Bank Lending Survey Report
Third Quarter - FY 2021/22

STATISTICS DEPARTMENT, BANK OF UGANDA

Table of Contents

List of Figures

List of Tables

Executive Summary

Statistics Department conducted the lending survey for supervised financial institutions, for the quarter ended March 2022. 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 2022 and the expectations for the quarter to June 2022.

Credit Standards

In the quarter to March 2022, credit standards to both enterprises and households were eased. Across firm size, credit standards were eased for both SMEs and large enterprises in contrast to the tightening reported in the quarter ended December 2021, in line with growth in credits to the private sector from monetary surveys. In terms of loan duration, credit standards were significantly eased for both short- and long-term loans on net basis in the quarter to March 2022, in contrast to the net tightening reported in the quarter ended December 2021.

Going forward (quarter to June 2022), banks expect to further ease credit standards to both enterprises and households. Banks also expect to ease credit standards across all firm sizes and loan durations, largely due to the recovery of economic activities in most sectors.

Credit Standards by Economic Sector

In the quarter to March 2022, banks reported eased credit standards for majority of the economic sectors on a net basis, save for building, mortgages, construction & real estate, mining & quarrying and community, social & other services. The degree of easing in credit standards as measured by the scale of net easing improved in this period for most sectors when compared to the previous quarter ended December 2021.

Outlook on Demand for credit

In the quarter to June 2022, banks anticipate an overall increase in demand for credit from enterprises and individuals on a net basis. This was mainly attributed to anticipated expansion of economic activities and household demand for consumption, school fees and purchase of durable goods such as vehicles and land.

Outlook on Terms & Conditions for credit

In the quarter to June 2022, banks expect to keep the terms and conditions unchanged for riskier loans to both enterprises and households, as well as for average loans and prime borrowers. Riskier loans include those to building and construction, farming, wholesale and retail economic activities.

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

Outlook on the default rate on loans

Some banks expect the default rate on loans to both enterprises and households to decrease in the quarter to June 2022, in contrast with the increase reported in the previous survey results.

The expected decrease in default rate on loans to enterprises and households was mainly attributed to increased income due to the recovery of economic activities, expected enhancement of government salaries, and a robust framework to reduce defaults.

Interest Rate Expectations

All banks (100.0%) expect their lending rates to remain largely unchanged in the quarter to June 2022.

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 March 2022 and expectations for the quarter to June 2022. Questionnaires were completed by all 26 commercial banks and 8 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. <u>The methodology used in the analysis is detailed in *Appendix 3*</u>. *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 determines (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.

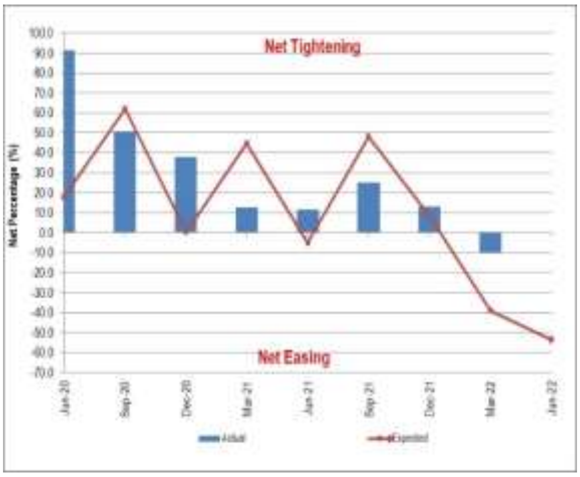
In the quarter to March 2022, credit standards on loans to enterprises loosened as the measure indicate net easing of 10.0 percent contrary to tightening of 12.9 percent in the quarter to December 2021 (see Figure 15). This is consistent, but slightly lower than the net easing expectation for quarter ended March 2022 which was reported during the second quarter (2021/22Q2) survey. The divergence in the outturn could be attributed to a much faster recovery of economic activities following the easing of lock-down measures, competition, and expectations for strong growth (*See Tables 1 & 2)*.

Across firm size, credit standards eased for both SMEs and large enterprises as the measure of net easing by 10.6 percent and 0.3 percent from net tightening of 10.0 percent and 20.2 percent, respectively.

