Bank lending survey, August 2012

Credit standards[1] were maintained unchanged in Q2/2012 for loans to companies, while the tightening trend continued for household lending. Despite banks' expectations, the demand for new loans slightly increased from both the companies and household sectors. Credit institutions anticipate a constant or a slight diminishing demand for loans in Q3/2012.

A. Companies sector

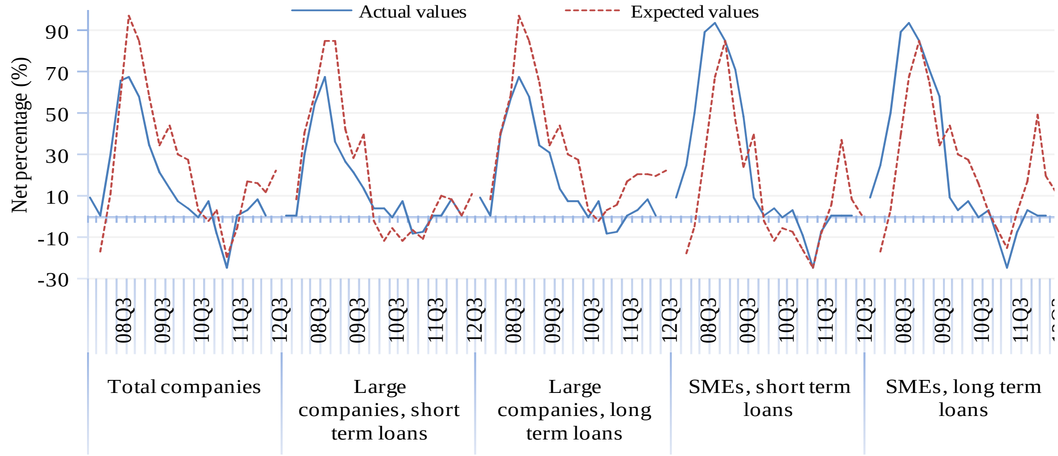
- **Credit standards** remained stable in Q2/2012. Banks anticipate for Q3/2012 a tightening of credit standards, with a higher magnitude for corporate (large companies) long-term loans.
- **Credit terms** registered a tightening through larger risk premium requirements and higher spread to ROBOR 1M.
- **Loan demand** recorded a marginal increase in Q2/2012 at aggregate level, due to an increase in the corporate loans' segment. Banks expect a constant loan demand in Q3/2012 from companies' sector.
- **Companies' risk** for all sectors, except for energy and agriculture, was on a raising path in Q2/2012, according to banks. Microenterprises are still perceived as being the riskiest category of clients.

B. Household sector

- **Credit standards** were more restrictive in Q2/2012, for both mortgage and consumer loans. Credit institutions expect the tightening trend to conclude in Q3/2012 for both types of loans.
- **Credit terms** tightened in Q2/2012 (i) for mortgage loans through reducing LTV and the maximum debt service to income ratio and (ii) for consumer loans through lowering maximum loan maturity and the maximum debt service to income.
- **Loan demand** expanded in Q2/2012 for both mortgage and consumer loans, despite banks' previous expectations. Banks anticipate for Q3/2012 a diminishing demand for new mortgage loans, while for consumer loans a constant demand is expected.

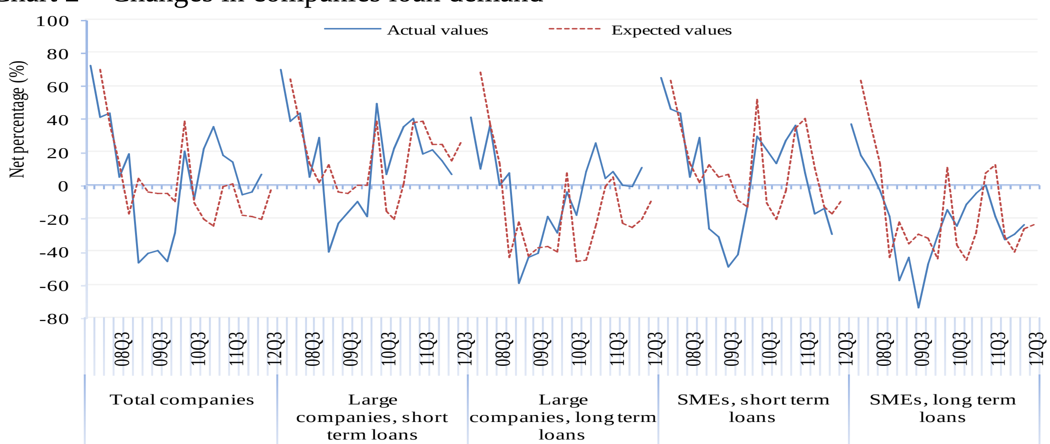
[1] Annex to be seen for the aspects related to the characteristics and the terminology of the survey regarding the loans to enterprises and households.

