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Banking Activity Review

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Banks operating in Lithuania further increased their lending volumes in 2017, bank assets grew as well. Banks mainly financed household housing acquisitions, enterprise crediting also increased. Active crediting and a decline in funding expenses augmented banks' net interest income. At the same time losses on loans overdue continued to decrease and the level of banks' non-performing loans was lower than that in other European Union countries. Bank earnings of net interest and commission income climbed significantly over the year. Lithuania's banking sector further remained one of the most effective in the EU, despite the rise in administrative expenses. In comparison to the previous year, the net profits of the banking sector fell slightly in 2017, yet a great contribution on them stemmed from one-off factors, related to a merger between AB DNB bankas and Nordea Bank AB Lithuania branch. After the merger, these banks became Luminor Bank AB – the third bank in Lithuania in terms of assets and thus concentration in the market increased. On the other hand, the number of institutions interested in the possibilities to obtain a licence of a specialised bank grew rapidly, three institutions applied for such a licence. According to the submitted data, banks complied with the established capital and liquidity coverage requirements; one bank violated the large exposure requirement.

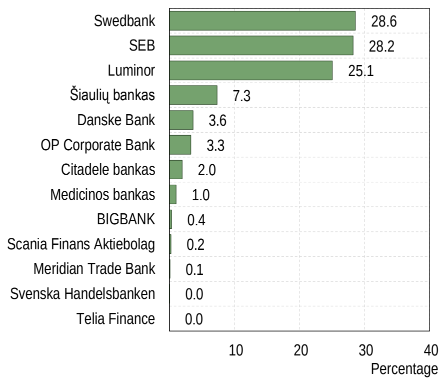
1. BANKING SECTOR DEVELOPMENTS

Upon a merger between [2] **AB DNB bankas and Nordea Bank AB Lithuania branch, concentration in Lithuania's banking system increased even more.** Following the merger, the banks continue operating in Lithuania as Luminor Bank AB. Towards the end of 2017 this bank became third within the domestic banking sector in terms of its asset holdings (see Chart 1). The immediate plans of the bank's shareholders provide for a merger of separate banks operating in the Baltic States into one bank, establishing its head office in Estonia. Thereby Luminor Bank AB operating in Lithuania would become a branch of the bank established in Estonia. Towards the end of 2017 Swedbank, AB became the largest bank in operation in Lithuania: its asset value outran the largest until then AB SEB bankas. Enlargement of banks increased concentration in Lithuania's banking sector: the asset share of the three largest banks swelled from 73.1% to 81.9% over the year. At the end of 2017, six banks and seven foreign bank branches operated within Lithuania's banking sector[3].

Three market participants officially applied for a licence of a specialised bank over 2017, but there are more institutions that are interested in it as well. With the possibility to establish a specialised bank in place since 2017, applications for such a licence were officially submitted by the financial institution Revolut Limited, which currently has an electronic money institution's licence, also Mano unija, which currently operates as a credit union, and one foreign capital institution. In assessing the sustainability of the business models of these institutions, the Bank of Lithuania analyses the applications of these institutions in conjunction with the European Central Bank (ECB). The flow of potential market participants that are interested in this possibility is not subsiding. At the end of 2017, a total of 25 financial institutions had taken an active interest in the licence of a specialised bank. The flow includes both foreign representatives and members of the credit union sector under reform. The Bank of Lithuania encourages the Lithuanian market entry by new banks, expecting that this

Chart 1. Market shares of banks operating in Lithuania in terms of assets

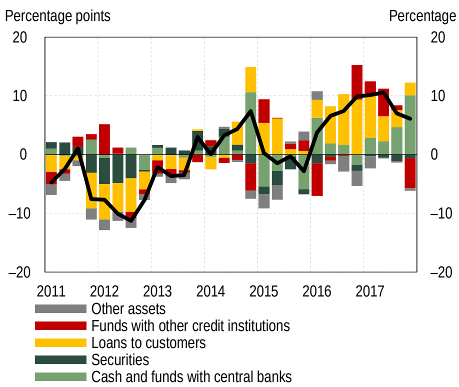
(1 January 2018)



Source: Bank of Lithuania.

