



EUROPEAN CENTRAL BANK

EUROSYSTEM

The euro area bank lending survey

Third quarter of 2025

October 2025



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1 Overview of results

In the October 2025 bank lending survey (BLS), euro area banks reported a small unexpected net tightening of credit standards for loans or credit lines to firms in the third quarter of 2025 (net percentage of banks of 4%; see Overview table).¹ Perceived risks to the industry or firm-specific situation and perceived risks to the economic outlook contributed to tighter credit standards, with the current high level of geopolitical uncertainty and risks connected to trade cited as reasons for discriminating across sectors or firms when issuing new loans. Several banks indicated more intensive monitoring and analysis. Across the four largest euro area countries, banks in Germany reported a tightening of credit standards while banks in France, Italy and Spain reported unchanged credit standards. The net tightening was unexpected as, in the previous round, banks had anticipated that credit standards would remain unchanged (0%) and it follows broadly unchanged credit standards in the second quarter (-1%). For the fourth quarter of 2025, banks expect broadly unchanged credit standards for firms (1%).

Banks reported unchanged credit standards for housing loans and a moderate net tightening for consumer credit (net percentages of 0% and 5% respectively). Changes in banks' risk perceptions were the main drivers of this tightening for consumer credit. Across the four largest euro area countries, credit standards for housing loans remained unchanged in France, Italy and Spain, while tightening slightly in Germany. Credit standards for consumer credit tightened in Germany and Italy, while they did not change in Spain and France. The small net easing in credit standards for housing loans anticipated by euro area banks in the second quarter of 2025 did not materialise (-3%), while the tightening in credit standards for consumer credit was broadly in line with expectations (4%). For the fourth quarter of 2025, banks expect credit standards to tighten slightly for housing loans (2%) and to tighten further for consumer credit (4%).

Firms' demand for loans increased slightly in the third quarter of 2025 (net percentage of 2%) but remained weak overall. This followed a small increase in loan demand in the previous quarter (2%). Firms' loan demand was supported in the third quarter by declining lending rates and by increased financing needs for debt refinancing or debt restructuring, while the impact of fixed investment, inventories and working capital was neutral. Several banks referred to a dampening impact on loan demand from global uncertainty and the related trade tensions. Across the four largest euro area countries, banks in Germany, Italy and Spain reported a net increase in firms' loan demand, whereas banks in France reported another marked net decrease. The increase in loan demand was weaker than expected (7%). For the fourth quarter of 2025, banks expect unchanged loan demand from firms (0%).

¹ The results reported in the October 2025 survey relate to changes observed during the third quarter of 2025 and expectations for the fourth quarter of 2025. The survey was conducted between 19 September and 7 October 2025. A total of 154 banks were surveyed in this round, with a response rate of 100%. In addition to results for the euro area as a whole, this report contains results for the four largest euro area countries in terms of GDP (i.e. Germany, Spain, France and Italy).

Banks reported a further net increase in demand for housing loans, while demand for consumer credit was broadly unchanged (net percentages of 28% and 1% respectively). Improved housing market prospects and declining lending rates were the primary drivers of the sustained increase in housing loan demand. The net increase was observed across a wide range of euro area countries. It was lower than in the previous quarter (37%) but higher than banks' expectations (21%). Consumer credit demand was supported by declining interest rates and "other factors", but this was offset by lower consumer confidence. The developments in demand for consumer credit were in line with banks' expectations (1%). For the fourth quarter of 2025, banks expect demand for housing loans to expand further (8%), albeit at a more moderate pace than in previous quarters, while a small increase is expected for consumer credit (2%).

Overall credit terms and conditions remained broadly unchanged for loans to firms, while they eased for both household segments. For firms, margins on average loans continued to narrow. For housing loans, narrower margins on average loans and, to a lesser extent, lower lending rates, contributed to an easing of terms and conditions. Lending rates were also a contributing factor to the easing for consumer credit. Margins on riskier loans widened for housing loans and narrowed for consumer credit.

Banks reported a net increase in the share of rejected loan applications across all loan categories, with a more marked net increase for consumer credit. The net increase was larger than in the previous quarter and larger than the average reported since the beginning of 2024 across all loan categories. For housing loans, it was also the first net increase since the first quarter of 2024.

The October 2025 BLS contained the following ad hoc questions:

- Banks' access to retail funding remained broadly unchanged in the third quarter of 2025, eased slightly for money markets and securitisations, and to a greater extent for debt securities. Access to debt securities eased more strongly for medium to long-term securities. Over the next three months, banks expect access to improve slightly for retail funding and to tighten slightly for money markets, while remaining broadly unchanged for debt securities and securitisation.
- The reduction in the ECB's monetary policy asset portfolio has had a broadly neutral impact on the market financing conditions and liquidity positions of euro area banks over the last six months, while inducing a further increase in banks' holdings of euro area sovereign bonds. The impact on lending conditions remained muted, reflecting the measured and predictable adjustment of the ECB's monetary policy portfolio. Banks expect the impact to remain broadly neutral over the next six months.
- Euro area banks reported a small net tightening impact from non-performing loans (NPL) ratios and other credit quality indicators on their credit standards for loans to firms, while credit standards for housing loans and consumer credit were unaffected in the third quarter of 2025. In the fourth quarter of 2025, euro

area banks expect a more noticeable tightening impact of credit quality on their lending conditions for consumer credit and loans to firms.

- Banks reported a further negative impact from the ECB's key interest rate decisions on their net interest margins over the past six months, while the impact through volumes turned positive. Banks expect similar, albeit smaller, impacts over the next six months.

Overview table

Latest BLS results for the largest euro area countries

(net percentages of banks reporting a tightening of credit standards or an increase in loan demand)

Country	Enterprises						House purchase						Consumer credit					
	Credit standards			Demand			Credit standards			Demand			Credit standards			Demand		
	Q2 25	Q3 25	Avg	Q2 25	Q3 25	Avg	Q2 25	Q3 25	Avg	Q2 25	Q3 25	Avg	Q2 25	Q3 25	Avg	Q2 25	Q3 25	Avg
Euro area	-1	4	8	2	2	-1	2	0	6	37	28	2	11	5	5	2	1	0
Germany	3	10	4	23	10	5	11	4	4	52	26	7	11	7	2	18	7	7
Spain	0	0	9	0	8	-6	0	0	13	40	50	-8	8	0	11	0	17	-6
France	0	0	6	-27	-27	-5	0	0	2	25	38	3	17	0	0	-25	-25	-3
Italy	-9	0	11	18	9	3	0	0	1	9	9	9	23	8	5	0	-8	9

Notes: "Avg" refers to historical averages, which are calculated over the period since the beginning of the survey, excluding the most recent round. Owing to the different sample sizes across countries, which broadly reflect the differences in the national shares in lending to the euro area non-financial private sector, the size and volatility of the net percentages cannot be directly compared across countries.

Box 1

General notes

The BLS is addressed to senior loan officers at a representative sample of euro area banks, representing all euro area countries and reflecting the characteristics of their respective national banking structures. The main purpose of the BLS is to enhance the Eurosystem's knowledge of bank lending conditions in the euro area.²

Detailed tables and charts based on the responses provided can be found in Annex 1 for the standard questions and Annex 2 for the ad hoc questions. In addition, BLS time series data are available on the ECB's website through the [ECB Data Portal](#) – see also the notes to charts throughout this report.

Detailed explanations on the BLS questionnaire, the aggregation of banks' replies to national and euro area BLS results, the BLS indicators and information on the BLS series keys are available on the ECB's website in the [BLS user guide](#). A copy of the [BLS questionnaire with the standard questions](#) and a [glossary of BLS terms](#) can also be found on the [ECB BLS webpage](#).

² For more detailed information on the bank lending survey, see Köhler-Ulbrich, P., Dimou, M., Ferrante, L. and Parle, C., "Happy anniversary, BLS – 20 years of the euro area bank lending survey", *Economic Bulletin*, Issue 7, ECB, 2023, also Huennekes, F. and Köhler-Ulbrich, P., "What information does the euro area bank lending survey provide on future loan developments?", *Economic Bulletin*, Issue 8, ECB, 2022.

2 Loans to enterprises

2.1 Credit standards tightened slightly

Euro area banks reported a small, unexpected net tightening of credit standards for loans or credit lines to firms in the third quarter of 2025 (net percentage of banks of 4%; see Chart 1 and Overview table).³ The net percentage followed broadly unchanged credit standards for loans to firms in the second quarter of 2025 (-1%) and was higher than banks had expected in the previous survey round (credit standards unchanged at 0%). Of the four largest euro area countries, banks in Germany reported a net tightening of credit standards for loans to firms, while banks in Italy, France and Spain reported unchanged credit standards. The net percentage was lower than the historical average since 2003 (8%) but higher than the historical average since 2014 (3%).⁴ The net tightening was broadly similar for loans to small and medium-sized enterprises (SMEs) and to large firms (net percentages of 3% and 4% respectively; see Chart 2). Across maturities, banks reported a slight net tightening of credit standards for both short-term loans (2%) and long-term loans (4%).

Perceived risks related to the economic outlook contributed to tighter credit standards, with the current high level of geopolitical uncertainty and risks connected to trade cited as reasons for discriminating across sectors or firms when issuing new loans (see Chart 1 and Table 1). No other factors contributed to changes in credit standards. Across the four largest euro area countries, higher perceived risks related to the general economic outlook were reported as a tightening factor by banks in Italy and Germany while higher industry and firm-specific risks were reported only in Germany. The tightening impact from risk perceptions is consistent with the net tightening impact from NPL ratios and other indicators of asset quality (see Section 5.3). While euro area banks reported few additional changes to their credit standards related to geopolitical uncertainty and trade tensions over the past three months, several banks mentioned, in response to a dedicated open-ended question, that the geopolitical situation and the possible effects of trade disruptions have been taken into account when making credit risk assessments at the sector or firm level.