In terms of loan duration, the credit standards slightly eased for both short-term and long-term loans to 17.5 percent and 9.5 percent, respectively, in the quarter to March 2022, compared to that reported in the quarter ended December 2021, (*See Table 1*).

The major reasons cited by banks for the easing of credit standards include recovery of economic activities following the full reopening in January 2022 especially of the education sector, expansion of asset portfolio, and expectation of increased demand for credits.

Figure 1: Overall Credit standards to enterprises



Source: *Bank of Uganda*

<u>Notes:</u>

(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-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**	**Dec-21**	**Mar-22**
Tightened(A)	26.5	4.1	24.0	3.8	26.4	12.0	20.3	3.1	39.0	3.8
Unchanged	59.9	81.7	61.9	81.7	67.3	75.8	61.7	76.4	49.0	82.9
Eased (B)	13.6	14.1	14.0	14.5	6.2	12.2	18.1	20.6	11.9	13.3
Net %(A-B)	**12.9**	**-10.0**	**10.0**	**-10.6**	**20.2**	**-0.3**	**2.2**	**-17.5**	**27.1**	**-9.5**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

In the quarter to June 2022, majority of the banks expect to keep their overall credit standards largely unchanged with a bias towards further easing on a net basis relative to the expectation for March 2022. Notably, banks expect to ease credit standards across all firm sizes and long-term loans but less easing for short-term loans on a net basis. (*See, Figure 1 and Table 2*).

The expected net easing of credit standards in the next quarter are attributed to the recovery of economic activities following the full reopening of the economy in January 2022. Economic activities have expanded in the three months to March 2022 and are expected to continue with increased credit demand for sector such as education and leisure that had been under prolonged lockdown. The banks, however, remains cautious on the lingering impact of Covid-19, need to improve asset quality and adjustment to the expiration of the credit relief measures to most sectors.

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-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**
Tighten (A)	4.1	1.8	4.1	0.8	13.3	2.5	0.2	0.0	5.1	2.0
Unchanged	52.8	42.9	47.7	43.3	50.2	54.0	38.4	46.5	61.9	59.7
Ease (B)	43.2	55.2	48.3	55.9	36.6	43.5	61.4	53.5	33.0	38.3
Net %(A-B)	**-39.1**	**-53.4**	**-44.2**	**-55.1**	**-23.3**	**-41.0**	**-61.2**	**-53.5**	**-27.9**	**-36.4**
Interpretation: Negative-net easing, positive-net tightening										

Source: *Bank of Uganda*

1.1.2 Credit Standards by Economic Sector

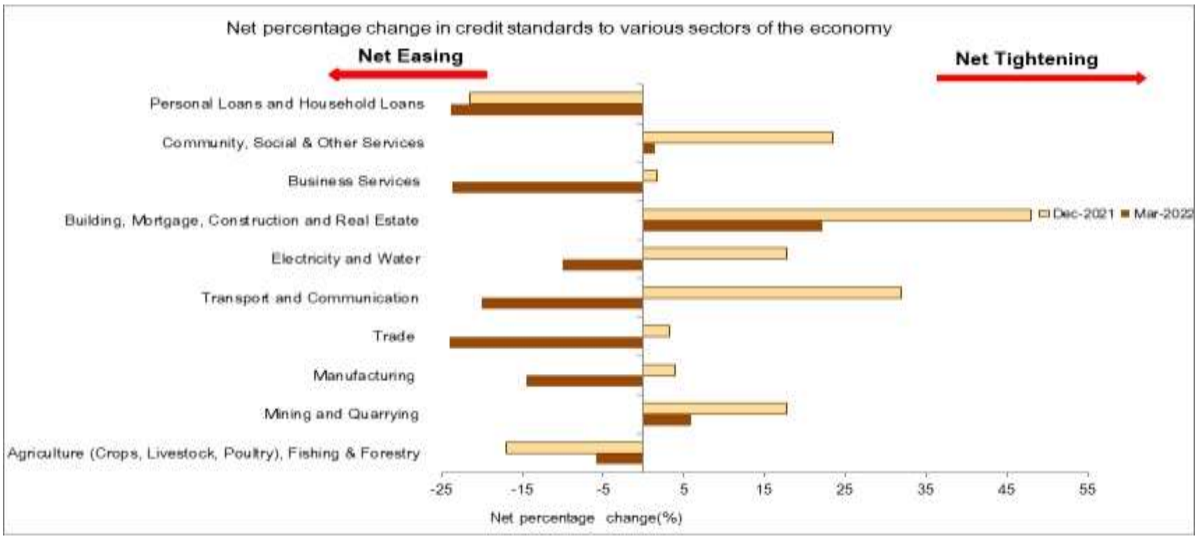
In the quarter to March 2022, banks reported to have eased credit standards for all economic sectors on a net basis, except Building, mortgage, construction & real estate, Mining & quarrying, and Community, social & other services sectors, which recorded net tightening. The degree of net easing of credit standards improved for most sectors in March 2022 when compared with the level of easing in the quarter to December 2021, except for Personal & household, and Agriculture, fishing & forestry sectors. Banks had already eased credit standards to these two sectors in the quarter to December 2021 as illustrated in Figure 2.

