National Bank of Ukraine

Bank Lending Survey

Q3 2018

(July 2018)

Key indicators for the next 12 months[1]. In Q2, the banks' expectations did not change significantly. The banks continued to forecast an increase in corporate lending, as stated by 81% of respondents (balance of responses 37%[2]) and a rise in retail lending, according to 67% of respondents (51%). Most banks anticipated that the quality of loan portfolios would not change. However, some banks expected the quality of retail loans to improve. The banks further expected a deposit inflow, with 57% (42%) of respondents expecting growth in household deposits, compared to 68% (34%) projecting corporate deposit growth.

Demand. Demand for corporate loans grew somewhat in Q2 2018. As reported by 48% (15%) of the responding banks, demand increased for all types of loans, except for loans to large enterprises. At the same time, 46% of respondents said the demand for corporate loans had not changed.

Demand for retail loans increased moderately. A third of the banks reported a rise in demand for consumer loans, and a quarter said there was a higher demand for mortgages. These were mostly large banks. The respondents believed that the demand for mortgages was primarily pushed up by expectations of an increase in real estate prices. The increase in demand for consumer loans was driven by a range of factors, including a lower loan rates, improved consumer sentiment, and falling household savings. Some large banks noted that a significant factor for their customers were limited households' opportunities to take out loans from other banks.

The banks expected higher loan demand from both businesses and households in Q3 2018. The biggest increase in demand was expected for SME loans, at 57% (33%), corporate hryvnia loans, at 49% (22%), and consumer loans, at 39% (24%).

According to the banks' estimates, the overall leverage of businesses remains high. The percentage of banks that said the leverage of large corporates was significant grew by 4 pp, to 49% (22%). However, the banks considered the leverage of SMEs low, with the balance of responses at 7%. Respondents assessed the debt burden on households as moderate (59% of responses) or low (24% of responses).

Lending Terms and Conditions. In Q2 2018, most banks maintained the same corporate lending standards. Nevertheless, some large banks eased their lending standards, mainly on SME loans. Small and medium banks slightly tightened lending standards for long-term and FX loans. Although most respondents do not anticipate any changes in lending standards for businesses in Q3, some banks reported intentions to slightly ease their lending conditions for SMEs.

Q2 saw an increase in loan application approval rates for loans to SMEs. Small banks somewhat tightened requirements on collateral for loans to businesses, while some large banks on the contrary relaxed these requirements.

Retail lending standards were eased slightly. Large banks relaxed mortgage and consumer lending standards for households due to intensified competition from both other banks and non-bank financial institutions. Some 22% of respondent banks said they would relax consumer lending standards in Q3.

The approval rate for mortgages remained unchanged in Q2. There was a significant rise in the approval rate for consumer loans. This was reported by 22% of respondents (the balance of responses was 15%). Some large banks increased the average size of the consumer loans they issued, and slightly cut interest rates, as well as relaxed requirements for mortgage collateral.

Risks. The banks noted that credit risks increased in Q2. Large banks reported a reduction of interest rate and operational risks, while small and medium banks noted an increase in liquidity risk. Large banks expected a simultaneous rise of credit, interest rate, FX and liquidity risks in Q3.

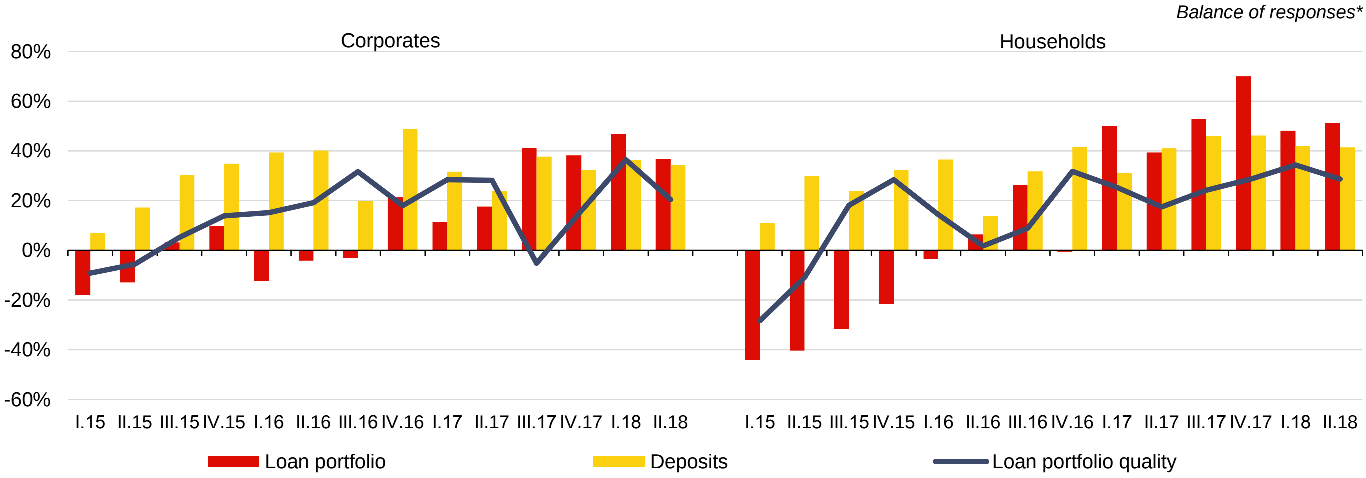
[1] For the survey objective and methodology, see page 10.

[2] Here and below respondents' replies are given non-weighted, with one bank equaling one response. Weighted responses, calculated according to the methodology indicated in the annex, are given in brackets (for more details, see page 6).

Expectations for the next 12 months

In Q2 2018, banks said they intended to increase retail and corporate lending over the next 12 months. Respondents have now retained their optimistic expectations about consumer lending for nine quarters in a row, starting from Q2 2016. Most banks have been expecting an increase in corporate lending since the end of 2016, and in Q2 the percentage of responses reached a high of 81% for this period. Respondents anticipated that the quality of corporate (97% of respondents) and retail (95%) loans would not deteriorate, while some large banks expected improvements in the quality of retail loans. Most respondents expected an inflow of corporate and retail deposits over the next 12 months (with the balances of responses being 34% and 42%, respectively) (Figure 1).

