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OCTOBER 2020 BANK LENDING SURVEY IN SPAIN

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## ABSTRACT

The latest Bank Lending Survey results show a widespread contraction of credit supply both in Spain and in the euro area in 2020 Q3, which would be linked to increased risk perception. On the demand side, demand from firms fell in both Spain and the euro area following the marked increase recorded between April and June. Conversely, applications for loans to households for house purchase rose both in Spain and in the euro area, while applications for consumer credit and other lending continued to decline in Spain, albeit at a considerably slower pace than in the previous quarter, and increased in the euro area as a whole. Banks consider that monetary policy measures continued to contribute overall to an expansion of credit supply.

**Keywords:** funding, credit, loan supply, loan demand, credit standards, terms and conditions for loans, financial markets.

**JEL classification:** E51, E52, G21.

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### Main results

This article presents the results of the September 2020 Bank Lending Survey (BLS), which provides information on credit supply and demand conditions in 2020 Q3 and on the outlook for Q4. This round includes ad hoc questions on access to wholesale and retail funding markets, the effects of the European Central Bank's asset purchase programmes (including the expanded programme approved by its Governing Council on 12 March and the pandemic emergency purchase programme of 18 March), and the impact of the negative deposit facility rate and the ECB's third series of targeted longer-term refinancing operations (TLTRO III).<sup>1</sup> This first section discusses the main results obtained from the replies by the ten Spanish banks participating in the survey and compares them with the results for the euro area overall. The subsequent sections present a more detailed analysis of the results for Spain.<sup>2</sup>

The crisis triggered by the COVID-19 pandemic continued to influence lending in both Spain and the euro area in Q3. Thus, between July and September, credit standards tightened across the board in both Spain and the euro area mainly as a result of increased risk perception. While in the household loan segment this contraction in supply continues the trend of the previous quarter, in the business lending segment this tightening (which was greater for SMEs than for large firms) followed the easing recorded in Spain between April and June and a slight tightening in the euro area. These changes were influenced by the various measures adopted by governments and the ECB to encourage the flow of credit to the corporate sector, against a backdrop of strong growth in liquidity needs. In Spain, the terms and conditions on new loans tightened for loans to enterprises and consumer credit and other lending to households, while for loans to households for house purchase they remained virtually unchanged. In the euro area, the terms and conditions on new

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1 The Banco de España has published these results on its website (<http://www.bde.es/webbde/en/estadis/infoest/epb.html>), in tandem with the publication of this article and with the ECB's publication of the results for the euro area. Also available at this address are the time series of the aggregate indicators by bank, relating to the standard questionnaire, along with additional information about the BLS. A more detailed analysis of the results for the euro area as a whole can be found in the ECB's regular notes on its website (<http://www.ecb.int/stats/money/lend/html/index.en.html>).

2 The results are analysed using "diffusion indices", which are calculated with a weighting according to the degree of improvement/worsening or of easing/tightening reported by each bank in its replies, unlike indicators calculated in terms of net percentages, which take no account of this weighting.

loans to enterprises and to households for house purchase tightened somewhat, with no significant changes observed for the consumer credit and other lending segment (see Table 1 and Chart 1).

Demand for loans to enterprises fell between July and September 2020, both in Spain and in the euro area, after rising sharply in the previous quarter to finance companies' substantial liquidity needs during that period. Conversely, loan applications from households for house purchase rose moderately in Spain and the euro area, recovering somewhat following the steep decline between April and June. While applications for consumer credit and other lending to households grew slightly in the euro area, they continued to decline in Spain, albeit more moderately than in the previous quarter (see Chart 1).

Looking ahead to 2020 Q4, banks in Spain and the euro area expect a further tightening of credit standards across virtually all loan categories. As for demand, applications for loans to enterprises and applications for consumer credit and other lending to households are expected to continue decreasing in Spain, albeit moderately, while they are expected to increase slightly in the euro area. No significant changes in demand for loans to households for house purchase are expected in Spain, whereas a modest decline is expected in the euro area.

In reply to the ad hoc question on funding markets, both Spanish and euro area banks reported a perceived improvement in access to retail markets in 2020 Q3. By contrast, in wholesale markets, while euro area banks reported that access was unchanged or had improved in all cases, in Spain there was greater disparity of opinion: there was some deterioration in short-term debt securities markets and in the ability to transfer risk off the balance sheet, a slight improvement in money markets and long-term debt securities markets, and stability in the securitisation market (see Chart A.1).

Spanish and euro area banks reported that the ECB's expanded asset purchase programme and pandemic emergency purchase programme had contributed to increasing their assets and liquidity, improving their funding conditions and raising slightly their capital ratios over the last six months. Also, while in Spain these programmes helped increase banks' profitability, in the euro area they had a moderate negative impact (see Chart A.2). In Spain, these programmes had no impact on either credit supply or lending volumes. By contrast, in the euro area they contributed to a slight easing of the terms and conditions and an increase in lending volumes across all segments.

In response to the ad hoc question on the ECB's negative deposit facility rate, both Spanish and euro area banks reported that this measure had contributed to the decline in their profitability and their net interest income over the last six months. As regards the effect on the terms and conditions for loans, in Spain and the euro area the negative deposit facility rate had led to a decrease in interest rates on new loans,

Table 1

**BANK LENDING SURVEY.**  
**Main results. October 2020**

	Credit standards	Overall conditions on new loans	Loan demand
Spain			
Past three months			
Non-financial corporations	Tightening	Tightening	Decrease
Households for house purchase	Tightening	Unchanged	Increase
Households for consumer credit and other lending	Tightening	Tightening	Decrease
Forecast for next three months			
Non-financial corporations	Tightening	(a)	Decrease
Households for house purchase	Tightening	(a)	Unchanged
Households for consumer credit and other lending	Tightening	(a)	Decrease
Euro area			
Past three months			
Non-financial corporations	Tightening	Tightening	Decrease
Households for house purchase	Tightening	Tightening	Increase
Households for consumer credit and other lending	Tightening	Unchanged	Increase
Forecast for next three months			
Non-financial corporations	Tightening	(a)	Increase
Households for house purchase	Tightening	(a)	Decrease
Households for consumer credit and other lending	Unchanged	(a)	Increase

**SOURCES:** ECB and Banco de España.

**a** The survey does not include questions on expected changes in loan terms and conditions

accompanied by a slight decline in margins<sup>3</sup> and an increase in lending volumes to enterprises. Lastly, the most notable effect of the introduction of a two-tier system for the remuneration of reserves held at the central bank was its positive impact on banks' financial situation in both Spain and the euro area as a whole (see Chart A.3).

