BANK LENDING SURVEY

July 2011

Results for Portugal

I. Overall assessment

According to the results of the survey conducted in July 2011 to the five Portuguese banking groups included in the sample, credit standards applied to the approval of loans to the non-financial private sector should have become stricter in the second quarter of 2011, in comparison to the previous one.

In a period particularly unstable for Portugal, characterized by the financial assistance request and the subsequent agreement with the European Union, member countries of the euro area and International Monetary Fund, the tightening of credit policy should have been mainly related with increases in banks' cost of funds and balance sheet constraints. A less favourable assessment of risks, in particular a deterioration in expectation regarding general economic activity has also contributed to the tightening. The changes in credit standards should have been translated into an increase in spreads, especially on riskier loans, but also into tightening of other conditions and terms applied on loan contracts. Among them, shorter maturities, lower loan amounts, as well as higher non-interest rate charges and collateral requirements were included.

In the second quarter, in general, demand for loans or credit lines by enterprises should have decreased slightly. Lower financial needs regarding fixed investment and mergers/acquisitions or corporate restructuring projects should been underlying this evolution. As regards households, loans demand should have also decreased, mainly in the segment of loans for house purchase. Falling consumer confidence and higher other consumption expenditures should have been among the main factors contributing to the decrease.

For the third quarter of 2011, on average, the surveyed banks expect to tighten credit standards applied on loans to enterprises and to households. For the same period, four institutions do not foresee sizable changes in credit demand by enterprises, while the other inquired institution anticipates a slight decrease. As far as households are concerned, all the institutions anticipate a reduction in loans demand, both for house purchase and for consumption and other purposes.

Finally, it should be noted that this survey included two ad hoc questions which aim to gauge the impact of the new capital regulation, in the context of Basel III or any other specific national regulation change, on credit policies of euro area banks. According to the results, in last six months, risk weighted assets recorded, on average, a slight decrease, while own funds increased. These changes are in line with the compliance of the new capital rules. In the same period, the new regulation should have contributed to the adoption of more demanding criteria on the approval of loans to the non-financial sector. These developments should continue over the next six months and throughout 2012.

II. Presentation of the results

Loans or credit lines to enterprises

According to surveyed banks, credit standards applied on loans or credit lines to enterprises should have become sticker in the second quarter of 2011, in comparison with the previous three months, in particular for two institutions. The tightening of criteria should have been sharper in the segment of loans to large firms and in the segment of long-term loans.

The adoption of stricter credit standards should have reflected an increase in costs of funds, a deterioration in bank's ability to access market financing and restrictions related with liquidity position. Additionally, a less favourable assessment of risks should have also induced more restrictiveness. On top of this, lower expectations for general economic activity, and weaker industry or firm-specific outlooks were reported. Some institutions indicated also a deterioration in collateral risk assessment. The more demanding credit standards should have been translated into higher spreads, especially on riskier loans. Simultaneously, other conditions and terms applied on loan contracts should have been adjusted. In particular, and regardless of firms' size, institutions reported shorter loan maturity, higher collateral requirements and non-interest rate charges. Some institutions also pointed to a reduction in loans amount and more demanding covenants.

In the second quarter, the demand by enterprises for loans or credit lines decreased slightly, according to three institutions, and remained broadly unchanged for the remaining. In general, this evolution was more noticeable in the segment of large firms and in the segment of long-term loans. Lower financial needs related with fixed investment should have been the main factor underlying the reduction of demand in this segment. At lesser extent, lower financial needs associated with merger/acquisitions and corporate restructuring projects were also reported. In the opposite direction, *i.e.* with a positive impact on demand, on average, an increase in financing needs related with debt restructuring were indicated. Finally, the effect of a reduction of loans granted by other banks was reported by one institution as contributing positively to the demand.

For the third quarter of 2011, all institutions anticipate an increase in restrictiveness of credit standards on the approval of new loans or credit lines to enterprises. Two of them foresee a considerable tightening of the criteria. On average, this behaviour should mainly affect long-term and larger enterprises loans. For the same period, in general, banks do not anticipate sizeable changes in credit demand by firms. Only one institution reported a different expectation, namely a slight decrease. However, it should be mentioned that the relative stability in demand should reflect, on the one hand, a slight increase in the demand for short-term loans and, on the other, a decrease in the demand for loans with longer maturities.