The sectorial distribution of the net easing of credit standards was highest for lending to Trade (24.0 percent), followed by Personal and households (23.9 percent), Business services (23.6 percent), Transport and communication (20.0 percent), Manufacturing (14.5 percent), Electricity and water (10.0 percent), and Agriculture, fishing and forestry (5.8 percent). On the other hand, sectors that recorded net tightening comprise of Building, mortgage, construction and real estate (22.1 percent), Mining and quarrying (5.8 percent) and Community, social and other service (1.4 percent).

The net easing registered for majority of the sectors in the quarter to March 2022 was largely attributed to the recovery of economic activity in most of the sectors, good weather and yield in agriculture, opening of education sector, low central bank rate and competition for market share.

On the other hand, the tightening in building, mortgage construction & real estate and mining & quarrying sectors was explained by the slow recovery of activities in these sectors, difficulty in loan service, risk level and unavailability of long-term financing.

Figure 2: Changes in Credit Standards by Economic Sector (Dec-2021 & Mar-2022)



Source: *Bank of Uganda*

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

There were mixed reactions from banks regarding their expectations on changes in price terms and conditions[2] in the quarter to June 2022 (Figure 3). Looking at the expectations for loan classifications, majority of the banks anticipate keeping the terms and conditions unchanged for riskier loans[3], prime borrowers, and average loans in the quarter to June 2022[4].

The reasons cited for keeping the terms and conditions unchanged with a biased towards easing for average and prime borrowers were expectations for increased demand for credit as economic activities recovers coupled with the low central bank rate. On the other hand, the tightening for riskier and average loans was attributed to the need to reflect the level of risk and the risk appetite.

Similarly, majority of banks expect to maintain non-price terms and conditions in the quarter to June 2022 (Figure 17). A fraction of banks expects to tighten the collateral requirements (16.1 percent). However, some banks expect to ease size of the loan (17.5 percent) and the maturity period (16.4 percent) on a net basis during this period. The non-interest charges are expected to remain largely unchanged (99.7 percent) over the next quarter.

The main reasons banks cited for the expected tightening of collateral requirements and maturity period in the quarter to June 2022 include the need to scale down on provision of unsecured facilities, improve

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

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

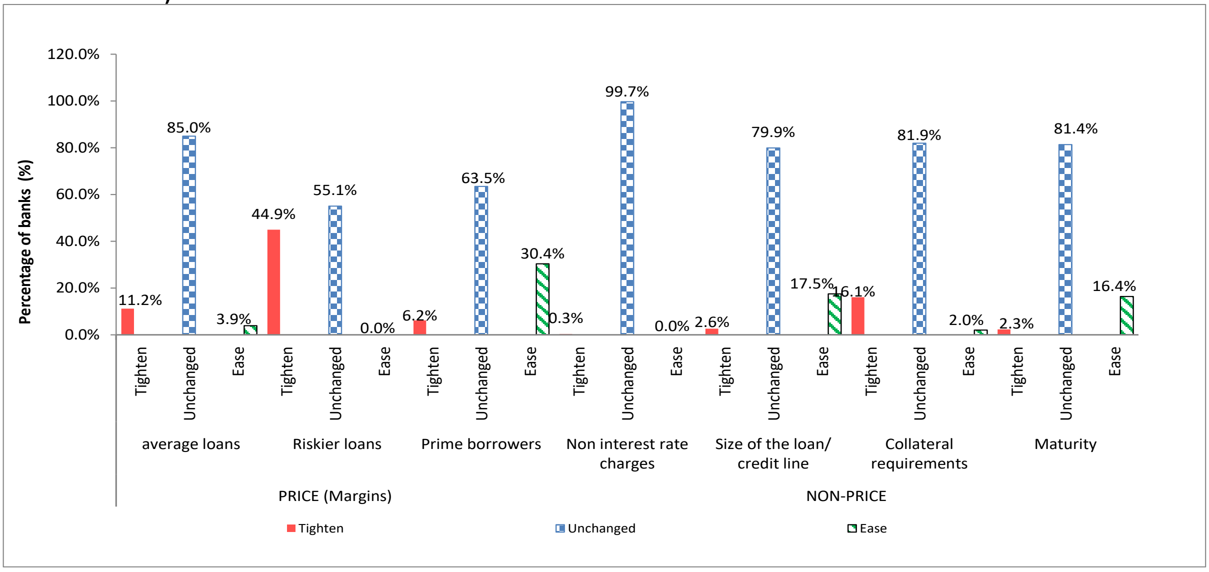
[3] Loans that banks assume to have a high probability of default.