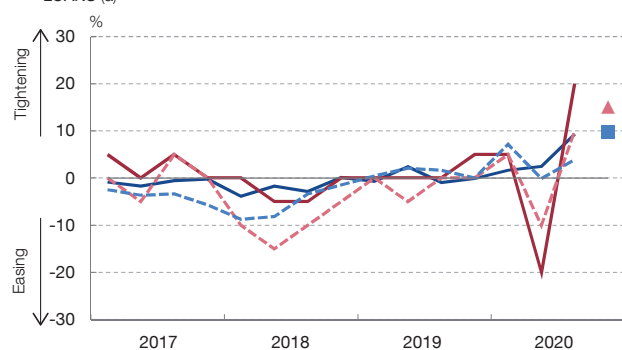
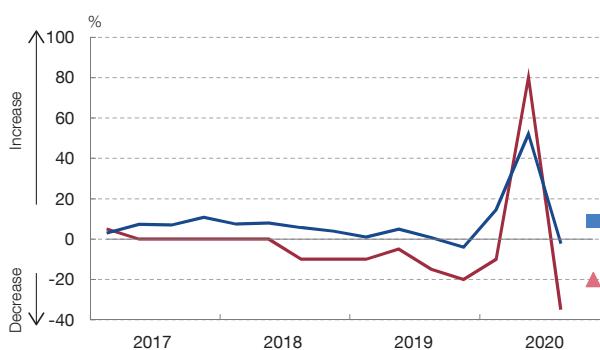
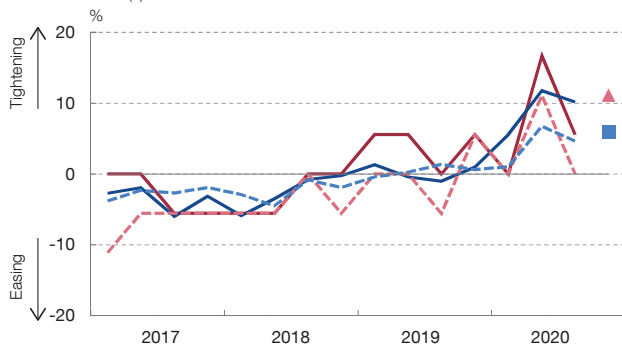
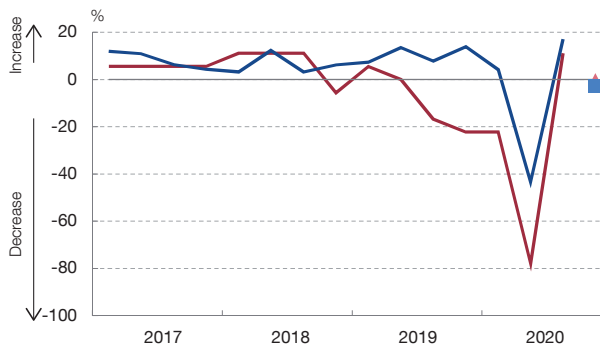
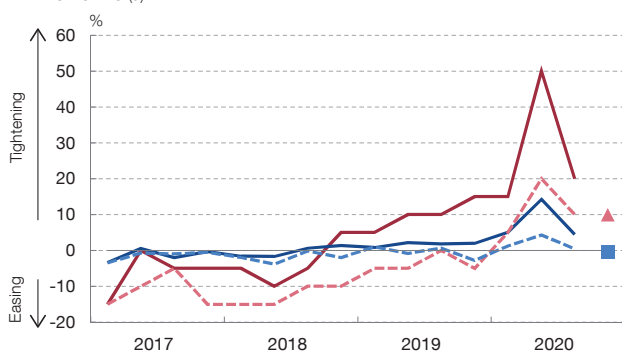
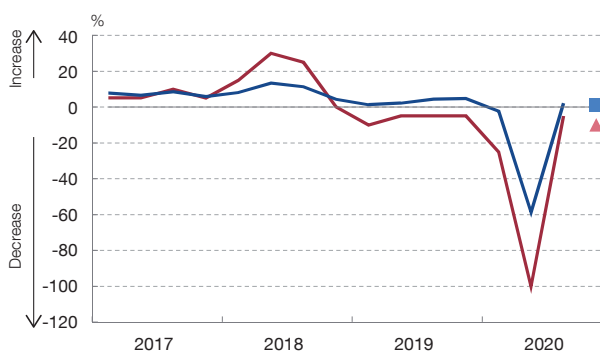
Finally, from the responses to the questions on the ECB's TLTRO III (see Charts A.4, A.5 and A.6) it can be inferred that all ten responding Spanish banks participated in the last tender procedure, which took place in June, while only two did so in September. In the euro area, participation in September was 34%, down from 76% in June. Both in Spain and in the euro area, the main reason for participating in these tender procedures was profitability, although precautionary reasons and contributing to fulfilment of regulatory requirements were also highlighted, albeit to a lesser extent. The funds obtained in the tender procedures to date have been used mainly to substitute TLTRO II funding, to lend to the private sector and to hold liquidity with the Eurosystem. Both in Spain and in the euro area these operations contributed to an improvement in liquidity, funding conditions and profitability, as well as to fulfilment

<sup>3</sup> The margin is the spread of a bank's interest rate on loans over a market reference rate.

Chart 1

**CREDIT SUPPLY TIGHTENED ACROSS THE BOARD AND DEMAND FROM ENTERPRISES FELL**

The crisis triggered by the COVID-19 pandemic continued to influence lending in both Spain and the euro area in Q3. Thus, between July and September, credit standards tightened across the board in both Spain and the euro area, affecting almost all the segments analysed. Demand from enterprises decreased in both areas, following the strong surge recorded between April and June. Conversely, applications for loans to households for house purchase rose both in Spain and in the euro area, while applications for consumer credit and other lending continued to decline in Spain, albeit at a considerably slower pace than in the previous quarter, and increased in the euro area as a whole.

**1 LENDING TO NON-FINANCIAL CORPORATIONS****1.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)****1.2 CHANGE IN DEMAND (b)****2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE****2.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)****2.2 CHANGE IN DEMAND (b)****3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS****3.1 CHANGE IN CREDIT STANDARDS AND IN CONDITIONS APPLIED TO LOANS (a)****3.2 CHANGE IN DEMAND (b)**

— CREDIT STANDARDS. SPAIN  
— CREDIT STANDARDS. EURO AREA  
▲ FORECAST CREDIT STANDARDS. SPAIN  
■ FORECAST CREDIT STANDARDS. EURO AREA  
- - - CONDITIONS. SPAIN  
- - - CONDITIONS. EURO AREA

— SPAIN  
— EURO AREA  
▲ FORECAST. SPAIN  
■ FORECAST. EURO AREA

**SOURCES:** ECB and Banco de España.

- a** Indicator = percentage of banks that have tightened their credit standards or conditions considerably  $\times 1$  + percentage of banks that have tightened their credit standards or conditions somewhat  $\times 1/2$  – percentage of banks that have eased their credit standards or conditions somewhat  $\times 1/2$  – percentage of banks that have eased their credit standards or conditions considerably  $\times 1$ .
- b** Indicator = percentage of banks reporting a considerable increase  $\times 1$  + percentage of banks reporting some increase  $\times 1/2$  – percentage of banks reporting some decrease  $\times 1/2$  – percentage of banks reporting a considerable decrease  $\times 1$ .



of regulatory requirements. Furthermore, they prompted a slight easing of credit standards and the terms and conditions on loans to corporations, and a minor rise in lending volumes, which was stronger in the case of lending to enterprises.

## Supply and demand conditions in Spain

### Lending to non-financial corporations

A detailed analysis of the Spanish banks' replies to the standard questionnaire reveals that credit standards for loans to NFCs tightened in 2020 Q3. This applied to lending to both large firms and, especially, SMEs. The breakdown by maturity reflects this same pattern in both long and short-term loans. The main explanation for credit supply contracting is heightened risk perception, linked to the worsening outlook for both the general economic situation and the solvency and creditworthiness of specific sectors and borrowers and, to a lesser degree, to the value of the collateral requirements (see Chart 2).

The overall terms and conditions on new loans also tightened in 2020 Q3, mainly on account of banks' heightened risk perception. A more detailed analysis reveals a slight increase in the margins on both average and riskier loans, a decrease in loan volumes and an increase in collateral requirements (see Chart 2). By contrast, banks reported that maturities had increased slightly. The breakdown by size of enterprise shows that the overall terms and conditions of new loans tightened moderately in lending to SMEs and to large firms. The percentage of rejected loan applications increased slightly in 2020 Q3.

According to the responses given, demand for loans from enterprises fell between July and September after the sharp increase recorded in Q2. The breakdown by size and by maturity both show the same downward pattern. The decline in loan applications was mainly the result of lower fixed capital investment and firms' reduced liquidity needs for financing inventories and working capital. This latter development is consistent with the recovery in turnover at most enterprises, after the collapse recorded in Q2 associated with the state of alert. Lower financing needs for mergers and acquisitions and corporate restructuring, and increased competition between banks were also behind the fall in demand, albeit to a lesser degree (see Chart 3). By contrast, the drop in internal financing at enterprises contributed to a slight increase in loan applications.

