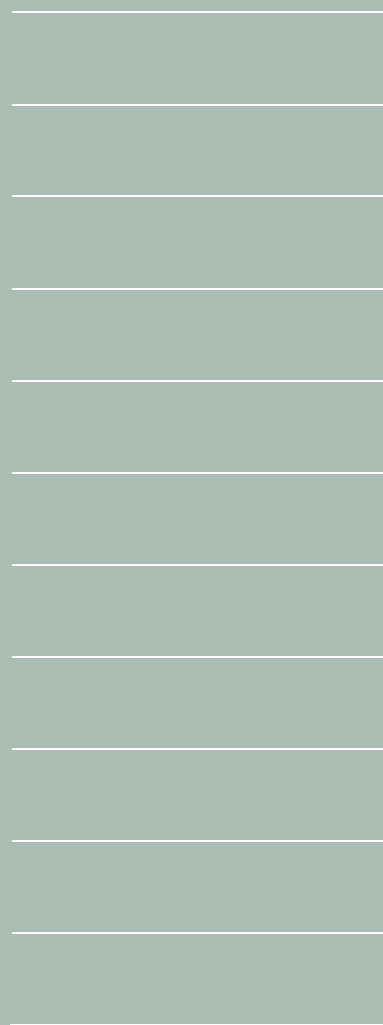




LIETUVOS BANKAS

REVIEW
OF THE BANK
LENDING SURVEY

2014



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REVIEW OF THE BANK LENDING SURVEY 2014 / 1

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

The Bank Lending Survey was prepared using the data of the survey conducted by the Bank of Lithuania.

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REVIEW OF THE BANK LENDING SURVEY

April 2014

SUMMARY

- For the second year in a row, more banks reported that they were easing the general lending conditions for business, rather than tightening them. The main reasons for a more favourable assessment of lending to business over the reference period were improving expectations related to the general economic situation, the strengthening of their liquidity position, increasing competition between banks. Conditions of lending to non-financial corporations improved through the extension of loan maturities, increase of amounts of loans and credit lines, however, banks were inclined to increase the margins of loans related to higher risks.
- The bigger part of the banks covered by the survey has been improving the conditions of housing loans for a second half-year in a row. Households could experience such easing mainly through the reduction of margins on average loans. The crediting conditions for households are becoming more favourable because of increasing competition among banks, improving housing market perspectives and expectations for the general economic situation.
- According to surveyed respondents, over the next six months, i.e. until October 2014, one bank will slightly ease the general conditions of lending to non-financial corporations (other banks will not do that), while lending conditions to households will not change.
- The great majority of banks covered by the survey cited the growing demand for loans and credit lines among non-financial corporations. Similarly to the previous surveys, the most significant impact on such demand stemmed from the growth of stocks and working capital, capital investments, as well as from mergers, acquisitions and restructuring.
- Banks participating in the survey noted the increasing demand for housing loans over the past half-year. The increase was mainly driven by the improvement of the market perspectives and consumer confidence. A more rapid growth of demand for housing loans was somewhat subdued by the use of alternative sources of funding.
- Two thirds of banks covered by the survey reported expecting real estate prices to grow in 2014. The biggest growth is expected in the prices of dwellings of new construction and commercial premises, while the growth in prices of old construction buildings is expected to be minor. The end of stagnation in the real estate market mentioned by all banks indicates their more optimistic expectations with respect to the development of real estate prices.

AIMS, METHODS AND PRINCIPLES OF THE SURVEY

Lending surveys of commercial banks and foreign bank branches are conducted biannually in order to obtain information on non-interest related loan conditions as applied by the financial institutions, their borrowing costs and market expectations. During the bank lending survey conducted in September–October 2013 the answers were received from six commercial banks and three foreign bank branches (hereinafter — banks). Given that the survey sample is small, the results of the survey review should be assessed carefully.

Managers of banks were asked to specify the changes in the conditions of lending to households and non-financial corporations established by banks and represented by them between October 2013 and April 2014.¹ Taking into account the likely future situation, the respondents were asked to assess potential changes in the lending conditions over the next half-year (April and October 2014). This Review of the Bank Lending Survey presents the aggregate opinion of respondents, which does not necessarily reflect the official views and perceptions of the 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, responses of individual banks were given equal weight, regardless of their market share.

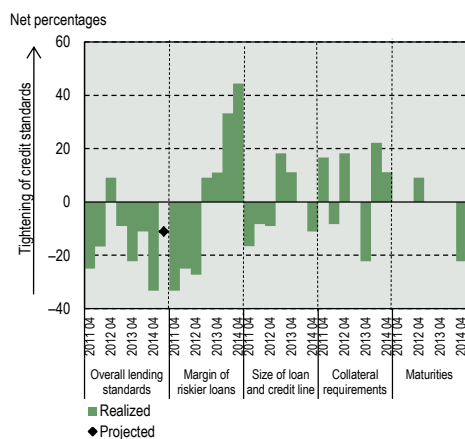
The net percentage is defined as the difference between the percentage of banks responding with “tightening of lending conditions” (demand increases) and the percentage of banks responding with “easing of lending conditions” (demand decreases). A positive net percentage indicates that most banks have tightened their lending conditions, negative (–) — that they have eased their lending conditions. 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 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 lending conditions; when the score of the mean is higher than 3, it indicates that most banks have eased their lending conditions. 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 lending conditions and the percentage of banks that have eased them.

