

**BANK LENDING SURVEY**

July 2009

**Results for Portugal****I. Overall assessment**

According to the results of the bank lending survey conducted in July 2009 to the five Portuguese banking groups included in the sample, on average, the credit standards applied to the approval of loans to non-financial corporations and to households were stricter in the second quarter of 2009 as compared to the previous quarter. Therefore, the trend of tightening credit criteria observed since the onset of the financial market crisis remained, even though at a smaller extent.

A deterioration in banks' perceived risks and increased funding cost and balance sheet constraints, related to financial markets turmoil, should have been underlying the adoption of more demanding credit policies. Thus, spreads applied on loans granted to both non-financial corporations and households increased, in particular for riskier loans. Simultaneously, other conditions and terms should have also been tightened.

Demand for loans or credit lines by enterprises should have recorded, on average, a slight decrease in the second quarter of 2009, in comparison with the first one. Lower financing needs regarding fixed investment and projects of merger/acquisitions and corporate restructuring continued to be among the main factors contributing to a decrease in the demand. Debt restructuring and a decrease in internal financing should have been among factors inducing an increase in demand. According to the survey results, loan demand by households should have also decreased in the same period, in particular in the segment of loans for house purchase. This evolution should have been mainly related to a deterioration in consumers' confidence, less favourable housing market prospects and a reduction in spending on durable consumer goods.

For the third quarter of 2009, the surveyed banks foresee, in general terms, a further tightening in credit standards applied to the approval of loans to the non-financial private sector. For the same period, banks expect a slight increase in the demand for loans or credit lines by enterprises and a decrease in the demand by households.

The financial markets turmoil should have continued conditioning the access to the wholesale funding markets by the participating banks during the second quarter of 2009. The difficulties in the access to this type of funding should have contributed to the application of more restricted credit standards, in particular through spreads. For the third quarter of 2009, banks do not anticipate sizeable changes in this framework. Finally, according to a new *ad hoc* question, related to the New Capital Accord, the introduction of the new rules should have influenced the credit policies, contributing to more demanding criteria, in particular in the segment of enterprises.

**II. Presentation of the results****Loans or credit lines to enterprises**

In global terms, the credit standards applied on loans or credit lines to non-financial corporations were tightened in the second quarter of 2009 in comparison with the previous one. The tightening of the criteria should have been more marked for large enterprises and for longer maturities.

A less favourable risks' evaluation, in particular related to the economic activity in general and industries or firm-specific outlook, should have been one of the main factors contributing to the application of more demanding criteria. Additionally, some institutions also reported increased capital costs and balance sheet constraints as determining the observed evolution. According to the survey results, the tightening of credit standards should have been reflected in an increase in spreads, in particular for riskier loans, and in additional requirements on other conditions and terms, specially the shortening of maturities allowed.

Regarding demand for loans or credit lines by enterprises in the second quarter of 2009, while two banks reported a slight decrease in comparison with the previous quarter, one institution reported a slight increase. The remaining surveyed banks pointed to a relative stability in demand. Lower financing needs related to fixed investment and, to a smaller extent, to projects of merger/acquisitions and corporation restructuring should have contributed to a decrease in the demand in this segment. In the opposite direction, *i.e.* with a positive impact on the demand, debt restructuring, higher financing needs regarding inventories and working capital, as well as lower internal financing were mentioned.

For the third quarter of 2009, on average, banks perspective to continue the tightening trend of credit standards applied on loans or credit lines to enterprises, in particular in the segment of long-term loans. For the same period, one institution foresees a slight increase in demand, while the remaining banking institutions do not anticipate sizeable changes.

**Loans to households****For house purchase**

In the second quarter of 2009, the credit criteria applied to the approval of loans to households for house purchase should have continued the more demanding trend reported in previous surveys (one of the surveyed banking groups reported a considerable tightening of its criteria).

Less favourable expectations regarding the economic activity in general and the house market were reported by all the participating banks as contributing to the adoption of stricter credit standards. With the same impact on the criteria, two institutions pointed to banks' capital cost and balance sheet constraints. The application of tightened criteria should have been reflected in higher spreads, in particular for riskier loans. Only a bank should have kept spreads unchanged regarding the previous quarter.

Some banks also performed adjustments in other conditions and terms, namely a decrease in loan-to-value ratios and increases in collateral requirements and non-interest rate charges.

