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REVIEW

OF THE BANK LENDING SURVEY

2015



REVIEW OF THE BANK LENDING SURVEY Q1 2015

Surveys of commercial banks and foreign bank branches about their lending standards, as of October 2014, are conducted four times a year (before October 2014 — every half year). The number of surveys have increased after Lithuania became a member of the euro area and joined the harmonised euro area bank lending survey conducted by all euro area countries. Lending surveys are aimed at obtaining information on non-interest related lending conditions as applied by financial institutions, their lending costs and market expectations. The present Review was prepared using the generalised data from a survey of seven commercial banks and four foreign bank branches.

As of 2015, the results of the bank lending survey of commercial banks and foreign bank branches operating in Lithuania will be included in the results of the euro area bank survey published by the European Central Bank. According to existing practice, the ECB presents the survey results about banks that hold the largest market share by assets (81.3% on 31 December 2014). The euro area bank lending survey that includes, as of April 2015, the generalised¹ data of lending survey about Lithuania's four largest banks, is available on the ECB website (https://www.ecb.europa.eu/stats/pdf/blssurvey_201504.pdf).

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REVIEW OF THE BANK LENDING SURVEY,

April 2015

SUMMARY

- **The general lending conditions of banks for non-financial undertakings remained unchanged in the first quarter of 2015, while the lending requirements continued to be relatively tight** (see Table 1 of Annex 1). Changes related to some factors behind the lending conditions allowed banks to ease their requirements to business customers. For example, lending to undertakings was less strict because of shrinking bank funding costs or stronger competition among banks. However, banks were more cautious about riskier customers or individual industries, and this led to tightening of lending requirements (see Table 2 and Table 3 of Annex 1). Banks do not plan to change general credit conditions for business undertakings in the second quarter of 2015 (see Table 6 of Annex 1).
- **The general lending conditions applied to households' loans for home purchases remained unchanged in the first quarter of 2015, consumer and other loans — slightly eased** (see Table 8 of Annex 1). Improved expectations related to the general economic situation, as well as stronger competition among banks and narrower margins on medium-risk consumer loans and other loans contributed positively to ease lending conditions (see Tables 9 to 12 of Annex 1). In the second quarter of 2015, banks plan to ease the general standards for loans to households, consumer and other loans marginally, whereas lending conditions for loans to households for home purchases are to tighten slightly (see Table 16 of Annex 1).
- **During the period under review, banks reported a slight increase in the demand for loans and credit lines among non-financial corporations.** A marginal increase was also reported in the demand for loans among small and medium-sized business undertakings and the demand for short-term loans, while long-term loans were less attractive (see Table 4 of Annex 1). Driven by increasing demand for stocks, working capital, loan restructuring as well as low interest rates; the demand for loans among non-financial corporations grew, however, the growth was slightly offset by the use of other sources for financing the activities (internal funds or issuance of bonds) (see Table 5 of Annex 1). The survey respondents expect a slight increase in loan demand among non-financial undertakings in the second quarter of 2015 (see Table 7 of Annex 1).
- **In the first quarter of 2015, the demand for housing loans among households somewhat declined, while the demand for consumer and other loans rose slightly** (see Table 13 of Annex 1). The demand for overall loans reportedly shrank due to growing competition among banks (e.g. when one bank offers more favourable lending conditions), while one bank reported that the demand went down because of a higher general level of interest rates. The decrease in the demand for housing loans was offset slightly by growing consumer confidence and improving prospects for the housing market (see Table 14 of Annex 1). The demand for consumer and other loans to households grew, driven by the acquisition of durable goods, improving consumer confidence, and acquisition of securities. But household savings and the possibility to use alternative financing sources slightly offset the demand-driving factors and dampened the demand (see Table 15 of Annex 1). Banks expect the demand for housing loans, consumer loans and other loans to increase in the second quarter of 2015 (see Table 17 of Annex 1).
- **Banks are optimistic about the loan portfolio developments in the future and project it to increase about 3 per cent in 2015.**¹ Similar to previous periods, more intensive growth of borrowing by non-financial enterprises is expected, while loans to households for house purchases may grow at a more moderate pace.
- **Banks remain cautious about lending to various business undertakings and households, even though they see that the majority of them have good financial situations** (see Table 1 and Table 4 of Annex 2). For instance, it may be a little bit more complicated for businesses in hotels and restaurants, transportation or real estate sectors to receive

¹ Usually banks' projections regarding the loan portfolio growth are too optimistic during the bank lending surveys, but they provide extra information about banks' future expectations related to the loan market.

loans from banks. However, banks reported growing competition for lending to manufacturing or trade undertakings and households. Borrowing possibilities for the latter should therefore increase (see Table 2 of Annex 2).

- **In the coming years, banks expect a decrease in prices for housing and an increase in prices for commercial property** (see Table 3 of Annex 2). One bank reported prices for older homes to drop by up to 10%, while two of the surveyed banks expect the same size price fall for new homes (one bank, though, anticipates an increase of up to 10%). Only one bank hopes that prices for commercial property will grow up to 10 per cent in the coming years.

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 at the end of March 2015, answers were received from seven commercial banks and four foreign bank branches (hereinafter — banks).

Bank senior loan officers were requested to specify the changes in their bank's credit standards for households and non-financial undertakings from January to March 2015.² The respondents were asked, in answering about the likely future situation, to assess potential changes in the credit standards over the next quarter (April to June 2015). This Review of the Bank Lending Survey presents a summarised opinion of the respondents, which does not necessarily reflect the official position and perceptions of banks, including the Bank of Lithuania or its employees. In summarising the opinions and calculating the proportion of banks that have chosen a particular answer, the responses of individual banks were given the same weight, regardless of their market share.

The net percentage is defined as the difference between the share 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 the demand: a positive net percentage refers to an increase in demand, a negative percentage — to its decline.

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

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

² 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).

Annex 1. RESULTS OF THE BANK LENDING SURVEY

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	0.0
Remain basically unchanged	100.0	100.0	72.7	90.9	81.8
Eased somewhat	0.0	0.0	18.2	9.1	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0
Not applicable	0.0	0.0	9.1	0.0	9.1
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	0.0	0.0	-18.2	-9.1	-9.1
Mean	3.0	3.0	3.2	3.1	3.1

Note: The net percentage is defined as the difference between the percentage of banks that responded "tightened considerably" and "tightened somewhat", and the percentage of those that responded "eased somewhat" and "eased considerably". The 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.

