National Bank of Ukraine

Bank Lending Survey

Q4 2018

(October 2018)

Key indicators over the next 12 months[1] Banks remained upbeat in Q3, as they continued for the 8th consecutive quarter to expect an increase in lending to households and businesses, as well as deposit inflows. 75% of all respondents (with a 35% balance of responses[2]) projected an increase in corporate loans and 68% (54% balance) expected growth in retail loans. About half of those surveyed said that the quality of corporate loans would improve. Some 63% (48% balance) of respondents expected growth in household deposits – the highest level since the surveys had begun. Meanwhile, 68% (42% balance) of respondents counted on an increase in corporate deposits.

Demand. Demand for corporate loans grew in Q3 2018, with 52% (23% balance) of surveyed banks reporting stronger demand for all types of loans, especially short-term and hryvnia loans. The growth was driven by a greater need by businesses to replenish working capital, restructure debt, and invest.

In banks' estimations, households' demand for loans also increased, albeit at a lower rate than over the last three quarters. About one-third of banks reported an increase in demand for consumer loans. In contrast to the previous two quarters, demand was fueled by improved consumer sentiment rather than by shrinking savings or fewer opportunities to borrow from other financial institutions. 21% of surveyed banks reported more robust demand for mortgage loans. The survey participants believed that higher expected real estate prices were driving the increase.

The banks expected an increase in demand for corporate and consumer loans in Q4, with balances of responses of 18% and 14%, respectively. Corporate demand was expected to grow predominantly for hryvnia and short-term loans (18% balances each). Respondents did not expect strong demand for mortgages.

Banks said that businesses continued to be highly leveraged in Q3. Of all respondents, 41% referred to the leverage of large businesses as being significant (19% balance). However, the banks viewed the debt burden of SMEs as low, with an -11% balance of responses. 81% of those surveyed assessed the debt burden of households as moderate or low.

Lending Terms and Conditions. The banks reported that the criteria for approving loan applications by corporations had been tightened in Q3 2018. This was especially true of loans to large companies and long-term loans. Deteriorating liquidity situation and negative exchange rate expectations were cited as key factors. However, some large banks eased their lending standards, mainly for SME loans, citing stronger competition in the segment. Although banks said they plan to slightly tighten corporate lending conditions in Q4, they also plan to ease lending standards for SMEs.

Q3 saw a loan application approval rates fall for loans to businesses, owing to an increase in interest rates.

Banks tightened the criteria for approving consumer loan applications for the first time in the last 12 months. Large banks attributed this to weaker competition with other financial institutions (including banks). 95% of respondents reported unchanged mortgage lending standards. The banks expected consumer lending standards to tighten further in Q4.

Despite the stricter borrower requirements, Q3 saw an increase in loan application approval rates for consumer loans. This was reported by 15% of respondents (12% balance). The banks, primarily the large ones, increased the average size of consumer loans issued and cut non-interest payments. There was no change in approval rates for mortgage applications.

Risks. In Q3 2018, the banks for the first time since Q4 2013 reported a decrease in credit risk, with a balance of responses of (-6%). In contrast, there was an increase in FX and interest rate risks, with 22% and 18% response balances, respectively. Liquidity risk also grew, although the increase was less pronounced (15% balance). The banks expected a further increase in FX, liquidity, and interest rate risks, but a decrease in operating and credit risks in Q4.

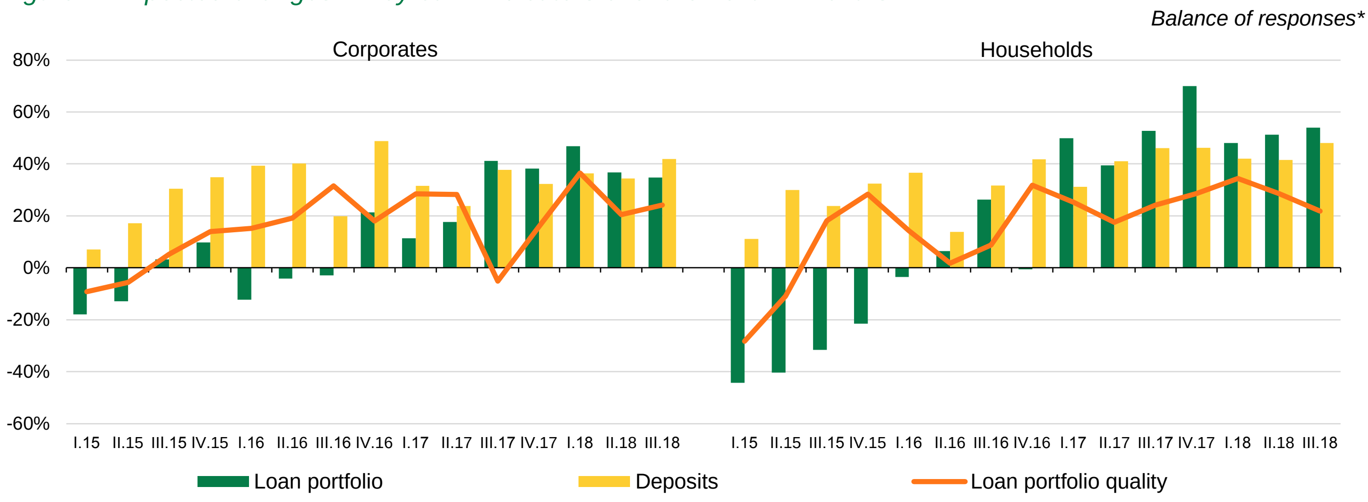
[1] For the objective and methodology of the survey, see page 11.