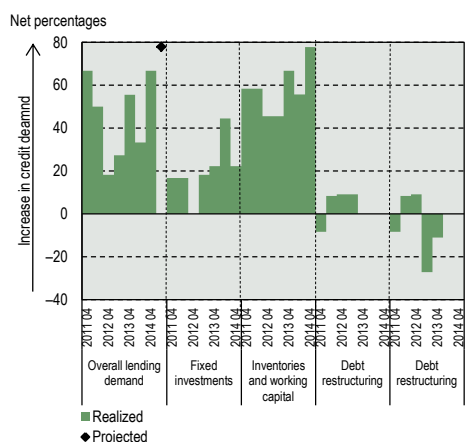
¹ This period covers six months; therefore, further in this Review, it is referred to as “half-year”.

Chart 1. Changes in the supply of loans to enterprises



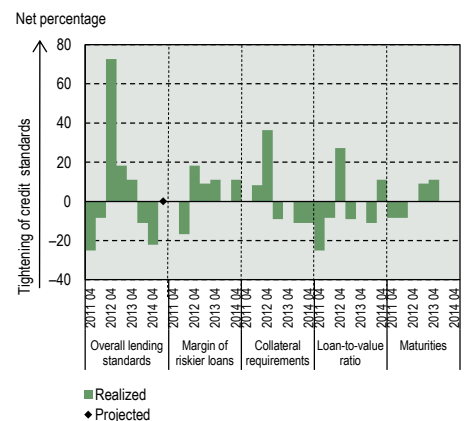
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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 lending conditions "tightened considerably" and "tightened somewhat", and the percentage of banks that responded that lending conditions "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".

RESULTS OF THE BANK LENDING SURVEY

The general conditions of bank lending to non-financial corporations are easing for a second year in a row (see Chart 1). Between October 2013 and April 2014, the general conditions of loans and credit lines to non-financial corporations were eased by three (a half-year ago — one) out of the surveyed nine banks. Other banks covered by the survey reported no changes in these conditions. During the period under consideration, the lending conditions eased for both large and small business enterprises. Regardless of the duration (long- or short-term) of loans, lending conditions for businesses were eased by two out of nine respondents (see Table 1 of the Annex). The general conditions of lending to business were mainly eased by improving expectations for the general economic situation, strengthening of competition among banks and their liquidity position (see Table 2 of the Annex). Almost half of all respondents, however, were cautious about the granting of riskier loans, and margins of such loans increased slightly (see Table 3 of the Annex).

The surveyed banks do not envisage any changes in the conditions of lending to business until October 2014, except for one bank intending to ease them to a certain extent. Also, all banks, except for one bank intending to ease the lending conditions, are not going to change the general lending conditions to small, medium-sized and large enterprises. The next half-year might be more favourable for enterprises intending to borrow for a shorter period (two banks are planning to improve the lending conditions to a certain extent), and long-term lending conditions should not change (see Table 6 of the Annex).

Two thirds of surveyed banks cited the increased demand for their loans and credit lines among non-financial corporations (see Chart 2). The remaining part of respondents indicated that the demand has remained the same. Last time such big proportion of surveyed banks citing the increase in demand for their services among non-financial corporations was observed three years ago. The borrowing of small and medium-sized business enterprises and short-term borrowings were the main drivers of the demand (see Table 4 of the Annex). According to the surveyed banks, the demand for loans among non-financial corporations increased alongside the growing needs of funding for inventories and working capital, capital investments, mergers and acquisitions, and restructuring. On the other hand, the growth of demand slightly slowed down by lending from other banks (competition) (see Table 5 of the Annex). Seven out of nine surveyed banks responded expecting higher demand for their services among non-financial corporations over the next half-year, i.e. until October 2014 (see Table 7 of the Annex).

General conditions of housing loans essentially have not changed. Two out of nine surveyed banks indicated that they had slightly eased the general conditions for housing loans, and the remaining banks did not change them (see Chart 3). The strengthening of competition between banks, improving expectations for the general economic situation or housing market perspectives had a positive impact on easing the conditions of housing loans to households during the period under consideration (see Table 9 of the Annex). Households could perceive the positive impact through the reduction of margins on average loans (see Table 10 of the Annex). Differently from the analogous survey conducted six months ago, one bank eased conditions of consumer credits and other loans (the remaining banks did not change these conditions). According to the respondent, this was preconditioned by the growth of competition among banks. Until

October 2014, the conditions of housing loans or loans for consumption and other purposes granted to households will not change (see Table 16 of the Annex).

