EUROPEAN CENTRAL BANK

EUROSYSTEM

The euro area bank lending survey

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Postal address	60640 Frankfurt am Main, Germany
Telephone	+49 69 1344 0
Internet	www.ecb.europa.eu

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The results reported in the January 2015 bank lending survey (BLS) relate to changes during the fourth quarter of 2014 and expectations of changes in the first quarter of 2015. The survey was conducted between 8 and 30 December 2014. With 137 banks participating in the survey, the response rate was 100%. In addition to the results for the euro area as a whole, the report contains the results for the five largest euro area countries.[1]

Six ad hoc questions were included in the January 2015 survey round. The first ad hoc question addressed the impact of the situation in financial markets on the access to retail and wholesale funding. The second and third questions referred to the impact of ongoing regulatory or supervisory action on bank funding and lending policies. The fourth, fifth and sixth questions were aimed at gauging the impact of the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem between September 2014 and June 2016.

1 OVERVIEW OF THE RESULTS

According to the January 2015 bank lending survey (BLS), credit standards for all loan categories continued to ease in net terms in the fourth quarter of 2014. Euro area banks reported a net easing of credit standards on loans to non-financial corporations in the fourth quarter of 2014 (specifically, a net percentage of -5%, after -2% in the previous quarter; see Table A) which was in line with banks' expectations as expressed in the previous survey round. Likewise, banks continued to ease credit standards in net terms for loans to households: for housing loans to -4%, from -2% in the previous quarter, and for consumer credit and other lending to households to -3%, from -7%. Across all loan categories, the net percentage change in credit standards in the fourth quarter of 2014 remained well below historical averages calculated over the period since the start of the survey in 2003 (see Table A). At the same time, it has to be kept in mind that the level of credit standards is still relatively tight in historical terms. Factors related to banks' cost of funds and balance sheet constraints contributed further to an easing of credit standards for loans to enterprises (-5%, from -3% in the previous quarter) driven in particular by banks' liquidity positions. By contrast, these factors ceased to contribute to an easing of credit standards for loans to households (housing loans: 1%, from -1% in the previous quarter; consumer credit: -1%, from -5%). In addition, ongoing competitive pressures continued to support the net easing of banks' credit standards for both loans to firms and to households. Banks' risk perceptions concerning firms' business outlook and macroeconomic uncertainty had a marginal net easing impact on credit standards for loans to enterprises after a slight net

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

tightening impact in the previous quarter (-1%, from 2%), and had a similar impact on credit standards for consumer credit. By contrast, for loans to households for house purchase, banks' risk perceptions continued to have a slight net tightening impact on credit standards (3%, from 2%). For the first quarter of 2015, euro area banks expect a further net easing of credit standards for loans to enterprises (-5%) and for consumer credit and other lending to households (-6%), as well as a marginal net easing for housing loans (-1%).

Rising net loan demand (i.e. the difference between the sum of the percentages of banks reporting an increase and that of banks reporting a decline in demand) continued to be reported for the fourth quarter of 2014, in particular for loans to non-financial corporations (to 18%, from 6% in the previous quarter – see Table A) and for consumer credit (to 15%, from 10% in the previous quarter). At the same time, the reported increase in net demand for housing loans stabilised at elevated levels (24%, after 23% in the previous quarter). For loans to enterprises, financing needs related to fixed investment in particular (11%, from -6%) contributed to the increase in net loan demand in the fourth quarter of 2014, recording the first significantly positive contribution since mid-2011. Other financing needs likewise continued to contribute to the positive net loan demand (11%, from 13% in the previous quarter). These reflected in particular the demand for debt restructuring and the financing needs for mergers and acquisitions, as well as for inventories and working capital. Looking ahead, banks expect an increase in demand in net terms across loan categories for the first quarter of 2015.

Table A

LATEST DEVELOPMENTS IN BLS RESULTS IN THE LARGEST EURO AREA COUNTRIES

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

	ENTERPRISES						HOUSE PURCHASE						CONSUMER CREDIT					
	CS			DEM			CS			DEM			CS			DEM		
	14Q3	*14Q4*	*AVG*	*14Q3*	*14Q4*	*AVG*	*14Q3*	*14Q4*	*AVG*	*14Q3*	*14Q4*	*AVG*	*14Q3*	*14Q4*	*AVG*	*14Q3*	*14Q4*	*AVG*
EURO AREA	-2	-5	14	6	18	-8	-2	-4	9	23	24	-3	-7	-3	7	10	15	-4
Germany	-3	0	6	6	22	1	7	0	2	3	21	6	-3	-10	0	16	23	7
Spain	0	0	13	20	40	-6	0	0	21	0	11	-14	0	0	11	30	30	-15
France	-4	-7	10	17	13	-18	-14	-14	4	36	0	5	-28	0	-2	5	-5	-6
Italy	0	-25	23	-13	0	0	0	-13	6	50	38	5	0	0	11	-13	25	8
Netherlands	14	14	19	0	14	-15	0	0	22	50	67	-26	0	0	14	20	0	-20

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

Cross-country disparities in lending supply conditions continued to decline in the fourth quarter of 2014 for loans to enterprises, while partially increasing for loans to households. Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms particularly in Italy and to a more limited extent in France, while remaining unchanged in Germany and Spain and continuing to tighten in the Netherlands. For housing loans, banks reported a noticeable net easing of credit standards in France and Italy and unchanged credit standards in Germany, Spain and the Netherlands. Turning to loan demand, the heterogeneity across countries continued to reduce somewhat, with banks in Germany, France, the Netherlands and particularly in Spain reporting an increase in demand for loans to enterprises and Italian banks indicating unchanged demand. For housing loans, net loan demand was particularly positive in the Netherlands, Italy and Germany and to a lesser extent in Spain, while remaining unchanged in France down from a strong increase in the previous quarter.

According to euro area banks, in the fourth quarter of 2014 their access to funding further improved in net terms for all main market instruments and for short-term retail deposits, but developments were again heterogeneous across the largest euro area countries. For the first quarter of 2015, banks expect further considerable net easing of their access to retail and wholesale funding. With regard to regulatory and supervisory action, banks continued to strengthen their capital positions in the second half of 2014, albeit less strongly than in the first half of the year. Banks reported a decline in their risk-weighted assets after a marginal increase in the first half of 2014 mainly driven by a further reduction in riskier loans. At the same time, banks provided more indications that recent regulatory and supervisory actions are having a positive impact, such as improvements in banks' funding conditions and an easing in overall lending conditions.

As in the previous survey round, this survey included three additional ad hoc questions aimed at gauging the impact of the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem between September 2014 and June 2016. According to euro area banks, participation in the TLTROs is mainly driven by profitability and to a lesser extent by regulatory motives or by precautionary motives. While banks aim to use these funds predominantly for granting loans as well as for substitution of other funding sources, the impact on loan supply is expected to largely translate into a narrowing of lending margins. At the same time, the January 2015 survey round also provided the first indications of an easing of credit standards. Looking ahead to the additional TLTROs between March 2015 and June 2016, banks remain largely undecided on their participation.

Box 1

GENERAL NOTES

The bank lending survey (BLS) is addressed to senior loan officers of a representative sample of euro area banks. In the current survey round, the sample group of banks participating in the survey comprises 137 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. The main purpose of the BLS is to enhance the understanding of bank lending behaviour in the euro area.[2]

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

The survey questions are generally phrased in terms of changes over the past three months (in this case in the fourth quarter of 2014) or expectations of changes over the next three months (i.e. in the first quarter of 2015).

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

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

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

The results of the individual banks participating in the BLS sample are aggregated in two steps: in a first step, individual bank results are aggregated to national results for the euro area

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

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

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

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

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

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

2.1 ENTERPRISES

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

For the fourth quarter of 2014, banks reported a net easing of credit standards on loans to non-financial corporations (specifically, a net percentage of -5%, from -2% in the previous quarter; see Chart 1 and Table A).[3, 4] As in previous quarters, this is again considerably below the historical net tightening average since the start of the survey in 2003. The reported net easing is in line with banks' net easing expectations for the fourth quarter of 2014 at the time of the October 2014 BLS round. Across firm size, credit standards were eased on loans to both large firms and to small and medium-sized enterprises (SMEs). Overall, developments across countries continued to become less diverse.[5] Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms particularly in Italy and to a more limited extent in France, while remaining unchanged in Germany and Spain and continuing to tighten in the Netherlands.

Looking ahead to the first quarter of 2015, euro area banks expect credit standards on loans to enterprises to ease further in net terms (see Chart 1 and Table 1).[6]

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

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

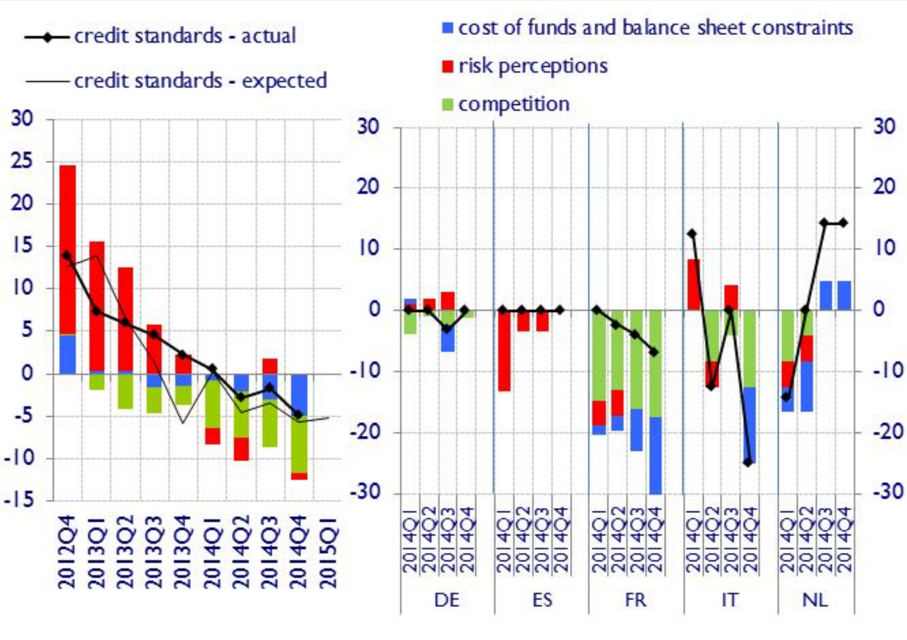
[5] When reporting on country developments, the analysis in the text refers mainly to net percentage developments in the countries themselves (such as the net tightening of credit standards or the impact of factors on the net tightening) and only in a few instances to the contributions to the euro area net percentages.

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

Chart 1

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

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



Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". The net percentages for responses to questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is calculated as the unweighted average of "capital position", "access to market financing" and "liquidity position"; "risk perception" is calculated as the unweighted average of "expectations regarding general economic activity", "industry-specific risk" and "risk on collateral demanded"; "competition" is calculated as the unweighted average of "bank competition", "non-bank competition" and "competition by market financing".

More specifically, banks' cost of funds and balance sheet constraints contributed further to an easing of credit standards for loans to enterprises (-5%, from -3% in the previous quarter, see Chart 1 and Table 1), mainly driven by banks' liquidity positions. In addition, the ongoing improvement in banks' access to market funding and their capital positions had a slight easing impact. Across the largest euro area countries, banks' cost of funds and balance sheet constraints contributed to a net easing of credit standards in France and Italy, driven in particular by banks' liquidity situation. The impact of banks' cost of funds and balance sheet constraints was zero in Germany and Spain, while contributing again to a net tightening on account of banks' capital positions in the Netherlands.

Table 1

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

	Cost of funds and balance sheet constraints		Perception of risk		Pressure from competition	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-3	-5	2	-1	-6	-7
DE	-5	0	3	0	-2	-1
ES	0	0	-3	0	0	0
FR	-7	-14	0	0	-16	-17
IT	0	-13	4	0	-4	-13
NL	5	5	0	0	0	0

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

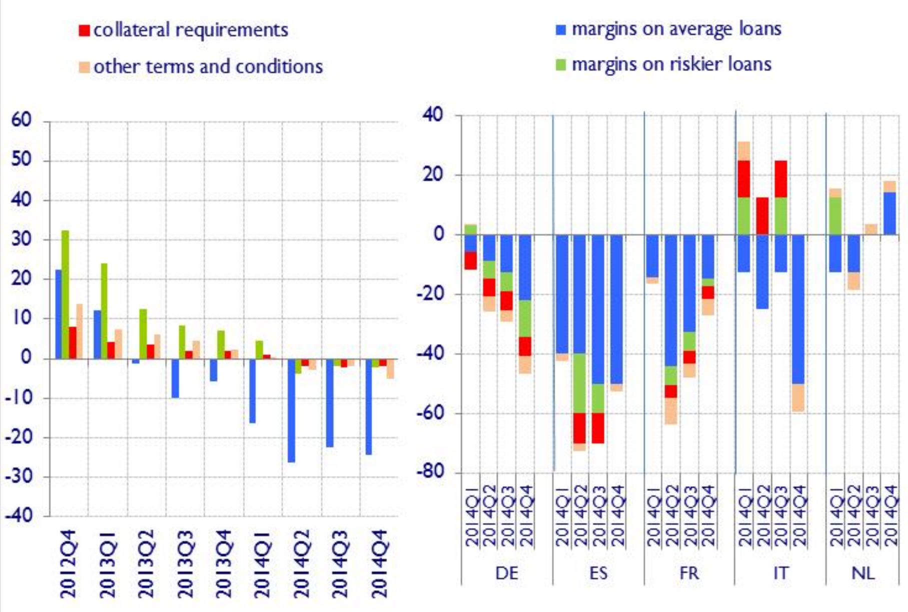
In addition, euro area banks reported a further net easing impact of competitive pressures on credit standards for loans to enterprises, among the largest countries driven by developments in France and Italy as well as, marginally, also in Germany, while Spanish and Dutch banks reported a neutral impact.

Finally, banks' risk perceptions concerning firms' business outlook and macroeconomic uncertainty had a marginal easing impact on credit standards for loans to enterprises after a slight net tightening impact in the previous quarter (-1%, from 2%). This reflected primarily a turnaround in the firm-specific outlook and to a marginal extent in expectations regarding the macroeconomy. By contrast, banks' assessment of the risk on collateral demanded continued to have a slight tightening impact on credit standards. With regard to the largest euro area countries, banks' risk perceptions had a neutral impact on credit standards.

The net easing of credit standards on loans or credit lines to enterprises in the fourth quarter of 2014 continued to translate into more favourable terms and conditions applied by banks when granting new loans to enterprises. Terms and conditions exhibited substantial further improvement on the previous quarter. The net percentage of euro area banks reporting a further narrowing of their margins on average loans to enterprises increased slightly while remaining at an elevated level (24% in net terms reported a further narrowing; see Chart 2 and Table 2).

Chart 2

CHANGES IN TERMS AND CONDITIONS FOR LOANS OR CREDIT LINES TO ENTERPRISES (net percentages of banks reporting tightening terms and conditions)



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

In addition, banks again reported a slight narrowing of their margins on riskier loans to enterprises. Euro area banks also reported, in net terms, that all components of the other terms and conditions became more favourable in the fourth quarter of 2014. More specifically, less stringent conditions were applied with regard to the size of loans or credit lines, loan covenants and loan maturity. As in the previous quarter, a considerable net percentage of banks in all of the largest euro area economies reported a narrowing of the margins on average loans, except for the Netherlands where banks indicated a widening of these margins. In Spain and Italy, half of the banks participating in the survey reported a narrowing of the margins on average loans. At the same time, only banks in Germany and to a marginal extent in France reported a narrowing of the margins on riskier loans, whereas banks in Spain, Italy and the Netherlands reported no changes to these margins.

Table 2

MARGINS ON LOANS TO ENTERPRISES

(net percentage changes)

	Banks' margins on average loans		Banks' margins on riskier loans	
Country	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-22	-24	-2	-2
DE	-13	-22	-6	-13
ES	-50	-50	-10	0
FR	-33	-15	-7	-2
IT	-13	-50	13	0
NL	0	14	0	0

Overall, the developments described above suggest a substantial further improvement in financing conditions for loans to enterprises. While the improvement was considerably stronger for average loans, the aggregate narrowing of margins on riskier loans was only marginal, masking heterogeneous developments in particular across smaller countries.

