

Bank Lending Conditions Survey Report

December 2024

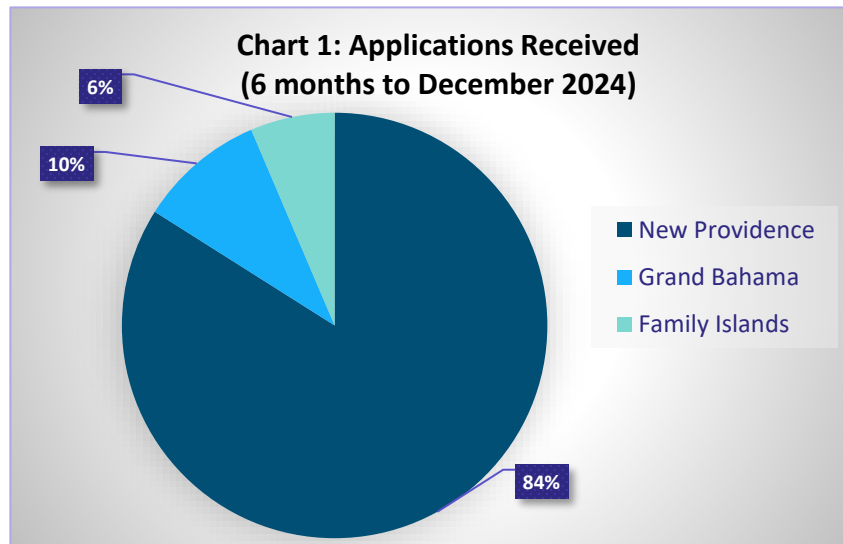
Prepared by: Research Department

The Bank Lending Conditions Survey (BLCS) is issued each quarter and 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.



I. Overall Assessment

The Central Bank’s latest survey of commercial banks signaled ongoing improvements in bank lending conditions and credit demand over the latter half of 2024, vis-à-vis the comparable period in 2023, led by increased consumer credit requests. The average credit approval rate, remained relatively decreased incrementally, with unsuccessful outcomes attributed mostly to miscellaneous factors, high debt service ratio (DSR) and prior delinquency.

