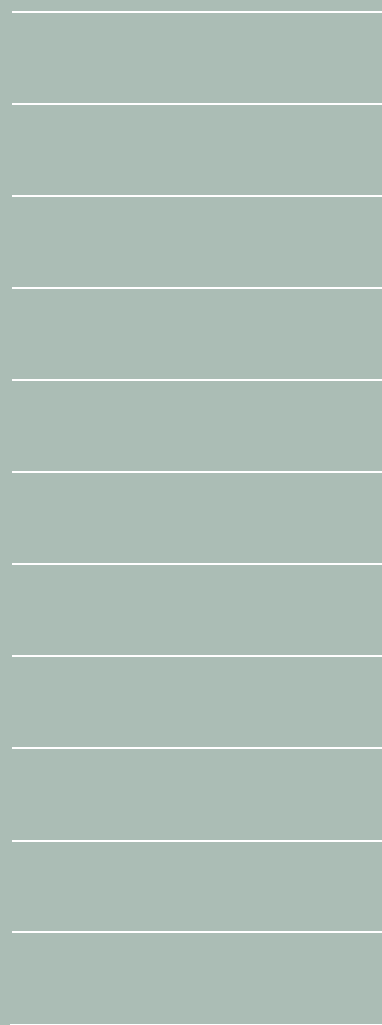




LIETUVOS BANKAS

REVIEW OF THE BANK  
LENDING  
SURVEY

2013



# REVIEW OF THE BANK LENDING SURVEY 2013 / 2

Lending surveys of commercial banks and foreign bank branches are conducted twice a year in order to obtain information on non-interest related credit standards as applied by financial institutions, their borrowing costs and market expectations.

In the preparation of the review of the bank lending survey, the data of the survey conducted by the Bank of Lithuania was used.

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# REVIEW OF THE BANK LENDING SURVEY

October 2013

## SUMMARY

- For a third consecutive half-year more banks are easing their general credit standards than tightening them. Major contribution to the more favourable perception of lending to business in the reference period stemmed from the improved expectations regarding general economic activity, better possibilities for banks to get funding, and strengthening competition in the market. Faster easing in the credit standards as applied to businesses was hindered somewhat by the perception of the prospects for some branches of industry or particular enterprises, which the enterprises could sense from heightened margins or tightened collateral requirements.
- For a year and a half most banks tightened their general credit standards for the approval of loans for house purchase; however, these eased somewhat in the recent half-year. This change in the credit standards for the approval of loans for house purchase was driven by non-increasing of margins on riskier loans, non-shortening of terms, the eased requirements for collateral and loan-to-value ratio. The fact that competition among banks intensified, the housing market prospects became more favourable than a year ago, and the expectations regarding general economic activity improved, added to the better perception of lending for house purchase.
- In the next half-year (until April 2014) both the general credit standards for non-financial corporations and the general credit standards for households for house purchase or consumption and other purposes, according to the surveyed banks, are likely to ease.
- The demand of non-financial corporations for bank loans and credit lines increased in the reference period, although to a lesser extent than half a year ago. Major contribution to the enterprises' borrowing from banks requirement came from the inventories and working capital as well as fixed investment financing requirement.
- The surveyed banks noted an increase in the demand for loans for house purchase. The most significant influence on that stemmed from growth in consumer confidence and the improving prospects for the housing market.
- In the opinion of the respondents, in 2014 the demand for business loans will keep rising; housing loans will boost the loan portfolio as well. The loan portfolio of the banking sector will increase by about 3 per cent over a year.
- The proportion of banks that anticipate real estate price increases over the next year is growing. Similar to previous periods, most banks do not anticipate any real estate price changes in the future; a much larger proportion of banks are projecting asset price increases though. The proportion of banks which indicated that the stagnation in Lithuania's real estate market had already ended grew also for three consecutive half-years.

## AIMS, METHODS AND PRINCIPLES OF THE SURVEY

Lending surveys of commercial banks and foreign bank branches are conducted twice a year in order to obtain information on the non-interest related credit standards, borrowing costs and market expectations of financial institutions. During the bank lending survey conducted in September–October 2013 answers were received from six commercial banks and three foreign bank branches (hereinafter — banks).

Bank employees in leadership positions were requested to specify the changes in their banks' credit standards for households and non-financial corporations from April to October 2013.<sup>1</sup> The respondents were asked, in responding about the likely future situation, to assess potential changes in the credit standards over the next half-year (October 2013 to April 2014). This Review of the Bank Lending Survey presents a summarised opinion of the respondents, which does not necessarily reflect the official position and perceptions of banks, including the Bank of Lithuania or its employees. In summarising the opinions and calculating the proportion of banks that have chosen a particular answer, the responses of individual banks were given the same weight, regardless of their market share.

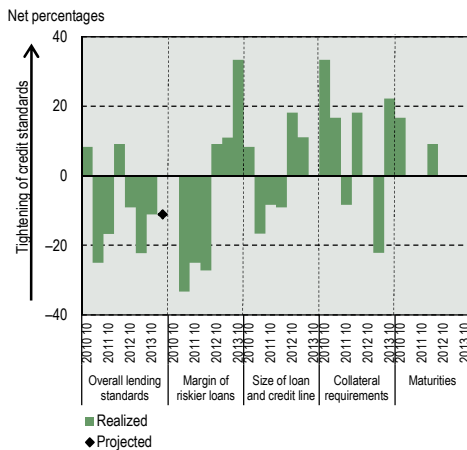
*The net percentage is defined as the difference between the percentage of banks responding with “tightening of credit standards” (demand increases) and the percentage of banks responding with “easing of credit standards” (demand decreases). A positive net percentage indicates that most banks have tightened their credit standards, negative (-) — that they have eased their credit standards. Likewise the net percentage is interpreted in calculating changes in demand: a positive net percentage refers to an increase in demand, a negative percentage — to its decline.*

*The mean is defined as a weighted average, attributing to the responses the following values: 1 for “tightened considerably (a decrease in demand)”; 2 for “tightened somewhat (a decrease in demand)”; 3 for “remained almost unchanged”; 4 for “eased somewhat (an increase in demand)”; 5 for “eased considerably (an increase in demand)”. When the value of the mean is lower than 3, it indicates that most banks have tightened their credit standards; when the score of the mean is higher than 3, it indicates that most banks have eased their credit standards. The interpretation of changes in demand follows the same logic: the score, if lower than 3, indicates a decrease in demand; if it is higher than 3, it indicates an increase in demand.*

The term “tightened” means the difference between the percentage of banks reporting tightening of their credit standards and the percentage of banks that have eased them.

