LIETUVOS BANKAS
EUROSISTEMA

Banking activity review

Q3 2018

ISSN 2335-8327 (ONLINE)

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14 December 2018[1]

In the last quarter of 2018, new additions were made to the list of banks operating in Lithuania. In October, following the proposal of the Bank of Lithuania, the European Central Bank (ECB) granted the first specialised bank licence to the credit union Mano unija, which is in the process of restructuring. In December, a specialised bank licence was granted to Revolut Technologies UAB. More changes are expected in the banking sector in 2019 – it is planned to finalise the process of consolidation of Luminor Bank AS at the Baltic States level, AB Citadele bankas will be reorganised and will carry out its activities as a branch of Citadele Banka, AS. Growth in the loan portfolio remains the main driver of an increase in both the assets of banks and their earnings. The loan portfolio is financed through funds deposited with banks. In the third quarter, banks complied with the established capital requirements, and their liquidity level increased. A new capital requirement was set for UAB Medicinos bankas after the supervisory review and assessment. Over the past quarter, the expansion of the loan market was somewhat more moderate as a result of a decline in corporate borrowing, yet household loans kept momentum, driven by increasing household income. In the first nine months of 2018, banks' profit exceeded the entire profit of 2017. The banks' interest income and income from the provision of services to customers have remained their main source of income. Lithuanian banks are in the process of optimising their activities and their efficiency ratio is among the higher ones in the European Union (EU). Amendments to the Law on Real Estate Related Credit will come into force as of next year.

1. BANKING SECTOR DEVELOPMENTS

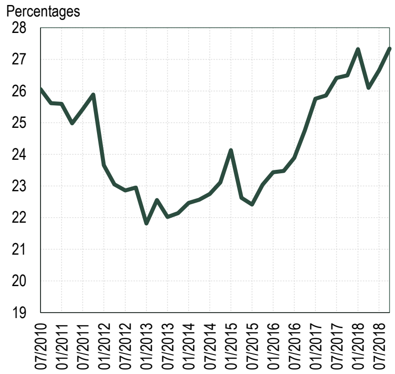
The first specialised bank licences were granted. At the end of the third quarter of 2018, 6 banks and 8 foreign bank branches operated in the banking sector.[2] Since the end of September the number of banks has increased – on 8 September, following the proposal of the Bank of Lithuania, the ECB granted a specialised bank licence to the credit union Mano unija, which is in the process of restructuring into AB Mano bankas. This is the first specialised bank licence and the first new bank licence to be granted in Lithuania since 2008. In order to reorganise the current credit union sector and to facilitate the establishment of new banks, a possibility to establish a specialised bank has come into effect as of 1 January 2017. AB Mano bankas is intending to continue financing small and midsized businesses and consumers in Lithuania. On 6 December 2018, Revolut Technologies UAB was granted the second specialised bank licence. It is planning to operate as a digital bank, rendering its services to the clients in the EU: it will accept deposits and grant consumer credits. In addition, a Lithuanian branch of the Estonian bank Luminor bank AS was established in July; however, it is not operational yet.

Currently, the Bank of Lithuania, together with the ECB, is assessing 4 more applications for a specialised bank licence. 2 of them were received in December 2018.

The structure of the Lithuanian banking system remained essentially unchanged, yet previously initiated processes were continued to be implemented. The process of consolidation of Luminor Bank AS at the Baltic States level is expected to be finalised on 2 January 2019. As of this date, banking operations in the Baltics will be carried out via the Estonian bank Luminor Bank AS and its branches in Lithuania and Latvia. On 13 September 2018, news regarding potential changes in the shareholding of the Luminor group were reported – The Blackstone Group L.P., a US private equity firm, together with a consortium led by it, intends to acquire

Chart 1. Assets of the banking sector

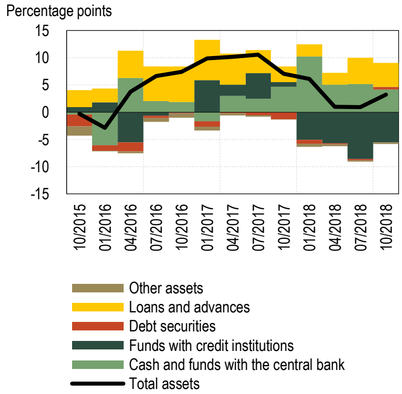
(1 July 2010-1 October 2018)



Source: Bank of Lithuania.

