BANK LENDING SURVEY, OCTOBER 2007

1. Methods, Principles and Tasks of the Survey

The Bank of Lithuania presents a semi-annual Bank Lending Survey. Bank Lending Surveys are organised in order to obtain information on non-interest bearing loan conditions, lending costs and market expectations. This survey was conducted in October 2007. Respondents were 9 commercial banks and 2 foreign bank branches.

The banks were requested to indicate changes of lending conditions to households and non-financial enterprises over the period of end April 2007 to end-October 2007.[1] In their responses regarding the future situation, the banks were requested to assess changes of lending conditions a half-year in advance (October 2007- April 2008).

The Bank Lending Survey was addressed to senior commercial banks' loan officers. The presented opinions do not necessarily reflect those of the Bank of Lithuania or the position and assessments of individual staff members of the Bank.

When making general conclusions and calculating the percentage of banks that have chosen a particular version of given answers, responses of individual banks were as expert assessments treated similarly regardless their market share. The term ”tightened” means the difference between percentages of banks that tightened their lending conditions and the ones that eased them.

A net percentage is defined as the difference between the share of banks reporting that credit standards have been tightened (demand increased), and those reporting that they have been eased (demand decreased). That is, a positive net percentage indicates that a larger proportion of banks have tightened credit standards, and a negative net percentage indicates have eased credit standards. Similarly, the net percentage is interpreted in evaluation of changes in demand: a positive net percentage indicates increase in demand, and vice versus.

[1] This period covers six months, therefore, for convenience purposes it is further referred to as a half-year.

2. Summary of Results

I. LOANS AND CREDIT LINES TO ENTERPRISES

Credit standards. 45 per cent of bank-respondents reported that within the reporting half-year they had tightened general credit standards applied to enterprises (see Chart 1). Credit standards to small and medium-sized enterprises were tightened to a lesser degree (27% of the banks tightened these standards, and 9% – eased them). By contrast, more than a half of responding banks tightened credit standards to large enterprises. The conditions of long-term loans were tightened in particular (they were tightened by 82% of the banks).

Increase of risk was the main factor (see Chart 2) to drive net tightening of standards of lending to enterprises. According to the banks, expectations related with the general economic activity, assessment of industry or firm specific outlook and risk on the collateral demanded were equal contributors to the tightening of credit standards this half-year. Financing costs had almost no influence on changes of credit standards. However, pressure from competition due to which the banks were inclined to ease credit conditions in previous reporting periods was assessed this half-year as being less important, thus accounting for tightening of credit standards.

Regarding the terms and conditions of loans and credit lines (see Chart 3), the banks were liable to tighten all these terms and conditions, except the size of the loan or credit line, over the reporting period. Collateral requirements were tightened most of all (they were tightened by 64% of the banks). Also, the price of loans and credit lines was increased markedly (the margin was raised by 55% of the banks). The margin for risky customers continued to grow – it was increased by 64 per cent of the banks.

Loan demand. 55 per cent of responding banks reported a somewhat or considerable increase of the overall demand for loans to enterprises (see Chart 4). Not a single bank-respondent indicated a reduction of loan demand this half-year. Regardless tighter lending conditions as compared with the previous reporting period, a noticeable rise of the demand for long-term loans to enterprises was registered over the reporting period (this half–year 64% of the banks reported an increase of long-term loan demand, whereas in the previous reporting period – only 36%). A rise was observed in the demand for loans to small and medium-sized enterprises (45% of the banks reported to have observed this trend), and in the demand from large enterprises (27%, respectively). The smallest growth was registered in the demand for short-term loans (18%).

All factors related with financing needs of enterprises contributed to the rise of the demand for loans. According to 73 per cent of respondent banks, fixed investment was the largest driver of the demand for loans to enterprises this half-year. The demand for inventories and working capital was the second driver in the range of importance that determined the growth of the demand for loans to enterprises (64%).

Expectations. To the request to indicate how credit standards will change over the next half-year, 55 per cent of the banks reported their intentions to tighten lending conditions. Not a single bank reported its intention to ease conditions of credit to enterprises. Loan conditions to small and medium-sized enterprises was the only segment wherein credit standards the next half-year should remain unchanged. 36 per cent of the banks were disposed to tighten credit standards to large enterprises. 18 per cent of the banks reported that they would tighten credit standards on short-term loans, and 45 per cent of the banks – on long-term loans. The banks expect the largest increase of demand for loans to small and medium-sized enterprises (45%), and for short-term loans (45%) over the next half-year. According to the banks, the overall demand for loans to enterprises should grow less than over the previous half-year (36%).

II. LOANS TO HOUSEHOLDS

Loans for House Purchase

Credit standards. Over the reporting half-year, compared with the previous survey data, loan standards for house purchase continued to be tightened (see Chart 6). Net percentage of the banks that tightened their lending conditions stood at 27 per cent, whereas over the previous half-year this percentage amounted to 18.

The assessment of the factors affecting the issue of loans reveals that the tightening of credit standards on loans for house purchase was driven by increased perception of risk, i.e., the banks became more conservative in assessing the general economic activity and housing market prospects. Competition factors (see Chart 7) continued to entail an adverse effect, i.e., encouraged to ease credit standards but their impact over this half-year was weaker.

Terms and conditions of loans to households for house purchase (see Chart 8) suggest that banks tightened almost all credit standards, except loan maturity which eased somewhat (-9%) over the reporting half-year. The margin on loans for house purchase broadened (27%). The margin on riskier loans was increased in particular (55%). Collateral requirements were tightened as well (27%).

Loan demand. The respondent banks reported a rise of the demand for loans for house purchase (see Chart 11) over the reporting period. As in the Bank Lending Survey April 2007, 45 per cent of the banks were of the opinion that the demand of loans for house purchase grew somewhat or even considerably.

The consumer confidence factor (45%) entailed the largest effect on the growth of demand for loans for house purchase. Banks assessed the impact of housing market prospects differently, i.e., some of them were of the opinion that it was the demand-increasing factor; others treated it as the demand-reducing factor. Therefore, the net result indicated no impact of this factor on the demand for loans for house purchase. Other factors such as higher savings of the population, a possibility to be given a part of financing from other banks exercised a positive effect on the demand for loans for house purchase.

Expectations. Not a single bank from 11 respondents intended to ease credit standards when issuing loans for house purchase over the next half-year. 36 per cent of respondent banks were in favour of a somewhat tightening of credit standards. Only 9 per cent of the banks expect a rise of the demand for loans for house purchase. This is significantly less than in previous reporting periods.

