LIETUVOS BANKAS
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Banking Activity Review 2015 (unaudited data)

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The assets of banks operating in Lithuania reduced somewhat in 2015; this was due to circumstances related to the adoption of the euro. All banks complied with the established capital and liquidity coverage requirements. Not only minimum requirements, but individual additional capital requirements as well were set for banks. Capital buffer requirements laid down in European Union (EU) directives came into force. The recovery in the lending market was particularly prominent, whereas the amount of customer deposits with banks, despite low interest rates, increased further. The banking sector was profitable, however, income from the main business activity continued to decrease, while the year-on-year increase in profit was influenced by side factors. The Bank of Lithuania is currently preparing draft legislative acts related to both legal regulation of real estate crediting and amendments to the Law on Payments. These acts will establish additional standards for banks to be applied in respective activities. Over the year, the Bank of Lithuania examined 143 consumer applications to settle disputes with banks.

1. ASSESTS AND LIABILITIES

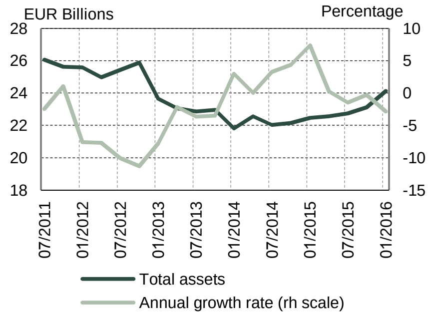
Asset items

Bank assets reduced slightly in 2015. Total bank assets as of 1 January 2016 amounted to EUR 23.4 billion, a decrease of EUR 693 million (–2.9%) over the year. As of 1 January 2016, 6 banks and 7 foreign bank branches were operating in Lithuania. The number of bank system participants decreased at the end of the year: the reorganisation of *AB bankas Finasta* was completed, after which *AB Šiaulių bankas* took over the bank's assets and liabilities. S*kandinaviska Enskilda Banken AB* Lithuania branch was removed from the list of credit institutions; currently, the branch does not intend to provide financial services. These changes related to the banking system participants did not have a significant impact on the indicators of the banking system.

In 2015, the share of loans in the composition of bank assets increased. Year on year, funds held in the central bank's accounts contracted by EUR 1,428 million (–33.8%) at the end of 2015. This change was due to the adoption of the euro: at the end of 2014, prior to the exchange of litas into euro, funds of deposits were directed by banks into their accounts with the Bank of Lithuania, while at the end of 2015, this factor ceased to be relevant. The amount of debt securities contracted by EUR 241 million (–11.6%) over the year. The yields on them are currently especially low, thus, in many cases, obligations are no longer considered to be an attractive investment facility. The year 2015 stood out due to the upturn in the loan market — the overall amount of customer loans increased by EUR 611 million (3.9%) over the year.[2] Due to both the decrease in the above-named types of assets and the growth of the loan portfolio, the share of loans, in comparison with total bank assets, increased from 65 to 70 per cent. At the end of 2015, the amount of funds

Chart 1. Assets of the banking sector

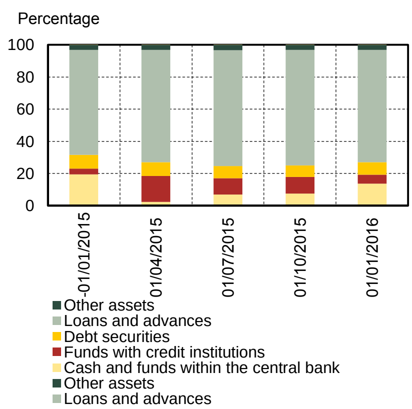
(1 July 2011–1 January 2016)



Source: Bank of Lithuania.

