LIETUVOS BANKAS
EUROSISTEMA

Banking Activity Review

Q3 2016

ISSN 2335-8319 (ONLINE)

Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.
© Lietuvos bankas, 2016

Gedimino pr. 6, LT-01103 Vilnius
Tel.: (+370 5) 268 0029, Fax: (+370 5) 268 0038
www.lb.lt
info@lb.lt

14 December 2016[1]

In the third quarter of 2016, the banking sector announced upcoming changes – the planned consolidation of two market participants on a Baltic States scale. Amendments to the Law on Banks, to come into force as of 2017, will facilitate access to the banking market for new market participants. The banking sector continued to be sustainable in the reference period, while assets grew on a steady base, mainly on account of the increasing value of their loan portfolio: both companies and households intensified borrowing. Half of the change in household loans accounted for growth in housing loans. Growth in bank assets was mainly financed with still growing customer deposits: the amount of deposits with banks, for the first time this year, exceeded EUR 17 billion to reach new record levels. Banks have accumulated sufficient reserves of liquid assets and the quality of liquid assets remained high. The state of capital within the banking system was sustainable; banks complied with supervisory requirements. Banks without parent institutions, characterised by lower capital adequacy ratios, focussed additionally on the strengthening of their capital; however, for some market participants this issue remains relevant. Total profit of banks and foreign bank branches operating in Lithuania increased over the first three quarters of 2016, while most market participants operated at a profit. In a short while, banks will have to provide the possibility for customers to get basic services at an affordable price. The new law on mortgage crediting provides for a number of favourable innovations for customers. The service *STOP: consumer credits* was created for those not willing to borrow.

1. BANKING SECTOR DEVELOPMENTS

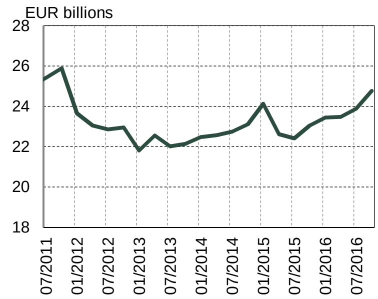
Lithuania's banking sector is preparing for changes: in addition to consolidation observed, a niche for new participants is formed. Amendments to the Republic of Lithuania Law on Banks, to come into force as of 1 January 2017, provide more favourable conditions for new market participants to access the market. The Law provides for a possibility to establish a specialised bank under more relaxed terms. Such a bank will differ from banks currently in operation by a lower initial capital requirement (EUR 1 million instead of EUR 5 million); however, it will not be allowed to provide investment services. In any other aspect, such an institution, once it gets a banking licence, would not be different from banks already in place, and would be subject to the same supervisory requirements.

In the third quarter of 2016, the Norwegian bank *DNB ASA* and the Swedish bank *Nordea Bank, AB* announced their intention to combine forces and establish a universal bank of the Baltic countries. These banks are currently jointly preparing for the merger and keep contact with both the national supervisory authorities of the Baltic States/Nordic countries and the European Central Bank (ECB). The latter is in charge of direct supervision of *AB DNB bank* operating in Lithuania.

On 1 October 2016, the number of Lithuania's banking sector participants remained unchanged quarter on quarter. Six banks and eight foreign bank branches operated in the country (reports from 7 branch banks are received for supervisory purposes, as the branch of *Telia Finance AB* in Lithuania, *Telia Finance Lietuva*, is not engaged in operations so far).

Chart 1. Assets of the banking sector

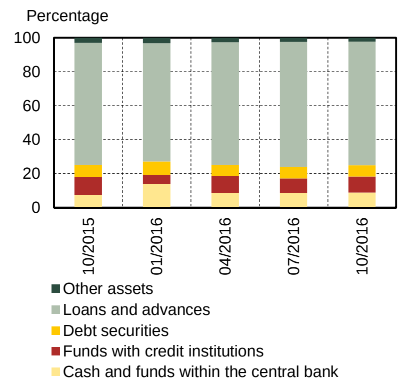
(1 July 2011–1 October 2016)



Source: Bank of Lithuania.

Chart 2. Asset composition

(1 July 2015–1 October 2016)



Source: Bank of Lithuania.

