

Activities of financial market participants

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# Banking Activity Review

Q3 2024

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Q3 2024

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# Banking sector at the end of Q3 2024



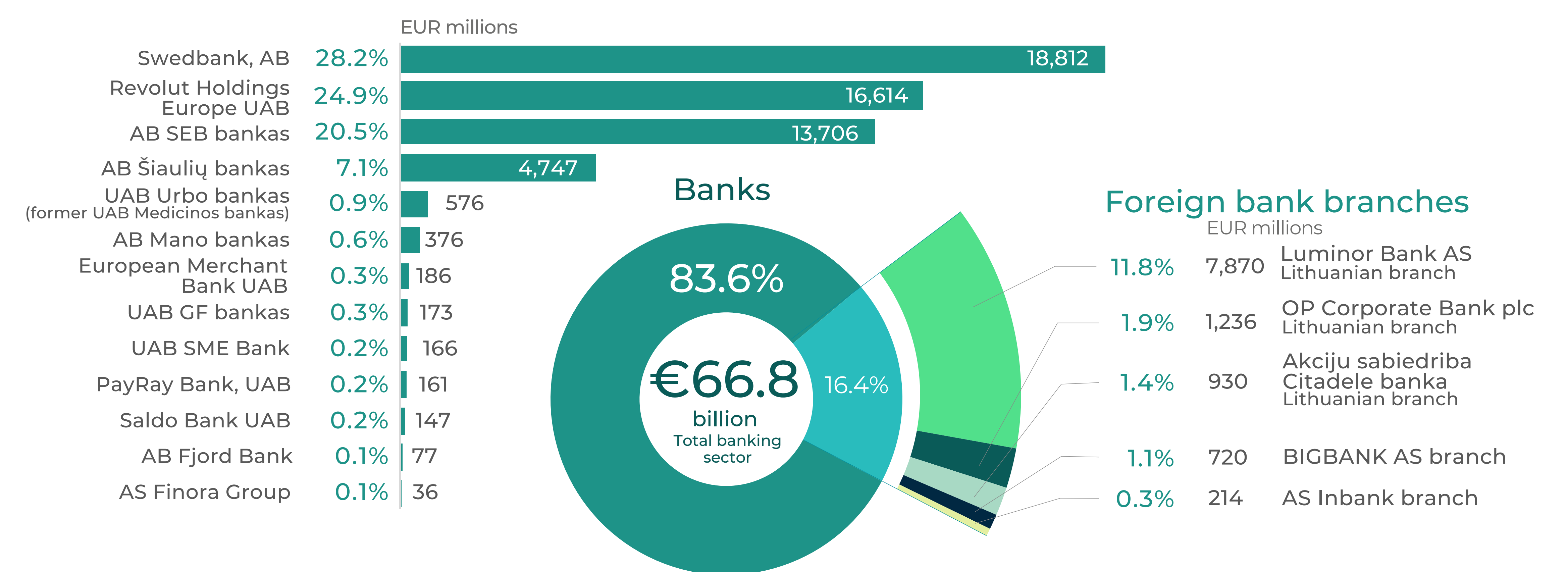
