ANALYTICAL ARTICLES

Economic Bulletin

2/2021

BANCO DE ESPAÑA
Eurosistema

APRIL 2021 BANK LENDING SURVEY IN SPAIN

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ABSTRACT

According to the Bank Lending Survey, during 2021 Q1 the loan supply contracted slightly once again in almost all segments both in Spain and in the euro area, which is linked to banks' heightened risk perceptions. Loan applications slipped across the board in the two areas. Banks consider that monetary policy measures generally continued to contribute to improving their financial situation and prompted an easing of the terms and conditions on new loans and an increase in lending volumes.

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 April 2021 Bank Lending Survey (BLS), which provides information on loan supply and demand conditions in 2021 Q1 and on the outlook for Q2.[1] This round includes ad hoc questions on the conditions of access to the wholesale and retail funding markets, the effects of the ECB's asset purchase programme,[2] the impact of the negative deposit facility rate, and the impact of the ECB's third series of targeted longer-term refinancing operations (TLTRO III). 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.[3]

The survey results show that, in 2021 Q1, credit standards tightened slightly once again in all segments in both areas. The only exception was in the euro area in loans to households for house purchase, which eased somewhat. In the loans to firms segment, the tightening of credit standards affected SMEs and remained stable in lending to larger corporations in Spain, whereas both sizes of firms were impacted in the euro area. The contraction of the loan supply is explained in all segments by banks' heightened risk perceptions, in a setting of continued uncertainty, as a result of the health crisis, about the general economic situation and the creditworthiness of borrowers and specific sectors. By contrast, the terms and conditions on loans eased or remained unchanged, depending on the segment, both in Spain and in the euro area (see Table 1 and Chart 1). Loan demand decreased across the board in 2021 Q1 both in Spain and, to a lesser degree, in the euro area.

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 on this website 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 Including the expanded programme approved by its Governing Council on 12 March 2020 and the pandemic emergency purchase programme of 18 March.

3 The analysis of the results conducted in this article is based on "diffusion indices", which are calculated with a weighting based on 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 do not factor in this weighting.

Table 1
BANK LENDING SURVEY
Main results. April 2021

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

SOURCES: Banco de España and ECB.

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

Banks in both areas expect a general, albeit moderate, tightening of credit standards once again in 2021 Q2. By contrast, they envisage that loan applications for all types of lending will rise both in Spain and the euro area.

In response to the first of the ad hoc questions included in the survey, Spanish banks reported that in 2021 Q1 access conditions to retail markets remained unchanged, whereas euro area banks indicated that they improved slightly. Banks in both areas perceived that access conditions to wholesale markets remained stable or improved, depending on the segment; the stronger pick up in debt securities markets is worth noting (see Chart A.1).

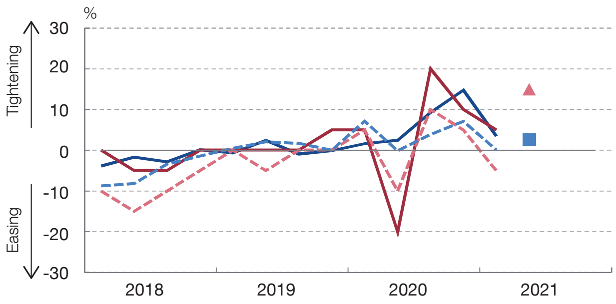
Spanish and euro area banks reported that the ECB's expanded asset purchase programmes contributed to increasing their assets and liquidity, improving their funding conditions and raising slightly their capital ratios over the last six months. Also, in Spain the programmes did not affect banks' profitability, whereas in the euro area they had a negative impact (see Chart A.2). Finally, these programmes prompted, in the two areas, a slight easing of the terms and conditions on new loans and an

Chart 1
SLIGHTLY TIGHTER CREDIT STANDARDS AND LOWER DEMAND IN ALMOST ALL SEGMENTS IN 2021 Q1

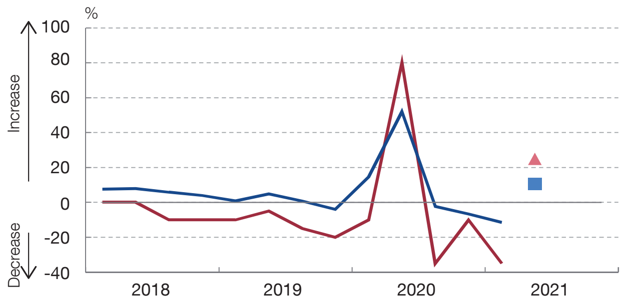
Credit standards tightened slightly for all types of loans in Spain and in the euro area in 2021 Q1. The only exception was lending to households for house purchase in the euro area, which eased somewhat. The terms and conditions on loans to firms and loans to households for house purchase eased in Spain; they also eased in the latter segment in the euro area. The terms and conditions in other segments remained unchanged in Spain and in the euro area. Loan demand dropped across the board in both areas. Spanish and euro area banks anticipate slightly tighter supply and increased demand in all loan types in 2021 Q2.