[2] Here and below, respondents' replies are not weighted, with one bank equaling one response. The balances of responses are provided in parentheses (for more details on the methodology, see page 7).

Expectations for the next 12 months

In Q3, the banks expected further lending and funding growth. Respondents had been upbeat about retail lending since Q2 2016 and had expected an expansion of corporate lending since Q4 2016. In Q3 2018, the percentage of such banks stood at 75%. 46% of respondents (including large banks) expected an improvement in the quality of the corporate loan portfolio, with 24% projecting an improvement in the household loan portfolio. The balances of the responses were 24% and 22%, respectively. The banks also expected the pace of growth in household and corporate deposits to accelerate. About two-thirds of respondents anticipated an inflow of corporate and household deposits over the next 12 months, with 42% and 47% response balances, respectively, – the highest readings since the launch of the survey (Figure 1).

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



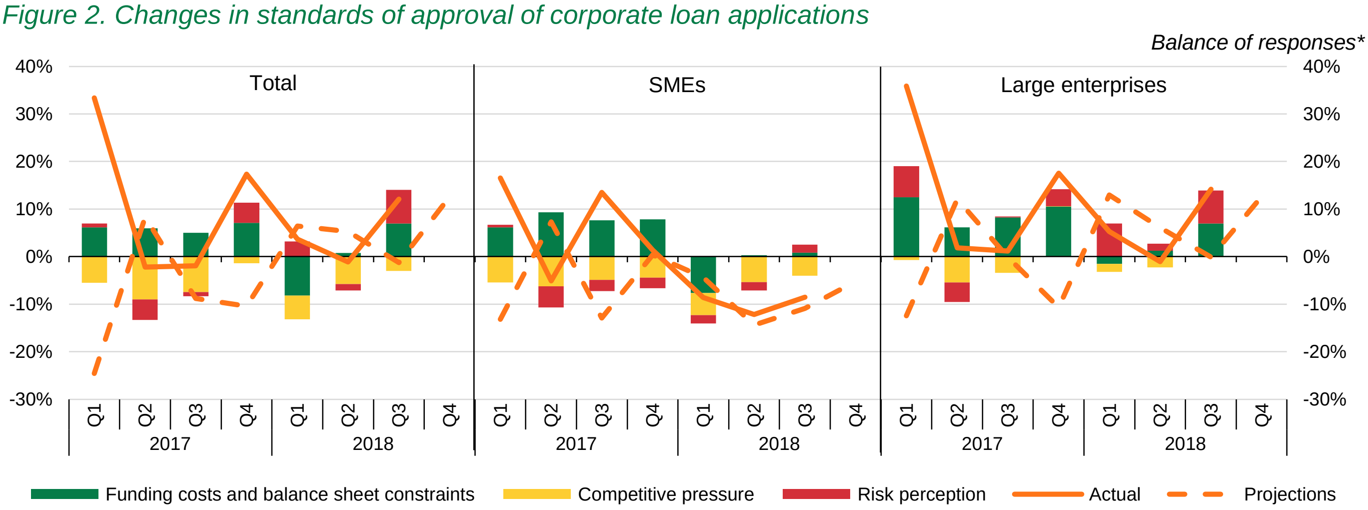
A positive balance of responses indicates expectations of growth for the respective indicator.

