



LIETUVOS BANKAS

REVIEW OF THE BANK LENDING SURVEY

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SUMMARY

- Banks eased their general credit standards as applied to enterprises for a second consecutive half-year. Access to bank loans for business became easier due to improved perception of risk, driven by better prospects for the Lithuanian economy and business, the improvement in the quality of collateral, and bank competition in the market. Enterprises sensed this in declining margins, easing collateral requirements or declining other loan covenants.
- Credit standards for the approval of loans to households for house purchase remained stringent in the period under review. The credit standards for the approval of loans for house purchase were tighter owing to increased margins on riskier loans and shorter loan maturities. General credit conditions and terms for consumer credit and other lending to households remained unchanged: their easing due to the improving creditworthiness of consumers was offset by tightening collateral requirements.
- Over the next half-year banks intend to ease their credit standards as applied to non-financial corporations. This is likely to be sensed mainly by small and medium-sized businesses and those borrowing for a lengthy term. During the above period banks do not expect their credit standards as applied to loans for households for house purchase to change. Lending for consumption and other purposes is likely to become tighter.
- The borrowing demand of non-financial corporations grew for a third consecutive year. The demand for borrowing in business grew, reflecting its growing needs for financing inventories and working capital, as well as fixed investment. Major factors affecting growth in the demand for loans for house purchase were the growing confidence of consumers and their accumulated savings.
- In 2013, banks expect growth in their loan portfolios of 1 per cent to 5 per cent, i.e. basically the same as they had expected during the similar survey conducted half a year ago. Looking ahead to the next half-year, the surveyed banks expect an increase in the demand for borrowing in business. This is likely to be driven mainly by the increasing borrowing and long-term loan needs of small and medium business. In addition, the respondents reported that during the next half-year they expect an increase in households' demand for consumer credit and other lending.
- Banks' perception of the real estate market was more favourable. While most of the respondents further do not expect changes in real estate prices over the next 12 months, the share of banks that expect a rise in real estate prices of up to 10 per cent expanded. Moreover, the share of banks that reported the end of recession in Lithuania's real estate market increased markedly as well.

I. 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 non-interest related loan terms and conditions as applied by financial institutions, borrowing costs and market expectations. The responses from the bank survey conducted in March–April 2013 were received from 6 commercial banks and 3 foreign bank branches (hereinafter —“banks”).

Senior officers of the banks were requested to indicate developments in their banks' credit standards for households and non-financial corporations in the period from October 2012 to April 2013.¹ The respondents were asked, in responding about the likely future situation, to perceive potential changes in credit standards over the next half-year (April–October 2013). This Bank Lending Survey presents a summarised opinion of the respondents, which does not necessarily reflect the official position and perception of banks, including the Bank of Lithuania or its staff. In summarising the opinions and calculating the share of banks that have chosen a particular answer, the responses of individual banks were given the same weight, regardless of their market share.

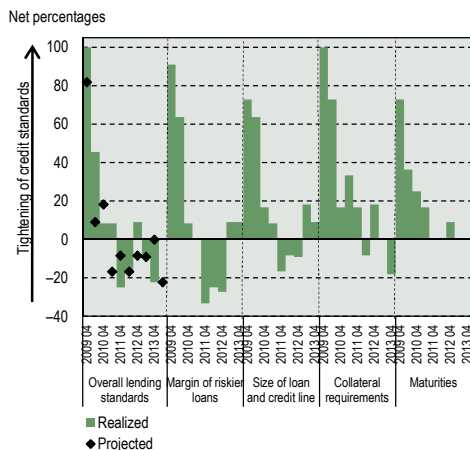
The net percentage is defined as the difference between the percentage of banks responding with “tightening of credit standards” (demand increases) and the percentage of banks responding with “easing of credit standards” (demand decreases). A positive net percentage indicates that most banks have tightened their credit standards, whereas a negative (-) net percentage indicates 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 basically 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 their credit standards.

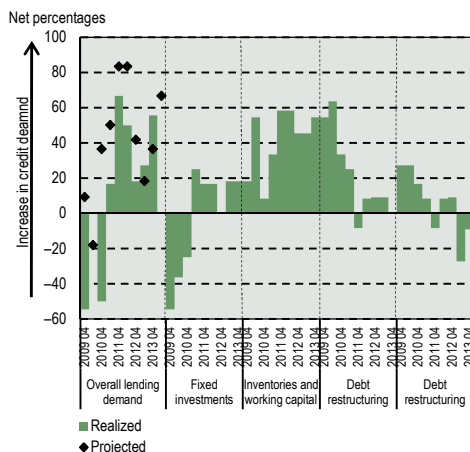
¹ This period covers six months; therefore, hereinafter it is referred to as a “half-year” period.

