Bank Lending Survey Report
Second Quarter - FY 2021/22

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 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 December 2021 and the expectations for the quarter to March 2022.

Credit Standards

In the quarter to December 2021, credit standards to enterprises tightened, while those to households eased.

Across firm size, credit standards were tightened for both SMEs and large enterprises although at a slower pace compared to results of the quarter ended September 2021. In terms of loan duration, credit standards slightly improved and worsened for short- and long-term loans, respectively, as the rate of tightening measured on net basis dropped and rose in the quarter to December 2021, compared to that reported in the quarter ended September 2021.

Going forward (quarter to March 2022), banks expect to ease credit standards to both enterprises and households. Banks also expect to ease credit standards across all firm sizes and loan durations, mainly hinged on the opening of the economy in January 2022.

Credit Standards by Economic Sector

In the quarter to December 2021, banks reported tight credit standards for majority of the economic sectors on a net basis, save for agriculture and household sectors which had a net easing. 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 quarter ended September 2021, except for Building, Mortgage, Construction and Real Estate, and electricity and water which recorded an increase.

Outlook on Demand for credit

In the quarter to March 2022, banks anticipate an overall increase in demand for credit from enterprises and individuals on a net basis. This was mainly attributed to the opening of the economy in January 2022 especially for the education and entertainment sector.

Outlook on Terms & Conditions for credit

In the quarter to March 2022, banks expect to tighten price terms and conditions for riskier loans[1] to both enterprises and households, while easing price terms and conditions for average loans and primer borrowers.

Similarly, most banks are expected to keep their non-price terms[2] and conditions for enterprises and consumer credit unchanged. On a net basis, banks expect to tighten collateral requirements and maturity period for enterprises and non-interest rate charges and collateral requirements for consumer credit. On the other hand, they anticipate non-interest rate charges and size of the loan for enterprises, and maturity period and size of the loan for households.

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 March 2022, at a much slower pace compared to the previous survey results.

The expected slower increase in default rate on loans to enterprises and households was mainly attributed to the anticipated opening of the economy in January 2022 which may see several businesses opening fully. This expected to slightly moderate the impact of the expiry of credit relief measures for some of the restructured facilities with a number yet to recover from the impact of the pandemic, slow recovery of business cashflows, uncertainty due to

[1] Risker loans are facilities that banks attach a higher risk to, in terms of repayment and default.

[2] Refer to credit terms and conditions that don't involve direct price or interest rate in the context of this survey. These include the maximum size of the loan, non-interest charges (e.g., fees); collateral requirements (security for the loan) and loan maturities (short-term versus long-term).

the new covid-19 variants and possibility of a third wave of covid infections, prioritisation of school fees payment over meeting loan obligations.

Interest Rate Expectations

Majority of the banks (93.1%) expect their lending rates to remain largely unchanged, while 5.5 percent expect lending rates to decrease, and a paltry 1.3 percent anticipate an increase in the quarter to March 2022.

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The lending rate is expected to marginally increase in the quarter to March 2022 when compared to that in the quarter to December 2021, with a growth of 0.08 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 December 2021 and cited customer deposits as the major source of funding, followed by interbank borrowing, internally generated funds, funding from development partners and parent group companies.

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 outturns for the quarter ended December 2021 and expectations for the quarter to March 2022. Questionnaires were completed by all 25 commercial banks and 9 non-bank 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.

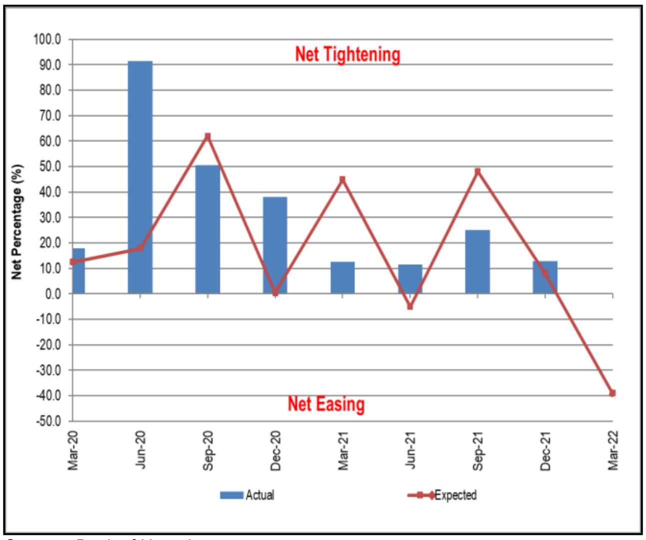
In the quarter to December 2021, credit standards on loans to enterprises loosened as the measure of net tightening fell to 12.9 percent from 25.1 percent in the quarter to September 2021 (see Figure 1). This was consistent, although slightly higher than the net tightening expectation for quarter ended December 2021 which was reported during the first quarter (2021/22 Q1) survey. The minimal divergence in the outturn was as a result of the change in economic dynamics, coupled with the uncertainty around the emergency of the new Omicron Covid-19 variant (*See Tables 1 & 2)*.