## Market participants

13  
banks



5  
foreign bank  
branches

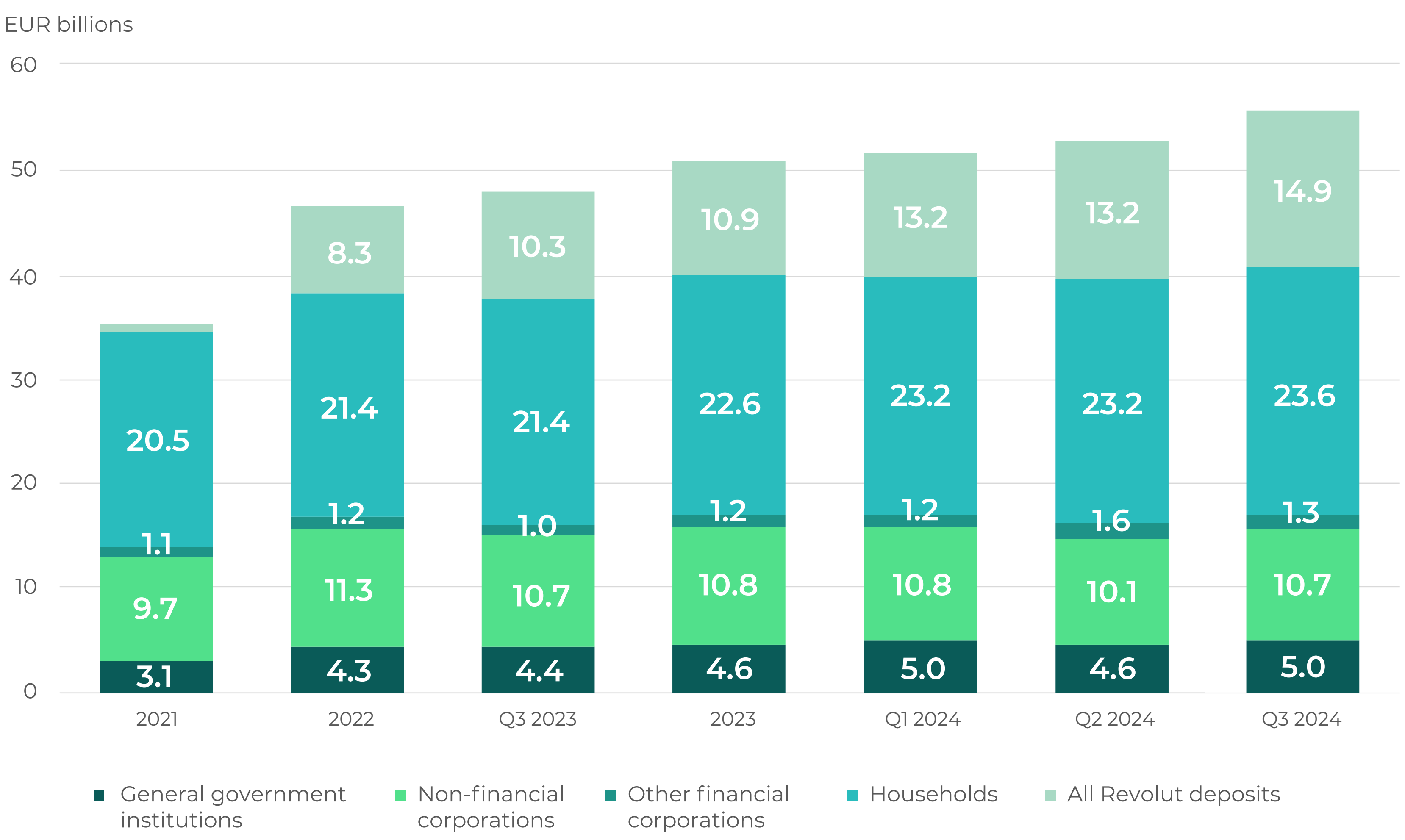
## Market share by assets



## Deposits



1.7%\*  
Households



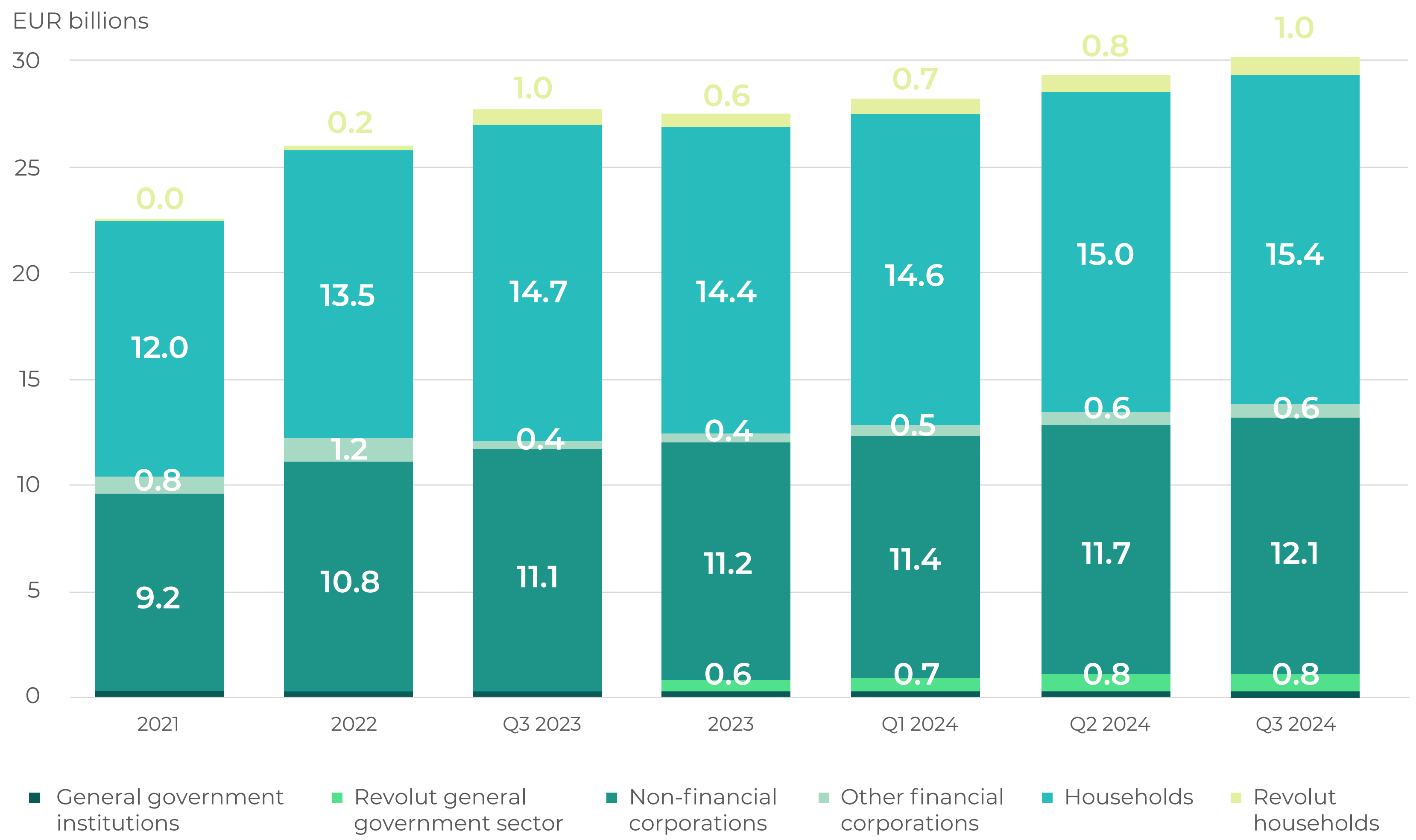
>> In Q3 2024 resident deposits grew by €0.4 billion, while those of non-financial corporations increased by €0.6 billion\*