Five out of nine surveyed banks cited slightly higher demand for housing loans. According to respondents, this was preconditioned by the improvement of housing market perspectives and consumer confidence (see Chart 4). On the other hand, the growth of demand was slightly subdued by more active use of alternative sources of funding, such as household saving and loans from other banks (competition) (see Table 14 of the Annex). The household demand for consumer credits and loans for other purposes also kept growing during the period under consideration due to already mentioned improvement of consumer confidence and higher demand for consumer durables. Faster growth of consumer credits and other loans was slowed down by borrowing from other banks (cited by one bank) (see Table 15 of the Annex). Seven out of nine surveyed banks expect a slight increase in household demand for consumer credits and other loans (see Table 17 of the Annex).

REVIEW OF THE AD HOC QUESTIONS OF THE SURVEY

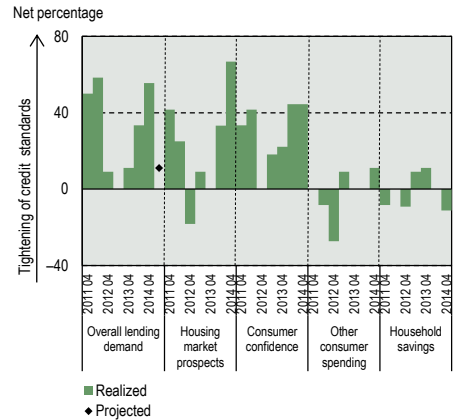
To obtain more detailed information about the conditions of funding offered by banks and to identify the factors capable of influencing future changes in the lending conditions, the Bank of Lithuania incorporates additional questions for respondents in the Bank Lending Surveys. The Bank Lending Survey of February–March 2014 continued to focus on the respondents' views on the financial position of the local enterprises engaged in the main types of economic activity and households. In addition, some additional questions were aimed at disclosing the existing and forecasted situation of the real estate market of the country. Banks were also asked to assess potential changes in loans and deposits over the upcoming periods.

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

The surveyed banks presented their views on the financial position and potential future developments of enterprises representing the main types of economic activity and households. The survey captured the major economic activities: industry, real estate, construction, trade, transport, hotels and restaurants, agriculture and forestry.

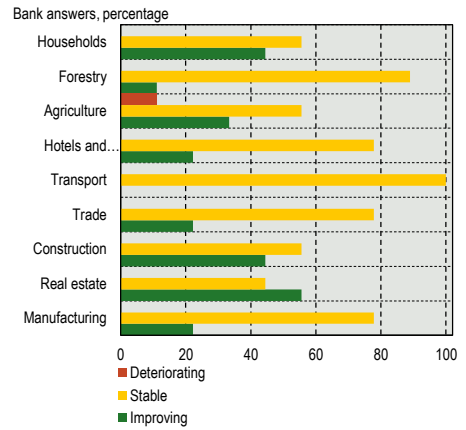
In the opinion of banks participating in the survey, the financial position of their largest borrowers — households and non-financial corporations — varied from average to good. Perceptions of the financial position of the private sector slightly improved over six months against the background of improving sentiments with regard to many major economic activities and households. Like in previous periods, the surveyed banks were most positive about financial position of the enterprises of agriculture, forestry, industry and trade. Financial position of enterprises engaged in construction and real estate, transport, and hotels and restaurants was considered to be the worst (although the sentiment has slightly improved compared to the results of the analogous survey conducted six months ago). The prospects of the financial position of the enterprises representing the main types of economic activity and households during the reference period were essentially perceived as stable, however, over the half-year the number of respondents considering that the prospects were improving, increased (see Chart 5). This is particularly true for real estate, agricultural enterprises and households.

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



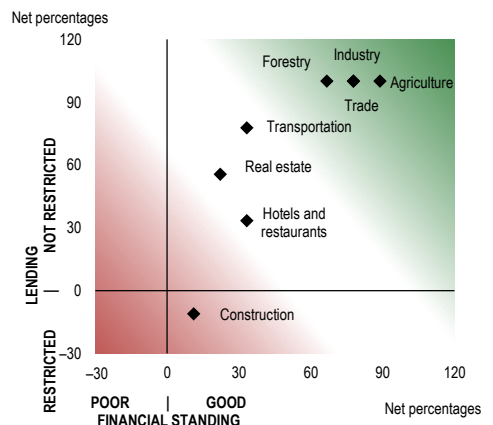
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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



Source: Bank Lending Survey, October 2014

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



Source: Bank Lending Survey, April 2014.

Chart 7. Dynamics of customers with payments to banks overdue

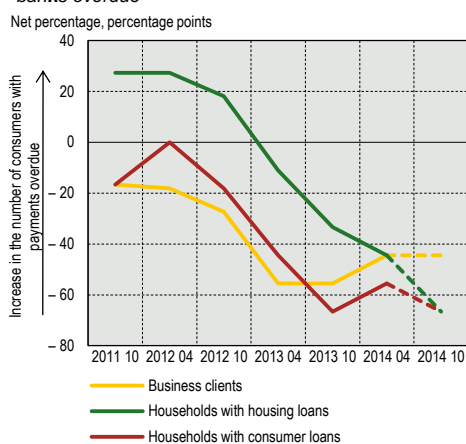


Chart 8. Expectations regarding changes in real estate prices in the next 12 months

