EUROPEAN CENTRAL BANK

EUROSYSTEM

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THE EURO AREA BANK LENDING SURVEY

2ND QUARTER OF 2013

JULY 2013

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The results reported in the July 2013 bank lending survey (BLS) relate to changes during the second quarter of 2013 and expectations of changes in the third quarter of 2013. The survey was conducted between 19 June and 4 July 2013. With 132 banks participating in the survey, the coverage ratio was 99%.

Four ad hoc questions were included in the questionnaire for the July 2013 survey round. The first ad hoc question addressed the impact of the financial crisis on access to retail and wholesale funding. The second referred to the impact of the sovereign debt crisis on banks' funding conditions, credit standards and credit margins, while the third and fourth ad hoc questions concerned the likely impact of on-going regulatory changes on banks' lending policies (via the potential impact on capital positions, credit standards and credit margins).

1 OVERVIEW OF THE RESULTS

According to the July 2013 BLS, the net percentage of banks reporting a further tightening of credit standards (henceforth "net tightening") on loans to non-financial corporations (NFCs) stood at 7%, unchanged from the previous survey round. The level of net tightening stands below the historical average calculated over the period since the start of the survey in 2003. In the case of housing loans, the degree of net tightening declined (to 7%, from 14% in the first quarter of 2013). The percentage is lower than expected by the reporting banks at the time of the previous survey round (10%), standing only slightly below the historical average. For consumer credit, credit standards have fallen for the first time since end-2007 (to a net easing of 2%, from a net tightening of 7%), but remained above the historical average.

The development of credit standards for both NFCs and households in the second quarter of 2013 reflected somewhat reduced contributions not only from banks' risk perceptions, but also from their cost of funds and balance sheet constraints. This notwithstanding, borrowers' risk and macroeconomic uncertainty remained the main factors that curbed lending policies.

The unchanged net tightening of credit standards on loans to enterprises in the second quarter of 2013, expressed in terms of euro area aggregates, reflected a compression of margins on average loans and a lesser widening of margins on riskier loans, as well as an unchanged tightening of other credit terms and conditions for euro area aggregate loans. Looking ahead to the third quarter of 2013, euro area banks anticipate a decline in further pace of the net tightening of credit standards on loans to NFCs (to 1%, from 7%) and on loans to households for house purchase (to 4%, from 7%), while they expect conditions on consumer credit to remain broadly unchanged (0%, after -2%).

Turning to loan demand, developments in the second quarter of 2013 were mixed. On the one hand, the percentage of euro area banks reporting a net decline in the demand for loans to non-financial corporations decreased moderately in the second quarter of 2013 (to -18%, from -24%). On the other hand, this net percentage remains below the historical average, i.e. demand is still weaker than it has been over the sample. The weakness of demand was driven mainly by a substantial negative impact of fixed investment on the financing needs of firms, while inventories and working capital contributed positively to the loan demand in the same quarter. For housing loans, banks indicated a substantially reduced net decline of demand (a drop to -2%, from -26% in the first quarter of 2013), bringing it to below its historical average. In the case of consumer credit, there was also a smaller net decline of demand (-7%, after -25% in the first quarter), which brought it down to close to its historical average. Looking forward to the third quarter of 2013, banks expect the net decline in demand for loans across all loan categories to continue.

The July 2013 BLS round included four ad hoc questions. In response to the first, which addressed banks' access to retail and wholesale funding in the second quarter of 2013, banks reported a further improvement across all funding categories, albeit to a more limited extent than in the previous survey. In the third quarter of 2013, euro area banks expect a marginal deterioration in funding conditions for most market segments, except in the case of retail funding. In answer to the second ad hoc question, which concerned the impact of the sovereign debt crisis on banks' access to credit, banks indicated that the impact on bank's funding conditions had continued to abate significantly in the second quarter of 2013.

In response to the third and fourth questions, which referred to the impact of on-going regulatory changes on banks' lending policies, banks stated that they had continued the deleveraging process pursued in the first half of 2013 with a view to adjusting to the new requirements, which is still being perceived as having somewhat tightened banks' lending policies for firms and households.

Box 1

GENERAL NOTES

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks.[1] Its main purpose is to enhance the understanding of bank lending behaviour in the euro area.[2]

The questions distinguish between three categories of loan: loans or credit lines to enterprises; loans to households for house purchase; and consumer credit and other lending to households. For all three categories, questions are asked on credit standards for approving loans; credit terms and conditions; and credit demand and the factors affecting it.

The survey questions are phrased in terms of changes over the past three months (in this case in the second quarter of 2013) or expectations of changes over the next three months (i.e. in the third quarter of 2013).

The responses to questions related to credit standards are analysed in this report by focusing on the difference ("net percentage") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing"). Likewise, the term "net demand" refers to the difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.

In order to describe the developments of survey replies over time, the report refers to changes in the "net tightening" or "net easing" of credit standards from one survey round to another. For example, a lower net percentage of banks tightening their credit standards between two survey waves would be referred to as a "decline in net tightening". Similarly, higher net percentages of banks indicating a decline in loan demand between two survey waves would be referred to as a "more pronounced net decline in demand".

In addition, an alternative measure of the responses to questions related to changes in credit standards and net demand is included. This measure is the weighted difference ("diffusion index") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. Likewise, regarding the demand for loans, the diffusion index refers to the weighted difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. The diffusion index is constructed in the following way: lenders who have answered "considerably" are given a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The interpretation of the diffusion indices follows the same logic as the interpretation of net percentages.

Detailed tables and charts on the responses are provided in Annex 1 for the individual questions and in Annex 2 for the ad hoc questions.

A copy of the questionnaire can be found at
http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html.

[1] The sample group of banks participating in the survey comprises 133 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. Since the banks in the sample group differ considerably in size, the survey results are weighted according to the national shares in total outstanding euro area lending to euro area residents.

[2] For more detailed information on the bank lending survey, see the ECB press release of 21 November 2002 entitled “Bank lending survey for the euro area”, the article entitled “A bank lending survey for the euro area” in *Monthly Bulletin*, ECB, April 2003, and J. Berg et al., “The bank lending survey for the euro area”, *Occasional Paper Series*, No 23, ECB, 2005.

2 DEVELOPMENTS IN CREDIT STANDARDS AND NET DEMAND FOR LOANS IN THE EURO AREA

2.1 ENTERPRISES

2.1.1 NET TIGHTENING OF CREDIT STANDARDS FOR LOANS TO ENTERPRISES REMAINED UNCHANGED IN THE SECOND QUARTER OF 2013

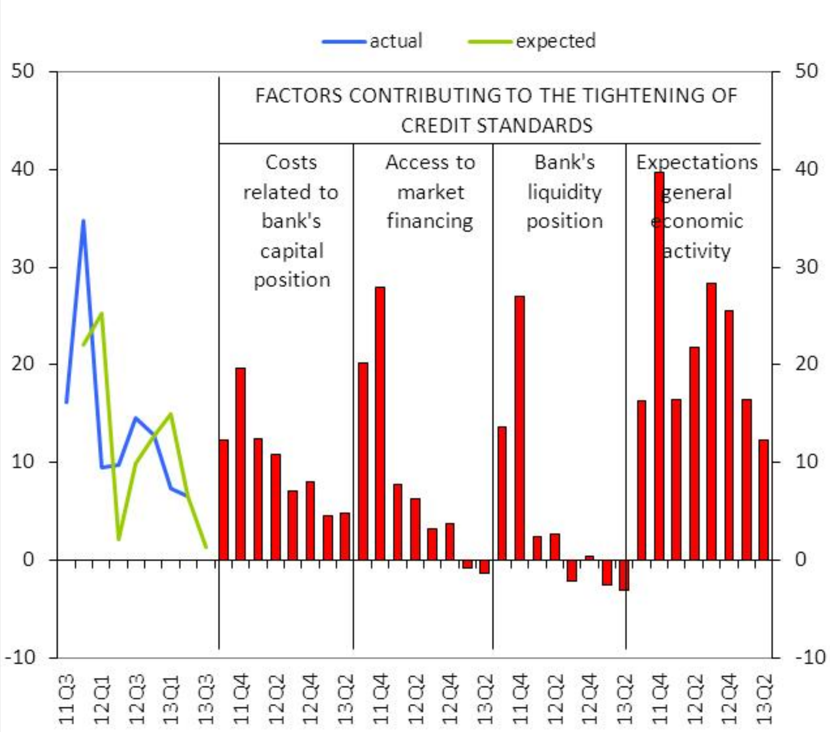
According to the July 2013 BLS, the net percentage of banks in the euro area that tightened their credit standards on loans to enterprises remained unchanged in the second quarter of 2013 at 7% (see Chart 1). The level of net tightening of credit standards for loans to enterprises in the second quarter of 2013 stood below the historical average computed over the sample of observations since the start of the survey in 2003. The reported level of net tightening was in line with what banks had expected at the time of the previous survey round (7%).

Looking at developments in terms of firm size, the overall net tightening of credit standards in the second quarter of 2013 appears to have been applied comparatively more appreciably to small and medium-sized enterprises (SMEs) than to large firms. More specifically, the net tightening of credit standards for loans to SMEs reported in the second quarter of 2013 (5%, after 7% in the first quarter, thus remaining in positive territory) was more pronounced than for large enterprises (3%, after 4%). Compared with the previous survey round, the net tightening of credit standards declined for both short-term loans (4%, from 5% in the first quarter of 2013) and long-term loans (10%, from 11%).

Chart 1

CHANGES IN CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a contribution to tightening credit standards)



Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for responses to questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

Turning to factors explaining developments in credit standards, the net percentage of euro area banks reporting that their cost of funds and balance sheet constraints had contributed to a tightening of credit standards on loans to enterprises remained unchanged in the second quarter of 2013 (at 0%; see Chart 1).

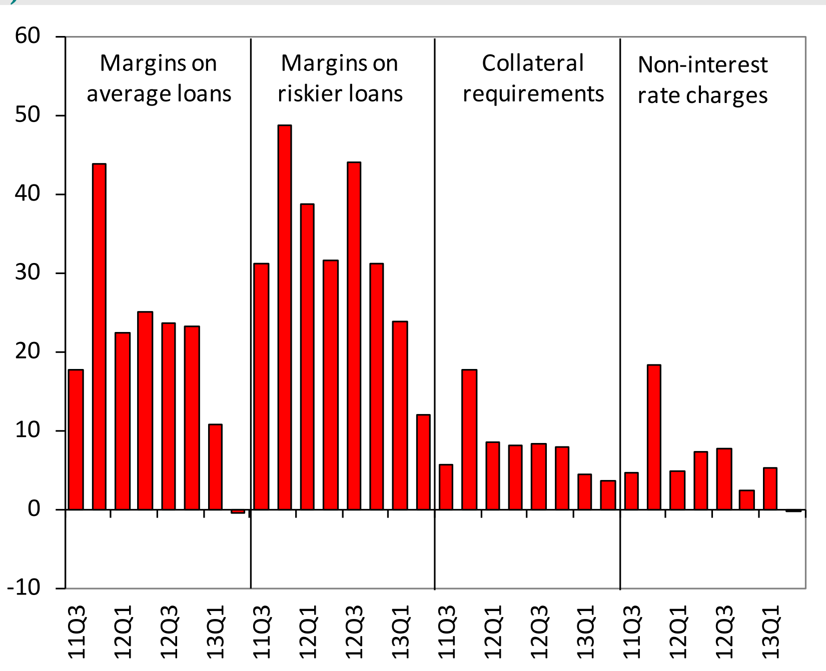
More specifically, banks signalled no changes in the contribution of banks' capital positions to the net tightening (at a level of 5%, as in the previous quarter), thus indicating some on-going need for adjustments to banks' balance sheets. Banks' access to market funding (-1%, as in the first quarter of 2013) and banks' liquidity positions (-3%, as in the first quarter) continued to be slightly accommodative factors that contributed marginally to an easing of credit standards. Hence, the moderation in the contribution of supply-side factors to the net tightening of credit standards for enterprises at the aggregate euro area level reflected the further improvement in borrowing conditions for euro area banks, as was also indicated in the related ad hoc question (for further details, see Section 3.1.1).

The impact of risk perceptions on the net tightening of credit standards for enterprises remained broadly unchanged in the second quarter of 2013 (see Chart 1). This development was due to two counterbalancing factors: on the one hand, the contribution of expectations regarding general economic activity declined in comparison with the previous survey round (12%, after 16% in the first quarter), while the net tightening impact of the industry and firm-specific outlook increased slightly to 22% (from 20% in the first quarter), on the other. The contribution of collateral risks remained stable at 6% (after 8% in the first quarter). The unchanged but still considerable impact of risk perceptions may reflect some stabilisation as regards uncertainties relating to the weak economic outlook.

Chart 2

CHANGES IN TERMS AND CONDITIONS FOR APPROVING LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a contribution to tightening terms and conditions)



Note: See the notes to Chart 1.

The unchanged net tightening of credit standards for enterprises in the second quarter of 2013 translated into a compression of margins on average loans and a slower widening of margins on riskier loans (see Chart 2). For most of the other credit terms and conditions, euro area banks reported a reduced tightening. Specifically, in the second quarter of 2013 banks reported a slight easing on average loans (-1%, from 11% in the first quarter), as well as a decreased tightening of margins on riskier loans (12%, from 24% in the first quarter).

By contrast, banks reported an increase in the tightening impact of restrictions on the size of loans (to 5%, from 2% in the first quarter of 2013), but an unchanged tightening of collateral requirements (4%). In addition, the contribution of non-interest rates charges to the tightening declined to 0% (from 5% in the first quarter).

Looking ahead to the third quarter of 2013, on balance, euro area banks expect a lesser net tightening of credit standards for loans to enterprises (1%) and for long-term loans (6%) than in the previous quarter (see Chart 1). For the third quarter of 2013, no net tightening of credit standards is expected for loans to SMEs and for short-term loans (0%), while banks expect broadly unchanged net tightening for loans to large firms (to 4%).

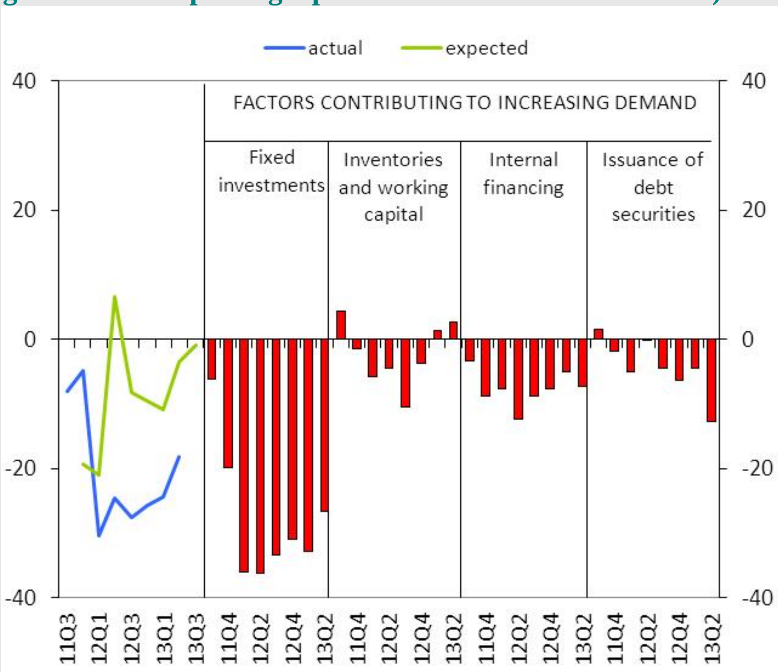
2.1.2 THE NET DECLINE IN DEMAND FOR LOANS TO ENTERPRISES MODERATED

Euro area banks continued to report a pronounced net decline in the demand for loans to enterprises in the second quarter of 2013, although the pace of decline was slower than in the previous survey round (-18%, after -24% in the first quarter, see Chart 3). This reported net decline remained substantially sharper than the average decline computed over the period since the start of the survey. For the third quarter of 2013, euro area banks expect a significantly less negative net decline in demand for loans to enterprises (-1%, on balance). As in previous quarters, according to the reporting banks, the net fall in demand for loan to enterprises was driven mainly by a substantial negative impact of fixed investment on firms' financing needs (-27% in the second quarter of 2013, after -33% in the first quarter). Mergers and acquisitions (-2%, after -10% in the first quarter) continued to contribute less to the net decline in demand for loans to enterprises, while inventories and working capital contributed positively to loan demand for the second consecutive quarter (3%, after 1% in the first quarter of 2013). The use of other external sources of finance had a mixed impact on the net decline in demand for corporate loans. On balance, euro area banks reported a stronger contribution of issuance of debt securities to the net decline in demand (-13%, after -4% in the first quarter of 2013), but a broadly unchanged contribution by issuance of equity (0%, after -1% in the first quarter). As in the previous survey rounds, non-financial corporations' internal sources of financing contributed negatively to the demand for loans (-7%, from -5% in the first quarter of 2013). By contrast, loans from non-banks and other banks had a marginal positive contribution to the net demand for loans (1% and 2% respectively).

