ACTIVITIES OF FINANCIAL MARKET PARTICIPANTS

LIETUVOS BANKAS
EUROSISTEMA

Banking activity review

Q2 2016

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In the second quarter of 2016, the loan portfolio of the banks continued to grow: the value of both the enterprise and household loan portfolio increased. As the value of the loan portfolio grew, the need for capital increased respectively, but banks complied with the supervisory requirements. The capitalization of Lithuanian banking system participants' is diverse, for some participants, primarily those that are not subsidiaries of foreign banks strengthening of capital is relevant. According to the Bank of Lithuania, current lending intensity does not indicate any imbalances in the economy, although the real estate market is active. As usual, deposits are still a popular product of banks. The second quarter saw their further growth; however, due to low interest rates, more and more clients prefer current accounts. The main items of the bank profit and loss statement indicated an increase in net income, but the overall profit of the banking sector in Lithuania in the first six months was lower than a year ago. Banks have been optimising their operations and resources for some time. Comparative analysis shows that the profitability of Lithuanian banks is relatively higher than the EU average and even higher than the profitability of the banking sectors of several large Western Europe countries.

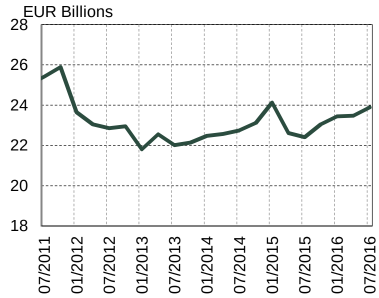
1. CHANGES IN THE BANKING SECTOR

In order to achieve better operational efficiency, the banking sector of the Baltic region has seen further consolidation. In June 2016, the transaction between *Danske Bank A/S Lithuania Branch* and *Swedbank AB* was finalised, whereby the latter acquired a share of the retail customer business. On 25 August 2016, Norway's *DNB ASA* and Sweden's *Nordea Bank AB* announced their plans to join activities in the Baltic States to create a merged Baltic bank and participate in the merger in equal parts.

As of 1 July 2016, the number of participants in the Lithuanian banking sector remained unchanged; six banks and eight foreign bank branches were operating in Lithuania (reports for supervisory purposes are only received from seven branches, as the Lithuanian branch of *TeliaSonera Finance* AB is not operating yet).

Chart 1. Assets of the banking sector

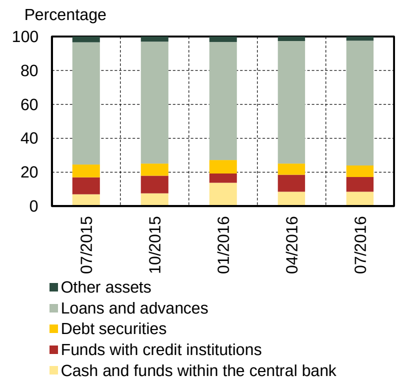
(1 July 2011–1 July 2016)



Source: Bank of Lithuania.

Chart 2. Asset composition

(1 July 2015–1 July 2016)



Source: Bank of Lithuania.

2. ASSETS AND LIABILITIES[2]

In Q2 2016, the loan portfolio contributed the most to the increase of bank assets. The total bank assets amounted to EUR 23.9 billion on 1 July 2016, and over the quarter increased by EUR 417 million (1.8%). This change was a result of the increased value of the customer loan portfolio. In Q2 2016, it increased by EUR 654 million (3.9%). As in previous quarters, fluctuations of funds held with credit institutions (predominantly, parent institutions) were observed. Unlike in the previous quarter, the funds held in bank accounts decreased by EUR 275 million (–11.6%) in the second quarter. The changes in the positions of other assets did not have a significant effect on the structure of assets and were a result of decisions on bank funds and liquidity management.

The amounts of customer deposits and liabilities to parent institutions have increased. Bank liabilities in Q2 2016 grew by EUR 399 million (1.9%) — to EUR 21.8 billion. Customer deposits amount to 77 per cent of all the liabilities of the banking system; one fifth of the liabilities are

[1] Should system participants identify errors in financial statements and present the statements anew, the data of the Review after this date may be revised.
[2] Due to the planned sale of the retail banking of the *Danske Bank A/S* Lithuania branch, in financial statements the respective share of customer loans/deposits of *Danske Bank A/S* Lithuania branch in Q3 2015–Q1 2016 is assigned to fixed assets held for sale. These effects were eliminated in the analysis of relevant changes of the loan and deposit portfolio and therefore, the data of the review is comparable.

