



## **Bank Lending Survey, April 2010**

### **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 April 2010. Respondents were 9 commercial banks and 4 foreign bank branches (hereinafter referred to as "banks").

The holders of management positions in banks were requested to indicate changes of lending conditions to households and non-financial enterprises over the period from end-October 2009 to end-April 2010. In their responses regarding the likely situation in the future, the respondents were requested to assess changes of lending conditions during the coming six months (April – October 2010).

This Bank Lending Survey presents a summarised opinion of the holders of management positions in banks which does not necessarily reflect official views and assessments of banks, 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 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.

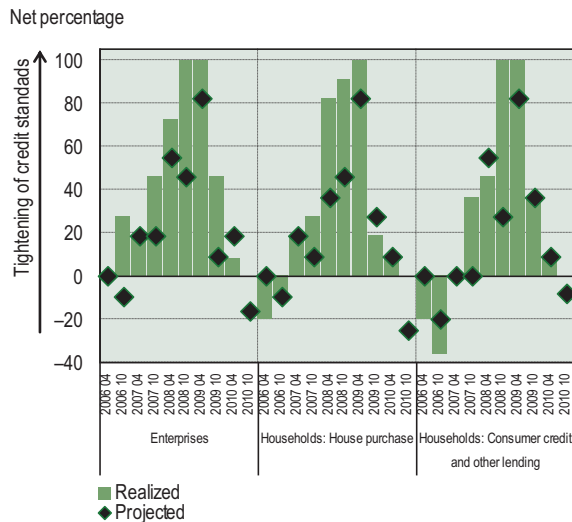


## II. Summary of Results

The results of April 2010 Bank Lending Survey indicate that, after the tightening of credit standards observed during the past several years, the banks basically have not changed their lending conditions over the recent six months. The main factors behind the tightening of the banks' credit policy were the aim to hold larger capital reserves and a conservative assessment of economic development, specific sectors of borrowers and collateral risk. At the same time easing of lending conditions was prompted by competition among banks and other non-bank institutions in credit market which intensified for the first time over the recent two years. Majority of banks do not plan to change lending conditions applied for enterprises and households over the next six months, however, a number of banks intend to ease them for the first time since April 2006 (see Chart 1).

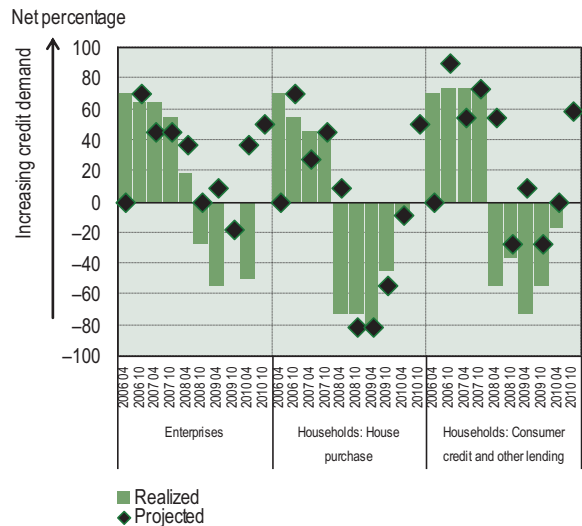
In their responses the holders of managing positions in banks stated that credit demand of enterprises and households remained inert over the past six months and decreased slightly compared to the previous six months. Demand of households for lending decreased mostly due to growing unemployment and relatively higher consumption expenditure. Enterprises' demand for lending was reduced by weaker investment while it was increased by demand for debt restructuring and reduced possibilities to undertake activities using own funds. On the other hand, majority of banks expect an increase in the demand of enterprises and households lending during the coming six months (until October 2010) (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

**Lending conditions.** Two thirds of banks that participated in the survey indicated that they did not change general lending conditions applied to enterprises during the past six months. During the past six months, lending conditions applied to small, medium-sized and large enterprises remained broadly unchanged. Also, the bulk of surveyed banks did not change lending conditions for both short-term and long-term loans. Compared to survey data of several past years, in the course of the recent six months, majority of banks have not tightened conditions for granting different types of loans or for the first time since the end of 2007. According to the survey data, credit policy, which has followed a tightening trend during the several recent years, is likely to change over the next six months since a number of banks intend to ease somewhat the lending conditions applied to enterprises (see Chart 9).

Comprehensive data on changes in conditions applied for loans and credit lines for enterprises indicate that the majority of banks that participated in the survey did not change the price for medium risk and risky loans or credit lines (net percentage was 0% and 8% respectively). Requirements for loan amount, collateral and other liabilities of borrowers also changed only marginally over the past six months (net percentages accounted for 17%). With regard to terms and conditions for granting other loans and credit lines, requirements for loan maturities were made a bit tighter (net percentage accounted for 25%). Compared to the past half-year period, almost all conditions for granting loans and credit lines to enterprises remained unchanged while in the previous periods of time many terms were continuously tightened (see Chart 11).

**In contrast to data of several previous surveys, banks indicated that tightening of lending conditions was prompted not just by a stricter risk assessment but also by balance sheet restrictions.** Rising additional capital attraction costs, conservative expectations of banks about overall economic situation in Lithuania and prospects of different industries or enterprises as well as increased collateral risk made the greatest impact on tightening of crediting. **On the other hand, more intense competition among banks and other non-bank institutions, registered for the first time in the course of the past two years, contributed to the easing of terms and conditions** (see Chart 10).

**Loan demand.** According to banks, **overall demand for loans to enterprises and credit lines has reduced over the recent six months** (net percentages made up –50) notwithstanding the fact that when responding to the previous survey the banks projected that demand for lending would increase. Demand of small and medium-sized enterprises for loans and credit lines slightly declined (net percentages were –25% and 33% respectively). Demand for short-term and long-term loans also went down marginally: net percentages accounted for –25% and –33% respectively. After summarising the results of all the surveys conducted to date, it may be stated that demand for lending was increasing until October 2007, i.e. during the period of rapid economic growth. Later on, growth rate of the demand for lending began to slacken and the demand of enterprises for loans and credit lines decreased since October 2008. The results of the present survey indicate that, according to banks, demand of enterprises for loans and credit lines after several years of decline will start growing in the coming months (see Chart 12).

Similar to several previous surveys, the banks participating in the survey indicated that the decrease in fixed investment was the largest contributor to the shrinkage of the demand of enterprises for loans. The factors behind demand for lending were growing need for debt restructuring and deteriorating prospects to finance activities from own funds: net percentages accounted for 33% and 17% respectively. Other factors made a minor contribution to the



changes in lending conditions. Compared to the results of previous surveys, the need for financing of fixed investment continues to decrease and the need for debt restructuring increases (see Chart 13).

**Expectations. When requested to indicate how lending conditions of the banks participating in the survey would change within the next six months, the majority of banks (83 %) reported their intentions not to change them**, 17% of the respondent banks had plans to ease these conditions slightly and none of them intends to tighten them. For the first time since April 2006, the banks announced their plans to slightly ease lending conditions over the coming six months. Banks intend to ease somewhat lending conditions applied to small, medium-sized and large enterprises by October this year (net percentages accounted for –17% and –8% respectively). Moreover, banks are going to ease somewhat the terms for granting short-term and long-term loans (net percentages accounted for –17% and –8%). Similar to previous surveys, **the banks participating in this survey expect an increase of the overall demand for loans to enterprises in the next six months (net percentage was 50%, mean – 3.5). The banks project that demand for loans to small and medium-sized enterprises will grow faster than that for large enterprises during the coming six months** (net percentages accounted for 75% and 25% respectively), and changes in demand for short-term and long-term loans are likely to be of the similar size: both net percentages accounted for 42% each).



## 2. LOANS TO HOUSEHOLDS

### *Loans for House Purchase*

**Lending conditions.** Following continuous tightening of lending conditions applied to households for the last two years, the banks basically did not change their credit standards over the past six months. The majority of the surveyed banks (75%) indicated that they did not change conditions for granting loans for house purchase (see Chart 14).

