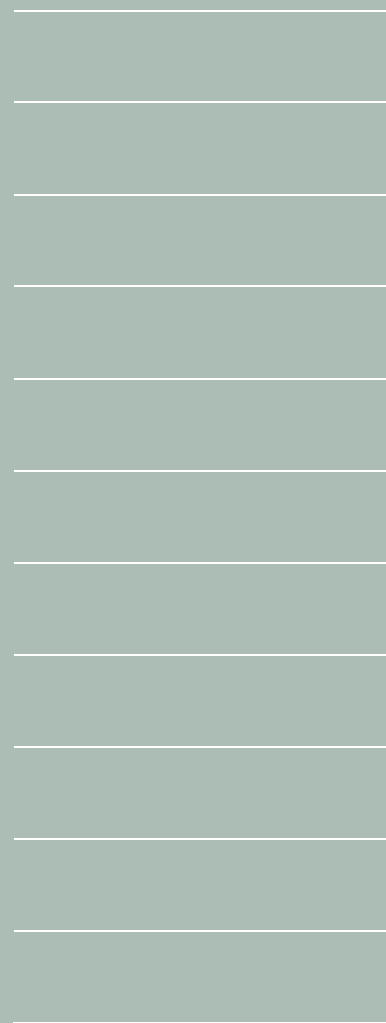




LIETUVOS BANKAS

**SURVEY OF THE
FINANCIAL SITUATION OF
HOUSEHOLDS WITH LOANS**

2014



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The purpose of the Survey of the Financial Situation of Households with Loans is to monitor and assess the financial situation of households, its features and developments.

Monitoring of the financial situation of households with loans and permanent analysis of household data are important in assessing the operating risk of credit institutions, examining the situation and stability of the financial system. Aiming to fill the gap in household examination, the Bank of Lithuania devised in early 2013 a Household Financial Monitoring Information System, the impersonal data of which have been used in this Survey.

METHODOLOGICAL NOTES

The Household Financial Monitoring Information System (hereinafter — HFMS) is an information system that combines the information of the Loan Risk Database of the Bank of Lithuania (LRDB), the database of the Residents' Register Service, and the database of the State Social Insurance Fund Board (hereinafter — SoDra).

The Survey of the Financial Situation of Households only covers natural persons with loans, residents of the Republic of Lithuania, with the information about the loans extended to them submitted to the LRDB. Data to the LRDB is provided by banks registered in the Republic of Lithuania (they also provide the data of their controlled undertakings — leasing companies — at the same time), foreign bank branches, the Central Credit Union and credit unions about credit taking parties (natural and legal persons) and loans granted to them. A household with loans (hereinafter — household) is defined as a natural person with loans, his/her spouse (where the person is married) and the children of both spouses and those with other persons aged 18 and under. At the end of 2013 there were 451,680 such households in the HFMS database.

The Survey includes all valid, overdue, derecognized or impaired loans, also derecognized loans that were re-entered in the balance sheet in the course of the year and loans repaid in the reference period. The Survey does not include repurchase agreements, business loans and credits, credit lines, credit arrears arising from factoring transactions, also credit arrears arising from liabilities under bills of exchange and promissory notes, loans and credits the asset type of whose collateral is "machinery and equipment" or "inventory of goods". Based on expert assessment, information about business loans, loans for economic activity, acquisition of bonds, financial and other investment is also excluded.

Another filtering criterion is the amount of loan, i.e. data is collected on loans whose initial contract amount is up to LTL 1,000, but not above LTL 1,500,000, except for

- loans whose initial contract amount is above LTL 50,000, but the reimbursement period provided for in the contract is shorter than 12 months;
- loans whose initial contract amount is above LTL 100,000, but the reimbursement period provided for in the contract is shorter than 24 months;
- consumer loans, account credits and financial lease whose initial contract amount is above LTL 100,000;
- other loans and credits whose initial contract amount is above LTL 100,000, except loans for house purchase.

In this Survey the amount of household income is not tantamount to household actual income and only comprises the state social security contribution base and the amounts of one-off and regular benefits assigned to a household during the reference period. This is insured income, which is defined as the total income of a natural person from which, according to the procedure established in the Republic of Lithuania Law on State Social Insurance, state social insurance contributions are calculated and must be paid; also sickness allowances, maternity, paternity benefits, maternity/paternity, occupational rehabilitation, sickness allowances in the case of incapacity for work as a result of accidents at work and state social insurance benefits for occupational sickness, as well as state social insurance unemployment benefits must be calculated. The aforementioned income in this Survey is hereinafter referred to as insured income.