Chart 3

CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a positive contribution to demand)



Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The net percentages for responses to questions related to each factor are defined as the difference between the percentage of banks reporting that the given factor contributed to increasing demand and the percentage reporting that it contributed to decreasing demand.

2.2 HOUSEHOLDS

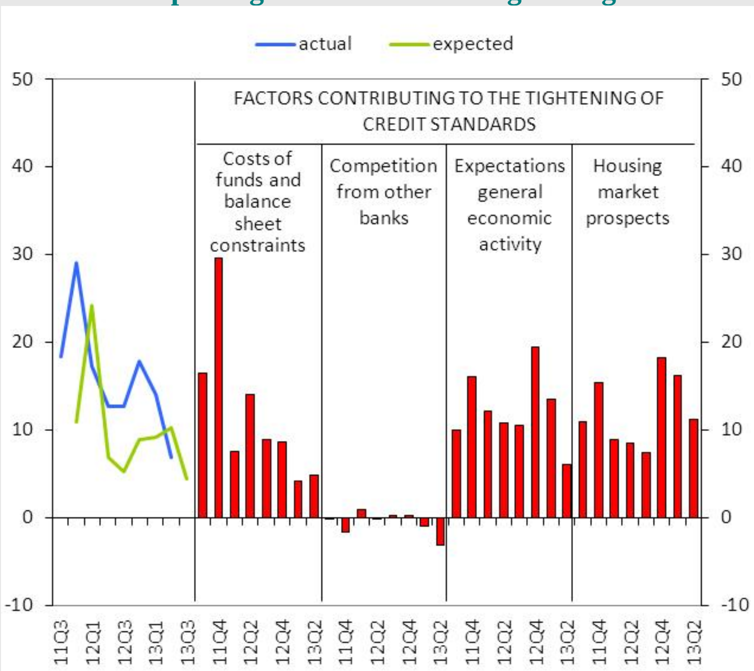
2.2.1 STRONG DECLINE IN NET TIGHTENING OF CREDIT STANDARDS ON HOUSING LOANS IN THE SECOND QUARTER OF 2013

In the second quarter of 2013, the net tightening of credit standards on housing loans declined (to 7%, from 14% in the first quarter; see Chart 4), standing only slightly below the historical average. This net tightening of credit standards was lower than expected by the reporting banks at the time of the previous survey round (10%). As in the case of loans to non-financial corporations, the contribution of cost of funds and balance sheet constraints to the net tightening of credit standards remained broadly unchanged in the second quarter of 2013 (5%, from 4% in the first quarter). At the same time, compared with the previous survey round, the impact of the general economic outlook and housing market prospects on the net tightening of credit standards also decreased in the second quarter of 2013. For the general economic outlook, the tightening impact declined to 6%, from 14% in the first quarter, while that for housing market prospects decreased to 11%, from 16% in the first quarter. Competitive pressures were reported to have played a role in easing credit standards.

Chart 4

CHANGES IN CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages of banks reporting a contribution to tightening credit standards)



Note: See the notes to Chart 1.

Most price and non-price terms and conditions applied to housing loans tightened in the second quarter of 2013. The net percentage of banks reporting a widening of margins on loans increased slightly for both average loans (1% in net terms, from -1% in the first quarter of 2013) and riskier loans (12% in net terms, from 10% in the previous quarter). Responses regarding non-price categories pointed to a moderation in the contributions of collateral requirements (3% in net terms, from 5% in the first quarter), the maturity of loans (6%, as in the previous quarter) and loan-to-value ratios (3% in net terms, from 8% in the first quarter of 2013), while indicating an increase in the case of the non-interest rate charges (3% in net terms, from 1% in the previous quarter).

Looking ahead, euro area banks expect a lower net tightening of credit standards on loans to households for house purchase in the third quarter of 2013 (4%)

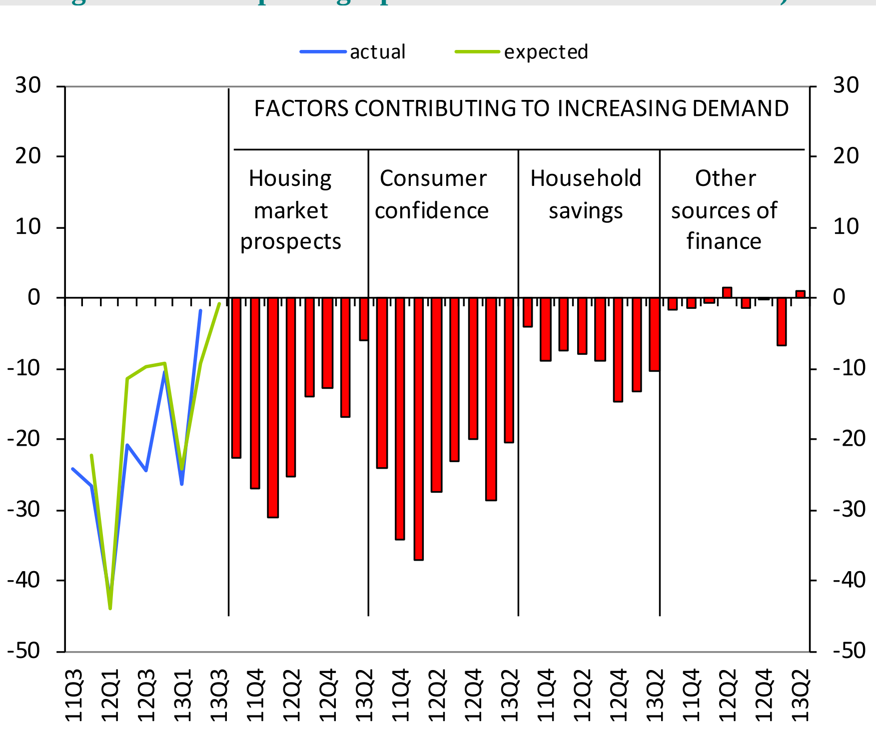
2.2.2 NET DEMAND FOR HOUSING LOANS CONTRACTED AT A LOWER PACE

Demand for housing loans continued to decline, on balance, in the second quarter of 2013, although at a slower pace than in the previous survey round (-2%, after -26% in the first quarter; see Chart 5). The net percentage of banks reporting a decline in demand for housing loans is now below the historical average recorded since the beginning of the survey in 2003.

Chart 5

CHANGES IN DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages of banks reporting a positive contribution to demand)



Note: See the notes to Chart 3.

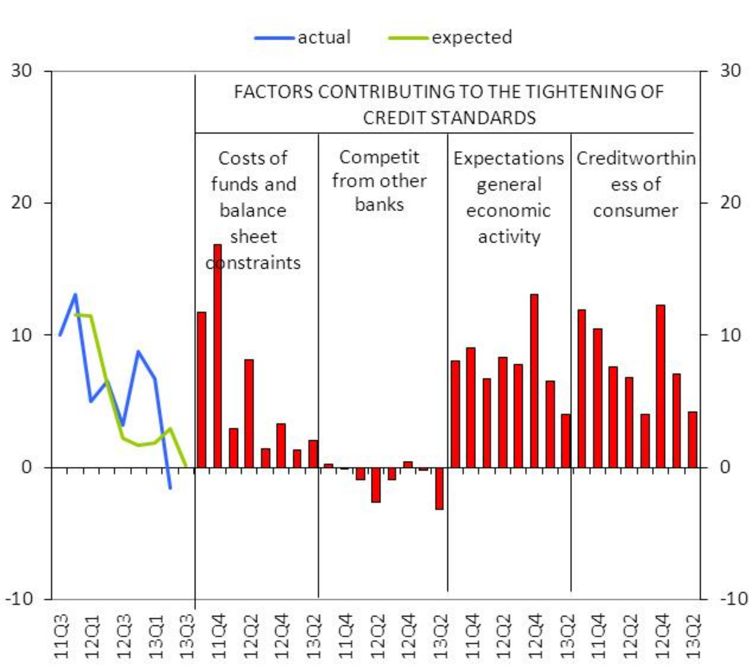
With regard to factors that affected demand, the contributions of housing market prospects and non-housing-related consumption to the net decline in demand in the second quarter of 2013 fell to a third of the levels previously recorded (to -6% and -7% respectively, from -17% and -19% respectively in the first quarter. The contribution of low consumer confidence declined as well, albeit to a lesser extent (to -20%, from -29% in the first quarter). By contrast, the contribution of the use of households' savings as an alternative source of finance remained broadly unchanged (-10%, after -13% in the first quarter of 2013). Looking forward to the third quarter of 2013, euro area banks expect a broadly unchanged net decline in demand for housing loans (-1%, on balance).

2.2.3 EASING OF CREDIT STANDARDS FOR LOANS TO CONSUMER CREDIT

Chart 6

CHANGES IN CREDIT STANDARDS APPLIED TO THE APPROVAL OF CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

(net percentages of banks reporting a contribution to tightening credit standards)



Note: See the notes to Chart 1.

For the first time since end-2007, euro area banks reported that credit standards for consumer credit eased in the second quarter of 2013, to -2%, after a net tightening of 7% in the first quarter (see Chart 6), thus declining to a level below the historical average for this component. As in the case of loans to enterprises and housing loans, pressures from cost of funds and balance sheet constraints on credit standards remained broadly unchanged in the second quarter of 2013 (at 2%, after 1% in the first quarter). At the same time, the net percentage of banks reporting that expectations regarding the economic outlook and the creditworthiness of loan applicants affected credit standards for consumer credit declined (to 4%, from 7% in the first quarter of 2013, in both cases). With respect to the terms and conditions of loans, the net percentage of banks reporting a widening of margins declined for riskier loans (2%, from 4% in the first quarter), while a minor narrowing of margins was also reported for average loans (-3%, from -2% in the first quarter of 2013). In addition, the net tightening of non-price terms and conditions on consumer credit increased slightly.

Looking ahead, euro area banks expect credit standards on consumer credit not to be tightened in the third quarter of 2013 (0%).

2.2.4 DECLINE IN NET DEMAND FOR CONSUMER CREDIT

The banks participating in the survey reported that net demand for consumer credit declined far less in the second quarter of 2013 than in the previous survey round (-7%, compared with -25% in the first quarter), with the level remaining slightly higher than the historical average.

According to the participating euro area banks, the deceleration in the net decline in demand was driven mainly by a smaller negative impact of both household spending on durable goods (-14%, after -27% in the first quarter of 2013) and consumer confidence (-19%, after -25% in the first quarter). Looking forward, euro area banks expect a moderation of the net decline in demand for consumer credit (to -1%) in the third quarter of 2013.

3 AD HOC QUESTIONS

3.1.1 FURTHER, ALBEIT LESS PRONOUNCED, IMPROVEMENT IN ACCESS TO RETAIL AND WHOLESALE FUNDING

As in previous survey rounds, the July 2013 survey questionnaire included a question aimed at assessing the extent to which financial market tensions affected banks’ access to retail and wholesale funding.[1]

In the second quarter of 2013, euro area banks reported a further improvement in their access to retail and wholesale funding across all funding categories although it was less pronounced than in the previous quarter (see Chart 7). In particular, euro area banks reported a net easing in

[1] The results shown are calculated as a percentage of the number of banks which did not reply “not applicable”.

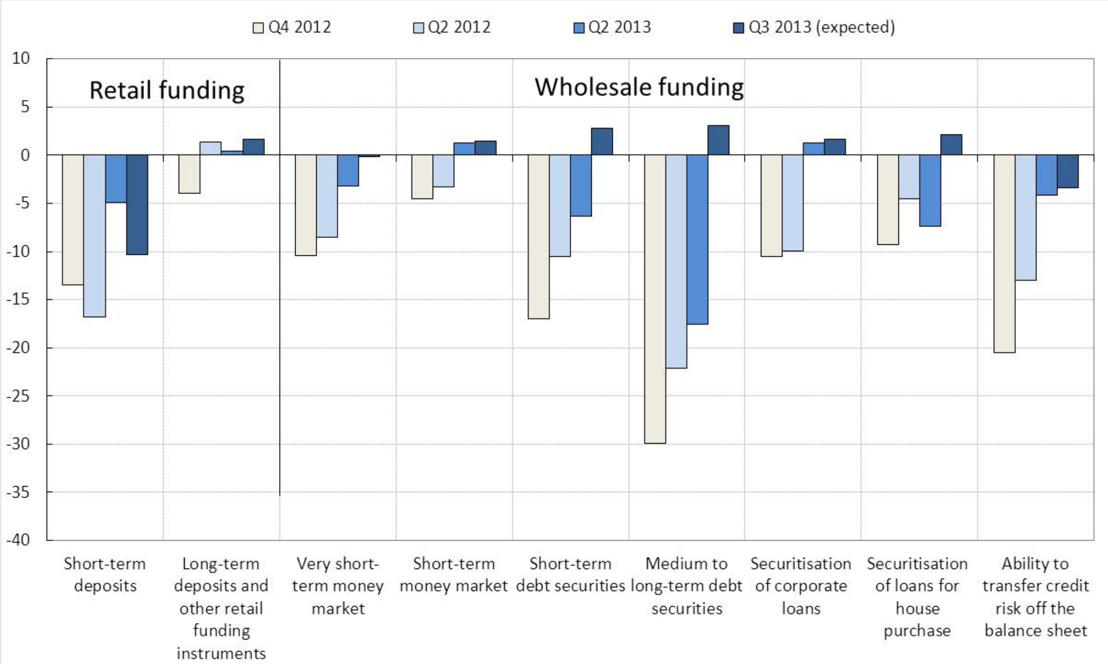
banks' access to retail funding (-2%, from -8% in the first quarter), money markets (-1%, from -6%), debt securities (-12%, from -16%) and securitisation (-3%, from -9%). The further improvement in banks' access to retail and wholesale markets was somewhat weaker than expected at the time of the previous survey round – except for the case of debt securities and securitisation.

Looking ahead, for the third quarter of 2013, banks expect a marginal tightening of funding conditions for most of the wholesale market segments, but a very small net easing for retail funding. At the same time, the outlook remains mixed across countries and market segments.

