EUROPEAN CENTRAL BANK

EUROSYSTEM

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# THE EURO AREA BANK LENDING SURVEY

## 3RD QUARTER OF 2014

## OCTOBER 2014

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*The results reported in the October 2014 bank lending survey (BLS) relate to changes during the third quarter of 2014 and expectations of changes in the fourth quarter of 2014. The survey was conducted between 24 September and 9 October 2014. With 137 banks participating in the survey, the response rate was 100%. In addition to the results for the euro area as a whole, the report contains the results for the five largest euro area countries.*[1]

*Five ad hoc questions were included in the October 2014 survey round. The first ad hoc question addressed the impact of the financial crisis on the access to retail and wholesale funding. The second ad hoc question referred to the impact of the sovereign debt crisis on banks' funding conditions, on credit standards and on credit margins. The third, fourth and fifth questions were aimed at gauging the impact of the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem between September 2014 and June 2016.*

# 1 OVERVIEW OF THE RESULTS

According to the October 2014 bank lending survey (BLS), credit standards for all loan categories eased in net terms in the third quarter of 2014. Euro area banks reported a net easing of credit standards on loans to non-financial corporations in the third quarter of 2014, as in the previous round (specifically, a negative net tightening of -2%, after -3% in the previous quarter; see Table A). Banks also continued to ease credit standards in net terms for loans to households: for housing loans the net percentage was -2%, from -4% in the previous quarter, and for consumer credit and other lending to households it was -7%, from -2%. Across all loan categories, the net percentage change in credit standards in the third quarter of 2014 remained well below historical averages calculated over the period since the start of the survey in 2003 (see Table A). At the same time, it has to be kept in mind that the level of credit standards is still relatively tight in historical terms. By contrast, banks' risk perceptions concerning firms' business outlook and macroeconomic uncertainty had a slight net tightening impact (2%, from -3%) on credit standards for loans to enterprises after a slight net easing impact in the previous two quarters; this was consistent with the recent cooling-off in economic recovery including in core euro area countries. Likewise, banks' risk perceptions had a slight net tightening impact on credit standards for loans to households for house purchase (2%) after a marginal net easing impact in the previous quarter (-1%). Factors related to banks' cost of funds and balance sheet constraints continued to contribute slightly to an easing of credit standards both for loans to enterprises (-3%, from -2% in the previous quarter) and for loans to households for house

[1] The five largest euro area countries in terms of gross domestic product are Germany, France, Italy, Spain and the Netherlands.

purchase (-2%, from -1% in the previous quarter). In the fourth quarter of 2014, euro area banks expect a further net easing of credit standards for loans to enterprises (-6%), a slight net easing for housing loans (-2%) and a marginal net easing for consumer credit and other lending to households (-1%).

A positive net loan demand (i.e. the difference between the sum of the percentages of banks reporting an increase and that of banks reporting a decline in demand) continued to be reported for the third quarter of 2014, in particular for housing loans (23%, from 19% in the previous quarter), and recovered further for loans to non-financial corporations (to 6%, from 4% in the previous quarter – see Table A). At the same time, the net demand for consumer credit, although remaining positive, decreased (to 10%, from 17% in the previous quarter). For loans to enterprises, other financing needs contributed particularly to the positive net loan demand (up to 12%, from 8% in the previous quarter). These were mainly driven by increased financing needs for mergers and acquisitions and by debt restructuring. By contrast, financing needs related to fixed investment (-6%, from 1%) dampened demand for loans to euro area enterprises. This probably reflects an increase in uncertainty regarding the economic recovery. Looking ahead, banks expect in net terms a continued increase in demand across all loan categories for the fourth quarter of 2014.

**Table A**

**LATEST DEVELOPMENTS IN BLS RESULTS IN THE LARGEST EURO AREA COUNTRIES**

**(net percentages of banks reporting tightening credit standards or positive loan demand)**

| | ENTERPRISES | | | | | | HOUSE PURCHASE | | | | | | CONSUMER CREDIT | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CS | | | DEM | | | CS | | | DEM | | | CS | | | DEM | | |
| | 14Q2 | 14Q3 | AVG | 14Q2 | 14Q3 | AVG | 14Q2 | 14Q3 | AVG | 14Q2 | 14Q3 | AVG | 14Q2 | 14Q3 | AVG | 14Q2 | 14Q3 | AVG |
| **EURO AREA** | -3 | -2 | 14 | 4 | 6 | -8 | -4 | -2 | 9 | 19 | 23 | -4 | -2 | -7 | 7 | 17 | 10 | -5 |
| **Germany** | 0 | -3 | 6 | 3 | 6 | 1 | 0 | 7 | 2 | 10 | 3 | 6 | -7 | -3 | 0 | 6 | 16 | 7 |
| **Spain** | 0 | 0 | 13 | 20 | 20 | -7 | 0 | 0 | 22 | 11 | 0 | -15 | 0 | 0 | 12 | 50 | 30 | -16 |
| **France** | -2 | -4 | 10 | -2 | 17 | -19 | 0 | -14 | 5 | -17 | 36 | 4 | 0 | -28 | -1 | 6 | 5 | -6 |
| **Italy** | -13 | 0 | 23 | 0 | -13 | 0 | -25 | 0 | 6 | 63 | 50 | 4 | 0 | 0 | 12 | 13 | -13 | 9 |
| **Netherlands** | 0 | 14 | 19 | -29 | 0 | -17 | 0 | 0 | 22 | 33 | 50 | -27 | 0 | 0 | 15 | 0 | 20 | -20 |

Notes: CS stands for credit standards and DEM for demand. AVG stands for historical averages, which are calculated over the period since the beginning of the survey, excluding the most recent round. For France, Malta and Slovakia net percentages are weighted based on the amounts outstanding of loans of the individual banks in the respective national samples. As a consequence, results for these three countries and euro area results might differ somewhat from previously reported results.

Cross-country disparities in lending supply conditions continued to decline in the third quarter of 2014, again more for loans to households than for loans to enterprises. Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms in France and Germany, while remaining unchanged in Italy and Spain and tightening in the Netherlands. For housing loans, banks reported unchanged credit standards in Italy, Spain and the Netherlands, a noticeable net easing of credit standards in France and a net tightening in

Germany. Turning to loan demand, the heterogeneity across countries reduced somewhat, with banks in Germany, France and Spain reporting an increase in demand for loans to enterprises and Dutch banks indicating unchanged demand, while Italian banks reported a notable decline. For housing loans, net loan demand was particularly positive in France, Italy and the Netherlands while only slightly positive in Germany and unchanged in Spain.

According to euro area banks, in the third quarter of 2014 their access to funding continued to improve in net terms for all main market instruments, particularly for the issuance of bank debt securities, but developments were again heterogeneous across the largest euro area countries. For the fourth quarter of 2014, banks expect further considerable net easing of their access to retail and wholesale funding. In addition, banks' replies indicated that the further decline in sovereign debt tensions contributed to an easing of banks' funding conditions and a marginal further narrowing of lending margins for loans to enterprises and households in the third quarter of 2014.

This survey round also included three additional ad hoc questions aimed at gauging the impact of the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem between September 2014 and June 2016. According to euro area banks, participation in the TLTROs is mainly driven by profitability and to a lesser extent by precautionary motives. Concerning the use of TLTRO funds, banks aim to employ these funds predominantly for granting loans as well as for substitution of other funding sources. The impact on loan supply is expected to be largely translated into an easing of terms and conditions.

**Box 1**

## GENERAL NOTES

The bank lending survey (BLS) is addressed to senior loan officers of a representative sample of euro area banks. In the current survey round, the sample group of banks participating in the survey comprises 137 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. The main purpose of the BLS 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 generally phrased in terms of changes over the past three months (in this case in the third quarter of 2014) or expectations of changes over the next three months (i.e. in the fourth quarter of 2014).

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

[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.

been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks has tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks has 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 has reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks has 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.

The results of the individual banks participating in the BLS sample are aggregated in two steps: in a first step, individual bank results are aggregated to national results for the euro area countries, and in a second step, the national BLS results are aggregated to euro area BLS results. In the first step, banks' replies can either be aggregated to national results by applying an implicit weighting through the sample selection or, alternatively, banks' replies can be aggregated by applying an explicit weighting scheme based on the amounts outstanding of loans to non-financial corporations and households of the individual banks in the respective national samples. In the second step, since the number of banks in the national samples differs considerably and does not always reflect the respective share in lending to euro area non-financial corporations and households, the national survey results are aggregated to euro area BLS results by applying an explicit weighting scheme based on the national shares in the amounts outstanding of loans to euro area non-financial corporations and households.

The option to aggregate individual bank results to national BLS results based on an explicit weighting scheme was introduced in the April 2014 BLS survey round and led to some revisions (including backward revisions) of the BLS results for France, Malta and Slovakia (the three countries currently applying an explicit weighting scheme) and, in consequence, to overall small revisions (including backward revisions) of the euro area BLS results.

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.

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

## 2.1 ENTERPRISES

### 2.1.1 CREDIT STANDARDS FOR LOANS TO ENTERPRISES WERE EASED FURTHER IN THE THIRD QUARTER OF 2014

For the third quarter of 2014, banks reported a slight net easing of credit standards on loans to enterprises (i.e. a negative net tightening of -2%, from -3% in the previous quarter; see Chart 1 and Table A).[3, 4] As in previous quarters, this is considerably below the historical net tightening average since the start of the survey in 2003. The reported net easing is in line with banks' net easing expectations for the third quarter of 2014 at the time of the July BLS round. Across firm size, credit standards were eased on loans to large firms while remaining unchanged for loans to small and medium-sized enterprises (SMEs). Overall, developments across countries continued to become less diverse. Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms in France and Germany, while remaining unchanged in Italy and Spain and increasing in the Netherlands.

Looking ahead to the fourth quarter of 2014, euro area banks expect in net terms that credit standards on loans to enterprises will be further eased (see Chart 1).

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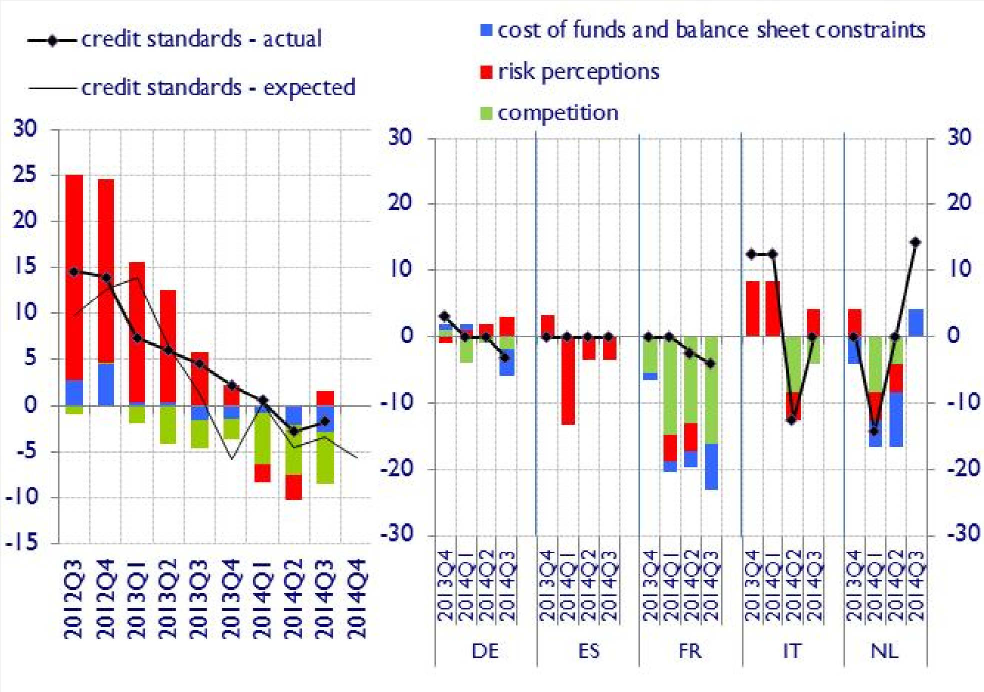
3 In order to describe the developments of survey replies over time, the report refers to changes in the "net tightening" or "net easing" of credit standards from one survey round to another. For example, a lower net percentage of banks tightening their credit standards between two survey waves would 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".

4 While the BLS questionnaire asks banks to report on the changes in credit standards, it cannot be entirely ruled out that the level of credit standards is also considered by some banks in their replies. These effects limit in some cases the comparability of the results across countries. Evidence on the level of credit standards was provided in the April 2014 BLS, based on an ad hoc question.

**Chart 1**

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

**(net percentages of banks reporting tightening credit standards and contributing factors)**




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. "Cost of funds and balance sheet constraints" is calculated as the unweighted average of "capital position", "access to market financing" and "liquidity position"; "risk perception" is calculated as the unweighted average of "expectations regarding general economic activity", "industry-specific risk" and "risk on collateral demanded"; "competition" is calculated as the unweighted average of "bank competition", "non-bank competition" and "competition by market financing".

Factors related to banks' cost of funds and balance sheet constraints continued to contribute slightly to an easing of credit standards for loans to enterprises in the third quarter of 2014 (-3%, from -2% in the previous quarter; see Chart 1 and Table 1).[5] More specifically, this was mainly driven by euro area banks' liquidity position continuing to strengthen and the ongoing improvement in banks' access to market funding, whereas banks' capital position had a marginally tightening impact. Across the largest euro area countries, banks' cost of funds and balance sheet constraints contributed to an easing of credit standards in France and Germany,

[5] The calculation of a simple average for aggregating some factors to main categories assumes that all factors have the same importance for the banks. This partly explains some inconsistencies in the respective charts between the development of credit standards and the development of the main underlying factor categories.

mainly driven by banks' liquidity situation and access to market funding. The impact of banks' cost of funds and balance sheet constraints was zero in Spain and Italy, while this factor contributed to a net tightening, on account of banks' capital position, in the Netherlands.

**Table 1**

**FACTORS CONTRIBUTING TO THE NET TIGHTENING OF CREDIT STANDARDS ON LOANS OR CREDIT LINES TO ENTERPRISES (NET PERCENTAGES)**

| | Cost of funds and balance sheet constraints | | Perception of risk | | Pressure from competition | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -2 | -3 | -3 | 2 | -6 | -6 |
| **DE** | 0 | -5 | 2 | 3 | -1 | -2 |
| **ES** | 0 | 0 | -3 | -3 | 0 | 0 |
| **FR** | -2 | -7 | -4 | 0 | -13 | -16 |
| **IT** | 0 | 0 | -4 | 4 | -8 | -4 |
| **NL** | -8 | 5 | -4 | 0 | -4 | 0 |

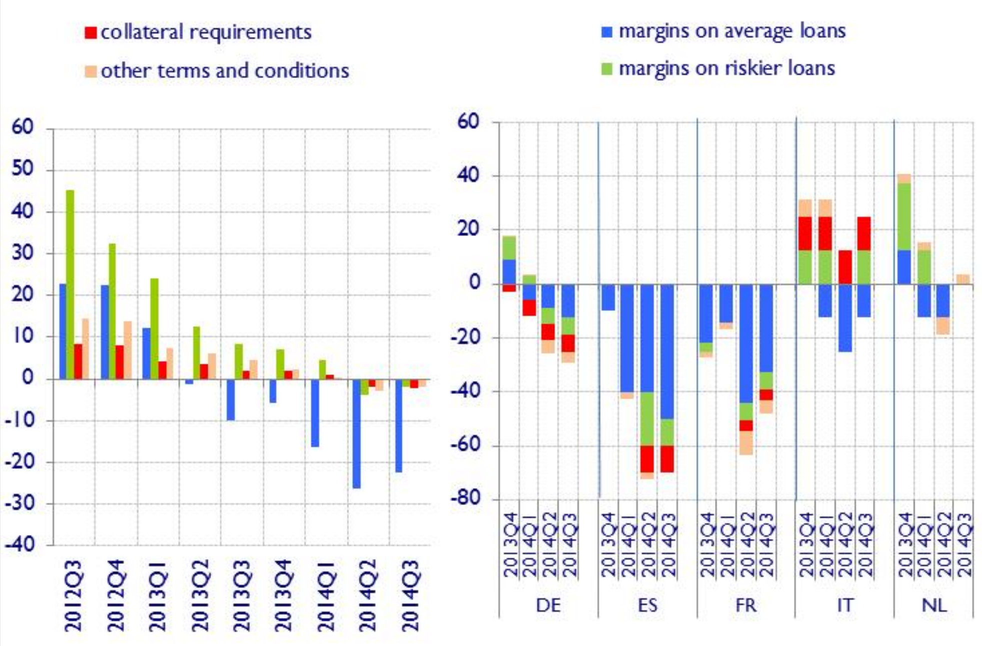
Notes: "Cost of funds and balance sheet constraints" is calculated as the unweighted average of "capital position", "access to market financing" and "liquidity position"; "perception of risk" is calculated as the unweighted average of "expected economic activity", "industry-specific risk" and "risk on collateral demanded"; "pressure from competition" is calculated as the unweighted average of "bank competition", "non-bank competition" and "competition by market financing".

By contrast, banks' risk perceptions concerning firms' business outlook and macroeconomic uncertainty had a slight net tightening impact (2%, from -3%) on credit standards for loans to enterprises in the third quarter after a slight net easing impact in the two previous quarters, consistent with the recent cooling-off in economic recovery including in core euro area countries. This reflected deteriorations in banks' previously more favourable expectations regarding the macroeconomic and firm-specific outlook. Furthermore, banks' assessment of the risk on collateral demanded had a marginal tightening impact on credit standards. With regard to the largest euro area countries, banks' risk perceptions had a slightly tightening impact on credit standards in Germany and Italy, while remaining neutral in France and the Netherlands and contributing to an easing in Spain.

Finally, euro area banks reported a further easing impact of competitive pressures on credit standards for loans to enterprises, among the largest countries driven in particular by developments in France, but also Italy and Germany, while Spanish and Dutch banks reported a neutral impact.

**Chart 2**

**CHANGES IN TERMS AND CONDITIONS FOR LOANS OR CREDIT LINES TO ENTERPRISES** (NET PERCENTAGES OF BANKS REPORTING TIGHTENING TERMS AND CONDITIONS)




Note: “Other terms and conditions” are calculated as the unweighted average of “non-interest rate charges”, “size of the loan or credit line”, “loan covenants” and “maturity”.

The slight net easing of credit standards on loans or credit lines to enterprises in the third quarter translated into more favourable terms and conditions applied by banks when granting new loans to enterprises. Terms and conditions exhibited substantial further improvement in the third quarter of 2014. The net percentage of euro area banks reporting a further narrowing of their margins on average loans to enterprises decreased somewhat, but more than 20% still reported a further narrowing in net terms. In addition, banks also reported a slight narrowing of their margins on riskier loans to enterprises (see Chart 2 and Table 2). Euro area banks reported, in net terms, that all components of other terms and conditions became more favourable in the third quarter of 2014, albeit to a lesser degree than in the previous quarter. Specifically, for loan covenants, collateral requirements and loan maturity less stringent conditions were granted by banks for new loans for the second time since the second quarter of 2007. As in the previous quarter, a considerable net percentage of banks in the five largest euro area economies except for the Netherlands reported a narrowing of margins on average loans, in particular in Spain and France. For riskier loans, a narrowing of margins was reported by banks in Spain, France and Germany, whereas banks in the Netherlands reported no change and Italian banks a widening of margins on riskier loans.

