



EUROPEAN CENTRAL BANK

5 May 2006

## THE EURO AREA BANK LENDING SURVEY

– APRIL 2006 –

### 1. Overview of the results

*This report presents the results of the ECB's bank lending survey for the euro area that was conducted in April 2006. The cut-off date for receipt of data from the banks participating in this survey was 11 April 2006.*

*Overall, credit standards eased for all categories of loans in the first quarter of 2006. More specifically, the results show a further net easing of credit standards for loans to enterprises. Similarly, banks eased their credit standards to households for both housing loans and consumer credit and other lending after the slight net tightening reported in the January 2006 survey. Banks recorded a positive net demand for all categories of loans, although this was below the peak observed in the previous survey round.*

#### **General notes**

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

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

The 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 those reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks

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<sup>1</sup> The sample group participating in the survey comprises 85 banks, representing all of the euro area countries, and takes into account the characteristics of the respective national banking structures. Since the banks differ considerably in size, the survey results are weighted according to the national shares in the total amount outstanding of euro area lending to euro area residents. All 85 of the banks participated in the April 2006 survey.

<sup>2</sup> For further information on the bank lending survey please see the ECB press release of 21 November 2002, *Bank lending survey for the euro area*, the April 2003 Monthly Bulletin article entitled “A bank lending survey for the euro area”, and Berg J. et al. (2005) *The bank lending survey for the euro area*, ECB Occasional Paper No 23.

have tightened credit standards (“net tightening”), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards (“net easing”). Likewise, the term “net demand” refers to the difference between the share of banks reporting an increase in loan demand and those reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas a negative net demand would indicate that a larger proportion of banks have reported a decline in loan demand.

The survey questions are phrased in terms of changes over the past three months (in this case the first quarter of 2006) or expectations of changes over the next three months (i.e. the second quarter of 2006).

A copy of the questionnaire can be found at [http://www.ecb.int/stats/pdf/bls\\_questionnaire.pdf](http://www.ecb.int/stats/pdf/bls_questionnaire.pdf).

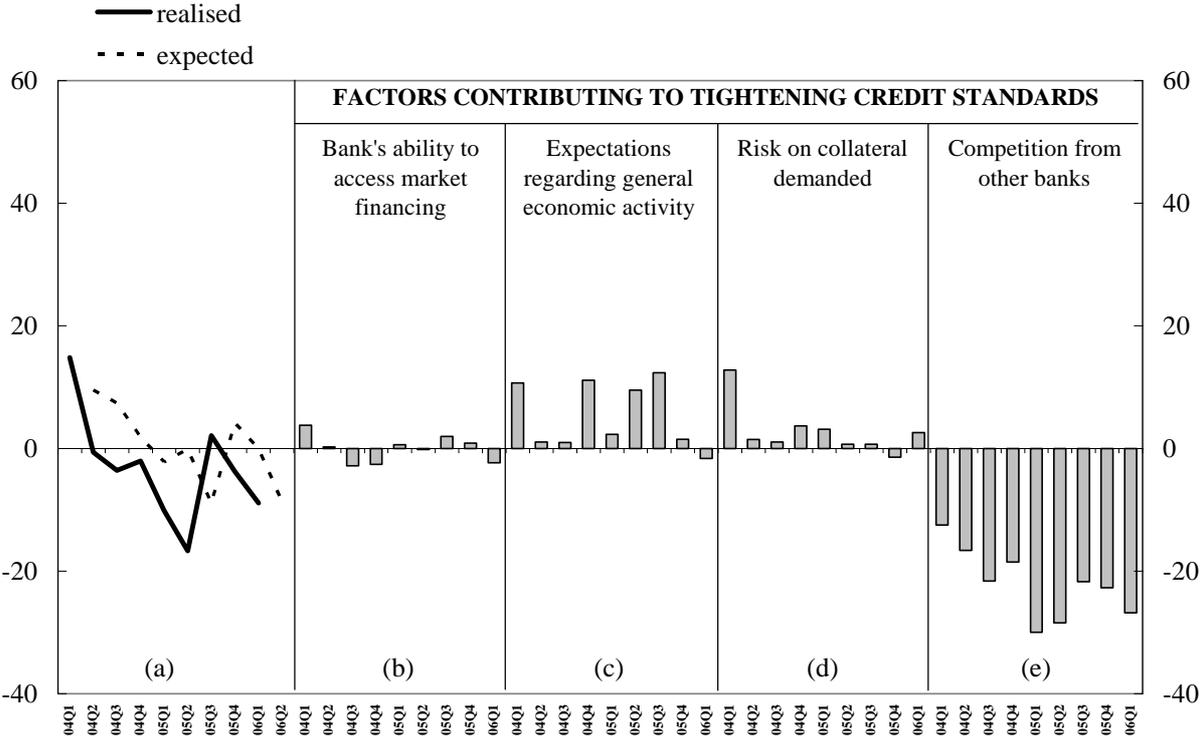
### *Loans or credit lines to enterprises*

**Credit standards.** For the first quarter of 2006, banks reported a further net easing of credit standards for loans or credit lines to enterprises (-9% compared with -4% in the previous quarter; see Chart 1, panel a).

This development partly reflected perceptions of decreased risk concerning general economic activity, which, for the first time since the launch of the survey, contributed slightly to an easing of credit standards (see Chart 1, panel c). At the same time, banks’ improved ability to access market financing, together with pressure from competition, also weighed towards an easing of credit standards (see Chart 1, panels b and e). Regarding the terms and conditions of credit, the net easing of credit standards applied to loans or credit lines to enterprises was primarily implemented through a decrease in margins on average loans (-31% in April 2006 compared with -18% in January 2006), a lengthening of the maturity of loans or credit lines (-9% compared with -5% in the previous quarter) and a reduction in non-interest rate charges (-3% compared with 8% in the previous survey round). However, banks reported that margins on riskier loans and loan covenants weighed towards a tightening of credit standards.

In terms of borrowers’ size, while the net easing applied to loans to large enterprises remained unchanged (-3%), the easing of credit standards applied to loans to small and medium-sized enterprises was more pronounced (-9% compared with -4% in the previous quarter). Similarly, while credit standards applied to short-term loans were unchanged from the previous quarter (-7%), a net easing was recorded for long-term loans (-7% compared with 0% in the previous survey round).

**Chart 1 Changes in credit standards applied to the approval of loans or credit lines to enterprises (net percentages of banks reporting tightening standards)**

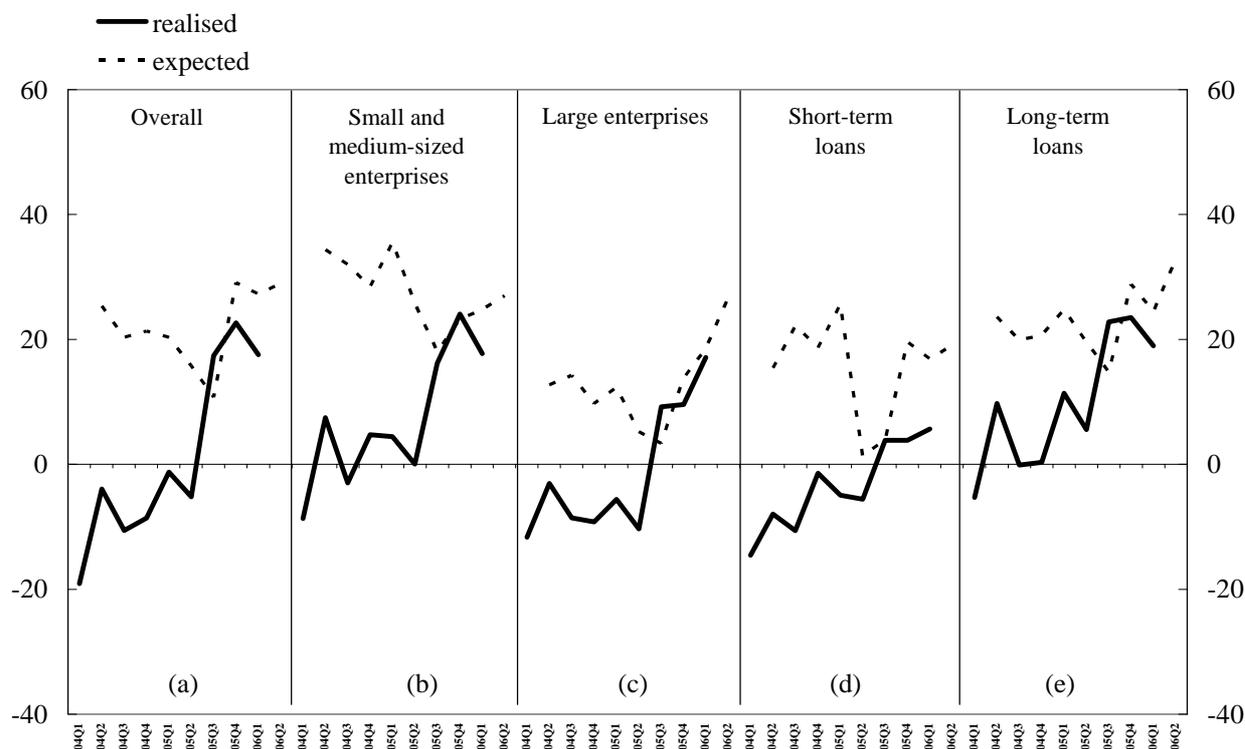


Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the second quarter of 2006 have been reported in the April 2006 survey. The net percentages for the questions related to the contributing factors are defined as the difference between the percentage of banks reporting that a given factor contributed to a tightening and the percentage reporting that it contributed to an easing.

**Loan demand.** In the first quarter of 2006, the overall net demand for loans or credit lines to enterprises was significantly positive, albeit below the peak observed in the previous survey round (18% in April compared with 23% in January; see Chart 2, panel a). A very similar pattern was recorded for loan demand coming from small and medium-sized enterprises (18% compared with 24% in the previous quarter) while, in the case of large corporations, net demand for loans clearly picked up (17% in April 2006 compared with 10% in January; see Chart 2, panels b and c). In the same way, net demand for short-term loans increased slightly, while corporate demand for long-term loans, although positive, moderated somewhat (see Chart 2, panels d and e).

According to the respondent banks, the overall development was determined by an increased use of alternative finance coming from either internal financing (i.e. higher profits) or loans from other banks (see Chart 10 in Section 2). Both factors, together with the issuance of equity, contributed to moderating demand developments. On the upward side, increased financing need for fixed investments and, to some extent, for inventories and working capital helped support loan demand. Similarly, M&A and corporate restructuring, while at a slightly lower level, still represented an important factor with a positive effect on loan demand.

**Chart 2 Changes in demand for loans or credit lines to enterprises**  
*(net percentages of banks reporting a positive contribution to demand)*



*Notes: The net percentages for the questions on demand for loans 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”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the second quarter of 2006 were reported in the April 2006 survey.*

**Expectations.** Looking ahead, banks continue to expect a net easing of credit standards applied to the approval of loans or credit lines to enterprises during the second quarter of 2006 (see Chart 1, panel a). This holds for both small and large firms, as well as across different loan maturities. In addition, banks expect strong corporate net demand across all firm sizes and loan maturities (see Chart 2, panel a).