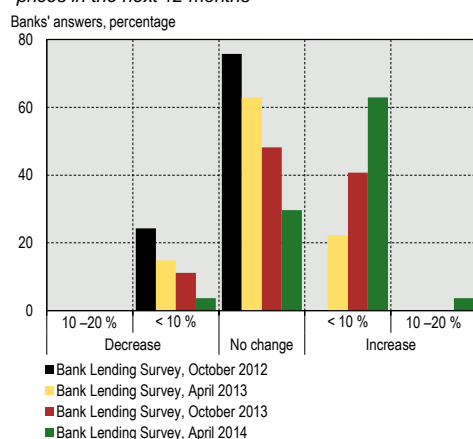
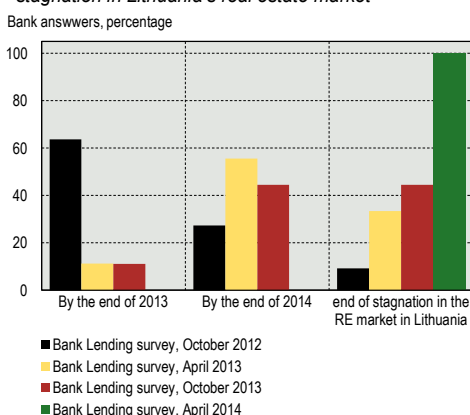


Chart 1. Expectations regarding the duration of stagnation in Lithuania's real estate market



Lending Conditions and Development of Loan Portfolio in Different Economic Activities

As the financial position of many borrowers improved, banks kept easing their lending conditions. Over the reference period, more commercial banks reported tightening rather than easing their lending only to enterprises engaged in the economic activity of construction (see Chart 6). The larger proportion of banks cited that they had not limited lending to all other enterprises engaged in major economic activities and households. The surveyed banks also reported that non-housing loans to industrial, trade, agricultural and forestry enterprises had not been limited in general. Also, the surveyed banks mentioned the competition in lending to these sectors of the economy as being the largest. These tendencies are expected to persist over the next period; however, the surveyed banks anticipate higher completion in lending to real estate enterprises.

The number of defaults across all customer groups was reported not to have increased by all respondents captured by this Bank Lending Survey (see Chart 7). Default rates among the bank customers — households with consumer credits and credit card holders — have fallen more significantly than among business customers or households with housing loans. The quality of loans has not deteriorated either. Furthermore, a larger proportion of banks cited the reduction in specific provisions for bad loans (although some banks were still cautious about the perspectives of the proper loan repayment of business customers and households with housing loans). More than half of the surveyed respondents reported expecting a reduction of the defaulting customers of banks. The banks also cited that during the reference period the loan-to-value ratio of housing loans to households was 70 per cent and has slightly contracted compared to the previous surveys.

In 2014 banks are expecting about 3 per cent growth in their lending portfolio: almost the same growth is expected in deposits. The growth of lending portfolio expected by banks during the analogous survey conducted six months ago was more moderate. This year the growth rates of housing loans are anticipated to be a bit faster than loans to non-financial corporations. The banks forecast that in 2015 the tendencies will be similar to those of this year, but the lending portfolio will grow a bit slower. In 2014 deposits are forecasted to grow about 3 per cent: with a more significant contribution expected from households. In the opinion of the surveyed respondents, the growth of deposits in 2015 should be at least the same as in the past period, slightly outpacing the forecasted growth of the lending portfolio. The banks anticipate that in 2015 deposits of non-financial corporations will grow faster than deposits of households, compared to this year.

Prospects for the Domestic Real Estate Market

Two thirds of the surveyed banks expect real estate prices to increase in the coming year (see Chart 8); however, trends in different sections differ. All of the surveyed banks expect that in the coming year the prices of new construction buildings will increase (one bank indicated a surge of up to 20%). Two thirds of the respondents indicated that the prices of non-commercial real estate will rise up to 10 per cent in the near future. Slightly gloomier projections are for the prices of old construction buildings: a large share of banks believe that there will be no change, although the percentage of those who expect that it will rise by 10 per cent is than of those who expect a drop (the latter trend was indicated by one bank). The optimistic expectations with regards to the real estate market's outlook are confirmed by the fact that in this survey all banks reported the end of stagnation in Lithuania's real estate market (see Chart 9).