In what concerns the demand for loans for house purchase in the second quarter of 2009, while two institutions reported a relative stability in demand *vis-à-vis* the previous quarter, the other three banks reported a considerable decrease. Less favourable house market prospects and a deterioration in consumers' confidence were identified by all institutions as contributing to a decrease in the demand. Two banks also pointed to non-housing related consumption expenditures as negatively conditioning the evolution of the demand in this segment.

For the third quarter of 2009, on average, a further tightening of credit standards applied on loans to households for house purchase is expected. For the same period, in what concerns demand, banks anticipate a decrease, even though there is some heterogeneity in the reported answers, in a range from a considerable decrease to a slight increase.

#### **For consumption and other purposes**

In line with what was reported in the other segments of loans, in general terms, credit standards applied on loans to households for consumption and other purposes were tightened during the second quarter of 2009, regarding the previous one.

A deterioration in banks' perception of consumers' creditworthiness and in economic activity prospects were reported by the five banks as factors contributing to the adoption of more demanding criteria. Two institutions also reported the risks related to collateral, as well as bank's capital cost and balance sheet constraints as contributing to the adoption of stricter credit policies. The tightening of credit standards should have implied the application of higher spreads by almost all institutions. Regarding other conditions and terms, some institutions also reported adjustments, namely an increase in collateral requirements and non-interest rate charges and a decrease in loans maturities.

According to the results, the demand for loans in this segment should have presented a decrease in the second quarter of 2009, comparing with the first quarter. All surveyed banks pointed to a deterioration in consumers' confidence as underlying the recorded evolution. Additionally, a decrease in households' financing needs related to durable consumer goods and securities and, to a smaller extent, an increase in the use of alternative finance, namely households' savings, were also reported as inducing a decrease in demand.

For the third quarter, three banks foresee additional adjustments in the credit standards applied on loans to households for consumption and other purposes, while the other two banks do not anticipate sizeable changes in their criteria. For the same period, regarding demand, on average, banks expect a decrease, even though a bank expects of a slight increase.

### **III. Ad hoc questions**

As from the October 2007 survey, some *ad hoc* questions were included in the survey conducted in July 2009, with the aim of assessing the extent to which the financial market tensions have affected banks' credit standards for loans or credit lines to enterprises and households in the euro area. Additionally, the survey included an *ad hoc* question on the impact on bank's access to wholesale funding of government's support measures to the financial system, namely the recapitalisation plans and state's guarantees for debt securities issued by banks. In the present survey a new *ad hoc* question was included, which aimed to evaluate the effect on banks' credit policies of the introduction of the more risk-sensitive capital adequacy framework, introduced by the New Capital Accord.

According to the reported results, in the second quarter of 2009, the tensions in the wholesale financial markets continued, in general, to influence the access of surveyed banks to this type of funding. The difficulties should have been more intense in the realization of securitisation operations, both corporate loans and loans for house purchase. In the market of medium to long term debt securities (where covered bonds are included) and in inter-bank unsecured money market for operations with maturity longer than one week some difficulties should have persisted, even though less severe than the ones reported in the previous quarter. Some institutions also reported slight difficulties in the accessing to these markets in shorter maturities. The conditions of banks' accessing wholesale funding markets should have influenced the credit policy. The impact should have been more marked on spreads rather than on lending amounts.

For the third quarter of 2009, banks do not anticipate sizeable changes regarding the developments observed during the second quarter, both in what concerns the access to these markets and the impact on banks' credit policies.

Despite the difficulties reported, in general terms, banks indicated that the support measures announced by the Portuguese government, related to recapitalization plans and state's guarantees for debt securities issued by banks, contributed to an improvement in the access to wholesale funding during the second quarter of 2009. For the next three months banks expect a similar effect.

Finally, in what concerns the introduction of the New Capital Accord, Basel II, according to the results, the new regulation should have influenced, on average, banks' lending policies. In the segment of loans or credit lines to enterprises, four of the five participating banking groups reported that the new framework contributed to the application of stricter criteria, while the other bank pointed to that the new regulation did not influence its credit standards. In the segment of households, both in loans for house purchase and in loans for consumption and other purposes, the impact on credit criteria should have been more limited. Indeed, only two institutions reported an adjustment in their credit standards, which were tightened, as a consequence of the introduction of the New Capital Accord.