Figure 1. Expectations of changes in key bank indicators over the next 12 months

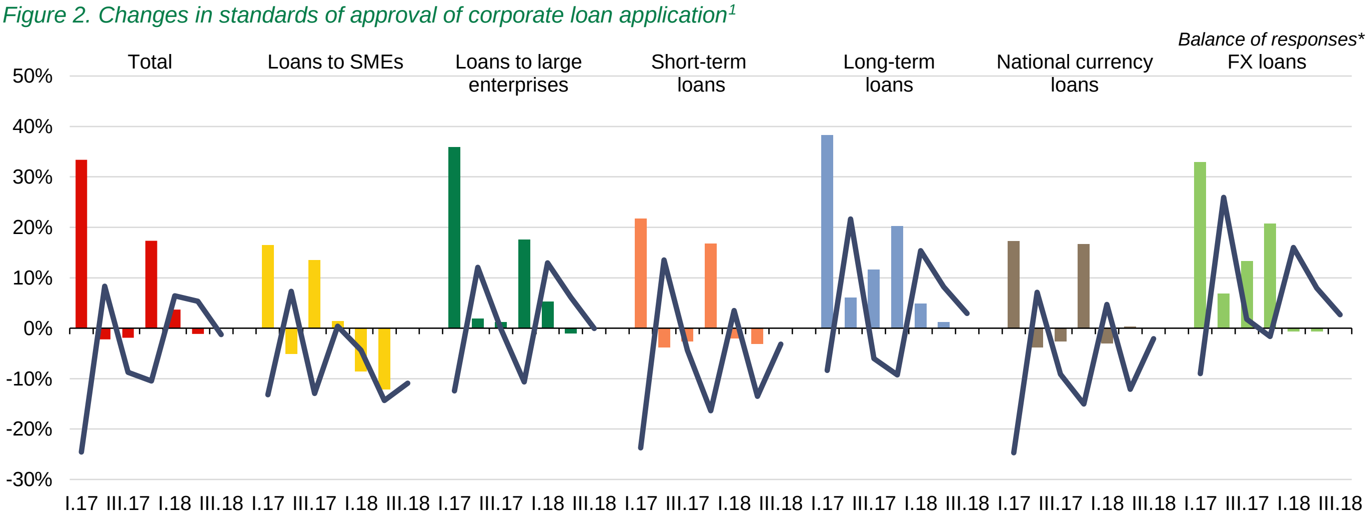


**A positive balance of responses indicates expectations of growth for the respective indicator.*

Corporate Loans

In Q2 2018, 82% of respondents maintained the same standards for corporate lending, the balance of responses being 1%. Some large banks eased lending standards for SMEs (the balance of responses being (-12%)), small banks slightly tightened standards for long-term and FX loans, while for other loan types the standards remained unchanged (Figure 2).

Figure 2. Changes in standards of approval of corporate loan application[1]



[1] Hereinafter, the bars show the balance of responses for the quarter. A dark line shows expectations for the quarter following the reporting quarter.

** A positive balance of responses indicates tightening of the standards for loan application approval.*

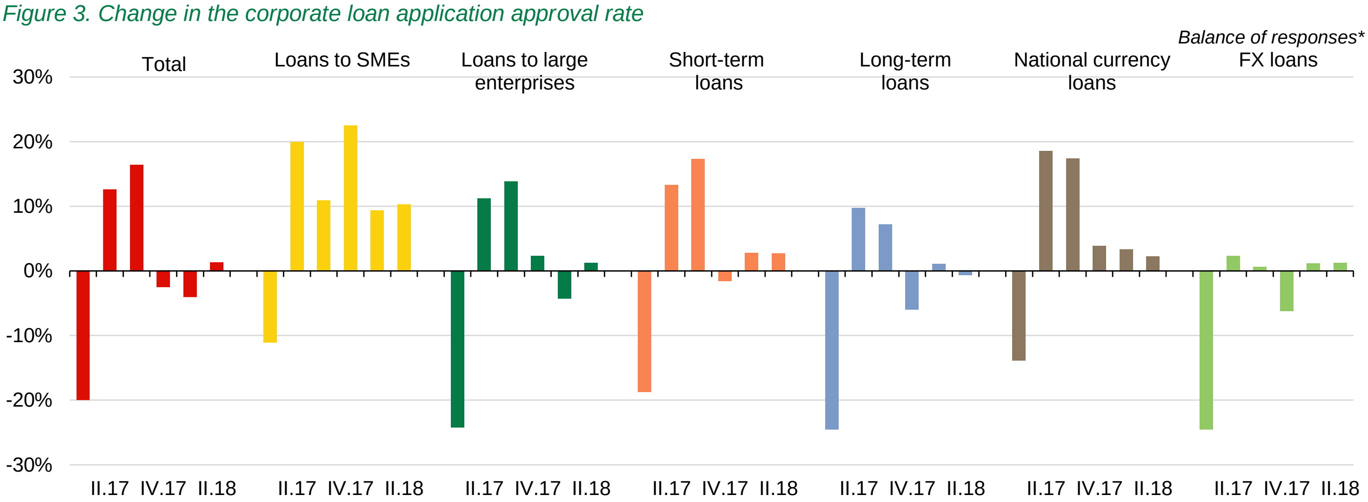
Respondents said that intensified competition with other banks and positive expectations for the growth of industry and business were the key drivers of softening lending criteria for SMEs. Several banks expected a deterioration in economic activity and exchange rate expectations, and also cited an increase in collateral risk. All these factors prevented the banks from easing corporate lending standards (for more details, see Section 3 of the annex).

The banks in general did not plan substantial changes in lending standards for businesses in Q3. About a quarter of respondents expected an increase in long-term lending standards (the balance of responses was 3%). However, some banks intended to ease lending conditions for SMEs (the balance of responses being (-11%)).

Q2 2018 saw a 17% rise in approval rates for loan applications by SMEs, with the balance of responses at 10%. There was no change in approval rates for loan applications in other segments (Figure 3).

A decrease in interest rates had a positive effect on the number of approved loan applications. At the same time, small and medium banks somewhat tightened collateral requirements for corporate loans (for more details, see Section 3 of the annex).

Figure 3. Change in the corporate loan application approval rate



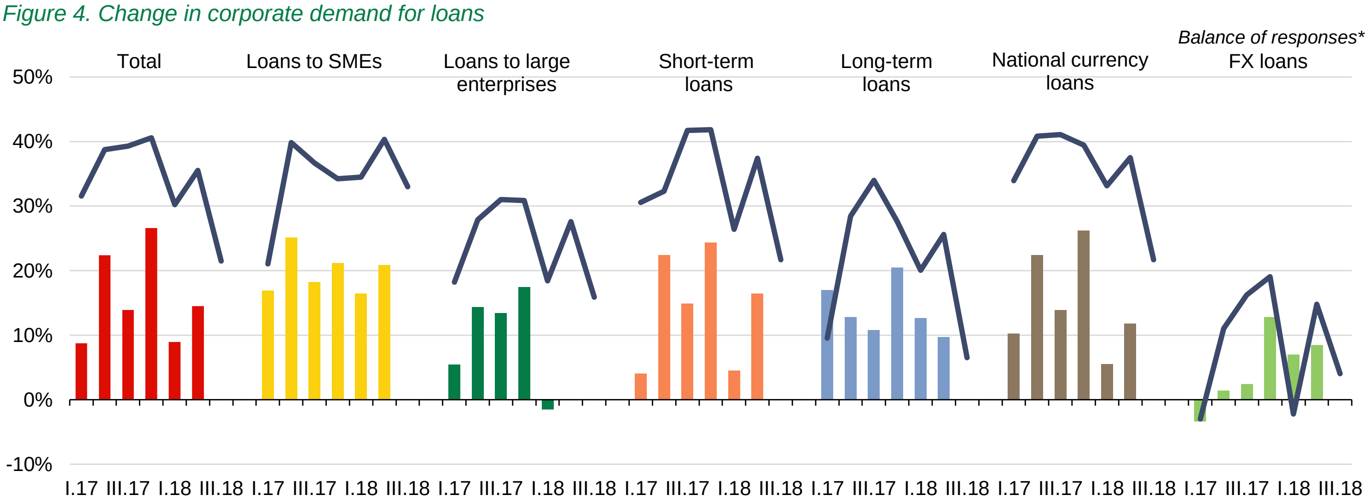
** A positive balance of responses indicates an increase in the number of approved loan applications.*

The banks reported a rise in demand for corporate loans in Q2. This was stated by 48% of respondents. Demand increased for all types of loans, although it stood flat for loans to large enterprises (Figure 4).

