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BANK LENDING SURVEY, APRIL 2009

I. 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 conditions, lending costs and market expectations. This survey was conducted in April 2009. Respondents were 9 commercial banks and 3 foreign bank branches.

The banks were requested to indicate changes of lending conditions to households and non-financial enterprises during the period from the end of October 2008 to the end of April 2009. In their responses regarding the future situation, the banks were asked to assess changes of lending conditions for the period of six months ahead (April 2009 to October 2009).

The Bank Lending Survey provides the summarised opinion of senior loan officers of commercial banks, which does not necessarily represent the position and assessments of commercial banks and the Bank of Lithuania or its staff members.

When making general conclusions and calculating the percentage of banks that have chosen a particular version of given answers, responses of individual banks, as expert assessments, were given the same weight regardless of their market share.

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 means that a larger proportion of respondent banks have eased credit standards. The net percentage is similarly interpreted in the evaluation of changes in demand: a positive net percentage indicates an increase in demand, and vice versa.

Mean is defined as a weighted mean of answers with the following numeric values: “tightened (decreased) considerably” – 1; “tightened (decreased) somewhat” – 2; ”remained basically unchanged” – 3; “eased (increased) somewhat” – 4; “eased (increased) considerably” – 5. The value of the mean less than 3 means that credit standards were tightened by the majority of banks, the value of the mean greater that 3 means that credit standarts were eased by the majority of banks. Respectively, the mean value reflects credit demand changes. The mean value greater than 3 shows that demand has increased, the mean value less than 3 shows that credit demand has decreased.

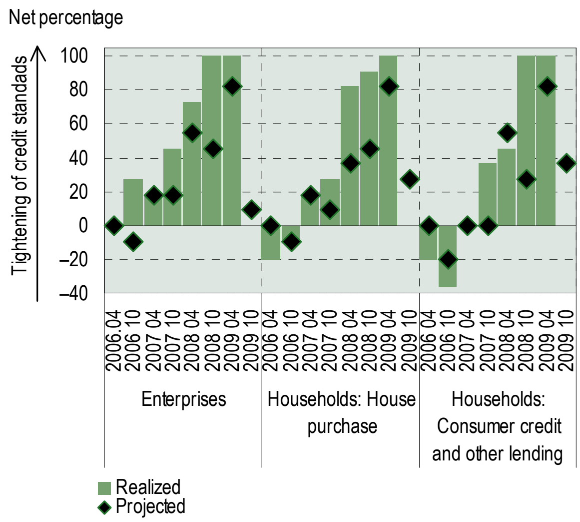
The term ”tightened” represents the percentage difference of the banks that tightened their lending conditions and the ones that eased them.

II. Summary of Results

The results of the Bank Lending Survey indicate that all banks tightened credit standards for all types of loans in the last six month. Such a high number of banks reporting to have tightened credit standards was observed for the second six-month period in a row. The main reason affecting the changes of banks' credit policy was the changing risk perception in the light of a fast slowdown of the global and domestic ecenomy growth and worsening future expectations. On the other hand, differently from October 2008, the interviewed banks do not plan tightening credit standards for enterprises, and the majority of them do not plan tightening the standards for granting housing and consumer loans during the next six months (see Chart 1).

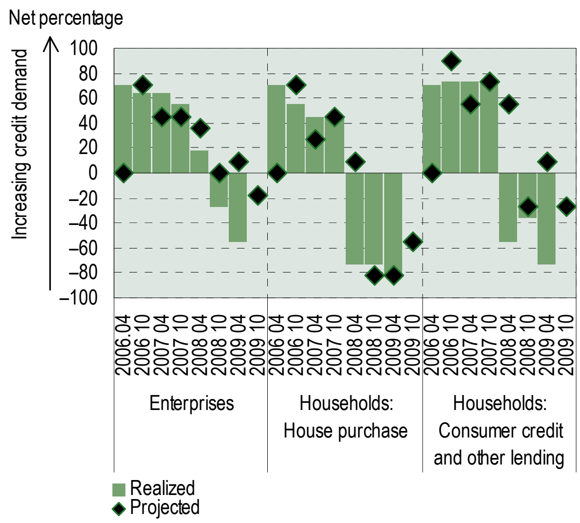
Acording to the senior bank staff, the demand for loans to enterprises and households has been declining for the third consecutive six-month period. The diminishing credit demand was mainly driven by enterprises' decisions to cut investment and unwillingness of households to bear additional financial liabilities owing to the negative macroeoconomical outlook, increasing unemployment and declining income. Banks expect that credit demand will decline further during the next six months, however, to a lesser extent, compared to the previous period (see Chart 2).

Chart 1. Banks' credit standards changes



Source: Bank Lending Survey, 2009 April.

Chart 2. Credit demand changes



Source: Bank Lending Survey, 2009 April.

Note: The net percentage in chart 1 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 net percentage in chart 2 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".

1. LOANS AND CREDIT LINES TO ENTERPRISES

General credit standards. All surveyed banks reported that they had tightened general credit standards applied to enterprises over the last six months. All respondents asserted that they had tightened financing conditions for large enterprises, and the majority (91%) of them – for small and medium-sized enterprises. All surveyed banks tightened credit standards for long-term and short-term loans. The number of banks that tightened general credit standards remained the same, compared with the results of the previous Bank Lending Survey (net percentage reaching 100%). Over the last six months, credit standards for large enterprises were tightened the same as in the previous period, whereas the number of banks tightening credit standards

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for small and medium-sized enterprises increased slightly (net percentage increased from 82% to 91%). Credit standards for long-term loans were also tightened the same as in the previous period (net percentage 100%), while the change of credit standards for short-term loans was marginal (net percentage increased from 91% to 100%). Looking at the results of the previous bank lending surveys, we can observe a tendency of tightening general credit standards for loans and credit lines to enterprises, which became particulary pronounced during the last year. However, differently from October 2008, now the majority of banks do not plan tightening credit standards considerably over the next six months (see Chart 9).

Over the reporting period, the **banks were inclined to continue tightening the terms and conditions of loans and credit lines to enterprises**. The majority of respondent banks reported that they had increased the price of both average and riskier loans and credit lines (net percentage 100% and 91%, respectively) and continued tightening collateral constraints (100%). In addition, the results of previously conducted bank lending surveys indicate a general trend to tighten other terms and conditions for loans and credit lines such as the amount, duration and additional commitments (see Chart 11).

In line with the results of the previous Bank Lending Survey, now surveyed banks have also indicated that the **changes in the perception of risk was the major factor that contributed to the tightening of credit standards** for loans or credit lines to enterprises. Accordingly, the expectations related to the general economic activity (100%), assessment of industry or firm-specific outlook (100%) and increased risk on the demanded collateral (100%) were the main contributors to the tightening of credit standards. The remaining difficult conditions to obtain financing in domestic and international markets and banks' intention to hold bigger liquidity and capital buffers have also contributed to the tightening of credit standards. Pressure from competition also contributed to the tightening of credit standards – same as during the previous period. The importance of financing costs and balance-sheet constraints remained more or less stable over the last six months (see Chart 10).

Loan demand. Banks reported that **net demand for loans and credit lines by enterprises decreased over the last six months** (net percentage was –55%). Negative growth of demand was observed for the second consecutive period of the survey. During this survey, 27% of respondents stated that the demand for loans and credit lines had decreased considerably over the last six months in their bank, 45% indicated that the demand decreased somewhat, and 36% reported that it remained unchanged. The surveyed banks did not notice any difference in the demand for loans to small and medium-sized enetrprises and large enterprises (net percentage of –64%; mean of –2.1 and 2.3, respectively). The demand decreased more for long-term loans than for short-term loans (net percentages of –55% and –36%; mean of – 2.1 and 2.6, respectively). Summarising the results of six previous bank lending surveys, it can be observed that the loan and credit line demand was rising buoyantly until October 2007 during the period of fast economic growth. Then its growth moderated, and since October 2008 the demand started declining in line with general domestic macroeconomic changes (see Chart 12).

Banks participating in the survey indicated that the decrease of fixed investment was the largest contributor to the decrease in the demand for loans to enterprises. Inventories, working capital and debt restructuring needs were the factors increasing the demand for loans to enterprises in the reporting period (net percentage of 18% and 55%, respectively). Tightening of alternative financing sources also contributed to the growth of demand for loans and credit lines. Compared with the results of previuos bank lending surveys, a large decline in the need of fixed investment financing was observed, while the need to restructure debt has been increasing considerably (see Chart 13).

