Bank Lending Survey Report
Third Quarter - FY 2020/21

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 March 2021. 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 March 2021 and the expectations for the quarter to June 2021.

Credit Standards

In the Third quarter of FY 2020/21, credit standards to enterprises tightened, while that of households eased although at a slower pace compared to the previous quarter.

Across firm size, credit standards were tightened for both SMEs and large enterprises, albeit at a slower pace when compared to the previous survey results.

In terms of loan duration, credit standards improved in both short and long term loans as the rate of tightening measured on net basis declined in the quarter to March 2021, from that reported in the previous survey

Going forward (quarter to June 2021), banks expect to tighten credit standards for enterprises, but further ease credit standards for households. Banks also expect to tighten credit standards across all firm sizes and loan durations.

Credit Standards by Economic Sector

In the quarter to March 2021, banks reported tight credit standards for all economic sectors except for personal and household, trade, manufacturing, electricity & water and business services which were eased on a net basis. However, the degree of tightness in credit standards as measured by the scale of net tightening decreased in this period for majority of the sectors when compared to the previous period.

Outlook on Demand for credit

In the quarter to June 2021, banks anticipate an overall increase in demand for credit from enterprises and individuals on a net basis, at a much faster pace compared to the previous survey results.

Outlook on Terms & Conditions for credit

In the quarter to June 2021, banks expect to tighten price terms and conditions for riskier loans to both enterprises and households to reflect the increased inherent credit risk coupled with the need to reduce nonperforming assets which were occasioned by the covid-19 pandemic.

Similarly, most banks are expected to tighten their non-price terms and conditions for consumer credit and collateral requirements for enterprises to reflect the drastic fall in property values and the need to mitigate default risk.

Outlook on the default rate on loans

Most banks expect the default rate on loans to both enterprises and households to increase in the quarter to June 2021, although at a slower pace compared to the previous survey results.

The expected increase in default rate on loans to enterprises and households is mainly attributed to the spill-over effects of the Covid-19 pandemic to other sectors of the economy.

Interest Rate Expectations

Majority of banks (96.7%) expect their lending rates to remain largely unchanged, while 2.7 percent and 0.5 percent expect lending rates to decline and increase, respectively, in the quarter to June 2021.

The lending rate is expected to remain fairly stable in the quarter to June 2021 when compared to that in the quarter to March 2021, only anticipated to decrease marginally by 0.003 percentage points.

Bank of Uganda's liquidity assistance to Supervised Financial Institutions.

Majority of banks noted that they had not accessed the facility in the quarter ended March 2021 and cited the availability of internally generated funds, customer deposits, excess reserves and funds from development partners, parent group companies and international financial organisations as their main sources.

Banks action on restructuring of credit facilities

Majority of banks (88.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 13.9 percent of their loan portfolio in the quarter to March 2021.

Introduction

The quarterly lending survey conducted by the Statistics Department of the Bank of Uganda 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 March 2021 and expectations for the quarter to June 2021. 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.

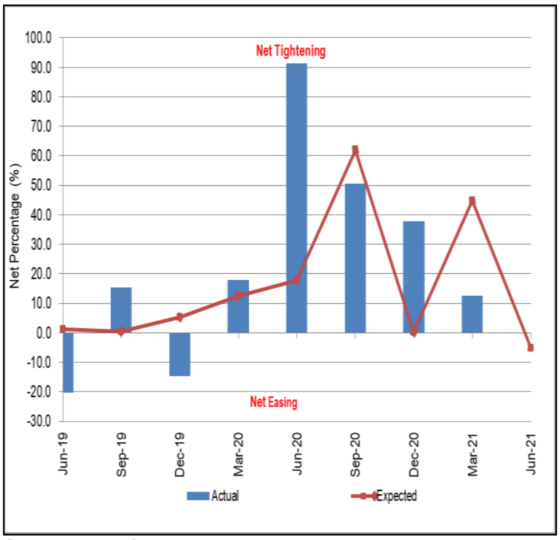
In the Third quarter of FY 2020/21, credit standards on loans to enterprises improved as the measure of net tightening declined to 12.6 percent from 37.9 percent in the quarter to March 2021 (see Figure 1). This was in line with the expectations of the banks during the second quarter survey despite the decreased tightening. (*See Tables 1 & 2*).

Across firm size, credit standards improved in both SMEs and large enterprises as the measure of net tightening in the two categories declined to 10.7 percent and 15.4 percent, respectively.

In terms of loan duration, the credit standards improved in both short and long term loans as the rate of tightening measured on net basis declined in the quarter to March 2021, from that reported in the previous survey. (*See Table 1*).

The major reasons cited by banks for the relatively tight credit standards include; cautious evaluation and approval of credit as some of the enterprises such as schools, hospitality and entertainment industry are still under partial/full lockdown, slowdown in business activity during the election period and the recurrent effects of the COVID-19 pandemic on the general business environment.