### Loans to households for house purchase

According to the responses given, credit standards for loans to households for house purchase in Spain tightened mainly as a result of increased risk perception

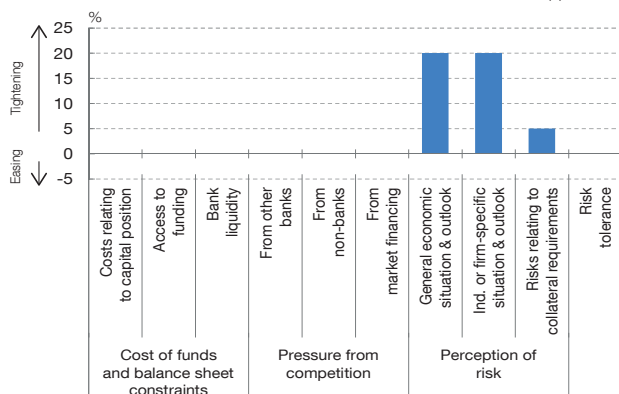
Chart 2

## INCREASED RISK PERCEPTION LED TO A TIGHTENING OF CREDIT SUPPLY IN SPAIN

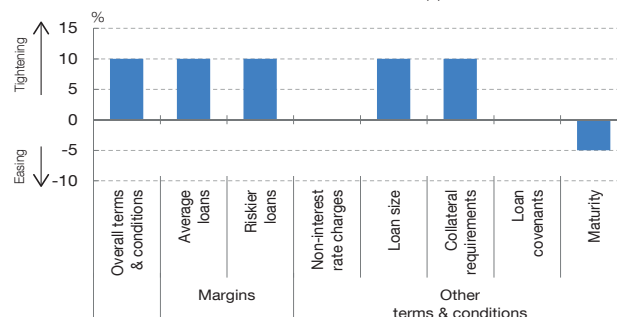
Increased risk perception against a background of a severe deterioration of the general economic situation and the creditworthiness and solvency of borrowers and specific sectors led to a tightening of credit standards across all loan types. The terms and conditions on new loans tightened for funding granted to firms and consumer credit and other lending to households, while for loans to households for house purchase they remained unchanged.

### 1 LOANS TO NON-FINANCIAL CORPORATIONS

#### 1.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

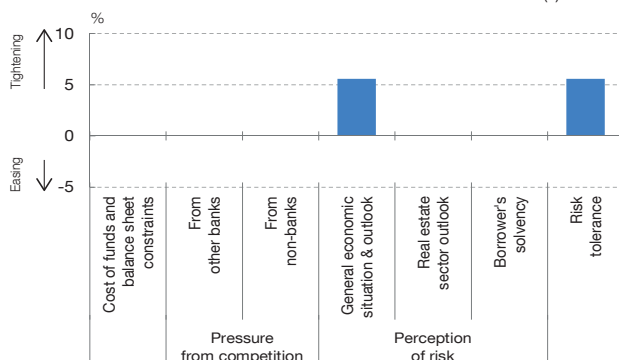


#### 1.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

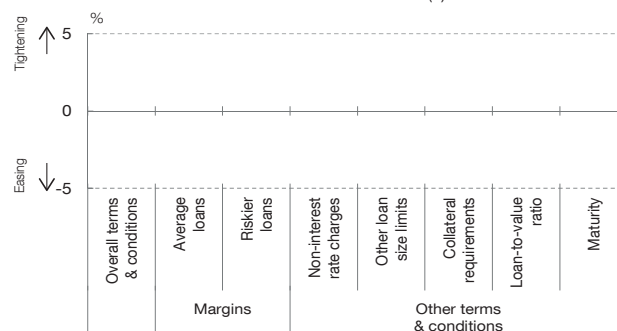


### 2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

#### 2.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)

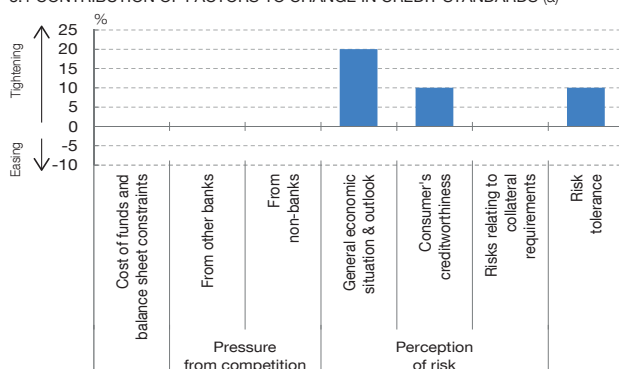


#### 2.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)

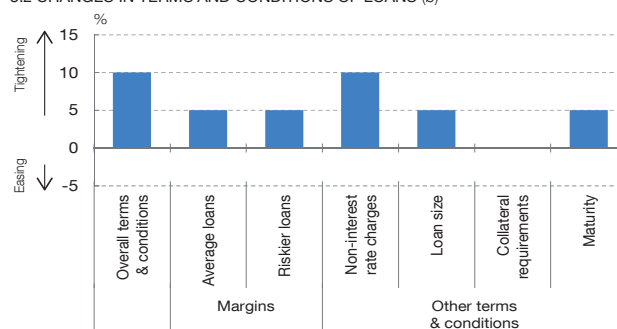


### 3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

#### 3.1 CONTRIBUTION OF FACTORS TO CHANGE IN CREDIT STANDARDS (a)



#### 3.2 CHANGES IN TERMS AND CONDITIONS OF LOANS (b)



SOURCES: ECB and Banco de España.

- a Indicator = percentage of banks reporting that the factor has contributed considerably to the tightening of credit standards  $\times 1$  + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards  $\times 1/2$  – percentage of banks reporting that it has contributed somewhat to the easing of credit standards  $\times 1/2$  – percentage of banks reporting that it has contributed considerably to the easing of credit standards.
- b Indicator = percentage of banks that have tightened their terms and conditions considerably  $\times 1$  + percentage of banks that have tightened their terms and conditions somewhat  $\times 1/2$  – percentage of banks that have eased their terms and conditions somewhat  $\times 1/2$  – percentage of banks that have eased their terms and conditions considerably.

