



EUROPEAN CENTRAL BANK

3 February 2006

THE EURO AREA BANK LENDING SURVEY

– JANUARY 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 January 2006. The cut-off date for receipt of data from the banks participating in this survey was 12 January 2006.

Overall, credit standards changed little for all categories of loans in the fourth quarter of 2005. The results show a slight net easing of credit standards for loans to enterprises in the fourth quarter. At the same time, however, banks slightly tightened their credit standards for housing loans to households, while credit standards for consumer credit and other loans to households remained broadly unchanged. Banks reported a remarkable increase in net demand for loans in the fourth quarter.

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 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

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. 83 of the 85 banks participated in the January 2006 survey.

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 fourth quarter of 2005) or expectations of changes over the next three months (i.e. the first quarter of 2006).

A copy of the questionnaire can be found at http://www.ecb.int/stats/pdf/bls_questionnaire.pdf.

Loans or credit lines to enterprises

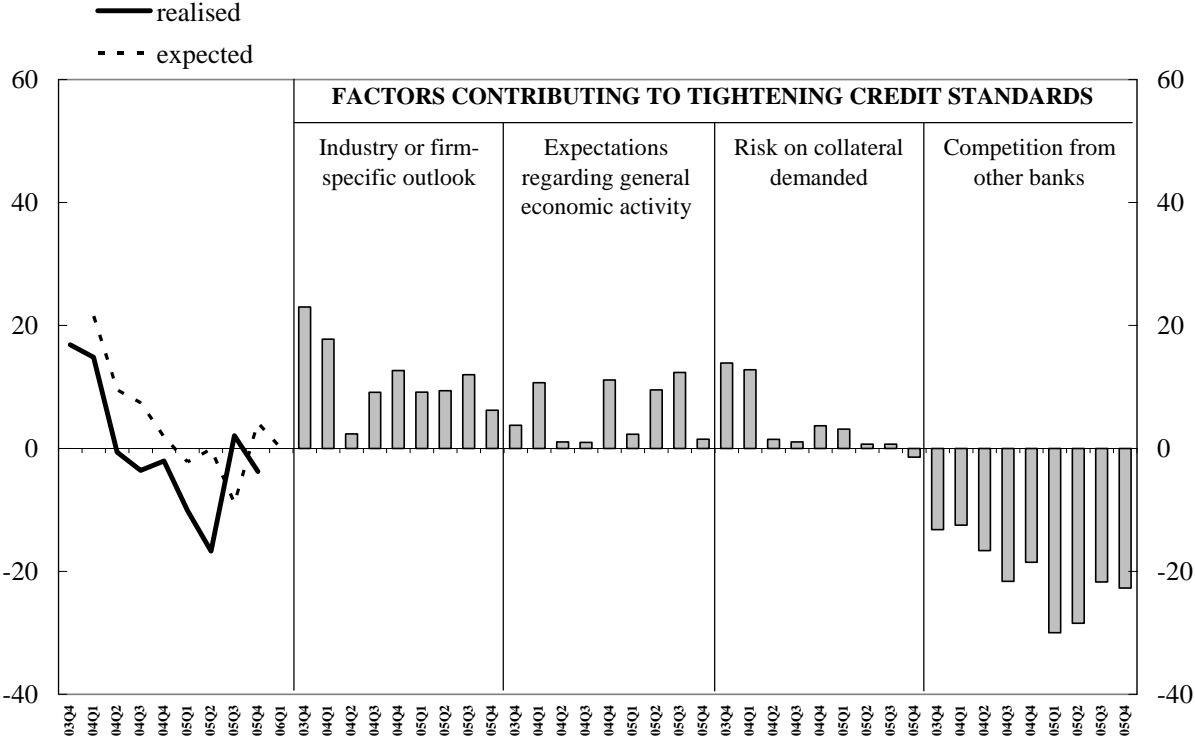
Credit standards. For the fourth quarter of 2005, banks reported a slight net easing of credit standards for loans or credit lines to enterprises (-4% from a net tightening of 2% in the previous quarter; see Chart 1, first panel).

This development reflected perceptions of decreased risk concerning the industry or firm-specific outlook and, more markedly, concerning general economic activity, even though these factors still contributed slightly towards a tightening (see Chart 1, second and third panels). At the same time, reduced pressures from competition and risk on collateral demanded contributed to the net easing (see Chart 1, fourth and fifth panels). Regarding the terms and conditions of credit, the net easing of credit standards applied to loans or credit lines to enterprises seemed to be achieved primarily via a decrease in margins on average loans (-18% in January 2006, compared with -15% in October 2005) and a lengthening of the maturities of loans or credit lines (-5% from -1% in the previous quarter). However, margins on riskier loans still tended to weigh somewhat towards a tightening of credit standards. This was supported by an increase in non-interest rate charges and a reduction in the size of loans or credit lines, both factors being stronger than in previous quarters.

In terms of borrowers' size, banks reported a net easing of credit standards on both loans to small and medium-sized enterprises (-2% from 7% in the previous quarter) and loans to large enterprises (-3% from 2% in the previous quarter).

In terms of the maturities of loans, banks declared that the net easing of credit standards applied to short-term loans (-7% in January 2006 from -2% in October 2005) and reported unchanged credit standards for long-term loans.

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

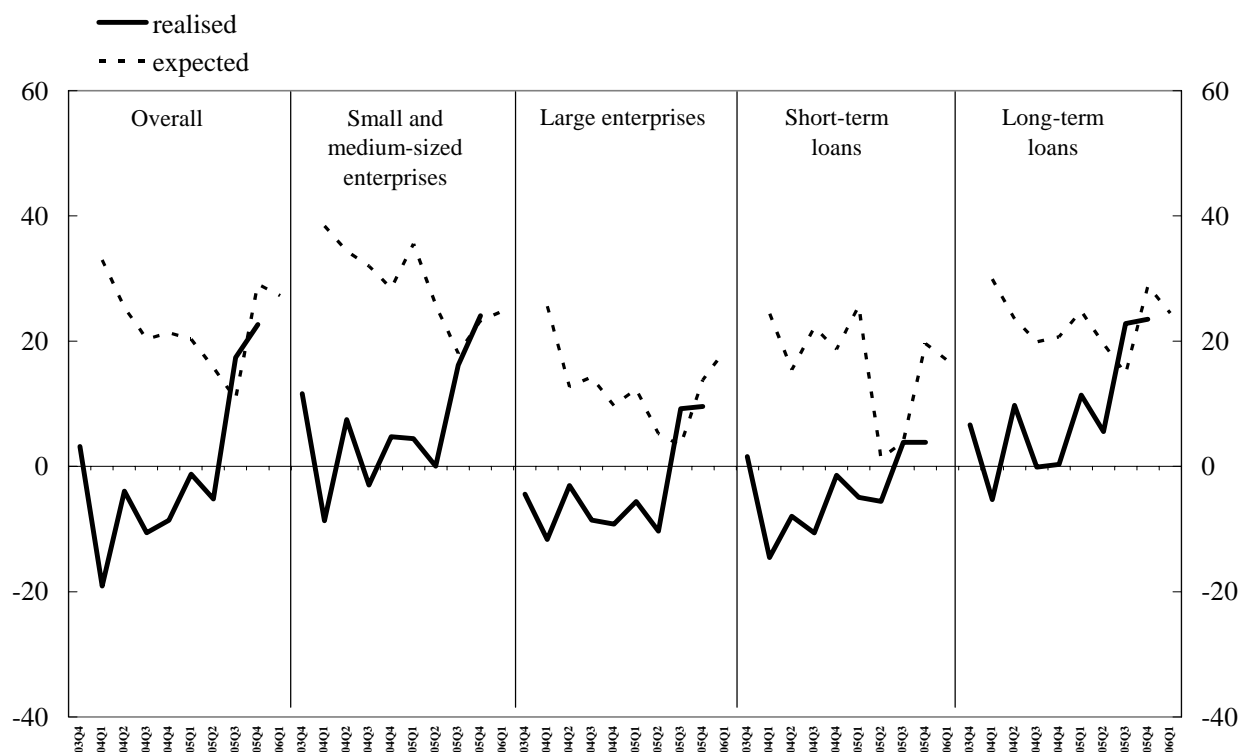


Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the first quarter of 2006 were reported in the January 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 fourth quarter of 2005 the overall net demand for loans or credit lines to enterprises increased remarkably compared with the previous quarter (23% in January from 17% in October; see Chart 2, first panel) and reached its highest level since the introduction of the survey. This development reflected a strong increase in net demand for loans to small and medium-sized enterprises (24% in January from 16% in October) and, to a lesser extent, to large enterprises (10% in January from 9% in October; see Chart 2, second and third panels). In terms of maturities, banks continued to report strong positive demand for both short and long-term loans, which is broadly unchanged from the previous quarter (see Chart 2, fourth and fifth panels).

According to the responding banks, the main factors contributing to the increase in net demand for loans or credit lines to enterprises in the fourth quarter of 2005 were the increased financing needs of firms for fixed investment (5% in January from 3% in October) and for inventories and working capital (14% in January from 9% in October). Mergers and acquisitions and corporate restructuring activities also continued to positively affect the increase in net demand. Less availability of internal financing for enterprises and less equity issuance also contributed to the recent development 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 the first quarter of 2006 were reported in the January 2006 survey.

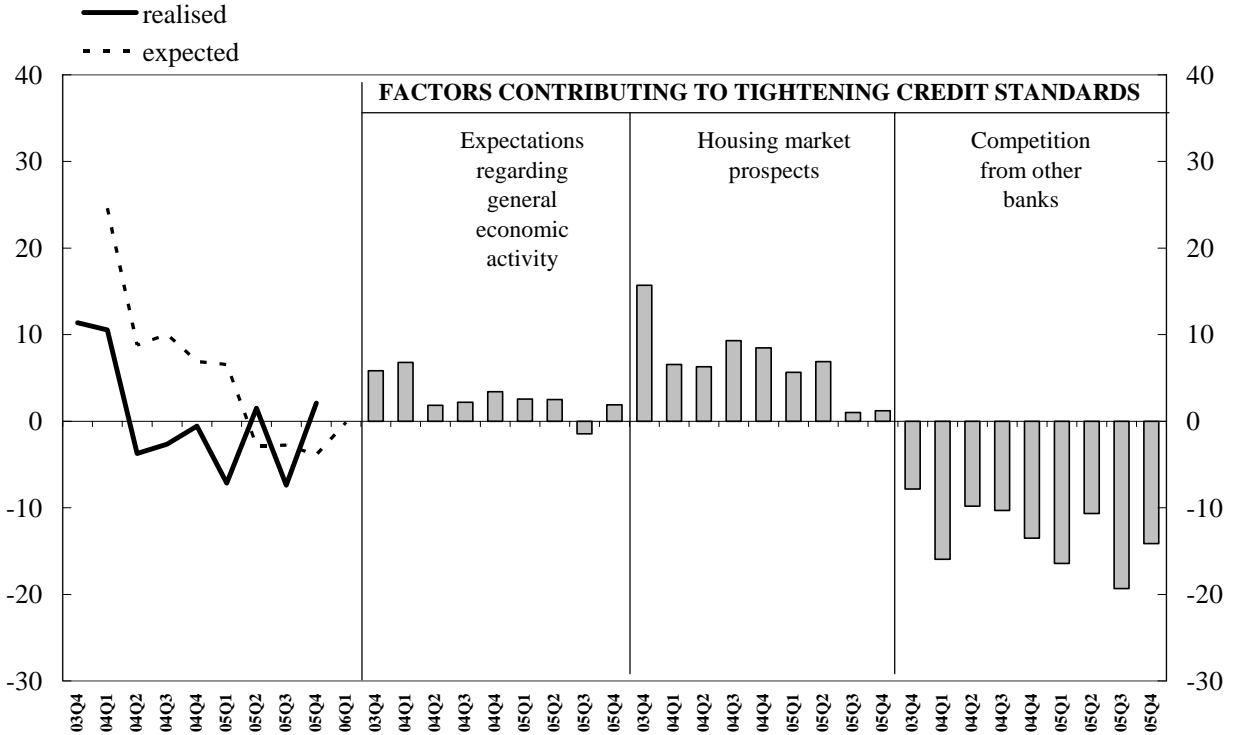
Expectations. For the first quarter of 2006, banks expect credit standards applied to the approval of loans or credit lines to enterprises to be unchanged (see Chart 1, first panel). In terms of borrower size and loan maturity, responding banks expect a general improvement in credit standards in the first quarter, in particular for credit standards applied to small and medium-sized enterprises. Regarding expected net loan demand from enterprises in the first quarter, responding banks continue to anticipate strong demand (27% in January, compared with 29% in October; see Chart 2, first panel).