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	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**	**Dec-20**	**Mar-21**
Tightened(A)	40.8	17.2	38.5	17.7	45.6	19.2	36.8	15.5	41.4	19.0
Unchanged	56.3	78.3	58.6	75.3	54.4	77.0	55.1	73.1	56.3	77.0
Eased (B)	2.9	4.5	2.9	7.0	0.0	3.8	8.1	11.4	2.3	4.0
Net %(A-B)	**37.9**	**12.6**	**35.6**	**10.7**	**45.6**	**15.4**	**28.7**	**4.1**	**39.1**	**15.0**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to June 2021, banks expect to ease overall credit standards on a net basis. Notably, banks expect to ease credit standards on loans to SMEs and across all loan durations, and tighten for loans to large enterprises on a net basis. (*See, Figure 1 and Table 2*).

The major reasons cited by banks for the expected net easing of credit standards in the next quarter include; the opening of more sectors of the economy is anticipated to improve business activity and the, rolling out of the Covid-19 vaccine is expected to enable more movement within and across boundaries. On the other hand, the tightening of credit standards to large enterprises was attributed to the huge risk exposure associated with such facilities amidst the uncertain business environment.

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	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**
Tighten (A)	45.0	16.5	39.2	15.6	46.9	26.1	35.2	14.0	45.7	16.5
Unchanged	54.9	62.0	57.4	58.7	53.1	55.4	56.3	61.3	53.7	62.1
Ease (B)	0.1	21.5	3.4	25.7	0.0	18.4	8.5	24.7	0.6	21.4
Net %(A-B)	**44.9**	**-5.0**	**35.8**	**-10.1**	**46.9**	**7.7**	**26.6**	**-10.8**	**45.1**	**-4.9**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

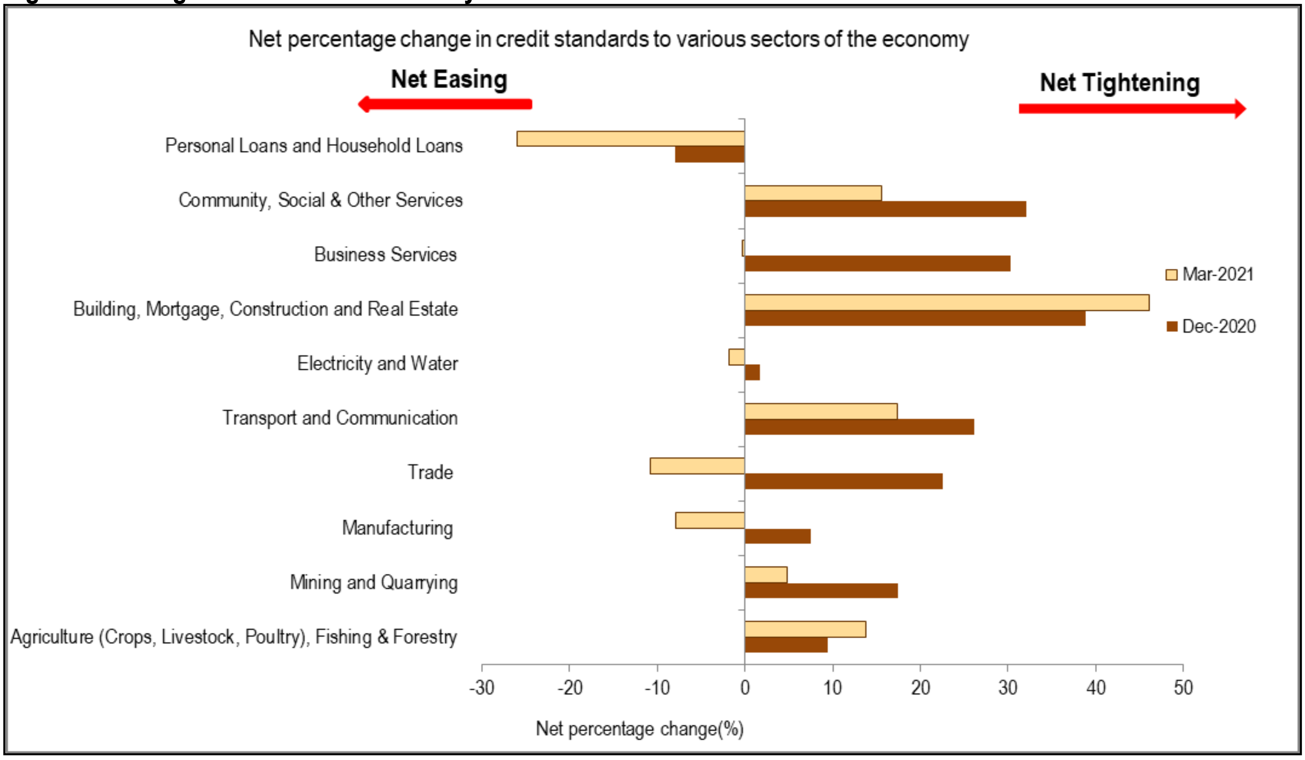
In the quarter to March 2021, banks reported tight credit standards for all economic sectors except for personal and household, trade, manufacturing, electricity and water and business services which were eased on a net basis. However, the degree of tightness in credit standards as measured by the scale of net tightening decreased in this period for some of the sectors when compared to the previous period such as mining & quarrying, transport & communication and community, social & other services

The sectors which recorded the highest net tightening credit standards were; Building, mortgage, construction and real estate (46.1%), followed by Transport and communication (17.3%), Community, social and other services (15.6%), Agriculture (13.7%) and Mining and quarrying (4.9%). Those that registered a net easing included; personal and household (26.0%), trade (10.7%), Manufacturing (7.9%). Electricity and water (1.8%) and Business services (0.3%).

