

Bank Lending Survey

October 2008

Results for Portugal

I. Overall assessment

According to the results of the survey conducted in October 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 third quarter of 2008, as compared to the previous quarter, across all segments of loans considered.

Against a background of strong turbulence in international financial markets and similarly to what was reported in previous surveys, increased capital cost and balance sheet constraints, as well as less favourable assessment of perceived risks, should have been the main factors contributing to the tightening of credit standards. This tightening should have been reflected in higher interest rate spreads and in more demanding contractual conditions, such as the decrease in new loans maturity, the reduction in the size of the loan or credit line and in the loan-to-value ratio, an increase in collateral requirements and in non-interest rate charges and the application of more restrictive loan covenants.

Demand for loans or credit lines by enterprises should have decreased during the third quarter of 2008, and one of the surveyed banks reported a considerably decrease in this respect. This behaviour should have been associated mainly to the decrease in financing needs regarding fixed investment and mergers/acquisitions and corporate restructuring. On the other hand, debt restructuring and, to a lesser extent, inventories and working capital should have remained the main factors contributing to an increase in demand for credit by enterprises. The surveyed banks also 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 to a decrease in households' financing needs, as well as to an increase in the use of alternative financing sources, which was especially relevant in the demand for consumer credit and other loans. As reported in the previous survey, one institution also highlighted the impact of the increase in interest rates in the demand for loans for house purchase.

For the fourth quarter of 2008, surveyed banks anticipate a further tightening of credit standards applied to the approval of loans, especially as to what regards long-term loans to enterprises and loans to households for house purchase. Sampled banks also reported the expectation of a decrease in loan demand for the same period, which should be especially relevant in loans to households, mainly in what concerns loans for house purchase.

The persistent instability in international financial markets continued to justify the inclusion of a set of ad-hoc questions in order to assess its impact on Portuguese banks' loan supply. According to the answers, the turbulence in financial markets should have continued to have a significant impact in credit standards criteria 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 third quarter of 2008. This tightening of credit standards should have been particularly significant for two of the participating banks, regardless of loan maturity and counterpart's size.

According to the survey's results, 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 contributed to the tightening of credit standards. Similar effect should have had the cost of funds and balance sheet constraints of the surveyed institutions, mainly in what concerns banks' ability to access wholesale market funding and costs related to their capital position. Additionally, similar to the previous survey, the bank's liquidity position and decreased competitive pressure from market financing should have also been pointed out by one of the surveyed institutions as contributed to the tightening of credit standards.

The change in loans standards should have been reflected in an increase in spreads applied by the surveyed banking groups. Additionally, other contractual conditions and terms should have also recorded an increase in its restrictiveness, namely through reductions in loan's maturity and offered amounts, as well as increased collateral requirements and non interest rate charges, and also through the application of more restrictive loan covenants.

Demand for loans and credit lines by enterprises should, in general, have decreased during the third quarter of 2008, despite the compensation observed between two extreme answers reported by the surveyed banks in the large enterprises segment. The decrease in demand should have been associated mainly with decrease financing needs for fixed investment and mergers/acquisitions and corporate restructuring. On the other hand, debt restructuring and, to a lesser extent, inventories and working capital needs should have remained the main factors contributing to an increase in demand for credit by enterprises.

For the fourth 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, three of the surveyed institutions expect the demand for loans by enterprises to remain broadly unchanged, regardless of firm size and on the operation's maturity, whereas the remaining two institutions foresee a slight reduction in the small and medium-sized enterprises segment. One of these last two institutions also anticipates a considerably decrease in the long-term loans segment, while the other expects a slight increase in its demand by large enterprises.

Loans to households

For house purchase

In the third quarter of 2008, according to the results of the survey, credit standards applied to the approval of loans to households for house purchase recorded an additional tightening, mainly by two institutions, which reported the adoption of considerably more demanding criteria.