\*Non-resident deposits of Revolut are eliminated.

## Loans

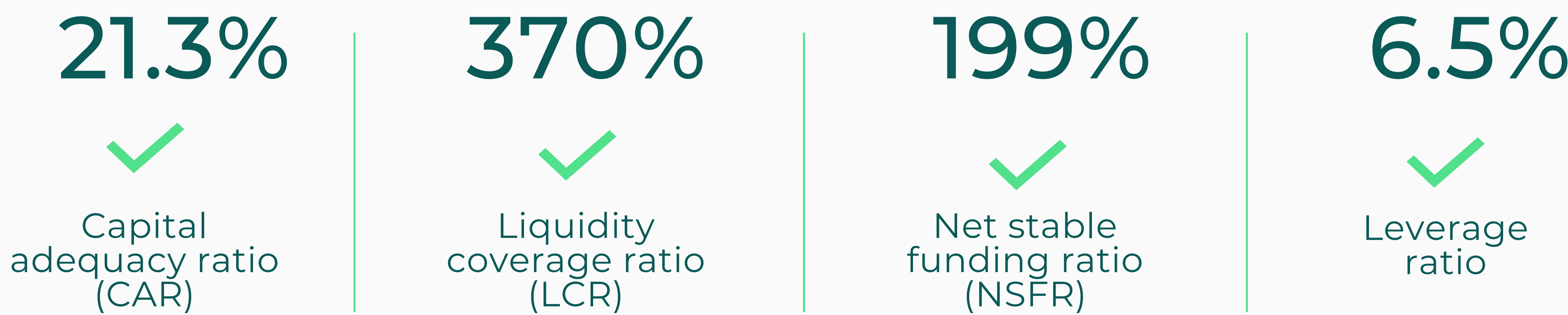


+2.6%  
(+€309 million)  
Housing loans



>> Loans to households and non-financial corporations recorded the biggest growth during the quarter