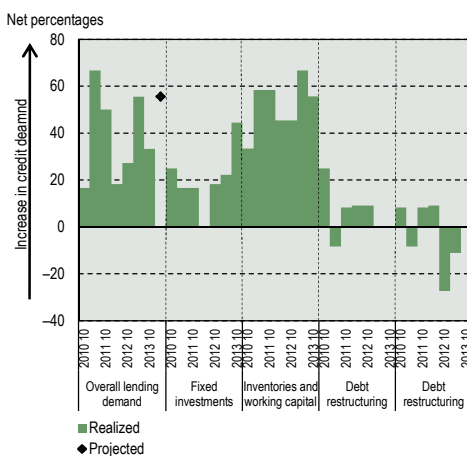
<sup>1</sup> This period covers six months; therefore, further in this Review, it is referred to as “half-year”.

Chart 1. Changes in the supply of loans to enterprises



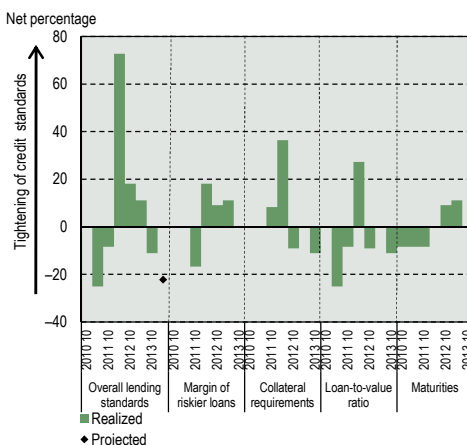
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 2. Changes in the demand for borrowing of enterprises



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 3. Changes in the supply of loans for house purchase



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

The net percentage in Chart 1 and Chart 3 is defined as the difference between the percentage of banks that responded that credit standards "tightened considerably" and "tightened somewhat", and the percentage of banks that responded that credit standards "eased somewhat" and "eased considerably". The net percentage in Chart 2 and Chart 4 is defined as the difference between the percentage for "increased considerably" and "increased somewhat", and the percentage for "decreased somewhat" and "decreased considerably".

## THE RESULTS OF THE BANK LENDING SURVEY

The banking sector has been easing its general credit standards as applied to non-financial corporations for a consecutive one and a half year (see Chart 1). In April–October 2013 one bank slightly eased its credit standards, whereas other survey participants reported having left them unchanged. In the reference period, the credit standards as applied both to large- and small- and medium-sized enterprises became somewhat less stringent, and access to a short-term credit became easier (see Table 1 in the Annex). Major positive contribution to general credit standards for business came from the improved expectations regarding general economic activity, better possibilities for banks to attract funding, and strengthening competition in the market. Faster easing in the credit standards as applied to business enterprises was hindered somewhat by the deteriorated perception of the prospects for some branches of industry or particular enterprises (see Table 2 in the Annex). Compared to the previous reference period, the credit standards for non-financial corporations eased at a slower pace: this could be felt by the corporations from margin increases or tighter collateral requirements (see Table 3 in the Annex).

Most of the surveyed banks are not going to change their general business credit standards until April 2014, except for one bank which is going to ease them somewhat. The credit standards as applied to large-sized enterprises may become tighter (banks are not going to change their credit standards for smaller-sized enterprises), and it will be more complicated to borrow for a lengthy period than for a short one (see Table 6 in the Annex).

In the period under review, most of the surveyed banks reported an increase in the non-financial corporations' demand for their credit and credit line extension (see Chart 2). Compared to the results of the similar survey conducted half a year ago, when the overall borrowing demand was perceived as higher, in the period under review it decreased somewhat, driven by more moderate demand from both large- and small- and medium-sized businesses for bank services (see Table 4 in the Annex). Major contribution to the enterprises' need of borrowing from banks stemmed from the growing need of financing their inventories and working capital as well as fixed investment. According to the surveyed banks, the growth in the non-financial corporations' borrowing demand was hindered by the intensifying borrowing from non-banking institutions, as well as the use of internal sources of finance (see Table 5 of the Annex). For the next half-year, i.e. until April 2014, more than half of the surveyed banks expect the non-financial corporations' borrowing demand to increase (see Table 7 in the Annex).

General credit standards for the approval of loans for house purchase eased in the recent half-year after tightening for one and a half-year. Most banks did not change their credit standards for households, however some of them eased their collateral and loan-to-value ratio requirements (see Chart 3). The banks' perception of lending for house purchase improved, as the prospects for the housing market became more favourable than half a year ago, the expectations regarding general economic activity improved, and the competition among them increased (see Table 7 in the Annex). Unlike for the approval of loans for house purchase, the credit standards for the approval of consumer and other loans for households became more stringent in the period under review, i.e. more of the surveyed banks tightened somewhat their credit standards as applied to such loans (see Table 8 in the Annex). Consumer and other credit borrowers felt this from margin increases due to credit borrowers' deteriorated solvency (see Tables 11 and 12 in the Annex). Most of the surveyed banks are not going to change their general credit standards for the approval of loans for households for house purchase and consumer loans and loans for other purposes in the next half-year; two surveyed banks are going to ease them somewhat however (see Table 16 in the Annex).

As the credit standards for bank lending for house purchase as applicable in the market became attractive, almost half of the surveyed participants reported an increase in the demand for such lending (see Table 13 in the Annex). According to the respondents, the most significant influence on the growth in lending for house purchase stemmed from growing consumer confidence and the improving housing market-related prospects (see Chart 4). Household demand for consumer credit and loans for other purposes also increased in the reference period, with the most significant contribution to that coming from the aforementioned increased consumer confidence and increased demand for durable goods (see Table 15 in the Annex). Like in the case of loans for house purchase, stronger growth in the demand for consumer credit and other loans was hindered by more active use of other financing sources by households. Two-thirds of the surveyed expect that in the next half-year the household demand for loans for house purchase and for consumer credit and other loans will rise.

### REVIEW OF THE AD HOC QUESTIONS OF THE SURVEY

To obtain more comprehensive information on the credit standards as applied by banks and identify the factors that are likely to affect future credit standard developments, the Bank of Lithuania frames *ad hoc* questions to respondents participating in bank lending surveys. The October 2013 Bank Lending Survey continued to focus on the respondents' perception of the financial standing of enterprises across key economic sectors and households. Moreover, part of the *ad hoc* questions was designated to reveal the current and projected situation in the domestic real estate market. Banks were also asked to assess the likely development of loans and deposits during next periods.