2.1.2 RISE IN NET DEMAND FOR LOANS TO ENTERPRISES

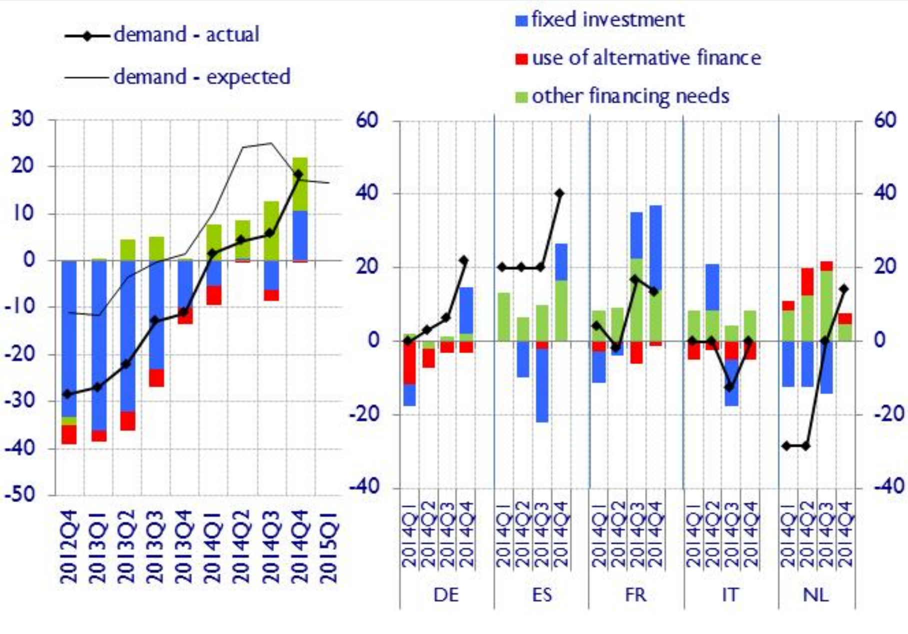
Net demand for loans to enterprises (i.e. the difference between the sum of the percentages of banks reporting an increase and that of banks reporting a decline in demand) continued to recover in the fourth quarter of 2014 (see Chart 3 and Table A). The net demand for loans to enterprises increased to 18%, from 6% in the previous quarter, remaining above its historical average and largely in line with banks' expectations for this quarter at the time of the previous survey round. Across countries, heterogeneity in net demand for loans to enterprises continued to decrease somewhat with banks in Germany, France, the Netherlands and particularly in Spain reporting an increase in demand and Italian banks indicating unchanged demand.

Looking ahead, for the first quarter of 2015, euro area banks expect a further net increase in demand for loans to enterprises (see Chart 3).

Chart 3

CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES

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



Notes: "Actual" values are changes that have occurred, while "expected" values are changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The net percentages for responses to questions related to each factor are defined as the difference between the percentage of banks reporting that the given factor contributed to increasing demand and the percentage reporting that it contributed to decreasing demand. "Other financing needs" are calculated as the unweighted average of "inventories and working capital", "mergers/acquisitions and corporate restructuring" and "debt restructuring"; "use of alternative finance" is calculated as the unweighted average of "internal financing", "loans from other banks", "loans from non-banks", "issuance of debt securities" and "issuance of equity".

For loans to enterprises, financing needs related to fixed investment in particular (11%, from -6%; see Chart 3 and Table 3) contributed to the increase in net loan demand by euro area enterprises, recording the first significantly positive contribution since mid-2011. Other financing needs also continued to contribute to the positive net loan demand (11%, from 13% in the previous quarter).[7] These reflected in particular the demand for debt restructuring and the financing needs for mergers and acquisitions as well as for inventories and working capital. Across the largest euro area countries, the positive contribution of fixed investment to loan demand by enterprises was driven by developments in France, Germany and Spain (see Table 3). By contrast, fixed investment did not contribute to changes in loan demand in Italy and the

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

Netherlands. The positive contribution of other financing needs to loan demand by euro area enterprises was again reflected in all of the largest euro area countries. In France the increase in other financing needs was mainly driven by debt restructuring and mergers and acquisitions, and in Italy by debt restructuring, inventories and working capital. By contrast, in Spain, net demand was again exclusively motivated by a further substantial net increase in financing needs for inventories and working capital, while in the Netherlands it was exclusively driven by mergers and acquisitions. In Germany, increasing net loan demand for both mergers and acquisitions and debt restructuring was largely counterbalanced by declining net loan demand for inventories and working capital.

Table 3

FACTORS CONTRIBUTING TO NET DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES (net percentages)

	Fixed investment		Other financing needs		Use of alternative finance	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-6	11	13	11	-3	-1
DE	0	13	1	2	-3	-3
ES	-20	10	10	17	-2	0
FR	13	23	22	14	-6	-1
IT	-13	0	4	8	-5	-5
NL	-14	0	19	5	3	3

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

The use of alternative finance only had a marginally dampening effect on net loan demand by euro area enterprises, compared with an also slightly negative contribution in the third quarter of 2014. In particular, firms’ internal financing sources and the issuance of debt securities by non-financial corporations contributed slightly negatively to loan demand. Across the largest euro area countries, alternative financing continued to contribute negatively to corporate loan demand in Italy and Germany and marginally in France, while contributing slightly positively to net demand in the Netherlands and remaining neutral in Spain. More specifically, for Italy this was mainly related to the issuance of debt securities and loans from other banks, while in Germany internal funding sources played a dominant role.

2.2 HOUSEHOLDS

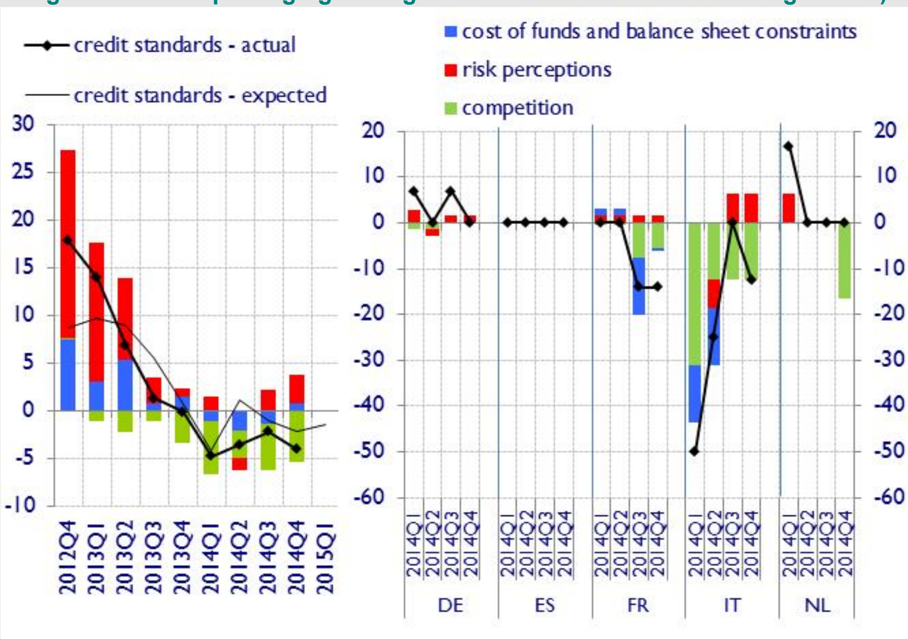
2.2.1 CREDIT STANDARDS FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE CONTINUED TO EASE IN NET TERMS IN THE FOURTH QUARTER OF 2014

For loans to households for house purchase, banks continued to ease credit standards in net terms (-4%, compared to -2% in the previous quarter; see Chart 4 and Table A), again remaining well below the historical average calculated over the period since the start of the survey in 2003. The net easing slightly exceeded the expected marginal net easing of credit standards on housing loans at the time of the previous survey round. Cross-country heterogeneity in credit standards for loans to households increased in the fourth quarter of 2014, driven by rising disparities between smaller countries. Across the largest countries, banks in France and Italy reported a net easing of credit standards for housing loans, while in the other three countries credit standards remained unchanged.

Chart 4

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

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



Note: See the notes to Chart 1.

Looking ahead, euro area banks expect a further marginal net easing of credit standards applied to housing loans in the first quarter of 2015 (see Chart 4).

In the fourth quarter of 2014, only competitive pressures contributed to the net easing of credit standards on loans to households for house purchase in aggregate terms (see Chart 4 and

Table 4). Among the largest euro area countries, a net easing impact of competitive pressures was reported by banks in the Netherlands, Italy and France, whereas banks in Germany and Spain again reported a neutral impact on credit standards for housing loans.

By contrast, factors related to banks' cost of funds and balance sheet constraints contributed marginally to a tightening, while the largest countries reported a neutral impact with the exception of a marginally easing impact in France. The recent re-emergence of risk concerns had a slightly restrictive impact on credit standards for loans to households for house purchase. These concerns were again related to a slight net tightening impact of both housing market prospects and the general economic outlook on credit standards for housing loans. Across the largest countries, banks reported a further tightening impact of perceived risks regarding housing market prospects in Italy and, although at much lower levels, in Germany and France. For France, banks likewise indicated a marginal tightening contribution of the general economic outlook. This contrasted with an ongoing neutral impact of risk considerations on credit standards for housing loans recorded by banks in Spain and the Netherlands.

Table 4

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

(net percentages)

	Cost of funds and balance sheet constraints		Perception of risk		Pressure from competition	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-1	1	2	3	-5	-5
DE	0	0	2	2	0	0
ES	0	0	0	0	0	0
FR	-13	-1	2	2	-8	-6
IT	0	0	6	6	-13	-13
NL	0	0	0	0	0	-17

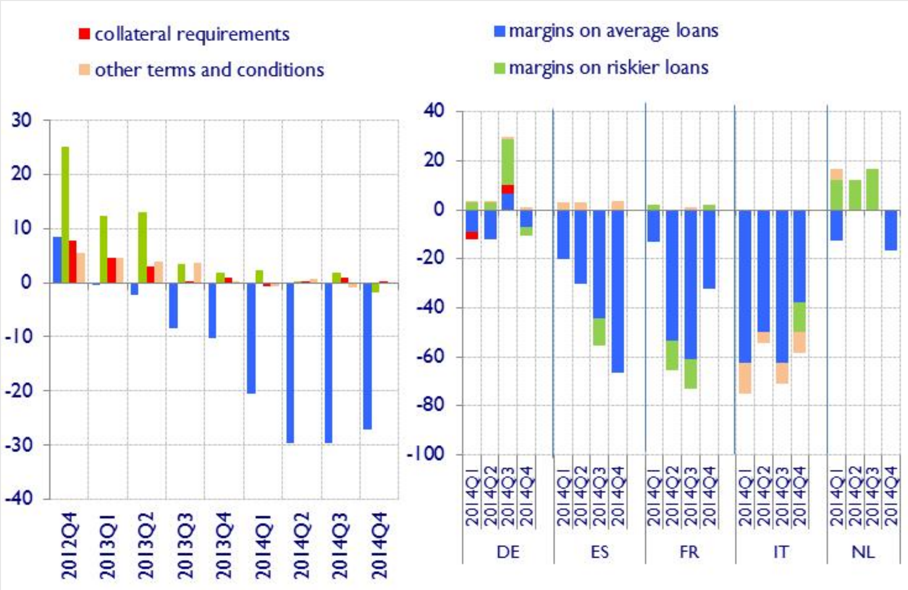
Notes: "Perception of risk" is calculated as the unweighted average of "expected economic activity" and "housing market prospects"; "pressure from competition" is calculated as the unweighted average of "competition from other banks" and "competition from non-banks".

As in previous quarters, banks' price conditions applied when granting new housing loans continued to improve considerably in the fourth quarter of 2014, while banks continued to report little change in the non-price terms and conditions (see Chart 5 and Table 5). A substantial net percentage of euro area banks again reported a narrowing of margins on average housing loans, thereby continuing the narrowing trend that started in the second quarter of 2013, while reporting in net terms only a marginal narrowing of margins on riskier loans suggesting a further intensification in banks' risk differentiation. Finally, as regards non-price terms and conditions, responding banks again indicated hardly any changes in aggregate terms overall.

Chart 5

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

(net percentages of banks reporting tightening terms and conditions)



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

Across the largest countries, the improvement in price conditions applied to average loans was broadly spread, being again particularly pronounced in Spain, Italy and France but less so in the Netherlands. German banks reported a return to a narrowing of margins on average loans (see Table 5). Developments continued to be mixed regarding margins on riskier housing loans, albeit with fewer discrepancies as compared with the previous quarter. In detail, banks in Italy and to a small extent also in Germany reported a narrowing of margins on riskier loans, whereas banks in Spain and the Netherlands recorded unchanged and in France marginally widening margins.

Table 5

MARGINS ON LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

(net percentage changes)

	Banks' margins on average loans		Banks' margins on riskier loans	
Country	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-30	-27	2	-2
DE	7	-7	19	-4
ES	-44	-67	-11	0
FR	-61	-32	-12	2
IT	-63	-38	0	-13
NL	0	-17	17	0

2.2.2 INCREASES IN NET DEMAND FOR HOUSING LOANS REMAINED AT ELEVATED LEVELS

In the fourth quarter of 2014 banks reported an ongoing net increase in demand for housing loans (24%, from 23% in the previous quarter; see Chart 6 and Table A), again markedly above its historical average. As in previous quarters, this increase in demand exceeded banks' expectations for this quarter at the time of the previous survey round. Among the largest euro area countries, net demand for housing loans continued to increase markedly, particularly in the Netherlands and Italy. Net demand also increased in Germany and Spain, while it returned to neutral levels in France.

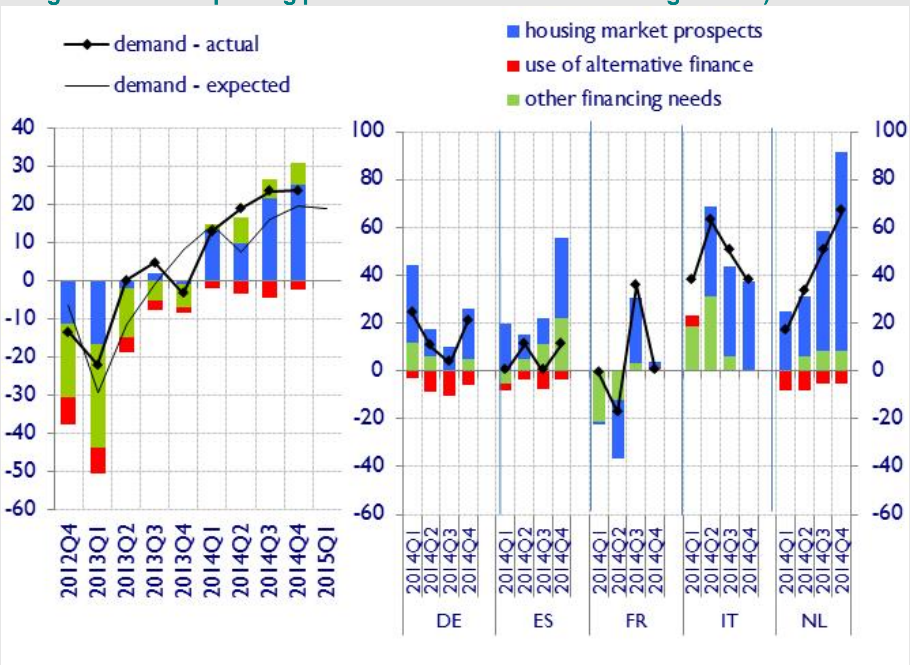
Housing market prospects and to a lesser extent consumer confidence (included in other financing needs) were again the most important factors driving the increased demand for housing loans (see Chart 6 and Table 6). By contrast, the contribution related to the use of alternative financing remained marginally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

Looking ahead, euro area banks expect a stabilisation in the net increase in demand for housing loans at elevated levels in the first quarter of 2015 (see Chart 6).

Chart 6

CHANGES IN DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

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



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

Table 6

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

(net percentages)

	Housing market prospects		Other financing needs		Use of alternative finance	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	22	25	5	6	-4	-2
DE	10	21	0	5	-10	-6
ES	11	33	11	22	-7	-4
FR	28	2	3	1	0	1
IT	38	38	6	0	0	0
NL	50	83	8	8	-6	-6

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

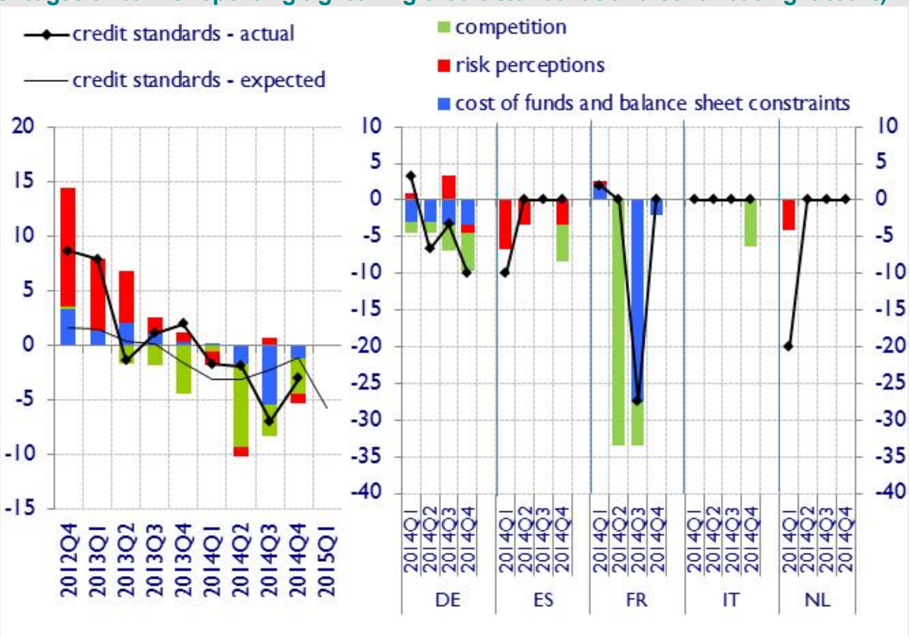
2.2.3 SLIGHT NET EASING OF CREDIT STANDARDS FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

In the fourth quarter of 2014, euro area banks continued to ease their credit standards for consumer credit and other lending to households albeit only slightly (-3%, after -7% in the previous quarter; see Chart 7 and Table A), the figure remaining at levels well below its historical average. The net easing reported in the fourth quarter of 2014 was slightly beyond what banks had expected at the time of the previous survey round. Among the largest euro area countries, the net easing of credit standards for consumer credit and other lending to households was observed only in Germany, while remaining unchanged for the other largest countries.

