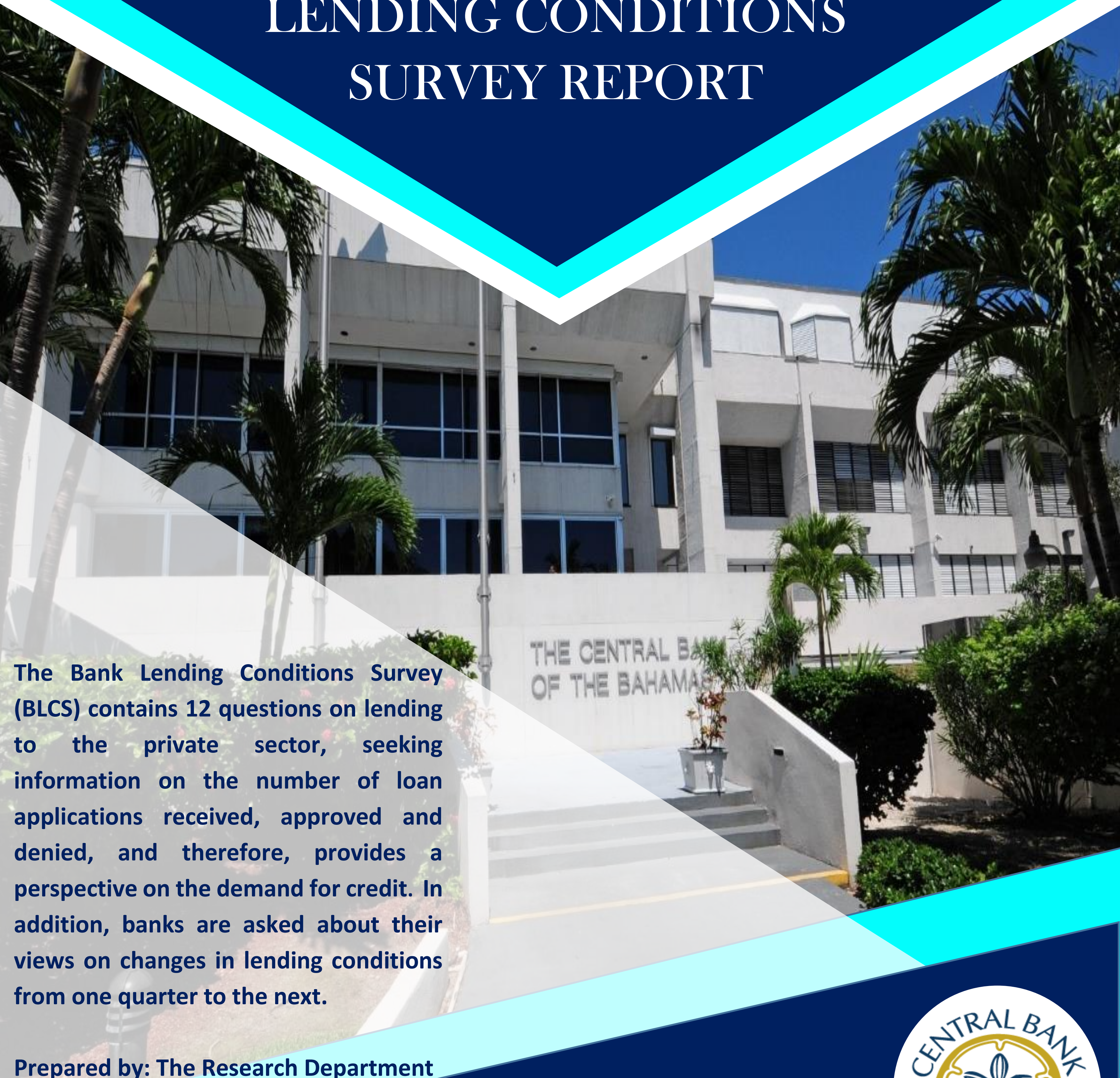
JUNE 2022

QUARTERLY BANK LENDING CONDITIONS SURVEY REPORT

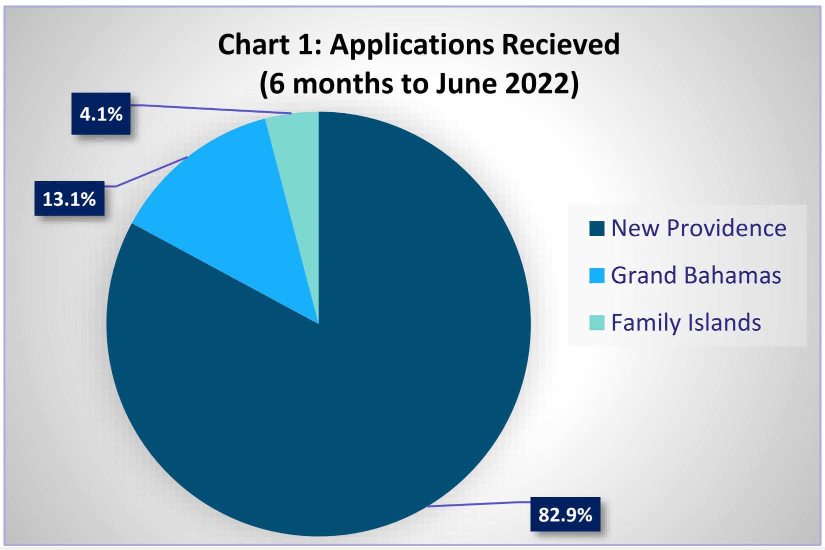


The Bank Lending Conditions Survey (BLCS) contains 12 questions on lending to the private sector, seeking information on the number of loan applications received, approved and denied, and therefore, provides a perspective on the demand for credit. In addition, banks are asked about their views on changes in lending conditions from one quarter to the next.

Prepared by: The Research Department

I. Overall Assessment

The Central Bank's most recent survey of commercial banks revealed that Bank Lending Conditions and the demand for credit improved during the first half of 2022, vis-à-vis June 2021 and December 2021. According to the quarterly survey, total applications received increased, relative to the comparable first and second halves of 2021, owing to a rise in applications for mortgages and consumer loans. Further, the rate of approval on loan applications continued to trend upward. Meanwhile, for personal applications, lenders continue to cite high debt service ratio (DSR), no collateral, insufficient time on the job and delinquency in prior loans, as top reasons for rejections in the review period.



…. Bank lending conditions improved during the first half of 2022, as both the number of credit applications and approvals increased relative to June 2021 and December 2021.

Applications Recieved

- 14,532
- Up 5.7% from the six months to June 2021.
- Up 1.5% from six months to December 2021.