1 LOANS TO NON-FINANCIAL CORPORATIONS

1.1 CHANGE IN CREDIT STANDARDS AND IN LOAN TERMS AND CONDITIONS (a)

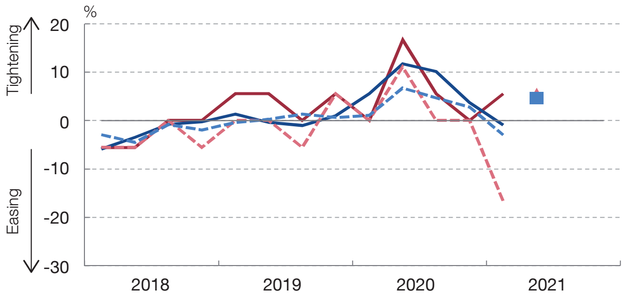


1.2 CHANGE IN DEMAND (b)

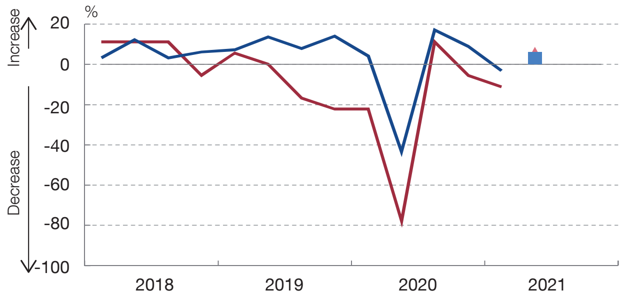


2 LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE

2.1 CHANGE IN CREDIT STANDARDS AND IN LOAN TERMS AND CONDITIONS (a)

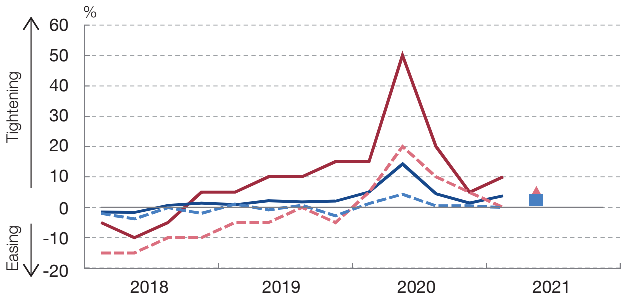


2.2 CHANGE IN DEMAND (b)

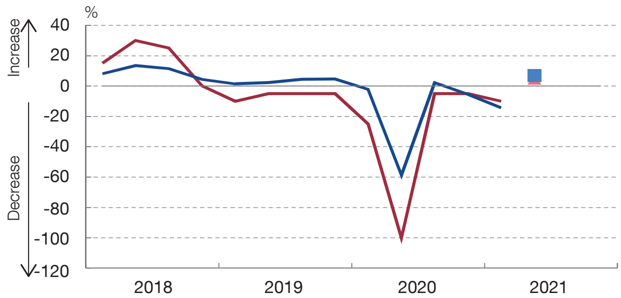


3 CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

3.1 CHANGE IN CREDIT STANDARDS AND IN LOAN TERMS AND CONDITIONS (a)



3.2 CHANGE IN DEMAND (b)



CREDIT STANDARDS. SPAIN
CREDIT STANDARDS. EURO AREA
FORECAST CREDIT STANDARDS. SPAIN
FORECAST CREDIT STANDARDS. EURO AREA
TERMS AND CONDITIONS. SPAIN
TERMS AND CONDITIONS. EURO AREA

SPAIN
EURO AREA
FORECAST. SPAIN
FORECAST. EURO AREA

SOURCES: Banco de España and ECB.

a Indicator = percentage of banks that have tightened their credit standards or terms and conditions considerably × 1 + percentage of banks that have tightened their credit standards or terms and conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or terms and conditions somewhat × 1/2 – percentage of banks that have eased their credit standards or terms and conditions considerably × 1.

b Indicator = percentage of banks reporting a considerable increase × 1 + percentage of banks reporting some increase × 1/2 – percentage of banks reporting some decrease × 1/2 – percentage of banks reporting a considerable decrease × 1.

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increase in lending volumes in the segments of loans to firms and loans to households for house purchase.

In response to the ad hoc question about the impact of the ECB's negative deposit facility rate, Spanish banks reported that it had not had any significant effect in the last six months. Conversely, in the euro area this measure contributed to the decrease in banks' profitability and net interest income, and to a decline in deposit interest rates, as well as to a slight increase in the funds raised through this channel. This increased volume of deposits may be explained by the low opportunity cost of holding liquidity against a backdrop of low interest rates and heightened uncertainty due to the pandemic. As for the terms and conditions applied to credit, in the euro area the measure caused interest rates and margins[4] to decline slightly and lending volumes to rise across all types of loans. Lastly, the introduction of the two-tier system for the remuneration of reserves held at the central bank did not have a significant impact in Spain, which could be partly due to the relatively low levels of surplus liquidity held by Spanish banks in the last six months, whereas in the euro area it had a positive effect on banks' financial situation (see Chart A.3).

Finally, from the questions on the ECB's TLTRO III (see Charts A.4, A.5 and A.6) it can be inferred that none of the ten responding Spanish banks participated in the December tender procedure, while all of them participated in the March 2021 tender procedure.[5] A total of 20% of euro area banks participated in the December tender procedure, a figure which rose to 60% in March. Both in Spain and in the euro area, the main motive for participating in these tender procedures was profitability; precautionary reasons and contributing to compliance with regulatory requirements were also highlighted. The liquidity obtained in these operations had been used mainly, in both areas, to replace TLTRO II funding and to lend to the non-financial private sector. Additionally, both in Spain and in the euro area, these operations improved banks' financial situation and their funding conditions and made it easier to comply with regulatory requirements. In the two areas they also prompted a slight easing of the terms and conditions on lending to corporations and to households for house purchase, and an increase in lending volumes, which was sharper in the loans to firms segment.

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 in the non-financial corporations segment

4 The margin is the spread of a bank's interest rate on loans over a market reference rate.

5 The large-scale participation in the March tender is partly attributable to the agreement adopted by the ECB on 10 December 2020 which increased the maximum amount that a bank can borrow through these operations. This increase was not in force as of the deadline for submitting bids for funds for the December operation.

tightened again slightly in 2021 Q1, for the third consecutive quarter, and essentially affected lending to SMEs since the credit standards on loans to large corporations remained stable. The breakdown by maturity shows a slight tightening in long-term loans whereas there were no significant changes in short-term loans. This contraction of the credit supply was mainly due to heightened risk perceptions, linked to collateral requirements and the worsening outlook both for the general economic situation and the creditworthiness of borrowers and specific sectors (see Chart 2). In line with tighter credit standards, the share of rejected loan applications grew.

By contrast, the slight easing of overall terms and conditions on new loans in 2021 Q1, which took the form of the lower margins applied by some banks on average loans, is explained by banks' more favourable cost of funds and balance sheet constraints. Conversely, heightened risk perception and lower risk tolerance led certain banks to increase slightly the margins on riskier loans, to reduce the loan amount and to increase collateral requirements (see Chart 2). The breakdown by firm size shows that margins on average loans decreased both in lending to SMEs and to large firms.

According to the responses received, demand from firms fell for the third consecutive quarter. The breakdown by size and by maturity both show the same downward pattern. Applications decreased mainly as a result of lower fixed capital investment, firms' diminished liquidity needs for financing inventories and working capital, and smaller financing needs for mergers and acquisitions (see Chart 3). By contrast, the rise in debt restructuring contributed to a slight increase in loan applications.

Loans to households for house purchase

Credit standards on loans to households for house purchase tightened somewhat in Spain in 2021 Q1. These developments were a consequence of the worsening general economic outlook and borrowers' creditworthiness. Nevertheless, the share of loan rejections did not vary significantly.

Conversely, the general terms and conditions on these loans eased somewhat,[6] stemming from more favourable funding costs and balance sheet constraints, as well as the strong competition in this segment. A more detailed analysis reveals that there was a slight reduction in margins on average loans, whereas other terms and conditions remained stable (margins on riskier loans, collateral, loan size, maturity and non-interest rate charges).

6 Notwithstanding the climate of risk and uncertainty, which led banks to tighten their lending standards, that is consistent with a slight easing of the terms and conditions applied in this segment, partly due to the positive impact of the monetary policy measures adopted by the ECB.

