



EUROPEAN CENTRAL BANK

4 November 2005

THE EURO AREA BANK LENDING SURVEY

– OCTOBER 2005 –

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 October 2005. The cut-off date for receipt of data from the banks participating in this survey was 11 October 2005.

Overall, the results of the October 2005 bank lending survey showed a slight net tightening of credit standards for loans to enterprises in the third quarter of 2005. At the same time, however, banks slightly eased their credit standards applied to loans to households for housing loans, while credit standards for consumer credit and other loans to households remained basically unchanged. During the third quarter of 2005, banks reported a remarkable increase in net demand for loans.

General notes

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks¹, and its main purpose is to enhance the understanding of bank lending behaviour in the euro area.²

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

¹ The sample group of banks participating in the survey comprises 85 banks, representing all euro area countries, and takes into account the characteristics of their 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. In the October 2005 survey, all 85 banks participated.

² 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 third quarter of 2005) or expectations of changes over the next three months (i.e. the fourth quarter of 2005).

A copy of the questionnaire can be found at <http://www.ecb.int/stats/money/lend/html/index.en.html>.

Loans or credit lines to enterprises

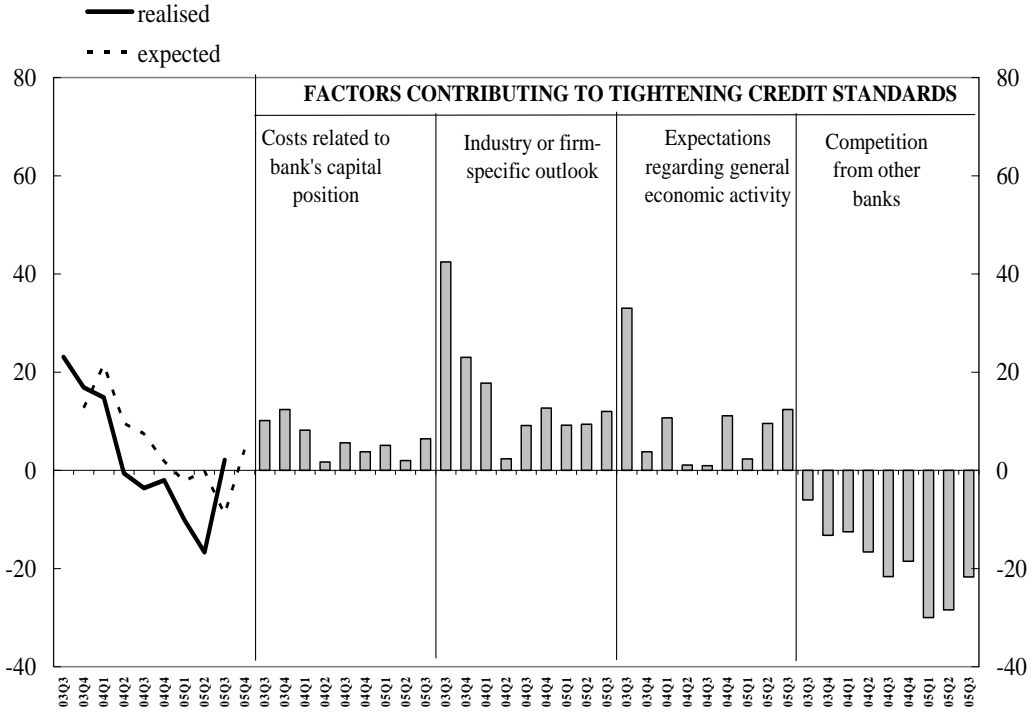
Credit standards. For the third quarter of 2005, banks reported a slight tightening of credit standards for loans or credit lines to enterprises (2% from a net easing of -17% in the previous quarter). This represents a significant change compared with the net easing trend that had prevailed since the second quarter of 2004 (see Chart 1, first panel). In July 2005 banks were not expecting the slight net tightening that occurred in the third quarter of 2005; indeed at that time banks were still expecting a net easing for the period (-9%).

Among the factors explaining changes in credit standards, risk perceptions regarding general economic activity and industry-specific outlook contributed the most to a net tightening of credit standards, although only marginally more than in the previous quarter (see Chart 1, third and fourth panels). Costs related to banks’ capital position also contributed slightly towards a tightening of credit standards (see Chart 1, second panel). At the same time, competition from other banks contributed less to easing credit standards than in the previous quarter (see Chart 1, fifth panel). Regarding the terms and conditions of credit, the net tightening of credit standards applied to loans or credit lines to enterprises seemed to be achieved primarily via an increase in margins on riskier loans (7% in October, compared with 2% in July). This was followed by an increase in non-interest rate charges and a reduction in size of loans or credit lines while loan covenants became slightly more stringent in the third quarter of 2005. Margins on average loans tended still to weigh somewhat towards a net easing of credit standards, but considerably less so than in previous quarters

In terms of borrowers’ size, banks reported a net tightening of credit standards on both loans to small and medium-sized enterprises (7% in October, from -14% in July) and to large enterprises (2% in October, from -18% in July).

Regarding the maturity of loans, the net tightening of credit standards applied to long-term loans (2% in October, from -9% in July) while banks continued to report net easing for short-term loans.

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

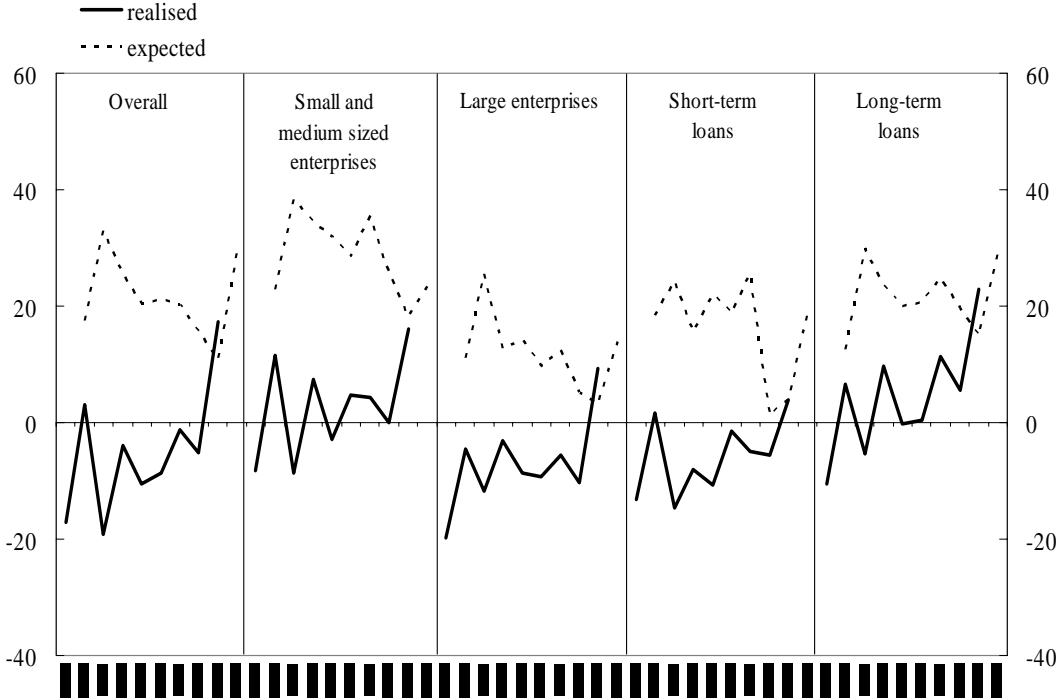


Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for 2005Q4 were reported in the October 2005 survey. The net percentages for the 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 to an easing.

Loan demand. In the third quarter of 2005, the overall net demand for loans or credit lines to enterprises increased remarkably compared with the previous quarter (16% in October, from -5% in July; see Chart 2, first panel). It is the first time since the fourth quarter of 2003 that banks reported a positive net demand and it is the highest level ever in the survey. This development reflected a strong increase in net demand for loans both to small and medium-sized enterprises (14% in October, from 0% in July) and to large enterprises (10% in October, from -10% in July; see Chart 2, second and third panels). In terms of maturity structure, the overall positive demand for loans was due to an increase in demand primarily for long-term loans (22% in October, from 6% in July) but also for short-term loans.

The major factor pointing to the increase in net demand for loans or credit lines to enterprises in the third quarter of 2005 was the contribution of fixed investment, which moved from strongly negative to somewhat positive (2% in October, from -20% in July). According to responding banks, increased financing needs of firms for inventories and working capital (9% in October, from 0% in July) and for mergers and acquisitions and corporate restructuring activities also contributed to the increase in net demand. A slightly lower availability of internal finance for enterprises and a lower issuance of debt securities also contributed to the recent developments in the net demand for loans.

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 2005Q4 were reported in the October 2005 survey.

Expectations. For the fourth quarter of 2005, banks expect a net tightening of credit standards applied to the approval of loans or credit lines to enterprises that is slightly higher than in the third quarter (see Chart 1, first panel). For the period October-December 2005, responding banks expect a slight general deterioration of credit standards as regards borrower size and loan maturity, with the exception of credit standards applied to short-term loans. Regarding expected net demand for loans to enterprises in the fourth quarter of 2005, responding banks continue to report an increase (29% in October, compared with 11% in July; see Chart 2, first panel).

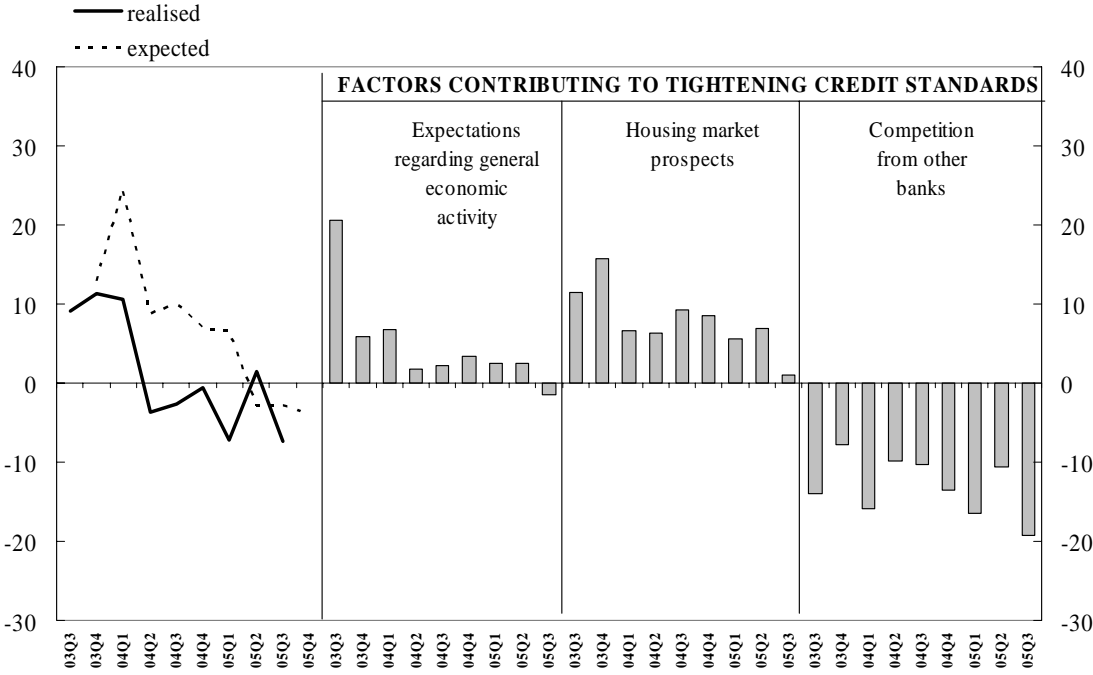
Loans to households for house purchase

Credit standards. Banks reported a net easing of credit standards applied to the approval of loans to households for house purchase in the third quarter of 2005 (-7% in October, from 2% in July) in line with their expectations in the July 2005 survey for the third quarter of 2005 (see Chart 3, first panel).