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	Total coins	Net percentage	Mean
a) Cost of funds and balance sheet constraints									
Cost related to your bank's capital position	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Your bank's ability to access market financing (short-term or long-term)	0.0	0.0	63.6	9.1	0.0	27.3	100.0	-9.1	3.1
Your bank's liquidity position	0.0	0.0	90.9	9.1	0.0	0.0	100.0	-9.1	3.1
b) Pressure from competition									
Competition from other banks	0.0	0.0	72.7	27.3	0.0	0.0	100.0	-27.3	3.3
Competition from non-banks	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Competition arising from enterprises' possibilities to access financing via the issuance of securities	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
c) Perception of risk									
Expectations regarding general economic activity	0.0	9.1	90.9	0.0	0.0	0.0	100.0	9.1	2.9
Industry or firm-specific outlook	0.0	18.2	81.8	0.0	0.0	0.0	100.0	18.2	2.8
Risk of collateral demanded	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	3.0
d) Bank risk tolerance									
Bank risk tolerance	0.0	0.0	100.0	0.0	0.0	0.0	100.0	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".

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	Total coins	Net percentage	Mean
a) General conditions	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	3.0
b) Price									
Your bank's margin on riskier loans	0.0	0.0	90.9	9.1	0.0	0.0	100.0	-9.1	3.1
Your bank's margin on average loans	0.0	9.1	90.9	0.0	0.0	0.0	100.0	9.1	2.9
c) Other conditions and terms									
Non-interest rate charges	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Size of loan or credit line	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Collateral requirements	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Loan covenants	0.0	9.1	72.7	0.0	0.0	18.2	100.0	9.1	2.9
Maturity	0.0	0.0	81.8	0.0	0.0	18.2	100.0	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".

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	9.1	9.1	0.0	0.0	18.2
Remained basically unchanged	72.7	72.7	90.9	81.8	72.7
Increased somewhat	18.2	18.2	0.0	18.2	0.0
Increased considerably	0.0	0.0	0.0	0.0	0.0
Total coins	0.0	0.0	9.1	0.0	9.1
Net percentage	100.0	100.0	100.0	100.0	100.0
Mean	9.1	9.1	0.0	18.2	-18.2
Decreased considerably	3.1	3.1	3.0	3.2	2.8

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".

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	Total coins	Net percentage	Mean
a) Financing needs									
Fixed investment	0.0	9.1	81.8	9.1	0.0	0.0	100.0	0.0	3.0
Inventories and working capital	0.0	0.0	81.8	18.2	0.0	0.0	100.0	18.2	3.2
Mergers/acquisitions and corporate restructuring	9.1	0.0	72.7	9.1	0.0	9.1	100.0	0.0	2.9
Overall interest rate level	0.0	0.0	72.7	18.2	0.0	9.1	100.0	18.2	3.2
Debt restructuring	0.0	0.0	72.7	18.2	0.0	9.1	100.0	18.2	3.2
b) Use of alternative finance									
Internal financing	0.0	9.1	72.7	9.1	0.0	9.1	100.0	0.0	3.0
Loans from other banks	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Loans from non-banks	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Issuance of bonds	0.0	9.1	63.6	0.0	0.0	27.3	100.0	-9.1	2.9
Issuance of shares	0.0	0.0	81.8	0.0	0.0	18.2	100.0	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".

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	0.0	0.0	0.0
Remain basically unchanged	100.0	100.0	90.9	100.0	90.9
Ease somewhat	0.0	0.0	0.0	0.0	0.0
Ease considerably	0.0	0.0	0.0	0.0	0.0
Not applicable	0.0	0.0	9.1	0.0	9.1
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	0.0	0.0	0.0	0.0	0.0
Mean	3.0	3.0	3.0	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 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
Tighten considerably	0.0	0.0	0.0	0.0	0.0
Tighten somewhat	9.1	9.1	0.0	9.1	0.0
Remain basically unchanged	63.6	72.7	63.6	72.7	72.7
Ease somewhat	27.3	18.2	27.3	18.2	18.2
Ease considerably	0.0	0.0	0.0	0.0	0.0
Not applicable	0.0	0.0	9.1	0.0	9.1
Total coins	100.0	100.0	100.0	100.0	100.0
Net percentage	18.2	9.1	27.3	9.1	18.2
Mean	3.2	3.1	3.3	3.1	3.2

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
Tighten considerably	0.0	0.0
Tighten somewhat	0.0	0.0
Remain basically unchanged	81.8	81.8
Ease somewhat	0.0	9.1
Ease considerably	0.0	0.0
Not applicable	18.2	9.1
Total coins	100.0	100.0
Net percentage	0.0	9.1
Mean	3.0	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 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".

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	Total coins	Net percentage	Mean
a) Cost of funds and balance sheet constraints	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
b) Pressure from competition									
Competition from other banks	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Competition from non-banks	0.0	0.0	54.5	0.0	0.0	45.5	100.0	0.0	3.0
c) Perception of risk									
Expectations regarding general economic activity	0.0	0.0	72.7	9.1	0.0	18.2	100.0	-9.1	3.1
Housing market prospects	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Debtors creditworthiness	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
d) Bank risk tolerance									
Bank risk tolerance	0.0	0.0	81.8	0.0	0.0	18.2	100.0	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".

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	Total coins	Net percentage	Mean
a) General conditions	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
b) Price									
Your bank's margin on average loans (margin increased — standards tightened; margin decreased — standards eased)	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Your bank's margin on risky loans	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
c) Other conditions and terms									
Collateral requirements	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Loan-to-value ratio	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Maturity	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Non-interest rate charges	0.0	0.0	81.8	0.0	0.0	18.2	100.0	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".

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	Total coins	Net percentage	Mean
a) Cost of funds and balance sheet constraints	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1
b) Pressure from competition									
Competition from other banks	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1
Competition from non-banks	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
c) Perception of risk									
Expectations regarding general economic activity	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1
Creditworthiness of consumers	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1
Risk of collateral demanded	0.0	0.0	72.7	0.0	0.0	27.3	100.0	0.0	3.0
d) Bank risk tolerance									
Bank risk tolerance	0.0	0.0	90.9	0.0	0.0	9.1	100.0	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".

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	Total coins	Net percentage	Mean
a) General conditions									
General conditions	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1
b) Price									
Your bank's margin on average loans (margin increased — standards tightened; margin decreased — standards eased)	0.0	0.0	72.7	18.2	0.0	9.1	100.0	-18.2	3.2
Your bank's margin on risky loans	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
c) Other conditions and terms									
Collateral requirements	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Loan-to-value ratio	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Maturity	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Non-interest rate charges	0.0	0.0	81.8	9.1	0.0	9.1	100.0	-9.1	3.1

Note: The net percentage is defined as the difference between the sum of banks responding "--" (tightened considerably) and "-" (tightened somewhat) and the sum of banks responding "+" (eased considerably) and "++" (eased somewhat). The 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".