Applications Approved

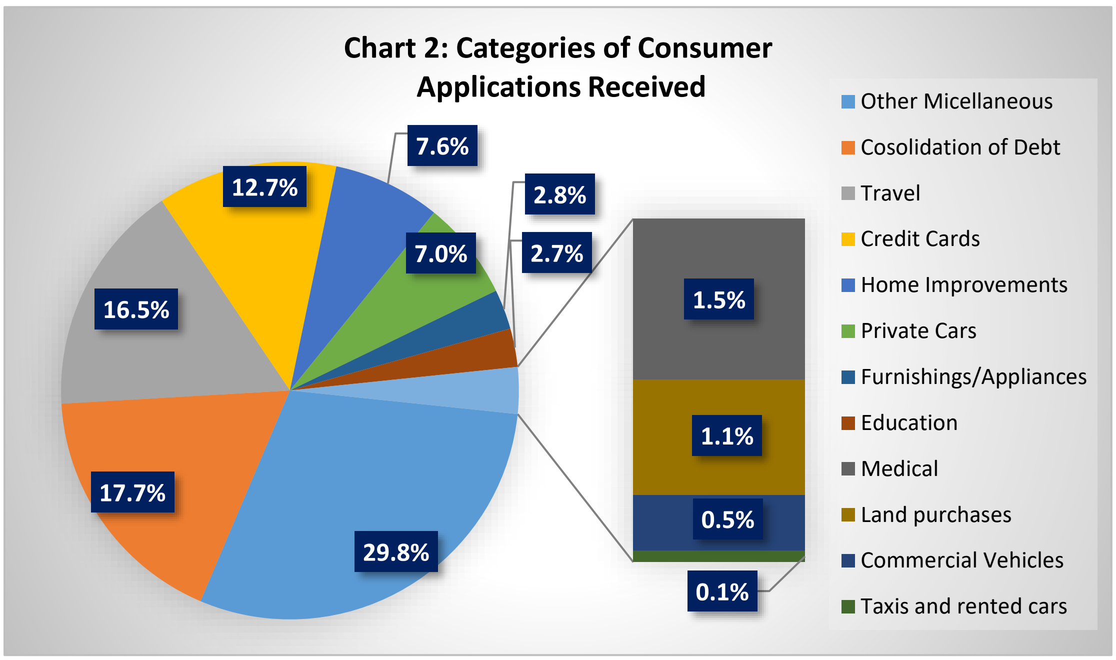
- 11,540
- Up 12.1% from June 2021, and up 3.1% from December 2021.
- Approval Rate: 79.4%

Loan Denials

- 1,403
- Down from 2,024 denials in June 2021.
- Top reasons: Insufficient time on job, high DSR and prior delinquency.

II. Consumer Loans

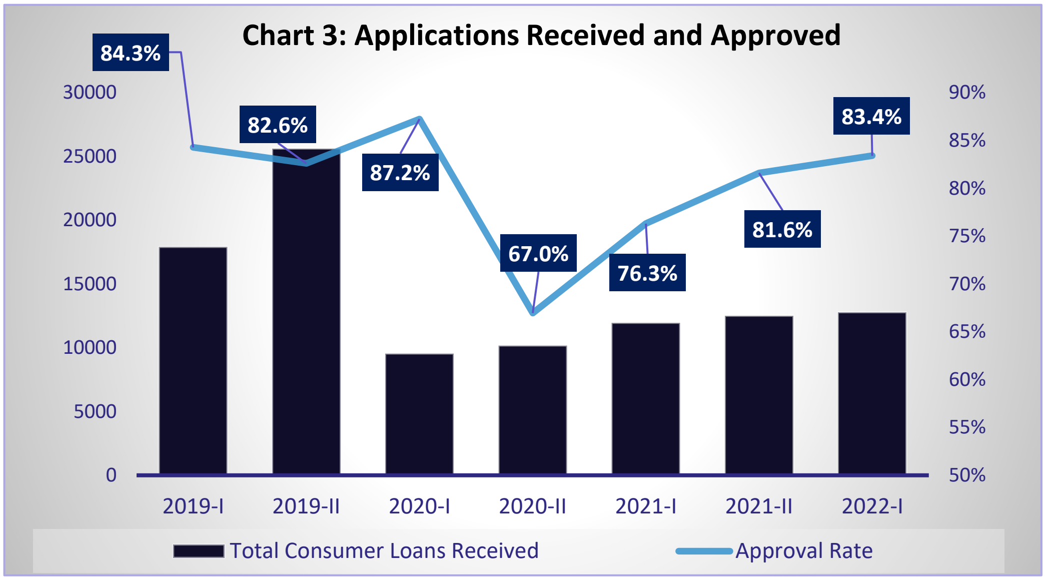
Consumer loans, the dominant credit segment, represented 88.0% of total loan applications, with the number of loans requested increasing by 6.9%, relative to the first six months in 2021 and by 2.2%, compared to December 2021. The outturn was led by a rise in applications from Family Islands (22.9%), year-on-year, followed by New Providence (6.8%) and Grand Bahama (3.2%). In comparison to December 2021, applications rose for the Family Islands (15.6%) and Grand Bahama (13.7%), while the number of applications received in New Providence fell by 0.2%. Of the 12,789 consumer applications received, requests were primarily for “other” miscellaneous purposes (29.8%), consolidation of debt (17.7%) and travel (16.5%) (see Chart 2 below).