Chart 2. Annual growth rate of banking sector assets and contributions

(1 April 2011–1 January 2018)

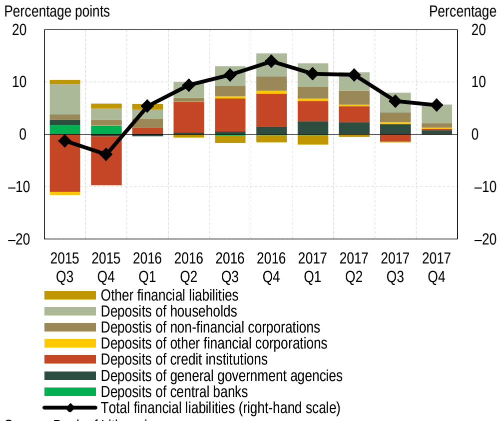


Source: Bank of Lithuania.

[1] The Review has been prepared based on unaudited data. Should system participants adjust their statements for this or other important reasons, the data of the Review after this date may be revised.
[2] The merger of banks took place on 1 October 2017 – the branches that were in operation in all three Baltic States merged.
[3] Reports from six branches are received for supervisory purposes, as the branch of Telia Finance AB in Lithuania, Telia Finance Lietuva, is not in operation yet.

Chart 3. Annual growth rate of banking sector assets and contributions

(1 October 2015–1 January 2018)



Source: Bank of Lithuania.

Table 1. Capital adequacy ratios of banks

	Capital adequacy ratio, %		
	2015	2016	2017
Luminor Bank AB	**18.1**	**17.9**	**17.1**
AB SEB bankas	**22.6**	**19.5**	**20.0**
AB Šiaulių bankas	**14.8**	**17.2**	**15.5**
UAB Medicinos bankas	**14.2**	**14.1**	**15.0**
AB Citadele bankas	**17.4**	**16.8**	**18.6**
Swedbank, AB	**40.0**	**22.1**	**22.9**
Banking sector	**24.9**	**19.4**	**19.1**

Source: Bank of Lithuania.

Table 2. Bank of Lithuania capital adequacy ratio requirements

	Requirement in Q4 2017 (%t)
Luminor Bank AB	Set by the ECB
AB SEB bankas	Set by the ECB
AB Šiaulių bankas	**12.9**
UAB Medicinos bankas	**13.9**
AB Citadele bankas	**14.5**
Swedbank, AB	Set by the ECB

Note: The Bank of Lithuania and the ECB, which carry out supervision, assess and define the requirements on an annual basis. Capital ratio requirements set by the ECB, which carries out direct supervision, are not publicly released by decision of the ECB.

Source: Bank of Lithuania.

Table 3. Liquidity coverage ratios of banks

	Liquidity coverage ratio, %		
	2017 Q2	2017 Q3	2017 Q4
Luminor Bank AB	**181.5**	**207.4**	**157.3**
AB SEB bankas	**174.9**	**164.6**	**266.0**
AB Šiaulių bankas	**288.4**	**320.9**	**313.4**
UAB Medicinos bankas	**724.9**	**622.6**	**730.6**
AB Citadele bankas	**156.4**	**242.8**	**242.6**
Swedbank, AB	**308.7**	**300.4**	**474.2**
Banking sector	**260.3**	**257.0**	**282.0**

would reduce concentration in the market and related systemic risk.

2. ASSETS AND LIABILITIES

Credit acceleration boosted bank assets. The assets of the banking system soared by €1.6 billion (6.1%), to €27.3 billion at the end of the year. The net value of loans granted to customers grew by €0.6 billion over the year (see Chart 2). Bank holdings of cash and funds with the central bank grew significantly as well (€2.6 billion). It should be noted that about half of this increase was due to the decision of banks to reduce the funds held with other credit institutions at the end of the year (€ –1.3 billion), shifting them into the accounts with the Bank of Lithuania. The other share of the increase should be related to the increase of AB DNB bankas capital in preparation for a merger with the Nordea Bank AB Lithuania branch (€0.2 billion). The remaining increase in the cash and funds with the central bank was due to the unwillingness of banks to invest attracted deposits in securities as a result of a lower return on financial instruments. The value of bank holdings of securities fell by €0.2 billion, to €1.4 billion at the end of the year.

Growth in customer deposits remains the main financial resource for banks. Bank liabilities were worth €24.8 billion at the end of 2017. Their value increased by 5.2% over the year, its growth rate decelerating markedly from the previous year (12.9%), when deposits of parent institutions were on the rise (see Chart 3). The increase in liabilities in 2017 was basically driven by growth in customer deposits, with their annual increase standing at €1.3 billion or 6.8%. The share of customer deposits accounted for 80.9% of banks' total liabilities, while the loan-to-deposit ratio was 93%. After rising early in the year, in the third quarter of this year liabilities to credit institutions contracted thus remaining unchanged significantly over the year, and accounted for 16.1% of total liabilities; 14.6% of assets were financed with them. It should be noted that the decline in liabilities to credit institutions should be associated with the decision of the Nordea Bank AB Lithuania branch to reduce the positions of the branch and the bank that has established a branch vis-à-vis each other in the context of the pending merger with bank AB DNB bankas.