1 Chart. Changes in the supply of loans to enterprises



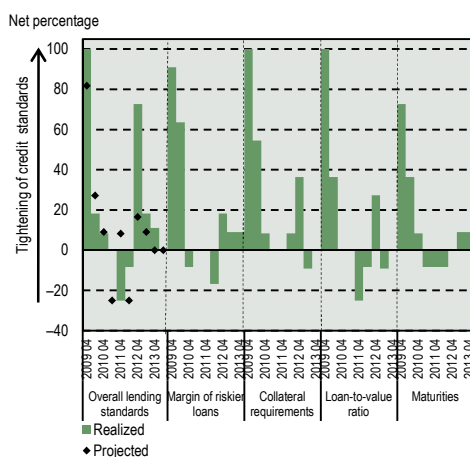
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

2 Chart. Changes in the demand for borrowing of enterprises



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Note: 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 is defined as the difference between the percentage for "increased considerably" and "increased somewhat", and the percentage for "decreased somewhat" and "decreased considerably".

OVERVIEW OF THE RESULTS OF THE BANK LENDING SURVEY

Banks eased their general credit standards as applied to non-financial corporations for a second consecutive half-year. During the period under review banks eased still more access to lending to small and medium-sized enterprises, and for large enterprise they did this slightly more moderately (the credit standards as applied to long-term loans and short-term loans became equally eased) (see Chart 1 in the Annex). The most significant contribution to the easing of credit standards to enterprises came from an improvement in the perception of risk, driven by better expectations for the future of the Lithuanian economy, business perspectives or the quality of collateral demanded, as well as increasing pressures from competition in the banking market. On the other hand, the easing of credit standards for lending to business was hindered somewhat by the costs related to the banks' capital positions and competition arising from enterprise possibilities to access funding via the issuance of securities (see Chart 2 in the Annex). Business felt the easing of credit standards mainly from declining margins, easing of collateral requirements or decreasing other loan covenants. On the other hand, the surveyed banks tended to increase the margins on riskier loans and to decrease the volumes of loans or credit lines (see Chart 1). The surveyed banks expect further easing in general credit standards for lending to non-financial corporations in the next half-year, which is to be felt mainly by small and medium-sized enterprises and those borrowing for a lengthy term.

The demand of non-financial corporations for bank loans and credit lines increased further. During the recent half-year, large enterprises contributed to that more heavily, whereas the borrowing of small and medium-sized enterprises increased somewhat less strongly (see Chart 4 in the Annex). The most significant contribution to growth in the borrowing demand of non-financial corporations came from the growing need for funding inventories and working capital, as well as fixed investment. This growth was slightly offset by the gradually increasing use of alternative sources of funds (e.g., internal funds) for financing enterprise activities (see Chart 2). For the next half-year the surveyed banks also expect growth in the demand for borrowing in business, which is likely to be driven mainly by growth in the demand for borrowing and long-term loans of small and medium-sized enterprises.

The banks that participated in the survey reported that in the recent half-year they tightened somewhat their credit standards applied for the approval of loans for house purchase, but basically did not change their credit standards for the approval of consumer credit and other lending (see Chart 6 in the Annex). The credit standards applied for the approval of loans for house purchase in the period under review became even tighter due to increased margins on riskier loans and shorter loan maturities (see Chart 3). Such a change in banks' lending policies basically resulted from their cost of funds and other balance sheet constraints (see Chart 7 in the Annex). The easing in the credit standards for consumer credit and other lending to households, driven by the improving creditworthiness of credit borrowers, was offset by tightening requirements for collateral demanded and increased lending margins (see Chart 10 in the Annex). In the next half year the surveyed banks are not going to change their general terms and conditions for approving lending to households for house purchase, but have scheduled tightening their credit standards for consumer credit and other lending.

The demand for loans for house purchase increased despite tighter credit standards. According to the surveyed banks, major contribution to growth in loans for house purchase came from the increasing confidence of consumers and their accumulated savings (see

Chart 12 in the Annex). The respondents of the survey expect that households' demand for loans for house purchase will also keep increasing in the future. The demand for consumer credit and other lending to households increased in the recent half-year and surpassed the results of the previous period. The growing confidence of consumers and increasing acquisitions of durable goods exerted major influence on that (see Chart 13 in the Annex). The growth in the demand for these loans was, however, offset somewhat by the increasing alternative sources of funds. The respondents expect that the demand for consumer credit and other lending in the next half-year will increase, although less strongly than in the previous periods.

REVIEW OF AD HOC QUESTIONS OF THE SURVEY

To obtain more comprehensive information on credit standards applied by banks and identify the factors that are likely to affect future developments in credit standards, the Bank of Lithuania frames ad hoc questions to respondents participating in bank lending surveys. The April 2013 Bank Lending Survey continued to focus on the perception of the financial standing of enterprises across key economic sectors and households. Moreover, part of the ad hoc questions were 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 Enterprises and Households and of its Future Dynamics

