

# REVIEW OF THE BANK LENDING SURVEY

October 2012

## SUMMARY

- A slight easing of general credit policy on loans to enterprises was reported by banks for the past half-year period, and credit standards on loans to households for house purchase were less stringent compared with the period six months ago. The easing of credit standards was perceived by non-financial corporations through non-increasing requirements applied to collateral or loan maturity, whereas credit standards on housing loans to households eased somewhat, owing to lower collateral requirements and a more favourable loan-to-assets ratio.
- For non-financial corporations, improved access to market finance, stronger liquidity position, and competitive pressures were the main drivers of the improved bank lending requirements, while in case of housing loans to households, the tightening of credit standards owed mainly to banks' cost of funds and balance sheet constraints.
- Looking ahead to the coming six months (up to April 2013), banks do not intend to make changes in general credit standards on lending to non-financial corporations or households for house purchase, although credit requirements to large enterprises are expected to ease, however, access to short-term loans for non-financial corporations could be more difficult, and an improvement in access for households to consumer credit and other lending is observed.
- The survey participants reported an increase in the demand for loans among non-financial corporations during the recent six months, but no changes in the demand for housing loans among households was observed. Banks forecast the loan demand in the two sectors to go up somewhat in the next half year, and the total value of the loan portfolio<sup>1</sup> to grow on average per year approximately by 1 per cent in 2012 and up to 5 per cent in 2013.
- The perception by banks of real estate market prospects have deteriorated, compared with the results of the April 2012 bank lending survey. The biggest number of banks, similar to that during the previous survey, reported they would not expect any changes in real estate prices next year, but a surge in the number of banks expecting the prices to fall up to 10 per cent was observed. By the way, banks were more pessimistic about the end of the stagnation in the real estate market: although many of banks, like before, said they had anticipated the slack to cease by the end of 2013, some had postponed the recovery in the real estate market by one more year.

## 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 applied by financial institutions, borrowing costs and market expectations. The survey was conducted in September 2012 with responses received from 7 commercial banks and 4 foreign bank branches (hereinafter—"banks").

Senior officers of the banks were addressed, asked to provide answers to questions about changes in their banks' credit standards to households and non-financial corporations in the period between April to October 2012.<sup>2</sup> The respondents were also asked about the likely situation in the future potential changes in lending standards during the coming six-month (October 2012 to April 2013) period. This Bank Lending Survey presents the summary of its respondents' opinion, which does not necessarily reflect the official views and comments of their banks, the Bank of Lithuania, or its staff members. When summarising the opinions and calculating the percentage of banks that had chosen a particular answer, 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 keeps increasing) and the percentages of banks responding with "easing of credit standards" (demand keeps decreasing). A positive net percentage indicates that most of the banks have tightened credit standards, whereas a negative (-) net percentage indicates that credit standards have been eased by most banks. Likewise, net percentage is interpreted by estimating demand developments: a positive net percentage refers to an increase in demand, and a negative percentage refers to its decline.***

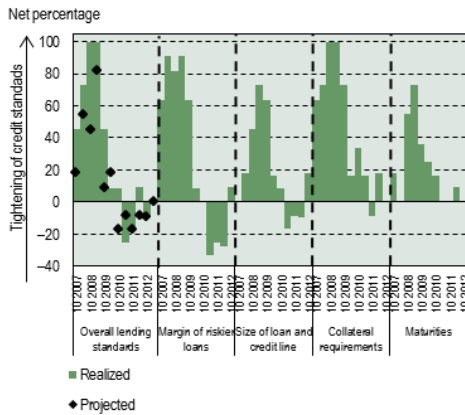
***The mean is defined as a weighted average by attributing the following values to the answers: -1 for "tightened considerably (a decrease in demand)"; 2 for "tightened somewhat (a decrease in demand)"; 3 for "basically unchanged"; 4 for "eased somewhat (an increase in demand)"; and 5 for "eased considerably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

***The term "tightened" means the difference between the percentage of banks reporting the tightening of credit standards and the percentage of banks reporting the easing***

<sup>1</sup> Loan portfolio before impairment.

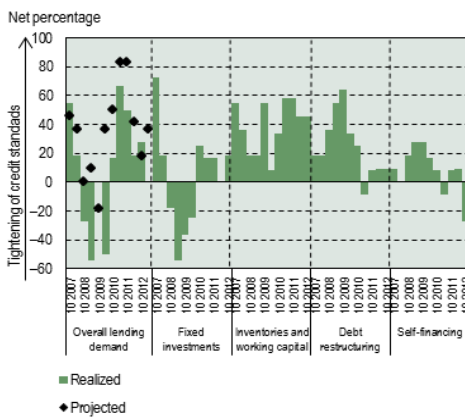
<sup>2</sup> This period covers six months; therefore, hereinafter it is sometimes referred to as a "half-year" period.

Chart 1. Changes in the supply of lending to enterprises



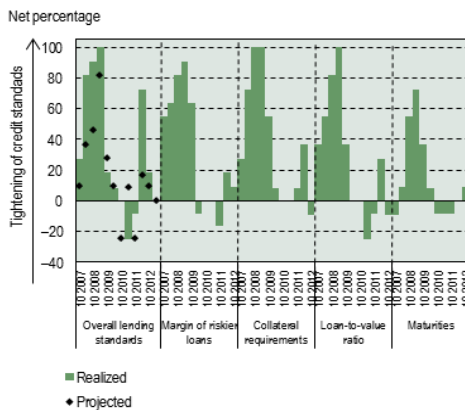
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 2. Changes in the demand of lending to enterprises



Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 3. Changes in the supply of housing loans



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 having reported that credit standards "tightened considerably" and "tightened somewhat", and the percentage of banks having reported 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 of banks having reported that the demand "increased considerably" and "increased somewhat", and the percentage of banks having reported that the demand "decreased somewhat" and "decreased considerably".

