EUROPEAN CENTRAL BANK

EUROSYSTEM

In 2012 all ECB publications feature a motif taken from the €50 banknote.

THE EURO AREA BANK LENDING SURVEY

2ND QUARTER OF 2012

JULY 2012

Address
Kaiserstrasse 29, 60311 Frankfurt am Main, Germany

Postal address
Postfach 16 03 19, 60066 Frankfurt am Main, Germany

Telephone
+49 69 1344 0

Internet
http://www.ecb.europa.eu

Fax
+49 69 1344 6000

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The results reported in the July 2012 bank lending survey (BLS) relate to changes during the second quarter of 2012 and expectations of changes in the third quarter of 2012. The survey was conducted between 21 June 2012 and 5 July 2012. 130 banks participated in the survey out of a sample of 131 euro area banks.
In this survey round, three ad hoc questions were added to the regular questionnaire: one question addressing the impact of the financial turmoil on access to retail and wholesale funding, one on the impact of the sovereign debt crisis and one on the likely impact of ongoing regulatory changes on credit standards.

1 OVERVIEW OF THE RESULTS

Despite the re-intensification of the sovereign debt crisis in the second quarter of 2012, the July 2012 bank lending survey (BLS) shows that the net tightening of banks' credit standards was broadly stable at the euro area level in the second quarter of 2012 compared with the first quarter, both for loans to enterprises (10% in net terms, compared with 9% in the first quarter of 2012) and for loans to households (13% for housing loans, compared with 17% in the first quarter of 2012, and 7% for consumer credit, compared with 5% in the first quarter of 2012). The net tightening in the second quarter of 2012 was much lower than in the fourth quarter of 2011. The impact of banks' cost of funds and balance sheet constraints on the net tightening of credit standards was, in the case of enterprises, stable vis-à-vis the first quarter of 2012, whilst there was some deterioration in the case of households.
The broadly stable net tightening of credit standards in the second quarter of 2012 was reflected in overall limited changes of terms and conditions on loans to enterprises by euro area banks. Specifically, the widening of margins on average loans to enterprises changed little compared with the first quarter of 2012 (25%, compared with 22% in the first quarter). By contrast, the widening of margins for average housing loans as well as for riskier loans to enterprises and households declined considerably further. These price developments seem to reflect a somewhat less pronounced degree of risk-related price differentiation by banks.
Looking ahead to the third quarter of 2012, euro area banks expect a similar degree of net tightening in credit standards for loans to enterprises (10% in the third quarter of 2012), and a further decline for housing loans (to 5% in the third quarter of 2012) and for consumer credit (to 2% in the third quarter of 2012).

Turning to loan demand developments, euro area banks continued to report, on balance, a significant fall in the demand for loans to enterprises in the second quarter of 2012, although the balance was somewhat less negative than in the first quarter of 2012 (-25%, compared with -30% in the first quarter). As in the first quarter, according to reporting banks, the fall in the second quarter was mainly driven by a substantial negative impact from fixed investment on the financing needs of firms. The ongoing decline in net demand for loans to households for house purchase abated in the second quarter compared with the first quarter (-21%, from -43% in the first quarter), whereas net demand for consumer credit remained broadly unchanged (-27%, compared with -26% in the first quarter). Looking ahead to the third quarter, banks expect a continued decline in the net demand for loans, both for enterprises and households, even if less negative than in the second quarter.

The July 2012 BLS round included three ad hoc questions. Regarding the first ad hoc question on banks' access to retail and wholesale funding in the second quarter of 2012, in contrast to the improvement seen in the first quarter, banks reported some deterioration in their access to retail and wholesale funding across all funding categories, albeit below the high levels seen in the fourth quarter of 2011. For the third quarter of 2012, a further moderate deterioration is expected for both retail and wholesale funding.

According to the second ad hoc question on the impact of the sovereign crisis, banks indicated that in the second quarter of 2012 sovereign market tensions impacted substantially more on banks' funding conditions than in the previous quarter. Despite this deterioration, the impact on euro area banks' credit standards remained contained in the second quarter of 2012. Third, regarding adjustments to new regulatory capital requirements, banks continued to shed risk-weighted assets and increased capital positions in the first half of 2012 to adjust to the new requirements.

Box 1

GENERAL NOTES

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

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[1] The sample group of banks participating in the survey comprises 131 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. Since the banks in the sample group differ considerably in size, the survey results are weighted according to the national shares in total outstanding euro area lending to euro area residents.

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 responses to questions related to credit standards are analysed in this report by focusing on the difference ("net percentage") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing"). Likewise, the term "net demand" refers to the difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks 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 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 survey questions are phrased in terms of changes over the past three months (in this case in the second quarter of 2012) or expectations of changes over the next three months (i.e. in the third quarter of 2012).

Detailed tables and charts on the responses are provided in Annex 1 on the individual questions and in Annex 2 on 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] 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 the April 2003 issue of the ECB's Monthly Bulletin and J. Berg et al. (2005), "The bank lending survey for the euro area", ECB Occasional Paper No 23.

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

2.1 ENTERPRISES

2.1.1 NET TIGHTENING OF CREDIT STANDARDS FOR LOANS TO ENTERPRISES REMAINED STABLE IN THE SECOND QUARTER OF 2012

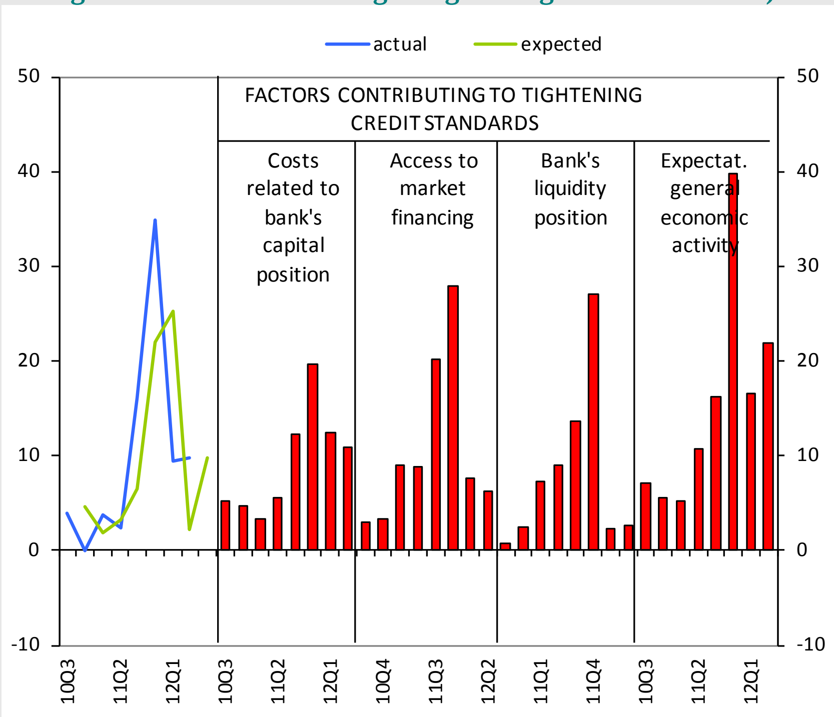
Despite the re-intensification of the sovereign debt crisis in the second quarter of 2012, the July 2012 BLS indicates that the net tightening of banks' credit standards on loans to enterprises was stable at the euro area level in the second quarter of 2012, at 10%, compared with 9% in the first quarter. It was much lower than in the fourth quarter of 2011 (35%) (see Chart 1). At the time of the previous survey round, survey participants had even expected a somewhat further decline in the net tightening (2%). However, this was not realised, owing possibly to the intensification of the sovereign debt crisis in the second quarter of 2012.

In net terms, the overall tightening of credit standards again appears to have been applied more to large firms than to small and medium-sized enterprises (SMEs). The net tightening of credit standards on loans to SMEs increased, from 1% in the first quarter of 2011 to 6% in the second quarter of 2012, and that of credit standards on loans to large firms remained stable at 16% (compared with 17% in the first quarter). Compared with the previous survey round, the net tightening of credit standards increased for short-term loans (to 8%, from 3% in the first quarter of 2012), while it decreased further for long-term loans (to 11% from 15%). Consequently, the tightening of credit standards was still reported to be applied slightly more often in the case of long-term loans than in the case of short-term loans.

Chart 1

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

(net percentages of banks contributing to tightening credit standards)



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

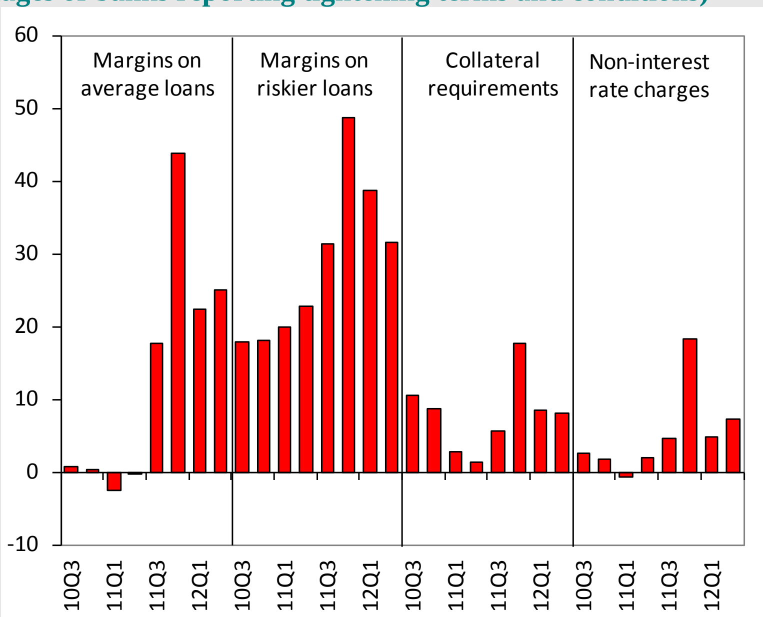
Turning to factors explaining the developments in credit standards, the net percentage of euro area banks reporting that cost of funds and balance sheet constraints contributed to a tightening of credit standards on loans to enterprises remained broadly unchanged in the second quarter of 2012 compared with the first quarter (see Chart 1). In more detail, there was on balance little change in the contributions to the net tightening of credit standards from banks' capital position (11%, from 12% in the first quarter), banks' access to market funding (6%, from 8% in the first quarter) and banks' liquidity position (3%, from 2% in the first quarter). At the same time, the tightening impact from banks' capital position continued to be larger than the impact of the other two factors, indicating banks' ongoing need for balance sheet adjustment. Overall, despite the re-intensification of the sovereign debt crisis in the second quarter of 2012, the impact of banks' cost of funds and balance sheet constraints on the tightening of credit standards on loans to enterprises remained contained.

The impact of banks' risk perceptions on the net tightening of credit standards also remained broadly stable in the second quarter of 2012 compared with the previous quarter. This was related mainly to a basically unchanged impact of industry specific risks (24%, following 23% in the first quarter) as well as collateral risk (8%, after 11% in the first quarter), whereas the impact of expectations regarding general economic activity contributed somewhat more to tighter credit standards than in the previous quarter (22% of euro area banks in net terms, from 17% in the first quarter). The latter is likely related to downside risks in the economic outlook, relating in particular to a renewed increase in financial market tensions. Finally, competitive pressures from other banks continued to work in the direction of an easing of credit standards in the second quarter of 2012 (net easing of 3%, from 9% in the first quarter).

Chart 2

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

(net percentages of banks reporting tightening terms and conditions)



Note: See the notes to Chart 1.

The broadly stable net tightening of credit standards was also reflected in overall limited changes of terms and conditions on loans to enterprises by euro area banks in the second quarter. Specifically, the widening of margins on average loans changed little compared with the first quarter (25% compared with 22%). By contrast, the widening of margins for riskier loans declined further (32%, from 39% in the first quarter). Such price developments seem to reflect a somewhat less pronounced degree of risk-related price differentiation by banks. Regarding non-price components, the net percentage of banks reporting an increase in collateral requirements remained unchanged vis-à-vis the first quarter (at 8%).

Looking ahead to the third quarter of 2012, on balance, euro area banks expect a similar degree of net tightening in credit standards for loans to enterprises (10%) as in the second quarter (see Chart 1). Some further tightening is expected to affect large firms (on balance 12%) rather than SMEs (7%), as well as long-term loans (on balance 12%) rather than short-term loans (4%).

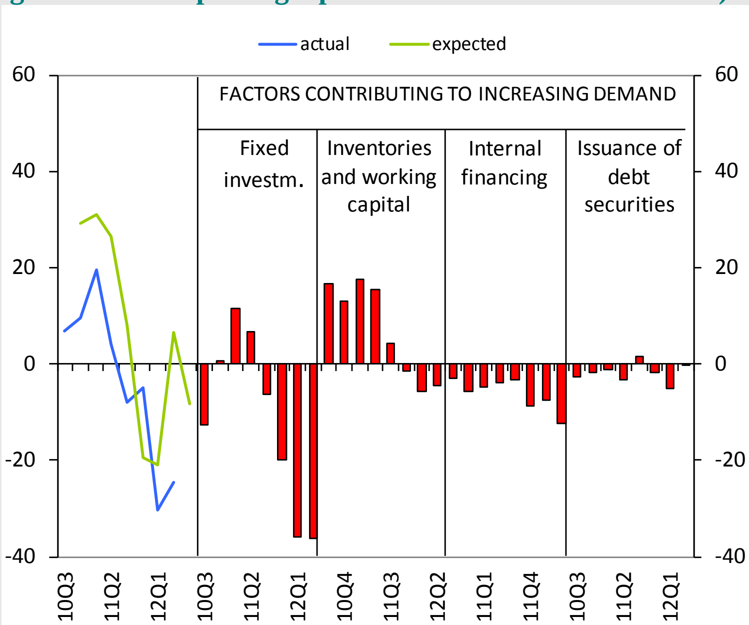
2.1.2 SOMEWHAT LESS NEGATIVE DEMAND FOR LOANS TO NON-FINANCIAL CORPORATIONS

Euro area banks continued to report on balance a significant fall in the demand for loans to enterprises in the second quarter, although the balance was somewhat less negative than in the first quarter (-25%, from -30% in the first quarter) (see Chart 3). For the third quarter of 2012, euro area banks expect a considerably smaller decline in the net demand for loans to enterprises (on balance 8%). As in the first quarter, according to reporting banks, the fall in loan net demand was mainly driven by a substantial negative impact from fixed investment on firms' financing needs (-36% in the second quarter of 2012, unchanged from the first quarter of 2012). Mergers and acquisitions (-13%, compared with -17% in the first quarter) and internal financing of enterprises (-12%, compared with -8% in the first quarter) also contributed considerably to the continued decline in net demand for loans. By contrast, on balance, the issuance of debt securities no longer contributed negatively to loan demand by enterprises (0%, compared with -5% in the first quarter) according to reporting banks.