Expectations. Requested to indicate how credit standards will change over the next 6 months, 18 per cent of the banks reported their intentions to tighten lending conditions slightly, 73 per cent do not plan any changes, and 9 per cent stated that they will ease them somewhat. Differently from the previous bank lending survey, when the majority of banks intended to tighten credit standards over the coming six months, this survey shows that the expectations of lending conditions have changed. Banks

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plan tightening credit standards somewhat to large enterprises (net percentage of 18%), whereas they intend to ease lending conditions somewhat for small and medium-sized enterprises (net percentage of –9%). Credit standards for short-term and long-term loans shall be tightened by 18 and 27 per cent of the surveyed banks, respectively. The banks expect the overall demand for loans to enterprises to decrease somewhat (net percentage of –18% mean of – 2.8), however, they also forecast that the credit demand of small and medium-sized enterprises and the demand for short-term loans will increase over the coming six months.

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2. LOANS TO HOUSEHOLDS

Loans for House Purchase

Credit standards. Over the last six months, compared to the data of previously conducted surveys, the banks continued to tighten credit standards applied to the approval of loans to households. All banks (100%) participating in the survey reported that they had tightened credit standards for loans for house purchase over the last six months (see Chart 14).

Changes in the perception of risk were indicated as the most influential factor affecting the tightening of credit standards for loans for house purchase, i.e. the banks became more conservative in their assessments of the general economic activity and housing market prospects. Funding costs and balance sheet constraints, as well as competition among banks also stimulated the tightening of credit standards (see Chart 15).

Changes in the terms and conditions of loans to households for house purchase suggest that the banks tightened or did not change credit standards, and not a single bank eased them. In addition, all respondent banks broadened the margin on an average loan, while the majority of banks (91%) increased the margin on riskier loans. All surveyed banks tightened collateral and loan-to-value ratio requirements. The majority of banks (73%) tightened duration and other non-interest conditions for housing loans (see Chart 16).

Loan demand. The surveyed banks reported that the **demand for loans for house purchase had been declining for the third six-month period in a row**. This was stated by 82 per cent of respondents (see Chart 19). More than a half of the banks (net percentage of –55%) expect a further decrease in the demand for loans to households.

According to the surveyed banks, negative housing market prospects (net percentage of –100%; mean of 1.4), declining consumer confidence (net percentage of –82%; mean of 1.5) and the increase in non-housing related consumption expenditure (net percentage of –100%; mean of 1.6) were the main factors contributing to a decreasing demand for loans for house purchase. Changes of household savings also contributed to the declining demand for loans for house purchase (net percentage of –36; mean of 2.5) (see Chart 20).

Expectations. The majority of surveyed banks intend not to change or even ease credit standards when issuing loans for house purchase over the next six months. 36 per cent of banks plan tightening credit conditions – more than two times less than during the previous bank lending survey. The majority of banks expect that the demand for housing loans will decrease over the coming six months, however differently from the previous period, some banks (9%) expect that the demand will increase slightly. It is worth mentioning that banks plan tightening credit standards for housing loans to a much lower extent, compared to their intentions six months ago.

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Consumer Credit and Other Lending to Households

Credit standards. Standards applied to the approval of consumer credit and other lending to households were tightened considerably for the second period in a row. All surveyed banks reported the tightening of credit standards applied to the approval of consumer credit and other lending (see Chart 14).

Changes in the perception of risk were indicated by the banks as the most influential factor affecting credit standards for consumer credit and other lending i.e. the banks became more conservative in their assessments of the general economic activity, creditworthiness of consumers and collateral risk. Financing costs and banks' intention to have sound balance sheet ratios also were the factors contributing to the tightening of credit standards. Competition-related factors had an insignificant effect on the tightening of credit standards (see Chart 17).

All the analysed terms and conditions of consumer loans and other lending to households were tightened or remained unchanged over the last six months (see Chart 18). Broadened margins on average and riskier consumer loans and other lending and stricter collateral requirements were the main drivers influencing this tightening.

Loan demand. Demand for consumer credit and other lending decreased over the reporting period (net percentgae of –73%; mean of 1.7) (see Chart 19). The main drivers of the decrease in the demand for consumer credit and other lending were lower spending on durable goods (net percentage of –82%; mean of 1.9), lower consumer confidence (net percentage of -82%; mean of 1.6) and a smaller demand for securities purchases (net percentage of –45%; mean of 2.4). The usage of alternative financing also exercised a negative impact on the growth of lending to households (see Chart 21).

Expectations. In their responses about the tightening of credit standards for consumer credit and other lending to households over the next 6 months, 45 per cent of the participating banks reported the intention of a further tightening, 45 per cent stated that the conditions will remain unchanged and 9 per cent planned easing them. The majority of respondents expect that the demand for consumer and other loans will decrease or remain basicaly unchanged (net percentage of –27%; mean of 2.5) over the coming six months. To conclude, banks plan tightening credit standards for consumer credit significantly less then they intended half a year ago, however, similarly as during the previous period, they do not expect that the demand for consumer credit will grow.

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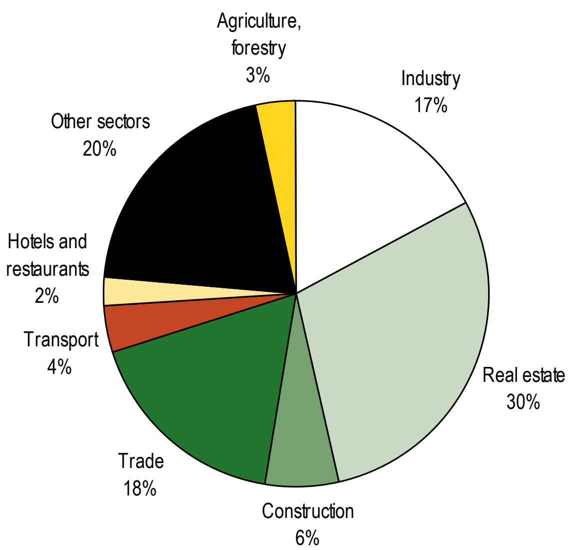
3. AD-HOC QUESTIONS

During each Bank Lending Survey, the Bank of Lithuania makes a list of additional questions. These questions are submitted to obtain more comprehensive information on financing conditions applied by banks and to identify the factors that may have an impact on the changes of credit standards in the future. This survey pays special attention to the analysis of the financial situation of the main domestic economic sectors and households and the assessment of the quality of loans granted to these sectors. The respondents were also asked to assess the impact of the global financial crisis on the activity of the domestic banking system.

Assessment of the Financial Situation of Enterprises and Households and Its Dynamics

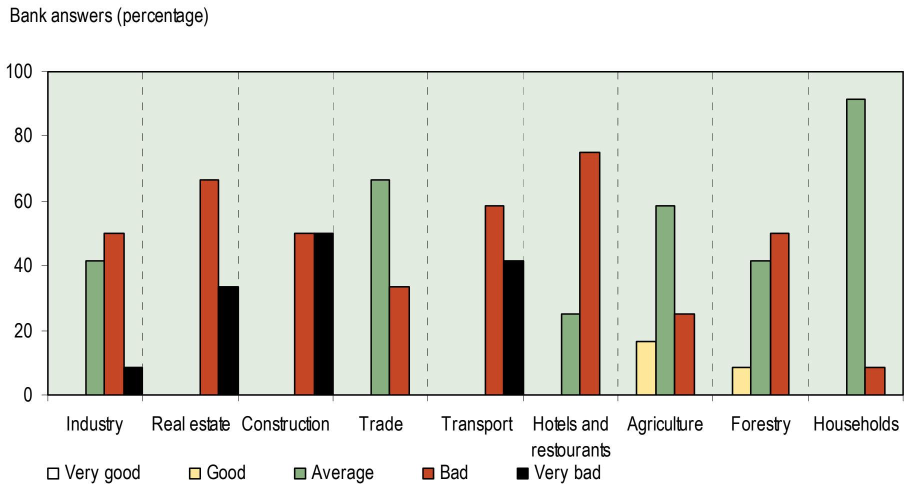
The banks that participated in the survey were requested to assess the financial situation of enterprises in key sectors of the domestic economy and households and its dynamics. This question was presented with the aim of obtaining the banks' assessments of the financial situation of enterprises in specific economic sectors and households and its outlook. Industrial, real estate, construction, trade, transport, hotels and restaurants, agriculture and forestry sectors were selected for the survey, since the loans granted by banks to these sectors make up 80 per cent of the total bank loan portfolio (excluding loans to households) (see Chart 3).

