

BANK LENDING SURVEY

October 2005

Results for Portugal**I. Overall assessment**

According to the results of the survey conducted in October of 2005 to the five Portuguese banking groups included in the sample, loan approval standards applied both to loans to non-financial corporations and to households should have remained basically unchanged during the third quarter of 2005, comparing with the previous quarter.

Nevertheless, some factors were reported as influencing credit supply. As reported in the last survey, higher competition, in particular within banking institutions, should have contributed to an easing of the credit criteria, while the perception of higher risks, in general, should have encouraged a tighter credit policy. Regarding terms and conditions, the slight reported variations, as a lengthening of loan maturity and changes in spreads, took place essentially in segment of loans for house purchase.

In the third quarter of 2005, the demand for loans or credit lines by enterprises should have remained globally unchanged. Similar evolution should have been recorded in demand for loans for consumption and other purposes by households, according to four of the five surveyed institutions. In the segment of loans for house purchase, three of the reporting banks pointed out a slight increase in demand.

For the last quarter of 2005, the participating banks anticipate, in aggregate terms, a slight tightening of the criteria underlying the approval of loans or credit lines to enterprises, particularly in the segment of small and medium-sized enterprises and in loans with longer maturity, and they do not intend to introduce changes in loan approval standards to households. For the same period, the reported expectations point to a relative stability in demand by enterprises and a slight decrease in demand by households (mainly in the segment of loans for consumption and other purposes).

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

In the third quarter of 2005, according to the five banking groups that participate in the survey, credit approval standards applied to loans to enterprises should have remained unchanged vis-à-vis the previous quarter.

Among the factors explaining the evolution of credit criteria, all of the surveyed banks reported a less favourable evaluation of risks related to specific industries or enterprises as contributing to a tightening of the criteria. In the same direction, a less favourable evaluation of general economic activity was indicated by two institutions. Additionally, one of them also reported risks on collateral demanded, an increase in capital cost and the existence of bank's balance sheet liquidity constrains. Contributing to an easing of loan approval standards only a competitive environment among bank institutions was pointed out. As far as terms and conditions are concerned, spreads applied to riskier loans should have slightly increased.

In general, demand for loans or credit lines by enterprises should not have presented significant changes during the third quarter of 2005. However, while two banking institutions pointed out slight decreases in demand by loans with longer maturity and in demand by large enterprises, two other institutions reported slight increases in these segments, one bank in the segment of loans with longer maturity and the other in the segment of large enterprises. Underlying the evolution of demand should have been, on one hand, a decrease in financing needs for investment and for mergers and acquisitions activities and, on the other hand, an increase in financing needs for debt restructuring (factor reported by four banking groups).

For the last quarter of 2005, within the five surveyed banks only one intends to thight its credit criteria, in all segments of enterprises and for all maturities. Nevertheless, for small and medium-sized enterprises and for loans with longer maturity one other bank also plans to offer tighter loan approval standards. Finally, reporting institutions expect demand to remain unchanged in the last three months of 2005.

Loans to households**For house purchase**

In the third quarter of 2005, the five banking groups included in the sample did not report sizeable changes in credit standards applied to the approval of loans to households for house purchase.

The increased competition within banking institutions was mentioned as contributing to a slight easing of the credit criteria, while a less favourable expectation for general economic activity was identified by two institutions as contributing to tighter criteria. Albeit the preservation, in general, of the loan approval standards, some banks pointed out slight changes in some conditions, namely slight variations in spreads (increasing for riskier loans and decreasing for average risk loans), a lengthening of loan maturity and a decrease in "loan-to-value" ratio.

In the third quarter of 2005, demand for loans for house purchase should have increased slightly according to three of the five surveyed banking groups. However, the factors that should have justified this evolution were not completely perceptible for banks, since only one institution identified a factor that positively influenced the demand it faced, namely the decrease in loans from other institutions. Simultaneously, pessimistic housing market prospects and a decrease in consumer confidence were reported as conditioning negatively demand.

For the fourth quarter of 2005, the reporting banks do not expect significant changes in the criteria underlying the approval of loans for house purchase. For the same period, only one institution foresees some changes in demand, towards a slight decrease.

