



EUROPEAN CENTRAL BANK

3 November 2006

THE EURO AREA BANK LENDING SURVEY

– OCTOBER 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 October 2006. The cut-off date for receipt of data from the banks participating in this survey was 10 October 2006.

Overall, credit standards changed little for all categories of loans in the third quarter of 2006. The results show that loans to enterprises and to households for housing purchases remained broadly unchanged. At the same time, however, banks eased their credit standards to households for consumer credit and other lending.

Regarding the demand for loans, banks also reported a strong positive net demand for loans to enterprises in the third quarter of 2006, although this was slightly below the previous quarter. Similarly, net demand for consumer credit declined slightly from the second to the third quarter of 2006, but continued to be very robust. During the same period, net demand for housing loans to households, as perceived by the banks, continued to decline and reached a negative value in the third quarter.

General notes

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks¹. 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

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 October 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.

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

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

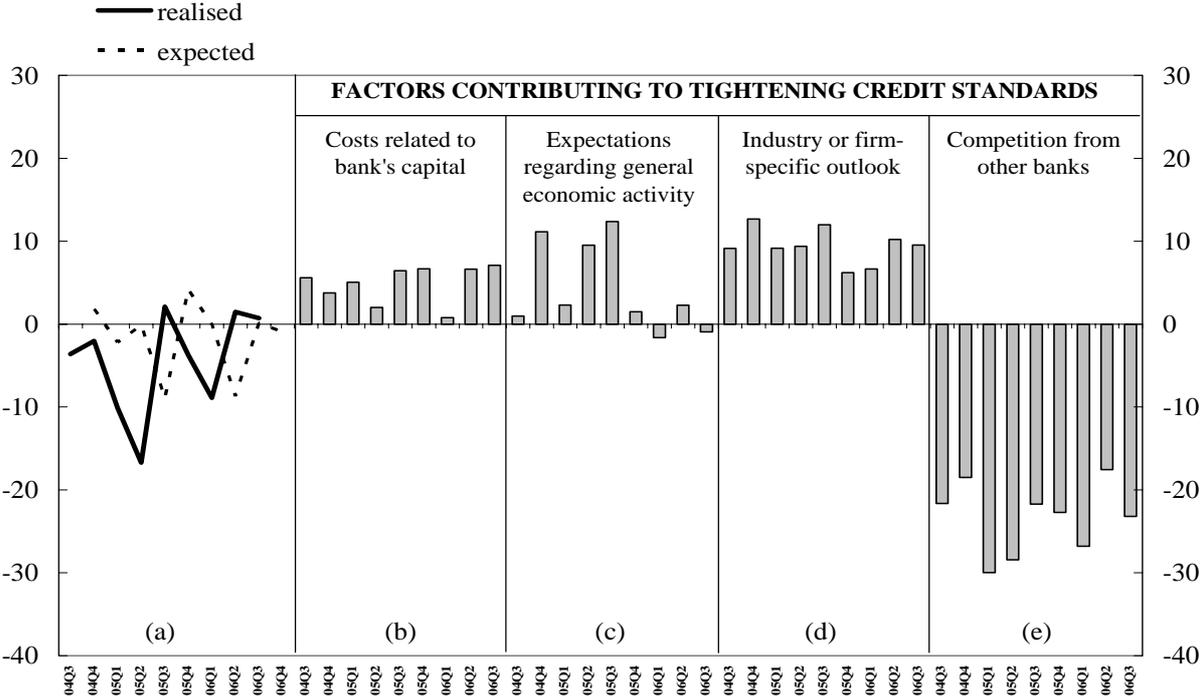
Loans or credit lines to enterprises

Credit standards. For the third quarter of 2006, banks reported mostly unchanged credit standards for loans or credit lines to enterprises (1% compared with 2% in the previous quarter). These results for the last two quarters confirm that credit conditions have remained broadly unchanged over the last few quarters amid some short-term volatility (see Chart 1, panel a).

Underlying this development, competitive pressures weighed towards an easing of credit standards (see Chart 1, panel e). On the other hand, industry or firm-specific outlook contributed to a net tightening of credit standards (see Chart 1, panel d). Regarding the terms and conditions of credit (see Chart 8 in annex), banks eased credit standards partly via lower collateral requirements but mainly through lower margins on average loans (-17% in the October 2006 survey), although the intensity of the latter factor was lower than in the previous quarter (-22% in the July 2006 survey). In contrast, higher margins on riskier loans contributed to a tightening in credit standards but to a lesser extent than in the previous quarter (14% compared with 18% in the previous survey round). Also in this line, the perception of increased risk on loan covenants weighed somewhat towards a net tightening of credit standards.

While credit standards applied to large enterprises remained unchanged (-1%, compared with 0% in the July 2006 round), standards applied to small and medium-sized enterprises eased substantially (-7% compared with -1% in the second quarter of 2005). Changes in credit standards across the maturity range remained broadly at the level of the previous quarter and were similar for short-term and long-term loans (-3% in the October survey).

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 2006Q4 were reported in the October 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.

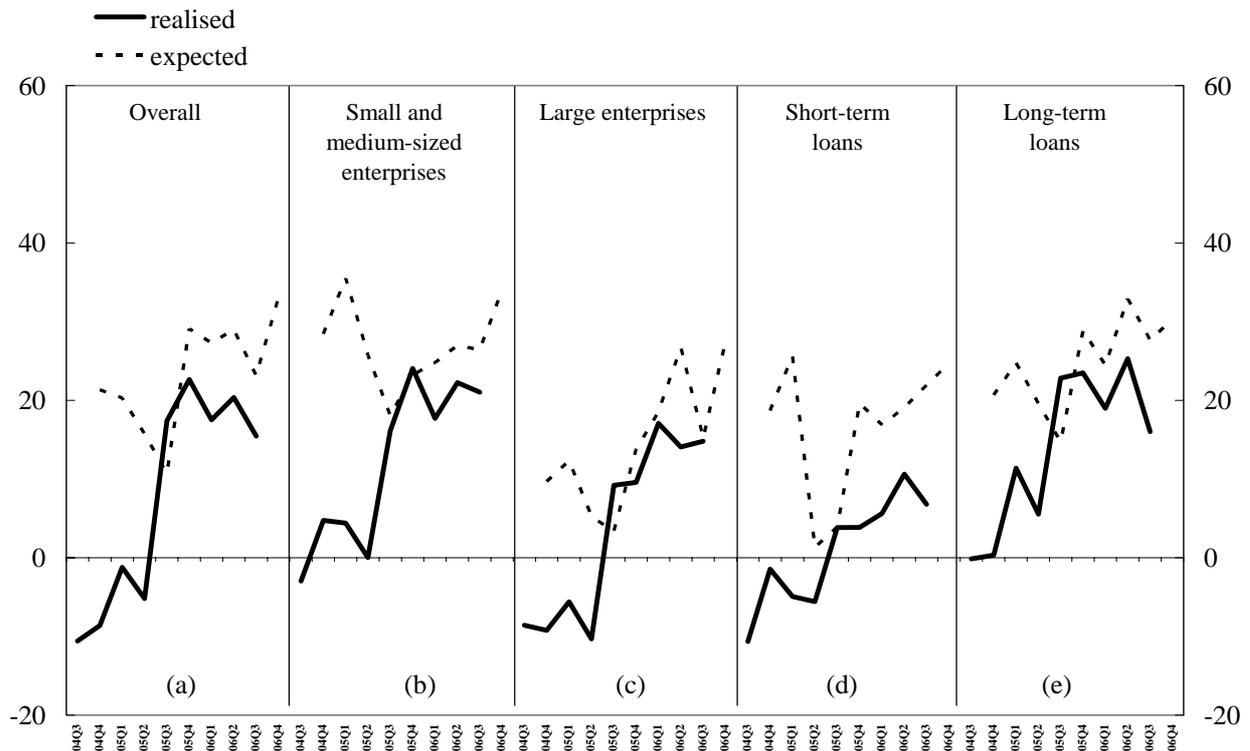
Loan demand. In line with the four previous surveys, net demand for loans by enterprises was significantly positive in the third quarter of 2006, although at a lower level than in the previous survey round (16% in October 2006 compared with 20% in July 2006) (see Chart 2, panel a).

In terms of borrower size, net loan demand from small and medium-sized enterprises continued to be stronger than for large corporations (21% and 15% respectively), and remained broadly unchanged for all borrower sizes in comparison with the previous quarter (see Chart 2a, panels b and c). In the same way, net loan demand in the third quarter of 2006 remained stronger for long than for short-term loans (at 16% and 7% respectively, see Chart 2a, panels d and e).

According to the respondent banks, and continuing the trend started in the third quarter of 2005, financial needs more closely related to the level of economic activity, namely inventories, working capital and fixed capital investments, have become the major factors contributing to positive net bank loan demand. At the same time, other factors of a more financial nature, such as financing needs for M&A and debt restructuring activity, also contributed to the net positive demand, but their importance decreased in the third quarter of 2006 when compared with the previous quarter (see Charts 2b and Chart 10a in the annex). On the downward side, an increased use of alternative financing either provided internally (i.e. financed from higher profits) or obtained via loans from other banks contributed to moderating net demand developments (see Chart 2b and Charts 10a and 10b in the annex).

Chart 2a Changes in demand for loans or credit lines to enterprises

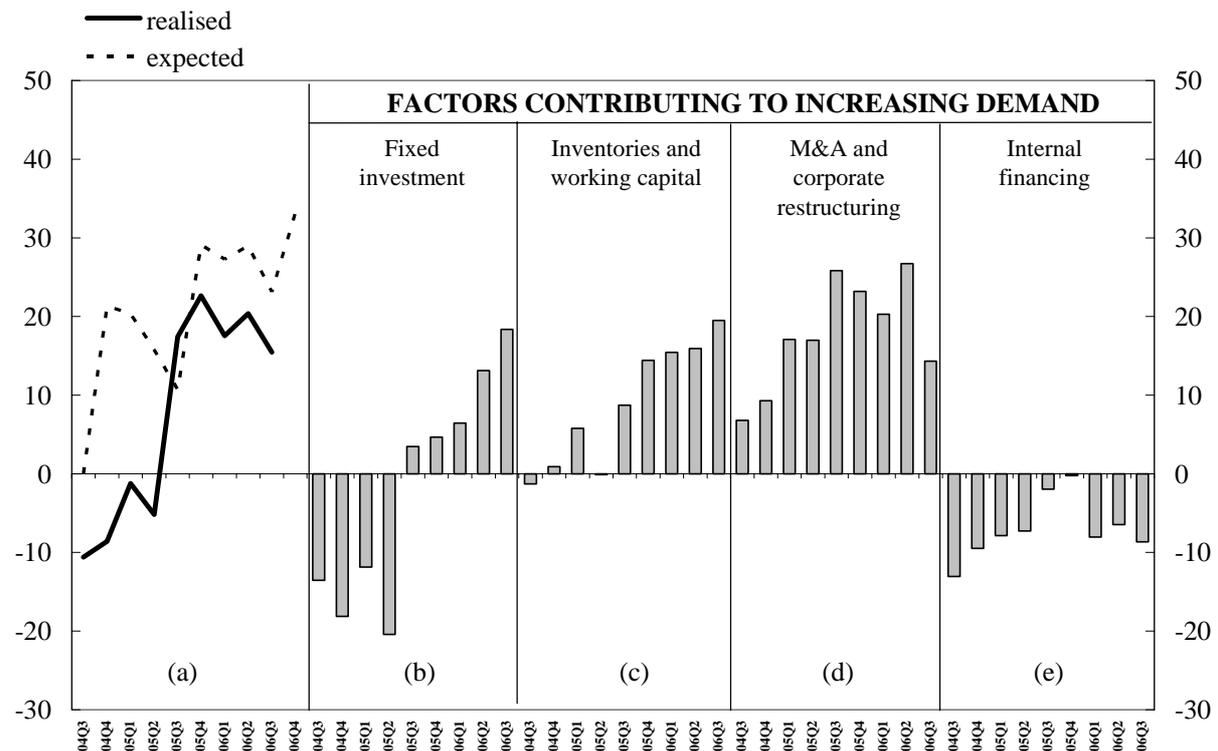
(net percentages of banks reporting a positive contribution to demand)



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 fourth quarter of 2006 have been reported in the October 2006 survey.