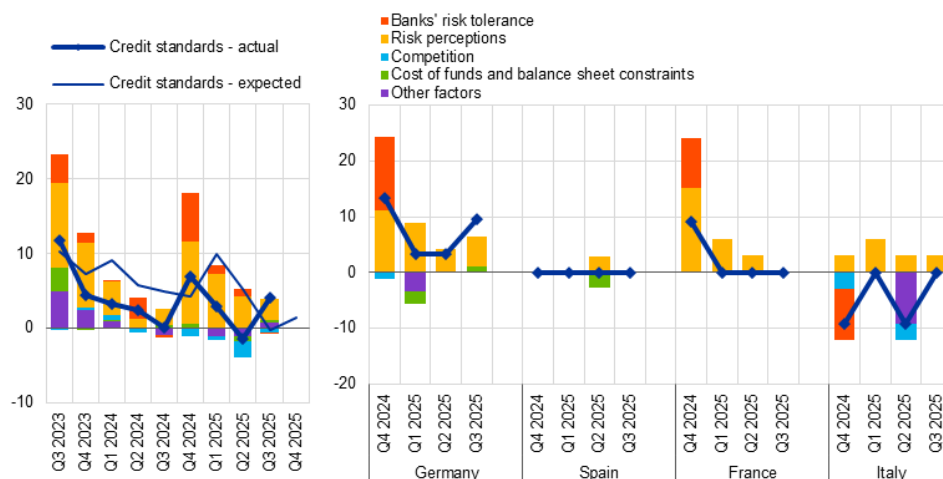
³ Credit standards are the internal guidelines or loan approval criteria of a bank. Net percentages for credit standards refer to changes over the previous three months and are defined as the difference between the percentages of banks reporting a tightening and the percentages of banks reporting an easing. Owing to different sample sizes across countries, which broadly reflect the differences in the national shares in lending to the euro area non-financial private sector, the size and volatility of the net percentages cannot be directly compared across countries.

⁴ Historical averages over different time periods can be taken as rough proxies for the long-term equilibrium change in credit standards, terms and conditions and loan demand over the business cycle, although the figure for credit standards is imperfect given that the euro area has been through several exceptional tightening periods since the BLS was launched in 2003 (such as, in particular, the global financial crisis and the sovereign debt crisis).

Chart 1

Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)

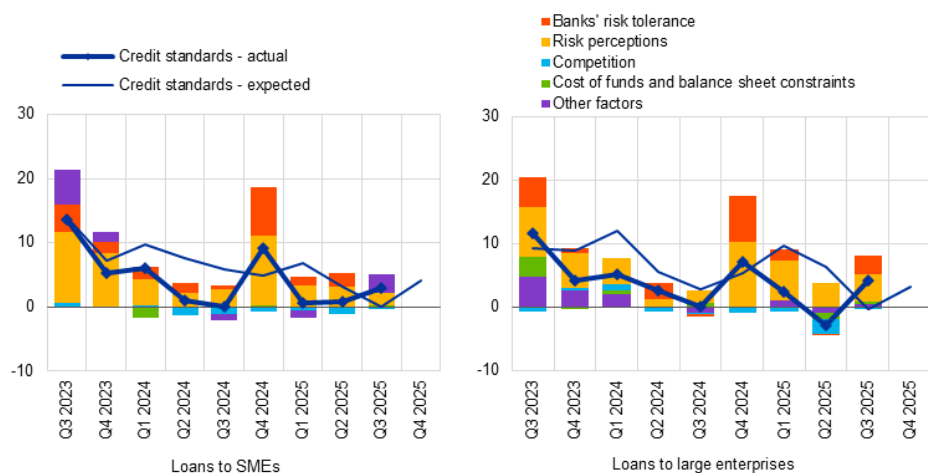


Notes: "Credit standards - actual" are changes that have occurred, while "Credit standards - expected" are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position"; "Risk perceptions" is the simple average of "general economic situation and outlook", "industry or firm-specific situation and outlook/borrower's creditworthiness" and "risk related to the collateral demanded". "Competition" is the simple average of "competition from other banks", "competition from non-banks" and "competition from market financing". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Chart 2

Changes in credit standards applied to the approval of loans or credit lines to SMEs and large enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)



Notes: See the notes to Chart 1. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [loans to SMEs](#) and [loans to large enterprises](#).

In the fourth quarter of 2025, euro area banks expect broadly unchanged credit standards for loans to firms (net percentage of 1%). Banks expect a small tightening of credit standards for loans to SMEs and large firms (4% and 3% respectively), with

broadly unchanged credit standards for short-term loans (1%) and a small tightening for long-term loans (4%).

Table 1

Factors contributing to changes in credit standards for loans or credit lines to enterprises

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	-1	0	-2	0	4	3	1	0
Germany	0	1	0	0	4	5	0	0
Spain	-3	0	0	0	3	0	0	0
France	0	0	0	0	3	0	0	0
Italy	0	0	-3	0	3	3	0	0

Note: See the notes to Chart 1.

2.2 Terms and conditions remained unchanged

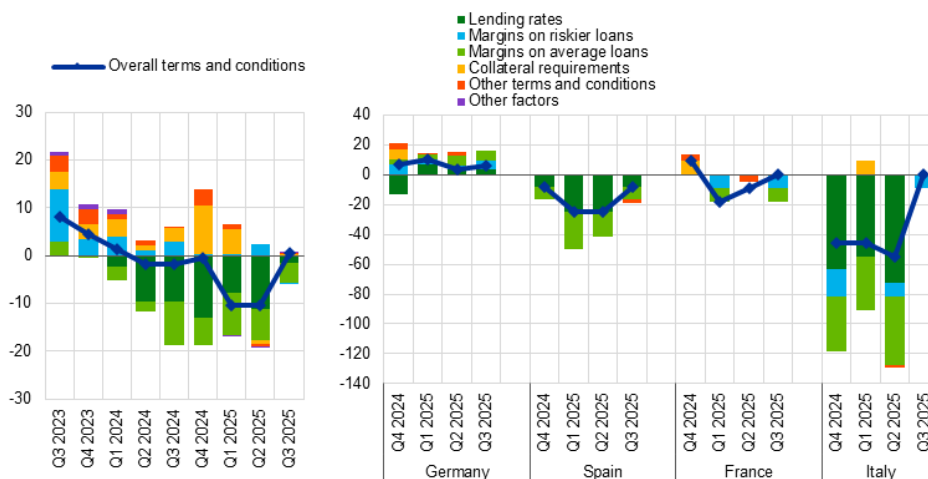
Overall terms and conditions for new loans to enterprises were broadly unchanged (net percentage of 1%; see Chart 3 and Table 2).⁵ Banks reported a further, small narrowing of the margins on average loans, while lending rates and margins on riskier loans were reported as broadly unchanged. Across the four largest euro area countries, banks in Germany reported a net tightening of terms and conditions, mainly driven by an increase in the margins on both average and riskier loans. Banks in France and Italy reported unchanged terms and conditions for loans to firms even though banks in both countries reported narrower margins on riskier loans, with banks in France also reporting narrower margins on average loans. Banks in Spain reported a further, albeit smaller, easing of their terms and conditions for loans to firms, mainly driven by lending rates and average loan margins. Across segments, euro area banks reported broadly unchanged overall terms and conditions for loans to both large firms and SMEs (net percentages of 0% and 1% respectively; see Chart 4). For both segments, lending rates and narrower margins on average loans contributed to a small easing of terms and conditions, while margins on riskier loans widened slightly for large firms.

⁵ Terms and conditions are the actual terms and conditions agreed in the loan contract. The historical net percentage average of overall terms and conditions for loans to firms since 2015, when the series was introduced, is -1%.

Chart 3

Changes in terms and conditions on loans or credit lines to enterprises

(net percentages of banks reporting a tightening of terms and conditions)



Notes: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the simple average of "non-interest rate charges", "size of the loan or credit line", "loan covenants" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Table 2

Changes in terms and conditions on loans or credit lines to enterprises

(net percentages of banks)

Country	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	-10	1	-11	-1	-7	-4	2	0
Germany	3	6	3	3	6	6	3	6
Spain	-25	-8	-25	-8	-17	-8	0	0
France	-9	0	0	0	0	-9	0	-9
Italy	-55	0	-73	0	-45	0	-9	-9

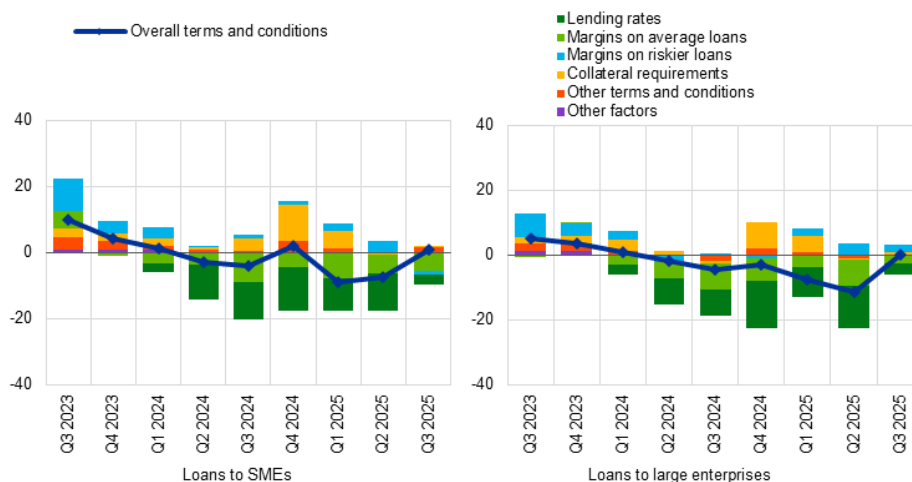
Note: See the notes to Chart 3.

Higher risk perception was the main tightening factor for loans to euro area firms, which offset the easing pressure from higher competition (see Table 3). Risk perceptions connected to industry or firm-specific situations and risk perceptions connected to the general economic outlook were the main factors driving the tightening, while competition from other banks was the main easing factor.

Chart 4

Changes in terms and conditions on loans or credit lines to SMEs and large enterprises

(net percentages of banks reporting a tightening of terms and conditions)



Notes: See the notes to Chart 3. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [loans to SMEs](#) and [loans to large enterprises](#).