The continued tight credit standards in most sectors of the economy is attributed to the continued partial and full lock down of some business sectors such as schools and the entertainment industry. As regards, the building, mortgage, construction and real estate sector, banks noted that the market is still tight and demand for properties has tremendously gone down.

On the other hand, the eased credit standards in trade were based on the improved business environment which has in turn led to increased demand for financing by traders who were affected by the covid-19 pandemic. In addition, the easing of personal and households loans was attributed to their relatively low risk in comparison to the other sectors.

Figure 2: Changes in Credit Standards by Economic Sector



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions[1] for Credit to Enterprises

Majority of the banks expect to maintain price terms and conditions in the quarter to June 2021 (Figure 3). All loan classifications (riskier loans, prime loans and average loans) are expected to have unchanged price terms and conditions with a bias toward easing, largely reflecting the favourable central bank rate and the increased completion for new borrowers as business resumes.

However, 21 percent of banks expect to tighten price terms and conditions for the riskier loans mainly attributed to the need to reduce nonperforming assets which were expedited by the covid-19 pandemic.

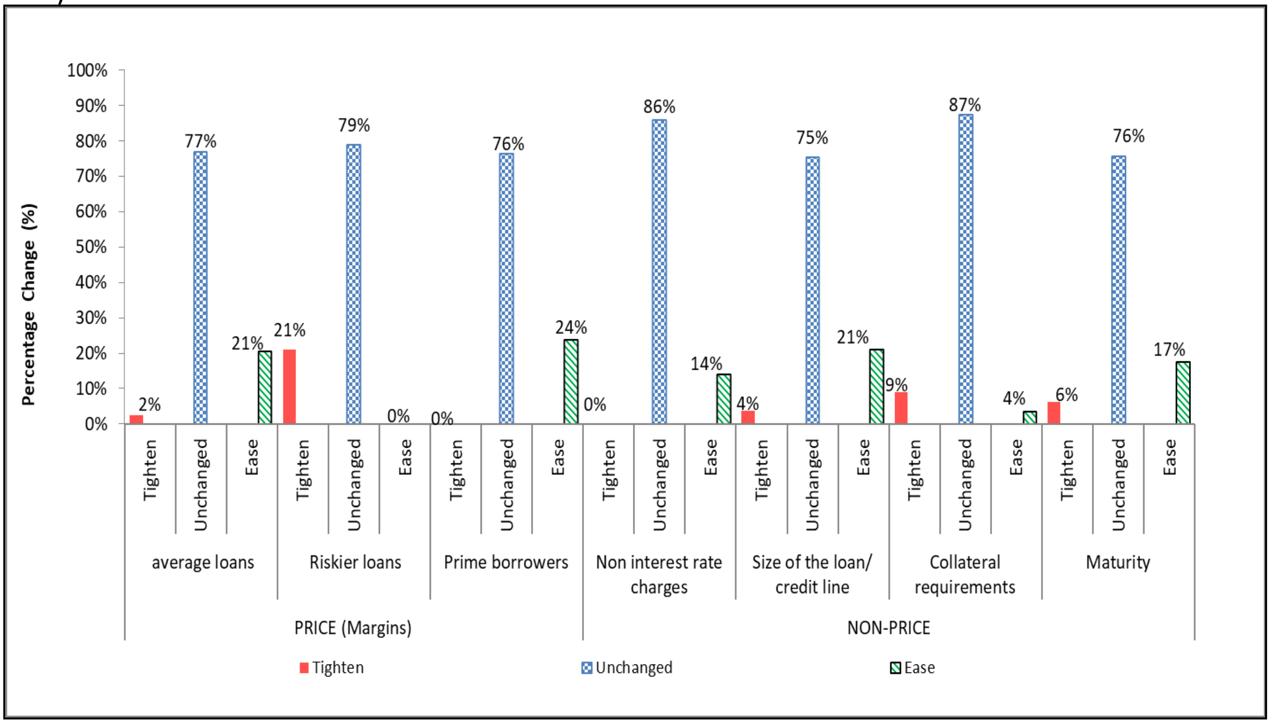
Similarly, majority of banks expect to maintain non-price terms and conditions in the quarter to June 2021 (Figure 3). However, most of the banks expect to ease the maturity period, the size of loan and non-interest charges on a net basis. On the contrary, 9 percent of the banks expect to tighten collateral requirements during this period.

