EUROPEAN CENTRAL BANK

EUROSYSTEM

The euro area bank lending survey

Fourth quarter of 2019

January 2020

Contents

Introduction

The results reported in the January 2020 bank lending survey (BLS) relate to changes observed during the fourth quarter of 2019 and expectations for the first quarter of 2020. The survey was conducted between 6 and 27 December 2019. The response rate was 100%. In addition to results for the euro area as a whole, this report also contains results for the four largest euro area countries.[1]

A number of ad hoc questions were included in the January 2020 survey. They look at the impact that the situation in financial markets has had on banks' access to retail and wholesale funding, the impact of ongoing regulatory or supervisory changes on banks' lending policies, the impact of banks' non-performing loan (NPL) ratios on lending policies, and the impact of the ECB's third series of targeted longer-term refinancing operations (TLTRO-III).

[1] The four largest euro area countries in terms of GDP are Germany, France, Italy and Spain.

1 Overview of results

Credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises and loans to households for house purchase remained broadly unchanged in the fourth quarter of 2019. For loans to enterprises, this was in spite of a continued tightening impact stemming from risk perceptions relating to the economic outlook. Meanwhile, credit standards for consumer credit continued to tighten. Demand for loans to enterprises declined for the first time since the fourth quarter of 2013, reflecting the slowdown in economic activity that has been observed since 2018. In contrast, demand for housing loans and consumer credit continued to increase.

Credit standards for loans to enterprises and housing loans remained broadly unchanged in the fourth quarter of 2019 (with the net percentage of banks reporting tightening standing at 1% for both types of lending, compared with -2% in the third quarter of 2019; see overview table), in line with expectations expressed in the previous survey round. Credit standards for consumer credit and other lending to households continued to tighten (net percentage of 3%, unchanged from the previous quarter), despite banks expecting them to remain broadly unchanged. Looking ahead to the first quarter of 2020, banks expect credit standards for loans to enterprises to remain unchanged, while they expect credit standards to tighten for housing loans (3%) and to ease for consumer credit and other credit to households (-6%).

Banks' risk perceptions (owing to both the general economic situation and the firm-specific situation) continued to have a tightening impact on credit standards for loans to enterprises. In contrast, for loans to households for house purchase, risk perceptions had an easing impact, owing to still favourable housing market prospects and borrowers' creditworthiness. For both loans to enterprises and housing loans, competition (mainly from other banks) had an easing impact, while banks' risk tolerance, funding costs and balance sheet constraints had a broadly neutral impact overall. For consumer credit and other lending to households, all contributing factors had a broadly neutral impact overall.

For new loans to enterprises, banks' overall credit terms and conditions (i.e. the actual terms and conditions agreed in loan contracts) remained unchanged. While margins on average loans to enterprises (defined as the spread over relevant market reference rates) narrowed, they continued to widen for riskier loans. There was also an increase in non-interest rate charges. Banks' overall terms and conditions also remained broadly unchanged for housing loans, as margins on average loans declined and margins on riskier loans increased slightly. In addition, loan-to-value ratios had a tightening impact. Terms and conditions for consumer credit eased, driven by narrower margins on average loans, while margins increased slightly for riskier loans.

The net percentage of banks reporting an increase in rejection rates for loan applications rose across all loan categories, particularly for loans to enterprises.

Net demand for loans to enterprises declined in the fourth quarter of 2019 (with a net percentage of -8%, down from 1% in the third quarter of 2019), the first time this had been seen since the fourth quarter of 2013, whereas banks had expected it to remain stable overall. That decline in net demand was broadly based across a number of larger and smaller euro area countries. Banks expect that demand will continue to decline in the first quarter of 2020 (net percentage of -9%). In contrast, there was a pronounced increase in net demand for housing loans (net percentage of 25%, up from 15%), as well as an increase in net demand for consumer credit (net percentage of 10%, up from 8%). For the first quarter of 2020, banks expect to see increases in net demand for both housing loans (6%) and consumer credit (15%).

Demand for loans to enterprises continued to be supported by the low general level of interest rates and, to a lesser extent, M&A activities. The positive contribution made by the low general level of interest rates increased relative to previous survey rounds. In contrast, financing needs for fixed investment ceased to contribute positively to firms' loan demand. In fact, in most countries where banks indicated a decline in net demand, fixed investment contributed to that decline, in line with subdued economic activity. Net demand for housing loans continued to be driven by the low general level of interest rates and favourable housing market prospects, while consumer confidence and debt refinancing contributed more positively than in previous quarters. For consumer credit and other lending to households, the low general level of interest rates, consumer confidence and spending on durable goods all contributed positively to loan demand.

Looking at the four largest euro area countries, credit standards for loans to enterprises tightened in Spain and France in the fourth quarter of 2019, while they remained unchanged in Germany and Italy (see overview table). For housing loans, credit standards tightened in Spain and France, eased in Italy and remained unchanged in Germany. Net demand for loans to enterprises declined in Spain and, to a lesser extent, France, while net demand increased in Germany and remained unchanged in Italy. Net demand for housing loans increased in France, Germany and Italy, but fell in Spain.

Overview table

Latest BLS results for the largest euro area countries

(net percentages of banks reporting a tightening of credit standards or an increase in loan demand)

	Enterprises						House purchase						Consumer credit					
	Credit standards			Demand			Credit standards			Demand			Credit standards			Demand		
Country	Q3 19	Q4 19	Avg.	Q3 19	Q4 19	Avg.	Q3 19	Q4 19	Avg.	Q3 19	Q4 19	Avg.	Q3 19	Q4 19	Avg.	Q3 19	Q4 19	Avg.
Euro area	-2	1	8	1	-8	-1	-2	1	5	15	25	5	3	3	4	8	10	2
Germany	3	0	3	9	6	5	0	0	2	28	17	9	0	0	0	6	6	9
Spain	0	10	9	-30	-40	-4	0	11	14	-33	-33	-8	20	30	7	-10	-10	-6
France	3	3	6	29	-2	-9	0	2	1	28	41	8	0	0	-1	26	15	1
Italy	-10	0	13	-20	0	4	-10	-10	1	10	30	15	-10	-10	6	-10	20	14

Notes: The "Avg." columns contain historical averages, which are calculated over the period since the beginning of the survey, excluding the most recent round. For France, net percentages are weighted on the basis of outstanding loan amounts for individual banks in the respective national samples.

The January 2020 BLS also included a number of ad hoc questions. As regards euro area banks' access to wholesale and retail funding, banks reported (in net terms) that access to debt securities funding and securitisation continued to improve in the fourth quarter of 2019, while their access to money markets and retail funding remained broadly unchanged.

Euro area banks reported a continued strengthening of their capital positions against the backdrop of regulatory and supervisory actions in the second half of 2019. At euro area level, banks reported a tightening impact on credit standards across all loan categories, with further tightening expected over the next six months.

Euro area banks reported that NPL ratios had a small tightening impact on credit standards for loans to enterprises and consumer credit in the second half of 2019, as well as a broadly neutral impact on credit standards for housing loans. Over the next six months, they expect that tightening impact to increase somewhat for loans to enterprises and consumer credit. According to banks, that tightening impact of NPL ratios came about primarily via reduced risk tolerance and via risk perceptions relating to the general economic outlook and borrowers' creditworthiness.

On the impact of the TLTRO-III series, banks indicated that they used TLTRO-III liquidity largely for granting loans to the non-financial private sector and replacing TLTRO-II funds. Euro area banks plan to increase their TLTRO-III participation in the future. Given the attractive conditions surrounding TLTRO-III operations, the profitability motive has been the most important reason for banks to participate so far. As regards their lending policies, banks indicated that the TLTRO-III series had an easing impact on their terms and conditions, with a smaller easing impact on credit standards and a positive net impact on lending volumes.

Box 1
General notes

The bank lending survey (BLS) is addressed to senior loan officers at a representative sample of euro area banks. In the current survey round, 144 banks participated in the survey, representing all euro area countries and reflecting the characteristics of their respective national banking structures. The main purpose of the BLS is to enhance the Eurosystem's knowledge of bank lending conditions in the euro area.[2]

BLS questionnaire

The BLS questionnaire contains 22 standard questions on past and expected future developments: 18 backward-looking questions and four forward-looking questions. In addition, it contains one open-ended question. Those questions focus on developments in loans to euro area residents (i.e. domestic and euro area cross-border loans) and distinguish between three loan categories: 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 about the credit standards applied to the approval of loans, the terms and conditions of new loans, loan demand, the factors affecting loan supply and demand conditions, and the percentage of loan applications

2 For more detailed information on the bank lending survey, see the article entitled "A bank lending survey for the euro area", *Monthly Bulletin*, ECB, April 2003; Köhler-Ulbrich, P., Hempell, H. and Scopel, S., "The euro area bank lending survey", *Occasional Paper Series*, No 179, ECB, 2016; and Burlon, L., Dimou, M., Drahonsky, A. and Köhler-Ulbrich, P., "What does the bank lending survey tell us about credit conditions for euro area firms?", *Economic Bulletin*, Issue 8, ECB, December 2019.

that are rejected. Survey questions are generally phrased in terms of changes over the past three months or expected changes over the next three months. Survey participants are asked to indicate in a qualitative way the strength of any tightening or easing or the strength of any decrease or increase, reporting changes using the following five-point scale: (1) tightened/decreased considerably, (2) tightened/decreased somewhat, (3) basically no change, (4) eased/increased somewhat or (5) eased/increased considerably.

In addition to the standard questions, the BLS questionnaire may contain ad hoc questions on specific topics of interest. Whereas the standard questions cover a three-month time period, the ad hoc questions tend to refer to changes over a longer time period (e.g. over the past and next six months).

Aggregation of banks' replies to national and euro area BLS results

The responses of the individual banks participating in the BLS are aggregated in two steps. In the first step, the responses of individual banks are aggregated to form national results for euro area countries. And in the second step, those national BLS results are aggregated to form euro area BLS results.

In the first step, banks' replies can be aggregated to form national BLS results by applying equal weights to all banks in the sample[3] or, alternatively, by applying a weighting scheme based on outstanding loans to non-financial corporations and households for the individual banks in the respective national samples. Specifically, for France, Malta, the Netherlands and Slovakia, an explicit weighting scheme is applied.

In the second step, since the numbers of banks in the national samples differ considerably and do not always reflect those countries' respective shares of lending to euro area non-financial corporations and households, the national survey results are aggregated to form euro area BLS results by applying a weighting scheme based on national shares of outstanding loans to euro area non-financial corporations and households.

BLS indicators

Responses to questions relating to credit standards are analysed in this report by looking at the difference (the "net percentage") between the percentage of banks reporting that credit standards applied in the approval of loans have been tightened and the percentage of banks reporting that they have been eased. For all questions, the net percentage is determined on the basis of all participating banks that have business in or exposure to the respective loan categories (i.e. they are all included in the denominator when calculating the net percentage). This means that banks that specialise in certain loan categories (e.g. banks that only grant loans to enterprises) are only included in the aggregation for those categories. All other participating banks are included in the aggregation of all questions, even if a bank replies that a question is "not applicable" ("NA"). This harmonised aggregation method was introduced by the Eurosystem in the April 2018 BLS. It has been applied to all euro area and national BLS results in the current BLS questionnaire, including backdata.[4] The resulting revisions for the standard BLS questions have generally been small, but

3 In this case, the selected sample banks are generally of similar size or their lending behaviour is typical of a larger group of banks.

4 The non-harmonised historical data differ from the harmonised data mainly as a result of heterogeneous treatment of "NA" replies and specialised banks across questions and countries. Non-harmonised historical BLS data are published for discontinued BLS questions and ad hoc questions.

revisions for some ad hoc questions have been larger owing to a higher number of “not applicable” replies by banks.

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 percentage of banks reporting an increase in loan demand (i.e. an increase in bank loan financing needs) and the percentage of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.

In the assessment of survey balances for the euro area, net percentages between -1 and +1 are generally referred to as “broadly unchanged”. For country results, net percentage changes are reported in a factual manner, as differing sample sizes across countries mean that the answers of individual banks have differing impacts on the magnitude of net percentage changes.

In addition to the “net percentage” indicator, the ECB also publishes an alternative measure of banks’ responses to questions relating to changes in credit standards and net demand. This measure is the weighted difference (“diffusion index”) between the percentage of banks reporting that credit standards have been tightened and the percentage of banks reporting that they have been eased. Likewise, as regards demand for loans, the diffusion index refers to the weighted difference between the percentage of banks reporting an increase in loan demand and the percentage of banks reporting a decline. The diffusion index is constructed in the following way: lenders who have answered “considerably” are given a weight (score of 1) which is twice as large as that given to lenders who have answered “somewhat” (score of 0.5). The interpretation of the diffusion indices follows the same logic as the interpretation of net percentages.

Detailed tables and charts based on the responses provided can be found in Annex 1 for the standard questions and Annex 2 for the ad hoc questions. In addition, BLS time series data are available on the ECB’s website via the Statistical Data Warehouse.

A copy of the questionnaire, a glossary of BLS terms and a BLS user guide with information on the BLS series keys can all be found at:
https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html

2 Developments in credit standards, terms and conditions, and net demand for loans in the euro area

2.1 Loans to enterprises

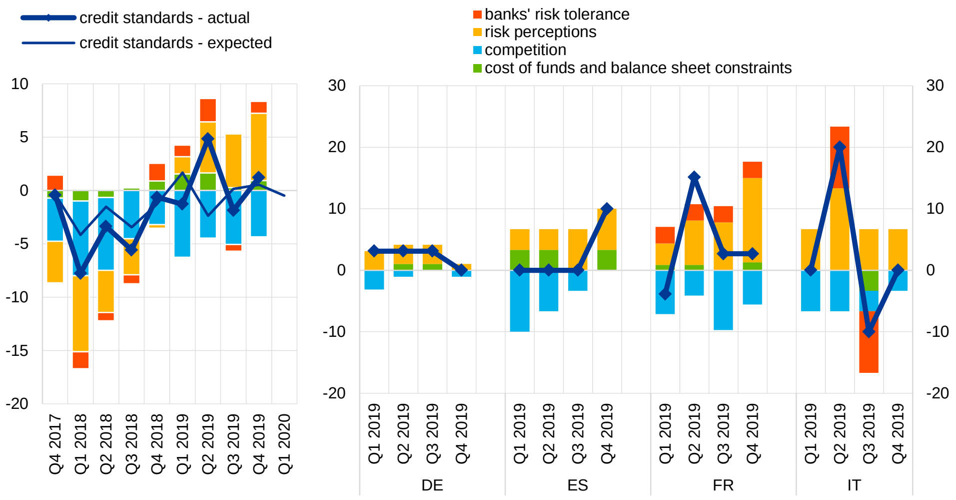
2.1.1 Credit standards for loans to enterprises remained broadly unchanged

Credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises remained broadly unchanged in the fourth quarter of 2019 (with the net percentage of banks reporting tightening standing at 1%, compared with -2% in the third quarter of 2019; see Chart 1 and overview table), in line with expectations expressed in the previous survey round. That net percentage remained below the historical average since 2003. Credit standards tightened slightly for loans to small and medium-sized enterprises (2%) and remained unchanged for loans to large firms.

Chart 1

Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of 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 contributing 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 the unweighted average of "costs related to capital position", "access to market financing" and "liquidity position"; "risk perceptions" is the unweighted average of "general economic situation and outlook", "industry or firm-specific situation and outlook/borrower's creditworthiness" and "risk related to the collateral demanded"; "competition" is the unweighted average of "competition from other banks", "competition from non-banks" and "competition from market financing".