Table 3

Factors contributing to changes in overall terms and conditions for loans or credit lines to enterprises

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	-2	-1	-5	-3	2	5	1	1
Germany	0	0	0	-1	5	3	3	0
Spain	-8	-8	-6	0	0	0	0	0
France	-3	0	0	-3	0	6	0	0
Italy	-6	0	-15	-3	3	9	0	0

Notes: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position". "Perception of risk" is the simple average of "general economic situation and outlook", "industry-or-firm-specific situation and outlook/borrower's creditworthiness" and "risk related to the collateral demanded". "Pressure from competition" is the simple average of "competition from other banks", "competition from non-banks" and "competition from market financing". Aggregate series for "cost of funds and balance sheet constraints", "perception of risk" and "pressure from competition" were discontinued from the first quarter of 2022, when detailed sub-factors were introduced. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

2.3

Rejection rates increased further

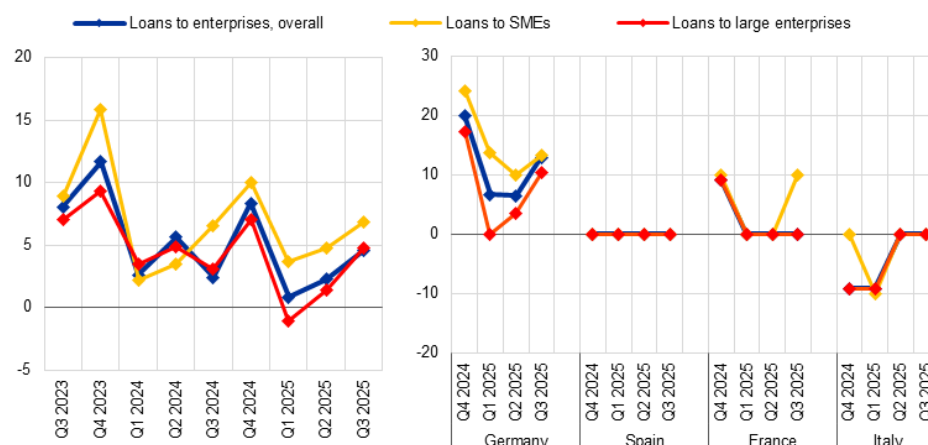
Banks reported a further net increase in the share of rejected loan applications for firms (net percentage of 5%, see Chart 5). The net increase was larger than in the previous quarter and larger than the average reported since the beginning of 2024 (4%). SMEs experienced a slightly larger increase (7%) compared with large enterprises (5%). The share of rejected corporate loan applications increased further

in net terms in Germany, to a larger extent for SMEs than for large firms, whereas in France the share increased for SMEs, while remaining unchanged for loans to large enterprises. Banks in Italy and Spain reported unchanged rejection rates in both segments.

Chart 5

Changes in the share of rejected loan applications for enterprises

(net percentages of banks reporting an increase)



Notes: Share of rejected loan applications relative to the volume of all loan applications in that loan category. The breakdown by firm size was introduced in the first quarter of 2022. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

2.4 Demand for loans increased slightly

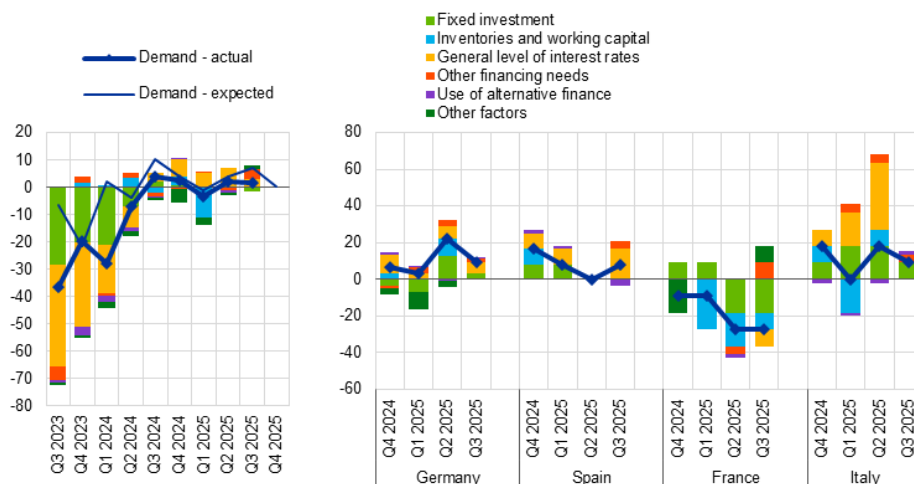
Firms' demand for loans increased slightly, in net terms, in the third quarter of 2025, albeit remaining weak overall (net percentage of 2%; see Chart 6).⁶ This followed a similar increase in loan demand in the previous quarter (2%) and was lower than banks had expected in the previous quarter (7%). The positive, albeit weak, change in demand for loans to euro area firms is consistent with the slow and gradual recovery in loans granted to firms in July and August, according to monetary statistics. Banks in Germany, Spain and Italy reported that demand for loans to firms increased in the third quarter in net terms, while banks in France reported another marked decrease. Across loan segments, banks reported a small net increase in loan demand from SMEs and a larger increase in demand from large firms (2% and 8% respectively, see Chart 7). Loan demand remained broadly unchanged for short-term loans and increased slightly for long-term loans (1% and 2% respectively).

⁶ Loan demand refers to the bank loan financing needs of enterprises and households. Net percentages for loan demand refer to changes over the previous three months and are defined as the difference between the percentages of banks reporting an increase and the percentages of banks reporting a decrease. The historical net percentage average of demand for loans to firms since 2003 is -1%. The average net increase in loan demand for firms since 2014 is 5%.

Chart 6

Changes in demand for loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)

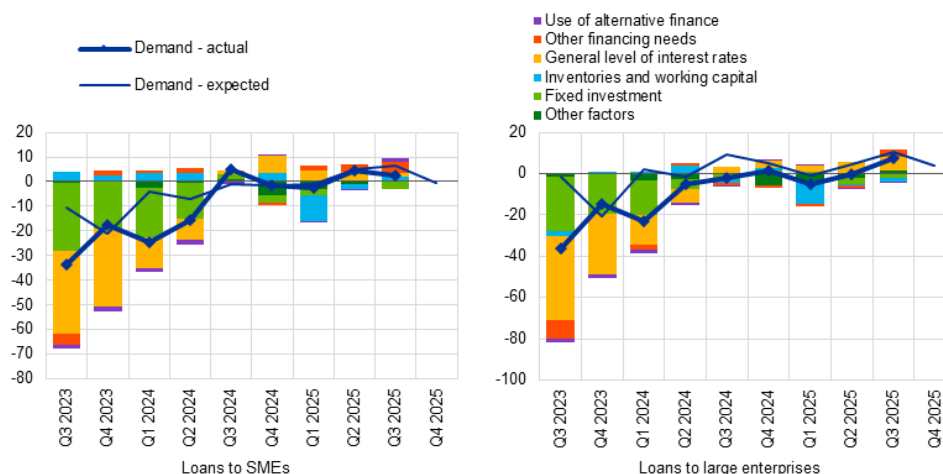


Notes: "Demand - actual" represents changes that have occurred, while "Demand - expected" represents changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". "Other financing needs" is the simple average of "mergers/acquisitions and corporate restructuring" and "debt refinancing/restructuring and renegotiation". "Use of alternative finance" is the simple average of "internal financing", "loans from other banks", "loans from non-banks", "issuance/redemption of debt securities" and "issuance/redemption of equity". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Chart 7

Changes in demand for loans or credit lines to SMEs and large enterprises, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Notes: See the notes to Chart 6. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [loans to SMEs](#) and [loans to large enterprises](#).

In the third quarter, firms' loan demand was supported by declining lending rates and increased financing needs for debt refinancing or debt restructuring (see Chart 6 and Table 4). Banks reported that support for loan demand from the general level of interest rates was lower than in the previous quarter, which is aligned with the slower decline in rates on new businesses observed in July and August in the MFI interest

rate statistics. A lower availability of internal funds also contributed slightly to sustaining demand, in line with the observed decline in corporate profits in the preceding quarters. Fixed investment as well as inventories and working capital continued to have a broadly neutral impact on loan demand. Several banks referred to a dampening impact from global uncertainty and the related trade tensions on loan demand as the “wait and see” approach adopted by firms has led to a postponement of investment decisions. Across the four largest euro area countries, declining interest rates were reported as a factor contributing to net increases in loan demand by banks in Germany and Spain, while banks in Italy reported no contribution from the change in interest rates and banks in France reported a negative contribution. Banks in Germany and Italy reported a positive impact of fixed investment on loan demand, although lower than in the previous quarter, and no impact from inventories and working capital. By contrast, banks in France reported a negative impact on loan demand from fixed investment as well as inventories and working capital. Debt refinancing and debt restructuring had a positive impact on demand according to banks in France, Italy and Spain. Banks in Germany and France reported a positive impact from other financing needs, driven by mergers/acquisitions and corporate restructuring.

Table 4
Factors contributing to changes in demand for loans or credit lines to enterprises

(net percentages of banks)

Country	Fixed investment		Inventories and working capital		Other financing needs		General level of interest rates		Use of alternative finance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	0	-1	0	0	-1	3	7	3	-1	0
Germany	13	3	10	0	3	2	6	6	-1	1
Spain	0	0	0	0	0	4	0	17	0	-3
France	-18	-18	-18	-9	-5	9	0	-9	-2	0
Italy	18	9	9	0	5	5	36	0	-2	2

Note: See the notes to Chart 6.

For the fourth quarter of 2025, banks expect firms’ loan demand to remain unchanged (net percentage of 0%). They expect a small net increase in demand for loans to large firms but unchanged demand for loans to SMEs (4% and 0% respectively). They also expect broadly unchanged demand for both short-term and long-term loans to euro area firms (-1% and 0% respectively). In the open-ended ad hoc question, several banks reported that they expect the current level of global uncertainty to negatively affect demand for credit from firms in the next quarter as well.

3 Loans to households for house purchase

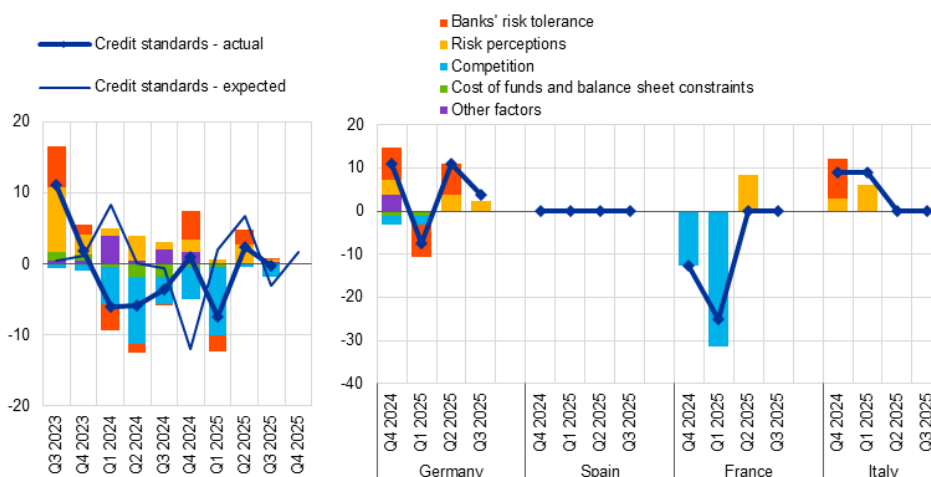
3.1 Credit standards remained unchanged

Banks reported unchanged credit standards for housing loans in the third quarter of 2025 (net percentage of banks of 0%, see Chart 8 and Overview table).⁷ The small net easing in credit standards for housing loans anticipated by euro area banks in the second quarter of 2025 did not materialise (-3%). Across the four largest euro area countries, banks in Germany reported a net tightening, whereas credit standards remained unchanged in France, Italy and Spain.

