

# OPERATING RESULTS OF BANKS IN LATVIA SUMMARY OF THE 2<sup>ND</sup> QUARTER 2018

## Stabilization of banks' equity in the 2nd quarter 2018

Total capital of the Latvian banking sector reached EUR 3.1 billion as of June 30, 2018, it did not change significantly compared to the 1<sup>st</sup> quarter of 2018. Total equity has increased in the last 12 months period, the increase was +0.2 billion EUR or +6%.

Average return on equity in the banking sector of Eurozone was 3.8% in 2017. Ten Latvian banks exceed average return on equity of banking sector.

## Total loan portfolio with no substantial change in the 2<sup>nd</sup> quarter.

The portfolio of issued loans by Latvian banking sector was EUR 14.2 billion as of June 30, 2018. Total portfolio has not changed substantially in the 2<sup>nd</sup> quarter – lending to the economy continues at a steady pace. Overall loan portfolio has decreased by -0.8 billion EUR or -6% in the last 12 months period. The decrease was mainly observed in the non-resident corporates segment. This can clearly be attributed to the change of the business model of some of the banks driven by the decisions to exit the high risk non-resident client segment.

## Deposits declined by -0.5 billion EUR in the 2<sup>nd</sup> quarter 2018

Total deposits of the Latvian banking sector were EUR 17.5 billion as of June 30, 2018. The portfolio has declined by -0.5 billion EUR or -3% in the 2<sup>nd</sup> quarter 2018; the decrease in the 1<sup>st</sup> quarter was -2.2 billion EUR or -11%. The decrease was mainly observed in foreign deposits. Total deposits at Latvian banking sector have been decreasing since 2016.

## Net profit of Latvian banking sector in the 1<sup>st</sup> half 2018 reached 133 million EUR

Total profit of banks in Latvia in the 1<sup>st</sup> half of 2018 was by EUR -32 million or -19% lower compared to the results of the 1<sup>st</sup> half of 2017.

TOP 5 most profitable member banks of the Finance Latvia Association in the 1<sup>st</sup> half 2018:

1. Swedbank – EUR 58 million;
2. SEB banka – EUR 24 million;
3. Luminor bank – EUR 22 million;
4. Citadele banka – EUR 13 million;
5. BlueOrange Bank – EUR 7 million.

## Total assets of commercial banks have been decreasing since 2016

Total assets of Latvian commercial banks were EUR 24.5 billion as of June 30, 2018. The total assets of the sector have been decreasing since 2016. Main reasons for assets' decrease are the change of strategy for some of the universal banks, change of business models for specialized financial service providers and optimization of capital expenses.

The value of assets has declined by EUR -1.2 billion or -5% in the 2<sup>nd</sup> quarter 2018. In the 1st half 2018, the decrease of the assets' value was EUR -3.9 billion or -12%, reaching the lowest value since 2007. Overall, since the beginning of 2016, the value of assets has decreased by EUR -7.5 billion or -23%