Banks' risk perceptions (owing to both the general economic situation and the firm-specific situation) continued to have a tightening impact on credit standards for loans to enterprises. In contrast, competition (mainly from other banks) continued to have an easing impact (see Chart 1 and Table 1).[5] Banks' risk tolerance, funding costs and balance sheet constraints had a broadly neutral impact overall.

Looking at the four largest euro area countries, credit standards for loans to enterprises tightened in Spain and France in the fourth quarter of 2019, while they remained unchanged in Germany and Italy.

Looking ahead to the first quarter of 2020, euro area banks expect credit standards for loans to enterprises to remain unchanged.

Table 1

Factors contributing to the net easing of credit standards for loans or credit lines to enterprises

(net percentages of banks)

	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
Country	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	0	1	-5	-4	5	6	-1	1
Germany	1	0	0	-1	3	1	0	0
Spain	0	3	-3	0	7	7	0	0
France	0	1	-10	-6	8	14	3	3
Italy	-3	0	-3	-3	7	7	-10	0

Note: See the notes on Chart 1.

2.1.2 Terms and conditions on loans to enterprises remained unchanged

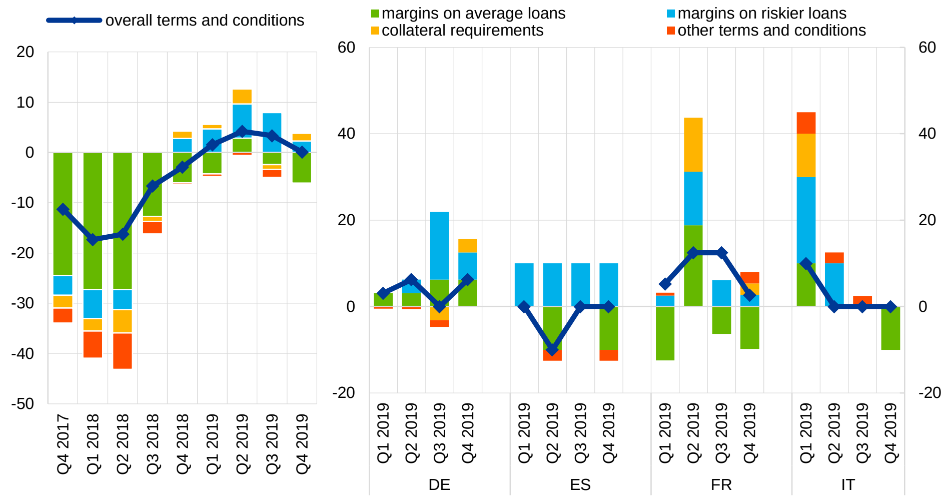
Overall terms and conditions on new loans or credit lines to enterprises (i.e. the actual terms and conditions agreed in loan contracts) remained unchanged in the fourth quarter of 2019 (see Chart 2 and Table 2). While margins on average loans to enterprises (defined as the spread over relevant market reference rates) narrowed, they continued to widen slightly for riskier loans. Most other credit terms and conditions (e.g. collateral requirements) remained broadly unchanged, while non-interest rate charges increased.

5 The calculation of a simple average when combining factors in broader categories assumes that all factors have the same importance for banks. This helps to explain some inconsistencies between developments in credit standards and developments in the main underlying factor categories in the relevant charts.

Chart 2

Changes in terms and conditions on loans or credit lines to enterprises

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



Notes: "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the unweighted average of "non-interest rate charges", "size of the loan or credit line", "loan covenants" and "maturity".

Looking at the four largest euro area countries, overall terms and conditions on new loans or credit lines to enterprises tightened in Germany and France, while they remained unchanged in Spain and Italy. That tightening was driven mainly by a widening of margins on riskier loans. In Germany and France, collateral requirements exerted a tightening impact, while non-interest rate charges had a tightening impact overall in France and Spain. According to reporting banks, margins on average loans narrowed in Spain, France and Italy in the fourth quarter of 2019.

Table 2

Changes in terms and conditions on loans or credit lines to enterprises

(net percentages of banks)

	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
Country	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	3	0	-2	-6	8	2
Germany	0	6	6	6	16	6
Spain	0	0	0	-10	10	10
France	12	3	-6	-10	6	3
Italy	0	0	0	-10	0	0

Note: See the notes on Chart 2.

Banks' funding costs, balance sheet constraints and risk perceptions were the main factors exerting a tightening impact, while competitive pressures continued to have an easing impact on overall terms and conditions (see Table 3). Banks' increased risk tolerance also had a slight easing impact on term and conditions.

Table 3

Factors contributing to the net tightening of overall terms and conditions on loans or credit lines to enterprises

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	8	7	-11	-16	6	6	0	-2
Germany	9	9	-6	-6	3	3	-3	0
Spain	0	0	-10	-10	10	10	0	0
France	12	4	-17	-29	9	12	3	3
Italy	0	0	0	-10	10	0	0	0

Note: The net percentages for these questions relating to contributing 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.

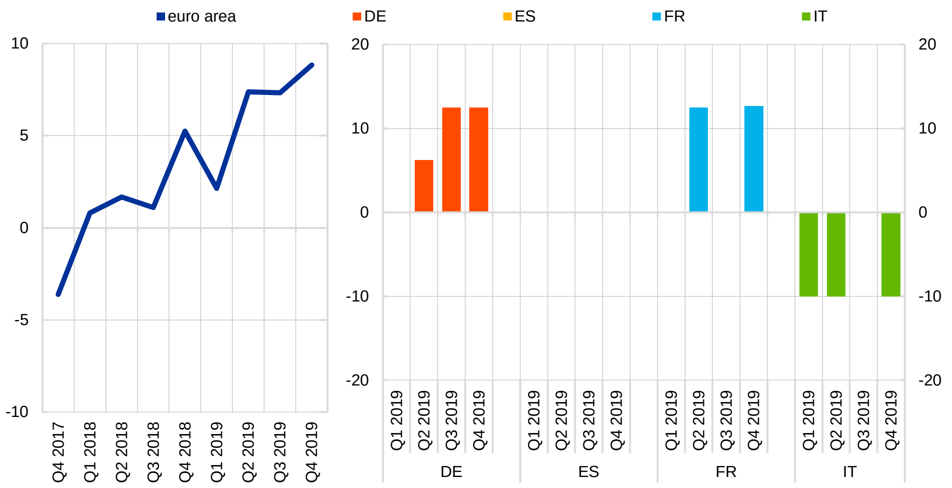
2.1.3 Rejection rate for loans to enterprises continued to increase

The net percentage share of rejected loan applications (calculated as the difference between the percentage of banks reporting an increase in rejection rates and the percentage of banks reporting a decline) continued to increase for loans to euro area enterprises in the fourth quarter of 2019, reaching the highest level seen since the series began in 2015 (9%, up from 7% in the previous quarter; see Chart 3).

Chart 3

Changes in the share of rejected applications for loans to enterprises

(net percentages of banks reporting an increase in the share of rejections)



Note: Share of loan rejections relative to the volume of all loan applications in that loan category.

Looking at the largest euro area countries, the net rejection rate increased in France and Germany, while it remained unchanged in Spain and declined in Italy. The increase in the net rejection rate in Germany and France broadly corresponded to the tightening impact that risk perceptions had on credit standards for loans to enterprises as a result of concerns about borrowers' creditworthiness.

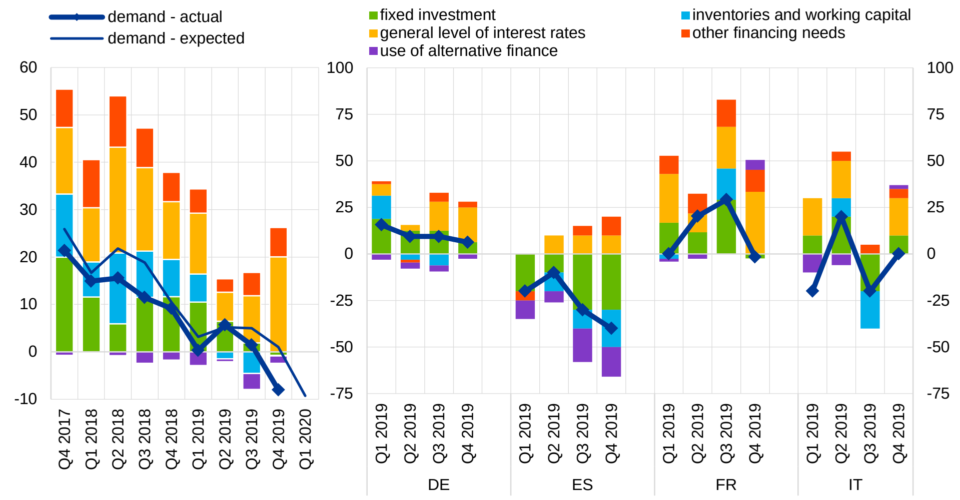
2.1.4 Net demand for loans to enterprises declined

Net demand for loans to enterprises declined in the fourth quarter of 2019 (net percentage of -8%, down from 1% in the third quarter of 2019; see Chart 4 and overview table), the first time this had been seen since the fourth quarter of 2013, whereas banks had expected it to remain stable overall. That net decline in demand was broadly based across a number of larger and smaller euro area countries. Demand declined for both loans to SMEs and loans to large firms.

Chart 4

Changes in demand for loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting an increase in 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 relating to contributing 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. “Other financing needs” is the unweighted average of “mergers/acquisitions and corporate restructuring” and “debt refinancing/restructuring and renegotiation”; “use of alternative finance” is the unweighted average of “internal financing”, “loans from other banks”, “loans from non-banks”, “issuance/redemption of debt securities” and “issuance/redemption of equity”.

Demand for loans to enterprises continued to be supported by the low general level of interest rates and, to a lesser extent, M&A activities (included in “other financing needs”; see Chart 4 and Table 4).[6] The positive contribution made by the low general level of interest rates increased relative to previous survey rounds.

Financing needs for fixed investment ceased to contribute positively to firms’ loan demand. While the contribution that individual factors make to net loan demand has mostly been positive or neutral on aggregate, a more detailed assessment offers additional insight. In fact, in most countries where banks indicated a net decline in demand, fixed investment contributed to that decline, in line with subdued economic activity. At the same time, in a few countries, firms’ internal funds also contributed to the dampening of loan demand, pointing to alternative funding options for companies.

[6] The calculation of a simple average when combining factors in broader categories assumes that all factors have the same importance for banks. This helps to explain some inconsistencies between developments in demand for loans and developments in the main underlying factor categories.

Table 4

Factors contributing to net demand for loans or credit lines to enterprises

(net percentages of banks)

Country	Fixed investment		Inventories and working capital		Other financing needs		General level of interest rates		Use of alternative finance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	2	-1	-5	0	5	6	10	20	-3	-2
Germany	13	6	-6	0	5	3	16	19	-3	-3
Spain	-30	-30	-10	-20	5	10	10	10	-18	-16
France	29	-2	17	0	15	12	22	33	0	5
Italy	-20	10	-20	0	5	5	0	20	0	2

Note: See the notes on Chart 4.

Looking at the largest euro area countries, net demand for loans to enterprises declined in Spain and, to a lesser extent, France, while net demand increased in Germany and remained unchanged in Italy. Spain's net decline in demand for loans to enterprises was driven by fixed investment, inventories and working capital, as well as the use of alternative finance. In contrast, the low general level of interest rates supported loan demand in all major euro area countries.

For the first quarter of 2020, banks expect that demand for loans to enterprises will continue to decline (net percentage of -9%).

2.2 Loans to households for house purchase

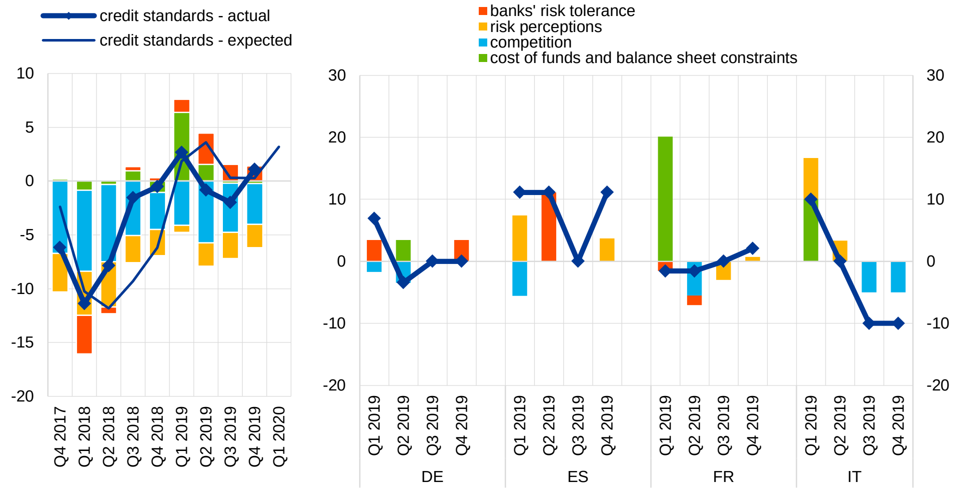
2.2.1 Credit standards for loans to households for house purchase remained broadly unchanged

Credit standards for loans to households for house purchase remained broadly unchanged in the fourth quarter of 2019, following the slight easing observed in the previous quarter (1%, compared with -2% in the previous quarter; see Chart 5 and overview table). This was in line with expectations. The net percentage remained below the historical average since 2003.

Chart 5

Changes in credit standards applied to the approval of loans to households for house purchase, and contributing factors

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



Notes: See the notes on Chart 1. "Risk perceptions" is the unweighted average of "general economic situation and outlook", "housing market prospects, including expected house price developments" and "borrower's creditworthiness"; "competition" is the unweighted average of "competition from other banks" and "competition from non-banks".

Pressure from competition continued to be the main factor having an easing impact on credit standards. Risk perceptions also continued to have an easing impact (albeit to a lesser extent), owing to still favourable housing market prospects and borrowers' creditworthiness. Banks' risk tolerance, funding costs and balance sheet constraints had a broadly neutral impact (see Chart 5 and Table 5).

Looking at the largest euro area countries, banks tightened their credit standards in Spain and France, while they left them unchanged overall in Germany (despite a tightening impact stemming from banks' risk tolerance), and they eased them in Italy. The tightening reported in Spain was driven mainly by risk perceptions relating to economic activity.

Looking ahead, euro area banks expect that credit standards for housing loans will tighten (net percentage of 3%) in the first quarter of 2020.

Table 5

Factors contributing to the net tightening of credit standards for loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	0	0	-5	-4	-2	-2	2	1
Germany	0	0	0	0	0	0	0	3
Spain	0	0	0	0	0	4	0	0
France	0	0	0	0	-3	1	0	0
Italy	0	0	-5	-5	0	0	0	0

Note: See the notes on Chart 5.