Chart 8

Changes in credit standards applied to the approval of loans to households for house purchase, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)



Notes: "Credit standards - actual" are changes that have occurred, while "Credit standards - expected" are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2022, when detailed sub-factors were introduced). "Risk perceptions" is the simple average of "general economic situation and outlook", "housing market prospects, including expected house price developments" and "borrower's creditworthiness". "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Competition had a small easing impact on credit standards for housing loans (see Chart 8 and Table 5).⁸ This reflected the contribution of competition from both other

⁷ The historical net percentage average of credit standards for housing loans since 2003 is 6%. Since 2014, it has been 2%.

⁸ "Cost of funds and balance sheet constraints" are defined as the simple average of "bank's capital and the costs related to bank's capital position", "access to market financing" and "liquidity position"; "Risk perceptions" as the simple average of "general economic situation and outlook", "housing market prospects including expected house price developments" and "borrower's creditworthiness"; and "Competition" as the simple average of "competition from other banks" and "competition from non-banks".

banks and non-banks. The impact of competition was not reported by any of the banks in the four largest countries. A small net tightening effect from changes in risk perceptions was reported by banks in Germany, reflecting their perceptions of the general economic situation and borrowers' creditworthiness.

In the fourth quarter of 2025, euro area banks expect to slightly tighten credit standards for housing loans (net percentage of 2%). Across the four largest euro area economies, this tightening is expected to be driven by German banks. French, Spanish and Italian banks expect credit standards for housing loans to remain unchanged.

Table 5

Factors contributing to changes in credit standards for loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	0	0	0	-2	3	0	2	0
Germany	0	0	0	0	4	2	7	0
Spain	0	0	0	0	0	0	0	0
France	0	0	0	0	8	0	0	0
Italy	0	0	0	0	0	0	0	0

Note: See the notes to Chart 8.

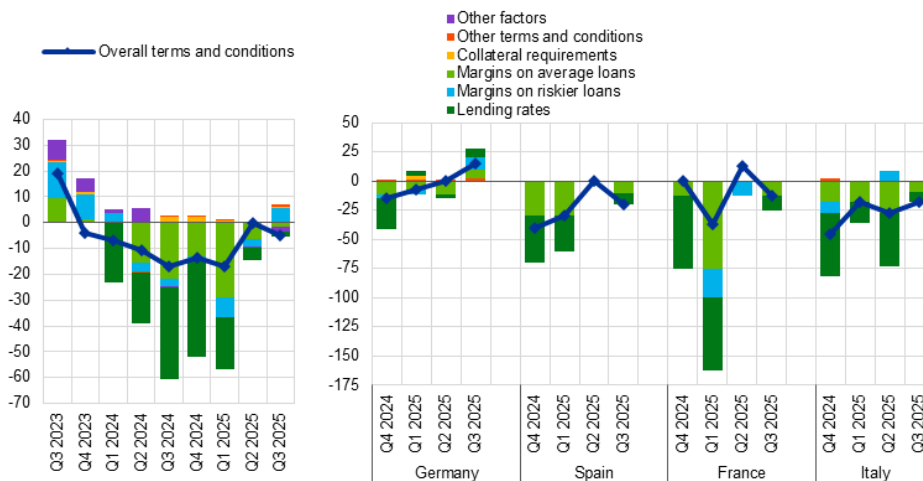
3.2 Moderate net easing of terms and conditions

Euro area banks reported a moderate net easing of overall credit terms and conditions for housing loans in the third quarter of 2025 (net percentage of -5%; see Chart 9 and Table 6). This followed the unchanged terms and conditions reported in the second quarter of 2025.⁹ Lending rates and margins on average loans contributed slightly to the easing of terms and conditions, while margins on riskier loans widened. This was aligned with the moderation in interest rate declines in certain mortgage segments and the evolution of long-term rates. Among the largest euro area countries, banks in Germany reported a net tightening of terms and conditions, driven by developments in lending rates and margins on both average and riskier loans, in line with recent developments in actual mortgage rates. However, banks in Spain, Italy and France reported a net easing of overall terms and conditions, owing to narrower margins on average loans and lower lending rates.

⁹ The historical net percentage average of overall terms and conditions for housing loans since 2015, when the series was introduced, is 0%.

Chart 9**Changes in terms and conditions on loans to households for house purchase**

(net percentages of banks reporting a tightening of terms and conditions)



Notes: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over relevant market reference rates. "Other terms and conditions" is the simple average of "loan-to-value ratio", "other loan size limits", "non-interest rate charges" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Table 6**Changes in terms and conditions on loans to households for house purchase**

(net percentages of banks)

Country	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	0	-5	-5	-2	-6	-2	-3	6
Germany	0	15	-4	7	-11	7	0	11
Spain	0	-20	0	-10	0	-10	0	0
France	13	-13	0	-13	0	-13	-13	0
Italy	-27	-18	-45	-9	-27	-9	9	0

Note: See the notes to Chart 9.

In the third quarter of 2025, competition had a small net easing impact on overall terms and conditions (net percentage of -3%, see Table 7). This was substantially lower than in the previous quarter and comparable with the average over the past two years. Competition had a heterogeneous impact among the four largest countries. Banks in Spain and Italy reported a net easing impact, while banks in Germany reported a net tightening impact for the first time since the third quarter of 2022. Banks in France reported a neutral impact from competition on overall credit terms and conditions. Banks' costs of funds and balance sheet constraints, primarily related to their market financing costs in the third quarter of 2025, had a small net tightening impact in Italy and Germany for the first time since the third quarter of 2023. This was associated with a tightening impact of risk perceptions for banks in Italy and of risk tolerance for banks in Germany.

Table 7

Factors contributing to changes in overall terms and conditions on loans to households for house purchase

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	-1	1	-13	-3	1	-1	0	1
Germany	-1	2	0	7	4	0	4	4
Spain	0	0	0	-20	0	0	0	0
France	0	0	-25	0	0	0	0	0
Italy	-9	3	-27	-9	0	9	0	0

Notes: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter 2024, when detailed sub-factors were introduced). The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

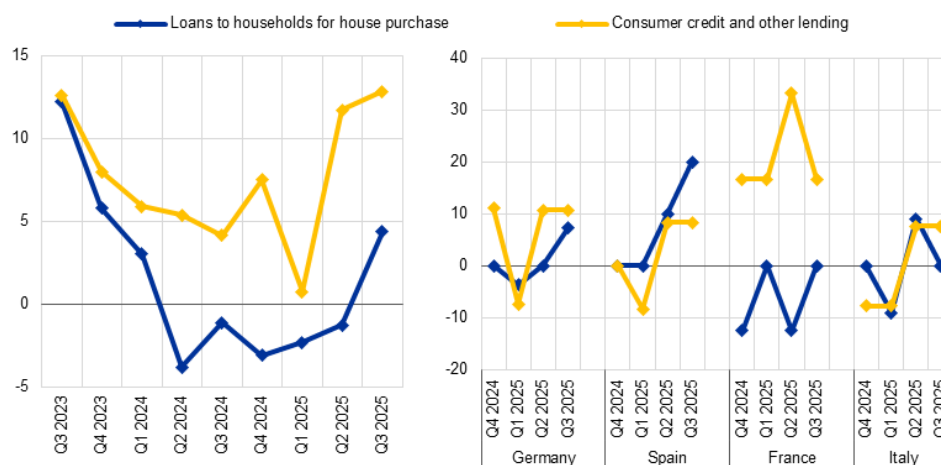
3.3 Rejection rates increased

Banks reported a net increase in the share of rejected housing loan applications for the first time since the first quarter of 2024 (net percentage of 5%; see Chart 10). This increase contrasts with the declining share in the preceding quarters and with the overall unchanged credit standards in the current period. Across the four largest euro area countries, the share of rejections increased in Spain and Germany, while remaining unchanged in France and Italy.

Chart 10

Changes in the share of rejected loan applications for households

(net percentages of banks reporting an increase)



Notes: Share of rejected loan applications relative to the volume of all loan applications in that loan category. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

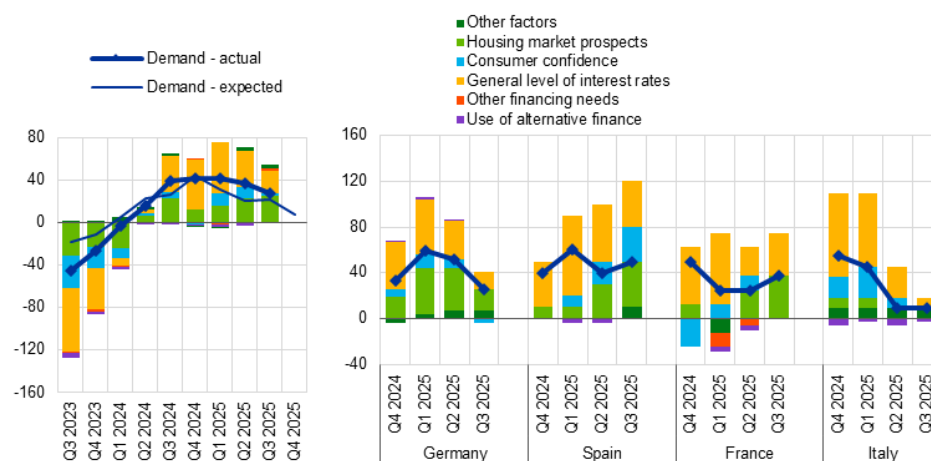
3.4 Demand for loans increased further

Banks reported a further strong net increase in demand for housing loans (net percentage of 28%, see Chart 11 and Overview table).¹⁰ A net increase was reported by Spain, France, Germany and Italy. The net increase was lower than in the previous quarter (37%) but constitutes the sixth consecutive quarter of reported expansion in net terms. It is also the third consecutive quarterly reading to exceed banks' expectations (21%), especially in Germany and Spain, while the outcome was in line with expectations in France and Italy. The reported net increase in demand was only partially reflected in actual loan volumes, whose three-month growth rates continued to stabilise at just below the level of 3% reached in early 2025.