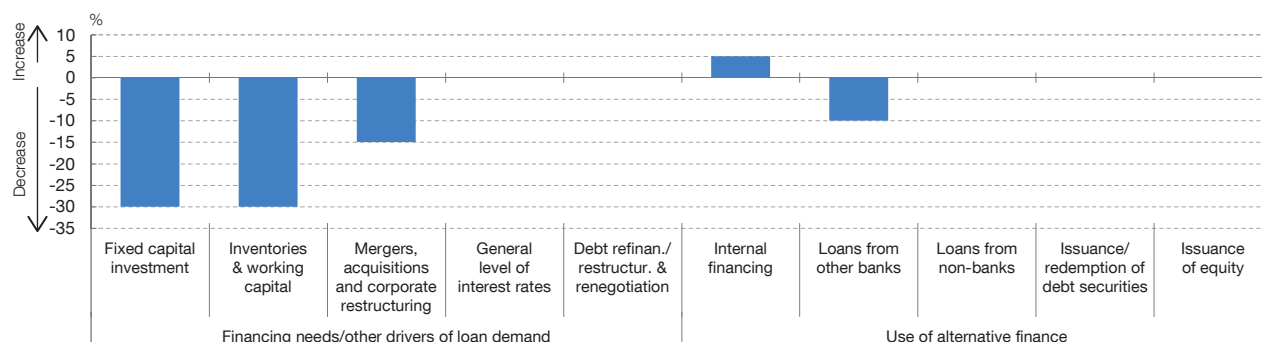
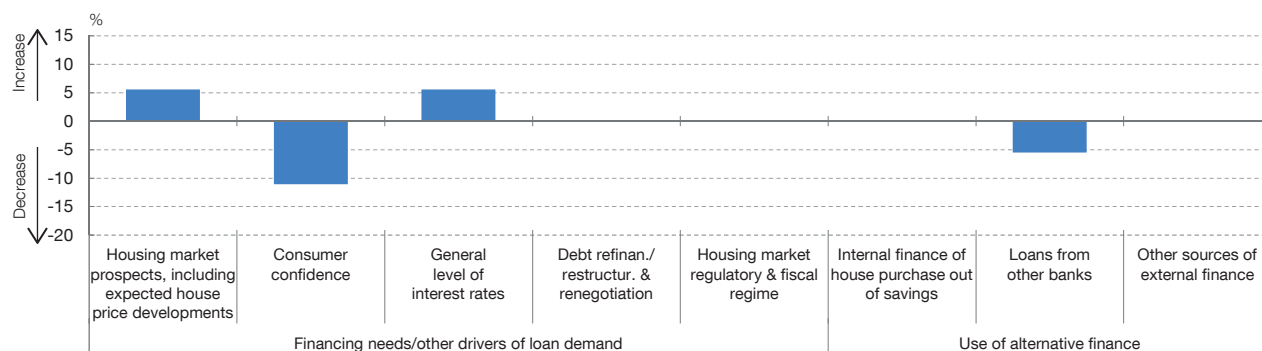
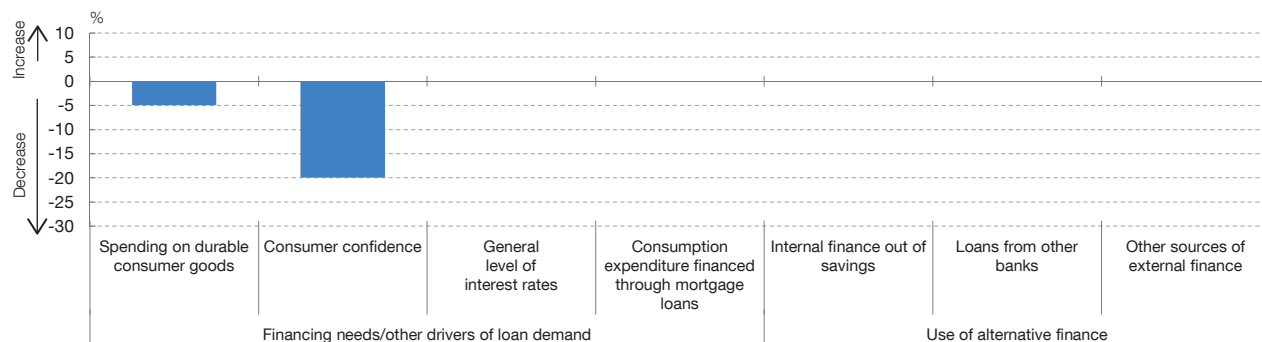




Chart 3

**THE DROP IN SPENDING AND LOWER CONFIDENCE CURTAILED GROWTH IN LOAN APPLICATIONS (a)**

The drop in demand for loans from enterprises was mainly the result of lower fixed capital investment and reduced financing needs for inventories and working capital, after the sharp increase recorded in Q2. Demand for loans for house purchase increased due to the favourable impact of low interest rates, house price developments and the outlook for this market. Demand for consumer credit and other lending continued falling, albeit moderately, against a backdrop of lower consumer confidence.

**1 FACTORS AFFECTING DEMAND FOR LOANS****1.1 LOANS TO NON-FINANCIAL CORPORATIONS****1.2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE****1.3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS**

**SOURCES:** ECB and Banco de España.

**a** Indicator = percentage of banks reporting that the factor has contributed considerably to increasing demand  $\times$  1 + percentage of banks reporting that it has contributed somewhat to increasing demand  $\times$  1/2 – percentage of banks reporting that it has contributed somewhat to reducing demand  $\times$  1/2 – percentage of banks reporting that it has contributed considerably to reducing demand.



(linked to the deteriorating general economic outlook), in addition to institutions' lower risk tolerance. The overall terms and conditions on these loans have not changed significantly. A more detailed analysis reveals that the changes both in margins (on average and riskier loans) and the other terms and conditions (collateral, amount, maturity, non-interest rate charges) remained negligible. Lastly, the percentage of rejected loan applications also remained stable.

The demand for loans for house purchase increased slightly between July and September 2020, owing in part to the favourable impact associated with low interest rates, housing price developments and the market outlook. Furthermore, this increase was largely driven by transactions gradually returning to normal after the restrictions on movement were lifted and by the completion of transactions that had been halted during the state of alert that were resumed and concluded over the course of this quarter. Conversely, lower consumer confidence and, to a lesser degree, the use of funding from other banks prompted a slight drop in applications in this segment (see Chart 3).

### Consumer credit and other lending to households

Credit standards for consumer credit and other lending tightened during 2020 Q3, continuing the pattern observed since end-2018 (see Chart 1). According to the responses received, and as in the other two segments analysed, these developments in supply mainly occurred due to increased risk perception, linked to the worsening general economic outlook and, albeit not to the same degree, to a perceived decline in borrowers' creditworthiness and banks' lower risk tolerance (see Chart 2). The overall terms and conditions on this type of credit also tightened, mainly for the same reasons. This resulted in higher margins on both average and riskier loans, a decline in loan volumes, shorter maturities and an increase in non-interest rate charges. The percentage of rejected loan applications grew once again in 2020 Q3.

Loan demand in the consumer credit and other lending segment fell once again between July and September 2020, although in this case very slightly, after the steep drop in Q2. According to the responses given, this was mainly prompted by lower consumer confidence and, to a lesser degree, a fall in spending on consumer durables (see Chart 3).

## Ad hoc questions

Spanish banks perceived a slight improvement in access to retail funding markets in 2020 Q3 (see Chart A.1). Changes in access to wholesale funding markets varied across the segments. Access to the short-term debt securities markets and the

ability to transfer risk off the balance sheet deteriorated somewhat, and access to the money markets and long-term debt securities markets improved slightly. Meanwhile, access to the securitisation market did not change.

In reply to the question on the impact of the ECB's asset purchase programmes, the responding Spanish banks indicated that they had mainly prompted an improvement in financing conditions and, to a lesser degree, an increase in their total assets, liquidity and profitability, in addition to a slight improvement in their capital ratio (see Chart A.2.1). The programmes did not influence lending policies between April and September, and had no significant bearing on credit standards, terms and conditions or lending volumes in any of the three segments analysed.

In reply to the ad hoc question about the effects of the ECB's negative deposit facility rate, Spanish banks indicated that this measure had prompted a decline in their profitability levels and their net interest income over the last six months (see Chart A.3.1). It had also contributed to a drop in deposit interest rates (for both households and, to a greater degree, enterprises) in addition to higher non-interest rate charges for household deposits, which could have led to a decline in the funds raised through this channel. This measure had also prompted a reduction in interest rates on new loans across all segments and, in the case of lending to enterprises, had also been conducive to a slight narrowing of margins and a modest increase in lending volumes. Lastly, the new two-tier system for remunerating reserves held at the Banco de España had had a significant positive impact on banks' profitability and net interest income, as compared with the situation prior to the introduction of this system (see Chart A.3.2). The banks' liquidity position and funding conditions had also improved slightly. It had had no effect on interest rates on loans, whereas it had contributed to a slight decrease in deposit interest rates.