Across firm size, credit standards loosened in both SMEs and large enterprises as the measure of net tightening in the two categories fell to 10.0 percent and 20.2 percent, respectively.

In terms of loan duration, the credit standards slightly loosened for short-term loans, but heightened for long-term loans. This was represented by the decrease and increase in the rate of tightening for both short- and long-term loans, respectively, in the quarter to December 2021, compared to that reported in the quarter ended September 2021, (*See Table 1*).

The major reasons cited by banks for the slower net tightening of credit standards include the continued impact of COVID-19 pandemic, selective lending with more focus on short-term loans, some sectors of the economy are still under locked down and the slow growth in business cashflows.

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-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**	**Sep-21**	**Dec-21**
Tightened(A)	29.9	26.5	28.4	24.0	28.8	26.4	18.4	20.3	20.8	39.0
Unchanged	65.2	59.9	66.7	61.9	68.6	67.3	67.2	61.7	77.2	49.0
Eased (B)	4.8	13.6	4.8	14.0	2.6	6.2	14.5	18.1	2.0	11.9
Net %(A-B)	**25.1**	**12.9**	**23.6**	**10.0**	**26.1**	**20.2**	**3.9**	**2.2**	**18.9**	**27.1**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to March 2022, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards easing on a net basis. Notably, banks expect to ease credit standards across all firm sizes and loan durations on a net basis. (*See, Figure 1 and Table* 2).

The expected net easing of credit standards in the quarter mainly hinged on the anticipated full reopening of the economy in January 2022 which is expected to facilitate an increase in economic activity. The growth in economic activity is expected to create demand for short-term working capital to fund the business demands, although banks will be very cautious while lending amidst the evolving new Covid-19 variants.

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-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**
Tighten (A)	18.9	4.1	18.9	4.1	22.0	13.3	16.1	0.2	20.2	5.1
Unchanged	70.4	52.8	69.5	47.7	78.0	50.2	59.2	38.4	71.3	61.9
Ease (B)	10.7	43.2	11.7	48.3	0.0	36.6	24.7	61.4	8.5	33.0
Net %(A-B)	**8.2**	**-39.1**	**7.2**	**-44.2**	**22.0**	**-23.3**	**-8.5**	**-61.2**	**11.6**	**-27.9**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

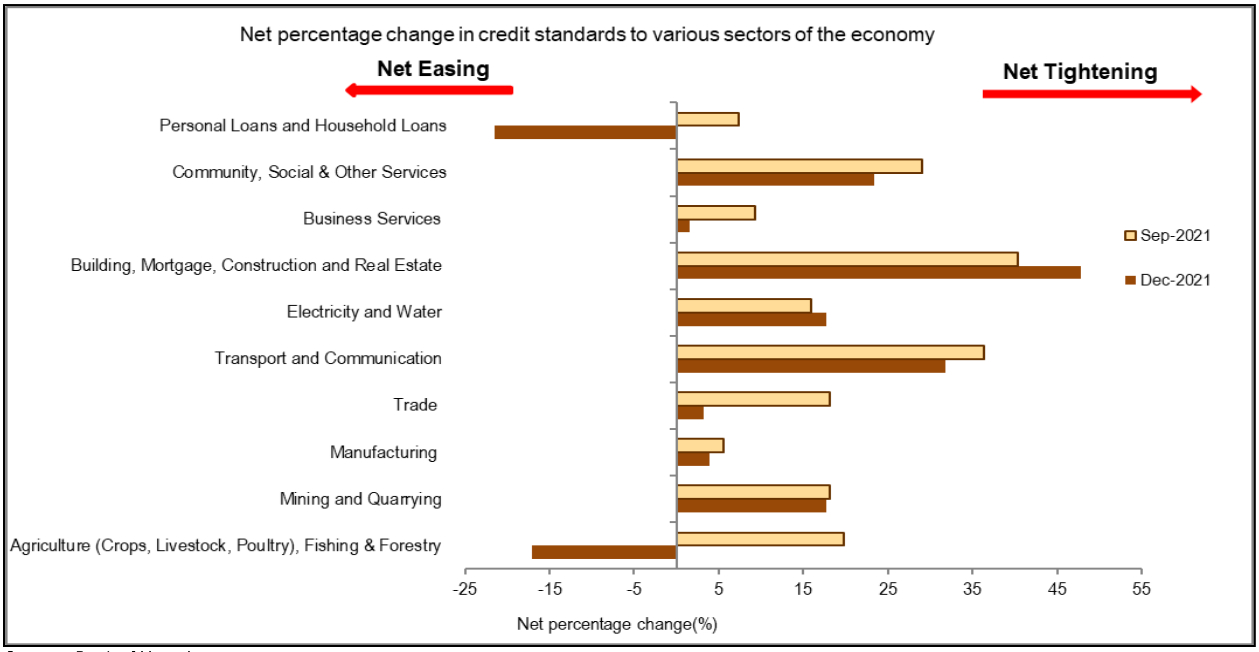
In the quarter to December 2021, banks reported tight credit standards for majority of the economic sectors on a net basis, save for agriculture and household sectors which had a net easing. The degree of tightness in credit standards as measured by the scale of net tightening decreased in this period for majority of the sectors when compared to the quarter ended September 2021, except for Building, Mortgage, Construction and Real Estate, and electricity and water which recorded an increase.

