EUROPEAN CENTRAL BANK

EUROSYSTEM

5 October 2007

# THE EURO AREA BANK LENDING SURVEY

# – OCTOBER 2007 –

## 1. Overview of the results

**The results reported in the October 2007 bank lending survey relate to the changes during the third quarter of 2007 and expectations of changes over the fourth quarter of 2007. Please note that due to the credit market tensions which began this summer, the October 2007 survey was moved forward by approximately one month. In addition, a number of ad hoc questions specifically dealing with the implications of the recent events in the credit market were also included in this survey round. The replies to the ad hoc questions are dealt with at the end of this briefing note.**

*This report presents the results of the bank lending survey for the euro area that was conducted in September 2007. The cut-off date for receipt of data from the banks participating in this survey was 27 September 2007.*

*The results of the October 2007 bank lending survey which refer to the third quarter of 2007 indicate a net tightening of the credit standards for loans to enterprises (from a net easing of -3% in the second quarter of 2007 to 31% in the third quarter of 2007). This follows a long period of standards remaining basically unchanged or being slightly eased. The net tightening most likely reflects the worsening of global credit market conditions. In the third quarter of 2007, banks also reported a net tightening of credit standards for housing loans to households (from a net easing of -1% in the second quarter of 2007 to 12% in the third quarter of 2007), following a slight net easing in the previous quarter. Credit standards for consumer credit and other lending to households were eased slightly, compared with basically unchanged standards in the previous quarter.*

*With regard to the demand for loans, banks reported that net demand for loans to enterprises remained slightly positive, albeit declining compared with the previous quarter. Net demand for loans to households for house purchase continued to be significantly negative in the third quarter of 2007, whereas over the same period net demand for consumer credit and other lending remained basically unchanged, which was a reduction compared with the previous quarter.*

*This survey round also contains a set of ad hoc question addressing the effect of the current credit market events on credit standards and lending. The credit market events have had a different impact on credit standards depending on the loan segment. Loans and credit lines to enterprises were more affected than* *loans to households. More banks expect the recent developments in credit markets to have an effect on credit standards over the next three months than was seen over the past three months.*

*Banks generally reported that the recent turmoil in the credit markets has hampered the conditions of access to wholesale funding over the past three months, and may hamper funding over the next three months. Banks' willingness to lend over the next three months may be affected, to some extent, by the effect of the credit market events on the costs related to the banks' capital position.*

***General notes***

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks.[1] Its main purpose is to enhance the understanding of bank lending behaviour in the euro area.[2]

The questions distinguish between three categories of loans: loans or credit lines to enterprises, loans to households for house purchase, and consumer credit and other lending to households. For all categories, questions are posed on credit standards for approving loans, credit terms and conditions, and credit demand and the factors affecting it.

The questions related to credit standards are analysed in this report by focusing on the difference ("net percentage") between the share of banks reporting that credit standards have been tightened and those reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing"). Likewise, the term "net demand" refers to the difference between the share of banks reporting an increase in loan demand and the share of those reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.

The survey questions are phrased in terms of changes over the past three months (in this case in the third quarter of 2007) or expectations of changes over the next three months (i.e. in the fourth quarter of 2007).

A copy of the questionnaire can be found at http://www.ecb.int/stats/pdf/bls_questionnaire.pdf.

## *Loans or credit lines to enterprises*

**Credit standards:** Reflecting the credit market turmoil affecting euro area banks over the past weeks, credit standards for loans or credit lines to enterprises tightened in net terms in the third quarter of 2007

[1] The sample group of banks participating in the survey comprises 90 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. Since these banks differ considerably in size, the survey results are weighted according to the national shares in the total amount outstanding of euro area lending to euro area residents. 87 of the banks participated in the October 2007 survey with an overall response rate of 97%.

[2] For further information on the bank lending survey, please see the ECB press release of 21 November 2002 entitled "Bank lending survey for the euro area", the April 2003 Monthly Bulletin article entitled "A bank lending survey for the euro area" and J. Berg et al. (2005), "The bank lending survey for the euro area", ECB Occasional Paper No 23.

(31% compared with -3% in the previous quarter). This follows a long period where credit standards remained basically unchanged or were slightly eased (see Chart 1a, panel a). It may furthermore be noted that virtually all banks, which tightened credit standards on loans to enterprises, reported that they "tightened somewhat" rather than "tightened considerably" (see table on page 15). For the first time since the inception of the survey, competition from other banks contributed towards a net tightening of credit standards (see Chart 1a, panel e). Banks' capital and liquidity position and their access to market funding also contributed towards a net tightening of credit standards (see Chart 1a, panel b). Also a worsening of banks' risk perception regarding general economic activity and industry or firm-specific outlook contributed towards a net tightening (see Chart 1a, panels c and d).

With regard to the conditions and terms of credit (see Chart 8), banks tightened credit standards by widening their margins on average loans (11%, from -19% in the previous survey) as well as via the margins on riskier loans (37%, from 2% in the previous survey). Also other terms and conditions were applied to tighten credit standards in the third quarter of 2007, such as a shortening of the maturity of loans or credit lines, a decreasing of the size of the loans or credit lines, as well as the demand for more loan covenants and collateral.

The net tightening of credit standards applied both to small and medium-sized enterprises (15%, from -7% in the previous quarter; see Chart 1b and Chart 6) and, in particular, to the credit standards applied to large enterprises (33%, from -1% in the previous quarter). As regards loan maturities, the net tightening was somewhat more pronounced for long-term loans (30%, from -4% in the previous survey) than for short-term loans (16%, from -2% in the previous survey).

**Chart 1a. Changes in credit standards applied to the approval of loans or credit lines to enterprises**
*(net percentages of banks reporting tightening standards)*

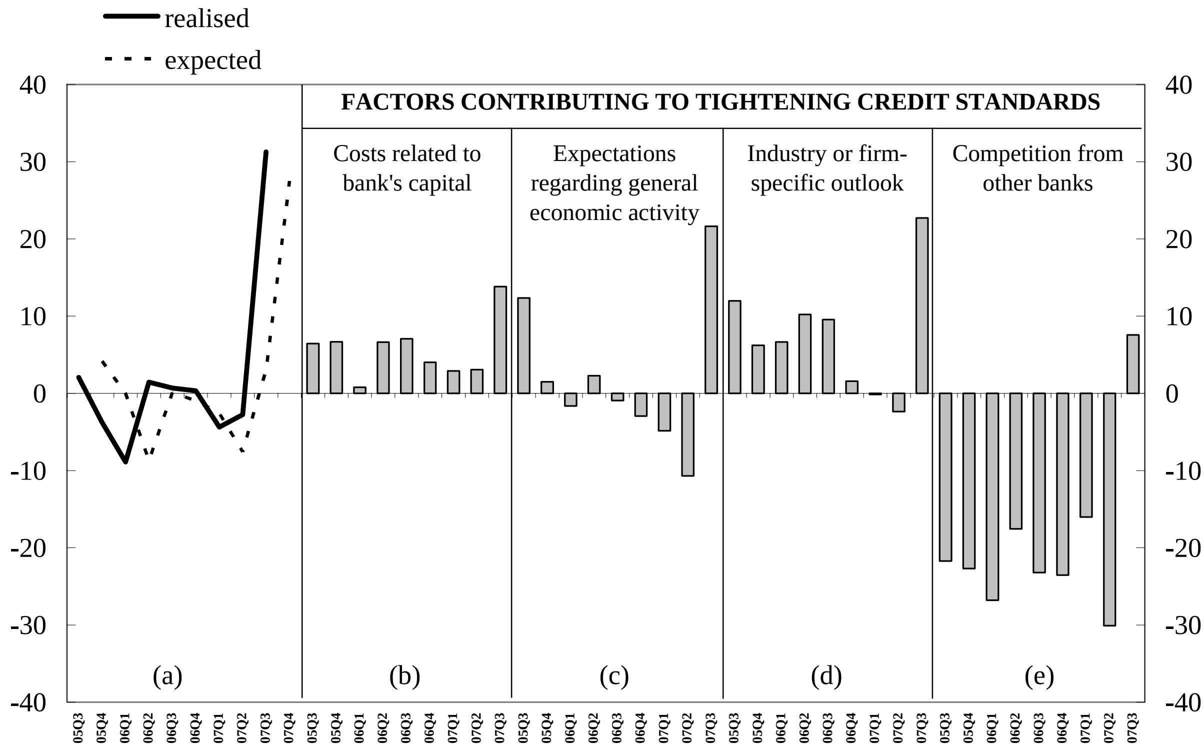
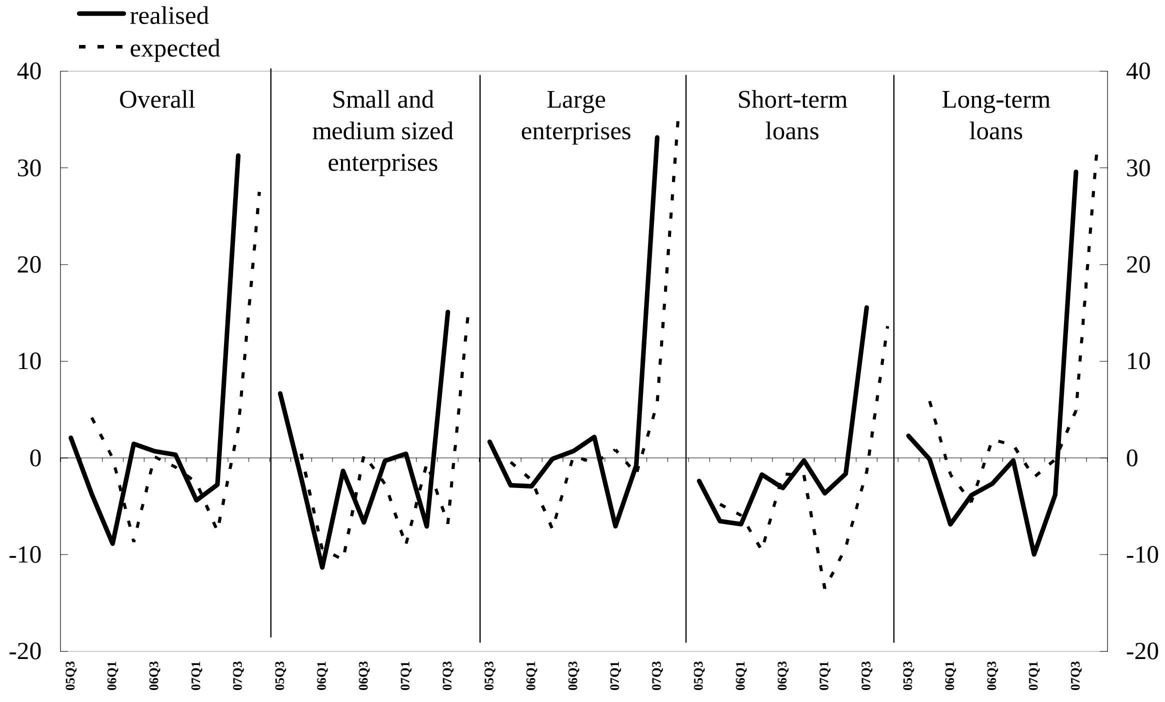


**Chart 1b. Changes in credit standards applied to the approval of loans or credit lines to enterprises**
*(net percentages of banks contributing to tightening standards)*




*Notes: The net percentage refers to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased considerably" and "eased somewhat". "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the fourth quarter of 2007 were reported in the October 2007 survey. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening or to an easing.*

**Loan demand:** Compared with the strong demand for corporate loans observed over the past two years, in the third quarter of 2007 net demand for loans by enterprises slowed down, although it remained slightly positive (5% compared with 18% in the previous round; see Chart 2a, panel a). The main factor behind the still positive net demand was fixed investment, whereas financing for inventories and working capital as well as for mergers and acquisitions (M&A) and corporate restructuring contributed to the slowdown in demand (see Chart 2b and Chart 10a). Notably, another factor contributing to positive loan demand (although to a modest extent) was the issuance of debt securities, which may suggest that some firms have turned to banks possibly owing to difficulties in tapping the corporate debt market for funding during the past weeks (see Chart 2b and Chart 10b).

In terms of borrower size, net loan demand from small and medium-sized enterprises continued to be stronger than for large enterprises (6% and -1%, respectively; see Chart 2a, panels b and c). Net demand was positive across the maturity spectrum, with demand for long-term loans being somewhat stronger than for short-term loans (see Chart 2a, panels d and e).

**Chart 2a. Changes in demand for loans or credit lines to enterprises**

*(net percentages of banks reporting a positive contribution to demand)*

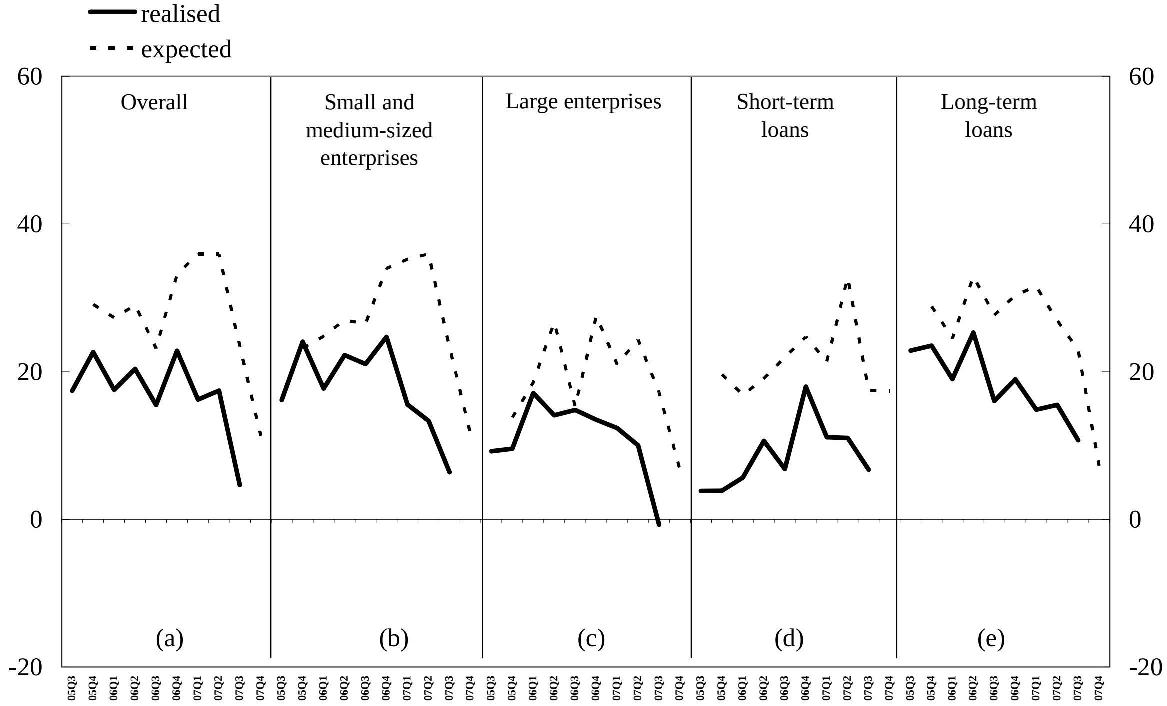
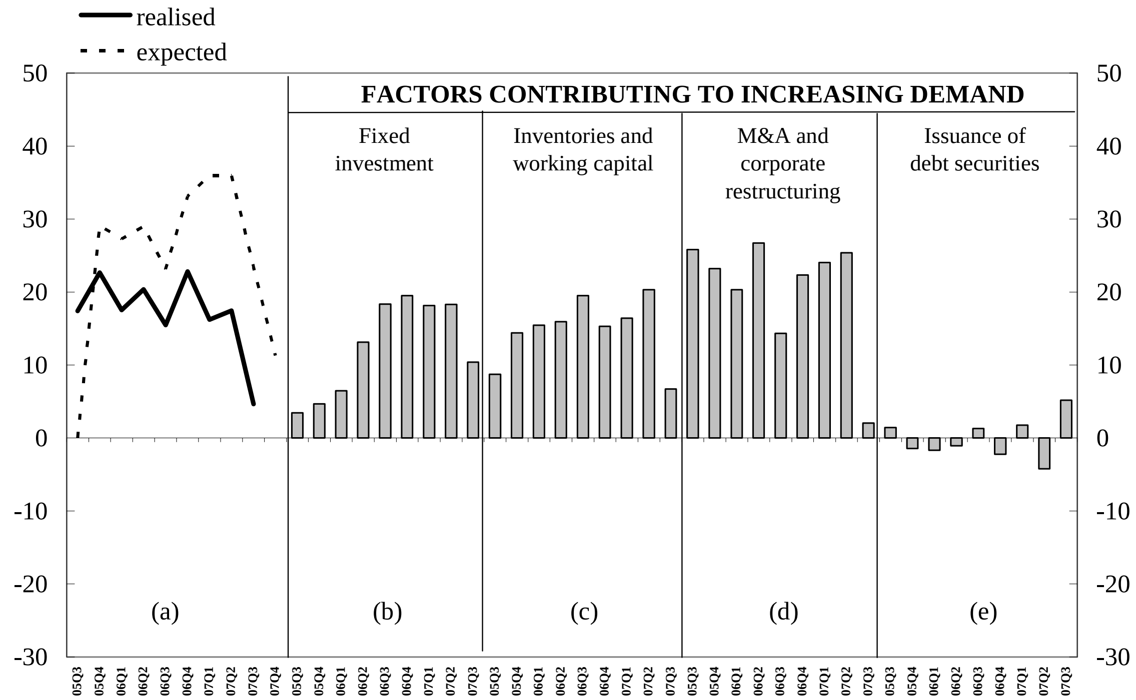