The Survey excludes information about the income of individuals working with business certificates, receiving dividends or income from abroad as well as other income which is not recorded in the SoDra database. Information is presented about income before tax.

This Survey always considers unique loans. Different households can have the same unique loan. In that case the loan is attributed to each of the households with this loan; however the amount and balance of the loan is divided in proportion to insured income received. Where none of such households receive insured income, the amount of loan is divided by the number of households that have received it.

While calculating the average number of unique loans per household, the result obtained is rounded to the nearest whole number. The weighted average of loan reimbursement period is presented with a month-by-month accuracy.

Meeting of loan repayment liabilities is recognised as belated where payments are overdue for more than 60 days.

The 2011, 2012 and 2013 LRDB data used in the Survey is not comparable with the data of previous periods because amendments to the LRDB Management Regulations came into effect in November 2011 (the threshold amount from which the loan is to be notified was reduced from LTL 50 thousand to LTL 1 thousand). The data for the years referred to in the tables and charts are singled out against a background of a different colour.

Due to methodological differences, the indicators in this Survey do not tally with monetary financial institutions' balance sheet and interest rate data, and credit institutions' financial accountability data.

SUMMARY OF THE SURVEY RESULTS

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Chart 1. The number and value of household loans by average age of adult members of a household (at the end of 2013)

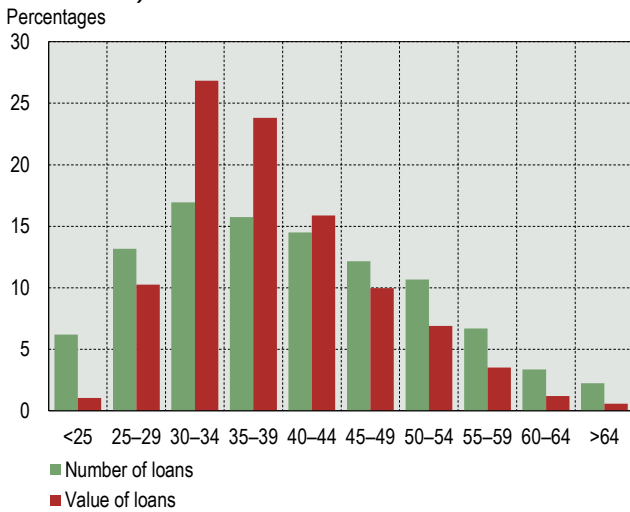
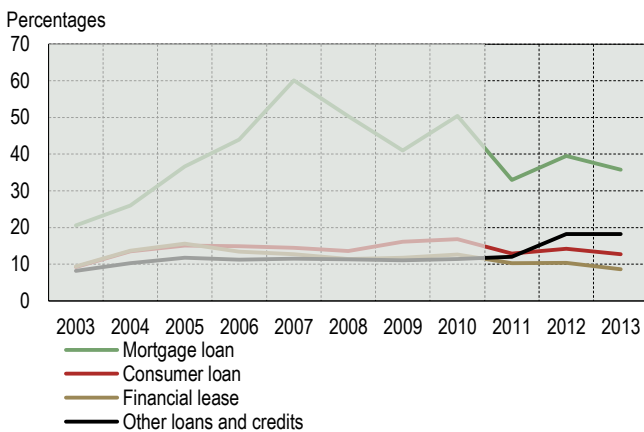
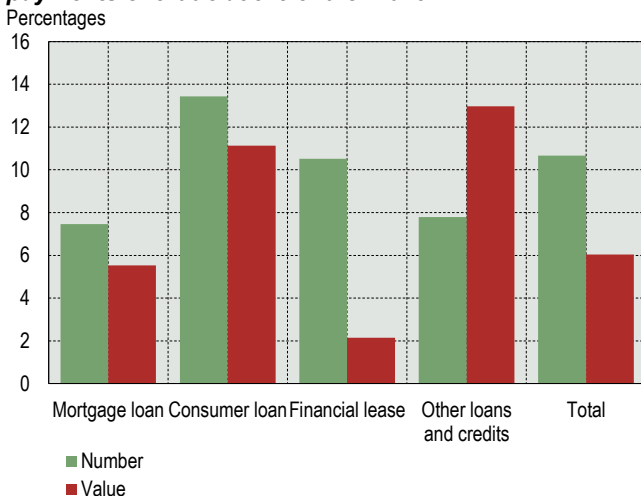