### METHODOLOGICAL NOTE

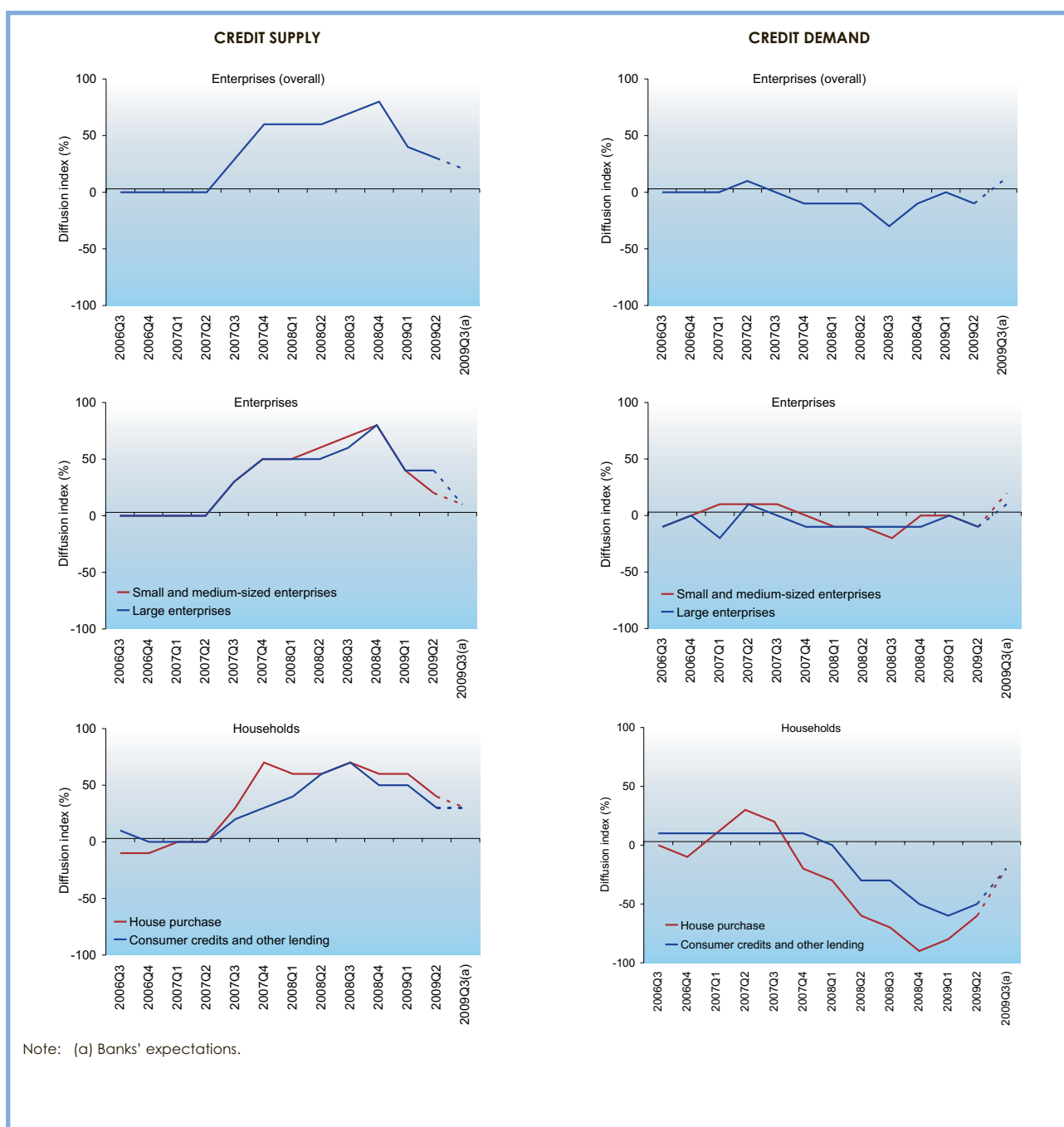
The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in July 2009. Two sets of tables are included in the survey: the first set is about loans and credit lines to non financial corporations while the second one is on loans to households. In the case of corporations two sort of segmentations have been undertaken: small and medium sized (SME) versus large enterprises, and short term versus long term loans. For households, a distinction between loans for house purchase and consumer credit and other lending has been made.

For each sector - enterprises and households - the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors affecting standards, conditions and terms (tables 2, 3, 9, 10, 11 e 12), and those behind demand developments (tables 5, 14 e 15).