Consumer Credit and Other Lending to Households

Credit standards. Standards applied to the approval of consumer credit and other lending to households remained unchanged over this reporting half-year as the factors affecting credit standards moved in opposite directions.

Competition factors (see Chart 9) contributed to easing of credit standards applied for the approval of consumer credits (competition from other banks -9%, and competition from non-banks -18%). However, competition from banks over the reporting period subsided. Perception of risks of consumer loans, in particular expectations related with the general economic activity (36%), and creditworthiness of consumers (36%) continued to deteriorate. Collateral risk was also estimated as increased (27%). Increased risks encouraged the banks to tighten credit standards.

Over the reporting period, all terms and conditions of consumer and other lending to households (see Chart 10), except maturity of these loans, were tightened. Consumer and other lending margin which was narrowing so far over all reporting periods, broadened during the reporting half-year (45%). Margins on riskier loans were raised in particular (73%).

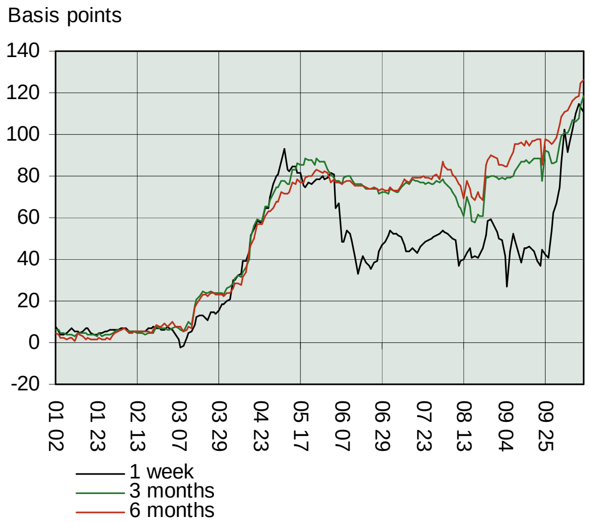
Loan demand. According to the survey results, demand for consumer and other lending to households (see Chart 11) continued to increase buoyantly (73%). As in pervious reporting periods, the major driver for the demand of consumer and other lending was consumer confidence factor (64%) and a wish to purchase durable consumer goods, such as cars, furniture, etc. (64%). As in the Bank Lending Survey April 2007, the purchase of securities had a positive impact (27%) on the increase of the demand for credit to households.

Expectations. In their responses about tightening of credit standards applied to consumer and other lending to households over the next half-year, the participating banks reported that they expected further tightening of credit standards (55%). However, not a single bank was of the opinion that the demand for consumer and other lending for households would reduce. According to the banks, the demand for these loans should grow over the next reporting period (55%). However, the number of banks expecting this increase was somewhat lower (in April, the growth of this indicator was envisaged by 73% of the banks).

III. AD -HOC QUESTIONS

In 2007, the differential between Lithuania's average interbank interest rates in litas VILIBOR and European interbank interest rates in euro EURIBOR increased markedly. For example, at the start of 2007, the differential of six-months VILIBOR and EURIBOR was 4 basis points, whereas on 15 October – 126 basis points. In April 2007, end of September and beginning of October 2007, this gap broadened in particular. With this in regard, the banks were requested about the main reasons behind the growth of the spread between VILIBOR and EURIBOR.

Differential between VILIBOR and EURIBOR



Sources: Bank of Lithuania; www.euribor.org

After the postponement of the introduction of the euro, borrowing of enterprises and households in the national currency had increased. This was one of the reasons reported by the majority of the banks because it determined a respective growth of the average interbank interest rates in litas VILIBOR. With stronger concerns about Latvia's economic sustainability and possible overheating at the start of 2007, respective changes in investors' attitudes had also an impact on the interest rate dynamics in Lithuania. In addition, some banks also noted that in the environment of growing economy, consumption and borrowing, economic imbalances have become evident and inflation increased. Also, the banks' perception of borrowers risk became tighter. Thus, these factors were behind a rapid growth of a price of financial resources denominated in litas, i.e., of interest rates.

The broadening differential between VILIBOR and EURIBOR within recent months has been also related with the emerged turmoil and liquidity shortage in the global financial markets, which occurred due to problems in the USA sub-prime lending sector. On the one hand, this pushed up both VILIBOR and EURIBOR. On the other hand, liquidity loans to banks issued by central banks of various countries, a reduction of the key interest rate by the U.S. Federal Reserve, and unchanged the ECB key interest rate decreased investors' concerns about the global liquidity crisis in the financial system. In October, EURIBOR decreased but VILIBOR continued to slightly rise due to the abovementioned factors in Lithuania. Therefore, the differential between VILIBOR and EURIBOR increased more.

Borrowing from parent banks is an important financing source of the Lithuanian banks. Recent turbulences in the global financial markets caused liquidity shortage in the European interbank market and a rise of the price of interbank lending. Thus, borrowing from parent banks is a potential channel to transmit the impact of the liquidity crisis in the global financial markets to the national economy. The banks were requested about the change of the price of resources obtained from parent banks and how this price could change over the nearest half-year and whether the size of financial resources given to a bank might be limited.

4 from 7 banks having parent foreign banks reported no change of the price of financial resources provided by parent banks. The price of such recourses in other banks increased. Among the respondents the opinion that over the nearest future the price of funding from parent banks should not change but it remains sensitive to the situation in interbank financial markets. All banks indicated that they had no grounds or information to consider that the size of funding provided by parent banks might change (reduce).

Regardless higher interest rates paid for litas loans, bank customers having been granted loans in litas had no major problems in repaying them back, if compared with the customers that had been given loans in euro. However, in response to the increased payments, a share of customers decided to change the currency of their loans. This phenomenon was more frequent among the households – more than a half (55%) of the banks reported that the tendency to change the loan currency had been observed. Enterprises were less disposed to react to interest rate changes – only 36 per cent of the banks reported that the tendency to change the loan currency had been observed in this segment. A less evident reaction of enterprises might be entailed by the fact, that, in comparison with the loans to the household, the share of euro loans to enterprises was bigger. Furthermore, usually litas loans to enterprises are meant for circulating funds needed in Lithuania. Therefore, lower interest rates in euro might not offset currency exchange costs.

The general assessment of the financial situation of enterprises and households changed somewhat, if compared with the previous half-year. The banks' assessment about the enterprise financial situation became more optimistic, while their estimation of the households situation became more conservative. In this survey, 64 per cent of the respondent banks reported that the situation of enterprises was stable, 36 per cent were of the opinion that it was improving. 73 per cent of respondent banks assessed the financial situation of households as stable, 18 per cent indicated that it was improving, and 9 per cent – it was deteriorating.

