

## THE EURO AREA BANK LENDING SURVEY - OCTOBER 2010 -

### 1. Overview of the results

The results reported in the October 2010 bank lending survey relate to changes during the third quarter of 2010 and expectations of changes in the last quarter. The survey was conducted between 13 September and 1 October 2010 on a sample group of 120 euro area banks. The response rate was 100%. As in previous survey rounds, a set of ad hoc questions was included, dealing specifically with the implications of the situation in financial markets.

*Overall, regarding loans to enterprises, banks reported a new net tightening of credit standards during the third quarter of 2010. The new data pointed to a stabilisation of the net tightening, after the negative surprise recorded in the second quarter of the year, and were in line with participants' expectations from the previous survey round. Banks also indicated that the constraints in their access to wholesale funding had alleviated somewhat after the heightened tensions reported in the second quarter of 2010. Looking forward, banks expect a stable net tightening of credit standards for enterprises, a slight net easing of credit standards for housing loans, and a more sizeable net easing in consumer credit.*

*The improvement in net credit standards was stronger for households: net changes in credit standards on both loans for house purchase and consumer credit reached a neutral stance in the third quarter of 2010, after more than two years of continued tightening. Moreover, the improvement in credit standards to households has been larger than expected in the July survey. Current expectations point to a possible slight easing (to -1%) of overall credit standards for house loans in the last quarter of 2010.*

*After the negative surprise of credit standards developments on loans to enterprises in the second quarter of 2010, data for the third quarter point to a stabilisation, with 4% of banks reporting a tightening of credit standards in net terms. The slowdown in the net tightening between the second and third quarters of 2010 is mainly explained by improvements in banks' abilities to access market financing and banks' liquidity positions. Factors closely related to the business cycle maintain a positive, stable contribution to the net tightening of credit standards. Looking forward, euro area banks anticipate credit standards on loans to enterprises to remain stable in the fourth quarter of 2010.*

*According to banks, net demand for loans from enterprises turned positive in the third quarter (7%, compared with -2% in the second quarter of the year), after more than two years in negative territory. The improvement in net demand for loans was in a similar range for large firms and small and medium-sized enterprises (SMEs). However, net loan demand by large firms has remained weaker than demand from SMEs since the second half of 2009. Loan demands for housing acquisition was also positive in the third quarter, although much lower than in the second quarter of 2010. This retrenchment appears to be mainly linked to a less positive contribution of housing market prospects.*

*As in recent surveys, the October 2010 survey incorporated a set of ad hoc questions on the impact of the financial turmoil on credit standards and lending. For the third quarter of 2010, banks generally reported an improvement in their access to wholesale funding across all segments.*

### **General notes**

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

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

The responses to 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 the share of banks 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 banks 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.

In addition, an alternative measure of the responses to questions related to changes in credit standards and net demand is included. This measure is the weighted difference (“diffusion index”) between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. Likewise, regarding the demand for loans, the diffusion index refers to the weighted difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. The diffusion index is constructed in the following way: lenders who have answered “considerably” are given a weight twice as high (a score of 1) as lenders having answered “somewhat” (a

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<sup>1</sup> The sample group of banks participating in the survey comprises 120 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. Since the banks in the sample group differ considerably in size, the survey results are weighted according to the national shares in total outstanding euro area lending to euro area residents.

<sup>2</sup> For further information on the bank lending survey, see the ECB’s press release of 21 November 2002 entitled “Bank lending survey for the euro area”, the article entitled “A bank lending survey for the euro area” in the April 2003 issue of the ECB’s Monthly Bulletin and J. Berg et al. (2005), “The bank lending survey for the euro area”, ECB Occasional Paper No 23.

score of 0.5). The interpretation of the diffusion indices follows the same logic as the interpretation of net percentages.

The survey questions are phrased in terms of changes over the past three months (in this case, in the third quarter of 2010) or expectations of changes over the next three months (i.e. in the last quarter of 2010).

Detailed tables and charts on the responses are provided in Annex 1 on the individual questions and in Annex 2 on the ad hoc questions.

A copy of the questionnaire can be found at:

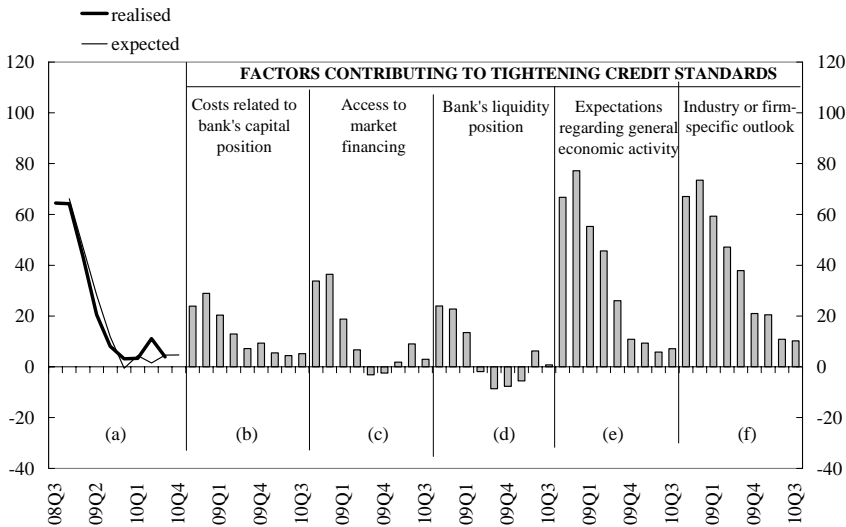
<http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html>.

## 2. Developments in credit standards and net demand for loans in the euro area

### 2.1 Enterprises

**Credit standards.** In the third quarter of 2010, the net percentage of banks reporting a tightening of credit standards on loans and credit lines to enterprises reached 4% (see Chart 1). This result favourably compares with the increase in net tightening recorded in the second quarter of 2010 (11%) and is in line with banks' expectations in the previous survey round. The decline in the net tightening of credit standards benefited both large firms (7% in the third quarter of 2010, compared with 14% in the second quarter) and SMEs (5% in the third quarter of 2010, compared with 12% in the second quarter). Regarding loan maturities, relatively speaking, the net percentage change in credit standards decreased more for short-term loans, reaching a net loosening of -1%, compared with a net tightening of 9% reported in the second quarter of 2010. The conditions for long-term loans also improved, although a net percentage of 6% of euro area banks still report a net tightening in this segment, compared with 14% in the second quarter of 2010.

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



Notes: "Realised" values refer to changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for responses to questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

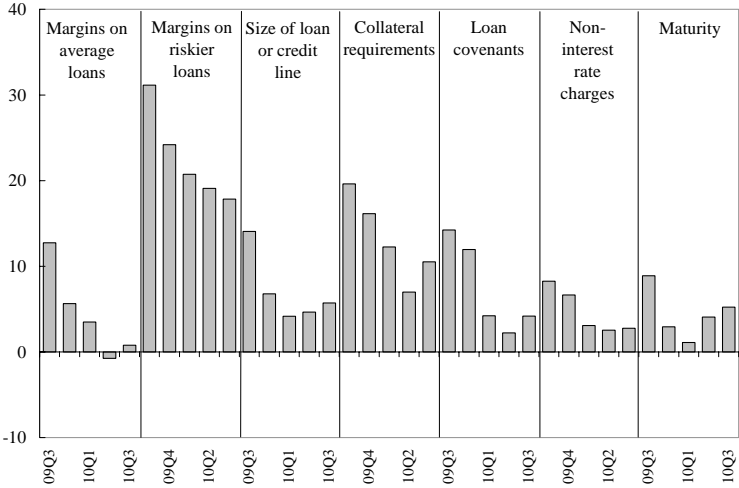
The lower level of the net tightening of credit standards in the third quarter of 2010 is mainly explained by lower contributions from some bank-specific factors, notably those related to banks' abilities to access market financing (3% in the third quarter of 2010, against 9% in the second quarter) and banks' liquidity

positions (1% in the third quarter of 2010, against 6% in the second quarter). Other factors maintain a positive stable contribution to the tightening of credit standards. This is the case for the cost related to banks' capital positions (5%, against 4% in the previous quarter) and, more importantly, for the factors closely related to the business cycle, which had been improving over recent quarters up until the third quarter of 2010 when the improvement stopped. Focusing on the industry or firm-specific outlooks, the October survey round shows that the number of banks seeing a worsening in either the firm-specific or the industry outlook outnumbered by 10% those banks seeing a positive outlook. This contribution is almost unchanged compared with the previous survey round (11% in the second quarter of the year). Expectations regarding general economic activity also stabilised in the third quarter of 2010: the number of pessimistic banks outnumbered by 7% those seeing an improvement in general economic expectations, compared with 6% in the second quarter of 2010.

In most cases, the declining trend observed in the net tightening of price and non-price terms and conditions came to a halt in the third quarter of 2010 (see Chart 2). Margins on average loans were again widened, after having been eased three months ago, and there was a more restrictive attitude towards all other conditions and terms, in particular the collateral requirements, which had become more stringent (11%, compared with 7% in the second quarter of 2010).

Looking forward, on balance, euro area banks expect the net tightening of credit standards on loans to enterprises to remain stable in the fourth quarter of 2010.

**Chart 2. Changes in terms and conditions for approving loans or credit lines to enterprises**  
(net percentages of banks reporting tightening terms and conditions)



Note: See the notes to Chart 1.

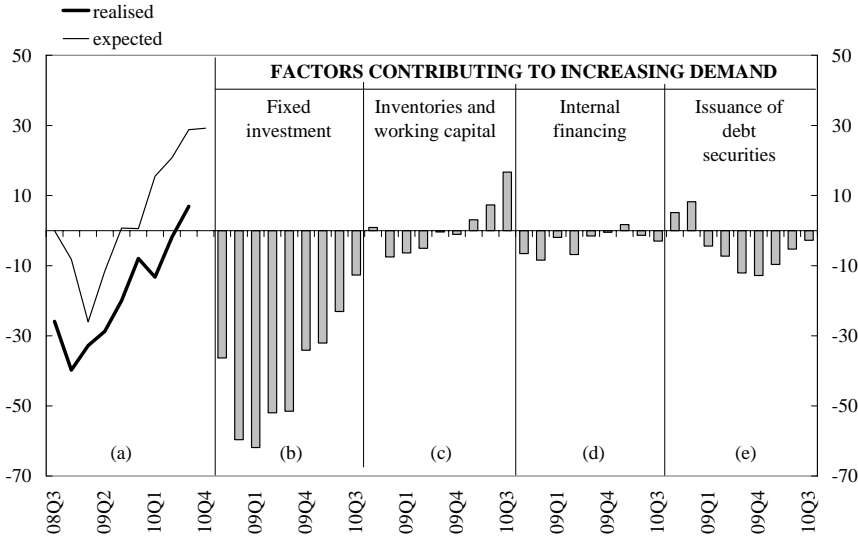
**Loan demand.** In the third quarter of 2010, net demand for loans<sup>3</sup> from enterprises turned positive (7%, compared with -2% in the second quarter of 2010 and -13% in the first quarter), after more than two years

<sup>3</sup> The net demand for loans is calculated as the percentage difference between banks reporting that demand for loans has increased and banks reporting that demand for loans has decreased.

in negative territory. As shown in Chart 3, the process of recovery, following the trough reached in the last few months of 2008, has been very gradual. The improvement in net demand for loans was similar in range for large firms and SMEs. Net demand for loans to SMEs was 10% in the third quarter of 2010, compared with -3% in the previous quarter. Large firms also posted a positive net demand for loans (3% in the third quarter of 2010, against -10% in the second quarter). However, net loan demand by large firms has remained weaker than demand by SMEs since the second half of 2009. This could be related to the protracted tightening of bank credit standards over this period, probably inducing large firms to substitute market financing for bank lending.

In the third quarter of 2010, the most important reason for positive net demand for loans by enterprises was increased financing needs for inventories and working capital (17%, against 7% in the second quarter of 2010). At the same time, the negative contribution from fixed investment became somewhat less pronounced. Similarly, the negative contribution from the issuance of debt securities and equity was also dampened, possibly reflecting the fact that firms have sought less external financing from financial markets amid tensions triggered by concerns about sovereign risk.

**Chart 3. Changes in demand for loans or credit lines to enterprises**  
(net percentages of banks reporting a positive contribution to demand)



Notes: “Realised” values refer to changes that have occurred, while “expected” values are changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding “increased considerably” and “increased somewhat” and the sum of the percentages of banks responding “decreased somewhat” and “decreased considerably”. The net percentages for responses to questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to increasing demand and the percentage reporting that it contributed to decreasing demand.

Looking forward, on balance, euro area banks expect net loan demand from enterprises to remain positive (and possibly increase) in the last quarter of 2010. In net terms, an unchanged 29% of banks expect loan demand from enterprises to increase in the last quarter of 2010, and to a larger extent for SMEs (33%) than for large firms (19%).

