18.0	0.0	0.0
Default rate on loans to households	Next three months	-19.5	-11.3	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8

(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 two month period (October-November 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, 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