Bank Lending Survey

October 2009

Results for Portugal

I. Overall assessment

According to the results of the survey conducted in October 2009 to the five Portuguese banking groups included in the sample, credit standards applied to the approval of loans to the non-financial private sector in the third quarter of 2009 were stricter than in the previous quarter. However the tightening of credit standards should have been less marked than that observed in the previous quarters, especially in what concerns loans granted to non-financial corporations, but also in loans granted to households for consumption and other purposes and, although to smaller extent, in those granted for house purchase.

The main factors reported by banks as leading to the tightening of credit policy were a more negative assessment of risks, as well as the increase in banks' cost of funds and balance sheet constraints. The changes in credit standards should have reflected into an increase in the spreads applied, especially on riskier loans, and into a tightening of other conditions and terms applied on loan contracts.

The demand for loans or credit lines by enterprises should have recorded a slight decrease during the third quarter of 2009. This behaviour should have been associated with decreased financing needs regarding fixed investment and, to a lower extent, increased use of alternative finance by firms. In turn, firms' increased funding needs regarding debt restructuring and inventories and working capital should have contributed to dampen the decrease observed in this segment's loan demand. The demand for loans by households for house purchase should have remained relatively stable on average during the period under consideration, with some of the inquired institutions reporting somewhat decreased demand for this type of loans, whereas others reported somewhat higher demand. Obtained replies also suggest that the demand for loans for consumption and other purposes should have decreased during the period under consideration. Developments in households' loan demand should have reflected a decrease in financing needs and, in what concerns loans for consumption and other purposes, households' increased use of their savings as an alternative to bank loans.

For the third quarter of 2009, the surveyed banks expect, on average, the credit standards applied to the approval of loans to enterprises to remain broadly unchanged, whereas somewhat less strict credit standards are expected in short term loans and in loans to large firms. As to what concerns loans to households and, especially, those granted for consumption and other purposes, somewhat tighter credit standards are anticipated. For the same period, the inquired institutions also anticipate a slight increase in firms' loan demand – except in what concerns long term loans – as well in households' loan demand for house purchase, whereas a slight decrease is expected in the demand for loans for consumption and other purposes.

The turmoil in international financial markets continued hampering the access to the wholesale funding markets by the participating banks during the third quarter of 2009, albeit to a lower extent than in previous quarters. This was translated into banks' credit policy through the application of higher spreads on granted loans and through a decrease in banks' willingness to lend.

II. Presentation of the results

Loans or credit lines to enterprises

The credit standards applied to the approval of loans and credit lines to enterprises should have tightened somewhat during the third quarter of 2009, albeit to a smaller extent than in the previous quarters. This tightening of credit standards should have been more relevant in loans granted to large enterprises than in those granted to small and medium-sized enterprises and should have been observed mostly on long-term loans, since no relevant changes were reported in credit standards applied to the approval of short-term loans.

The main factors reported by banks as leading to the tightening of credit standards applied in this segment were a less favourable assessment of risks associated with weaker industry or firm-specific outlooks and with expectations regarding general economic activity and the collateral demanded. Banks have also reported an increase in the cost of funds related with their capital position and with their ability to access market financing. Nonetheless, at the exception of developments in risks on the collateral demanded, the contribution of the factors reported towards the tightening of credit policy should have been less marked than in previous quarters.

The tightening of credit standards should have translated into the application of higher spreads, especially in what concerns riskier loans. Further, banks reported changes to other conditions and terms applied on loan contracts, such as a decrease in the maturity of granted loans, higher collateral requirements and non-interest rate charges and more restrictive loan covenants.

In general terms, the demand for loans and credit lines targeted at the reporting institutions should have decreased somewhat during the third quarter of 2009. This profile should have been more marked in long term loans, whereas in what concerns short term loans banks' replies varied somewhat and, on average, pointed to the stability of demand directed towards the inquired banks. In the segment of loans granted to large enterprises, two banks reported a slight decrease in demand, whereas one bank recorded a slight increase in demand. The demand for loans by enterprises should have been negatively affected by decreased financing needs associated with fixed investment and, to a lower extent, by firms' use of alternative sources of finance, such as internal financing, loans from non-banks and the issuance of debt securities. In turn, debt restructuring and increased financing needs associated with inventories and working capital should have contributed towards an increase of loan demand targeted at the inquired banks.