Chart 7

BANKS' ASSESSMENT OF FUNDING CONDITIONS AND THE ABILITY TO TRANSFER CREDIT RISK OFF BALANCE SHEET

(net percentages of banks reporting deteriorated market access)



Note: The net percentages are defined as the difference between the sum of the percentages for "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

3.1.2 THE IMPACT OF SOVEREIGN DEBT TENSIONS ON BANKS' FUNDING CONDITIONS AND CREDIT STANDARDS CONTINUED TO ABATE IN THE SECOND QUARTER OF 2013

As in the previous survey round, the July 2013 survey questionnaire included a question that addressed the specific impact of the sovereign debt crisis on banks' funding conditions, lending policies and credit margins over the past three months. In principle, bank funding conditions can be affected primarily through two direct channels. First, *direct exposure to sovereign debt* may weaken banks' balance sheets, increase their riskiness as counterparties and, in turn, make funding more costly and more difficult to obtain. Second, higher sovereign debt risk reduces the *value of sovereign collateral* that banks can use to raise wholesale funding. In addition, *other effects* may link sovereign market tensions to bank funding conditions. Notably, the weaker financial positions of governments have lowered the funding benefits that banks derive from implicit or explicit government guarantees. Financial contagion from sovereign to sovereign, or from sovereign to banks, may also be at play.

In an environment of continued but more muted sovereign tensions, replies to the July 2013 survey indicated that the impact of sovereign debt tensions on bank's funding conditions abated marginally in some segments in the second quarter of 2013 (see Chart 8, upper panel). On balance, about 2% of the euro area banks reported that their direct exposure to sovereign debt had contributed to a marginal easing in funding conditions (from a net tightening of 1% in the previous quarter), while 2% of the banks reported that "other effects", which may include financial contagion, had contributed to a net tightening, from 4% in the previous quarter. By contrast, the value of sovereign collateral contributed to a marginal net easing (-3%, unchanged from the previous quarter).

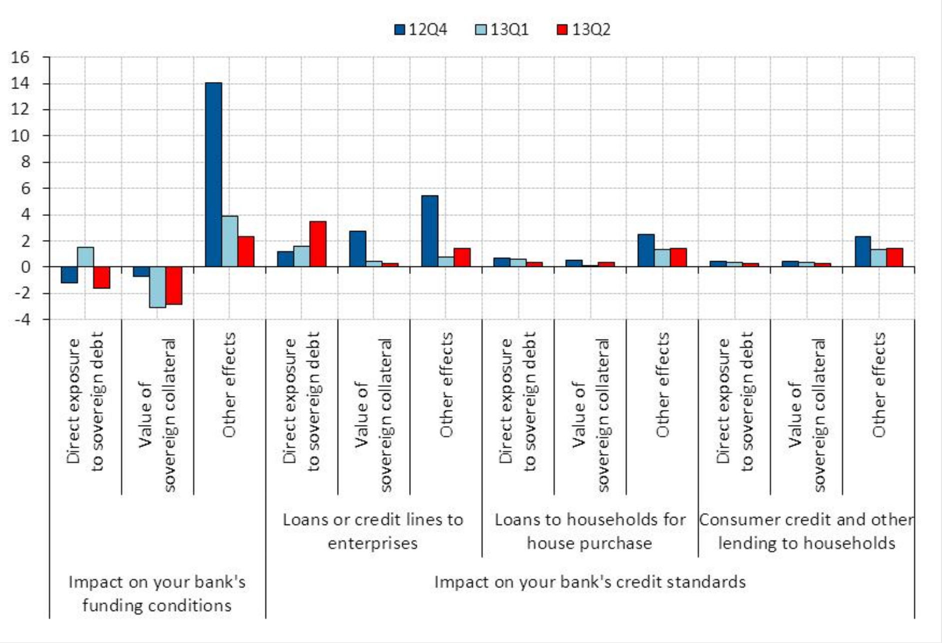
Compared with the previous quarter, the impact of the sovereign debt crisis on banks' credit standards remained broadly unchanged in the second quarter of 2013 (see Chart 8, upper panel).

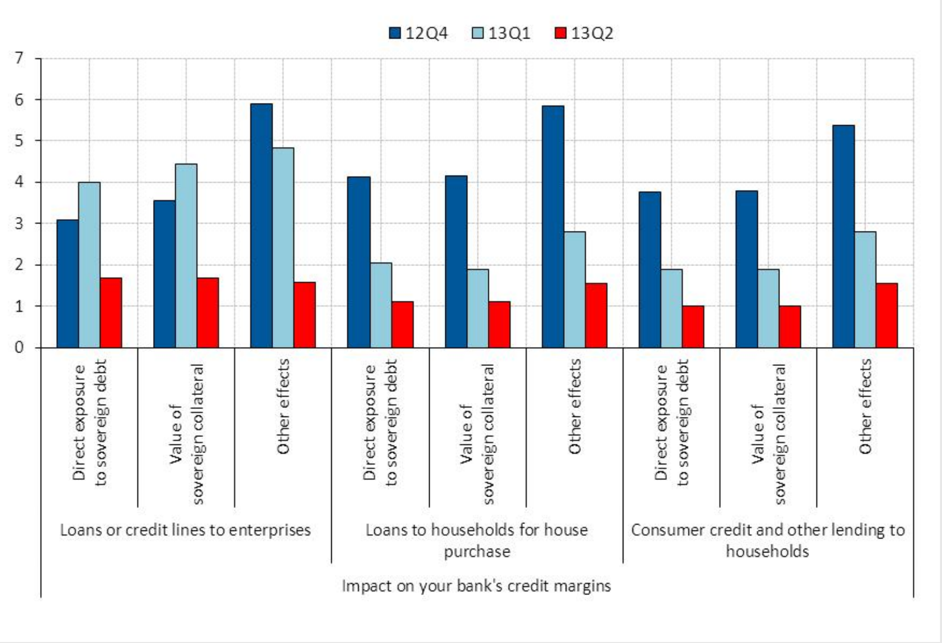
At the same time, banks reported that the impact of the sovereign debt crisis on banks' credit margins had declined marginally across lending categories (see Chart 8, lower panel). All in all, the moderation in the impact of the crisis on credit standards was broadly consistent with the impact of the cost of funds and balance sheet constraints on banks' credit standards for loans to enterprises and households.

Chart 8

IMPACT OF THE SOVEREIGN DEBT CRISIS ON BANKS' FUNDING CONDITIONS, CREDIT STANDARDS AND LENDING MARGINS

(net percentages of banks reporting an impact on funding conditions, the tightening of credit standards or widening lending margins)





Note: The net percentages are defined as the difference between the sum of the percentages for "contributed to a deterioration of funding conditions/tightening of credit standards/widening of credit margins considerably" and "somewhat" and the sum of the percentages for "contributed to an easing of funding conditions/easing of credit standards/narrowing of lending margins somewhat" and "considerably".

3.1.3 CONTINUING ADJUSTMENT TO NEW REGULATORY REQUIREMENTS BY SHEDDING RISK-WEIGHTED ASSETS AND BY INCREASING CAPITAL POSITIONS

Finally, the July 2013 survey questionnaire included two bi-annual ad hoc questions aimed at assessing the extent to which new regulatory requirements affected banks' lending policies via their potential impact on the banks' capital positions and the credit standards they apply to loans. These new requirements cover the regulation set out in the "CRR/CRD IV" proposal[2], additional measures of the European Banking Authority[3] or any other specific national regulations concerning banks' capital ratios that have recently been approved or are expected to be approved in the near future. As with the impact of the sovereign debt crisis, the July 2013 BLS also included a new ad hoc question on the impact of the new regulatory requirements on banks' credit margins.

According to banks' replies,[4] on balance, 24% of the participating euro area banks reported a decline in their risk-weighted assets in the first half of 2013 in order to comply with new regulatory requirements, down from 32% in the second half of 2012 (see Chart 9). This adjustment process concerned both riskier loans and loans with average risks (28% for riskier loans and 16% for average-risk loans, down from 38% and 26% respectively in the second half of 2012). As regards the effect of regulation on banks' capital positions, on balance, 22% of the euro area banks noted an increase in their capital positions over the past six months, compared with 24% in the January 2013 BLS. In the last six months, the rise in banks' capital positions was achieved comparatively more through retained earnings than through capital issuance, whereas the opposite had been the case in the second half of 2012.

Looking ahead, a slightly higher net percentage of euro area banks plan to reduce their risk-weighted assets in the second half of 2013 (27%, up from 24% in the first half of 2013). At the same time, on balance, 13% of the banks intend to increase their capital positions in the second

[2] See the regulatory requirements set out in the CRR/CRD IV, as accepted by the European Parliament in April 2013, which can be found at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0114+0+DOC+XML+V0//EN, and http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0115+0+DOC+XML+V0//EN&language=EN, as well as those resulting from the regulations of the European Banking Authority and from any other specific national regulations concerning banks' capital requirements that have recently been approved or are expected to be approved in the near future.

[3] The European Banking Authority set capital targets for 70 European banks, consisting of two parts to be implemented by June 2012. The first part is a temporary capital buffer against sovereign exposures at market prices as of September 2011. The second part consists in raising core Tier 1 capital ratios to 9%, while avoiding excessive deleveraging.

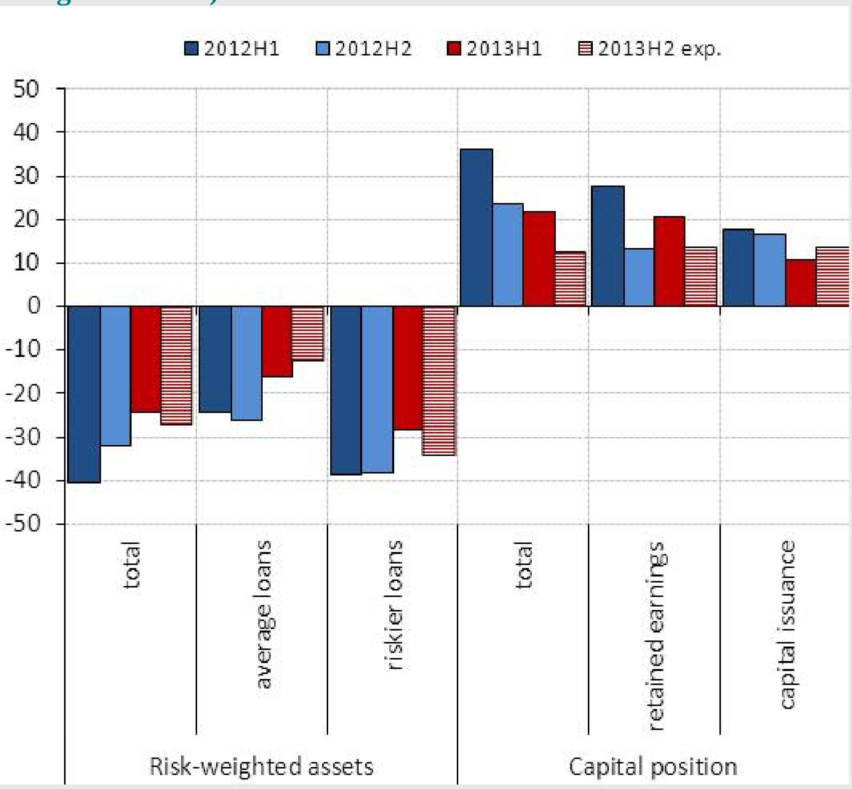
[4] The results shown are calculated as a percentage of the number of banks which did not reply "not applicable".

half of 2013 (down from 22% in the first half of 2013). In addition, with respect to the first half of 2013, banks expect retained earnings to play a less important role in increasing their capital positions, and capital issuance to play a relatively more important one.

Chart 9

IMPACT OF THE CAPITAL REQUIREMENTS REGULATION/CAPITAL REQUIREMENTS DIRECTIVE IV (CRR/CRD IV) AND OTHER SPECIFIC CAPITAL REGULATIONS ON BANKS' RISK-WEIGHTED ASSETS AND CAPITAL POSITION

(net percentages of banks)



Note: The net percentages are defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".

Chart 10 shows the contribution of CRR/CRD IV and other new regulatory requirements to the tightening of banks' credit standards. In net terms, 17% of the euro area banks acknowledged that they had tightened their credit standards on loans to large enterprises as a result of adjustments to new regulations and capital requirements, while 9% of the euro area banks reported that they had done so for loans to small and medium-sized enterprises (SMEs). For loans to households, in net terms, 8% of the euro area banks reported a tightening of credit standards owing to the new regulatory capital requirements for housing loans and 6% reported the same for consumer credit. These values are smaller than those observed in the second half of

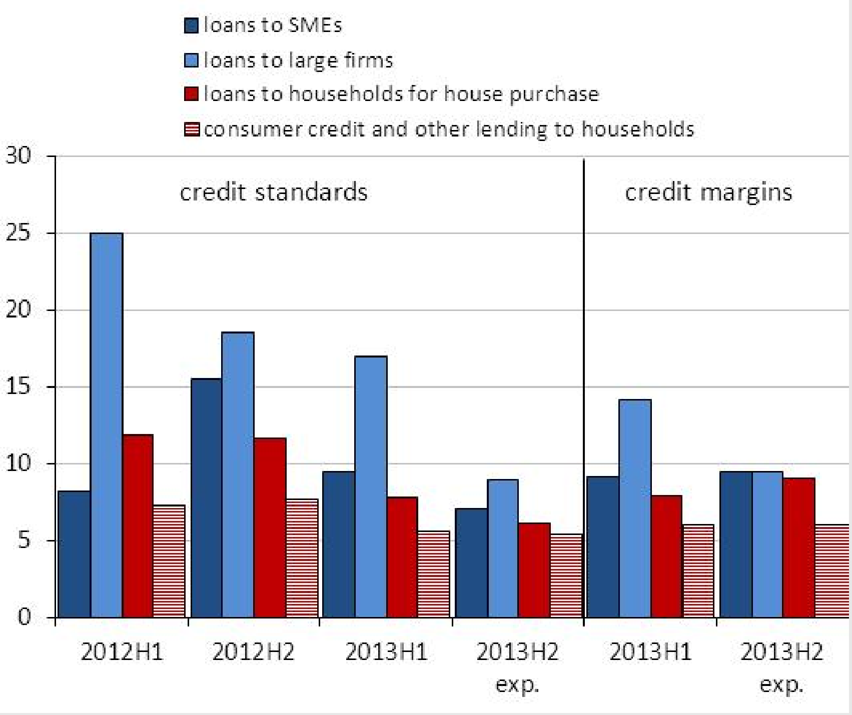
2012. The impact of regulatory requirements on credit margins was of about the same order of magnitude as that on credit standards for each lending category.

For the second half of 2013, banks expect some moderation in the net tightening of credit standards due to regulatory pressures for loans to enterprises, both to large firms and to SMEs, and for loans to households for house purchase. At the same time, banks expect the impact of new regulatory requirements on the tightening of credit margins on loans to SMEs to remain unchanged.

Chart 10

IMPACT OF CAPITAL REQUIREMENTS REGULATION/CAPITAL REQUIREMENTS DIRECTIVE IV (CRR/CRD IV) AND OTHER SPECIFIC CAPITAL REGULATIONS ON THE TIGHTENING OF CREDIT STANDARDS/CREDIT MARGINS

(net percentages of banks)



Note: The net percentages are defined as the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”.