Chart 3

CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES

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



Notes: "Realised" values refer to 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 the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to increasing demand and the percentage reporting that it contributed to decreasing demand.

2.2 HOUSEHOLDS

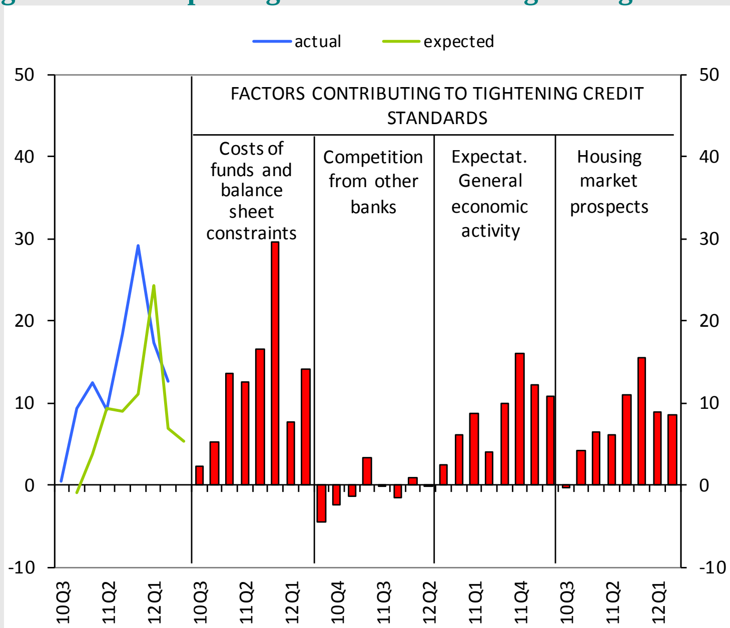
2.2.1 MODERATE DECLINE IN THE NET TIGHTENING OF CREDIT STANDARDS ON LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

In the second quarter of 2012 euro area banks reported a moderate decline in the net tightening of credit standards on loans to households for house purchase. The net percentage of banks reporting a tightening of credit standards on housing loans declined somewhat (to 13%, from 17%) in the first quarter of 2012 (see Chart 4), and less than expected at the time of the previous survey (7%). While pressures from cost of funds and balance sheet constraints on credit standards were broadly stable for corporate loans, there was some increase in this factor for housing loans (14% in net terms, compared with 8% in the first quarter). At the same time, the impact of the general economic outlook (11%, compared with 12% in the first quarter) and of housing market prospects (8%, compared with 9% in the first quarter) on the net tightening of credit standards on housing loans remained broadly unchanged in the second quarter of 2012, in contrast to banks' assessment for corporate loans. Competitive pressures were reported to remain neutral.

Chart 4

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

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



Note: See the notes to Chart 1.

The moderate decline in the net tightening of credit standards on housing loans translated into a further improvement of the terms and conditions on housing loans across all price and non-price categories in the second quarter of 2012. Both the margin on average loans (15% in net terms) and the margin on riskier loans (21% in net terms) declined substantially compared with the first quarter (from 24% and 32% respectively). The considerable improvement in the margin on riskier loans, following very little improvement in the first quarter of 2012, appears to reflect a less pronounced degree of risk-related price differentiation by banks.

Looking ahead, only 5% of euro area banks – in net terms – expect a further tightening of credit standards on loans to households for house purchase in the third quarter of 2012.

2.2.2 SMALLER CONTRACTION IN NET DEMAND FOR HOUSING LOANS

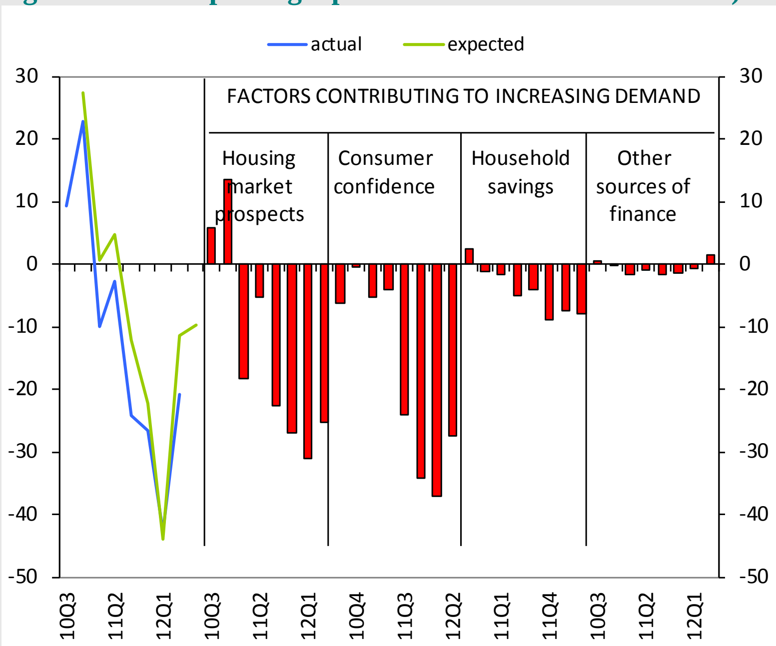
Similar to corporate loan demand, euro area banks reported, on balance, a further contraction in the demand for housing loans in the second quarter of 2012, although the balance became less negative (-21%, compared with -43% in the first quarter of 2012; see Chart 5). Both housing market prospects (-25%, compared with -31% in the first quarter of 2012) and consumer confidence (-27%, compared with -37% in the first quarter of 2012) contributed to the considerable, although lower, decline in net demand for housing loans.

Looking ahead, 10% of euro area banks – in net terms – expect demand for loans for house purchase to decline further in the third quarter of 2012, hinting to a further deceleration in demand contraction.

Chart 5

CHANGES IN DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

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



Note: See the notes to Chart 3.

2.2.3 BROADLY STABLE NET TIGHTENING OF CREDIT STANDARDS FOR CONSUMER LOANS

The net tightening of credit standards for consumer credit reported by euro area banks remained broadly stable in the second quarter of 2012, at 7%, from 5% in the first quarter of 2012 (see Chart 6). Similar to housing loans, pressures emerging from cost of funds and balance sheet constraints on credit standards increased in the second quarter (to 8%, from 3% in the first quarter). At the same time, banks assessed the risk environment (i.e. creditworthiness of loan applicants and, more generally, expectations regarding the economic outlook) to be broadly unchanged with respect to its impact on the net tightening of credit standards.

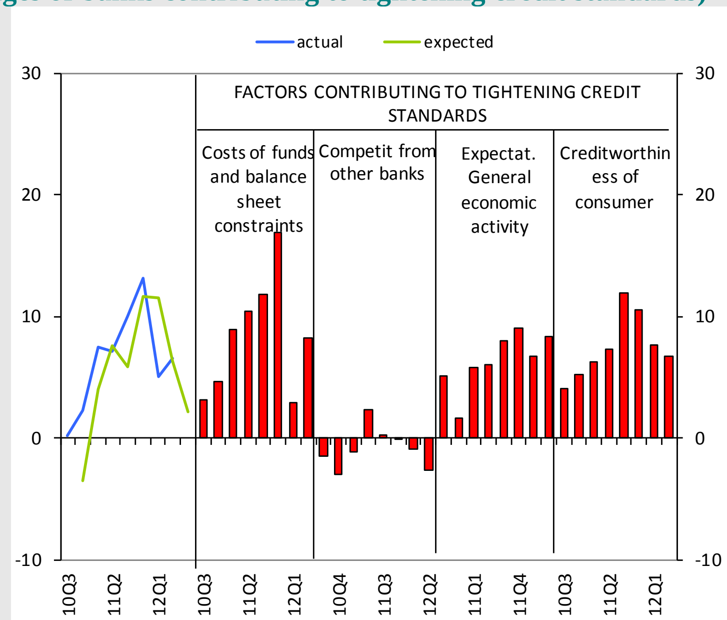
With regard to terms and conditions of consumer credit, banks reported, on balance, that the widening of margins on riskier consumer loans declined in the second quarter of 2012 (to 13%, from 17% in the first quarter), whereas the widening of margins on average consumer loans remained broadly unchanged (at 11%, from 10% in the first quarter). In addition, non-price terms and conditions on consumer credit remained broadly neutral.

Looking ahead, very few euro area banks – 2% in net terms – expect a further tightening of credit standards on consumer credit in the third quarter of 2012.

Chart 6

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

(net percentages of banks contributing to tightening credit standards)



Note: See the notes to Chart 1.

2.2.4 CONTINUED STRONG DECLINE IN NET DEMAND FOR CONSUMER CREDIT

Net demand for consumer credit continued to decline strongly in the second quarter of 2012, at -27% according to euro area banks, compared with -26% in the previous survey round. According to euro area banks, the protracted decline was mainly driven by less household spending on durable goods (-28%, unchanged from the first quarter of 2012) and a decrease in consumer confidence (-26%, compared with -28% in the first quarter of 2012).

Looking ahead to the third quarter of 2012, euro area banks expect a substantial deceleration in the decline of net demand for consumer credit (-8% in net terms).

3 AD HOC QUESTIONS

3.1.1 SOME DETERIORATION IN ACCESSING RETAIL AND WHOLESALE FUNDING, BUT STILL MUCH EASIER ACCESS THAN IN THE FOURTH QUARTER OF 2011

As in the previous surveys, the July 2012 survey questionnaire included an ad hoc question which aimed at assessing the extent to which financial market tensions affected banks' credit standards for loans and credit lines to enterprises and households and to which extent they were expected to affect them in the next three months. Since the fourth quarter of 2011, the question has also assessed access to retail funding.[3]

In the second quarter of 2012, most likely related to the re-intensification of the sovereign debt crisis, euro area banks reported some deterioration in their access to retail and wholesale funding across all funding categories, albeit considerably less than in the fourth quarter of 2011 (see Chart 7). Banks' access to longer-term market segments for retail and wholesale funding deteriorated somewhat more than access to the short-term market segments (i.e. short-term retail funding, very short-term money market and short-term debt securities market), possibly indicating some reluctance of investors towards longer-term investments.

Looking ahead to the third quarter of 2012, a further moderate deterioration is expected by euro area banks for both retail and wholesale funding.

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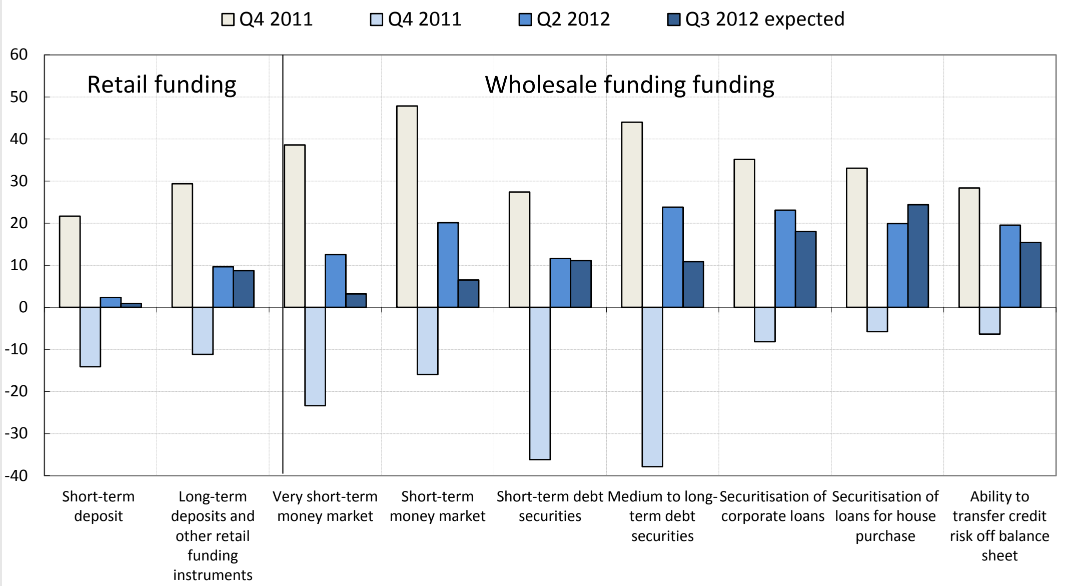
[3] The results shown are calculated as a percentage of the number of banks which did not reply "not applicable".

Chart 7

BANKS' ASSESSMENT OF FUNDING CONDITIONS AND ABILITY TO TRANSFER RISK

(net percentages of banks reporting deteriorated market access)



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

3.1.2 DESPITE MORE NEGATIVE IMPACT ON BANKS' FUNDING CONDITIONS, THE IMPACT OF THE SOVEREIGN DEBT CRISIS ON CREDIT STANDARDS WAS CONTAINED

As in the previous survey round, the July 2012 survey questionnaire included a question which addressed the specific impact of the sovereign debt crisis on banks' funding conditions and lending policies 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 weaken banks' balance sheets, increase their riskiness as counterparties and, in turn, make funding more costly and more difficult to obtain. Second, higher sovereign debt risk reduces the *value of sovereign collateral* that banks can use to raise wholesale funding. Beyond this, *other effects* may relate sovereign market tensions to bank funding conditions. In particular, the weaker financial positions of governments have lowered the funding benefits that banks derive from implicit or explicit government guarantees. Financial contagion from sovereign to sovereign or from sovereign to banks may also be at play.