Loans to households

For house purchase

Regarding loans to households for house purchase, all banks included in the sample reported the adoption of tighter credit standards during the second quarter of 2011, in comparison with the previous one. Two institutions reported a considerable revision in their criteria, toward higher restrictiveness.

The more demanding credit policy should have been related with higher cost of funds and balance sheet constraints, as well as to lower expectations regarding general economic activity and housing market. These factors were reported by all the inquired institutions. Lower competition from other banks was also reported as contributing to stricter criteria by two institutions. The tightening of credit standards should have implied higher spreads, mostly on riskier loans. Moreover, other conditions and terms should have also been adjusted, implying, in particular, higher non-interest rate charges and lower loan-to-value ratios. Some institutions also reported decreases in loans maturity and higher collateral requirements.

Households' demand for loans for house purchase should have fallen considerably during the second quarter of 2011, according to the five inquired institutions. This behaviour should have reflected especially a deterioration on housing market prospects and consumer's confidence, as well as an increase in non-housing related consumption expenditures. The use of alternative finance was also reported, even thought to a lesser extent, as contributing to a decrease of the demand.

Regarding the third quarter of 2011, only one institution does not anticipate to change credit standards applied in this loan segment. The remaining inquired institutions foresee the adoption of stricter criteria. In particular, two of them intend to tighten the criteria considerably. For the next three months, institutions expect also a decrease in loan demand by households for house purchase.

For consumption and other purposes

The credit standards applied on loans to households for consumption and other purposes applied by surveyed institutions should have become more demanding during the second quarter of 2011, in comparison to the previous quarter.

In line with the results presented in the previous loans segments, higher cost of funds and balance sheet constraints, in addition to a deterioration in expectations for the general economic activity, should have been underlying the adoption of stricter criteria. Simultaneously, a less favourable assessment of consumers' creditworthiness and higher collateral risk should have also contributed to the tightening of credit policy. An institution also reported lower competition within banks as inducing the adoption of more demanding criteria. Changes in credit standards should have implied an increase in spreads and in non-interest rate charges. To a lesser extent, higher collateral requirements and shorter loans maturities were also reported.

The demand by households for loans for consumption and other purposes should have decreased in the second quarter, in particular for three of the surveyed institutions. A decrease in consumer confidence was reported by all banks as contributing considerably to a reduction in the demand in this segment. Spending on durable consumer goods, the use of households' saving, and, to a lesser degree, securities purchases were also mentioned as factors underlying the reduction in loans demand.

For the following three months, four banks foresee changes in the credit standards applied on loans for consumption and other purposes, towards more restrictiveness. In particular, one institution intends to tighten significantly the respective criteria. The other inquired bank does not anticipate sizable adjustments. Finally, for the same period, all institutions expect a decrease in demand.

III. Ad hoc questions

As from the October 2007 survey, the survey conducted in July 2011 intended to assess the extent to which the financial market developments have affected banks' credit standards in the euro area. Additionally, this survey included two new *ad hoc* questions regarding the impact of Basel III Accord or other changes in capital regulation specific to each country. In particular, these questions address the extent to which the new regulatory capital requirements set out in Basel III or any other specific national regulation affect the lending credit policy in the euro area banks, through their impact on own funds and on credit standards applied to loans. In the Portuguese case, it should be mentioned the relevance of the national regulation, in line with new rules for Core Tier I ratio, initially defined by Banco de Portugal and subsequently adjusted in the context of the international finance assistance programme.

Against this background, in the second quarter of 2011, developments in the wholesale funding market continued to influence institutions' credit policy.

Regarding unsecured money market, two institutions reported a considerable deterioration in accessing markets both in short-term (more than one week) and very short-term maturities (up to one week). However, one institution reported an improvement in its access to the short-term maturity market. As to debt securities issuance, two institutions reported higher difficulties accessing both short and medium-long term debt securities markets, while other institution reported a slight deterioration in the segment of securities with longer maturities. In the opposite direction, a bank reported a slight improvement in the market of short-term securities. Nonetheless, the more severe disturbances were reported for the securitization markets. Indeed, three institutions pointed to a considerable reduction on their capacity to securitize loans to enterprises and mortgage loans. Finally, two banks reported a significant deterioration in the access to the collateralized money market (repo market).