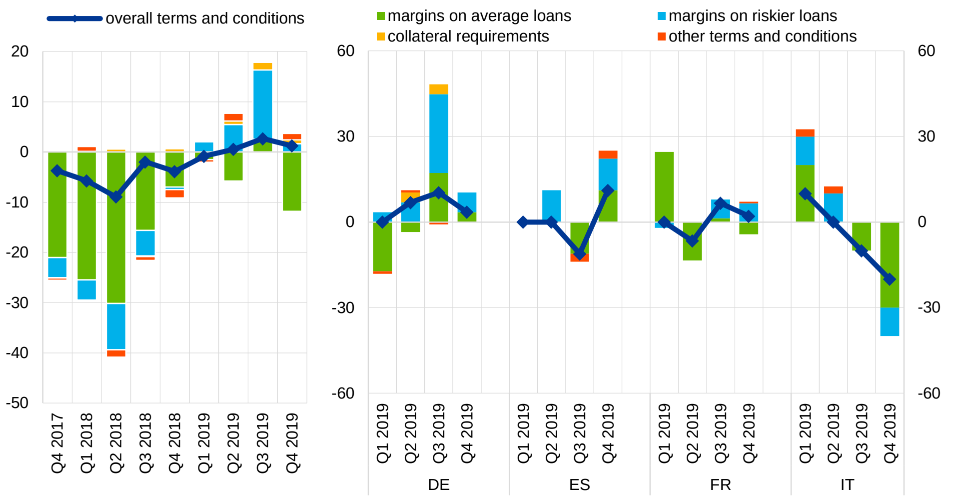
2.2.2 Terms and conditions on loans to households for house purchase remained broadly unchanged

Banks' overall terms and conditions on new loans to households for house purchase remained broadly unchanged in the fourth quarter of 2019 (see Chart 6 and Table 6), following a tightening in the previous quarter. The compression of margins on average loans had an easing impact on banks' overall terms and conditions, while the tightening impact of margins on riskier loans was weaker than in the last survey round. Loan-to-value ratios (included in "other terms and conditions") also exerted a tightening impact.

Chart 6

Changes in terms and conditions on loans to households for house purchase

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



Notes: "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the unweighted average of "loan-to-value ratio", "other loan size limits", "non-interest rate charges" and "maturity".

Looking at the largest euro area countries, banks in Spain and Germany reported a tightening of overall terms and conditions on housing loans, driven by a widening of margins on both average and riskier loans and, in the case of Germany, a small net tightening impact of loan-to-value ratios. Banks in France reported a slight tightening of overall terms and conditions, driven by an increase in margins on riskier loans which was only partially offset by narrower margins on average loans. In contrast, banks in Italy reported a net easing of terms and conditions, driven mainly by narrower margins for both average and riskier loans.

Table 6

Changes in terms and conditions on loans to households for house purchase

(net percentages of banks)

Country	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	3	1	3	-12	14	2
Germany	10	3	17	3	28	7
Spain	-11	11	-11	11	0	11
France	7	2	1	-4	7	7
Italy	-10	-20	-10	-30	0	-10

Note: See the notes on Chart 6.

Competitive pressures remained the main factor having an easing impact on overall terms and conditions on housing loans at euro area level. Meanwhile, banks' risk tolerance, funding costs and balance sheet constraints had a tightening impact (see Table 7). Risk perceptions also had a slight tightening impact on terms and conditions on housing loans at euro area level.

Table 7

Factors contributing to the net tightening of overall terms and conditions on loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	8	3	-15	-9	-3	2	0	4
Germany	14	3	0	0	0	0	0	3
Spain	0	0	-33	-11	0	11	0	11
France	14	14	-12	0	0	2	0	0
Italy	0	0	-10	-20	0	0	0	0

Note: The net percentages for these questions relating to contributing 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.

2.2.3 Rejection rate for housing loans increased

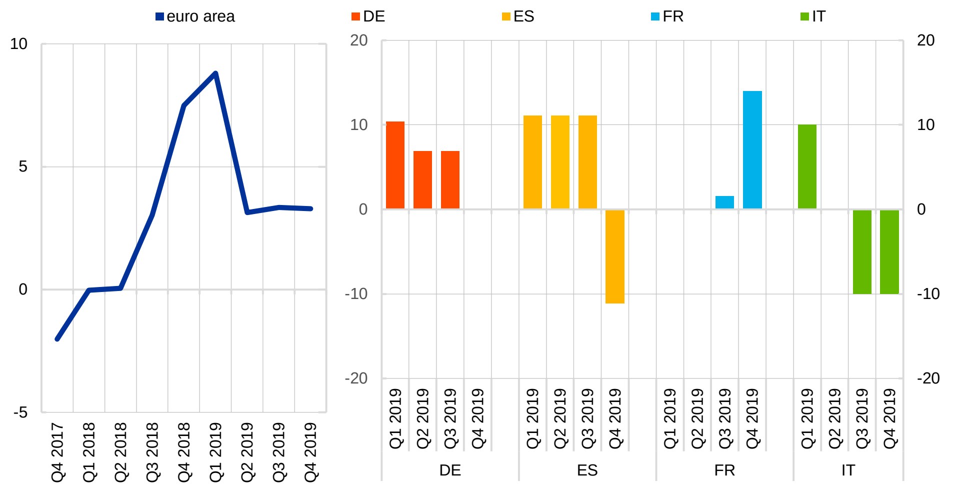
According to euro area banks, the net share of rejected applications for loans to households for house purchase increased again in the fourth quarter of 2019 (net percentage of 3%, unchanged from the previous survey round; see Chart 7).

Looking at the largest euro area countries, the rejection rate for housing loans increased in France, while it remained unchanged in Germany and declined in both Spain and Italy. The increase in the net rejection rate in France coincided with an increase in demand for housing loans, which may suggest that banks received a larger percentage of applications with lower credit quality.

Chart 7

Change in the share of rejected applications for loans to households for house purchase

(net percentages of banks reporting an increase in the share of rejections)



Note: Share of loan rejections relative to the volume of all loan applications in that loan category.

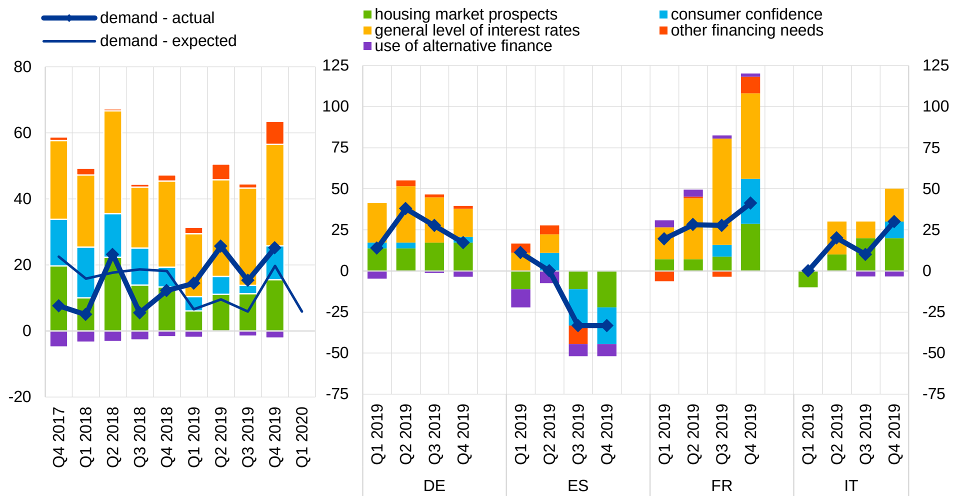
2.2.4 Net demand for housing loans continued to increase

In the fourth quarter of 2019, banks reported a further strengthening of net demand for housing loans (net percentage of 25%, up from 15% in the previous quarter; see Chart 8 and overview table), which was above the historical average for housing loan demand and higher than banks had expected in the previous survey round.

Chart 8

Changes in demand for loans to households for house purchase, and contributing factors

(net percentages of banks reporting an increase in demand and contributing factors)



Notes: See the notes on Chart 4. "Other financing needs" is the unweighted average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets"; "use of alternative finance" is the unweighted average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance".

Net demand for housing loans continued to be driven mainly by the low general level of interest rates, while favourable housing market prospects and consumer confidence also contributed more positively than in previous quarters. Other financing needs (such as debt refinancing/restructuring and the regulatory and fiscal regime governing housing markets) also had a positive impact. However, the use of alternative sources of finance continued to have a slight negative effect on demand (see Chart 8 and Table 8).

Looking at the largest euro area countries, net demand increased in France, Germany and Italy, but it fell in Spain, where it declined for the second consecutive quarter. In Spain, banks cited housing market prospects, consumer confidence and the use of alternative finance as the main factors dampening demand for housing loans. Demand in France, Italy and Germany was supported by the low general level of interest rates, favourable housing market prospects and, to a lesser extent, consumer confidence.

Table 8

Factors contributing to net demand for loans to households for house purchase

(net percentages of banks)

	Housing market prospects		Consumer confidence		Other financing needs		General level of interest rates		Use of alternative finance	
Country	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	11	16	3	10	1	7	29	31	-2	-2
Germany	17	17	0	3	2	2	28	17	-1	-3
Spain	-11	-22	-22	-22	-11	0	0	0	-7	-7
France	9	29	7	27	-4	10	65	52	2	2
Italy	20	20	0	10	0	0	10	20	-3	-3

Note: See the notes on Chart 8.

For the first quarter of 2020, euro area banks expect a continued increase in net demand for housing loans (6%).

2.3 Consumer credit and other lending to households

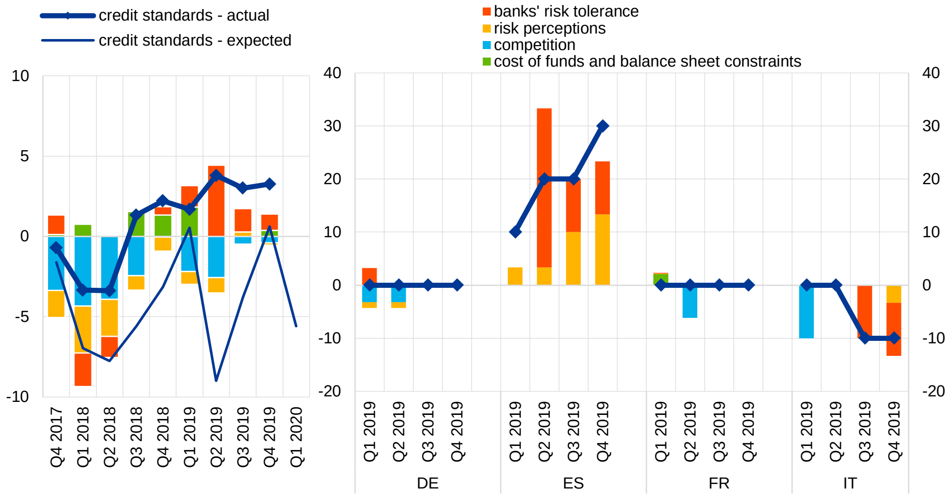
2.3.1 Credit standards for consumer credit and other lending to households continued to tighten

In the fourth quarter of 2019, credit standards for consumer credit and other lending to households tightened further (net percentage of 3%, unchanged from the previous quarter; see Chart 9 and overview table), despite expectations that they would remain broadly unchanged. That net percentage was around the historical average since 2003.

Chart 9

Changes in credit standards applied to the approval of consumer credit and other lending to households, and contributing factors

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



Notes: See the notes on Chart 1. "Risk perceptions" is the unweighted average of "general economic situation and outlook", "creditworthiness of consumers" and "risk on the collateral demanded"; "competition" is the unweighted average of "competition from other banks" and "competition from non-banks".

Overall, banks' risk tolerance, risk perceptions, competition, funding costs and balance sheet constraints had a broadly neutral impact on credit standards for consumer credit at euro area level in the fourth quarter of 2019 (see Chart 9 and Table 9).

Looking at the largest euro area countries, credit standards for consumer lending continued to tighten in Spain, while they remained unchanged in Germany and France, and eased in Italy. The tightening reported in Spain was driven mainly by risk perceptions and a decline in banks' risk tolerance.

Looking ahead to the first quarter of 2020, euro area banks expect a net easing of credit standards for consumer credit and other lending to households (-6%).

Table 9

Factors contributing to the net tightening of credit standards for consumer credit and other lending to households

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	0	0	0	0	0	0	1	1
Germany	0	0	0	0	0	0	0	0
Spain	0	0	0	0	10	13	10	10
France	0	0	0	0	0	0	0	0
Italy	0	0	0	0	0	-3	-10	-10

Note: See the notes on Chart 9.

2.3.2 Terms and conditions on consumer credit and other lending to households eased

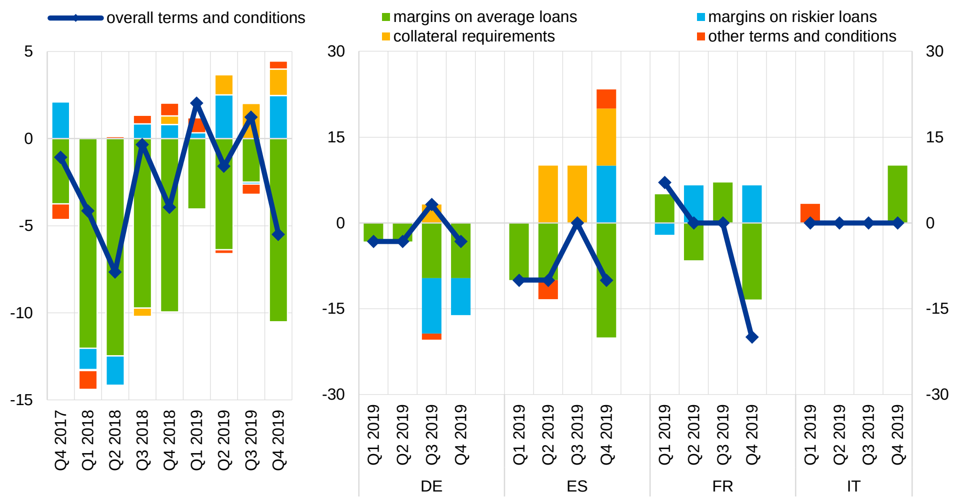
In the fourth quarter of 2019, the overall terms and conditions applied by banks when granting new consumer credit and other lending to households eased, driven mainly by the compression of margins on average loans. At the same time, margins on riskier loans widened slightly, and collateral requirements and the size of loans (included in "other terms and conditions") also had a slight tightening impact (see Chart 10 and Table 10).

Looking at the largest euro area countries, overall terms and conditions on consumer credit and other lending to households eased in France, Spain and Germany, but remained unchanged in Italy. Similarly, margins on average loans narrowed in France, Spain and Germany, but widened in Italy. The narrowing of margins on average loans was partially offset by wider margins on riskier loans in Spain and France, as well as higher collateral requirements in Spain.

Chart 10

Changes in terms and conditions on consumer credit and other lending to households

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



Notes: "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the unweighted average of "size of the loan", "non-interest rate charges" and "maturity".

Table 10

Changes in terms and conditions on consumer credit and other lending to households

(net percentages of banks)

Country	Overall terms and conditions		Banks' margins on average loans		Banks' margins on riskier loans	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	1	-6	-2	-11	0	2
Germany	3	-3	-10	-10	-10	-6
Spain	0	-10	0	-20	0	10
France	0	-20	7	-13	0	7
Italy	0	0	0	10	0	0

Note: See the notes on Chart 10.

The main factor underlying the net easing of overall terms and conditions was pressure from competition, while banks' risk tolerance exerted a slight tightening impact. Banks' funding costs, balance sheet constraints and risk perceptions had a broadly neutral impact overall (see Table 11).

Table 11

Factors contributing to the net tightening of overall terms and conditions on consumer credit and other lending to households

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	3	1	-4	-6	0	-1	2	2
Germany	3	0	-6	-6	0	0	0	0
Spain	0	0	0	-20	10	10	0	0
France	7	7	-7	-7	0	0	0	0
Italy	0	0	0	0	0	10	0	10

Note: The net percentages for these questions relating to contributing 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.