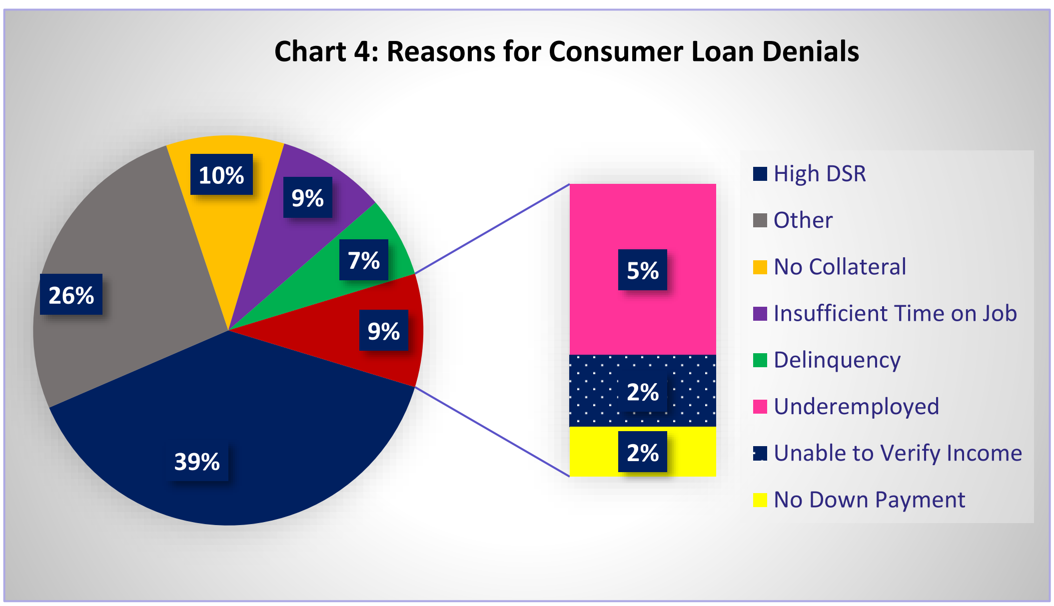


A disaggregation of the consumer component revealed, year-on-year, the number of requested advances more than doubled for commerical vehicles and travel[1]. Further, sizeable applications gains were also recorded for furnishings/appliances (57.2%), “other” miscellaneous purposes (38.7%), credit cards (13.6%), home improvements (6.4%) and private cars (4.8%). In contrast, significantly fewer request were noted in loan requests for taxis & rented cars (46.2%), debt consolidation (43.1%), land purchases (35.5%), medical (4.8%) and education (3.9%).

Coinciding with the rise in requests, the number of successful or approved credit applications rose by 16.8%, year-on-year, and by 4.4% relative to the December 2021. Likewise, the average approval rate firmed by 7.1 percentage points to 83.4% vis-à-vis June 2021. Similarly, compared to December 2021, the approval rate rose by 1.8 percentage points.

In terms of loan denials, common reasons cited by banks were high debt service ratios (38.8%), other "miscellaneous" factors (26.3%), no collateral (9.8%) and insufficient time on the job (9.0%). Miscellaneous factors included low credit scores, purposes outside of banks' business models, missing information and non-permanent employment.