Finally, according to the responses to the ad hoc questions on the ECB's TLTRO III (see Chart A.4), while all ten of the responding Spanish banks stated that they had participated in the June 2020 tender procedure, only two of them did so in September. The main reason for participating in both tender procedures was profitability, since the banks consider their terms and conditions to be attractive. Precautionary reasons were also a factor, but to a lesser extent. The funds obtained were mainly used to substitute TLTRO II financing, while the net drawdowns were mainly used to grant loans to the non-financial private sector and, to a lesser extent, to hold liquidity with the Eurosystem and purchase domestic sovereign bonds (see Chart A.5). As for the direct and indirect impacts of these operations, the banks considered that they had contributed to improving their financial situation in terms of profitability, liquidity and market funding conditions, and, to a lesser extent, that they had also enhanced fulfilment of regulatory requirements (see Chart A.6). They had also prompted a slight easing of credit supply and an increase in lending volumes in the corporate segment, but had had no significant impact on lending to households.

## Outlook

As regards this quarter, the responding Spanish banks expected a fresh tightening of credit standards across all segments (see Table 1 and Chart 1). On the demand side, the banks expected loan applications from enterprises and households for consumer credit and other lending to continue declining, and applications from households for house purchase to remain stable.

As regards access to funding markets, the banks' outlook for 2020 Q4 was one of stability for both the retail and most of the wholesale markets, except for the ability to transfer risk off the balance sheet, which will deteriorate slightly (see Chart A.1).

The responding Spanish banks expected that over the next six months the ECB's asset purchase programmes would prompt a slight improvement in their funding conditions (see Chart A.2.2). The banks did not expect the programmes to have any significant impact on credit supply, credit standards and the terms and conditions applied, or lending volume.

The Spanish banks expected the ECB's negative deposit facility rate to continue to lead to a slight decline in their profitability and their net interest income over the next six months. The banks expect this measure to continue to reduce deposit interest rates and their volume and to trigger a drop in the interest rate in all credit segments, which would only result in a slight increase in lending volumes to NFCs (see Charts A.3.1.1, A.3.1.2 and A.3.1.4). The banks expected the two-tier system for remunerating reserves held at the Banco de España to continue to have a positive impact on their profitability and net interest income (see Chart A.3.2.2).

Lastly, only one of the ten responding Spanish banks intends to participate in future ECB targeted longer-term refinancing operations (TLTRO III) tender procedures. As regards the bank that expressed its intention to participate, it will do so because it considers the TLTRO conditions to be attractive and as a precaution ahead of possible future liquidity needs (see Chart A.4). The funds obtained would be used mainly to substitute TLTRO II funding and to lend to the non-financial private sector (see Chart A.5). As for their direct and indirect impacts, the participating banks envisaged that these operations would continue to influence positively their profitability and funding conditions (see Chart A.6). They also thought that the TLTROs would remain conducive to some degree of easing of credit standards and the terms and conditions on new loans to firms, in addition to an increase in lending volumes to this segment, although in both cases the impact would be smaller than that perceived over the last six months. Finally, no significant impact on household financing is expected.

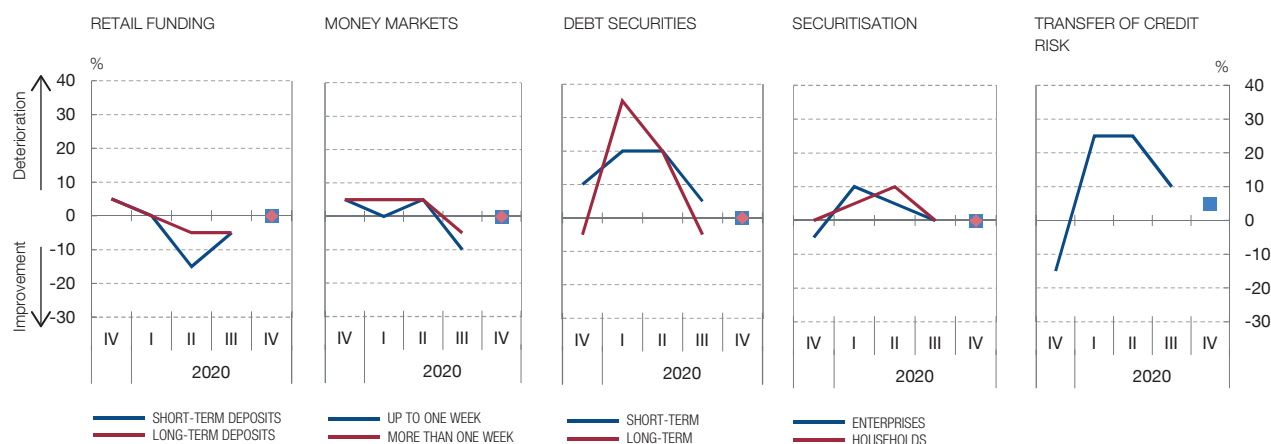
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Chart A.1

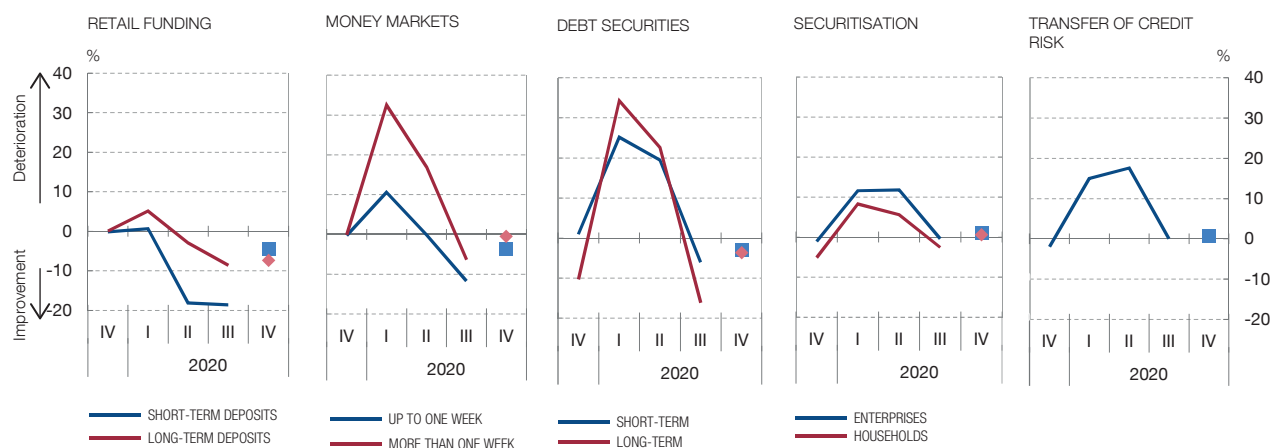
### ACCESS TO RETAIL FUNDING MARKETS IMPROVED, IN BOTH SPAIN AND THE EURO AREA, WHEREAS ACCESS VARIED ACROSS THE WHOLESALE FUNDING MARKET SEGMENTS (a) (b)

Both Spanish and euro area banks reported a perceived improvement in access to retail markets. By contrast, in wholesale markets, while euro area banks reported that access was unchanged or had improved in all cases, in Spain there was greater disparity of opinion: there was some deterioration in short-term debt securities markets and in the ability to transfer risk off the balance sheet, a slight improvement in money markets and long-term debt securities markets, and stability in the securitisation market.

#### 1 ACCESS TO FUNDING. SPAIN



#### 2 ACCESS TO FUNDING. EURO AREA



SOURCES: ECB and Banco de España.

a Indicator = percentage of banks that perceived a considerable deterioration in market access  $\times 1$  + percentage of banks that perceived some deterioration  $\times 1/2$  - percentage of banks that perceived some improvement  $\times 1/2$  - percentage of banks that perceived a considerable improvement  $\times 1$ .

b ♦, ■ = forecast.

