MAGYAR NEMZETI BANK

SENIOR LOAN OFFICER SURVEY ON BANK LENDING PRACTICES

AUGUST 2009

Summary of the aggregate results of the survey for 2009 Q2

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(Financial Stability)

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Summary

In the spring of 2003, the Magyar Nemzeti Bank launched its semi-annual Senior Loan Officer Survey, with the objective of gaining a better understanding of bank lending processes. The latest survey for 2009 Q2, conducted in July this year, examined lending to the household and corporate sectors, as well as to local authorities. To enable closer monitoring of the qualitative aspects of the developments in loan supply, the Central Bank conducts the survey on a quarterly basis.

In respect of lending to households, the survey found that credit availability and demand for credit, although to a lesser extent than in the previous quarter, continued to decline in 2009 Q2. Banks participating in the survey also tend to continue to report tightening. Compared to the previous survey, fewer banks reported tightening of lending conditions of housing loans; meanwhile, the proportion of institutions that tightened the conditions of their consumer loans increased. Tightening was mainly reflected in stricter non-price terms (e.g. increases in minimum required credit scores and minimum downpayment amounts, as well as declines in monthly-income-to-payment ratios and loan-to-value ratios). In 2009 Q2, banks almost uniformly reported deterioration in the household loan portfolio both in the housing and consumer loan segments, although less banks than previously expect further deterioration in the next six months. Based on banks' forecasts, tightening is expected to come to a halt in both segments. Moreover, on the basis of aggregate replies, compared to the current srict lending practices, in net terms some easing could be forecast for the next two quarters. Banks' replies suggest that the halt of tightening and the possible easing are justified by an improvement in the liquidity situation and by the eonomic outlook. However, there was a bank which indicated that the deterioration in customers' borrowing capacity can only be compensated by some easing of the current credit conditions. According to foreign lending surveys published recently, terms on household loans were also generally reported to have tightened, and in parallel with the Hungarian results, the ratio of respondents reporting tightening also decreased.

In the corporate loan market, the decline in willingness to lend to large and medium-sized companies as well as to small and micro-sized enterprises came to a halt. At the same time, according to banks' answers, willingness to lend continued to decline in commercial real estate loans. For the next half-year period banks already forecast the maintenance of, or slight increase in, corporate lending. As a result of the decline in investment, the demand for long-term loans continued to fall, but the demand for short-term loans increased. Consequently, on the whole respondents perceived some strengthening of the demand for corporate loans. Banks reported tightening, but to a lesser extent than in the previous quarter, predominantly due to specific problems of certain industries and perceived risks. Similarly to the previous survey, the liquidity situation was mentioned by fewer respondents as a cause for tightening. The great majority experienced deterioration in portfolio quality in 2009 Q2, with the majority of banks expecting the trend of portfolio deterioration to continue over the next six-month period as well. As in the previous three surveys, a large majority of respondents reported that they had reduced the availability of commercial real estate loans, which was accompanied by continued tightening in credit conditions and standards. The domestic results for the corporate sector are similar to the ones indicated in surveys undertaken by foreign central banks, i.e. tightening trends are easing.

In the municipalities sector, credit demand increased in the previous quarter as a result of current financing requirements and EU support programmes. At the same time, banks continued to tighten their lending conditions in the last quarter as well.

Aggregate results of the questionnaire[1]

The results of the survey are presented below in the form of a descriptive analysis and by means of charts illustrating the answers. Annex 1 contains the charts pertaining to individual segments. The methodological background[2] is described in Annex 2; numerical data on the loan portfolios can be found in Annex 3; and answers to the questions are presented in detail in Annexes 4, 5 and 6 (Annexes 3, 4, 5 and 6 are attached as a separate Excel file on the website of the MNB). **The retrospective questions in the questionnaire relate to changes in 2009 Q2, while the forward-looking questions ask respondents for their views about changes they expect over the next six-month period, i.e. in 2009 Q3–Q4. Questions focus on changes perceived relative to the previous quarter: the base period is 2009 Q1 for retrospective questions and 2009 Q2 for forward-looking questions. During the aggregation of answers we apply weights calculated on the basis of outstanding loans in different segments (i.e. market share based weighting).**

1 HOUSEHOLD LENDING MARKET

According to banks' responses, more of them continued to report a decline in willingness to lend in 2009 Q2 than in the previous quarter (based on market share), but the difference between the proportion of those who indicated an increase and a decrease fell. At the same time, fewer banks reported tightening of lending standards and conditions of housing loans than in the previous quarter, and more respondents indicated tightening in consumer credit than in the previous quarter (Chart 1). Looking ahead, banks expect stabilisation in the credit market in 2009 Q3 and Q4, i.e. a halt of the decline in willingness to lend and in the trends of tightening. In 2009 Q2, banks almost uniformly reported deterioration in the household loan portfolio, in both the housing and consumer loan segments, although less banks than previously expect further deterioration in the next six months.

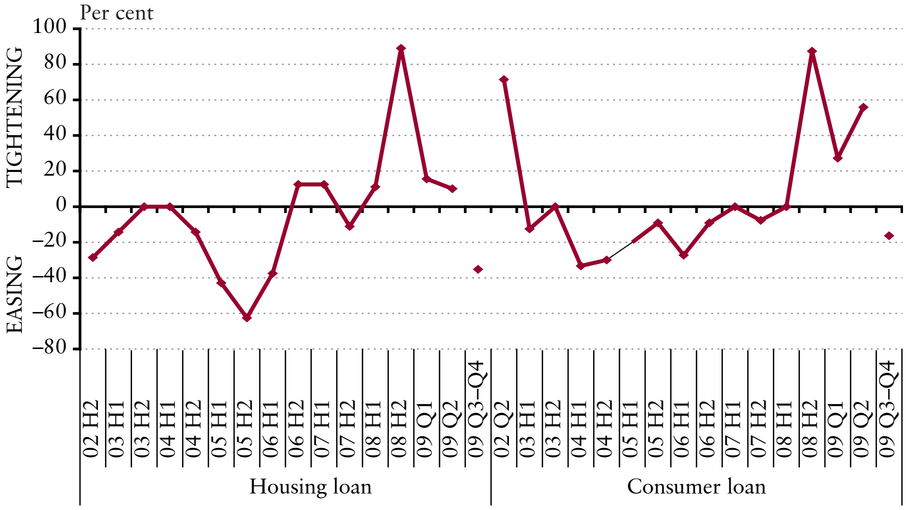
The share of those who tightened their conditions of housing loans in net terms in Q2 (approx. 10%) remained at the level typical of 2009 Q1. At the same time, in the case of consumer credit more respondents (around 55%) indicated tightening than in the previous quarter. Among consumer credits, it was mainly the revolving credit facilities (credit cards and overdrafts) and there were also other types of loan products (personal loans, hire purchase loans and vehicle financing) where the surveyed institutions tightened their conditions. Based on banks' forecasts, tightening trends are expected to slow down in both segments. Moreover, on the basis of aggregate replies, compared to the current srict lending practices, in net terms some easing is expected in the next two quarters. Tightening in the past quarter was reported to be concentrated in the same non-price terms as in the previous survey (i.e. increases in minimum required credit scores and minimum downpayment amounts, as well as falls in monthly payment-to-income ratios and loan-to-value ratios). At the same time, price-related factors show a somewhat mixed picture: while on the basis of banks' reports loan origination fees of new loans declined both in the consumer loan and housing loan segments, the spread over the cost of funds increased in the case of consumer credit, i.e. banks made this condition stricter, while in the case of housing loans nearly half the banks reported a fall in the interest rate spread. The reasons underlying the tightening measures are similar to the findings of the previous survey, as banks indicated a firm decrease of importance of liquidity considerations, while the unfavourable economic outlook and banks' risk aversion attitude continued to contribute to the tightening of lending conditions. Those who indicated easing for the next quarter forecast a decline in the interest rate spread between the lending rate and the funding cost, which may be justified by the improvement

[1] Thirteen banks responded to questions related to the household segment (housing loans: 9 institutions, consumer loans: 13 banks and 4 financial enterprises owned by banks), while 7 banks replied to questions regarding the corporate segment, and 6 institutions were queried on the trends in municipality lending activity. Institutions submitted their replies to the central bank of Hungary electronically. Banks complete the questionnaires in electronic format on a quarterly basis, and a personal interview also takes place once a year in relation to the survey conducted in Q1 of the specific year.

[2] Certain keywords presented in the methodological notes (Annex 2) are worth highlighting. Willingness to lend reflects the respondent's intention to expand and increase its portfolio in the specific segment. Credit standards represent internal banking policies that determine the types of clients and client groups of a specific bank (based on their classification according to sector, location, size, financial indicators, etc.), and the type of credit products offered to them (collateralised loans only, investment loans, overdrafts, etc.). Credit conditions can be price-related and non-price related factors. Non-price related credit conditions (such as collateralisation requirements, loan covenants, maximum size of loans/credit lines, etc.) represent specific contractual terms; the bank will not disburse the loan unless these conditions are met. Questions concerning price-related factors query respondents about items such as the spread between the interest rate level and the cost of funds, and risk premium.

Chart 1

Credit conditions/credit standards in the housing loan and consumer loan markets
(net percentage of respondents reporting tightening/easing)



in the liquidity situation and the economic outlook. One of the banks mentioned the economic outlook as a reason for easing, with the possible explanation that with bad economic conditions the maintenance of tightened price-related terms under the existing conditions may make the situation for new borrowers extremely difficult.

Based on banks' responses, willingness to lend for house purchase and consumption declined to a somewhat lesser extent than in 2009 Q1 (in net terms, fewer respondents, now less than 20%, indicated a fall in willingness to lend in both segments). Looking ahead over the next six months, banks indicated that no significant change is expected in the amount of household loans to be made available. Trends in consumer and housing loans were different in terms of the demand for loans as well. While in net terms nearly 20% of banks reported an increase in the demand for housing loans (the demand for forint loans increased, while the demand for foreign currency loans was stagnant), they experienced a strong fall in the consumer credit segment similarly to the previous survey. Based on the responses, no significant increase can be expected in the demand for loans in the next six-month period (i.e. in 2009 Q3 and Q4): banks expect the decline in consumer credit to come to a halt, the demand for forint-denominated housing loans will fall (in line with the strong tightening of subsidised housing loan schemes), while the demand for foreign currency-denominated housing loans will grow.

