EUROPEAN CENTRAL BANK

EUROSYSTEM

The euro area bank lending survey

Second quarter of 2026

July 2026

Contents

1 Overview of results

In the bank lending survey (BLS) for the second quarter of 2026, euro area banks reported a moderate net tightening of credit standards for loans or credit lines to firms (net percentage of banks of 7%; see Overview table).[1] The net tightening was lower than in the first quarter (net percentage of 10%) and considerably smaller than expected by banks in the previous quarter (net percentage of 19%). The outcome of US-Iran negotiations continues to be a source of uncertainty, with banks revising their assessments as talks evolve. Banks remain highly attentive to risks and are continuing to closely monitor credit risks, especially in the most exposed sectors, with some reporting additional tightening of credit standards because of geopolitical tensions and energy developments in the second quarter. Net tightening continued to be particularly pronounced in car manufacturing. Perceived risks to the economic outlook and lower risk tolerance remained the main drivers of tighter credit standards for firms. Across the largest euro area countries, banks in Germany, Spain and France reported tighter credit standards for firms, while credit standards eased in Italy. For the third quarter of 2026, banks expect credit standards to continue to tighten, albeit at a more moderate pace (5%).

Banks reported a net tightening of credit standards for both housing loans and consumer credit (net percentages of 9% and 12% respectively; see Overview table). Banks' lower risk tolerance and higher risk perceptions were the main drivers of the tightening for housing loans and consumer credit. Across the largest euro area countries, credit standards for housing loans tightened in Germany, Spain and France, and remained unchanged in Italy. For consumer credit, credit standards in Spain remain unchanged, while they tightened in Germany, France and Italy. The tightening of credit standards for both housing loans and consumer credit was broadly in line with banks' expectations. For the third quarter of 2026, banks expect a mild further tightening of credit standards for housing loans (2%) and a larger tightening for consumer credit (11%).

Banks reported a small net increase in loan demand for firms in the second quarter of 2026 (net percentage of 3%; see Overview table), consistent with the previous modest net changes observed since mid-2024. The net increase stood in contrast to banks' expectations of a more pronounced decrease (net percentage of -10%), following the small net decrease in the first quarter (net percentage of -2%). Loan demand was supported by higher demand for inventories and working capital, demand for fixed investment from large firms and other financing needs related to debt refinancing and restructuring. Banks reported an increase in demand to meet liquidity needs but viewed the overall picture as still mixed and dependent on future geopolitical developments. Across the largest euro area countries, demand for loans

[1] The results reported in the July 2026 survey relate to changes observed during the second quarter of 2026 and expectations for the third quarter of 2026. The survey was conducted between 15 June and 30 June 2026. A total of 159 banks were surveyed in this round, with a response rate of 100%. In addition to the results for the euro area as a whole, this report contains the results for the four largest euro area countries in terms of GDP (i.e. Germany, Spain, France and Italy).

to firms increased in Germany and Italy but decreased in Spain and France. For the third quarter of 2026, banks expect a moderate net increase in loan demand (4%).

Banks reported a marked net decrease in demand for housing loans, whereas consumer credit demand decreased only slightly (net percentages of -15% and -2% respectively; see Overview table). Deteriorating consumer confidence and interest rate developments were the main drag on housing loan demand, with worsening housing market prospects also weighing negatively. Housing loan demand weakened less than banks had expected (-20%). Demand for consumer credit continued to soften, reflecting lower consumer confidence, weaker spending on durable goods as well as a small negative contribution from the general level of interest rates. The decrease in demand for consumer credit was not as strong as banks had previously expected (-9%). For the third quarter of 2026, banks anticipate further declines in demand for housing loans (-12%), while demand for consumer credit is expected to remain unchanged (0%).

Euro area banks' overall credit terms and conditions tightened for loans to firms, housing loans and consumer credit, driven mainly by higher lending rates. For firms, wider margins on riskier loans also contributed, whereas margins on average loans narrowed. For housing loans, narrower margins on average loans had an easing effect. For consumer credit, the tightening of overall terms and conditions was also attributable to widening margins on riskier loans.

Banks reported a net increase in the share of rejected loan applications for all counterparts. The net increase in the share was higher for consumer credit (9%) than for firms and housing loans (6%).

The July 2026 BLS contained ad hoc questions related to the following.

- Euro area banks' access to debt securities, money markets and retail funding deteriorated slightly in the second quarter of 2026, while it remained broadly unchanged for securitisations. Both short-term and long-term funding contributed to the deterioration in access to overall retail funding, which was the largest since the last quarter of 2024. Over the next three months, banks expect access to debt securities, retail and money market funding to deteriorate further, but to remain unchanged for securitisations.

- Euro area banks reported a net tightening impact of non-performing loan (NPL) ratios and other credit quality indicators on their credit standards for loans to firms and for consumer credit in the second quarter of 2026. Credit standards for housing loans were broadly unaffected. Banks indicated that higher risk perceptions and lower risk tolerance and, to a much smaller extent, pressure stemming from supervisory or regulatory requirements and costs related to balance sheet clean-up operations contributed to the net tightening impact on credit standards. In the third quarter of 2026, euro area banks expect credit quality to have a further tightening impact on their credit standards for loans to firms and for consumer credit.

- Credit standards tightened in most economic sectors in the first half of 2026, except for services (excluding financial services and real estate). The tightening remained most pronounced in those parts of the manufacturing sector especially exposed to energy-related and geopolitical developments, such as the car industry and energy-intensive manufacturing. For the second half of 2026, euro area banks expect a further net tightening of credit standards across most main economic sectors. Exceptions to this are services (excluding financial services and real estate) and residential real estate where banks expect broadly unchanged credit standards. Banks reported lower or broadly unchanged loan demand across the main economic sectors, except for services (excluding financial services and real estate) where loan demand increased in the first half of 2026. For the second half of 2026, euro area banks expect overall small or moderate changes in loan demand for the main economic sectors.

- Euro area banks reported a net easing impact of climate change on credit standards and a positive impact on the demand for loans to green firms and firms making progress in their green transition over the past 12 months. This compared with a tightening impact on credit standards and a small net decrease in loan demand for high-emitting firms without credible climate transition plans. Physical risk (related to the financial impact from banks' exposure to a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation) continued to have the strongest climate-related net tightening impact on credit standards for firms. Meanwhile, firm-specific transition risk (related to the risk of an institution's financial loss that could result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy) was also an increasingly important tightening factor over the past 12 months. Climate-related fixed investment needs and corporate restructuring were by far the most important drivers for firms' climate-related loan demand. Financing needs to fulfil the prevailing climate-related regulation and preferential bank lending rates for financing green projects or technologies were also important drivers. By contrast, uncertainty about future climate regulation dampened loan demand. Over the next 12 months, euro area banks expect a broadly similar impact on credit standards and loan demand for firms.

- Banks also reported a climate-related net easing impact on credit standards and a positive impact on housing loan demand for buildings with current or targeted good or high energy performance. By contrast, they indicated tighter credit standards and a negative impact on loan demand for buildings with persistently low energy performance. Physical risk to real estate was, in net terms, the dominant climate-related tightening factor for credit standards on housing loans, while the current or targeted energy performance of buildings was a relevant net easing factor. Investment in the energy performance of buildings remained the key factor supporting climate-related housing loan demand over the past 12 months, with lending rates for increasing sustainability and fiscal support also contributing positively and uncertainty about future climate regulation contributing negatively. Over the next 12 months, euro area banks expect a broadly similar impact.

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	Q1 26	Q2 26	Avg	Q1 26	Q2 26	Avg	Q1 26	Q2 26	Avg	Q1 26	Q2 26	Avg	Q1 26	Q2 26	Avg	Q1 26	Q2 26	Avg
Euro area	10	7	8	-2	3	-1	2	9	6	0	-15	2	15	12	5	-11	-2	0
Germany	16	10	5	3	10	5	4	7	4	-4	-30	7	11	11	2	-18	-21	6
Spain	25	8	9	-8	-17	-6	10	10	13	-10	-30	-7	17	0	10	-8	0	-6
France	9	18	6	0	-18	-5	0	13	2	0	-13	3	31	31	1	-38	0	-3
Italy	0	-11	10	-27	33	3	0	0	1	0	0	10	8	9	5	15	27	9

Notes: "Avg" refers to averages calculated over the period since the beginning of the survey, excluding the most recent round. Owing to the different sample sizes across countries, which broadly reflect the differences in the national shares in lending to the euro area non-financial private sector, the size and volatility of the net percentages cannot be directly compared across countries.

Box 1
General notes

The BLS is addressed to senior loan officers at a representative sample of euro area banks, 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]

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 through the ECB Data Portal – see also the notes to charts throughout this report.

Detailed explanations on the BLS questionnaire, the aggregation of banks' replies to national and euro area BLS results, the BLS indicators and information on the BLS series keys are available on the ECB's website in the BLS user guide. A copy of the BLS questionnaire with the standard questions and a glossary of BLS terms can also be found on the ECB BLS webpage.

2 For more detailed information on the bank lending survey, see Köhler-Ulbrich, P., Dimou, M., Ferrante, L. and Parle, C., "Happy anniversary, BLS – 20 years of the euro area bank lending survey", *Economic Bulletin*, Issue 7, ECB, 2023, also Huennekes, F. and Köhler-Ulbrich, P., "What information does the euro area bank lending survey provide on future loan developments?", *Economic Bulletin*, Issue 8, ECB, 2022.

2 Loans to enterprises

2.1 Moderate net tightening of credit standards

Euro area banks reported a moderate net tightening of credit standards for loans or credit lines to firms in the second quarter of 2026 (net percentage of banks of 7%; see Chart 1 and Overview table).[3] The tightening was less than in the first quarter (net percentage of 10%) and considerably smaller than expected by the banks in April (net percentage of 19%), standing slightly below the historical average (8%), although well above the average since 2014 (3%).[4] The outcome of US-Iran negotiations continues to be a source of uncertainty, with banks revising their assessments as talks evolve. Banks remain highly attentive to risks and are continuing to closely monitor credit risks. This is especially the case in the most exposed sectors, with some reporting additional tightening of credit standards because of geopolitical tensions and energy developments in the second quarter. Net tightening continued to be particularly pronounced in car manufacturing (see Section 5.3). Across the largest euro area countries, banks in Germany, Spain and France reported tighter credit standards for firms in the second quarter, while credit standards eased in Italy. The net tightening for euro area firms was similar for loans to small and medium-sized enterprises (SMEs) and for loans to large firms (net percentages of 5% and 6% respectively; see Chart 2). Across maturities, banks reported a stronger net tightening of credit standards for long-term loans than for short-term loans (net percentages of 7% and 2%, respectively), both more moderate than in the first quarter.[5]

Perceived risks to the economic outlook and banks' lower risk tolerance remained the main factors contributing to tighter credit standards (see Chart 1 and Table 1). This is consistent with a persistently high degree of risk aversion and a prudent approach to lending adopted by banks. In their perceived risks, banks referred to a tightening impact of both the industry-specific and the firm-specific situation (12%), and the general economic outlook (11%). Banks' cost of funds and balance sheet constraints, as well as competition, had a broadly neutral impact on credit standards in the second quarter of 2026. Across the largest euro area countries, banks in Germany, Spain and France reported higher perceived risks as the main tightening factor. Banks in Germany and France also reported lower risk tolerance as an important driver of the net tightening. This is consistent with the net tightening impact

3 Credit standards are the internal guidelines or loan approval criteria of a bank. Owing to different sample sizes across countries, which broadly reflect the differences in the national shares in lending to the euro area non-financial private sector, the size and volatility of the net percentages cannot be directly compared across countries.

4 The difference between the average since 2003 and the average since 2014 is attributable to several exceptional tightening periods since the start of the BLS in 2003. These include, in particular, the global financial crisis and the sovereign debt crisis.