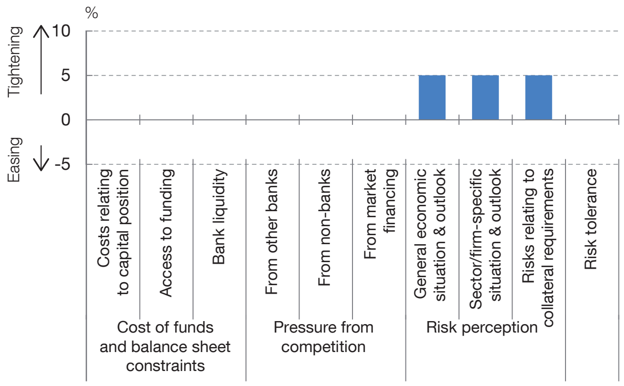
Chart 2

IN SPAIN HEIGHTENED RISK PERCEPTIONS PROMPTED A TIGHTENING OF THE LOAN SUPPLY IN 2021 Q1

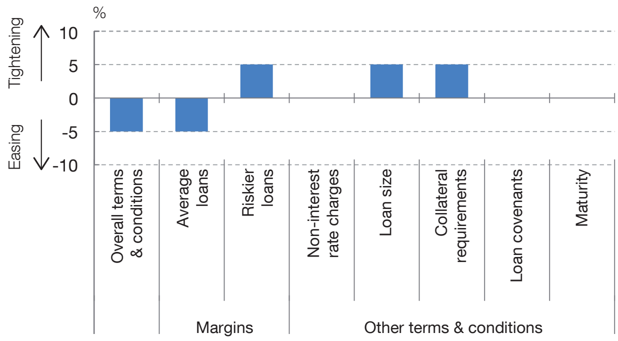
Heightened risk perceptions, relating to the general economic situation and the creditworthiness of borrowers and specific sectors, was the main explanation for the tightening of credit standards on loans in all segments. The terms and conditions on new loans eased in the segments of loans to firms and loans to households for house purchase and remained unchanged in consumer credit and other lending to households.

1 LOAN SUPPLY: NON-FINANCIAL CORPORATIONS

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

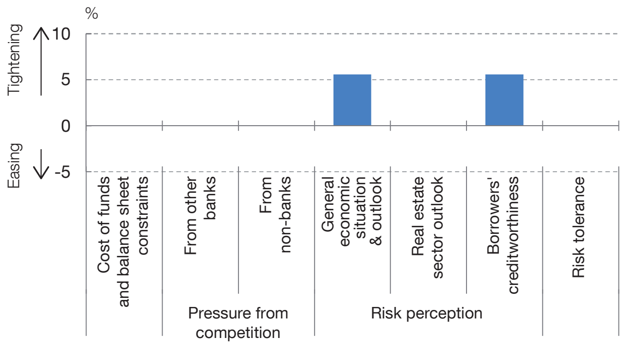


1.2 CHANGES IN LOAN TERMS AND CONDITIONS (b)

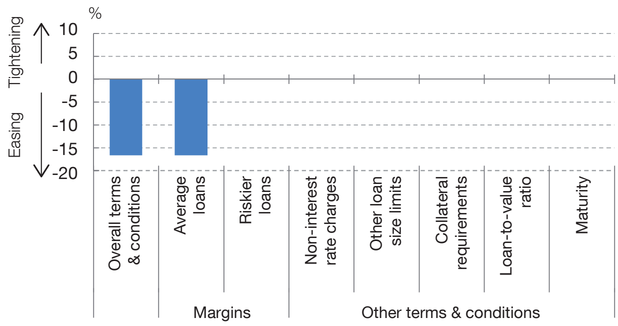


2 LOAN SUPPLY: HOUSEHOLDS FOR HOUSE PURCHASE

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

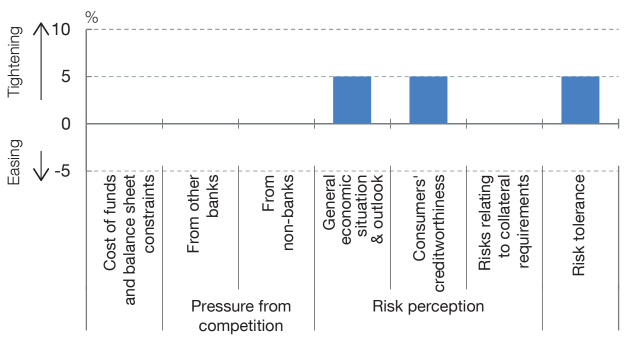


2.2 CHANGES IN LOAN TERMS AND CONDITIONS (b)

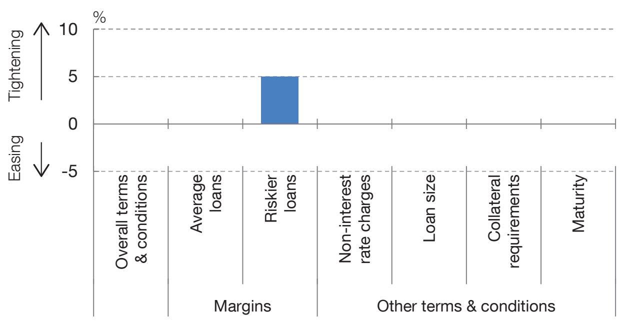


3 LOAN SUPPLY: CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS

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



3.2 CHANGES IN LOAN TERMS AND CONDITIONS (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 × 1 + percentage of banks reporting that it has contributed somewhat to the tightening of credit standards × 1/2 – percentage of banks reporting that it has contributed somewhat to the easing of credit standards × 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 × 1 + percentage of banks that have tightened their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions somewhat × 1/2 – percentage of banks that have eased their terms and conditions considerably.

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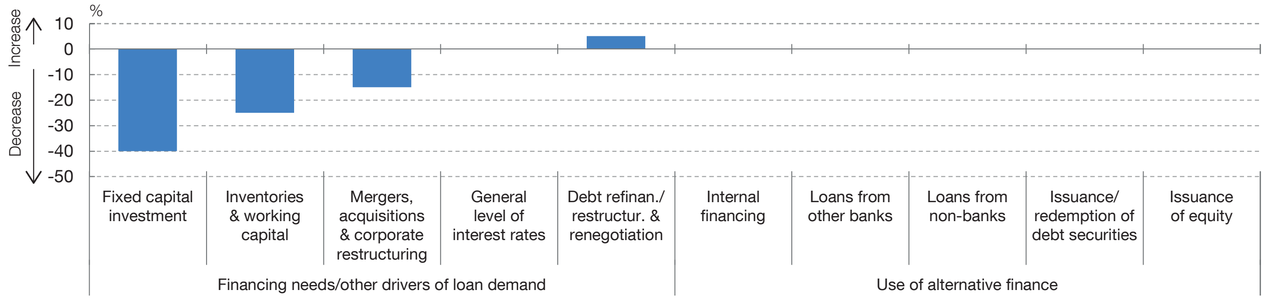
Chart 3
THE DROP IN SPENDING AND INVESTMENT EXPLAIN THE LOWER DEMAND FOR LOANS IN 2021 Q1

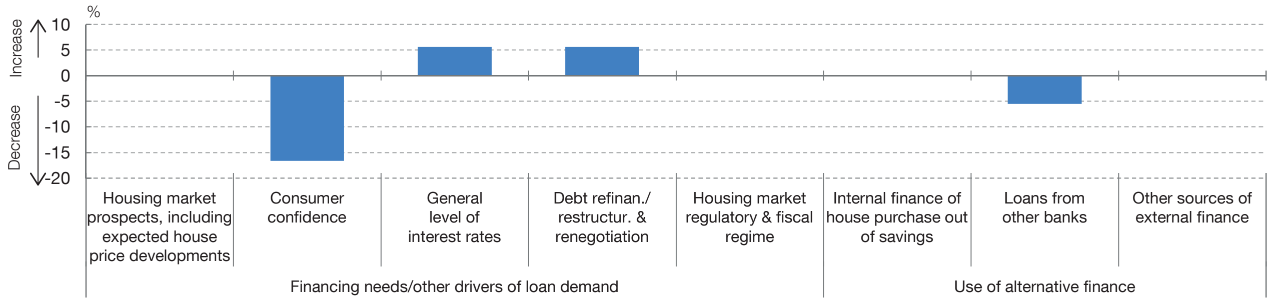
Loan demand decreased across the board. It fell in the loans to firms segment mainly as a result of lower fixed capital investment and diminished needs for financing inventories and working capital, and mergers, acquisitions and corporate restructuring. Demand also declined in the segment of loans to households mainly on account of lower consumer confidence, a factor, which together with the drop in spending on durable consumer goods, explains lower applications for consumer credit and other lending.