## Compliance with prudential requirements

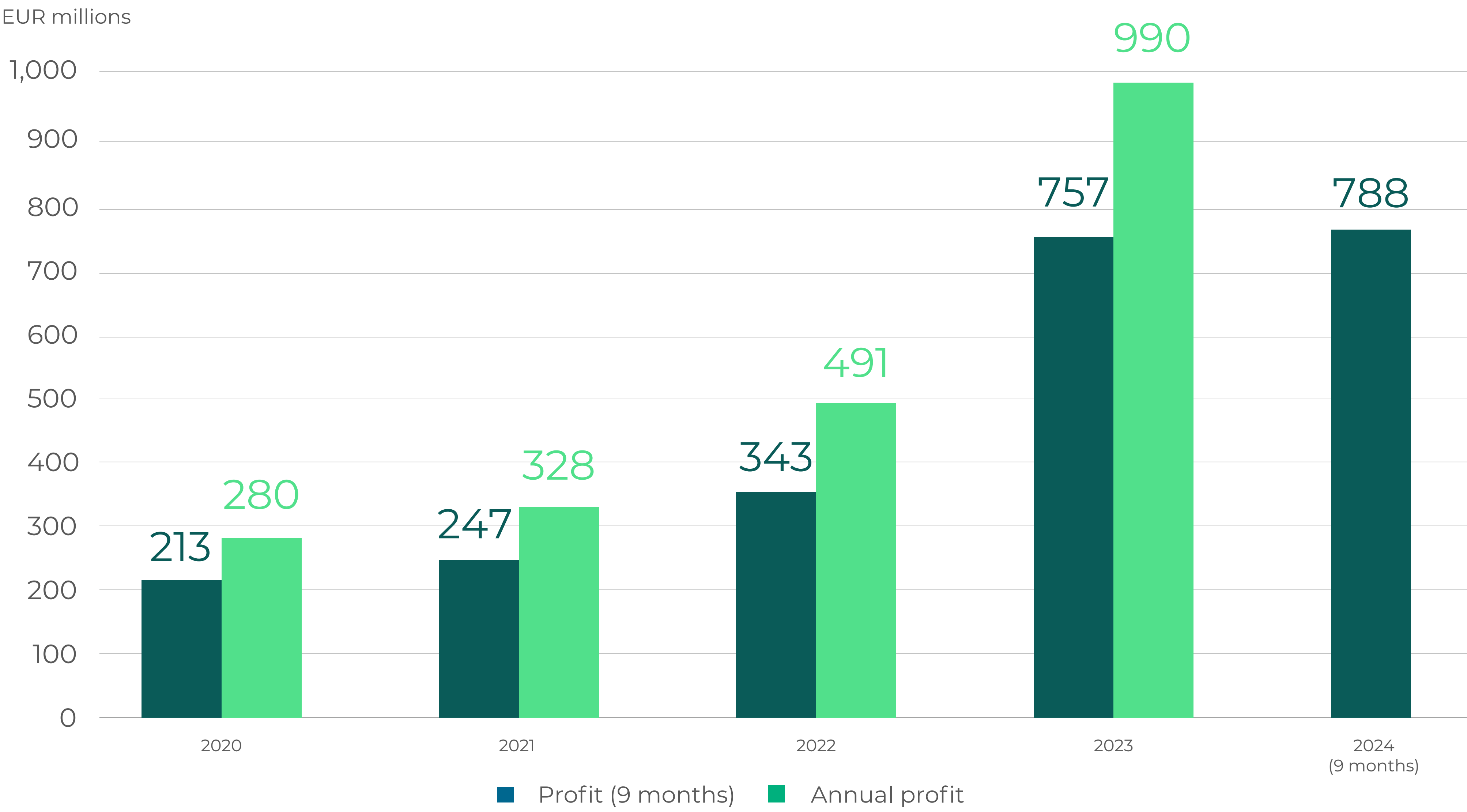


>> Bank capital adequacy level was high

>> Liquid assets were tremendous

>> The leverage ratio was more than twice the minimum level

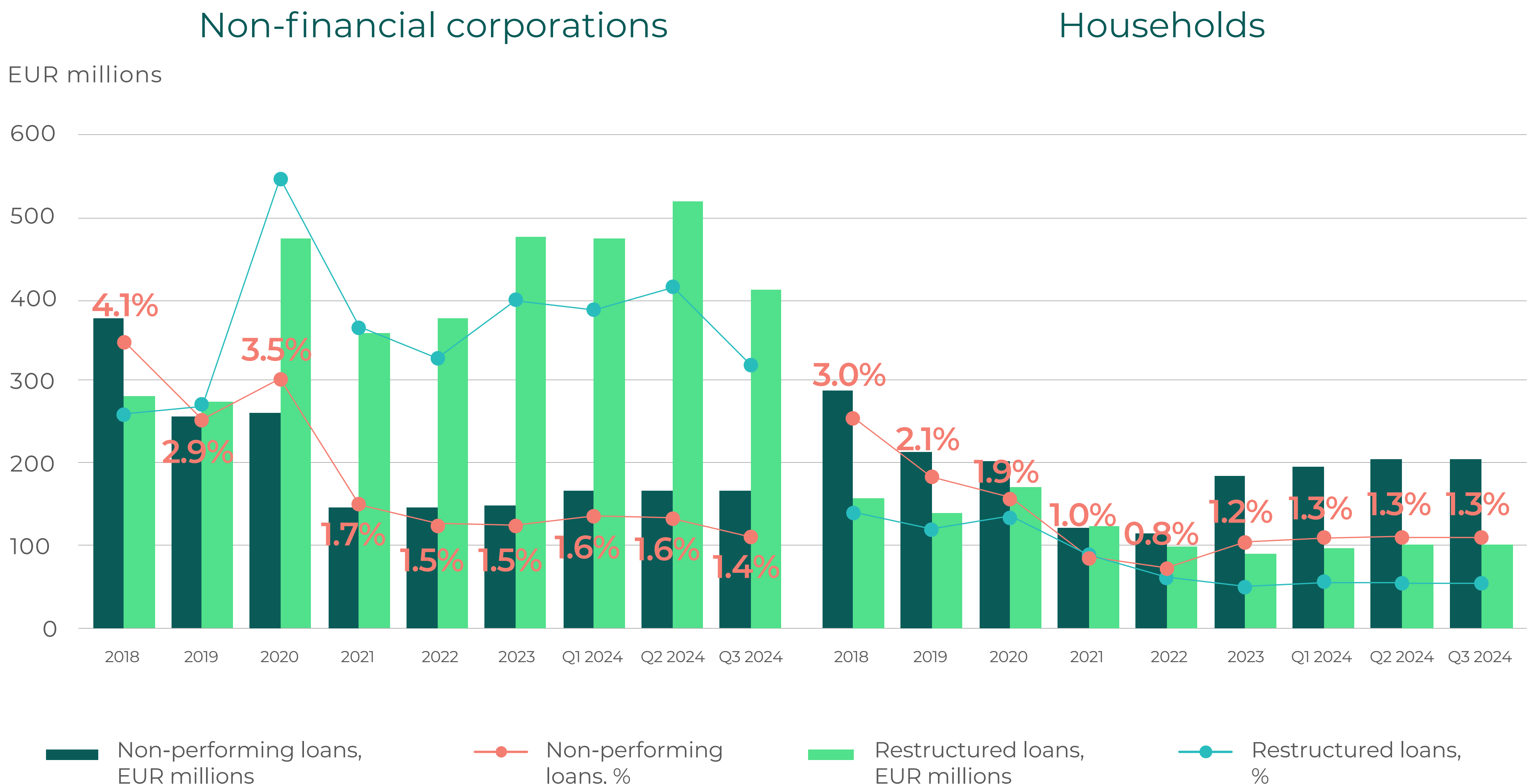
## Profit



Source: Lietuvos bankas.

