Central Bank of Nigeria

Credit Conditions Survey Report

Q4 2020

Statistics Department
December 2020
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Executive Summary

Supply of Credit: The availability of secured credit to households increased in Q4 2020 and is expected to increase in the Q1 2021. Changing economic outlook and increased market share objectives were major factors responsible for the increase in supply of secured credit.

Lenders reported that the availability of unsecured credit to households increased in Q4 2020, it is expected to increase in Q1 2021. Most lenders cited improving economic outlook and increased market share objective as contributory factors for the increase.

The overall availability of credit to the corporate sector increased in Q4 2020 and is expected to increase in Q1 2021, due to “Changing sector specific risk and market share objectives”.

Demand for Credit: Request for secured lending for house purchase decreased in Q4 2020 but lenders expect demand for such lending to increase in Q1 2021. The proportion of secured loan applications approved decreased as lenders tightened the credit scoring criteria.

Demand for total unsecured lending from households increased in Q4 2020 and is expected to increase in the Q1 2021. Lenders’ resolve to tighten the credit scoring criterion increased the proportion of approved unsecured loan applications in Q4 2020.

Lenders reported decreased demand for corporate credit for all business sizes except for small businesses and OFCs in Q4 2020 but demand for all firm sizes is expected to increase in Q1 2021.

Defaults: Secured loan performance, measured by default rates, worsened in Q4 2020, while lenders expect default rates in Q1 2021 to remain unchanged.

The performance of total unsecured loan to households, measured by default rates, improved in Q4 2020 and is expected to improve further in Q1 2021.

Corporate loan performance rates worsened for small businesses and medium PNFCs but improved for large PNFCs and OFCS in Q4 2020. Lenders expect lower default rates on lending to all sized businesses in Q1 2021.

Loan pricing: Lenders reported that the overall spread on secured lending rates on approved new loans to households relative to MPR narrowed in Q4 2020 and are expected to remain unchanged Q1 2021.

The overall spread on unsecured lending narrowed in Q4 2020 and is similarly expected to narrow in Q1 2021.

Changes in spreads between bank lending rates and MPR on approved new loan applications widened for all firm sizes except medium PNFCs in Q4 2020. It is expected to also widen for all firm sizes except for medium PNFC in Q1 2021.
Credit Conditions Survey Report

1.0 Introduction

Part of the mandate of the Central Bank of Nigeria (CBN) is to nurture an efficient monetary and financial system towards promoting macroeconomic stability in Nigeria. To achieve this, the Bank needs to, among others, understand trends and developments in credit conditions information which is collected through a quarterly survey of bank lenders. The survey covers secured and unsecured lending to households, lending to Public Non-Financial Corporations (PNFCs), small businesses and Other Financial Corporations (OFCs).

This edition of the survey report presents trends and developments in credit conditions in the fourth quarter and its expectation in the first quarter of 2021. The survey was conducted in December 2020, the results are based on lenders’ own responses and do not reflect the Bank’s views on credit conditions in the economy.

To determine the aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed “a lot” are assigned twice the score of those who report that conditions have changed “a little”. These scores are then weighted by lenders’ market shares. The results are analyzed by calculating net percentage balances — the difference between the weighted balance of lenders reporting that demand was higher versus lenders reporting than demand was lower. The net percentage balances are scaled to lie between ±100.

The Q4 2020 credit condition survey for households, small businesses and corporate entities indicated increased availability of secured, unsecured and corporate entities. Spreads on overall secured lending to households narrowed in Q4 2020 and are expected to further narrow in Q1 2021 except for unsecured and all firm sized lending to household which is expected to widen. Lenders reported that demand for total secured lending decreased while unsecured lending from households increased in Q4 2020. However, they expected both lending to increase in Q1 2021. Demand for corporate lending decreased for all business sizes except for small businesses and OFCs in the review period.

2.0 Secured lending to households

Lenders reported an increase in the availability of secured credit to households in Q4 2020 relative to the previous quarter. Changing economic outlook and increased market share objectives were major factors responsible for the increase. Similarly, availability of secured credit
is expected to increase in Q1 2021, changing economic outlook and increased market share objectives as the likely contributory factors (Table 1, Item 6; Figs. 2.1 & 2.2).