Examining the various products within the broader category of consumer credit, the decline in willingness to lend mainly affected general purpose mortgage loans and motor vehicle loans, while a majority of banks indicated that in the case of revolving loans (such as credit cards and overdrafts) and other loan products (personal loans and hire purchase loans) the willingness to lend increased in 2009 Q2. However these two segments (revolving credit facilities and personal loans) previously indicated as targeted for growth were the most affected by tighter credit conditions in 2009 Q2.

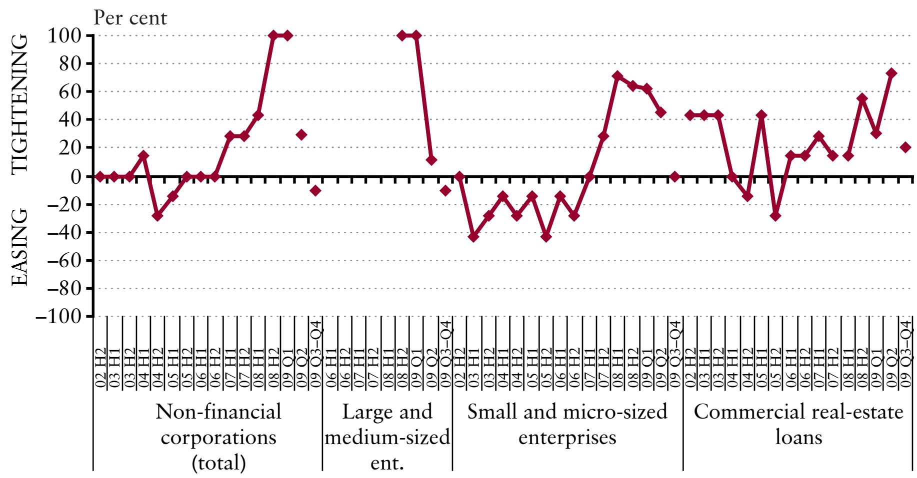
2 CORPORATE LENDING MARKET[3]

Unlike in the previous survey, banks already indicated nearly unchanged availability of credit in lending to the corporate sector (compared to the previous quarter). However, in commercial real estate lending the intention of reducing the availability of credit is strongly felt; in terms of market share in commercial real estate loans, 65% of participants reported a decline in the amount to be lent, while other respondents indicated willingness to lend. However, banks expect to maintain or slightly increase the amount outstanding of lending to the corporate sector over the next six months (the net percentage

[3] Starting from the first survey in 2009, large and medium sized firms are classified as one category for the purposes of the questionnaire. Consequently, the survey examines corporate lending in a breakdown by large and medium-sized enterprises, as well as small and micro-sized enterprises. We continue to use the original classification for commercial real estate loans

Chart 2

Credit conditions and credit standards by corporate category and for commercial real estate loans
(net percentage of respondents reporting tightening/easing)



of respondents expecting to increase lending was 40%). While 16% of the respondents reported that they expected to increase the availability of credit to large and medium-sized enterprises, in the small and micro-sized companies segment nearly 40% of respondents envisaged it as comparable to the end of the previous quarter. Reduced willingness to lend continued to be coupled with a tightening of credit standards and conditions, but in the general corporate financing segment the share of tightening credit institutions fell. Both price-related and non-price related conditions became stricter, but, compared to earlier surveys, fewer respondents indicated increases in lending-related fees, risk premia and spreads over cost of funds. Banks explicitly continued to tighten non-price factors (mainly collateralisation requirements and maximum maturity), while further strengthening their monitoring activity in 2009 Q2. The majority of banks do not expect further tightening of credit conditions in the next half-year period.

Based on banks' responses, in accordance with the forecast in the previous survey, the liquidity situation (increasing difficulties in the availability of funds, persistently high level of cost of funds) contributed to the tightening already according to a few respondents only, as the liquidity situation had become more favourable.

It was expressly the specific problems typical of certain industries and the change in risk tolerance that contributed to the tightening. According to banks' expectations for the next half-year period, liquidity conditions and the capital position will continue to play an even less significant role in the increase in tightening, and stricter lending conditions will be explained by industry-specific factors and, to some extent, by the economic outlook. Based on the responses of loan officers, demand for corporate loans picked up slightly in the past quarter compared to the previous period. Similarly to the survey of the previous quarter, this increase was not homogenous: while demand for short-term loans increased, demand for long-term loans continued to decline. At the same time, the demand for forint loans fell slightly, while there was growing demand for foreign currency loans. The majority of banks expect demand to increase over the next six months, including long-term financing as well, both with regard to forint- and foreign currency-denominated loans. Similarly to the previous two surveys, respondents reported a deterioration in portfolio quality in 2009 Q2. This is also the expectation for corporate lending in the next half year, as the majority of banks forecast portfolio deterioration for H2 2009 as well. Respondents continued to report deterioration in portfolio quality mainly in manufacturing, construction and financial activities, as well as the real estate and business services sectors, but the banks also underlined the deterioration in the accommodation services, catering, transportation and warehousing industrial sectors. The majority of banks expect portfolio quality to deteriorate in nearly every industry over the next six months. Exceptions are the electricity, gas, heating and water supply as well as the IT and communications sectors (IT technology, telecommunications), where none of the respondents expect a deterioration in portfolio quality.

As in the previous two surveys, a significant majority of respondents (65% in net percentage terms) reported that they had reduced the availability of commercial real estate loans. This was associated with a further tightening in conditions and standards on loans. The reduction in credit availability and the tightening in credit terms was also expressly observed in each commercial real estate loan segment (housing projects, shopping centres, logistics centres, office-building projects). However, looking ahead to the next half-year period, on the whole the great majority of banks envisage further tightening and a reduction of willingness to lend, while in the case of logistics centres a mere 20% of respondents reported further reductions in the availability of loans, but banks do not plan any changes in lending conditions and standards with regard to this type of real estate. Banks reported that the portfolio quality of commercial real estate loans had deteriorated in 2009 Q2 as well (nearly 86% expressed it in net percentage terms). Approximately the same number of banks, i.e. nearly 90% of respondents based on market share, expect a further deterioration in portfolio quality over the next six months.

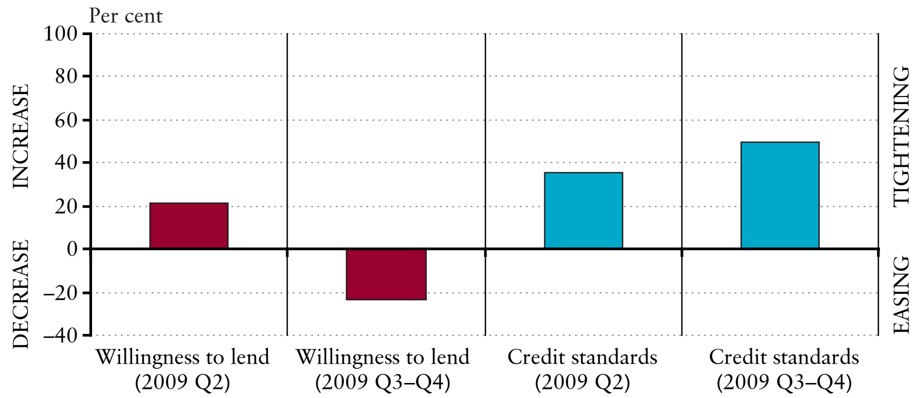
3 LENDING TO MUNICIPALITIES[4]

The majority of banks (nearly 60%) reported an increase in the demand for loans to municipalities. Unlike in the previous survey, willingness to lend ceased to decline, and 20% of the respondents reported an increase in the availability of credit in net terms, which was explained by the banks surveyed with the stability of the capital position and a decline in market competition. However, even if to a slight extent, banks again expect lower amounts intended to be lent in the next six months. The survey found that the dominant banks in this segment had tightened their conditions and standards further in 2009 Q2, and that they expected to continue tightening over the next six months. This was also reflected in a tightening in both price and non-price terms, as was the case in the corporate sector. According to replies by banks, the perceived increase in demand was due to current spending needs and minimum downpayment requirements of funds from the European Union. The surveyed banks expect developments in demand over the next six months to be similar to those in 2009 Q2. At the same time, the majority of them experienced a deterioration of the municipal loan portfolio in the last quarter, expecting the same for 2009 Q3 and Q4.

Chart 3

Willingness to lend and credit standards/credit conditions in municipal financing

(net percentage of respondents reporting an increase/decrease and tightening/easing)



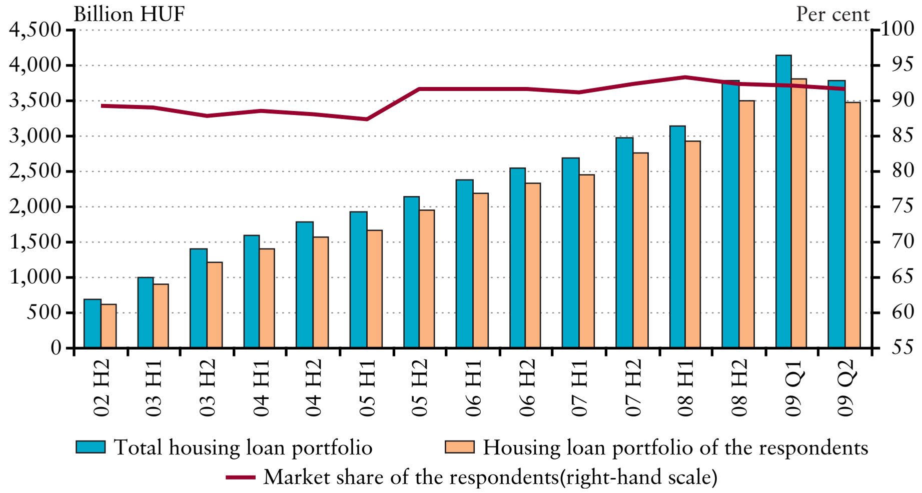
[4] As banks appear to approach loan-based and bond-based funding in practically the same way, the survey examines these two forms of financing together; differences between them are primarily due to differences in the public procurement rules applied to them.

