

BANK LENDING SURVEY

January 2007

Results for Portugal**I. Overall assessment**

According to the results of the survey conducted in January 2007, the five Portuguese banking groups inquired maintained broadly unchanged the credit standards applied to the approval of loans to the non-financial private sector in the last quarter of 2006, in comparison with the previous quarter. In fact, only in the segment of loans for house purchase did one institution report a slight easing of credit policy.

In line with what was observed in previous quarters, competitive pressure between banks will have once again contributed towards an easing of credit policy. Though common to all segments, this effect should have been particularly relevant in loans for house purchase. Expectations regarding general economic activity should have contributed to an easing of credit policy in the corporate and consumption and other purposes segments, though contributing to a tightening of criteria applied for granting house purchase loans. On the other hand, one banking group highlighted the contribution of the cost of capital to a tightening of criteria applied to loans or credit lines to enterprises. Other factors referred as leading to criteria tightening were perspectives for the housing market, in the segment of loans for house purchase, and consumers' creditworthiness, in the segment of loans for consumption and other purposes.

As to what regards conditions offered by banks in the last quarter of 2007, spreads applied to average risk loans will have decreased in all considered segments, especially in loans or credit lines to enterprises. On the other hand, spreads associated to higher risk loans to enterprises and for consumption and other purposes should have increased slightly. In loans for house purchase, one institution has reported an increase in the "loan-to-value" ratio and in loan maturity whereas another institution has reported a decrease in non-interest rate charges.

In the analysed period, demand for loans or credit lines by enterprises should have remained globally unchanged. As to what concerns loans to households, however, one bank has reported a decrease in demand for loans for house purchase and an increase in demand for loans for consumption and other purposes.

The inquired banks do not intend to make significant changes to their credit policy in the first quarter of 2007. Enterprises' credit demand is also expected to remain stable, whereas one banking group expects an increase in credit demand by households – both for house purchase and for consumption and other purposes – and two other institutions expect a decrease in demand for loans for house purchase.

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

According to the five inquired banking institutions, credit standards applied to loans or credit lines to enterprises should have remained broadly unchanged in the fourth quarter of 2006, comparing with the previous quarter.

Despite this stability, some factors were pointed out as influencing loan granting criteria. Hence, both competitive pressure from other banks and a more favourable assessment of risks associated to general economic activity were pointed out as factors contributing to easing criteria, whereas the cost of capital was referred by one institution as a force acting in the opposite direction.

As to what concerns conditions applied to loans in the sector under scrutiny, two of the inquired institutions have recorded an increase in spreads associated to higher risk loans, whereas four banks have reported a decrease in spreads applied to average risk loans. One of these four institutions has also reported a decrease in non-interest rate charges.

In the last quarter of 2006, demand for loans or credit lines by enterprises should have remained globally stable, although, for some specific segments (defined both in terms of counterpart dimension and maturity of the operation), some changes were pointed out. In fact, in aggregate terms, a small decrease in the demand for long term loans was reported.

As in previous quarters, the main factors contributing to an increase in the demand for loans or credit lines by enterprises were the financing of mergers/acquisitions and debt restructuring. The decrease in enterprises' financing needs for investment was pointed out as acting in the opposite direction.

For the last quarter of 2006, the five inquired banking groups do not intend to change the credit standards underlying the approval of loans or credit lines to enterprises. Demand for credit by enterprises is also expected to remain stable in this period.

Loans to households**For house purchase**

Only one of the five inquired banking groups reported a slight easing in the credit standards applied to the approval of loans to households for house purchase in the third quarter of 2006, while the other four institutions maintained their respective criteria unchanged.

Regardless of this relative stability in criteria, inquired banks have pointed out some factors influencing them in opposite directions. Hence, four banking groups have reported competitive pressure from other banks as contributing to an easing of credit policy, whereas one institution has pointed out expectations regarding economic activity and one other a decline in perspectives for the housing market as factors contributing to a tightening of credit policy.

As to what regards conditions applied to loans in this sector, a decrease in spreads applied to average risk loans, an increase in the "loan-to-value" ratio, an increase in loan maturities and a decrease in non-interest rate charges were reported.

One of the inquired banking groups has reported a slight decrease in credit demanded by households for house purchase in the last quarter of 2006, whereas the other institutions have not reported significant changes to this variable. As factors contributing to a decrease in demand, the decline in expectations for the housing market and in consumers' confidence levels, as well as the weight of non-housing consumption expenditures were pointed out. Further, two institutions have reported consumers' recourse to loans from other banks as negatively influencing demand.

The inquired banking groups do not intend to change their credit policy regarding the sector under analysis in the first quarter of 2007. On the other hand, two banks expect demand to decrease slightly, whereas one expects a mild increase.