The main reasons banks expect to ease most non-price terms and conditions in the quarter to June 2021 cited include; improving economic conditions and the need to grow the loan book.

On the other hand, the tightening of collateral requirements is attributed to the drastic fall in property values and the need to mitigate default risk.

[1] 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: Price-related terms and conditions that include the direct price or interest rate. 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).

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to June 2021)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2021 (Table 3), on net basis, 76.4 percent of banks anticipate an overall increase in demand for credit, compared to 11.7 percent in the previous quarter. Notably, demand for loans across all firm sizes and loan durations is expected to increase at a much faster pace when compared to the previous quarter.

The reasons cited by most banks for the expected increase in credit demand include;

a) Short term needs for clients that have working capital gaps like paying Uganda Revenue Authority taxes and Easter season expenditures.

b) Further easing of the lockdown conditions are expected to stimulate economic activity for example in the education sector which has been partially opened.

c) The discovery of the Covid-19 vaccine is expected to lead to further lifting of more restrictions attached to other sectors and more travel openness across borders especially for traders and tourists.

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	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**	**Mar-21**	**Jun-21**
Increase(A)	38.3	76.4	37.5	64.5	30.5	61.9	57.8	85.2	26.2	81.4
Unchanged	35.1	23.6	43.6	35.5	35.0	38.1	24.1	14.3	46.8	18.6
Decrease(B)	26.6	0.0	18.9	0.0	34.5	0.0	18.1	0.5	27.0	0.0
Net %(A-B)	**11.7**	**76.4**	**18.6**	**64.5**	**-4.0**	**61.9**	**39.7**	**84.7**	**-0.9**	**81.4**
Interpretation: Negative-net decrease, positive-net increase										

Source: *Bank of Uganda*

1.2 Households

1.2.1 Credit standards to households

The findings revealed that, on a net basis, 8.1 percent of the banks eased credit standards to households, lower than the 13.9 percent of banks that eased credit standards in the previous period (*See, Appendix 1*). The major reasons cited by banks for easing credit standards in the current period were;

a) Banks' strategic focus on personal and salary loans as these are secured and have guaranteed monthly inflows.

b) Further relaxation of Covid-19 restrictions on most sectors for example reopening of schools.

Similarly, in the quarter to June 2021, banks expect to ease credit standards to households with a net easing of 24.0 percent, an improvement from the 5.9 percent recorded in the quarter ended March 2021.

The expected easing of credit standards to the household sector is mainly attributed to the revitalisation of the businesses on account of further easing of the lockdown measures.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to ease on a net basis for average and prime borrowers, but tighten for riskier loans over the next three months to June 2021. Similarly, majority of the banks expect to tighten their non-price terms and conditions for consumer credit on a net basis (See, Appendix 1).

The major reasons cited for the anticipated tightening of price terms and conditions for the riskier loans and non-price terms and conditions are; the inherent credit risk arising from the prevailing economic environment and the decline in property values.

On the other hand, the expected easing for average and prime borrowers is attributed to the favourable Central Bank rate and the need to keep the available credit worthy customers in the market.

1.2.3 Demand for Credit by households

Credit demand by households is expected to increase in the three months to June 2021. Specifically, 64.4 percent of banks anticipate a rise in households credit demand in the next quarter, up from 52.3 percent in the quarter to March 2021. The anticipated increase in household credit demand is attributed to; school fees pressures as most classes return to school in a phased manner, the pickup in economic activity and the upcoming Easter season festivities.

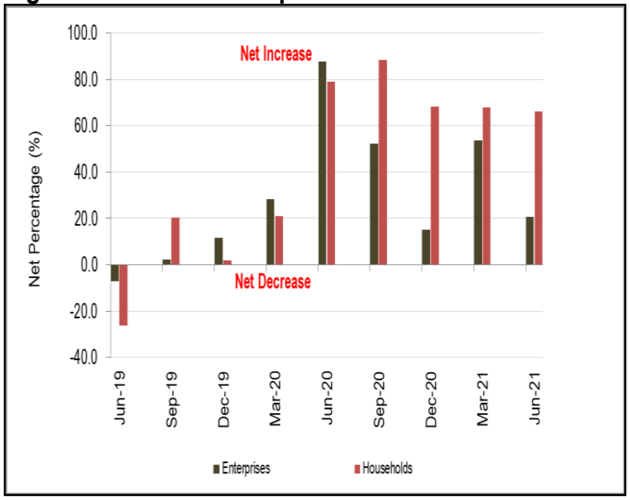
1.3 Expected Default rate on loans to enterprises and households

Overall, 20.6 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to June 2021, down from 53.6 percent registered in the previous quarter. The anticipated increase in default rate cuts across all firm sizes and loan durations.

On the side of households, 66.2 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to June 2021, compared to the 67.9 percent recorded in the previous survey results (See Appendix 1).