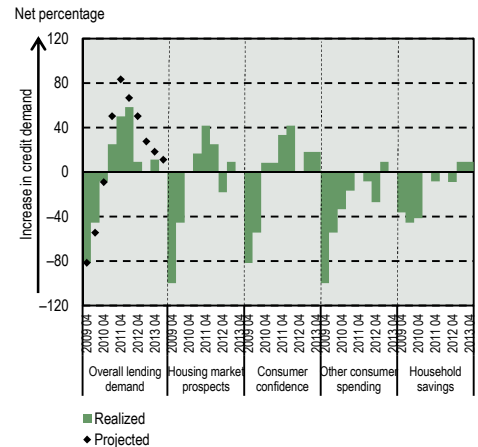
The banks that participated in the survey assessed the financial situation of enterprises across key economic sectors and households, and its likely future dynamics. The following major economic activities were selected for the survey: industry, real estate, construction, trade, transport, hotels and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

The surveyed banks' perception of the financial situation of enterprises engaged in major economic activities has improved somewhat, as compared with the results of the similar survey conducted half a year ago. The banks continued to perceive the financial situation of enterprises engaged in construction, real estate, and accommodation and catering services as poor, while compared to the results of previous surveys, this perception has improved slightly (especially of hotels and restaurants). Like before, agriculture, forestry and manufacturing were perceived best. The financial standing of households was perceived as having improved too. The surveyed banks believe that the financial standing of real estate and construction enterprises, as well as households is likely to improve still more, but at the same time they do not expect a deterioration in the financial standing of at least one economic activity in the future (see Chart 5).

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

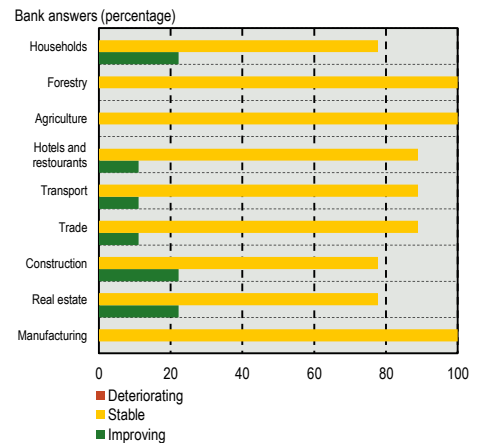
Improvement in the financial standing of credit borrowers entailed contraction in the share of banks limiting lending to them. Real estate, construction, accommodation and catering services, as well as transport continued to be economic activities for which banks limited their lending. The number of such banks decreased, though, as compared with the similar survey conducted half a year ago. Like in the previous periods, the surveyed banks did not limit their lending at all for manufacturing, trade, and agriculture. The less limited lending could have been driven by the improving financial situation across economic activities (see Chart 6). Half a year ago, the surveyed banks reported having limited lending to households (both for house purchase and consumption); in the period under review, however, there remained no such banks. Major contribution to the persistingly more cautious

4 Chart. Changes in the demand for loans for house purchase of households



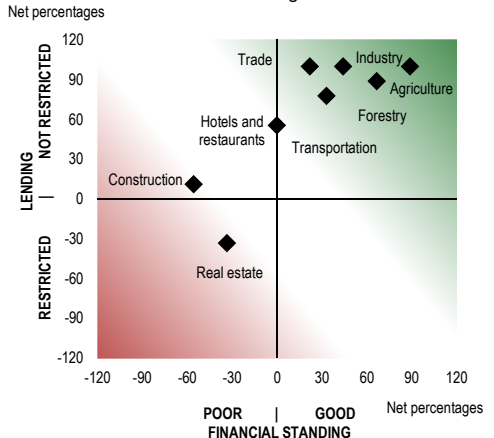
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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



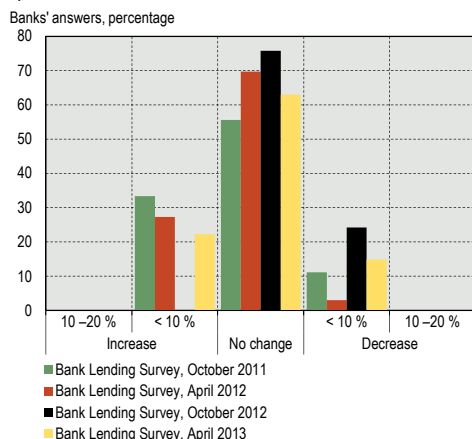
Source: Bank Lending Survey, April 2013.

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



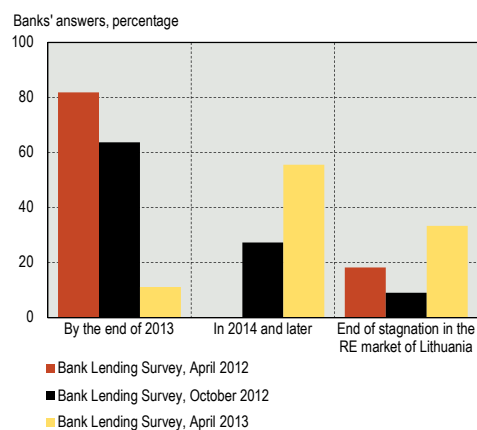
Source: Bank Lending Survey, April 2013.