As for the factors determining granting of loans, some banks indicated that a slight tightening of terms for granting loans for house purchase was prompted by conservative assessment of the outlook for domestic economy and housing market meanwhile increase in the activity of non-bank institutions in the housing market encouraged easing of lending conditions. Other factors made a minor contribution to the changes in lending conditions (see Chart 15).

The analysis of the terms and conditions of loans to households for house purchase suggest that within the previous six months the banks hardly changed any type of lending conditions. For the first time since April 2006, the banks indicated that they reduced slightly the margins of medium-term and risky loans (net percentage accounted for –8%). The banks also reported a slight tightening of other housing loans conditions (collateral requirements, loan maturity and other non-interest rate conditions) (see Chart 16).

**Loan demand.** The surveyed banks indicated that **following a two-year decline in demand for housing loans, demand for lending has changed marginally over the recent six months** (net percentage accounted for –8%) (see Chart 19). According to the banks, the main factors behind the decline in demand for housing loans were increasing relative non-housing consumption expenditure and use of households' savings for financing of the house purchase expenses (net percentages accounted for –33% and –42%). Other factors made a minor contribution to the changes in lending conditions (see Chart 20).

**Expectations.** The majority of the surveyed banks intend not to change conditions of lending for house purchase during the coming six months. It should be noted, however, that 25 per cent of the banks are planning to ease marginally the financing conditions while none of the banks plan to tighten them. **One half of the banks expect that demand for housing loans will increase somewhat during the coming six years**, others think that it will remain basically the same. Such optimistic outlook for changes in conditions of lending for house purchase and growing demand for housing loans has been observed for the first time since April 2006.



### ***Consumer Credit and Other Lending to Households***

***Lending conditions.*** Lending conditions applied to consumer and other loans, which were tightened for the period of previous two years, remained basically unchanged over the last six months. More than a half (58%) of surveyed banks indicated that basically they did not change conditions for granting consumer and other loans during the past six months while 17% said that they slightly eased those conditions and 17% reported that they tightened them somewhat. (see Chart 14).

When assessing the factors determining the granting of consumer and other loans, the banks indicated that the tightening of conditions was encouraged by changes in risk assessment i.e. the banks projected a slightly growing risk of credit recipients' solvency, collateral and economic development. Contrary to the results of the previous survey, financing costs and balance sheet quality indicators contributed not to the tightening but to the easing of lending conditions (see Chart 17).

During the past six months, all the analysed terms and conditions of consumer loans and other lending to households changed only marginally (see Chart 18). According to survey results, requirements for collateral, loan maturities and other non-interest rates were somewhat lowered, however, margins of consumer and other loans for both medium and risky loans were also reduced.

***Loan demand.*** Demand for consumer loans and other lending has diminished over the past six months (net percentage accounted for 17%, mean – 2.8) (see Chart 19). This was mostly due to weaker willingness of households to acquire durable goods and securities. The usage of alternative financing also made a dampening effect on households' demand for loans (see Chart 21).

***Expectations.*** Like in previous surveys, in their responses as to what extent lending conditions for consumer and other loans will change over the next six months, the majority (92%) of respondents reported that lending conditions would remain basically unchanged, however, more than a half (58%) of respondents believe that demand for consumer loans and other lending will increase somehow in the coming years. Such a rise in demand for lending has been projected for the first time since October 2007. These results can be seen as the first evidence that crediting of household consumption may become somewhat more active.



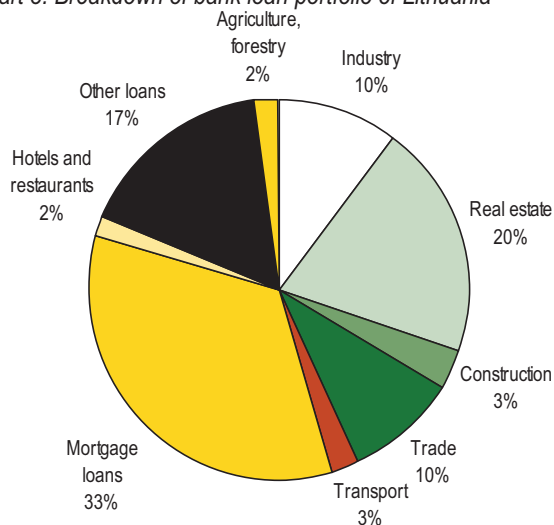
### 3. AD-HOC QUESTIONS

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 lending conditions in the future. Given a sharp economic downturn in 2009, this survey concentrates on the analysis of the financial situation in the main domestic economic sectors and households and to the assessment of the quality of loans granted to these sectors. For the first time in bank lending surveys, the respondents were asked to specify risk factors which, in their opinion, exert the largest impact on the stability of the financial system of the country, and describe a general level of confidence in the stability of financial system over the medium and long terms.

#### ***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. The following major types of economic activity were selected for the survey: industry, real estate, construction, trade, transport, hotels and restaurants, agriculture and forestry, and households. According to the data of the end-2009, loans granted to households and enterprises belonging to the above sectors made up 83% of the total bank loan portfolio (see Chart 3).

Chart 3. Breakdown of bank loan portfolio of Lithuania

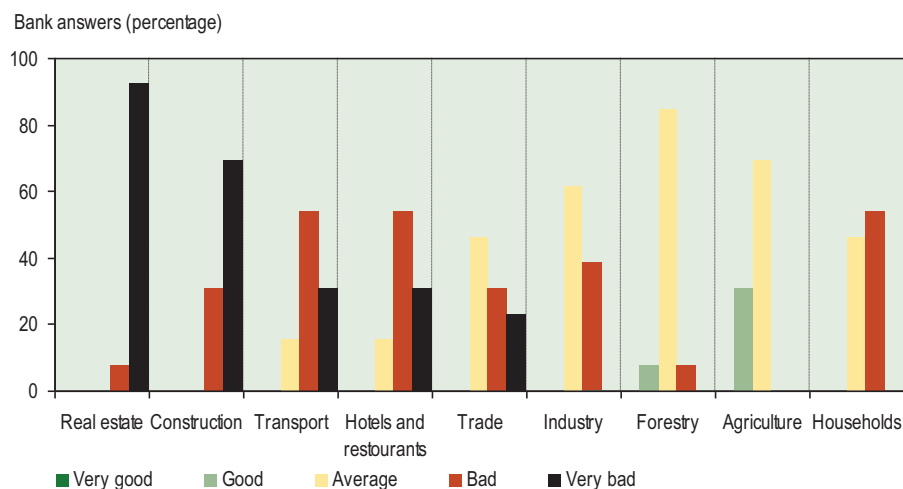


Source: Bank of Lithuania calculations.

**Financial situation.** The assessment of the financial situation of households and enterprises undertaking the key economic activities was similar to that submitted in previous surveys. **The best assessment of all sectors was given to agriculture and forestry. Banks were most cautious assessing the situation in the real estate and construction sectors.** Moreover, the banks saw the increased risk in transport, hotels and restaurants, and trade sectors. (see Chart 4). It should be noted that the financial situation of households is assessed as slightly deteriorating compared to the previous period meanwhile the assessment of the situation of enterprises during the past six months remained basically unchanged.