Regarding the last quarter of 2009, on average, the banks included in the sample do not anticipate significant changes to the credit standards applied on the approval of loans and credit lines to enterprises. Nonetheless, there was some dispersion in obtained replies and, in the case of loans to large enterprises and of short-term loans, results suggest that somewhat less restrictive standards should be applied. For the same period, the sample of inquired institutions also anticipated enterprises' loan demand to increase somewhat, at the exception of long-term loans, since demand in this segment is expected to record a slight decrease.

Loans to households

For house purchase

According to the survey's results, the banks included in the sample applied tighter credit standards to the approval of loans during the third quarter of 2009, as compared to the previous quarter. Nonetheless, this tightening of credit standards should have been less marked than the one reported for the previous quarters.

The banks included in the sample indicated that the tightening of credit standards was associated with housing market prospects, with expectations regarding general economic activity and, to a lesser extent, with banks' cost of funds and balance sheet constraints. Nevertheless, developments in these factors should have been less negative during the third quarter of 2009 than during the previous quarters. The tightening of credit standards should have been reflected in the application of higher spreads, especially in what concerns riskier loans, and in a decrease of the loan-to-value ratio, whereas one institution also reported an increase in non-interest rate charges. Further, one institution indicated that developments in its cost of funds and balance sheet constraints contributed to some easing of credit standards applied on loans to households for house purchase, which should have translated into the application of somewhat lower spreads on average risk loans.

On average, the replies obtained concerning households' loan demand for house purchase do not indicate significant changes during the third quarter of 2009. However, there was some heterogeneity in banks' replies, with two banks reporting that demand increased somewhat, whereas two others reported a decrease in demand. The banks which reported a decrease in loan demand associated this behaviour with a decrease in households' financing needs related with developments in housing market prospects, in consumer confidence and in households' non-housing related consumption expenditure. In turn, one of the institutions reporting an increase in demand associated this behaviour with positive developments in housing market prospects and in consumer confidence. On average, results indicate that the contribution of developments in housing market prospects and in consumer confidence towards loan demand was less significant in the third quarter of 2009 than in the previous quarters.

Most of the inquired banks expect to maintain the credit standards applied on loans to households for house purchase basically unchanged during the last quarter of 2009, whereas one bank expects to tighten somewhat the credit standards applied on loans to this segment. For the same period, the results suggest that the demand for loans for house purchase should increase somewhat, even though one of the participating banks reported an expected decrease in demand.

For consumption and other purposes

The participating banks have reported the application of tighter standards to the approval of loans to households for consumption and other purposes during the third quarter of 2009 than during the previous quarter. However, this tightening of credit standards was less relevant than that reported concerning loans for house purchase and than the one reported for the previous quarters.

The main factors reported as contributing to the tightening of credit standards were a decrease in consumers' creditworthiness, a decline in expectations regarding general economic activity, higher risk on collateral demanded and an increase in banks' cost of funds and balance sheet constraints. In turn, the tightening of credit standards should have been reflected in an increase of the spreads applied, especially in what concerns riskier loans, as well as in collateral requirements, in the maturity of granted loans and in non-interest rate charges.

According to the results, the demand for loans in this segment should have decreased in the third quarter of 2009, as compared with the previous quarter. This development should have been associated with lower consumer confidence, lower spending on durable consumer goods, lower securities purchases and increased use of households' savings as a substitute for bank loans. Nonetheless, developments in the demand for loans in this segment should have been less negative than in the previous quarters, following less negative developments in consumer confidence and in spending on durable consumer goods.

Concerning the last quarter of 2009, results indicate that banks foresee a slight tightening of credit standards applied on the approval of loans to this segment. On average, banks anticipate a slight decrease of demand in this segment, even though one of the participating banks indicated an expectation of somewhat higher demand.

III. Ad hoc questions

As from the October 2007 survey, some ad-hoc questions were included in the survey conducted in October 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, following the surveys conducted since January 2009, this survey included an ad hoc question on the impact on bank's access to wholesale funding of the government's support measures to the financial system, namely the recapitalisation plans and state's guarantees for debt securities issued by banks.

