

BANK LENDING SURVEY

April 2006

Results for Portugal**I. Overall assessment**

According to the results of the survey conducted in April 2006 to the five Portuguese banking groups included in the sample, in the first quarter of 2006 and compared with the previous quarter, credit standards applied to the approval of loans to the non-financial sector should have remained basically unchanged. Exceptions are the lending criteria to large enterprises, reported as slightly easier by one banking institution, and long-term loans to firms, indicated as somewhat stricter by another bank.

Pressures from competition among banks continued to be the main factor contributing to the easing of credit standards in the segments of enterprises and households for house purchase. In turn, the perception of risks due to the current economic situation and the costs related to banks' capital position were reported as contributing to a tighter credit policy in all market segments.

Regarding credit conditions applied in the first quarter of the year, some narrowing in margins on average loans were indicated while the opposite was pointed out for riskier loans. Furthermore, changes on non-interest rate charges and on the size of the loan or credit line were reported as somewhat easing for lending to firms. For house purchase, the increase in loans maturity and more favourable loan-to-value ratios were also reported as easing conditions.

In the first quarter of 2006, the demand for loans or credit lines by enterprises was pointed as remaining basically unchanged, though some dispersion in the answers broken down by the size of enterprise and by contractual maturity persists. In the households segment, a slight increase in loan demand for both house purchase and other purposes was reported, on average.

For the second quarter of 2006, the participating banks do not anticipate, in aggregate terms, any relevant changes in the criteria applied to the approval of loans to households and enterprises. Simultaneously, they foresee, in general, a slight increase in loan demand by enterprises and households for house purchase while loan demand for consumption and other purposes are expected to remain basically unchanged.

II. Presentation of the results**Loans or credit lines to enterprises**

In the first quarter of 2006, according to the five banking groups that participate in the survey, credit standards applied to the approval of loans or credit lines to enterprises remained basically unchanged vis-à-vis the previous quarter. In spite of this general path, one banking institution reported the criteria applied to loans to large enterprises as slightly easier while another bank indicated tightening criteria on long term loans.

Among the factors explaining the changes of credit criteria, the results point to pressures from competition among banks as favouring easier credit standards, on one hand, and to both costs related to banks' capital position and risk perception as contributing to tightening criteria, on the other hand. Concerning risk perception, one banking group indicated less favourable expectations regarding general economic activity and industry or firm-specific developments whereas another reported the opposite, a more favourable assessment on industry or firm-specific outlook as accounting for less strict criteria.

Regarding contractual conditions applied to loans in this segment, higher spreads for riskier loans have been indicated by three banks while other reported spreads applied on average risk loans as somewhat narrowing. One bank indicated more favourable non-interest rate charges and another pointed also to the size of the loan or credit line as more advantageous.

In the first three months of 2006, the demand for loans or credit lines by enterprises should have remained basically unchanged, in general. However, some dispersion in answers broken down by firm size and loan maturity was recorded. Thus, one banking group reported a somewhat increase in loan demand of small and medium sized firms while another indicated a considerable increase by large enterprises. One of the banks indicated a slight decrease in long term loan demand but other reported the opposite development in the same segment.

According to the five surveyed banking groups, loan demand was positively influenced by financing needs for inventories and working capital, debt restructuring and mergers/acquisitions and corporate restructuring (the latter indicated by two banks, one of them as a factor with considerable influence). On the contrary, financing needs due to fixed investment were reported as contributing to lower loan demand.

For the second quarter of 2006, the five surveyed banks do not foresee relevant changes in their credit standards. Nevertheless, one of them indicated the intention of somewhat easing criteria applied to the approval of loans to large enterprises. Furthermore, they forecast, globally, a slight increase in loan demand mainly by small and medium sized enterprises in both maturity segments.

Loans to households**For house purchase**

The five banking groups included in the sample reported no significant changes in their credit standards applied to the approval of loans for house purchase in the first quarter of 2006 as compared to the previous quarter. Nevertheless, two banking groups indicated the cost of funds and pressure from competition from other banks as contributing to changes in criteria: the first factor contributing to tightening while the latter contributing to easing criteria.