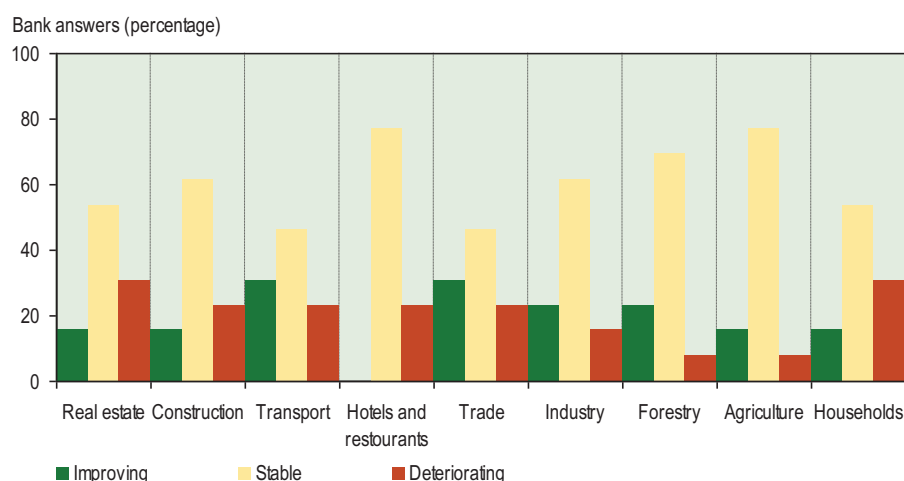
Chart 4. Assessment of the financial situation of enterprises in various economic sectors and households



Source: Bank Lending Survey, April 2010

**Prospects of the Financial Situation.** Following a two-year period when the prospects of the financial situation of enterprises undertaking main types of economic activity received negative assessments, **in this survey, most banks project that financial situation of enterprises undertaking all main types of activity will remain unchanged over the coming six months.** The future prospects of trade, transport, industry and forestry received the most optimistic assessment while most pessimistic one was given to real estate. During this six-month period compared to the previous six-month period, the banks gave a slightly poorer assessment of the future financial situation of households (see Chart 5). This could be explained by the fact that the impact of economic changes on households, determined by changing disposable income, is more inert and has longer time lags compared to the impact on enterprises, which responds to the macroeconomic changes much faster.

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



Source: Bank Lending Survey, April 2010

### **Prospects of the Domestic Real Estate Market**

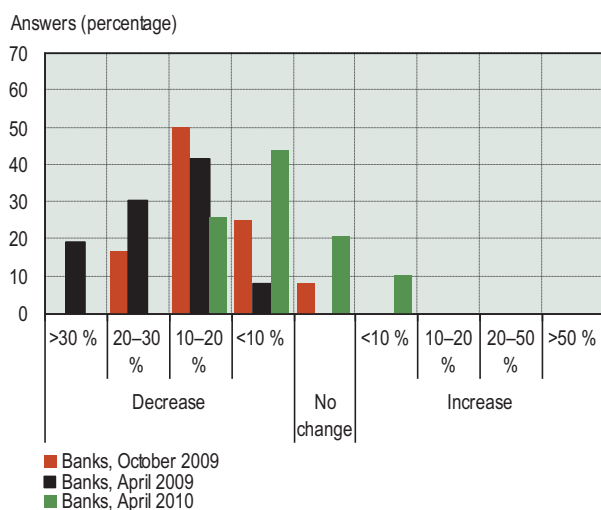
**Expectations of real estate price changes.** The majority (44%) of banks that participated in the survey expected that real estate prices would decline (but no more than by 10%) over the coming twelve months.





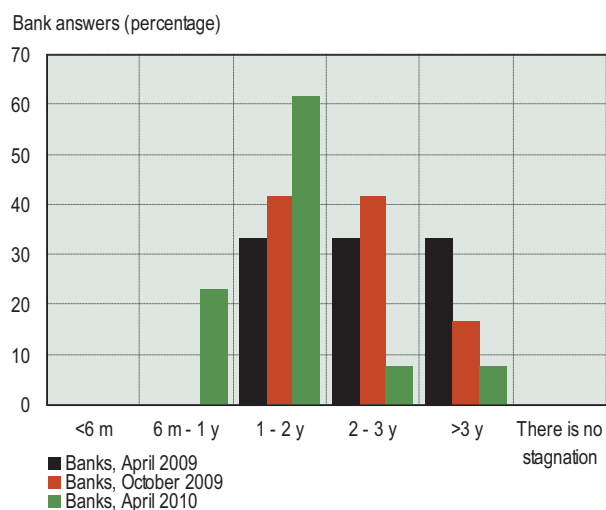
One fourth of respondents indicated that prices will decline from 10% to 20%, and about 20% of all banks said that it would remain the same. In this survey, 10% of all banks expect that prices may go up somewhat (see Chart 6). More than one half of all banks (61%) believe that a stagnation in the real estate market of Lithuania should end by late 2011. Compared to October 2009 survey results, the banks are more optimistic now about prospects of real estate sector: price correction should be less visible and stagnation in the market should last for a shorter period of time (see Chart 7).

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



Sources: Bank lending 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 surveys conducted on behalf of the Bank of Lithuania.

### Credit Conditions and Loan Portfolio Development

**Granting of loans.** The majority of respondent banks indicated that the due diligence was the most cautious while providing loans to economic activities of real estate, construction and transportation. Like in the previous survey, the banks stated that they did not apply any additional limits for financing of other economic activities.

**Changes in housing loan conditions.** For the third consecutive period of six months, 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 payment term and adjustment of amortisation schedule. Moreover, the banks indicated that in the second half of 2009 the maximum loan to value ratio applied when granting a housing loan to an average risk customer was between 70% and 80% meeting the good practice of bank risk assessment. In comparison, that ratio stood from 90% to 100% during the time of strong economic growth.

**Credit growth in 2010.** When summarising survey results, it should be noted that, the loan portfolio before loan impairments should change only marginally during the current year. In 2010, 46% of all banks intend to reduce their loan portfolio and just above one half intend to increase it. In this survey, the banks are somewhat more pessimistic about a likely change of loan portfolio compared to October 2009. According to the respondents, a drop in the amount of housing loans should be the most rapid among all categories of loans. At the same time banks intend to increase the loan portfolio of the general government and financial institutions.



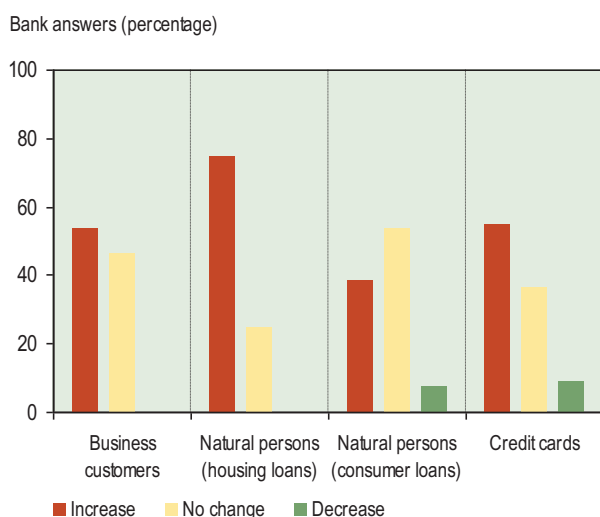
### **Quality of the Bank Loan Portfolio**

**Loan quality by economic sector.** When asked to designate economic sectors with the poorest quality of loans, same as in previous surveys the majority of the banks participating in the survey pointed out real estate and construction sectors, which were growing particularly robustly during the period of high economic activity. Some respondents also indicated hotels and restaurants sectors, where the quality of loan portfolio was mainly under the negative influence of the recent domestic and global developments. The banks assessed the quality of portfolio loan in 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 housing loans. More than a half of the banks indicated that the number of overdue loans of business customers and credit card holders was increasing (see Chart 8).

According to the survey data, banks forecast that in the coming six-year period the loan quality of all segments of debtors (business customers, natural persons, and credit card holders) will get somewhat worse. The respondents think that these changes are mainly determined by the following factors: growing unemployment level, a projected slow economic recovery and stagnating real estate market. One third 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 second half of 2010 and should start to improve later on. However, one third of the banks pointed out that the worst quality of their loan portfolio was observed in 2009 and they project that quality of loan portfolio will start to improve already this year.

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



Source: Bank Lending Survey, 2010 April.