Chart 2b Changes in demand for loans or credit lines to enterprises

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



Notes: See note to Chart 2a.

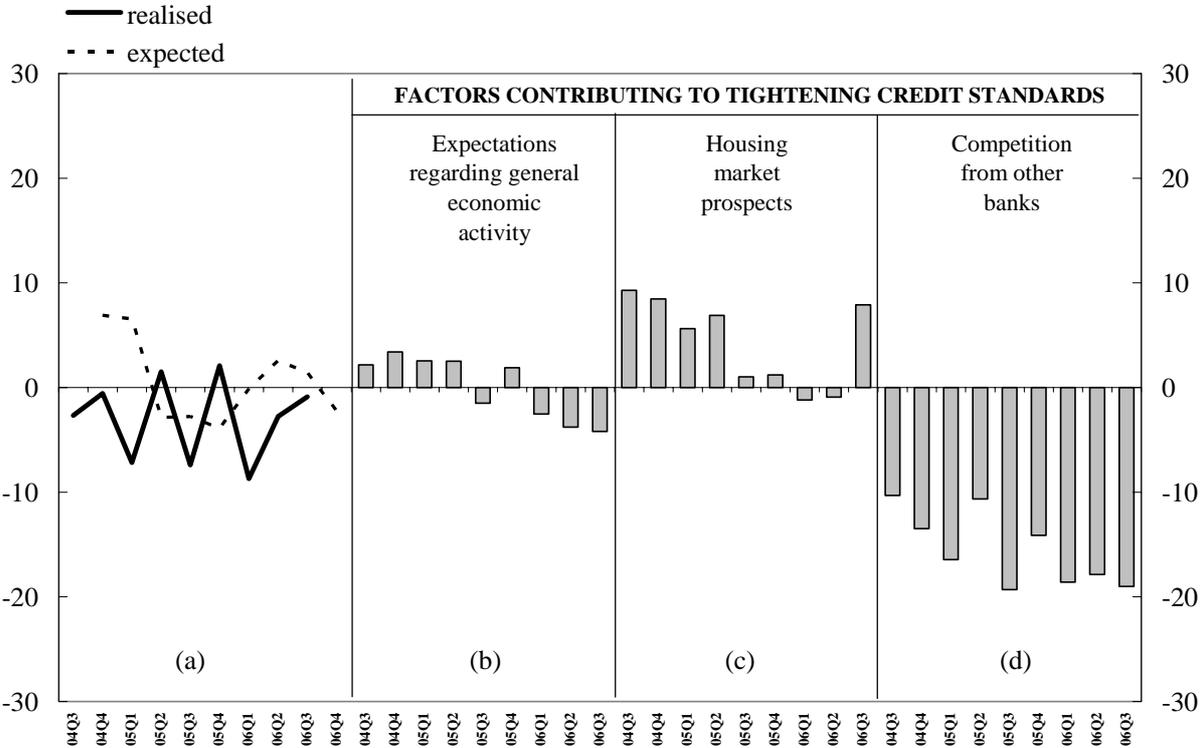
Expectations. Looking ahead, banks continue to expect net credit standards to remain mostly unchanged in the fourth quarter of 2006 (see Chart 1, panel a). This holds for both small and large firms as well as across different loan maturities. In addition, banks expect strong corporate net loan demand across all firm sizes and loan maturities (see Chart 2a).

Loans to households for house purchase

Credit standards. In the third quarter of 2006, credit standards for loans to households for house purchase remained broadly unchanged from a net easing in the previous two quarters (see Chart 3, panel a). Banks reported that, as in previous quarters, competition from other banks was the main factor supporting looser credit standards (see Chart 3, panel d). At the same time, concerns regarding housing market prospects strengthened and became a contributor towards tighter credit standards (see Chart 3, panel c).

Concerning terms and conditions of credit and loans to households, banks reduced – in net terms – margins on average loans (although to a lesser extent than in previous quarters), increased the loan to value ratios and lengthened the loan maturity (see Chart 15 in the annex). At the same time, margins on riskier loans were tightened in net terms (6% compared with -3% 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)

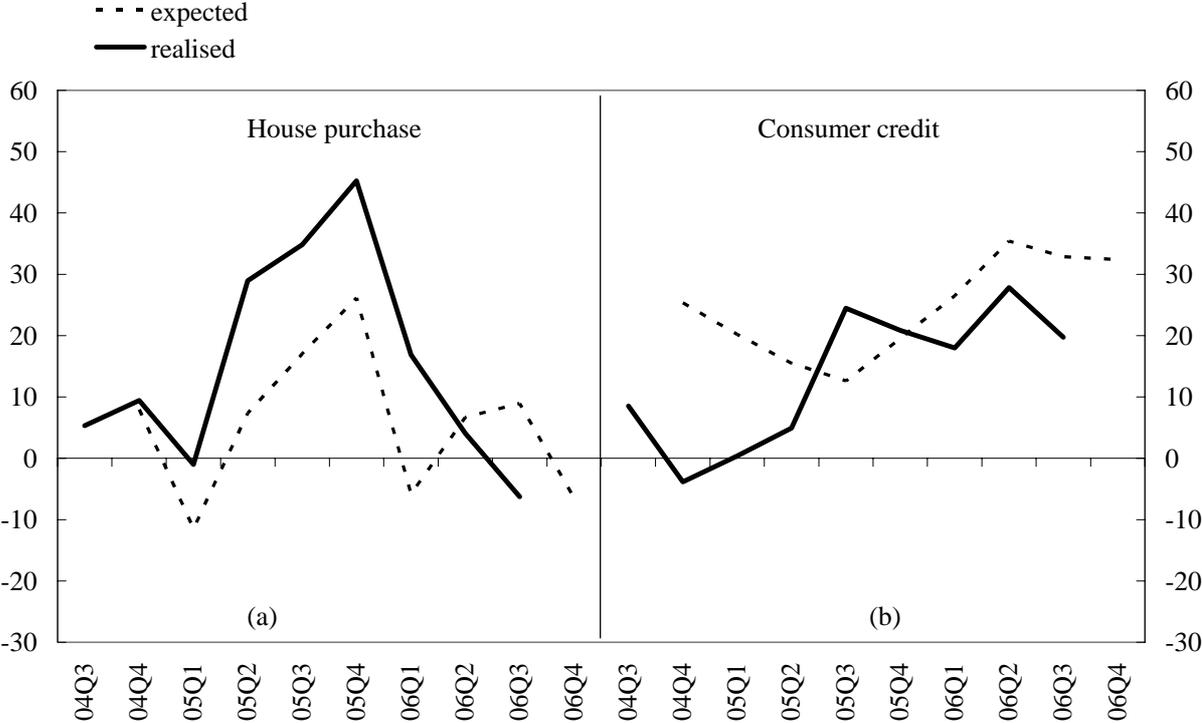


Note: See note to Chart 1.

Loan demand. The net demand for housing loans to households continued to decline from the high levels reported in the last quarters of 2005 and became negative in the third quarter of 2006 (-6% compared with 4% in the second quarter of 2006) (see Chart 4, panel a).

A significant decline in housing market prospects, as well as loans from other banks and less non-housing-related consumption expenditure contributed to this net loan decrease. This is the first time since the first results of the bank lending survey were published that, according to the respondent banks, housing market prospects did not contribute positively to a net increase in loan demand. On the other hand, consumer confidence and household savings contributed, to some extent, towards a positive net loan demand (see Chart 19 in the annex).

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



Note: See note to Chart 2a.

Expectations. For the fourth quarter of 2006, the respondent banks stated that they expect a slight net easing of credit standards for housing loans to households (see Chart 3, panel a). Despite this, they expect a decline in net demand over the same period (-6%) (see Chart 4, panel a).

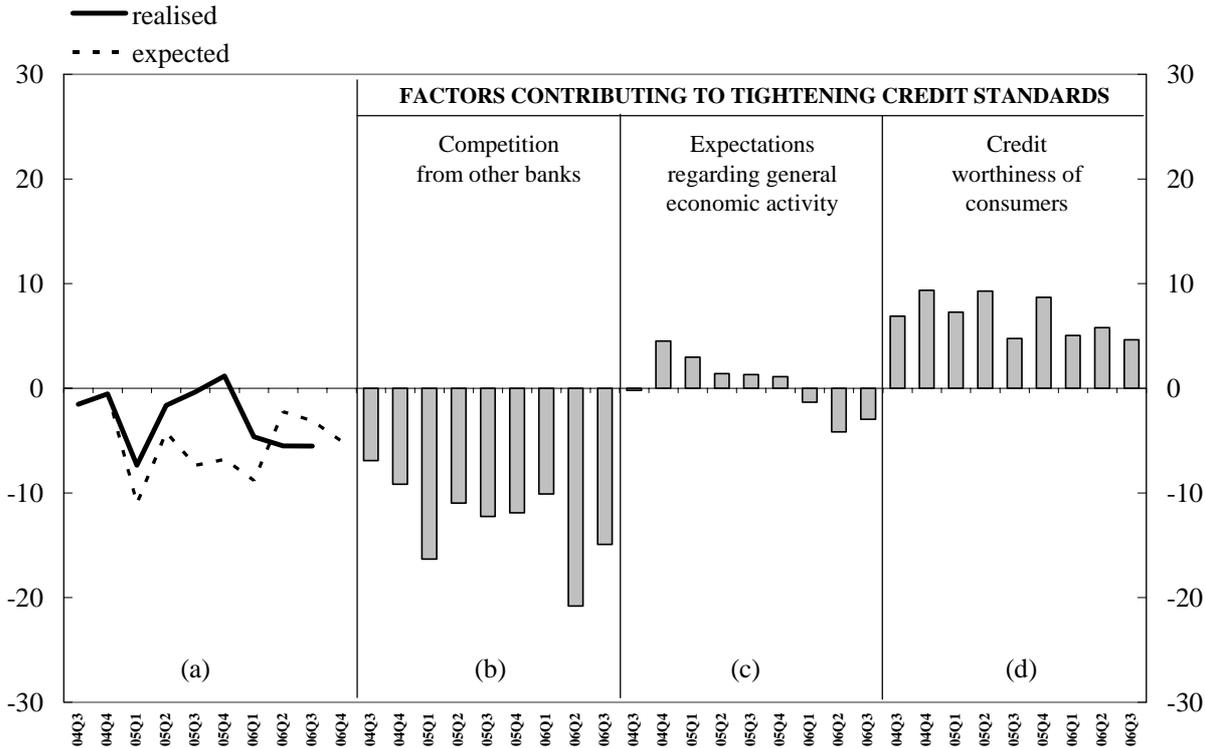
Consumer credit and other lending to households

Credit standards. In the third quarter of 2006, the credit standards applied to the approval of consumer credit and other lending to households eased on a net basis at the same level as in the previous quarter (-6% in October and July 2006) (see Chart 5, panel a).