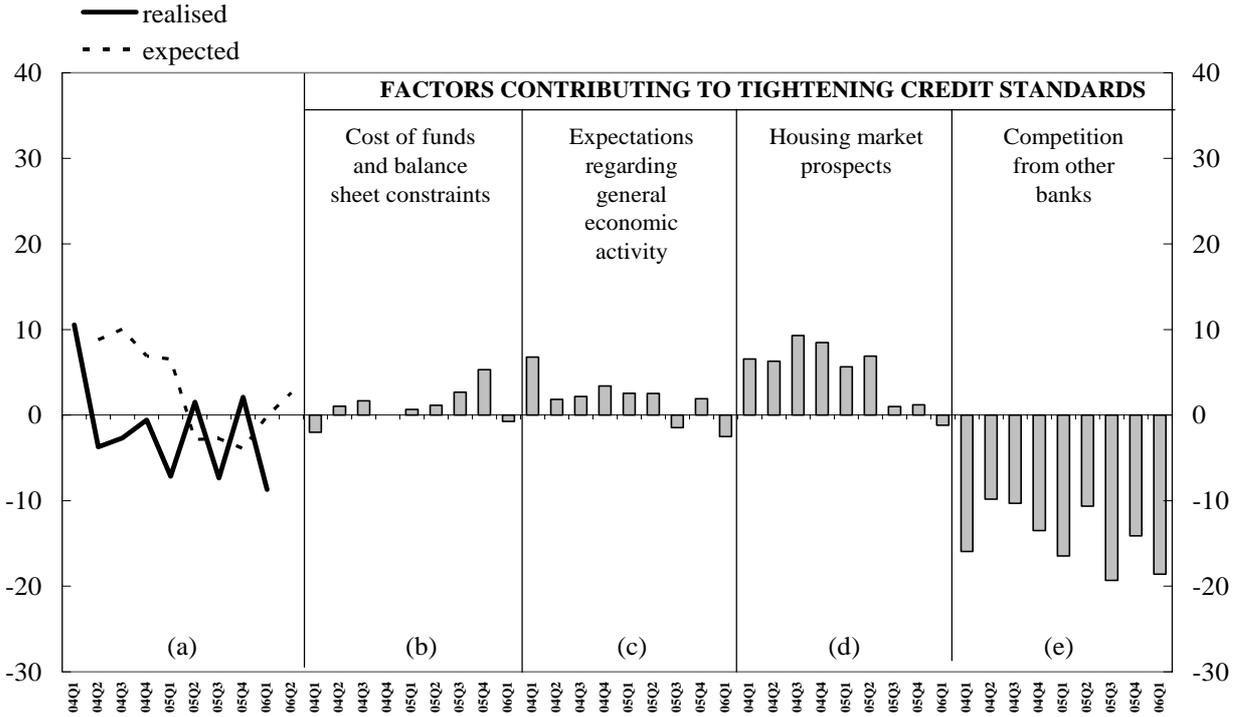
### ***Loans to households for house purchase***

**Credit standards.** In the first quarter of 2006, banks reported a net easing of credit standards for households for house purchase, following a net tightening in the previous survey round (-9% in April compared with -2% in January). This development was the outcome of a general improvement in all the factors mentioned in the survey questionnaire: a reduction in the cost of funds and balance sheet constraints (see Chart 3, panel b), improved competition (see Chart 3, panel e) and a lower perception of risk in terms of both expectations regarding general economic activity and housing market prospects (see Chart 3, panels c and d). The latter, in particular, contributed slightly to the net easing of credit standards for the first time since the launch of the survey.

Similarly to what had been observed for the corporate sector, the net easing for loans for house purchase was mainly implemented by reducing the margins on average loans and lengthening the loan maturity (see Chart 15 in Section 2). At the same time, margins on riskier loans were tightened further (9% compared with 4% in the previous quarter).

**Chart 3 Changes in credit standards applied to the approval of loans to households for house purchase**

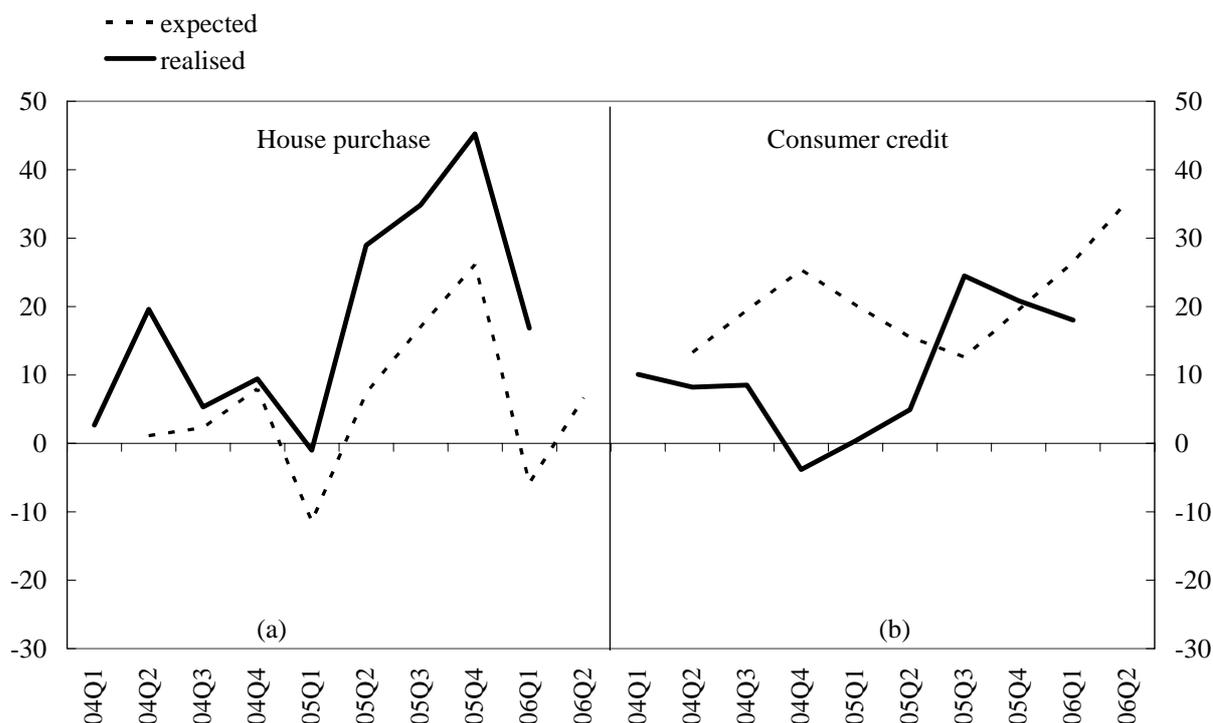
(net percentages of banks reporting tightening credit standards)



Note: See note to Chart 1.

**Loan demand.** The net demand for housing loans to households continued to be positive but at much lower level than in the previous quarter (17% compared with 45% in the fourth quarter of 2005; see Chart 4, panel a). This decrease was mainly determined, on the one hand, by less favourable housing market prospects (which, while positive, contributed to a smaller increase in net demand) and, on the other hand, by an increased use of alternative sources of finance in terms of both household savings and loans from other banks (see Chart 19 in Section 2).

**Chart 4 Changes in demand for loans to households**  
*(net percentages of banks reporting a positive contribution to demand)*



Note: See note to Chart 2.

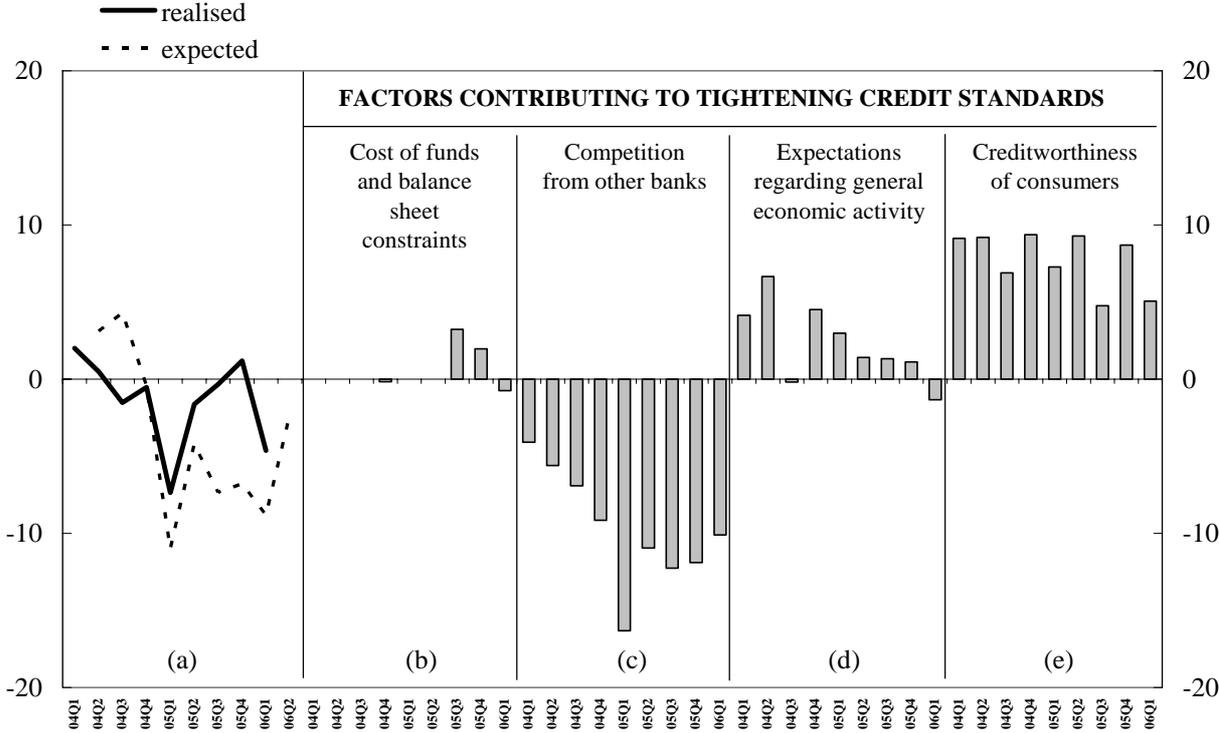
**Expectations.** For the second quarter of 2006, the respondent banks expect a slight tightening of credit standards for loans to households for house purchase. Despite this, the banks expect an increase in net demand over the same period (7% in April compared with -6% in January; see Chart 4, panel a).

### ***Consumer credit and other lending to households***

**Credit standards.** In the first quarter of 2006, credit standards applied to loans to households for consumer credit and other lending eased on a net basis (-5% in April compared with 1% in January; see Chart 5, panel a). Banks cited the general improvement in the cost of funds and balance sheet constraints, the more favourable expectations regarding general economic activity and pressure from competition as the main reasons for this. The latter, in particular, although less intense, still represents one of the most important factors contributing to easing credit standards (see Chart 5, panel c). In line with the corporate sector and the house purchase segment of the credit market, this easing policy was mainly implemented by banks acting on prices. More specifically, over the same period margins on average loans were eased significantly (-19% compared with -6% in January) and margins on riskier loans tightened slightly (7% in April compared with 3% in January). All other terms and conditions remained basically unchanged from the previous quarter.

**Chart 5 Changes in credit standards applied to the approval of consumer credit and other lending to households**

(net percentages of banks reporting tightening credit standards)



## 2. Results for the individual questions

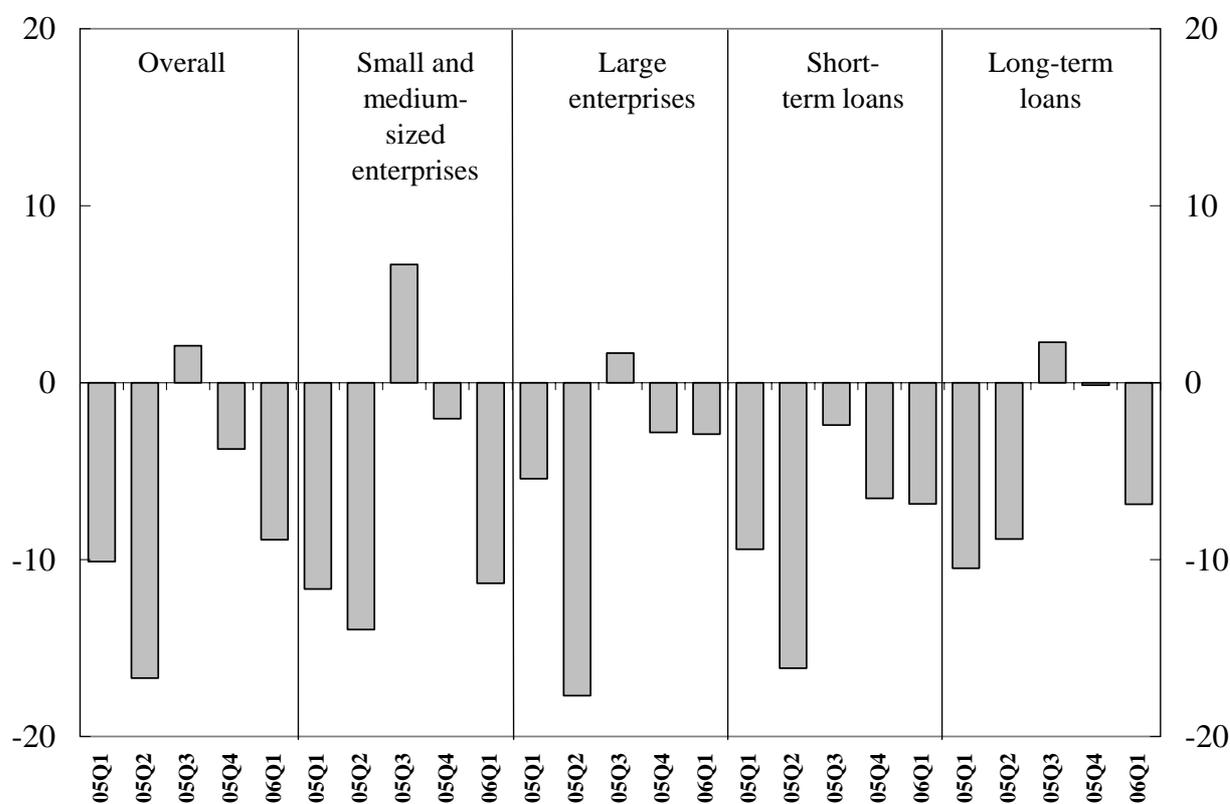
### I. Loans or credit lines to enterprises