## 2.2 Households

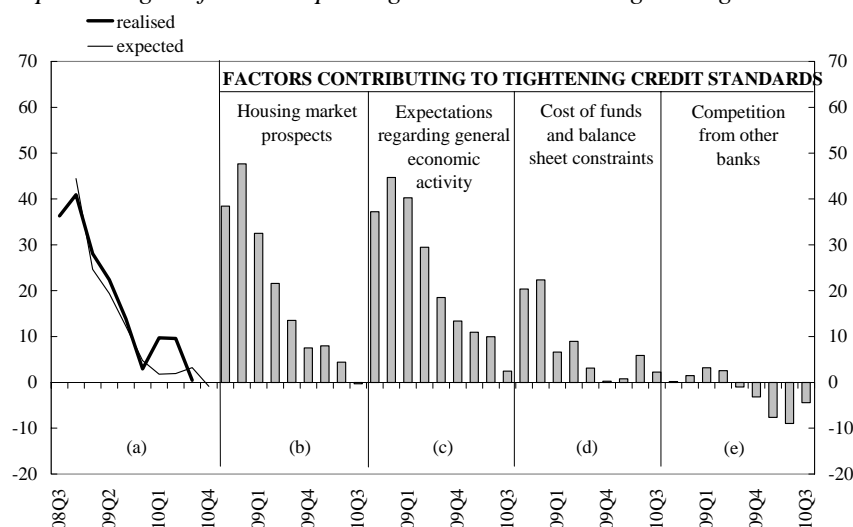
### Loans to households for house purchase

**Credit standards.** In the third quarter of 2010, the net percentage of banks reporting a tightening of credit standards on loans to households for house purchase fell to 0%, down from 10% in the previous two quarters. For the first time in more than two years, the survey suggests that there was no further net tightening of credit standards on mortgage loans; in the last survey round, banks had expected a moderate tightening of these credit conditions (see Chart 4).

Among the factors driving this development, banks indicated a somewhat less pronounced contribution from the perception of risk, such as the general economic outlook (2% in the third quarter of 2010, compared with 10% in the second quarter) and housing market prospects (0% in the third quarter of 2010, against 4% in the second quarter) as well as less stringent costs of funding and balance sheet constraints (2%, compared with 6% in the previous survey round). Competition between banks continued to contribute to an easing of credit standards on housing loans, although to a lesser extent than in recent surveys.

#### Chart 4. Changes in credit standards applied to the approval of loans to households for house purchase

(net percentages of banks reporting a contribution to tightening credit standards)



Note: See the notes to Chart 1.

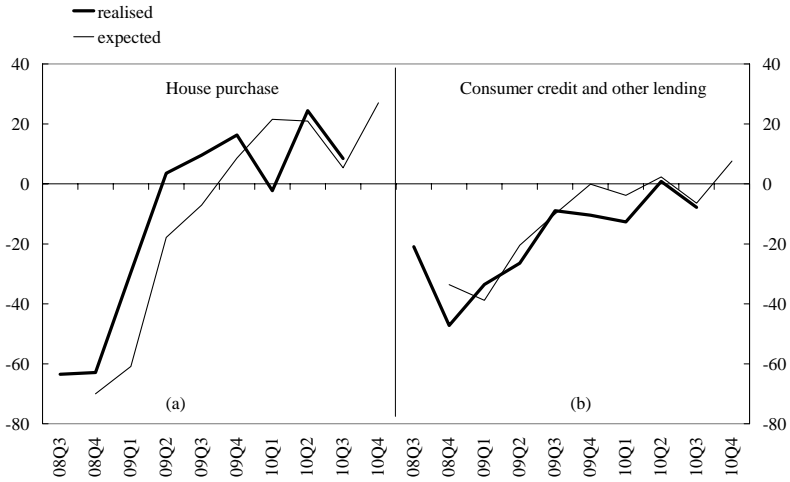
In general, terms and conditions on loans for house purchase were marginally tighter or unchanged in the third quarter of 2010, compared with the previous survey. The trend of net changes in terms and conditions (i.e. collateral requirements, available maturity, non-interest rate charges) over recent surveys shows that banks have been gradually reducing the pace of tightening and may be reaching a turning point. In addition, on balance, euro area banks reported a slight decrease of margins on average loans (-1%, compared with a net increase of 3% in the second quarter of 2010). At the same time, margins on riskier loans were increased further: as in the previous survey round, a net percentage of 10% of banks reported raising these margins in the third quarter.

Looking forward, banks expect a possible slight easing (to -1%) of overall credit standards for housing loans in the last quarter of 2010.

**Loan demand.** Broadly in line with expectations, net demand for housing loans was positive in the third quarter of 2010, but much lower than in the second quarter of the year (8%, compared with 24% in the second quarter of 2010). Since the beginning of the year, banks have been reporting a certain degree of volatility in households’ demands for housing loans from one quarter to the next (see Chart 5). However, on average, demand for housing loans has remained positive.

According to banks, the decline in demand for loans in the third quarter of 2010 could mainly be explained by a less positive contribution from housing market prospects. Looking forward, banks expect this decline in demand for housing loans to be only temporary.

**Chart 5. Changes in demand for loans to households**  
(net percentages of banks reporting a positive contribution to demand)



Note: See the notes to Chart 3.

**Consumer credit and other lending to households**

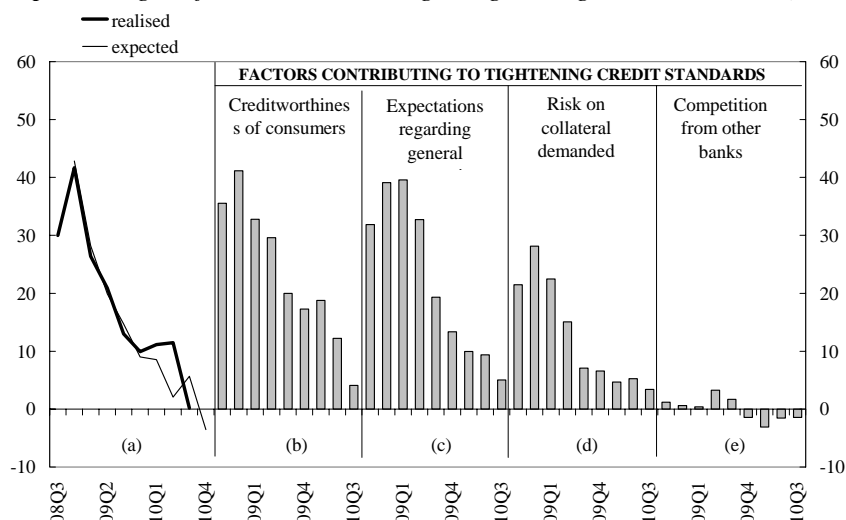
**Credit standards.** The net percentage of banks reporting a tightening of credit standards for loans to households for consumer credit and other lending fell to 0%, after more than two years of continued tightening (see Chart 6). This was actually slightly better than expected, as banks were still foreseeing a tightening of credit standards at the time of the previous survey. As with housing loans, factors related to the perception of risk seemed to have played an important role in explaining the further decline in the net tightening of credit standards. More specifically, banks reported a lower contribution from both the creditworthiness of consumers (4%, compared with 12% in the second quarter of 2010) and expectations regarding economic activity (5%, against 9% in the previous quarter).

Looking forward, banks expect a net easing of credit standards on consumer credit and other lending to households (-4%) in the fourth quarter of 2010.

**Chart 6. Changes in credit standards applied to the approval of consumer credit and other lending to households**



(net percentages of banks contributing to tightening credit standards)



Note: See the notes to Chart 1.

**Loan demand.** After a temporary pause in the second quarter of 2010, demand for consumer credit and other lending appears to have decreased in the third quarter of the year, driven mainly by a reduction of households’ spending on durable goods and increased competition from other banks. Compared with the previous surveys, consumer confidence made less of a negative contribution, suggesting a gradual recovery of households’ economic prospects.

Looking ahead, euro area banks expect the demand for consumer credit, in net terms, to turn positive in the last quarter of the year.

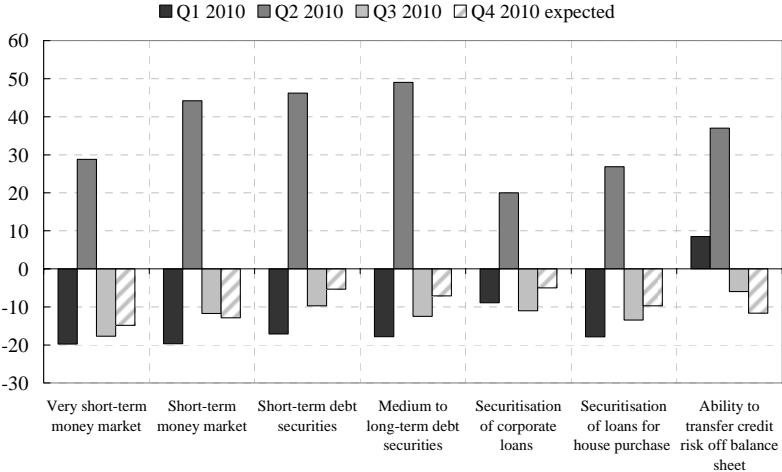
### 3. Ad hoc questions

As a follow-up to the ad hoc questions included in the previous survey rounds, the October 2010 survey round also contained questions aimed at assessing 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 third quarter of 2010 and also the extent to which these tensions are expected to affect credit standards and lines over the next three months. The questions referred to the access to wholesale funding and the impact of capital constraints on bank lending.<sup>4</sup>

For the third quarter of 2010, banks generally reported an improvement in their access to wholesale funding across all segments. After the deterioration suffered in the second quarter, on the back of a renewal of concerns about sovereign debt risks, the recovery in the third quarter has been much faster than expected in the July survey.

<sup>4</sup> The results shown are calculated as a percentage of the number of banks which did not reply “not applicable”.

**Chart 7: Change in the access to wholesale funding over the past three months**  
(net percentages of banks reporting deteriorated market access)

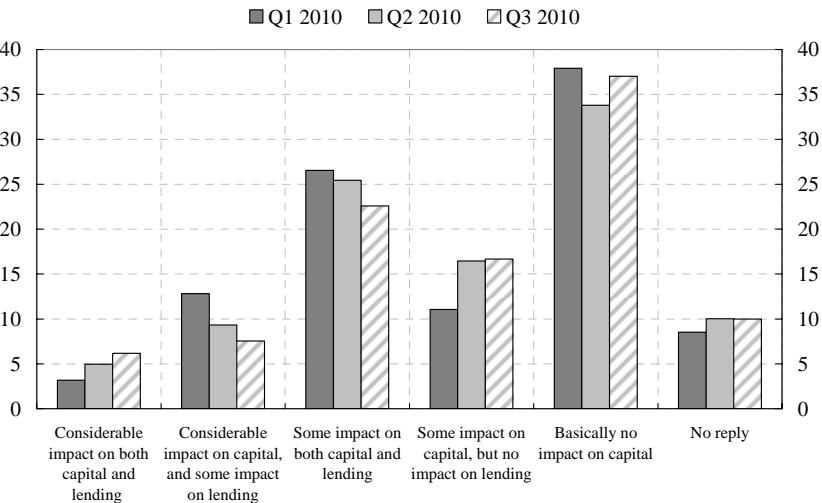


Note: The percentages were calculated by adding together the shares of banks that reported either a “considerable impact” or “some impact” on their market access.

For the fourth quarter of 2010, the majority of euro area banks expect a further easing in the access to wholesale funding, across all segments. On a net basis, around 10-20% of banks expect a further improvement across all wholesale funding markets. In particular, close to 20% of banks expect an easing in their access to short-term money markets.

Regarding the impact of the financial turmoil on banks’ costs related to their capital position and on their lending policy (see Chart 8), the most sizeable change between the second and the third quarter of 2010 is the increase in the number of banks reporting that the crisis has had virtually no impact on capital (from 34% to 37%). Moreover, the percentage of banks indicating “some” or a “considerable” impact on both capital and lending declined in the third quarter, reaching 36%, compared with around 40% in the previous quarter.