The slight net easing reflected banks’ reduced perceptions of risk, in terms of expectations regarding general economic activity (-2% in October, from 3 in July) and housing market prospects (1% in October, from 7% in July; see Chart 3, second and third panels). At the same time, competition from other banks and non-banks contributed a little bit more to a net easing in the third quarter of 2005 than in previous quarters (see Chart 3, fourth panel).

Regarding the terms and conditions of credit, banks reported that the slight net easing of credit standards applied to housing loans was achieved predominantly via changes in the loan-to-value ratio, via a narrowing of margins on average loans and also, to a lesser extent via a lengthening of the maturity of new loans.

Chart 3. Changes in credit standards applied to the approval of loans to households for house purchase (net percentages of banks contributing to tightening credit standards)

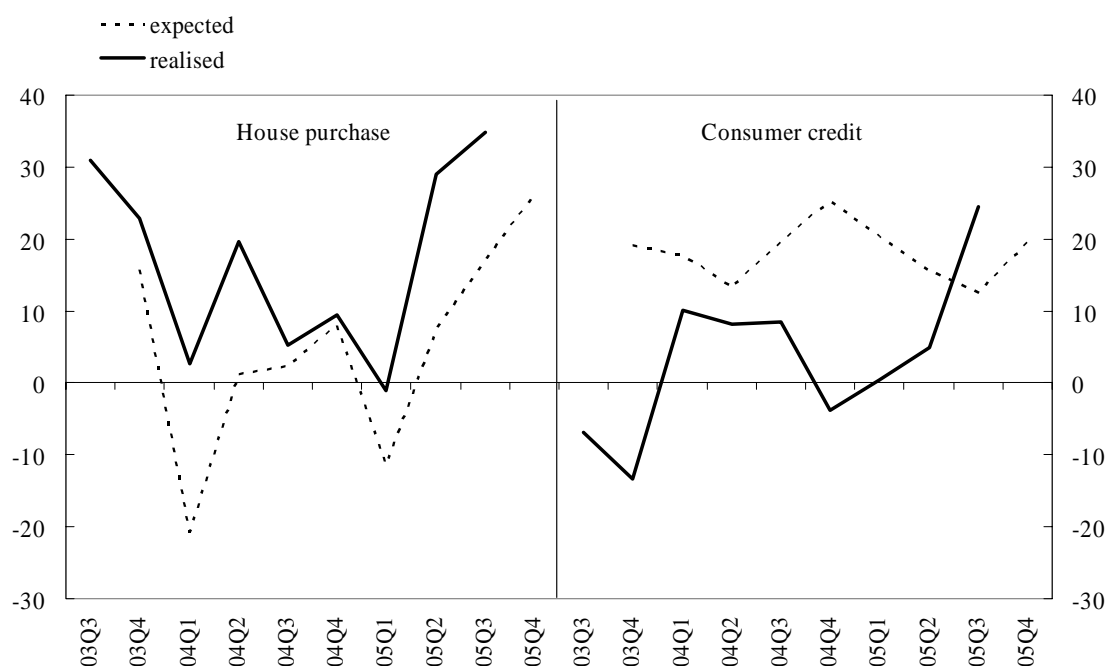


Notes: see footnote in Chart 1.

Loan demand. The net demand for housing loans to households continued to increase strongly in the third quarter of 2005 (35% in October, from 29% in July; see Chart 4, first panel). This increase in net demand was considerably higher than banks had expected for the third quarter of 2005 in the July 2005 survey.

The main factor underpinning the increase in net demand for housing loans was perceived to be a more positive contribution from housing market prospects (13% in October, from 10% in July). The increase in net demand for housing loans was further due to an improvement in consumer confidence (1% in October from -4% in July) as well as to a reduction in household savings (8% in October, from 3% in July). Although the improvement in consumer confidence is quite small, it is interesting to note that it is the first time since the start of the survey that banks reported a positive impact of this factor on net demand.

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



Notes: see footnote in Chart 2.

Expectations. For the fourth quarter of 2005, respondent banks continue to expect a slight net easing of credit standards for loans to households for house purchase (to -4% in October). At the same time, they continue to expect that net demand for housing loans will increase again in the fourth quarter of 2005 (26% in October, from 17% in July; see Chart 4, first panel).

Consumer credit and other lending to households

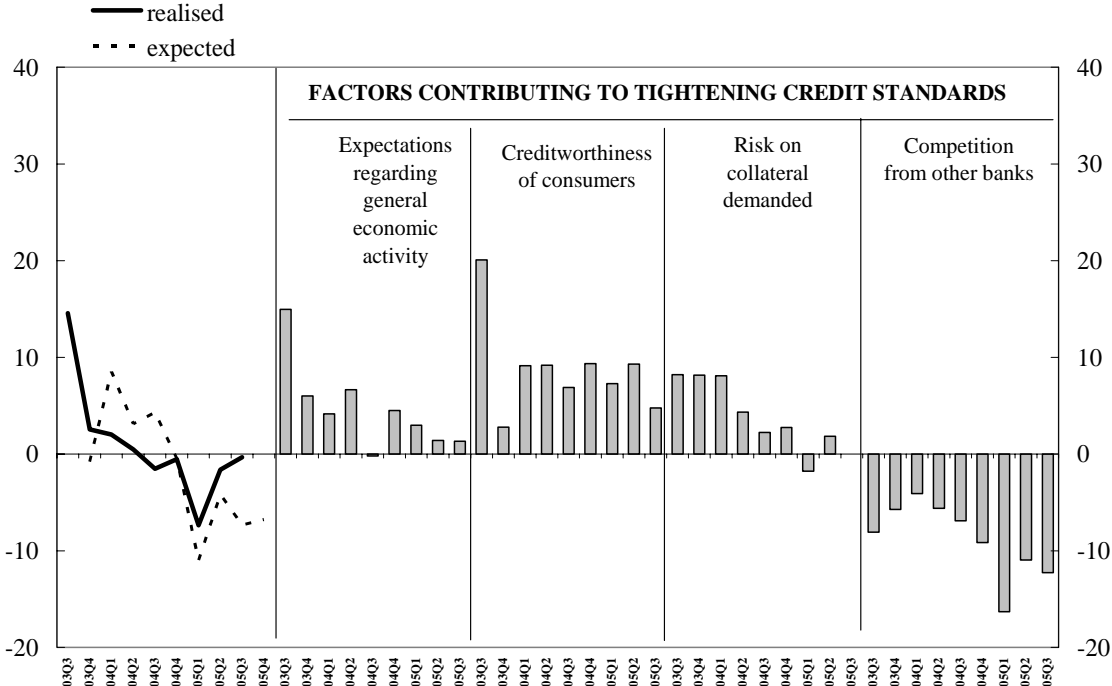
Credit standards. In the third quarter of 2005, credit standards applied to loans to households for consumer credit and other lending were basically unchanged, compared to the previous quarter (at 0% in October, from -2% in July; see Chart 5, first panel). Almost all factors affecting banks' credit standards remained broadly unchanged with respect to the previous quarter (see Chart 5, panels two to five). However, the contribution to net tightening from risks stemming from lower creditworthiness of consumers declined in comparison with the previous quarter (5% in October, from 9% in July; see Chart 5, third panel). Regarding terms and conditions for approving consumer credit and other lending to households, all factors, both price and non-price terms and conditions, contributed marginally to the net easing of credit standards, and, in particular, lower margins on average loans (-17% in October, compared with -18% in July).

Loan demand. Net demand for consumer credit and other lending to households increased strongly in the third quarter of 2005 (25% in October, from 5% in July). The main factors contributing to this development were a further increase in the contribution of spending on durable consumer goods (15% in October, from 7% in July) and a reduction in household savings (8% in October, from 2% in July). As in

the case of the demand for loans for house purchase, banks reported, for the first time, that a slight improvement in consumer confidence also contributed to the increased net demand for consumer credit and other loans to households (2% in October, from -6% in July).

Expectations. For the fourth quarter of 2005, responding banks expect a net easing of credit standards for consumer credit and other lending to households (-7% in October, unchanged from July; see Chart 5, first panel) as well as an increase in the net demand for these loans (20% in October, from 13% in July; see Chart 4, second panel).

Chart 5. Changes in credit standards applied to the approval of consumer credit and other lending to households (net percentages of banks contributing to tightening credit standards)



Notes: see footnote in Chart 1.

