BANK LENDING SURVEY

July 2012

Results for Portugal

I. Overall assessment

According to the results of the survey made to the five Portuguese banking groups included in the sample, credit standards as applied to the approval of loans to the non-financial private sector became slightly stricter in the second quarter of 2012. This slight tightening of credit standards was extensive to both loans to enterprises and households.

The banks surveyed indicated as determining factors for the recent evolution of the lending policy a less favourable perception of risks, as well as an increase in the cost of funds and balance sheet constraints. Consequently, banks' conditions and terms for approving loans to enterprises or households became more restrictive, which translated into an increase in spreads (most notably in the case of riskier loans), but also into a slight tightening of other conditions and terms. Particularly, in the case of enterprises, changes included shorter loan maturities, more restrictive loan covenants and tighter collateral requirements. In turn, in the case of loans to households for house purchase, mention should be made to stricter requirements regarding the loan-to-value ratio.

The survey results show a decrease in the demand for loans during the second quarter of the year. This reduction was sharper in the case of households, impacting both segments (house purchase and consumption and other purposes) equally, than in the case of enterprises. According to the reporting banks, the demand for loans or credit lines to enterprises was negatively affected by a decline in financing needs envisaging fixed investment or mergers/acquisitions and corporate restructuring. Nonetheless, an offsetting effect originated by the soaring need to finance inventories and working capital or debt restructuring contributed to basically unchanged demand within this segment. As far as households are concerned, the decline in consumer confidence, the deteriorating outlook for the housing market and the downturn in spending on durable consumer goods have been among the factors that contributed the most to the reduction of the demand for loans within this segment.

For the third quarter of 2012, the majority of the banks surveyed do not anticipate significant changes in credit standards applied to both the approval of loans or credit lines to enterprises and of loans to households. For the same period, the demand for loans to enterprises is expected to remain stable, in general terms. With respect to loans to households, most banks expect a decline in the demand for loans for house purchase, as well as a milder decrease in consumer credit and other lending.

Finally, it should be noted that this survey includes three sets of *ad hoc* questions. Firstly, the survey seeks to evaluate the impact of the situation in financial markets on banks' access to funding and on their ability to transfer risk. Secondly, there are two questions aimed at gauging 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. Lastly, the survey includes question that addresses the impact of the sovereign debt crisis on banks' funding conditions and credit standards applied to the approval of loans.

According to the responses to the survey, banks' market access through the usual sources of retail and wholesale funding remained steady for most institutions throughout the second quarter of 2012. Regarding their ability to transfer credit risk off balance sheet, banks did not realize any further developments as compared to the status quo in the previous quarter. For the third quarter of 2012, most banks in the sample do not anticipate significant changes to the aforementioned situation.

Regarding the questions about the impact of Basel III or any other specific national regulation change, banks reported, on average and for the last six months, a decrease in risk weighted assets and an increase in own funds. The new capital regulation contributed, on average, to the tightening of credit standards applied on loans to the non-financial private sector.

According to the surveyed banks, during the second quarter of 2012, the tensions in the European sovereign debt market contributed, in aggregate terms, to deteriorate banks' funding conditions and to tighten credit standards applied on loans to the non-financial private sector, most notably via reductions in the value of sovereign collateral available for wholesale market transactions, among other spillover effects.

II. Presentation of the results

Loans or credit lines to enterprises

According to the surveyed banks as a whole, credit standards applied to the approval of loans and credit lines to enterprises have become slightly more restrictive in the second quarter of 2012. Although extensive to both loans to small and medium-sized enterprises (SME) and to large enterprises, the tightening in credit standards was more significant in the case of long-term loans.

As reported by the banks surveyed, factors associated with the cost of funds and balance sheet constraints, as well as a less favourable perception of risks, contributed to the slight tightening of credit standards throughout the second quarter of 2012. To this extent, reference should be made, on the one hand, to the increase in costs related to banks' capital position and their ability to access market financing and, on the other hand, the deterioration of expectations regarding general economic activity and the performance of specific industries or firms, and finally, the worsening of risks associated with the collateral demanded.

The slight tightening of credit standards as applied to the approval of loans or credit lines to enterprises was translated into stricter conditions and terms. The reporting banks indicated an increase in spreads, which was more pronounced in the case of riskier loans, a decrease in contractual maturities, as well as more restrictive collateral requirements and loan covenants.