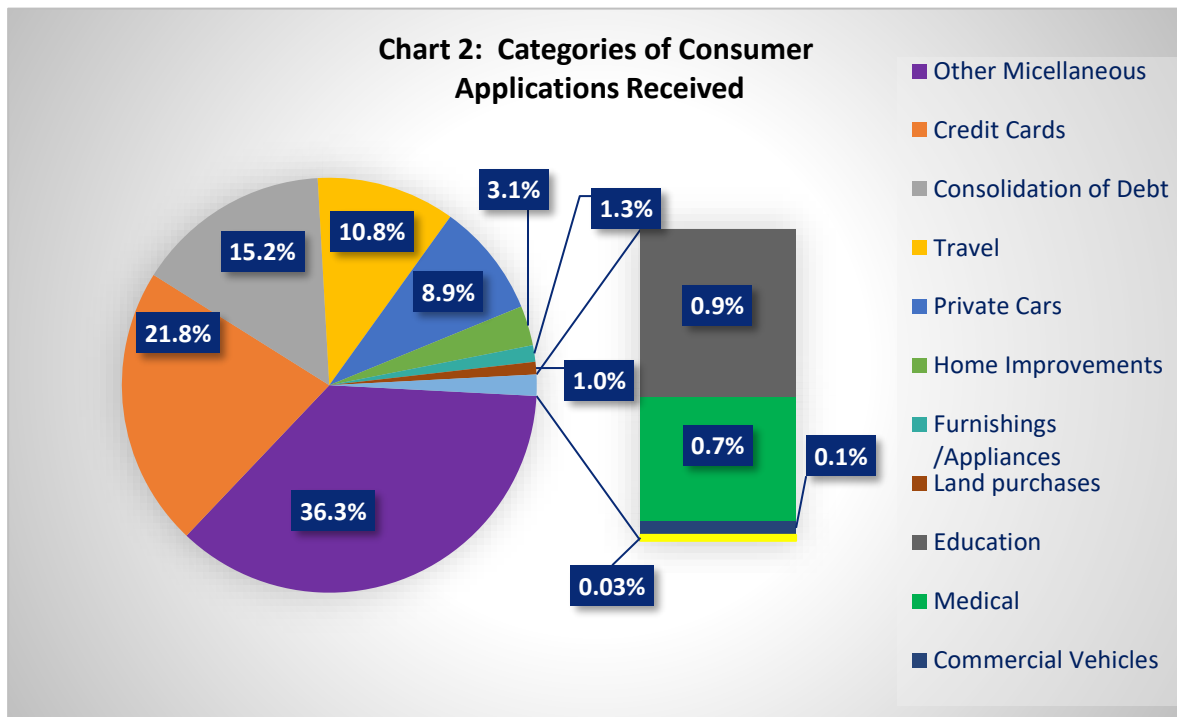


“Bank lending conditions continued to improve during the latter half of 2024, evidenced by a rise in total credit applications received. However, approval rates decreased, relative to December 2023.”

Applications Recieved	Applications Approved	Loan Denials
<ul style="list-style-type: none"> •20,145 •Up 22.7% vis-à-vis the six months to December 2023. 	<ul style="list-style-type: none"> •16,280 •Up 20.0% relative to December 2023. •Approval Rate: 80.8% 	<ul style="list-style-type: none"> •1,863 •Up 17.2 % since December 2023. •Top 3 reasons: "Other" miscellaneous factors, high DSR and prior delinquency.

II. Consumer Loans

Consumer lending remained the primary credit component, accounting for 94.0% of total credit applications. Loan requests increased by 25.4% year-on-year (six-months to December 2024, over the same period in 2023), reflecting applications received from New Providence (25.3%), the Family Islands (73.6%), and Grand Bahama (6.3%). Of the 18,936 consumer loan applications received, requests were primarily for “other” miscellaneous purposes (36.3%), credit cards (21.8%), consolidation of debt (15.2%), and travel (10.8%) (see Chart 2).