>> Banking sector profits during 9 months were record high

## Loan quality 2018–Q3 2024



Source: Lietuvos bankas.

>> The quality of the loan portfolio remained unchanged

The profits of the Lithuanian banking sector remained at a record high, banks were well capitalised and had accumulated large liquidity buffers. The loan portfolio grew in the third quarter of 2024 and its quality remained largely unchanged. Total deposits increased, while the share of time deposits remained broadly unchanged.

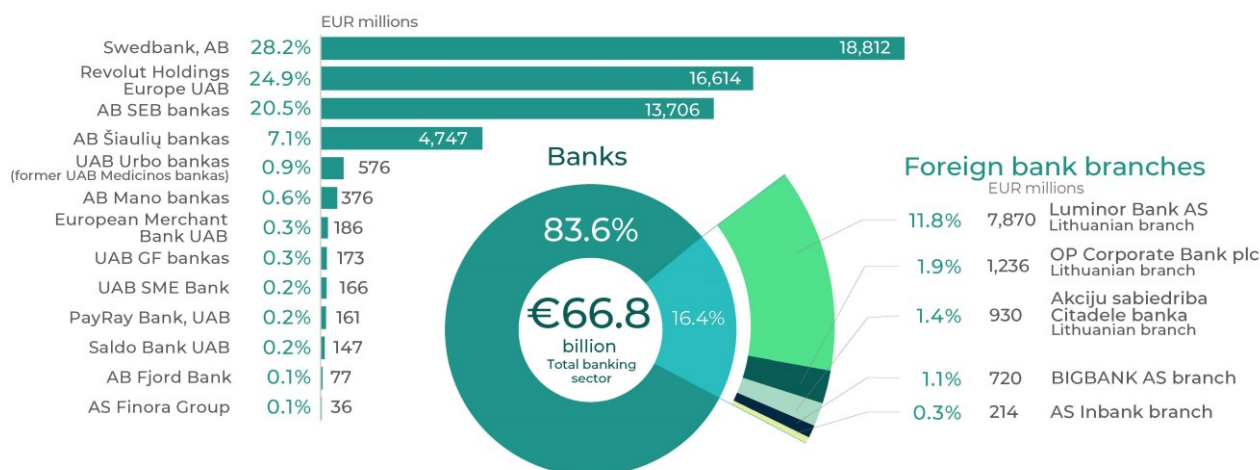
The number of banking sector participants went up, with 19 participants operating in Lithuania as from 1 October 2024: 6 banks held banking licences, 7 banks held specialised bank licences and 6 banks operated as foreign bank branches, including the branch of TF Bank AB, a Swedish bank, operating from 1 October 2024.

The banking sector remained concentrated. The largest bank operating in Lithuania (Swedbank, AB) held 28.2% of the market by assets, while Revolut Holdings Europe UAB was the second largest bank (at the highest level of consolidation) (24.9%, the bank's assets grew by almost €1.7 billion during the quarter) after overtaking AB SEB bankas (20.5%).

The market share of AB Šiaulių bankas, the fourth largest bank by assets, declined slightly to 7.1%. These four largest banks operating in Lithuania are directly supervised by the European Central Bank (ECB). The total assets of the other nine banks grew by €104 million (6%) in the third quarter of 2024 to €1.9 billion and they held 2.8% of the market. Total assets of foreign bank branches accounted for 16.4% of the market, with the Lithuanian branch of Luminor Bank AS still holding the largest share.

Chart 1. Banks and foreign bank branches that operated in Lithuania on 30 September 2024 by assets

### Market share by assets



Source: Lietuvos bankas.

Note: The highest level of consolidation of UAB Urbo bankas, PayRay Bank, UAB, European Merchant Bank UAB, Finora Bank UAB and Saldo Bank UAB was recorded in the following respective entities: UAB MB valdymas, 2404 S.A., EUROPEAN MERCHANT BANK HOLDINGS, UAB, AS Finora Group and Saldo Finance Oyj.

During the quarter, bank assets grew by almost €2.4 billion (3.7%), to €66.8 billion,<sup>1</sup> however, after removing the Revolut Group factor<sup>2</sup>, bank assets increased by almost €0.8 billion or 1.6%.

The net value of loans to customers, which were still the largest component of banks' assets, increased by slightly more than €1 billion (4%) to €30.3 billion.

<sup>1</sup> Should system participants adjust their statements for important reasons, the data of the Review after this date may be revised.