2. ASSETS AND LIABILITIES

In the third quarter of 2016, changes in bank assets were mainly driven by loan portfolio growth and liquidity buffer management decisions. Banks' total assets amounted to EUR 24.8 billion on 1 October 2016, an increase of EUR 861 million (3.6%) quarter on quarter. Slightly

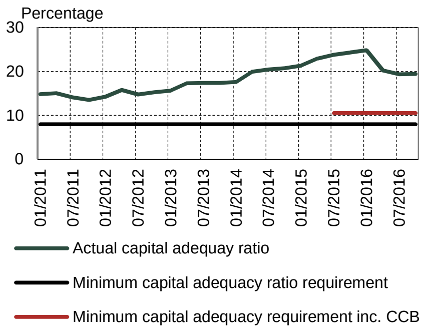
[1] Should system participants adjust their statements for important reasons, the data of the Review after this date could be revised.

more than half of this change accounted for the further increasing net value of the bank loan portfolio, which increased by EUR 471 million (2.7%) – to a similar extent as the amount of bank customer deposits. The other share of the change mainly reflected tactical decisions of some major banks in the fields of liquidity reserves and funds management. This was the reason behind growth in bank asset positions with the central bank by EUR 152 (9.5%), with credit institutions – EUR 241 million (11.5%). Other asset positions changed less in Q3 and did not have any substantial influence on the total assets of banks.

Bank liabilities to customers continued to increase. In the third quarter of 2016, bank liabilities increased by EUR 788 million (3.6 %) – to EUR 22.6. billion. The amount of customer deposits grew by EUR 599 million (3.6%). The other share of the change in liabilities was an increase in deposits with credit institutions of EUR 247 million (6.0%). This change is also illustrated by changes in bank assets, and it reflects the tactical bank liquidity management decisions mentioned above. Other items of bank liabilities account for a mere 4 per cent of the liabilities on a system scale and did not have a significant influence on the changes.

Chart 3. Capital adequacy ratios of the banking system

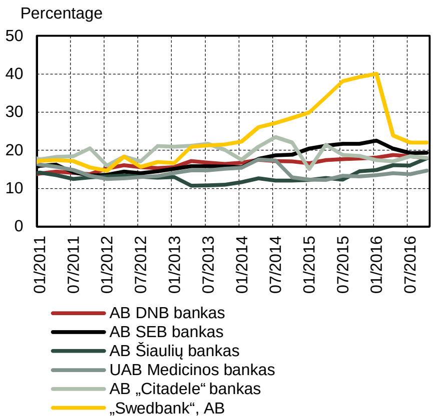
(1 January 2011–1 October 2016)



Source: Bank of Lithuania.

Chart 4 Capital adequacy ratios of banks

(1 January 2011–1 October 2016)



Source: Bank of Lithuania.

Table 1. Capital adequacy ratios of banks

(30 September 2016)

	Capital adequacy ratio	Change in a quarter
	per cent	**p.p.**
AB DNB bankas	17.9	-0.5
AB SEB bankas	19.4	0.1
AB Šiaulių bankas	17.8	1.8
UAB Medicinos bankas	14.7	0.9
AB Citadele bankas	18.0	-0.4
Swedbank AB	22.0	-0.1
Banking system	19.4	0.1

Source: Bank of Lithuania.

3. COMPLIANCE WITH REQUIREMENTS

The banking system capitalization remains stable; however, for some market participants, strengthening of their capital position is relevant. On 1 October 2016, the overall capital adequacy ratio of the banking system was 19.4 per cent, an increase of 0.1 p. p. from the second quarter. In the second quarter, the capital adequacy ratios of three out of six banks operating in the country improved (see **Error! Reference source not found.** Table). The capital of major banks continues to be in a stable condition. Banks without parent institutions, characterised by lower capital adequacy ratios, focussed additionally on the strengthening of their capital; however, for some market participants this issue is still relevant. Despite a slight decline in the recent quarter, the capital adequacy ratio of *Swedbank, AB* remains the highest in the market: at the end of the third quarter, it was 22.0 per cent; the lowest ratio is of *UAB Medicinos bankas* – 14.7 per cent. *AB Šiaulių bankas* strengthened its capital base with EUR 27 million in the third quarter, by including its profits for the half-year.

Banks complied with regulatory capital requirements. All banks operating in Lithuania complied with both the minimum capital adequacy requirement (8.0%) and the respective capital requirement, including the 2.5 per cent capital conservation buffer (a total of 10.5%). Banks also complied with individual additional capital requirements set during their supervisory review and evaluation process. Capital requirement of 12.5 per cent is currently applied to *AB Šiaulių bankas,* 14.5 per cent to *AB Citadelė bankas*, and 13.9 per cent to *UAB Medicinos bankas.* By decision of the ECB, individual capital ratios of the three major banks in Lithuania are not published; however, these banks comply with them with a sufficient margin.