Loans to households for house purchase

Credit standards. Banks reported a slight net tightening of credit standards applied to the approval of loans to households for house purchase in the fourth quarter of 2005 (2% in January from -7% in October). This development reflects banks’ perceptions of increased risk regarding general economic activity (2% in January from -2% in October; see Chart 3, second panel) and an increase in the cost of funds and balance sheets constraints. At the same time, housing market prospects weighed slightly towards a tightening while competition from other banks and non-banks contributed somewhat less to an easing in the fourth quarter of 2005 than in previous quarters (see Chart 3, third and fourth panels).

Regarding the terms and conditions of credit, banks reported that the slight net tightening of credit standards applied to housing loans was achieved primarily via an increase in margins on riskier loans. Factors such as the loan-to-value ratio and margins on average loans contributed less towards an easing of credit standards than 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)

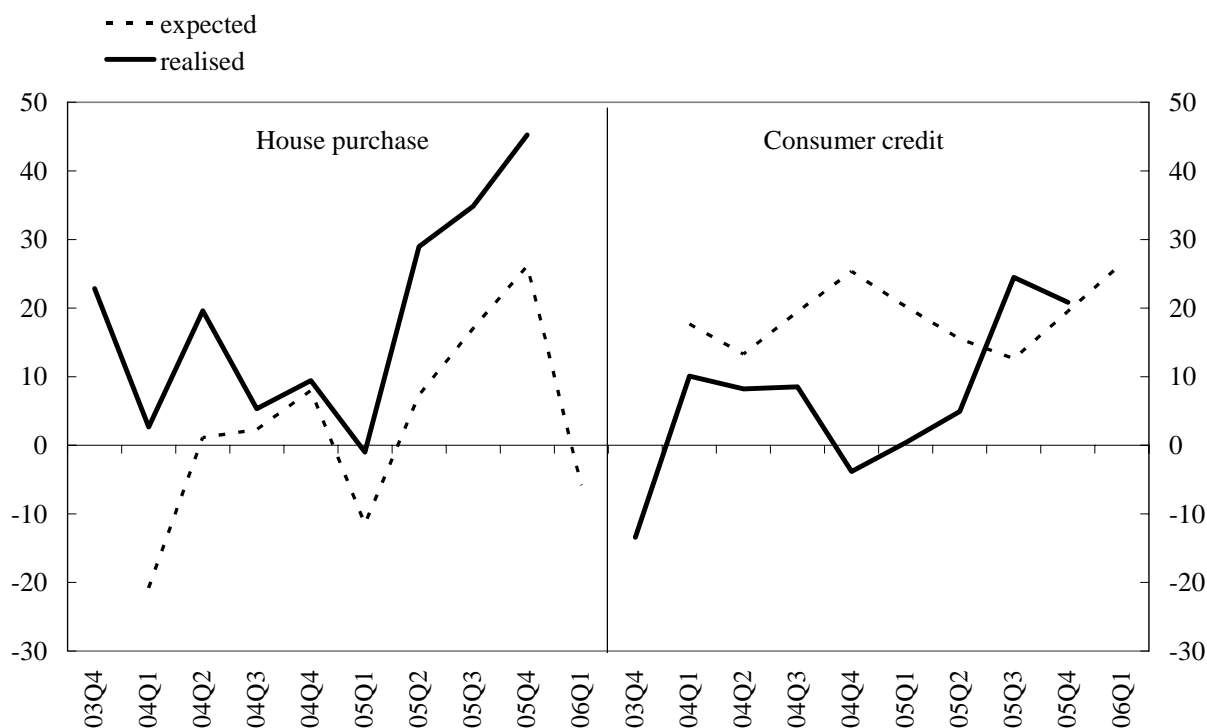


Note: see note to Chart 1.

Loan demand. The net demand for housing loans to households continued to increase strongly in the fourth quarter of 2005 (45% in January from 35% in October; see Chart 4, first panel). This increase in net demand was considerably higher than banks had expected for the fourth quarter according to the October 2005 survey.

The main factor underpinning the increase in net demand for housing loans was a strong improvement in consumer confidence (8% in January from 1% in October). The high level of demand was also fuelled by a continuing positive contribution of housing market prospects, which was broadly unchanged from the previous quarter (see Chart 19). In addition, it is interesting to note that it is the first time since the start of the survey that banks have also reported a positive impact of non-housing-related consumption expenditure on demand, although the improvement is quite small.

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



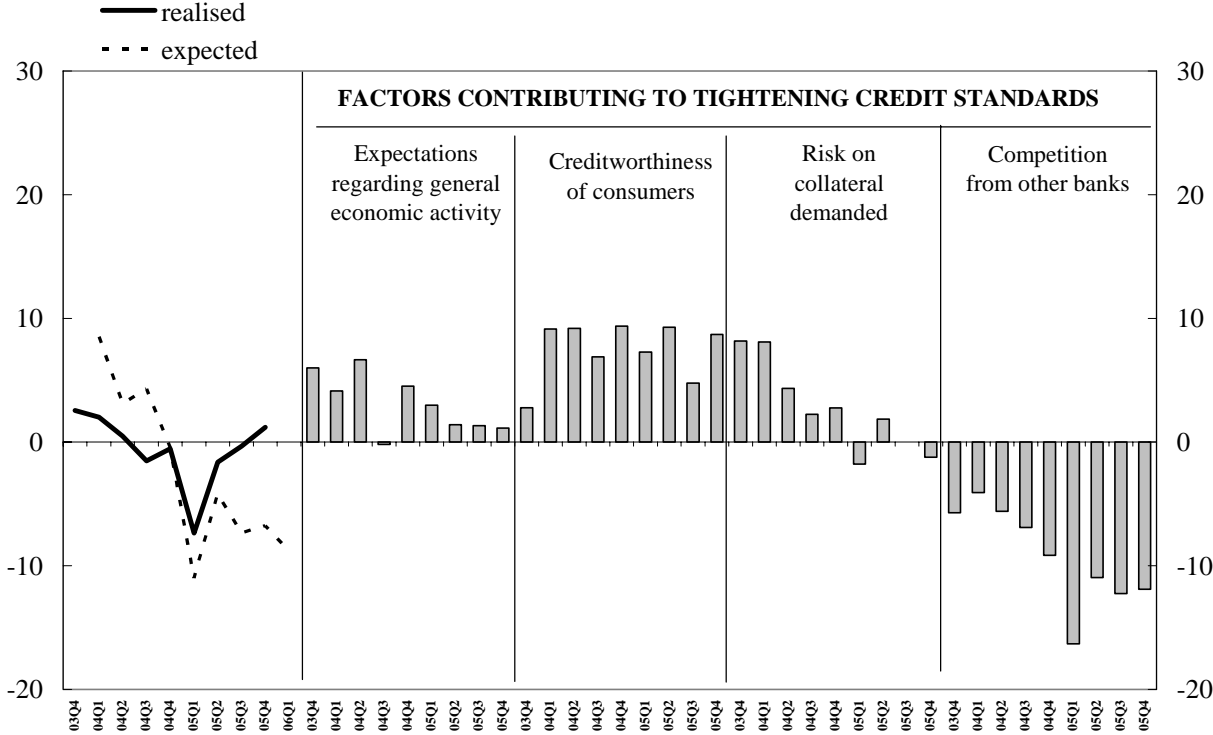
Note: see note to Chart 2.

Expectations. For the first quarter of 2006, respondent banks expect unchanged credit standards for loans to households for house purchase. At the same time, they expect that net demand for housing loans will decrease (-6% in January from 26% in October; see Chart 4, first panel).

Consumer credit and other lending to households

Credit standards. In the fourth quarter of 2005 credit standards applied to loans to households for consumer credit and other lending remained broadly unchanged (at 1% in January 2006, up from 0% in October 2005; see Chart 5, first panel). Banks reported that the contribution to net tightening from risks stemming from lower creditworthiness of consumers increased in the fourth quarter (up to 9% in January 2006 from 5% in October 2005; see Chart 5, third panel). At the same time, competition from other banks (unchanged at -12%) and non-banks (almost unchanged at -4%) contributed slightly less to an easing (see Chart 5, fifth panel). As regards terms and conditions for approving consumer credit and other lending to households, wider margins on riskier loans contributed towards tightening (3% in January from 0% in October 2005), while all other factors, of both price and non-price terms and conditions, contributed marginally to an easing of credit standards.

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)



Note: see note to Chart 1.

Loan demand. Net demand for consumer credit and other lending to households remained strong in the fourth quarter of 2005 (21% from 25% in the previous quarter; see Chart 4, second panel). As in the case of demand for loans for house purchase, banks reported that improvement in consumer confidence was a factor contributing to the increased net demand for consumer credit and other loans to households (10% from 2% in the previous quarter). Other factors contributing to this development were strong spending on durable consumer goods and reduced household savings.

Expectations. For the first quarter of 2006, responding banks expect a net easing of credit standards for consumer credit and other lending to households (-9% in January 2006, almost unchanged from October 2005; see Chart 5, first panel) as well as an increase in the net demand for these loans (27% in January, from 20% in October; see Chart 4, second panel).