3. COMPLIANCE WITH REQUIREMENTS

According to the submitted data, the banking sector's capital remained in a sustainable state and the ratios were complied with a margin; however, one bank violated the large exposure requirement. The overall capital adequacy ratio of the banking sector stood at 19.1% at the end of 2017, declining by 0.3 percentage point over the year (see Table 1). The ratio of the newly founded bank Luminor Bank AB stood at 17.1%, whereas the capital adequacy ratio of AB Šiaulių bankas declined on account of an increase in its loan portfolio. At the end of 2017 all banks complied with the minimum capital adequacy ratio requirement (8%), Tier II additional capital requirement[4] and the combined buffer requirement[5]. It should be noted that at the end of 2017 Luminor Bank AB had not met the large exposure requirement (25% of own funds). The capital requirements for banks set in 2017 (see Table 2) will be effective until the Bank of Lithuania, after conducting a supervisory review and evaluation process, takes new supervisory decisions. By decision of the ECB, the capital requirements established for each of the three largest banks in Lithuania are not published; however, they are established following the same principles. It should be noted that banks must be ready to implement the Bank of Lithu-

[4] Pillar II, established for each bank individually.

[5] The combined buffer requirement is currently comprised of the capital conservation requirement (2.5%), the countercyclical capital buffer requirement (0%), and the capital buffer of other systemically important institutions requirement (0.5-2.0%).

ania's decision[6] and hold a sufficient capital buffer to ensure compliance with the counter-cyclical capital buffer of 0.5% to become effective as of 31 December 2018. In the evaluation of banks' capital buffer the Bank of Lithuania further adheres to the position that the issue of capital strengthening remains a priority for domestic capital banks.

Banks' liquidity level continued to be high and liquidity situation stable. Banks' liquidity buffer increased, while the dependence of the banking system on foreign parent institutions remained almost unchanged over the year. Banks' liquid assets were further comprised of very high quality and liquidity financial instruments: cash, funds with the Bank of Lithuania, and securities of the governments of EU countries. Banks' funding base, which is practically comprised of customer deposits, remains stable. According to the data submitted by banks, the main liquidity coverage ratio (LCR) of all banks operating in the country was high towards the end of 2017, and was met with a sufficient margin. The LCR within the entire sector stood at 282%, and was significantly above the required minimum in Lithuania of 100% (see Table 3). AB SEB bankas and Swedbank, AB stood out towards the end of the year: their LCR hiked substantially on account of short-lived decisions related to the formation and management of liquidity buffers.

4. THE LOAN PORTFOLIO[7]

Loan portfolio value developments

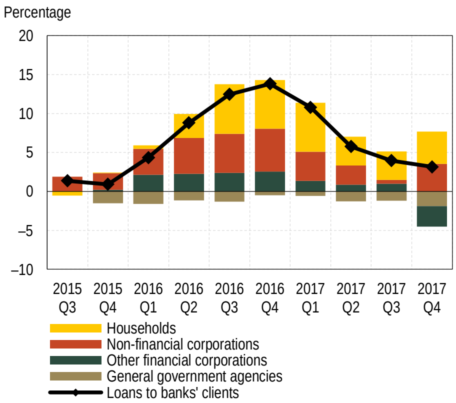
The value of the portfolio of loans granted to customers continued to rise albeit its growth rate was weaker than in the previous year. The increase in the loan portfolio value over 2017 was 3.2%[8] (€569 million; eliminating the contributions of the merger between AB DNB bankas and the Nordea Bank AB Lithuania branch[9] – €516 million), albeit a year earlier it was much higher (13.8%) (see Chart 4). A significant contribution to the results reflected in banks' financial reporting at the end of 2017, when significant changes in the value of individual loan portfolio segments were recorded, stemmed from leasing transactions as a result of the merger between AB DNB bankas and the Nordea Bank AB Lithuania branch. According to the data submitted by banks, the value of loans granted to households increased by €744 million (9.2%), to enterprises – €641 million (7.4%); however, eliminating the above-named contribution of the takeover of the leasing company, loans to households swelled by €660.4 million, to enterprises – just €41.1 million.