2. Results for the individual questions

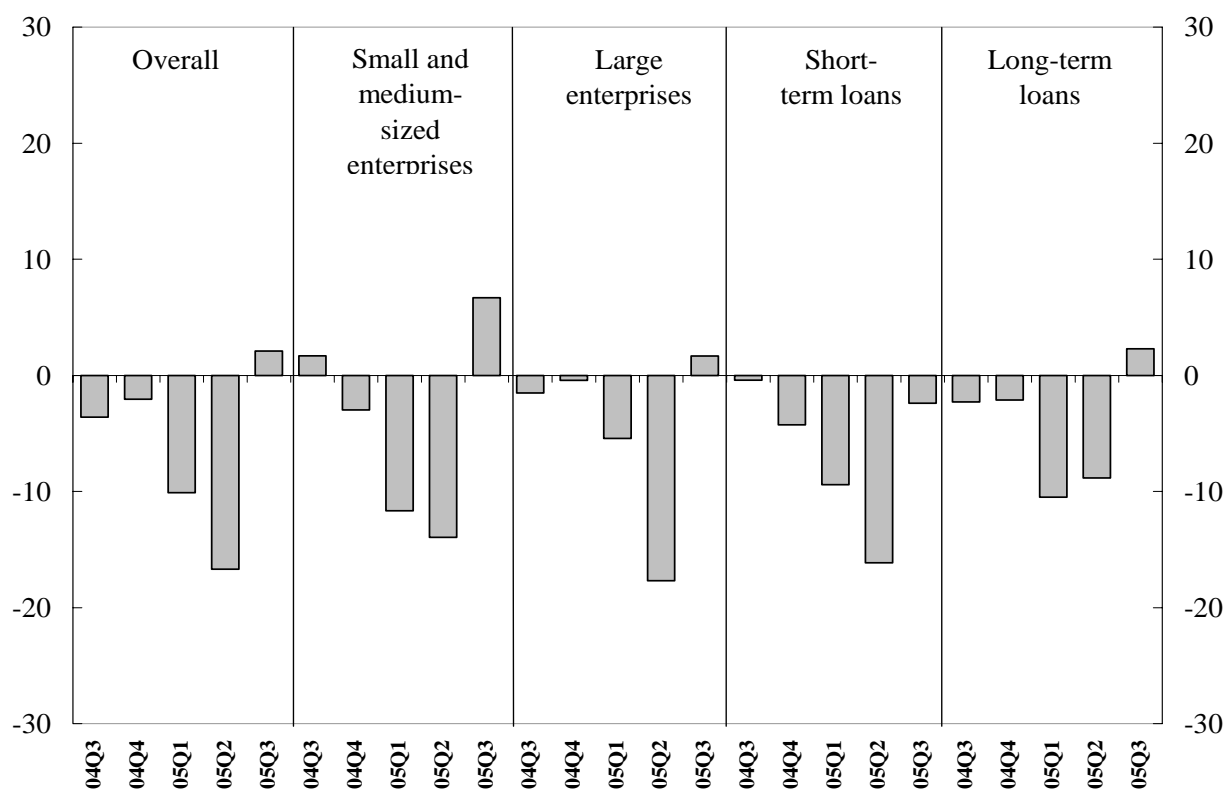
I. Loans or credit lines to enterprises

- 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	
	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005
Tightened considerably	0	0	0	0	0	0	0	0	0	0
Tightened somewhat	1	4	1	9	1	4	1	2	3	6
Remained basically unchanged	82	94	84	88	81	94	82	94	86	91
Eased somewhat	16	2	15	3	17	2	16	5	10	3
Eased considerably	1	0	0	0	1	0	1	0	1	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	-17	2	-14	7	-18	2	-16	-2	-9	2
<i>Mean</i>	<i>3.18</i>	<i>2.98</i>	<i>3.14</i>	<i>2.93</i>	<i>3.19</i>	<i>2.98</i>	<i>3.17</i>	<i>3.02</i>	<i>3.10</i>	<i>2.98</i>
Number of banks responding	82	81	81	80	81	80	82	81	82	81

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	
							July 2005	October 2005	July 2005	October 2005
A) Cost of funds and balance sheet constraints										
Costs related to your bank's capital position	0	7	85	0	0	9	2	7	2.98	2.92
Your bank's ability to access market financing	0	2	87	0	0	11	0	2	3.00	2.97
Your bank's liquidity position	0	3	86	2	0	9	-2	0	3.02	3.00
B) Pressure from competition										
Competition from other banks	0	0	69	22	0	10	-29	-22	3.40	3.25
Competition from non-banks	0	0	89	1	0	11	-6	-1	3.07	3.01
Competition from market financing	0	0	86	5	0	10	-5	-5	3.06	3.06
C) Perception of risk										
Expectations regarding general economic activity	0	15	77	2	0	6	10	12	2.90	2.86
Industry or firm-specific outlook	0	14	79	2	0	6	9	12	2.90	2.87
Risk on the collateral demanded	0	1	93	0	0	6	1	1	2.99	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 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 7a. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks contributing to tightening standards)

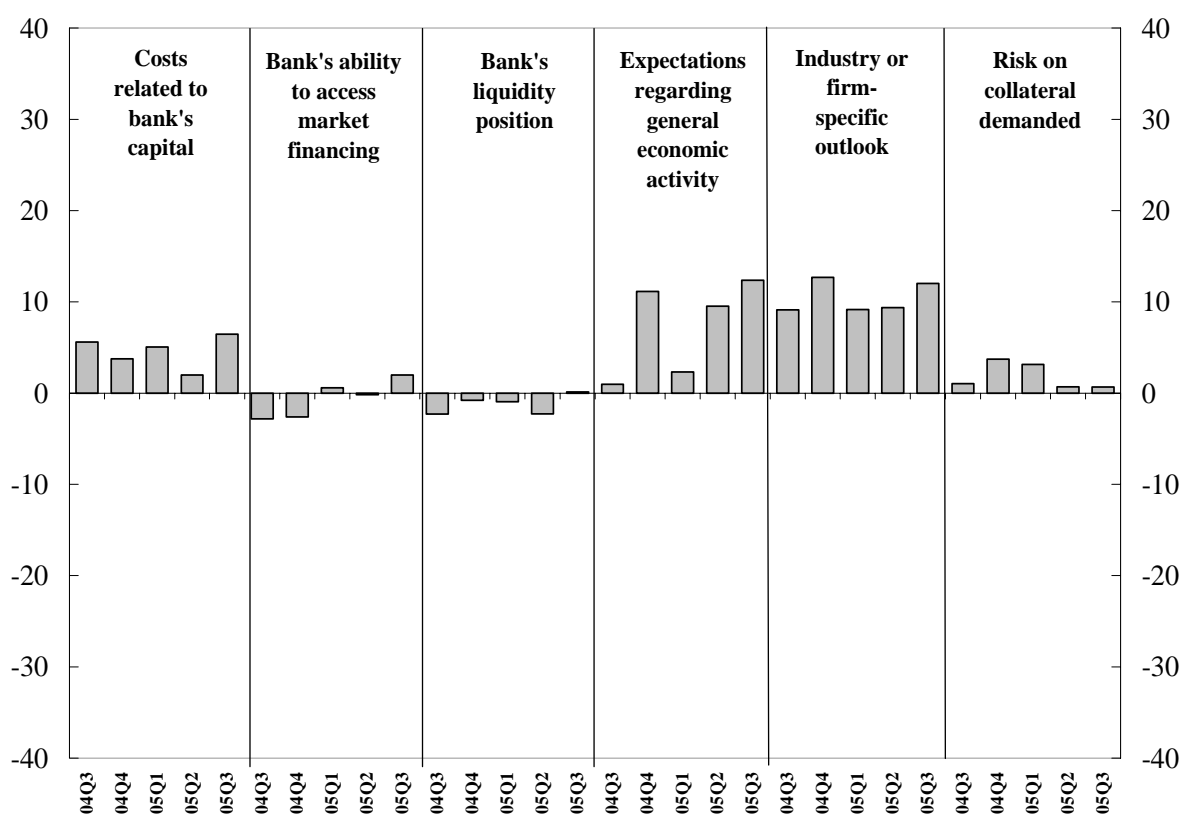
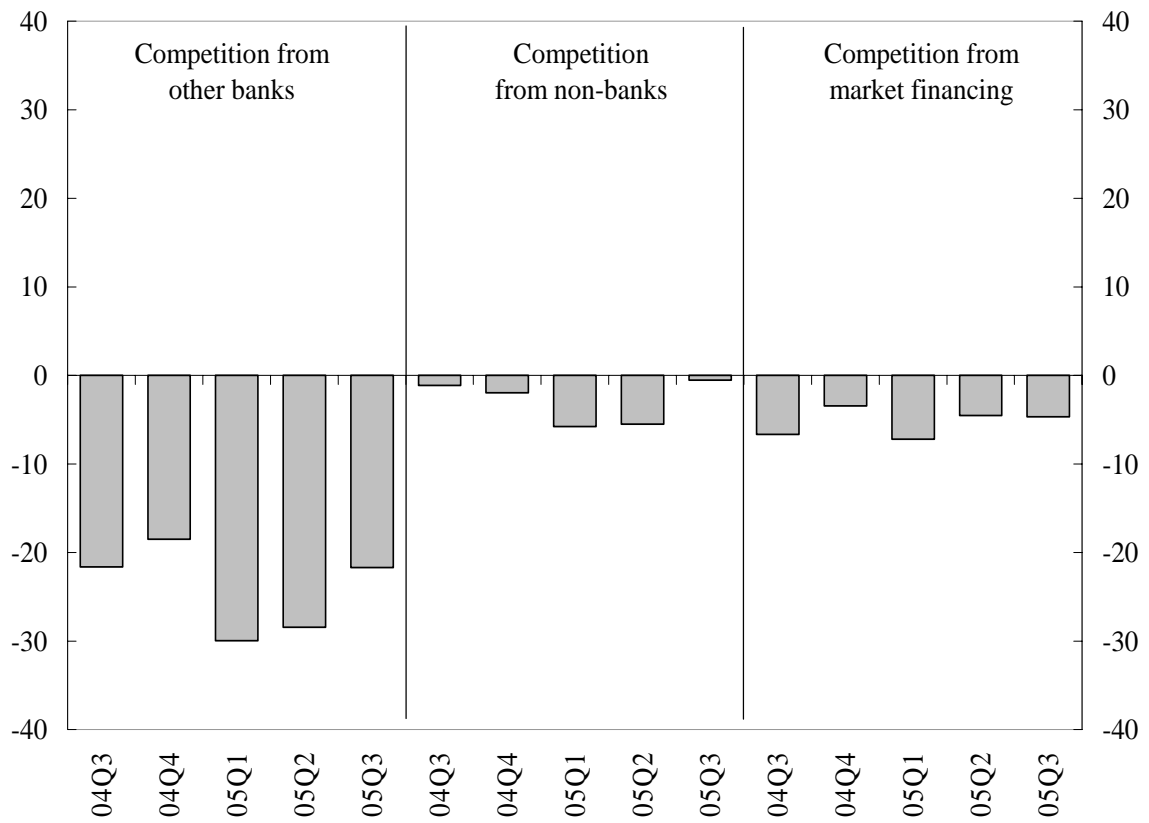


Chart 7b. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks contributing to tightening standards)