The sectors' net tightening of credit standards was registered as; Building, mortgage, construction, and real estate (47.8%), followed by Transport and communication (31.8%), Community, social and other services (23.3%), Mining and quarrying (17.7%), Electricity and water (17.7%), Manufacturing (3.9%), Trade (3.2%), and Business services (1.6%). On the other hand, those that recorded a net easing included Personal and household (21.4%) and Agriculture (17.0%).

The net tightening registered for majority of the sectors was based on; constrained cash flows due to the slow business activity, stagnant property prices for real estate and the fact that some sectors are still under lockdown.

On the other hand, the easing of the agricultural sector hinged on the fact that it has been resilient despite the effects of the pandemic.

Figure 2: Changes in Credit Standards by Economic Sector



Source: *Bank of Uganda*

1.1.3 Expectations in the Terms and Conditions[3] for Credit to Enterprises

There were mixed reactions by banks concerning their expectations on changes in price terms and conditions[4] in the quarter to March 2022 (Figure 3). Looking at the different loan classifications, majority of the banks anticipate tightening of price terms and conditions for riskier loans[5], easing for prime borrowers and keeping the terms and conditions unchanged for average loans in the quarter to March 2022.

The easing of terms and conditions for average and prime borrowers was mainly attributed to the need to counter competitive pressures for the best customers and the low Central bank rate. On the other hand, the prospective tightening of riskier loans was based on cautious lending criteria amidst an uncertain and still risky economic environment.

Similarly, majority of banks expect to maintain non-price terms and conditions[6] in the quarter to March 2022 (Figure 3). However, some banks expect to tighten the collateral requirements (21.6 percent) and the maturity period (11.4 percent). On the contrary, some banks expect to ease size of the loan (29.3 percent) and non-interest charges (3.5 percent) on a net basis during this period.

The main reasons banks cited for the expected tightening of collateral requirements and maturity period in the quarter to March 2022 include need for a fallback position in events of default and focus on limiting large exposures and long-term loan facilities amidst the heightened risk caused by the COVID-19 pandemic.

On the other hand, the anticipated easing of size of the loan and non-interest rate charges was based on the need to facilitate business resumption with short-term working capital upon full reopening of the

[3] Credit terms and conditions refer to the specific obligations agreed upon by the lender and the borrower.