- Over the past three months, how have your bank's credit standards as applied to the approval of loans or credit lines to enterprises changed?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006
Tightened considerably	0	0	0	0	0	0	0	0	0	0
Tightened somewhat	3	3	4	3	4	5	1	2	5	3
Remained basically unchanged	91	86	90	84	90	86	91	88	90	86
Eased somewhat	7	12	6	14	7	9	8	9	5	10
Eased considerably	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>-4</b>	<b>-9</b>	<b>-2</b>	<b>-11</b>	<b>-3</b>	<b>-3</b>	<b>-7</b>	<b>-7</b>	<b>0</b>	<b>-7</b>
<i>Mean</i>	<i>3.04</i>	<i>3.09</i>	<i>3.02</i>	<i>3.11</i>	<i>3.03</i>	<i>3.03</i>	<i>3.07</i>	<i>3.07</i>	<i>3.00</i>	<i>3.07</i>
<b>Number of banks responding</b>	<b>79</b>	<b>81</b>	<b>78</b>	<b>80</b>	<b>78</b>	<b>80</b>	<b>79</b>	<b>81</b>	<b>79</b>	<b>81</b>

Note: 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".

**Chart 6 Credit standards applied to the approval of loans or credit lines to enterprises**  
(net percentages of banks reporting tightening credit standards)



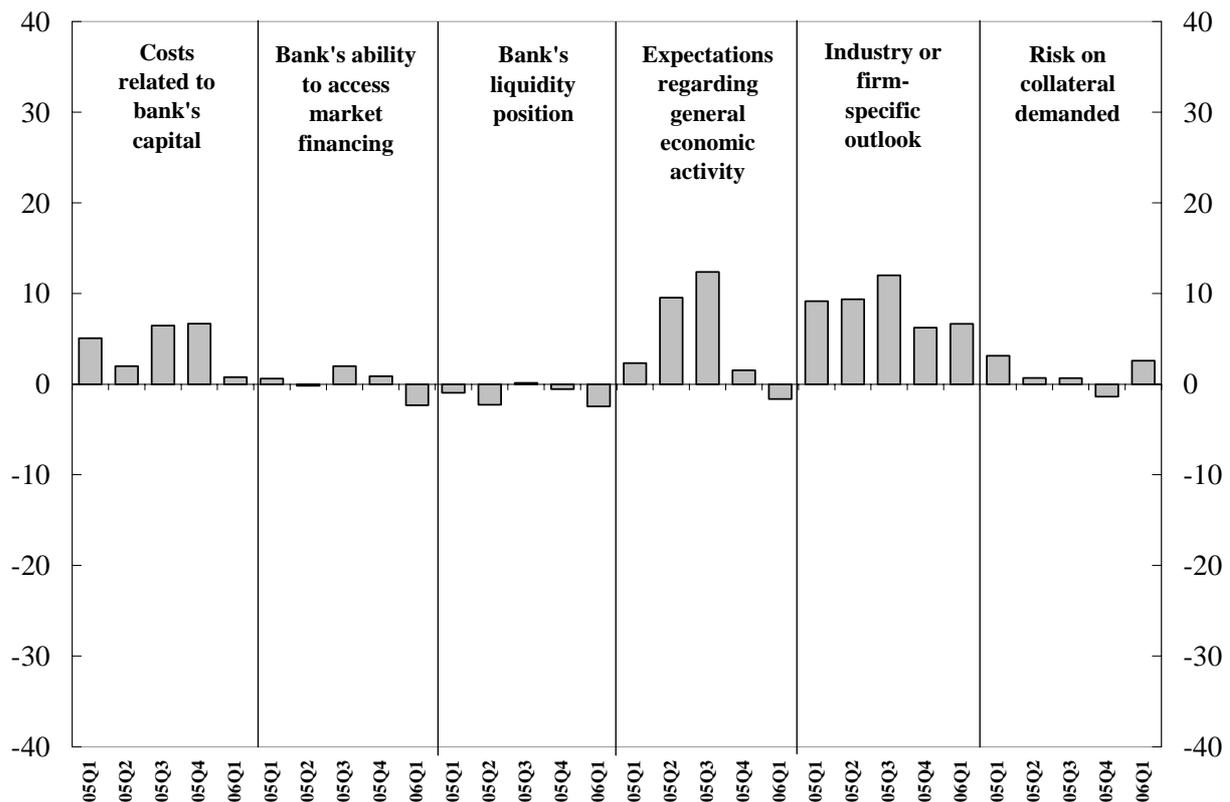
2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
<b>A) Cost of funds and balance sheet constraints</b>										
Costs related to your bank's capital position	0	3	88	2	0	8	7	1	2.92	2.99
Your bank's ability to access market financing	0	0	89	2	0	9	1	-2	2.98	3.02
Your bank's liquidity position	0	2	85	4	0	9	-1	-2	3.00	3.03
<b>B) Pressure from competition</b>										
Competition from other banks	0	0	64	26	1	9	-23	-27	3.26	3.30
Competition from non-banks	0	0	85	2	0	13	-1	-2	3.01	3.03
Competition from market financing	0	0	88	2	0	10	-3	-2	3.03	3.02
<b>C) Perception of risk</b>										
Expectations regarding general economic activity	0	6	80	7	0	7	2	-2	2.98	3.02
Industry or firm-specific outlook	0	11	78	5	0	7	6	7	2.93	2.93
Risk on the collateral demanded	0	3	90	0	0	6	-1	3	3.01	2.97

NA = Not available; NetP = Net percentage

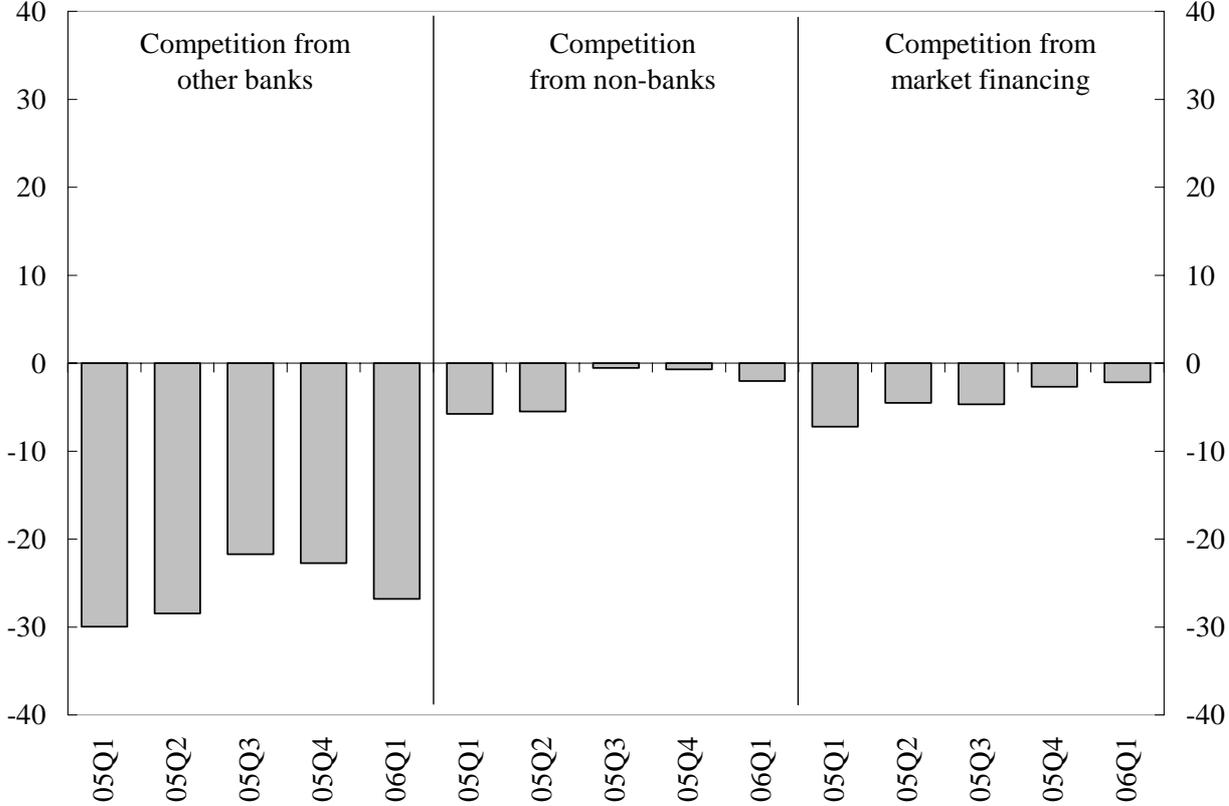
Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".

**Chart 7 Factors affecting credit standards applied to the approval of loans or credit lines to enterprises**  
(net percentages of banks reporting tightening standards)



**Chart 7 Factors affecting credit standards applied to the approval of loans or credit lines to enterprises (cont'd)**

*(net percentages of banks reporting tightening standards)*



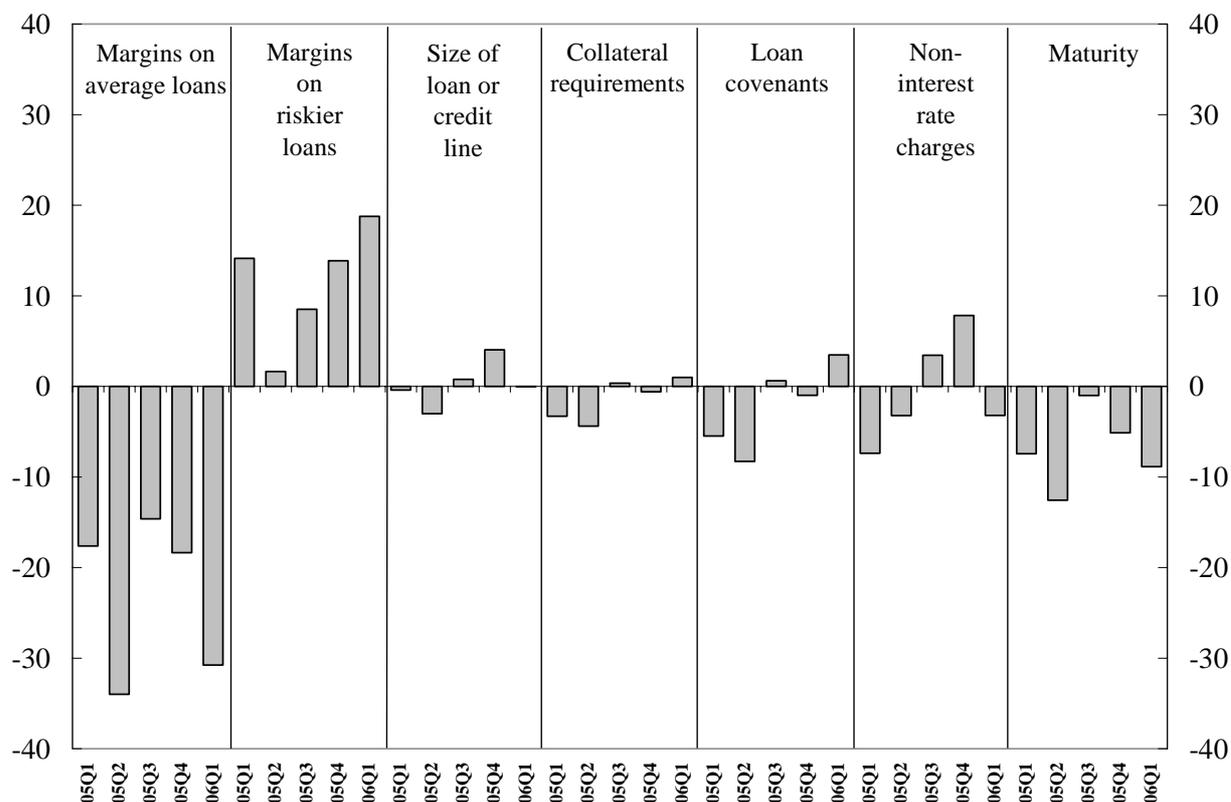
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							A) Price			
Your bank's margin on average loans	0	2	60	33	0	6	-18	-31	3.20	3.32
Your bank's margin on riskier loans	0	26	59	7	0	7	14	19	2.87	2.80
B) Other conditions and terms										
Non-interest rate charges	0	0	90	4	0	6	8	-3	2.92	3.03
Size of the loan or credit line	0	4	86	4	0	6	4	0	2.96	3.00
Collateral requirements	0	4	88	3	0	6	-1	1	3.01	2.99
Loan covenants	0	5	89	1	0	6	-1	4	3.01	2.96
Maturity	0	0	85	9	0	6	-5	-9	3.06	3.10

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged".

