



EUROPEAN CENTRAL BANK

EUROSYSTEM

# PRESS RELEASE

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## Results of the July 2016 euro area bank lending survey

- Further improvement in loan supply conditions for loans to enterprises and households, and a continued increase in loan demand across all loan categories
- Merger and acquisition activity played an important role in contributing to demand for loans to enterprises
- Euro area banks further strengthened their capital positions and reduced their risk-weighted assets
- Banks' participation in TLTRO-II was mainly driven by profitability motives
- More banks reporting that TLTROs are making a positive contribution to their own profitability

Euro area banks reported a further net easing of credit standards on loans to enterprises in the second quarter of 2016 (a net percentage of -7%, compared with -6% in the previous quarter) in the July 2016 bank lending survey (BLS) by the European Central Bank (ECB). This was slightly more pronounced than banks had expected in the previous survey round. Competitive pressure remained the main factor driving this easing. In addition, credit standards on loans to households for house purchase eased marginally (a net percentage of -2%), following a net tightening (4%) in the previous quarter and banks' expectations of a further net tightening of credit standards.

The net easing of banks' overall terms and conditions on new loans continued for loans to enterprises and households, mainly driven by a further narrowing of margins on average loans.

Net demand for loans continued to increase across all loan categories. The main contributing factors for net demand for loans to enterprises in the second quarter of 2016 were merger and acquisition activities, inventories and working capital, the general level of interest rates, and debt refinancing, while the positive

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contribution from fixed investment declined further. Net demand for housing loans was driven by the low general level of interest rates, continued favourable housing market prospects, and consumer confidence.

Regarding euro area banks' access to funding, access to retail funding improved in the second quarter of 2016. As concerns wholesale funding, access to debt securities and to securitisation improved, while banks' access to money markets deteriorated.

With respect to the likely impact of ongoing regulatory or supervisory changes, euro area banks continued to adjust to regulatory or supervisory action in the first half of 2016 by further strengthening their capital positions and reducing their risk-weighted assets, with the reduction mainly being due to a decline in riskier loans.

Regarding the targeted longer-term refinancing operations (TLTROs) conducted by the Eurosystem, 60% of euro area BLS banks reported that they participated in the first TLTRO-II operation, largely driven by profitability motives. More than half of the banks indicated that past TLTROs contributed to an improvement in their profitability, which was higher than in previous BLS rounds. The main effect of the TLTROs on credit supply was through continued changes in credit terms and conditions, rather than changes in credit standards.

The BLS, which is conducted four times a year, was developed by the Eurosystem in order to improve the understanding of banks' lending behaviour in the euro area. The results reported in the July 2016 survey relate to changes in the second quarter of 2016 and expectations of changes in the third quarter of 2016, unless otherwise indicated. The July 2016 BLS was conducted between 14 and 29 June 2016, a period that included replies given both before and after the UK referendum on membership of the European Union. With 141 banks participating in the survey, the response rate was 100%.

**For media enquiries, please contact Stefan Ruhkamp, tel.: +49 69 1344 5057.**

**Notes:**

- The national and euro area data series are available on the ECB's website via the ECB's Statistical Data Warehouse. The survey report is available at <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html>.
- Detailed data series for the aggregate euro area results are available on the ECB's website via the ECB's Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9484572>). National results as published by the respective national central banks can be obtained via <http://www.ecb.europa.eu/stats/money/surveys/lend/html/index.en.html#country>.

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