7 Chart. Expectations regarding changes in real estate prices in the next 12 months



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

8 Chart. Expectations regarding the duration of stagnation in Lithuania's real estate market



Sources: Bank Lending Surveys.
 Note: RE - real estate.

behaviour of the surveyed banks in their lending activity came from their ambition to reallocate their loan portfolio, excessive borrower liabilities or general economic activity.

The results of the April 2013 survey showed a decrease in the number of clients with their payments to banks overdue. In addition, a much larger share of banks think that in the next half-year the number of such clients is likely to decrease further. As compared with the results of the similar survey conducted half a year ago, major decrease was reported in the number of households with housing loan payments overdue. With the decrease in the number of payments overdue, there remained no banks that would have reported an impairment in the quality of their loan portfolio: many of them reported stable or improving condition of their loan portfolio (especially business loan portfolio), and expected such a tendency to persist in the next half-year. This, in turn, enabled banks to cut their expenditure on specific provisions for bad loans. The average ratio between the housing loans extended to households and their collateral was 69 per cent in the period under review, a slight decrease from the results of the previous surveys. Banks expect this ratio to pick up to 73 per cent in the coming half-year.

In 2013, the surveyed banks expect growth in their loan portfolios of 1 per cent to 5 per cent, i.e. basically the same as they had expected during the similar survey conducted half a year ago. Growth in lending to business will have major influence on loan portfolio growth, whereas other sectors' activity in the debt market is not likely to be high. For 2014, banks expect much more intensive household borrowing both for house purchase and other needs, with average loan portfolio growth at about 5 per cent. In 2013, banks project deposit growth to exceed slightly that of loans. Deposits within the banking sector are likely to increase more than 3 per cent in the above period (to the extent projected during the similar survey half a year ago), with major contribution to that stemming from households and non-financial corporations. In addition, the surveyed banks expect a surge in deposits of 4 per cent due to further increase in private sector deposits.

Prospects of the Domestic Real Estate Market

Banks that expected real estate prices to increase in the period under review exceeded those that forecasted their decline in number (see Chart 7). Like during the previous surveys, however, most banks (76%) indicated they did not expect changes in real estate prices in the future. A third of the respondents expect a fall in old construction housing prices of up to 10 per cent next year, and slightly more than half of them forecast a surge in new construction housing prices of up to 10 per cent (no changes in the prices of premises of commercial purpose are expected). As compared with the results of the similar survey conducted half a year ago, banks postponed slightly the likely date of the end of stagnation in Lithuania's real estate market, yet at the same time there was an increase in the number of banks that already reported the end of stagnation in the real estate market (see Chart 8).

ANNEX: RESULTS OF THE RESPONSES TO MAIN QUESTIONS

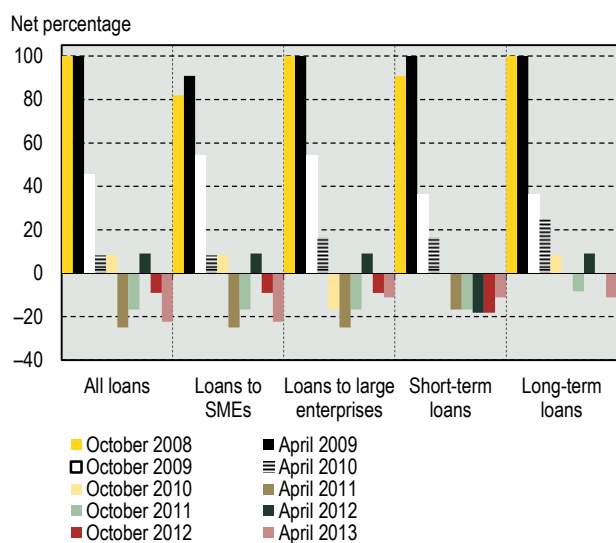
LOANS AND CREDIT LINES TO ENTERPRISES

- Over the past half-year, how have your bank's conditions and terms for approving loans and 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	0	0	0	0	0
Tightened somewhat	0	0	0	0	0
Remained basically unchanged	78	78	89	89	89
Eased somewhat	22	22	11	11	11
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	-22.2	-22.2	-11.1	-11.1	-11.1
Mean	3.2	3.2	3.1	3.1	3.1

Note: 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 almost unchanged"; 4 for "eased somewhat"; 5 for "eased considerably". * SME—small and medium-sized business.