Chart 2. Factors of growth in assets

(1 October 2015-1 October 2018)



Source: Bank of Lithuania.

[1] Should system participants adjust their statements, the data of the review after this date may be revised.
[2] The Bank of Lithuania receives reports for supervisory purposes from 6 branches, given that the branch of Telia Finance AB in Lithuania – Telia Finance Lietuva – and the Lithuanian branch of Luminor Bank have not been carrying out any activities yet.

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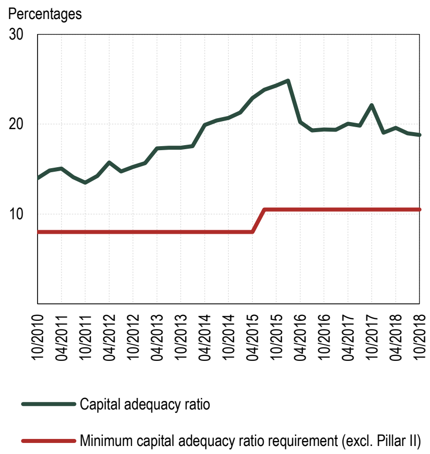
Chart 3. Capital adequacy ratios of banks

(1 October 2010-1 October 2018)



Source: Bank of Lithuania.

Table 1. Capital adequacy ratios of banks

(Percentages)

	2018 Q2	2018 Q3
Luminor Bank AB	16.7	17.0
AB SEB bankas	18.7	18.4
AB Šiaulių bankas	16.2	15.5
UAB Medicinos bankas	16.2	17.9
AB Citadele bankas	18.8	18.8
Swedbank, AB	24.7	24.1
Banking sector	**19.0**	18.8

Source: Bank of Lithuania.

Table 2. Capital adequacy ratio requirements set by the Bank of Lithuania

(Percentages)

Banks	Requirements
Luminor Bank AB	Set by the ECB
AB SEB bankas	Set by the ECB
AB Šiaulių bankas	12.9
UAB Medicinos bankas	12.7
AB Citadele bankas	14.5
Swedbank, AB	Set by the ECB

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

Table 3. Liquidity coverage ratios of banks
(Percentages)

	2018 Q2	2018 Q3
Luminor Bank AB	119.5	121.0
AB SEB bankas	193.2	257.6
AB Šiaulių bankas	230.7	264.0
UAB Medicinos bankas	616.9	631.8
AB Citadele bankas	302.4	289.5
Swedbank, AB	329.9	368.0
Banking system	**229.0**	**252.1**

Source: Bank of Lithuania.

60% of the shares of the Luminor Group for €1 billion. The remaining share would be retained by the Finnish Nordea Bank AB and the Norwegian DNB ASA. Additionally, a prior agreement was made to acquire a 20% holding from Nordea Bank AB over the coming years. The transaction are subject to the approval of supervisory authorities of the Baltic countries and the ECB in 2019. Should the transaction be closed, the participation of a new shareholder in the activities of the Luminor group would provide support in achieving the strategic goal of becoming the largest independent financial group in the Baltic States.

At the beginning of 2019, AB Citadele bankas, a subsidiary of the Latvian Citadele Banka*,* AS, will be reorganised and will carry out its activities in Lithuania as a branch of the Latvian bank. In October 2018, the Board of the Bank of Lithuania granted an authorisation for the the reorganisation. Change in the status of the bank will have no impact on the provision of services in Lithuania. AB Citadele Bankas informed about its decision to reinstate housing crediting. The bank has a portfolio of previously granted loans that has not been developed over the last ten years. The key changes due to the reorganisation are as follows: the Bank of Lithuania will no longer carry out direct supervision of the bank, and capital requirements will be established to Citadele Banka, AS, which is supervised by the Latvian supervisory authority. As is the case now, the Bank of Lithuania will continue to participate in the supervisory college of the Citadele group. Customer deposits with the Lithuanian branch of Citadele Banka, AS will be insured by the Latvian deposit insurance instead of the Lithuanian deposit insurance.