## RESULTS OF THE BANK LENDING SURVEY

The surveyed banks reported that their credit standards to enterprises had eased in the second half of the year following somewhat of a tightening in the preceding six-month period. An easing of credit standards on lending to small, medium, and large-sized enterprises was reported, as well as on short-term lending (credit standards for long-term loans remained unchanged compared with the results of a similar survey a half-year ago) (see Annex, Chart 1). The easing of lending policy by banks owed to improved access by banks to funding from markets, their stronger liquidity position, and competitive pressures from other banks and financial institutions, as well as improved perception of risks related to borrowers and collateral supplied by the latter. The costs related to the banks' capital position was the only factor to offset their possibilities to apply less stringent credit standards (see Annex, Chart 2). Despite the continued easing of general credit standards to enterprises, some banks were more demanding, which resulted in smaller loan amounts and credit lines, and higher bank margins applied to riskier loans (see Chart 1). When asked about their perception of the developments in their credit standards in the nearest six-month period, the banks reported that they would not expect any changes in general credit standards, except for some easing in credit standards to large enterprises, but a more complicated access to short-term funds.

The survey participants reported an increase in the demand for loans and credit lines among non-financial corporations over the last two and a half years. As for the next half-year period, the survey respondents would also expect an increase in the borrowing demand. During the reviewed period, the demand for bank loans was increasing, driven by a high demand of loans among large enterprises, whereas small and medium-sized enterprises were less hungry for credits. Moreover, the demand for long-term loans was higher than the demand for short-term loans (although the demand for the latter was smaller during the corresponding period a year ago) (see Annex, Chart 4). As in the previous half-year periods, the credit demand growth among non-financial corporations surged, driven mainly by the need for inventory, working capital, and funding of fixed investment, but was contained by the intensive use of internal funds and loans from non-banks (see Chart 2).

The survey participants reported as having tightened their credit standards for loans to households, although the number of banks reporting the tightening went down considerably compared with the similar survey six months ago (see Annex, Chart 6). The banks' lending policy has tightened both for housing loans, and consumer credits and other lending. Banks continued to stiffen their credit standards on housing loans to households by increasing loan margins and cutting maturity, although such tightening was offset by mitigating the requirements for collateral and loan-to-value ratio (see Annex, Chart 8). The tightening of credit standards on housing loans to households was driven mainly by the costs of funding and balance sheet constraints. The downward revision of expectations related to the general economic situation and collateral-posed risks contributed to the tightening of credit standards on consumer credit and other lending to households. However, a more cautious assessment of the above types of loans was compensated by a hike in competitive pressures from banks and other financial institutions (see Annex, Chart 9). A widening of margins on consumer credit and lending for other purposes to households was reflected in tighter credit standards, although the maturities of loans, longer than before, contributed to the easing of these requirements (see Annex, Chart 10). Credit standards on housing loans to households are expected to remain unchanged during the next six-month period (up to April 2013), whereas credit standards on consumer credit and other lending should recede somewhat.

The survey results showed that the demand for housing loans to households remained basically unchanged during the reviewed period despite continued tightening of credit standards, and that the demand for consumer credit and other loans went up starting from October 2010 (see Annex, Chart 11). On the one hand, the demand for housing loans was going up owing to a higher consumer confidence and their savings. On the other hand, the demand growth was partly offset by higher competition and access to loans from other banks (see Appendix, Chart 10). Factors affecting the growth demand for consumer credit and other lending remained unchanged compared with a similar survey six months ago: the demand growth was driven mainly by increasing purchase of long-term goods and slightly improved consumer confidence (see Appendix, Chart 13). The impact of the demand-accelerating factors on bank lending was partly contained by the intensive use of other funding sources. The survey participants reported they would expect the demand for loans (housing loans, consumer credit and other lending) among households to go up in the next half of the year, although at a slower pace than six months ago (see Chart 4).

### REVIEW OF AD HOC QUESTIONS

To obtain more detailed information on financing conditions and terms applied by banks and identify the factors that may have an impact on changes in credit standards in the future, the Bank of Lithuania presents participants of such surveys with ad hoc questions. The major focus in the October 2012 bank lending survey, as always, was on the perceptions of the financial situation of enterprises in key sectors of the domestic economy, as well as households. Moreover, some of ad hoc questions aimed at revealing the current and future situation in the domestic real estate market. Banks also were asked to present their perceptions of the potential developments of loans and deposits in the upcoming periods.

### FINANCIAL SITUATION OF ENTERPRISES AND HOUSEHOLDS, AND ITS DEVELOPMENT IN THE FUTURE

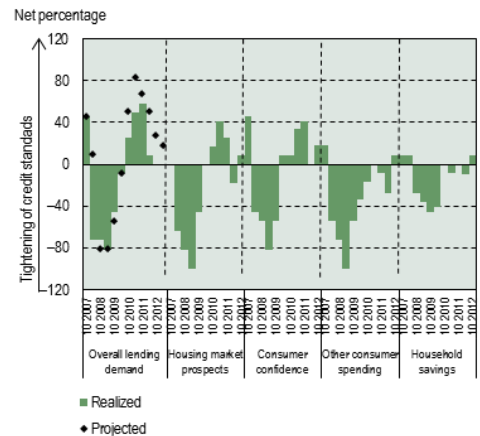
The banks that participated in the survey reported about their perceptions of the financial situation of enterprises in key sectors of the domestic economy, as well as of households, and its dynamics in the future. The following types of major economic activities were selected for the survey: industry, real estate, construction, trade, transportation, hotels and restaurants, agriculture and forestry.

The survey participants' perception of the financial situation of enterprises in key economic activities and households has improved slightly compared with the previous survey. Similar to the previous survey, enterprises engaged in economic activities of agriculture, manufacturing, and transportation were perceived by banks as the best, whereas enterprises engaged in such economic activities as real estate, construction, hotels and restaurants were perceived as the worst (see Chart 5). The largest percentage of banks believe that there should be no material changes in the financial situation of enterprises in the above-mentioned economic activities, and households until April 2013, but some banks expect the financial situation of construction and trade enterprises, and households to deteriorate (see Chart 6). It should be noted that banks expect the financial situation of some individual sectors they had found relatively poor for the time being would improve in the future.

