

JUNE 2024

QUARTERLY BANK LENDING CONDITIONS SURVEY REPORT

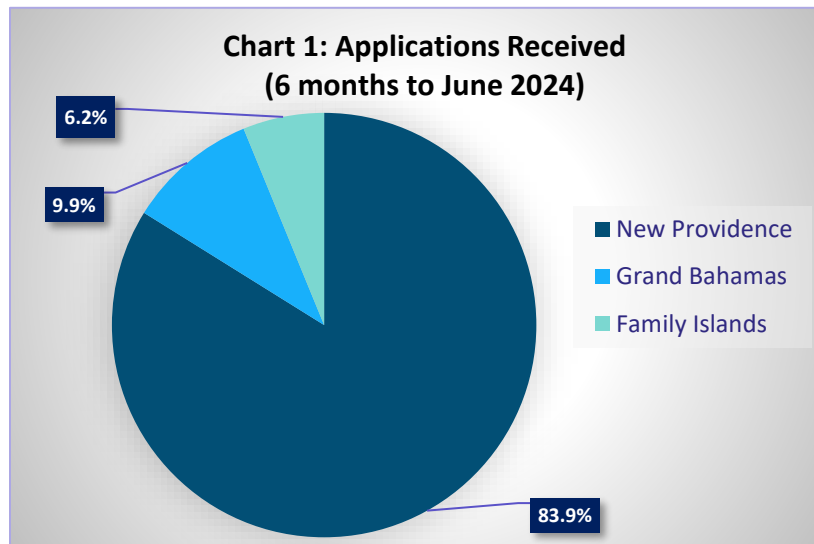
The Bank Lending Conditions Survey (BLCS) contains 12 questions on lending to the private sector, seeking information on the number of loan applications received, approved and denied, and therefore, provides a perspective on the demand for credit. In addition, banks are asked about their views on changes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

Prepared by: The Research Department



I. Overall Assessment

According to the Central Bank’s latest survey of commercial banks, over the first half of 2024, bank lending conditions continued to improve as the demand for credit strengthened, when compared to the same period in 2023. In particular, total applications received grew, owing to accretions in consumer loan requests. In addition, approval rates on loan applications trended upwards. With regard to denials, the main reasons cited by lending institutions were “other miscellaneous” factors, high debt service ratio (DSR), insufficient time on the job and underemployment.