Corporate Loans

In Q3, a quarter of all respondents said they had slightly tightened their internal borrower requirements (lending standards) for corporate loans (12% balance of responses) and for large companies (14%). The banks cited lower liquidity and worse exchange rate expectations as the main reasons for the change. Banks also reported expected higher collateral risk and lower economic growth rates (both specific to large companies), although to a minor extent.

Some large banks eased their lending standards for SMEs (with a balance of responses of (-9%)), citing stronger competition from other banks in this segment (Figure 2).

Figure 2. Changes in standards of approval of corporate loan applications



The lines represent actual values and projections, while the columns reflect contribution of factors to the change of the reading.

"Funding costs and balance sheet constraints" are the non-weighted mean of a "bank's capitalization" and "liquidity position of the bank"; "Competitive pressure" is the non-weighted mean of the "competition with other banks" and "competition with non-banks"; "Risk perception" is the non-weighted mean of "expectations of overall economic activity", "expectations of the development of industry or business", "inflation expectations", "exchange rate expectations" and "collateral risk".

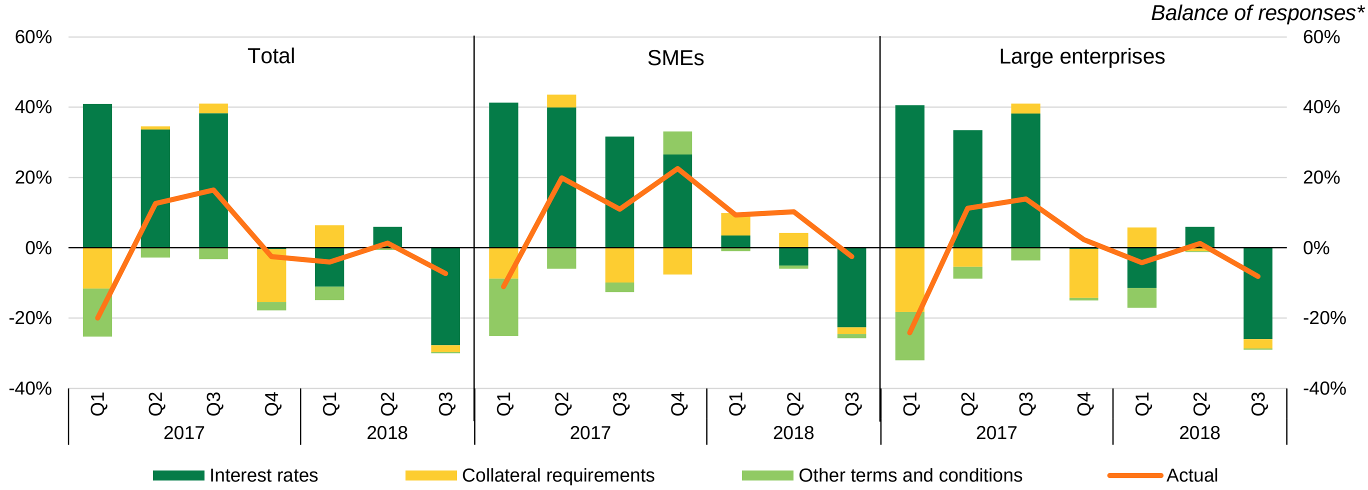
** A positive balance of responses indicates tightening of the standards for loan application approval.*

In Q3, respondents tightened their application approval criteria for long-term, hryvnia, and foreign currency loans, while leaving unchanged their criteria for short-term loans (for more details see Section III of the Annex to this survey).

The banks believed corporate lending standards would tighten in Q4. About a quarter of respondents expected stricter standards for large companies and long-term loans, with 13% and 16% response balances, respectively. Some large banks intended to ease lending terms for SMEs, with a (-5%) balance of responses.

In Q3 2018, approval rates for corporate loan applications decreased slightly, with a (-7%) balance of responses. Large banks mainly decreased their application approval rates for hryvnia and short- and long-term loans (for more details see Section III of the Annex to this survey). Some 59% of respondents attributed this to an increase in interest rates. There was practically no change in approval rates for loan applications by SMEs (Figure 3).

Figure 3. Change in the corporate loan application approval rates



The lines represent actual values, while columns reflect contribution of factors to the change of readings.

"Interest rates" stand for the "interest rate" factor; "Collateral requirements" reflect the "collateral requirements" factor; "Other terms and conditions" are the non-weighted mean of the: "change in non-interest payments", "loan or line of credit size", "restrictions imposed on borrowers by loan agreement", and "loan maturity" factors.

