

# Review of the Activities of the Lithuanian Central Credit Union 2016

ISSN 2424-5569 (ONLINE)

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As at 1 January 2017, the Lithuanian Central Credit Union (LCCU) united 61 credit unions.

The assets of the LCCU grew by EUR 22.1 million in 2016, amounting to EUR 159.7 million at the end of the year. Asset growth was determined by deposits (mainly of credit unions that are members of the LCCU) which saw an increase of more than one fifth (to EUR 141.2 million). The main reason behind deposit growth was greater inflows in accounts of credit unions uniting agricultural workers. Deposits continued to be the main financing source for LCCU assets, financing 88 per cent of them. The major share of LCCU assets (almost 60%) was comprised of investments in debt securities. In 2016 they rose by EUR 6.7 million – to EUR 95.8 million. The government securities of the Republic of Lithuania comprised the largest part of investments in debt securities (more than 70%). The remaining part consisted of debt securities of governments of other European Union countries (Bulgaria, Latvia, Croatia, Hungary and Romania), the government of the Republic of Iceland and of two companies.

LCCU funds with the Bank of Lithuania accounted for more than a quarter of the assets. In 2016 they almost doubled, reaching EUR 44.6 million, while funds with banks (EUR 0.7 million) comprised an insignificant asset share.

The LCCU loan portfolio expanded slightly in 2016, totalling EUR 16.6 million on 1 January 2017. The major share of loans (EUR 11.2 million) consisted of loans granted to credit unions (LCCU members), of which subordinated loans amounted to EUR 3.5 million. Loans granted to members of credit unions (natural and legal persons) by the LCCU amounted to EUR 5.4 million at the end of the year.

Having been high for a long period of time, the loan portfolio quality deteriorated; therefore, as the level of risk increased, the LCCU formed EUR 45 thousand worth of specific provisions to cover loan impairment costs and reduced the stabilisation fund, intended for the restoration of solvency of credit unions (LCCU members), by EUR 524 thousand.

The change in the volume of the stabilisation fund was driven by both deterioration in loan quality and non-refundable funds granted to the credit union. Despite the fact that credit unions (LCCU members) made compulsory contributions to the stabilisation fund, it contracted by a third in 2016, standing at EUR 0.6 million at the end of the year. With deposits growing, the LCCU liquidity support reserve recoded increases in 2016 and amounted to EUR 5.4 million on 1 January 2017.

In October 2016, the LCCU returned the contributions of shares to credit unions that terminated their membership with the LCCU and the bankrupt credit union *Vilniaus taikomoji kasa*. Hence its share capital shrank by EUR 0.5 million – to EUR 8.9 million. According to unaudited statements, the LCCU's operating result for 2016 was a profit of EUR 0.6 million (in 2015 – a profit of EUR 0.06 million). Profitable operations were underpinned by interest income on loans and securities.

The LCCU complied with the capital adequacy and liquidity coverage requirements with a margin – the common equity Tier 1 (CET1) capital ratio amounted to 34.78 per cent (requirement – 14.03%), the overall capital adequacy ratio – 42.62 per cent (requirement – 17.53%), and the liquidity coverage ratio – 154.32 per cent (requirement – 100%).

In order to evaluate the real LCCU asset value, the Bank of Lithuania carried out an evaluation of the LCCU asset quality, the results of which were presented to the LCCU.

## Annex. Performance indicators of the Lithuanian Central Credit Union

**Table 1. Key items of the balance sheet statement**

Seq. No	Indicator	Amount, EUR millions			Change (%)	
		01/01/2016	01/10/2016	01/01/2017	Q4 2016	over the year
1.	<b>Assets</b>	<b>137.6</b>	<b>129.7</b>	<b>159.7</b>	<b>23.1</b>	<b>16.1</b>
2.	Debt securities	92.1	86.5	95.8	10.8	4.0
3.	Funds with banks	27.2	19.3	45.3	2.3 times	66.5
3.1	with the Bank of Lithuania	26.6	18.5	44.6	2.4 times	67.7
4.	Loans granted	16.4	22.3	16.6	-25.6	1.2
4.1	to LCCU members	12.3	17.5	11.2	-36.0	-8.9
5.	Loan impairment	–	0.01	0.5	50 times	–
6.	Deposits and letters of credit	116.2	110.2	141.2	28.1	21.5
6.1	of LCCU members	112.9	103.4	132.6	28.2	17.4
7.	Liquidity support reserve	4.7	4.9	5.4	10.2	14.9
8.	Stabilisation fund	0.9	1.0	0.6	-40.0	-33.3
9.	Share capital	9.4	9.4	8.9	-5.3	-5.3
10.	Profit (loss) for current year	0.06	0.8	0.6	–	–
11.	Number of credit unions (LCCU members)	62	61	61	–	–

Source: Bank of Lithuania.

**Table 2. Other performance indicators**

Seq. No	Indicator	Percentages			Change, percentage points	
		01/01/2016	01/10/2016	01/01/2017	Q4 2016	over the year
1.	Overall capital adequacy ratio	49.33	45.04	42.62	-5.3	-13.6
2.	CET1 capital adequacy ratio	37.0	34.60	34.78	0.5	-6.0
3.	Liquidity coverage ratio	180.41	147.10	154.32	4.9	-14.5

Source: Bank of Lithuania.