Chart 7

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

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



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

The further slight net easing of credit standards for consumer credit and other lending to households at the euro area level reflected in particular ongoing competitive pressures (see Chart 7 and Table 7). Improved risk perceptions and a relaxation of banks' cost of funds and balance sheet constraints contributed only marginally to the net easing. Across the largest euro area countries, the contribution of competitive pressures was confined to Italy, Germany and Spain, while slight improvements in risk perceptions were limited to Spain and Germany.

Banks' cost of funds and balance sheet constraints contributed slightly to the net easing in Germany but did not contribute as much to a net easing in France compared with the previous quarter.

Table 7

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

	Cost of funds and balance sheet constraints		Perception of risk		Pressure from competition	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-5	-1	1	-1	-3	-3
DE	-3	-3	3	-1	-3	-5
ES	0	0	0	-3	0	-5
FR	-28	-2	0	0	-6	0
IT	0	0	0	0	0	-6
NL	0	0	0	0	0	0

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

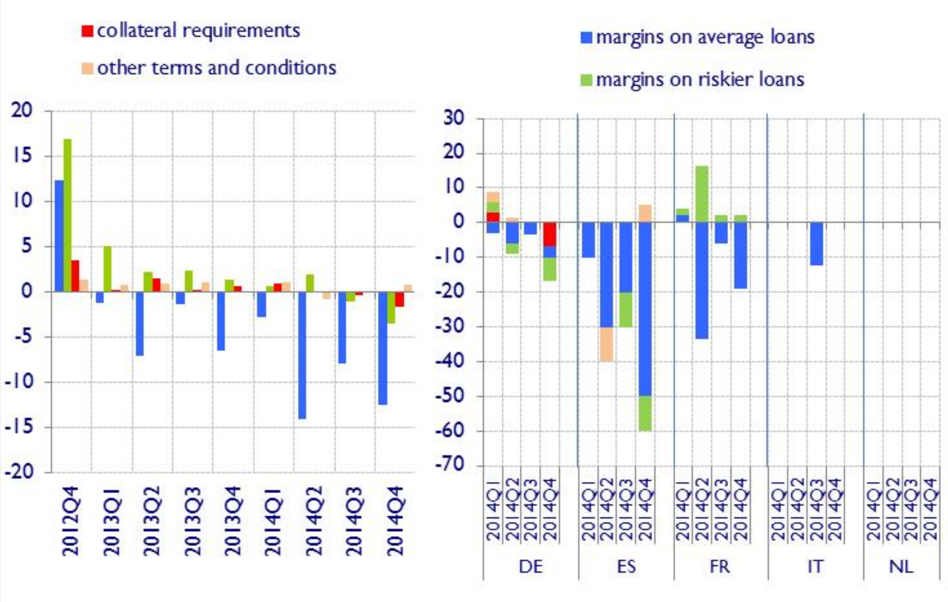
Concerning terms and conditions, for the fourth quarter euro area banks reported in net terms a stronger narrowing of margins on average loans (see Chart 8 and Table 8). Margins on riskier loans only narrowed slightly, albeit for the second time in a row and the second time since mid-2005. As regards non-price terms and conditions, collateral requirements contributed to a marginal net easing, while other terms and conditions (including loan maturity and non-interest rate charges) had a marginally tightening impact. In the largest euro area countries, margins on average loans narrowed particularly in Spain, to a lesser extent in France and only slightly in Germany, while remaining constant in Italy and the Netherlands. For riskier loans, banks in Spain and Germany reported a narrowing of margins, whereas banks in Italy and the Netherlands reported unchanged and in France a slight widening of these margins.

Looking ahead, euro area banks expect a further net easing of credit standards on consumer credit and other lending to households for the first quarter of 2015 (see Chart 7).

Chart 8

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

(net percentages of banks reporting tightening terms and conditions)



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

Table 8

MARGINS ON CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS (net percentage changes)

	Banks' margins on average loans		Banks' margins on riskier loans	
Country	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	-8	-13	-1	-3
DE	-3	-3	0	-7
ES	-20	-50	-10	-10
FR	-6	-19	2	2
IT	-13	0	0	0
NL	0	0	0	0

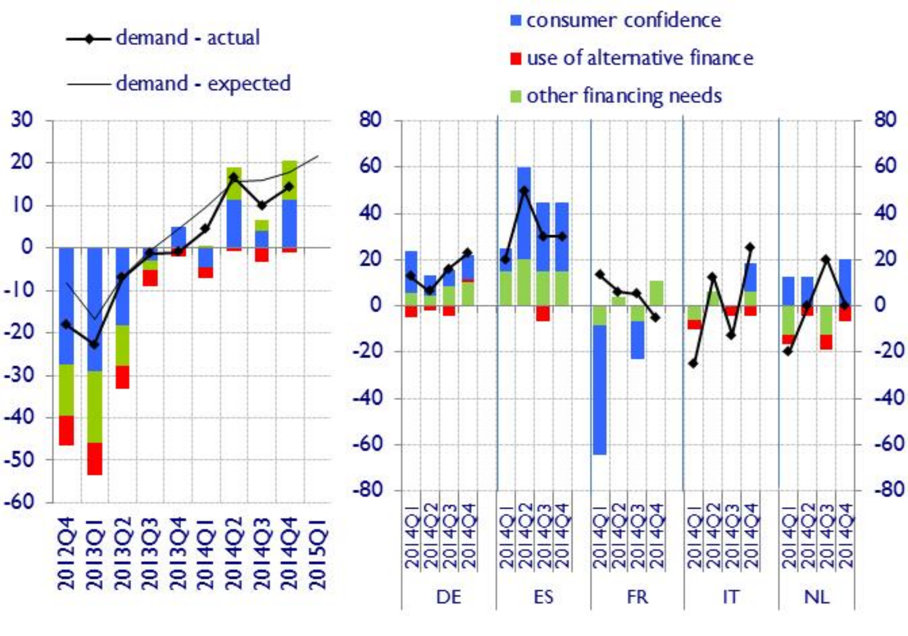
According to euro area banks, the net demand for consumer credit and other lending to households continued to increase in the fourth quarter (to 15%, from 10%; see Chart 9 and

Table A), remaining at a level above its historical average. Across the largest euro area countries, the net demand increased in Spain, Italy and Germany, while remaining unchanged in the Netherlands and declining in France.

Chart 9

CHANGES IN DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

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



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

The increase in demand at the euro area level was mainly due to the notable increase in financing needs for spending on durable consumer goods (included in other financing needs) as well as in consumer confidence (see Chart 9 and Table 9). In the largest euro area countries, spending on durable consumer goods contributed particularly positively to loan demand in Spain, France and Germany as well as, although to a more limited extent, in Italy, while exerting a neutral impact in the Netherlands. Consumer confidence likewise had a strongly positive impact on net demand for consumer credit in Spain, the Netherlands, Italy and Germany, while having a neutral impact in France.

For the first quarter of 2015, euro area banks expect a further net increase in demand for consumer credit and other lending to households

Table 9

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

(net percentages)

	Consumer confidence		Other financing needs		Use of alternative finance	
Country	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Euro area	4	11	3	9	-3	-1
DE	7	10	9	10	-4	1
ES	30	30	15	15	-7	0
FR	-16	0	-7	11	0	0
IT	0	13	0	6	-4	-4
NL	0	20	-13	0	-7	-7

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

3 AD HOC QUESTIONS

3.1.1 EURO AREA BANKS' ACCESS TO FUNDING CONTINUED TO IMPROVE IN NET TERMS FOR ALL MAIN MARKET INSTRUMENTS AND FOR SHORT-TERM RETAIL DEPOSITS

As in previous survey rounds, the January 2015 survey included a question aimed at assessing the extent to which the situation in financial markets affected banks' access to retail and wholesale funding.[8]

For the fourth quarter of 2014, euro area banks reported a further net easing of their access to funding for all main market instruments (see Chart 10 and Table 10). The improvements were somewhat less pronounced than in the previous quarter, with the exception of securitisation[9] which continued to improve at broadly the same intensity. As in the previous quarter, access to funding eased particularly for the issuance of debt securities, while banks reported a marginal net tightening for their access to long-term deposits and other retail funding instruments.

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

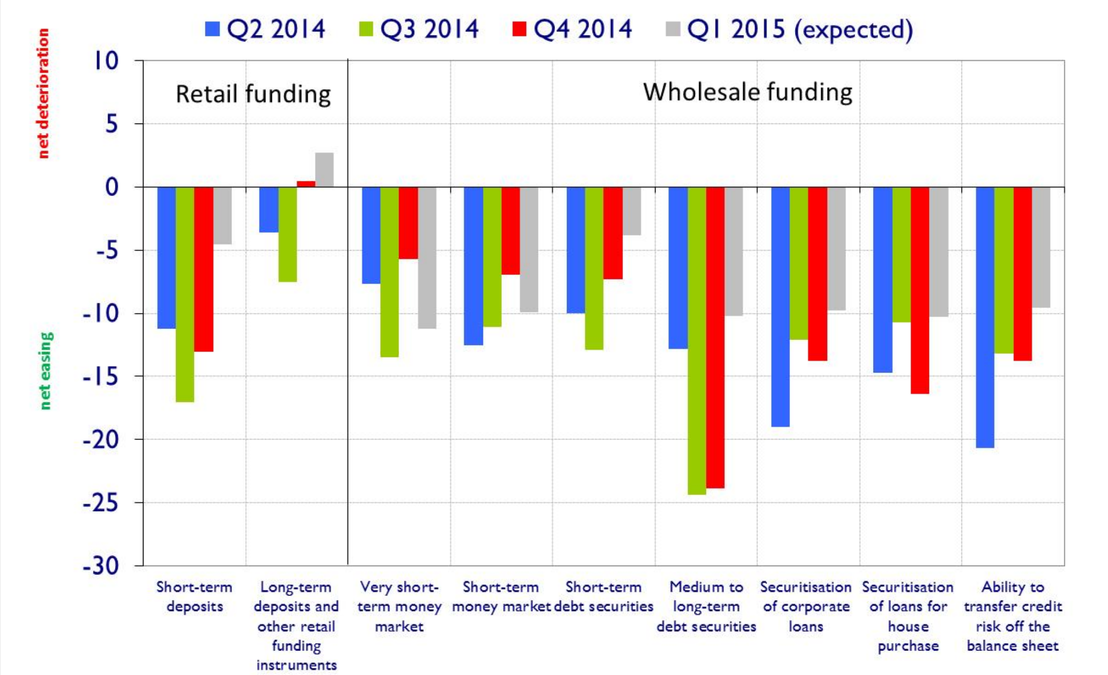
[9] However, for the results on securitisation, a large number of banks replied "not applicable" as this source of funding is not relevant for them (around 50% in the fourth quarter of 2014).

Looking ahead, for the first quarter of 2015, euro area banks expect a further net easing of their access to retail and wholesale funding.

Chart 10

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

(net percentages of banks reporting deteriorated market access)



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

Table 10

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

(net percentages of banks reporting deteriorated market access)

	Retail funding	Interbank unsecured money market	Wholesale debt securities	Securitisation
Oct 14	-12	-12	-19	-12
Jan 15	-6	-6	-16	-15

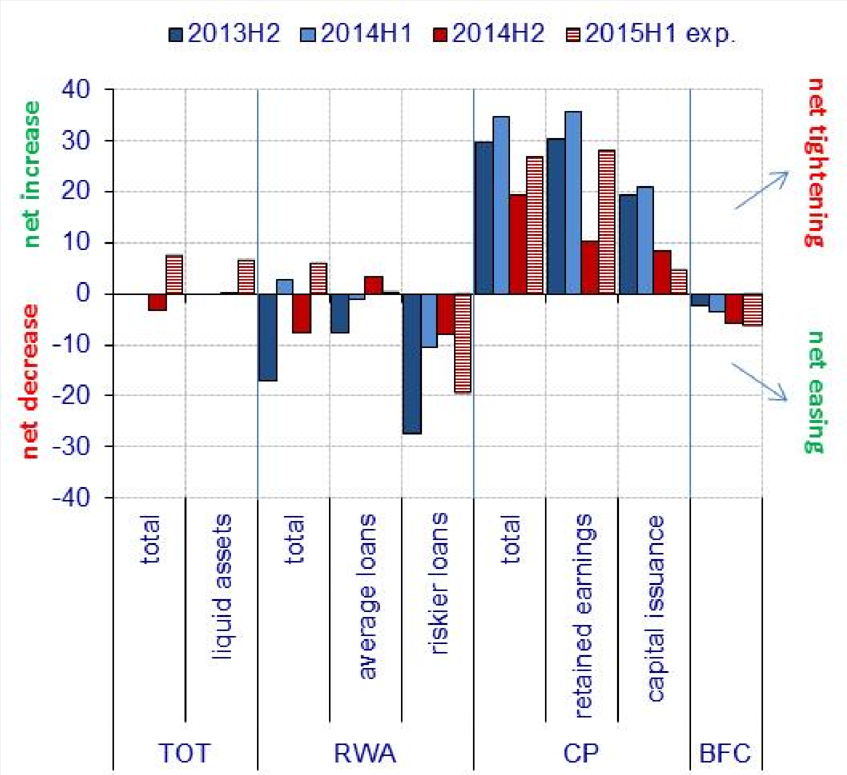
Note: See note to Chart 10.

3.1.2 CONTINUING ADJUSTMENT TO REGULATORY AND SUPERVISORY ACTION BY STRENGTHENING OF CAPITAL POSITIONS

Chart 11

IMPACT OF REGULATORY AND SUPERVISORY ACTION ON BANKS' RISK-WEIGHTED ASSETS, CAPITAL POSITION AND BANKS' FUNDING CONDITIONS

(net percentages of banks)



Notes: "TOT" stands for total assets, "RWA" for risk-weighted assets, "CP" for capital position and "BFC" for banks' funding conditions. For the questions on RWA and CP, the net percentages are defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". For the question on BFC, the net percentages are defined as the difference between the sum of the percentages for "experienced a considerable tightening" and "experienced a moderate tightening" and the sum of the percentages for "experienced a moderate easing" and "experienced a considerable easing". Figures for H1 2015 are expectations.

The January 2015 survey included two biannual ad hoc questions aimed at assessing the extent to which new regulatory requirements affected banks' lending policies, via the potential impact on their capital position and the credit standards that they apply to loans. These new requirements include those set out in the "CRR/CRD IV" legislation, additional measures of the European Banking Authority, and any other specific national regulations concerning banks' capital ratios that have recently been approved or are expected to be approved in the near future. The wording of the question was amended from the January 2014 round onwards so that banks, in their reply, would also take into account any new supervisory action, such as the comprehensive assessment, with possible implications for lending supply. Furthermore, banks were also asked to indicate the effects on funding conditions.

Euro area banks replied that, in relation to regulatory and supervisory action, their risk-weighted assets declined in net terms during the second half of 2014 (see Chart 11 and Table 11), following a slight increase in risk-weighted assets in the first half of 2014. Their total assets also declined slightly. Banks' riskier loans further decreased while their average loans slightly increased. Euro area banks also reported a further net strengthening of their capital position albeit less pronounced than in the first half of 2014 both through retained earnings and capital issuance. In addition, they noted a slightly stronger improvement in their funding conditions.

Table 11

IMPACT OF REGULATORY AND SUPERVISORY ACTION ON BANKS' RISK-WEIGHTED ASSETS, CAPITAL POSITION AND BANKS' FUNDING CONDITIONS

(net percentages of banks)

	Total assets, of which		Risk-weighted assets, of which			Capital, of which			Impact on banks' funding conditions
	Total	*Liquid assets*	*Total*	*Average loans*	*Riskier loans*	*Total*	*Retained earnings*	*Capital issuance*	
Jul 14			3	-1	-11	35	36	21	-4
Jan 15	-3	0	-8	4	-8	20	10	8	-6

Note: See the notes to Chart 11.

