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Banking Activity Review
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In the first quarter of 2016, Lithuania's banking system did not undergo any major asset changes, continuing to operate profitably. The slight changes in the structure of the bank assets were a result of further growth in lending and liquidity management decisions. For the first time after all of 2015, in the first quarter of this year, despite the low interest rate environment, the net interest income increased —the bank loan portfolio had grown last year, allowing more free funds to be used to earn additional income. The system capital adequacy ratio dropped mainly due to *„Swedbank", AB*'s decision to reduce capital. All banks fulfilled the capital adequacy ratio requirements; however, the Bank of Lithuania notes that the strengthening of capital for banks that do not have foreign parent institutions, if such a need would arise, could be more complicated due to financial market's limitations. Early this year, banks continued to increase the loan portfolio; the Bank of Lithuania does not see signs of overheating — the growth is considered sustainable. The amount of deposits that had increased at the end of 2015 decreased in Q1 2016; however, excluding the end of last year, the amount was the largest over the period under review. Currently, draft legislative acts, related to the regulation of real estate crediting and bank service pricing standards, are being reviewed. In Q1, the Bank of Lithuania examined bank customer disputes in such fields as the application of negative interest and payment transactions via payment cards. Sanctions were imposed on three banks for violated cross-border payment requirements.

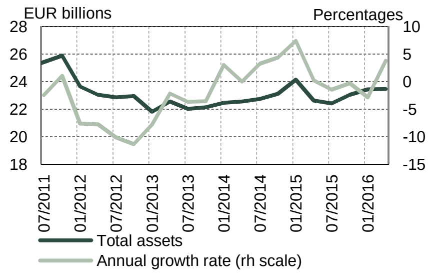
1. ASSETS AND LIABILITIES

Assets

In Q1 2016, changes in bank asset structure were a result of low interest rates and increased crediting. As of 1 April 2016, 6 banks and 7 foreign bank branches were operating in Lithuania. The total bank assets amounted to EUR 23.5 billion on 1 April 2016, and over the quarter increased by EUR 39 million (0.2%). In Q1 2016 the customer loan portfolio increased by EUR 609 million (3.7%)[2]. The reallocation of other assets from deposits at the central bank and of debt securities to parent bank accounts was a result of decisions on liquidity management and still-negative interest rates. The amount of funds held with parent banks increased by EUR 1,067 million (81.7%); however, funds held in the Bank of Lithuania's accounts reduced by EUR 1,228 million (–43.9%) and the total of debt securities decreased by EUR 286 million (–15.6%). In Q1 2016 the asset structure was similar to that at the end of 2015, but, as a result of the aforementioned changes, over the first quarter a slightly larger share went to loans (from 70 to 72%) and funds in parent banks (from 6 to 10%). In the overall structure, the shares of cash and funds in the central bank and debt securities decreased (from 14 to 8% and from 8 to 7% respectively).

Chart 1. Assets of the banking sector

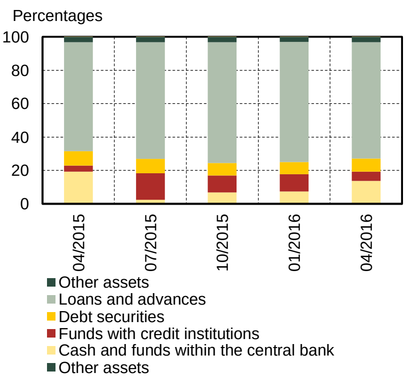
(1 July 2011–1 April 2016)



Source: Bank of Lithuania.

Chart 2. Asset composition

(1 January 2015–1 April 2016)



Source: Bank of Lithuania.

Liabilities

The bank liabilities structure changed due to a decrease in customer deposit amounts and an increase in liabilities to parent banks. Bank liabilities in Q1 2016 grew by EUR 573 million (2.7 %) — to EUR 21.4 billion. Of the liability items, two elements changed the most — a EUR 392 million decrease in the amount of customer deposits, but this was out-

[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*, 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 the banking sector indicator developments will be analysed excluding this accounting effect, which also has an impact on the indicated totals of deposits and some loan segments as well as on the loan quality indicator.