2. Results for the individual questions

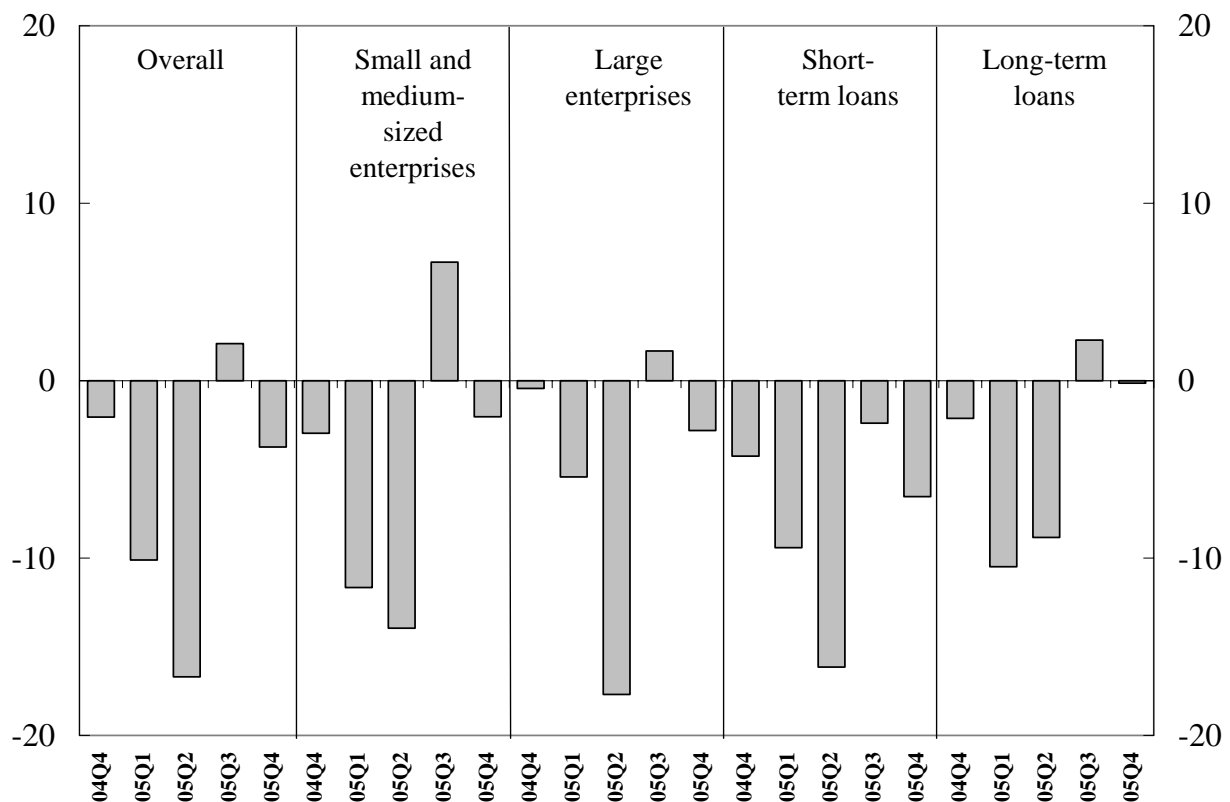
I. Loans or credit lines to enterprises

- 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	
	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006
Tightened considerably	0	0	0	0	0	0	0	0	0	0
Tightened somewhat	4	3	9	4	4	4	2	1	6	5
Remained basically unchanged	94	91	88	90	94	90	94	91	91	90
Eased somewhat	2	7	3	6	2	7	5	8	3	5
Eased considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	2	-4	7	-2	2	-3	-2	-7	2	0
<i>Mean</i>	<i>2.98</i>	<i>3.04</i>	<i>2.93</i>	<i>3.02</i>	<i>2.98</i>	<i>3.03</i>	<i>3.02</i>	<i>3.07</i>	<i>2.98</i>	<i>3.00</i>
Number of banks responding	81	79	80	78	80	78	81	79	81	79

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	
							October 2005	January 2006	October 2005	January 2006
							A) Cost of funds and balance sheet constraints			
Costs related to your bank's capital position	0	7	85	0	0	8	7	7	2.92	2.92
Your bank's ability to access market financing	0	1	89	1	0	9	2	1	2.97	2.98
Your bank's liquidity position	0	2	87	2	0	9	0	-1	3.00	3.00
B) Pressure from competition										
Competition from other banks	0	0	68	22	1	9	-22	-23	3.25	3.26
Competition from non-banks	0	0	86	1	0	13	-1	-1	3.01	3.01
Competition from market financing	0	0	87	3	0	10	-5	-3	3.06	3.03
C) Perception of risk										
Expectations regarding general economic activity	0	9	76	8	0	7	12	2	2.86	2.98
Industry or firm-specific outlook	0	12	75	6	0	7	12	6	2.87	2.93
Risk on the collateral demanded	0	1	91	2	0	6	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 7a. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)

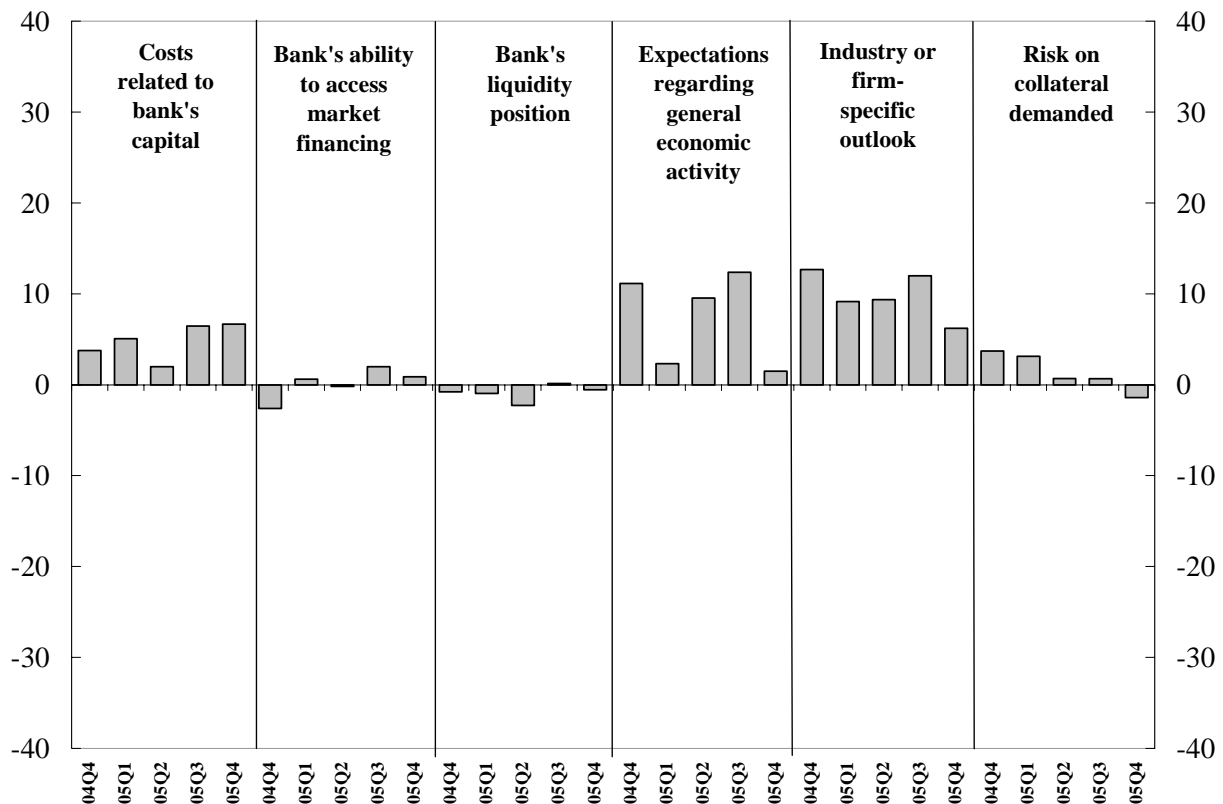
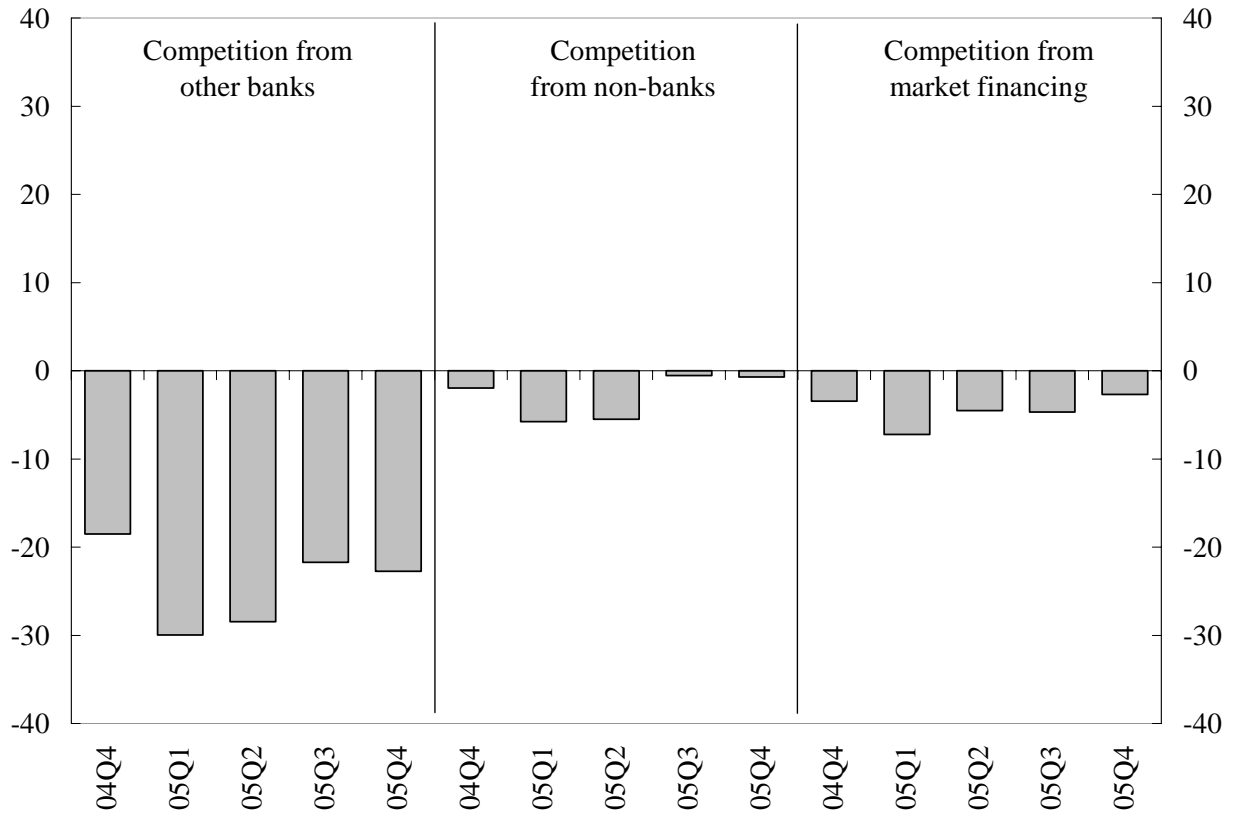