Lending to general government institutions kept on declining, impairing by €343 million over the year. The portfolio of loans to other financial corporations also impaired significantly (€ –473 million). This impairment was due to the fact that, after Luminor AB took over the bank's Nordea Bank AB subsidiary UAB Nordea Finance Lithuania operating in Lithuania, its assets and liabilities are consolidated on the Luminor Bank AB Group level (the loan to the leasing company vanishes, the loan portfolio of the Luminor Bank AB Group expands). It should also be noted that even before the merger of the banks in the third quarter of 2017 part of the Nordea Bank AB Lithuania branch loans to large enterprises was transferred to the branch's subsidiary, which reduced the overall growth of bank loans as

[6] https://www.e-tar.lt/portal/lt/legalAct/c119df90e62b11e7acd7ea182930b17f.
[7] Including the leasing portfolio.
[8] The annual growth of bank and credit union loans to the domestic economy in 2017 was as follows: for the entire portfolio of loans to the non-financial private sector– 6.5%, for loans to households – 7.5%, enterprises – 5.4%, for housing loans – 8.1%. MFI balance sheet statistical data used herein is adjusted for the elimination of MFIs under bankruptcy from statistics and other technical factors. For more information, see Annex 2 "MFI loan portfolio adjustment for technical factors" of the December 2014 Lithuanian Economic Review (http://www.lb.lt/lithuanian_economic_review_december_2014).
[9] UAB Nordea Finance Lithuania leasing company was taken over during the merger between AB DNB and the Nordea Bank AB Lithuania branch, which was mainly financed by the Nordea Bank AB Lithuania branch.

Chart 4. Annual growth rate of the net value of the portfolio of loans granted to bank clients and contributions

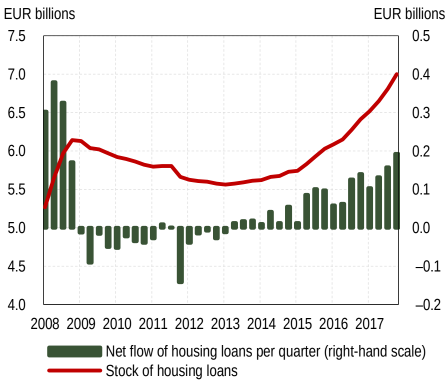
(1 October 2015–1 January 2018)



Source: Bank of Lithuania.

Chart 5. Net residual value and net flow of the housing loans portfolio

(1 October 2008–1 January 2018)

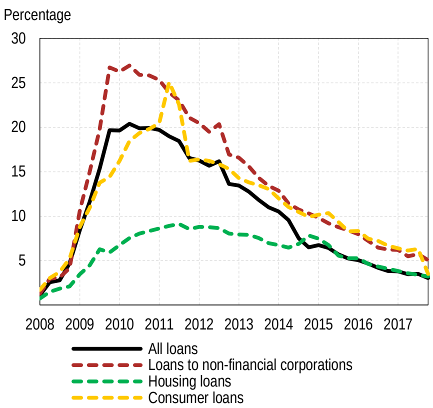


Source: Bank of Lithuania

Note: As of 1 October 2014, housing loans also include loans granted to households designated for investment in one's house for one's own needs or rent, including construction and repair; therefore, the data are not fully comparable to the line of previous data.

Chart 6. Non-performing debt instruments by type of client

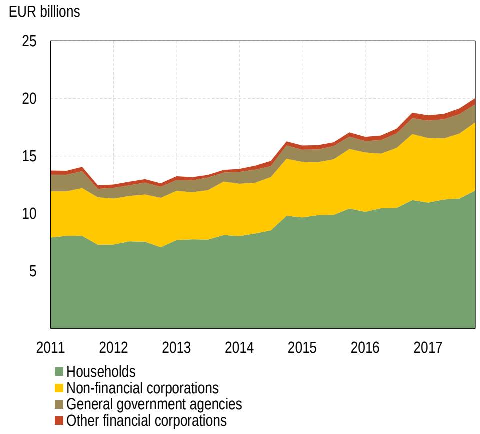
(1 April 2008–1 January 2018)



Source: Bank of Lithuania.

