



Review of the Activities of the Lithuanian Central Credit Union

2017 / Q3

The Lithuanian Central Credit Union (LCCU). Following withdrawal of Ignalina and Raseiniai credit unions from the LCCU in Q3 2017, the LCCU united 56 credit unions (according to the data as at 1 October 2017). It should be noted that after revocation of the licence for *Namų* credit union on 17 October 2017 and withdrawal of another 5 credit unions from the LCCU in October–December, there are currently 50 members of the LCCU.

Following an increase of €5.8 million in Q3 2017, LCCU assets amounted to €118.1 million as at 1 October 2017. The growth in the assets was due to an increase in deposits (mainly credit unions that are members of the LCCU) of €5.4 million (to €99.0 million). Deposits continued to be the main financing source for LCCU assets. 83.9 per cent of the assets were financed with them.

While investment in debt securities declined by €14.5 million (to €66.2 million) in the reference period, it accounted for the largest share of LCCU assets as before (56.1%). The main reasons behind the decline in investment in government securities were the reduction of the portfolio of investment in securities held for sale and a substantial decline in securities of longer maturity, as well as the redemption of part of securities held until maturity upon their expiry. Government securities of the Republic of Lithuania continued to dominate the securities portfolio (nearly 78%). The other share of the portfolio consisted of debt securities of governments of other EU countries (Bulgaria, Latvia, Croatia, Hungary, Romania and Poland), the Government of the Republic of Iceland and of three companies.

The LCCU loan portfolio has expanded by €3.3 million over the reference period, to €26.9 million at the end of the period. The main share of loans (€19.6 million) consisted of loans granted to credit unions (current and former members of the LCCU), of which subordinated loans amounted to €2.9 million. Loans granted by the LCCU to members of credit unions (natural and legal persons) amounted to €7.3 million.

The loan portfolio improved somewhat in quality over the reference period – specific provisions for loans granted to members of credit unions contracted by €5,000. The portfolio share of non-performing loans decreased to 6.3 p.p. over the reference period (to 10.3 per cent).

In Q3 2017, LCCU funds with the Bank of Lithuania grew by €16.9 million (to €22.4 million), accounting for nearly 19 per cent of total assets of the LCCU. Funds with banks (€0.8 million) continued to comprise an insignificant share of LCCU assets.

At the end of Q3 2017, the volume of funds accumulated in the stabilisation fund remained unchanged, standing at €0.9 million. The volume of the liquidity support fund contracted slightly at the end of Q3 2017, to €4.3 million. The major contribution to the reduction in the liquidity support fund came from the funds returned to the credit unions that withdrew from the LCCU.

Although the share capital of the LCCU remained unchanged over the reference period, standing at €8.9 million, the LCCU's share capital will decrease in the future, after returning to the withdrawn credit unions their contributions of shares.

According to the data as at 1 October 2017, the operating result of the LCCU was €0.46 million in profit (year on year – €0.8 million in profit). 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 adequacy ratio was 29.26 per cent (requirement – 14.03%), the overall capital adequacy ratio – 34.64 per cent (requirement – 17.53%), the liquidity coverage ratio – 129.89 per cent (requirement – 100%).

Pursuant to laws implementing the reform, the LCCU is restructuring its activities in order to comply with the requirements laid down in the Republic of Lithuania Law on Central Credit Unions starting from 1 January 2018.

Annex. Performance indicators of the Lithuanian Central Credit Union

Table 1. Key items of the balance sheet statement

Seq. No	Indicator	Amount, € millions			Change (%)	
		01/10/2016	01/07/2017	01/10/2017	2017 Q2	over the year
1.	Assets	129.7	112.3	118.1	5.1	-8.9
2.	Debt securities	86.5	80.7	66.2	-17.9	-23.5
3.	Funds with banks	19.3	6.3	23.2	3.7 times	20.2
3.1	with the Bank of Lithuania	18.5	5.5	22.4	4.1 times	21.1
4.	Loans granted	22.3	23.6	26.9	14.0	20.6
4.1	to LCCU members	17.5	18.8	19.6	4.3	12.0
5.	Loan impairment	0.01	0.017	0.012	-0.005	-0.005
6.	Deposits and letters of credit	110.2	93.6	99.0	5.8	-10.2
6.1	of LCCU members	103.4	92.5	93.1	0.6	-10.0
7.	Liquidity support reserve	4.9	4.4	4.3	-2.3	-12.2
8.	Stabilisation fund	1.0	0.9	0.9	-	-10
9.	Share capital	9.4	8.9	8.9	-	-5.3
10.	Profit (loss) for current year	0.8	0.19	0.46	-	-
11.	Number of credit unions (LCCU members)	61	58	56		

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages			Change, percentage points	
		1/10/2016	1/07/2017	1/10/2017	2017 Q2	over the year
1.	Overall capital adequacy ratio	45.04	39.00	34.64	-4.36	-10.4
2.	CET1 capital adequacy ratio	34.60	32.45	29.26	-3.19	-5.34
3.	Liquidity coverage ratio	150.07	154.31	129.89	-24.42	-20.18

Source: Bank of Lithuania.