



**LIETUVOS BANKAS
BANK OF LITHUANIA**

Mr Francesco Mazzaferro
Head of Secretariat
European Systemic Risk Board

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Notification regarding countercyclical capital buffer in Lithuania

In accordance with Article 136 of Directive 2013/36/EU (CRD IV), the Bank of Lithuania would like to notify the European Systemic Risk Board that the countercyclical capital buffer (CCB) rate in Lithuania has been set at 0 per cent. From 30 September 2015, credit institutions shall continue to apply the 0 per cent rate for the purposes of calculating the combined CCB requirement. Please find attached to this document the Annex with information required to be provided under Directive 2013/36/EU and the supporting Excel file with the dynamics of the main and complementary indicators used to justify the CCB rate.

Yours sincerely,

Tomas Garbaravičius
Member of the Board

A handwritten signature in blue ink, appearing to read 'Tomas Garbaravičius'.

Encl.

Annex: Information required to be provided under Directive 2013/36/EU

Information item	
Applicable countercyclical buffer rate	0
Date from which the measure is applicable from	30 September 2015
Credit-to-GDP ratio	58.0
Deviation of credit-to-GDP from long-term trend	-21.3
Buffer guide	0

Note: the calculations are based on the data available before 1 August 2015.

Justification for the 0 per cent buffer rate:

The Bank of Lithuania has developed a set of variables that is likely to provide information about the need and size of the countercyclical capital buffer rate. The list comprises 2 main indicators and 4 complementary indicators that serve as early warning indicators for the build-up of systemic risk due to excessive credit growth. The main indicators are mapped to the benchmark buffer rate, while the complementary indicators provide additional information about the state of imbalances in the economy. In addition, the Bank of Lithuania may use other relevant information when setting the buffer if it is needed.

The main indicators are:

1. Additional credit-to-GDP gap, i.e. credit (to the private non-financial sector)-to-GDP ratio gap from its long term trend, calculated using the forecast augmented HP filter (smoothing parameter is 400,000; the forecast is calculated as a 4-quarter weighted average for 5 years ahead). Currently, the estimated gap is negative and equal to -7 percentage points which implies a 0 percentage point buffer guide.
2. Standardised credit-to-GDP gap (calculated in accordance to Annex Part 1 of the ESRB Recommendation on guidance for setting countercyclical buffer rates (ESRB/2014/1). Currently, the estimated gap is negative and equal to -21 percentage points, which implies a 0 percentage point buffer guide.

The complementary indicators are:

1. Banking loan (to the private non-financial sector)-to-GDP ratio gap from its long term trend, calculated using the forecast augmented HP filter (the forecast is calculated as 4-quarter weighted average for 5 years ahead);
2. Housing price-to-income ratio gap from its long term trend;
3. Banks' loan-to-deposit ratio;
4. Current account deficit-to-GDP ratio.

Currently, all additional indicators also do not indicate any imbalances in the credit market.