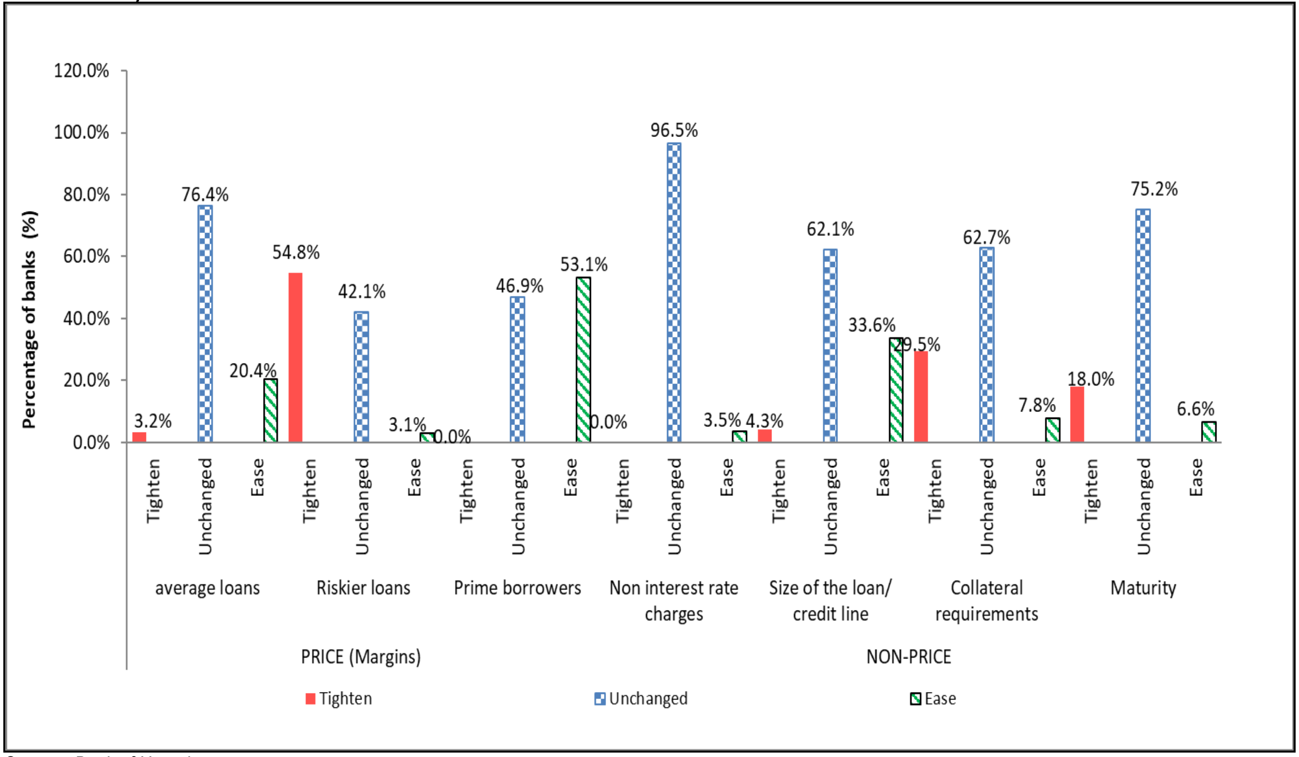
[4] Price-related terms and conditions refer to the direct price or interest rate in the context of this survey.

[5] Loans that banks assume to have a high probability of default.

[6] 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).

economy and reduction in the borrowing cost to enable credit uptake.

Figure 3: Expected Changes in Terms & Conditions for Approving Loans to Enterprises (Quarter to March 2022)



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to March 2022 (Table 3), banks anticipate an overall increase in demand for credit, slightly lower than the rise in demand for credit reported in the previous survey. Notably, the increase in credit demand is expected for loans across all firm sizes and loan durations.

The reasons cited by most banks for the expected increase in credit demand were mainly based on the anticipated full reopening of the economy in January 2022 and they include.

a) The need for short-term working capital to grow businesses to meet the expected increase in purchasing power.

b) Businesses like schools and entertainment which have been locked down for a long time, will need start-up financing to facilitate their activities.

On the other hand, this will be moderated by the effects of emerging new Covid-19 variants.

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-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**
Increase(A)	90.6	89.8	88.1	88.4	66.6	79.2	95.6	95.5	71.8	71.6
Unchanged	6.3	7.6	8.9	9.0	31.0	20.8	3.6	4.5	25.1	24.5
Decrease(B)	3.1	2.6	3.1	2.6	2.4	0.0	0.8	0.0	3.1	3.9
Net %(A-B)	**87.5**	**87.3**	**85.0**	**85.9**	**64.2**	**79.2**	**94.8**	**95.5**	**68.6**	**67.7**
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, in the quarter to December 2021, banks eased credit standards to households, as depicted by a net percentage of 32.1 percent, contrary to the 20.3 percent net tightening registered at the end of the previous quarter (See, Appendix 1). This was largely attributed to competition especially in the salary loans segment for civil servants, employees of government parastatals and NGOs and lifting of some lockdown measures by government.

On the other hand, in the quarter to March 2022, banks expect to ease credit standards to households as depicted by a net percentage of 48.9 percent, higher than the net easing anticipated for the quarter to December 2021 as represented by a net percentage of 10.0 percent.

The expected easing of credit standards to the household sector is attributed to the anticipated opening of the economy in January 2022, hence banks will have to loosen to support school fees payment and several organisations and companies that have resumed operations and are expected to expand more in 2022.

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 borrowers over the next three months to March 2022. Similarly, majority of the banks expect to keep their non-price terms and conditions for consumer credit unchanged with a bias towards easing for size of the loan and maturity period and tightening for collateral requirements and non-interest rate charges on a net basis, (See, Appendix 1).

