Bank lending survey, November 2009

Credit standards and terms[1] continued to tighten during Q3/2009, although to a lesser extent. The credit demand accounted for a slightly recovery only for certain types of households` loans.

A. Companies sector

- Credit standards became more restrictive in Q3/ 2009, but the tendency tempered (Chart 1). Banks expect a further net tightening in credit standards, but to a lesser extent. The main driving forces for the changes in credit policy were: (i) the expectations regarding general economic activity and (ii) the specific risk of the industry where the companies operate.
- **Credit terms** were overall revised. The key banks' concern was still focused on charging higher collateral/guarantee requirements.
- **Loan demand** continued to decline in Q3 to the same extent as in the previous quarters (Chart 2). Looking forward, banks expect an ending of this trend in Q4/2009.
- **Companies` risk** is expected to rise for the entire economy. From the lenders' perspective, the highest risks perception goes to construction and real estate sectors.

B. Household sector

- Credit standards registered a net tightening, discriminated by type of loans: for mortgage loans, the trend lost ground, whereas for consumer loans, the tightening fuelled as to the previous quarter (Chart 3). Banks expect no further changes during Q4.
- Credit terms reported a mixed progress. There was a slight easing for mortgage loans with respect to the spread of average interest rate to ROBOR 1M and to LTV (loan to value) ratio. On the other hand, the maximum debt service to income ratio was down warded for all types of new loans.
- Loan demand for mortgage loans has gained a slight momentum, unlike for consumer loans, which stood on a decreasing trend (Chart 4). Banks anticipate a similar path during Q4/2009.

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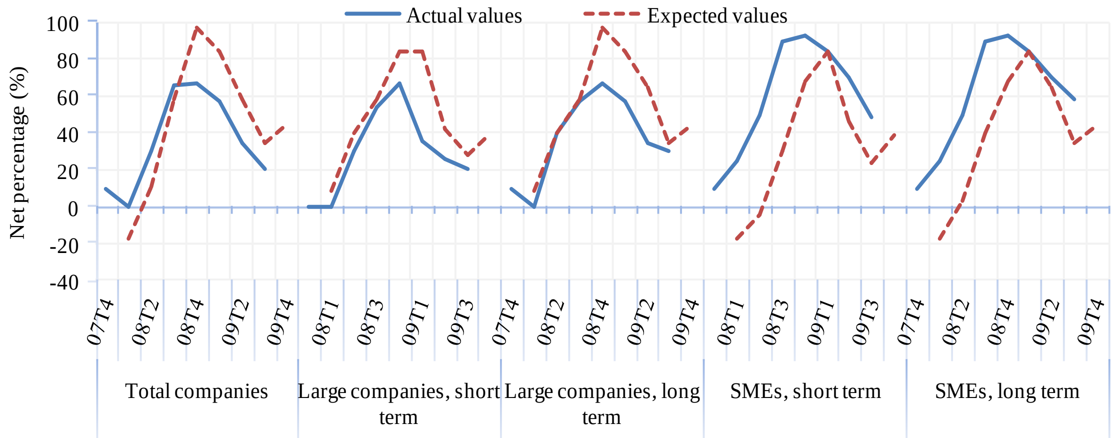
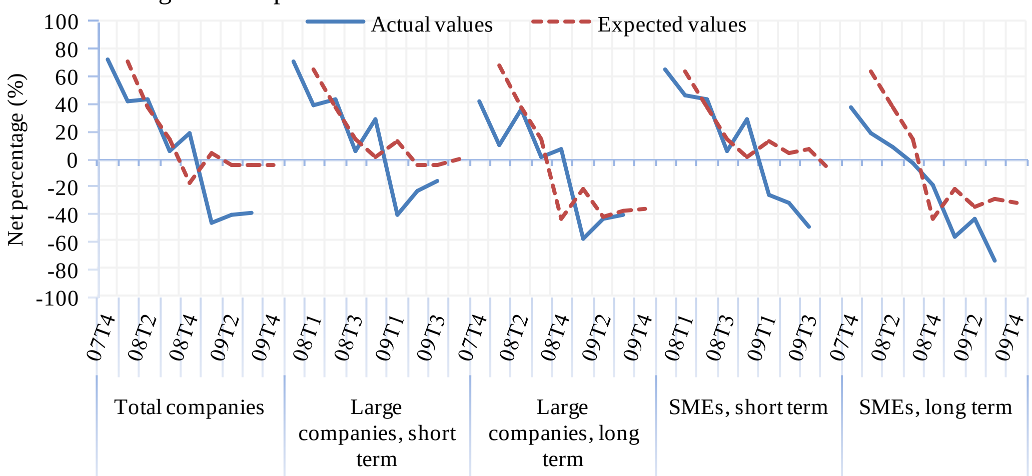
[1] Annex to be seen for the aspects related to the characteristics and the terminology of the survey regarding the loans to enterprises and households.

Chart 1 – Changes in companies credit standards



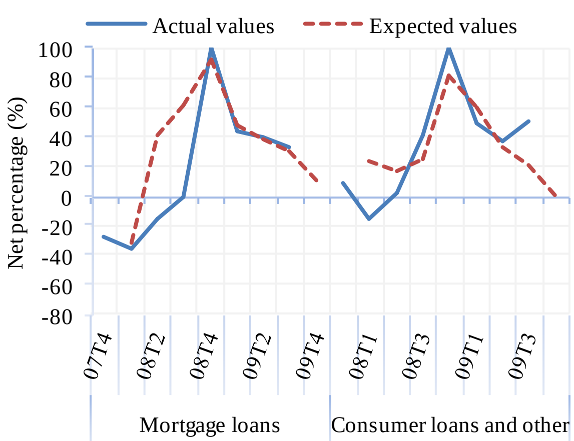
Note: Net percentage - positive values indicate a tightening of lending standards

Chart 2 – Changes in companies loan demand



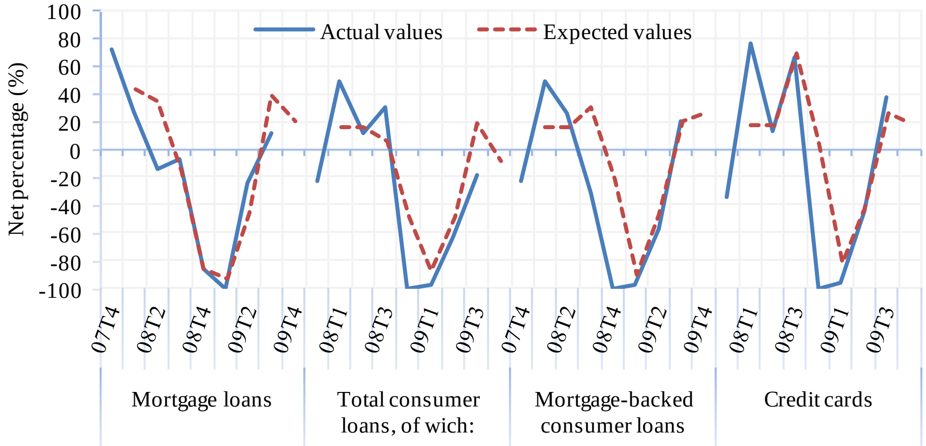
Note: Net percentage - positive values indicate an increase in demand

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.