2. ASSETS AND LIABILITIES

Asset growth was driven by lending activities. In the third quarter of 2018, the assets of the banking system picked up by €682 million (2.6%), to stand at €27.3 billion. Lending remains as the main long-term factor for growth in assets. Although its impact lessened in the last quarter, while the amount of banks' funds held with the central bank and parent institutions further increased. In the last three months, the amount of loans expanded by €65 million and the amount of the aforementioned funds surged by €626 million. This did not have a significant impact on the structure of assets of the banking system, although the share of loans dropped by 2 percentage points, to 73%.

Deposits constituted the main source of bank financing. In the third quarter of 2018, banks' liabilities amounted to €24.7 billion, growing by €585 million (2.4%) over the period. Customer deposits, comprising the largest share of liabilities (84%), was also the main driver of growth in liabilities, which increased by €470 million (2.3%) over the quarter. Other items of liabilities did not have any major effect, yet it is noteworthy that the amount of funds held with parent institutions rose by €138 million (4.9%).

3. COMPLIANCE WITH REQUIREMENTS

Increasing profitability provides for strengthening of the capital base. The overall capital adequacy ratio of the banking sector stood at 18.8% at the end of the third quarter of 2018. The capital adequacy ratio of the banking system decreased by 0.2 percentage point over the quarter. Banks' own funds increased by €28.9 million over the quarter, yet the decrease in the capital adequacy ratio was due to higher capital requirements for credit risk, rising also as a result of an upsurge in lending. In the third quarter, the capital adequacy ratios for half of the banks were increasing, while for others they were decreasing, yet the capitalisation of all banks remains sufficient. Improving profitability also serves as a precondition for the strengthening of the capital base in the future.

According to the data submitted for supervisory purposes, all banks complied with the established capital requirements. All banks currently operating in Lithuania have to comply with the minimum capital adequacy requirement (8.0%), Pillar II additional capital requirement, which is set on an individual basis, and the combined buffer requirement. The latter is currently comprised of the capital conservation buffer requirement (2.5%), the countercyclical capital buffer requirement (0%), and the other systemically important institution buffer requirement (1.0-2.0%).

Following the supervisory review and assessment process, a new capital requirement of 12.7%, replacing the previous requirement of 13.9%, was set for UAB Medicinos bankas at the end of September 2018.

With a view to the economic situation in Lithuania and seeking to encourage banks to accumulate sufficient capital buffers in case of a crisis, the Bank of Lithuania resolved to raise the countercyclical capital buffer requirement. As of 31 December 2018, it will be increased to 0.5%, and as of 30 June 2019 – to 1.0%. The capital adequacy requirements effective for banks, as shown in Table 2, were complied with a sufficient margin.

On 28 November 2018, the Bank of Lithuania approved the new size of capital buffer of systemically important institutions. AB SEB bankas, Luminor Bank AB, Swedbank, AB, and AB Šiaulių bankas are considered as systemically important institutions. The previous rate of 2.0% remained valid for the first three banks, and a new reserve requirement of 1.0% (to come into force as of 31 December 2020), instead of the previously applied requirement of 0.5%, was established for AB Šiaulių bankas.

In the third quarter of 2018, banks' liquidity level and their liquidity buffers saw growth. Customer deposits with the Lithuanian branch of Danske Bank A/S, which is planning to cease its operations in Lithuania, added to the deposit portfolios of other banks operating in Lithuania, thus improving their liquidity ratios. The liquidity buffers of banks remained well above the established minimum requirement.

At the end of the third quarter of 2018, the main indicator reflecting the liquidity situation, namely the liquidity coverage ratio (LCR), was high. It stood at 252% and was well above the minimum requirement of 100% (see Table 3). In the third quarter, LCR of AB SEB bankas and Swedbank, AB went up as a result of their liquidity buffers increasing more rapidly than net cash outflows.