In the second quarter of the year, two banks reported a slight decrease in enterprises' loan demand *vis-à-vis* the previous quarter, while the remaining considered that there were no significant changes. The decrease in demand was associated with larger enterprises and longer term loans. Also worth mentioning is the fact that just one bank in the sample reported a slight increase in loan demand, related with SME and associated with shorter term loans. The main factors identified as underlying this decrease in demand were the reduction in financing needs associated with fixed investment and, to a lesser extent, mergers/acquisitions and corporate restructuring. Conversely, i.e., contributing to an increase in demand, reference should be made to an increase in enterprises' financing needs associated with debt restructuring. Additionally, according to three inquired banks, the increase in enterprises' financing needs related to inventories and working capital also contributed to the rise in demand.

For the third quarter of 2012, most reporting banks do not anticipate, in aggregate terms, considerable changes to the credit standards as applied to the approval of loans or credit lines to enterprises. However, credit standards are expected to tighten somewhat in what concerns both short and long term loans, and loans to large companies. For the same period, most banks do not anticipate significant changes in demand for loans or credit lines to enterprises. Nevertheless, the survey results envisage a slight increase in the demand for both loans to SME and short-term loans and, in the opposite direction, a slight decrease in the demand for both long-term loans and loans to large enterprises.

Loans to households

For house purchase

The responses to the survey suggest that credit standards as applied to the approval of loans for house purchase tightened somewhat throughout the second quarter of 2012. The restrained granting of loans to households for house purchase resulted from the worsening of the cost of funds for banks and balance sheet constraints, along with a less favourable perception of risk, which encompassed weakened expectations regarding both general economic activity and the performance of the housing market.

The reporting banks indicated that the adoption of stricter credit standards as applied to loans to households for house purchase translated into higher spreads, mainly on riskier loans. As far as other conditions and terms are concerned, the survey results revealed that loan-to-value requirements became tighter, while collateral requirements and other non-interest rate charges remained basically unchanged.

Most banks reported a decrease in the demand for loans to households for house purchase during the second quarter of 2012. This decrease was particularly severe for one bank. Underlying this evolution was the deteriorating outlook for the housing market and consumer confidence and, to a lesser extent, an increase in non-housing related consumption expenditure.

For the third quarter of 2012, most institutions do not anticipate a further tightening of the credit standards as applied to lending to households for house purchase. For the same period, all the institutions in the sample, except one, anticipate a decrease in the demand in this segment.

For consumption and other purposes

According to the responses to the survey, credit standards as applied to the approval of consumer credit and other lending have become tighter throughout the second quarter of 2012.

The application of stricter credit standards in this segment is mainly associated with the worsening of consumers' creditworthiness. Most banks included in the sample also pointed out additional factors contributing towards the tightening of credit policy, such as a less favourable outlook on general economic activity and an increase in the perceived risk on collateral requirements. Two institutions also reported the increased funding costs and balance sheet constraints, as an additional factor. Tighter credit standards on consumer credit and other lending translated into an overall increase in spreads, most notably in the case of riskier loans. Some banks have also reported a slight tightening of other contractual conditions, such as an increase in collateral requirements.

The results of the survey indicate that the demand for loans to households for consumption and other purposes decreased somewhat throughout the second quarter of 2012. Over this period, the banks surveyed considered that lower non-housing related consumption expenditure, weakened consumer confidence and greater resort to household savings were the main factors affecting the demand for loans in this segment.

For the third quarter of 2012, most banks do not foresee significant changes affecting the credit standards applied to loans within this segment. For the same period, three of the reporting banks anticipate a slight decrease in the demand for loans to households for consumption and other purposes, which is expected to be less pronounced than the one occurring in the segment of loans to households for house purchase.

III. *Ad hoc* questions

The bank lending survey includes some *ad hoc* questions addressing the impact on bank lending to enterprises and households of specific and/or isolated events. The survey conducted in July 2012 includes three sets of this type of questions. Firstly, in line with the observed since October 2007, the survey seeks to evaluate the impact of the situation in financial markets on banks' access to funding and on their ability to transfer risk. The former question has, since the survey conducted in January 2012, a broader scope since banks are not only inquired about their access to wholesale funding markets, but also about their access to retail funding. Secondly, likewise the July 2011 survey, this survey includes two *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 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. Lastly, in line with the survey conducted in January 2012, this survey includes a question that addresses the impact of the sovereign debt crisis on banks' funding conditions and credit standards applied to the approval of loans and credit lines to enterprises and households.