**Chart 2b. Changes in demand for loans or credit lines to enterprises**

*(net percentages of banks reporting a positive contribution to demand)*




*Notes: The net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased considerably" and "decreased somewhat". "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the fourth quarter of 2007 have been reported in the October 2007 survey.*

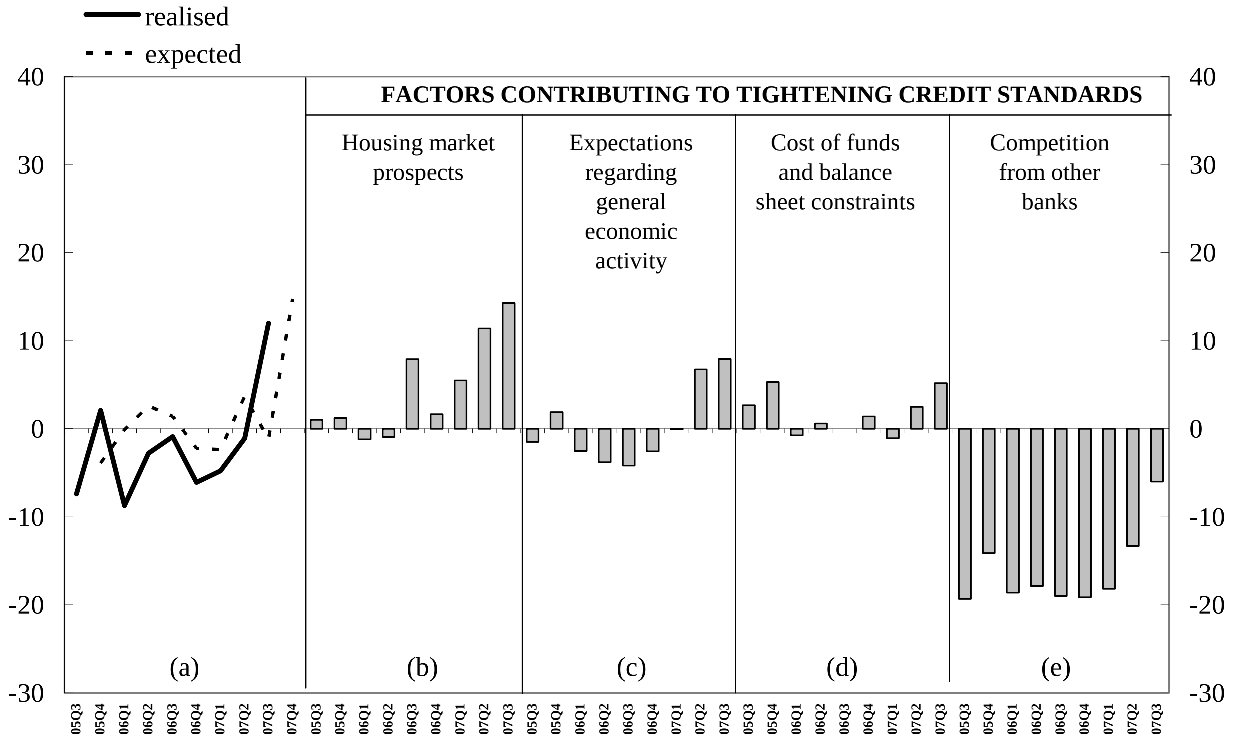
**Expectations:** Looking ahead to the fourth quarter of 2007, banks expect a further net tightening of credit standards applied on loans to enterprises (see Chart 1a, panel a). Demand for loans by enterprises is expected to remain positive, although less than in the previous quarter. Banks also expect corporate net demand across all firm sizes and loan maturities to remain positive in the fourth quarter of 2007 (see Chart 2a).

### *Loans to households for house purchase*

**Credit standards:** In the third quarter of 2007, banks reported a net tightening of credit standards for housing loans to households, following a slight net easing in the previous quarter (12% from -1% in the previous survey round; see Chart 3, panel a). The main factors behind the net tightening were a slight deterioration of banks' balance sheet position and a worsening of housing market prospects as well as expectations regarding general economic activity (see Chart 3, panels b and c). Competition from other banks continued to contribute towards a net easing, although less pronounced than in previous quarters (see Chart 3, panel e).

The net tightening for loans for house purchase was mainly implemented via a widening of the margins on riskier loans and via higher collateral requirements and loan-to-value ratios (see Chart 15). At the same time, margins on average loans continued to contribute to a net easing, but somewhat less than in previous quarters (-8% from -22% in the previous quarter).

**Chart 3. Changes in credit standards applied to the approval of loans to households for house purchase** *(net percentages of banks reporting tightening credit standards)*

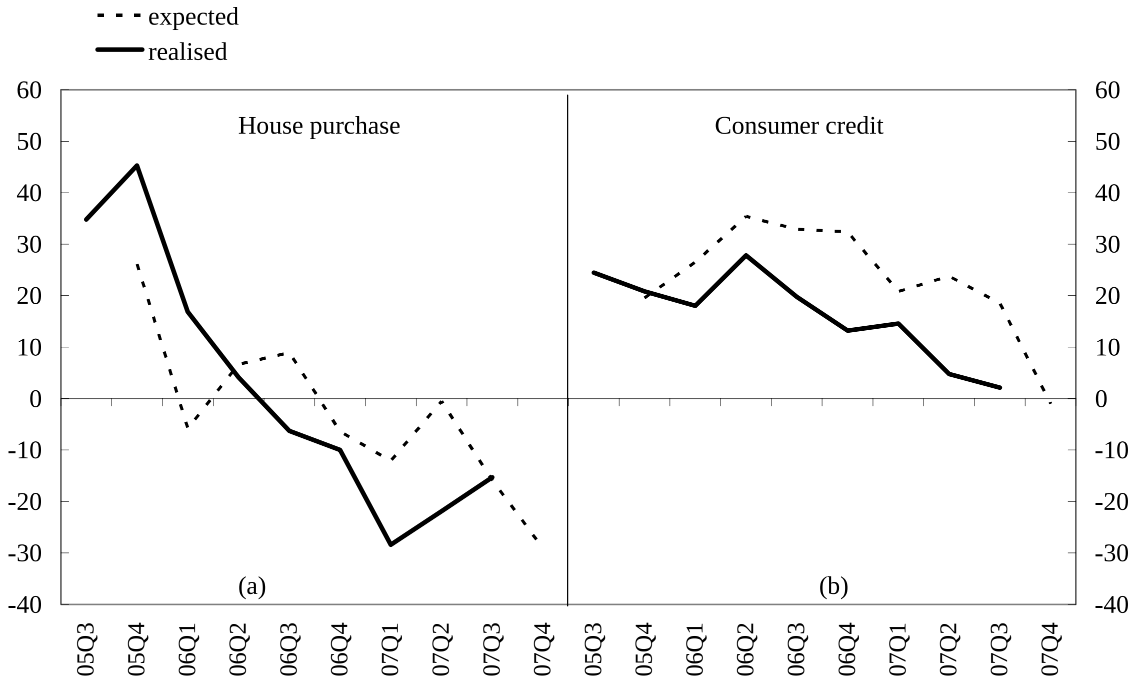



*Note: see notes to Chart 1.*

**Loan demand:** The net demand for housing loans to households continued to be significantly negative in the second quarter of 2007 at -15% (from -22% in the previous quarter; see Chart 4, panel a). This essentially reflected a less favourable assessment of housing market prospects (see Chart 19) and a worsening of consumer confidence. It should also be noted that the bank lending survey does not directly capture other factors affecting loan demand for house purchase, in particular the level of interest rates, which may be a main driving force behind the decline in demand.

**Chart 4. Changes in demand for loans to households**

*(net percentages of banks reporting a positive contribution to demand)*



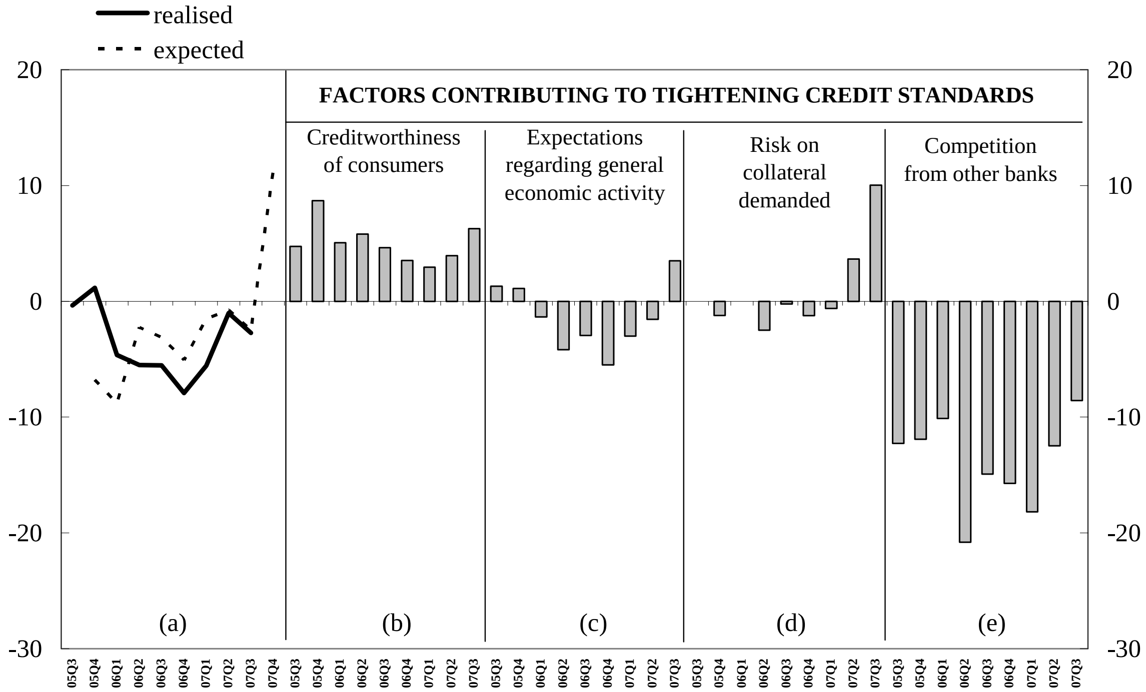

*Note: see notes to Chart 2a.*

**Expectations:** For the fourth quarter of 2007, respondent banks expect a further net tightening of credit standards for loans to households for house purchase (see Chart 3, panel a). In addition, banks expect net demand to remain significantly negative over the same period (see Chart 4, panel a).

### *Consumer credit and other lending to households*

**Credit standards**: In the third quarter of 2007, banks reported a slight net easing of credit standards applied to the approval of loans to households for consumer credit and other lending, compared with basically unchanged standards in the previous quarter. (-3%, from -1% in the previous round; see Chart 5, panel a). Competition from other banks remained the main driver behind the net easing (see Chart 5, panel e), whereas consumer creditworthiness and risks related to the collateral demanded, as well as less favourable expectations about the general economic outlook, were the main factors contributing towards a net tightening (see Chart 5, panels b to d). The net easing was mainly implemented via a lengthening of loan maturities, whereas margins on average and riskier loans contributed towards a net tightening (see Chart 17).

**Chart 5. Changes in credit standards applied to the approval of consumer credit and other lending to households** *(net percentages of banks reporting tightening credit standards)*




*Note: see notes to Chart 1.*

**Loan demand:** Banks reported that net demand for consumer credit and other lending to households remained positive but basically unchanged in the third quarter of 2007 (2% compared with 5% in the previous round; see Chart 4, panel b).

**Expectations:** For the fourth quarter of 2007, respondent banks expect credit standards for consumer credit and other lending to households to tighten considerably (11% compared with -3% in the previous round; see Chart 5, panel a). Over the same period, banks expect the net demand for loans to households for consumer credit and other lending to remain basically unchanged (see Chart 4, panel b).

## 2. Ad hoc questions on credit market events

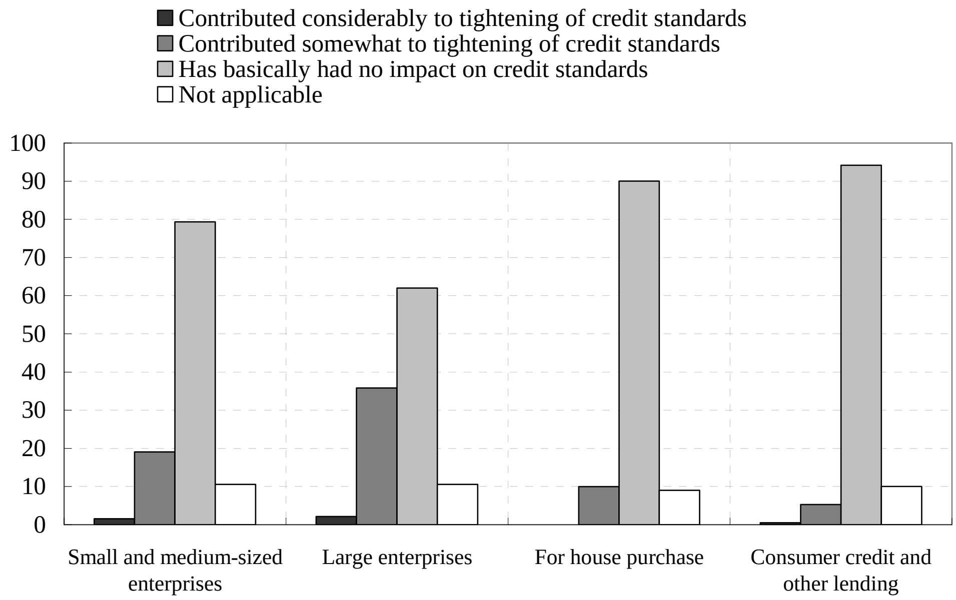
For the second time, the bank lending survey includes a set of ad hoc questions. The questions asked this time aim to gauge the extent to which the tensions in US sub-prime mortgage-related bonds and their spillover into structured credit markets in August 2007 — that has led to a more cautious valuation of credit risk worldwide — has affected banks' credit standards for loans and credit lines to enterprises and loans to households in the euro area. The questions focus first on the impact on credit standards (Section 2.1) and then on access to wholesale funding (Section 2.2).

### 2.1. Impact on credit standards

The credit market events have had a different impact on credit standards depending on the loan segments (see Chart A). Loans and credit lines to enterprises were more affected than loans to households. Credit standards for loans and credit lines to large enterprises, in particular, were somewhat tightened, as reported by more than one-third of the respondent banks. The credit standards for loans and credit lines to small and medium-sized enterprises were also somewhat tightened (21%), and more than those for loans to households for house purchase (10%) or for consumption and other purposes (6%).

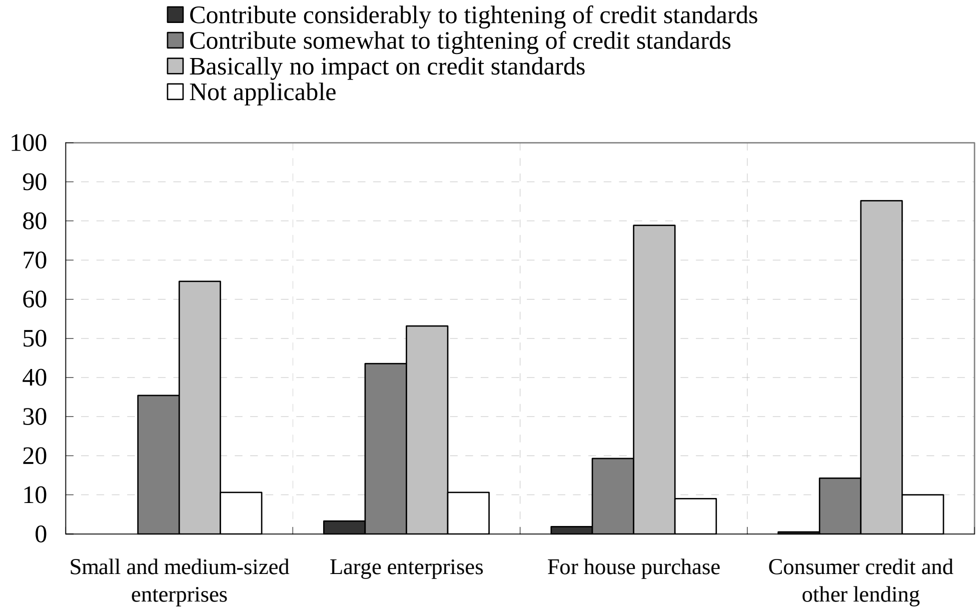
Across all loan segments, more banks expect recent credit market events to have an effect on credit standards over the next three months (see Chart B) than was seen over the past three months. For example, nearly 50% of the banks said that the credit market events were expected to contribute to a tightening of credit standards for loans and credit lines to large enterprises over the next three months, compared with only around 40% for the effect over the past three months.