Against this background, according to the survey's results, tensions in wholesale financial markets, in general, continued to influence surveyed banks' cost of capital and their lending decisions, as well as to create difficulties in the surveyed banks' access to funding in wholesale markets, although to a lesser extent than in previous quarters. Hence, in contrast with the results of the previous surveys, no difficulties were reported in banks' access to the inter-bank unsecured money market for very short term operations, whereas two institutions have still reported difficulties in the access to this market for short term operations (longer than one week). Additionally, some difficulties were identified in the issuing of debt securities and one bank reported considerably hampered ability to transfer credit risk off balance sheet. However, the development of securitization operations seems be the market where more tensions remain. The difficulties in banks' access to wholesale funding markets should have influenced both their willingness to lend and the spreads applied.

For the last quarter of 2009, surveyed banks do not anticipate significant changes concerning difficulties in the access to wholesale funding markets. Nonetheless, one of the sampled banks expects hampered access to money markets, debt securities or other markets (excluding securitization and the use of credit risk transfer instruments) to have a lower impact on its willingness to lend during the last quarter of 2009, as compared to the previous quarter.

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

METHODOLOGICAL NOTE

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

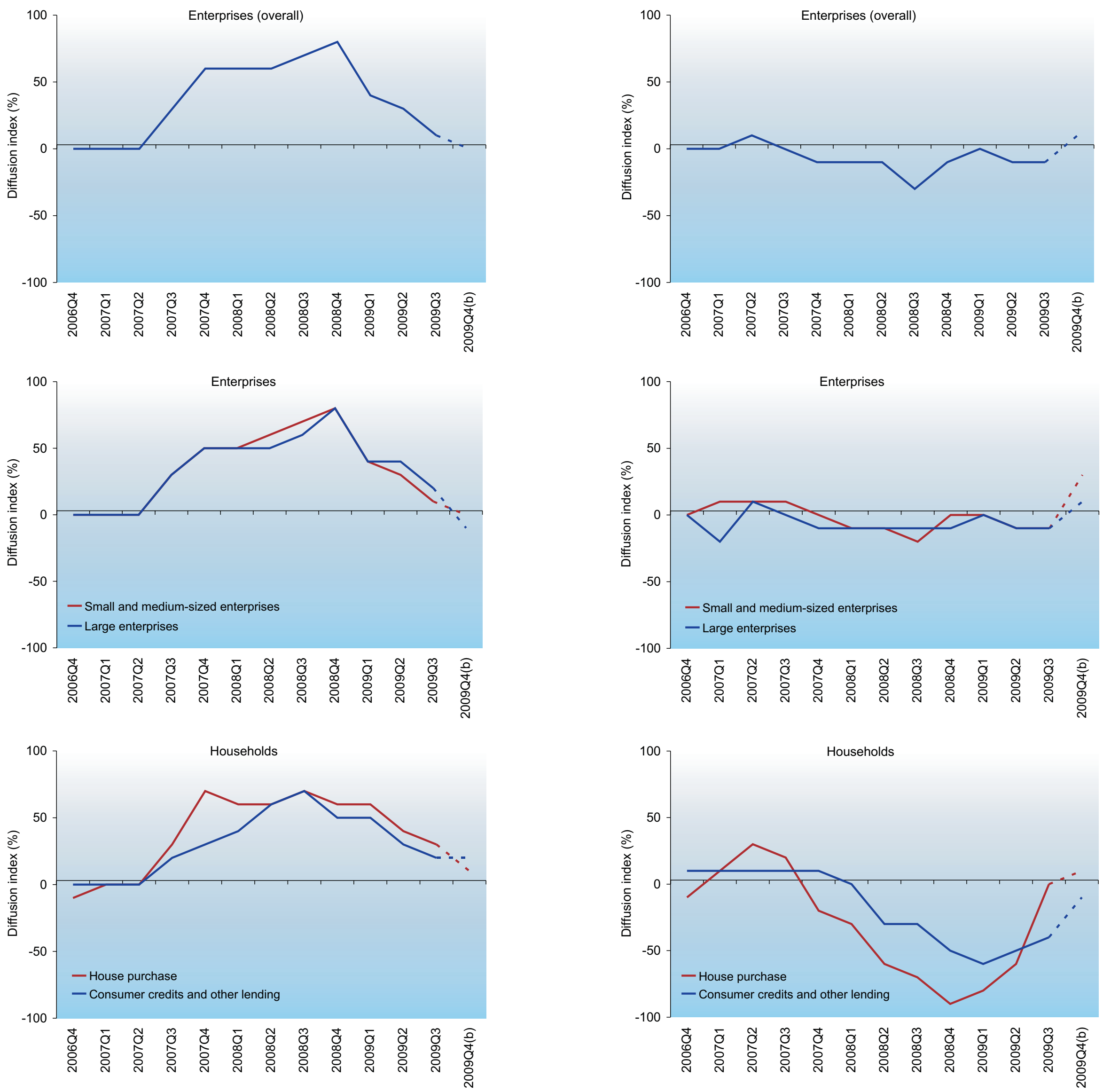
For each sector - enterprises and households - the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors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