**Table 2**

**MARGINS ON LOANS TO ENTERPRISES**

**(net percentage changes)**

| | Banks' margins on average loans | | Banks' margins on riskier loans | |
|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -26 | -22 | -4 | -2 |
| **DE** | -9 | -13 | -6 | -6 |
| **ES** | -40 | -50 | -20 | -10 |
| **FR** | -44 | -33 | -7 | -7 |
| **IT** | -25 | -13 | 0 | 13 |
| **NL** | -13 | 0 | 0 | 0 |

In sum, the developments described above suggest a substantial further improvement in financing conditions for loans to enterprises. While the improvement was considerably stronger for average loans, banks also slightly narrowed their margins on riskier loans, in particular in some of the largest euro area countries.

### 2.1.2 NET DEMAND FOR LOANS TO ENTERPRISES CONTINUED TO BE POSITIVE

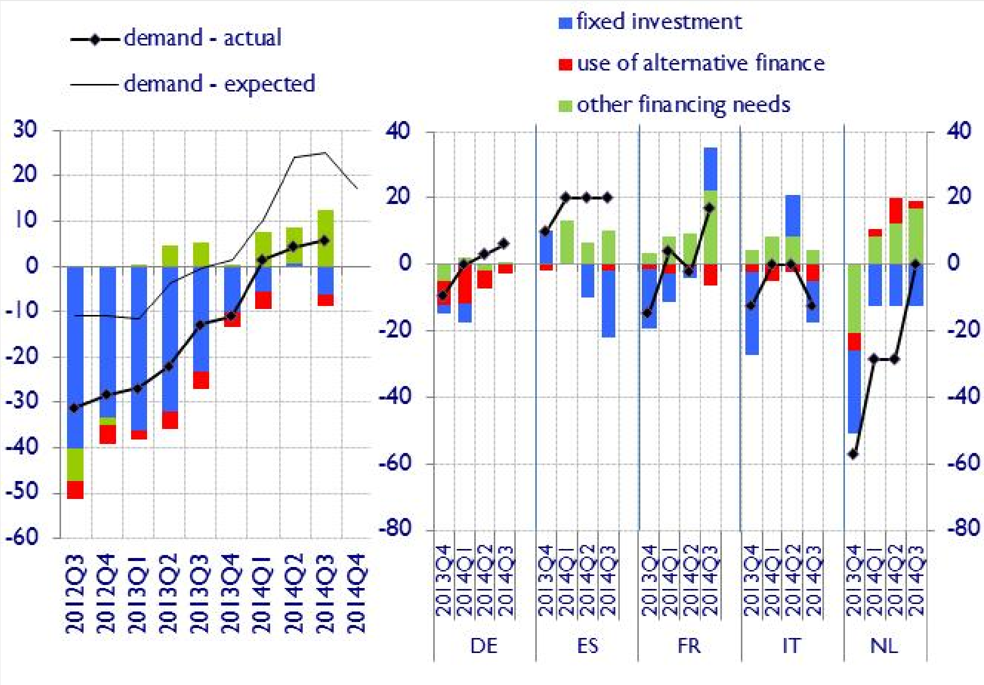
Net demand for loans to enterprises (i.e. the difference between the sum of the percentages of banks reporting an increase and that of banks reporting a decline in demand) continued to be positive and recovered further in the third quarter of 2014 (see Chart 3 and Table A). Net demand for loans to enterprises increased to 6%, from 4% in the previous quarter, remaining above its historical average. At the same time, this increase in demand was below banks' expectations for this quarter at the time of the previous survey round. Across countries, heterogeneity in net demand for loans to enterprises decreased among the largest countries but remained considerable for the euro area as a whole. Banks in Germany, France and Spain reported a net increase in demand for loans to enterprises, whereas Dutch banks indicated unchanged net demand. By contrast, in Italy net loan demand declined according to reporting banks.

Looking ahead, for the fourth quarter of 2014 euro area banks expect a further net increase in demand for loans to enterprises (see Chart 3).

**Chart 3**

**CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES**

**(net percentages of banks reporting positive demand and contributing factors)**




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. "Other financing needs" are calculated as the unweighted average of "inventories and working capital", "mergers/acquisitions and corporate restructuring" and "debt restructuring"; "use of alternative finance" is calculated as the unweighted average of "internal financing", "loans from other banks", "loans from non-banks", "issuance of debt securities" and "issuance of equity".

For loans to enterprises, other financing needs contributed particularly to the positive net loan demand. These were mainly driven by increased financing needs for mergers and acquisitions and by debt restructuring (see Chart 3 and Table 3).[6] By contrast, financing needs related to fixed investment dampened demand for loans to euro area enterprises after a first marginally positive contribution in the previous quarter. It is likely that the deterioration reflects a recent increase in uncertainty regarding the economic recovery. Across the largest euro area countries, the negative contribution of fixed investment to demand for loans to euro area enterprises was

[6] The calculation of a simple average for aggregating some factors to main categories assumes that all factors have the same importance for the banks. This partly explains some inconsistencies between the development of demand for loans and the development of the main underlying factor categories.

driven by developments in Spain, Italy and the Netherlands, whereas banks in France reported a positive impact of fixed investment on loan demand. In Germany, fixed investment again contributed to keeping loan demand unchanged. The positive contribution of other financing needs on demand for loans to euro area enterprises was related to developments in the five largest euro area countries. In France and the Netherlands the increase in other financing needs was mainly driven by mergers and acquisitions and in Spain exclusively by a further substantial net increase in financing needs for inventories and working capital.

**Table 3**

**FACTORS CONTRIBUTING TO NET DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES** (NET PERCENTAGES)

| | Fixed investment | | Other financing needs | | Use of alternative finance | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | 1 | -6 | 8 | 13 | 0 | -3 |
| **DE** | 0 | 0 | -2 | 1 | -5 | -3 |
| **ES** | -10 | -20 | 7 | 10 | 0 | -2 |
| **FR** | -4 | 13 | 9 | 22 | -1 | -6 |
| **IT** | 13 | -13 | 8 | 4 | -3 | -5 |
| **NL** | -13 | -14 | 13 | 19 | 8 | 3 |

Notes: "Other financing needs" are calculated as the unweighted average of "inventories and working capital", "mergers/acquisitions and corporate restructuring" and "debt restructuring"; "use of alternative finance" is calculated as the unweighted average of "internal financing", "loans from other banks", "loans from non-banks", "issuance of debt securities" and "issuance of equity".

The use of alternative finance contributed slightly to a reduction in net demand for loans to euro area enterprises, as compared with a neutral contribution in the second quarter of 2014. In detail, firms' internal financing capacity remained broadly unchanged whereas loans from other banks and to a marginal extent from non-banks, as well as the issuance of debt securities by non-financial corporations, contributed negatively to loan demand. Across the largest euro area countries, alternative financing continued to contribute negatively to corporate loan demand in France, Italy, Germany and Spain while contributing slightly positively to net demand in the Netherlands. For Germany, this was mainly related to loans from other banks, while for France and Italy the issuance of debt securities played the dominant role. For Spain the availability of loans from other banks slightly dampened firms' loan demand. For smaller euro area economies, the contribution of alternative finance to corporate loan demand was mixed in the third quarter of 2014.

## 2.2 HOUSEHOLDS

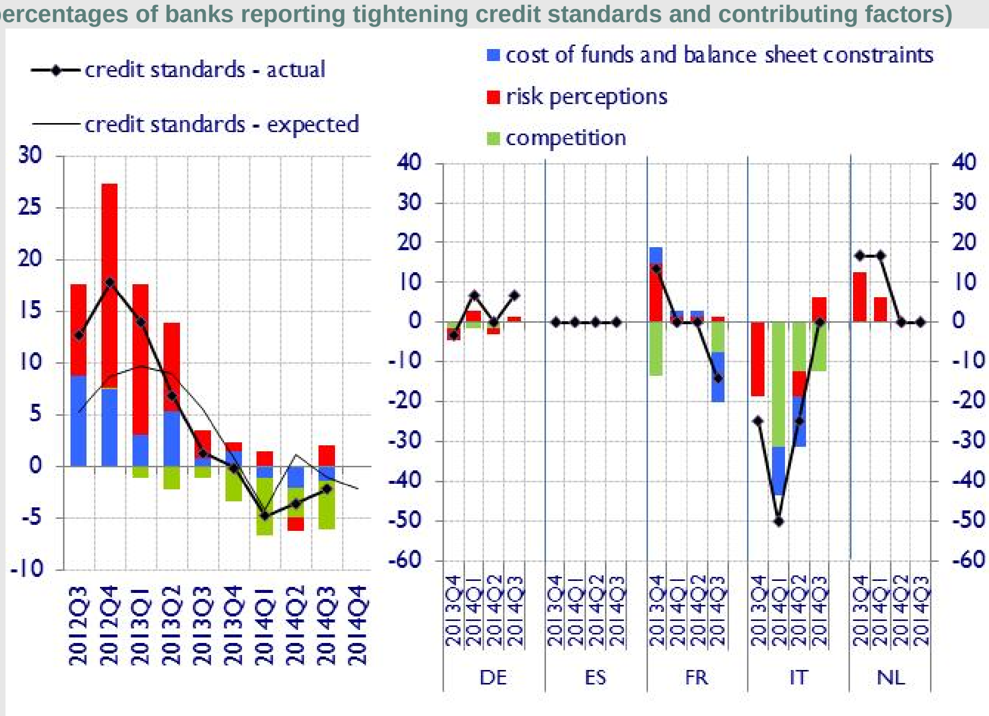
### 2.2.1 CREDIT STANDARDS FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE CONTINUED TO EASE IN NET TERMS IN THE THIRD QUARTER OF 2014

For loans to households for house purchase, banks continued to ease credit standards in net terms, albeit at a further reduced pace of -2%, compared with -4% in the previous quarter (see Chart 4 and Table A), the figure once more remaining well below the historical average calculated over the period since the start of the survey in 2003. This slight net easing was in line with an expected marginal net easing of credit standards on housing loans at the time of the previous survey round. The disparity between countries in credit standards for loans to households further decreased in the third quarter of 2014. Across the largest countries, only for France did banks report a net easing of credit standards for housing loans, while credit standards tightened somewhat in Germany and remained unchanged in the other of the largest euro area countries.

**Chart 4**

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

**(net percentages of banks reporting tightening credit standards and contributing factors)**




Note: See the notes to Chart 1.

Looking ahead, euro area banks expect – in net terms – a further slight net easing of credit standards applied to housing loans in the fourth quarter of 2014 (see Chart 4).

In the third quarter of 2014, in particular competitive pressures contributed to the net easing of credit standards for loans to households for house purchase (see Chart 4 and Table 4). Among the largest euro area countries, a net easing impact of competitive pressures was only reported by banks in Italy and France, whereas banks in Germany, Spain and the Netherlands reported a neutral impact on credit standards for housing loans.

In addition, factors related to banks' cost of funds and balance sheet constraints continued to contribute marginally to an easing. Among the largest countries, however, the easing contribution was confined to banks in France.

By contrast, a re-emergence of risk concerns had a slightly restrictive impact on credit standards for loans to households for house purchase. In detail, this was related to the net tightening impact of both the general economic outlook and housing market prospects on credit standards for housing loans, albeit a low-level impact. Across the largest countries, banks reported a tightening impact of perceived risks regarding housing market prospects in Italy and, though at much lower levels, in Germany and France. For France, banks likewise indicated a marginal tightening contribution of the general economic outlook. Banks in Spain and the Netherlands reported a neutral impact of risk considerations on credit standards on housing loans.

**Table 4**

**FACTORS CONTRIBUTING TO THE NET TIGHTENING OF CREDIT STANDARDS ON LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE**

**(net percentages)**

| | Cost of funds and balance sheet constraints | | Perception of risk | | Pressure from competition | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -2 | -1 | -1 | 2 | -3 | -5 |
| **DE** | 0 | 0 | -1 | 2 | -1 | 0 |
| **ES** | 0 | 0 | 0 | 0 | 0 | 0 |
| **FR** | 2 | -13 | 2 | 2 | -1 | -8 |
| **IT** | -13 | 0 | -6 | 6 | -13 | -13 |
| **NL** | 0 | 0 | 0 | 0 | 0 | 0 |

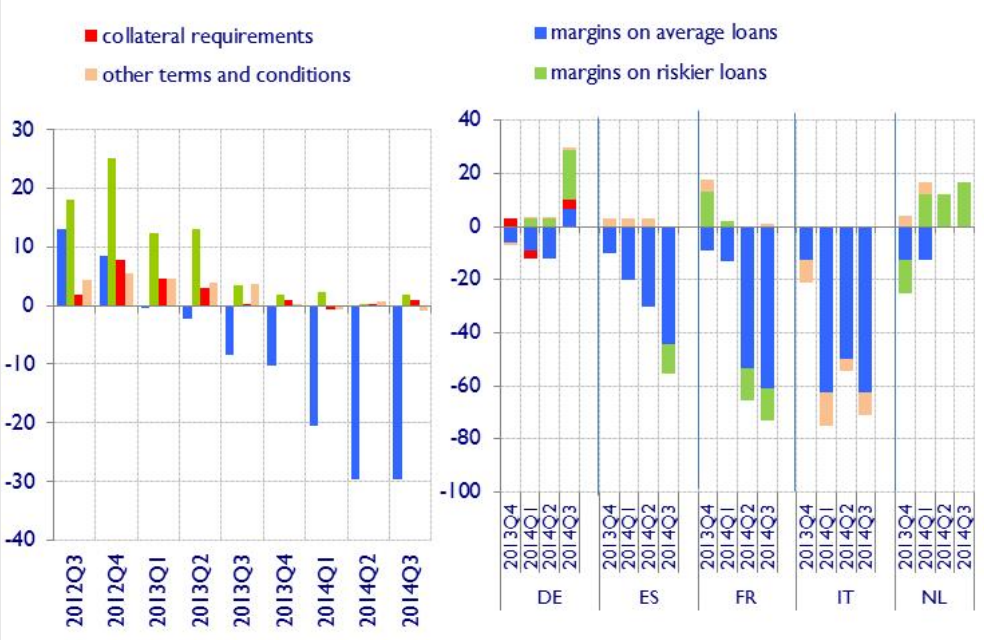
Notes: "Perception of risk" is calculated as the unweighted average of "expected economic activity" and "housing market prospects"; "pressure from competition" is calculated as the unweighted average of "competition from other banks" and "competition from non-banks".

Banks' price conditions applied when granting new housing loans continued to improve considerably in the third quarter of 2014, while banks again reported little change in the non-price terms and conditions (see Chart 5 and Table 5). Specifically, a substantial net percentage of euro area banks again reported a narrowing of margins on average housing loans, thereby continuing the narrowing trend that started in the second quarter of 2013. In addition, euro area banks reported in net terms a marginal widening of margins on riskier loans. Concerning non-price terms and conditions, once more responding banks indicated that overall only small changes had taken place, including a small relaxation of loan maturities. This reflects a marginal net easing impact related to loan-to-value ratios and a marginal tightening impact related to collateral requirements.

**Chart 5**

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

**(net percentages of banks reporting tightening terms and conditions)**




Note: “Other terms and conditions” are calculated as the unweighted average of “non-interest rate charges”, “loan-to-value ratio” and “maturity”.

Among the largest countries, the improvement in price conditions applied to average loans was again particularly pronounced in Italy, France and Spain, while German banks reported some widening of margins on average loans. Developments continued to be more mixed regarding margins on riskier housing loans, for which banks in France and Spain reported a narrowing of margins, whereas banks in Germany and the Netherlands continued to report a widening of margins. Banks in Italy again kept margins on riskier housing loans unchanged in net terms.

**Table 5**

**MARGINS ON LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE**

**(net percentage changes)**

| | Banks' margins on average loans | | Banks' margins on riskier loans | |
|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -30 | -30 | 0 | 2 |
| **DE** | -12 | 7 | 3 | 19 |
| **ES** | -30 | -44 | 0 | -11 |
| **FR** | -53 | -61 | -12 | -12 |
| **IT** | -50 | -63 | 0 | 0 |
| **NL** | 0 | 0 | 13 | 17 |

### 2.2.2 FURTHER NET INCREASE IN DEMAND FOR HOUSING LOANS

In the third quarter of 2014 banks reported a further net increase in demand for housing loans (23%, from 19% in the previous quarter; see Chart 6 and Table A), the figure once more markedly above its historical average. As in the previous quarter, this increase in demand exceeded banks' expectations for this quarter at the time of the previous survey round. The increased net demand for housing loans was uneven across the largest euro area countries. While net demand for housing loans increased in Italy, the Netherlands and France, it returned to neutral levels in Germany and Spain.

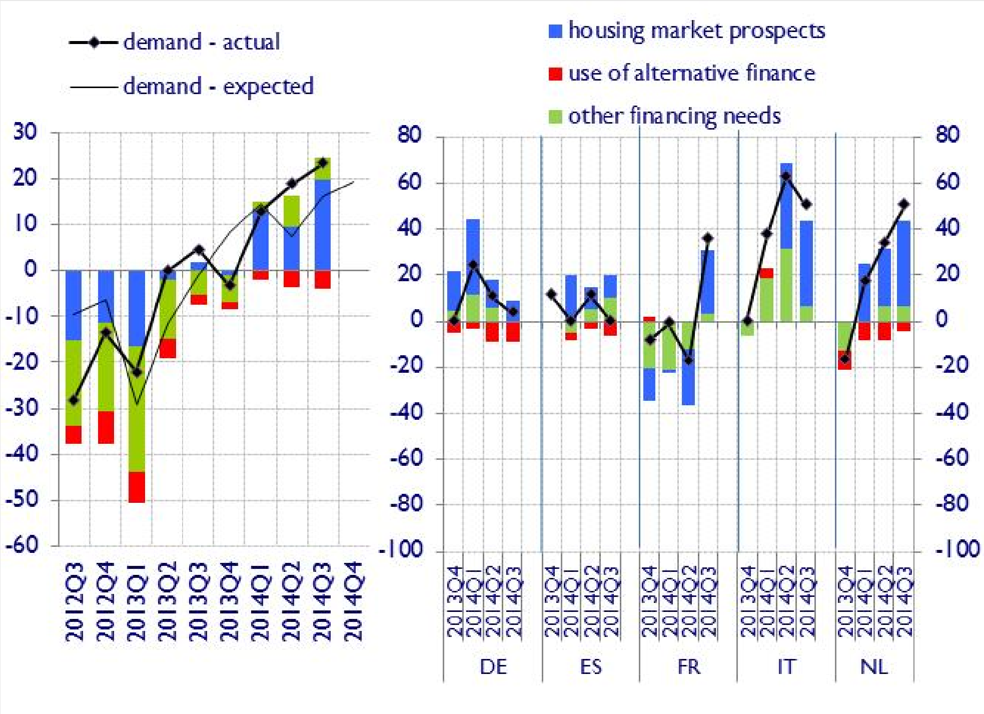
In particular housing market prospects and to a lesser extent consumer confidence (included in other financing needs) were the most important factors driving the increased demand for housing loans at euro area banks (see Chart 6 and Table 6). By contrast, the contribution related to the use of alternative financing remained slightly negative. Across the largest euro area countries, housing market prospects and other financing needs contributed positively to loan demand in all countries, except for a neutral contribution of other financing needs in Germany.

Looking ahead, for the fourth quarter of 2014 euro area banks expect a continued net increase in demand for housing loans (see Chart 6).