**Chart 8: Effect on the costs related to the bank’s capital position and on lending**  
(percentages of banks reporting an impact)





## ANNEX 1: RESULTS FOR THE INDIVIDUAL QUESTIONS

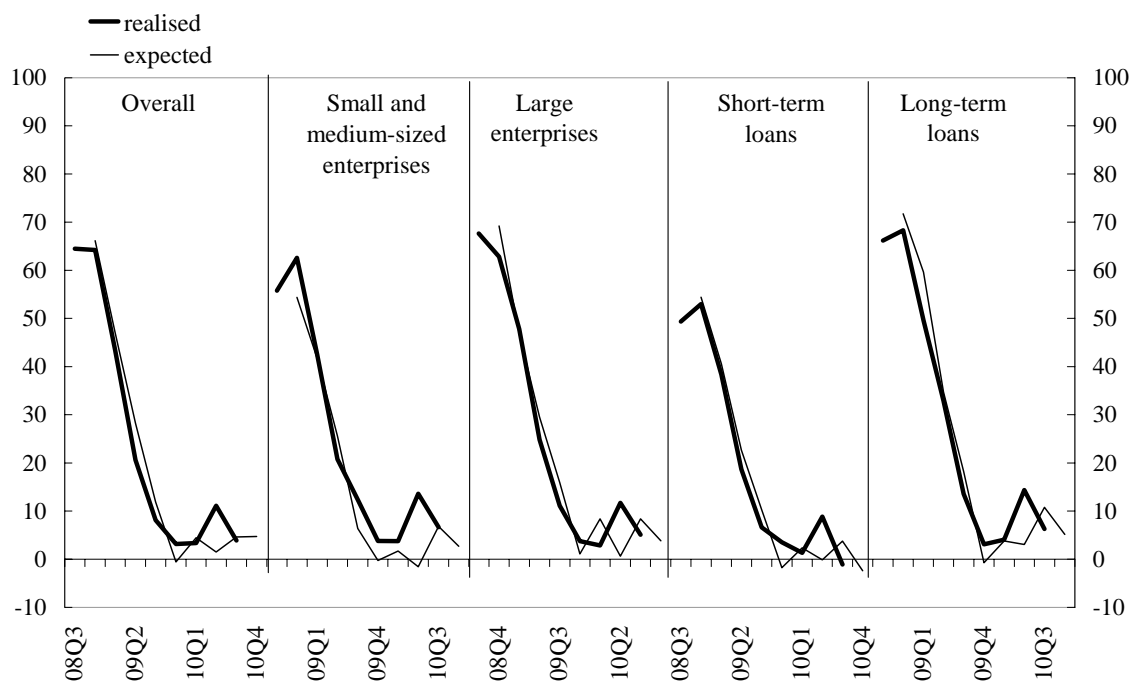
### I. Loans or credit lines to enterprises

- 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 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
Tightened considerably	1	1	1	1	1	2	0	1	2	2
Tightened somewhat	11	7	13	10	15	8	12	5	13	9
Remained basically unchanged	88	88	86	85	82	86	85	89	85	85
Eased somewhat	1	4	0	4	3	4	3	6	0	4
Eased considerably	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>11</b>	<b>4</b>	<b>14</b>	<b>7</b>	<b>12</b>	<b>5</b>	<b>9</b>	<b>-1</b>	<b>14</b>	<b>6</b>
<b>Diffusion index</b>	<b>6</b>	<b>3</b>	<b>7</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>4</b>
<i>Mean</i>	<i>2.88</i>	<i>2.95</i>	<i>2.86</i>	<i>2.92</i>	<i>2.88</i>	<i>2.93</i>	<i>2.91</i>	<i>3.01</i>	<i>2.84</i>	<i>2.92</i>
<b>Number of banks responding</b>	<b>113</b>	<b>113</b>	<b>111</b>	<b>110</b>	<b>109</b>	<b>109</b>	<b>114</b>	<b>113</b>	<b>112</b>	<b>111</b>

Notes: 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". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (a score of 1) as lenders having answered "somewhat" (a score of 0.5).

**Chart 1. Changes in 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 loans or credit lines to enterprises?

**OVERALL**

	-	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Cost of funds and balance sheet constraints					
Costs related to your bank's capital position	2	4	85	1	0	9	4	5	3	3	2.94	2.93
Your bank's ability to access market financing	1	3	83	2	0	12	9	3	6	2	2.88	2.96
Your bank's liquidity position	1	5	80	5	0	9	6	1	4	1	2.93	2.98
B) Pressure from competition												
Competition from other banks	1	0	81	10	0	9	-8	-9	-4	-4	3.09	3.10
Competition from non-banks	0	0	86	3	0	11	0	-3	0	-1	3.00	3.03
Competition from market financing	0	0	85	4	0	11	0	-4	0	-2	3.00	3.05
C) Perception of risk												
Expectations regarding general economic activity	1	12	75	6	0	6	6	7	3	4	2.94	2.92
Industry or firm-specific outlook	0	14	77	4	0	6	11	10	6	5	2.89	2.89
Risk on collateral demanded	1	7	85	0	0	7	8	7	4	4	2.92	2.91

**SMALL AND MEDIUM-SIZED ENTERPRISES**

	-	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Cost of funds and balance sheet constraints					
Costs related to your bank's capital position	2	4	82	1	0	13	4	5	3	3	2.94	2.93
Your bank's ability to access market financing	1	3	80	1	0	15	9	3	6	2	2.87	2.96
Your bank's liquidity position	1	4	79	4	0	12	6	1	3	1	2.93	2.98
B) Pressure from competition												
Competition from other banks	0	0	84	6	0	11	-8	-6	-4	-3	3.09	3.07
Competition from non-banks	0	0	85	1	0	14	0	-1	0	-1	3.00	3.02
Competition from market financing	0	0	84	1	0	15	0	-1	0	-1	3.00	3.02
C) Perception of risk												
Expectations regarding general economic activity	1	9	74	6	0	10	11	5	6	3	2.89	2.94
Industry or firm-specific outlook	0	13	74	3	0	10	14	11	7	5	2.85	2.89
Risk on collateral demanded	1	6	83	0	0	10	9	7	5	4	2.89	2.90

**LARGE ENTERPRISES**

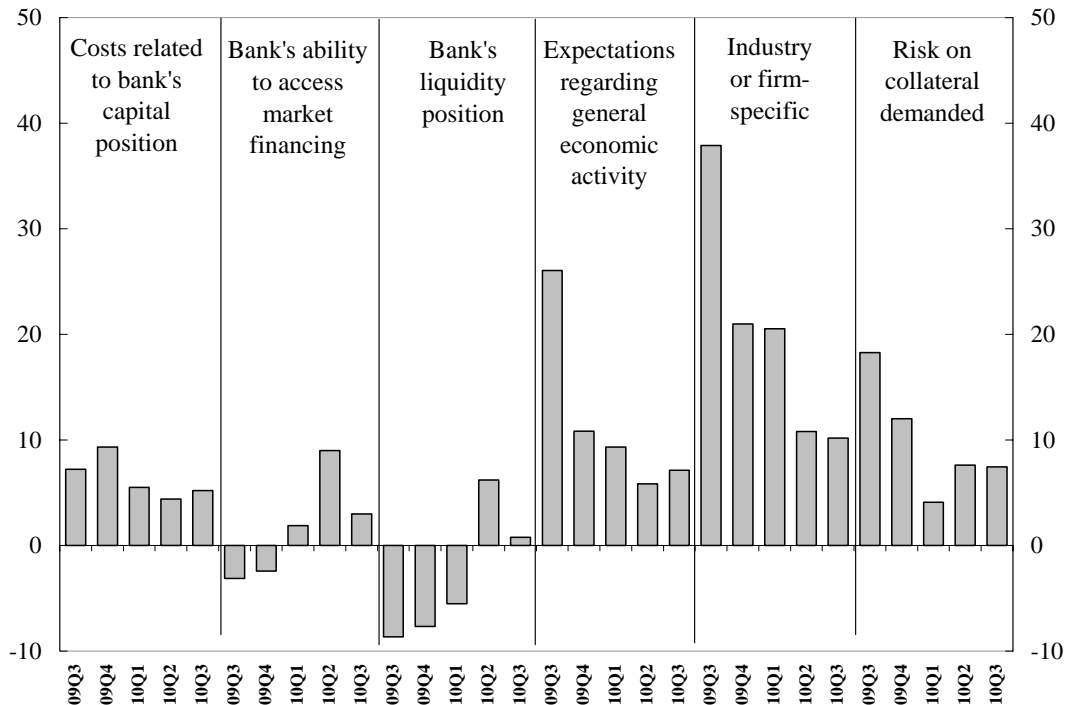
	-	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Cost of funds and balance sheet constraints					
Costs related to your bank's capital position	2	4	77	1	0	16	6	6	4	4	2.90	2.90
Your bank's ability to access market financing	2	3	76	1	0	18	11	4	6	3	2.85	2.93
Your bank's liquidity position	2	5	74	4	0	16	10	3	5	2	2.89	2.95
B) Pressure from competition												
Competition from other banks	1	0	76	9	0	15	-7	-8	-4	-4	3.08	3.09
Competition from non-banks	0	0	82	1	0	17	0	-1	0	-1	3.00	3.02
Competition from market financing	0	0	81	3	0	16	1	-3	0	-1	2.99	3.03
C) Perception of risk												
Expectations regarding general economic activity	1	9	71	7	0	12	4	3	2	2	2.96	2.97
Industry or firm-specific outlook	1	13	71	3	1	12	10	10	5	5	2.89	2.91
Risk on collateral demanded	1	7	78	1	0	13	4	7	2	4	2.95	2.91

NA = not available; NetP = net percentage; DI = diffusion index.

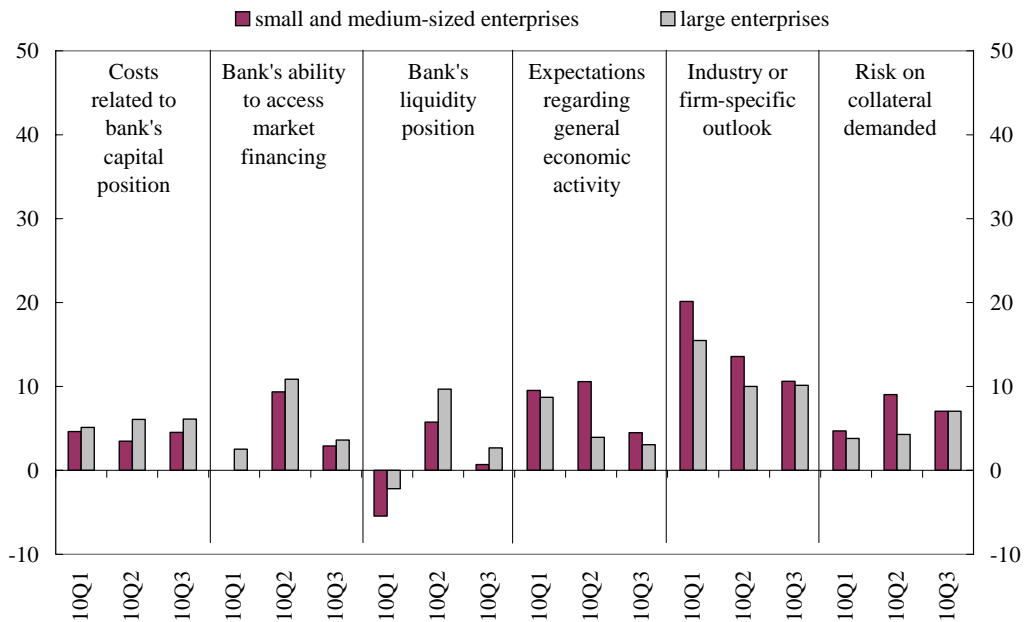
Notes: The net percentage is defined as the difference between the sum of banks responding “-” (contributed considerably to tightening) and “-” (contributed somewhat to tightening), and the sum of banks responding “+” (contributed somewhat to easing) and “+ +” (contributed considerably to easing). “°” means “contributed to basically unchanged credit standards”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 2a. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises**  
*(net percentages of banks reporting a contribution to tightening standards)*

**OVERALL**

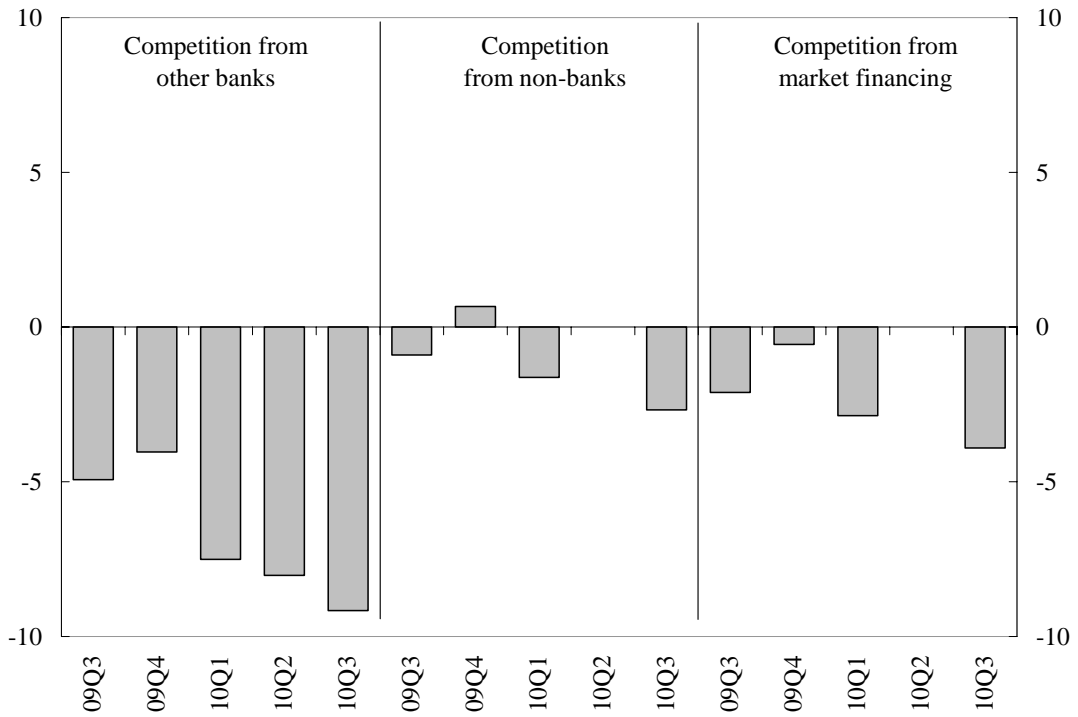


**BREAKDOWN BY FIRM SIZE**



**Chart 2b. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises**  
*(net percentages of banks reporting a contribution to tightening standards)*