2.3.3 Rejection rate for consumer credit and other lending to households increased slightly

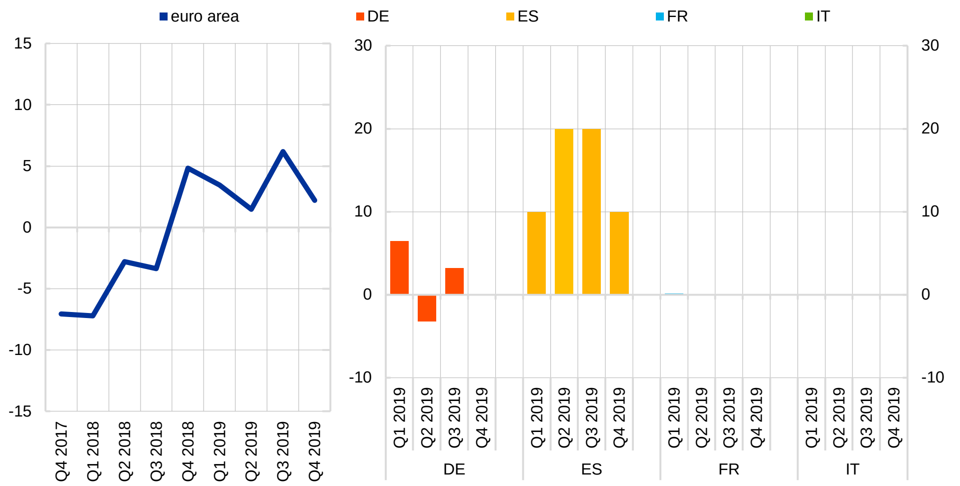
The net share of rejected applications for consumer credit and other lending to households continued to increase slightly in the fourth quarter of 2019 according to reporting banks (net percentage of 2%, compared with 6% in the previous survey round; see Chart 11).

Looking at the largest euro area countries, the rejection rate increased in Spain, while it remained unchanged in Germany, France and Italy. The increase seen in Spain since the beginning of 2019 may be explained by the tightening impact that risk perceptions have had on credit standards for consumer credit and other lending to households.

Chart 11

Change in the share of rejected applications for consumer credit and other lending to households

(net percentages of banks reporting an increase in the share of rejections)



Note: Share of loan rejections relative to the volume of all loan applications in that loan category.

2.3.4 Net demand for consumer credit and other lending to households continued to increase

According to euro area banks, net demand for consumer credit and other lending to households increased in the fourth quarter of 2019 (net percentage of 10%, up from 8% in the previous quarter; see Chart 12 and overview table). Net demand in the fourth quarter was higher than its historical average, but weaker than had been expected in the previous survey round.

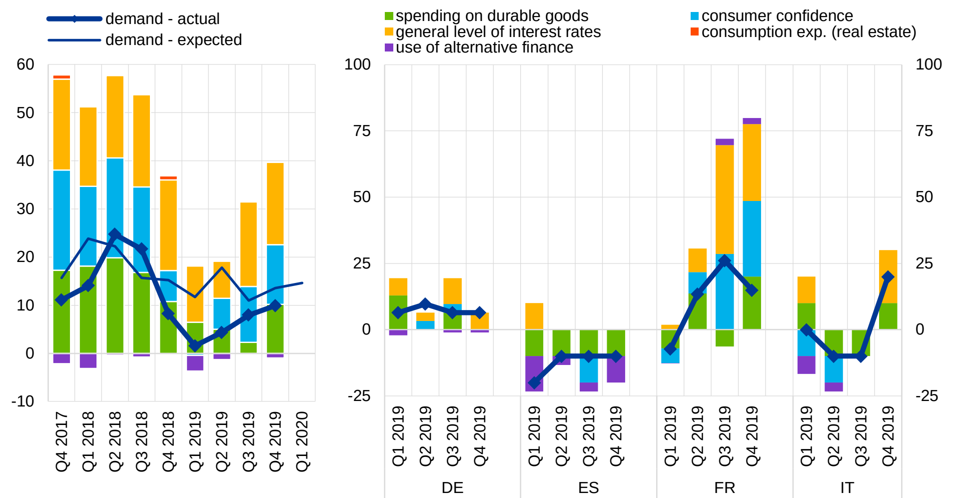
The low general level of interest rates, consumer confidence and increased spending on durable goods all had a positive impact on demand for consumer credit (see Chart 12 and Table 12). Other factors, such as the use of alternative finance and consumption expenditure financed through real estate-guaranteed loans, had a broadly neutral impact on demand.

Looking at the largest euro area countries, net demand for consumer credit and other lending to households increased in Italy, France and Germany, while it declined in Spain. The low general level of interest rates supported demand in Italy, France and Germany, but had a neutral impact in Spain.

Chart 12

Changes in demand for consumer credit and other lending to households, and contributing factors

(net percentages of banks reporting an increase in demand and contributing factors)



Notes: See the notes on Chart 4. "Use of alternative finance" is the unweighted average of "internal financing out of savings", "loans from other banks" and "other sources of external finance". "Consumption exp. (real estate)" denotes "consumption expenditure financed through real estate-guaranteed loans".

Table 12

Factors contributing to net demand for consumer credit and other lending to households

(net percentages of banks)

Country	Spending on durable goods		Consumer confidence		Consumption exp. (real estate)		General level of interest rates		Use of alternative finance	
	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019	Q3 2019	Q4 2019
Euro area	2	10	12	12	0	0	18	17	0	-1
Germany	6	0	3	0	0	0	10	6	-1	-1
Spain	-10	-10	-10	0	0	0	0	0	-3	-10
France	-6	20	29	29	0	0	41	29	2	2
Italy	-10	10	0	0	0	0	0	20	0	0

Note: See the notes on Chart 12.

For the first quarter of 2020, euro area banks expect net demand for consumer credit and other lending to households to increase further (15%).

3 Ad hoc questions

3.1 Banks' access to retail and wholesale funding

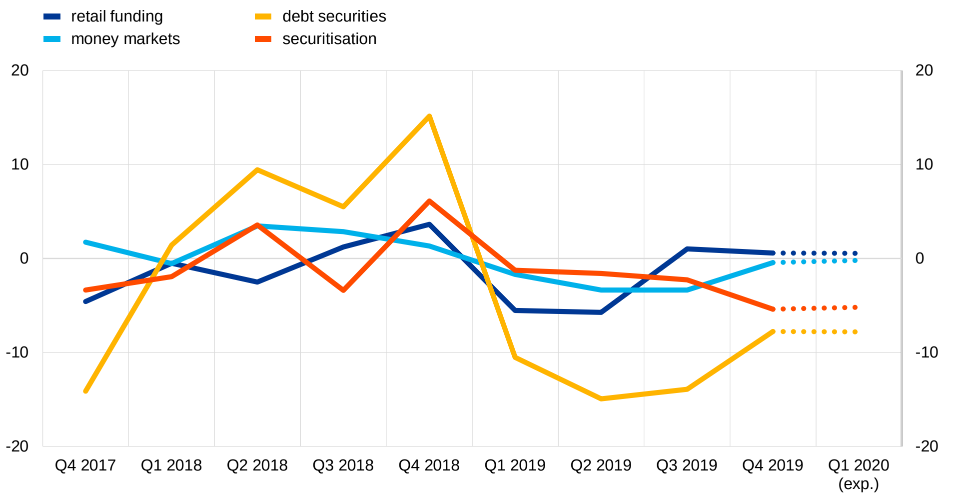
The January 2020 survey included a question assessing the extent to which the situation in financial markets had affected banks' access to retail and wholesale funding. Banks were asked whether their access to funding had deteriorated or eased over the past three months, as well as being asked about their expectations for the next three months. Here, negative net percentages indicate an improvement, while positive figures indicate a deterioration in net terms.

Euro area banks reported in net terms that their access to wholesale funding had continued to improve in the fourth quarter of 2019 as regards debt securities issuance (see Chart 13 and Table 13), driven by medium to long-term bonds. Access to securitisation was also said to have improved, owing mainly to securitisation of housing loans.[7] In contrast, access to money markets remained unchanged, following improvements in previous quarters. As regards retail funding, access to short and longer-term deposit funding was reported to have remained broadly unchanged.

Chart 13

Banks' assessment of funding conditions and the ability to transfer credit risk off the balance sheet

(net percentages of banks reporting a deterioration in market access)



Note: These 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".

Looking ahead to the first quarter of 2020, euro area banks expect developments in terms of access to retail and wholesale funding to be similar to those seen in the fourth quarter of 2019.

[7] Considerable percentages of banks indicated that questions on securitisation were "not applicable", as that source of funding was not relevant to them (between 42% and 55% of banks, depending on the type of securitisation).

Table 13

Banks' assessment of funding conditions and the ability to transfer credit risk off the balance sheet

(net percentages of banks reporting a deterioration in market access)

	Retail funding	Interbank unsecured money market	Wholesale debt securities	Securitisation
Q3 2019	1	-3	-14	-2
Q4 2019	1	0	-8	-5

Note: See the notes on Chart 13.

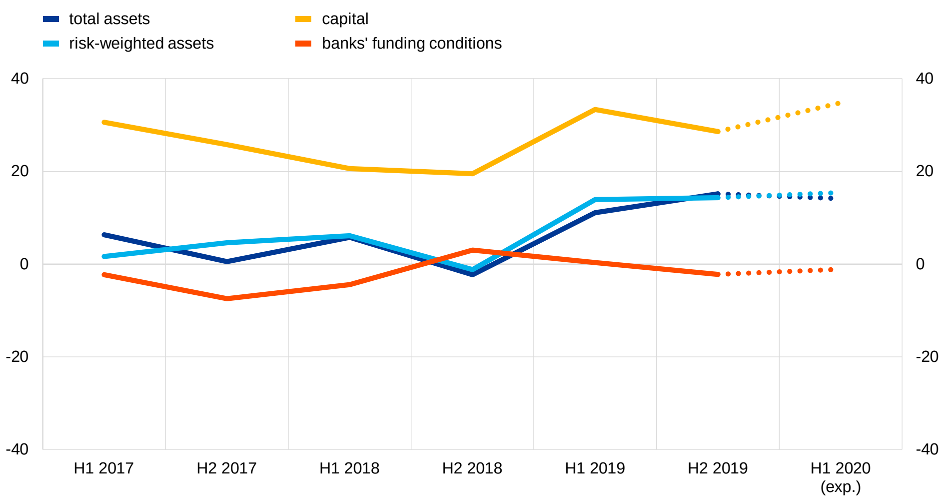
3.2 Banks' adjustment to regulatory and supervisory action

The January 2020 BLS questionnaire included a biannual ad hoc question assessing the extent to which new regulatory or supervisory requirements affect banks' lending policies via the potential impact on capital, leverage, liquidity positions or provisioning and the credit conditions that banks apply to loans. Here, "new requirements" encompasses both regulatory/supervisory measures that have recently been implemented and measures that are expected to be implemented in the near future. Banks were also asked to indicate the impact on their funding conditions.

Chart 14

Impact of regulatory or supervisory action on banks' risk-weighted assets, capital and funding conditions

(net percentages of banks)



Notes: For "total assets", "risk-weighted assets" and "capital", the net percentages are 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". For "banks' funding conditions", the net percentages are defined as the difference between the sum of the percentages for "experienced a considerable tightening" and "experienced a moderate tightening" and the sum of the percentages for "experienced a moderate easing" and "experienced a considerable easing".

Table 14

Impact of regulatory or supervisory action on banks' risk-weighted assets, capital and funding conditions

(net percentages)

	Total assets		Risk-weighted assets			Capital			Impact on banks' funding conditions
	Total	Liquid assets	Total	Average loans	Riskier loans	Total	Retained earnings	Capital issuance	
H1 2019	11	10	14	10	0	33	30	11	0
H2 2019	15	9	14	17	-1	29	15	14	-2

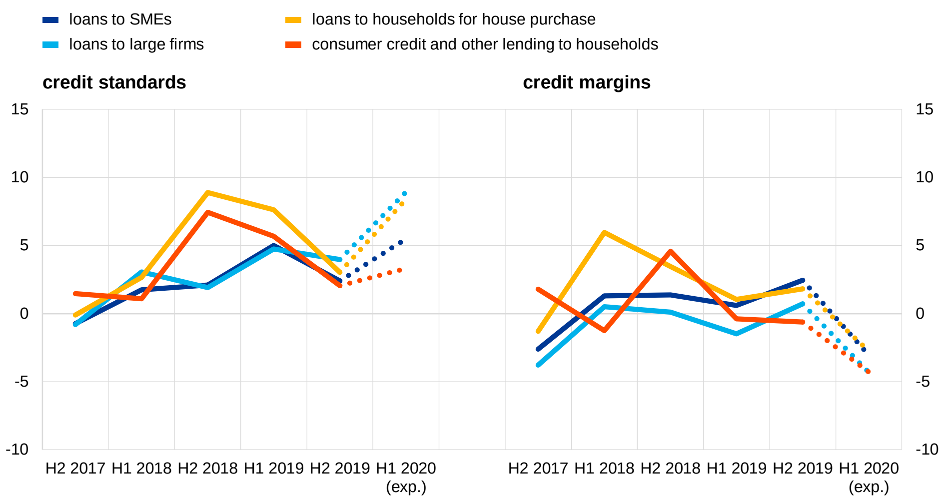
Note: See the notes on Chart 14.

Euro area banks reported a continued strengthening of their capital position in response to new regulatory or supervisory requirements in the second half of 2019 (see Chart 14 and Table 14), with that strengthening being driven by both retained earnings and capital issuance. In addition, new regulatory or supervisory requirements also led to an increase in banks' total assets and liquid assets in the second half of 2019. Banks also reported an increase in risk-weighted assets, driven mainly by average loans, while the contribution of riskier loans was broadly neutral. Banks reported that regulatory or supervisory action had a slight easing impact on funding conditions.

Chart 15

Contribution of regulatory or supervisory action to the tightening of banks' credit standards and margins

(net percentages of banks)



Notes: These net percentages are defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

In the second half of 2019, supervisory or regulatory action continued to have a net tightening impact on banks' credit standards across all loan categories, but that impact was weaker than it had been in the first half of 2019 (see Chart 15 and Table 15). For credit margins, banks reported either a broadly neutral impact or a slight tightening impact.

Looking ahead to the first half of 2020, euro area banks expect regulatory or supervisory action to lead to further strengthening of their capital positions and increases in both total and risk-weighted assets. In addition, they also expect regulatory or supervisory action to have a somewhat stronger tightening impact on credit standards and a narrowing impact on credit margins across loan categories.

Table 15

Contribution of regulatory or supervisory action to the tightening of banks' credit standards and margins

(net percentages)

	Impact of regulatory or supervisory action on the tightening of:			
	credit standards		credit margins	
	H1 2019	H2 2019	H1 2019	H2 2019
Impact on loans and credit lines to SMEs	5	2	1	2
Impact on loans and credit lines to large enterprises	5	4	-1	1
Impact on loans to households for house purchase	8	3	1	2
Impact on consumer credit and other lending to households	6	2	0	-1

Note: See the notes on Chart 15.

3.3 The impact of banks' NPL ratios on their lending policies

The January 2020 survey questionnaire included a biannual ad hoc question about the impact that banks' NPL ratios have on their lending policies and the factors through which NPL ratios contribute to changes in lending policies. Banks were asked about the impact on loans to enterprises, loans to households for house purchase, and consumer credit and other lending to households over the past six months and over the next six months.

In the second half of 2019, euro area banks' NPL ratios had a small net tightening impact on the credit standards applied to loans to enterprises and consumer credit (net percentage of 2% for both) and a broadly neutral impact on the credit standards applied to housing loans (see Chart 16), following a net tightening impact across all loan categories in the first half of 2019. NPL ratios had a small net tightening impact on the terms and conditions of loans to enterprises (net percentage of 2%), but the terms and conditions of other types of loan were broadly unaffected by NPL ratios in net terms.