ANNEX: RESULTS OF THE RESPONSES TO MAIN QUESTIONS

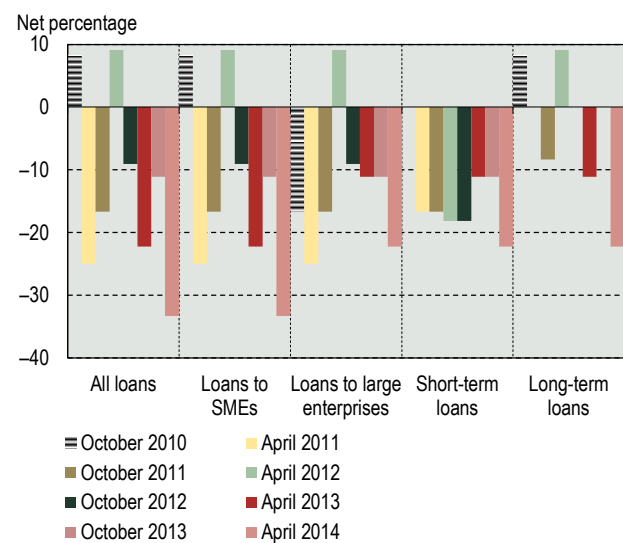
LOANS AND CREDIT LINES TO ENTERPRISES

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

	Overall	Loans to SMEs	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	67	67	78	78	78
Eased somewhat	33	33	22	22	22
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	-33.3	-33.3	-22.2	-22.2	-22.2
Mean	3.3	3.3	3.2	3.2	3.2

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 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



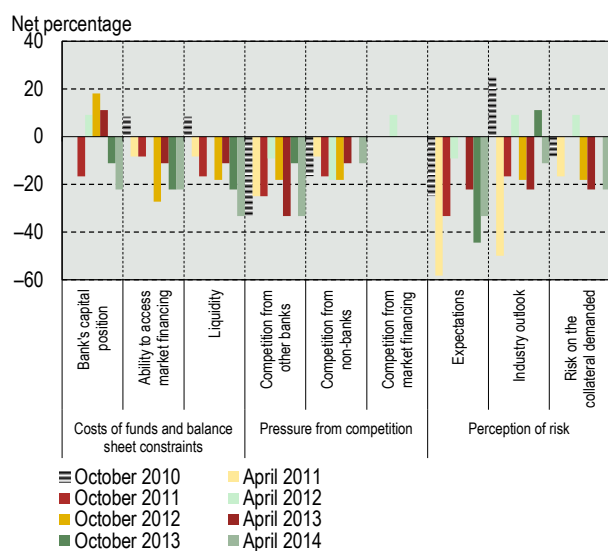
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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 bank's capital position	0	11	44	33	0	11	-22.2	3.3
Bank's ability to access market financing (short-term or long-term)	0	0	67	22	0	11	-22.2	3.3
Bank's liquidity position	0	0	56	33	0	11	-33.3	3.4
B) Pressure from competition								
Competition from other banks	0	0	67	33	0	0	-33.3	3.3
Competition from non-banks	0	0	67	11	0	22	-11.1	3.1
Competition arising from enterprises' possibilities to access financing via the issuance of securities	0	0	78	0	0	22	0.0	3.0
C) Perception of risk								
Expectations regarding general economic activity	0	0	67	33	0	0	-33.3	3.3
Perception of industry or firm-specific outlook	0	11	67	22	0	0	-11.1	3.1
Collateral risk	0	0	78	22	0	0	-22.2	3.2

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 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



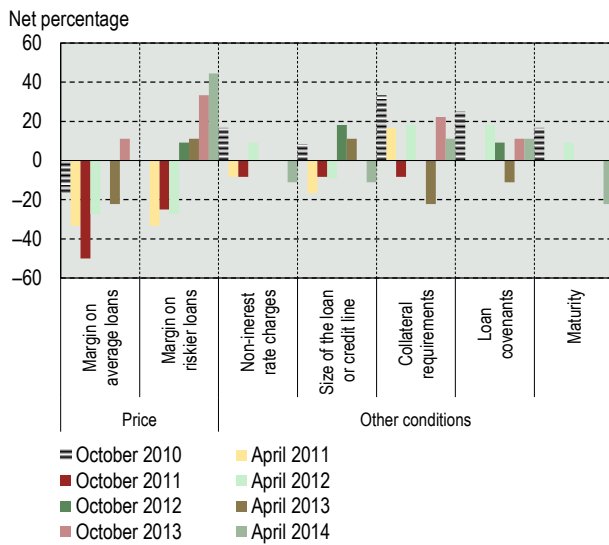
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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								
Bank's margin on average loans	0	22	56	22	0	0	0.0	3.0
Bank's margin on riskier loans	11	33	44	0	0	11	44.4	2.4
B) Other conditions and terms								
Non-interest rate charges	0	0	89	11	0	0	-11.1	3.1
Size of loan or credit line	0	0	89	11	0	0	-11.1	3.1
Collateral requirements	0	11	89	0	0	0	11.1	2.9
Loan covenants	0	11	89	0	0	0	11.1	2.9
Maturity	0	0	78	22	0	0	-22.2	3.2

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 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



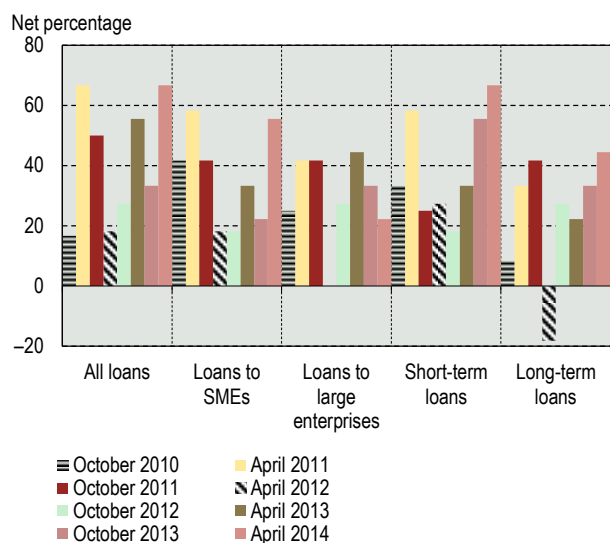
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

4. How has the demand for loans and credit lines to enterprises changed at your bank (excl. normal seasonal fluctuations)?