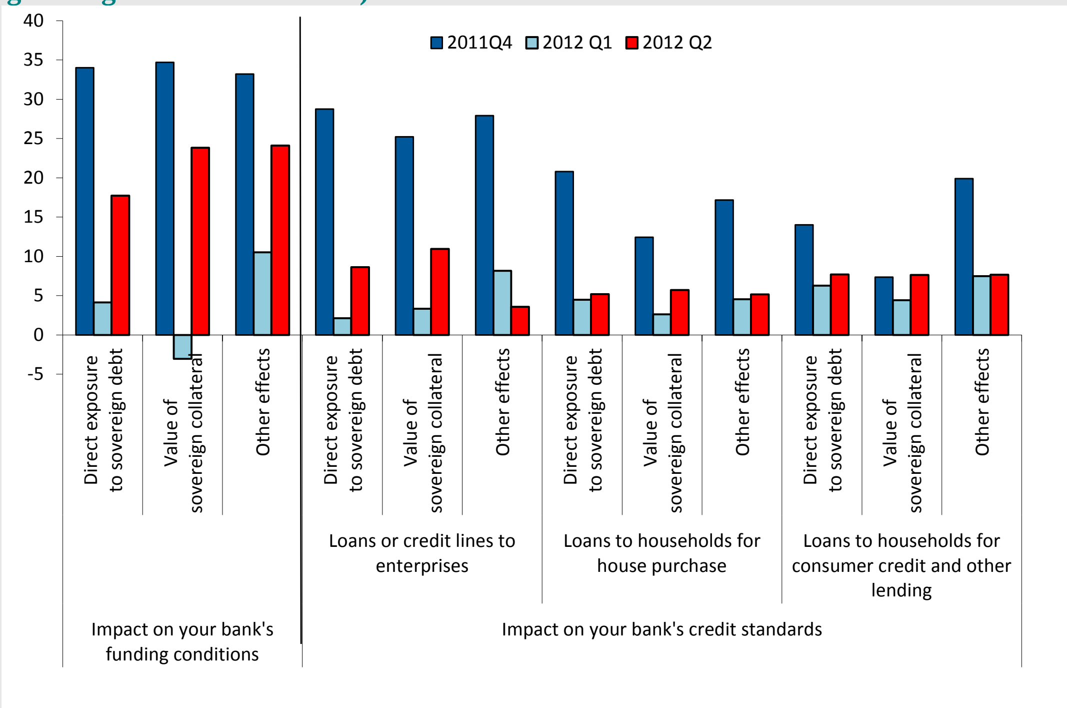
As a likely consequence of the re-intensification of the sovereign debt crisis, replies from the July survey indicate a deterioration in banks' funding conditions in the second quarter compared with the first quarter of 2012 across all channels, albeit below the values reached in the fourth quarter of 2011 (see Chart 8). On balance, 18% of euro area banks attributed a deterioration of funding conditions to the sovereign debt crisis through their direct exposure to sovereign debt, up from 4% in the previous quarter. In addition, on balance 24% of euro area banks reported that the decline in the value of sovereign collateral led to a deterioration in their funding conditions in the second quarter of 2012, after a reported positive impact on funding conditions in the first quarter of 2012 (-3%). "Other effects", which may include financial contagion effects, also led to a stronger negative impact on banks' funding conditions (on balance 24%, from 11% in the first quarter of 2012). This suggests that the negative impact of the sovereign crisis on banks' funding conditions increased again in the course of the second quarter of 2012.

Despite the strong deterioration of the impact of the sovereign debt crisis on banks' funding conditions, the impact on euro area banks' credit standards remained contained and changed only moderately compared with the previous quarter. This development is broadly in line with the unchanged impact of the cost of funds and balance sheet constraints on banks' credit standards for loans to enterprises in the second quarter of 2012.

Chart 8

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

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



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 considerably" and "somewhat" and the sum of the percentages for "contributed to an easing of funding conditions/easing of credit standards somewhat" and "considerably".

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

Finally, the July 2012 survey questionnaire included two bi-annual ad hoc questions which aimed to assess the extent to which new regulatory requirements affected banks' lending policies via the potential impact on their capital position and the credit standards that they apply to loans. These new requirements cover the regulation set out in the Basel III agreements[4], the recent measures of the European Banking Authority[5] or any other

[4] See Basel III: A global regulatory framework for more resilient banks and banking systems, Basel Committee on Banking Supervision, Bank for International Settlements, 16 December 2010 (http://www.bis.org/publ/bcbs189.pdf).

specific national regulations concerning banks' capital ratios that have recently been approved or are expected to be approved in the near future.

According to banks' replies[6], on balance 41% of participating euro area banks reported a decline in their risk-weighted assets during the past six months and 31% expect a further decline during the next six months in order to comply with new regulatory requirements (see Chart 9). This adjustment process was and is expected to concern more specifically riskier as opposed to average loans. As regards the effect of regulation on banks' capital position, on balance 35% of banks noted an increase in their capital position during the past six months and 34% expect some increase in the second half of 2012. In the last six months, the rise in banks' capital position was achieved more by retained earnings than by share issuance, whereas the opposite had been the case in the second half of 2011. Overall, while the shedding of risk-weighted assets on balance increased further in the first half of 2012, banks did not, on balance, accelerate in improving their capital position over the same period.

Looking ahead, a lower net percentage of euro area banks plans to reduce their risk-weighted assets in the second half of 2012 compared with the first half of the year. At the same time, on balance, the percentage share of banks intending to increase their capital position remains similar to the realised value in the first half of 2012. In addition, banks expect the more important role of retained earnings in increasing their capital position, compared with share issuance, to continue in the second half of 2012.

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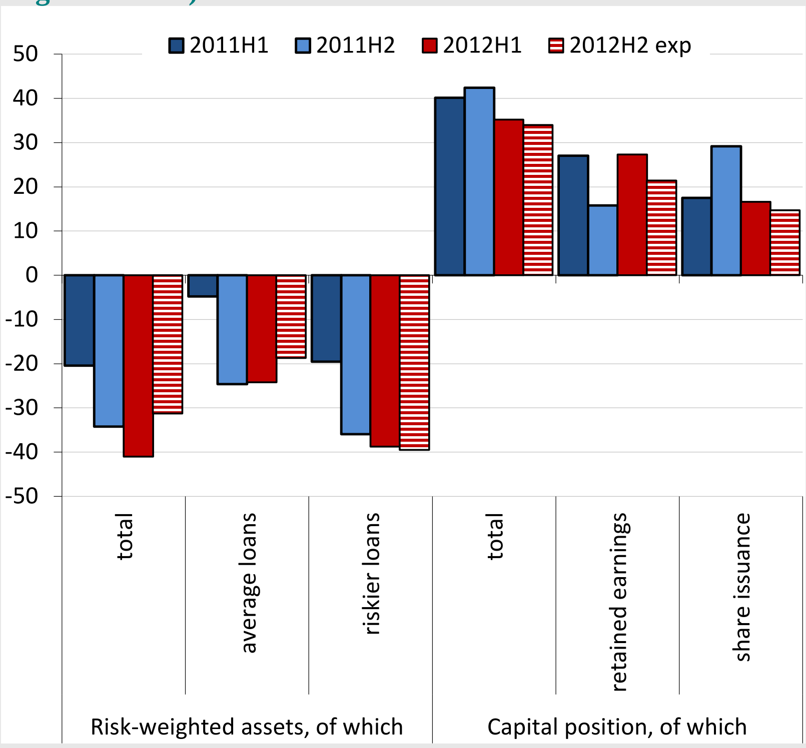
[5] The EBA set a capital target for 70 European banks, consisting of two parts to be implemented by June 2012. The first part is a temporary capital buffer against sovereign exposures at market prices as of September 2011. The second part consists in raising core Tier 1 capital ratios to 9%, while avoiding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

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

Chart 9

IMPACT OF BASEL III AND OTHER REGULATORY REQUIREMENTS ON BANKS' RISK-WEIGHTED ASSETS AND CAPITAL POSITION

(net percentages of banks)



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

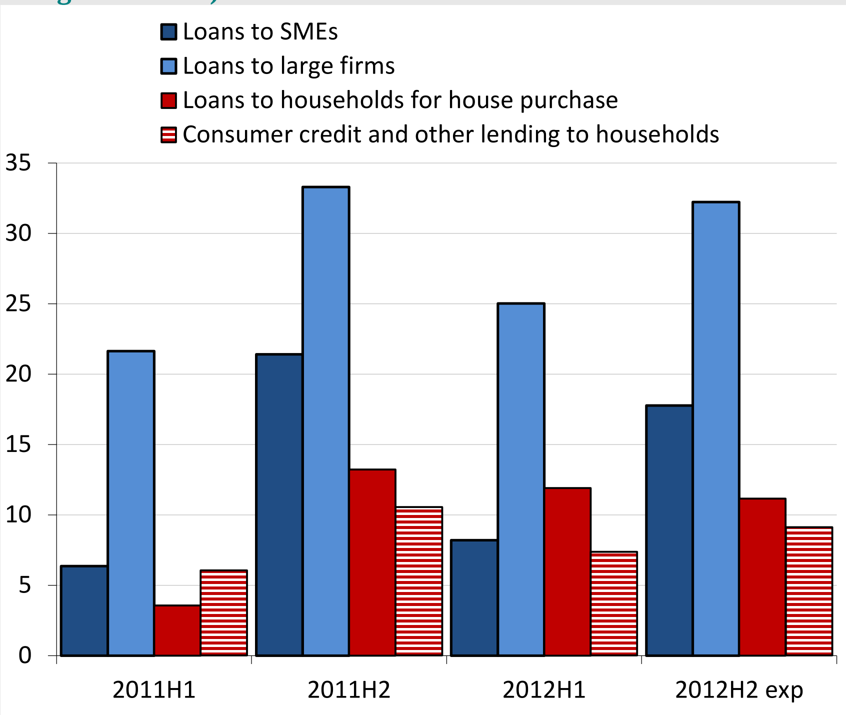
Chart 10 reports the contribution of Basel III and other new regulatory requirements to the tightening of banks' credit standards. In net terms, 25% of euro area banks acknowledged that they have tightened their credit standards on loans to large enterprises as a result of adjustments to new regulation and capital requirements, while only 8% of euro area banks reported this for loans to small and medium-sized enterprises (SMEs). For loans to households, in net terms 12% of euro area banks reported a tightening of credit standards owing to the new regulatory capital requirements for housing loans and 7% respectively for consumer credit.

For the second half of 2012, banks expect an increase in the net tightening of credit standards owing to regulatory pressures for loans to enterprises, both to large firms and to SMEs, while not much change is, on balance, expected for the net tightening impact stemming from regulatory changes for loans to households.

Chart 10

IMPACT OF BASEL III AND OTHER REGULATORY REQUIREMENTS ON THE TIGHTENING OF CREDIT STANDARDS

(net percentages of banks)



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

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?

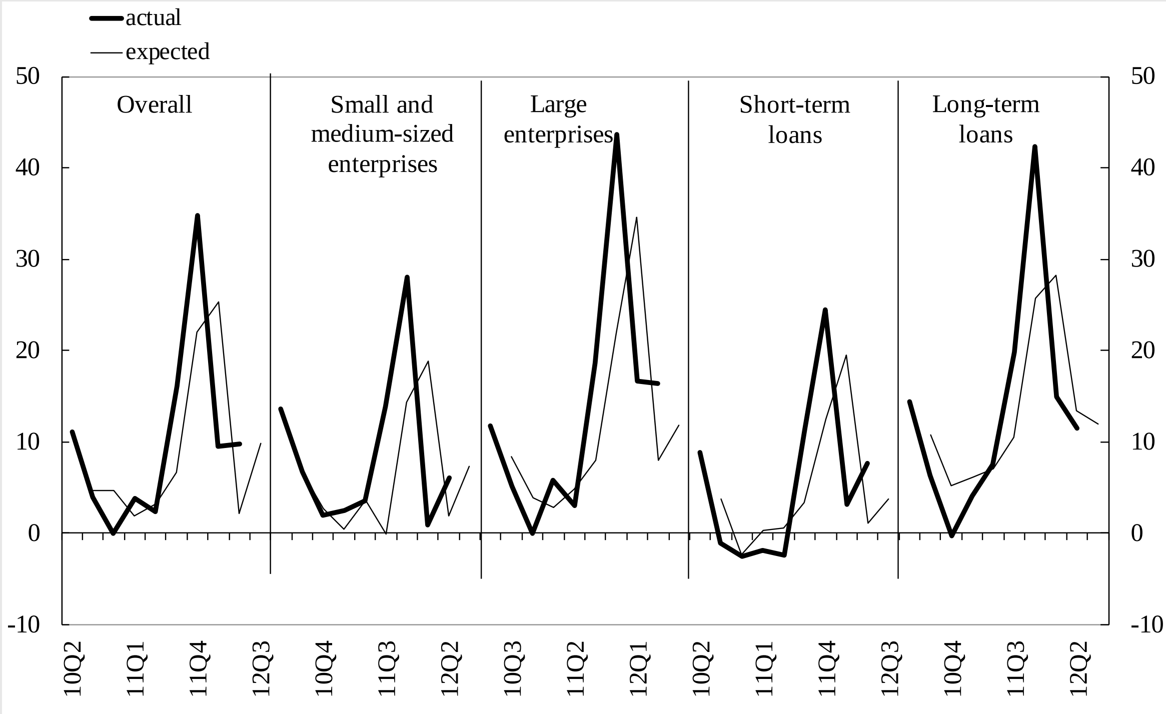
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
Tightened considerably	1%	1%	1%	1%	2%	3%	1%	1%	1%	1%
Tightened somewhat	13%	10%	6%	7%	19%	14%	6%	8%	18%	11%
Remained basically unchanged	83%	89%	87%	91%	76%	82%	90%	91%	78%	87%
Eased somewhat	4%	1%	6%	2%	4%	1%	4%	1%	4%	1%
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	***9%***	***10%***	***1%***	***6%***	***17%***	***16%***	***3%***	***8%***	***15%***	***11%***
Diffusion index	***5%***	***5%***	***1%***	***3%***	***9%***	***10%***	***2%***	***4%***	***8%***	***6%***
Mean	*2.90*	*2.90*	*2.99*	*2.93*	*2.82*	*2.81*	*2.96*	*2.92*	*2.84*	*2.87*
Standard deviation	*0.44*	*0.37*	*0.40*	*0.34*	*0.54*	*0.52*	*0.36*	*0.34*	*0.50*	*0.41*
Number of banks responding	***125***	***124***	***121***	***120***	***120***	***119***	***125***	***124***	***124***	***123***

Notes: 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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?