### PROSPECTS OF THE DOMESTIC REAL ESTATE MARKET

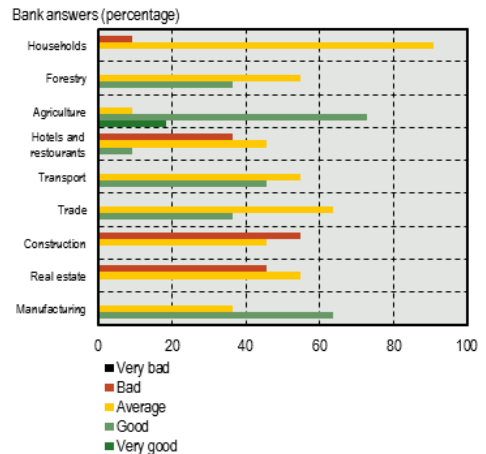
Many banks reported they would not expect any changes in real estate prices in the future; however, one fourth of them anticipate worsening of the real estate market prospects. A

Chart 3. Changes in the demand for housing loans to households



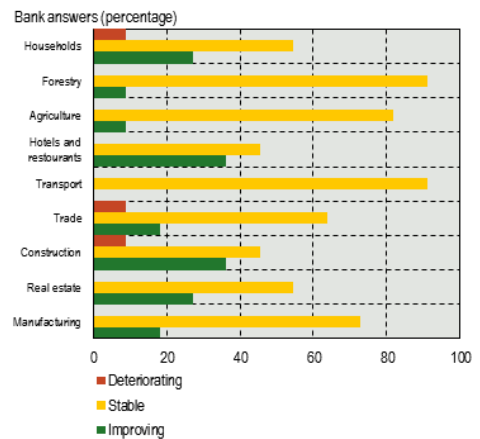
Sources: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 5. Perception of the financial situation of enterprises in various economic sectors and households



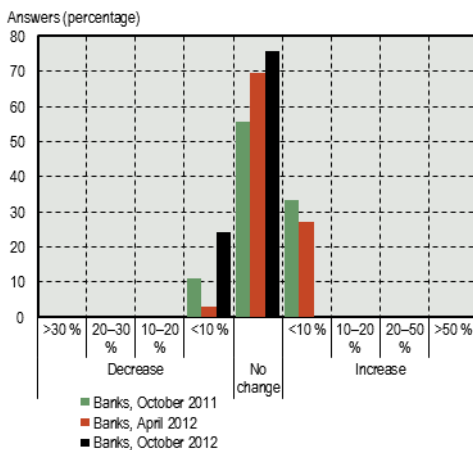
Source: Bank Lending Survey, April 2012.

Chart 6. Perceptions of the financial situation prospects for enterprises in various economic sectors, and households



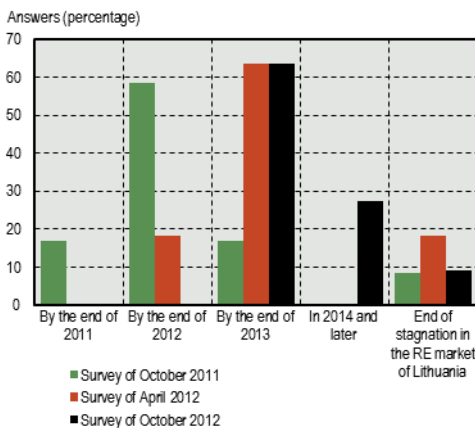
Source: Bank Lending Survey, April 2012.

Chart 7. Expectations of real estate price changes in the coming 12 months



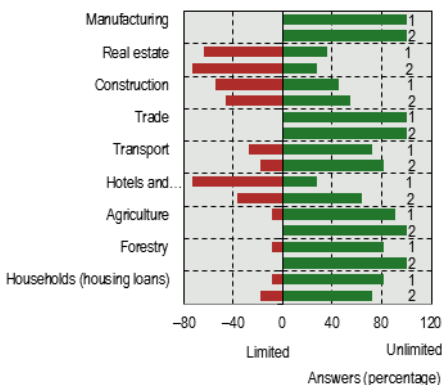
Sources: Bank Lending Surveys.

Chart 8. Expectations regarding the length of stagnation in the Lithuanian real estate market



Sources: Bank lending surveys.  
Note: RE - real estate.

Chart 9. Changes in lending restrictions for various economic activities and on housing loans to households



Sources: Bank Lending Surveys.  
Note: 1 - Bank Lending Survey of April 2012, 2 - Bank Lending Survey of October 2012.

larger percentage of the October 2012 survey respondents (76%), same as during a similar survey half a year ago, reported they would not expect real estate price change in the future. But unlike before, there were no banks anticipating real estate prices to grow (such banks made up one fourth of the respondents a year ago), and a hike was observed in the percentage of banks expecting real estate prices (especially for older ones) to go down by up to 10 per cent in the coming years (see Chart 7). Also, there were no respondents during this survey speaking of the slack in the real estate market to cease by the end 2012 (such respondents made up almost one fifth during the previous survey). As during the previous survey, two thirds of banks expect the stagnation in the real estate market to end by the end 2013, but this time, an increase was observed in the number of respondents who postponed the date of the event to the end of 2014 (see Chart 8).

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

The results of the October 2012 bank lending survey indicate an increase in the number of economic activities enjoying unlimited lending by all banks which participated in the survey. During the April 2012 survey, all banks reported no lending restrictions to enterprises engaged in economic activities related to manufacturing and trade, whereas all respondents of the present survey reported no curtails in lending to enterprises in manufacturing, trade, agricultural, and forestry activities. The share of banks that applied lending restrictions to enterprises engaged in such economic activities as hotels and restaurants, transportation, and construction, decreased compared with the previous survey, although an increase was observed in the share of respondents who were more cautious about lending to real estate enterprises. Over the review period, a slight hike compared with the similar survey a half-year ago was registered in the number of banks that had applied restriction on housing loans to households, although a larger percentage of banks reported no lending restrictions to households regarding housing loans (see Chart 9). The loan portfolio reallocation, too high debt liabilities of the borrowers, and borrowers' financial situation were cited by the surveyed banks as the major reasons behind their cautious lending.

The larger percentage of banks, compared with the similar survey six months ago, reported a decreasing number of their customers with overdue payments. Moreover, a higher percentage of banks expect the number of customers with overdue payments of their already existing financial liabilities to decline too, which is to improve the quality of loan portfolio (primarily of loans to businesses) and reduce banks' expenses for special provisions against bad loans. In case of housing loans to households, the average loan-to-value ratio made up 72 per cent during the review period and was close to the results of previous surveys. The present survey respondents, however, do not expect any significant changes related to the size of this ratio in the coming six-month period.