The expected increase in default rate on loans to enterprises and households is mainly attributed to; spill over effects of the Covid-19 pandemic that have led to slowed recovery of businesses which were further affected by the election period, the low purchasing power coupled with the expiry of the credit relief moratorium that may see most businesses struggle to meet their loan repayment obligations, the reduced disposable income for some customers and demand for school fees may also increase pressure on individuals, hence defaulting on their loans.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q4 FY 2020/21

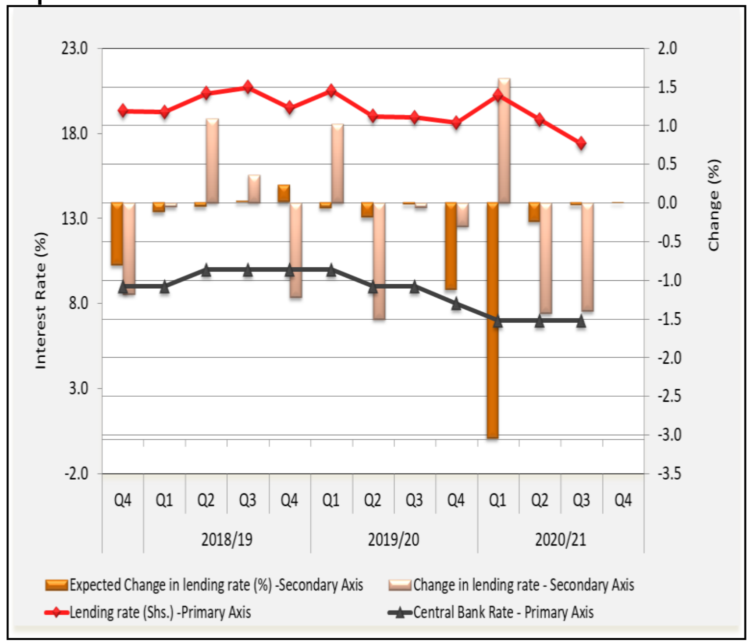
In an effort to understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to June 2021.

The results indicate that majority of the banks (96.7%) expect their lending rates to remain largely unchanged, while 2.7 percent and 0.5 percent expect lending rates to decline and increase, respectively, in the quarter to June 2021.

The lending rate is expected to remain fairly stable in the quarter to June 2021 when compared to that in the quarter to March 2021, only anticipated to decrease marginally by 0.003 percentage points (See Figure 5).

The anticipated relative stability in the lending rates was attributed to the stable and low Central Bank rate and the need to maintain the best clients amidst the increased competition for the same in the market.

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 Bank of Uganda's liquidity assistance to Supervised Financial Institutions.

In line with the Bank of Uganda's efforts to mitigate the economic impact of COVID-19 through provision of liquidity assistance to SFIs, banks were asked to indicate how these efforts have facilitated their credit extension efforts to the private sector.

All the banks noted that they had not accessed the facility in the quarter ended March 2021 and cited availability of internally generated funds, customer deposits, excess reserves and funds from development partners, parent group companies and international financial organisations as their main sources.

1.6 Banks action on restructuring of credit facilities

Banks were further asked to indicate whether they restructured their credit facilities in the quarter to March 2021 following Bank of Uganda's action of waiving limitations on restructuring of credit facilities.

Majority of banks (88.0 percent) reported that they had restructured some of their credit facilities during the quarter. On average, banks indicated to have restructured 13.9 percent of their loan portfolio in the quarter to March 2021.

The main reasons cited for restructuring of credit facilities all stem from the impact of the COVID-19 pandemic that has greatly constrained customers' ability to pay through limiting their cash flows, layoffs of salary earners and delayed payments by the Government to contractors.

Conclusion

The bank lending survey results indicate that in the third quarter of FY2020/21, credit standards to enterprises tightened, while that of households eased although at a slower pace.

Going forward (quarter to June 2021), banks expect to ease credit standards to both enterprises and households, except for large enterprises that are anticipated to be tightened.

Moreover, the demand for loans by both enterprises and households is expected to increase in the quarter to June 2021 at a faster pace compared to that reported in the previous survey. The low increase in demand for loans in the quarter ended March was also observed in the number of applications received by commercial banks from a total of 1,137,851 applications received in October and November 2020 down to 1,029,645 applications registered in January and February 2021.

On the other hand, the default rate on loans to both enterprises and households is expected to increase in the quarter to June 2021, although at a slower pace compared to the previous survey results mainly attached to the spill over effects of the Covid-19 pandemic.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged with a bias towards a decrease , reflecting a stable and low Central Bank rate and the need to maintain the best clients amidst the increased competition for the same in the market.