Annex 1: Charts indicating developments in loan portfolios and answers to the questionnaire

LENDING TO HOUSEHOLDS

Chart 4

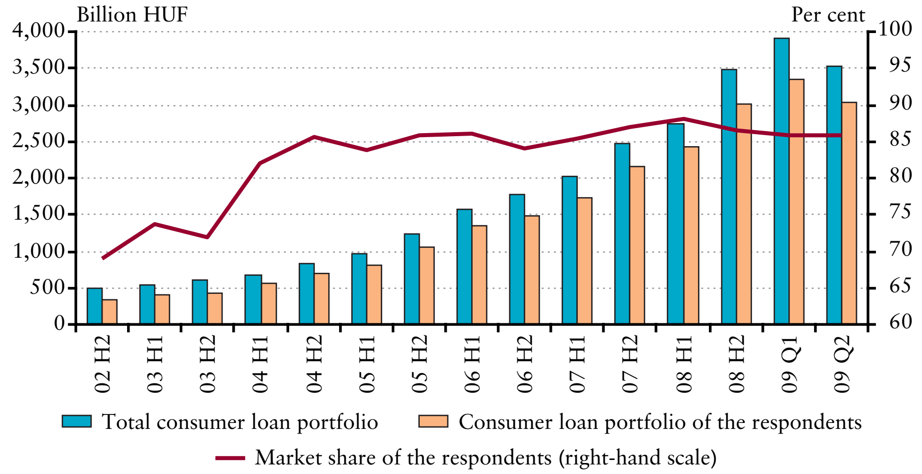
Volume of housing loans and the market share of banks completing the questionnaire



Note: the number and scope of banks varied during the half-year periods under review (e.g. as a result of mergers and the inclusion of new banks). From 2009, stock data also include those for credit institutions and branches.

Chart 5

Volume of consumer loans and the market share of banks completing the questionnaire



Note: the number and scope of banks varied during the half-year periods under review. Chart 5 only plots market shares of the banks surveyed; it does not plot market shares of financial enterprises. From 2009, stock data also include those for credit institutions and branches.

Chart 6

Willingness of banks to extend housing loans and consumer loans

(net percentage of respondents reporting increased/decreased willingness to lend)

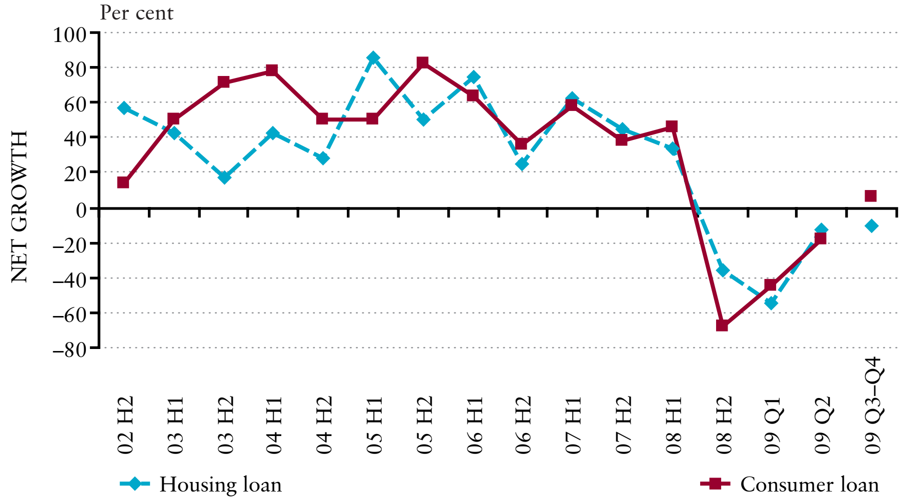


Chart 7

Credit conditions/Credit standards in the housing loan and consumer loan markets

(net percentage of respondents tightening/easing credit standards)

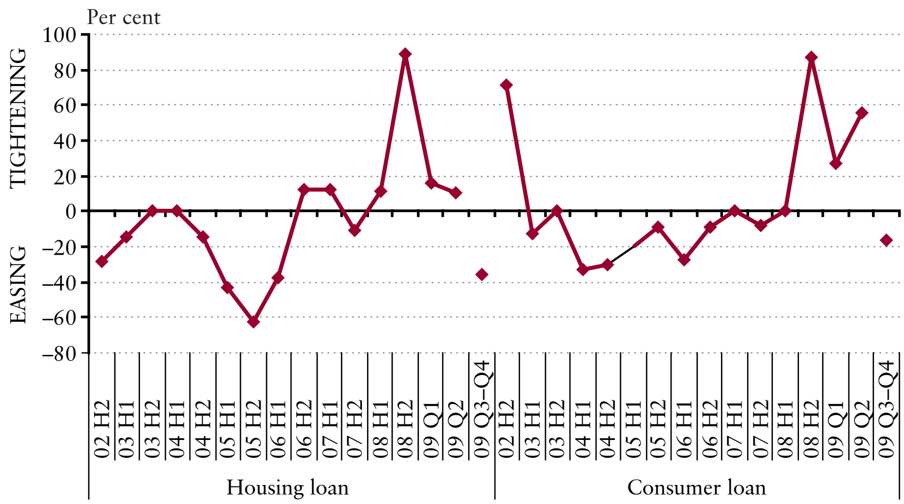


Chart 8

Credit conditions in the housing loan market

(net percentage of respondents tightening/easing credit conditions)

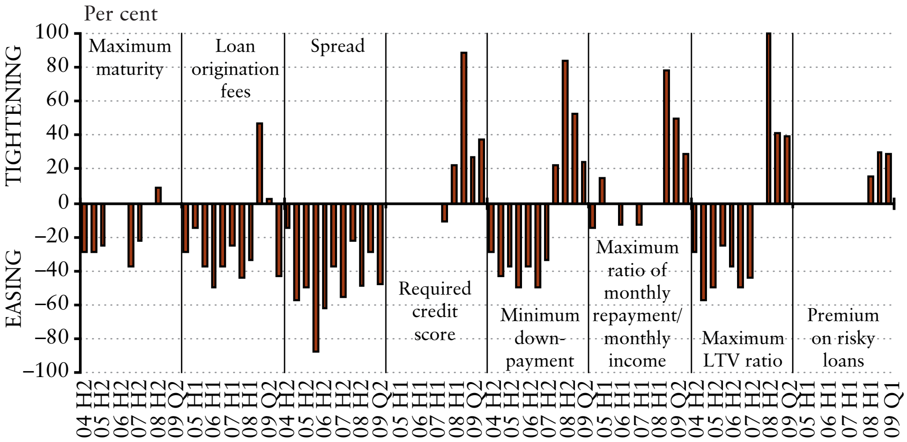


Chart 9

Factors contributing to changes in credit standards and credit conditions in the case of housing loans

(net percentage of banks indicating a contribution of individual factors to tightening or easing)

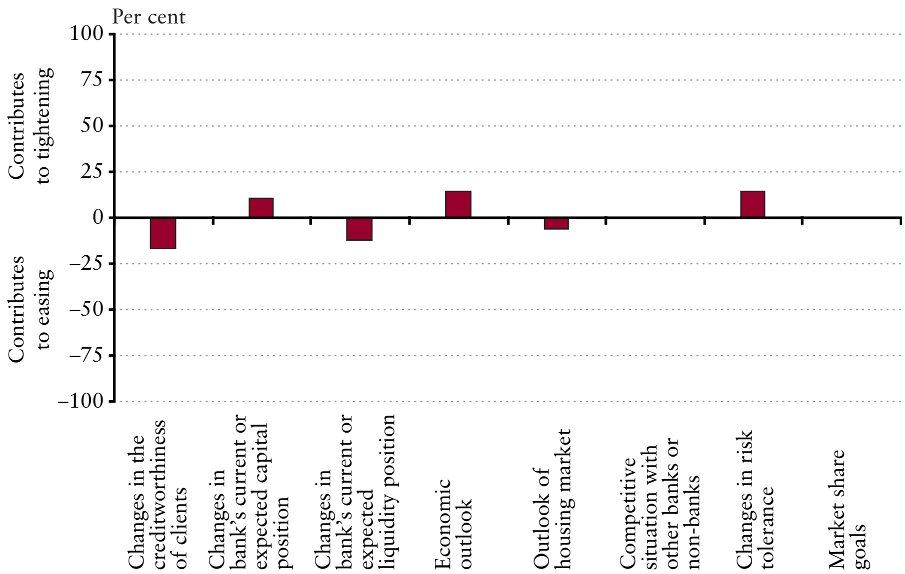


Chart 10

Demand for housing loans

(net percentage of respondents reporting an increase/decrease in demand)

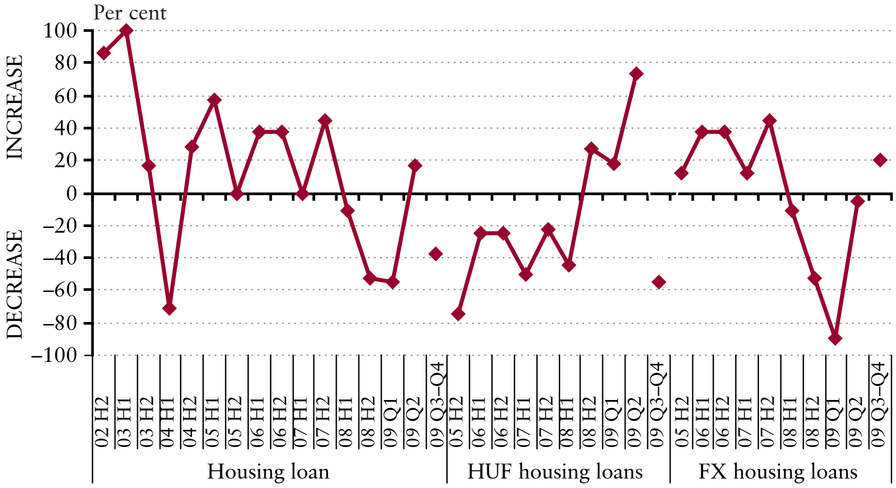


Chart 11

Credit conditions in the consumer loan market

(net percentage of respondents tightening/easing credit conditions)

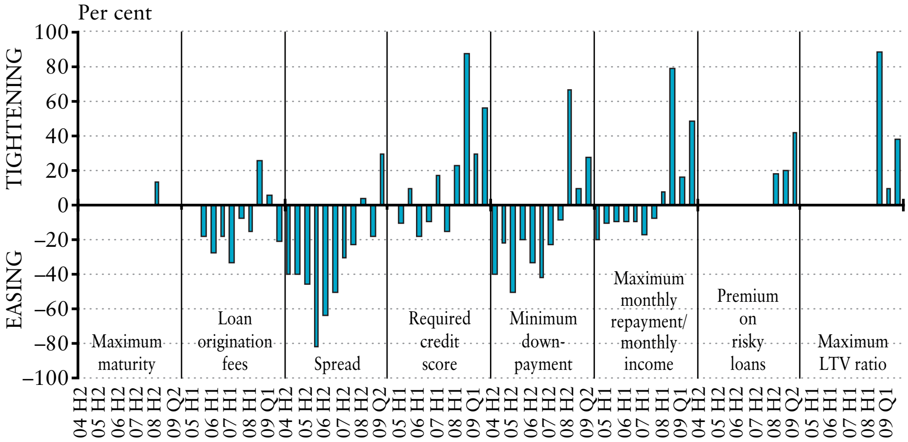


Chart 12

Factors contributing to changes in credit standards and credit conditions in the case of consumer loans