	OVERALL						SME						LARGE					
	--	-	°	+	++	NA	--	-	°	+	++	NA	--	-	°	+	++	NA
A) Cost of funds and balance sheet constraints																		
Costs related to your bank's capital position	1%	10%	82%	0%	0%	7%	1%	8%	78%	1%	0%	13%	3%	11%	70%	0%	0%	15%
Your bank's ability to access market financing	0%	8%	80%	1%	0%	11%	0%	4%	77%	1%	0%	17%	0%	9%	71%	1%	0%	19%
Your bank's liquidity position	0%	6%	85%	3%	0%	6%	0%	7%	77%	4%	0%	13%	1%	7%	75%	4%	0%	14%
B) Pressure from competition																		
Competition from other banks	0%	0%	88%	3%	0%	9%	0%	0%	83%	5%	0%	12%	0%	1%	81%	4%	0%	14%
Competition from non-banks	0%	0%	88%	0%	0%	12%	0%	0%	83%	0%	0%	17%	0%	1%	83%	0%	0%	16%
Competition from market financing	0%	0%	89%	0%	0%	11%	0%	0%	83%	0%	0%	17%	0%	1%	83%	0%	0%	16%
C) Perception of risk																		
Expectations regarding general economic activity	1%	21%	73%	0%	0%	6%	1%	19%	69%	0%	0%	11%	1%	20%	67%	0%	0%	12%
Industry or firm-specific outook	1%	24%	68%	1%	0%	6%	1%	22%	65%	2%	0%	11%	2%	28%	58%	0%	0%	12%
Risk on collateral demanded	1%	8%	84%	1%	0%	6%	1%	8%	79%	1%	0%	11%	1%	10%	77%	0%	0%	12%

Summary statistics	OVERALL								SME								LARGE							
	NetP		DI		M		SD		NetP		DI		M		SD		NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Cost of funds and balance sheet constraints																								
Costs related to your bank's capital position	12%	11%	7%	6%	2.86	2.87	0.41	0.39	3%	7%	2%	4%	2.95	2.92	0.33	0.36	19%	14%	11%	9%	2.77	2.81	0.51	0.54
Your bank's ability to access market financing	8%	6%	4%	3%	2.92	2.93	0.38	0.33	1%	3%	1%	1%	3.00	2.97	0.28	0.28	10%	7%	5%	4%	2.90	2.91	0.43	0.36
Your bank's liquidity position	2%	3%	1%	1%	2.98	2.97	0.37	0.33	3%	2%	1%	1%	2.98	2.99	0.38	0.37	6%	4%	3%	2%	2.94	2.95	0.46	0.42
B) Pressure from competition																								
Competition from other banks	-9%	-3%	-4%	-2%	3.10	3.04	0.31	0.21	-10%	-5%	-5%	-2%	3.12	3.06	0.34	0.25	-5%	-4%	-3%	-2%	3.06	3.05	0.26	0.26
Competition from non-banks	-1%	0%	-1%	0%	3.02	3.00	0.13	0.00	0%	0%	0%	0%	3.00	3.00	0.00	0.00	-1%	1%	-1%	1%	3.02	2.98	0.14	0.14
Competition from market financing	-1%	0%	-1%	0%	3.02	3.00	0.13	0.00	0%	0%	0%	0%	3.00	3.00	0.00	0.00	-1%	1%	-1%	0%	3.02	2.99	0.14	0.08
C) Perception of risk																								
Expectations regarding general economic activity	17%	22%	9%	12%	2.81	2.76	0.49	0.48	13%	20%	7%	11%	2.85	2.76	0.48	0.49	20%	21%	11%	11%	2.77	2.76	0.54	0.48
Industry or firm-specific outook	23%	24%	12%	13%	2.74	2.74	0.53	0.52	16%	21%	8%	11%	2.81	2.76	0.49	0.52	24%	30%	14%	16%	2.70	2.64	0.59	0.55
Risk on collateral demanded	11%	8%	6%	5%	2.87	2.90	0.39	0.39	6%	8%	4%	5%	2.92	2.90	0.31	0.40	10%	11%	6%	6%	2.87	2.88	0.44	0.39

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation

Notes: Column "Net percentage" is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing)."°" means contributed to basically unchanged. 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).

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)

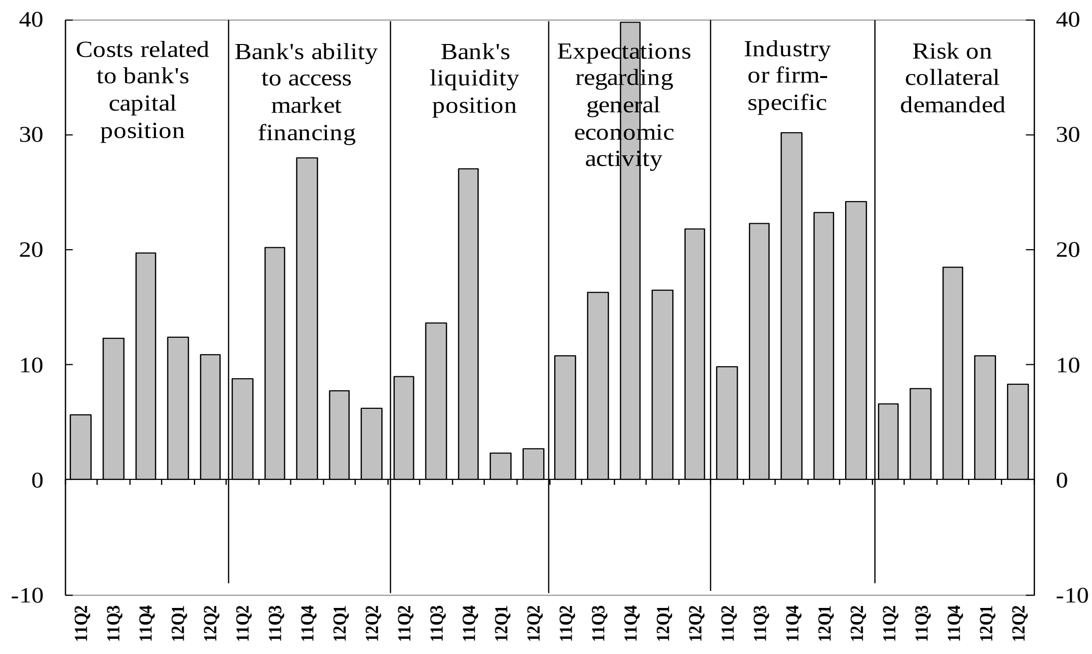
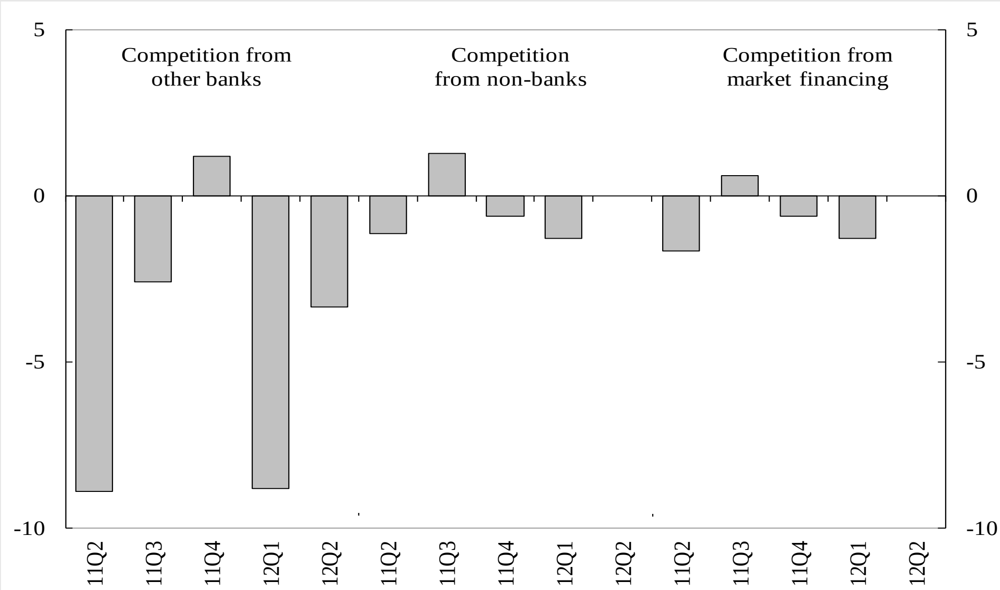


Chart 2b

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

(net percentages of banks contributing to tightening standards)



3. Over the past three months, how have your bank's conditions and terms for approving <u>loans or credit lines to enterprises</u> changed?

	OVERALL						SME						LARGE					
	--	-	°	+	++	NA	--	-	°	+	++	NA	--	-	°	+	++	NA
A) Price																		
Your bank's margin on average loans	0%	26%	67%	1%	0%	5%	0%	23%	65%	1%	0%	10%	2%	25%	58%	2%	0%	12%
Your bank's margin on riskier loans	2%	32%	60%	2%	0%	6%	2%	30%	55%	2%	0%	11%	3%	32%	51%	2%	0%	12%
B) Other conditions and terms																		
Non-interest rate charges	0%	7%	87%	0%	0%	6%	0%	6%	84%	0%	0%	11%	0%	10%	76%	1%	0%	13%
Size of the loan or credit line	1%	7%	87%	0%	0%	6%	1%	3%	85%	0%	0%	12%	2%	9%	76%	0%	0%	12%
Collateral requirements	1%	8%	85%	1%	0%	5%	1%	8%	79%	1%	0%	10%	1%	10%	77%	0%	0%	12%
Loan covenants	1%	7%	86%	0%	0%	6%	1%	4%	83%	0%	0%	11%	1%	10%	76%	0%	0%	13%
Maturity	1%	11%	83%	0%	0%	5%	1%	12%	77%	0%	0%	10%	2%	12%	74%	1%	0%	12%

Summary statistics	OVERALL								SME								LARGE							
	NetP		DI		M		SD		NetP		DI		M		SD		NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Price																								
Your bank's margin on average loans	22%	25%	11%	13%	2.76	2.74	0.56	0.50	19%	22%	10%	11%	2.79	2.76	0.57	0.49	25%	25%	14%	13%	2.70	2.70	0.63	0.58
Your bank's margin on riskier loans	39%	32%	21%	17%	2.56	2.66	0.59	0.58	34%	30%	18%	16%	2.61	2.65	0.56	0.59	42%	33%	23%	18%	2.48	2.59	0.62	0.63
B) Other conditions and terms																								
Non-interest rate charges	5%	7%	2%	4%	2.95	2.93	0.30	0.28	5%	5%	3%	3%	2.94	2.94	0.29	0.25	7%	10%	4%	5%	2.91	2.89	0.39	0.35
Size of the loan or credit line	12%	7%	7%	4%	2.86	2.92	0.51	0.31	7%	3%	4%	2%	2.92	2.96	0.38	0.24	15%	11%	9%	7%	2.81	2.85	0.56	0.44
Collateral requirements	8%	8%	5%	5%	2.89	2.91	0.39	0.38	10%	9%	5%	5%	2.89	2.90	0.37	0.40	13%	11%	8%	6%	2.84	2.87	0.44	0.39
Loans covenants	6%	8%	4%	5%	2.92	2.90	0.39	0.36	5%	6%	3%	3%	2.95	2.93	0.30	0.33	11%	11%	6%	6%	2.86	2.86	0.47	0.40
Maturity	16%	11%	8%	6%	2.82	2.88	0.47	0.36	7%	12%	4%	6%	2.91	2.86	0.39	0.38	21%	13%	11%	7%	2.75	2.84	0.52	0.46

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation

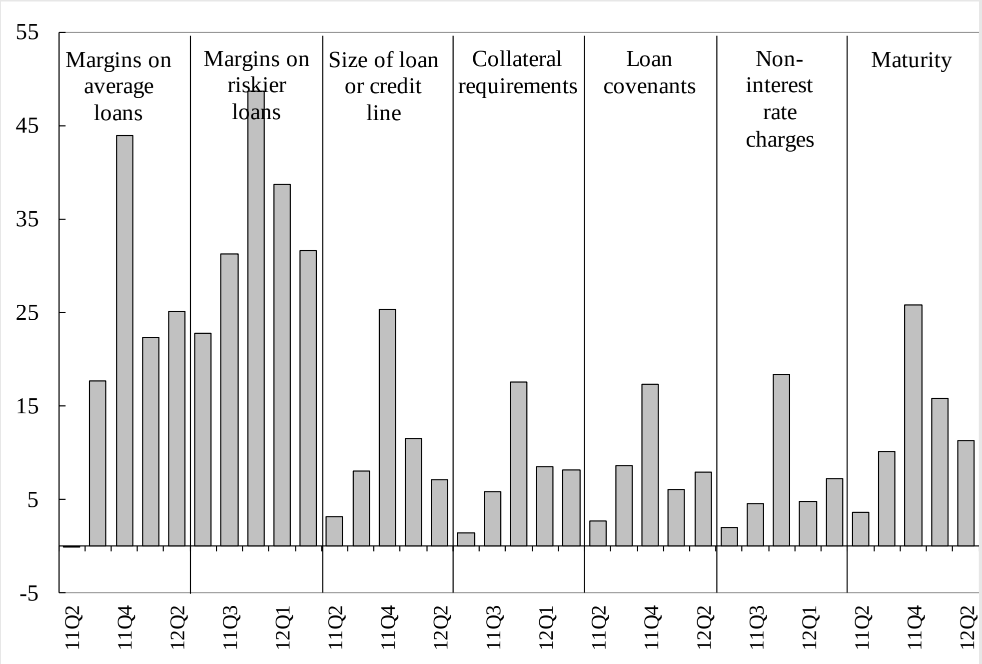
Notes: Column "Net percentage" is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means remained basically unchanged. The diffusion index is defined as the net percentage weighted 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).