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



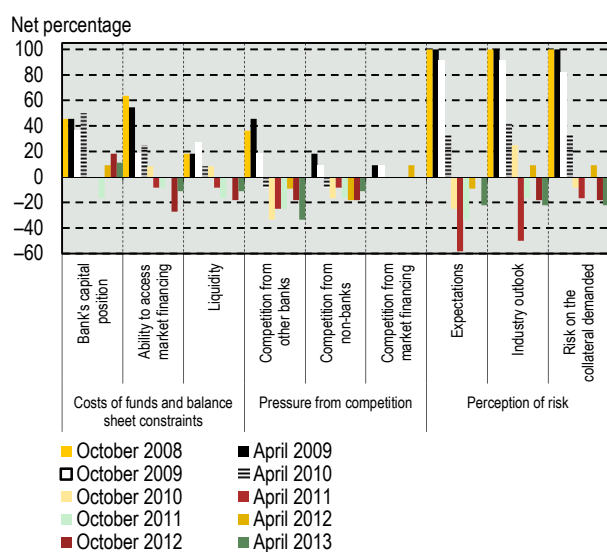
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

2. 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
A) Cost of funds and balance sheet constraints								
Costs related to your bank's capital position	0	11	78	0	0	11	11.1	2.9
Your bank's ability to access market financing (short-term or long-term)	0	0	78	11	0	11	-11.1	3.1
Your bank's liquidity position	0	0	78	11	0	11	-11.1	3.1
B) Pressure from competition								
Competition from other banks	0	0	67	33	0	0	-33.3	3.3
Competition from non-banks	0	0	78	11	0	11	-11.1	3.1
Competition arising from enterprises' possibilities to access financing via the issuance of securities	0	0	89	0	0	11	0.0	3.0
C) Perception of risk								
Expectations regarding general economic activity	0	0	67	22	0	11	-22.2	3.3
Industry or firm-specific outlook	0	0	67	22	0	11	-22.2	3.3
Risk of collateral demanded	0	0	67	22	0	11	-22.2	3.3

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 "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

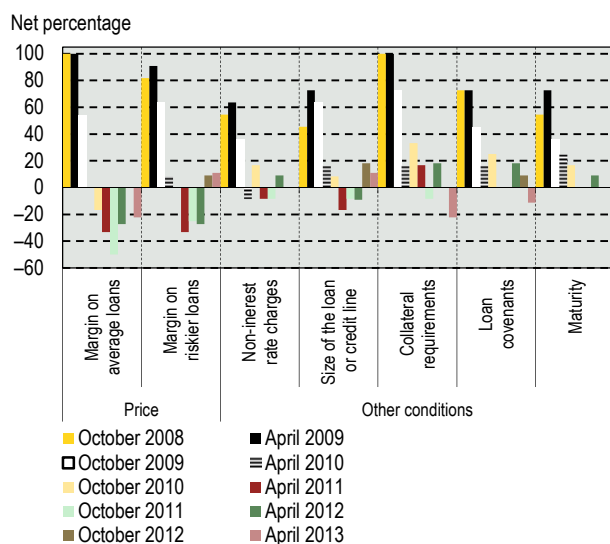


3. Over the past half-year, how have your bank's conditions and terms for approving loans and credit lines to enterprises changed?

	--	-	0	+	++	Not applicable	Net percentage	Mean
A) Price								
Your bank's margin on average loans	0	11	56	33	0	0	-22.2	3.2
Your bank's margin on riskier loans	0	22	56	11	0	11	11.1	2.9
B) Other conditions and terms								
Non-interest rate charges	0	11	78	11	0	0	0.0	3.0
Size of loan or credit line	0	11	89	0	0	0	11.1	2.9
Collateral requirements	0	0	78	22	0	0	-22.2	3.2
Loan covenants	0	0	89	11	0	0	-11.1	3.1
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 almost unchanged"; 4 for "eased somewhat"; 5 for "eased considerably".

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



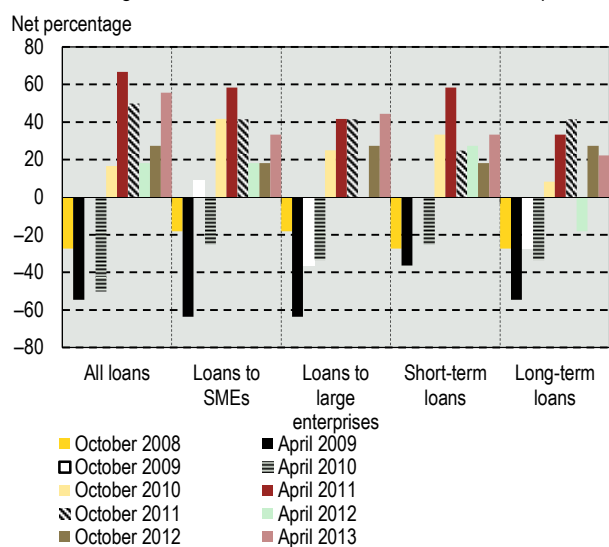
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

4. 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	0	11	0	0	11
Remained basically unchanged	44	44	56	67	56
Increased somewhat	44	44	33	33	22
Increased considerably	11	0	11	0	11
Total	100	100	100	100	100
Net percentage	55.6	33.3	44.4	33.3	22.2
Mean	3.7	3.3	3.6	3.3	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 Demand for Loans and Credit Lines to Enterprises