According to the responses to the survey, in aggregate terms, banks' market access when tapping the usual sources of wholesale and retail funding remained broadly unchanged over the second quarter of 2012. In comparison with the previous quarter, three of the surveyed banks reported no significant changes of access to retail funding while the other two reported either a slight deterioration or a slight improvement. All banks made no distinction between their access to retail funding through short or long term deposits. As far as wholesale funding is concerned, in aggregate terms, the banks surveyed did not realize significant changes in their access to the very short-term inter-bank unsecured money market (up to one week). Although four banks kept their answers unchanged as regards the short-term money market (more than one week), there was one bank reporting a slight improvement. The latter bank considered as well that access to short-term debt securities had eased somewhat, while indicating more restrictive access to funding via medium to long-term debt securities. However, in aggregate terms, the responses to the survey suggest basically unchanged access to wholesale debt securities, both in the short as in the medium to long-term term. For the same period, the results of the survey suggest that no significant changes occurred in banks' ability to securitize both corporate loans and loans for house purchase, and in their ability to transfer credit risk off balance sheet.

For the third quarter of 2012, as regards retail funding, banks' responses broadly coincided with those previously described concerning the second quarter of the year. Therefore, exception made to two institutions, the banks surveyed expect access to funding via deposits to remain unchanged throughout the next quarter. In turn, as far as the sources of wholesale funding are concerned, the reporting banks do not anticipate changes to occur in the inter-bank unsecured money market, both in the very short-term (up to one week) as in the short-term (more than one week). Similarly, most banks expect access conditions in the second quarter of 2012 to remain unchanged over the next quarter in the case of either funding through short-term or medium to long-term debt securities (only one bank within the sample anticipated a slightly unfavourable evolution in the access to this form of financing in the short-term). Likewise, banks' ability to use securitisation of loans of both types and to transfer credit risk off balance sheet is expected to remain stable over the third quarter of 2012.

Regarding the questions about the impact of Basel III Accord, or other changes in capital regulation specific to each country, most institutions reported a decrease in risk-weighted assets in the last six months. In the same period, own funds should have increased in aggregate terms. According to three institutions, own funds increased considerably. This increase reflected, among other factors, retained earnings and share issuances. For the next six months, most banks anticipate a decrease in risk-weighted assets, while the remaining institutions point to a relative stability. In the same period, two institutions reported the intention to considerably increase own funds both through retained earnings and share issuances, in order to comply with regulatory requirements.

Regarding banks' credit standards applied to the approval of loans to the non-financial private sector, the new regulatory capital requirements contributed, in general terms, to the tightening of credit standards during the first semester of 2012. For the next six months, two institutions consider that the new capital regulatory framework should continue to contribute for the adoption of tighter credit standards on loans granted to enterprises and households, while the remaining institutions do not anticipate significant changes.

Finally, three banks within the sample reported that throughout the second quarter of 2012 tensions in the European sovereign debt market contributed to deteriorate banks' funding conditions and to give rise to tighter credit standards as applied to the approval of loans to the non-financial private sector. These effects reflected the direct exposure to sovereign debt, the decrease in value of sovereign collateral available for wholesale market transactions, as well as other effects, such as rating downgrades, changes in the value of the domestic government's implicit guarantee and spillover effects on other assets, including the loan book.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in July 2012. Two sets of tables are included in the survey: the first set is about loans and credit lines to non financial enterprises while the second one is on loans to households. In the case of enterprises two sorts 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.

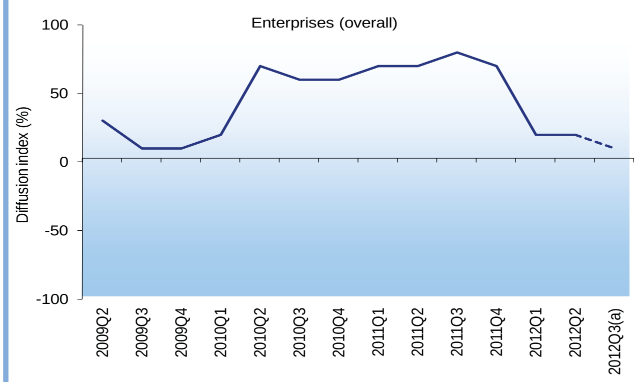
For each sector - enterprises and households - the questions are focused on: i) the current and the prospective assessment of credit standards, conditions and terms for lending approval, on the one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of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