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?

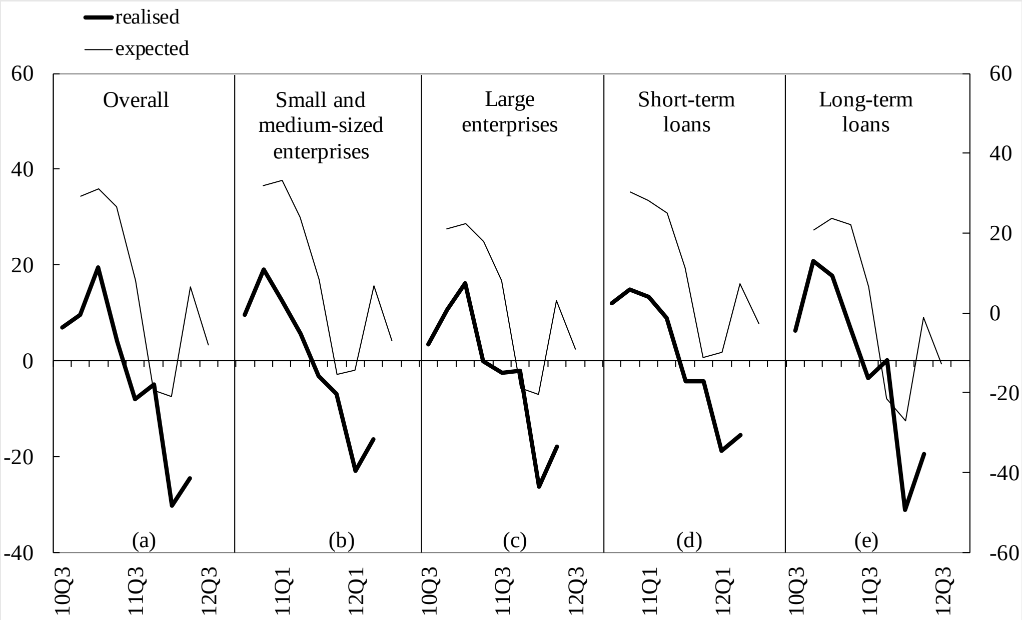
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
Decreased considerably	3%	3%	4%	4%	5%	5%	2%	3%	9%	5%
Decreased somewhat	38%	31%	31%	25%	32%	26%	28%	24%	36%	28%
Remained basically unchanged	50%	55%	54%	58%	53%	57%	59%	61%	43%	53%
Increased somewhat	9%	10%	11%	13%	9%	13%	9%	12%	12%	14%
Increased considerably	1%	0%	1%	0%	2%	0%	2%	0%	1%	0%
Total	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*
Net percentage	***-30%***	***-25%***	***-23%***	***-16%***	***-26%***	***-18%***	***-19%***	***-16%***	***-31%***	***-19%***
Diffusion index	***-16%***	***-14%***	***-13%***	***-10%***	***-15%***	***-12%***	***-10%***	***-9%***	***-19%***	***-12%***
Mean	*2.68*	*2.72*	*2.74*	*2.79*	*2.71*	*2.77*	*2.81*	*2.81*	*2.61*	*2.76*
Standard deviation	*0.74*	*0.72*	*0.76*	*0.74*	*0.81*	*0.77*	*0.74*	*0.71*	*0.87*	*0.78*
Number of banks responding	***125***	***124***	***121***	***120***	***120***	***119***	***125***	***124***	***124***	***123***

Notes: 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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 loans or credit lines to enterprises?

	--	-	°	+	++	NA
A) Financing needs						
Fixed investment	4%	38%	45%	6%	0%	8%
Inventories and working capital	0%	17%	62%	12%	1%	8%
Mergers/acquisitions and corporate restructuring	2%	15%	68%	4%	0%	11%
Debt restructuring	0%	2%	75%	15%	1%	8%
B) Use of alternative finance						
Internal financing	1%	15%	74%	3%	0%	7%
Loans from other banks	0%	5%	81%	4%	1%	9%
Loans from non-banks	0%	2%	88%	1%	0%	10%
Issuance of debt securities	0%	3%	78%	3%	0%	16%
Issuance of equity	0%	0%	81%	2%	0%	18%

Summary statistics

	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Financing needs								
Fixed investment	-36%	-36%	-22%	-20%	2.55	2.56	0.84	0.70
Inventories and working capital	-6%	-4%	-2%	-2%	2.94	2.95	0.68	0.65
Mergers/acquisitions and corporate restructuring	-17%	-13%	-12%	-8%	2.73	2.83	0.69	0.56
Debt restructuring	23%	14%	12%	7%	3.25	3.15	0.54	0.50
B) Use of alternative finance								
Internal financing	-8%	-12%	-4%	-6%	2.93	2.87	0.45	0.46
Loans from other banks	2%	0%	1%	1%	3.03	3.01	0.39	0.37
Loans from non-banks	-1%	-1%	-1%	0%	2.99	2.99	0.23	0.16
Issuance of debt securities	-5%	0%	-3%	0%	2.94	2.99	0.45	0.27
Issuance of equity	0%	2%	0%	1%	3.00	3.02	0.12	0.15

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation

Notes: Column "Net percentage" is defined as the difference between the sum of "+ + " (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand) and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower 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).

Chart 5a

FACTORS AFFECTING DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

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

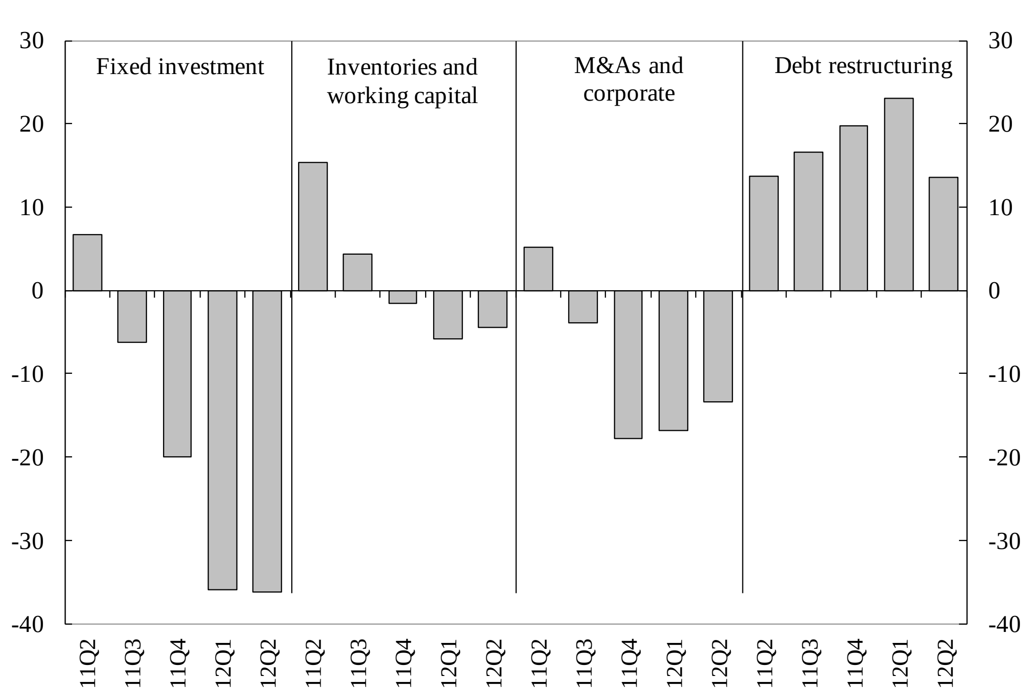
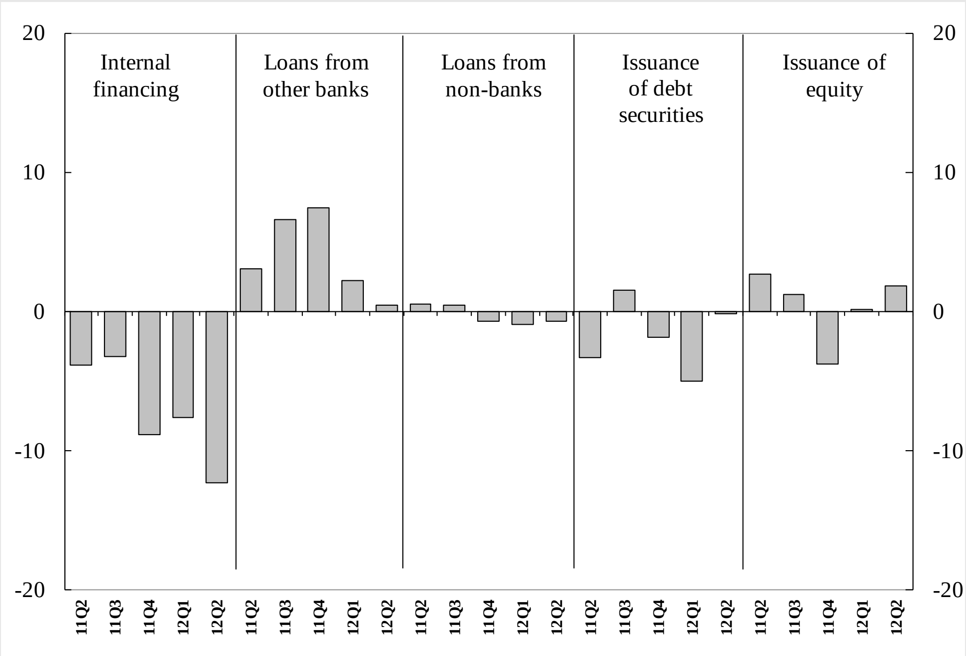


Chart 5b

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.

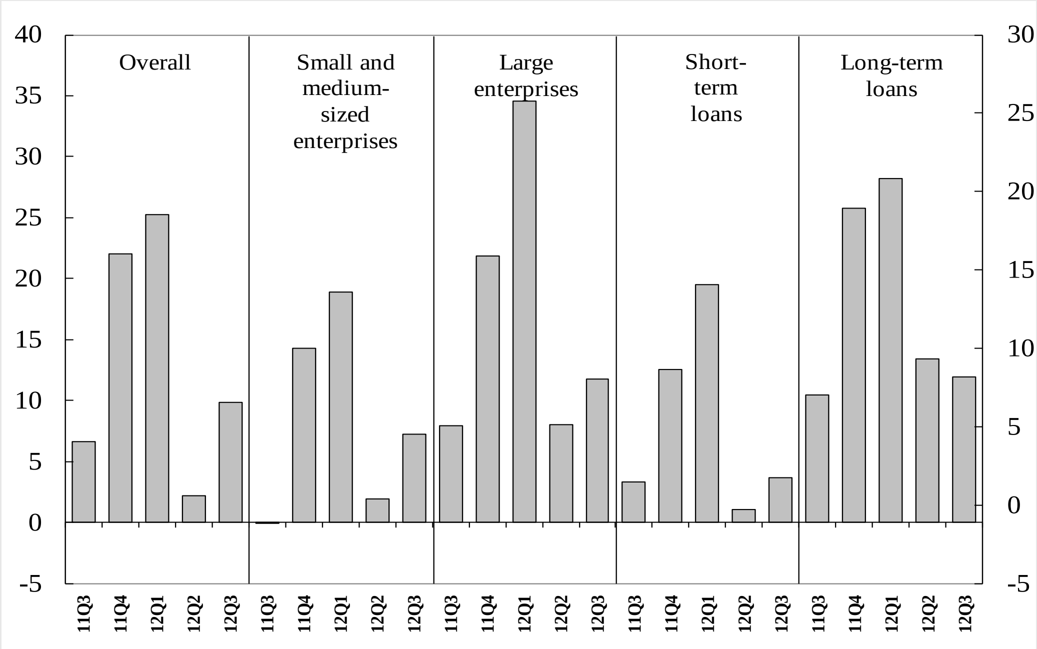
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
Tighten considerably	1%	0%	1%	0%	1%	2%	1%	0%	1%	0%
Tighten somewhat	7%	10%	7%	9%	9%	10%	6%	4%	14%	13%
Remain basically unchanged	87%	89%	87%	90%	87%	88%	88%	95%	84%	87%
Ease somewhat	6%	1%	6%	2%	2%	0%	6%	1%	2%	1%
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	***2%***	***10%***	***2%***	***7%***	***8%***	***12%***	***1%***	***4%***	***13%***	***12%***
Diffusion index	***2%***	***5%***	***1%***	***4%***	***5%***	***7%***	***1%***	***2%***	***7%***	***6%***
Mean	*2.97*	*2.90*	*2.98*	*2.93*	*2.91*	*2.86*	*2.98*	*2.96*	*2.86*	*2.88*
Standard deviation	*0.43*	*0.35*	*0.40*	*0.34*	*0.41*	*0.42*	*0.39*	*0.24*	*0.44*	*0.37*
Number of banks responding	***125***	***123***	***121***	***119***	***120***	***118***	***124***	***123***	***124***	***122***