(net percentage of banks indicating a contribution of individual factors to tightening or easing)

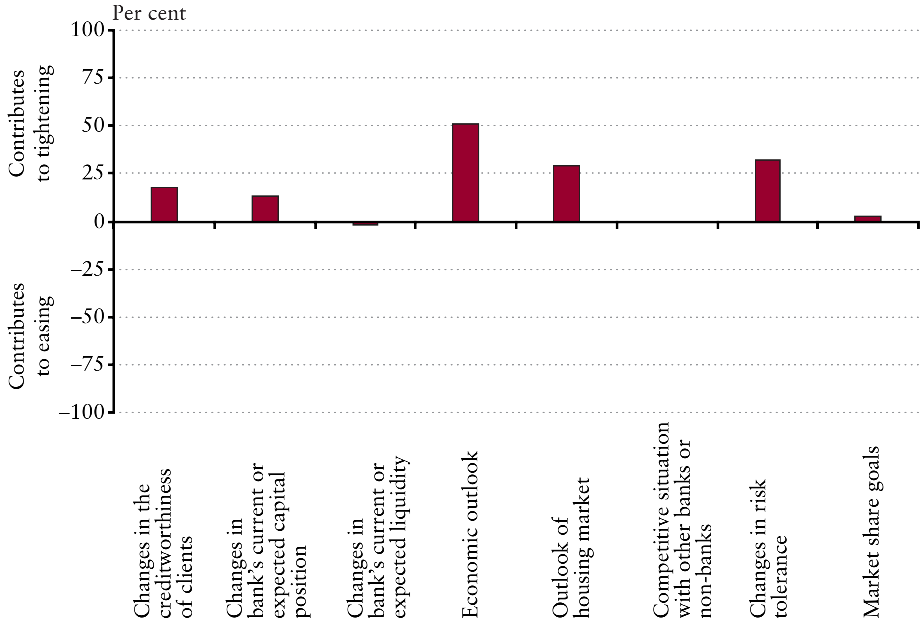


Chart 13

Willingness to lend and credit standards/credit conditions for different consumer loan products

(net ratio of banks providing the relevant answer)

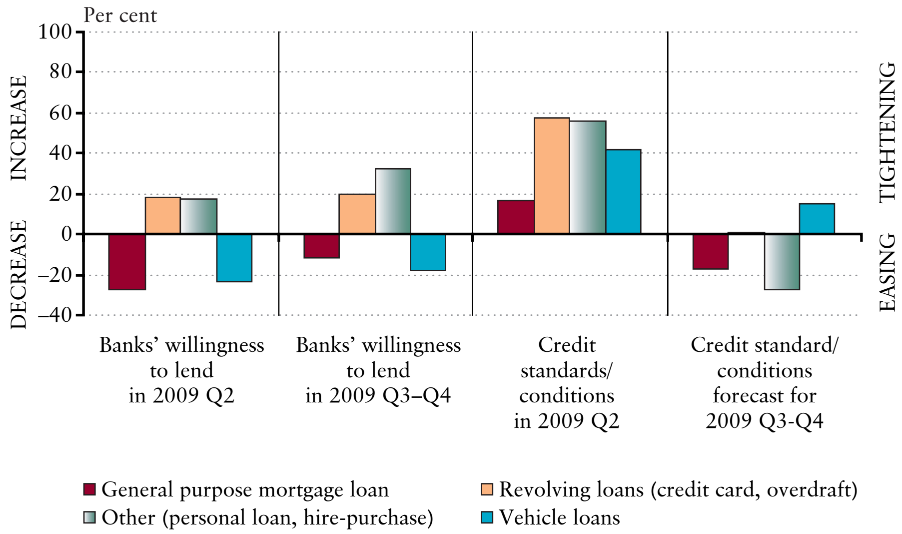


Chart 14

Credit conditions for different consumer loan products

(net percentage of respondents tightening/easing credit conditions)

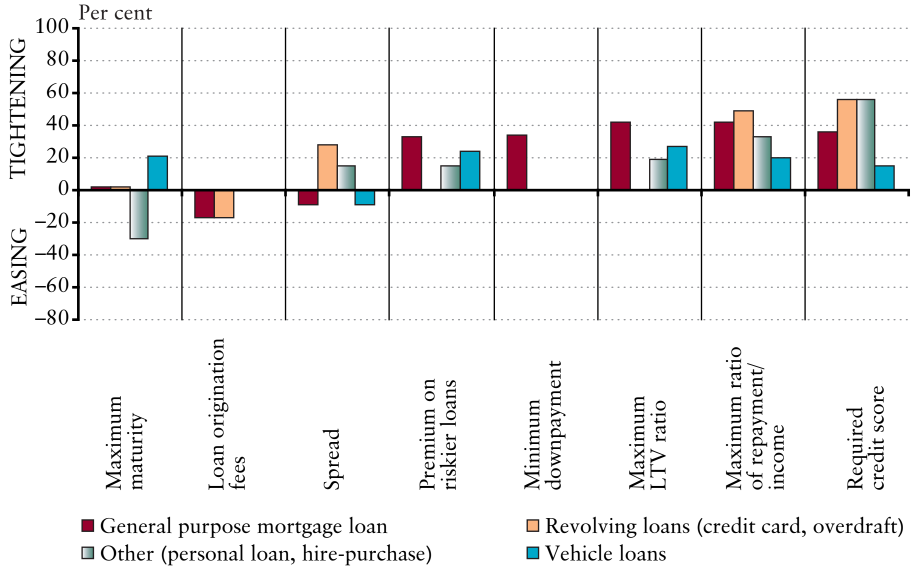


Chart 15

Demand for consumer loans

(net percentage of respondents reporting an increase/decrease in demand)

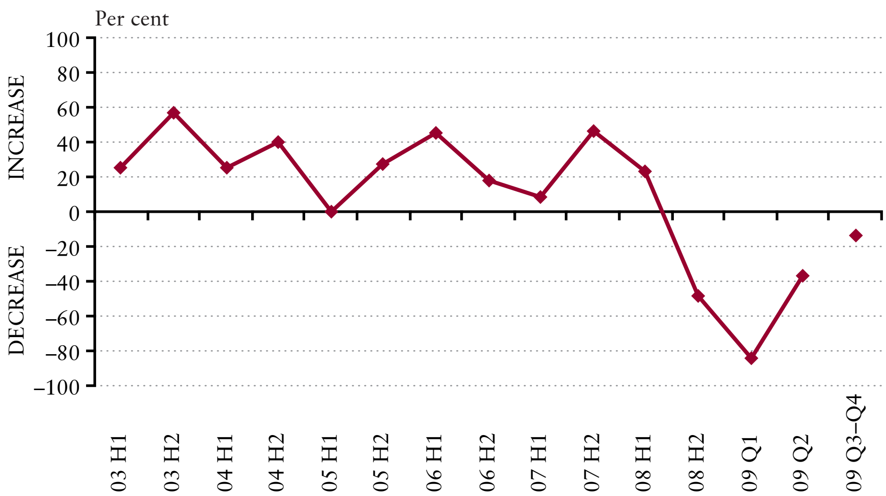


Chart 16

Demand for different consumer loan products

(ratio of banks providing the relevant answer)

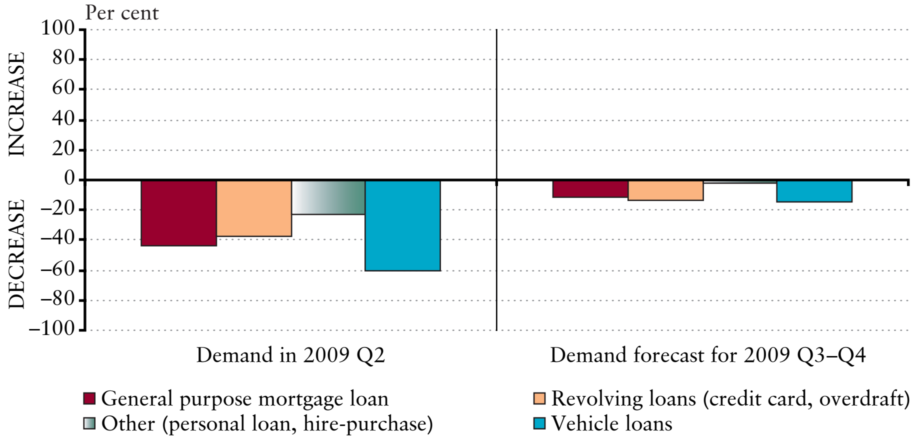
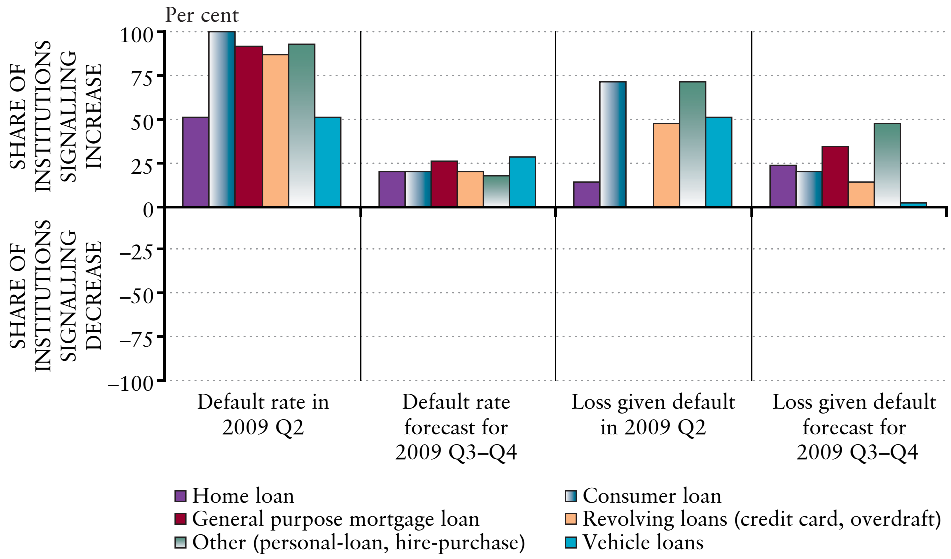