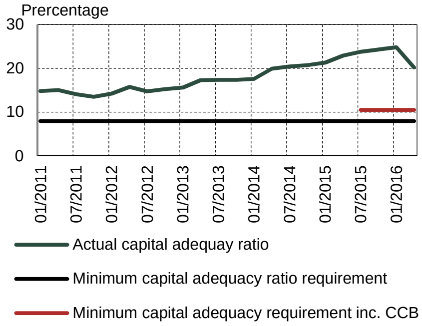
comprised of credit institution deposits, which predominantly are the funds of parent institutions. The total amount of these two components grew by EUR 755 million (3.7%) in the second quarter: customer deposits increased by EUR 117 million (0.7%) and liabilities to credit institutions increased by EUR 638 million (18.3%). The fluctuations of the latter are generally a result of decisions on bank liquidity and funds management. The decrease in other liabilities by EUR 342 million (–38.8%) in the second quarter is partially accountable for the change. This change is related to the reclassification of the overdraft of the parent institution as a deposit.

3. COMPLIANCE WITH REQUIREMENTS

As the value of the bank loan portfolio grows, the need for capital increases. The overall capital adequacy ratio of banks, as of 1 July 2016, was 19.3 per cent, 0.9 p.p. less than in the first quarter. At the beginning of the year, the capital adequacy ratio of the banking system decreased considerably (–4.6 p.p.) after *Swedbank AB* paid the dividends to the parent bank. In the second quarter, the capital adequacy ratio of five out of six banks operating in the country slightly decreased. Such changes were determined by the increasing capital need for credit risk as a result of the increasing loan portfolio as well as the slight decrease in own funds. It is noteworthy that additional capital need arose after *Swedbank AB* acquired the retail business portfolio from *Danske Bank A/S* Lithuania Branch.[3] However, the capital adequacy ratio of *Swedbank AB* remained the highest in the banking system and amounted to 22.0 per cent. The lowest ratio was that of *UAB Medicinos Bankas* and amounted to 13.7 per cent.

Chart 3. Capital adequacy ratios of the banking system

(1 January 2011–1 July 2016)

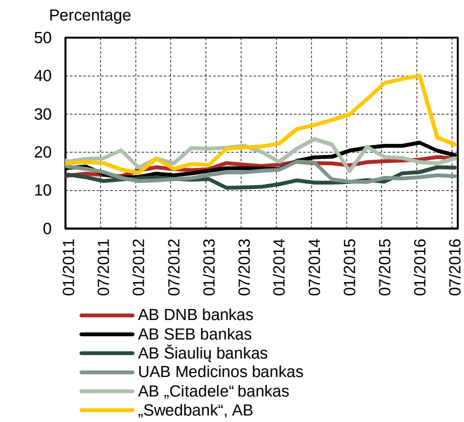


Source: Bank of Lithuania.

Banks complied with both the minimum capital adequacy requirement and additional individual capital requirements. All banks operating in Lithuania complied with both the minimum capital adequacy requirement (8.0%) and the respective capital requirement including the 2.5 per cent capital conservation buffer (total of 10.5%). In addition to these requirements, the Bank of Lithuania applies individual capital ratios for the banks operating in Lithuania, which are calculated during the annual supervisory review and evaluation process and are based on the risks assumed by each bank. In the second quarter, the banks complied with these capital requirements as well. The capital requirements currently applicable to *AB Šiaulių bankas* and AB *Citadele bankas* are respectively 12.5 and 14.5 per cent. In July 2016, after the supervisory review and evaluation process, the Bank of Lithuania established a new individual capital ratio for *UAB Medicinos bankas*, which amounts to 13.9 per cent. Currently, it is not in effect yet, and the bank will have to comply with it from 1 October 2016. As of 1 July 2016, the capital ratio applicable to *UAB Medicinos bankas* was 12.4 per cent. The capital ratios for the three major banks in Lithuania, which are directly supervised by the European Central Bank (ECB) with the participation of the Bank of Lithuania, are based on the same principle. According to the ECB decision, individual capital requirements of the banks are not published, but these banks are compliant with sufficient reserves.

Chart 4 Capital adequacy ratios of banks

(1 January 2011–1 July 2016)



Source: Bank of Lithuania.

For some banks, strengthening of the capital is relevant. Although all banks operating in Lithuania comply with the applicable capital requirements, the Bank of Lithuania notes that strengthening of capital is relevant for some banks. The major banks have relatively more freedom to assume risks as they are less restricted by the capital position. They have more

Table 1. Capital adequacy ratios of banks

(30 June 2016)

	Capital adequacy ratio	Change in a quarter
	per cent	**p.p.**
AB DNB bankas	18.4	–0.4
AB SEB bankas	19.2	–1.2
AB Šiaulių bankas	16.0	–0.1
UAB Medicinos bankas	13.7	–0.3
AB Citadele bankas	18.4	1.3
Swedbank AB	22.0	–1.8

Source: Bank of Lithuania.