Notes: Net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of the percentages for "ease somewhat" and "ease 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
Decrease considerably	1%	0%	0%	0%	1%	1%	0%	0%	5%	1%
Decrease somewhat	12%	14%	12%	15%	12%	13%	9%	11%	12%	18%
Remain basically unchanged	68%	81%	70%	77%	71%	80%	74%	81%	68%	75%
Increase somewhat	19%	6%	19%	8%	15%	5%	16%	8%	15%	6%
Increase considerably	0%	0%	0%	0%	1%	1%	1%	1%	0%	0%
Total	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*
Net percentage	***7%***	***-8%***	***7%***	***-7%***	***3%***	***-9%***	***7%***	***-3%***	***-1%***	***-13%***
Diffusion index	***3%***	***-4%***	***3%***	***-4%***	***1%***	***-5%***	***4%***	***-1%***	***-3%***	***-7%***
Mean	*3.06*	*2.92*	*3.07*	*2.93*	*3.02*	*2.90*	*3.08*	*2.98*	*2.94*	*2.87*
Standard deviation	*0.61*	*0.45*	*0.57*	*0.50*	*0.62*	*0.53*	*0.55*	*0.49*	*0.70*	*0.52*
Number of banks responding	***125***	***123***	***121***	***119***	***120***	***118***	***125***	***122***	***124***	***122***

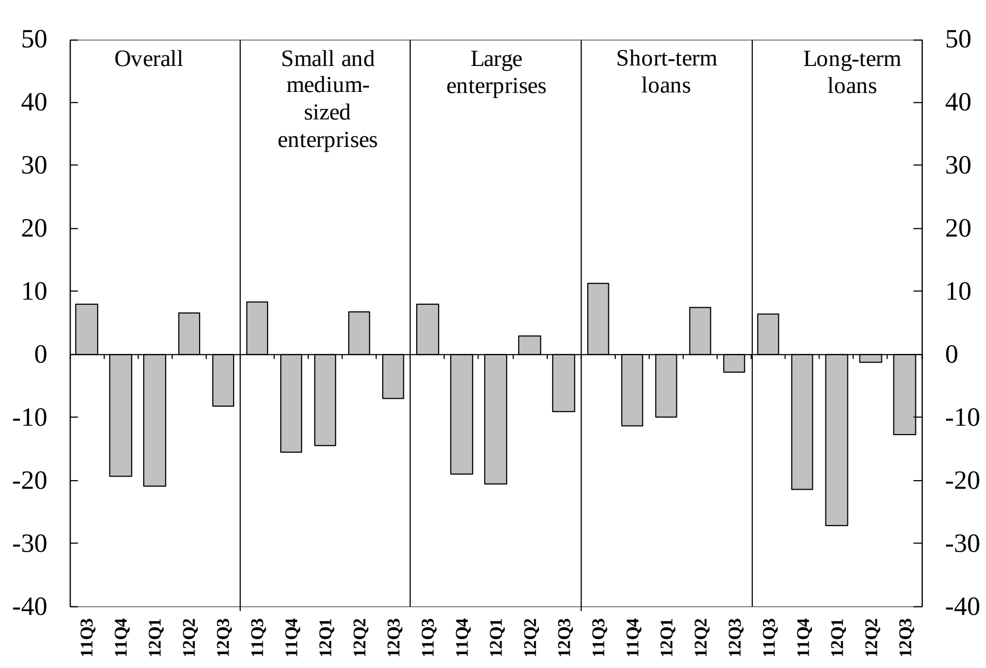
Notes: Net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat" and the sum of the percentages for "decrease somewhat" and "decrease considerably". The diffusion index is defined as the net percentage weighted according to the 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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?

	Loans for house purchase		Consumer credit and other lending	
	Apr	Jul	Apr	Jul
Tightened considerably	1%	0%	1%	1%
Tightened somewhat	17%	14%	5%	9%
Remained basically unchanged	82%	86%	95%	87%
Eased somewhat	0%	1%	0%	3%
Eased considerably	0%	0%	0%	0%
Total	*100%*	*100%*	*100%*	*100%*
Net percentage	***17%***	***13%***	***5%***	***7%***
Diffusion index	***9%***	***6%***	***3%***	***4%***
Mean	*2.82*	*2.87*	*2.94*	*2.93*
Standard deviation	*0.44*	*0.38*	*0.27*	*0.40*
Number of banks responding	***119***	***117***	***119***	***117***

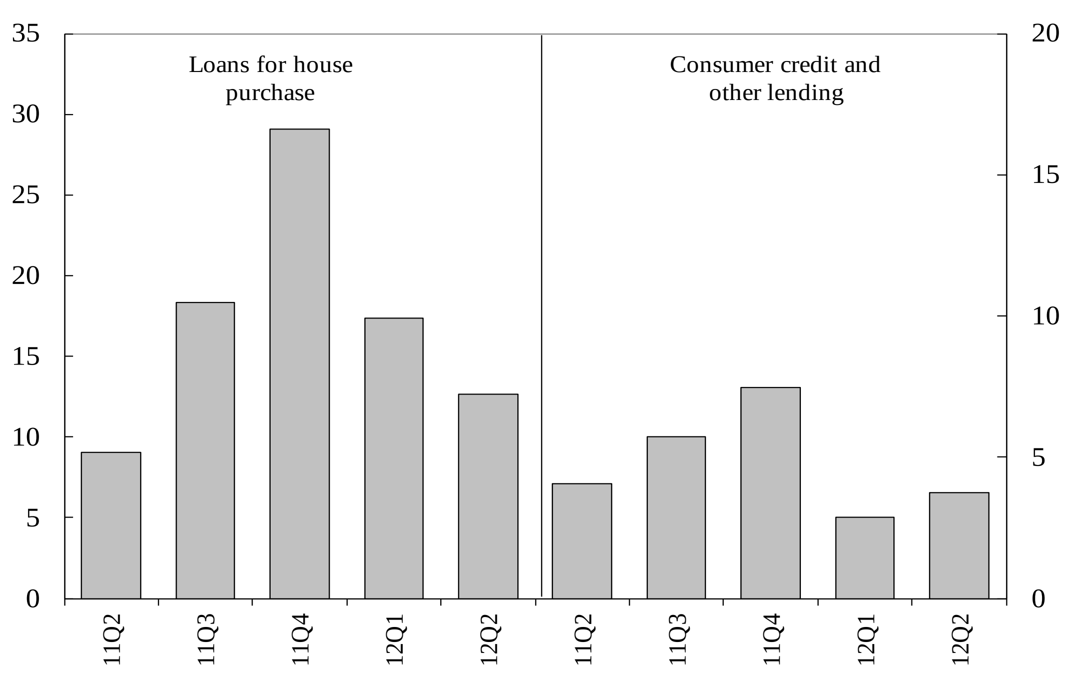
Notes: Net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The diffusion index is defined as the net percentage weighted according to the intensity 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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?

	--	-	°	+	++	NA
A) Cost of funds and balance sheet constraints	1%	14%	73%	0%	0%	13%
B) Pressure from competition						
Competition from other banks	0%	0%	86%	1%	0%	13%
Competition from non-banks	0%	0%	85%	0%	0%	15%
C) Perception of risk						
Expectations regarding general economic activity	0%	10%	77%	0%	0%	12%
Housing market prospects	1%	9%	77%	1%	0%	12%

Summary statistics

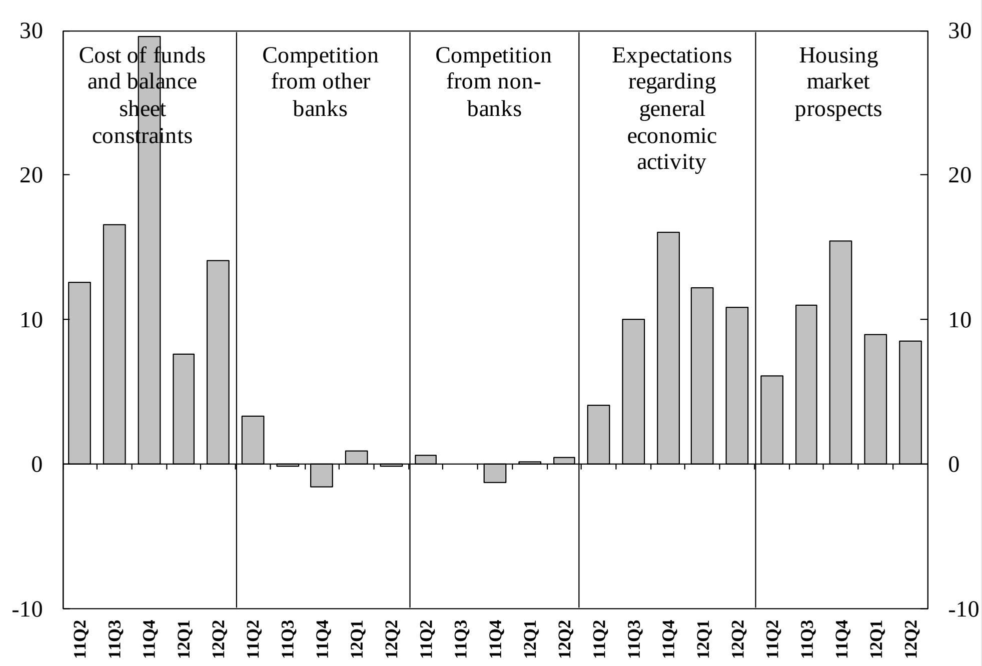
	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Cost of funds and balance sheet constraints	8%	14%	4%	7%	2.91	2.84	0.42	0.41
B) Pressure from competition								
Competition from other banks	1%	0%	0%	0%	2.99	3.00	0.24	0.11
Competition from non-banks	0%	0%	0%	0%	3.00	3.00	0.13	0.07
C) Perception of risk								
Expectations regarding general economic activity	12%	11%	7%	6%	2.86	2.88	0.40	0.36
Housing market prospects	9%	8%	4%	5%	2.91	2.90	0.42	0.40

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation
Notes: Column "Net percentage" is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means contributed to basically unchanged. 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).

Chart 9

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

(net percentages of banks contributing to tightening credit standards)



10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA
A) Price						
Your bank's margin on average loans	0%	19%	64%	5%	0%	12%
Your bank's margin on riskier loans	2%	22%	61%	3%	0%	13%
B) Other conditions and terms						
Collateral requirements	0%	3%	84%	1%	0%	12%
Loan-to-value ratio	0%	6%	82%	0%	0%	12%
Maturity	0%	6%	82%	1%	0%	12%
Non-interest rate charges	0%	2%	86%	1%	0%	12%

Summary statistics

	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Price								
Your bank's margin on average loans	24%	15%	12%	7%	2.73	2.84	0.60	0.52
Your bank's margin on riskier loans	32%	21%	17%	12%	2.61	2.75	0.59	0.58
B) Other conditions and terms								
Collateral requirements	7%	1%	4%	1%	2.92	2.99	0.30	0.23
Loan-to-value ratio	11%	6%	6%	3%	2.87	2.93	0.35	0.27
Maturity	11%	5%	5%	2%	2.88	2.94	0.37	0.27
Non-interest rate charges	4%	1%	2%	1%	2.96	2.99	0.25	0.17

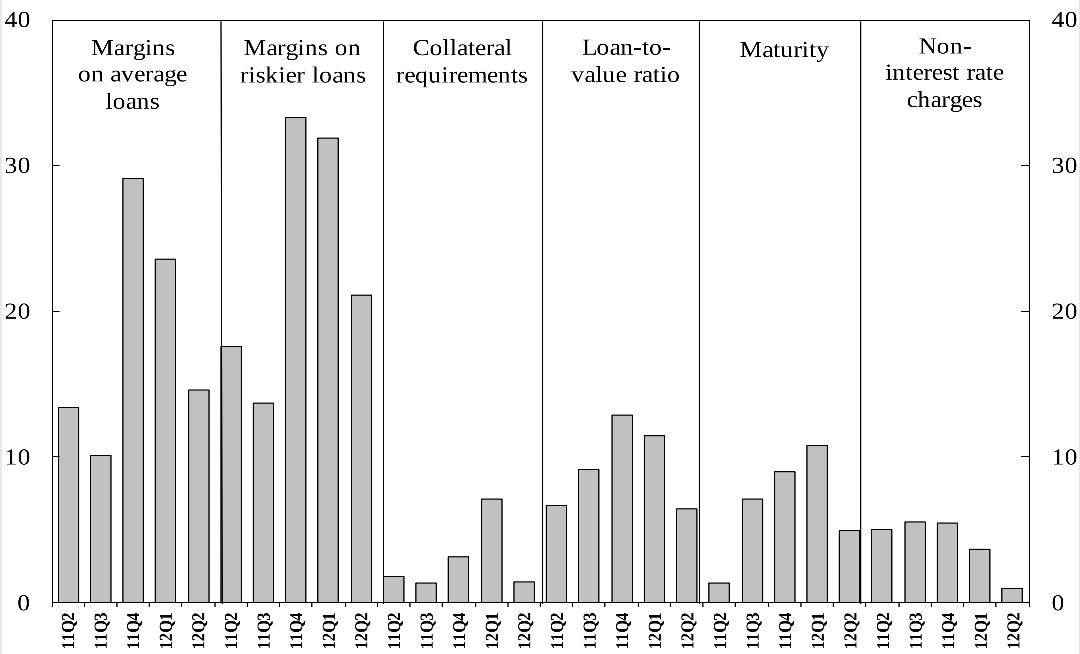
NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation
Notes: Column "Net percentage" is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°" means remained basically unchanged. 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).

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)?

