BANK LENDING SURVEY

July 2008

Results for Portugal

I. Overall assessment

According to the results of the survey conducted in July to the five Portuguese banking groups included in the sample, the credit standards applied to the approval of loans to the non-financial sector were stricter in the second quarter of 2008, as compared to the previous quarter, across all segments of loans considered. This behaviour, which has been reported since the outbreak of the financial market turmoil in the summer of 2008, should have been a consequence of banks' increased capital cost and balance sheet constraints, as well as of a less favourable assessment of perceived risks. Furthermore, one of the surveyed banks emphasized the importance of the shortage of liquidity in funding markets.

Against the background of tightening credit standards, banks reported some changes in the conditions applied on loans, such as an increase in loan spreads, especially in higher risk loans to households, as well as the adoption of more demanding contractual conditions and terms other than the price, through a decrease in maturities and amounts, an increase in commissions and collateral requirements and the application of more restrictive loan covenants.

Demand for loans or credit lines by enterprises should not have changed significantly during the second quarter of 2008, as only one of the surveyed banking groups reported a slight decrease in this respect. Demand for loans in this segment should have been negatively affected by the decrease in financing needs regarding fixed investment and mergers/acquisitions and corporate restructuring, as well as by the increased use of alternative financing sources by firms. The increase in financing needs concerning inventories and working capital as well as debt restructuring, on the other hand, should have acted in the opposite direction, even though some dispersion was recorded in banks' assessment of the role of debt restructuring. Additionally, surveyed banks reported a decrease in the demand for loans by households, which should have been more relevant in loans for house purchase than in consumer credit and other loans. This behaviour should have been associated with a decrease in households' financing needs, as well as with an increase in the use of alternative financing sources, which was especially relevant in the demand for consumer credit and other loans. One institution also highlighted the impact of the increase in interest rates in the demand for loans for house purchase.

Surveyed banks anticipate a further tightening of credit standards applied to the approval of loans in the third quarter of 2008, especially as to what regards loans to enterprises and, in particular, long term loans to this sector. Sampled banks also reported the expectation of a decrease in loan demand for the same period, especially in loans to households for house purchase.

Similarly to previous surveys, a set of *ad-hoc* questions was included in the questionnaire in order to assess the impact of the turmoil in international financial markets on Portuguese banks' loan supply. The collected results suggest that the turbulence in financial markets has continued to have a significant impact in credit standards applied on the approval of loans, mostly due to hampered access to wholesale market funding. The reporting banks expect this issue to remain relevant during the next quarter.

II. Presentation of the results

Loans and credit lines to enterprises

The five banking groups included in the survey reported the adoption of more demanding credit standards in the approval of loans and credit lines to enterprises during the second quarter of 2008. This tightening of credit standards should have been particularly significant for one of the participating banks, regardless of loan maturity and counterpart's size.

According to the survey's results, the cost of funds and balance sheet constraints, mainly in what concerns banks' ability to access wholesale market funding and costs related to their capital position, should have contributed to the tightening of credit standards, whereas the shortage of liquidity in funding markets and the bank's liquidity position were also considered relevant by one of the reporting institutions. Less favourable expectations regarding economic activity in general and the outlook for specific firms or industries, as well as an increase in perceived risks regarding the collateral demanded, should have had a similar effect. Furthermore, one of the reporting banking groups pointed out that decreased competitive pressure from market financing has also contributed to the tightening of credit standards, in particular in the segment of large enterprises.

The adjustments to credit standards should have been reflected in an increase in the spreads applied by most of the surveyed banking groups. Moreover, an increase in the restrictiveness of other conditions and terms was also reported, particularly through a decrease in the maturity (despite one institution claiming to have offered longer maturities) and in the size of the loan or credit line, through an increase in collateral requirements (especially in what concerns loans to small and medium sized enterprises) and in non-interest rate charges and through the application of more restrictive loan covenants.

Demand for loans and credit lines by enterprises should, in general, have remained broadly unchanged across the considered classes of maturity and firm size, since only one of the surveyed institutions reported a slight decrease in the demand it faced during the second quarter of the year. This relative stability should have reflected, on the one hand, an increase in firms' financing needs regarding inventories and working capital, as well as concerning debt restructuring, despite some dispersion in obtained answers regarding this item. On the other hand, banks reported a negative impact in loan demand due to the decrease in financing needs concerning mergers/acquisitions and corporate restructuring and, to a lesser extent, the financing of fixed investment. The increased use of alternative financing sources by firms should have acted in the same direction.