**Chart 8 Conditions and terms for approving loans or credit lines to enterprises**  
(net percentages of banks reporting tightening standards)

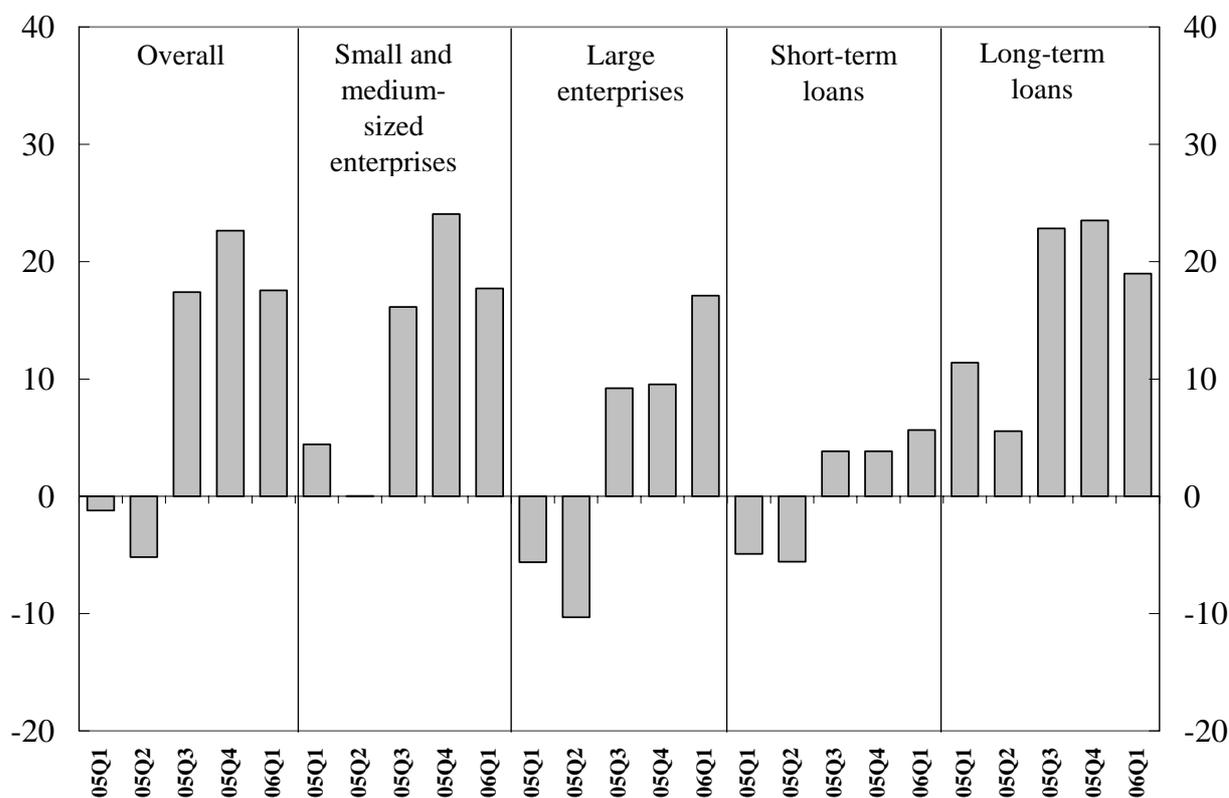


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006
Decreased considerably	0	0	0	0	1	0	1	0	0	0
Decreased somewhat	5	9	3	8	10	8	12	12	7	10
Remained basically unchanged	67	65	69	66	70	66	71	70	63	62
Increased somewhat	28	27	27	26	18	25	16	18	30	29
Increased considerably	0	0	0	0	2	1	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>23</b>	<b>18</b>	<b>24</b>	<b>18</b>	<b>10</b>	<b>17</b>	<b>4</b>	<b>6</b>	<b>24</b>	<b>19</b>
<b>Mean</b>	<b>3.23</b>	<b>3.18</b>	<b>3.24</b>	<b>3.18</b>	<b>3.11</b>	<b>3.17</b>	<b>3.03</b>	<b>3.06</b>	<b>3.23</b>	<b>3.19</b>
<b>Number of banks responding</b>	<b>79</b>	<b>81</b>	<b>78</b>	<b>80</b>	<b>78</b>	<b>80</b>	<b>79</b>	<b>81</b>	<b>79</b>	<b>81</b>

Note: 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”.

**Chart 9 Demand for loans and credit lines to enterprises**  
(net percentages of banks reporting positive loan demand)



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

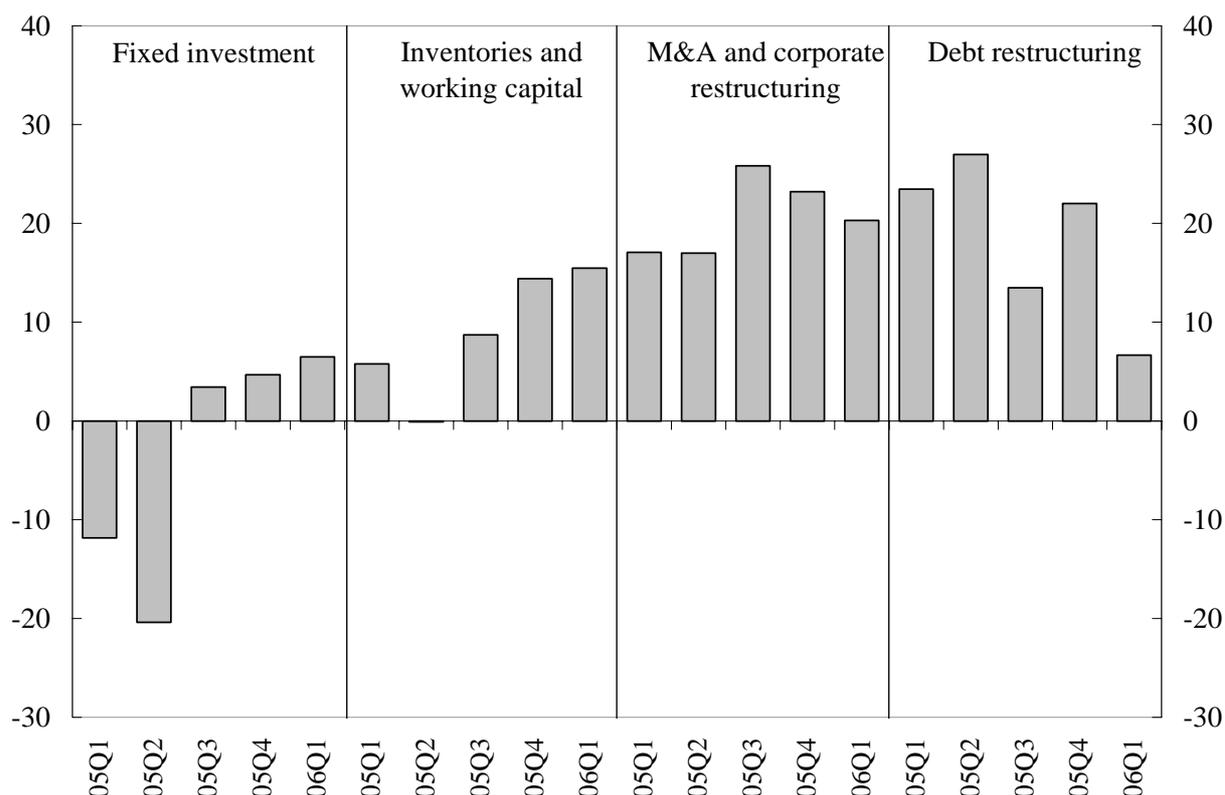
	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							<b>A) Financing needs</b>			
Fixed investment	0	8	70	15	0	6	5	7	3.05	3.06
Inventories and working capital	0	7	64	22	0	8	14	16	3.15	3.16
Mergers/acquisitions and corporate restructuring	0	4	65	23	1	7	23	20	3.28	3.23
Debt restructuring	0	3	82	9	0	6	22	7	3.24	3.07
<b>B) Use of alternative finance</b>										
Internal financing	2	10	77	3	0	8	0	-8	3.00	2.90
Loans from other banks	0	9	81	2	0	8	-6	-7	2.95	2.92
Loans from non-banks	0	0	88	0	0	11	4	0	3.05	3.00
Issuance of debt securities	0	3	84	1	0	12	-1	-2	2.99	2.98
Issuance of equity	0	2	85	0	0	12	1	-2	3.02	2.99

NA = Not available; NetP = Net percentage

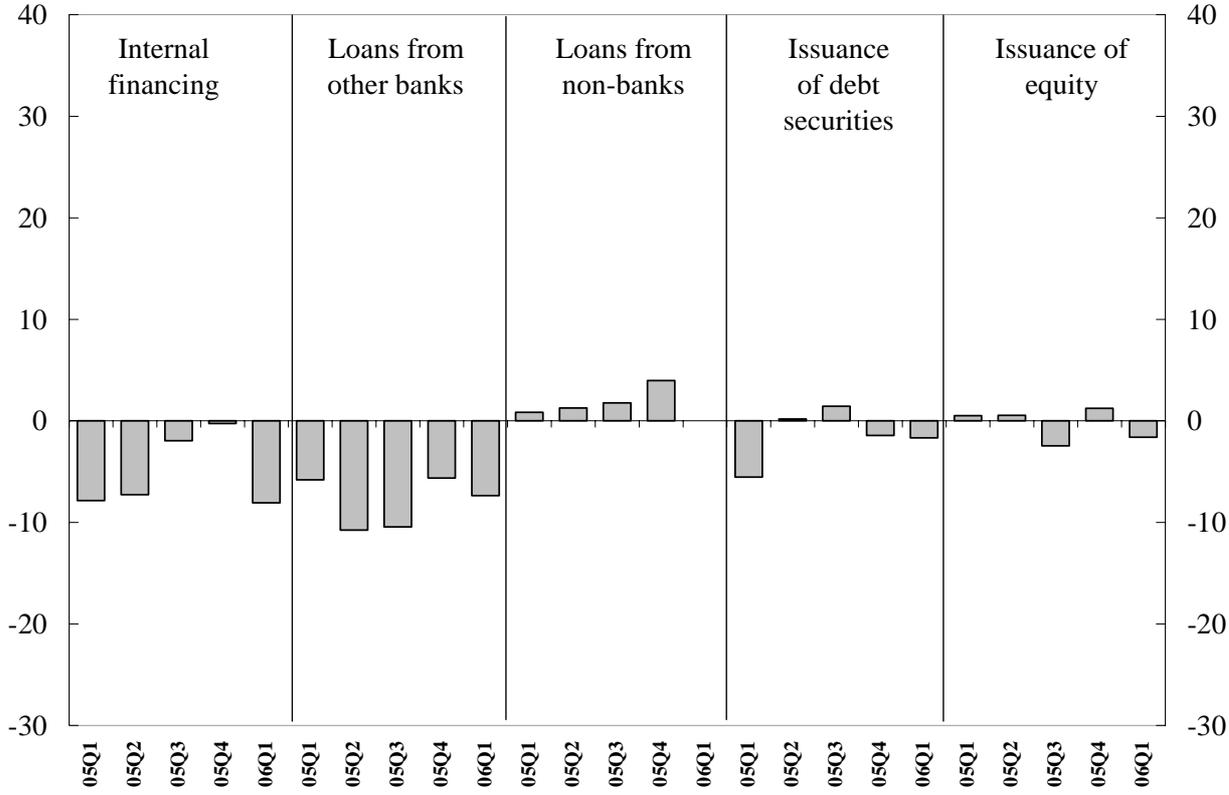
Note: The "Net percentage" column is defined as the difference between the sum of "++" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "--" (contributed somewhat to lower demand) and "-" (contributed considerably to lower demand). "°" means "contributed to basically unchanged demand".

