



BANK LENDING SURVEY, OCTOBER 2009

I. Tasks, Methods and Principles of the Survey

Commercial bank and foreign bank branches lending surveys are organised twice a year in order to obtain information on non-interest bearing loan terms and conditions, lending costs and market expectations. This survey was conducted in October 2009. Respondents were 9 commercial banks and 3 foreign bank branches (hereinafter referred to as "banks").

Senior bank officials were requested to indicate changes of lending conditions to households and non-financial enterprises over the period of end April 2009 to end-October 2009¹. In their responses regarding the future situation, the respondents were requested to assess changes of lending conditions a half-year in advance (October 2009 - April 2010).

This Bank Lending Survey was addressed to senior commercial banks' loan officials. The presented opinions do not necessarily reflect official views of banks, 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, 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 eased their lending conditions (demand decreased). Positive or negative differentials mean that the majority of banks raised or lowered crediting standards respectively. Analogically, the net percentage is similarly interpreted in the evaluation of changes in demand: a positive net percentage means an increase in demand, and vice versa.

The mean is defined as a weighted mean of answers with the following numeric values: "tightened (decreased) considerably"– 1; "tightened (decreased) somewhat"– 2; "remained almost 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 higher than 3 means that credit standards were eased by the majority of banks. Respectively, the mean value reflects credit demand changes: the value less than 3 shows that demand has decreased, and the value higher than 3 shows that credit demand has increased.

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

¹ This period covers six months, therefore is called a half-year period further in the survey.



II. Summary of Results

The results of the October 2009 Bank Lending Survey indicate that in the previous half-year banks tightened credit standards for all types of loans to a much lesser degree than in the last two years. The main reason of the tightening of the banks' credit policy, although more moderate compared to previous periods, remained a tighter risk perception and increasing price of financing resources. This was mainly entailed by a rapid downturn of separate economic sectors and of the Lithuanian economy, accompanied by undefined future expectations. In the coming half-year, the majority of banks have no plans of tightening their lending conditions to enterprises and households (see Chart 1).

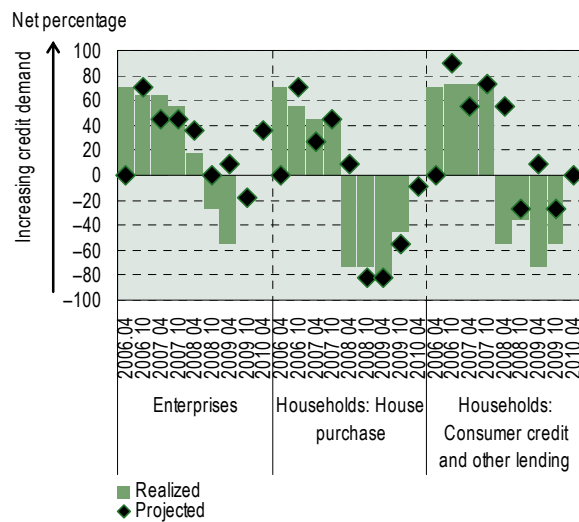
The interviewed senior bank officials stated that they had observed within the fourth consecutive half-year a decreasing lending demand of households. However, according to them, the enterprise willingness to borrow, in contrast to several half-year periods, did not change within previous six months. The decrease of the household borrowing demand was primarily driven by increasing unemployment, shrinking income, weaker consumer confidence, relatively higher consumer expenses not related to housing, as well as by negative prospects of the housing market. The enterprise borrowing demand was reduced by postponed investment plans, and it was increased by a growing demand of inventories and working capital financing and debt restructuring, as well as by lesser possibilities of the usage of alternative financing. Within the coming half-year period the banks do not expect any more prominent changes in the household borrowing. However, in contrast to the previous half-year, they forecast a more intensive enterprise borrowing (see Chart 2).

Chart 1. Changes of the bank credit standards



Source: Bank Lending Survey and Bank of Lithuania calculations.

Chart 2. Credit demand changes



Source: Bank Lending Survey and Bank of Lithuania calculations.

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. Somewhat more than a half (55%) of surveyed banks reported that within the current half-year they had not changed credit standards applied to enterprises, and the remaining portion of the banks indicated that they had tightened these standards. About a half (45%) of the respondents stated that they had not changed financing conditions for small and medium-sized as well as for large enterprises, and the rest of the banks reported that they had tightened their credit standards. The bulk (64%) of surveyed banks did not change long-term and short-term credit standards. To compare with the previous survey data when all banks reported that they had tightened their general credit standards, during this half-year period a half of responding banks tightened these standards, and the remaining banks pointed out that they had made almost no changes in credit conditions (net percentage is 45%). The similar trend of the changes in financing conditions was observed in issuing credits to various-sized enterprises and in granting credits of different periods. Based on the review of the results of all previous surveys, it is possible to state that the tendency of tightening general credit terms applied to loans and credit lines to enterprises reached its peak in April 2009. The survey results show that the number of banks which tightened their crediting standards within the current half-year almost halved if compared with the previous six month period. According to the survey results, the number of banks likely to tighten their credit standards will continue to decrease also in the coming six months (see Chart 9).

In the current half-year, **the number of banks that tightened and did not change conditions and terms for approving loans or credit lines to enterprises split approximately into two equal parts.** Slightly more than a half of surveyed banks reported that they had increased the price of average and riskier loans and of credit lines (net percentages reaching 55% and 64 % respectively). Among the change in conditions of other loans and approval of credit lines to enterprises, the collateral constraints were tightened most of all (net percentage amounted to 73%), requirements for the credit maturity and other non-interest rate requirements were tightened least of all (net percentage being 36% for each position). To compare with the previous half-year period, standards of all credits and credit lines to enterprises were tightened less during this half-year (see Chart 11).

In line with the results of several previous surveys, this half-year the surveyed banks indicated that changes in the risk perception was the major factor that contributed to the tightening of credit standards to enterprises: the largest impact was made by changed bank expectations related to the general economic activity of Lithuania (net percentage amounting to 91%), deteriorating prospects of separate sectors of industry or particular enterprises (net percentage – 91%), and higher risk on the collateral demanded (net percentage being 82%). Still complicated conditions to attract financing resources in domestic and foreign markets and the willingness of banks to have larger capital and liquidity reserves also contributed to the tightening of credit standards (see Chart 10).

Loan demand. Banks reported that **net demand for loans and credit lines to enterprises within the current half-year remained almost the same** (net percentage – 0%). Credit demand became stable after a persistent decrease in the course of two half-year periods. According to banks, the demand for loans and credit lines to small and medium-sized enterprises almost did not change (net percentage – 9%, mean being 3.0), whereas the demand for loans and credit lines to large enterprises shrank somewhat (net percentage reaching –36%, mean being 2.6). In the current half-year period, the demand for long-term loans also dropped slightly (net percentage –27%, mean – 2.5),



whereas the demand for short-term loans remained unchanged (net percentage – 0%, mean – 2.9). The summary of the results of all Bank Lending Surveys conducted so far, allows to state that the loan demand was increasing until October 2007 – during the period of a robust economic growth. Later on, the growth of the demand for credit was slackening – from October 2008 the demand for loans and credit lines to enterprises shrank in line with the national macroeconomic developments. The Survey results reveal that in the nearest half-year the demand for loans should remain stable (see Chart 12).

Similar to several previous surveys, the banks participating in the survey indicated that the decrease of fixed investment was the largest contributor to the shrinkage in the demand for loans to enterprises. Inventories, working capital and debt restructuring needs (net percentage being 55% and 64% respectively) were attributed by respondents to factors mostly raising the demand for credit. The curtailment of alternative financing possibilities was also the factor pushing the demand for loans and credit lines up. Compared to the results of previous lending surveys, a further decline in the need for fixed investment financing was observed, while the need for debt restructuring, inventories and working capital financing is markedly increasing (see Chart 13).

