

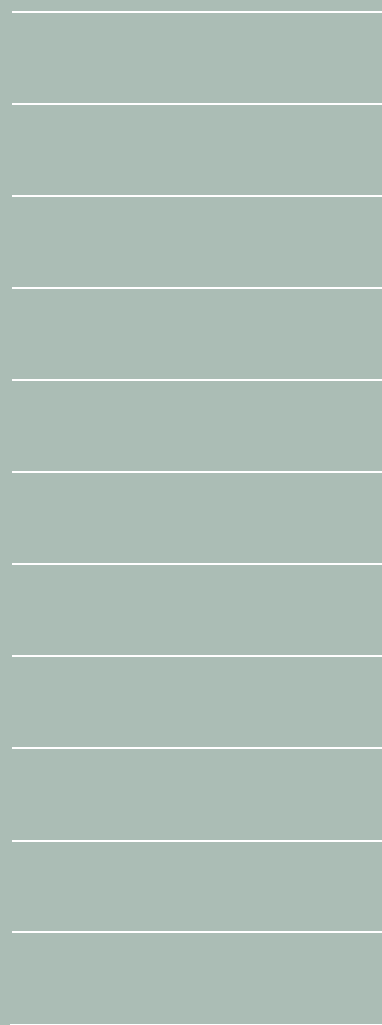


LIETUVOS BANKAS

REVIEW OF THE BANK
LENDING
SURVEY

2014

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REVIEW OF THE BANK LENDING SURVEY 2014/2

The lending survey of commercial banks and foreign bank branches, as of October 2014, are conducted four times a year (before October 2014 — every half year). They are conducted in order to obtain information on non-interest related lending conditions as applied by financial institutions, their borrowing costs and market expectations. The results of the Bank Lending Survey, as of 2015, will be included in the results of the euro area bank survey, conducted by the European Central Bank.

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, October 2014 SUMMARY

- The general lending conditions of banks for non-financial undertakings were eased more than for the past two years, but the tightening level was still comparatively high. The main drive for more eased lending conditions to businesses were the banks' strong liquidity position and increasing competition between banks. Conditions of lending to small- and medium-sized business undertakings eased, while lending conditions to large undertakings remained unchanged. Banks were still cautious in assessing the issuance of riskier loans to undertakings.
- Only one bank that participated in the survey slightly tightened its general lending conditions for housing loans; other respondents did not change them. The tightening of lending conditions for housing loans over the past half-year was impacted by deteriorating expectations about the general economic situation. This factor increased the riskier house purchase loan margins, but the medium-risk margin on loans continued to drop.
- During the upcoming quarter, i.e. until December 2014, only one bank participating in the survey will slightly ease its general lending conditions for non-financial undertakings (others will not change them). The conditions of lending to households will not be changed by any of the surveyed banks.
- Three banks participating in the survey indicated that the demand for loans and credit lines increased among non-financial undertakings; one bank indicated that it decreased while the other — that they did not change. As indicated by earlier surveys, the most significant influence came from growth of working capital and long-term investment, M&As, restructuring of the non-financial undertakings.
- The increasing demand for loans for house purchase was indicated by two of the banks participating in the survey, while the same number of respondents indicated that it decreased. In the opinion of banks, a positive impact on demand for housing loans came from the improving outlook for the housing market and increasing consumer confidence; negative — use of alternative financing sources.
- Two thirds of the banks participating in the survey expect that the prices in the real estate market will not change over the coming years. On the other hand, a larger share of surveyed respondents expect growth in the prices of commercial real estate, while a third of those surveyed foresee that the prices of old-construction housing will decrease. A larger share of respondents believe that newly-constructed housing will increase in price, but one respondent projects that their prices will drop by a tenth.

AIMS, METHODS AND PRINCIPLES OF THE SURVEY

The lending survey of commercial banks and foreign bank branches, from October 2014, is conducted four times a year (until October 2014 — every half year). It is conducted in order to obtain information on non-interest related lending conditions as applied by financial institutions, their borrowing costs and market expectations. During the bank lending survey conducted in September–October 2014 answers were received from seven commercial banks and three foreign bank branches (hereinafter — banks).

Bank senior loan officers were requested to specify the changes in their banks' credit standards for households and non-financial undertakings from July to October 2014.¹ The respondents were asked, in answering about the likely future situation, to assess potential changes in the credit standards over the next quarter (October to December 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 banks were given the same weight, regardless of their market share.

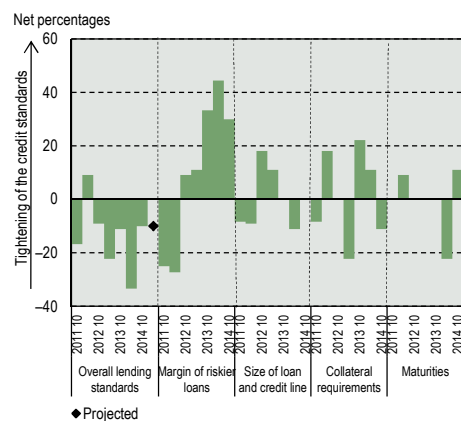
The net percentage is defined as the difference between the percentage of banks responding with “tightening of credit standards” (demand increases) and the percentage of banks responding with “easing of credit standards” (demand decreases). A positive net percentage indicates that most banks have tightened 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 — banks have eased their credit standards. Likewise, the value of the average is assessed by calculating the changes in demand: the score, if lower than 3, indicates a decrease in demand; if it is higher than 3 — 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.

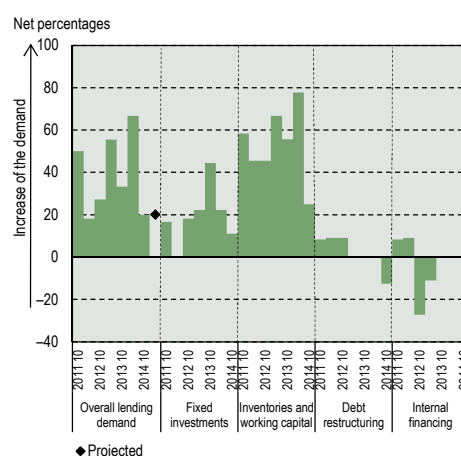
¹ The survey period covers the previous calendar quarter (in presenting questions about the previous period), and the future calendar quarter (in presenting questions about the future period).

