



4 August 2006

THE EURO AREA BANK LENDING SURVEY

– JULY 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 July 2006. The cut-off date for receipt of data from the banks participating in this survey was 11 July 2006.

Overall, credit standards changed little for all categories of loans in the second quarter of 2006. The results show that standards applied to loans for enterprises remained broadly unchanged. At the same time, however, banks eased their credit standards to households for both housing loans and consumer credit and other lending. Banks reported an increase in net demand for all categories of loans in the second quarter.

General notes

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks.¹ 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.

¹ The sample group of banks participating in the survey comprises 85 banks, representing all of the euro area countries, and takes into account the characteristics of their respective national banking structures. Since these 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 July 2006 survey, yielding an overall response rate of 100%.

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

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 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 negative net demand indicates 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 second quarter of 2006) or expectations of changes over the next three months (i.e. the third quarter of 2006).

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

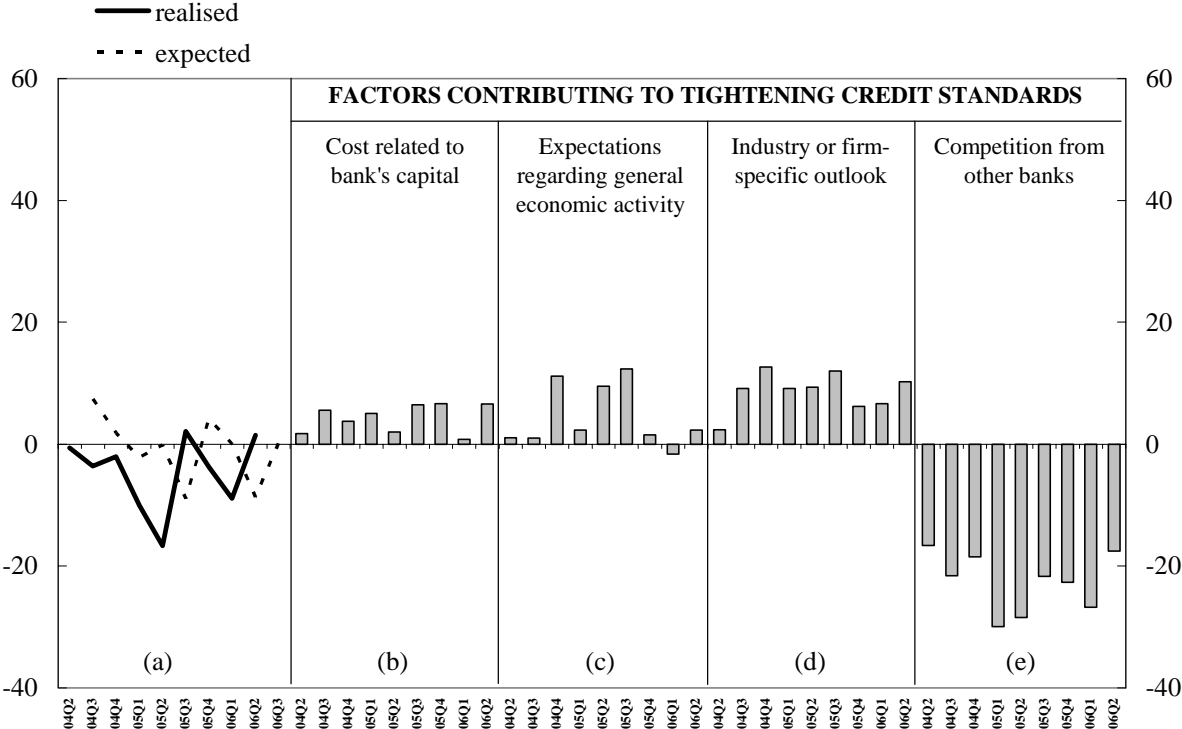
Loans or credit lines to enterprises

Credit standards. For the second quarter of 2006, banks reported broadly unchanged credit standards for loans or credit lines to enterprises (1%, compared with -9% in the previous quarter). This is in line with the tendency of banks over the last year either to ease or maintain credit standards unchanged (see Chart 1, panel a).

Several factors affected credit standards in a broadly neutral way, while the cost related to bank capital and banks’ ability to access market financing moved towards a net tightening (see Chart 1, panel b and Chart 8a, section 3). At the same time, competitive pressures continued to play a role in easing credit standards (see Chart 1, panel e), while expectations regarding general economic activity affected credit standards in a neutral way as in the previous three quarters (see Chart 1, panel c). Regarding the terms and conditions of credit (see Chart 9 in Section 3), the development in credit standards was primarily implemented via narrower margins on average loans (-22% in July 2006, compared with -31% in April). However, in line with the perception of increased risk on the industry or firm-specific outlook (see Chart 1, panel d), participating banks also reported that an increase in margins on riskier loans weighed towards a net tightening of credit standards.

While credit standards applied to large enterprises remained unchanged in the July 2006 survey (0%, compared with -3% in April), credit standards applied to small and medium-sized enterprises were slightly eased (-1%, compared with -11% in the first quarter of 2006). Regarding the maturity of loans, banks confirmed the net easing of credit standards applied to short-term and long-term loans in the second quarter of 2006 (-2% and -4%, respectively, compared with -7% in the previous 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)



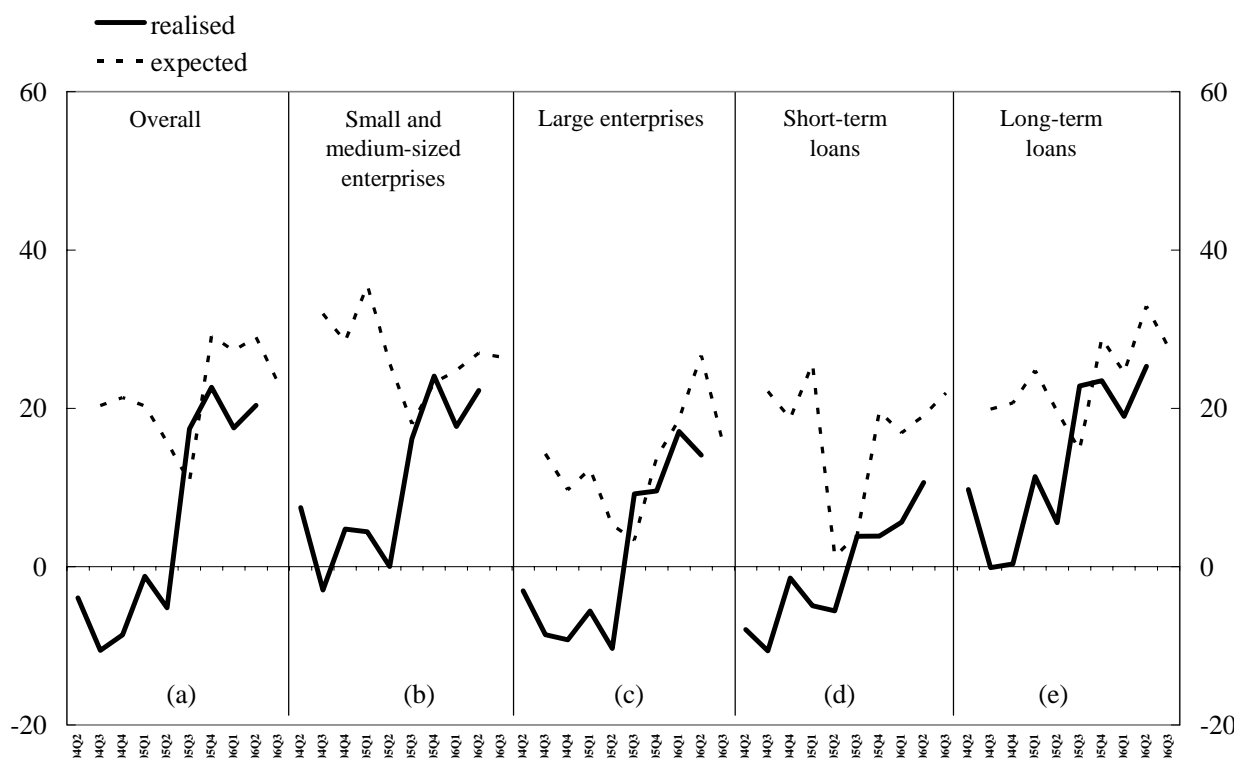
Notes: The net percentage refers to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased considerably” and “eased somewhat”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for 2006Q3 were reported in the July 2006 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 or to an easing.

Loan demand. In the second quarter of 2006, net demand for loans by enterprises increased (20% in July, compared with 18% in April) (see Chart 2, panel a).

A very similar pattern was recorded for loan demand from small and medium-sized enterprises (22%, up from 18% in the previous quarter), whereas the net demand for loans from large corporations slightly slowed down (14% in July 2006, compared with 17% in April) (see Chart 2, panels b and c). In the same way, net demand for short-term and long-term loans continued to increase (see Chart 2, panels d and e).

According to the respondent banks, loan demand was supported by increased financing needs related to fixed investment activity and to inventories and working capital. Similarly, mergers and acquisitions (M&A) and corporate restructuring continued to support the rise in net demand. Banks reported that the use of alternative financing either provided internally (i.e. financed from higher profits) or obtained via loans from other banks contributed to moderating 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 considerably” and “decreased somewhat”. “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 third quarter of 2006 have been reported in the July 2006 survey.

Expectations. Looking ahead, banks expect credit standards applied to the approval of loans or credit lines to enterprises to remain unchanged for the third quarter of 2006 (see Chart 1, panel a). This holds for both small and medium-sized enterprises and large firms. With regard to loan maturities, banks expect a slight tightening of credit standards applied to long-term loans, and an easing for those applied to short-term loans. In addition, banks continued to expect strong corporate net demand across all firm sizes and loan maturities (see Chart 2).

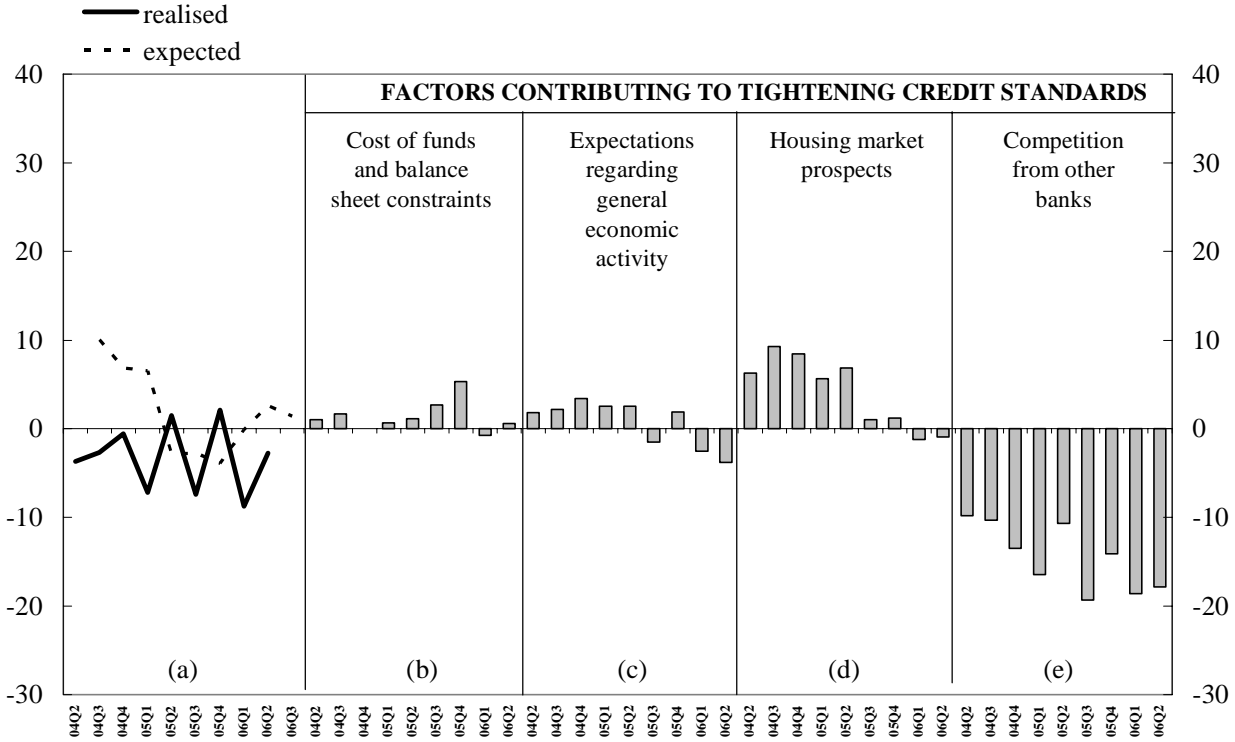
Loans to households for house purchase

Credit standards. In the second quarter of 2006, banks reported a slight net easing of credit standards for households for house purchase (-3% in July, compared with -9% in April).