Among the factors contributing to the net easing in credit standards were competitive pressures from other banks and non-banks, as well as slightly more favourable expectations regarding general economic activity (see Chart 5, panels b and c). The net contributions of these factors were, however, less intense than in the previous quarter. Banks cited concerns regarding the creditworthiness of consumers as the main factor contributing towards tighter consumer credit standards (see Chart 5, last panel).

This easing policy was mainly implemented by acting on average prices. In particular, margins on average loans eased significantly in net terms (-15% compared with -13% in July 2006, see Chart 17 in the annex) whereas margins on riskier loans continued to tighten (9% in October compared with 6% in July 2006). All other conditions and terms remained basically unchanged in comparison with the previous quarter, except for loan maturity conditions which contributed somewhat to a net easing.

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. Banks reported that net demand for consumer credit remained significantly positive although it decreased somewhat in the third quarter of 2006 (20%, down from 28% in July 2006, see Chart 4, panel b).

The main factors driving this strongly positive net demand for consumer credit continued to be consumer confidence, household savings, and consumer spending on durable goods, although the importance of the latter declined significantly in comparison with the previous quarter (13% in October compared with 30% in July, see Chart 20 in the annex). On the other hand, loans from other banks contributed towards decreasing net demand.

Expectations. For the fourth quarter of 2006, the respondent banks stated that they expect an ongoing net easing of credit standards for consumer credit and other lending to households at a broadly similar level to that in the previous two quarters (-5% in the third quarter of 2006, see Chart 5, panel a). They also expect the net demand for loans to households for consumer credit and other lending to be even stronger than in the third quarter of 2006 (32% is expected for the fourth quarter of 2006, compared with an actual net demand of 20% registered for the third quarter, see Chart 4, panel b).

2. Results for the individual questions

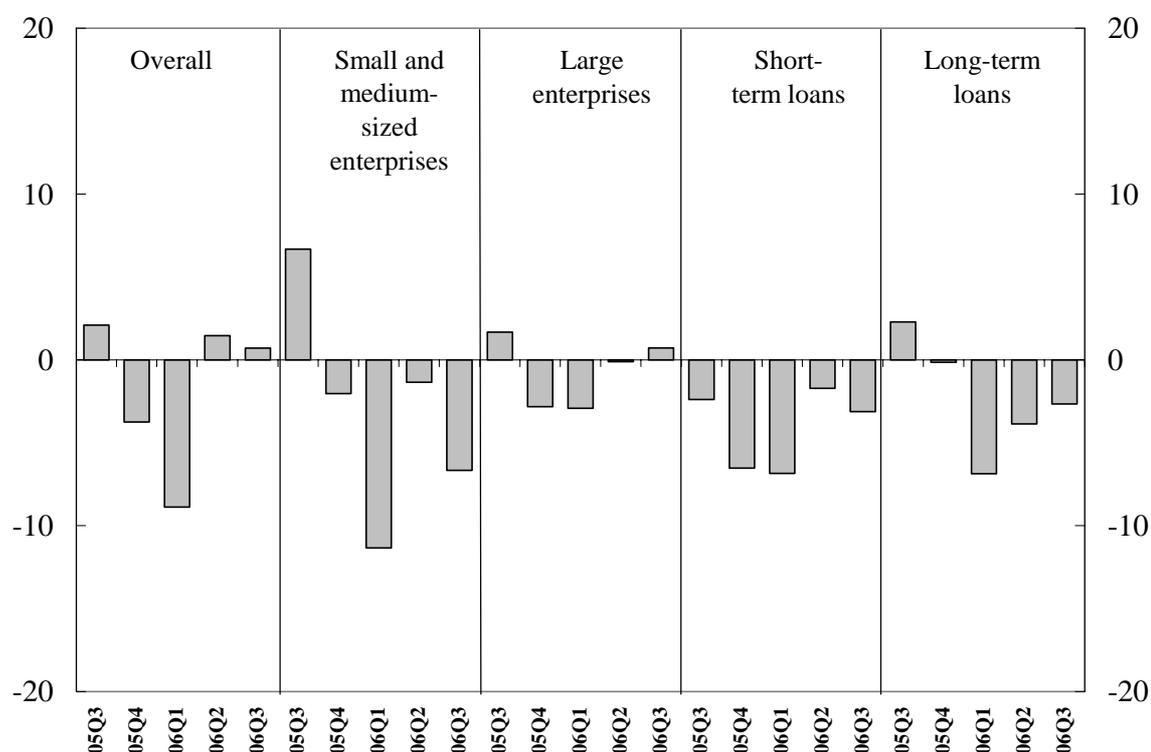
I. Loans or credit lines to enterprises

- 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 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006
Tightened considerably	1	0	0	0	1	0	1	0	0	0
Tightened somewhat	3	4	1	4	5	5	2	2	4	2
Remained basically unchanged	94	92	96	86	89	92	93	92	88	93
Eased somewhat	2	4	3	10	6	4	4	5	8	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	1	-1	-7	0	1	-2	-3	-4	-3
<i>Mean</i>	<i>2.98</i>	<i>2.99</i>	<i>3.01</i>	<i>3.07</i>	<i>2.99</i>	<i>2.99</i>	<i>3.01</i>	<i>3.03</i>	<i>3.04</i>	<i>3.03</i>
Number of banks responding	80	81	80	81	81	80	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 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 2006	October 2006	July 2006	October 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	2.91
Your bank's ability to access market financing	0	1	90	0	0	9	4	0	2.95	3.00
Your bank's liquidity position	0	2	87	2	0	9	-1	1	3.00	2.99
B) Pressure from competition										
Competition from other banks	0	1	67	22	2	9	-18	-23	3.20	3.27
Competition from non-banks	0	0	86	0	0	14	-2	0	3.01	3.00
Competition from market financing	0	0	88	2	0	10	-2	-2	3.01	3.02
C) Perception of risk										
Expectations regarding general economic activity	0	7	79	8	0	6	2	-1	2.97	3.01
Industry or firm-specific outlook	0	11	81	2	0	6	10	10	2.89	2.90
Risk on the collateral demanded	0	1	91	0	0	7	4	1	2.96	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 7a Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)

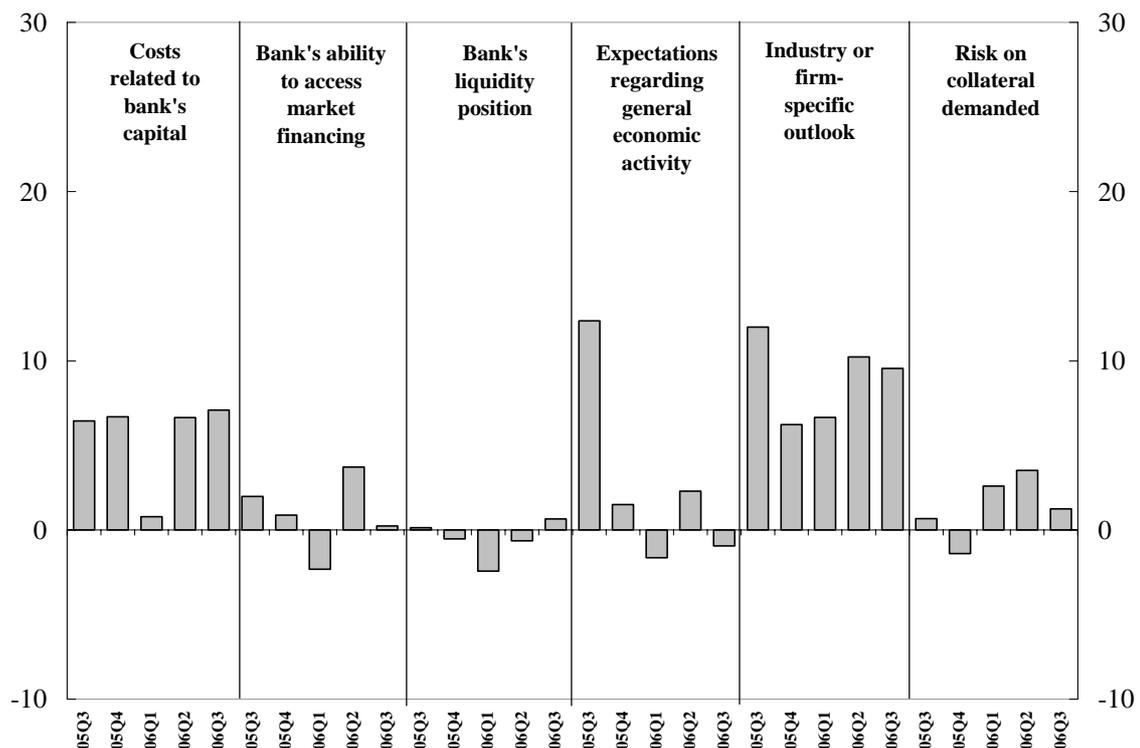
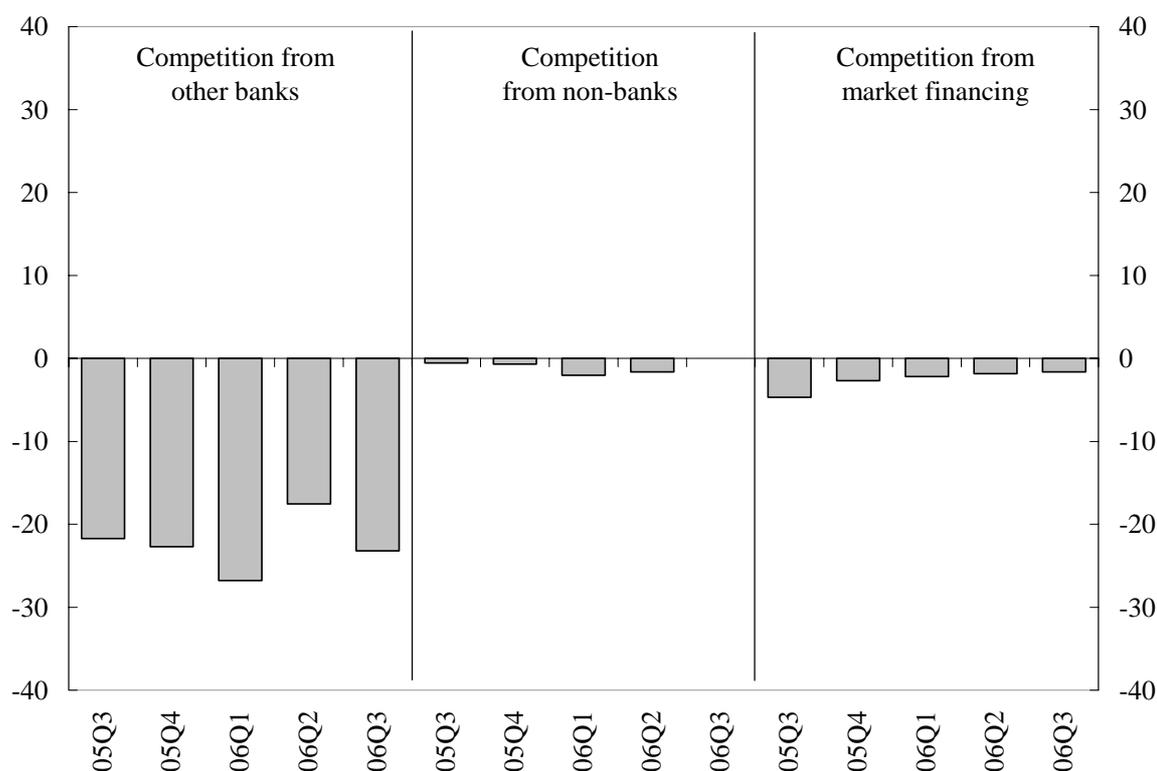