Chart 1. Changes and factors in the lending conditions to enterprises



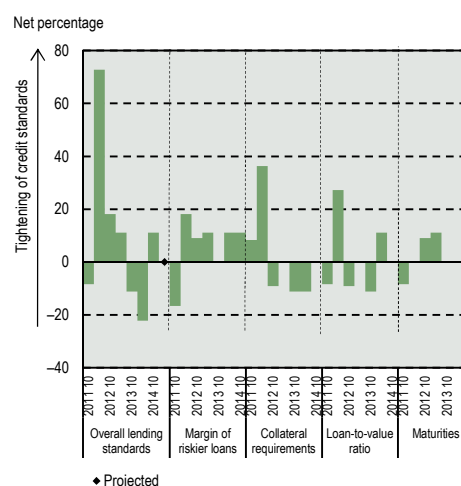
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 2. Changes and factors in the demand for borrowing of enterprises



Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 3. Changes and factors in conditions for issuance of housing loans.



Source: 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

For more than the second year in a row, the general lending conditions of banks for non-financial undertakings were eased (see Chart 1). In July–October 2014, out of ten surveyed banks, one (half a year ago — three) banks eased their general lending and credit line conditions applied to non-financial undertakings. Other banks participating in the survey indicated that these conditions were not changed. In the period under analysis, conditions of lending to small- and medium-sized business undertakings eased, while lending conditions to large undertakings remained unchanged. The conditions for issuance of short-term loans were eased by two respondents out of ten, while the lending conditions of long-term loans for business undertakings were tightened by one out of nine (see Table 1 of the Annex). The general lending conditions for businesses were mostly eased due to the liquidity position of banks, increasing competitiveness between banks and other institutions competition with banks (see Table 2 of the Annex). The lending conditions were tightened due to the assessment of economic activity or firm-specific outlook, as well as expectations in assessing the general economic situation. About a third of all respondents carefully assessed the issuance of riskier loans: they slightly tightened the contractual obligations and loan term conditions (see Table 3 of the Annex).

The surveyed banks foresee that by December 2014 the general lending conditions to businesses will be slightly changed. One respondent indicated that they plan to slightly ease the conditions of the issuance of all kinds of loans to undertakings; two banks indicated that they plan to ease lending conditions to small- and medium-sized businesses. On the other hand, one bank over the nearest quarter will slightly tighten lending conditions to large undertakings. In the coming quarter undertakings, planning to borrow for both a shorter and longer period will be able to do so more easily — one bank for each term horizon plans to slightly ease lending conditions (see Table 6 of the Annex).

A fifth of the surveyed banks indicated that over the period under analysis the demand for loans and credit lines increased (see Chart 2). Demand increased the same in almost all of the loan categories (see Table 4 of the Annex). The borrowing demand of non-financial undertakings increased with the growth of long-term investment, inventories and working capital. Long term investment was assessed differently by banks: three replied that the need to borrow them increased, while two banks — that they decreased. The growth of demand was slightly halted by financing with loan restructuring (see Table 5 of the Annex). A third of banks indicated that over the nearest quarter, i.e. until December 2014, demand of small- and medium-sized businesses and short-term loans will increase.

The general conditions for issuance of housing loans remained essentially unchanged, but one out of nine banks, in answering questions about housing loans, indicated that they slightly tightened these conditions (see Chart 3). The lending conditions for housing loans for households were tightened by expectations related to the general economic situation (see Table 9 of the Annex). The conditions of lending consumer and other loans to households were eased and tightened by one surveyed bank (all the other did not change them). In December 2014 the lending conditions for housing loans for households will not change, while consumer and loans for other purposes — will ease (see Table 16 of the Annex).

The general demand in the market for housing loans did not change, but bank assessments differed: two banks each indicated that demand had increased and decreased. In the opinion of banks, the demand increase was driven by the good housing market outlook and rather high consumer confidence (see Chart 4). The decrease in demand was due to more active use of alternative financing sources, such as household savings (see Table 14 of the Annex).

The demand of households for consumer and other loans increased in the period under analysis. In the opinion of banks, this was driven by the aforementioned consumer confidence. More rapid growth of demand for consumer and other loans during the period of this survey was strengthened even more by the factors of using alternative financing. Only a fifth of surveyed banks projected a growth in demand for housing loans and consumer loans; others believe that it will not change (see Table 17 of the Annex).

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 September–October 2014 survey continued to focus on the issue of respondents’ perception of the financial standing of enterprises across key economic sectors and households. Moreover, part of the *ad hoc* questions were designated to reveal the current and projected situation in the domestic real estate market. Also banks were asked to assess the possible development of loans over the coming periods and changes in access to financing sources.

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

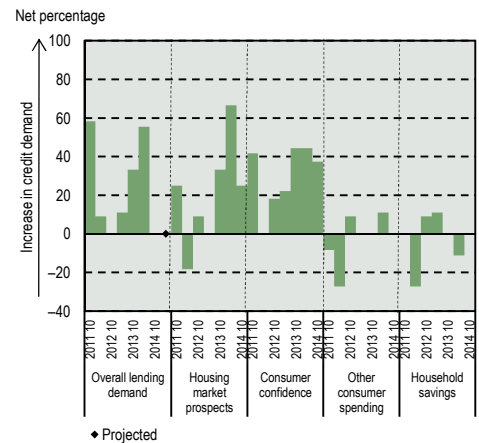
The surveyed banks assessed the financial situation of enterprises across key economic sectors and households, and its likely future dynamics. The following major economic activities were chosen for the survey: industry, real estate, construction, trade, transport, hotels and restaurants, agriculture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

According to the banks participating in the survey, the financial status of the major debtors — households and non-financial undertakings — was assessed as being average or good. The surveyed banks assessed best the financial condition of agricultural, forestry and construction undertakings. The worst assessments were in the financial status of transport and hotel and restaurant economic activity-performing undertakings (compared to the results of a survey performed half a year ago, this assessment worsened by about 10 p.p.). In the period under analysis, the outlook for the financial status of economic activity undertakings and households were essentially assessed as being stable; however, over the quarter the number of banks believing that the outlook for transport, agriculture, manufacturing industry and hotel/restaurant would deteriorate — increased.