The major reasons cited for the anticipated tightening of price terms and conditions for riskier loans and non-price terms and conditions for collateral requirements and non-interest rate charges are higher credit risk brought about by the impact of the pandemic, coupled with the need to reduce the high rate of default and the declining property prices.

On the other hand, the expected easing for prime borrowers, average loans, size of the loan and maturity period was attributed to, competition and need to retain the best customers and the need to provide support to businesses with the expectation of full opening of the economy in 2022.

Demand for Credit by Households

Credit demand by households is expected to increase in the three months to March 2022. Specifically, 88.8 percent of banks anticipate an increase in households credit demand in the next quarter, up from the 64.1 percent that anticipated in the quarter to December 2021.

The anticipated increase in household credit demand is mainly attributed to the need to finance school fees payment and other school requirements following the expected opening of the education sector and the full opening of the economy in January 2022 as households try to revive their businesses hence the need for credit.

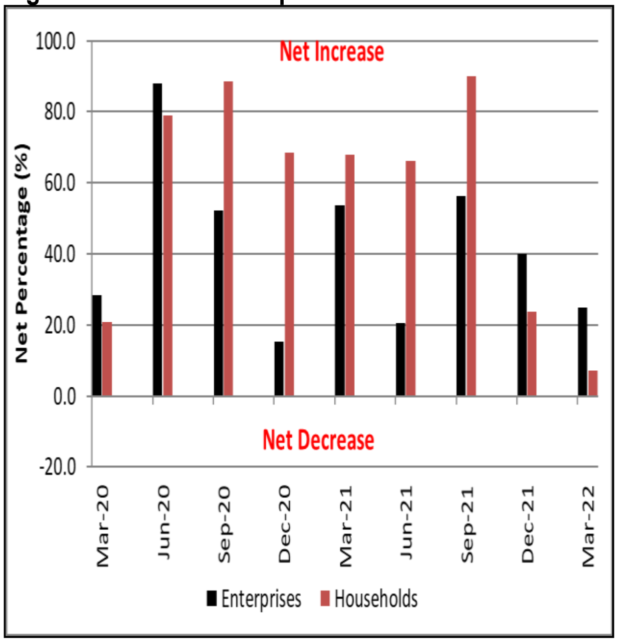
1.3 Expected Default Rate on Loans to Enterprises and Households

Overall, 25.0 percent of the banks expect the default rate on loans to enterprises to increase on a net basis in the quarter to March 2022, down from 40.0 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, 7.1 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to March 2022, much lower than the 23.8 percent recorded in the previous survey results (See Appendix 1).

The expected slower increase in default rate on loans to enterprises and households was mainly attributed to the anticipated opening of the economy in January 2022 which may see several businesses opening fully. This expected to slightly moderate the impact of the expiry of credit relief measures for some of the restructured facilities with a number yet to recover from the impact of the pandemic, slow recovery of business cashflows, uncertainty due to the new covid-19 variants and possibility of a third wave of covid infections, prioritisation of school fees payment over meeting loan obligations.

Figure 4: Default rate expectations



Source: *Bank of Uganda*

1.4 Interest Rate Expectations for Q3 FY 2021/22

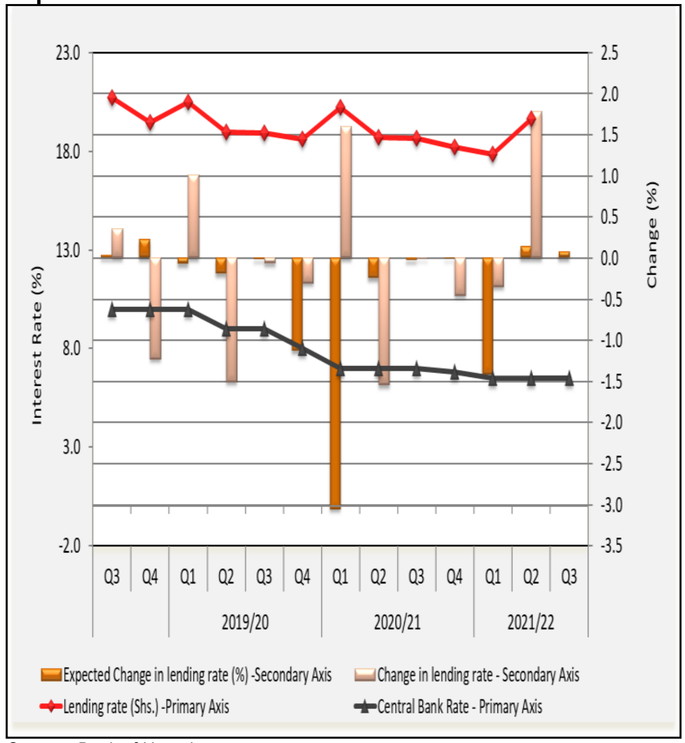
To understand the direction of interest rates from the lender's point of view, banks were asked to indicate the direction and magnitude of the change in their expected lending rates in the quarter to March 2022.