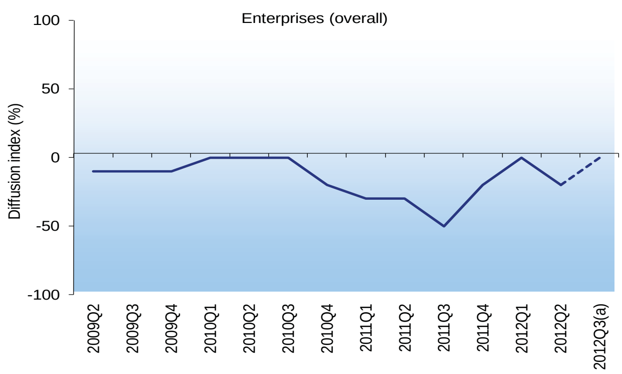
Tables on the first set of questions have five possible options, for each segment, according to the trend and rate of the changes reported (either occurred or foreseen); replies are shown along columns. Answers to tables on factors' appraisal are along the rows; six options are available - including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

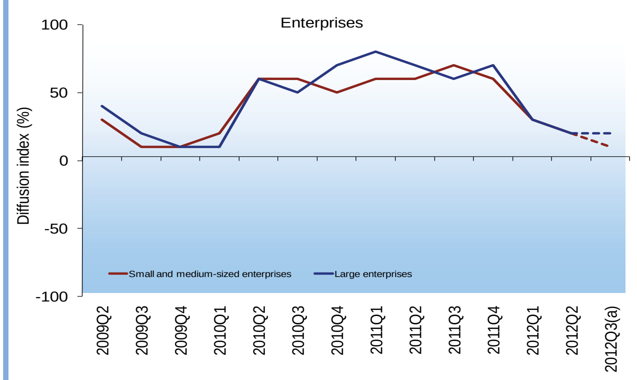
The results of the survey are as follows:

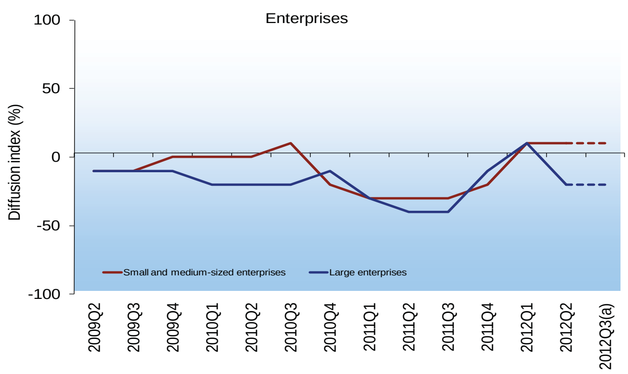
- The number of banks choosing each option;
- The diffusion index of the options chosen by the banks, calculated using a scale (from -1 to 1) to aggregate individual replies, according to which 0 corresponds to "remained basically unchanged". For questions concerning supply, values of less than 0 mean 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 indicates 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 signaling the opposite evolution (or the impact of factors affecting it).

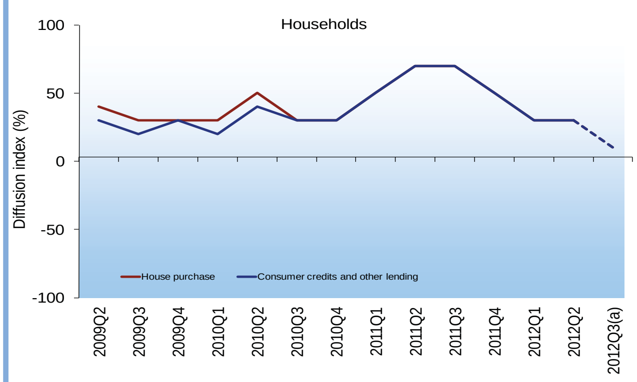
CREDIT SUPPLY | **CREDIT DEMAND**

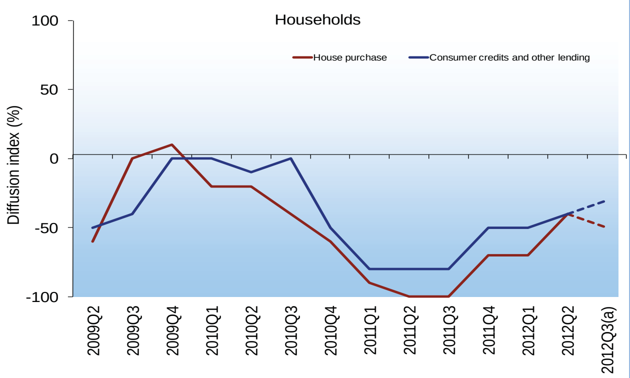












Note: (a) Banks' expectations.