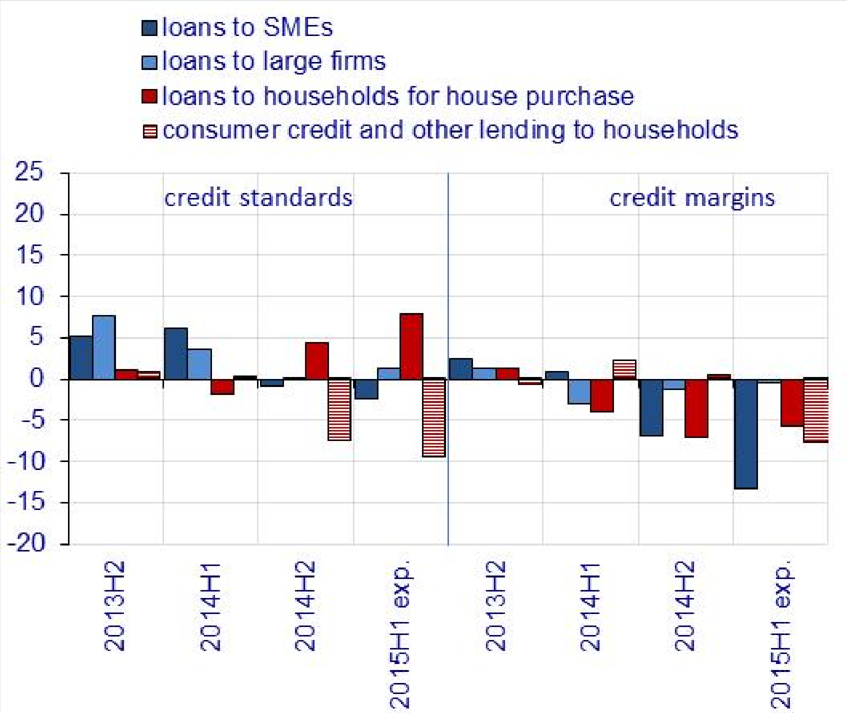
Concerning the impact of supervisory or regulatory action on banks' credit standards, for the second half of 2014 euro area banks reported a marginal net easing impact on loans to SMEs and a neutral impact on loans to large firms following a steady net tightening impact on both loan categories since the first half of 2011, when this question was introduced (see Chart 12 and Table 12). For households, euro area banks reported a further slight net tightening impact on loans for house purchase and a net easing impact on consumer credit and other lending.

As regards the impact on margins, supervisory or regulatory action had a narrowing (i.e. net easing) impact on margins on loans to SMEs and on loans to households for house purchase in the second half of 2014 at the euro area level, reflecting the first narrowing of margins on loans to SMEs on account of supervisory or regulatory action since the first half of 2011. At the same time, the narrowing (i.e. net easing) impact on margins on loans to large enterprises was only marginal and turned neutral for consumer credit and other lending to households (see Chart 12 and Table 12). For the first half of 2015, euro area banks expect improvements for loans to SMEs and consumer credit both in terms of a net easing in credit standards and a narrowing of credit margins. By contrast, for housing loans and, to a lesser extent, for loans to larger enterprises, banks expect a narrowing of credit margins despite a net tightening of credit standards.

Chart 12

IMPACT OF REGULATORY AND SUPERVISORY ACTION ON THE TIGHTENING OF CREDIT STANDARDS/CREDIT MARGINS

(net percentages of banks)



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

Table 12

IMPACT OF REGULATORY AND SUPERVISORY ACTION ON THE TIGHTENING OF CREDIT STANDARDS/CREDIT MARGINS

(net percentages of banks)

	Impact of regulatory or supervisory actions on the tightening of credit standards		Impact of regulatory or supervisory actions on the tightening of credit margins	
	Jul 14	Jan 15	Jul 14	Jan 15
Impact on loans and credit lines to SMEs	6	-1	1	-7
Impact on loans and credit lines to large enterprises	4	0	-3	-1
Impact on loans to households for house purchase	-2	4	-4	-7
Impact on consumer credit and other lending to households	0	-8	2	0

Note: See the note to Chart 12.

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

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

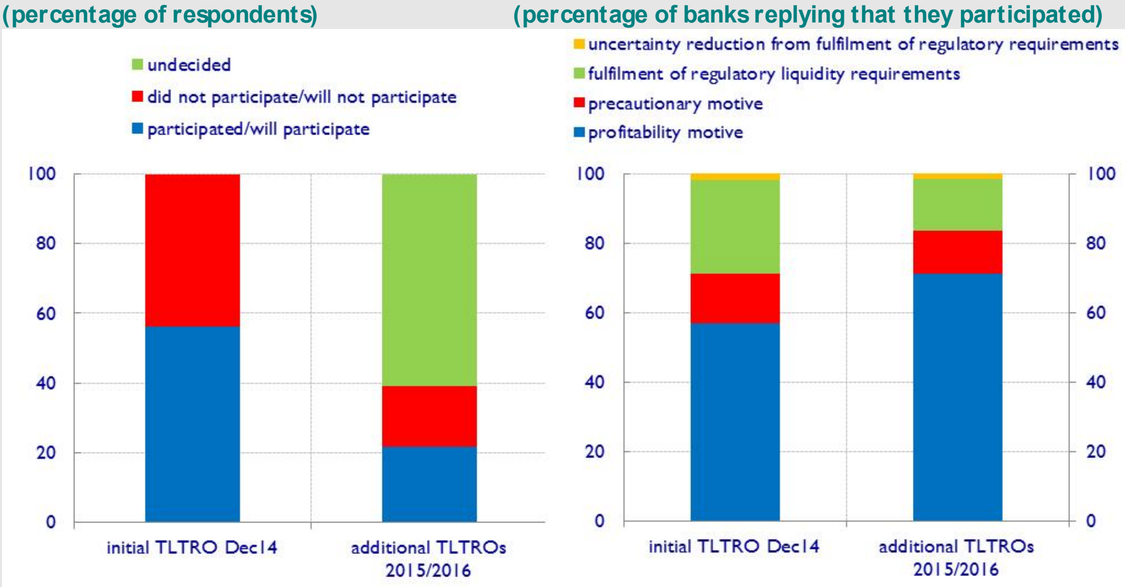
3.1.3.1 TLTRO PARTICIPATION MAINLY DRIVEN BY PROFITABILITY AND TO A LESSER EXTENT BY PRECAUTIONARY MOTIVES

Chart 13

PARTICIPATION IN TLTROS

a) Participation
(percentage of respondents)

b) Reasons for participating
(percentage of banks replying that they participated)



Of the banks responding to the survey, 56% participated in the second TLTRO in December 2014 (see Chart 13a), somewhat higher than in the first initial TLTRO conducted in September

2014 (44%). Participation was again heterogeneous across countries. According to banks, participation in the second TLTRO was again largely driven by profitability motives (57% of respondents, after 58% for the first initial TLTRO in September – see Chart 13b) and to a lesser extent by precautionary motives and regulatory motives; although the latter increased in importance compared with for the first TLTRO.

Looking ahead to the additional TLTROs, banks are still largely undecided whether to participate (61% of banks in aggregate terms – see Chart 13a, as compared with 63% in the October 2014 survey round). Concerning motives for potential participation, profitability motives dominated by far (71%), while regulatory motives (17%) and precautionary motives (13%) were cited less frequently (see Chart 13b). This marks a notable change to the banks' assessment in the October 2014 survey round when profitability motives (47%) and precautionary motives (41%) were close to par suggesting a marked reduction in banks' uncertainty as regards their funding and liquidity needs.

According to the survey replies, the main reasons for banks not to participate in the December 2014 TLTRO continued to be the absence of funding constraints (90% of the non-participating banks). For the additional TLTROs in 2015 and 2016, 85% of the banks planning not to participate attributed their decision to the absence of funding constraints, around the same share indicated in the previous survey round. Collateral constraints were mentioned by 5% of the respondents as the reason for not participating in the December and the upcoming additional TLTROs, compared with 20% and 2% respectively in the previous survey round. Few banks put forward concerns about insufficient loan demand as the reason for non-participation in the December TLTRO (remaining at 3%) and such concerns were less frequently cited as the reason for (envisaged) non-participation in the additional TLTROs in 2015 and 2016 (6%, after 9% in the previous survey round). In addition, banks did not cite capital constraints as an obstacle to participation in the December TLTROs or in the upcoming additional TLTROs, although these had played some role in banks' assessment of their envisaged participation in the December TLTRO in the previous survey round (9%). Finally, concerns about stigma effects, which in the previous survey round had been mentioned by 15% of the banks not participating in the first TLTRO in September 2014, were not mentioned as the reason for non-participation in the December or additional TLTROs.

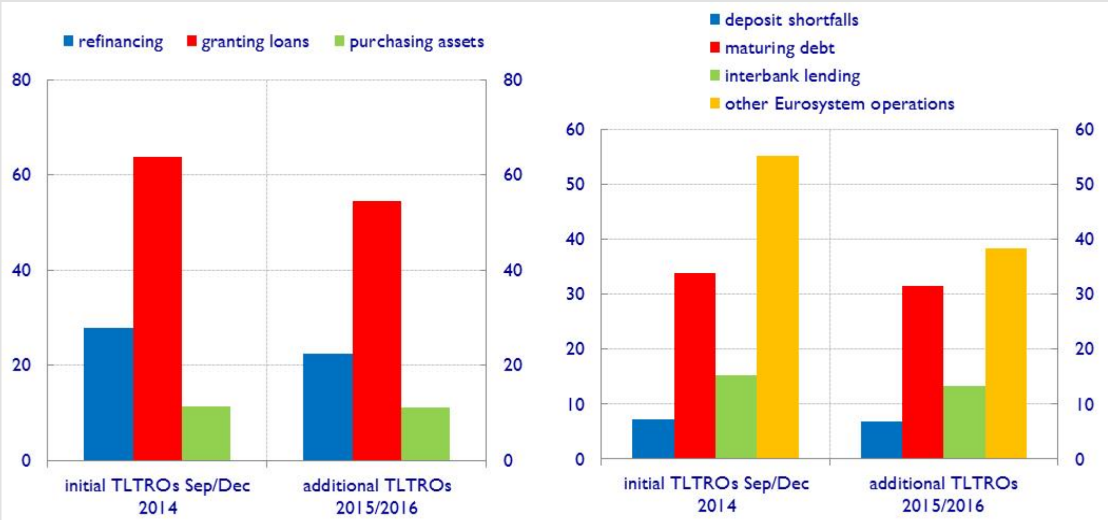
3.1.3.2 USE OF TLTRO FUNDS MAINLY FOR GRANTING LOANS AND SUBSTITUTION OF OTHER FUNDING SOURCES

Chart 14

USE OF FUNDS FROM INITIAL AND ADDITIONAL TLTROS

a) Use of funds
(average percentage of respondents per category)

b) Use of funds for refinancing by substitution of funding sources
(percentage of respondents answering TLTRO has contributed/will contribute considerably or somewhat to this purpose)

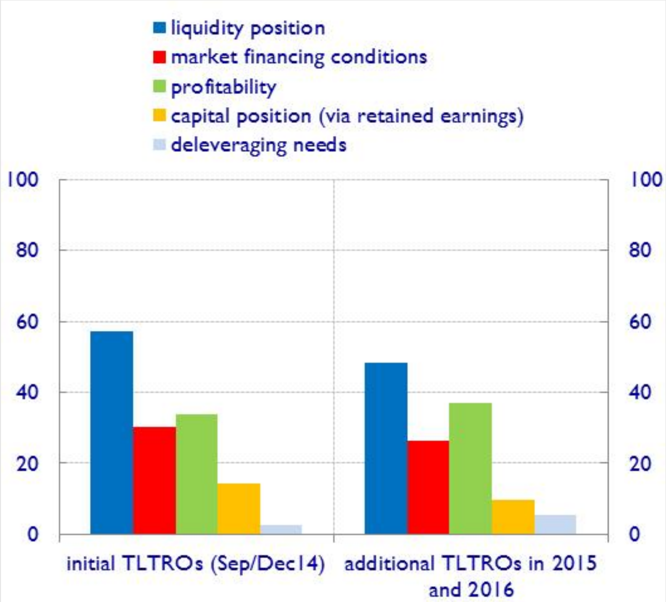


As regards the use of funds obtained from the initial and additional TLTROs, banks reported again that they would primarily use them for granting loans (see Chart 14a), in particular loans to enterprises and consumer credit and, to a lesser extent, for refinancing purposes, i.e. substituting them for other funding sources – predominantly other Eurosystem liquidity operations and maturing debt. The purchase of assets was again mentioned by a small minority of banks. Concerning the use of funds for refinancing purposes, banks again reported – both for the initial TLTROs and the additional TLTROs – a particular intention to use these funds for substitution of funds from other Eurosystem operations (including very long-term refinancing operations (VLTROs)) and for refinancing maturing debt (for the initial TLTROs 55% and 34% respectively, and for the additional TLTROs around 40% and 30% respectively, see Chart 14b). Around 15% of the banks indicated the substitution of interbank funding while the substitution of deposit shortfalls was mentioned by less than 10% of the banks.

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

Chart 15

CONTRIBUTION OF TLTROS TO IMPROVEMENTS IN BANKS' FINANCIAL SITUATION (percentage of respondents)



Concerning the contribution of the TLTROs to improving banks' financial situation, banks expect in particular an enhancement in their liquidity positions (57% and 48% for the additional TLTROs – see Chart 15) as well as an improvement in their profitability (around 35%) and their market refinancing conditions (around 30%). At the same time, an impact on banks' capital position via retained earnings was only acknowledged by less than 15% of the respondents. By contrast, a reduction in deleveraging needs on account of diminishing funding constraints was recognised by around 5% of the banks. Compared with their assessment in the previous survey round, more banks mentioned enhancements in their liquidity position and their profitability, whereas somewhat fewer banks mentioned improvements in market financing conditions, their capital position and deleveraging needs.

Turning to the impact on loan supply, banks expect the TLTROs to translate mainly into an easing of credit terms and conditions, particularly for loans to enterprises (see Chart 16) and to a lesser extent to households. As compared with the previous survey round, banks were more optimistic on the impact on terms and conditions for consumer credit, which exceeded the expected improvements for housing loans. At the same time, while banks expected only some improvement in overall credit standards, they were more positive than in the previous survey round where hardly any banks expected an easing impact.

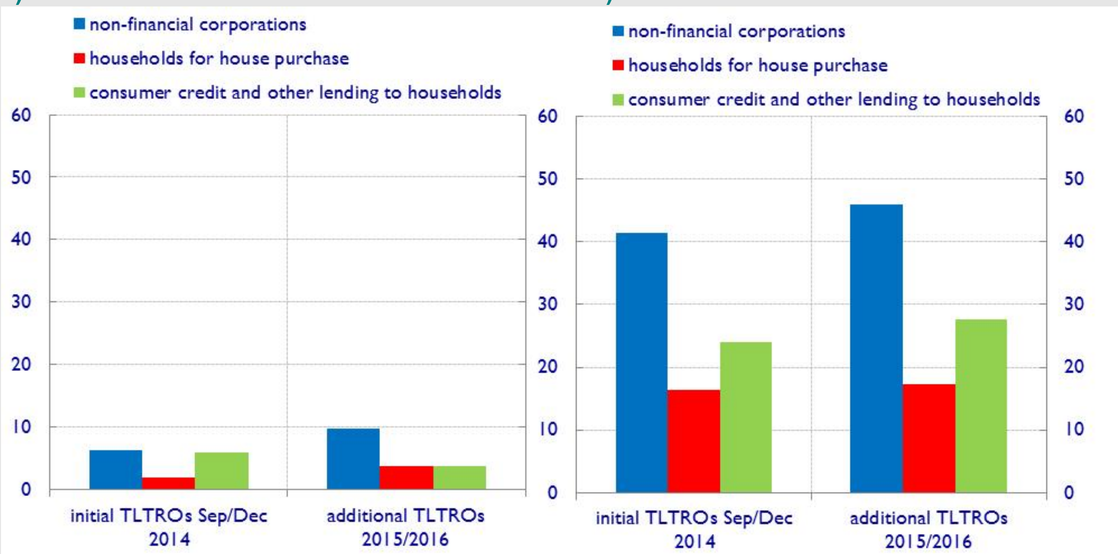
Chart 16

IMPACT OF TLTROS ON LENDING BEHAVIOUR

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

a) Credit standards

b) Terms and conditions



ANNEX 1: RESULTS FOR THE INDIVIDUAL QUESTIONS

I. LOANS OR CREDIT LINES TO ENTERPRISES

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

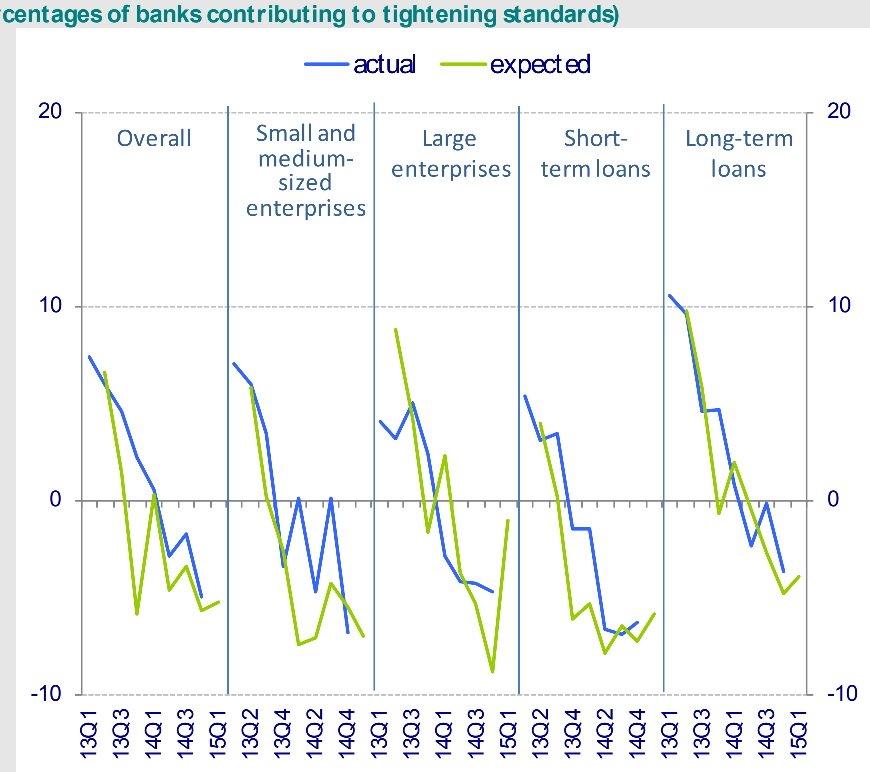
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Tightened considerably	0	0	0	0	0	1	0	0	0	1
Tightened somewhat	2	2	3	1	1	1	1	1	2	2
Remained basically unchanged	94	91	94	92	92	92	92	92	94	92
Eased somewhat	4	7	3	7	6	8	8	7	3	6
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*102*	*100*	*100*	*100*	*100*
Net percentage	***-2***	***-5***	***0***	***-7***	***-4***	***-5***	***-7***	***-6***	***0***	***-4***
Diffusion index	***-1***	***-2***	***0***	***-3***	***-2***	***-3***	***-3***	***-3***	***0***	***-2***
Mean	*3.02*	*3.05*	*3.00*	*3.07*	*3.04*	*3.04*	*3.07*	*3.06*	*3.00*	*3.03*
Number of banks responding	***131***	***131***	***127***	***127***	***127***	***127***	***131***	***131***	***131***	***131***