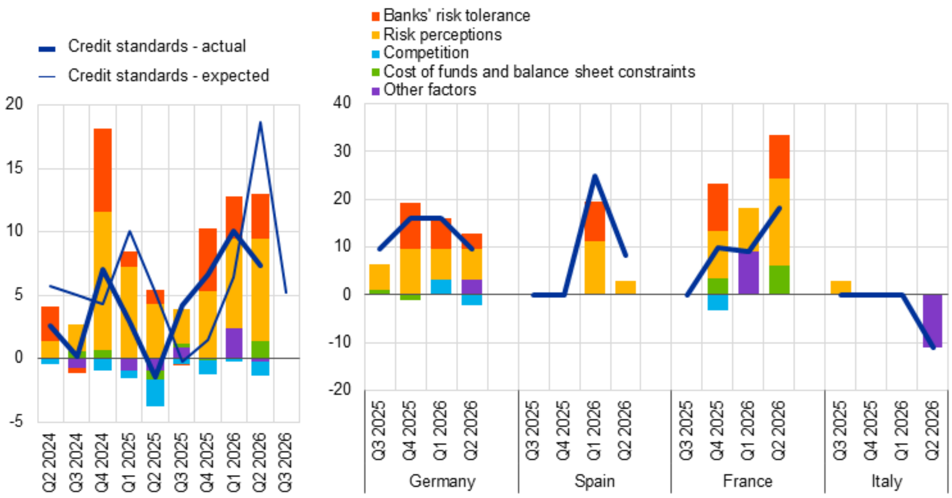
5 The moderate net tightening of credit standards is consistent with the development of the ECB BIG Index, a summary indicator of the development of broader intermediation conditions. See Allayioti, A., Di Casola, P. and Magistretti, G., "Tracking credit conditions in the euro area with the ECB-BIG index", *Economic Bulletin*, Issue 5, 2026 (forthcoming).

of banks’ NPL ratios and other indicators of asset quality on credit standards for firms (see Section 5.2).

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)

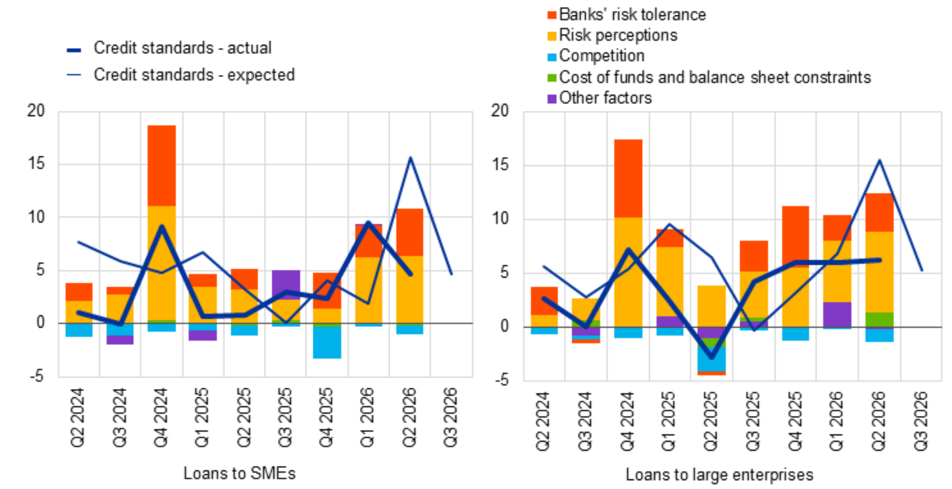


Notes: “Credit standards - actual” are changes that have occurred, while “Credit standards - expected” are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. “Cost of funds and balance sheet constraints” is the simple average of “banks’ capital and the costs related to banks’ capital position”, “access to market financing” and “liquidity position”; “Risk perceptions” is the simple 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 simple average of “competition from other banks”, “competition from non-banks” and “competition from market financing”. The net percentages for “Other factors” refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Chart 2

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

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



Notes: See the notes to Chart 1. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: loans to SMEs and loans to large enterprises.

For the third quarter of 2026, banks expect credit standards for loans to firms to tighten, albeit at a more moderate pace (net percentage of 5%). Banks expect an equal net tightening of credit standards for loans to large firms and for loans to SMEs (both at 5%). They also expect that credit standards will tighten equally for short-term loans and for long-term loans (both at 5%). Banks in Germany and France expect a net tightening of credit standards for firms in the third quarter of 2026, whereas banks in Spain and Italy expect unchanged credit standards.

Table 1
Factors contributing to changes in 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	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	0	1	0	-1	7	8	3	3
Germany	0	0	3	-2	6	6	6	3
Spain	0	0	0	0	11	3	8	0
France	0	6	0	0	9	18	0	9
Italy	0	0	0	0	0	0	0	0

Note: See the notes to Chart 1.

2.2 Moderate tightening of terms and conditions

Euro area banks' overall credit terms and conditions continued to tighten moderately for new loans to enterprises in the second quarter of 2026 (net percentage of 7%; see Chart 3 and Table 2).[6] The tightening was mostly driven by lending rates, consistent with the increases in bank lending rates for firms in April and May and the key ECB rate hike in June 2026. In addition to higher lending rates, wider margins on riskier loans also contributed, whereas margins on average loans narrowed – consistent with an increase in the market reference rates of loans to firms. In contrast to the previous two quarters, collateral requirements did not broadly contribute to the further tightening of overall terms and conditions. Banks across all four largest euro area countries reported a net tightening impact of lending rates on overall terms and conditions, whereas only banks in Germany and France reported a net tightening of overall terms and conditions. In Germany, wider margins on riskier loans and, to a lesser extent, stricter collateral requirements contributed to the tightening. In France, other terms and conditions, especially loan size, had a tightening impact, while margins on average loans narrowed. Overall terms and conditions remained stable in Spain and Italy. In Italy, the tightening impact of wider margins on riskier loans was offset by narrower margins on average loans. Across firm sizes, euro area banks reported a similar net tightening of overall terms and

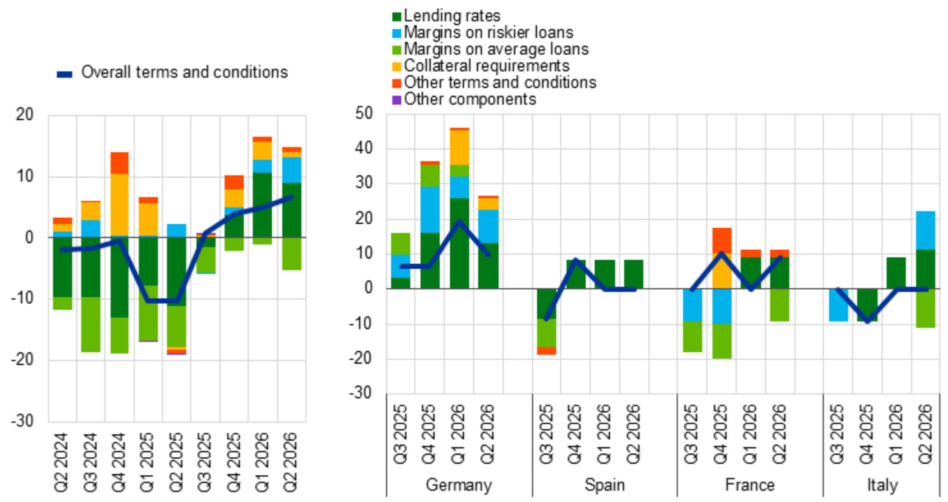
[6] Terms and conditions are the actual terms and conditions agreed in the loan contract. The historical net percentage average of overall terms and conditions for loans to firms since 2015, when the series was introduced, is 0%.

conditions for both loans to SMEs and large firms (6% and 5% respectively; see Chart 4).

Chart 3

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

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



Notes: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the simple average of "non-interest rate charges", "size of the loan or credit line", "loan covenants" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Table 2

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

(net percentages of banks)

Country	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	5	7	11	9	-1	-5	2	4
Germany	19	10	26	13	3	0	6	10
Spain	0	0	8	8	0	0	0	0
France	0	9	9	9	0	-9	0	0
Italy	0	0	9	11	0	-11	0	11

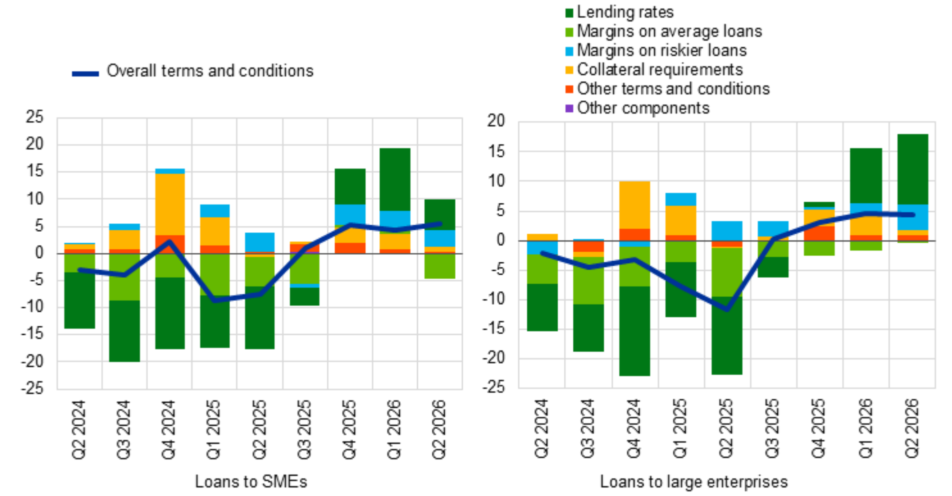
Note: See the notes to Chart 3.

Higher risk perceptions were the primary driver of the overall net tightening of terms and conditions for euro area firms, while competition had an easing effect (see Table 3). Across the largest four euro area countries, only banks in Germany reported a tightening impact from perceived risks, while competition from other banks had an easing effect according to banks in Germany, France and Italy.

Chart 4

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

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



Notes: See the notes to Chart 3. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: loans to SMEs and loans to large enterprises.

Table 3

Factors contributing to changes in overall terms and conditions 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	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**
Euro area	1	1	-4	-4	10	4	6	0
Germany	4	0	0	-4	13	9	6	0
Spain	0	0	0	0	0	0	0	0
France	0	3	-9	-6	12	0	9	0
Italy	0	0	-3	-4	6	0	9	0

Notes: 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 of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position". "Perception of risk" is the simple average of "general economic situation and outlook", "industry or firm-specific situation and outlook/borrower's creditworthiness" and "risk related to the collateral demanded". "Pressure from competition" is the simple average of "competition from other banks", "competition from non-banks" and "competition from market financing". Aggregate series for "cost of funds and balance sheet constraints", "perception of risk" and "pressure from competition" were discontinued from the first quarter of 2022, when detailed sub-factors were introduced. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

2.3 Rejection rates increased further

Banks reported a further net increase in the share of rejected loan applications for firms (net percentage of 6%, see Chart 5). The net increase was higher than in the previous quarter (3%) and the highest since the fourth quarter of 2024.[7] It was

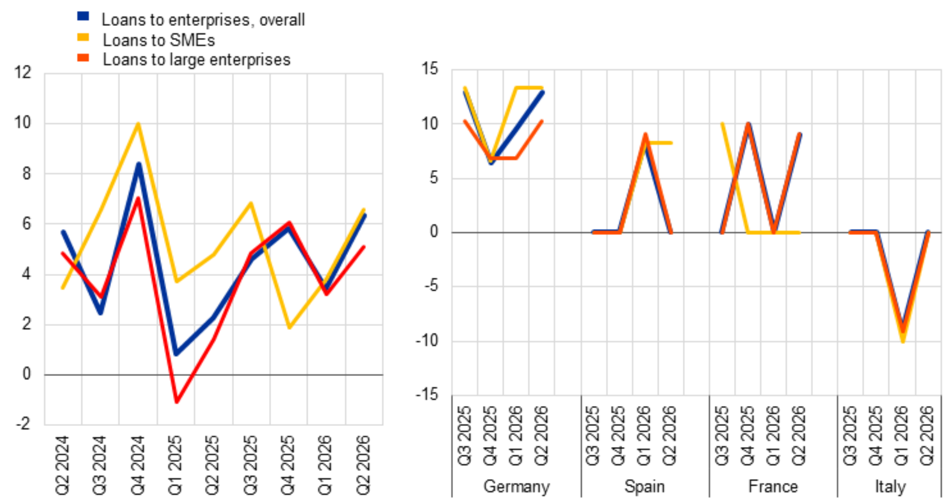
[7] The historical net percentage average since 2015 is 3%.

slightly higher for SMEs than for large firms (7% and 5% respectively). For SMEs, banks in Germany and Spain indicated an increase in the share of rejected loan applications, while banks in France and Italy reported no change. For large firms, banks in Germany and France reported a net increase in the share of rejected loan applications, while banks in Spain and Italy reported no change. The net increase reported by banks in Germany marked more than four years of consecutive net increases in the share of rejected loan applications since the second quarter of 2022.