The banks reported that the need for working capital and funds for investment were the major drivers of demand. Respondents also noted that businesses were less able to finance their operations with their own funds. This also contributed to the rise in demand for loans in Q2. At the same time, this demand was not fueled by the need to restructure debts (see Section 3 of the annex).

Respondents expected further growth in demand for all types of business loans in Q3. The most optimistic expectations were for SME loans.

Figure 4. Change in corporate demand for loans



** A positive balance of responses indicates an increase in demand.*

Loans to households

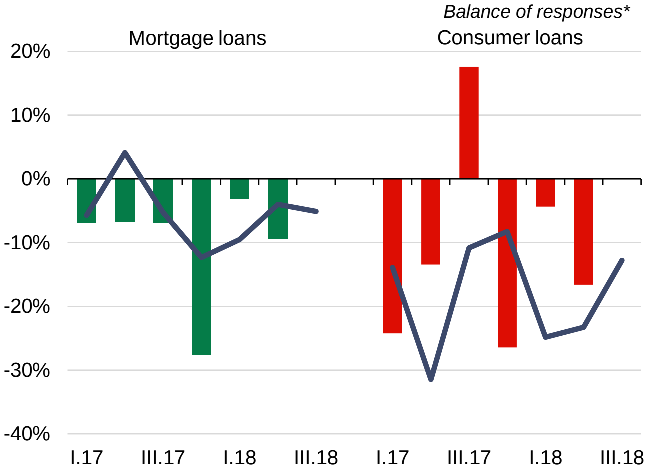
In Q2, the banks eased their consumer and mortgage lending standards (the balances of responses being (-17%) and (-10%) respectively). Respondents believed the main reason behind this was stronger competition between banks. Moreover, some large banks said competition was tougher both in retail and mortgage lending not only among the banks, but also with non-bank financial institutions. This was also cited as the reason for the softening of standards in retail lending.

Some banks, mostly small ones, marginally tightened their lending standards in response to the higher cost of funding and negative exchange rate expectations.

The surveyed financial institutions expected an easing in consumer lending standards in Q3, while expecting no change in mortgage lending standards. The balances of responses were (-13%) and (-5%) respectively (Figure 5).

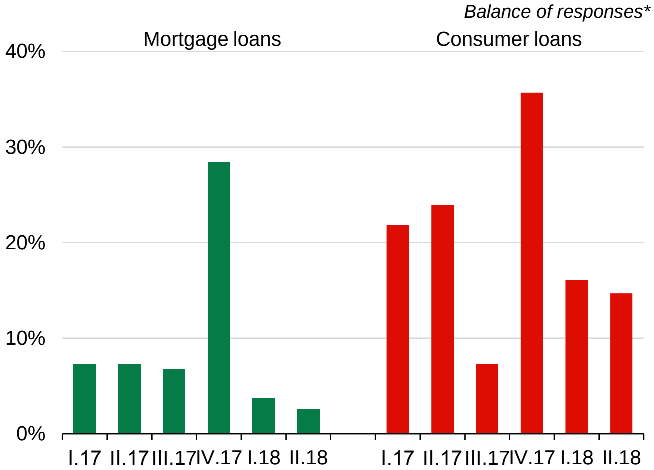
In Q2, the approval rate for consumer lending increased somewhat (22% positive responses), while remaining unchanged for mortgages (89% of respondents). The balances of responses were 15% and 3% respectively. The banks, primarily large ones, said there was an increase in the average size of the consumer loans they issued. Lower interest rates contributed to the softening of the large banks' lending policies in the consumer segment (Figure 6).

Figure 5. Change in standards for approval of households' loan applications



** A positive balance of responses indicates tightening of the standards for loan application approval.*

Figure 6. Change in the number of approved household loan applications

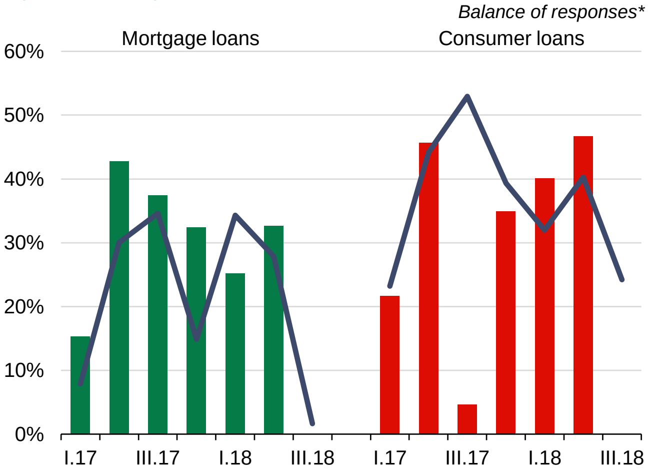


** The positive balance of responses indicates the increased level of loan applications approval.*

The banks have again noted an increase in household demand for loans. Higher demand for consumer loans was reported by 37% of the surveyed banks. Higher demand for mortgages was reported by 26% of the respondents, with the balance of responses being 33%. Respondents mainly attributed the increased demand for consumer loans to households' limited opportunities to take out loans from other banks, and a fall in household savings. Other significant drivers were a cut in loan rates and better consumer sentiment. Demand for mortgages was fueled by positive forecasts for housing construction, mainly due to the expectation of higher real estate prices (Figure7 and Section 4 of the annex).

For Q3, the banks expected that demand for retail lending would increase, while that for mortgages would remain unchanged.

Figure 7. Change in households' demand for loans

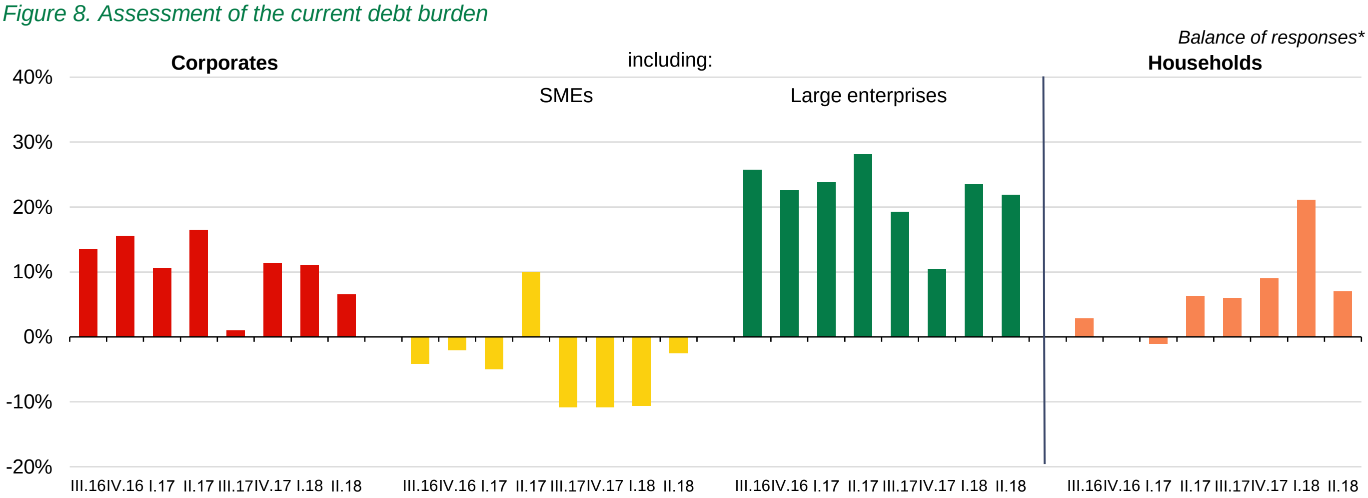


** A positive balance of responses indicates an increase in demand.*

Assessment of the debt burden

Since Q3 2016, the banks have been assessing the debt burden of their customers. In Q2 2018, a quarter of respondents assessed the corporate sector leverage as high. The percentage of banks that assessed the leverage of large enterprises as high was 49%, a rise of 4 pp. According to 87% of respondents, the leverage of SMEs was either low or moderate, with the balance of responses being (-3%). 83% of respondents considered the debt burden of households to be rather low or moderate (Figure 8).