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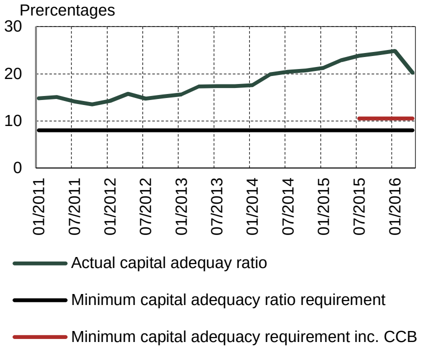
Chart 3. Capital adequacy ratios of the banking system

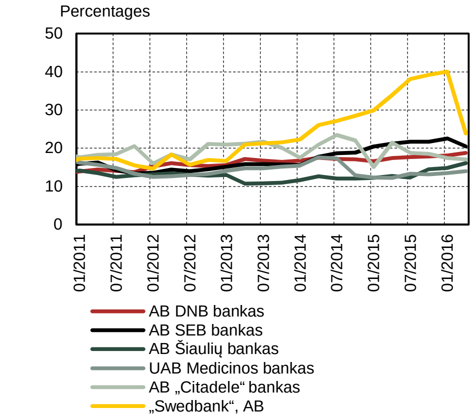
(1 January 2011–1 April 2016)



Source: Bank of Lithuania.

Chart 4. Capital adequacy ratios of banks

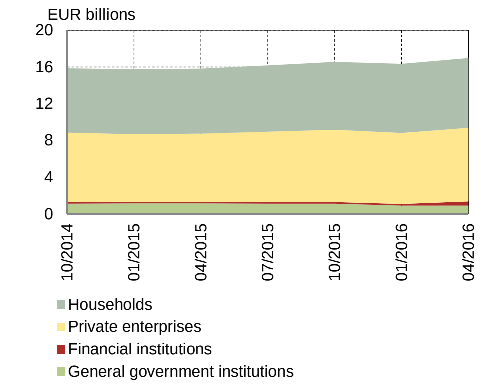
(1 January 2011–1 April 2016)



Source: Bank of Lithuania.

Chart 5. Bank loan and leasing portfolio

(1 October 2010–1 April 2016)



Source: Bank of Lithuania.

weighed by the EUR 869 million (33.2%) growth in parent bank deposits in banks. A characteristic of the latter is quarterly fluctuations in either one direction or another, depending on the banks' liquidity and internal asset management short-term decisions. In monitoring a longer period of time, we can still believe that the liabilities of banks operating in Lithuania to parent banks have a characteristic downward trend.

„Swedbank“, AB acquired a share of _Danske Bank A/S_ Lithuania branch's retail customer business. The implementation of the transaction between *Danske Bank A/S* Lithuania branch and *„Swedbank“, AB* was completed on 3–6 June 2016. Authorisation for this was given by the Competition Council of the Republic of Lithuania on 22 March 2016. The agreement between the two banks was signed in September 2015. With this this transaction, *„Swedbank“, AB* acquired a share of the retail customer business. It should be noted that last year *Danske Bank A/S* announced that it planned to focus efforts in the fields of business customers and private banking. According to the Bank of Lithuania's calculations, after this transaction the *„Swedbank“, AB* market share by assets should increase by approximately 2 p.p. At this time, the assets of *„Swedbank“, AB* will amount to 26 per cent of all of the banking system's assets and is second in size to *AB SEB bank* — its share is 29 per cent.

2. COMPLIANCE WITH REQUIREMENTS

All banks operating in Lithuania complied with both the minimum capital adequacy requirement and the capital conservation buffer requirement. The overall capital adequacy ratio of banks, as of 1 April 2016, was 20.2 per cent, 4.5 p.p. less than in the end of 2015. This decrease in the capital adequacy ratio was primarily a result of *„Swedbank“, AB* making the decision to decrease its capital by paying out dividends to the parent bank. As a result, the previously very high capital adequacy ratio decreased over the quarter from 40.0 to 23.9 per cent. Despite this change, the capital adequacy ratio of *„Swebank“, AB* remains the highest in the banking system. 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%). The capital of Lithuania's banking system consists mainly (98 %) of the highest quality common equity tier 1 capital (CET1).