	Overall	Loans to SMEs	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	0	0	0	0	0
Decreased somewhat	0	0	22	0	11
Remained basically unchanged	33	44	33	33	33
Increased somewhat	67	56	44	67	56
Increased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	66.7	55.6	22.2	66.7	44.4
Mean	3.7	3.6	3.2	3.7	3.4

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 an 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



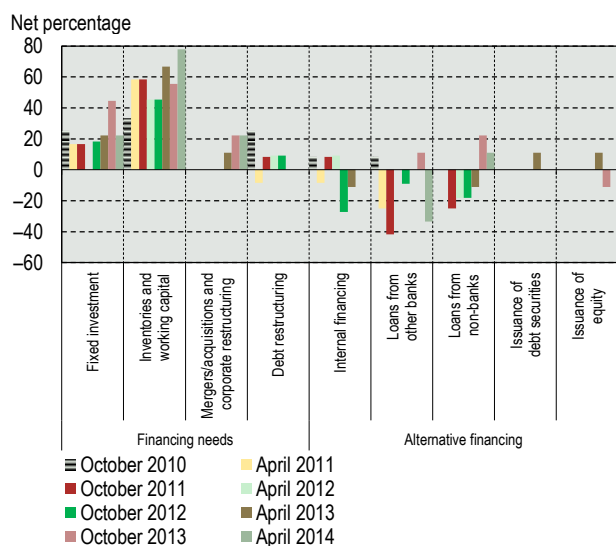
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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	22	78	0	0	77.8	3.8
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) Use of alternative finance								
Internal financing	0	11	67	11	0	11	0,0	3.0
Loans from other banks	0	33	56	0	0	11	-33.3	2.6
Loans from non-banks	0	0	67	11	0	22	11.1	3.1
Issuance of bonds	0	0	67	0	0	33	0.0	3.0
Issuance of shares	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 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 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 SMEs	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	89	89	89	78	100
Ease somewhat	11	11	11	22	0
Ease considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	-11.1	-11.1	-11.1	-22.2	0.0
Mean	3.1	3.1	3.1	3.2	3.0

Note: The net percentage is defined as the difference between the sum of the percentages for "lighten considerably" and "tighten somewhat", and the sum of the percentages for "ease somewhat" and "ease considerably". The mean is defined as a 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 (excl. normal seasonal fluctuations)?

	Overall	Loans to SMEs	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	22	22	33	22	44
Increase somewhat	78	78	67	78	56
Increase considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	77.8	77.8	66.7	77.8	55.6
Mean	3.8	3.8	3.7	3.8	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 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".

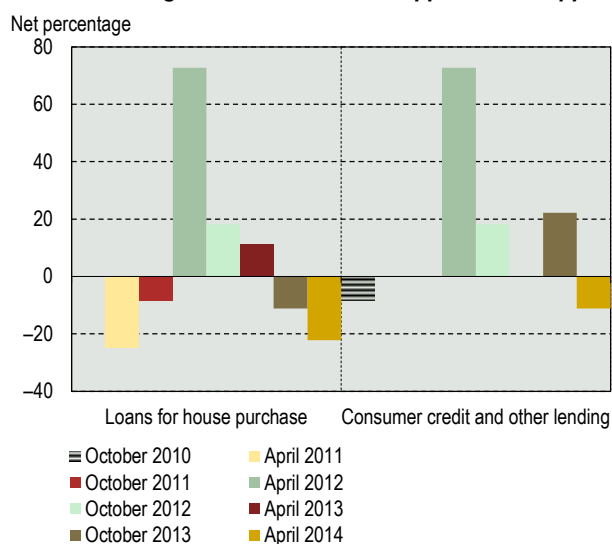
LOANS TO HOUSEHOLDS

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	0	0
Remained basically unchanged	78	89
Eased somewhat	22	11
Eased considerably	0	0
Total	100	100
Net percentage	-22.2	-11
Mean	3.2	3.1

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 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