Chart 2. Asset composition

(1 January 2015–1 January 2016)

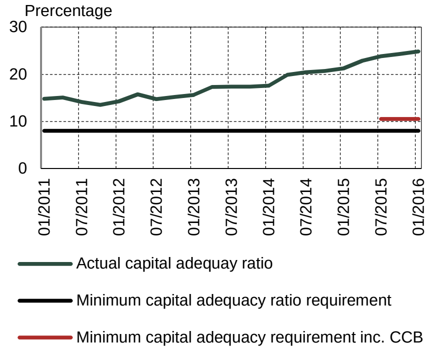


Source: Bank of Lithuania.

[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 to *„Swedbank", AB* (the Competition Council of the Republic of Lithuania has not yet issued a permission for this transaction), in financial statements, the respective share of customer loans of *Danske Bank A/S* Lithuania branch is assigned to fixed assets held for sale. In order to make the data comparable, further in the Review banking sector indicator developments will be analysed excluding this accounting effect, which also has an impact on the indicated sums of deposits and individual loan segments as well as on the loan quality indicator.

Chart 3. Capital adequacy ratios of the banking system

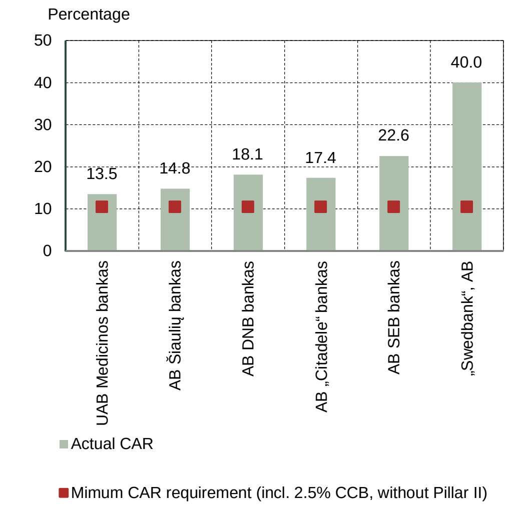
(1 January 2011–1 January 2016)



Source: Bank of Lithuania.

Chart 4. Capital adequacy ratios of banks

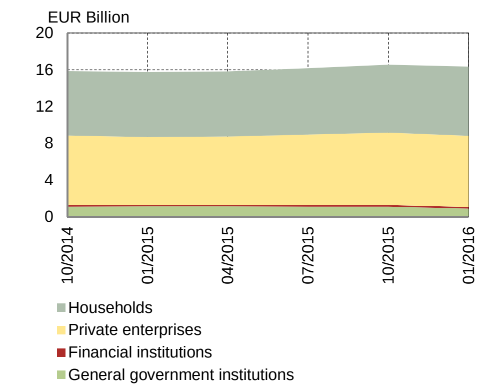
(as at 1 January 2016)



Source: Bank of Lithuania.

Chart 5. Bank loan and leasing portfolio

(1 October 2010–1 January 2016)



Source: Bank of Lithuania.

held by banks in credit institutions increased by EUR 432 million (49.4%).

Liability items

Bank liabilities (less equity) reduced by EUR 788 million (–3.6%) in 2015 — to EUR 20.8 billion. The decline in liabilities was mainly driven by one factor — the declining liabilities of banks operating in Lithuania to parent banks. Over the year, banks' liabilities to credit institutions reduced by EUR 1,980 million (–42.9%). At the same time, the amount of customer deposits continued to increase: at the end of the year, customers held EUR 783 million more deposits (4.8%).

2. COMPLIANCE WITH REQUIREMENTS

All banks operating in Lithuania complied with both the minimum capital adequacy requirement and the new capital conservation buffer requirement with a margin. The overall capital adequacy ratio of banks, as of 1 January 2016, was 24.8 per cent, a year-on-year increase of 21.3%. All banks operating in Lithuania complied with both the minimum capital adequacy requirement (8.0%) and the requirement including the 2.5 per cent capital conservation buffer (total of 10.5%). The capital of Lithuania's banking system consisted mainly (98%) of the highest quality common equity Tier 1 capital (CET1).