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

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	0.0	0.0
There was a slight decrease in the number	18.2	9.1
Remained basically unchanged	63.6	54.5
Increased somewhat	0.0	27.3
Increased considerably	0.0	0.0
Not applicable	18.2	9.1
Total coins	100.0	100.0
Net percentage	-18.2	18.2
Mean	2.8	3.2

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".

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

	--	-	0	+	++	Not applicable	Total coins	Net percentage	Mean
a) Financing needs									
Housing market prospects	0.0	9.1	36.4	27.3	0.0	27.3	100.0	18.2	3.3
Consumer confidence	0.0	0.0	54.5	27.3	0.0	18.2	100.0	27.3	3.3
Overall interest rate level	9.1	0.0	72.7	0.0	0.0	18.2	100.0	-9.1	2.8
Debt restructuring	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
Regulatory and fiscal market regime for housing credit	0.0	0.0	81.8	0.0	0.0	18.2	100.0	0.0	3.0
b) Use of alternative finance									
Household savings	0.0	18.2	36.4	27.3	0.0	18.2	100.0	9.1	3.1
Loans from other banks	0.0	9.1	72.7	0.0	0.0	18.2	100.0	-9.1	2.9
Other sources of finance	0.0	0.0	81.8	0.0	0.0	18.2	100.0	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".

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

	--	-	0	+	++	Not applicable	Total coins	Net percentage	Mean
a) Financing needs									
Spending on durable consumer goods (motor vehicles, furniture, etc.)	0.0	9.1	63.6	18.2	0.0	9.1	100.0	9.1	3.1
Consumer confidence	0.0	9.1	63.6	18.2	0.0	9.1	100.0	9.1	3.1
Securities purchases	0.0	0.0	72.7	9.1	0.0	18.2	100.0	9.1	3.1
b) Use of alternative finance									
Household savings	0.0	18.2	54.5	9.1	0.0	18.2	100.0	-9.1	2.9
Loans from other banks	0.0	0.0	90.9	0.0	0.0	9.1	100.0	0.0	3.0
Other sources of finance	0.0	9.1	72.7	0.0	0.0	18.2	100.0	-9.1	2.9

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".

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	9.1	0.0
Remain basically unchanged	72.7	81.8
Ease somewhat	0.0	9.1
Ease considerably	0.0	0.0
Not applicable	18.2	9.1
Total coins	100.0	100.0
Net percentage	9.1	-9.1
Mean	2.9	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
Tighten considerably	0.0	0.0
Tighten somewhat	0.0	0.0
Remain basically unchanged	63.6	63.6
Ease somewhat	18.2	27.3
Ease considerably	0.0	0.0
Not applicable	18.2	9.1
Total coins	100.0	100.0
Net percentage	18.2	27.3
Mean	3.2	3.3

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".

Annex 2. RESULTS OF THE BANK LENDING SURVEY

LOANS AND CREDIT LINES TO ENTERPRISES

1. Over the last quarter, how have your bank valued enterprises and households financial situation?

	Current situation									Dynamics						
	Very good	Good	Average	Bad	Very bad	N/A	Total	Net percentage	Mean	Improving	Stable	Worsening	N/A	Total	Net percentage	Mean
Manufacturing	0.0	54.5	36.4	0.0	0.0	9.1	100.0	54.5	2.4	9.1	81.8	0.0	9.1	100.0	9.1	1.9
Real estate	9.1	36.4	45.5	0.0	0.0	9.1	100.0	45.5	2.4	0.0	72.7	18.2	9.1	100.0	-18.2	2.2
Construction	0.0	54.5	36.4	0.0	0.0	9.1	100.0	54.5	2.4	0.0	81.8	9.1	9.1	100.0	-9.1	2.1
Trade	18.2	45.5	27.3	0.0	0.0	9.1	100.0	63.6	2.1	9.1	81.8	0.0	9.1	100.0	9.1	1.9
Transport	0.0	9.1	72.7	9.1	0.0	9.1	100.0	0.0	3.0	9.1	45.5	36.4	9.1	100.0	-27.3	2.3
Hotel and restaurants	0.0	18.2	72.7	0.0	0.0	9.1	100.0	18.2	2.8	0.0	72.7	18.2	9.1	100.0	-18.2	2.2
Agricultural	9.1	45.5	27.3	9.1	0.0	9.1	100.0	45.5	2.4	27.3	45.5	18.2	9.1	100.0	9.1	1.9
Forestry	0.0	36.4	45.5	9.1	0.0	9.1	100.0	27.3	2.7	0.0	81.8	9.1	9.1	100.0	-9.1	2.1
Household	0.0	45.5	36.4	0.0	0.0	18.2	100.0	45.5	2.4	9.1	72.7	0.0	18.2	100.0	9.1	1.9

Note: The net percentage is defined as the difference between the sum of banks responding "very good" and "good" and the sum of banks responding "very bad" and "bad". Average is calculated by assigning these values to corresponding banks response: "very good" – 1, "good" – 2, "average" – 3, "bad" – 4, "very bad" – 5.

2. Over the last and following quarters, how has the competition for corporate lending changed?

	Current situation							Dynamics						
	Improving	Stable	Worsening	N/A	Total	Net percentage	Mean	Improving	Stable	Worsening	N/A	Total	Net percentage	Mean
Manufacturing	45.5	45.5	0.0	9.1	100.0	45.5	1.5	45.5	45.5	0.0	9.1	100.0	45.5	1.5
Real estate	18.2	36.4	36.4	9.1	100.0	-18.2	2.2	18.2	45.5	27.3	9.1	100.0	-9.1	2.1
Construction	18.2	54.5	18.2	9.1	100.0	0.0	2.0	18.2	54.5	18.2	9.1	100.0	0.0	2.0
Trade	36.4	54.5	0.0	9.1	100.0	36.4	1.6	27.3	63.6	0.0	9.1	100.0	27.3	1.7
Transport	9.1	27.3	54.5	9.1	100.0	-45.5	2.5	9.1	36.4	45.5	9.1	100.0	-36.4	2.4
Hotel and restaurants	0.0	72.7	18.2	9.1	100.0	-18.2	2.2	0.0	81.8	9.1	9.1	100.0	-9.1	2.1
Agricultural	0.0	81.8	9.1	9.1	100.0	-9.1	2.1	18.2	54.5	18.2	9.1	100.0	0.0	2.0
Forestry	0.0	81.8	9.1	9.1	100.0	-9.1	2.1	0.0	90.9	0.0	9.1	100.0	0.0	2.0
Household	27.3	45.5	9.1	18.2	100.0	18.2	1.8	9.1	72.7	0.0	18.2	100.0	9.1	1.9

Note: The net percentage is defined as the difference between the sum of banks responding "very good" and "good" and the sum of banks responding "Very bad" and "bad". Average is calculated by assigning these values to corresponding banks response: "improving" – 1, "stable" – 2, "worsening" – 3.