Chart 7. Bank client deposit amount by type of client

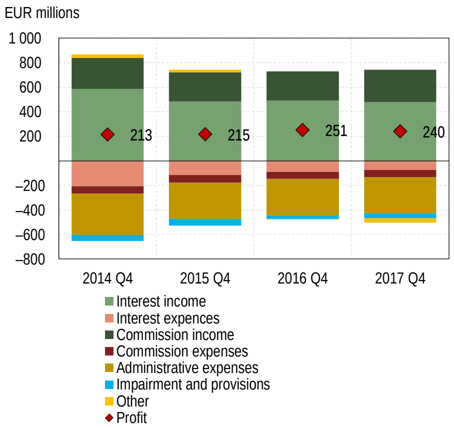
(1 April 2011–1 January 2018)



Source: Bank of Lithuania.

Chart 8. Profit of the banking sector over the quarter and contributions

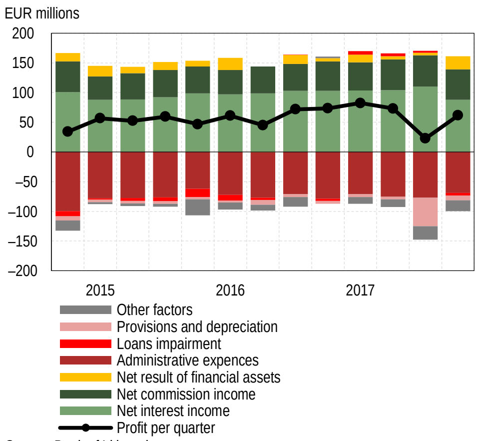
(2014–2017)



Source: Bank of Lithuania

Chart 9. Bank profits earned over the quarter and contributions

(1 October 2014–1 January 2018)



Source: Bank of Lithuania.

Table 4. Comparison of the growth rates of banks' income and expenses

	Change over the year (%)	
	2016	2017 (Excluding Nordea Bank AB Lithuania branch)
Interest income	**1.6**	**5.6**
Interest expense	**–23.1**	**–14.1**
Net interest income	**9.4**	**10.2**

well.

Lending increased mainly due to household crediting, primarily housing loans. The recovery in the provision of housing loans in 2015 continued into 2017 (see Chart 5). The value of housing loans granted over the year augmented by €586 million or 9.1%. This increase was also due to the fact that most of consumer loans granted by the Nordea Bank AB Lithuania branch (€83 million) were reclassified into housing loans and transferred to the Luminor Bank AB balance sheet. This factor reduced the value of the banking sector's consumer loans and thus its annual increase was negative (€ –25 million).

Loans to trade, transport and production enterprises posted significant increases in 2017 (€161 million, €124 million, €120 million respectively). However, loans impaired for enterprises rendering utility services (€ –158 million), also those within the RE sector, including the sector of construction enterprises (€ –78 million). The latter impairment was also partly determined by the decision of the Nordea Bank AB Lithuania branch to transfer, prior to the merger, part of the loan portfolio to the bank that established the bank. As enterprise investment expands and housing market activity remains high, the volumes of bank loans are likely to further be large in 2018.

Loan portfolio quality

The level of non-performing loans in banks decreased further over 2017, to significantly below the EU average. The share of non-performing loans within Lithuania's banking sector contracted from 3.8% to 3.1%, and has been the smallest since 2008 (see Chart 6). This indicator of asset quality became lower than that of other EU countries, which was 3.5% at the end of the third quarter. The balance of non-performing loans has overall contracted by 15.3% over the year (€140 million), with loan write-offs again accounting for the largest share of the contraction. Nevertheless, the value of write-offs decreased over the recent few years, while in 2017 almost two times fewer loans were written off than a year earlier. This shows that banks have almost got rid of the non-performing loans accumulated during the crisis and the level of non-performing loans approached the long-term balance.

5. CUSTOMER DEPOSITS WITH BANKS

Deposits of bank customers kept on growing in 2017. Customer deposits with banks amounted to €20 billion at the end of 2017, rising by €1.3 billion or 6.8% over the year (see Chart 7). The largest contribution to such growth mainly stemmed from households the amount of whose deposits with banks swelled by €831 million (7.4%). The growth in the funds of non-financial corporations and general government agencies moderated during the year, to €192 million (3.3%) and € 188 million (13.7%). Households continued to be banks' largest depositors: their funds with banks accounted for 59.9% of customers' total deposits.