Expectations. When requested to indicate how credit standards of the banks participating in the survey would change within the next half-year, the majority of banks (82%) reported their intentions not to change them and 18% of the respondent banks had plans to tighten them slightly. The bank plans not to change credit standards within the coming six months are observed for the second consecutive half-year. In the coming half-year the banks are planning to tighten credit standards to large enterprises somewhat (net percentage is 18%) but they intend not to change credit standards for small and medium-sized enterprises. The majority of the banks have no intentions to change short-term loan conditions and 27 per cent of the surveyed banks are planning to tighten long-term loan conditions. In contrast to previous surveys, **the banks participating in this survey expect a slight increase of the overall demand for loans to enterprises in the next half-year** (net percentage being 36%, mean – 3.4). Also, **the banks forecast that the demand for loans to small and medium-sized and large enterprises, as well as for short-term loans will increase** (net percentage is 55%, 18%, and 36% respectively).



2. LOANS TO HOUSEHOLDS

Loans for House Purchase

Credit standards. This half-year, the banks tightened credit standards to households slightly, but that was considerably less than in the last two half-year periods. The banks that participated in the survey reported that they had tightened credit standards for consumer and other lending a bit more than the standards for loans for house purchase (net percentage being 36% and 18%, means – 2.5 and 2.8) (see Chart 14).

When assessing the factors affecting crediting, the banks indicated as in several previous surveys that the tightening of the credit standards for housing loans was mostly impacted by the fact that the banks envisaged increasing risk perception to the overall economic situation and housing market prospects. Funding costs and balance sheet constraints of 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 within the previous half-year the banks did not change or tighten all credit standards. The majority of surveyed banks reported that they had broadened the margin on average loans (net percentage amounting to 82%), and more than a half of the banks (net percentage – 64%) indicated that they had increased the margin on riskier loans. The banks which reported that they had not changed other terms for loans for house purchase or had changed them slightly (requirements are applied to a collateral, loan to value ratio, loan maturities and other non-interest charges) split into two equal parts (see Chart 16).

Loan demand. The surveyed banks reported that the demand of loans for house purchase had been declining for the fourth half-year period in succession. This was stated by 54 per cent of respondent banks (see Chart 19). However, opposite to the last three surveys, when the banks expected an abrupt shrinkage of demand for house purchase, the majority of banks (73%) expect that within the coming six months the demand for house purchase will remain broadly the same.

According to the banks, the main factors contributing to a decreasing demand for loans for house purchase are deteriorating housing market prospects (net percentage – 45%, mean – 2.3), decreasing consumer confidence (net percentage – 55%, mean – 2.4), and relatively higher non-housing related consumption expenditure (net percentage – 55%, mean – 2.4). The usage of household savings for financing of the house purchase expenses also stimulated the decline of the demand for loans for house purchase (net percentage – 45%, mean – 2.5) (see Chart 20).

Expectations. The majority of the surveyed banks intend not to change credit standards for loans for house purchase within the coming half-year period. 9 per cent of the respondent banks plan to tighten their lending conditions – that is markedly less compared to several previous surveys. The majority of banks expect that the demand for housing loans will remain basically unchanged within the coming six months. That is opposite to the three previous surveys when the banks forecasted a decline of the demand for housing loans.



Consumer Credit and Other Lending to Households

Credit standards. Credit standards applied to the approval of consumer credit and other lending to households were somewhat tightened this half-year. 45 per cent of surveyed banks reported that during the current six months they had tightened and 45 per cent pointed out that they had not changed credit standards for the approval of consumer credit and other lending (see Chart 14).

Assessing the factors determining the approval of consumer credit and other lending banks indicated changes in the perception of risk as the main contributor to the tightening of credit standards, i.e., banks became more conservative in their assessments of the general economic activity, creditworthiness of consumers and collateral risk. Funding costs and the banks intention to have sound balance sheet quality ratios also were the factors contributing to the tightening of credit standards (see Chart 17).

All the analysed terms and conditions of consumer loans and other lending to households were tightened this half-year or remained basically unchanged (see Chart 18). Similar to the previous survey, the tightening of credit standards was mostly determined by broader margins on consumer credit and other lending on both, average risk and riskier loans, and tighter collateral requirements.

Loan demand. Demand for consumer and other lending diminished over the current half-year (net percentage –55%, mean – 2.2) (see Chart 19). The main drives for this were lower spending of durable consumer goods (net percentage –45%, mean – 2.3), a decrease in the general consumer confidence (net percentage –27%, mean – 2.6) and weaker willingness of households to acquire securities (net percentage –27%, mean – 2.5). The usage of alternative financing also exercised a decrease in the demand for lending to households (see Chart 21).

Expectations. In their responses about the tightening of credit standards for consumer credit and other lending over the next six months, the majority (73%) of the participating banks reported that credit standards would remain basically unchanged. That is opposite to the last three surveys when the banks expected a considerable tightening of credit standards. The majority of respondents project that within the next half-year the demand for consumer and other lending will remain basically unchanged (net percentage – 0%, mean – 2.9). To conclude, bank expectations for the changes in the crediting policy and loan demand have switched to a stable mode – opposite to several previous surveys, the banks are planning no changes in credit standards for consumer loans and other lending over the coming six months and they do not expect changes in the credit demand.



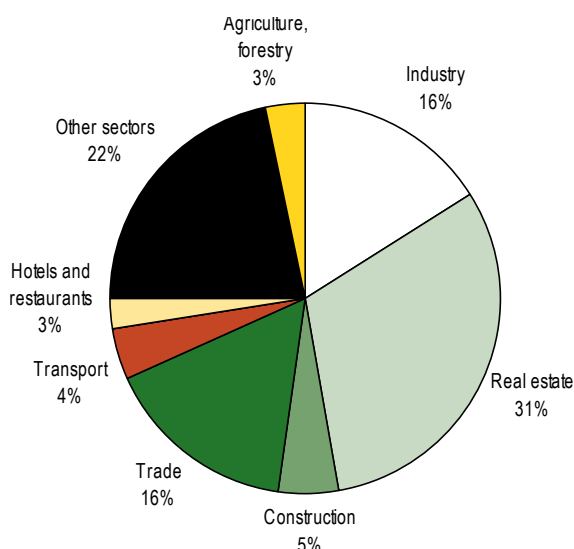
3. AD-HOC QUESTIONS

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. Given an intensive economic downturn, this survey pays a lot of attention to the analysis of the financial situation of the main domestic economic sectors and households and to the assessment of the quality of loans granted to these sectors. The respondents were also asked to assess changing possibilities in the attraction of financial resources in the context of an international financial crisis.

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. Industry, 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 78 per cent of the total bank loan portfolio (excluding loans to households) (see Chart 3).