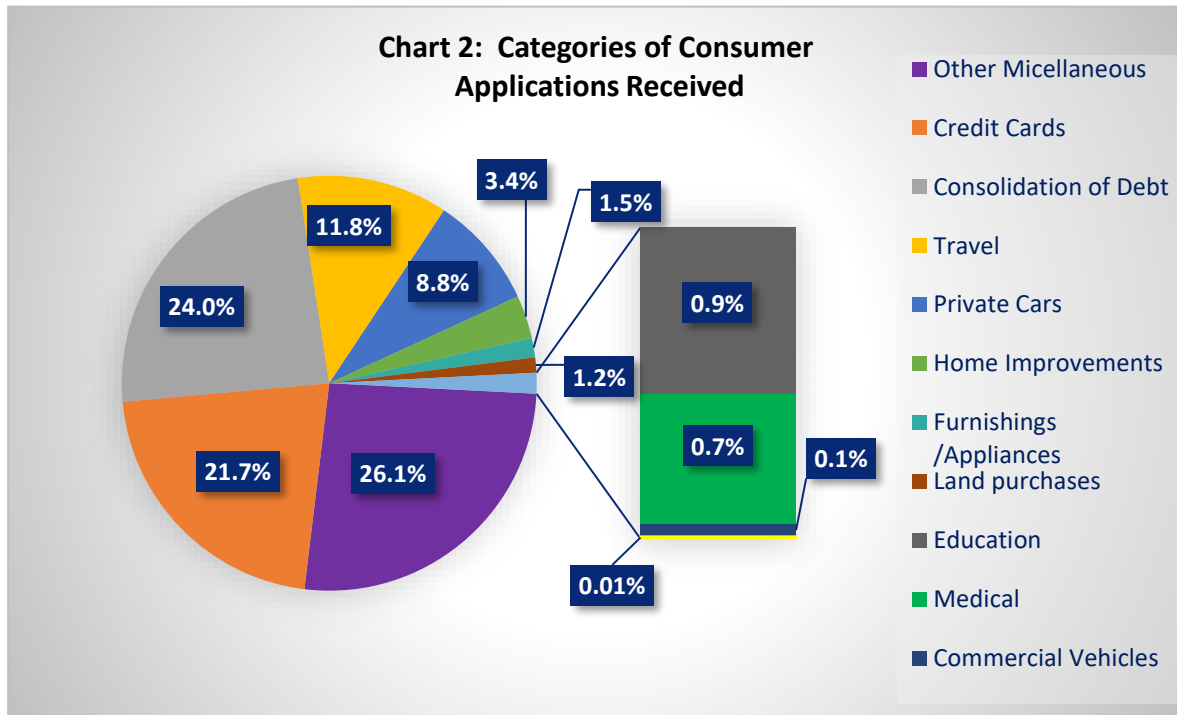


“Bank lending conditions improved further during the first half of 2024, relative to the same period in 2023, supported by a rise in total credit applications received and approved.”

Applications Recieved	Applications Approved	Loan Denials
<ul style="list-style-type: none"> •17,118 •Up 7.7% vis-à-vis the six months to June 2023. 	<ul style="list-style-type: none"> •13,764 •Up 15.1% relative to June 2023. •Approval Rate: 80.4% 	<ul style="list-style-type: none"> •1,533 •Down 37.4% since June 2023. •Top 3 reasons: Other miscellaneous factors, high DSR and insufficient time on job.

II. Consumer Loans

Comprising of 91.7% of loan applications, consumer lending continued to be the most dominant credit component. Requests grew by 10.0% year-on-year (six-months to June 2024 over the same period in 2023), on account of growth in applications received from New Providence (13.6%) and the Family of Islands (9.3%). Conversely, demand from Grand Bahama reduced by 12.3%. Of the 15,691 consumer loan applications received, requests were mainly for “other” miscellaneous purposes (26.1%), consolidation of debt (24.0%), credit cards (21.7%) and travel (11.8%) (see Chart 2).