Chart 5

Changes in the share of rejected loan applications for enterprises

(net percentages of banks reporting an increase)



Notes: Share of rejected loan applications relative to the volume of all loan applications in that loan category. The breakdown by firm size was introduced in the first quarter of 2022. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

2.4 Demand for loans increased slightly

Banks reported a small net increase in loan demand for firms in the second quarter of 2026 (net percentage of 3%; see Chart 6 and Overview table), consistent with the previous modest net changes observed since mid-2024.[8] The net increase stood in contrast to banks' expectations of a more pronounced decrease (net percentage of -10%), following the small net decrease in demand for loans in the first quarter (net percentage of -2%). Positive surprises regarding demand have been relatively rare over the history of the survey and have occurred mostly when corporate financing needs for inventories and working capital have increased. Examples of this occurred at the end of 2011 in the context of the escalation of the European sovereign debt crisis, in 2020 in relation to firms' working capital needs during the pandemic and in 2022 in response to the energy crisis that followed the Russian invasion of Ukraine. By contrast, on average, over the history of the survey, negative surprises regarding loan demand have been more common. The slight recovery in firms' loan demand in

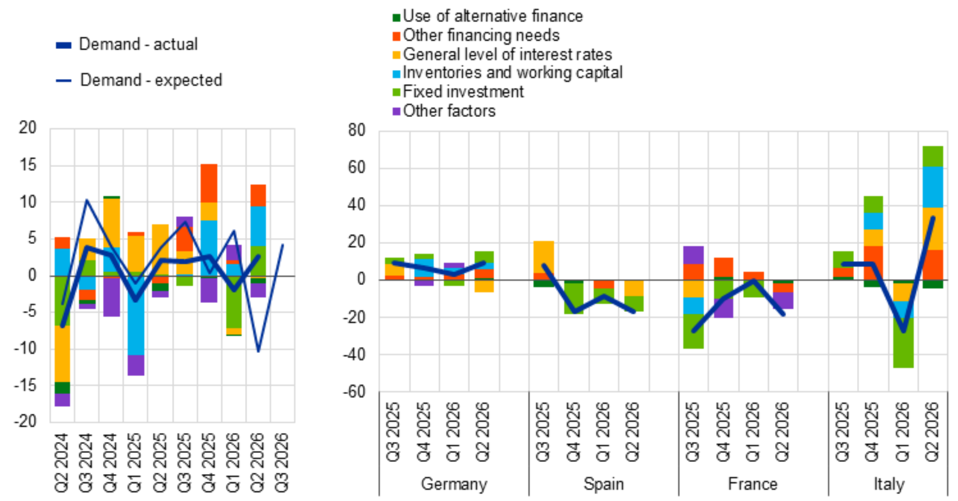
[8] Loan demand refers to the bank loan financing need of enterprises and households at the bank. The historical net percentage average of demand for loans to firms since 2003 is -1%. The average net increase of loan demand for firms since 2014 is 4%.

the second quarter is also consistent with the increase in the annual growth rate of loans to firms in April and May. Banks reported an increase in demand to meet liquidity needs, while the overall picture on loan demand remained mixed and is dependent on future geopolitical developments. Banks also reported an increase in demand from climate-related factors (see Section 5.4). Across the largest euro area countries, demand for loans to firms increased in Germany and Italy but decreased in Spain and France. In particular, across firm sizes, demand for loans increased only for large firms (net percentage of 7%) while it continued to decrease for SMEs (-3%, see Chart 7). Loan demand remained broadly unchanged both for long-term loans and for short-term loans (1% and -1% respectively).

Chart 6

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)

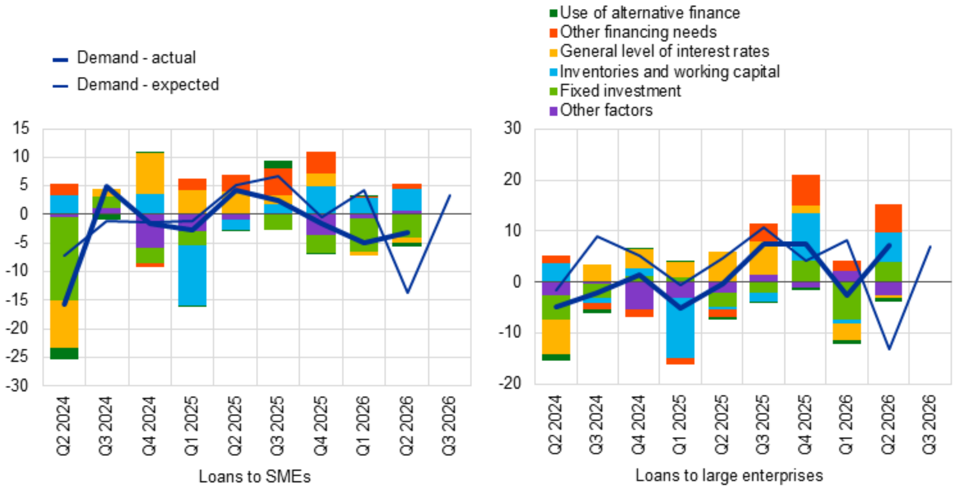


Notes: "Demand - actual" represents changes that have occurred, while "Demand - expected" represents changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". "Other financing needs" is the simple average of "mergers/acquisitions and corporate restructuring" and "debt refinancing/restructuring and renegotiation". "Use of alternative finance" is the simple average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Chart 7

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

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



Notes: See the notes to Chart 6. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: loans to SMEs and loans to large enterprises.

The net increase in loan demand was driven by higher demand for inventories and working capital, demand for fixed investment from large firms and other financing needs (see Chart 6 and Table 4). The reported higher demand for inventories and working capital reflects additional liquidity needs deriving from higher input costs and longer delivery times, in line with developments in the first quarter. In addition, the net impact of fixed investment on loan demand turned positive for large firms, whereas loan demand for fixed investment by SMEs remained negative (see Chart 7). Banks' indications suggest that geopolitical and energy-related developments have had an ambiguous effect on corporate loan demand. The net impact of the general level of interest rates remained neutral at the euro area level. Across the four largest euro area countries, the rise in loan demand for fixed investment, inventories and working capital was driven by Germany and Italy. Loan demand was dampened by higher interest rate levels indicated by banks in Germany. Spanish banks reported a decline in loan demand due to reduced fixed investment and the higher level of interest rates, while French banks attributed the fall in loan demand to weak mergers and acquisitions activity, available internal funds and "other factors". By contrast, Italian banks reported a positive impact from the level of interest rates. For other financing needs, banks in Germany and Italy noted a positive influence from debt refinancing and restructuring.

Table 4

Factors contributing to changes in 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	
	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	-7	4	2	5	1	3	-1	0	0	-1
Germany	-3	6	3	3	3	5	0	-6	0	1
Spain	-8	-8	0	0	-4	0	0	-8	0	0
France	-9	0	0	0	5	-5	0	0	0	-2
Italy	-27	11	-9	22	0	17	-9	22	-2	-4

Note: See the notes to Chart 6.

For the third quarter of 2026, banks expect a moderate net increase in loan demand (net percentage of 4%). Banks expect the increase to be moderate for short-term loans and small for long-term loans (net percentages of 5% and 2%, respectively), in line with loan demand remaining more concentrated on liquidity needs than on fixed investment. In addition, loan demand is expected to be higher from large firms than from SMEs (net percentages of 7% and 3% respectively). Across the four largest euro area countries, banks in Germany and Italy expect a further net increase in corporate loan demand, while banks in Spain and France expect a further net decrease.

3 Loans to households for house purchase

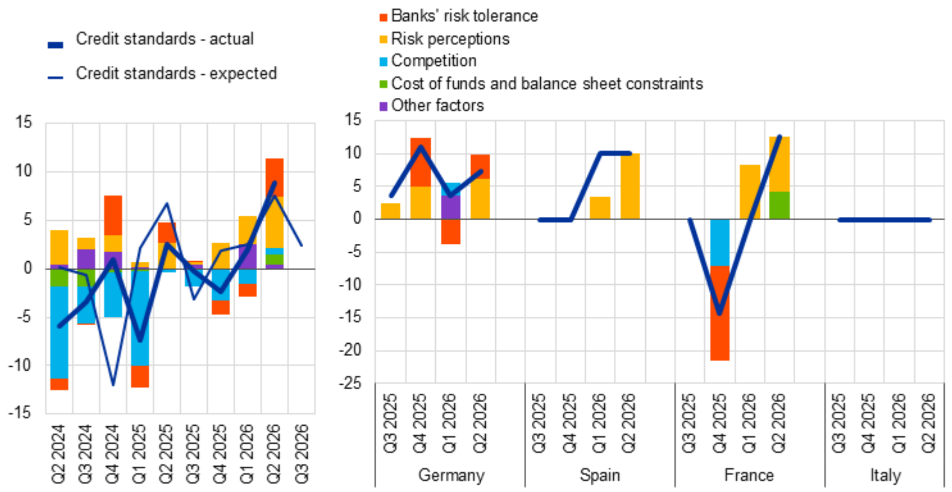
3.1 Net tightening of credit standards

Banks reported a net tightening of credit standards for housing loans in the second quarter of 2026 (net percentage of 9%, see Chart 8 and Overview table).[9] The tightening of credit standards for housing loans was broadly as expected by banks in the previous quarter (8%). Among the four largest euro area countries, credit standards tightened in Spain, Germany and France, and remained unchanged in Italy.

Chart 8

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: "Credit standards - actual" are changes that have occurred, while "Credit standards - expected" 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". "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2022, when detailed sub-factors were introduced). "Risk perceptions" is the simple average of "general economic situation and outlook", "housing market prospects, including expected house price developments" and "borrower's creditworthiness". "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Risk perceptions and risk tolerance had a tightening impact on credit standards (see Chart 8 and Table 5). Risk perceptions were the main factor behind the tightening of credit standards for housing loans, driven by a deterioration in the general economic situation and in housing market prospects and, to a lesser extent, by declining borrower creditworthiness. Banks' cost of funds and balance sheet situation continued to have a neutral impact. Competition had a neutral net impact, having

[9] The historical net percentage average of credit standards for housing loans since 2003 is 6%. Since 2014, it has been 2%.

had an easing impact in most quarters since 2023. Banks in Germany, Spain and France reported tightening credit standards due to deteriorating risk perceptions, while lower risk tolerance also contributed negatively in Germany. Banks in Italy mentioned no notable impact from any particular factor.

In the third quarter of 2026, euro area banks expect a mild further tightening of credit standards for housing loans (net percentage of 2%). Across the four largest euro area economies, tightening is expected to be driven by banks in Spain and Italy, while banks in Germany and France anticipate easing credit standards.

Table 5

Factors contributing to changes in credit standards for loans to households for house purchase

(net percentages of banks)

	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
Country	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	0	1	-2	1	3	5	-1	4
Germany	0	0	2	0	0	6	-4	4
Spain	0	0	0	0	3	10	0	0
France	0	4	0	0	8	8	0	0
Italy	0	0	0	0	0	0	0	0

Note: See the notes to Chart 8.

3.2 Tightening of terms and conditions

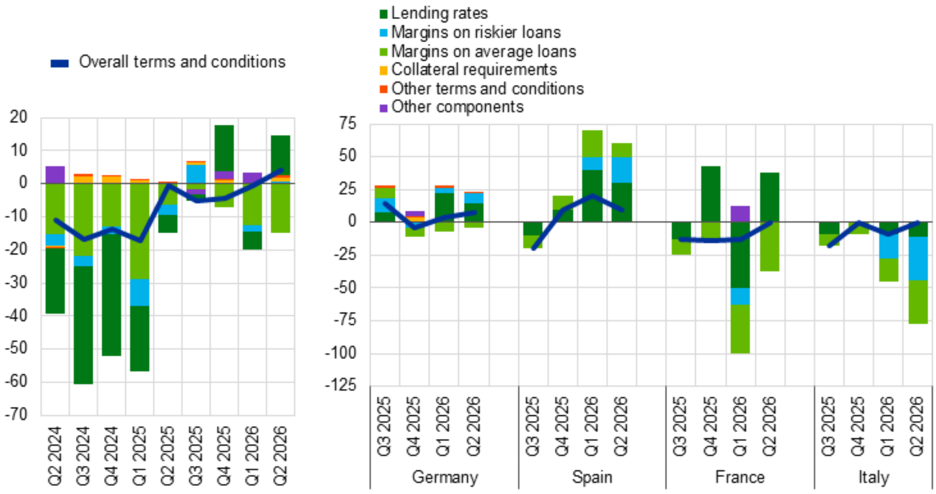
Euro area banks reported a net tightening of overall credit terms and conditions for housing loans in the second quarter of 2026 (net percentage of 4%; see Chart 9 and Table 6). This is the first tightening reported since the third quarter of 2023.[10] Developments in lending rates contributed to tightening pressures, while narrower margins on average loans had an easing effect. Among the largest euro area countries, a net tightening was reported by banks in Germany and Spain, reflecting higher lending rates and wider margins on riskier loans. Margins on average loans also had a tightening effect in Spain, while banks in Germany reported that this factor had a small easing impact. Banks in France indicated unchanged overall terms and conditions, with higher lending rates offsetting an easing impact from margins on average loans. In Italy, banks also reported unchanged overall terms and conditions, while lower lending rates and narrower margins on average and riskier loans contributed to easing.