3. Over the coming year, how will the prices of real estate change?

	Old building real estate	New building real estate	Commercial real estate
Increase more than 30 %	0.0	0.0	0.0
Increase 20–30 %	0.0	0.0	0.0
Increase 10–20 %	0.0	0.0	0.0
Increase up to 10 %	0.0	9.1	9.1
Unchange	81.8	63.6	81.8
Decrease up to 10 %	9.1	18.2	0.0
Decrease 10–20 %	0.0	0.0	0.0
Decrease 20–30 %	0.0	0.0	0.0
Decrease more than 30 %	0.0	0.0	0.0
Not applicable	9.1	9.1	9.1
Total	100.0	100.0	100.0
Net percentage	-9.1	-9.1	9.1
Mean	5.1	5.1	4.9

Note: The net percentage is defined as the difference between the sum of banks responding "Increase more than 30%", "Increase 20–30%", "Increase 10–20%" and "Increase up to 10%" and the sum of banks responding "Decrease more than 30%", "Decrease 20–30%", "Decrease 10–20%" and "Decrease up to 10%". Average is calculated by assigning these values to corresponding banks response: "Increase more than 30%" — 1, "Increase 20–30%" — 2, "Increase 10–20%" — 3, "Increase up to 10%" — 4, "Unchange" — 5, "Decrease up to 10%" — 6, "Decrease 10–20%" — 7, "Decrease 20–30%" — 8, "Decrease more than 30%" — 9.

4. During last six months, has your bank limited issuance of loans to any sector or households?

	Limited	Not limited	Not applicable	Total	Net percentage	Mean
Manufacturing	0.0	81.8	18.2	100.0	81.8	2.0
Real estate	27.3	54.5	18.2	100.0	27.3	1.7
Construction	18.2	63.6	18.2	100.0	45.5	1.8
Trade	0.0	72.7	27.3	100.0	72.7	2.0
Transport	27.3	45.5	27.3	100.0	18.2	1.6
Hotel and restaurants	36.4	45.5	18.2	100.0	9.1	1.6
Agricultural	9.1	72.7	18.2	100.0	64.6	1.9
Forestry	0.0	81.8	18.2	100.0	81.8	2.0
Household (housing loans)	9.1	63.6	27.3	100.0	54.5	1.9
Household (consumer loans)	0.0	81.8	18.2	100.0	81.8	2.0
Household (credit cards)	0.0	63.6	36.4	100.0	63.6	2.0

Note: The net percentage is defined as the difference between the banks responding "limited" and the banks responding "not limited". Average is calculated by assigning these values to corresponding banks response: "limited" — 1; "not limited" — 2.

5. During last quarter, how has the quality of loans to different segments changed?

	Greatly worsen	Slightly worsen	Almost unchanged	Slightly improved	Greatly improved	Not applicable	Total	Net percentage	Mean
Businesses	0.0	0.0	72.7	18.2	0.0	9.1	100.0	18.2	3.2
Natural persons: housing loans	0.0	0.0	54.5	18.2	0.0	27.3	100.0	18.2	3.3
Natural persons: consumer loans	0.0	0.0	63.6	18.2	0.0	18.2	100.0	18.2	3.2
Credit card holders	0.0	0.0	45.5	18.2	0.0	36.4	100.0	18.2	3.3

Note: The net percentage is defined as the difference between the sum of banks responding "greatly improved" and "improved" and the sum of banks responding "greatly worsen" and "worsen". Average is calculated by assigning these values to corresponding banks response: "greatly worsen" — 1, "slightly worsen" — 2, "almost unchanged" — 3, "slightly improved" — 4, "greatly improved" — 5.

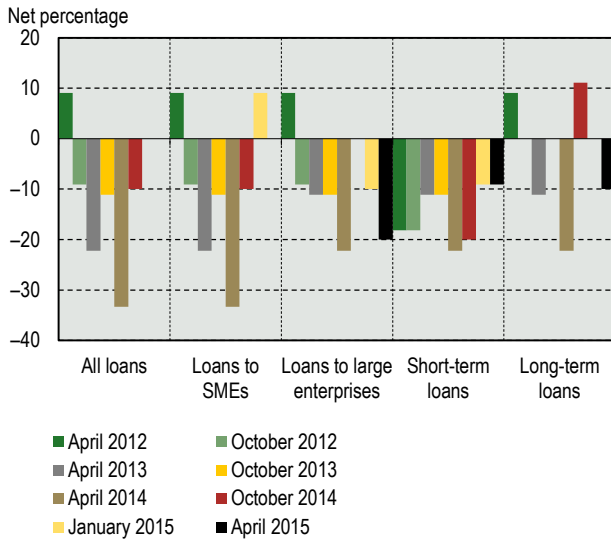
6. Over the coming quarter, how will the quality of loans to different segments change?

	Greatly worsen	Slightly worsen	Almost unchanged	Slightly improved	Greatly improved	Not applicable	Total	Net percentage	Mean
Businesses	0.0	18.2	54.5	18.2	0.0	9.1	100.0	0.0	3.0
Natural persons: housing loans	0.0	0.0	54.5	18.2	0.0	27.3	100.0	18.2	3.3
Natural persons: consumer loans	0.0	0.0	54.5	27.3	0.0	18.2	100.0	27.3	3.3
Credit card holders	0.0	0.0	45.5	18.2	0.0	36.4	100.0	18.2	3.3

Note: The net percentage is defined as the difference between the sum of banks responding "greatly improved" and "improved" and the sum of banks responding "greatly worsen" and "worsen". Average is calculated by assigning these values to corresponding banks response: "greatly worsen" — 1, "slightly worsen" — 2, "almost unchanged" — 3, "slightly improved" — 4, "greatly improved" — 5.