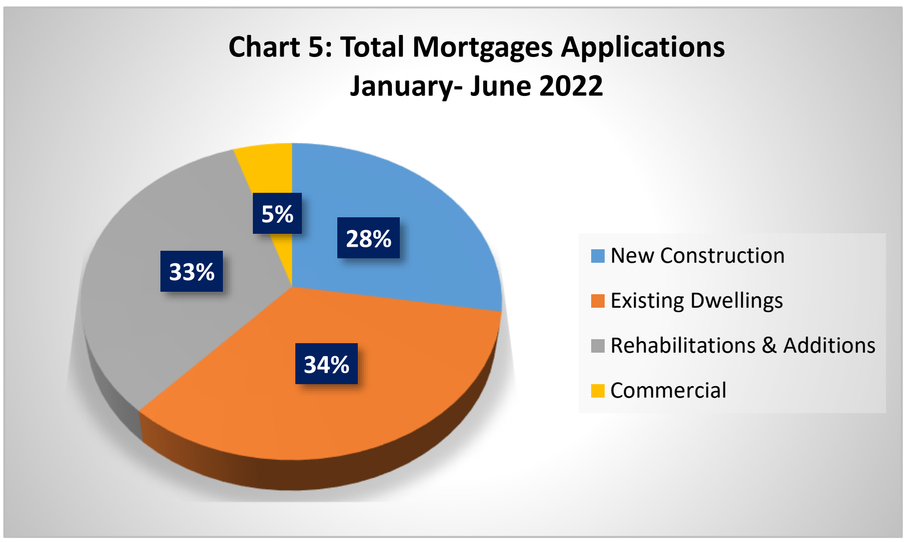
[1] Commercial vehicles (134.5%) and travel (116.0%) categories all had significant hikes.

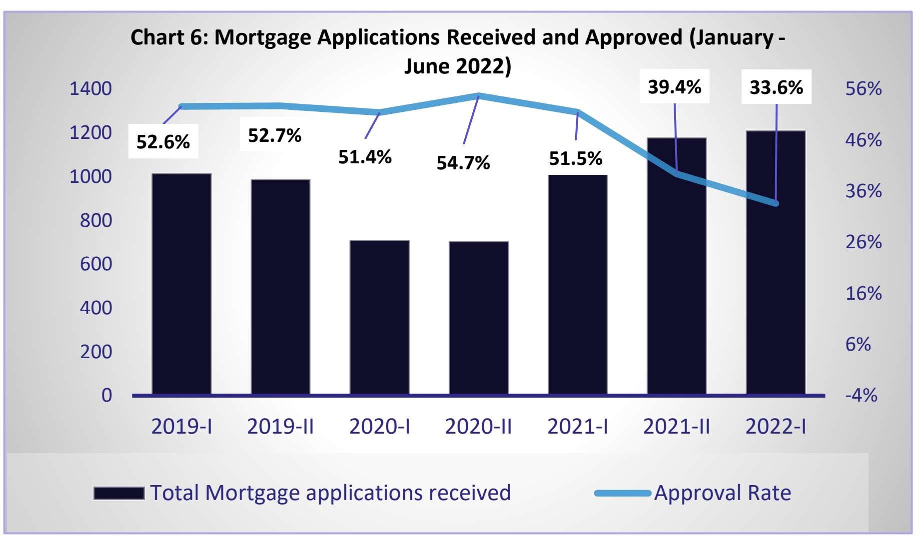
III. Mortgages

During the six-months to June 2022, banks received 1,211 mortgage applications, with residential mortgage requests representing 95.0% of the total.

Residential mortgage applications increased by 1.9% year-on-year but, decline by 1.0% vis-à-vis December 2021. The chart below (chart 5) depicts total mortgage application categories.