10 The historical net percentage average of overall terms and conditions for housing loans since 2015, when the series was introduced, is 0%.

Chart 9

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

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



Notes: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the simple average of "loan-to-value ratio", "other loan size limits", "non-interest rate charges" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Table 6

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

(net percentages of banks)

	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
Country	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**
Euro area	0	4	-6	12	-12	-15	-2	0
Germany	4	7	22	15	-7	-4	4	7
Spain	20	10	40	30	20	10	10	20
France	-13	0	-50	38	-38	-38	-13	0
Italy	-9	0	-9	-11	-18	-33	-18	-33

Note: See the notes to Chart 9.

In the second quarter of 2026, competition continued to have a strong net easing impact on terms and conditions, while banks' risk tolerance, risk perceptions and cost of funds and balance sheet constraints had a contained tightening effect (see Table 7). The net easing impact of competition was reported by banks in Spain, France and Italy, whereas in Germany competition had a neutral impact. Among the largest euro area economies, banks' risk tolerance had a net tightening impact only in Germany, similarly to the previous quarter. Banks' risk perceptions had a net tightening impact in Germany and Spain, while they had a neutral effect on terms and conditions in the other two large euro area economies. In Germany and France, banks reported cost of funds and balance sheet constraints as adding upward pressures, with constraints related to market financing being particularly prominent.

Table 7
Factors contributing to changes in 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	
	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	1	3	-12	-13	3	4	4	3
Germany	4	2	0	0	0	7	11	7
Spain	0	0	0	-10	20	20	0	0
France	0	13	-25	-25	0	0	0	0
Italy	-9	0	-18	-22	0	0	0	0

Notes: 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 of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter 2024, when detailed sub-factors were introduced). The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

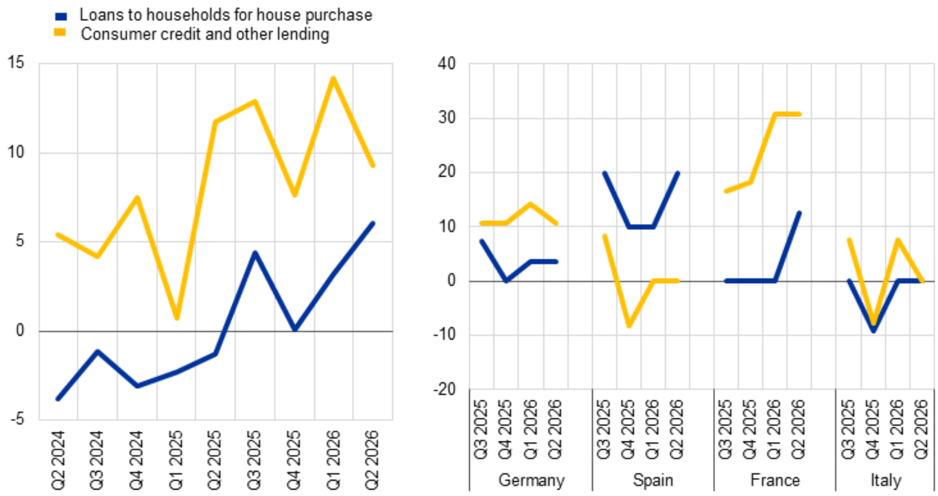
3.3 Rejection rates for housing loans increased further

Banks reported a further net increase in the share of rejected housing loan applications in the second quarter of 2026 (net percentage of 6%; see Chart 10). This is the largest increase since the third quarter of 2023 and compares with a historical average of 4% since 2015. Across the four largest euro area countries, banks indicated a net increase in the share of rejections in Germany, Spain and France, while the share remained net unchanged in Italy. A fifth consecutive quarter of substantial increases in rejection rates for housing loans in Spain was last seen only during the tightening cycle in 2022-23.

Chart 10

Changes in the share of rejected loan applications for households

(net percentages of banks reporting an increase)



Notes: Share of rejected loan applications relative to the volume of all loan applications in that loan category. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

3.4 Demand for housing loans contracted markedly

Banks reported a marked net decline in demand for housing loans in the second quarter of 2026 (net percentage of -15%, see Chart 11 and Overview table).[11] The decrease was somewhat less strong than banks' expectations (-20%). A net decrease in demand was reported in Germany, Spain and France, while demand remained unchanged in Italy.

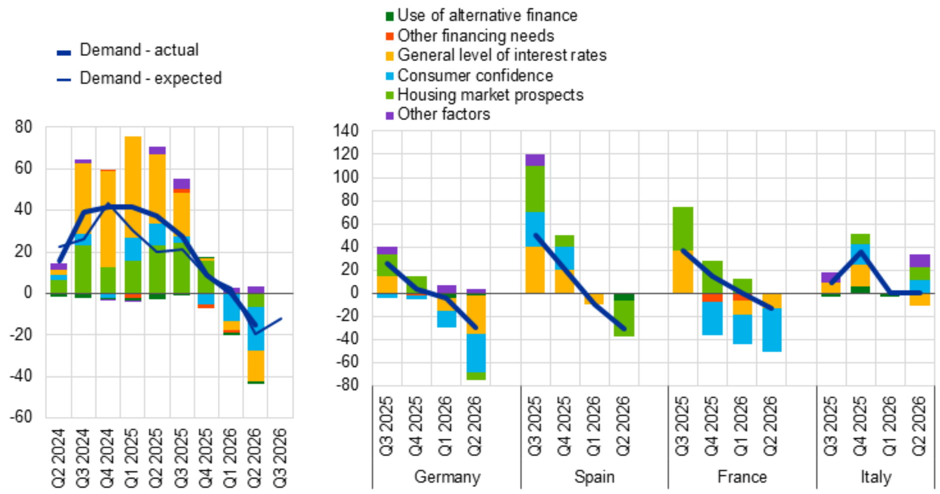
Deteriorating consumer confidence, changes in interest rates and worsening housing market prospects contributed negatively to housing loan demand (see Chart 11 and Table 8). Consumer confidence added substantial downward pressures on housing loan demand for the third consecutive quarter. It had a dampening effect in Germany and France, while it was neutral in Spain and had a positive impact in Italy. Changes in interest rates contributed negatively for the second consecutive quarter. This factor was relevant in Germany, France and Italy, whereas it was neutral in Spain. Housing market prospects had a dampening effect on demand of housing loans for the first time since the first quarter of 2024. A negative contribution was reported by Germany and Spain. Drivers mildly supporting housing loan demand were related to "other factors".

[11] The historical net percentage average of demand for housing loans since 2003 is 2%. The average net increase of housing loan demand since 2014 is 8%.

Chart 11

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: "Demand - actual" represents changes that have occurred, while "Demand - expected" represents 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". "Other financing needs" is the simple average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets". "Use of alternative finance" is the simple average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

In the third quarter of 2026, banks expect a further net decline in housing loan demand (net percentage of -12%). Among the four big euro area economies, banks in Germany, Spain and France foresee a net decline. In Italy, housing loan demand is expected to remain unchanged.

Table 8

Factors contributing to changes in 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	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	0	-6	-13	-21	-1	0	-5	-15	-1	-1
Germany	0	-7	-15	-33	0	0	-11	-33	-4	-1
Spain	0	-30	0	0	0	0	-10	0	0	-7
France	13	0	-25	-38	-6	0	-13	-13	0	0
Italy	0	11	0	11	0	0	0	-11	-3	0

Note: See the notes to Chart 11.

4 Consumer credit and other lending to households

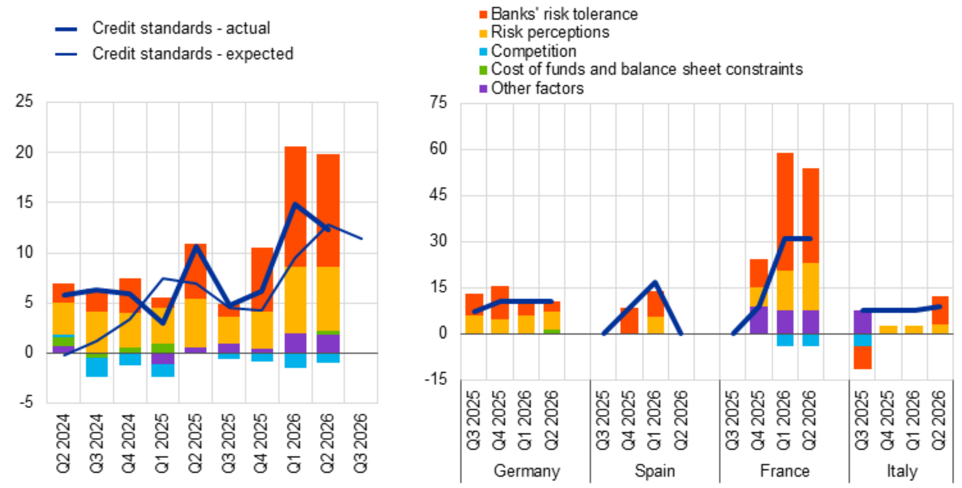
4.1 Credit standards continued to tighten

Banks reported a continued net tightening of credit standards for consumer credit and other lending to households in the second quarter of 2026 (net percentage of 12%; see Chart 12 and Overview table).[12] Credit standards for consumer credit tightened at a slightly slower pace relative to the previous quarter (15%), although this continues an uninterrupted sequence of tightening that started in the second quarter of 2022. The net tightening was in line with euro area banks' expectations in the previous quarter (13%). Credit standards tightened across all the larger euro area economies except Spain. In these three countries, credit standards tightened at a similar pace to the preceding quarter.

Chart 12

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: "Credit standards - actual" are changes that have occurred, while "Credit standards - expected" 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". "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2022, when detailed sub-factors were introduced). "Risk perceptions" is the simple average of "general economic situation and outlook", "creditworthiness of consumers" and "risk on the collateral demanded". "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

The main drivers of the net tightening of credit standards for consumer credit were banks' lower risk tolerance and a deterioration in risk perceptions (see Chart 12 and Table 9). Increased risk perceptions were driven by concerns about both the general

12 The historical net percentage average of credit standards for consumer credit and other lending to households since 2003 is 5%. Since 2014, it has been 4%.

economic outlook (10%) and borrowers' creditworthiness (8%). Banks' cost of funds and balance sheet constraints, as well as competition, had an overall neutral impact, with a small easing effect resulting from competition from non-banks. In France, the net tightening of credit standards was driven, for the second consecutive quarter, mainly by lower risk tolerance, followed by higher risk perceptions due to the general economic outlook and borrowers' creditworthiness. As in the previous quarter, competition had an easing impact in France. In Germany and Italy, banks' lower risk tolerance and higher perceived risks contributed to the tightening. In both countries, worsening risk perceptions were due to concerns about the general economic outlook.

In the third quarter of 2026, euro area banks expect credit standards for consumer credit and other lending to households to tighten further (net percentage of 11%). Across all four of the largest euro area economies, banks expect a net tightening.

Table 9

Factors contributing to changes in credit standards for consumer credit and other lending to households

(net percentages of banks)

	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
Country	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	0	0	-2	-1	7	6	12	11
Germany	0	1	0	0	6	6	4	4
Spain	0	0	0	0	6	0	8	0
France	0	0	-4	-4	13	15	38	31
Italy	0	0	0	0	3	3	0	9

Note: See the notes to Chart 12.

4.2 Terms and conditions tightened further

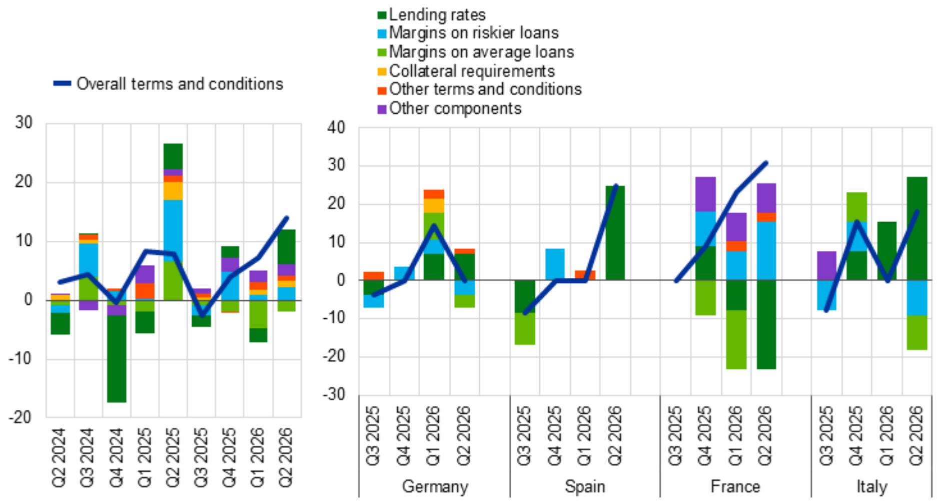
Banks' overall terms and conditions applied when granting consumer credit and other lending to households tightened further in the second quarter of 2026 (net percentage of 14%, see Chart 13 and Table 10). Lending rates and, to a lesser extent, margins on riskier loans had a tightening impact, while margins on average loans had a small net easing impact. Across the four largest euro area economies, overall terms and conditions tightened in Spain, France and Italy, while they remained unchanged in Germany. Lending rates were the main cause of tightening in Germany, Spain and Italy, while margins on average and riskier loans had an easing effect in Germany and Italy. In France, margins on riskier loans and other components had a tightening impact, while lending rates had an easing effect. In Germany, the tightening impact from lending rates and other terms and conditions related to maturity were offset by easing effects from margins, resulting in overall unchanged terms and conditions.