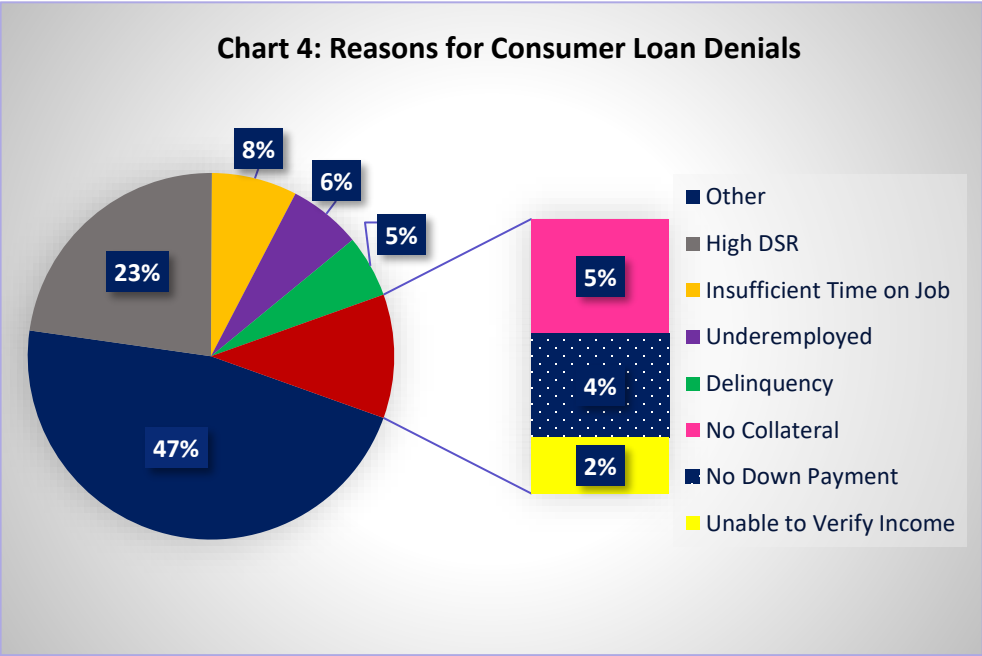
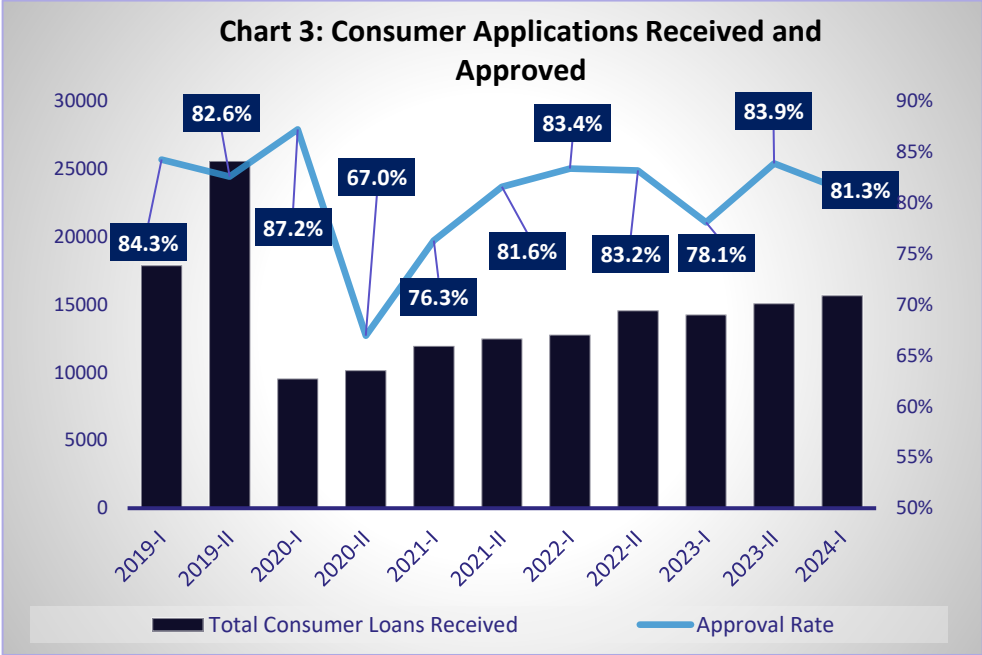


Categorized by component, lending requests showed gains for debt consolidation by 31.5%, and land purchases, by 27.4%. In the same trend, demand rose for “other” miscellaneous purposes (26.4%) and credit cards (17.2%). In contrast, applications reduced for commercial vehicles (84.9%), education (43.3%), home improvements (41.5%) and medical (41.0%). Further declines were recorded for furnishings & appliances, by 13.2%, travel, by 9.9% and private cars, by 2.1%. Meanwhile, the number of applications received for taxis and rented cars registered a flat outturn.

Year-on-year, the number of approved loan applications advanced by 14.5%, after rising by 4.5% last year, while the average approval rate moved higher by 3.3 percentage points to 81.3%.