For the third quarter of 2008, surveyed banks expect to further tighten the credit standards applied to the approval of loans and credit lines to enterprises, regardless of firm size and more markedly in longer term loans. For the same period, four of the sampled banks expect the demand for loans by enterprises to remain broadly unchanged, regardless of firm size and of the operation's maturity, whereas one institution expects its demand for loans in this sector to decrease considerably.

Loans to households

For house purchase

Regarding the second quarter of 2008, four of the surveyed banking groups reported a tightening of the credit standards applied to the approval of loans to households for house purchase, while the remaining institution did not report significant changes to the corresponding standards. This behaviour should have been motivated by the decline in expectations regarding economic activity in general and in housing market prospects, as well as by the increase in banks' cost of funds and balance sheet constraints and, according to one institution, by the shortage of liquidity in funding markets.

For the same period, most of the respondents reported an increase in the spreads applied on loans for house purchase, especially in what concerns higher risk loans. Some changes in the other conditions and terms applied on loans to this segment were also reported, among which are a decrease in the loan-to-value ratio, an increase in collateral requirements and, according to one bank, a considerable decrease in offered maturities and an increase in non-interest rate charges.

Four of the surveyed banking groups reported a decrease in the demand for loans for house purchase they faced in the second quarter of 2008, whereas the remaining institution did not report changes in this respect. The main factors pointed out by the respondents as negatively influencing loan demand in this segment were the decline in housing market prospects and in consumer confidence and, to a lesser extent, the evolution of non-housing related consumption expenditure. One institution also reported a slight negative effect in loan demand due to the increase in the use of households' saving as a source of alternative finance while one other pointed out the impact of the increase in interest rates.

For the third quarter of 2008, only one of the reporting banks does not anticipate a further tightening of the credit standards to be applied in the approval of loans for house purchase. For the same period, all inquired banks foresee a decrease in loan demand in this segment.

For consumption and other purposes

In the segment of loans to households for consumption and other purposes, four banks reported a tightening of the credit standards applied during the second quarter of 2008, as compared to the previous quarter. The main factors pointed out as contributing to this adjustment of credit standards were the increase in banks' cost of funds and balance sheet constraints and higher perceived risks regarding consumers' creditworthiness, expectations about economic activity in general and collateral. Moreover, one institution pointed out that the shortage of liquidity in funding markets was also a relevant factor motivating the tightening of the standards applied to the approval of loans in this segment.

According to the surveyed banks, this tightening of credit standards was reflected in an increase in the spreads applied, especially in higher risk loans. Furthermore, banks also reported a decrease in the maturity of offered loans, and an increase in non-interest rate charges and in collateral requirements.

Against this background of increasingly restrictive conditions in supply, the demand for loans for consumption and other purposes should have been lower in the second quarter of 2008 than in the previous quarter. This behaviour should have been motivated by the decrease in households' financing needs, mainly due to a decrease in spending on durable consumption goods, to lower consumer confidence and to the decrease in the weight of securities purchases. Furthermore, two banking groups pointed out an impact in loan demand due to households' increased use of alternative finance, i.e. their savings, loans from other banks and other sources of finance.

For the third quarter of 2008, credit standards applied to the approval of loans to households for consumption and other purposes should further tighten, as only one of the participating banks reported that it expects to keep the standards it applies to loans in this segment broadly unchanged. For the same period, three of the sampled banks anticipate a further decrease in the demand for this type of loan.

III. *Ad-hoc* questions

The US subprime mortgage crisis and its spillovers into international financial markets led to a considerably more cautious assessment of credit risk worldwide since the second half of 2007. For monetary policy purposes, it is important to evaluate to what extend these events influenced banks' credit standards applied to loans granted to the non-financial private sector. Hence, in line with the surveys conducted since October of 2007, this survey includes some *ad-hoc* questions which intend to assess to what extend the credit market turmoil influenced loan standards applied by banks to the approval of loans to enterprises and households in the euro area during the second quarter of 2008, as well as how the turbulence in financial markets will affect these standards during the next quarter.