#### Assessment of the Financial Situation of Non-financial Corporations and Households and of its Future Dynamics

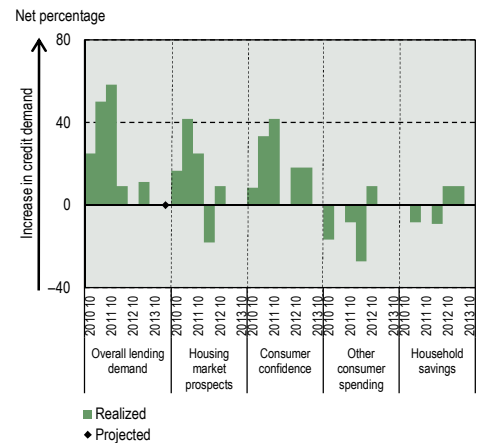
The surveyed banks assessed the financial situation of enterprises across key economic sectors and households, and its likely future dynamics. The following major economic activities were chosen for the survey: industry, real estate, construction, trade, transport, hotels and restaurants, agriculture and forestry.

The surveyed banks' perception of the financial situation of enterprises engaged in many economic activities and of households in the period under review was basically favourable. Only the financial situation of enterprises engaged in the construction economic activity was perceived by more banks as poor and not a single bank perceived it as good. The surveyed banks reported that their perception of the financial situation was the best for enterprises engaged in agriculture, forestry and manufacturing. Compared to the results of the similar survey conducted half a year ago, the proportion of banks which perceived the financial situation of enterprises engaged in real estate and construction as bad decreased, whereas that of banks whose perception of the financial situation of manufacturing and trade enterprises was good increased. In the period under review, the financial situation of only the transport sector enterprises was perceived by commercial banks as deteriorating and of all the other sectors — as stable (see Chart 5). In addition, compared to the results of the similar lending survey conducted half a year ago, banks' perception of the financial situation of many economic activities was better, with construction enterprises standing notably out in this respect.

### CREDIT STANDARDS FOR DIFFERENT ECONOMIC ACTIVITIES AND THE DEVELOPMENT OF THEIR LOAN PORTFOLIO

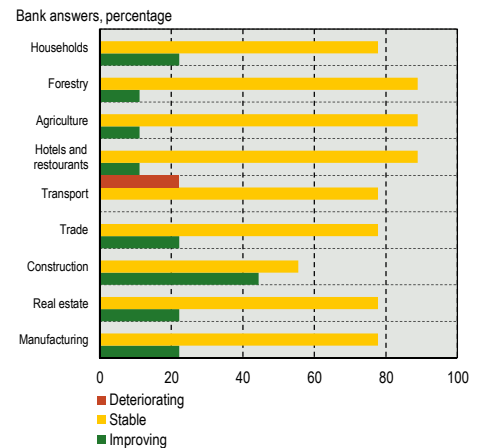
Improvement in the financial standing of many credit borrowers entailed further decreasing of the restrictions on lending to

Chart 4. Changes in the household demand for borrowing for house purchase



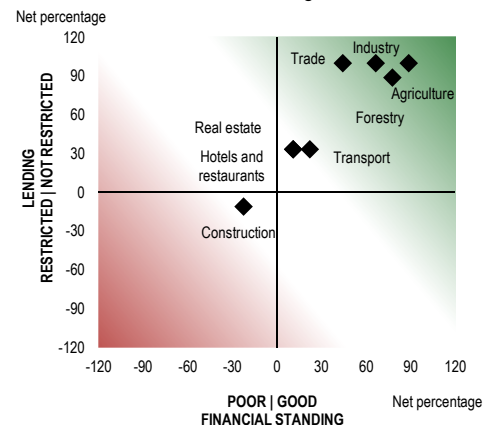
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 5. Perception of the prospects for the financial standing of enterprises across economic sectors and households



Source: Bank Lending Survey, October 2013.

Chart 6. Perception of the financial standing of enterprises across economic sectors and lending to them



Source: Bank Lending Survey, October 2013.

Chart 7. Dynamics of customers with payments to banks overdue

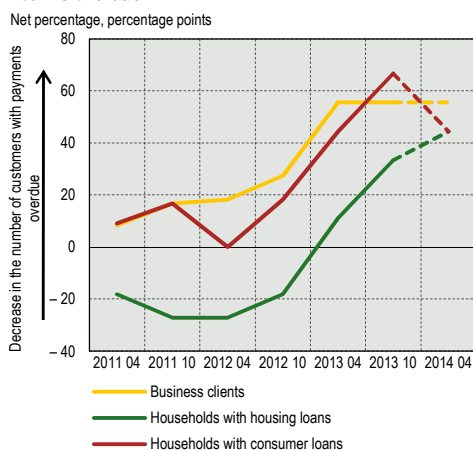


Chart 8. Expectations for changes in real estate prices in the next 12 months

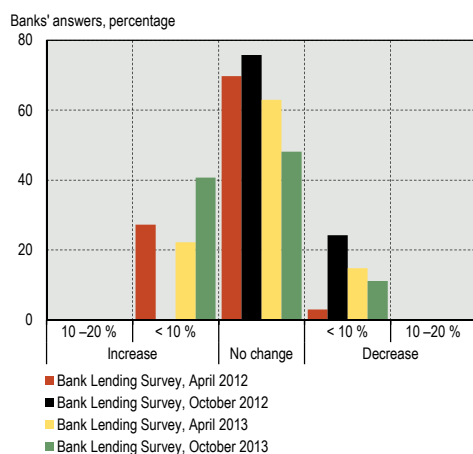
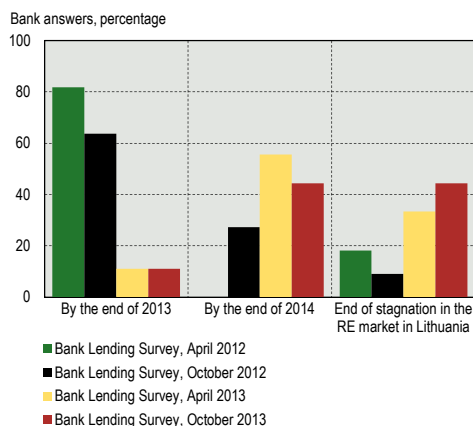


Chart 9. Expectations for the duration of stagnation in Lithuania's real estate market



them. In the reference period, enterprises engaged in construction were the only enterprises for which more of the surveyed commercial banks restricted their lending, without doing so for all the rest (because of their perception of the financial situation of these as good) (see Chart 6). Compared to the results of the survey conducted half a year ago, banks' assessment of the financial situation of enterprises engaged in the transport economic activity deteriorated somewhat (their assessment for other economic activities either remained unchanged or improved). In spite of that, in the reference period, commercial banks tended not to limit lending not only to transport enterprises (although these felt this most) but to other economic activities (construction, hotels and restaurants) as well. Furthermore, half a year ago more banks reported not having limited lending to households; in the period under review, however, the situation changed and one bank began became more prudent in its assessment of lending to households for house purchase.