Overall, almost all the factors mentioned in the survey questionnaire had a neutral impact on the development of credit standards in this round (see Chart 3, panels b-d). Banks reported that competition was the main factor responsible for the net easing, followed by lower perceptions of risk largely related to general economic activity (see Chart 3, panel e).

In similar fashion to developments in the corporate sector, the net easing of credit standards for loans for house purchase was mainly implemented via reducing the margins on average loans (see Chart 16 in Section 3). At the same time, margins on riskier loans were eased on a net basis for the first time since the launch of the survey (to -3%, compared with 9% 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)

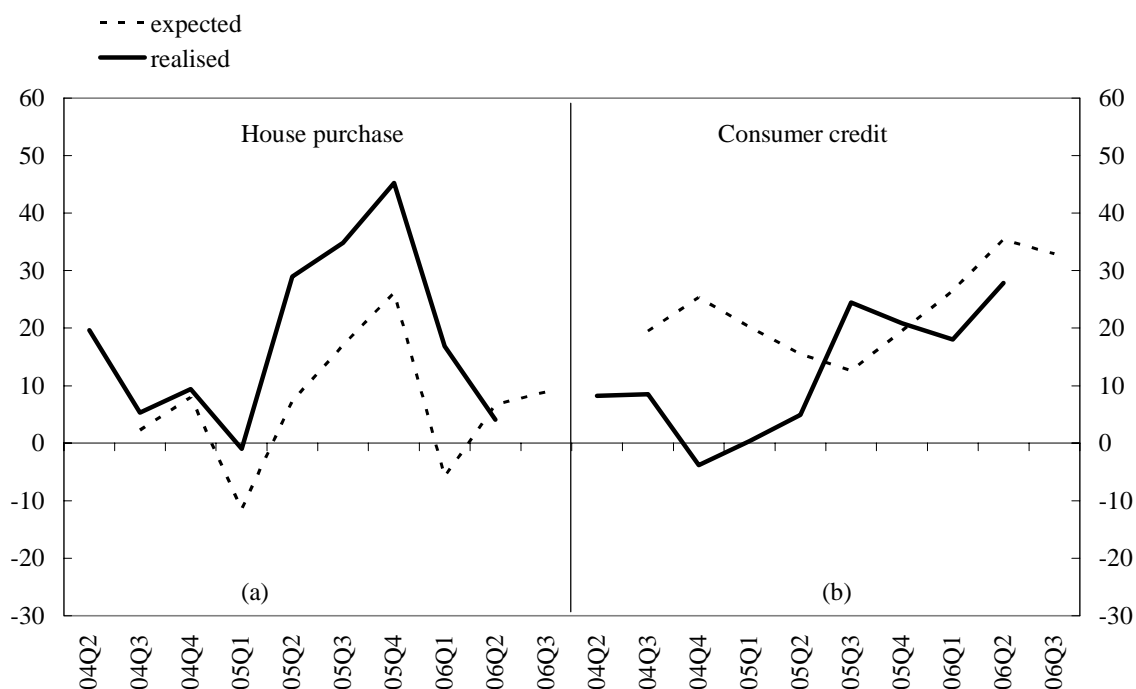


Note: See note to Chart 1.

Loan demand. The net demand for housing loans was still reported as positive, but at a much lower level than in the previous quarter (4%, compared with 17% in April) (see Chart 4, panel a). This development was mainly influenced by the increase in loans from other banks and non-housing-related consumption expenditure (see Chart 20 in Section 3). Positive housing market prospects continued to support demand.

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.

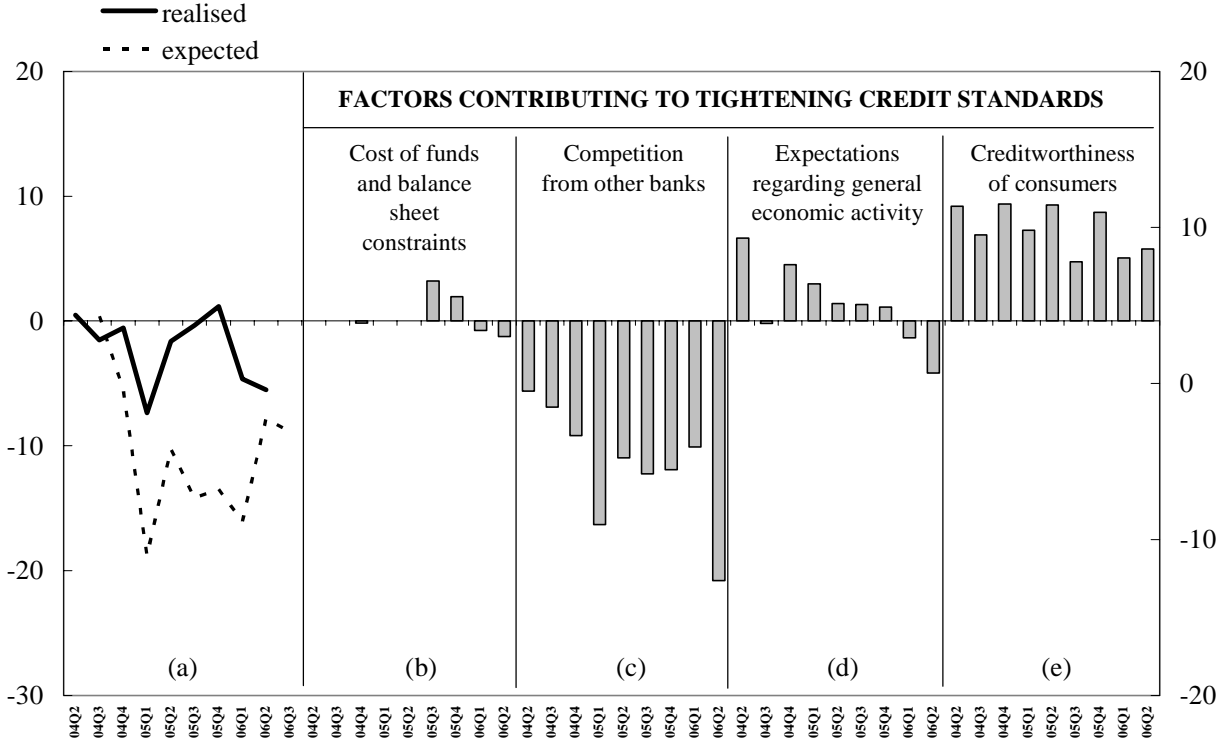
Expectations. For the third quarter of 2006, the respondent banks stated that they expect no changes in credit standards for loans to households for house purchase. Despite this, they do expect a slight increase in net demand over the same period (9% in July, compared with 7% in April) (see Chart 4, panel a).

Consumer credit and other lending to households

Credit standards. In the second quarter of 2006, the credit standards applied to the approval of consumer credit and other lending to households continued to be eased on a net basis (-6% in July, compared with -5% in April) (see Chart 5, panel a).

Banks cited more favourable expectations regarding general economic activity and in particular pressure from competition as the main reasons for the net easing of credit standards (see Chart 5, panel c). In line with the corporate sector and the house purchase segment of the credit market, this policy was mainly implemented via changes in interest rate margins. In particular, margins on average loans contributed to a net easing, although to a lesser extent than in the previous quarter (-13%, compared with -19% in April 2006). Most other conditions and terms 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. Responses to the ad hoc question on loans to households

For the first time, the survey includes a specific ad hoc question which is designed to address some of the reasons behind the strong development of loans for house purchase in a large number of countries. The question concentrates on loans to households that are secured by real estate and used for purposes other than the acquisition of a principal residence. In particular, the question distinguishes between instances in which these loans are used for the purchase of second homes or homes for investment purposes (“buy to let”), or for other purposes, such as consumption, financial investment and debt redemption.³ Since there is anecdotal evidence that this phenomenon is increasing, at least in a number of euro area countries, the ad hoc question seeks to collect some qualitative and quantitative information directly from banks.

The ad hoc question is divided into two parts (see Section 4). The first part tries to measure the phenomenon by asking banks to quantify the volume of the outstanding amount of loans to households secured by real estate contracted for purposes other than the acquisition of a principal residence as a percentage of all mortgage loans (see Section 4, Table i). To do so, two categories of purposes are provided: shares of loans to households secured by real estate contracted for the purchase of second homes or homes for investment purposes (see panel i.A), and loans for other purposes (see panel i.B). The second part (see Section 4, Table ii) relates to recent developments: banks are asked to indicate whether the shares of these loans have changed over the last 12 months with respect to the previous 12-month period (see panels ii.A and ii.B).

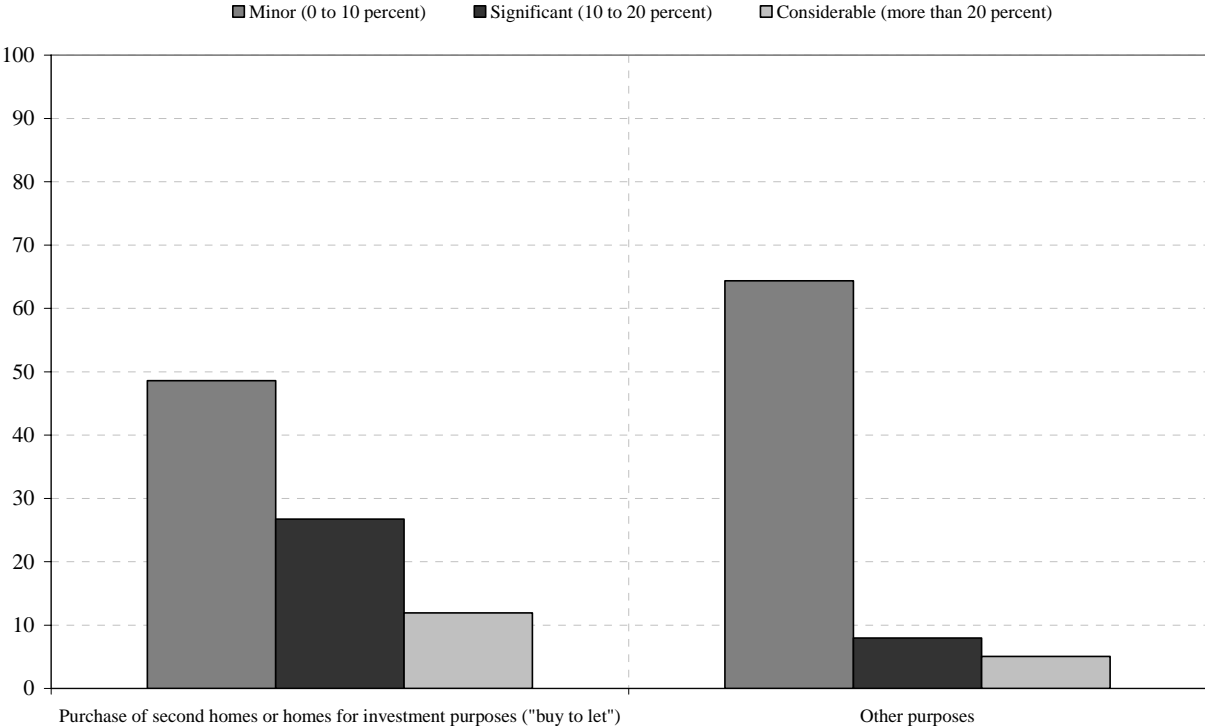
The majority of the respondent banks replied to the ad hoc question.⁴ Almost 50% reported that less than 10% of the shares of their mortgage loans are requested for purchase of second homes or homes for investment purposes. At the same time, 27% of the banks consider such shares as quite significant (from 10% to 20%), and 12% as considerable (more than 20%) (see Chart 6).