Chart 3. Bank loan portfolio of Lithuania by economic sector (excluding loans to households)



Financial situation. The banks that participated in the survey indicated that the financial situation of enterprises in the key economic sectors of Lithuania and households was average or bad. The best assessment of all sectors was given to agriculture and households. The assessment of the situation in the construction sector was most cautious. The assessment of the financial situation of real estate and transport sectors was similar. Most banks assessed the situation of trade and forestry sectors as average (see Chart 4). To conclude, it can be noted that the financial situation of enterprises and households is assessed as slightly deteriorating in the recent six months, compared to previous six months (see Chart 4).

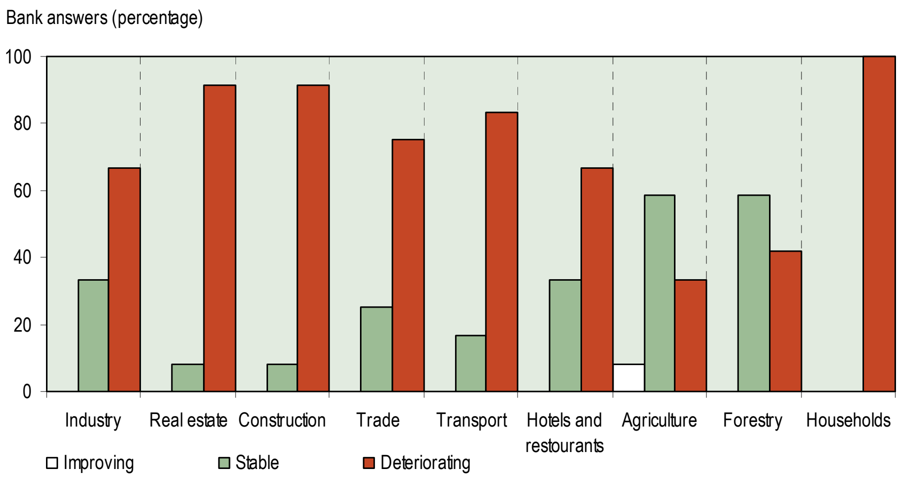
Chart 4. Assessment of the financial situation of enterprises in various economic sectors and households



Source: Bank Lending Survey, April 2009

Dynamics of the Financial Situation. The banks are conservative about the prospects of the financial situation of enterprises and households. Most respondents assessed the outlook of the financial situation in real estate, construction, transport, trade, industrial, hotels and restaurants sectors as negative. Banks assessed agriculture and forestry sectors more favourably. A larger part of respondents assessed the development of the financial situation in these sectors as stable, as in the previous survey. The outlook of the financial situation of households was assessed by all respondents as deteriorating (see Chart 5).

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



Source: Bank Lending Survey, April 2009

Prospects of the Domestic Real Estate Market

Expectations of real estate price changes. All banks that participated in the survey stated that real estate prices would decline in the nearest twelve months. The majority of respondents (42%) indicated that prices would decline by

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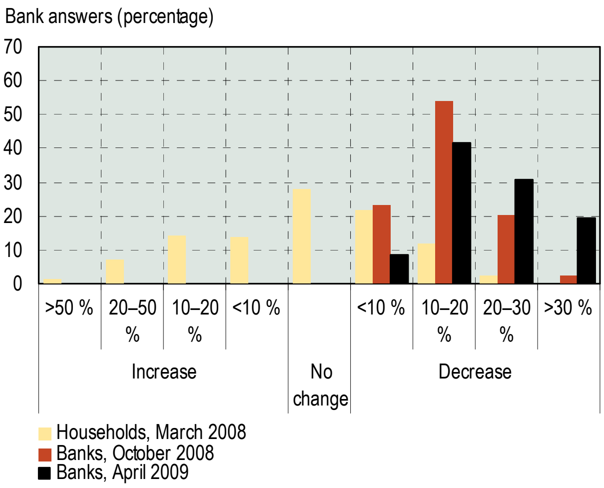
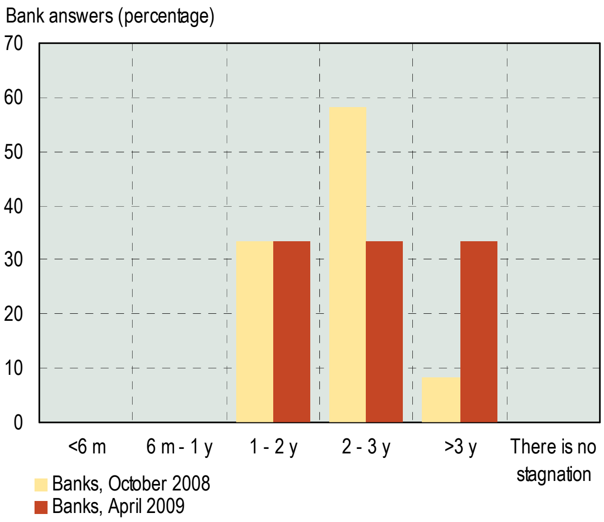
10 to 20 per cent, almost one third of banks stated that prices would drop by 20 to 30 per cent and one fifth of respondents forecasted that prices would fall by more than 30 per cent. The remaining respondents stated that the prices should not fall by more than by 10 per cent (see Chart 6). Compared to the results of the previous bank lending survey, currently banks think that real estate prices will fall more rapidly. Moreover, the numbers of banks forecasting that stagnation in the domestic real estate market will last 1 to 2, 2 to 3 and more than 3 years were equal. Compared to the previous bank lending survey, a larger number of respondents expecting the recovery of the real estate market only after 3 years has been observed (see Chart 7).

Chart 6. Expectations of real estate price changes in the nearest 12 months



Sources: Household and bank surveys conducted on behalf of the Bank of Lithuania.

Chart 7. Expectations of real estate market stagnation



Source: Bank Lending Survey, 2009 April.

Financing conditions

Granting of loans. All respondent banks indicated that in the last six months they tightened loan granting conditions to real estate and construction sectors. Most banks also indicated that they financed transport enterprises more cautiously, and slightly more than a half of banks noted that their financing of hotels and restaurants sector was more conservative. A larger part of respondents (55 per cent) also tightened the granting of consumer loans to households. The majority of banks granted loans to other business sectors without additional restrictions.

Changes of loan currency. Most surveyed banks indicated that they did not apply the pricing that restricts loan currency changes or other additional conditions that aggravate the possibilities of customers to change the currency of the loan. Respondents also stated that during the change of the loan currency the re-assessment of the borrower's risk is performed and a new interest margin is applied on the basis of the re-assessed risk.

Changes of housing loan conditions. Most banks participating in the survey indicated that they observed an increase in the number of changes of housing loan conditions related to the postponement or extension of the loan term and the change of loan currency.

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Quality of the Bank Loan Portfolio

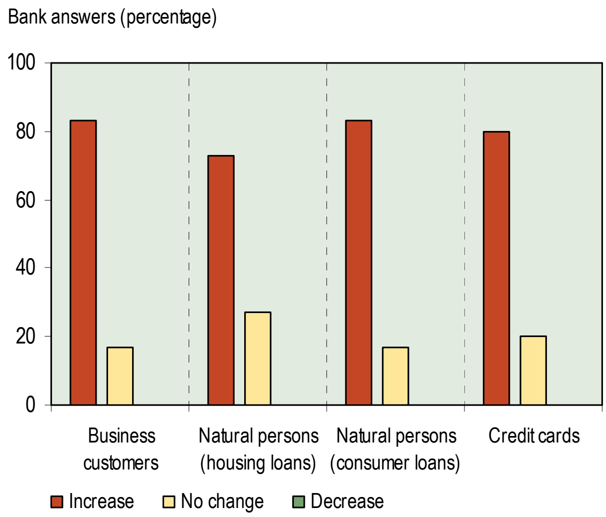
Loan quality by economic sector. When asked to designate economic sectors with the poorest quality of loans, the majority of the banks participating in the survey pointed out real estate and construction sectors, same as in the previous survey. Some respondents also indicated transport, production and trade areas, where the loan quality was affected most negatively by the current domestic and global economic developments.

Settlement of payment liabilities to banks. In this Bank Lending Survey, same as in the previous one, most respondents noticed an increasing number of customers with overdue payments. The majority of banks noted that the number of customers with overdue payments was increasing among business customers and natural persons with consumer loans. A slightly smaller portion of banks stated that the number of overdue loans of natural persons with housing loans and credit card holders was increasing (see Chart 8).

A half of respondent banks observed an increase in the share of loans insured by the housing loan insurance company UAB "Būsto paskolų draudimas" in the total loan portfolio. Banks thus become more secured against the risk of customer default.