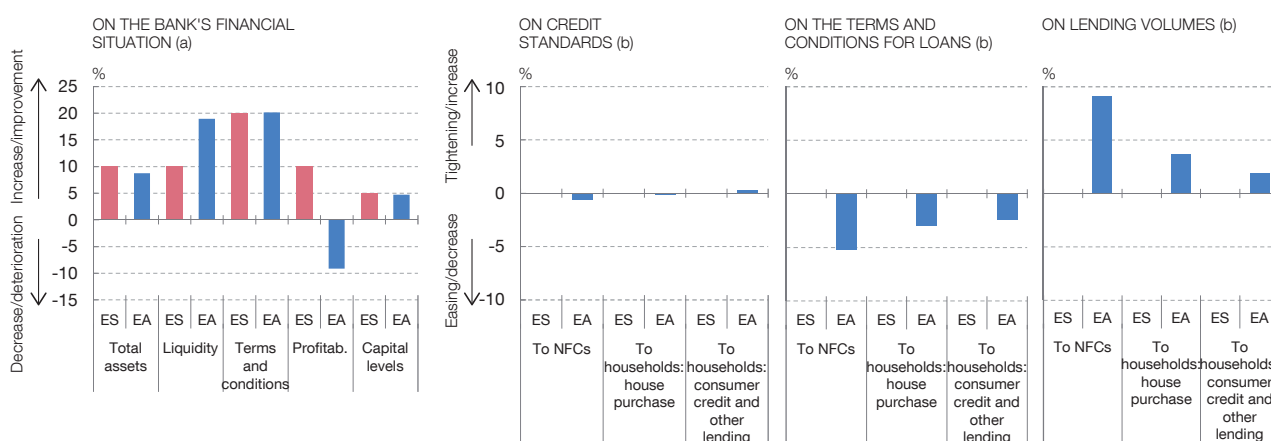


Chart A.2

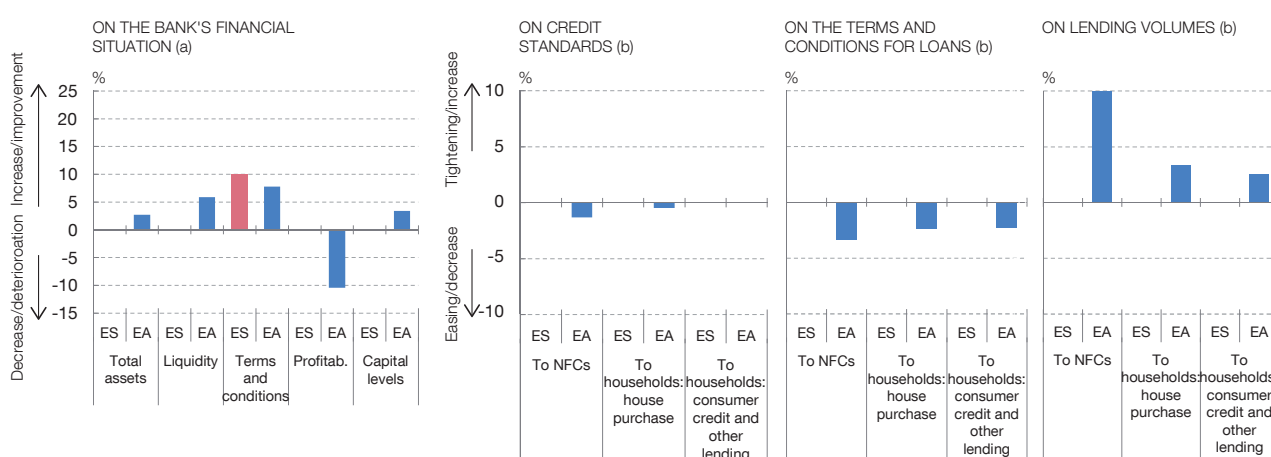
## THE ECB'S ASSET PURCHASE PROGRAMMES HAD A BROADLY POSITIVE IMPACT ON BANKS' FINANCIAL SITUATION, PROMPTING AN EASING OF TERMS AND CONDITIONS ON LOANS AND A RISE IN LENDING VOLUMES IN THE EURO AREA

In Spain and the euro area, the programmes have contributed to improving banks' liquidity and funding conditions and to increasing their capital ratio over the last six months. In Spain, they have also helped increase their profitability. These programmes had no impact on credit supply in Spain, while in the euro area they prompted a slight easing of the terms and conditions on loans and a rise in lending volumes across all segments.

### 1 IMPACT OF ASSET PURCHASE PROGRAMMES. LAST SIX MONTHS



### 2 IMPACT OF ASSET PURCHASE PROGRAMMES. NEXT SIX MONTHS



SOURCES: ECB and Banco de España.

- a** Indicator = percentage of banks reporting that the programme has contributed or would contribute considerably to an increase or improvement  $\times 1$  + percentage of banks reporting that it has contributed or would contribute somewhat to an increase or improvement  $\times 1/2$  – percentage of banks reporting that it has contributed or would contribute considerably to a decrease or deterioration  $\times 1/2$  – percentage of banks reporting that it has contributed or would contribute considerably to a decrease or deterioration  $\times 1$ .
- b** Indicator = percentage of banks reporting that the programme has contributed or would contribute considerably to tightening credit standards or terms and conditions or to increasing lending volumes  $\times 1$  + percentage of banks reporting that it has contributed or would contribute somewhat to this tightening or increase  $\times 1/2$  – percentage of banks reporting that it has contributed or would contribute somewhat to easing credit standards or terms and conditions or to decreasing lending volumes  $\times 1/2$  – percentage of banks reporting that it has contributed or would contribute considerably to easing credit standards or terms and conditions or to decreasing lending volumes  $\times 1$ .



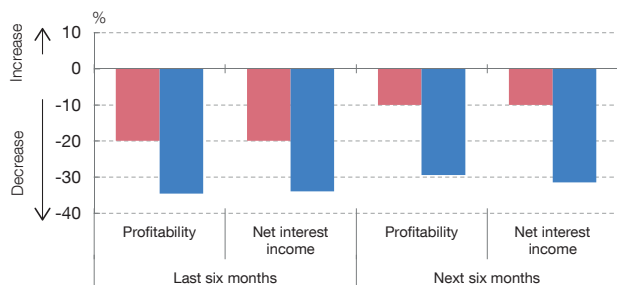
Chart A.3

## THE NEGATIVE DEPOSIT FACILITY RATE HAS PROMPTED A DECLINE IN DEPOSIT INTEREST RATES AND AN EXPANSION IN CREDIT SUPPLY IN SPAIN AND THE EURO AREA (a)

This measure has led, in both Spain and the euro area, to a decline in banks' profitability and net interest income, as well as to lower deposit interest rates and to higher non-interest charges. It has contributed to a decline in the volume of funds raised through this channel in Spain and to a slight increase in the euro area. It has also prompted a reduction in rates and a narrowing of margins on loans, as well as an increase in lending volumes to corporations in both areas. Lastly, the introduction of a two-tier system for the remuneration of reserves held at the central bank has had a positive impact on banks' financial situation in both Spain and the euro area.