Banks operating in Lithuania complied with individual additional capital requirements as well. In observance of Capital Requirements Directive IV implemented in Lithuania, a Supervisory Review and Evaluation Process in relation to all banks operating in the country was conducted in 2015. During this process, banking activities, the financial standing of banks, and compliance with prudential requirements were assessed in detail; additional capital requirement, necessary for covering tier 2 risks (i.e. risks which are not covered by the minimum capital adequacy requirements), was also established. It will be in force until the next Supervisory Review and Evaluation Process. The Bank of Lithuania reported that *AB Šiaulių bankas* would have to meet the 9 per cent CET1 capital ratio and the 12.5 per cent total capital ratio, *UAB Medicinos bankas* — 8.9 and 12.4 per cent ratios respectively, *AB „Citadele" bankas* — the capital requirements of 11.0 and 14.5 per cent. Respective requirements were set for the three major banks in the country — *AB SEB bankas, „Swedbank", AB,* and *AB DNB bankas*; however, the European Central Bank, responsible for direct supervision of these banks, did not reveal them. All banks comply with the individual requirements set.

Despite the good state of the banking system's capital, for some banks, issues related to adequate capital reserve and the strengthening of capital remain relevant; consequently, the Bank of Lithuania devotes considerable attention to the degree of risks assumed by these banks, their monitoring and assessment.

In 2015, banks held sufficient reserves of liquid assets. In 2015, the liquidity level of banks remained high, while the liquid asset reserves — sufficient. All banks operating in the country complied with the liquidity coverage ratio requirement with a large margin.

It was mentioned in previous Banking Activity Reviews that, as of 2015, the local liquidity ratio (30%) was replaced with the liquidity coverage ratio (LCR). Banks must ensure values that are no less than 100 per cent of this ratio. Nonetheless, upon the decision by the European Commission to revise and amend the Delegated Regulation (in the absence of approved LCR statement forms and requirements for completion of the forms), the LCR itself has not been announced yet. This is expected to be done in 2016.

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, calculates, monitors and assesses LCR indicators, using data submitted by banks.

3. LOAN AND LEASING PORTFOLIO

Loan and leasing portfolio developments

Bank lending intensified in 2015. The year 2015 was successful for the credit market: the bank customer loan portfolio on a net basis (after specific provisions) increased by EUR 611 million (3.9%)[3] — to EUR 16.3 billion. Lending especially intensified in Q2 and Q3 2015 — during this period alone, bank customer loans grew by EUR 735 million. Both enterprises and households borrowed actively: the portfolio of loans extended to enterprises expanded by EUR 336 million (4.5%) over the year, to households — EUR 485 million (6.9%). The amount of loans for house purchase also increased over the year — by EUR 297 million (5.2%).

Lending developments in Lithuania have been subdued since 2008, i.e. since the beginning of the downturn. However, in the context of low interest rates, stable residents' expectations and reduced uncertainty surrounding currency exchange, residents and enterprises decided to enjoy the benefits of low interest rates and began to borrow less cautiously. However, in Q4 2015, the overall amount of loans reduced by EUR 211 million (–1.3%). Usually borrowing is less active at the end of the year. Nonetheless, this time the more sluggish change in the balance of loans at the end of the year was influenced not only by seasonal factors but also by the repayment of a significant loan to one bank. In spite of it, the change in the banking system's loan portfolio would be positive in Q4 as well.

Loan and leasing portfolio quality

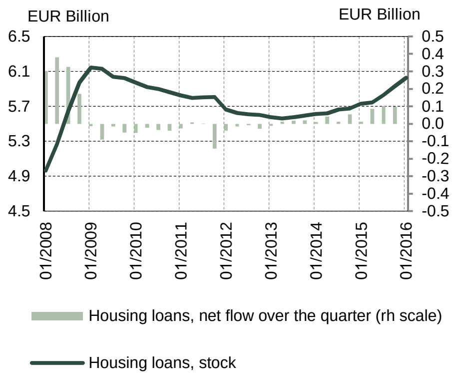
The loan and leasing portfolio continued to improve in quality. The ratio of the banking system's non-performing debt instruments was 5.5 per cent at the end of 2015, compared to the total portfolio.[4] Over the year, it improved by 0.98 p.p.; this continued to be mostly influenced by the writing off of bad loans. Individual indicators of the portfolio of non-performing loans of non-financial corporations and households (excl. funds with banks and debt securities) amounted to 8.4 and 7.4 per cent, and, compared to 2014, also improved — by 1.9 and 1.6 p.p. respectively. Other loan quality indicators also showed trends of improvement: for example, during 2015 banks incurred 16.2 per cent smaller loan impairment losses.