[3] The requirements for foreign bank branches are not applicable, but they are applied by supervisory institutions of respective countries supervising the parent banks. Capital adequacy ratios are not calculated for bank branches either, because the capital requirement for the risks assumed by the bank branch are calculated at the parent bank level. Therefore, the capital requirement for the loan portfolio of *Danske Bank A/S* branch was calculated at the level of the bank operating in Denmark, where the capital was held. After the loan portfolio was acquired by *Swedbank AB*, the capital need appeared in Lithuania, thus increasing the capital need in the banking system, although the risks assumed did not change.

possibilities to raise additional capital, if necessary. However, smaller market participants, especially those without parent banks, are more restricted by the capital, which should be taken into account in risk management and capital planning.

Regardless of the increase of the loan portfolio, the financial resources allowed maintaining stable liquid asset reserves. In Q2 2016, the quality of the liquid assets of the banks was very high, as it was comprised of financial instruments of high quality and liquidity: cash, funds held with the Bank of Lithuania, and debt securities of EU Member State governments. Regardless of active lending, the financial resources of banks increased and allowed maintaining stable liquid asset reserves. Holding substantial liquid assets reserves and seeking to optimise the cost of financial resources, some banks were using the opportunity of cheap borrowing from ECB more and more actively. This lead to an increase in the volume of encumbered assets of the banks, but it still remains insignificant (does not reach 1% of the assets). The Bank of Lithuania, in monitoring the banks' liquidity situation and in order to be sure that banks ensure compliance with the new liquidity coverage requirements, monitors and assesses the liquidity coverage ratio (LCR) values according to the provisions established in the Capital Requirements Directive IV and the Capital Requirements Regulation. Although information on LCR indicators, calculated according to the implementation regulation approved by the European Commission in March, will be submitted by banks as of September 2016, according to the estimates by the Bank of Lithuania, ratios set at all banks are complied with a sufficiently large reserve.

4. LOAN PORTFOLIO[4]

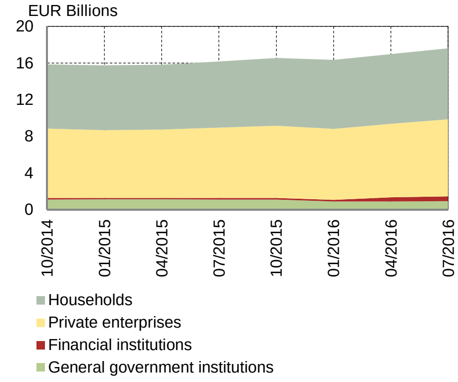
Changes in the loan portfolio

In the second quarter, the client loan portfolio continued to grow. In Q2, the net value of the client loan portfolio[5] increased by EUR 654 million (3.9%) and reached EUR 17.6 billion. The increase was mostly a result of new loans. This change in the value of the client loan portfolio was essentially shared by enterprises (EUR 416 million or 5.2%) and households (EUR 114 million or 1.9%). Nevertheless, the loans to government and financial institutions have also increased. The structure of loans to enterprises, by economic sector, has hardly changed: loans to the construction and real estate sectors and the production sector decreased and loans to the commercial and energy sectors slightly increased. Monitoring over a longer time period (from 1 January 2015) shows that the share of loans to enterprises in the energy sector is gradually increasing and the loans to the production and commercial sectors are decreasing. Slightly less than half of the household portfolio was housing loans. In the second quarter of 2016, the value of this portfolio grew by EUR 63 million (1.0%). The annual growth[6] was as follows: total customer loans — 8.8, household loans — 7.0, enterprise loans — 9.6 per cent. Housing loans grew 5.5 per cent per year. This year, the banks are more active in granting loans: in the first six months, the value of the loan portfolio grew by EUR 1.3 billion (in 2015, this change was EUR 449 million).

The growing loan portfolio is not causing concern yet. After a pro-

Chart 5. Bank loan portfolio

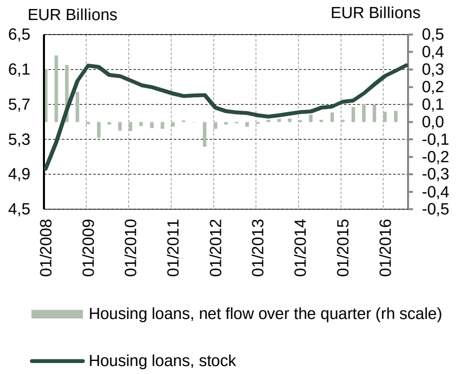
(1 October 2010–1 July 2016)



Source: Bank of Lithuania.