The respondent banks indicated that the share of loans to households secured by real estate contracted for other purposes (such as consumption and financial investment) is quite low, with 64% stating that this share is less than 10%.

³ This category covers inter alia consumption, financial investment and debt redemption, as well as the scenario of a parent taking out a mortgage for the purpose of transferring funds to a son or daughter in order to purchase a house, or loans taken by professionals for other purposes.

⁴ In panel i.A (see Annex II), 9 out of the 85 banks stated that this was “not applicable”; this figure may include banks that did not respond to the ad hoc question at all. For panels i.B, ii.A and ii.B, the number of banks that replied “not applicable” was 16, 13 and 22 respectively.

Chart 6 Loans to households secured by real estate and used for purposes other than the acquisition of a principal residence (percentages from the banks)



Note: The euro area figures are weighted averages of country results.

3. Results for the individual questions

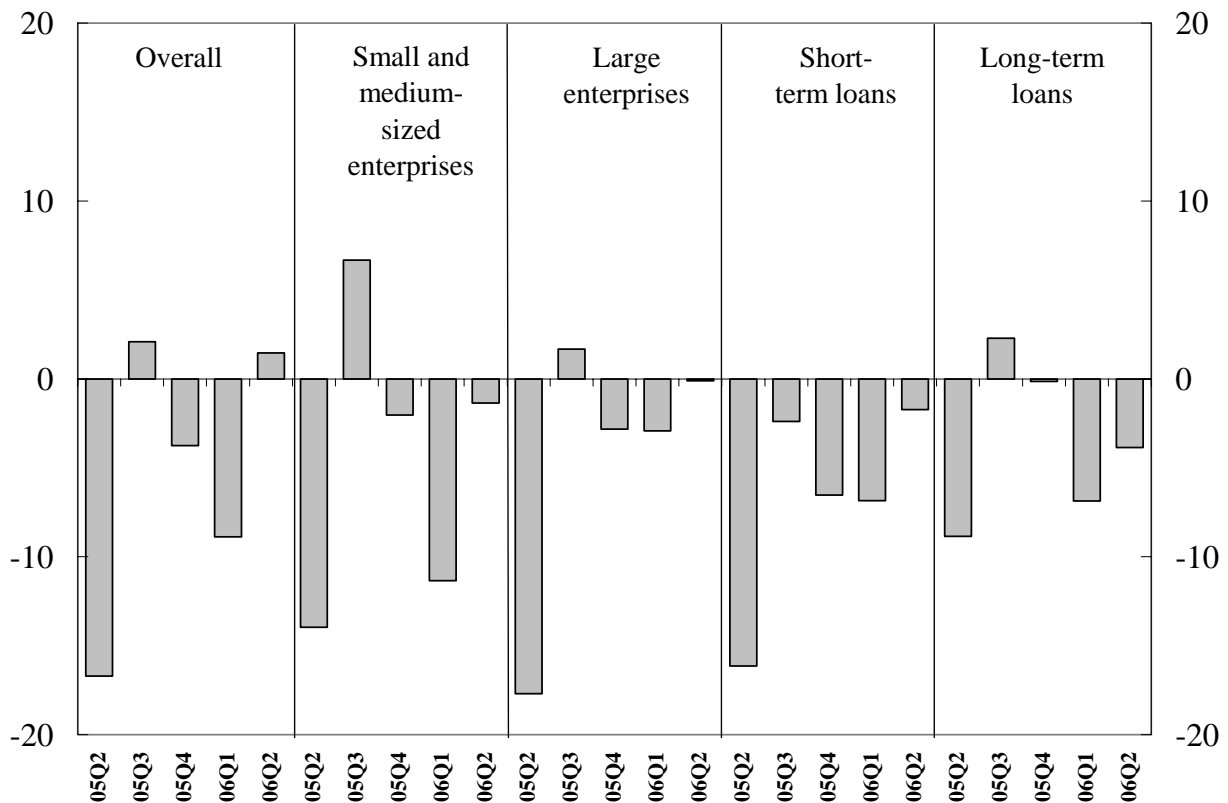
I. Loans or credit lines to enterprises

- 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	
	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006
Tightened considerably	0	1	0	0	0	1	0	1	0	0
Tightened somewhat	3	3	3	1	5	5	2	2	3	4
Remained basically unchanged	86	94	84	96	86	89	88	93	86	88
Eased somewhat	12	2	14	3	9	6	9	4	10	8
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	-9	1	-11	-1	-3	0	-7	-2	-7	-4
<i>Mean</i>	<i>3.09</i>	<i>2.98</i>	<i>3.11</i>	<i>3.01</i>	<i>3.03</i>	<i>2.99</i>	<i>3.07</i>	<i>3.01</i>	<i>3.07</i>	<i>3.04</i>
Number of banks responding	81	80	80	80	80	81	81	81	81	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 considerably" and "eased somewhat".

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



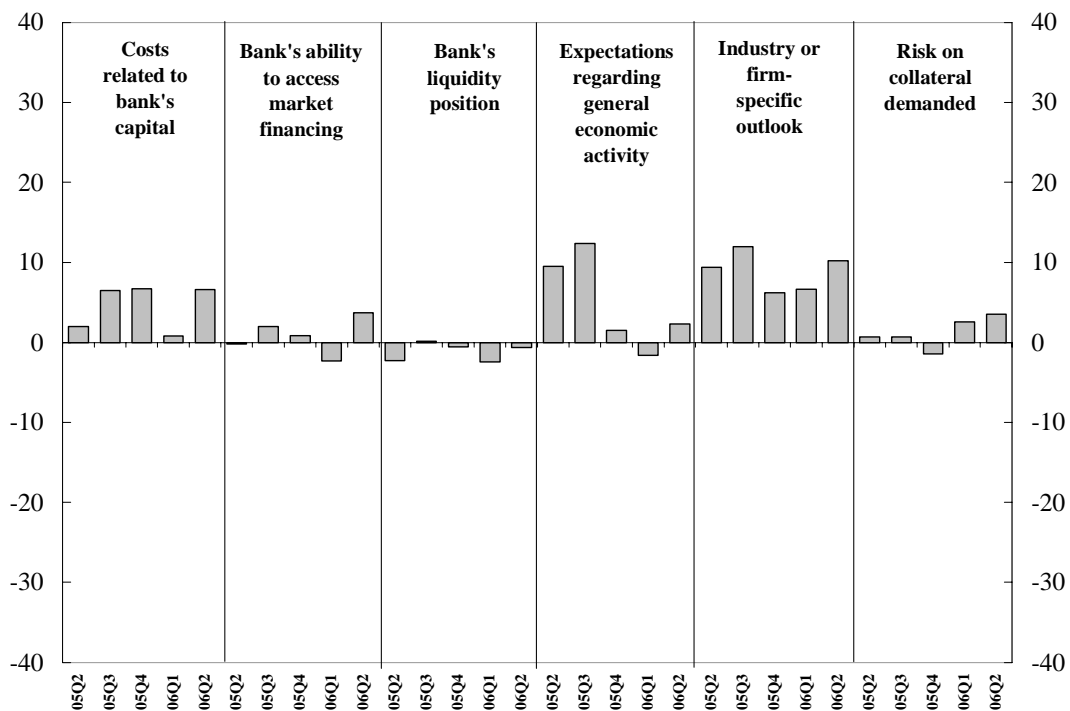
2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Cost of funds and balance sheet constraints			
Costs related to your bank's capital position	1	7	83	1	0	8	1	7	2.99	2.92
Your bank's ability to access market financing	1	3	88	0	0	8	-2	4	3.02	2.95
Your bank's liquidity position	1	0	90	1	0	8	-2	-1	3.03	3.00
B) Pressure from competition										
Competition from other banks	0	1	72	18	0	9	-27	-18	3.30	3.20
Competition from non-banks	1	0	84	3	0	12	-2	-2	3.03	3.01
Competition from market financing	1	0	86	3	0	10	-2	-2	3.02	3.01
C) Perception of risk										
Expectations regarding general economic activity	0	8	81	5	0	7	-2	2	3.02	2.97
Industry or firm-specific outlook	0	14	78	3	0	6	7	10	2.93	2.89
Risk on the collateral demanded	0	4	89	0	0	8	3	4	2.97	2.96

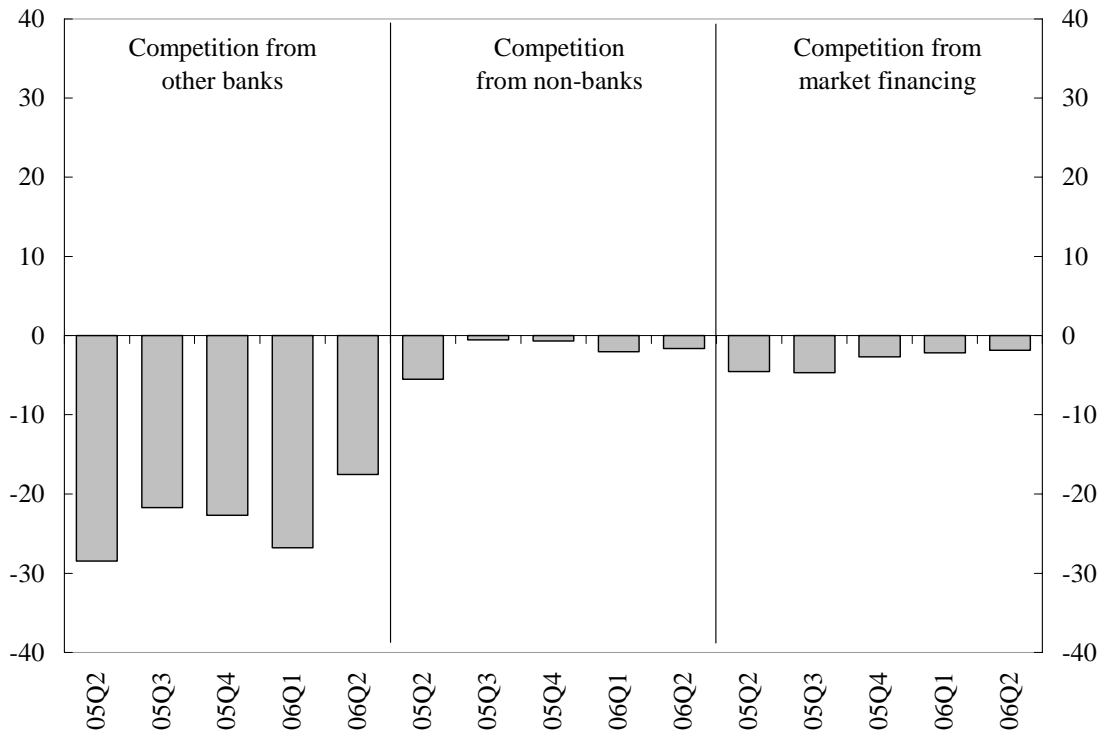
NA = Not available; NetP = Net percentage

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 8a Factors affecting credit standards applied to the approval of loans or credit lines to enterprises, Part 1
(net percentages of banks reporting tightening standards)



**Chart 8b Factors affecting credit standards applied to the approval of loans or credit lines to enterprises,
Part 2**
(net percentages of banks reporting tightening standards)