## Chart 6

### CHANGES IN DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages of banks reporting positive demand and contributing factors)




Notes: See the notes to Chart 3. “Other financing needs” are calculated as the unweighted average of “consumer confidence” and “non-housing-related consumption expenditure”; “use of alternative finance” is calculated as the unweighted average of “household savings”, “loans from other banks” and “other sources of finance”.

## Table 6

### FACTORS CONTRIBUTING TO NET DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentages)

| | Housing market prospects | | Other financing needs | | Use of alternative finance | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | 10 | 22 | 7 | 5 | -3 | -4 |
| **DE** | 12 | 10 | 6 | 0 | -9 | -10 |
| **ES** | 10 | 11 | 5 | 11 | -3 | -7 |
| **FR** | -24 | 28 | -12 | 3 | 0 | 0 |
| **IT** | 38 | 38 | 31 | 6 | 0 | 0 |
| **NL** | 25 | 50 | 6 | 8 | -8 | -6 |

Notes: “Other financing needs” are calculated as the unweighted average of “consumer confidence” and “non-housing-related consumption expenditure”; “use of alternative finance” is calculated as the unweighted average of “household savings”, “loans from other banks” and “other sources of finance”.

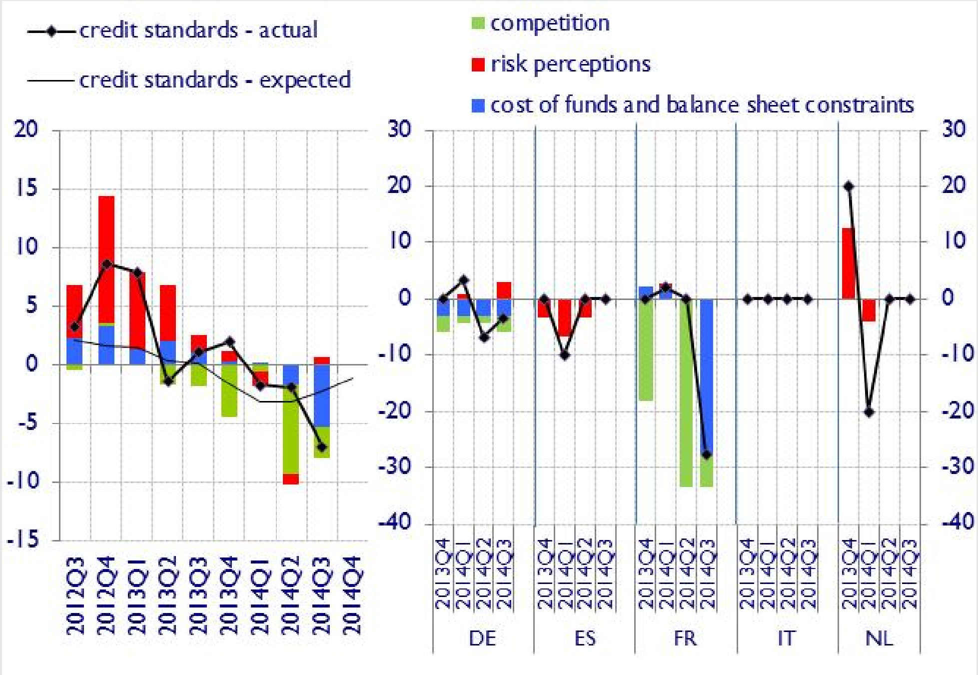
## 2.2.3 CONTINUED NET EASING OF CREDIT STANDARDS FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

In the third quarter of 2014, euro area banks further eased their credit standards for consumer credit and other lending to households (-7%, from -2% in the previous quarter; see Chart 7 and Table A), the figure remaining at levels well below its historical average. The net easing reported in the third quarter of 2014 was beyond what banks had expected at the time of the previous survey round. Among the largest euro area countries, the net easing of credit standards for consumer credit and other lending to households was mainly observed in France, with a minor contribution from banks in Germany. By contrast, in Spain, Italy and the Netherlands credit standards remained unchanged for this loan category.

**Chart 7**

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

**(net percentages of banks reporting tightening credit standards and contributing factors)**




Notes: See the notes to Chart 1. "Risk perceptions" are calculated as the unweighted average of "expectations regarding general economic activity", "creditworthiness of consumers" and "risk on collateral demanded"; "competition" is calculated as the unweighted average of "competition from other banks" and "competition from non-banks".

The further net easing of credit standards for consumer credit and other lending to households at the euro area level reflected in particular a relaxation of banks' cost of funds and balance sheet constraints and some competitive pressures, while masking a marginal re-emergence of risk concerns (see Chart 7 and Table 7). Across the largest euro area countries, the contribution of banks' cost of funds and balance sheet constraints and, to a more limited extent, of competitive pressures was confined to France and – at less pronounced levels – Germany. By contrast, the minor tightening contribution of risk perceptions was limited to Germany.

**Table 7**

**FACTORS CONTRIBUTING TO THE NET TIGHTENING OF CREDIT STANDARDS ON CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS (NET PERCENTAGES)**

| | Cost of funds and balance sheet constraints | | Perception of risk | | Pressure from competition | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -2 | -5 | -1 | 1 | -8 | -3 |
| **DE** | -3 | -3 | 0 | 3 | -1 | -3 |
| **ES** | 0 | 0 | -3 | 0 | 0 | 0 |
| **FR** | 0 | -28 | 0 | 0 | -34 | -6 |
| **IT** | 0 | 0 | 0 | 0 | 0 | 0 |
| **NL** | 0 | 0 | 0 | 0 | 0 | 0 |

Notes: "Perception of risk" is calculated as the unweighted average of "expected economic activity", "creditworthiness of consumers" and "risk on collateral demanded"; "pressure from competition" is calculated as the unweighted average of "competition from other banks" and "competition from non-banks".

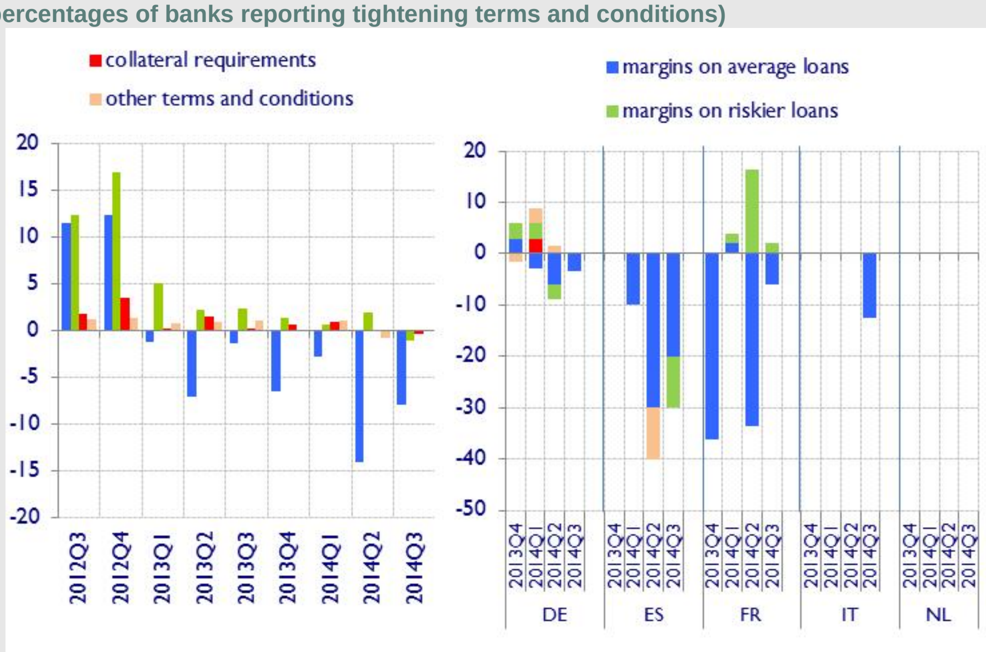
Regarding terms and conditions, for the third quarter euro area banks reported in net terms a further narrowing of margins on average loans (see Chart 8 and Table 8). Margins on riskier loans only narrowed slightly, albeit for the first time since mid-2005. Concerning non-price terms and conditions, euro area banks reported a neutral impact on collateral requirements and other terms and conditions (incl. loan maturity and non-interest rate charges). In the largest euro area countries, margins on average loans narrowed particularly in Spain and Italy and to a lesser extent in France and Germany, while remaining constant in the Netherlands. For riskier loans, banks in Spain reported a narrowing of margins, whereas banks in France reported a slight widening, with these margins remaining stable in Germany, Italy and the Netherlands.

Looking ahead, euro area banks expect a further net easing of credit standards on consumer credit and other lending to households for the fourth quarter of 2014 (see Chart 7).

## Chart 8

### CHANGES IN TERMS AND CONDITIONS FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

(net percentages of banks reporting tightening terms and conditions)




Note: "Other terms and conditions" are calculated as the unweighted average of "non-interest rate charges" and "maturity".

## Table 8

### MARGINS ON CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

(NET PERCENTAGE CHANGES)

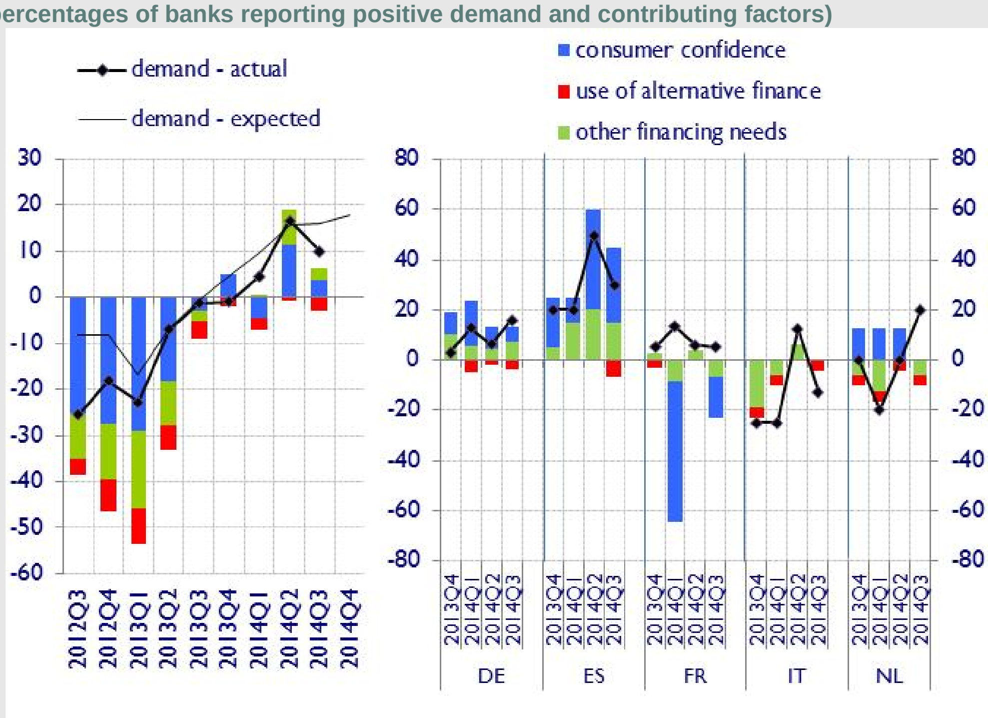
| | Banks' margins on average loans | | Banks' margins on riskier loans | |
|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | -14 | -8 | 2 | -1 |
| **DE** | -6 | -3 | -3 | 0 |
| **ES** | -30 | -20 | 0 | -10 |
| **FR** | -34 | -6 | 16 | 2 |
| **IT** | 0 | -13 | 0 | 0 |
| **NL** | 0 | 0 | 0 | 0 |

According to euro area banks, net demand for consumer credit and other lending to households continued to increase in the third quarter, albeit at a slower pace (10%, from 17%; see Chart 9 and Table A), and remained higher than its historical average. Across the largest euro area countries, net demand increased in all countries except Italy.

**Chart 9**

**CHANGES IN DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS**

**(net percentages of banks reporting positive demand and contributing factors)**




Notes: See the notes to Chart 3. “Other financing needs” are calculated as the unweighted average of “spending on durable goods” and “securities purchases”; “use of alternative finance” is calculated as the unweighted average of “household savings”, “loans from other banks” and “other sources of finance”.

Among the factors underlying demand at the euro area level, spending on durable consumer goods (included in other financing needs) and consumer confidence contributed to the increase in demand, albeit to a smaller degree than in the previous quarter (see Chart 9 and Table 9). As for the largest euro area countries, consumer confidence contributed particularly positively to loan demand in Spain– though partially offset by an increase in household savings – and to a more limited extent in Germany, while exerting a negative impact in France and a neutral impact in Italy and the Netherlands. Similarly distributed was the impact of spending on durable consumer goods across the largest countries with the exception of an additional negative impact of this factor on loan demand in the Netherlands.

For the fourth quarter of 2014, euro area banks expect a continued net increase in demand for consumer credit and other lending to households.

**Table 9**

**FACTORS CONTRIBUTING TO DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS**

**(net percentages)**

| | Consumer confidence | | Other financing needs | | Use of alternative finance | |
|---|---|---|---|---|---|---|
| *Country* | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| **Euro area** | 11 | 4 | 8 | 3 | -1 | -3 |
| **DE** | 9 | 7 | 4 | 9 | -2 | -4 |
| **ES** | 40 | 30 | 20 | 15 | 0 | -7 |
| **FR** | 0 | -16 | 4 | -7 | 0 | 0 |
| **IT** | 0 | 0 | 6 | 0 | 0 | -4 |
| **NL** | 13 | 0 | 0 | -13 | -4 | -7 |

Notes: “Other financing needs” are calculated as the unweighted average of “spending on durable goods” and “securities purchases”; “use of alternative finance” is calculated as the unweighted average of “household savings”, “loans from other banks” and “other sources of finance”.

# 3 AD HOC QUESTIONS

## 3.1 EURO AREA BANKS’ ACCESS TO FUNDING CONTINUED TO IMPROVE IN NET TERMS FOR ALL MAIN MARKET INSTRUMENTS

As in previous survey rounds, the October 2014 survey included a question aimed at assessing the extent to which financial market tensions affected banks’ access to retail and wholesale funding.

For the third quarter of 2014, euro area banks reported a further net easing of their access to funding for all main market instruments (see Chart 10 and Table 10). The access to funding continued to improve compared with the previous quarter for retail funding, money market instruments and securitisation[7], and eased particularly for the issuance of bank debt securities.

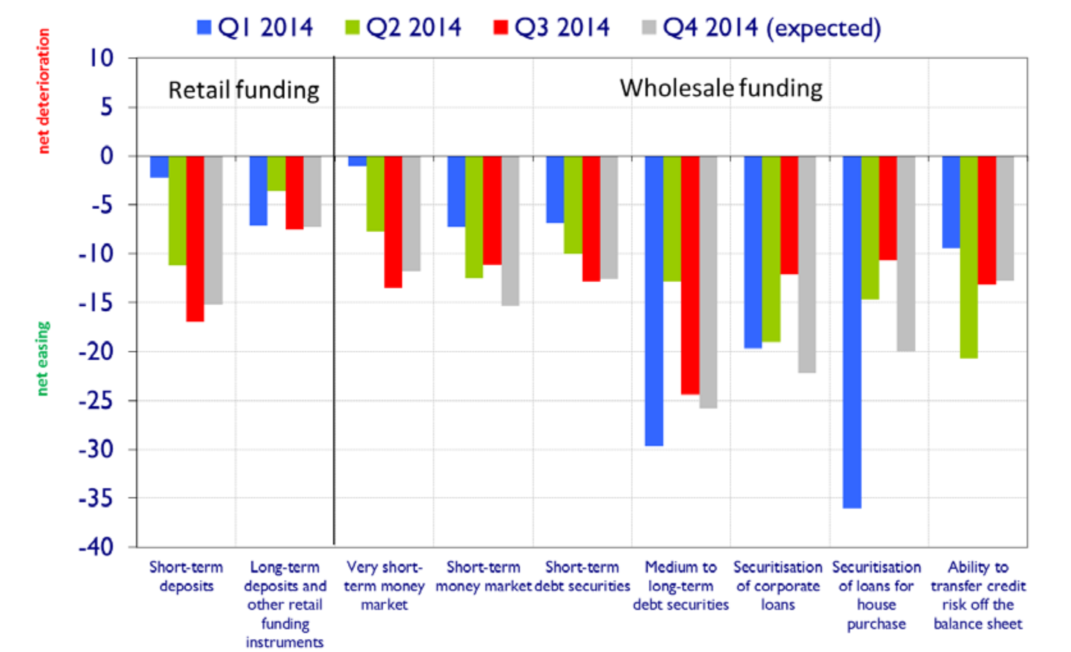
Looking ahead, for the fourth quarter of 2014 euro area banks expect a further considerable net easing of their access to retail and wholesale funding.

[7] However, for securitisation, a large number of banks replied “Not applicable” as this source of funding is not relevant for them (around 40% in the third quarter of 2014).

**Chart 10**

**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".

**Table 10**

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

**(net percentages of banks reporting deteriorated market access)**

| | Retail funding | Interbank unsecured money market | Wholesale debt securities | Securitisation |
|---|---|---|---|---|
| Jul 14 | -7 | -10 | -11 | -18 |
| Oct 14 | -12 | -12 | -19 | -12 |

Note: See note to Chart 10.

## 3.2 DECLINING SOVEREIGN DEBT TENSIONS CONTRIBUTED TO FURTHER EASING OF BANKS' FUNDING CONDITIONS AND A NARROWING OF LENDING MARGINS

As in previous survey rounds, the October 2014 survey included a question which 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 primarily affected through two direct channels. First, *direct exposure to sovereign debt* may affect banks' balance sheets, change their riskiness as counterparties and, in turn, affect funding costs and funding conditions. Second, higher sovereign debt risk reduces the *value of sovereign collateral* that banks can use to raise wholesale funding. Beyond this, *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 in play.

The replies to the October 2014 survey indicated that reduced sovereign debt tensions contributed on average to a further and considerable easing of banks' funding conditions in the third quarter of 2014 (see Chart 11 and Table 11). In detail, euro area banks reported that in particular the value of their sovereign collateral and their direct exposure to sovereign debt contributed to a net easing of their funding conditions.

For the third quarter of 2014, banks in the euro area reported that the reduced sovereign debt tensions had a marginal easing impact on their credit standards for all loan categories. Likewise, euro area banks reported that the reduced sovereign tensions contributed to a further marginal narrowing of margins for all loan categories (see Chart 11 and Table 11).