### 1 IMPACT OF THE ECB'S NEGATIVE DEPOSIT FACILITY RATE

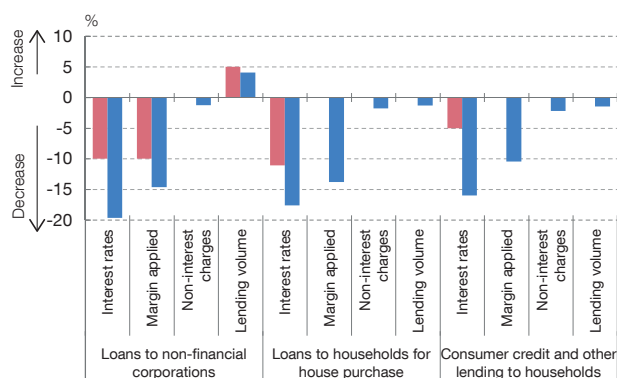
#### 1.1 ON THE BANK'S FINANCIAL SITUATION



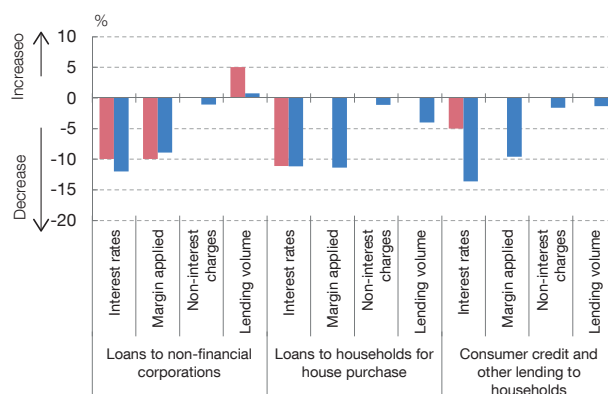
#### 1.2 ON THE TERMS AND CONDITIONS FOR DEPOSITS



#### 1.3 ON THE TERMS AND CONDITIONS FOR LOANS OVER THE LAST SIX MONTHS

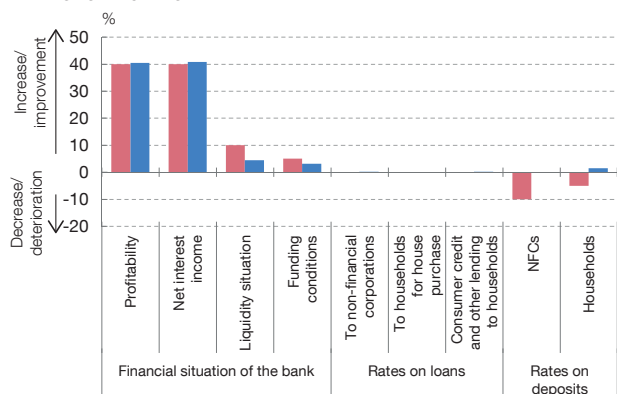


#### 1.4 ON THE TERMS AND CONDITIONS FOR LOANS IN THE NEXT SIX MONTHS

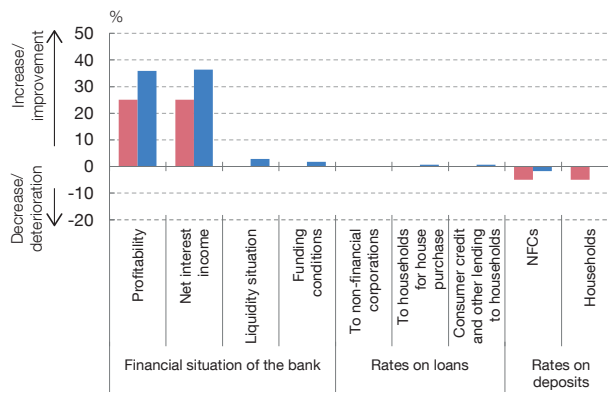


### 2 IMPACT OF THE TWO-TIER SYSTEM FOR THE REMUNERATION OF RESERVES HELD AT THE CENTRAL BANK

#### 2.1 LAST SIX MONTHS



#### 2.2 NEXT SIX MONTHS



SPAIN

EURO AREA

SOURCES: ECB and Banco de España.

a Indicator = percentage of banks reporting a considerable increase or improvement  $\times 1$  + percentage of banks reporting some increase or improvement  $\times 1/2$  - percentage of banks reporting some decrease or deterioration  $\times 1/2$  + percentage of banks reporting a considerable decrease or deterioration  $\times 1$ .



Chart A.4

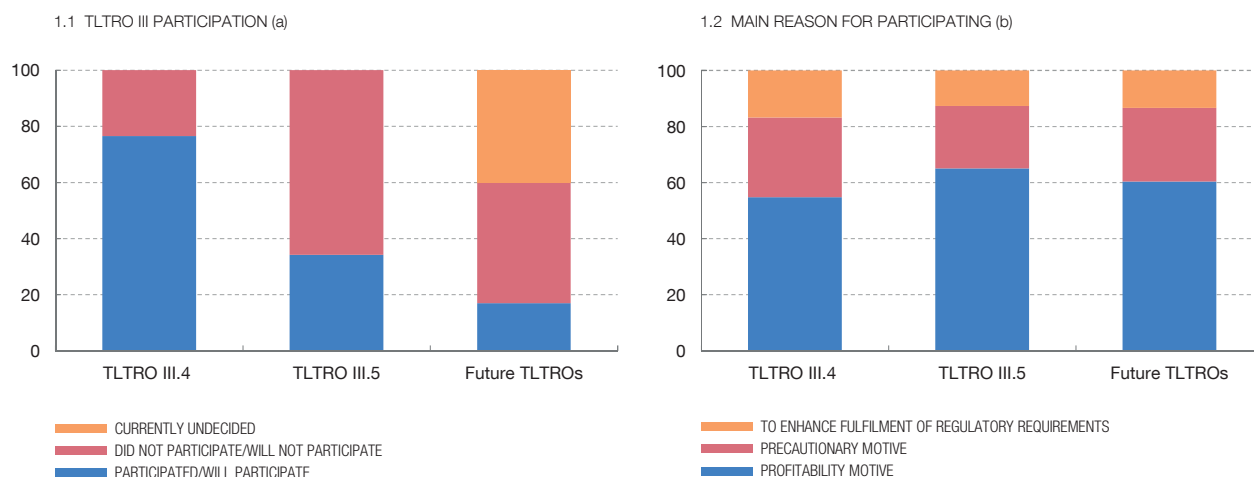
### SPANISH BANKS PARTICIPATED IN THE LAST TWO TLTRO III TENDER PROCEDURES, ATTRACTED MAINLY BY THE FAVOURABLE CONDITIONS

In Spain, the ten responding banks participated in the June tender procedure, while only two did so in September. In the euro area, only 34% of banks participated in September, down from 76% in June. In Spain and the euro area, profitability was the main reason for participating. Precautionary motives were also highlighted, albeit to a lesser degree. Only one of the Spanish banks and just under 20% of euro area banks intended to participate in future tender procedures.

#### 1 SPAIN



#### 2 EURO AREA



**SOURCES:** ECB and Banco de España.

**a** Percentage of banks.

**b** Indicator = percentage of banks reporting that the reason has influenced or would influence considerably the decision to participate  $\times 1$  + percentage of banks reporting that it has influenced or would influence the decision somewhat  $\times 1/2$ . The results were re-scaled to add up to 100.