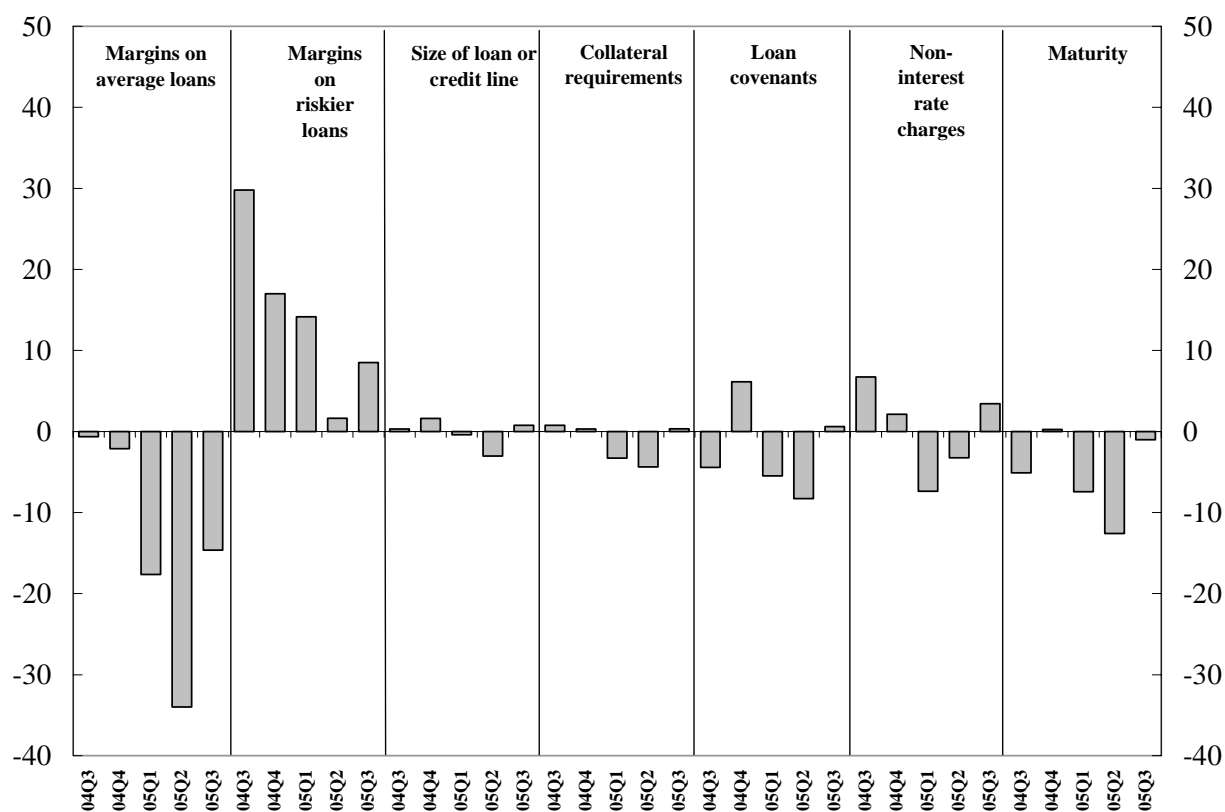
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Price			
Your bank's margin on average loans	0	6	68	20	1	6	-34	-15	3.39	3.16
Your bank's margin on riskier loans	1	14	73	7	0	6	2	9	3.01	2.89
B) Other conditions and terms										
Non-interest rate charges	0	5	89	1	0	6	-3	3	3.04	2.96
Size of the loan or credit line	0	4	88	3	0	6	-3	1	3.03	2.99
Collateral requirements	0	4	86	4	0	6	-4	0	3.05	3.00
Loan covenants	0	4	87	2	2	6	-8	1	3.11	3.01
Maturity	0	4	86	3	2	6	-13	-1	3.15	3.03

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 contributing to tightening standards)

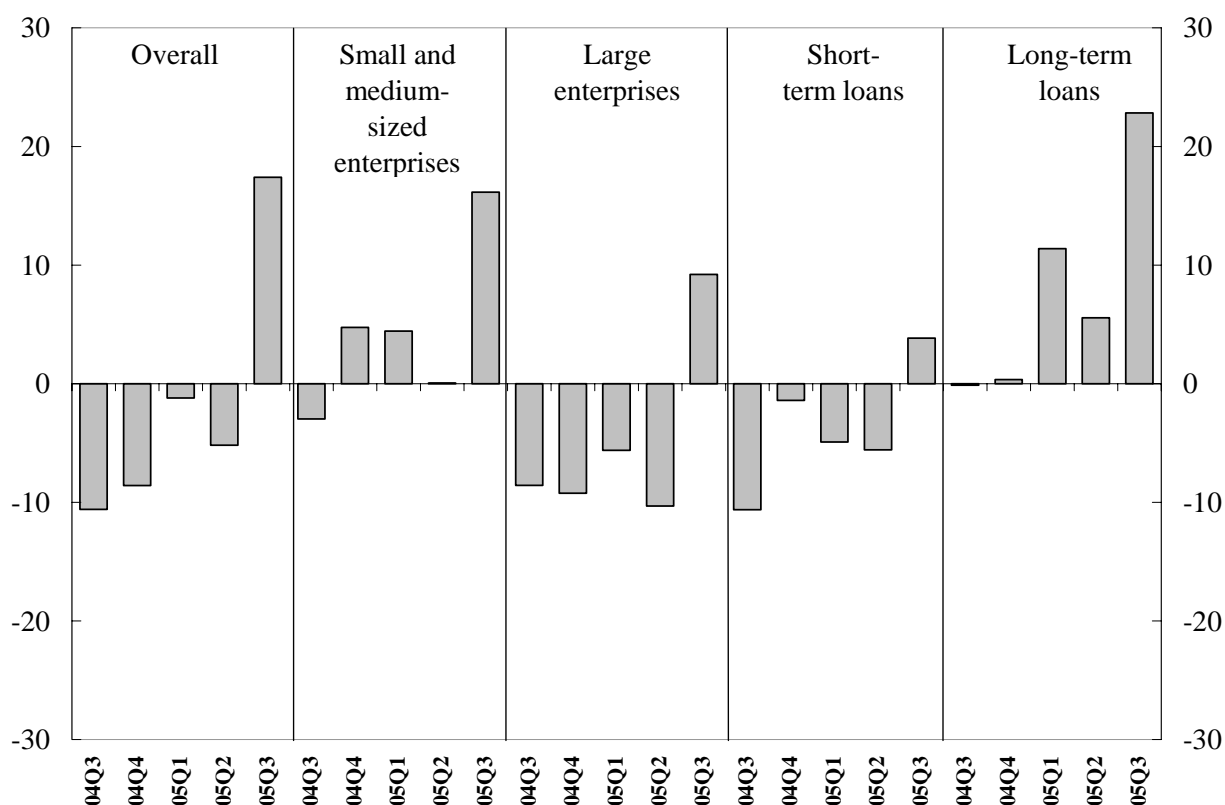


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005
Decreased considerably	0	1	0	0	0	1	0	1	0	0
Decreased somewhat	22	2	16	3	23	9	17	9	20	5
Remained basically unchanged	62	77	68	78	65	72	73	76	54	67
Increased somewhat	16	20	15	19	13	17	11	14	24	28
Increased considerably	0	0	1	0	0	2	0	0	1	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	-5	17	0	16	-10	9	-6	4	6	23
<i>Mean</i>	2.95	3.17	3.01	3.16	2.90	3.10	2.94	3.03	3.07	3.23
Number of banks responding	82	81	81	80	81	81	82	80	82	80

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 contributing to 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	
							July 2005	October 2005	July 2005	October 2005
							A) Financing needs			
Fixed investment	0	12	66	16	0	6	-20	3	2.76	3.03
Inventories and working capital	0	1	82	9	0	8	0	9	2.99	3.09
Mergers/acquisitions and corporate restructuring	0	1	67	23	3	6	17	26	3.21	3.32
Debt restructuring	1	3	73	17	0	6	27	14	3.31	3.14
B) Use of alternative finance										
Internal financing	2	5	81	5	0	8	-7	-2	2.90	2.96
Loans from other banks	0	12	78	2	0	8	-11	-10	2.89	2.90
Loans from non-banks	0	1	87	2	0	10	1	2	3.02	3.02
Issuance of debt securities	0	2	81	4	0	14	0	1	3.01	3.02
Issuance of equity	0	3	84	0	0	14	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 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 10a. Factors affecting demand for loans and credit lines to enterprises

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

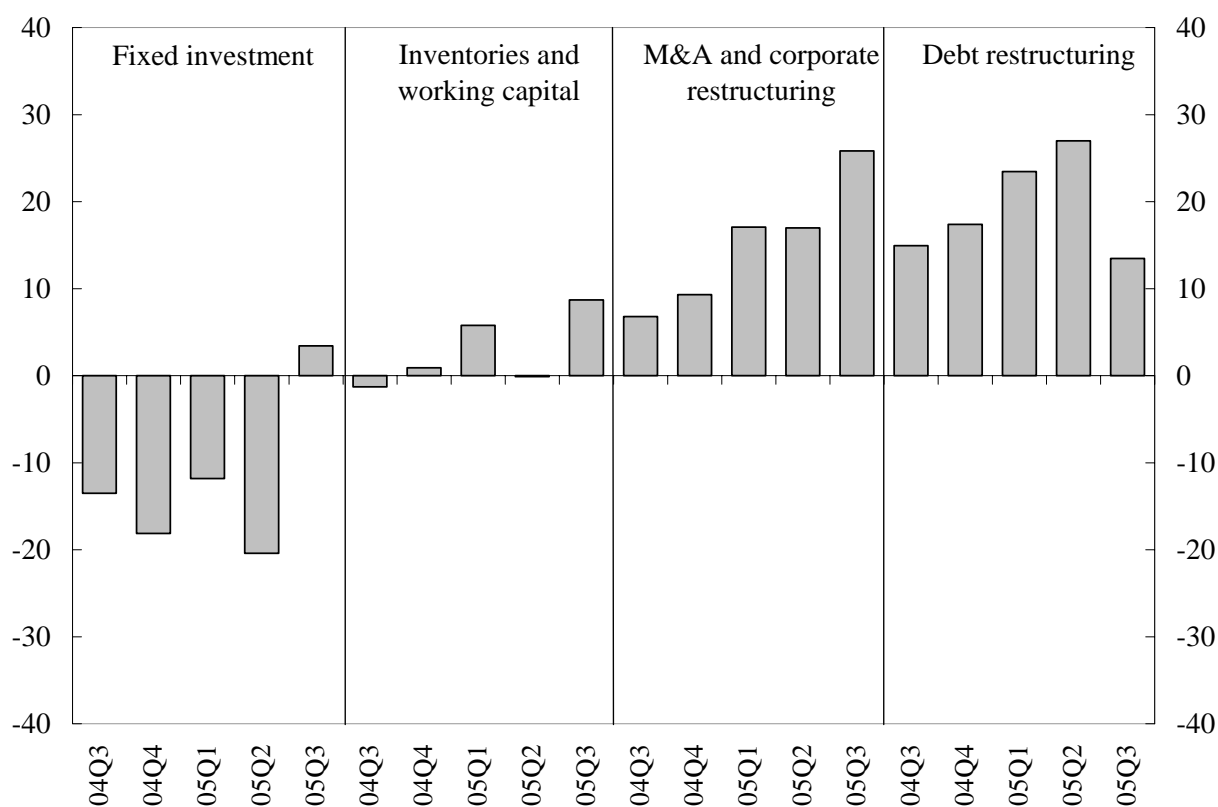
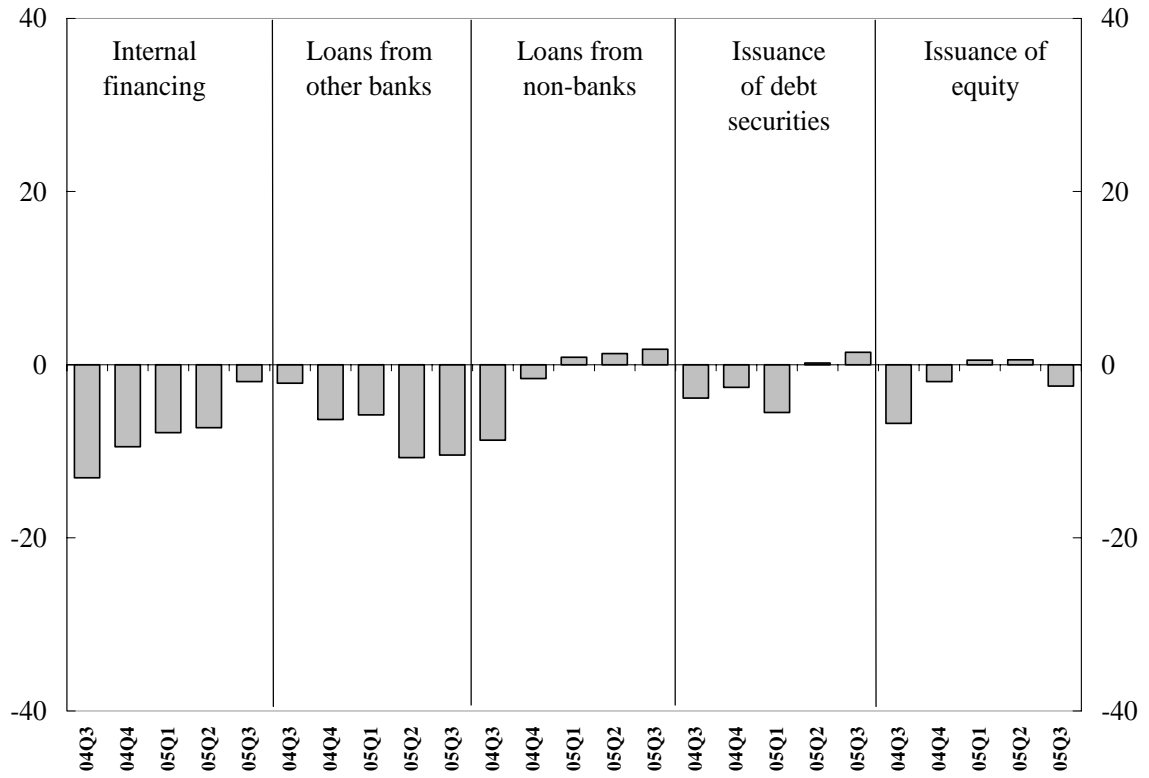