It should be noted that while the banking system's capital is in a good state, for some banks, strengthening their capital is relevant. Banks with capital of domestic origin are characterised by lower capital adequacy rates, while banks with parent banks in the Nordic countries hold greater capital stock above the minimum requirement. Thus, with an unfavourable turn, it would be more difficult for the former banks to raise additional capital in the financial market. Therefore the Bank of Lithuania, devotes significant attention to the assessment of risks assumed by banks; moreover, it is engaged in a dialogue with banks in order to ensure adequate capitalisation of the banking system.

In Q1 2016, the liquidity level of banks remained high, while the liquid asset reserves — sufficient. In Q1 2016 banks optimised their activities and decreased the excess liquidity that had been accumulated at the end of the year. Part of the funds held at negative interest in the central bank were transferred by the banks to parent banks. With further low debt security yields, the government security portfolio held by banks decreased slightly. 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. 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 preliminary estimates by the Bank of Lithuania, ratios set at all banks are complied with a large enough reserve.

3. LOAN AND LEASING PORTFOLIO

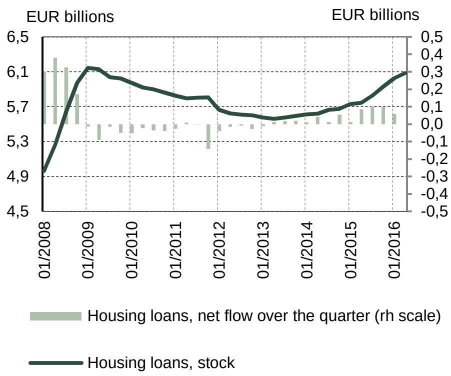
The bank lending remained active; however, changes in the crediting of households were less pronounced. The customer loan portfolio increased by EUR 609 million[3] (3.7 %) over the first three months of 2016 — to EUR 17.0 billion. It should be noted that more than half of the increase was a result of the growth in loans to financial institutions — over the period under review it grew by EUR 312 million (by almost 3 times). The latter is explained by the fact that one of the foreign bank branches concluded a refinancing contract with the head office. The banks increased the portfolio of loans issued to private enterprises by EUR 250 million (3.2%). Major telecommunications sector company projects were credited the most. The portfolio of loans issued to households over the first three months of 2016 increased by EUR 55 million (0.7%); this, compared to the changes in 2015, is a relatively moderate pace — in the previous year the average change over the quarter was more than twice as large. As in previous periods, residents borrowed most for house purchase. Here, lending was also less intensive than in the previous quarters of 2015 — loans for house purchase increased by EUR 58 million (1.0%) over Q1 2016. It is still too early to decide whether the slowdown recorded in Q1 is a new trend or if it is the result of one-off factors. It should be noted that the annual changes in the loan portfolio are still significant — household loans grew 7.3 per cent at an annual rate, of which housing loans — by 6.0 per cent. The bank loan portfolio, from the period of the economic downturn, changed cautiously, and a greater breakthrough was only noted in mid-2015. In terms of loan growth, the second half of 2015 was very favourable for both enterprises and households. The Bank of Lithuania currently does not see any greater risks that could back the claim that the monitored household and enterprise loan expansion is unsustainable. In the segment of the crediting of enterprises, banks pay more attention to small- and medium-sized enterprises (SMEs). Previously, banks were less keen on taking risks that came with crediting smaller enterprises, while the enterprises themselves felt the outcome of the economic downturn. Currently, with the rather strong competitiveness regarding crediting of blue-chip customers, banks started dedicating more attention to SMEs.

Loan and leasing portfolio quality

The quality of loans continued to improve, although not as rapidly as in previous periods. The share of the banking system's non-performing debt instruments on 1 April 2016 amounted to 5.3 per cent[4] and over the quarter decreased by 0.2 p.p. Considering the current state of the country's economic cycle, the number of new debtors encountering issues is quite low. Also, the financial situation of part of the debtors that had encountered issues with repaying loans is improving and, in addition, having completed recovery actions, banks continue to write-off bad debt. Separately, the shares of non-financial corporation and household non-performing loans decreased by 0.4 p.p. — to 8 and 7 per cent respectively.