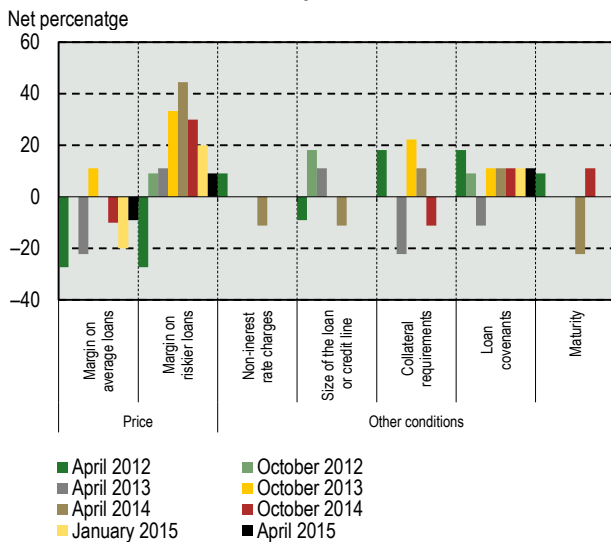
Annex 3. LONG TERM CHARTS OF THE BANK LENDING SURVEY

Chart 1. Development of credit standards as applied to loans and credit lines to enterprises



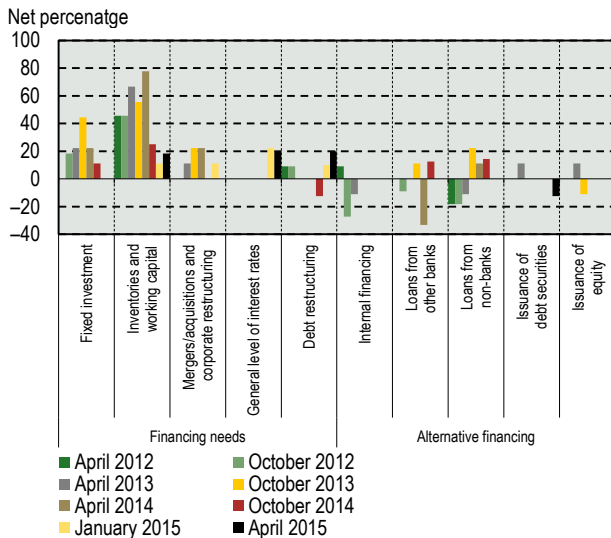
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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



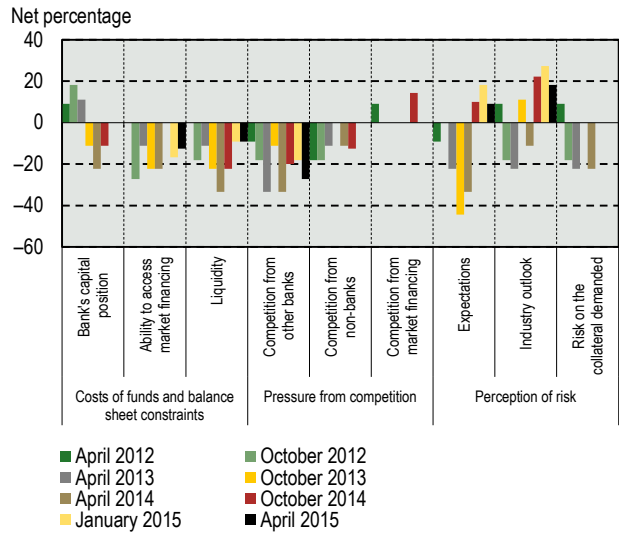
Source: Bank Lending Surveys and Bank of Lithuania calculations.

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



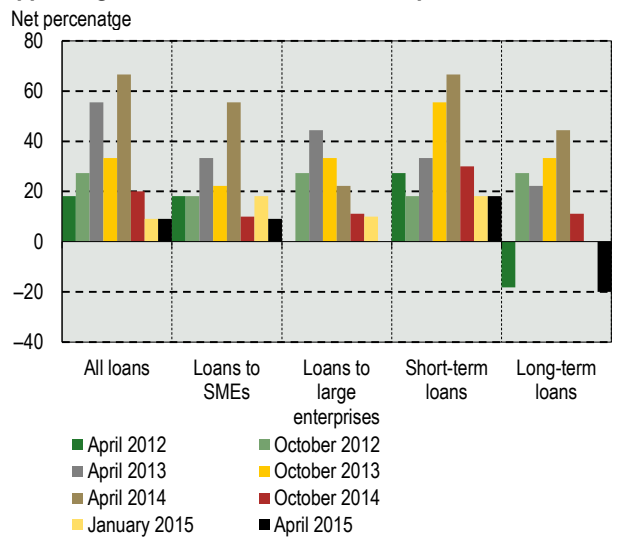
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 2. Factors affecting credit standards applied to the approval of loans and credit lines to enterprises



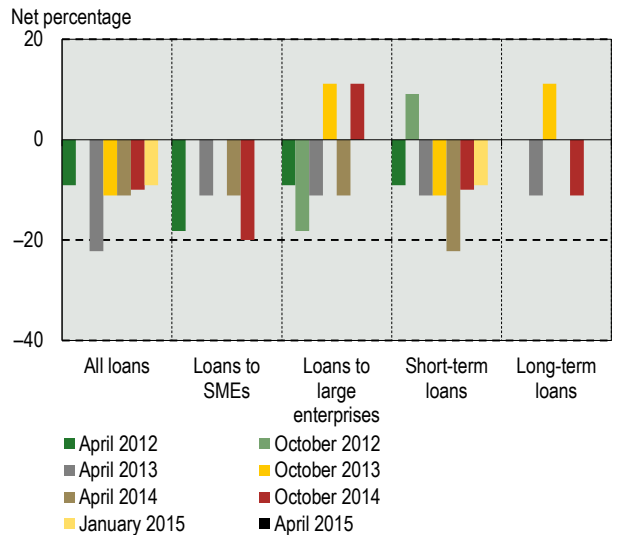
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 4. Changes in terms and conditions for approving loans and credit lines to enterprises



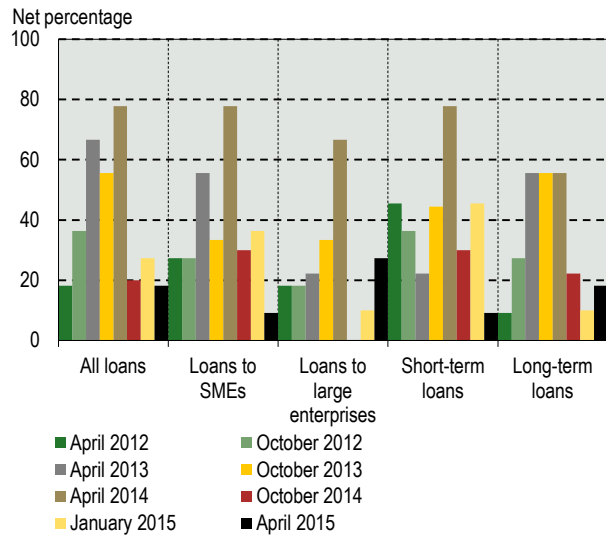
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 6. Changes in bank's credit standards and credit lines to enterprises over the next quarter