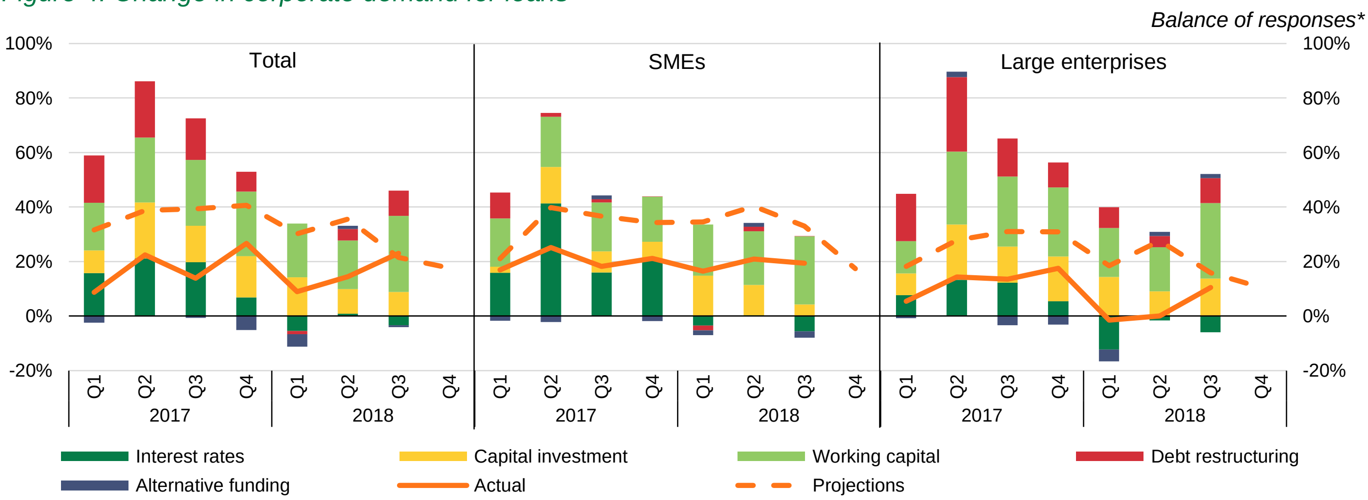
**A positive balance of responses indicates an increase in the approval rate for loan applications.*

52% of respondents reported an increase in demand for corporate loans in Q3, both from SMEs and large companies (Figure 4).

The banks reported the largest increase in corporate demand for short-term hryvnia loans. According to the respondents, working capital needs, investment needs, and debt restructuring were the major drivers of the demand. Respondents also noted that businesses, especially large ones, had fewer opportunities to use their own funds to finance those needs (Section III of the Annex).

The banks anticipated that demand for all types of corporate loans would grow further in Q4. Corporate demand was expected to rise most of all for hryvnia and short-term loans (18% balances each), as well as for loans to SMEs (17% balance).

Figure 4. Change in corporate demand for loans



The lines represent actual values and projections while columns reflect contribution of factors to the change of readings.

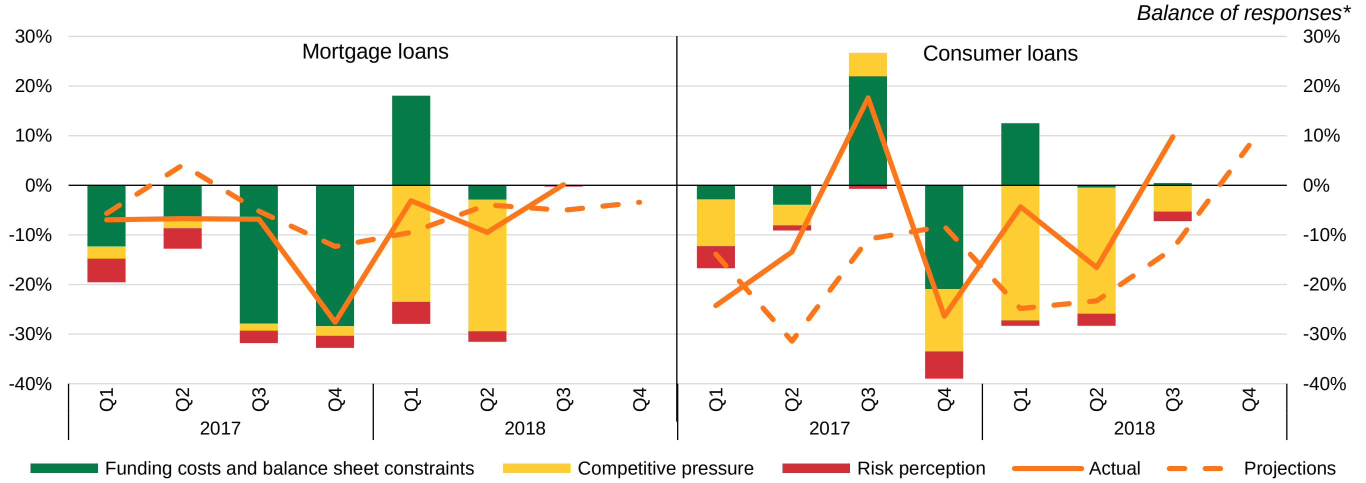
"Interest rates" stand for the change in "interest rates" factor; "Capital investment" stand for the "need for fixed investment" factor; "Working capital" reflects the "need for working capital" factor; "Debt restructuring" stands for the "debt restructuring" factor; "Alternative funding" is the non-weighted mean of the following factors: "internal funding", "loans from other banks", and "asset sales".