Tables on the first set of questions have five possible options, for each segment, according to the trend and rate of the changes reported (either occurred or foreseen); replies are shown along columns. Answers to tables on factors' appraisal are along the rows; six options are available - including NA (not applicable) - according to their contribution to either supply or demand conditions.

The results of the survey are as follows:

- The number of banks answering for each option;
- The diffusion index of the options chosen by the banks, calculated using a scale (from -1 to 1) to aggregate individual replies, whereas 0 corresponds to "remained basically unchanged". For questions concerning supply, values of less than 0 mean a loosening of the criteria or the impact of factors in the sense of lower restrictiveness. The -0.5 figure corresponds to a "slight" change (the closer the diffusion index is to 0, the slighter it will be the change) while -1 stands for a considerable change in the sense of lower restrictiveness. In turn, values exceeding 0 point to an increase in restrictiveness or in the impact of factors supporting it. The 0.5 figure corresponds to a "slight" change while 1 stands for a considerable increase in restrictiveness. In the questions about demand, the same scale applies, with negative figures standing for decreases in demand and positive figures pointing to the opposite evolution (or the impact of factors for it).



## I. Loans or credit lines to enterprises

1. Over the past three months, how have your bank's credit **standards** as applied to the approval of **loans or credit lines to enterprises** changed?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably					1
Tightened somewhat	3	3	4	2	3
Remained basically unchanged	2	2	1	3	1
Eased somewhat					
Eased considerably					

	Diffusion index (%) July 09		30	30	40	20	50
	Apr. 09						
	40		40	40	40	30	60

2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the **approval of loans or credit lines to enterprises** (as described in question 1 in the column headed "Overall")? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards
- = contributed somewhat to tightening of credit standards
- ° = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = not applicable

### Overall

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Cost of funds and balance sheet constraints</b>								
• Costs related to your bank's capital position <sup>(1)</sup>	1	2	2				40	50
• Your bank's ability to access market financing (e.g. money or bond market financing) <sup>(2)</sup>		3	2				30	50
• Your bank's liquidity position			5				0	30
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			4	1			-10	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	1	4					60	60
• Industry or firm-specific outlook	1	4					60	50
• Risk on the collateral demanded		4	1				40	30

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.

(2) Involves the sale of loans from the bank's balance sheet, i.e. off-balance sheet funding.

(To be continued)

(Continued)

## Loans to small and medium-sized enterprises

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Cost of funds and balance sheet constraints</b>								
• Costs related to your bank's capital position <sup>(1)</sup>	1	3	1				50	50
• Your bank's ability to access market financing (e.g. money or bond market financing) <sup>(2)</sup>		4	1				40	50
• Your bank's liquidity position		1	4				10	30
<b>B) Pressure from competition</b>								
• Competition from other banks		1	4				10	-10
• Competition from non-banks		1	4				10	0
• Competition from market financing		1	4				10	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	2	3					70	60
• Industry or firm-specific outlook	2	3					70	50
• Risk on the collateral demanded	1	3	1				50	30

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.

(2) Involves the sale of loans from the bank's balance sheet, i.e. off-balance sheet funding.

## Loans to large enterprises

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Cost of funds and balance sheet constraints</b>								
• Costs related to your bank's capital position <sup>(1)</sup>	1	2	2				40	50
• Your bank's ability to access market financing (e.g. money or bond market financing) <sup>(2)</sup>		3	2				30	60
• Your bank's liquidity position			5				0	40
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			4	1			-10	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	1	4					60	60
• Industry or firm-specific outlook	1	4					60	50
• Risk on the collateral demanded		3	2				30	30

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.

(2) Involves the sale of loans from the bank's balance sheet, i.e. off-balance sheet funding.

3. Over the past three months, how have your bank's **conditions** and terms for approving **loans or credit lines to enterprises** changed? Please rate each factor using the following scale:

- = tightened considerably
- = tightened somewhat
- ° = remained basically unchanged
- + = eased somewhat
- ++ = eased considerably
- NA = not applicable

**Overall**

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Price</b>								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	4					60	70
• Your bank's margin on riskier loans	2	3					70	90
<b>B) Other conditions and terms</b>								
• Non-interest rate charges		3	2				30	10
• Size of the loan or credit line		2	3				20	30
• Collateral requirements		3	2				30	30
• Loan covenants		3	2				30	30
• Maturity	1	3	1				50	60