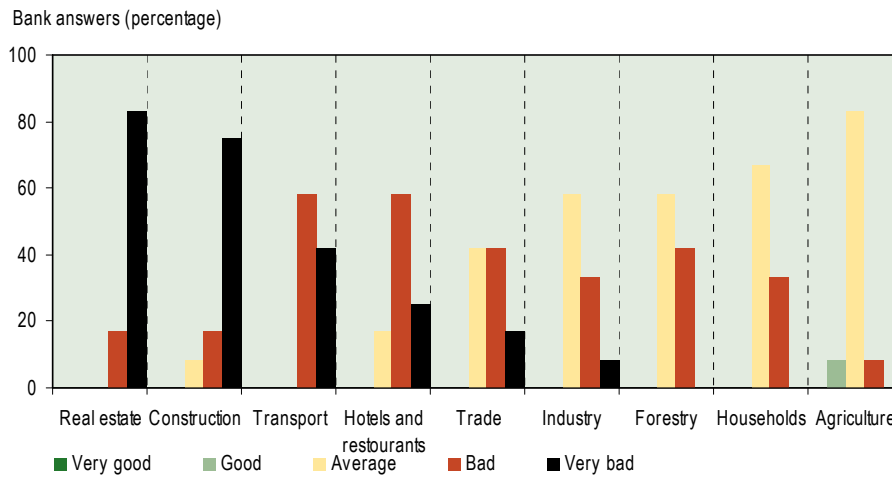
Chart 3. Bank loan portfolio of Lithuania by economic sector



Financial situation. The surveyed banks assessed the financial situation of enterprises in the key economic sectors of Lithuania and households as being worse compared to several previous surveys. Similar to the previous survey, the best assessment of all sectors was given to agriculture, forestry, and households. The assessment of the situation in the real estate and construction sectors was the most cautious. Also, the banks perceived a higher risk in transport, hotels and restaurants and trade sectors. Most banks assessed the situation in industry 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 a previous period.



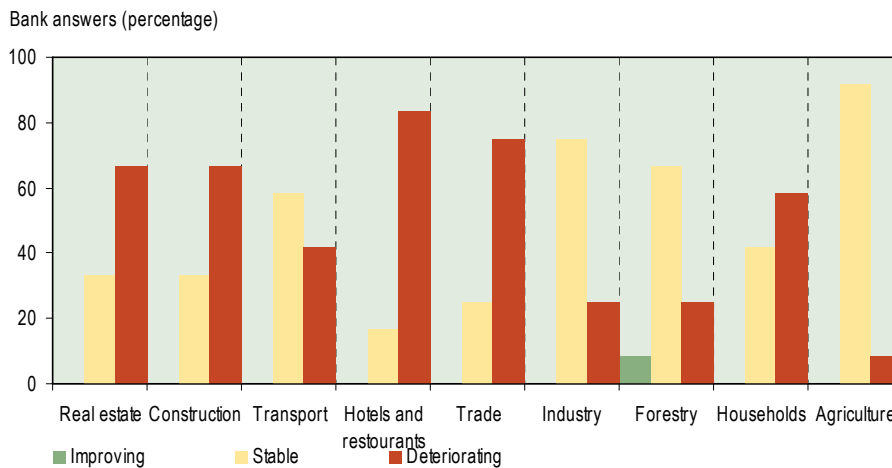
Chart 4. Assessment of the financial situation of enterprises in various economic sectors and households



Source: Bank Lending Survey, October 2009

Prospects 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, trade, hotels and restaurants sectors as negative. However, the banks gave a more favourable assessment of the manufacturing and agriculture sectors this half-year compared to the previous six months period. A larger part of the respondents assessed the dynamics of the financial situation in agriculture, forestry, industry, and transport sectors as being stable, whereas the outlook of the financial situation of households was appraised as deteriorating (see Chart 5).

Chart 5. Assessment of the prospects of the financial situation of enterprises and households



Source: Bank Lending Survey, October 2009

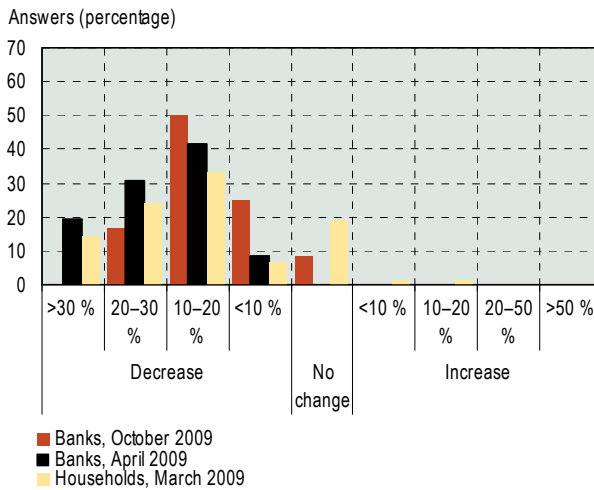
Prospects of the Domestic Real Estate Market

Expectations of real estate price changes. The majority of banks that participated in the survey (92%) stated that real estate prices would decline further in the nearest twelve months. A half of the respondents indicated



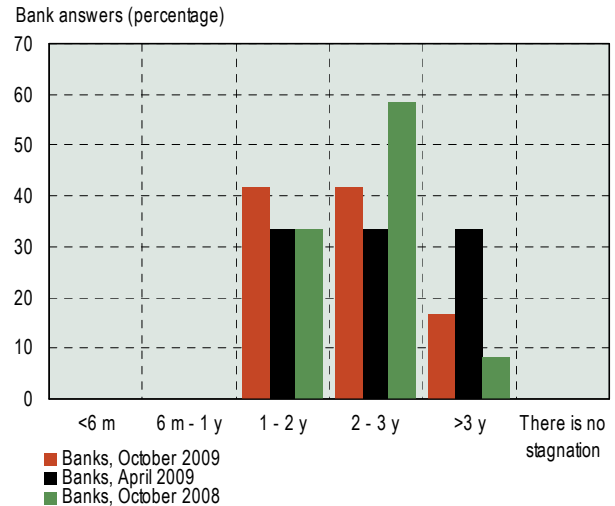
that prices would decline by 10 to 20 per cent on average, one fourth of the banks reported that prices would drop up to 10 per cent, and almost one fifth of the respondents forecasted that prices would fall by 20-30 per cent (see Chart 6). Compared to the results of the survey conducted in April 2009, now the banks are of the opinion that real estate prices within the coming 12 months will not drop so intensively as earlier. Moreover, the number of banks forecasting that stagnation in the real estate market will not persist longer than 3 year, has increased (see Chart 7).

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



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

Chart 7. Expectations of the stagnation duration in the real estate market of Lithuania



Source: Bank Lending Survey, 2009 April.

Credit Conditions and Development

Granting of loans. The majority of respondent banks indicated that in the last six months the tightening of loan granting conditions to real estate and construction sectors was more stringent. Differently to the previous survey, the banks reported that they had not applied any additional financing restrictions to hotels and restaurants, households and other business sectors.

Changes of the loan currency. The majority of surveyed banks indicated that they did not apply pricing restrictions to loan currency changes or other additional conditions aggravating the possibilities of customers to change the currency of the loan. The respondents also stated that during the change of the loan currency the re-assessment of the borrowers' risk was performed and a new interest margin was applied on the basis of the re-assessed risk.

Changes of housing loan conditions. The majority of the 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.

The change of granted loans in 2009 and 2010. More than a half of the surveyed banks are of the opinion that the annual shrinkage of the loan portfolio at the end of 2009 will be up to 15 per cent. The respondents reported that the largest shrinkage of the loan volume in 2009 should be observed in the loans for private enterprises and natural persons. Most of the banks think that the portfolio of loans to financial and government institutions will remain unchanged in 2009. In their projections of credit development for 2010 the banks are somewhat more optimistic. The



majority of the surveyed banks are of the opinion that next year the total loan portfolio may grow up to 5-10 per cent. The banks expect that in 2010 the granting of housing loans will be the most intensive.