The proportion of loan applications approved in Q4 2020 decreased, as lenders tightened their credit scoring criteria. Lenders expect to further tighten the credit scoring criteria as they preempt the proportion of approved households’ loan applications to increase in Q1 2021 (Table 1, Items 3 & 4).

Maximum Loan to Value (LTV) ratios remain unchanged in Q4 2020 and is expected to remain same in Q1 2021 (Table 1, Item 5c). Lenders were not willing to lend at low LTV ratios (75% or less) in Q4 2020 and Q1 2021. However, lenders were willing to lend at high LTV (more than 75%) in Q4 2020 and are willing to lend at high LTV (more than 75%) in Q1 2021 (Table 1, Item 10). The average credit quality on new secured lending improved in Q4 2020 and is expected to improve in Q1 2021 (Table 1, Item 9).

Lenders reported that the overall spreads on secured lending rates to households relative to MPR narrowed in Q4 2020 and are expected to remain same in Q1 2021. Similarly, spreads for all lending types narrowed in the Q4 2020 and are expected to narrow in Q1 2021 (Table 1, Item 5a; Fig. 2.7).

Household demand for house purchase loans decreased in Q4 2020 but it is expected to increase in Q1 2021. For Q4 2020, households demand for all lending types increased except for buy to let lending, however, all lending types to households are expected to increase in Q1 2021 (Table 1, Item 1a; Figs. 2.3 & 2.4).

Household demand for consumer loans increased in Q4 2020 and is expected to increase in Q1 2021. Similarly, demand for mortgage/remortgaging from households increased in Q4 2020 and is expected to also increase in Q1 2021 (Table 1, Items 1b, 1c & 2).

Secured loan performance, measured by default rates, worsened in Q4 2020 and is expected to remain unchanged in Q1 2021. Bank lenders reported low loss given default by households in Q4 2020, and they also expect lower losses in Q1 2021 (Table 1, Items 7 & 8; Figs. 2.5 & 2.6).
3.0 Unsecured lending to households

The availability of unsecured credit provided to households increased in Q4 2020 and is expected to increase in Q1, 2021. Improving economic outlook and increased market share objective are contributory factors for the increase (Table 2, Item 6; Figs. 3.1 and 3.2).

As lenders’ resolve to tighten the credit scoring criterion for total unsecured loan applications in Q4 2020, the proportion of approved total loan applications for households increased. Lenders expect to also tighten the credit scoring criteria in Q1 2021 and anticipate that the proportion of approved loan applications will also increase (Table 2, Items 3c & 4c; Fig. 3.8).

The proportion of approved credit card loans increased in Q4 2020, though the credit scoring criteria for granting credit card loans was tightened (Table 2, Items 3a & 4a). However, the proportion of approved overdraft/personal loan applications increased, as lenders tightened the credit scoring criteria (Table 2, Items 3b & 4b).

Lenders reported that while spreads on credit card lending and unsecured approved overdrafts/personal loans widened, the spread on overall unsecured lending narrowed in Q4 2020. They also expect the spread on unsecured approved credit card lending and unsecured approved overdrafts/personal loans to widen while overall unsecured lending is expected to narrow in Q1 2021 (Table 2, Items 5a - 5c; Fig. 3.7).

The limit on unsecured credit card loan and approved new loan applications increased in Q4 2020 and is expected to increase in Q1 2021. The minimum proportion of credit card balances on approved new loan applications increased in the Q4 2020 and is expected to also increase in Q1 2021 (Table 2, Items 5d & 5e).
Maximum maturities on approved unsecured new loan applications lengthened in Q4 2020 and are expected to lengthen in Q1 2021 (Table 2, Item 5f).

Demand for unsecured credit card lending from households increased in Q4 2020, and is expected to increase in Q1 2021. Similarly, demand for unsecured overdraft/personal loans from households increased in Q4 2020 and is expected to further increase in Q1 2021 (Table 2, Items 1a & 1b; Figs. 3.3 and 3.4).

Lenders experienced lower default rates on credit card and overdrafts/personal lending to households in Q4 2020 and expect lower default rates in Q1 2021 (Table 2, Items 7a & 7b). Losses given default on overdraft/personal loans to households and losses given on total unsecured loans to households declined in Q4 2020. Similarly, default on total unsecured loans to households and overdraft/personal loans to households is expected to lower in Q1 2021 (Table 2, Item 8c; Figs. 3.5 and 3.6).
4.0 Lending to corporate and small businesses

Credit conditions in the corporate sector vary by size of the business. The survey asked lenders to report developments in the corporate sector by large and medium-size PNFCs, OFCs and small businesses\(^1\).

