

2010 Q1

Norges Bank's Survey of Bank Lending

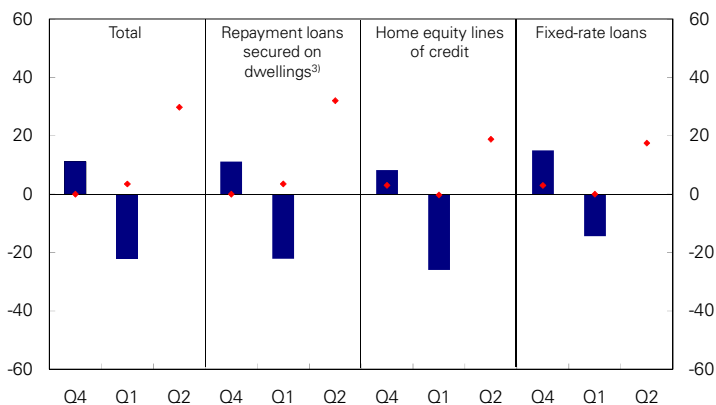
Some tightening of credit standards for
households

Norges Bank's Survey of Bank Lending 2010 Q1

Banks reported falling household credit demand in the 2010 Q1. Corporate credit demand continued to increase according to banks. Banks expect higher credit demand ahead for both households and enterprises. Credit standards for households were tightened somewhat, while credit standards for enterprises were eased further in 2010 Q1. In the period ahead, banks expect broadly unchanged credits standards for households and a further easing for enterprises.

Norges Bank's bank lending survey for 2010 Q1 was conducted in period 26 March 2010 - 9 April 2010. Participating banks were asked to assess developments in credit standards and credit demand in 2010 Q1 compared with 2009 Q4 and expected developments in 2010 Q2 compared with 2010 Q1.

Chart 1 Household credit demand. Net percentage balances.^{1), 2)}



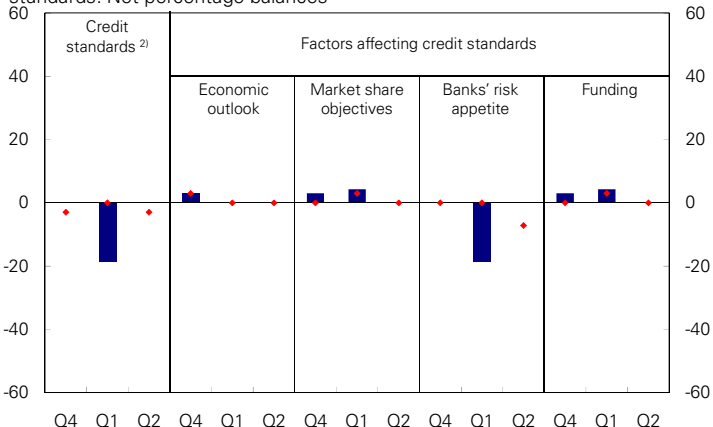
1) Net percentage balances are calculated by weighting together the responses in the survey. The blue bars show developments over the past quarter. The red diamonds show expectations over the next quarter. The red diamonds have been moved forward one quarter

2) Negative net percentage balances denote falling demand

Source: Norges Bank

The banks in the survey use 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 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%.

Chart 2 Change in credit standards for households. Factors affecting credit standards. Net percentage balances¹⁾



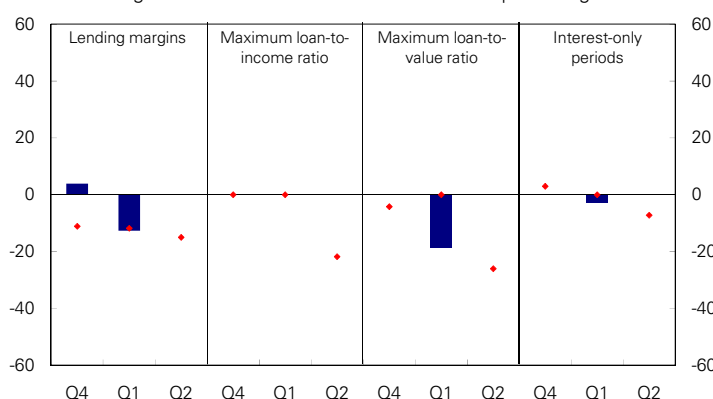
1) See footnote 1 in Chart 1
2) Negative net percentage balances denote tighter credit standards
Source: Norges Bank