The results of the present survey indicate a slight moderation regarding the expectations related to the banks' loan portfolio developments in the future, compared with the results of a similar survey six months ago. The survey results show a likely change from 1 to 3 per cent in the loan portfolio. The survey participants expect that shrinking lending to households will be the major driver of a contraction of the loan portfolio in 2012, whereas the portfolio of loans to enterprises and government institutions may be growing. In 2013, the factors affecting the loan portfolio development are expected to remain the same, although some growth in consumer credit and other lending to households and an expansion of up to 5 per cent of the total loan portfolio over the year are forecast. The survey respondents' opinion on the developments related to deposits in 2012 remained unchanged, compared with the similar survey a half-year ago. Deposits are expected to grow from 1 to 5 per cent, driven mainly by the growth in deposits of household and non-financial

corporations. The factors that affect the deposit development in 2013 are expected to remain the same, i.e. non-financial corporations and households are anticipated to increase their deposits further with banks expecting the annual deposit growth rate to be 1 to 6 per cent.

The survey was carried out by the Financial Stability Department  
Economics and Financial Stability Service  
Bank of Lithuania

# ANNEX: RESULTS OF THE RESPONSES TO MAIN QUESTIONS

## LOANS AND CREDIT LINES TO ENTERPRISES

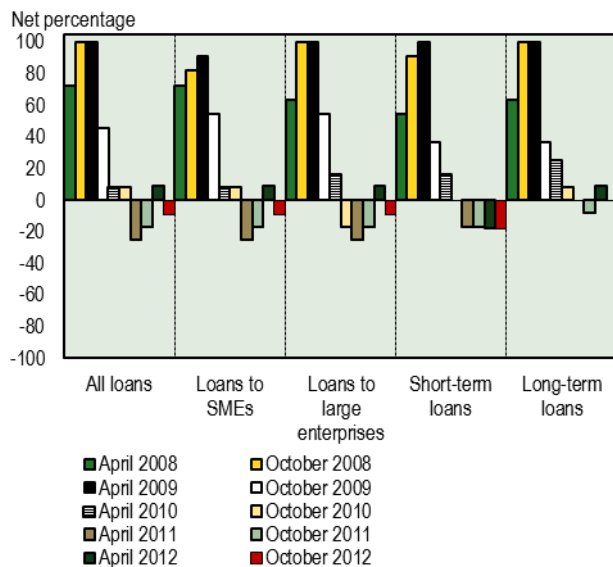
1. How have your bank's credit standards, as applied to loans and credit lines to enterprises, changed over the past six months?

	All loans	Loans to SME*	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	0	0	0	0	0
Tightened somewhat	9	9	9	0	9
Remained basically unchanged	73	73	73	82	82
Eased somewhat	18	18	18	18	9
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	-9	-9	-9	-18	0
Mean	3.1	3.1	3.1	3.2	3.0

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

\* SME means small and medium-size enterprises.

**Chart 1. Changes in credit standards, as applied to loans and credit lines to enterprises**

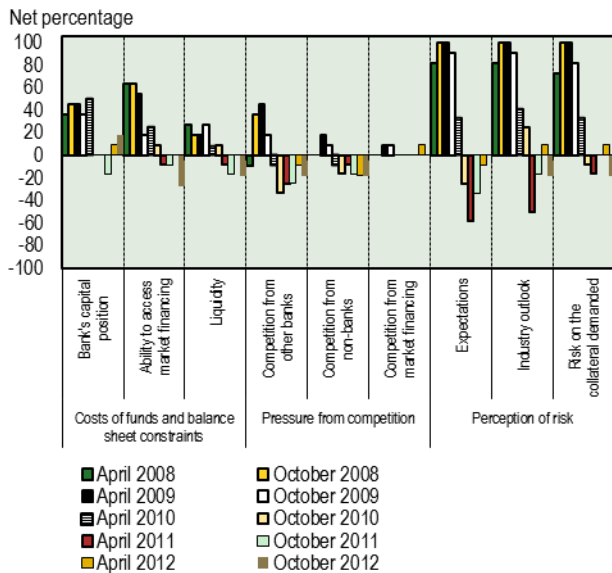


2. How have the following factors affected your bank's credit standards, as applied to loans and credit lines to enterprises (irrespective of the enterprise size)?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Cost of funds and balance sheet constraints</b>								
Costs related to your bank's capital position	0	27	55	0	9	9	18	2.9
Your bank's ability to access market finance (short-term or long-term)	0	0	64	27	0	9	-27	3.3
Your bank's liquidity position	0	9	55	27	0	9	-18	3.2
<b>b) Pressure from competition</b>								
Competition from other banks	0	0	82	18	0	0	-18	3.2
Competition from non-banks	0	0	64	18	0	18	-18	3.2
Competition from availability to enterprises of funds through issue of securities	0	0	82	0	0	18	0	3.0
<b>c) Perception of risk</b>								
Expectations regarding general economic activity	0	9	82	9	0	0	0	3.0
Industry or firm-specific outlook	0	0	82	18	0	0	-18	3.2
Risk on collateral demanded	0	0	82	18	0	0	-18	3.2

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

Chart 2. Factors affecting credit standards on loans and credit lines to enterprises

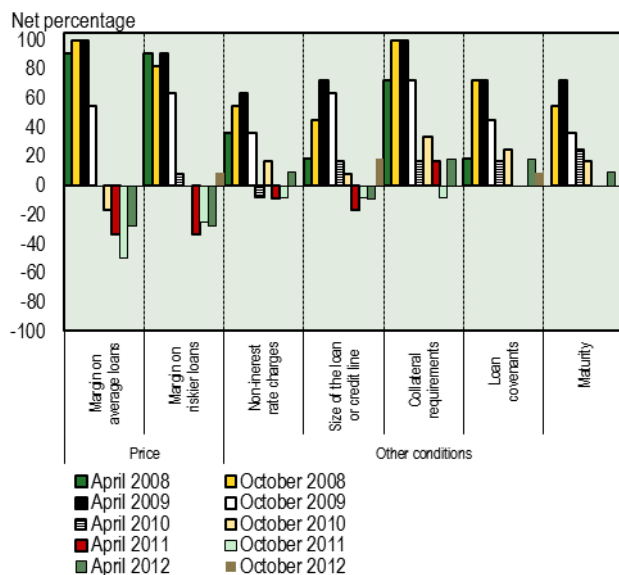


3. How have the terms and conditions on loans and credit lines to enterprises changed at your bank over the past six months?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Price</b>								
Your bank's margin on average risk loan	0	18	64	18	0	0	0	3.0
Your bank's margin on riskier loans	0	27	55	18	0	0	9	2.9
<b>b) Other conditions and terms</b>								
Non-interest bearing charges	0	9	82	9	0	0	0	3.0
Size of the loan or credit line	0	18	82	0	0	0	18	2.8
Collateral requirements	0	9	82	9	0	0	0	3.0
Loan covenants	0	9	91	0	0	0	9	2.9
Maturity	0	18	64	18	0	0	0	3.0