Chart 6. Housing loans

(1 January 2008–1 April 2016)

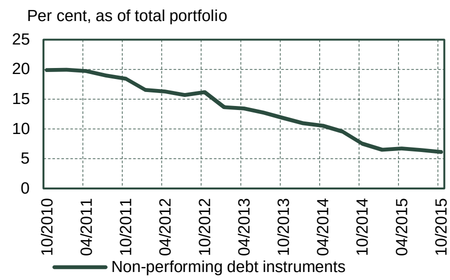


Note: As of 1 October 2014, housing loans also include loans granted to households designated for investment in one's house for one's own needs or rent, including construction and repair; therefore, the data is not fully comparable to the line of previous data.

Source: Bank of Lithuania.

Chart 7. Loan quality

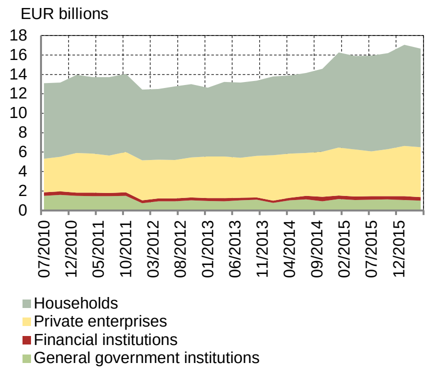
(1 October 2010–1 April 2016)



Source: Bank of Lithuania.

Chart 8. Amount of deposits

(1 July 2010–1 April 2016)



Source: Bank of Lithuania.

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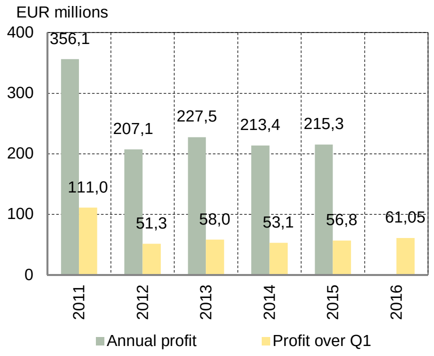
[3] Loan amounts (gross, household and housing) were adjusted by eliminating the impact of the accounting factors of the transaction between *„Swedbank", AB* and the branch of *Danske Bank A/S*.
[4] Loan quality indicators were adjusted by eliminating the impact of the accounting factors of the transaction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

Chart 9. Profit of the banking sector

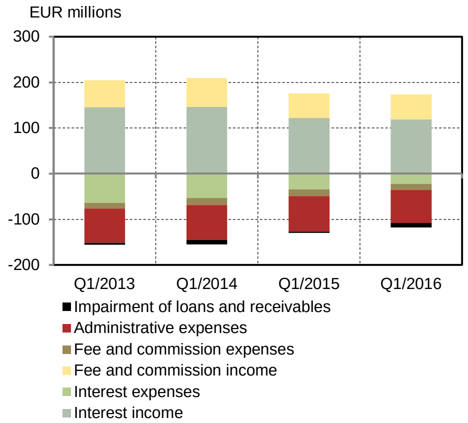
(1 January 2007–1 April 2016)



Source: Bank of Lithuania.

Chart 10. Main items of income and expenses

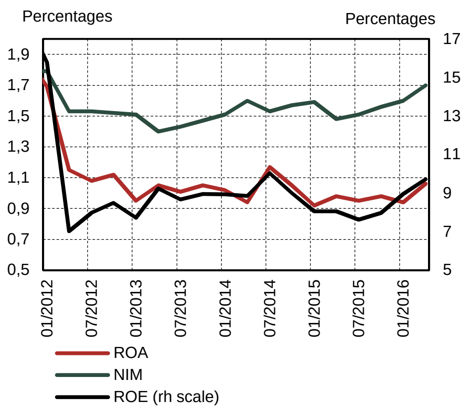
(1 January 2015 and 1 April 2016)



Source: Bank of Lithuania.

Chart 11. Bank profitability ratios and net interest margin

(1 January 2012–1 April 2016)



Source: Bank of Lithuania.

4. DEPOSITS WITH BANKS

The amount of deposits held with banks decreased at the beginning of the year. As of 1 April 2016, the customer deposits with banks amounted to EUR 16.7 billion, a year-on-year decrease of EUR 392 million (–2.3 %).[5] At the end of 2015, a hike of EUR 861 million in deposits was recorded in the banking system: more than half of this amount — in the household sector. It seems that part of the free money, which could reflect the fact that some employers paid their employees before the end of the year and also employee bonuses paid at the end of the year, in early 2016 was devoted to consumption or withdrawn from banks for other reasons. The total of household deposits in Q1 2016 decreased by EUR 283 million (–2.7%); in essence, this resulted in the general decrease in the amount of customer deposits. The amount of enterprise deposits slightly reduced over the three months — by EUR 15 million (–0.3%), of the government sector's institutions — by EUR 90 million (–8.3%).