[4] The borrowers are customers as prime, average, and riskier depending on the repayment history. Risker borrowers are those customers who are new to the lender or whose repayment history has not been good.

loan impairment positions, and the provisioning requirements of IFRS9, but this will vary depending on the risk profile of each customer.

On the other hand, the anticipated easing of size of the loan and the maturity period was due to expectations of higher credit demand, preference for short-term loan that are considered more favourable for liquidity management, the borrowers risk history and competition among lenders to grow asset portfolio.

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



Source: *Bank of Uganda*

1.1.4 Demand for Credit by Enterprises

In the quarter to June 2022 (Table 5), banks anticipate an overall increase in demand for credit, over 5 percent above than the rise in demand for credit reported in the previous survey. Notably, the increase in credit demand is expected for loans for large enterprises and across all loan durations. The anticipated increase in credits to SMEs was slightly lower than the previous quarter.

The reasons cited by most banks for the expected increase in credit demand were largely driven by developments in economic fundamentals, which include.

a) Strong recovery of the economy coupled with subdued inflation.
b) Demand for school fees and short-term working capital for SMEs.
c) Government priority in the budget and availability of contracts for SMEs.
d) Demand for investment in activities in the up-steam oil and gas exploitation.

On the other hand, this is likely to be moderated by the response of economic fundamentals to the effects of the Russia-Ukraine war.

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-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**	**Mar-22**	**Jun-22**
Increase(A)	89.8	94.3	88.4	85.1	79.2	86.4	95.5	98.3	71.6	90.2
Unchanged	7.6	4.9	9.0	14.1	20.8	13.6	4.5	1.7	24.5	9.0
Decrease(B)	2.6	0.8	2.6	0.8	0.0	0.0	0.0	0.0	3.9	0.8
Net %(A-B)	**87.3**	**93.5**	**85.9**	**84.3**	**79.2**	**86.4**	**95.5**	**98.3**	**67.7**	**89.3**
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 March 2022, banks eased credit standards to households, as depicted by a net percentage of 27.4 percent, further easing from the 32.1 percent registered at the end of the previous quarter (See, Appendix 1). This was largely driven by competition and appetite to grow loans and advances to households intended to diversify credit portfolio and spread risk.

Similarly, in the quarter to June 2022, banks expect to ease credit standards to households as depicted by a net percentage of 28.7 percent, lower than the net easing anticipated for the quarter to March 2022 48.9 percent on a net basis.

The expected easing of credit standards to the household sector to tap-into the increased economic activities, seasonal requirement in anticipation of increased uptake for school fees, farming and family business, low default rate, the role-out of bancassurance products, and use of digital platforms.

1.2.2 Outlook on Terms and Conditions for Credit to Households

Price terms and conditions for consumer credit are expected to ease further for average and prime borrowers on a net basis but tighten for riskier borrowers over the next three months to June 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 but tightened conditions 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 are the need to cover the risks, cost of funds, high loan to deposit ratio, default risk due to falsification of identity, high operational cost, and the continued effect of the Covid-19 pandemic on some sectors of the economy. On the other hand, the expected easing for prime borrowers, average loans, size of the loan and maturity period was attributed to, the need to remain competitive in the credit market, low central bank rate and return on government securities, and recovery of economic activities following the full re-opening in January 2022.