According to the survey, banks forecast similar developments of the loan portfolio quality indicators in the coming six months. Respondents think that these changes are mainly determined by the following factors: deterioration of the macroeconomic prospects, stagnation of the real estate market and growing unemployment. In response to the forecasts of deterioration of the loan portfolio quality, more than a half of the surveyed banks indicated that they established or intended to establish in the coming six months specialised companies for the management of the real estate taken over from insolvent customers. Several respondents stated they were considering the establishment of such companies.

Chart 8. Dynamics of the number of bank customers with overdue payments



Source: Bank Lending Survey, 2009 April.

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Impact of the Recent Financial Turmoil on the Domestic Banking System

The global financial crisis and related instability in the global financial market did not have any significant direct impact on the banking system of Lithuania. However, same as in the previous survey, the majority of respondents indicated that the global financial market turmoil had an indirect impact on the domestic banking system. Most of the surveyed banks pointed out that the largest negative impact of the global financial crisis was related to higher financing costs from such external sources as interbank and capital markets. Poorer possibilities of obtaining the financing from international markets induced banks to borrow in the domestic market by attracting deposits of natural and legal persons. Over the next half of the year, banks intend to continue active competition in attracting the deposits of non-financial customers. The rising bank borrowing costs reduced in most banks the internal margin between the prices of financial resources attracted and loans granted, thus also reducing the volumes of profit generated by banks. Banks also indicated that the global financial turmoil was one of the factors that had a large impact on the tightening of the applicable risk assessment standards and thus the credit standards.

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III. Results for individual questions

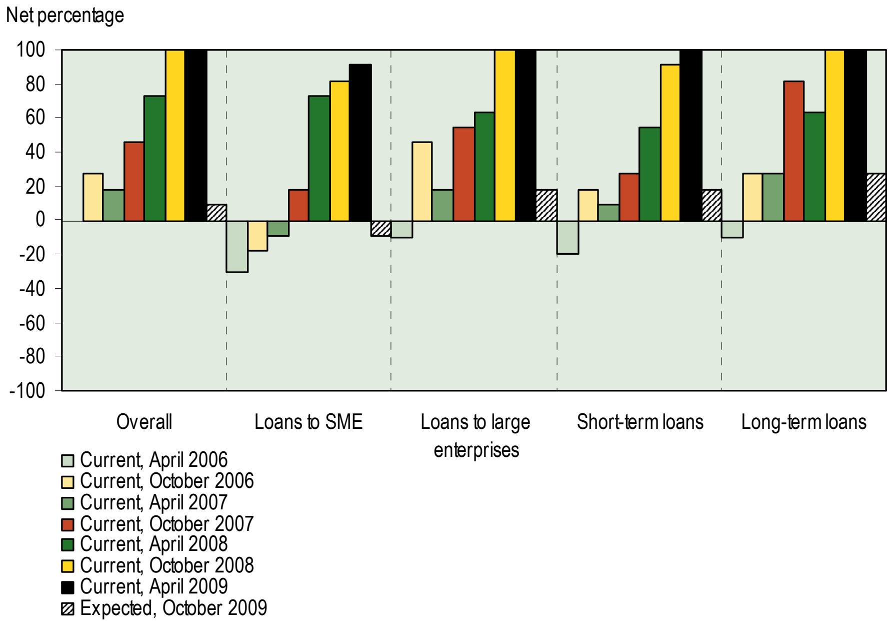
1. LOANS OR CREDIT LINES TO ENTERPRISES

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 SME[1]	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	55	27	45	18	55
Tightened somewhat	45	64	55	82	45
Remained basically unchanged	0	9	0	0	0
Eased somewhat	0	0	0	0	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	100	91	100	100	100
Mean	1.5	1.8	1.5	1.8	1.5

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". Mean is defined as a weighted mean of answers with the following numeric values: "tightend considerably" – 1; "tightened somewhot" – 2; "remained basically unchanged" – 3; "eased somewhat" – 4; "eased considerably" – 5.

Chart 9. Change in credit standards applied to the approval of loans or credit lines to enterprises



[1] Small and medium enterprises

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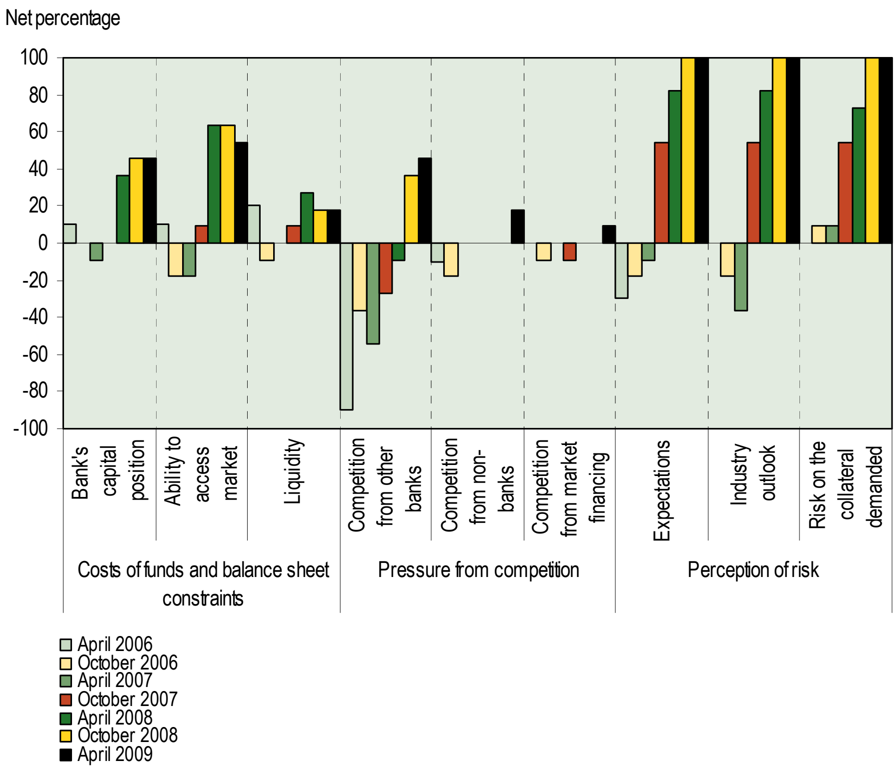
2. Over the past six months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises (as described in question 1 in the column headed "Overall")?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Costs of funds and balance sheet constraints								
Costs related to bank's capital position	0	45	36	0	0	9	45	2.4
Bank's ability to access market financing	18	36	36	0	0	0	55	2.2
Bank's liquidity position	18	9	55	9	0	0	18	2.6
b) Pressure from competition								
Competition from other banks	9	36	45	0	0	9	45	2.4
Competition from non-banks	0	18	64	0	0	18	18	2.8
Competition from market financing	0	9	55	0	0	36	9	2.9
c) Perception of risk								
Expectations regarding general economic activity	73	27	0	0	0	0	100	1.3
Industry or firm-specific outlook	82	18	0	0	0	0	100	1.2
Risk on the collateral demanded	55	45	0	0	0	0	100	1.5

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. Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to tightening" – 1; "contributed somewhat to tightening" – 2; "had no influence on credit standards changes" – 3; "contributed somewhat to easing" – 4; "contributed considerably to easing" – 5.

Chart 10. Factors affecting credit standards applied to the approval of loans or credit lines to enterprises