Chart 10b. Factors affecting demand for loans and credit lines to enterprises
(net percentages of banks reporting a positive contribution to demand)

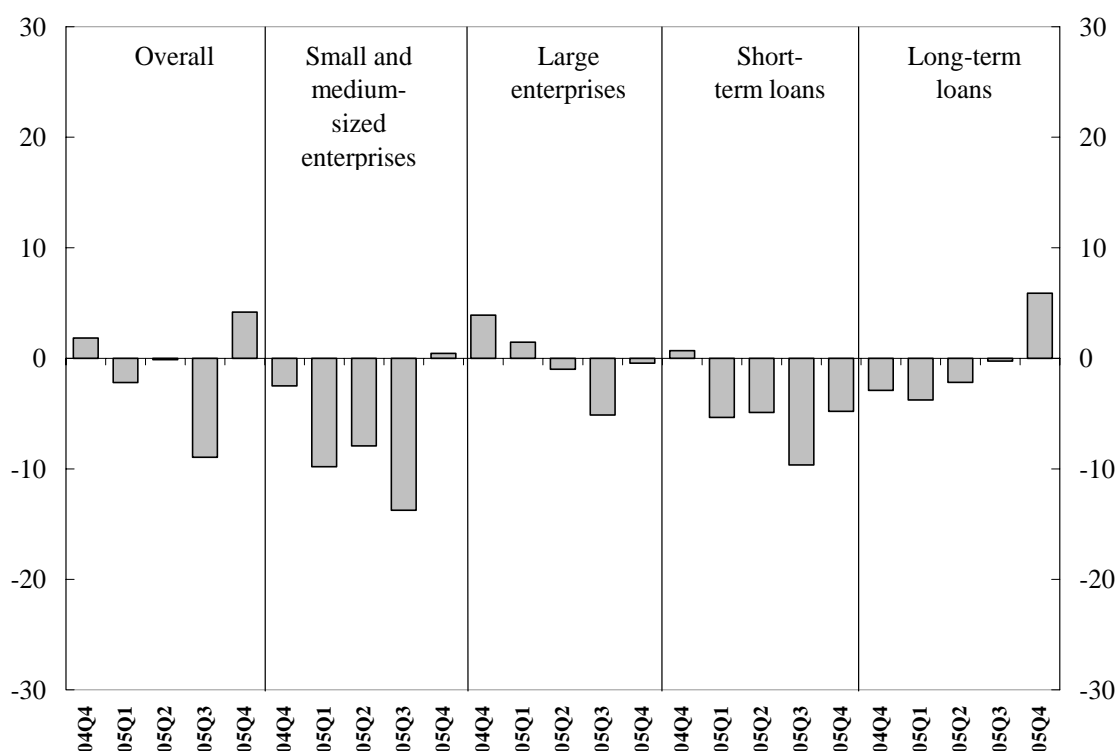


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	3	8	3	8	3	6	1	3	5	7
Remain basically unchanged	86	88	81	84	89	88	89	90	90	93
Ease somewhat	12	4	17	8	8	6	10	7	5	1
Ease considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	-9	4	-14	0	-5	0	-10	-5	0	6
Mean	3.09	2.96	3.14	3.00	3.05	3.00	3.10	3.05	3.00	2.94
Number of banks responding	82	81	81	80	81	80	82	81	82	81

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 reporting tightening credit standards)

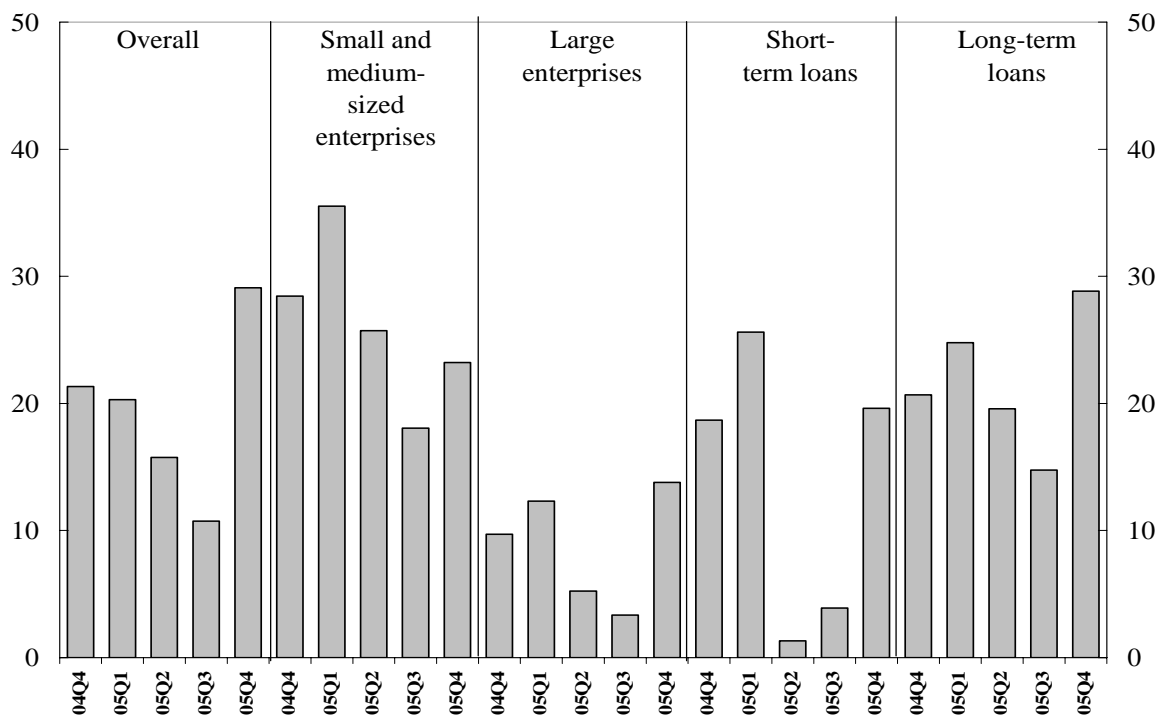


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005	July 2005	October 2005
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	4	0	2	0	6	3	6	2	4	0
Remain basically unchanged	81	71	78	76	84	81	84	76	77	71
Increase somewhat	15	29	20	23	10	15	10	22	18	28
Increase considerably	0	0	0	0	0	1	0	0	1	1
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	11	29	18	23	3	14	4	20	15	29
<i>Mean</i>	<i>3.11</i>	<i>3.29</i>	<i>3.18</i>	<i>3.23</i>	<i>3.03</i>	<i>3.15</i>	<i>3.04</i>	<i>3.20</i>	<i>3.16</i>	<i>3.30</i>
Number of banks responding	82	81	81	80	81	80	82	81	82	81

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 reporting a positive loan demand)



II. Loans to households

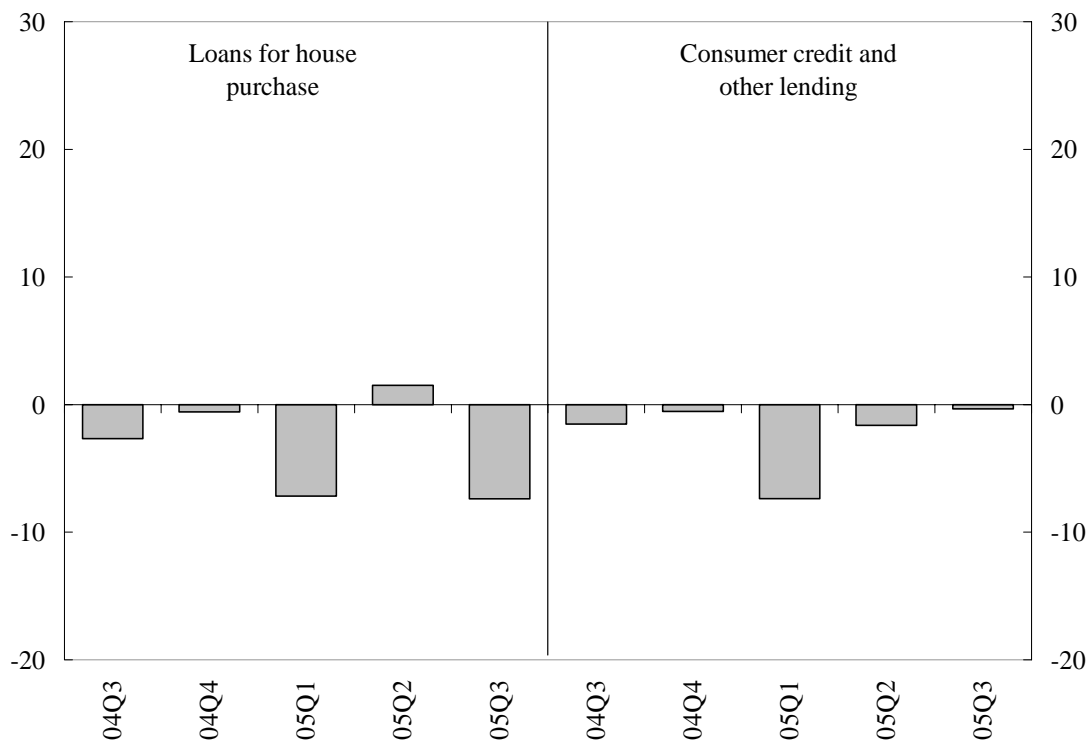
8. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed?