The decline in expectations regarding economic activity in general and in housing market prospects, as well as the increase in banks' cost of funds and balance sheet constraints should have contributed to more demanding credit standards. The shortage of liquidity in wholesale markets should also have been pointed out by one of the surveyed institutions as contributing to tighter credit standards. This tightening of lending criteria should have been reflected in higher spreads applied both to average risk and to riskier loans, since only one institution maintained its spreads unchanged as compared to the previous quarter. In general, other conditions and terms other than the price should also have become more demanding during the third quarter of 2008. In this context, it should be pointed out the reduction in loan-to-value ratio and the increase in collateral requirements. Additionally, one institution reported a considerable decrease in offered maturities and, simultaneously with another institution, an increase in non-interest rate charges.

The surveyed banking groups reported a decrease in the demand for loans for house purchase in the third quarter of 2008, with two of them reporting a considerable decrease in this respect. The main factors pointed out by the respondents institutions as negatively influencing loan demand for house purchase 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 impact of the increase in the use of households' alternative finance. Additionally, one banking group mentioned that the upward trend recorded by interest rates should have also contributed to the decrease of loans demand in this segment.

For the fourth quarter of 2008, all the surveyed banks anticipate more demanding credit standards to be applied in the approval of loans for house purchase, especially three institutions which reported considerably more demanding criteria. 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, the surveyed banks reported a tightening of the credit standards, with two institutions reporting considerably more demanding criteria. The main factors pointed out as contributing to this adjustment of credit standards were the deterioration of perceived risks, namely regarding consumers' creditworthiness, expectations about economic activity in general and, to a lesser extent, risks associated to collateral demanded. In line with what was recorded in the other loans segments, the banks' cost of funds and balance sheet constraints should also have had a relevant contribution to the tightening of loans' standards in this segment. Though less markedly than in the other credit segments, an increase in loan spreads should have been recorded, especially in higher risk loans. Furthermore, two institutions reported a decrease in the maturity of offered loans, more demanding collateral requirements and, to a lesser extent, an increase in non-interest rate charges. According to one grouping bank, the shortage of liquidity in wholesale markets should also have contributed to the tightening of the credit standards.

The demand for loans for consumption and other purposes regarding three of the surveyed institutions should have decreased when compared to the second quarter of 2008, while for the other two it should have remained unchanged. This behaviour should have been motivated by the reduction in households' financing needs, mainly due to a decrease in spending on durable consumption goods, and lower consumer confidence. 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 fourth quarter of 2008, credit standards applied to the approval of loans to households for consumption and other purposes should tighten further, as only one of the participating banks reported that it expects to keep the standards it applies to loans in this segment broadly unchanged and three institutions intent to adopted more demanding credit standards in the approval of this kind of loans. Finally, three banks expect a new decrease in the demand for loans for house purchase during the next three months.

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 extent 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 extent 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 third quarter of 2008, as well as how the turbulence in financial markets will affect these standards during the next three months.

In this context, according to the reported answers, the turbulence in financial markets should have continued to contribute in the last three months to the tightening of credit standards applied to the approval of loans to enterprises and, especially, to households. For the fourth quarter, reporting banks expect the disturbance in financial markets to keep inducing the tightening of credit standards applied to the approval of loans, especially to households for house purchase.

As to what concerns loans granted to enterprises, more demanding criteria should have been observed, in particular, in the funding of projects of merger/ acquisitions and corporate restructuring and, to a lesser extent, in the funding of fixed investment, inventories and working capital. For the next three months, surveyed banks expect to maintain this trajectory of tightening criteria.

Given the disturbances observed in international financial markets, Portuguese banks reported some difficulties in accessing wholesale market funding during the third quarter of 2008. According to the replies, there should have been some difficulties in accessing the inter bank unsecured money market, namely for operations with maturity longer than one week. 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. The instability in the financial market should have also affected the ability to transfer credit risk off the balance sheet according to one banking institutions. Difficulties in the access to funding in wholesale markets should have been reflected in adjustments in the spreads applied by banks and in the amounts of loans offered.