With low return on deposits, residents could be interested in the capital market's financial products. Having excluded Q4 2015, the amount of customer deposits in banks was the greatest over the entire period under review. As before, low deposit interest rates resulted in customers giving priority to easily-withdrawable funds — 77 per cent of deposits are held in current accounts. On the other hand, when interest rates are low, it is natural for residents to look for investment products providing higher return; these are offered by the capital market. In such case, each one should note that the capital market's products differ in their risks. Nevertheless, the range of currently offered investment services and products is broad (from investment and 3rd pillar pension funds to shares of individual companies); however, most likely the majority of residents are not well-acquainted with these services and products and are cautious (or cannot) assume risks. Meanwhile, deposits are a quite simple product with clear return and are well known.

5. PROFITABILITY AND EFFICIENCY OF OPERATIONS

The profit of Lithuania's banking system increased in Q1 2016. Profits of banks and foreign bank branches stood at EUR 61.0 million in the first quarter of 2016, an increase of EUR 4.3 million (7.5%) year on year. Eleven banks and foreign bank branches operated at a profit and only two market participants incurred a loss. Profits of nine market participants boosted, those of four market participants — decreased. Unlike in 2015, in Q1 2016 the main items of the profit and loss account of Lithuania's banking system indicated an improvement: bank interest income decreased more slowly that interest expenditure, while the change in income from fees and commissions was not negatively affected by the impact of the euro adoption. In addition, banks continued to increase the efficiency of their activities and to decrease administrative costs — both of personnel and other fields.

Net interest income of banks finally grew. Year on year, banks' interest income contracted by EUR 2.8 million (–2.3 %) in Q1 2016 and stood at EUR 119.5 million, whereas their expenses dropped significantly, by EUR 12.0 million (–34.9 %), and amounted to EUR 22.3 million. It seems like, differently than in the previous year, the ultra-low interest rate environment in the first months of 2016 was more favourable. Thus, a positive change in the net interest income was recorded in the banking sector: by EUR 9.1 million — to EUR 97.2 million (10.4%). Banks avoided a greater decrease

[5] Deposit numbers (overall and household deposits) were adjusted by eliminating the impact of the accounting factors of the transaction between *„Swedbank", AB* and the branch of *Danske Bank A/S*.

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in interest income by the growing new interest portfolio. It should be noted that having encountered a negative interest rate environment, in issuing new loans banks now favour defining an interest rate "floor" in agreements. Given the low price of funding, in 2015, there were more possibilities to employ free funds, the influence on bank net interest income was also monitored.

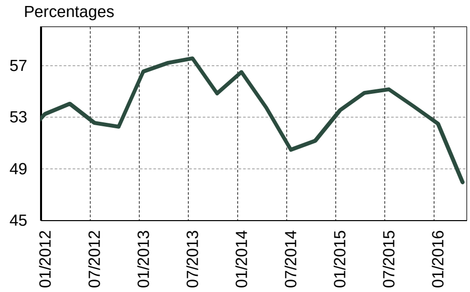
The euro adoption effect on the income growth rate no longer remained in Q1 2016. In Q1 2016, the services and commission income, increased by EUR 0.3 million (0.5%) year on year and stood at EUR 54.3 million, whereas expenses dropped by EUR 1.5 million (9.7 %) and amounted to EUR 13.6 million. In total, net income from fees and commissions increased by 1.7 million (4.4%) and amounted to EUR 40.7 million. Q1 2016 was the first quarter after all of 2015 when an increase was recorded both in gross and in net income from fees and commissions. Having adopted the euro, banks lost part of their income from payments and currency exchange, while in 2016 there no longer remained this greater comparable base effect on changes in income.

In increasing the efficiency, administrative expenses continue to drop. In Q1 2016, banks continued to decrease administrative expenses. Year on year, administrative expenses decreased by EUR 5.8 million, of which 2.7 million is a decrease in personnel costs; the other part of the change is mainly applicable to the one-off decrease in expenses as a result of the particularities of the tax environment and are related to one market participant. In addition, last year banks optimised their business processes, while personnel expenses have been dropping for more than a few quarters.