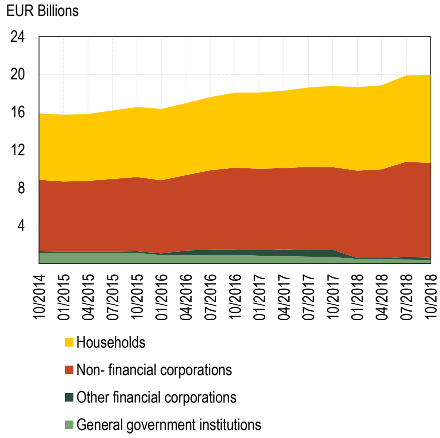
4. THE LOAN PORTFOLIO[3]

Developments in the loan portfolio

In the third quarter, the growth of the value of the loan portfolio moderated, but is expected to continue on an a strong upward trend. In the third quarter of 2018, the value of the portfolio of loans granted to bank customers increased with greater moderation. Compared to the previous period, it went up by €65 million (0.3%) – to €20.0 billion. Corporate loans accounted for the largest share of the loan portfolio (50.0%), however, the amount of loans granted to corporate customers declined by €88 million (-0.9%) to €10.0 billion. As developments in the loan portfolio are usually affected by individual large-scale loans, the decline in the loan portfolio in the third quarter also resulted from the repayment of a short-term loan of a major client. Household loans,

Chart 4. Net value of the bank loan portfolio

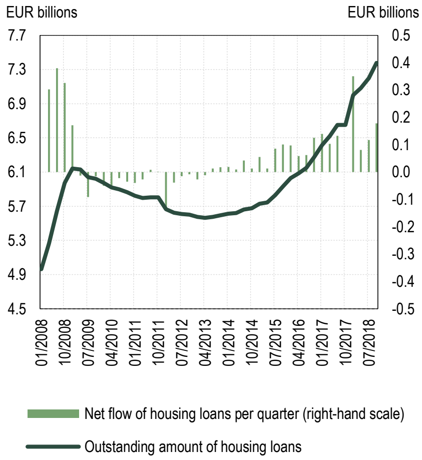
(1 October 2014-1 October 2018)



Source: Bank of Lithuania

Chart 5. Net value of the housing loan portfolio

(1 January 2008-1 October 2018)

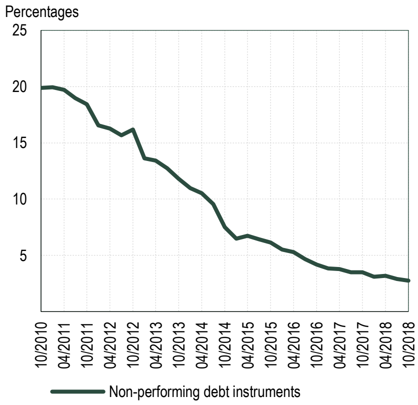


Source: Bank of Lithuania

Note: As of 1 October 2014, housing loans also include loans granted to households for the purpose of investing in houses for own use or rental, including construction and refurbishments; therefore, data is not fully comparable to the row of past data.

Chart 6. Loan quality

(1 October 2010-1 October 2018)

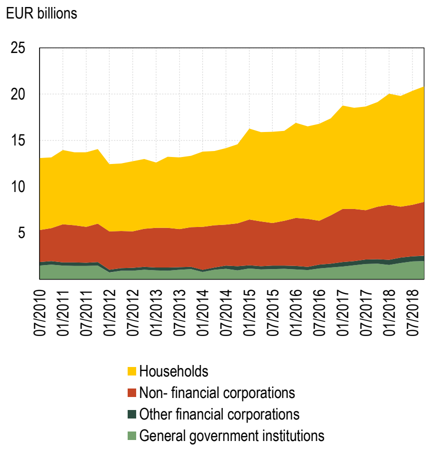


Source: Bank of Lithuania.

[3] Including the leasing portfolio.

Chart 7. Amount of deposits

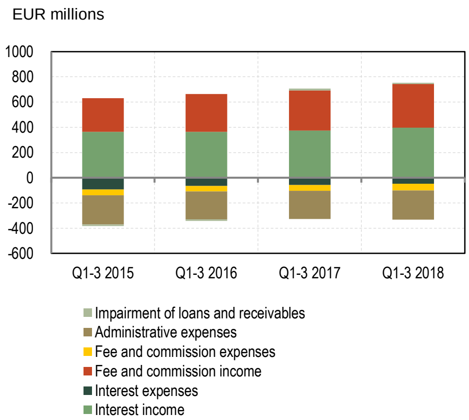
(1 July 2010-1 October 2018)



Source: Bank of Lithuania

Chart 8. Main items of income and expense

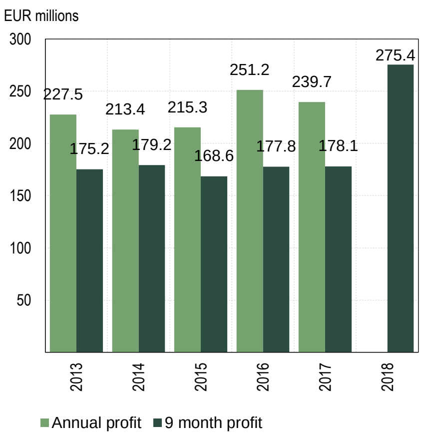
(Q1-3 2015-Q1-3 2018)



Source: Bank of Lithuania.