Growth in customer deposits shows growing money supply which is affected by general economic expansion, new crediting from banks and foreign capital inflows. Economic upswing entails increasing enterprise turnovers and resident wages, and these funds are mostly held in commercial bank accounts. Accelerating bank crediting over the last few years weightily contributes to growth in customer deposits. By granting loans banks create new funds that are mostly held in that same of another commercial bank's account. A significant contribution to customer deposit dynamics stems from the country's largely balanced current account, which shows that there were no outflows of non-financial sector funds in recent years and there was no need for banks to attract funds from parent institutions, as was the case before the financial crises. With these trends persisting, the amount of bank customer deposits will further tend to increase despite particularly low interest rates.

6. PROFITABILITY AND OPERATING EFFICIENCY

Bank earnings declined over 2017, compared to the previous year; however, they were affected by factors related to the merger of two banks. In 2017, banks' net profits totalled €239.7 million, a decrease of €11.6 million or 4.6% from last year (see Chart 8). The result would, however, be better if not the factors related to the merger between AB DNB bankas and the Nordea Bank AB Lithuania branch. Firstly, the third quarter of the year saw a significant increase in AB DNB bankas provisions in relation to this bank's future use of the current IT system (see Chart 9). Secondly, after the merger, the profit of Luminor Bank AB did not reflect the profit of Nordea Bank AB Lithuania branch for the three quarters. Eliminating these factors, the banking sector's annual profit would amount to €295 million and would be the highest since 2011. Year on year nine market participants improved their annual result. The operations of eight market participants were profitable.

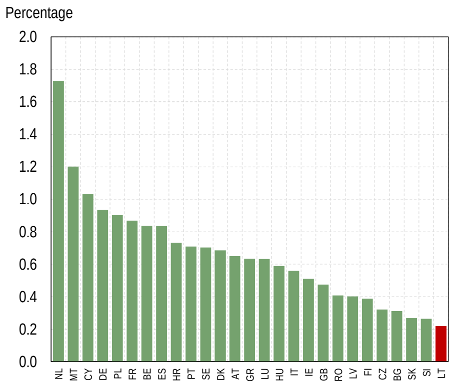
With crediting not subsiding, banks' net interest income which comprises the bulk of total income continued to grow strongly. In 2017, Banks' net interest income increased by 10.2% year on year (see Table 4). Banks' interest income rose by 5.6% on the back of active bank lending. Nevertheless, interest expenditure contracted even more rapidly (–14.1%). On the one hand, expenditure was on the downward path as customers holding time deposits, upon expiry of the term, tended to further hold them as current deposits on which no interest is currently payable. On the other hand, a lower deposit insurance fee since 1 July 2017 reduced the above-named expenditure. It should be noted that the funding costs of banks in Lithuania are among the lowest in Europe. This is reflected in the potentially lowest interest expenditure-to-assets ratio of European banks (see Chart 10). However, with interest rates on deposits approaching their lower limit (0%), banks' interest expenditure is likely not to increase that rapidly in the future. Consequently, net interest income growth will increasingly depend on the income side: it should keep up growing with further strong credit growth.

Bank profits grew on account of strong increases in bank fee and commission income. Net fee and commission income of banks amounted to €205 million over 2017, an increase of €29.8 million (17.1%) from last year. This significant increase was basically driven by an increase in fee and commission income of 15.3%, as growth in the respective expenditure moderated (9.6%). On the one hand, an increase in service volumes contributed to the increase in fee and commission income. For example, Bank of Lithuania payments data shows that the number of payments executed using payment cards issued in Lithuania grew by 16.8% over 2017. On the other hand, income may also have increased because of the changed pricing of some banks. In order to work out the actual reasons for the increase in banks fee and commission income, the Bank of Lithuania is carrying out an investigation; its results are to be published in the first half of 2018.

The administrative expenses of banks in operation in Lithuania increased, yet bank efficiency remained high compared to other EU countries. Bank administrative expenses rose by €16.7 million (6.1%) in 2017. Part of this increase was due to an increase in staff expenditure of €6.3 million (3.9%). Due to higher administrative expenses, banks' efficiency indicator (the ratio of administrative expenses to net income) deteriorated, rising from 47.8% to 49% over the year. Nevertheless, as regards this indicator, Lithuania's banking sector remains among the leading EU

Chart 10. Bank interest expenditure-to-assets ratio in selected EU countries

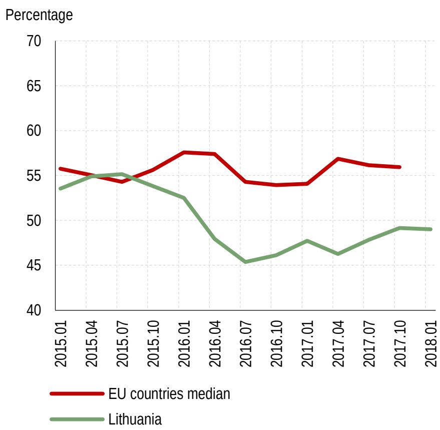
1 January 2018



Source: ECB CBD2.

