

**BANK LENDING SURVEY**

October 2010

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

According to the results of the survey conducted in October 2010 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 considerably stricter in the third quarter of 2010. The tightening of credit standards as compared to the previous quarter should have been stronger in the case of non-financial enterprises, being independent of firms' size or loan maturities. Albeit considerably stricter criteria on average in the households' credit segment, the increase in restrictiveness was smoother than in the previous quarter.

The main factors reported by banks as leading to the tightening of credit policy were difficulties while accessing financial markets, banks' liquidity position and, at a lower extent, the cost of funds and risk assessment which has deteriorated mainly regarding general economic activity. The changes in credit standards should have been reflected into an increase in spreads, especially on riskier loans, and into a continued tightening of the other conditions and terms applied on loan contracts.

The demand for loans and credit lines by enterprises should have remained broadly unchanged during the third quarter of 2010. Nevertheless a small increase in demand was reported in the small and medium-sized enterprises segment and for short-term loans. Financing needs due to fixed investment continued to contribute to lower demand while financing needs associated with inventories and working capital and debt restructuring had a positive impact on demand. Households' demand of loans for house purchase was reported as significantly decreasing. Simultaneously, loan demand for consumption and other purposes should have remained basically unchanged during the third quarter of 2010. Falling consumer confidence and weaker housing market prospects were the main factors contributing to the decrease in loan demand for house purchase. Also consumer confidence was reported as the main factor towards a decrease in demand of loans for consumption and other purposes.

For the last quarter of 2010, the surveyed banks anticipate stricter credit standards on loans to the non-financial private sector, chiefly in the enterprises' segment and especially on long-term loans. Regarding households, slightly more demanding credit standards are anticipated for loans for house purchase while a stabilisation is expected in loans for consumption and other purposes. For the same period, the inquired institutions anticipate that the demand for loans and credit lines by enterprises should decrease slightly, except short-term loans which are expected to increase somewhat. In turn, the banks inquired await a considerable decrease in households' demand for loans for house purchase and a somewhat decrease in the consumption and other purposes segment.

Answers to the questions raised by the turmoil in international financial markets continued to indicate to a worsening in banks' ability to access unsecured money markets in the third quarter of 2010; however two banks have already pointed to some improvement. Likewise, the inquired banks reported worst conditions on their access to debt markets albeit less markedly than in the previous quarter. In line with previous quarters, conditions on the securitization market have continued to deteriorate for one of the surveyed banks while for the others were practically unchanged. For the last quarter of 2010, sampled banks expect that money, debt and securitization markets will develop similarly to the third quarter.

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

Credit standards applied to the approval of loans and credit lines to enterprises should have become considerably tighter in the third quarter of 2010 as compared with the previous quarter. This increase was indicated as considerable by two banks, slight by other two while the remaining indicated basically unchanged criteria.

The main factors reported by banks as leading to the tightening of credit standards applied in this segment were difficulties while accessing financial markets and the deterioration in their liquidity position. Additionally, a less favourable assessment of risks associated with lower expectations on general economic activity and an increase in their cost of funds were pointed as contributing also considerably to tightening of credit standards.

The tightening of credit standards should have translated into the application of higher spreads both in medium and higher risk loans, albeit more markedly in the latter. Additionally, several banks reported changes in other conditions and terms applied on loan contracts towards more restrictiveness, as in previous quarters. One institution indicated that maturity tightened considerably in both mentioned segments (small and medium sized enterprises and large enterprises).

On average, the demand for loans and credit lines to enterprises remained basically unchanged in the third quarter of the year. Nevertheless, some heterogeneity in banks answers was shown. One institution mentioned a slight increase in the demand by small and medium sized enterprises and for short-term loans. Two banks reported somewhat lower demand by large enterprises, while three banks pointed to a small decrease in long-term loan demand.

The demand for loans by enterprises should have been negatively affected by lower financing needs associated with fixed investment. To a lesser degree, the banks inquired pointed to a reduction in financing needs related to mergers and acquisitions. Debt restructuring and financing needs related to inventories and working capital were indicated as contributing to higher demand.

Regarding the last quarter of 2010, sampled banks anticipate an increase in restrictiveness of credit standards applied on the approval of loans and credit lines to enterprises. This increase should affect all segments, albeit less intensely in short-term loans than in long-term loans. In turn, most of the surveyed institutions expect some reduction in loan demand over the fourth quarter of the year. Only one expects a slight increase in the demand of short-term loans.