**OVERALL**



**BREAKDOWN BY FIRM SIZE**



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

**OVERALL**

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Price					
Your bank's margin on average loans	2	9	74	10	0	6	-1	1	0	1	3.01	2.98
Your bank's margin on riskier loans	3	19	67	4	0	7	19	18	12	10	2.76	2.79
B) Other conditions and terms												
Non-interest rate charges	0	4	89	1	0	7	3	3	1	1	2.98	2.97
Size of the loan or credit line	0	7	86	1	0	6	5	6	3	3	2.94	2.94
Collateral requirements	1	10	83	0	0	6	7	11	4	6	2.93	2.88
Loan covenants	0	6	85	2	0	7	2	4	1	2	2.98	2.95
Maturity	1	8	82	3	0	6	4	5	2	3	2.96	2.94

**SMALL AND MEDIUM-SIZED ENTERPRISES**

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Price					
Your bank's margin on average loans	2	9	72	8	0	9	8	3	5	2	2.91	2.95
Your bank's margin on riskier loans	2	20	67	2	0	10	24	19	14	11	2.70	2.76
B) Other conditions and terms												
Non-interest rate charges	0	3	88	1	0	9	3	2	2	1	2.97	2.98
Size of the loan or credit line	0	6	85	1	0	9	7	4	4	2	2.92	2.96
Collateral requirements	0	8	83	1	0	9	6	8	4	4	2.92	2.91
Loan covenants	0	4	87	0	0	9	3	3	2	2	2.96	2.95
Maturity	1	8	82	1	0	9	6	8	3	4	2.93	2.91

**LARGE ENTERPRISES**

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Price					
Your bank's margin on average loans	2	7	69	11	0	12	-2	-2	1	0	2.99	3.02
Your bank's margin on riskier loans	3	23	58	4	0	13	22	22	14	12	2.69	2.73
B) Other conditions and terms												
Non-interest rate charges	0	4	81	2	0	13	4	2	3	1	2.94	2.98
Size of the loan or credit line	0	8	79	1	0	12	5	7	4	4	2.91	2.92
Collateral requirements	1	8	79	0	0	12	9	9	6	5	2.87	2.90
Loan covenants	0	6	79	3	0	13	3	3	2	1	2.96	2.97
Maturity	1	8	76	3	0	12	8	6	5	3	2.89	2.93

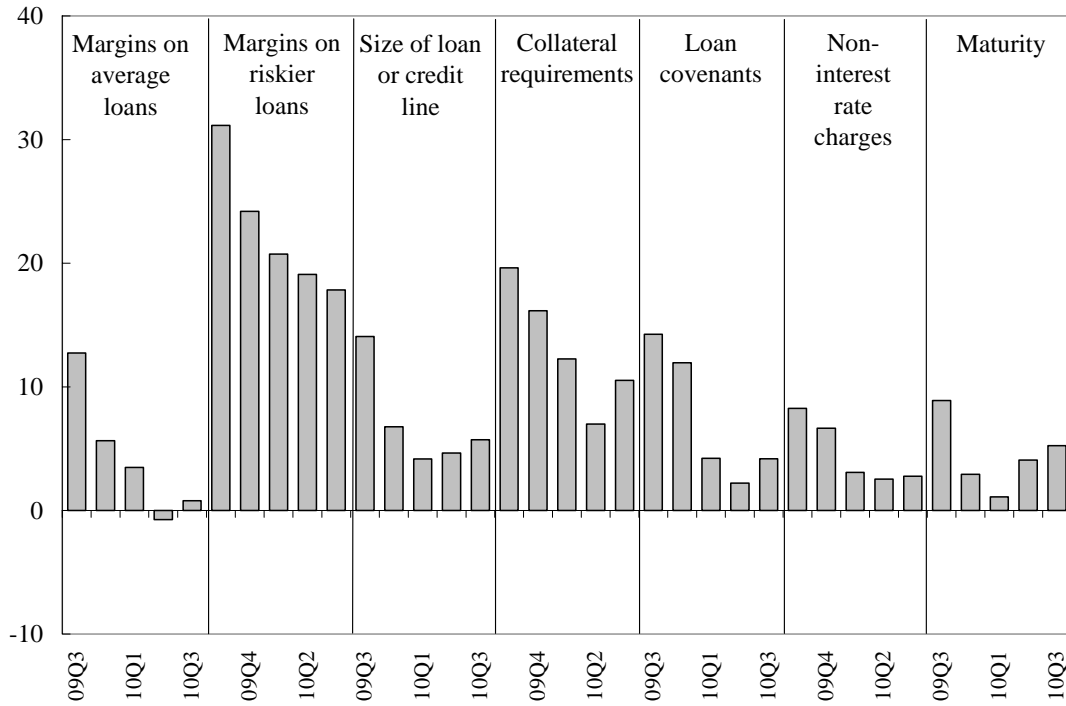
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “- -” (tightened considerably) and “-” (tightened somewhat), and the sum of banks responding “+” (eased somewhat) and “+ +” (eased considerably). “°” means “remained basically unchanged”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

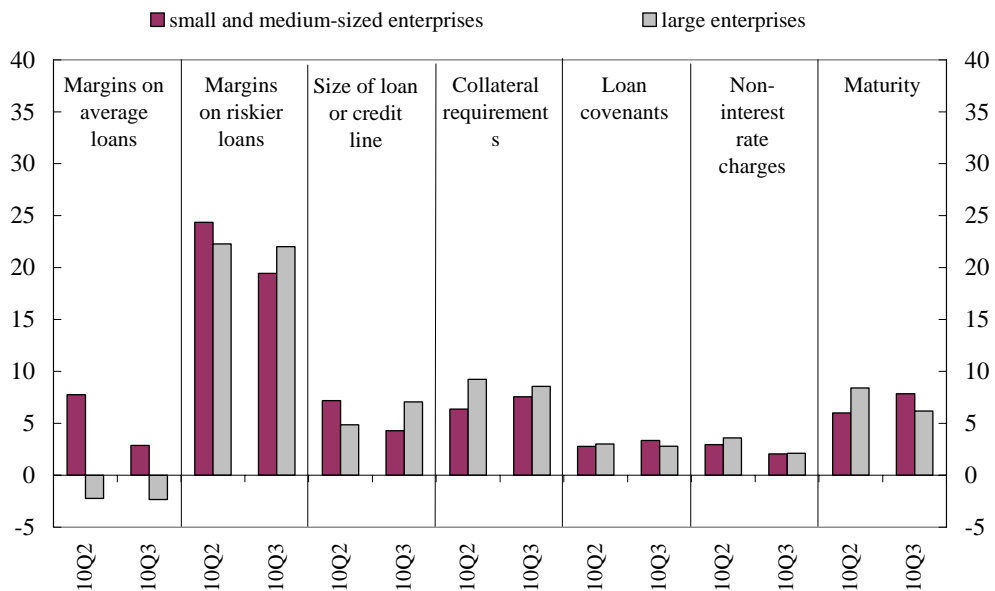


**Chart 3. Changes in terms and conditions for approving loans or credit lines to enterprises**  
*(net percentages of banks reporting tightening terms and conditions)*

**OVERALL**



**BREAKDOWN BY FIRM SIZE**

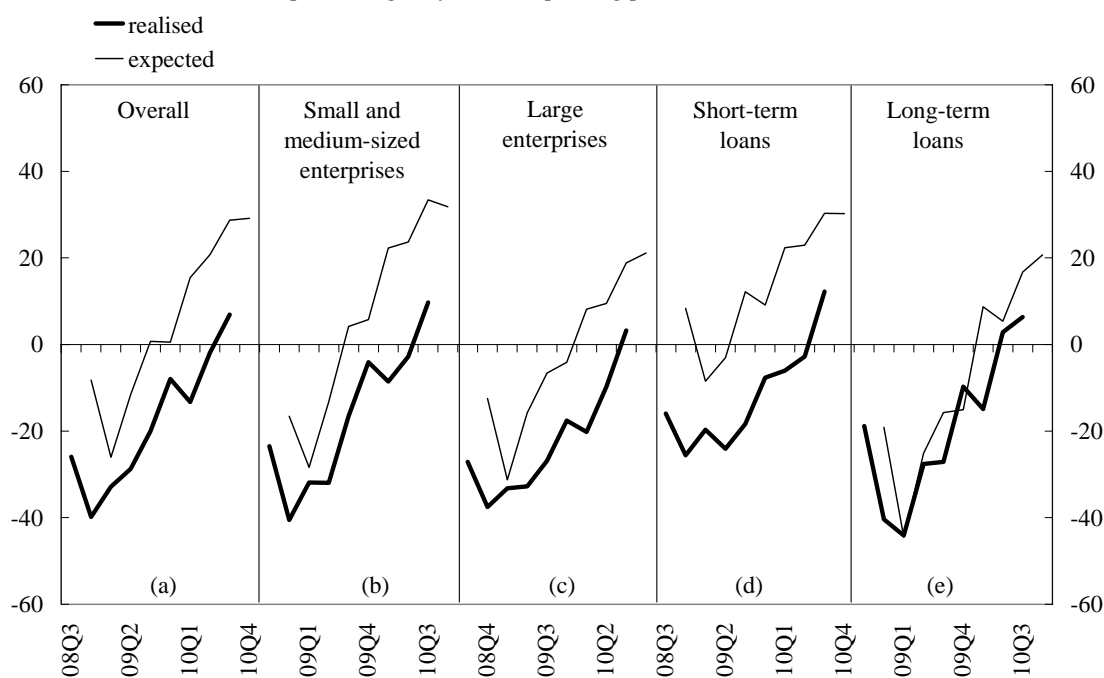


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
Decreased considerably	2	1	3	1	3	2	3	2	2	1
Decreased somewhat	15	15	15	11	17	12	15	7	13	17
Remained basically unchanged	67	60	68	66	69	69	68	69	67	59
Increased somewhat	15	23	15	22	11	17	15	20	18	24
Increased considerably	0	0	0	0	0	0	0	1	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>-2</b>	<b>7</b>	<b>-3</b>	<b>10</b>	<b>-10</b>	<b>3</b>	<b>-3</b>	<b>12</b>	<b>3</b>	<b>6</b>
<b>Diffusion index</b>	<b>-2</b>	<b>3</b>	<b>-3</b>	<b>4</b>	<b>-7</b>	<b>1</b>	<b>-3</b>	<b>6</b>	<b>0</b>	<b>3</b>
<b>Mean</b>	<b>2.96</b>	<b>3.06</b>	<b>2.95</b>	<b>3.09</b>	<b>2.87</b>	<b>3.01</b>	<b>2.94</b>	<b>3.11</b>	<b>3.01</b>	<b>3.05</b>
<b>Number of banks responding</b>	<b>114</b>	<b>113</b>	<b>111</b>	<b>110</b>	<b>109</b>	<b>109</b>	<b>114</b>	<b>113</b>	<b>112</b>	<b>111</b>

Notes: The net percentage is defined as the difference between the sum of banks responding “increased considerably” and “increased somewhat”, and the sum of banks responding “decreased somewhat” and “decreased considerably”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 4. Changes in 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 loans or credit lines to enterprises?