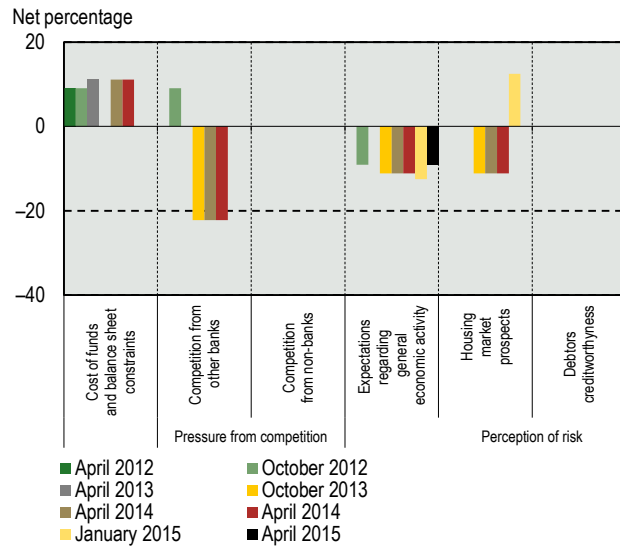
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 7. Changes in demand for loans and credit lines over the next quarter



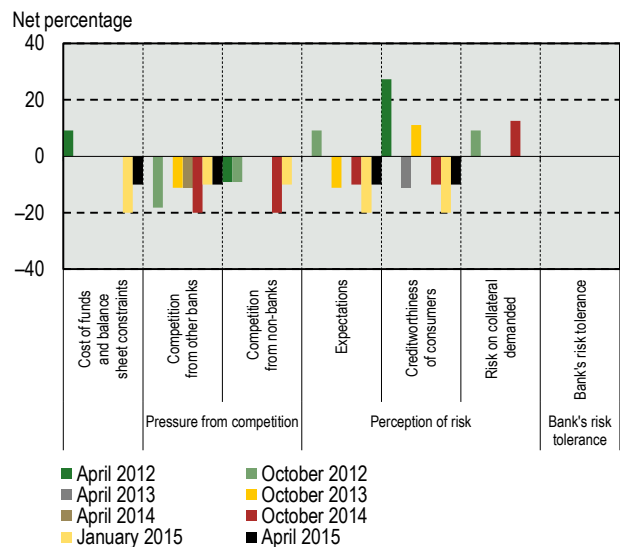
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 9. Factors affecting credit standards applied to the approval of loans to households for house purchase



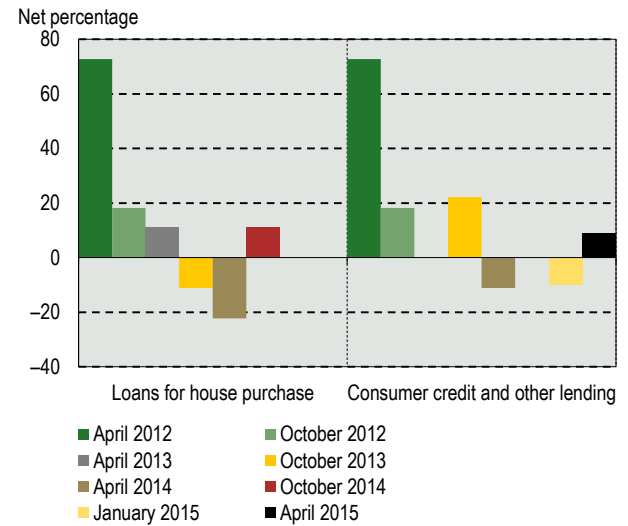
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 11. Factors affecting credit standards applied to the approval of consumer credit and other lending to households



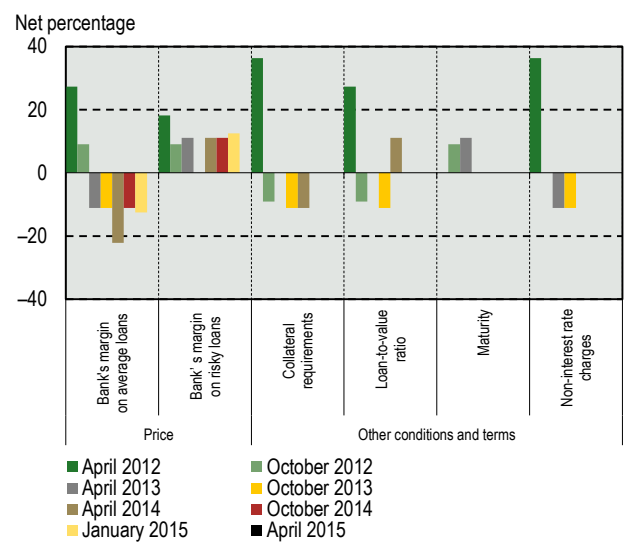
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 8. Changes in credit standards applied to the approval of loans to households



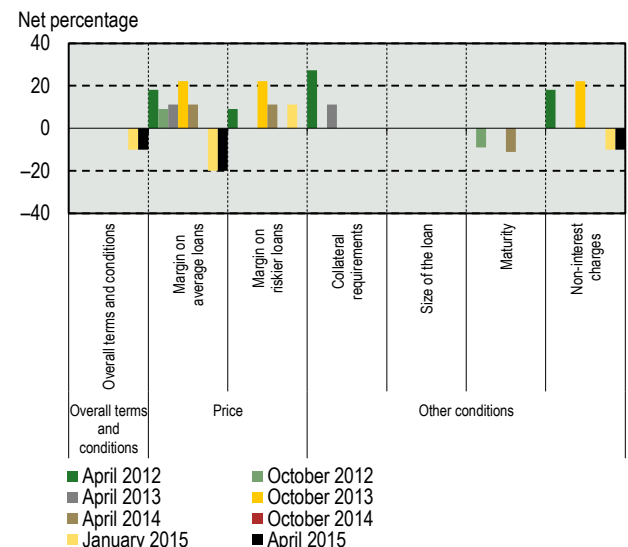
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 10. Changes in terms and conditions applied for approving loans to households for house purchase



