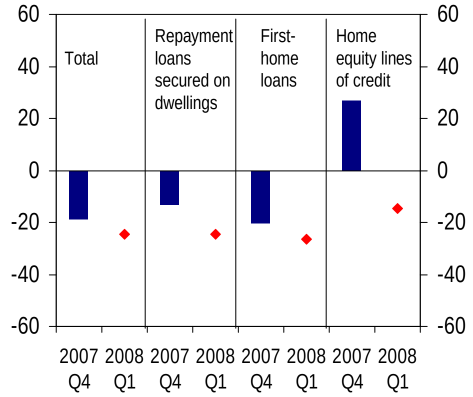
NORGES BANK

Survey of Bank Lending 2007 Q4

Norges Bank's Survey of Bank Lending 2007 Q4

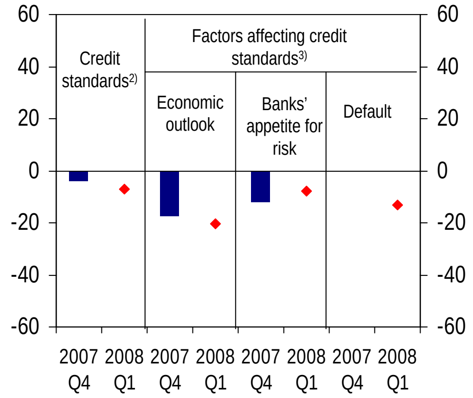
Chart 1 Household credit demand. Net percentage balances[1), 2)]



[1)] Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter.
[2)] Negative net percentage balances indicate falling demand

Source: Norges Bank

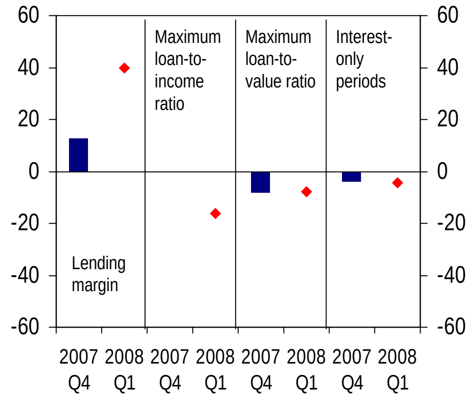
Chart 2 Change in credit standards for approving loans to households. Factors affecting credit standards. Net percentage balances[1)]



[1)] See footnote 1 of Chart 1
[2)] Negative net percentage balances indicate tighter credit standards
[3)] Negative net percentage balances indicate that the factor contributes to tighter credit standards

Source: Norges Bank

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



[1)] See footnote 1 of Chart 1
[2)] Positive net percentage balances for lending margins indicate higher lending margins and therefore tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods indicate tighter credit standards

Source: Norges Bank

Norges Bank has launched a quarterly qualitative survey of bank lending. In the survey, the sample group of banks are asked to assess credit demand, changes in credit standards, factors that influence credit standards and changes in loan terms and conditions in one quarter compared with the previous quarter. The respondents are also asked about their expectations with regard to the next quarter. The survey covers two main areas: lending to households and lending to non-financial corporations.

The banks use a scale of five alternative responses to indicate the degree of change in the above conditions. Banks that report that conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. Finally, the responses are weighted by the banks' shares of the change in lending to households and to non-financial corporations 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 %.

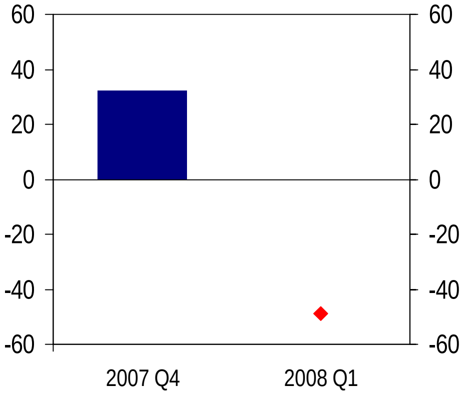
Norges Bank's survey of bank lending for 2007 Q4 was conducted in the period 25 January – 13 February 2008. The respondents were asked to assess developments in credit standards in 2007 Q4 compared with 2007 Q3 and expected developments in 2008 Q1 compared with 2007 Q4.

Lending to households

The banks reported that household credit demand declined somewhat in 2007 Q4 (see Chart 1). Demand for repayment loans secured on dwellings (traditional mortgages) fell, while demand for home equity lines of credit rose. The fall in demand was somewhat greater for first-home loans than for repayment loans secured on dwellings in general. Higher interest rates have probably curbed household credit demand. Furthermore, falling house prices may have induced households to be more reluctant to enter the housing market. Demand for fixed rate loans fell. In 2008 Q1, banks expect a greater fall in household demand for all types of loans including home equity lines of credit, particularly for other secured repayment loans (car loans, boat loans etc.).