**Chart A. Effect of the recent turmoil in the credit markets on banks' credit standards over the past three months** *(percentages of banks)*




*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

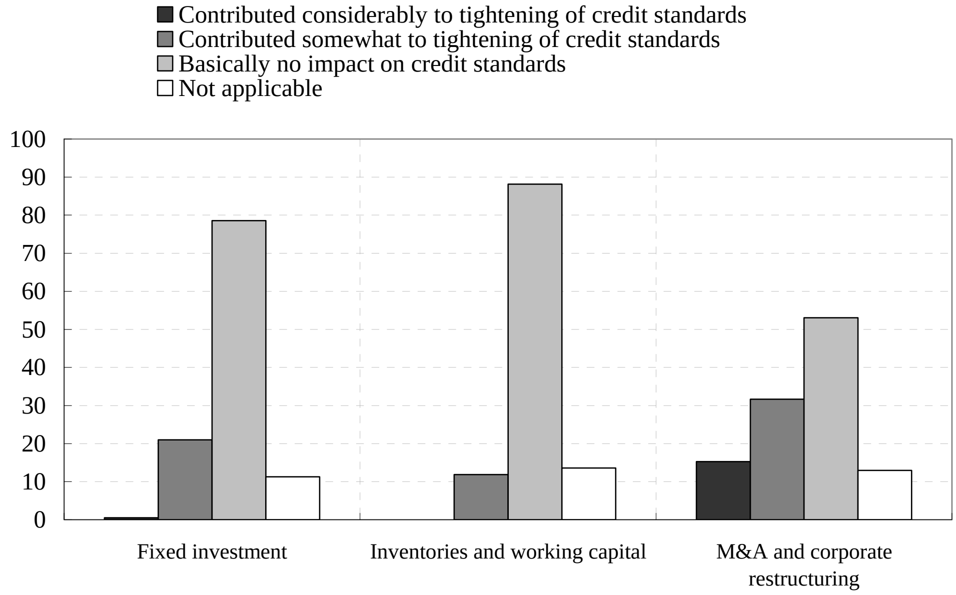
**Chart B. Expected effect of the recent turmoil in the credit markets on banks' credit standards over the next three months** *(percentages of banks)*




*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

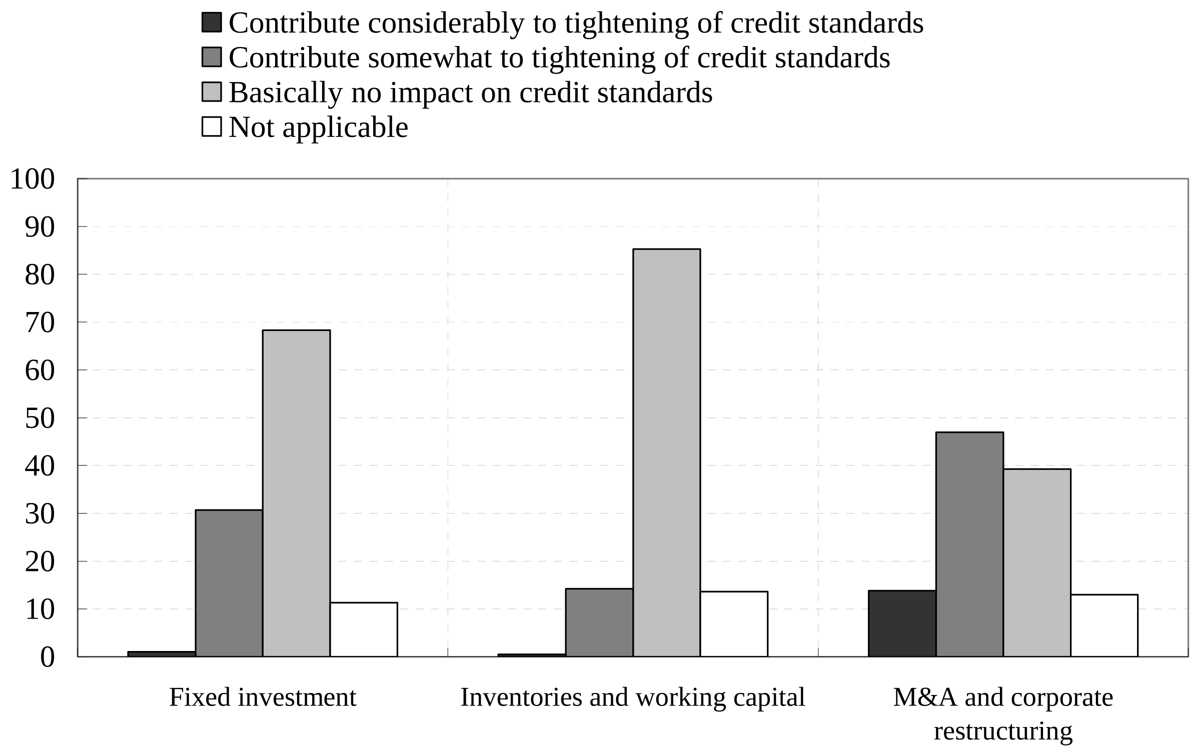
Focusing more specifically on loans and credit lines to enterprises, the credit market events have contributed to a tightening of credit standards over the past three months, in particular for loans related to M&A and corporate restructuring: 32% of the banks reported some tightening and a further 15% reported considerable tightening (see Chart C). The tightening of credit standards was less pronounced for loans financing fixed investment (22%). Banks expect for the next three months more tightening of credit standards, not only for M&A and corporate restructuring related loans, but also for loans financing fixed investment (see Chart D). For example, 32% of the banks responded that the credit market events are expected to contribute to a tightening of credit standards for loans and credit lines to enterprises for fixed investment over the next three months, compared with 22% for the effect over the past three months.

**Chart C. Effect of the recent turmoil in the credit markets on banks' credit standards for the approval of loans and credit lines to enterprises over the past three months** *(percentages of banks)*




*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

**Chart D. Expected effect of the recent turmoil in the credit markets on banks' credit standards for the approval of loans and credit lines to enterprises over the next three months** *(percentages of banks)*

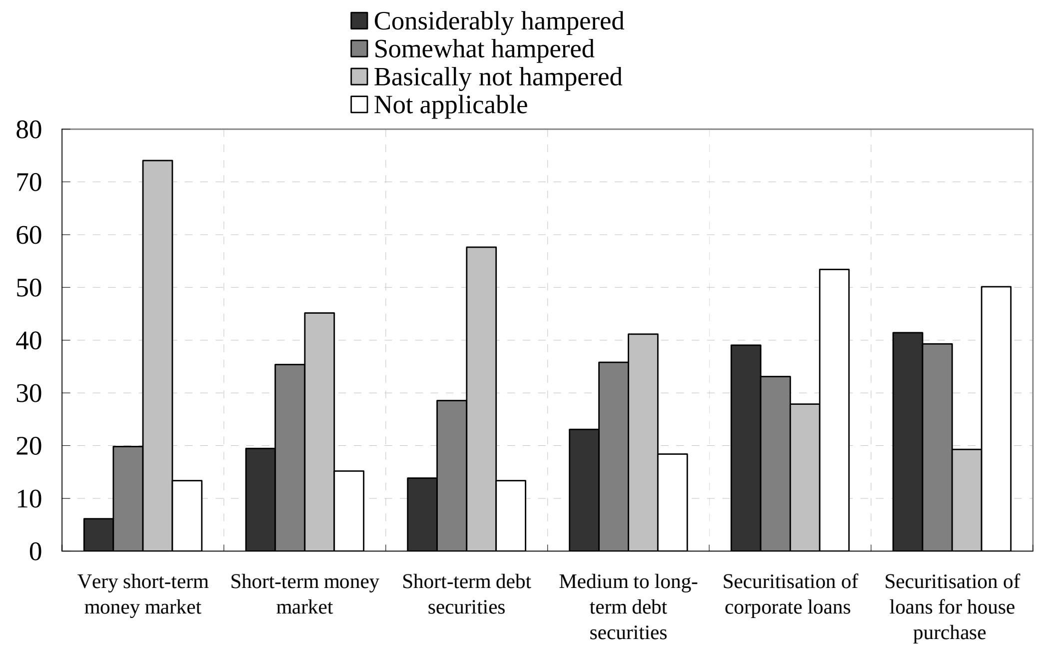



*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

## 2.2. Access to funding

Banks generally reported that the recent tensions in the credit markets have hampered their access to wholesale funding over the past three months (see Chart E).[3] In particular, securitisation activity was hampered for the selling of loans for house purchase (80%) and corporate loans (72%) for those banks that usually engage in such activities. Banks also reported difficulties in accessing wholesale funds through the inter-bank money market. Banks had difficulties in raising funds both through medium to long-term bonds and through short-term debt securities over the past three months. Wholesale funding market access is not expected to become easier over the next three months (see Chart F), although there are some differences according to funding sources. Access to inter-bank and short-term debt securities markets is expected to continue to be hampered over the next three months broadly as much as they have been over the past three months, albeit at a weaker intensity (that is, a reduction in the percentage of banks responding "considerably hampered" and a corresponding increase in the percentage of banks responding "somewhat hampered"). By contrast, securitisation of corporate loans is expected to become somewhat more difficult over the next three months in comparison with the past three months.

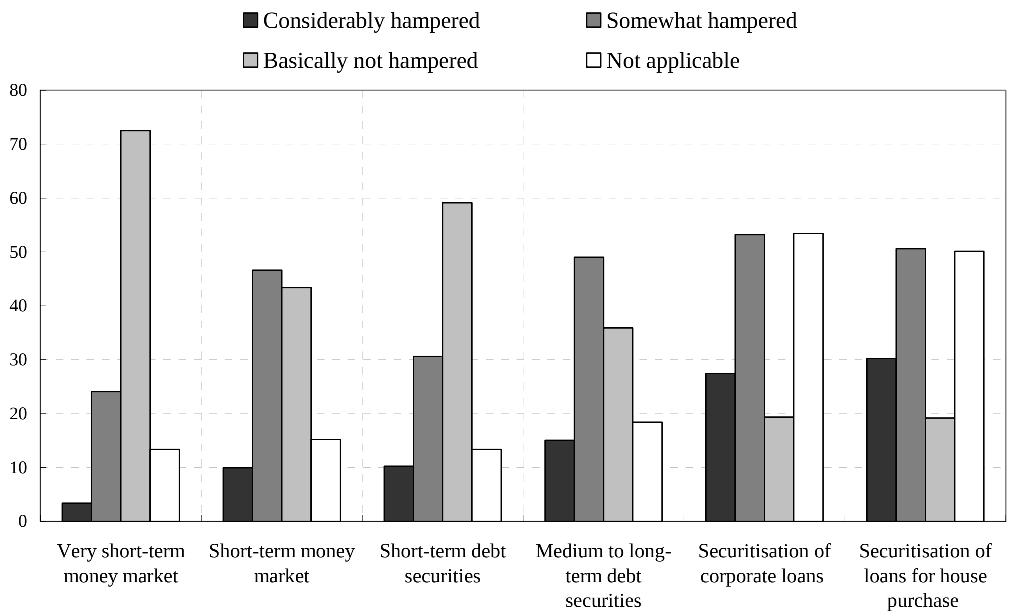
**Chart E. Access to wholesale funding over the past three months** *(percentages of banks)*




*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

[3] It should be noted that not all the funding methods are relevant for the banks in the various euro area countries.

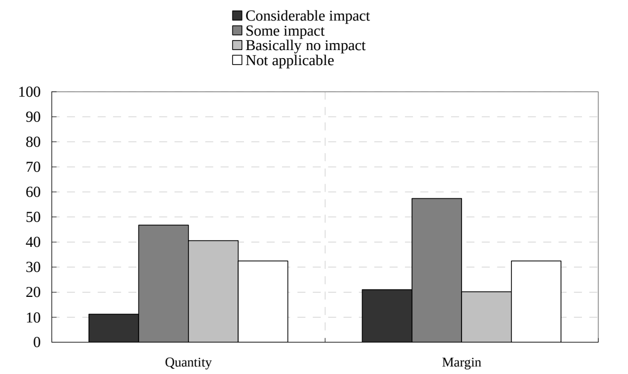
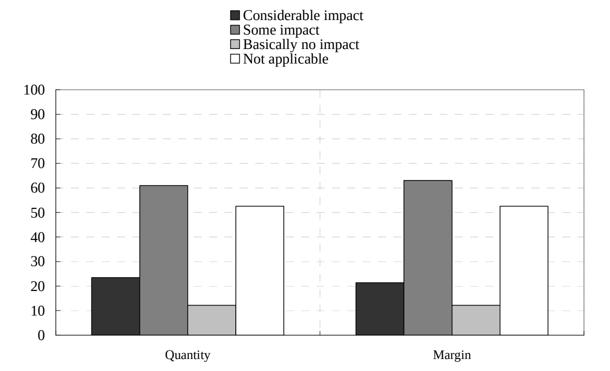
**Chart F. Expected access to wholesale funding over the next three months** *(percentages of banks)*




*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

Difficulties in accessing wholesale funding over the next three months are also expected to exert some impact on the quantity that those banks are willing to lend and/or the margin at which funds are lent over the next three months (see Chart G). Among those banks that expected one or more of their usual means of accessing wholesale markets to be considerably or somewhat hampered over the next three months, around 45%-65% responded that this may have some impact on lending over the next three months and a further 10% to 25% responded that this may have a considerable impact. The impact expected, irrespective of the funding source, reflects both the willing to lend and/or the margin at which funds are lent.

**Chart G. Difficulties in accessing wholesale funding sources and impact on lending over the next three months** *(percentages of banks)*

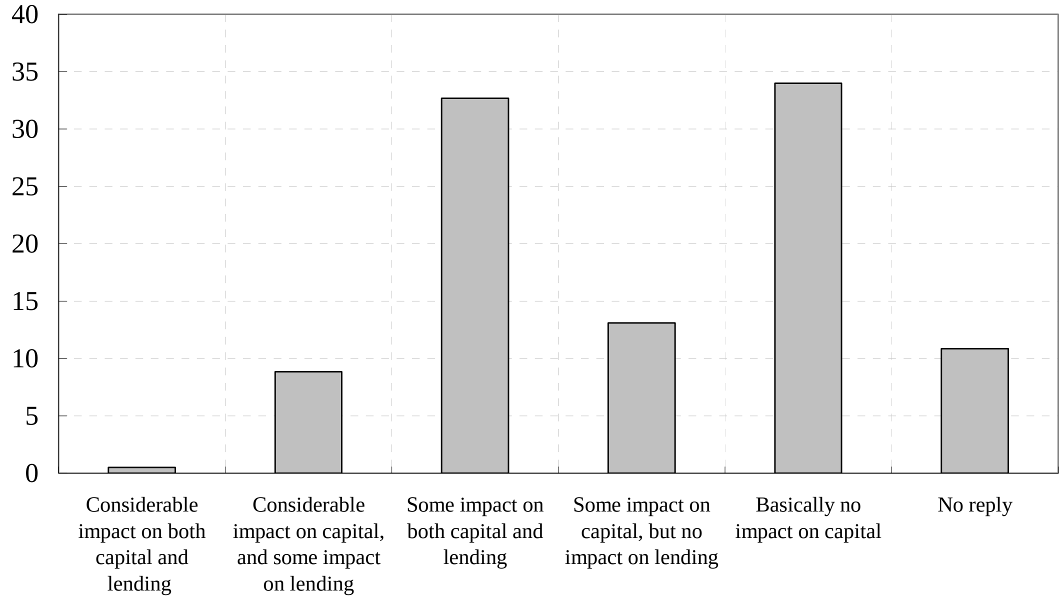
| (a) For money markets, debt securities or other markets | (b) For securitisation |
|---|---|
|  |  |



*Note: The column "not applicable" is calculated as the number of banks replying "not applicable" as a percentage of the total number of banks participating in the survey. All the other columns are calculated as the number of banks choosing a particular response as a percentage of the number of banks not replying "not applicable". All figures are weighted averages of country results.*

The willingness of some banks to lend over the next three months may be affected to some extent by the effect of the credit market events on the costs related to banks' capital position: 41% of the banks responded that this may reflect mostly some (33%) or in a few cases a considerable (9%) impact from the credit market events on capital (see Chart H). At the same time, it should be noted that around half of the banks (47%) do not expect the capital position to prejudice their willingness to lend over the next three months, mostly because they do not expect the credit market events to affect the costs related to banks' capital position at all (34%).