### **Loans to households**

#### **For house purchase**

According to the results obtained, banks should have applied tighter credit standards to the approval of loans to households for house purchase during the third quarter of 2010. Behind this development should have been chiefly the cost of funds and balance sheet constraints, on one hand, and lower expectations regarding general economic activity and housing market prospects, on the other hand.

This path should have been reflected in the application of higher spreads, especially on riskier loans. Additionally, some banks reported to have somewhat tightened non-price conditions and terms, such as decreasing the loan-to-value ratio.

According to the results, households' demand for loans for house purchase in the third quarter of 2010 should have decreased, on average, as compared to the previous quarter. There was also some heterogeneity in banks' replies, with one bank reporting a considerable decrease in demand, two banks indicating a slight decrease and the remaining pointing to a basically unchanged demand. Lower consumer confidence and weaker housing market prospects were chiefly pointed as contributing to lower demand. Additionally, one institution referred that the use of savings and non-housing expenditures were somewhat contributing to a reduction in demand for loans for house purchase.

For the fourth quarter of 2010, two of the sampled banks anticipate a slight increase in credit standards applied on the approval of loans to households for house purchase. The other banks expect no significant changes on credit standards criteria. For the same period, demand for loans for house purchase is expected to continue decreasing somewhat.

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

Sampled banks' conditions and terms for approving loans to households for consumption and other purposes should have remained basically unchanged during the third quarter of 2010 as compared to the previous quarter.

The main factors reported as contributing to the tightening of credit standards were the cost of funds and balance sheet restrictions, declining expectations regarding general economic activity and the decrease in consumers' creditworthiness. Additionally, some banks reported an increase in collateral risk.

Tighter credit standards should have been reflected into a considerable increase in spreads applied. Some banks also reported to have demanded higher collateral requirements, shorter loan maturity and higher non-interest rate charges.

In accordance with the results of the survey, loan demand in this segment should have remained basically unchanged from the second quarter of 2010. Developments in the demand of loans for consumption and other purposes should have been affected by lower consumer confidence and household's use of savings to finance consumption expenditure.

In the fourth quarter of 2010, the surveyed banks do not foresee significant changes on credit standards applied to the approval of this sort of loans. In turn, a slight decrease in loan demand is expected.

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

As from the October 2007 survey, some *ad-hoc* questions have been included aimed at assessing the extent to which the financial market turbulence have affected banks' standards as applied to the approval of loans to the non-financial private sector. In the survey conducted in October, the *ad-hoc* questions of the precedent quarter were kept.

According to the replies of surveyed banks, tensions in the wholesale financial markets continued to worsen during the third quarter of 2010. In spite of an overall worsening, which affected all the markets under assessment, some banks have already reported some stabilisation and even a slight improvement in their market access from the previous quarter. Thus, regarding the very short-term unsecured money market, only one of the sampled institutions reported a significant deterioration in accessing market, while the others indicated basically unchanged conditions. In the short-term money market two institutions reported a slight improvement in accessing market, while the remaining assessed market conditions between a stabilisation and a considerable deterioration.

A similar overall situation was indicated as debt markets are concerned, albeit different assessments were reported regarding the short-term debt segment. In the case of the medium to long-term debt markets, three institutions reported basically unchanged conditions while the other two indicated respectively a slight and a significant worsening.

Lastly, the securitization market continued to be the one that has changed the less as compared to the previous quarter. Nev-

ertheless, one of the surveyed institutions indicated to have faced a significant deterioration to securitize loans.

Expectations for developments in the wholesale financial markets in last quarter of 2010 keep the trend shown in the third quarter. Most of the surveyed banks indicated that market conditions affected somewhat and will continue affecting both their access to market financing and their criteria in approving loans to the non-financial private sector.