The results indicate that majority of the banks (93.1%) expect their lending rates to remain largely unchanged, while 5.5 per cent expect lending rates to decrease, and a paltry 1.3 per cent anticipates an increase in the quarter to March 2022.

The lending rate is expected to marginally increase in the quarter to March 2022 when compared to that in the quarter to December 2021, with a growth of 0.08 percentage points (See Figure 5).

The anticipated marginal increase in the lending rates was attributed to the expected rise in default rate, the high credit loss which is compensated through higher pricing and the anticipated increase in demand as the economy opens fully at the beginning of 2022 being expected to push the rates up.

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 to December 2021 and cited customer deposits as the major source of funding, followed by interbank borrowing, internally generated funds, funding from development partners and parent group companies.

Conclusion

The bank lending survey results indicate that in the quarter to December 2021, credit standards to enterprises tightened, while those to households eased on a net basis.

Going forward (quarter to March 2022), banks expect to ease credit standards to both enterprises and households.

Consequently, the demand for loans by both enterprises and households is expected to increase in the quarter to March 2022. This was mainly attributed to the opening of the economy in January 2022 especially for the education and entertainment sector.

The increase in demand during the current period is also visible in the number of applications received in October and November 2021(779,145 applications), higher than those received in July and August 2021(676,457 applications).

On the other hand, the default rate on loans to both enterprises and households is expected to increase in the quarter to March 2022, at a much slower pace compared to the quarter ended September 2021 survey results.

Lastly, the survey results indicate that majority of banks expect their lending rates to remain broadly unchanged with a bias towards an increase.