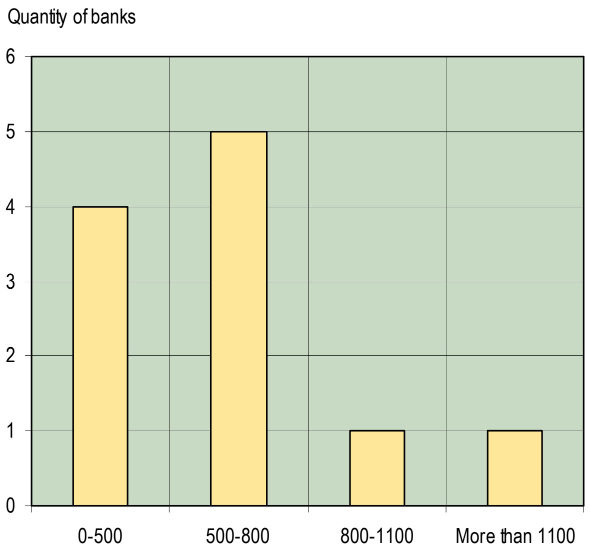
In order to find out the reasons behind the change of the quality of the loan portfolio, the banks were asked whether an increase of customers late to make their payments had been observed recently. 55 per cent of the respondents reported not to have observed such a phenomenon. Summary of the responses of other banks shows that the largest inclination to increase was observed in the number of households late to make their payments. In addition, 55 per cent of the survey respondents indicated that there were no strong grounds to expect deterioration of the quality of the loan portfolio or a rise of the number of customers late in their payments within the nearest half-year. Other banks pointed out that the number of customers late to make payments might increase and the bank loan quality might deteriorate due to the increasing key interest rates and higher consumption expenditure because of inflation as this may entail deterioration of the customers' solvency.

Co-financing of enterprises. EU funds meant for financing of various enterprise projects is an alternative source of financing to loans and profit. In this survey, the banks were requested to answer how many loans compared with the whole portfolio of loans to enterprise were the loans granted as additional funds to EU supported projects. Although a share of the banks could not answer this question due to the lack of statistical data, given responses indicate a small and immaterial share of such loans, i.e., they do not exceed 15 per cent of the portfolio of loans to enterprises.

In assessing changes of housing prices, **the majority (64%) of the respondent banks expected no change of housing prices over the nearest half-year.** 27 per cent of the respondents reported that housing prices might still grow by 2-10 per cent, while 9 per cent of the banks expected 5-10 per cent price decrease in the nearest half-year.

The ratio of loans for house purchase to collateral increased somewhat in 2007, if compared with previous reporting periods. In the majority of the banks (with certain exceptions) the ratio made up 60-70 per cent on average. The period during which the banks transferred funds for house purchase after the contract had been signed was rather different – from some days to a maximum period of 2.5 years (when a financed housing was still under construction). When financing a housing of an old construction, the transfer of funds to the seller's account usually lasted up to 1 month. The minimum monthly amount that should be left for one family member after deducting principal and interest payments of the loan for house purchase also differed in the banks. Some banks applied minimum requirements analogous to those foreseen by UAB Housing Loan Insurance (LTL 500 per capita in three largest cities, LTL 400 in other towns if a loan for house purchase is taken by one person). However, the majority of the banks applied tighter requirements. A share of the banks, particularly those that applied softer requirements, expected to review them and increase.

The minimum amount of income to be left with a person after deducting principal and interest payments for the loan for house purchase (when granting a loan for house purchase for one person in Vilnius), in litas



3. RESULTS FOR THE INDIVIDUAL QUESTIONS

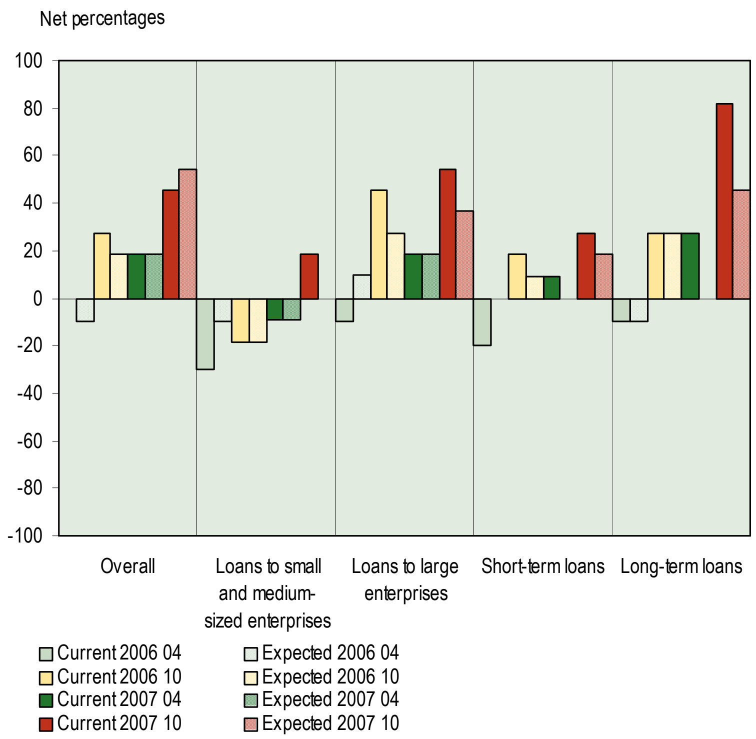
I. LOANS OR CREDIT LINES TO ENTERPRISES

1. Over the past six months, how have your bank's credit standards as applied to the approval of loans or credit lines to enterprises changed?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	0	0	0	0	0
Tightened somewhat	45	27	55	36	82
Remained basically unchanged	55	64	45	55	18
Eased somewhat	0	9	0	9	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	45	18	55	27	82
Number of banks responding	11	11	11	11	11

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".