Chart 7b Factors affecting credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)



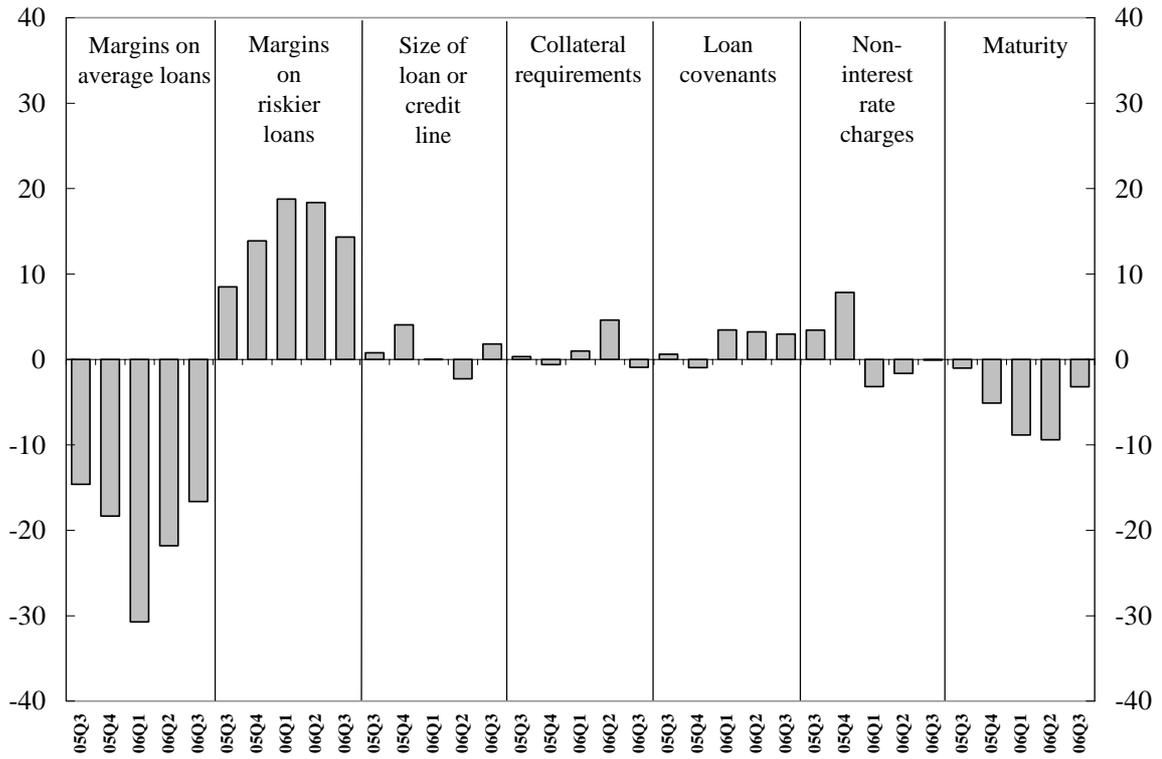
3. Over the past three months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
A) Price										
Your bank's margin on average loans	0	8	61	24	1	6	-22	-17	3.25	3.18
Your bank's margin on riskier loans	0	19	71	3	1	6	18	14	2.81	2.87
B) Other conditions and terms										
Non-interest rate charges	0	1	92	1	0	7	-2	0	3.02	3.00
Size of the loan or credit line	0	5	85	3	0	7	-2	2	3.02	2.98
Collateral requirements	0	2	86	3	0	8	5	-1	2.95	3.01
Loan covenants	0	5	87	2	0	7	3	3	2.97	2.97
Maturity	0	0	90	3	0	7	-9	-3	3.10	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 8 Conditions and terms for approving loans or credit lines to enterprises
(net percentages of banks reporting tightening standards)

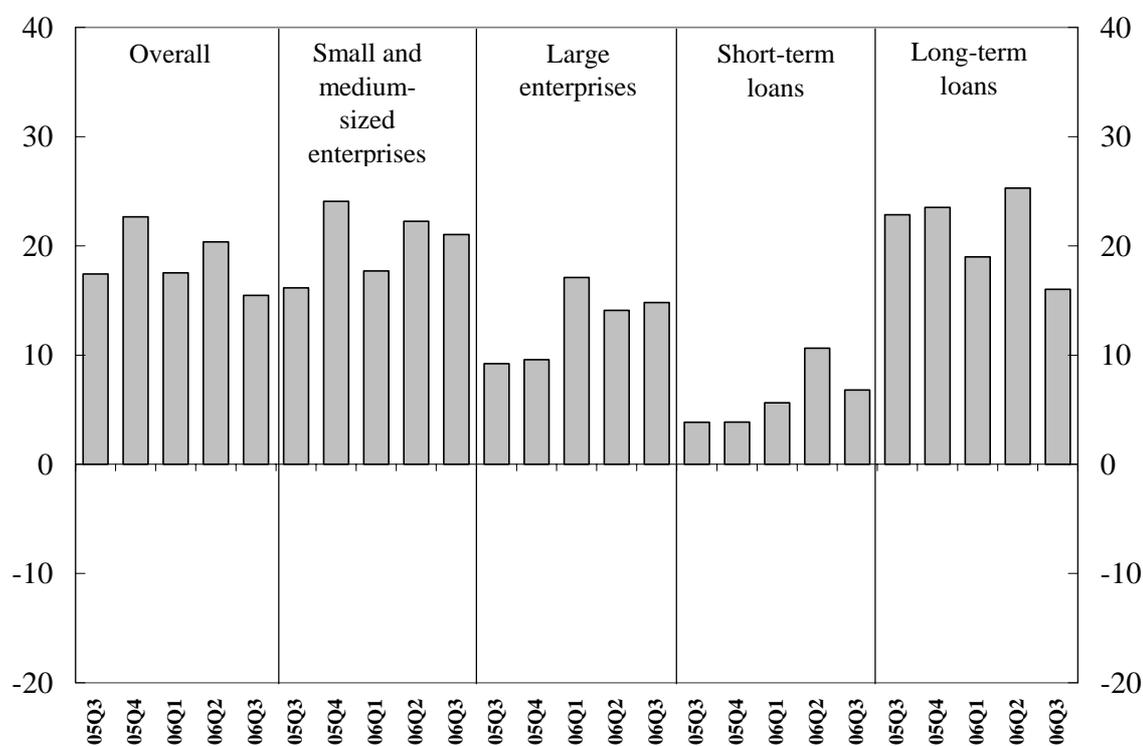


4. Over the past three months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006
Decreased considerably	1	0	0	0	1	0	1	0	1	0
Decreased somewhat	5	9	6	8	10	4	11	12	6	9
Remained basically unchanged	68	67	66	63	65	76	66	69	61	65
Increased somewhat	25	24	28	29	23	19	22	19	30	26
Increased considerably	2	0	0	0	2	0	0	0	2	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	20	16	22	21	14	15	11	7	25	16
Mean	3.22	3.15	3.22	3.21	3.15	3.15	3.10	3.07	3.26	3.16
Number of banks responding	81	81	80	81	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 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	
							July 2006	October 2006	July 2006	October 2006
							A) Financing needs			
Fixed investment	0	4	68	22	0	6	13	18	3.14	3.20
Inventories and working capital	0	2	69	22	0	7	16	20	3.16	3.21
Mergers/acquisitions and corporate restructuring	0	1	75	14	1	9	27	14	3.35	3.18
Debt restructuring	0	3	78	13	0	6	22	10	3.23	3.10
B) Use of alternative finance										
Internal financing	0	13	74	4	0	10	-7	-9	2.94	2.90
Loans from other banks	0	13	76	2	0	10	-11	-10	2.89	2.90
Loans from non-banks	0	3	83	0	0	14	1	-3	3.02	2.96
Issuance of debt securities	0	3	81	4	0	12	-1	1	2.99	3.01
Issuance of equity	0	0	88	0	0	12	1	0	3.02	3.00

NA = Not available; NetP = Net percentage

Note: The "Net percentage" column is defined as the difference between the sum of "++" (contributed considerably to 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)