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		2018/19				2019/20				2020/21				2021/22	
Part I: Enterprises		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
or credit lines to enterprises															
Overall	Past three months	-3.2	-21.2	-3.9	-20.4	15.5	-14.7	17.9	91.3	50.6	37.9	12.6	11.5	25.1	12.9
	Next three months	-10.1	-9.3	1.3	0.5	5.4	12.5	17.9	62.1	0.4	44.9	-5.0	48.1	8.2	-39.1
SMEs	Past three months	2.2	-26.9	-5.1	-13.7	-6.4	-14.5	17.1	91.3	50.6	35.6	10.7	11.1	23.6	10.0
	Next three months	-12.3	-3.5	-5.4	-2.2	-24.7	-5.6	20.6	75.8	-6.4	35.8	-10.1	47.1	7.2	-44.2
Large enterprises	Past three months	4.7	8.1	5.6	-18.1	18.1	16.7	25.6	74.1	57.4	45.6	15.4	28.2	26.1	20.2
	Next three months	-15.8	0.6	18.3	11.7	10.7	30.6	22.3	42.5	3.4	46.9	7.7	54.6	22.0	-23.3
Short term loans	Past three months	-7.8	-33.1	-10.5	-31.7	-22.0	-17.0	-0.3	70.7	41.1	28.7	4.1	5.1	3.9	2.2
	Next three months	-44.9	-14.2	-10.8	2.5	2.7	-26.6	31.6	31.4	-22.4	26.6	-10.8	37.9	-8.5	-61.2
Long term loans	Past three months	8.3	-3.9	5.7	11.7	32.5	5.1	13.8	88.5	55.2	39.1	15.0	17.3	18.9	27.1
	Next three months	-0.5	0.7	29.2	14.3	20.6	34.1	28.6	64.5	2.2	45.1	-4.9	48.1	11.6	-27.9
or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & Fc	Past three months	-6.1	-8.0	-8.7	-5.8	2.7	8.0	10.8	36.9	35.1	9.4	13.7	0.3	19.8	-17.0
Mining and Quarrying	Past three months	5.0	3.8	6.9	-9.8	4.3	4.4	12.6	52.3	40.4	17.5	4.9	4.6	18.1	17.7
Manufacturing	Past three months	-6.1	-1.0	-5.6	-14.2	5.1	-7.5	22.4	57.3	42.6	7.5	-7.9	-8.9	5.5	3.9
Trade	Past three months	-5.6	-16.1	-9.5	-31.0	5.9	-1.6	20.7	89.7	59.3	22.6	-10.7	-8.1	18.2	3.2
Transport and Communication	Past three months	4.3	-3.7	2.1	-5.6	9.7	-4.2	21.5	71.0	48.1	26.1	17.3	41.2	36.4	31.8
Electricity and Water	Past three months	-4.9	1.5	-1.8	-20.1	1.3	-4.9	0.9	5.6	-3.9	1.7	-1.8	-1.8	15.9	17.7
Building, Mortgage, Construction and Real Estate	Past three months	13.7	14.8	20.0	-14.7	11.0	10.8	14.7	90.5	71.2	38.9	46.1	48.8	40.4	47.8
Business Services	Past three months	3.3	-11.3	1.7	-2.9	0.3	-1.3	-1.6	52.1	58.2	30.3	-0.3	13.4	9.3	1.6
Community, Social & Other Services	Past three months	1.2	-8.9	-2.7	-9.8	-0.7	-4.1	10.8	54.0	56.0	32.1	15.6	27.8	29.0	23.3
Personal Loans and Household Loans	Past three months	-3.7	-14.8	-11.9	-19.1	-13.8	-11.9	-13.1	84.9	42.9	-8.0	-26.0	-24.6	7.4	-21.4
credit lines to enterprises															
Margin on average loans	Next three months	-7.8	-8.2	-12.5	-7.8	-13.2	2.7	2.2	-6.3	-10.9	-0.9	-18.1	-12.0	-11.9	-17.1
Margin on riskier loans	Next three months	46.1	57.3	56.5	37.9	40.3	51.7	47.0	31.9	59.7	31.7	21.0	41.4	32.8	51.6
margin on prime borrowers	Next three months	-39.1	-40.6	-32.8	-56.0	-39.6	-34.5	-34.8	-41.6	-22.4	-21.8	-23.7	-40.8	-35.0	-53.1
Non-interest rate charges	Next three months	-14.2	-10.0	-14.4	6.6	-6.4	0.0	-8.7	-7.9	-2.2	-3.2	-14.0	-3.8	-1.1	-3.5
Size of the loan or credit line	Next three months	-0.5	7.1	6.6	-6.9	-0.1	0.8	20.6	56.9	44.3	25.3	-17.3	18.2	5.9	-29.3
Collateral requirements	Next three months	36.5	34.3	13.5	7.4	1.0	15.0	46.8	68.2	48.9	33.5	5.5	39.7	42.8	21.6
Maturity	Next three months	30.1	28.7	24.5	24.6	8.6	18.8	-1.0	36.7	40.7	24.5	-11.4	7.2	-3.2	11.4
enterprises(apart from normal seasonal fluctuations)?															
Overall	Next three months	72.8	45.6	80.7	67.6	87.0	37.8	43.7	20.7	64.4	11.7	76.4	-83.2	87.5	87.3
SMEs	Next three months	67.6	38.6	87.3	75.4	90.0	14.8	41.9	20.2	66.7	18.6	64.5	-87.8	85.0	85.9
Large enterprises	Next three months	59.6	23.2	61.0	60.7	75.4	26.5	39.8	35.9	38.5	-4.0	61.9	-75.1	64.2	79.2
Short term loans	Next three months	71.8	51.8	83.8	63.2	69.8	1.7	53.0	33.3	80.4	39.7	84.7	-76.0	94.8	95.5
Long term loans	Next three months	59.9	24.4	59.4	43.0	37.9	29.8	41.0	16.2	38.0	-0.9	81.4	-76.3	68.6	67.7
Default rate on loans to enterprises															
Overall	Next three months	12.7	0.5	-7.0	2.2	11.5	28.3	87.8	52.1	15.2	53.6	20.6	56.4	40.0	25.0
SMEs	Next three months	32.4	29.5	20.0	6.7	6.5	26.1	49.5	52.9	21.4	52.5	27.4	58.0	40.1	27.1
Large enterprises	Next three months	16.5	0.6	-2.8	18.3	-5.7	15.3	68.8	51.6	16.0	50.1	45.9	47.0	29.3	9.2
Short term loans	Next three months	14.7	1.0	-2.5	2.2	0.4	9.8	76.8	55.5	15.3	57.9	34.7	45.1	23.7	1.1
Long term loans	Next three months	9.9	14.7	10.6	19.8	-3.8	5.6	72.2	52.1	20.4	56.4	35.0	56.0	38.0	28.2
Period		2018/19				2019/20				2020/21				2021/22	
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	-14.1	-19.9	-7.0	-2.1	-33.3	-41.4	-26.3	85.9	47.9	-13.9	-8.1	-25.7	20.3	-32.1
	Next three months	-7.8	-6.2	-17.2	-10.4	-3.0	-32.2	40.2	62.8	-4.0	-5.9	-24.0	41.6	-10.0	-48.9
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	68.9	71.3	76.3	39.5	52.1	83.4	22.6	23.7	67.8	34.2	63.3	-46.1	61.9	86.2
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	-17.4	0.5	-12.7	7.1	-25.2	-7.0	-21.2	-16.5	-18.0	1.7	-2.5	1.5	3.6	-1.1
Margin on riskier loans	Next three months	47.4	18.6	50.4	27.5	60.3	73.7	42.3	42.0	32.7	32.0	19.8	52.2	32.4	18.8
Margin on prime borrowers	Next three months	-34.8	-17.1	-27.5	-16.3	-41.4	-42.5	-31.0	-10.3	-18.4	-13.2	-7.0	-22.6	-2.5	-7.3
Non-interest rate charges	Next three months	-2.8	2.1	-0.3	4.0	-13.3	-16.4	-8.8	-2.9	-0.6	-0.6	0.00	-2.0	-0.8	2.6
Size of the loan or credit line	Next three months	-2.8	-5.3	-17.5	-0.6	-28.6	-27.6	6.6	40.8	22.7	29.6	9.6	32.0	0.2	-14.7
Collateral requirements	Next three months	8.6	12.8	13.0	-2.7	2.3	10.2	-1.6	36.1	27.4	37.6	22.3	41.5	22.4	14.0
Maturity	Next three months	12.0	13.9	1.0	4.5	-8.1	2.2	-1.5	24.0	-22.2	22.5	15.4	23.3	-8.8	-3.6
Default rate on loans to households	Next three months	16.6	55.0	-26.3	20.3	2.0	20.9	79.1	88.4	68.4	67.9	66.2	90.0	23.8	7.1
Period		2018/19				2019/20				2020/21				2021/22	
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	-4.2	16.3	22.1	-10.0	-19.6	-2.6	-14.4	-57.8	-23.1	-1.9	-2.2	-37.3	2.7	-4.2
Percentage change	Next three months	-0.1	0.03	0.2	-0.1	-0.2	0.0	-1.1	-3.0	-0.2	-0.04	0.00	-1.4	0.14	0.08