Banks' lower risk tolerance, higher risk perceptions and, to a lesser extent, cost of funds and balance sheet constraints contributed to the tightening of overall terms and conditions, while competition had an easing impact (see Table 11). Competition had an easing effect in Germany, France and Italy, while it had a neutral impact in Spain. Cost of funds and balance sheet constraints, mainly related to market financing, had a tightening effect in Germany and France, while constraints related to capital costs contributed to tightening in Spain. In Italy, cost of funds and balance sheet constraints had a neutral impact. Among the largest euro area economies, banks in France and, to a lesser extent, in Germany reported lower risk tolerance and higher risk perceptions. While for Germany risk tolerance had a less significant tightening effect than in the first quarter of 2026, banks in France reported an increasingly pronounced tightening effect from both risk perceptions and risk tolerance.

Chart 13

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: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the simple average of "size of the loan", "non-interest rate charges" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

Table 10

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

(net percentages of banks)

	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
Country	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	7	14	-2	6	-5	-2	1	2
Germany	14	0	7	7	7	-4	4	-4
Spain	0	25	0	25	0	0	0	0
France	23	31	-8	-23	-15	0	8	15
Italy	0	18	15	27	0	-9	0	-9

Note: See the notes to Chart 13.

Table 11

Factors contributing to changes in overall terms and conditions on consumer credit and other lending to households

(net percentages of banks)

	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
Country	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026	Q1 2026	Q2 2026
Euro area	2	2	-6	-4	5	8	9	12
Germany	2	4	0	-4	11	4	11	4
Spain	0	8	0	0	0	0	0	0
France	3	3	-15	-8	8	23	23	38
Italy	3	0	0	-9	0	0	0	0

Notes: 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 of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2024, when detailed sub-factors were introduced). The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

4.3 Rejection rates increased further

Euro area banks reported a further net increase in the share of rejected loan applications for consumer credit (net percentage of 9%; see Chart 10 above). The reported increase was lower than that reported in the previous quarter (14%). However, this continues an almost uninterrupted sequence (with the exception of the first quarter of 2025) of lower approval rates that started in the second quarter of 2022 and that reflects greater scrutiny of consumer credit and other lending in the euro area.[13] Banks in Germany and France reported a net increase in the share of rejections, while banks in Spain and Italy reported unchanged rejection rates. Banks in France, in particular, have consistently reported pronounced increases in rejection rates in this category since late 2024, with a third of banks now reporting an increase

[13] The historical net percentage average since 2015 is 4%.

in rejections, which is consistent with increasing tightening pressures from credit quality developments in this segment (see Section 5.2).

4.4 Demand for consumer credit continued to soften

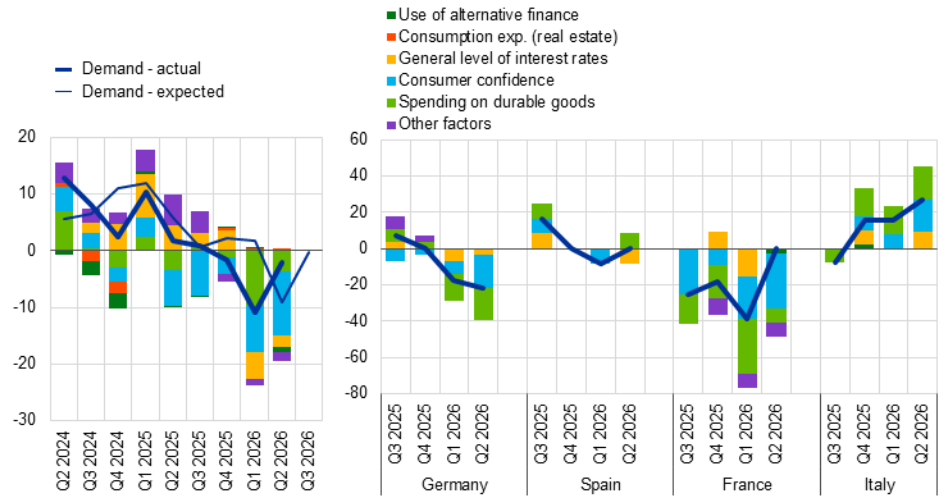
Banks reported a continued softening in demand for consumer credit and other lending to households (net percentage of -2%, see Chart 14 and Overview table). This followed a more pronounced net decline in the previous quarter (-10%). The decrease in demand for consumer credit was less substantial than banks' previous expectations (-9%). Demand declined in Germany, remained unchanged in Spain and France, but increased in Italy.

Lower consumer confidence was the main driver of the decline in demand, followed by subdued spending on durable goods and changes in interest rates (see Chart 14 and Table 12).[14] Lower consumer confidence dampened consumer credit demand in Germany and France, whereas it had a positive impact in Italy. Similarly, spending on durable goods had a negative impact on consumer credit demand in Germany and France but a positive impact in both Spain and Italy. Changes in interest rates made a negative contribution to demand in Germany and Spain, a neutral contribution in France and a positive contribution in Italy.

Chart 14

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: "Demand - actual" represents changes that have occurred, while "Demand - expected" 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". "Use of alternative finance" is the simple 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". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: euro area and four largest euro area countries.

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14 The historical net percentage average of demand for consumer credit since 2003 is 0%. The average net increase of loan demand for firms since 2014 is 3%.

For the third quarter of 2026, banks expect unchanged loan demand for consumer credit and other lending to households (net percentage of 0%). Demand for consumer credit is expected to decrease in Germany and Spain, to increase in France but to remain unchanged in Italy.

Table 12

Factors contributing to changes in demand for consumer credit and other lending to households

(net percentages of banks)

	Spending on durable goods		Consumer confidence		Consumption exp. (real estate)		General level of interest rates		Use of alternative finance	
Country	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**	**Q1 2026**	**Q2 2026**
Euro area	-10	-4	-8	-11	0	0	-5	-2	0	-1
Germany	-14	-18	-7	-18	0	0	-7	-4	0	0
Spain	0	8	-8	0	0	0	0	-8	0	0
France	-31	-8	-23	-31	0	0	-15	0	0	-3
Italy	15	18	8	18	0	0	0	9	0	0

Note: See the notes to Chart 14.

5 Ad hoc questions

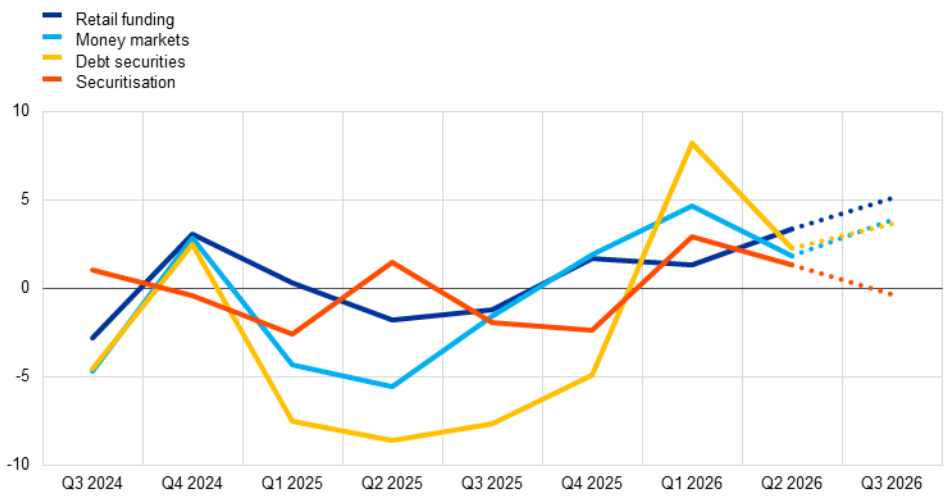
5.1 Banks’ access to funding deteriorated for retail funding, debt securities and money markets

Euro area banks’ access to retail funding, money markets and debt securities deteriorated slightly in the second quarter of 2026, while it remained broadly unchanged for securitisation (Chart 15 and Table 13). The deterioration affected both short-term and long-term funding. Banks also reported a deterioration in access to money market funding and signalled unchanged access to securitisation markets.

Chart 15

Changes in banks’ access to retail and wholesale funding

(net percentages of banks reporting a deterioration in access)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding “deteriorated considerably” and “deteriorated somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. “Retail funding” is the simple average of “short-term deposits (up to one year)” and “long-term deposits (more than one year)” and other retail funding instruments; “Money markets” refers to the interbank unsecured money market and is the simple average of “very short-term money market (up to one week)” and “short-term money market (more than one week)”; “Debt securities” is the simple average of “short-term debt securities (e.g. certificates of deposit or commercial paper)” and “medium to long-term debt securities (incl. covered bonds)”. “Securitisation” is the simple average of “securitisation of corporate loans”, “securitisation of loans for house purchase” and “ability to transfer credit risk off balance sheet”. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: changes in banks’ access to retail and wholesale funding.

In the third quarter of 2026, banks expect access to retail funding, money markets and debt securities to deteriorate further, while access is expected to remain unchanged for securitisation. The net deterioration in access to funding in the third quarter is expected to be greater than in the second quarter across all segments except securitisations. If it occurs, the deterioration for retail funding will be the highest since the third quarter of 2023. Euro area banks also anticipate a deterioration in access to money markets, debt securities and securitisation.

Table 13

Changes in bank access to retail and wholesale funding

(net percentages of banks reporting a deterioration in access)

	Retail funding			Money markets	Debt securities			Securiti-sation
	Total	Short-term	Long-term		Total	Short-term	Medium to long-term	
Q1 2026	1	-1	4	5	8	9	7	3
Q2 2026	3	3	3	2	2	3	2	1
Q3 2026	5	4	6	4	4	5	2	0

Notes: See the notes to Chart 15. The last period shows expectations indicated by banks in the current round.

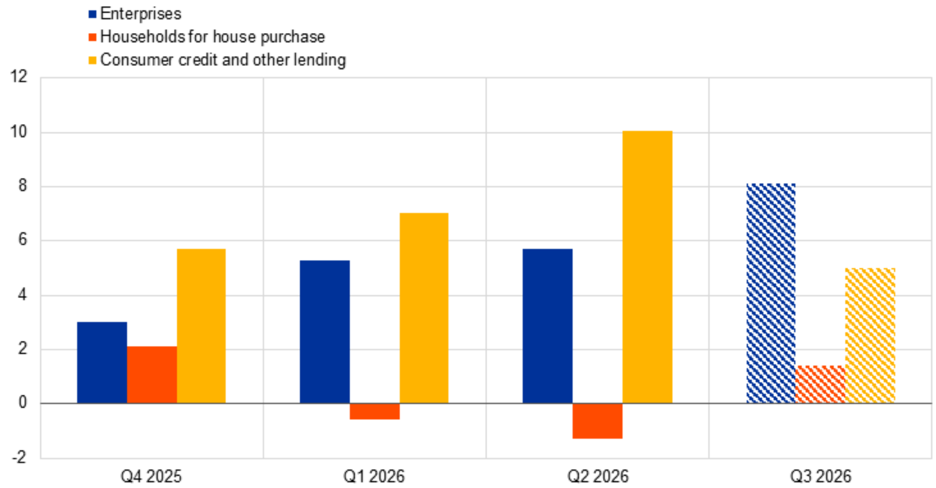
5.2 Risks to credit quality had a net tightening impact on credit standards for loans to firms

Euro area banks reported a net tightening impact of non-performing loan (NPL) ratios and other credit quality indicators (e.g. underperforming loans or loans in early arrears) on credit standards for loans to firms and consumer credit in the second quarter of 2026 (net percentages of 6% and 10%, respectively) while housing loans standards remained broadly unaffected (see Chart 16 and Table 14). The net tightening of credit standards for loans to firms and for consumer credit was larger than in the previous quarter (5% and 7%, respectively) and broadly in line with expectations (6% and 11%, respectively). By contrast, the impact on credit standards for housing loans was similar (-1%) to the previous quarter and was also broadly in line with previous expectations.