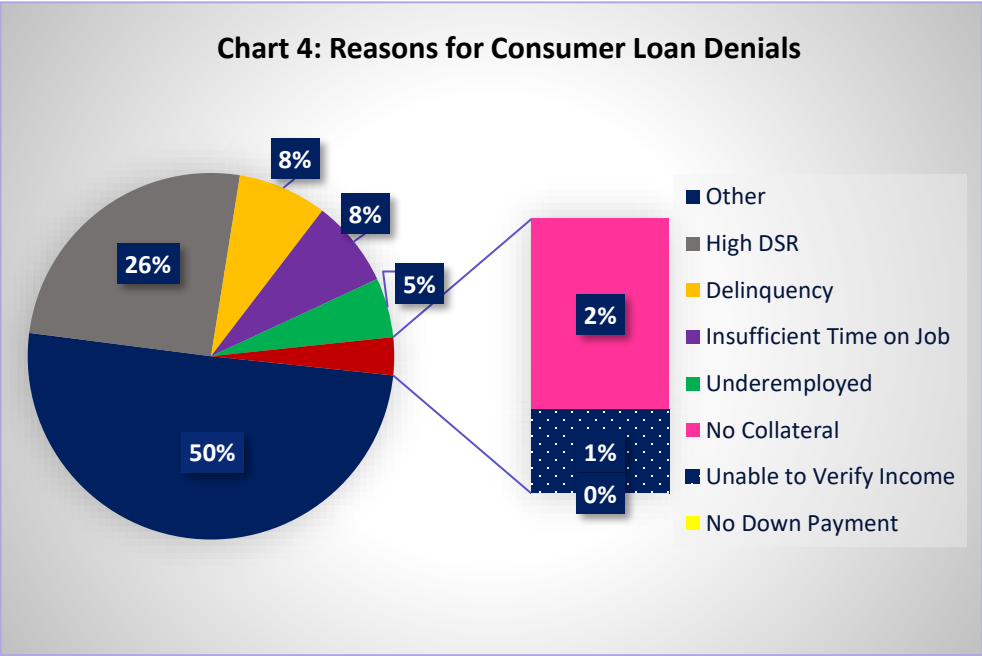
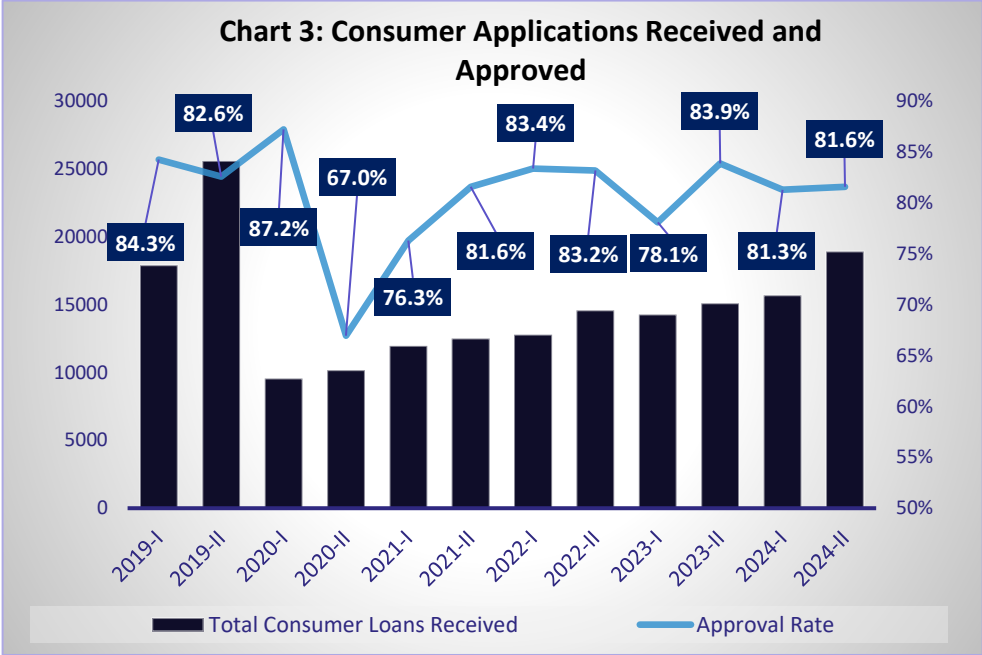


A disaggregation by component revealed that the number of financing requests rose more than five-fold for taxis and rented cars; while “other” miscellaneous applications nearly doubled (93.4%), and credit cards requests rose by 51.0%. Further, applications also firmed for private cars (22.1%), land purchases (20.0%) and travel (5.6%). In contrast, fewer requests were recorded for commercial vehicles (87.6%), education (55.8%), medical (35.4%), furnishings & appliances (22.6%), consolidation of debt (21.1%) and home improvements (15.5%).

Corresponding with the trend in requests, the number of approved loan applications increased by 21.9%, after a 4.5% rise in the previous year. As the volume of approvals maintained fairly close pace with requests, the average approval rate narrowed by 2.3 percentage points to 81.6%.

Regarding loan denials, only 9.3% of consumer requests were declined. Reasons frequently cited were aggregated under “other” miscellaneous factors (50.4%)—inclusive of low credit scores, purposes

outside of banks' policy and low risk rating; also attributing were high debt service ratios (25.5%), delinquency in prior loans (7.9%) and insufficient time on the job (7.7%).