**Loans to small and medium-sized enterprises**

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Price</b>								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	4					60	70
• Your bank's margin on riskier loans	3	2					80	80
<b>B) Other conditions and terms</b>								
• Non-interest rate charges		4	1				40	10
• Size of the loan or credit line		2	3				20	10
• Collateral requirements		4	1				40	20
• Loan covenants		3	2				30	20
• Maturity	1	3	1				50	50

**Loans to large enterprises**

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Price</b>								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	4					60	80
• Your bank's margin on riskier loans	2	3					70	90
<b>B) Other conditions and terms</b>								
• Non-interest rate charges		3	2				30	10
• Size of the loan or credit line		2	3				20	30
• Collateral requirements		3	2				30	30
• Loan covenants		3	2				30	30
• Maturity	1	3	1				50	60

4. Over the past three months, how has the **demand for loans or credit lines to enterprises** changed at your bank, apart from normal seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably					
Decreased somewhat	2	2	2	2	3
Remained basically unchanged	2	2	2	1	2
Increased somewhat	1	1	1	2	
Increased considerably					

Diffusion index (%)	July 09		Apr. 09		
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
	-10	-10	-10	0	-30
	0	0	0	30	10

5. Over the past three months, how have the following **factors** affected the **demand for loans or credit lines to enterprises** (as described in question 4 in the column headed "Overall")? Please rate each possible factor using the following scale:

- = contributed considerably to lower demand
- = contributed somewhat to lower demand
- ° = contributed to basically unchanged demand
- + = contributed somewhat to higher demand
- ++ = contributed considerably to higher demand
- NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Financing needs</b>								
• Fixed investment	1	4					-60	-30
• Inventories and working capital		1	2	2			10	50
• Mergers/acquisitions and corporate restructuring		2	3				-20	-10
• Debt restructuring			1	3	1		50	60
<b>B) Use of alternative finance</b>								
• Internal financing			3	2			20	20
• Loans from other banks			5				0	0
• Loans from non-banks		1	4				-10	-10
• Issuance of debt securities		1	3	1			0	-20
• Issuance of equity		1	3	1			0	-20

6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably					
Tighten somewhat	2	2	1	1	2
Remain basically unchanged	3	2	4	4	3
Ease somewhat		1			
Ease considerably					

Diffusion index (%)	July 09		Apr. 09		
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
	20	10	10	10	20
	40	40	30	20	50

7. Please indicate how you **expect demand for loans or credit lines to enterprises to change at your bank** over the next three months (apart from normal seasonal fluctuations)?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decrease considerably					
Decrease somewhat					1
Remain basically unchanged	4	3	4	3	4
Increase somewhat	1	2	1	2	
Increase considerably					

Diffusion index (%)	July 09	10	20	10	20	-10
	Apr. 09	20	20	10	30	-10

## II. Loans to households

8. Over the past three months, how have your bank's credit **standards** as applied to the approval of **loans to households** changed?

	Loans for house purchase	Consumer credit and other lending
Tightened considerably	1	
Tightened somewhat	2	3
Remained basically unchanged	2	2
Eased somewhat		
Eased considerably		

Diffusion index (%)	July 09	40	30
	Apr. 09	60	50

9. Over the past three months, how have the following **factors** affected your bank's credit standards as applied to the **approval of loans to households for house purchase** (as described in question 8)? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards
- = contributed somewhat to tightening of credit standards
- ° = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Cost of funds and balance sheet constraints</b>	1	1	3				30	50
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	0
• Competition from non-banks			4			1	0	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	2	3					70	70
• Housing market prospects	3	2					80	70



10. Over the past three months, how have your bank's **conditions** and terms for approving **loans to households for house purchase** changed? Please rate each factor using the following scale:

- = tightened considerably  
 - = tightened somewhat  
 ° = remained basically unchanged  
 + = eased somewhat  
 ++ = eased considerably  
 NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Price</b>								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	3	1				50	60
* Your bank's margin on riskier loans	3	1	1				70	90
<b>B) Other conditions and terms</b>								
* Collateral requirements		2	3				20	30
* "Loan-to-value" ratio	1	1	3				30	50
* Maturity			5				0	0
* Non-interest rate charges		1	4				10	0