Lending to households

Banks reported falling household credit demand in 2010 Q1 (see Chart 1). In the previous quarter, they had expected broadly unchanged demand ahead. According to the banks, there were wide geographical differences in household credit demand in 2010 Q1. In the period ahead, banks expect increased household credit demand.

Credit standards for households were tightened somewhat in 2010 Q1 (see Chart 2). It was primarily banks' risk willingness that contributed to the tightening. In the period ahead, banks expect credit standards for households to remain approximately unchanged.

Chart 3 Change in loan conditions for households. Net percentage balances^{1), 2)}

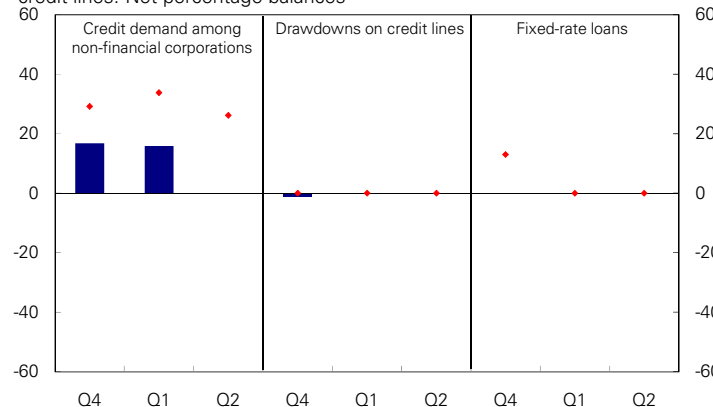


1) See footnote 1 in Chart 1
2) Positive net percentage balances for lending margins indicate higher lending margins and therefore tighter credit standards. Negative net percentage balances for maximum LTI ratio, maximum LTV ratio and use of interest-only periods denote tighter credit standards
Source: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

In this survey, an additional question was included in connection with Finanstilsynet's (the Financial Supervisory Authority of Norway) publication of new guidelines for prudent residential mortgage lending¹. Banks reported a tightening of credit standards for customers with a need for full financing as a result of the new guidelines. Maximum loan in relation to the value of the dwelling in the case of first home mortgages will be reduced from 100% to 90%. Additional collateral will be required in the case of full financing.

Tightening of credit standards for households was primarily implemented by reducing the maximum loan-to-value ratio (see Chart 3). Banks expect to reduce the maximum loan-to-value ratio further in the period ahead. In addition, banks expect to reduce maximum debt in relation to income. The lending margin is expected fall further in 2010 Q2. In isolation, this contributes to an easing of credit standards.

Chart 4 Credit demand among non-financial corporations and drawdowns on credit lines. Net percentage balances^{1), 2)}



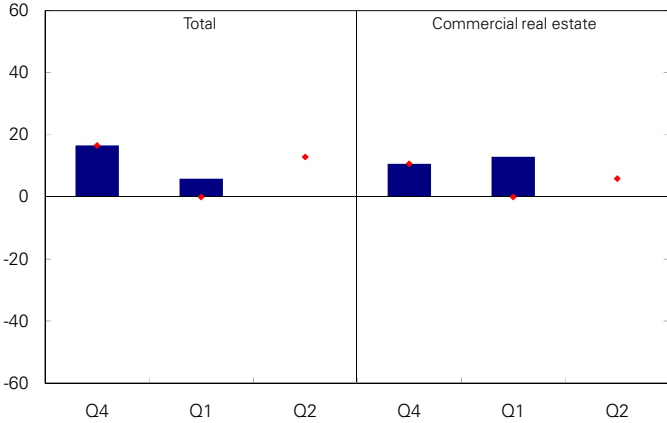
1) See footnote 1 in Chart 1
2) Positive net percentage balances denote increased demand or increased drawdowns on credit lines
Source: Norges Bank