Credit Standards for Different Economic Activities and the Development of Their Loan Portfolio

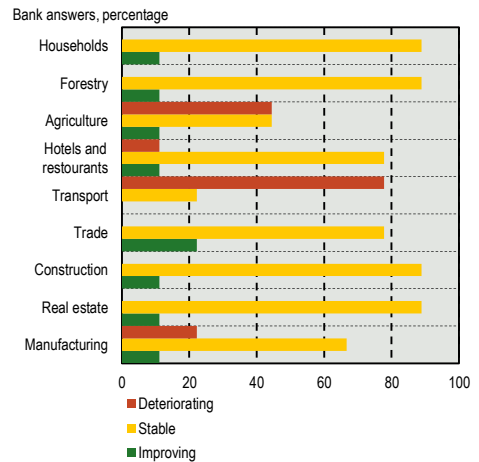
Banks did not limit lending to any undertakings, except for transport undertakings. Lending to transport undertakings was limited by four banks; the same number did not limit it (see Chart 6). The number of banks limiting lending to undertakings engaged in real estate activities also increased. According to the surveyed banks, lending to industrial, trade, forestry undertakings and households for non house purchase needs, was not limited in general. Most banks did not limit the issuance of housing loans to households; such a trend has remained unchanged from October 2013. Respondents also mentioned that competitiveness was greatest in these sectors. In the coming period such trends will barely change; however, surveyed banks hope that competitiveness will increase in lending to industrial and trade undertakings as well as households.

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



Source: 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 Surveys and Bank of Lithuania calculations.

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

Chart 7. Development and projections for the quality of loans to non-financial undertakings

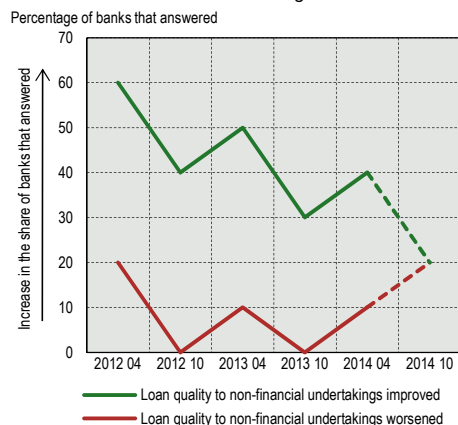


Chart 8. Projected loan portfolio changes in 2014 (weighted estimates by bank loan portfolio size)

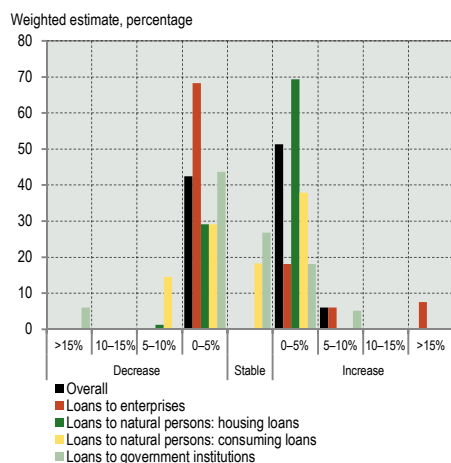
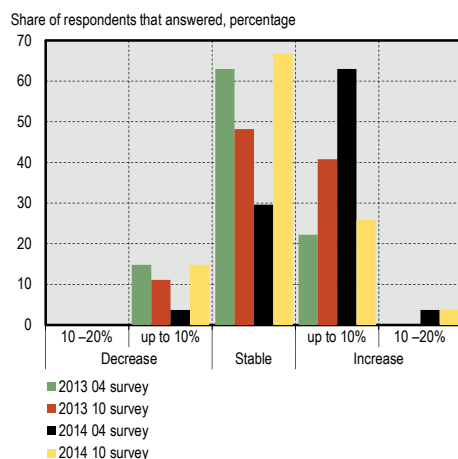


Chart 9. Expectations for changes in real estate prices in the next 12 months



About four tenths of respondents indicated that the quality of loans for businesses or households improved over the last quarter (see Chart 7). The improvement of the loan quality was indicated by 10 p.p. more banks than in the previous survey. In addition, a share of banks, larger by a fifth, indicated that special provisions for bad loans decreased (the assessment of provisions for bad loans for business undertakings differed the most — half of respondents increased the provisions, the other half — decreased). On the other hand, deterioration of housing and consumer loans for customers, households, was indicated by about a tenth of the respondents, although in the previous survey such an answer was not submitted by any of the respondents. A fifth of the surveyed respondents expect that over the coming quarter the quality of loans to businesses will improve; the same number projects that it will worsen. A third of the surveyed respondents indicated the the quality of housing loans to households and consumer loans would slightly improve.

Banks, the loan portfolios of which amount to about half of the loans issued by Lithuania's banks, expect a growth of the overall loan portfolio from 0 to 5.0 per cent (see Chart 8). Other respondents indicated that the general loan portfolio will decrease in 2014. This year, loans to private enterprises, as projected by banks, should decrease — there were more of those projecting a decrease than those projecting an increase by 36.0 p.p., weighted estimates by bank loan portfolio size. Loans for house purchase should increase: the percentage difference is of about 40.0 p.p. Banks project that in 2015 all loan portfolio types will grow (see Chart 14 in the Annex), but loans to non-financial undertakings will increase slightly more rapidly than others: about a third of respondents indicated that in 2015 the portfolio of loans issued to private enterprises will increase by more than 5.0 per cent.

Prospects for the Domestic Real Estate Market

Two thirds of surveyed banks hope that in the coming years real estate prices will not change (see Chart 9); however the assessment trends for various market categories were different. About a third of surveyed banks expect that in the coming years the price of old-construction buildings will decrease. 40.0 per cent of surveyed respondents believe that commercial real estate prices in the coming years will rise up to 10.0 per cent. A larger share of banks believes that the price of newly constructed housing will grow: this was indicated by 40.0 per cent of those surveyed. One bank that participated in the survey expects an annual growth of more than 10.0 per cent for new construction housing. Also, one respondent indicated that they expect a drop of almost 10.0 per cent in newly constructed housing.