Chart 1. Change in credit standards applied to the approval of loans or credit lines to enterprises

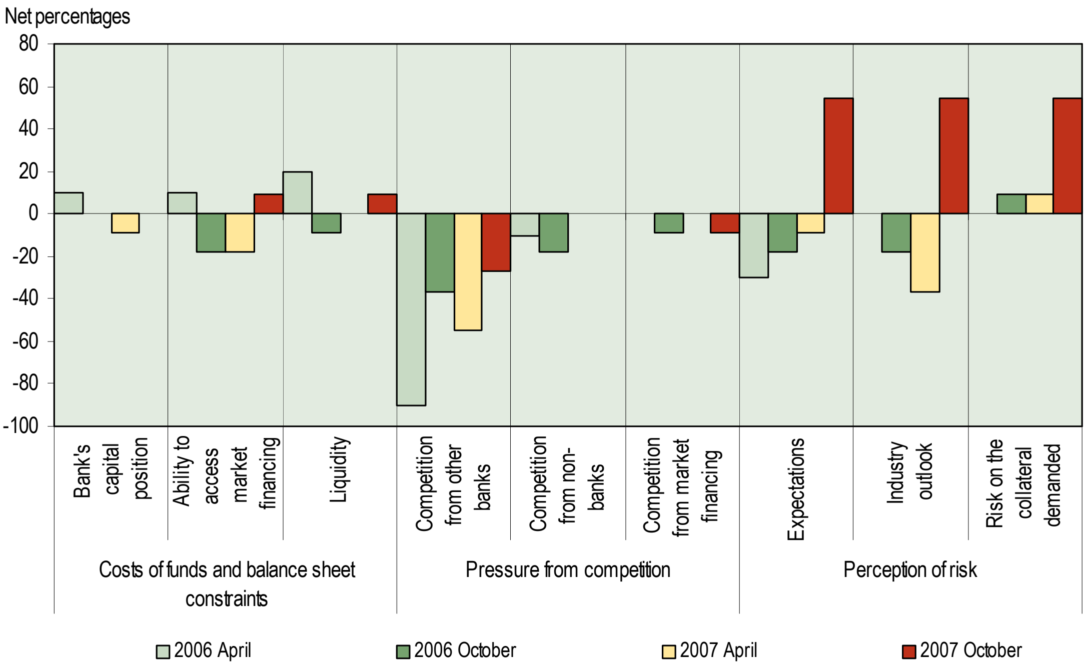


2. Over the last period, how the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises?

	--	-	0	+	++	NA	**NetP**
a) Costs of funds and balance sheet constraints							
Costs related to your bank's capital position	0	9	64	9	0	18	0
Your bank's ability to access market financing	0	27	27	18	0	27	9
Your bank's liquidity position	0	9	64	0	0	27	9
b) Pressure from competition							
Competition from other banks	0	0	64	27	0	9	-27
Competition from non-banks	0	0	82	0	0	18	0
Competition from market financing	0	0	73	9	0	18	-9
c) Perception of risk							
Expectations regarding general economic activity	0	64	18	9	0	9	55
Industry or firm-specific outlook	9	55	18	9	0	9	55
Risk on the collateral demanded	0	55	27	0	0	9	55

Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing), "0" means "contributed to basically unchanged credit standards", NA – not applicable.

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

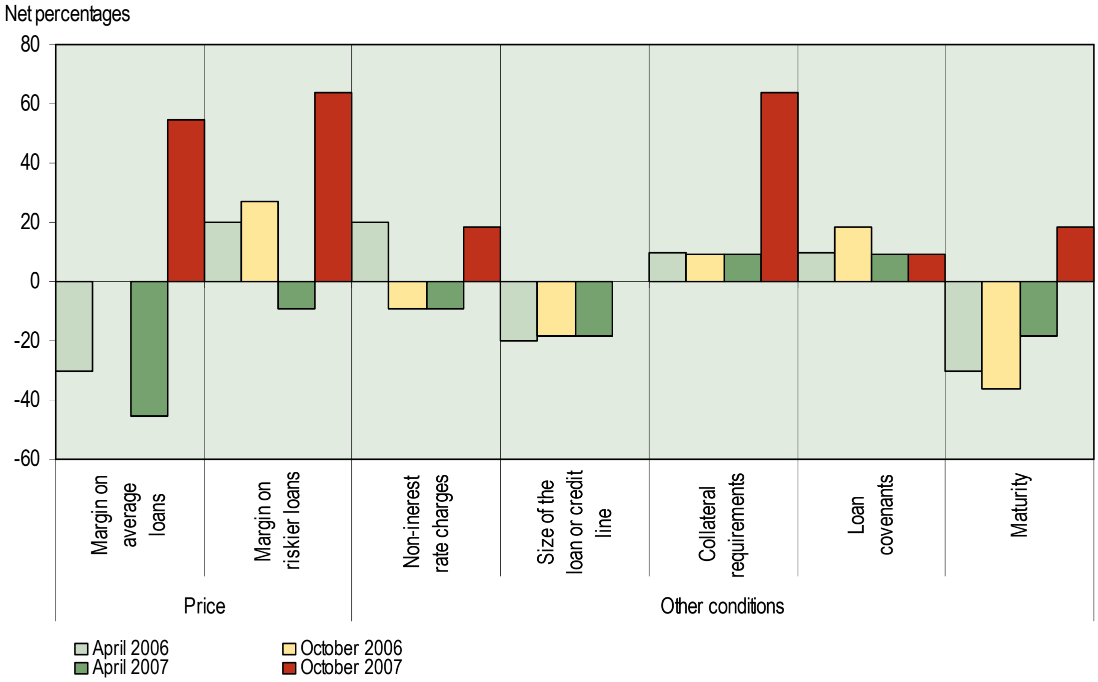


3. Over the past six months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	0	+	++	NA	NetP
a) Price							
Your bank's margin on average loans	0	55	45	0	0	0	55
Your bank's margin on riskier loans	0	64	36	0	0	0	64
b) Other conditions and terms							
Non-interest rate charges	0	18	82	0	0	0	18
Size of the loan or credit line	0	9	82	9	0	0	0
Collateral requirements	0	64	36	0	0	0	64
Loan covenants	0	9	91	0	0	0	9
Maturity	0	18	82	0	0	0	18

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "0" means "remained basically unchanged".