Chart 11. Bank cost-to-income ratio (ratio of administrative expenses to net income)

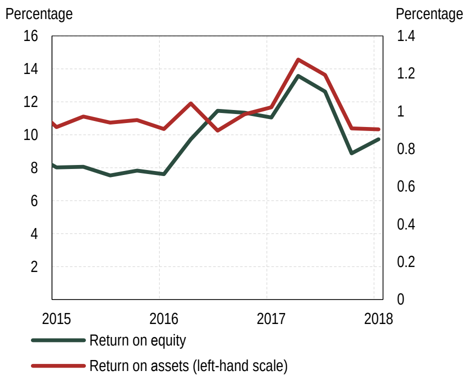
(1 April 2015–1 January 2018)



Sources: ECB CBD2 and Bank of Lithuania.

Chart 12. Bank profitability ratios and net interest margin

(1 January 2015–1 January 2018)



Source: Bank of Lithuania.

countries, whose median of indicators stood at 56.0% in the third quarter of 2017 (see Chart 11). High efficiency of banks in Lithuania positively affects banks' profitability, adding to the sustainability within the sector.

The overall profitability within the banking system was on the downward path due to one-off factors, yet the profitability indicators of most banks improved in the fourth quarter. The banking sector's return on assets was 0.9% at the end of the year and was lower than a year earlier (1.0%). Return on equity dropped as well, from 11.1% to 9.7%. This drop was nevertheless significantly affected by the above-named one-off factors related to the merger of two banks, due to which the net profit of the banking sector contracted. Considering the results of individual banks, the return on equity increased in four out of six banks over the year. To sum up, the banking system's profitability continued to be high in spite of the contribution of one-off factors.

7. OTHER DATA

Supervision

The Bank of Lithuania carried out three planned inspections over 2017. Different bank business areas were inspected in UAB Medicinos bankas, Swedbank, AB and the branch of Estonian bank Bigbank AS in operation in Lithuania. During the inspections, some significant deficiencies were identified; consequently, the banks were fined and obligated to eliminate those deficiencies. UAB Medicinos bankas was fined and its lending to the controlling person as well as its directly and indirectly controlled undertakings was temporarily restricted. Swedbank, AB was given a notice over legislative violations and deficiencies in operation in the PPTFP[10] area. The branch of Bigbank AS was given a notice over non-compliance with the Law on Consumer Credit.

Protection of consumer rights

The number of consumer disputes with banks declined substantially in 2017. Over 2017, the Bank of Lithuania investigated 100 disputes with banks and branches operating in Lithuania, i.e. markedly fewer than last year (133 disputes). Out of them, 35 disputes ended after the Bank of Lithuania adopted a decision over the subject matter of a dispute, i.e. after considering the soundness of the claims to banks. 16 disputes ended with an amicable agreement. Six decisions were taken in favour of the claimants (17%). One decision was not implemented in 2017, announcing thereof in the Bank of Lithuania website.

The number of disputes over credit services was markedly on the downside, housing credit in particular. 22 disputes in relation to housing credit were settled over 2017, almost half the amount a year earlier (43). Most disputes generally occurred over payment services (45) and credit services (40). Consumers mostly applied in the event of disagreement with banks or their branches over the execution of payments and deduction of funds from a bank account.

[10] On the prevention of money laundering and terrorism financing.

Supervision Service of the Bank of Lithuania. Contact person: Jokūbas Markevičius, phone: +370 5 268 0416, email: jmarkevicius@lb.lt

Annex. Key indicators of the banking sector[11]