ANNEX 1: RESULTS FOR THE INDIVIDUAL QUESTIONS

I. LOANS OR CREDIT LINES TO ENTERPRISES

1. Over the past three months, how have your bank's credit standards as applied to the approval of loans or credit lines to enterprises changed? *(in percentages, unless otherwise stated)*

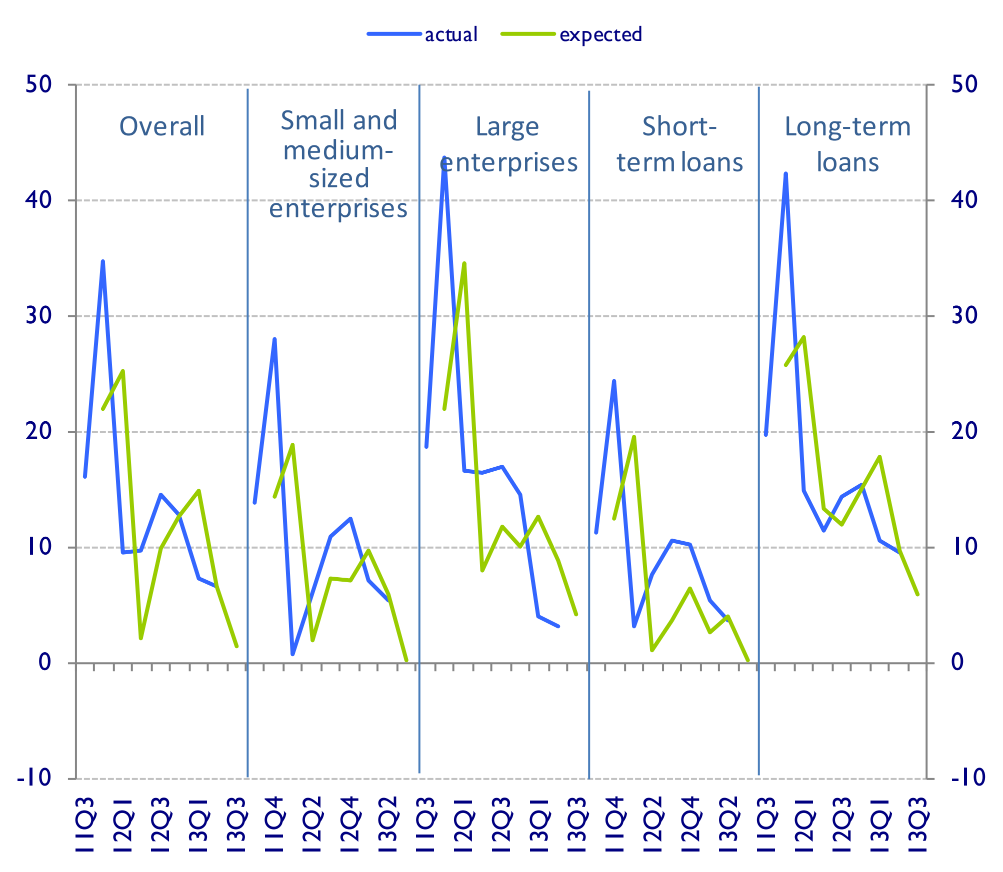
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
Tightened considerably	1	3	2	3	4	1	1	3	2	3
Tightened somewhat	10	8	10	7	4	4	8	4	11	9
Remained basically unchanged	86	86	85	86	88	92	89	91	85	86
Eased somewhat	4	4	4	4	4	2	3	3	2	2
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***7***	***7***	***7***	***5***	***4***	***3***	***5***	***4***	***11***	***10***
Diffusion index	***4***	***5***	***4***	***4***	***4***	***2***	***3***	***3***	***6***	***6***
Mean	*2.92*	*2.91*	*2.91*	*2.92*	*2.92*	*2.95*	*2.94*	*2.94*	*2.88*	*2.88*
Number of banks responding	***128***	***126***	***124***	***122***	***123***	***122***	***128***	***126***	***128***	***126***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 1

CHANGES IN CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks contributing to tightening standards)



2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of <u>loans or credit lines to enterprises</u>? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	5	87	1	0	7	5	5	3	3	2.94	2.95
Your bank's ability to access market financing	0	1	87	3	0	9	-1	-1	0	-1	3.01	3.01
Your bank's liquidity position	0	3	84	7	0	6	-3	-3	-1	-2	3.03	3.03
B) Pressure from competition												
Competition from other banks	0	1	82	10	0	8	-3	-9	-1	-4	3.03	3.10
Competition from non-banks	0	0	89	0	0	11	-1	0	0	0	3.01	3.00
Competition from market financing	0	0	89	1	0	11	-3	-1	-1	0	3.04	3.00
C) Perception of risk												
Expectations regarding general economic activity	1	11	82	0	0	6	16	12	9	7	2.80	2.85
Industry or firm-specific outlook	1	20	73	0	0	6	20	22	10	11	2.77	2.75
Risk on collateral demanded	0	6	89	0	0	6	8	6	4	3	2.91	2.94

SMALL AND MEDIUM-SIZED ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	4	81	1	0	13	4	3	3	2	2.93	2.96
Your bank's ability to access market financing	0	2	81	1	0	16	2	1	1	1	2.97	2.98
Your bank's liquidity position	0	5	77	4	0	14	0	0	0	0	3.00	2.99
B) Pressure from competition												
Competition from other banks	0	1	79	7	1	13	-1	-6	-1	-4	3.02	3.08
Competition from non-banks	0	0	84	0	0	16	2	0	1	0	2.98	3.00
Competition from market financing	0	0	84	1	0	16	2	-1	1	0	2.98	3.00
C) Perception of risk												
Expectations regarding general economic activity	1	8	79	0	0	12	15	9	8	5	2.80	2.87
Industry or firm-specific outlook	1	16	72	0	0	11	19	17	10	9	2.75	2.79
Risk on collateral demanded	0	6	82	0	0	12	9	6	5	3	2.89	2.93

LARGE ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	7	80	1	0	12	5	6	3	3	2.92	2.93
Your bank's ability to access market financing	0	1	82	3	0	15	-1	-1	0	-1	3.00	3.02
Your bank's liquidity position	0	3	78	7	0	12	-3	-4	-1	-2	3.03	3.04
B) Pressure from competition												
Competition from other banks	0	0	78	9	0	13	-6	-9	-3	-4	3.07	3.10
Competition from non-banks	0	0	83	0	0	17	-2	0	-1	0	3.02	3.01
Competition from market financing	0	0	83	1	0	16	-2	-1	-1	0	3.03	3.01
C) Perception of risk												
Expectations regarding general economic activity	0	11	77	0	0	11	11	12	6	6	2.87	2.87
Industry or firm-specific outlook	0	15	74	0	0	11	13	15	7	8	2.85	2.83
Risk on collateral demanded	0	4	85	0	0	11	6	4	3	2	2.94	2.96

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered *"considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.*

Chart 2a

FACTORS AFFECTING CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks contributing to tightening standards)

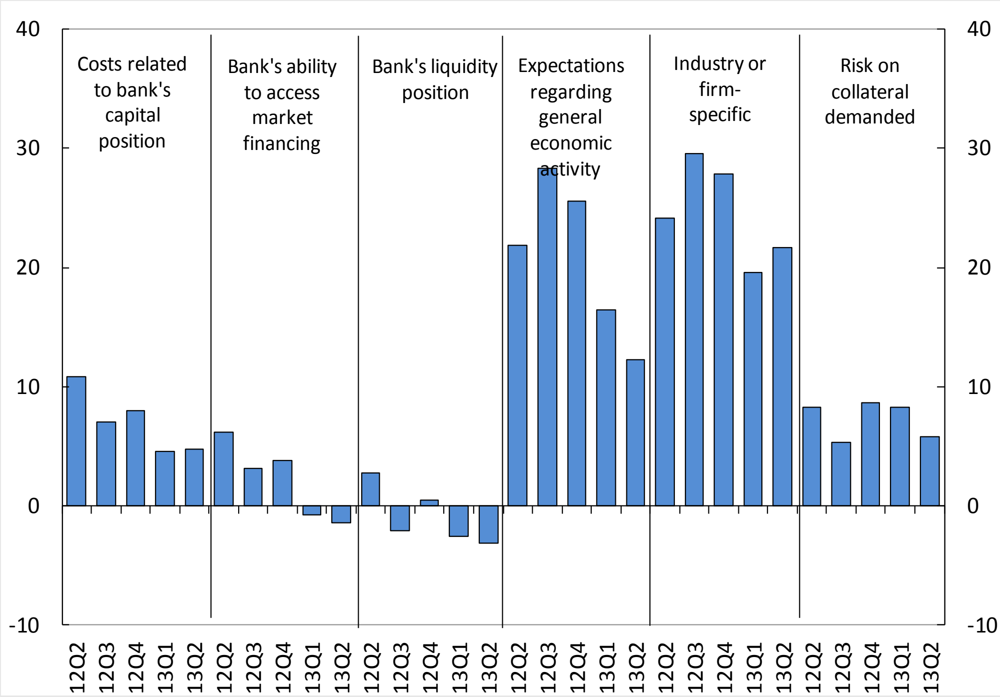
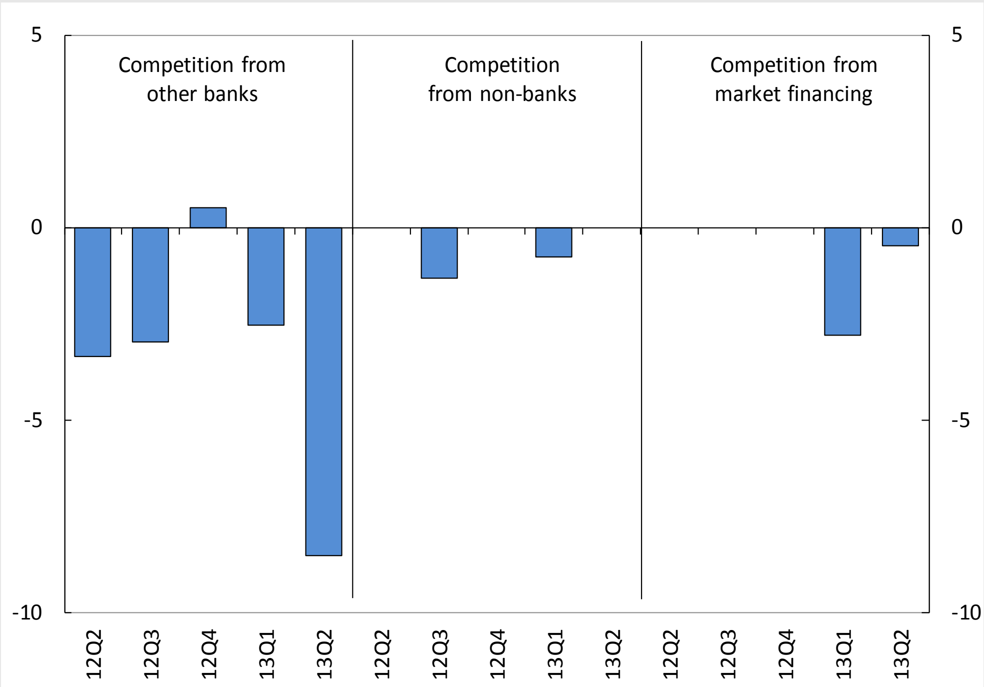


Chart 2b



3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Price												
Your bank's margin on average loans	0	13	68	12	1	6	11	-1	5	-1	2.89	3.02
Your bank's margin on riskier loans	1	15	73	4	0	6	24	12	12	7	2.75	2.86
B) Other conditions and terms												
Non-interest rate charges	0	3	89	1	1	6	5	0	3	-1	2.95	3.02
Size of the loan or credit line	0	5	89	1	0	6	2	5	1	3	2.98	2.95
Collateral requirements	0	4	89	1	0	6	4	4	2	2	2.95	2.96
Loan covenants	0	7	87	1	0	6	5	6	3	3	2.94	2.94
Maturity	0	6	86	2	0	6	3	4	2	2	2.97	2.96

SMALL AND MEDIUM-SIZED ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Price												
Your bank's margin on average loans	0	12	67	9	1	11	11	3	6	1	2.87	2.97
Your bank's margin on riskier loans	2	14	70	2	0	12	22	14	12	8	2.74	2.81
B) Other conditions and terms												
Non-interest rate charges	0	4	84	2	0	11	3	2	1	1	2.98	2.98
Size of the loan or credit line	0	6	82	1	0	11	2	6	1	3	2.98	2.93
Collateral requirements	0	7	81	1	0	11	6	7	3	4	2.94	2.91
Loan covenants	1	5	82	1	0	11	1	6	1	4	2.99	2.91
Maturity	0	5	82	2	0	11	2	4	1	2	2.99	2.96

LARGE ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Price												
Your bank's margin on average loans	0	13	63	12	1	11	7	-1	3	-1	2.93	3.03
Your bank's margin on riskier loans	1	15	68	4	0	12	17	12	9	7	2.80	2.86
B) Other conditions and terms												
Non-interest rate charges	0	3	84	1	1	11	3	1	2	0	2.97	3.01
Size of the loan or credit line	0	5	84	1	0	11	1	4	0	2	2.99	2.96
Collateral requirements	0	3	84	1	0	12	3	1	2	1	2.96	2.99
Loan covenants	0	4	83	1	0	12	3	3	1	2	2.96	2.96
Maturity	0	6	79	4	0	11	1	2	1	1	2.98	2.99

NA = not available; NetP = net percentage; DI = diffusion index.