Despite the increased value of the loan portfolio, financial resources attracted by banks enabled to increase the reserves of liquid assets. In the third quarter of 2016, the quality of banks' liquid assets continued to be very high, as the liquid assets were comprised of particularly high quality and liquidity financial instruments: cash, funds with the Bank of Lithuania, and securities of the governments of European Union (EU) countries. Banks' financial resources were on the rise and allowed to increase liquid asset reserves despite active crediting. In the third quarter, banks attracted financial resources from their main channels – customer and parent bank deposits. The banking system's dependence on public sector financing was still insubstantial. In monitoring the banks' liquidity situation and to be sure that banks ensure compliance with the new liquidity coverage re-

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

quirements, the Bank of Lithuania assesses on a permanent basis the value of the liquidity coverage ratio (LCR) – the key indicator of liquidity, set in Capital Requirements Directive IV and in the Capital Requirements Regulation. In the reference period, banks for the first time submitted official reports on their liquidity coverage, updated in line with the delegated act, which, unlike previous reports, already present the calculated LCR. In the reports, the calculated LCR is in line with the previous calculations of the Bank of Lithuania. The established ratio continued to be very high across banks operating in the country, which complied with it with a sufficient margin: on 30 September 2016, the ratio of the banking system accounted for 231.8 per cent (the required minimum is 100%) (see Table 2).

Table 2. Liquidity coverage ratios

(30 September 2016)

	Ratio
	Per cent
AB DNB bankas	165.2
AB SEB bankas	173.5
AB Šiaulių bankas	306.6
UAB Medicinos bankas	334.8
AB „Citadele“ bankas	134.6
„Swedbank“, AB	258.6
Banking system	231.8

Source: Bank of Lithuania.

4. THE LOAN PORTFOLIO[2]

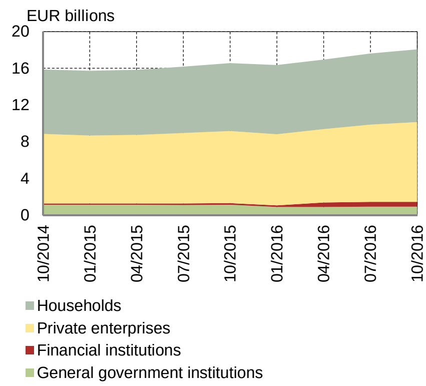
Loan portfolio developments

Bank customer loan portfolio developments were somewhat less pronounced, but the annual growth of the portfolio continues to be strong. The net value of the portfolio of loans granted to bank customers[3] increased by EUR 471 million (2.7 %) over the third quarter of 2016 – to EUR 18.1 billion. The change itself was somewhat less pronounced compared to the second quarter, when the loan portfolio grew by EUR 654 million in value; whereas the rate of growth itself during the reference period can be assessed as sustainable. Households and enterprises shared the change in the net value of the loan portfolio in almost equal shares. The portfolio of loans to enterprises increased by EUR 265 million (3.2%), to households – by EUR 206 million (2.6%) in value. The values of the portfolios of loans to general government institutions and other financial corporations changed marginally, while the joint impact of these two segments on the loan portfolio was neutral in the reference period. Housing loans stood out slightly more than usual in the reference period. The net value of their portfolio increased by EUR 125 million (2.0%) over the three quarters and determined more than half of the increase in loans to households over the third quarter. Annual growth rates of the net portfolio value[4] were as follows: for total loans granted to customers – 9.2 per cent, for loans granted to households – 7.4 per cent, for loans granted to enterprise – 10.3 per cent. Loans for house purchase grew by 5.8 per cent over the year. Over the first three quarters of 2016 the total value of the bank loan portfolio boosted by EUR 1.7 billion, from the change of EUR 0.8 billion in the respective period in 2015.

The bank loan portfolio started to recover from the slack in mid-2015 and a clear trend of growth has been observed to date. The quarterly rate of growth of the bank loan portfolio was slightly above an average 2 per cent during the last few years; however, its annual development was strong enough – 4 to 9 per cent. The Bank of Lithuania currently views the credit market situation as sustainable; however, it monitors it on a permanent basis. Should concerns occur that the credit market situation is turning unsustainable and may lead to an increased risk for the financial stability in the country, the Bank of Lithuania has instruments for mitigating the risk and its potential impact in place. One of them is the counter-cyclical capital buffer, the rate of which is currently at 0 per cent; it is revised by the Bank of Lithuania on a quarterly basis.