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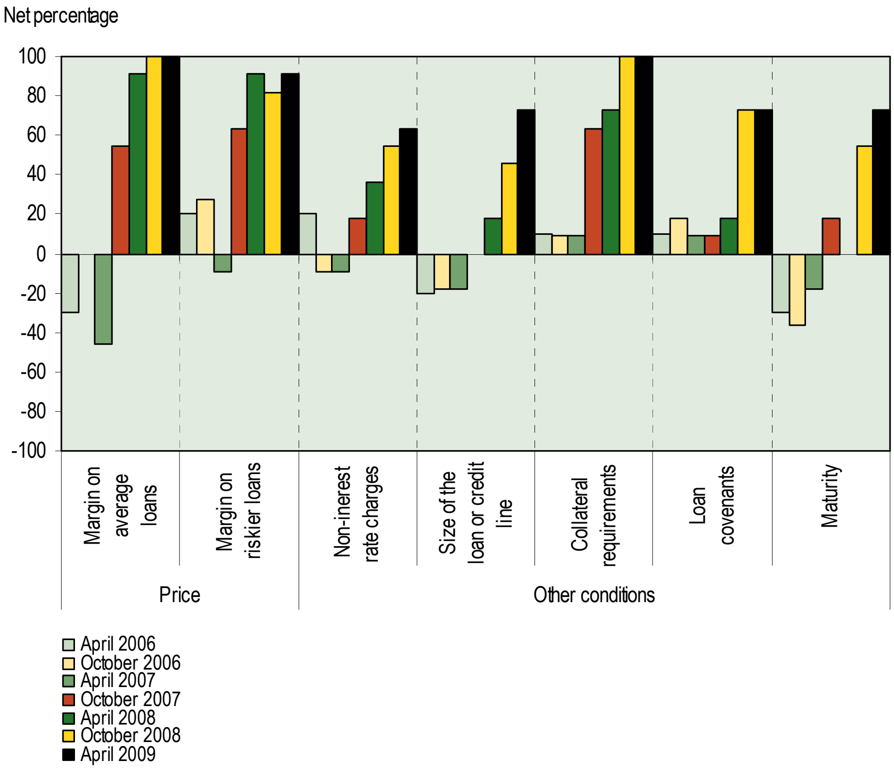
3. Over the past six months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Price								
Bank's margin on average loans	36	64	0	0	0	0	100	1.6
Bank's margin on riskier loans	73	18	0	0	0	9	91	1.2
b) Other conditions and terms								
Non-interest rate charges	9	55	36	0	0	0	64	2.3
Size of the loan or credit line	18	55	27	0	0	0	73	2.1
Collateral requirements	18	82	0	0	0	0	100	1.8
Loan covenants	18	55	27	0	0	0	73	2.1
Maturity	27	45	27	0	0	0	73	2.0

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". Mean is defined as a weighted mean of answers with the following numeric values: "tightend considerably" – 1; "tightened somewhot" – 2; "remained basically unchanged" – 3; eased somewhat" – 4; "eased considerably" – 5.

Chart 11. Change in conditions and terms for approving loans or credit lines to enterprises



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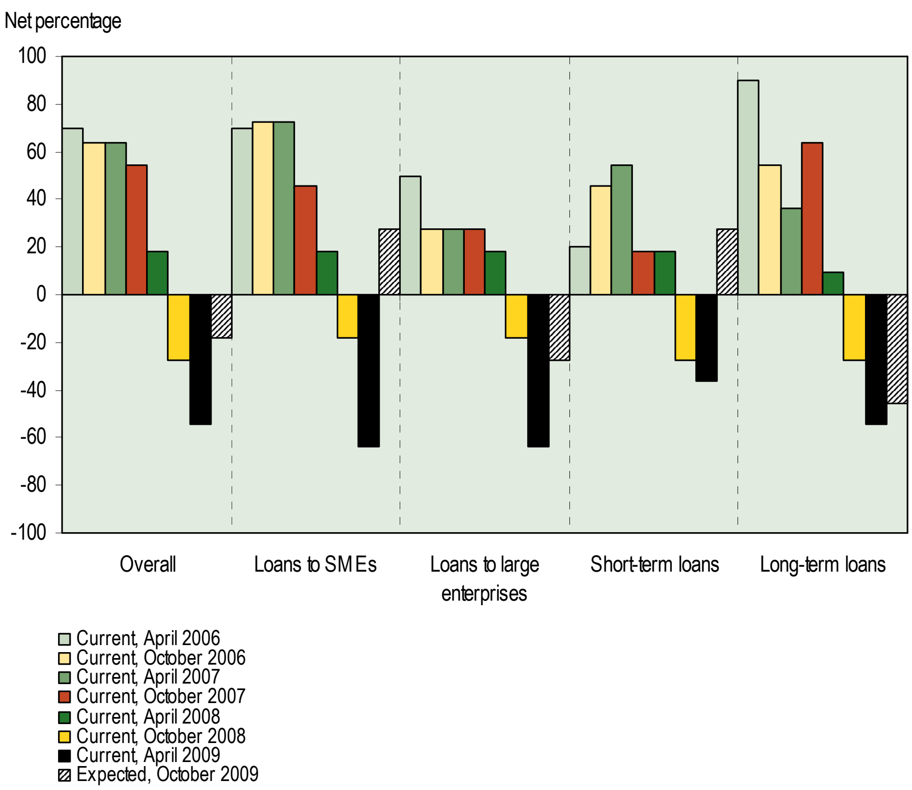
4. Over the past six months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	27	27	18	9	36
Decreased somewhat	36	36	55	36	27
Remained basically unchanged	27	36	18	45	27
Increased somewhat	0	0	0	0	9
Increased considerably	9	0	9	9	0
Total	100	100	100	100	100
Net percentage	-55	-64	-64	-36	-55
Mean	2.3	2.1	2.3	2.6	2.1

Note: The net percentage is defined as the difference between the sum of the percentages for "increased considerably" and "increased somewhat", and the sum of the percentages for "decreased somewhat" and "decreased considerably". Mean is defined as a weighted mean of answers with the following numeric values: "decreased considerably" – 1; "decreased somewhat" – 2; "remained basically unchanged" – 3; "increased somewhat" – 4; "increased considerably" – 5.

Chart 12. Demand for loans or credit lines to enterprises

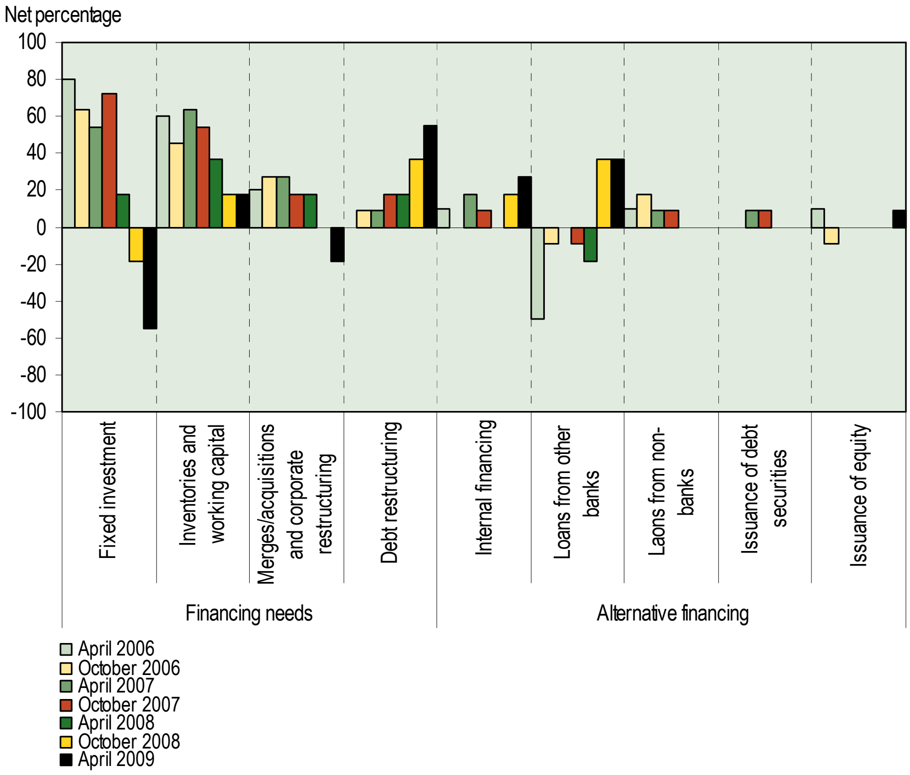


5. Over the past six months, how have the following factors affected the demand for loans or credit lines to enterprises (as described in question 4 in the column headed "Overall")?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Financing needs								
Fixed investment	36	27	27	9	0	0	-55	2.1
Inventories and working capital	9	18	27	27	18	0	18	3.3
Mergers/acquisitions and corporate restructuring	9	18	64	9	0	0	-18	2.7
Debt restructuring	0	9	18	45	18	9	55	3.8
b) Use of alternative finance								
Internal financing	0	9	55	27	9	0	27	3.4
Loans from other banks	0	0	55	27	9	9	36	3.5
Loans from non-banks	0	0	91	0	0	9	0	3.0
Issuance of debt securities	0	0	73	0	0	27	0	3.0
Issuance of equity	0	0	73	9	0	18	9	3.1

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". Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to lowe demand" – 1; "contributed somewhat to lower demand" – 2; "had no influence on demand changes" – 3; "contributed somewhat to higher demand" – 4; "contributed considerably to higher demand" – 5.