by the difference between the weighted balance of lenders reporting that, demand was
higher/lower or credit standrads were tighter/looser.
be higher than over the previous/current three-month period, or that the credit standards/ terms

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**	**Jun-21**	**Sep-21**	**Dec-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	26.5	71.8	-3.2
	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	100.0	-32.0	-46.7
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	26.5	77.9	24.9
	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	100.0	18.4	-21.7
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	38.6	69.4	28.1
	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	74.9	18.4	-21.7
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	25.5	69.4	-6.0
	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	71.6	-35.0	-46.7
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	33.0	69.4	21.7
	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	74.9	-32.0	-23.3
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	-18.1	12.6	-18.1	0.7	-45.7	-19.9	12.4	-0.2	46.3	-4.7	-19.2	2.5	-11.0	28.1	19.0
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	0.0	16.0	20.2
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	-12.1	16.0	21.7
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	-7.8	66.4	2.7
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	52.8	69.4	27.7
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	-15.3	16.0	-3.2
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	-7.6	31.1	19.0
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	52.8	69.4	21.7
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	51.8	91.5	21.7
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	4.5	31.1	19.0
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	-21.1	-22.3	-10.2
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	43.8	18.9	21.7
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	-20.1	-25.3	17.5
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	14.5	16.0	-7.5
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	50.0	54.2	17.5
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	17.7	18.9	21.7
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	53.3	54.2	19.0
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	-62.5	91.0	94.1
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	-62.5	66.6	69.1
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	-38.4	54.2	69.1
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	-2.8	91.0	69.1
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	-38.4	68.9	69.1
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	100.0	-50.6	-91.4
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	49.8	-50.6	-66.5
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	74.9	-50.6	-69.2
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	100.0	-50.6	-91.4
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	74.9	-50.6	-66.5
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**	**Jun-21**	**Sep-21**	**Dec-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	2.4	28.1	46.7
	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	32.8	-12.2	-10.7
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	-38.4	33.5	69.1
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	14.5	16.0	-10.2
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	17.7	21.4	23.7
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	14.5	13.0	17.5
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	14.5	16.0	17.5
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	17.7	16.0	20.2
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	14.5	16.0	21.7
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	21.0	16.0	20.2
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	73.9	-45.0	-66.3

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

APPENDIX 3: Methodology

Questions:

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

Weighting:

The results of the survey were weighted by the respective institutions' market share in the credit market. This approach considers 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 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 →