Chart 17

Default rate of loans to households and loss given default

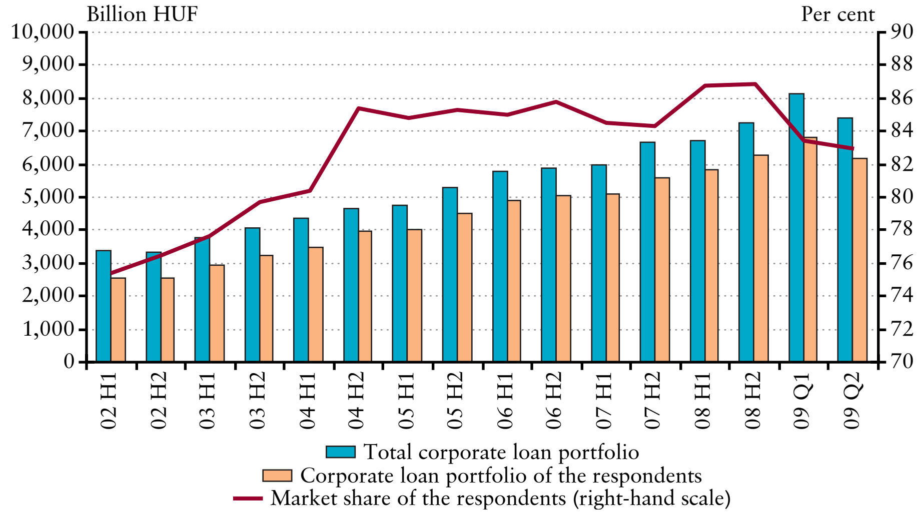
(net percentage of banks reporting an increase or decrease)



LENDING TO THE CORPORATE SECTOR

Chart 18

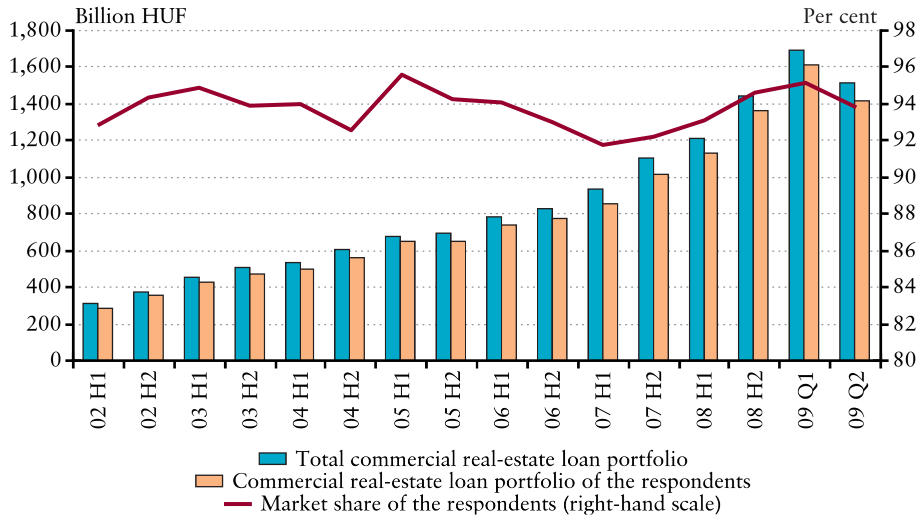
Total corporate loan portfolio and market share of the banks completing the corporate questionnaire



Note: From 2009, stock data also include those for credit institutions and branches.

Chart 19

Volume of commercial real estate loan and share of responding banks in the total real estate loan portfolio



Note: From 2009, stock data also include those for credit institutions and branches.

Chart 20

Willingness of banks to extend corporate loans

(net percentage of respondents reporting increased/decreased willingness to lend)

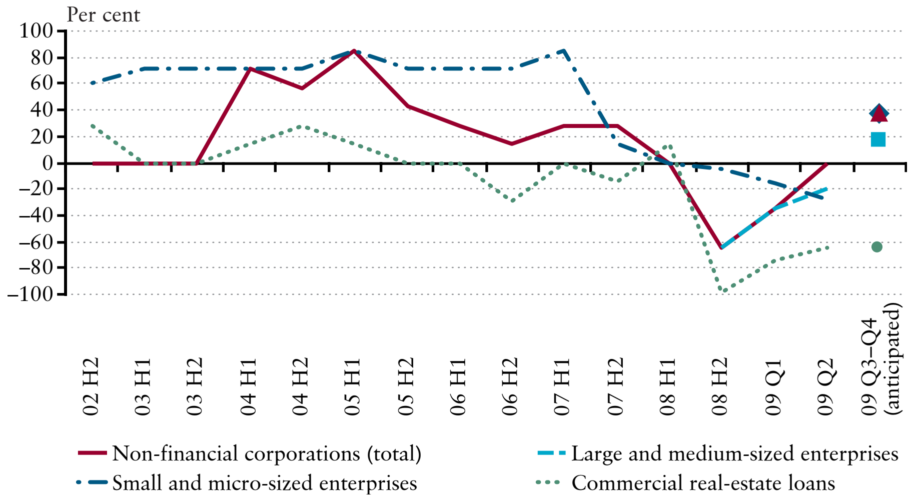


Chart 21

Credit conditions and credit standards by corporate category and for commercial real estate loans

(net percentage of respondents reporting tightening/easing)

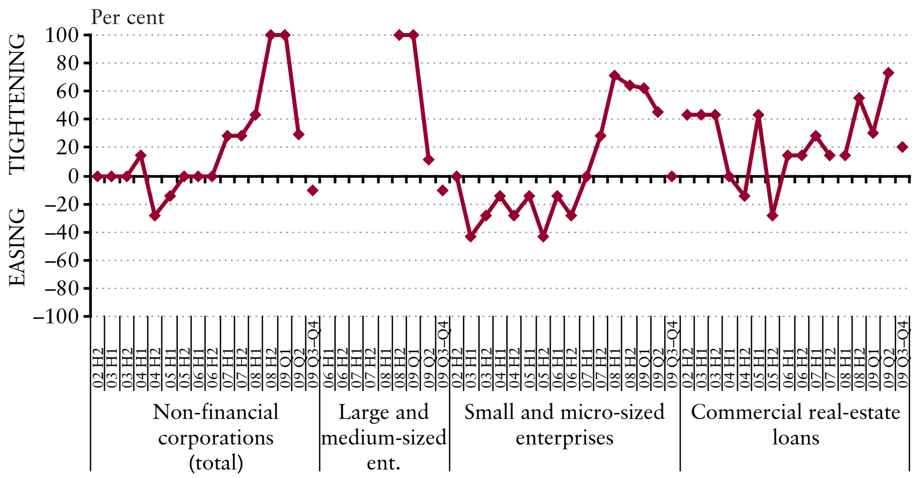


Chart 22

Credit conditions in the corporate segment in 2009 Q2 and in 2009 Q3-Q4

(ratio of banks providing the relevant answer)

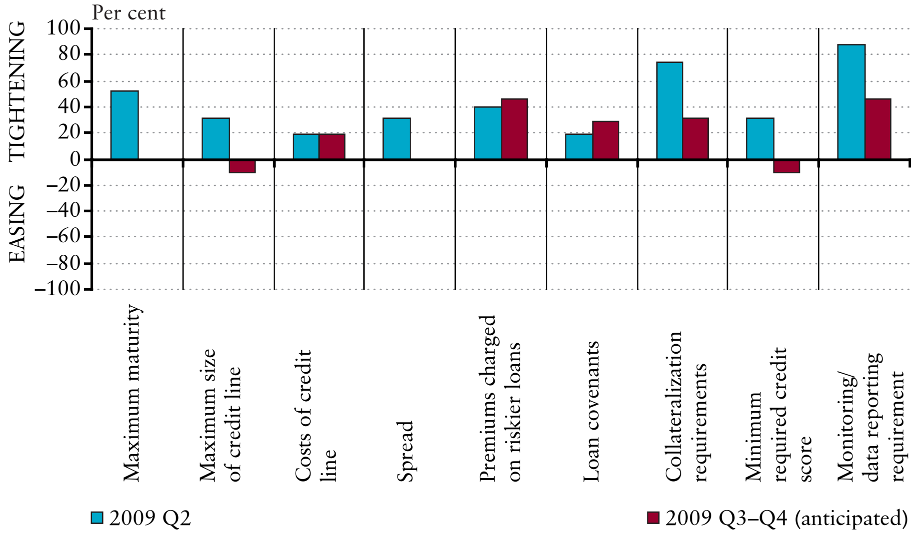


Chart 23

Maximum maturities by corporate category

(net percentage of respondents reporting tightening/easing)

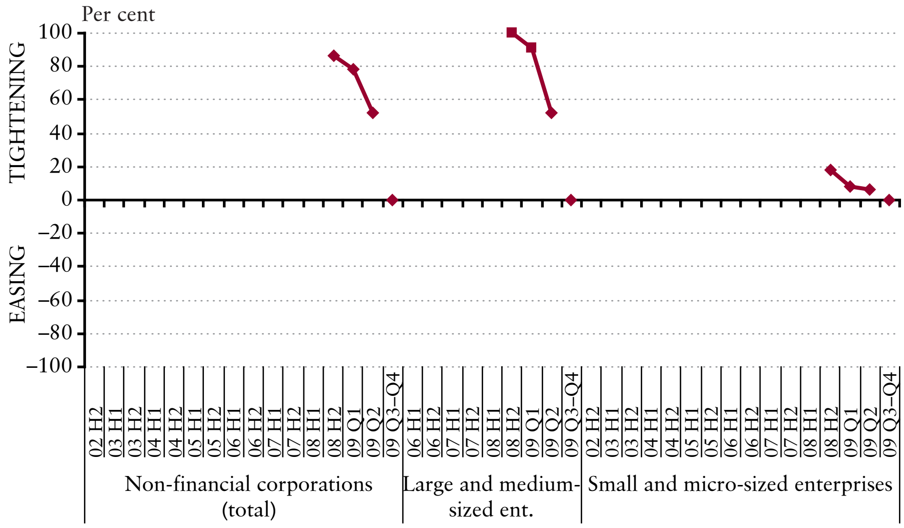


Chart 24

Maximum size of loans/credit lines by corporate category

(net percentage of respondents reporting tightening/easing)