Chart 7b. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



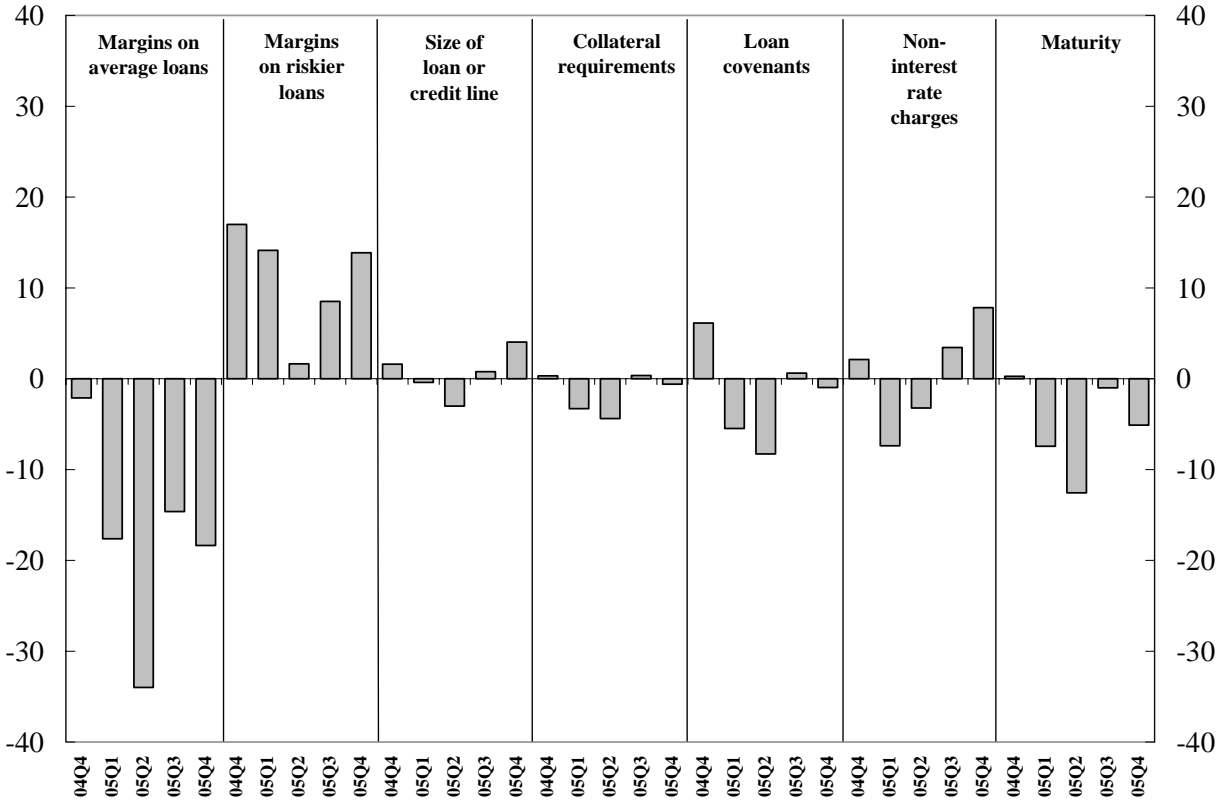
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Price			
Your bank's margin on average loans	0	8	60	26	0	6	-15	-18	3.16	3.20
Your bank's margin on riskier loans	1	20	66	6	1	6	9	14	2.89	2.87
B) Other conditions and terms										
Non-interest rate charges	0	10	83	2	0	6	3	8	2.96	2.92
Size of the loan or credit line	0	6	86	1	1	6	1	4	2.99	2.96
Collateral requirements	0	3	87	4	0	6	0	-1	3.00	3.01
Loan covenants	0	4	85	5	0	6	1	-1	3.01	3.01
Maturity	0	2	85	7	0	7	-1	-5	3.03	3.06

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)

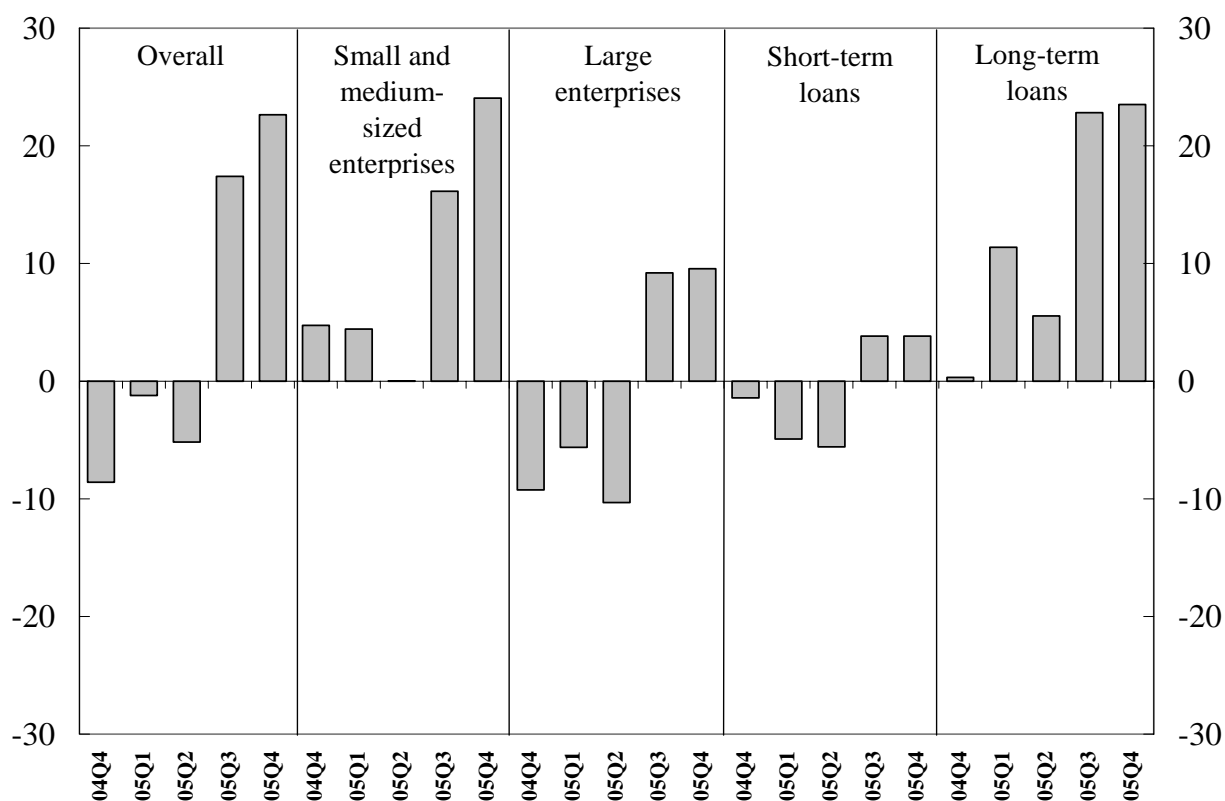


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006
Decreased considerably	1	0	0	0	1	1	1	1	0	0
Decreased somewhat	2	5	3	3	9	10	9	12	5	7
Remained basically unchanged	77	67	78	69	72	70	76	71	67	63
Increased somewhat	20	28	19	27	17	18	14	16	28	30
Increased considerably	0	0	0	0	2	2	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	17	23	16	24	9	10	4	4	23	24
<i>Mean</i>	<i>3.17</i>	<i>3.23</i>	<i>3.16</i>	<i>3.24</i>	<i>3.10</i>	<i>3.11</i>	<i>3.03</i>	<i>3.03</i>	<i>3.23</i>	<i>3.23</i>
Number of banks responding	81	79	80	78	81	78	80	79	80	79

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	
							October 2005	January 2006	October 2005	January 2006
							A) Financing needs			
Fixed investment	0	10	69	15	0	6	3	5	3.03	3.05
Inventories and working capital	0	3	71	18	0	8	9	14	3.09	3.15
Mergers/acquisitions and corporate restructuring	0	1	68	23	2	6	26	23	3.32	3.28
Debt restructuring	0	1	69	23	0	7	14	22	3.14	3.24
B) Use of alternative finance										
Internal financing	0	7	78	7	0	8	-2	0	2.96	3.00
Loans from other banks	0	11	77	5	0	8	-10	-6	2.90	2.95
Loans from non-banks	0	0	83	4	0	12	2	4	3.02	3.05
Issuance of debt securities	0	4	79	3	0	14	1	-1	3.02	2.99
Issuance of equity	0	1	82	3	0	14	-3	1	2.97	3.02

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)

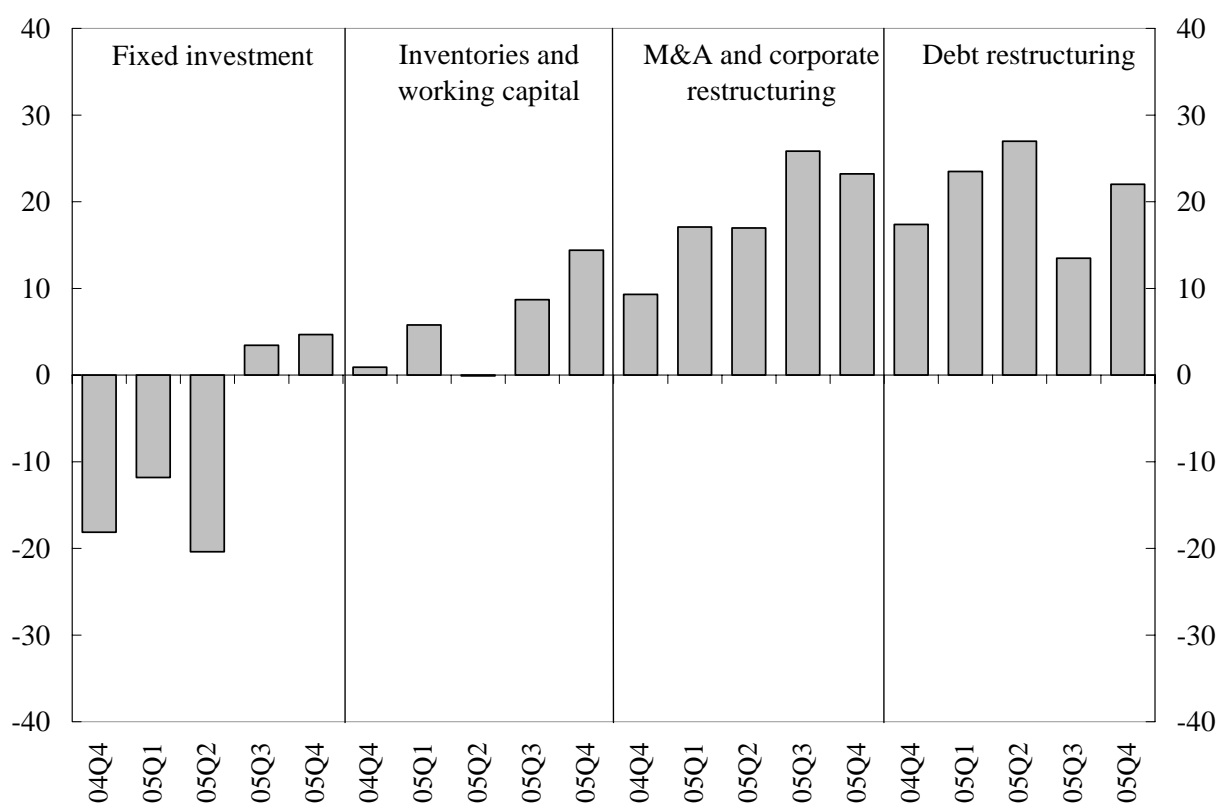
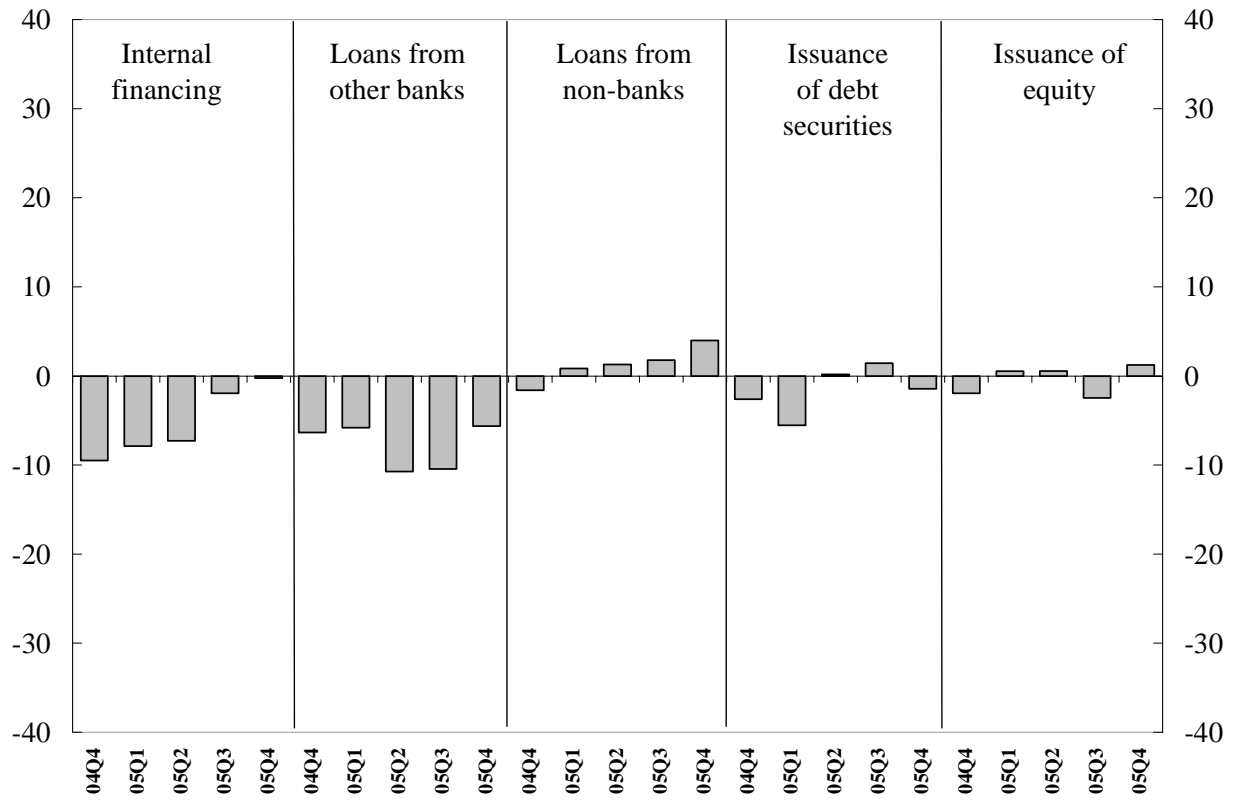