Some changes were reported in the conditions applied to this segment, namely slightly narrower spreads on average loans, a rise in the loan to value ratio and longer maturity. Contrarily, one bank indicated the margin on riskier loans as somewhat tightening.

One of the participating banks reported a slight decrease in loan demand, in the first quarter of 2006 as compared to the precedent quarter. Two other banks reported a slight increase and the remaining two indicated loan demand as unchanged. Consumer confidence was the only factor pointed out (by two banks) as contributing to lower loan demand in this market segment.

For the second quarter of 2006, the five banking groups are intending to keep credit standards applied to the approval of loans for house purchase broadly unchanged. Concerning loan demand, only one of them foresees a slight increase whereas the remaining four expect no changes.

For consumption and other purposes

In the first quarter of 2006, credit approval standards applied to loans for consumption and other purposes should not have recorded sizeable changes. Nevertheless, three factors were pointed out as contributing to tightening credit standards: the assessment on consumers' creditworthiness (indicated by two banks), the cost of funds and balance sheet constraints and (less) pressure from competition.

The participating banks reported a slight narrowing in margins on average loans and wider margins on riskier loans. Other conditions should have kept basically unchanged.

In the first quarter of 2006, the demand for consumer credit and other lending to households should have remained basically unchanged for four of the participating banks, while the one remaining indicated a slight increase. Financing needs related to spending on durable consumer goods and limited use of household saving were the factors indicated as responsible for the increase in loan demand. In turn, pessimistic consumer confidence should have contributed to a decrease in demand of this sort of credit.

No significant changes are expected neither for credit standards nor for loan demand in this segment of the credit market for the second quarter of 2006.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in January 2006. Two sets of tables are included in the survey: the first set is about loans and credit lines to non financial corporations while the second one is on loans to households.

In the case of corporations two sort of segmentations have been undertaken: small and medium sized (SME) versus large enterprises, and short term versus long term loans. For households, a distinction between loans for house purchase and consumer credit and other lending has been made.

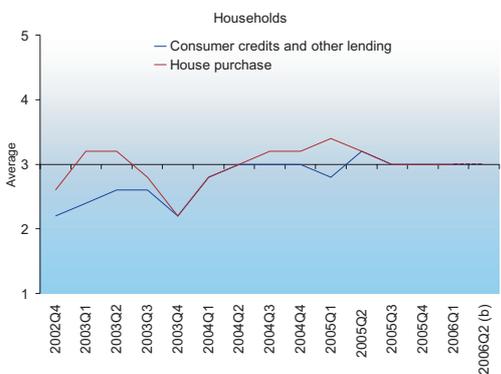
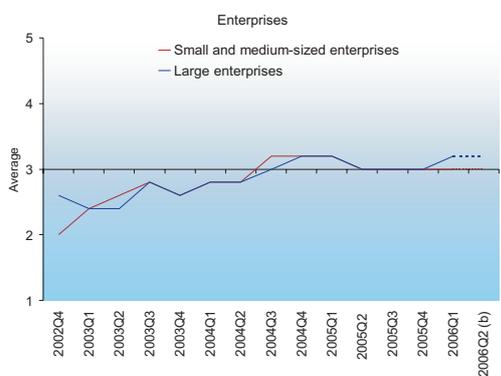
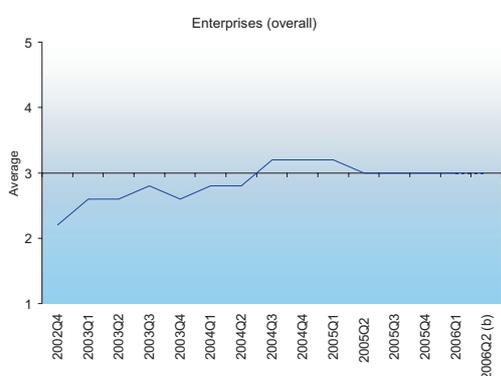
For each sector — enterprises and households — the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors affecting standards, conditions and terms (tables 2, 3, 9, 10, 11 e 12), and those behind demand developments (tables 5, 14 e 15).

Tables on the first set of questions have five possible options, for each segment, according to the trend and rate of the changes reported (either occurred or foreseen); replies are shown along columns. Answers to tables on factors' appraisal are along the rows; six options are available - including NA (not applicable) — according to their contribution to either supply or demand conditions.