	Loans for house purchase		Consumer credit and other lending	
	July 2005	October 2005	July 2005	October 2005
Tightened considerably	0	0	0	0
Tightened somewhat	9	5	9	8
Remained basically unchanged	84	82	80	84
Eased somewhat	7	13	11	8
Eased considerably	0	0	0	0
Total	100	100	100	100
Net percentage	2	-7	-2	0
<i>Mean</i>	2.98	3.07	3.02	3.00
Number of banks responding	80	79	79	77

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)



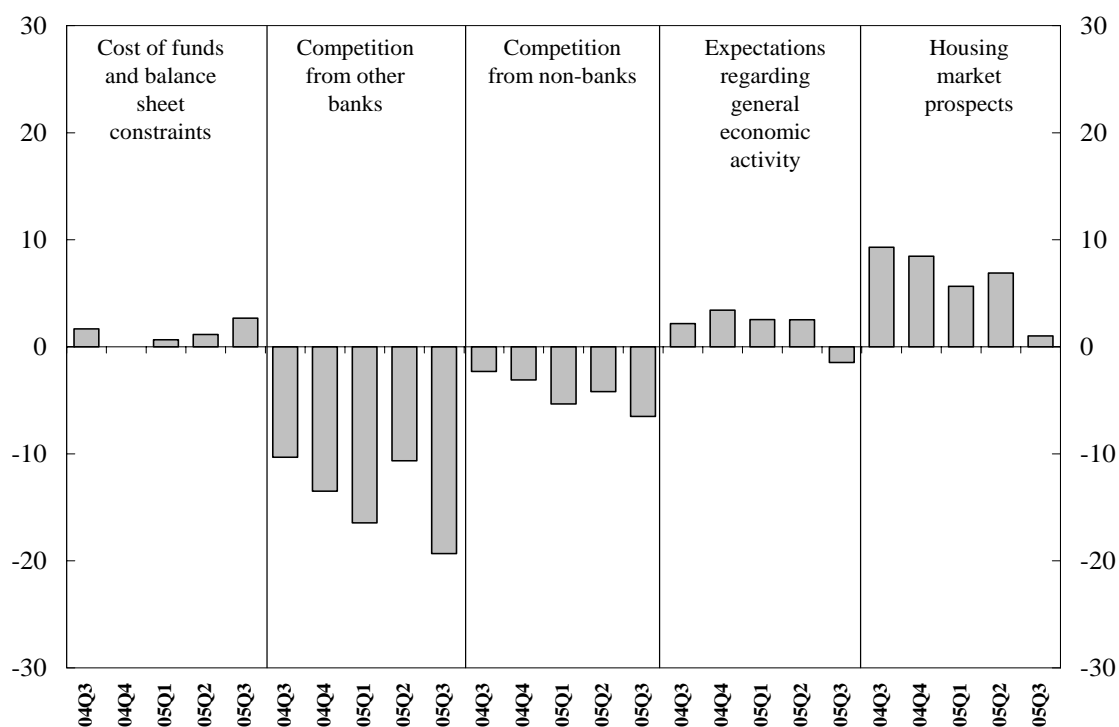
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Cost of funds and balance sheet constraints	0	3	83
B) Pressure from competition										
Competition from other banks	0	0	72	18	1	9	-11	-19	3.15	3.23
Competition from non-banks	0	0	82	7	0	12	-4	-7	3.05	3.07
C) Perception of risk										
Expectations regarding general economic activity	0	2	88	3	0	7	3	-2	2.97	3.02
Housing market prospects	0	4	86	3	0	7	7	1	2.93	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 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 contributing to tightening standards)



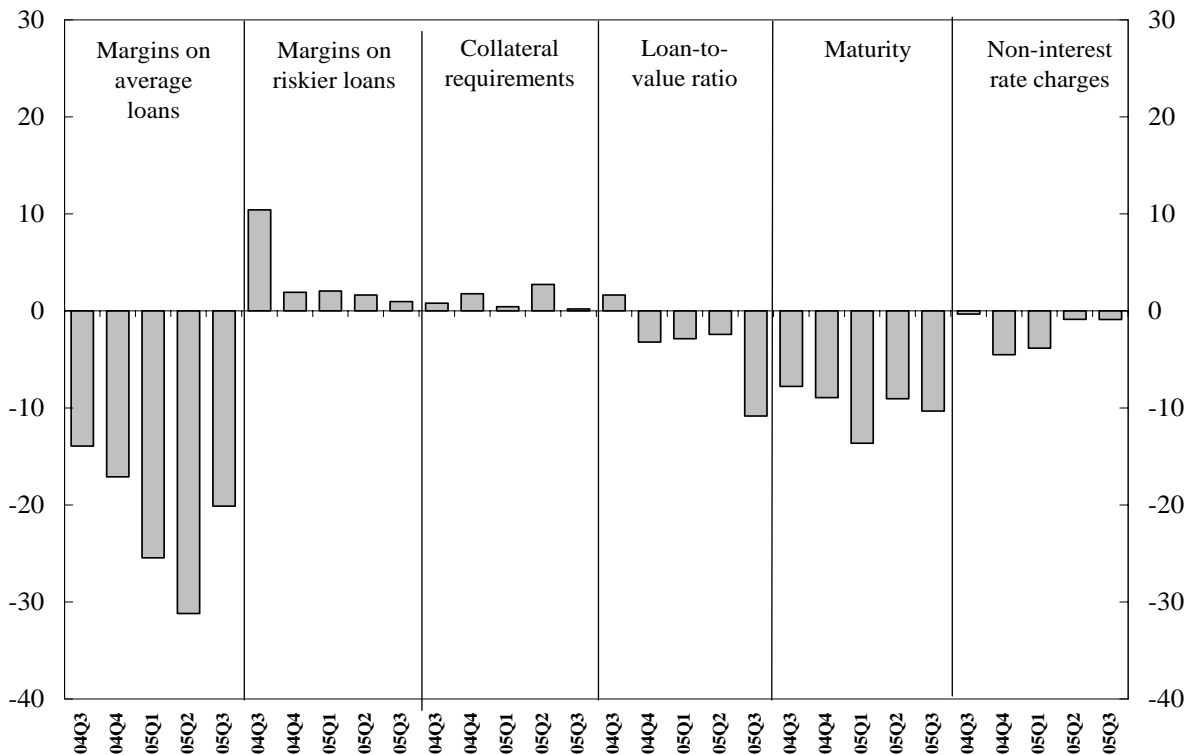
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Price			
Your bank's margin on average loans	0	5	64	23	1	7	-31	-20	3.42	3.24
Your bank's margin on riskier loans	0	6	82	5	0	7	2	1	2.98	2.99
B) Other conditions and terms										
Collateral requirements	0	2	89	2	0	7	3	0	2.97	3.00
Loan-to-value ratio	0	1	81	11	0	7	-2	-11	3.03	3.13
Maturity	0	0	82	10	0	7	-9	-10	3.10	3.12
Non-interest rate charges	0	2	89	2	0	7	-1	-1	3.01	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 contributing to tightening standards)



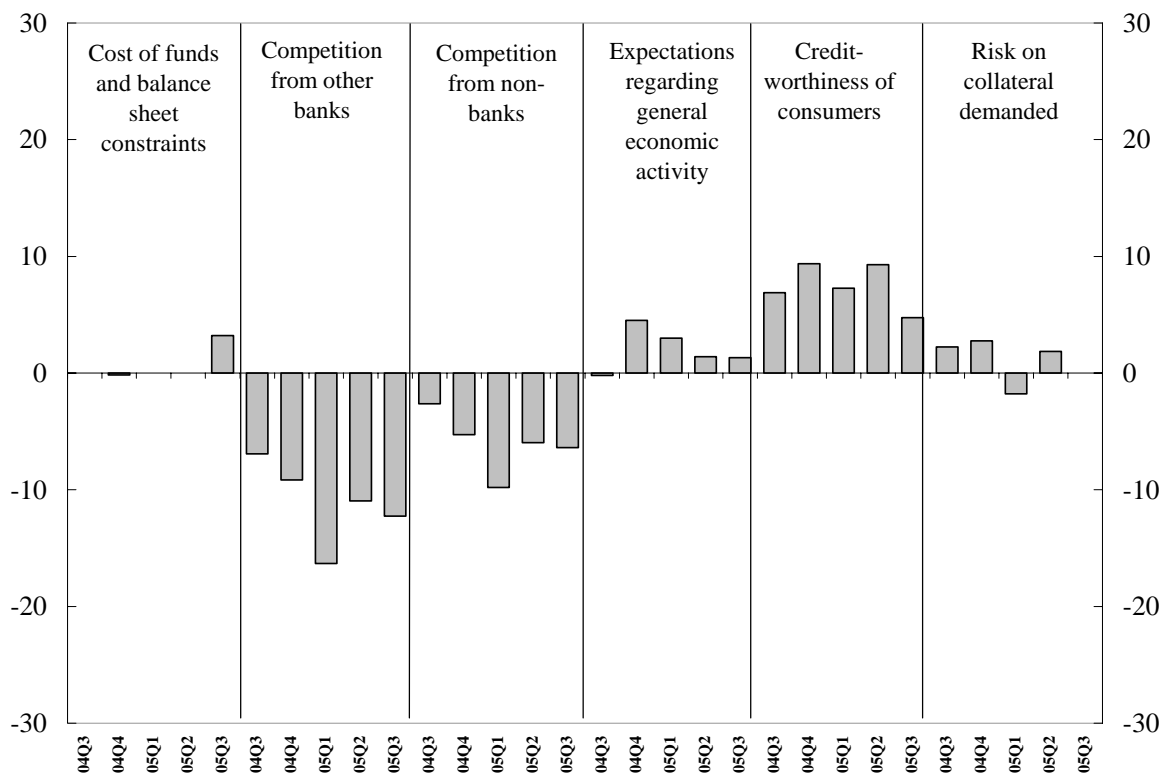
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
A) Cost of funds and balance sheet constraints	0	3	79	0	0	18	0	3	3.00	2.93
B) Pressure from competition										
Competition from other banks	0	1	74	11	1	13	-11	-12	3.15	3.16
Competition from non-banks	0	0	81	6	0	13	-6	-6	3.07	3.07
C) Perception of risk										
Expectations regarding general economic activity	0	3	85	2	0	11	1	1	2.98	2.98
Creditworthiness of consumers	0	5	84	0	0	11	9	5	2.91	2.95
Risk on the collateral demanded	0	0	87	0	0	13	2	0	2.98	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 contributing to tightening standards)