There was marginal tightening of banks' credit standards for loans to households in 2007 Q4 as a result of changes in the economic outlook and banks' appetite for risk (see Chart 2). The banks raised lending margins, reduced maximum loan-to-value

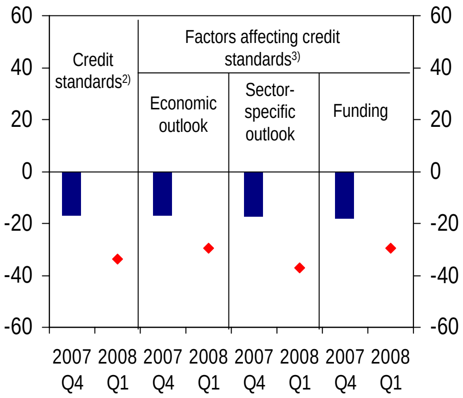
Chart 4 Credit demand from non-financial corporations. Net percentage balances[1), 2)]



[1)] See footnote 1 of Chart 1
[2)] Positive net percentage balances indicate increased demand

Source: Norges Bank

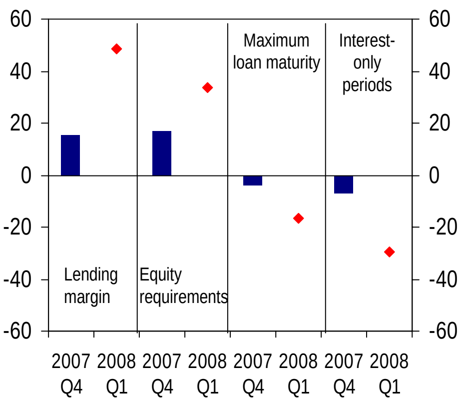
Chart 5 Change in credit standards for approving loans to non-financial corporations. Factors affecting credit standards. Net percentage balances[1)]



[1)] See footnote 1 of Chart 1
[2)] Negative net percentage balances indicate tighter credit standards
[3)] Negative net percentage balances indicate that the factor contributes to tighter credit standards

Source: Norges Bank

Chart 6 Change in loan conditions for non-financial corporations. Net percentage balances[1), 2)]



[1)] See footnote 1 of Chart 1
[2)] Positive net percentage balances for lending margins indicate higher lending margins. Positive net percentage balances for lending margins and equity requirements and negative net percentage balances for maximum loan maturity and interest-only periods indicate tighter credit standards

Source: Norges Bank

ratios and interest-only periods (see Chart 3). Several of the banks had reviewed their credit standards in order to bring the actual conduct of credit policy more into line with guidelines.

The survey indicates that banks are continuing to tighten their credit standards for loans to households in 2008 Q1, although not to any great extent (see Chart 2). The factors behind the tightening are changes in the economic outlook, defaults and banks' appetite for risk. Market share objectives point in the opposite direction. The banks are considering a broad range of loan terms in order to achieve the change in credit standards, using higher lending margins, lower maximum debt-to-income ratios, higher bank commissions and fees and lower loan-to-value ratios (see Chart 3).

Lending to non-financial corporations

Demand for loans from non-financial corporations rose somewhat in 2007 Q4 compared with 2007 Q3 (see Chart 4). However, a substantial share of the banks perceived corporate lending demand as unchanged. In 2008 Q1 most of the banks expect demand for loans to fall somewhat compared to 2007 Q4. There are two reasons for this: first, turbulence in money and credit markets since last summer has had a dampening effect on some projects. Activity in the building industry has been considerably reduced. Other projects can no longer meet loan requirements. Second, shortages of labour and other input factors lead to lower corporate demand for loans.

There was some tightening of banks' credit standards for corporate loans in 2007 Q4 (see Chart 5). Banks also tightened up on loans to the commercial real estate sector. Almost all the factors included in the questionnaire pointed towards tighter credit standards. Factors contributing most were funding conditions, sector-specific outlook (commercial real estate and building project stoppages), the economic outlook and banks' appetite for risk. The banks expect a further tightening of credit standards in 2008 Q1, particularly with regard to commercial real estate. The reasons for this are complex, but sector-specific prospects are the most important.

Tighter credit standards in 2007 Q4 were primarily implemented by increasing equity requirements and lending margins. In addition, banks raised their collateral requirements and reduced interest-only periods. Changes in other loan terms such as maximum loan maturity and fees were smaller, but also indicated tighter credit standards. In 2008 Q1, the banks expect that increased lending margins and equity requirements, as well as reduced interest-only periods and maximum loan maturity will result in a further tightening of credit standards for corporate loans.