In this context, according to the gathered information, the situation in financial markets should have continued to contribute to the tightening of credit standards applied by banks during the second quarter of 2008. This impact should have been common to loans granted to enterprises and to households, despite being more marked in loans to households for house purchase and weaker in loans and credit lines granted to large enterprises. For the next quarter, reporting banks expect the situation in financial markets to keep inducing the tightening of credit standards applied to the approval of loans to enterprises and to households.

As to what concerns loans granted to firms, the financial market turmoil should have motivated the adoption of tighter credit standards regarding loans for the financing of inventories and working capital, as well as loans with the purpose of financing mergers/acquisitions, corporate restructuring and investment. For the next quarter, surveyed banks do not anticipate significant changes to this trajectory.

In what regards banks' access to wholesale market funding, two banks reported some difficulties in accessing the inter bank unsecured money market for operations with maturity higher than one week during the second quarter of 2008. Furthermore, four banks reported difficulties in issuing medium to long term debt securities (where covered bonds are included), and one of those institutions also reported some difficulties in issuing short term debt securities. Moreover, the survey's results indicate that the access to securitization operations, both regarding loans to enterprises and loans for house purchase, was hampered in a significant way, as was banks' ability to transfer credit risk off the balance sheet. Dificulties in the access to funding in wholesale markets should have been reflected in an adjustment in the spreads applied by banks and, to a lesser extent, in the amounts of loans offered.

For the third quarter of 2008, no major improvements are expected in the access to wholesale funding markets, while one institution expects to have greater difficulties in issuing medium to long term debt securities. Furthermore, this situation should continue to be reflected in a decrease of loan amounts and in the application of higher interest rate spreads.

In line with the results that have been reported since the last quarter of 2007[1], banks have not reported needs to fund draw-downs on commitments to asset-backed commercial paper programmes issued by conduits or structured investment vehicles during the second quarter of 2008, since this activity should not have been relevant to the surveyed institutions. No major changes regarding this activity are expected for the next quarter.

Finally, according to all the participating banks, the financial market turmoil had some impact in the costs related to banks' capital position and in their willingness to lend during the second quarter of 2008. These effects should persist during the next quarter.

(1) Note that there was a revision in banks' answers to this question in the January and April 2008 surveys.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in July 2008. 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.