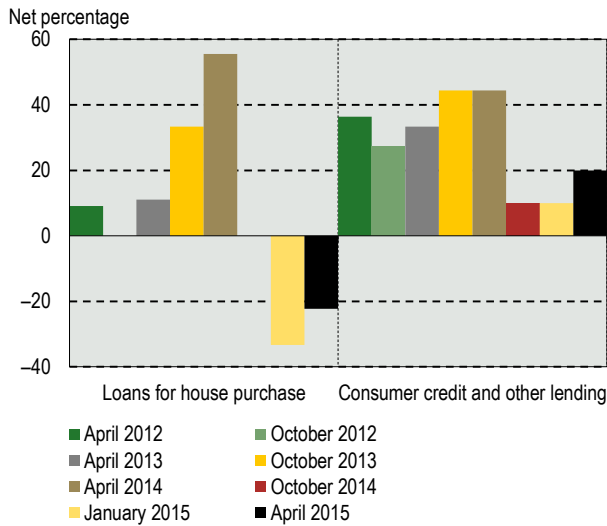
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 12. Changes in terms and conditions for approving consumer credit and other lending to households



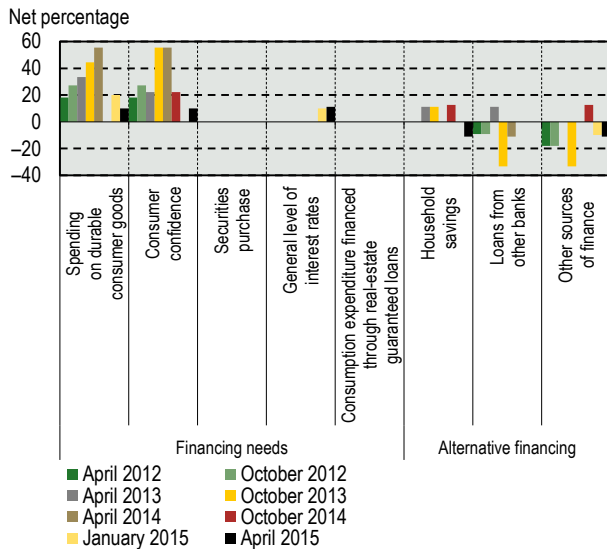
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 13. Changes in demand for loans to households



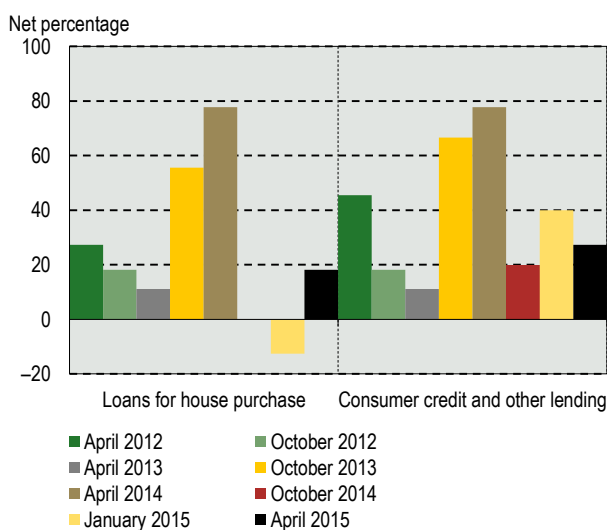
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 15. Factors affecting demand for consumer credit and other lending to households



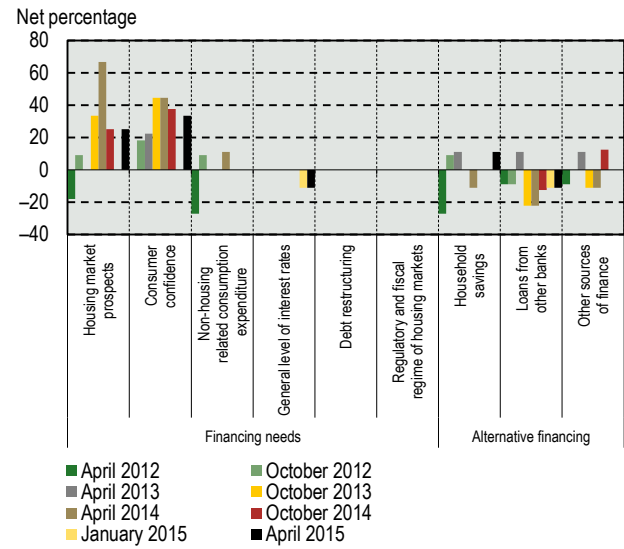
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 17. Changes in bank's expected demand for loans to households over the next quarter



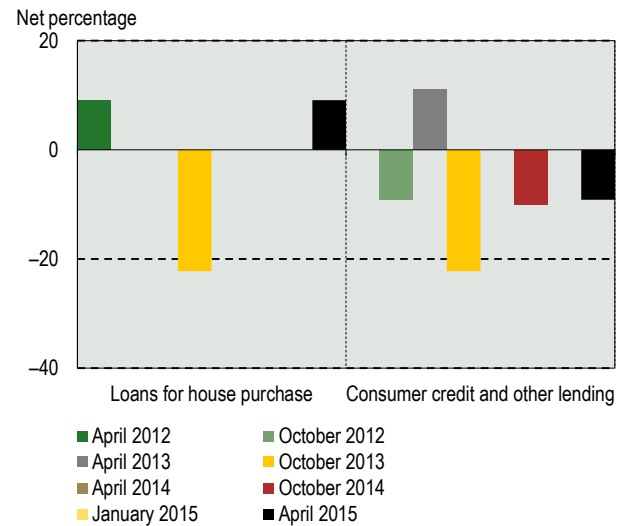
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 14. Factors affecting demand for loans to households for house purchase



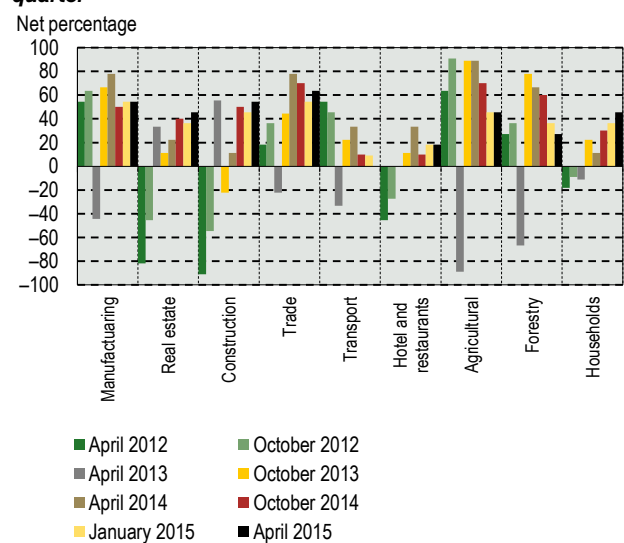
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 16. Change of bank's credit standards as applied to the approval of loans to households over the next quarter.