Chart 13. Factors affecting demand for loans or credit lines to enterprises



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

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Tighten considerably	0	0	0	0	0
Tighten somewhat	18	18	27	18	27
Remain basically unchanged	73	55	64	82	73
Ease somewhat	9	18	9	0	0
Ease considerably	0	9	0	0	0
Total	100	100	100	100	100
Net percentage	9	-9	18	18	27
Mean	2.9	3.2	2.8	2.8	2.7

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". Mean is defined as a weighted mean of answers with the following numeric values: "tighten considerably" – 1; "tighten somewhot" – 2; "remain basically unchanged" – 3; "ease somewhat" – 4; "ease considerably" – 5.

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
Decrease considerably	0	9	0	0	18
Decrease somewhat	27	9	36	18	27
Remain basically unchanged	64	36	55	36	55
Increase somewhat	9	45	9	36	0
Increase considerably	0	0	0	9	0
Total	100	100	100	100	100
Net percentage	-18	27	-27	27	-45
Mean	2.8	3.2	2.7	3.4	2.4

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". Mean is defined as a weighted mean of answers with the following numeric values: "decrease considerably" – 1; "decrease somewhat" – 2; "remain basically unchanged" – 3; "increase somewhat" – 4; "increase considerably" – 5.

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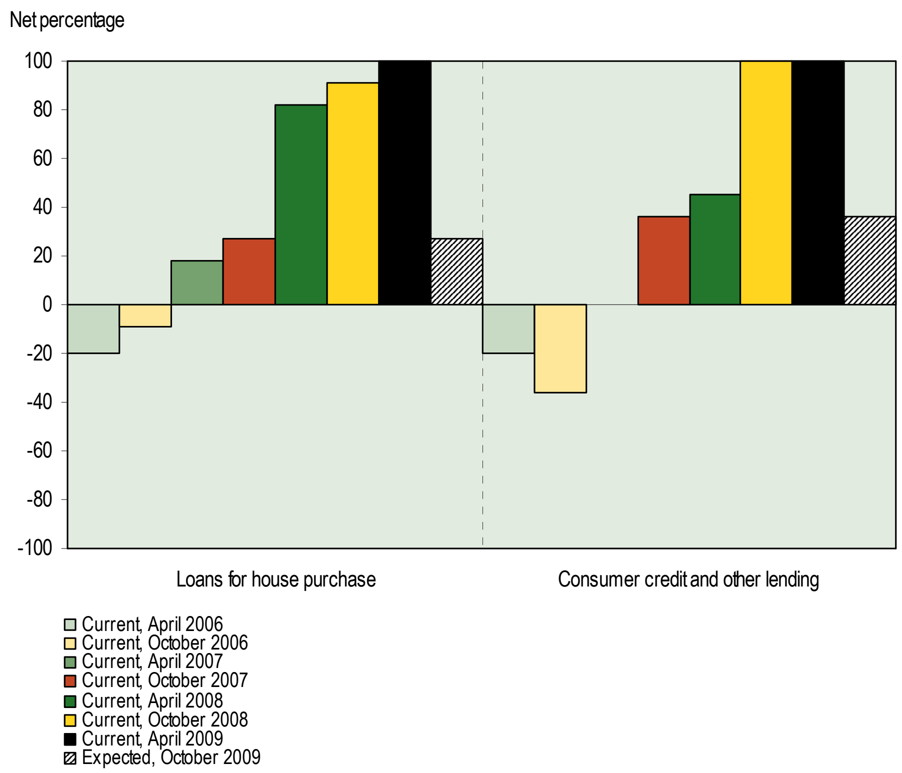
2. LOANS TO HOSEHOLDS

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	36	64
Tightened somewhat	64	36
Remained basically unchanged	0	0
Eased somewhat	0	0
Eased considerably	0	0
Total	100	100
Net percentage	100	100
Mean	1.6	1.4

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". Mean is defined as a weighted mean of answers with the following numeric values: "tightend considerably" – 1; "tightened somewhot" – 2; "remained basically unchanged" – 3; eased somewhat" – 4; "eased considerably" – 5.

Chart 14. Change in credit standards applied to the approval of loans to households



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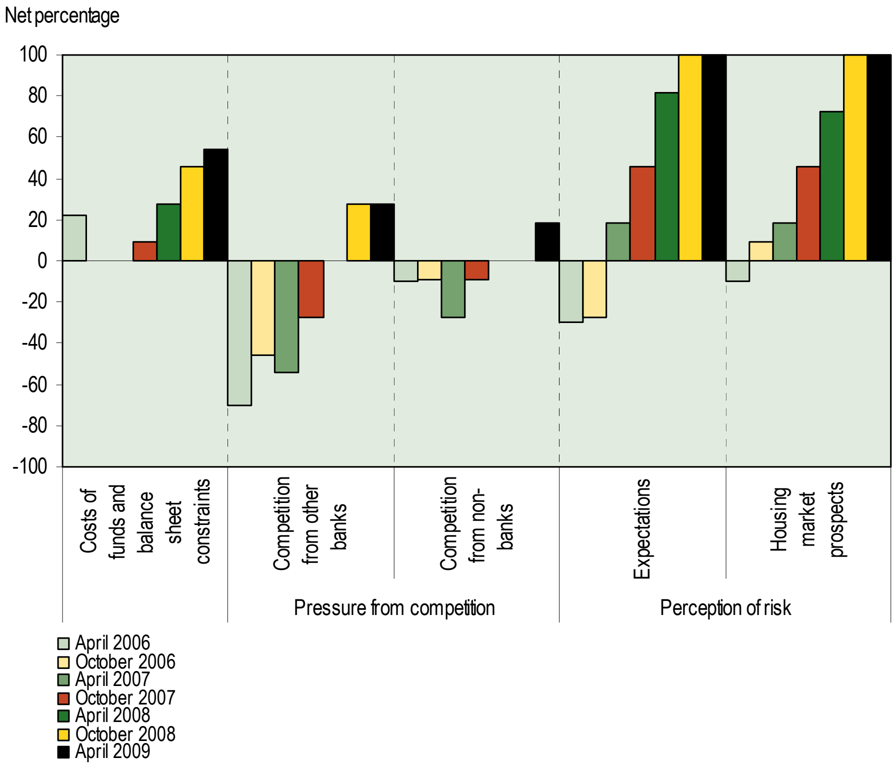
9. Over the past six months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Cost of funds and balance sheet constraints	9	45	45	0	0	0	55	2.4
b) Pressure from competition								
Competition from other banks	0	27	73	0	0	0	27	2.7
Competition from non-banks	0	18	82	0	0	0	18	2.8
c) Perception of risk								
Expectations regarding general economic activity	64	36	0	0	0	0	100	1.4
Housing market prospects	64	36	0	0	0	0	100	1.4

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. Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to tightening" – 1; "contributed somewhat to tightening" – 2; "had no influence on credit standards changes" – 3; "contributed somewhat to easing" – 4; "contributed considerably to easing" – 5.

Chart 15. Factors affecting credit standards applied to the approval of loans to households for house purchase

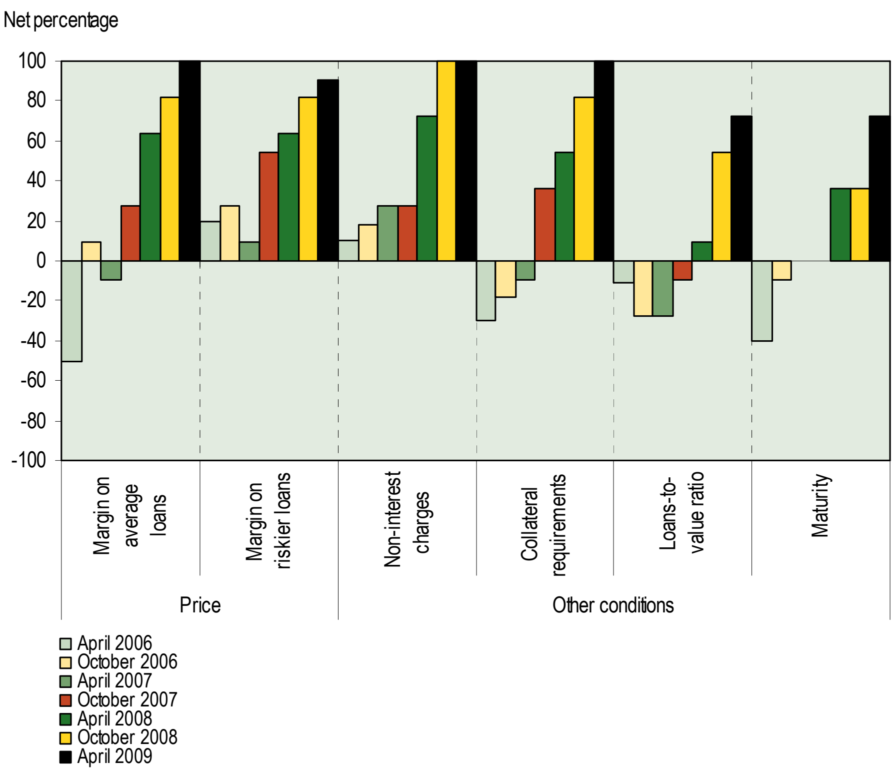


10. Over the past six months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Price								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	45	55	0	0	0	0	100	1.5
Bank's margin on riskier loans	64	27	0	0	0	9	91	1.3
b) Other conditions								
Collateral requirements	36	64	0	0	0	0	100	1.6
Loan-to-value ratio	27	73	0	0	0	0	100	1.7
Maturity	9	64	27	0	0	0	73	2.2
Non-interest rate charges	0	73	27	0	0	0	73	2.3

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". Mean is defined as a weighted mean of answers with the following numeric values: "tightend considerably" – 1; "tightened somewhot" – 2; "remained basically unchanged" – 3; eased somewhat" – 4; "eased considerably" – 5.