ANNEX. RESULTS OF THE ANSWERS TO THE MAIN QUESTIONS (July–September 2014)

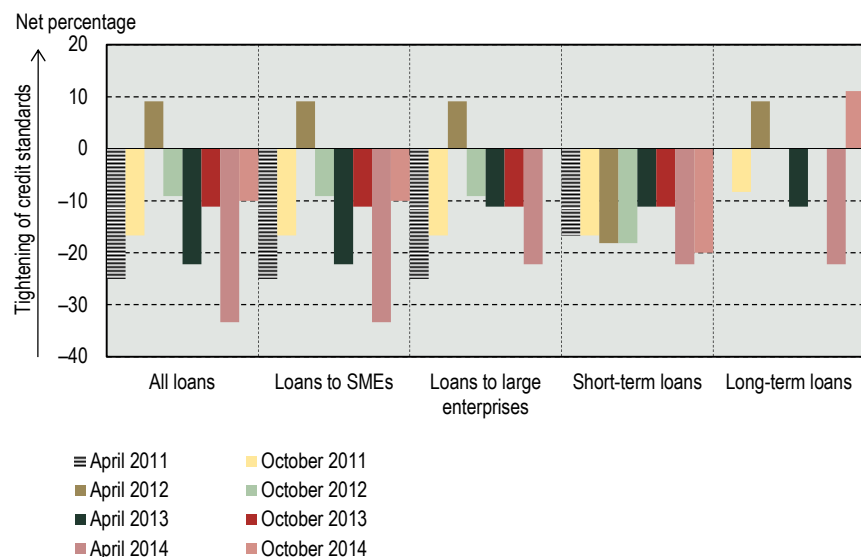
LOANS AND CREDIT LINES TO ENTERPRISES

1. Over the past quarter, how have your bank's terms and conditions 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	0.0	0.0	0.0
Tightened somewhat	0.0	0.0	0.0	0.0	11.0
Remained basically unchanged	90.0	90.0	100.0	80.0	89.0
Eased somewhat	10.0	10.0	0.0	20.0	0.0
Eased considerably	0.0	0.0	0.0	0.0	0.0
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	-10.0	-10.0	0.0	-20.0	11.1
Mean	3.1	3.1	3.0	3.2	2.9

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 average is calculated by giving 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



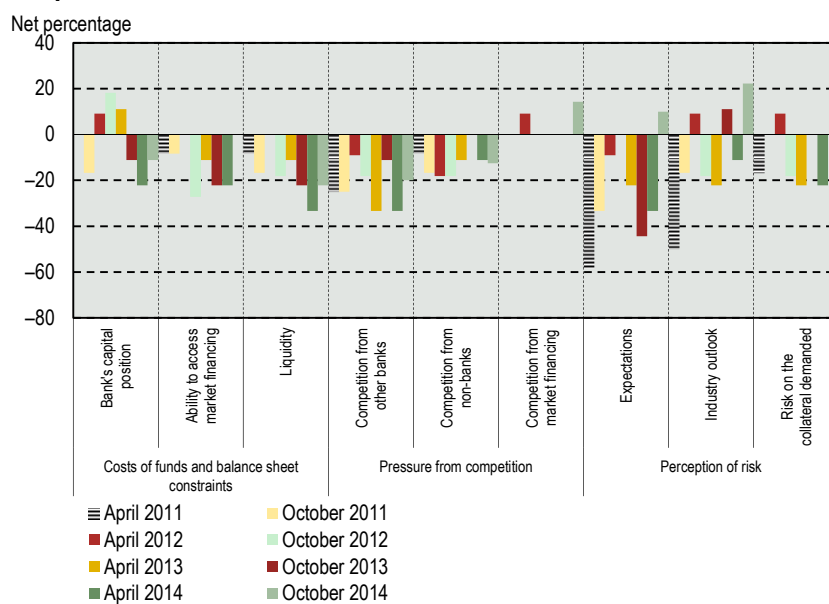
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	0.0	0.0	89.0	11.0	0.0	0.0	-11.1	3.1
Your bank's ability to access market financing (short-term or long-term)	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Your bank's liquidity position	0.0	0.0	78.0	22.0	0.0	0.0	-22.2	3.2
B) Pressure from competition								
Competition from other banks	0.0	0.0	80.0	20.0	0.0	0.0	-20.0	3.2
Competition from non-banks	0.0	0.0	88.0	13.0	0.0	0.0	-12.5	3.1
Competition arising from enterprises' possibilities to access financing via the issuance of securities	0.0	14.0	86.0	0.0	0.0	0.0	14.3	2.9
C) Perception of risk								
Expectations regarding general economic activity	0.0	20.0	70.0	10.0	0.0	0.0	10.0	2.9
Industry or firm-specific outlook	0.0	33.0	56.0	11.0	0.0	0.0	22.2	2.8
Risk of collateral demanded	0.0	0.0	100.0	0.0	0.0	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 average is calculated by giving 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



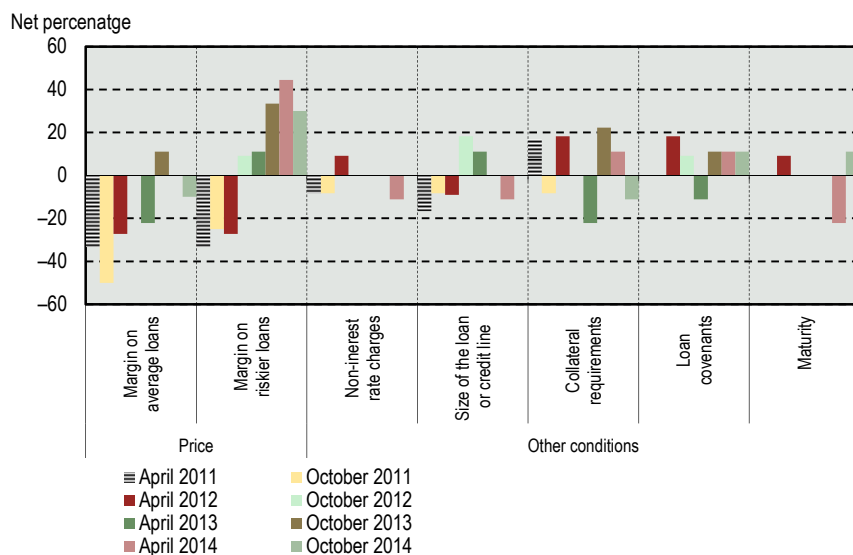
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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