<sup>2</sup> The group's activities are mainly focused abroad, with deposits from non-resident customers in various European Union (EU) countries accounting for 98% of the bank's deposits, and the assets being removed were attracted from outside Lithuania.



Funds held by banks with the central bank went down by €0.8 billion (4.2%) to €18.5 billion, while funds held in other credit institutions grew by €1.1 billion (14.1%) to €9.3 billion. Furthermore, banks held almost €0.5 billion in cash. Thus, cash and liquid funds held in banks amounted to €28.3 billion or accounted for 42.3% of total bank assets, and this was the second largest share of bank assets.

Banks' investments in securities increased during the quarter by €1 billion (17.3%) to €6.9 billion (10.3% of bank assets).

In the third quarter of 2024, total deposits increased by €2.8 billion (5.2%) to €55.5 billion, while after eliminating the impact of the Revolut Group, total deposits went up by €1.1 billion (2.8%).

As a result of the repayment of the loan by one bank participating in the ECB's targeted longer-term refinancing operations, central bank deposits fell sharply to €4 million and liabilities to credit institutions (mainly parent institutions) increased by €0.1 billion (5.1%) to €3 billion (4.5% of total liabilities).

**During the period under review, one market participant failed to comply with prudential capital requirements.** The non-complying market participant took immediate action to remedy the irregularities as soon as possible. In the third quarter of 2024, the bank increased its own funds by issuing new shares.

**The capital adequacy ratio of the banking sector increased during the quarter** from 20.53% to 21.32%, it continued to be well capitalised. Top-tier capital instruments dominate in the banks operating in Lithuania, with the common equity tier 1 (CET1) ratio standing at 19.86%.

**The banking sector further maintained a high leverage ratio.** In the period under review, the leverage ratio went up by 0.32 percentage points to 6.48% and was more than double the minimum threshold (3%).

**The liquidity situation in the banking sector did not change much and was good in the third quarter of 2024**, as banks complied with the set liquidity requirements with sufficient margins and had large liquidity buffers. In the third quarter of 2024, the surplus liquidity coverage ratio (LCR) of the banking sector fell slightly (from 390% to 370%) but was still 3.7 times above the minimum threshold, i.e. the liquidity buffer in banks was almost triple the cash flow that can be lost in a month. The drop in the banking sector's LCR was mainly driven by a reduction in excess liquidity at the two largest banks. As in the previous periods, the Revolut Group stood out in the banking sector due to its specific business model with a high liquidity ratio which has a significant impact on the average liquidity ratio of the banking sector. Excluding this bank's LCR, the banking sector's LCR would be lower but still sufficiently high at 238%.

Banks operating in Lithuania also complied with the mandatory net stable funding ratio (NSFR) requirement for assessing long-term liquidity with a sufficient buffer. During the third quarter of 2024, the NSFR of the banking sector increased slightly from 197% to 199% and was almost double the required minimum of 100%.

Funding sources for the banking sector remained stable during the third quarter. In addition to raising relatively large amounts in deposits from customers, banks successfully borrowed on the capital market. Deposits from households and non-financial corporations, the main source of funding for banks, grew by 5.8% during the third quarter, while the amount of bonds issued almost doubled to €0.6 billion. However, the Lithuanian banking sector's capital market funding is still low at 1% of liabilities.

The cost of customer deposits, which began to decline at the beginning of 2024, continued to fall during the third quarter. According to Lietuvos bankas, the average interest rates paid on new euro-denominated deposits with agreed maturity of euro-area non-financial corporations and households held with Lithuanian monetary financial institutions fell from 3.37% to 2.98% during the third quarter.

**During the quarter, the portfolio of bank lending and other pre-payments grew** by €2.3 billion (6.31%) to €39.1 billion. Excluding exposures to credit institutions and central banks (hereinafter – the loan portfolio), **the loan portfolio increased by €1.04 billion (3.55%) to €30.3 billion.**

Loans to households, which comprised the largest share (41.9%) of the portfolio of bank lending and other pre-payments, grew by €569.8 million (3.6%) during the quarter to €16.4 billion. The growth was mainly driven by housing and consumer loans: during the quarter, housing loans increased by € 308.9 million (2.6%) to €12.4 billion, while consumer loans went up by €240.4 million (9.9%) to €2.7 billion. In the housing loan segment, the share held by the three major housing loan issuers continued to decline slightly (fell by 0.55 percentage points over the quarter) to 88.3%, and in consumer lending, banks specialising in this segment continued to be more

active. One market participant accounted for just over two-thirds of the growth in consumer loans, mainly due to business expansion in foreign markets.

Another significant part of the portfolio of bank lending and other pre-payments – loans to non-financial corporations (31.0% of the portfolio) – grew by €428.8 million (3.7%) to €12.1 billion during the third quarter of 2024. The largest increases were in loans to companies operating in wholesale and retail trade (€201 million), real estate operations (€107 million) and industry (€41 million). The total value of banks' lending commitments to non-financial corporations decreased by 4.3% and amounted to €3.3 billion.

During the quarter, the portfolio of loans to other financial institutions (excluding credit institutions) changed marginally and grew by €2.0 million to €585.2 million. The portfolio of government loans increased by €39.6 million to €1.2 billion (the growth is related to the investing of one market participant's funds in other EU Member States).