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

Chart 1

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

(net percentages of banks contributing to tightening standards)



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

OVERALL

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	1	95	4	0	0	1	-3	1	-1	2.98	3.03
Your bank's ability to access market financing	0	0	97	3	0	0	-4	-3	-2	-2	3.05	3.03
Your bank's liquidity position	0	1	90	10	0	0	-6	-9	-3	-5	3.06	3.09
B) Pressure from competition												
Competition from other banks	0	0	88	11	1	0	-10	-12	-5	-6	3.10	3.13
Competition from non-banks	0	0	96	3	1	0	-2	-3	-1	-2	3.02	3.04
Competition from market financing	0	0	95	5	1	0	-4	-5	-2	-3	3.04	3.06
C) Perception of risk												
Expectations regarding general economic activity	0	0	99	1	0	0	1	-1	0	0	2.99	3.01
Industry or firm-specific outlook	0	1	94	4	0	0	3	-3	2	-2	2.97	3.03
Risk on collateral demanded	0	3	97	1	0	0	1	2	1	1	2.99	2.98

SMALL AND MEDIUM-SIZED ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	0	93	4	0	0	-2	-4	-1	-2	3.01	3.04
Your bank's ability to access market financing	0	0	94	3	0	0	-5	-3	-3	-2	3.06	3.04
Your bank's liquidity position	0	1	88	8	0	0	-6	-8	-3	-4	3.07	3.08
B) Pressure from competition												
Competition from other banks	0	0	90	10	0	0	-10	-10	-5	-5	3.10	3.10
Competition from non-banks	0	0	100	0	0	0	-2	0	-1	0	3.02	2.99
Competition from market financing	0	0	100	0	0	3	-2	0	-1	0	3.02	3.00
C) Perception of risk												
Expectations regarding general economic activity	0	1	97	2	0	3	-1	-1	-1	-1	3.01	3.01
Industry or firm-specific outlook	0	2	94	4	0	3	4	-2	2	-1	2.96	3.02
Risk on collateral demanded	0	3	96	1	0	0	0	2	0	1	3.00	2.98

LARGE ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Cost of funds and balance sheet constraints												
Costs related to your bank's capital position	0	1	97	2	0	0	0	-1	0	0	3.00	3.01
Your bank's ability to access market financing	0	0	98	2	0	0	-4	-2	-2	-1	3.04	3.02
Your bank's liquidity position	0	0	91	9	0	0	-6	-9	-3	-4	3.06	3.09
B) Pressure from competition												
Competition from other banks	0	0	90	9	1	0	-7	-10	-4	-6	3.08	3.11
Competition from non-banks	0	0	98	1	1	0	-3	-2	-1	-1	3.03	3.02
Competition from market financing	0	0	94	5	1	0	-7	-6	-4	-4	3.08	3.07
C) Perception of risk												
Expectations regarding general economic activity	0	0	97	3	0	0	-1	-3	0	-1	3.01	3.03
Industry or firm-specific outlook	0	1	94	5	0	0	0	-4	0	-2	3.00	3.04
Risk on collateral demanded	0	3	97	1	0	0	1	2	0	1	2.99	2.98

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

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

Chart 2a

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

(net percentages of banks contributing to tightening standards)

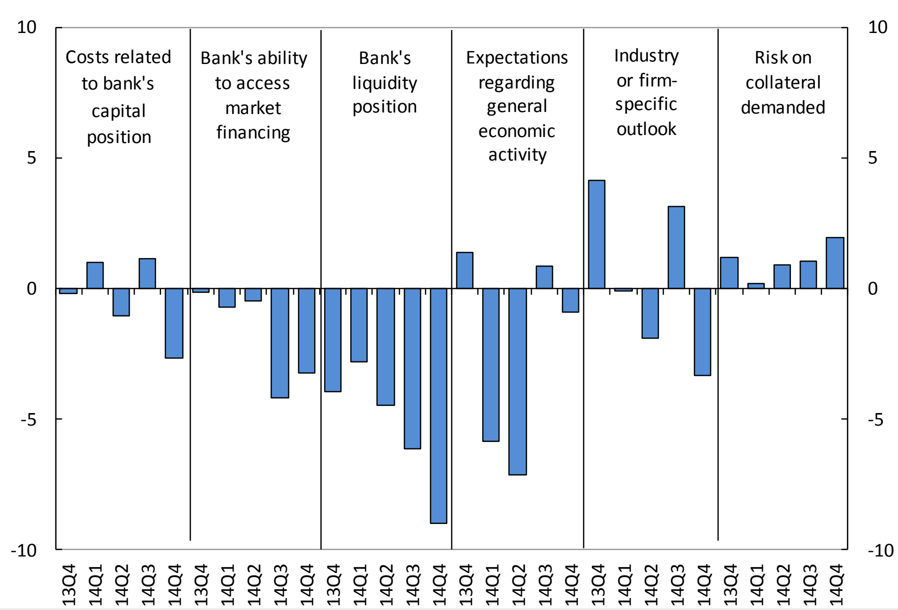
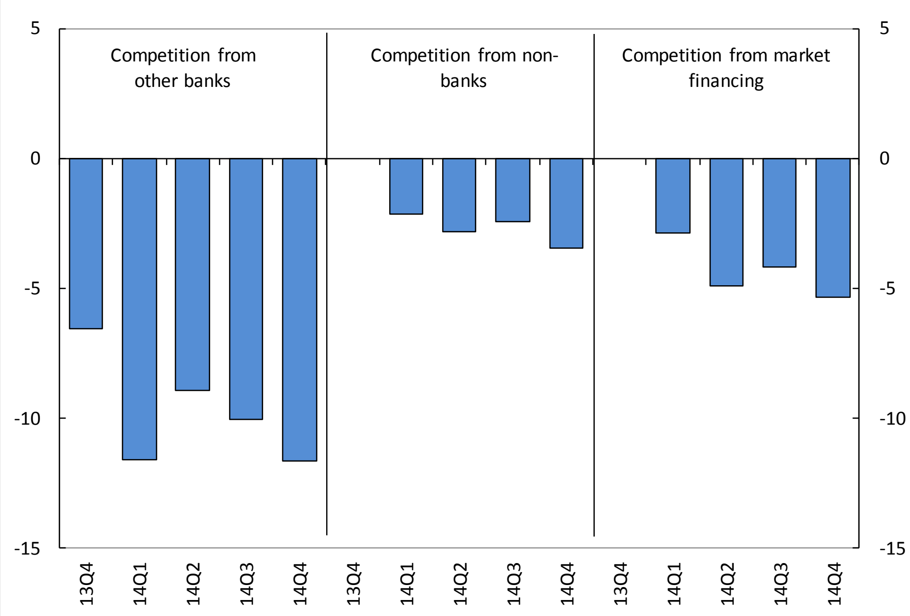


Chart 2b



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

OVERALL

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Price												
Your bank's margin on average loans	0	5	65	28	2	0	-22	-24	-12	-13	3.25	3.26
Your bank's margin on riskier loans	0	4	90	5	1	0	-2	-2	-2	-2	3.04	3.03
B) Other conditions and terms												
Non-interest rate charges	0	1	93	5	1	0	-5	-4	-3	-2	3.06	3.05
Size of the loan or credit line	0	1	90	9	0	0	-3	-8	-2	-4	3.04	3.08
Collateral requirements	0	1	97	3	0	0	-2	-2	-1	-1	3.03	3.02
Loan covenants	0	0	93	7	0	0	-5	-7	-3	-3	3.06	3.07
Maturity	0	2	91	7	0	0	-4	-5	-2	-3	3.04	3.05

SMALL AND MEDIUM-SIZED ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Price												
Your bank's margin on average loans	0	4	68	28	0	0	-16	-25	-9	-13	3.18	3.25
Your bank's margin on riskier loans	0	5	90	5	0	0	3	-1	1	-1	2.99	3.01
B) Other conditions and terms												
Non-interest rate charges	0	2	93	5	0	0	-4	-4	-2	-2	3.05	3.04
Size of the loan or credit line	0	0	91	9	0	0	-3	-9	-2	-5	3.04	3.09
Collateral requirements	0	1	97	2	0	0	-2	-2	-1	-1	3.03	3.02
Loan covenants	0	0	95	4	0	0	-3	-5	-2	-3	3.03	3.05
Maturity	0	2	92	6	0	0	-6	-4	-4	-2	3.07	3.05

LARGE ENTERPRISES

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Price												
Your bank's margin on average loans	0	6	65	27	2	0	-27	-23	-15	-12	3.30	3.24
Your bank's margin on riskier loans	0	5	90	4	1	0	-2	0	-2	0	3.04	3.01
B) Other conditions and terms												
Non-interest rate charges	0	2	92	5	1	0	-6	-5	-4	-3	3.08	3.06
Size of the loan or credit line	0	1	89	9	0	0	-8	-8	-4	-4	3.09	3.08
Collateral requirements	0	1	96	3	0	0	-5	-3	-3	-1	3.06	3.03
Loan covenants	0	0	92	7	1	0	-6	-8	-4	-4	3.08	3.09
Maturity	0	2	91	7	0	0	-9	-5	-4	-3	3.09	3.05

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

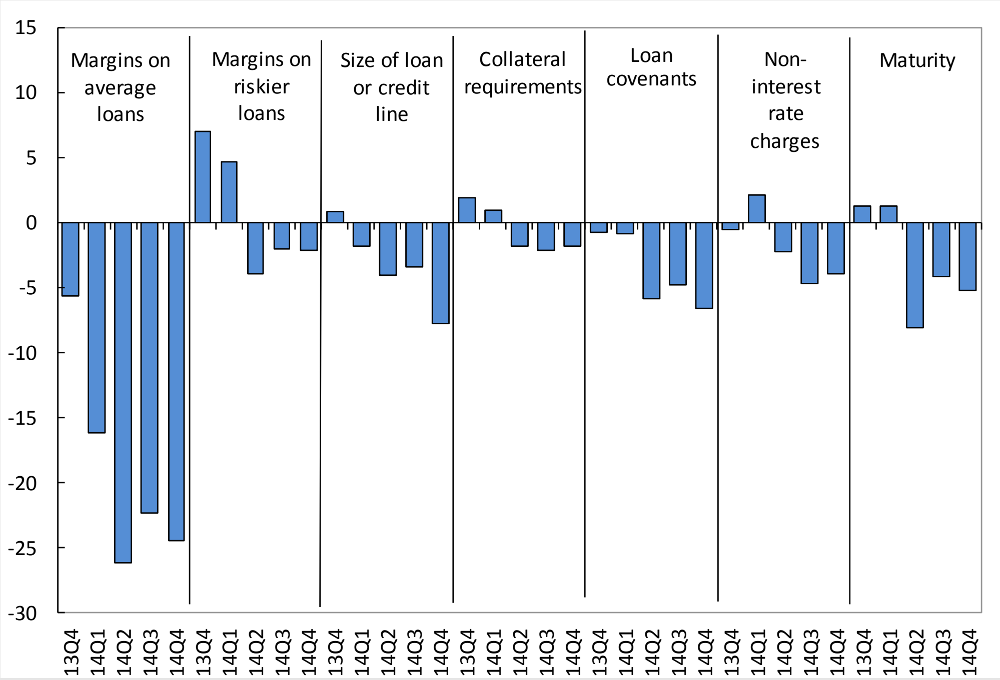
Notes: The net percentage is defined as the difference between the sum of banks responding "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing).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

Chart 3

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

(net percentages of banks reporting tightening terms and conditions)

OVERALL



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

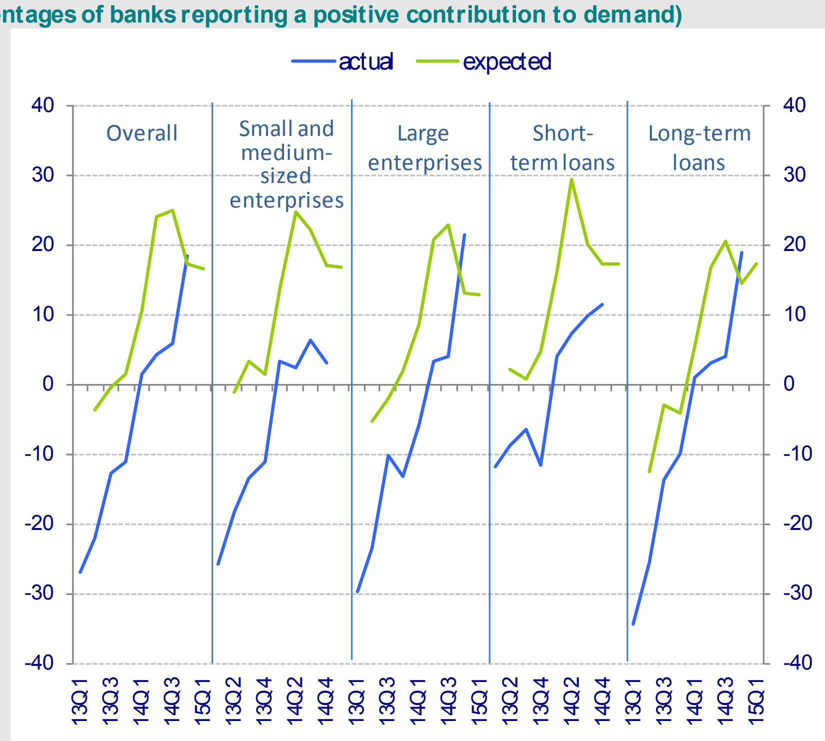
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Decreased considerably	0	1	0	0	0	1	2	1	0	1
Decreased somewhat	14	2	11	12	12	2	7	5	15	2
Remained basically unchanged	67	75	71	72	71	74	73	77	67	75
Increased somewhat	19	22	17	15	16	24	19	17	19	22
Increased considerably	0	0	0	1	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***6***	***18***	***6***	***3***	***4***	***21***	***10***	***11***	***4***	***19***
Diffusion index	***3***	***9***	***3***	***2***	***2***	***10***	***4***	***5***	***2***	***9***
Mean	*3.06*	*3.18*	*3.07*	*3.04*	*3.04*	*3.21*	*3.08*	*3.11*	*3.04*	*3.18*
Number of banks responding	***131***	***131***	***127***	***127***	***127***	***127***	***131***	***131***	***130***	***131***

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

Chart 4

CHANGES IN DEMAND FOR LOANS OR CREDIT LINES TO ENTERPRISES

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



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Financing needs												
Fixed investment	1	5	77	17	0	0	-6	11	-3	5	2.93	3.10
Inventories and working capital	1	8	74	17	0	0	10	9	5	4	3.11	3.08
Mergers/acquisitions and corporate restructuring	0	1	86	12	0	0	15	11	7	5	3.15	3.11
Debt restructuring	0	1	83	16	0	0	13	14	7	7	3.13	3.14
B) Use of alternative finance												
Internal financing	1	5	92	3	0	0	0	-4	0	-2	3.00	2.96
Loans from other banks	0	2	92	5	0	0	-5	4	-2	2	2.95	3.04
Loans from non-banks	0	3	94	2	0	2	-2	-1	-1	-1	2.98	2.99
Issuance of debt securities	0	7	87	4	0	2	-7	-3	-3	-1	2.93	2.97
Issuance of equity	0	0	97	1	0	2	1	1	1	1	3.01	3.01