4. DEPOSITS WITH BANKS

Trends in the developments of deposits held with banks continue to point to growth. As of 1 January 2016, customers held with banks EUR 17.1 billion of deposits, a hike of EUR 783 million (4.8%) year on year.[5] As was expected, at the beginning of 2015, when the euro was adopted, part of deposits was withdrawn from the banking system. Despite this, there were no other major changes related to deposits in the Lithuanian banking system. Except for the beginning of 2015, the amount of customer deposits grew, even though interest rates were low. In Q4 2015 alone, the amount of customer deposits increased by EUR 861 million (5.3%). Low

Chart 6. Housing loans

(1 January 2008–1 January 2016)

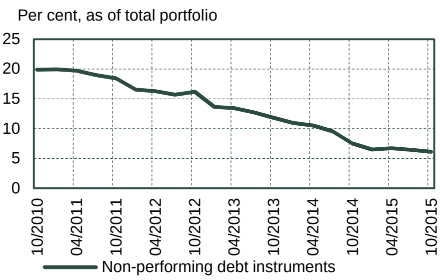


Note: As of 1 October 2014, housing loans also include loans granted to households designated for investment in one's house for one's own needs or rent, including construction and repair; therefore, the data is not fully comparable to the line of previous data.

Source: Bank of Lithuania.

Chart 7. Loan quality

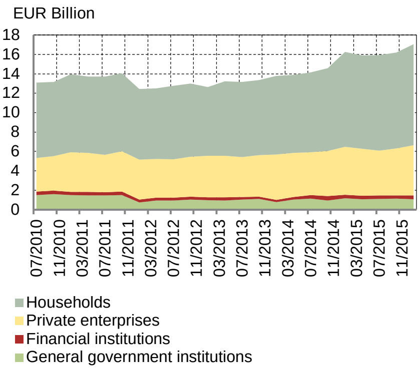
(1 October 2010–1 January 2016)



Source: Bank of Lithuania.

Chart 8. Amount of deposits

(1 July 2010–1 January 2016)

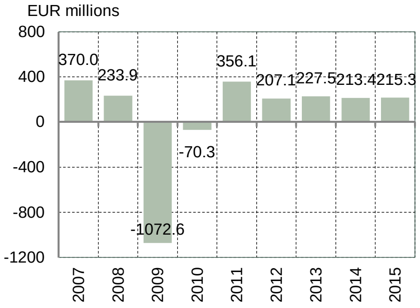


Source: Bank of Lithuania.

[3] Loan amounts (gross, household and housing) were adjusted by eliminating the impact of the accounting factors of the above-named transaction between *„Swedbank", AB* and the branch of *Danske Bank A/S*.
[4] Loan quality indicators were adjusted by eliminating the impact of the accounting factors of the above-named transaction between *„Swedbank", AB* and the branch of *Danske Bank A/S*.
[5] Deposit numbers (overall and household deposits) were adjusted by eliminating the impact of the accounting factors of the above-named transaction between *„Swedbank", AB* and the branch of *Danske Bank A/S*.

Chart 9. Profit of the banking sector

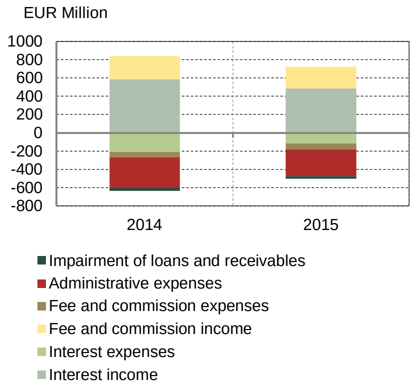
(1 January 2007–1 January 2016)



Source: Bank of Lithuania.