For the fourth quarter of 2008, no major improvements are expected in the access to wholesale funding markets, given that the surveyed banking groups expect to have greater difficulties in accessing the inter bank unsecured money market and 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 third 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, financial market disturbances had some impact in their willingness to lend and, in particular, in the costs related to banks' capital position in the third 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 October 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.

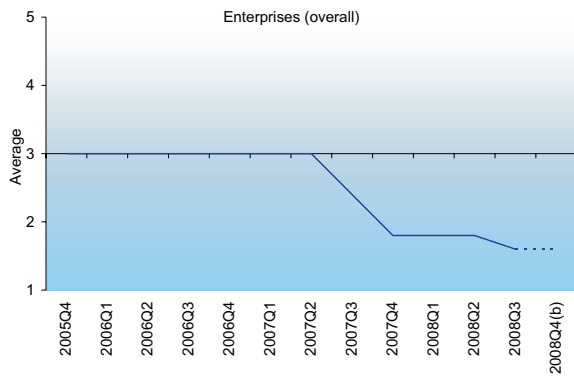
For each sector — enterprises and households — the questions are focused on: i) the current and the prospective assessments on standards, conditions and terms for lending approval, on one hand, and on demand trends, on the other (tables 1, 4, 6, 7, 8, 13, 16 and 17); and ii) the appraisal of factors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

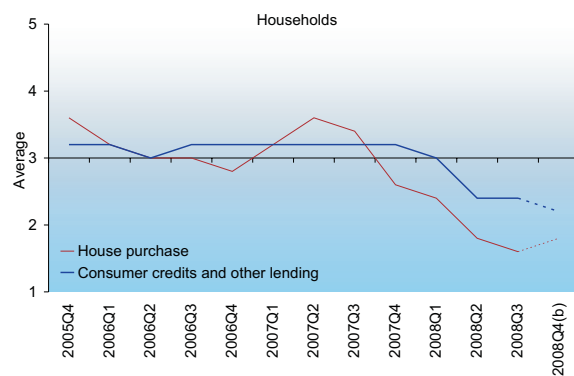
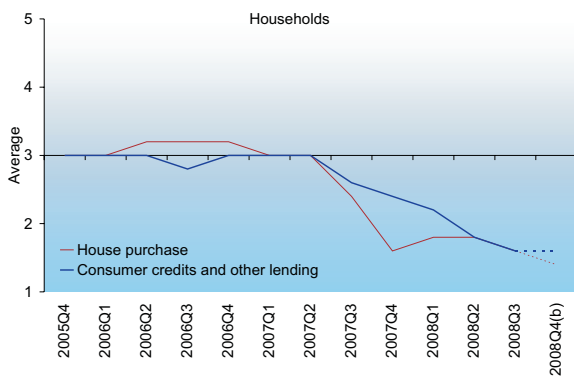
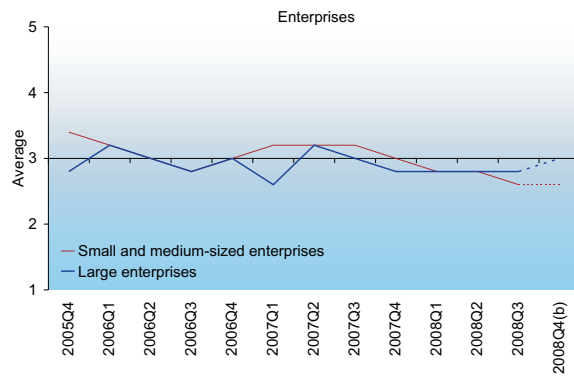
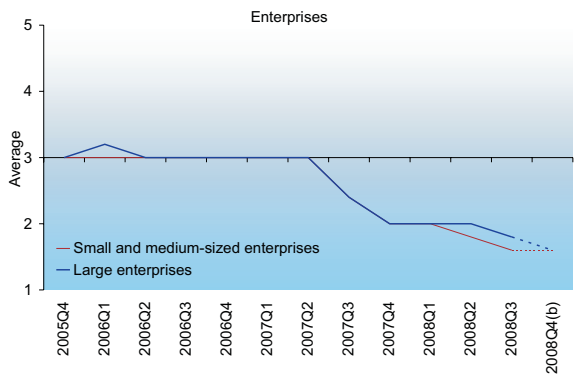
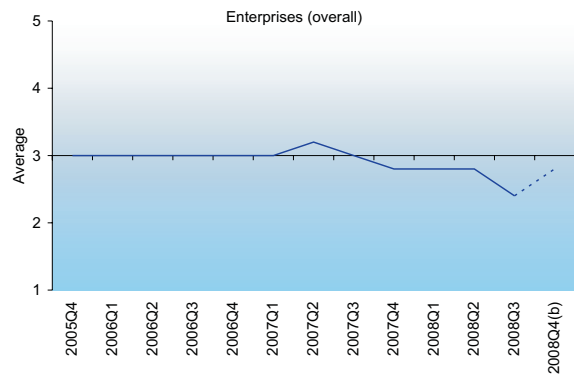
The results of the survey are as follows:

- 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 | 2 | 2 | 2 | 2 | 2 |
| Tightened somewhat | 3 | 3 | 2 | 3 | 3 |
| Remained basically unchanged | | | 1 | | |
| Eased somewhat | | | | | |
| Eased considerably | | | | | |

| | Average Oct. 08 | 1.6 | 1.6 | 1.8 | 1.6 | 1.6 |
|--|-----------------|-----|-----|-----|-----|-----|
| | Jul. 08 | 1.8 | 1.8 | 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
- o = contributed to basically unchanged credit standards
- + = contributed somewhat to easing of credit standards
- ++ = contributed considerably to easing of credit standards
- NA = Not Applicable

Overall

| | -- | - | o | + | ++ | NA | Average | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 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⁾ | 2 | 1 | 2 | | | | 2.0 | 1.8 |
| • Your bank's liquidity position | | 1 | 4 | | | | 2.8 | 2.8 |
| 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 | | | | | 1.6 | 2.4 |
| • Industry or firm-specific outlook | 2 | 2 | 1 | | | | 1.8 | 2.4 |
| • Risk on the collateral demanded | 1 | 2 | 2 | | | | 2.2 | 2.6 |

(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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 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 | 2 | 2 | | | | 2.2 | 2.2 |
| • Your bank's liquidity position | | 1 | 4 | | | | 2.8 | 2.8 |
| B) Pressure from competition | | | | | | | | |
| • Competition from other banks | | 1 | 4 | | | | 2.8 | 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 | 2 | 3 | | | | | 1.6 | 2.4 |
| • Industry or firm-specific outlook | 2 | 3 | | | | | 1.6 | 2.4 |
| • Risk on the collateral demanded | 1 | 2 | 2 | | | | 2.2 | 2.6 |

(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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Cost of funds and balance sheet constraints | | | | | | | | |
| • Costs related to your bank's capital position ⁽¹⁾ | 1 | 2 | 2 | | | | 2.2 | 2.0 |
| • Your bank's ability to access market financing (e.g. money or bond market financing) ⁽²⁾ | 2 | 2 | 1 | | | | 1.8 | 1.8 |
| • Your bank's liquidity position | 1 | 1 | 3 | | | | 2.4 | 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 | 2 | 1 | | | | 1.8 | 2.6 |
| • Industry or firm-specific outlook | 2 | 2 | 1 | | | | 1.8 | 2.4 |
| • Risk on the collateral demanded | 2 | | 3 | | | | 2.2 | 2.6 |

(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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Price | | | | | | | | |
| • Your bank's margin on average loans (wider margin = tightened, narrower margin = eased) | | 5 | | | | | 2.0 | 2.2 |
| • Your bank's margin on riskier loans | 1 | 3 | 1 | | | | 2.0 | 2.2 |
| B) Other conditions and terms | | | | | | | | |
| • Non-interest rate charges | | 2 | 3 | | | | 2.6 | 2.8 |
| • Size of the loan or credit line | 1 | 1 | 3 | | | | 2.4 | 2.6 |
| • Collateral requirements | | 3 | 2 | | | | 2.4 | 2.6 |
| • Loan covenants | | 3 | 2 | | | | 2.4 | 2.6 |
| • Maturity | 2 | 2 | 1 | | | | 1.8 | 2.4 |