**Chart H. The expected effect of credit market events on the costs related to banks' capital position and the impact on lending over the next three months** *(percentages of banks)*




*Note: Figures are weighted averages of country results.*

# 3. Results for the individual questions

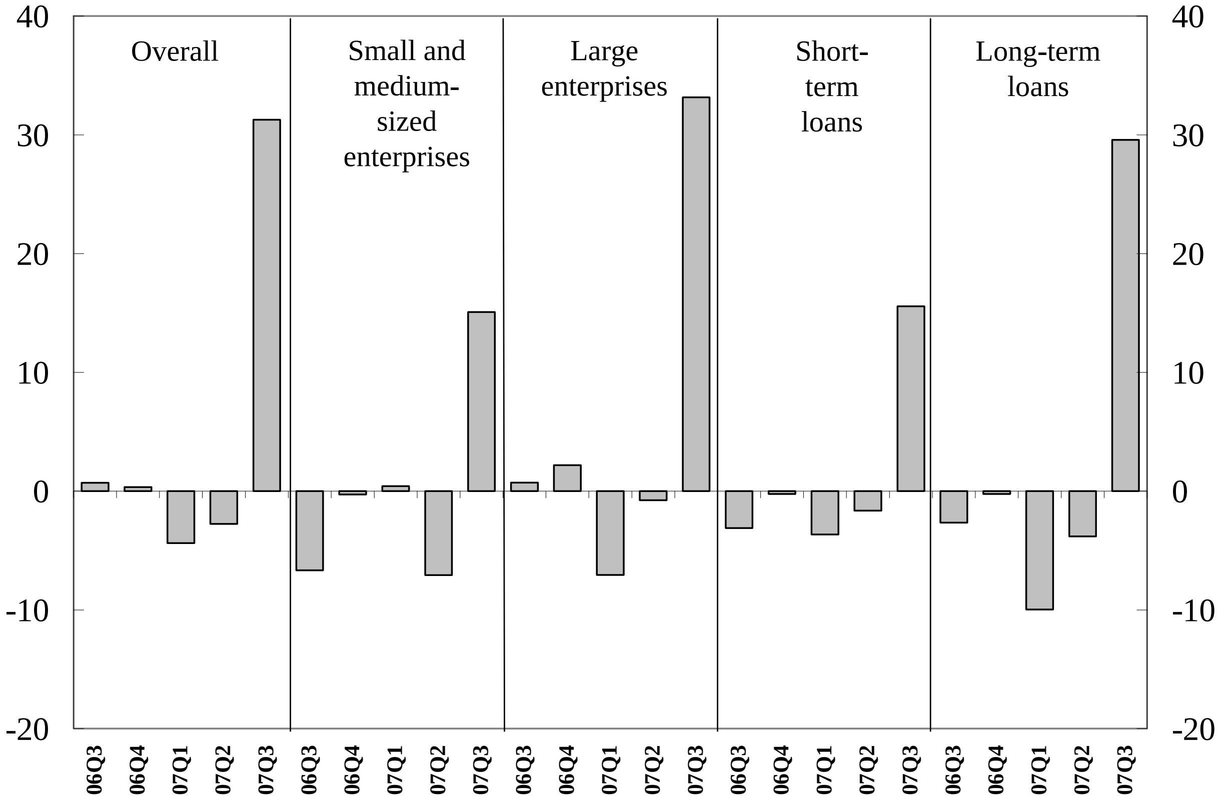
## I. Loans or credit lines to enterprises

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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 |
| Tightened considerably | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 |
| Tightened somewhat | 3 | 31 | 3 | 15 | 4 | 33 | 2 | 15 | 4 | 29 |
| Remained basically unchanged | 92 | 69 | 87 | 85 | 91 | 67 | 94 | 84 | 88 | 70 |
| Eased somewhat | 6 | 0 | 10 | 0 | 5 | 0 | 4 | 0 | 8 | 0 |
| Eased considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **-3** | **31** | **-7** | **15** | **-1** | **33** | **-2** | **16** | **-4** | **30** |
| *Mean* | *3.03* | *2.69* | *3.07* | *2.85* | *3.01* | *2.66* | *3.02* | *2.84* | *3.04* | *2.70* |
| ***Number of banks responding*** | ***85*** | ***82*** | ***84*** | ***82*** | ***84*** | ***82*** | ***85*** | ***82*** | ***85*** | ***82*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably".*

**Chart 6. Credit standards applied to the approval of loans or credit lines to enterprises**
*(net percentages of banks reporting tightening credit standards)*



2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of <u>loans or credit lines to enterprises</u>?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Cost of funds and balance sheet constraints | | | | | | | | | | |
| Costs related to your bank's capital position | 1 | 13 | 77 | 0 | 0 | 9 | 3 | 14 | 2.97 | 2.82 |
| Your bank's ability to access market financing | 4 | 9 | 78 | 0 | 0 | 9 | 0 | 13 | 3.00 | 2.81 |
| Your bank's liquidity position | 1 | 13 | 75 | 1 | 2 | 9 | 1 | 13 | 2.99 | 2.85 |
| B) Pressure from competition | | | | | | | | | | |
| Competition from other banks | 0 | 10 | 78 | 2 | 0 | 10 | -30 | 8 | 3.34 | 2.90 |
| Competition from non-banks | 0 | 6 | 82 | 0 | 0 | 12 | -3 | 6 | 3.03 | 2.91 |
| Competition from market financing | 1 | 10 | 78 | 0 | 0 | 12 | -6 | 10 | 3.07 | 2.87 |
| C) Perception of risk | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 25 | 62 | 4 | 0 | 9 | -11 | 22 | 3.12 | 2.77 |
| Industry or firm-specific outook | 0 | 23 | 68 | 0 | 0 | 9 | -2 | 23 | 3.03 | 2.77 |
| Risk on the collateral demanded | 0 | 13 | 77 | 0 | 0 | 10 | 1 | 13 | 2.99 | 2.85 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".*

**Chart 7a. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises**
*(net percentages of banks reporting tightening standards)*

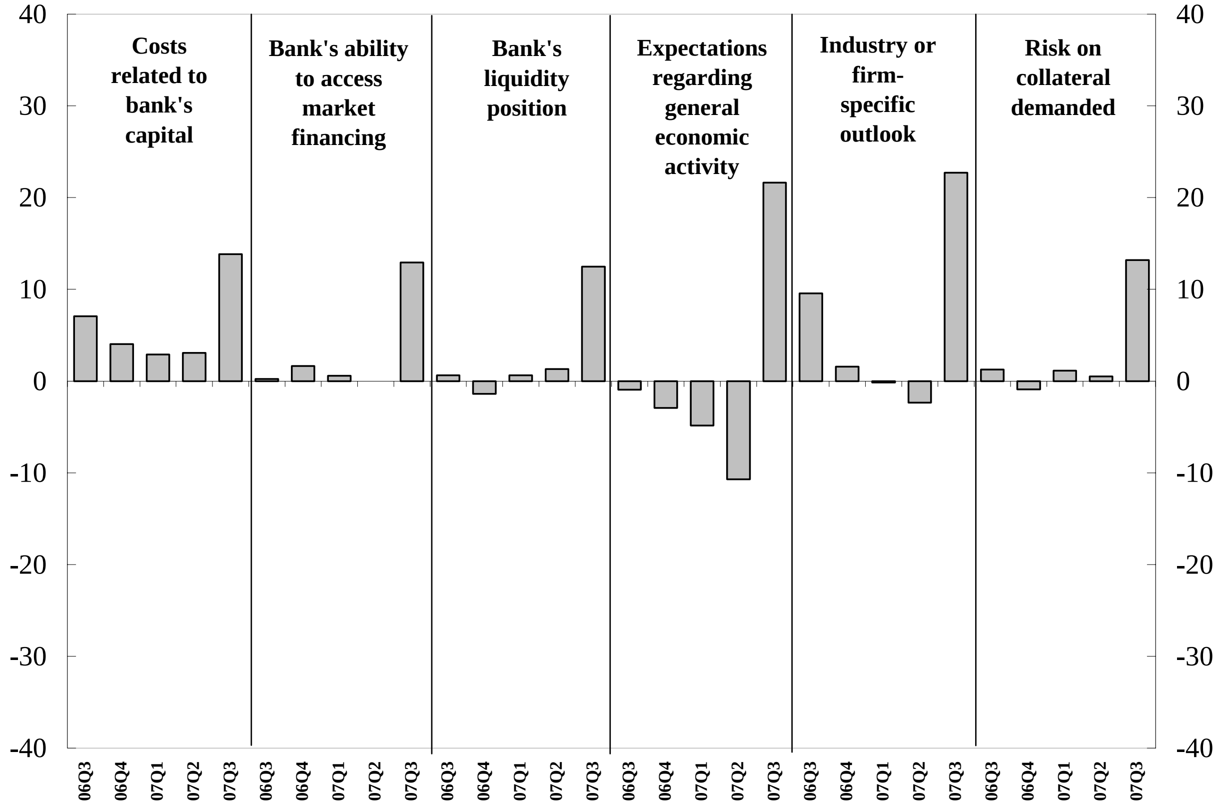
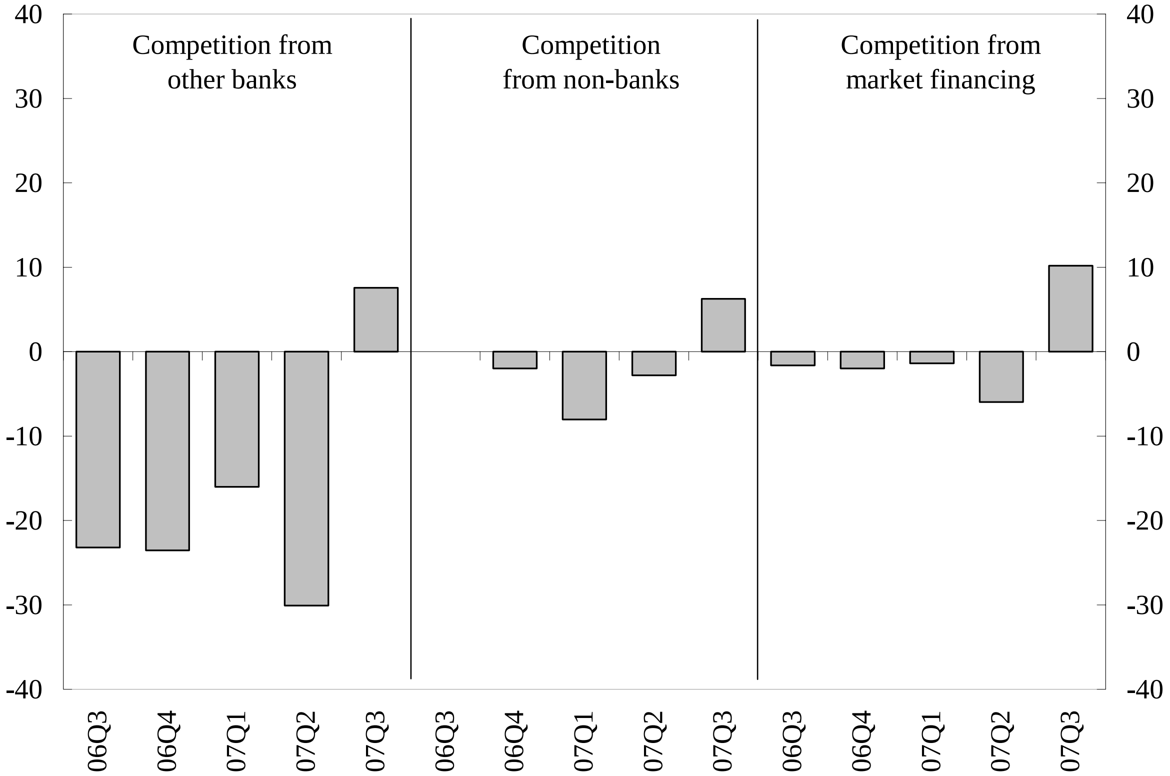


**Chart 7b. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises**
*(net percentages of banks reporting tightening standards)*



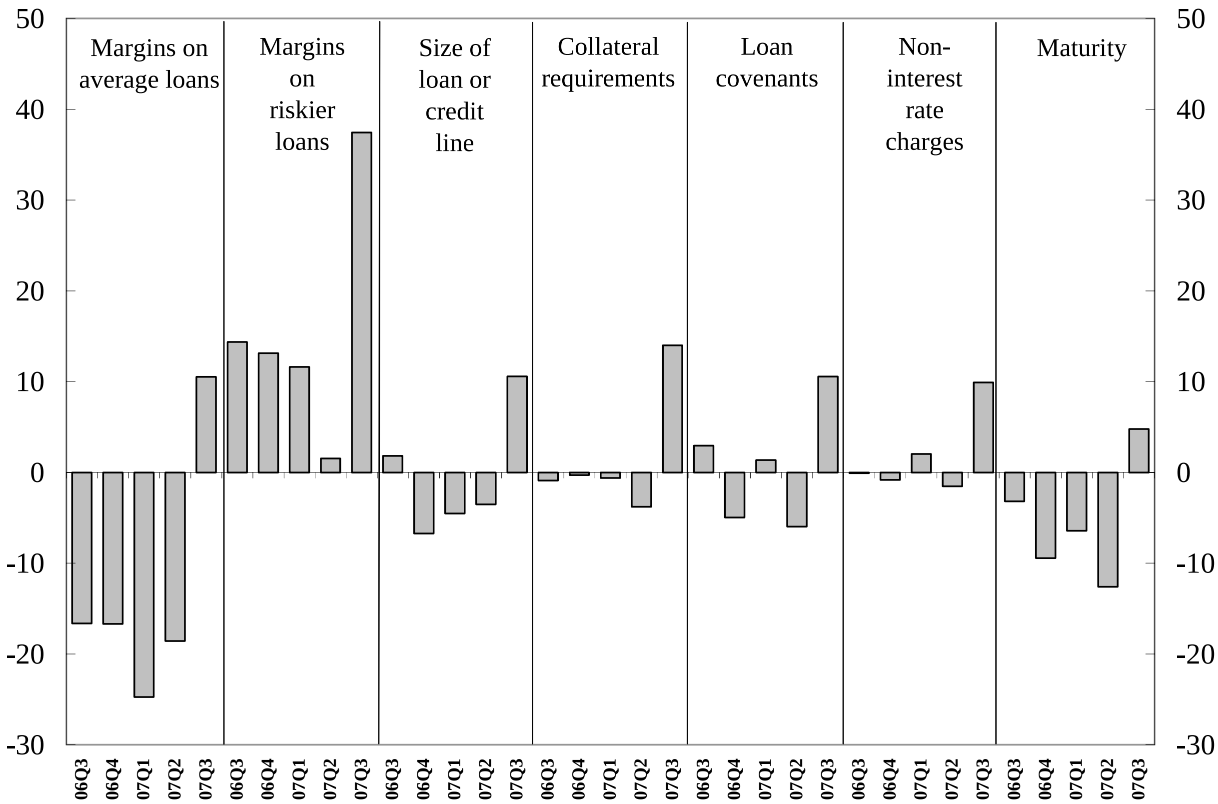
3. Over the past three months, how have your bank's conditions and terms for approving <u>loans or credit lines to enterprises</u> changed?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Price | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 22 | 58 | 12 | 0 | 8 | -19 | 11 | 3.20 | 2.87 |
| Your bank's margin on riskier loans | 1 | 36 | 54 | 0 | 0 | 9 | 2 | 37 | 2.99 | 2.57 |
| B) Other conditions and terms | | | | | | | | | | |
| Non-interest rate charges | 0 | 10 | 79 | 0 | 0 | 11 | -2 | 10 | 3.02 | 2.89 |
| Size of the loan or credit line | 0 | 11 | 79 | 0 | 0 | 10 | -4 | 11 | 3.04 | 2.89 |
| Collateral requirements | 0 | 15 | 75 | 1 | 0 | 10 | -4 | 14 | 3.04 | 2.85 |
| Loan covenants | 0 | 11 | 79 | 0 | 0 | 10 | -6 | 11 | 3.07 | 2.88 |
| Maturity | 2 | 5 | 81 | 2 | 0 | 10 | -13 | 5 | 3.14 | 2.93 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means "remained basically unchanged".*

**Chart 8. Conditions and terms for approving loans or credit lines to enterprises**
*(net percentages of banks reporting tightening standards)*