The overall availability of credit to the corporate sector increased in Q4 2020 and is expected to increase in Q1 2021. This was driven by changing sector-specific risks, market share objectives, changing appetite for risk, changing economic conditions and changing liquidity conditions (Table

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\(^1\)Small businesses are defined as those with an annual turnover of under N5 million. Medium-size corporates are defined as those with an annual turnover of between N5 million and N100 million. Large corporates are defined as those with an annual turnover of more than N100 million.
Lenders reported that the prevailing commercial property prices positively influenced credit availability for the commercial real estate sector in Q4 2020 and would continue in Q1 2021. Similarly, the prevailing commercial property prices are expected to positively influence secured lending to PNFCs in Q4 2020 and Q1 2021 (Table 3, Items 4c1 & 4c2).

Availability of credit increased for all business sizes in Q4 2020, while the same trend is expected in Q1 2021 (Table 3, Item 1; Fig. 4.1).

Spreads between bank lending rates and MPR on approved new loan applications widened for all firm sizes except medium PNFCs in the period under review. Lenders expect spread on bank lending rates and MPR on approved new loan applications to also widen for all firms sizes except for medium PNFC, which is expected to remain unchanged Q1 2021 (Table 3, Items 6a1, 6b1, 6c1& 6d1; Figs. 4.7 and 4.8).

The proportion of loan applications approved for all business sizes increased in the Q4 2020 and were expected to further increase in Q1 2021 (Table 3, Items 5a-c).

Lenders required stronger loan covenants from all firm sizes in both Q4 2020 and Q1 2021 (Table 3, Items 6a5, 6b5, 6c5 & 6d5).

Fees/commissions on approved new loan applications decreased for small business, remained unchanged for medium PNFCs and increased for large PNFCs and OFCs in Q4 2020. Lenders of all sized business expect fees/commissions on approved new loan applications to rise in Q1 2021 (Table 3, Items 6a2, 6b2, 6c2 & 6d2).

All firm sizes benefitted from an increase in maximum credit lines on approved new loan applications in Q4 2020 and are expected to benefit from an increase in maximum credit lines on approved new loan applications in Q1 2021 (Table 3, Items 6a4, 6b4, 6c4 & 6d4).

More collateral requirements were demanded from all firm sizes on approved new loan applications in Q4 2020 and lenders expect to demand higher collateral from all firm sizes in the Q1 2021 (Table 3, Items 6a3, 6b3, 6c3 & 6d3).

Demand for corporate lending decreased for all business sizes except for small businesses and OFCs in Q4 2020. However, demand for corporate lending for all firm sizes are expected to increase in Q1 2021. The most significant factors that influenced demand for lending in the review period were increase in merger and acquisition and restructuring of balance sheet. However, inventory finance and capital investment are expected to drive demand in Q1 2021 (Table 3, Items 2 & 3; Figs. 4.3 and 4.4).

Corporate loan performance as measured by the default rates worsened for small businesses and medium PNFCs but improved for large PNFCs and OFCS in Q4 2020. However, lenders expect
lower default rates on lending to all sized businesses in Q1 2021 (Table 3, Item 7; Figs. 4.5 and 4.6).

The average credit quality on newly arranged PNFCs borrowing, target hold levels for corporate lending, loan tenors on new corporate loans and change in draw down on committed lines by PNFCs all improved in Q4 2020 and are expected to improve in Q1 2021. (Table 3, Item 9).
Fig. 4.8: Corporate Credit spread - Next quarter

Fig. 4.9: Proportion of loans approved for small businesses
### Table 1: Analysis on Secured Lending to Households