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

Loans to households

Some large banks tightened consumer lending standards in Q3. Although three-quarters of all respondents did not change their standards, this pushed the balance of responses into positive territory (10%) for the first time in the last 12 months. Some banks, mainly small ones, somewhat tightened their standards for lending to households owing to a worsening in their risk perception, especially exchange rate and borrower solvency expectations. A total 95% of all respondents said their mortgage lending standards had remained unchanged (Figure 5).

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



The lines represent actual values and projections, while columns reflect contribution of factors to the change of readings.

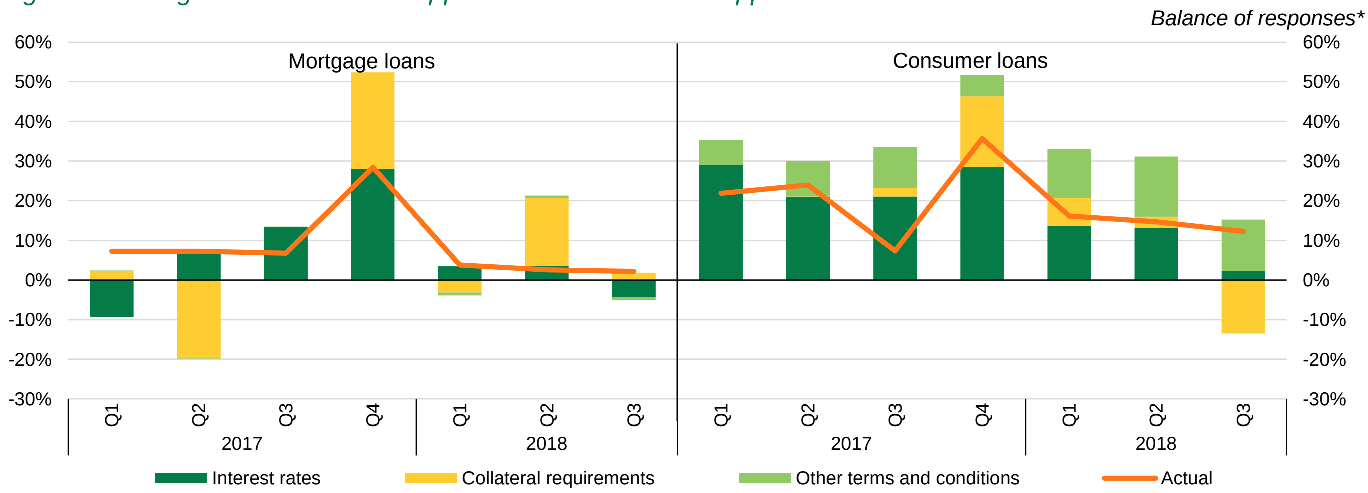
"Funding costs and balance sheet constraints" stand for the "funding costs and balance sheet constraints" factor; "Competitive pressure" is the non-weighted mean of the "competition with other banks" and "competition with non-banks" factors; "Risk perception" (for mortgages) is the non-weighted mean of the following factors: "expectations of overall economic activity", "inflation expectations", "exchange rate expectations" and "expectations on the real estate market"; "Risk perception" (for consumer loans) is the non-weighted mean of the following factors: "expectations of overall economic activity", "inflation expectations", "exchange rate expectations", "expectations of borrower solvency", and "collateral risk".

** A positive balance indicates a tightening of the criteria for loan application approval.*

The surveyed banks expected a slight tightening in consumer lending standards and practically no change in mortgage lending standards in Q4 (88% of respondents). The balances of responses were 8% and (-3%), respectively.