Results from Norges Bank's Survey of Bank Lending. Net percentage balances

Lending to households

The banks use a scale of five alternative responses to indicate the degree of change in credit conditions. Banks that report that conditions have changed "a lot" are assigned twice the score of those who report that conditions have changed "a little". The responses are weighted by the banks' shares of the change in lending to households. 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 %.

1. Credit demand[1)]

		2007:4	2008:1
Total	Past three months	-18.8	
	Next three months	-24.5	
Loans secured on dwellings	Past three months	-9.0	
	Next three months	-24.5	
- Repayment loans secured on dwellings	Past three months	-13.3	
	Next three months	-24.5	
First-home loans	Past three months	-20.3	
	Next three months	-26.5	
- Home equity lines of credit	Past three months	26.8	
	Next three months	-14.7	
Other secured repayment loans (car loans, boat loans etc.)	Past three months	-9.8	
	Next three months	-32.5	
Unsecured repayment loans (consumer loans)	Past three months	-7.2	
	Next three months	-14.5	
Fixed-rate loans	Past three months	-18.3	
	Next three months	5.5	

2. Credit standards[1)]

		2007:4	2008:1
Total	Past three months	-3.9	
	Next three months	-6.9	
Loans secured on dwellings	Past three months	-3.9	
	Next three months	-6.9	
- Repayment loans secured on dwellings	Past three months	-3.9	
	Next three months	-6.9	
First-home loans	Past three months	-4.3	
	Next three months	-7.5	

- Home equity lines of credit	Past three months	-7.7	
	Next three months	-7.7	
Other secured repayment loans (car loans, boat loans etc.)	Past three months	0.0	
	Next three months	-8.0	
Unsecured repayment loans (consumer loans)	Past three months	0.0	
	Next three months	-3.8	

3. Factors affecting credit standards[1)]

		2007:4	2008:1
Economic outlook	Past three months	-17.5	
	Next three months	-20.5	
Bank's appetite for risk	Past three months	-11.9	
	Next three months	-7.7	
Market share objectives	Past three months	0.0	
	Next three months	9.8	
Funding	Past three months	0.0	
	Next three months	0.0	
Default	Past three months	0.0	
	Next three months	-13.2	

4. Loan conditions

		2007:4	2008:1
Lending margins[2)]	Past three months	12.6	
	Next three months	39.7	
Maximum loan-to-income ratio[3)]	Past three months	0.0	
	Next three months	-16.1	
Maximum loan-to-value ratio[3)]	Past three months	-8.2	
	Next three months	-7.7	
Maximum loan maturity[3)]	Past three months	0.0	
	Next three months	4.2	
Use of interest-only periods[3)]	Past three months	-3.9	
	Next three months	-4.4	
Commissions/fees[2)]	Past three months	0.0	
	Next three months	9.8	

1) Negative net percentage balances indicate lower demand / tighter credit standards / that the factor contributes to tighter credit standards relative to previous quarter

2) Positive net percentage balances indicate tighter credit standards relative to previous quarter

3) Negative net percentage balances indicate tighter credit standards relative to previous quarter

Results from Norges Bank's Survey of Bank Lending. Net percentage balances

Lending to non-financial corporations

The banks use a scale of five alternative responses to indicate the degree of change in credit conditions. Banks that report that conditions have changed "a lot" are assigned twice the score of those who report that conditions have changed "a little". The responses are weighted by the banks' shares of the change in lending to non-financial corporations. 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 %.

1. Credit demand[1)]

		2007:4	**2008:1**
Non-financial corporate demand for lending	Past three months	32.3	
	Next three months	-48.7	
Utilisation of credit lines	Past three months	16.6	
	Next three months	-1.1	
Fixed-rate loans	Past three months	22.5	
	Next three months	-17.7	

2. Credit standards[1)]

		2007:4	**2008:1**
Total	Past three months	-17.0	
	Next three months	-33.6	
Commercial real estate	Past three months	-17.0	
	Next three months	-46.6	

3. Factors affecting credit standards[1)]

		2007:4	**2008:1**
Economic outlook	Past three months	-17.0	
	Next three months	-29.5	
Sector-specific outlook	Past three months	-17.3	
	Next three months	-37.1	
Bank's appetite for risk	Past three months	-17.0	
	Next three months	-29.5	
Market share objectives	Past three months	0.0	
	Next three months	-16.6	
Funding	Past three months	-18.2	
	Next three months	-29.5	
Default	Past three months	-5.9	
	Next three months	-22.5	

4. Loan conditions

		2007:4	2008:1
Lending margins[2)]	Past three months	15.6	
	Next three months	48.7	
Collateral requirements[2)]	Past three months	7.0	
	Next three months	12.9	
Equity requirements[2)]	Past three months	17.0	
	Next three months	33.6	
Maximum loan maturity[3)]	Past three months	-4.1	
	Next three months	-16.6	
Use of interest-only periods[3)]	Past three months	-7.0	
	Next three months	-29.5	
Commissions/fees[2)]	Past three months	4.1	
	Next three months	4.1	