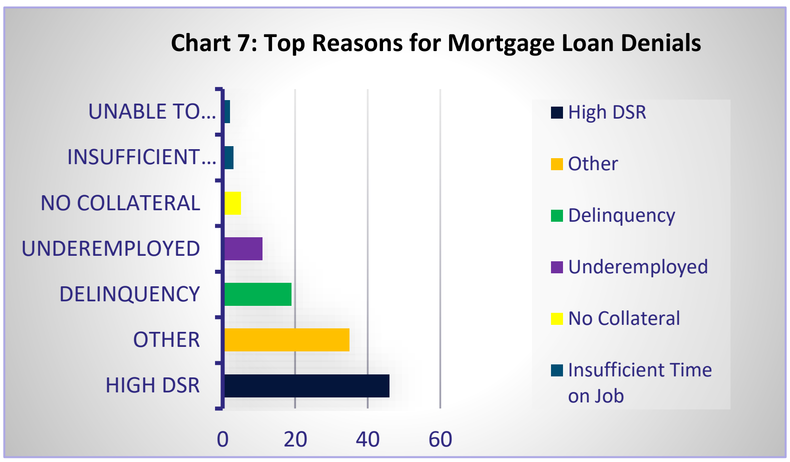
Financing sought against existing residential dwellings accounted for 34.4% of the applications, while purposes related to rehabilitations & additions and new construction comprised 33.2% and 27.5%, respectively. Further, commercial financing constituted 5.0% of requests.





By island, a year-on-year analysis (6-months to June vis-à-vis the same period in 2021), showed varied outturns in the volume of mortgage applications processed by lending institutions. In New Providence, mortgage applications expanded by 12.4%, although decreased requests were noted for Grand Bahama (42.7%) and the Family Islands (40.4%). Likewise, when compared to December 2021, mortgage applications moved higher for New Providence (4.7%), while in contrast, reductions were registered for the Family Islands (15.2%) and for Grand Bahama (14.5%).

Among broad lending categories, mortgages retained the lowest approval rate over the first half of 2022 at 33.6%, respectively lower by 17.9 and 5.8 percentage points, vis-à-vis the first and second halves of 2021. With regard to approvals rates for each category, 52.2% of applications against existing dwellings projects were approved, while a success rate of 25.4% was posted for requested financing against renovations and, 24.3% for new construction.



Concerning rejected applications, having total debt service ratio surpassing the threshold of 40%-45% of income was the foremost reason cited for mortgage denials (38.0%). Other reasons mentioned included other "miscellaneous" factors (28.9%),[2] prior loan delinquency (15.7%), underemployed (9.1%), insufficient collateral (4.1%), insufficient time on job (2.5%) and unverifiable income (1.7%).

[2] These may include, but are not limited to low credit scores, lending outside of bank policy and missing information.