The results of the October 2013 survey showed a decrease in the number of clients with payments to banks overdue (see Chart 7). A much larger proportion of the surveyed commercial banks reported a decline in the number of clients with payments overdue in the reference period. This may have contributed to the improvement of the loan quality in the recent half-year and a decline in specific provisions for bad loans. In the next half-year banks expect a decline in the number of payments overdue; therefore, loan quality will remain unchanged or will improve, whereas their expenditure on specific provisions for bad loans is likely to decrease further. According to the surveyed banks, the average ratio between loans extended to households for house purchase and collateral was 72 per cent in the reference period, a slight increase from the previous surveys.

In 2013 the surveyed banks expect average annual growth in their loan portfolios of 1 per cent, basically the same growth rate as they expect for deposits. During the similar survey conducted half a year ago banks expected the growth rates of 1 to 5 per cent. Banks reported loans to enterprise as the main channel for growth in 2013. In the opinion of the surveyed banks, in 2014 the demand for business loans will keep rising, housing loans will add up to their loan portfolio, and the average annual growth rate of their loan portfolio will be about 3 per cent. Banks project the annual growth rate of deposits in 2013 to be similar to that of loans (1% on average). The surveyed banks expect deposit growth to intensify somewhat in 2014. Major contribution to that should be exerted by households and non-financial corporations. Private sector deposits with banks are expected to increase by an average 3 per cent over the year.

### Prospects for the Domestic Real Estate Market

The number of banks that expect real estate price increases (of up to 10%) next year rose-up for a second consecutive half-year; however, those not expecting any major changes in the real estate market still represent the majority (see Chart 8). The proportion of banks expecting real estate price decreases contracted. More than half of the banks surveyed during the reference period expect that, in the next half-year, the prices of newly constructed housing will rise by up to one-tenth, and nearly half of the surveyed respondents anticipate growth in the prices of commercial premises (in the perception of old construction housing prices, more banks expect a decline in the real estate prices within this segment of up to 10%). The proportion of banks that think that the stagnation in Lithuania's real estate market has ended has been increasing for three consecutive half-years, however the same proportion of the surveyed banks believe that this stagnation will last until the end of 2014 (see Chart 9).

# ANNEX. RESULTS OF THE RESPONSES TO MAIN QUESTIONS

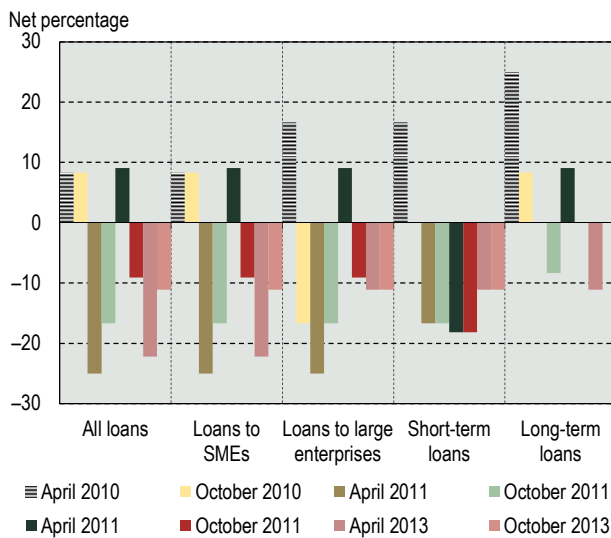
## LOANS AND CREDIT LINES TO ENTERPRISES

1. Over the past half-year, how have your bank's credit standards for approving loans and credit lines to enterprises changed?

	Overall	Loans to SME*	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	0	0	0	0	0
Tightened somewhat	0	0	0	0	11
Remained basically unchanged	89	89	89	89	78
Eased somewhat	11	11	11	11	11
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	<b>-11.1</b>	<b>-11.1</b>	<b>-11.1</b>	<b>-11.1</b>	<b>0.0</b>
Mean	3.1	3.1	3.1	3.1	3.0

The net percentage is defined as the difference between the percentage of banks that responded "tightened considerably" and "tightened somewhat", and the percentage of those that responded "eased somewhat" and "eased considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tightened considerably"; 2 for "tightened somewhat"; 3 for "remained basically unchanged"; 4 for "eased somewhat"; 5 for "eased considerably". \* SME — small- and medium-sized enterprises.

**Chart 1. Development of Credit Standards as Applied to Loans and Credit Lines to Enterprises**



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

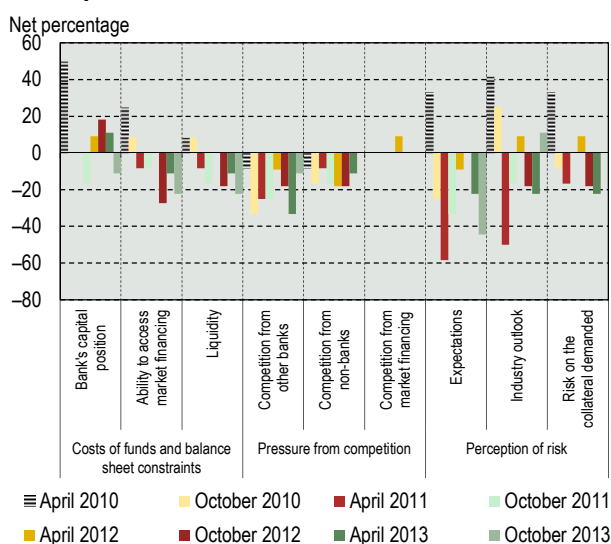


3. How have the following factors affected your bank's credit standards as applied to loans and credit lines to enterprises (irrespective of the size of enterprise)?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Cost of funds and balance sheet constraints</b>								
Costs related to your bank's capital position	0	11	44	22	0	22	-11.1	3.1
Your bank's ability to access market financing (short-term or long-term)	0	0	67	22	0	11	-22.2	3.3
Your bank's liquidity position	0	0	56	11	11	22	-22.2	3.4
<b>B) Pressure from competition</b>								
Competition from other banks	0	0	89	11	0	0	-11.1	3.1
Competition from non-banks	0	0	89	0	0	11	0.0	3.0
Competition arising from enterprises' possibilities to access financing via the issuance of securities	0	0	78	0	0	22	0.0	3.0
<b>C) Perception of risk</b>								
Expectations regarding general economic activity	0	0	56	44	0	0	-44.4	3.4
Industry or firm-specific outlook	0	22	67	11	0	0	11.1	2.9
Risk of collateral demanded	0	11	78	11	0	0	0.0	3.0

Note: The net percentage is defined as the difference between the sum of banks responding "--" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "+ +" (contributed considerably to easing) and "+" (contributed somewhat to easing). 0 means "contributed to basically unchanged credit standards". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "contributed considerably to tightening"; 2 for "contributed somewhat to tightening"; 3 for "did not contribute to credit standard changes"; 4 for "contributed somewhat to easing"; 5 for "contributed considerably to easing".