	--	-	°	+	++	NA
A) Cost of funds and balance sheet constraints	1%	8%	79%	1%	0%	12%
B) Pressure from competition						
Competition from other banks	0%	0%	86%	3%	0%	11%
Competition from non-banks	0%	0%	87%	1%	0%	12%
C) Perception of risk						
Expectations regarding general economic activity	1%	9%	78%	1%	0%	11%
Creditworthiness of consumers	1%	7%	80%	1%	0%	11%
Risk on collateral demanded	1%	2%	84%	0%	0%	13%

Summary statistics

	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Cost of funds and balance sheet constraints	3%	8%	2%	5%	2.96	2.90	0.35	0.39
B) Pressure from competition								
Competition from other banks	-1%	-3%	-1%	-1%	3.01	3.03	0.18	0.18
Competition from non-banks	1%	-1%	0%	0%	2.99	3.01	0.09	0.09
C) Perception of risk								
Expectations regarding general economic activity	7%	8%	4%	5%	2.92	2.91	0.33	0.38
Creditworthiness of consumers	8%	7%	5%	4%	2.90	2.92	0.36	0.38
Risk on collateral demanded	3%	3%	2%	2%	2.96	2.96	0.22	0.26

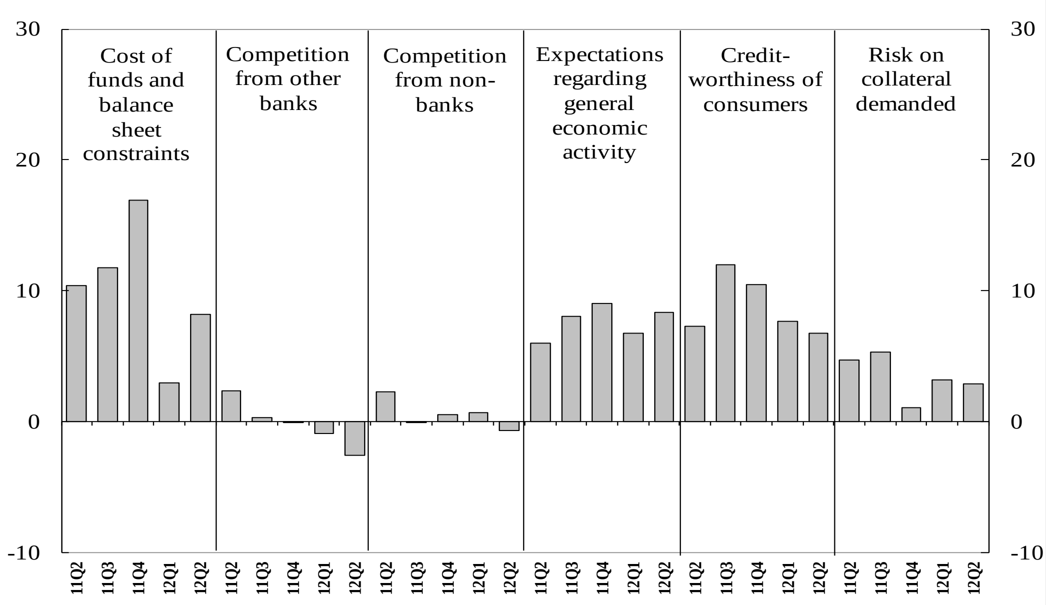
NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation

Notes: Column "Net percentage" is defined as the difference between the sum of "- -"(contributed considerably to tightening) and "-"(contributed somewhat to tightening) and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means contributed to basically unchanged. 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).

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?

	--	-	°	+	++	NA
A) Price						
Your bank's margin on average loans	0%	17%	66%	6%	0%	11%
Your bank's margin on riskier loans	2%	12%	73%	1%	0%	11%
B) Other conditions and terms						
Collateral requirements	0%	3%	84%	0%	0%	14%
Maturity	0%	2%	86%	0%	0%	12%
Non-interest rate charges	0%	3%	82%	2%	0%	13%

Summary statistics

	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Price								
Your bank's margin on average loans	10%	11%	5%	6%	2.89	2.88	0.55	0.52
Your bank's margin on riskier loans	17%	13%	10%	8%	2.80	2.83	0.53	0.48
B) Other conditions and terms								
Collateral requirements	2%	3%	1%	1%	2.98	2.97	0.16	0.18
Maturity	1%	2%	1%	1%	2.99	2.98	0.22	0.14
Non-interest rate charges	1%	1%	1%	0%	2.99	2.99	0.20	0.24

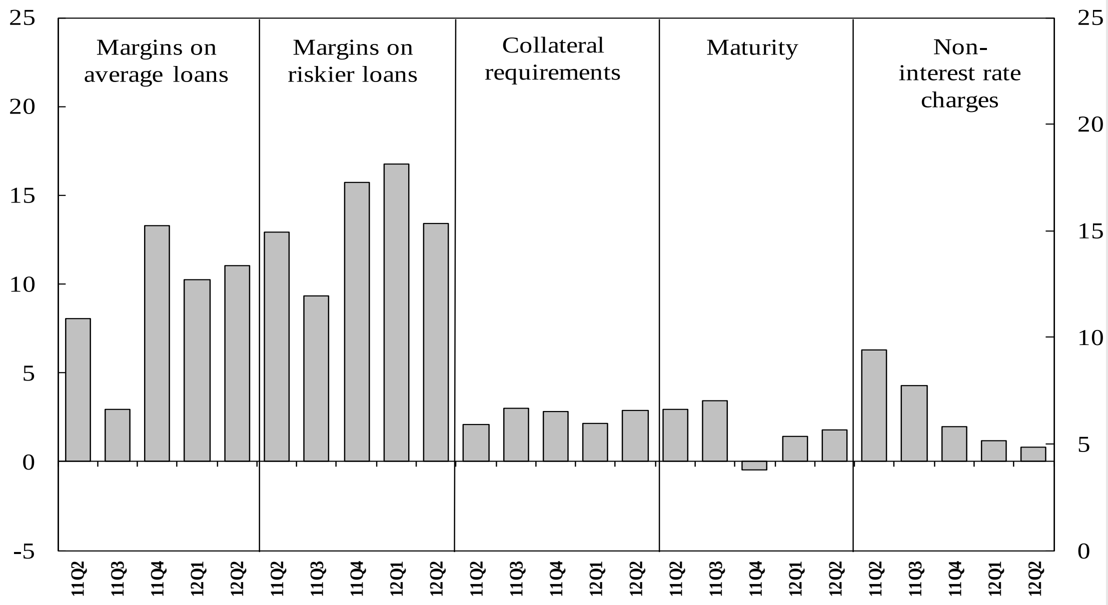
NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation
Notes: Column "Net percentage" is defined as the difference between the sum of "- -" (tightened considerably) and "-" (tightened somewhat) and the sum of "+" (eased somewhat) and "+ +" (eased considerably). "°"

means remained basically unchanged. 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).

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?

	Loans for house purchase		Consumer credit and other lending	
	Apr	Jul	Apr	Jul
Decreased considerably	17%	5%	6%	4%
Decreased somewhat	34%	31%	26%	31%
Remained basically unchanged	40%	51%	62%	58%
Increased somewhat	9%	12%	6%	7%
Increased considerably	0%	2%	0%	1%
Total	*100%*	*100%*	*100%*	*100%*
Net percentage	***-43%***	***-21%***	***-26%***	***-27%***
Diffusion index	***-30%***	***-12%***	***-16%***	***-15%***
Mean	*2.40*	*2.77*	*2.68*	*2.70*
Standard deviation	*0.90*	*0.83*	*0.71*	*0.72*
Number of banks responding	***119***	***117***	***121***	***119***

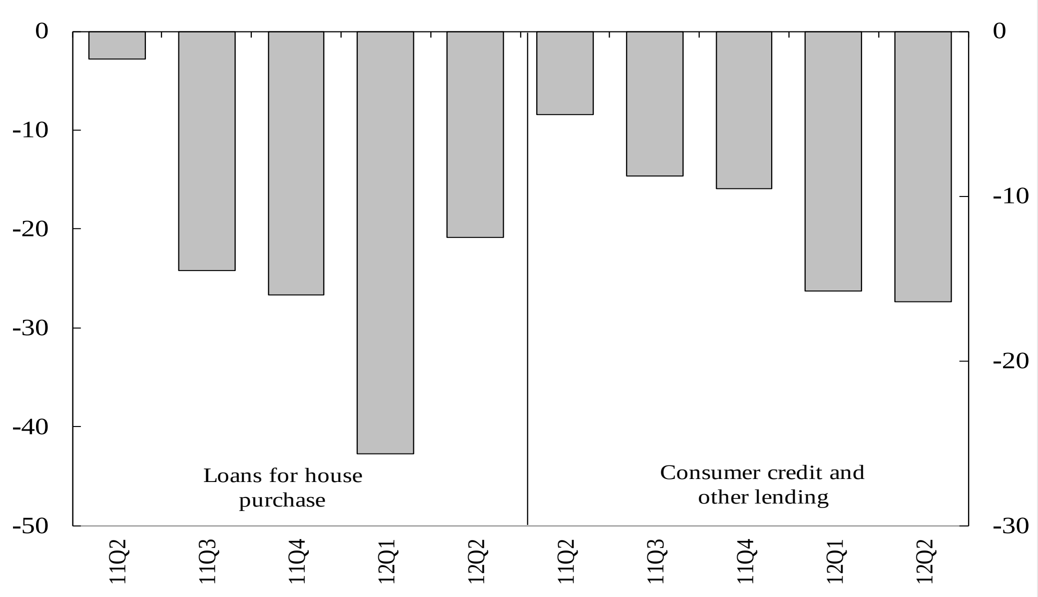
Notes: Net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and

"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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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 loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA
A) Financing needs						
Housing market prospects	2%	32%	45%	8%	1%	13%
Consumer confidence	5%	27%	49%	5%	0%	13%
Non-housing related consumption expenditure	1%	14%	71%	1%	0%	14%
B) Use of alternative finance						
Household savings	2%	8%	75%	1%	1%	13%
Loans from other banks	0%	5%	80%	2%	0%	13%
Other sources of finance	0%	1%	85%	2%	0%	13%

Summary statistics

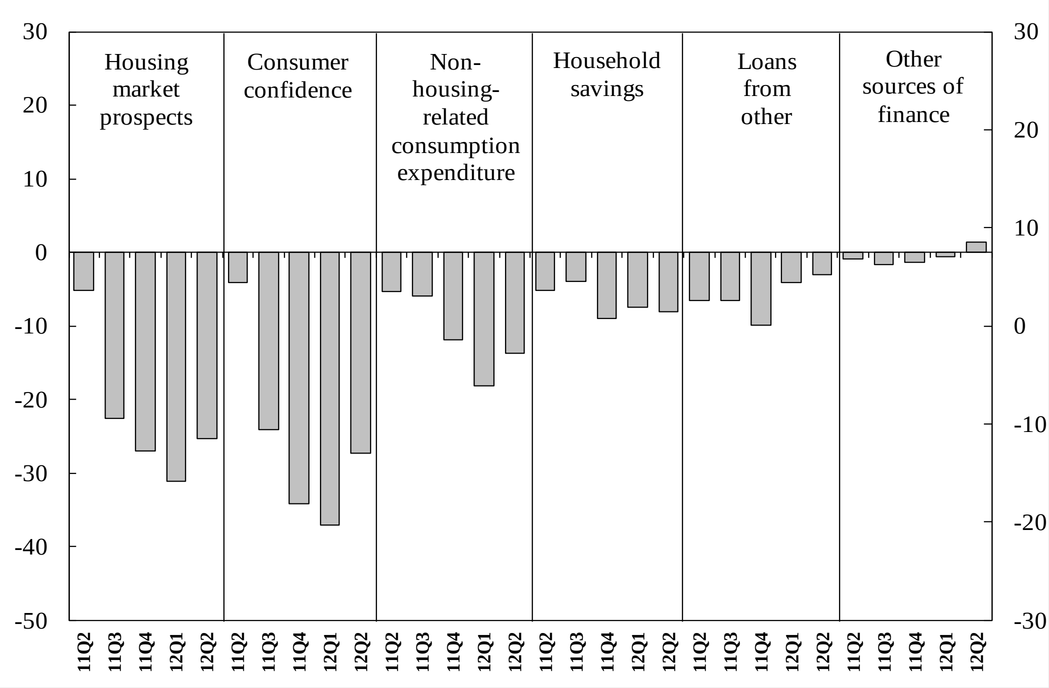
	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Financing needs								
Housing market prospects	-31%	-25%	-17%	-13%	2.62	2.70	0.73	0.71
Consumer confidence	-37%	-27%	-23%	-16%	2.50	2.64	0.76	0.71
Non-housing related consumption expenditure	-18%	-14%	-11%	-7%	2.77	2.84	0.53	0.42
B) Use of alternative finance								
Household savings	-7%	-8%	-4%	-5%	2.91	2.89	0.39	0.49
Loans from other banks	-4%	-3%	-2%	-2%	2.96	2.97	0.30	0.29
Other sources of finance	-1%	1%	0%	1%	2.99	3.02	0.09	0.19

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation
Notes: Column "Net percentage" is defined as the difference between the sum of "+ + "(contributed considerably to higher demand) and "+"(contributed somewhat to higher demand) and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower 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).