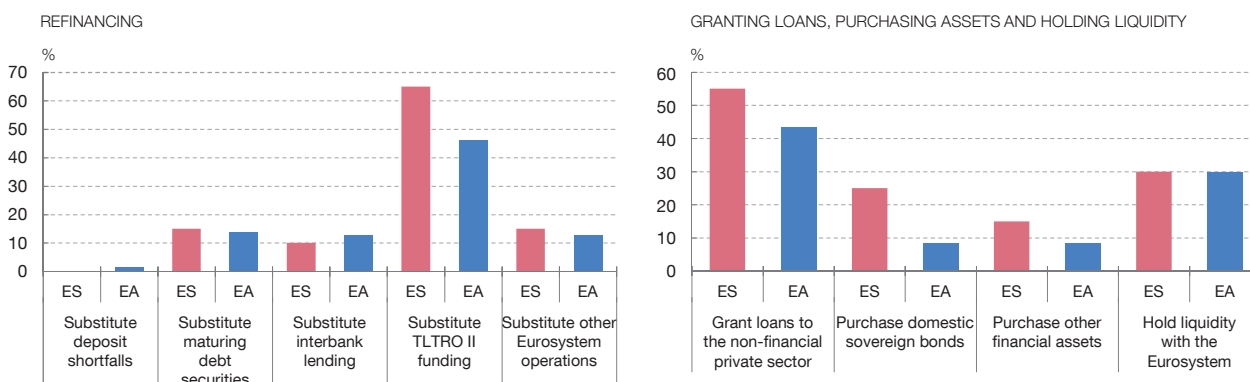
Chart A.5

### TLTRO III FUNDS WERE USED MAINLY TO SUBSTITUTE TLTRO II FUNDING AND TO LEND TO THE NON-FINANCIAL PRIVATE SECTOR (a)

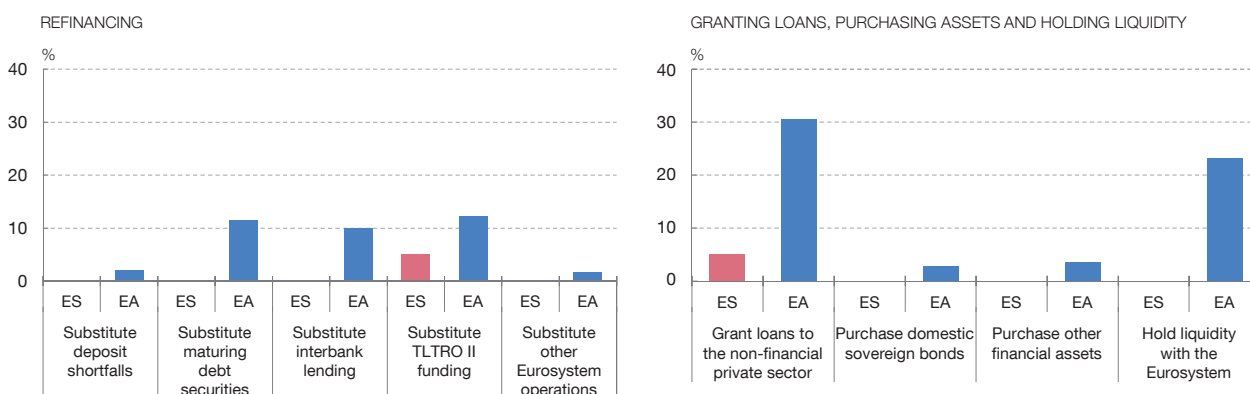
In Spain and the euro area, the liquidity from TLTRO III was used mainly to substitute TLTRO II funding, while the net drawdowns were used above all to lend to the non-financial private sector and, to a lesser extent, to hold liquidity with the Eurosystem. In Spain's case, they were also used to purchase domestic sovereign bonds.

#### 1 USE OF TLTRO III LIQUIDITY

##### 1.1 LAST SIX MONTHS



##### 1.2 NEXT SIX MONTHS



**SOURCES:** ECB and Banco de España.

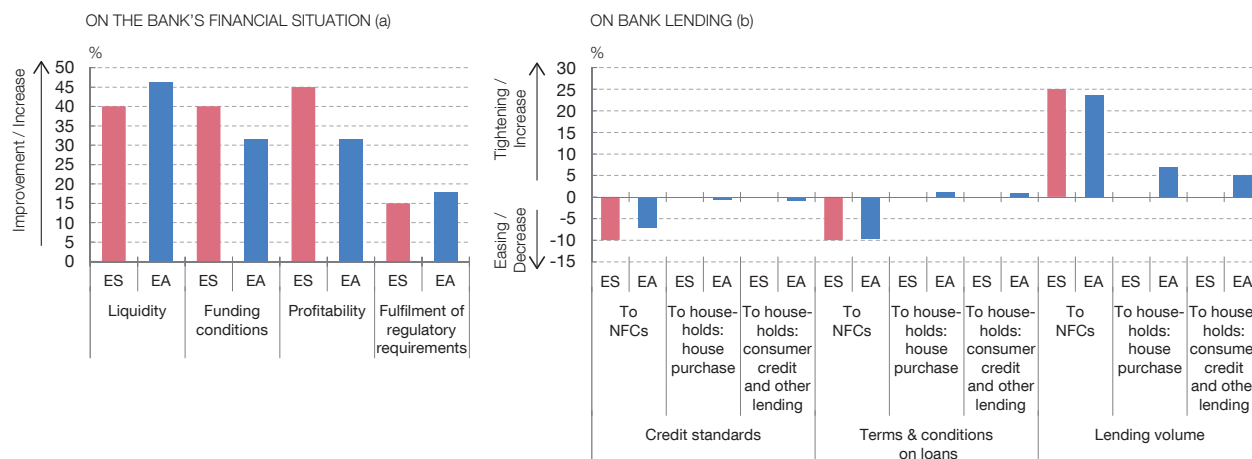
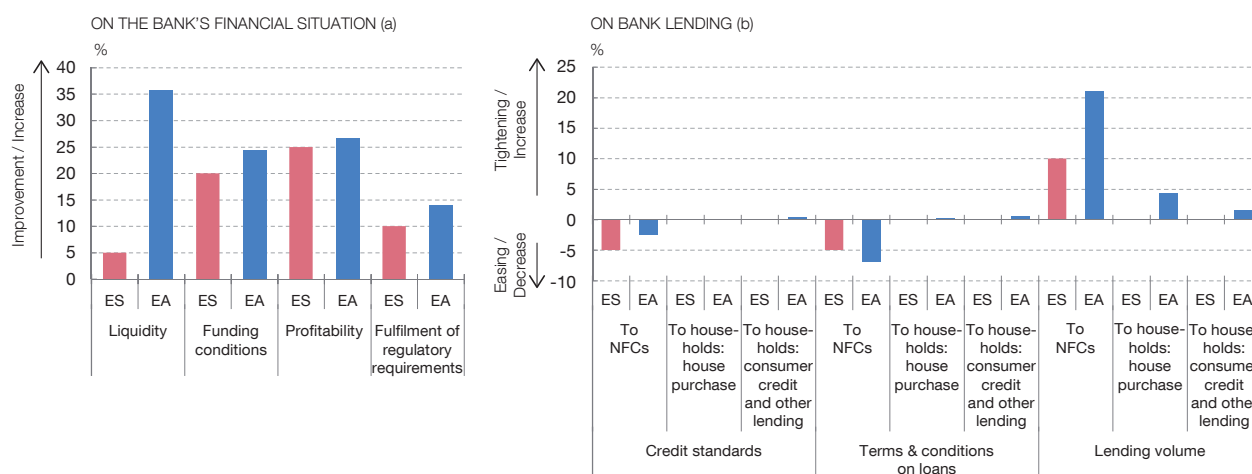
**a** Indicator = percentage of banks reporting that the funds obtained and/or expected to be obtained have contributed or would contribute considerably to this aim  $\times$  1 + percentage of banks reporting that they have contributed or would contribute somewhat  $\times$  1/2.



Chart A.6

**TLTRO III HELPED IMPROVE BANKS' FINANCIAL SITUATION AND SLIGHTLY INCREASE CREDIT SUPPLY**

Over the last six months, TLTRO III helped improve banks' financial situation and, to a lesser extent, facilitated fulfilment of regulatory requirements. Furthermore, TLTRO III prompted in Spain and the euro area a slight easing of credit standards and the terms and conditions on loans to enterprises, and an increase in lending volumes, which was stronger in lending to corporations. These effects are expected to continue over the next six months.

**1 DIRECT AND INDIRECT IMPACT OF TLTRO III****1.1 LAST SIX MONTHS****1.2 NEXT SIX MONTHS**

**SOURCES:** ECB and Banco de España.

- a** Indicator = percentage of banks reporting a considerable improvement or increase  $\times 1$  + percentage of banks reporting a slight improvement or increase  $\times 1/2$  – percentage of banks reporting a slight deterioration or decrease  $\times 1/2$  – percentage of banks reporting a considerable deterioration or decrease  $\times 1$ .
- b** Indicator = percentage of banks reporting a considerable tightening or increase  $\times 1$  + percentage of banks reporting a slight tightening or increase  $\times 1/2$  – percentage of banks reporting a slight easing or decrease  $\times 1/2$  + percentage of banks reporting a considerable easing or decrease  $\times 1$ .