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	1	1	1	1	1
Tightened somewhat					1
Remained basically unchanged	4	4	4	4	3
Eased somewhat					
Eased considerably					
Diffusion index % Jul.12	20	20	20	20	30
Apr.12	20	30	30	20	40

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 % Jul.12	Apr.12
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)	1	2	2				40	40
• Your bank's ability to access market financing (e.g. money or bond market financing, including true-sale securitisation) (2)		2	3				20	20
• Your bank's liquidity position		1	3	1			0	10
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	0
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	50
• Industry or firm-specific outlook	1	2	2				40	40
• Risk on the collateral demanded	1	1	3				30	40

(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.12	Diffusion index % Apr.12
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [1]	1	2	2				40	30
• Your bank's ability to access market financing (e.g. money or bond market financing, including true-sale securitisation) [2]		2	3				20	20
• Your bank's liquidity position		1	3	1			0	10
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	0
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	40
• Industry or firm-specific outlook	1	2	2				40	40
• Risk on the collateral demanded	1	1	3				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.

Loans to large enterprises	– –	–	°	+	+ +	NA	Diffusion index % Jul.12	Diffusion index % Apr.12
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [1]	1	2	2				40	50
• Your bank's ability to access market financing (e.g. money or bond market financing, including true-sale securitisation) [2]		2	3				20	30
• Your bank's liquidity position		1	3	1			0	20
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	0
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	50
• Industry or firm-specific outlook	1	2	2				40	50
• Risk on the collateral demanded	1	1	3				30	40

(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 % Jul.12	Apr.12
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		2	3				20	30
• Your bank's margin on riskier loans	1	2	2				40	50
B) Other conditions and terms								
• Non-interest rate charges		2	3				20	0
• Size of the loan or credit line	1	1	3				30	20
• Collateral requirements	1	2	2				40	30
• Loan covenants	1	2	2				40	30
• Maturity	1	2	2				40	40

Loans to small and medium-sized enterprises	– –	–	°	+	+ +	NA	Diffusion index % Jul.12	Apr.12
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		2	3				20	20
• Your bank's margin on riskier loans	1	2	2				40	40
B) Other conditions and terms								
• Non-interest rate charges		2	3				20	0
• Size of the loan or credit line	1	1	3				30	20
• Collateral requirements	1	2	2				40	30
• Loan covenants	1	2	2				40	30
• Maturity	1	2	2				40	30

Loans to large enterprises	– –	–	°	+	+ +	NA	Diffusion index % Jul.12	Apr.12
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		2	3				20	40
• Your bank's margin on riskier loans	1	2	2				40	60
B) Other conditions and terms								
• Non-interest rate charges		2	3				20	0
• Size of the loan or credit line	1	1	3				30	20
• Collateral requirements	1	2	2				40	30
• Loan covenants	1	2	2				40	30
• Maturity	1	2	2				40	40

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
Remained basically unchanged	3	4	3	4	3
Increased somewhat		1		1	
Increased considerably					
Diffusion index % Jul.12	-20	10	-20	10	-20
Apr.12	0	10	10	0	-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 % Jul.12	Diffusion index % Apr.12
A) Financing needs								
• Fixed investment	2	2	1				-60	-50
• Inventories and working capital			2	2	1		40	50
• Mergers/acquisitions and corporate restructuring	1	2		2			-20	-40
• Debt restructuring				4	1		60	60
B) Use of alternative finance								
• Internal financing	1		2	2			0	10
• Loans from other banks			5				0	10
• Loans from non-banks			5				0	-10
• Issuance of debt securities		1	3	1			0	0
• Issuance of equity			4	1			10	-10

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	1	1	2	2	2
Remain basically unchanged	4	4	3	3	3
Ease somewhat					
Ease considerably					
Diffusion index % Jul.12	10	10	20	20	20
Apr.12	20	10	20	10	30

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			2		2
Remain basically unchanged	5	4	3	4	3
Increase somewhat		1		1	
Increase considerably					

Diffusion index % Jul.12	0	10	-20	10	-20
Apr.12	20	30	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		
Tightened somewhat	3	3
Remained basically unchanged	2	2
Eased somewhat		
Eased considerably		