Chart 11

Changes in demand for loans to households for house purchase, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Notes: "Demand - actual" represents changes that have occurred, while "Demand - expected" represents changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". "Other financing needs" is the simple average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets". "Use of alternative finance" is the simple average of "internal finance of house purchase out of savings/down payment", "loans from other banks" and "other sources of external finance". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Improved housing market prospects replaced lower interest rates as the primary driver of the continued increase in housing loan demand (see Chart 11 and Table 8). The reported contribution from improved housing market prospects was higher than in the previous quarter (25%, from 23%), while the contribution from interest rates was lower than in the previous quarter (21%, from 33%). These factors were relevant across the four largest countries, except for housing market prospects in Italy, which had a neutral impact on demand. Consumer confidence had a strong supporting

¹⁰ "Other financing needs" is the simple average of "debt refinancing/restructuring and renegotiation" and "regulatory and fiscal regime of housing markets"; "Use of alternative finance" is the simple average of "internal financing out of savings/down payment", "loans from other banks" and "other sources of external finance". The historical net percentage average of demand for housing loans since 2003 is 2%. The average net increase of housing loan demand since 2014 is 9%.

impact on housing loan demand in Spain and a neutral impact in France and Italy, but had a small dampening impact on loan demand in Germany.

In the fourth quarter of 2025, banks expect housing loan demand to grow further but at a more moderate pace (net percentage of 8%). German, Spanish and Italian banks expect demand to improve, while French banks expect demand to decrease considerably.

Table 8

Factors contributing to changes in demand for loans to households for house purchase

(net percentages of banks)

Country	Housing market prospects		Consumer confidence		Other financing needs		General level of interest rates		Use of alternative finance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	23	25	10	3	0	2	33	21	-2	-1
Germany	37	19	7	-4	0	0	33	15	1	0
Spain	30	40	20	30	0	0	50	40	-3	0
France	25	38	13	0	-6	0	25	38	-4	0
Italy	0	0	9	0	0	0	27	9	-6	-3

Note: See the notes to Chart 11.

4 Consumer credit and other lending to households

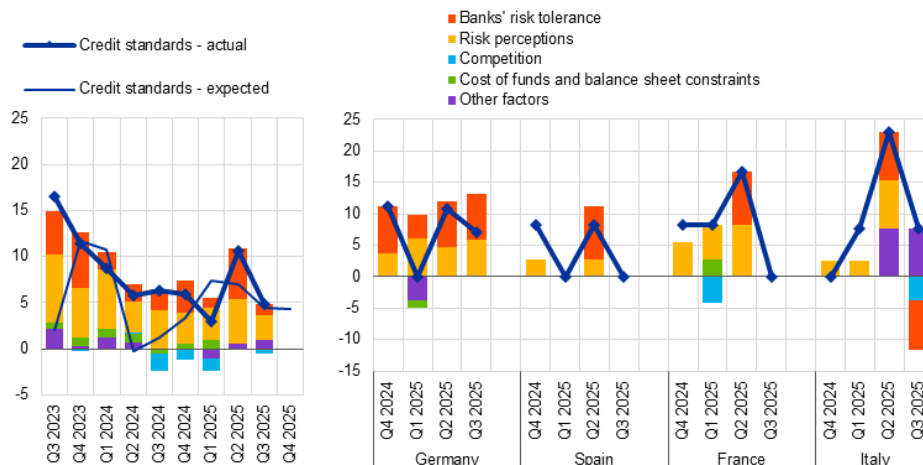
4.1 Moderate tightening of credit standards

Banks reported a moderate net tightening of credit standards for consumer credit and other lending to households in the third quarter of 2025 (net percentage of 5%; see Chart 12 and Overview table). Credit standards for consumer credit tightened for the 14th consecutive quarter, albeit at a slower pace than in the previous quarter (11%). The net tightening was broadly in line with euro area banks' expectations in the previous quarter (4%). It was also in line with the historical average since 2003 (5%) and slightly above the average since 2014 (3%). Credit standards for consumer credit tightened for banks in Germany and Italy, while no change was reported by banks in Spain and France, following higher net tightening in the previous quarter across all of the four largest euro area countries.

Chart 12

Changes in credit standards applied to the approval of consumer credit and other lending to households, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)



Notes: "Credit standards - actual" are changes that have occurred, while "Credit standards - expected" are changes anticipated by banks. Net percentages are defined as the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital position", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2022, when detailed sub-factors were introduced). "Risk perceptions" is the simple average of "general economic situation and outlook", "creditworthiness of consumers" and "risk on the collateral demanded". "Competition" is the simple average of "competition from other banks" and "competition from non-banks". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in credit standards. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Higher risk perceptions were the main driver of the net tightening of credit standards for consumer credit (see Chart 12 and Table 9). The higher impact of risk perceptions related to concerns about borrowers' creditworthiness (6%) but also to the general economic outlook (2%). Banks' risk tolerance and perceptions had a broadly neutral impact. Similarly to the previous quarter, the two factors related to

risk drove the tightening in Germany. “Other factors” were reported as contributing to a tightening of credit standards by banks in Italy, while banks’ risk tolerance and competition had an easing impact.

In the fourth quarter of 2025, euro area banks expect credit standards for consumer credit and other lending to households to tighten further (net percentage of 4%). Across the four largest euro area economies, banks in France and Germany expect further net tightening, while banks in Italy and Spain expect unchanged credit standards.

Table 9

Factors contributing to changes in credit standards for consumer credit and other lending to households

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	0	0	0	-1	5	3	6	1
Germany	0	0	0	0	5	6	7	7
Spain	0	0	0	0	3	0	8	0
France	0	0	0	0	8	0	8	0
Italy	0	0	0	-4	8	0	8	-8

Note: See the notes to Chart 12.

4.2 Terms and conditions eased slightly

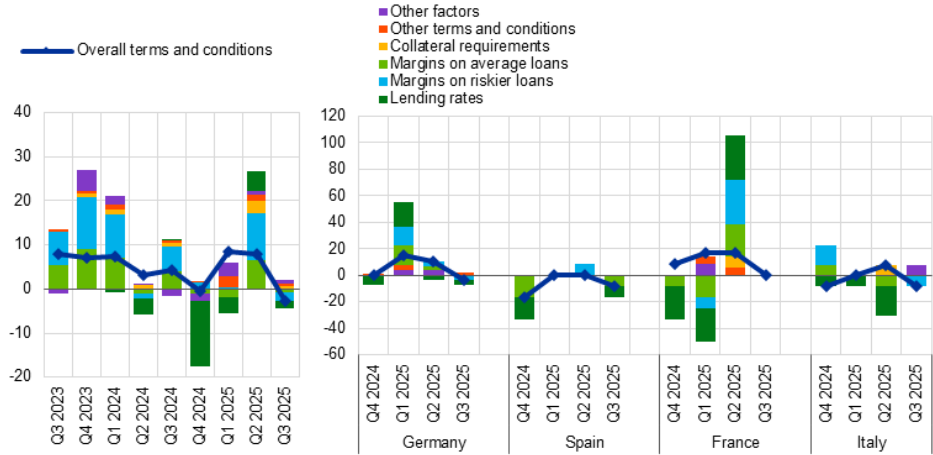
Banks’ overall terms and conditions for consumer credit and other lending to households eased slightly in the third quarter of 2025 (net percentage of -3%; see Chart 13 and Table 10). This followed two consecutive quarters of net tightening and represents the strongest easing since the second quarter of 2021, even though it remained small overall. Lending rates and margins on riskier loans were reported as driving the slight easing of terms and conditions, while margins on average loans, collateral requirements and other terms and conditions had a broadly neutral impact. Across the four largest euro area economies, overall terms and conditions eased in Spain, Italy and Germany, while remaining unchanged in France. Lower lending rates contributed to the easing in Spain and Germany, with lending margins narrowing for average loans in Spain and for riskier loans in Italy and Germany.

On aggregate, the changes in overall terms and conditions cannot be attributed to any particular driving factor (see Table 11). Higher risk tolerance and improved risk perception had an easing impact on overall terms and conditions in Spain, while higher pressure from competition in this segment was reported by Italian banks. A tightening impact from higher risk perceptions was reported by Italian banks and an impact from lower risk tolerance by German banks.

Chart 13

Changes in terms and conditions on consumer credit and other lending to households

(net percentages of banks reporting a tightening of terms and conditions)



Notes: "Overall terms and conditions" are the actual terms and conditions agreed in the loan contract. "Lending rates" was introduced in April 2024. "Margins" are defined as the spread over a relevant market reference rate. "Other terms and conditions" is the simple average of "size of the loan", "non-interest rate charges" and "maturity". The net percentages for "Other components" refer to an average of the further terms and conditions components which were mentioned by banks as having contributed to changes in overall terms and conditions. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

Table 10

Changes in terms and conditions on consumer credit and other lending to households

(net percentages of banks)

Country	Overall terms and conditions		Banks' lending rates		Banks' margins on average loans		Banks' margins on riskier loans	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	8	-3	5	-2	7	-1	11	-2
Germany	11	-4	-4	-4	4	0	4	-4
Spain	0	-8	0	-8	0	-8	8	0
France	17	0	33	0	25	0	33	0
Italy	8	-8	-23	0	-8	0	0	-8

Note: See the notes to Chart 13.

Table 11

Factors contributing to changes in overall terms and conditions on consumer credit and other lending to households

(net percentages of banks)

Country	Cost of funds and balance sheet constraints		Pressure from competition		Perception of risk		Banks' risk tolerance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	0	0	3	-1	7	0	5	0
Germany	1	-1	0	0	7	0	7	4
Spain	0	0	0	0	0	-8	0	-8
France	0	0	17	0	17	0	8	0
Italy	-3	0	-8	-8	8	8	8	0

Notes: The net percentages for these questions relating to contributing factors are defined as the difference between the percentage of banks reporting that the given factor contributed to a tightening and the percentage of banks reporting that it contributed to an easing. "Cost of funds and balance sheet constraints" is the simple average of "banks' capital and the costs related to banks' capital positions", "access to market financing" and "liquidity position" (the aggregate series was discontinued from the first quarter of 2024, when detailed sub-factors were introduced). The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

4.3 Rejection rates increased markedly

Euro area banks reported a marked increase in the share of rejected loan applications for consumer credit (net percentage of banks of 13%; see Chart 10). The reported increase was slightly higher than the increase observed in the previous quarter and the largest rise in rejections since the fourth quarter of 2022. Banks in all of the four largest euro area countries reported an increase in the share of rejections.