For the third quarter of 2011, in general, surveyed banks do not foresee significant changes concerning access to the unsecured money and securitization markets. However, one bank reported different expectations, anticipating a considerable deterioration in both markets. Regarding debt securities market, two institutions expect a deterioration in the segment of short-term securities. One of these institutions anticipates it also in the segment of securities with longer maturities.

As far as the new *ad hoc* questions are concerned, taking into account the last six months, two institutions reported a slight decrease in risk weighted assets, while the remaining institutions pointed to a relative stability. In the same period, own funds should have increased, in particular for two institutions. Among other factors, this increase should have reflected retained earnings and capital emissions. On average, the trajectories of these variables were in line with the compliance of the new capital requirements.

For the following six months, most institutions expect a decrease of risk weighted assets, for which a reduction of riskier loans should play a relevant role. For the same period, some institutions intend to carry on operations with a positive impact on capital. Regarding 2012, institutions anticipate to continue actions with favourable impacts both on risk weighted assets and own funds.

Regarding credit standards applied on loans to the non-financial private sector, the new capital regulation should have contributed, in general, to a tightening of criteria. Concerning loans or credit lines to enterprises, the impact of new rules should have been more relevant on loans to larger enterprises. Indeed, credit criteria applied in the segment of loans to small and medium-sized firms should not have been influenced by the new rules, according to three institutions, while in the segment of large firms, only a bank reported this result. For households, according to three institutions, credit standards applied on loans both for house purchase and for consumption and other purposes should have been adversely conditioned by the new capital regulation. For two institutions this impact was particularly significant.

For the next six months, only a bank does not anticipate changes in its credit standards as a consequence of the new capital framework. The remaining surveyed institutions expect to tighten the criteria, even though there is some dispersion in answers regarding the magnitude of the adjustments and the target segments. For 2012, institutions expect similar developments.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in July 2011. 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.

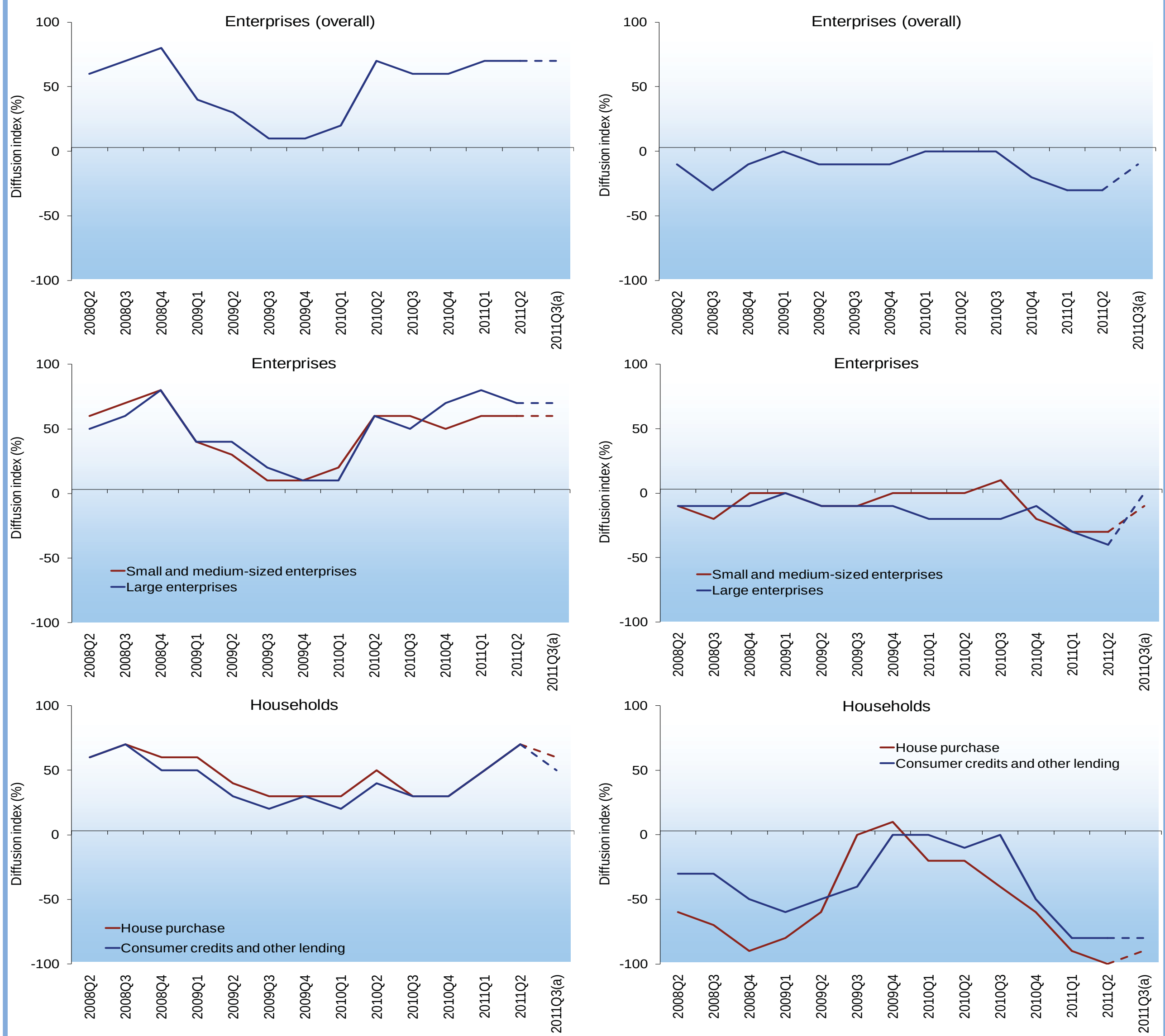
For each sector - enterprises and households - the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors 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).