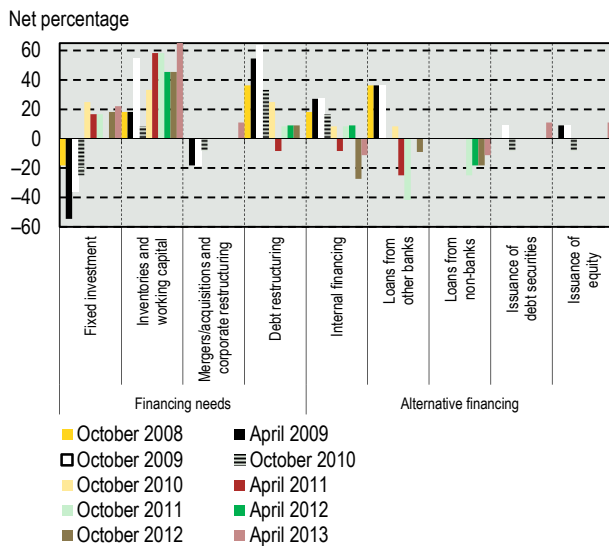
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

5. 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
A) Financing needs								
Fixed investment	0	0	78	22	0	0	22.2	3.2
Inventories and working capital	0	0	33	67	0	0	66.7	3.7
Mergers/acquisitions and corporate restructuring	0	0	89	0	11	0	11.1	3.2
Debt restructuring	0	11	78	11	0	0	0.0	3.0
B) Use of alternative finance								
Internal financing	0	11	89	0	0	0	-11.1	2.9
Loans from other banks	0	11	78	11	0	0	0.0	3.0
Loans from non-banks	0	11	89	0	0	0	-11.1	2.9
Issuance of bonds	0	0	78	0	11	11	11.1	3.3
Issuance of shares	0	0	78	0	11	11	11.1	3.3

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.

6. 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	0	0	0
Remain basically unchanged	78	89	89	89	89
Ease somewhat	22	11	11	11	11
Ease considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	-22.2	-11.1	-11.1	-11.1	-11.1
Mean	3.2	3.1	3.1	3.1	3.1

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".

7. 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	33	44	78	78	44
Increase somewhat	67	56	22	22	56
Increase considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	66.7	55.6	22.2	22.2	55.6
Mean	3.7	3.6	3.2	3.2	3.6

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".

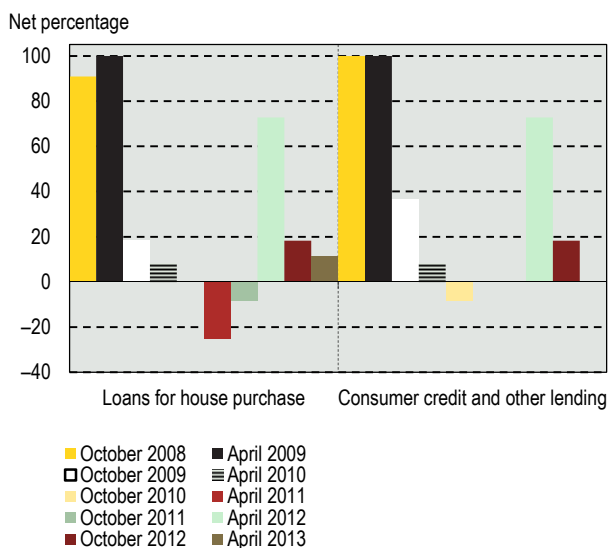
LOANS TO HOUSEHOLDS

8. Over the past half-year, 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	0	0
Tightened somewhat	11	11
Remained basically unchanged	89	78
Eased somewhat	0	11
Eased considerably	0	0
Total	100	100
Net percentage	11.1	0.0
Mean	2.9	3.0

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



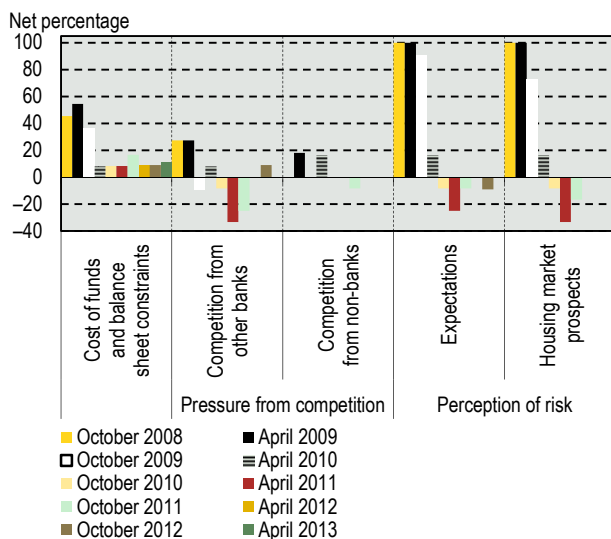
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

9. 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
A) Cost of funds and balance sheet constraints	0	11	78	0	0	11	11.1	2.9
B) Pressure from competition								
Competition from other banks	0	0	100	0	0	0	0.0	3.0
Competition from non-banks	0	0	89	0	0	11	0.0	3.0
C) Perception of risk								
Expectations regarding general economic activity	0	0	100	0	0	0	0.0	3.0
Housing market prospects	0	0	100	0	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 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