**Table 11**

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

**(net percentages of banks reporting a deterioration of funding conditions, a tightening of credit standards or a widening of lending margins)**

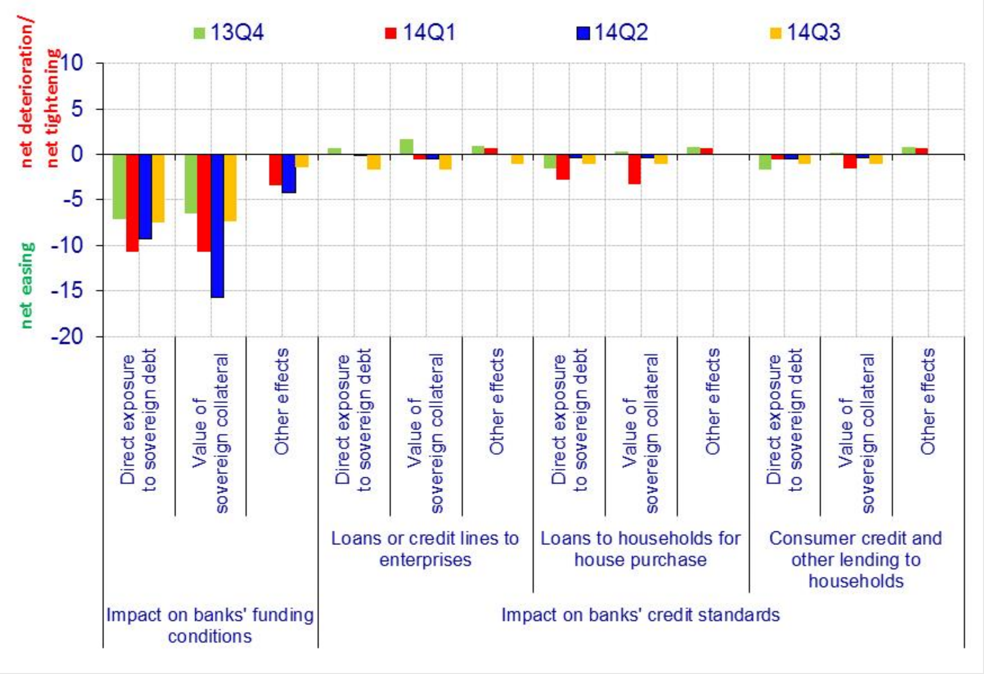
| | Impact on banks' funding conditions | | Impact on banks' credit standards | | Impact on banks' credit margins | |
|---|---|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Overall | -10 | -5 | | | | |
| Loans or credit lines to enterprises | | | 0 | -1 | -2 | -1 |
| Loans to households for house purchase | | | 0 | -1 | -1 | -1 |
| Loans to households for consumer credit and other lending | | | 0 | -1 | -2 | -1 |

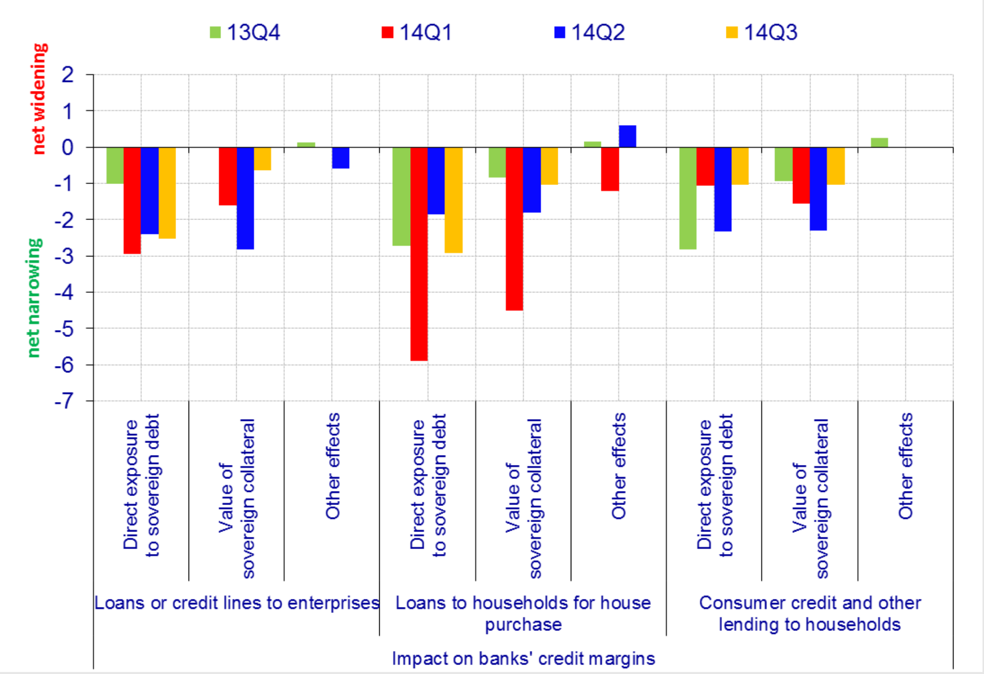
Notes: See the note to Chart 11.

**Chart 11**

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

**(net percentages of banks reporting a deterioration of funding conditions, a tightening of credit standards or a widening of 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".

## 3.3 TARGETED LONGER-TERM REFINANCING OPERATIONS (TLTROS): BANKS' PARTICIPATION, THEIR USE OF FUNDS AND ASSESSMENT OF POTENTIAL IMPACT ON BANKS' FINANCIAL SITUATION AND LOAN SUPPLY

The October 2014 survey included three ad hoc questions aimed at gauging the impact of the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem between September 2014 and June 2016. Banks reported on their participation in the initial TLTRO in September 2014 as well as on whether or not they intend to participate in the second initial TLTRO in December 2014 and in the additional TLTROs to be conducted between 2015 and 2016. In this context, banks were also surveyed on the reasons for their decisions or intentions regarding participation in the different TLTROs. In addition, banks were asked about their planned use of the funds obtained through the initial and the additional TLTROs. Finally, banks provided an assessment of the impact of the TLTROs on their own financial situation and their loan supply.

### 3.3.1 TLTRO PARTICIPATION MAINLY DRIVEN BY PROFITABILITY AND TO LESSER EXTENT BY PRECAUTIONARY MOTVES

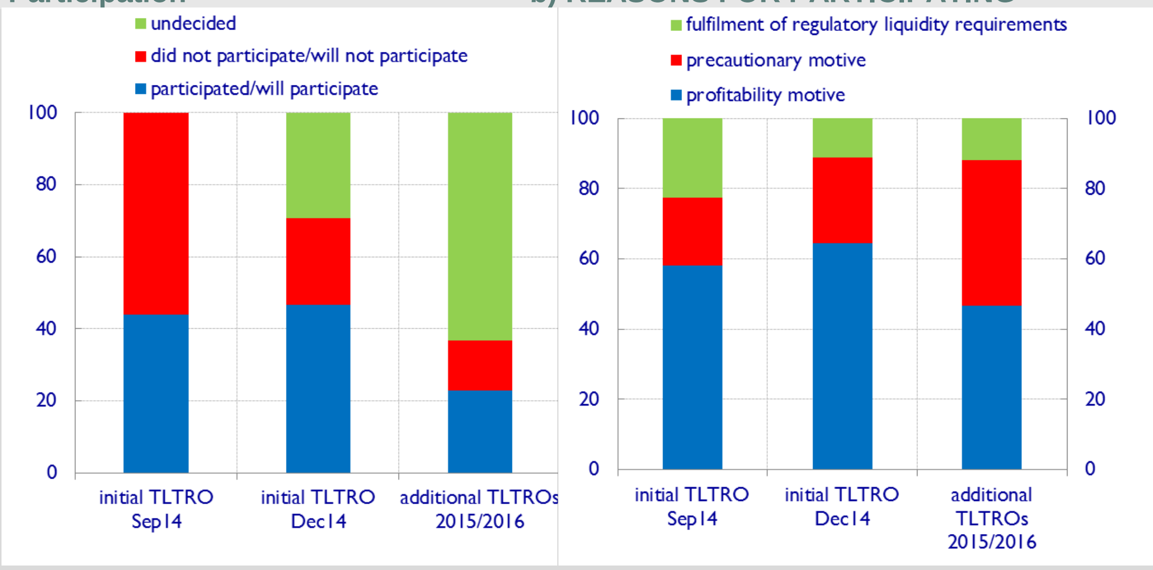
**Chart 12**

**PARTICIPATION IN TLTROS**

(percentage of respondents)

A) Participation

b) REASONS FOR PARTICIPATING



Of the euro area banks participating in the survey, 44% participated in the first initial TLTRO (see Chart 12a). Participation was heterogeneous across countries. According to banks, participation in the first TLTRO was largely driven by profitability motives (58% of respondents – see Chart 12b) and to a lesser extent by precautionary motives and the objective of ing fulfilling regulatory liquidity requirements. Similarly, regarding the second initial TLTRO in December 2014, 47% of the banks, in aggregate terms, plan to participate whereas 29% reported that they were still undecided. Here again, the predominant motive was profitability, with a slightly higher frequency of precautionary motives as compared with the September TLTRO. Looking ahead to the additional TLTROs starting in March 2015, banks are still largely undecided on their participation (63% of banks in aggregate). Concerning motives for potential participation, precautionary motives were cited by nearly as many banks (41%) as those citing profitability motives (47%).

The main reason for banks not to participate was, according to the replies, the absence of funding constraints, which applied to around two thirds of the banks not participating or not intending to participate in the two initial TLTROs in September and December 2014. For the additional TLTROs in 2015 and 2016, around 90% of the banks planning not to participate attributed their decision to the absence of funding constraints. In addition, for the September 2014 TLTRO around 20% cited concerns about insufficient loan demand, which were less frequently cited for foreseen non-participation in the December TLTRO and the additional TLTROs in 2015 and 2016. By contrast, collateral constraints were mentioned by 20% of the respondents as the reason for not participating in the upcoming December TLTRO, whereas for the other TLTROs there seemed to be basically no such constraints. Finally, concerns about stigma effects were mentioned by 15% of the banks not participating in the first TLTRO in September, but were not mentioned with regard to the future TLTROs.

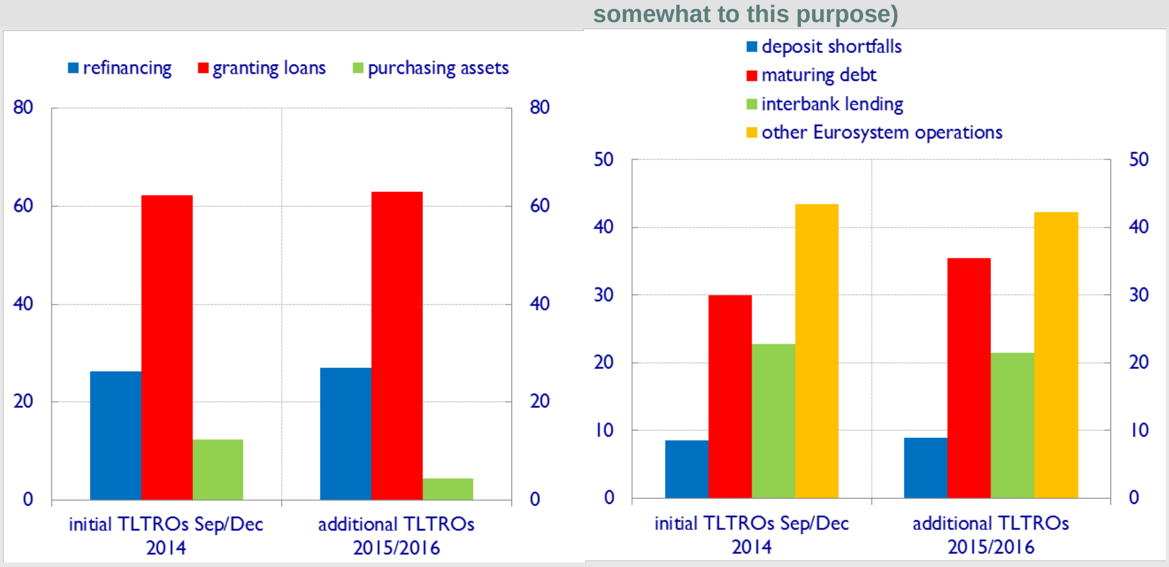
### 3.3.2 USE OF TLTRO FUNDS PREDOMINANTLY FOR GRANTING LOANS AND SUBSTITUTION OF OTHER FUNDING SOURCES

**Chart 13**

**USE OF FUNDS FROM INITIAL AND ADDITIONAL TLTROs**

**A) USE OF FUNDS**
**(average percentage of respondents per category)**

**B) USE OF FUNDS FOR REFINANCING BY SUBSTITUTION OF FUNDING SOURCES**
**(percentage of respondents answering TLTRO has contributed/will contribute considerably or somewhat to this purpose)**



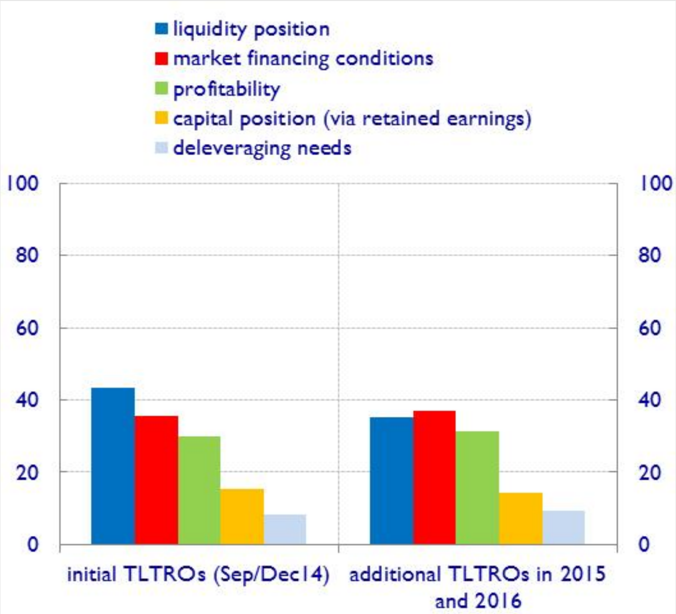

As regards the use of funds obtained from the initial and additional TLTROs, banks reported that they would primarily use them for granting loans (see Chart 13a), in particular loans to enterprises, and to a lesser extent for refinancing purposes, i.e. substituting them for other funding sources. The purchase of assets was mentioned only by a minority of banks. Banks reported both for the initial TLTROs and the additional TLTROs an intention to use the funds for substitution of funds from other Eurosystem operations (incl. VLTROs – very long-term refinancing operations) and for refinancing maturing debt (around 40% and 30% respectively – see Chart 13b). Some 20% of the banks indicated the substitution of interbank funding while the substitution of deposit shortfalls was only indicated by less than 10% of the banks.

### 3.3.3 TLTROS EXPECTED TO IMPROVE BANKS' LIQUIDITY POSITION AND MARKET REFINANCING CONDITIONS WITH EASING IMPACT ON TERMS AND CONDITIONS FOR LENDING TO FIRMS AND HOUSEHOLDS

Concerning the contribution of the TLTROs to improving banks' financial situation, banks indicated, in particular for the initial TLTROs, an expected enhancement in their liquidity positions (43% – and 35% for the additional TLTROs – see Chart 14), and an expected improvement in market refinancing conditions (around 35%) and in their profitability (around 30%). At the same time, an expected impact on banks' capital position via retained earnings was only acknowledged by some 15% of the respondents. Finally, a reduction in deleveraging needs on account of diminishing funding constraints was expected by less than 10% of responding banks.

**Chart 14**

**CONTRIBUTION OF TLTROS TO IMPROVEMENTS IN BANKS' FINANCIAL SITUATION** (PERCENTAGE OF RESPONDENTS)



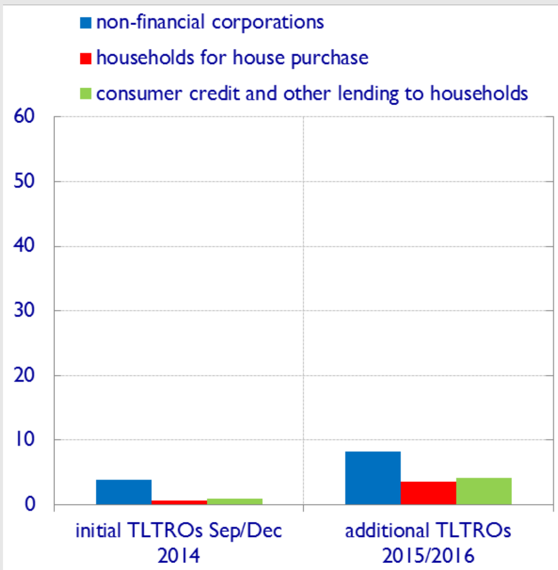

For banks' loan supply, the expected impact of the TLTROs translated almost exclusively into an easing of terms and conditions for loans to enterprises (see Chart 15) and to a lesser extent for housing loans, while hardly any improvement in overall credit standards was expected.

**Chart 15**

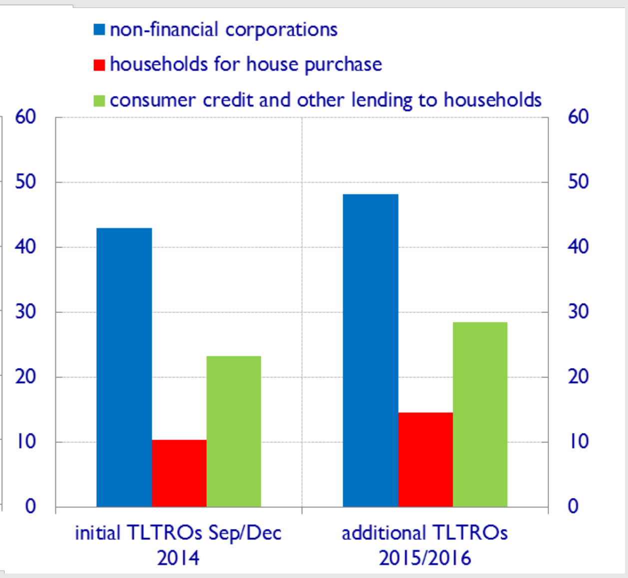
## IMPACT OF TLTROS ON LENDING BEHAVIOUR

(percentage of respondents answering TLTRO has contributed/will contribute considerably or somewhat to an easing)

A) CREDIT STANDARDS




B) TERMS AND CONDITIONS



# 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)*

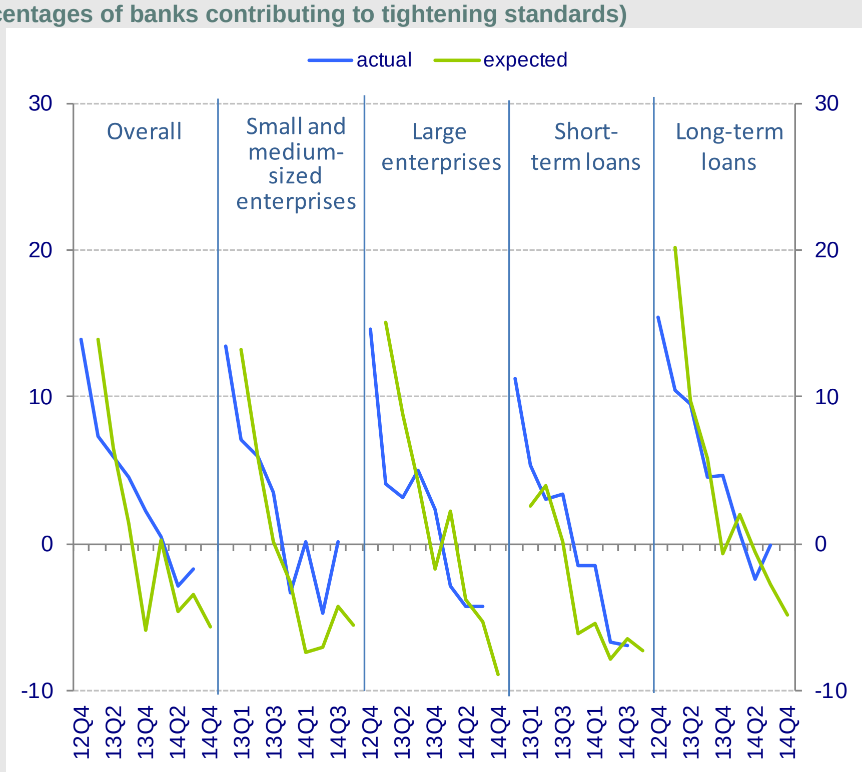
| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Tightened considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tightened somewhat | 1 | 2 | 1 | 3 | 1 | 1 | 1 | 1 | 1 | 2 |
| Remained basically unchanged | 95 | 94 | 94 | 94 | 93 | 92 | 92 | 92 | 95 | 94 |
| Eased somewhat | 4 | 4 | 6 | 3 | 5 | 6 | 7 | 8 | 4 | 3 |
| 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*** | ***-3*** | ***-2*** | ***-5*** | ***0*** | ***-4*** | ***-4*** | ***-7*** | ***-7*** | ***-2*** | ***0*** |
| ***Diffusion index*** | ***-1*** | ***-1*** | ***-2*** | ***0*** | ***-2*** | ***-2*** | ***-3*** | ***-3*** | ***-1*** | ***0*** |
| *Mean* | *3.03* | *3.02* | *3.05* | *3.00* | *3.04* | *3.04* | *3.07* | *3.07* | *3.02* | *3.00* |
| ***Number of banks responding*** | ***131*** | ***131*** | ***127*** | ***127*** | ***127*** | ***127*** | ***131*** | ***131*** | ***131*** | ***131*** |