Figure 8. Assessment of the current debt burden



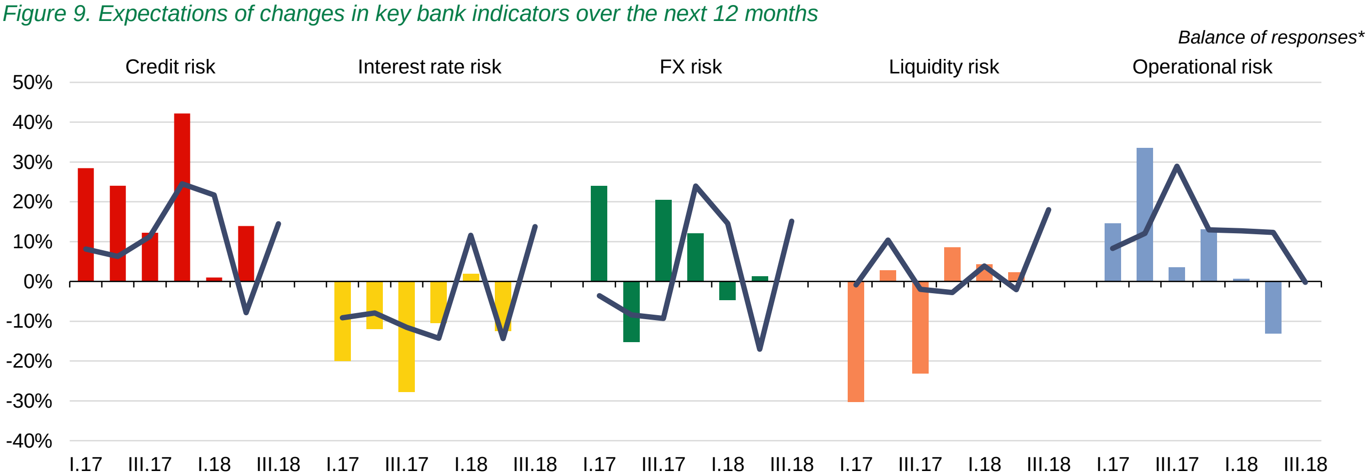
** The higher balance of responses corresponds to higher estimation of leverage.*

Risk assessment

According to respondents, Q2 saw an increase in credit risk, with the balance of responses of 14%. Large banks indicated a decrease in interest rate and operational risks (the balances of responses being (-13%) for both risk types). Small banks reported a rise in liquidity risk. FX risk remained unchanged according to 86% of respondents.

The banks expected an increase in liquidity, FX, credit, and interest rate risks in Q3 (the balances of responses being 18%, 15%, 15% and 14% respectively). A total of 83% respondents forecast no change in operational risk (Figure 9).

Figure 9. Expectations of changes in key bank indicators over the next 12 months



** A positive balance of responses indicates an increase in risks.*

Annex: Survey Findings

Each respondent bank was represented by a credit manager who filled out an electronic questionnaire. The questionnaire included three types of questions:

- questions with open responses (without multiple choice);
- multiple choice questions;
- multiple choice questions where responses are presented on an ordinal scale.

For questions where responses were on an ordinal scale (e.g., from "significantly increased" to "significantly decreased"), the indicator “balance of responses” was calculated (BR). For the purposes of the survey, the terms used shall have the following meaning:

- lending standards are the internal regulations and criteria governing the lending policies of a bank;
- lending conditions are the lending terms and conditions agreed on between a bank and a borrower.

The questionnaire covers changes in the past three months and expected changes over the next three months (i.e. for the quarter following the reporting quarter).

To calculate aggregated results for all banks, each response is assigned a score based on the respondent's answers and their weight in the total sample. The scores are presented on a range from -1 to 1 depending on the direction of indicator change. Responses indicating a significant change of the indicator are assigned a higher score than responses reflecting an insignificant change. The response “grew considerably” will have a score of 1, and the response “grew slightly” – a score of 0.5. Each score is weighted on the share of the respective respondent in the total sample depending on its share in assets or its loan portfolio of corporate sector/households of this sample. The summary score for all banks is the BR that can also be interpreted as the difference between the weighted share of respondents reporting an "increase" of a certain index, and the weighted share of respondents reporting a "decrease" of the index. The BR can vary within the range of ± 100. A positive balance indicates that respondents generally assess/expect a change in the index (of the standards of loan applications approval/loan applications approval rate/demand for loans/risks, etc.) towards an increase/strengthening compared with the previous quarter/next quarter. Detailed information about how to interpret the balance of responses to each question is given in the notes to the relevant Figures.

For the questionnaire’s data in Excel, please, refer to the official website of the National Bank of Ukraine at https://bank.gov.ua/control/en/publish/category?cat_id=20741795