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

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

Chart 5a

FACTORS AFFECTING DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

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

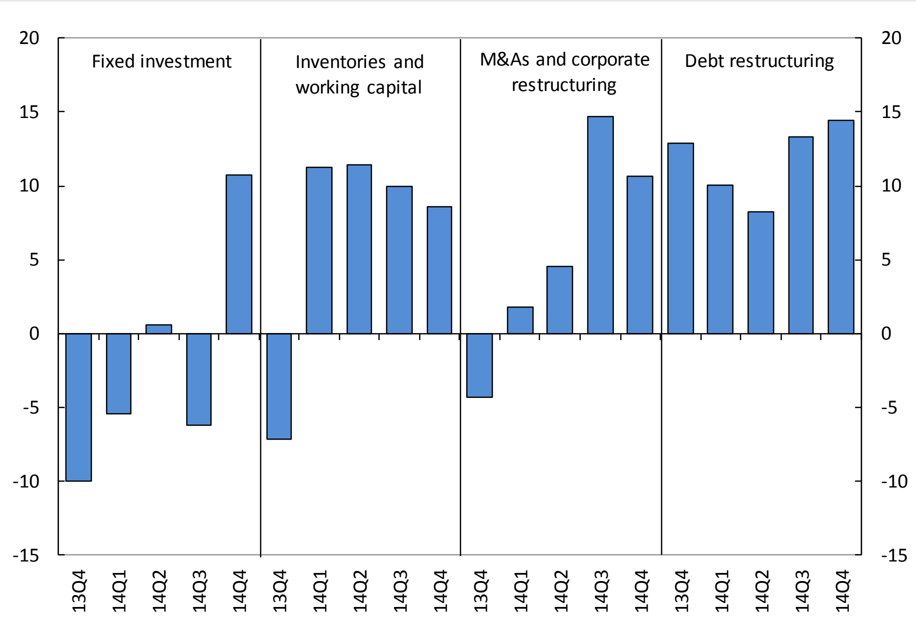
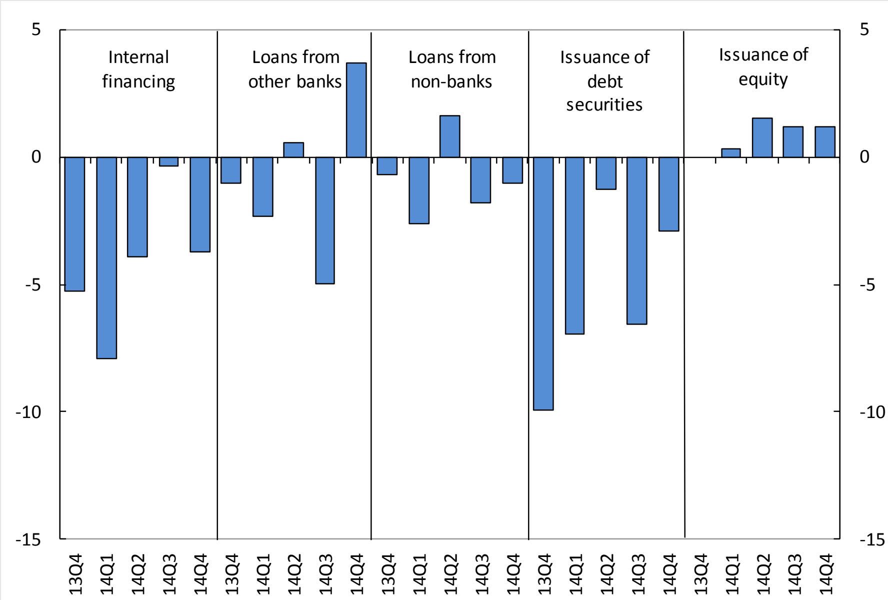


Chart 5b

FACTORS AFFECTING DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

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



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

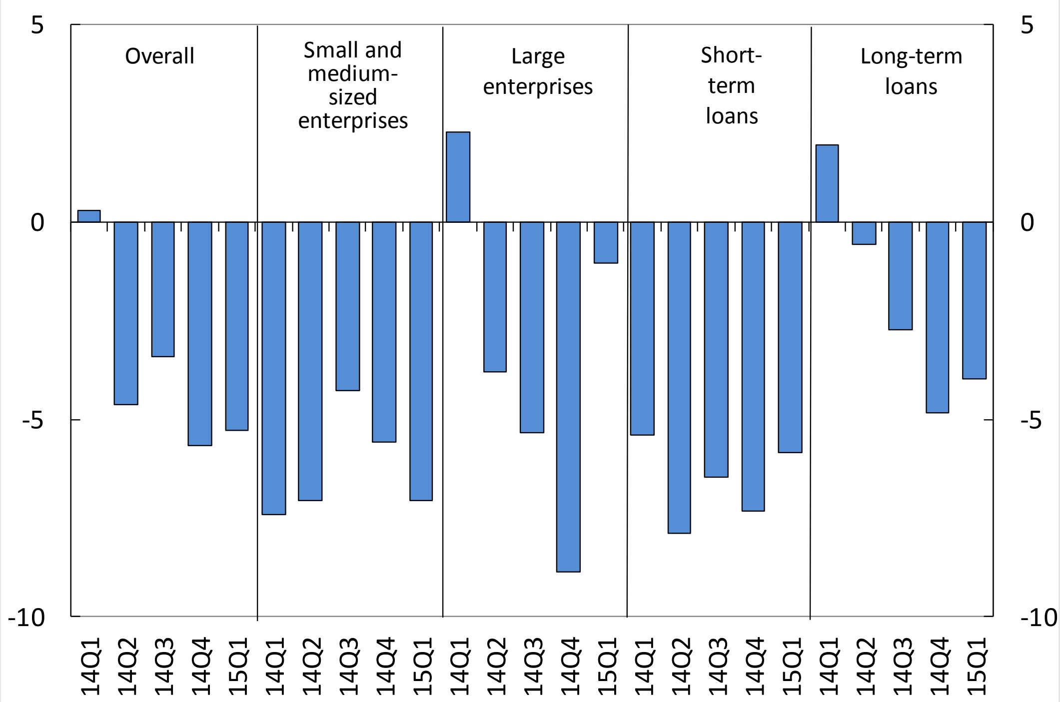
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	2	2	1	1	2	4	1	1	3	3
Remain basically unchanged	89	90	92	91	88	92	90	92	89	90
Ease somewhat	8	7	7	8	11	5	9	7	8	7
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***-6***	***-5***	***-6***	***-7***	***-9***	***-1***	***-7***	***-6***	***-5***	***-4***
Diffusion index	***-3***	***-3***	***-3***	***-4***	***-4***	***-1***	***-4***	***-3***	***-2***	***-2***
Mean	*3.06*	*3.05*	*3.06*	*3.07*	*3.09*	*3.01*	*3.07*	*3.06*	*3.05*	*3.04*
Number of banks responding	***131***	***131***	***127***	***125***	***127***	***127***	***131***	***131***	***131***	***131***

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

Chart 6

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

(net percentages of banks contributing to tightening standards)



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

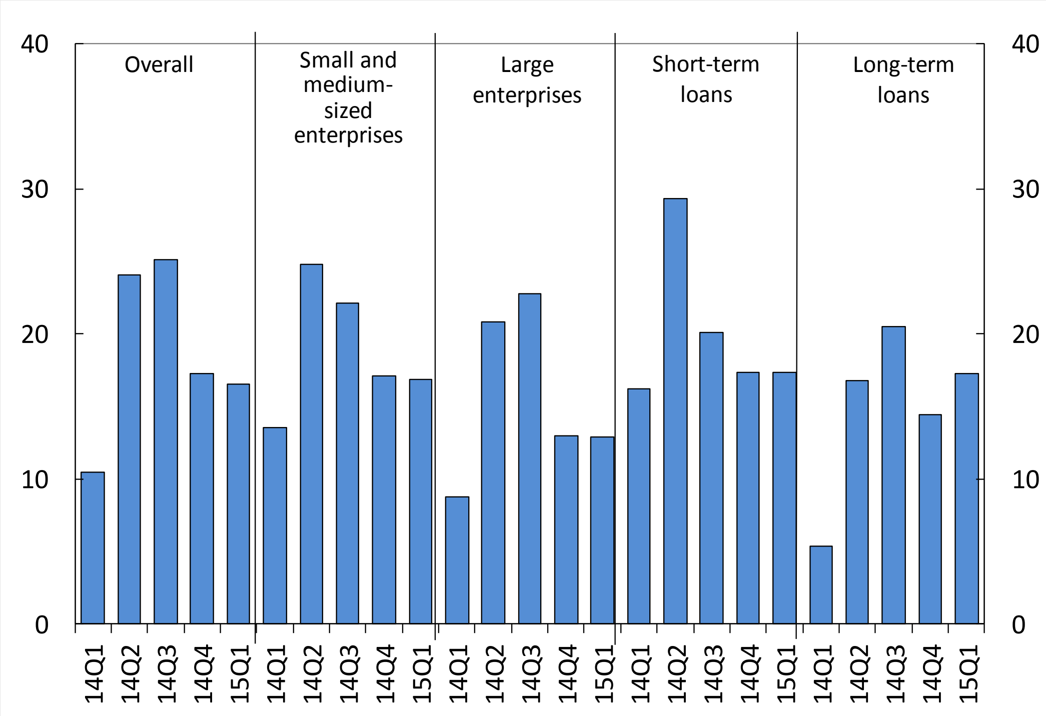
	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
Decrease considerably	1	0	1	0	1	0	1	1	1	0
Decrease somewhat	4	5	6	4	5	4	3	2	4	4
Remain basically unchanged	73	73	69	75	76	78	75	78	75	74
Increase somewhat	22	22	24	20	18	17	21	20	19	21
Increase considerably	0	0	0	1	0	0	0	0	0	1
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Net percentage	***17***	***17***	***17***	***17***	***13***	***13***	***17***	***17***	***14***	***17***
Diffusion index	***8***	***8***	***8***	***9***	***6***	***7***	***8***	***8***	***7***	***9***
Mean	*3.17*	*3.17*	*3.17*	*3.17*	*3.12*	*3.13*	*3.17*	*3.17*	*3.14*	*3.18*
Number of banks responding	***131***	***130***	***127***	***127***	***127***	***127***	***131***	***131***	***131***	***130***

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

Chart 7

EXPECTED DEMAND FOR LOANS AND CREDIT LINES TO ENTERPRISES

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



II. LOANS TO HOUSEHOLDS

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

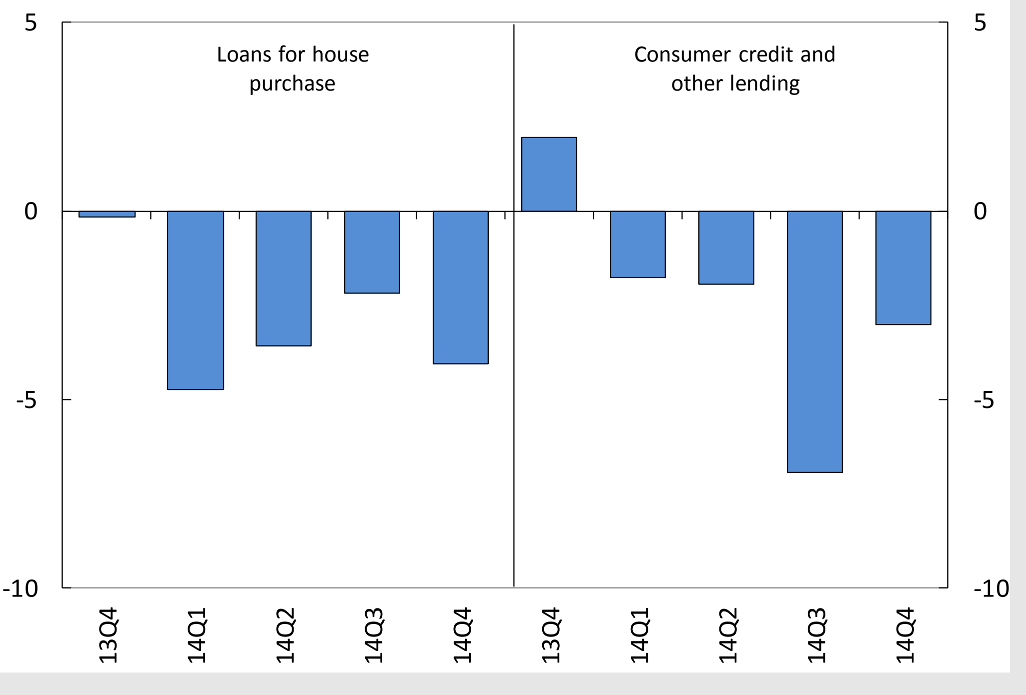
	Loans for house purchase		Consumer credit and other lending	
	Oct 14	Jan 15	Oct 14	Jan 15
Tightened considerably	0	0	0	0
Tightened somewhat	2	1	1	0
Remained basically unchanged	94	94	92	96
Eased somewhat	4	5	8	3
Eased considerably	0	0	0	0
Total	*100*	*100*	*100*	*100*
Net percentage	***-2***	***-4***	***-7***	***-3***
Diffusion index	***-1***	***-2***	***-3***	***-2***
Mean	*3.02*	*3.04*	*3.07*	*3.03*
Number of banks responding	***126***	***126***	***127***	***127***

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

Chart 8

CREDIT STANDARDS APPLIED TO THE APPROVAL OF LOANS TO HOUSEHOLDS

(net percentages of banks reporting tightening credit standards)



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Cost of funds and balance sheet constraints	0	2	97	1	0	0	-1	1	0	0	3.01	2.99
B) Pressure from competition												
Competition from other banks	0	0	90	10	0	0	-9	-9	-5	-5	3.09	3.09
Competition from non-banks	0	0	97	2	0	0	0	-1	0	-1	3.00	3.01
C) Perception of risk												
Expectations regarding general economic activity	0	2	97	0	0	0	1	2	1	1	2.99	2.98
Housing market prospects	0	4	96	0	0	0	3	4	2	2	2.97	2.96

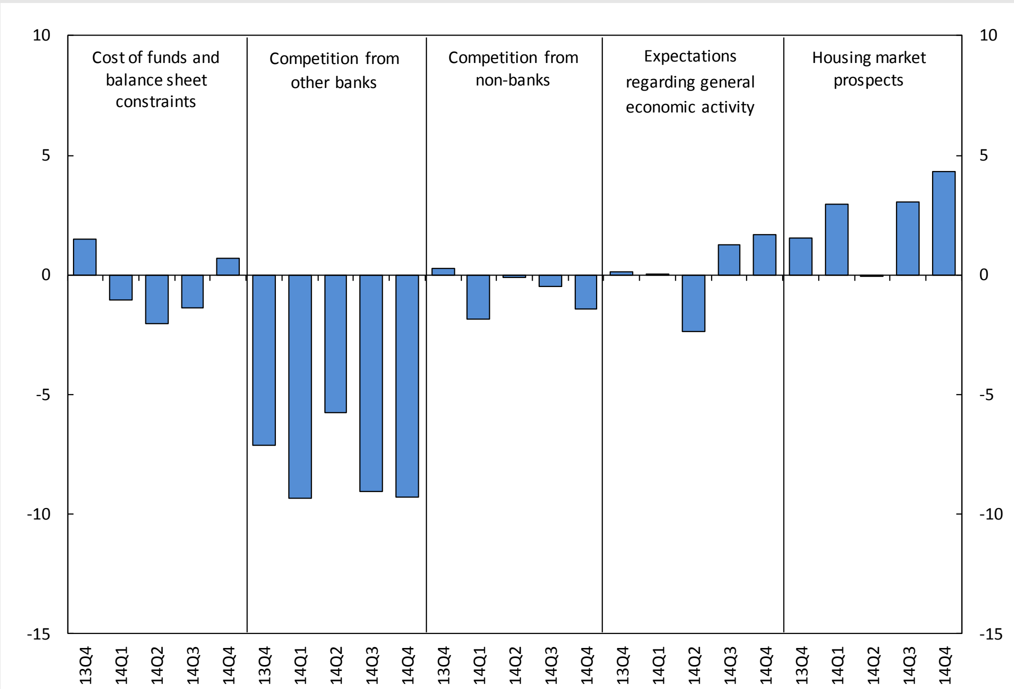
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 9

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

(net percentages of banks contributing to tightening credit standards)



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Price												
Your bank's margin on average loans	0	2	69	29	0	0	-30	-27	-14	-14	3.29	3.27
Your bank's margin on riskier loans	0	2	95	3	0	0	2	-2	1	-1	2.97	3.02
B) Other conditions and terms												
Collateral requirements	0	0	100	0	0	0	1	0	0	0	2.99	3.00
Loan-to-value ratio	0	2	97	1	0	0	-1	1	0	1	3.01	2.99
Maturity	0	2	94	4	0	0	-2	-1	-1	-1	3.02	3.01
Non-interest rate charges	0	0	100	0	0	0	0	0	0	0	3.00	3.00

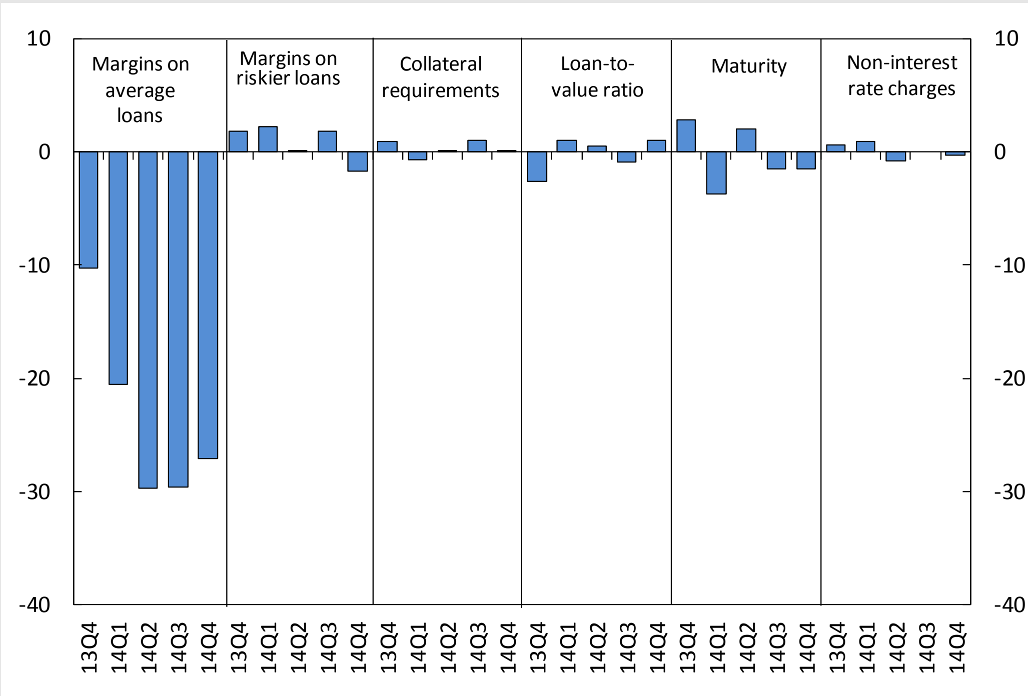
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 10