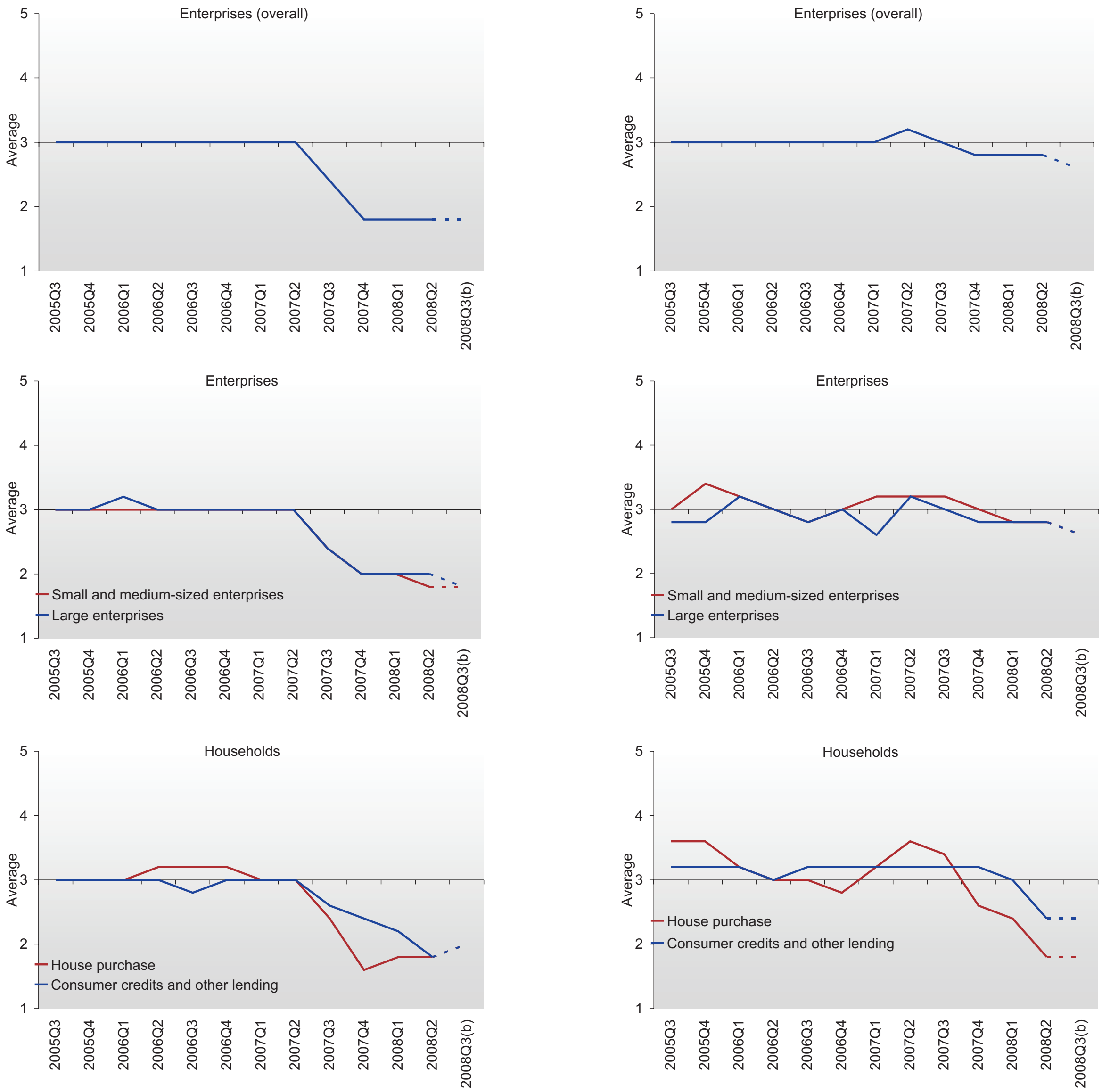
For each sector — enterprises and households — the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors 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' 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	1	1	1	1	1
Tightened somewhat	4	4	3	4	4
Remained basically unchanged			1		
Eased somewhat					
Eased considerably					
Average Jul. 08	1,8	1,8	2,0	1,8	1,8
Apr. 08	1,8	2,0	2,0	1,8	1,8

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

Overall

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)	1	2	2				2,2	2,2
• Your bank's ability to access market financing (e.g. money or bond market financing) (2)	1	4					1,8	1,6
• Your bank's liquidity position		1	4				2,8	2,4
B) Pressure from competition								
• Competition from other banks			5				3,0	3,0
• Competition from non-banks			5				3,0	3,0
• Competition from market financing		1	4				2,8	2,8
C) Perception of risk								
• Expectations regarding general economic activity		4		1			2,4	2,4
• Industry or firm-specific outlook		4		1			2,4	2,4
• Risk on the collateral demanded		2	3				2,6	2,8

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.
(2) Involves the sale of loans from the bank's balance sheet, *i.e.* off-balance sheet funding.

(To be continued)

(Continued)

Loans to small and medium-sized enterprises

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)	1	2	2				2,2	2,2
• Your bank's ability to access market financing (e.g. money or bond market financing) (2)		4	1				2,2	1,8
• Your bank's liquidity position		1	4				2,8	2,6
B) Pressure from competition								
• Competition from other banks			5				3,0	3,0
• 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			2,4	2,6
• Industry or firm-specific outlook		4		1			2,4	2,6
• Risk on the collateral demanded		2	3				2,6	3,0

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.
(2) Involves the sale of loans from the bank's balance sheet, *i.e.* off-balance sheet funding.

Loans to large enterprises

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Cost of funds and balance sheet constraints								
• Costs related to your bank's capital position (1)	1	3	1				2,0	2,4
• Your bank's ability to access market financing (e.g. money or bond market financing) (2)	1	4					1,8	1,8
• Your bank's liquidity position	1		4				2,6	2,6
B) Pressure from competition								
• Competition from other banks			5				3,0	3,0
• Competition from non-banks			5				3,0	3,0
• Competition from market financing		1	4				2,8	2,8
C) Perception of risk								
• Expectations regarding general economic activity		2	3				2,6	2,4
• Industry or firm-specific outlook		3	2				2,4	2,2
• Risk on the collateral demanded		2	3				2,6	3,0

(1) Can involve the use of credit derivatives, with the loans remaining on the bank's balance sheet.
(2) Involves the sale of loans from the bank's balance sheet, *i.e.* off-balance sheet funding.