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

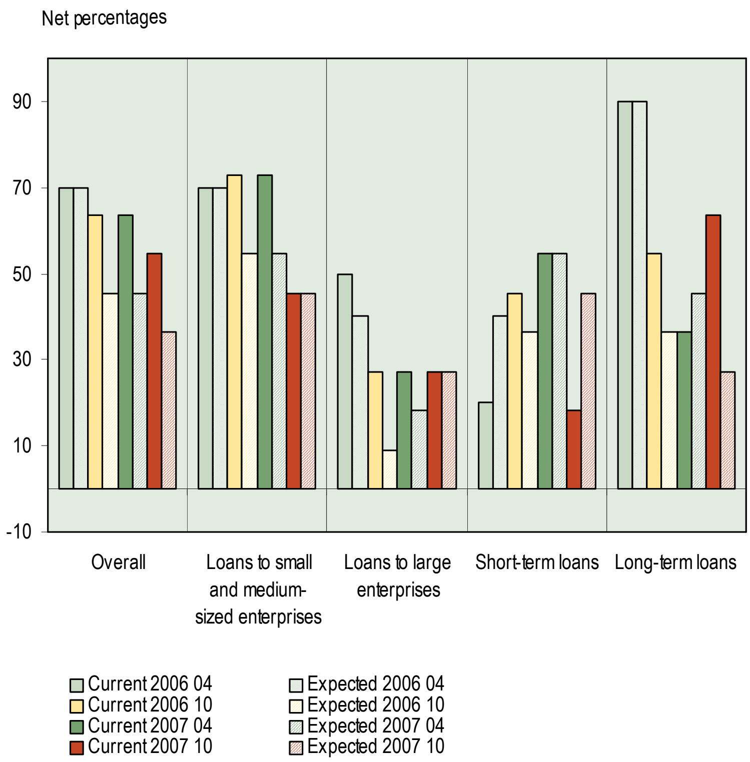


4. Over the past period, how has the demand for loans and credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	0	0	0	0	0
Decreased somewhat	0	0	0	0	0
Remained basically unchanged	45	55	73	82	36
Increased somewhat	45	27	9	9	36
Increased considerably	9	18	18	9	27
Total	100	100	100	100	100
Net percentage	55	45	27	18	64
Number of banks responding	11	11	11	11	11

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".

Chart 4. Demand for loans and credit lines to enterprises

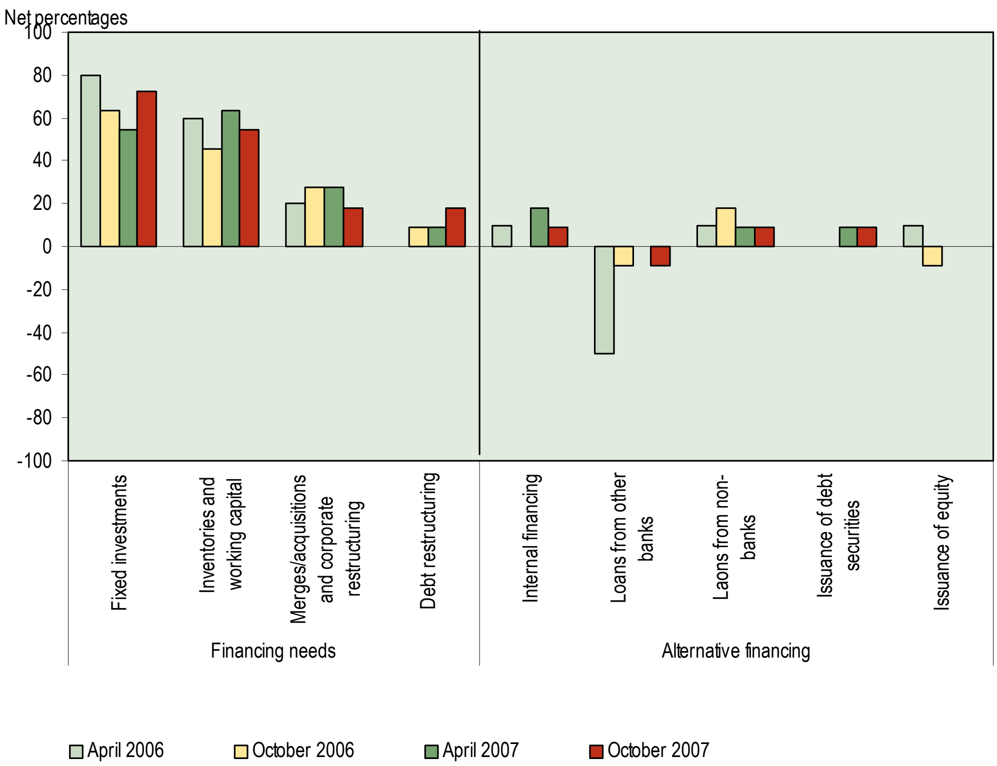


5. Over the past three months, how have the following factors affected the demand for loans or credit lines to enterprises?

	--	-	0	+	++	NA	NetP
a) Financing needs							
Fixed investment	0	0	18	64	9	9	73
Inventories and working capital	0	0	36	55	0	9	55
Mergers/acquisitions and corporate restructuring	0	0	73	18	0	9	18
Debt restructuring	0	0	73	18	0	9	18
b) Use of alternative finance							
Internal financing	0	0	82	9	0	9	9
Loans from other banks	0	27	45	18	0	9	-9
Loans from non-banks	0	0	73	9	0	18	9
Issuance of debt securities	0	0	64	9	0	27	9
Issuance of equity	0	0	64	0	0	36	0

Note: The "Net percentage" column 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 somewhat to lower demand) and "--" (contributed considerably to lower demand). "0" means "contributed to basically unchanged demand".

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



6. Please indicate how your bank's credit standards as applied to the approval of loans or credit lines to enterprises will change over the next six months

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	0	0	0	0	0
Tightened somewhat	55	9	36	18	45
Remained basically unchanged	45	82	64	82	55
Eased somewhat	0	9	0	0	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	55	0	36	18	45
Number of banks responding	11	11	11	11	11

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 percentages for "eased somewhat" and "eased considerably".

7. Please indicate how you expect demand for loans or credit lines to enterprises to change at your bank over the next six months (apart from normal seasonal fluctuations)

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	0	0	0	0	0
Decreased somewhat	9	0	0	9	9
Remained basically unchanged	45	55	73	36	55
Increased somewhat	45	45	27	55	27
Increased considerably	0	0	0	0	9
Total	100	100	100	100	100
Net percentage	36	45	27	45	27
Number of banks responding	11	11	11	11	11

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 percentages for "decrease somewhat" and "decrease considerably".