Chart 5. Bank loan portfolio

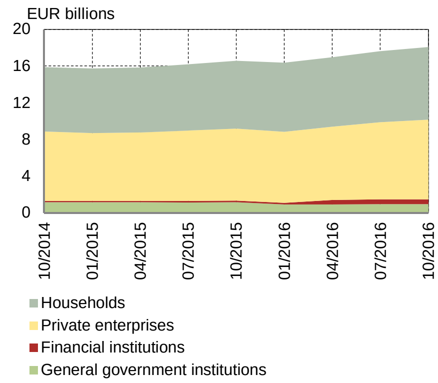
(1 October 2010–1 October 2016)



Source: Bank of Lithuania.

Chart 6. Housing loans

(1 January 2008–1 July 2016)



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

Source: Bank of Lithuania.

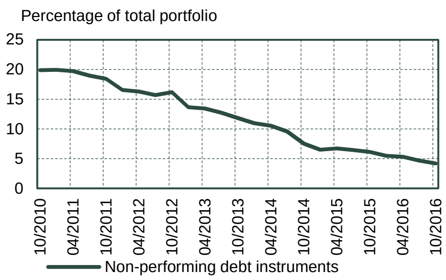
[2] Including the leasing portfolio

[3] The financial statements present loan value, which is calculated by adding up the balances of loans and interest accrued and subtracting provisions formed and charges accrued.

[4] At the same time, the annual growth of bank and credit union credit to the domestic economy was as follows: for the entire loan portfolio – 7.2 per cent, for loans to households – 7.6, companies – 7.0, for housing loans – 6.7 per cent. MFI balance sheet statistical data used is adjusted for the elimination of MFIs under bankruptcy from statistics and other technical factors. For more information, see Annex 2 “MFI loan portfolio adjustment for technical factors” of the December 2014 Lithuanian Economic Review (http://www.lb.lt/lithuanian_economic_review_december_2014).

Chart 7. Loan quality

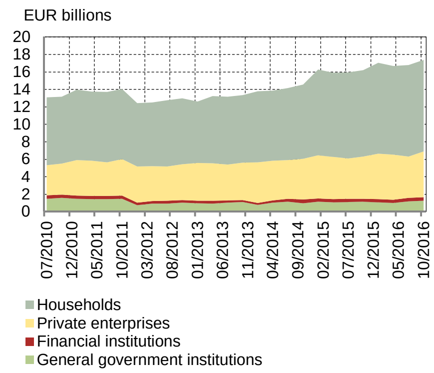
(1 October 2010–1 October 2016)



Source: Bank of Lithuania.

Chart 8. Amount of deposits

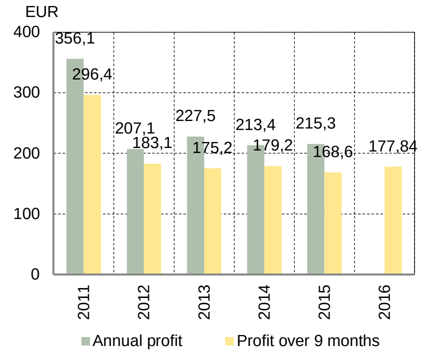
(1 July 2010–1 October 2016)



Source: Bank of Lithuania.

Chart 9. Profit of the banking sector

(1 January 2011–1 October 2016)



Source: Bank of Lithuania.

Loan portfolio quality

The loan quality within the banking sector continued to improve. The share of non-performing loans shrank by 0.5 p. p. over the quarter, to 4.2 per cent on 1 October 2016. The quality indicators improved both for the loans granted to non-financial corporations and households: the share of non-performing loans shrank by 0.7 p. p. and 0.5 p. p. respectively over the quarter, to account for 6.5 per cent and 5.3 per cent of these portfolios. This change in the indicator was driven by loan portfolio growth and an improvement in the borrower situation.