Most of the tightening impact that NPL ratios had on bank lending conditions in the second half of 2019 came via banks' reduced risk tolerance (net percentage of 9%) and risk perceptions relating to the general economic outlook and borrowers' creditworthiness (net percentage of 3%; see Chart 17). In contrast, there was less pressure on credit standards as a result of supervisory or regulatory requirements (net percentage of -3%). For all other factors, the impact was broadly neutral at euro area level.

Chart 16

Impact of banks' NPL ratios on credit standards and terms and conditions

(net percentages of banks)

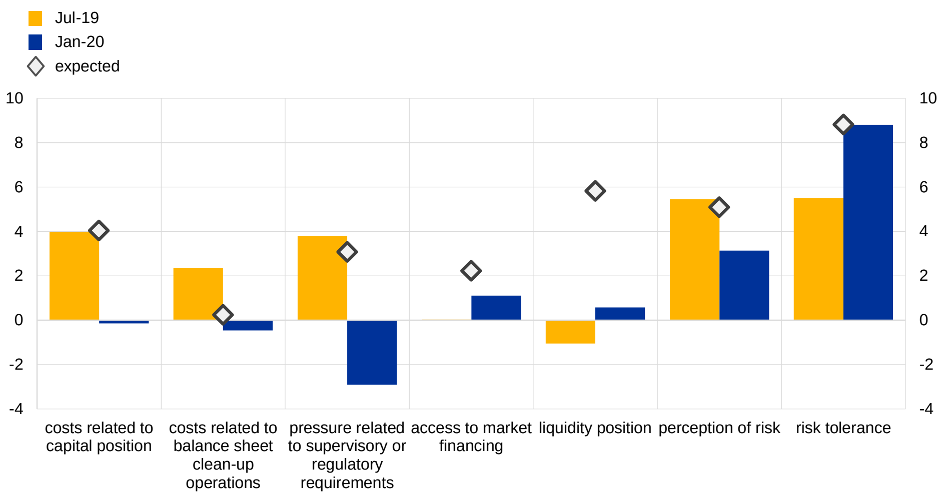
Notes: The NPL ratio is defined as the stock of gross NPLs on a bank's balance sheet as a percentage of the gross carrying amount of loans. Changes in credit standards and/or terms and conditions can be caused by changes to the NPL ratio or by changes to regulations or the bank's assessment of the level of the NPL ratio. Net percentages are defined as the difference between the sum of the percentages for "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages for "contributed somewhat to easing" and "contributed considerably to easing".

Over the next six months, euro area banks expect their NPL ratios to have a somewhat stronger net tightening impact on credit standards as well as terms and conditions for loans to enterprises and consumer credit, but they do not expect any changes for housing loans. The most relevant factors for the tightening impact of NPL ratios are expected to be banks' risk tolerance, liquidity positions and risk perceptions relating to the economic outlook.

Chart 17

Contributions of factors through which NPL ratios affect banks' policies on lending to enterprises and households

(net percentages of banks)



Notes: See the notes on Chart 16.

3.4 The impact of the TLTRO-III series on banks and their lending policies

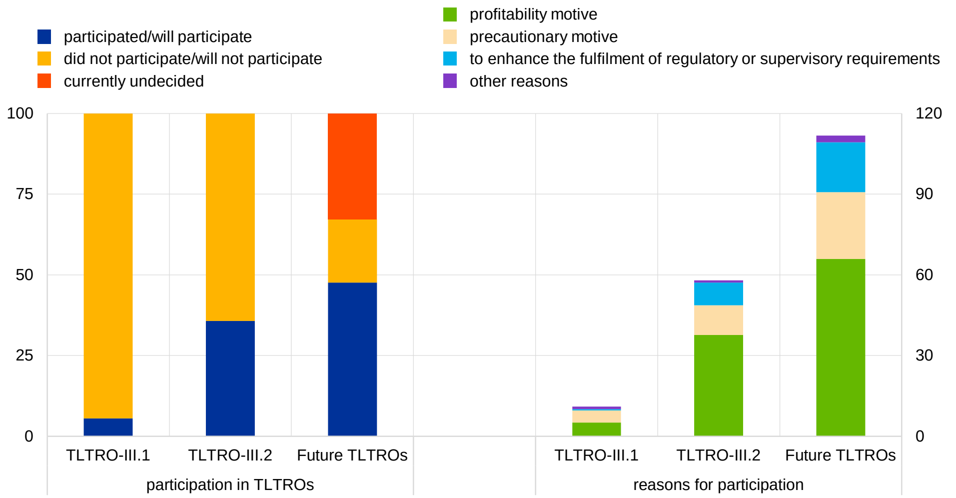
The January 2020 survey questionnaire included an ad hoc question on the impact of the Eurosystem's third series of targeted longer-term refinancing operations over the past six months and the next six months. Banks were asked about their participation in that series of operations and their reasons for doing so, as well as being asked about their use of TLTRO-III liquidity. In addition, banks were asked about the impact that TLTRO-III operations have on their financial situation, as well as lending conditions and lending volumes for loans to enterprises, loans to households for house purchase, and consumer credit and other lending to households.

Following the low participation rate that was observed for the first TLTRO-III operation in September 2019, the participation rate among respondent banks taking part in the BLS was higher (at 35%) for the second TLTRO-III operation in December 2019 (see Chart 18). Just under half of respondent banks (47%) intend to participate in future TLTRO-III operations, which would represent a further increase relative to the second operation.

Chart 18

Banks' participation in TLTRO-III operations and their reasons for participation

(percentages of banks)



Notes: The TLTRO-III.1 corresponds to the "next to last TLTRO" in the questionnaire. The TLTRO-III.2 corresponds to the "most recent TLTRO". Banks were asked to rate all reasons in terms of the extent to which they have contributed to their participation in TLTRO-III operations. "Other reasons" are specific reasons cited by banks that were not included in the questionnaire.

Given the attractive conditions surrounding TLTRO-III operations, the profitability motive was the most important factor in banks' participation in the second TLTRO-III operation (see Chart 18), while the precautionary motive (i.e. the desire to prevent or reduce funding difficulties) also played a role. In addition, the need to fulfil regulatory or supervisory requirements also contributed to participation, with the contribution that TLTRO-II funds make to the fulfilment of the net stable funding ratio (NSFR) being reduced when the residual maturity falls below one year and dropping out entirely when it is less than six months. For future TLTRO-III operations, the relative importance of the various factors is broadly the same as that observed for the second operation.

Banks indicated that they used the TLTRO-III liquidity largely for granting loans to the non-financial private sector (see below for information across loan categories). At the same time, against the backdrop of the limited participation in the first TLTRO-III operation and possible uncertainty regarding the use of some funds from the second TLTRO-III operation, the information provided by banks on the use of TLTRO-III liquidity over the past six months was limited overall. The second most frequently cited use for TLTRO-III liquidity was refinancing – primarily the replacement of TLTRO-II funds (see Chart 19). This is likely to be related to the reduced relevance of TLTRO-II liquidity for the fulfilment of the NSFR, given the declining residual maturity.

In the future, too, banks plan to use TLTRO-III funds primarily for granting loans and replacing TLTRO-II funds. A number of other uses were cited by more banks for funds derived from future operations, such as holding liquidity with the Eurosystem and, to a lesser extent, the purchasing of financial assets (mainly domestic sovereign bonds). In terms of refinancing, besides the replacement of TLTRO-II funding, the replacement of maturing debt securities, interbank lending and deposit shortfalls are also expected to gain in importance.

Chart 19

Use of TLTRO-III liquidity by banks

(percentages of banks)

Notes: Solid bars indicate developments over the past six months, while patterned bars indicate expected developments over the next six months. Banks were asked to indicate the relevance of all purposes. "Purchasing financial assets" is the sum of "purchasing domestic sovereign bonds" and "purchasing other financial assets". "Granting loans" refers to loans to the non-financial private sector.

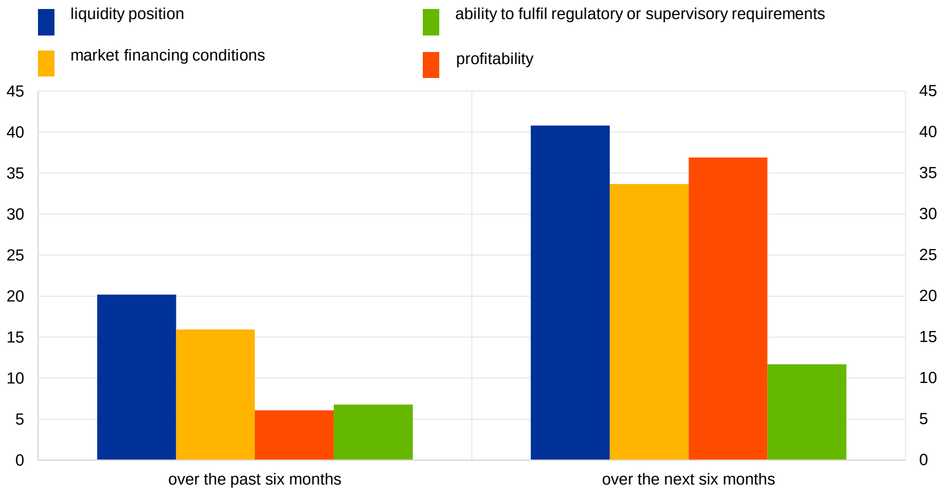
Banks reported that TLTRO-III operations had a positive impact on their financial situation overall, particularly as regards their liquidity positions and market financing conditions (see Chart 20). In net terms, 20% of banks reported that the TLTRO-III operations had a positive impact on their liquidity positions over the past six months (a period including the September 2019 and December 2019 TLTRO-III operations), with 16% reporting a positive impact on their market financing conditions.

Over the next six months, banks expect the positive impact of TLTRO-III operations to increase. In addition to a positive impact on banks' liquidity positions (net percentage of 41%) and market financing conditions (net percentage of 34%), a substantial net percentage of banks (37%) also expect a positive impact on profitability.

Chart 20

Impact of the TLTRO-III series on banks' financial situation

(net improvement reported by banks)



Notes: The signs for these net percentages have been inverted to show net improvements. Net percentages are defined as the difference between the sum of the percentages for "contributed considerably to a deterioration" and "contributed somewhat to a deterioration" and the sum of the percentages for "contributed somewhat to an improvement" and "contributed considerably to an improvement".

Banks reported that the TLTRO-III operations had a net easing impact on their terms and conditions (with a smaller impact on credit standards) and a positive net impact on lending volumes (see Chart 21). Banks reported a net easing impact on their terms and conditions for loans to enterprises and consumer credit over the past six months, while the impact on housing loans was broadly neutral (net percentages of -8% for loans to enterprises, -1% for housing loans and -5% for consumer credit), in line with the targeted nature of the TLTROs (excluding loans for house purchase). The net easing impact on credit standards over the past six months was limited to loans to enterprises and was only small (net percentage of -3%). In addition, banks reported a positive impact on their lending volumes for loans to enterprises (net percentage of 9%) and consumer credit (net percentage of 6%) over the past six months, whereas the impact on volumes of housing loans was neutral.

Chart 21

Impact of the TLTRO-III series on bank lending conditions and lending volumes

(net percentages of banks)

Notes: Net percentages are defined as the difference between the sum of the percentages for “contributed considerably to a tightening or decrease” and “contributed somewhat to a tightening or decrease” and the sum of the percentages for “contributed somewhat to an easing or increase” and “contributed considerably to an easing or increase”.

Over the coming six months, banks expect a larger net easing impact on their bank lending conditions and a considerably more positive impact on their lending volumes. As regards credit standards, euro area banks expect a net easing impact for loans to enterprises (-4%) and for consumer credit (-9%) over the next six months, while the impact on housing loans is expected to remain broadly neutral. In addition, the net easing impact on terms and conditions is expected to become larger and include also housing loans (net percentages of -25% for loans to enterprises, -4% for housing loans and -17% for consumer credit). The positive impact on lending volumes is also expected to increase considerably (net percentages of 39% for loans to enterprises, 11% for housing loans and 23% for consumer credit).

Annex 1
Results for the standard questions*

Loans or credit lines to enterprises

Question 1

Over the past three months, how have your bank's credit standards[1] as applied to the approval of loans or credit lines to enterprises[2, 3, 4] changed? Please note that we are asking about the change in credit standards, rather than about their level.

(in percentages, unless otherwise stated)

	Overall		Loans to small and medium-sized enterprises[5]		Loans to large enterprises[5]		Short-term loans[6]		Long-term loans[6]	
	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Tightened considerably	0	1	0	0	0	1	0	0	0	1
Tightened somewhat	2	4	2	5	3	3	2	2	3	4
Remained basically unchanged	93	93	92	91	93	94	93	95	94	92
Eased somewhat	4	1	4	2	4	1	4	1	3	1
Eased considerably	0	2	0	0	0	2	0	2	0	2
NA[7]	0	0	2	2	1	0	1	1	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	**-2**	**1**	**-2**	**2**	**-1**	**0**	**-2**	**-1**	**1**	**2**
Diffusion index	-1	0	-1	1	-1	-1	-1	-2	0	0
Mean	3.02	3.00	3.02	2.98	3.01	3.01	3.02	3.03	2.99	3.00
Number of banks responding	135	135	132	132	129	129	135	135	135	135

1) See Glossary for Credit standards.
2) See Glossary for Loans.
3) See Glossary for Credit line.
4) See Glossary for Enterprises.
5) See Glossary for Enterprise size.
6) See Glossary for Maturity.
7) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

* Figures might not add up to 100 due to rounding

Question 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)

							NetP		DI		Mean	
	--	-	°	+	++	NA[7]	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Overall												
A) Cost of funds and balance sheet constraints[1]												
Costs related to your bank's capital position[2]	0	4	94	0	0	1	4	4	2	2	2.96	2.96
Your bank's ability to access market financing[3]	0	0	96	0	0	3	0	0	0	0	3.00	3.00
Your bank's liquidity position	0	0	98	0	0	1	-3	0	-2	0	3.03	3.00
B) Pressure from competition												
Competition from other banks	0	0	90	8	0	2	-13	-9	-7	-4	3.13	3.09
Competition from non-banks[4]	0	0	96	2	0	2	-2	-2	-1	-1	3.02	3.02
Competition from market financing	0	0	96	2	0	2	0	-2	0	-1	3.00	3.02
C) Perception of risk[5]												
General economic situation and outlook	1	10	89	0	0	0	7	11	4	6	2.93	2.89
Industry or firm-specific situation and outlook/borrower's creditworthiness[6]	1	8	92	0	0	0	8	8	4	4	2.92	2.91
Risk related to the collateral demanded	0	0	100	0	0	0	0	0	0	0	3.00	3.00
D) Your bank's risk tolerance[5]												
Your bank's risk tolerance	1	0	99	0	0	0	-1	1	0	1	3.01	2.98
Small and medium-sized enterprises												
A) Cost of funds and balance sheet constraints[1]												
Costs related to your bank's capital position[2]	0	2	95	0	0	2	1	2	1	1	2.99	2.98
Your bank's ability to access market financing[3]	0	0	95	0	0	4	-1	0	0	0	3.01	3.00
Your bank's liquidity position	0	0	97	0	0	2	-4	0	-2	0	3.04	3.00
B) Pressure from competition												
Competition from other banks	0	0	88	8	0	3	-12	-8	-6	-4	3.12	3.09
Competition from non-banks[4]	0	0	96	0	0	3	0	0	0	0	3.00	3.00
Competition from market financing	0	0	97	0	0	3	0	0	0	0	3.00	3.00
C) Perception of risk[5]												
General economic situation and outlook	0	9	89	0	0	2	5	9	3	5	2.94	2.90
Industry or firm-specific situation and outlook/borrower's creditworthiness[6]	0	8	91	0	0	2	8	8	4	4	2.92	2.92
Risk related to the collateral demanded	0	0	98	0	0	2	0	0	0	0	3.00	3.00
D) Your bank's risk tolerance[5]												
Your bank's risk tolerance	0	2	97	0	0	2	-1	2	-1	1	3.01	2.98