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

Overall

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	3		1			2,2	2,0
• Your bank's margin on riskier loans	1	3		1			2,2	1,6
B) Other conditions and terms								
• Non-interest rate charges		1	4				2,8	2,8
• Size of the loan or credit line	1		4				2,6	2,6
• Collateral requirements		2	3				2,6	2,6
• Loan covenants		2	3				2,6	2,6
• Maturity	1	2	1	1			2,4	2,0

Loans to small and medium-sized enterprises

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	3		1			2,2	2,0
• Your bank's margin on riskier loans	1	3		1			2,2	1,6
B) Other conditions and terms								
• Non-interest rate charges		1	4				2,8	2,8
• Size of the loan or credit line	1		4				2,6	2,6
• Collateral requirements	1	1	3				2,4	2,4
• Loan covenants		2	3				2,6	2,6
• Maturity		3	1	1			2,6	2,2

Loans to large enterprises

	– –	–	°	+	+ +	NA	Average Jul. 08	Average Apr. 08
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)		4		1			2,4	2,0
• Your bank's margin on riskier loans	1	2	1	1			2,4	1,8
B) Other conditions and terms								
• Non-interest rate charges		1	4				2,8	2,8
• Size of the loan or credit line	1	1	3				2,4	2,4
• Collateral requirements		2	3				2,6	2,6
• Loan covenants		2	3				2,6	2,6
• Maturity	1	2	1	1			2,4	2,0

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	1	1	1
Remained basically unchanged	4	4	4	4	4
Increased somewhat					
Increased considerably					
Average Jul. 08	2,8	2,8	2,8	2,8	2,8
Apr. 08	2,8	2,8	2,8	2,8	2,6

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 Jul. 08	Average Apr. 08
A) Financing needs								
• Fixed investment		1	4				2,8	3,0
• Inventories and working capital			4	1			3,2	3,2
• Mergers/acquisitions and corporate restructuring	2		3				2,2	2,4
• Debt restructuring		1	2	2			3,2	3,8
B) Use of alternative finance								
• Internal financing		2	3				2,6	3,0
• Loans from other banks		2	3				2,6	2,8
• Loans from non-banks		2	3				2,6	3,0
• Issuance of debt securities		2	3				2,6	3,2
• Issuance of equity		2	3				2,6	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	1	1	1	1	2
Tighten somewhat	4	4	4	4	3
Remain basically unchanged					
Ease somewhat					
Ease considerably					
Average Jul. 08	1,8	1,8	1,8	1,8	1,6
Apr. 08	1,8	2,0	1,8	2,0	1,6

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	1	1	1	1	1
Decrease somewhat					
Remain basically unchanged	4	4	4	4	4
Increase somewhat					
Increase considerably					

Average Jul. 08	2,6	2,6	2,6	2,6	2,6
Apr. 08	2,8	3,0	3,0	3,0	2,8

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	2	2
Tightened somewhat	2	2
Remained basically unchanged	1	1
Eased somewhat		
Eased considerably		

Average Jul. 08	1,8	1,8
Apr. 08	1,8	2,2

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 Jul. 08	Average Apr. 08
A) Cost of funds and balance sheet constraints	1	2	2				2,2	1,8
B) Pressure from competition								
• Competition from other banks			5				3,0	2,8
• Competition from non-banks			5				3,0	2,8
C) Perception of risk								
• Expectations regarding general economic activity	1	4					1,8	2,0
• Housing market prospects	1	3	1				2,0	2,0

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 Jul. 08	Average Apr. 08
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	2	2				2,2	2,0
• Your bank's margin on riskier loans	3	1	1				1,6	1,6
B) Other conditions and terms								
• Collateral requirements		2	3				2,6	2,6
• "Loan-to-value" ratio	2	1	2				2,0	2,0
• Maturity	1		4				2,6	2,6
• Non-interest rate charges		1	4				2,8	2,8