**Chart 10 Factors affecting demand for loans and credit lines to enterprises**

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



**Chart 10 Factors affecting demand for loans and credit lines to enterprises (cont'd)**  
*(net percentages of banks reporting a positive contribution to demand)*

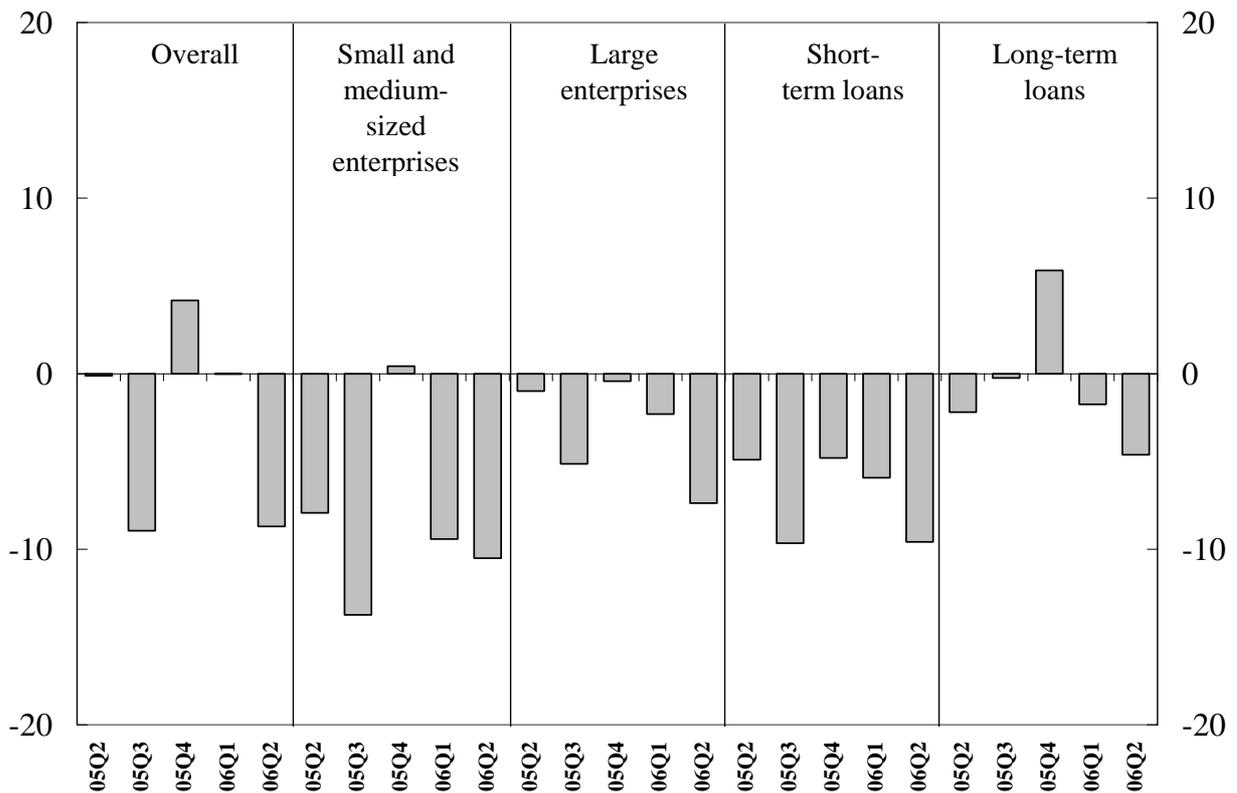


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	10	2	5	2	4	3	3	3	6	4
Remain basically unchanged	81	87	80	85	89	88	88	85	86	88
Ease somewhat	10	11	15	13	7	10	9	12	8	8
Ease considerably	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>0</b>	<b>-9</b>	<b>-9</b>	<b>-11</b>	<b>-2</b>	<b>-7</b>	<b>-6</b>	<b>-10</b>	<b>-2</b>	<b>-5</b>
<i>Mean</i>	<i>3.00</i>	<i>3.09</i>	<i>3.09</i>	<i>3.10</i>	<i>3.02</i>	<i>3.07</i>	<i>3.06</i>	<i>3.10</i>	<i>3.02</i>	<i>3.05</i>
<b>Number of banks responding</b>	<b>79</b>	<b>81</b>	<b>78</b>	<b>80</b>	<b>78</b>	<b>80</b>	<b>79</b>	<b>81</b>	<b>79</b>	<b>81</b>

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".

**Chart 11 Expected credit standards for the approval of loans or credit lines to enterprises**  
(net percentages of banks expecting tightening credit standards)

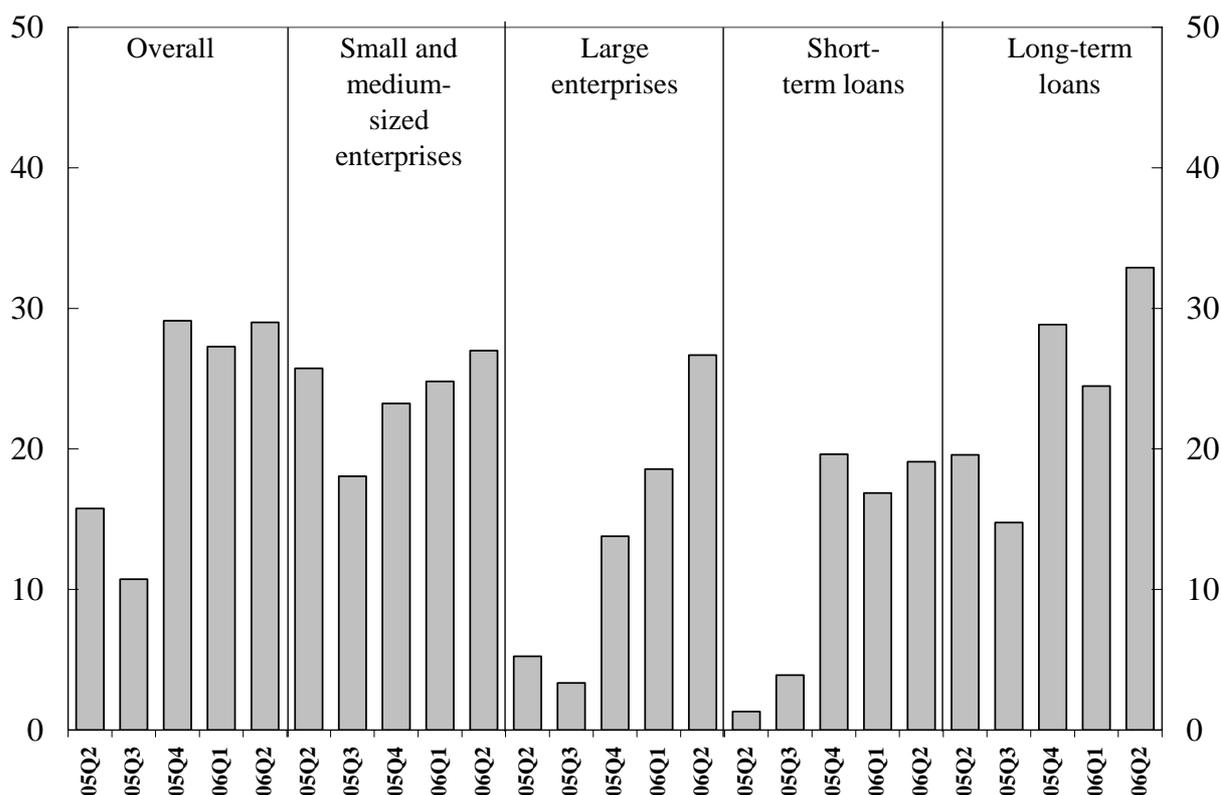


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006	January 2006	April 2006
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	4	4	4	4	3	4	4	4	4	4
Remain basically unchanged	65	63	67	66	75	66	75	73	68	59
Increase somewhat	31	33	25	30	22	30	21	23	28	37
Increase considerably	0	0	4	1	0	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>27</b>	<b>29</b>	<b>25</b>	<b>27</b>	<b>19</b>	<b>27</b>	<b>17</b>	<b>19</b>	<b>25</b>	<b>33</b>
<i>Mean</i>	<i>3.27</i>	<i>3.29</i>	<i>3.29</i>	<i>3.28</i>	<i>3.19</i>	<i>3.27</i>	<i>3.17</i>	<i>3.19</i>	<i>3.24</i>	<i>3.33</i>
<b>Number of banks responding</b>	<b>79</b>	<b>81</b>	<b>78</b>	<b>80</b>	<b>78</b>	<b>80</b>	<b>79</b>	<b>81</b>	<b>79</b>	<b>81</b>

Note: The net percentage is defined as the difference between the sum of the percentages for “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease considerably”.

**Chart 12 Expected demand for loans and credit lines to enterprises**  
(net percentages of banks expecting a positive loan demand)



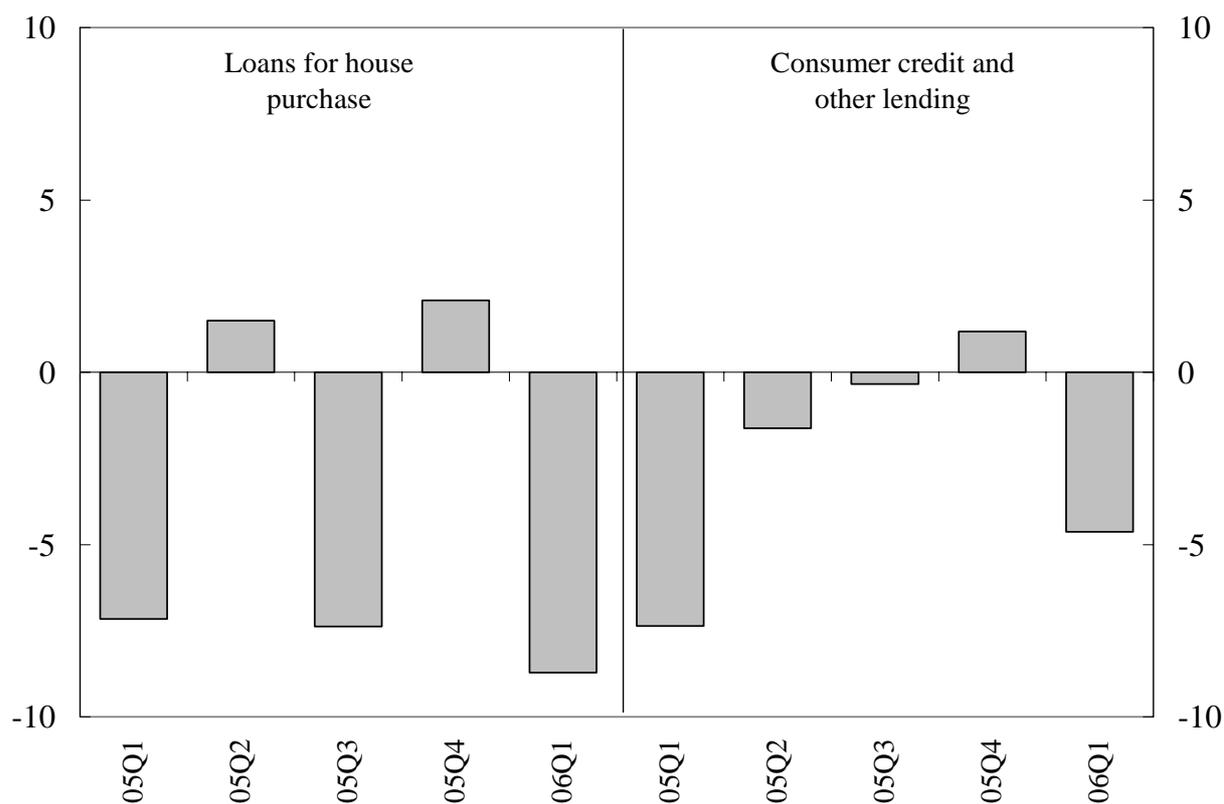
## II. Loans to households

8. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed?

