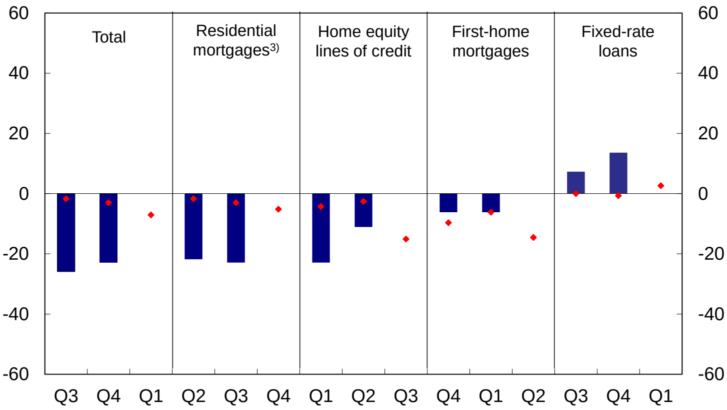
NORGES BANK'S SURVEY OF BANK LENDING

Somewhat tighter credit standards

2015 Q4
14 JANUARY 2016

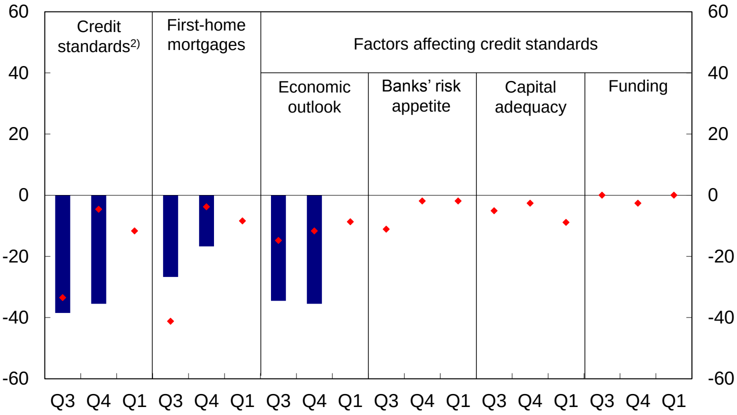
NORGES BANK

Chart 1 Household credit demand. Net balances[1), 2)]



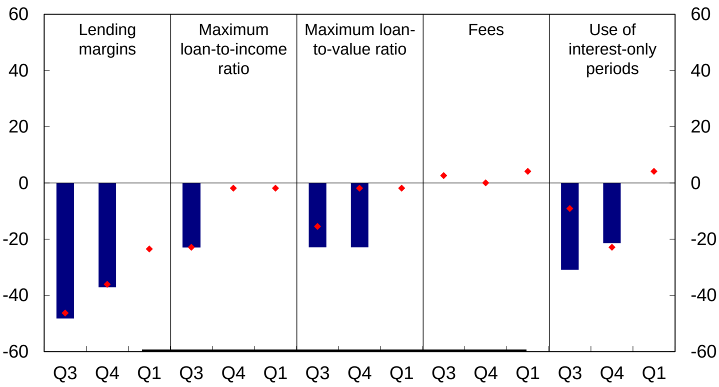
1) Net balances are calculated by weighting together the responses in the survey. The blue bars show reported developments for the relevant quarter. The red diamonds show expected developments for that quarter. As from 2015 Q2, there are nine banks in the sample and the weights are based on market shares in 2014.
2) Negative net balances denote falling demand.
3) Repayment loans secured on dwellings.
Source: Norges Bank

Chart 2 Change in credit standards for households. Factors affecting credit standards. Net balances[1)]



1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

Chart 3 Change in loan conditions for households. Net percentage balances[1), 2)]



1) See footnote 1 in Chart 1.
2) Positive net percentage balances for lending margins denote higher lending margins. Positive net percentage balances for lending margins and fees denote tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods denote tighter credit standards.
Source: Norges Bank

Norges Bank's Survey of Bank Lending 2015 Q4[1]

Banks report somewhat tighter credit standards for households and enterprises in 2015 Q4.