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

(net percentages of banks reporting tightening terms and conditions)



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Cost of funds and balance sheet constraints	0	1	98	2	0	0	-5	-1	-3	-1	3.05	3.01
B) Pressure from competition												
Competition from other banks	0	0	94	6	0	0	-4	-6	-2	-3	3.04	3.06
Competition from non-banks	0	0	99	1	0	0	-1	-1	-1	0	3.01	3.00
C) Perception of risk												
Expectations regarding general economic activity	0	1	97	2	0	0	1	-2	0	-1	2.99	3.02
Creditworthiness of consumers	0	1	97	2	0	0	1	-1	0	-1	2.99	3.01
Risk on collateral demanded	0	0	100	0	0	0	1	0	0	0	2.99	3.00

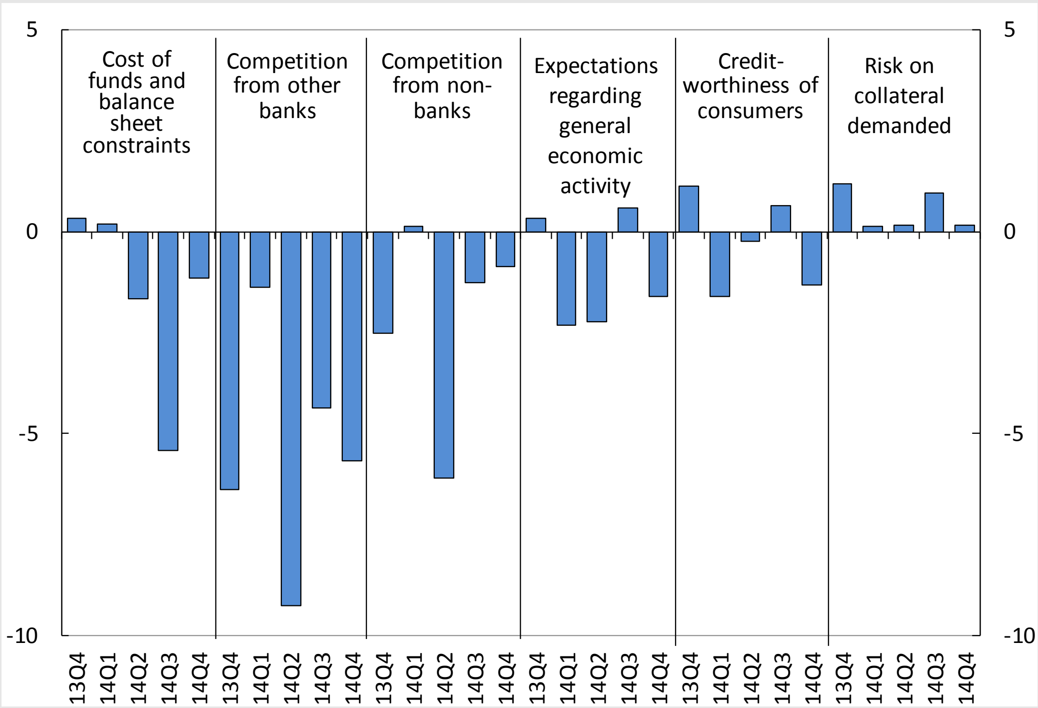
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 11

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

(net percentages of banks contributing to tightening credit standards)



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Price												
Your bank's margin on average loans	0	4	80	16	0	0	-8	-13	-4	-6	3.08	3.13
Your bank's margin on riskier loans	0	3	91	6	0	0	-1	-3	-1	-2	3.01	3.03
B) Other conditions and terms												
Collateral requirements	0	0	98	2	0	0	0	-2	0	-1	3.00	3.02
Maturity	0	2	98	0	0	0	0	2	0	1	3.00	2.98
Non-interest rate charges	0	0	100	0	0	0	0	0	0	0	3.00	3.00

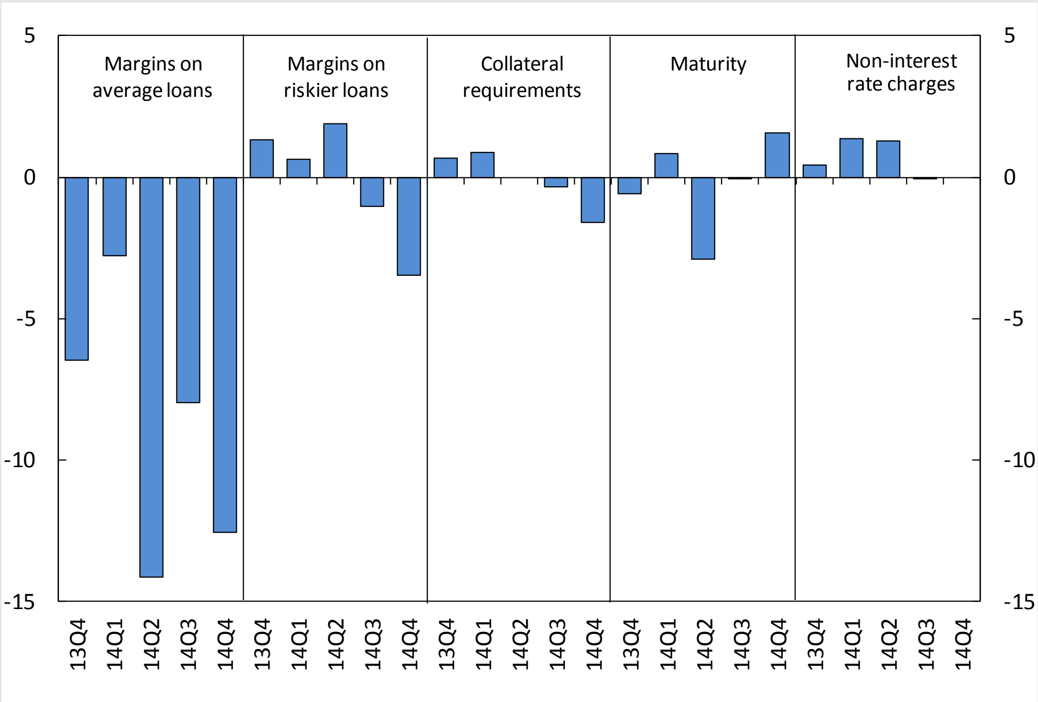
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 12

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

(net percentages of banks reporting tightening terms and conditions)



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

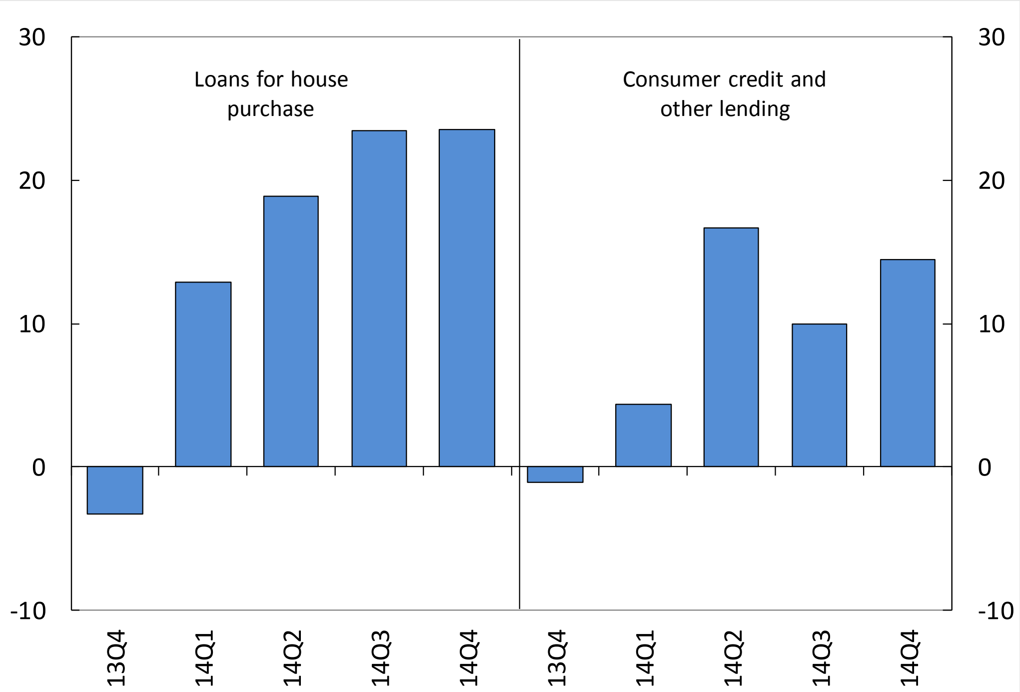
	Loans for house purchase		Consumer credit and other lending	
	Oct 14	Jan 15	Oct 14	Jan 15
Decreased considerably	1	0	0	0
Decreased somewhat	8	3	7	3
Remained basically unchanged	58	70	75	80
Increased somewhat	31	25	17	15
Increased considerably	2	2	0	2
Total	*100*	*100*	*100*	*100*
Net percentage	***23***	***24***	***10***	***15***
Diffusion index	***12***	***13***	***5***	***8***
Mean	*3.24*	*3.25*	*3.10*	*3.17*
Number of banks responding	***126***	***126***	***128***	***128***

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

Chart 13

DEMAND FOR LOANS TO HOUSEHOLDS

(net percentages of banks reporting positive loan demand)



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Financing needs												
Housing market prospects	0	1	73	26	0	0	22	25	11	13	3.22	3.25
Consumer confidence	0	3	83	14	0	0	11	11	7	6	3.13	3.11
Non-housing-related consumption expenditure	0	2	95	3	0	0	-1	1	-1	0	2.99	3.01
B) Use of alternative finance												
Household savings	0	5	93	2	0	0	-6	-3	-2	-1	2.95	2.97
Loans from other banks	0	5	95	0	0	0	-7	-4	-3	-2	2.93	2.96
Other sources of finance	0	1	97	2	0	0	-1	0	0	0	2.99	3.00

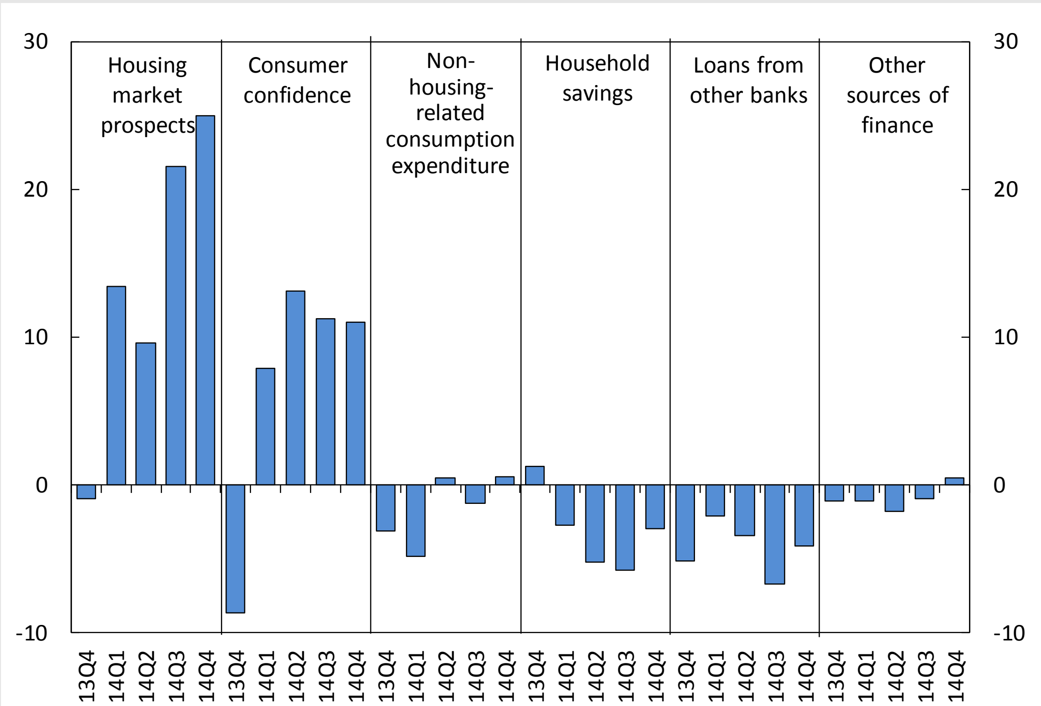
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 14

FACTORS AFFECTING DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

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



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

	--	-	°	+	++	NA	NetP		DI		Mean	
							Oct 14	Jan 15	Oct 14	Jan 15	Oct 14	Jan 15
A) Financing needs												
Spending on durable consumer goods	0	4	73	19	4	0	5	18	3	11	3.07	3.22
Consumer confidence	0	1	86	13	0	0	4	11	2	6	3.04	3.11
Securities purchases	0	0	99	0	0	0	0	0	0	0	2.99	3.00
B) Use of alternative finance												
Household savings	0	4	95	1	0	0	-7	-3	-3	-1	2.93	2.97
Loans from other banks	0	3	95	2	0	0	-4	-1	-2	0	2.96	2.99
Other sources of finance	0	0	99	0	0	0	0	0	0	0	3.00	3.00

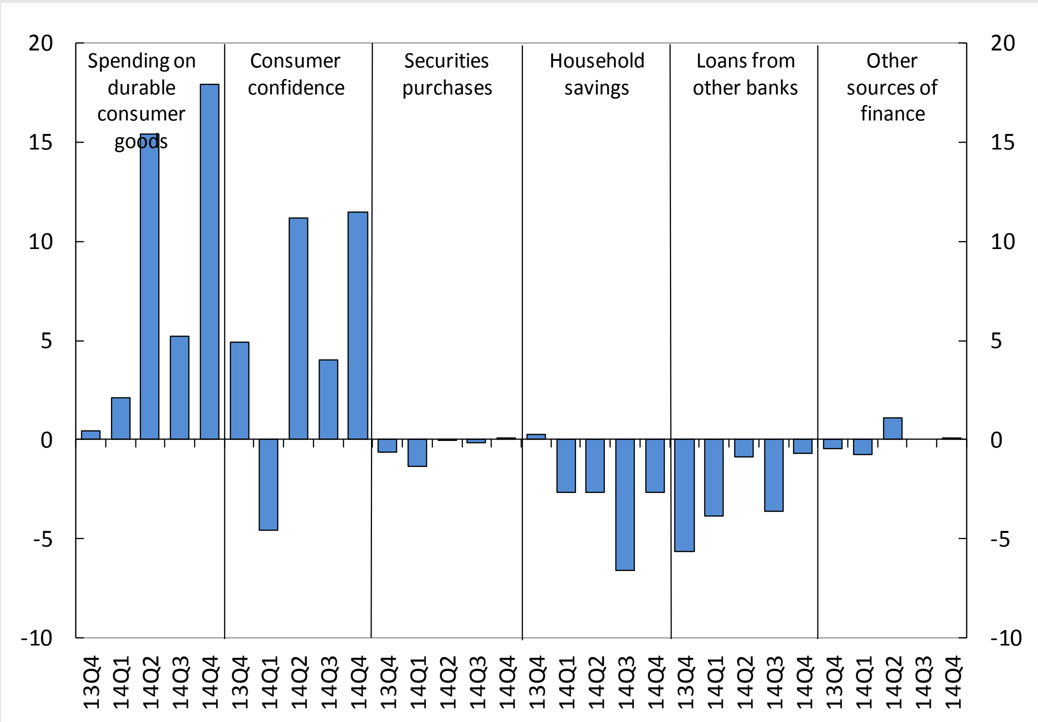
NA = not available; NetP = net percentage; DI = diffusion index.