Quality of the Bank Loan Portfolio

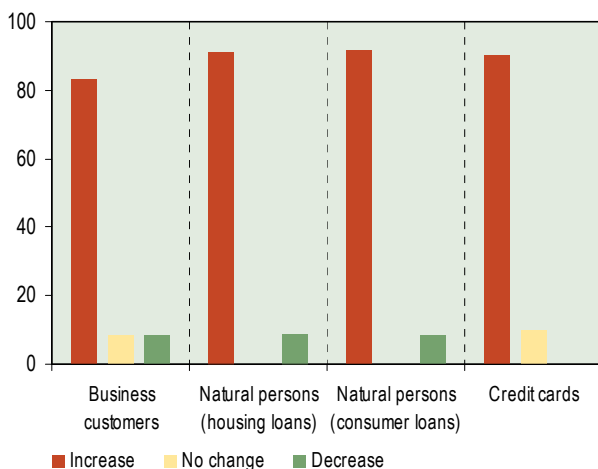
Loan quality by economic sector. When asked to designate economic sectors with the poorest quality of loans, the majority of the banks participating in the survey pointed out real estate and construction sectors, same as in the previous survey. Some respondents also indicated transport, hotels and restaurants sectors the loan quality of which was affected most negatively by the current domestic and global economic developments. The banks assessed the loan portfolio of agriculture and energy sectors as the best.

Settlement of payment liabilities to banks. In this Bank Lending Survey most respondents noticed an increasing number of customers with overdue payments. The majority of the banks noted that the number of customers with overdue payments was increasing among natural persons with consumer loans and loans for the house purchase. A slightly smaller portion of banks stated that the number of overdue loans of business customers and card holders was also increasing (see Chart 8).

According to the survey data, banks forecast that in the coming half-year the loan quality of all segments of debtors (business customers, natural persons, and card holders) will worsen slightly. The respondents think that these changes are mainly determined by the following factors: deteriorating outlook of the macroeconomic prospects, stagnation of the real estate market and growing unemployment. The majority of the banks are of the opinion that the quality of granted loans in the context of the current economic downturn will be the worst in the first half-year of 2010, while later on it should start to improve. In response to the forecasts of the deterioration of the loan portfolio quality, the majority of the surveyed banks indicated that they had established or intended to establish in the coming six months specialised companies for the management of the real estate taken over from insolvent customers.

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

Bank answers (percentage)



Source: Bank Lending Survey, 2009 October.



Attraction of Financial Resources

Decreased liquidity of global financial markets, a more stringent risk assessment, and a downturn of the real economy sector entailed an increase of the price of financial resources and a rise of loan impairment losses by domestically operating banks. Most of the surveyed banks pointed out that the largest negative impact of the global financial crisis was related to higher costs when attracting financing in inter-bank and capital markets. Poorer possibilities of obtaining funds from international markets induced banks to borrow in the domestic market by attracting deposits of natural and legal persons, thus encouraging the growth of average deposit interest rates. However, opposite to the previous survey, in the coming six months more than a half of surveyed banks have no plans to raise the part of financial resources attracted from deposits. The majority of the banks plan to attract additional funds by the help of subordinated loans, thus strengthening the capital reserve to cover loan impairment losses.

Rising bank borrowing costs reduced in most banks the internal margin between the prices of financial resources attracted and loans granted, and also diminished net interest income of banks. In their response to an increasing price of attracted resources and growing costs of loan impairment, the banks pushed up the price of loans being granted and administered taxes being charged.



III. Results for individual questions

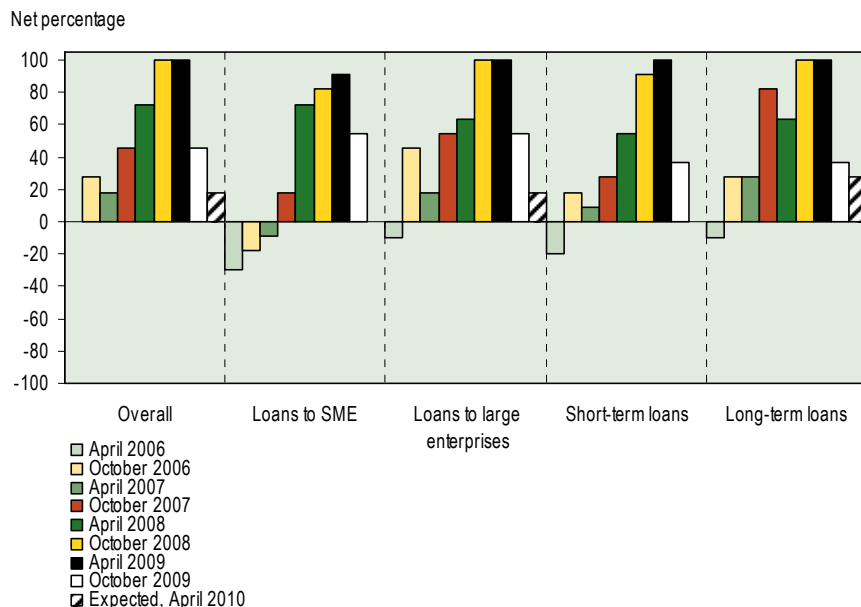
1. LOANS OR CREDIT LINES TO ENTERPRISES

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 ²	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	18	0	18	9	9
Tightened somewhat	27	55	36	27	27
Remained basically unchanged	55	45	45	64	64
Eased somewhat	0	0	0	0	0
Eased considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	45	55	55	36	36
Mean	2.4	2.5	2.3	2.5	2.5

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: "tightened considerably" – 1; "tightened somewhat" – 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



² Small and medium enterprises

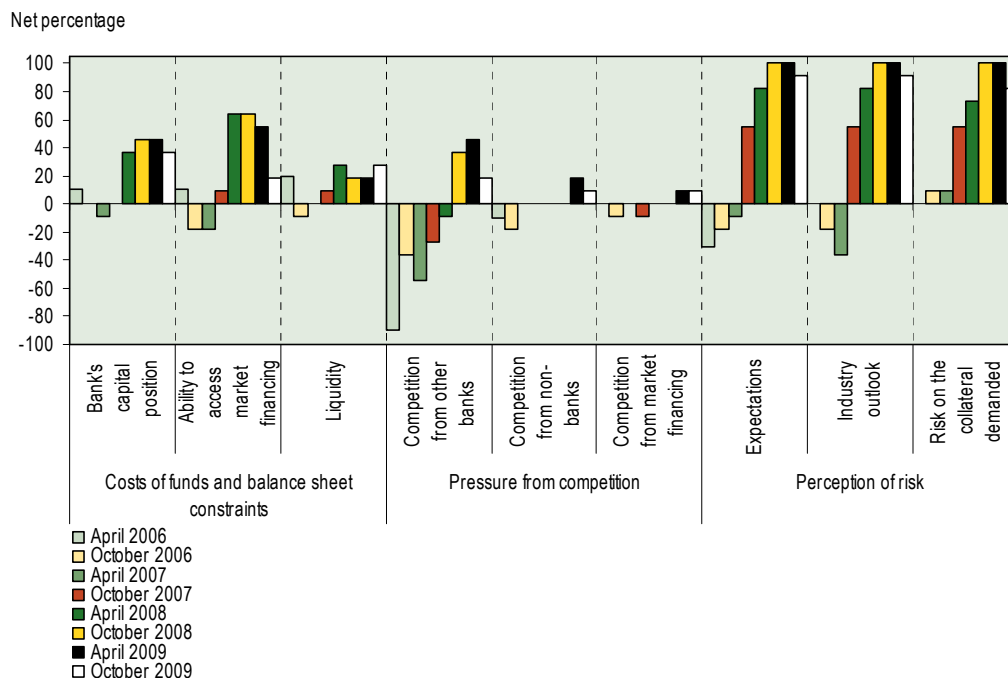


- Over the past six months, how have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises (as described in question 1 in the column headed "Overall")?