**METHODOLOGICAL NOTE**

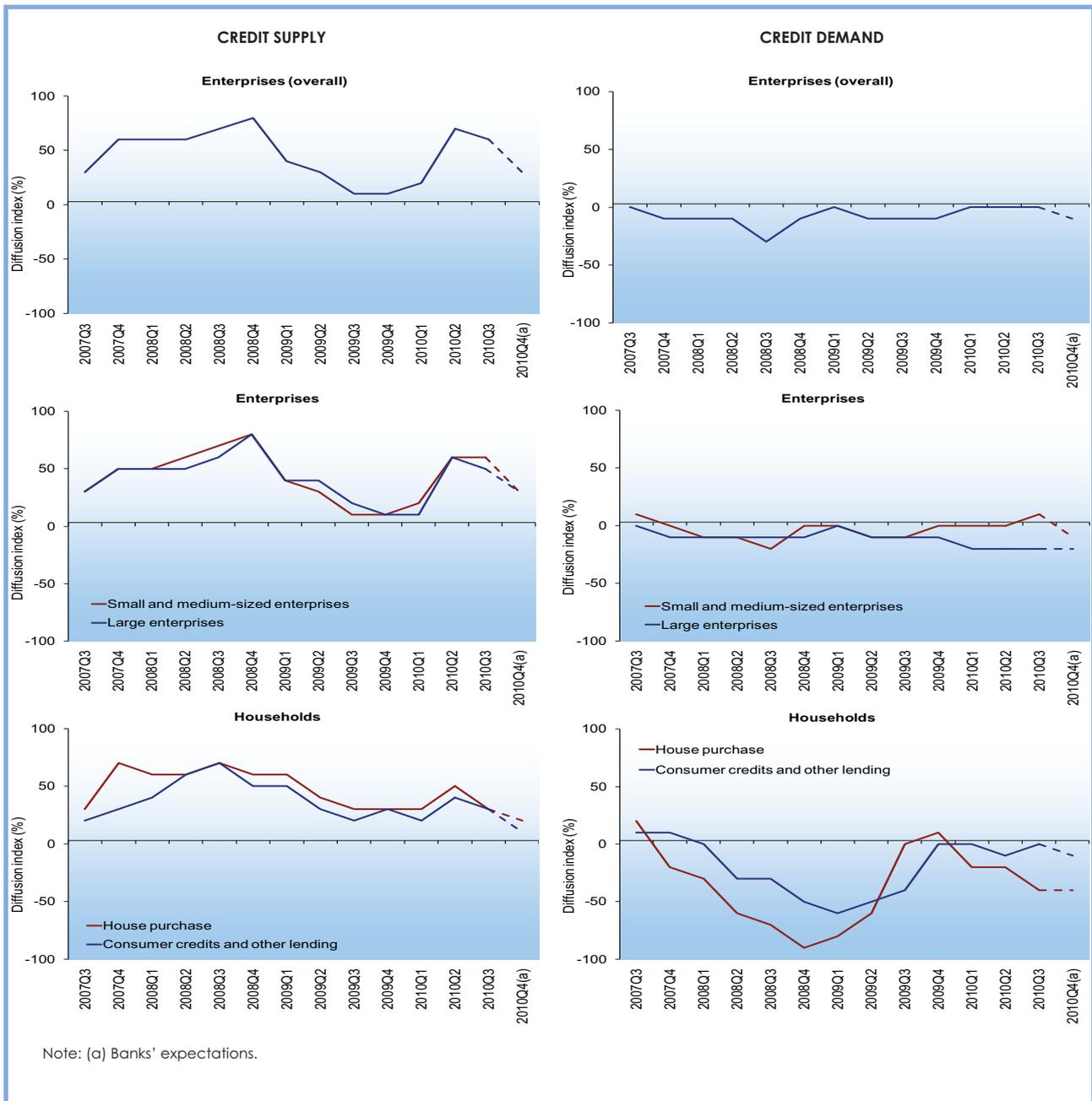
The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in October 2010. Two sets of tables are included in the survey: the first set is about loans and credit lines to non financial corporations while the second one is on loans to households. In the case of corporations two sort of segmentations have been undertaken: small and medium sized (SME) versus large enterprises, and short term versus long term loans. For households, a distinction between loans for house purchase and consumer credit and other lending has been made.

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

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

The results of the survey are as follows:

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



## I. Loans or credit lines to enterprises

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

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

Diffusion index %	Oct.10		Jul.10		
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
	60	60	50	50	70
	70	60	60	50	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
- ° = 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.10	Jul.10
<b>A) Cost of funds and balance sheet constraints</b>								
• Costs related to your bank's capital position <sup>(1)</sup>	1	3	1				50	40
• Your bank's ability to access market financing (e.g. money or bond market financing) <sup>(2)</sup>	2	2	1				60	70
• Your bank's liquidity position	2	2	1				60	50
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	0
• Competition from non-banks			5				0	0
• Competition from market financing			5				0	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	2	2	1				60	50
• Industry or firm-specific outlook		4	1				40	50
• Risk on the collateral demanded		3	2				30	30

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

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

(To be continued)

(Continued)