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		2017/18				2018/19				2019/20				2020/21		
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
or credit lines to enterprises																
Overall	Past three months	15.1	-8.5	-17.2	-5.9	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3	50.6	37.9	12.6
	Next three months	-25.3	-3.7	-21.7	-3.8	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1	0.4	44.9	-5.0
SMEs	Past three months	6.3	-10.6	-35.5	-0.1	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3	50.6	35.6	10.7
	Next three months	-24.5	-16.1	-21.5	-3.9	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8	-6.4	35.8	-10.1
Large enterprises	Past three months	32.5	-2.9	10.6	16.8	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1	57.4	45.6	15.4
	Next three months	-4.7	-0.1	5.4	0.7	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5	3.4	46.9	7.7
Short term loans	Past three months	-10.9	-27.7	-31.4	-15.6	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7	41.1	28.7	4.1
	Next three months	-24.6	-23.1	-24.4	-7.0	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4	-22.4	26.6	-10.8
Long term loans	Past three months	47.7	3.7	5.5	8.4	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5	55.2	39.1	15.0
	Next three months	18.1	-1.9	3.5	-0.4	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5	2.2	45.1	-4.9
or credit lines to enterprises to different sectors																
Agriculture (Crops, Livestock, Poultry), Fishing & F(	Past three months	21.5	14.3	-2.0	-7.6	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9	35.1	9.4	13.7
Mining and Quarrying	Past three months	17.3	0.1	1.2	0.7	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3	40.4	17.5	4.9
Manufacturing	Past three months	9.1	4.7	13.2	-10.3	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3	42.6	7.5	-7.9
Trade	Past three months	-4.1	-11.0	-3.7	-2.3	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7	59.3	22.6	-10.7
Transport and Communication	Past three months	15.8	4.7	12.5	1.2	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0	48.1	26.1	17.3
Electricity and Water	Past three months	6.4	-3.6	2.5	-5.5	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6	-3.9	1.7	-1.8
Building, Mortgage, Construction and Real Estate	Past three months	50.5	29.1	49.0	20.2	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5	71.2	38.9	46.1
Business Services	Past three months	-2.1	-9.5	2.7	-1.1	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1	58.2	30.3	-0.3
Community, Social & Other Services	Past three months	7.8	-9.9	7.1	0.0	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0	56.0	32.1	15.6
Personal Loans and Household Loans	Past three months	-2.5	-10.3	1.6	4.5	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9	42.9	-8.0	-26.0
credit lines to enterprises																
Margin on average loans	Next three months	-24.2	-10.0	-19.2	-10.1	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3	-10.9	-0.9	-18.1
Margin on riskier loans	Next three months	78.1	72.6	62.7	45.8	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9	59.7	31.7	21.0
margin on prime borrowers	Next three months	-42.4	-40.0	-5.7	-24.9	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6	-22.4	-21.8	-23.7
Non-interest rate charges	Next three months	-12.2	-8.6	-10.2	3.0	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9	-2.2	-3.2	-14.0
Size of the loan or credit line	Next three months	-1.8	5.2	-14.1	19.7	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9	44.3	25.3	-17.3
Collateral requirements	Next three months	31.5	44.8	33.1	13.8	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2	48.9	33.5	5.5
Maturity	Next three months	17.6	16.3	14.0	20.3	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7	40.7	24.5	-11.4
enterprises(apart from normal seasonal																
Overall	Next three months	76.8	72.8	82.9	82.0	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7	64.4	11.7	76.4
SMEs	Next three months	87.1	74.0	85.8	87.2	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2	66.7	18.6	64.5
Large enterprises	Next three months	51.7	67.5	74.4	67.1	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9	38.5	-4.0	61.9
Short term loans	Next three months	93.5	75.4	83.5	83.6	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3	80.4	39.7	84.7
Long term loans	Next three months	33.1	69.9	75.1	67.3	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2	38.0	-0.9	81.4
Default rate on loans to enterprises																
Overall	Next three months	-3.2	9.1	3.7	13.2	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1	15.2	53.6	20.6
SMEs	Next three months	-3.2	11.2	4.6	29.5	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9	21.4	52.5	27.4
Large enterprises	Next three months	7.0	8.9	1.6	18.8	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6	16.0	50.1	45.9
Short term loans	Next three months	-5.9	0.9	3.9	11.8	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5	15.3	57.9	34.7
Long term loans	Next three months	-2.0	6.0	3.7	23.2	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1	20.4	56.4	35.0

Period		2017/18				2018/19				2019/20				2020/21		
Part II: Households		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
to households and non-enterprises	Past three months	-27.2	-24.0	-11.1	-1.2	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9	47.9	-13.9	-8.1
	Next three months	-28.5	-33.3	-10.2	-0.4	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8	-4.0	-5.9	-24.0
enterprises (for purposes of consumer credit)	Next three months	80.7	89.2	79.4	79.1	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7	67.8	34.2	63.3
credit lines to households																
Margin on average loans	Next three months	-17.6	2.1	-12.7	-5.1	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5	-18.0	1.7	-2.5
Margin on riskier loans	Next three months	61.3	48.2	51.2	6.4	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0	32.7	32.0	19.8
Margin on prime borrowers	Next three months	-18.0	-10.5	-15.1	-30.4	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3	-18.4	-13.2	-7.0
Non-interest rate charges	Next three months	-4.8	6.1	0.1	3.0	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9	-0.6	-0.6	0.00
Size of the loan or credit line	Next three months	-9.5	-6.8	-3.0	3.2	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8	22.7	29.6	9.6
Collateral requirements	Next three months	18.2	17.1	16.9	0.9	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1	27.4	37.6	22.3
Maturity	Next three months	-1.7	0.6	-5.1	3.3	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0	-22.2	22.5	15.4
Default rate on loans to households	Next three months	1.6	35.5	3.6	-3.7	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4	68.4	67.9	66.2