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

Chart 15

FACTORS AFFECTING DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

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



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

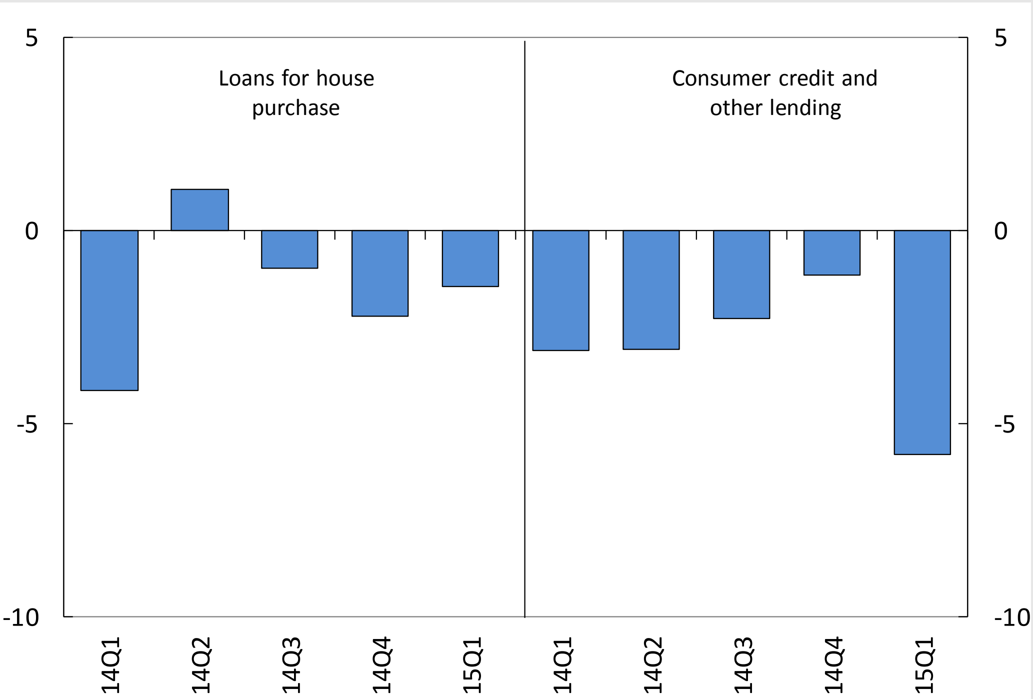
	Loans for house purchase		Consumer credit and other lending	
	Oct 14	Jan 15	Oct 14	Jan 15
Tighten considerably	0	0	0	0
Tighten somewhat	2	5	1	1
Remain basically unchanged	94	88	98	92
Ease somewhat	4	7	2	7
Ease considerably	0	0	0	0
Total	*100*	*100*	*100*	*100*
Net percentage	***-2***	***-1***	***-1***	***-6***
Diffusion index	***-1***	***-1***	***-1***	***-3***
Mean	*3.02*	*3.01*	*3.01*	*3.06*
Number of banks responding	***125***	***125***	***126***	***126***

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

Chart 16

EXPECTED CREDIT STANDARDS FOR LOANS TO HOUSEHOLDS

(net percentages of banks expecting tightening credit standards)



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

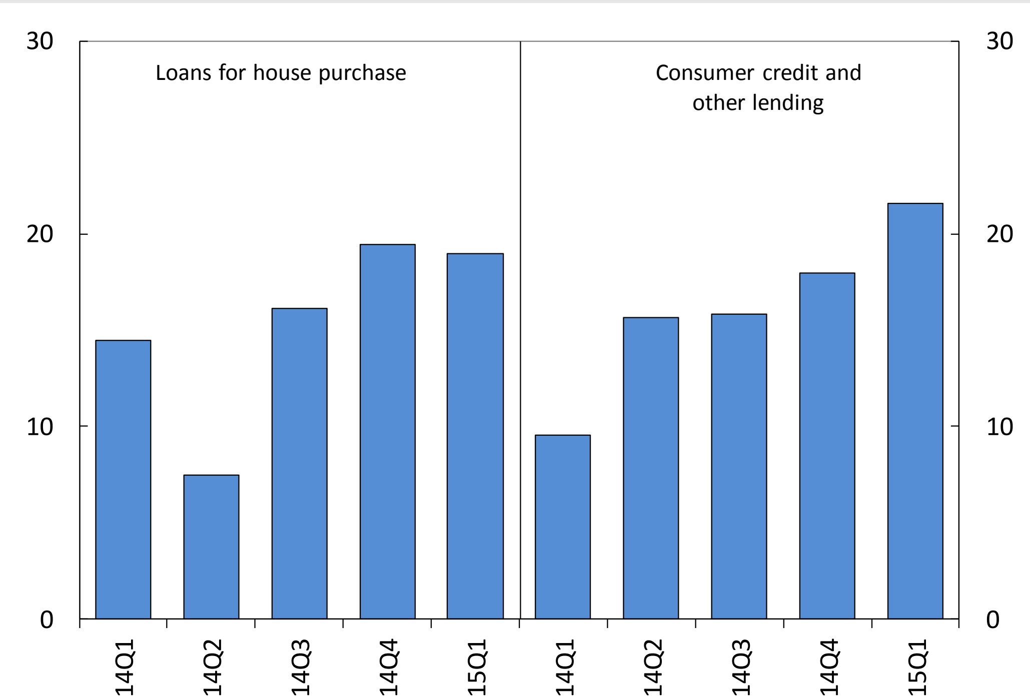
	Loans for house purchase		Consumer credit and other lending	
	Oct 14	Jan 15	Oct 14	Jan 15
Decrease considerably	0	1	0	0
Decrease somewhat	4	2	1	1
Remain basically unchanged	73	75	79	76
Increase somewhat	22	22	19	21
Increase considerably	1	0	0	1
Total	*100*	*100*	*100*	*100*
Net percentage	***19***	***19***	***18***	***22***
Diffusion index	***10***	***9***	***9***	***11***
Mean	*3.21*	*3.18*	*3.18*	*3.23*
Number of banks responding	***125***	***125***	***127***	***127***

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

Chart 17

EXPECTED DEMAND FOR LOANS TO HOUSEHOLDS

(net percentages of banks expecting positive loan demand)



ANNEX 2: RESULTS FOR THE AD HOC QUESTIONS

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

	Over the past three months								Over the next three months								N/A(2)
	--	-	o	+	+ +	NetP	Mean	Standard deviation	--	-	o	+	+ +	NetP	Mean	Standard deviation	
A) Retail funding																	
Short-term deposits (up to one year)	0	6	75	17	2	-13	3.15	0.57	0	7	81	12	0	-5	3.06	0.46	11
Long-term (more than one year) deposits and other retail funding instruments	0	12	75	12	0	0	2.99	0.55	0	9	85	6	0	3	3.02	0.35	11
B) Inter-bank unsecured money market																	
Very short-term money market (up to one week)	0	5	83	11	0	-6	3.05	0.48	0	5	79	16	0	-11	3.13	0.40	12
Short-term money market (more than one week)	0	5	82	12	0	-7	3.11	0.45	0	6	79	15	0	-10	3.12	0.40	13
C) Wholesale debt securities(3)																	
Short-term debt securities (e.g. certificates of deposit or commercial paper)	0	7	78	15	0	-7	3.10	0.39	0	8	80	12	0	-4	3.10	0.40	23
Medium to long-term debt securities (incl. covered bonds)	1	4	66	24	5	-24	3.26	0.66	0	8	75	18	0	-10	3.13	0.54	20
D) Securitisation(4)																	
Securitisation of corporate loans	1	0	84	15	0	-14	3.13	0.53	1	1	88	11	0	-10	3.05	0.46	58
Securitisation of loans for house purchase	1	0	81	17	0	-16	3.15	0.57	1	1	87	12	0	-10	3.09	0.49	58
E) Ability to transfer credit risk off balance sheet(5)	0	2	83	15	0	-14	3.08	0.51	0	2	86	12	0	-10	3.06	0.43	59

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

Notes: "- -" = deteriorated considerably/will deteriorate considerably; "-" = deteriorated somewhat/will deteriorate somewhat; "o"= remained unchanged/will remain unchanged; "+" = eased somewhat/will ease somewhat; "++" = eased considerably/will ease considerably. The mean and standard deviation are calculated by attributing the values 1 to 5 to the first possible answer and consequently for the others. Figures may not exactly sum up due to rounding.

ii. In connection with the new regulatory or supervisory actions (*), has your bank: increased/decreased total assets; increased/decreased risk-weighted assets; increased/decreased its capital position, experienced an easing/tightening of its funding conditions over the past six months, and/or does it intend to do so over the next 6 months?

	Over the past six months								
	--	-	o	+	+ +	NA	NetP	Mean	Standard deviation
Total assets	0	11	63	9	0	17	-3	3.0	0.52
Of which: Liquid assets[1)]	1	8	71	7	1	13	0	3.0	0.51
Risk-weighted assets	3	16	56	11	0	15	-8	2.9	0.68
Of which: Average loans	0	14	53	18	0	14	4	3.1	0.64
Riskier loans	2	15	62	9	0	12	-8	2.9	0.59
Capital	0	4	56	19	4	16	20	3.3	0.67
Of which: Retained earnings	0	4	64	14	0	17	10	3.1	0.48
Capital issuance[2)]	0	3	64	7	4	21	8	3.1	0.57
Impact on your bank's funding conditions	0	3	74	9	0	14	-6	3.0	0.44

	Over the next six months								
	--	-	o	+	+ +	NA	NetP	Mean	Standard deviation
Total assets	0	5	64	13	0	17	8	3.1	0.50
Of which: Liquid assets[1)]	0	6	68	12	1	13	7	3.1	0.49
Risk-weighted assets	1	10	57	17	0	15	6	3.1	0.61
Of which: Average loans	2	7	72	9	0	10	0	2.9	0.65
Riskier loans	6	14	73	0	0	7	-20	2.7	0.66
Capital	0	4	54	29	2	11	27	3.3	0.60
Of which: Retained earnings	0	1	58	28	0	12	28	3.3	0.51
Capital issuance[1)]	0	8	63	11	2	15	5	3.1	0.53
Impact on your bank's funding conditions	0	2	82	8	0	9	-6	3.0	0.29

(*) Please consider the regulatory requirements set out in the CRR/CRD IV, as adopted by the European Parliament in April 2013, which can be found at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0114+0+DOC+XML+V0//EN and http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0115+0+DOC+XML+V0//EN&language=EN, as well as the requirements that have resulted from the comprehensive assessment conducted by the ECB and the participating national competent authorities in accordance with the provisions of the Regulation on the single supervisory mechanism, or those resulting from any other specific regulatory or supervisory actions that have recently been approved/implemented or that are expected to be approved/implemented in the near future.

1) Liquid assets should be defined as freely transferable assets that can be converted quickly into cash in private markets within a short time frame and without significant loss in value, in line with the European Commission Delegated Act of 10.10.2014 to supplement Regulation (EU) 575/2013 with regard to liquidity coverage requirement for Credit Institutions (C (2014) 7232 final).
2) Capital issuance includes the issuance of shares and hybrid instruments, as well as capital injections by, inter alia, national or supra-national public authorities.

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

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

a) Credit standards

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
Over the past six months	--	0	0	0	0
	-	3	2	9	0
	=	92	95	86	92
	+	4	3	4	8
	+ +	0	0	1	0
	Net Percentage	-1	0	4	-8
	Mean	3.08	2.99	2.97	3.07
	Standard deviation	0.38	0.28	0.41	0.26
Over the next six months	--	0	0	0	0
	-	3	4	11	2
	=	92	94	86	87
	+	5	2	3	11
	+ +	0	1	0	0
	Net Percentage	-2	1	8	-10
	Mean	3.02	3.00	3.00	3.02
	Standard deviation	0.31	0.31	0.27	0.24

b) Credit margins

		Loans and credit lines to enterprises		Loans to households	
		Small and medium-sized enterprises	Large enterprises	For house purchase	Consumer credit and other lending
Over the past six months	--	0	0	0	0
	-	2	4	3	1
	=	89	92	87	98
	+	9	5	9	1
	+ +	0	0	1	0
	Net Percentage	-7	-1	-7	0
	Mean	3.07	3.01	3.01	3.07
	Standard deviation	0.34	0.31	0.48	0.29
Over the next six months	--	0	0	0	0
	-	2	3	4	2
	=	83	94	86	88
	+	15	3	9	10
	+ +	0	0	1	0
	Net Percentage	-13	0	-6	-8
	Mean	3.06	3.00	3.07	3.00
	Standard deviation	0.32	0.26	0.42	0.22

(*) Please consider the regulatory requirements set out in the CRR/CRD IV, as adopted by the European Parliament in April 2013, which can be found at http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0114+0+DOC+XML+V0//EN and http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0115+0+DOC+XML+V0//EN&language=EN, as well as the requirements that have resulted from the comprehensive assessment conducted by the ECB and the participating national competent authorities in accordance with the provisions of the Regulation on the single supervisory mechanism, or those resulting from any other specific regulatory or supervisory actions that have recently been approved/implemented or that are expected to be approved/implemented in the near future.

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

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

PARTICIPATION

	Yes	No	Currently undecided about participation
In the initial TLTRO of December 2014	56	44	
In the additional TLTROS in 2015 and 2016	22	17	61

REASONS

Please choose the category which applies most:

If your bank participated, intends to participate:

	Attractive TLTRO conditions (profitability motive)	Precautionary motive (to reduce current and/or prevent future funding difficulties)	To enhance the fulfilment of regulatory liquidity requirements[1)]	Reduction of uncertainty regarding the fulfillment of regulatory requirements[2)]
In the initial TLTRO of December 2014	57	14	27	2
In the additional TLTROS in 2015 and 2016	71	13	15	2

Please choose the category which applies most:

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

	No funding constraints	Concerns about insufficient loan demand[3)]	Capital constraints	Collateral constraints	Concerns about market stigma	Cost of holding liquidity due to negative ECB deposit facility rate	Funding sought via ABSPP and/or CBPP3
In the initial TLTRO of December 2014	90	3	0	5	0	2	0
In the additional TLTROs in 2015 and 2016	85	6	0	5	2	2	0

1) The long-term TLTRO funds may enhance the fulfilment of the net stable funding ratio.
2) Following the Comprehensive Assessment
3) This includes concerns about the fulfilment of the required TLTRO net lending benchmark.

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

	Initial TLTROs September and December 2014				Additional TLTROs in 2015 and 2016			
	Has contributed or will contribute considerably to this purpose	Has contributed or will contribute somewhat to this purpose	Has had or will basically have no impact	N/A 1)	Will or would contribute considerably to this purpose	Will or would contribute somewhat to this purpose	Will or would basically have no impact	N/A 2)
For refinancing:								
For substituting deposit shortfalls	1	6	93	44	1	6	93	37
For substituting maturing debt	4	30	66	41	1	31	69	36
For substituting interbank lending	2	13	85	41	1	12	87	37
For substituting other Eurosystem liquidity operations 3)	24	32	45	35	17	21	62	32
For granting loans:								
Loans to non-financial corporations	12	78	11	32	27	52	21	29
Loans to households for house purchase	0	38	61	36	0	29	71	33
Consumer credit and other lending to households	9	55	37	32	17	38	45	31
For purchasing assets:								
Domestic sovereign bonds	0	10	90	39	1	6	92	34
Other financial assets 4)	0	13	87	38	1	13	85	35

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

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

FINANCIAL SITUATION OF YOUR BANK

	Initial TLTROs September and December 2014				Additional TLTROs in 2015 and 2016			
	Has improved or will improve considerably	Has improved or will improve somewhat	Has had or will have basically no impact	N/A 1)	Will or would improve considerably	Will or would improve somewhat	Will or would basically have no impact	N/A 2)
Your liquidity position	10	48	43	30	5	43	52	27
Your market financing conditions	4	26	70	30	3	24	74	27
Your ability to improve your profitability	1	33	66	30	1	36	63	27
Your ability to improve your capital position (via retained earnings)	0	14	86	31	0	10	90	27
	Has decreased or will decrease considerably	Has decreased or will decrease somewhat	Has had or will have basically no impact	N/A 1)	Will or would decrease considerably	Will or would decrease somewhat	Will or would basically have no impact	N/A 2)
Your need to deleverage 3)	0	3	97	34	2	3	94	29

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

	Initial TLTROs September and December 2014				Additional TLTROs in 2015 and 2016			
	Has contributed or will contribute considerably to easing credit standards / terms and conditions	Has contributed or will contribute somewhat to easing credit standards / terms and conditions	Has had or will have basically no impact on credit standards / terms and conditions	N/A 1)	Will or would contribute considerably to easing credit standards / terms and conditions	Will or would contribute somewhat to easing credit standards / terms and conditions	Will or would have basically no impact on credit standards / terms and conditions	N/A 2)
Credit standards:								
On loans to enterprises	0	6	94	30	0	9	90	28
On loans to households for house purchase	0	2	98	33	0	4	96	31
On consumer credit and other lending to households	0	6	94	30	0	4	96	29
Terms and conditions:								
On loans to enterprises	9	33	59	32	2	44	54	27
On loans to households for house purchase	0	16	84	33	0	17	83	31
On consumer credit and other lending to households	0	24	76	31	0	27	72	29

1) Please use the category “N/A” only if you did not participate in the initial September 2014 TLTRO and have decided not to participate in the initial December 2014 TLTRO.
2) Please use the category “N/A” only if you have decided not to participate in the additional TLTROs.
3) A decrease in your need to deleverage should be understood as a mitigation of pressures to reduce your asset side on account of funding or capital constraints.

ANNEX 3: GLOSSARY

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

Capital

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

Collateral

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

Consumer confidence

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

Cost of funds and balance sheet constraints

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

Covenant

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

Credit line

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

Credit standards

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

Credit terms and conditions

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

Debt restructuring

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

Diffusion index

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

Enterprises

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

Enterprise size

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

Households

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

Housing market prospects

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

Loans

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

Loan-to-value ratio

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

Maturity

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

Net percentage (or balance)

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

Non-banks

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

Non-interest rate charges

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