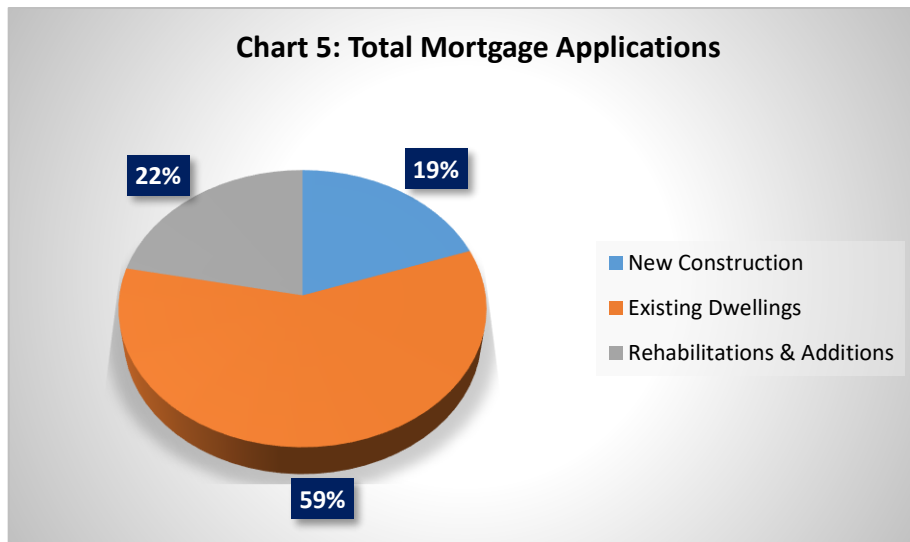


III. Mortgages

During the latter half of 2024, lending institutions processed 725 mortgage applications, all of which were for residential properties.

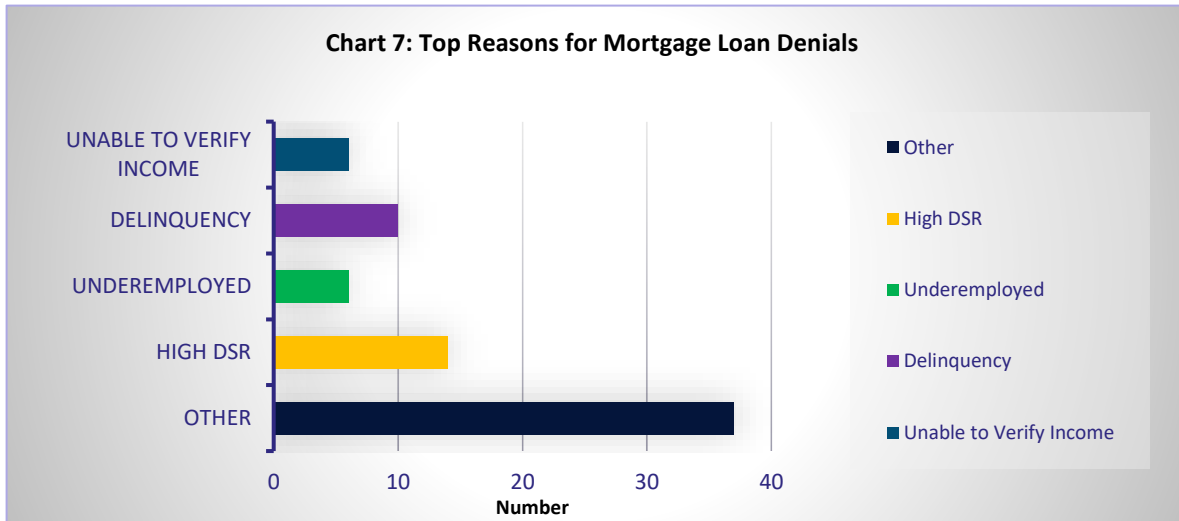
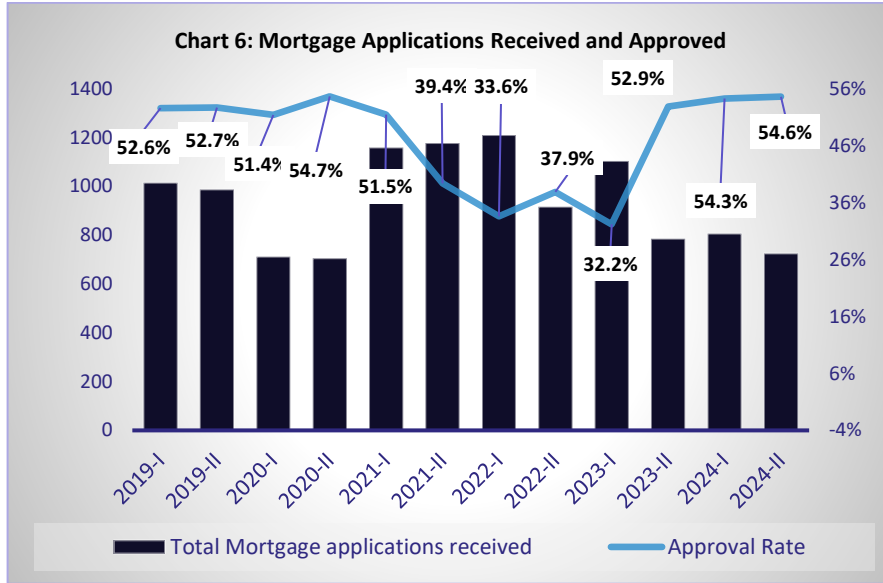
The number of residential mortgage applications declined by 6.8% year-on-year, albeit a slowdown from the 14.6% contraction in December 2023. Submissions for rehabilitations & additions and new construction, posted respective declines of 54.2% and 13.9%. However, financing requests for existing dwellings grew by 58.6%.