Period		2017/18				2018/19				2019/20				2020/21		
Part III: Occassional Questions		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Lending rates expectation																
Increae(+)/Decrease(-)	Next three months	-33.7	-37.2	-68.3	-12.7	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8	-23.1	-1.9	-2.2
Percentage change	Next three months	-0.3	-0.4	-0.8	-0.1	-0.1	0.0	0.2	-0.07	-0.20	-0.03	-1.13	-3.05	-0.25	-0.04	-0.003

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. previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided

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		**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Credit policy as applied to the approval of loans or credit lines to enterprises													
Overall	Past three months	33.6	-14.6	-24.1	13.4	59.6	4.4	-21.9	25.2	63.1	29.8	64.1	9.4
	Next three months	5.8	5.9	-9.2	-3.0	45.0	29.8	45.1	66.8	32.3	41.7	70.7	-31.5
SMEs	Past three months	33.6	-11.5	-8.9	14.1	57.7	12.8	-13.7	53.1	63.1	40.8	64.1	-48.9
	Next three months	8.0	-35.1	3.4	-3.0	44.5	28.3	62.5	66.1	49.9	41.7	70.7	-2.3
Large enterprises	Past three months	5.6	8.0	9.1	14.3	26.1	11.6	18.4	26.6	43.9	26.2	32.2	36.7
	Next three months	33.8	38.5	9.2	11.0	22.6	-7.1	1.1	38.9	31.9	27.1	46.3	15.3
Short term loans	Past three months	-5.2	-23.4	-20.4	-22.5	53.5	-3.1	-32.2	24.7	61.5	39.6	64.1	2.5
	Next three months	-37.0	-63.0	-16.0	-21.8	33.3	7.3	25.5	44.6	25.0	30.9	70.7	-19.8
Long term loans	Past three months	-27.9	14.5	-17.7	28.4	30.3	-4.4	17.3	25.9	56.7	16.4	33.6	38.5
	Next three months	28.3	25.4	-9.2	1.6	22.5	-20.3	29.8	38.2	44.0	27.1	46.3	-22.0
Credit policy as applied to the approval of loans or credit lines to enterprises to different sectors													
Agriculture (Crops, Livestock, Poultry), Fishing & Forestry	Past three months	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3	-4.7	-19.2	2.5
Mining and Quarrying	Past three months	26.1	0.0	0.0	0.0	30.3	3.1	0.0	0.0	12.0	27.5	-15.4	6.0
Manufacturing	Past three months	2.9	-1.9	-4.5	0.0	7.9	0.0	0.0	0.7	17.6	27.5	0.6	35.1
Trade	Past three months	0.7	-7.2	-21.1	1.6	-3.9	-3.1	13.5	5.1	27.6	47.5	45.3	67.7
Transport and Communication	Past three months	18.4	-1.9	-21.1	0.9	-6.5	-1.6	1.1	5.1	62.3	34.1	13.4	38.5
Electricity and Water	Past three months	-3.2	-16.4	-4.5	0.0	-11.1	0.0	0.0	0.0	12.0	19.1	-31.9	0.0
Building, Mortgage, Construction and Real Estate	Past three months	-11.1	28.5	-8.0	45.7	12.0	9.2	-23.0	4.4	62.3	34.1	14.8	9.4
Business Services	Past three months	-3.4	-5.2	-17.1	-4.5	-2.9	0.0	0.0	25.9	63.1	34.1	14.8	9.4
Community, Social & Other Services	Past three months	-17.4	-18.3	-12.6	8.7	-10.7	-8.0	-23.0	3.9	55.5	50.1	39.2	67.7
Personal Loans and Household Loans	Past three months	-27.9	0.6	-17.7	-16.4	-9.8	-11.1	-23.0	4.4	57.5	-2.3	-11.6	-26.6
Terms and conditions for approving loans or credit lines to enterprises													
Margin on average loans	Next three months	-56.8	-47.4	32.1	12.6	-4.5	11.5	-20.5	22.8	-38.7	-41.8	-2.5	-13.8
Margin on riskier loans	Next three months	44.2	41.8	40.2	14.8	28.7	11.1	25.5	23.3	42.3	43.0	50.3	20.6
margin on prime borrowers	Next three months	-62.1	-60.5	-2.4	-11.7	-31.4	-17.5	-30.4	-17.5	-45.5	-41.8	-3.8	15.3
Non-interest rate charges	Next three months	-43.2	-31.2	9.2	-5.4	29.4	-8.4	-17.4	4.8	-39.5	-41.8	22.5	44.5
Size of the loan or credit line	Next three months	25.7	11.0	-3.2	-5.2	-15.0	0.8	1.2	31.7	57.5	36.4	26.4	-10.3
Collateral requirements	Next three months	49.8	-9.8	-12.6	3.8	42.1	-8.4	-14.6	-1.1	39.5	37.6	22.6	18.8
Maturity	Next three months	15.2	-59.8	-28.7	29.1	17.6	0.0	18.5	32.2	40.3	29.8	11.4	44.5
Demand for loans or credit lines by enterprises(apart from normal seasonal fluctuations)?													
Overall	Next three months	83.3	72.1	-9.0	72.7	67.7	67.9	-28.7	-98.6	29.8	27.2	40.7	70.9
SMEs	Next three months	64.4	72.1	-21.5	47.6	62.2	67.9	-28.7	-98.6	29.8	27.2	14.4	70.9