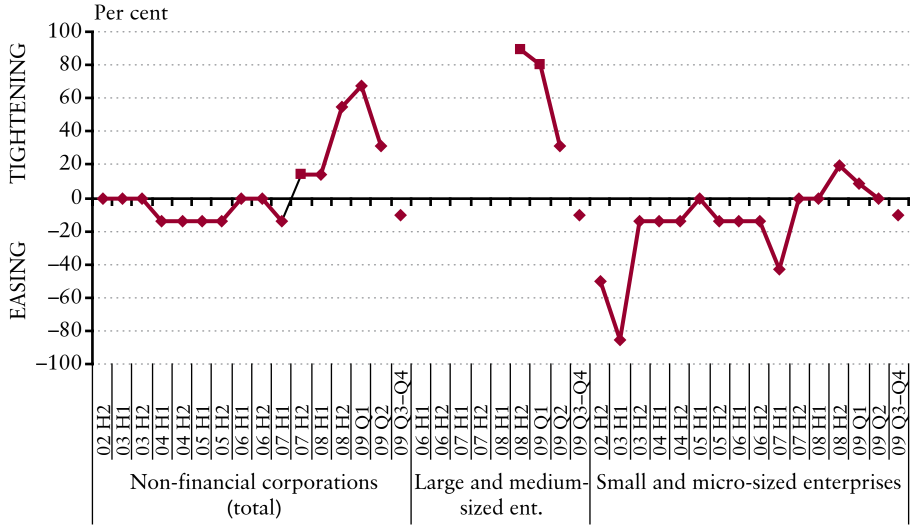


Chart 25

Fee(s) charged for extending loans/credit lines by corporate category

(net percentage of respondents reporting tightening/easing)

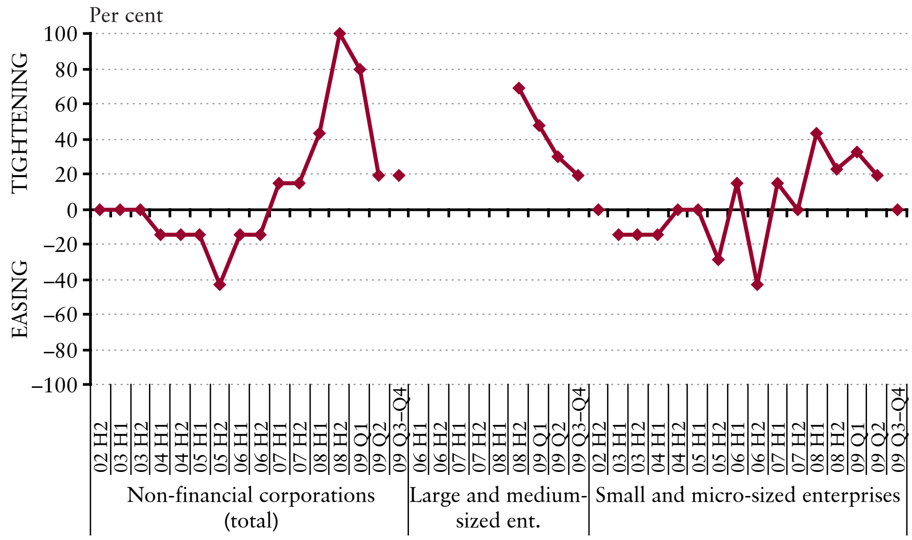


Chart 26

Spread between lending rates and cost of funds by corporate category
(net percentage of respondents reporting tightening/easing)

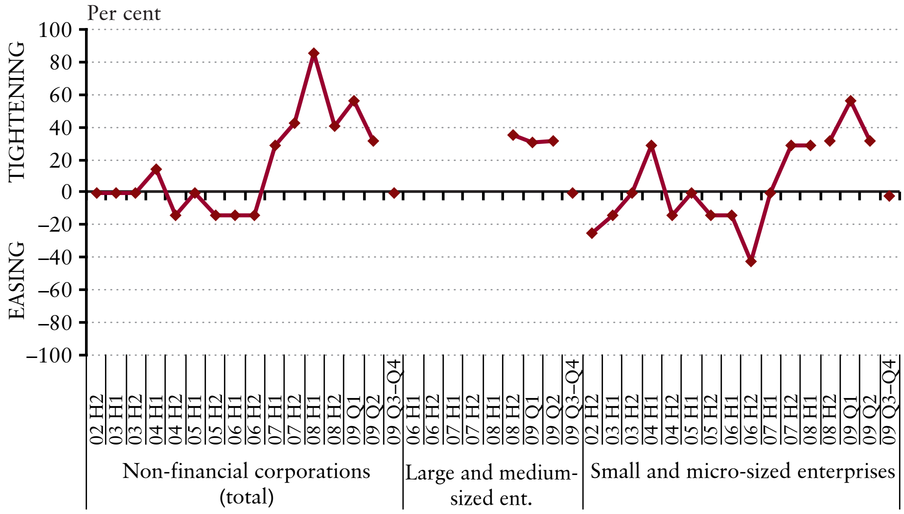


Chart 27

Premium on higher risk loans by corporate sector
(net percentage of respondents reporting tightening/easing)

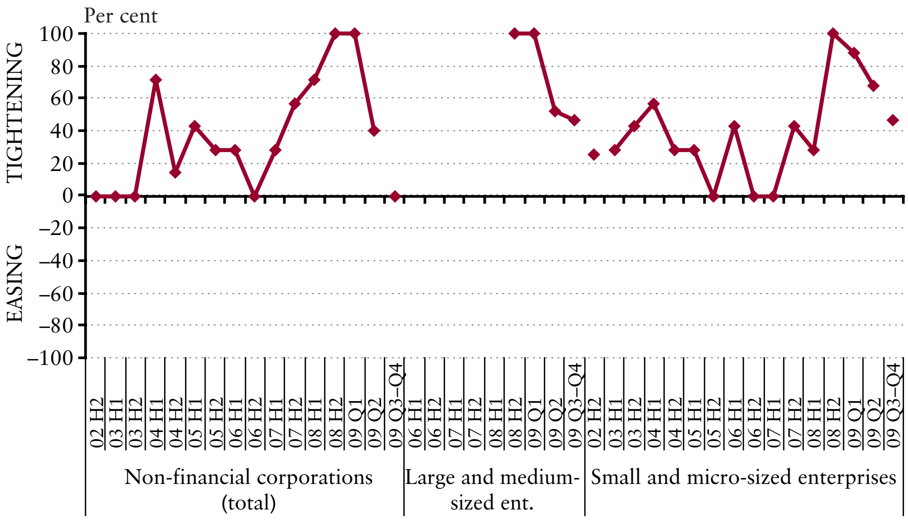


Chart 28

Covenant requirements by corporate category

(net percentage of respondents reporting tightening/easing)

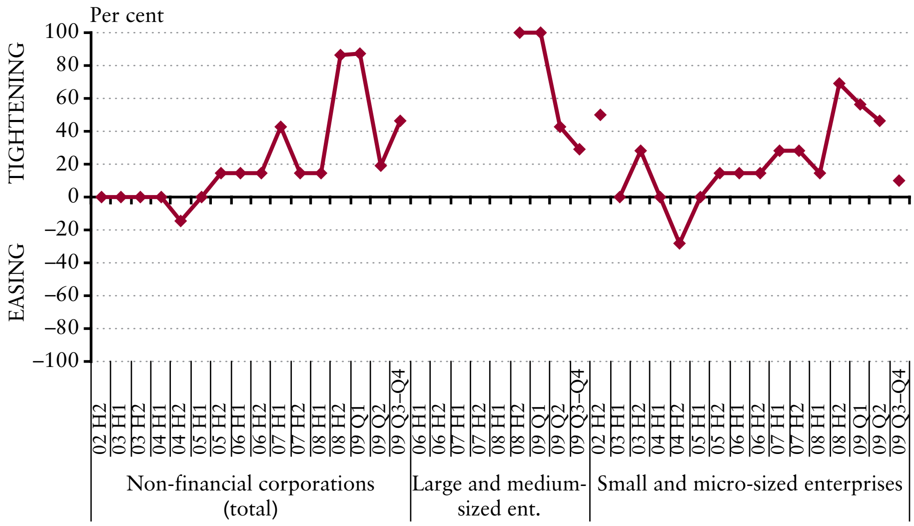


Chart 29

Collateralisation requirements by corporate category

(net percentage of respondents reporting tightening/easing)

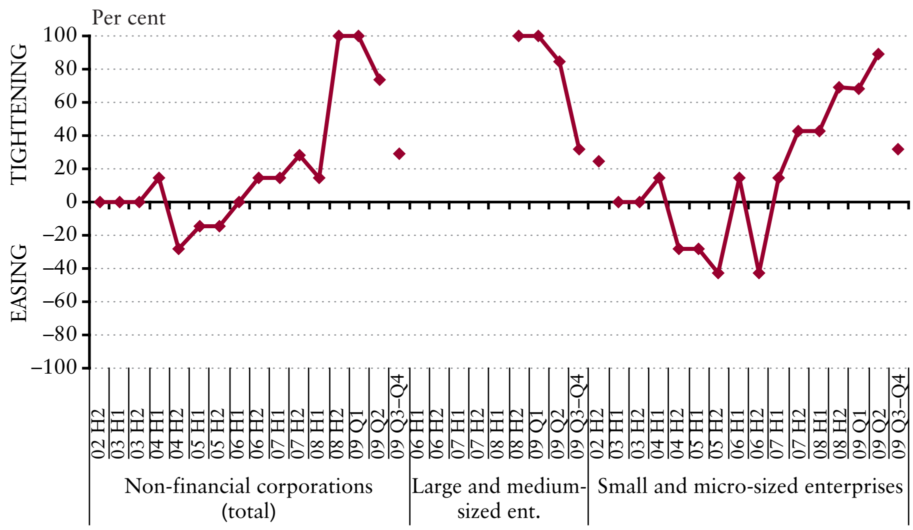


Chart 30

Minimum required credit score by corporate category

(net percentage of respondents reporting tightening/easing)