Chart 6. Housing loans

(1 January 2008–1 July 2016)



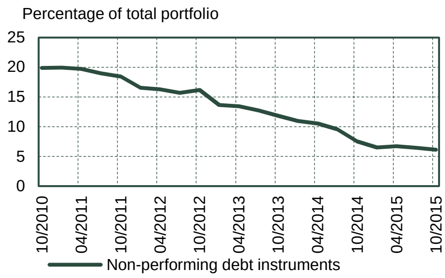
As of 1 October 2014, housing loans also include loans granted to households designated for investment in one's house for one's own needs or rent, including construction and repair; therefore, the data is not fully comparable to the line of previous data.

Source: Bank of Lithuania.

[4] Including the leasing portfolio.
[5] I.e. the financial statements present the value of loans calculated by adding up the loan balance and the accrued interest and subtracting the provisions and accrued taxes.
[6] At the same time, the annual growth of banks and credit union credit to the country's economy was as follows: the entire loan portfolio — 6.7, loans to households — 6.8, companies — 6.3, housing loans — 6.5 per cent. Statistical data from the MFI balance sheet is adjusted for the elimination of MFIs that went bankrupt 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).

Chart 7. Loan quality

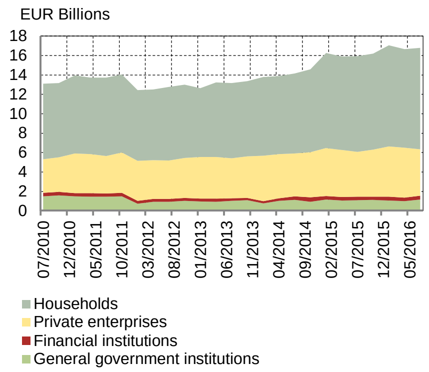
(1 October 2010–1 July 2016)



Source: Bank of Lithuania.

Chart 8. Amount of deposits

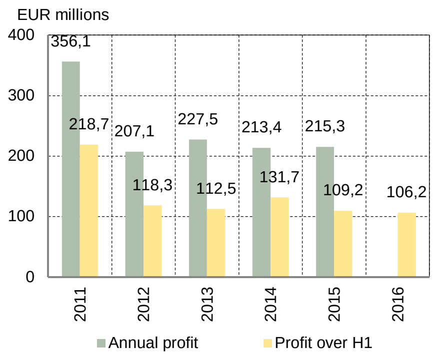
(1 July 2010–1 July 2016)



Source: Bank of Lithuania.

Chart 9. Profit of the banking sector

(1 January 2011–1 July 2016)



Source: Bank of Lithuania.

longed stagnation, the bank loan portfolio started increasing in mid-2015 and is still growing. The current growth of bank loans is sustainable and the banks are capable of taking additional related risks. Recently, the banks became more focused on small- and medium-sized enterprises. Competing in granting loans to small- and medium-sized enterprises is easier than competing for the large enterprises with the highest reputation. In addition, since previously the banks were avoiding excessive risks, funding was less available to small- and medium-sized companies; therefore, there still are possibilities for increasing their loan portfolio. Another major part of the loan portfolio are household loans, 79 per cent of which were housing loans. In recent years, the housing market has seen a significant revival in both supply and demand. The revival of housing credits was influenced by several factors: the very low interest rate in the market, increasing incomes, and the fact that the affordability of housing is one of the highest in the last 10 years.

Loan portfolio quality

The quality of loans continued to improve in the banking sector. The share of the banking system's non-performing debt instruments decreased by 0.6 p.p. over the quarter and on 1 July 2016 amounted to 4.7 per cent. Quality indicators of loans to both non-financial enterprises and households improved: the proportion of impaired loans in these portfolios decreased by 0.7 and 1.3 p.p. respectively and amounted to 7.2 and 5.7 per cent. This change of the indicator was determined by faster growth of loan portfolio compared to previous periods, improved status of the debtors, and the accounting factors related to the retail loan portfolio acquired by *Swedbank AB* from *Danske Bank A/S*.

5. DEPOSITS WITH BANKS

The amount of deposits held with banks is increasing, but priority is still given to short-term deposits. As of 1 July 2016, customer deposits with banks amounted to EUR 16.8 billion, which is a EUR 117 million (0.7%) increase from the previous quarter. Due to the very low interest rates, customers give priority to short-term investment — 78 per cent of deposits are held in current accounts and this share is gradually increasing (it amounted to 71% one year ago). The majority of funds (96% of all funds held in banks) in current accounts are held by enterprises. Households still tend to choose fixed-term deposits: despite low returns on such savings, 32 per cent of deposits are fixed-term. However, this share has also decreased since last year, when it amounted to 39 per cent.