In Q3, the approval rate for consumer loans increased somewhat (15% of respondents reported approving more applications), while remaining unchanged for mortgages (92% of respondents). The balances of responses were 12% and 2%, respectively. The banks, mostly the large ones, said there was an increase in the average size of consumer loans they issued and a decrease in non-interest payments. Mortgage lending policies were unchanged (Figure 6).

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



The lines represent actual readings, while columns reflect contribution of factors to the change of readings.

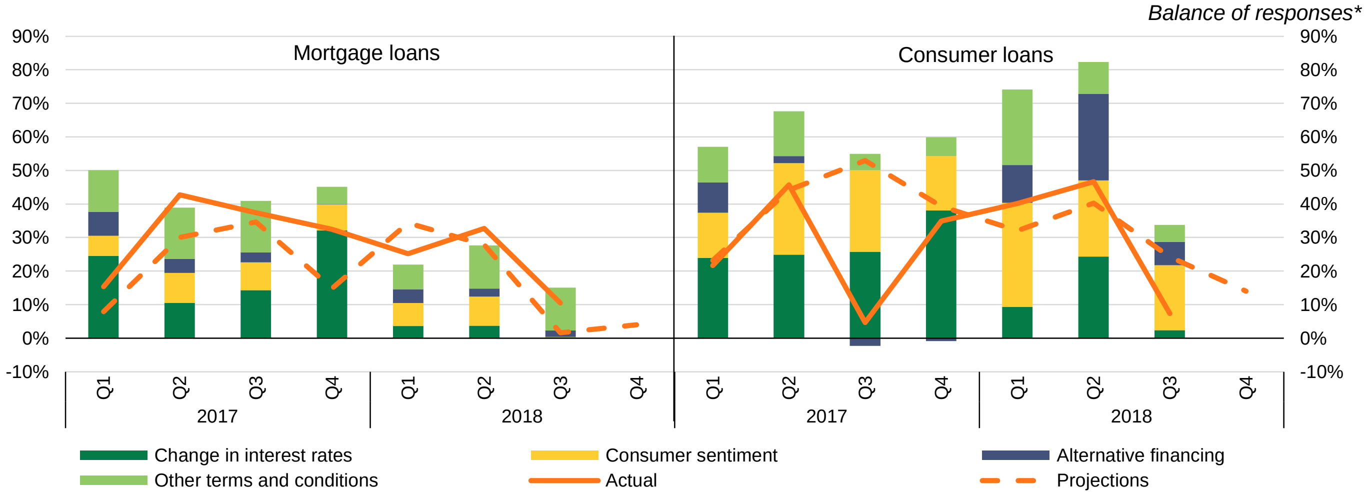
"Interest rates" stand for the "loan rates" factor; "Collateral requirements" stand for the "collateral requirements" factor; "Other terms and conditions" (for mortgages) are defined as the non-weighted mean of the following factors: "loan maturity", "change in non-interest payments", and the "loan-to-value (LTV) ratio"; "Other terms and conditions" (for consumer loans) are defined as the non-weighted mean of the following factors: "loan maturity", "change in non-interest payments", and "loan size".

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

The banks continued to report growth in household demand for loans. This trend had persisted since Q3 2015 for consumer loans and since Q2 2016 for mortgages. Nevertheless, respondents noted that demand was rising slower in Q3 2018 than in the three preceding quarters. An increase in demand for consumer and mortgage loans was reported by 31% and 21% of respondents, respectively, with balances of 7% and 10% for the responses. Improved consumer sentiment and higher spending on durable goods were cited as the main drivers of higher demand for consumer loans. On the other hand, alternative sources of financing had no impact on household demand for loans (2% balance of responses). This marked a reversal of the trend – in the previous two quarters, the banks had reported a decline in household savings and the availability of credit from other financial institutions as the main demand drivers. Demand for mortgages was fueled by household expectations of higher real estate prices (Figure 7 and Section IV of the Annex).

The banks expected an insignificant increase in demand for consumer and mortgage loans in Q4.

Figure 7. Change in households' demand for loans



The lines represent actual readings and projections, while columns reflect contribution of factors to the change of readings.