**The quality of the loan portfolio remained stable**, with positive quarter-on-quarter changes in loan quality indicators. The share of non-performing loans (including loans to credit institutions) fell by 0.10 percentage points to 0.94%, and the book value of such loans was €12.1 million (4.85%) lower than at the end of the second quarter. The volume of non-performing loans of non-financial corporations contracted by €14.6 million to €152.3 million (accounted for 1.37% of corporate loans), while those of households decreased by €0.3 million to €203.9 million (1.25% of household loans).

The volume of loans with a significant increase in credit risk since initial recognition fell by 0.33 percentage points to 10.68 % in the household and corporate portfolio, with the share of such loans going down by €98.8 million (5.92%) in the non-financial corporations segment and up by €111.9 million (8.01%) in the household segment.

The share of loans overdue by more than 30 days decreased by €2.7 million to €222.2 million, and their share in the portfolio fell to 0.78%: the share of overdue loans went down by 0.07 percentage points (to 0.76%) in the non-financial corporations segment and by 0.01 percentage points (to 0.79%) in the household segment.

The volume of forborne loans to both households and businesses decreased by 1.11% (to €99.7 million) and 18.45% (to €421.6 million) respectively. The total share of forborne loans fell by 15.62% to €521.3 million during the quarter (1.37% of the total loan portfolio).

During the third quarter of 2024, banks incurred loan impairment charges of €19.2 million. The loan-to-special provision ratio decreased to 0.82%, while the NPL coverage ratio increased by 0.6 percentage points to 33.71% (up to 26.28% in the corporate segment and down to 38.90% in the household segment).

**During the review period, all deposits grew after the impact of the Revolut Group was eliminated.** After eliminating the impact of the Revolut Group, which mainly operates in other EU Member States, deposits increased by €1.1 billion (2.8%). During the period under review, deposits of the Revolut Group continued to rise sharply and grew by €1.6 billion (12.4%) to 14.9 billion, with non-resident customers accounting for 98.3% of the bank deposits in various EU countries.

The main contributors to the increase in deposits were the growing deposits of non-financial corporations, excluding the impact of the Revolut Group (€0.6 billion or 6.2%), government deposits (€0.4 billion or 7.7%) and household deposits (€0.4 billion or 1.7%), while deposits of other financial corporations fell by €0.2 billion (15.7%).

After the period of rising deposit rates ended, the share of time and cumulative deposits at banks, which increased quite rapidly in 2023 (the indicator went up from 11% to 21% in 2023), almost stopped growing. The share of these deposits in the customer deposit portfolio remained largely unchanged in the third quarter of 2024 and stood at 22.2%.

Although time deposits of households further increased by €294 million (or 3.5%) during the quarter to almost €8.8 billion, the share of time deposits grew marginally (0.6 p.p.) to 37.14% of deposits of households (excluding the Revolut Group as all of its deposits are demand deposits). Meanwhile, current deposits of households (excluding the Revolut Group) were as high as €14.85 billion.

Deposits of non-residents accounted for only a fraction (nearly 8%) of customer deposits at banks (excluding the Revolut Group), while the bulk of the non-resident deposit portfolio is made up of deposits placed by residents of other EU countries through deposit platforms.

Profits of banks and branches of foreign banks were slightly higher in the third quarter (€267.7 million) compared to the second quarter (€260.1 million) or the first quarter (€260.3 million). Therefore, **the profits of the Lithuanian banking sector remained at a**

**record high (€788.1 million) in the nine months of 2024, increasing by €30.7 million (or 4.1%) compared to the same period in 2023 (€757.5 million).** A total of 13 banks and foreign bank branches were profitable, and 5 market participants operated at a loss. All of the loss-making market participants incurred a total loss of nearly €7 million.

The solidarity contribution for 2024 is projected to be around €240 million, whereas the contribution of the previous year<sup>3</sup> stood at nearly €255 million (payments made after the entry into force of the Law). Lietuvos bankas estimates that the total amount of temporary solidarity levies paid for 2023–2025 could be around €580–590 million.

In the nine months of 2024, interest income of banks grew by €629 million (almost 37%) year on year to nearly €2.35 billion. Interest expenses increased by €363 million (almost 2.5 times) to €620 million. Thus, interest income grew 73% more than interest expenses.

In the nine months of 2024, all net interest income grew by €266 million (18%) to €1.73 billion year on year.

In the nine months of 2024, net income from fees and commissions increased by €300 million or 50.7% year on year and amounted to €892 million. However, excluding the significant impact of the Revolut Group, net fee and commission income grew by merely €17.5 million or 8%.

The banks' operating result was undermined by an increase in administrative and other operating expenses in the nine months of 2024, which, excluding the significant impact of the Revolut Group, grew by more than €126 million (23%) year on year in the nine months of 2024.

The impact of loan impairments on banks' profitability was weaker than a year earlier, with impairments of €52.1 million recorded in the period under review and €46.9 million in the nine months of 2023.