Margins on lending to households have fallen further, while margins in the corporate segment have risen. Corporate lending margins had not been expected to change and are expected to rise further in 2016 Q1.

Banks report that demand for household credit was slightly lower and that corporate credit demand remained approximately unchanged in Q4.

The charts are explained in a box on the last page.

Lending to households

Overall household credit demand fell slightly in Q4, while broadly unchanged demand had been expected (Chart 1).

Banks report somewhat tighter credit standards for households in Q4. The tightening was more pronounced than had been expected (Chart 2). The economic outlook in particular has contributed to the tightening. Some banks also indicate that the regulation concerning lending requirements for new residential mortgages, effective from 1 July 2015, has been a contributing factor. Banks report that loan conditions for maximum loan-to-value ratios and interest-only loans were tightened in Q4 (Chart 3).

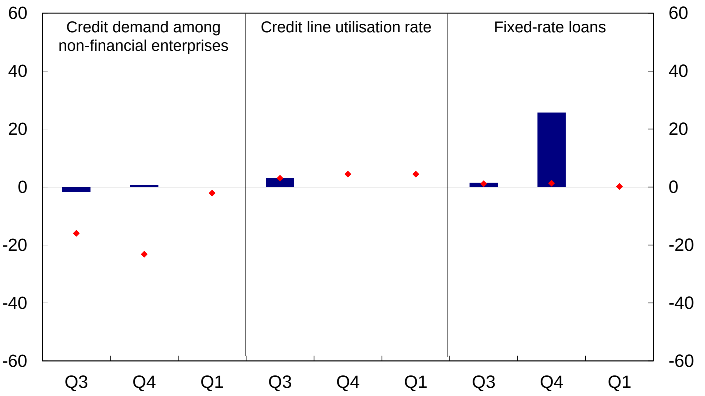
Banks report that margins on lending to households were lower in Q4, with a further decline expected in Q1. As a whole, banks do not expect substantial changes in credit standards for households in Q1.

Lending to non-financial enterprises

Overall credit demand from non-financial enterprises was approximately unchanged in Q4.

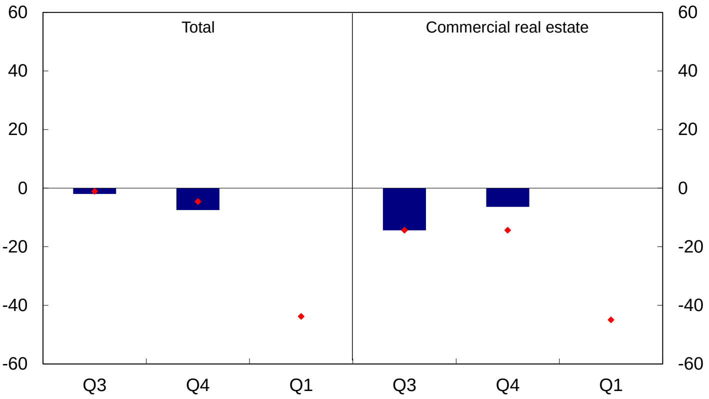
[1] The 2015 Q4 survey was conducted in the period 18 December 2015 – 7 January 2016

Chart 4 Credit demand among non-financial enterprises and credit line utilisation rate. Net percentage balances[1), 2)]