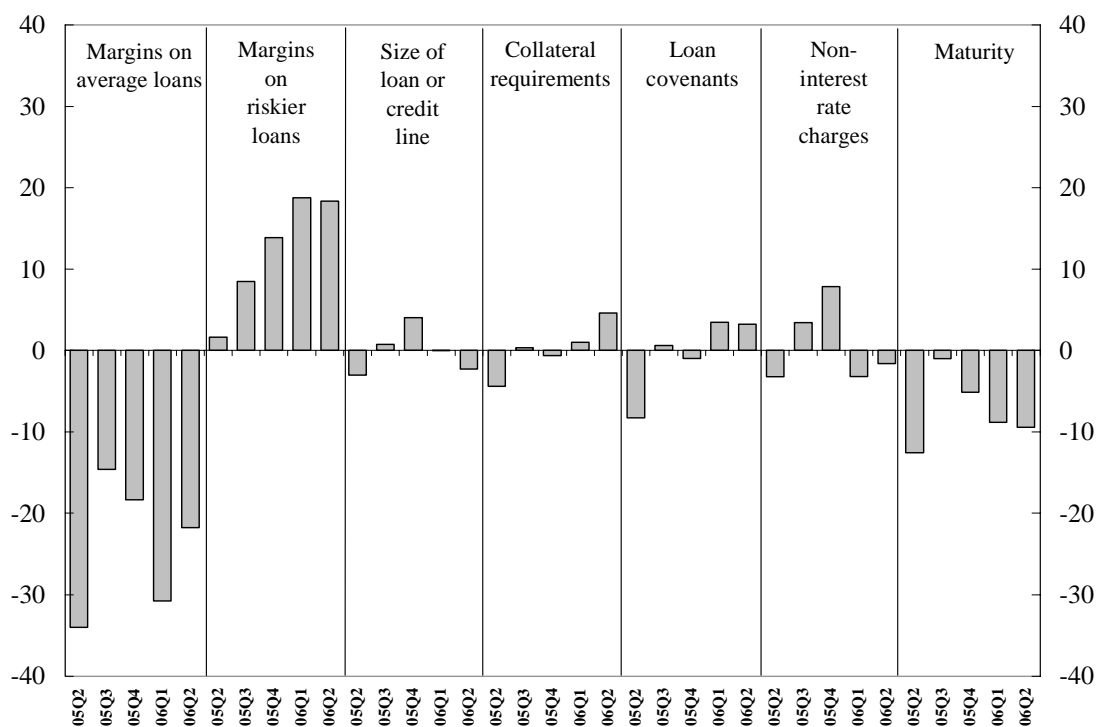
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Price			
Your bank's margin on average loans	0	7	59	27	2	6	-31	-22	3.32	3.25
Your bank's margin on riskier loans	0	25	63	7	0	6	19	18	2.80	2.81
B) Other conditions and terms										
Non-interest rate charges	0	2	87	4	0	7	-3	-2	3.03	3.02
Size of the loan or credit line	0	1	91	3	0	6	0	-2	3.00	3.02
Collateral requirements	0	7	86	2	0	6	1	5	2.99	2.95
Loan covenants	0	8	81	5	0	6	4	3	2.96	2.97
Maturity	0	0	84	9	0	6	-9	-9	3.10	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 9 Conditions and terms for approving loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)

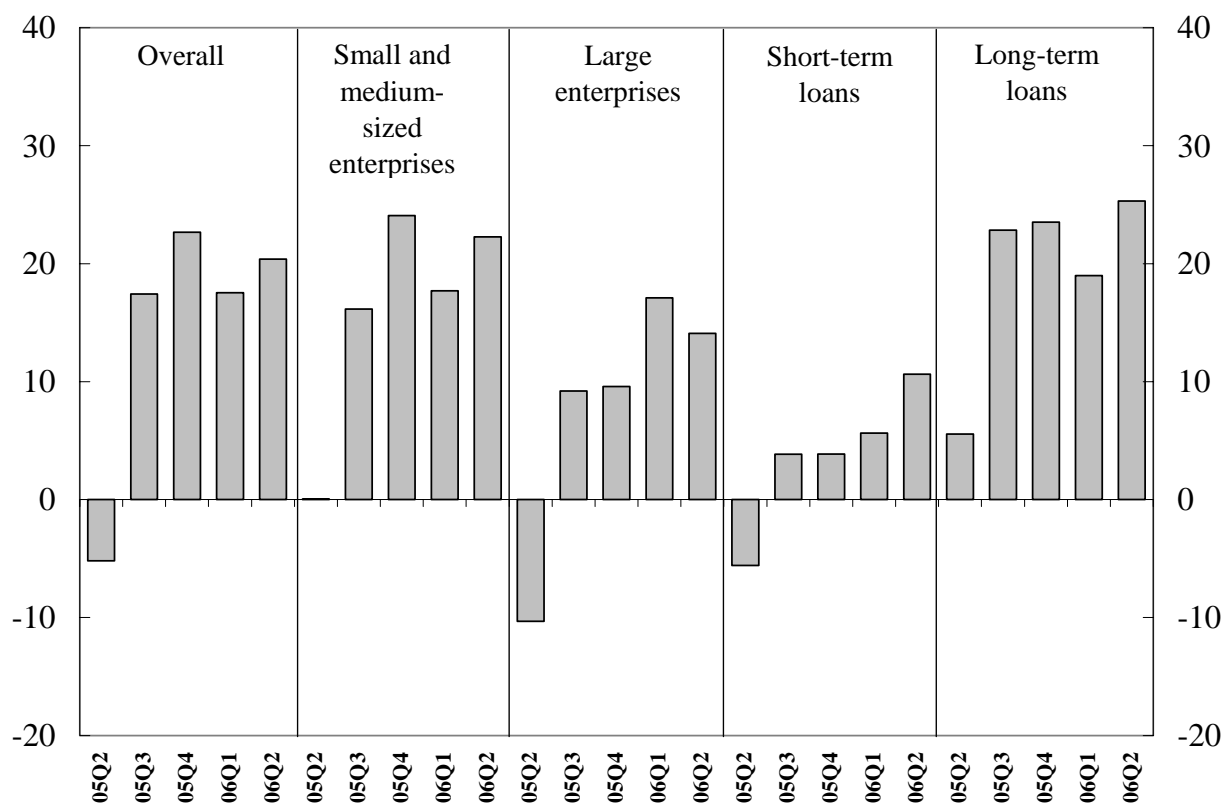


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006
Decreased considerably	0	1	0	0	0	1	0	1	0	1
Decreased somewhat	9	5	8	6	8	10	12	11	10	6
Remained basically unchanged	65	68	66	66	66	65	70	66	62	61
Increased somewhat	27	25	26	28	25	23	18	22	29	30
Increased considerably	0	2	0	0	1	2	0	0	0	2
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	18	20	18	22	17	14	6	11	19	25
<i>Mean</i>	<i>3.18</i>	<i>3.22</i>	<i>3.18</i>	<i>3.22</i>	<i>3.17</i>	<i>3.15</i>	<i>3.06</i>	<i>3.10</i>	<i>3.19</i>	<i>3.26</i>
Number of banks responding	81	81	80	80	80	80	81	81	81	81

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 considerably” and “decreased somewhat”.

Chart 10 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	
							April 2006	July 2006	April 2006	July 2006
							A) Financing needs			
Fixed investment	0	8	64	22	0	6	7	13	3.06	3.14
Inventories and working capital	0	3	71	19	0	7	16	16	3.16	3.16
Mergers/acquisitions and corporate restructuring	0	0	65	22	4	9	20	27	3.23	3.35
Debt restructuring	0	2	69	23	0	6	7	22	3.07	3.23
B) Use of alternative finance										
Internal financing	0	13	73	6	0	8	-8	-7	2.90	2.94
Loans from other banks	0	13	76	2	0	8	-7	-11	2.92	2.89
Loans from non-banks	0	0	88	1	0	10	0	1	3.00	3.02
Issuance of debt securities	0	4	81	3	0	12	-2	-1	2.98	2.99
Issuance of equity	0	1	86	2	0	12	-2	1	2.99	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 11a Factors affecting demand for loans and credit lines to enterprises, Part 1
(net percentages of banks reporting a positive contribution to demand)

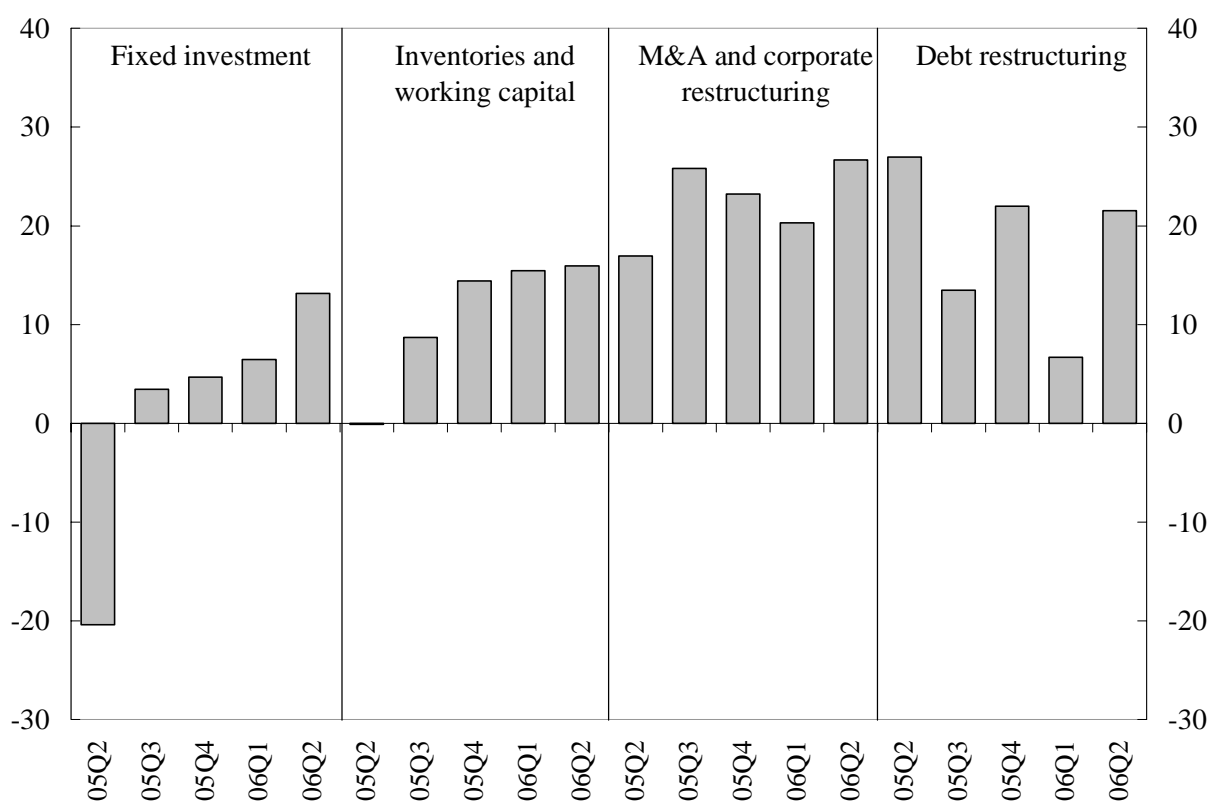
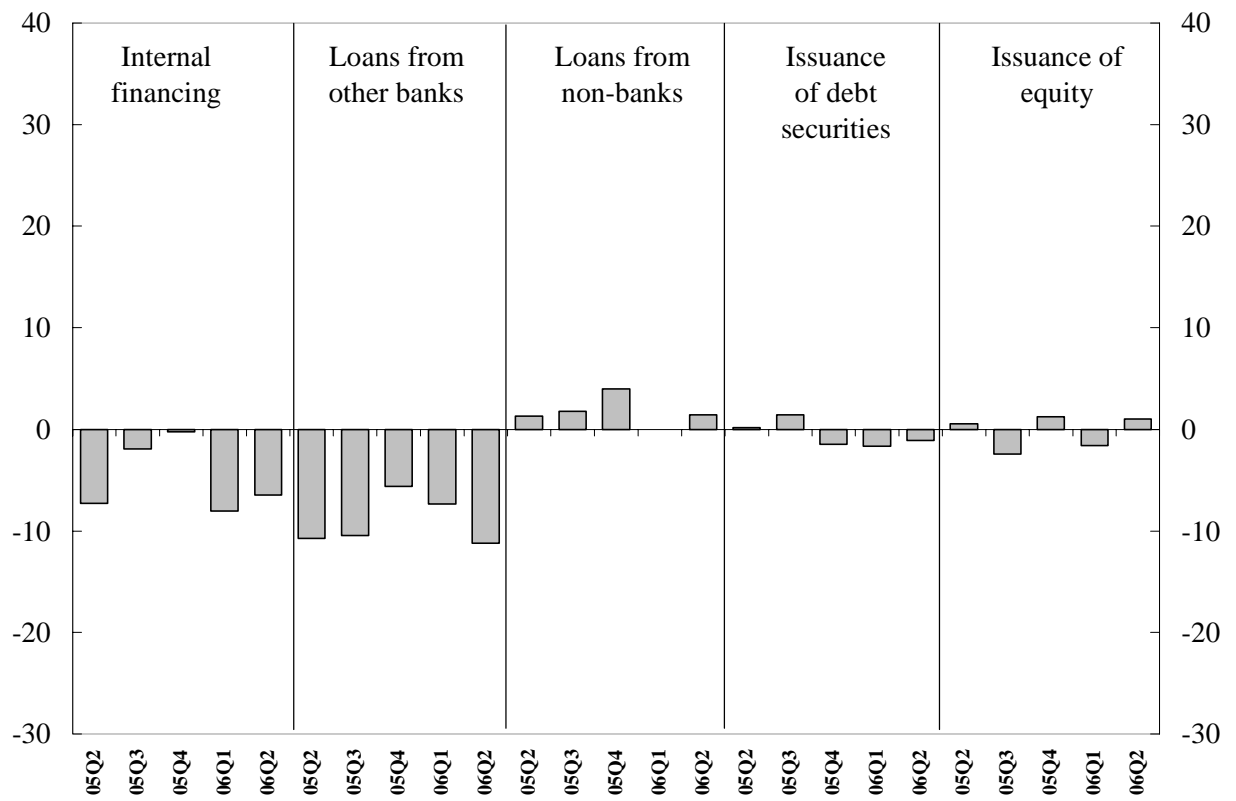