Chart 2. Share of household income spared for loan repayment



Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Chart 3. Share of the number and balance of loans with payments overdue at the end of 2013



1. Financial situation of households

At the end of 2013, the number of loans extended to households in Lithuania was 767.2 thousand, with their value standing at LTL 22.4 billion (see Annex 1). The number of loans granted increased more than the value of loans granted over the year (by 1.2% and 0.2% respectively). Consumer loans represented the largest share of loans in number (40%). Mortgage loans that not only include loans for house purchase, but loans for other purposes as well for which real estate is used as collateral accounted for 23 per cent, financial lease — 6 per cent, other liabilities — 30 per cent of a total of household loans. The largest amount was of mortgage loans — LTL 20.3 billion (a year-on-year increase of LTL 0.1 billion).

By the average age of adult members of a household, in 2013 the households within the group aged 30–39 were most in debt. Such households accounted for 32.7 per cent of a total of household loans, with their value accounting for 50.6 per cent of the value of total loans (see Chart 1.). These households were mostly with mortgage loans: 35.5 per cent of a total of their loans, or 48.0 per cent of a total of mortgage loans (see Annex 4).

Household expenditure on loan repayment (repayment of a loan tranche and interest) in 2013 amounted to LTL 4.6 billion. A year ago, household expenditure for loan repayment was higher by LTL 0.2 billion. On average, one household had to spare LTL 765 for the discharge of its debt liabilities per month (see Annex 3), while a year ago — LTL 64 more.

The share of income spared for loan repayment at the end of 2013 accounted for 31 per cent (see Annex 13). A year ago, households spared 2 per cent more income for loan repayment. The major share is to be spared for the repayment of a loan by households with a mortgage loan — 36 per cent (see Chart 2.). The smallest share is spared for loan repayment by households with financial lease liabilities — 8.6 per cent.

2. Discharge of household debt liabilities

Households mostly are late¹ in making payments for consumer loans, while best meeting their mortgage loan liabilities. The share of consumer loans whose borrowers have been recognised as late in paying their contributions, at the end of 2013 accounted for 13.4 per cent (see Chart 3). Late in meeting financial liabilities for financial lease were 10.5 per cent of households (4.3 p. p. more than a year ago), for mortgage loans — 7.5 per cent, for other loans and credits — 7.8 per cent of households. With regard to total loans, in 2013, 10.7 per cent of loans were overdue or 0.5 p. p. more than a year ago. This was mainly due to payments overdue for financial

¹ HFMS loans with payments by households overdue do not tally with the non-performing loans, as the latter are only calculated of the banking sector's and comprise not only loans overdue, but unimpaired loans as well (loans for which specific provisions have been formed). In addition, the sample of HFMS loans is different (see Methodological Notes).

lease liabilities.

In terms of value, households with financial lease loans were least overdue in 2013 (see Chart. 3). Households were overdue in their payments for 11.1 per cent of the value of consumer loans, 5.5 per cent of mortgage loans and 2.2 per cent of financial lease loans. With regard to total loans, payments were overdue for 6 per cent of the value of total loans (0.6 p. p. less than a year ago).

3. Financial situation of households

In 2013 households were extended nearly 212 thousand new loans. This number of new loans extended is by 12 thousand larger than a year ago. Two-thirds of new loans (138 thousand) were consumer loans (see Chart 4). 15.7 thousand of loans extended were mortgage loans (4 thousand more than a year ago).

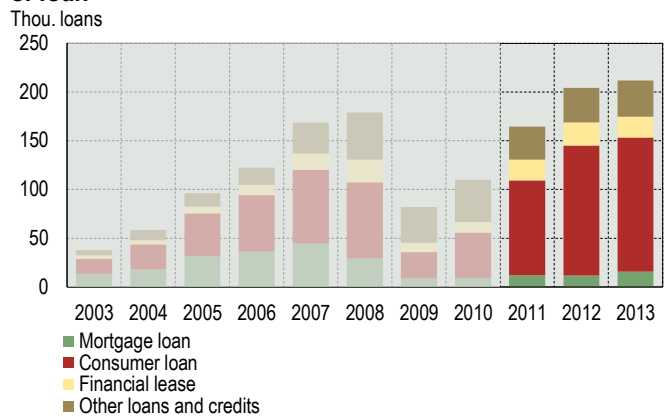
The average initial amount of mortgage loans extended in 2013 specified in the contract was LTL 125 thousand (5 thousand less than a year ago, see Chart 5). The average amount of a new financial lease was LTL 6 thousand (LTL 1 thousand more than a year ago), while of consumer loans — slightly less than LTL 5 thousand (has remained basically unchanged over a year). Other loans and credits amounted to LTL 6 thousand on average (LTL 100 less than a year ago).