**Chart 2. Factors Affecting Credit Standards Applied to the Approval of Loans and Credit Lines to Enterprises**



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

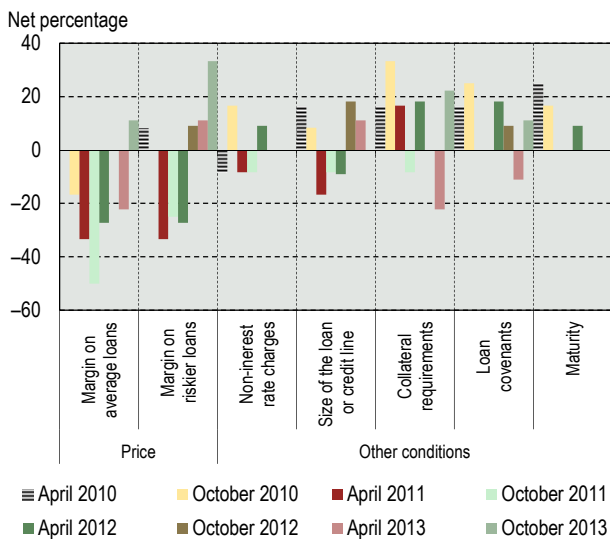


4. Over the past half-year, how have your bank's terms and conditions for approving loans and credit lines to enterprises changed?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Price</b>								
Your bank's margin on average loans	0	33	44	22	0	0	11.1	2.9
Your bank's margin on riskier loans	11	22	56	0	0	11	33.3	2.5
<b>B) Other conditions and terms</b>								
Non-interest rate charges	0	0	100	0	0	0	0.0	3.0
Size of loan or credit line	0	0	100	0	0	0	0.0	3.0
Collateral requirements	0	22	78	0	0	0	22.2	2.8
Loan covenants	0	11	89	0	0	0	11.1	2.9
Maturity	0	11	78	11	0	0	0.0	3.0

Note: The net percentage is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat), and the sum of banks responding "+ +" (eased considerably) and "+" (eased somewhat). The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tightened considerably"; 2 for "tightened somewhat"; 3 for "remained basically unchanged"; 4 for "eased somewhat"; 5 for "eased considerably".

**Chart 3. Changes in Terms and Conditions for Approving Loans and Credit Lines to Enterprises**



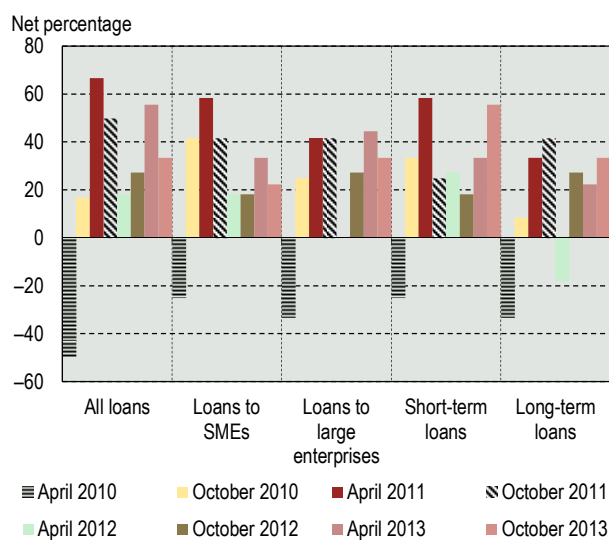
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

5. How has the demand for loans and 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	0	0	0	0	0
Decreased somewhat	11	22	11	0	22
Remained basically unchanged	44	33	44	44	22
Increased somewhat	44	44	44	56	56
Increased considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	<b>33.3</b>	<b>22.2</b>	<b>33.3</b>	<b>55.6</b>	<b>33.3</b>
Mean	3.3	3.2	3.3	3.6	3.3

Note: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "decreased considerably"; 2 for "decreased somewhat"; 3 for "remained basically unchanged"; 4 for "increased somewhat"; 5 for "increased considerably".

**Chart 4. Changes in Terms and Conditions for Approving Loans and Credit Lines to Enterprises**



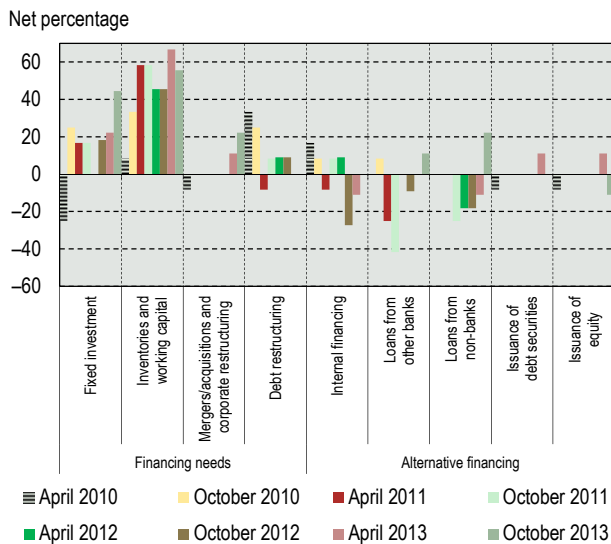
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

6. How have the following factors affected the demand for loans and credit lines to enterprises at your bank (irrespective of the size of enterprise)?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Financing needs</b>								
Fixed investment	0	0	56	44	0	0	44.4	3.4
Inventories and working capital	0	0	44	44	11	0	55.6	3.7
Mergers/acquisitions and corporate restructuring	0	0	78	22	0	0	22.2	3.2
Debt restructuring	0	0	100	0	0	0	0.0	3.0
<b>B) Use of alternative finance</b>								
Internal financing	0	11	78	11	0	0	0.0	3.0
Loans from other banks	0	11	67	22	0	0	11.1	3.1
Loans from non-banks	0	0	78	22	0	0	22.2	3.2
Issuance of bonds	0	0	89	0	0	11	0.0	3.0
Issuance of shares	11	0	78	0	0	11	-11.1	2.8

Note: The net percentage is defined as the difference between the sum of banks responding “+ +” (contributed considerably to the increase in demand) and “+” (contributed somewhat to the increase in demand), and the sum of banks responding “-” (contributed considerably to the decrease in demand) and “--” (contributed somewhat to the decrease in demand). The mean is defined as a weighted average, attributing to the answers the following values: 1 for “contributed considerably to the decrease in demand”; 2 for “contributed somewhat to the decrease in demand”; 3 for “did not contribute to changes in demand”; 4 for “contributed somewhat to the increase in demand”; 5 for “contributed considerably to the increase in demand”.