Of the applications received, financing secured against existing residential dwellings constituted 59.0% of mortgage demand, while rehabilitations & addition and new construction accounted for 22.0% and 19.0%, respectively. Meanwhile, commercial financing applications registered a flat outturn.



Categorized by island, the analysis revealed that mortgage applications processed for Family Island properties grew by 16.1%. In contrast, demand reduced in New Providence by 9.4%, while Grand Bahama recorded a flat outcome.

Total mortgage applications recorded an approval rate of 54.6% in the latter half of 2024, indicative of a 1.8 percentage point increase, relative to the same period in 2023. The approval rate for new construction and existing dwellings were 66.9% and 66.1%, respectively, while 12.7% of renovation projects were approved.



In terms of requests, 10.1% of mortgage applications were denied. The primary reason cited for denials—in 50.7% of instances—was varied “miscellaneous” factors¹. Other explanations included debt service ratios surpassing the revised threshold of 50.0%² (19.2%), delinquencies in prior loans (13.7%), underemployment (8.2%) and unverifiable income (8.2%).

¹ These may include, but are not limited to low credit scores, lending outside of bank policy and missing information.

² In August 2022, the threshold increased to 50.0% from a range of 40.0%-45.0%.

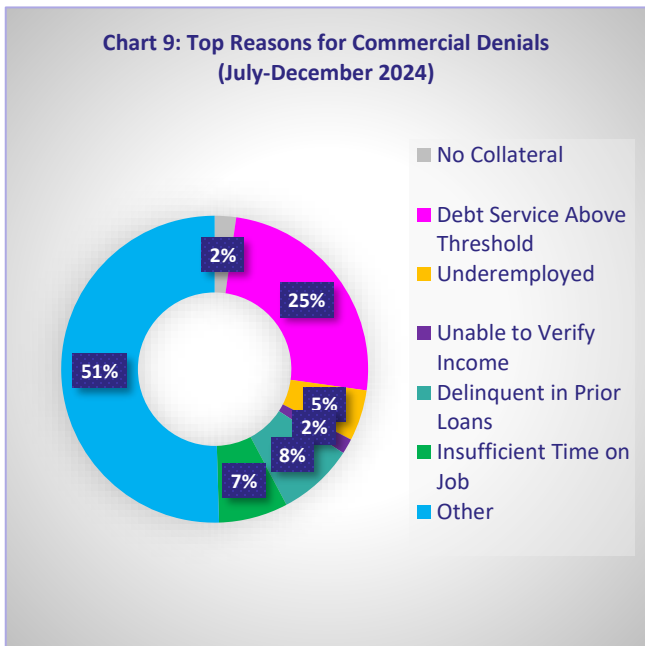