Demand for Credit by Households

Credit demand by households is expected to increase in the three months to June 2022. Specifically, 80.4 percent of banks anticipate an increase in households credit demand in the next quarter, lower than the 88.8 percent that anticipated in the quarter to March 2022.

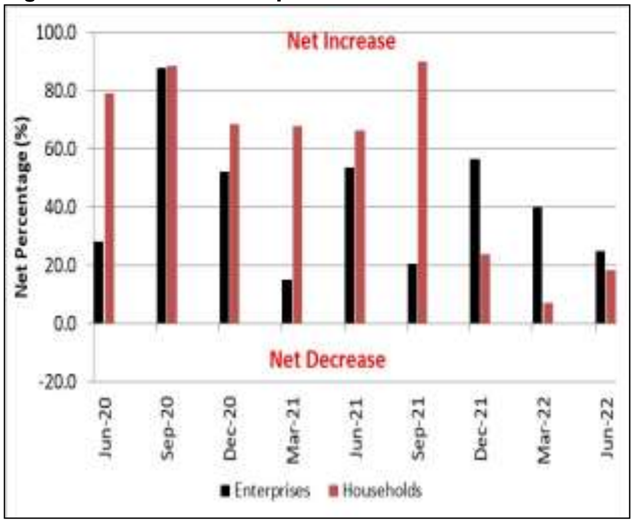
The anticipated increase in household credit demand is mainly attributed to the need to borrow for consumption, school fees payments as well as purchase of durable goods like vehicles and land, low and stable inflation, and the recovery of the economy that is expected to create more jobs and income for households.

1.3 Expected Default Rate on Loans to Enterprises and Households

Overall, 13.5 percent of the banks expect the default rate on loans to enterprises to decrease on a net basis in the quarter to June 2022, in contrast to 25.0 percent increase registered in the previous quarter. The anticipated reduction in default rate cuts across all firm sizes and loan durations. The expected decrease in default rate on loans to enterprises was mainly attributed to increased economic activities since the reopening in January 2022, which is likely to increase income, and robust framework put in place by banks to reduce defaults.

On the side of households, 18.4 percent of banks expect the default rate in this sector to increase on a net basis in the quarter to June 2022, more than double the 7.1 percent recorded in the previous survey results (see, Appendix 1). This explains the expectations of Banks to extend lower net easing of credit standards to households.

Figure 4: Default rate expectations



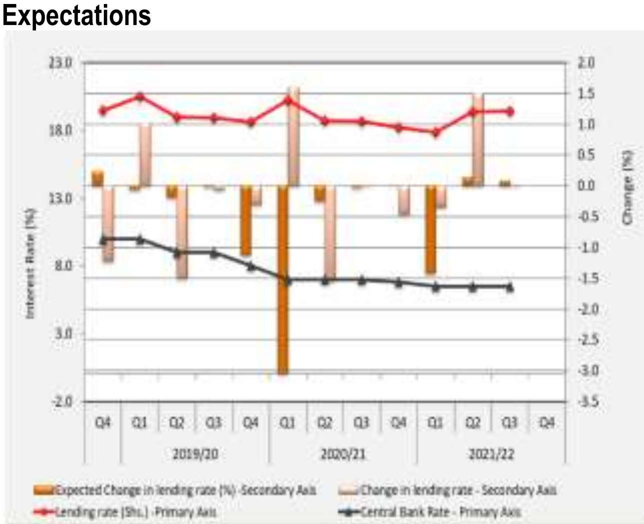
Source: *Bank of Uganda*

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 June 2022.

The results indicate that all banks (100.0 percent) expect their lending rates to remain largely unchanged in the quarter to June 2022. The major reasons cited were Stable CBR, the need to maintain their customers, low and stable inflation, customers have become more sensitive to lending rates, access of low-cost finance in the form of deposits and the need to remain competitive.
(See Figure 5).

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.*

Conclusion

The bank lending survey results indicate that in the quarter to March 2022, credit standards to both enterprises and households eased on a net basis. In terms of the outlook for the quarter to June 2022, banks indicated that they expect further easing of 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 June 2022. This was mainly attributed to recovery of economic activities, demand for credits for consumption and school fees and demand for investment in activities for oil and gas exploitation.