In 2013 the average weighted repayment period for mortgage loans extended was 23 years and 7 months (see Chart 6). The average repayment period for financial lease was 3 years and 8 months, for consumer loans — 3 years and 5 months. Repayment of other loans and credits at the same time was scheduled in 9 years and 1 month on average. The repayment periods for all new loans extended, except for consumer loans, were slightly longer on average than a year ago.

The ratio of the value of new loans extended to the value of assets pledged (LTV) was almost 75 per cent. A year ago, securing of mortgage loans by assets was slightly less (73.5%; see Annex 9). Nearly all underlying assets were real estate assets — 99.8 per cent of the asset value spared for securing.

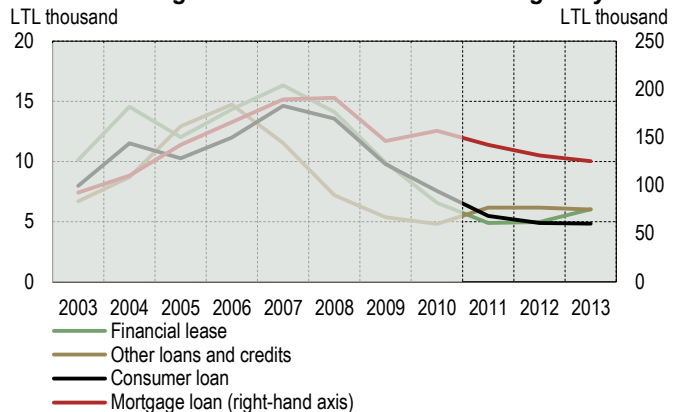
The Survey was prepared by the Financial Stability Department of the Economics and Financial Stability Service of the Bank of Lithuania

Chart 4. Number of loans granted over the year by type of loan



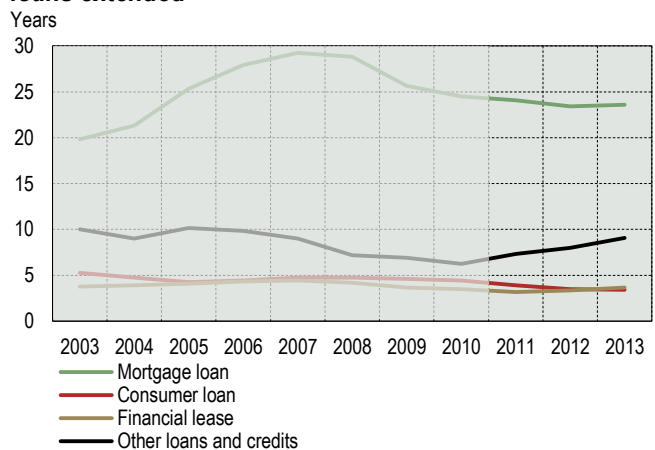
Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Chart 5. Average size of loans extended during the year



Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Chart 6. Average weighted repayment period of new loans extended



Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annexes

Note: annex table data within the columns against a different background are not comparable due to methodological changes: in November 2011, the threshold amount for a loan to be notified of was reduced from LTL 50,000 to LTL 1,000.

Annex 1. The number and amount of household loans by type of loan at the end of 2013

Indicator	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
Balance of loan, LTL millions	20,320	1,133	192	770	22,415
Number of unique loans, units	176,235	309,697	42,742	238,534	767,208
Households, units*	145,706	226,719	40,334	187,684	451,680
Average amount of household loans, LTL	115,301	3,658	4,487	3,230	29,216

* The same unique loan can be attributed to several households at a time (e.g., when the members of two different households have been issued a common loan); as a result, the number of unique loans and of households with loans of a certain type does not tally.

** Since the same household may have several loans, the number in the column "Total" is not the sum of the other columns.

