

Lithuania

Strong parent banks dominate

The whole of Lithuania is serviced by both domestic and foreign (mainly Scandinavian) banks with branch concentrations in Vilnius and Kaunas (Chart 1). Most banks see (other) foreign banks as their main competitors in small to medium-sized enterprise (SME), large enterprise and retail lending.

Lithuanian banks reported a sharp drop between 2007 and 2011 in the demand for credit by both creditworthy SMEs and corporate clients. During the same period, banks have complained less about unattractive lending rates or difficulties when assessing credit risks. The main hindrance on lending is a perceived lack of demand (Chart 2).

Foreign bank subsidiaries in Lithuania are managed more hands-on by their parents than elsewhere in the region (Chart 3). Parent banks are involved in the strategic choice of clients, credit risk assessment and corporate governance of their Lithuanian subsidiaries in particular. Subsidiaries also indicate that parent banks are by far the most important source to plug gaps when faced with an unexpected funding shortfall.

Lithuanian banks view their regulator positively. They frequently think the regulator is fair, impartial and efficient, certainly more frequently compared to regional averages (Chart 4). However, Lithuanian banks, especially foreign-owned ones, are somewhat less optimistic about the local regulator's ability to enforce decisions, perhaps reflecting the large influence of parent banks and home-country regulators.

Lithuanian banks are quite positive about the amounts of regulatory capital they have to hold. Only a minority of banks believe the regulator requires too much capital (28 per cent of banks in 2007 and only 18 per cent in 2011).

The BEPS II survey also shows that corruption has become less prevalent in Lithuania. The percentage of banks purporting that unofficial payments and gifts to financial regulators or court officials frequently occur dropped significantly between 2007 and 2011 to almost zero.

Chart 1 Bank localities by ownership

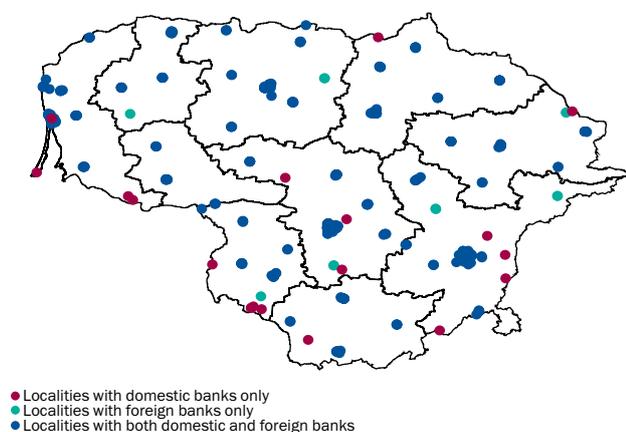
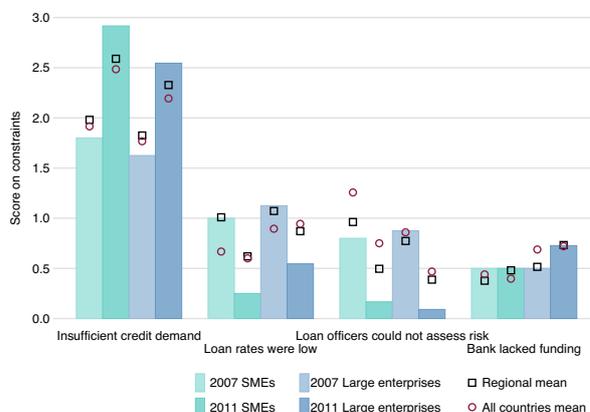


Chart 2 Main constraints to lending*



*The constraint score runs from 0 to 3 with 0 signifying no constraint and 3 signifying the main constraint

Chart 3 Areas of parent bank influence

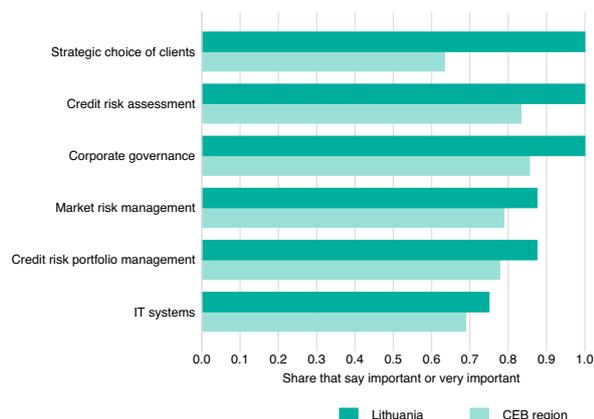


Chart 4 Perception of the banking regulator