Table 5. Main items of balance sheet statement

Seq. No	Indicator	01/01/2017	01/10/2017	01/01/2018	Change over the year Q4	Change over the year
		EUR millions			(%)	
1.	**Assets**	**25,753.2**	**26,491.1**	**27,323.8**	**3.1**	**6.1**
1.1.	Debt securities	1,607.4	1,303.7	1,427.6	9.5	–11.2
1.2.	Equity securities	54.6	97.4	37.6	–61.4	–31.2
1.3.	Financial derivatives	164.6	90.3	70.3	–22.2	–57.3
1.4.	Cash	421.5	426.9	467.6	9.5	10.9
1.5.	Funds with central banks	2,393.2	2,908.2	4,983.2	71.3	108.2
1.6.	Funds with credit institutions	**2,686.7**	**2,543.1**	**1,379.6**	**–45.8**	**–48.7**
1.7.	Loans to customers (incl. leasing)	**18,071.7**	**18,795.8**	**18,640.3**	**–0.8**	**3.1**
1.7.1.	to general government agencies (incl. leasing)	**828.4**	**705.3**	**485.4**	**–31.2**	**–41.4**
1.7.2.	to other financial corporations (incl. leasing)	**571.1**	**732.3**	**97.7**	**–86.7**	**–82.9**
1.7.3.	to non-financial corporations (incl. leasing)	**8,611.2**	**8,758.2**	**9,252.3**	**5.6**	**7.4**
1.7.4.	to households (incl. leasing)	**8,061.0**	**8,600.0**	**8,804.9**	**2.4**	**9.2**
1.7.4.1	o/w loans for house purchase	**6,414.6**	**6,808.2**	**7,000.8**	**2.8**	**9.1**
1.8.	Other asset positions	**353.4**	**325.6**	**317.8**	**–2.4**	**–10.1**
2.	**Liabilities and equity**	**25,753.2**	**26,491.1**	**27,323.8**	**3.1**	**6.1**
2.1.	Deposits of central banks	303.0	303.0	303.0	0.0	0.0
2.2.	Liabilities to credit institutions	3,918.0	4,110.6	3,982.8	–3.1	1.7
2.3.	Financial derivatives	145.4	85.3	67.3	–21.1	–53.7
2.4.	Deposits	18,766.7	19,141.7	20,034.6	4.7	6.8
2.4.1.	of general government agencies	1,378.2	1,688.0	1,566.3	–7.2	13.7
2.4.2.	of other financial corporations	483.4	498.4	540.5	8.4	11.8
2.4.3.	Non-financial undertakings	5,742.4	5,654.4	5,934.3	5.0	3.3
2.4.4.	of households	11,162.6	11,300.9	11,993.5	6.1	7.4
2.5.	Debt securities issued	12.3	1.0	20.5	2047.4	67.5
2.6.	Other positions of liabilities	386.7	353.2	351.0	–0.6	–9.2
2.7.	Equity	2,221.2	2,496.3	2,564.6	2.7	15.5

Source: Bank of Lithuania.

Table 6. Main items of the profit (loss) account

Seq. No	Indicator	01/01/2017	01/10/2017	01/01/2018	Change over the year Q4	Change over the year
		EUR millions			(%)	
3.	**Profit for current year**	**251.2**	**178.1**	**239.7**	_	**–4.6**
3.1.	Net interest income	402.0	317.0	404.5	_	0.6
3.2.	Net income from fees and commissions	180.0	153.0	204.5	_	13.6
3.3.	Administrative expenses	298.9	223.4	292.6	_	–2.1
3.4.	Impairment costs of loans and receivables	24.2	–13.2	–3.6	_	114.7

Source: Bank of Lithuania.

[11] Should system participants adjust their statements for this or other important reasons, the data of the Review after this date may be revised.

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Table 7. Other performance indicators of banks

Seq. No	Indicator	01/01/2017	01/10/2017	01/01/2018	Change over the year Q4	Change over the year
		%			p.p.	
4.	Capital adequacy ratio	19.4	22.1	19.1	–3.1	–0.3
5.	CET1 capital adequacy ratio	19.1	21.8	18.8	–3.0	–0.3
6.	Liquidity coverage ratio					
7.	Leverage ratio	8.2	9.3	8.1	–1.2	–0.1
8.	Net interest margin	1.68	1.62	1.53	–0.1	–0.2
9.	Return on assets*	1.02	0.91	0.90	0.0	–0.1
10.	Return on equity*	11.04	8.87	9.72	0.9	–1.3
11.	Cost-to-income ratio*	45.8	49.2	49.0	–0.2	1.1
12.	Non-performing debt instruments	3.8	3.5	3.1	–0.5	–0.8

Source: Bank of Lithuania.

* As of Q1 2017 the asset, equity and efficiency indicators used in Bank of Lithuania reviews are calculated according to the methods of the European Banking Authority; therefore, they cannot be directly compared to the indicators used in previous reviews.

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