Chart 10. Main items of income and expenses

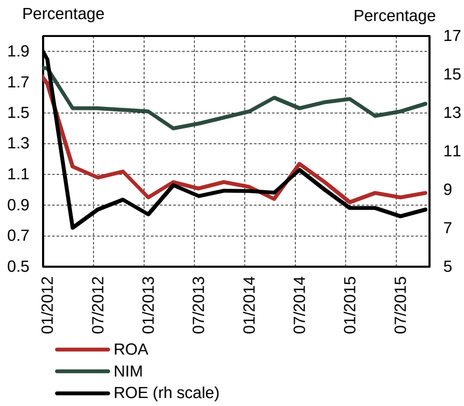
(1 January 2015 and 1 January 2016)



Source: Bank of Lithuania.

Chart 11. Bank profitability ratios and net interest margin

(1 January 2012–1 January 2016)



Source: Bank of Lithuania.

deposit rates are still not considered an obstacle in choosing to hold deposits with banks not only as a way of holding current funds but as a saving means as well. However, given customers' preference for liquidity, the major share of customer deposits (75%) is held in current accounts.

5. PROFITABILITY AND EFFICIENCY OF OPERATIONS

In 2015, the Lithuanian banking system was profitable; however, income from main asset items continued to decrease. In 2015, profit of banks and foreign bank branches was EUR 215.3 million, a year-on-year increase of EUR 1.9 million (0.9%). The operations of 11 banks and foreign bank branches were profitable, 2 market participants operated at a loss. Profits of 8 market participants boosted, those of 5 market participants — decreased. The main items of the profit and loss account continued to follow an unfavourable path. Due to the persisting environment of particularly low interest rates, banks' net interest income reduced. With the adoption of the euro and the banks' loss of income from currency exchange and transfers, net income from fees and commissions saw a year-on-year decrease. Banks' net operating income saw a EUR 66 million (–10.0%) decrease year on year, while one-off factors in individual banks (in particular, reduced IT costs and several other non-characteristic factors) had a positive impact on the overall profit change.

Due to the drop in interest rates, banks spend more than they save. Banks' interest income decreased by EUR 100.8 million (–17.3%) in 2015 and amounted to EUR 483.7 million, while expenses decreased by EUR 90.9 million (–43.9%) and amounted to EUR 116.4 million. The environment of low interest rates remains unfavourable for banks, since lower expenses payable for liabilities do not offset the decreased income, generated from their asset holdings: net interest income contracted by EUR 9.9 million (–2.6%) and amounted to EUR 367.3 million.

The adoption of the euro in 2015 resulted in banks losing a share of other income. In 2015, income from fees and commissions decreased by EUR 17.2 million (–6.7%) and amounted to EUR 237.2 million, while expenses, conversely, increased by EUR 2.6 million (4.3%) and amounted to EUR 63.4 million. In total, net income from fees and commissions fell by 19.8 million (–10.2%) and amounted to EUR 173.8 million. Similarly to interest income, income from fees and commissions also decreased during 2015. The adoption of the euro had a negative impact on the latter; due to the adoption, banking system participants lost their income from currency exchange and transfers in euro.

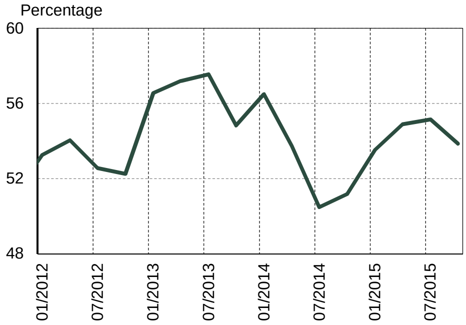
Decreasing administrative costs positively affected the profitability of the banking system. In 2015, banks managed to reduce administrative costs: staff costs decreased; however, costs related to IT projects decreased even more. Year on year, administrative costs dropped by EUR 40.9 million, of which staff costs reduced by EUR 7.1 million, while the rest of the change was attributed to the reduction of costs related to IT projects. However, the latter factor had a significant impact on only a few system participants. If not for this impact, banks' total administrative costs would have fallen much less in 2015.