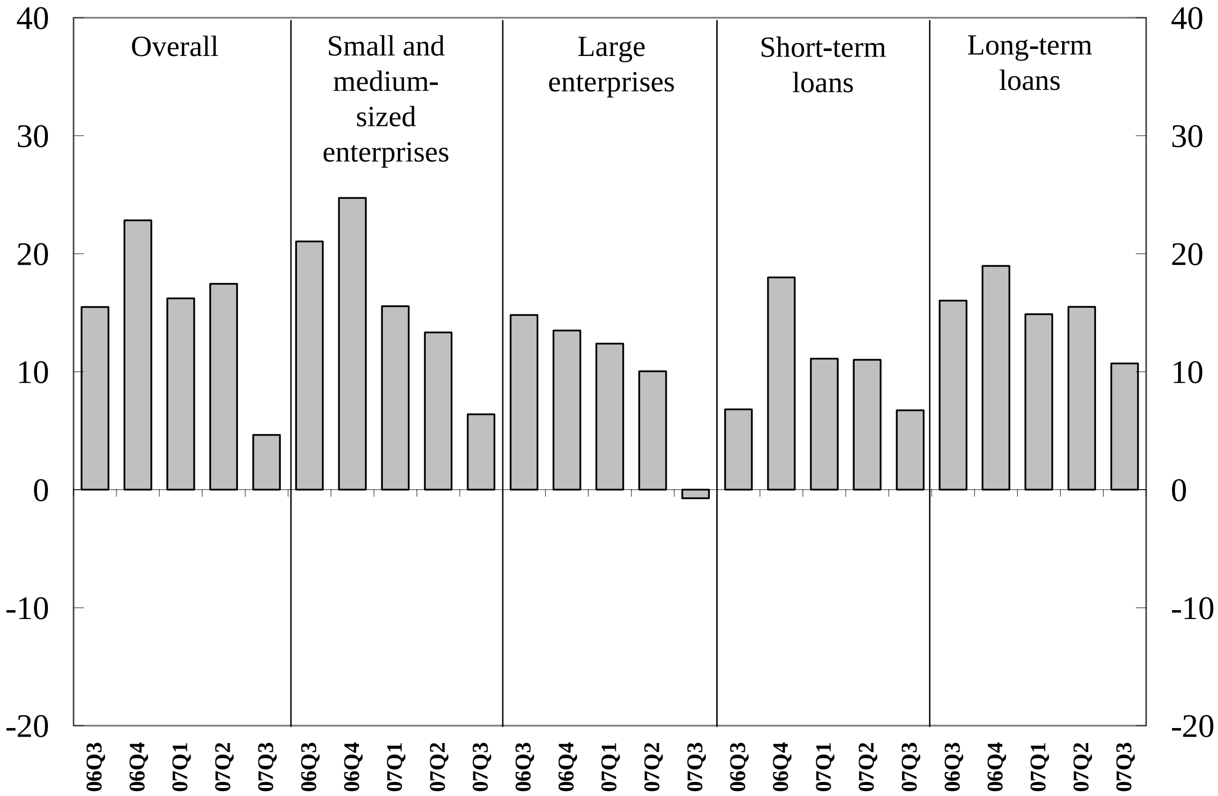


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 |
| Decreased considerably | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| Decreased somewhat | 4 | 9 | 2 | 6 | 2 | 13 | 2 | 10 | 3 | 7 |
| Remained basically unchanged | 75 | 78 | 80 | 81 | 85 | 75 | 85 | 74 | 75 | 75 |
| Increased somewhat | 19 | 13 | 15 | 13 | 11 | 12 | 12 | 16 | 18 | 18 |
| Increased considerably | 2 | 0 | 2 | 0 | 2 | 0 | 2 | 0 | 2 | 0 |
| *Total* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **18** | **5** | **13** | **6** | **10** | **-1** | **11** | **7** | **16** | **11** |
| *Mean* | *3.19* | *3.05* | *3.13* | *3.07* | *3.12* | *2.99* | *3.13* | *3.07* | *3.16* | *3.11* |
| ***Number of banks responding*** | ***85*** | ***82*** | ***84*** | ***82*** | ***84*** | ***82*** | ***85*** | ***82*** | ***85*** | ***81*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased considerably".*

**Chart 9. Demand for loans and credit lines to enterprises**
*(net percentages of banks reporting positive loan demand)*



5. Over the past three months, how have the following factors affected the demand for <u>loans or credit lines to enterprises</u>?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Financing needs | | | | | | | | | | |
| Fixed investment | 0 | 6 | 69 | 16 | 0 | 10 | 18 | 10 | 3.20 | 3.11 |
| Inventories and working capital | 0 | 7 | 71 | 14 | 0 | 8 | 20 | 7 | 3.23 | 3.07 |
| Mergers/acquisitions and corporate restructuring | 1 | 9 | 69 | 12 | 0 | 10 | 25 | 2 | 3.28 | 3.00 |
| Debt restructuring | 0 | 11 | 72 | 7 | 1 | 9 | 8 | -3 | 3.09 | 2.96 |
| B) Use of alternative finance | | | | | | | | | | |
| Internal financing | 0 | 9 | 78 | 3 | 0 | 11 | -2 | -6 | 2.98 | 2.94 |
| Loans from other banks | 0 | 5 | 82 | 2 | 0 | 11 | -11 | -3 | 2.86 | 2.97 |
| Loans from non-banks | 0 | 2 | 86 | 1 | 0 | 11 | 3 | -1 | 3.03 | 2.98 |
| Issuance of debt securities | 1 | 2 | 76 | 8 | 0 | 14 | -4 | 5 | 2.95 | 3.06 |
| Issuance of equity | 0 | 4 | 82 | 1 | 0 | 14 | -3 | -4 | 2.96 | 2.95 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "+ +" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand)."°" means "contributed to basically unchanged demand".*

**Chart 10a. Factors affecting demand for loans and credit lines to enterprises**
*(net percentages of banks reporting a positive contribution to demand)*

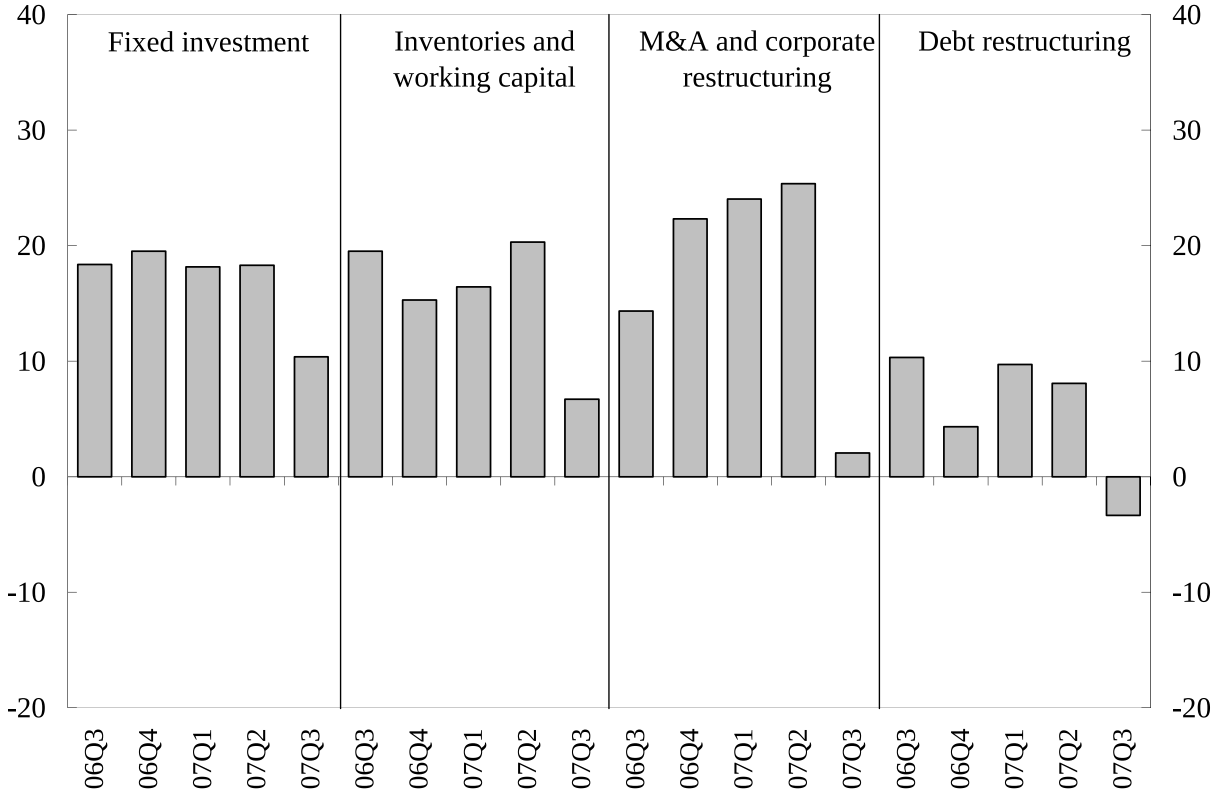
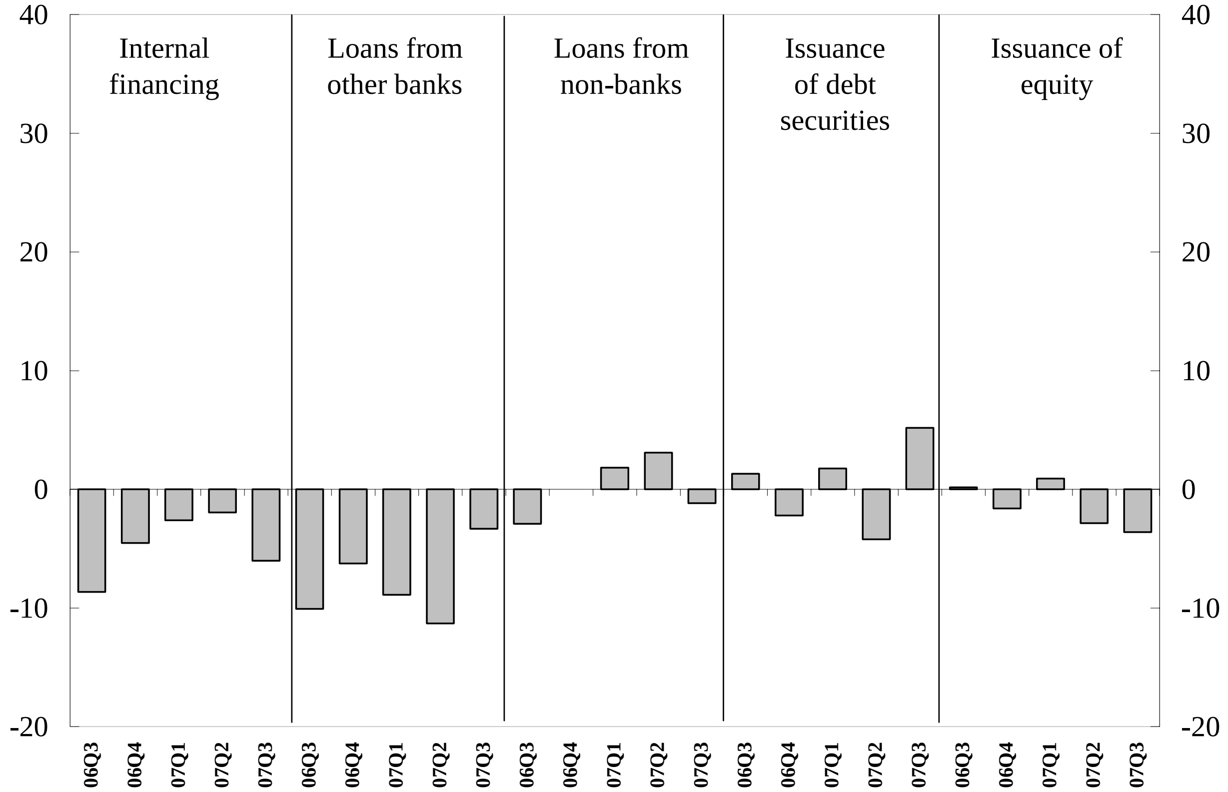


**Chart 10b. Factors affecting demand for loans and credit lines to enterprises**
*(net percentages of banks reporting a positive contribution to demand)*

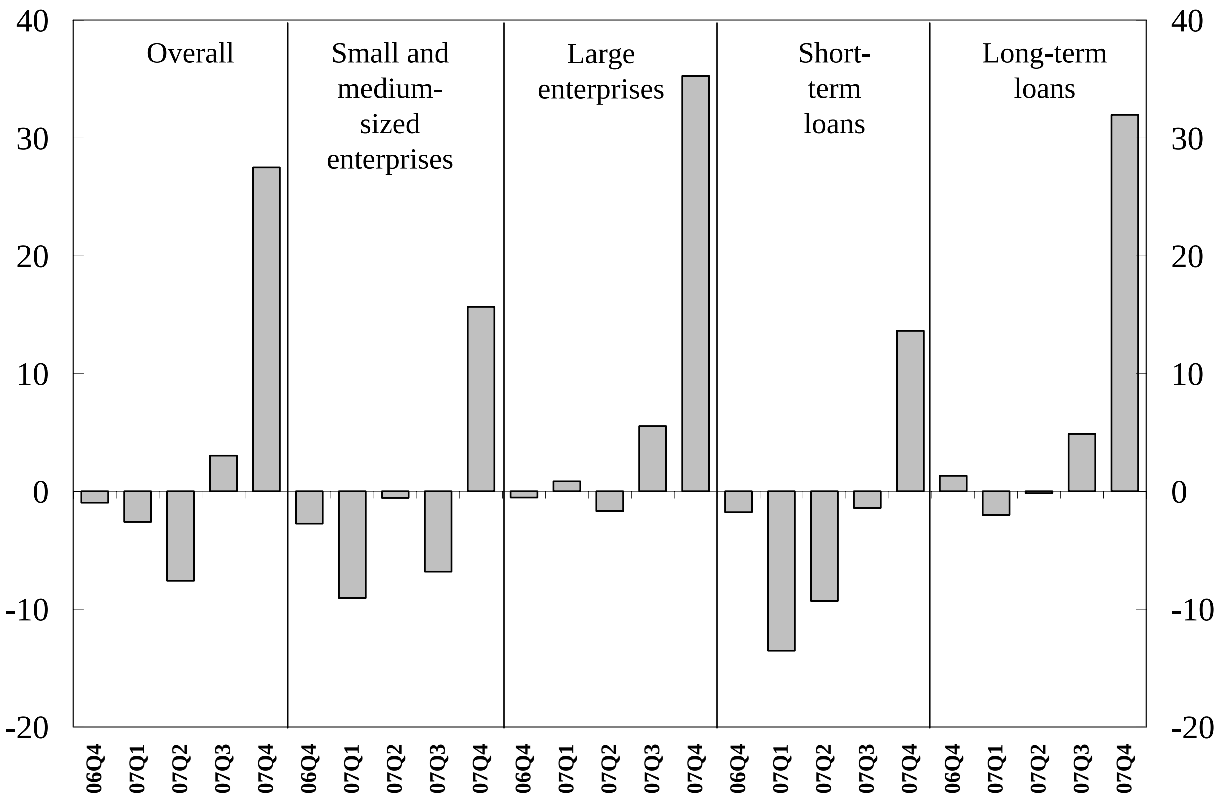


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 |
| Tighten considerably | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 |
| Tighten somewhat | 7 | 29 | 4 | 19 | 7 | 35 | 1 | 15 | 10 | 33 |
| Remain basically unchanged | 90 | 70 | 85 | 78 | 91 | 65 | 98 | 83 | 85 | 65 |
| Ease somewhat | 4 | 2 | 11 | 3 | 2 | 0 | 2 | 2 | 5 | 2 |
| Ease considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **3** | **28** | **-7** | **16** | **6** | **35** | **-1** | **14** | **5** | **32** |
| *Mean* | *2.97* | *2.72* | *3.07* | *2.84* | *2.94* | *2.64* | *3.01* | *2.86* | *2.95* | *2.68* |
| ***Number of banks responding*** | ***85*** | ***82*** | ***84*** | ***82*** | ***84*** | ***82*** | ***84*** | ***82*** | ***85*** | ***82*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".*

**Chart 11. Expected credit standards for the approval of loans or credit lines to enterprises**
*(net percentages of banks expecting tightening credit standards)*

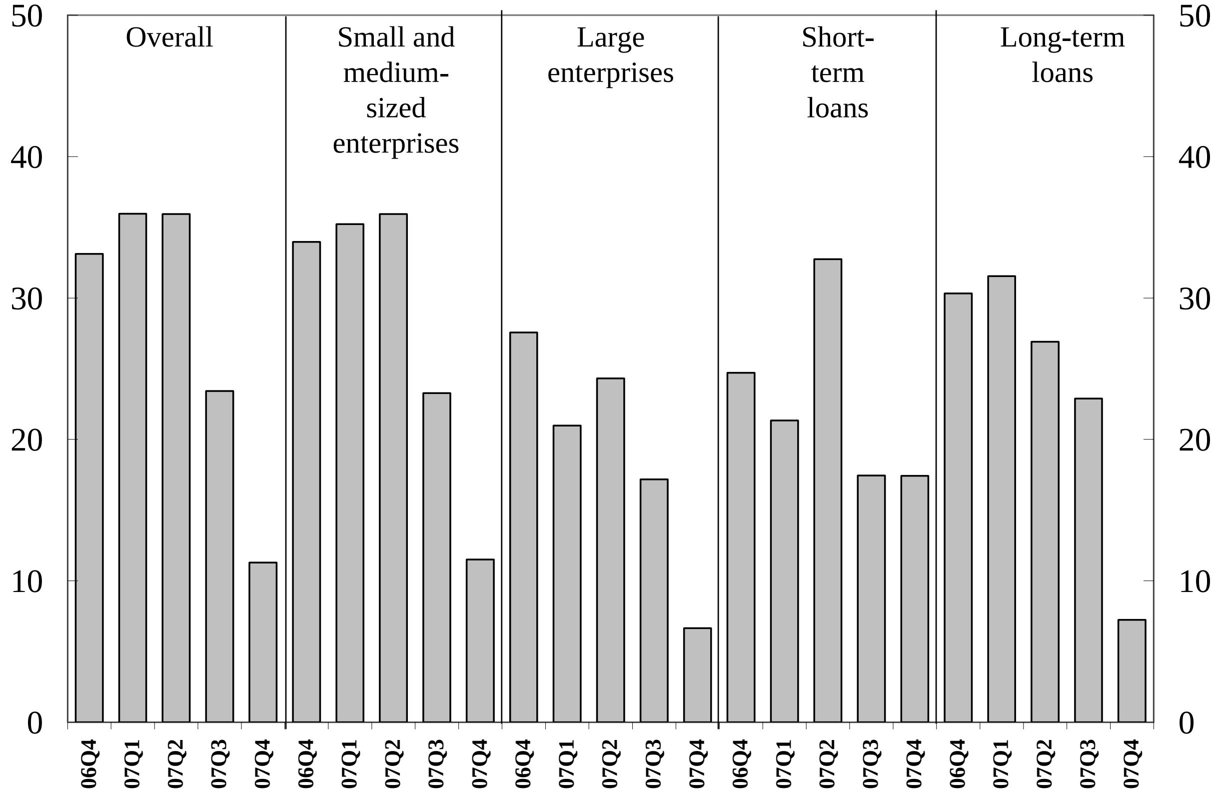


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months, apart from normal seasonal fluctuations.

| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 | July 2007 | October 2007 |
| Decrease considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Decrease somewhat | 4 | 7 | 4 | 5 | 3 | 11 | 2 | 5 | 3 | 11 |
| Remain basically unchanged | 69 | 75 | 68 | 79 | 77 | 71 | 80 | 73 | 70 | 71 |
| Increase somewhat | 28 | 18 | 28 | 16 | 20 | 17 | 19 | 22 | 26 | 18 |
| Increase considerably | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **23** | **11** | **23** | **12** | **17** | **7** | **18** | **17** | **23** | **7** |
| *Mean* | *3.23* | *3.12* | *3.23* | *3.12* | *3.17* | *3.07* | *3.17* | *3.18* | *3.23* | *3.07* |
| ***Number of banks responding*** | ***85*** | ***82*** | ***84*** | ***82*** | ***84*** | ***82*** | ***85*** | ***82*** | ***85*** | ***82*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat", and the sum of the percentages for "decrease somewhat" and "decrease considerably".*

**Chart 12. Expected demand for loans and credit lines to enterprises**
*(net percentages of banks expecting a positive loan demand)*



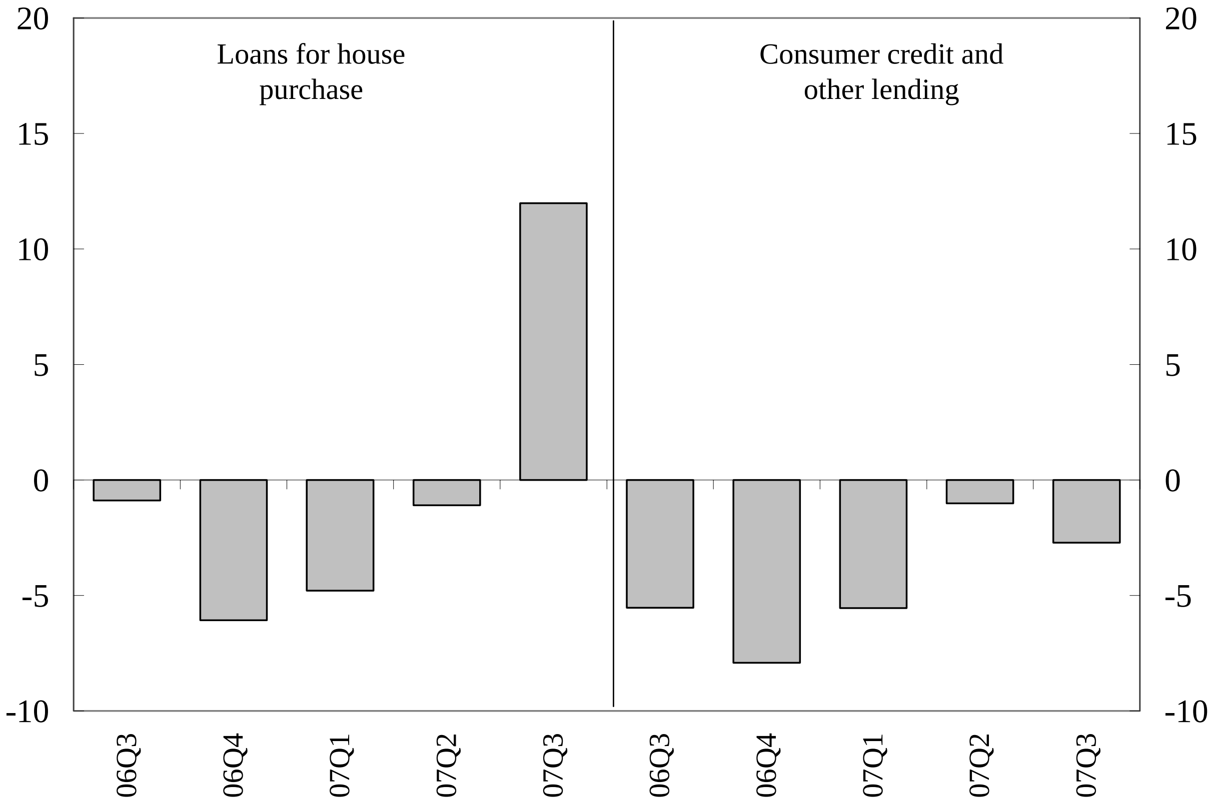
## II. Loans to households

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 | |
|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 |
| Tightened considerably | 0 | 0 | 0 | 0 |
| Tightened somewhat | 15 | 22 | 6 | 7 |
| Remained basically unchanged | 69 | 68 | 86 | 83 |
| Eased somewhat | 16 | 10 | 7 | 10 |
| Eased considerably | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **-1** | **12** | **-1** | **-3** |
| *Mean* | *3.01* | *2.88* | *3.01* | *3.03* |
| ***Number of banks responding*** | ***81*** | ***78*** | ***81*** | ***79*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably".*

**Chart 13. Credit standards applied to the approval of loans to households**
*(net percentages of banks reporting tightening credit standards)*



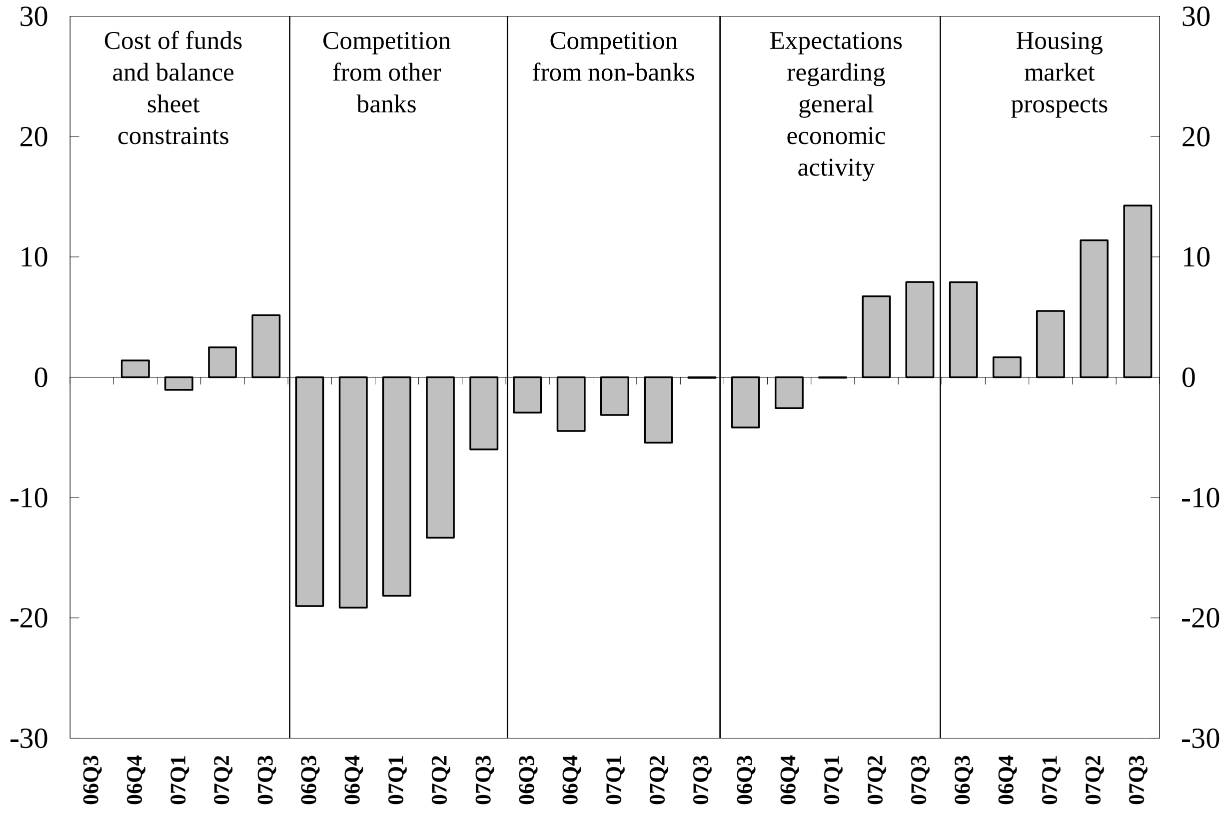
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of <u>loans to households for house purchase?</u>

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Cost of funds and balance sheet constraints | 0 | 5 | 86 | 0 | 0 | 9 | 3 | 5 | 2.97 | 2.93 |
| B) Pressure from competition | | | | | | | | | | |
| Competition from other banks | 0 | 1 | 83 | 7 | 0 | 10 | -13 | -6 | 3.17 | 3.07 |
| Competition from non-banks | 0 | 0 | 88 | 0 | 0 | 12 | -5 | 0 | 3.06 | 3.00 |
| C) Perception of risk | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 9 | 81 | 2 | 0 | 9 | 7 | 8 | 2.93 | 2.92 |
| Housing market prospects | 0 | 17 | 71 | 3 | 0 | 9 | 11 | 14 | 2.89 | 2.85 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".*

**Chart 14. Factors affecting credit standards applied to the approval of loans to households for house purchase** *(net percentages of banks reporting tightening standards)*



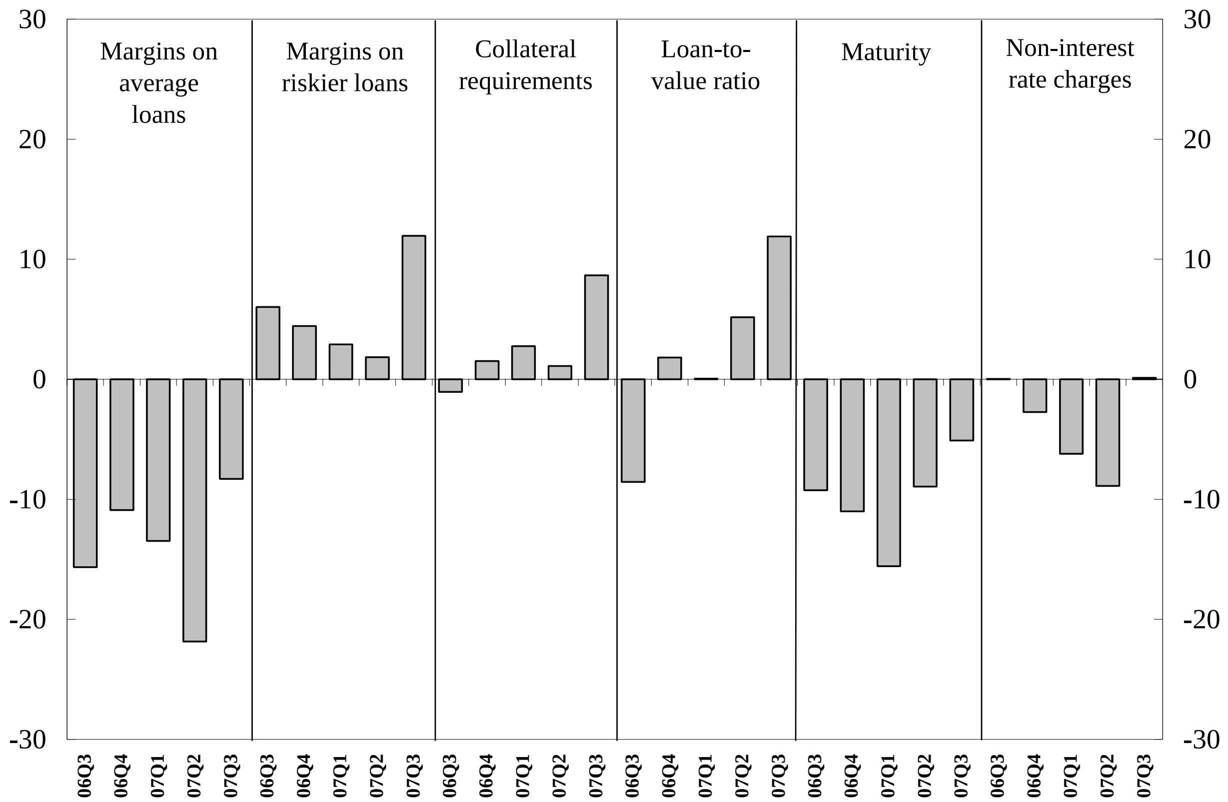
10. Over the past three months, how have your bank's conditions and terms for approving <u>loans to households for house purchase</u> changed?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Price | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 10 | 63 | 17 | 2 | 9 | -22 | -8 | 3.28 | 3.10 |
| Your bank's margin on riskier loans | 0 | 14 | 75 | 2 | 0 | 9 | 2 | 12 | 2.98 | 2.86 |
| B) Other conditions and terms | | | | | | | | | | |
| Collateral requirements | 0 | 10 | 80 | 2 | 0 | 9 | 1 | 9 | 2.99 | 2.91 |
| Loan-to-value ratio | 0 | 17 | 69 | 5 | 0 | 9 | 5 | 12 | 2.95 | 2.87 |
| Maturity | 0 | 1 | 84 | 7 | 0 | 9 | -9 | -5 | 3.09 | 3.05 |
| Non-interest rate charges | 0 | 4 | 83 | 4 | 0 | 9 | -9 | 0 | 3.09 | 3.00 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means "remained basically unchanged".*

**Chart 15. Conditions and terms for approving loans to households for house purchase**
*(net percentages of banks reporting tightening standards)*



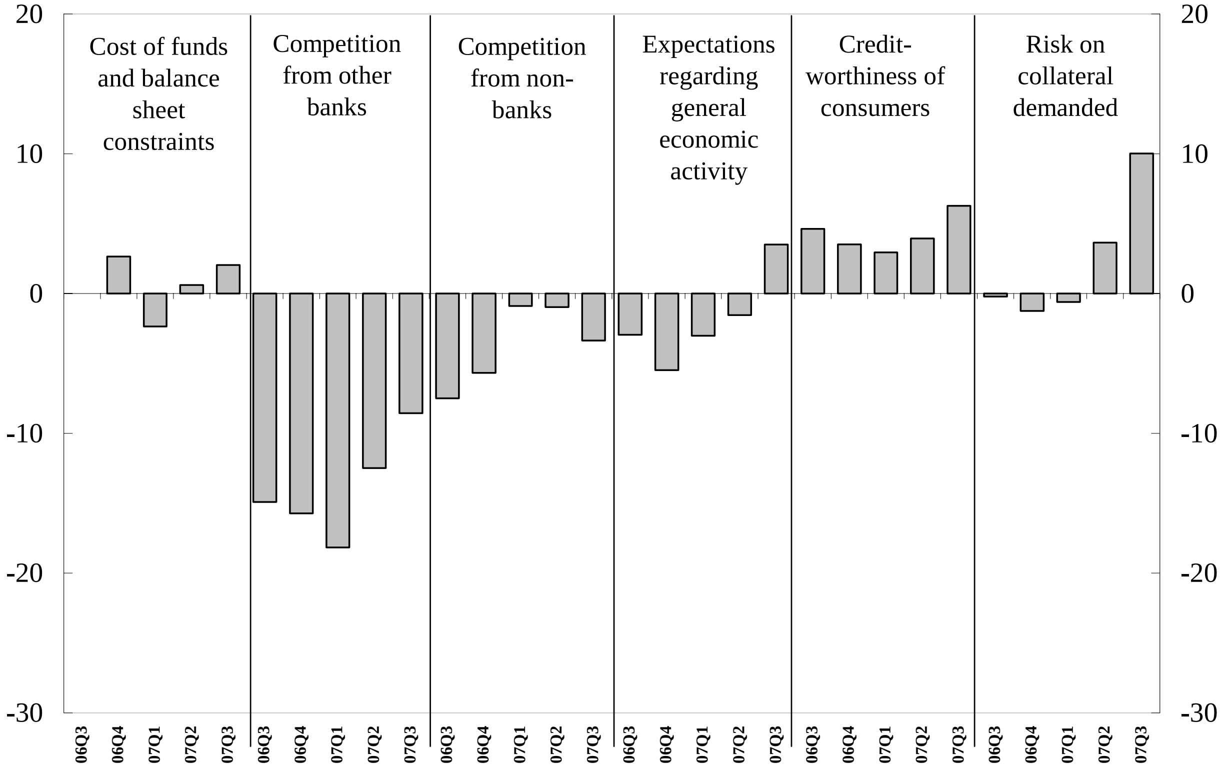
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of <u>consumer credit and other lending to households</u> (as described in question 8)?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Cost of funds and balance sheet constraints | 1 | 2 | 87 | 1 | 0 | 10 | 1 | 2 | 2.99 | 2.97 |
| B) Pressure from competition | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 81 | 9 | 0 | 10 | -13 | -9 | 3.14 | 3.10 |
| Competition from non-banks | 0 | 0 | 84 | 3 | 0 | 12 | -1 | -3 | 3.01 | 3.03 |
| C) Perception of risk | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 10 | 74 | 7 | 0 | 9 | -2 | 4 | 3.03 | 2.97 |
| Creditworthiness of consumers | 0 | 11 | 75 | 5 | 0 | 9 | 4 | 6 | 2.96 | 2.94 |
| Risk on the collateral demanded | 0 | 10 | 78 | 0 | 0 | 12 | 4 | 10 | 2.96 | 2.90 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".*