1 FACTORS AFFECTING THE CHANGE IN DEMAND FOR LOANS (a)

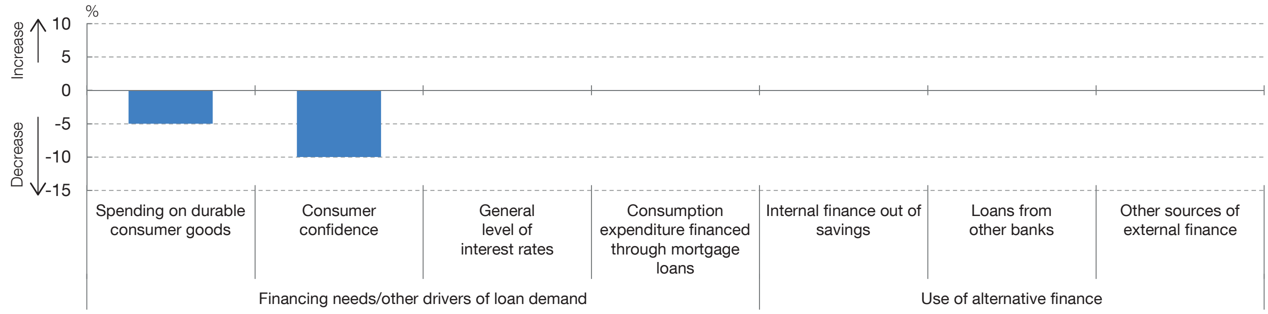
1.1 DEMAND FOR LOANS TO NON-FINANCIAL CORPORATIONS



1.2 DEMAND FOR LOANS TO HOUSEHOLDS FOR HOUSE PURCHASE



1.3 DEMAND FOR CONSUMER CREDIT AND OTHER LENDING TO HOUSEHOLDS



SOURCES: Banco de España and ECB.

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

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Banks perceived a moderate decline in demand for housing loans in 2021 Q1, owing to the drop in consumer confidence and the loans extended by other entities, despite the favourable effect associated with low interest rates and higher debt refinancing and renegotiation (see Chart 3).

Consumer credit and other lending to households

Credit standards for consumer credit and other lending tightened slightly during 2021 Q1, continuing the trend observed since end-2018 which has been weaker in recent quarters. As in the case of other segments of the credit market, according to the banks' responses lower risk tolerance and heightened risk perceptions, relating to the deterioration of the general economic outlook and the decline in the perceived creditworthiness of borrowers, were the main factors affecting the supply of consumer credit and other lending. In addition, the share of rejected loan applications rose again in 2021 Q1.

Unlike other types of lending, the overall terms and conditions for these loans remained unchanged. There was only a slight increase in the margins on riskier loans as a result of heightened risk perception, whereas the other terms and conditions did not vary significantly.

Demand for loans in the consumer credit and other lending segment fell moderately in 2021 Q1. According to the banks surveyed, this was mainly due to a decline in consumer confidence and lower spending on durable consumer goods (see Chart 3).

Ad hoc questions

Spanish banks perceived no significant changes in access to retail funding markets in 2021 Q1 (see Chart A.1). But, as for wholesale markets, they saw some improvement in access to debt securities and securitisation markets, while access to the other markets remained unchanged.

In reply to the question on the impact of the ECB's asset purchase programmes, the responding Spanish banks indicated that, in the last six months, they had mainly prompted an improvement in funding conditions and, to a lesser degree, an increase in their total assets and liquidity, in addition to a slight improvement in their capital ratio (see Chart A.2.1). The programme had little influence on lending policies between October 2020 and March 2021, with no significant effect on the credit standards and lending volumes for the three types of loans, and only prompted a slight easing of the terms and conditions in the segments of loans to firms and lending to households for house purchase.

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 not affected either their levels of profitability or their net interest income in the last six months (see Chart A.3.1). Nor did it have a significant effect on the terms and conditions applied to the loans granted or to deposits. Lastly, the two-tier system for remunerating reserves held at the Banco de España had no significant impact in the last six months, compared with the situation before it was introduced, which could be partly due to the relatively low levels of surplus liquidity held by Spanish banks in the last six months (see Chart A.3.2).

Finally, based on the responses to the ad hoc questions on the ECB's TLTRO III (see Chart A.4), none of the ten reporting Spanish banks stated that they had participated in the December 2020 operation, whereas they all participated in the March 2021 operation.[7] The main motive for doing so was profitability since the banks consider that its conditions are attractive and, to a lesser extent, for precautionary reasons and because it makes it easier to comply with regulatory requirements. 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 repercussions of these operations, banks considered that they contributed to improving their financial situation in terms of profitability, liquidity and market funding conditions, and that they have also enhanced compliance with regulatory requirements (see Chart A.6). Similarly, they prompted a slight easing in supply conditions and an increase in lending volumes in the three segments analysed.

Outlook

As regards this quarter, the responding Spanish banks expected a slight tightening of credit standards across all segments (see Table 1 and Chart 1). On the demand side, banks expect that there will be a widespread increase in applications which will be slightly sharper in the loans to firms segment than in the loans to households segment.

Looking ahead to 2021 Q2, the Spanish banks surveyed envisaged a stable outlook for their access to funding on retail markets, whereas on retail markets they thought that the improvement in debt securities and securitisation markets would continue, anticipating a slight worsening of balance sheet risk transferability, and that there would be no significant changes in the other markets (see Chart A.1).

The responding Spanish banks expected that over the next six months the ECB's asset purchase programmes would continue to prompt an improvement in their

7 See footnote 5.

funding conditions, although the impact would be increasingly smaller (see Chart A.2.2). The banks did not expect the programmes to have any significant impact on credit supply or lending volumes.

The Spanish banks think that the ECB's negative deposit facility rate will have no significant effect on their profitability and net interest income between April and September. Nor do they expect it to have a significant impact on the terms and conditions on their loans and deposits or their lending and deposit volumes (see Chart A.3.1.1, A.3.1.2 and A.3.1.4). Similarly, the banks consider that the two-tier system for remunerating reserves held at the Banco de España will have a negligible effect (see Chart A.3.2.2).