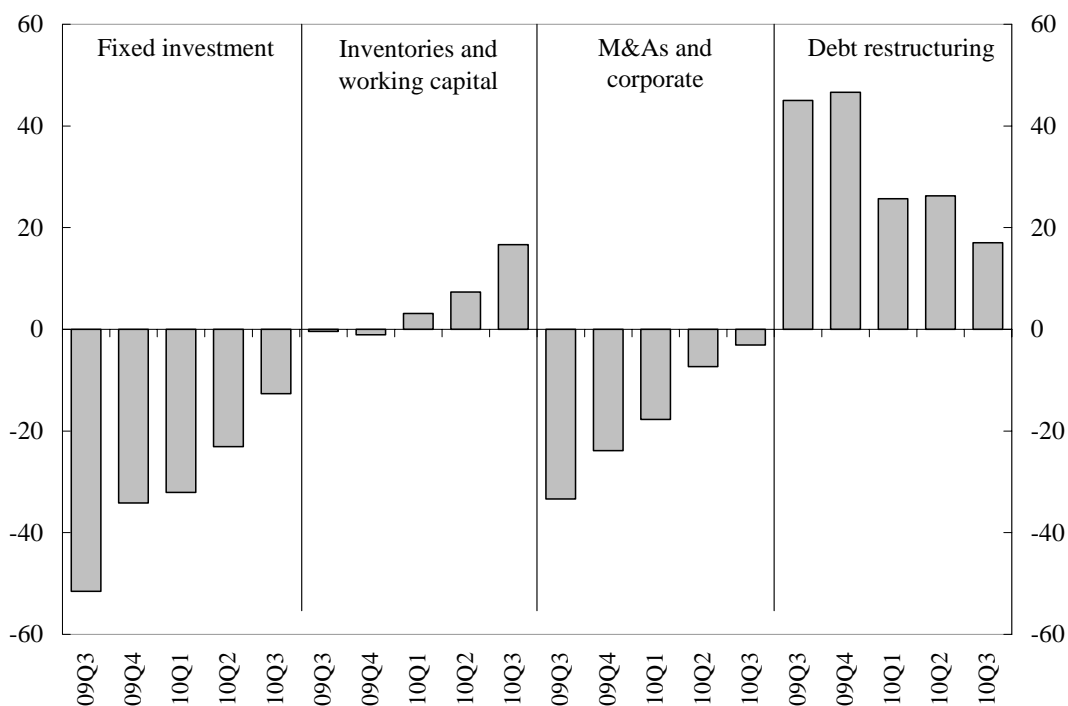
	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Financing needs					
Fixed investment	3	21	59	11	1	6	-23	-13	-13	-8	2.72	2.84
Inventories and working capital	0	9	56	26	0	9	7	17	4	8	3.08	3.18
Mergers/acquisitions and corporate restructuring	2	6	73	5	0	14	-7	-3	-5	-3	2.88	2.93
Debt restructuring	0	6	63	23	1	8	26	17	13	9	3.28	3.17
B) Use of alternative finance												
Internal financing	0	6	81	3	0	11	-1	-3	-1	-2	2.98	2.96
Loans from other banks	0	3	83	4	0	9	-2	1	-1	1	2.97	3.01
Loans from non-banks	0	2	84	2	0	12	-1	1	-1	0	2.98	3.01
Issuance of debt securities	0	7	72	5	0	16	-5	-3	-3	-1	2.91	2.96
Issuance of equity	0	2	79	1	0	18	-3	-1	-1	-1	2.96	2.99

NA = not available; NetP = net percentage; DI = diffusion index.

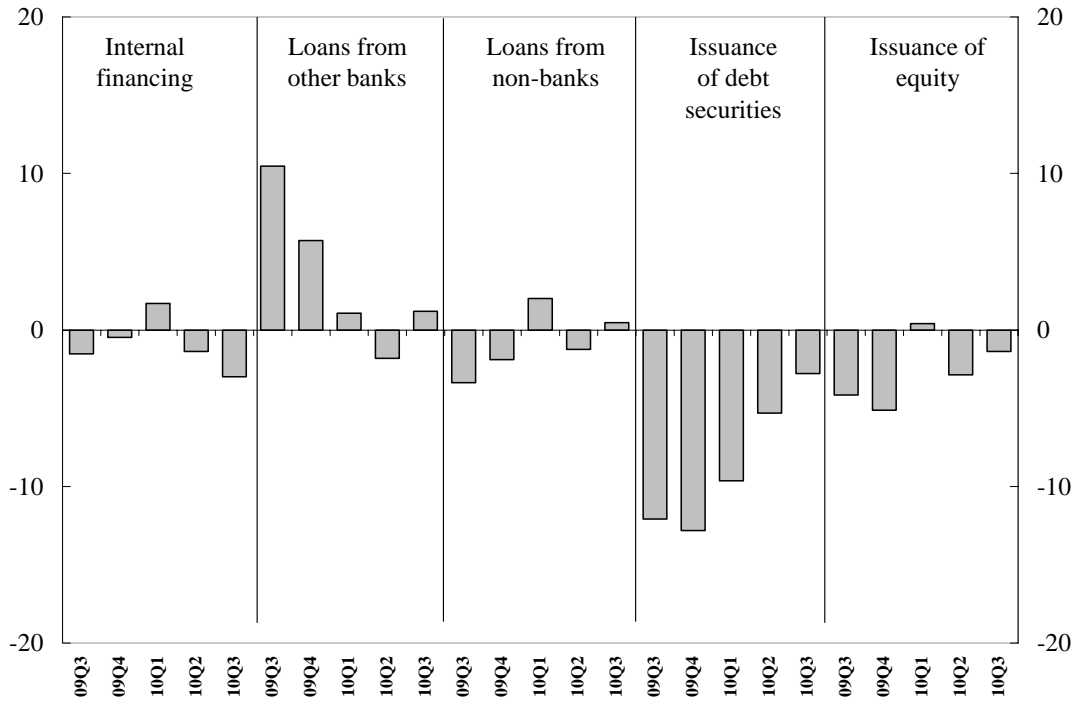
Notes: The net percentage is defined as the difference between the sum of banks responding “+ +” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand), and the sum of banks responding “-” (contributed somewhat to lower demand) and “- -” (contributed considerably to lower demand). “°” means “contributed to basically unchanged demand”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 5a. Factors affecting demand for loans and credit lines to enterprises**

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



**Chart 5b. Factors affecting demand for loans and credit lines to enterprises**  
*(net percentages of banks reporting a positive contribution to demand)*

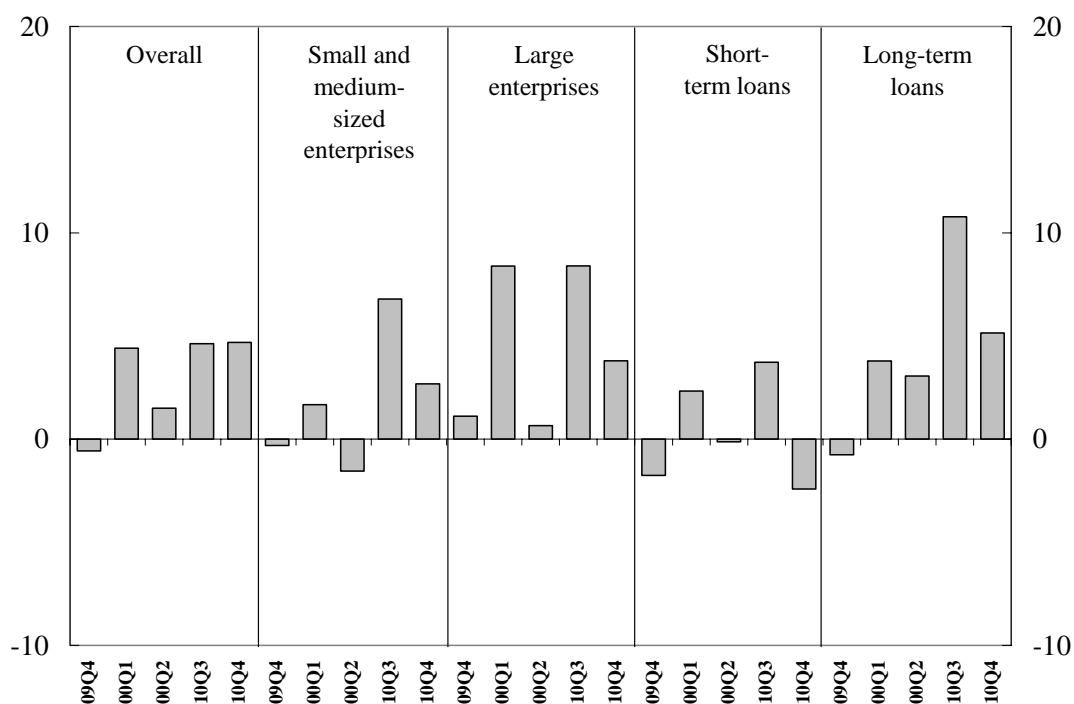


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
Tighten considerably	0	0	0	1	0	0	0	0	1	0
Tighten somewhat	8	7	10	3	12	8	8	3	14	8
Remain basically unchanged	88	91	86	93	84	87	87	92	81	89
Ease somewhat	4	2	4	2	4	5	5	5	4	3
Ease considerably	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>8</b>	<b>4</b>	<b>4</b>	<b>-2</b>	<b>11</b>	<b>5</b>
<b>Diffusion index</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>-1</b>	<b>6</b>	<b>3</b>
<i>Mean</i>	2.95	2.95	2.93	2.96	2.92	2.96	2.96	3.02	2.88	2.95
<b>Number of banks responding</b>	<b>114</b>	<b>112</b>	<b>111</b>	<b>110</b>	<b>109</b>	<b>109</b>	<b>114</b>	<b>112</b>	<b>112</b>	<b>110</b>

Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding "tighten considerably" and "tighten somewhat", and the sum of the percentages of banks responding "ease somewhat" and "ease considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (a score of 1) as lenders having answered "somewhat" (a score of 0.5).

**Chart 6. Expected changes in credit standards for the approval of loans or credit lines to enterprises**  
(net percentages of banks expecting tightening credit standards)

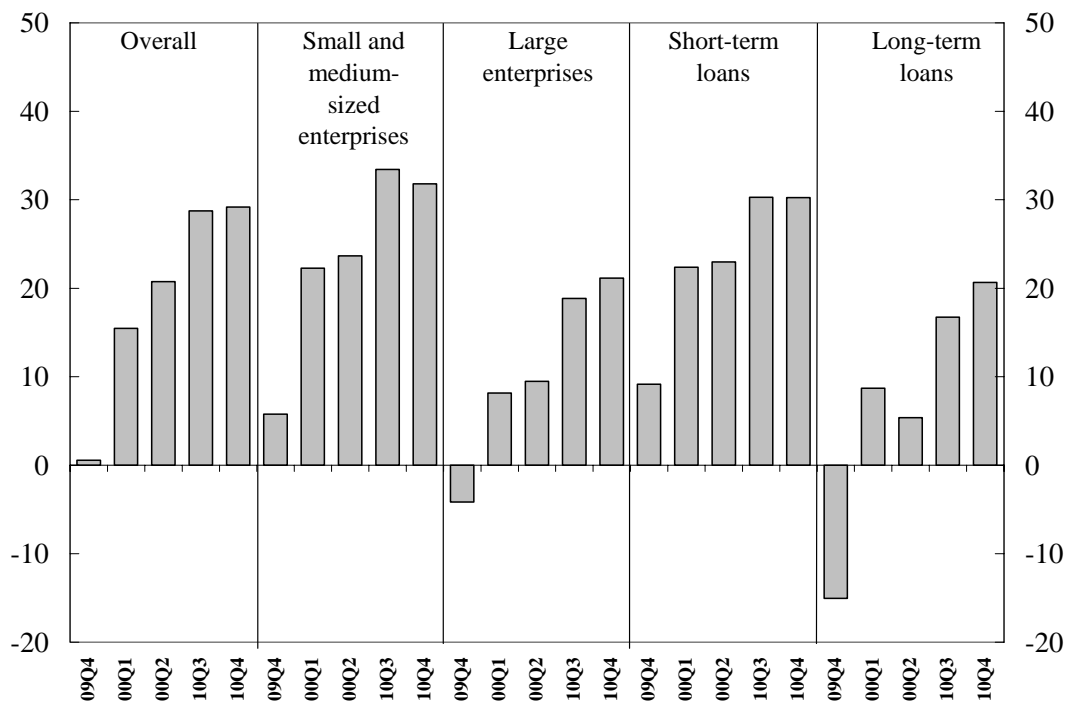


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	2	2	2	3	6	6	1	1	8	5
Remain basically unchanged	68	66	62	63	70	68	69	68	68	70
Increase somewhat	31	32	34	34	24	27	31	31	23	25
Increase considerably	0	0	2	0	0	0	0	0	1	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>29</b>	<b>29</b>	<b>33</b>	<b>32</b>	<b>19</b>	<b>21</b>	<b>30</b>	<b>30</b>	<b>17</b>	<b>21</b>
<b>Diffusion index</b>	<b>14</b>	<b>15</b>	<b>18</b>	<b>16</b>	<b>9</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>9</b>	<b>10</b>
<i>Mean</i>	3.29	3.29	3.35	3.32	3.19	3.21	3.30	3.30	3.18	3.21
<b>Number of banks responding</b>	<b>114</b>	<b>112</b>	<b>111</b>	<b>110</b>	<b>109</b>	<b>108</b>	<b>114</b>	<b>112</b>	<b>112</b>	<b>110</b>

Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding “increase considerably” and “increase somewhat”, and the sum of the percentages of banks responding “decrease somewhat” and “decrease considerably”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 7. Expected demand for loans and credit lines to enterprises**  
(net percentages of banks expecting a positive loan demand)