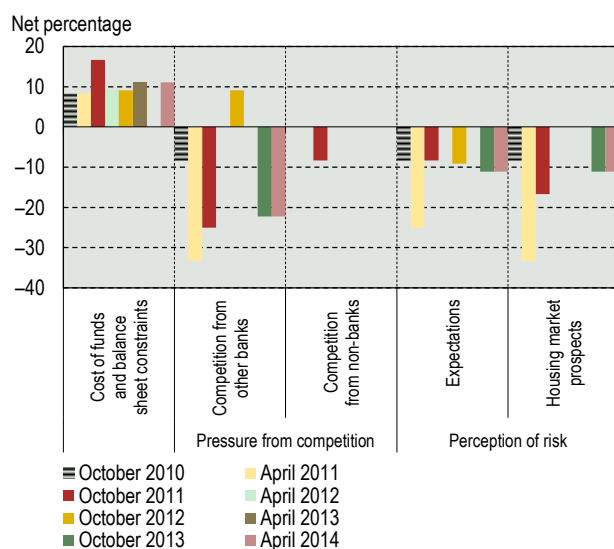
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

9. 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) 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	11	56	33	0	0	-22.2	3.2
Competition from non-banks	0	0	67	0	0	33	0.0	3.0
C) Perception of risk								
Expectations regarding general economic activity	0	0	89	11	0	0	-11.1	3.1
Housing market prospects	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 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 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



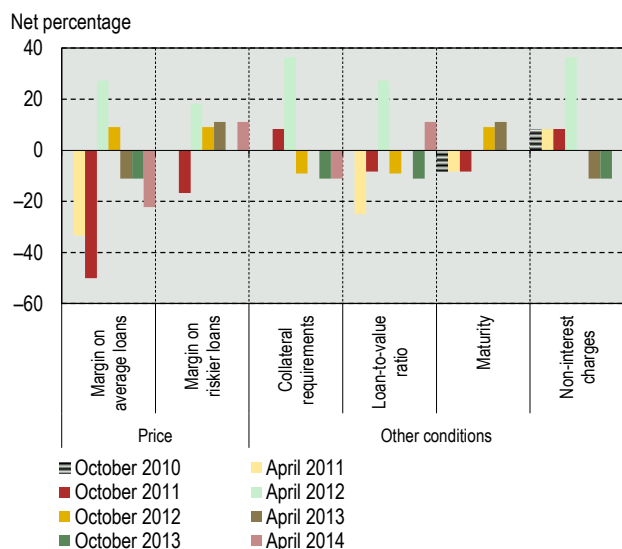
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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								
Bank's margin on average loans (margin increased — standards tightened; margin decreased — standards eased)	0	22	33	44	0	0	-22.2	3.2
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	89	11	0	0	-11.1	3.1
Loan-to-value ratio	0	11	89	0	0	0	11.1	2.9
Maturity	0	0	100	0	0	0	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 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



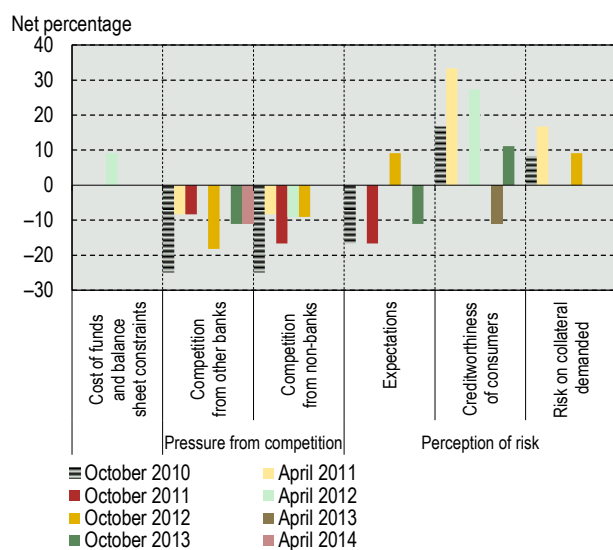
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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	78	11	0	11	-11.1	3.1
Competition from non-banks	0	0	78	0	0	22	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	11	67	11	0	11	0.0	3.0
Collateral risk	0	0	67	0	0	33	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 an 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



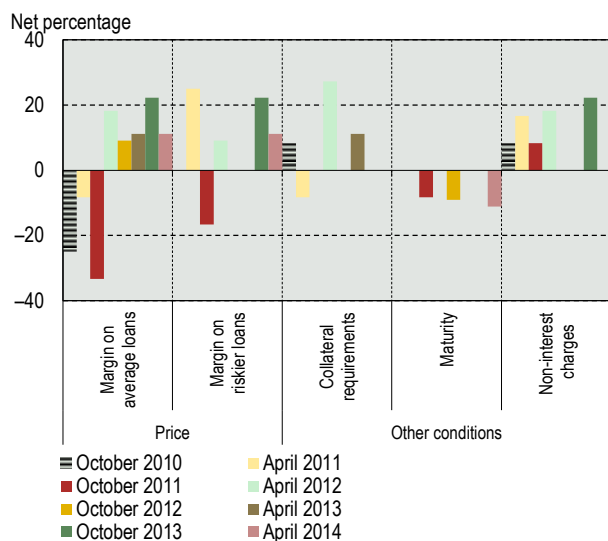
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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	11	78	0	0	11	11.1	2.9
Your bank's margin on risky loans	0	11	67	0	0	22	11.1	2.9
B) Other terms and conditions								
Collateral requirements	0	0	78	0	0	22	0.0	3.0
Maturity	0	0	78	11	0	11	-11.1	3.1
Non-interest rate charges	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 “--” (tightened considerably) and “-” (tightened somewhat), and the sum of banks responding “+” (eased considerably) and “++” (eased somewhat). The mean is defined as an 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.