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 Jul. 08	Average Apr. 08
A) Cost of funds and balance sheet constraints	1	2	2				2,2	2,0
B) Pressure from competition								
• Competition from other banks			5				3,0	3,2
• Competition from non-banks			5				3,0	3,2
C) Perception of risk								
• Expectations regarding general economic activity		5					2,0	2,0
• Creditworthiness of consumers	1	4					1,8	2,0
• Risk on the collateral demanded		3	2				2,4	2,3

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 Jul. 08	Average Apr. 08
A) Price								
• Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)	1	2	2				2,2	2,2
• Your bank's margin on riskier loans	2	2	1				1,8	1,8
B) Other conditions and terms								
• Collateral requirements		2	3				2,6	2,8
• Maturity	1	2	2				2,2	2,6
• Non-interest rate charges		3	2				2,4	2,6

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	2	1
Decreased somewhat	2	1
Remained basically unchanged	1	3
Increased somewhat		
Increased considerably		
Average Jul. 08	1,8	2,4
Apr. 08	2,4	3,0

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 Jul. 08	Average Apr. 08
A) Financing needs								
• Housing market prospects	2	3					1,6	2,2
• Consumer confidence	2	3					1,6	2,0
• Non-housing related consumption expenditure		5					2,0	2,6
B) Use of alternative finance								
• Household savings		1	4				2,8	3,0
• Loans from other banks			5				3,0	3,0
• 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 Jul. 08	Average Apr. 08
A) Financing needs								
• Spending on durable consumer goods, such as cars, furniture, etc.)	1	2	2				2,2	3,0
• Consumer confidence	1	3	1				2,0	2,2
• Securities purchases		4	1				2,2	2,4
B) Use of alternative finance								
• Household saving		2	3				2,6	3,0
• Loans from other banks		2	3				2,6	3,0
• Other sources of finance		2	3				2,6	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	1	1
Tighten somewhat	3	3
Remain basically unchanged	1	1
Ease somewhat		
Ease considerably		

Average Jul. 08	2,0	2,0
Apr. 08	1,8	1,8

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	1	
Decrease somewhat	4	3
Remain basically unchanged		2
Increase somewhat		
Increase considerably		

Average Jul. 08	1,8	2,4
Apr. 08	2,2	2,6

Ad-hoc questions

The US subprime mortgage crisis and its spillovers into international financial markets led to a considerably more cautious assessment of credit risk worldwide since the second half of 2007. For monetary policy purposes, it is important monitor how these events have affected banks' credit standards applied to loans granted to the non-financial private sector. This set of questions is a follow-up to the *ad-hoc* questions that have been included in the surveys since October of 2007 with the aim of gauging to what extend the financial market tensions have influenced credit standards applied by banks to the approval of loans to enterprises and households in the euro area during the second quarter of 2008, as well as how the turbulence in financial markets will affect these standards during the next quarter.

1. What effect has the situation in financial markets had on your bank's credit standards over the past three months?

	Loans and credit lines to enterprises		Loans to households	
	SMEs	Large Enterprises	For house purchase	Consumer credit and other lending
Contributed considerably to tightening of credit standards	2	1	3	3
Contributed somewhat to tightening of credit standards	3	4	2	1
Basically no impact on credit standards				1
Contributed somewhat to easing of credit standards				
Contributed considerably to easing of credit standards				
N A(*)				

(*) *NA = Not Applicable: the bank does not conduct business in a particular loan category .*

2. What effect do you expect the situation in financial markets to exert on your bank's credit standards over the next three months?

	Loans and credit lines to enterprises		Loans to households	
	SMEs	Large Enterprises	For house purchase	Consumer credit and other lending
Contribute considerably to tightening of credit standards	1	2	2	2
Contribute somewhat to tightening of credit standards	4	3	3	3
Basically no impact on credit standards				
Contribute somewhat to easing of credit standards				
Contribute considerably to easing of credit standards				
N A(*)				

(*) *NA = Not Applicable*: the bank does not conduct business in a particular loan category.

3. What effect has the situation in financial markets had on your bank's credit standards for the approval of loans and credit lines to enterprises over the past three months? How do you expect this situation to affect these credit standards over the next three months? Please make a distinction by loan purpose.