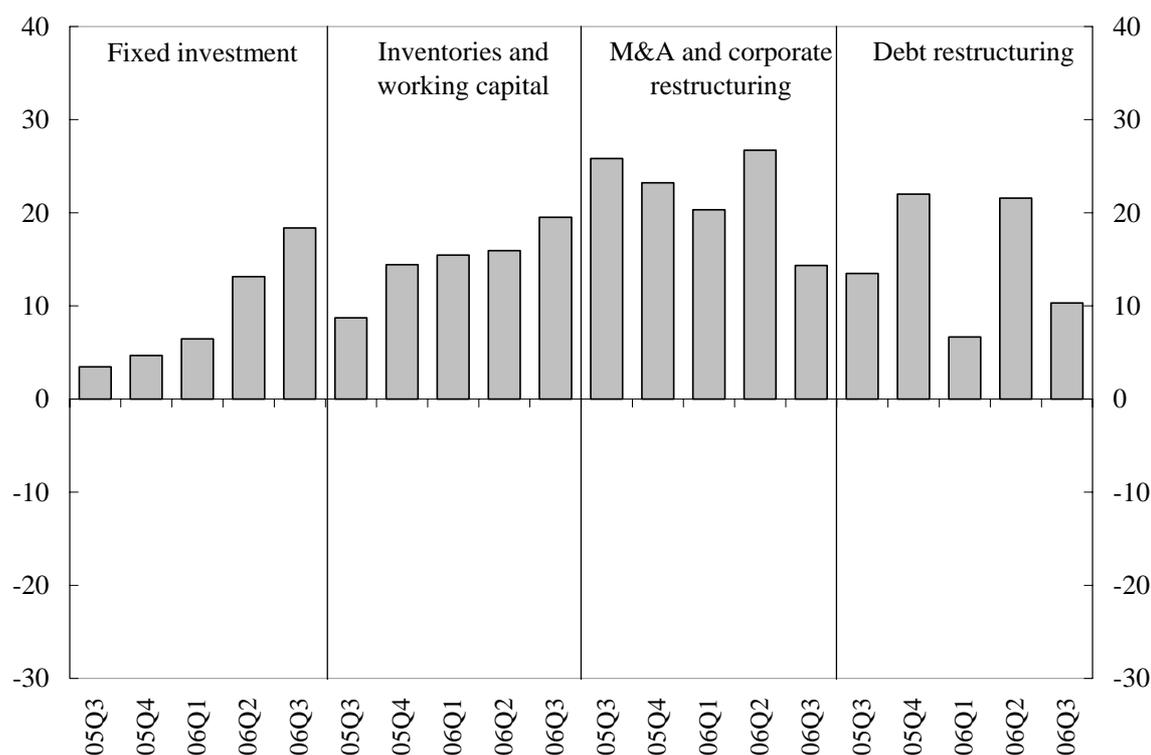
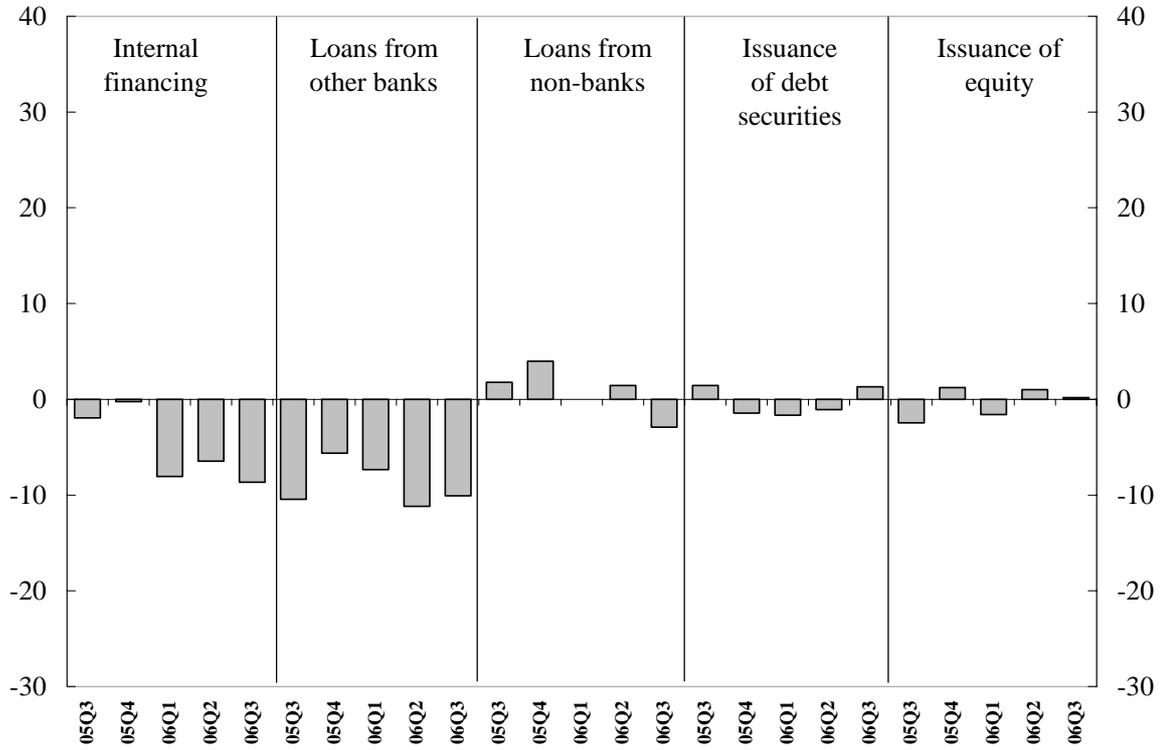


Chart 10b Factors affecting demand for loans and credit lines to enterprises
(net percentages of banks reporting a positive contribution to demand)

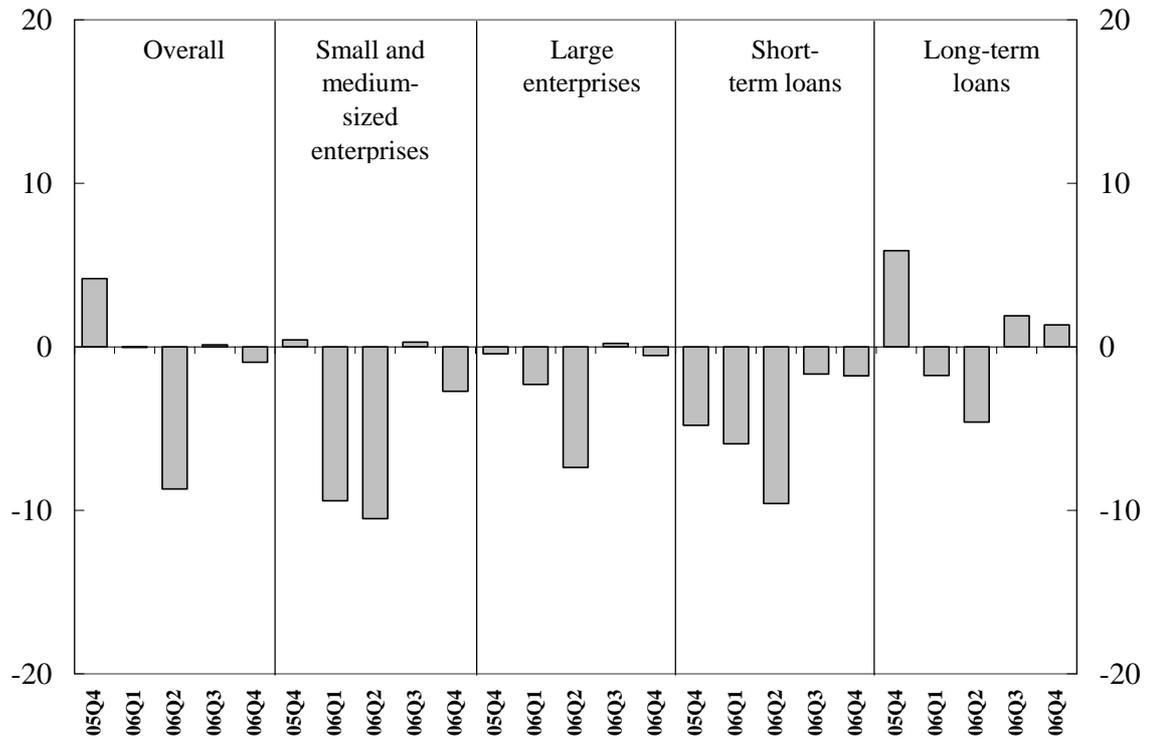


6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006
Tighten considerably	0	0	0	0	0	0	0	0	0	0
Tighten somewhat	4	7	6	10	8	4	4	4	4	7
Remain basically unchanged	93	85	89	78	85	92	91	90	95	87
Ease somewhat	4	8	5	12	8	4	5	6	2	6
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	0	-1	0	-3	0	-1	-2	-2	2	1
<i>Mean</i>	<i>3.00</i>	<i>3.01</i>	<i>3.00</i>	<i>3.03</i>	<i>3.00</i>	<i>3.01</i>	<i>3.02</i>	<i>3.02</i>	<i>2.98</i>	<i>2.99</i>
Number of banks responding	81	81	80	81	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 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)

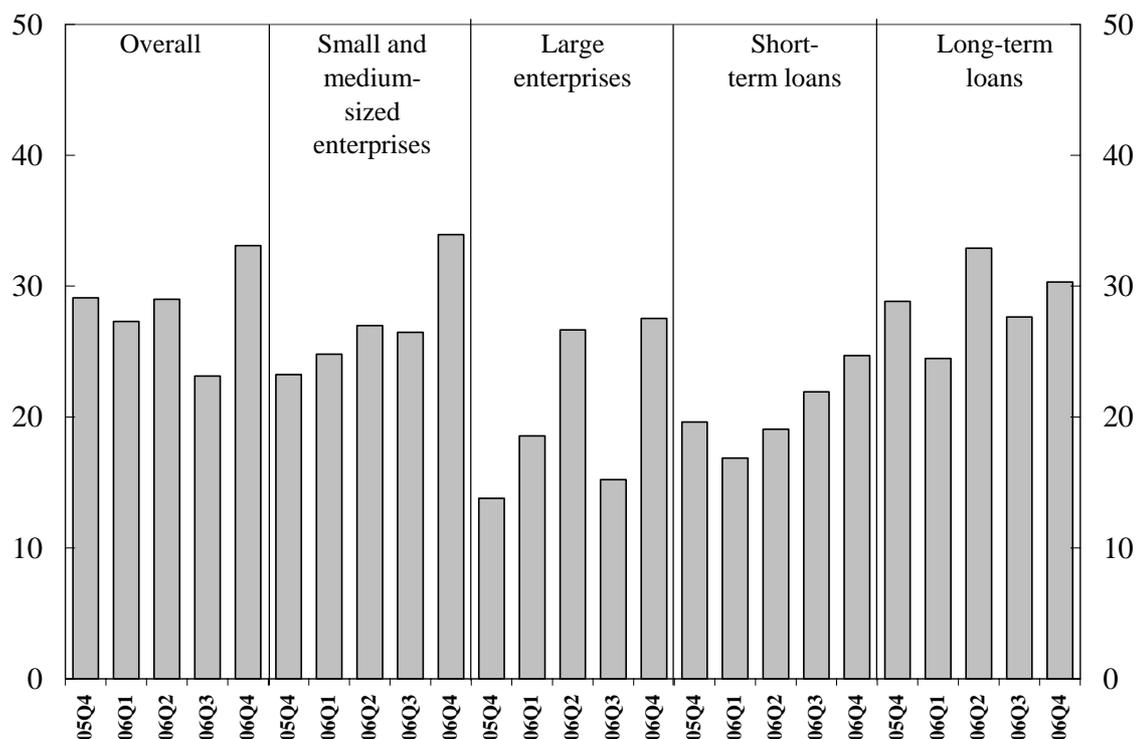


7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations).

	Overall		Loans to small and medium-sized enterprises		Loans to large enterprises		Short-term loans		Long-term loans	
	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006	July 2006	October 2006
Decrease considerably	0	0	0	0	0	0	0	0	0	0
Decrease somewhat	5	3	3	3	7	2	7	4	3	2
Remain basically unchanged	68	61	68	60	72	68	65	68	67	66
Increase somewhat	28	36	29	37	22	30	29	28	31	32
Increase considerably	0	0	0	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100
Net percentage	23	33	27	34	15	28	22	25	28	30
<i>Mean</i>	<i>3.23</i>	<i>3.33</i>	<i>3.26</i>	<i>3.34</i>	<i>3.15</i>	<i>3.28</i>	<i>3.22</i>	<i>3.25</i>	<i>3.28</i>	<i>3.30</i>
Number of banks responding	81	81	80	81	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 somewhat” and “decrease considerably”.