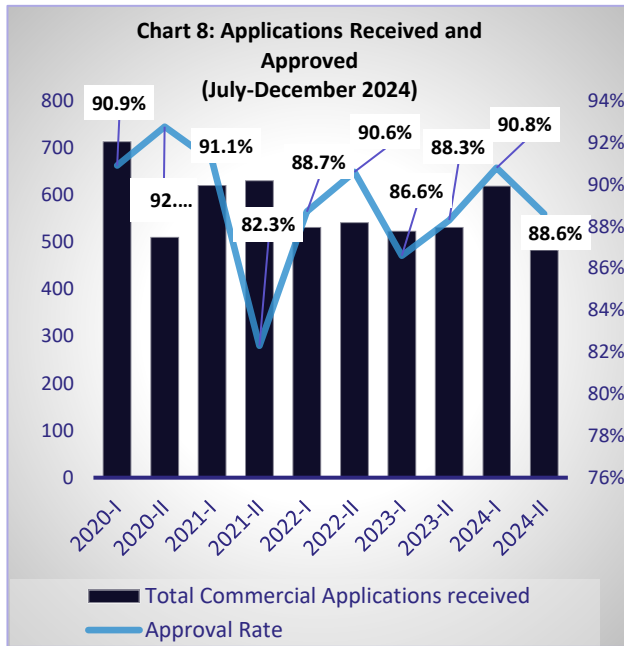
IV. Commercial Loans

Banks processed 484 commercial credit applications over the second half of 2024, a decrease of 9.0% year-on-year, on account of lower demand from New Providence.

The average approval rate for commercial loans declined by 30 basis points, vis-à-vis December 2023, to 88.6%.

Most commercial requests were made for enterprises in New Providence, of which, an average 89.8% were approved. In the Family Islands, 75.0% of applications were successful; while in Grand Bahama 16.7% of requests were approved.

The primary explanation for commercial loan denials were miscellaneous factors (51.0%)—such as excessive risk, unacceptable overall financial position and insufficient income. Other reasons for denial were debt service above threshold (25.0%), delinquency with prior loans (8.0%), insufficient time on the job (7.0%), underemployment (5.0%), no collateral (2.0%) and inability to verify income (2.0%).



V. Banks' Assessment of Credit Conditions

Supporting Lending Conditions

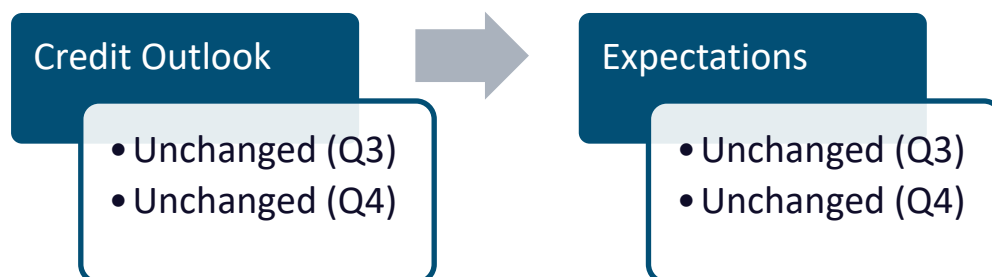
Most of the seven banks surveyed, reduced lending rates during the second half of 2024, to support lending conditions. In addition, at least two institutions disclosed reduced down payments, and several lenders provided longer repayment terms to borrowers. Moreover, no new deferral arrangements were disclosed for the latter half of 2024.