Chart 9. Profit of the banking sector

(2013-9 months of 2018)



Source: Bank of Lithuania

constituting 47% of the loan portfolio maintained a relatively unchanged growth rate during the reporting period. Compared to the second quarter, they went up by €205 million (2.2%) – to €9.3 billion. Favourable economic situation and active housing market add to the notably expanding housing crediting. Housing loans constitute 79% of the household loan portfolio and, in the third quarter, they rose by €179 million (2.5%) to stand at €7.4 billion. In the third quarter, the value of the loan portfolio to other financial corporations dropped by €13 million (-5.0%) to stand at €0.2 billion, and the value of the loan portfolio to general government institutions – by €39 million (-9.2%) to stand at €0.4 billion.

Compared to the same period in 2017, the growth rate of the loan portfolio remained robust, increasing by 6.2%, the portfolio of corporate loans – by even 14.0%, the household loan portfolio – by 8.6%. The overall growth rate was dampened by the decline in borrowing by general government and financial institutions.[4]

In view of the increasing volume of the loan portfolio the Bank of Lithuania applies macroprudential measures. Where the profitability of banks is remarkably high, it would be practical to set aside a part of their profits for harder times. As mentioned in Section 3, the Bank of Lithuania reviews the countercyclical capital buffer requirement each quarter and has already increased it twice in order to strenghten the resilience of the financial sector to potential shocks.

Quality of the loan portfolio

The share of the loan portfolio with signs of increased risk gradually declined. In the third quarter, the share of non-performing debt instruments decreased by 0.16 percentage point to 2.75%, while the outstanding amount of such loans was 2.9% lower than at the start of the quarter. Bad loan write-offs accounted for 1.1% of the outstanding amount of non-performing loans at the beginning of the quarter. Due to the favourable economic environment, new lending, and with banks dealing with distressed loans, the outstanding amount of non-performing loans granted to households and businesses over the third quarter of the year contracted by 3.6% and 2.3% respectively, to account for 3.4% and 4.1% of the total value of respective loan portfolios. The outstanding amount of household loans past due for more than 90 days contracted by 2.2% at the end of the quarter and accounted for 1.9% of the total value of loans granted to households. Similarly, the outstanding amount of past due corporate loans fell by 1.9%, to 2.4% of the corporate loan portfolio. The loan impairment ratio (specific provisions to the total loan value) remained unchanged during the third quarter and continued to stand at 1.3% (the ratio of corporate loans amounted to 1.6%, of household loans – 1.1%).

5. DEPOSITS WITH BANKS

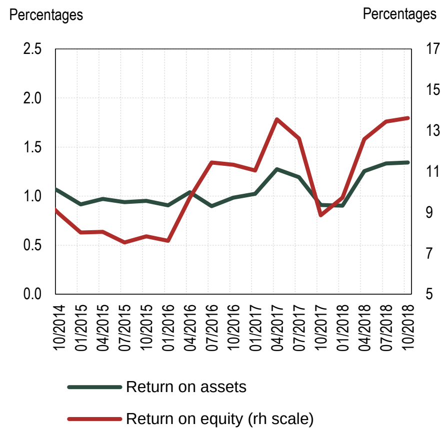
Increasing revenue and bank crediting processes fuelled further growth in deposits. At the end of the third quarter, costumer deposits with banks amounted to €20.8 billion. Over the quarter, the amount surged by €470 million (2.3%). Household deposits constituted the largest share of deposits with banks (60%), increasing from €162 million (1.3%) to €12.5 billion over the third quarter. Over the reporting period, corporate deposits saw a major increase by €244 million (4.4%), to €5.8 billion. Deposits served as the main source of funding for banking activities.