4.4 Demand for consumer credit was broadly unchanged

Banks reported broadly unchanged demand for consumer credit and other lending to households (net percentage of 1%; see Chart 14 and Overview table).¹¹ This is aligned with banks' expectations in the previous quarter (1%). Across the four largest euro area economies, a net increase in loan demand was observed in Spain and Germany, broadly offsetting the net decrease recorded in France and Italy.

Consumer credit demand was supported by lower interest rates and "Other factors", but this was offset by lower consumer confidence (see Chart 14 and Table 12). Interest rates were reported as a factor supporting loan demand in Spain and Germany, and as having a neutral effect in France and Italy. "Other factors" with a positive effect on loan demand were mentioned in Germany. On the other hand, consumer confidence dampened loan demand on aggregate, driven by the negative contributions reported by banks in France and Germany. These developments were consistent with the subdued level of the European Commission's consumer confidence index. Finally, spending on durable goods had a broadly neutral impact

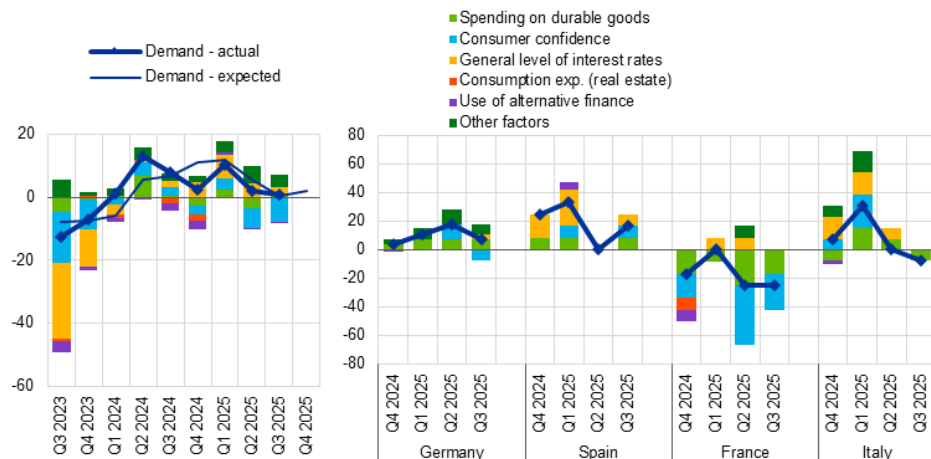
¹¹ The historical net percentage average of demand for consumer credit since 2003 is 0%. The average net increase of loan demand for firms since 2014 is 5%.

on aggregate, as the positive effect reported by banks in Spain and Germany was offset by lower spending recorded in France and Italy.

Chart 14

Changes in demand for consumer credit and other lending to households, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Notes: "Demand - actual" represents changes that have occurred, while "Demand - expected" are changes anticipated by banks. Net percentages for the questions on demand for loans are defined as the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". "Use of alternative finance" is the simple average of "internal financing out of savings", "loans from other banks" and "other sources of external finance". "Consumption exp. (real estate)" denotes "consumption expenditure financed through real estate-guaranteed loans". The net percentages for "Other factors" refer to an average of the further factors which were mentioned by banks as having contributed to changes in loan demand. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [euro area](#) and [four largest euro area countries](#).

For the fourth quarter of 2025, banks expect a small increase in loan demand for consumer credit and other lending to households (net percentage of 2%). Demand for consumer credit is expected to increase in Italy and Spain and to decrease in France and Germany.

Table 12

Factors contributing to changes in demand for consumer credit and other lending to households

(net percentages of banks)

Country	Spending on durable goods		Consumer confidence		Consumption exp. (real estate)		General level of interest rates		Use of alternative finance	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Euro area	-3	1	-6	-8	0	0	5	2	0	0
Germany	7	7	11	-7	0	0	0	4	0	0
Spain	0	8	0	8	0	0	0	8	0	0
France	-25	-17	-42	-25	0	0	8	0	0	0
Italy	8	-8	0	0	0	0	8	0	0	0

Note: See the notes to Chart 14.

5 Ad hoc questions

5.1 Banks' access to retail funding was broadly unchanged, while it improved for wholesale funding¹²

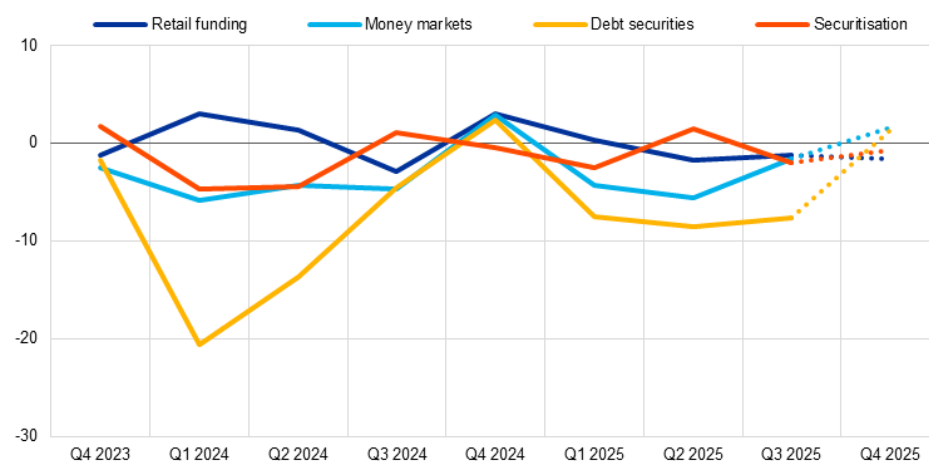
Euro area banks' access to retail funding remained broadly unchanged in the third quarter of 2025, while easing slightly for money markets and securitisations, and to a greater extent for debt securities (Chart 15 and Table 13). Short-term retail funding slightly eased on aggregate while long-term retail funding remained broadly unchanged. Banks reported broadly unchanged access to short-term money markets and slightly improved access to very short-term money markets. Access to debt securities funding eased, especially for medium to long-term securities. Finally, banks reported a small improvement in their access to the securitisation market.

Banks expect a small positive change in their access to funding sources in the fourth quarter of 2025. They anticipate slightly better access to long-term retail funding. By contrast, they expect a small deterioration in their access to funding through money markets – both very short and short-term – and through short-term debt securities. Access to funding through medium to long-term debt securities and securitisation is expected to remain broadly unchanged.

Chart 15

Changes in banks' access to retail and wholesale funding

(net percentages of banks reporting a deterioration in access)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably". "Retail funding" is the simple average of "short-term deposits (up to one year)" and "long-term deposits (more than one year)" and other retail funding instruments; "Money markets" refers to the interbank unsecured money market and is the simple average of "very short-term money market (up to one week)" and "short-term money market (more than one week)"; "Debt securities" is the simple average of "short-term debt securities (e.g. certificates of deposit or commercial paper)" and "medium to long-term debt securities (incl. covered bonds)". "Securitisation" is the simple average of "securitisation of corporate loans", "securitisation of loans for house purchase" and "ability to transfer credit risk off balance sheet". The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [changes in banks' access to retail and wholesale funding](#).

¹² Banks were asked to assess the extent to which the situation in financial markets has affected their access to retail and wholesale funding.

Table 13**Changes in bank access to retail and wholesale funding**

(net percentages of banks reporting a deterioration in access)

	Retail funding			Money markets	Debt securities			Securitisation
	Total	Short-term	Long-term		Total	Short-term	Medium to long-term	
Q2 2025	-2	-3	-1	-6	-9	-6	-11	1
Q3 2025	-1	-2	-1	-2	-8	-3	-12	-2
Q4 2025	-2	-1	-2	2	1	2	0	-1

Notes: See the notes to Chart 15. The last period shows expectations indicated by banks in the current round.

5.2 Banks' reported a broadly neutral impact from the reduction in the ECB's monetary policy asset portfolio¹³

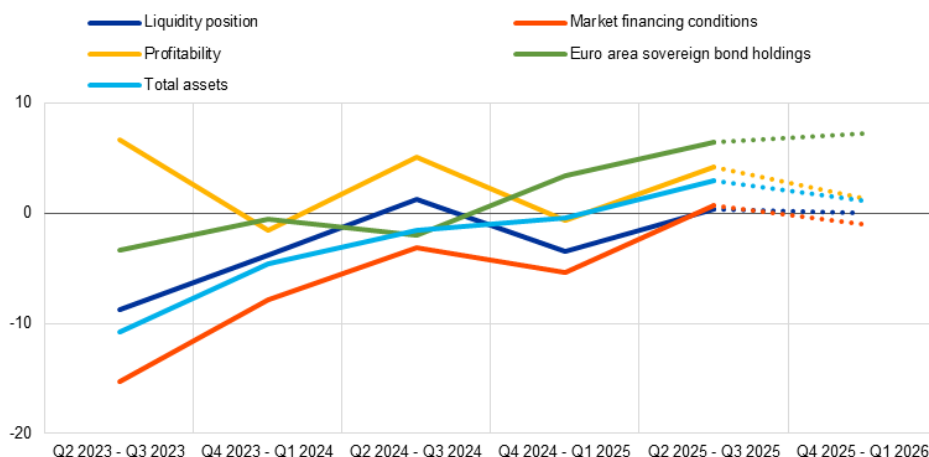
The reduction in the ECB's monetary policy asset portfolio has had a broadly neutral impact on both euro area banks' market financing conditions and liquidity positions over the last six months (net percentages of 1% and 0% of banks respectively; see Chart 16 and Table 14). The neutral impact on market financing follows a period of deterioration that was reported as reflecting the tightening impact of the redemptions of Eurosystem bond holdings under the ECB's asset purchase programme (APP) and under the pandemic emergency purchase programme (PEPP). Similarly, the neutral effect on liquidity positions comes after some deterioration in a series that started in mid-2022 with the end of net purchases, and that had been interrupted only by marginal easing in the second and third quarters of 2024.

¹³ Banks were asked to assess the impact, over the past and next six months, of the ECB's monetary policy asset portfolio on their assets, liquidity positions, overall market financing conditions, profitability and capital positions, as well as their lending policies and lending volumes. Changes in the ECB's monetary policy asset portfolio may result from net asset purchases or other transactions, including reinvestments of principal payments from maturing securities purchased, and may be related to [the ECB's asset purchase programmes \(APP\)](#), [the pandemic emergency purchase programme \(PEPP\)](#), [the Outright Monetary Transactions \(OMT\)](#), and [the Transmission Protection Instrument \(TPI\)](#). Banks were asked to consider both direct and indirect effects of the changes in the ECB's monetary policy asset portfolio.