Lending to non-financial corporations

Banks reported a continued moderate increase in credit demand from non-financial corporations in 2010 Q1 (see Chart 4). The increase was smaller than expected. Drawdowns on credit lines and demand for fixed-rate loans remained unchanged in 2010 Q1. In the period

¹ See <http://www.finanstilsynet.no> for further information

Chart 5 Change in credit standards for non-financial corporations. Net percentage balances^{1), 2)}



1) See footnote 1 in Chart 1

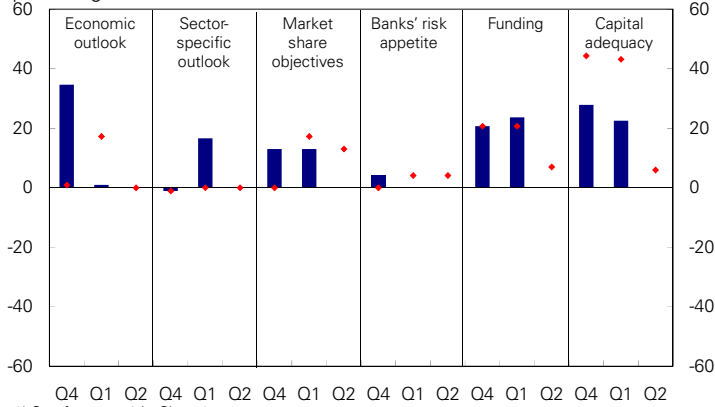
2) Negative net percentage balances denote tighter credit standards

Source: Norges Bank

ahead, banks expect a further increase in credit demand from non-financial corporations.

Banks eased credit standards for non-financial corporation somewhat in 2010 Q1 (see Chart 5). There were several factors behind the easing of credit standards for non-financial corporations (see Chart 6). Banks expect a further easing of credit standards for non-financial corporation in 2010 Q2. The main factors expected to contribute to an easing of credit standards ahead are market share objectives, the funding situation and capital adequacy.

Chart 6 Factors affecting credit standards for non-financial corporations. Net percentage balances^{1), 2)}



1) See footnote 1 in Chart 1

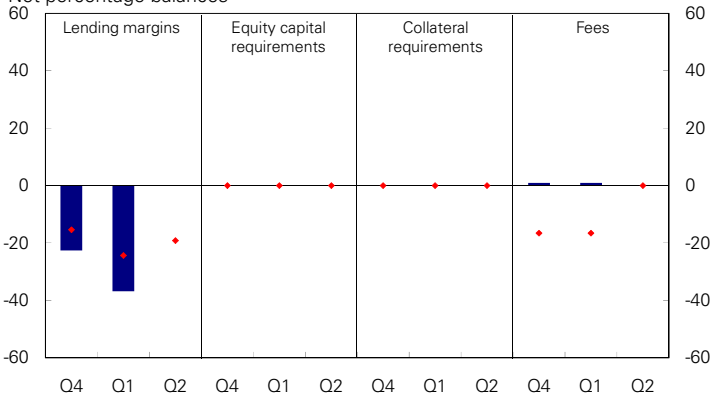
2) Negative net percentage balances denote that the factor has contributed to tighter credit standards

Source: Norges Bank

The easing of credit standards for non-financial corporations was implemented by reducing lending margins (see Chart 7). In the period ahead, banks expect to further reduce lending margins.

Chart 7 Change in loan conditions for non-financial corporations.

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, equity capital requirements, collateral requirements and fees denote tighter credit standards

Source: Norges Bank