CREDIT SUPPLY | **CREDIT DEMAND**



Note: (a) Banks' expectations.

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	2	1	2	1	5
Tightened somewhat	3	4	3	4	
Remained basically unchanged					
Eased somewhat					
Eased considerably					
Diffusion index % Jul. 11	70	60	70	60	100
Apr. 11	70	60	80	60	80

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
º = 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 % Jul.	Apr. 11
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)	2	2	1				60	50
• Your bank's ability to access market financing (e.g. money or bond market financing) (2)	3	1	1				70	80
• Your bank's liquidity position	2	2	1				60	60
B) Pressure from competition								
• Competition from other banks			5				0	10
• Competition from non-banks			5				0	0
• Competition from market financing			4	1			-10	-10
C) Perception of risk								
• Expectations regarding general economic activity	3	2					80	70
• Industry or firm-specific outlook	1	4					60	40
• Risk on the collateral demanded		3	2				30	20

(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 % Jul.11	Apr. 11
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [1]	2	2	1				60	50
• Your bank's ability to access market financing (e.g. money or bond market financing) [2]	3	1	1				70	80
• Your bank's liquidity position	2	2	1				60	60
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	-10
• Competition from market financing			4	1			-10	-10
C) Perception of risk								
• Expectations regarding general economic activity	3	2					80	60
• Industry or firm-specific outlook	1	4					60	40
• Risk on the collateral demanded		2	3				20	20

(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 % Jul.11	Apr. 11
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [1]	2	2	1				60	50
• Your bank's ability to access market financing (e.g. money or bond market financing) [2]	3	1	1				70	80
• Your bank's liquidity position	2	2	1				60	60
B) Pressure from competition								
• Competition from other banks			5				0	-10
• Competition from non-banks			5				0	-10
• Competition from market financing			4	1			-10	-20
C) Perception of risk								
• Expectations regarding general economic activity	3	2					80	70
• Industry or firm-specific outlook	1	4					60	40
• Risk on the collateral demanded		2	3				20	20

(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
- o = remained basically unchanged
- \+ = eased somewhat
- ++ = eased considerably
- NA = not applicable

Overall	– –	–	°	+	+ +	NA	Diffusion index %	
							Jul.11	Apr. 11
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	3	2					80	60
• Your bank's margin on riskier loans	4	1					90	80
B) Other conditions and terms								
• Non-interest rate charges	1	4					60	40
• Size of the loan or credit line	1	3	1				50	30
• Collateral requirements	2	3					70	30
• Loan covenants	1	3	1				50	10
• Maturity	3	2					80	50