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

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

**Loans to large enterprises**

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

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

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

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

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

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

Diffusion index %	Oct.10				
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Oct.10	0	10	-20	10	-30
Jul.10	0	0	-20	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
- o = contributed to basically unchanged demand
- + = contributed somewhat to higher demand
- ++ = contributed considerably to higher demand
- NA = not applicable

	--	-	o	+	++	NA	Diffusion index %	
							Oct.10	Jul.10
<b>A) Financing needs</b>								
• Fixed investment		4	1				-40	-50
• Inventories and working capital			2	3			30	0
• Mergers/acquisitions and corporate restructuring		1	4				-10	-30
• Debt restructuring			1	4			40	20
<b>B) Use of alternative finance</b>								
• Internal financing		1	3	1			0	-20
• Loans from other banks		1	4				-10	0
• Loans from non-banks		1	4				-10	0
• Issuance of debt securities		1	4				-10	0
• Issuance of equity		1	4				-10	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	3	3	3	2	4
Remain basically unchanged	2	2	2	3	1
Ease somewhat					
Ease considerably					

Diffusion index %	Oct.10				
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Oct.10	30	30	30	20	40
Jul.10	30	30	30	30	50

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

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

Diffusion index %	Oct.10		Jul.10		
	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
	-10	-10	-20	10	-20
	0	10	-10	10	-30

## II. Loans to households

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

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

Diffusion index %	Oct.10		Jul.10	
	Loans for house purchase	Consumer credit and other lending	Loans for house purchase	Consumer credit and other lending
	30	30	50	40

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.10	Jul.10
<b>A) Cost of funds and balance sheet constraints</b>	2	2	1				60	50
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	0
• Competition from non-banks			4			1	0	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	1	3	1				50	40
• Housing market prospects	1	2	2				40	30

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.10	Jul.10
<b>A) Price</b>								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	3	1				50	60
• Your bank's margin on riskier loans	3	1	1				70	80
<b>B) Other conditions and terms</b>								
• Collateral requirements		1	4				10	20
• "Loan-to-value" ratio		2	3				20	30
• Maturity		1	4				10	20
• Non-interest rate charges		1	4				10	20

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.10	Jul.10
<b>A) Cost of funds and balance sheet constraints</b>	2	1	2				50	50
<b>B) Pressure from competition</b>								
• Competition from other banks			5				0	10
• Competition from non-banks			5				0	0
<b>C) Perception of risk</b>								
• Expectations regarding general economic activity	1	3	1				50	40
• Creditworthiness of consumers	1	2	2				40	50
• Risk on the collateral demanded		2	3				20	30

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.10	Jul.10
<b>A) Price</b>								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	2	1	2				50	60
• Your bank's margin on riskier loans	3		2				60	70
<b>B) Other conditions and terms</b>								
• Collateral requirements	1	2	2				40	40
• Maturity		1	4				10	20
• Non-interest rate charges		2	3				20	20

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

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

Diffusion index %	Oct.10	
	Apr.10	-40
	-20	-10

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.10	Jul.10
<b>A) Financing needs</b>								
• Housing market prospects		4	1				-40	-30
• Consumer confidence		5					-50	-30
• Non-housing related consumption expenditure		1	4				-10	-20
<b>B) Use of alternative finance</b>								
• Household savings		1	4				-10	-20
• Loans from other banks			5				0	20
• 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.10	Jul.10
<b>A) Financing needs</b>								
• Spending on durable consumer goods (such as cars, furniture, etc.)		1	3	1			0	0
• Consumer confidence		4	1				-40	-30
• Securities purchases			5				0	0
<b>B) Use of alternative finance</b>								
• Household saving		1	4				-10	-20
• 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	2	1
Remain basically unchanged	3	4
Ease somewhat		
Ease considerably		

Diffusion index % Oct.10	20	10
Jul.10	30	40

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

	Loans for house purchase	Consumer credit and other lending
Decrease considerably		
Decrease somewhat	4	2
Remain basically unchanged	1	2
Increase somewhat		1
Increase considerably		

Diffusion index % Oct.10	-40	-10
Jul.10	-30	-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 2010 and will affect them in the next three months.

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

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

(1) Also taking into account any effect of state guarantees for debt securities and recapitalisation support.  
(2) NA = not applicable: the source of funding is not relevant for the bank.  
(3) Usually involves on-balance sheet funding.  
(4) Usually involves the sale of loans from banks' balance sheets, i.e. off-balance sheet funding.  
(5) Usually involves the use of credit derivatives, with the loans remaining on banks' balance sheets.

2. 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	2
Considerable impact on capital, and some impact on lending		
Some impact on both capital and lending	4	3
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