Chart 11b Factors affecting demand for loans and credit lines to enterprises, Part 2
(net percentages of banks reporting a positive contribution to demand)

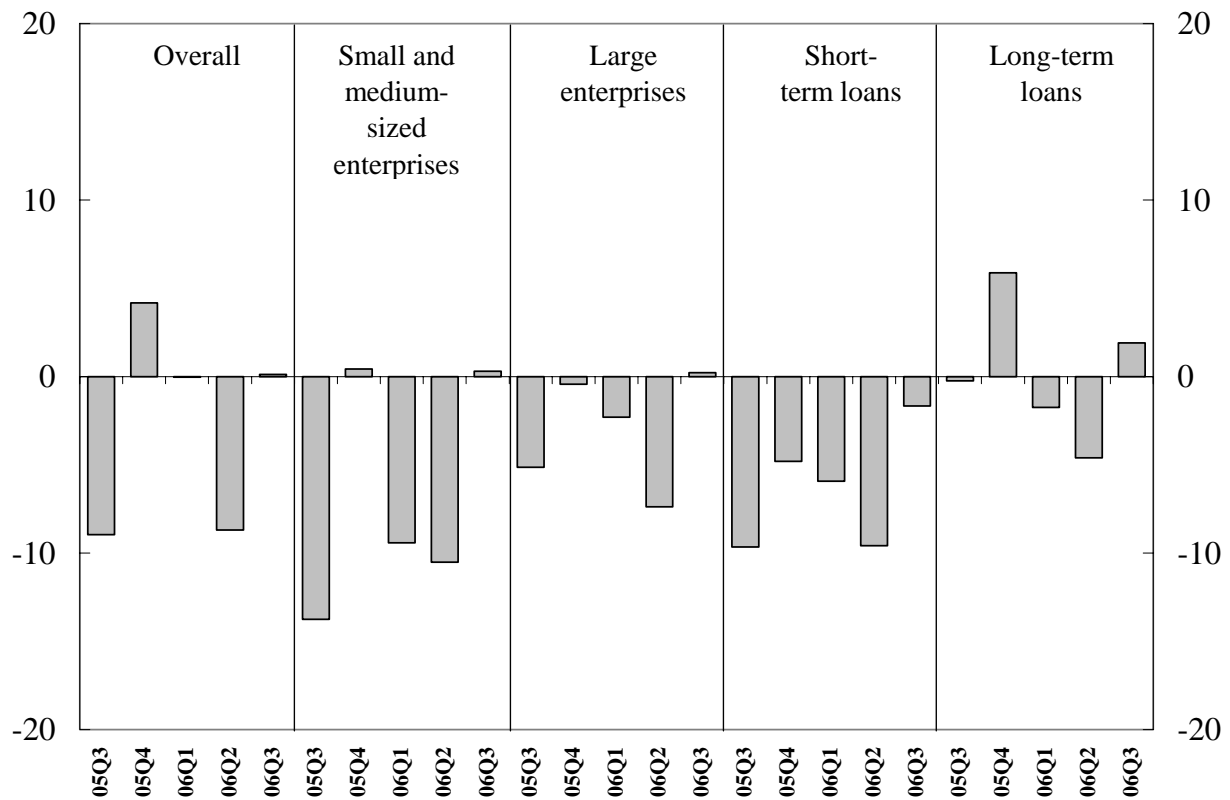


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	2	4	2	6	3	8	3	4	4	4
Remain basically unchanged	87	93	85	89	88	85	85	91	88	95
Ease somewhat	11	4	13	5	10	8	12	5	8	2
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	0	-11	0	-7	0	-10	-2	-5	2
<i>Mean</i>	<i>3.09</i>	<i>3.00</i>	<i>3.10</i>	<i>3.00</i>	<i>3.07</i>	<i>3.00</i>	<i>3.10</i>	<i>3.02</i>	<i>3.05</i>	<i>2.98</i>
Number of banks responding	81	81	80	80	80	80	81	81	81	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 considerably" and "ease somewhat".

Chart 12 Expected credit standards for the approval of loans or credit lines to enterprises
(net percentages of banks expecting tightening credit standards)

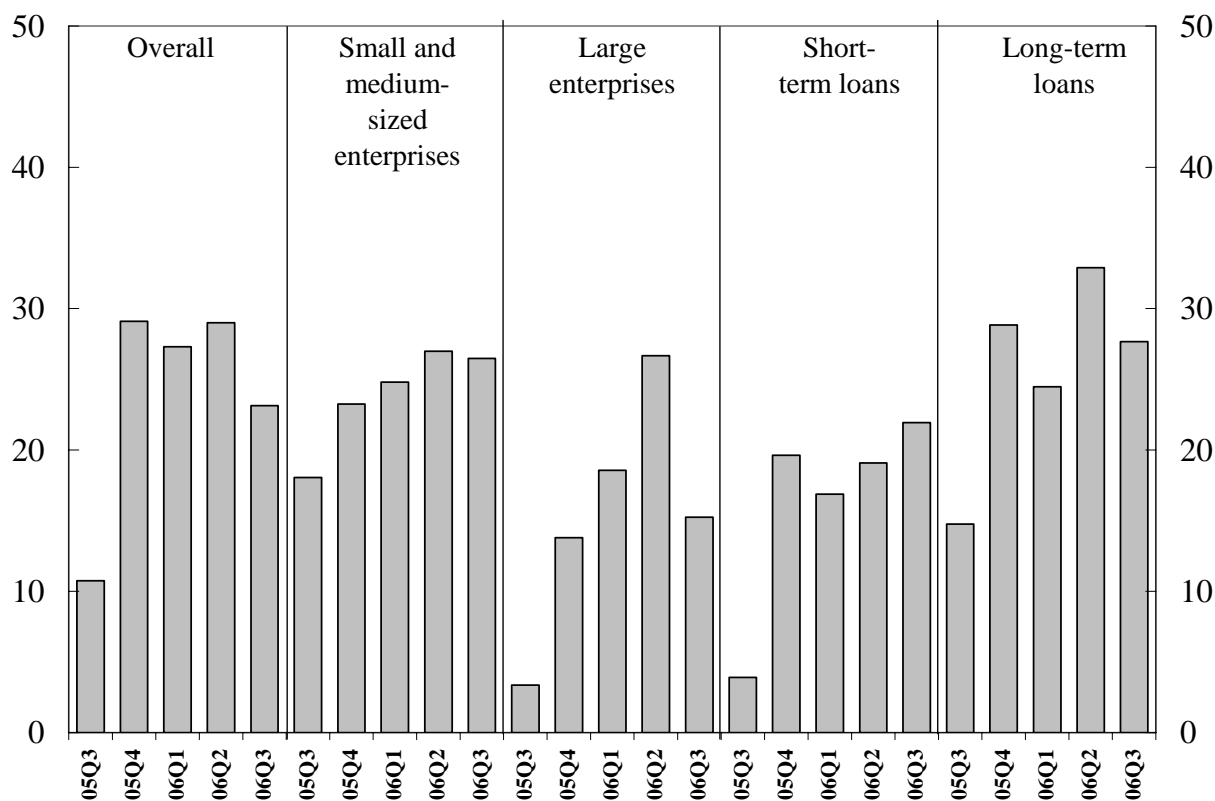


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006	April 2006	July 2006
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	4	5	4	3	4	7	4	7	4	3
Remain basically unchanged	63	68	66	68	66	72	73	65	59	67
Increase somewhat	33	28	30	29	30	22	23	29	37	31
Increase considerably	0	0	1	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	29	23	27	27	27	15	19	22	33	28
<i>Mean</i>	3.29	3.23	3.28	3.26	3.27	3.15	3.19	3.22	3.33	3.28
Number of banks responding	81	81	80	80	80	80	81	81	81	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 considerably” and “decrease somewhat”.

Chart 13 Expected demand for loans and credit lines to enterprises
(net percentages of banks expecting positive loan demand)



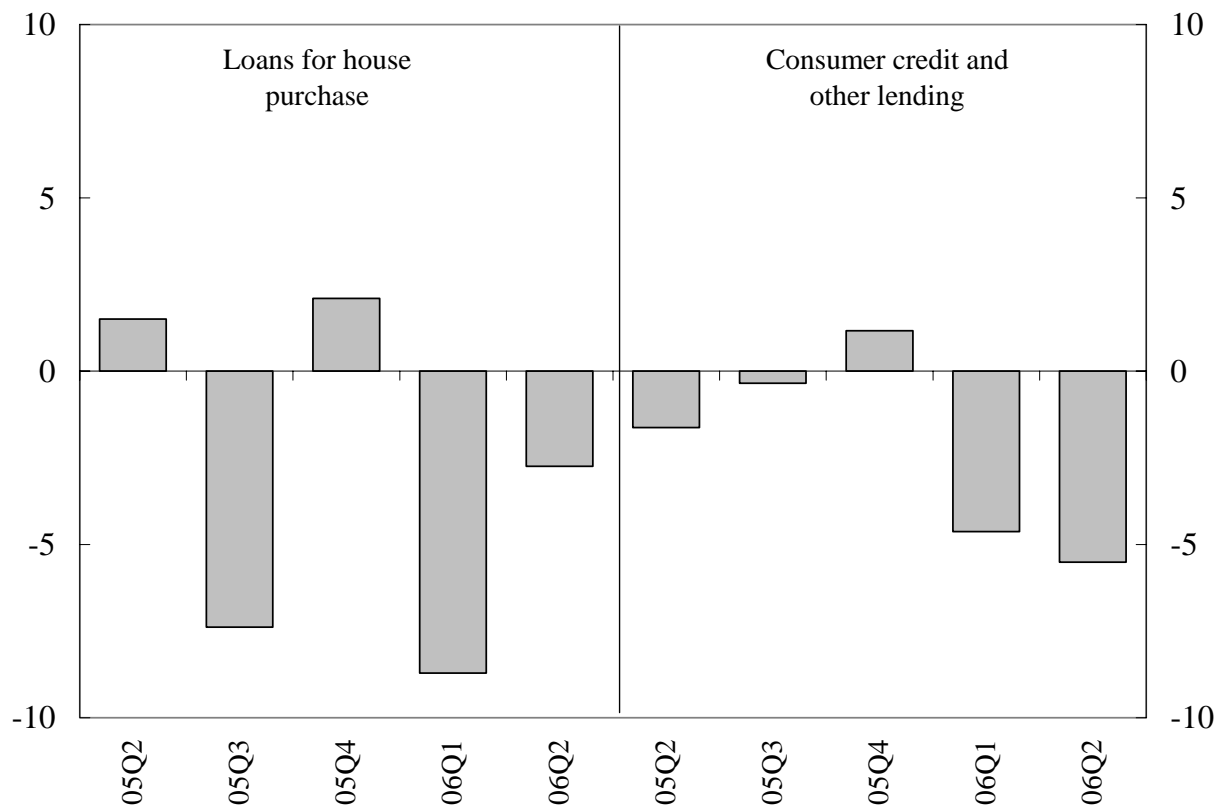
II. Loans to households

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	
	April 2006	July 2006	April 2006	July 2006
Tightened considerably	0	0	0	0
Tightened somewhat	2	5	1	3
Remained basically unchanged	87	87	93	89
Eased somewhat	11	8	6	8
Eased considerably	0	0	0	0
Total	100	100	100	100
Net percentage	-9	-3	-5	-6
Mean	3.09	3.03	3.05	3.05
Number of banks responding	79	79	77	78

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 considerably" and "eased somewhat".