The banks' profitability ratios changed little, albeit in a favourable direction. The return on assets over the year remained almost unchanged (increased by only 0.08 p.p.) and amounted to 1.06 per cent, while the dividend pay-out and, as a result, decreased capital for the aforementioned *„Swedbank", AB* shareholder led to the return on equity to increase by 1.67 p.p. — to 9.72 per cent. The ratio of interest income to interest-earning assets reduced insignificantly by 0.01 p.p., while the respective interest expenditure ratio — 0.23 per cent. Hence, the net interest margin increased — by 0.22 p.p. (to 1.7%). The cost-to-income ratio improved noticeably as well: as of 1 April 2016 its value reduced by 6.9 p.p. — to 48.0 per cent.

Chart 12. Bank cost-to-income ratio

(1 January 2012–1 April 2016)



Source: Bank of Lithuania.

6. REGULATORY ENVIRONMENT

Law-making

Regulatory changes in real estate crediting are being matched. The draft Republic of Lithuania Law on Credit Relating to Real Property is still being coordinated. This draft law implements 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. It is planned that the MCD provisions will be transferred to Lithuanian legislation, expanding the scope of the directive coverage to all credit contracts, ensured not only by pledged residential property, but by other types of real estate as well. Implementation of the MCD will affect both consumers and issuers of housing credit lenders. Having implemented the MCD, consumer rights will be fully revealed and established by law: the procedure for the provision of pre-contractual information to the borrower and its contents is regulated, requirements for credit agreements are set, it is required to clearly disclose the composition of interest rates and conditions for changing interest rates, the right of the consumer to withdraw from the credit agreement, the possibility to delay the payment of loan contributions under the credit agreement, the consumer is given a consideration period. With the implementation of the MCD, credit issuers will encounter clearly identified obligations and certain limitations related to consumers, such as, for example, prohibit the selling of the mandatory financial product package with the credit agreement, limit the size of the tax rate on the anticipatory credit repayment, etc.

The amendments to the Law on Payments will lay down new bank pricing standards. The Draft Law on Payments was approved by the Republic of Lithuania Government and will soon be discussed at the Seimas. 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). This directive aims at ensuring a simple comparison of fees of payment service 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 implementing the directive, the objectives of the directive were taken into account; 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 will be 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.

The draft amending law of the Markets in Financial Instruments Directive has been prepared, implementing the provisions of the recast Markets in Financial Instruments Directive (MiFID2). The draft established the requirements for the market infrastructure, transparency of and information on transactions, algorithmic trade, trade in commodity derivatives. Also, security of retail investors is strengthened, new requirements for the provision of new independent investment recommendations are set down, broader rights and obligations for supervisory authorities in executing provision of financial instrument market participants, including banks providing investment services, are established. The draft law was submitted to the Ministry of Finance.

A list of persons, who should not enter into consumer contracts, was compiled. The list of persons, for whom requests to not conclude consumer credit agreements have been submitted, as of 1 November 2016 will be able to include any natural person. A person's spouse, parents, children of legal age, care establishment or prosecutor will be able to apply to court to prohibit a person from concluding consumer credit agreements. If the court makes the decision to prohibit a person from concluding a consumer credit agreement, the person will be included in the aforementioned list for the period indicated in the court's decision. Although such restrictions are created in view of the currently existing problems between smaller credit issuers, banks, in making a decision on the provision of credit to a person, will also be required to check, whether that person is not included in the aforementioned list.

The goal is to improve the legal relationships related to surety. The Bank of Lithuania has prepared a proposal on improving personal warranty measures and submitted it for public discussions.[6] The legal relationships of surety are created without properly assessing the financial risk assumed by the warrantor and their financial capabilities to ensure the warranted loan, thereby providing conditions for natural persons to irresponsibly assume excess liabilities; this, in turn, promotes personal bankruptcy as well as raises other risks, as listed in the proposal. Seeking to manage these risks, it is proposed to ensure that credit institutions would not be able to require warranty from natural persons for the amount of loan, which exceeds the value of that person's unencumbered assets, i.e. natural persons would only warrant loans in an amount which is adequate to their financial situation. When a borrower is unable to repay a loan, it is also proposed to provide the possibility for the warrantor to pay contributions for the borrower from revenue being earned rather than repaying all credit from his/her assets in one go.