[4] Based on revised FINREP data, taking into account the leasing portfolio of UAB Nordea Finance Lithuania, which is consolidated in reports for supervisory purposes at the end of 2017, and having assessed its impact on the annual change in bank loans.

Although due to low interest rates cash is mainly held in current accounts, the long-term trend suggests that this does not cause instability in deposits and the amount of deposited funds is still on the rise. Growth in deposits is stimulated by both increasing resident and corporate revenue and bank crediting processes, which, in turn, multiply the amount of cash held in the banking system. Besides household and corporate deposits, the amounts of deposits pertaining to other two segments of customers – the public sector and other financial institutions, also went up over the quarter, increasing by €45 million (2.4%), to €2.0 billion and by €18 million (3.2%), to €0.6 billion, respectively.

Chart 10. Bank profitability ratios

(1 October 2014-1 October 2018)



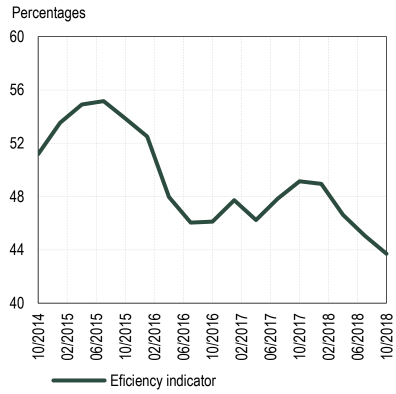
Source: Bank of Lithuania.

6. PROFITABILITY AND OPERATIONAL EFFICIENY

The profits of the banking sector of the first three quarters of 2018 exceeded the profit of the entire 2017. Banks and foreign bank branches earned almost €275.4 million in profit, an year-on-year increase of €97.3 million (54.6%). All market participants, except for 1 bank branch, operated at a profit. Credit activities, i.e. net interest income, remained the main source of income for banks. They surged by €29.8 million (9.4%), to €346.8 million. Net fee and commission income served as another significant share of revenue, rising by €16.1 million (10.5%), to €169.1 million. Although banks are improving their operational efficiency, their administrative expenses increased by €9.5 million (4.3%) over the first nine months of the year, amounting to €232.9 million. The rise stemmed both from increasing wages and other administrative expenses.

Chart 11. Bank efficiency indicator (cost-to-income ratio)

(1 October 2014-1 October 2018)

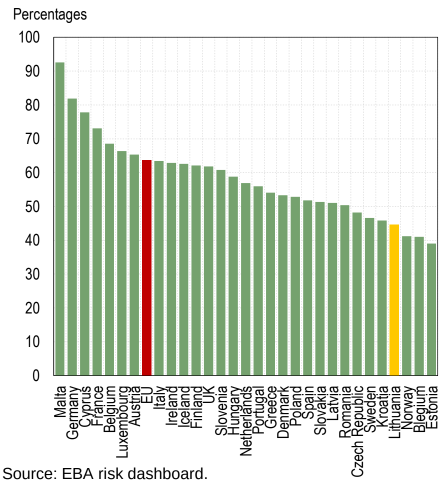


Source: Bank of Lithuania.

The aforementioned items of banks' income and expenses explain only part of the developments in the entire profit of €97.3 million. The net change in net interest, fee, and commission income and administrative expenses stood at €36.5 million. Although the underlying circumstances are currently highly favourable in terms of banks' profit, its rapid growth compared to the previous year might by partially explained by one-off factors. A year ago, the overall result of banks was affected by the merger of AB DNB bankas and Nordea Bank AB, leading to higher than usual expenses of provisions. This year, they shrank by €43.6 million, compared to the same period in 2017.

Chart 12. Bank efficiency indicator (cost-to-income ratio)

(Q2 2018)



Source: EBA risk dashboard.

Rise in bank loans and low interest rates make it easier to generate more earnings. Over the first nine months of this year banks' interest income increased by €21.1 million (5.6%) year on year and amounted to €395.8 million. Interest expenses contracted even further by €8.7 million (15.1%), to €49.0 million. The expanding loan portfolio allows for generating more income. At the same time, banks are not lacking funding – the amount of deposits is continuously growing, while interest rates remain low despite being paid for longer-term liabilities. Fee and commission income from banks' financial services increased by €21.5 million (10.8%) year on year, to €220.9 million. Respective expenditure grew by €5.3 million (11.5%), to €51.8 million.