Annex 2. Average weighted repayment period for new loans extended

Year of granting the loan	Mortgage loan	Consumer loan	Financial lease	Other loans and credits
2003	19 years 10 months	5 years 3 months	3 years 9 months	10 years 0 months
2004	21 years 4 months	4 years 9 months	3 years 11 months	9 years 0 months
2005	25 years 4 months	4 years 3 months	4 years 1 month	10 years 2 months
2006	27 years 11 months	4 years 5 months	4 years 4 months	9 years 10 months
2007	2 years 3 months	4 years 9 months	4 years 5 months	9 years 0 months
2008	2 years 10 months	4 years 9 months	4 years 2 months	7 years 2 months
2009	25 years 8 months	4 years 7 months	3 years 8 months	6 years 11 months
2010	24 years 6 months	4 years 5 months	3 years 6 months	6 years 3 months
2011	24 years 1 month	3 years 11 months	3 years 2 months	7 years 4 months
2012	23 years 5 months	3 years 6 months	3 years 4 months	8 years 0 months
2013	23 years 7 months	3 years 5 months	3 years 8 months	9 years 1 month

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 3. Household expenditure on loan repayment

Year	Household expenditure for loan repayment, LTL millions per year	On average per household, LTL per month
2003	222	348
2004	532	486
2005	1,112	645
2006	1,944	798
2007	3,721	1,118
2008	4,472	1,088
2009	3,896	900
2010	4,226	902
2011	3,521	660
2012	4,788	829
2013	4,593	765

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 4. The number of loans by the average age of adult members of a household at the end of 2013

Age group, years	Mortgage loan			Consumer loan			Financial lease			Other loans and credits		
	units	age group, %	loan group, %	units	age group, %	loan group, %	units	age group, %	loan group, %	units	age group, %	loan group, %
<25	1,499	3.2	0.9	22,435	47.1	7.2	2,198	4.6	5.1	21,455	45.1	9.0
25–29	19,126	18.9	10.9	48,333	47.8	15.4	6,247	6.2	14.6	27,427	27.1	11.5
30–34	46,235	35.5	26.2	44,210	34.0	14.1	6,171	4.7	14.4	33,482	25.7	14.0
35–39	42,702	35.4	24.2	38,463	31.9	12.3	5,688	4.7	13.3	33,867	28.1	14.2
40–44	30,098	27.1	17.1	41,132	37.0	13.1	5,442	4.9	12.7	34,487	31.0	14.5
45–49	19,371	20.8	11.0	38,196	41.0	12.2	4,820	5.2	11.3	30,852	33.1	12.9
50–54	13,958	17.1	7.9	35,349	43.2	11.3	4,426	5.4	10.4	28,086	34.3	11.8
55–59	7,867	15.3	4.5	22,820	44.4	7.3	2,941	5.7	6.9	17,799	34.6	7.5
60–64	2,922	11.3	1.7	12,743	49.5	4.1	2,055	8.0	4.8	8,059	31.3	3.4
>64	1,590	9.2	0.9	9,304	53.9	3.0	2,754	16.0	6.4	3,613	20.9	1.5
Total	185,368*	–	–	312,985*	–	–	42,742*	–	–	238,534*	–	–

* The same unique loan can be attributed to several households at a time (e.g., when the members of two different households have been issued a common loan); as a result, this digit does not coincide with that indicated in Annex 1.

Annex 5. The number of new loans extended over the year

(by type of loans, units)

Year	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
2003	13,222	15,631	3,657	5,303	37,713
2004	17,898	25,671	4,224	10,563	58,356
2005	31,404	44,075	7,020	13,518	96,017
2006	36,256	58,000	10,363	17,985	122,604
2007	44,451	75,631	16,946	31,326	168,354
2008	29,009	78,345	23,401	48,206	178,961
2009	8,803	27,077	9,291	36,718	81,889
2010	9,090	46,633	10,736	43,612	110,071
2011	12,128	97,309	21,192	33,936	164,565
2012	11,650	133,580	23,537	35,347	204,114
2013	15,689	137,713	21,301	37,129	211,832

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 6. Average initial contract amount of new loans extended over the year

LTL

Year	Mortgage loan	Consumer loan	Financial lease	Other loans and credits
2003	92,578	7,970	10,128	6,696
2004	110,303	11,502	14,536	8,680
2005	142,293	10,272	12,009	12,922
2006	165,666	12,000	14,322	14,721
2007	189,445	14,621	16,321	11,533
2008	191,016	13,570	14,121	7,198
2009	146,074	9,778	9,915	5,361
2010	156,991	7,537	6,576	4,812
2011	142,355	5,487	4,886	6,155
2012	131,080	4,892	4,969	6,161
2013	125,159	4,832	6,021	6,018

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 7. Monthly average insured income of households in the fourth quarter of 2013

(LTL)

Type of insured income	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
Total average insured income of households	4,436	2,610	3,430	4,146	3,237
Average insured labour income of households alone	4,377	2,627	3,557	4,131	3,274
Average insured labour income from royalty fees of households alone	1,260	964	1,321	1,180	1,140
Average insured non-labour income from royalty fees of households alone	692	556	840	615	609
Average insured other income of households alone	1,196	1,054	1,145	1,161	1,112
Average one-off benefits for households alone	446	310	337	399	351
Average regular benefits for households alone	1,014	817	924	973	890

Note: The averages of insured income presented in the columns of the Table, by type of insured income, differ in their sample, as averages are only calculated for those households that had insured income of a respective category.