	--	-	0	+	++	NA	NetP	Mean
a) Costs of funds and balance sheet constraints								
Costs related to bank's capital position	0	36	55	0	0	9	36	2.6
Bank's ability to access market financing	9	18	45	9	0	18	18	2.7
Bank's liquidity position	0	27	64	0	0	9	27	2.7
b) Pressure from competition								
Competition from other banks	0	18	64	0	0	18	18	2.8
Competition from non-banks	0	9	55	0	0	36	9	2.9
Competition from market financing	0	9	55	0	0	36	9	2.9
c) Perception of risk								
Expectations regarding general economic activity	27	64	9	0	0	0	91	1.8
Industry or firm-specific outlook	36	55	9	0	0	0	91	1.7
Risk on the collateral demanded	18	64	18	0	0	0	82	2.0

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



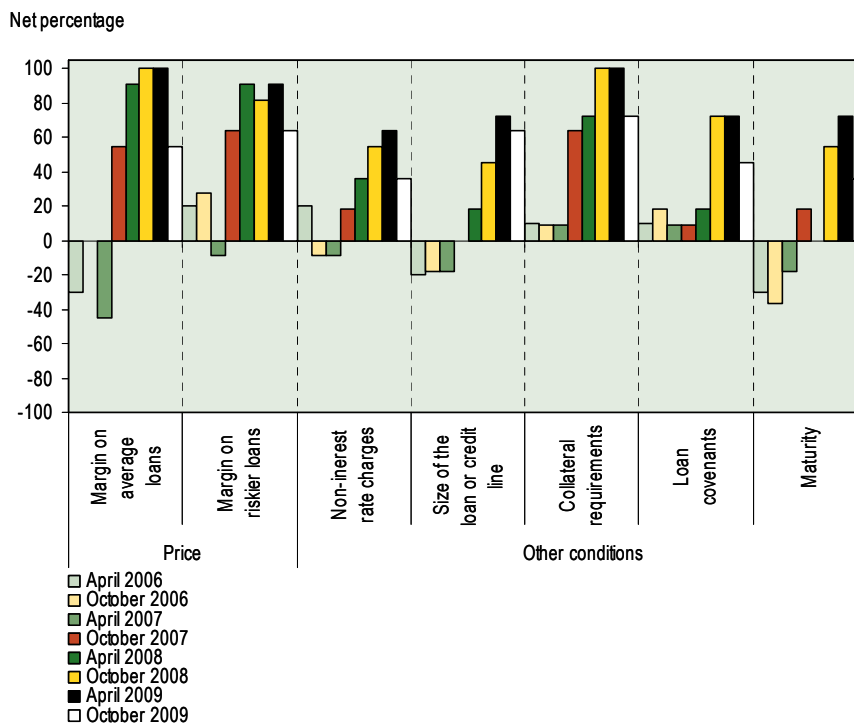


3. Over the past six months, how have your bank's conditions and terms for approving loans or credit lines to enterprises changed?

	--	-	0	+	++	NA	NetP	Mean
a) Price								
Bank's margin on average loans	0	64	27	9	0	0	55	2.5
Bank's margin on riskier loans	27	36	27	0	0	9	64	2.0
b) Other conditions and terms								
Non-interest rate charges	9	27	64	0	0	0	36	2.5
Size of the loan or credit line	18	45	36	0	0	0	64	2.2
Collateral requirements	9	64	27	0	0	0	73	2.2
Loan covenants	0	45	55	0	0	0	45	2.5
Maturity	9	36	45	9	0	0	36	2.5

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: "tightened considerably" – 1; "tightened somewhat" – 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



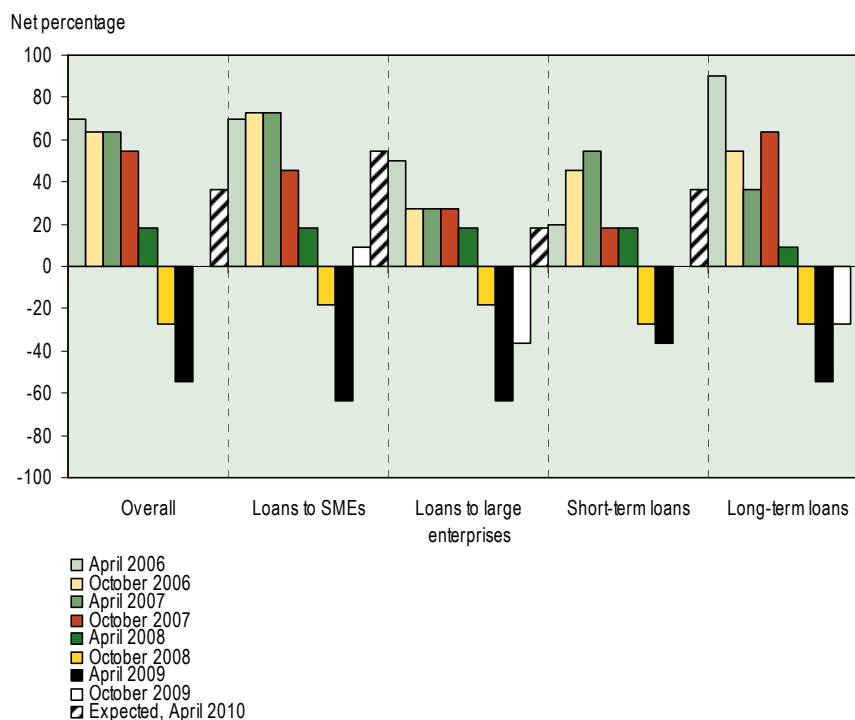


4. Over the past six months, how has the demand for loans or credit lines to enterprises changed at your bank, apart from normal seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	18	18	0	9	18
Decreased somewhat	27	27	55	36	36
Remained basically unchanged	9	0	27	9	18
Increased somewhat	45	45	18	45	27
Increased considerably	0	9	0	0	0
Total	100	100	100	100	100
Net percentage	0	9	-36	0	-27
Mean	2.8	3.0	2.6	2.9	2.5

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



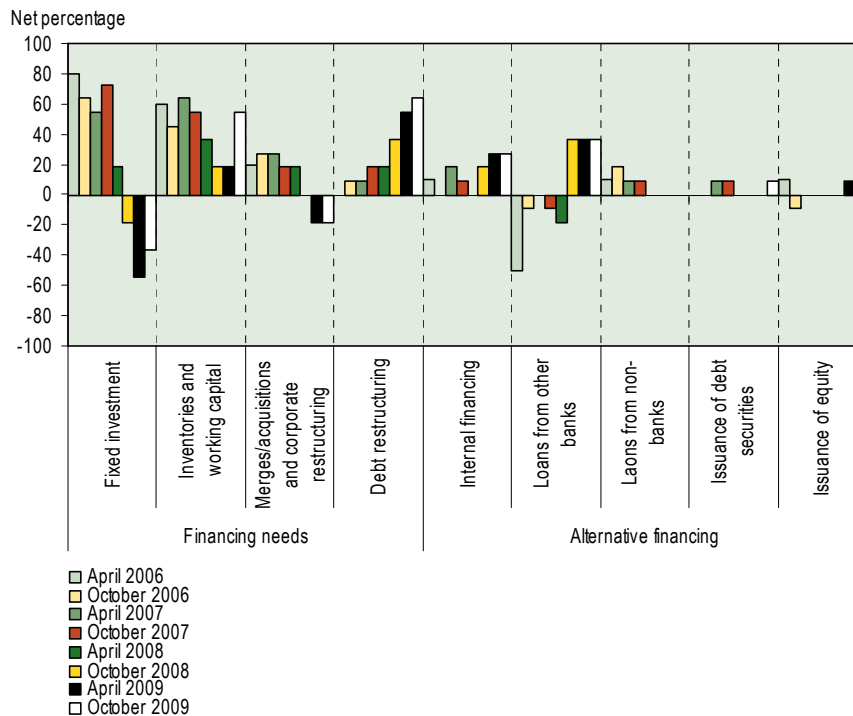


5. Over the past six months, how have the following factors affected the demand for loans or credit lines to enterprises (as described in question 4 in the column headed "Overall")?