Chart 1 – Changes in companies credit standards



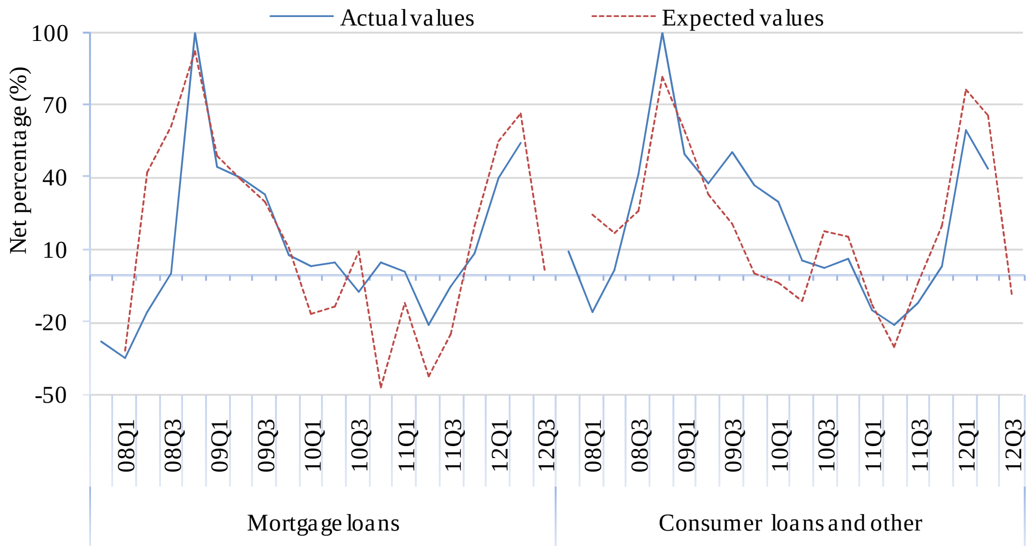
Note: Net percentage - positive values indicate a tightening of lending standards

Chart 2 – Changes in companies loan demand



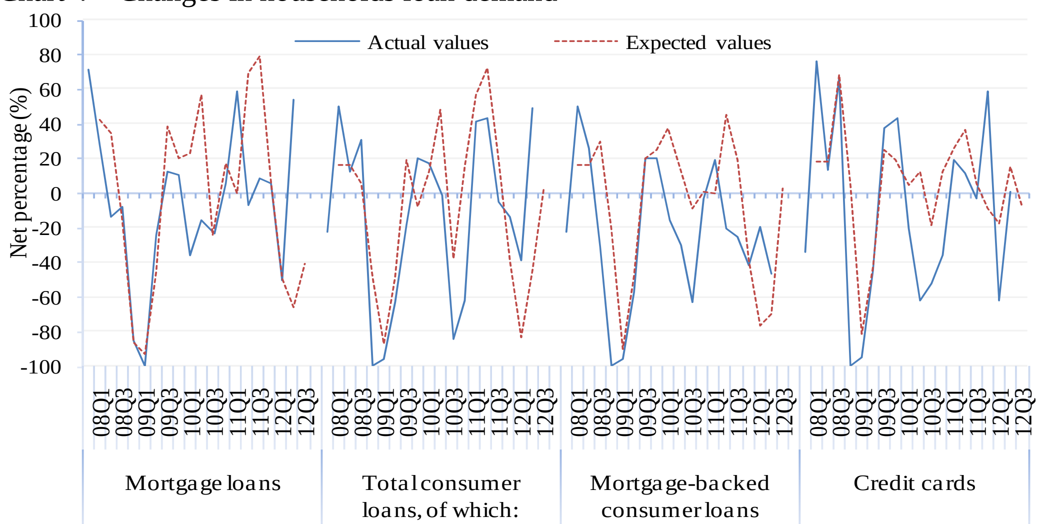
Note: Net percentage - positive values indicate an increase in demand

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.