11. Over the past three months, how have the following **factors** affected your bank's credit standards as applied to the approval of **consumer credit and other lending to households** (as described in question 8)? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards  
 - = contributed somewhat to tightening of credit standards  
 ° = contributed to basically unchanged credit standards  
 + = contributed somewhat to easing of credit standards  
 ++ = contributed considerably to easing of credit standards  
 NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Cost of funds and balance sheet constraints</b>		2	3				20	40
<b>B) Pressure from competition</b>								
* Competition from other banks			5				0	0
* Competition from non-banks			5				0	0
<b>C) Perception of risk</b>								
* Expectations regarding general economic activity	2	3					70	70
* Creditworthiness of consumers	3	2					80	70
* Risk on the collateral demanded		2	3				20	20

12. Over the past three months, how have your bank's **conditions** and terms for approving **consumer credit and other lending to households** changed? Please rate each factor using the following scale:

- = tightened considerably  
 - = tightened somewhat  
 ° = remained basically unchanged  
 + = eased somewhat  
 ++ = eased considerably  
 NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Price</b>								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	3	1				50	50
* Your bank's margin on riskier loans	1	3	1				50	60
<b>B) Other conditions and terms</b>								
* Collateral requirements		2	3				20	10
* Maturity		1	4				10	20
* Non-interest rate charges		2	3				20	20

13. Over the past three months, how has the **demand for loans to households** changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	3	1
Decreased somewhat		3
Remained basically unchanged	2	1
Increased somewhat		
Increased considerably		
	Diffusion index (%) July 09	-60
	Apr. 09	-80
		-50
		-60

14. Over the past three months, how have the following **factors** affected the **demand for loans to households for house purchase** (as described in question 13)? Please rate each factor using the following scale:

- = contributed considerably to lower demand
- = contributed somewhat to lower demand
- ° = contributed to basically unchanged demand
- + = contributed somewhat to higher demand
- ++ = contributed considerably to higher demand
- NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Financing needs</b>								
• Housing market prospects	3	2					-80	-90
• Consumer confidence	3	2					-80	-80
• Non-housing related consumption expenditure		2	3				-20	-30
<b>B) Use of alternative finance</b>								
• Household savings			5				0	0
• Loans from other banks			5				0	0
• Other sources of finance			5				0	0

15. Over the past three months, how have the following **factors** affected the **demand for consumer credit and other lending to households** (as described in question 12)? Please rate each factor using the following scale:

- = responsible for considerable decrease
- = responsible for decrease
- ° = responsible for neither decrease nor increase
- + = responsible for increase
- ++ = responsible for considerable increase
- NA = not applicable

	--	-	°	+	++	NA	Diffusion index (%)	
							July 09	Apr. 09
<b>A) Financing needs</b>								
• Spending on durable consumer goods (such as cars, furniture, etc.)	1	2	2				-40	-70
• Consumer confidence	3	2					-80	-80
• Securities purchases	1	1	3				-30	-40
<b>B) Use of alternative finance</b>								
• Household saving		1	4				-10	-10
• Loans from other banks			5				0	0
• Other sources of finance			5				0	0

16. Please indicate how you **expect** your **bank's credit standards as applied to the approval of loans to households** to change over the next three months.

	Loans for house purchase	Consumer credit and other lending
Tighten considerably		
Tighten somewhat	3	3
Remain basically unchanged	2	2
Ease somewhat		
Ease considerably		
Diffusion index (%) July 09	30	30
Apr. 09	40	40

17. Please indicate how you **expect demand for loans to households** to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase	Consumer credit and other lending
Decrease considerably	1	
Decrease somewhat	1	3
Remain basically unchanged	2	1
Increase somewhat	1	1
Increase considerably		
Diffusion index (%) July 09	-20	-20
Apr. 09	-60	-50

## Ad hoc questions

The crisis in US sub-prime mortgage-related bonds and its spill-over into other financial markets led to a considerably more cautious valuation of credit risk worldwide in the second half of 2007. From the perspective of monetary policy, it is important to monitor how these events have affected bank credit conditions for enterprises and households. Therefore, following the October 2007 survey, some *ad hoc* questions are presented, which aim to gauge the extent to which the financial market tensions have affected banks' credit standards for loans and credit lines to enterprises and households in the euro area in the second quarter of 2009 and will affect them in the next three months. Additionally, the present survey also includes a new *ad hoc* question, which aims to evaluate the effect on banks' credit policies of the introduction of the more risk-sensitive capital adequacy framework, introduced by the New Capital Accord (Directive 2006/48/EC), via its potential impact on bank's capital position.

