



Review of the Activities of the Lithuanian Central Credit Union

2017 / Q2

The Lithuanian Central Credit Union. In Q2, the number of LCCU members dropped and, according to the data as at 1 July 2017, the LCCU united 58 credit unions. In April 2017, two founders of the United Central Credit Union – *Pareigūnų* credit union and *Gyventojų ir smulkaus verslo* credit union – left the LCCU.

Following a decrease of EUR 28.4 million in Q2 2017, as at 1 July 2017 the assets of the LCCU amounted to EUR 112.3 million. The decline in assets was led by deposits (mainly of credit unions that are members of the LCCU), which shrank by EUR 28.8 million (to EUR 93.6 million). The main drivers of deposit contraction were seasonal factors (funds in accounts of credit unions, uniting agricultural workers, reduced). Deposits continued to be the main financing source for LCCU assets, financing 83 per cent of them. As before, the largest share of LCCU assets (71.9%) was comprised of investments in debt securities. In the period under review, they decreased by EUR 11.4 million – to EUR 80.7 million. Government securities of the Republic of Lithuania continued to comprise the largest share of the securities portfolio (73%). The remaining part consisted of debt securities of governments of other EU countries (Bulgaria, Latvia, Croatia, Hungary, Romania), the Government of the Republic of Iceland and of two companies.

In the period under review, the LCCU loan portfolio expanded by EUR 8 million, to stand at EUR 23.6 million at the end of the period. The bulk of loans was granted to credit unions for covering working capital. The major share of loans (EUR 18.8 million) consisted of loans granted to credit unions (LCCU members), of which subordinated loans amounted to EUR 2.9 million. Loans granted by the LCCU to members of credit unions (natural and legal persons) amounted to EUR 4.8 million.

In the period under review, the quality of the loan portfolio deteriorated; therefore, as the level of risk increased, the LCCU formed EUR 17 thousand worth of specific provisions to cover loan impairment costs. Specific provisions were formed with loans granted to the members of credit unions.

In Q2 2017, LCCU funds with the Bank of Lithuania reduced by EUR 25 million – to EUR 5.5 million, accounting only for 5 per cent of total LCCU assets. Funds with banks (EUR 0.8 million) continued to comprise an insignificant share of LCCU assets.

The stabilisation fund stood at EUR 0.9 million at the end of Q2 2017. Changes in the volume of the stabilisation fund were driven by compulsory contributions made by credit unions (LCCU members). With the decrease in deposits at credit unions, the LCCU liquidity support reserve fell somewhat, amounting to EUR 4.4 million at the end of Q2 2017.

In the period under review, its share capital remained unchanged and stood at EUR 8.9 million. In Q2 2017, the LCCU earned EUR 190 thousand in profit (in Q2 2016, its operating result was a profit of EUR 0.6 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 fair margin: the common equity Tier 1 (CET1) capital ratio amounted to 32.5 per cent (requirement – 14.03%), the overall capital adequacy ratio – 39.0 per cent (requirement – 17.53%), the liquidity coverage ratio – 154.31 per cent (requirement – 100%).

Pursuant to laws implementing the reform, the LCCU has to resolve its activities in order to comply with the requirements laid down in the Republic of Lithuania Law on the Central Credit Unions starting from 1 January 2018. In this context, the LCCU has already submitted to the Bank of Lithuania documents that should confirm that it is in compliance with requirements laid down in the above-mentioned Law and is duly prepared to carry out functions established therein.

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 (%)	
		01/07/2016	01/04/2017	01/07/2017	2017 Q2	over a year
1.	Assets	124.2	140.7	112.3	-20.2	-9.6
2.	Debt securities	83.56	92.1	80.7	-12.4	-3.4
3.	Funds with banks	16.9	31.4	6.3	-79.9	-62.7
3.1	with the Bank of Lithuania	16.2	30.5	5.5	-81.9	-66.0
4.	Loans granted	22.1	15.6	23.6	51.3	6.8
4.1	to LCCU members	17.4	10.5	18.8	79.0	8.0
5.	Loan impairment	–	–	0.17		
6.	Deposits and letters of credit	104.2	122.4	93.6	-23.5	-10.2
6.1	of LCCU members	101.1	117.5	92.5	-21.3	-8.5
7.	Liquidity support reserve	5.0	5.2	4.4	-15.4	-12.0
8.	Stabilisation fund	0.9	0.7	0.9	28.6	–
9.	Share capital	9.4	8.9	8.9	–	-5.3
10.	Profit (loss) for current year	0.6	0.05	0.19	–	–
11.	Number of credit unions (LCCU members)	61	60	58		

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages			Change, percentage points	
		01/07/2016	01/04/2017	01/07/2017	2017 Q2	over a year
1.	Overall capital adequacy ratio	44.86	46.73	39.0	-7.7	-5.9
2.	CET1 capital adequacy ratio	33.86	39.71	32.5	-7.2	-1.3
3.	Liquidity coverage ratio	173.87	147.89	154.31	6.4	-19.6

Source: Bank of Lithuania.