Diffusion index % Jul.12	30	30
Apr.12	30	30

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 % Jul.12	Diffusion index % Apr.12
A) Cost of funds and balance sheet constraints	1	2	2				40	50
B) Pressure from competition								
• Competition from other banks			5				0	10
• Competition from non-banks			4			1	0	0
C) Perception of risk								
• Expectations regarding general economic activity		5					50	50
• Housing market prospects	1	3	1				50	50

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 % Jul.12	Diffusion index % Apr.12
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		1	4				10	20
• Your bank's margin on riskier loans	1	3	1				50	70
B) Other conditions and terms								
• Collateral requirements		1	4				10	20
• "Loan-to-value" ratio		2	3				20	30
• Maturity			5				0	10
• Non-interest rate charges		1	4				10	10

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 % Jul.12	Diffusion index % Apr.12
A) Cost of funds and balance sheet constraints	1	1	3				30	40
B) Pressure from competition								
• Competition from other banks			5				0	10
• Competition from non-banks			5				0	10
C) Perception of risk								
• Expectations regarding general economic activity		4	1				40	40
• Creditworthiness of consumers	1	4					60	60
• Risk on the collateral demanded	1	2	2				40	40

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 % Jul.12	Diffusion index % Apr.12
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		2	3				20	40
• Your bank's margin on riskier loans	1	2	2				40	80
B) Other conditions and terms								
• Collateral requirements		3	2				30	20
• Maturity			5				0	20
• Non-interest rate charges		1	4				10	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	1	
Decreased somewhat	3	4
Remained basically unchanged		1
Increased somewhat	1	
Increased considerably		

Diffusion index % Jul.12	-40	-40
Apr.12	-70	-50

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 % Jul.12	Diffusion index % Apr.12
A) Financing needs								
• Housing market prospects	3	1	1				-70	-80
• Consumer confidence	2	2	1				-60	-100
• Non-housing related consumption expenditure	1	2	2				-40	-70
B) Use of alternative finance								
• Household savings			5				0	-10
• Loans from other banks		1	3	1			0	-10
• 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 13)? 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 % Jul.12	Diffusion index % Apr.12
A) Financing needs								
• Spending on durable consumer goods (such as cars, furniture, etc.)	2	3					-70	-70
• Consumer confidence	2	3					-70	-70
• Securities purchases		1	4				-10	-10
B) Use of alternative finance								
• Household saving	1	2	2				-40	-50
• Loans from other banks		1	4				-10	-10
• Other sources of finance		2	3				-20	-10

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	1	1
Remain basically unchanged	4	4
Ease somewhat		
Ease considerably		

Diffusion index % Jul.12	10	10
Apr.12	20	30

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	3	3
Remain basically unchanged	1	2
Increase somewhat		
Increase considerably		

Diffusion index % Jul.12	-50	-30
Apr.12	-50	-40

Ad-hoc questions

The questions in this section address the impact on bank lending to enterprises and households of specific and/or isolated events.

The crisis in US sub-prime mortgage-related bonds and its spill-over into other financial markets and the real economy led to a considerably more cautious valuation of credit risk worldwide. From the perspective of monetary policy, it is important to monitor how these events have affected bank credit conditions for enterprises and households. The next question gauges the extent to which the financial and economic crisis has affected banks' access to funding and banks' ability to transfer risk.

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

- - = deteriorated considerably/will deteriorate considerably
\- = deteriorated somewhat/will deteriorate somewhat
° = remained unchanged/will remain unchanged
\+ = 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) Retail funding											
• Short-term deposits (up to one year)		1	3	1				4	1		
• Long-term (more than one year) deposits and other retail funding instruments		1	3	1			1	3	1		
B) Inter-bank unsecured money market											
• Very short-term money market (up to 1 week)			5					5			
• Short-term money market (more than 1 week)			4	1				5			
C) Wholesale debt securities (3)											
• Short-term debt securities (e.g. certificates of deposit or commercial paper)			4	1			1	4			
• Medium to long-term debt securities (incl. covered bonds)		1	4					5			
D) Securitisation (4)											
• Securitisation of corporate loans			5					5			
• Securitisation of loans for house purchase			5					5			
E) Ability to transfer credit risk off balance sheet (5)			4					4			1
F) Other markets (please specify)											
• Government bond repo market				1				1			

(1) Please also take into account any effect of state guarantees for debt securities and recapitalisation support.
(2) Please select "N/A" (not applicable) if and only if the source of funding is not relevant for your 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.

