EUROPEAN CENTRAL BANK

THE BANK LENDING SURVEY FOR THE EURO AREA

Attached is the questionnaire for the bank lending survey for the euro area, conducted by the national central banks in collaboration with the European Central Bank (ECB).

The main objective of the survey is to enhance the Eurosystem's knowledge of the role of credit in the monetary transmission mechanism and thereby to add to the information on which monetary policy analysis and assessment are based. The survey is addressed to senior loan officers, e.g. chairmen of credit committees at or just below the Board level, and will be conducted four times a year.

The questionnaire asks you to make assessments of the behaviour of your institution on issues such as credit standards for approving loans as well as credit terms and conditions. It also asks for your assessment of the conditions affecting credit demand.

The questionnaire consists of 18 regular questions and concerns loans to enterprises and households. It has the following structure. The first part contains seven questions on loans or credit lines to enterprises, while the second part has ten questions on loans to households. For households, the questions distinguish between loans for house purchase and consumer credit/other lending.

In order to capture both actual developments in credit markets and expectations, there are 13 backward-looking and four forward-looking questions.

At the end of the survey, there is an open question to capture credit market developments that may not have been covered by the other questions. Occasionally, ad hoc questions on specific topics of interest may be added.

Generally speaking, the terminology and concepts used in this questionnaire correspond to those applied for the banking statistics collected by the ECB. The annex also gives some guidance for the completion of the questionnaire by providing definitions of several terms. However, the questionnaire has been designed in such a way that the responses should not require a detailed knowledge of statistical definitions.

Annex

Guidelines for the completion of the bank lending survey questionnaire

In the backward-looking questions (all questions except 6, 7, 16 and 17), the time horizon is three months. For instance, in January the survey relates to changes between the end of September and the end of December.

In the forward-looking questions (6, 7, 16 and 17), the time horizon is in principle also three months (including the survey month), but some flexibility is given in view of the different time horizons used in the formulation of credit policies and expectations regarding credit demand.

In questions 2, 3, 5, 9, 10, 11, 12, 14 and 15 an answer should be given for all factors. If you do not have information about a specific factor, please use the option "not applicable" (column NA in the questionnaire). Should you judge that other factors or a specific market segment had a significant impact on overall developments, please specify under the option "Other factors".

Terms used in the bank lending survey questionnaire

Capital (question 2)

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

Collateral (questions 2, 3, 10, 11 and 12)

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.

Consumer confidence (questions 14 and 15)

Consumers' assessments of economic and financial trends in a particular country and/or in the euro area. They include assessments of the past and current financial situation of households and resulting prospects for the future, assessments of the past and current general economic situation and resulting prospects for the future and the advisability of making residential investments (question 14), particularly in terms of affordability, and/or major purchases of durable consumer goods (question 15).

Cost of funds and balance sheet constraints (questions 2, 9 and 11)

The bank's capital and the cost related to the bank's capital position can become a balance sheet constraint that may inhibit the expansion of its lending. For a given level of capital, the bank's loan supply could be affected by its liquidity position and its access to money and debt markets. Similarly, a bank could abstain from granting a loan, or be less willing to lend, if it knows that it will not be able subsequently to transfer the risk (synthetic securitisation) or the entire asset (true-sale securitisation) off its balance sheet.

Covenant (question 3)

A covenant is an agreement or stipulation expressed in loan contracts, particularly contracts with enterprises, by which the borrower pledges to take certain action (an affirmative covenant) or refrain from taking certain action (a negative covenant), and is consequently part of the terms and conditions of a loan.

Credit line (questions 1-7)

A credit line is a facility with a stated maximum amount which an enterprise is entitled to borrow from a bank at any given time. In the survey, developments regarding credit lines should be interpreted as changes in the net amount drawn under either an existing or a new credit line.

Credit standards (questions 1, 2, 6, 8, 9, 11 and 16)

Credit standards are the internal guidelines or criteria which reflect a bank's loan policy. They are the written and unwritten criteria, or other practices related to this policy, which define the types of loan a bank considers desirable and undesirable, the designated geographic priorities, the collateral deemed acceptable and unacceptable, etc. In the survey, changes in written loan policies should be considered together with changes in their application.

Credit terms and conditions (questions 3, 10 and 12)

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

Debt restructuring (question 5)

Debt restructuring is a relevant factor in the context of the bank lending survey only to the extent that it gives rise to an actual increase or decrease in the demand for loans following the decision of corporations with outstanding debt obligations to alter the conditions and terms of these loans. Generally, companies use debt restructuring to avoid defaulting on existing debt or to take advantage of lower interest rates or lower interest rate expectations. In contrast, debt restructuring should not be interpreted as the switching between different types of debt (such as MFI loans and debt securities; this is already captured under the factor "Issuance of debt securities"), capital restructuring (substitution between debt and equity) or share buy-backs (already captured under the factor "Issuance of equity"). Debt restructuring in the form of inter-company loans is already covered by the factor "loans from non-banks". Moreover, debt restructuring in the form of a substitution between short-term and long-term loans does not give rise to a change in overall loan demand.

Enterprises (questions 1, 4, 6 and 7)

Enterprises refer to non-financial corporations, i.e. all private and public institutional units, whatever their size and legal form, which are not principally engaged in financial intermediation but rather in the production of goods and non-financial services.

Enterprise size (questions 1, 2, 3, 4, 6 and 7)

The distinction between large 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.

Expectations regarding general economic activity (question 11)

This includes changes in the unemployment outlook. Any other relevant changes in socio-economic factors can be inserted under the option “Other factors”.

Households (questions 8-17)

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

Housing market prospects (questions 9 and 14)

In question 9, (besides interest rate developments) “housing market prospects” refers to the risk on the collateral demanded; in question 14, it includes households’ expectations regarding changes in house prices.

Loans

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

The definition of loans is that given in Regulation (EC) No. 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector (ECB/2001/13). However, interbank loans should be excluded. Following this definition, financial (but not operating) leases granted by an MFI are to be recorded as loans. For the purposes of the survey, factoring, if provided by an MFI, should also be treated as a loan. Financial leasing and factoring offered by institutions other than MFIs should not be included.

Loan-to-value ratio (question 10)

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 (questions 1, 4, 6 and 7)

The concept of maturity used in the bank lending survey is original maturity, and only two different types are used, i.e. short-term and long-term. Short-term loans are loans with an original maturity of one year or less and, consequently, long-term loans are loans that have an original maturity of more than one year.

Non-banks (questions 2, 5, 9 and 11)

In general these are non-monetary financial corporations. More specifically, they include insurance corporations and pension funds, financial auxiliaries and other financial intermediaries.

Non-interest rate charges (questions 3, 10 and 12)

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