In terms of loan denials, 9.2% of consumer financing requests were rejected, with frequently cited reasons such as other “miscellaneous” factors (52.8%)—which includes low credit scores, purposes

outside of banks' policy and low risk rating—, high debt service ratios (28.5%), delinquency in prior loans (7.4%) and insufficient time on the job (4.8%)

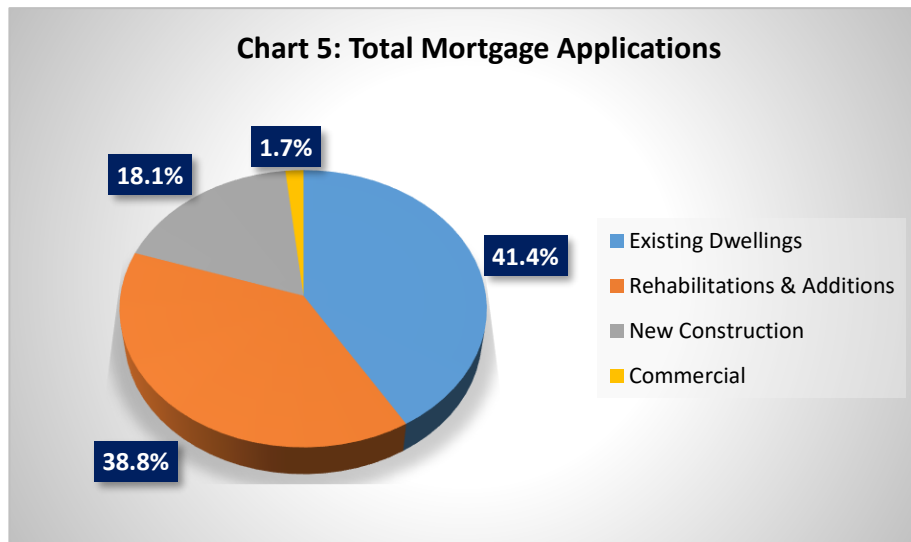


III. Mortgages

