Bank lending survey, November 2010

Credit standards[1] remained broadly unchanged, and credit terms registered a slight adjustment in Q3/2010. The demand for consumer loans considerably decreased, while non-financial companies' demand for short-term loans slightly increased.

A. Companies sector

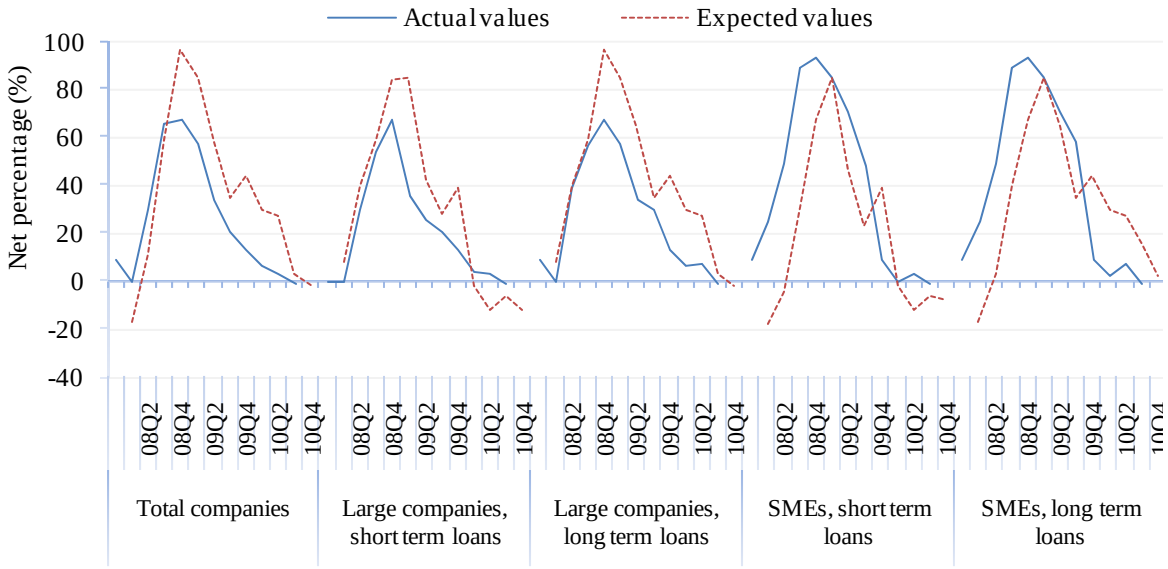
- **Credit standards** remained unchanged in Q3/2010 (Chart 1). It is possible the credit standards tightening cycle come to an end, banks considering the current level is adequate to the debtors profile and loans typology.
- **Credit terms** recorded marginal changes at the banking sector level, with a mixed nature. The strengthening of collateral requirements and increases in margins on riskier loans were counterbalanced by the decrease in the average margin over ROBOR 1M and fees.
- **Loan demand,** on the aggregate level, decreased in Q3/2010 (Chart 2). Short-term loan demand was slightly on a rise. For Q4/2010, banks expect a diminishing demand for all type of loans.
- **Companies' risks** rose in all industries, except energy sector, according to banks' opinions. The riskiest sectors are construction and real estate. The risk perception on large companies remained unchanged.

B. Household sector

- **Credit standards** for the mortgage loans recorded an easing tendency in Q3/2010, while for consumer loans there was no important change (Chart 3).
- **Credit terms** experienced low amplitude movements. Banks declared a cost reduction strategy by diminishing the margin over ROBOR 1M and reducing the costs of loans, others than interest.
- **Loan demand** remained in the negative territory for both consumer and mortgage loans. The highest correction was recorded for consumer loans (Chart 4). Banks expectations are positive, anticipating a slight demand recovery in Q4/2010.

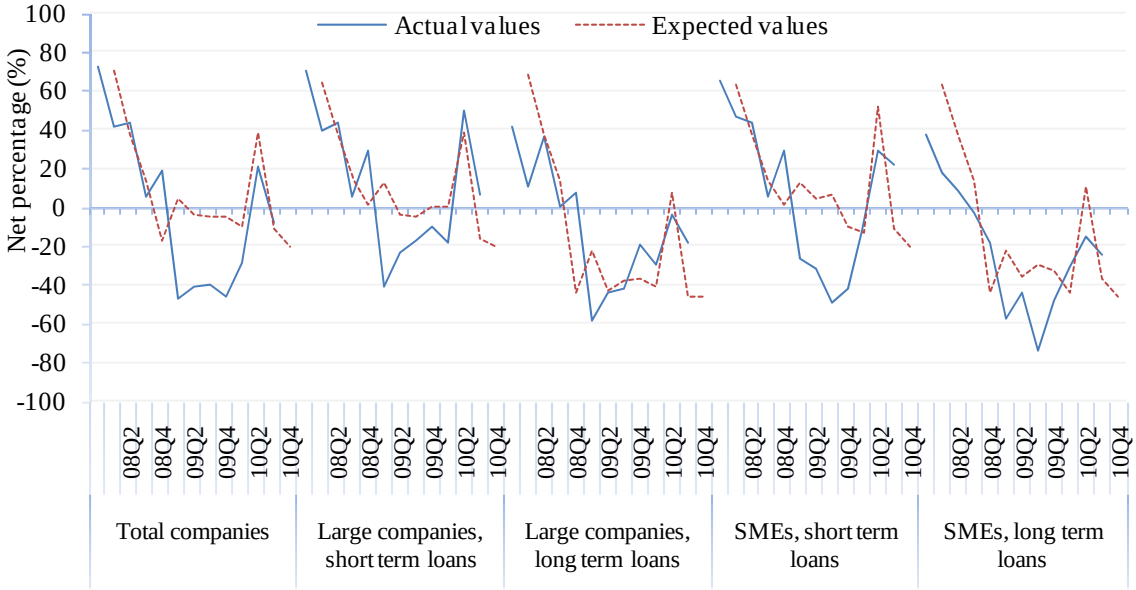
[1] Annex details the aspects related to the characteristics and the terminology of the survey.