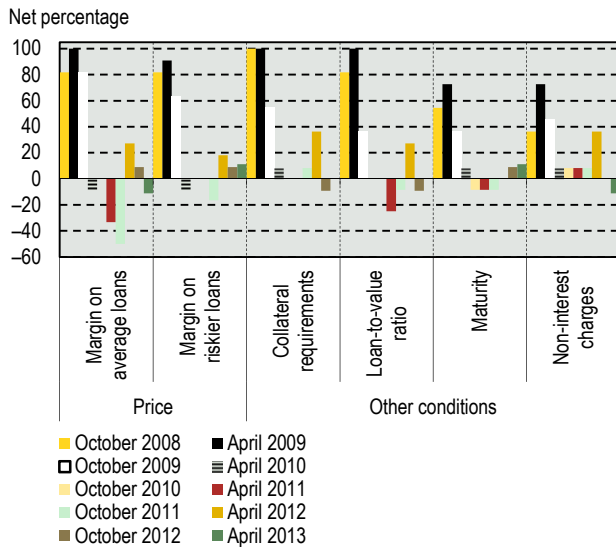
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

10. 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
A) Price								
Your bank's margin on average loans (margin increased—standards tightened; margin decreased—standards eased)	0	11	67	22	0	0	-11.1	3.1
Your bank's margin on risky loans	0	11	78	0	0	11	11.1	2.9
B) Other conditions and terms								
Collateral requirements	0	0	100	0	0	0	0.0	3.0
Loan-to-value ratio	0	0	100	0	0	0	0.0	3.0
Maturity	0	11	89	0	0	0	11.1	2.9
Non-interest rate charges	0	0	89	11	0	0	-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.

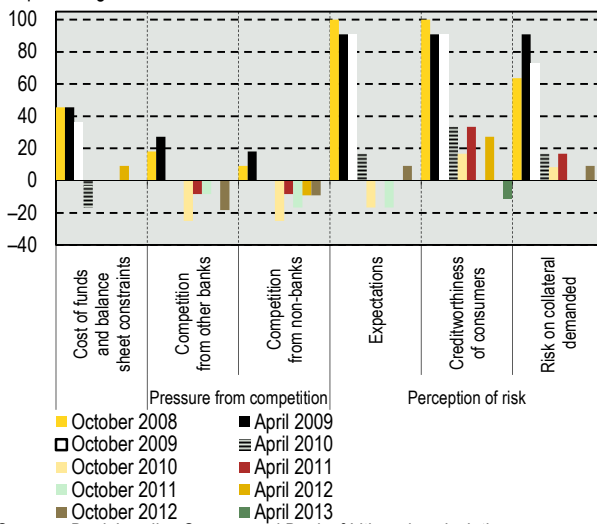
11. How have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

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

Net percentage



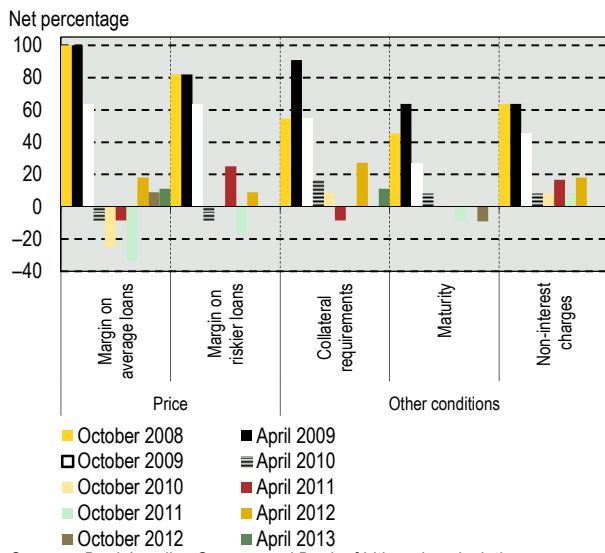
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

12. Over the past half-year, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	0	+	++	Not applicable	Net percentage	Mean
A) Price								
Your bank's margin on average loans (margin increased—standards tightened, margin decreased—standards eased)	0	22	56	11	0	11	11.1	2.9
Your bank's margin on risky loans	0	0	78	0	0	22	0.0	3.0
B) Other conditions and terms								
Collateral requirements	0	11	67	0	0	22	11.1	2.9
Maturity	0	0	89	0	0	11	0.0	3.0
Non-interest rate charges	0	0	89	0	0	11	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 10. Changes in Terms and Conditions for Approving Consumer Credit and Other Lending to Households