	--	-	0	+	++	NA	NetP	Mean
a) Financing needs								
Fixed investment	27	18	45	9	0	0	-36	2.4
Inventories and working capital	0	9	27	36	27	0	55	3.8
Mergers/acquisitions and corporate restructuring	9	9	73	0	0	9	-18	2.7
Debt restructuring	0	0	27	27	36	9	64	4.1
b) Use of alternative finance								
Internal financing	9	0	45	18	18	9	27	3.4
Loans from other banks	0	0	64	36	0	0	36	3.4
Loans from non-banks	0	0	73	0	0	27	0	3.0
Issuance of debt securities	0	0	55	9	0	36	9	3.1
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 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 13. Factors affecting demand for loans or credit lines to enterprises





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	9	18	9	27
Remain basically unchanged	82	82	82	82	73
Ease somewhat	0	9	0	9	0
Ease considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	18	0	18	0	27
Mean	2.8	3.0	2.8	3.0	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 somewhat" – 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	0	0	0	0
Decrease somewhat	9	9	9	9	18
Remain basically unchanged	45	27	64	45	64
Increase somewhat	45	64	27	45	18
Increase considerably	0	0	0	0	0
Total	100	100	100	100	100
Net percentage	36	55	18	36	0
Mean	3.4	3.5	3.2	3.4	3.0

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.



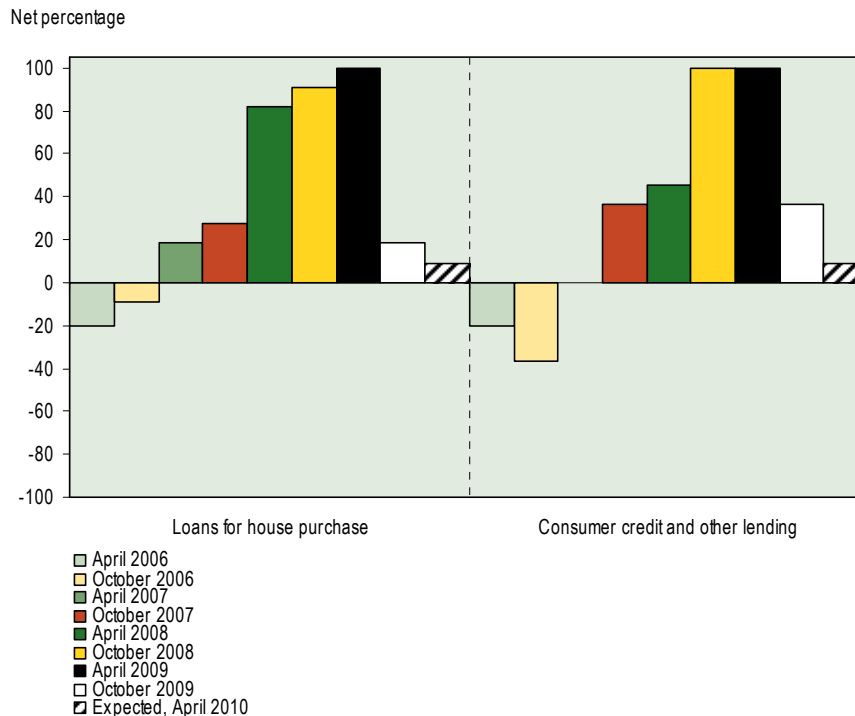
2. LOANS TO HOSEHOLDS

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	0	9
Tightened somewhat	27	36
Remained basically unchanged	64	45
Eased somewhat	9	9
Eased considerably	0	0
Total	100	100
Net percentage	18	36
Mean	2.8	2.5

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 percentages for "eased somewhat" and "eased considerably". Mean is defined as a weighted mean of answers with the following numeric values: "tightened considerably" – 1; "tightened somewhat" – 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



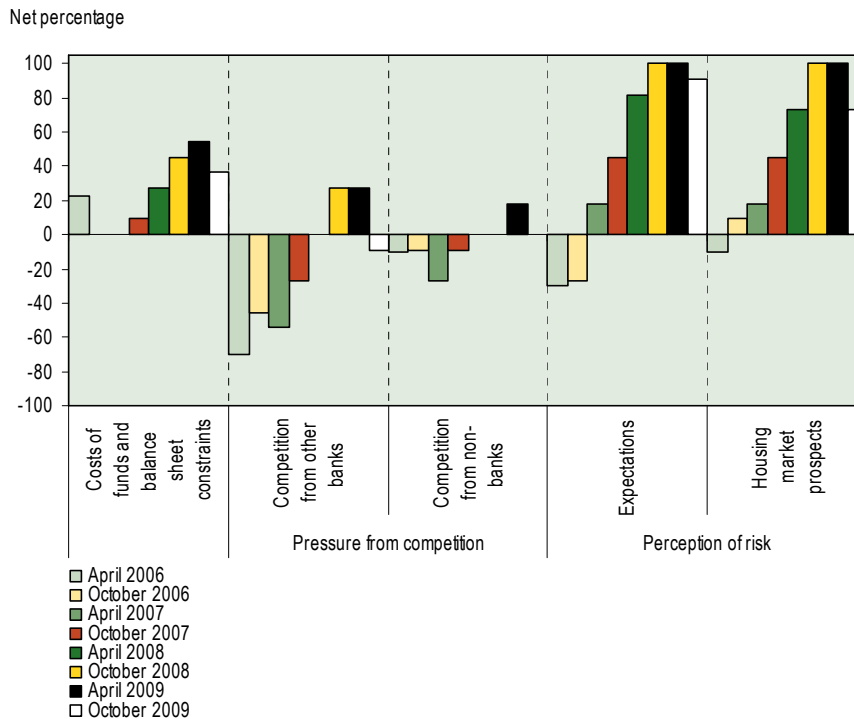


9. Over the past six months, how have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase?

	--	-	0	+	++	NA	NetP	Mean
a) Cost of funds and balance sheet constraints	27	9	55	0	0	9	36	2.3
b) Pressure from competition								
Competition from other banks	0	0	82	9	0	9	-9	3.1
Competition from non-banks	0	0	91	0	0	9	0	3.0
c) Perception of risk								
Expectations regarding general economic activity	27	64	9	0	0	0	91	1.8
Housing market prospects	27	45	27	0	0	0	73	2.0

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



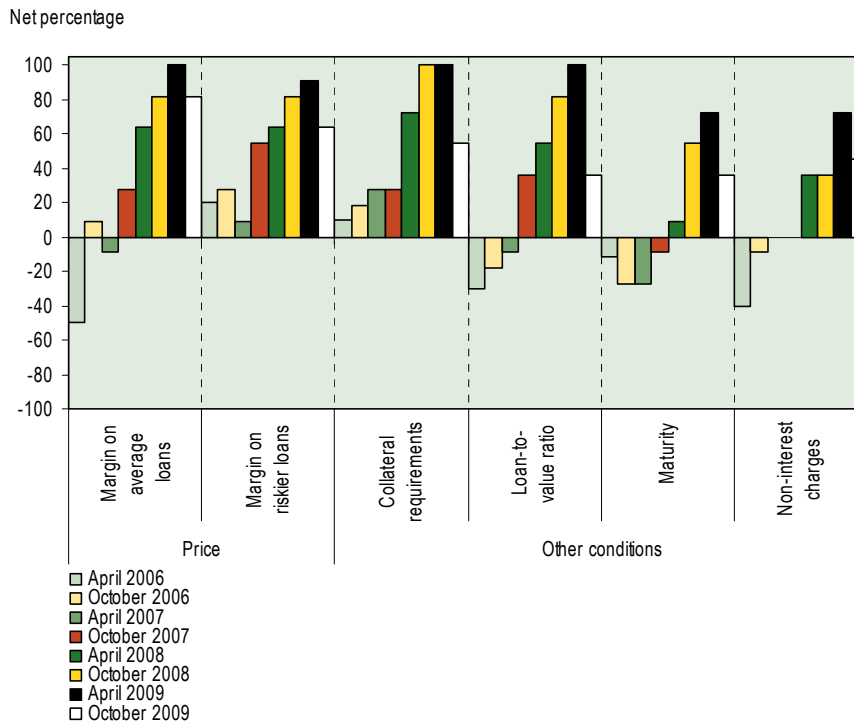


10. Over the past six months, how have your bank's conditions and terms for approving loans to households for house purchase changed?