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

Chart 3. Changes in terms and conditions on loans and credit lines to enterprises



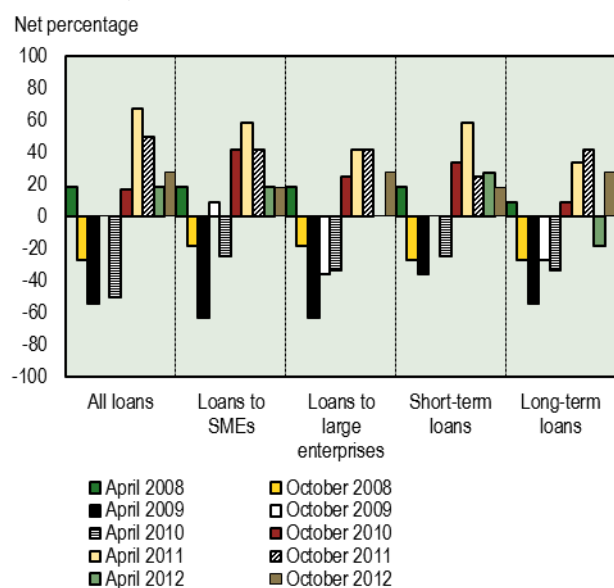


4. How has the demand for loans and credit lines to enterprises changed at your bank (excluding regular seasonal fluctuations)?

	All loans	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	0	0	0	0	0
Decreased somewhat	9	18	9	9	9
Remained basically unchanged	55	45	55	64	55
Increased somewhat	36	36	36	27	36
Increased considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	<b>27</b>	<b>18</b>	<b>27</b>	<b>18</b>	<b>27</b>
Mean	3.3	3.2	3.3	3.2	3.3

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

Chart 4. Changes in demand for loans and credit lines to enterprises

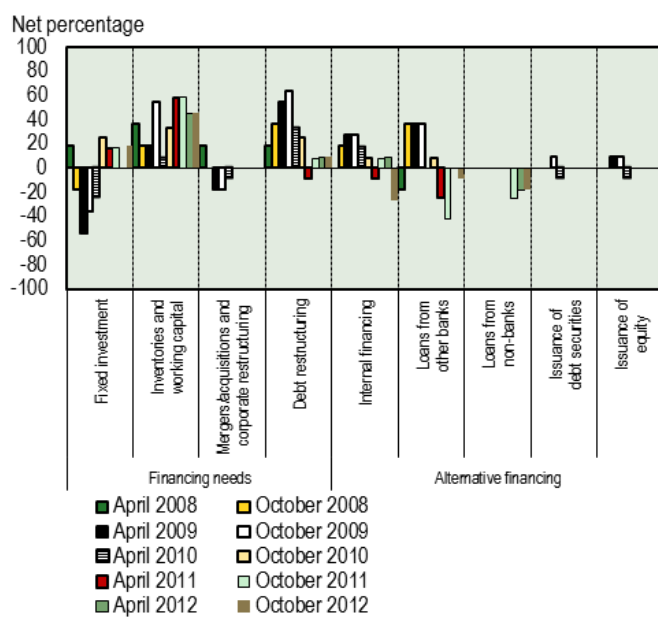


5. How have the following factors affected the demand for your bank's loans and credit lines to enterprises (irrespective of the enterprise size)?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Financing needs</b>								
Fixed investment	0	0	82	18	0	0	18	3.2
Inventories and working capital	0	0	55	45	0	0	45	3.5
Mergers/acquisitions and corporate restructuring	0	0	91	0	0	9	0	3.0
Debt restructuring	0	0	91	9	0	0	9	3.1
<b>b) Use of alternative financing</b>								
Internal financing	0	27	64	0	0	9	-27	2.7
Loans from other banks	0	18	73	9	0	0	-9	2.9
Loans from non-banks	0	18	73	0	0	9	-18	2.8
Issuance of debt securities	0	0	82	0	0	18	0	3.0
Issuance of equity	0	0	82	0	0	18	0	3.0

Note: Net percentage is defined as the difference between the sum of "++" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand) and the sum of "--" (contributed considerably to lower demand) and "-" (contributed somewhat to lower demand). The mean is defined as a weighted average by attributing the following values to the answers: 1 for "contributed considerably to lower demand"; 2 for "contributed somewhat to lower demand"; 3 for "did not contribute to demand changes"; 4 for "contributed somewhat to higher demand"; and 5 for "contributed considerably to higher demand".

Chart 5. Factors affecting demand for loans and credit lines to enterprises



6. Please indicate how you expect your bank's credit standards, as applied to loans and credit lines to enterprises, to change over the next six months?

	All loans	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably	0	0	0	0	0
Tighten somewhat	9	9	0	9	9
Remain basically unchanged	82	82	82	91	82
Ease somewhat	9	9	18	0	9
Ease considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	0	0	-18	9	0
Mean	3.0	3.0	3.2	2.9	3.0

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

7. Please indicate how you expect the demand for loans and credit lines to enterprises to change over the next six months (excluding regular seasonal fluctuations).