Of 7 lenders, for:	Quarter III 2024		Quarter IV 2024	
	Mortgage	Consumer	Mortgage	Consumer
Reduced Lending Rate	4	5	4	4
Reduced Down Payment	2	2	2	2
Extended Payment Terms	0	3	0	2
Deferred Payments	0	0	0	0

Note: A lender can appear in one or several categories at once. Categories are not mutually exclusive.

Outlook for Lending

When asked to comment on the overall lending environment, most creditors expressed that compared to the prior period, conditions were largely unchanged over the last six-months of 2024. Likewise, the average assessment held that borrowers' loan eligibility, quality of collateral and borrowers' debt servicing capacity remained largely the same.



Expectations in the Near-Term

As at the second half of 2024, most creditors anticipated that credit conditions would remain the same in the near term.

VI. Conclusion

- ✓ Evidenced by the uptick in the number of loan applications, local credit demand continued to improve during the July to December 2024 period, sustaining the trends recorded in the previous year.
- ✓ Consumer loans remained the dominant category of borrowing, accounting for 94.0% of total credit requests. These experienced an average approval rate of 81.6%, vis-à-vis 83.9% in December 2023.
- ✓ Total residential mortgage applications declined by 7.6% year-on-year. However, the approval rate increased by 1.8 percentage points, to 54.6%, over the same period last year.
- ✓ Demand for commercial credit moderated during the six-months to December 2024. The number of applications reduced by 9.0%, albeit, the approval rate remained near 90.0%.
- ✓ A significant number of unsuccessful credit applications was attributed to factors such as, high debt service ratio (DSR), no collateral, delinquency in prior loans, insufficient time on the job and underemployment.

ANNEX

Table 1: No. of Loans Applications Received and Approved

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	2023			2024						Changes					
	Jul - Dec			Jan-Jun			Jul-Dec			Jul-Dec 24/Jan-Jun 24			Jul-Dec 2024/Jul-Dec 2023		
	TOTAL			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	785	415	52.9%	807	438	54.3%	725	396	54.6%	-10.2%	-9.6%	0.3%	-7.6%	-4.6%	1.8%
Consumer	15,101	12,677	83.9%	15,691	12,763	81.3%	18,936	15,455	81.6%	20.7%	21.1%	0.3%	25.4%	21.9%	-2.3%
Commercial	532	470	88.3%	620	563	90.8%	484	429	88.6%	-21.9%	-23.8%	-2.2%	-9.0%	-8.7%	0.3%
TOTAL	16,418	13,562	82.6%	17,118	13,764	80.4%	20,145	16,280	80.8%	17.7%	18.3%	0.4%	22.7%	20.0%	-1.8%

Table 2: No. of Loan Applications Received and Approved By Island (July - Dec '24)

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	New Providence			Grand Bahama			Family Islands			TOTAL			
	Received	Approved		Received	Approved		Received	Approved		Received	Approved		
		No.	Rate		No.	Rate		No.	Rate		No.	Rate	
Mortgage	625	336	53.8%	64	36	56.3%	36	24	66.7%	725	396	54.6%	
Consumer	15,821	12,873	81.4%	1,867	1,514	81.1%	1,248	1,068	85.6%	18,936	15,455	81.6%	
Commercial	470	422	89.8%	6	1	16.7%	8	6	75.0%	484	429	88.6%	
TOTAL	16,916	13,631	80.6%	1,937	1,551	80.1%	1,292	1,098	85.0%	20,145	16,280	80.8%	

**Table 3
Consumer Loans by Type (July-Dec '24)**

	Received	Approvals	
		No.	Rate
Private cars	1684	1258	74.7%
Taxis & rented cars	6	4	66.7%
Furnishings/Appliances	243	179	73.7%
Commercial vehicles	14	8	57.1%
Travel	2047	1751	85.5%
Education	169	138	81.7%
Medical	124	94	75.8%
Home improvements	587	471	80.2%
Land purchases	186	114	61.3%
Consolidation of debt	2875	2370	82.4%
Credit cards	4135	3407	82.4%
Other miscellaneous	6866	5661	82.4%