Bank lending survey, February 2011

Credit standards[1] were maintained generally unchanged in Q4/2010, both for nonfinancial companies and households. The credit terms were eased for the mortgage loans, but had a mixed behavior for consumer and companies' loans. Households' loan demand remained subdued, while a slight improvement occurred from the nonfinancial companies sector.

A. Companies sector

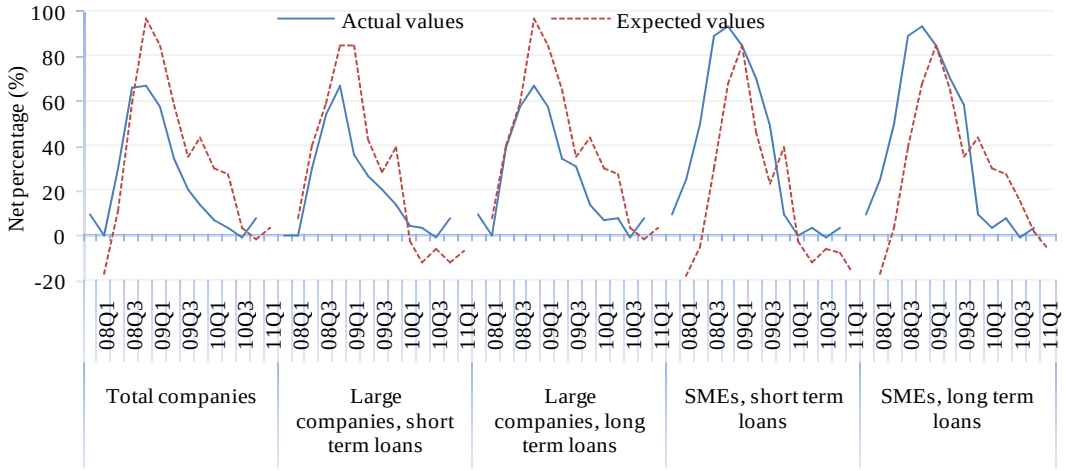
- **Credit standards** were broadly unchanged in Q4/2010, in line with banks' previous expectations (Chart 1). Looking forward (Q1/2011) banks expect some positive developments for short term loans, but a net tightening for long term loans.
- **Credit terms** registered small changes in Q4/2010, both in term of easing (through diminishing the spread to ROBOR 1M), but also in terms of tightening (an increase in risk premium and new demands for collateral).
- **Loan demand** bounced back in the positive territory, due to higher demand for short term loans (Chart 2). Banks expect an ongoing deterioration of demand for long term loans in Q1/2011.
- **Companies' risk** was perceived as increasing for all the economic sectors (except for energy and industry), according to banks' replies. Risk perception towards SME is still on an upward trend.

B. Household sector

- **Credit standards** experienced low amplitude movements in Q4/2010 (Chart 3). Banks expect an easing of credit standards in Q1/2011, both for mortgage and for consumer loans.
- **Credit terms** registered a mixed evolution in Q4/2010. Banks reduced the cost of loans (other than interest) both for mortgage and for consumer loans, but decreased the debt service to income criteria applied for consumer loans.
- **Loan demand** evolved differently in Q4/2010, depending on the type of loans: (i) mortgage loans demand turned positive, (ii) but for consumer loans continued to decline (Chart 4).

