LIETUVOS BANKAS
EUROSISTEMA

Review of the Activities of the Lithuanian Central Credit Union 2017

ISSN 2424-5569 (ONLINE)

Gedimino pr. 6, LT-01103 Vilnius, Lithuania
Phone: +370 5 268 0029, fax: +370 5 268 0038

www.lb.lt
info@lb.lt

As at 1 January 2018, the members of the Lithuanian Central Credit Union (hereinafter – the LCCU) were 50 credit unions and the Government of the Republic of Lithuania, which acquired €8.88 million in LCCU shares at the end of 2017. In 2017, 2 credit unions joined the LCCU, while 13 credit unions withdrew from it – 11 became members of the newly-established United Central Credit Union, another 2 went bankrupt.

Pursuant to laws passed for the implementation of the reform, the LCCU resolved its activities and as of 1 January 2018 has been in compliance with the requirements laid down in the Republic of Lithuania Law on the Central Credit Unions.

In 2017, the assets of the LCCU contracted by €18.7 million – to €140.8 million. The decrease in assets was driven by deposits, which fell by nearly a fifth (to €114.6 million). As before, they were the main financing source of the LCCU, financing 81% of LCCU assets.

The major share of LCCU assets (44.5%) was comprised of investments in debt securities. In 2017, the securities portfolio was on a gradual downward path and, having reduced by more than a third, amounted to €62.7 million at the end of the year. The main reason behind the decrease in securities was the deterioration of the portfolio of securities available for sale due to low or negative return on securities. Investment in Republic of Lithuania Government securities continued to dominate in the portfolio, accounting for more than 75%. The remaining part of investment in securities consisted of debt securities of governments of other EU countries (Bulgaria, Spain, Latvia, Poland, Croatia, Hungary and Romania), the Government of the Republic of Iceland and of four companies. The LCCU used funds received from debt securities sold for returning deposits and granting loans; it held spare funds with various banks.

Having increased by €9 million over the year to stand at €54.3 million, the LCCU funds with banks amounted to 39% of total assets at the end of the period under review. Comprising the bulk of funds with banks, funds with the Bank of Lithuania, to which the Republic of Lithuania Government's contribution of shares was transferred, increased the most (by €7 million), accounting for 36.6% of total assets. LCCU funds with commercial banks, which expanded by €2 million, comprised an insignificant share of LCCU assets.

In 2017, the LCCU loan portfolio increased by a fourth, to €21 million on 1 January 2018. The major share of loans (€13.5 million) consisted of loans granted to current and former members of the LCCU, of which subordinated loans amounted to €1.9 million. Loans granted by the LCCU to members of credit unions (natural and legal persons) amounted to €7.5 million at the end of the year. In the period under review, the loan portfolio quality improved – at the end of the year specific provisions against loans amounted to €335 thousand, reducing in half compared to the start of the year.

With credit unions (LCCU members) making compulsory contributions to the stabilisation fund, it increased two times in 2017, to stand at €1.2 million. The liquidity support reserve contracted in the period under review and amounted to €3.9 million on 1 January 2018. This was mainly driven by funds repaid to credit unions that left the LCCU.

As mentioned before, at the end of 2017 the Government of the Republic of Lithuania acquired shares of the LCCU, which significantly strengthened the LCCU capital. Thus, even after the credit unions that left the LCCU or were withdrawn were repaid (€1.9 million), on 1 January 2018 the LCCU share capital posted a €7 million increase compared to the start of the year, amounting to €15.9 million. According to unaudited statements, the LCCU's operating result for 2017 was a profit of €0.6 million (according to audited data in 2016 – a profit of €0.5 million). Profitable operations were underpinned by interest income on loans and securities.

With the increase in the share capital, the LCCU complied with capital adequacy requirements with a fair margin: at the end of the year, the common equity Tier 1 (CET1) capital adequacy ratio was 67.53% (requirement – 14.03%), the overall capital adequacy ratio – 74.04% (requirement – 17.53%). The liquidity coverage requirement was also met with a fair margin (144.11%, requirement – 100%).

Supervision Service of the Bank of Lithuania. Contact person: Oleg Davidovič, phone: +370 5 268 0957, email: odavidovic@lb.lt

Annex. Performance indicators of the Lithuanian Central Credit Union

Table 1. Key items of the balance sheet statement

Seq. No	Indicator	Amount, EUR millions 01/01/2017	01/10/2017	01/01/2018	Change, % Q4 2017	over the year
1.	**Assets**	**159.5**	**118.1**	**140.8**	**19.2**	**–11.8**
2.	Debt securities	**95.8**	**66.2**	**62.7**	**–5.3**	**–34.6**
3.	Funds with banks	**45.3**	**23.2**	**54.3**	2.3 times	**19.9**
3.1.	with the Bank of Lithuania	**44.6**	**22.4**	**51.5**	2.3 times	**15.5**
4.	Loans granted	**16.8**	**26.9**	**21.0**	**–21.9**	**25.0**
4.1.	to LCCU members	**11.9**	**19.6**	**11.8**	**–39.8**	**–0.8**
5.	Specific provisions against loans	**0.74**	**0.37**	**0.34**	**–8.1**	**–54.1**
6.	Deposits and letters of credit	**141.2**	**99.0**	**114.6**	**15.8**	**–18.8**
6.1.	of LCCU members	**132.6**	**93.1**	**96.3**	**3.4**	**–27.4**
7.	Liquidity support reserve	**5.4**	**4.3**	**3.9**	**–9.3**	**–27.8**
8.	Stabilisation fund	**0.6**	**0.9**	**1.2**	**33.3**	2 times
9.	Share capital	**8.9**	**8.9**	**15.9**	**78.7**	**78.7**
10.	Profit (loss) for current year	**0.5**	**0.46**	**0.6**	–	–
11.	Number of credit unions (LCCU members)	**61**	**56**	**50**	–	–

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages 01/01/2017	01/10/2017	01/01/2018	Change, percentage points Q4 2017	over the year
1.	Overall capital adequacy ratio	**41.65**	**34.64**	**74.04**	**39.40**	**32.39**
2.	CET1 capital adequacy ratio	**34.00**	**29.26**	**67.53**	**38.27**	**33.53**
3.	Liquidity coverage ratio	**154.32**	**129.89**	**144.11**	**14.22**	**–10.21**

Source: Bank of Lithuania.

Supervision Service of the Bank of Lithuania. Contact person: Oleg Davidovič, phone: +370 5 268 0957, email: odavidovic@lb.lt