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



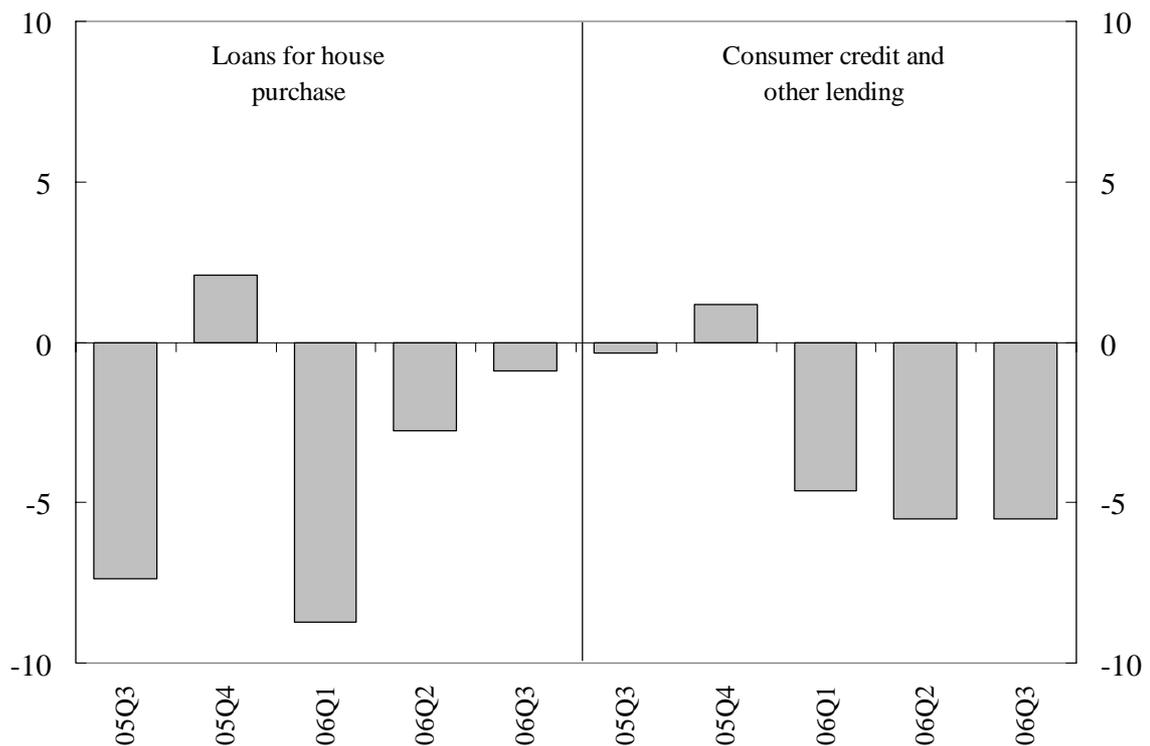
II. Loans to households

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	
	July 2006	October 2006	July 2006	October 2006
Tightened considerably	0	0	0	0
Tightened somewhat	5	7	3	3
Remained basically unchanged	87	84	89	89
Eased somewhat	8	6	8	6
Eased considerably	0	2	0	2
Total	100	100	100	100
Net percentage	-3	-1	-6	-6
<i>Mean</i>	3.03	3.03	3.05	3.07
Number of banks responding	79	79	78	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 somewhat" and "eased considerably".

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



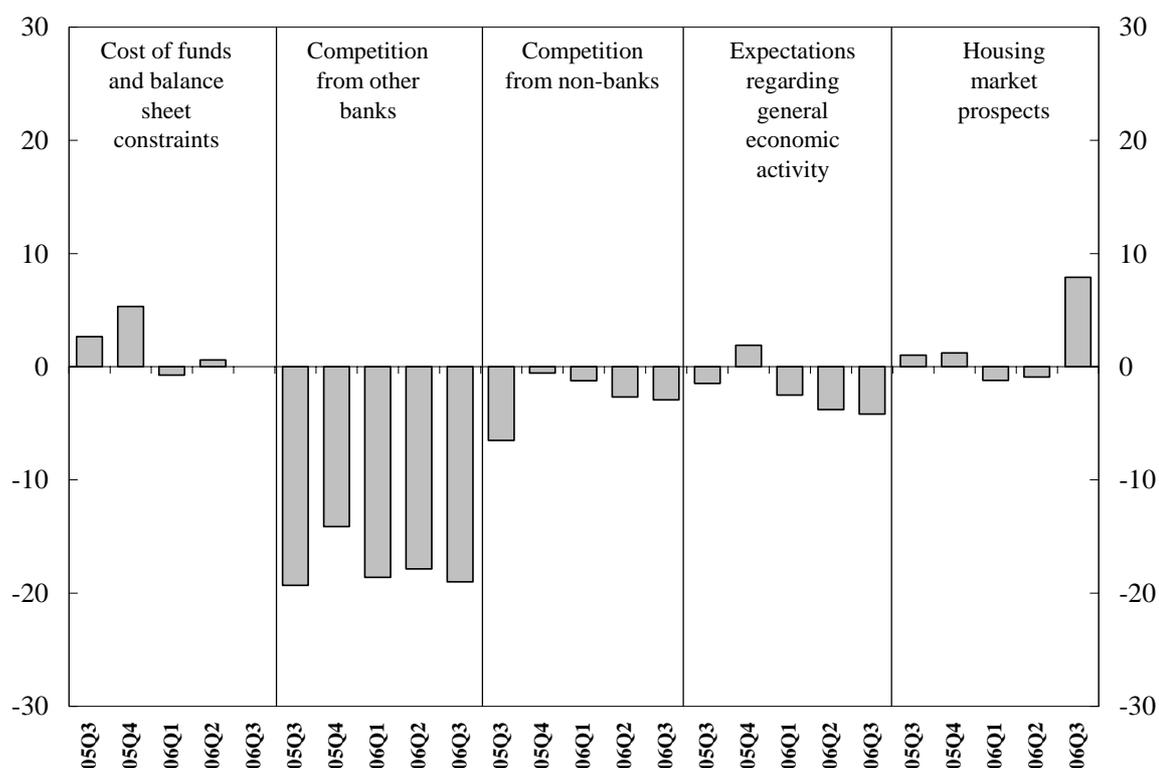
9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Cost of funds and balance sheet constraints	0	0	88
B) Pressure from competition										
Competition from other banks	0	0	71	17	2	11	-18	-19	3.22	3.24
Competition from non-banks	0	0	85	3	0	12	-3	-3	3.03	3.03
C) Perception of risk										
Expectations regarding general economic activity	0	1	86	5	0	7	-4	-4	3.04	3.04
Housing market prospects	0	8	84	0	0	7	-1	8	3.01	2.91

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)



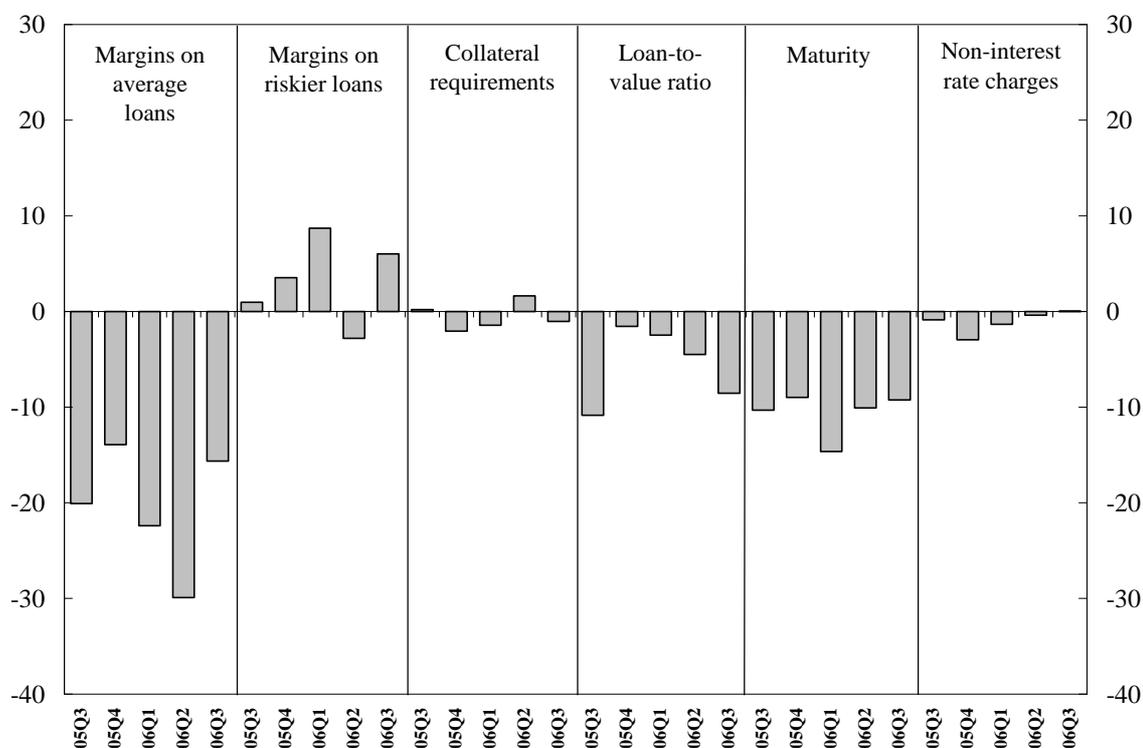
10. Over the past three months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Price			
Your bank's margin on average loans	0	8	61	20	3	7	-30	-16	3.37	3.21
Your bank's margin on riskier loans	0	13	72	7	0	7	-3	6	3.04	2.93
B) Other conditions and terms										
Collateral requirements	0	2	87	3	0	7	2	-1	2.98	3.01
Loan-to-value ratio	0	0	84	8	0	7	-5	-9	3.06	3.09
Maturity	0	0	82	9	0	9	-10	-9	3.12	3.11
Non-interest rate charges	0	1	91	1	0	7	0	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 15 Conditions and terms for approving loans to households for house purchase
(net percentages of banks reporting tightening standards)