**Chart 5. Factors Affecting Demand for Loans and Credit Lines to Enterprises**



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

7. How will your bank's credit standards, as applied to the approval of loans and credit lines to enterprises, change over the next half-year?

	Overall	Loans to small- and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably	0	0	0	0	0
Tighten somewhat	0	0	11	0	11
Remain basically unchanged	89	100	89	89	89
Ease somewhat	11	0	0	11	0
Ease considerably	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>-11.1</b>	<b>0</b>	<b>11</b>	<b>-11</b>	<b>11</b>
<b>Mean</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>3.1</b>	<b>2.9</b>

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tighten considerably"; 2 for "tighten somewhat"; 3 for "remain basically unchanged"; 4 for "ease somewhat"; 5 for "ease considerably".

8. How will the demand for loans and credit lines to enterprises change over the next half-year (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	0	0	0	0	0
Decrease somewhat	0	0	0	0	0
Remain basically unchanged	44	67	67	56	44
Increase somewhat	56	33	33	44	56
Increase considerably	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>55.6</b>	<b>33.3</b>	<b>33.3</b>	<b>44.4</b>	<b>55.6</b>
<b>Mean</b>	<b>3.6</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.6</b>

Note: The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat", and the sum of the percentages for "decrease somewhat" and "decrease considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "decrease considerably"; 2 for "decrease somewhat"; 3 for "remain basically unchanged"; 4 for "increase somewhat"; 5 for "increase considerably".

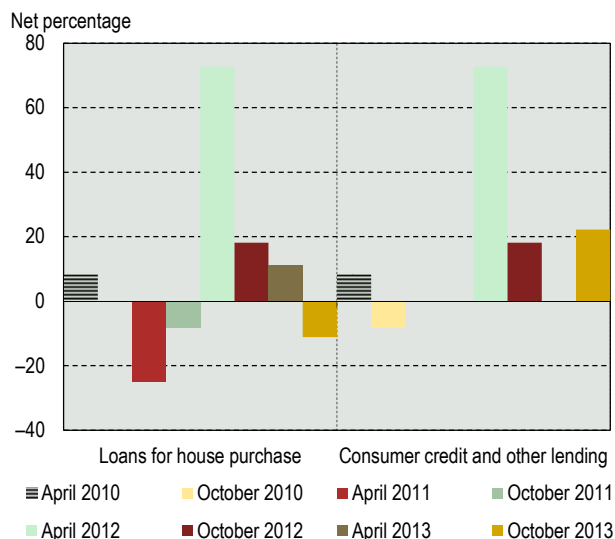
## LOANS TO HOUSEHOLDS

9. Over the past half-year, how have your bank's credit standards as applied to the approval of loans to households changed?

	Housing loans	Consumer and Other Loans
Tightened considerably	0	0
Tightened somewhat	0	33
Remained basically unchanged	89	56
Eased somewhat	11	11
Eased considerably	0	0
Total	100	100
Net percentage	-11.1	22
Mean	3.1	2.8

*Note: The net percentage is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat", and the sum of the percentages for "eased somewhat" and "eased considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tightened considerably"; 2 for "tightened somewhat"; 3 for "remained basically unchanged"; 4 for "eased somewhat"; 5 for "eased considerably".*

**Chart 6. Changes in Credit Standards Applied to the Approval of Loans to Households**



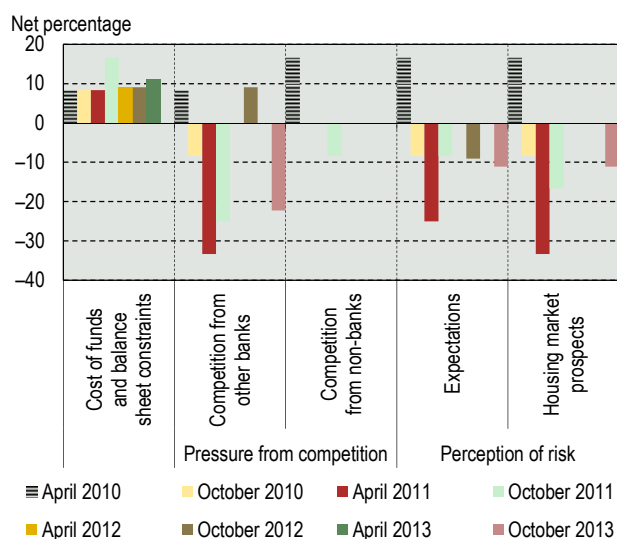
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

10. How have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Cost of funds and balance sheet constraints</b>	0	11	67	11	0	11	0.0	3.0
<b>B) Pressure from competition</b>								
Competition from other banks	0	0	67	22	0	11	-22.2	3.3
Competition from non-banks	0	0	67	0	0	33	0.0	3.0
<b>C) Perception of risk</b>								
Expectations regarding general economic activity	0	0	78	11	0	11	-11.1	3.1
Housing market prospects	0	0	78	11	0	11	-11.1	3.1

Note: The net percentage is defined as the difference between the sum of banks responding "--" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "++" (contributed considerably to easing) and "+" (contributed somewhat to easing). 0 means "contributed to basically unchanged credit standards". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "contributed considerably to tightening"; 2 for "contributed somewhat to tightening"; 3 for "did not contribute to credit standard changes"; 4 for "contributed somewhat to easing"; 5 for "contributed considerably to easing".

**Chart 7. Factors Affecting Credit Standards Applied to the Approval of Loans to Households for House Purchase**



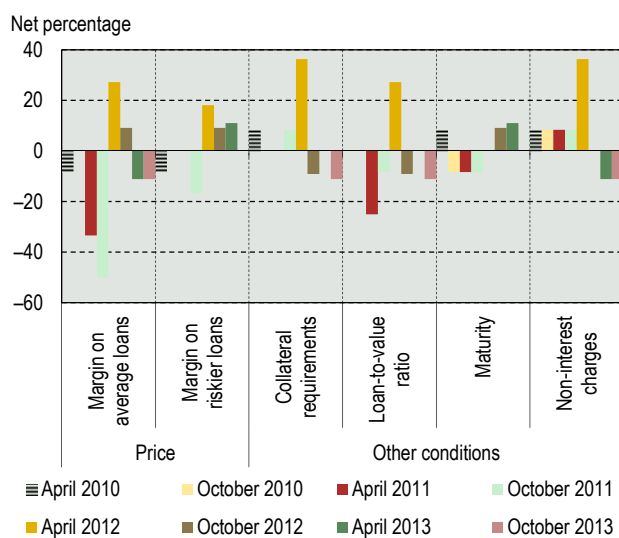
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