Over the first half-year of 2024, respondent banks received 793 residential mortgage applications; constituting 98.3% of the total mortgage applications received.

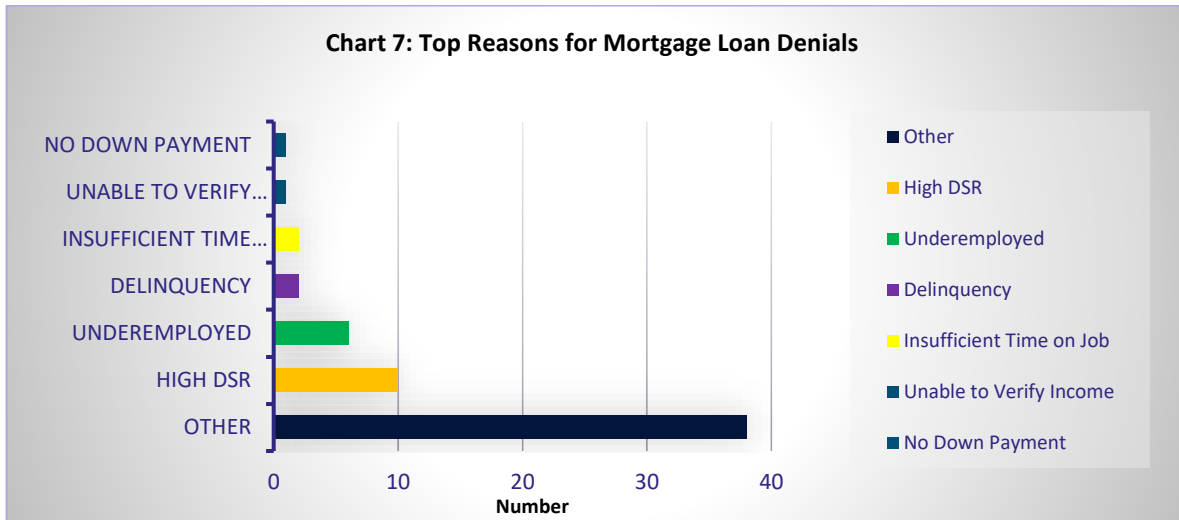
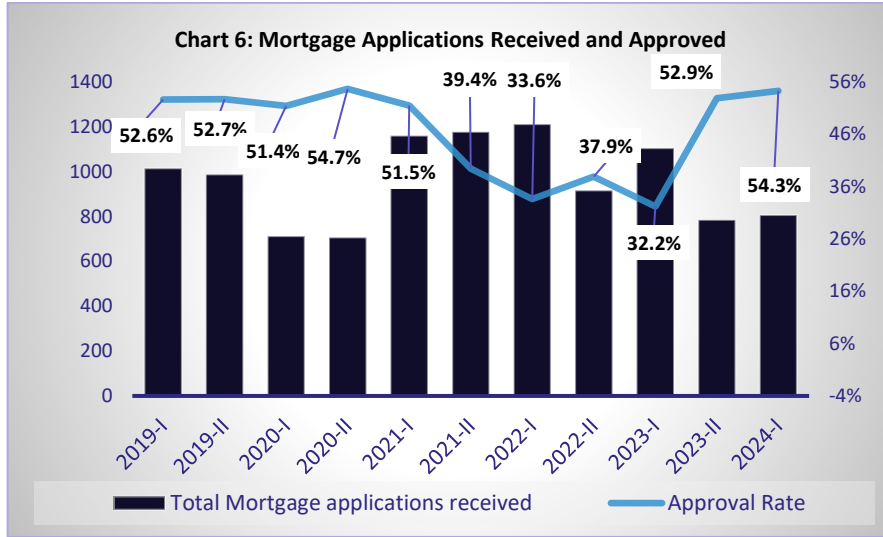
Residential mortgage applications decreased further by 25.5%, year-on-year, following the 7.6% decline a year earlier. Reductions were documented for all three major categories: new construction (49.1%), rehabilitations & additions (23.8%) and existing dwellings (8.7%).