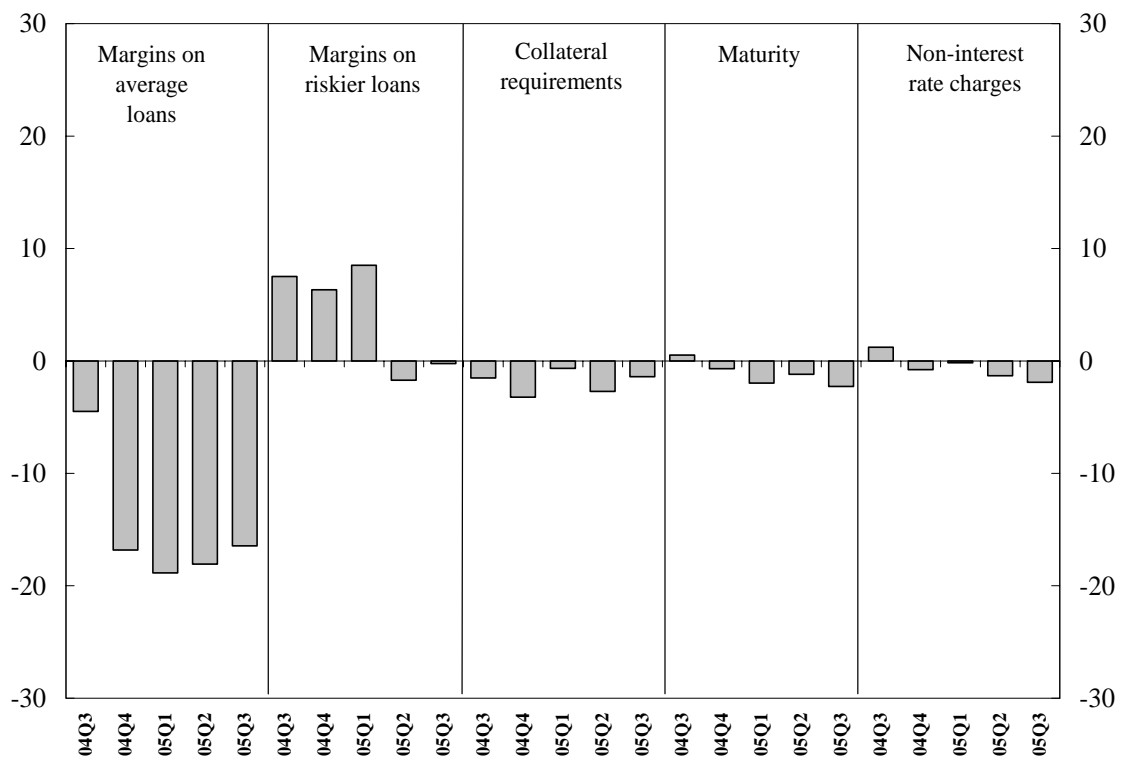
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Price			
Your bank's margin on average loans	0	2	68	19	0	11	-18	-17	3.23	3.19
Your bank's margin on riskier loans	2	3	79	5	0	11	-2	0	3.02	2.98
B) Other conditions and terms										
Collateral requirements	0	0	88	1	0	11	-3	-1	3.03	3.02
Maturity	0	2	82	5	0	11	-1	-2	3.01	3.03
Non-interest rate charges	0	2	84	3	0	11	-1	-2	3.02	3.02

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 contributing to tightening standards)

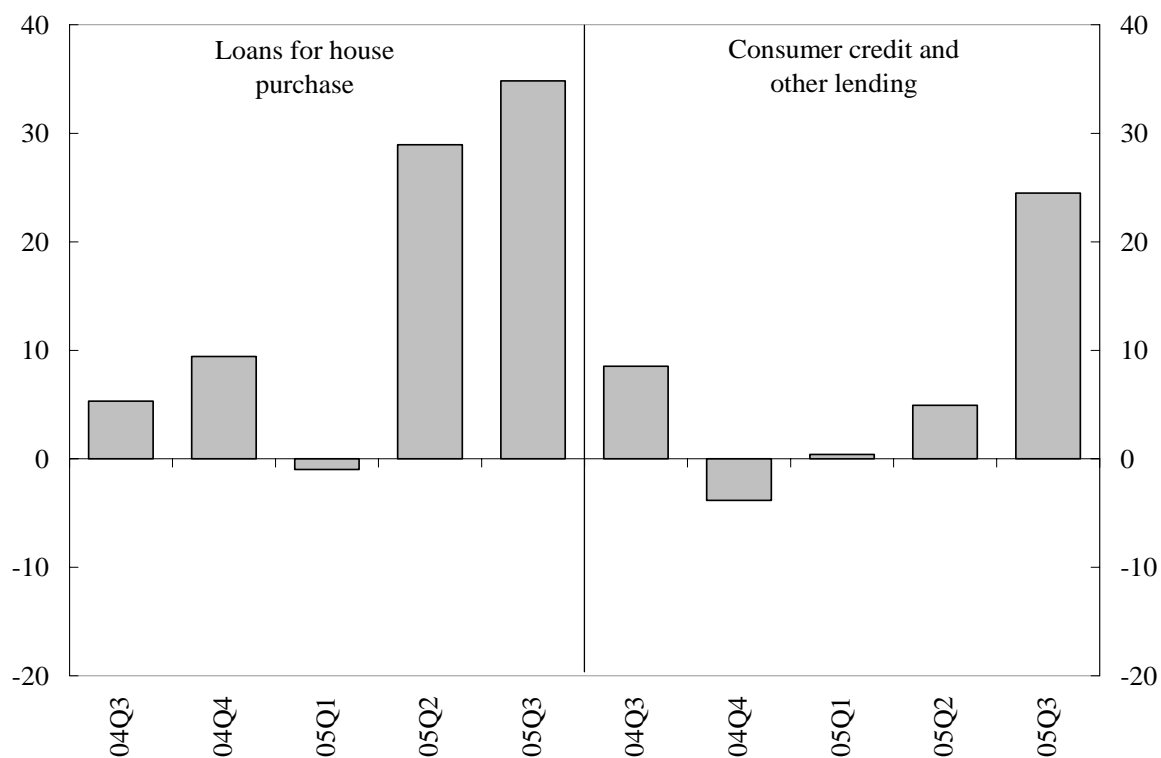


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	July 2005	October 2005	July 2005	October 2005
Decreased considerably	0	0	5	2
Decreased somewhat	14	8	11	4
Remained basically unchanged	44	49	64	63
Increased somewhat	32	37	17	29
Increased considerably	11	6	4	2
Total	100	100	100	100
Net percentage	29	35	5	25
Mean	3.40	3.40	3.04	3.24
Number of banks responding	80	79	79	77

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 contributing to positive loan demand)



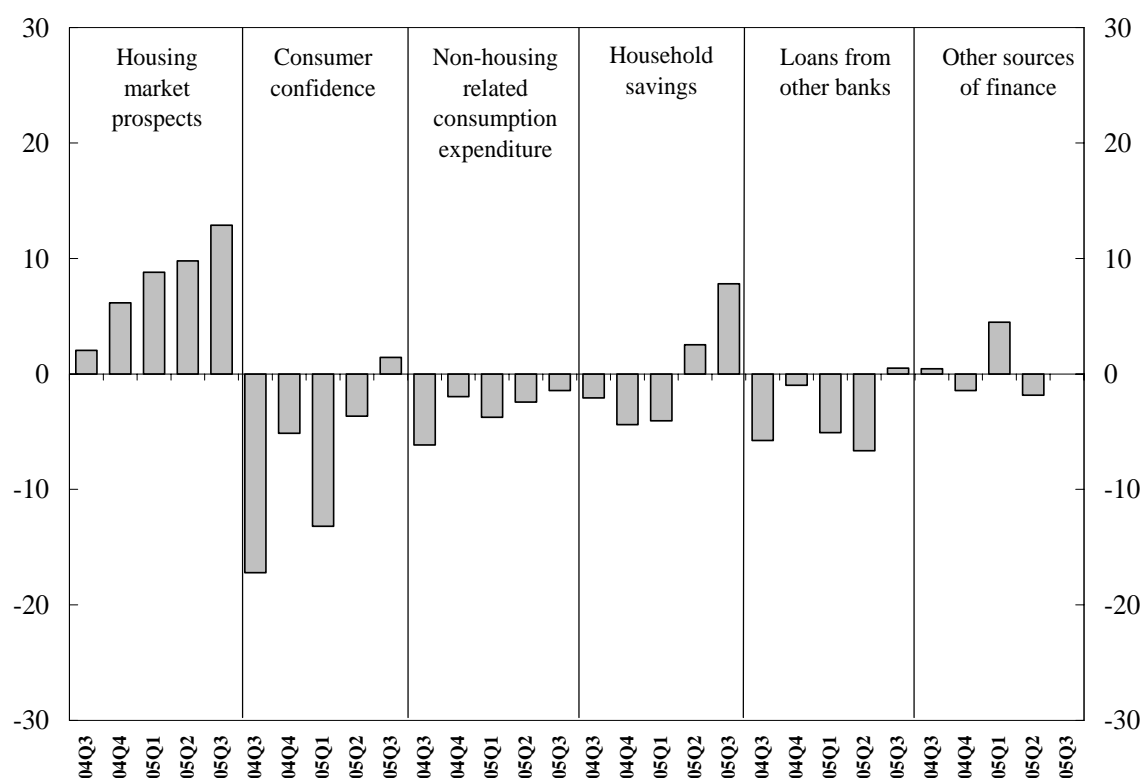
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Financing needs			
Housing market prospects	0	4	73	16	1	7	10	13	3.15	3.14
Consumer confidence	0	6	79	8	0	7	-4	1	2.96	3.02
Non-housing related consumption expenditure	0	3	88	2	0	7	-2	-1	2.97	2.99
B) Use of alternative finance										
Household savings	0	0	85	8	0	7	3	8	3.03	3.08
Loans from other banks	0	2	89	2	0	7	-7	1	2.93	3.00
Other sources of finance	0	2	89	2	0	7	-2	0	2.98	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)