Although the structure of deposit terms is changing and the interest rates are low, the people are still choosing bank deposits. Compared to the same period of 2015, in the second quarter of 2016, the amount of deposits in banks increased by EUR 838 million (5.3%). The amount of deposits of both households and enterprises is increasing. In a year, the amount of household deposits increased by EUR 599 million and that of enterprise deposits — by EUR 141 million. Such trends have been observed for several years and reveal some facts related to households: first, growing income, and, second, low penetration of alternative financial investment products. The range of financial investment products offered is sufficient in the Lithuanian market: investors may choose according to the propensity to risk and the willingness to understand the peculiarities of the financial market. However, demand for these products is still limited, because customers are not well-acquainted with them and few dare to engage in active investing.

6. PROFITABILITY AND EFFICIENCY OF OPERATIONS

The profit of Lithuania's banking system was lower than a year ago. Profits of banks and foreign bank branches stood at EUR 106.2 million in the first half of 2016, a decrease of EUR 3.1 million (–2.8%) year on year. Ten banks and foreign bank branches operated at a profit and three market participants incurred a loss. The main items of the profit and loss account of the banks indicated an improvement: net income from both interest and fees and commissions increased. In addition, banks incurred less administrative costs. The overall change of these elements, compared to first half of 2015, amounts to EUR 33.5 million. On the other hand, the profit was negatively affected by loan impairment charges of EUR 10.7 million. The banking system has undergone changes, the result (loss) of which will be amortised in the next reporting periods recognising the economic benefit associated with the above changes.

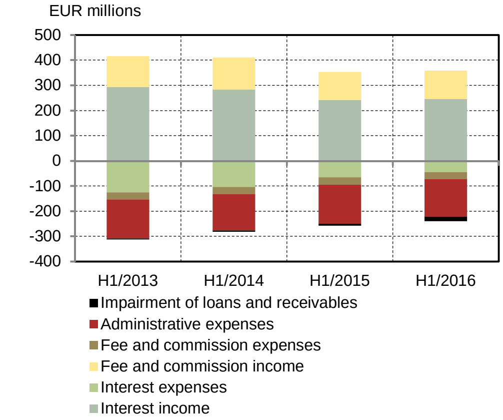
Net interest income of banks grew due to new loans granted and lower financing costs. Year on year, banks' interest income grew by EUR 3.8 million (1.6%) and amounted to EUR 245.3 in the first half of 2016. In addition, interest expenses have dropped in the first six months by EUR 20.7 million (–31.7%) and amounted to EUR 44.5 million. Banks' net interest income was positively affected by the larger number of loans granted (which resulted in additional income) and low interest rates. The six-month interbank interest rate in euro EURIBOR continued to decrease in the first half of 2016: on 1 July 2016, it was –0.18 per cent and approached its lowest historical level. Lower contributions to deposit insurance fund stipulated by the Directive on Deposit Guarantee Schemes were beneficial to banks. It should be noted that having encountered a negative interest rate environment, in issuing new loans banks now tend to define an interest rate 'floor' in agreements, thus protecting the interest income from a potentially excessive decrease.

Fees and commissions income has increased, but was lower compared to the period prior to euro adoption. Year on year, the income from fees and commissions has increased by EUR 0.9 million (0.8%) in the first half of 2016 and amounted to EUR 113.5 million, while the expenses decreased by EUR 1.6 million (–5.4%) and amounted to EUR 27.8 million. In total, net income from fees and commissions increased by EUR 2.4 million (2.9%) in the first six months and amounted to EUR 85.7 million. Due to adoption of euro in 2015, the banks lost some income from foreign exchange and payment transactions. However, this effect was no longer observed in the first half of 2016 and, therefore, the income from services and commissions stopped decreasing. The banks managed to reduce the expenses of fees and commissions, which also contributed to better results of their activity. However, compared to the period two years ago, when the banks received additional income related to payment transactions and exchange of litas, the income from fees and commissions is lower by 11 per cent. Despite the decrease, the income of banks operating in Lithuania is relatively higher than the average income in EU banking sector. The analysis carried out by the European Banking Authority (EBA) shows[7] that the share of fees and commissions income by the banks operating in Lithuania is larger than the EU average. According to the data of the analysis of the first quarter of 2016, the part of net income from services and commission compared to total income from activity amounted to 34 per cent in Lithuania, while the average value of EU banks is 27 per cent. The analysis of net interest income of the same period shows that the net interest income indicator in Lithuania was 59 per cent, while the EU average was 58 per cent, and the banks in Lithuania were 22nd among

[7] See http://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard.