11. Over the past half-year, how have your bank's credit standards as applied to the approval of loans to households for house purchase changed?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Price</b>								
Your bank's margin on average loans (margin increased — standards tightened; margin decreased — standards eased)	0	11	56	22	0	11	-11.1	3.1
Your bank's margin on risky loans	0	11	67	11	0	11	0.0	3.0
<b>B) Other conditions and terms</b>								
Collateral requirements	0	0	78	11	0	11	-11.1	3.1
Loan-to-value ratio	0	0	78	11	0	11	-11.1	3.1
Maturity	0	0	89	0	0	11	0.0	3.0
Non-interest rate charges	0	0	78	11	0	11	-11.1	3.1

Note: The net percentage is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat), and the sum of banks responding "+ +" (eased considerably) and "+" (eased somewhat). The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tightened considerably"; 2 for "tightened somewhat"; 3 for "remained basically unchanged"; 4 for "eased somewhat"; 5 for "eased considerably".

**Chart 8. Changes in Terms and Conditions Applied for Approving Loans to Households for House Purchase**



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

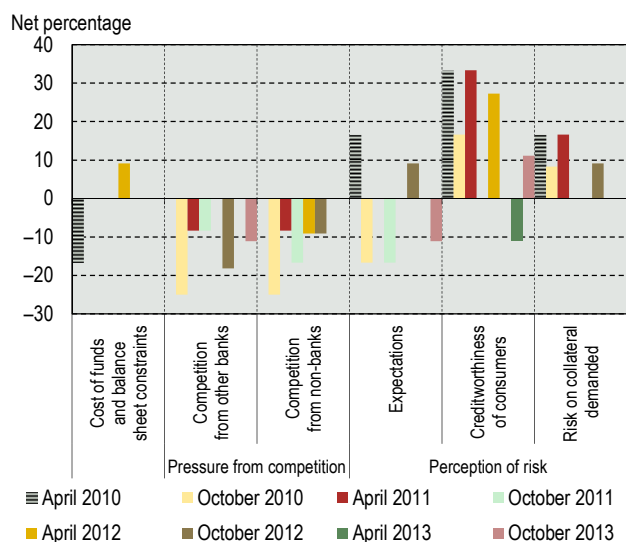


12. How have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Cost of funds and balance sheet constraints</b>	0	0	89	0	0	11	0.0	3.0
<b>B) Pressure from competition</b>								
Competition from other banks	0	0	78	11	0	11	-11.1	3.1
Competition from non-banks	0	0	78	0	0	22	0.0	3.0
<b>C) Perception of risk</b>								
Expectations regarding general economic activity	0	0	78	11	0	11	-11.1	3.1
Creditworthiness of consumers	0	11	78	0	0	11	11.1	2.9
Risk of collateral demanded	0	0	78	0	0	22	0.0	3.0

Note: The net percentage is defined as the difference between the sum of banks responding "--" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of banks responding "++" (contributed considerably to easing) and "+" (contributed somewhat to easing). 0 means "contributed to basically unchanged credit standards". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "contributed considerably to tightening"; 2 for "contributed somewhat to tightening"; 3 for "did not contribute to credit standard changes"; 4 for "contributed somewhat to easing"; 5 for "contributed considerably to easing".

**Chart 9. Factors Affecting Credit Standards Applied to the Approval of Consumer Credit and Other Lending to Households**



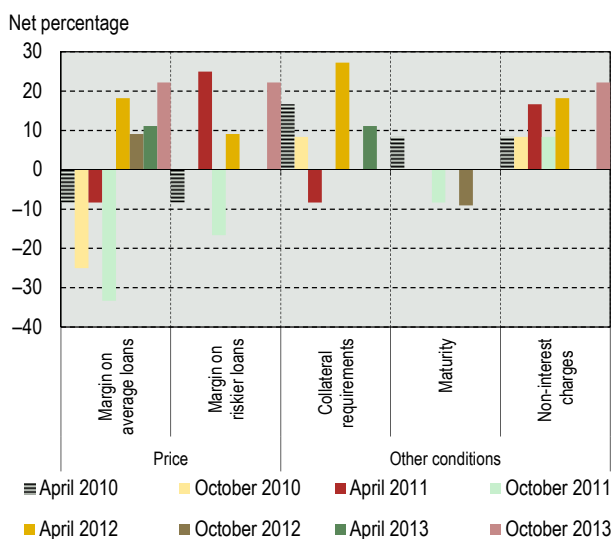
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

13. Over the past half-year, how have your bank's credit standards as applied to the approval of loans to households changed?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Price</b>								
Your bank's margin on average loans (margin increased — standards tightened; margin decreased — standards eased)	0	33	44	11	0	11	22.2	2.8
Your bank's margin on risky loans	0	22	56	0	0	22	22.2	2.7
<b>B) Other conditions and terms</b>								
Collateral requirements	0	0	67	0	0	33	0.0	3.0
Maturity	0	0	89	0	0	11	0.0	3.0
Non-interest rate charges	0	22	67	0	0	11	22.2	2.8

Note: The net percentage is defined as the difference between the sum of banks responding “--” (tightened considerably) and “-” (tightened somewhat), and the sum of banks responding “++” (eased considerably) and “+” (eased somewhat). The mean is defined as a weighted average, attributing to the answers the following values: 1 for “tightened considerably”; 2 for “tightened somewhat”; 3 for “remained basically unchanged”; 4 for “eased somewhat”; 5 for “eased considerably”.

**Chart 10. Changes in Terms and Conditions for Approving Consumer Credit and Other Lending to Households**



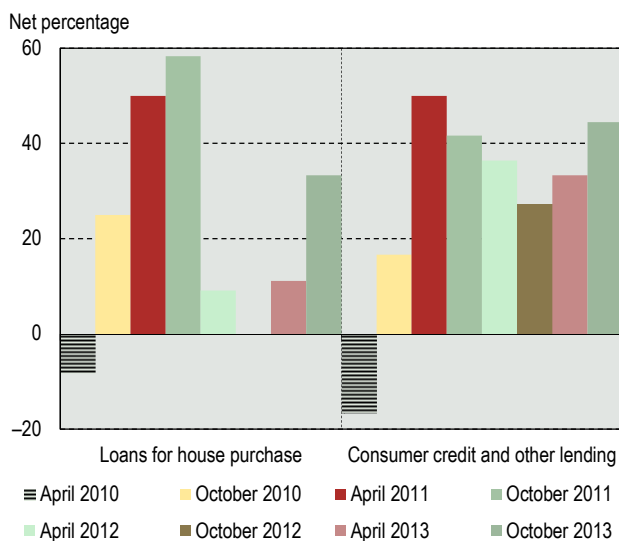
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

14. How has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Housing loans	Consumer and Other Loans
Decreased considerably	0	0
Decreased somewhat	11	11
Remained basically unchanged	44	33
Increased somewhat	33	56
Increased considerably	11	0
Total	100	100
<b>Net percentage</b>	33.3	44.4
Mean	3.4	3.4

The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "decreased considerably"; 2 for "decreased somewhat"; 3 for "remained basically unchanged"; 4 for "increased somewhat"; 5 for "increased considerably".