Loans to small and medium-sized enterprises

| | -- | - | ° | + | ++ | NA | Average | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Price | | | | | | | | |
| • Your bank's margin on average loans (wider margin = tightened, narrower margin = eased) | | 5 | | | | | 2.0 | 2.2 |
| • Your bank's margin on riskier loans | 1 | 4 | | | | | 1.8 | 2.2 |
| B) Other conditions and terms | | | | | | | | |
| • Non-interest rate charges | | 3 | 2 | | | | 2.4 | 2.8 |
| • Size of the loan or credit line | 1 | 2 | 2 | | | | 2.2 | 2.6 |
| • Collateral requirements | | 4 | 1 | | | | 2.2 | 2.4 |
| • Loan covenants | | 3 | 2 | | | | 2.4 | 2.6 |
| • Maturity | 2 | 3 | | | | | 1.6 | 2.6 |

Loans to large enterprises

| | -- | - | ° | + | ++ | NA | Average | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Price | | | | | | | | |
| • Your bank's margin on average loans (wider margin = tightened, narrower margin = eased) | | 5 | | | | | 2.0 | 2.4 |
| • Your bank's margin on riskier loans | 1 | 3 | 1 | | | | 2.0 | 2.4 |
| B) Other conditions and terms | | | | | | | | |
| • Non-interest rate charges | | 2 | 3 | | | | 2.6 | 2.8 |
| • Size of the loan or credit line | 1 | 2 | 2 | | | | 2.2 | 2.4 |
| • Collateral requirements | | 3 | 2 | | | | 2.4 | 2.6 |
| • Loan covenants | | 3 | 2 | | | | 2.4 | 2.6 |
| • Maturity | 2 | 2 | 1 | | | | 1.8 | 2.4 |

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 | 1 | | 1 | | 1 |
| Decreased somewhat | 1 | 2 | 1 | 2 | 1 |
| Remained basically unchanged | 3 | 3 | 2 | 3 | 3 |
| Increased somewhat | | | | | |
| Increased considerably | | | 1 | | |

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Average Oct. 08 | 2.4 | 2.6 | 2.8 | 2.6 | 2.4 |
| Jul. 08 | 2.8 | 2.8 | 2.8 | 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. 08 | Jul. 08 |
| A) Financing needs | | | | | | | | |
| • Fixed investment | 1 | | 4 | | | | 2.6 | 2.8 |
| • Inventories and working capital | | | 4 | 1 | | | 3.2 | 3.2 |
| • Mergers/acquisitions and corporate restructuring | 2 | | 3 | | | | 2.2 | 2.2 |
| • Debt restructuring | | | 1 | 4 | | | 3.8 | 3.2 |
| B) Use of alternative finance | | | | | | | | |
| • Internal financing | | 1 | 3 | 1 | | | 3.0 | 2.6 |
| • Loans from other banks | | 1 | 4 | | | | 2.8 | 2.6 |
| • Loans from non-banks | | 1 | 4 | | | | 2.8 | 2.6 |
| • Issuance of debt securities | | 1 | 3 | 1 | | | 3.0 | 2.6 |
| • Issuance of equity | | 1 | 4 | | | | 2.8 | 2.6 |

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 | 2 | 2 | 2 | 2 | 3 |
| Tighten somewhat | 3 | 3 | 3 | 3 | 2 |
| Remain basically unchanged | | | | | |
| Ease somewhat | | | | | |
| Ease considerably | | | | | |