	All loans	Loans to SME	Loans to large enterprises	Short-term loans	Long-term loans
Decrease considerably	0	0	0	0	0
Decrease somewhat	0	9	0	0	9
Remain basically unchanged	64	55	82	64	55
Increase somewhat	36	36	18	36	36
Increase considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	36	27	18	36	27
Mean	3.4	3.3	3.2	3.4	3.3

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

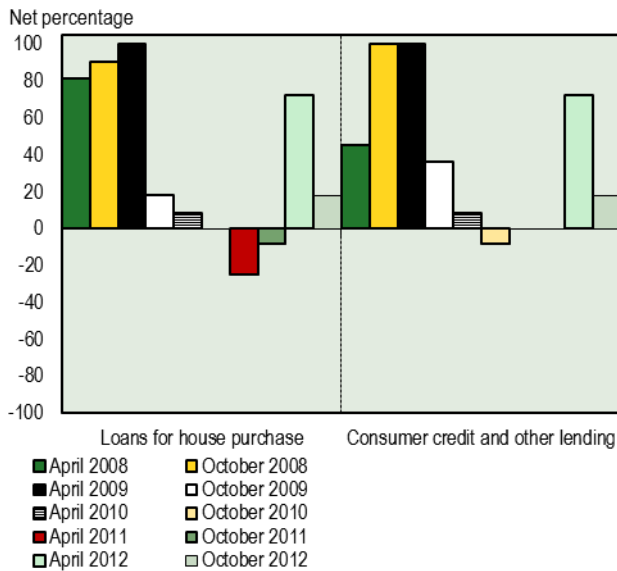
## LOANS TO HOUSEHOLDS

8. How have your bank's credit standards, as applied to lending to households, changed over the past six months?

	Housing loans	Consumer credit and other lending
Tightened considerably	9	0
Tightened somewhat	9	18
Remained basically unchanged	82	82
Eased somewhat	0	0
Eased considerably	0	0
Total	100	100
Net percentage	18	18
Mean	2.7	2.8

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

Chart 6. Changes in credit standards on lending to households

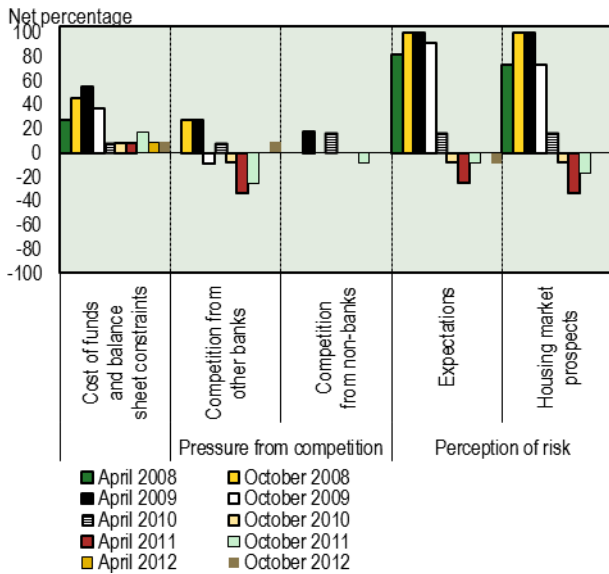


9. How have the following factors affected your bank's credit standards, as applied to housing loans to households?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Cost of funds and balance sheet constraints</b>	18	0	73	9	0	0	9	2.7
<b>b) Pressure from competition</b>								
Competition from other banks	0	9	91	0	0	0	9	2.9
Competition from non-banks	0	0	82	0	0	18	0	3.0
<b>c) Perception of risk</b>								
Expectations regarding general economic situation	0	0	91	9	0	0	-9	3.1
Housing market prospects	0	0	91	0	0	9	0	3.0

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

Chart 7. Factors affecting credit standards on housing loans to households

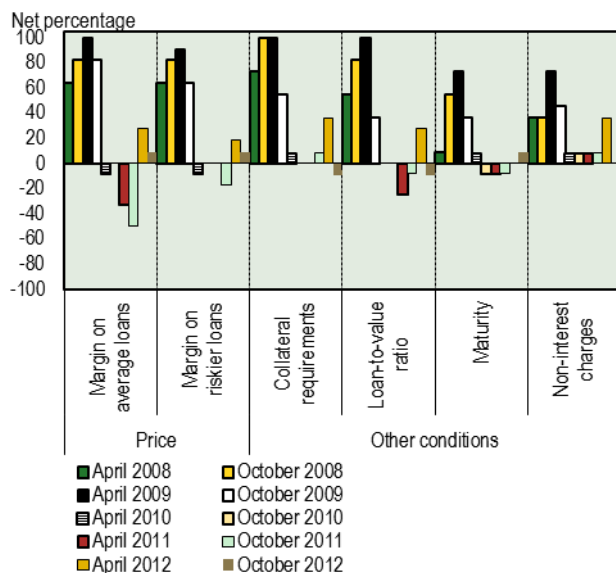


## 10. How have your bank's credit standards on housing loans to households changed over the past six months?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Price</b>								
Your bank's margin on average risk loans (higher margin indicates tightening of credit standards, lower margin indicates easing of credit standards)	9	0	91	0	0	0	9	2.8
Your bank's margin on risk-bearing loans	0	9	82	0	0	0	9	2.9
<b>b) Other conditions and terms</b>								
Collateral requirements	0	0	91	9	0	0	-9	3.1
Loan-to-value ratio	0	0	82	9	0	0	-9	3.1
Maturity	0	9	91	0	0	0	9	2.9
Non-interest related changes	0	0	100	0	0	0	0	3.0

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

Chart 8. Changes in credit standards on housing loans to households

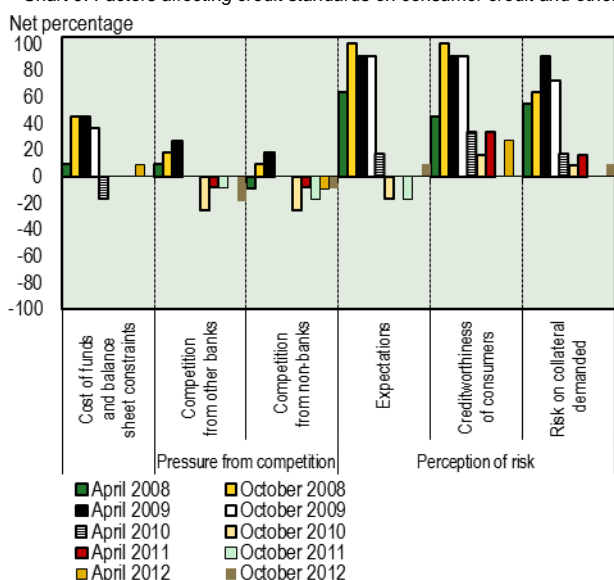


11. How have the following factors affected your bank's credit standards on consumer credit and other lending to households?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Cost of funds and balance sheet constraints</b>	0	9	73	9	0	9	0	3.0
<b>b) Pressure from competition</b>								
Competition from other banks	0	0	73	18	0	9	-18	3.2
Competition from non-banks	0	0	73	9	0	18	-9	3.1
<b>c) Perception of risk</b>								
Expectations regarding general economic situation	0	9	82	0	0	9	9	2.9
Creditworthiness of borrowers	0	0	91	0	0	9	0	3.0
Risk on collateral demanded	0	9	64	0	0	27	9	2.9