Of the applications received, financing sought against existing residential dwellings represented 41.4% of mortgage demand, while rehabilitations & addition and mortgages for new construction accounted for 38.8% and 18.1%, respectively. Moreover, commercial financing applications constituted just 1.7% of requests.



Analysis by island revealed that, mortgage applications processed in New Providence fell by 29.3% and in the Family of Islands, by 36.8%. In contrast, demand increased in Grand Bahama, by 13.2%.

Nevertheless, total mortgage applications recorded an approval rate of 54.3% in the first half of 2024, an increase of 22.1 percentage points vis-à-vis the same period last year. Specifically, the approval rate for renovation projects was 10.2%, while support for new construction and existing dwellings requests were 63.7% and 91.6%, respectively. Further, commercial mortgages registered an approvals rate of 50.0%.



Of the total number of requests, 7.4% of mortgage applications were denied. Primary reasons included “other miscellaneous” factors¹, which accounted for 63.3% of denials, higher debt service ratios—which exceeded the revised threshold of 50.0%²—(16.7%), and underemployment (10.0%). Further, applications were also denied on account of delinquency in prior loans (3.3%), insufficient time on the job (3.3%), inability to verify income (1.7%) and no down payment (1.7%).

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%.

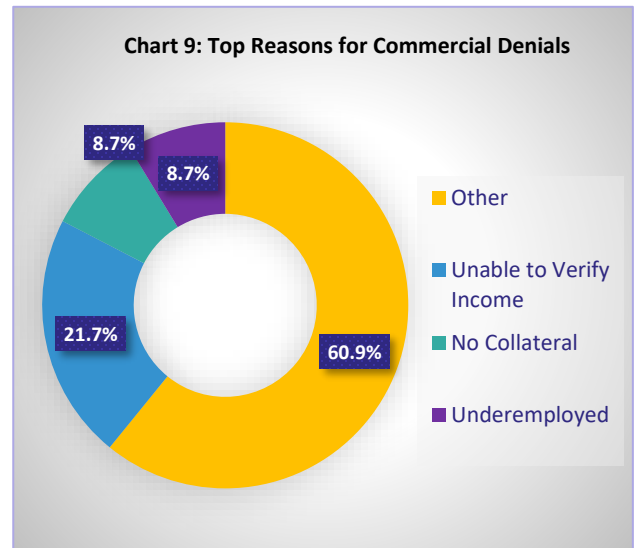
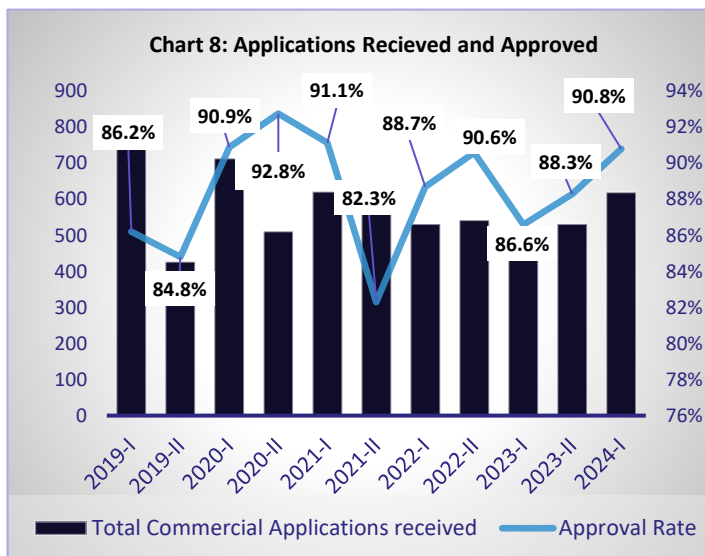
Commercial Loans

Lending institutions received 620 applications for commercial financing in the six months to June 2024, a gain of 18.3% year-on-year. This more than reversed a 1.5% falloff in the year prior, amid strong demand in the New Providence and the Family of Islands markets.

In June 2024, the average approval rate for commercial applications rose by 4.2 percentage points to 90.8%, relative to the same period in 2023.

The majority of commercial applications were for enterprises in New Providence, with an average approval rate of 91.5%. In addition, 88.9% of commercial loan requests in the Family of Islands were approved and 44.4% in Grand Bahama.

Concerning commercial denials, these were most commonly for “other” unclassified (60.9%) reasons—such as, excessive risk, which did not meet requirements for commercial lending—the inability to verify income (21.7%), lack of collateral (8.7%) and underemployment (8.7%).



IV. Banks' Assessment of Credit Conditions

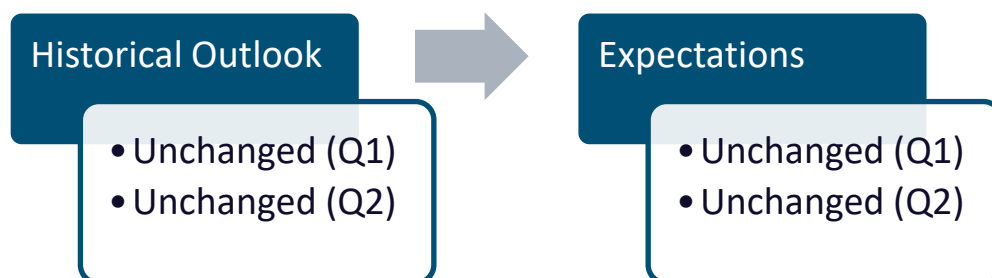
Supporting Lending Conditions

On average, more than half of all respondent institutions reduced lending rates during the second quarter of the review year. In addition, around one fourth of lenders lowered down payment requirements and extended repayment terms. Meanwhile no new deferral arrangements were disclosed for monthly payments.