Chart 16

Impact of banks' NPL ratios and other credit quality indicators on credit standards

(net percentages of banks reporting a tightening impact)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of banks' NPL ratios and other indicators of credit quality on credit standards.

Table 14

Impact of banks' NPL ratios and other credit quality indicators on credit standards

(net percentages of banks reporting a tightening impact)

	Q1 2026	Q2 2026	Q3 2026
Loans to enterprises	5	6	8
Loans to households for house purchase	-1	-1	1
Consumer credit and other lending to households	7	10	5

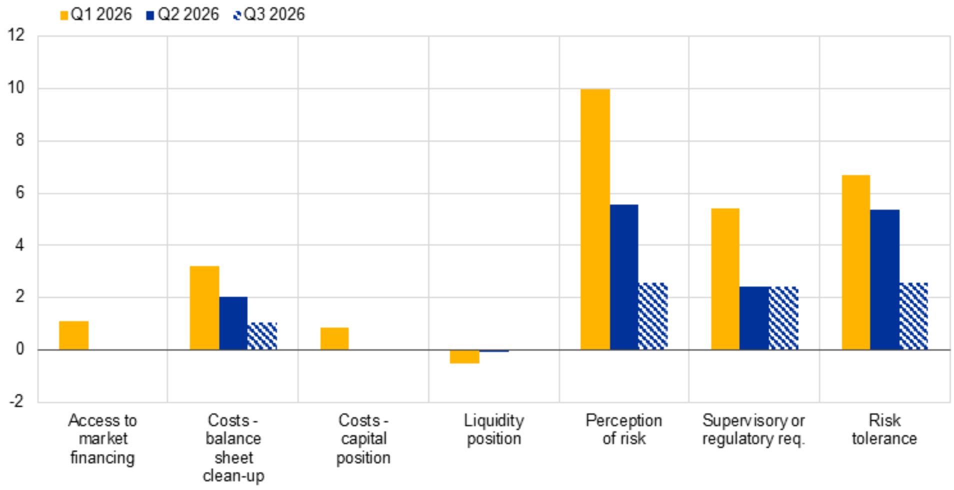
Notes: See the notes to Chart 16. The last period shows expectations indicated by banks in the current round.

Banks indicated that higher risk perceptions, lower risk tolerance and, to a lesser extent, pressure stemming from supervisory or regulatory requirements and costs related to balance sheet clean-up operations contributed to the net tightening of credit standards (see Chart 17 and Table 15). Further factors, such as costs related to banks' capital position, access to market financing and banks' liquidity positions had a broadly neutral impact. The net tightening contribution remained strongest for higher risk perceptions and banks' lower risk tolerance but was lower than in the previous quarter. The tightening impact from supervisory or regulatory requirements also decreased, whereas it was broadly the same for costs related to balance sheet clean-up operations.

Chart 17

Impact of factors through which NPL ratios and other credit quality indicators affect banks' credit standards for enterprises and households

(net percentages of banks reporting a tightening impact)



Notes: See the notes to Chart 16. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of factors through which NPL ratios and other indicators of asset quality affect banks' policies on lending to enterprises and households.

In the third quarter of 2026, euro area banks expect credit quality to have a further tightening impact on their credit standards for loans to firms and for consumer credit. For firms, if this impact occurs it will continue the trend of still moderate but accelerating tightening pressure from credit quality that started in the fourth quarter of 2025. Banks anticipate that factors such as higher risk perceptions, lower risk tolerance and pressure from supervisory or regulatory requirements will continue to have a tightening impact.

Table 15

Impact of factors through which NPL ratios and other credit quality indicators affect banks’ credit standards for enterprises and households

(net percentages of banks reporting a tightening impact)

	Q1 2026	Q2 2026	Q3 2026
Costs related to banks’ capital positions	1	0	0
Costs related to balance sheet clean-up operations	3	2	1
Supervisory or regulatory requirements	5	2	2
Access to market financing	1	0	0
Liquidity position	0	0	0
Perception of risk	10	6	3
Banks’ risk tolerance	7	5	3

Notes: See the notes to Chart 16. The last period shows expectations indicated by banks in the current round.

5.3 Credit standards tightened in most economic sectors, especially in the car industry

Credit standards tightened in most economic sectors in the first half of 2026 except for services (excluding financial services and real estate). The tightening was most pronounced in those parts of the manufacturing sector especially exposed to energy-related and geopolitical developments, such as the car industry and energy-intensive manufacturing (see Chart 18 and Table 16). The net tightening remained strongest in car manufacturing, where borrowers are particularly exposed to trade tensions, and emerging challenges compounded existing corporate vulnerabilities.[15] The net tightening of credit standards also remained marked in energy-intensive manufacturing, construction and wholesale and retail trade. This reflected challenges in international logistics originating from current geopolitical tensions combined with competitive pressures and, in part, structural weaknesses.[16] Banks reported a moderate net tightening of credit standards in the first half of 2026 for commercial real estate (CRE), residential real estate (RRE) and overall manufacturing. For CRE, the net tightening was the lowest since the first half of 2021, suggesting the further stabilisation of the sector. Services (excluding financial services and real estate) was the only sector for which banks reported broadly unchanged credit standards. Sectors strongly exposed to geopolitical and energy-related developments will require close monitoring, with possible implications for credit policies. The further net tightening of credit standards was somewhat less pronounced than in the second half of 2025 in most economic sectors, except for RRE. The development in RRE is

[15] See Allayioti, A., Ferrari, A., Köhler-Ulbrich, P., Lamas Rodríguez, M. and Wakker, W., “How banks have adjusted their lending in response to trade tensions”, The ECB Blog, ECB,15 July 2026.

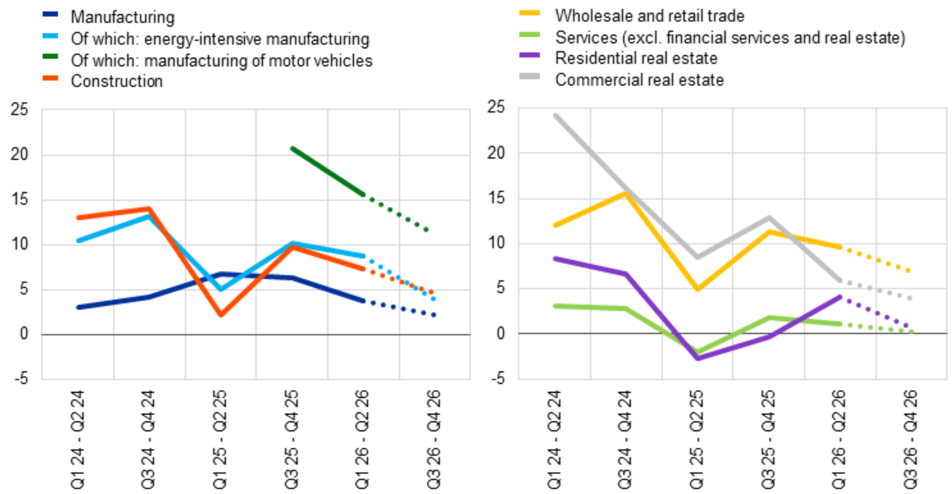
[16] In addition to higher input costs, euro area manufacturing and wholesale and retail trade have been partly affected by the redirection of international trade in response to higher US tariffs on third countries, especially China, as well as by higher US tariffs on selected EU consumer goods.

consistent with the net tightening of credit standards for housing loans in the first and second quarters of 2026, after credit standards had remained unchanged or eased in the third and fourth quarters of 2025 (see Section 3.1). At the same time, all sectors experienced tightening pressure compared with expectations at the beginning of the year, underpinning the overall tighter credit supply for loans to firms brought on by what has occurred since then.

Chart 18

Changes in credit standards for new loans to enterprises across the main economic sectors

(net percentages of banks reporting a tightening)



Notes: Net percentages refer to 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".
Manufacturing of motor vehicles includes supply chain producers: it was introduced in the fourth quarter of 2025. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: changes in credit standards for new loans to enterprises across main economic sectors.

For the second half of 2026, euro area banks expect to see a further net tightening of credit standards across most of the main economic sectors, except for services (excluding financial services and real estate) and RRE where banks expect broadly unchanged credit standards.

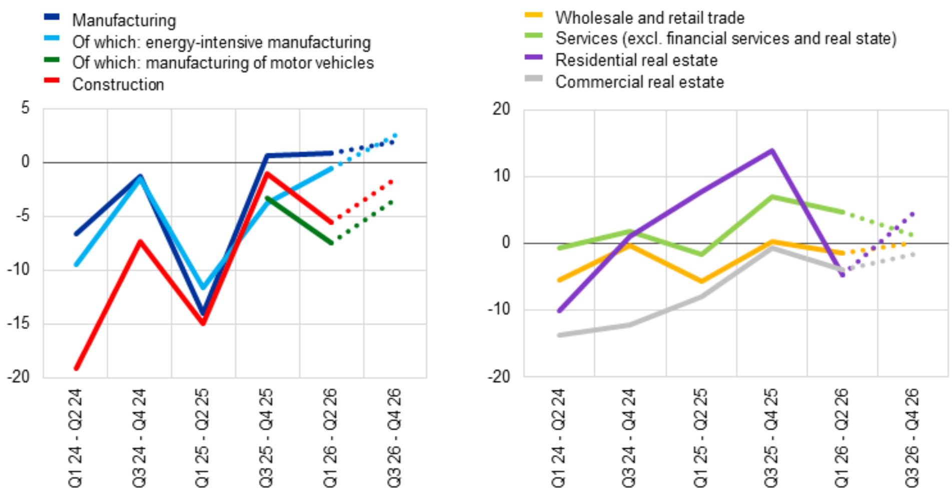
Banks reported lower or broadly unchanged loan demand across the main economic sectors, except for services (excluding financial services and real estate) where loan demand increased in the first half of 2026 (see Chart 19 and Table 16). The net decrease in loan demand was strongest in car manufacturing and construction, although it remained moderate overall. Banks also indicated a net decrease in loan demand for firms operating in RRE for the first time since the first half of 2024, consistent with weaker housing loan demand (see Section 3.4). Loan demand also decreased moderately in CRE, but remained broadly unchanged in the overall manufacturing sector, energy-intensive manufacturing and wholesale and retail trade.

For the second half of 2026, euro area banks expect overall small or moderate changes in loan demand for the main economic sectors. Loan demand is expected to increase slightly in overall manufacturing and energy-intensive manufacturing, while banks expect a further net decrease in the car industry. Loan demand is expected to remain broadly unchanged in construction, services (excluding financial services and real estate) and wholesale and retail trade. A small net decrease is expected for CRE, whereas banks expect loan demand to recover in RRE in the second half of 2026.

Chart 19

Changes in demand for loans or credit lines to enterprises across the main economic sectors

(net percentages of banks reporting an increase)



Notes: Net percentages refer to 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". Manufacturing of motor vehicles includes supply chain producers: it was introduced in the fourth quarter of 2025. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: changes in demand for loans or credit lines to enterprises across main economic sectors.

Table 16

Changes in credit standards and demand for new loans to enterprises across the main economic sectors

(net percentages of banks reporting a tightening/increase)

	Credit standards			Loan demand		
	Q3– Q4 2025	Q1– Q2 2026	Q3– Q4 2026	Q3– Q4 2025	Q1– Q2 2026	Q3– Q4 2026
Manufacturing	6	4	2	1	1	2
Of which: energy-intensive manufacturing	10	9	4	-4	-1	3
Of which: manufacturing of motor vehicles	21	16	11	-3	-7	-3
Construction	10	7	5	-1	-6	-1
Services (excluding financial services and real estate)	2	1	0	7	5	1
Wholesale and retail trade	11	10	7	0	-1	0
Commercial real estate	13	6	4	-1	-4	-2
Residential real estate	0	4	1	14	-5	4

Notes: See the notes to Charts 18 and 19. Manufacturing of motor vehicles includes supply chain producers: it was introduced in the fourth quarter of 2025. The last period shows expectations indicated by banks in the current round.