	--	-	0	+	++	Not applicable	Net percentage	Mean
A) Price								
Your bank's margin on average loans	0.0	10.0	70.0	20.0	0.0	0.0	-10.0	3.1
Your bank's margin on riskier loans	0.0	30.0	70.0	0.0	0.0	0.0	30.0	2.7
B) Other conditions and terms								
Non-interest rate charges	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Size of loan or credit line	0.0	11.1	77.8	11.1	0.0	0.0	0.0	3.0
Collateral requirements	0.0	0.0	88.9	11.1	0.0	0.0	-11.1	3.1
Loan covenants	0.0	11.1	88.9	0.0	0.0	0.0	11.1	2.9
Maturity	0.0	11.1	88.9	0.0	0.0	0.0	11.1	2.9

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 average is calculated by giving 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



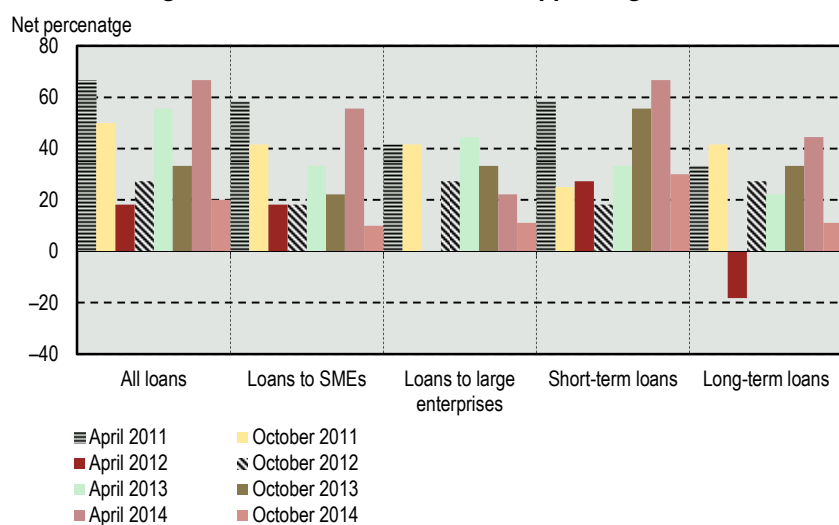
Source: Bank Lending Surveys and Bank of Lithuania calculations.

4. How has the demand for loans and credit lines to enterprises changed at your bank?

	Overall	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	0.0	0.0	0.0	0.0	0.0
There was a slight decrease in the number	10.0	10.0	11.1	0.0	22.2
Remained basically unchanged	60.0	70.0	66.7	70.0	44.4
Increased somewhat	30.0	20.0	22.2	30.0	33.3
Increased considerably	0.0	0.0	0.0	0.0	0.0
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	20.0	10.0	11.1	30.0	11.1
Mean	3.2	3.1	3.1	3.3	3.1

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 average is calculated by giving 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



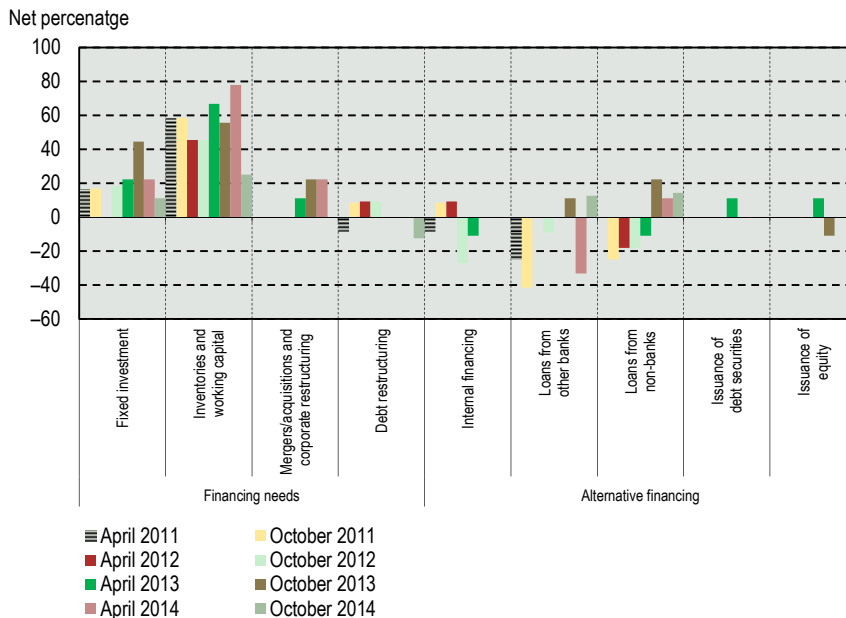
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	22.2	44.4	33.3	0.0	0.0	11.1	3.1
Inventories and working capital	0.0	0.0	75.0	25.0	0.0	0.0	25.0	3.3
Mergers/acquisitions and corporate restructuring	0.0	12.5	75.0	12.5	0.0	0.0	0.0	3.0
Debt restructuring	0.0	12.5	87.5	0.0	0.0	0.0	-12.5	2.9
B) Use of alternative finance								
Internal financing	0.0	12.5	75.0	12.5	0.0	0.0	0.0	3.0
Loans from other banks	0.0	12.5	62.5	25.0	0.0	0.0	12.5	3.1
Loans from non-banks	0.0	0.0	85.7	14.3	0.0	0.0	14.3	3.1
Issuance of bonds	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Issuance of shares	0.0	0.0	100.0	0.0	0.0	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 average is calculated by giving 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



Source: 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 quarter?