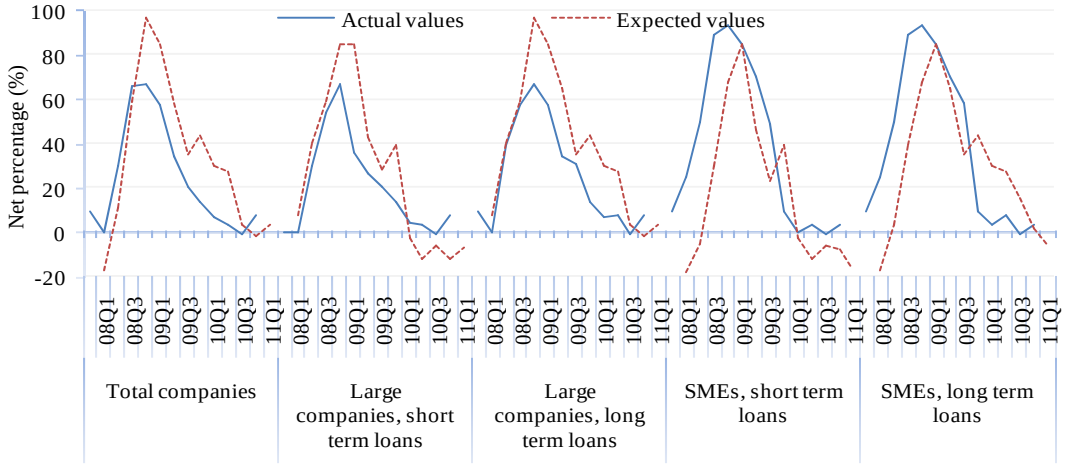
[1] Annex to be seen for the aspects related to the characteristics and the terminology of the survey regarding the loans to enterprises and households.

Chart 1 – Changes in companies credit standards



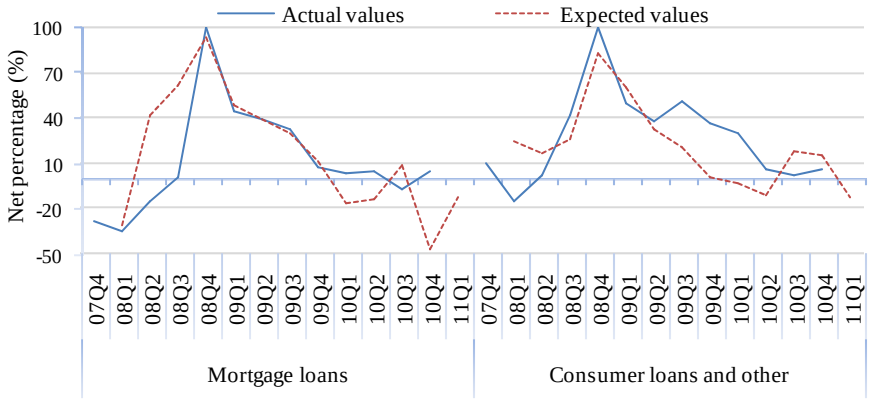
Note: Net percentage - positive values indicate a tightening of lending standards

Chart 2 – Changes in companies loan demand



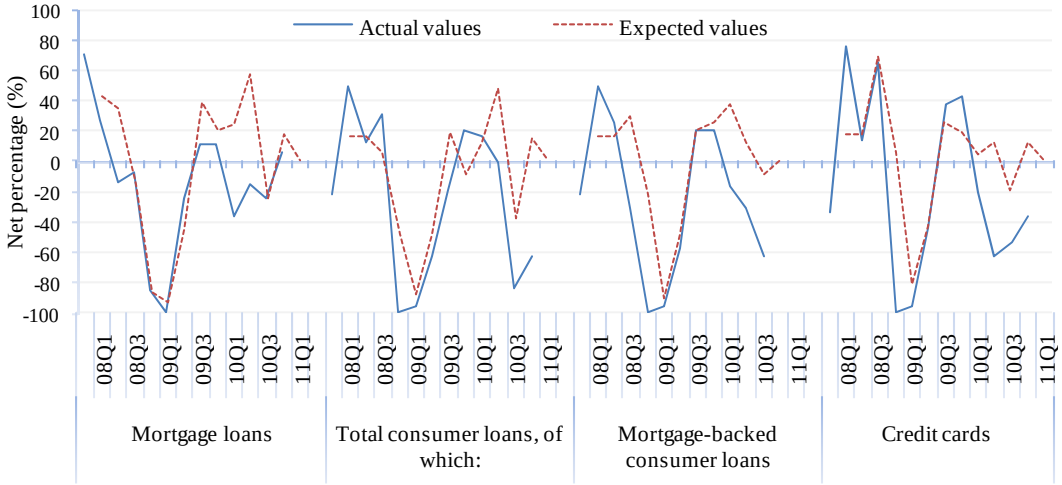
Note: Net percentage - positive values indicate an increase in demand

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.