Chart 10b. Factors affecting demand for loans and credit lines to enterprises
(net percentages of banks reporting a positive contribution to demand)

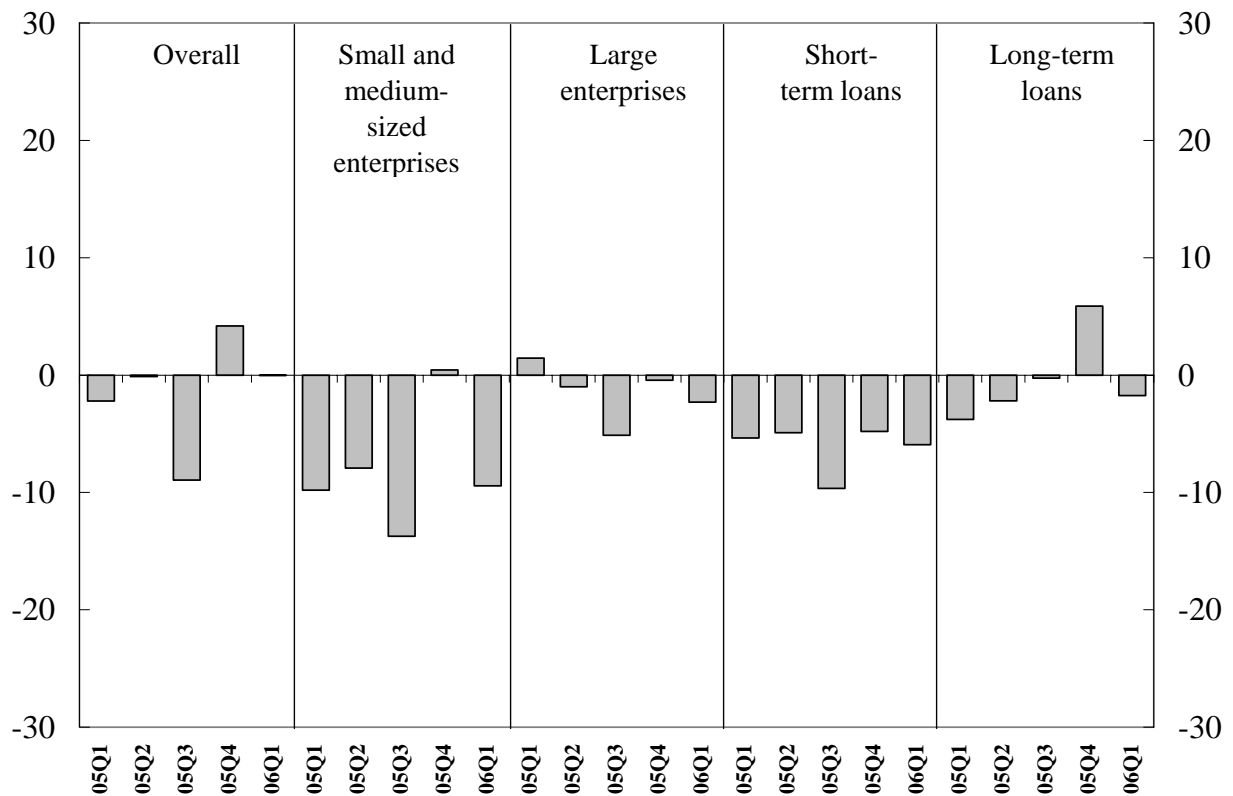


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	8	10	8	5	6	4	3	3	7	6
Remain basically unchanged	88	81	84	80	88	89	90	88	93	86
Ease somewhat	4	10	8	15	6	7	7	9	1	8
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	4	0	0	-9	0	-2	-5	-6	6	-2
<i>Mean</i>	<i>2.96</i>	<i>3.00</i>	<i>3.00</i>	<i>3.09</i>	<i>3.00</i>	<i>3.02</i>	<i>3.05</i>	<i>3.06</i>	<i>2.94</i>	<i>3.02</i>
Number of banks responding	81	79	80	78	80	78	81	79	81	79

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)

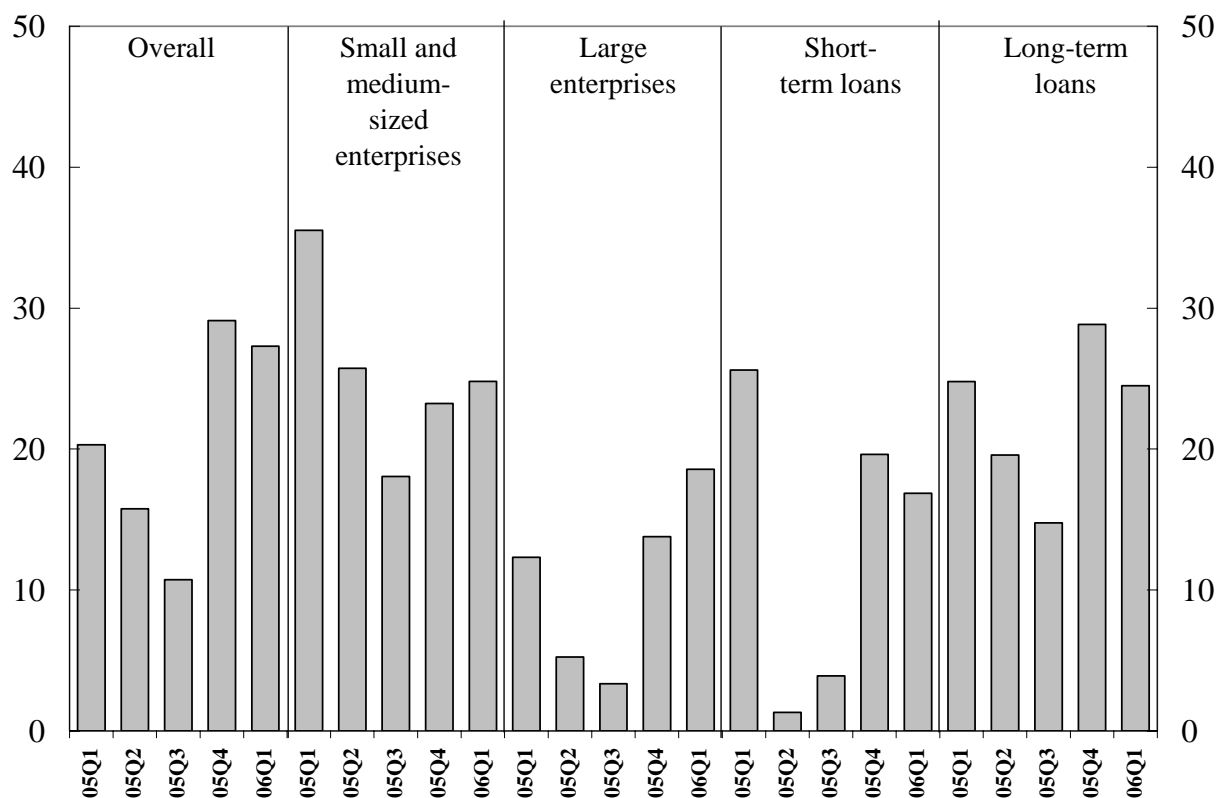


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006	October 2005	January 2006
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	0	4	0	4	3	3	2	4	0	4
Remain basically unchanged	71	65	76	67	81	75	76	75	71	68
Increase somewhat	29	31	23	25	15	22	22	21	28	28
Increase considerably	0	0	0	4	1	0	0	0	1	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	29	27	23	25	14	19	20	17	29	25
<i>Mean</i>	<i>3.29</i>	<i>3.27</i>	<i>3.23</i>	<i>3.29</i>	<i>3.15</i>	<i>3.19</i>	<i>3.20</i>	<i>3.17</i>	<i>3.30</i>	<i>3.24</i>
Number of banks responding	81	79	80	78	80	78	81	79	81	79

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)



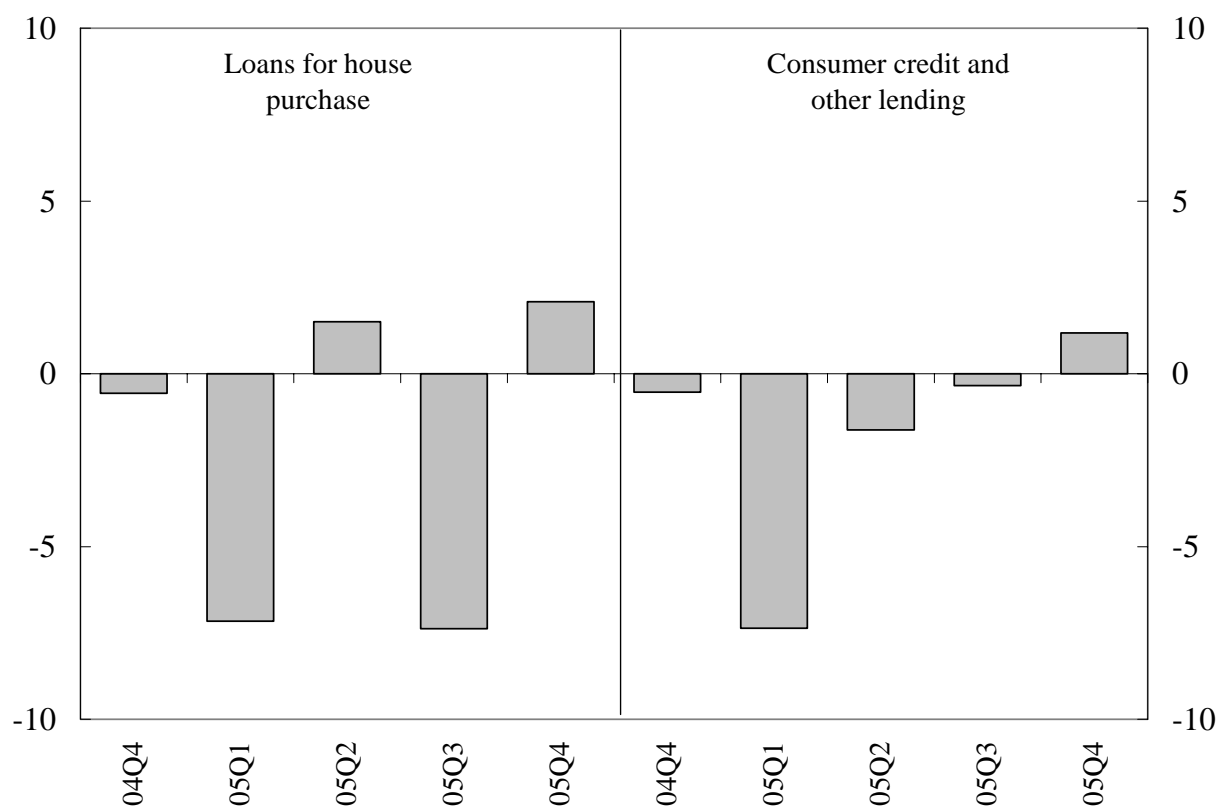
II. Loans to households

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	
	October 2005	January 2006	October 2005	January 2006
Tightened considerably	0	0	0	0
Tightened somewhat	5	10	8	10
Remained basically unchanged	82	82	84	82
Eased somewhat	13	8	8	8
Eased considerably	0	0	0	0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
Net percentage	-7	2	0	1
<i>Mean</i>	<i>3.07</i>	<i>2.98</i>	<i>3.00</i>	<i>2.99</i>
Number of banks responding	79	77	77	76