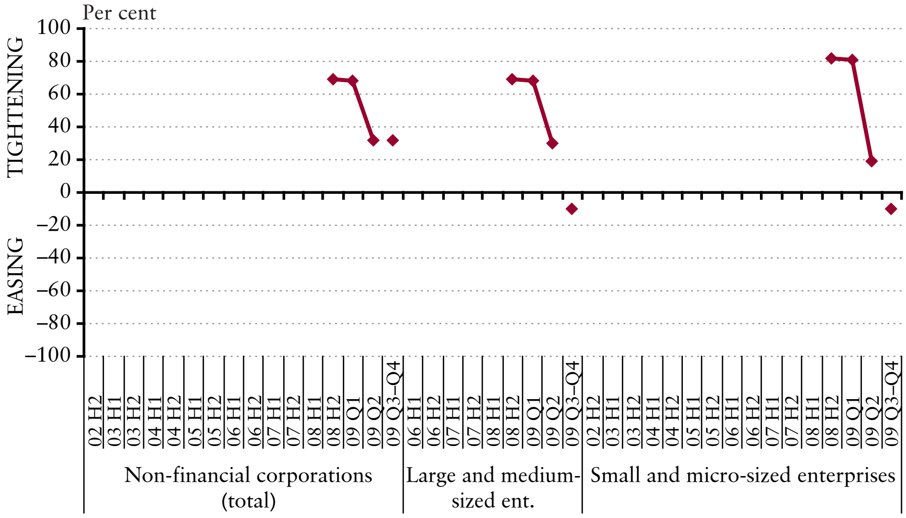


Chart 31

Monitoring/Reporting requirements by corporate category

(net percentage of respondents reporting tightening/easing)

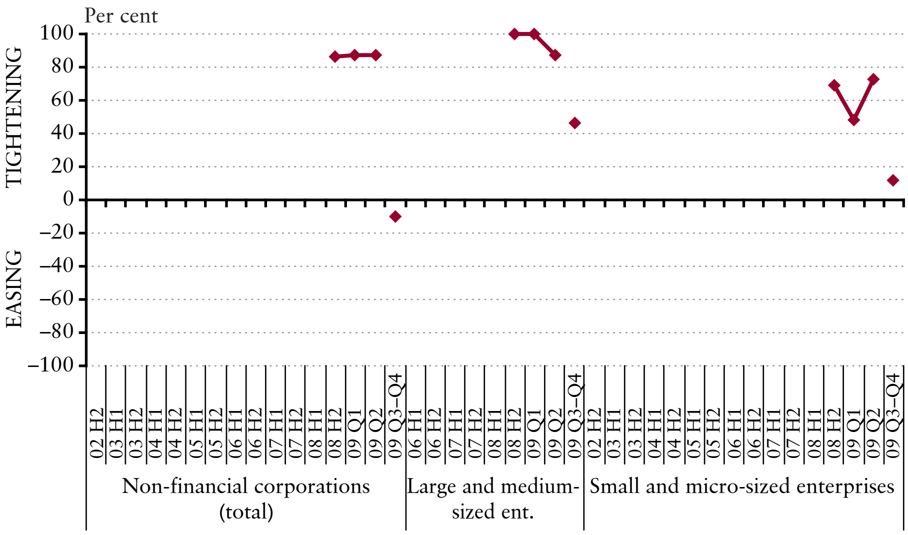


Chart 32

Factors contributing to changes in credit standards and terms on corporate loans

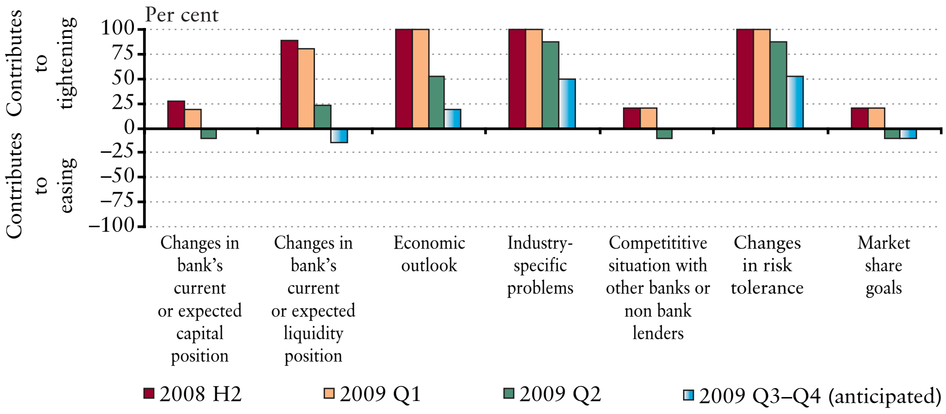


Chart 33

Loan demand by corporate size

(net percentage of respondents reporting an increase/decrease in demand)

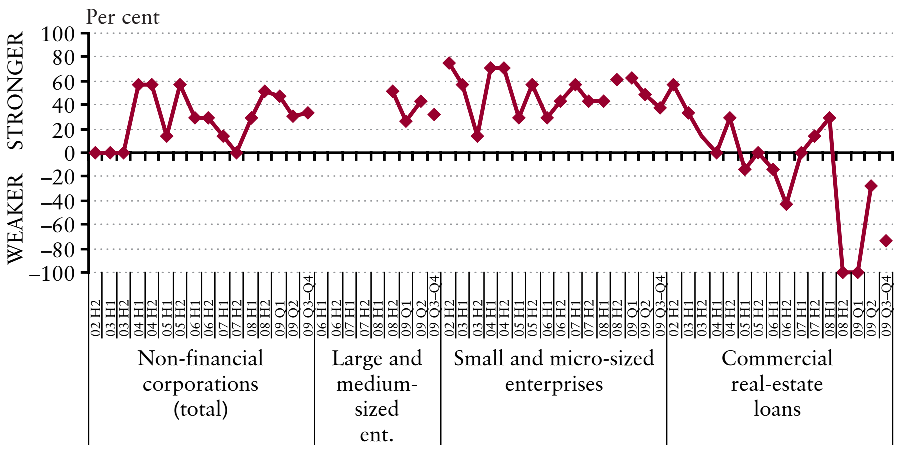


Chart 34

Changes in loan portfolio quality by sector

(net percentage of respondents reporting improvement/deterioration)

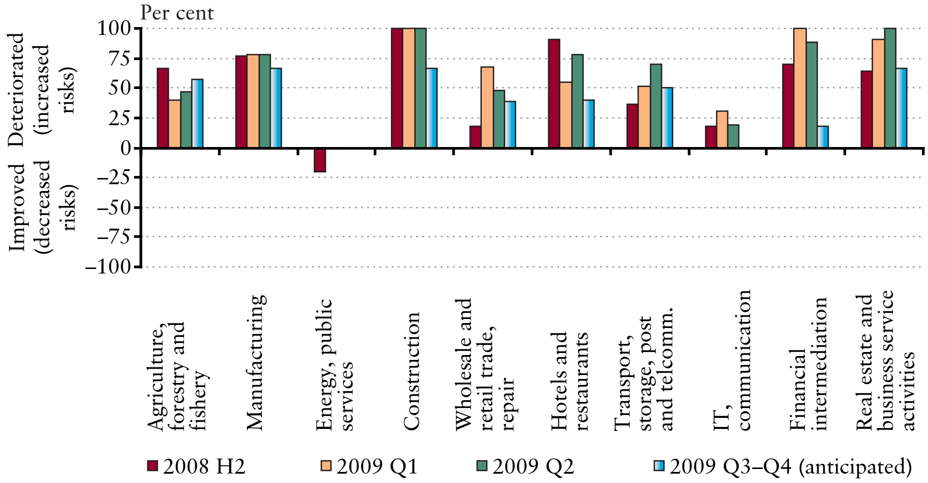


Chart 35

Willingness to lend (volume of loans) and credit standards/credit conditions for commercial real-estate loans

(net percentage of respondents reporting an increase/decrease and tightening/easing)

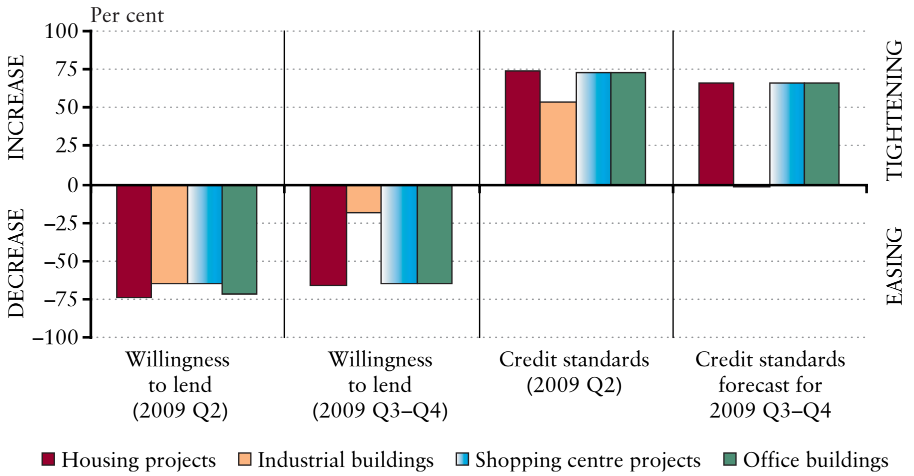


Chart 36

Demand for loans in specific segments of the commercial real-estate market (net percentage of respondents reporting an increase/decrease in demand)

Chart 37

Developments in perceptions of risk associated with corporate loans based on answers provided on default rate and loss given default

(net percentage of respondents reporting increased/decreased risk)

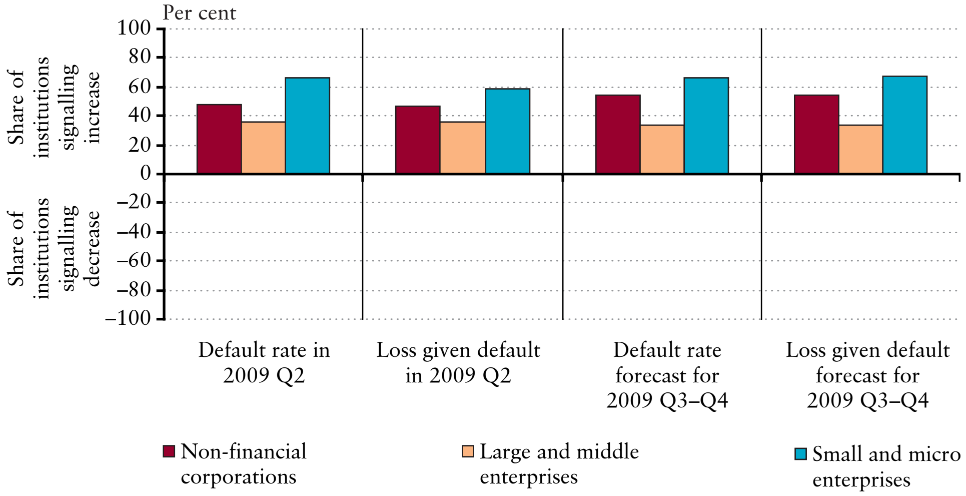
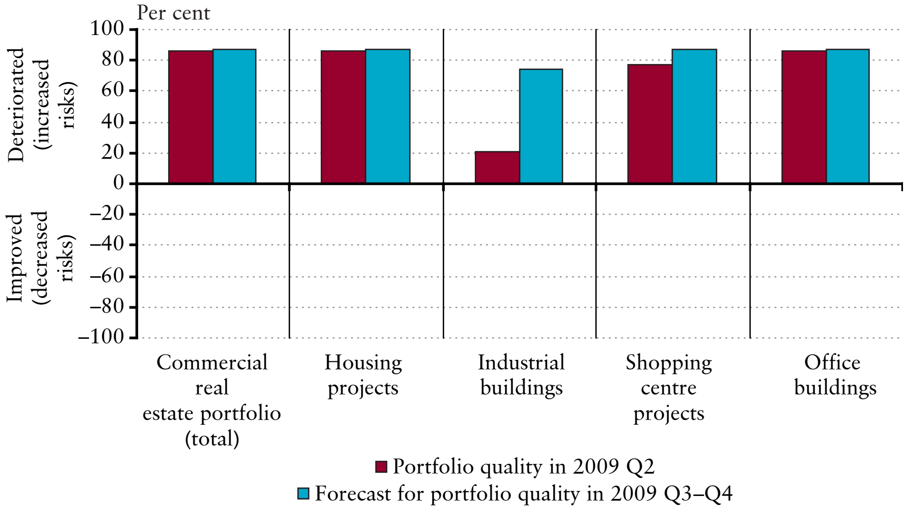


