

# Lithuania

Lithuanian banking sector consisted of 18 banks in 2021, twelve of which held a banking or specialized banking license, and six banks operated as branches of foreign financial institutions. Two specialized banking licenses were issued during 2021, and Revolut Bank, the banking unit of UK-based fintech Revolut, has been granted a full banking license by the European Central Bank (ECB).

The banking sector of Lithuania is dominated by subsidiaries of large Scandinavian banks. The two largest banks, SEB and Swedbank, owned by their parent banks in Sweden, hold 65% of market share. Another stake of 16,1% belongs to Luminor Bank with a headquarter in Estonia, owned by an US private equity fund and a Norwegian bank. The other three banks, AB Šiaulių bankas, UAB Medicinos bankas and Revolut Bank UAB, are significantly smaller in size and belong to groups of local and foreign investors. There are 60 credit unions united by the Lithuanian Central Credit Union and the Joint Central Credit Union. The Lithuanian government has no stake in the banking sector.

In 2021, deposits continued to grow, but at a lower pace than in 2020. Deposits increased by 10.2% and amounted to €35.1 billion at the end of the year (non-financial corporations – an increase of 2.6%; households – 18%). The growth of household deposits can be explained by the uncertainty about the future and prevailing aspirations to accumulate funds for emergencies.

Decreasing uncertainty related to COVID-19 has led to improvements in the quality indicators of business loans and, consequently, of the loan portfolio as a whole. During 2021, the loan portfolio increased by 6.8% to 22.9 billion euros. Household loans, which count for more than 53.7% of banks' loans portfolio, increased mainly due to the active provision of mortgages – an increase of 10.8% compared to 2020. The loan portfolio of non-financial corporations, which counts for 41.1% of the total portfolio, increased by 18.4% over the year. Loans to wholesalers, retailers, real estate and manufacturing companies increased the most.

The Lithuanian banking sector has so far proved its resilience to the effects of the coronavirus crisis and has managed to keep non-performing loans at a low level of 1.23%. This figure is 0.98% lower than the result in 2020.

All banks complied with established prudential standards and requirements. The capital adequacy ratio of Lithuanian banking sector exceeded 23%, which makes Lithuanian banks well capitalized. The decisions of the bank's shareholders to keep almost all the 2020 profit to strengthen the bank's capital contributed to ensuring a banking sector resilience even further.

In 2021, large-scale and well-organised phishing attacks targeted bank customers. According to the Lithuanian Banking Association, during the year, financial fraudsters extorted 10.2 million euros from residents and companies. In order to prevent fraudulent activities, banks took additional measures. An important milestone on the way to a better cooperation between institutions and businesses was the establishment of a the Center of Excellence in Anti-Money Laundering, the first public-private sector partnership in Europe, operating as a separate institution.