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)



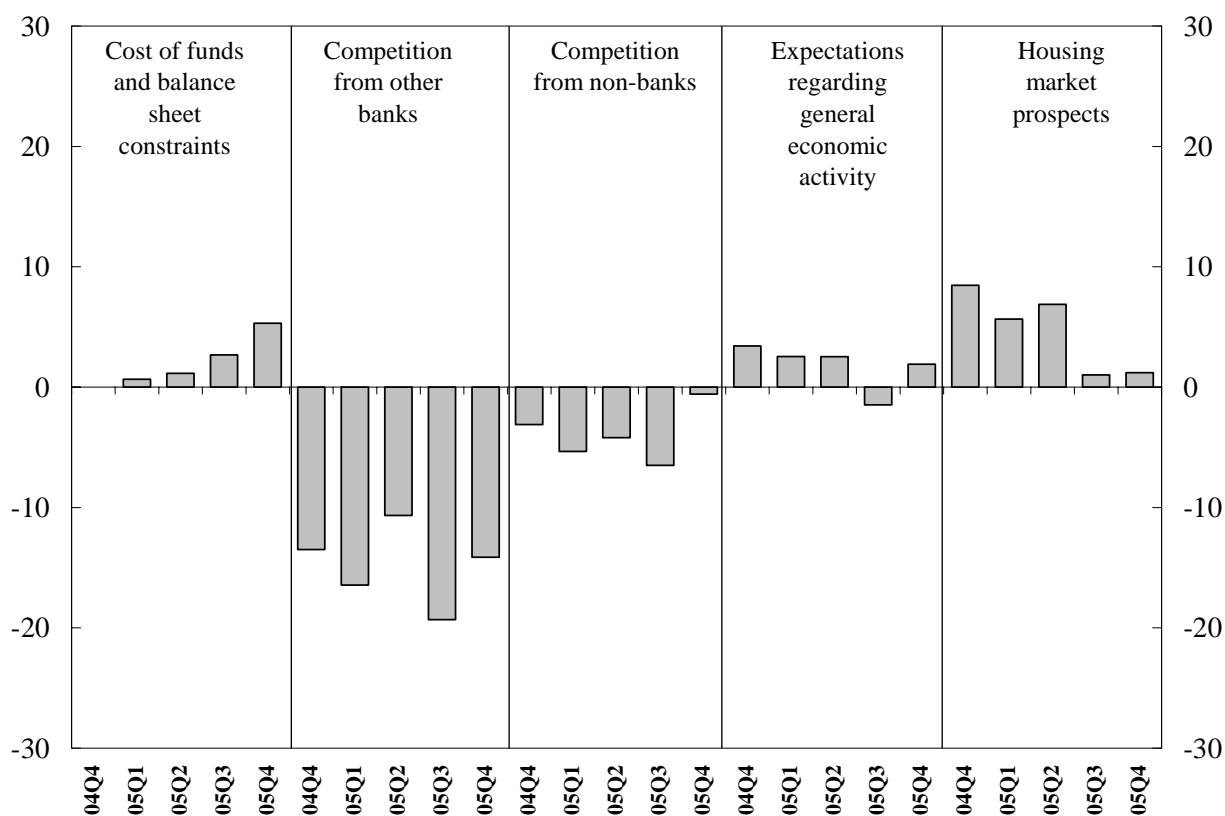
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Cost of funds and balance sheet constraints	0	5	84
B) Pressure from competition										
Competition from other banks	0	0	75	14	0	11	-19	-14	3.23	3.17
Competition from non-banks	0	0	88	1	0	11	-7	-1	3.07	3.01
C) Perception of risk										
Expectations regarding general economic activity	0	2	91	0	0	7	-2	2	3.02	2.98
Housing market prospects	0	3	89	1	0	7	1	1	2.98	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 14. Factors affecting credit standards applied to the approval of loans to households for house purchase (net percentages of banks reporting tightening standards)



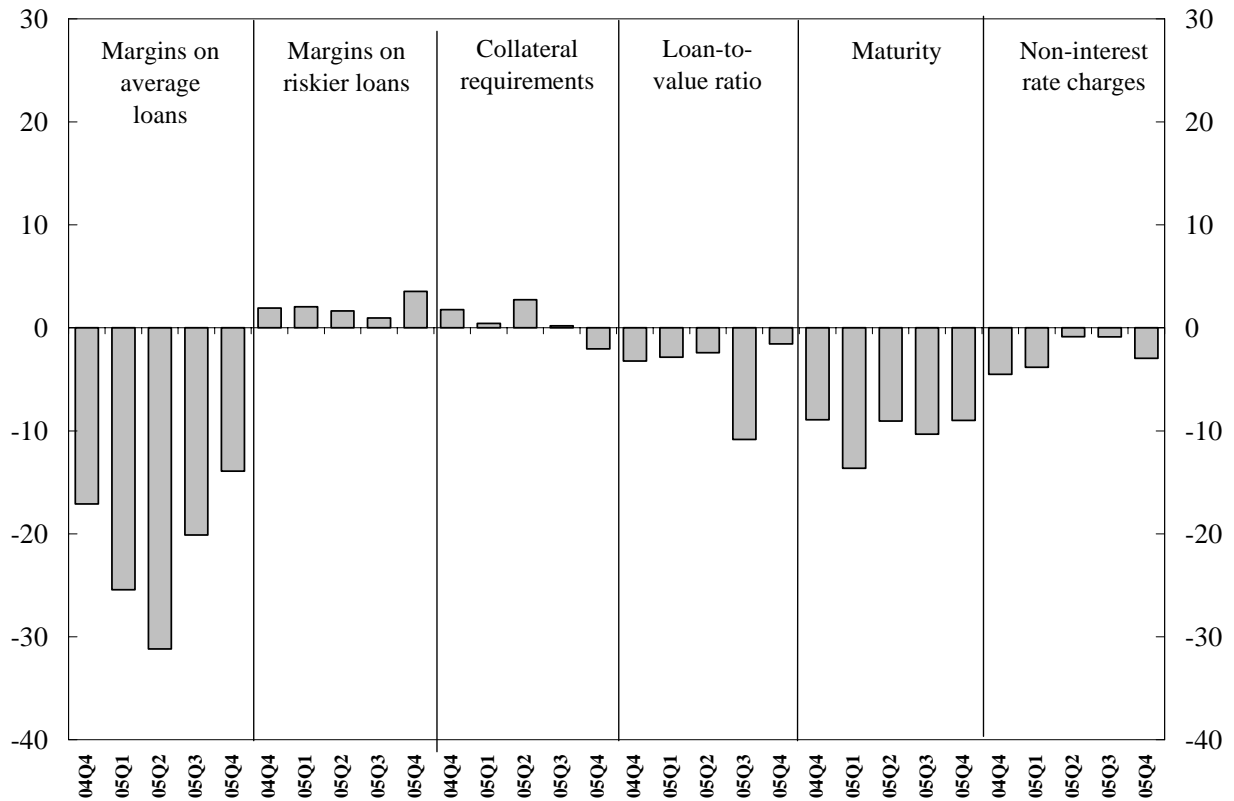
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Price			
Your bank's margin on average loans	0	6	66	18	2	7	-20	-14	3.24	3.17
Your bank's margin on riskier loans	0	8	80	4	0	7	1	4	2.99	2.96
B) Other conditions and terms										
Collateral requirements	0	3	86	5	0	7	0	-2	3.00	3.03
Loan-to-value ratio	0	5	82	6	0	7	-11	-2	3.13	3.02
Maturity	0	0	84	9	0	7	-10	-9	3.12	3.11
Non-interest rate charges	0	0	90	2	1	7	-1	-3	3.01	3.04

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)



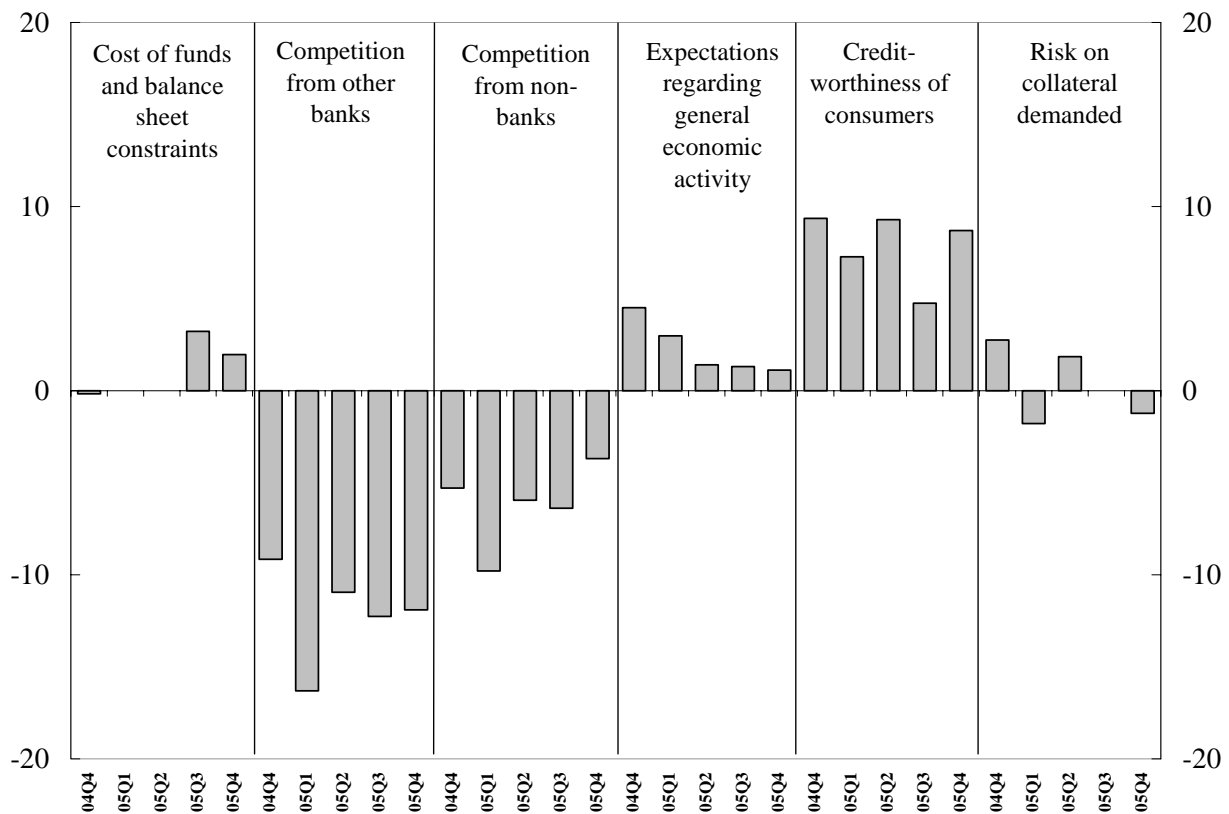
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP		Mean		
							October 2005	January 2006	October 2005	January 2006	
							A) Cost of funds and balance sheet constraints	0	2	85	0
B) Pressure from competition											
Competition from other banks	0	0	75	12	0	13	-12	-12	3.16	3.14	
Competition from non-banks	0	0	83	4	0	13	-6	-4	3.07	3.05	
C) Perception of risk											
Expectations regarding general economic activity	0	1	89	0	0	10	1	1	2.98	2.99	
Creditworthiness of consumers	0	9	82	0	0	10	5	9	2.95	2.91	
Risk on the collateral demanded	0	0	84	1	0	15	0	-1	3.00	3.02	