Chart 38

Changes in the quality of the commercial real-estate loan portfolio

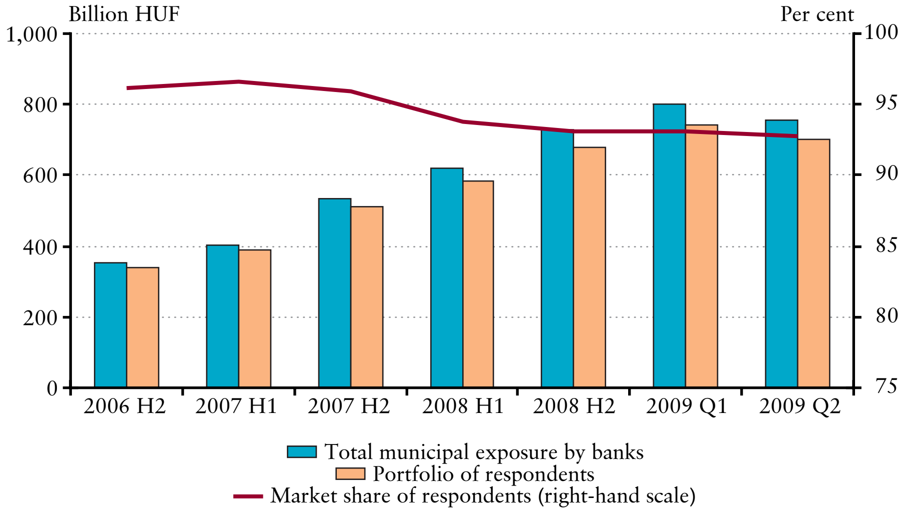
(net percentage of respondents reporting improvement/deterioration)



LENDING TO LOCAL AUTHORITIES

Chart 39

Total exposure to local authorities and the share of banks completing the questionnaire



Note: From 2009, stock data also include those for credit institutions and branches.

Chart 40

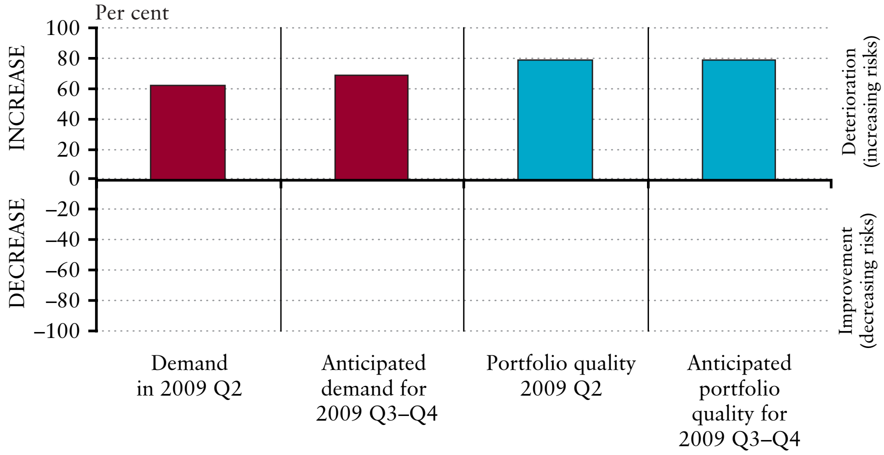
Willingness to lend and credit standards/credit conditions in lending to local authorities

(net percentage of respondents reporting an increase/decrease and tightening/easing)

Chart 41

Demand for loans and portfolio quality in lending to local authorities

(net percentage of respondents reporting an increase/decrease and deterioration/improvement)



Annex 2: Methodological notes

The lending survey facilitates an analysis of how major banks perceive and evaluate market developments and how they develop their respective strategies, in particular their lending policies, based on the management's and owners' assessment of the situation. Aggregating individual, micro-level answers helps researchers draw conclusions regarding likely changes in the directions and trends in the credit market. The conclusions of this analysis always present the answers provided by senior bank officers rather than our own expert opinion. The survey covers household, corporate and municipal lending activities.

In accordance with the established practice, the questionnaires were sent to senior loan officers at the credit institutions involved in the survey. They transmitted their replies via EBEAD, the MNB's electronic data reception system. Leasing companies associated with the banks surveyed gave written answers in response to questions regarding motor vehicle financing.

In the case of the household segment, a total of 13 banks were involved in the interviews. Nine banks responded to questions related to housing loans, while 13 banks and 4 financial enterprises owned by banks covered questions on consumer loans.[5] With respect to housing loans, based on data from the end of 2009 Q2, the surveyed institutions accounted for 91.8% of the banking sector,[6] while their percentage share in consumer loans was 85.8%.

The corporate questionnaire was completed by seven banks, with a total market share of 82.9% and 93.8% of the corporate loan and commercial real estate loan markets, respectively.

A total of 6 banks were interviewed on the subject of loans extended to municipalities. Based on data from the end of 2009 Q2, the institutions surveyed covered 92.8% of total municipal exposure by banks.

In terms of methodology – starting from the survey conducted in January 2009 – the survey consists of the standard questionnaire only in each segment. Information about current issues and trends, which varied for each survey conducted in the past, will be obtained primarily through the 'market intelligence' practice of the MNB.

The standard part of the questionnaire asked respondents for changes in willingness to lend (volume of loans), credit standards and credit/disbursement conditions, as well as changes in demand (observed in the last quarter and, as expected for the next half year, seasonally adjusted changes in new credit applications) and in portfolio quality as perceived by the respondent, and changes in the risk assessment of different sectors in the case of the corporate questionnaire. The survey applied a five-step scaling to assess changes in the willingness to lend, demand, standards/conditions, risk parameters and trends in the risk assessment of different sectors:

- A rating of 1 reflects a considerable increase in demand and in willingness to lend, a considerable tightening in credit standards/credit conditions, a considerable increase in housing prices and risk parameters and, in the case of the risk assessment of sectors, a score of 1 indicates a considerable increase in risk perception relative to the half year preceding the survey, or relative to the current half year or for the upcoming half year in the case of a forecast.

- A rating of 3 indicates an unchanged assessment, both for the current half year and for the forecast pertaining to the upcoming half year.

- A rating of 5 reflects a considerable decrease in demand and in willingness to lend, a considerable loosening of credit standards/credit conditions, a considerable decline in housing prices and risk parameters and, in the case of the risk

[5] The number and scope of banks varied during the six-month periods under review (e.g. as a result of mergers). Initially, after the survey began (with the exception of December 2003) we conducted interviews with seven banks on the subject of housing loans; the number of banks surveyed increased to eight in December 2005 and to nine in December 2007. As regards consumer loans, we initially interviewed seven banks. The number of surveyed banks increased to nine in 2004 H1, then rose to ten at the end of 2004, eleven at the end of 2006, twelve in July 2007 and thirteen in January 2008.

[6] For the purposes of our analysis, the banking sector does not include Eximbank, KELER and the Hungarian Development Bank (MFB).

assessment of sectors, a rating of 5 indicates a significantly safer climate relative to the half year preceding the survey, or relative to the current half year or for the upcoming half year in the case of a forecast.

Ratings of 2 and 4 allow for an intermediate assessment between two extremes (e.g. demand increasing to some extent).

Keywords used for the purposes of the questionnaire are defined as follows:

Volume of loans (willingness to lend) reflects the respondent's intention to expand and increase its portfolio in the specific segment.

Credit standards represent internal banking policies, which determine the type of clients and client groups of a specific bank (based on their classification according to sector, location, size, financial indicators, etc.), and the type of credit products offered to them (collateralised loans only, investment loans, overdrafts, etc.).

In terms of credit conditions, there is a distinction between price-related and non-price related factors. Non-price related credit conditions (such as collateralisation requirements, loan covenants, maximum size of loans/credit lines, etc.) represent specific contractual terms; the bank will not disburse the loan unless these conditions are met. Regarding the non-price related factors, the survey queried respondents on items such as the spread between the interest rate level and the cost of funds, and risk premium.

As credit standards and credit conditions are interrelated concepts, we surveyed overall changes in credit conditions and standards, followed by a separate query on individual credit conditions.

The questionnaire is presented in Annexes 4, 5 and 6 (along with aggregated results where numeric answers were provided) which are available on the homepage of MNB in Excel format). The presentation of the results follows the structure of the relevant questionnaire for all three lending segments (household, corporate and municipal). As a rule, retrospective questions in the questionnaire refer to the previous quarter year (previous half year in the past), (e.g. to 2009 Q2 in July 2009), whereas forward-looking questions contain projections for the upcoming half year (e.g. for 2009 Q3 and 2009 Q4 in July 2009), relative to the trends of the previous quarter year (previous half year in the past). From 2009 the survey will be conducted on a quarterly basis; in future surveys retrospective questions will have a reference period of a quarter, while forward-looking questions will cover a half-year period.

To indicate changes, the survey used the so-called net change indicator, expressed as a percentage of respondents. This indicator is calculated as follows: market share-weighted ratio of respondents projecting a change (tightening/increasing/strengthening) minus market share-weighted ratio of respondents projecting a change in the opposite direction (easing/decreasing/weakening).

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Summary of the aggregate results of the survey for 2009 Q2

August 2009

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