Protection of consumer rights

Sanctions were imposed on three banks operating in Lithuania for violated cross-border payment requirements. The Bank of Lithuania has conducted an inspection and identified that *AB SEB*, *„Swedbank", AB,* and *AB DNB bankas* violated the legal requirements of the European Union (EU) in relation to cross-border payments. These three banks applied larger fees for cross-border transfers in Swedish krona than is allowed for respective national payments. In addition, *AB SEB* and *„Swedbank", AB,* were found to have violated the requirements for cross-border transfers in Romanian leu. According to EU legal requirements, banks must apply the same fee for transfers in euro among the countries of the European Economic Area (EEA) than for domestic payments. Sweden and Romania have been exercising the right of the EU Member States to apply relevant conditions to payments in their national currencies; therefore, the above-named requirements apply to payments in Swedish krona and Romanian leu as well. This means that transfers in these currencies among EEA countries cannot be dearer than respective domestic transfers in Swedish krona or Romanian leu. For the aforementioned violations, in March 2016 the Board of the Bank of Lithuania imposed fines on *AB SEB* and *„Swedbank", AB*, while a less severe sanction was imposed on *DNB bankas* — a warning, as the bank had taken steps to rectify the violation. Currently the Bank of Lithuania is performing an investigation with the aim to assess for the other banks operating in Lithuania are in compliance with the aforementioned EU legal acts.

In Q1 2016 the investigated disputes were related to the refusal of banks to change the terms and conditions of agreements. One of these cases — the reasonableness of the application of fees for amending the agreement by changing the fixed interest to floating interest rates, as well as of the refusal of banks to change the assets pledged under the credit agreement to the bank's benefit, etc. Taking into account the relevant practice of the settlement of disputes in Q1 2016, it is important to note that the parties of the agreement have to right to freely decide whether or not to conclude specific agreement, to choose with whom to conclude an agreement, and, in addition, independently decide re-

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

garding the agreement’s contents (the terms and conditions of the agreements and their amendments) and form. Legislation provides that the aspects of the contractual relationship that do not bind the parties of the agreement, can be discussed only in the case when the parties of the agreement, of their own free will, agree to, for example, amend certain terms and conditions of the concluded agreement or add to the agreement other agreed-on terms and conditions. Such is the essence of the contractual relationship and valid principle of freedom of agreement, i.e. countries, in signing an agreement, ahead of time decide on what procedure can change in the future; therefore, any other procedure for amending an agreement (other than provided for in the agreement or legislation) is only possible if both parties agree on it.

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 "bottom" 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.

Disputes, related to payment transactions using payment cards, are recurrent. This field of recurrent disputes with banks is related to disputes on the execution of payment transactions, when third parties use payment card data (PIN and other access codes) and appropriate the funds belonging to the user. It is important to note that if the payment service user complies with the procedure for the security of the payment instrument’s data (PIN and other access codes), as provided for in the payment services agreement, they will either not experience any losses as the result of the illegal actions of third parties, or these losses shall be limited to the amount established in the law. If a person, as a result of gross negligence does not keep secure the aforementioned codes, then they will be responsible for the associated losses.

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Annex: Key indicators of the banking sector