Lastly, only two of the ten responding Spanish banks intend to participate in any of the three remaining tender procedures of the ECB's targeted longer-term refinancing operations (TLTRO III). The two banks that stated their intention to participate would do so mainly because they consider that the conditions of the TLTRO are attractive, but also for precautionary reasons due to possible future liquidity needs and because it would make it easier for them to comply with regulatory requirements (see Chart A.4). The funds obtained would mainly be used to grant loans to the non-financial private sector and to hold liquidity with the Eurosystem (see Chart A.5). The banks envisaged that the direct and indirect impacts of these operations would continue to influence positively their profitability, funding conditions and liquidity (see Chart A.6). They also thought that the TLTROs would remain conducive to some degree of easing of credit standards on loans to firms and an increase in lending volumes to the three segments.

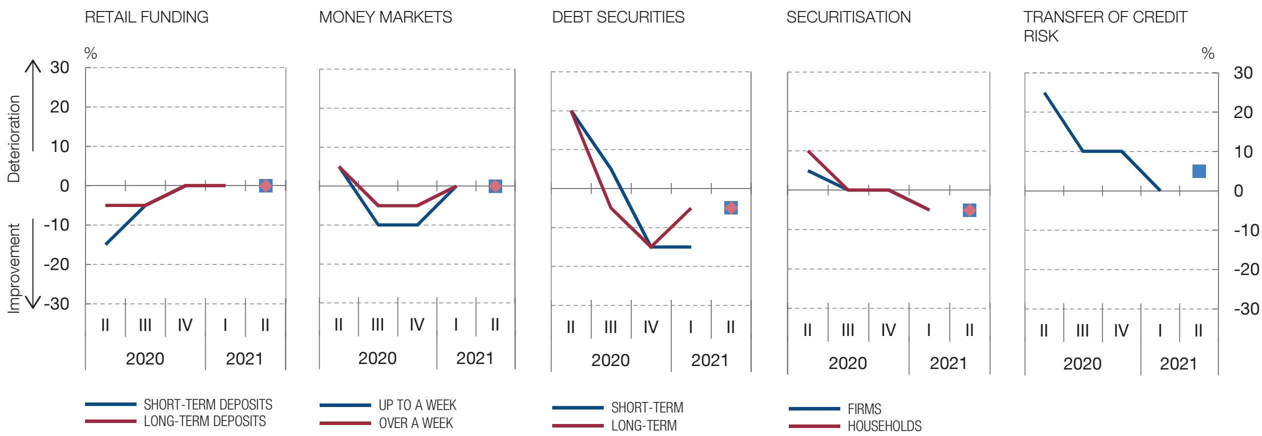
20.4.2021.

Chart A.1

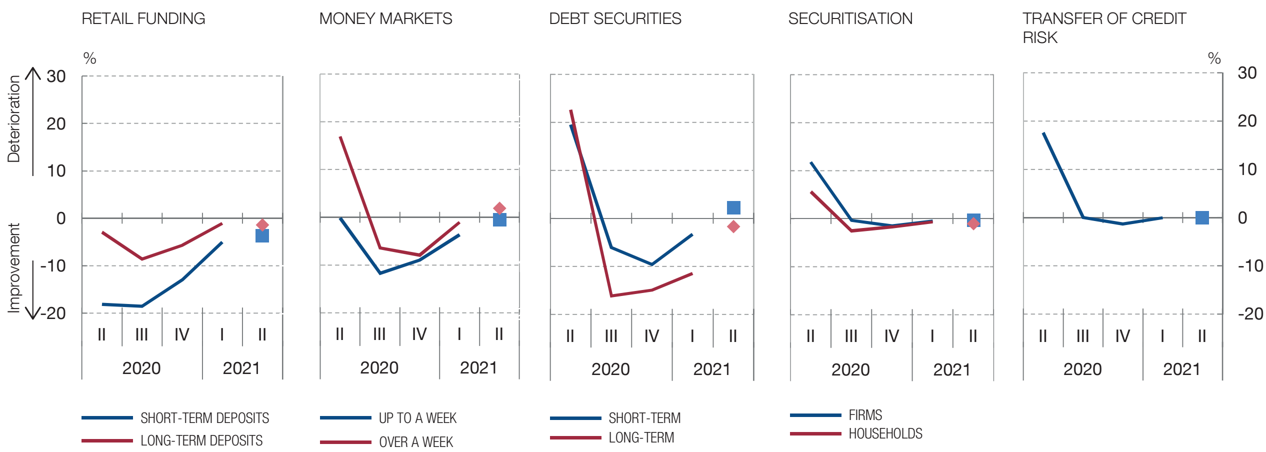
ACCESS TO FUNDING MARKETS REMAINED STABLE OR IMPROVED, BOTH IN SPAIN AND IN THE EURO AREA, DEPENDING ON THE SEGMENT, IN 2021 Q1

In 2021 Q1 access to retail funding markets remained stable in Spain, whereas it improved slightly in the euro area as a whole. Both Spanish and euro area banks perceived stability or an improvement in access to wholesale funding markets in all cases; there was a notable somewhat sharper improvement in the debt securities market.

1 ACCESS TO FUNDING. SPAIN (a) (b)



2 ACCESS TO FUNDING. EURO AREA (a) (b)



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks that perceived a considerable deterioration in their market access × 1 + percentage of banks that perceived some deterioration in their market access × 1/2 – percentage of banks that perceived some improvement in their market access × 1/2 – percentage of banks that perceived a considerable improvement in their market access × 1.
b ◆, ■ = forecast.