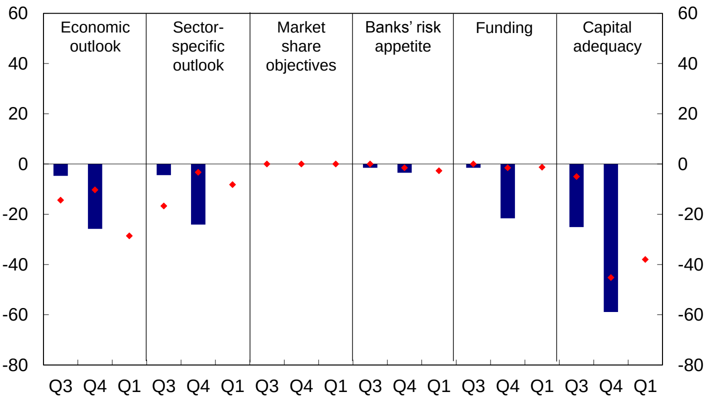
1) See footnote 1 in Chart 1.
2) Positive net percentage balances denote increased demand or increased credit line utilisation rate.
Source: Norges Bank

Chart 5 Change in credit standards for non-financial enterprises. Net balances[1), 2)]



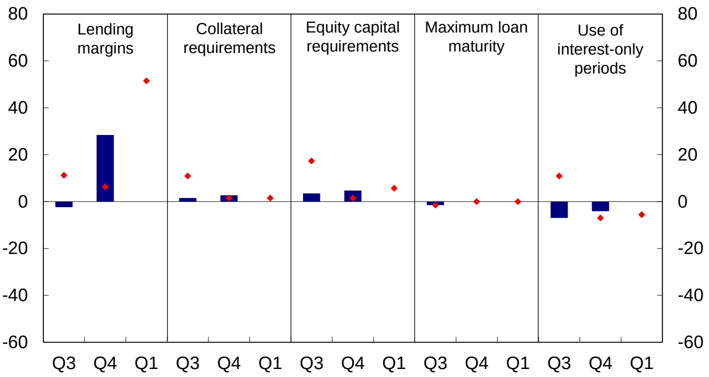
1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

Chart 6 Factors affecting credit standards for non-financial enterprises. Net balances[1), 2)]



1) See footnote 1 in Chart 1.
2) Negative net balances denote tighter credit standards.
Source: Norges Bank

Chart 7 Change in loan conditions for non-financial enterprises. Net balances[1), 2)]



1) See footnote 1 in Chart 1.
2) Positive net balances for lending margins denote higher lending margins. Positive net balances for lending margins, collateral requirements, equity capital requirements and fees denote tighter credit standards. Negative net balances for maximum loan maturity denote tighter credit standards.
Source: Norges Bank

Banks report a slight rise in demand for fixed-rate loans (Chart 4). Overall demand had been expected to be slightly lower. Banks expect approximately unchanged corporate credit demand in Q1.

Banks report somewhat tighter credit standards for enterprises in Q4 (Chart 5). Banks expect credit standards for enterprises as a whole to remain broadly unchanged in Q1 and to be somewhat tighter for commercial real estate enterprises. Banks indicate that the main factor behind tighter credit standards was capital adequacy (Chart 6). Other contributing factors were reported to be banks' funding situation, the economic outlook and the sector-specific outlook. Several banks also indicate that the decline in the oil industry has contributed to tighter credit standards.

Banks report higher lending margins on corporate loans (Chart 7). Banks expect lending margins to continue to rise in Q1. Other loan conditions are expected to remain unchanged.

The banks in the survey are asked to assess developments in credit standards and credit demand over the past quarter, compared with the previous quarter. They are also asked to assess expectations over the next quarter, compared with the past quarter.

In the survey, there is a scale of five alternative responses to indicate the degree of change in credit standards, terms and conditions and demand. Banks that report that conditions have changed 'a lot' are assigned twice the score of those reporting that conditions have changed 'a little'. The responses are weighted by the banks' shares of the change in lending to households and to non- financial enterprises respectively. The resulting net balances are scaled to lie between -100% and 100%. If all the banks in the sample report some tightening of credit standards, the net percentage balance will be -50%. If some of the banks have tightened their credit standards a little without the other banks changing their credit standards, the net percentage balance will lie between 0 and -50%. If all the banks in the sample have substantially tightened their credit standards, the net percentage balance will be -100%.