Balance of responses, %

	2013	2014				2015				2016				2017				2018	
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
I. Expectations for the next 12 months: key indicators																			
How, in your opinion, will the following corporates’ indicators change in your bank over the next 12 months?																			
Loan portfolio	—	—	—	—	—	-18.0	-12.9	3.2	9.7	-12.2	-4.2	-3.0	21.4	11.4	17.6	41.1	38.2	46.8	36.7
Deposits	—	—	—	—	—	7.0	17.2	30.4	34.9	39.3	40.2	19.8	48.8	31.6	23.8	37.7	32.3	36.3	34.4
Loan Portfolio Quality	—	—	—	—	—	-9.2	-5.6	5.2	13.9	15.1	19.1	31.6	18.0	28.4	28.2	-5.1	16.0	36.4	20.5
How, in your opinion, will the following households’ indicators change in your bank over the next 12 months?																			
Loan portfolio	—	—	—	—	—	-44.2	-40.3	-31.6	-21.5	-3.6	6.4	26.3	-0.6	49.9	39.4	52.7	70.0	48.1	51.2
Deposits	—	—	—	—	—	11.1	29.9	23.8	32.4	36.6	13.9	31.7	41.7	31.1	41.0	46.1	46.2	42.0	41.5
Loan Portfolio Quality	—	—	—	—	—	-28.3	-11.0	18.1	28.4	14.4	1.8	8.8	31.7	25.3	17.5	24.1	28.7	34.3	28.6
II. Risk assessment																			
How did the risks for your banks change within the last quarter?																			
Credit risk	-3.1	37.6	37.9	37.6	37.0	39.5	38.5	11.4	23.0	14.5	20.0	2.2	18.3	28.4	24.0	12.2	42.2	1.0	13.9
Interest rate risk	11.1	38.3	19.4	37.0	25.0	24.3	27.9	1.5	0.1	-7.1	-18.1	-8.3	9.2	-20.0	-12.0	-27.8	-10.5	1.9	-12.5
Currency risk	14.1	64.3	44.4	60.5	46.0	41.2	15.0	-23.3	13.3	-2.8	-14.7	-10.7	22.2	24.0	-15.2	20.5	12.1	-4.6	1.3
Liquidity risk	16.1	38.1	31.6	2.6	19.5	34.7	7.6	-30.9	-17.3	-10.4	-5.7	-8.0	15.2	-30.3	2.8	-23.1	8.6	4.3	2.3
Operational risk	-1.1	-2.3	20.1	21.7	2.3	-0.1	11.6	11.6	10.1	3.9	10.9	10.2	16.3	14.6	33.5	3.6	13.0	0.6	-13.2
What changes do you expect in the risks for your bank over the next quarter?																			
Credit risk	2.5	19.6	22.8	27.9	25.9	24.4	22.3	2.2	10.9	10.9	19.4	11.3	8.1	6.3	11.3	24.5	21.7	-7.9	14.5
Interest rate risk	-5.0	15.6	13.5	8.0	16.9	25.1	18.5	-8.9	-8.4	-10.4	-1.0	-9.3	-9.1	-7.9	-11.6	-14.3	11.6	-14.3	13.8
Currency risk	5.7	42.3	-15.1	29.5	29.7	10.5	18.9	-2.0	-3.2	5.3	20.3	7.7	-3.6	-8.4	-9.3	23.9	14.5	-17.0	15.1
Liquidity risk	-3.6	13.4	-6.1	27.1	25.1	-3.9	19.4	9.0	-4.9	-8.4	-1.9	-4.9	-0.8	10.4	-2.0	-2.8	3.9	-2.1	18.0
Operational risk	-6.0	-6.8	-7.4	0.3	-4.5	6.6	9.2	10.3	18.0	18.1	17.0	8.7	8.3	12.1	28.9	12.9	12.7	12.3	-0.2

III. Corporate Loans

How did the standards for approval of corporate loan applications change within the last quarter?

Total	11.3	50.0	56.0	47.1	47.3	42.7	30.2	3.1	16.9	-0.9	7.1	0.0	2.0	33.4	-2.2	-1.9	17.4	3.7	-1.1
Loans to SMEs	0.8	48.2	55.5	45.5	46.4	40.6	25.2	8.5	4.2	-3.9	-1.8	-9.5	-1.1	16.5	-5.1	13.5	1.4	-8.6	-12.2
Loans to large enterprises	13.2	39.2	30.2	38.5	35.6	40.4	34.3	7.3	22.2	11.0	12.2	10.7	3.9	35.9	1.9	1.2	17.5	5.3	-1.0
Short-term loans	4.6	45.3	33.5	41.6	43.3	37.4	26.4	1.3	15.5	-3.6	5.8	7.4	-0.1	21.7	-3.9	-2.6	16.8	-2.1	-3.1
Long-term loans	18.1	51.8	41.2	42.7	38.9	50.8	37.2	19.7	30.1	16.5	4.1	2.0	3.5	38.2	6.1	11.6	20.2	4.9	1.2
Loans in domestic currency	5.4	43.7	37.9	41.7	44.0	38.4	27.2	2.2	3.8	-9.0	-2.9	-1.3	-0.4	17.3	-3.8	-2.6	16.7	-3.0	0.3
Loans in foreign currency	17.0	52.8	47.0	51.7	52.0	56.8	44.3	21.9	22.5	39.6	8.1	12.0	4.5	32.9	6.8	13.3	20.7	-0.7	-0.7

What was the impact of the factors listed below on changes in standards for approval of corporate loan applications within the last quarter?

Bank’s capitalization	2.4	33.0	28.8	33.1	22.8	26.9	13.5	6.1	13.2	6.5	6.4	1.6	0.3	6.4	12.4	11.6	12.4	-7.1	1.1
Bank’s liquidity position	10.3	36.2	23.3	23.6	23.7	22.8	23.8	6.5	7.2	-7.1	-0.9	-8.4	-1.0	5.9	-0.4	-1.6	1.9	-9.3	0.4
Competition with other banks	-6.5	1.5	-0.2	-10.5	-5.9	14.6	0.0	-5.5	-0.5	-10.9	-1.0	-10.1	-12.6	-11.2	-17.9	-15.3	-3.1	-10.3	-11.9
Competition with nonbank institutions	0.0	8.6	0.7	3.2	3.8	3.6	0.2	0.9	2.1	-1.1	3.2	0.0	0.0	0.1	0.0	0.4	0.4	0.4	0.4
Expectations of general economic activity	22.9	62.1	59.3	53.6	49.4	48.9	45.1	33.1	35.5	3.8	9.9	0.1	-4.6	-3.4	-13.3	1.5	4.9	-5.3	-0.2
Inflation expectations	12.9	52.2	41.0	47.6	38.1	34.9	36.2	35.3	48.6	20.8	7.9	2.7	-1.0	-3.2	-1.2	-0.9	6.6	8.9	-1.3
Exchange rate expectations	22.1	65.8	62.6	64.8	53.1	45.9	46.6	38.7	41.7	26.9	11.1	4.4	6.1	8.1	8.4	4.8	9.7	11.0	1.9
Expectations of industry or a specific enterprise development	12.9	42.0	31.4	42.0	34.1	29.3	37.2	32.9	27.4	-7.6	7.7	2.5	-8.0	-5.7	-12.4	-6.6	3.3	0.6	-9.2
Collateral risk	14.3	34.6	24.2	36.5	29.2	26.5	34.1	33.3	23.2	14.3	13.5	5.9	13.5	8.1	-3.1	-3.0	-3.3	0.9	2.0

What changes do you expect in the standards for approval of corporate loan applications over the next quarter?

Total	3.5	35.6	26.5	26.5	26.8	16.8	15.9	3.4	6.6	4.1	-10.4	-4.5	-24.5	8.3	-8.8	-10.4	6.4	5.3	-1.3
Loans to SMEs	-0.2	33.9	25.4	25.8	32.0	16.6	16.7	3.3	-19.3	-15.7	-19.8	-13.2	-13.2	7.3	-12.9	0.4	-4.4	-14.4	-10.9
Loans to large enterprises	4.4	37.4	26.3	30.5	26.5	19.8	15.8	7.3	6.7	9.9	-5.1	2.5	-12.5	12.1	-0.1	-10.7	12.9	6.1	-0.1
Short-term loans	2.2	31.0	24.5	19.6	25.4	16.4	13.2	1.0	-7.6	-10.3	-22.0	-5.9	-23.7	13.5	-4.4	-16.4	3.5	-13.5	-3.2
Long-term loans	12.0	46.2	34.7	31.0	38.2	27.0	21.1	13.6	20.0	13.6	-1.6	7.6	-8.4	21.7	-6.0	-9.3	15.3	8.2	2.9
Loans in domestic currency	1.3	30.6	22.6	20.7	24.3	15.2	13.1	1.8	-0.7	-6.2	-11.8	-12.2	-24.7	7.1	-9.1	-15.0	4.7	-12.1	-2.1
Loans in foreign currency	8.7	53.9	28.3	31.8	44.0	30.2	20.1	20.6	23.6	12.1	2.3	4.4	-9.0	25.9	1.8	-1.7	16.0	7.9	2.6

How did the level of approval of corporate loan applications change within the last quarter?