*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 loans or credit lines to enterprises? *(in percentages, unless otherwise stated)*

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Cost of funds and balance sheet constraints | | | | | | | | | | | | |
| Costs related to your bank's capital position | 0 | 1 | 97 | 1 | 0 | 0 | -1 | 1 | -1 | 1 | 3.01 | 2.98 |
| Your bank's ability to access market financing | 0 | 0 | 95 | 4 | 1 | 0 | 0 | -4 | 0 | -2 | 3.00 | 3.05 |
| Your bank's liquidity position | 0 | 1 | 91 | 7 | 0 | 0 | -4 | -6 | -2 | -3 | 3.05 | 3.06 |
| B) Pressure from competition | | | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 90 | 10 | 0 | 0 | -9 | -10 | -4 | -5 | 3.09 | 3.10 |
| Competition from non-banks | 0 | 0 | 96 | 3 | 0 | 1 | -3 | -2 | -1 | -1 | 3.03 | 3.02 |
| Competition from market financing | 0 | 0 | 94 | 4 | 0 | 1 | -5 | -4 | -2 | -2 | 3.05 | 3.04 |
| C) Perception of risk | | | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 3 | 95 | 2 | 0 | 0 | -7 | 1 | -4 | 0 | 3.07 | 2.99 |
| Industry or firm-specific outlook | 0 | 4 | 95 | 1 | 0 | 0 | -2 | 3 | -1 | 2 | 3.02 | 2.97 |
| Risk on collateral demanded | 0 | 1 | 99 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 2.99 | 2.99 |

**SMALL AND MEDIUM-SIZED ENTERPRISES**

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Cost of funds and balance sheet constraints | | | | | | | | | | | | |
| Costs related to your bank's capital position | 0 | 0 | 97 | 2 | 0 | 0 | -1 | -2 | -1 | -1 | 3.01 | 3.01 |
| Your bank's ability to access market financing | 0 | 0 | 94 | 4 | 1 | 0 | -1 | -5 | -1 | -3 | 3.01 | 3.06 |
| Your bank's liquidity position | 0 | 1 | 91 | 7 | 1 | 0 | -2 | -6 | -1 | -3 | 3.02 | 3.07 |
| B) Pressure from competition | | | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 90 | 9 | 0 | 0 | -9 | -10 | -4 | -5 | 3.09 | 3.10 |
| Competition from non-banks | 0 | 0 | 98 | 2 | 0 | 0 | -3 | -2 | -1 | -1 | 3.03 | 3.02 |
| Competition from market financing | 0 | 0 | 98 | 2 | 0 | 0 | -2 | -2 | -1 | -1 | 3.02 | 3.02 |
| C) Perception of risk | | | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 2 | 94 | 3 | 0 | 0 | -8 | -1 | -4 | -1 | 3.08 | 3.01 |
| Industry or firm-specific outlook | 0 | 6 | 92 | 2 | 0 | 0 | -4 | 4 | -2 | 2 | 3.04 | 2.96 |
| Risk on collateral demanded | 0 | 1 | 97 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3.00 | 3.00 |

**LARGE ENTERPRISES**

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Cost of funds and balance sheet constraints | | | | | | | | | | | | |
| Costs related to your bank's capital position | 0 | 1 | 95 | 2 | 0 | 1 | -1 | 0 | -1 | 0 | 3.01 | 3.00 |
| Your bank's ability to access market financing | 0 | 0 | 94 | 4 | 0 | 1 | -1 | -4 | -1 | -2 | 3.01 | 3.04 |
| Your bank's liquidity position | 0 | 0 | 91 | 6 | 1 | 1 | -5 | -6 | -3 | -3 | 3.06 | 3.06 |
| B) Pressure from competition | | | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 91 | 7 | 1 | 2 | -11 | -7 | -6 | -4 | 3.12 | 3.08 |
| Competition from non-banks | 0 | 0 | 95 | 3 | 0 | 2 | -3 | -3 | -1 | -1 | 3.03 | 3.03 |
| Competition from market financing | 0 | 0 | 91 | 7 | 1 | 2 | -7 | -7 | -3 | -4 | 3.07 | 3.08 |
| C) Perception of risk | | | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 1 | 96 | 2 | 0 | 0 | -8 | -1 | -4 | 0 | 3.09 | 3.01 |
| Industry or firm-specific outlook | 0 | 3 | 94 | 3 | 0 | 0 | -5 | 0 | -2 | 0 | 3.05 | 3.00 |
| Risk on collateral demanded | 0 | 1 | 99 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 2.99 | 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 2a**

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

(net percentages of banks contributing to tightening standards)

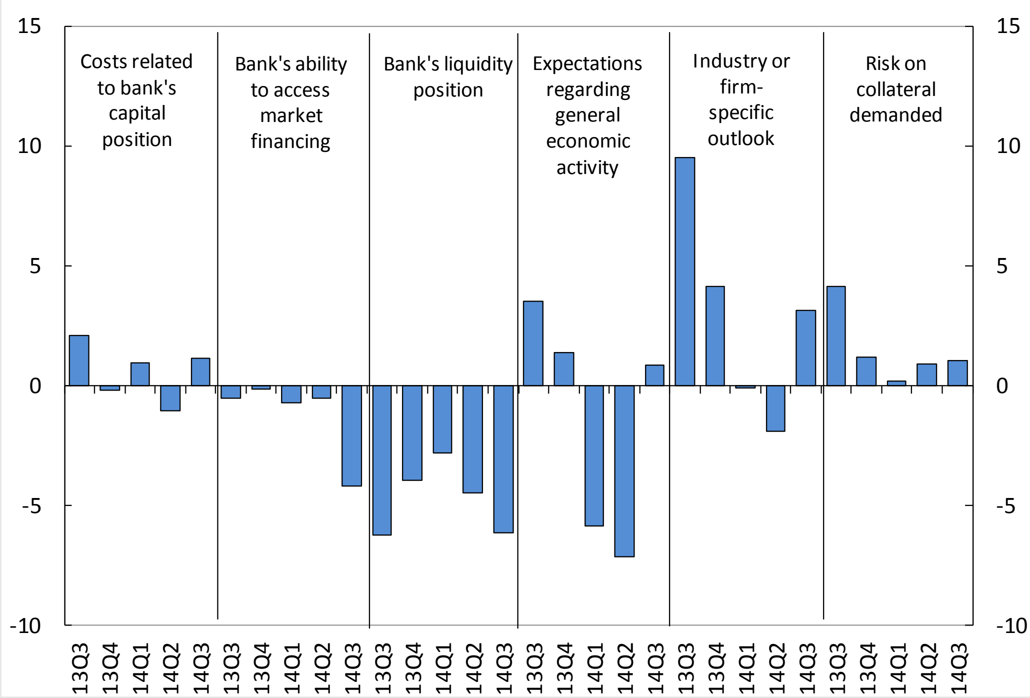
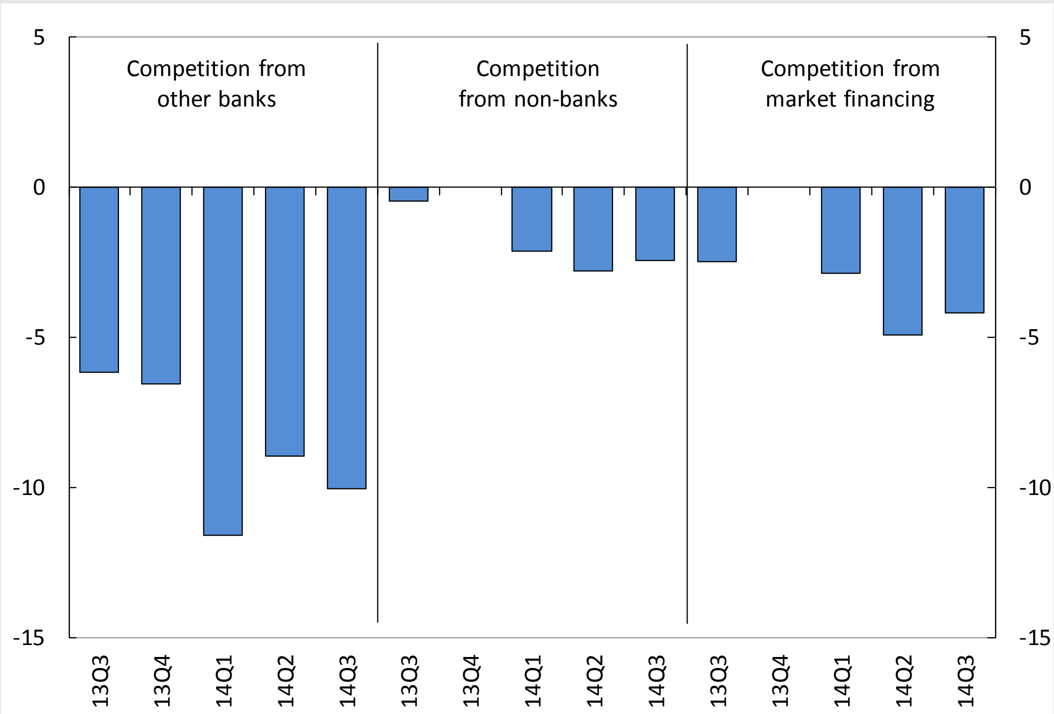



**Chart 2b**



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)*

**OVERALL**

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Price | | | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 3 | 71 | 23 | 2 | 0 | -26 | -22 | -14 | -12 | 3.27 | 3.25 |
| Your bank's margin on riskier loans | 0 | 7 | 84 | 7 | 2 | 0 | -4 | -2 | -2 | -2 | 3.05 | 3.04 |
| B) Other conditions and terms | | | | | | | | | | | | |
| Non-interest rate charges | 0 | 1 | 94 | 4 | 2 | 0 | -2 | -5 | -2 | -3 | 3.03 | 3.06 |
| Size of the loan or credit line | 0 | 0 | 97 | 3 | 1 | 0 | -4 | -3 | -2 | -2 | 3.05 | 3.04 |
| Collateral requirements | 0 | 2 | 94 | 3 | 1 | 0 | -2 | -2 | -1 | -1 | 3.03 | 3.03 |
| Loan covenants | 0 | 0 | 95 | 4 | 1 | 0 | -6 | -5 | -3 | -3 | 3.07 | 3.06 |
| Maturity | 0 | 3 | 91 | 7 | 0 | 0 | -8 | -4 | -4 | -2 | 3.09 | 3.04 |

**SMALL AND MEDIUM-SIZED ENTERPRISES**

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Price | | | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 4 | 76 | 19 | 1 | 0 | -14 | -16 | -7 | -9 | 3.14 | 3.18 |
| Your bank's margin on riskier loans | 0 | 8 | 86 | 4 | 1 | 0 | 0 | 3 | 0 | 1 | 2.99 | 2.99 |
| B) Other conditions and terms | | | | | | | | | | | | |
| Non-interest rate charges | 0 | 1 | 93 | 4 | 1 | 0 | 0 | -4 | 1 | -2 | 2.98 | 3.05 |
| Size of the loan or credit line | 0 | 0 | 97 | 3 | 0 | 0 | -1 | -3 | -1 | -2 | 3.02 | 3.04 |
| Collateral requirements | 0 | 2 | 93 | 4 | 0 | 0 | -1 | -2 | -1 | -1 | 3.01 | 3.03 |
| Loan covenants | 0 | 0 | 97 | 2 | 0 | 0 | -1 | -3 | -1 | -2 | 3.01 | 3.03 |
| Maturity | 0 | 1 | 91 | 7 | 1 | 0 | -2 | -6 | -1 | -4 | 3.03 | 3.07 |

**LARGE ENTERPRISES**

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Price | | | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 2 | 67 | 26 | 3 | 1 | -25 | -27 | -13 | -15 | 3.28 | 3.30 |
| Your bank's margin on riskier loans | 0 | 6 | 84 | 6 | 2 | 2 | -6 | -2 | -4 | -2 | 3.08 | 3.04 |
| B) Other conditions and terms | | | | | | | | | | | | |
| Non-interest rate charges | 0 | 1 | 91 | 5 | 2 | 1 | -6 | -6 | -4 | -4 | 3.09 | 3.08 |
| Size of the loan or credit line | 0 | 0 | 91 | 7 | 1 | 1 | -6 | -8 | -4 | -4 | 3.08 | 3.09 |
| Collateral requirements | 0 | 2 | 90 | 6 | 1 | 1 | -4 | -5 | -3 | -3 | 3.06 | 3.06 |
| Loan covenants | 0 | 2 | 88 | 7 | 2 | 1 | -6 | -6 | -4 | -4 | 3.08 | 3.08 |
| Maturity | 0 | 0 | 90 | 9 | 0 | 1 | -12 | -9 | -6 | -4 | 3.14 | 3.09 |

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

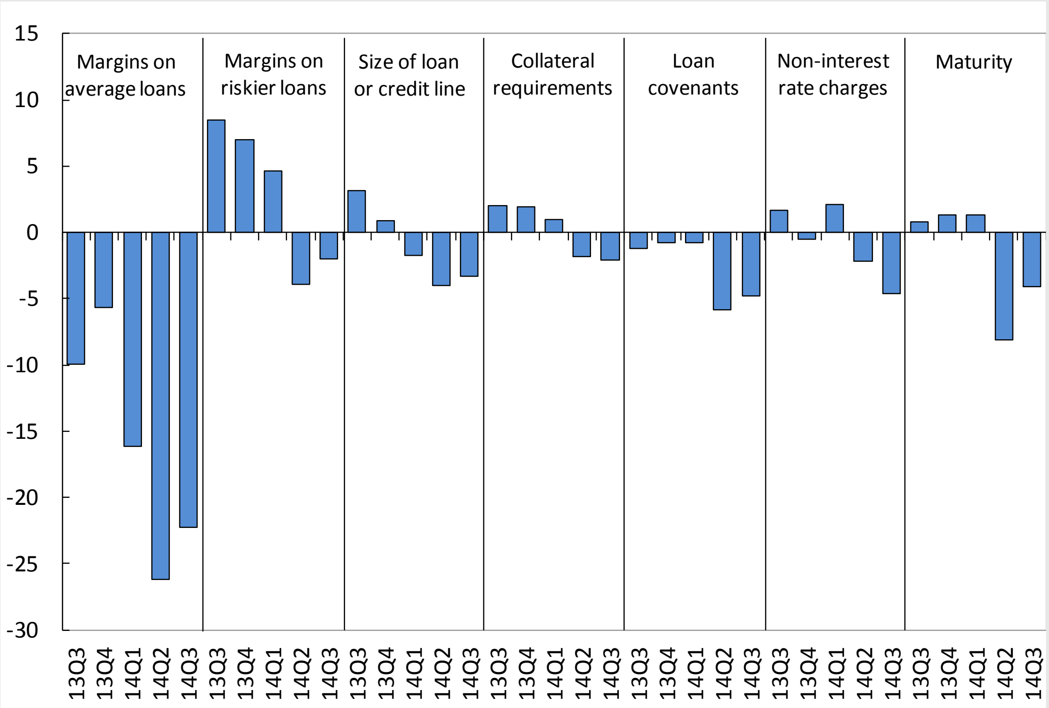
*Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" 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)*

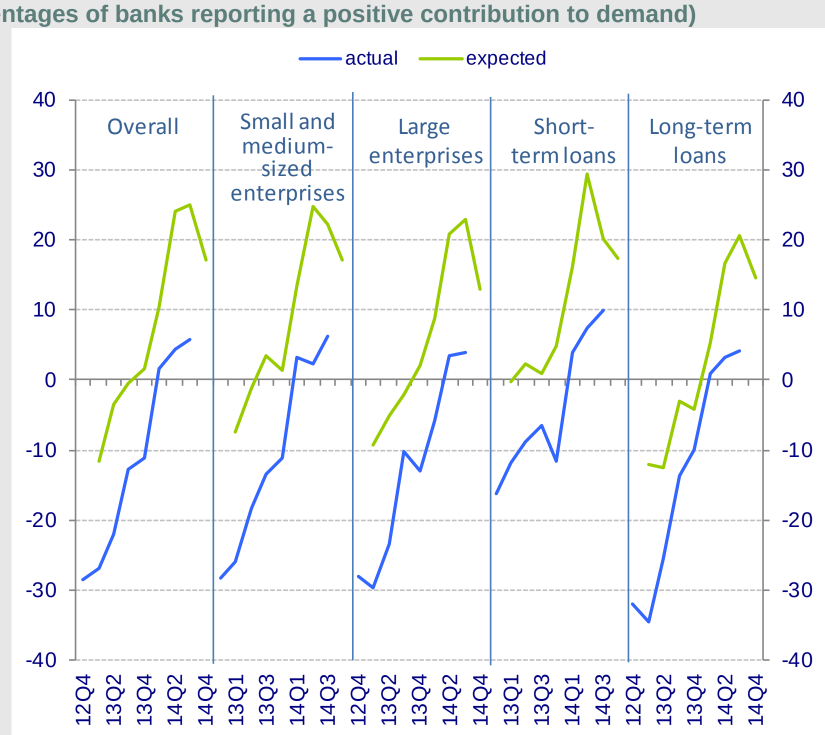
| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Decreased considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Decreased somewhat | 13 | 14 | 16 | 11 | 12 | 12 | 9 | 7 | 12 | 15 |
| Remained basically unchanged | 69 | 67 | 66 | 71 | 73 | 71 | 76 | 73 | 73 | 67 |
| Increased somewhat | 17 | 19 | 17 | 17 | 14 | 16 | 15 | 19 | 15 | 19 |
| Increased considerably | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | ***4*** | ***6*** | ***2*** | ***6*** | ***3*** | ***4*** | ***7*** | ***10*** | ***3*** | ***4*** |
| ***Diffusion index*** | ***3*** | ***3*** | ***1*** | ***3*** | ***2*** | ***2*** | ***4*** | ***4*** | ***2*** | ***2*** |
| *Mean* | *3.05* | *3.06* | *3.03* | *3.07* | *3.04* | *3.04* | *3.08* | *3.08* | *3.03* | *3.04* |
| ***Number of banks responding*** | ***131*** | ***131*** | ***126*** | ***127*** | ***128*** | ***127*** | ***131*** | ***131*** | ***131*** | ***130*** |