Chart 16

Overview of the impact of the ECB's monetary policy asset portfolio on euro area banks' financial situations

(net percentages of banks reporting an increase or improvement)



Notes: The net percentages are defined as the difference between the sum of the percentages for "increased/improved considerably" and "increased/improved somewhat" and the sum of the percentages for "decreased/deteriorated somewhat" and "decreased/deteriorated considerably". The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of the ECB's monetary policy asset portfolio on euro area banks' financial situation](#).

Over the next six months, euro area banks expect the reduction in the ECB's monetary policy asset portfolio to have a broadly neutral impact on their financial situation, except for an expected increase in their sovereign bond holdings. The effects on bank profitability and total assets are expected to be broadly neutral, while banks also expect to continue increasing their sovereign bond holdings.

Table 14

Impact of the ECB's monetary policy asset portfolio on euro area banks' financial situation

(net percentages of banks reporting an increase or improvement)

	Assets		Liquidity position	Market financing conditions	Profitability		
	Total	Of which: Euro area sovereign bond holdings			Total	Owing to: net interest income	Owing to: capital gains/losses
Q4 2024-Q1 2025	0	3	-3	-5	-1	2	-2
Q2 2025-Q3 2025	3	6	0	1	4	2	1
Q4 2025-Q1 2026	1	7	0	-1	1	1	0

Notes: See the notes to Chart 16. The breakdown for net interest income was introduced from the first quarter of 2020, substituting the breakdown for the net interest margin. The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of the ECB's monetary policy asset portfolio on banks' financial situation](#).

Over the past six months, euro area banks reported a broadly neutral impact from the ECB's monetary policy asset portfolio reduction on their lending conditions and volumes (see Chart 17 and Table 15). Banks reported a broadly neutral impact on credit standards, terms and conditions and lending volumes, across all three credit

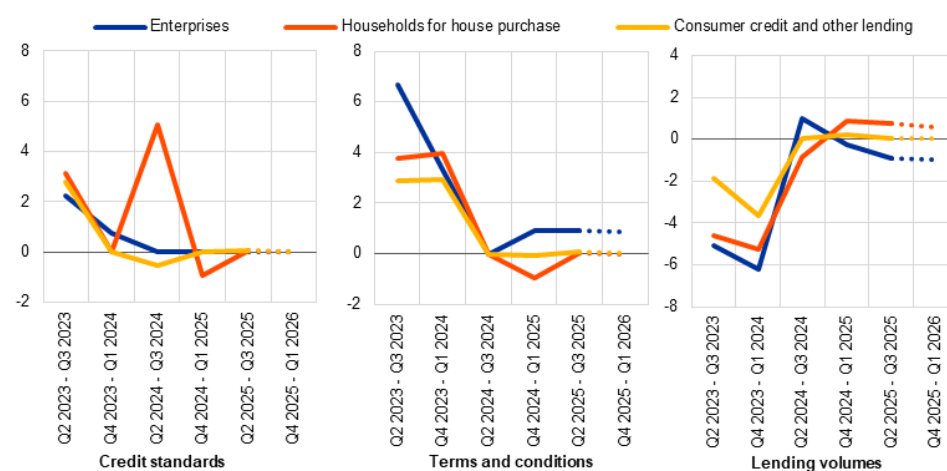
segments (firms, households for house purchase and consumer credit), for the third consecutive six-month period. The only exception to this was credit standards for housing loans which banks had reported as having moderately tightened in mid-2024 as a result of the reduction in the monetary policy asset portfolio. Overall, and similarly to the previous six-month period, the impact of the ECB's monetary policy asset portfolio reduction over the past six months appears to be limited, reflecting the measured and predictable adjustment of the portfolio.

Over the next six months, banks expect the reduction in the ECB's monetary policy asset portfolio to continue to have a broadly neutral effect on lending conditions across all three lending segments.

Chart 17

Impact of the ECB's monetary policy asset portfolio on bank lending

(net percentages of banks reporting a tightening or increase)



Notes: The net percentages are defined as the difference between the sum of the percentages for "tightened/increased considerably" and "tightened/increased somewhat" and the sum of the percentages for "eased/decreased somewhat" and "eased/decreased considerably". The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal links: [impact of the ECB's monetary policy asset portfolio on credit standards](#), [terms and conditions](#), and [lending volumes](#).

Table 15

Impact of the ECB's monetary policy asset portfolio on bank credit standards, terms and conditions and lending volumes

(net percentages of banks reporting a tightening/an increase)

	Credit standards			Terms and conditions			Lending volumes		
	Q4 24-Q1 25	Q2 25-Q3 25	Q4 25-Q1 26	Q4 24-Q1 25	Q2 25-Q3 25	Q4 25-Q1 26	Q4 24-Q1 25	Q2 25-Q3 25	Q4 25-Q1 26
Loans to enterprises	0	0	0	1	1	1	0	-1	-1
Loans to households for house purchase	-1	0	0	-1	0	0	1	1	1
Consumer credit and other lending to households	0	0	0	0	0	0	0	0	0

Notes: See the notes to Chart 17. The last period denotes expectations indicated by banks in the current round.

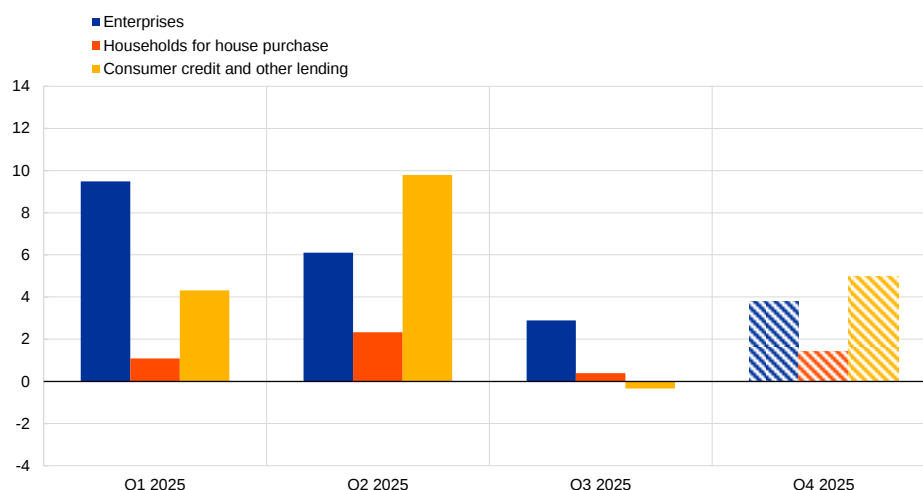
5.3 Perceived risks to credit quality had a further small net tightening impact on credit standards¹⁴

Euro area banks reported a small net tightening impact from NPL ratios and other credit quality indicators on their credit standards for loans to firms (net percentage of 3%), while credit standards for housing loans and consumer credit were unaffected (net percentage of 0% for both) in the third quarter of 2025 (see Chart 18 and Table 16). A small tightening impact from credit quality was also observed on terms and conditions for loans to firms (3%; see Chart 19). The net tightening of credit standards and terms and conditions for loans to firms was lower than in the previous quarter (6%). For household loans, both credit standards and terms and conditions were unchanged following the tightening observed in the previous quarter.

Chart 18

Impact of banks' NPL ratios and other credit quality indicators on credit standards

(net percentages of banks reporting a tightening impact)

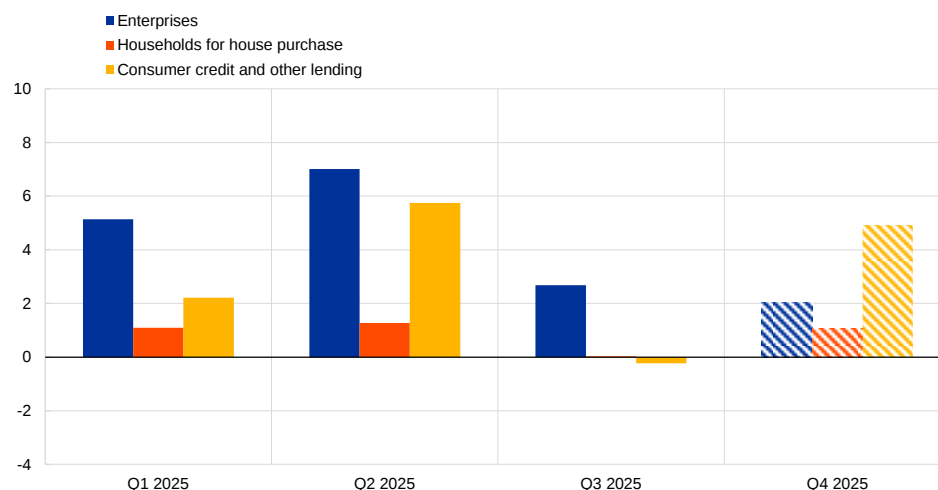


Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The frequency of the question was increased to quarterly (from biannual) from the first quarter of 2025. Until the second quarter of 2023, this question referred solely to the impact of banks' NPL ratios. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of banks' NPL ratios and other indicators of credit quality on credit standards](#).

¹⁴ Banks were asked to assess the impact of NPL ratios and other credit quality indicators on changes to their lending policies. The question also asked banks about the factors through which NPL ratios and other credit quality indicators contributed to changes to their lending policies. Since the April 2025 survey, this question has referred to changes over the past and next three months, while previously (until the January 2025 survey) it referred to changes over the past and next six months. Until the July 2023 survey, this question referred only to the impact of banks' NPL ratios. Banks were asked about the impact on loans to enterprises, loans to households for house purchase and consumer credit, and other lending to households over the past and next six months. The NPL ratio is defined as the stock of gross NPLs on a bank's balance sheet as a percentage of the gross carrying amount of loans. "Other indicators of credit quality" include, for example, Stage 2 loans (underperforming loans that have seen a significant increase in credit risk since initial recognition) and loans in early arrears (loans for which payment is overdue by more than 30 and up to 90 days). Changes in credit standards and/or terms and conditions may be caused by changes in banks' credit quality, changes in regulation or changes in a bank's assessment of credit quality, even where indicators have remained unchanged. When the question was introduced in the July 2018 BLS, it also asked about the [impact of banks' NPL ratios from 2014 to 2017](#), in addition to the impact over the past/next six months.