Total	-6.2	-33.5	-20.7	-29.5	-18.2	-8.4	-22.8	5.5	-10.3	6.3	-6.3	8.3	12.1	-20.0	12.6	16.4	-2.5	-4.1	1.3
Loans to SMEs	-0.3	-31.5	-16.3	-20.9	-12.9	-5.8	-19.2	4.6	7.5	-6.8	-6.4	18.5	7.3	-11.1	19.9	10.9	22.5	9.4	10.3
Loans to large enterprises	-2.9	-31.2	-20.0	-27.9	-18.3	-11.7	-22.6	-0.6	-11.3	6.6	-8.4	-1.2	-3.3	-24.2	11.3	13.9	2.3	-4.3	1.2
Short-term loans	-1.2	-22.0	-14.8	-21.3	-12.8	-6.7	-20.6	7.1	10.5	0.7	-5.6	8.3	11.3	-18.7	13.3	17.3	-1.6	2.8	2.7
Long-term loans	-7.7	-46.2	-32.7	-31.3	-27.4	-20.8	-28.0	-8.9	-31.4	-5.5	-0.7	-1.0	-9.7	-24.5	9.8	7.2	-6.0	1.1	-0.7
Loans in domestic currency	-0.9	-23.4	-11.8	-16.9	-13.0	-8.0	-21.4	6.1	4.3	6.6	2.3	15.6	11.2	-13.9	18.5	17.4	3.9	3.3	2.3
Loans in foreign currency	-11.3	-48.9	-25.9	-42.9	-26.1	-22.1	-29.6	-17.8	-20.9	-9.2	-2.2	-3.1	-9.7	-24.5	2.3	0.6	-6.2	1.2	1.2

What changed in price and non-price conditions of approval of applications for loans to the corporate sector within the last quarter?

Interest rates (increase - stricter conditions, decrease - softer conditions)																			
Total	26.7	39.4	29.2	31.7	30.6	58.7	43.3	10.5	-19.8	-25.7	-22.3	-31.7	-16.7	-40.9	-33.6	-38.3	0.4	11.1	-6.0
SMEs	18.9	41.2	30.9	30.9	30.2	60.1	39.4	10.0	-20.7	-19.1	-25.5	-18.3	-13.2	-41.3	-39.9	-31.6	-26.6	-3.5	5.1
Large enterprises	25.4	39.1	28.5	30.9	30.8	59.8	42.8	11.1	-13.6	-30.9	-15.3	-31.6	-17.7	-40.5	-33.4	-38.2	0.3	11.5	-5.9
Changes in non-interest rate payments																			
Total	3.6	15.6	12.0	9.1	16.8	11.6	6.7	1.5	2.0	4.6	2.9	7.7	-1.4	-0.2	-1.4	-7.1	0.1	-0.1	0.0
SMEs	3.6	15.8	11.6	7.3	16.0	11.0	5.4	1.5	-3.9	3.7	3.2	7.8	-1.4	-0.2	5.3	-1.1	-6.5	-2.4	0.0
Large enterprises	3.6	14.2	11.6	9.2	15.4	13.0	7.7	1.5	1.4	4.8	3.2	1.5	0.3	-0.2	-1.4	-7.1	0.1	0.0	0.0
Loan or facility amount																			
Total	6.5	32.8	29.7	44.0	39.7	45.6	27.8	16.4	13.8	3.1	1.1	0.3	6.8	25.8	-3.3	-0.1	5.2	4.1	-2.4
SMEs	1.5	30.4	24.6	34.6	36.7	33.2	24.3	4.0	8.3	5.3	-1.8	-3.7	-3.0	22.8	3.0	0.0	-18.9	-5.1	0.0
Large enterprises	6.4	23.9	29.7	43.9	38.6	48.2	27.8	17.5	14.0	3.5	1.6	0.3	7.0	26.2	-3.0	-0.1	5.3	4.2	-2.5
Collateral eligibility requirements																			
Total	9.2	30.1	32.8	32.3	30.0	35.1	29.5	27.1	17.9	8.3	8.5	16.0	11.7	11.6	-1.0	-2.7	15.1	-6.4	0.3
SMEs	12.2	30.0	32.1	26.2	27.9	36.1	25.6	26.5	17.0	18.9	9.9	5.4	4.4	8.8	-3.6	9.9	7.6	-6.4	-4.2
Large enterprises	9.3	30.0	32.9	32.2	28.6	37.5	29.5	16.2	18.2	8.2	8.3	25.8	11.6	18.2	5.4	-2.9	13.9	-5.7	1.0
Restrictions imposed by the loan agreement on the borrower																			
Total	15.0	27.4	30.6	25.3	29.6	18.2	26.6	13.1	15.7	15.3	9.4	13.3	17.3	26.3	23.7	19.4	3.1	12.0	3.5
SMEs	15.0	25.8	30.8	20.8	25.8	18.2	21.8	11.6	14.4	14.8	8.9	9.6	15.9	40.6	17.7	11.3	5.2	12.1	3.6
Large enterprises	15.8	27.4	30.8	27.1	26.8	22.1	26.4	13.1	15.8	15.3	9.5	13.3	17.2	26.4	24.1	19.4	3.1	18.7	3.5
Loan maturity																			
Total	6.8	27.8	21.1	29.0	26.1	25.2	15.7	10.1	7.7	8.7	7.2	7.0	6.9	2.9	-8.1	0.9	0.8	-0.6	0.2
SMEs	7.9	23.9	16.0	22.4	21.6	24.1	13.8	10.1	7.8	8.9	3.5	3.5	3.6	2.0	-1.9	0.9	-5.7	-0.6	0.1
Large enterprises	7.0	24.0	22.1	28.9	23.9	28.7	16.4	12.6	8.1	8.8	7.4	9.2	6.9	2.9	-6.3	2.4	-5.6	-0.6	0.2

How the corporate sector's demand changed within the last quarter, disregarding the seasonal changes?

Total	7.6	15.7	12.7	21.3	19.7	25.5	3.1	9.4	12.3	25.0	11.3	23.3	17.6	8.8	22.4	13.9	26.6	9.0	14.5
Loans to SMEs	11.6	15.1	10.4	18.8	23.5	21.5	1.6	10.7	32.4	28.7	23.3	24.4	16.9	16.9	25.1	18.2	21.2	16.5	20.8
Loans to large enterprises	15.4	11.7	14.7	14.8	19.2	14.9	2.9	9.3	5.7	18.1	8.6	12.2	3.7	5.4	14.4	13.5	17.4	-1.5	0.1

Short-term loans	14.7	20.4	18.9	28.0	26.3	18.8	3.3	11.1	12.7	17.7	10.4	18.2	16.7	4.0	22.4	14.9	24.4	4.5	16.4
Long-term loans	-14.4	-4.2	9.3	-3.9	10.5	0.2	-8.6	4.7	3.2	7.2	1.5	7.2	-1.8	17.0	12.8	10.8	20.5	12.7	9.7
Loans in domestic currency	3.1	22.7	18.0	23.6	25.9	24.4	3.7	12.5	18.4	25.5	11.3	22.2	18.3	10.2	22.4	13.9	26.2	5.5	11.8
Loans in foreign currency	11.3	-13.0	-15.2	-31.9	-36.3	-47.5	-35.4	-19.0	-10.7	-19.9	11.5	2.3	-2.6	-3.4	1.4	2.4	12.8	7.0	8.4

What was the impact of the factors listed below on changes in corporate demand for loans within the last quarter?