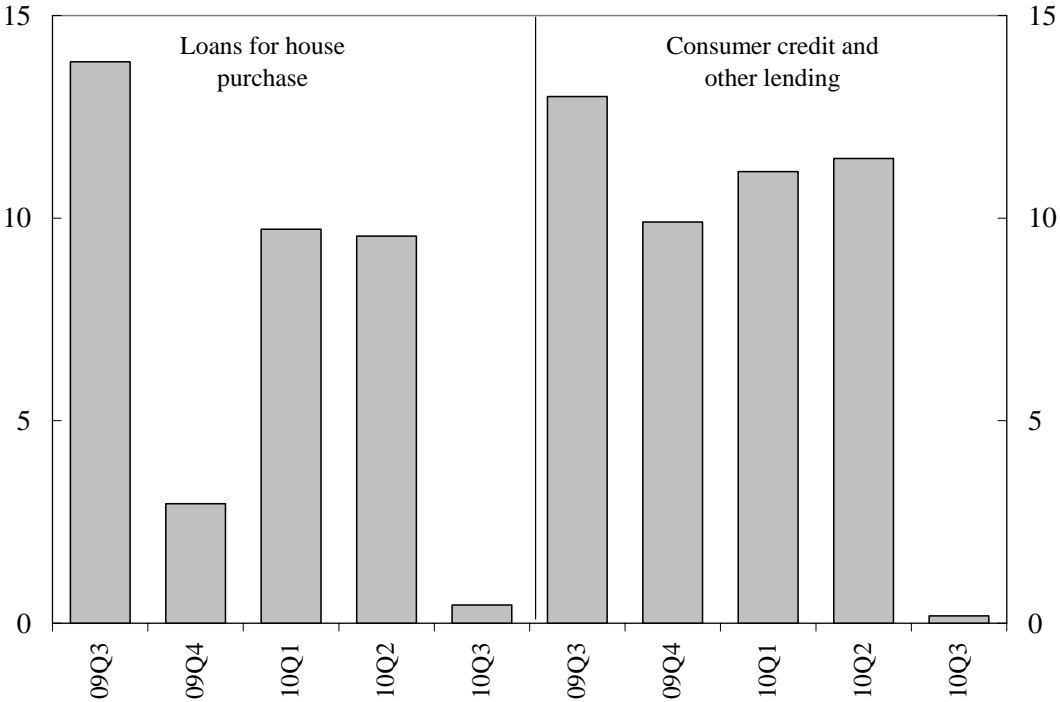
**II. Loans to households**

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 2010	October 2010	July 2010	October 2010
Tightened considerably	1	1	0	1
Tightened somewhat	12	7	12	4
Remained basically unchanged	83	85	86	89
Eased somewhat	4	7	1	5
Eased considerably	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>10</b>	<b>1</b>	<b>12</b>	<b>0</b>
<b>Diffusion index</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>1</b>
<i>Mean</i>	2.89	2.99	2.88	2.99
<b>Number of banks responding</b>	<b>107</b>	<b>106</b>	<b>108</b>	<b>108</b>

*Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat”, and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).*

**Chart 8. Credit standards applied to the approval of loans to households**  
(net percentages of banks reporting tightening credit standards)



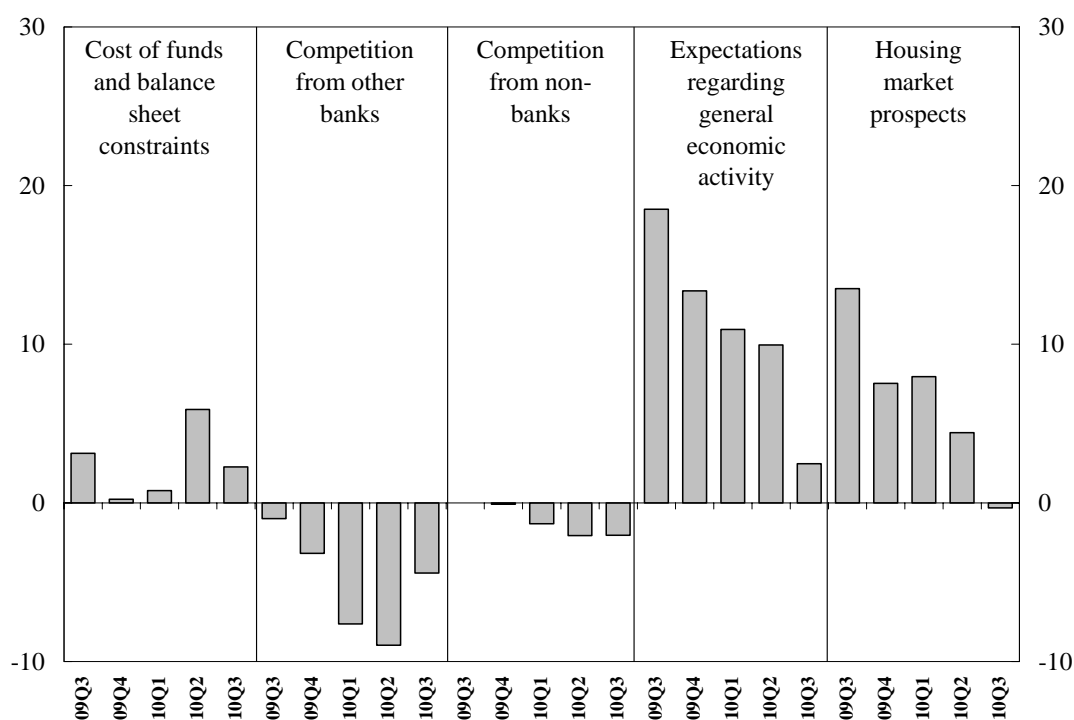
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
A) Cost of funds and balance sheet constraints	2	2	79	2	0	15	6	2	3	2	2.93	2.95
B) Pressure from competition												
Competition from other banks	0	1	78	4	1	15	-9	-4	-5	-3	3.11	3.07
Competition from non-banks	0	0	82	1	1	16	-2	-2	-1	-2	3.03	3.04
C) Perception of risk												
Expectations regarding general economic activity	1	6	78	4	0	13	10	3	5	2	2.89	2.97
Housing market prospects	1	3	81	4	0	13	4	0	3	0	2.94	3.00

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “- -” (contributed considerably to tightening) and “-” (contributed somewhat to tightening), and the sum of banks responding “+” (contributed somewhat to easing) and “+ +” (contributed considerably to easing). “°” means “contributed to basically unchanged credit standards”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 9. Factors affecting credit standards applied to the approval of loans to households for house purchase**  
(net percentages of banks reporting tightening standards)





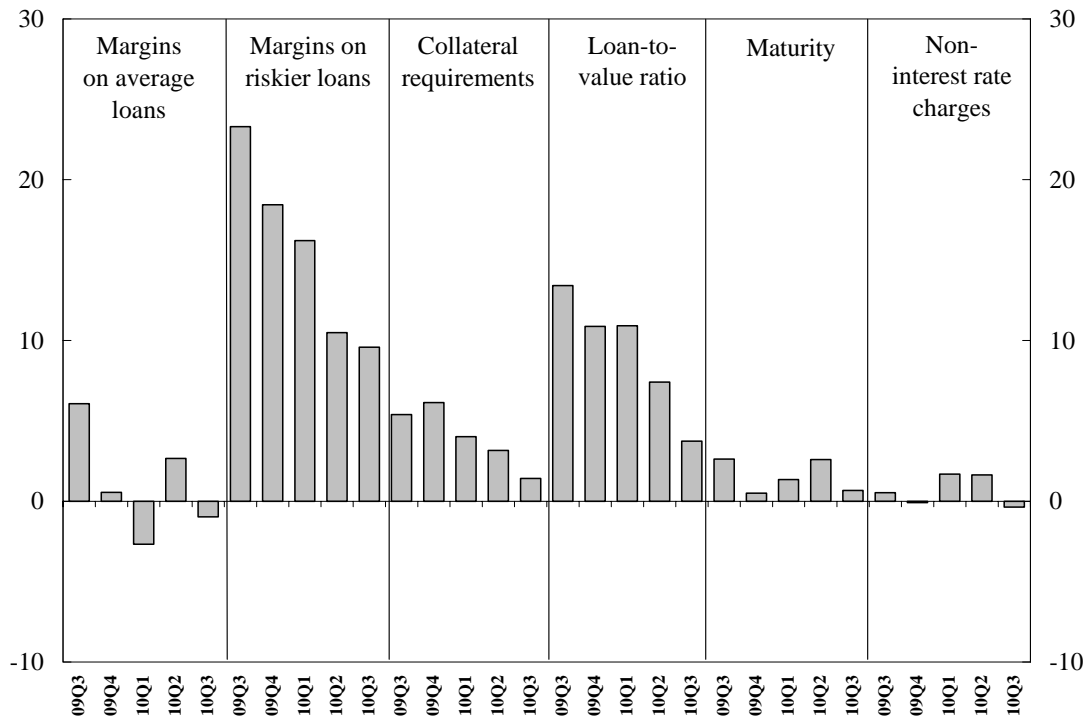
10. Over the past three months, how have your bank's terms and conditions for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
<b>A) Price</b>												
Your bank's margin on average loans	3	9	64	11	1	13	3	-1	2	0	2.98	3.00
Your bank's margin on riskier loans	4	9	70	2	1	13	11	10	7	6	2.87	2.87
<b>B) Other conditions and terms</b>												
Collateral requirements	0	2	86	0	0	13	3	1	2	1	2.96	2.98
Loan-to-value ratio	0	5	82	1	0	13	7	4	4	2	2.92	2.96
Maturity	0	2	85	1	0	13	3	1	1	0	2.97	3.00
Non-interest rate charges	0	1	86	1	0	13	2	0	1	0	2.98	3.01

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat), and the sum of banks responding "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (a score of 1) as lenders having answered "somewhat" (a score of 0.5).

**Chart 10. Changes in terms and conditions for approving loans to households for house purchase**  
(net percentages of banks reporting tightening terms and conditions)



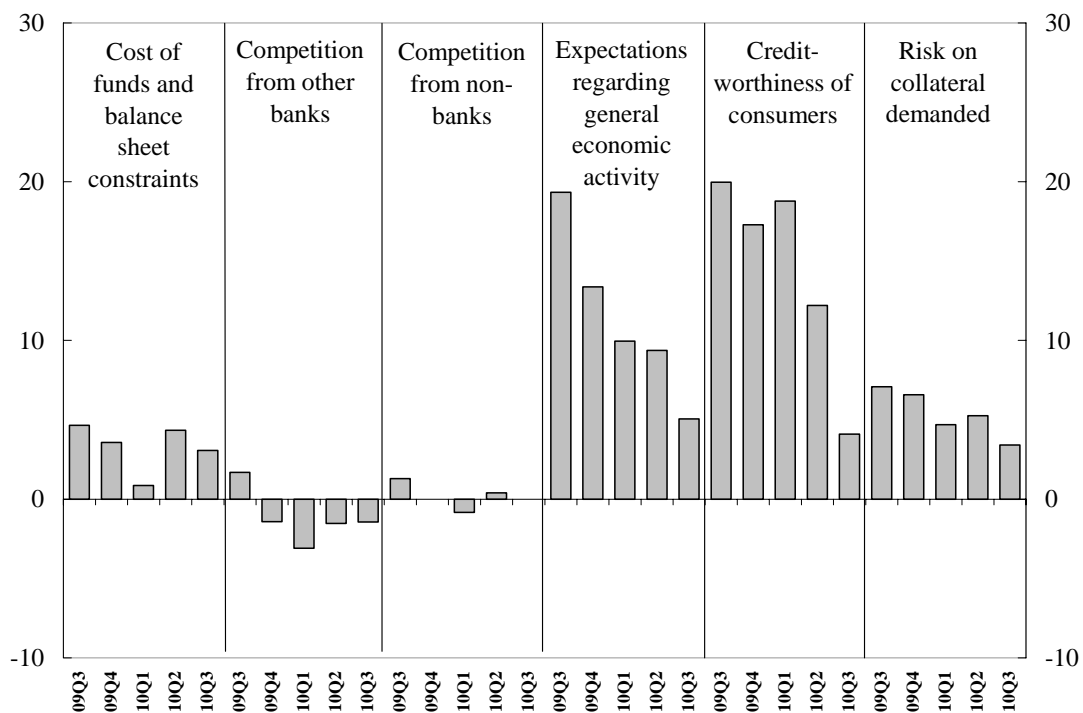
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Cost of funds and balance sheet constraints	1	2	83	0	0
B) Pressure from competition	0	0	0	0	0	0	0	0	0	0		
Competition from other banks	0	0	86	1	0	12	-2	-1	-1	-1	3.02	3.02
Competition from non-banks	0	0	87	0	0	14	0	0	0	0	3.00	3.00
C) Perception of risk												
Expectations regarding general economic activity	1	5	81	1	0	12	9	5	5	3	2.90	2.94
Creditworthiness of consumers	1	6	79	3	0	12	12	4	7	3	2.86	2.95
Risk on collateral demanded	1	2	83	0	0	14	5	3	3	2	2.93	2.94

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “- -” (contributed considerably to tightening) and “-” (contributed somewhat to tightening), and the sum of banks responding “+” (contributed somewhat to easing) and “+ +” (contributed considerably to easing). “°” means “contributed to basically unchanged credit standards”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 11. Factors affecting credit standards applied to the approval of consumer credit and other lending to households (net percentages of banks reporting a contribution to tightening standards)**