*Notes: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Financing needs | | | | | | | | | | | | |
| Fixed investment | 1 | 18 | 68 | 13 | 0 | 0 | 1 | -6 | 0 | -3 | 3.01 | 2.93 |
| Inventories and working capital | 1 | 7 | 74 | 16 | 1 | 0 | 11 | 10 | 6 | 5 | 3.12 | 3.11 |
| Mergers/acquisitions and corporate restructuring | 0 | 4 | 77 | 18 | 0 | 0 | 5 | 15 | 2 | 7 | 3.05 | 3.15 |
| Debt restructuring | 0 | 5 | 78 | 18 | 0 | 0 | 8 | 13 | 4 | 7 | 3.09 | 3.13 |
| B) Use of alternative finance | | | | | | | | | | | | |
| Internal financing | 0 | 5 | 90 | 5 | 0 | 0 | -4 | 0 | -2 | 0 | 2.95 | 3.00 |
| Loans from other banks | 0 | 8 | 89 | 3 | 0 | 0 | 1 | -5 | 0 | -2 | 3.01 | 2.95 |
| Loans from non-banks | 0 | 3 | 95 | 1 | 0 | 2 | 2 | -2 | 1 | -1 | 3.02 | 2.98 |
| Issuance of debt securities | 0 | 9 | 87 | 2 | 0 | 2 | -1 | -7 | 0 | -3 | 2.99 | 2.93 |
| Issuance of equity | 0 | 0 | 97 | 1 | 0 | 2 | 2 | 1 | 1 | 1 | 3.02 | 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 somewhat to increasing demand) and "+ +" (contributed considerably to increasing demand) and the sum of banks responding "- " (contributed somewhat to lowering demand) and "--" (contributed considerably to lowering demand). "°" means "contributed to basically unchanged demand". 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)**

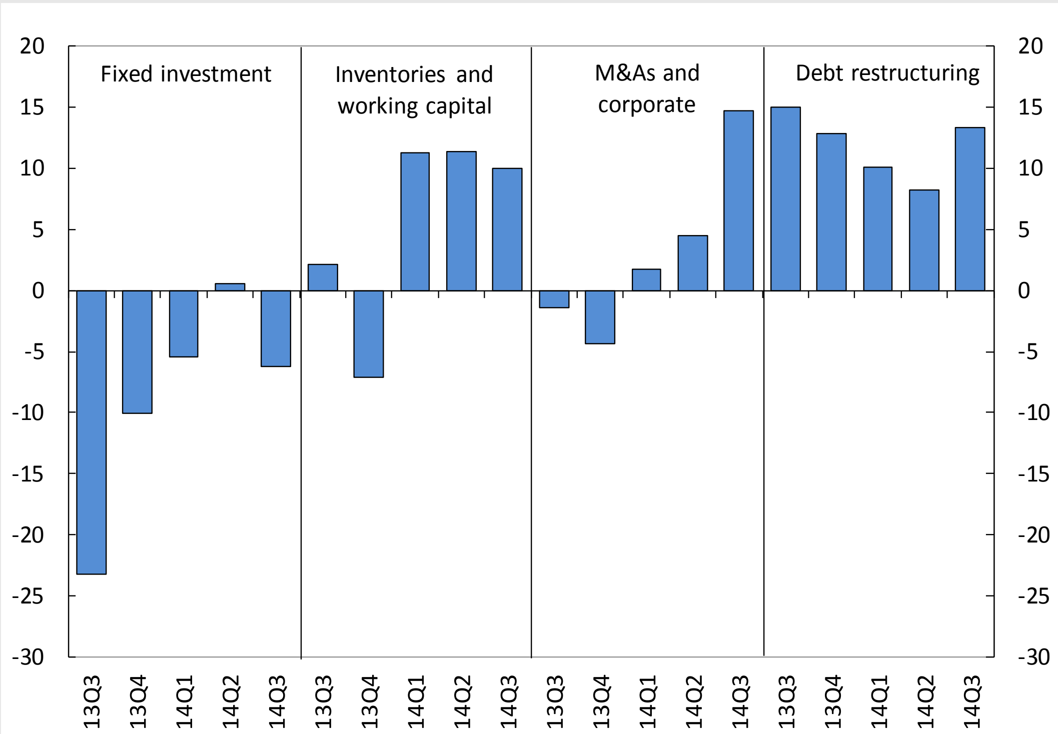
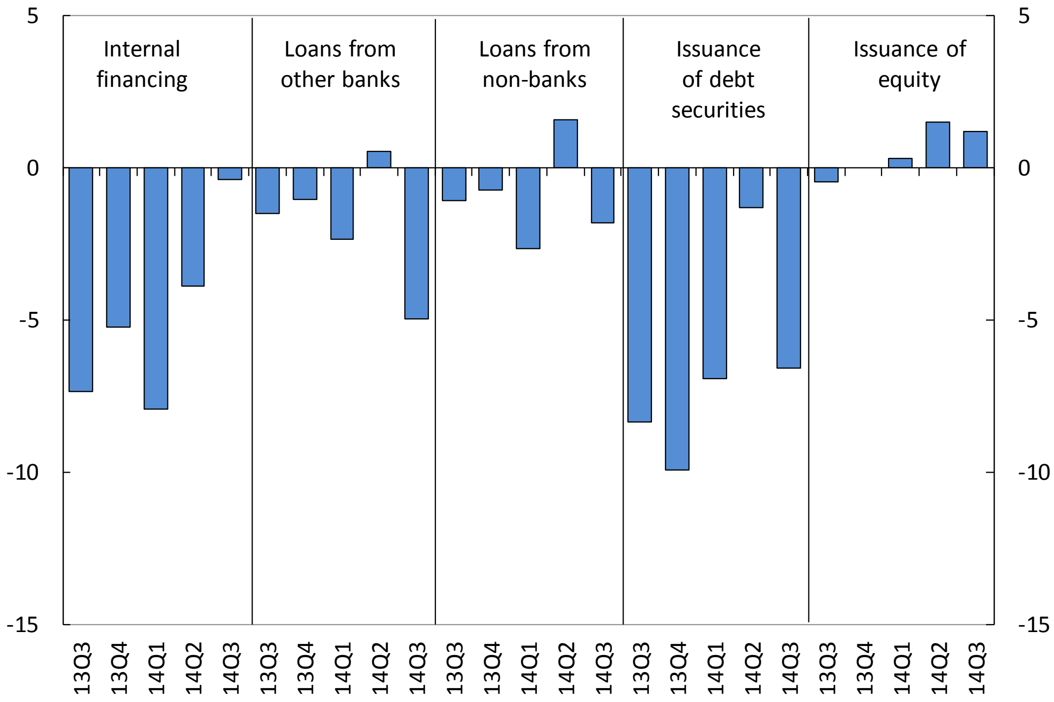


**Chart 5b**

## 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)*

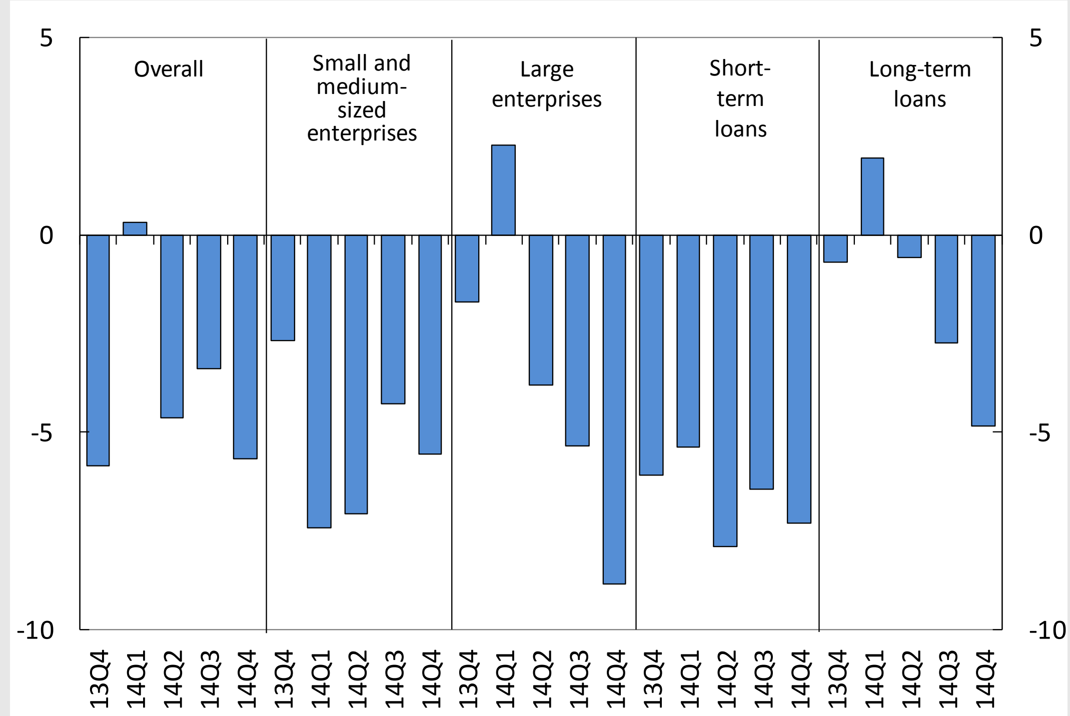
| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Tighten considerably | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tighten somewhat | 1 | 2 | 0 | 1 | 1 | 2 | 0 | 1 | 1 | 3 |
| Remain basically unchanged | 94 | 89 | 95 | 92 | 92 | 88 | 93 | 90 | 94 | 89 |
| Ease somewhat | 5 | 8 | 4 | 7 | 7 | 11 | 7 | 9 | 4 | 8 |
| 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*** | ***-3*** | ***-6*** | ***-4*** | ***-6*** | ***-5*** | ***-9*** | ***-6*** | ***-7*** | ***-3*** | ***-5*** |
| ***Diffusion index*** | ***-2*** | ***-3*** | ***-2*** | ***-3*** | ***-3*** | ***-4*** | ***-3*** | ***-4*** | ***-1*** | ***-2*** |
| *Mean* | *3.04* | *3.06* | *3.05* | *3.06* | *3.06* | *3.09* | *3.07* | *3.07* | *3.03* | *3.05* |
| ***Number of banks responding*** | ***131*** | ***131*** | ***126*** | ***127*** | ***128*** | ***127*** | ***131*** | ***131*** | ***131*** | ***131*** |

*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 demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations) *(in percentages, unless otherwise stated)*

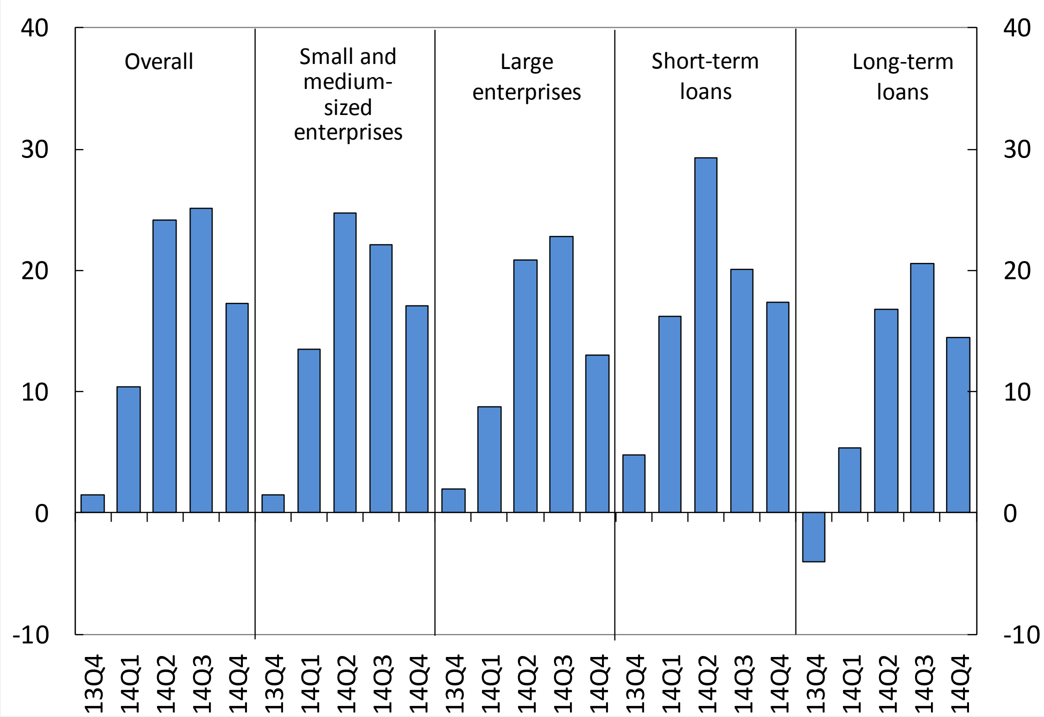
| | Overall | | Loans to small and medium-sized enterprises | | Loans to large enterprises | | Short-term loans | | Long-term loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Decrease considerably | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| Decrease somewhat | 4 | 4 | 6 | 6 | 3 | 5 | 4 | 3 | 5 | 4 |
| Remain basically unchanged | 67 | 73 | 65 | 69 | 71 | 76 | 71 | 75 | 70 | 75 |
| Increase somewhat | 29 | 22 | 29 | 24 | 26 | 18 | 24 | 21 | 25 | 19 |
| 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*** | ***25*** | ***17*** | ***22*** | ***17*** | ***23*** | ***13*** | ***20*** | ***17*** | ***21*** | ***14*** |
| ***Diffusion index*** | ***13*** | ***8*** | ***11*** | ***8*** | ***11*** | ***6*** | ***10*** | ***8*** | ***10*** | ***7*** |
| *Mean* | *3.25* | *3.17* | *3.22* | *3.17* | *3.23* | *3.12* | *3.20* | *3.17* | *3.21* | *3.14* |
| ***Number of banks responding*** | ***130*** | ***131*** | ***125*** | ***127*** | ***127*** | ***127*** | ***130*** | ***131*** | ***130*** | ***131*** |

*Notes: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased 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)*

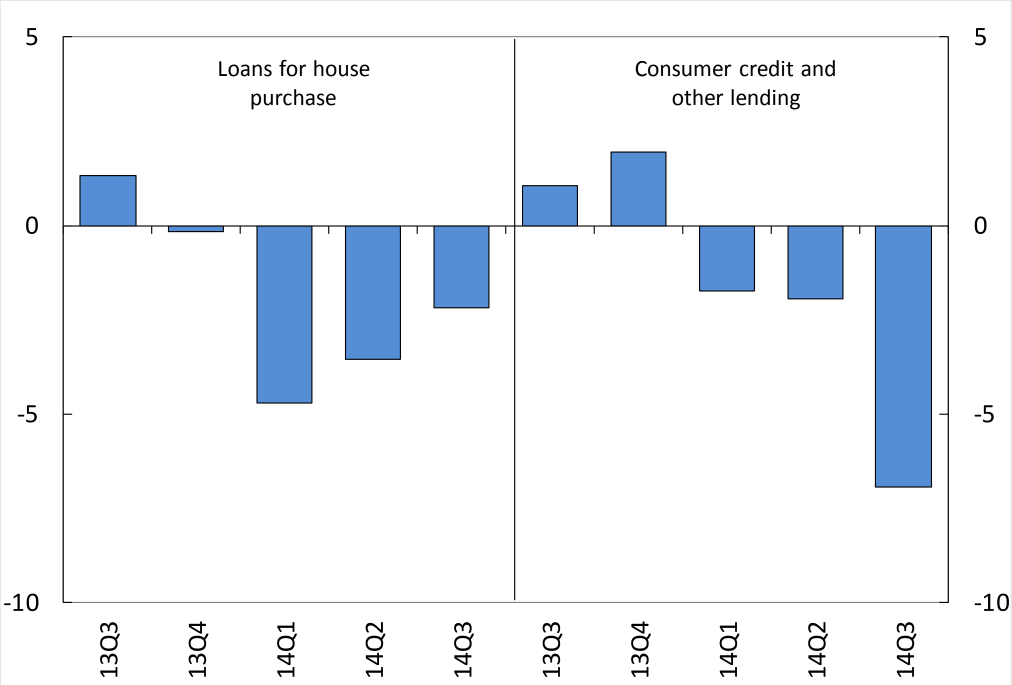
| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Tightened considerably | 0 | 0 | 0 | 0 |
| Tightened somewhat | 1 | 2 | 0 | 1 |
| Remained basically unchanged | 94 | 94 | 97 | 92 |
| Eased somewhat | 5 | 4 | 2 | 8 |
| Eased considerably | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | ***-4*** | ***-2*** | ***-2*** | ***-7*** |
| ***Diffusion index*** | ***-2*** | ***-1*** | ***-1*** | ***-3*** |
| *Mean* | *3.04* | *3.02* | *3.02* | *3.07* |
| ***Number of banks responding*** | ***126*** | ***126*** | ***127*** | ***127*** |

*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 loans to households for house purchase? *(in percentages, unless otherwise stated)*

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Cost of funds and balance sheet constraints | 1 | 1 | 94 | 4 | 0 | 0 | -2 | -1 | -1 | 0 | 3.02 | 3.01 |
| B) Pressure from competition | | | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 90 | 9 | 0 | 0 | -6 | -9 | -3 | -5 | 3.06 | 3.09 |
| Competition from non-banks | 0 | 0 | 99 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3.00 | 3.00 |
| C) Perception of risk | | | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 2 | 98 | 0 | 0 | 0 | -2 | 1 | -1 | 1 | 3.02 | 2.99 |
| Housing market prospects | 0 | 4 | 95 | 1 | 0 | 0 | 0 | 3 | 0 | 2 | 3.00 | 2.97 |

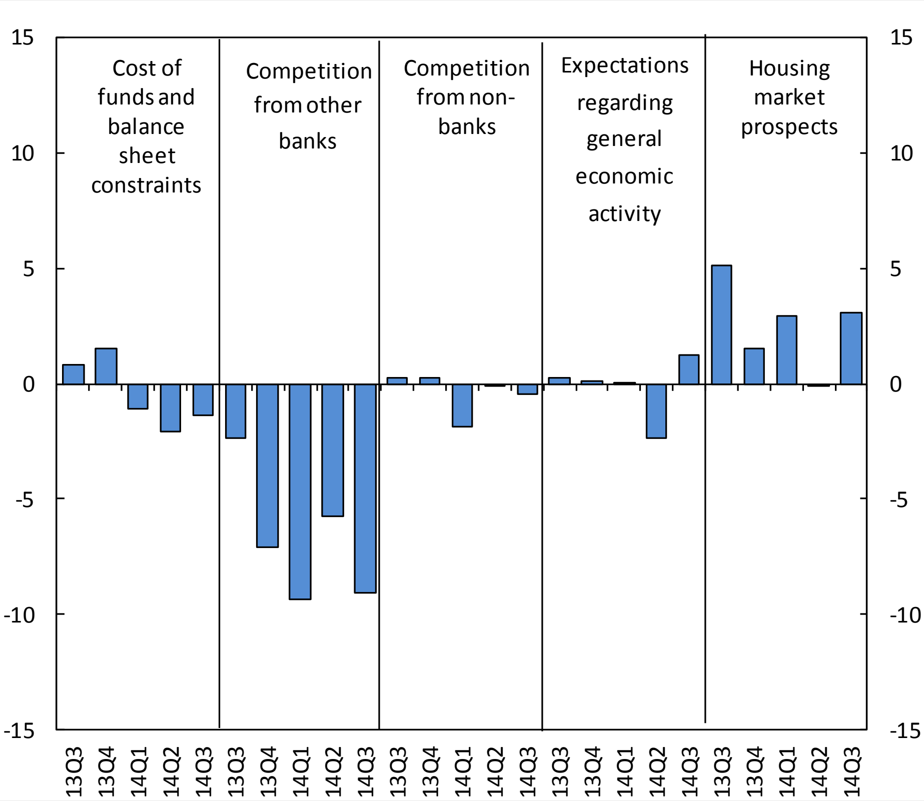
*NA = not available; NetP = net percentage; DI = diffusion index.*