For consumption and other purposes

In the third quarter of 2005, loan approval standards applied to loans for consumption and other purposes and respective terms and conditions should not have verified sizeable changes.

The maintenance of these criteria should have reflect, in aggregate terms, the conjugation of an increase in competitive pressure from financial institutions (factor towards an easing of the criteria) with a less favourable perception of risks related to general economic activity and to creditworthiness of consumers (factors that justify a tightening of loan approval strategy).

In the period in analysis, demand for loans for consumption and other purposes should not have recorded significant changes for four institutions, while the remaining bank pointed out a slight increase in demand. Contributing positively to the demand's evolution, a lower use of consumer savings was the only factor reported, whereas a decline in consumer confidence and lower spending on durable consumer goods should have had a negative impact over demand.

For the last three months of 2005, the participating banks do not anticipate to change the criteria underlying approval of loans to households for consumption and other purposes. Regarding demand for the same period, three banking institutions do not expect significant changes in demand, while the other two foresee a slight decrease.

METHODOLOGICAL NOTE

The following tables include the results for Portugal of the Bank Lending Surveys (BLS) conducted in October 2005. 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.

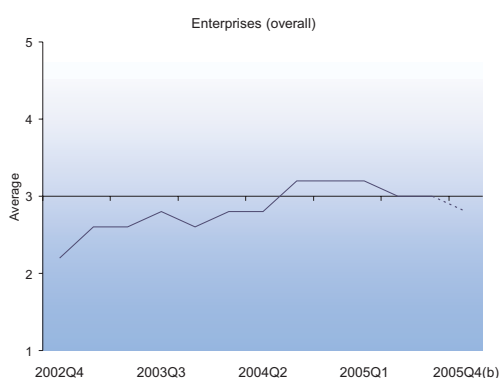
For each sector — enterprises and households — the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors 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.

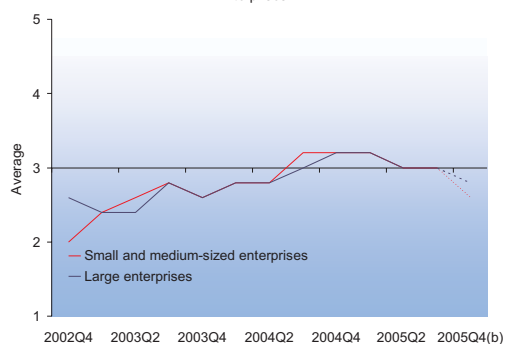
The results of the survey are as follows:

- 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)



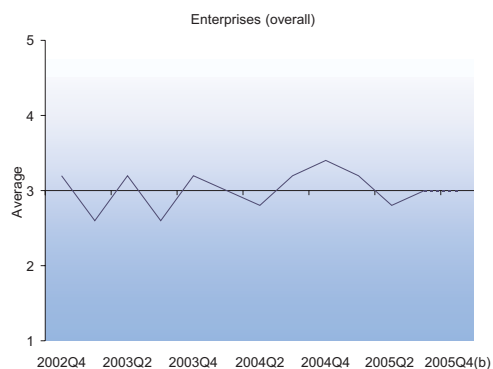
Enterprises



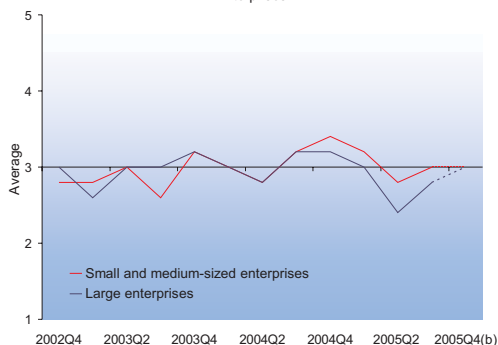
Households



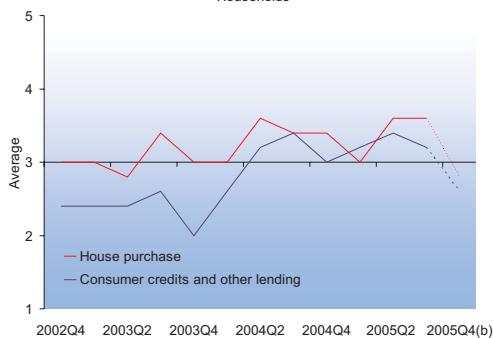
CREDIT DEMAND^(a)