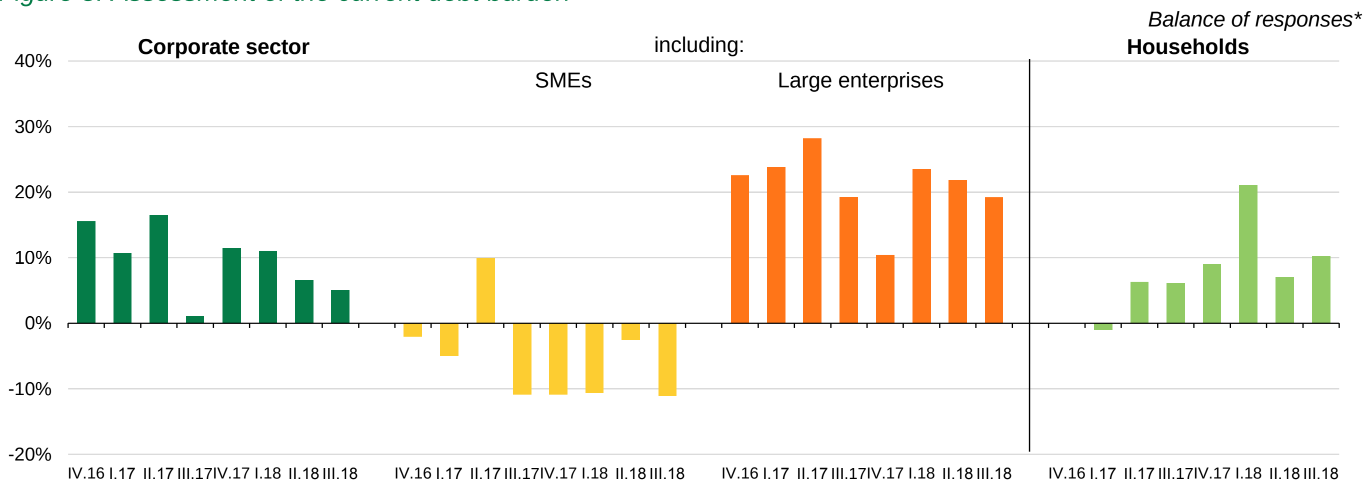
"Change in interest rates" stand for the "change in interest rates" factor; "Consumer sentiment" stands for the "consumer sentiment" factor; "Alternative financing" is the non-weighted mean of the "households' savings" and "loans from other banks factors"; "Other terms and conditions" (for mortgages) stand for the "development prospects of the real estate market" factor; "Other terms and conditions" (for consumer loans) are defined as the non-weighted mean of the following factors: "spending on durable goods" and "purchase of foreign currency".

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

Assessment of the debt burden

The banks' assessment of the debt burden on their customers has been a part of this survey since Q3 2016. In Q3 2018, one-third of respondents said the debt load in the corporate sector was high. 41% of banks said large enterprises were highly leveraged, with a 19% balance of responses. According to 81% of respondents, the debt burden on SMEs was either low or moderate, with the balance of responses at (-11%). Only 19% of the banks said households had an above-average debt load (Figure 8).

Figure 8. Assessment of the current debt burden



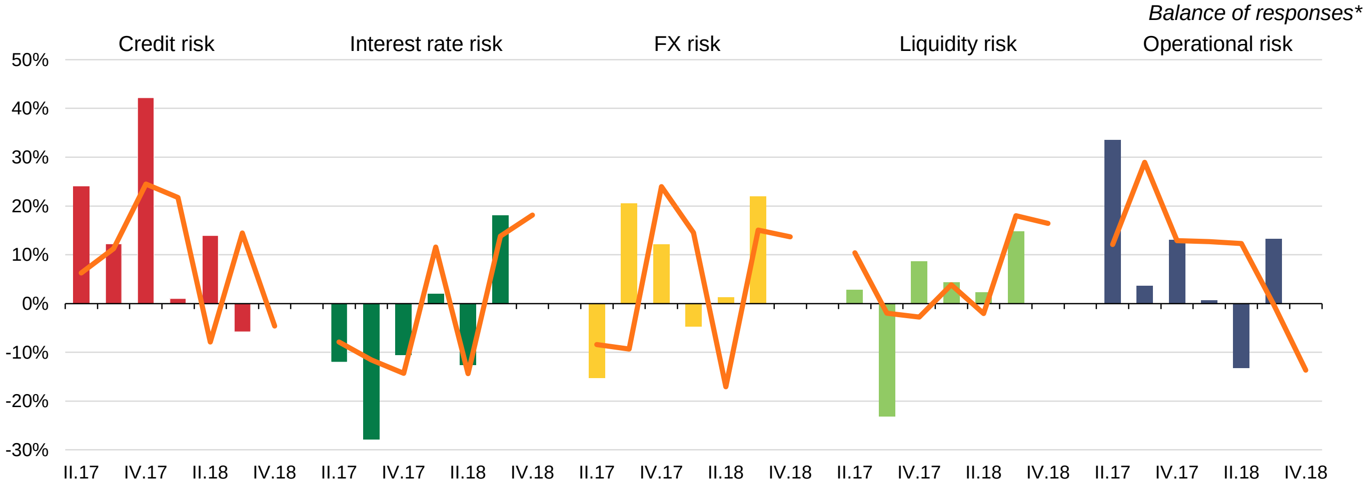
** The higher balance of responses corresponds to higher estimation of leverage.*