5. DEPOSITS WITH BANKS

The amount of deposits with banks has reached new heights; however, in the summer, households increased deposits not that intensively. On 1 October 2016, the customers' holdings of deposits with banks amounted to EUR 17.4 billion – a quarter-on-quarter increase of EUR 599 million (3.6%). While growth was relatively strong and the amount of customer deposits with banks, for the first time in 2016, exceeded EUR 17 billion and was the largest during the entire observation period, the increase in the amount of household deposits was modest. Compared to the second quarter, household deposits grew by a mere EUR 27 million (0.3%); enterprises stood out though: their deposits boosted by EUR 473 million (10.0%) over the reference period. Customer deposits account for the largest share of bank liabilities in absolute terms – 77 per cent, of which the largest share – household deposits – for 46 per cent of total liabilities. Deposits were and in the near future will be the most popular financial product, while the increase in the amount of deposits itself has been a long-term trend within Lithuania's banking system. The somewhat less robust growth in resident deposits in the third quarter is likely to have been due to seasonal factors, i.e. the summer holiday period. Deposits of other customers – general government institutions and other financial corporations – posted sustainable growth in the third quarter as well – EUR 81 million (6.9%) and EUR 17 million (4.2%) respectively.

6. PROFITABILITY AND EFFICIENCY OF OPERATIONS

Lithuania's banking system continues to earn profits. Bank branches and foreign bank branches earned EUR 177.8 million in profits over the nine months of 2016, a year-on-year increase of EUR 9.3 million (5.5%). Ten banks and foreign bank branches operated at a profit and only 3 market participants incurred losses. This year has so far been quite a success for banks: positive developments of the main items of the banks' main profit (loss) statement have been observed. Both net interest income and net income from fees and commissions posted increases. In addition, administrative expenses of banks have been declining for over a year already – they contracted by EUR 11.7 million (–5.1%) over the nine months, mainly reflecting a decline in staff expenditure (EUR –8.0 million or –5.9%). A negative contribution to profits stemmed from an increase in loan impairment expenses of EUR 5 million (36.2%). By totalling up the above-named items of the banks' profit (loss) statement, a result, better by EUR 45 million year on year, is achieved, with the greatest contribution to the result stemming from higher net interest income. However, this year, the banking sector's income and expenses were driven by several one-off factors as well. Developments in the banking sector were recorded earlier this year, whose loss will be amortised during the next reporting periods, recognising the above-named developments related economic benefits. The banking system's performance related to financial assets held for trading was also lower for the first three quarters of this year due to both market conditions and investment decisions.

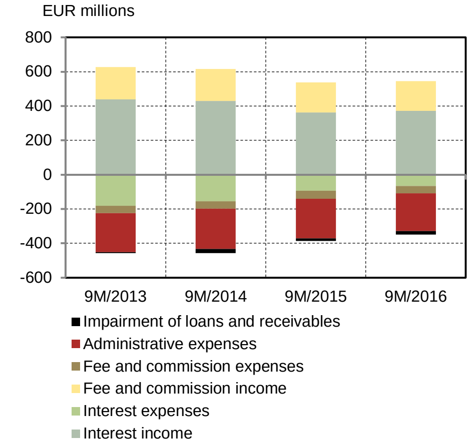
Banks profited from the expansion in their loan portfolio and lower deposit insurance expenditure. Over the first nine months banks' interest income boosted by EUR 8.6 million (2.4%) year on year, to EUR 371.4 million. Interest expenses declined, contracting by EUR 28.0 million (–29.7%), to EUR 66.2 million, over the reporting period. Net interest income increased by 36.6 million (13.6%), to EUR 305.2 million. These developments reflect the increasing value of the bank loan portfolio, which generates additional income from interest on loans granted. On the other hand, there is no significant financial market stress on the financing side – interbank offered rates remain particularly low, which also entails low deposit rates. Banks benefited from lower contributions to the Deposit Insurance Fund this year following a change in the contribution calculation procedure, set under a new Deposit Guarantee Schemes Directive. This contributed the most to lower interest expenditure for banks. This fact also means that, next year, there will be no such decline in interest expenditure and net interest income increases will be driven by the loan portfolio volume developments.

With the coming into force of the payment services basket approaching, banks revised their pricing. Services and commissions income dropped by EUR 1.1 million (–0.6%) over the first nine months of 2016 year on year, to EUR 173.5 million. With an even higher decrease in expenditure (EUR 3.0 million or –6.5%), net income from fees and commissions grew by EUR 1.9 million (1.5%), to EUR 130.8 million. These changes did not affect the profitability of the banking system significantly. The decision of the Bank of Lithuania to introduce a basket of basic payment services, to be offered by banks as of 1 February 2017, has not affected income and expenses so far either. As the second half-year was in full swing, banks already revised their price formation and some of them offered products in relation to the planned introduction of the basket.