	Overall	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably	0.0	0.0	0.0	0.0	0.0
Tighten somewhat	0.0	0.0	11.1	0.0	0.0
Remain basically unchanged	90.0	80.0	88.9	90.0	88.9
Ease somewhat	10.0	20.0	0.0	10.0	11.1
Ease considerably	0.0	0.0	0.0	0.0	0.0
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	-10.0	-20.0	11.1	-10.0	-11.1
Mean	3.1	3.2	2.9	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 average is calculated by giving 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 quarter (apart from normal seasonal fluctuations)?

	Overall	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Decrease considerably	0.0	0.0	0.0	0.0	0.0
Decrease somewhat	0.0	0.0	0.0	0.0	0.0
Remain basically unchanged	80.0	70.0	100.0	70.0	77.8
Increase somewhat	20.0	30.0	0.0	30.0	22.2
Increase considerably	0.0	0.0	0.0	0.0	0.0
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	20.0	30.0	0.0	30.0	22.2
Mean	3.2	3.3	3.0	3.3	3.2

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".

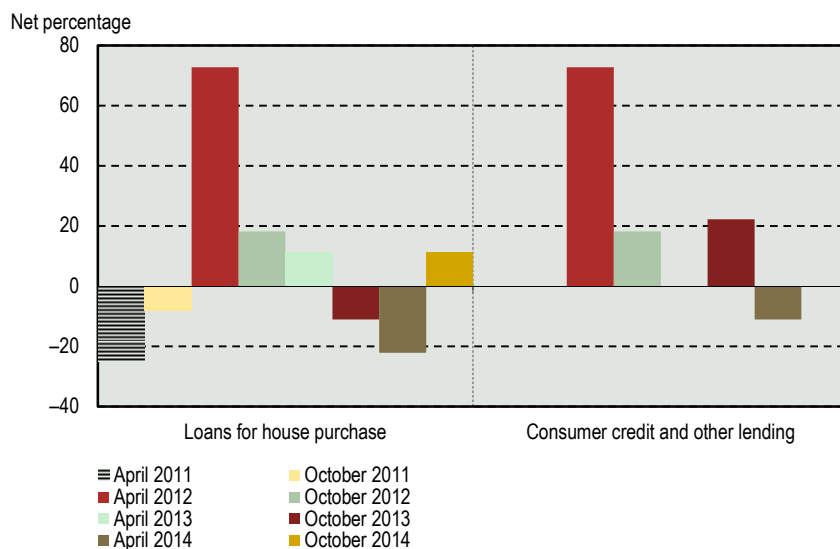
LOANS TO HOUSEHOLDS

8. Over the past quarter, 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	0.0
Tightened somewhat	11.1	10.0
Remained basically unchanged	88.9	80.0
Eased somewhat	0.0	10.0
Eased considerably	0.0	0.0
Total coins	100.0	100.0
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 average is calculated by giving the answers to 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



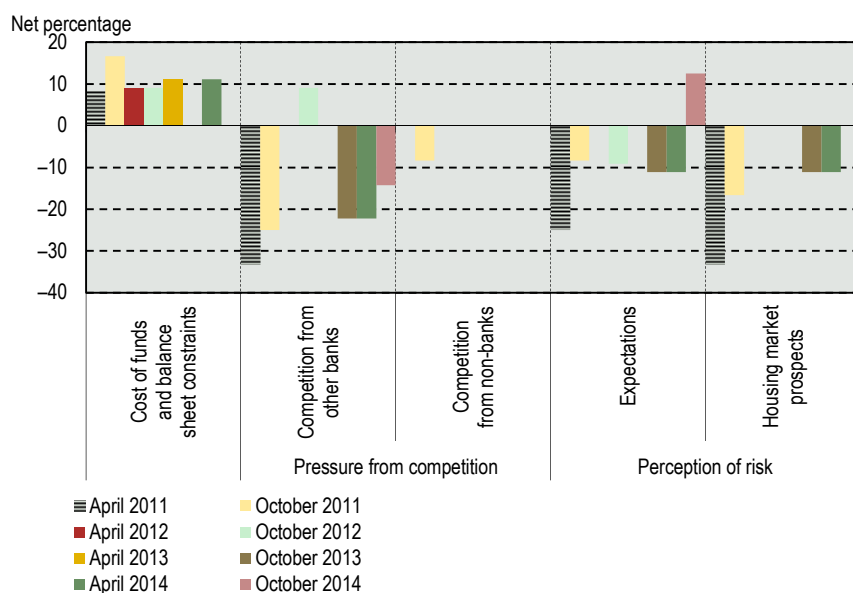
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
B) Pressure from competition								
Competition from other banks	0.0	0.0	85.7	14.3	0.0	0.0	-14.3	3.1
Competition from non-banks	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
C) Perception of risk								
Expectations regarding general economic activity	0.0	12.5	87.5	0.0	0.0	0.0	12.5	2.9
Housing market prospects	0.0	0.0	100.0	0.0	0.0	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 average is calculated by giving 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



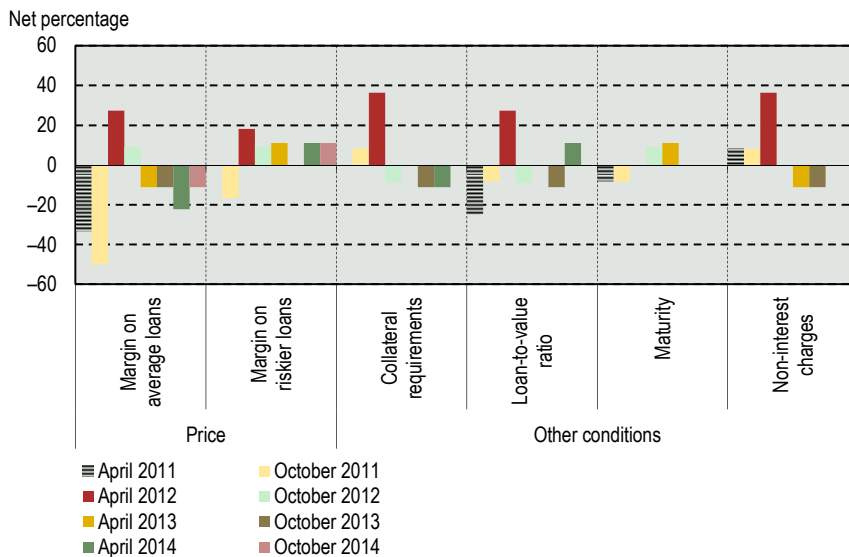
Source: Bank Lending Surveys and Bank of Lithuania calculations.