**Chart 11. Changes in Demand for Loans to Households**



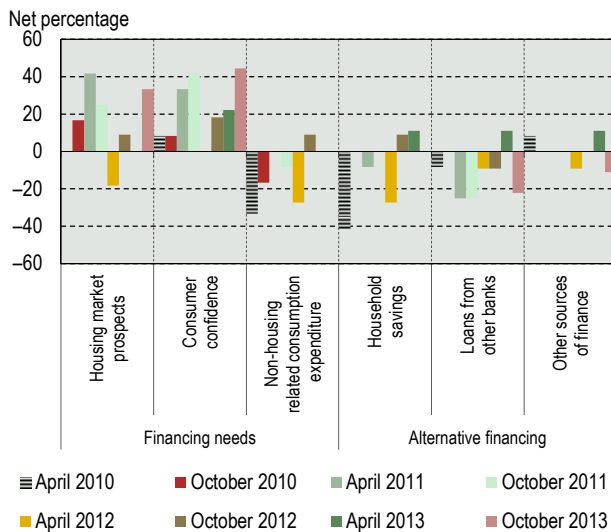
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

15. How have the following factors affected the demand for loans to households for house purchase at your bank?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Financing needs</b>								
Housing market prospects	0	0	56	22	11	11	33.3	3.1
Consumer confidence	0	0	44	44	0	11	44.4	3.1
Non-housing-related consumption	0	0	89	0	0	11	0.0	2.7
<b>B) Use of alternative finance</b>								
Household savings	0	11	67	11	0	11	0.0	2.7
Loans from other banks	0	22	56	0	0	22	-22.2	2.1
Other sources of finance	0	11	67	0	0	22	-11.1	2.2

Note: The net percentage is defined as the difference between the sum of banks responding “+ +” (contributed considerably to the increase in demand) and “+” (contributed somewhat to the increase in demand), and the sum of banks responding “-” (contributed considerably to the decrease in demand) and “--” (contributed somewhat to the decrease in demand). The mean is defined as a weighted average, attributing to the answers the following values: 1 for “contributed considerably to the decrease in demand”; 2 for “contributed somewhat to the decrease in demand”; 3 for “did not contribute to changes in demand”; 4 for “contributed somewhat to the increase in demand”; 5 for “contributed considerably to the increase in demand”.

**Chart 12. Factors Affecting Demand for Loans to Households For House Purchase**



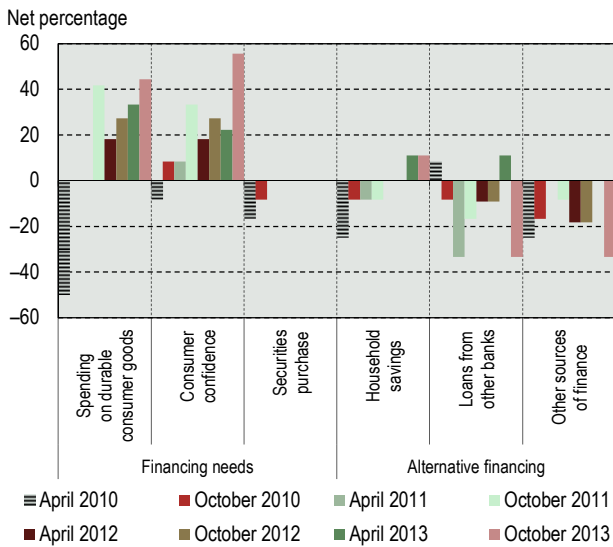
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

16. How have the following factors affected the demand for consumer credit and other lending to households at your bank?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>A) Financing needs</b>								
Spending on durable consumer goods (motor vehicles, furniture, etc.)	0	0	44	44	0	11	44.4	3.5
Consumer confidence	0	0	33	56	0	11	55.6	3.6
Securities purchases	0	0	78	0	0	22	0.0	3.0
<b>B) Use of alternative finance</b>								
Household savings	0	0	78	11	0	11	11.1	3.1
Loans from other banks	0	33	56	0	0	11	-33.3	2.6
Other sources of finance	0	33	56	0	0	11	-33.3	2.6

Note: The net percentage is defined as the difference between the sum of banks responding "+ +" (contributed considerably to the increase in demand) and "+" (contributed somewhat to the increase in demand), and the sum of banks responding "-" (contributed considerably to the decrease in demand) and "--" (contributed somewhat to the decrease in demand). The mean is defined as a weighted average, attributing to the answers the following values: 1 for "contributed considerably to the decrease in demand"; 2 for "contributed somewhat to the decrease in demand"; 3 for "did not contribute to changes in demand"; 4 for "contributed somewhat to the increase in demand"; 5 for "contributed considerably to the increase in demand".

**Chart 13. Factors Affecting Demand for Consumer Credit and Other Lending to Households**



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

17. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next half-year.

	Loans for house purchase	Consumer credit and other lending
Tighten considerably	0	0
Tighten somewhat	0	0
Remain basically unchanged	78	78
Ease somewhat	22	22
Ease considerably	0	0
Total	100	100
Net percentage	-22.2	-22.2
Mean	3.2	3.2

*The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably". The mean is defined as a weighted average, attributing to the answers the following values: 1 for "tighten considerably"; 2 for "tighten somewhat"; 3 for "remain basically unchanged"; 4 for "ease somewhat"; 5 for "ease considerably".*

18. Please indicate how you expect demand for loans to households to change over the next half-year at your bank.

	Loans for house purchase	Consumer credit and other lending
Decrease considerably	11	0
Decrease somewhat	0	0
Remain basically unchanged	22	33
Increase somewhat	67	67
Increase considerably	0	0
Total	100	100
Net percentage	55.6	66.7
Mean	3.4	3.7

*The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increase somewhat", and the sum of the percentages for "decrease somewhat" and "decrease considerably". The mean is defined as a weighted mean of answers with the following numeric values: 1 for "decrease considerably"; 2 for "decrease somewhat"; 3 for "remain basically unchanged"; 4 for "increase somewhat"; 5 for "increase considerably".*