5.4 Positive impact of climate investment on corporate loan demand, supported by an easing impact of greening efforts on credit standards[17]

Green firms and firms making progress in their green transition benefited from more favourable credit standards compared with high-emitting firms without credible climate transition plans (see Chart 20 and Table 17). Over the past 12 months, euro area banks have reported a net easing impact of firms’ climate performance on credit standards for loans to green firms (i.e. firms that do not contribute or contribute little to climate change). They reported a net percentage of -15%, which was somewhat below banks’ expectations one year ago (-22%). Banks also indicated a moderate net easing impact of firms’ climate performance for loans to firms in transition (e.g. firms which have implemented credible green transition plans). They indicated a net percentage of -9%, which was somewhat less than expected a year ago (-17%). By contrast, climate risks continued to have a strong net tightening impact (net percentage of 31%) for loans to high-emitting firms (i.e. high carbon emitters which have not yet started the transition over the past 12 months). This was broadly in line with banks’ expectations one year ago (33%).

Physical risk (e.g. floods) continued to have the strongest climate-related net tightening impact on credit standards for firms over the past 12 months, while firm-specific transition risk was also an increasingly important tightening factor (see Chart 21 and Table 18). The larger net tightening impact of physical risk compared with transition risk is likely related to climate-related disasters raising awareness of credit risks resulting from (insufficient cover for or uninsured) physical risk damages. Climate-related fiscal support had a broadly neutral net impact on credit standards for euro area firms, following easing impacts over previous years and an expected moderate easing impact by banks 12 months ago. While fiscal support for firms’ climate transition remained high at the EU level (e.g. through the European Commission’s Clean Industrial Deal), different spending priorities, fiscal constraints at national level and discussions on reducing support may have contributed to this assessment. Banks’ capital costs related to their climate exposure continued to have a broadly neutral impact on firms’ credit standards over the past 12 months, in line with banks’ expectations.

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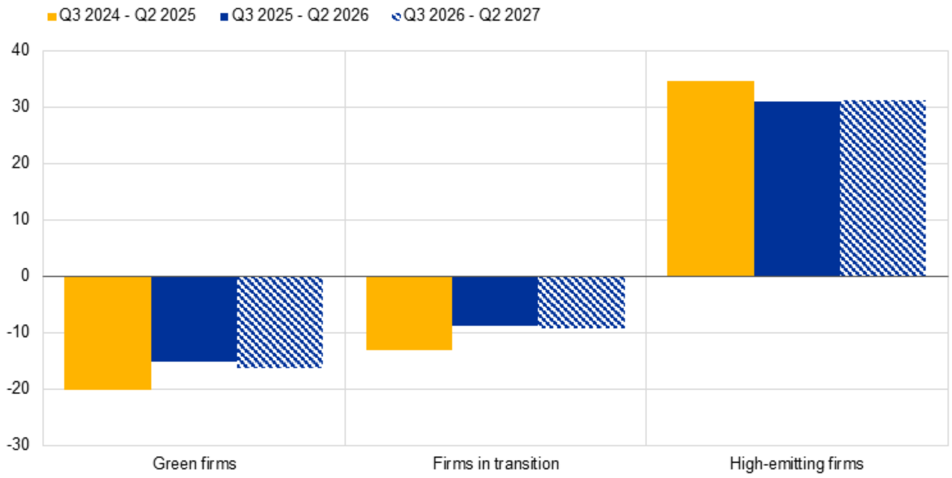
17 The survey questionnaire in this BLS round included an annual ad hoc question aimed at gauging the impact of climate change on bank lending to firms. This impact relates to climate-related risks and measures for coping with climate change implemented by governments, monetary policy as well as supervisory and regulatory authorities. It could also relate to banks’ further measures related to climate change. Firms may be affected by climate change in their firm-specific situation and outlook, in respect of their creditworthiness and the value of their assets. Climate risks can be grouped into two categories: transition risk and physical risk. Transition risk refers to the risk related to an institution’s financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. Physical risk refers to the risk related to the financial impact from banks’ exposure to a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as from environmental degradation, which can affect the value of collateral and borrower repayment capacity.

Chart 20

Impact of climate change on banks' credit standards for loans to firms

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: For definitions of "green firms", "firms in transition" and "high-emitting firms", see the footnote at the beginning of this section. Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate change on banks' credit standards for loans to firms.

Table 17

Impact of climate change on banks' credit standards and demand for loans to firms

(net percentages of banks reporting a tightening impact or an increase)

	Credit standards			Demand		
	Q3 2024 - Q2 2025	Q3 2025 - Q2 2026	Q3 2026 - Q2 2027	Q3 2024 - Q2 2025	Q3 2025 - Q2 2026	Q3 2026 - Q2 2027
Green firms	-20	-15	-16	22	14	20
Firms in transition	-13	-9	-9	24	23	27
High-emitting firms	35	31	31	-3	-3	0

Notes: See the notes to Chart 20. The last period shows expectations indicated by banks in the current round.

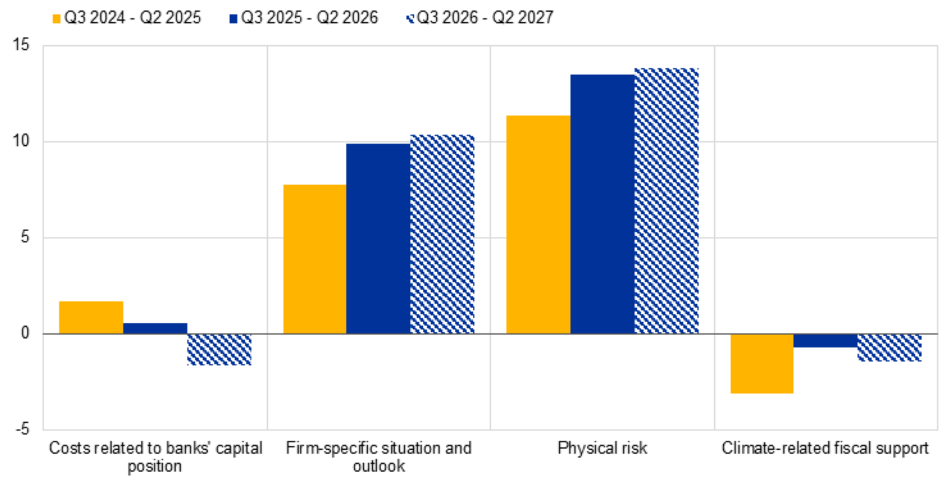
Over the next 12 months, euro area banks expect climate change to have a broadly similar impact on their credit standards, driven by a further net tightening impact deriving from physical risk and transition risk. The expected net tightening impact of physical risk remains somewhat greater than that of transition risk, which is consistent with high awareness of physical risk and often limited insurance protection against such risk.[18] The impact of climate-related fiscal support is expected to remain neutral over the next 12 months, while banks expect a small net easing impact to arise from their capital costs related to climate exposure.

[18] See, for instance, "The climate insurance protection gap", ECB.

Chart 21

Impact of climate-related factors on banks' credit standards for firms

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". In the July 2023-25 survey rounds, the impact referred to banks' lending policy (credit standards and terms and conditions). The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate-related factors on banks' credit standards for firms.

Table 18

Impact of climate-related factors on banks' credit standards and loan demand for firms

(net percentages of banks reporting a tightening impact or an increase)

	Q3 2024 - Q2 2025	Q3 2025 - Q2 2026	Q3 2026 - Q2 2027
Impact on banks' credit standards through:			
Costs related to banks' capital positions	2	1	-2
Industry or firm-specific situation and outlook (transition risk)	8	10	10
Physical risk	11	14	14
Climate-related fiscal support	-3	-1	-1
Impact on loan demand through:			
Climate-related fixed investment and corporate restructuring	17	23	26
Prevailing climate-related regulation	2	9	11
Uncertainty about future climate-related regulation	-11	-11	-4
Bank lending rates for green projects or technologies	21	9	13
Use of alternative financing sources other than fiscal support	1	2	5
Climate-related fiscal support	2	3	3

Notes: See the notes to Charts 21 and 22. The factors related to climate-related regulation and bank lending rates were introduced in the July 2025 survey round. "Use of alternative financing other than fiscal support" includes, among other things, the issuance of green corporate bonds. The last period shows expectations indicated by banks in the current round.

Euro area banks reported a positive impact of climate change on the demand for loans to firms in transition and green firms over the past 12 months (net percentages of 23% and 14% respectively), and a small net decrease in loan demand for high-emitting firms (net percentage of -3%; see Chart 22 and Table 17). Climate-related fixed investment needs and corporate restructuring were by far the most important drivers of firms’ climate-related loan demand, while financing needs in relation to fulfilling the prevailing climate-related regulation and preferential bank lending rates for financing green projects or technologies were also important factors supporting climate-related loan demand (see Chart 23 and Table 18). By contrast, uncertainty about future climate regulation remained a relevant obstacle for climate-related loan demand. The positive impact of climate-related fiscal support on corporate loan demand remained small over the past 12 months.

Over the next 12 months, climate-related loan demand is expected, in net terms, to increase further for firms in transition and green firms (net percentages of 27% and 20% respectively), while it is expected to remain unchanged for high-emitting firms (net percentage of 0%). As has been the case for the past 12 months, fixed investment and corporate restructuring and, to a lesser extent, prevailing climate regulation and bank lending rates for green projects or technologies are expected to contribute markedly to climate-related corporate loan demand. Little support is expected by banks from public funds, likely related to governments’ budgetary constraints and the expiry of the EU Recovery and Resilience Facility at the end of this year, meaning that the European Commission will conclude payments in December 2026.[19]

Chart 22

Impact of climate change on demand for loans to firms

(net percentages of banks; over the past 12 months and the next 12 months)

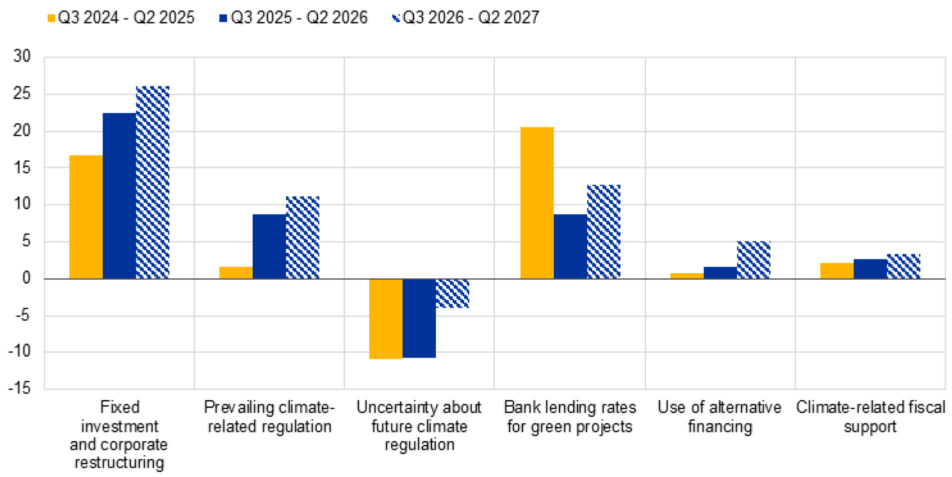
Notes: For definitions of “green firms”, “firms in transition” and “brown firms”, see the footnote at the beginning of this section. Net percentages are defined as the difference between the sum of the percentages of banks responding “contributed considerably to an increase” and “contributed somewhat to an increase” and the sum of the percentages of banks responding “contributed somewhat to a decrease” and “contributed considerably to a decrease”. The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate change on demand for loans to firms and climate-related contributing factors.

[19] According to the EU Recovery and Resilience Facility, EU member states had to allocate at least 37% of their national recovery and resilience plans to green measures.

Chart 23

Impact of climate-related factors on demand for loans to firms

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: For definitions of "green firms", "firms in transition" and "high-emitting firms", see the footnote at the beginning of this section. Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to an increase" and "contributed somewhat to an increase" and the sum of the percentages of banks responding "contributed somewhat to a decrease" and "contributed considerably to a decrease". The factors related to climate-related regulation and bank lending rates were introduced in the July 2025 survey round. "Use of alternative financing" excludes fiscal support and includes, among others, the issuance of green corporate bonds. The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate change on demand for loans to firms and climate-related contributing factors.