Interest rates	-16.1	-23.7	-20.4	-10.4	-11.9	-26.0	-32.4	-18.0	2.1	15.2	25.7	18.0	14.9	15.7	21.1	19.7	6.8	-5.5	0.8
Capital investment needs	2.3	-29.6	-24.6	-18.7	-11.4	-11.1	-0.6	4.9	2.8	14.0	8.3	5.9	8.9	8.3	20.6	13.4	15.1	14.2	9.0
Working capital needs	5.2	-3.2	0.1	13.8	14.5	28.7	36.2	32.1	22.1	36.7	22.5	25.6	17.1	17.4	23.8	24.2	23.8	19.7	17.8
Debt restructuring	4.2	10.9	19.0	24.4	15.7	31.4	22.8	19.1	28.2	24.9	12.9	20.3	16.3	17.3	20.6	15.2	7.2	-1.2	4.3
Internal financing	-0.3	-16.5	1.5	2.6	-8.8	4.4	8.1	9.6	4.1	2.3	4.1	6.6	8.9	3.8	8.2	-4.4	-5.6	-2.9	9.1
Loans from other banks	-3.6	-8.7	3.9	5.7	-2.8	6.8	9.5	4.6	8.5	-6.0	-8.9	-7.5	1.1	-12.8	-10.0	2.2	-9.7	-10.9	-5.5
Asset sale	-2.3	-9.3	-11.3	-15.0	-13.1	2.0	-1.8	3.2	1.3	2.1	1.9	1.7	1.8	1.6	1.5	0.0	0.0	0.0	0.0

How will the corporate demand for loans change over the next quarter, disregarding the seasonal changes, in your opinion?

Total	24.7	11.8	16.3	8.2	10.3	25.3	9.9	6.0	7.1	44.4	29.9	20.0	31.6	38.8	39.3	40.6	30.2	35.5	21.5
Loans to SMEs	20.3	7.2	16.9	5.0	16.3	24.3	10.4	5.8	25.6	38.5	29.6	26.3	21.0	39.8	36.7	34.2	34.5	40.3	33.0
Loans to large enterprises	15.2	11.7	13.1	5.9	7.3	22.6	11.8	-3.8	12.9	45.6	23.2	13.1	18.2	27.9	31.0	30.9	18.4	27.6	15.9
Short-term loans	24.4	19.4	15.5	16.3	15.2	26.0	11.3	6.7	23.4	45.5	31.9	27.6	30.6	32.3	41.7	41.8	26.4	37.4	21.7
Long-term loans	5.4	-5.9	8.4	-4.5	0.8	9.5	0.6	6.7	0.9	20.0	10.2	2.0	9.5	28.4	34.0	27.6	20.1	25.6	6.5
Loans in domestic currency	26.5	16.7	13.4	14.1	13.7	24.2	10.4	8.5	22.1	48.0	33.4	29.8	33.9	40.8	41.1	39.4	33.1	37.5	21.7
Loans in foreign currency	-4.6	-17.8	-3.7	-29.5	-14.2	-8.7	-29.7	-36.9	-8.2	-11.9	-1.1	-1.8	-3.0	11.0	16.2	19.1	-2.2	14.8	4.1

How do you assess corporates' leverage in the past quarter?

Total	—	—	—	—	—	—	—	—	—	—	—	13.5	15.5	10.6	16.5	1.0	11.4	11.0	6.6
SMEs	—	—	—	—	—	—	—	—	—	—	—	-4.1	-2.1	-4.9	10.0	-10.8	-10.9	-10.6	-2.5
Large enterprises	—	—	—	—	—	—	—	—	—	—	—	25.7	22.5	23.8	28.1	19.2	10.5	23.5	21.9

IV. Loans to households

How did the standards for approval of retail loan applications changed within the last quarter?

Mortgage loans	-0.8	39.2	22.4	12.6	32.3	25.6	19.0	0.9	-13.4	0.2	-0.5	0.1	-20.5	-7.0	-6.7	-6.9	-27.6	-3.1	-9.5
Consumer loans	-4.9	53.3	30.3	34.4	39.6	39.7	19.0	-6.4	-24.5	-8.1	-10.8	-17.4	-4.6	-24.3	-13.5	17.6	-26.4	-4.4	-16.6

What was the impact of the factors listed below on changes in standards for approval of retail loan applications within the last quarter?

Value of resources and balance sheet restrictions	—	—	—	—	—	22.9	35.7	6.2	5.0	—	-7.4	-8.2	-4.4	-9.2	-4.2	-22.5	-19.5	-1.5	-0.8
Competition with other banks	—	—	—	—	—	-2.2	0.8	-2.2	-15.0	—	-9.8	-19.9	-29.1	-10.6	-10.3	-15.5	-17.3	-33.4	-22.0
Competition with nonbank institutions	—	—	—	—	—	0.7	-3.5	0.0	-9.4	—	0.0	0.0	-4.9	-0.3	-3.7	-4.0	-4.1	-18.0	0.3
Expectations of general economic activity	—	—	—	—	—	41.8	36.0	16.3	-12.7	—	-13.7	-17.4	-1.2	-16.8	-4.7	-12.2	-13.1	-14.7	-7.5
Inflation expectations	—	—	—	—	—	46.2	37.1	19.5	-3.5	—	-6.7	-8.2	2.2	-0.1	-1.9	-6.0	-3.9	-8.6	-2.0
Exchange rate expectations	—	—	—	—	—	44.0	29.7	13.7	-2.0	—	-3.3	-5.0	2.8	0.1	0.4	-6.0	-2.0	0.1	0.7
Real estate market expectations	—	—	—	—	—	33.1	20.5	15.5	-10.1	—	-2.9	-2.5	0.1	-3.9	-4.0	-1.9	0.0	-4.5	-1.9
Borrowers' solvency expectations	—	—	—	—	—	48.7	46.3	24.8	-8.6	—	-8.1	-9.5	-3.0	-5.8	-7.8	-2.9	-14.1	6.4	2.1

What changes do you expect in the standards for approval of retail loan applications over the next quarter?

Mortgage loans	8.7	19.5	8.6	14.6	25.4	17.1	-6.6	-13.9	-11.5	-2.2	-3.3	12.3	-5.7	4.1	-5.2	-12.3	-9.5	-4.0	-5.1
Consumer loans	-6.0	33.0	8.5	13.9	33.1	21.9	-6.7	-11.2	-5.6	-19.7	-18.1	-18.3	-13.9	-31.5	-10.8	-8.3	-24.9	-23.3	-12.8

How did the level of approval of retail loan applications changed within the last quarter?

Mortgage loans	-1.9	-35.1	-16.9	-5.6	-41.0	-10.8	-14.9	-3.3	15.0	-0.1	0.0	14.4	21.7	7.3	7.3	6.8	28.4	3.8	2.5
Consumer loans	-4.1	-59.2	-41.3	-22.3	-45.3	-28.2	-15.4	11.6	28.7	-2.0	10.2	19.3	6.0	21.8	23.9	7.3	35.7	16.1	14.7

What changed in price and non-price conditions of approval of applications for retail loans within the last quarter?