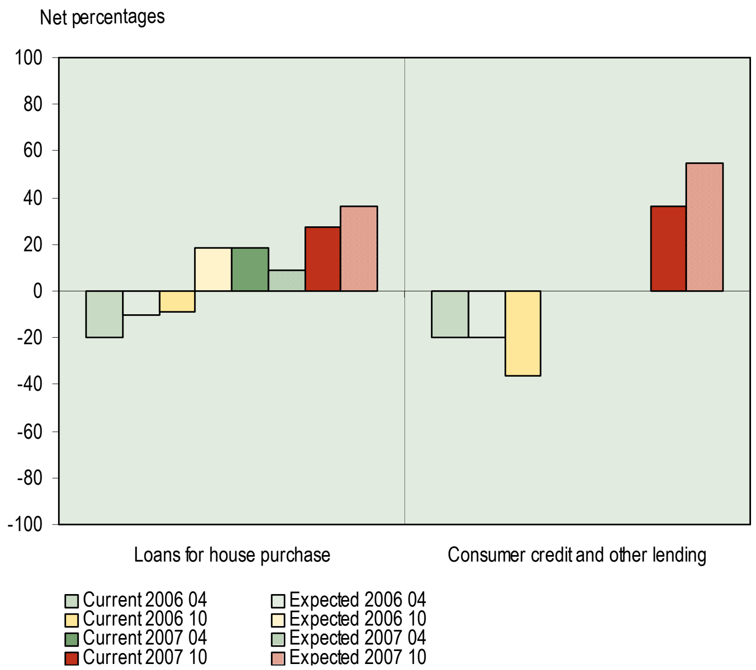
II. LOANS TO HOSEHOLDS

8. Over the past six months, 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	9
Tightened somewhat	36	36
Remained basically unchanged	55	45
Eased somewhat	9	9
Eased considerably	0	0
Total	100	100
Net percentage	27	36
Number of banks responding	11	11

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 percentages for "eased somewhat" and "eased considerably".

Chart 6. Change in credit standards applied to the approval of loans to households

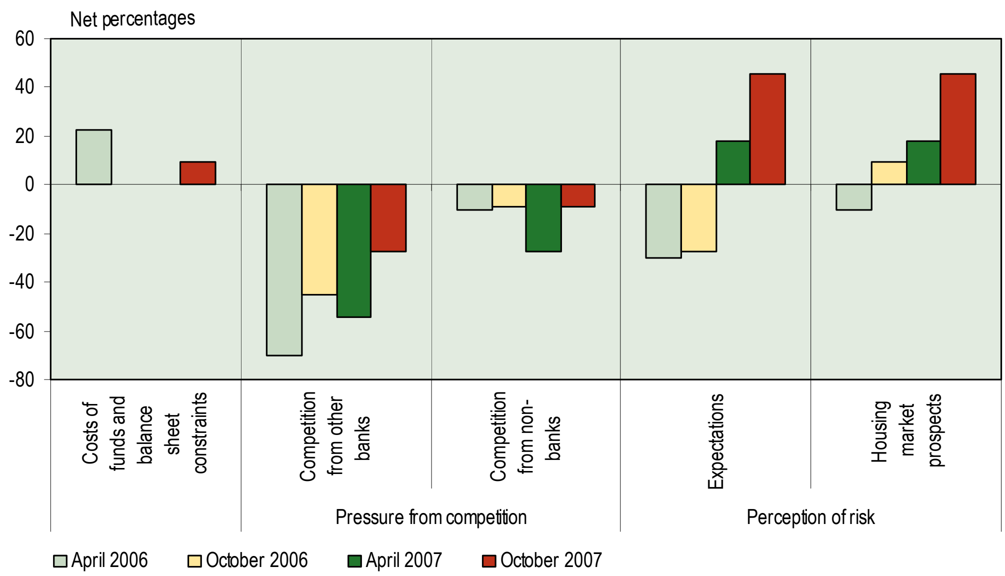


9. Over the past period, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	0	+	++	NA	**NetP**
a) Cost of funds and balance sheet constraints	0	9	82	0	0	9	9
b) Pressure from competition							
Competition from other banks	0	0	64	27	0	9	-27
Competition from non banks	0	0	73	9	0	18	-9
c) Perception of risk							
Expectations regarding general economic activity	0	55	27	9	0	9	45
Housing market prospects	0	55	27	9	0	9	45

Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing), "0" means "contributed to basically unchanged credit standards", NA – not applicable.

Chart 7. Factors affecting credit standards applied to the approval of loans to households for house purchase

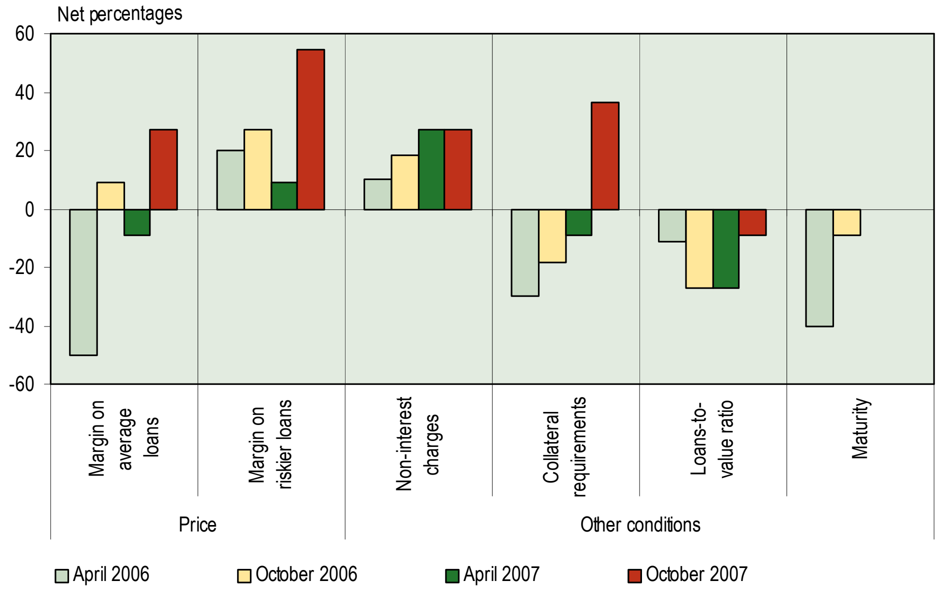


10. Over the pas six months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	0	+	++	NA	**NetP**
a) Price							
Your bank's margin on average loans	0	36	55	9	0	0	27
Your bank's margin on riskier loans	0	64	27	9	0	0	55
b) Other conditions							
Collateral requirements	0	27	73	0	0	0	27
Loans-to-value ratio	0	36	64	0	0	0	36
Maturity	0	9	73	18	0	0	-9
Non-interest charges	0	9	82	9	0	0	0

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "0" means "remained basically unchanged".