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
Tightened somewhat	1	1	2		1
Remained basically unchanged	4	4	3	5	3
Eased somewhat					
Eased considerably					
Diffusion index (%) Oct. 09	10	10	20	0	30
July 09	30	30	40	20	50

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 (%) Oct. 09	Diffusion index (%) July 09
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)		3	2				30	40
• Your bank's ability to access market financing (e.g. money or bond market financing) (2)		2	3				20	30
• Your bank's liquidity position			5				0	0
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	-10
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	60
• Industry or firm-specific outlook	1	3	1				50	60
• Risk on the collateral demanded		4	1				40	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 (%) Oct. 09	July 09
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [(1)]		4	1				40	50
• Your bank's ability to access market financing (e.g. money or bond market financing) [(2)]		2	3				20	40
• Your bank's liquidity position		1	4				10	10
B) Pressure from competition								
• Competition from other banks			5				0	10
• Competition from non-banks			5				0	10
• Competition from market financing			5				0	10
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	70
• Industry or firm-specific outlook	1	3	1				50	70
• Risk on the collateral demanded		4	1				40	50

(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 (%) Oct. 09	July 09
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position [(1)]		3	2				30	40
• Your bank's ability to access market financing (e.g. money or bond market financing) [(2)]		3	1	1			20	30
• Your bank's liquidity position			4	1			-10	0
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	-10
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	60
• Industry or firm-specific outlook	1	2	2				40	60
• 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 (%) Oct. 09	July 09
A) Price								
• 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	2	3					70	70
B) Other conditions and terms								
• Non-interest rate charges		1	4				10	30
• Size of the loan or credit line			5				0	20
• Collateral requirements		2	3				20	30
• Loan covenants		1	4				10	30
• Maturity	1	1	3				30	50

Loans to small and medium-sized enterprises

	– –	–	°	+	+ +	NA	Diffusion index (%) Oct. 09	July 09
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	2	2				40	60
• Your bank's margin on riskier loans	1	4					60	80
B) Other conditions and terms								
• Non-interest rate charges		1	4				10	40
• Size of the loan or credit line			5				0	20
• Collateral requirements		2	3				20	40
• Loan covenants		1	4				10	30
• Maturity	1	2	2				40	50

Loans to large enterprises

	– –	–	°	+	+ +	NA	Diffusion index (%) Oct. 09	July 09
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	2	2				40	60
• Your bank's margin on riskier loans	2	2	1				60	70
B) Other conditions and terms								
• Non-interest rate charges		1	4				10	30
• Size of the loan or credit line			5				0	20
• Collateral requirements		2	3				20	30
• Loan covenants		1	4				10	30
• Maturity	1	1	3				30	50

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	1	1	2	1	3
Remained basically unchanged	4	4	2	3	2
Increased somewhat			1	1	
Increased considerably					
Diffusion index (%) Oct. 09	-10	-10	-10	0	-30
July 09	-10	-10	-10	0	-30