With growth in profit, banks' profitability indicators remain good. In the second quarter of 2018, banks' return on assets picked up by 0.4% year on year, to 1.3%, while return on equity surged by 4.7%, to 13.6%. A year ago, the overall profitability of the banking sector declined due to one-off factors, affected by the merger of AB DNB bankas and Nordea Bank AB, as well as growth in provisions.

The efficiency indicator of banks, which shows their cost-to-income ratio, also showed improvement, decreasing by 5.4 percentage points, to 43.7%. This change can also be partly be attributed to one-off factors, yet the long-term trend shows that the efficiency of the banking sector has been gradually rising. This is linked not only to increasing revenue, but also to the optimisation of banking activities. The efficiency of Lithuania's banking sector is also higher compared to the corresponding overall indicator of the EU, standing at 63.8% in the second quarter of 2018.

7. REGULATORY ENVIRONMENT

Protection of consumer rights

Most of consumer disputes were related to payment and credit services. The majority of consumer claims pertained to the interest rates established in their credit agreements, validity of debits from their bank accounts, and the application of bank fees. In the third quarter of 2018, the Bank of Lithuania settled 24 consumer disputes with banks. Compared to the same period last year and the second quarter of 2018, the overall number of consumer disputes with banks remained unchanged. The Bank of Lithuania made 15 decisions on the substance of consumer disputes with banks: 1 consumer claim was satisfied, 1 consumer claim was partly satisfied, and 13 consumer claims were found to be unsubstantiated. 1 consumer dispute ended in parties reaching a peaceful settlement.

The Bank of Lithuania reached a significant decision in a case concerning a consumer claim on the actions of a bank in relation to the execution of a credit agreement. The claimants had entered into a house credit agreement and made an arrangement on the partial payment of the credit. After the claimants applied to the bank with a request to be paid the last part of the credit, the bank, having consulted the real estate registry, ascertained that a record on the seizure of the borrowers' assets had been made by the prosecutor's office and their rights of management and disposal of their assets had been restricted. According to the bank, the new circumstances would have had an adverse impact on proper implementation of the borrowers' obligations, therefore, the bank decided to suspend the payment of the remaining part of the credit. The claimants opposed the bank's decision. Having analysed the data provided by the claimants and the bank, the Bank of Lithuania determined that the bank had failed to prove that seizure of the assets and restrictions on the rights of their management and disposal would, in this particular situation, have created obstacles for the borrowers to meet their obligations and found that the bank had failed to substantiate its decision to suspend the payment of the part of the credit on grounds of compliance with the provisions of the credit agreement and applicable legal acts. The Bank of Lithuania decided to satisfy the claim and recommended that the bank pay the remaining part of the credit, i. e. €50,000, as per the credit agreement, thus giving a further boost to the position that financial market participants may not restrict the rights of consumers and their legitimate expectations through formal, unjustifiable and unreasoned decisions.

Legislation

On 13 September 2018, amendments to the Law on Real Estate Related Credit were adopted. The amendments will come into effect from 1 January 2019. The amendments specify the cases concerning the currency in which the credit may be granted, provided it satisfies the conditions set forth in the definition of the foreign currency credit agreement. Credit providers will be prohibited to grant credits in currency other than that in which the income is received by the borrower or the euro. The borrower, having entered into a foreign currency credit agreement, will have the right to convert the currency of the credit agreement into the euro free of charge throughout the entire credit agreement validity period and, if agreed at the time of conclusion of the agreement – to a currency in which the borrower receives his or her income. The law also establishes the requirement of informing the borrower on his or her exposure to interest rate risk.

Moreover, the law also lays down an exception concerning the assessment of the borrower's creditworthiness when the borrower no longer meets his or her obligations and agrees with the credit provider on deferral of payment, change of the credit repayment method or other ways of credit restructuring. In such cases, the credit provider will not be obliged to assess the borrower's creditworthiness if there are reasonable grounds to believe that the new arrangement would help to avoid debt recovery due to the borrower's failure to comply with the obligations set in the valid credit agreement and the borrower would not be made subject to a higher credit interest rate than that provided in the valid credit agreement.