Banks' profitability and efficiency continued to increase. The return on assets remained almost unchanged in the third quarter of 2016 (0.01 p. p.) year on year, standing at 0.99 per cent. The return on equity picked up by 4.4 p. p., to 12.37 per cent. In the reference quarter, as in the previous quarters of this year, the differences in the profitability indicators' developments were due to the payment of almost EUR 500 million in dividends by *Swedbank, AB* this year. As a result, the Bank's capital decreased and the return on equity improved concurrently. The operations of banks during the first nine months of 2016 were profitable, while the overall result of the branches was negative[5]. Due to rising income and declining administrative expenses, the efficiency ratio, which illustrates the banks' cost-to-income ratio, improved markedly: on 1 October 2016, its value reduced by 8.3 p. p., to 45.5 per cent.

Chart 10. Main items of income and expenses

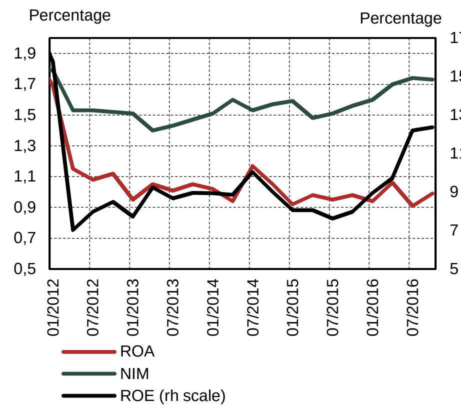
(2013, 2014, 2015 and 1 October 2016)



Source: Bank of Lithuania.

Chart 11. Bank profitability ratios and net interest margin

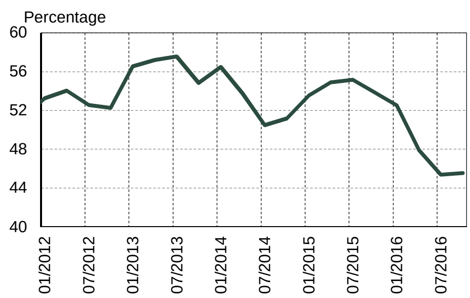
(1 January 2012–1 October 2016)



Source: Bank of Lithuania.

Chart 12. Bank profitability ratios and net interest margin

(1 January 2012–1 October 2016)



Source: Bank of Lithuania.

7. REGULATORY ENVIRONMENT

Legislation

Customers of credit institutions will be able to use the basic payment account services basket at an affordable price. As of 1 February 2017, banks and credit unions will have to provide residents with the possibility to get all basic payment services for a monthly fee not above EUR 1.5 and low-income residents – EUR 0.75. The basic payment account basket includes a wide range of daily payment services; users will be free to choose whether to use the basic payment account services basket. The basket includes: opening of an account, issuance of a payment card, payments

[5] The return on equity ratio is only calculated for banks, while the calculation of the return on assets ratio also covers foreign bank branches.

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

with a payment card, unlimited crediting of an account, at least 10 transfers in euro via Internet per month, withdrawal of at least 550 euro at the bank's ATM network per month or using a method selected by a credit union, electronic banking, etc. The threshold price for the basket will be effective until the end of 2017 and will be revised on an annual basis subject to the dynamics of average consumer spending per capita.

The new law on mortgage credit provides for a number of favourable innovations for customers. The Law of the Republic of Lithuania on Credit Relating to Real Property, adopted by the Seimas on 10 November 2016, implements Mortgage Credit Directive 2014/17/EU and national proposals on the improvement of legal regulation in the field of housing credit. Main novelties of this Law:

Firstly, for the customer to be able to easily and simply compare offers from several credit providers and choose the most useful credit offer, the Law provides that credit providers must furnish information on the credit terms and conditions in a standard form.

Secondly, for customers not to rush in taking a decision on the assumption of long-term liabilities, the Law provides for a 30-day consideration period to be provided by the credit provider to the user prior to conclusion of a credit agreement, while following the conclusion of the agreement, the borrower must be provided with a 14-day period to change his/her decision and renounce from the credit agreement already concluded.

Thirdly, credit institutions are prohibited from requiring the consumer to conclude a credit agreement involving other financial products or services (life assurance, investment and pension accumulation products) that are virtually unnecessary or dispensable for the borrower, except for some exemptions relating to insurance of the housing to be purchased or opening of a free account for collecting credit contributions.