Risk assessment

Those banks surveyed reported an increase in all risks in Q3, except for credit risk. Thanks to large banks balance of responses for credit risk came at (-6%). FX and interest rate risks increased the most, with 22% and 18% balances of responses, respectively. An increase in liquidity risk was reported by 32% of banks, with a 15% balance of responses. Although some banks reported an increase in operating risk, the risk remained unchanged overall.

The banks expected an increase in FX, liquidity, and interest rate risks in Q4, with 18%, 16%, and 13% response balances, respectively. In contrast, respondents projected a decrease in credit and operating risks (Figure 9).

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



**A positive balance of responses indicates an increase in risks. Columns represent quarterly data and lines show expectations for the following quarter.*

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	Q3
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	34.8
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	41.9
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	24.2
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	54.0
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	48.1
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	21.8
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	-5.8
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	18.1
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	22.0
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	14.8
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	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	-4.6
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	18.1
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	13.7
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	16.4
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	-13.6
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	12.1
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	-8.5

	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	Q3
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	14.2
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	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	12.5
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	6.0
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	6.6
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	0.8
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	13.1
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	-6.5
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	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	1.8
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	4.8
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	13.4
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	7.0
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	8.2
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	12.5
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	-5.2
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	12.6
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	8.0
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	16.0
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	13.1
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	7.4
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	-7.3
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	-2.5
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	-8.1
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	-11.0
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	-11.7
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	-13.8
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	-4.5
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	27.7
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	22.6
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	26.0
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	0.4
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	0.5
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	0.5
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	-1.0
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	7.9
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	-1.0
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	2.0
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	2.0
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	2.6
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	1.0
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	-4.6
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	1.0
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	0.9
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	0.6
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	0.9

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	Q3
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	23.1
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	19.4
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	10.4
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	23.3
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	10.3
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	23.9
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	7.8
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	-3.4
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	8.8
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	27.9
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	9.2
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	5.4
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	-7.5
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	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	17.6
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	17.3
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	10.5
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	18.1
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	7.4
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	18.1
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	1.8
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	5.0
SMEs	—	—	—	—	—	—	—	—	—	—	—	-4.1	-2.1	-4.9	10.0	-10.8	-10.9	-10.6	-2.5	-11.1
Large enterprises	—	—	—	—	—	—	—	—	—	—	—	25.7	22.5	23.8	28.1	19.2	10.5	23.5	21.9	19.2
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	0.1
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	9.8
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	0.0
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	-10.5
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	0.0
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	-5.4
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	-1.6
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	1.1
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	-0.2
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	-4.4
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	-3.4
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	8.0
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	2.2
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	12.2
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	4.3
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	-1.8
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	0.0
Changes in non-interest rate	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	3.1

	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	Q3
payments																				
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	-0.6
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	-2.3
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	13.5
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	-32.8
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	-9.7
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	3.8
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	10.5
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	7.4
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	0.3
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	12.7
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	0.1
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	3.9
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	0.0
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	2.3
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	19.4
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	9.6
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	0.5
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	1.9
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	12.0
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	4.0
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	14.0
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	10.2

Information about survey

The **Ukrainian Bank Lending Survey** is an analytical report on the quarterly survey of banks by the National Bank of Ukraine. The survey aims to promote better understanding of credit market conditions and trends by the central bank and other banking sector stakeholders. It provides general estimates and expected changes in lending standards and conditions for the corporate sector and households, as well as fluctuations in credit demand, etc.

This survey assesses the state of the credit market in Q3 2018 and shows respondents' expectations for Q4 2018. Credit managers from 63 banks were invited to participate in the survey between 20 September and 10 October 2018. All the contacted respondents provided answers. The responding banks account for 98% of the banking system's total assets. The survey results reflect the views of respondents and do not necessarily correspond to the assessments or forecasts of the National Bank of Ukraine.

The survey, underlying questionnaires, and other information are available on the NBU's website at:

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

The next Bank Lending Survey on expected lending conditions for Q1 2019 will be published in January 2019.

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 are between ±100%. A positive balance indicates that, overall, 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.