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Average Oct. 08 | 1.6 | 1.6 | 1.6 | 1.6 | 1.4 |
| Jul. 08 | 1.8 | 1.8 | 1.8 | 1.8 | 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 |
| Decrease somewhat | 1 | 2 | 1 | | |
| Remain basically unchanged | 4 | 3 | 3 | 5 | 4 |
| Increase somewhat | | | 1 | | |
| Increase considerably | | | | | |
| Average Oct. 08 | | | | | |
| 2.8 | | | | | |
| 2.6 | | | | | |
| 3.0 | | | | | |
| 3.0 | | | | | |
| 2.6 | | | | | |
| Jul. 08 | | | | | |
| 2.6 | | | | | |
| 2.6 | | | | | |

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 | 3 | 3 |
| Remained basically unchanged | | |
| Eased somewhat | | |
| Eased considerably | | |
| Average Oct. 08 | | |
| 1,6 | | |
| 1,6 | | |
| Jul. 08 | | |
| 1,8 | | |
| 1,8 | | |

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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Cost of funds and balance sheet constraints | 2 | 1 | 2 | | | | 2.0 | 2.2 |
| B) Pressure from competition | | | | | | | | |
| • Competition from other banks | | | 5 | | | | 3.0 | 3.0 |
| • Competition from non-banks | | | 5 | | | | 3.0 | 3.0 |
| C) Perception of risk | | | | | | | | |
| • Expectations regarding general economic activity | 3 | 2 | | | | | 1.4 | 1.8 |
| • Housing market prospects | 2 | 3 | | | | | 1.6 | 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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Price | | | | | | | | |
| • Your bank's margin on average loans (wider margin = tightened, narrower margin = eased) | 1 | 3 | 1 | | | | 2.0 | 2.2 |
| • Your bank's margin on riskier loans | 3 | 1 | 1 | | | | 1.6 | 1.6 |
| B) Other conditions and terms | | | | | | | | |
| • Collateral requirements | 1 | 1 | 3 | | | | 2.4 | 2.6 |
| • "Loan-to-value" ratio | 2 | 1 | 2 | | | | 2.0 | 2.0 |
| • Maturity | 1 | | 4 | | | | 2.6 | 2.6 |
| • Non-interest rate charges | | 2 | 3 | | | | 2.6 | 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 | |
|---|----|---|---|---|----|----|---------|---------|
| | | | | | | | Oct. 08 | Jul. 08 |
| A) Cost of funds and balance sheet constraints | 2 | 1 | 2 | | | | 2.0 | 2.2 |
| B) Pressure from competition | | | | | | | | |
| • Competition from other banks | | | 5 | | | | 3.0 | 3.0 |
| • Competition from non-banks | | | 5 | | | | 3.0 | 3.0 |
| C) Perception of risk | | | | | | | | |
| • Expectations regarding general economic activity | 3 | 2 | | | | | 1.4 | 2.0 |
| • Creditworthiness of consumers | 3 | 2 | | | | | 1.4 | 1.8 |
| • Risk on the collateral demanded | 1 | 2 | 2 | | | | 2.2 | 2.4 |

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. 08 | Jul. 08 |
| A) Price | | | | | | | | |
| • Your bank's margin on average loans (wider margin = tightened, narrower margin = eased) | 2 | | 3 | | | | 2.2 | 2.2 |
| • Your bank's margin on riskier loans | 2 | 1 | 2 | | | | 2.0 | 1.8 |
| B) Other conditions and terms | | | | | | | | |
| • Collateral requirements | 1 | 1 | 3 | | | | 2.4 | 2.6 |
| • Maturity | 1 | 1 | 3 | | | | 2.4 | 2.2 |
| • Non-interest rate charges | | 2 | 3 | | | | 2.6 | 2.4 |

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 | |
| Decreased somewhat | 3 | 3 |
| Remained basically unchanged | | 2 |
| Increased somewhat | | |
| Increased considerably | | |
| | Average Oct. 08 | 2.4 |
| | Jul. 08 | 2.4 |