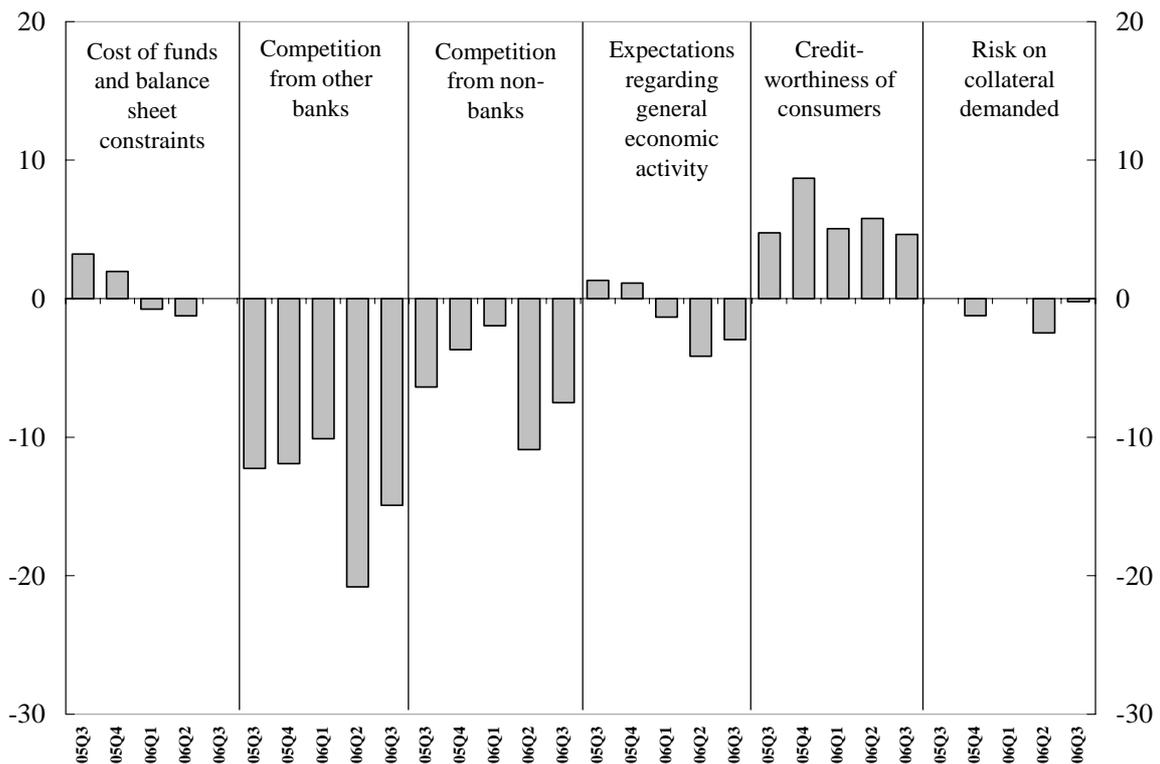
11. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households (as described in question 8)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Cost of funds and balance sheet constraints	0	0	86
B) Pressure from competition										
Competition from other banks	0	2	71	15	2	11	-21	-15	3.25	3.19
Competition from non-banks	0	0	80	6	2	13	-11	-8	3.14	3.11
C) Perception of risk										
Expectations regarding general economic activity	0	2	84	5	0	10	-4	-3	3.05	3.04
Creditworthiness of consumers	0	7	81	2	0	10	6	5	2.94	2.95
Risk on the collateral demanded	0	1	84	2	0	13	-3	0	3.03	3.00

NA = Not available; NetP = Net percentage

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

Chart 16 Factors affecting credit standards applied to the approval of consumer credit and other lending to households (net percentages of banks reporting tightening standards)



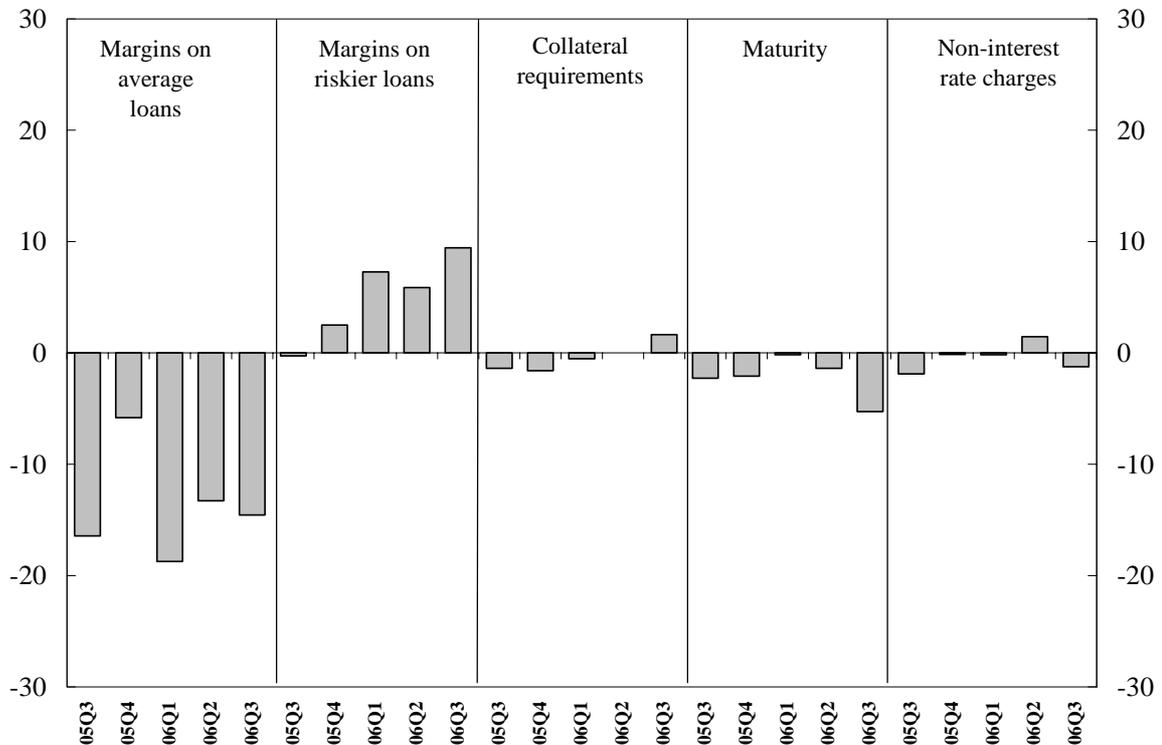
12. Over the past three months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Price			
Your bank's margin on average loans	0	5	66	15	5	10	-13	-15	3.17	3.23
Your bank's margin on riskier loans	2	13	71	5	0	10	6	9	2.95	2.87
B) Other conditions and terms										
Collateral requirements	0	2	86	0	0	12	0	2	3.00	2.98
Maturity	0	0	84	5	0	11	-1	-5	3.02	3.06
Non-interest rate charges	0	0	88	1	0	11	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 "--" (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)

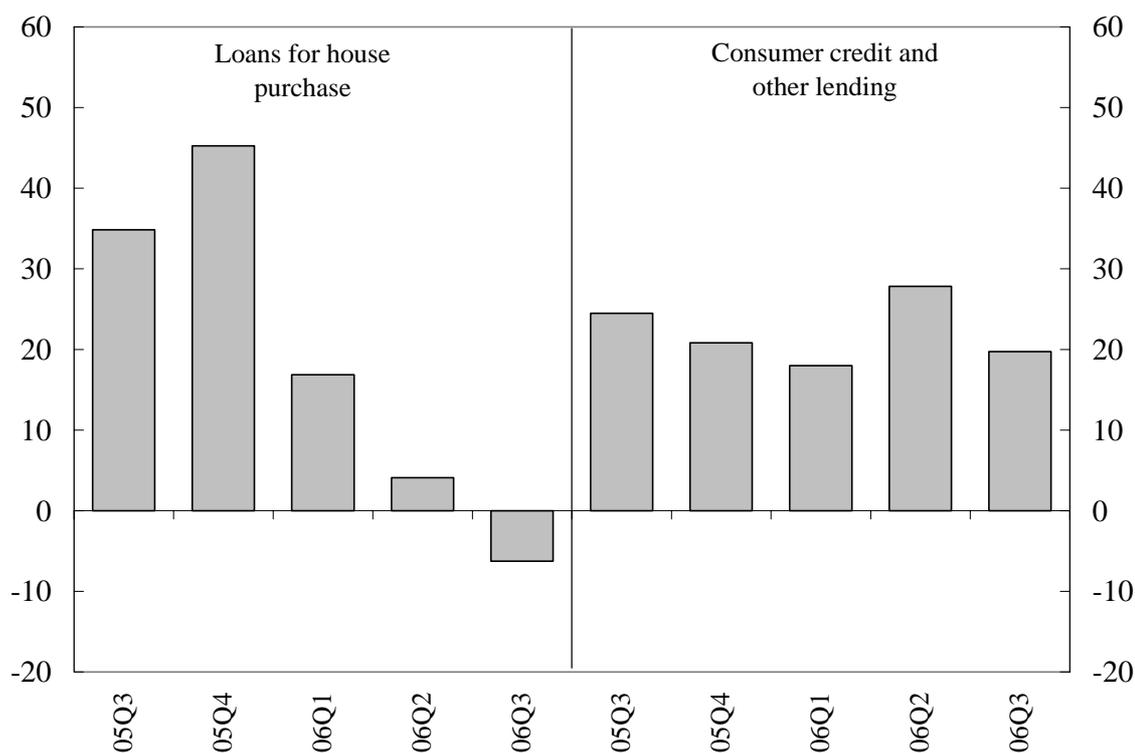


13. Over the past three months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase		Consumer credit and other lending	
	July 2006	October 2006	July 2006	October 2006
Decreased considerably	0	2	1	0
Decreased somewhat	22	20	5	6
Remained basically unchanged	52	63	59	69
Increased somewhat	24	15	27	20
Increased considerably	2	0	8	6
Total	100	100	100	100
Net percentage	4	-6	28	20
<i>Mean</i>	3.06	2.92	3.34	3.25
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 somewhat” and “decreased considerably”.

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



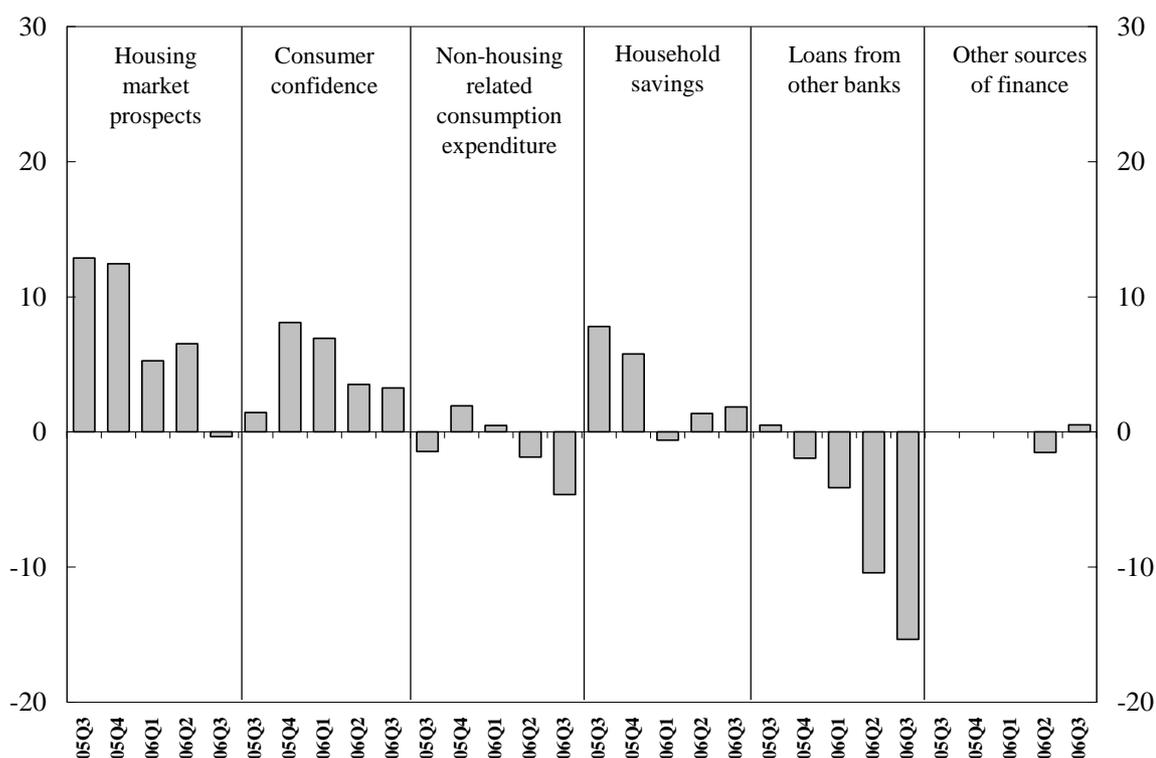
14. Over the past three months, how have the following factors affected the demand for loans to households for house purchase (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Financing needs			
Housing market prospects	0	11	71	11	0	7	7	0	3.08	3.00
Consumer confidence	0	6	78	9	0	7	4	3	3.04	3.03
Non-housing related consumption expenditure	0	5	88	0	0	7	-2	-5	2.98	2.95
B) Use of alternative finance										
Household savings	0	0	89	2	0	9	1	2	3.01	3.02
Loans from other banks	6	9	76	0	0	9	-10	-15	2.89	2.77
Other sources of finance	0	1	84	2	0	13	-2	1	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)