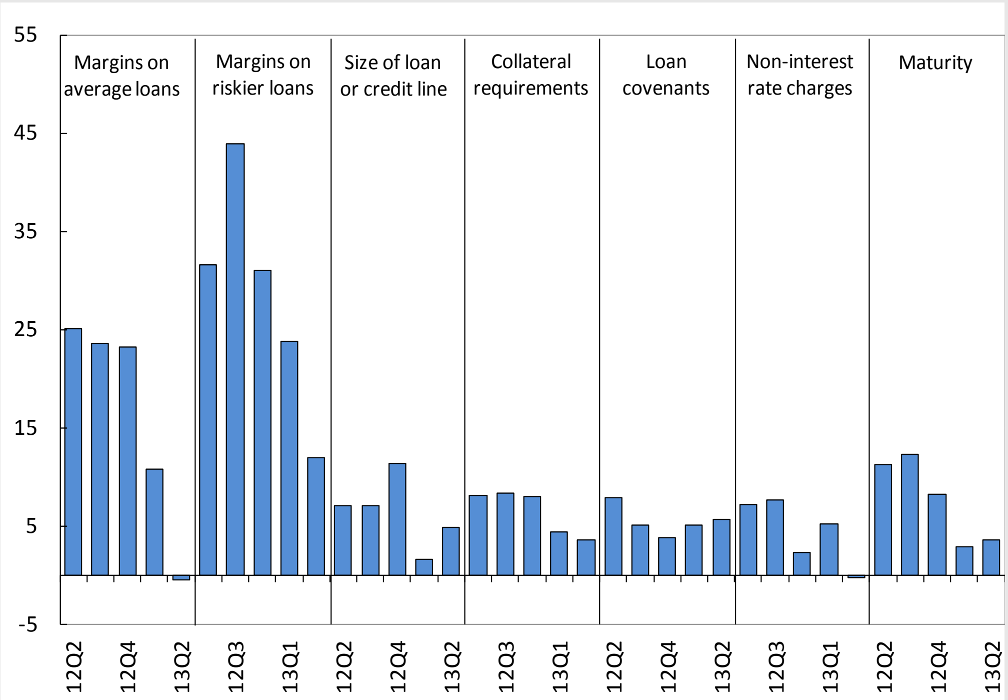
Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 3

CHANGES IN TERMS AND CONDITIONS FOR APPROVING LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting tightening terms and conditions)

OVERALL



4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations? *(in percentages, unless otherwise stated)*

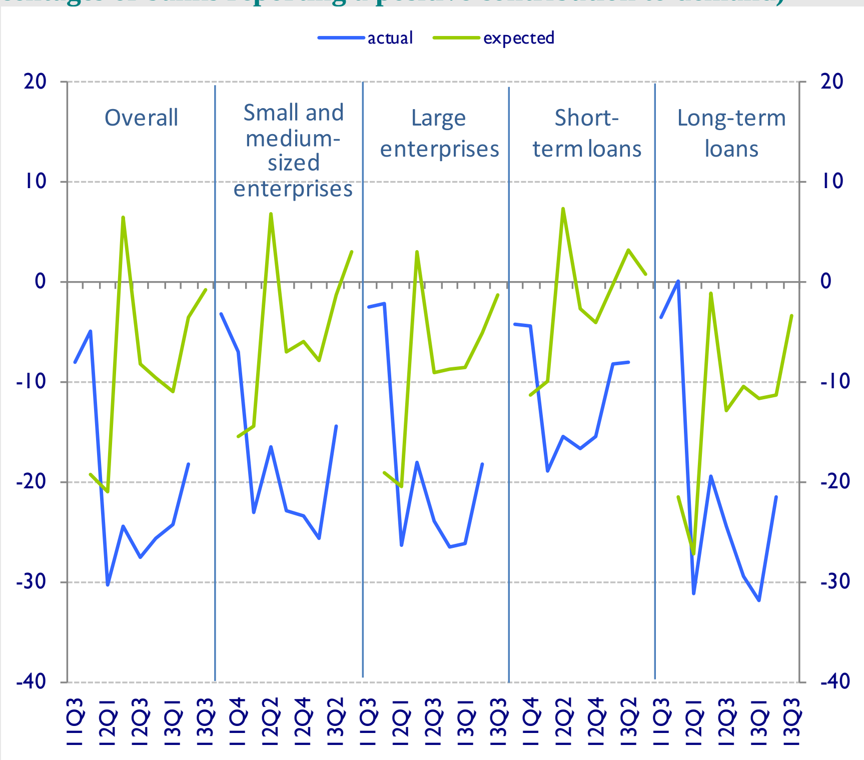
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
Decreased considerably	1	2	1	4	1	1	1	2	1	2
Decreased somewhat	30	24	33	19	30	24	17	16	37	27
Remained basically unchanged	64	66	60	69	65	68	74	72	57	64
Increased somewhat	6	8	7	8	4	7	9	10	5	7
Increased considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***-24***	***-18***	***-26***	***-14***	***-26***	***-18***	***-8***	***-8***	***-32***	***-22***
Diffusion index	***-12***	***-10***	***-13***	***-9***	***-13***	***-10***	***-4***	***-5***	***-16***	***-12***
Mean	*2.75*	*2.80*	*2.74*	*2.82*	*2.73*	*2.81*	*2.91*	*2.90*	*2.68*	*2.76*
Number of banks responding	***128***	***126***	***124***	***122***	***123***	***122***	***128***	***126***	***128***	***126***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 4

CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a positive contribution to demand)



5. Over the past three months, how have the following factors affected the demand for <u>loans or credit lines to enterprises</u>? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Financing needs												
Fixed investment	2	31	53	7	0	6	-33	-27	-17	-15	2.64	2.69
Inventories and working capital	1	10	70	13	0	7	1	3	1	1	3.02	3.03
Mergers/acquisitions and corporate restructuring	1	7	76	6	0	10	-10	-2	-5	-1	2.88	2.97
Debt restructuring	0	3	73	17	1	7	12	15	6	8	3.14	3.16
B) Use of alternative finance												
Internal financing	0	7	87	0	0	6	-5	-7	-3	-4	2.95	2.93
Loans from other banks	0	3	85	5	0	7	0	3	0	1	3.00	3.03
Loans from non-banks	0	1	86	3	0	10	1	1	1	1	3.02	3.02
Issuance of debt securities	0	15	70	2	0	12	-5	-13	-2	-6	2.95	2.86
Issuance of equity	0	0	85	0	0	15	-1	0	-1	0	2.98	3.00

NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 5a

FACTORS AFFECTING DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a positive contribution to demand)

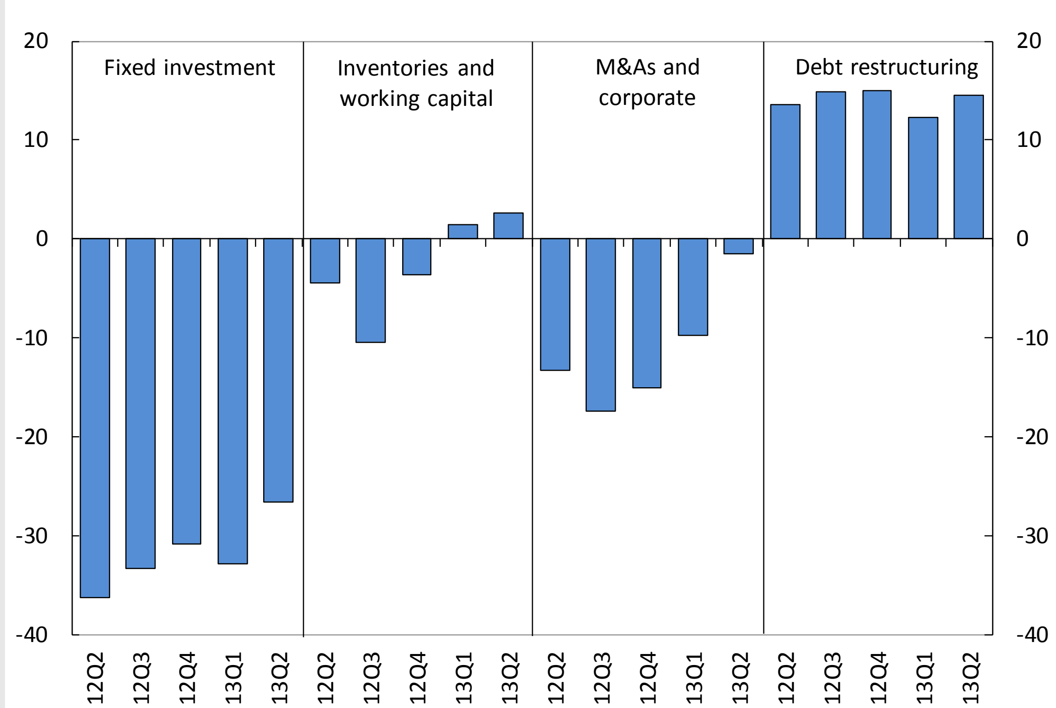
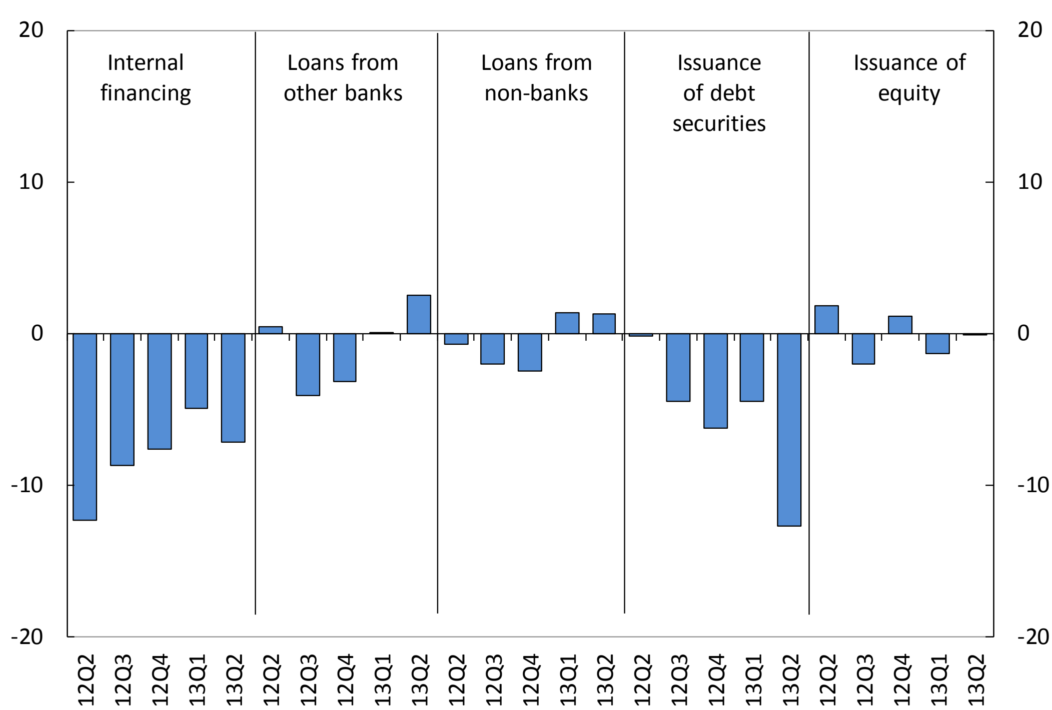


Chart 5b

FACTORS AFFECTING DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a positive contribution to demand)



6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months. *(in percentages, unless otherwise stated)*

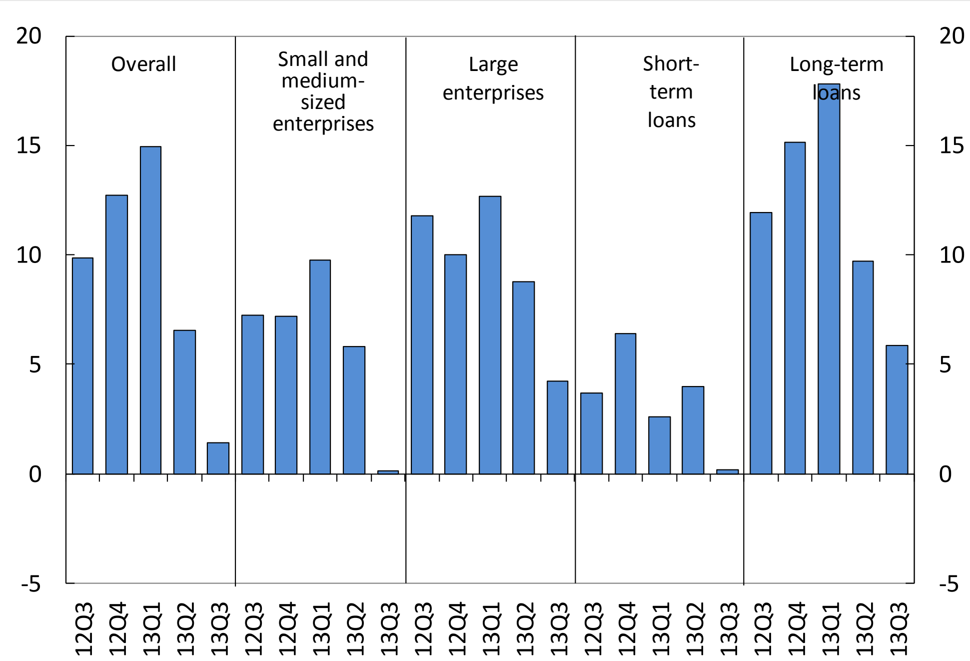
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
Tighten considerably	3	1	3	2	2	1	1	0	1	1
Tighten somewhat	7	4	9	3	9	6	6	4	11	7
Remain basically unchanged	87	92	81	91	88	90	90	93	86	90
Ease somewhat	3	4	6	4	2	3	3	4	2	2
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***7***	***1***	***6***	***0***	***9***	***4***	***4***	***0***	***10***	***6***
Diffusion index	***5***	***1***	***4***	***1***	***5***	***3***	***3***	***0***	***6***	***4***
Mean	*2.91*	*2.97*	*2.91*	*2.98*	*2.90*	*2.94*	*2.95*	*3.00*	*2.89*	*2.93*
Number of banks responding	***127***	***126***	***123***	***122***	***122***	***122***	***127***	***126***	***127***	***126***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 6

EXPECTED CREDIT STANDARDS FOR THE APPROVAL OF LOANS OR CREDIT LINES TO ENTERPRISES

(net percentages of banks contributing to tightening standards)



7. Please indicate how you expect <u>demand for loans or credit lines to enterprises</u> to change at your bank over the next three months (apart from normal seasonal fluctuations) *(in percentages, unless otherwise stated)*

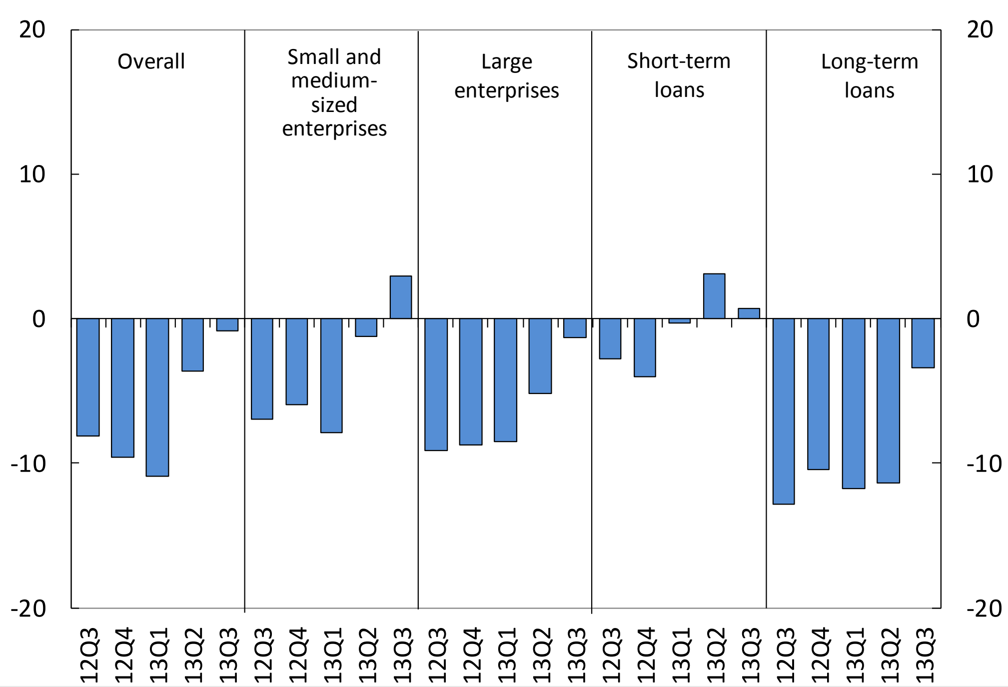
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
Decrease considerably	1	2	1	2	0	0	0	1	0	1
Decrease somewhat	14	12	13	12	15	10	12	9	19	12
Remain basically unchanged	73	74	73	70	75	82	74	80	74	78
Increase somewhat	12	13	13	17	10	8	15	11	8	10
Increase considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***-4***	***-1***	***-1***	***3***	***-5***	***-1***	***3***	***1***	***-11***	***-3***
Diffusion index	***-2***	***-1***	***-1***	***1***	***-3***	***-1***	***2***	***0***	***-6***	***-2***
Mean	*2.95*	*2.97*	*2.97*	*3.01*	*2.95*	*2.99*	*3.03*	*3.00*	*2.89*	*2.96*
Number of banks responding	***127***	***126***	***123***	***122***	***122***	***123***	***127***	***126***	***127***	***126***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 7

EXPECTED DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

(net percentages of banks reporting a positive contribution to demand)