Chart 8. Conditions and terms for approving loans to households for house purchase

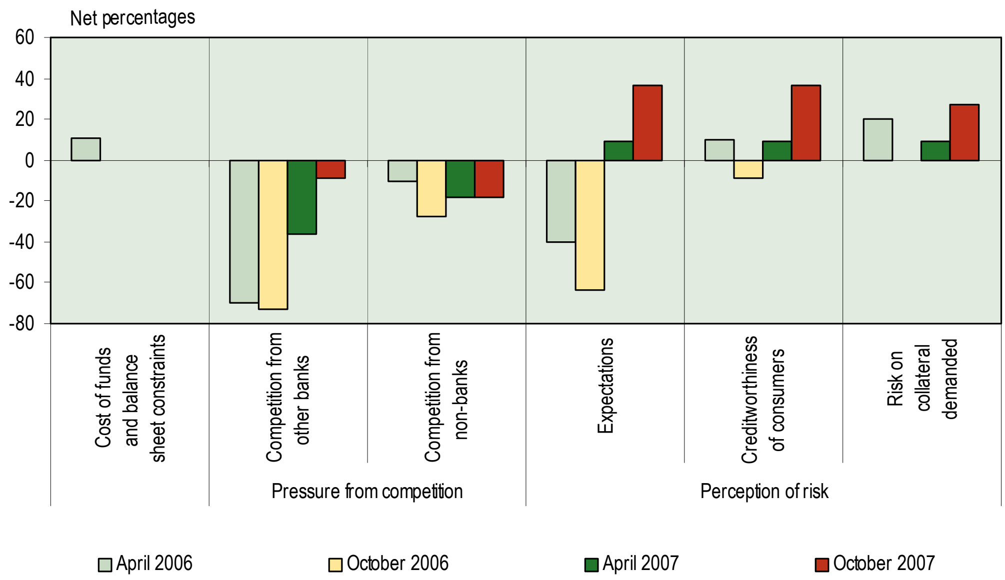


11. Over the past period, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

	--	-	0	+	++	NA	**NetP**
a) Cost of funds and balance sheet constraints	0	0	91	0	0	9	0
b) Pressure from competition							
Competition from other banks	0	9	64	18	0	9	-9
Competition from non-banks	0	0	73	18	0	9	-18
c) Perception of risk							
Expectations regarding general economic activity	0	45	36	9	0	9	36
Creditworthiness of consumers	0	36	55	0	0	9	36
Risk on the collateral demanded	0	27	55	0	0	18	27

Note: The "Net percentage" column is defined as the difference between the sum of "- -" (contributed considerably to tightening) and "-" (contributed somewhat to tightening), and the sum of "+" (contributed somewhat to easing) and "++" (contributed considerably to easing), "0" means "contributed to basically unchanged credit standards", NA – not applicable.

Chart 9. Factors affecting credit standards to the approval of consumer credit and other lending to households

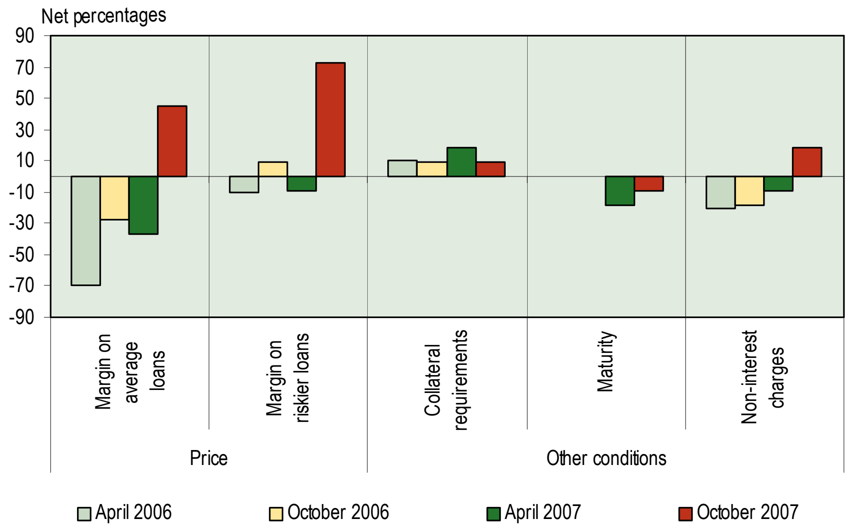


12. Over the past six months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	0	+	++	NA	**NetP**
a) Price							
Your bank's margin on average loans	0	55	27	9	0	9	45
Your bank's margin on riskier loans	0	73	18	0	0	9	73
b) Other conditions							
Collateral requirements	0	18	55	9	0	18	9
Maturity	0	0	82	9	0	9	-9
Non-interest charges	0	18	73	0	0	9	18

Note: The "Net percentage" column is defined as the difference between the sum of "--" (tightened considerably) and "-" (tightened somewhat), and the sum of "+" (eased somewhat) and "++" (eased considerably). "0" means "remained basically unchanged".

Chart 10. Conditions and terms for approving consumer credit and other loans to households

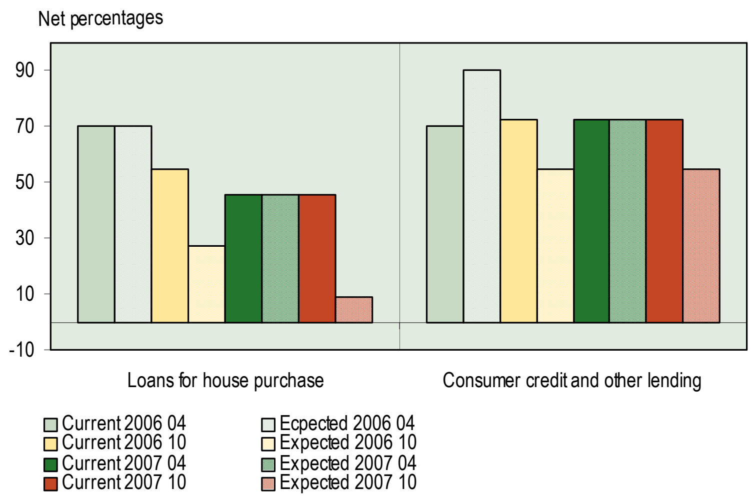


13. Over the past period, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	0	0
Decreased somewhat	9	9
Remained basically unchanged	36	9
Increased somewhat	45	73
Increased considerably	9	9
Total	100	100
Net percentage	45	73
Number of banks responding	11	11

Note: The net percentage is defined as the difference between the sum of the percentages for "increase considerably" and "increased somewhat" and the sum of percentages for "decreased somewhat" and "decreased considerably".

