Title: Bank Funding Shocks and Credit Reallocation

Abstract: What are the strategic lending decisions that are made by banks when facing a negative funding shock? Using bank-firm level credit data, I will provide evidence that banks reallocate credit within their domestic loan portfolio in at least three different ways. First, banks reallocate to sectors where they have high sector presence. Second, they also reallocate to sectors in which they are heavily specialized. Third, they reallocate credit towards low-risk firms. These reallocation effects are economically large. I will also provide insights on the timing of these reallocation decisions. Reallocation to sectors in which a bank has a high sector presence is almost instantaneous, while sector specialization starts playing a role four to five months after the shock.