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 (%) Oct. 09	Diffusion index (%) July 09
A) Financing needs								
• Fixed investment	1	4					-60	-60
• Inventories and working capital			3	2			20	10
• Mergers/acquisitions and corporate restructuring			5				0	-20
• Debt restructuring			1	3	1		50	50
B) Use of alternative finance								
• Internal financing		1	4				-10	20
• Loans from other banks			5				0	0
• Loans from non-banks		1	4				-10	-10
• Issuance of debt securities		1	4				-10	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					
Tighten somewhat	1	1			1
Remain basically unchanged	3	3	4	4	3
Ease somewhat	1	1	1	1	1
Ease considerably					
Diffusion index (%) Oct. 09	0	0	-10	-10	0
July 09	20	10	10	10	20

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	2	4	2	4
Increase somewhat	1	3	1	3	
Increase considerably					

Diffusion index (%) Oct. 09	10	30	10	30	-10
July 09	10	20	10	20	-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	2
Remained basically unchanged	2	3
Eased somewhat		
Eased considerably		

Diffusion index (%) Oct. 09	30	20
July 09	40	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 (%) Oct. 09	Diffusion index (%) July 09
A) Cost of funds and balance sheet constraints		2	2	1			10	30
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			4			1	0	0
C) Perception of risk								
• Expectations regarding general economic activity		2	3				20	70
• Housing market prospects		3	2				30	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
° = remained basically unchanged
+ = eased somewhat
+ + = eased considerably
NA = not applicable

	– –	–	°	+	+ +	NA	Diffusion index (%) Oct. 09	Diffusion index (%) July 09
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		4		1			30	50
• Your bank's margin on riskier loans	2	2	1				60	70
B) Other conditions and terms								
• Collateral requirements			5				0	20
• "Loan-to-value" ratio		2	3				20	30
• Maturity			5				0	0
• 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 (%) Oct. 09	Diffusion index (%) July 09
A) Cost of funds and balance sheet constraints		2	3				20	20
B) Pressure from competition								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
C) Perception of risk								
• Expectations regarding general economic activity	1	2	2				40	70
• Creditworthiness of consumers	1	4					60	80
• 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 (%) Oct. 09	Diffusion index (%) July 09
A) Price								
• 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	2	2	1				60	50
B) Other conditions and terms								
• Collateral requirements		2	3				20	20
• Maturity		1	4				10	10
• Non-interest rate charges		1	4				10	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		1
Decreased somewhat	2	2
Remained basically unchanged	1	2
Increased somewhat	2	
Increased considerably		

Diffusion index (%) Oct. 09	0	-40
July 09	-60	-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 (%) Oct. 09	Diffusion index (%) July 09
A) Financing needs								
• Housing market prospects		2	2	1			-10	-80
• Consumer confidence		1	3	1			0	-80
• Non-housing related consumption expenditure		2	3				-20	-20
B) Use of alternative finance								
• 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 (%) Oct. 09	Diffusion index (%) July 09
A) Financing needs								
• Spending on durable consumer goods (such as cars, furniture, etc.)		3	2				-30	-40
• Consumer confidence	1	3	1				-50	-80
• Securities purchases	1	1	3				-30	-30
B) Use of alternative finance								
• Household saving		2	3				-20	-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	1	2
Remain basically unchanged	4	3
Ease somewhat		
Ease considerably		
Diffusion index (%) Oct. 09	10	20
July 09	30	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		
Decrease somewhat	1	2
Remain basically unchanged	2	2
Increase somewhat	2	1
Increase considerably		
Diffusion index (%) Oct. 09	10	-10
July 09	-20	-20

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, [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:

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

	Over 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)			5			5	
• Short-term money market (more than 1 week)	1	1	3	1	1	3	
B) Debt securities [3]							
• 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)		1	4		1	4	
C) Securitisation [4]							
• Securitisation of corporate loans	3		1	3		1	1
• Securitisation of loans for house purchase	3		1	3		1	1
D) Ability to transfer credit risk off balance sheet [5]	1		2	1		2	2
E) Other markets							

(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
Quantity		
Considerable impact	2	1
Some impact		1
Basically no impact		
Margin		
Considerable impact	1	1
Some impact	1	1
Basically no impact		
NA (*)	3	3

(*) 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
Quantity		
Considerable impact	1	1
Some impact	2	2
Basically no impact		
Margin		
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		
Some impact on both capital and lending	4	4
Some impact on capital, but no impact on lending		
Basically no impact on capital		
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	2
Some improvement in market access	3	3
Basically no impact on market access		