Table 1. Main items of balance sheet statement

Seq. No	Indicator	01-04-2015	01-01-2016	01-04-2016	Change in Q1, Q/Q	Change in Q1, Y/Y
		Amount, EUR millions			**%**	
1.	**Assets**	**22,623.1**	**23,436.8**	**23,476.0**	**0.2**	**3.8**
1.1.	Debt securities	1,920.5	1,836.1	1,550.4	–15.6	–19.3
1.2.	Equity securities	46.3	73.1	76.4	4.4	65.0
1.3.	Financial derivatives	175.0	139.0	124.7	–10.3	–28.7
1.4.	Cash	391.6	406.7	396.5	–2.5	1.2
1.5.	Funds with central banks	152.7	2,800.6	1,572.5	–43.9	930.0
1.6.	Funds with credit institutions	3,625.6	1,306.2	2,373.7	81.7	–34.5
1.7.	Loans to customers (incl. leasing)*	15,822.2	15,879.2	16,509.3	4.0	4.3
	Loans to customers (incl. leasing) (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S)*	15,822.2	16,346.3	16,955.7	3.7	7.2
1.7.1.	Loans to customers (incl. leasing)*	1,147.4	904.1	896.8	–0.8	–21.8
1.7.2.	to general government institutions (incl. leasing)	134.3	163.6	475.3	190.5	254.0
1.7.3.	to other financial corporations (incl. leasing)	7,466.2	7,739.6	7,990.0	3.2	7.0
1.7.4.	to households (incl. leasing)	7,074.3	7,071.9	7,147.2	1.1	1.0
	to households (incl. leasing) (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S)*	7,074.3	7,539.0	7,593.6	0.7	7.3
1.7.4.1.	o/w loans for house purchase*	5,743.4	5,569.1	5,648.9	1.4	–1.6
	o/w loans for house purchase / adjusted according to the share of the loan portfolio sold by *Danske Bank A/S*	5,743.4	6,027.9	6,086.4	1.0	6.0
1.8.	Other asset positions	489.2	995.8	872.6	–12.4	78.4
	Other asset positions (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S)*	489.2	528.7	426.2	–19.4	–12.9
2.	**Liabilities and equity**	**22,623.1**	**23,436.8**	**23,476.0**	**0.2**	**3.8**
2.1.	Deposits of central banks	349.7	345.9	346.4	0.1	–1.0
2.2.	Liabilities to credit institutions	3,260.6	2,641.3	3,510.6	32.9	7.7
2.3.	Financial derivatives	150.0	125.3	115.0	–8.2	–23.3
2.4.	Deposits**	15,912.3	16,892.0	16,517.1	–2.2	3.8
2.4.1.	of general government institutions	1,062.9	1,078.2	988.2	–8.3	–7.0
2.4.2.	of other financial corporations	364.6	372.0	367.1	–1.3	0.7
2.4.3.	of non-financial corporations	4,832.0	5,179.4	5,164.8	–0.3	6.9
2.4.4.	of households**	9,652.8	10,262.4	9,996.9	–2.6	3.6
	of households (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S)*	9,652.8	10,425.5	10,142.7	–2.7	5.1
2.5.	Debt securities issued	39.4	42.6	38.5	–9.8	–2.5
2.6.	Other liabilities	505.5	798.1	890.9	11.6	76.2
	Other liabilities (adjusted according to the share of the loan portfolio sold by *Danske Bank A/S)*	505.5	635.1	745.1	17.3	47.4
2.7.	Equity	2,405.6	2,591.6	2,057.6	–20.6	–14.5

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".*

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Table 2. Main items of profit (loss) account

Seq. No	Indicator	01-04-2015	01-01-2016	01-04-2016	Change in Q1, Q/Q	Change in Q1/ Y/Y
		Amount, EUR millions			**%**	
3	**Profit for current year**	**56.8**	**215.3**	**61.0**	–	**7.5**
3.1	Net interest income	88.1	367.3	97.2	–	10.4
3.2	Net income from fees and commissions	39.0	173.8	40.7	–	4.4
3.3	Administrative expenses	77.9	293.8	72.0	–	–7.5
3.4	Impairment costs of loans and receivables	2.7	41.6	11.4	–	330.0

Source: Bank of Lithuania.

Table 3. Other performance indicators of banks

Seq. No	Indicator	01-04-2015	01-01-2016	01-04-2016	Change in Q1, Q/Q	Change in Q1/ Y/Y
		%			**p.p.**	
4	Capital adequacy ratio	22.9	24.9	20.2	–4.6	–2.7
5	CET1 capital adequacy ratio	22.5	24.3	19.8	–4.5	–2.7
6	Leverage ratio	10.9	10.8	8.9	–1.9	–2.0
7	Net interest margin	1.48	1.60	1.70	0.1	0.2
8	Return on assets	0.98	0.94	1.06	0.1	0.1
9	Return on equity	8.05	8.96	9.72	0.8	1.7
10	Cost-to-income ratio	54.9	52.5	48.0	–4.6	–6.9
11	Non-performing debt instruments*	6.7	5.2	5.0	–0.2	–1.7
12	Non-performing debt instrument (excl. funds with banks and debt securities)*	8.5	7.0	6.6	–0.4	–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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