Chart 16. Conditions and terms for approving loans to households for house purchase



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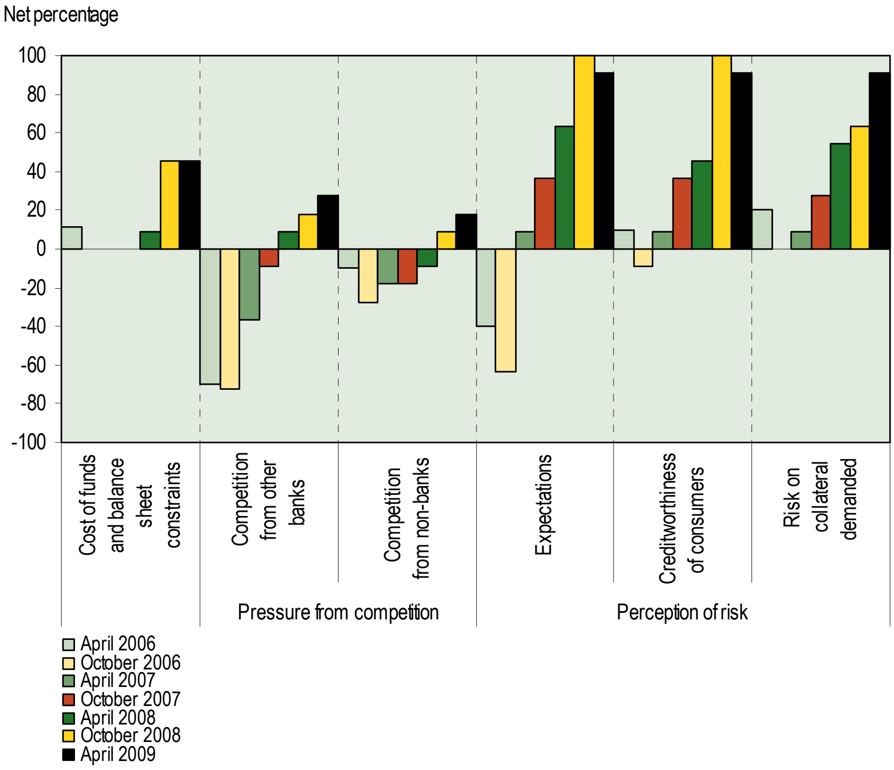
11. Over the last six months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Cost of funds and balance sheet constraints	18	27	55	0	0	0	45	2.4
b) Pressure from competition								
Competition from other banks	0	27	73	0	0	0	27	2.7
Competition from non-banks	0	18	82	0	0	0	18	2.8
c) Perception of risk								
Expectations regarding general economic activity	73	18	9	0	0	0	91	1.4
Creditworthiness of consumers	73	18	9	0	0	0	91	1.4
Risk on the collateral demanded	55	36	9	0	0	0	91	1.5

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. Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to tightening" – 1; "contributed somewhat to tightening" – 2; "had no influence on credit standards changes" – 3; "contributed somewhat to easing" – 4; "contributed considerably to easing" – 5.

Chart 17. Factors affecting credit standards to the approval of consumer credit and other lending to households



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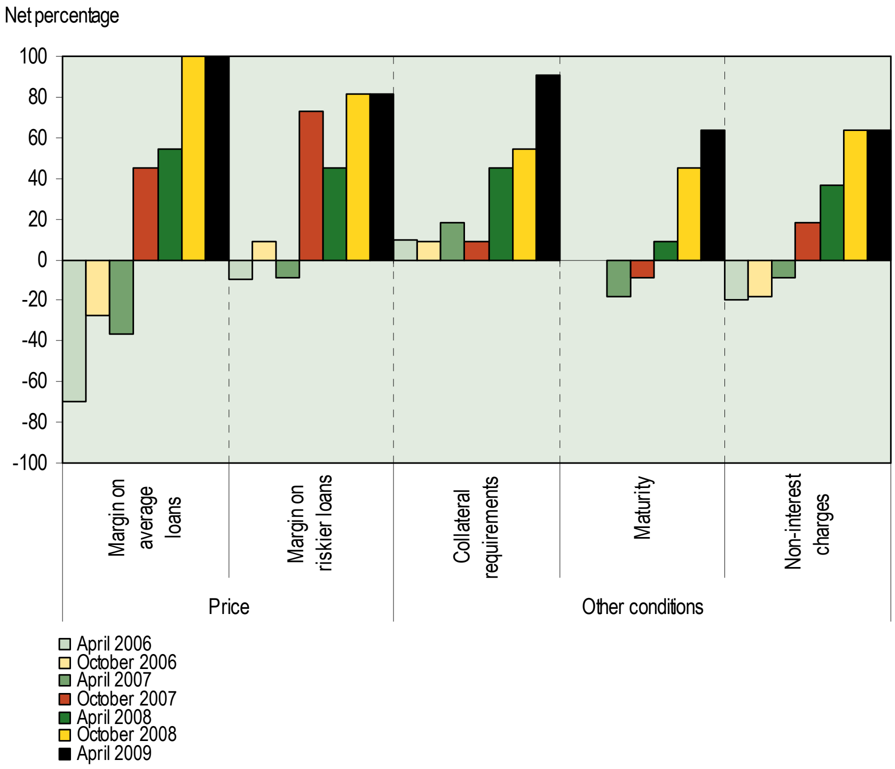
12. Over the past six months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Price								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	45	55	0	0	0	0	100	1.5
Bank's margin on riskier loans	55	27	0	0	0	18	82	1.3
b) Other conditions								
Collateral requirements	36	55	9	0	0	0	91	1.7
Maturity	0	64	36	0	0	0	64	2.4
Non-interest rate charges	9	55	36	0	0	0	64	2.3

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". Mean is defined as a weighted mean of answers with the following numeric values: "tightend considerably" – 1; "tightened somewhot" – 2; "remained basically unchanged" – 3; eased somewhat" – 4; "eased considerably" – 5.

Chart 18. Conditions and terms for approving consumer credit and other loans to households

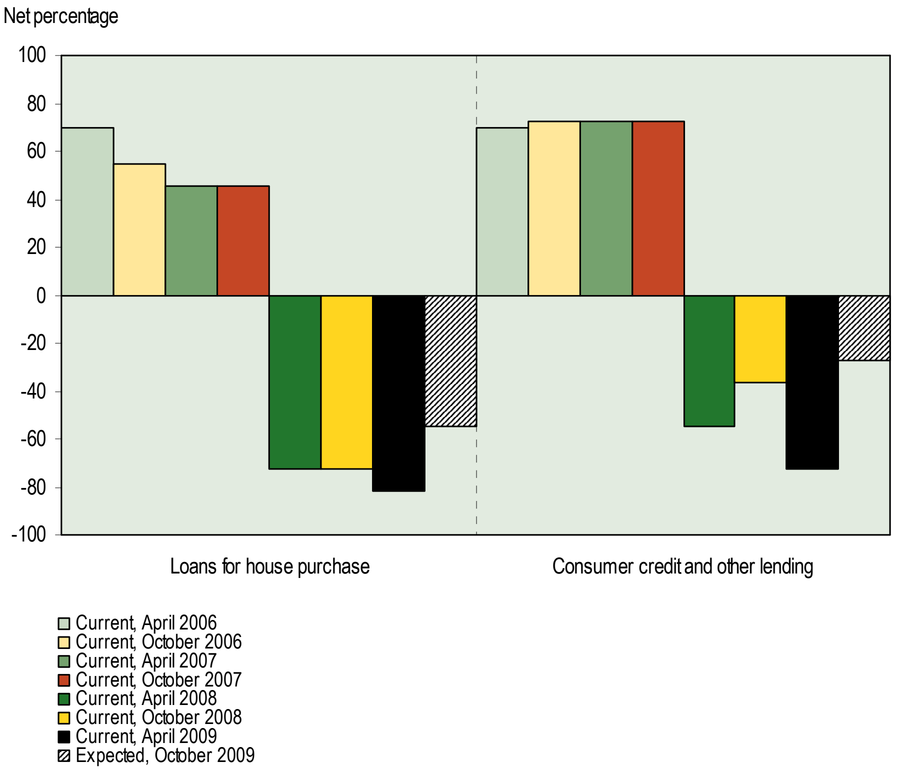


13. Over the last six months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	73	55
Decreased somewhat	9	27
Remained basically unchanged	18	9
Increased somewhat	0	9
Increased considerably	0	0
Total	100	100
Net percentage	-82	-73
Mean	1.5	1.7