Chart 14 Credit standards applied to the approval of loans to households
(net percentages of banks reporting tightening credit standards)



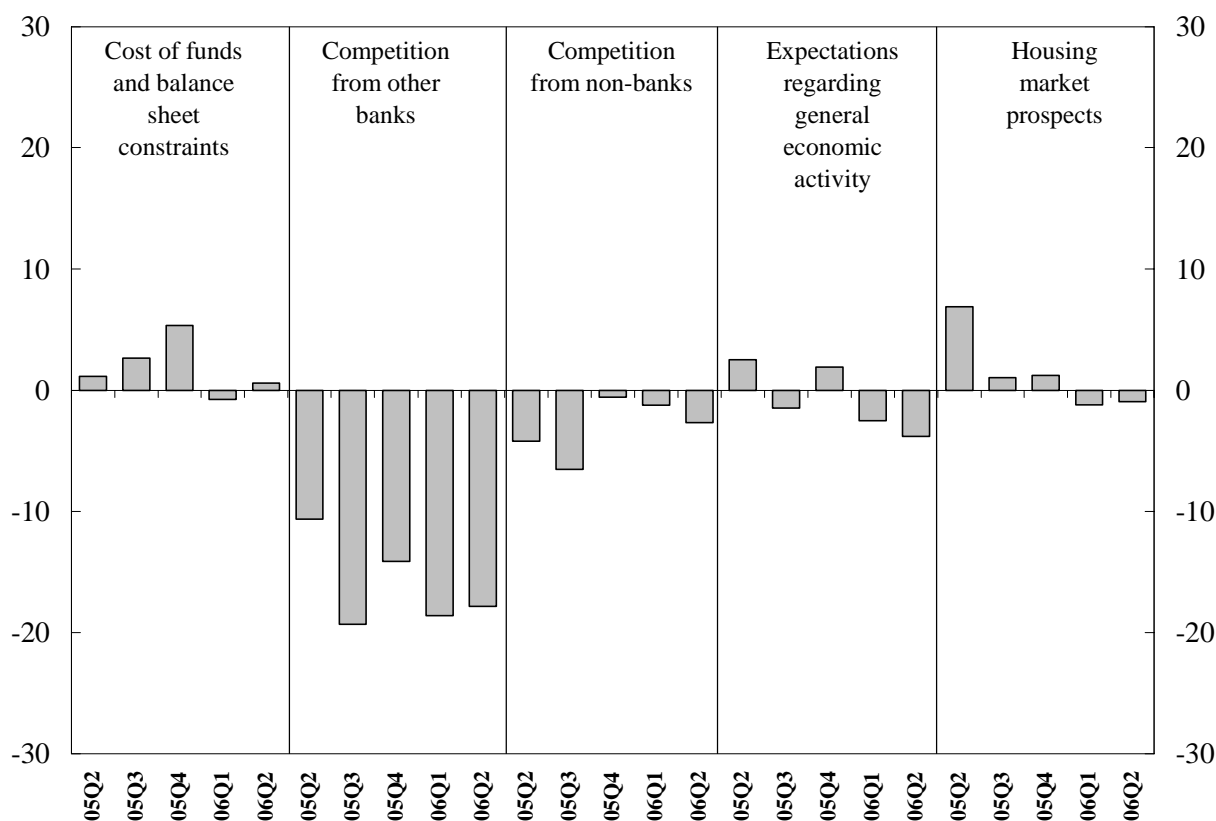
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Cost of funds and balance sheet constraints	0	1	89
B) Pressure from competition										
Competition from other banks	0	0	73	17	1	9	-19	-18	3.22	3.22
Competition from non-banks	0	0	88	3	0	9	-1	-3	3.02	3.03
C) Perception of risk										
Expectations regarding general economic activity	0	1	85	5	0	9	-3	-4	3.03	3.04
Housing market prospects	0	3	84	4	0	9	-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 "--" (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 15 Factors affecting credit standards applied to the approval of loans to households for house purchase
(net percentages of banks reporting tightening standards)



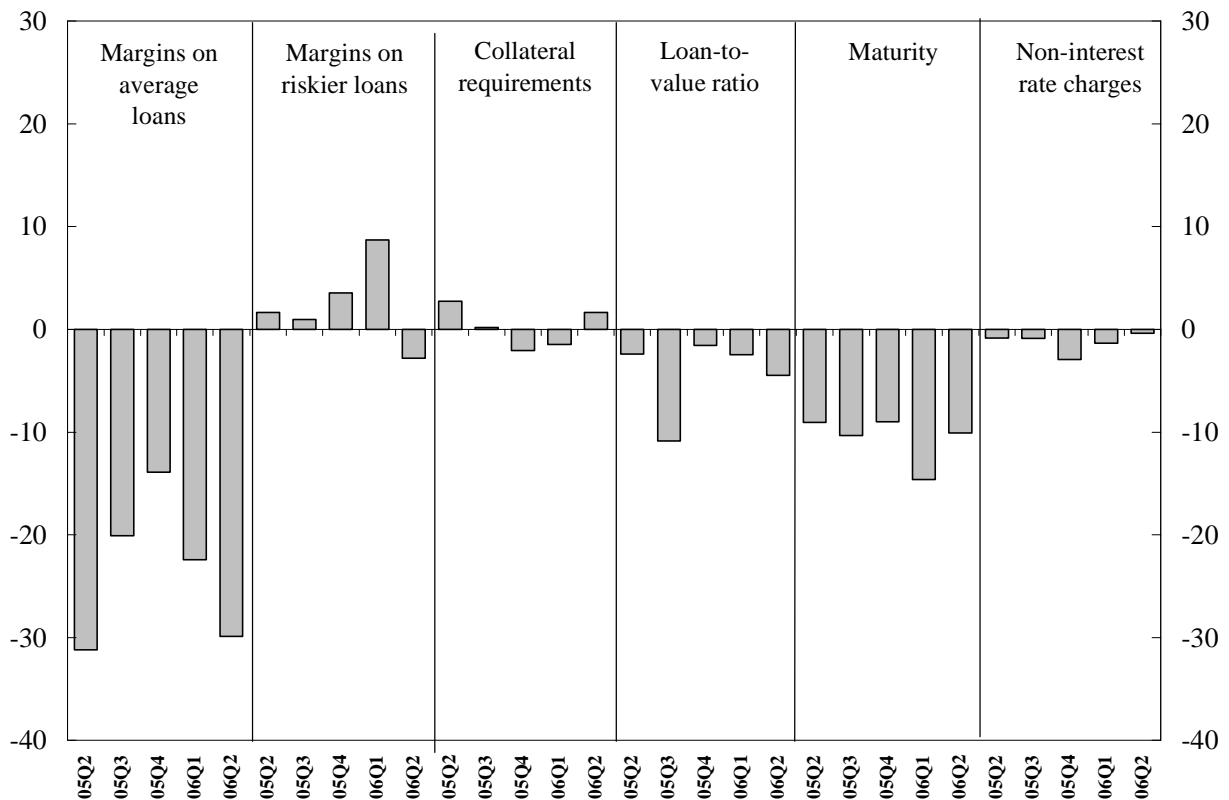
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Price			
Your bank's margin on average loans	0	3	56	30	3	7	-22	-30	3.29	3.37
Your bank's margin on riskier loans	0	6	78	9	0	7	9	-3	2.91	3.04
B) Other conditions and terms										
Collateral requirements	0	2	91	0	0	7	-1	2	3.01	2.98
Loan-to-value ratio	0	2	85	6	0	7	-3	-5	3.03	3.06
Maturity	0	0	82	10	0	8	-15	-10	3.16	3.12
Non-interest rate charges	0	2	89	1	1	7	-1	0	3.01	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 16 Conditions and terms for approving loans to households for house purchase
(net percentages of banks reporting tightening standards)



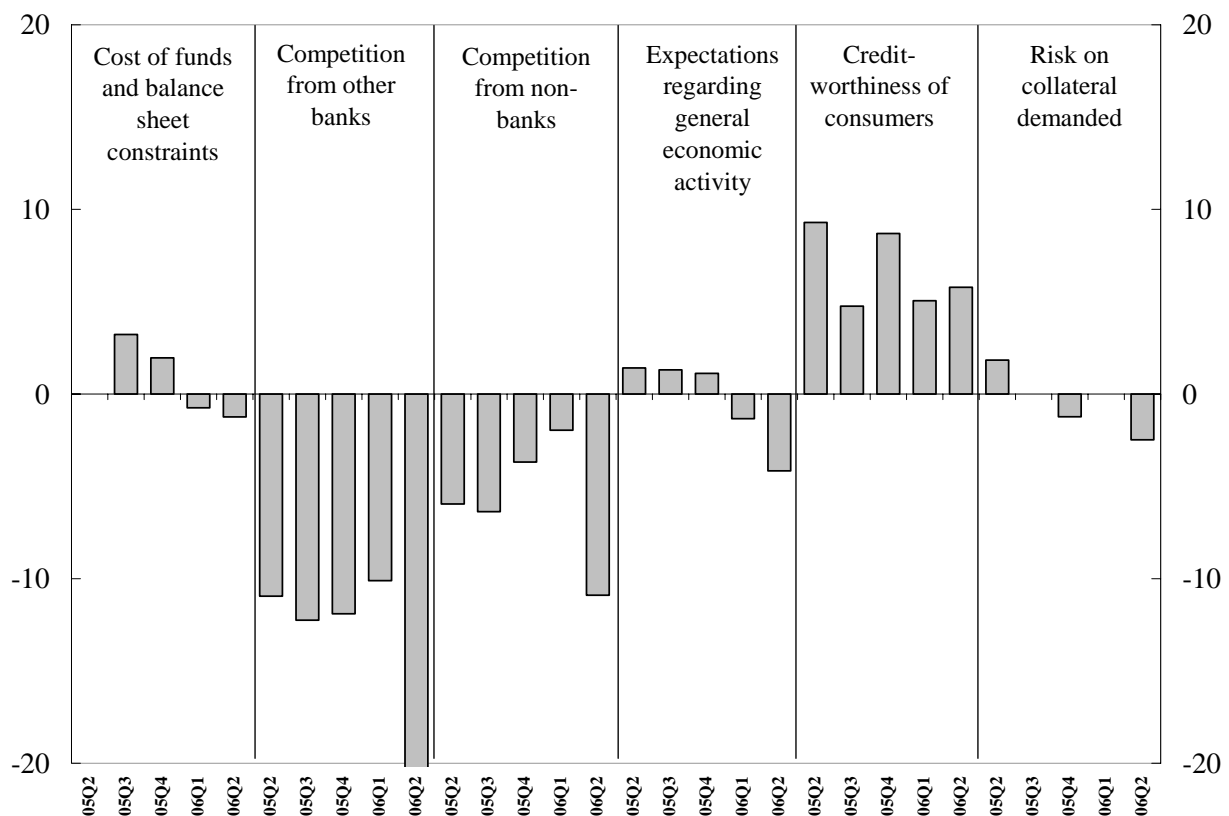
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Cost of funds and balance sheet constraints	0	0	86
B) Pressure from competition										
Competition from other banks	0	0	68	21	0	11	-10	-21	3.12	3.25
Competition from non-banks	0	0	76	11	0	13	-2	-11	3.02	3.14
C) Perception of risk										
Expectations regarding general economic activity	0	0	86	4	0	10	-1	-4	3.02	3.05
Creditworthiness of consumers	0	7	82	1	0	10	5	6	2.95	2.94
Risk on the collateral demanded	0	0	84	3	0	13	0	-3	3.00	3.03

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 17 Factors affecting credit standards applied to the approval of consumer credit and other lending to households (net percentages of banks reporting tightening standards)