### **Attraction of Financial Resources**

The improved situation in the international financial markets, decreased credit risk premium, more stable macroeconomic development and lower VILIBOR interest rates made a positive influence on the potential of domestic



banks to attract additional financial resources. During the past six months, borrowing of the banks in the domestic market was relatively active, since the banks were increasing their liquid asset reserves and seeking to achieve stronger balance between granted loans and financial reserves attracted in the country. During the coming 6 months more than one half of the surveyed banks do not intend to continue competing actively over deposits in the private sector. On the other hand, in the context of decreasing credit flow the banks intend to further reduce liabilities to parent banks.

### **Risk Assessment**

According to the banks, the major risks to financial system of the country and stability of the whole economy during the coming six months will be growing unemployment, bankruptcies of debtors, the economic downturn, falling real estate prices and tight lending conditions. The first four main risk factors exert direct impact on the quality of bank loans due to deteriorating financial standing of the debtors and decreasing value of the collateral. The banks also pointed out the tight lending conditions as one of the major risks. The banks are forced to tighten risk assessment during the economic downturn due to huge credit losses incurred, however, at the same time they understand that excessively tight crediting policy may have a negative feedback effect on economic activity, financial standing of enterprises and households, and prices of real estate.

**Table 1. The main risks to the stability of the financial system over the next 6 months.**

<b>Risks*</b>	<b>Percentage**</b>	<b>Average***</b>
Rising unemployment	100	2,9
Borrower defaults	92	2,8
Economic downturn	83	1,8
Real estate price falls	42	3,4
Tight credit conditions	42	4,4
Difficulties attracting financial resources	33	4,0
Sovereign risk	33	4,5
Failure of financial institutions	25	2,0
Liquidity problems due to deposit withdrawals	25	2,7
Financial sector regulatory and accounting changes	25	3,3
Failure of the financial infrastructure (payment systems)	17	2,0
Operational risk	17	3,0
Rising interest rates	8	4,0

\* Banks were asked to rank five most important risks to the stability of the financial system over the next 6 months (1 – the most important risk; 5 – the fifth most important risk); \*\* Percentage shows the share of respondents stating this risk among the five most important ones. \*\*\* Average shows average importance of the risk (1 – the most important risk; 5 – the fifth most important risk).

Responding to the question as to possibility of materialisation of high-impact events in the financial sector during the coming six months, the majority of banks (77%) indicated that such developments (i.e. sharp contraction in deposits observed in November 2008, bankruptcy of Lehman Brothers investment bank, etc.) are unlikely or highly unlikely.

**Table 2. Probability of a high-impact event in the Lithuanian financial system over the next 6 months.**

	<b>Probability, %*</b>
Very low	15
Low	62
Medium	15
High	8
Very high	0

\* The share of respondents stating the answer.



In their assessment of overall confidence in stability of the financial system of Lithuania, the majority of banks stated that their confidence is moderate both during the coming 12 months and 3 years. One third of all respondents indicated that confidence is high or very high. It should be noted in the light of the severe economic downturn, the banks give a relatively positive assessment of the prospects of the financial sector of Lithuania.

**Table 3. Confidence in the stability of the Lithuanian financial system**

	<b>Confidence in the stability of the financial system over the next 12 months, %*</b>	<b>Confidence in the stability of the financial system over the next 3 years, %*</b>
Very low	0	0
Low	8	0
Medium	62	69
High	8	15
Very high	23	15

\* The share of respondents stating the answer.



### III. Results for individual questions

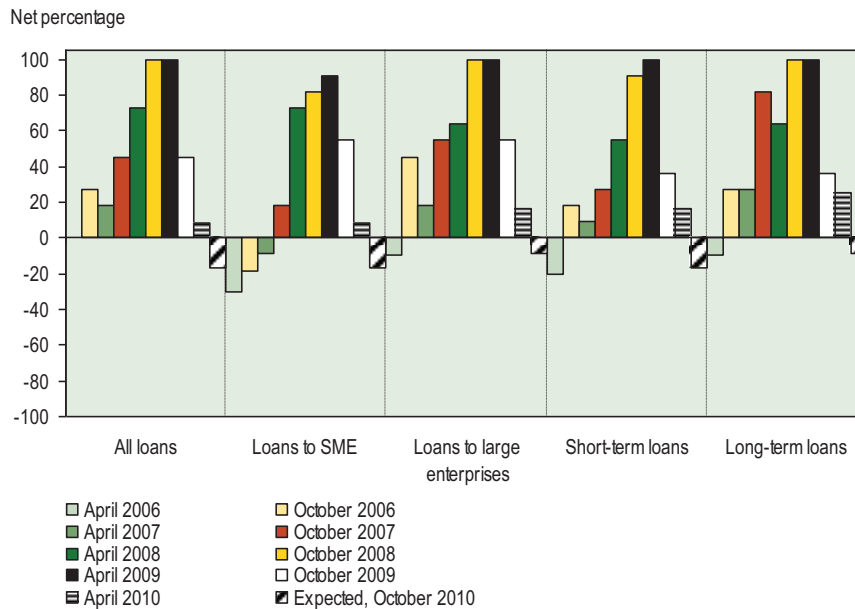
#### 1. LOANS OR CREDIT LINES TO ENTERPRISES

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

	All loans	Loans to SME <sup>1</sup>	Loans to large enterprises	Short-term loans	Long-term loans
Tightened considerably	8	8	8	8	8
Tightened somewhat	8	17	17	17	17
Remained basically unchanged	75	58	67	67	75
Eased somewhat	8	17	8	8	0
Eased considerably	0	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net percentage</b>	<b>8</b>	<b>8</b>	<b>17</b>	<b>17</b>	<b>25</b>
<b>Mean</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>

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



<sup>1</sup> Small and medium enterprises

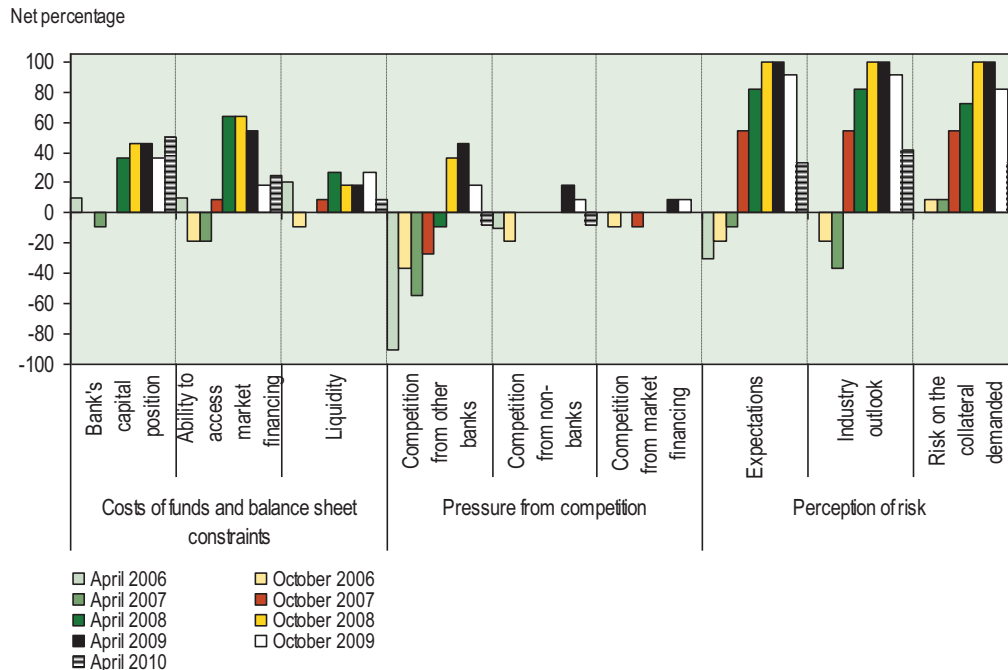


2. How have the following factors affected your bank's credit standards as applied to the approval of loans or credit lines to enterprises over the past six months (as described in question 1 in the column headed "Overall")?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Costs of funds and balance sheet constraints</b>								
Costs related to bank's capital position	0	50	42	0	0	8	50	2.5
Bank's ability to access market financing	0	25	67	0	0	8	25	2.7
Bank's liquidity position	0	25	50	8	8	8	8	3.0
<b>b) Pressure from competition</b>								
Competition from other banks	0	8	58	17	0	17	-8	3.1
Competition from non-banks	0	0	67	8	0	25	-8	3.1
Competition from market financing	0	0	67	0	0	33	0	3.0
<b>c) Perception of risk</b>								
Expectations regarding general economic activity	8	42	25	17	0	8	33	2.5
Industry or firm-specific outlook	17	42	17	8	8	8	42	2.5
Risk on the collateral demanded	17	33	25	8	8	8	33	2.5