10. Over the past quarter, 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)	0.0	0.0	88.9	11.1	0.0	0.0	-11.1	3.1
Your bank's margin on risky loans	0.0	11.1	88.9	0.0	0.0	0.0	11.1	2.9
B) Other conditions and terms								
Collateral requirements	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Loan-to-value ratio	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Maturity	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Non-interest rate charges	0.0	0.0	100.0	0.0	0.0	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 average is calculated by giving 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



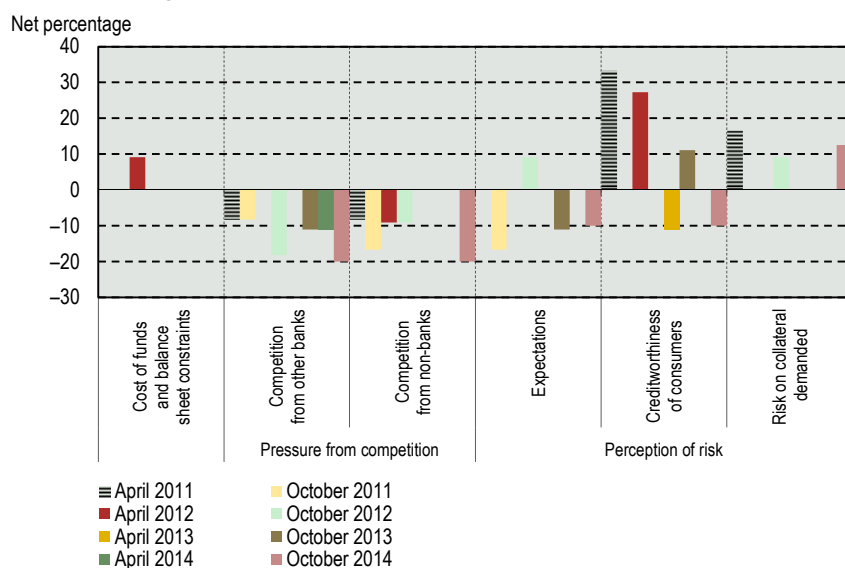
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	0.0	100.0	0.0	0.0	0.0	0.0	3.0
B) Pressure from competition								
Competition from other banks	0.0	0.0	80.0	20.0	0.0	0.0	-20.0	3.2
Competition from non-banks	0.0	0.0	80.0	20.0	0.0	0.0	-20.0	3.2
C) Perception of risk								
Expectations regarding general economic activity	0.0	10.0	70.0	20.0	0.0	0.0	-10.0	3.1
Creditworthiness of consumers	0.0	10.0	70.0	20.0	0.0	0.0	-10.0	3.1
Risk of collateral demanded	0.0	12.5	87.5	0.0	0.0	0.0	12.5	2.9

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 average is calculated by giving 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



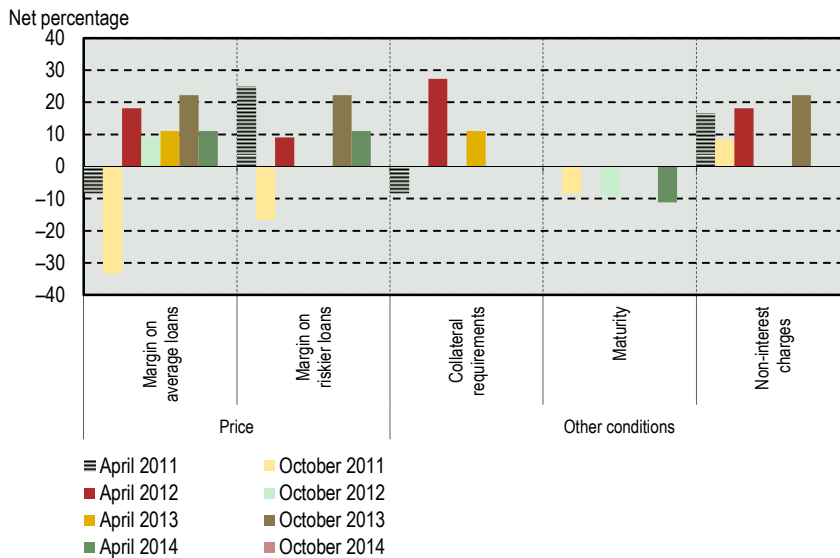
Source: Bank Lending Surveys and Bank of Lithuania calculations.

12. Over the past quarter, how have your bank's credit standards as applied to the approval of loans 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)	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Your bank's margin on risky loans	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
B) Other conditions and terms								
Collateral requirements	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Maturity	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Non-interest rate charges	0.0	0.0	100.0	0.0	0.0	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 average is calculated by giving 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



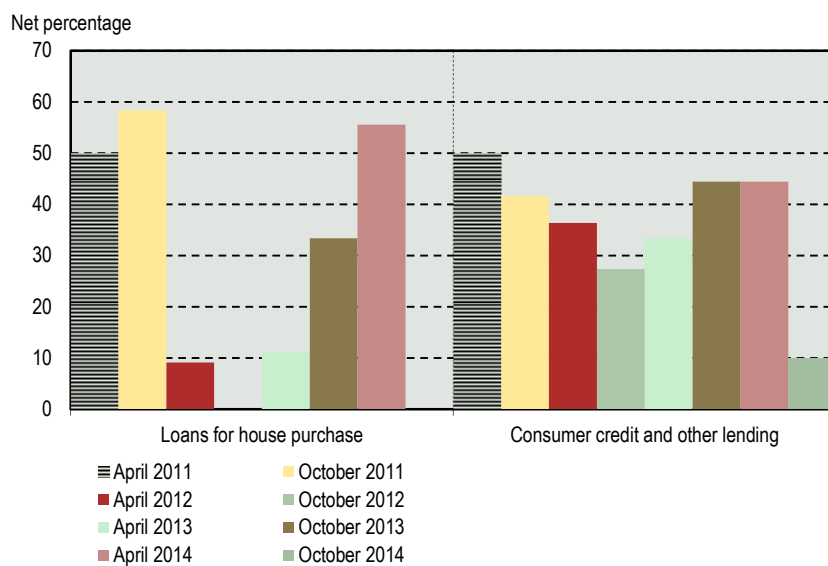
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	11.1	0.0
There was a slight decrease in the number	11.1	10.0
Remained basically unchanged	55.6	70.0
Increased somewhat	22.2	20.0
Increased considerably	0.0	0.0
Total coins	100.0	100.0
Net percentage	0.0	10.0
Mean	2.9	3.1