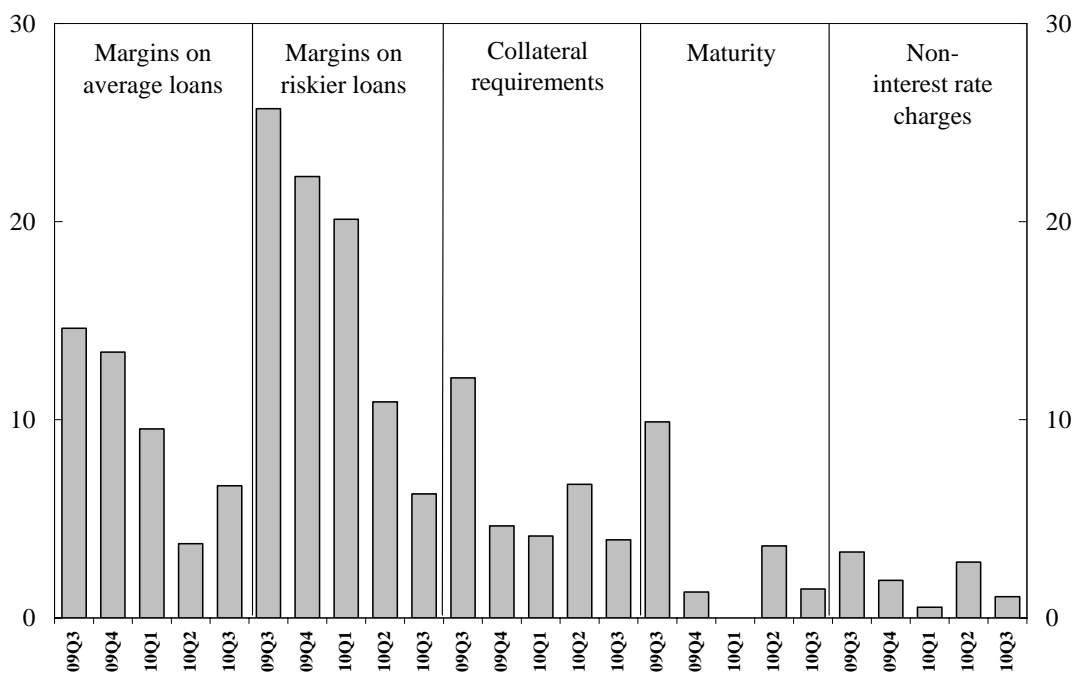
12. Over the past three months, how have your bank's terms and conditions for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
A) Price												
Your bank's margin on average loans	2	8	77	3	0	11	4	7	2	4	2.96	2.91
Your bank's margin on riskier loans	2	8	75	3	0	13	11	6	6	4	2.88	2.92
B) Other conditions and terms												
Collateral requirements	1	3	84	0	0	12	7	4	4	2	2.92	2.95
Maturity	0	2	88	0	0	11	4	2	2	1	2.96	2.98
Non-interest rate charges	0	1	88	0	0	11	3	1	1	1	2.97	2.99

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “- -” (tightened considerably) and “-” (tightened somewhat), and the sum of banks responding “+” (eased somewhat) and “+ +” (eased considerably). “°” means “remained basically unchanged”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 12. Changes in terms and conditions for approving consumer credit and other lending to households**  
(net percentages of banks reporting tightening terms and conditions)

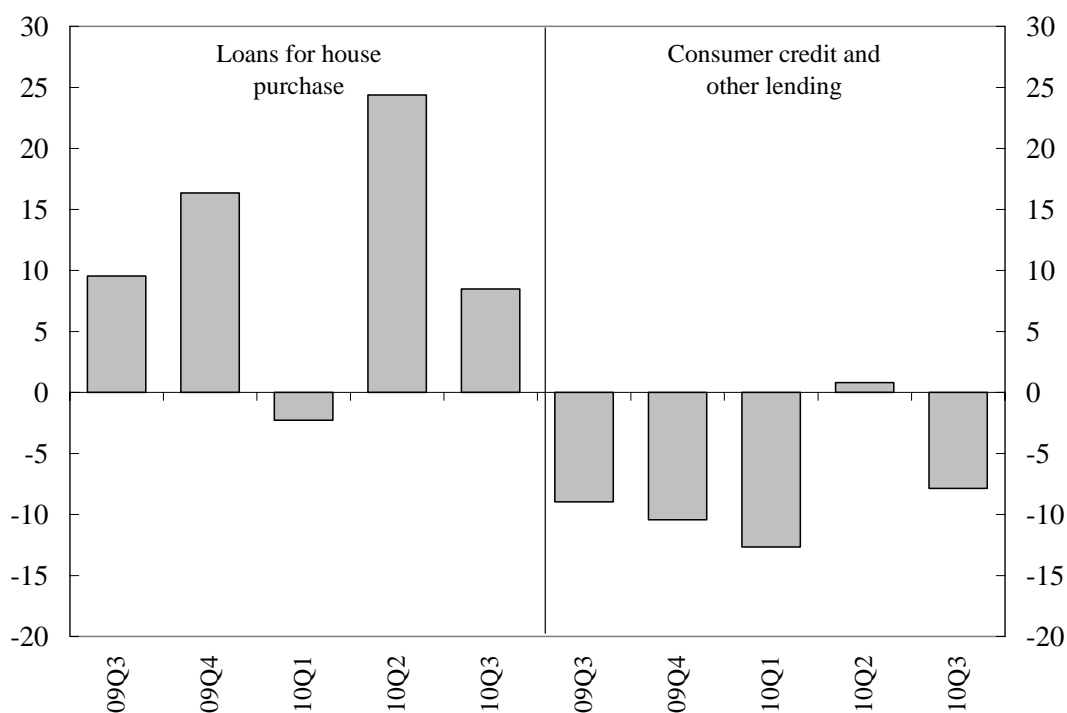


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	July 2010	October 2010	July 2010	October 2010
Decreased considerably	2	3	0	0
Decreased somewhat	10	18	15	20
Remained basically unchanged	53	50	68	68
Increased somewhat	34	25	15	10
Increased considerably	2	4	1	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>24</b>	<b>9</b>	<b>1</b>	<b>-8</b>
<b>Diffusion index</b>	<b>12</b>	<b>5</b>	<b>1</b>	<b>-3</b>
<i>Mean</i>	<i>3.24</i>	<i>3.10</i>	<i>3.01</i>	<i>2.94</i>
<b>Number of banks responding</b>	<b>107</b>	<b>106</b>	<b>108</b>	<b>108</b>

Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding “increased considerably” and “increased somewhat”, and the sum of the percentages of banks responding “decreased somewhat” and “decreased considerably”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 13. Demand for loans to households**  
(net percentages of banks reporting positive loan demand)



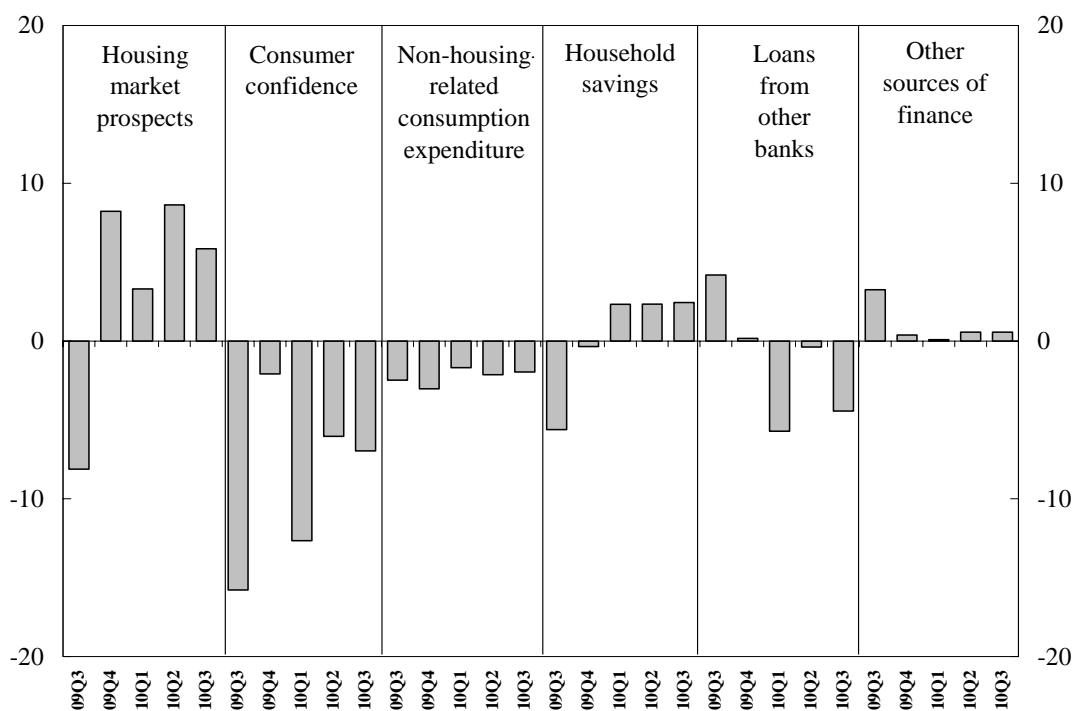
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		DI		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Financing needs					
Housing market prospects	2	14	51	21	1	13	9	6	4	3	3.09	3.06
Consumer confidence	2	12	65	7	1	13	-6	-7	-4	-4	2.91	2.90
Non-housing-related consumption expenditure	0	3	83	1	0	14	-2	-2	-1	-1	2.98	2.98
B) Use of alternative finance												
Household savings	0	3	76	6	0	15	2	2	1	1	3.03	3.02
Loans from other banks	0	8	75	3	0	15	0	-4	0	-2	2.99	2.95
Other sources of finance	0	0	84	1	0	15	1	1	0	0	3.01	3.01

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “+ +” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand), and the sum of banks responding “-” (contributed somewhat to lower demand) and “- -” (contributed considerably to lower demand). “°” means “contributed to basically unchanged demand”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 14. Factors affecting demand for loans to households for house purchase**  
(net percentages of banks reporting a positive contribution to demand)



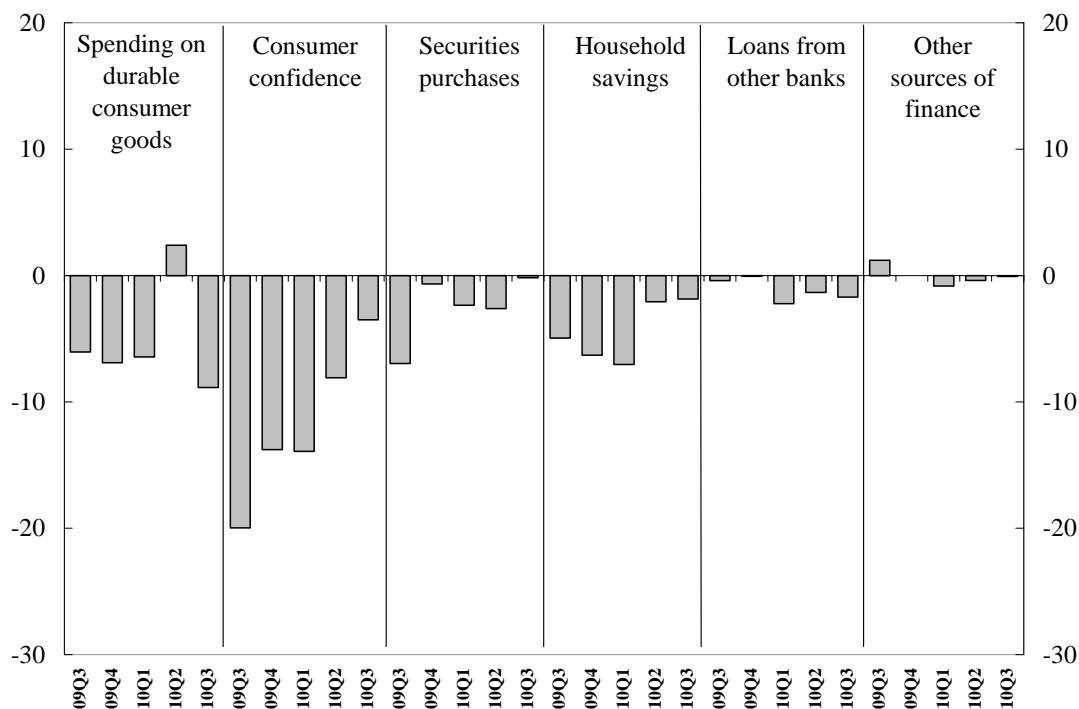
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		NetP		Mean	
							July 2010	October 2010	July 2010	October 2010	July 2010	October 2010
							A) Financing needs					
Spending on durable consumer goods	2	12	70	5	0	12	2	-9	1	-5	3.00	2.87
Consumer confidence	2	8	75	6	0	11	-8	-4	-5	-3	2.88	2.94
Securities purchases	0	0	82	0	0	18	-3	0	-2	0	2.97	3.00
B) Use of alternative finance												
Household savings	0	4	83	2	0	11	-2	-2	-1	-1	2.97	2.98
Loans from other banks	0	3	85	1	0	11	-1	-2	-1	-1	2.98	2.98
Other sources of finance	0	0	88	0	0	12	0	0	0	0	2.99	3.00