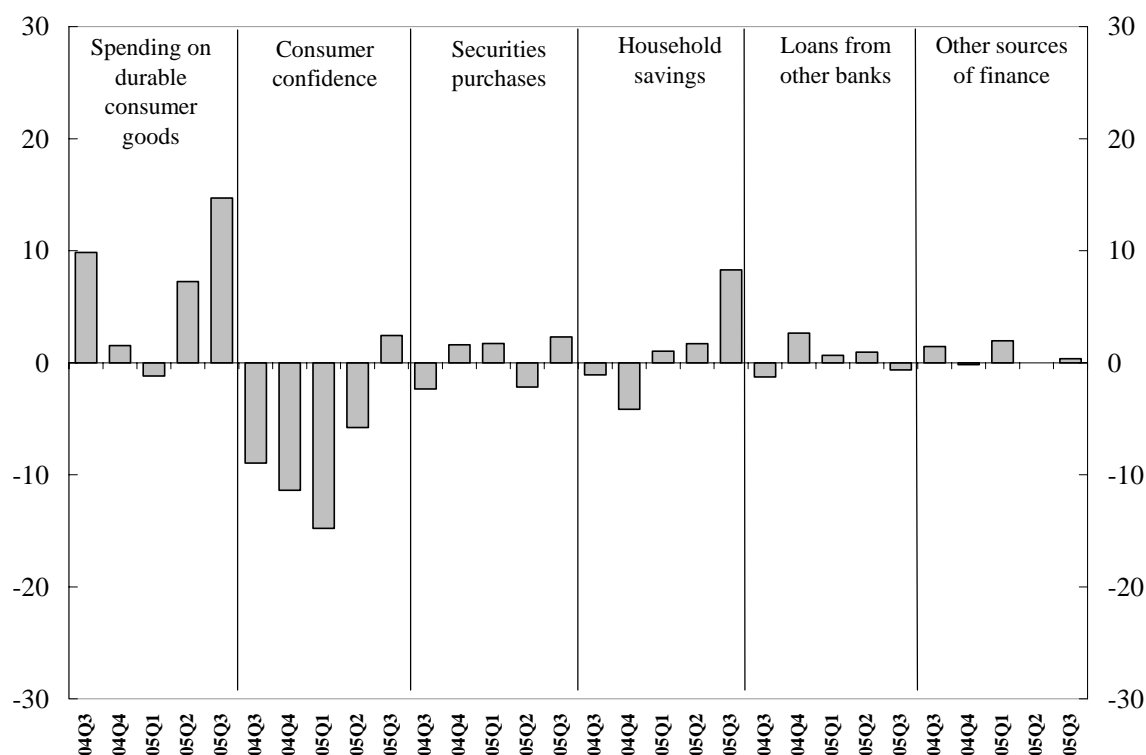
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2005	October 2005	July 2005	October 2005
							A) Financing needs			
Spending on durable consumer goods	0	1	72	16	0	11	7	15	3.10	3.16
Consumer confidence	0	5	76	8	0	11	-6	2	2.93	3.02
Securities purchases	0	0	81	3	0	17	-2	2	2.97	3.03
B) Use of alternative finance										
Household savings	0	1	78	10	0	11	2	8	3.01	3.08
Loans from other banks	2	0	86	1	0	11	1	-1	3.01	2.97
Other sources of finance	0	0	88	0	0	11	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 "+ +" (responsible for considerable increase) and "+ " (responsible for increase), and the sum of "- " (responsible for decrease) and "- -" (responsible for considerable decrease). "°" means "responsible for neither a decrease nor an increase".

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

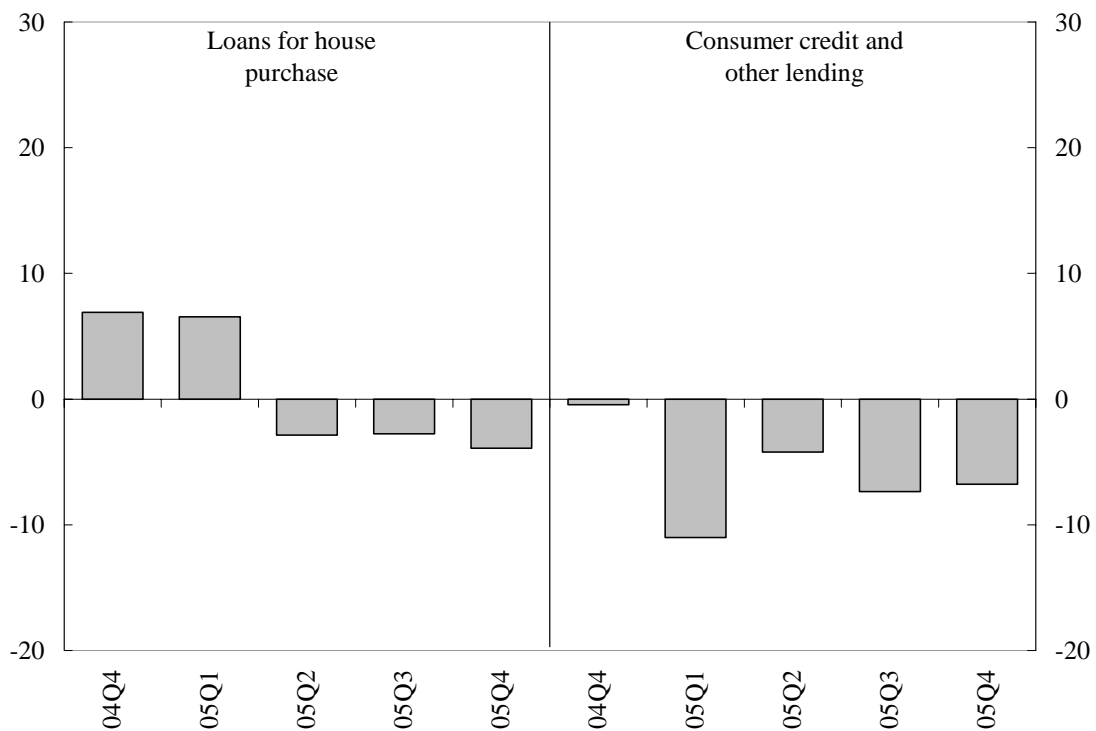


16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	July 2005	October 2005	July 2005	October 2005
Tighten considerably	0	0	0	0
Tighten somewhat	7	4	7	3
Remain basically unchanged	83	88	78	88
Ease somewhat	10	8	15	10
Ease considerably	0	0	0	0
Total	100	100	100	100
Net percentage	-3	-4	-7	-7
<i>Mean</i>	<i>3.03</i>	<i>3.04</i>	<i>3.07</i>	<i>3.07</i>
Number of banks responding	80	79	79	77

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 loans to households
(net percentages of banks reporting tightening standards)

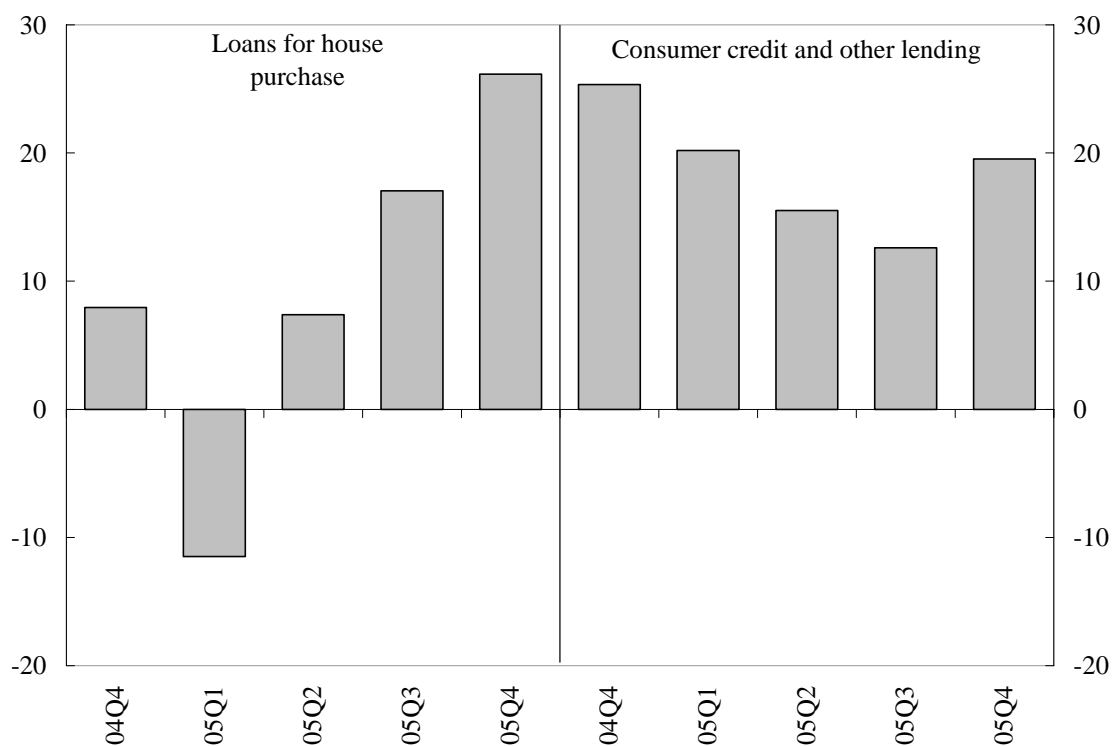


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	July 2005	October 2005	July 2005	October 2005
Decrease considerably	0	0	0	0
Decrease somewhat	4	8	3	8
Remain basically unchanged	75	58	81	64
Increase somewhat	21	34	16	28
Increase considerably	0	0	0	0
Total	100	100	100	100
Net percentage	17	26	13	20
<i>Mean</i>	<i>3.17</i>	<i>3.26</i>	<i>3.13</i>	<i>3.20</i>
Number of banks responding	80	79	78	77

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 for house purchase
(net percentages of banks reporting 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 compilation guide has been developed containing 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 expressed in loan contracts, particularly contracts with enterprises, under which the borrower either pledges 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 a 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 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

Enterprises refer 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 different 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 balance (or percentage)

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 “increase considerably” and “increase somewhat”, and the sum of the percentages for “decrease somewhat” and “decrease 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.