Enterprises



Households



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					
Remained basically unchanged	5	5	5	5	5
Eased somewhat					
Eased considerably					
Average Oct. 05	3.0	3.0	3.0	3.0	3.0
July 05	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	
							Oct. 05	Jul. 05
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		1	4				2.8	2.8
B) Pressure from competition								
* Competition from other banks			3	2			3.4	3.2
* 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		2	3				2.6	2.6
* Industry or firm-specific outlook		5					2.0	2.4
* Risk on the collateral demanded		1	4				2.8	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 Oct. 05 Jul. 05	
A) Price								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			5				3.0	3.2
* Your bank's margin on riskier loans		2	3				2.6	2.6
B) Other conditions and terms								
* Non-interest rate charges			5				3.0	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	2.8

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			2		2
Remained basically unchanged	5	5	2	5	2
Increased somewhat			1		1
Increased considerably					
Average Oct. 05	3.0	3.0	2.8	3.0	2.8
July 05	2.8	2.8	2.4	2.8	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 Oct. 05 Jul. 05	
A) Financing needs								
* Fixed investment		2	3				2.6	2.6
* Inventories and working capital			5				3.0	3.2
* Mergers/acquisitions and corporate restructuring		1	4				2.8	2.8
* Debt restructuring			1	4			3.8	4.0
B) Use of alternative finance								
* Internal financing			5				3.0	3.2
* Loans from other banks			5				3.0	3.0
* 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+	1	2	1	1	2
Remain basically unchanged	4	3	4	4	3
Ease somewhat					
Ease considerably					
Average Oct. 05	2.8	2.6	2.8	2.8	2.6
July 05	2.8	2.6	2.8	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	5	5	5	5	4
Increase somewhat					1
Increase considerably					
Average Oct. 05	3.0	3.0	3.0	3.0	3.2
July 05	3.2	3.4	3.0	3.4	3.0

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 Oct. 05	3.0	3.0
July 05	3.2	3.2

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 Oct. 05 Jul. 05	
A) Cost of funds and balance sheet constraints			5				3.0	3.0
B) Pressure from competition								
* Competition from other banks			2	3			3.6	3.4
* Competition from non-banks			4			1	3.0	3.3
C) Perception of risk								
* Expectations regarding general economic activity		2	3				2.6	2.8
* Housing market prospects			5				3.0	3.0

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	
							Oct. 05	Jul. 05
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		1	4				2.8	3.0
B) Other conditions and terms								
* Collateral requirements			5				3.0	3.0
* "Loan-to-value" ratio		1	4				2.8	3.0
* Maturity			3	2			3.4	3.2
* Non-interest rate charges			5				3.0	3.2

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	
							Oct. 05	Jul. 05
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	3.6
* Competition from non-banks			4	1			3.2	3.4
C) Perception of risk								
* Expectations regarding general economic activity		2	3				2.6	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 Oct. 05 Jul. 05	
A) Price								
* Your bank's margin on average loans (wider margin = tightened, narrower margin = eased)			5				3.0	3.2
* Your bank's margin on riskier loans			5				3.0	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		
Remained basically unchanged	2	4
Increased somewhat	3	1
Increased considerably		
	Average Oct. 05 July 05	3.2
		3.4

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 Oct. 05 Jul. 05	
A) Financing needs								
* Housing market prospects		1	4				2.8	3.0
* 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	3.0
* Loans from other banks			4	1			3.2	3.4
* 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	
							Oct. 05	Jul. 05
A) Financing needs								
* Spending on durable consumer goods, such as cars, furniture, etc.)		1	4				2.8	3.2
* Consumer confidence		2	3				2.6	2.8
* Securities purchases			5				3.0	3.0
B) Use of alternative finance								
* Household saving			4	1			3.2	3.4
* Loans from other banks			5				3.0	3.2
* 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 Oct. 05	3.0	3.0
July 05	3.0	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	1	2
Remain basically unchanged	4	3
Increase somewhat		
Increase considerably		
Average Oct. 05	2.8	2.6
July 05	2.8	3.0