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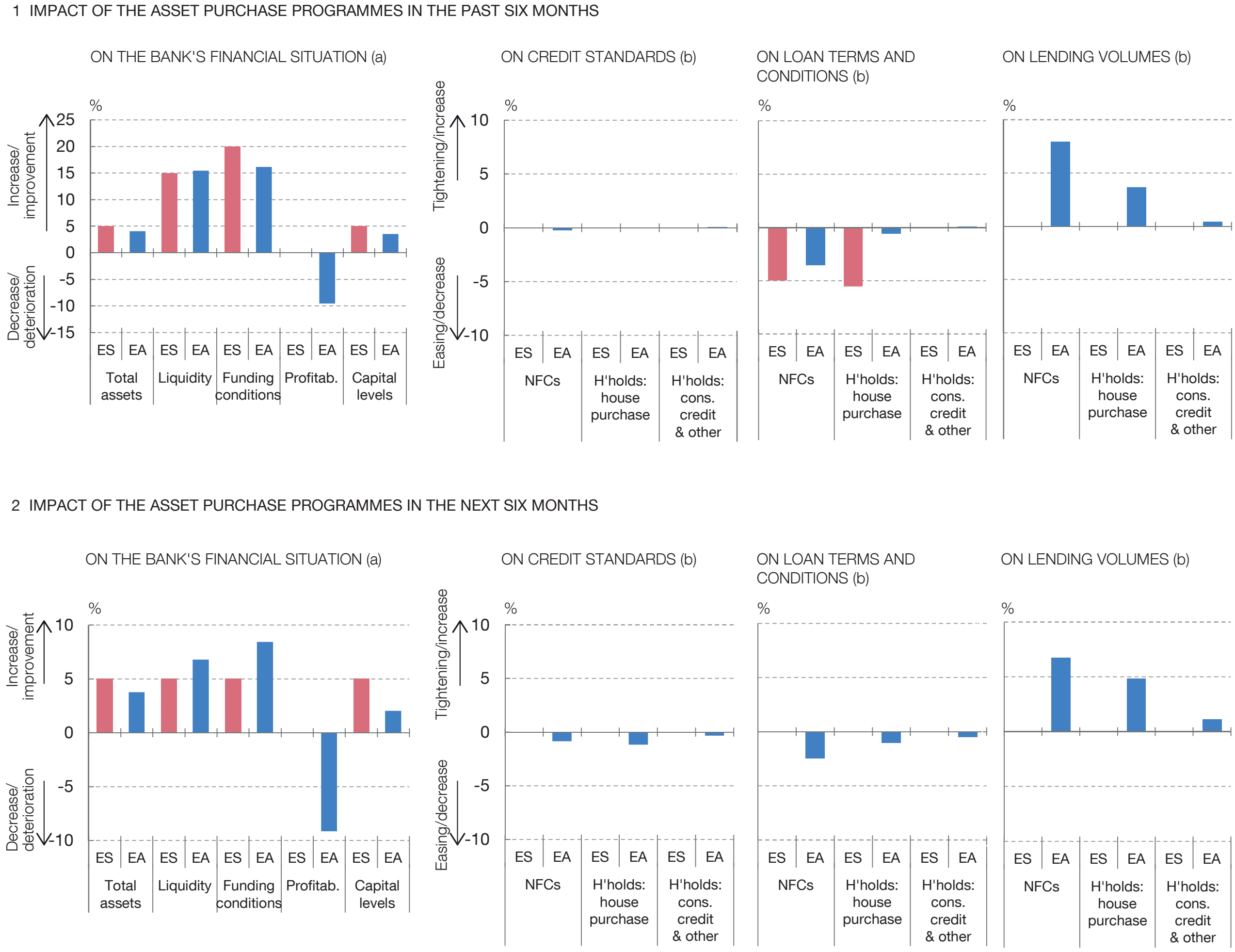
Chart A.2

ASSET PURCHASE PROGRAMMES PROMPTED, IN SOME SEGMENTS, A SLIGHT EASING OF LOAN TERMS AND CONDITIONS AND AN INCREASE IN LENDING VOLUMES

During the past six months the programmes contributed in the two areas to an improvement in the banks' liquidity situation and in their funding conditions, and to a slight increase in their capital ratios. Additionally, they had a negative impact on banks' profitability in the euro area. In Spain and in the euro area they also prompted a slight easing of the terms and conditions applied and an increase in lending volumes in the segments of loans to firms and of loans to households for house purchase.



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks reporting that the programme contributed or would contribute considerably to an increase or improvement × 1 + percentage of banks reporting that it contributed or would contribute somewhat to an increase or improvement × 1/2 – percentage of banks reporting that it contributed or would contribute somewhat to a decrease or deterioration × 1/2 – percentage of banks reporting that it contributed or would contribute to a considerable decrease or deterioration.

b Indicator = percentage of banks reporting that the programme contributed or would contribute considerably to tightening credit standards and terms and conditions or to increasing lending volumes × 1 + percentage of banks reporting that it contributed or would contribute somewhat to a tightening or increase × 1/2 – percentage of banks reporting that it contributed or would contribute somewhat to an easing of credit standards and terms and conditions or to a decrease in volumes × 1/2 – percentage of banks reporting that it contributed or would contribute to a considerable easing or decrease × 1.

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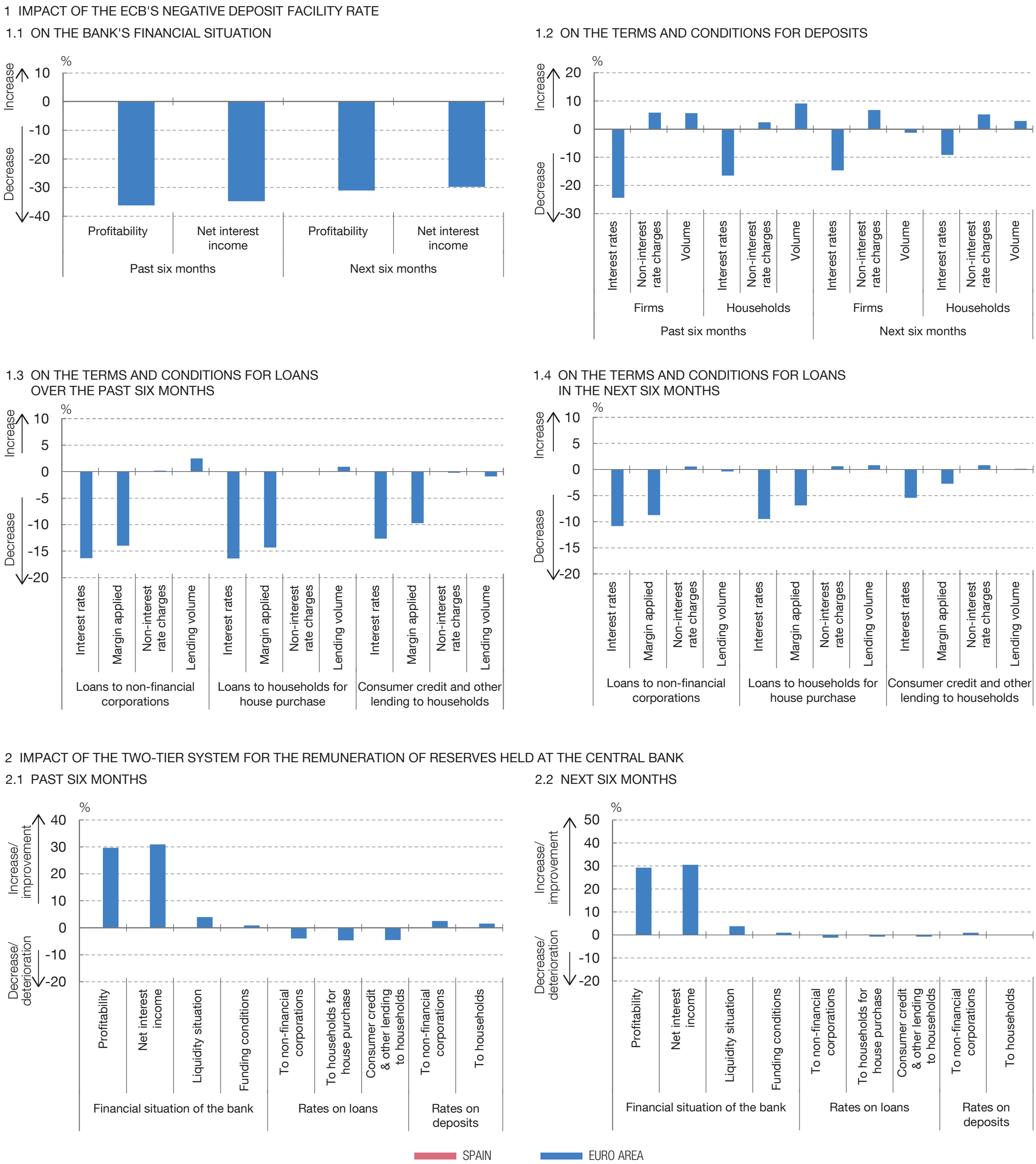
Chart A.3

THE NEGATIVE DEPOSIT FACILITY RATE HAD NO SIGNIFICANT IMPACT IN SPAIN IN THE PAST SIX MONTHS (a)

In Spain this measure had no significant impact in the past six months. By contrast, in the euro area it triggered a decline in banks' profitability and net interest income, as well as lower deposit interest rates, and slightly higher non-interest rate charges and deposit volumes. In the euro area it also prompted a decrease in interest rates and in the margins applied to loans. Lastly, the two-tier system for the remuneration of reserves held at the central bank had a positive effect on the financial situation of euro area banks, whereas it had no significant impact on Spanish banks.