	Loans for house purchase		Consumer credit and other lending	
	January 2006	April 2006	January 2006	April 2006
Tightened considerably	0	0	0	0
Tightened somewhat	10	2	10	1
Remained basically unchanged	82	87	82	93
Eased somewhat	8	11	8	6
Eased considerably	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>2</b>	<b>-9</b>	<b>1</b>	<b>-5</b>
<b>Mean</b>	<b>2.98</b>	<b>3.09</b>	<b>2.99</b>	<b>3.05</b>
<b>Number of banks responding</b>	<b>77</b>	<b>79</b>	<b>76</b>	<b>77</b>

Note: 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".

**Chart 13 Credit standards applied to the approval of loans to households**  
(net percentages of banks reporting tightening credit standards)



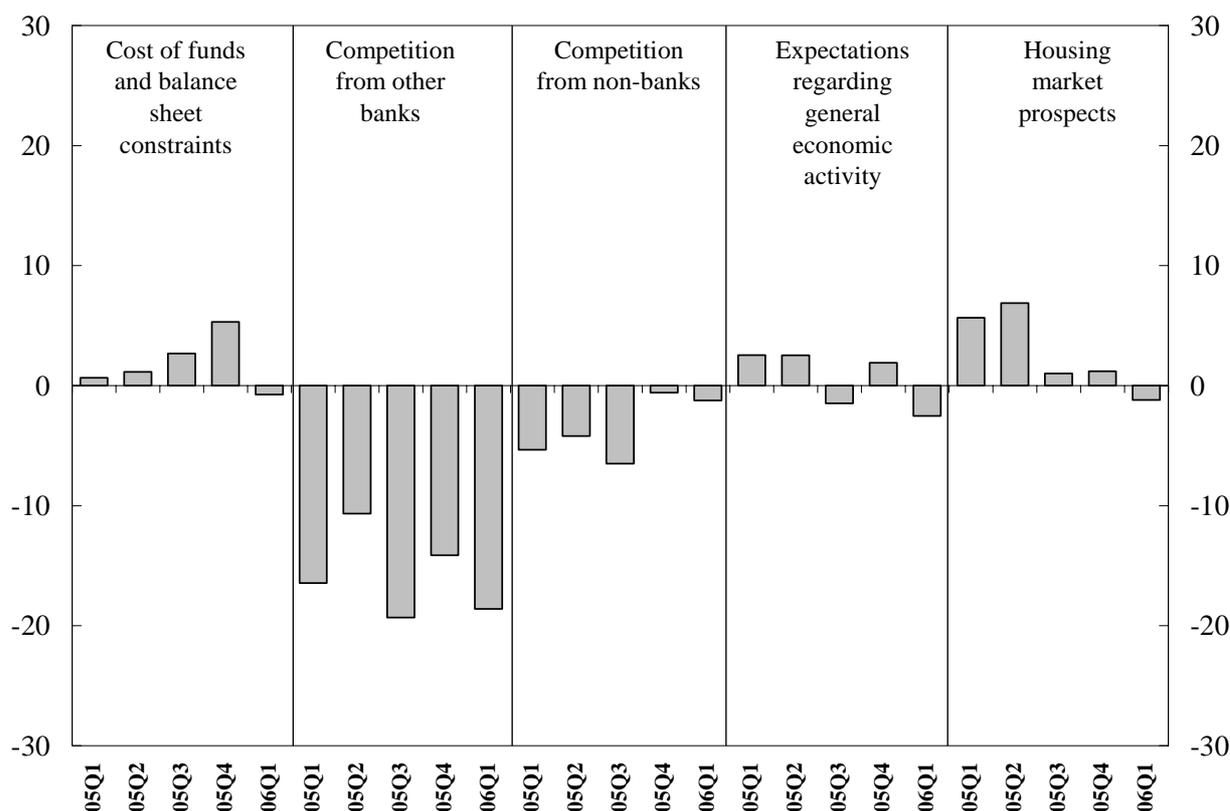
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							A) Cost of funds and balance sheet constraints	0	1	88
B) Pressure from competition										
Competition from other banks	0	0	71	18	0	10	-14	-19	3.17	3.22
Competition from non-banks	0	0	86	1	0	12	-1	-1	3.01	3.02
C) Perception of risk										
Expectations regarding general economic activity	0	1	89	3	0	7	2	-3	2.98	3.03
Housing market prospects	0	0	91	1	0	7	1	-1	2.99	3.01

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".

**Chart 14 Factors affecting credit standards applied to the approval of loans to households for house purchase (net percentages of banks reporting tightening standards)**



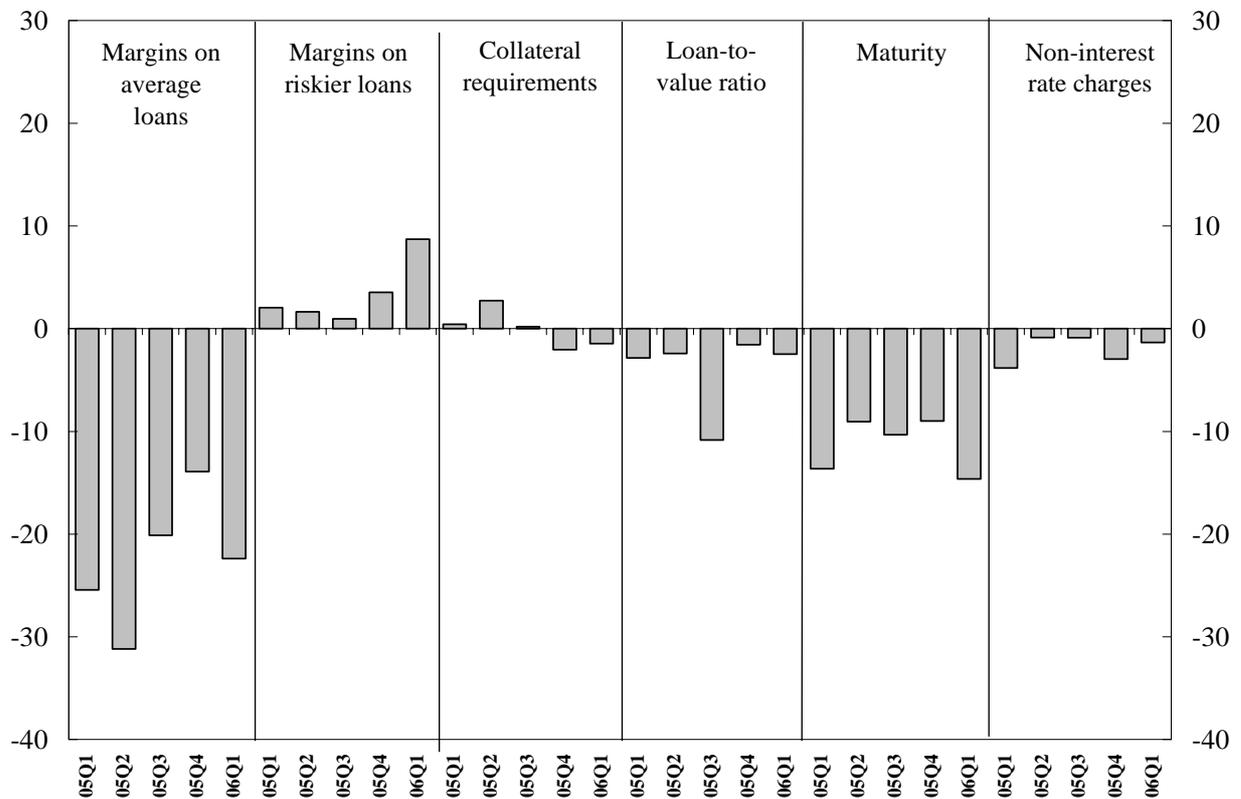
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							A) Price			
Your bank's margin on average loans	0	4	63	23	3	7	-14	-22	3.17	3.29
Your bank's margin on riskier loans	0	15	71	7	0	7	4	9	2.96	2.91
B) Other conditions and terms										
Collateral requirements	0	2	88	3	0	7	-2	-1	3.03	3.01
Loan-to-value ratio	0	2	86	5	0	7	-2	-3	3.02	3.03
Maturity	0	0	78	15	0	7	-9	-15	3.11	3.16
Non-interest rate charges	0	0	91	1	0	7	-3	-1	3.04	3.01

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged".

**Chart 15 Conditions and terms for approving loans to households for house purchase**  
(net percentages of banks reporting tightening standards)



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

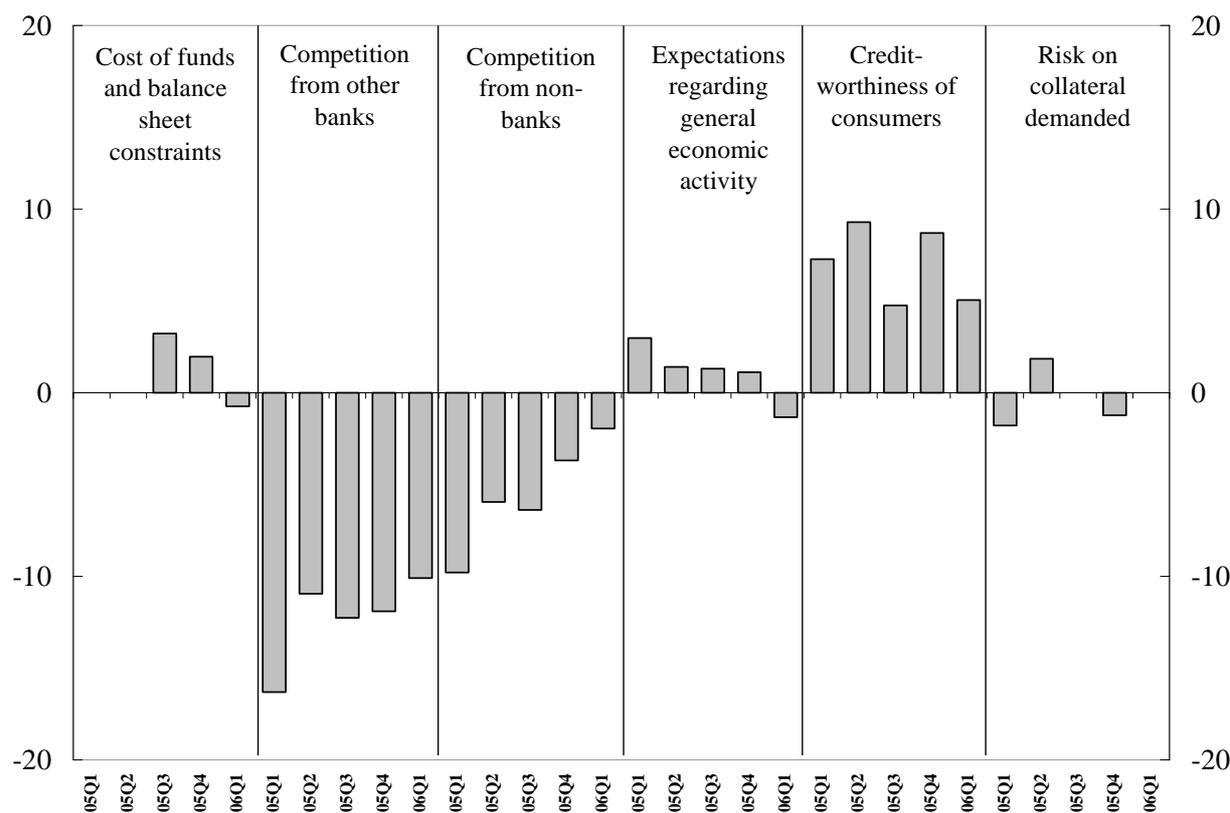
	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
A) Cost of funds and balance sheet constraints	0	1	85	1	0	13	2	-1	2.98	3.01
B) Pressure from competition										
Competition from other banks	0	1	77	10	0	12	-12	-10	3.14	3.12
Competition from non-banks	0	0	84	2	0	14	-4	-2	3.05	3.02
C) Perception of risk										
Expectations regarding general economic activity	0	2	85	3	0	10	1	-1	2.99	3.02
Creditworthiness of consumers	0	5	85	0	0	10	9	5	2.91	2.95
Risk on the collateral demanded	0	0	85	0	0	15	-1	0	3.02	3.00

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "-" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "+ +" (contributed considerably to easing). "°" means "contributed to basically unchanged credit standards".