1. As a result of the situation in financial markets, <sup>(1)</sup> has your market access been hampered when tapping your usual sources of wholesale funding and/or has your ability to transfer risk been hampered over the past three months, or are you expecting this access/activity to be hampered over the next three months? Please rate each factor using the following scale:

- = considerably hampered  
 - = somewhat hampered  
 ° = basically not hampered  
 NA = not applicable

	Over past three months			Over the next three months			NA <sup>(2)</sup>
	--	-	°	--	-	°	
<b>A) Inter-bank unsecured money market</b>							
• Very short term money market (up to 1 week)		1	4		1	4	
• Short-term money market (more than 1 week)	1	3	1	1	2	2	
<b>B) Debt securities <sup>(3)</sup></b>							
• Short-term debt securities (e.g. certificates of deposit or commercial paper)		2	3		2	3	
• Medium to long term debt securities (incl. covered bonds)		3	1		2	2	1
<b>C) Securitisation <sup>(4)</sup></b>							
• Securitisation of corporate loans	3		1	3		1	1
• Securitisation of loans for house purchase	3		1	3		1	1
<b>D) Ability to transfer credit risk off balance sheet <sup>(5)</sup></b>	1		2	1		2	2
<b>E) Other markets</b>							

(1) Also taking into account any effect of state guarantees for debt securities and recapitalisation support.

(2) NA = not applicable: the source of funding is not relevant for the bank.

(3) Usually involves on-balance sheet funding.

(4) Usually involves the sale of loans from banks' balance sheets, i.e. off-balance sheet funding.

(5) Usually involves the use of credit derivatives, with the loans remaining on banks' balance sheets.

2. If you have stated in response to question 1 that one or more of your usual means of accessing wholesale funding markets were (will be) considerably or somewhat hampered over the past (next) three months, did (will) this have an impact on the quantity that your bank is willing to lend and/or the margin at which funds were (will be) lent over the past (next) three months?

(a) For money markets, debt securities or other markets (sections A and B of question 1 above)

	Over the past three months	Over the next three months
<b>Quantity</b>		
Considerable impact	1	1
Some impact	1	1
Basically no impact	2	2
<b>Margin</b>		
Considerable impact	2	2
Some impact	2	2
Basically no impact		
NA (*)	1	1

(\*) NA = not applicable: the bank has replied "basically not hampered" or "NA" to question 1.

(b) For securitisation and use of credit risk transfer instruments (sections C and D of question 1 above)

	Over the past three months	Over the next three months
<b>Quantity</b>		
Considerable impact	1	1
Some impact	2	2
Basically no impact		
<b>Margin</b>		
Considerable impact	1	1
Some impact	2	2
Basically no impact		
NA (*)	2	2

(\*) NA = not applicable: the bank has replied "basically not hampered" or "NA" to question 1.

3. To what extent have the events in financial markets affected the costs related to your bank's capital position, (\*) and has this constrained your willingness to lend over the past three months or could this constrain your willingness to lend over the next three months?

	Over the past three months	Over the next three months
Considerable impact on both capital and lending	1	1
Considerable impact on capital, and some impact on lending	1	1
Some impact on both capital and lending	2	2
Some impact on capital, but no impact on lending		
Basically no impact on capital	1	1
No reply		

(\*) As in the regular questionnaire, capital is defined in accordance with the Basel capital adequacy requirements, including both Tier 1 capital (core capital) and Tier 2 capital (supplementary capital). In the context of the EU Capital Requirements Directive, Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions defines capital as own funds and makes a distinction between original own funds and additional own funds.

4. What effect has the government's announcement of recapitalisation support and state guarantees for debt securities issued by banks had on your bank's access to wholesale funding over the past three months, and what effect are you expecting over the next three months?

	Over the past three months	Over the next three months
Considerable improvement in market access	2	3
Some improvement in market access	2	1
Basically no impact on market access		

5. Since the first quarter of 2008, how has the transition to the Directive related to the New Capital Accord affected the credit standards for the following loan categories?

	Loans and credit lines to enterprises		Loans to households	
	Small and medium-sized enterprises	Large enterprises	House purchase	Consumer credit and other lending
Contributed considerably to tightening of credit standards				
Contributed somewhat to tightening of credit standards	4	4	2	2
Basically no impact on credit standards	1	1	3	3
Contributed somewhat to easing of credit standards				
Contributed considerably to easing of credit standards				
NA(*)				

(\*) Please select "NA" (not applicable) only if your bank does not conduct business in a particular loan category.