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Annex. Key indicators of the banking sector[5]

Table 4. Main items of the balance sheet statement

No	Indicator	01/10/2017	01/07/2018	01/10/2018	Change over the quarter	Annual change
			EUR millions		Percentages	
1.	**Assets**	**26,491.1**	**26,655.9**	**27,338.0**	**2.6**	**3.2**
1.1.	Debt securities	1,303.7	1,408.1	1,422.1	1.0	9.1
1.2.	Equity securities	97.4	39.4	41.4	5.0	-57.5
1.3.	Financial derivatives	90.3	86.9	79.0	-9.1	-12.5
1.4.	Cash	426.9	449.7	434.8	-3.3	1.9
1.5.	Funds with central banks	2,908.2	3,507.2	4,008.6	14.3	37.8
1.6.	Funds with credit institutions	2,543.1	952.8	1,077.0	13.0	-57.6
1.7.	Loans to customers (incl. leasing)	18,795.8	19,899.8	19,964.8	0.3	6.2
1.7.1.	to general government agencies (incl. leasing)	705.3	428.6	389.3	-9.2	-44.8
1.7.2.	to other financial corporations (incl. leasing)	732.3	257.0	244.1	-5.0	-66.7
1.7.3.	to non-financial corporations (incl. leasing)	8,758.2	10,076.2	9,988.5	-0.9	14.0
1.7.4.	to households (incl. leasing)	8,600.0	9,138.0	9,342.9	2.2	8.6
1.7.4.1.	o/w loans for house purchase	6,808.2	7,199.3	7,378.1	2.5	8.4
1.8.	Other asset positions	325.6	312.0	310.3	-0.6	-4.7
2.	**Liabilities and equity**	**26,491.1**	**26,655.9**	**27,338.0**	**2.6**	**3.2**
2.1.	Deposits of central banks	303.0	185.0	172.9	-6.6	-43.0
2.2.	Liabilities to credit institutions	4,110.6	2,832.0	2,969.7	4.9	-27.8
2.3.	Financial derivatives	85.3	76.1	65.9	-13.3	-22.7
2.4.	Deposits	19,141.7	20,366.3	20,836.0	2.3	8.9
2.4.1.	of general government agencies	1,688.0	1,916.3	1,961.7	2.4	16.2
2.4.2.	of other financial corporations	498.4	556.5	574.5	3.2	15.3
2.4.3.	of non-financial corporations	5,654.4	5,579.2	5,823.2	4.4	3.0
2.4.4.	of households	11,300.9	12,314.3	12,476.6	1.3	10.4
2.5.	Debt securities issued	1.0	20.4	22.2	8.8	2,224.5
2.6.	Other positions of liabilities	353.2	636.8	634.7	-0.3	79.7
2.7.	Equity	2,496.3	2,539.3	2,636.5	3.8	5.6

Source: Bank of Lithuania.

Table 4. Main items of the profit (loss) account

No	Indicator	01/10/2017	01/07/2018	01/10/2018	Change over the quarter	Annual change
			EUR millions		Percentages	
3.	**Profit for current year**	**178.1**	**179.9**	**275.4**	–	**54.6**
3.1.	Net interest income	317.0	226.3	346.8	–	9.4
3.2.	Net income from fees and commissions	153.0	111.1	169.1	–	10.5
3.3.	Administrative expenses	223.4	156.4	232.9	–	4.3

Source: Bank of Lithuania.

[5] Should system participants adjust their statements, the data of the review after this date may be revised.

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Table 5. Other performance indicators of banks

No	Indicator	01/10/2017	01/07/2018	01/10/2018	Change over the quarter	Annual change
		Percentages			Percentage points	
4.	Capital adequacy ratio	22.1	19.0	18.8	-0.2	-3.3
5.	CET1 capital adequacy ratio	21.8	18.7	18.5	-0.2	-3.3
6.	Liquidity coverage ratio	257.0	229.0	252.1	23.1	-4.9
7.	Leverage ratio	9.3	8.4	8.3	-0.2	-1.0
8.	Net interest margin	1.62	1.70	1.73	0.0	0.1
9.	Return on assets	0.91	1.33	1.34	0.0	0.4
10.	Return on equity	8.87	13.45	13.62	0.2	4.7
11.	Cost-to-income ratio	49.2	45.1	43.7	-1.4	-5.4
12.	Non-performing debt instruments	3.5	2.9	2.7	-0.2	-0.8

Source: Bank of Lithuania.

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