Chart 19**Impact of banks' NPL ratios and other credit quality indicators on terms and conditions**

(net percentages of banks reporting a tightening impact)



Notes: Net percentages are defined as the difference between the sum of the percentages of banks responding "contributed considerably to tightening" and "contributed somewhat to tightening" and the sum of the percentages of banks responding "contributed somewhat to easing" and "contributed considerably to easing". The frequency of the question was increased to quarterly (from biannual) from the first quarter of 2025. Until the second quarter of 2023, this question referred solely to the impact of banks' NPL ratios. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of banks' NPL ratios and other indicators of credit quality on terms and conditions](#).

Table 16**Impact of banks' NPL ratios and other credit quality indicators on credit standards and terms and conditions**

(net percentages of banks reporting a tightening impact)

	Credit standards			Terms and conditions		
	Q2 2025	Q3 2025	Q4 2025	Q2 2025	Q3 2025	Q4 2025
Loans to enterprises	6	3	4	7	3	2
Loans to households for house purchase	2	0	1	1	0	1
Consumer credit and other lending to households	10	0	5	6	0	5

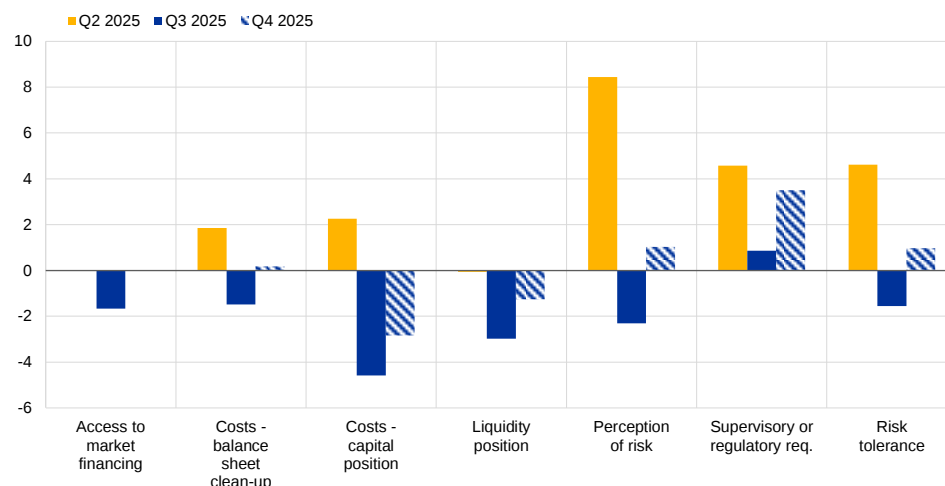
Notes: See the notes to Charts 18 and 19. The last period shows expectations indicated by banks in the current round.

Banks reported that all factors related to the impact of credit quality indicators, with the exception of supervisory or regulatory requirements, contributed somewhat to a net easing of banks' lending conditions (see Chart 20 and Table 17). Costs related to banks' capital and liquidity positions, access to market financing and costs related to balance sheet clean-up operations all had an easing impact, after several quarters of a tightening or neutral impact. Risk perceptions and risk tolerance went from having a net tightening impact in the previous quarter, and after several quarters of persistent tightening pressure, to having a small net easing impact. This is consistent with the cautious allocation of credit observed in the recent past and with the active monitoring reported by banks in the open-ended ad hoc question. Supervisory or regulatory requirements had a broadly neutral impact after several quarters of tightening pressure.

Chart 20

Impact of factors through which NPL ratios and other credit quality indicators affect banks' policies on lending to enterprises and households

(net percentages of banks reporting a tightening impact)



Notes: See the notes to Charts 18 and 19. The last period shows expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of factors through which NPL ratios and other indicators of asset quality affect banks' policies on lending to enterprises and households](#).

Table 17

Impact of factors through which NPL ratios and other credit quality indicators affect banks' policies on lending to enterprises and households

(net percentages of banks reporting a tightening impact)

	Q2 2025	Q3 2025	Q4 2025
Costs related to banks' capital positions	2	-5	-3
Costs related to balance sheet clean-up operations	2	-1	0
Supervisory or regulatory requirements	5	1	3
Access to market financing	0	-2	0
Liquidity position	0	-3	-1
Perception of risk	8	-2	1
Banks' risk tolerance	5	-2	1

Notes: See the notes to Chart 20. The last period shows expectations indicated by banks in the current round.

In the fourth quarter of 2025, euro area banks expect a somewhat more noticeable tightening impact of credit quality on their lending conditions for consumer credit and loans to firms, mostly related to supervisory or regulatory requirements. Both credit standards and terms and conditions are expected to be affected, for loans to firms and for loans to households for consumer credit, while no change is expected for loans to households for house purchase. Banks expect higher pressure from supervisory or regulatory requirements to drive this tightening in the next quarter, whereas they reported lower expected costs related to the capital position.

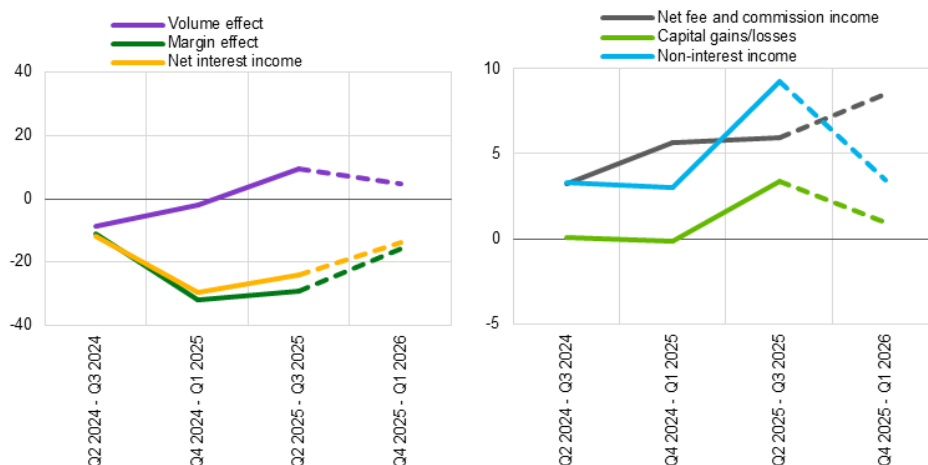
5.4 Negative impact of interest rate decisions on bank interest margins, positive impact on volumes¹⁵

Banks reported a further negative impact of the ECB's key interest rate decisions on their net interest margins over the past six months (see Chart 21 and Table 18), while the impact through volumes turned positive.¹⁶ The negative impact on margins followed the negative impact observed in the previous six months and was slightly below banks' expectations six months ago. The positive impact on volumes followed a sequence of negative impacts observed since the start of the tightening cycle and was higher than banks had expected.

Chart 21

Impact of the ECB's interest rate decisions on euro area bank net interest income and non-interest income

(net percentages of banks; over the past six months and the next six months)



Notes: The net percentages refer to the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of the ECB's interest rate decisions on euro area bank net interest income and non-interest income](#).

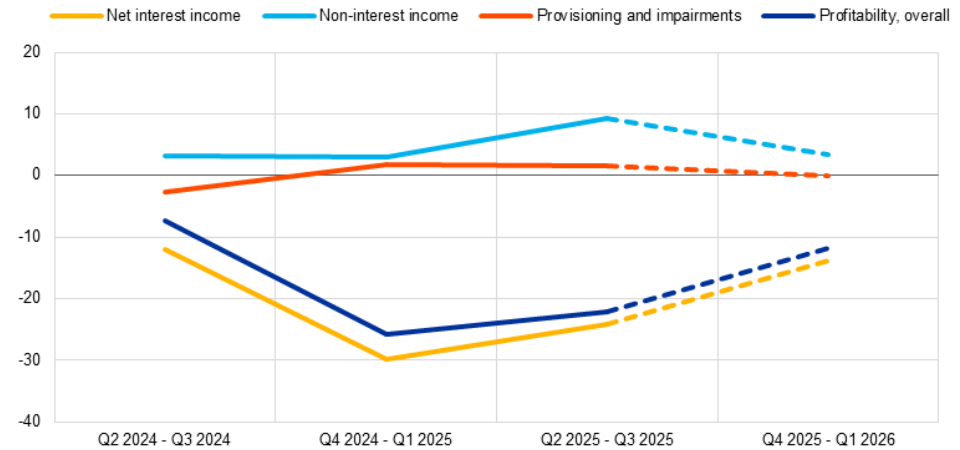
¹⁵ Banks were asked to report on the impact of the ECB's key interest rate decisions on their overall profitability, as well as on their net interest income, non-interest income and their need for provisioning and impairments, over the past and next six months. The question is included in the survey on a biannual basis.

¹⁶ Net interest income is defined as the difference between the interest income earned and interest expenses paid on the outstanding amount of interest-bearing assets and liabilities by the bank. Margin effects relate to changes in the interest rates on these assets and liabilities; volume effects relate to changes in volumes.

Chart 22

Impact of the ECB's interest rate decisions on euro area bank profitability

(net percentages of banks; over the past six months and the next six months)



Notes: The net percentages refer to the difference between the sum of the percentages of banks responding "increased considerably" and "increased somewhat" and the sum of the percentages of banks responding "decreased somewhat" and "decreased considerably". Net percentages are inverted in the case of provisioning and impairments. The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of the ECB's interest rate decisions on euro area bank profitability](#).

Euro area banks expect further negative impacts from past and expected ECB key interest rate decisions on their profitability and margins over the next six months, while the impact on loan volumes is expected to remain positive (see Chart 21, Chart 22 and Table 18).¹⁷

Table 18

Impact of the ECB's interest rate decisions on bank profitability

(net percentages of banks reporting an increase)

	Q4 2024 -Q1 2025	Q2 2025-Q3 2025	Q4 2025 -Q1 2026
Profitability	-26	-22	-12
Net interest income	-30	-24	-14
Owing to: margin effect	-32	-29	-16
Owing to: volume effect	-2	9	5
Non-interest income	3	9	3
Owing to: capital gains/losses	0	3	1
Owing to: net fee and commission income	6	6	8
Provisioning and impairments	2	2	0

Notes: See the notes to Charts 21 and 22. The last period denotes expectations indicated by banks in the current round. The full set of data underlying this chart can be downloaded via the following ECB Data Portal link: [impact of the ECB's interest rate decisions on bank profitability](#).

¹⁷ The impact embeds both past ECB interest rate decisions and those expected (by the bank in question).

Annexes

See [more](#).

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