	--	-	°	+	++	NA[7]	NetP Oct 19	NetP Jan 20	DI Oct 19	DI Jan 20	Mean Oct 19	Mean Jan 20
Large enterprises												
A) Cost of funds and balance sheet constraints[1]												
Costs related to your bank's capital position[2]	0	3	95	0	0	2	5	3	3	2	2.95	2.97
Your bank's ability to access market financing[3]	0	0	96	0	0	3	0	0	0	0	3.00	3.00
Your bank's liquidity position	0	0	98	0	0	2	-2	0	-1	0	3.02	3.00
B) Pressure from competition												
Competition from other banks	0	0	89	9	0	2	-9	-9	-5	-5	3.09	3.09
Competition from non-banks[4]	0	0	96	2	0	2	-2	-2	-1	-1	3.02	3.02
Competition from market financing	0	0	96	2	0	2	0	-2	0	-1	3.00	3.02
C) Perception of risk[5]												
General economic situation and outlook	1	9	90	0	0	0	6	10	3	5	2.94	2.90
Industry or firm-specific situation and outlook/borrower's creditworthiness[6]	1	7	92	0	0	0	8	8	4	4	2.92	2.92
Risk related to the collateral demanded	0	0	100	0	0	0	0	0	0	0	3.00	3.00
D) Your bank's risk tolerance[5]												
Your bank's risk tolerance	1	0	99	0	0	0	1	1	0	1	2.99	2.98

1) See Glossary for Cost of funds and balance sheet constraints.
2) Can involve the use of credit derivatives, with the loans remaining on the bank’s balance sheet.
3) Involves the sale of loans from the bank’s balance sheet, i.e. off-balance sheet funding.
4) See Glossary for Non-banks.
5) See Glossary for Perception of risk and risk tolerance.
6) Risks related to non-performing loans may be reflected not only in the "industry or firm-specific situation and outlook/borrower's creditworthiness", but also in the bank's "cost of funds and balance sheet constraints".
7) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) 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 (DI) 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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options.

Question 3

Over the past three months, how have your bank's terms and conditions[1] for new loans or credit lines to enterprises changed?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[6]	NetP Oct 19	NetP Jan 20	DI Oct 19	DI Jan 20	Mean Oct 19	Mean Jan 20
Overall												
A) Overall terms and conditions[1]												
Overall terms and conditions	0	6	89	5	0	0	3	0	2	0	2.97	3.00
B) Margins												
Your bank's margin on average loans[2]	0	5	84	11	0	0	-2	-6	-1	-3	3.02	3.06
Your bank's margin on riskier loans	1	5	90	4	0	1	8	2	4	2	2.92	2.97
C) Other conditions and terms												
Non-interest rate charges[3]	0	3	97	0	0	0	1	3	0	1	2.99	2.97
Size of the loan or credit line	0	2	94	3	0	0	-3	-1	-1	0	3.03	3.01
Collateral[4] requirements	0	1	99	0	0	0	-1	1	0	1	3.01	2.99
Loan covenants[5]	0	1	96	2	0	1	-4	-1	-2	-1	3.04	3.01
Maturity	0	1	98	1	0	0	0	-1	0	0	3.00	3.01
Small and medium-sized enterprises												
A) Overall terms and conditions[1]												
Overall terms and conditions	0	4	91	3	0	2	3	1	2	1	2.97	2.99
B) Margins												
Your bank's margin on average loans[2]	0	4	85	9	0	2	-2	-5	-1	-2	3.02	3.05
Your bank's margin on riskier loans	1	5	91	1	0	2	9	4	4	3	2.91	2.95
C) Other conditions and terms												
Non-interest rate charges[3]	0	2	96	0	0	2	0	2	0	1	3.00	2.98
Size of the loan or credit line	0	1	96	1	0	2	-1	0	0	0	3.01	3.00
Collateral[4] requirements	0	2	96	0	0	2	0	2	0	1	3.00	2.98
Loan covenants[5]	0	0	95	2	0	2	-2	-2	-1	-1	3.02	3.02
Maturity	0	0	97	1	0	2	-1	-1	-1	-1	3.01	3.01
Large enterprises												
A) Overall terms and conditions[1]												
Overall terms and conditions	0	4	91	5	0	0	0	-1	0	-1	3.00	3.01
B) Margins												
Your bank's margin on average loans[2]	0	5	83	11	0	0	-7	-6	-4	-3	3.08	3.06
Your bank's margin on riskier loans	1	5	89	4	0	0	4	2	2	1	2.96	2.97
C) Other conditions and terms												
Non-interest rate charges[3]	0	2	98	0	0	0	-4	1	-2	1	3.05	2.99
Size of the loan or credit line	1	2	95	2	0	0	-6	0	-3	1	3.06	2.99
Collateral[4] requirements	0	2	95	2	0	0	-5	0	-3	0	3.05	3.00
Loan covenants[5]	0	1	95	2	0	1	-6	-1	-3	0	3.06	3.01
Maturity	0	1	95	3	0	0	-5	-2	-3	-1	3.05	3.02

1) See Glossary for Credit terms and conditions.
2) See Glossary for Loan margin/spread over a relevant market reference rate.
3) See Glossary for Non-interest rate charges.
4) See Glossary for Collateral.
5) See Glossary for Covenant.
6) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) 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 keeping credit terms and conditions basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 4

Over the past three months, how have the following factors[1] affected your bank's credit terms and conditions as applied to new loans or credit lines to enterprises?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Overall impact on your bank's credit terms and conditions												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	8	91	0	0	1	8	7	4	4	3	2.93
B) Pressure from competition												
Pressure from competition	0	0	84	16	0	1	-11	-16	-6	-8	3	3.16
C) Perception of risk												
Perception of risk	1	5	94	0	0	0	6	6	3	3	3	2.94
D) Your bank's risk tolerance												
Your bank's risk tolerance	1	0	97	2	0	0	0	-2	0	-1	3	3.01
Impact on your bank's margins on average loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	8	91	0	0	1	7	8	4	4	3	2.92
B) Pressure from competition												
Pressure from competition	0	0	83	16	0	1	-16	-16	-8	-8	3	3.16
C) Perception of risk												
Perception of risk	1	4	95	0	0	0	5	4	2	3	3	2.95
D) Your bank's risk tolerance												
Your bank's risk tolerance	1	0	97	2	0	0	1	-2	0	-1	3	3.01
Impact on your bank's margins on riskier loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	5	93	0	0	1	6	4	3	2	3	2.96
B) Pressure from competition												
Pressure from competition	0	0	91	7	0	2	-4	-7	-2	-3	3	3.07
C) Perception of risk												
Perception of risk	1	5	93	1	0	1	9	5	5	3	3	2.94
D) Your bank's risk tolerance												
Your bank's risk tolerance	1	1	97	0	0	1	2	2	1	1	3	2.98

1) The factors refer to the same sub-factors as in question 2.

2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) 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 keeping credit terms and conditions basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 5

Over the past three months (apart from normal seasonal fluctuations), has the share of enterprise loan applications[1] that were completely rejected[2] by your bank increased, remained unchanged or decreased (loan volume, relative to the total volume of loan applications in that loan category)?

(in percentages, unless otherwise stated)

	Share of rejected applications	
	Oct 19	Jan 20
Decreased considerably	0	0
Decreased somewhat	1	1
Remained basically unchanged	87	88
Increased somewhat	8	10
Increased considerably	0	0
NA[3]	3	1
Total	100	100
Net percentage	**7**	**9**
Diffusion index	4	4
Mean	3.07	3.09
Number of banks responding	135	135

1) See Glossary for Loan application.
2) See Glossary for Loan rejection.
3) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage is defined as the difference between the sum of banks responding “increased considerably” and “increased somewhat”, and the sum of banks responding “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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 6

Over the past three months (apart from normal seasonal fluctuations), how has the demand for loans[1] or credit lines[2] to enterprises changed at your bank? Please refer to the financing need of enterprises independent of whether this need will result in a loan or not.

(in percentages, unless otherwise stated)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Decreased considerably	0	0	0	0	0	0	0	0	0	0
Decreased somewhat	11	19	9	16	15	20	12	14	13	19
Remained basically unchanged	76	69	78	76	74	71	79	75	71	68
Increased somewhat	13	11	11	6	10	8	4	10	16	13
Increased considerably	0	0	0	0	0	1	4	0	0	0
NA[3]	0	0	2	2	1	0	1	1	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	**1**	**-8**	**2**	**-9**	**-5**	**-10**	**-5**	**-3**	**3**	**-6**
Diffusion index	1	-4	1	-5	-2	-5	-1	-2	1	-3
Mean	3.01	2.92	3.03	2.91	2.95	2.90	2.99	2.97	3.03	2.94
Number of banks responding	135	135	132	132	129	129	135	135	135	135

1) See Glossary for Demand for loans.
2) See Glossary for Credit line.
3) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage is defined as the difference between the sum of banks responding “increased considerably” and “increased somewhat” , and the sum of banks responding “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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 7

Over the past three months, how have the following factors affected the overall demand for loans or credit lines to enterprises?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Financing needs/underlying drivers or purpose of loan demand												
Fixed investment	0	11	78	11	0	0	2	-1	1	0	3.03	2.99
Inventories and working capital	0	6	86	6	0	1	-5	0	-2	0	2.96	3.00
Mergers/acquisitions and corporate restructuring	1	2	85	11	0	1	9	9	5	4	3.09	3.08
General level of interest rates	0	0	80	20	0	0	10	20	5	10	3.10	3.20
Debt refinancing/restructuring and renegotiation[1]	0	3	90	7	0	0	1	4	0	2	3.01	3.04
B) Use of alternative finance												
Internal financing	0	8	90	3	0	0	-4	-5	-2	-2	2.96	2.95
Loans from other banks	0	4	91	5	0	0	-4	0	-2	0	2.96	3.00
Loans from non-banks	0	4	90	6	0	0	-5	2	-2	1	2.95	3.02
Issuance/redemption of debt securities	0	5	88	1	0	6	-3	-4	-2	-2	2.97	2.95
Issuance/redemption of equity	0	1	92	0	0	7	-1	-1	-1	-1	2.99	2.99

1) See Glossary for Debt refinancing/restructuring and renegotiation.

2) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) is defined as the difference between the sum of banks responding “++” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand), and the sum of banks responding “-” (contributed somewhat to lower demand) and “--” (contributed considerably to lower demand). “°” means “contributed to keeping demand basically unchanged”. The diffusion index (DI) 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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options.

Question 8

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. Please note that we are asking about the change in credit standards, rather than about their level.

(in percentages, unless otherwise stated)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	4	5	8	4	3	4	3	4	5	6
Remain basically unchanged	93	89	88	92	92	89	92	91	91	87
Ease somewhat	3	5	3	3	4	7	4	5	4	7
Ease considerably	0	0	0	0	0	0	0	0	0	0
NA[1]	0	0	2	2	1	0	1	1	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	**1**	**0**	**5**	**1**	**-1**	**-3**	**-2**	**-1**	**1**	**0**
Diffusion index	0	0	3	1	0	-1	-1	-1	1	0
Mean	2.99	3.00	2.95	2.99	3.01	3.03	3.02	3.01	2.99	3.00
Number of banks responding	135	135	132	132	129	129	135	135	135	135

1) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 9

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)? Please refer to the financing need of enterprises independent of whether this need will result in a loan or not.

(in percentages, unless otherwise stated)

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Decrease considerably	0	1	0	1	0	0	0	0	0	1
Decrease somewhat	8	12	7	12	10	14	8	5	10	15
Remain basically unchanged	83	83	82	82	86	84	84	90	81	82
Increase somewhat	9	4	9	4	4	2	7	5	9	3
Increase considerably	0	0	0	0	0	0	0	0	0	0
NA[1]	0	0	2	2	1	0	1	1	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	**1**	**-9**	**1**	**-9**	**-6**	**-11**	**-1**	**0**	**-1**	**-13**
Diffusion index	1	-5	1	-5	-3	-6	0	0	0	-7
Mean	3.01	2.90	3.02	2.90	2.94	2.89	2.99	3.00	2.99	2.86
Number of banks responding	135	135	132	132	129	129	135	135	135	135

1) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The 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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Loans to households

Question 10

Over the past three months, how have your bank's credit standards[1] as applied to the approval of loans[2] to households[3] changed? Please note that we are asking about the change in credit standards, rather than about their level.

(in percentages, unless otherwise stated)

	Loans for house purchase		Consumer credit and other lending[4]	
	Oct 19	Jan 20	Oct 19	Jan 20
Tightened considerably	0	1	0	1
Tightened somewhat	3	6	4	4
Remained basically unchanged	92	88	94	93
Eased somewhat	5	5	2	2
Eased considerably	0	0	0	0
NA[5]	0	0	0	0
Total	100	100	100	100
Net percentage	**-2**	**1**	**3**	**3**
Diffusion index	-1	1	2	2
Mean	3.02	2.98	2.96	2.96
Number of banks responding	131	131	136	136

1) See Glossary for Credit standards.
2) See Glossary for Loans.
3) See Glossary for Households.
4) See Glossary for Consumer credit and other lending.
5) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 11

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[6]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Cost of funds and balance sheet constraints[1]												
Cost of funds and balance sheet constraints	0	0	99	0	0	1	0	0	0	0	3.00	3.00
B) Pressure from competition												
Competition from other banks	0	0	94	5	0	1	-6	-5	-3	-2	3.06	3.05
Competition from non-banks[2]	0	0	96	0	3	1	-3	-3	-3	-3	3.05	3.05
C) Perception of risk[3]												
General economic situation and outlook	0	2	95	3	0	0	-1	-1	0	0	3.01	3.01
Housing market prospects, including expected house price developments[4]	0	0	97	3	0	0	-2	-3	-1	-1	3.02	3.03
Borrower's creditworthiness[5]	0	0	97	3	0	0	-4	-3	-2	-1	3.04	3.03
D) Your bank's risk tolerance[3]												
Your bank's risk tolerance	1	3	93	3	0	0	2	1	1	1	2.98	2.98

1) See Glossary for Cost of funds and balance sheet constraints.
2) See Glossary for Non-banks.
3) See Glossary for Perception of risk and risk tolerance.
4) See Glossary for Housing market prospects, including expected house price developments.
5) Risks related to non-performing loans may be reflected not only in the "borrower's creditworthiness", but also in the bank's "cost of funds and balance sheet constraints".
6) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) 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 (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 12

Over the past three months, how have your bank's terms and conditions[1] for new loans to households for house purchase changed?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[6]	NetP Oct 19	NetP Jan 20	DI Oct 19	DI Jan 20	Mean Oct 19	Mean Jan 20
A) Overall terms and conditions												
Overall terms and conditions	0	7	88	5	0	0	3	1	1	1	2.97	2.99
B) Margins												
Your bank's loan margin on average loans[2]	0	11	66	20	3	0	3	-12	1	-7	2.97	3.15
Your bank's loan margin on riskier loans	1	7	84	4	3	1	14	2	7	0	2.86	3.00
C) Other terms and conditions												
Collateral[3] requirements	0	1	99	0	0	0	2	1	1	0	2.98	2.99
"Loan-to-value" ratio[4]	1	3	96	0	0	0	2	4	1	2	2.98	2.95
Other loan size limits	0	0	100	0	0	0	1	0	0	0	2.99	3.00
Maturity	1	1	98	0	0	0	0	1	0	1	3.00	2.98
Non-interest rate charges[5]	0	1	97	1	0	0	-2	0	-1	0	3.02	3.00