Chart 10. Main items of income and expenses

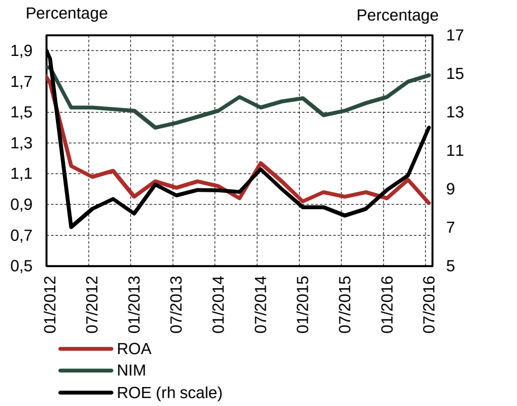
(2013, 2014, 2015 and 1 July 2016)



Source: Bank of Lithuania.

Chart 11. Bank profitability ratios and net interest margin

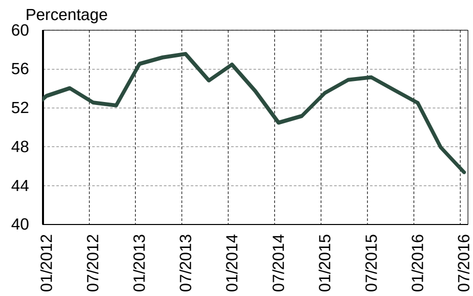
(1 January 2012–1 July 2016)



Source: Bank of Lithuania.

Chart 12. Bank profitability ratios and net interest margin

(1 January 2012–1 July 2016)



Source: Bank of Lithuania.

29 countries.

Banks are increasing effectiveness and adjusting the organisational structure. In the first half of 2016, the administrative expenses of banks continued to decrease. Year on year, administrative expenses decreased by EUR 6.5 million. The decrease was primarily caused by the drop in personnel costs by EUR 5.6 million. It should be noted that the number of banks and bank branches was lower in the period under analysis compared to the period of the previous year.[8] Taking this into account, personnel costs have increased by 2.5 per cent. However, such change is smaller than the changes in the labour market. According to the data of Statistics Lithuania, average gross wage in financial services grew by 7.3 per cent in the first six months of 2016 and by 8.3 per cent in a year. Lower increase of personnel expenses than the growth of salary could have been determined by more effective bank management, especially more effective organisational structure.

Bank profitability has improved. The return on assets over the year remained almost unchanged in the second quarter of 2016 compared to the same period of the previous year (–0.04 p.p.) and amounted to 0.91 per cent. The return on equity increased by 4.56 p.p. and amounted to 12.19 per cent. Such difference in profitability indicators was partially a result of significant reduction of capital of *Swedbank AB* by paying out the dividends. However, the main cause was lower profit of bank branches and better profit of most banks in the analysed period. The return on equity indicator only covers the banks, while the return on assets is calculated for bank branches as well. The cost-to-income ratio has considerably improved: on 1 July 2016, it was 9.8 p.p. lower and amounted to 45.5 per cent.

Profitability ratios of banks in Lithuania are higher than average profitability ration of EU banks. When analysing the profitability of banks in Lithuania in comparison to profitability of banks in other EU countries, the comparable data of the first quarter of 2016 shows quite good results. According to the calculations made by EBA[9], the return on equity of banks in Lithuania was 6.9 per cent in the above period and exceeded the EU average (5.8 per cent). With this indicator Lithuania outperformed such countries as the United Kingdom, France, and Germany. However, it fell well behind Scandinavian countries — average return on equity of banks in Scandinavia was 10 per cent. The findings are even more favourable when comparing the return on assets of banking sector of Lithuania, which is 0.84 per cent (EU average — 0.37%). The banks in Lithuania are quite effective in terms of costs as well — their cost-effectiveness was 50.8 per cent (EU average — 65.9%) and Lithuania outperformed many countries of Western Europe.

7. REGULATORY ENVIRONMENT

Law-making

The Seimas of the Republic of Lithuania adopted the Law Amending the Law on Payments implementing Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching, and access to payment accounts with basic features. This directive aims at ensuring a simple comparison of fees of payment service providers, an uncomplicated payment account switching from one service provider to another, and improving access to payment accounts with basic features for consumers. In adopting the Law, the objectives of the directive were taken into account, but not limited to. The Law also aims to enable the consumers to use the basic payment account for an affordable price. The basic payment account covers basic payment services which are to be provided by credit institutions

[8] *AB bankas Finasta* continued operating until the end of 2015. The Scandinavian *Ensklida Banken AB* is no longer on the list of supervised banks as it does not provide financial services.