[1)] Negative net percentage balances indicate lower demand / tighter credit standards / that the factor contributes to tighter credit standards relative to previous quarter

[2)] Positive net percentage balances indicate tighter credit standards relative to previous quarter

[3)] Negative net percentage balances indicate tighter credit standards relative to previous quarter

Questionnaire

Norges Bank's Survey of Bank Lending
Lending to households

CREDIT DEMAND
1. How has household demand for the following types of lending changed over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?
There might be seasonal fluctuations in credit demand. The purpose of the survey is to plot credit demand beyond normal seasonal fluctuations.

	Past 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant
Total												
Loans secured on dwellings												
- Repayment loans secured on dwellings												
Of which first home loans												
- Home equity lines of credit												
Other secured repayment loans (car loans, boat loans etc.)												
Unsecured repayment loans (consumer loans)												
Fixed rate loans												

Other issues related to credit demand, please specify

CREDIT STANDARDS
2. How have your bank's/financial institution's credit standards for approving loans to households changed over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						**Next 3 months**					
	Tightened a lot	Tightened a little	Same	Eased a little	Eased a lot	Irrelevant	Tightened a lot	Tightened a little	Same	Eased a little	Eased a lot	Irrelevant
Total												
Loans secured on dwellings												
- Repayment loans secured on dwellings												
Of which first home loans												
- Home equity lines of credit												
Other secured repayment loans (car loans, boat loans etc.)												
Unsecured repayment loans (consumer loans)												

Other issues related to credit standards, please specify

FACTORS AFFECTING CREDIT STANDARDS

3. Have the following factors contributed to tighter or easier credit standards for loans to households in your bank/financial institution over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						**Next 3 months**					
	Much tighter	A little bit tighter	Same	A little bit easier	Much easier	Irrelevant	Much tighter	A little bit tighter	Same	A little bit easier	Much easier	Irrelevant
Economic outlook												
Bank's appetite for risk												
Market share objectives												
Funding												
Default												

Other factors affecting credit standards, please specify

LOAN CONDITIONS

4. How have the following conditions on approved loans to households changed over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant
Lending margin												
Maximum loan-to-income ratio												
Maximum loan-to-value ratio												
Maximum loan maturity												
Use of interest-only periods												
Commissions/fees												

Other loan conditions, please specify

MISCELLANEOUS

5. Have any issues other than those included in the questionnaire affected your lending to households over the past 3 months and your expectations for the next 3 months? Please specify.

Questionnaire

Norges Bank's Survey of Bank Lending
Lending to non-financial corporations

CREDIT DEMAND
1. How has credit demand from non-financial corporations changed over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?
There might be seasonal fluctuations in credit demand. The purpose of the survey is to obtain information on credit demand beyond normal seasonal fluctuations.

	Past 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant
Non-financial corporate credit demand												
Utilisation of credit lines												
Fixed rate loans												

Other issues related to credit demand, please specify

CREDIT STANDARDS
2. How have your bank's/financial institution's credit standards for approving loans to non-financial corporations changed over the past 3 months relative to the previous 3 months?
What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						Next 3 months					
	Tightened a lot	Tightened a little	Same	Eased a little	Eased a lot	Irrelevant	Tightened a lot	Tightened a little	Same	Eased a little	Eased a lot	Irrelevant
Total												
Commercial real estate												

Other issues related to credit standards, please specify

FACTORS AFFECTING CREDIT STANDARDS

3. Have the following factors contributed to tighter or easier credit standards for loans your bank/financial institution has provided to non-financial corporations over the past 3 months relative to the previous 3 months?

What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						Next 3 months					
	Much tighter	A little bit tighter	Same	A little bit easier	Much easier	Irrelevant	Much tighter	A little bit tighter	Same	A little bit easier	Much easier	Irrelevant
Economic outlook												
Sector-specific outlook (please specify)												
Bank's appetite for risk												
Market share objectives												
Funding												
Default												

Other factors affecting credit standards, please specify

LOAN CONDITIONS

4. How have the following conditions on approved loans to non-financial corporations changed over the past 3 months relative to the previous 3 months?

What do you expect over the next 3 months relative to the past 3 months?

	Past 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant	Up a lot	Up a little	Same	Down a little	Down a lot	Irrelevant
Lending margin												
Collateral requirements												
Equity requirements												
Maximum loan maturity												
Use of interest-only periods												
Commissions/fees												

Other loan conditions, please specify

MISCELLANEOUS

5. Have any issues other than those included in the questionnaire affected the credit you have provided to non-financial corporations over the past 3 months and your expectations for the next 3 months? Please specify.