1) See Glossary for Credit terms and conditions.
2) See Glossary for Loan margin/spread over a relevant market reference rate.
3) See Glossary for Collateral.
4) See Glossary for Loan-to-value ratio.
5) See Glossary for Non-interest rate charges.
6) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat), and the sum of banks responding "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 13

Over the past three months, how have the following factors[1] affected your bank's credit terms and conditions as applied to new loans to households for house purchase?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
Overall impact on your bank's credit terms and conditions												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	4	95	1	0	0	8	3	5	2	2.91	2.97
B) Pressure from competition												
Pressure from competition	0	1	88	10	0	1	-15	-9	-7	-5	3.15	3.09
C) Perception of risk												
Perception of risk	0	5	92	3	0	0	-3	2	-1	1	3.03	2.98
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	4	96	0	0	0	0	4	0	2	3.00	2.96
Impact on your bank's margins on average loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	4	95	0	0	0	11	4	6	2	2.87	2.96
B) Pressure from competition												
Pressure from competition	0	2	79	18	0	1	-14	-16	-7	-8	3.14	3.16
C) Perception of risk												
Perception of risk	0	3	94	3	0	0	-3	0	-1	0	3.03	3.00
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	1	99	0	0	0	0	1	0	1	3.00	2.99
Impact on your bank's margins on riskier loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	6	93	0	0	1	9	6	5	3	2.91	2.94
B) Pressure from competition												
Pressure from competition	0	2	90	7	0	2	4	-5	2	-3	2.96	3.05
C) Perception of risk												
Perception of risk	0	3	96	0	0	1	2	3	1	2	2.98	2.97
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	3	96	0	0	1	2	3	1	1	2.98	2.97

1) The factors refer to the same sub-factors as in question 11.
2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) 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 keeping credit terms and conditions basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 14

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?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	1	98	0	0	1	0	0	0	0	3.00	3.00
B) Pressure from competition												
Competition from other banks	0	0	99	1	0	1	-1	-1	0	0	3.01	3.01
Competition from non-banks	0	0	99	0	0	1	0	0	0	0	3.00	3.00
C) Perception of risk												
General economic situation and outlook	0	2	96	1	0	0	2	1	1	1	2.98	2.99
Creditworthiness of consumers[1]	0	2	94	4	0	0	-1	-1	0	-1	3.01	3.01
Risk on the collateral demanded	0	0	95	0	0	5	0	0	0	0	3.00	3.00
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	3	95	2	0	0	1	1	1	1	2.99	2.99

1) Risks related to non-performing loans may be reflected not only in the "creditworthiness of consumers", but also in the bank's "cost of funds and balance sheet constraints".
2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) 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 (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 15

Over the past three months, how have your bank's terms and conditions for new consumer credit and other lending to households changed?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[1]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Overall terms and conditions												
Overall terms and conditions	0	3	89	8	0	0	1	-6	1	-3	2.99	3.05
B) Margins												
Your bank's loan margin on average loans	0	4	82	14	0	0	-2	-11	-1	-5	3.02	3.11
Your bank's loan margin on riskier loans	1	3	94	2	0	0	0	2	0	2	3.00	2.97
C) Other terms and conditions												
Collateral requirements	0	2	93	0	0	5	2	2	1	1	2.98	2.98
Size of the loan	0	2	98	0	0	0	0	2	0	1	3.00	2.98
Maturity	0	0	100	0	0	0	-1	0	0	0	3.01	3.00
Non-interest rate charges	0	0	99	0	0	0	-1	0	0	0	3.01	3.00

1) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat), and the sum of banks responding "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 16

Over the past three months, how have the following factors[1] affected your bank's credit terms and conditions as applied to new consumer credit and other lending to households?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP Oct 19	NetP Jan 20	DI Oct 19	DI Jan 20	Mean Oct 19	Mean Jan 20
Overall impact on your bank's credit terms and conditions												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	2	98	0	0	0	3	1	2	1	2.97	2.99
B) Pressure from competition												
Pressure from competition	0	0	93	6	0	1	-4	-6	-2	-3	3.04	3.07
C) Perception of risk												
Perception of risk	0	3	93	4	0	0	0	-1	0	0	3.00	3.01
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	2	98	0	0	0	2	2	1	1	2.98	2.98
Impact on your bank's margins on average loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	0	2	98	0	0	0	3	1	2	1	2.97	2.99
B) Pressure from competition												
Pressure from competition	0	0	92	7	0	1	-6	-7	-3	-4	3.06	3.08
C) Perception of risk												
Perception of risk	0	2	94	4	0	0	-4	-2	-2	-1	3.04	3.02
D) Your bank's risk tolerance												
Your bank's risk tolerance	0	1	99	0	0	0	1	1	1	1	2.99	2.99
Impact on your bank's margins on riskier loans												
A) Cost of funds and balance sheet constraints												
Cost of funds and balance sheet constraints	1	2	97	0	0	0	1	3	0	2	2.99	2.97
B) Pressure from competition												
Pressure from competition	1	0	96	2	0	1	-4	-1	-2	0	3.04	3.00
C) Perception of risk												
Perception of risk	1	1	98	0	0	0	1	2	1	1	2.99	2.97
D) Your bank's risk tolerance												
Your bank's risk tolerance	1	1	98	0	0	0	2	2	1	1	2.98	2.97

1) The factors refer to the same sub-factors as in question 14.

2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) 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 keeping credit terms and conditions basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 17

Over the past three months (apart from normal seasonal fluctuations), has the share of household loan applications[1] that were completely rejected[2] by your bank increased, remained unchanged or decreased (loan volume, relative to the total volume of loan applications in that loan category)?

(in percentages, unless otherwise stated)

	Loans for house purchase		Consumer credit and other lending	
	Oct 19	Jan 20	Oct 19	Jan 20
Decreased considerably	0	0	0	0
Decreased somewhat	2	3	0	2
Remained basically unchanged	92	89	92	93
Increased somewhat	5	7	7	4
Increased considerably	0	0	0	0
NA[3]	1	1	1	1
Total	100	100	100	100
Net percentage	**3**	**3**	**6**	**2**
Diffusion index	2	2	3	1
Mean	3.03	3.03	3.06	3.02
Number of banks responding	131	131	136	136

1) See Glossary for Loan application.
2) See Glossary for Loan rejection.
3) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes:The net percentage is defined as the difference between the sum of banks responding "increased considerably" and "increased somewhat", and the sum of banks responding "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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 18

Over the past three months (apart from normal seasonal fluctuations), how has the demand for loans[1] to households changed at your bank? Please refer to the financing need of households independent of whether this need will result in a loan or not.

(in percentages, unless otherwise stated)

	Loans for house purchase		Consumer credit and other lending	
	Oct 19	Jan 20	Oct 19	Jan 20
Decreased considerably	0	1	0	2
Decreased somewhat	8	6	4	2
Remained basically unchanged	70	60	84	82
Increased somewhat	23	29	11	13
Increased considerably	0	4	1	1
NA[2]	0	0	0	0
Total	100	100	100	100
Net percentage	**15**	**25**	**8**	**10**
Diffusion index	8	14	4	5
Mean	3.16	3.28	3.09	3.09
Number of banks responding	131	131	136	136

1) See Glossary for Demand for loans.
2) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage is defined as the difference between the sum of banks responding “increased considerably” and “increased somewhat”, and the sum of banks responding “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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 19

Over the past three months, how have the following factors affected the demand for loans to households for house purchase?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[4]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Financing needs/underlying drivers or purpose of loan demand												
Housing market prospects, including expected house price developments	0	3	78	19	0	0	11	16	6	8	3.11	3.16
Consumer confidence[1]	1	1	85	13	0	0	3	10	1	4	3.03	3.09
General level of interest rates	0	1	67	27	4	0	29	31	16	18	3.32	3.35
Debt refinancing/restructuring and renegotiation[2]	0	1	91	9	0	0	4	8	2	4	3.04	3.08
Regulatory and fiscal regime of housing markets	1	0	91	6	2	0	-2	6	-1	3	2.98	3.06
B) Use of alternative sources for housing finance												
Internal finance of house purchase out of savings/down payment[3]	0	3	95	2	0	0	-1	-1	0	-1	2.99	2.99
Loans from other banks	0	5	93	0	0	2	-3	-5	-2	-3	2.97	2.95
Other sources of external finance	0	0	100	0	0	0	0	0	0	0	3.00	3.00

1) See Glossary for Consumer confidence.
2) See Glossary for Debt refinancing/restructuring and renegotiation.
3) See Glossary for Down payment.
4) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
Notes: The net percentage (NetP) is defined as the difference between the sum of banks responding “++” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand), and the sum of banks responding “-” (contributed somewhat to lower demand) and “--” (contributed considerably to lower demand). “°” means “contributed to keeping demand basically unchanged”. The diffusion index (DI) 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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options.

Question 20

Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households?

(in percentages, unless otherwise stated)

	--	-	°	+	++	NA[2]	NetP		DI		Mean	
							Oct 19	Jan 20	Oct 19	Jan 20	Oct 19	Jan 20
A) Financing needs/underlying drivers or purpose of loan demand												
Spending on durable consumer goods	0	4	82	14	0	0	2	10	1	5	3.02	3.10
Consumer confidence	0	1	86	13	0	0	12	12	6	6	3.12	3.12
General level of interest rates	0	0	83	17	0	0	18	17	9	9	3.18	3.17
Consumption expenditure financed through real-estate guaranteed loans[1]	0	0	91	0	0	9	0	0	0	0	3.00	3.00
B) Use of alternative finance												
Internal finance out of savings	0	2	96	2	0	0	1	0	0	0	3.01	3.00
Loans from other banks	0	1	99	0	0	0	-2	-1	-1	-1	2.98	2.99
Other sources of external finance	0	1	99	0	0	0	0	-1	0	-1	3.00	2.99

1) Consumption expenditure financed through real-estate guaranteed loans

2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The net percentage (NetP) is defined as the difference between the sum of banks responding "++" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of banks responding "-" (contributed somewhat to lower demand) and "--" (contributed considerably to lower demand). "°" means "contributed to keeping demand basically unchanged". The diffusion index (DI) 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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options.

Question 21

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. Please note that we are asking about the change in credit standards, rather than about their level.

(in percentages, unless otherwise stated)

	Loans for house purchase		Consumer credit and other lending	
	Oct 19	**Jan 20**	**Oct 19**	**Jan 20**
Tighten considerably	1	1	0	0
Tighten somewhat	4	5	5	4
Remain basically unchanged	91	91	91	86
Ease somewhat	4	3	4	10
Ease considerably	0	0	0	0
NA[1]	0	0	0	0
Total	100	100	100	100
Net percentage	**0**	**3**	**1**	**-6**
Diffusion index	1	2	0	-3
Mean	2.99	2.96	2.99	3.05
Number of banks responding	131	131	136	136

1) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Question 22

Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations). Please refer to the financing need of households independent of whether this need will result in a loan or not.

(in percentages, unless otherwise stated)

	Loans for house purchase		Consumer credit and other lending	
	Oct 19	**Jan 20**	**Oct 19**	**Jan 20**
Decrease considerably	0	1	0	0
Decrease somewhat	4	6	1	1
Remain basically unchanged	73	81	84	84
Increase somewhat	24	12	15	15
Increase considerably	0	0	0	0
NA[1]	0	0	0	0
Total	100	100	100	100
Net percentage	**20**	**6**	**14**	**15**
Diffusion index	10	3	7	7
Mean	3	3	3	3.15
Number of banks responding	131	131	136	136

1) “NA” (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.

Notes: The 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 of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.

Annex 2
Results for ad hoc questions

Question 111

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?

(in percentages, unless otherwise stated)

	Over the past three months									Over the next three months								
	--	-	°	+	+ +	NA[2]	NetP	Mean	Std. dev.	--	-	°	+	+ +	NA[2]	NetP	Mean	Std. dev.
A) Retail funding																		
Short-term deposits (up to one year)	0	2	92	2	0	3	0	3.00	0.25	0	1	95	1	0	3	-1	3.01	0.15
Long-term (more than one year) deposits and other retail funding instruments	0	3	92	1	1	3	1	3.00	0.31	0	3	93	1	0	3	2	2.98	0.20
B) Inter-bank unsecured money market																		
Very short-term money market (up to 1 week)	0	2	88	3	0	7	-1	3.00	0.25	0	1	92	1	0	7	0	3.00	0.16
Short-term money market (more than 1 week)	0	2	88	3	0	7	0	3.00	0.24	0	1	92	1	0	7	0	3.00	0.16
C) Wholesale debt securities[3]																		
Short-term debt securities (e.g. certificates of deposit or commercial paper)	0	3	76	1	0	20	2	2.99	0.23	0	0	76	4	0	20	-4	3.05	0.23
Medium to long term debt securities (incl. covered bonds)	0	3	69	17	3	8	-17	3.22	0.57	0	0	80	11	0	8	-11	3.12	0.35
D) Securitisation[4]																		
Securitisation of corporate loans	0	0	42	2	0	55	-2	3.05	0.25	0	0	45	0	0	55	0	3.00	0.00
Securitisation of loans for house purchase	0	0	38	10	0	52	-10	3.24	0.49	0	0	43	6	0	52	-6	3.19	0.45
E) Ability to transfer credit risk off balance sheet[5]																		
Ability to transfer credit risk off balance sheet	0	0	53	4	0	43	-4	3.04	0.21	0	0	48	10	0	42	-10	3.20	0.44

1) Please also take into account any effect of state guarantees vis-à-vis debt securities and recapitalisation support.
2) "NA" (not applicable) includes banks for which the source of funding is not relevant.
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: The net percentage (NetP) is defined as the difference between the sum of the percentages of banks responding "--" (deteriorated considerably/will deteriorate considerably) and "-" (deteriorated somewhat/will deteriorate somewhat), and the sum of banks responding "+" (eased somewhat/will ease somewhat) and "++" (eased considerably/will ease considerably). "°" means "remained unchanged/will remain unchanged". The mean of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. Std. dev. denotes standard deviation. Figures may not exactly add up due to rounding.

Question 120

In connection with the new regulatory or supervisory actions (*), has your bank: increased/decreased total assets; increased/decreased risk-weighted assets; increased/decreased its capital position; experienced an easing/tightening of its funding conditions over the past six months; and/or does it intend to do so over the next six months?