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)



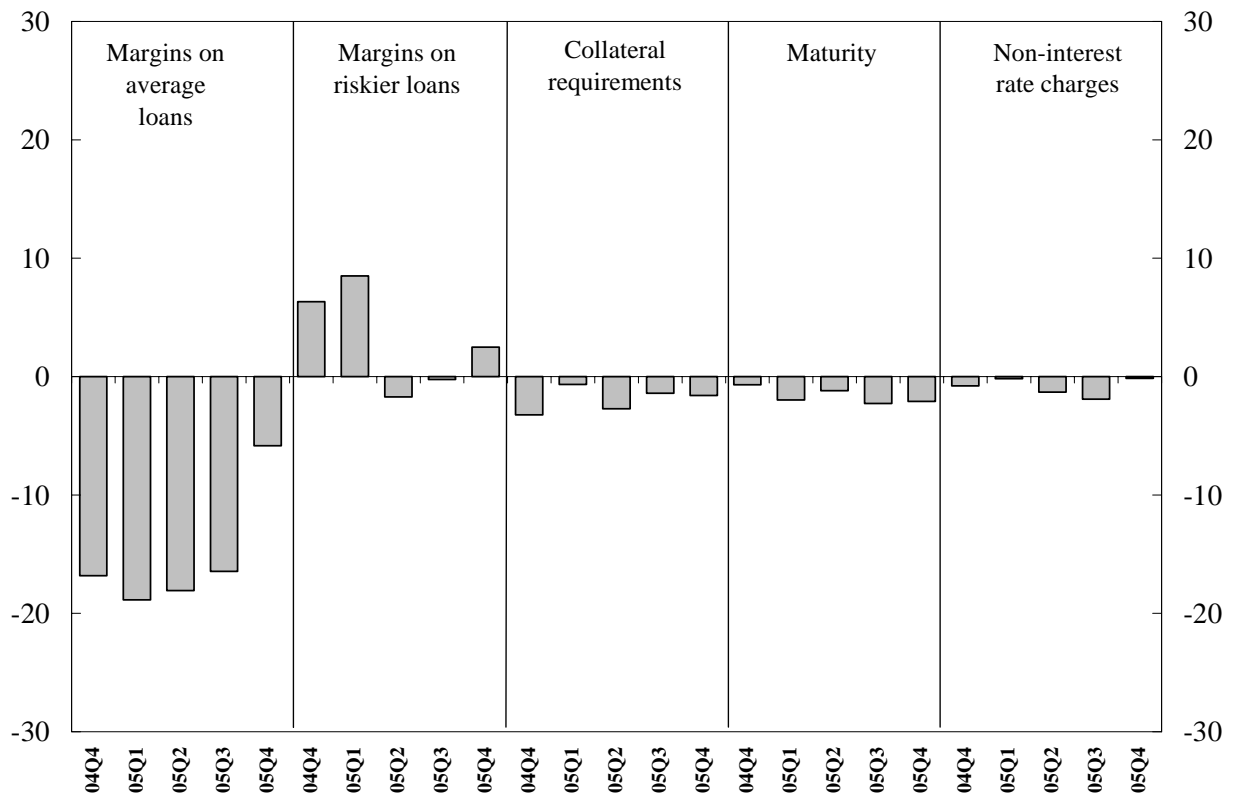
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Price			
Your bank's margin on average loans	0	8	69	12	2	10	-17	-6	3.19	3.10
Your bank's margin on riskier loans	0	6	82	3	0	10	0	3	2.98	2.98
B) Other conditions and terms										
Collateral requirements	0	1	85	2	0	12	-1	-2	3.02	3.02
Maturity	0	1	84	3	0	11	-2	-2	3.03	3.03
Non-interest rate charges	0	3	82	3	0	13	-2	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 "--" (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)

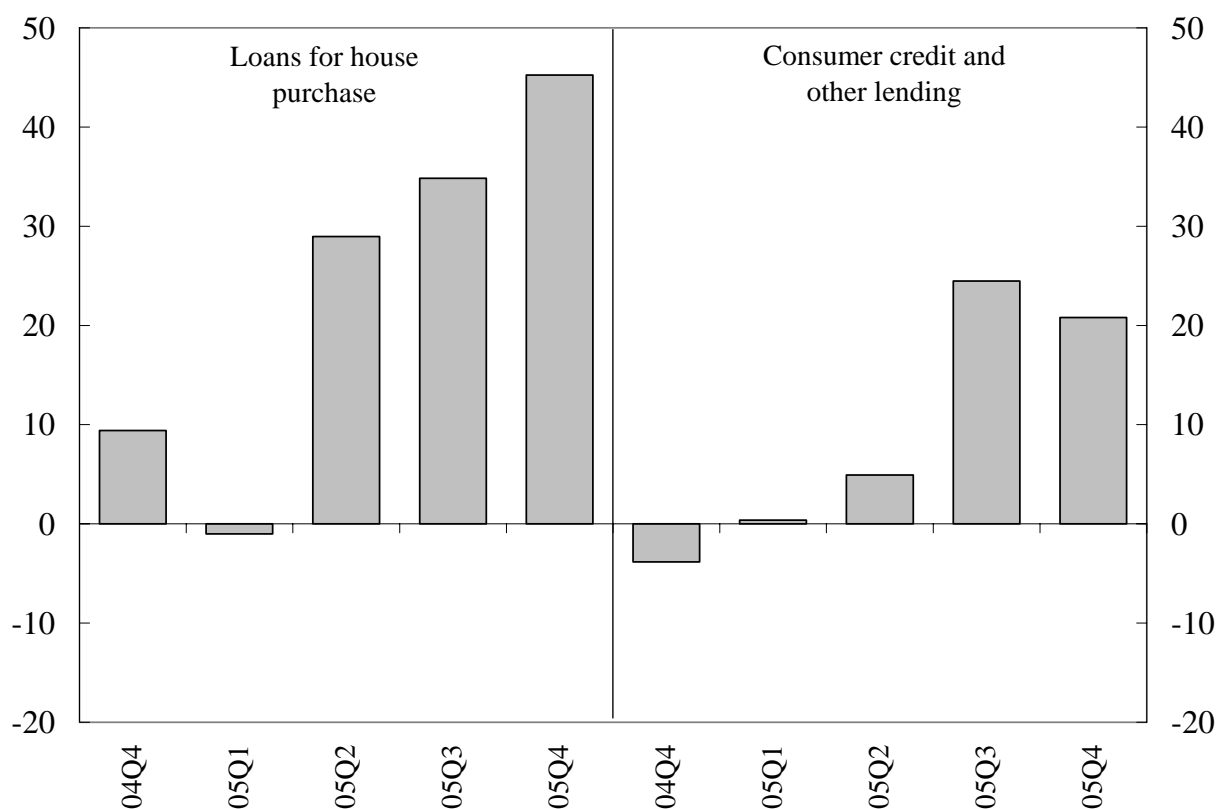


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	October 2005	January 2006	October 2005	January 2006
Decreased considerably	0	0	2	0
Decreased somewhat	8	1	4	10
Remained basically unchanged	49	53	63	60
Increased somewhat	37	35	29	28
Increased considerably	6	12	2	2
Total	100	100	100	100
Net percentage	35	45	25	21
<i>Mean</i>	<i>3.40</i>	<i>3.57</i>	<i>3.24</i>	<i>3.23</i>
Number of banks responding	79	77	77	76

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)



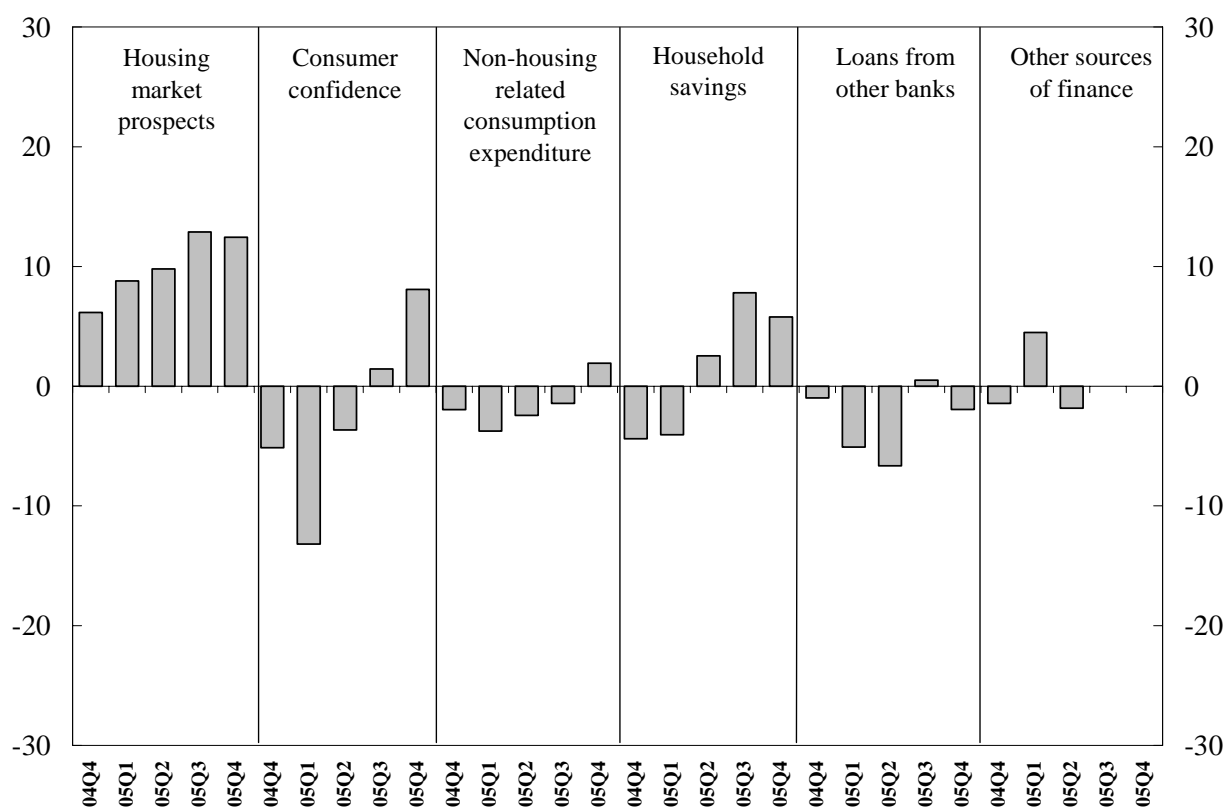
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Financing needs			
Housing market prospects	0	4	71	16	1	9	13	12	3.14	3.15
Consumer confidence	0	2	80	10	0	9	1	8	3.02	3.08
Non-housing related consumption expenditure	0	0	88	2	0	10	-1	2	2.99	3.02
B) Use of alternative finance										
Household savings	0	1	84	6	0	9	8	6	3.08	3.06
Loans from other banks	0	3	88	1	0	9	1	-2	3.00	2.98
Other sources of finance	0	0	91	0	0	9	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)