II. LOANS TO HOUSEHOLDS

8. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed? *(in percentages, unless otherwise stated)*

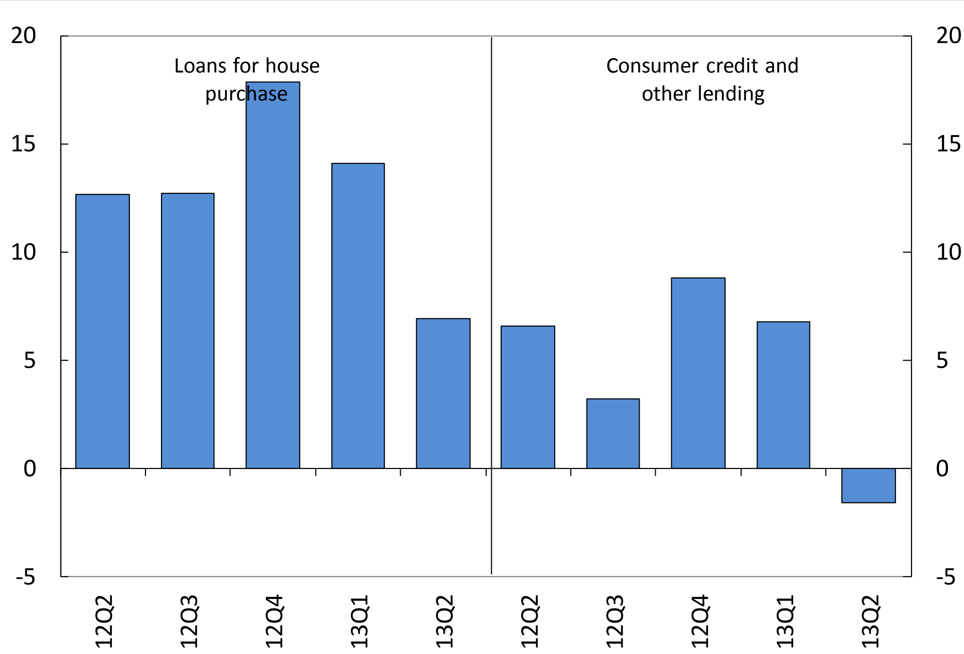
	Loans for house purchase		Consumer credit and other lending	
	Apr 13	Jul 13	Apr 13	Jul 13
Tightened considerably	2	0	0	0
Tightened somewhat	15	10	8	2
Remained basically unchanged	82	87	90	94
Eased somewhat	2	3	1	4
Eased considerably	0	0	0	0
Total	*100*	*100*	*100*	*100*
Net percentage	***14***	***7***	***7***	***-2***
Diffusion index	***8***	***4***	***4***	***-1***
Mean	*2.84*	*2.93*	*2.93*	*3.01*
Number of banks responding	***122***	***120***	***125***	***121***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 8

CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS TO HOUSEHOLDS

(net percentages of banks reporting tightening credit standards)



9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of <u>loans to households for house purchase</u>? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Cost of funds and balance sheet constraints	0	7	78	2	0	13	4	5	2	3	2.95	2.94
B) Pressure from competition												
Competition from other banks	0	1	82	5	0	12	-1	-3	-1	-2	3.01	3.03
Competition from non-banks	0	1	86	0	0	13	1	1	0	1	2.99	2.98
C) Perception of risk												
Expectations regarding general economic activity	0	6	82	1	0	11	14	6	7	3	2.84	2.93
Housing market prospects	1	11	77	0	0	11	16	11	9	6	2.80	2.86

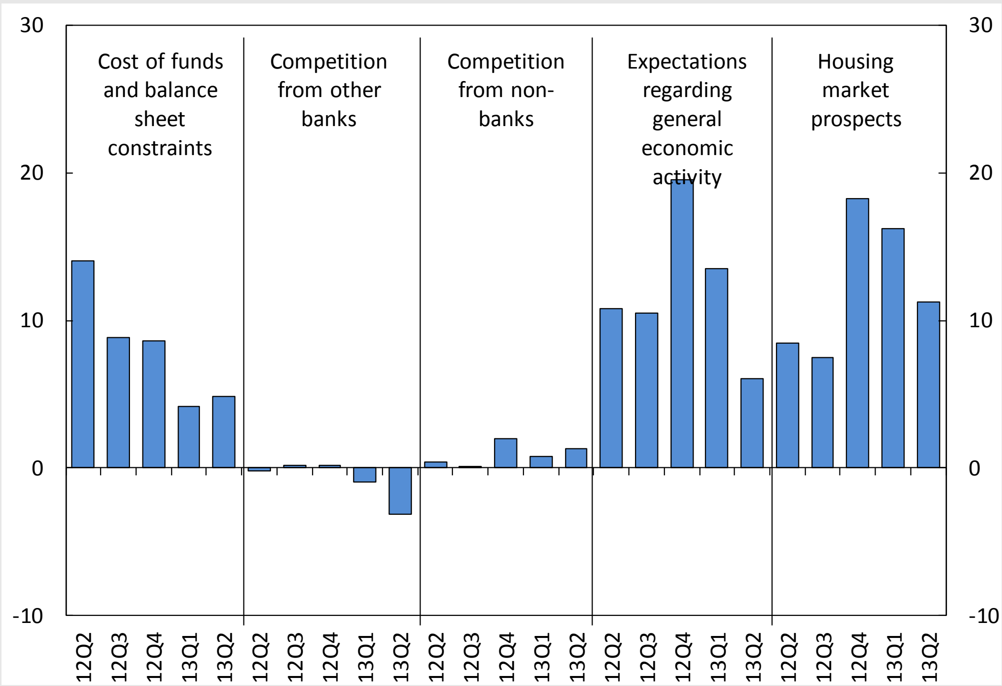
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 9

FACTORS AFFECTING CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS TO HOUSEHOLDS

(net percentages of banks contributing to tightening credit standards)



10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Price												
Your bank's margin on average loans	0	10	71	9	0	11	-1	1	0	1	3.01	2.99
Your bank's margin on riskier loans	0	14	71	1	0	14	10	13	5	6	2.89	2.86
B) Other conditions and terms												
Collateral requirements	0	3	86	0	0	11	5	3	2	2	2.94	2.96
Loan-to-value ratio	0	5	80	3	0	11	8	3	4	1	2.90	2.96
Maturity	0	6	83	0	0	11	6	6	3	3	2.93	2.93
Non-interest rate charges	0	3	85	0	0	12	2	3	1	2	2.99	2.96

N

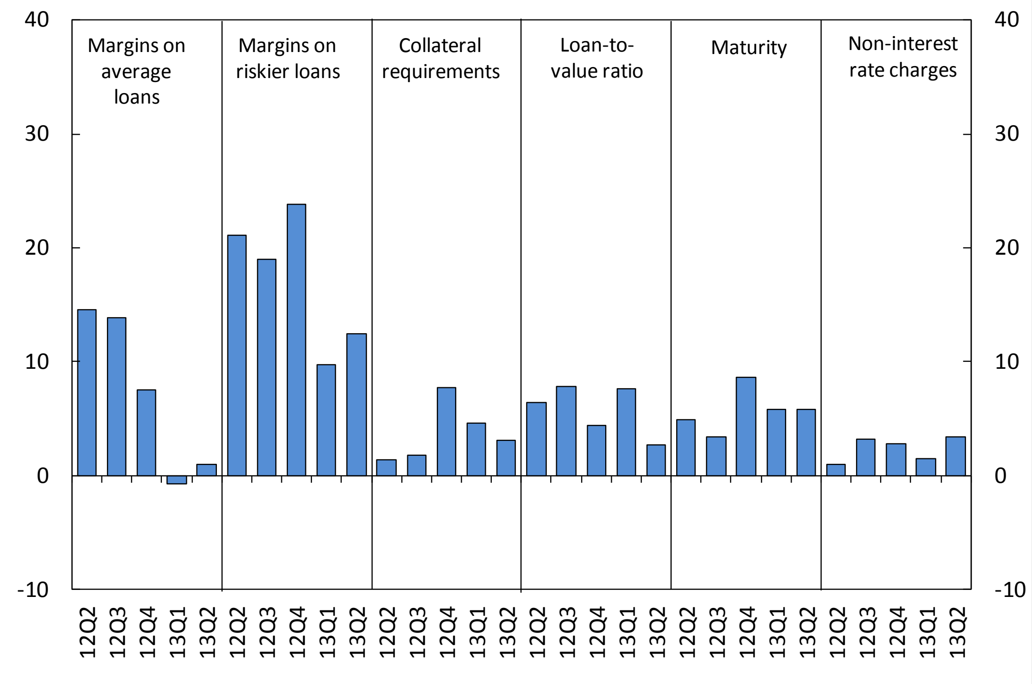
A = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 10

CHANGES IN TERMS AND CONDITIONS FOR APPROVING LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages of banks reporting tightening terms and conditions)



11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Cost of funds and balance sheet constraints	0	2	87	0	0	11	1	2	1	1	2.99	2.98
B) Pressure from competition												
Competition from other banks	0	0	87	3	0	10	0	-3	0	-2	3.00	3.04
Competition from non-banks	0	0	88	0	0	12	0	0	0	0	3.00	3.00
C) Perception of risk												
Expectations regarding general economic activity	0	4	86	1	0	9	7	4	3	2	2.93	2.95
Creditworthiness of consumers	0	5	84	1	0	9	7	4	4	2	2.93	2.95
Risk on collateral demanded	0	3	86	0	0	10	4	4	2	2	2.96	2.94

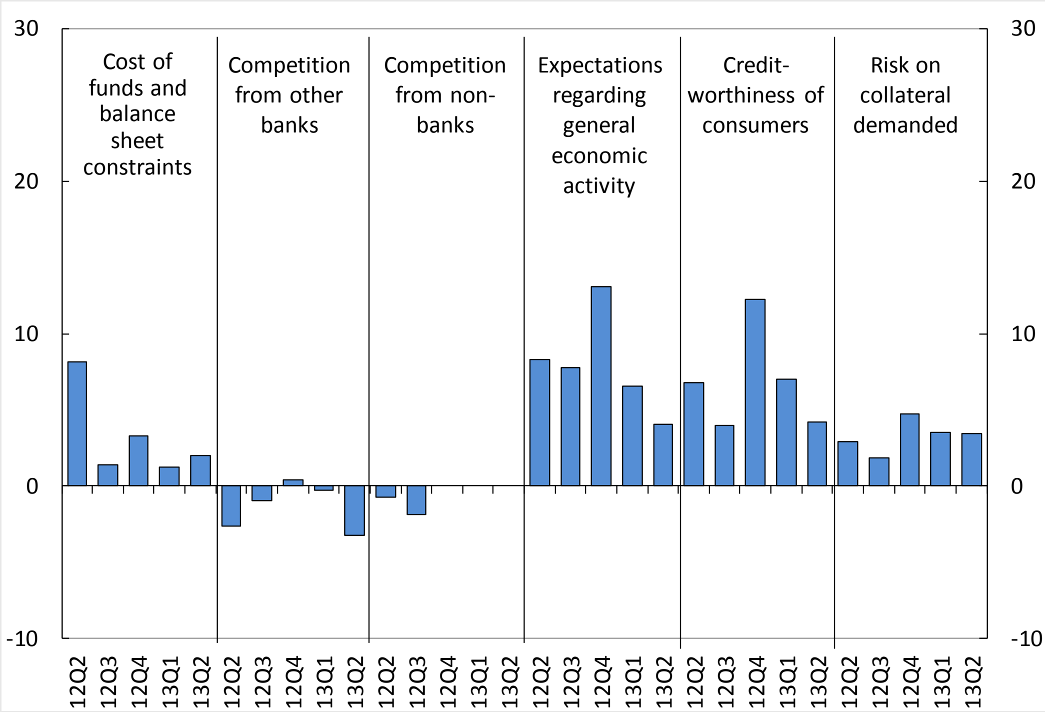
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 11

FACTORS AFFECTING CREDIT STANDARDS APPLIED TO THE APPROVAL OF CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

(net percentages of banks contributing to tightening credit standards)



12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Price												
Your bank's margin on average loans	0	4	80	6	1	9	-2	-3	-1	-2	3.03	3.04
Your bank's margin on riskier loans	0	4	85	2	0	10	4	2	2	1	2.96	2.98
B) Other conditions and terms												
Collateral requirements	0	1	87	0	0	11	0	1	0	1	3.00	2.98
Maturity	0	1	90	0	0	9	1	1	1	0	2.98	2.99
Non-interest rate charges	0	1	89	0	0	9	0	1	0	1	3.01	2.99

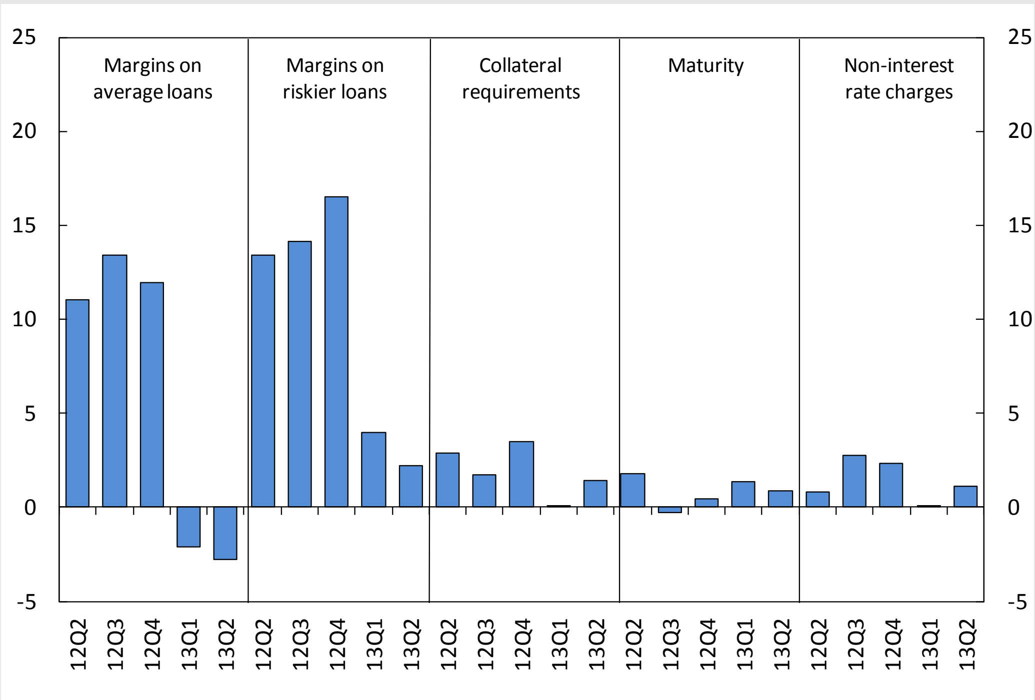
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 12

CHANGES IN TERMS AND CONDITIONS FOR APPROVING CONSUMER CREDIT AND OTHER LOANS TO HOUSEHOLDS

(net percentages of banks reporting tightening terms and conditions)



13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations? *(in percentages, unless otherwise stated)*