For consumption and other purposes

No significant changes to loan granting criteria to households for consumption and other purposes were reported in the fourth quarter of 2006. However, some factors influencing credit policy standards were pointed out. Hence, two banking groups have highlighted competitive pressure by other banks and one other group has referred expectations regarding economic performance as factors contributing to decreased criteria restrictiveness, whereas two banking groups have pointed out the decline in consumers' creditworthiness as contributing for credit policy tightening.

In the same period, three of the inquired institutions have reported a decrease in spreads applied to average risk loans, whereas one institution has reported an increase in spreads applied to higher risk loans.

In the last quarter of 2006, the demand for loans for consumption and other purposes has remained stable for four banking groups, whereas one group has reported a slight increase in demand which was attributed to an increase in consumers' confidence levels. The evolution of households' savings was mentioned by one other institution as a factor contributing to increased demand, whereas a third bank has pointed out the role of a decline in consumers' confidence levels and consumers' recourse to loans from other banks as factors contributing to a decline in demand.

The inquired banking groups do not intend to change their criteria for approval of loans for consumption and other purposes in the first quarter of 2007. Four banking groups also expect demand to remain stable in this segment, whereas one expects a slight increase in demand.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in October 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.

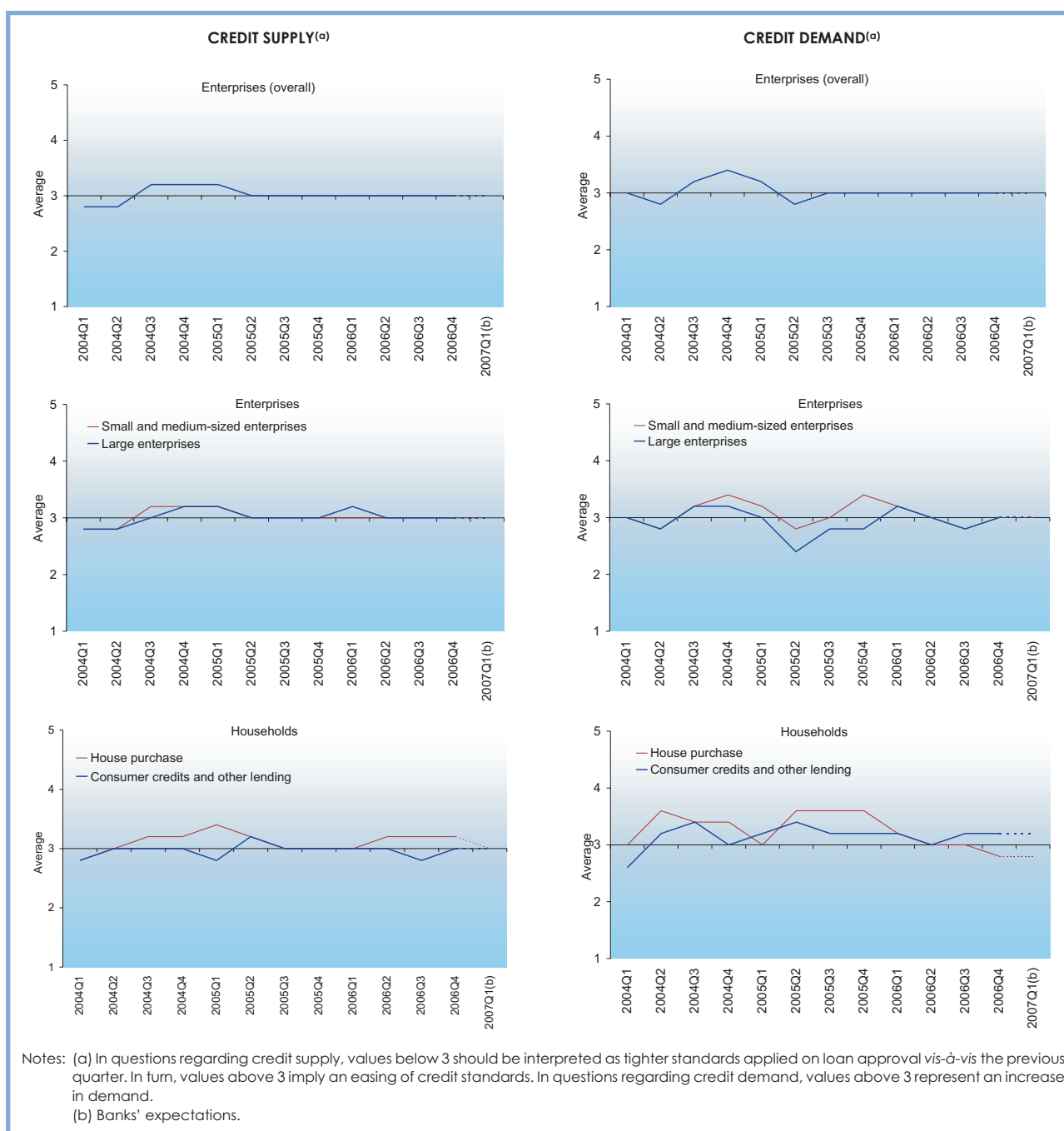
In the case of corporations two sort of segmentations have been undertaken: small and medium sized (SME) versus large enterprises, and short term versus long term loans. For households, a distinction between loans for house purchase and consumer credit and other lending has been made.