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks reporting a considerable increase or improvement × 1 + percentage of banks reporting some increase or improvement × 1/2 – percentage of banks reporting some decrease or deterioration × 1/2 + percentage of banks reporting a considerable decrease or deterioration × 1.

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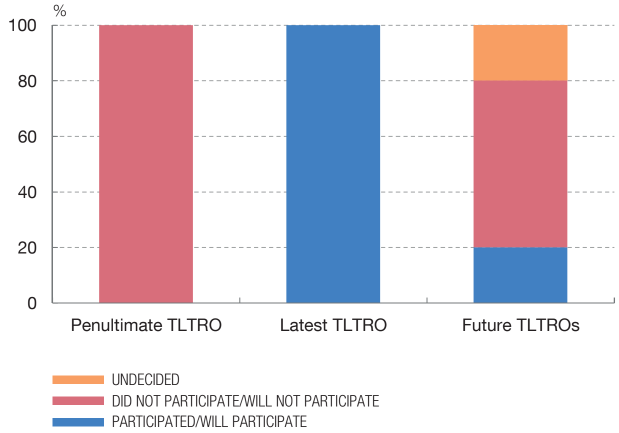
Chart A.4

SPANISH BANKS PARTICIPATED IN THE MARCH TLTRO III TENDER PROCEDURE, ATTRACTED MAINLY BY THE FAVOURABLE CONDITIONS

None of the ten responding Spanish banks participated in the December tender procedure, while all of them participated in the March tender procedure. A total of 20% of euro area banks participated in the December tender procedure, a figure which rose to 60% in March. Both in Spain and in the euro area, the main motive for participating in these tender procedures was profitability; precautionary reasons and contributing to compliance with regulatory requirements were also highlighted, albeit to a lesser degree. Only two of the Spanish banks and 13% of the euro area banks intend to participate in any of the three remaining tender procedures.

1 SPAIN

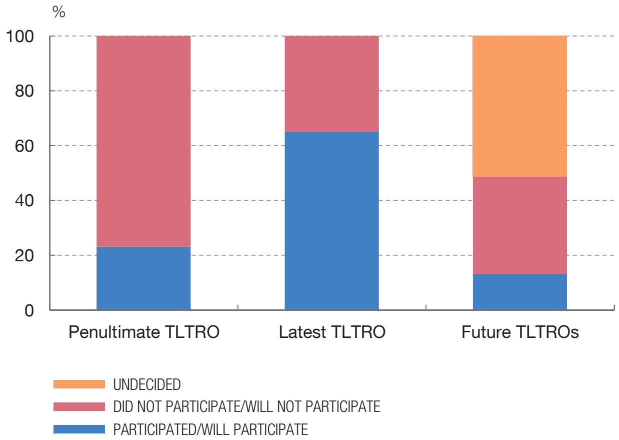
1.1 TLTRO III PARTICIPATION (a)



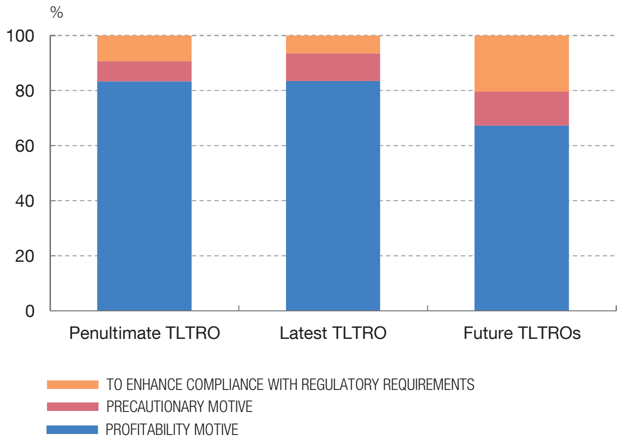
1.2 MAIN REASON FOR PARTICIPATING (b)

2 EURO AREA

2.1 TLTRO III PARTICIPATION (a)



2.2 MAIN REASON FOR PARTICIPATING (b)



SOURCES: Banco de España and ECB.

a Percentage of banks.
b Indicator = percentage of banks reporting that the reason influenced or will influence considerably the decision to participate × 1 + percentage of banks reporting that it influenced or will influence the decision somewhat × 1/2. The results were re-scaled to add up to 100.

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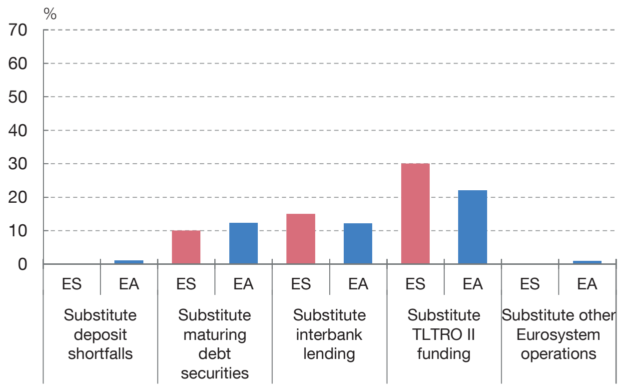
Chart A.5

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

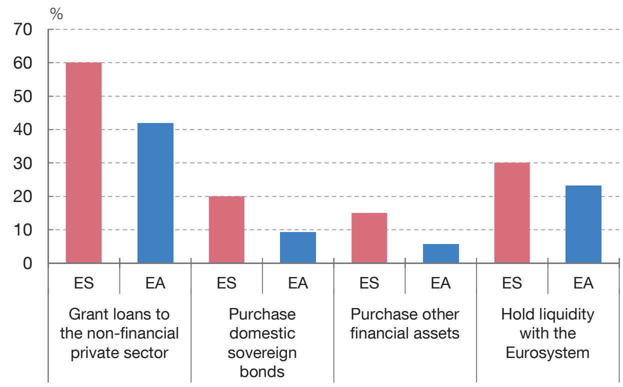
In Spain and the euro area, the liquidity from TLTRO III was used mainly to substitute TLTRO II funding, while the net drawdowns were used above all to lend to the non-financial private sector and, to a lesser extent, to hold liquidity with the Eurosystem, to purchase other financial assets and domestic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