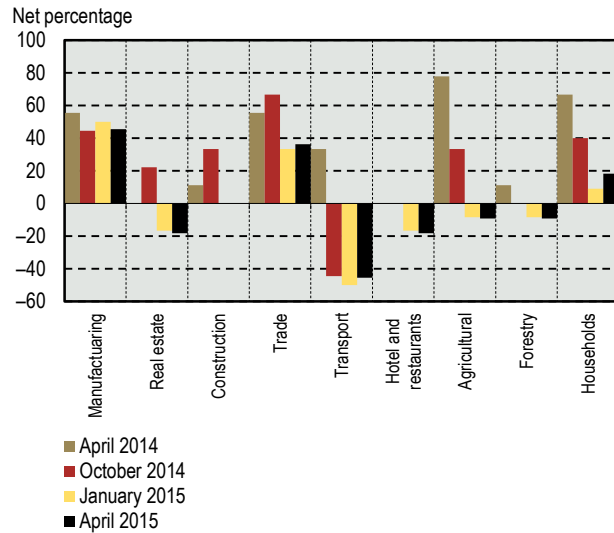
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 18. Changes in banks' valuation of enterprises and households financial situation over the last quarter



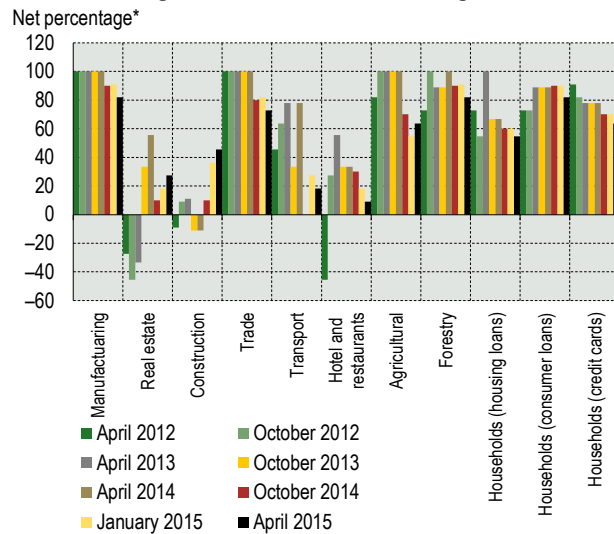
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 19. Changes in competition for corporate lending



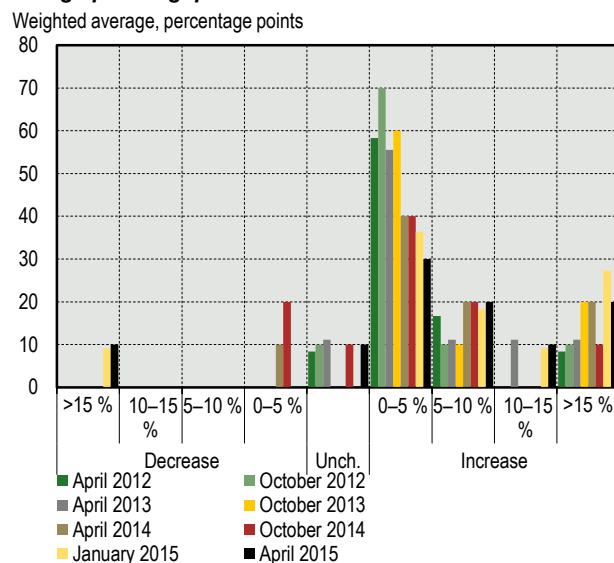
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 21. Changes in banks' limits for lending



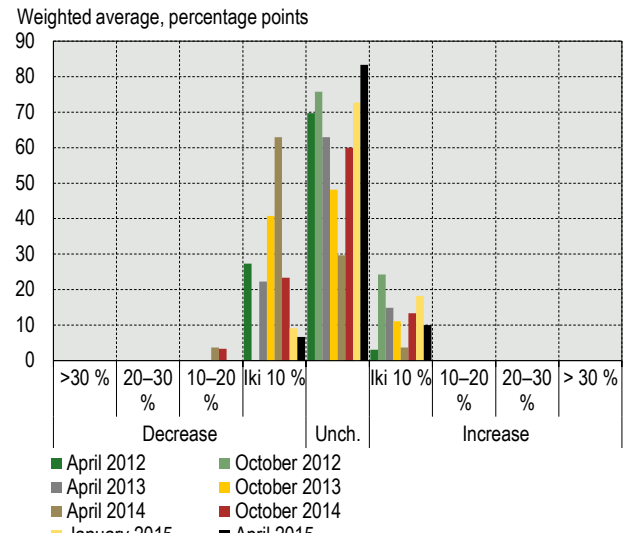
Source: Bank Lending Surveys and Bank of Lithuania calculations.
* difference between banks that did not limit credit and banks that did limit or not applicable

Chart 23. Changes in banks' issued loans quality during upcoming quarter



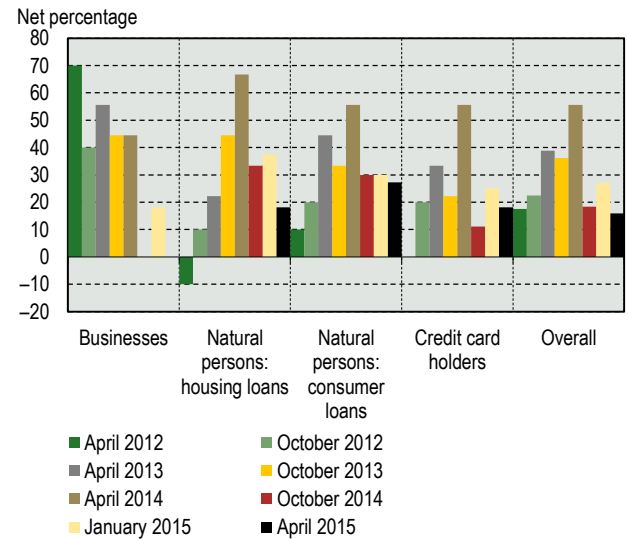
Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 20. Changes in real estate prices



Source: Bank Lending Surveys and Bank of Lithuania calculations.

Chart 22. Changes in banks' issued loans quality over the previous quarter



Source: Bank Lending Surveys and Bank of Lithuania calculations.