Table 1: First Half of 2024 Lending Conditions				
<i>Of 7 lenders, for:</i>	Quarter I 2024		Quarter II 2024	
	<i>Mortgage</i>	<i>Consumer</i>	<i>Mortgage</i>	<i>Consumer</i>
Reduced Lending Rate	3	5	4	4
Reduced Down Payment	3	1	3	2
Extended Payment Terms	1	3	1	3
Deferred Payments	0	0	0	0

Historical Outlook

When asked to describe the general lending environment, creditors noted that in comparison to the the first half of 2023, conditions were largely unchanged in the same period of 2024. Likewise, borrowers loan eligibility, quality of collateral and borrowers debt servicing capacity remained the same.



Expectations in the Near-Term

Most creditors indicated that near-term expectations of credit conditions would remain largely unchanged.

V. Conclusion

- ✓ Local credit demand increased during the six-months to June in 2024, although a moderation from the growth rate recorded in the same period in the prior year.
- ✓ Consumer loan requests remained the most dominant, accounting for 91.7% of total applications. The consumer loans average approval rate increased to 81.3%, when compared to the six-months to June 2023.
- ✓ Year-on-year, total residential mortgage applications declined by 25.5%; nonetheless, the approval rate firmed by 22.1 percentage points, to 54.3%.
- ✓ Commercial credit applications rose by 18.3% vis-à-vis the six months to June 2023, with an average approval rate of 90.8%.
- ✓ The highest concentration of unsuccessful credit applications continued to be linked to miscellaneous factors: excessive risk, unacceptable overall financial position, and low credit scores. Other reasons included above threshold debt service ratios, underemployment, insufficient time on job and delinquency in prior loans.

ANNEX

	2023						2024			Changes					
	Jan-Jun			Jul-Dec			Jan-Jun			Jan-Jun 24/Jul-Dec 23			Jan-Jun 24/Jan-Jun 23		
	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	1,104	356	32.2%	785	415	52.9%	807	438	54.3%	2.8%	5.5%	1.4%	-26.9%	23.0%	22.0%
Consumer	14,271	11,144	78.1%	15,101	12,677	83.9%	15,691	12,763	81.3%	3.9%	0.7%	-2.6%	10.0%	14.5%	3.3%
Commercial	524	454	86.6%	532	470	88.3%	620	563	90.8%	16.5%	19.8%	2.5%	18.3%	24.0%	4.2%
TOTAL	15,899	11,954	75.2%	16,418	13,562	82.6%	17,118	13,764	80.4%	4.3%	1.5%	-2.2%	7.7%	15.1%	5.2%

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

	New Providence			Grand Bahama			Family Islands			TOTAL		
	Received	Approved		Received	Approved		Received	Approved		Received	Approved	
		No.	Rate		No.	Rate		No.	Rate		No.	Rate
Mortgage	706	365	51.7%	77	54	70.1%	24	19	79.2%	807	438	54.3%
Consumer	13,049	10,623	81.4%	1,615	1,258	77.9%	1,027	882	85.9%	15,691	12,763	81.3%
Commercial	602	551	91.5%	9	4	44.4%	9	8	88.9%	620	563	90.8%
TOTAL	14,357	11,539	80.4%	1,701	1,316	77.4%	1,060	909	85.8%	17,118	13,764	80.4%

**Table 3
Consumer Loans by Type (Jan - June '24)**

	Received	Approvals	
		No.	Rate
Private cars	1382	1049	75.9%
Taxis & rented cars	2	0	0.0%
Furnishings/Appliances	237	191	80.6%
Commercial vehicles	10	6	60.0%
Travel	1846	1494	80.9%
Education	136	101	74.3%
Medical	105	80	76.2%
Home improvements	528	405	76.7%
Land purchases	186	133	71.5%
Consolidation of debt	3764	3307	87.9%
Credit cards	3398	2843	83.7%
Other miscellaneous	4097	3154	77.0%