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

Chart 9. Factors affecting credit standards on consumer credit and other lending to households

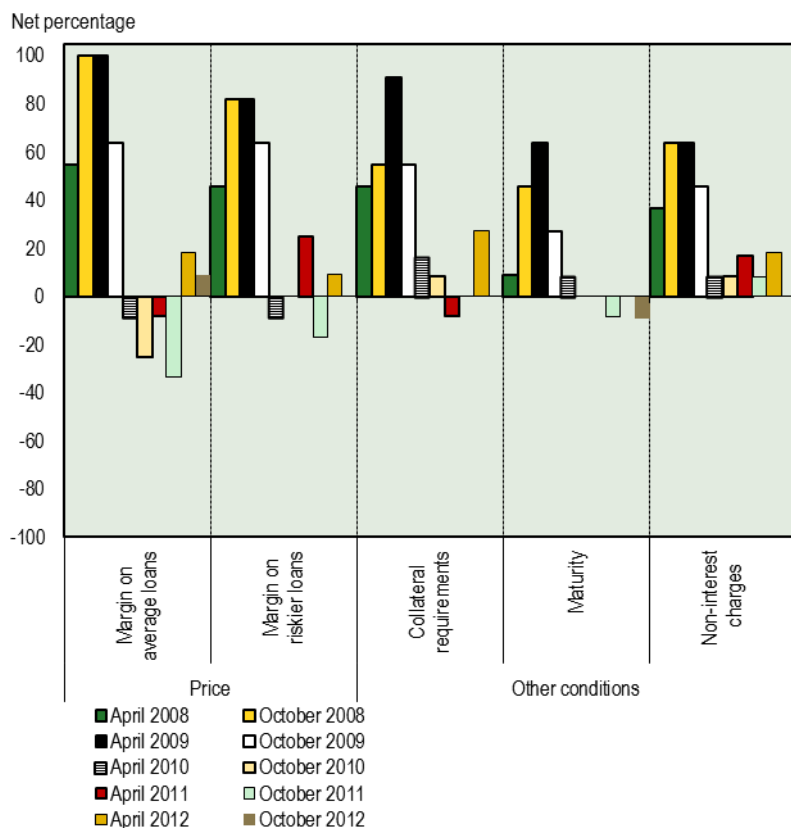


12. How have your terms and conditions on consumer credit and other lending to households changed at your bank over the past six months?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Price</b>								
Your bank's margin on average risk loans (higher margin indicates tightening of credit standards, lower margin indicates easing of credit standards)	0	27	45	18	0	9	9	2.9
Your bank's margin on risk-bearing loans	0	9	64	9	0	18	0	3.0
<b>b) Other conditions and terms</b>								
Collateral requirements	0	9	64	9	0	18	0	3.0
Maturity	0	0	82	9	0	9	-9	3.1
Non-interest bearing rate changes	0	9	73	9	0	9	0	3.0

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

Chart 10. Change in terms and conditions on consumer credit and other lending to households



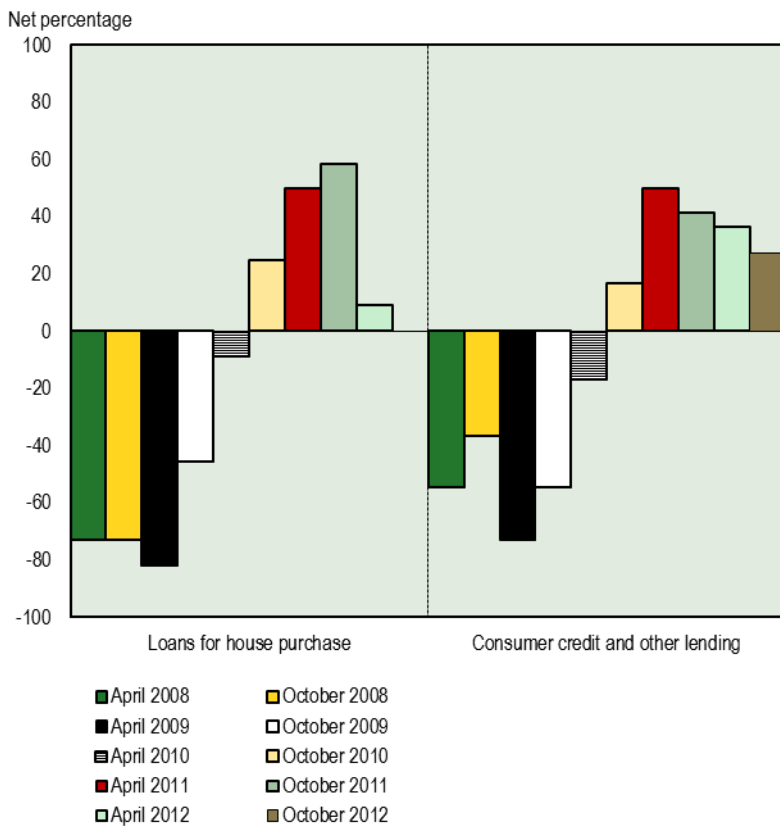


13. How has the demand for lending to households changed at your bank (excluding regular seasonal fluctuations)?

	Housing loans	Consumer credit and other lending
Decreased considerably	0	0
Decreased somewhat	9	9
Remained basically unchanged	82	55
Increased somewhat	9	36
Increased considerably	0	0
Total	100	100
<b>Net percentage</b>	0	27
Mean	3.0	3.3