The next two questions address the extent to which the new regulatory capital requirements set out in “Basel III”and other specific capital regulations (*) have impacted, or will impact, on your lending policies (via the potential impact on your bank’s capital position and the credit standards that your bank applies to loans)

2. In order to comply with new regulatory requirements,(*) has your bank:
– increased/decreased risk-weighted assets
– increased/decreased its capital position
over the past six months, and/or does it intend to do so over the next six months?

-- = decreased / will decrease considerably
- = decreased/will decrease somewhat
○ = remained/will remain basically unchanged
+ = increased/will increase somewhat
++ = increased/will increase considerably
N/A = not applicable

	Over the past six months						Over the next six months					
	--	-	○	+	+ +	N/A	--	-	○	+	+ +	N/A
Risk-weighted assets		3	2					3	2			
Of which: Average loans		3	2					3	2			
Riskier loans	1	2	2				1	2	2			
Capital position			2		3				3		2	
Of which: Retained earnings	1		1	3					3	1	1	
Share issuance			2		3				3	1	1	

(*) Please consider the regulatory requirements set out in Basel III (see Basel Committee on Banking Supervision, Bank for International Settlements, “Basel III: A global regulatory framework for more resilient banks and banking systems”, available at http://www.bis.org/publ/bcbs189.pdf, 16 December 2010), as well as those resulting from the EBA (to be complied with by the end of June 2012) and any other specific national regulations concerning banks’ capital requirements that have recently been approved or are expected to be approved in the near future.

3. Have any adjustments been, or will any be, made to your bank’s credit standards for loans over the past/next six months, owing to the new regulatory capital requirements (*) ?

-- = credit standards have been tightened/will be tightened considerably
- = credit standards have been tightened/will be tightened somewhat
○ = the requirements have basically not had/will not have any impact on credit standards
+ = credit standards have been eased/will be eased somewhat
++ = credit standards have been eased/will be eased considerably

		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	1	2
	-	1	2	1	
	○	3	2	3	3
	+				
	+ +				
Over the next six months	--	1	1	1	2
	-		1	1	
	○	4	3	3	3
	+				
	+ +				

(*) Please consider the regulatory requirements set out in Basel III (see Basel Committee on Banking Supervision, Bank for International Settlements, “Basel III: A global regulatory framework for more resilient banks and banking systems”, available at http://www.bis.org/publ/bcbs189.pdf, 16 December 2010), as well as those resulting from the EBA (to be complied with by the end of June 2012) and any other specific national regulations concerning banks’ capital requirements that have recently been approved or are expected to be approved in the near future.

The next question addresses the impact of the sovereign debt crisis on the bank's funding conditions and credit standards as applied to the approval of loans and credit lines to enterprises and households.

4. Given the tensions in the European sovereign debt market[1], how have the following factors affected your bank's funding conditions/ credit standards over the past three months? Please rate each factor using the following scale:

-- = contributed considerably to a deterioration in my bank's funding conditions/contributed considerably to a tightening of credit standards
- = contributed somewhat to a deterioration in my bank's funding conditions/contributed somewhat to a tightening of credit standards
○ = had no effect on my bank's funding conditions/had no effect on my bank's credit standards
+ = contributed somewhat to an easing in my bank's funding conditions/contributed somewhat to an easing of credit standards
++ = contributed considerably to an easing in my bank's funding conditions/contributed considerably to an easing of credit standards

	Impact on your bank's funding conditions					Impact on your bank's credit standards														
						Loans or credit lines to enterprises					Loans to households for house purchase					Loans to households for consumer credit and other lending				
	--	-	○	+	++	--	-	○	+	++	--	-	○	+	++	--	-	○	+	++
A) Direct exposure to sovereign debt		1	4				2	3				2	3				2	3		
B) Value of sovereign collateral available for wholesale market transactions [2]		3	2				3	1	1			3	2				3	2		
C) Other effects [3]		2	3				3	2				3	2				3	2		

(1) Please also take into account any effect of state guarantees for debt securities and recapitalisation support.
(2) For example, repos or secured transactions in derivatives.
(3) For instance, any automatic rating downgrade affecting your bank following a sovereign downgrade or changes in the value of the domestic government's implicit guarantee, as well as spillover effects on other assets, including the loan book.