Large enterprises	Next three months	52.3	12.7	-36.7	-7.0	10.4	4.7	15.9	-65.3	-1.0	2.7	-40.1	33.9
Short term loans	Next three months	25.2	72.1	17.5	72.7	31.3	65.6	-12.3	-98.6	29.8	27.2	39.4	98.2
Long term loans	Next three months	47.7	40.9	24.3	28.1	56.3	9.0	15.9	-66.0	79.6	18.7	-17.5	33.9
Default rate on loans to enterprises													
Overall	Next three months	-11.9	-16.3	8.3	-10.1	-36.0	-58.8	24.0	100.0	76.0	87.3	100.0	-7.3
SMEs	Next three months	-25.9	-45.8	28.7	-10.8	-38.9	-58.4	24.0	100.0	76.0	87.3	100.0	-7.3
Large enterprises	Next three months	-5.6	-19.6	12.6	-24.1	-30.5	-26.6	-18.8	67.5	69.2	72.7	68.1	-44.2
Short term loans	Next three months	-12.9	-42.2	16.7	-32.6	-38.9	-63.2	24.0	99.3	76.0	81.9	92.3	51.0
Long term loans	Next three months	-9.8	-0.1	-4.3	-13.9	-28.1	-27.7	40.6	71.4	57.2	73.9	69.5	21.8
Period		**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Part II: Households													
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-14.9	-31.2	-20.4	-34.8	-10.7	-5.0	-25.9	21.5	51.1	50.7	-15.4	-0.9
	Next three months	-14.9	-22.8	-4.9	-8.6	45.3	-23.0	-18.7	45.8	44.4	50.9	-4.2	1.1
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	37.7	44.2	32.7	41.0	86.2	67.8	-3.6	-44.8	76.4	13.7	-28.7	39.9
Terms and conditions for approving loans or credit lines to households													
Margin on average loans	Next three months	-29.2	-43.5	-12.6	-3.8	-12.4	3.8	-33.9	1.8	-34.2	-36.4	0.0	18.8
Margin on riskier loans	Next three months	26.1	12.7	13.8	8.9	25.8	11.9	-21.7	23.3	-27.9	37.6	46.5	20.6
Margin on prime borrowers	Next three months	-46.0	-63.0	-35.7	-21.8	-28.2	3.8	-30.4	0.6	-28.3	-41.8	-3.8	15.3
Non-interest rate charges	Next three months	0.0	-27.9	0.0	8.7	27.4	-8.0	0.0	10.7	-34.2	36.4	0.0	18.8
Size of the loan or credit line	Next three months	2.2	27.4	-11.3	-3.7	-15.2	0.0	4.1	10.7	-42.3	0.0	0.0	18.8
Collateral requirements	Next three months	33.6	13.7	1.2	-20.5	18.0	-8.0	3.0	32.2	-30.3	36.4	18.8	18.8
Maturity	Next three months	26.1	9.2	0.0	-16.4	18.0	0.0	0.0	32.2	-11.6	-36.4	-18.8	18.8
Default rate on loans to households	Next three months	-31.7	22.7	40.8	-16.2	-65.3	-20.8	-28.8	67.3	17.7	50.7	69.5	-7.4

(a) Net percentage balances are calculated by the difference between the weighted balance of lenders reporting that, demand was higher/lower or credit standrads were tighter/looser.
Positive balances indicate that lenders, on balance, reported/expected demand/default rate to be higher than over
the previous/current three-month period, or that the credit standards/ terms and conditions on which credit was/ will be provided became tighter/ are expected to tighten.
(b) Small and Medium Enterprises (SMEs) was defined as an enterprise employing less than 100 employees where as large Enterprises are enterprises were defined as those enterprises employing more than 100 employees.
(C) Expected change in lending rates(in percentage points) is calculated by summing up the weighted decreases/increases(got by multiplying the weights and expected change in lending rate) of the respective lenders.

APPENDIX 3: Methodology

Questions:

The questions in the lending survey questionnaire distinguish between two categories of loans namely: a) loans to enterprises and b) loans to households and individuals. For each category, questions were posed on credit standards for approving loans; credit terms and conditions; default rate; as well as credit demand and its determinants.

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach takes into account the varying sizes and participation of the different respondent institutions in the formal credit market during the period under review. The weights used in the computation were derived by taking the sum of each institution's market share of credit over the two month period (January-February 2021), 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 →