Chart 1 – Changes in companies credit standards



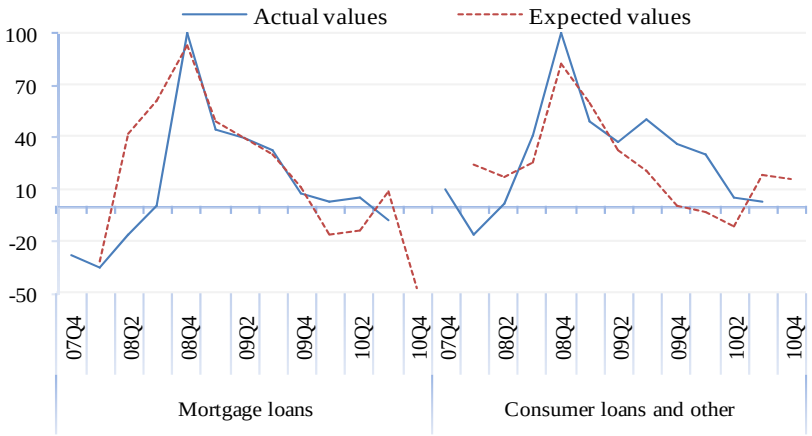
Note: Net percentage - positive values indicate a tightening of lending standards

Chart 2 – Changes in companies loan demand



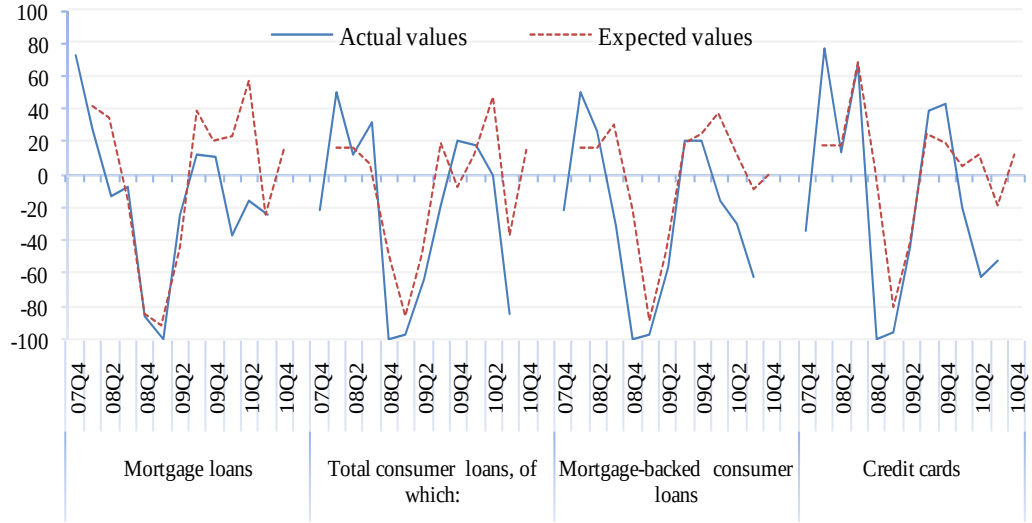
Note: Net percentage - positive values indicate an increase in demand

Chart 3 – Changes in households credit standards



Note: Net percentage - positive values indicate a tightening of lending standards

Chart 4 – Changes in households loan demand



Note: Net percentage - positive values indicate an increase in demand

Annex

The survey is conducted on a quarterly basis by the BNR every January, April, July and October. It is based on a questionnaire (published in the May 2008 analysis) addressed to senior loan officers of a representative sample of banks. The questionnaire is filled in by the first ten banks chosen by their market share for loans to enterprises and households. These banks cumulate approximately 80% of the private credit.
The survey focuses on the opinions regarding the lending policies of the previous quarter, as well as on the expectations regarding the next quarter.

The questionnaire is structured into two sections, following separately the characteristics of loans to: (A) non-financial companies and (B) households. The questions try to clarify the bank lending behavior through the banks` opinions regarding:

- Credit standards (internal credit regulations or criteria that guide the credit policy of the banks).
- Credit terms (loan covenants set up by lenders and borrowers in the credit agreement, such as: interest rate, collateral, maturity etc).
- Risks stemming from the lending process.
- Credit demand.
- Other specific details (expectations regarding the medium price per square meter of a home, debt service burden to household income, loan to value etc).

The answers are analyzed from a **net percentage** perspective**:**

With respect to the questions referring to *credit standards*, the net percentage represents the difference between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards (net tightening), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards (net easing).

In case of *loan demand* questions, the net percentage represents the difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. A positive net percentage indicates that a larger proportion of banks have reported an increase in loan demand, whereas a negative net percentage indicates that a larger proportion of banks have reported a decline in loan demand.
The net percentage is computed by taking into account the market share of the respondent banks. Positive values of the net percentage are explained in the notes of each chart. All other responses are weighted in a similar way.