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 standard 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



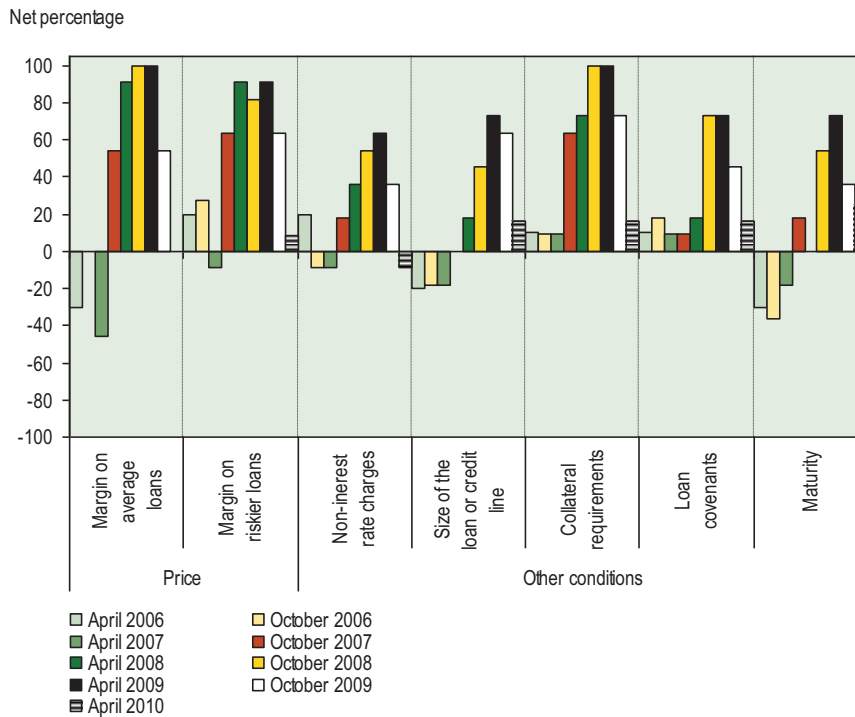


3. How have your bank's conditions and terms for approving loans or credit lines to enterprises changed over the past six months ?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Price</b>								
Bank's margin on average loans	0	25	50	25	0	0	0	3.0
Bank's margin on riskier loans	8	17	58	17	0	0	8	2.8
<b>b) Other conditions and terms</b>								
Non-interest rate charges	0	8	75	17	0	0	-8	3.1
Size of the loan or credit line	8	17	67	8	0	0	17	2.8
Collateral requirements	0	33	50	17	0	0	17	2.8
Loan covenants	8	17	67	8	0	0	17	2.8
Maturity	8	17	75	0	0	0	25	2.7

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



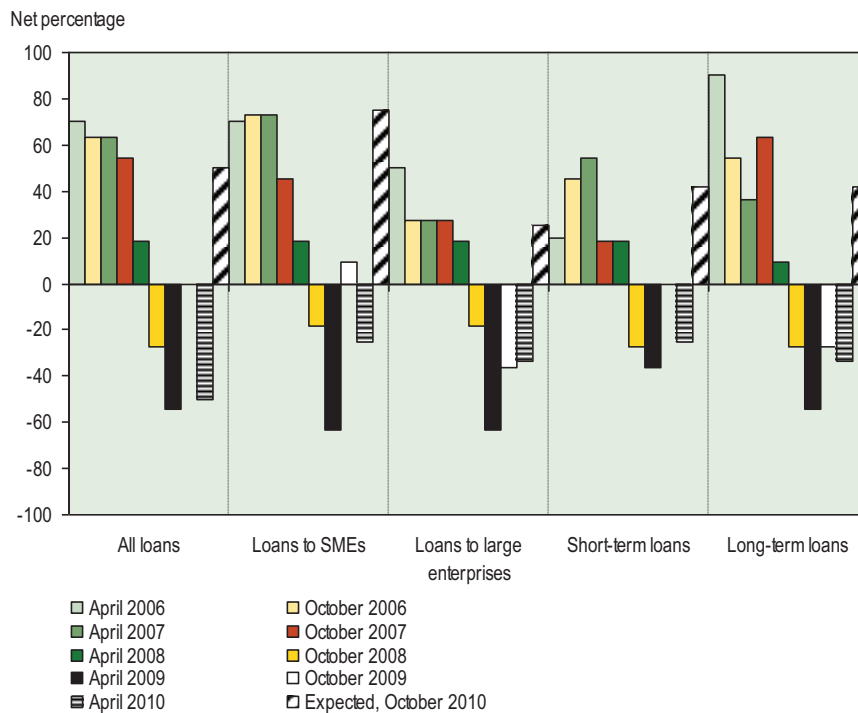


4. How has the demand for loans or credit lines to enterprises changed at your bank over the past six months, apart from regular seasonal fluctuations?

	Overall	Loans to small and medium-sized enterprises	Loans to large enterprises	Short-term loans	Long-term loans
Decreased considerably	17	17	17	17	17
Decreased somewhat	42	33	25	33	33
Remained basically unchanged	33	25	50	25	33
Increased somewhat	8	17	8	25	17
Increased considerably	0	8	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	-50	-25	-33	-25	-33
<b>Mean</b>	2.3	2.7	2.5	2.6	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





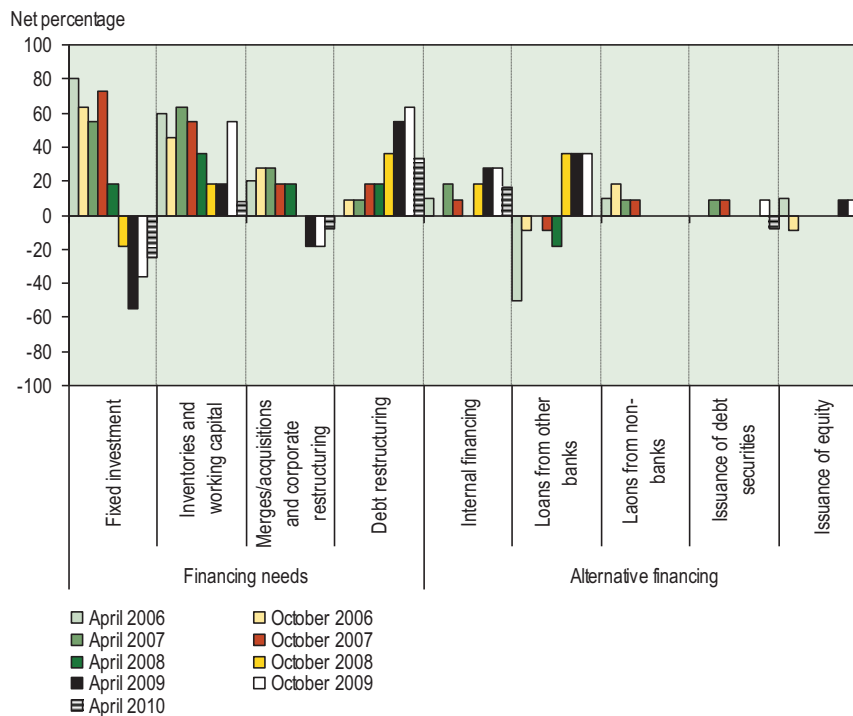


5. How have the following factors affected the demand for loans or credit lines to enterprises over the past six months (as described in question 4 in the column headed "Overall")?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Financing needs</b>								
Fixed investment	25	8	58	8	0	0	-25	2.5
Inventories and working capital	8	17	42	25	8	0	8	3.1
Mergers/acquisitions and corporate restructuring	8	0	83	0	0	8	-8	2.8
Debt restructuring	0	0	58	17	17	8	33	3.5
<b>b) Use of alternative finance</b>								
Internal financing	0	8	67	17	8	0	17	3.3
Loans from other banks	0	17	58	17	0	8	0	3.0
Loans from non-banks	0	8	58	8	0	25	0	3.0
Issuance of debt securities	0	8	67	0	0	25	-8	2.9
Issuance of equity	0	8	83	0	0	8	-8	2.9