Loans to small and medium-sized enterprises	– –	–	°	+	+ +	NA	Diffusion index %	
							Jul.11	Apr. 11
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	3	2					80	50
• Your bank's margin on riskier loans	4	1					90	70
B) Other conditions and terms								
• Non-interest rate charges	1	4					60	40
• Size of the loan or credit line	2	2	1				60	30
• Collateral requirements	2	3					70	30
• *Loan covenants*	2	2	1				60	10
• Maturity	3	2					80	50

Loans to large enterprises	– –	–	°	+	+ +	NA	Diffusion index %	
							Jul.11	Apr. 11
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	3	2					80	60
• Your bank's margin on riskier loans	4	1					90	80
B) Other conditions and terms								
• Non-interest rate charges	1	4					60	40
• Size of the loan or credit line	1	3	1				50	30
• Collateral requirements	2	3					70	30
• Loan covenants	1	3	1				50	20
• Maturity	4	1					90	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			1		2
Decreased somewhat	3	3	2	3	1
Remained basically unchanged	2	2	2	2	2
Increased somewhat					
Increased considerably					

Diffusion index % Jul. 11	-30	-30	-40	-30	-50
Apr. 11	-30	-30	-30	-20	-40

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
º = contributed to basically unchanged demand
+ = contributed somewhat to higher demand
++ = contributed considerably to higher demand
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index % Jul.11	Diffusion index % Apr. 11
A) Financing needs								
• Fixed investment	1	4					-60	-40
• Inventories and working capital		1	3	1			0	-20
• Mergers/acquisitions and corporate restructuring	1	2	2				-40	-50
• Debt restructuring		1		4			30	20
B) Use of alternative finance								
• Internal financing			5				0	10
• Loans from other banks			4	1			10	20
• Loans from non-banks			5				0	0
• Issuance of debt securities			5				0	0
• Issuance of equity			5				0	0

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	2	1	3	1	4
Tighten somewhat	3	4	1	4	1
Remain basically unchanged			1		
Ease somewhat					
Ease considerably					

Diffusion index % Jul. 11	70	60	70	60	90
Apr. 11	70	60	60	60	70

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	1	2	1	3
Remain basically unchanged	4	4	1	2	2
Increase somewhat			2	2	
Increase considerably					
Diffusion index % Jul. 11	-10	-10	0	10	-30
Apr. 11	0	-10	0	10	-20

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	2	2
Tightened somewhat	3	3
Remained basically unchanged		
Eased somewhat		
Eased considerably		
Diffusion index % Jul. 11	70	70
Apr. 11	50	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
º = 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 % Jul.11	Diffusion index % Apr. 11
A) Cost of funds and balance sheet constraints	4	1					90	90
B) Pressure from competition								
• Competition from other banks		2	3				20	0
• Competition from non-banks			4			1	0	10
C) Perception of risk								
• Expectations regarding general economic activity	4	1					90	90
• Housing market prospects	2	3					70	80

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
o = remained basically unchanged
+ = eased somewhat
++ = eased considerably
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index % Jul.11	Diffusion index % Apr. 11
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	2	3					70	50
• Your bank's margin on riskier loans	4	1					90	80
B) Other conditions and terms								
• Collateral requirements	1	1	3				30	20
• "Loan-to-value" ratio		4	1				40	70
• Maturity		3	2				30	30
• Non-interest rate charges		5					50	40

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
o = 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 % Jul.11	Diffusion index % Apr. 11
A) Cost of funds and balance sheet constraints	3	2					80	80
B) Pressure from competition								
• Competition from other banks		1	4				10	10
• Competition from non-banks			5				0	0
C) Perception of risk								
• Expectations regarding general economic activity	4	1					90	80
• Creditworthiness of consumers	3	2					80	70
• Risk on the collateral demanded		5					50	50

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
o = remained basically unchanged
+ = eased somewhat
++ = eased considerably
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index % Jul.11	Diffusion index % Apr. 11
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	2	3					70	50
• Your bank's margin on riskier loans	3	2					80	60
B) Other conditions and terms								
• Collateral requirements	1	3	1				50	40
• Maturity		2	3				20	20
• Non-interest rate charges	1	4					60	10

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	5	3
Decreased somewhat		2
Remained basically unchanged		
Increased somewhat		
Increased considerably		