5.5 Credit standards eased for buildings with current or targeted good or high energy performance but tightened for persistently low energy performance buildings[20]

Banks reported a climate-related easing impact on credit standards for buildings with current or targeted good or high energy performance, while tighter credit standards were applied to buildings with persistently low energy performance (net percentages of -20% and 14% respectively, see Chart 24 and Table 19). The question, which was asked for the second time in this survey round, confirmed the relevance of the current or targeted energy performance of buildings for banks' credit standards on

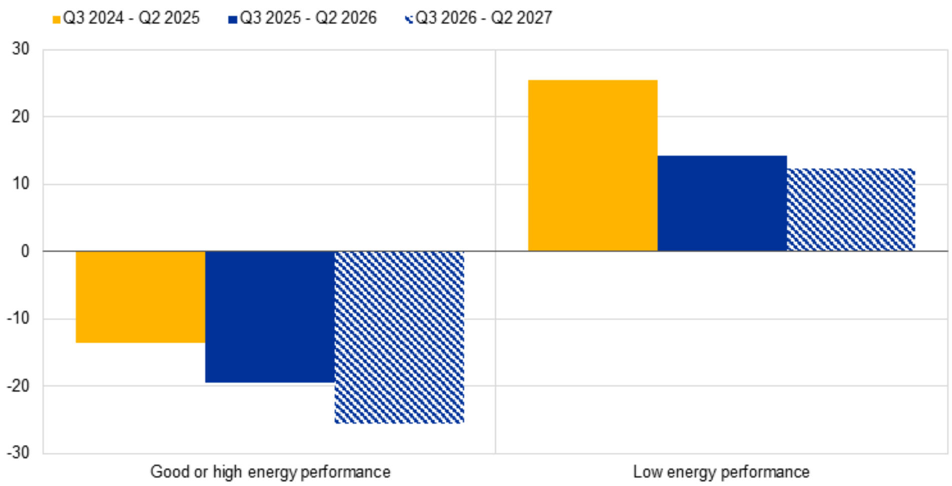
[20] The survey questionnaire in this BLS round included an annual ad hoc question aimed at gauging the impact of climate change on bank lending to households for house purchase. Housing loans to households may be affected by climate change, for instance with regard to the energy efficiency of the real estate or physical risks, often related to the geographical location of the real estate. Buildings with "Good or high energy performance" are defined as buildings with currently good or high energy performance (EP) or targeted good or high EP as a result of the requested loan (EP Certificate A-C in the current or target state). These are new or modern buildings or buildings which have undergone major energetic modernisation. Buildings with "Low energy performance" are buildings with currently low energy performance (EP) and the requested loan would lead to no or limited EP improvement (EP Certificate D-G in the current and target state). These are old buildings that have not undergone major energetic modernisation. If no Energy Performance Certificate (EPC) is available, the bank may use the age of the building and information on whether a major energetic modernisation has taken place or the actual energy consumption of the building (i.e. the amount of energy consumed, typically measured in kWh) as a proxy. Existing buildings built since 2000 or buildings that have undergone major energetic modernisation other than equivalent to new may be classified as EPC C-E. Buildings built before 2000 that have not undergone major energetic modernisation may be classified as EPC F-G. See also the EU Energy Performance of Buildings Directive. See Section 5.4 of this report for further explanation.

housing loans. Borrowers who aim to increase the energy performance of buildings via the requested loan to good or high energy efficiency are granted more favourable credit standards by their banks than borrowers with low energy-efficient buildings with no or only limited targeted improvement via the requested loan.

Chart 24

Impact of climate change on banks' credit standards for loans to households for house purchase

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: For definitions of "good or high energy performance" and "low energy performance", see the footnote at the beginning of this section. Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate change on banks' credit standards for loans to households for house purchase.

Table 19

Impact of climate change on banks' credit standards and demand for loans to households for house purchase

(net percentages of banks reporting a tightening impact or an increase)

	Credit standards			Demand		
	Q3 2024 Q2 2025	Q3 2025 Q2 2026	Q3 2026 Q2 2027	Q3 2024 Q2 2025	Q3 2025 Q2 2026	Q3 2026 Q2 2027
Good or high energy performance	-14	-20	-26	24	28	22
Low energy performance	25	14	12	-12	-15	-7

Notes: See the notes to Chart 24. The last period shows expectations indicated by banks in the current round.

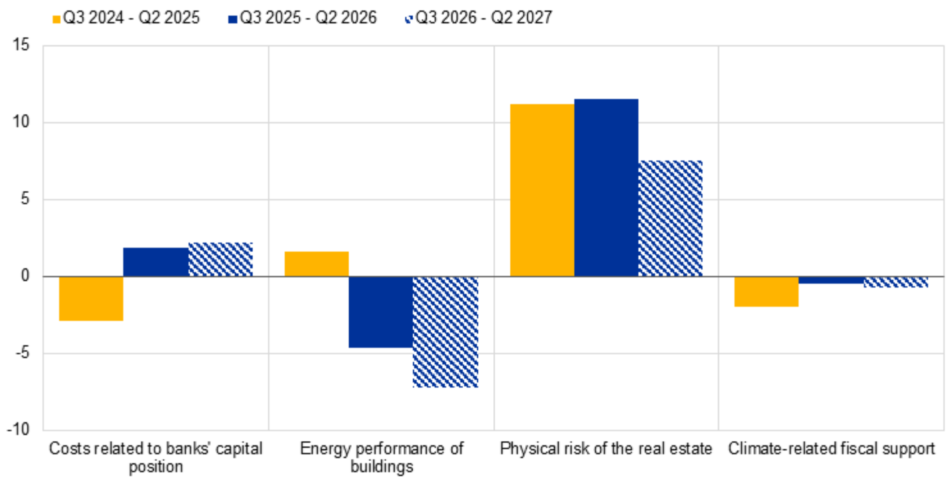
Physical risk of real estate was, in net terms, the dominant climate-related tightening factor for credit standards on housing loans, while the current or targeted energy performance of buildings was a relevant net easing factor (see Chart 25 and Table 20). According to euro area banks there was no net easing impact of climate-related fiscal measures over the past 12 months, while banks' costs related to their capital positions in connection with climate change had a slight net tightening impact.

Over the next 12 months, euro area banks expect a continued strong net easing impact of climate change on their credit standards for buildings with current or targeted good or high energy performance and a tightening impact for buildings with persistently low energy performance (net percentages of -26% and 12% respectively). In line with banks' assessment over the previous 12 months, physical risk is expected to remain the main, though moderate, climate-related net tightening factor for housing loans, whereas the energy performance of the buildings is expected to have a moderate net easing impact. No easing or tightening impact is expected from climate-related fiscal support in this area. Banks' capital costs relating to their climate exposure are expected to have a slight tightening impact over the next 12 months.

Chart 25

Impact of climate-related factors on banks' credit standards for households for house purchase

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate-related factors on banks' credit standards to households for house purchase.

Euro area banks reported a positive climate-related impact on housing loan demand for buildings with current or targeted good or high energy performance and a negative impact for buildings with persistently low energy performance over the past 12 months (net percentages of 28% and -15% respectively; see Chart 26 and Table 19). The strong positive climate-related impact on housing loan demand with current or targeted good or high energy performance may indicate progress in the energy efficiency of buildings. At the same time, it cannot be ruled out that a considerable share of the large stock of low energy performance buildings remains little affected by the modernisation. According to the European Commission, 75% of buildings in the EU have a poor energy performance and require energy modernisation, while the annual energy renovation rate has remained very low.[21]

[21] See the information from the European Commission in the context of the Energy Performance of Buildings Directive.

Table 20

Impact of climate-related factors on banks' credit standards and loan demand for households for house purchase

(net percentages of banks reporting a tightening impact or an increase)

	Q3 2024 - Q2 2025	Q3 2025 - Q2 2026	Q3 2026 - Q2 2027
Impact on banks' credit standards through:			
Costs related to banks' capital positions	-3	2	2
Energy performance of buildings (transition risk)	2	-5	-7
Physical risk of the real estate	11	12	8
Climate-related fiscal support	-2	0	-1
Impact on loan demand through:			
Investment in the energy performance of buildings	36	28	30
Investment in the reduction of physical risk	2	3	8
Prevailing climate-related regulation	-1	0	4
Uncertainty about future climate-related regulation	-9	-6	-3
Bank lending rates for increasing the sustainability of real estate	24	17	16
Climate-related fiscal support	6	9	10

Notes: See the notes to Charts 26 and 27. The last period shows expectations indicated by banks in the current round.

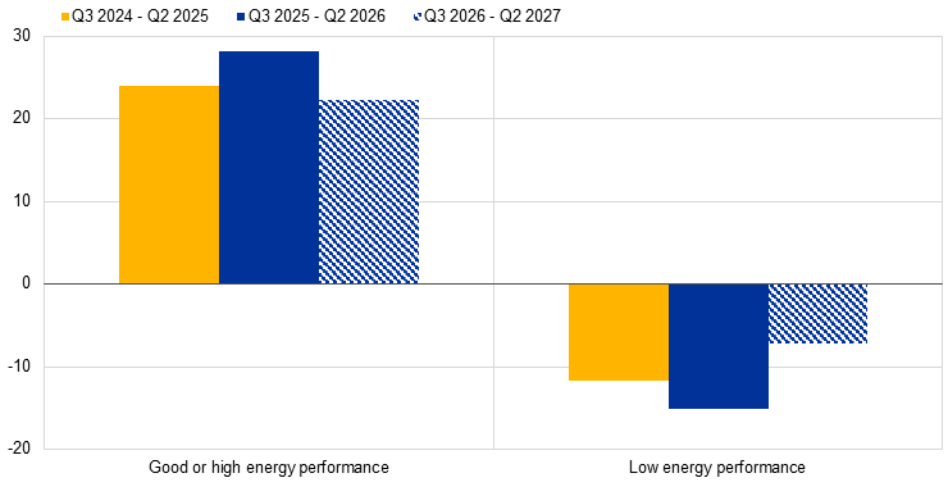
Investment in the energy performance of buildings remained the key factor for climate-related housing loan demand over the past 12 months (see Chart 27 and Table 20). The smaller positive impact of the investment in energy performance compared with the previous year may partly reflect the overall slowdown in housing loan demand over the past 12 months (see Section 3.4). Preferential lending rates for increasing the sustainability of real estate and fiscal support continued to have a positive impact on climate-related housing loan demand. Investment in the reduction of physical risk had only a small positive impact, while uncertainty about future climate regulation remained an obstacle for euro area housing loan demand.

Over the next 12 months, climate change is expected to have a positive impact on housing loan demand for buildings with current or targeted good or high energy performance and to continue to have a dampening impact for buildings with persistently low energy performance (net percentages of 22% and -7% respectively). Banks expect the negative impact of climate change on loan demand for low-energy efficient buildings to diminish, which may reflect the need to make progress on the energy modernisation of old buildings. Banks expect investment in energy performance, supported by lending rates aimed at increasing the sustainability of real estate and expected fiscal support, to be important drivers of climate-related housing loan demand over the next 12 months.

Chart 26

Impact of climate change on demand for loans to households for house purchase

(net percentages of banks; over the past 12 months and the next 12 months)

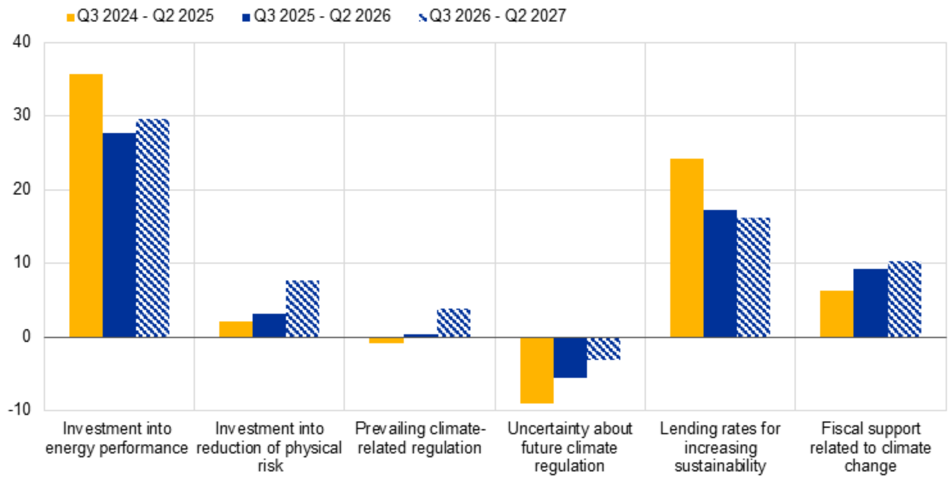


Notes: For definitions of “good or high energy performance” and “low energy performance”, see the footnote at the beginning of this section. Net percentages are defined as the difference between the sum of the percentages of banks responding “contributed considerably to an increase” and “contributed somewhat to an increase” and the sum of the percentages of banks responding “contributed somewhat to a decrease” and “contributed considerably to a decrease”. The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate change on demand for loans to households for house purchase.

Chart 27

Impact of climate-related factors on demand for loans to households for house purchase

(net percentages of banks; over the past 12 months and the next 12 months)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding “contributed considerably to an increase” and “contributed somewhat to an increase” and the sum of the percentages of banks responding “contributed somewhat to a decrease” and “contributed considerably to a decrease”. The striped bars denote expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: impact of climate-related factors on demand for loans to households for house purchase.

Annexes

See more.

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For specific terminology please refer to the ECB glossary (available in English only).

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