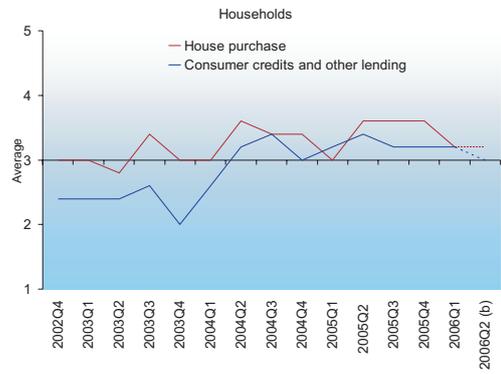
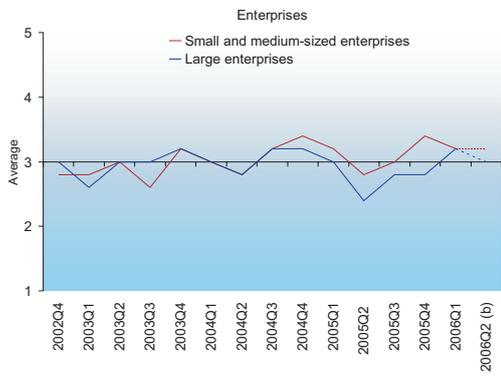
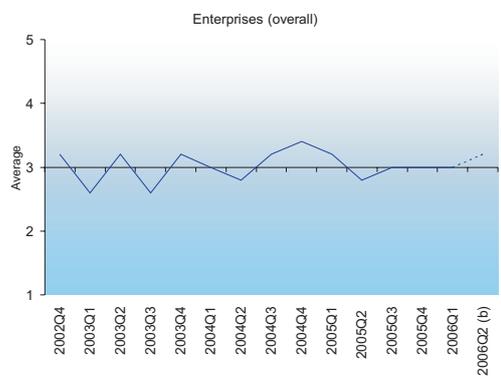
The results of the survey are as follows:

- The number of banks answering for each option;
- The weighted average of the options chosen by the banks, calculated using a scale (from 1 to 5) to aggregate individual replies, whereas 3 corresponds to "remained basically unchanged". An average figure below 3 means tightening standards, conditions and terms for approving loans (or factors contributing to developments in this way), or, as concerns demand, a decline: 2 corresponds to "somewhat" and 1 to a "considerable" change (thus, as average is closer to 3, closer to "no change" will be the overall banks' appraisal). On the contrary, if average is above 3, standards, conditions and terms applied for loans approval will be easing (or factors contributing to this way) or, concerning demand, growing: "somewhat", in the case of 4, and "considerably", in case of 5.

CREDIT SUPPLY^(a)



CREDIT DEMAND^(a)



Notes: (a) In questions regarding credit supply, values below 3 should be interpreted as tighter standards applied on loan approval vis-à-vis the previous quarter. In turn, values above 3 imply an easing of credit standards. In questions regarding credit demand, values above 3 represent an increase in demand.
(b) Banks's expectations.

I. Loans or credit lines to enterprises

1. Over the past three months, how have your bank's credit **standards** as applied to the approval of **loans or credit lines to enterprises** changed?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably					
Tightened somewhat					1
Remained basically unchanged	5	5	4	5	4
Eased somewhat			1		
Eased considerably					
Average Apr. 06	3.0	3.0	3.2	3.0	2.8
Jan. 06	3.0	3.0	3.0	3.0	2.8

2. Over the past three months, how have the following factors affected your bank's credit standards as applied to the **approval of loans or credit lines to enterprises** (as described in question 1 in the column headed "Overall")? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards
- = contributed somewhat to tightening of credit standards
- ° = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Cost of funds and balance sheet constraints								
* Costs related to your bank's capital position		1	4				2.8	2.8
* Your bank's ability to access market financing (e.g. money or bond market financing)			5				3.0	3.0
* Your bank's liquidity position			5				3.0	3.0
B) Pressure from competition								
* Competition from other banks			3	1	1		3.6	3.4
* Competition from non-banks			5				3.0	3.0
* Competition from market financing			5				3.0	3.0
C) Perception of risk								
* Expectations regarding general economic activity		1	4				2.8	2.4
* Industry or firm-specific outlook		1	3	1			3.0	2.2
* Risk on the collateral demanded			5				3.0	2.8