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.



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					
Remained basically unchanged	5	5	5	5	5
Eased somewhat					
Eased considerably					
Average Jan. 07	3.0	3.0	3.0	3.0	3.0
Oct. 06	3.0	3.0	3.0	3.0	3.0

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	
							Jan. 07	Oct. 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	2			3.4	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			4	1			3.2	3.2
• Industry or firm-specific outlook			5				3.0	2.8
• Risk on the collateral demanded			5				3.0	3.0

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 Jan. 07 Oct. 06	
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			1	3	1		4.0	3.4
• Your bank's margin on riskier loans		2	3				2.6	2.6
B) Other conditions and terms								
• Non-interest rate charges			4	1			3.2	3.2
• Size of the loan or credit line			5				3.0	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	5	3	5	4	
Increased somewhat			1			
Increased considerably						
	Average Jan. 07	3.0	3.0	3.0	3.0	2.8
	Oct. 06	3.0	2.8	2.8	3.2	2.8

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 Jan. 07 Oct. 06	
A) Financing needs								
• Fixed investment		2	3				2.6	2.6
• Inventories and working capital			4	1			3.2	3.0
• Mergers/acquisitions and corporate restructuring			3	2			3.4	3.4
• Debt restructuring			3	2			3.4	3.4
B) Use of alternative finance								
• Internal financing			5				3.0	3.0
• Loans from other banks		1	4				2.8	2.8
• Loans from non-banks			5				3.0	3.0
• Issuance of debt securities			5				3.0	3.0
• 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	5	5	5
Ease somewhat					
Ease considerably					
Average Jan. 07	3.0	3.0	3.0	3.0	3.0
Oct. 06	3.0	3.0	3.0	3.0	3.0

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	5	5	5	5	5
Increase somewhat					
Increase considerably					
Average Jan. 07	3.0	3.0	3.0	3.0	3.0
Oct. 06	3.2	3.4	3.2	3.2	3.2

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	4	5
Eased somewhat	1	
Eased considerably		
Average Jan. 07	3.2	3.0
Oct. 06	3.2	2.8

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 Jan. 07 Oct. 06	
A) Cost of funds and balance sheet constraints			5				3.0	3.0
B) Pressure from competition								
• Competition from other banks			1	3	1		4.0	4.0
• Competition from non-banks			5				3.0	3.0
C) Perception of risk								
• Expectations regarding general economic activity		1	4				2.8	2.8
• Housing market prospects		1	4				2.8	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	
							Jan. 07	Oct. 06
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			3	2			3.4	3.8
• Your bank's margin on riskier loans			5				3.0	3.2
B) Other conditions and terms								
• Collateral requirements			5				3.0	3.0
• "Loan-to-value" ratio			4	1			3.2	3.2
• Maturity			4	1			3.2	3.2
• Non-interest rate charges			4	1			3.2	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	
							Jan. 07	Oct. 06
A) Cost of funds and balance sheet constraints			5				3.0	3.0
B) Pressure from competition								
• Competition from other banks			3	2			3.4	3.4
• Competition from non-banks			5				3.0	3.0
C) Perception of risk								
• Expectations regarding general economic activity			4	1			3.2	3.0
• 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	
							Jan. 07	Oct. 06
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			2	3			3.6	3.4
• Your bank's margin on riskier loans		1	4				2.8	3.0
B) Other conditions and terms								
• Collateral requirements			5				3.0	3.0
• 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	4	4
Increased somewhat		1
Increased considerably		
	Average Jan. 07	3.2
	Oct. 06	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	
							Jan. 07	Oct. 06
A) Financing needs								
• Housing market prospects		3	2				2.4	2.6
• Consumer confidence		2	3				2.6	2.8
• Non-housing related consumption expenditure		2	3				2.6	3.0
B) Use of alternative finance								
• Household savings			5				3.0	3.0
• Loans from other banks		2	3				2.6	2.8
• 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	
							Jan. 07	Oct. 06
A) Financing needs								
• Spending on durable consumer goods, such as cars, furniture, etc.)			5				3.0	3.2
• Consumer confidence		1	3	1			3.0	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		1	4				2.8	2.8
• 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 Jan. 07	3.0	3.0
Oct. 06	3.2	3.0

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	2	
Remain basically unchanged	2	4
Increase somewhat	1	1
Increase considerably		
Average Jan. 07	2.8	3.2
Oct. 06	2.6	3.2