**Chart 16 Factors affecting credit standards applied to the approval of consumer credit and other lending to households**

(net percentages of banks reporting tightening standards)



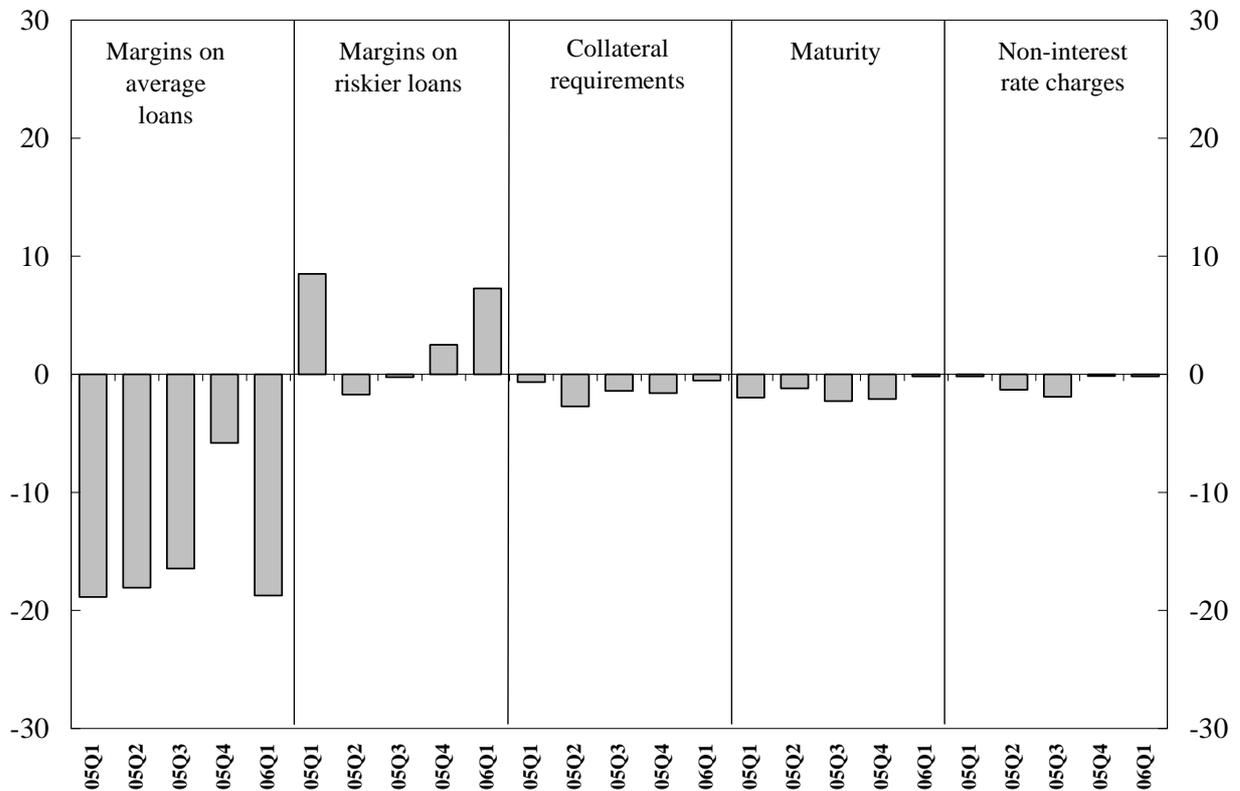
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
A) Price										
Your bank's margin on average loans	0	3	67	18	3	10	-6	-19	3.10	3.26
Your bank's margin on riskier loans	0	10	78	3	0	10	3	7	2.98	2.93
B) Other conditions and terms										
Collateral requirements	0	0	87	1	0	12	-2	-1	3.02	3.01
Maturity	0	0	89	0	0	11	-2	0	3.03	3.00
Non-interest rate charges	0	0	87	0	0	13	0	0	3.00	3.00

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "°" means "remained basically unchanged".

**Chart 17 Conditions and terms for approving consumer credit and other loans to households**  
(net percentages of banks reporting tightening standards)

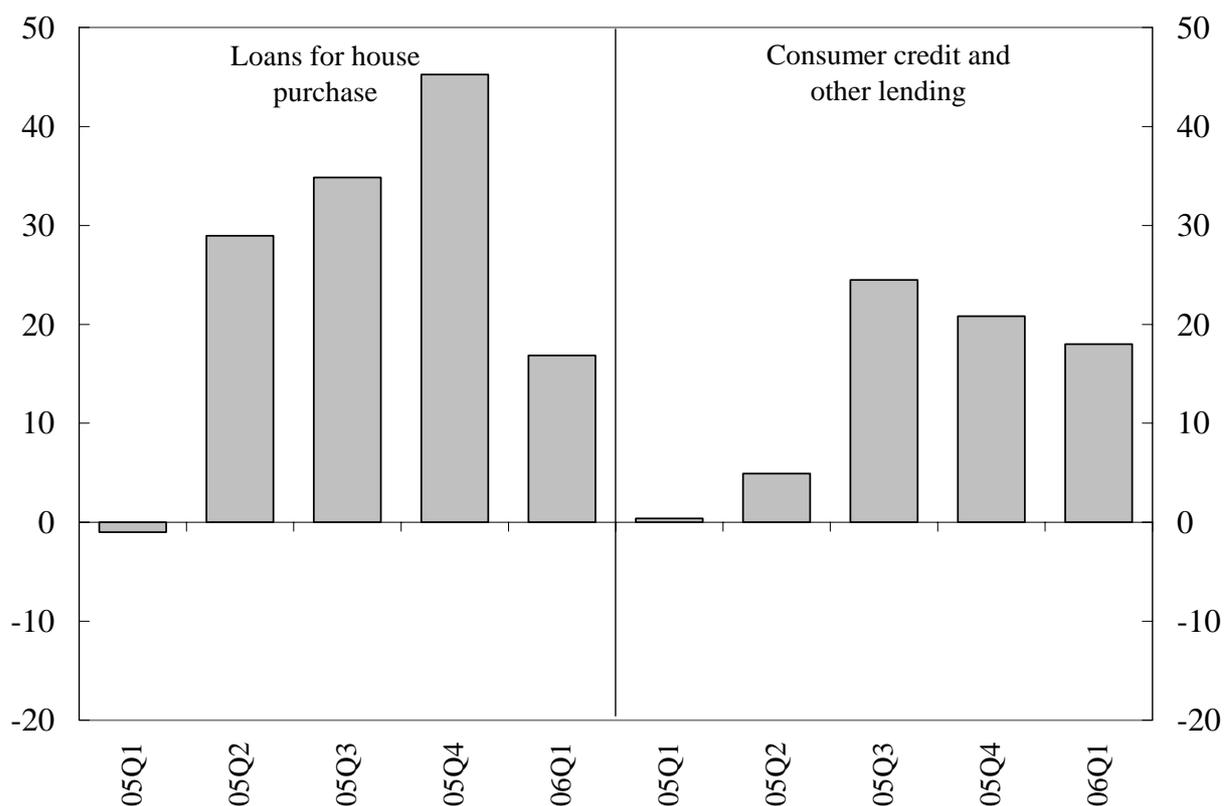


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	January 2006	April 2006	January 2006	April 2006
Decreased considerably	0	0	0	0
Decreased somewhat	1	14	10	13
Remained basically unchanged	53	55	60	55
Increased somewhat	35	29	28	29
Increased considerably	12	2	2	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>45</b>	<b>17</b>	<b>21</b>	<b>18</b>
<i>Mean</i>	3.57	3.19	3.23	3.20
<b>Number of banks responding</b>	<b>77</b>	<b>79</b>	<b>76</b>	<b>78</b>

*Note: 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”.*

**Chart 18 Demand for loans to households**  
(net percentages of banks reporting positive loan demand)



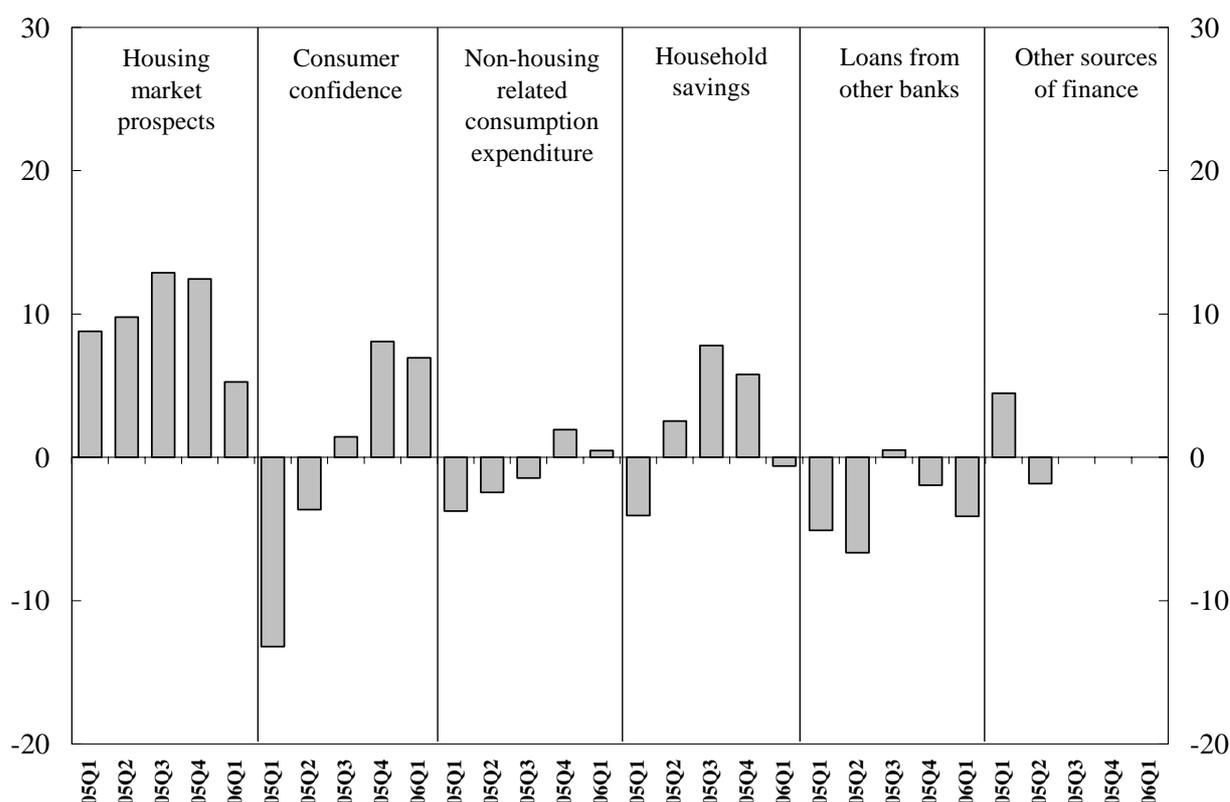
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							<b>A) Financing needs</b>			
Housing market prospects	0	8	71	12	2	7	12	5	3.15	3.07
Consumer confidence	0	4	78	11	0	7	8	7	3.08	3.07
Non-housing related consumption expenditure	0	4	85	4	0	7	2	1	3.02	3.00
<b>B) Use of alternative finance</b>										
Household savings	0	3	86	2	0	10	6	-1	3.06	2.99
Loans from other banks	0	4	86	0	0	10	-2	-4	2.98	2.96
Other sources of finance	0	0	91	0	0	10	0	0	3.00	3.00

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "++" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "-" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means "contributed to basically unchanged demand".