Note: The "Net percentage" column is defined as the difference between the sum of "+" (contributed considerably to higher demand) and "+" (contributed somewhat to higher demand), and the sum of "-" (contributed somewhat to lower demand) and "--" (contributed considerably to lower demand). "0" means "contributed to basically unchanged demand". 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 would 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	0	0	0	0	0
Remain basically unchanged	83	83	92	83	92
Ease somewhat	17	17	8	17	8
Ease considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	-17	-17	-8	-17	-8
<b>Mean</b>	3.2	3.2	3.1	3.2	3.1

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of 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	0	0	0	0	0
Remain basically unchanged	50	25	75	58	58
Increase somewhat	50	75	25	42	42
Increase considerably	0	0	0	0	0
Total	100	100	100	100	100
<b>Net percentage</b>	50	75	25	42	42
<b>Mean</b>	3.5	3.8	3.3	3.4	3.4

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.



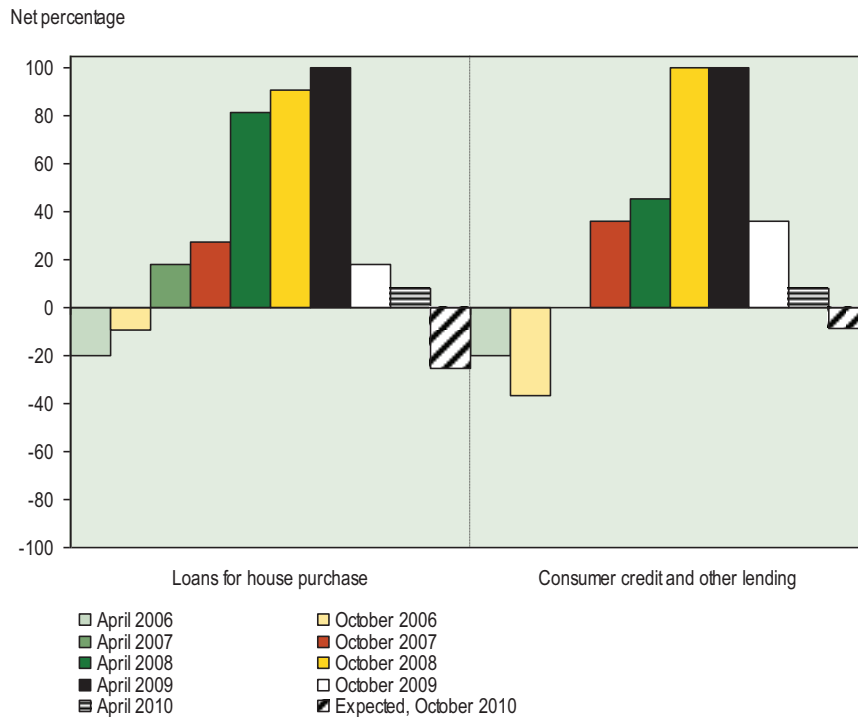
**2. LOANS TO HOSEHOLDS**

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

	Loans for house purchase	Consumer credit and other lending
Tightened considerably	8	8
Tightened somewhat	8	17
Remained basically unchanged	75	58
Eased somewhat	8	17
Eased considerably	0	0
Total	100	100
<b>Net percentage</b>	8	8
<b>Mean</b>	2.8	2.8

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



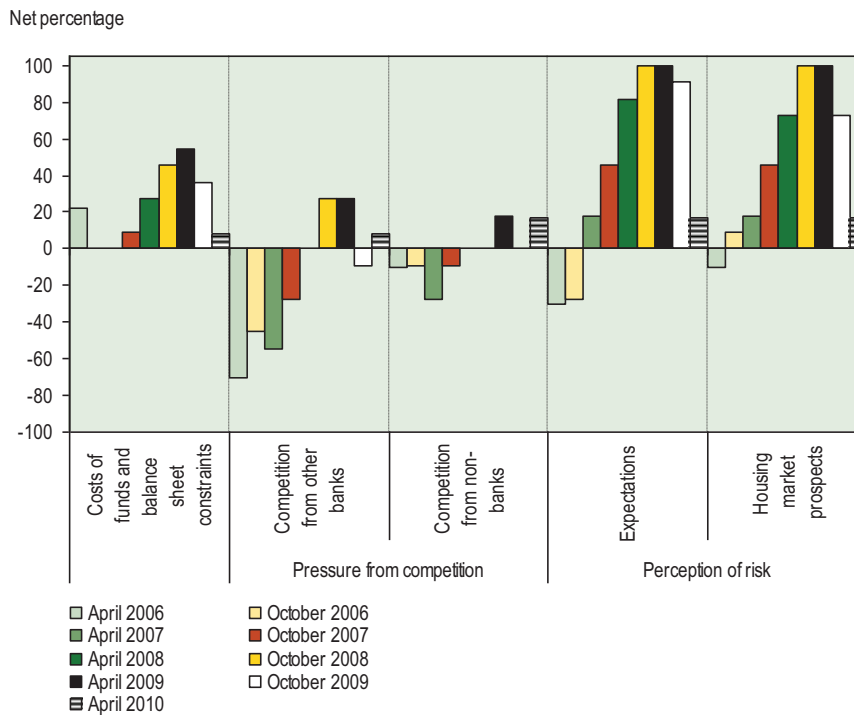


9. How have the following factors affected your bank's credit standards as applied to the approval of loans to households for house purchase over the past six months?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Cost of funds and balance sheet constraints</b>	8	8	67	8	0	8	8	2.8
<b>b) Pressure from competition</b>								
Competition from other banks	0	17	67	8	0	8	8	2.9
Competition from non-banks	0	17	75	0	0	8	17	2.8
<b>c) Perception of risk</b>								
Expectations regarding general economic activity	8	33	25	25	0	8	17	2.7
Housing market prospects	8	25	42	17	0	8	17	2.7