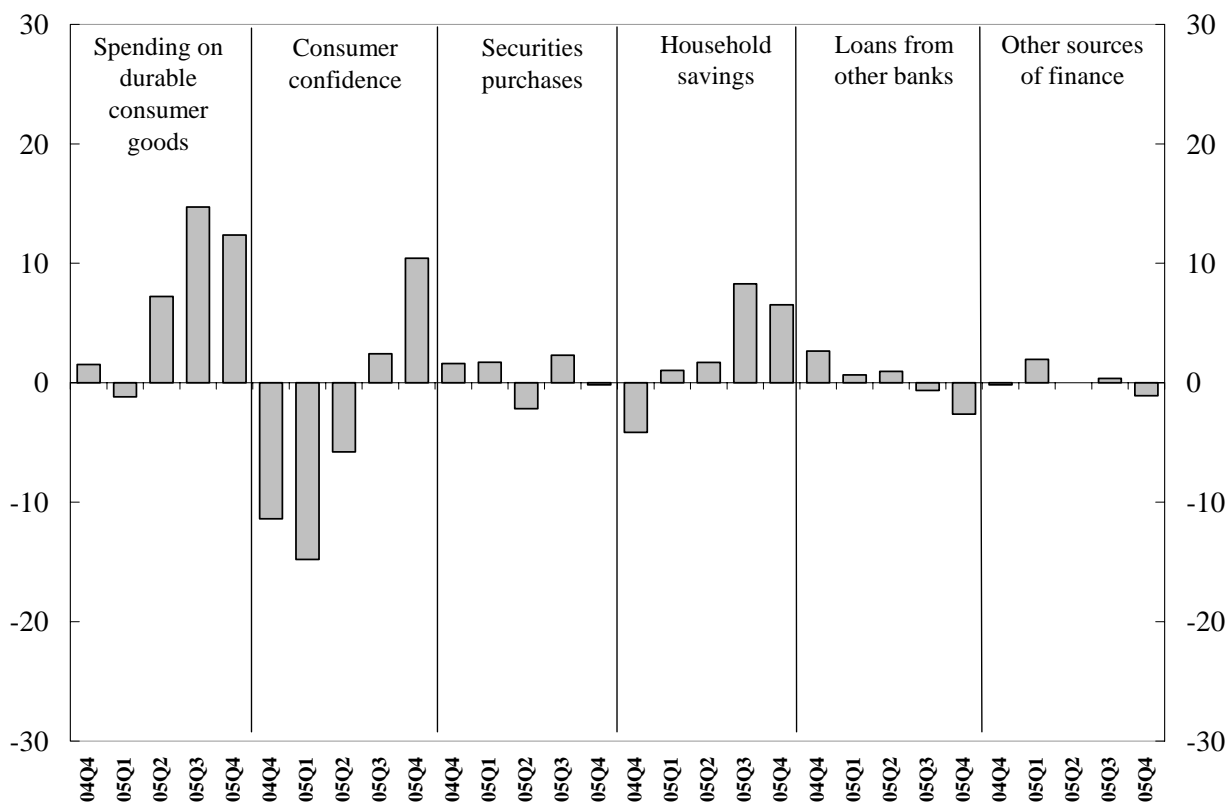
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							October 2005	January 2006	October 2005	January 2006
							A) Financing needs			
Spending on durable consumer goods	0	2	73	14	0	11	15	12	3.16	3.14
Consumer confidence	0	1	76	12	0	11	2	10	3.02	3.11
Securities purchases	0	0	83	0	0	17	2	0	3.03	3.00
B) Use of alternative finance										
Household savings	0	2	79	8	0	11	8	7	3.08	3.06
Loans from other banks	0	3	85	1	0	11	-1	-3	2.97	2.97
Other sources of finance	0	1	83	0	0	15	0	-1	3.00	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 20. Factors affecting demand for consumer credit and other lending to households
(net percentages of banks reporting a positive contribution to demand)

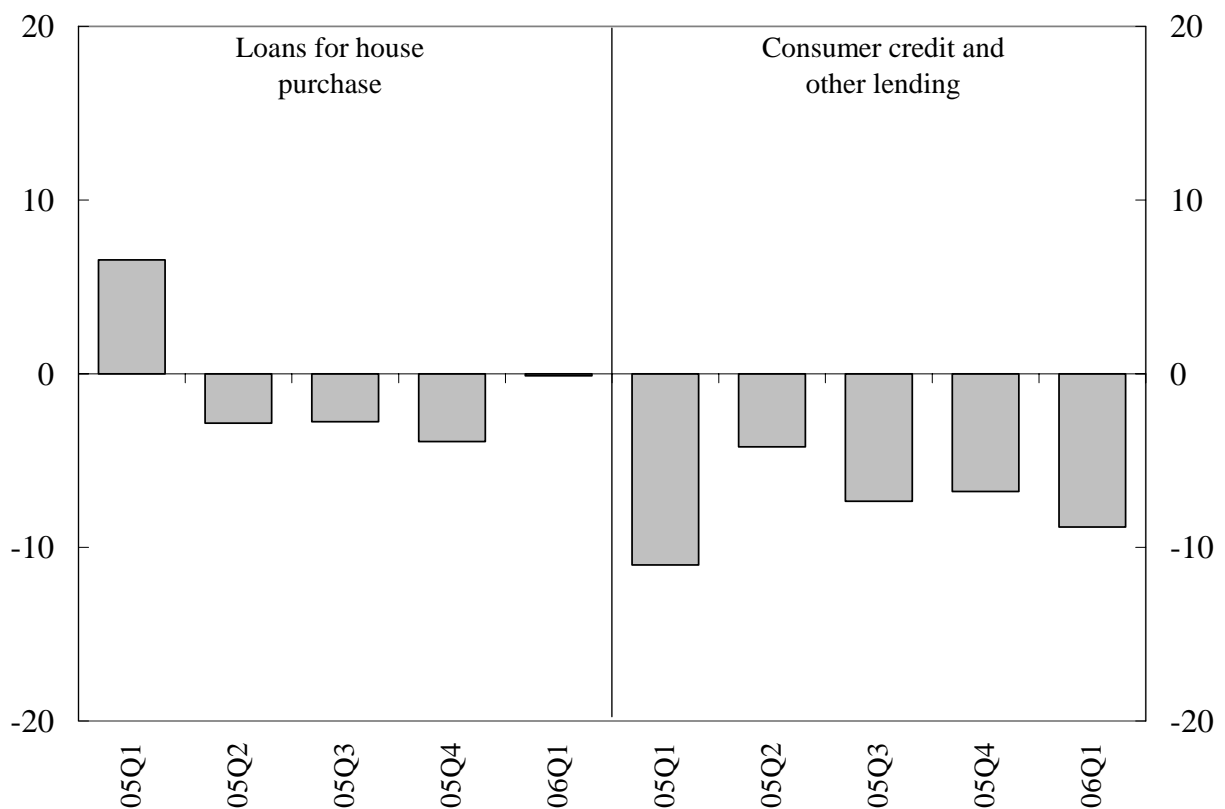


16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	October 2005	January 2006	October 2005	January 2006
Tighten considerably	0	0	0	0
Tighten somewhat	4	6	3	1
Remain basically unchanged	88	87	88	90
Ease somewhat	8	6	10	9
Ease considerably	0	0	0	0
Total	100	100	100	100
Net percentage	-4	0	-7	-9
<i>Mean</i>	<i>3.04</i>	<i>3.00</i>	<i>3.07</i>	<i>3.09</i>
Number of banks responding	79	77	77	76

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 expecting tightening standards)

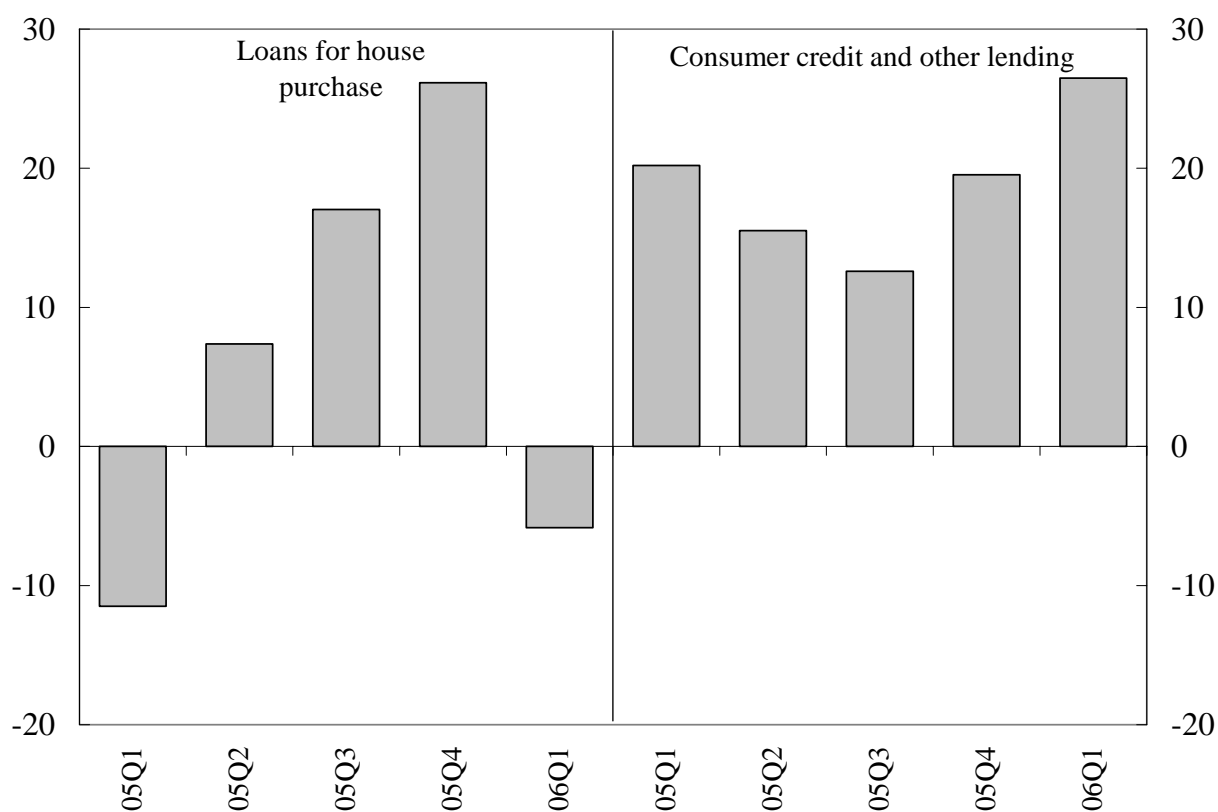


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	October 2005	January 2006	October 2005	January 2006
Decrease considerably	0	2	0	0
Decrease somewhat	8	20	8	6
Remain basically unchanged	58	62	64	61
Increase somewhat	34	16	28	33
Increase considerably	0	0	0	0
Total	100	100	100	100
Net percentage	26	-6	20	27
<i>Mean</i>	3.26	2.92	3.20	3.26
Number of banks responding	79	77	77	76

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 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.