Diffusion index % Jul. 11	-100	-80
Apr.11	-90	-80

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
o = contributed to basically unchanged demand
+ = contributed somewhat to higher demand
++ = contributed considerably to higher demand
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index % Jul.11	Apr. 11
A) Financing needs								
• Housing market prospects	4	1					-90	-80
• Consumer confidence	4	1					-90	-80
• Non-housing related consumption expenditure	1	4					-60	-50
B) Use of alternative finance								
• Household savings		2	3				-20	0
• Loans from other banks		3	2				-30	-20
• Other sources of finance		1	4				-10	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
o = responsible for neither decrease nor increase
+ = responsible for increase
++ = responsible for considerable increase
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index % Jul.11	Apr. 11
A) Financing needs								
• Spending on durable consumer goods (such as cars, furniture, etc.)	1	4					-60	-50
• Consumer confidence	5						-100	-70
• Securities purchases		2	3				-20	-10
B) Use of alternative finance								
• Household saving		3	2				-30	-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	2	1
Tighten somewhat	2	3
Remain basically unchanged	1	1
Ease somewhat		
Ease considerably		

Diffusion index % Jul. 11	60	50
Apr. 11	60	60

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	4	3
Decrease somewhat	1	2
Remain basically unchanged		
Increase somewhat		
Increase considerably		

Diffusion index % Jul. 11	-90	-80
Apr. 11	-90	-70

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, an ad hoc question is 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 2011 and will affect them in the next three months.

1. As a result of the situation in financial markets(1), 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:

- - = was considerably hampered / will be considerably hampered
- = was somewhat hampered / will be somewhat hampered
º = was basically not hampered / will be basically not hampered
+ = eased somewhat / will ease somewhat
++ = eased considerably / will ease considerably
NA = not applicable

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

(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.

These questions address the extent to which the **new regulatory capital requirements** set out in “Basel III”* (or any other specific national regulations concerning banks’ capital that have recently been approved or are expected to be approved in the near future) affect your lending policies via the potential impact on your bank’s capital position and the credit standards that your bank applies to loans.

2. How have your risk-weighted assets and your capital position changed over the past six months in order to comply with the capital requirements set out in “Basel III”* (or any other specific national regulations concerning banks’ capital that have recently been approved or are expected to be approved in the near future), and how do you expect these to change over the next six months and in 2012?
(Please do not take into account the “mechanical” effects that the implementation of Basel III will have on risk weights and the definition of capital.)

- -- = decreased / will decrease considerably
- \- = decreased/will decrease somewhat
- º = remained/will remain basically unchanged
- \+ = increased/will increase somewhat
- ++ = increased/will increase considerably
- NA = not applicable

	Over the past six months					Over the next six months					2012					NA
	– –	–	°	+	+ +	– –	–	°	+	+ +	– –	–	°	+	+ +	
Risk-weighted assets		2	3				4	1			1	3	1			
Of which: • Average loans		1	4				3	1	1		1	2	1	1		
• Riskier loans		2	3			2	2	1			4		1			
Capital position			2	1	2			3	1	1			2	3		
Of which: • Retained earnings			1	2	2			3		2			2	1	2	
• Share issuance			2	1	2			4		1			4	1		

** See Basel III: A global regulatory framework for more resilient banks and banking systems, Basel Committee on Banking Supervision, Bank for International Settlements, 16 December 2010 (http://www.bis.org/publ/bcbs189.pdf).*

3. How have your bank’s credit standards for loans changed over the past six months as a result of adjustments implemented and/or planned owing to the new capital requirements set out in “Basel III” (or any other specific national regulations concerning banks’ capital that have recently been approved or are expected to be approved in the near future), and how do you expect these to change over the next six months and in 2012?

- -- = contributed/will contribute considerably to tightening of credit standards
- \- = ontributed/will contribute somewhat to tightening of credit standards
- º = had / will have no impact on credit standards
- \+ = contributed/will contribute somewhat to easing of credit standards
- ++ = contributed/will contribute considerably to easing of credit standards

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	**Large enterprises**	**For house purchase**	**Consumer credit and other lending**
Over the past six months	– –	1	1	2	2
	–	1	3	1	1
	°	3	1	2	2
	+				
	+ +				
Over the next six months	– –	2	3	3	3
	–	1	1		1
	°	2	1	2	1
	+				
	+ +				
2012	– –	2	3	3	3
	–	1	1		1
	°	2	1	2	1
	+				
	+ +				