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) How has demand for secured lending for House purchase from Households changed?</td>
<td>Current quarter: 0.7</td>
<td>39.2</td>
<td>13.1</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for prime lending</td>
<td>Current quarter: 10.9</td>
<td>34.6</td>
<td>5.3</td>
<td>24.1</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for buy to let lending</td>
<td>Current quarter: -11.9</td>
<td>19.8</td>
<td>2.0</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for other lending</td>
<td>Next quarter: -6.1</td>
<td>35.3</td>
<td>-7.3</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>(b) How has demand for secured lending for Consumer Loans from Households changed?</td>
<td>Current quarter: 18.3</td>
<td>48.6</td>
<td>21.7</td>
<td>30.7</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for other lending</td>
<td>Current quarter: 10.4</td>
<td>33.5</td>
<td>13.5</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>(c) How has demand for secured lending for Mortgage/re-mortgage from Households changed?</td>
<td>Current quarter: 1.7</td>
<td>33.5</td>
<td>3.4</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>(d) How has demand for secured lending for Small businesses from Households changed?</td>
<td>Current quarter: 12.1</td>
<td>30.4</td>
<td>23.1</td>
<td>29.8</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for prime lending</td>
<td>Next quarter: 25.6</td>
<td>27.5</td>
<td>30.0</td>
<td>43.6</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for other lending</td>
<td>Current quarter: 3.8</td>
<td>11.9</td>
<td>11.9</td>
<td>20.4</td>
<td></td>
</tr>
<tr>
<td>Next quarter: 0.5</td>
<td>12.8</td>
<td>10.4</td>
<td>29.9</td>
<td>9.4</td>
<td></td>
</tr>
<tr>
<td>(e) How has the proportion of HOUSEHOLD loan applications being approved changed?</td>
<td>Next quarter: 13.0</td>
<td>-2.2</td>
<td>7.5</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>(f) How has the overall secured lending spreads changed?</td>
<td>Current quarter: 0.5</td>
<td>12.5</td>
<td>-11.5</td>
<td>-3.1</td>
<td></td>
</tr>
<tr>
<td>of which: Spreads on prime lending</td>
<td>Current quarter: -0.6</td>
<td>9.6</td>
<td>-4.7</td>
<td>-4.5</td>
<td></td>
</tr>
<tr>
<td>of which: Spreads on buy to let lending</td>
<td>Current quarter: 7.1</td>
<td>3.1</td>
<td>-0.2</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>of which: Spreads on other lending</td>
<td>Next quarter: 5.0</td>
<td>2.6</td>
<td>-0.2</td>
<td>-17.0</td>
<td></td>
</tr>
<tr>
<td>(g) How has the maximum loan to value ratios changed?</td>
<td>Current quarter: 0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Next quarter: 0.0</td>
<td>0.0</td>
<td>-0.7</td>
<td>-23.1</td>
<td>-4.3</td>
<td></td>
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<tr>
<td>(h) How has the credit quality of new secured lending to HOUSEHOLDS changed?</td>
<td>Current quarter: 0.0</td>
<td>0.0</td>
<td>6.2</td>
<td>-4.0</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for buy to let lending</td>
<td>Current quarter: 2.2</td>
<td>15.1</td>
<td>-4.1</td>
<td>-8.2</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for other lending</td>
<td>Next quarter: 1.2</td>
<td>22.6</td>
<td>-3.7</td>
<td>-7.2</td>
<td></td>
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<tr>
<td>(i) How has the availability of secured credit to households changed?</td>
<td>Current quarter: 0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
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<tr>
<td>Factors contributing to changes in credit availability</td>
<td>Next quarter: 3.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
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</tr>
<tr>
<td>Changing economic outlook</td>
<td>Current quarter: -5.0</td>
<td>22.9</td>
<td>10.9</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td>Market share objectives</td>
<td>Next quarter: -17.3</td>
<td>-33.3</td>
<td>9.1</td>
<td>-32.4</td>
<td></td>
</tr>
<tr>
<td>Changing appetite for risk</td>
<td>Current quarter: -54.1</td>
<td>40.3</td>
<td>-55.0</td>
<td>-48.4</td>
<td></td>
</tr>
<tr>
<td>Tight wholesale funding conditions</td>
<td>Next quarter: -18.0</td>
<td>-21.8</td>
<td>-24.8</td>
<td>-22.7</td>
<td></td>
</tr>
<tr>
<td>Changing liquidity positions</td>
<td>Current quarter: -19.8</td>
<td>-31.3</td>
<td>3.0</td>
<td>-8.4</td>
<td></td>
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<tr>
<td>7. Has the default rate on secured loans to households changed?</td>
<td>Next quarter: -10.6</td>
<td>-21.6</td>
<td>-6.5</td>
<td>-28.2</td>
<td></td>
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<tr>
<td>8. How has losses given default to households changed?</td>
<td>Current quarter: -19.3</td>
<td>-17.3</td>
<td>-24.7</td>
<td>-40.1</td>
<td></td>
</tr>
<tr>
<td>of which: Demand for prime lending</td>
<td>Next quarter: -22.8</td>
<td>-19.4</td>
<td>-19.9</td>
<td>-33.9</td>
<td></td>
</tr>
<tr>
<td>9. How has the availability of credit quality secured lending to HOUSEHOLDS changed?</td>
<td>Current quarter: 25.3</td>
<td>22.7</td>
<td>20.9</td>
<td>27.7</td>
<td></td>
</tr>
<tr>
<td>Next quarter: 28.5</td>
<td>17.9</td>
<td>11.4</td>
<td>2.9</td>
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</tbody>
</table>