Somewhat greater profits of banks led to slightly improved profitability indicators. Banks' return on assets increased by 0.02 p.p. (to 0.94%); return on equity — by 0.91 p.p. (to 8.96%). The ratio of interest income to interest-earning assets reduced by 0.43 p.p., while the respective interest expenditure ratio — by 0.44 per cent. Hence, the net interest margin increased, although not much — by 0.01 p.p. (to 1.6%). The cost-to-income ratio improved as well: as on 1 January 2016 its value reduced by 0.86 p.p. — to 52.68 per cent.

Bank expenses changed due to changes in the regulatory environment. After the transposition of the provisions of the Bank Recovery and Resolution Directive into Lithuanian legislation, banks will have to pay contributions to the resolution fund, administrated by the Deposit Insurance Fund, annually. These contributions are intended for providing financial aid to banks in crisis, should it be necessary. In this way, the principle stating that banks would receive aid in own funds is implemented. In December 2015, six banks transferred EUR 10.1 million to the resolution fund administered by the Deposit Insurance Fund. However, the new EU Directive on deposit guarantee schemes also changed the procedure for the calculation of insurance premiums paid by banks on insured customer deposits held. Following the new procedure, in 2015, banks accrued EUR 8.5 million less insurance premiums year on year.

Chart 12. Bank cost-to-income ratio

(1 January 2012–1 January 2016)



Source: Bank of Lithuania.

6. REGULATORY ENVIRONMENT

Law-making and draft legislative acts

In observance of Capital Requirements Directive IV, additional capital buffers were first applied to banks in 2015. The capital conservation buffer, the value of which is 2.5 per cent, came into force on 30 June 2015. The counter-cyclical capital buffer, which applies to all banks as a capital conservation buffer, is calculated on a quarterly basis. Currently its value is 0 per cent. Capital buffers for systemically important institutions were set as well. In Lithuania, the following four banks have been recognised as systemically important: *AB SEB bankas* (reserve — 2%), *AB DNB bankas* (2%), *„Swedbank“, AB* (2%), and *AB Šiaulių bankas* (0.5%). These banks will have to accumulate a buffer for systemically important institutions over a one-year transitional period, i.e. they will have to meet the requirement as of 31 December 2016.

Legal regulation of property market crediting. The Bank of Lithuania drafted the Republic of Lithuania Law on Credit Relating to Real Property, which is currently coordinated with the Republic of Lithuania Ministry of Finance. This draft law aims to implement Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property (Mortgage Credit Directive, MCD) as well as national proposals on the improvement of legal regulation in the field of granting residential loans. The draft law stipulates that the MCD provisions will be transposed to Lithuanian law, extending the scope of the Directive in relation to all credit agreements secured not only by pledged residential property but other types of real estate as well, and that the procedure for the provision of pre-contractual information to the borrower, established in the MCD, will be implemented; it is also proposed to set requirements for credit agreements, require to clearly disclose the composition of interest rates and conditions for changing interest rates, prohibit the selling of the mandatory financial product package with the credit agreement, limit the size of the fees for the early credit repayment, etc.

Draft amendments to the Law on Payments will be soon submitted to the Seimas of the Republic of Lithuania. They implement Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (Payment Accounts Directive, PAD). PAD aims at ensuring a simple comparison of fees of different payment service providers, an uncomplicated switching of payment accounts from one service provider to another and improving access to payment accounts with basic features for consumers. In implementing the Directive, the Bank of Lithuania took into

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account the objectives of the Directive, however, it did not limit itself and, with the draft law, aimed to create a further incentive for consumers to use electronic payment instruments instead of cash; thus the draft law has been supplemented with provisions that would provide preconditions for reducing the price of the basket of operations usual for consumers down to that not higher than the region's average.