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



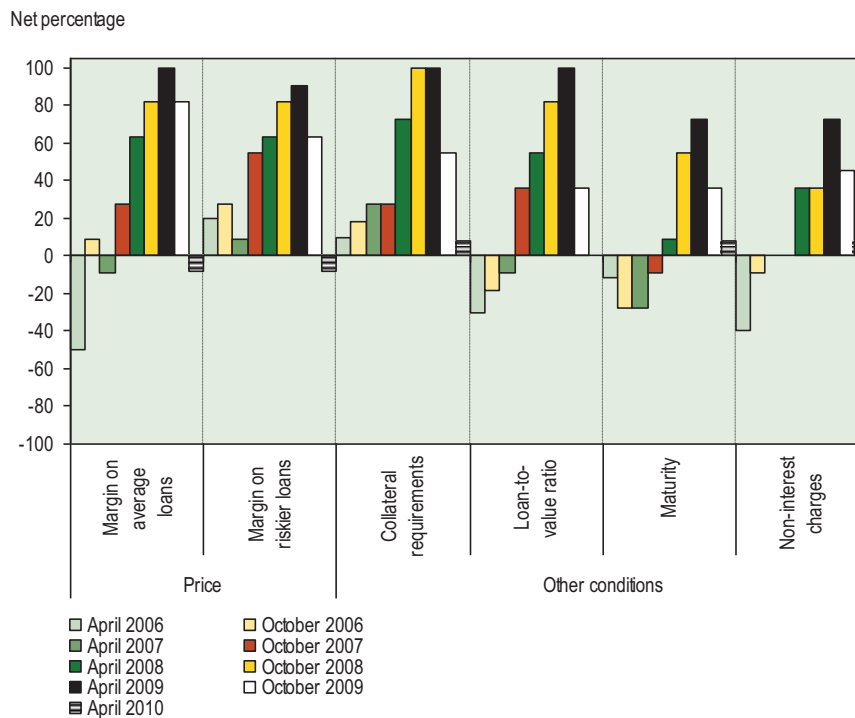


10. How have your bank's conditions and terms for approving loans to households for house purchase changed over the past six months?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Price</b>								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	8	8	58	25	0	0	-8	3.0
Bank's margin on riskier loans	0	17	50	25	0	8	-8	3.1
<b>b) Other conditions</b>								
Collateral requirements	0	17	75	8	0	0	8	2.9
Loan-to-value ratio	0	17	67	17	0	0	0	3.0
Maturity	0	8	92	0	0	0	8	2.9
Non-interest rate charges	0	8	92	0	0	0	8	2.9

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



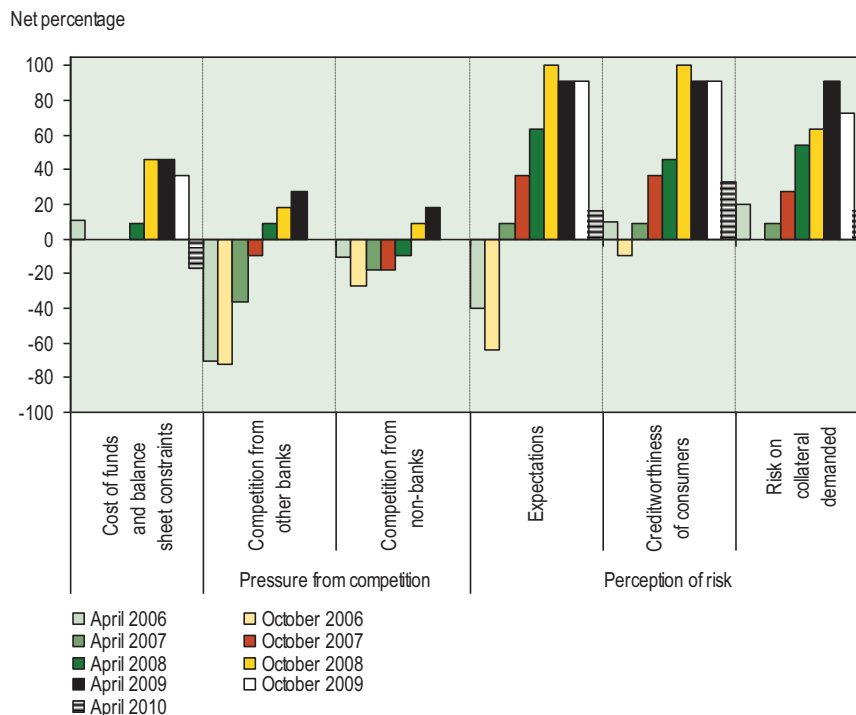


11. Over the last six months, how have the following factors affected your bank's credit standards as applied to the approval of consumer credit and other lending to households?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Cost of funds and balance sheet constraints</b>	0	0	67	17	0	17	-17	3.2
<b>b) Pressure from competition</b>								
Competition from other banks	0	8	67	8	0	17	0	3.0
Competition from non-banks	0	8	67	8	0	17	0	3.0
<b>c) Perception of risk</b>								
Expectations regarding general economic activity	0	33	33	17	0	17	17	2.8
Creditworthiness of consumers	0	42	33	8	0	17	33	2.6
Risk on the collateral demanded	0	25	42	8	0	25	17	2.8

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 standard 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



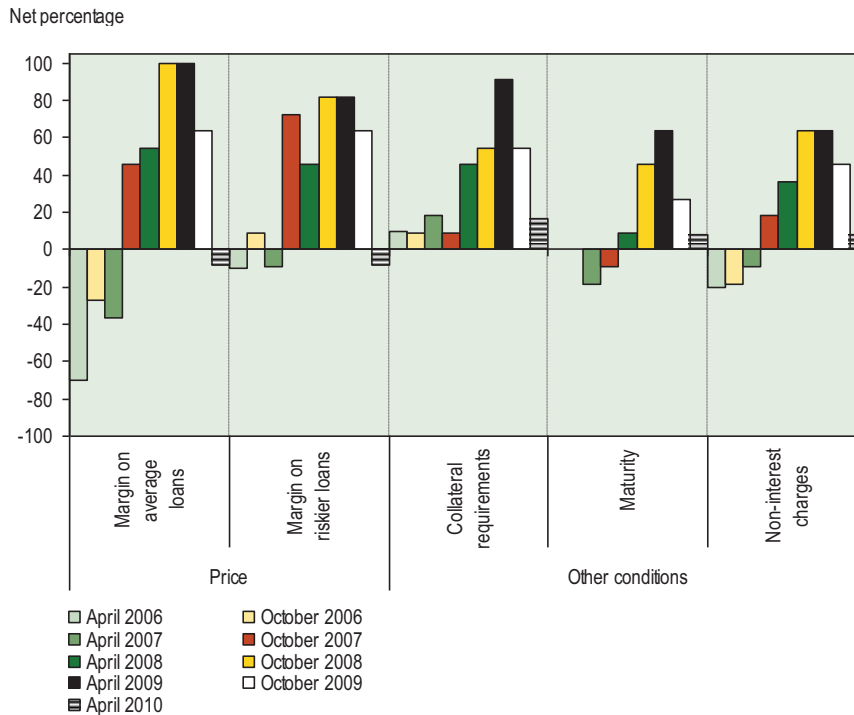


12. How have your bank's conditions and terms for approving consumer credit and other lending to households changed over the past six months?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Price</b>								
Bank's margin on average loans(wider margin = tightened; narrower margin = eased)	0	8	67	17	0	8	-8	3.1
Bank's margin on riskier loans	0	8	67	17	0	8	-8	3.1
<b>b) Other conditions</b>								
Collateral requirements	0	17	67	0	0	17	17	2.8
Maturity	0	8	83	0	0	8	8	2.9
Non-interest rate charges	0	8	83	0	0	8	8	2.9

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



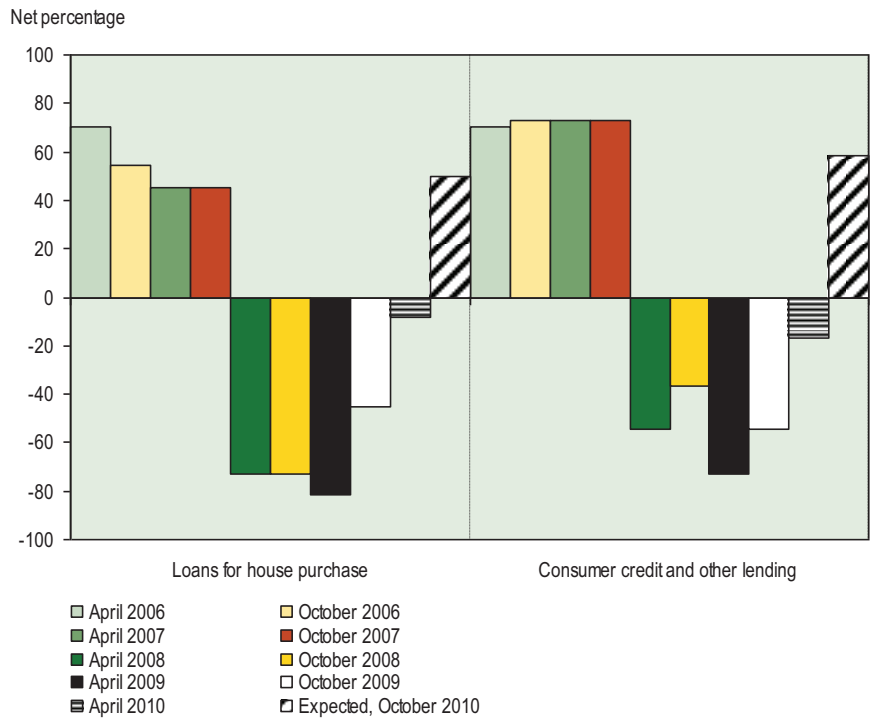


13. How has the demand for loans to households changed at your bank, apart from normal seasonal fluctuations over the last six months?