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding “+ +” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand), and the sum of banks responding “-” (contributed somewhat to lower demand) and “- -” (contributed considerably to lower demand). “°” means “contributed to basically unchanged demand”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 15. Factors affecting demand for consumer credit and other lending to households**  
(net percentages of banks reporting a positive contribution to demand)

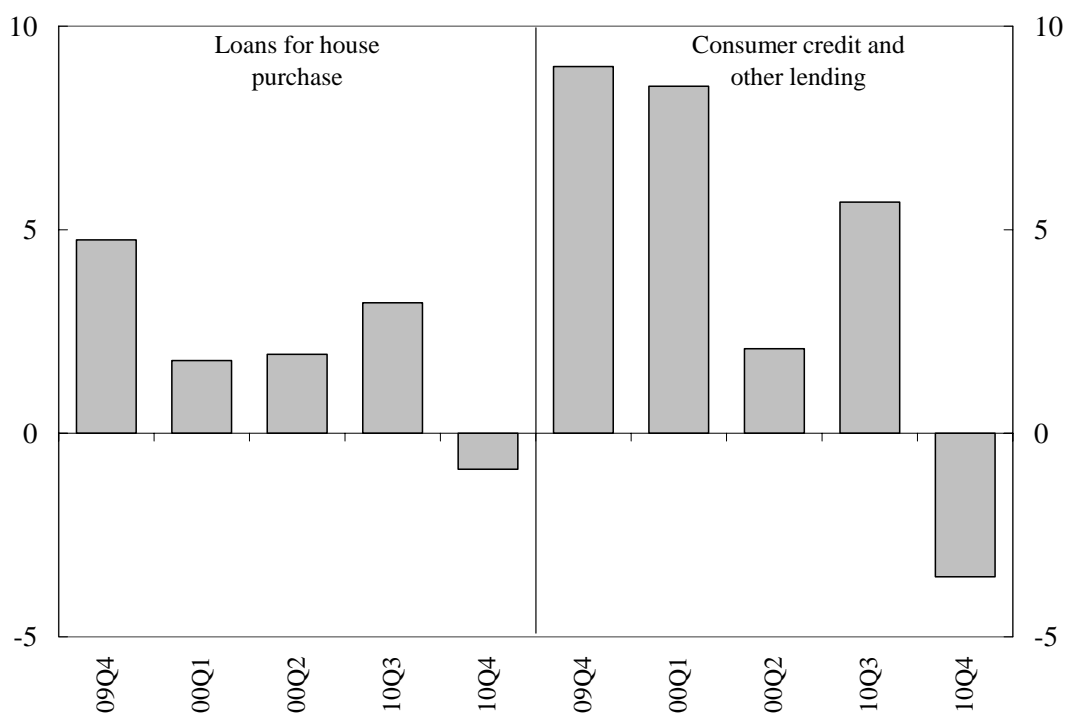


16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	July 2010	October 2010	July 2010	October 2010
Tighten considerably	0	0	0	1
Tighten somewhat	7	7	9	3
Remain basically unchanged	90	85	86	89
Ease somewhat	3	8	4	7
Ease considerably	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>3</b>	<b>-1</b>	<b>6</b>	<b>-4</b>
<b>Diffusion index</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>-2</b>
<i>Mean</i>	<i>2.97</i>	<i>3.01</i>	<i>2.94</i>	<i>3.03</i>
<b>Number of banks responding</b>	<b>107</b>	<b>106</b>	<b>108</b>	<b>108</b>

Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding "tighten considerably" and "tighten somewhat", and the sum of the percentages of banks responding "ease somewhat" and "ease considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (a score of 1) as lenders having answered "somewhat" (a score of 0.5).

**Chart 16. Expected credit standards for loans to households**  
(net percentages of banks expecting tightening standards)

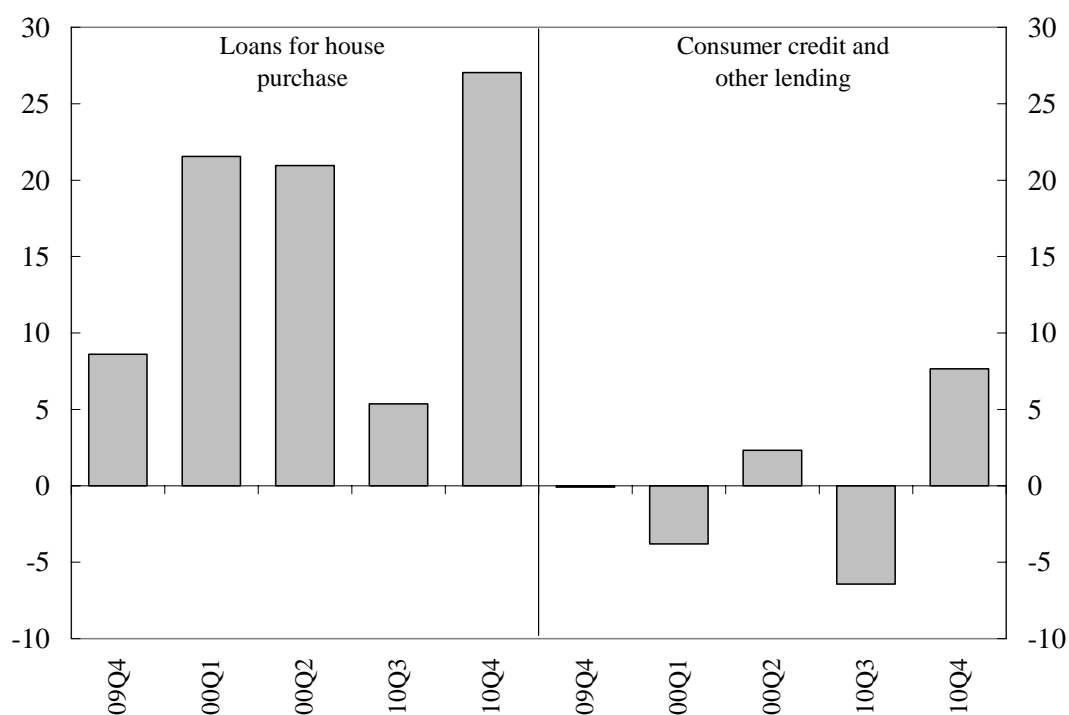


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	July 2010	October 2010	July 2010	October 2010
Decrease considerably	0	0	0	0
Decrease somewhat	14	5	14	4
Remain basically unchanged	68	64	78	85
Increase somewhat	19	32	8	9
Increase considerably	0	0	0	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>5</b>	<b>27</b>	<b>-6</b>	<b>8</b>
<b>Diffusion index</b>	<b>3</b>	<b>14</b>	<b>-3</b>	<b>5</b>
<b>Mean</b>	<b>3.05</b>	<b>3.27</b>	<b>2.93</b>	<b>3.10</b>
<b>Number of banks responding</b>	<b>107</b>	<b>106</b>	<b>108</b>	<b>108</b>

Notes: The net percentage is defined as the difference between the sum of the percentages of banks responding “increase considerably” and “increase somewhat”, and the sum of the percentages of banks responding “decrease somewhat” and “decrease considerably”. The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

**Chart 17. Expected demand for loans to households**  
(net percentages of banks expecting positive loan demand)





## ANNEX 2: RESULTS FOR THE AD HOC QUESTIONS

- i. As a result of the situation in financial markets, has your market access changed when tapping your usual sources of wholesale funding and/or has your ability to transfer risk changed over the past three months, or are you expecting this access/activity to change over the next three months?<sup>1</sup>

	Over the past three months							Over the next three months							N/A <sup>(2)</sup>
	--	-	0	+	++	Mean	Standard deviation	--	-	0	+	++	Mean	Standard deviation	
A) Interbank unsecured money market															
Very short-term money market (up to one week)	1%	8%	64%	25%	2%	3.19	0.69	1%	4%	77%	19%	0%	3.14	0.51	14%
Short-term money market (more than one week)	2%	11%	63%	23%	1%	3.11	0.71	1%	6%	73%	20%	0%	3.12	0.56	14%
B) Debt securities <sup>(3)</sup>															
Short-term debt securities (e.g. certificates of deposit or commercial paper)	4%	7%	68%	21%	0%	3.05	0.71	1%	7%	78%	14%	0%	3.04	0.54	21%
Medium to long-term debt securities (incl. covered bonds)	2%	12%	59%	27%	0%	3.11	0.70	1%	10%	71%	18%	0%	3.06	0.60	14%
C) Securitisation <sup>(4)</sup>															
Securitisation of corporate loans	2%	6%	73%	17%	1%	3.10	0.64	2%	4%	84%	10%	0%	3.03	0.50	40%
Securitisation of loans for house purchase	2%	4%	74%	20%	0%	3.12	0.60	1%	3%	82%	14%	0%	3.08	0.50	39%
D) Ability to transfer credit risk off balance sheet <sup>(5)</sup>	1%	2%	87%	9%	0%	3.05	0.45	1%	1%	85%	13%	0%	3.11	0.47	56%

(1) Please also take into account any effect of state guarantees for debt securities and recapitalisation support.

(2) Please select "N/A" (not applicable) only if the source of funding is not relevant for your bank.

(3) Usually involves on-balance sheet funding.

(4) Usually involves the sale of loans from banks' balance sheets, i.e. off-balance sheet funding.

(5) Usually involves the use of credit derivatives, with the loans remaining on banks' balance sheets.

- ii. 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	6%	7%
Considerable impact on capital, and some impact on lending	8%	7%
Some impact on both capital and lending	23%	22%
Some impact on capital, but no impact on lending	17%	20%
Basically no impact on capital	37%	35%
No reply	10%	10%
<b>Mean</b>	<b>3.83</b>	<b>3.82</b>
<b>Standard deviation</b>	<b>1.31</b>	<b>1.30</b>
<b>Number of banks responding</b>	<b>120</b>	<b>120</b>

(\*) 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 3: GLOSSARY**

To assist respondent banks in filling out the questionnaire, this glossary defines the most important terminology used in the bank lending survey:

### Capital

In accordance with the Basel capital adequacy requirements, the definition of capital includes 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.

### 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).

### Consumer confidence

Consumers' assessments of economic and financial trends in a particular country and/or in the euro area. They include assessments of the past and current financial situations of households and resulting prospects for the future, assessments of the past and current general economic situation and resulting prospects for the future, as well as assessments of the advisability of making residential investments (question 14), particularly in terms of affordability, and/or major purchases of durable consumer goods (question 15).

### Cost of funds and balance sheet constraints

A bank's capital and the costs related to its capital position can become a balance sheet constraint that may inhibit the expansion of its lending. For a given level of capital, the bank's loan supply could be affected by its liquidity position and its access to money and debt markets. Similarly, a bank could abstain from granting a loan, or be less willing to lend, if it knows that it will not be able subsequently to transfer the risk (synthetic securitisation) or the entire asset (true-sale securitisation) off its balance sheet.

### 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. For the purposes of the survey, developments regarding credit lines should be interpreted as changes in the net amount that can be drawn down under either an existing or a new credit line.

### Credit standards

The internal guidelines or criteria that reflect a bank's lending 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. For the purposes of the survey, changes in written loan policies, together with changes in their application, should be reported.

### 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 maturities (short-term versus long-term).

### Debt restructuring

Debt restructuring is a relevant factor in the context of the bank lending survey only to the extent that it gives rise to an actual increase or decrease in demand for loans following the decision of corporations with outstanding debt obligations to alter the terms and conditions of these loans. Generally, companies use debt restructuring to avoid defaulting on existing debt or to take advantage of lower interest rates or lower interest rate expectations. In the context of this survey, debt restructuring should not be interpreted as the switching between different types of debt (such as MFI loans and debt securities; this is already captured under the item "Issuance of debt securities"), capital restructuring (substitution between debt and equity) or share buy-backs (already captured under the item "Issuance of equity"). Debt restructuring in

the form of inter-company loans is already covered by the item “Loans from non-banks”. Moreover, debt restructuring in the form of a substitution between short-term and long-term loans does not give rise to a change in overall loan demand.

### Diffusion index

The diffusion index is defined as the difference between the weighted sum of the percentages of banks responding “tightened considerably” and “tightened somewhat”, and the weighted sum of the percentages of banks responding “eased considerably” and “eased somewhat”. Regarding demand for loans, the diffusion index is defined as the difference between the weighted sum of the percentages of banks responding “increased considerably” and “increased somewhat”, and the weighted sum of the percentages of banks responding “decreased considerably” and “decreased somewhat”. The diffusion index is weighted according to the intensity of the response, giving lenders who have answered “considerably” a weight twice as high (a score of 1) as lenders having answered “somewhat” (a score of 0.5).

### 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. An enterprise 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.

### Housing market prospects

In question 9, (besides interest rate developments) “housing market prospects” refers to the risk on the collateral demanded; in question 14, it includes households’ expectations regarding changes in house prices.

### 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 employed 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 of banks responding “tightened considerably” and “tightened somewhat”, and the sum of the percentages of banks responding “eased considerably” and “eased somewhat”. Regarding demand for loans, the net percentage is defined as the difference between the sum of the percentages of banks responding “increased considerably” and “increased somewhat”, and the sum of the percentages of banks responding “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.