Fourthly, a list of mandatory terms and conditions of a credit agreement was drawn up in order to reduce the number of disputes over unclear terms and conditions of credit agreements: these terms and conditions should be discussed in the agreement to be concluded (the terms of change of credit interest, cases of increasing or decreasing of the margin, commissions related to the execution, modification of and withdrawal from the agreement, etc.).

Fifthly, to facilitate the possibility for users to change the credit provider and refinance the loan at more favourable conditions at the institution of another credit provider, the Law provides for the threshold amount of compensation to the credit provider in case of early credit repayment, as well as other cases of possible early credit repayment free of charge.

Sixthly, the Law provides for the possibility of a ‘credit holiday’, i.e. cases when, where the user faces financial problems and in exceptional circumstances (termination of marriage, death of the spouse, loss of job or recognition of the credit provider's incapacity), he/she will be able to defer payment of instalments for a period not longer than 3 months.

Finally, the Law provides for the amount of penalty for payments overdue to 0.05 per cent of the amount overdue for each day of delay. It also proposes to specify cases when the credit agreement can be unilaterally terminated by the credit provider.

The Bank of Lithuania has created the service *STOP: consumer credits* for those not willing to borrow. As of 1 November 2016, the Bank of Lithuania handles the List of Persons Regarding Whom Requests Not to Allow Them to Conclude Consumer Credit Agreements Have Been Submitted. People can enter themselves on the List free of charge. Thus the *Stop: consumer credits* [6] service will enable to secure against impulsive, thoughtless decisions that may have long-term implications. Moreover, the person can be entered on this list by court ruling if his/her family members, care establishment or prosecutor apply to it. If a consumer credit provider nevertheless provides credit to such a person, the agreement will be held invalid and the company that has granted the credit will be subject to penalty. A person can be entered on this list for a period specified in his/her application or for a period specified in the court ruling, while if the person does not specify any term in the application – for two years.

Protection of consumer rights

In the third quarter of 2016, the Bank of Lithuania received fewer disputes. Consumers applied to the Bank of Lithuania 51 times during the reference period over disputes with banks that arose. In the second quarter, it was applied 86 times. Ten decisions regarding the subject matter of a dispute have been taken. In one case consumer claims were satisfied in part, in nine cases they were rejected. The number of decisions decreased compared to the second quarter, when 14 of them were taken regarding the subject matter of the disputes. Seven disputes ended on reaching a peaceful agreement or the Bank satisfying the consumer's claim, i.e. more disputes were settled peacefully than in the second quarter, when only two disputes were settled by peaceful agreement.

The Bank of Lithuania dealt with a group claim of *Nordea Bank* Lithuania branch customers over housing credit agreements in Swiss francs. The applicants claimed that the bank, when introducing the possibility to get credit in Swiss francs, provided booklet information on the exchange rate movements of this currency in such a way and for such a period as to make the applicants believe that the rate of the Swiss franc was very stable and its fluctuations were minimal. According to them, the Bank did not explain the foreign exchange risk either. Given the above, the applicants requested to obligate the Bank to adjust the credit in euro at the euro exchange rate on the payment day according to the

[6] For more information on the *Stop: consumer credits* service, go to http://www.lb.lt/sarasas.

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

original rate of the Swiss franc and the euro as of the credit granting day.

After considering the arguments of the parties and the circumstances ascertained during the settlement of the dispute, the Bank of Lithuania decided that the applicants' claims were unreasonable. The Bank found the foreign exchange risk to be critical information prior to conclusion of credit agreements. Moreover, while the booklet information provided by the Bank was not informative to the maximum extent, it was correct and sufficiently comprehensive for the applicants, after considering the whole of the information provided, to take a decision to conclude agreements and to comprehend the risk of potential consequences.