	Over the past three months			Over the next three months		
	Investment	Inventories and working capital	M&A and corporate restructuring	Investment	Inventories and working capital	M&A and corporate restructuring
Contributed/will contribute considerably to tightening of credit standards	1	1	2	2	2	2
Contributed/will contribute somewhat to tightening of credit standards	3	4	2	2	2	2
Basically no impact on credit standards	1		1	1	1	1
Contributed/will contribute somewhat to easing of credit standards						
Contributed/will contribute considerably to easing of credit standards						
N A(*)						

(*) *NA = Not Applicable*: the bank does not conduct business in a particular loan category.

4. As a result of the situation in financial markets, has your market access been hampered when tapping your usual sources of wholesale funding and/or has your ability to transfer risk been hampered over the past three months, or are you expecting this access/activity to be hampered over the next three months? Please rate each factor using the following scale:

- - = considerably hampered
- = somewhat hampered
° = basically not hampered
NA = not applicable

	Over past three months			Over the next three months			N A(1)
	- -	-	°	- -	-	°	
A) Inter-bank unsecured money market							
• Very short term money market (up to 1 week)			5			5	
• Short-term money market (more than 1 week)		2	3		2	3	
B) Debt securities(2)							
• Short-term debt securities (e.g. certificates of deposit or commercial paper)		1	4		1	4	
• Medium to long term debt securities (incl. covered bonds)	1	3	1	2	2	1	
C) Securitisation(3)							
• Securitisation of corporate loans	3	1		3	1		1
• Securitisation of loans for house purchase	3	1		3	1		1
D) Ability to transfer credit risk off balance sheet (4)	1	1	2	1	1	2	1

(1) *NA = Not Applicable: the source of funding is not relevant for the bank .*
(2) *Usually involves on-balance sheet funding .*
(3) *Usually involves the sale of loans from banks ' balance sheets, i.e. off-balance sheet funding .*
(4) *Usually involves the use of credit derivatives, with the loans remaining on banks ' balance sheets.*

5. If you have stated in response to question 4 that one or more of your usual means of accessing wholesale funding markets were (will be) considerably or somewhat hampered over the past (next) three months, did (will) this have an impact on the quantity that your bank is willing to lend and/or the margin at which funds were (will be) lent over the past (next) three months?

(a) *For money markets, debt securities or other markets (sections A and B of question 4 above)*

	Over the past three months	Over the next three months
Quantity		
Considerable impact	1	2
Some impact	3	2
Basically no impact		
Margin		
Considerable impact	2	2
Some impact	2	2
Basically no impact		
N A (*)	1	1

(*) *NA = Not Applicable: the bank has replied "basically not hampered" or "NA" to question 4 .*

(b) *For securitisation and use of credit risk transfer instruments (sections C and D of question 4 above)*

	Over the past three months	Over the next three months
Quantity		
Considerable impact	1	1
Some impact	3	3
Basically no impact		
Margin		
Considerable impact	1	1
Some impact	3	3
Basically no impact		
N A (*)	1	1

(*) *NA = Not Applicable:* the bank has replied "basically not hampered" or "NA" to question 4.

6. To what extent have (will) needs to fund draw-downs on commitments to asset-backed commercial paper programmes issued by conduits or Structured Investment Vehicles affected (affect) your lending policies over the past (next) three months?

	Over the past three months	Over the next three months
Quantity		
Considerable impact		
Some impact		
Basically no impact		
Margin		
Considerable impact		
Some impact		
Basically no impact		
N A (*)	5	5

(*) *NA = Not Applicable*: the source of funding is not relevant for the bank.

7. To what extent have the events in financial markets affected the costs related to your bank's capital position (*), and has this constrained your willingness to lend over the past three months or could this constrain your willingness to lend over the next three months?

	Over the past three months	Over the next three months
Considerable impact on both capital and lending	1	1
Considerable impact on capital, and some impact on lending		
Some impact on both capital and lending	4	4
Some impact on capital, but no impact on lending		
Basically no impact on capital		
No reply		

(*) *As in the regular questionnaire, capital is defined in accordance with the Basel capital adequacy requirements, including both Tier 1 capital (core capital) and Tier 2 capital (supplementary capital). In the context of the EU Capital Requirements Directive, Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions defines capital as own funds and makes a distinction between original own funds and additional own funds .*