Annex 8. Share of the value of mortgage loans by repayment method

(at the end of the year, %)

Year	Unspecified	Periodic annuity payments	Periodic linear payments	Single payment at the end of the repayment period	Other
2003	85.9	6.3	6.0	0.0	2.7
2004	82.2	6.5	7.7	0.0	3.7
2005	79.6	6.8	10.0	0.0	3.6
2006	78.6	7.4	11.1	0.0	2.8
2007	78.3	8.4	11.1	0.0	2.2
2008	75.0	10.5	12.3	0.1	2.1
2009	73.5	11.8	12.6	0.1	2.1
2010	72.7	12.3	12.8	0.1	2.1
2011	64.7	14.1	18.9	0.1	2.2
2012	39.8	18.2	39.3	0.5	2.3
2013	31.8	20.1	45.6	0.5	2.1

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 9. Securing of new mortgage loans extended over the year by assets (the ratio of the initial amount of loan to assets pledged, LTL)

Year	The ratio of the amount of loans to assets pledged, %	The share of real estate in assets pledged, %
2003	61.3	98.0
2004	63.9	98.2
2005	69.9	99.4
2006	77.5	99.4
2007	87.2	99.5
2008	88.1	99.3
2009	77.9	99.7
2010	78.4	99.4
2011	72.3	99.6
2012	73.5	99.9
2013	74.9	99.8

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes).

Annex 10. The number and value of household loans by average age of adult members of a household at the end of 2013

Age group, years	Number of loans, units	Share of loans, %	Loan balance, LTL millions	Loan balance share, %
<25	47,587	6.2	235	1.0
25–29	101,133	13.2	2,297	10.2
30–34	130,098	17.0	6,013	26.8
35–39	120,720	15.7	5,335	23.8
40–44	111,159	14.5	3,561	15.9
45–49	93,239	12.2	2,238	10.0
50–54	81,818	10.7	1,549	6.9
55–59	51,427	6.7	787	3.5
60–64	25,753	3.4	267	1.2
>64	17,261	2.2	133	0.6
Total	767,208*	–	22,415	100

* The same unique loan can be attributed to several households at a time (e.g., when the members of two different households have been issued a common loan); as a result, the sum of the columns is obtained higher than that specified in the column "Total".

Annex 11. Share of the number of loans whose borrowers have been recognised as late in paying their contributions at the end of the year (%)

Year	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
2011	3.6	10.8	3.7	5.6	7.1
2012	7.7	13.8	6.3	7.4	10.2
2013	7.5	13.4	10.5	7.8	10.7

Note: due to methodological changes (see Methodological Notes) the data for 2011 and 2012 must be compared with a reserve.

Annex 12. Share of the balance of loans whose borrowers have been recognised as late in paying their contributions at the end of the year (%)

Year	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
2011	2.6	4.9	0.7	11.0	3.0
2012	6.0	11.6	2.7	14.7	6.6
2013	5.5	11.1	2.2	13.0	6.0

Note: due to methodological changes (see Methodological Notes) the data for 2011 and 2012 must be compared with a reserve.

Annex 13. Share of income allocated for loan repayment by type of loan (%)

Year	Mortgage loan	Consumer loan	Financial lease	Other loans and credits	Total
2003	20.6	9.2	9.4	8.2	18
2004	26.0	13.5	13.7	10.3	24
2005	36.6	15.1	15.6	11.8	31
2006	44.0	14.9	13.4	11.2	35
2007	60.1	14.5	12.7	11.5	43
2008	50.3	13.6	11.4	11.3	37
2009	41.0	16.1	11.8	11.1	33
2010	50.4	16.8	12.6	11.4	37
2011	33.0	12.9	10.3	12.0	27
2012	39.5	14.2	10.4	18.2	33
2013	35.8	12.7	8.6	18.2	31

Note: the data for the periods against a different background are not comparable due to methodological changes, whereas the data for 2011 and 2012 must be compared with a reserve (see Methodological Notes)