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. 08 | Jul. 08 |
| A) Financing needs | | | | | | | | |
| • Housing market prospects | 3 | 2 | | | | | 1.4 | 1.6 |
| • Consumer confidence | 3 | 1 | 1 | | | | 1.6 | 1.6 |
| • Non-housing related consumption expenditure | 2 | 1 | 2 | | | | 2.0 | 2.0 |
| B) Use of alternative finance | | | | | | | | |
| • Household savings | | 1 | 4 | | | | 2.8 | 2.8 |
| • Loans from other banks | | 2 | 3 | | | | 2.6 | 3.0 |
| • Other sources of finance | | 1 | 4 | | | | 2.8 | 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. 08 | Jul. 08 |
| A) Financing needs | | | | | | | | |
| • Spending on durable consumer goods, such as cars, furniture, etc.) | 1 | 2 | 2 | | | | 2.2 | 2.2 |
| • Consumer confidence | 1 | 2 | 2 | | | | 2.2 | 2.0 |
| • Securities purchases | | 1 | 4 | | | | 2.8 | 2.2 |
| B) Use of alternative finance | | | | | | | | |
| • Household saving | | 2 | 3 | | | | 2.6 | 2.6 |
| • Loans from other banks | | 2 | 3 | | | | 2.6 | 2.6 |
| • Other sources of finance | | 2 | 3 | | | | 2.6 | 2.6 |

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 | 3 | 3 |
| Tighten somewhat | 2 | 1 |
| Remain basically unchanged | | 1 |
| Ease somewhat | | |
| Ease considerably | | |
| | Average Oct. 08 | 1,6 |
| | Jul. 08 | 2,0 |

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 | 1 | 1 |
| Decrease somewhat | 4 | 2 |
| Remain basically unchanged | | 2 |
| Increase somewhat | | |
| Increase considerably | | |
| | Average Oct. 08 | 2,2 |
| | Jul. 08 | 2,4 |

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 extent 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 third 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 | 2 | 3 | 4 |
| Contributed somewhat to tightening of credit standards | 3 | 3 | 2 | |
| Basically no impact on credit standards | | | | 1 |
| Contributed somewhat to easing of credit standards | | | | |
| Contributed considerably to easing of credit standards | | | | |
| NA(*) | | | | |

(*) 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 | 2 | 2 | 4 | 4 |
| Contribute somewhat to tightening of credit standards | 3 | 3 | 1 | |
| Basically no impact on credit standards | | | | 1 |
| Contribute somewhat to easing of credit standards | | | | |
| Contribute considerably to easing of credit standards | | | | |
| NA(*) | | | | |

(*) 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 | 2 | | 3 | 2 | 1 | 2 |
| Contributed/will contribute somewhat to tightening of credit standards | 2 | 5 | 1 | 3 | 4 | 3 |
| Basically no impact on credit standards | 1 | | 1 | | | |
| Contributed/will contribute somewhat to easing of credit standards | | | | | | |
| Contributed/will contribute considerably to easing of credit standards | | | | | | |
| NA(*) | | | | | | |

(*) 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) | | 1 | 4 | 1 | | 4 | |
| • Short-term money market (more than 1 week) | 1 | 1 | 3 | 2 | 1 | 2 | |
| B) Debt securities⁽²⁾ | | | | | | | |
| • Short-term debt securities (e.g. certificates of deposit or commercial paper) | 1 | | 4 | 1 | 2 | 2 | |
| • Medium to long term debt securities (incl. covered bonds) | 2 | 2 | 1 | 4 | | 1 | |
| C) Securitisation⁽³⁾ | | | | | | | |
| • Securitisation of corporate loans | 3 | 1 | 1 | 3 | 1 | 1 | |
| • Securitisation of loans for house purchase | 3 | 1 | 1 | 3 | 1 | 1 | |
| D) Ability to transfer credit risk off balance sheet ⁽⁴⁾ | 1 | | 3 | 1 | | 3 | 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 | 1 | 2 |
| Some impact | 3 | 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 | 2 |
| Some impact | 3 | 2 |
| Basically no impact | | |
| Margin | | |
| Considerable impact | 1 | 2 |
| Some impact | 3 | 2 |
| 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 | 2 |
| Considerable impact on capital, and some impact on lending | 2 | 2 |
| Some impact on both capital and lending | 2 | 1 |
| 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.