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". Mean is defined as a weighted mean of answers with the following numeric values: "decreased considerably" – 1; "decreased somewhat" – 2; "remained basically unchanged" – 3; "increased somewhat" – 4; "increased considerably" – 5.

Chart 19. Change in demand for loans to households



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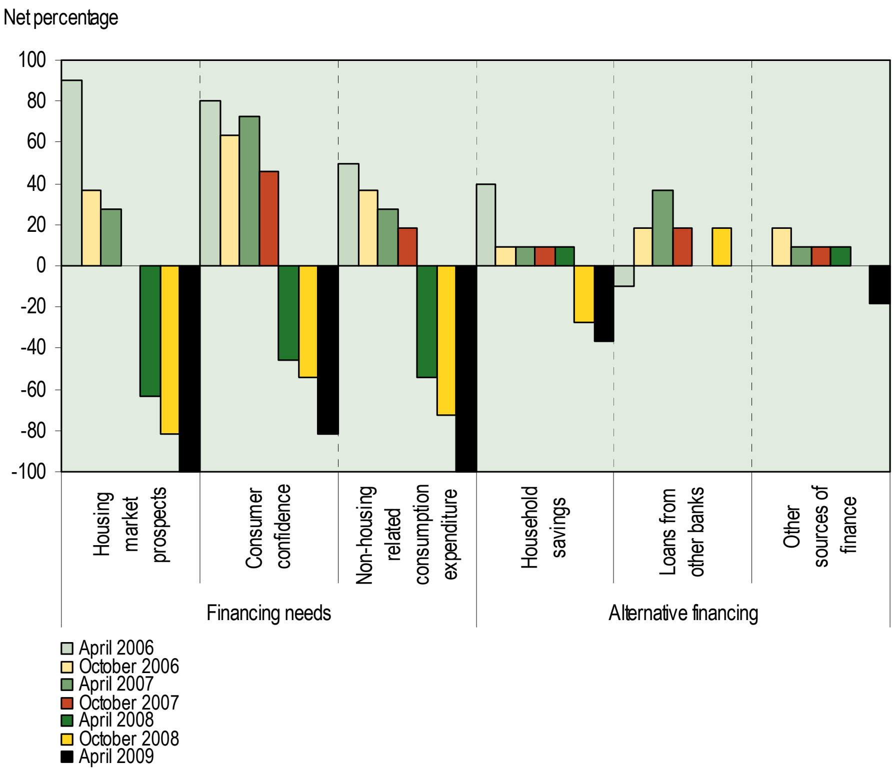
14. Over the past six months, how have the following factors affected the demand for loans to households for house purchase at your bank?

	--	-	0	+	++	Na	**NetP**	**Mean**
a) Financing needs								
Housing market prospects	64	36	0	0	0	0	-100	1.4
Consumer confidence	36	45	9	0	0	9	-82	1.5
Non-housing related consumption expenditure	36	64	0	0	0	0	-100	1.6
b) Use of alternative finance								
Household savings	9	36	45	9	0	0	-36	2.5
Loans from other banks	0	9	82	9	0	0	0	3.0
Other sources of finance	9	9	73	0	0	9	-18	2.5

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". Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to lower demand" – 1; "contributed somewhat to lower demand – 2; "had no influence on demand changes" – 3; "contributed somewhat to higher demand" – 4; "contributed considerably to higher demand" – 5.

Chart 20. Factors affecting demand for loans to households for house purchase



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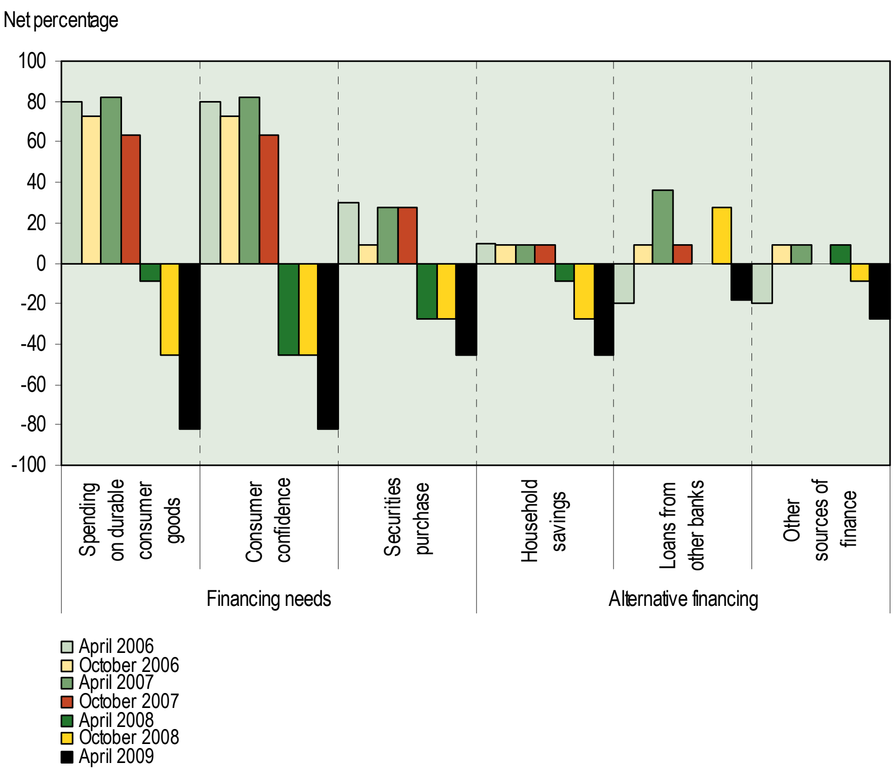
15. Over the past six months, how have the following factors affected the demand for consumer credit and other lending to households at your bank?

	--	-	0	+	++	NA	**NetP**	**Mean**
a) Financing needs								
Spending on durable consumer goods (i.e. cars, furniture, etc.)	27	55	18	0	0	0	-82	1.9
Consumer confidence	45	36	9	0	0	9	-82	1.6
Securities purchase	9	45	27	9	0	9	-45	2.4
b) Use of alternative finance								
Household savings	9	45	36	9	0	0	-45	2.5
Loans from other banks	9	18	64	9	0	0	-18	2.7
Other sources of finance	9	18	64	0	0	9	-27	2.6

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". Mean is defined as a weighted mean of answers with the following numeric values: "contributed considerably to lower demand" – 1; "contributed somewhat to lower demand – 2; "had no influence on demand changes" – 3; "contributed somewhat to higher demand" – 4; "contributed considerably to higher demand" – 5.

Chart 21. 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	9	9
Tighten somewhat	27	36
Remain basically unchanged	55	45
Ease somewhat	9	9
Ease considerably	0	0
Total	100	100
Net percentage	27	36
Mean	2.6	2.5

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". Mean is defined as a weighted mean of answers with the following numeric values: "tighten considerably" – 1; "tighten somewhot" – 2; "remain basically unchanged" – 3; ease somewhat" – 4; "ease considerably" – 5.

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

	Loans for house purchase	Consumer credit and other lending
Decrease considerably	27	18
Decrease somewhat	36	27
Remain basically unchanged	27	36
Increase somewhat	9	18
Increase considerably	0	0
Total	100	100
Net percentage	-55	-27
Mean	2.2	2.5

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". Mean is defined as a weighted mean of answers with the following numeric values: "decrease considerably" – 1; "decrease somewhat" – 2; "remain basically unchanged" – 3; "increase somewhat" – 4; "increase considerably" – 5.

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

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