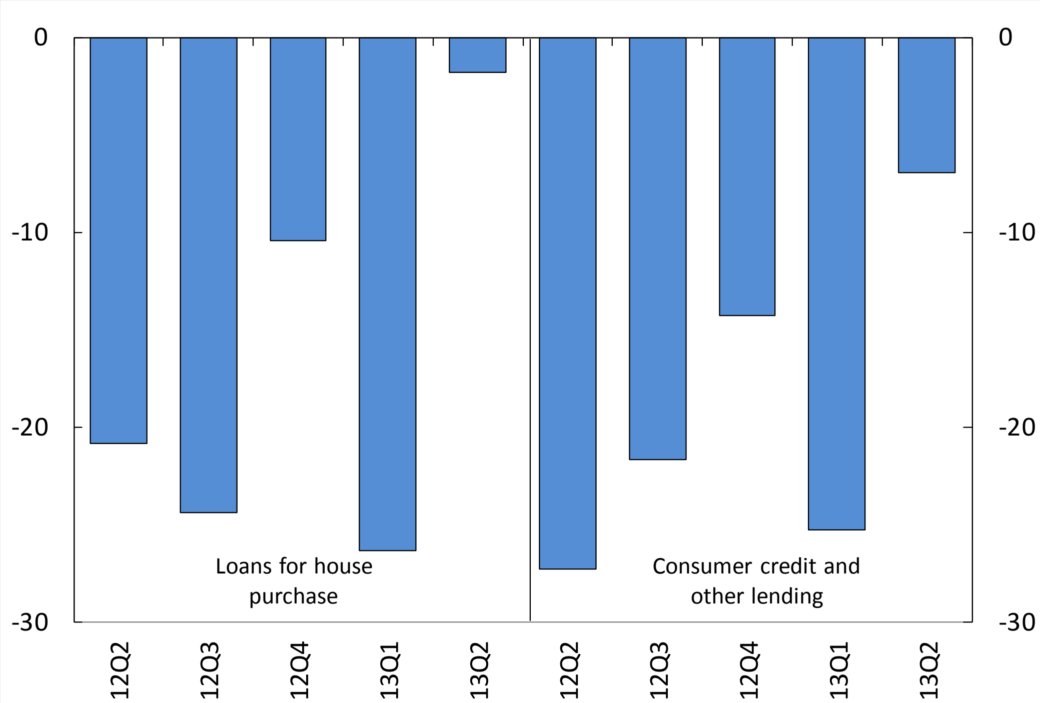
	Loans for house purchase		Consumer credit and other lending	
	Apr 13	Jul 13	Apr 13	Jul 13
Decreased considerably	8	7	2	2
Decreased somewhat	34	20	28	13
Remained basically unchanged	42	49	67	76
Increased somewhat	15	24	3	8
Increased considerably	1	0	1	1
Total	*100*	*100*	*100*	*100*
Net percentage	***-26***	***-2***	***-25***	***-7***
Diffusion index	***-17***	***-4***	***-13***	***-4***
Mean	*2.66*	*2.92*	*2.74*	*2.92*
Number of banks responding	***123***	***120***	***126***	***122***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 13

DEMAND FOR LOANS TO HOUSEHOLDS

(net percentages of banks reporting positive loan demand)



14. Over the past three months, how have the following factors affected the demand for <u>loans to households for house purchase</u> (as described in question 13)? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP		DI		Mean	
							Apr 13	Jul 13	Apr 13	Jul 13	Apr 13	Jul 13
A) Financing needs												
Housing market prospects	2	18	55	14	0	12	-17	-6	-10	-4	2.77	2.90
Consumer confidence	2	24	57	5	0	11	-29	-21	-16	-11	2.65	2.75
Non-housing-related consumption expenditure	0	7	81	1	0	12	-19	-7	-9	-4	2.79	2.92
B) Use of alternative finance												
Household savings	0	12	75	2	0	11	-13	-10	-7	-5	2.86	2.89
Loans from other banks	0	5	81	1	0	13	-4	-4	-2	-2	2.96	2.95
Other sources of finance	0	2	83	3	0	13	-7	1	-3	1	2.92	3.01

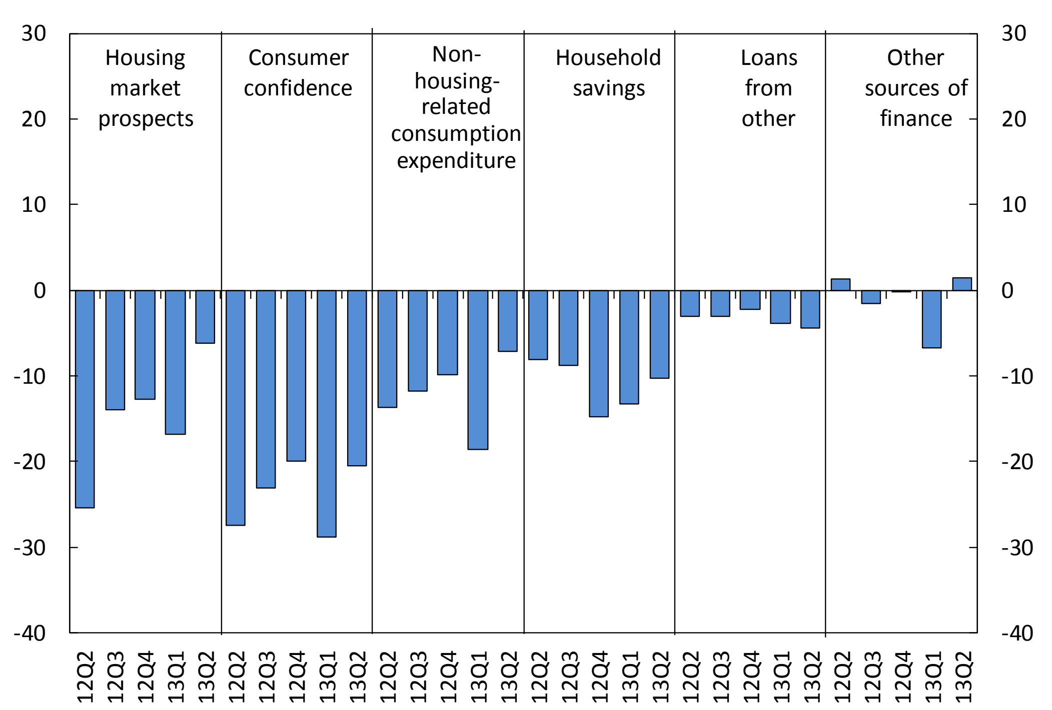
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 14

FACTORS AFFECTING DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages of banks reporting a positive contribution to demand)



15. Over the past three months, how have the following factors affected the demand for <u>consumer credit and other lending to households</u> (as described in question 13)? *(in percentages, unless otherwise stated)*

	--	-	°	+	++	NA	NetP Apr 13	NetP Jul 13	NetP Apr 13	NetP Jul 13	Mean Apr 13	Mean Jul 13
A) Financing needs												
Spending on durable consumer goods	2	18	64	6	0	10	-27	-14	-15	-8	2.66	2.82
Consumer confidence	0	20	69	2	0	9	-25	-19	-13	-9	2.73	2.79
Securities purchases	0	1	82	0	0	17	-4	-1	-2	0	2.95	2.99
B) Use of alternative finance												
Household savings	0	10	80	1	0	9	-12	-10	-6	-5	2.88	2.89
Loans from other banks	2	3	85	0	0	10	-6	-5	-3	-3	2.94	2.93
Other sources of finance	0	1	87	0	0	12	-6	-1	-3	0	2.94	2.99

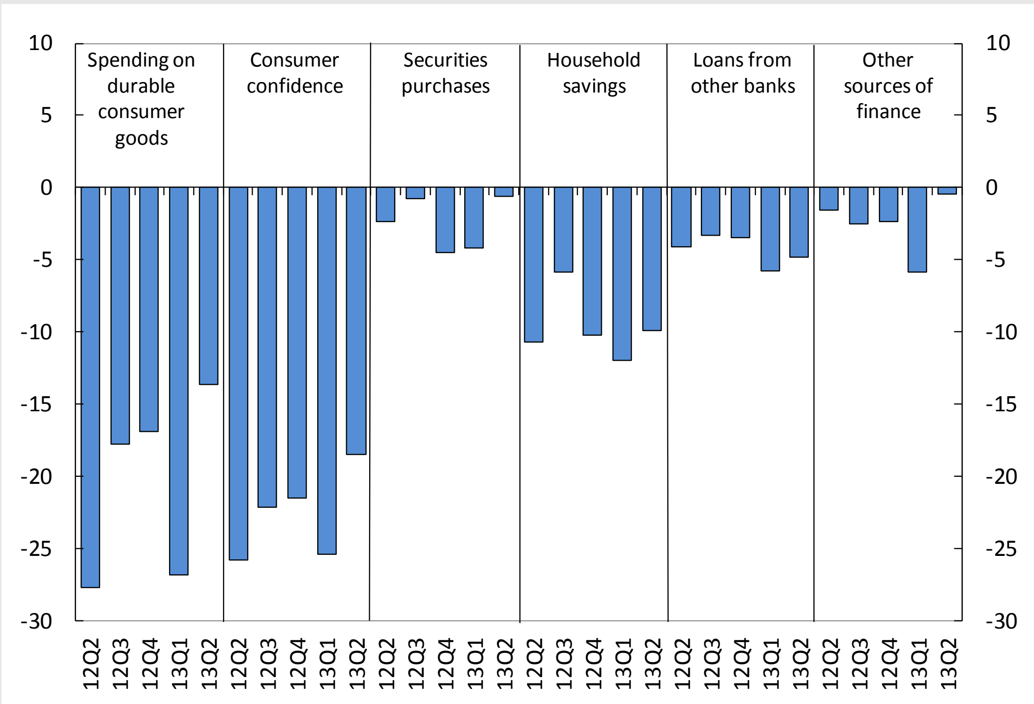
NA = not available; NetP = net percentage; DI = diffusion index.

Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 15

FACTORS AFFECTING DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

(net percentages of banks reporting a positive contribution to demand)



16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months. *(in percentages, unless otherwise stated)*

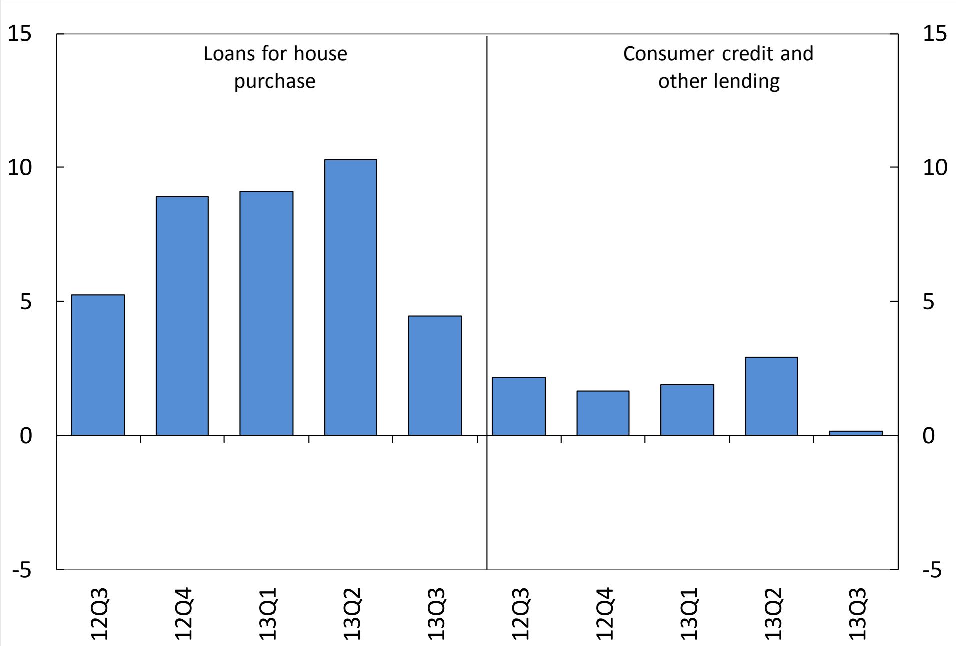
	Loans for house purchase		Consumer credit and other lending	
	Apr 13	Jul 13	Apr 13	Jul 13
Tighten considerably	0	0	0	0
Tighten somewhat	10	7	6	3
Remain basically unchanged	90	90	91	94
Ease somewhat	0	3	3	3
Ease considerably	0	0	0	0
Total	*100*	*100*	*100*	*100*
Net percentage	***10***	***4***	***3***	***0***
Diffusion index	***5***	***2***	***2***	***0***
Mean	*2.90*	*2.95*	*2.97*	*3.00*
Number of banks responding	***122***	***120***	***124***	***121***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 16

EXPECTED CREDIT STANDARDS FOR LOANS TO HOUSEHOLDS

(net percentages of banks expecting tightening credit standards)



17. Please indicate how you expect <u>demand for loans to households</u> to change over the next three months at your bank (apart from normal seasonal fluctuations). *(in percentages, unless otherwise stated)*

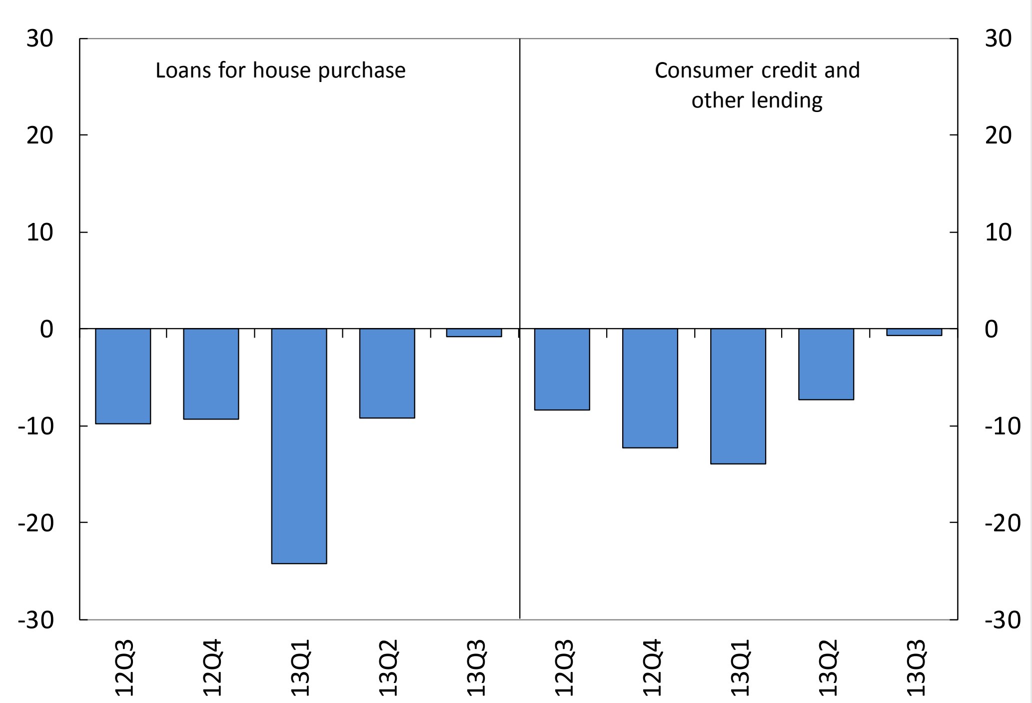
	Loans for house purchase		Consumer credit and other lending	
	Apr 13	Jul 13	Apr 13	Jul 13
Decrease considerably	0	0	0	0
Decrease somewhat	22	10	14	9
Remain basically unchanged	66	80	78	83
Increase somewhat	13	10	6	8
Increase considerably	0	0	1	0
Total	*100*	*100*	*100*	*100*
Net percentage	***-9***	***-1***	***-7***	***-1***
Diffusion index	***-5***	***-1***	***-3***	***0***
Mean	*2.91*	*2.99*	*2.93*	*2.99*
Number of banks responding	***122***	***120***	***125***	***122***