Amendments to the Law on Consumer Credits. Amendments to the Law on Consumer Credits came into force on 1 February 2016. This Law aims at ensuring better protection of recipients of consumer loans against excessive borrowing. Amendments to the Law are orientated towards smaller consumer credit lenders; however, its provisions apply to banks as well. The Law on Consumer Credits provides amendments which will tighten requirements for advertising, set fundamental requirements for creditworthiness, limit the credit extension period, establish the cooling-off period, during which one might withdraw from the credit agreement, reduce the current annual percentage rate of charge for consumer credit, establish the right for each natural person to submit a request to prevent him from concluding consumer credit agreements for a certain period of time, establish the requirements of repute for the heads of consumer credit lenders, increase the size of fines for consumer credit lenders and their intermediaries that are not in line with the requirements of the Law on Consumer Credits, and establish provisions regulating peer-to-peer lending.

Protection of consumer rights

In 2015, 143 applications regarding disputes with banks were examined, which amounts to 30 per cent of all applications to the Bank of Lithuania regarding the settlement of disputes. The number of consumer applications regarding the legality of banking activities increased with each quarter of 2015: in Q1, the Bank of Lithuania received 24 applications, in Q2 — 34, in Q3 — 42, in Q4 — 43. In settling the disputes, the Bank of Lithuania aims at ensuring that the parties to the dispute would find a peaceful solution and reach an agreement. Out of the applications received, 9 disputes were settled in a peaceful manner, in accordance with the principles of intermediation. Failing to do so, in 2015, the Bank of Lithuania made 35 decisions related to this field (in 6 cases, consumer demands were satisfied, in 29 cases their demands were rejected).

In 2015, two recommendatory decisions regarding the disputes with *Nordea Bank AB* were not carried out. Disputes between consumers and *Nordea Bank AB* sparked due to the fact that the bank refused to apply negative interest rates on Swiss franc-denominated loans when the base interest rate became not only negative but was also above the bank's margin. In such cases, the bank equated negative interest rates to zero, even though this was not established in the agreements with consumers. Consumers, in their turn, demanded that the bank would apply the total amount of negative interest rates and would decrease the tranche of the loan to be repaid. Having analysed the contested agreements between the consumers and *Nordea Bank* AB, 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 disputes settled in 2015 were related to the application of fees in line with agreements on the provision of financial services (regarding the validity of the levying of the early credit repayment fee in accordance with credit agreements). It should be noted that disputes regarding payment transactions via payment cards, when third parties appropriate funds using only the consumer payment card data, reoccur. Regarding the settlement of disputes in 2015, it is important to note that if the payment service user is in line with the procedure for the usage and safekeeping of

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a payment instrument established in the payment service agreement, the user will suffer no losses due to the illegal actions of third parties; however, if the consumer does not protect the personalised credential of the payment instrument, the user may suffer losses or have negative implications arising from this action. Another common area in which disputes with banks arise is related to proper disclosure of terms and conditions of agreements on financial services. Legal acts set the obligation for the party to the agreement that prepared it to provide proper access to standard contractual terms for the counterparty. The moment this obligation is fulfilled, the contractual terms become binding on the other party, while the consumer, having acquainted with the standard contractual terms and confirmed it by signature, must follow these terms.

Each year the Bank of Lithuania prepares and publicly posts on its website the review of the settled disputes[6], in which summary information on disputes that arise most often, their nature and decisions made is presented.

[6] See http://www.lb.lt/nagrinetu_gincu_praktikos_apzvalga_1.