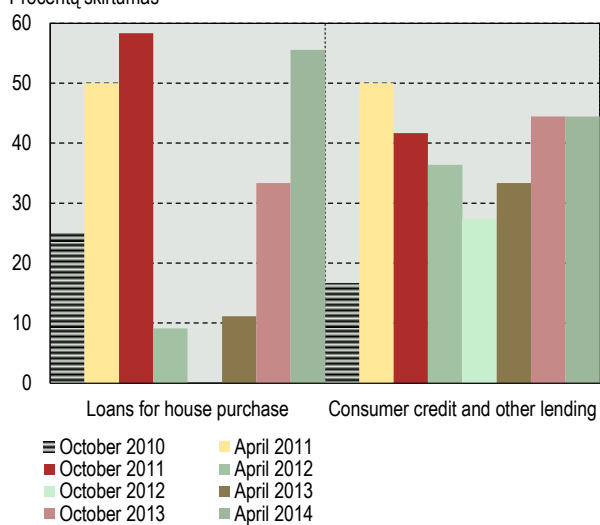
13. How has the demand for loans to households changed at your bank (excl. normal seasonal fluctuations)?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	0	0
Decreased somewhat	0	0
Remained basically unchanged	44	56
Increased somewhat	56	44
Increased considerably	0	0
Total	100	100
Net percentage	55.6	44.4
Mean	3.6	3.4

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 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

Procentų skirtumas



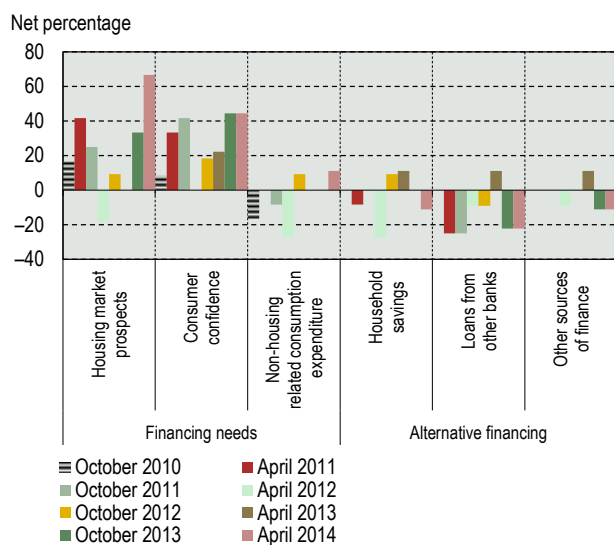
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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	33	67	0	0	66.7	3.7
Consumer confidence	0	0	56	44	0	0	44.4	3.4
Non-housing-related consumption expenditure	0	0	89	11	0	0	11.1	3.1
B) Use of alternative finance								
Household savings	0	44	22	33	0	0	-11.1	2.9
Loans from other banks	0	22	67	0	0	11	-22.2	2.4
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 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



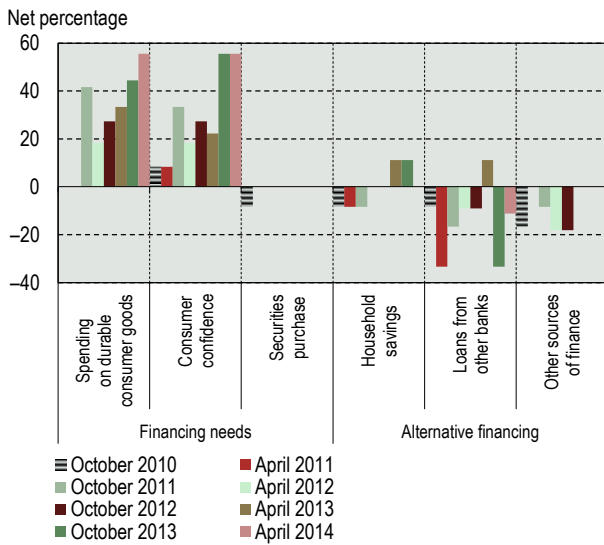
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

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	33	56	0	11	55.6	3.6
Consumer confidence	0	0	33	56	0	11	55.6	3.6
Securities purchases	0	0	56	0	0	44	0.0	3.0
B) Use of alternative finance								
Household savings	0	0	78	0	0	22	0,0	3.0
Loans from other banks	0	11	67	0	0	22	-11.1	2.9
Other sources of finance	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 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 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.

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	11	11
Remain basically unchanged	78	78
Ease somewhat	11	11
Ease considerably	0	0
Total	100	100
Net percentage	0.0	0.0
Mean	3.0	3.0

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 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	0	0
Remain basically unchanged	22	22
Increase somewhat	78	78
Increase considerably	0	0
Total	100	100
Net percentage	77.8	77.8
Mean	3.8	3.8

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 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".