**Notes:**
- All figures are year-over-year percentage changes unless otherwise specified.
- The table includes data from 2016 to 2020, indicating trends and changes over the period.
- The analysis covers various aspects of secured lending to households, including demand, spreads, credit quality, and availability.
Table 2: Analysis on Unsecured Lending to Households

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. How has demand for unsecured credit cards lending from HOUSEHOLDS</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
</tr>
<tr>
<td>changed?</td>
<td>10.2</td>
<td>3.3</td>
<td>26.8</td>
<td>7.3</td>
<td>4.1</td>
</tr>
<tr>
<td>b. How has demand for unsecured overdraft/personal loans from HOUSEHOLDS</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
</tr>
<tr>
<td>changed?</td>
<td>26.8</td>
<td>7.3</td>
<td>34.5</td>
<td>7.3</td>
<td>9.2</td>
</tr>
<tr>
<td>c. How has demand for unsecured lending from SMALL BUSINESSES changed?</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
</tr>
<tr>
<td></td>
<td>22.6</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
</tr>
<tr>
<td>d. How has demand for unsecured lending from SMALL BUSINESSES changed?</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
</tr>
<tr>
<td></td>
<td>22.6</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
</tr>
<tr>
<td>e. How has demand for unsecured credit cards lending from SMALL BUSINESSES</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
</tr>
<tr>
<td>changed?</td>
<td>26.8</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
</tr>
<tr>
<td>f. How has demand for unsecured credit cards lending from SMALL BUSINESSES</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
</tr>
<tr>
<td>changed?</td>
<td>26.8</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
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<tr>
<td>g. How has the average credit quality of new unsecured credit cards lending</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
</tr>
<tr>
<td>to HOUSEHOLDS changed?</td>
<td>19.4</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
</tr>
<tr>
<td>h. How has the average credit quality of new unsecured overdraft/ personal loans to HOUSEHOLDS changed?</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
<td>Current quarter</td>
<td>Next quarter</td>
</tr>
<tr>
<td>changed?</td>
<td>19.4</td>
<td>7.3</td>
<td>17.4</td>
<td>7.3</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Factors contributing to changes in credit availability:

Changing economic outlook:

- Current quarter: -25.7
- Next quarter: -5.6

Market share objectives:

- Current quarter: -13.4
- Next quarter: -26.6

Changing appetite for risk:

- Current quarter: -5.6
- Next quarter: -13.4

Changing cost/ availability of funds:

- Current quarter: -5.6
- Next quarter: -13.4
Table 3: Analysis on Corporate Lending

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
</table>
| ![Image of the table content](image.png)
6(d5). How have Loan covenants for loans to OFCs changed?

6(d3). How have collateral requirements for loans to OFCs changed?

6(c5). How have Loan covenants for loans to large PNFCs changed?

6(c4). How have maximum credit lines for loans to large PNFCs changed?

6(c3). How have collateral requirements for loans to large PNFCs changed?

6(c2). How have fees/commissions on loans to large PNFCs changed?

6(b1). How have spreads on loans to medium PNFCs changed?

6(b2). How have fees/commissions on loans to medium PNFCs changed?

6(a3). How have collateral requirements for loans to small businesses changed?

6(a2). How have fees/commissions on loans to small businesses changed?

6(a1). How have spreads on loans to small businesses changed?

4(c2). How have estate sector spreads on loans to small businesses changed?

4(c1). How have estate sector fees/commissions on loans to small businesses changed?
Table 3(cont’d): Analysis on Corporate Lending

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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<td>7(a). How has the default rate on loans to small businesses changed?</td>
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