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Annex: Key indicators of the banking sector

Table 1. Main items of balance sheet statement

Seq. No	Indicator	01/01/2015	01/10/2015	01/01/2016	Change in Q4	Change over 2015
		Amount, EUR millions			%	
1	**Assets**	**24,129.5**	**23,043.7**	**23,436.8**	**1.7**	**–2.9**
1.1	Debt securities	2,077.1	1,654.8	1,836.1	11.0	–11.6
1.2	Equity securities	46.2	45.4	73.1	61.0	58.2
1.3	Financial derivatives	272.7	134.1	139.0	3.7	–49.0
1.4	Cash	440.4	356.9	406.7	14.0	–7.7
1.5	Funds with central banks	4,228.1	1,380.9	2,800.6	102.8	–33.8
1.6	Funds with credit institutions	874.3	2,373.9	1,306.2	–45.0	49.4
1.7	Loans to customers (incl. leasing)*	15,735.2	16,076.8	15,879.2	–1.2	0.9
1.7.1	to general government institutions (incl. leasing)	1,144.7	1,128.2	904.1	–19.9	–21.0
1.7.2	to other financial corporations (incl. leasing)	132.2	168.3	163.6	–2.8	23.8
1.7.3	to non-financial corporations (incl. leasing)	7,404.0	7,863.1	7,739.6	–1.6	4.5
1.7.4	to households (incl. leasing)*	7,054.4	6,917.2	7,071.9	2.2	0.2
1.7.4.1	o/w loans for house purchase*	5,731.4	5,456.6	5,569.1	2.1	–2.8
1.8	Other asset positions	455.4	1,021.0	995.8	–2.5	118.7
2	**Liabilities and equity**	**24,129.5**	**23,043.7**	**23,436.8**	**1.7**	**–2.9**
2.1	Deposits of central banks	1.8	360.8	345.9	–4.1	19,116.7
2.2	Liabilities to credit institutions	4,621.7	3,135.2	2,641.3	–15.8	–42.9
2.3	Financial derivatives	261.8	123.1	125.3	1.8	–52.1
2.4	Deposits**	16,271.7	16,027.4	16,892.0	5.4	3.8
2.4.1	of general government institutions	1,157.3	1,146.2	1,078.2	–5.9	–6.8
2.4.2	of other financial corporations	356.1	329.4	372.0	12.9	4.5
2.4.3	of non-financial corporations	4,962.3	4,840.9	5,179.4	7.0	4.4
2.4.4	of households**	9,796.1	9,710.9	10,262.4	5.7	4.8
2.5	Debt securities issued	56.1	37.2	42.6	14.5	–24.1
2.6	Other liabilities	420.2	835.2	798.1	–4.4	89.9
2.7	Equity	2,496.2	2,524.8	2,591.6	2.6	3.8

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".*

***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".*

Table 2. Main items of profit (loss) account

Seq. No	Indicator	01/01/2015	01/10/2015	01/01/2016	Change in Q4	Change over 2015
		Amount, EUR millions			%	
3	**Profit for current year**	**213.4**	**168.6**	**215.3**	–	**0.9**
3.1	Net interest income	377.2	268.6	367.3	–	–2.6
3.2	Net income from fees and commissions	193.6	128.9	173.8	–	–10.2
3.3	Administrative expenses	334.6	231.8	293.8	–	–12.2
3.4	Impairment costs of loans and receivables	47.2	20.4	40.0	–	–15.3

Source: Bank of Lithuania.

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Table 3. Other performance indicators of banks

Seq. No	Indicator	01/01/2015	01/10/2015	01/01/2016	Change in Q4	Change over 2015
		%			p.p.	
4	Capital adequacy ratio	21.3	24.3	24.8	0.5	3.5
5	CET1 capital adequacy ratio	20.9	23.9	24.3	0.4	3.4
6	Leverage ratio	10.2	10.9	10.8	–0.1	0.6
7	Net interest margin	1.59	1.56	1.60	0.0	0.0
8	Return on assets	0.92	0.98	0.94	0.0	0.0
9	Return on equity	8.05	7.97	8.96	1.0	0.9
10	Cost-to-income ratio	53.5	53.8	52.7	–1.1	0.8
11	Non-performing debt instruments*	6.5	5.7	5.2	–0.5	–1.3
12	Non-performing debt instrument (excl. funds with banks and debt securities)*	8.9	7.5	7.0	–0.5	–1.9

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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