Annex. Key indicators of the banking sector

Table 3. Main items of the balance sheet statement

Seq. No	Indicator	01/10/2015	01/07/2016	01/10/2016	Change in Q3	Change over the year
		amount, EUR millions			per cent	
1	**Assets**	**23,043.7**	**23,893.4**	**24,754.0**	**3.6**	**7.4**
1.1	Debt securities	1,654.8	1,604.4	1,634.2	1.9	–1.2
1.2	Equity securities	45.4	47.8	49.2	3.0	8.3
1.3	Financial derivatives	134.1	147.9	133.2	–10.0	–0.7
1.4	Cash	356.9	408.9	418.7	2.4	17.3
1.5	Funds with central banks	1,380.9	1,601.8	1,753.8	9.5	27.0
1.6	Funds with credit institutions	2,373.9	2,098.3	2,339.4	11.5	–1.5
1.7	Loans to customers (incl. leasing)*	16,076.8	17,609.6	18,080.4	2.7	12.5
	Loans to customers (incl. leasing) (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	16,557.5	–	–	–	9.2
1.7.1	to general government institutions (incl. leasing)	1,128.2	934.7	917.1	–1.9	–18.7
1.7.2	to other financial corporations (incl. leasing)	168.3	532.1	550.3	3.4	226.9
1.7.3	to non-financial corporations (incl. leasing)	7,863.1	8,405.7	8,671.1	3.2	10.3
1.7.4 .	to households (incl. leasing)*	6,917.2	7,737.1	7,941.9	2.6	14.8
	to households (incl. leasing) (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	7,397.9	–	–	–	7.4
1.7.4.1	o/w loans for house purchase*	5,456.6	6,149.1	6,274.6	2.0	15.0
	o/w loans for house purchase (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	5,930.4	–	–	–	5.8
1.8	Other asset positions	1,021.0	374.6	345.1	–7.9	–66.2
	Other asset positions (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	540.2	–	–	–	–36.1
2	**Liabilities and equity**	**23,043.7**	**23,893.4**	**24,754.0**	**3.6**	**7.4**
2.1	Deposits of central banks	360.8	319.0	305.5	–4.2	–15.3
2.2	Liabilities to credit institutions	3,135.2	4,149.7	4,395.8	5.9	40.2
2.3	Financial derivatives	123.1	135.7	121.8	–10.3	–1.1
2.4	Deposits**	16,027.4	16,779.6	17,378.5	3.6	8.4
	Deposits (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	16,193.7	–	–	–	7.3
2.4.1	of general government institutions	1,146.2	1,176.6	1,258.0	6.9	9.8
2.4.2	of other financial corporations	329.4	399.4	416.0	4.2	26.3
2.4.3	of non-financial corporations	4,840.9	4,751.2	5,224.7	10.0	7.9
2.4.4	of households**	9,710.9	10,452.3	10,479.8	0.3	7.9
	of households (adjusted for the loan portfolio share to be sold by *Danske Bank A/S)*	9,877.2	–	–	–	6.1
2.5	Debt securities issued	37.2	30.9	18.7	–39.4	–49.8
2.6	Other positions of liabilities	835.2	402.4	384.9	–4.3	–53.9
	Other positions of liabilities (adjusted for the the loan portfolio share to be sold by *Danske Bank A/S)*	668.9	–	–	–	–42.5
2.7	Equity	2,524.8	2,076.2	2,148.8	3.5	–14.9

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 that the* Danske Bank A/S *Lithuania branch intended to sell in the reference period 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 that the* Danske Bank A/S *Lithuania branch intended to sell in the reference period is assigned to liabilities to be sold. In this case the sum is assigned to '2.6.Other asset positions'.*

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

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

Seq. No	Indicator	01/10/2015	01/07/2016	01/10/2016	Change Q3	Change over the year
		amount, EUR millions			per cent	
3	**Profit for current year**	**168.6**	**106.2**	**177.8**	_	**5.5**
3.1	Net interest income	268.6	200.8	305.2	_	13.6
3.2	Net income from fees and commissions	128.9	85.7	130.8	_	1.5
3.3	Administrative expenses	231.8	148.9	220.0	_	–5.1
3.4	Impairment costs of loans and receivables	20.4	21.0	24.8	_	21.3

Source: Bank of Lithuania.

Table 5. Other performance indicators of banks

Seq. No	Indicator	01/10/2015	01/07/2016	01/10/2016	Change Q3	Change over the year
		per cent			p. p.	
4.	Capital adequacy ratio	24.3	19.3	19.4	0.1	–4.9
5.	CET1 capital adequacy ratio	23.9	19.1	19.0	0.0	–4.8
6.	Liquidity coverage ratio	_	_	231.8	_	_
7.	Leverage ratio	10.9	8.5	8.5	0.1	–2.4
8.	Net interest margin	1.56	1.74	1.73	0.0	0.2
9.	Return on assets	0.98	0.91	0.99	0.1	0.0
10.	Return on equity	7.97	12.19	12.37	0.2	4.4
11.	Cost-to-income ratio	53.9	45.4	45.5	0.1	–8.3
12.	Non-performing debt instruments*	5.7	4.7	4.2	–0.5	–1.5

Source: Bank of Lithuania.

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

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