(in percentages, unless otherwise stated)

	--	-	°	+	+ +	NA[3]	NetP	Mean	Std. dev.	No of banks
Over the past six months										
Total assets of which:	0	2	78	17	0	2	15	3.2	0.44	144
Liquid assets[1]	0	2	84	11	0	2	9	3.1	0.37	144
Risk-weighted assets of which:	0	4	74	18	1	3	14	3.2	0.53	144
Average loans	0	3	69	19	1	8	17	3.2	0.55	144
Riskier loans	0	7	80	5	1	8	-1	3.0	0.44	144
Capital of which:	0	2	64	30	1	3	29	3.3	0.57	144
Retained earnings	0	4	74	18	1	3	15	3.2	0.53	144
Capital issuance[2]	0	1	76	14	1	9	14	3.2	0.45	144
Impact on your bank's funding conditions	0	4	90	6	0	1	-2	3.0	0.34	144
Over the next six months										
Total assets of which:	0	3	76	17	0	4	14	3.2	0.45	144
Liquid assets[1]	0	2	88	8	0	2	6	3.1	0.33	144
Risk-weighted assets of which:	0	4	71	20	0	5	15	3.2	0.52	144
Average loans	0	1	72	19	0	8	17	3.2	0.49	144
Riskier loans	0	3	82	6	1	8	3	3.0	0.42	144
Capital of which:	0	1	58	36	0	5	35	3.4	0.55	144
Retained earnings	0	3	69	25	0	3	22	3.2	0.54	144
Capital issuance[2]	0	1	75	14	0	10	13	3.1	0.41	144
Impact on your bank's funding conditions	0	4	89	4	0	3	-1	3.0	0.35	144

(*) Please consider regulatory or supervisory actions relating to capital, leverage, liquidity or provisioning that have recently been approved/implemented or that are expected to be approved/implemented in the near future.

1) Liquid assets should be defined as freely transferable assets that can be converted quickly into cash in private markets within a short time frame and without significant loss in value, in line with the European Commission Delegated Act of 10.10.2014 to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement for Credit Institutions (C (2014) 7232 final).

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

3) "NA" (not applicable) includes banks which do not have any business in or exposure to this category.

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 of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. Figures may not exactly add up due to rounding. The number of banks responding (No of banks) refers to all participating banks which have business in or exposure to the respective lending category. Std. dev. denotes standard deviation.

Question 121

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

(in percentages, unless otherwise stated)

	Loans and credit lines to enterprises		Loans to households	
	Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
(i) Credit standards				
Over the past six months				
--	0	0	1	0
-	2	4	2	2
○	96	96	96	98
+	0	0	0	0
+ +	0	0	0	0
NA[1]	2	0	0	0
Net Percentage	**2**	**4**	**3**	**2**
Mean	3	3	3	3
Standard deviation	0	0	0	0
Number of banks responding	132	129	131	136
Over the next six months				
--	1	0	1	0
-	5	9	7	3
○	90	88	90	95
+	0	0	0	0
+ +	0	0	0	0
NA[1]	5	3	2	2
Net Percentage	**6**	**9**	**8**	**3**
Mean	3	3	3	3
Standard deviation	0	0	0	0
Number of banks responding	132	129	131	136
(ii) Credit margins				
Over the past six months				
--	0	0	0	0
-	4	3	6	1
○	93	94	90	95
+	1	3	4	2
+ +	0	0	0	0
NA[1]	2	0	0	1
Net Percentage	**2**	**1**	**2**	**-1**
Mean	3	3	3	3
Standard deviation	0	0	0	0
Number of banks responding	132	129	131	136
Over the next six months				
--	1	0	0	0
-	3	3	3	1
○	85	86	90	90
+	7	8	6	6
+ +	0	0	0	0
NA[1]	5	3	2	3
Net Percentage	**-3**	**-4**	**-3**	**-4**
Mean	3	3	3	3
Standard deviation	0	0	0	0
Number of banks responding	132	129	131	136

1) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category.
(*) Please consider regulatory or supervisory actions relating to capital, leverage, liquidity or provisioning that have recently been approved/implemented or that are expected to be approved/implemented in the near future. The number of banks responding refers to all participating banks which have business in or exposure to the respective lending category.
Notes: "- -" = credit standards / margins have been tightened/will be tightened considerably; "-" = credit standards / margins have been tightened/will be tightened somewhat; "o"= the requirements have basically not had/will not have any impact on credit standards / margins; "+" = credit standards / margins have been eased/will be eased somewhat; "++" = credit standards / margins have been eased/will be eased considerably. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others.

Question 135

Please indicate the impact of your bank's non-performing loan (NPL) ratio[1] on your lending policy. In addition, please indicate the contribution of each factor through which the NPL ratio has affected or will affect your bank's lending policy.

(in percentages, unless otherwise stated)

	--	-	°	+	+ +	NA[2]	NetP	Mean	Std. dev.	No of banks
Over the past six months										
A) Impact of NPL ratio on the change in your bank's credit standards										
Loans and credit lines to enterprises	0	3	93	1	0	2	2	3.0	0.23	135
Loans to households for house purchase	0	1	97	2	0	0	-1	3.0	0.18	131
Consumer credit and other lending to households	0	4	87	2	0	7	2	3.0	0.26	136
B) Impact of NPL ratio on the change in your bank's credit terms and conditions										
Loans and credit lines to enterprises	0	3	94	1	0	2	2	3.0	0.23	135
Loans to households for house purchase	0	1	97	2	0	0	-1	3.0	0.19	131
Consumer credit and other lending to households	0	1	97	1	0	1	1	3.0	0.15	136
C) Contribution of factors through which the NPL ratio affects your bank's policy on lending to enterprises and households (change in credit standards and credit terms and conditions)										
Contribution of your bank's cost of funds and balance sheet constraints to the NPL-related impact on your bank's lending policy										
Costs related to your bank's capital position	0	1	97	1	0	1	0	3.0	0.20	144
Costs related to your bank's balance sheet clean-up operations[3]	0	0	88	1	0	10	0	3.0	0.19	144
Pressure related to supervisory or regulatory requirements[4]	0	3	90	7	0	0	-3	3.0	0.36	144
Your bank's access to market financing	0	1	96	0	0	3	1	3.0	0.16	144
Your bank's liquidity position	0	1	96	0	0	3	1	3.0	0.10	144
Contribution of your bank's perception of risk and risk tolerance to the NPL-related impact on your bank's lending policy										
Your bank's perception of risk[5]	0	4	94	1	0	0	3	3.0	0.29	144
Your bank's risk tolerance	0	10	88	1	0	0	9	2.9	0.37	144
Over the next six months										
A) Impact of NPL ratio on the change in your bank's credit standards										
Loans and credit lines to enterprises	0	6	87	2	0	5	5	2.9	0.31	135
Loans to households for house purchase	0	2	94	2	0	2	0	3.0	0.23	131
Consumer credit and other lending to households	1	4	92	2	0	2	3	3.0	0.34	136
B) Impact of NPL ratio on the change in your bank's credit terms and conditions										
Loans and credit lines to enterprises	0	7	87	1	0	4	6	2.9	0.32	135
Loans to households for house purchase	0	2	94	2	0	2	0	3.0	0.22	131
Consumer credit and other lending to households	0	3	94	0	0	2	3	3.0	0.20	136
C) Contribution of factors through which the NPL ratio affects your bank's policy on lending to enterprises and households (change in credit standards and credit terms and conditions)										
Contribution of your bank's cost of funds and balance sheet constraints to the NPL-related impact on your bank's lending policy										
Costs related to your bank's capital position	0	5	91	1	0	3	4	3.0	0.30	144
Costs related to your bank's balance sheet clean-up operations[3]	0	1	85	2	0	11	0	3.0	0.23	144
Pressure related to supervisory or regulatory requirements[4]	2	8	81	7	0	2	3	3.0	0.50	144
Your bank's access to market financing	0	2	93	0	0	5	2	3.0	0.20	144
Your bank's liquidity position	0	6	89	0	0	5	6	2.9	0.26	144
Contribution of your bank's perception of risk and risk tolerance to the NPL-related impact on your bank's lending policy										
Your bank's perception of risk[5]	0	6	90	1	0	2	5	2.9	0.31	144
Your bank's risk tolerance	0	10	86	1	0	2	9	2.9	0.37	144

1) The NPL ratio is defined as the stock of gross non-performing loans on your bank's balance sheet as a percentage of the gross carrying amount of loans. Changes in credit standards and/or terms and conditions can be caused by changes in the NPL ratio or by changes in regulation or in the bank's assessment of the level of the NPL ratio, even if the NPL ratio has remained unchanged.
2) "NA" (not applicable) does not include banks which do not have any business in or exposure to the respective lending category (as regards credit standards), have not granted any new loans in the respective lending category during the period specified (as regards credit terms and conditions), or do not have any non-performing loans.
3) This may include costs due to the need for additional provisions and/or write-offs exceeding the previous stock of provisions.
4) This may include expectations of or uncertainty about future supervisory or regulatory requirements.
5) Banks' perception of risk regarding the general economic situation and outlook, borrowers' creditworthiness and of the risk related to collateral demanded.
Notes: "--" = has contributed considerably/will contribute considerably to tightening; "-" = has contributed somewhat/will contribute somewhat to tightening; "o" =has not had/will not have an impact; "+" = has contributed somewhat/will contribute somewhat to easing; "++" = has contributed considerably/will contribute considerably to easing. The mean of the banks' responses is calculated using weights from 1 to 5 for the five possible response options. Figures may not exactly add up due to rounding. The number of banks responding (No of banks) refers to all participating banks which have business in or exposure to the respective lending category. Std. dev. denotes standard deviation.

Question 136

(i) Did your bank participate in the most recent and next to last TLTRO III operations? And does your bank intend to participate in future TLTRO III operations?

(in percentages, unless otherwise stated)

	Yes	No	Currently undecided
In the most recent TLTRO III operation	35	62	
In the next to last TLTRO III operation	5	92	
In future TLTRO III operations	47	19	32

(ii) Please rate the reasons for your bank's participation in each operation. And what will be the reasons in the future?

(in percentages, unless otherwise stated)

	°	+	+ +	NA[1]
In the most recent TLTRO III operation				
Your bank's reasons for participation				
Attractive TLTRO conditions (profitability motive)	1	21	17	61
To reduce current and/or prevent future funding difficulties (precautionary motive)	28	11	0	61
To enhance the fulfilment of regulatory or supervisory requirements	25	6	2	67
In the next to last TLTRO III operation				
Your bank's reasons for participation				
Attractive TLTRO conditions (profitability motive)	1	5	0	94
To reduce current and/or prevent future funding difficulties (precautionary motive)	1	5	0	94
To enhance the fulfilment of regulatory or supervisory requirements	5	1	0	94
In future TLTRO III operations				
Your bank's reasons for participation				
Attractive TLTRO conditions (profitability motive)	8	38	28	26
To reduce current and/or prevent future funding difficulties (precautionary motive)	49	25	0	26
To enhance the fulfilment of regulatory or supervisory requirements	50	15	4	32

1) “NA” (not applicable) includes banks which did not participate in any of the past TLTRO III operations or which have decided not to participate in any of the future TLTRO III operations.

Notes: “o” = has had basically no impact / will have basically no impact; “+” = has contributed somewhat to participation / will contribute somewhat to participation; “++” = has contributed considerably to participation / will contribute considerably to participation.

Question 137

Please indicate for which purposes your bank has used the TLTRO III liquidity over the past six months. And what will be the likely purposes over the next six months?

(in percentages, unless otherwise stated)

	Over the past six months				Over the next six months			
	°	+	+ +	NA[1]	°	+	+ +	NA[1]
For refinancing								
As a substitute for deposit shortfalls	30	0	0	70	56	7	2	35
As a substitute for maturing debt securities	29	1	0	70	50	14	1	35
As a substitute for interbank lending	29	2	0	70	51	13	0	35
As a substitute for TLTRO II funding	12	9	9	70	19	28	19	33
As a substitute for other Eurosystem liquidity operations(2)	30	0	0	70	60	1	0	39
For granting loans, purchasing financial assets or holding liquidity								
For granting loans to the non-financial private sector	14	15	1	70	17	43	10	30
For purchasing domestic sovereign bonds	30	0	0	70	58	7	0	35
For purchasing other financial assets(3)	30	0	0	70	61	4	0	35
For holding liquidity with the Eurosystem	30	1	0	70	61	8	1	29

1) “NA” (not applicable) includes banks which did not participate in any of the past TLTRO III operations, which have decided not to participate in any of the future TLTRO III operations or which do not have any business in or exposure to this category.
2) The category "As a substitute for other Eurosystem liquidity operations" excludes the replacement of the TLTRO II funds.
3) "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.
Notes: “o” = has had basically no impact / will have basically no impact; “+” = has contributed somewhat to this purpose / will contribute somewhat to this purpose; “++” = has contributed considerably to this purpose / will contribute considerably to this purpose.

Question 138

Over the past six months, how have the Eurosystem's TLTRO III operations affected (either directly or indirectly) your bank's financial situation, lending policy and lending volumes? And what will be the impact over the next six months?

(in percentages, unless otherwise stated)

	--	-	°	+	+ +	NA[1]	NetP	Mean	Std. dev.	No of banks
Over the past six months										
Impact on your bank's financial situation										
Your bank's overall liquidity position	0	0	57	20	0	23	-20	3	1	144
Your bank's overall market financing conditions	0	0	61	16	0	23	-16	3	0	144
Your bank's overall profitability	0	4	63	10	0	23	-6	3	0	144
Your bank's ability to fulfil regulatory or supervisory requirements	0	0	71	7	0	23	-7	3	0	144
Impact on your bank's credit standards										
For loans to enterprises	0	0	75	3	0	21	-3	3	0	135
For loans to households for house purchase	0	0	77	0	0	23	0	3	0	131
For consumer credit and other lending to households	0	0	77	0	0	23	0	3	0	136
Impact on your bank's terms and conditions										
For loans to enterprises	0	0	71	8	0	21	-8	3	0	135
For loans to households for house purchase	0	0	75	1	0	23	-1	3	0	131
For consumer credit and other lending to households	0	0	72	5	0	23	-5	3	0	136
Impact on your bank's lending volumes										
For loans to enterprises	0	0	70	9	0	21	9	3	0	135
For loans to households for house purchase	0	0	76	0	0	23	0	3	0	131
For consumer credit and other lending to households	0	0	70	6	0	23	6	3	0	136
Over the next six months										
Impact on your bank's financial situation										
Your bank's overall liquidity position	0	0	55	38	3	4	-41	3	1	144
Your bank's overall market financing conditions	0	0	62	34	0	4	-34	3	1	144
Your bank's overall profitability	0	4	51	40	0	4	-37	3	1	144
Your bank's ability to fulfil regulatory or supervisory requirements	0	0	73	11	1	15	-12	3	0	144
Impact on your bank's credit standards										
For loans to enterprises	0	0	92	4	0	4	-4	3	0	135
For loans to households for house purchase	0	0	87	1	0	12	-1	3	0	131
For consumer credit and other lending to households	0	0	88	9	0	4	-9	3	0	136
Impact on your bank's terms and conditions										
For loans to enterprises	0	0	71	25	0	4	-25	3	0	135
For loans to households for house purchase	0	0	84	4	0	12	-4	3	0	131
For consumer credit and other lending to households	0	0	80	17	0	4	-17	3	0	136
Impact on your bank's lending volumes										
For loans to enterprises	0	0	57	39	0	4	39	3	1	135
For loans to households for house purchase	0	0	77	11	0	12	11	3	0	131
For consumer credit and other lending to households	0	0	74	23	0	4	23	3	0	136

1) Please select “N/A” (not applicable) only if you do not have any business in or exposure to the respective category.

Notes: “--” = has contributed considerably/will contribute considerably to a deterioration, tightening or decrease; “-” = has contributed somewhat/will contribute somewhat to a deterioration, tightening or decrease; “o” =has had/will have basically no impact; “+” = has contributed somewhat/will contribute somewhat to an improvement, easing or increase; “++” = has contributed considerably/will contribute considerably to an improvement, easing or increase. The mean of the banks’ responses is calculated using weights from 1 to 5 for the five possible response options. Figures may not exactly add up due to rounding. The number of banks responding (No of banks) refers to all participating banks which have business in or exposure to the respective lending category. Std. dev. denotes standard deviation.

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For specific terminology please refer to the ECB glossary.

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