The default rate on loans to enterprises is expected to decrease in the quarter to June 2022, at a much slower pace compared to the quarter ended December 2021 survey results due to the gradual recovery of economic activities in most sectors. The default on loans to households are anticipated to gradually edge up due to other spending pressures.

Lastly, the survey results indicate that majority of banks expect their lending rates to marginally decrease due to low and stable inflation as well as the CBR.

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		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
or credit lines to enterprises															
Overall	Past three months	-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	-10.0
	Next three months	-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	-53.4
SMEs	Past three months	-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	-10.6
	Next three months	-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	-55.1
Large enterprises	Past three months	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	-0.3
	Next three months	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	-41.0
Short term loans	Past three months	-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	-17.5
	Next three months	-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	-53.5
Long term loans	Past three months	-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	-9.5
	Next three months	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	-36.4
or credit lines to enterprises to different sectors															
Agriculture (Crops, Livestock, Poultry), Fishing & F	Past three months	-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	-5.8
Mining and Quarrying	Past three months	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	5.8
Manufacturing	Past three months	-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	-14.5
Trade	Past three months	-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	-24.0
Transport and Communication	Past three months	-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	-20.0
Electricity and Water	Past three months	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	-10.0
Building, Mortgage, Construction and Real Estate	Past three months	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	22.1
Business Services	Past three months	-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	-23.6
Community, Social & Other Services	Past three months	-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	1.4
Personal Loans and Household Loans	Past three months	-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	-23.9
credit lines to enterprises															
Margin on average loans	Next three months	-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	7.3
Margin on riskier loans	Next three months	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	44.9
margin on prime borrowers	Next three months	-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	-24.2
Non-interest rate charges	Next three months	-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	0.3
Size of the loan or credit line	Next three months	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	-14.9
Collateral requirements	Next three months	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	14.1
Maturity	Next three months	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	-14.1
enterprises(apart from normal seasonal fluctuations)?															
Overall	Next three months	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	93.5
SMEs	Next three months	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	84.3
Large enterprises	Next three months	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	86.4
Short term loans	Next three months	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	98.3
Long term loans	Next three months	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	89.3
Default rate on loans to enterprises															
Overall	Next three months	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	-13.5
SMEs	Next three months	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	-12.1
Large enterprises	Next three months	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	-21.8
Short term loans	Next three months	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	-35.7
Long term loans	Next three months	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	-11.2

Period			2018/19			2019/20				2020/21			2021/22	
Part II: Households		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Credit policy as applied to the approval of loans to households and non-enterprises	Past three months	-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	-27.4
	Next three months	-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	-28.7
Demand for loans to households and non-enterprises (for purposes of consumer credit)	Next three months	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	80.4
Terms and conditions for approving loans or credit lines to households															
Margin on average loans	Next three months	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	-0.7
Margin on riskier loans	Next three months	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	36.8
Margin on prime borrowers	Next three months	-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	-30.3
Non-interest rate charges	Next three months	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	0.0
Size of the loan or credit line	Next three months	-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	-8.6
Collateral requirements	Next three months	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	9.6
Maturity	Next three months	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	-7.5
Default rate on loans to households	Next three months	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	18.4

Period			2018/19			2019/20				2020/21			2021/22	
Part III: Occassional Questions		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Lending rates expectation															
Increae(+)/Decrease(-)	Next three months	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	0.0
Percentage change	Next three months	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	0.00

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

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**	**Mar-22**
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	-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	-46.9
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	22.8
	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	-5.4
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	28.2
	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	-8.7
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	14.2
	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	-8.7
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	20.8
	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	3.3
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	31.5
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	0.0	16.0	20.2	28.2
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	31.5
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	7.5
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	-1.2
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	31.5
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	38.3
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	-9.9
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	-1.2
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	31.5
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	0.0
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	12.0
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	-8.7
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	16.3
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	-16.3
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	17.7	18.9	21.7	3.3
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	3.3
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	91.3
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	58.5
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	58.5
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	58.5
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	58.5
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	-79.2
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	-46.5
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	-49.8
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	-82.5
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	-46.5

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**	**Mar-22**
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	3.3
	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	0.0
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	41.1
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	0.0
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	5.3
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	0.0
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	16.3
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	-16.3
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	3.3
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	0.0
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	-41.1

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

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