[9] Due to the differences in methodology, the indicators presented by the EBA may be different from the indicators calculated by the Bank of Lithuania for supervisory purposes, but it does not have a significant effect on profitability analysis.

(banks and credit unions) for a commission that is not higher than the maximum fee set by the supervisory authority. The provisions of the Law related to the basic payment account and account switching will come into effect on 1 February 2017.

The Draft Law on Credit Relating to Real Property of the Republic of Lithuania, implementing Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property was submitted to the Government. The Draft Law stipulates that the provisions of the Law will apply to all credit contracts, ensured not only by pledged residential property, but by other types of real estate as well. It also provides for other requirements which will ensure better compliance of legal relations regulated by the Law with consumer interests (standards for providing pre-contractual information, prohibition of linking with other financial products and services, limiting the size of the tax rate on early credit repayment, etc.). The effective date provided by the Draft Law is 1 July 2017.

The Bank of Lithuania supplemented the Regulations for the Organisation of Internal Control and Risk Assessment (Management) by a requirement to assess the financial possibilities of natural persons to give guarantee for loans granted by credit institutions. The changes were adopted with a view of restricting the use of financially unsubstantiated personal collateral (guarantees, etc.) in credit relations and taking into account that inadequate assessment of the possibilities to give guarantee in practice enables the people to assume excessive obligations, leads to personal bankruptcy, and poses other risks. The amendments will come into effect on 1 January 2017.

Protection of consumer rights

In Q1 2016, the investigated disputes were related to legitimacy of execution of payment transactions. Such disputes were also investigated in the first quarter. Thus, they seem to be recurrent. Such disputes indicate the obligation of the holder of a payment card and associated PIN or other access codes not to disclose such access codes. There are recurrent situations when third parties misappropriate payment cards and become aware of the PIN or other access codes due to gross negligence of consumers and use it to appropriate the funds belonging to the user. If the user discloses the access codes, they will be responsible for the loss caused by payment transactions executed by third parties. The PIN cannot be disclosed, left undestroyed, written down or shown to any other persons under any circumstances.

In the field of financial service disputes, negative interest is still an issue. Disputes arise related to the fact that some banks refuse to apply negative interest on loans, when the base interest rate became not only negative but was also above the bank's margin, even though the interest rate 'floor' had not been agreed on ahead of time. Having analysed the contested agreements of the consumers, the arguments of the parties and other circumstances, the Bank of Lithuania decided that the refusal of the bank to apply negative interest rates does not conform to the terms of the agreements and is unfair with regard to consumers.

Other investigated disputes were related to the refusal of banks to change the terms and conditions of agreements at user's request. One of the cases was caused by changing the margin by other means than specified in the credit agreement. It is important to know that a signed agreement has the force of law to the parties of the agreement and must be fulfilled in procedure set by the agreement. If one of the parties requests that the contractual terms and conditions are amended, the other party of the agreement may consider the terms and conditions proposed and to agree or not to agree to amend the agreement. Thus, the parties of the agreement have to right to freely decide whether or not to conclude a specific agreement and to choose with whom to conclude an agreement. In addition, they may independently decide regarding the agreement's contents (the terms and conditions of the agreements and their amendments) and form. None of the parties of the agreement may be forced to conclude an agreement or to amend it at request of only one of the parties and their proposed terms and conditions.

Supervision Service of the Bank of Lithuania. Contact person: Rūta Medaiskytė, tel. (+370 5) 268 0588, e-mail: rmedaiskyte@lb.lt