Mortgage loans																			
Interest rates on loans	-1.0	25.8	16.7	9.5	9.0	19.5	38.0	12.2	-3.9	-2.5	-13.8	-2.6	-24.8	9.3	-7.5	-13.4	-28.0	-3.5	-3.5
Collateral eligibility requirements	9.9	10.6	11.1	4.0	13.2	6.9	4.5	0.8	0.4	0.1	-0.5	0.0	0.0	-2.3	19.8	0.1	-24.4	3.2	-17.2
Loan maturity	-3.2	2.5	3.4	3.5	0.8	1.7	8.9	0.4	0.5	0.1	0.1	-0.1	0.1	0.0	0.0	-0.1	0.4	0.3	0.0
Changes in non-interest rate payments	6.3	1.9	2.9	2.3	0.9	3.6	-1.3	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	2.2	0.0
Loan-to-value ratio (LTV)	-1.3	7.5	6.1	6.3	12.5	6.0	2.4	0.4	0.2	0.4	-0.5	-4.1	0.0	0.0	0.2	0.1	0.0	-0.3	-1.7
Consumer loans																			
Interest rates on loans	-8.3	21.5	20.3	32.1	14.4	36.6	46.1	3.5	-15.7	-6.0	-6.3	-4.7	-12.8	-29.0	-20.9	-21.1	-28.5	-13.7	-13.2
Collateral eligibility requirements	0.6	4.5	5.6	4.5	15.5	6.9	5.1	-0.8	0.2	0.1	0.0	0.0	0.0	0.0	-0.1	-2.2	-17.9	-6.9	-2.8
Loan maturity	-7.5	5.3	3.2	6.0	5.0	0.5	4.9	-0.1	-2.5	-2.7	-14.2	-9.7	-14.0	-6.5	-7.7	-3.1	-3.5	-12.5	-8.3
Changes in non-interest rate payments	2.4	3.9	6.1	6.1	13.1	10.0	11.1	6.0	-3.8	3.0	-2.9	0.8	-3.1	-3.0	-1.1	-5.4	-3.7	-5.2	-1.5
Loan amount	-5.5	23.3	23.9	8.5	20.5	18.0	7.3	2.6	-11.3	-15.4	-15.6	-24.3	-11.4	-9.3	-18.3	-22.4	-9.1	-19.5	-35.9

How the households' demand changed within the last quarter, disregarding the seasonal changes?

Mortgage loans	-5.4	-29.7	-31.3	-29.3	-34.3	-23.7	-6.1	-5.2	2.8	-0.4	14.3	16.9	24.7	15.3	42.8	37.4	32.4	25.2	32.7
Consumer loans	18.9	-6.8	-39.5	-17.8	-37.0	-36.1	-9.0	7.7	23.6	20.2	25.7	15.3	22.4	21.7	45.7	4.6	35.0	40.1	46.7

What was the impact of the factors listed below on changes in the households' demand for loans within the last quarter?

Mortgage loans																			
Interest rates	0.3	-22.1	-26.4	-5.0	-11.5	-5.7	-15.8	-11.2	-9.7	0.0	11.2	2.8	24.8	24.5	10.5	14.3	32.1	3.6	3.7
Real Estate Market Outlook	-8.5	-15.1	-4.0	-39.8	-16.0	-11.1	-12.7	-4.2	0.4	0.0	0.5	2.7	3.0	12.4	15.2	15.4	5.1	7.4	12.9
Consumer confidence	-14.3	-24.1	-25.2	-38.1	-13.0	-38.4	-14.1	-10.0	-0.8	-13.0	0.4	2.7	2.8	6.0	8.9	8.4	7.8	6.8	8.8
Households savings	9.6	-13.4	-41.2	9.4	-2.5	-22.6	1.1	-10.0	-0.2	-12.5	-2.9	0.1	3.1	5.3	7.6	3.2	3.6	6.9	7.0
Loans from other banks	8.2	5.7	-0.8	-2.8	-2.7	-3.5	1.2	1.4	0.7	0.1	0.0	2.5	0.4	9.0	0.9	2.7	-3.4	1.3	-2.4
Consumer loans																			
Interest rates	17.6	-18.8	-34.6	-8.9	-14.5	-28.6	-18.9	-7.9	2.7	-7.1	8.9	5.0	9.0	24.0	24.9	25.8	38.1	9.3	24.3
Consumer confidence	5.4	-22.8	-58.5	-28.8	-20.5	-19.1	-27.5	-4.5	8.1	12.2	8.7	13.8	19.1	13.4	27.2	24.3	16.2	31.0	22.7
Expenses on long-term use goods	8.9	-2.4	-12.6	-26.5	-19.1	6.8	-5.2	7.4	15.5	23.6	13.1	1.5	12.9	19.2	17.5	10.5	12.1	31.6	14.1
FX purchase	0.8	18.3	-18.5	-23.5	-4.9	5.9	1.1	4.4	7.8	10.9	8.4	3.3	-2.5	2.0	9.2	-0.9	-0.9	13.4	5.0
Households savings	9.1	-3.1	-44.2	-25.2	-3.6	-26.0	-1.4	-10.1	2.8	3.6	3.7	1.5	18.9	6.4	5.8	4.6	-0.3	32.1	22.4
Loans from other banks	-6.6	8.8	0.7	-7.9	1.5	-3.0	-1.0	-4.5	5.9	0.0	0.2	1.1	2.5	11.7	-1.6	-9.2	-1.4	-9.4	29.1

How will the households’ demand for loans change over the next quarter, disregarding the seasonal changes, in your opinion?

Mortgage loans	11.2	-23.0	12.9	-19.6	-12.1	4.1	0.3	-2.5	0.0	10.9	6.5	3.9	7.9	30.0	34.6	14.9	34.3	27.9	1.6
Consumer loans	21.4	-15.8	24.0	-3.3	5.4	1.3	4.5	17.5	-0.5	21.1	31.4	25.4	23.2	44.2	52.9	39.3	32.0	40.3	24.2

How do you assess household leverage in the past quarter?

Total	—	—	—	—	—	—	—	—	—	—	—	2.9	0.1	-1.0	6.3	6.0	9.0	21.1	7.0

Information about survey

The Ukrainian Bank Lending Survey is an analytical report on the survey of banks the National Bank of Ukraine conducts on a quarterly basis. The survey's objective is to help the central bank and other banking sector stakeholders better understand credit market conditions and trends. It provides general estimates and forecasts of changes in lending standards and conditions for the corporate sector and households, as well as fluctuations in demand for borrowing funds, etc.

This survey assesses the state of the credit market in Q2 2018, and gives respondents' expectations for Q3 2018. Credit managers of 63 banks were invited to participate in the survey between 20 June and 10 July 2018. Survey answers were provided by all of the respondents that were contacted. These banks account for 98% of the banking system's total assets. The survey results reflect the views of respondents, and are not the assessments or forecasts of the National Bank of Ukraine.

The survey, the questionnaires used to produce the survey, as well other additional information are available on the NBU's official web site at:

https://bank.gov.ua/control/en/publish/category?cat_id=20741795

The next Bank Lending Survey on expectations of lending conditions for Q4 2018 will be published in October 2018.

Respondents' replies are presented on a consolidated basis as a balance of responses. The balance of responses can be interpreted as the difference between the weighted percentage of respondents who reported an "increase" of an indicator, and those who reported a “decrease" of the same indicator. Balances of responses can vary in the range of ±100%. A positive balance indicates that, on the whole, respondents report that an indicator has increased/strengthened compared to the previous quarter, or expect that it will increase/strengthen in the coming quarter. For a more detailed explanation of the methodology, please refer to the annex to this report.