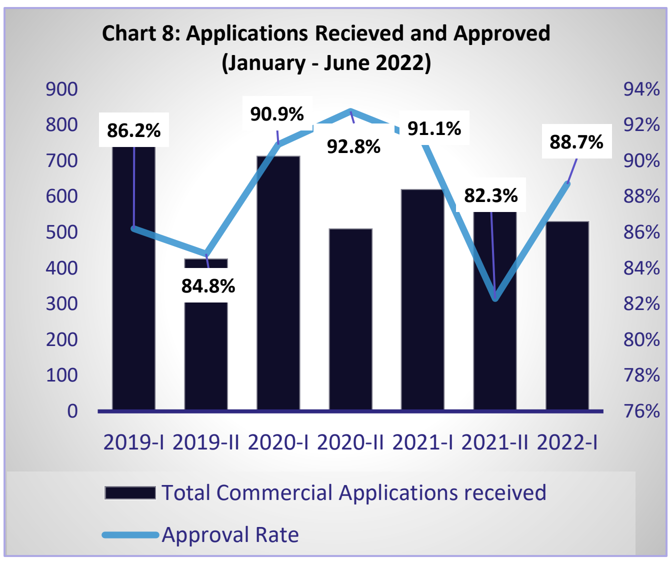
IV. Commercial Loans

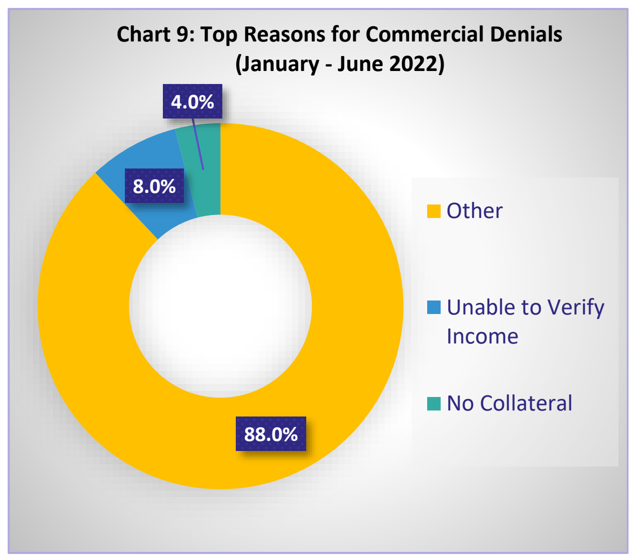
Banks processed 532 commercial credit applications during the review period, reflecting declines of 14.3% year-on-year, and 15.7% over the six months to December 2021, attributed to reduced demand from New Providence.

Commercial applications averaged an approval rate of 88.7%, 2.4 percentage points lower than a year earlier, but 6.5 percentage points higher than in the second half of 2021.

The majority of applications were for enterprises in New Providence, registering an approval rate of 89.3%. In addition, in Grand Bahama, an improved rate of 80.0% of applications were successful. There were no applications recorded for Family Island ventures.

Most unsuccessful commercial loan requests were due to miscellaneous reasons—such as, excessive risk, unacceptable overall financial position and inconsistent income. Other reasons for denial were no collateral (8.0%) and inability to verify income (4.0%).





V. Banks' Assessment of Credit Conditions

Supporting Lending Conditions

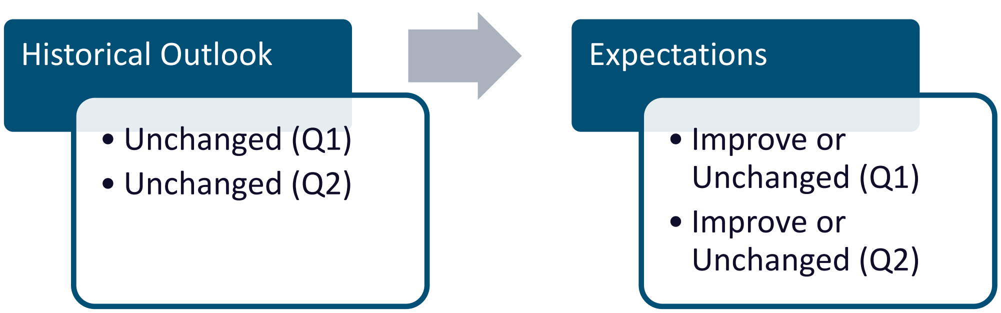
Most banks reduced lending rates during the first half of 2022 in an effort to support lending conditions. In particular, mortgage rates were reduced in the first quarter and extended into the second quarter; and similarly for most lenders, consumer loan rates . With regard to reducing down payments and extending payment terms, creditors left equity requirements mostly unchanged, while no new deferral arrangements were disclosed for monthly payments.

Table 1: First Half of 2022 Lending Conditions

Of 7 lenders, for:	**Quarter I 2022**		**Quarter II 2022**		**Six-Month Average**
	Mortgage	*Consumer*	*Mortgage*	*Consumer*	
Reduced Lending Rate	57.0%	57.0%	71.0%	57.0%	**61.0%**
Reduced Down Payment	29.0%	14.0%	14.0%	14.0%	**18.0%**
Extended Payment Terms	0.0%	14.0%	0.0%	29.0%	**11.0%**
Deferred Payments	0.0%	0.0%	0.0%	0.0%	**0.0%**

Historical Outlook

When asked to characterise the overall lending environment, creditors expressed that compared to the previous period, conditions were largely unchanged in the first and second quarters of 2022. Likewise, borrowers loan eligiblity, quality of collateral and borrowers debt servicing capcity remained the same.



Expectations in the Near-Term

In the first half of 2022, about half of the of creditors expected credit conditions to improve in the near term, while the others anticpated that conditions would remain largely the same.