**Chart 19 Factors affecting demand for loans to households for house purchase**  
(net percentages of banks reporting a positive contribution to demand)



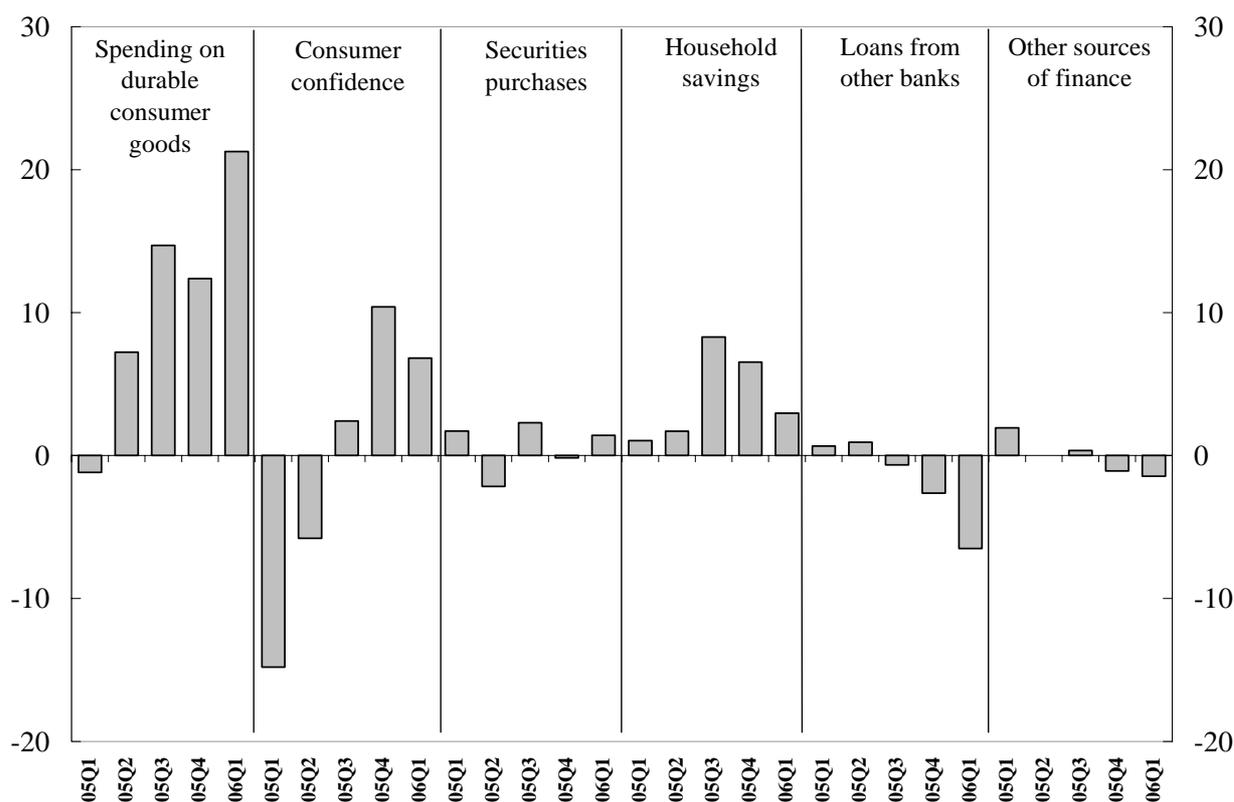
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							January 2006	April 2006	January 2006	April 2006
							A) Financing needs			
Spending on durable consumer goods	0	1	67	23	0	10	12	21	3.14	3.24
Consumer confidence	0	1	82	7	0	10	10	7	3.11	3.08
Securities purchases	0	0	81	2	0	17	0	1	3.00	3.01
B) Use of alternative finance										
Household savings	0	1	83	4	0	11	7	3	3.06	3.03
Loans from other banks	0	8	78	2	0	12	-3	-7	2.97	2.93
Other sources of finance	0	1	87	0	0	11	-1	-1	2.99	2.98

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "++" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "--" (contributed somewhat to lower demand) and "- -" (contributed considerably to lower demand). "°" means "contributed to basically unchanged demand".

**Chart 20 Factors affecting demand for consumer credit and other lending to households**  
(net percentages of banks reporting a positive contribution to demand)



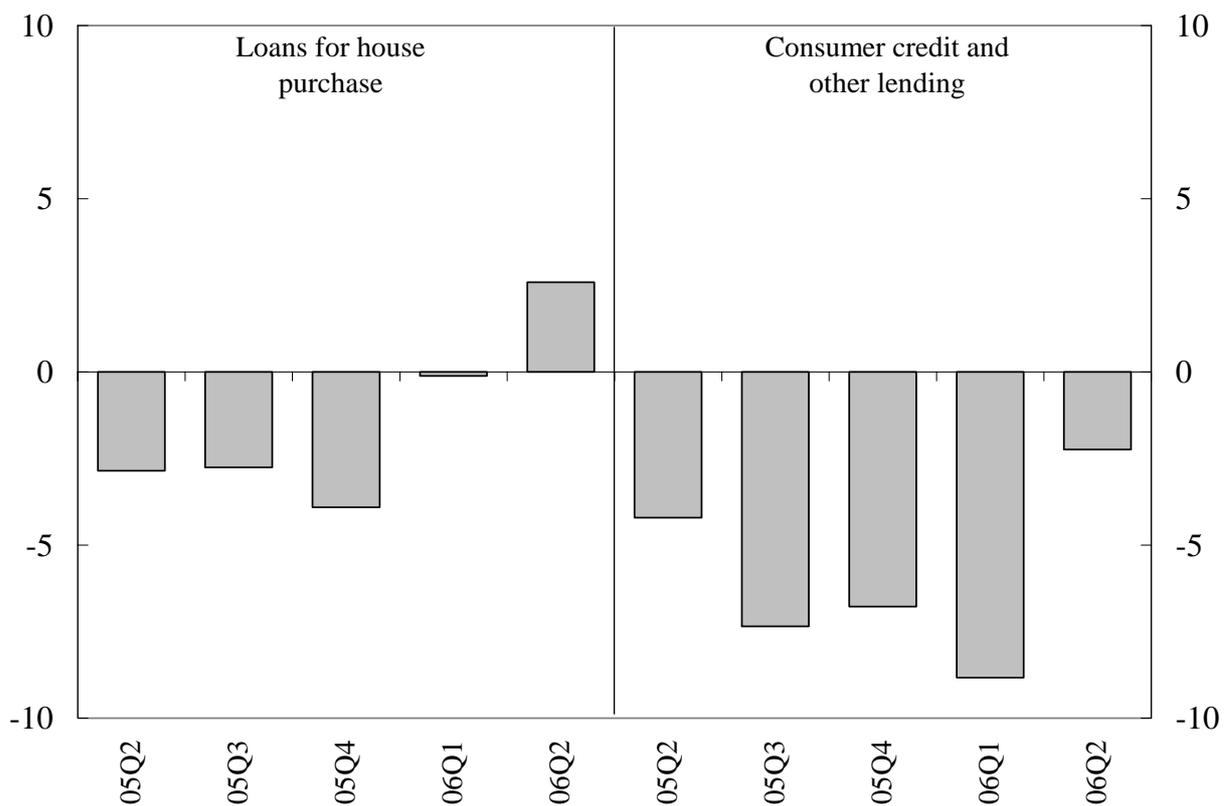
16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	January 2006	April 2006	January 2006	April 2006
Tighten considerably	0	0	0	0
Tighten somewhat	6	11	1	0
Remain basically unchanged	87	81	90	98
Ease somewhat	6	8	9	2
Ease considerably	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>0</b>	<b>3</b>	<b>-9</b>	<b>-2</b>
<i>Mean</i>	<i>3.00</i>	<i>2.98</i>	<i>3.09</i>	<i>3.02</i>
<b>Number of banks responding</b>	<b>77</b>	<b>79</b>	<b>76</b>	<b>78</b>

*Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably".*

**Chart 21 Expected credit standards for the approval of loans to households**

*(net percentages of banks expecting tightening standards)*

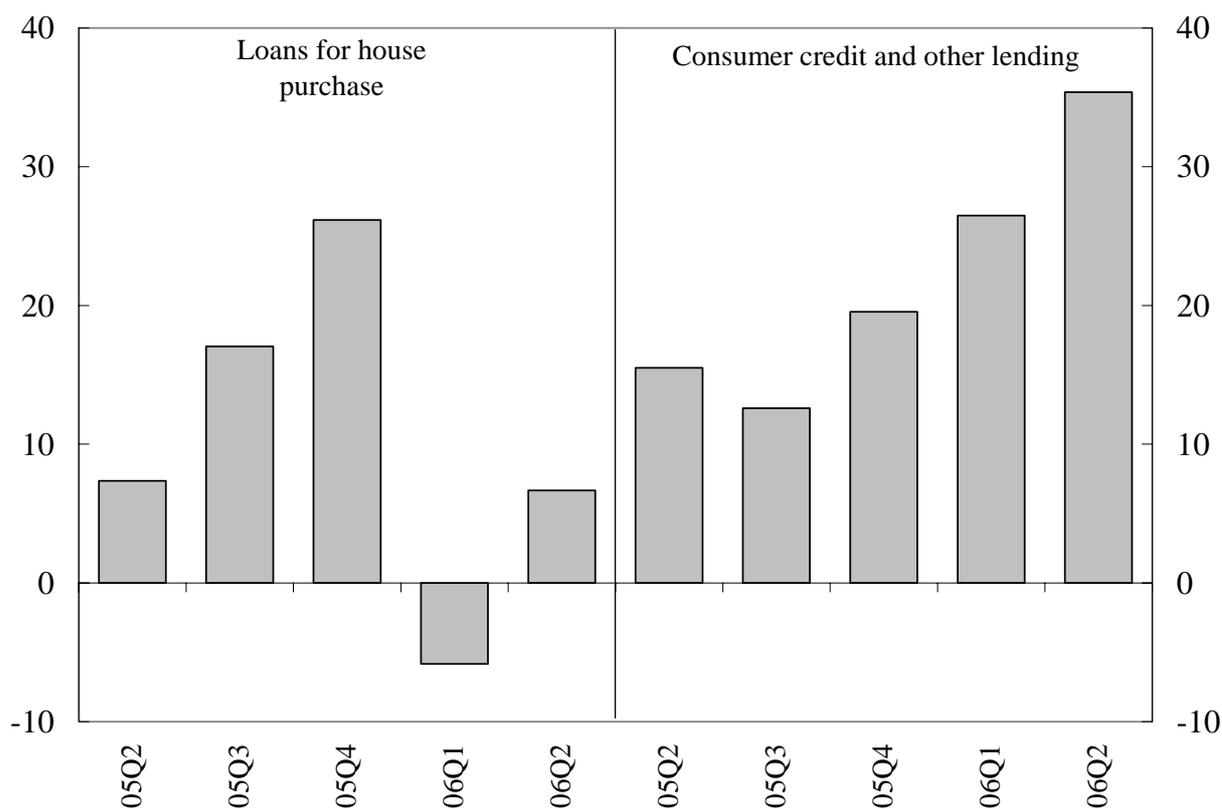


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	January 2006	April 2006	January 2006	April 2006
Decrease considerably	2	0	0	0
Decrease somewhat	20	14	6	2
Remain basically unchanged	62	66	61	61
Increase somewhat	16	20	33	37
Increase considerably	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>-6</b>	<b>7</b>	<b>27</b>	<b>35</b>
<i>Mean</i>	<i>2.92</i>	<i>3.07</i>	<i>3.26</i>	<i>3.36</i>
<b>Number of banks responding</b>	<b>77</b>	<b>79</b>	<b>76</b>	<b>78</b>

Note: The net percentage is defined as the difference between the sum of the percentages for “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease considerably”.

**Chart 22 Expected demand for loans to households**  
(net percentages of banks expecting positive loan demand)



## **Annex: Glossary used in the survey**

In order to assist the banks participating in the survey to fill out the questionnaire, a guide has been developed that explains the most important terms in the survey. The overview below shows the main terminology used.

### Capital

This is defined in accordance with the Basel capital adequacy requirements; it includes both tier 1 capital (core capital) and tier 2 capital (supplementary capital).

### Collateral

This is 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.

### Covenant

A covenant is 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), and is consequently part of the terms and conditions of the loan.

### Credit line

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

### Credit standards

Credit standards are the internal guidelines or criteria which reflect a bank's loan 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, the designated geographic priorities, the collateral deemed acceptable and unacceptable, etc. In the survey, changes in written loan policies should be considered together with changes in their application.

### Credit terms and conditions

The terms and conditions of a loan 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 maturity (short versus long-term).

### Enterprises

The term “enterprises” refers to non-financial corporations, i.e. all private and public institutional units, whatever 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. A firm is considered large if its annual net turnover is more than €50 million.

### Households

Households are 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.

### Loans

The loans covered by the bank lending survey are those granted to euro area residents by domestic branches, including 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 taken into consideration in relation to loans used for real estate financing.

### Maturity

The concept of maturity used in the bank lending survey is original maturity, and only two types are used, i.e. short-term and long-term. Short-term loans are loans with an original maturity of one year or less; long-term loans are consequently defined as loans that have an original maturity of more than one year.

### Net percentage (or balance)

For questions related to credit standards, 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”. For questions related to demand for loans, 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”.

### Non-banks

In general, these consist of non-monetary financial corporations. More specifically, they include insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

### Non-interest rate charges

These are various kinds of fees which can be 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.