The return on bank assets and equity declined slightly as the assets and equity of banks increased: the return on assets fell by 0.15 percentage points (to 1.64%) year on year by 30 September 2024, while the return on equity went down by 3.97 percentage points (to 20.62%).

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<sup>3</sup> The solidarity levy paid from the date of entry into force of the Republic of Lithuania Law on Temporary Solidarity Contribution, i.e. 16 May 2023.

## ANNEX. KEY INDICATORS OF THE BANKING SECTOR<sup>4</sup>

Table 1. Main items of the balance sheet statement

Item No.	Indicator	30/09/2023, EUR millions	30/06/2024, EUR millions	30/09/2024, EUR millions	Quarterly change, %	Annual change, %
1.	Assets	57,030.7	64,320.7	66,765.4	3.8	17.1
1.1.	Debt securities	5,892.8	5,855.8	6,869.7	17.3	16.6
1.2.	Equity securities	65.0	85.7	86.6	1.1	33.2
1.3.	Financial derivatives	115.8	84.4	86.8	2.8	-25.0
1.4.	Cash	458.3	468.5	470.0	0.3	2.6
1.5.	Funds with central banks	15,383.5	19,260.2	18,453.3	-4.2	20.0
1.6.	Funds with credit institutions	7,517.2	8,191.4	9,344.1	14.1	24.3
1.7.	Loans to customers (incl. leasing)	26,619.5	29,260.4	30,300.5	3.6	13.8
1.7.1.	to general government institutions	336.6	1,166.7	1,206.3	3.4	258.4
1.7.2.	other financial corporations	478.5	583.3	585.2	0.3	22.3
1.7.3.	non-financial corporations	11,063.7	11,680.1	12,108.9	3.7	9.4
1.7.4.	households	14,740.7	15,830.3	16,400.1	3.6	11.3
1.7.4.1.	o/w loans for house purchase	11,526.5	12,062.1	12,371.0	2.6	7.3
1.8.	Other asset positions	978.6	1,114.2	1,154.5	3.6	18.0
2.	Liabilities and equity	57,030.7	64,320.7	66,765.4	3.8	17.1
2.1.	Deposits of central banks	488.9	503.3	4.2	-99.2	-99.1
2.2.	Liabilities to credit institutions	2,181.7	2,862.9	3,008.8	5.1	37.9
2.3.	Financial derivatives	70.0	56.5	68.9	21.9	-1.6
2.4.	Deposits	47,789.9	52,691.7	55,457.8	5.2	16.0
2.4.1.	of general government institutions	4,354.7	4,622.3	4,976.2	7.7	14.3
2.4.2.	of other financial corporations	1,465.5	1,985.5	1,711.6	-13.8	16.8
2.4.3.	of non-financial corporations	12,288.8	12,317.2	13,443.0	9.1	9.4
2.4.4.	of households	29,680.9	33,766.7	35,326.9	4.6	19.0
2.5.	Debt securities outstanding	238.1	314.0	619.4	97.3	160.1
2.6.	Other liability positions	2,350.9	3,685.8	2,907.1	-21.1	23.7
2.7.	Equity	3,911.2	4,206.4	4,699.3	11.7	20.1

<sup>4</sup> Should banks adjust their statements for important reasons, the data of the Review after this date may be updated.



Source: Lietuvos bankas.

Table 2. Main items of the profit (loss) account

Item No.	Indicator	30/09/2023, EUR millions	30/06/2024, EUR millions	30/09/2024, EUR millions	Quarterly change, %	Annual change, %
3.	Current year profit	757.7	520.5	788.1	–	4.0
3.1.	Net interest income	1,460.4	1,143.1	1,727.1	–	18.3
3.2.	Net income from fees and commissions	592.2	569.3	892.2	–	50.7
3.3.	Administrative expenses	567.7	484.1	727.1	–	28.1
3.4	Impairment of loans and non-financial assets	47.1	32.9	52.2	–	10.9

Source: Lietuvos bankas.

Table 3. Other performance indicators of banks

Item No.	Indicator	30/09/2023, %	30/06/2024, %	30/09/2024, %	Quarterly change, p.p.	Annual change, p.p.
4.	Capital adequacy ratio	20.02	19.95	21.32	1.37	1.30
5.	CET1 capital adequacy ratio	18.66	18.62	19.86	1.24	1.20
6.	Liquidity coverage ratio	434.45	390.21	370.25	-19.96	-64.2
7.	Net Stable Funding Requirements	192.72	196.53	198.69	2.16	5.97
8.	Leverage ratio	6.4	6.16	6.48	0.32	0.08
9.	Net interest margin	3.45	3.55	3.51	-0.04	0.06
10.	Return on assets	1.79	1.65	1.64	-0.01	-0.15
11.	Return on equity	24.59	21.39	20.62	-0.77	-3.97
12.	Cost-to-income ratio (EBA* methodology)	36.28	43.59	43.34	-0.25	7.06
13.	Non-performing debt instruments	0.58	0.60	0.56	-0.04	-0.02

Source: Lietuvos bankas.

\*EBA – European Banking Authority.