VI. Conclusion

- ✓ Local credit demand, expressed through the volume of loan applications, improved during the January to June 2022 period, extending trends registered a year earlier.

- ✓ The largest concentration of applications (88.0%) continued to be for consumer credit, where purposes related to debt consolidation and other “miscellaneous” uses contributed to the major increases. However, the average approval rates for other “miscellaneous” narrowed in comparison to June 2021, by 12.8 percentage points, and December 2021, by 10.1 percentage points.

- ✓ The number of residential mortgage applications improved by 1.9% year-on-year, but fell by 1.0% in comparison to the six months to December 2021. The approval rate for mortgages narrowed by 17.9 percentage points, to 34.8%, over the same period last year, and registered a smaller decrease of 4.9 percentage points, vis-à-vis December 2021.

- ✓ Commercial credit requests declined, contrasting with the improvements recorded in 2021. Specifically, applications received reduced by 14.3% year-on-year and 15.7% compared to the six months to December, 2021. The loan applications success rate remained near 90.0%.

- ✓ The majority of unsuccessful credit applications continued to be attributed to assessed factors such as, debt service above the threshold, underemployment, no collateral, “other” unclassified reasons—such as, excessive risk, unacceptable overall financial position and inconsistent income—and insufficient time on the job.

ANNEX

Table 1: No. of Loans Applications Received and Approved															
	2021						2022			Changes					
	Jan-Jun			Jul-Dec			Jan-Jun			Jan-Jun 22/Jul-Dec 21			Jan-Jun 22/Jan-Jun 21		
	TOTAL			TOTAL						TOTAL			TOTAL		
	Received	Approved		Received	Approved		Received	Approved		Received (%)	Approved		Received (%)	Approved	
		No.	Rate		No.	Rate		No.	Rate		No. (%)	Rate		No. (%)	Rate
Mortgage	1,160	597	51.5%	1,178	464	39.4%	1,211	407	33.6%	2.80%	-12.28%	-5.8%	4.4%	-31.8%	-17.9%
Consumer	11,963	9,129	76.3%	12,516	10,214	81.6%	12,789	10,661	83.4%	2.18%	4.38%	1.8%	6.9%	16.8%	7.1%
Commercial	621	566	91.1%	631	519	82.3%	532	472	88.7%	-15.69%	-9.06%	6.5%	-14.3%	-16.6%	-2.4%
TOTAL	**13,744**	**10,292**	74.9%	**14,325**	**11,197**	78.2%	**14,532**	**11,540**	79.4%	1.45%	3.06%	1.2%	5.7%	12.1%	4.5%

Table 2: No. of Loan Applications Received and Approved (Jan - Jun '22)												
	New Providence			Grand Bahama			Family Islands			TOTAL		
	Received	Approved		Received	Approved		Received	Approved		Received	Approved	
		No.	Rate		No.	Rate		No.	Rate		No.	Rate
Mortgage	1,112	356	32.0%	71	31	43.7%	28	20	71.4%	1,211	407	33.6%
Consumer	10,434	8,862	84.9%	1,792	1,360	75.9%	563	439	78.0%	12,789	10,661	83.4%
Commercial	497	444	89.3%	35	28	80.0%	0	0	0.0%	532	472	88.7%
TOTAL	**12,043**	**9,662**	**80.2%**	**1,898**	**1,419**	74.8%	**591**	**459**	77.7%	**14,532**	**11,540**	79.4%

Table 3 Consumer Loans by Type (Jan - June '22)			
		Approvals	
	Received	No.	Rate
Private cars	894	727	81.3%
Taxis & rented cars	14	4	28.6%
Furnishings/Appliances	360	287	79.7%
Commercial vehicles	68	58	85.3%
Travel	2106	1894	89.9%
Education	347	303	87.3%
Medical	197	162	82.2%
Home improvements	970	785	80.9%
Land purchases	142	92	64.8%
Consolidation of debt	2262	1917	84.7%
Credit cards	1625	1851	113.9%
Other miscellaneous	3804	2581	67.8%