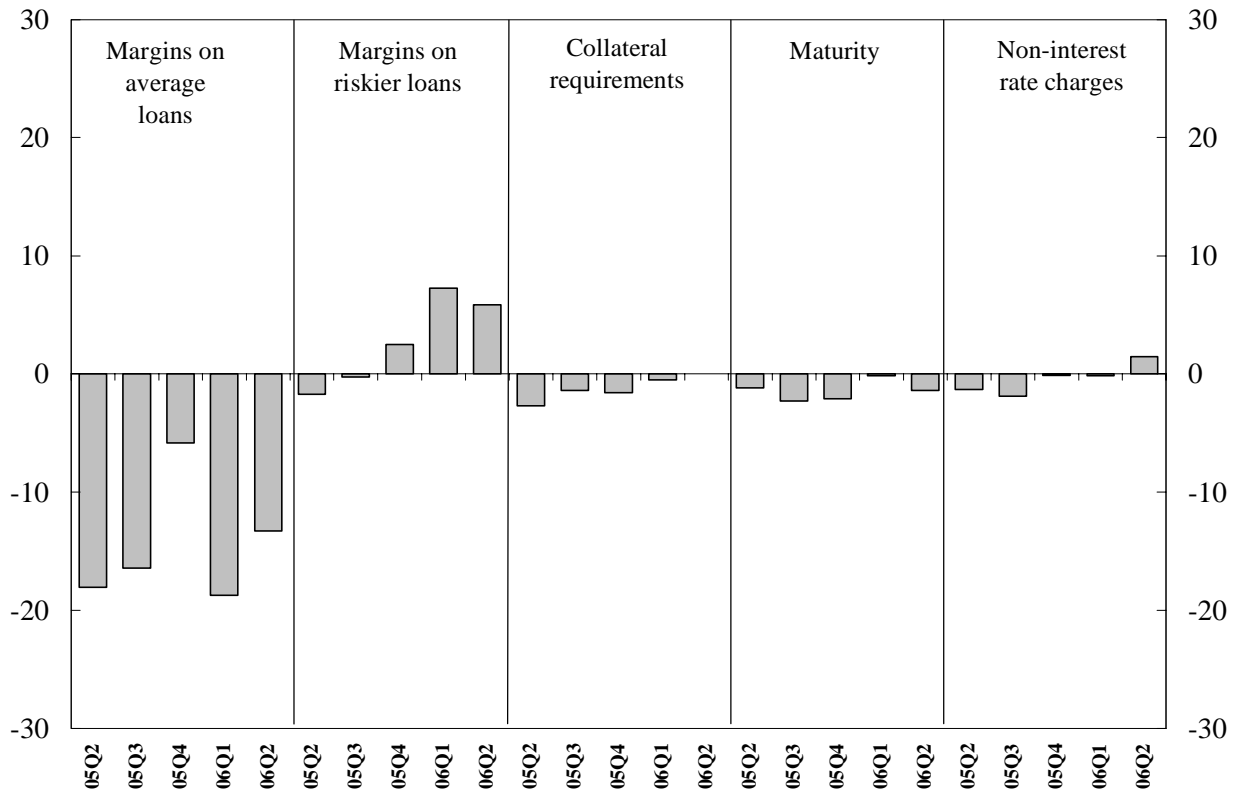
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Price			
Your bank's margin on average loans	0	6	66	19	0	10	-19	-13	3.26	3.17
Your bank's margin on riskier loans	0	10	77	4	0	10	7	6	2.93	2.95
B) Other conditions and terms										
Collateral requirements	0	0	88	0	0	12	-1	0	3.01	3.00
Maturity	0	0	89	1	0	10	0	-1	3.00	3.02
Non-interest rate charges	0	2	89	0	0	10	0	2	3.00	2.99

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

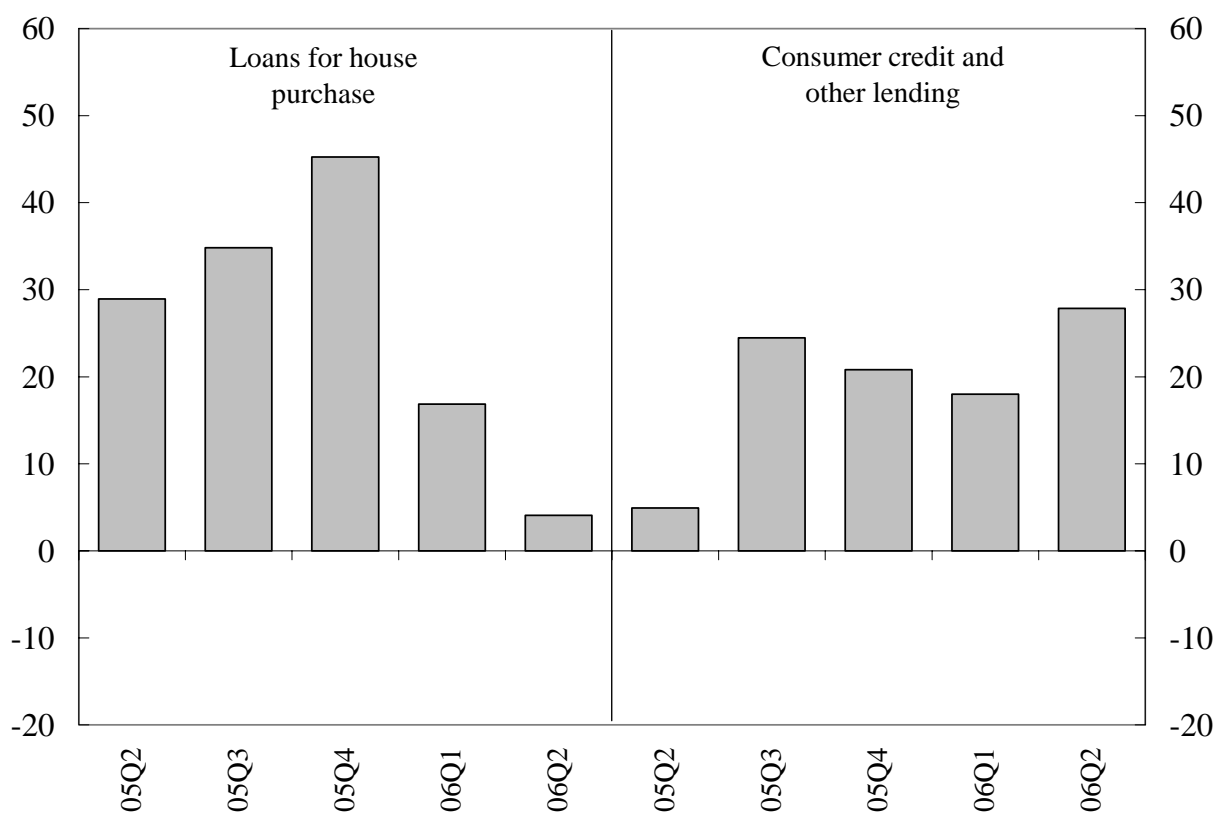


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	April 2006	July 2006	April 2006	July 2006
Decreased considerably	0	0	0	1
Decreased somewhat	14	22	13	5
Remained basically unchanged	55	52	55	59
Increased somewhat	29	24	29	27
Increased considerably	2	2	2	8
Total	100	100	100	100
Net percentage	17	4	18	28
<i>Mean</i>	<i>3.19</i>	<i>3.06</i>	<i>3.20</i>	<i>3.34</i>
Number of banks responding	79	79	78	78

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 considerably” and “decreased somewhat”.

Chart 19 Demand for loans to households
(net percentages of banks reporting positive loan demand)



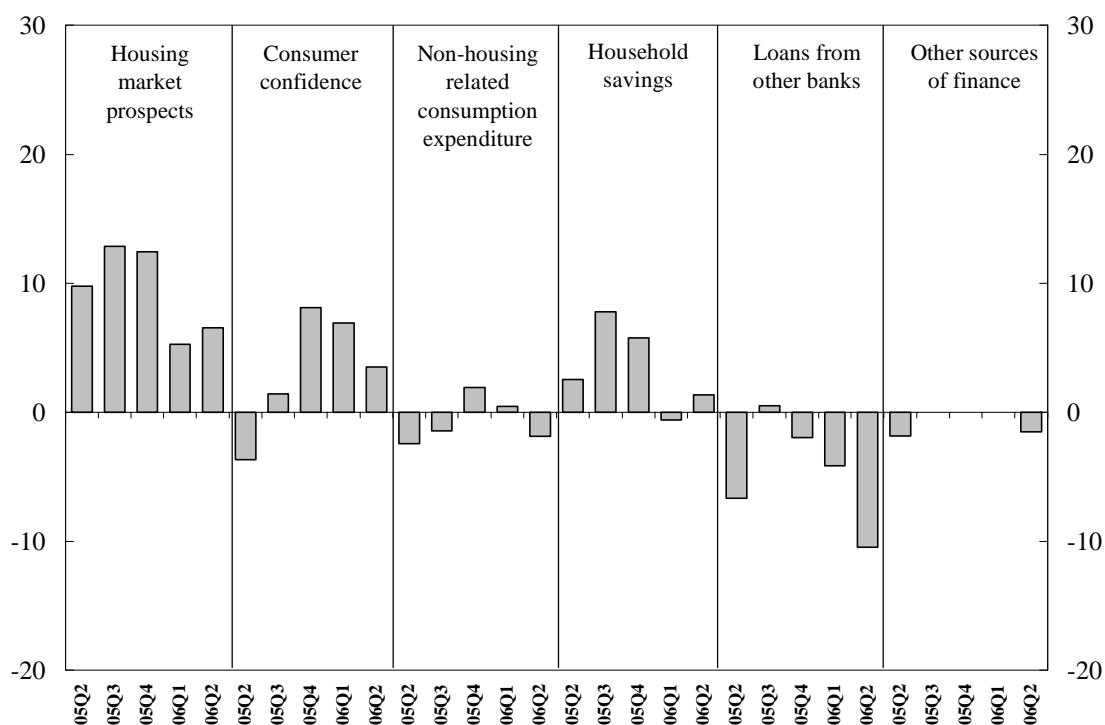
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Financing needs			
Housing market prospects	0	8	70	15	0	7	5	7	3.07	3.08
Consumer confidence	0	4	80	8	0	7	7	4	3.07	3.04
Non-housing related consumption expenditure	0	4	87	2	0	8	1	-2	3.00	2.98
B) Use of alternative finance										
Household savings	0	1	88	2	0	9	-1	1	2.99	3.01
Loans from other banks	0	10	81	0	0	9	-4	-10	2.96	2.89
Other sources of finance	0	2	85	1	0	12	0	-2	3.00	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 loans to households for house purchase
(net percentages of banks reporting a positive contribution to demand)



