

Lithuania

In 2023, the Lithuanian banking sector comprised 18 banks, 13 of which held a banking or specialized banking license, while five operated as branches of foreign financial institutions. The sector is predominantly controlled by subsidiaries of large Scandinavian banks. The two largest banks, SEB and Swedbank, both owned by Swedish parent companies, held a combined market share of 52.5%. Revolut Holdings Europe UAB accounted for 19.6%, and Luminor Bank AS Lietuvos skyrius held 13.1%. The remaining three banks, AB Šiaulių bankas, OP Corporate Bank plc Lietuvos filialas, and UAB Urbo bankas, collectively held a 10.5% market share. Additionally, 59 credit unions, grouped under the Lithuanian Central Credit Union (LKU) and the Joint Central Credit Union (KREDA), operated in the country. The Lithuanian government has no ownership stake in the banking sector.

In 2023, the number of participants in the sector decreased by one, as Danske Bank A/S Lithuanian branch fully exited the banking business in Lithuania during the second quarter. However, Danske Bank's technology and service center continues to operate in Vilnius.

Deposits continued to grow throughout the year, albeit at a slower pace than in 2022. As interest rates rose, demand deposits were rapidly converted into fixed-term deposits. By year-end, deposits had increased by 9.3%, amounting to €49.5 billion (with deposits from non-financial corporations decreasing by 0.9% and those from households increasing by 6.5%). The growth in household deposits was primarily driven by rising household incomes and higher interest rates on fixed-term deposits.

Despite economic and geopolitical challenges in 2023, lending activities remained robust. The total portfolio of bank loans and prepayments increased by €4.60 billion (15.5%) to €34.22 billion. Loans to households experienced the greatest growth, rising by 9.5%, while loans to non-financial corporations grew by 3.7%.

The banking sector's liquidity position remained exceptionally strong in 2023. All banks maintained the required liquidity ratios with a substantial buffer, and liquid asset reserves held by banks were significant.

However, the quality of the loan portfolio slightly deteriorated during the year. The share of non-performing loans (including loans to credit institutions) increased by 0.09 percentage points to 1.00%, with the value of such loans rising by €72.1 million (27.6%) compared to the beginning of the year.

All banks adhered to the established prudential standards in 2023, meeting both capital adequacy and liquidity requirements. The capital adequacy levels remained high, with a significant portion of liquid assets held in bank accounts, including those with the Bank of Lithuania.

According to the Center of Excellence in Anti-Money Laundering, financial fraud surged in 2023. Financial institutions recorded more than 10,000 fraud cases; a 33% increase compared to 2022. The total amount swindled by fraudsters rose by 3.9%, reaching €12.3 million. Nevertheless, financial institutions successfully recovered almost €900,000, bringing net losses to €11.4 million. Over a four-year period, the most prevalent types of fraud have been phishing and

investment fraud, both of which have grown significantly, as fraudsters seek to exploit the digital habits formed during the pandemic.