	Loans for house purchase	Consumer credit and other lending
Decreased considerably	8	8
Decreased somewhat	17	17
Remained basically unchanged	58	67
Increased somewhat	17	8
Increased considerably	0	0
Total	100	100
<b>Net percentage</b>	-8	-17
<b>Mean</b>	2.8	2.8

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





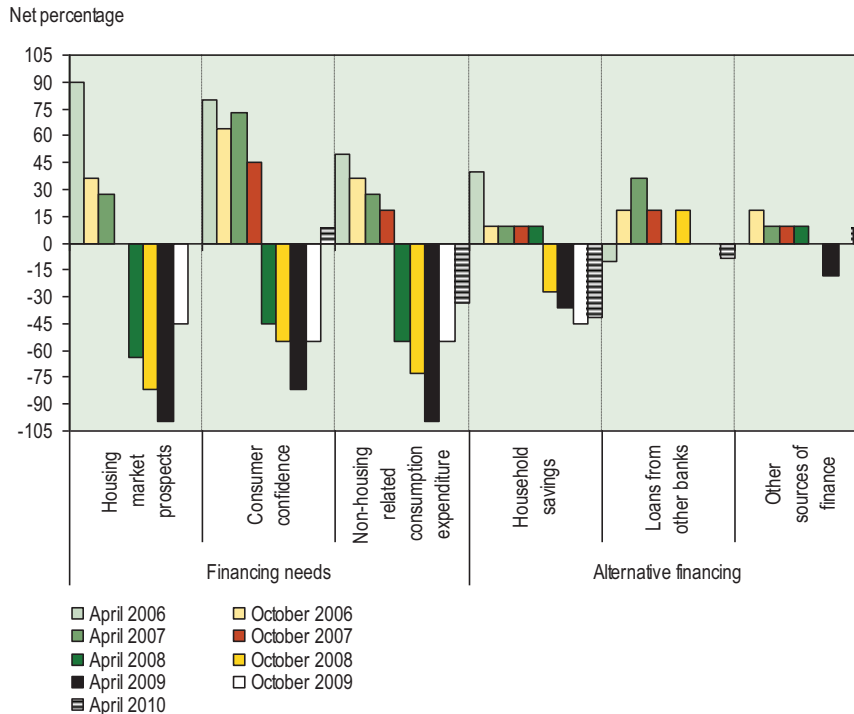


14. How have the following factors affected the demand for loans to households for house purchase at your bank over the past six months?

	--	-	0	+	++	Na	NetP	Mean
<b>a) Financing needs</b>								
Housing market prospects	8	25	17	33	0	17	0	2.4
Consumer confidence	8	8	42	25	0	17	8	2.5
Non-housing related consumption expenditure	0	42	33	8	0	17	-33	2.2
<b>b) Use of alternative finance</b>								
Household savings	0	42	42	0	0	17	-42	2.1
Loans from other banks	0	17	58	8	0	17	-8	2.4
Other sources of finance	0	0	75	8	0	17	8	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" - 5; "contributed somewhat to lower demand" - 3; "had no influence on demand changes" - 1; "contributed somewhat to higher demand" - 1; "contributed considerably to higher demand" - 5.

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



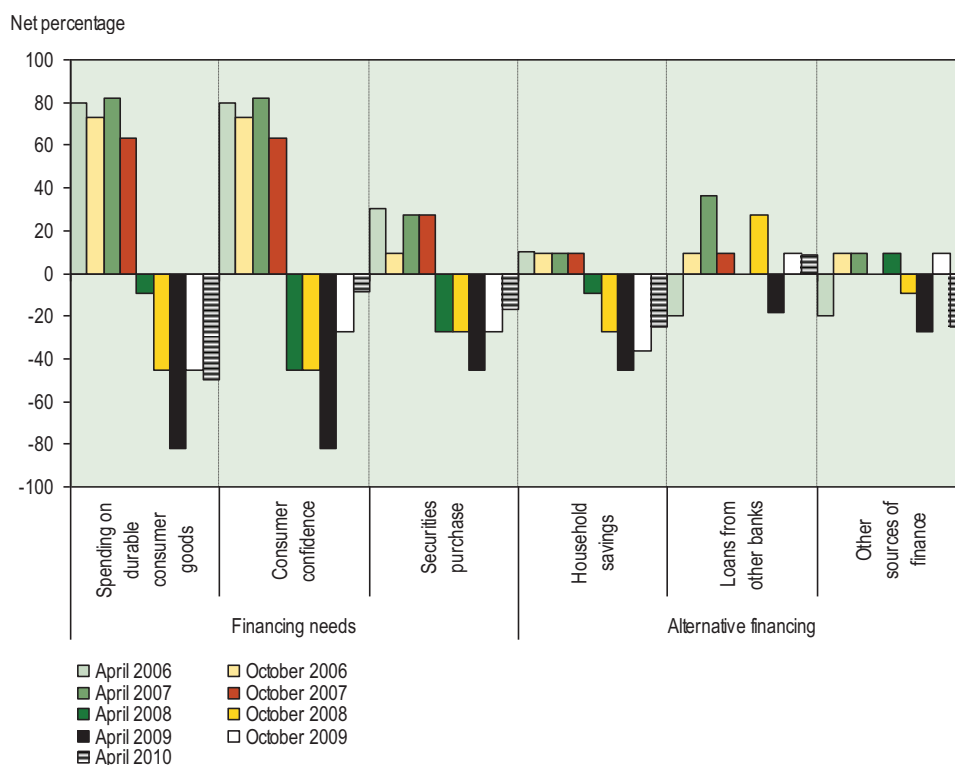


15. How have the following factors affected the demand for consumer credit and other lending to households at your bank over the past six months?

	--	-	0	+	++	NA	NetP	Mean
<b>a) Financing needs</b>								
Spending on durable consumer goods (i.e. cars, furniture, etc.)	8	42	33	0	0	17	-50	2.3
Consumer confidence	8	17	42	17	0	17	-8	2.8
Securities purchase	0	17	58	0	0	25	-17	2.8
<b>b) Use of alternative finance</b>								
Household savings	0	25	58	0	0	17	-25	2.7
Loans from other banks	0	0	75	8	0	17	8	3.1
Other sources of finance	0	25	58	0	0	17	-25	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 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	0
Tighten somewhat	0	0
Remain basically unchanged	75	92
Ease somewhat	25	8
Ease considerably	0	0
Total	100	100
<b>Net percentage</b>	-25	-8
<b>Mean</b>	3.3	3.1

Note: The net percentage is defined as the difference between the sum of the percentages for "tighten considerably" and "tighten somewhat" and the sum of 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	0
Decrease somewhat	0	0
Remain basically unchanged	50	42
Increase somewhat	50	58
Increase considerably	0	0
Total	100	100
<b>Net percentage</b>	50	58
<b>Mean</b>	3.5	3.6

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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