Chart 11. Change in demand for loans to households

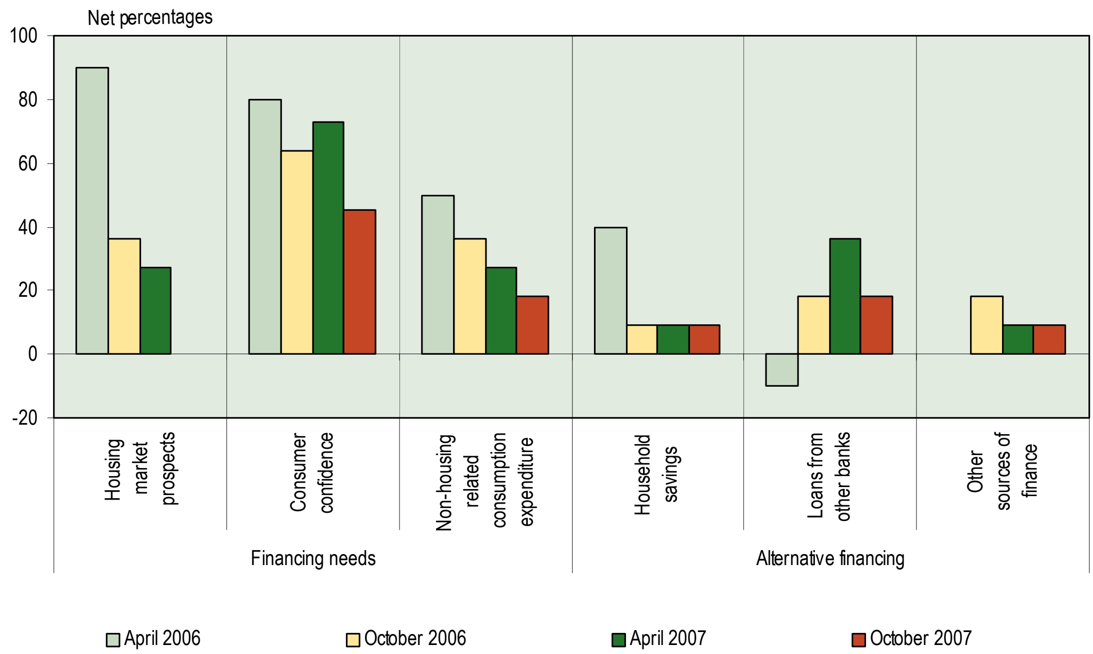


14. Over the past period, how have the following factors affected the demand for loans to households for house purchase?

	--	-	0	+	++	Na	**NetP**
a) Financing needs							
Housing market prospects	0	18	55	18	0	9	0
Consumer confidence	0	0	45	36	9	9	45
Non-housing related consumption expenditure	0	9	55	27	0	9	18
b) Use of alternative finance							
Household savings	0	0	82	9	0	9	9
Loans from other banks	0	9	55	27	0	9	18
Other sources of finance	0	0	82	9	0	9	9

Note: The "Net percentage" column 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 somewhat to lower demand) and "--" (contributed considerably to lower demand). "0" means "contributed to basically unchanged demand".

Chart 12. Factors affecting demand for loans to households for house purchase

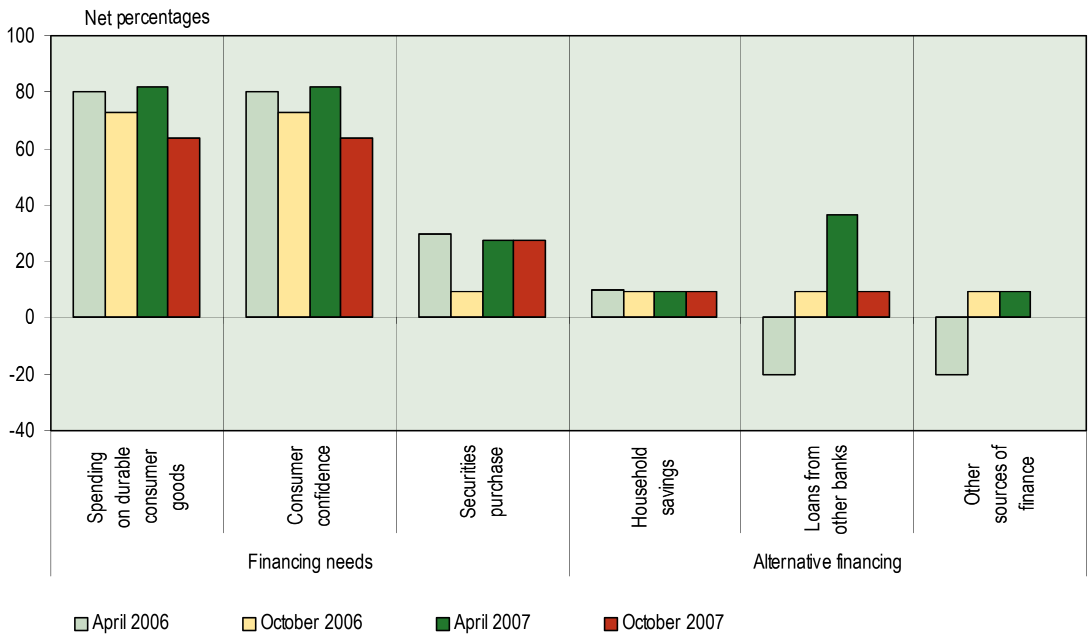


15. Over the past period, how have the following factors affected the demand for consumer credit and other lending to households?

	--	-	0	+	++	NA	NetP
a) Financing needs							
Spending on durable consumer goods	0	0	27	64	0	9	64
Consumer confidence	0	0	27	64	0	9	64
Securities purchase	0	0	64	27	0	9	27
b) Use of alternative finance							
Household savings	0	0	82	9	0	9	9
Loans from other banks	0	18	45	27	0	9	9
Other sources of finance	0	9	73	9	0	9	0

Note: The "Net percentage" column 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 somewhat to lower demand) and "--" (contributed considerably to lower demand). "0" means "contributed to basically unchanged demand".

Chart 13. Factors affecting demand for consumer credit and other lending to households



16. Please indicate how you expect your bank's credit standards as applied to the approval of loans to households to change over the next six months

	Loans for house purchase	Consumer credit and other lending
Tighten considerably	0	0
Tighten somewhat	36	55
Remained basically unchanged	64	45
Ease somewhat	0	0
Ease considerably	0	0
Total	100	100
Net percentage	36	55
Number of banks responding	11	11

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 percentages for "ease somewhat" and "ease considerably".

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

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	0	0
Decreased somewhat	9	0
Remained basically unchanged	73	45
Increased somewhat	9	45
Increased considerably	9	9
Total	100	100
Net percentage	9	55
Number of banks responding	11	11

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 percentages for "decreased somewhat" and "decreased considerably".

The Bank Lending Survey has been prepared by the Financial Stability Division of the Economics Department of the Bank of Lithuania. The staff members responsible for the preparation of the Survey are:

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