*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 <u>loans to households for house purchase</u> changed? *(in percentages, unless otherwise stated)*

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Price | | | | | | | | | | | | |
| Your bank's margin on average loans | 1 | 4 | 61 | 34 | 0 | 0 | -30 | -30 | -15 | -14 | 3.31 | 3.29 |
| Your bank's margin on riskier loans | 1 | 6 | 88 | 5 | 0 | 0 | 0 | 2 | 0 | 1 | 2.99 | 2.97 |
| B) Other conditions and terms | | | | | | | | | | | | |
| Collateral requirements | 0 | 1 | 99 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 3.00 | 2.99 |
| Loan-to-value ratio | 0 | 2 | 96 | 2 | 0 | 0 | 1 | -1 | 0 | 0 | 2.99 | 3.01 |
| Maturity | 0 | 0 | 98 | 2 | 0 | 0 | 2 | -2 | 1 | -1 | 2.98 | 3.02 |
| Non-interest rate charges | 0 | 0 | 100 | 0 | 0 | 0 | -1 | 0 | 0 | 0 | 3.00 | 3.00 |

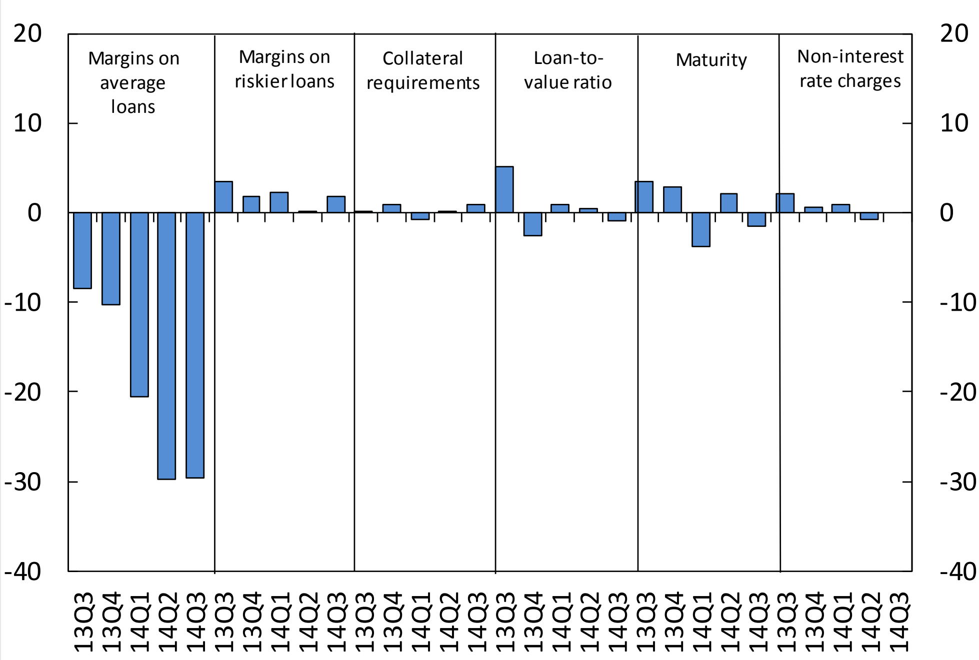
*NA = not available; NetP = net percentage; DI = diffusion index.*

*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 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Cost of funds and balance sheet constraints | 0 | 1 | 92 | 7 | 0 | 0 | -2 | -5 | -1 | -3 | 3.02 | 3.05 |
| B) Pressure from competition | | | | | | | | | | | | |
| Competition from other banks | 0 | 0 | 96 | 4 | 0 | 0 | -9 | -4 | -5 | -2 | 3.09 | 3.04 |
| Competition from non-banks | 0 | 0 | 99 | 1 | 0 | 0 | -6 | -1 | -3 | -1 | 3.06 | 3.01 |
| C) Perception of risk | | | | | | | | | | | | |
| Expectations regarding general economic activity | 0 | 1 | 98 | 1 | 0 | 0 | -2 | 1 | -1 | 0 | 3.02 | 2.99 |
| Creditworthiness of consumers | 0 | 1 | 98 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 3.00 | 2.99 |
| Risk on collateral demanded | 0 | 1 | 99 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 2.99 | 2.99 |

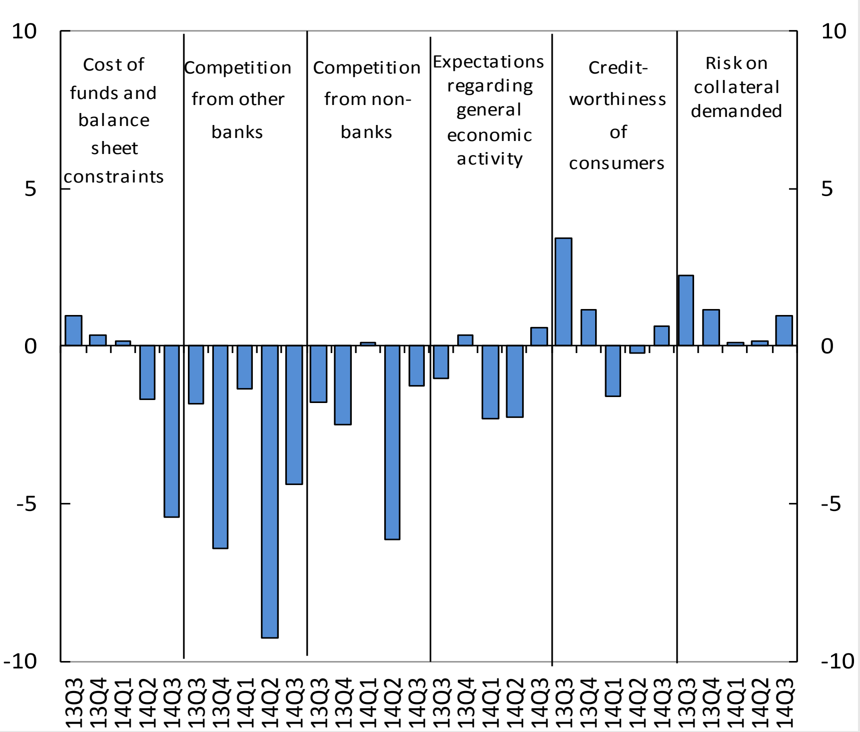
*NA = not available; NetP = net percentage; DI = diffusion index.*

*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 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 <u>consumer credit and other lending to households</u> changed? *(in percentages, unless otherwise stated)*

| | -- | - | ° | + | ++ | NA | NetP | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Price | | | | | | | | | | | | |
| Your bank's margin on average loans | 0 | 2 | 88 | 10 | 0 | 0 | -14 | -8 | -7 | -4 | 3.14 | 3.08 |
| Your bank's margin on riskier loans | 0 | 2 | 95 | 3 | 0 | 0 | 2 | -1 | 1 | -1 | 2.98 | 3.01 |
| B) Other conditions and terms | | | | | | | | | | | | |
| Collateral requirements | 0 | 0 | 99 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.00 | 3.00 |
| Maturity | 0 | 0 | 100 | 0 | 0 | 0 | -3 | 0 | -1 | 0 | 3.03 | 3.00 |
| Non-interest rate charges | 0 | 0 | 100 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 2.98 | 3.00 |

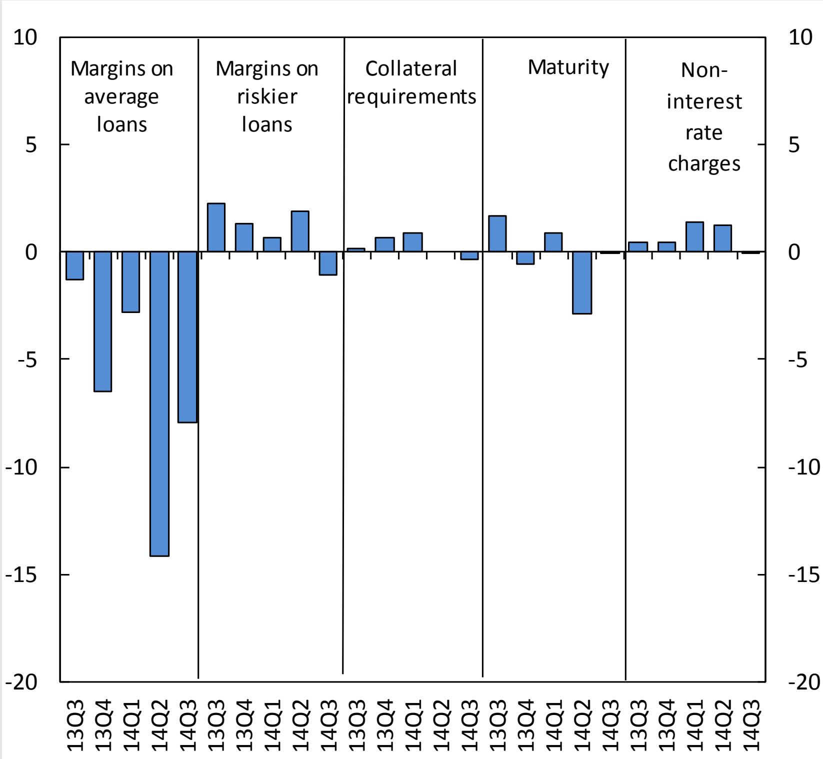
*NA = not available; NetP = net percentage; DI = diffusion index.*

*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 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)*

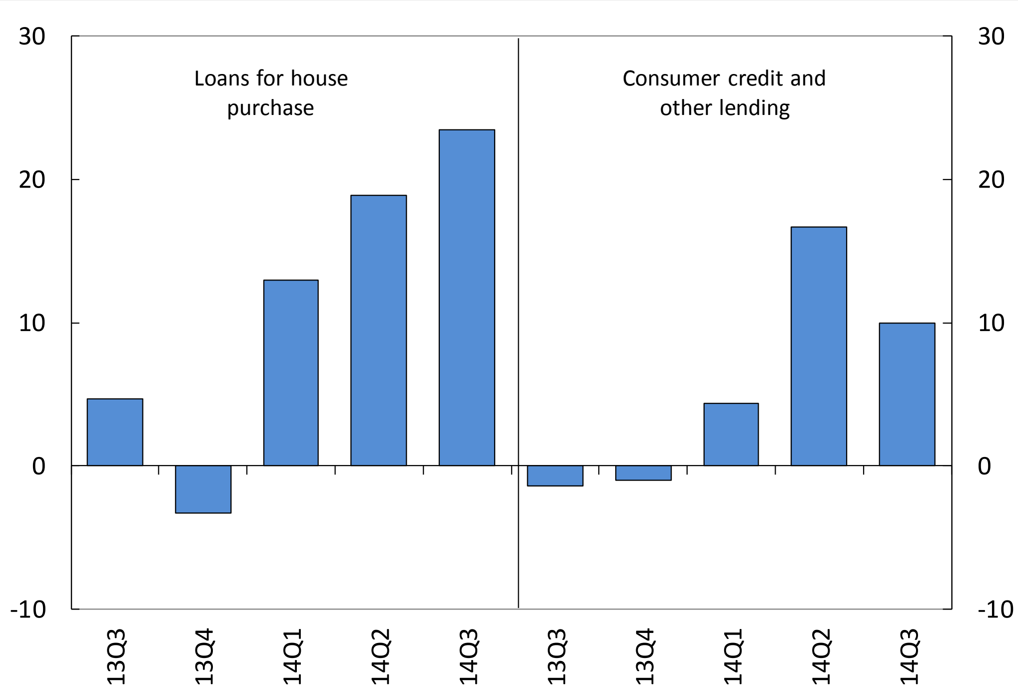
| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Decreased considerably | 2 | 1 | 0 | 0 |
| Decreased somewhat | 13 | 8 | 4 | 7 |
| Remained basically unchanged | 50 | 58 | 76 | 75 |
| Increased somewhat | 33 | 31 | 20 | 17 |
| Increased considerably | 1 | 2 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | ***19*** | ***23*** | ***17*** | ***10*** |
| ***Diffusion index*** | ***9*** | ***12*** | ***8*** | ***5*** |
| *Mean* | *3.18* | *3.24* | *3.17* | *3.10* |
| ***Number of banks responding*** | ***126*** | ***126*** | ***128*** | ***128*** |

*Notes: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Financing needs | | | | | | | | | | | | |
| Housing market prospects | 0 | 3 | 72 | 25 | 0 | 0 | 10 | 22 | 5 | 11 | 3.11 | 3.22 |
| Consumer confidence | 0 | 5 | 78 | 15 | 2 | 0 | 13 | 11 | 7 | 7 | 3.14 | 3.13 |
| Non-housing-related consumption expenditure | 0 | 3 | 96 | 2 | 0 | 0 | 0 | -1 | 0 | -1 | 3.00 | 2.99 |
| B) Use of alternative finance | | | | | | | | | | | | |
| Household savings | 0 | 7 | 92 | 0 | 1 | 0 | -5 | -6 | -3 | -2 | 2.94 | 2.95 |
| Loans from other banks | 0 | 7 | 93 | 0 | 0 | 0 | -3 | -7 | -2 | -3 | 2.96 | 2.93 |
| Other sources of finance | 0 | 2 | 96 | 1 | 0 | 0 | -2 | -1 | -1 | 0 | 2.97 | 2.99 |

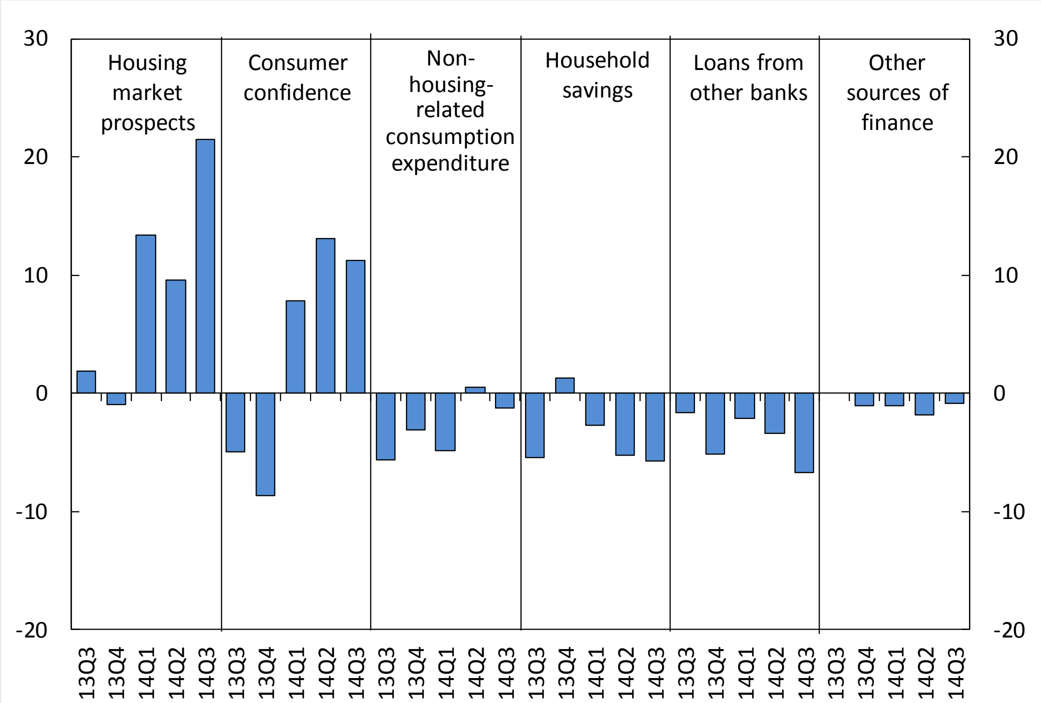
*NA = not available; NetP = net percentage; DI = diffusion index.*

*Notes: The net percentage is defined as the difference between the sum of banks responding "+" (contributed somewhat to increasing demand) and "+ +" (contributed considerably to increasing demand) and the sum of banks responding "- " (contributed somewhat to lowering demand) and "--" (contributed considerably to lowering demand). "°" means "contributed to basically unchanged demand". 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 | | DI | | Mean | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Jul 14 | Oct 14 | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| A) Financing needs | | | | | | | | | | | | |
| Spending on durable consumer goods | 0 | 7 | 81 | 11 | 1 | 0 | 15 | 5 | 8 | 3 | 3.17 | 3.07 |
| Consumer confidence | 0 | 7 | 82 | 11 | 0 | 0 | 11 | 4 | 6 | 2 | 3.12 | 3.04 |
| Securities purchases | 0 | 0 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.00 | 2.99 |
| B) Use of alternative finance | | | | | | | | | | | | |
| Household savings | 0 | 8 | 91 | 1 | 0 | 0 | -3 | -7 | -1 | -3 | 2.97 | 2.93 |
| Loans from other banks | 0 | 4 | 96 | 0 | 0 | 0 | -1 | -4 | 0 | -2 | 2.99 | 2.96 |
| Other sources of finance | 0 | 0 | 100 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 3.01 | 3.00 |

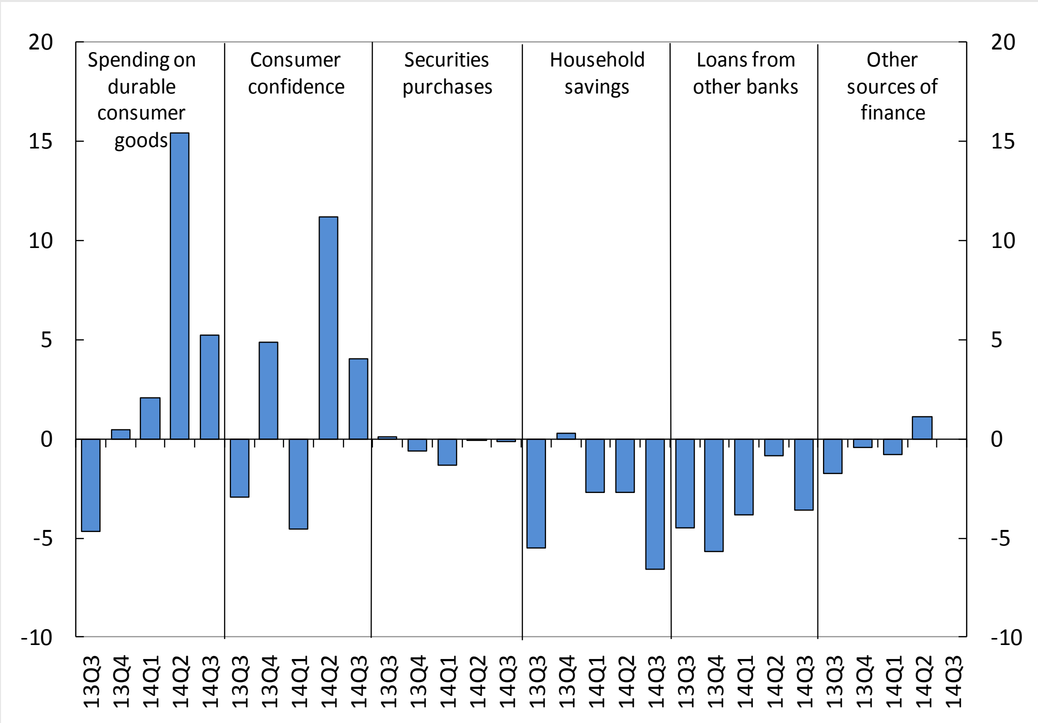
*NA = not available; NetP = net percentage; DI = diffusion index.*