	--	-	0	+	++	NA	NetP	Mean
a) Price								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	0	82	18	0	0	0	82	2.2
Bank's margin on riskier loans	18	45	18	0	0	18	64	2.0
b) Other conditions								
Collateral requirements	9	45	45	0	0	0	55	2.4
Loan-to-value ratio	0	45	45	9	0	0	36	2.6
Maturity	0	36	64	0	0	0	36	2.6
Non-interest rate charges	0	45	55	0	0	0	45	2.5

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: "tightened considerably" – 1; "tightened somewhat" – 2; "remained basically unchanged" – 3; "eased somewhat" – 4; "eased considerably" – 5.

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



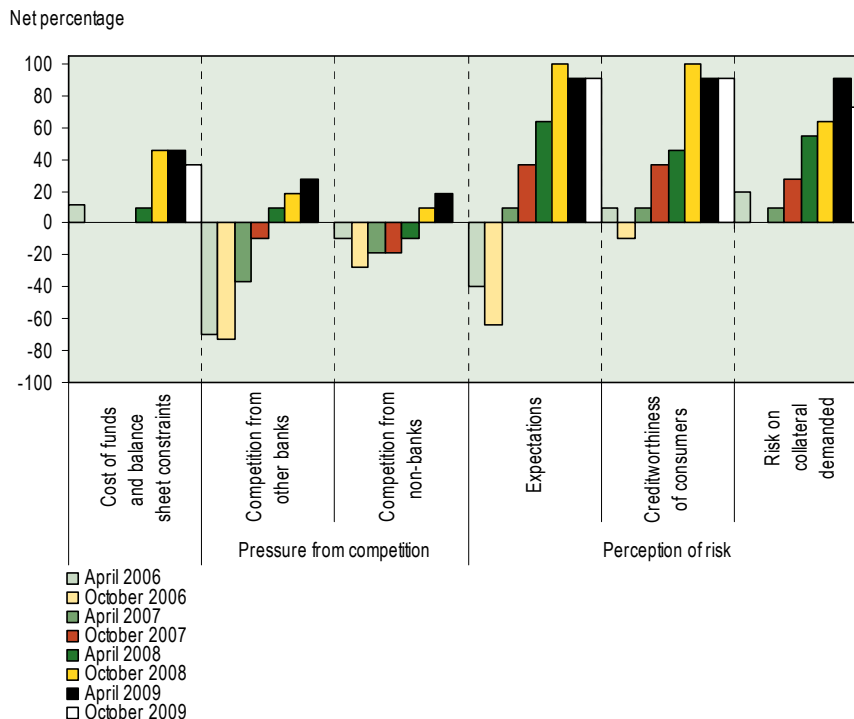


11. Over the last six months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

	--	-	0	+	++	NA	NetP	Mean
a) Cost of funds and balance sheet constraints	0	36	55	0	0	9	36	2.6
b) Pressure from competition								
Competition from other banks	0	9	73	9	0	9	0	3.0
Competition from non-banks	0	0	91	0	0	9	0	3.0
c) Perception of risk								
Expectations regarding general economic activity	18	73	9	0	0	0	91	1.9
Creditworthiness of consumers	45	45	9	0	0	0	91	1.6
Risk on the collateral demanded	36	36	27	0	0	0	73	1.9

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



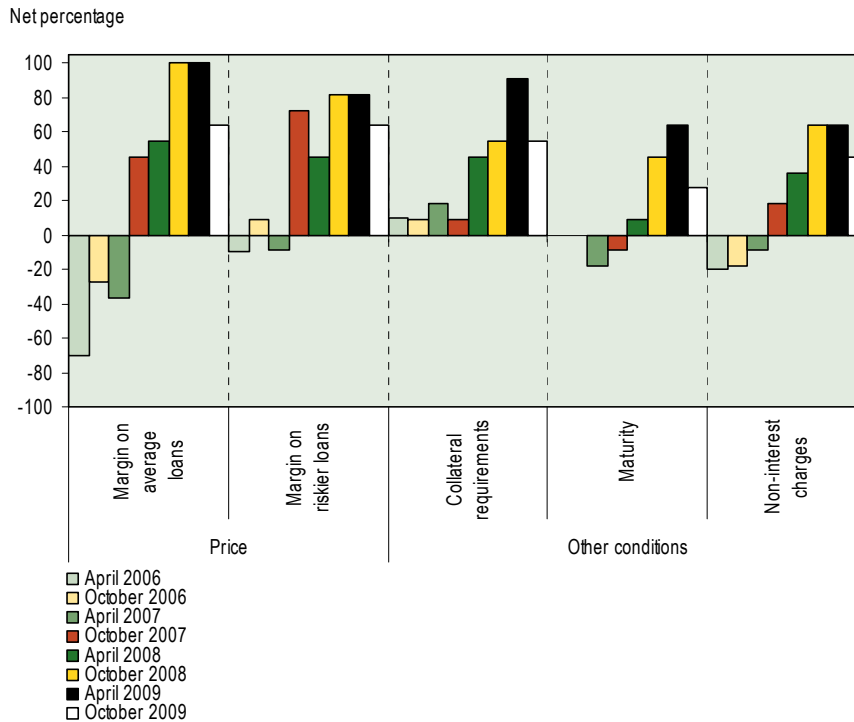


12. Over the past six months, how have your bank's conditions and terms for approving consumer credit and other lending to households changed?

	--	-	0	+	++	NA	NetP	Mean
a) Price								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	0	73	18	9	0	0	64	2.4
Bank's margin on riskier loans	18	45	18	0	0	18	64	2.0
b) Other conditions								
Collateral requirements	9	45	45	0	0	0	55	2.4
Maturity	0	27	73	0	0	0	27	2.7
Non-interest rate charges	0	45	55	0	0	0	45	2.5

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: "tightened considerably" – 1; "tightened somewhat" – 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