3. Over the past three months, how have your bank's **conditions** and terms for approving **loans or credit lines to enterprises** changed? Please rate each factor using the following scale:

- = tightened considerably
- = tightened somewhat
- ° = remained basically unchanged
- + = eased somewhat
- ++ = eased considerably
- NA = Not Applicable

	--	-	°	+	++	NA	Average Apr. 06 Jan. 06	
A) Price								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			4	1			3.2	3.2
* Your bank's margin on riskier loans		3	2				2.4	2.4
B) Other conditions and terms								
* Non-interest rate charges			4	1			3.2	3.2
* Size of the loan or credit line			4	1			3.2	3.0
* Collateral requirements			5				3.0	3.0
* Loan covenants			5				3.0	3.0
* Maturity			5				3.0	3.0

4. Over the past three months, how has the **demand for loans or credit lines to enterprises** changed at your bank, apart from normal seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably					
Decreased somewhat			1		1
Remained basically unchanged	5	4	3	5	3
Increased somewhat		1			1
Increased considerably			1		
	Average Apr. 06	3.0	3.2	3.2	3.0
	Jan. 06	3.0	3.4	2.8	3.0

5. Over the past three months, how have the following **factors** affected the **demand for loans or credit lines to enterprises** (as described in question 4 in the column headed "Overall")? Please rate each possible factor using the following scale:

- = contributed considerably to lower demand
- = contributed somewhat to lower demand
- ° = contributed to basically unchanged demand
- + = contributed somewhat to higher demand
- ++ = contributed considerably to higher demand
- NA = Not Applicable

	--	-	°	+	++	NA	Average Apr. 06 Jan. 06	
A) Financing needs								
* Fixed investment		2	3				2.6	2.6
* Inventories and working capital			3	2			3.4	3.4
* Mergers/acquisitions and corporate restructuring			3	1	1		3.6	2.8
* Debt restructuring			2	3			3.6	4.0
B) Use of alternative finance								
* Internal financing			5				3.0	2.8
* Loans from other banks			5				3.0	3.4
* Loans from non-banks			5				3.0	3.0
* Issuance of debt securities			5				3.0	2.8
* Issuance of equity			5				3.0	3.0

6. Please indicate how you expect your bank's credit standards as applied to the approval of loans or credit lines to enterprises to change over the next three months.

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably					
Tighten somewhat+					
Remain basically unchanged	5	5	4	5	5
Ease somewhat			1		
Ease considerably					
	Average Apr. 06	3.0	3.0	3.2	3.0
	Jan. 06	2.8	2.6	2.8	2.6

7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next three months (apart from normal seasonal fluctuations)?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decrease considerably					
Decrease somewhat					
Remain basically unchanged	4	4	5	4	3
Increase somewhat	1	1		1	2
Increase considerably					
	Average Apr. 06	3.2	3.2	3.0	3.4
	Jan. 06	3.2	3.2	3.0	3.4

II. Loans to households

8. Over the past three months, how have your bank's credit standards as applied to the approval of loans to households changed?

	Loans for house purchase	Consumer credit and other lending
Tightened considerably		
Tightened somewhat		
Remained basically unchanged	5	5
Eased somewhat		
Eased considerably		
	Average Apr. 06	3.0
	Jan. 06	3.0

9. Over the past three months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase (as described in question 8)? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards
- = contributed somewhat to tightening of credit standards
- ° = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = Not Applicable

	--	-	°	+	++	NA	Average Apr. 06 Jan. 06	
A) Cost of funds and balance sheet constraints		1	4				2.8	3.0
B) Pressure from competition								
* Competition from other banks			4	1			3.2	3.2
* Competition from non-banks			5				3.0	3.0
C) Perception of risk								
* Expectations regarding general economic activity			5				3.0	2.8
* Housing market prospects			5				3.0	2.8

10. Over the past three months, how have your bank's **conditions** and terms for approving **loans to households for house purchase** changed? Please rate each factor using the following scale:

- = tightened considerably
- = tightened somewhat
- ° = remained basically unchanged
- + = eased somewhat
- ++ = eased considerably
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Price								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			4	1			3.2	3.0
* Your bank's margin on riskier loans		1	4				2.8	2.8
B) Other conditions and terms								
* Collateral requirements			5				3.0	3.0
* "Loan-to-value" ratio			4	1			3.2	3.0
* Maturity			3	2			3.4	3.4
* Non-interest rate charges			5				3.0	3.0

11. Over the past three months, how have the following **factors** affected your bank's credit standards as applied to the approval of **consumer credit and other lending to households** (as described in question 8)? Please rate the contribution of the following factors to the tightening or easing of credit standards using the following scale:

- = contributed considerably to tightening of credit standards
- = contributed somewhat to tightening of credit standards
- ° = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Cost of funds and balance sheet constraints		1	4				2.8	3.0
B) Pressure from competition								
* Competition from other banks		1	4				2.8	3.0
* Competition from non-banks			5				3.0	3.0
C) Perception of risk								
* Expectations regarding general economic activity			5				3.0	2.8
* Creditworthiness of consumers		2	3				2.6	2.6
* Risk on the collateral demanded			5				3.0	3.0

12. Over the past three months, how have your bank's **conditions** and terms for approving **consumer credit and other lending to households** changed? Please rate each factor using the following scale:

- = tightened considerably
- = tightened somewhat
- ° = remained basically unchanged
- + = eased somewhat
- ++ = eased considerably
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Price								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			3	2			3.4	3.0
* Your bank's margin on riskier loans		1	4				2.8	2.8
B) Other conditions and terms								
* Collateral requirements			5				3.0	2.8
* Maturity			5				3.0	3.0
* Non-interest rate charges			5				3.0	3.0

13. Over the past three months, how has the **demand for loans to households** changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably		
Decreased somewhat	1	
Remained basically unchanged	2	4
Increased somewhat	2	1
Increased considerably		
	Average Apr. 06 Jan. 06	3.2 3.2
		3.6 3.2

14. Over the past three months, how have the following **factors** affected the **demand for loans to households for house purchase** (as described in question 13)? Please rate each factor using the following scale:

- = contributed considerably to lower demand
- = contributed somewhat to lower demand
- ° = contributed to basically unchanged demand
- + = contributed somewhat to higher demand
- ++ = contributed considerably to higher demand
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Financing needs								
* Housing market prospects			5				3.0	3.2
* Consumer confidence		2	3				2.6	2.8
* Non-housing related consumption expenditure			5				3.0	3.0
B) Use of alternative finance								
* Household savings			5				3.0	3.2
* Loans from other banks			5				3.0	3.2
* Other sources of finance			5				3.0	3.0

15. Over the past three months, how have the following **factors** affected the **demand for consumer credit and other lending to households** (as described in question 12)? Please rate each factor using the following scale:

- = responsible for considerable decrease
- = responsible for decrease
- ° = responsible for neither decrease nor increase
- + = responsible for increase
- ++ = responsible for considerable increase
- NA = Not Applicable

	--	-	°	+	++	NA	Average	
							Apr. 06	Jan. 06
A) Financing needs								
* Spending on durable consumer goods, such as cars, furniture, etc.)			4	1			3.2	3.0
* Consumer confidence		1	4				2.8	2.8
* Securities purchases			5				3.0	3.0
B) Use of alternative finance								
* Household saving			4	1			3.2	3.2
* Loans from other banks			5				3.0	3.0
* Other sources of finance			5				3.0	3.0

16. Please indicate how you **expect** your **bank's credit standards as applied to the approval of loans to households** to change over the next three months.

	Loans for house purchase	Consumer credit and other lending
Tighten considerably		
Tighten somewhat		
Remain basically unchanged	5	5
Ease somewhat		
Ease considerably		
Average Apr. 06 Jan. 06	3.0 2.8	3.0 2.8

17. Please indicate how you **expect demand for loans to households** to change over the next three months at your bank (apart from normal seasonal fluctuations).

	Loans for house purchase	Consumer credit and other lending
Decrease considerably		
Decrease somewhat		
Remain basically unchanged	4	5
Increase somewhat	1	
Increase considerably		
Average Apr. 06 Jan. 06	3.2 3.2	3.0 3.0