Annex: Key indicators of the banking sector

Table 2. Main items of the balance sheet statement

No.	Indicator	01/07/2015	01/04/2016	01/07/2016	Change in Q2	Change in a year
		amount, EUR million			**per cent**	
1.	**Assets**	**22,412.5**	**23,476.0**	**23,893.4**	**1.8**	**6.6**
1.1.	Debt securities	1,693.9	1,550.4	1,604.4	3.5	-5.3
1.2.	Equity securities	46.3	76.4	47.8	–37.5	3.2
1.3.	Financial derivatives	140.0	124.7	147.9	18.6	5.7
1.4.	Cash	370.9	396.5	408.9	3.1	10.3
1.5.	Funds with central banks	1,181.2	1,572.5	1,601.8	1.9	35.6
1.6.	Funds with credit institutions	2,248.8	2,373.7	2,098.3	–11.6	–6.7
1.7.	Loans to customers (incl. leasing)*	16,184.2	16,509.3	17,610.0	6.7	8.8
	Loans to customers (incl. leasing) (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*)	–	16,955.7	–	3.9	8.8
1.7.1.	to general government institutions (incl. leasing)	1,121.1	896.8	934.7	4.2	–16.6
1.7.2.	to other financial corporations (incl. leasing)	163.5	475.3	532.1	11.9	225.5
1.7.3.	to non-financial corporations (incl. leasing)	7,666.8	7,990.0	8,405.7	5.2	9.6
1.7.4.	to households (incl. leasing)*	7,232.7	7,147.2	7,737.4	8.3	7.0
	to households (incl. leasing) (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*)	–	7,593.6	–	1.9	7.0
1.7.4.1.	o/w loans for house purchase*	5,829.3	5,648.9	6,149.2	8.9	5.5
	o/w loans for house purchase* (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*)	–	6,086.4	–	1.0	5.5
1.8.	Other asset positions	547.2	872.6	374.3	–57.1	–31.6
	Other asset positions (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*)	–	426.2	–	–12.2	–31.6
2.	**Liabilities and equity**	**22,412.5**	**23,476.0**	**23,893.4**	**1.8**	**6.6**
2.1.	Deposits of central banks	345.8	346.4	319.0	–7.9	–7.7
2.2.	Liabilities to credit institutions	3,018.5	3,510.6	4,149.7	18.2	37.5
2.3.	Financial derivatives	122.8	115.0	135.7	18.0	10.5
2.4.	Deposits**	15,941.7	16,517.1	16,779.6	1.6	5.3
	Deposits (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*)	–	16,662.9	–	0.7	5.3
2.4.1.	of general government institutions	1,101.4	988.2	1,176.6	19.1	6.8
2.4.2.	of other financial corporations	376.2	367.1	399.4	8.8	6.2
2.4.3.	of non-financial corporations	4,610.3	5,164.8	4,751.2	–8.0	3.1
2.4.4.	of households**	9,853.8	9,996.9	10,452.3	4.6	6.1
	of households (adjusted according to the share of the loan portfolio sold by Danske Bank A/S)	–	10,142.7	–	3.1	6.1
2.5.	Debt securities issued	38.9	38.5	30.9	–19.9	–20.7
2.6.	Other liabilities	486.2	890.9	402.4	–54.8	–17.2
	Other liabilities (adjusted according to the share of the loan portfolio sold by Danske Bank A/S)	–	745.1	–	–46.0	–17.2
2.7.	Equity	2,458.6	2,057.6	2,076.2	0.9	–15.6

Source: Bank of Lithuania.
**Statistics on loans are presented as they are represented in the financial statements of banks, i.e. the share of loans to be sold of Danske Bank A/S Lithuania Branch is assigned to assets to be sold, in this case the sum is assigned to '1.8 Other asset positions'. Other asset positions*
**Statistics on deposits are presented as they are represented in the financial statements of banks, i.e. the share of deposits to be sold of Danske Bank A/S Lithuania Branch is assigned to liabilities to be sold, in this case the sum is assigned to '2.6 Other liabilities'.*

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Table 3. Main items of profit (loss) account

No.	Indicator	01/07/2015	01/04/2016	01/07/2016	Change Q2	Change in a year
		amount, EUR million			**per cent**	
3.	**Profit for current year**	**109.2**	**61.0**	**106.2**	_	**–2.8**
3.1.	Net interest income	176.2	97.2	200.8	_	13.9
3.2.	Net fees and commissions income	83.3	40.7	85.7	_	2.9
3.3.	Administrative expenses	155.4	72.0	148.9	_	–4.2
3.4.	Impairment costs of loans and receivables	10.5	11.4	21.0	_	99.7

Source: Bank of Lithuania.

Table 4. Other performance indicators of banks

No.	Indicator	01/07/2015	01/04/2016	01/07/2016	Change Q2	Change in a year
		per cent			**p.p.**	
4.	Capital adequacy ratio	23.8	20.2	19.3	–0.9	–4.5
5.	CET1 capital adequacy ratio	23.4	19.8	19.1	–0.7	–4.3
6.	Leverage ratio	11.1	8.9	8.5	–0.5	–2.7
7.	Net interest margin	1.51	1.70	1.74	0.0	0.2
8.	Return on assets	0.95	1.06	0.91	–0.2	0.0
9.	Return on equity	7.63	9.72	12.19	2.5	4.6
10.	Cost-to-income ratio	55.2	48.0	45.4	–2.6	–9.8
11.	Non-performing debt instruments*	6.4	5.0	4.7	–0.4	–1.7
12.	Non-performing debt instrument (excl. funds with banks and debt securities)*	8.2	6.6	6.0	–0.6	–2.2

Source: Bank of Lithuania.

Indicators are calculated based on actual financial statements presented by banks, i.e. they are not adjusted for the planned transaction of Danske Bank A/S *Lithuania Branch.*

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