**Chart 16. Factors affecting credit standards applied to the approval of consumer credit and other lending to households** *(net percentages of banks reporting tightening standards)*



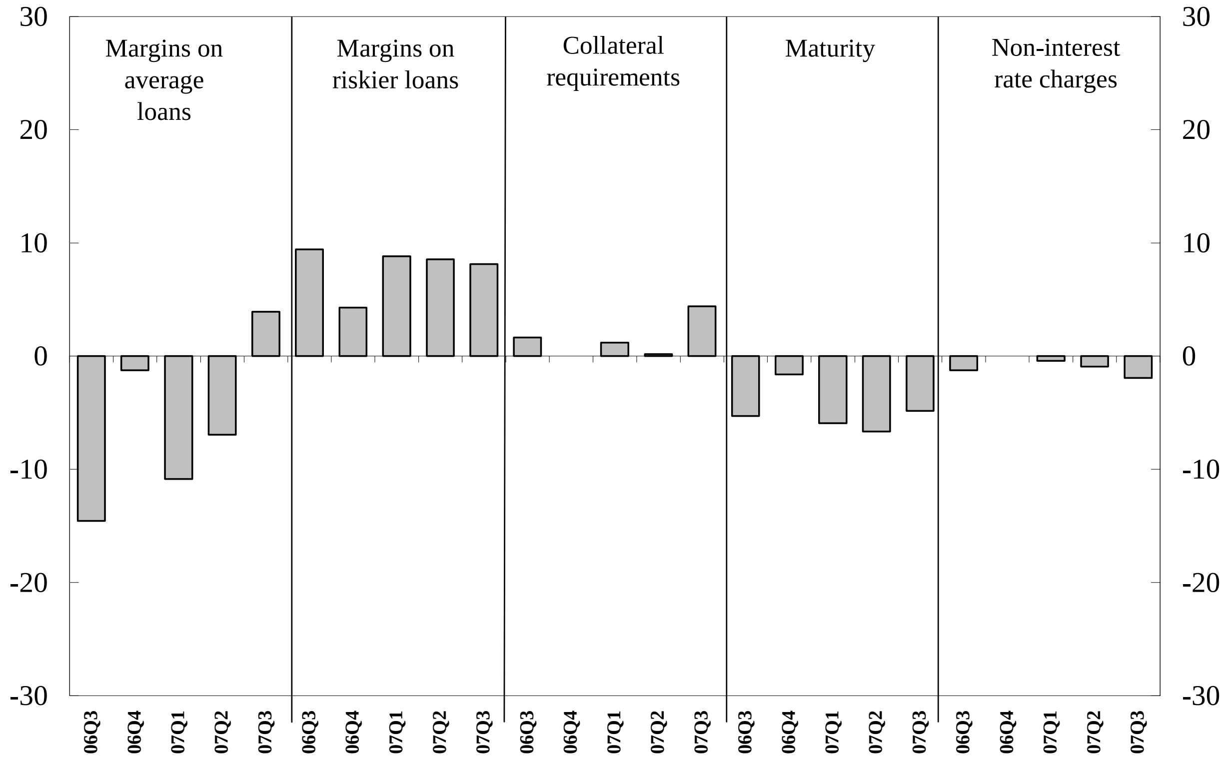
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Price | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 13 | 69 | 9 | 0 | 9 | -7 | 4 | 3.08 | 2.97 |
| Your bank's margin on riskier loans | 1 | 10 | 77 | 2 | 0 | 12 | 9 | 8 | 2.91 | 2.91 |
| B) Other conditions and terms | | | | | | | | | | |
| Collateral requirements | 0 | 6 | 81 | 2 | 0 | 11 | 0 | 4 | 3.00 | 2.96 |
| Maturity | 1 | 2 | 78 | 5 | 2 | 12 | -7 | -5 | 3.13 | 3.08 |
| Non-interest rate charges | 0 | 4 | 80 | 6 | 0 | 11 | -1 | -2 | 3.01 | 3.02 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means "remained basically unchanged".*

**Chart 17. Conditions and terms for approving consumer credit and other lending to households**
*(net percentages of banks reporting tightening standards)*

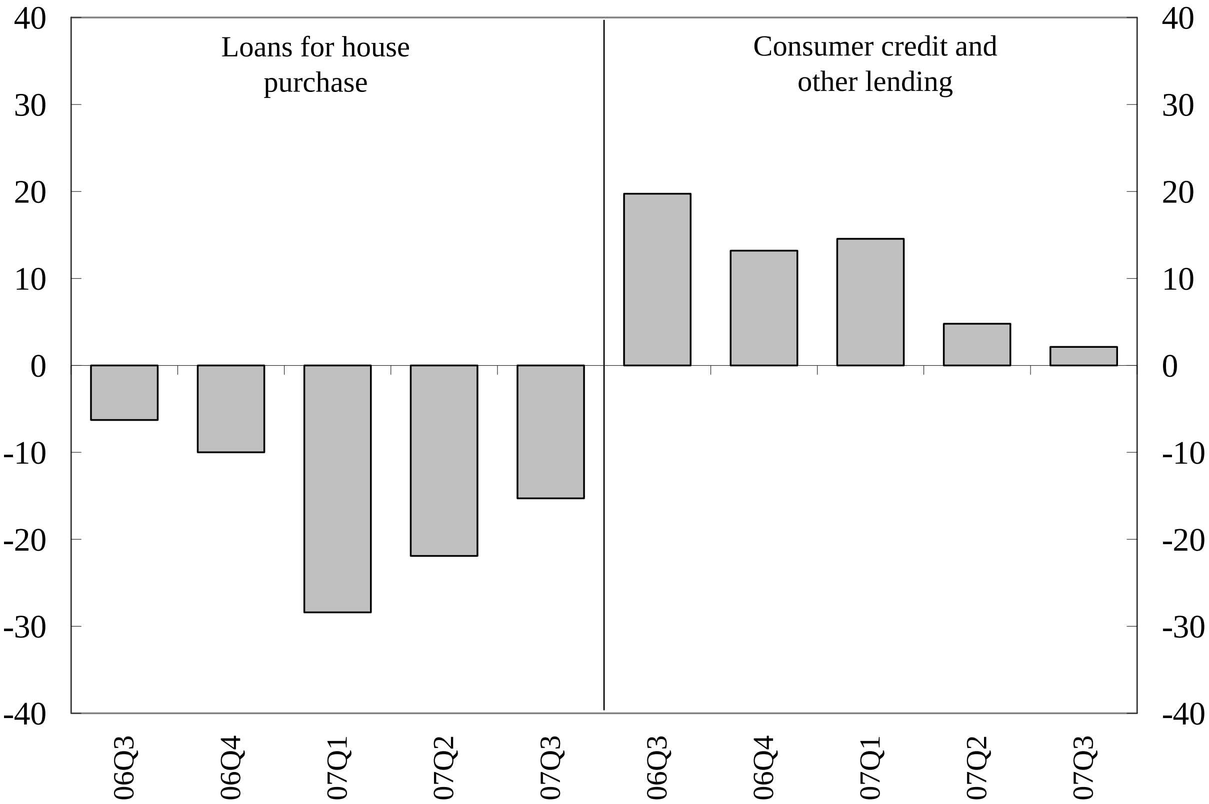


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 |
| Decreased considerably | 3 | 4 | 0 | 0 |
| Decreased somewhat | 36 | 26 | 18 | 13 |
| Remained basically unchanged | 45 | 57 | 60 | 71 |
| Increased somewhat | 15 | 12 | 22 | 15 |
| Increased considerably | 2 | 2 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **-22** | **-15** | **5** | **2** |
| *Mean* | *2.77* | *2.83* | *3.05* | *3.02* |
| ***Number of banks responding*** | ***81*** | ***79*** | ***81*** | ***79*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased considerably".*

**Chart 18. Demand for loans to households**
*(net percentages of banks reporting positive loan demand)*



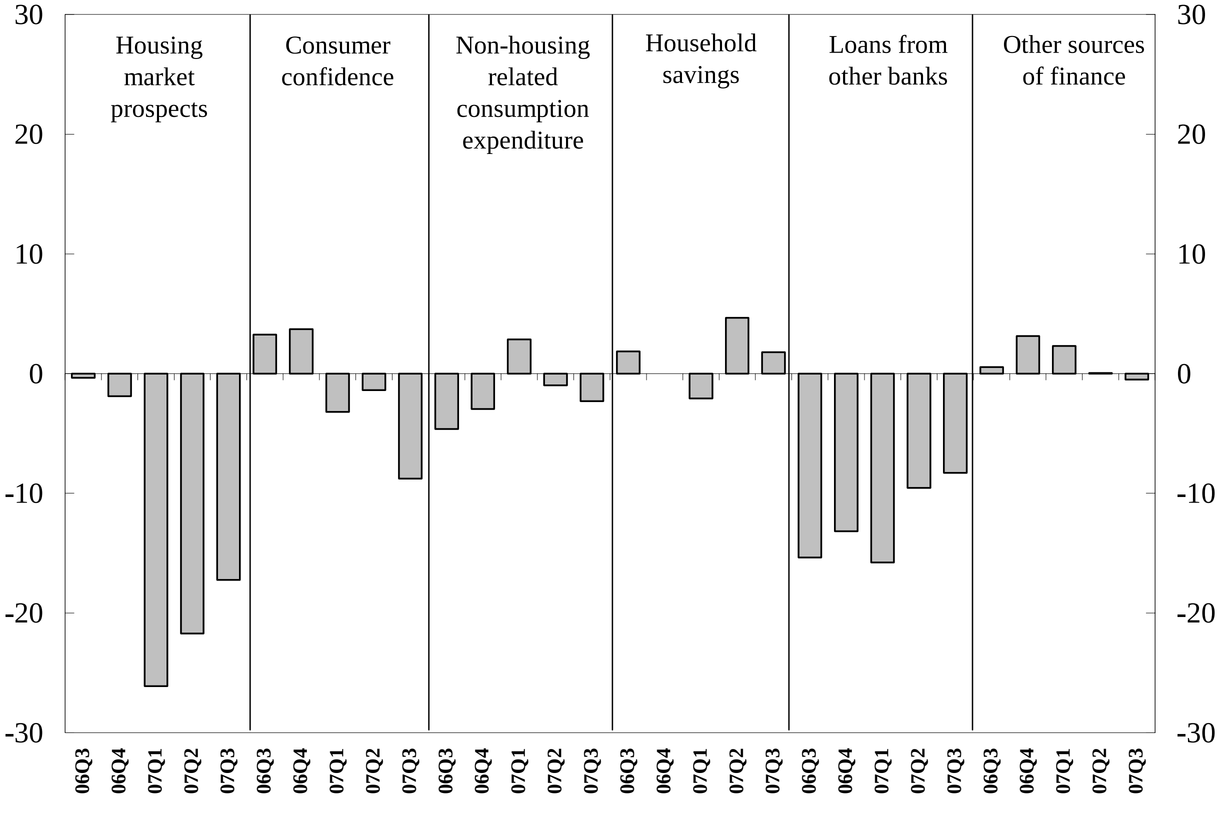
14. Over the past three months, how have the following factors affected the demand for <u>loans to households for house purchase</u> (as described in question 13)?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Financing needs | | | | | | | | | | |
| Housing market prospects | 4 | 21 | 58 | 8 | 0 | 9 | -22 | -17 | 2.75 | 2.78 |
| Consumer confidence | 0 | 14 | 72 | 4 | 2 | 9 | -1 | -9 | 2.99 | 2.93 |
| Non-housing related consumption expenditure | 0 | 6 | 81 | 4 | 0 | 9 | -1 | -2 | 2.99 | 2.98 |
| B) Use of alternative finance | | | | | | | | | | |
| Household savings | 0 | 1 | 88 | 3 | 0 | 9 | 5 | 2 | 3.04 | 3.02 |
| Loans from other banks | 3 | 6 | 82 | 0 | 1 | 9 | -10 | -8 | 2.87 | 2.89 |
| Other sources of finance | 0 | 1 | 89 | 0 | 0 | 10 | 0 | -1 | 3.00 | 2.99 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "+ +" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means "contributed to basically unchanged demand".*

**Chart 19. Factors affecting demand for loans to households for house purchase**
*(net percentages of banks reporting a positive contribution to demand)*



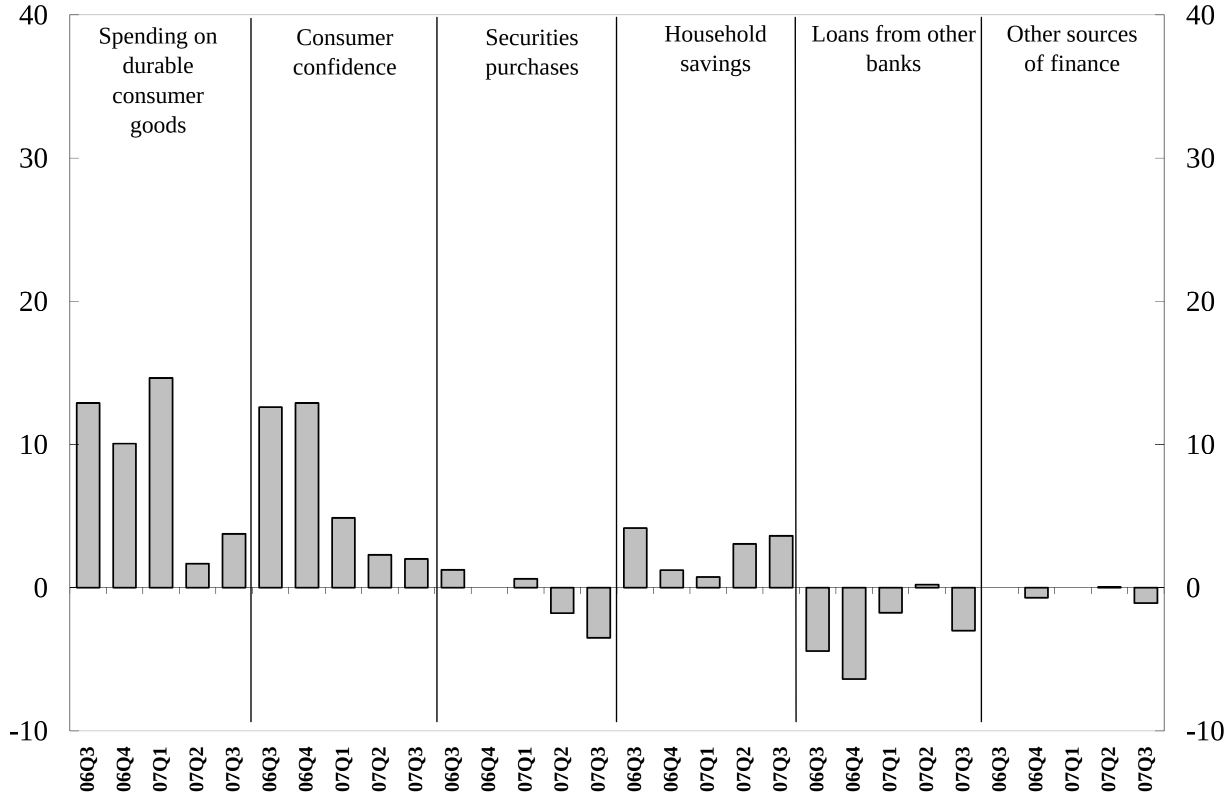
15. Over the past three months, how have the following factors affected the demand for <u>consumer credit and other lending to households</u> (as described in question 13)?

| | -- | - | ° | + | ++ | NA | NetP | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | July 2007 | October 2007 | July 2007 | October 2007 |
| A) Financing needs | | | | | | | | | | |
| Spending on durable consumer goods | 2 | 9 | 67 | 14 | 0 | 9 | 2 | 4 | 3.02 | 3.02 |
| Consumer confidence | 0 | 8 | 74 | 10 | 0 | 9 | 2 | 2 | 3.03 | 3.03 |
| Securities purchases | 0 | 4 | 84 | 0 | 0 | 12 | -2 | -4 | 2.98 | 2.96 |
| B) Use of alternative finance | | | | | | | | | | |
| Household savings | 0 | 1 | 86 | 4 | 0 | 9 | 3 | 4 | 3.03 | 3.04 |
| Loans from other banks | 0 | 5 | 84 | 2 | 0 | 9 | 0 | -3 | 3.00 | 2.96 |
| Other sources of finance | 0 | 1 | 90 | 0 | 0 | 9 | 0 | -1 | 3.00 | 2.99 |

*NA = Not available; NetP = Net percentage*

*Note: The "Net percentage" column is defined as the difference between the sum of "+ +" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means "contributed to basically unchanged demand".*

**Chart 20. Factors affecting demand for consumer credit and other lending to households**
*(net percentages of banks reporting a positive contribution to demand)*