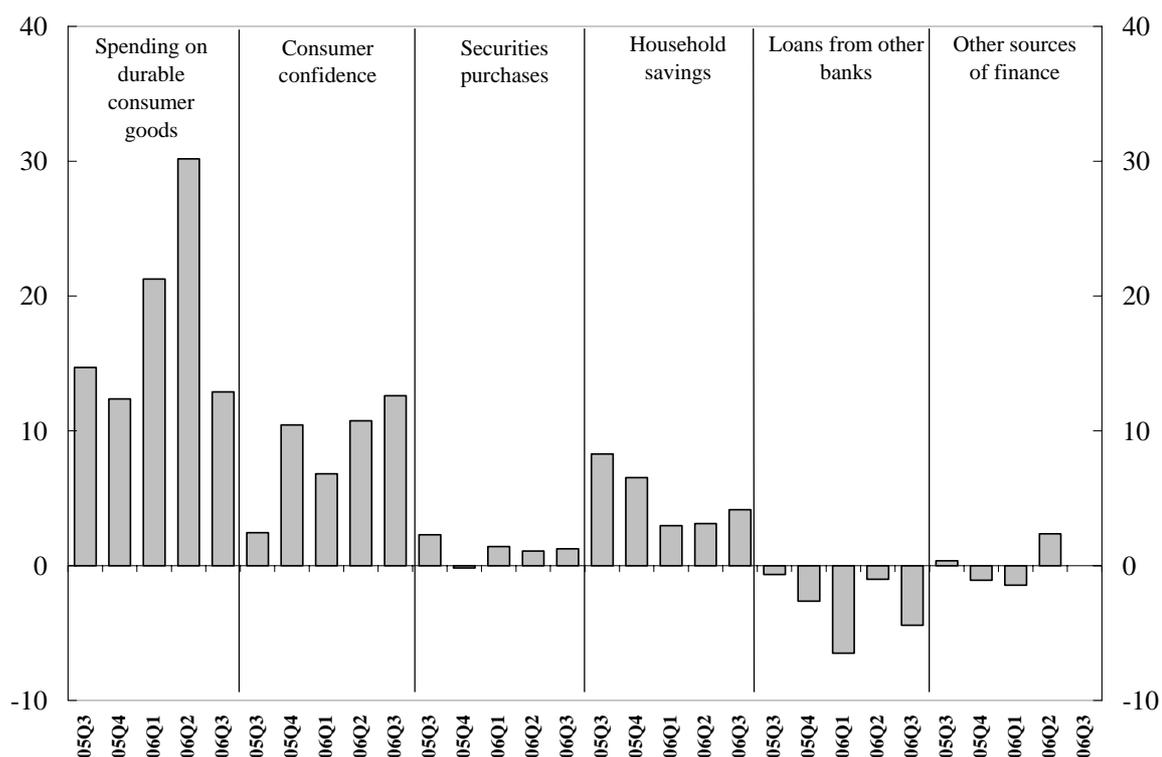
15. Over the past three months, how have the following factors affected the demand for consumer credit and other lending to households (as described in question 13)?

	--	-	°	+	++	NA	NetP		Mean	
							July 2006	October 2006	July 2006	October 2006
							A) Financing needs			
Spending on durable consumer goods	0	4	70	17	0	10	30	13	3.35	3.13
Consumer confidence	0	1	77	13	0	10	11	13	3.12	3.14
Securities purchases	0	0	84	1	0	15	1	1	3.01	3.02
B) Use of alternative finance										
Household savings	0	0	85	4	0	11	3	4	3.03	3.04
Loans from other banks	0	5	84	0	1	11	-1	-4	2.99	2.95
Other sources of finance	0	0	89	0	0	11	2	0	3.03	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 20 Factors affecting demand for consumer credit and other lending to households
(net percentages of banks reporting a positive contribution to demand)



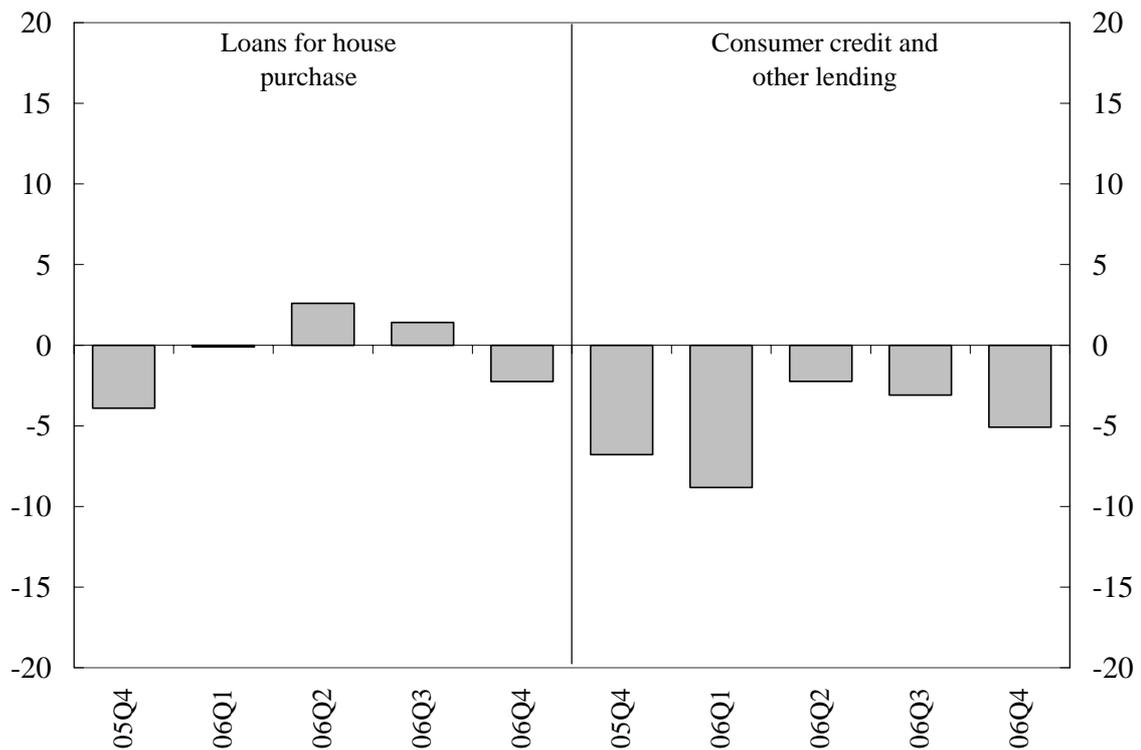
16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next three months.

	Loans for house purchase		Consumer credit and other lending	
	July 2006	October 2006	July 2006	October 2006
Tighten considerably	0	0	0	0
Tighten somewhat	10	7	6	2
Remain basically unchanged	81	84	86	91
Ease somewhat	9	9	9	7
Ease considerably	0	0	0	0
Total	100	100	100	100
Net percentage	1	-2	-3	-5
<i>Mean</i>	<i>2.99</i>	<i>3.02</i>	<i>3.03</i>	<i>3.05</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 somewhat" and "ease considerably".

Chart 21 Expected credit standards for loans to households

(net percentages of banks expecting tightening standards)

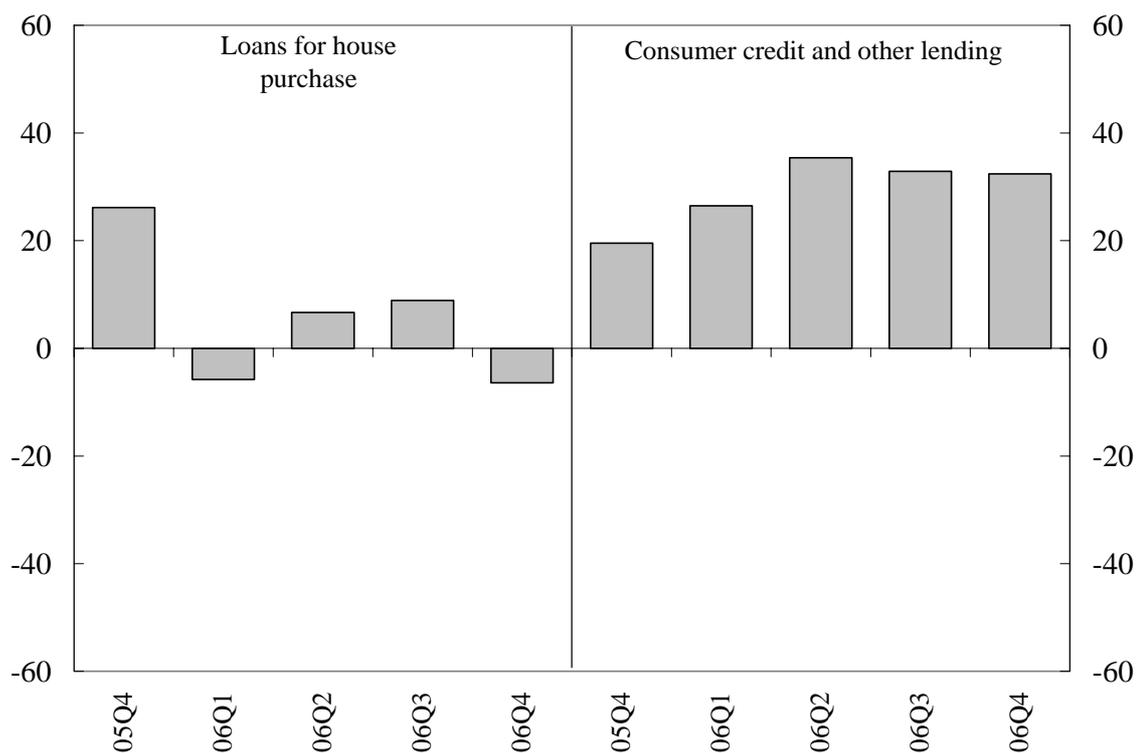


17. Please indicate how you expect demand for loans to households to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase		Consumer credit and other lending	
	July 2006	October 2006	July 2006	October 2006
Decrease considerably	0	1	0	0
Decrease somewhat	18	23	0	3
Remain basically unchanged	55	59	67	61
Increase somewhat	27	17	33	34
Increase considerably	0	0	0	2
Total	100	100	100	100
Net percentage	9	-6	33	32
<i>Mean</i>	<i>3.09</i>	<i>2.93</i>	<i>3.33</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 “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

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.