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

Chart 11. Change of the demand for loans to households

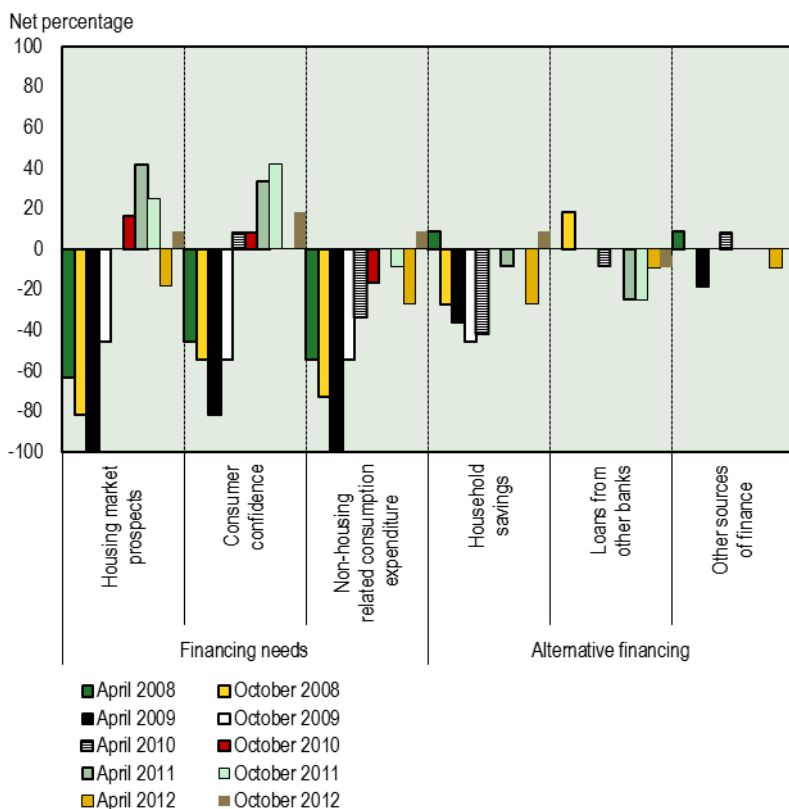


## 14. How have the following factors affected the demand for housing loans to households at your bank?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Financing needs</b>								
Housing market prospects	0	0	82	9	0	9	9	2.8
Consumer confidence	0	0	73	18	0	9	18	2.9
Non-housing related consumer spending	0	0	82	9	0	9	9	2.8
<b>b) Use of alternative financing</b>								
Household savings	0	0	82	9	0	9	9	2.8
Loans from other banks	0	18	64	9	0	9	-9	2.6
Other sources of financing	0	9	73	9	0	9	0	2.7

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

Chart 12. Factors affecting demand for housing loans to households

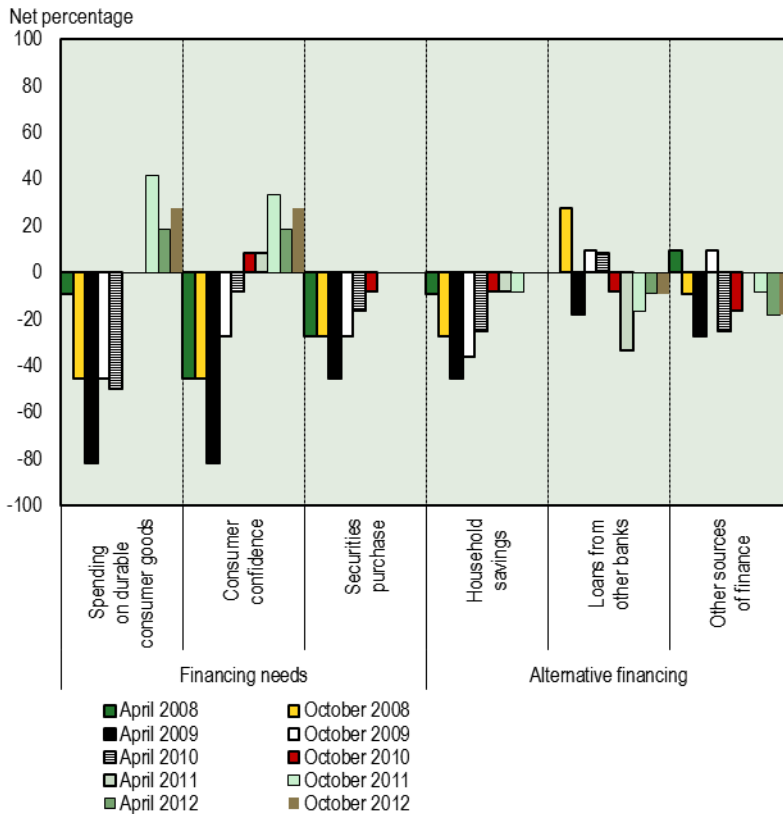


15. How have the following factors affected the demand for consumer credit and other lending to households at your bank?

	--	-	0	+	++	Not applicable	Net percentage	Mean
<b>a) Financing needs</b>								
Spending on purchases of durable consumer goods (motor vehicles, furniture, etc.)	0	0	64	27	0	9	27	3.3
Consumer confidence	0	0	64	27	0	9	27	3.3
Securities purchases	0	0	82	0	0	18	0	3.0
<b>b) Use of alternative financing</b>								
Household savings	0	9	73	9	0	9	0	3.0
Loans from other banks	0	18	64	9	0	9	-9	2.9
Other sources of financing	0	27	55	9	0	9	-18	2.8

Note: Net percentage is defined as the difference between the sum of “++” (contributed considerably to higher demand) and “+” (contributed somewhat to higher demand) and the sum of “--” (contributed considerably to lower demand) and “-” (contributed somewhat to lower demand). The mean is defined as a weighted average by attributing the following values to the answers: 1 for “contributed considerably to lower demand”; 2 for “contributed somewhat to lower demand”; 3 for “did not contribute to demand changes”; 4 for “contributed somewhat to higher demand”; and 5 for “contributed considerably to higher 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 on lending to households to change over the next six months.

	Housing loans	Consumer credit and other lending
Tighten considerably	0	0
Tighten somewhat	0	0
Remain basically unchanged	100	91
Ease somewhat	0	9
Ease considerably	0	0
Total	100	100
Net percentage	0	-9
Mean	3.0	3.1

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

17. Please indicate how you expect demand for loans to households to change over the next six months.

	Housing loans	Consumer credit and other lending
Decrease considerably	0	0
Decrease somewhat	0	0
Remain basically unchanged	82	82
Increase somewhat	18	18
Increase considerably	0	0
Total	100	100
Net percentage	18	18
Mean	3.2	3.2

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