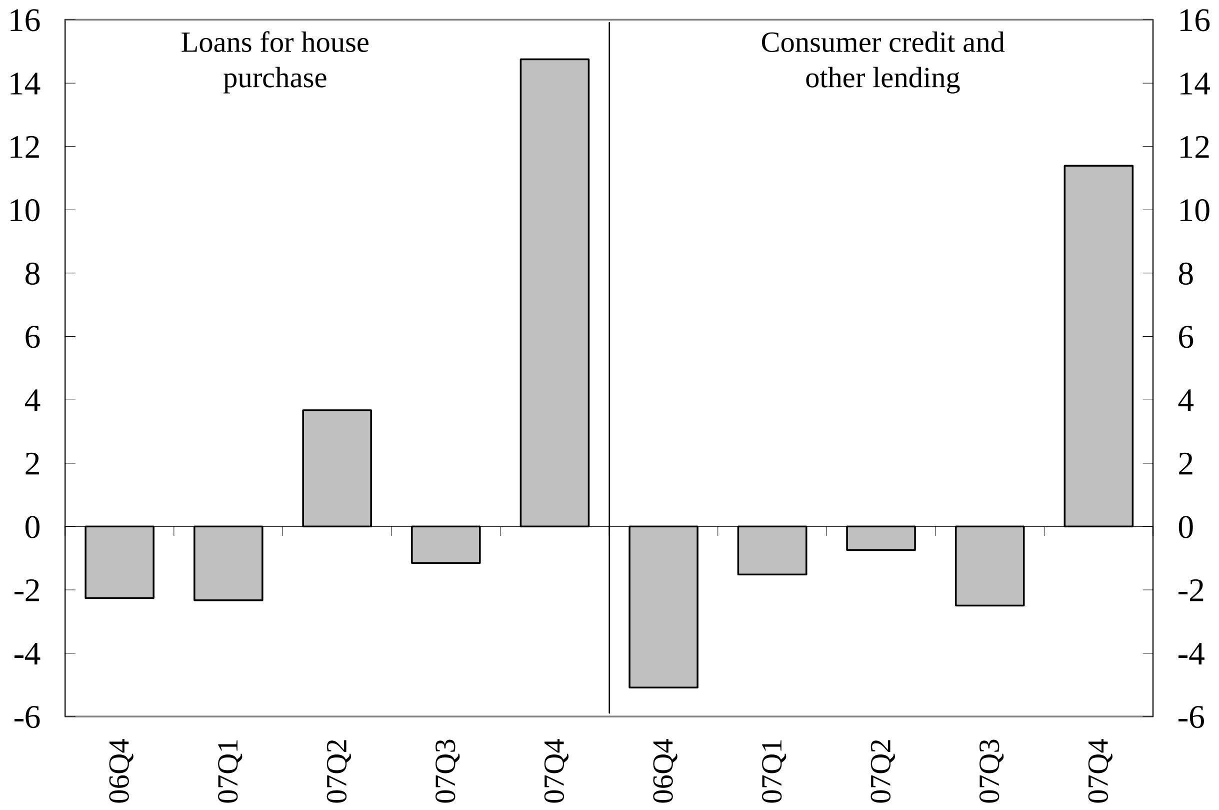


16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 |
| Tighten considerably | 0 | 0 | 0 | 0 |
| Tighten somewhat | 13 | 21 | 8 | 14 |
| Remain basically unchanged | 74 | 73 | 82 | 84 |
| Ease somewhat | 14 | 6 | 10 | 2 |
| Ease considerably | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **-1** | **15** | **-3** | **11** |
| *Mean* | *3.01* | *2.85* | *3.02* | *2.89* |
| ***Number of banks responding*** | ***81*** | ***79*** | ***81*** | ***79*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".*

**Chart 21. Expected credit standards for loans to households**
*(net percentages of banks expecting tightening standards)*

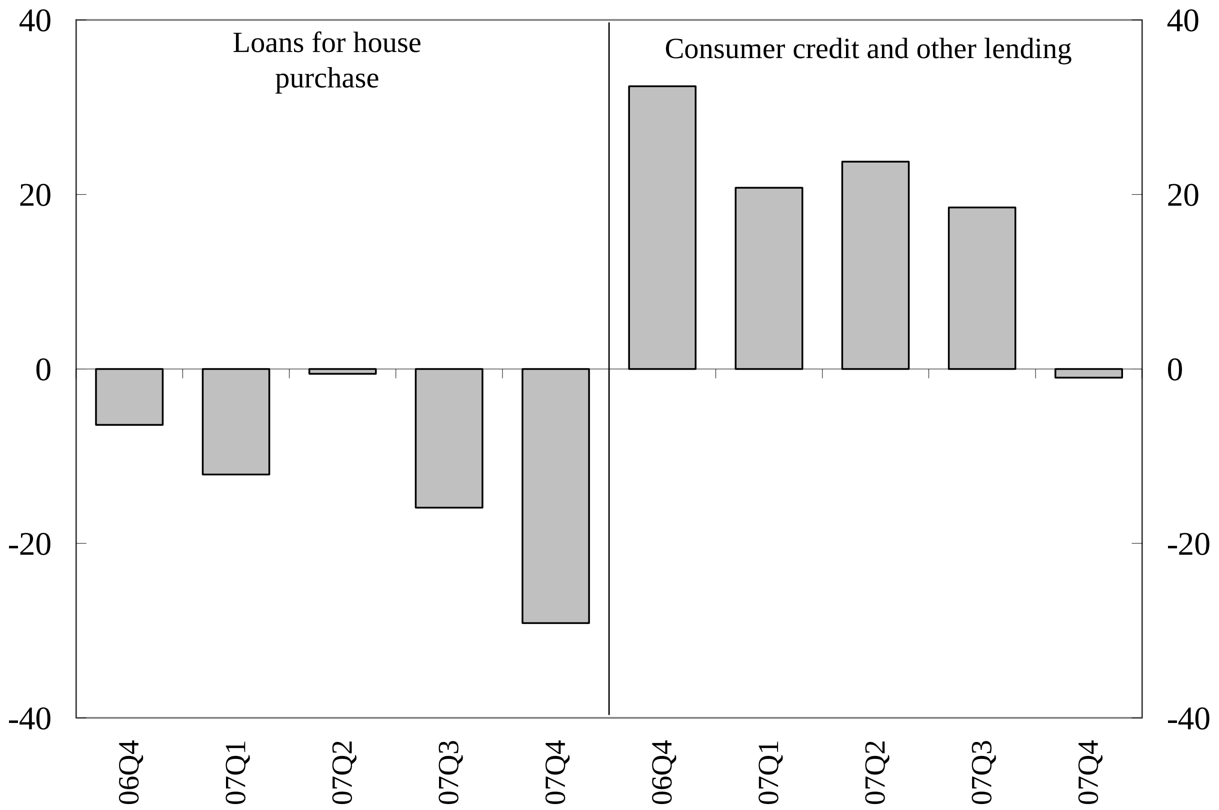


17. Please indicate how you expect <u>demand for loans to households</u> to change over the next three months at your bank, apart from normal seasonal fluctuations.

| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | July 2007 | October 2007 | July 2007 | October 2007 |
| Decrease considerably | 1 | 6 | 0 | 0 |
| Decrease somewhat | 31 | 35 | 5 | 17 |
| Remain basically unchanged | 51 | 48 | 71 | 67 |
| Increase somewhat | 17 | 11 | 24 | 16 |
| Increase considerably | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | **-16** | **-29** | **19** | **-1** |
| *Mean* | *2.83* | *2.65* | *3.19* | *2.99* |
| ***Number of banks responding*** | ***81*** | ***79*** | ***81*** | ***79*** |

*Note: The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat", and the sum of the percentages for "decrease somewhat" and "decrease considerably".*

**Chart 22. Expected demand for loans to households for house purchase**
*(net percentages of banks expecting positive loan demand)*



# 4. Results for the ad hoc questions

i. What effect has the recent turmoil in the credit markets had on your bank's credit standards over the past three months?

| | Loans and credit lines to enterprises | | Loans to households | |
|---|---|---|---|---|
| | Small and medium-sized enterprises | Large enterprises | For house purchase | Consumer credit and other lending |
| Contributed considerably to tightening of credit standards | 2% | 2% | 0% | 1% |
| Contributed somewhat to tightening of credit standards | 19% | 36% | 10% | 5% |
| Has basically had no impact on credit standards | 79% | 62% | 90% | 94% |
| Not Applicable | 11% | 11% | 9% | 10% |
| ***Mean*** | ***2.78*** | ***2.60*** | ***2.90*** | ***2.94*** |
| *Standard deviation* | 0.48 | 0.57 | 0.32 | 0.28 |
| ***Number of Banks Responding*** | ***79*** | ***79*** | ***78*** | ***77*** |

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

ii. What effect do you expect the recent turmoil in the credit markets to exert on your bank's credit standards over the next three months?

| | Loans and credit lines to enterprises | | Loans to households | |
|---|---|---|---|---|
| | Small and medium-sized enterprises | Large enterprises | For house purchase | Consumer credit and other lending |
| Contribute considerably to tightening of credit standards | 0% | 3% | 2% | 1% |
| Contribute somewhat to tightening of credit standards | 35% | 44% | 19% | 14% |
| Basically no impact on credit standards | 65% | 53% | 79% | 85% |
| Not Applicable | 11% | 11% | 9% | 10% |
| ***Mean*** | ***2.65*** | ***2.50*** | ***2.77*** | ***2.85*** |
| *Standard deviation* | 0.51 | 0.61 | 0.48 | 0.40 |
| ***Number of Banks Responding*** | ***79*** | ***79*** | ***78*** | ***77*** |

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

iii. What effect has the recent turmoil in the credit markets had on your bank's credit standards for the approval of loans and credit lines to enterprises over the past three months? How do you expect the turmoil to affect these credit standards over the next three months? Please make a distinction by loan purpose.

| | **Over the past three months** | | | **Over the next three months** | | |
|---|---|---|---|---|---|---|
| | Fixed investment | Inventories and working capital | M&A and corporate restructuring | Fixed investment | Inventories and working capital | M&A and corporate restructuring |
| Will contribute considerably to tightening of credit standards | 1% | 0% | 15% | 1% | 1% | 14% |
| Will contribute somewhat to tightening of credit standards | 21% | 12% | 32% | 31% | 14% | 47% |
| Basically no impact on credit standards | 79% | 88% | 53% | 68% | 85% | 39% |
| Not Applicable | 11% | 14% | 13% | 11% | 14% | 13% |
| ***Mean*** | ***2.78*** | ***2.88*** | ***2.38*** | ***2.67*** | ***2.85*** | ***2.25*** |
| *Standard deviation* | 0.46 | 0.35 | 0.79 | 0.52 | 0.40 | 0.74 |
| ***Number of Banks Responding*** | ***78*** | ***77*** | ***76*** | ***78*** | ***77*** | ***76*** |

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

iv. As a result of the recent turmoil in the credit markets, has your market access been hampered when tapping your usual sources of wholesale funding over the past three months, or are you expecting this access to be hampered over the next three months?

| | **Over the past three months** | | | | | **Over the next three months** | | | | | N/A(1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | -- | - | ° | Mean | Standard deviation | -- | - | ° | Mean | Standard deviation | |
| A) Inter-bank unsecured money market | | | | | | | | | | | |
| Very short-term money market (up to 1 week) | 6% | 20% | 74% | 2.68 | 0.63 | 3% | 24% | 73% | 2.69 | 0.56 | 13% |
| Short-term money market (more than 1 week) | 19% | 35% | 45% | 2.26 | 0.81 | 10% | 47% | 43% | 2.33 | 0.69 | 15% |
| B) Debt securities(2) | | | | | | | | | | | |
| Short-term debt securities (e.g. certificates of deposit or commercial paper) | 14% | 29% | 58% | 2.44 | 0.77 | 10% | 31% | 59% | 2.49 | 0.71 | 13% |
| Medium to long-term debt securities (incl. covered bonds) | 23% | 36% | 41% | 2.18 | 0.83 | 15% | 49% | 36% | 2.21 | 0.73 | 18% |
| C) Securitisation(3) | | | | | | | | | | | |
| Securitisation of corporate loans | 39% | 33% | 28% | 1.89 | 0.95 | 27% | 53% | 19% | 1.92 | 0.75 | 53% |
| Securitisation of loans for house purchase | 41% | 39% | 19% | 1.78 | 0.82 | 30% | 51% | 19% | 1.89 | 0.77 | 50% |

(1) Please select "N/A" (not applicable) only if the source of funding is not relevant for your bank.
(2) Usually involves on-balance sheet funding.
(3) Usually involves off-balance sheet funding.

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

*(a) For money markets, debt securities or other markets*

| | Quantity | Margin |
|---|---|---|
| Considerable impact | 11% | 21% |
| Some impact | 47% | 58% |
| Basically no impact | 41% | 20% |
| Not Applicable | 32% | 32% |
| ***Mean*** | ***2.30*** | ***1.99*** |
| *Standard deviation* | 0.69 | 0.72 |
| ***Number of Banks Responding*** | ***57*** | ***57*** |

(*) Please select “N/A” (not applicable) only if your bank has replied “basically not hampered” or “N/A” to question iv.

*(b) For securitisation*

| | Quantity | Margin |
|---|---|---|
| Considerable impact | 24% | 22% |
| Some impact | 63% | 65% |
| Basically no impact | 13% | 13% |
| Not Applicable | 53% | 53% |
| ***Mean*** | ***1.88*** | ***1.91*** |
| *Standard deviation* | 0.66 | 0.64 |
| ***Number of Banks Responding*** | ***35*** | ***35*** |

(*) Please select “N/A” (not applicable) only if your bank has replied “basically not hampered” or “N/A” to question iv.

vi. To what extent do you expect the events in credit markets to affect the costs related to your bank’s capital position (*), and could this constrain your willingness to lend over the next three months?

| | |
|---|---|
| Considerable impact on both capital and lending | 1% |
| Considerable impact on capital, and some impact on lending | 9% |
| Some impact on both capital and lending | 33% |
| Some impact on capital, but no impact on lending | 13% |
| Basically no impact on capital | 34% |
| No reply | 11% |
| ***Mean*** | ***3.79*** |
| *Standard deviation* | 1.15 |
| ***Number of Banks Responding*** | ***87*** |

(*) 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.

## Annex: Glossary used in the survey

To assist the banks participating in the survey when filling out the questionnaire, a guide has been developed to explain the most important terminology used in this as follows.

Capital

Defined in accordance with the Basel capital adequacy requirements, capital includes both Tier 1 capital (core capital) and Tier 2 capital (supplementary capital).

Collateral

The security given by a borrower to a lender as a pledge for the repayment of a loan. This could include certain financial securities, such as equity or debt securities, real estate or compensating balances (a compensating balance is the minimum amount of a loan that the borrower is required to keep in an account at the bank).

Covenant

An agreement or stipulation laid down in loan contracts, particularly contracts with enterprises, under which the borrower pledges either to take certain action (an affirmative covenant), or to refrain from taking certain action (a negative covenant); this is consequently part of the terms and conditions of the loan.

Credit line

A facility with a stated maximum amount that an enterprise is entitled to borrow from a bank at any given time. In the survey, developments regarding credit lines should be interpreted as changes in the net amount that can be drawn under either an existing or a new credit line.

Credit standards

The internal guidelines or criteria that reflect a bank's loan policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, its designated geographical priorities, collateral deemed acceptable or unacceptable, etc. In the survey, changes in written loan policies should be considered, together with changes in their application.

Credit terms and conditions

These refer to the specific obligations agreed upon by the lender and the borrower. In the context of the bank lending survey, they consist of the direct price or interest rate, the maximum size of the loan and the access conditions, and other terms and conditions in the form of non-interest rate charges (i.e. fees), collateral requirements (including compensating balances), loan covenants and maturity (short-term versus long-term).

Enterprises

The term "enterprises" denotes non-financial corporations, i.e. all private and public institutional units, irrespective of their size and legal form, which are not principally engaged in financial intermediation but rather in the production of goods and non-financial services.

Enterprise size

The distinction between large enterprises and small and medium-sized enterprises is based on annual sales. A firm is considered large if its annual net turnover is more than €50 million.

Households

Individuals or groups of individuals acting as consumers or as producers of goods and non-financial services exclusively intended for their own final consumption, as well as small-scale market producers.

Loans

The loans covered by the bank lending survey are those granted to euro area residents by domestic bank branches, and include loans or credit lines to enterprises, loans to households for house purchase, and consumer credit and other lending to households.

Loan-to-value ratio

The ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually taken into consideration in relation to loans used for real estate financing.

Maturity

Maturity as used in the bank lending survey is original maturity, and only two types are used: short-term and long-term. Short-term loans are loans with an original maturity of one year or less; long-term loans have an original maturity of more than one year.

Net percentage (or balance)

In the context of credit standards, the net percentage is defined as the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat”, and the sum of the percentages for “eased considerably” and “eased somewhat”. As for demand for loans, the net percentage is defined as the difference between the sum of the percentages for “increased considerably” and “increased somewhat”, and the sum of the percentages for “decreased considerably” and “decreased somewhat”.

Non-banks

In general, these consist of non-monetary financial corporations, in particular insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

Non-interest rate charges

Various kinds of fees that can form part of the pricing of a loan, such as commitment fees on revolving loans, administration fees (e.g. document preparation costs), and charges for enquiries, guarantees and credit insurance.