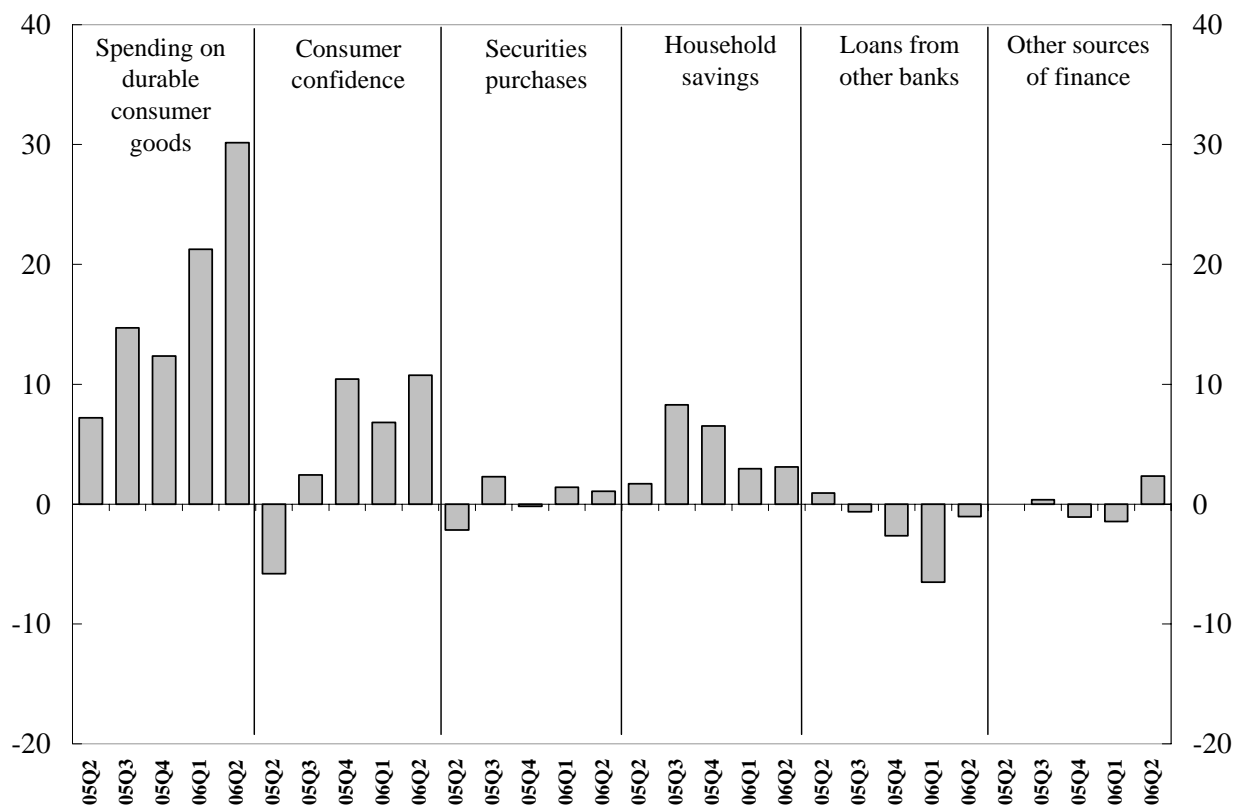
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							April 2006	July 2006	April 2006	July 2006
							A) Financing needs			
Spending on durable consumer goods	0	0	60	28	2	10	21	30	3.24	3.35
Consumer confidence	0	0	80	11	0	10	7	11	3.08	3.12
Securities purchases	0	0	84	1	0	15	1	1	3.01	3.01
B) Use of alternative finance										
Household savings	0	2	82	5	0	11	3	3	3.03	3.03
Loans from other banks	0	5	81	4	0	11	-7	-1	2.93	2.99
Other sources of finance	0	0	85	2	0	13	-1	2	2.98	3.03

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

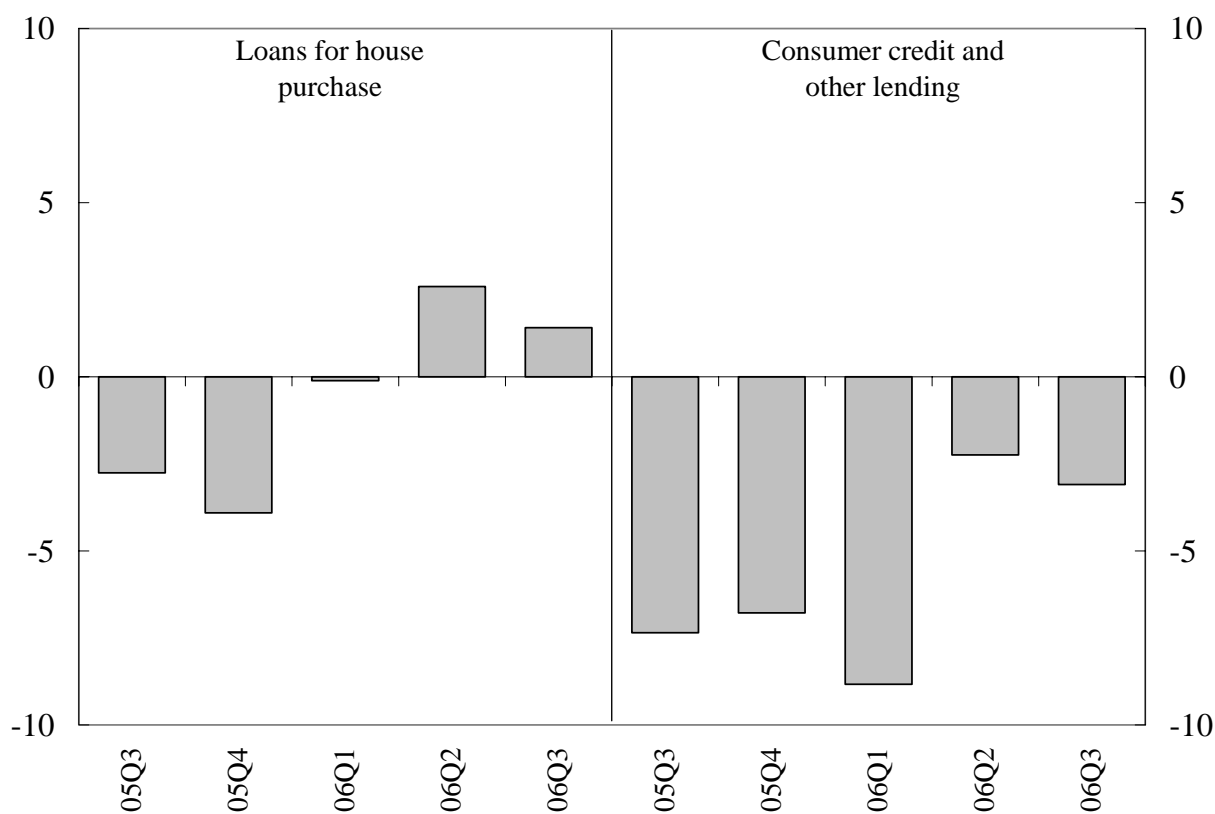


16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	April 2006	July 2006	April 2006	July 2006
Tighten considerably	0	0	0	0
Tighten somewhat	11	10	0	6
Remain basically unchanged	81	81	98	86
Ease somewhat	8	9	2	9
Ease considerably	0	0	0	0
Total	100	100	100	100
Net percentage	3	1	-2	-3
<i>Mean</i>	<i>2.98</i>	<i>2.99</i>	<i>3.02</i>	<i>3.03</i>
Number of banks responding	79	79	78	78

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 considerably" and "ease somewhat".

Chart 22 Expected credit standards for loans to households
(net percentages of banks expecting tightening standards)

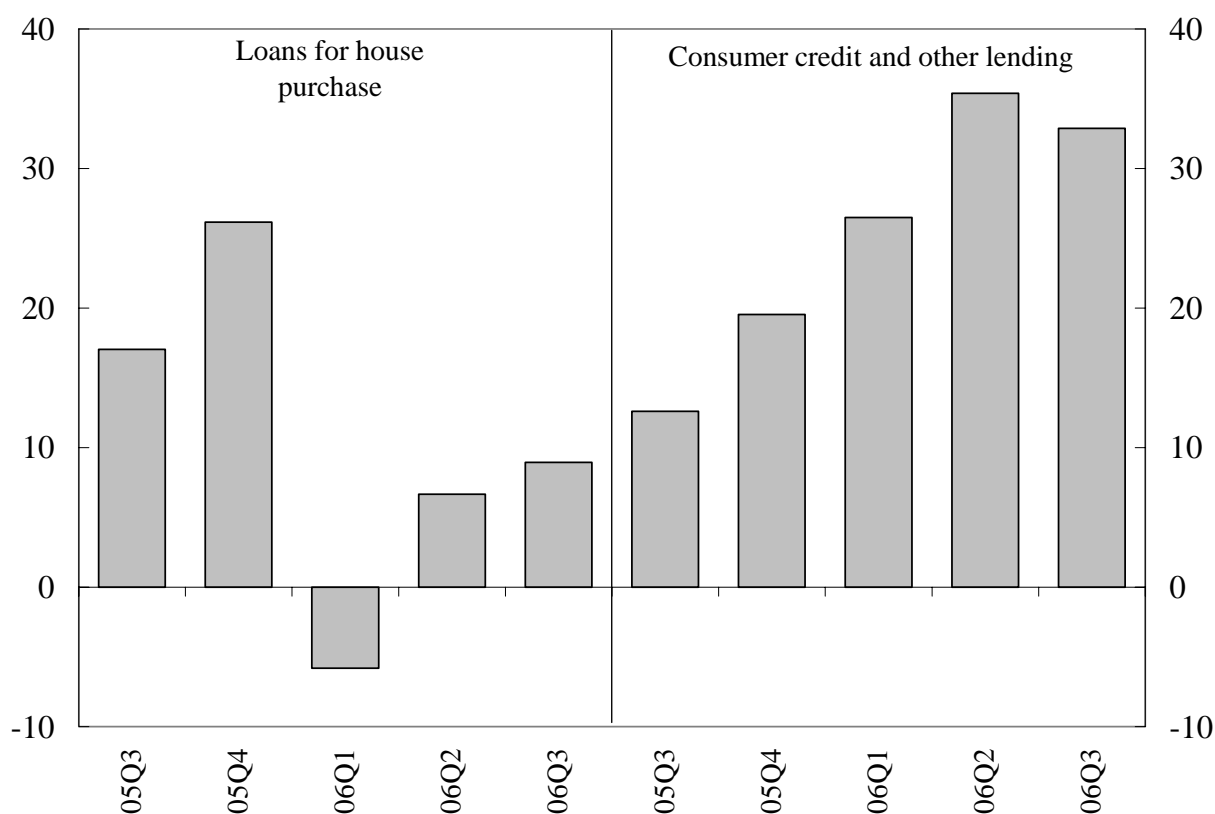


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	April 2006	July 2006	April 2006	July 2006
Decrease considerably	0	0	0	0
Decrease somewhat	14	18	2	0
Remain basically unchanged	66	55	61	67
Increase somewhat	20	27	37	33
Increase considerably	0	0	0	0
Total	100	100	100	100
Net percentage	7	9	35	33
<i>Mean</i>	3.07	3.09	3.36	3.33
Number of banks responding	79	79	78	78

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 considerably” and “decrease somewhat”.

Chart 23 Expected demand for loans to households for house purchase
(net percentages of banks expecting positive loan demand)



4. Results for the ad hoc question

Loans for house purchase have recorded strong growth rates in recent years in many euro area countries. This question addresses some of the reasons behind this development, focusing on loans to households secured by real estate and used for purposes other than the acquisition of a principal residence.

- (i) How does the share of loans to households secured by real estate contracted over the last 12 months for purposes other than the acquisition of a principal residence compare with the share of such loans in the previous 12-month period?

	(A) Purchase of second homes or homes for investment purposes ("buy to let")	(B) Other purposes
Considerably lower	0%	0%
Somewhat lower	8%	0%
Basically unchanged	60%	67%
Somewhat higher	20%	12%
Considerably higher	2%	2%
Not applicable	10%	19%
Net percentage	14%	14%
<i>Mean</i>	<i>3.17</i>	<i>3.18</i>
<i>Standard deviation</i>	<i>0.63</i>	<i>0.47</i>
Number of banks responding	85	85

- (ii) On the basis of the information available to you, what share of the volume of the outstanding amount of loans to households secured by real estate currently on the books of your bank do you estimate was used for purposes other than the acquisition of a principal residence?

	(A) Purchase of second homes or homes for investment purposes ("buy to let")	(B) Other purposes
Minor (0 to 10 percent)	49%	64%
Significant (10 to 20 percent)	27%	8%
Considerable (more than 20 percent)	12%	5%
Not applicable	13%	23%
Mean	1.58	1.23
<i>Standard deviation</i>	<i>0.74</i>	<i>0.58</i>
Number of banks responding	85	85

1) This category covers inter alia consumption, financial investment and debt redemption, as well as the scenario of a parent taking out a mortgage for the purpose of transferring funds to a son or daughter in order to purchase a house.

Annex: Glossary used in the survey

To assist the banks participating in the survey to fill out the questionnaire, a guide has been developed that explains the most important terminology used in the survey, as per the overview below.

Capital

Defined in accordance with the Basel capital adequacy requirements, capital includes both tier 1 capital (core capital) and tier 2 capital (supplementary capital).

Collateral

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

Covenant

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

Credit line

A facility with a stated maximum amount that an enterprise is entitled to borrow from a bank at any given time. 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

The internal guidelines or criteria that 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, its designated geographic priorities, collateral deemed acceptable or unacceptable, etc. In the survey, changes in written loan policies should be considered, together with changes in their application.

Credit terms and conditions

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

Enterprises

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

Enterprise size

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

Households

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

Loans

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

Loan-to-value ratio

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

Maturity

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

Net percentage (or balance)

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

Non-banks

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

Non-interest rate charges

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

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