1 USE OF TLTRO III LIQUIDITY IN THE PAST SIX MONTHS

1.1 REFINANCING

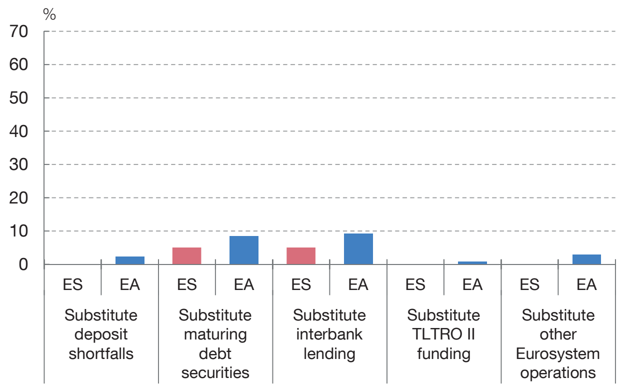


1.2 GRANTING LOANS, PURCHASING ASSETS AND HOLDING LIQUIDITY

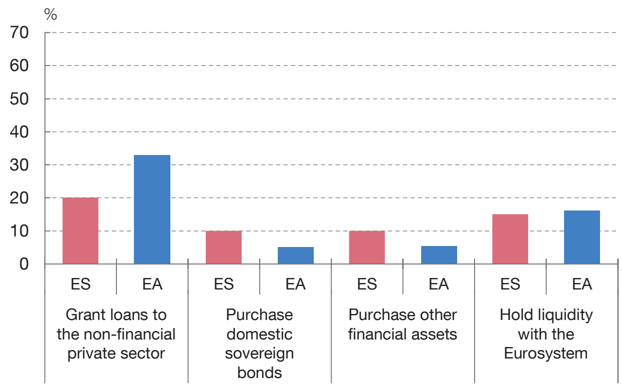


2 USE OF TLTRO III LIQUIDITY IN THE NEXT SIX MONTHS

2.1 REFINANCING



2.2 GRANTING LOANS, PURCHASING ASSETS AND HOLDING LIQUIDITY



SOURCES: Banco de España and ECB.

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

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Chart A.6

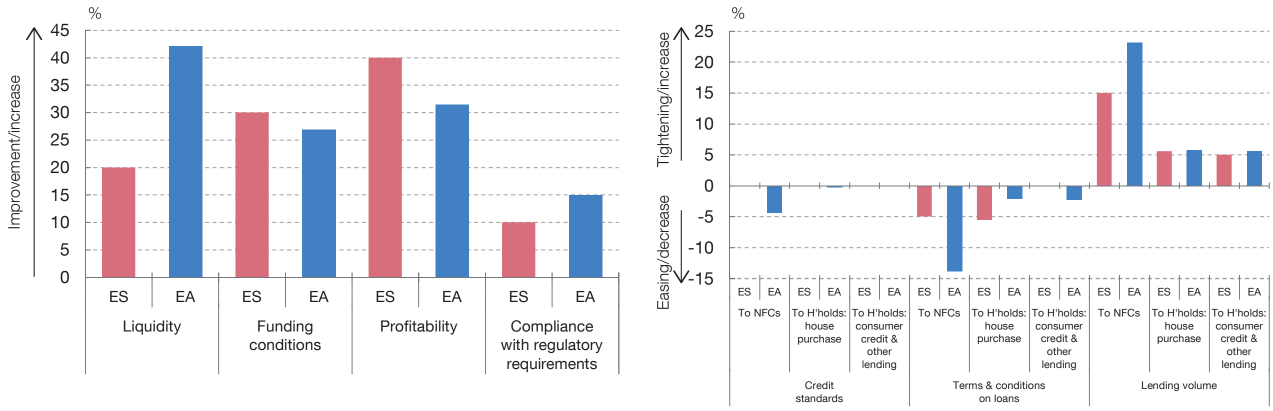
TLTRO III HELPED IMPROVE BANKS' FINANCIAL SITUATION AND INCREASE LENDING VOLUMES

Over the past six months, TLTRO III helped improve banks’ financial situation and, to a lesser extent, made it easier to comply with regulatory requirements. Furthermore, TLTRO III prompted in Spain and in the euro area a slight easing of the terms and conditions on loans to firms and to households for house purchase, and an increase in lending volumes, which was stronger in the loans to firms segment. These effects are expected to continue over the next six months.

1 DIRECT AND INDIRECT IMPACT OF TLTRO III IN THE PAST SIX MONTHS

1.1 ON THE BANK'S FINANCIAL SITUATION (a)

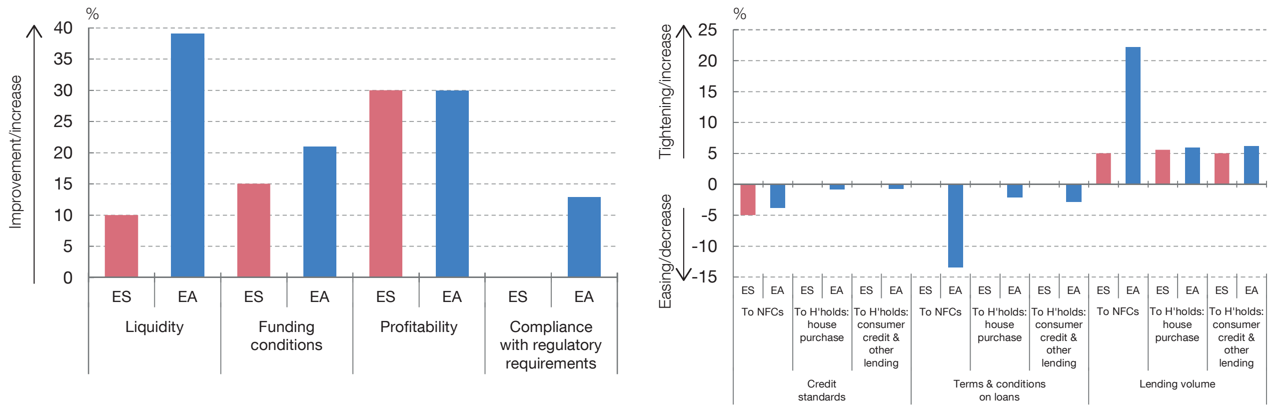
1.2 ON BANK LENDING (b)



2 DIRECT AND INDIRECT IMPACT OF TLTRO III IN THE NEXT SIX MONTHS

2.1 ON THE BANK'S FINANCIAL SITUATION (a)

2.2 ON BANK LENDING (b)



SOURCES: Banco de España and ECB.

a Indicator = percentage of banks reporting a considerable improvement or increase x 1 + percentage of banks reporting a slight improvement or increase x 1/2 – percentage of banks reporting a slight deterioration or decrease x 1/2 – percentage of banks reporting a considerable deterioration or decrease x 1.

b Indicator = percentage of banks reporting a considerable tightening or increase × 1 + percentage of banks reporting a slight tightening or increase × 1/2 – percentage of banks reporting a slight easing or decrease × 1/2 + percentage of banks reporting a considerable easing or decrease x 1.

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