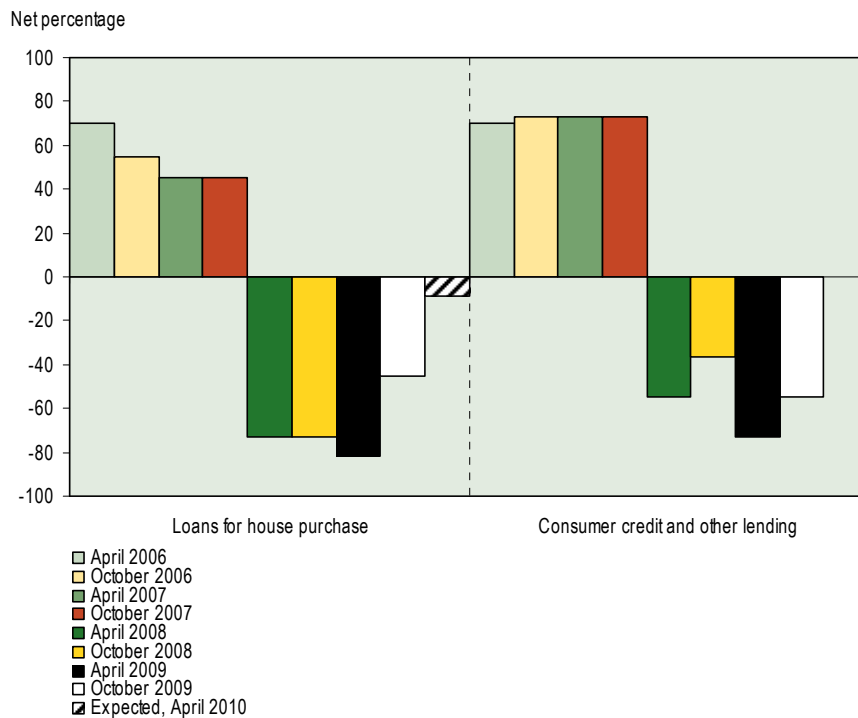


13. Over the last six months, how has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	18	27
Decreased somewhat	36	27
Remained basically unchanged	36	45
Increased somewhat	9	0
Increased considerably	0	0
Total	100	100
Net percentage	-45	-55
Mean	2.4	2.2

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 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 the demand for loans to households



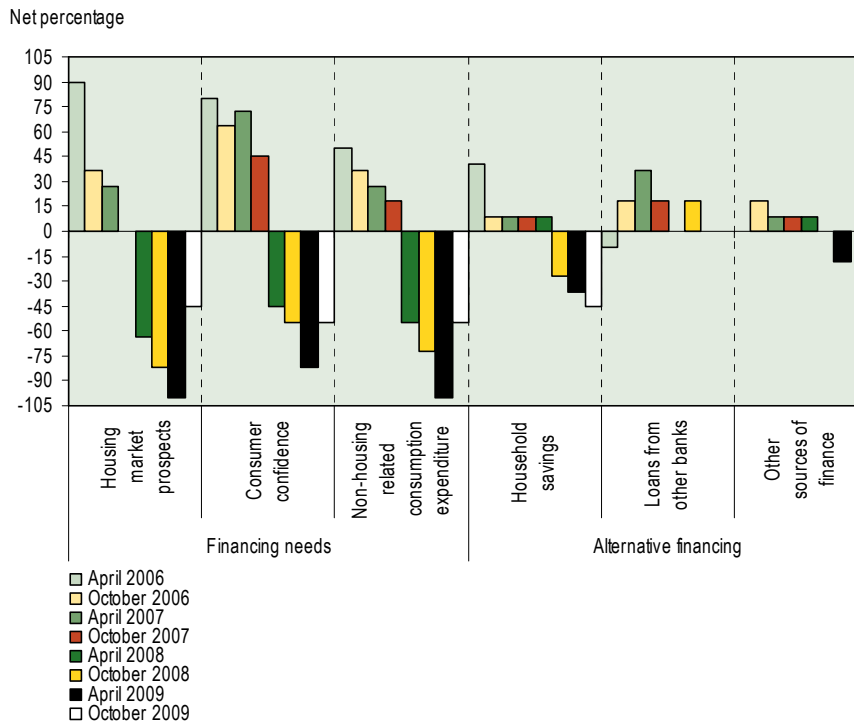


14. Over the past six months, how have the following factors affected the demand for loans to households for house purchase at your bank?

	--	-	0	+	++	Na	NetP	Mean
a) Financing needs								
Housing market prospects	27	36	18	18	0	0	-45	2.3
Consumer confidence	9	45	45	0	0	0	-55	2.4
Non-housing related consumption expenditure	9	55	27	9	0	0	-55	2.4
b) Use of alternative finance								
Household savings	0	45	55	0	0	0	-45	2.5
Loans from other banks	0	0	100	0	0	0	0	3.0
Other sources of finance	0	0	91	0	0	9	0	2.7

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 the demand for loans to households for house purchase



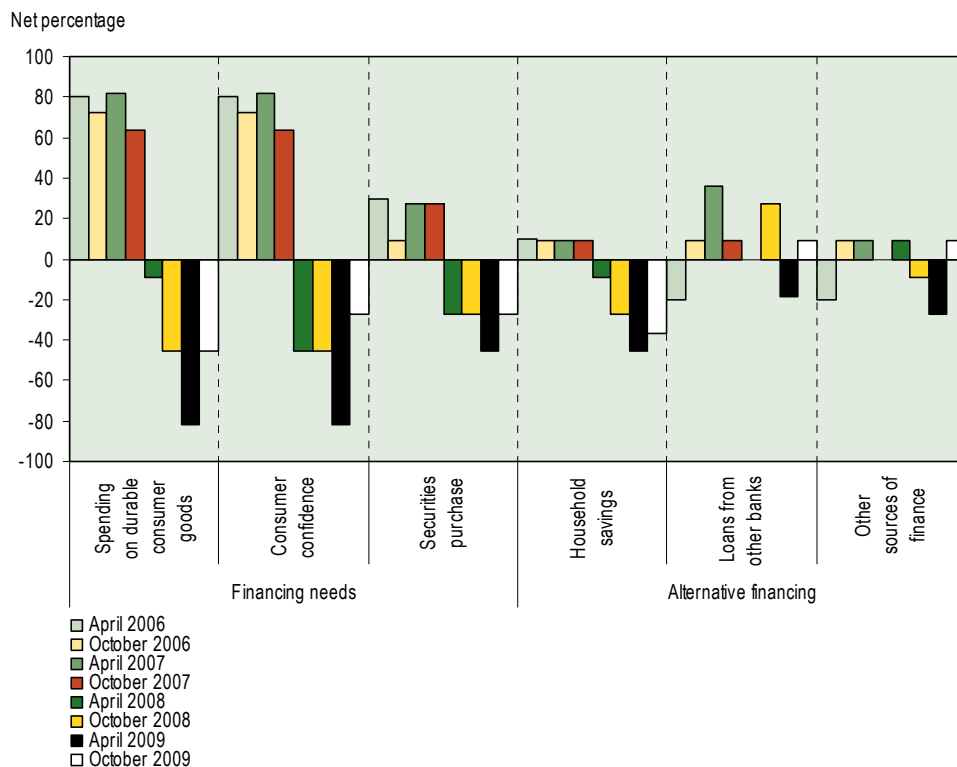


15. Over the past six months, how have the following factors affected the demand for consumer credit and other lending to households at your bank?

	--	-	0	+	++	NA	NetP	Mean
a) Financing needs								
Spending on durable consumer goods (i.e. cars, furniture, etc.)	27	18	55	0	0	0	-45	2.3
Consumer confidence	9	18	64	0	0	9	-27	2.6
Securities purchase	18	9	64	0	0	9	-27	2.5
b) Use of alternative finance								
Household savings	0	45	45	9	0	0	-36	2.6
Loans from other banks	0	0	91	9	0	0	9	3.1
Other sources of finance	0	0	82	9	0	9	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 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 the 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	9
Tighten somewhat	18	9
Remain basically unchanged	73	73
Ease somewhat	9	9
Ease considerably	0	0
Total	100	100
Net percentage	9	9
Mean	2.9	2.8

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 somewhat" – 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	0	9
Decrease somewhat	18	9
Remain basically unchanged	73	64
Increase somewhat	0	18
Increase considerably	9	0
Total	100	100
Net percentage	-9	0
Mean	3.0	2.9

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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