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 average is calculated by giving 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



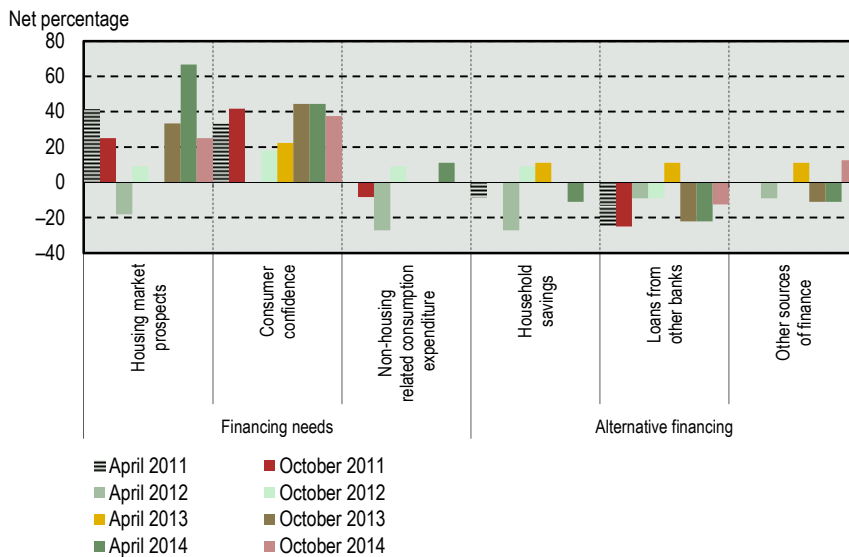
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	0.0	75.0	25.0	0.0	0.0	25.0	3.3
Consumer confidence	0.0	0.0	62.5	37.5	0.0	0.0	37.5	3.4
Non-housing-related consumption	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
B) Use of alternative finance								
Household savings	0.0	12.5	75.0	12.5	0.0	0.0	0.0	3.0
Loans from other banks	0.0	12.5	87.5	0.0	0.0	0.0	-12.5	2.9
Other sources of finance	0.0	0.0	87.5	12.5	0.0	0.0	12.5	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 average is calculated by giving 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



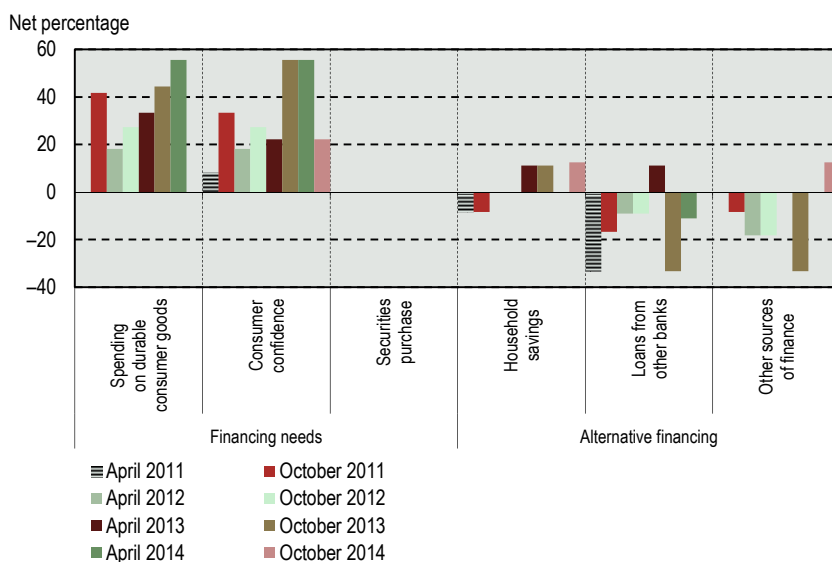
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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	0.0	100.0	0.0	0.0	0.0	0.0	3.0
Consumer confidence	0.0	11.1	55.6	33.3	0.0	0.0	22.2	3.2
Securities purchases	0.0	0.0	100.0	0.0	0.0	0.0	0.0	3.0
B) Use of alternative finance								
Household savings	0.0	0.0	87.5	12.5	0.0	0.0	12.5	3.1
Loans from other banks	0.0	12.5	75.0	12.5	0.0	0.0	0.0	3.0
Other sources of finance	0.0	0.0	87.5	12.5	0.0	0.0	12.5	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 average is calculated by giving 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



Source: 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 quarter.

	Loans for house purchase	Consumer credit and other lending
Tighten considerably	0.0	0.0
Tighten somewhat	0.0	0.0
Remain basically unchanged	100.0	90.0
Ease somewhat	0.0	10.0
Ease considerably	0.0	0.0
Total coins	100.0	100.0
Net percentage	0.0	-10.0
Mean	3.0	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 average is calculated by giving 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 quarter at your bank.

	Loans for house purchase	Consumer credit and other lending
Decrease considerably	0.0	0.0
Decrease somewhat	11.1	0.0
Remain basically unchanged	77.8	80.0
Increase somewhat	11.1	20.0
Increase considerably	0.0	0.0
Total coins	100.0	100.0
Net percentage	0.0	20.0
Mean	3.0	3.2

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 average is calculated by giving 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".

Chart 14. Projected loan portfolio changes in 2015 (weighted estimates by bank loan portfolio size)