*Notes: The net percentage is defined as the difference between the sum of banks responding "+" (contributed somewhat to increasing demand) and "+ +" (contributed considerably to increasing demand) and the sum of banks responding "- " (contributed somewhat to lowering demand) and "--" (contributed considerably to lowering demand). "°" means "contributed to basically unchanged demand". 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)*

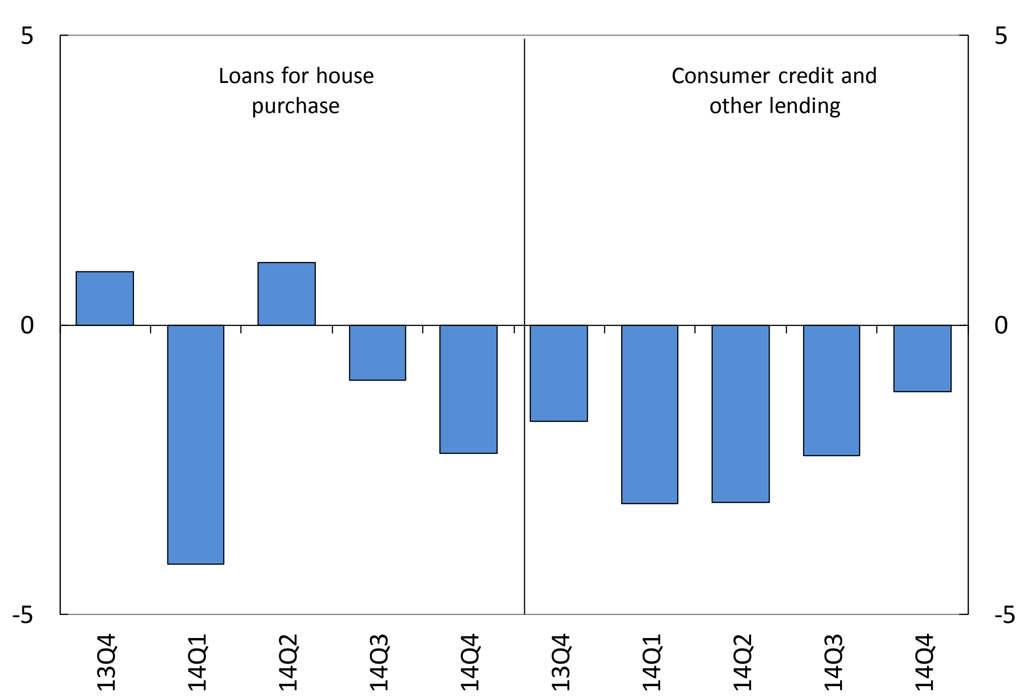
| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Tighten considerably | 0 | 0 | 0 | 0 |
| Tighten somewhat | 2 | 2 | 0 | 1 |
| Remain basically unchanged | 96 | 94 | 97 | 98 |
| Ease somewhat | 2 | 4 | 2 | 2 |
| Ease considerably | 0 | 0 | 0 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | ***-1*** | ***-2*** | ***-2*** | ***-1*** |
| ***Diffusion index*** | ***0*** | ***-1*** | ***-1*** | ***-1*** |
| *Mean* | *3.01* | *3.02* | *3.03* | *3.01* |
| ***Number of banks responding*** | ***126*** | ***125*** | ***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 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)*

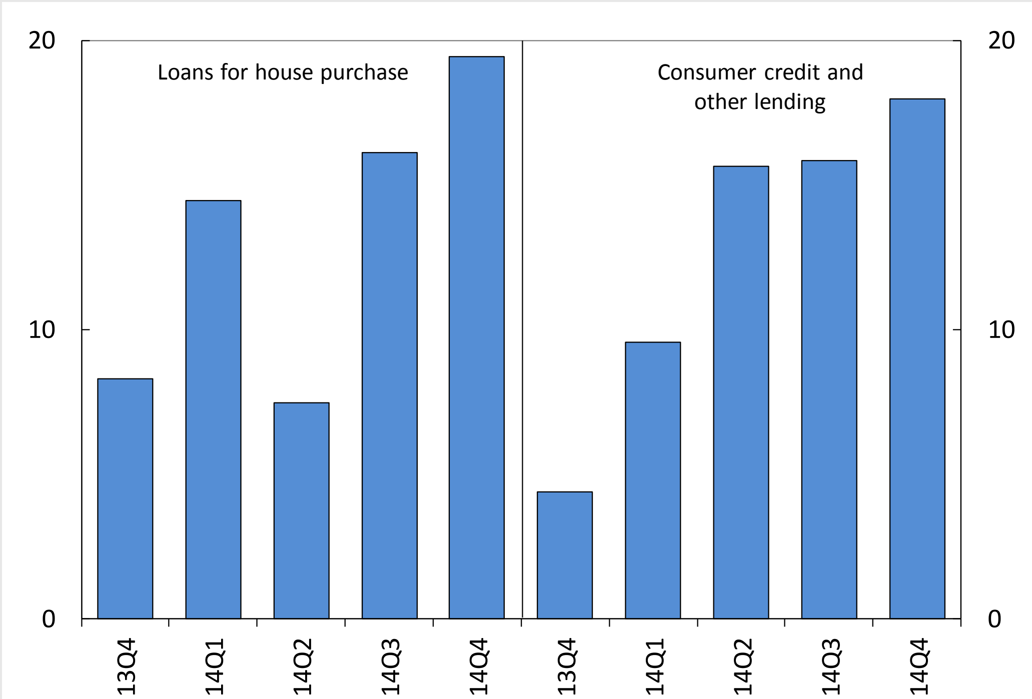
| | Loans for house purchase | | Consumer credit and other lending | |
|---|---|---|---|---|
| | Jul 14 | Oct 14 | Jul 14 | Oct 14 |
| Decrease considerably | 0 | 0 | 0 | 0 |
| Decrease somewhat | 6 | 4 | 0 | 1 |
| Remain basically unchanged | 71 | 73 | 84 | 79 |
| Increase somewhat | 23 | 22 | 14 | 19 |
| Increase considerably | 0 | 1 | 1 | 0 |
| *Total* | *100* | *100* | *100* | *100* |
| ***Net percentage*** | ***16*** | ***19*** | ***16*** | ***18*** |
| ***Diffusion index*** | ***8*** | ***10*** | ***9*** | ***9*** |
| *Mean* | *3.16* | *3.21* | *3.17* | *3.18* |
| ***Number of banks responding*** | ***126*** | ***125*** | ***128*** | ***127*** |

*Notes: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased 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 | + | + + | NetP | Mean | Standard deviation | -- | - | o | + | + + | NetP | Mean | Standard deviation | |
| A) Retail funding | | | | | | | | | | | | | | | | | |
| Short-term deposits (up to one year) | 0 | 0 | 81 | 16 | 2 | -17 | 3.20 | 0.53 | 0 | 1 | 82 | 15 | 2 | -15 | 3.19 | 0.49 | 12 |
| Long-term (more than one year) deposits and other retail funding instruments | 0 | 4 | 83 | 13 | 0 | -8 | 3.09 | 0.45 | 0 | 1 | 90 | 9 | 0 | -7 | 3.09 | 0.36 | 12 |
| B) Inter-bank unsecured money market | | | | | | | | | | | | | | | | | |
| Very short-term money market (up to one week) | 0 | 1 | 82 | 16 | 0 | -13 | 3.15 | 0.46 | 0 | 1 | 86 | 13 | 0 | -12 | 3.14 | 0.40 | 12 |
| Short-term money market (more than one week) | 0 | 2 | 84 | 14 | 0 | -11 | 3.12 | 0.45 | 0 | 1 | 82 | 17 | 0 | -15 | 3.17 | 0.43 | 11 |
| C) Wholesale debt securities(3) | | | | | | | | | | | | | | | | | |
| Short-term debt securities (e.g. certificates of deposit or commercial paper) | 0 | 1 | 84 | 14 | 0 | -13 | 3.12 | 0.43 | 0 | 1 | 84 | 14 | 0 | -13 | 3.14 | 0.45 | 23 |
| Medium to long-term debt securities (incl. covered bonds) | 0 | 1 | 71 | 26 | 1 | -24 | 3.26 | 0.54 | 0 | 1 | 71 | 26 | 1 | -26 | 3.27 | 0.52 | 16 |
| D) Securitisation(4) | | | | | | | | | | | | | | | | | |
| Securitisation of corporate loans | 0 | 0 | 87 | 7 | 6 | -12 | 3.18 | 0.59 | 0 | 0 | 78 | 18 | 4 | -22 | 3.26 | 0.59 | 54 |
| Securitisation of loans for house purchase | 0 | 0 | 88 | 5 | 6 | -11 | 3.16 | 0.59 | 0 | 0 | 79 | 17 | 4 | -20 | 3.23 | 0.60 | 53 |
| E) Ability to transfer credit risk off balance sheet(5) | 0 | 1 | 86 | 8 | 6 | -13 | 3.19 | 0.58 | 0 | 1 | 86 | 13 | 0 | -13 | 3.13 | 0.40 | 55 |

(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. Figures may not exactly sum up due to rounding.*

ii. Given the developments observed in the European sovereign debt market1), how have the following factors contributed to changes in 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | -- | - | = | + | + + | NetP | Mean | SD |
| A) Direct exposure to sovereign debt | 0 | 0 | 93 | 6 | 2 | -7 | 3.09 | 0.37 |
| B) Value of sovereign collateral available for wholesale market transactions[2] | 0 | 0 | 93 | 7 | 0 | -7 | 3.07 | 0.28 |
| C) Other effects[3] | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.12 |

| | 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 | | | | | | | |
| | -- | - | = | + | + + | NetP | Mean | SD | -- | - | = | + | + + | NetP | Mean | SD | -- | - | = | + | + + | NetP | Mean | SD |
| A) Direct exposure to sovereign debt | 0 | 0 | 98 | 2 | 0 | -2 | 3.02 | 0.14 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 |
| B) Value of sovereign collateral available for wholesale market transactions[2] | 0 | 0 | 98 | 2 | 0 | -2 | 3.02 | 0.14 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 |
| C) Other effects[3] | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 | 0 | 0 | 100 | 0 | 0 | 0 | 3.00 | 0.00 | 0 | 0 | 100 | 0 | 0 | 0 | 3.00 | 0.00 |

| | 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 | | | | | | | |
| | -- | - | = | + | + + | NetP | Mean | SD | -- | - | = | + | + + | NetP | Mean | SD | -- | - | = | + | + + | NetP | Mean | SD |
| A) Direct exposure to sovereign debt | 0 | 0 | 97 | 3 | 0 | -3 | 3.03 | 0.17 | 0 | 0 | 97 | 3 | 0 | -3 | 3.03 | 0.18 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 |
| B) Value of sovereign collateral available for wholesale market transactions[2] | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.09 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 | 0 | 0 | 99 | 1 | 0 | -1 | 3.01 | 0.11 |
| C) Other effects[3] | 0 | 0 | 100 | 0 | 0 | 0 | 3.00 | 0.00 | 0 | 0 | 100 | 0 | 0 | 0 | 3.00 | 0.00 | 0 | 0 | 100 | 0 | 0 | 0 | 3.00 | 0.00 |

(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. Figures may not exactly sum up due to rounding.*

iii. Did your bank participate in the initial TLTRO of September 2014? Does your bank intend to participate in the initial TLTRO of December 2014? And does your bank intend to participate in the additional TLTROs to be conducted between 2015 and 2016?

**PARTICIPATION**

| | Yes | No | Currently undecided about participation |
|---|---|---|---|
| In the initial TLTRO of September 2014 | 44 | 56 | |
| In the initial TLTRO of December 2014 | 47 | 24 | 29 |
| In the additional TLTROS in 2015 and 2016 | 23 | 14 | 63 |

**REASONS**

**Please choose the category which applies most:**

If your bank participated, intends to participate:

| | Attractive TLTRO conditions (profitability motive) | Precautionary motive (to reduce current and/or prevent future funding difficulties) | To enhance the fulfilment of regulatory liquidity requirements 1) |
|---|---|---|---|
| In the initial TLTRO of September 2014 | 58 | 19 | 23 |
| In the initial TLTRO of December 2014 | 65 | 24 | 11 |
| In the additional TLTROS in 2015 and 2016 | 47 | 41 | 12 |

**Please choose the category which applies most:**

If your bank did not participate, does not intend to participate:

| | No funding constraints | Concerns about insufficient loan demand 2) | Capital constraints | Collateral constraints | Concerns about market stigma |
|---|---|---|---|---|---|
| In the initial TLTRO of September 2014 | 63 | 19 | 2 | 1 | 15 |
| In the initial TLTRO of December 2014 | 67 | 3 | 9 | 20 | 0 |
| In the additional TLTROs in 2015 and 2016 | 89 | 9 | 0 | 2 | 0 |

1) The long-term TLTRO funds may enhance the fulfilment of the net stable funding ratio.
2) This includes concerns about the fulfilment of the required TLTRO net lending benchmark.
3) Such as for instance legal constraints related to state aid rules, perception of TLTRO conditions as not sufficiently attractive, etc.

iv. For which purposes did, will or would your bank use funds obtained from the initial TLTROs of September and December 2014? For which purposes does your bank intend to use funds obtained from the additional TLTROs in 2015 and 2016?

| | Initial TLTROs September and December 2014 | | | | Additional TLTROs in 2015 and 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Has contributed, will or would contribute considerably to this purpose | Has contributed, will or would contribute somewhat to this purpose | Has had, will or would basically have no impact | N/A 1) | Will or would contribute considerably to this purpose | Will or would contribute somewhat to this purpose | Will or would basically have no impact | N/A 2) |
| **For refinancing:** | | | | | | | | |
| For substituting deposit shortfalls | 1 | 7 | 91 | 34 | 1 | 8 | 91 | 33 |
| For substituting maturing debt | 1 | 29 | 70 | 30 | 2 | 34 | 65 | 30 |
| For substituting interbank lending | 1 | 22 | 77 | 30 | 2 | 20 | 78 | 31 |
| For substituting other Eurosystem liquidity operations 3) | 19 | 25 | 57 | 25 | 14 | 28 | 58 | 26 |
| **For granting loans:** | | | | | | | | |
| Loans to non-financial corporations | 20 | 67 | 13 | 21 | 33 | 56 | 11 | 22 |
| Loans to households for house purchase | 3 | 35 | 62 | 25 | 3 | 32 | 65 | 26 |
| Consumer credit and other lending to households | 10 | 52 | 38 | 22 | 22 | 43 | 35 | 24 |
| **For purchasing assets:** | | | | | | | | |
| Domestic sovereign bonds | 0 | 13 | 87 | 26 | 1 | 3 | 95 | 29 |
| Other financial assets 4) | 0 | 12 | 88 | 27 | 1 | 3 | 96 | 30 |

1) Please use the category "N/A" only if you did not participate in the initial September 2014 TLTRO and have decided not to participate in the initial December 2014 TLTRO.
2) Please use the category "N/A" only if you have decided not to participate in the additional TLTROs.
3) This includes the replacement of the three-year LTRO funds.
4) "Other financial assets" refer to euro-denominated assets other than domestic sovereign bonds and non-euro-denominated assets, including loans to other banks and other financial intermediaries.

v. Did, will or would the initial TLTROs of September and December 2014 improve your financial situation in the following areas and did, will or would this have an impact on your lending behaviour? Will or would the additional TLTROs to be conducted in 2015 and 2016 improve your financial situation in the following areas and, if so will this have an impact on your lending behaviour?

**FINANCIAL SITUATION OF YOUR BANK**

| | Initial TLTROs September and December 2014 | | | | Additional TLTROs in 2015 and 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Has improved, will or would improve considerably | Has improved, will or would improve somewhat | Has had, will or would have basically no impact | N/A 1) | Will or would improve considerably | Will or would improve somewhat | Will or would basically have no impact | N/A 2) |
| Your liquidity position | 10 | 34 | 57 | 21 | 5 | 30 | 65 | 19 |
| Your market financing conditions | 6 | 30 | 64 | 21 | 5 | 32 | 63 | 19 |
| Your ability to improve your profitability | 1 | 29 | 70 | 20 | 2 | 30 | 69 | 19 |
| Your ability to improve your capital position (via retained earnings) | 0 | 15 | 85 | 22 | 0 | 14 | 86 | 20 |
| | Has decreased, will or would decrease considerably | Has decreased, will or would decrease somewhat | Has had, will or would have basically no impact | N/A 1) | Will or would decrease considerably | Will or would decrease somewhat | Will or would basically have no impact | N/A 2) |
| Your need to deleverage 3) | 0 | 8 | 92 | 24 | 2 | 7 | 91 | 22 |

**IMPACT ON YOUR BANK'S CREDIT STANDARDS AND TERMS AND CONDITIONS**

| | Initial TLTROs September and December 2014 | | | | Additional TLTROs in 2015 and 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Has contributed, will or would contribute considerably to easing credit standards / terms and conditions | Has contributed, will or would contribute somewhat to easing credit standards / terms and conditions | Has had, will or would have basically no impact on credit standards / terms and conditions | N/A 1) | Will or would contribute considerably to easing credit standards / terms and conditions | Will or would contribute somewhat to easing credit standards / terms and conditions | Will or would have basically no impact on credit standards / terms and conditions | N/A 2) |
| **Credit standards:** | | | | | | | | |
| On loans to enterprises | 0 | 4 | 96 | 22 | 0 | 8 | 92 | 21 |
| On loans to households for house purchase | 0 | 1 | 99 | 25 | 0 | 4 | 96 | 24 |
| On consumer credit and other lending to households | 0 | 1 | 99 | 23 | 0 | 4 | 96 | 22 |
| **Terms and conditions:** | | | | | | | | |
| On loans to enterprises | 7 | 36 | 57 | 25 | 2 | 46 | 52 | 22 |
| On loans to households for house purchase | 0 | 10 | 90 | 27 | 0 | 15 | 85 | 24 |
| On consumer credit and other lending to households | 0 | 23 | 77 | 25 | 1 | 28 | 72 | 22 |

1) Please use the category "N/A" only if you did not participate in the initial September 2014 TLTRO and have decided not to participate in the initial December 2014 TLTRO.

2) Please use the category "N/A" only if you have decided not to participate in the additional TLTROs.

3) A decrease in your need to deleverage should be understood as a mitigation of pressures to reduce your asset side on account of funding or capital constraints.

# 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.