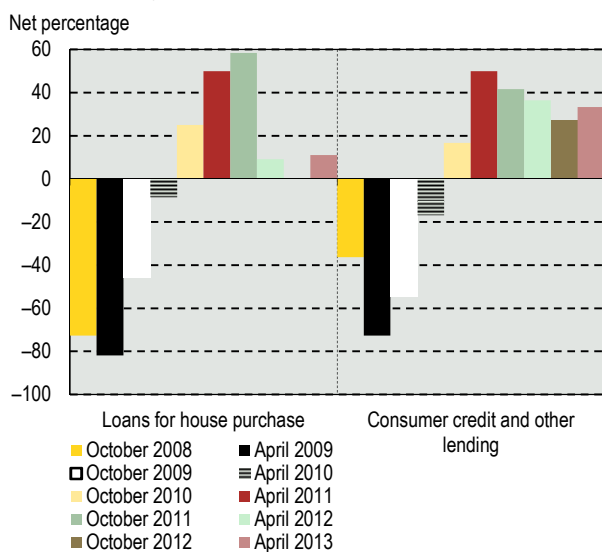
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

13. 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	0	0
Decreased somewhat	0	0
Remained basically unchanged	89	67
Increased somewhat	11	33
Increased considerably	0	0
Total	100	100
Net percentage	11.1	33.3
Mean	3.1	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 11. Changes in Demand for Loans to Households



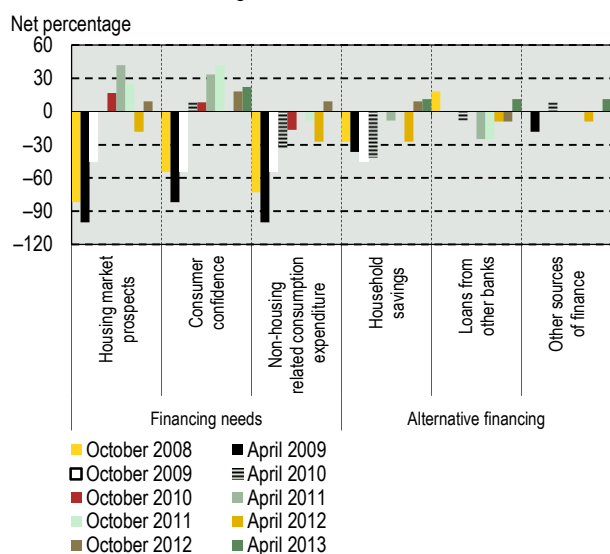
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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

	--	-	0	+	++	Not applicable	Net percentage	Mean
A) Financing needs								
Housing market prospects	0	0	100	0	0	0	0.0	3.0
Consumer confidence	0	0	78	22	0	0	22.2	3.2
Non-housing-related consumption expenditure	0	0	100	0	0	0	0.0	3.0
B) Use of alternative finance								
Household savings	0	0	89	11	0	0	11.1	3.1
Loans from other banks	0	0	89	11	0	0	11,1	3,1
Other sources of finance	0	0	89	11	0	0	11,1	3,1

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



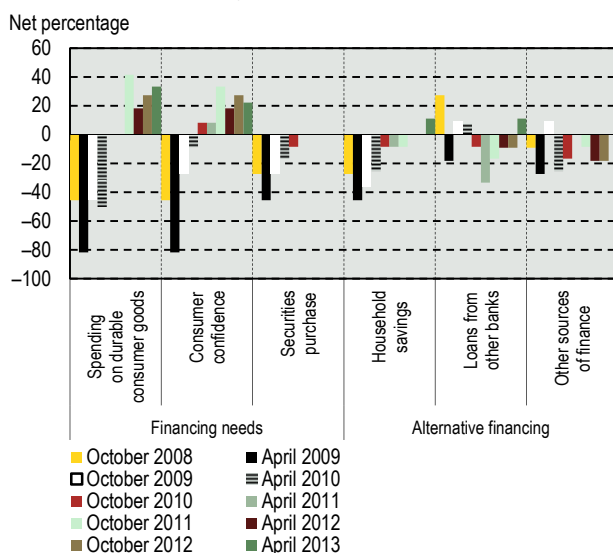
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

15. 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
A) Financing needs								
Spending on durable consumer goods (motor vehicles, furniture, etc.)	0	0	67	33	0	0	33.3	3.3
Consumer confidence	0	0	78	22	0	0	22.2	3.2
Securities purchases	0	0	89	0	0	11	0.0	3.0
B) Use of alternative finance								
Household savings	0	0	89	11	0	0	11.1	3.1
Loans from other banks	0	0	89	11	0	0	11.1	3.1
Other sources of finance	0	0	100	0	0	0	0.0	3.0

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



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 half-year.

	Loans for house purchase	Consumer credit and other lending
Tighten considerably	0	0
Tighten somewhat	0	11
Remain basically unchanged	100	89
Ease somewhat	0	0
Ease considerably	0	0
Total	100	100
Net percentage	0.0	11.1
Mean	3.0	2.9

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".

17. 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	0	0
Decrease somewhat	11	0
Remain basically unchanged	67	89
Increase somewhat	22	11
Increase considerably	0	0
Total	100	100
Net percentage	11.1	11.1
Mean	3.1	3.1

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".