Notes: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5). The mean is calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Chart 17

EXPECTED DEMAND FOR LOANS TO HOUSEHOLDS

(net percentages of banks expecting positive loan demand)



ANNEX 2: RESULTS FOR THE AD HOC QUESTIONS

i. As a result of the situation in financial markets[(1)], has your market access changed when tapping your usual sources of wholesale and retail funding and/or has your ability to transfer risk changed over the past three months, or are you expecting this access/activity to change over the next three months?[1] *(in percentages unless otherwise stated)*

	Over the past three months							Over the next three months							N/A[(2)]
	--	-	o	+	+ +	Mean	Standard deviation	--	-	o	+	+ +	Mean	Standard deviation	
A) Retail funding															
Short-term deposits (up to one year)	3	9	72	17	0	3.02	0.65	0	4	81	14	0	3.10	0.45	10
Long-term (more than one year) deposits and other retail funding instruments	5	4	83	8	1	2.95	0.60	1	7	86	6	0	2.97	0.43	12
B) Inter-bank unsecured money market															
Very short-term money market (up to one week)	0	7	81	11	0	3.03	0.47	0	6	89	6	0	3.00	0.36	10
Short-term money market (more than one week)	0	9	82	8	0	2.98	0.46	0	6	90	4	0	2.99	0.33	9
C) Wholesale debt securities[(3)]															
Short-term debt securities (e.g. certificates of deposit or commercial paper)	0	7	79	13	1	3.07	0.51	0	8	87	5	0	2.97	0.39	23
Medium to long-term debt securities (incl. covered bonds)	0	7	68	22	2	3.20	0.62	0	11	81	7	1	2.98	0.49	15
D) Securitisation[(4)]															
Securitisation of corporate loans	0	9	83	7	1	2.99	0.55	0	7	88	5	0	2.98	0.45	57
Securitisation of loans for house purchase	0	2	89	9	1	3.08	0.42	0	8	86	6	0	2.98	0.44	54
E) Ability to transfer credit risk off balance sheet[(5)]	0	0	96	3	1	3.05	0.36	0	0	97	3	0	3.03	0.30	64

(1) Please also take into account any effect of state guarantees for debt securities and recapitalisation support.
(2) Please select "N/A" (not applicable) only if the source of funding is not relevant for your bank.
(3) Usually involves on-balance sheet funding.
(4) Usually involves the sale of loans from banks' balance sheets, i.e. off-balance sheet funding.
(5) Usually involves the use of credit derivatives, with the loans remaining on banks' balance sheets.

Notes: "- -" = deteriorated considerably/will deteriorate considerably; "-" = deteriorated somewhat/will deteriorate somewhat; "o"= remained unchanged/will remain unchanged; "+" = eased somewhat/will ease somewhat; "++" = eased considerably/will ease considerably. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

ii. In order to comply with the new regulatory requirements (*), has your bank: increased/decreased risk-weighted assets; increased/decreased its capital position over the past six months, and/or does it intend to do so over the next 6 months?

	Over the past six months							
	--	-	o	+	+ +	NA	Mean	Standard deviation
Risk-weighted assets	6	22	52	3	1	16	2.7	0.73
Of which: Average loans	3	18	64	4	1	11	2.8	0.65
Riskier loans	6	23	57	0	1	13	2.6	0.73
Capital position	0	6	48	20	8	19	3.3	0.75
Of which: Retained earnings	0	3	55	21	2	19	3.3	0.59
Capital issuance[1)]	0	1	58	5	7	29	3.2	0.60

	Over the next six months							
	--	-	o	+	+ +	NA	Mean	Standard deviation
Risk-weighted assets	7	23	50	2	0	18	2.6	0.71
Of which: Average loans	3	16	62	7	0	11	2.8	0.64
Riskier loans	6	29	51	1	0	13	2.5	0.70
Capital position	0	4	58	13	5	20	3.2	0.69
Of which: Retained earnings	1	2	61	16	0	20	3.2	0.52
Capital issuance[1)]	0	1	54	10	4	31	3.3	0.63

(*) Please consider the regulatory requirements set out in the CRR/CRD IV, as accepted by the European Parliament in April 2013, which can be found at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0114+0+DOC+XML+V0//EN and http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0115+0+DOC+XML+V0//EN&language=EN, as well as those resulting from the EBA and any other specific national regulations concerning banks' capital requirements that have recently been approved or are expected to be approved in the near future.

1) It includes the issuance of shares and hybrid instruments, as well as capital injections by, inter alia, national or supra-national public authorities.

Notes: "- -" = decreased considerably/will decrease considerably; "-" = decreased somewhat/will decrease somewhat; "o"= remained unchanged/will remain unchanged; "+" = increased somewhat/will increase somewhat; "++" = increased considerably/will increase considerably. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

iii. Have any adjustments been, or will any be, made to your bank's credit standards for loans over the past/next six months, owing to the new regulatory capital requirements (*)? *(in percentages unless otherwise stated)*

a) Credit standards

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
Over the past six months	--	0	0	0	0
	-	10	18	8	6
	=	89	81	92	94
	+	1	1	0	0
	+ +	0	0	0	0
	Mean	2.91	2.83	2.92	2.94
	Standard deviation	0.33	0.43	0.28	0.26
Over the next six months	--	0	0	0	0
	-	7	9	6	5
	=	93	91	94	95
	+	0	0	0	0
	+ +	0	0	0	0
	Mean	2.93	2.91	2.94	2.95
	Standard deviation	0.27	0.30	0.26	0.24

b) Credit margins

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
Over the past six months	--	0	0	0	0
	-	14	18	11	8
	=	82	78	85	91
	+	5	4	4	2
	+ +	0	0	0	0
	Mean	2.91	2.86	2.92	2.94
	Standard deviation	0.44	0.47	0.40	0.32
Over the next six months	--	0	0	0	0
	-	11	10	9	6
	=	87	90	91	94
	+	2	0	0	0
	+ +	0	0	0	0
	Mean	2.90	2.91	2.91	2.94
	Standard deviation	0.36	0.31	0.31	0.26

(*) Please consider the regulatory requirements set out in the CRR/CRD IV, as accepted by the European Parliament in April 2013, which can be found at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0114+0+DOC+XML+V0//EN and http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0115+0+DOC+XML+V0//EN&language=EN, as well as those resulting from the EBA and any other specific national regulations concerning banks' capital requirements that have recently been approved or are expected to be approved in the near future.

Notes: "- -" = credit standards / margins have been tightened/will be tightened considerably; "-" = credit standards / margins have been tightened/will be tightened somewhat; "o"= the requirements have basically not had/will not have any impact on credit standards / margins; "+" = credit standards / margins have been eased/will be eased somewhat; "++" = credit standards / margins have been eased/will be eased considerably. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

iv. Given the tensions in the European sovereign debt market 1), how have the following factors affected your bank’s funding conditions/credit standards/margins over the past three months? *(in percentages unless otherwise stated)*

	Impact on your bank's funding conditions						
	--	-	=	+	+ +	Mean	SD
A) Direct exposure to sovereign debt	0	4	91	5	0	3.01	0.33
B) Value of sovereign collateral available for wholesale market transactions[2)]	0	5	87	8	0	3.03	0.39
C) Other effects[3)]	0	3	96	1	0	2.97	0.23

	Impact on your bank's credit standards																				
	Loans or credit lines to enterprises							Loans to households for house purchase							Loans to households for consumer credit and other lending						
	--	-	=	+	+ +	Mean	SD	--	-	=	+	+ +	Mean	SD	--	-	=	+	+ +	Mean	SD
A) Direct exposure to sovereign debt	0	3	97	0	0	2.96	0.21	0	1	99	0	0	3.00	0.12	1	0	99	1	0	2.99	0.20
B) Value of sovereign collateral available for wholesale market transactions[2)]	0	1	99	1	0	3.00	0.15	0	1	99	0	0	3.00	0.12	1	0	99	1	0	2.99	0.20
C) Other effects[3)]	0	1	99	0	0	2.98	0.16	0	1	99	0	0	2.99	0.14	1	0	99	0	0	2.97	0.27

	Impact on your bank's lending margins																				
	Loans or credit lines to enterprises							Loans to households for house purchase							Loans to households for consumer credit and other lending						
	--	-	=	+	+ +	Mean	SD	--	-	=	+	+ +	Mean	SD	--	-	=	+	+ +	Mean	SD
A) Direct exposure to sovereign debt	0	2	98	0	0	2.98	0.15	0	2	98	0	0	2.99	0.15	0	2	98	1	0	2.99	0.15
B) Value of sovereign collateral available for wholesale market transactions[2)]	0	2	98	0	0	2.98	0.15	0	2	98	0	0	2.99	0.15	0	2	98	1	0	2.99	0.15
C) Other effects[3)]	0	2	98	0	0	2.98	0.16	0	2	98	0	0	2.98	0.13	0	2	98	0	0	2.98	0.13

(1) Please also take into account any effect of state guarantees for debt securities and recapitalisation support.
(2) For example, repos or secured transactions in derivatives.
(3) For instance, any automatic rating downgrade affecting your bank following a sovereign downgrade or changes in the value of the domestic government’s implicit guarantee, as well as spillover effects on other assets, including the loan book.

Notes: “- -“ = contributed considerably to a deterioration in my bank’s funding conditions/contributed considerably to a tightening of credit standards / contributed considerably to a widening of lending margins; “-“ = contributed somewhat to a deterioration in my bank’s funding conditions/contributed somewhat to a tightening of credit standards / contributed somewhat to a widening of lending margins; “o”= had no effect on my bank’s funding conditions/had no effect on my bank’s credit standards / had no effect on my bank’s lending margins; “+” = contributed somewhat to an easing in my bank’s funding conditions/contributed somewhat to an easing of credit standards / contributed somewhat to a narrowing of lending margins; “++” = contributed considerably to an easing in my bank’s funding conditions/contributed considerably to an easing of credit standards / contributed considerably to a narrowing of lending margins. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

ANNEX 3: GLOSSARY

To assist respondent banks in filling out the questionnaire, this glossary defines the most important terminology used in the bank lending survey:

Capital

In accordance with the Basel capital adequacy requirements, the definition of capital includes both tier 1 capital (core capital) and tier 2 capital (supplementary capital). In the context of the EU Capital Requirements Directive, Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions defines capital as own funds and makes a distinction between original own funds and additional own funds.

Collateral

The security given by a borrower to a lender as a pledge for the repayment of a loan. This could include certain financial securities, such as equity or debt securities, real estate or compensating balances (a compensating balance is the minimum amount of a loan that the borrower is required to keep in an account at the bank).

Consumer confidence

Consumers' assessments of economic and financial trends in a particular country and/or in the euro area. They include assessments of the past and current financial situations of households and resulting prospects for the future, assessments of the past and current general economic situation and resulting prospects for the future, as well as assessments of the advisability of making residential investments (question 14), particularly in terms of affordability, and/or major purchases of durable consumer goods (question 15).

Cost of funds and balance sheet constraints

A bank's capital and the costs related to its capital position can become a balance sheet constraint that may inhibit the expansion of its lending. For a given level of capital, the bank's loan supply could be affected by its liquidity position and its access to money and debt markets. Similarly, a bank could abstain from granting a loan, or be less willing to lend, if it knows that it will not be able subsequently to transfer the risk (synthetic securitisation) or the entire asset (true-sale securitisation) off its balance sheet.

Covenant

An agreement or stipulation laid down in loan contracts, particularly contracts with enterprises, under which the borrower pledges either to take certain action (an affirmative covenant), or to refrain from taking certain action (a negative covenant); this is consequently part of the terms and conditions of the loan.

Credit line

A facility with a stated maximum amount that an enterprise is entitled to borrow from a bank at any given time. For the purposes of the survey, developments regarding credit lines should be interpreted as changes in the net amount that can be drawn down under either an existing or a new credit line.

Credit standards

The internal guidelines or criteria that reflect a bank's lending policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, its designated geographical priorities, collateral deemed acceptable or unacceptable, etc. For the purposes of the survey, changes in written loan policies, together with changes in their application, should be reported.

Credit terms and conditions

These refer to the specific obligations agreed upon by the lender and the borrower. In the context of the bank lending survey, they consist of the direct price or interest rate, the maximum size of the loan and the access conditions, and other terms and conditions in the form of non-interest rate charges (i.e. fees), collateral requirements (including compensating balances), loan covenants and maturities (short-term versus long-term).

Debt restructuring

Debt restructuring is a relevant factor in the context of the bank lending survey only to the extent that it gives rise to an actual increase or decrease in demand for loans following the decision of corporations with outstanding debt obligations to alter the terms and conditions of these loans. Generally, companies use debt restructuring to avoid defaulting on existing debt or to take advantage of lower interest rates or lower interest rate expectations. In the context of this survey, debt restructuring should not be interpreted as the switching between different types of debt (such as MFI loans and debt securities; this is already captured under the item "Issuance of debt securities"), capital restructuring (substitution between debt and equity) or share buy-backs (already captured under the item "Issuance of equity"). Debt restructuring in the form of inter-company loans is already covered by the item "Loans from non-banks". Moreover, debt restructuring in the form of a substitution between short-term and long-term loans does not give rise to a change in overall loan demand.

Diffusion index

The diffusion index is defined as the difference between the weighted sum of the percentages of banks responding "tightened considerably" and "tightened somewhat", and the weighted sum of the percentages of banks responding "eased considerably" and "eased somewhat". Regarding demand for loans, the diffusion index is defined as the difference between the weighted sum of the percentages of banks responding "increased considerably" and "increased somewhat", and the weighted sum of the percentages of banks responding "decreased considerably" and "decreased somewhat". The diffusion index is weighted according to the intensity of the response, giving lenders who have answered "considerably" a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5).

Enterprises

The term "enterprises" denotes non-financial corporations, i.e. all private and public institutional units, irrespective of their size and legal form, which are not principally engaged in financial intermediation but rather in the production of goods and non-financial services.

Enterprise size

The distinction between large enterprises and small and medium-sized enterprises is based on annual sales. An enterprise is considered large if its annual net turnover is more than €50 million.

Households

Individuals or groups of individuals acting as consumers or as producers of goods and non-financial services exclusively intended for their own final consumption, as well as small-scale market producers.

Housing market prospects

In question 9, (besides interest rate developments) "housing market prospects" refers to the risk on the collateral demanded; in question 14, it includes households' expectations regarding changes in house prices.

Loans

The loans covered by the bank lending survey are those granted to euro area residents by domestic bank branches, and include loans or credit lines to enterprises, loans to households for house purchase, and consumer credit and other lending to households.

Loan-to-value ratio

The ratio of the amount borrowed to the appraisal or market value of the underlying collateral, usually employed in relation to loans used for real estate financing.

Maturity

Maturity as used in the bank lending survey is original maturity, and only two types are used: short-term and long-term. Short-term loans are loans with an original maturity of one year or less; long-term loans have an original maturity of more than one year.

Net percentage (or balance)

In the context of credit standards, the net percentage is defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat”, and the sum of the percentages of banks responding “eased considerably” and “eased somewhat”. Regarding demand for loans, the net percentage is defined as the difference between the sum of the percentages of banks responding “increased considerably” and “increased somewhat”, and the sum of the percentages of banks responding “decreased considerably” and “decreased somewhat”.

Non-banks

In general, these consist of non-monetary financial corporations, in particular insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

Non-interest rate charges

Various kinds of fees that can form part of the pricing of a loan, such as commitment fees on revolving loans, administration fees (e.g. document preparation costs), and charges for enquiries, guarantees and credit insurance.