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 consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA
A) Financing needs						
Spending on durable consumer goods	4%	28%	53%	4%	0%	12%
Consumer confidence	3%	25%	59%	2%	0%	11%
Securities purchases	1%	2%	78%	1%	0%	18%
B) Use of alternative finance						
Household savings	1%	11%	77%	1%	0%	11%
Loans from other banks	1%	6%	81%	2%	0%	11%
Other sources of finance	0%	3%	84%	1%	0%	12%

Summary statistics

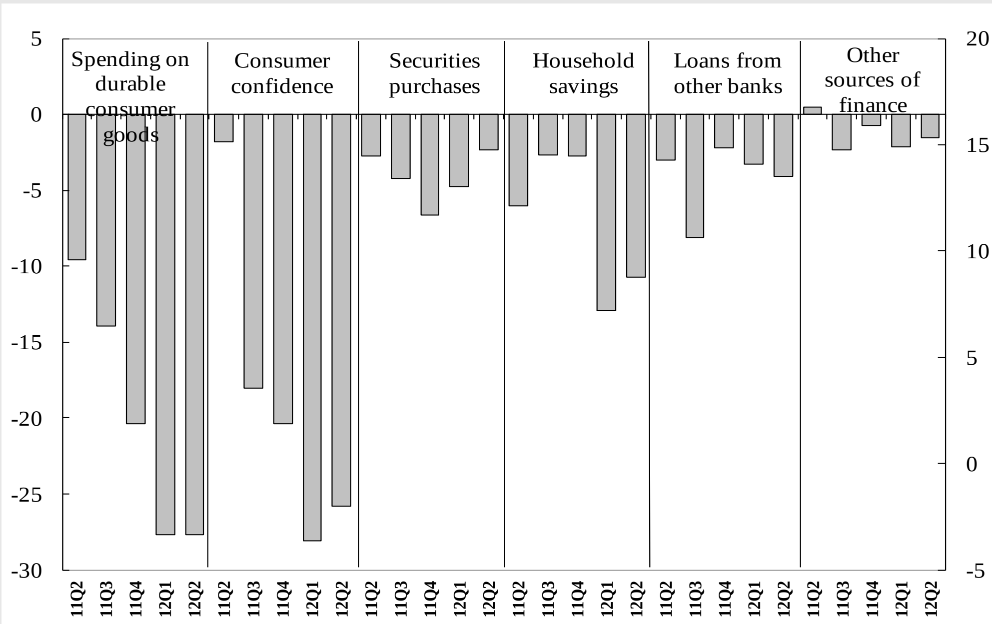
	NetP		DI		M		SD	
	Apr	Jul	Apr	Jul	Apr	Jul	Apr	Jul
A) Financing needs								
Spending on durable consumer goods	-28%	-28%	-17%	-16%	2.60	2.64	0.73	0.66
Consumer confidence	-28%	-26%	-17%	-14%	2.63	2.70	0.69	0.59
Securities purchases	-5%	-2%	-3%	-2%	2.94	2.97	0.27	0.26
B) Use of alternative finance								
Household savings	-13%	-11%	-7%	-6%	2.86	2.88	0.40	0.40
Loans from other banks	-3%	-4%	-2%	-2%	2.97	2.95	0.30	0.35
Other sources of finance	-2%	-2%	-1%	-1%	2.98	2.99	0.24	0.22

NA = Not available; NetP = Net percentage; DI = Diffusion index; M = Mean; SD = Standard deviation
Notes: Column "Net percentage" is defined as the difference between the sum of "+ +"(responsible for considerable increase) and "+"(responsible for increase) and the sum of "-" (responsible for decrease) and "- -" (responsible for considerable decrease). "°" means responsible for neither decrease nor increase. 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).

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.

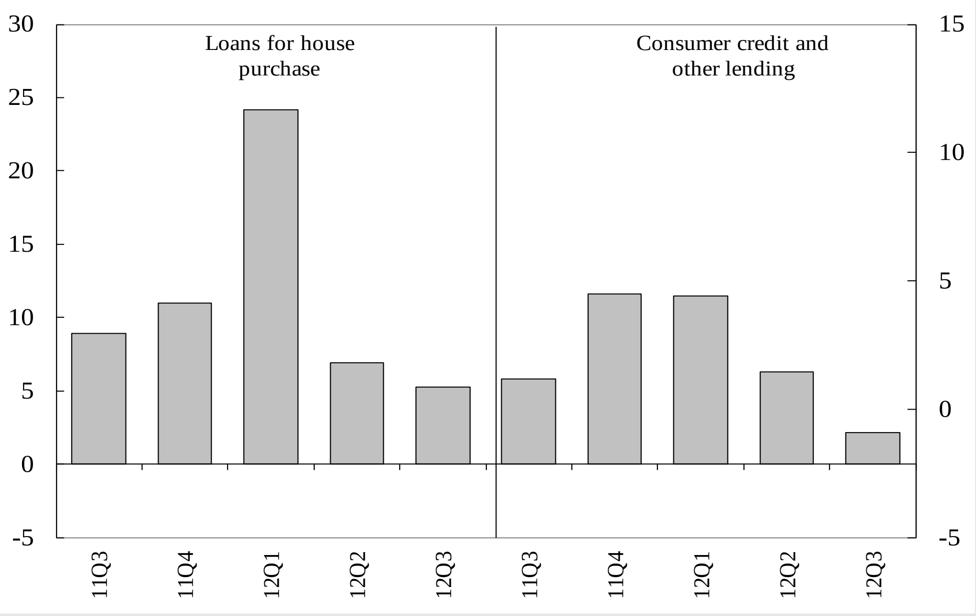
	Loans for house purchase		Consumer credit and other lending	
	Apr	Jul	Apr	Jul
Tighten considerably	0%	0%	1%	1%
Tighten somewhat	8%	6%	7%	2%
Remain basically unchanged	91%	93%	91%	96%
Ease somewhat	1%	1%	1%	1%
Ease considerably	0%	0%	0%	0%
Total	*100%*	*100%*	*100%*	*100%*
Net percentage	***7%***	***5%***	***6%***	***2%***
Diffusion index	***4%***	***3%***	***3%***	***1%***
Mean	*2.93*	*2.95*	*2.93*	*2.97*
Standard deviation	*0.30*	*0.28*	*0.34*	*0.26*
Number of banks responding	***119***	***116***	***119***	***115***

Notes: Net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of the percentages for "ease somewhat" and "ease 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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).

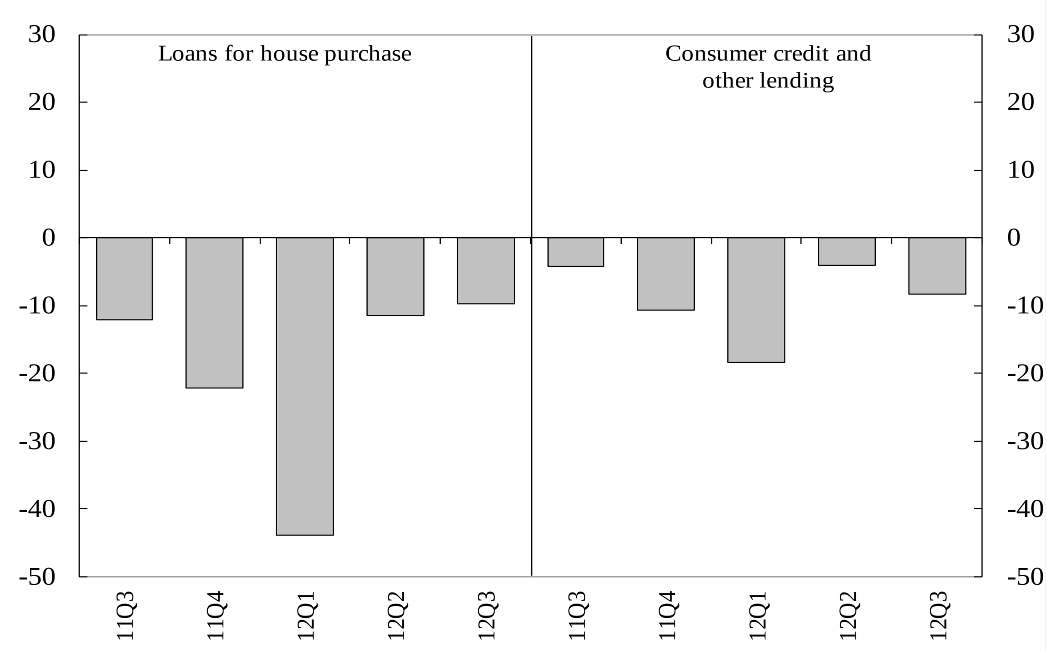
	Loans for house purchase		Consumer credit and other lending	
	Apr	Jul	Apr	Jul
Decrease considerably	2%	1%	0%	1%
Decrease somewhat	20%	20%	13%	9%
Remain basically unchanged	68%	69%	79%	89%
Increase somewhat	10%	11%	9%	1%
Increase considerably	0%	0%	0%	0%
Total	*100%*	*100%*	*100%*	*100%*
Net percentage	***-12%***	***-10%***	***-4%***	***-8%***
Diffusion index	***-7%***	***-5%***	***-2%***	***-5%***
Mean	*2.86*	*2.90*	*2.96*	*2.90*
Standard deviation	*0.62*	*0.58*	*0.48*	*0.41*
Number of banks responding	***119***	***116***	***121***	***118***

Notes: Net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat" and the sum of the percentages for "decrease somewhat" and "decrease 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 and standard deviation are calculated by attributing the values 1 to 5 starting with the first possible answer and consequently for the other answers. These values are then multiplied with the corresponding (weighted) percentages.

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

	Over the past three months							Over the next three months							N/A[(2)]
	--	-	o	+	++	Mean	Standard deviation	--	-	o	+	++	Mean	Standard deviation	
A) Retail funding															
Short-term deposits (up to one year)	0%	11%	80%	8%	1%	2.98	0.49	2%	10%	78%	11%	0%	2.97	0.56	10%
Long-term (more than one year) deposits and other retail funding instruments	0%	15%	79%	6%	0%	2.90	0.48	0%	16%	76%	8%	0%	2.91	0.51	10%
B) Inter-bank unsecured money market															
Very short-term money market (up to one week)	0%	19%	75%	5%	1%	2.88	0.55	1%	9%	83%	5%	2%	2.98	0.52	7%
Short-term money market (more than one week)	2%	24%	68%	6%	0%	2.78	0.60	2%	11%	80%	5%	2%	2.93	0.60	7%
C) Wholesale debt securities[(3)]															
Short-term debt securities (e.g. certificates of deposit or commercial paper)	2%	16%	75%	6%	0%	2.86	0.60	3%	14%	78%	5%	0%	2.86	0.59	20%
Medium to long-term debt securities (incl. covered bonds)	4%	28%	60%	8%	0%	2.72	0.71	4%	15%	72%	8%	0%	2.85	0.66	12%
D) Securitisation[(4)]															
Securitisation of corporate loans	2%	29%	60%	4%	4%	2.78	0.82	3%	22%	68%	7%	0%	2.79	0.69	57%
Securitisation of loans for house purchase	2%	28%	60%	5%	5%	2.83	0.82	3%	26%	67%	4%	0%	2.73	0.64	50%
E) Ability to transfer credit risk off balance sheet[(5)]	5%	16%	77%	2%	0%	2.75	0.65	8%	12%	76%	4%	0%	2.77	0.74	62%

(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.

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

	Over the past six months								Over the next six months							
	--	-	o	+	++	Not applicable	Mean	SD	--	-	o	+	++	Not applicable	Mean	SD
Risk-weighted assets	4%	40%	36%	4%	0%	16%	2.5	0.69	3%	34%	41%	4%	2%	16%	2.6	0.76
Of which: Average loans	4%	26%	52%	5%	0%	13%	2.7	0.67	3%	23%	55%	5%	2%	13%	2.8	0.71
Riskier loans	11%	29%	43%	1%	0%	16%	2.4	0.78	9%	32%	42%	1%	0%	16%	2.4	0.76
Capital position	2%	2%	37%	32%	7%	18%	3.5	0.82	0%	3%	40%	32%	5%	19%	3.5	0.71
Of which: Retained earnings	2%	2%	46%	28%	3%	18%	3.3	0.74	0%	0%	58%	21%	1%	19%	3.3	0.52
Share issuance	1%	1%	47%	11%	7%	34%	3.4	0.72	0%	1%	48%	9%	6%	36%	3.4	0.68

(*) Please consider the regulatory requirements set out in Basel III (see Basel Committee on Banking Supervision, Bank for International Settlements, "Basel III: A global regulatory framework for more resilient banks and banking systems", available at http://www.bis.org/publ/bcbs189.pdf, 16 December 2010), as well as those resulting from the EBA (to be complied with by the end of June 2012) and any other specific national regulations concerning banks' capital requirements that have recently been approved or are expected to be approved in the near future.

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

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
Over the past six months	--	1%	1%	1%	2%
	-	8%	25%	11%	6%
	=	92%	75%	88%	93%
	+	0%	0%	0%	0%
	+ +	0%	0%	0%	0%
	Mean	2.91	2.74	2.88	2.91
	Standard deviation	0.32	0.47	0.37	0.36
	Number of banks responding	117	118	116	115
	Net percentage	**8**	**25**	**12**	**7**
Over the next six months	--	1%	1%	1%	1%
	-	17%	31%	11%	8%
	=	81%	68%	88%	91%
	+	1%	0%	1%	0%
	+ +	0%	0%	0%	0%
	Mean	2.81	2.66	2.88	2.90
	Standard deviation	0.47	0.53	0.38	0.36
	Number of banks responding	117	118	116	115
	Net percentage	**18**	**32**	**11**	**9**

(*) Please consider the regulatory requirements set out in Basel III (see Basel Committee on Banking Supervision, Bank for International Settlements, "Basel III: A global regulatory framework for more resilient banks and banking systems", available at http://www.bis.org/publ/bcbs189.pdf, 16 December 2010), as well as those resulting from the EBA (to be complied with by the end of June 2012) and any other specific national regulations concerning banks' capital requirements that have recently been approved or are expected to be approved in the near future.

iv. Given the tensions in the European sovereign debt market 1), how have the following factors affected your bank's funding conditions/credit standards over the past three months?

	Impact on your bank's funding conditions						
	--	-	=	+	+ +	Mean	sd
A) Direct exposure to sovereign debt	4	14	82	0	0	3	1
B) Value of sovereign collateral available for wholesale market transactions	4	22	73	2	0	3	1
C) Other effects	7	18	75	1	0	3	1

	Impact on your bank's credit standards																				
	Loans or credit lines to enterprises							Loans to households for house purchase							Loans to households for consumer credit and other lending						
	--	-	=	+	++	Mean	sd	--	-	=	+	++	Mean	sd	--	-	=	+	++	Mean	sd
A) Direct exposure to sovereign debt	1	7	91	0	0	3	0	1	4	95	0	0	3	0	2	6	92	0	0	3	0
B) Value of sovereign collateral available for wholesale market transactions	1	10	88	1	0	3	0	1	5	94	0	0	3	0	2	6	92	0	0	3	0
C) Other effects	0	8	87	5	0	3	0	0	6	94	1	0	3	0	2	5	92	0	0	3	0

(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.

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.