



Review of the Activities of the Lithuanian Central Credit Union

1st Quarter of 2016

On 1 April 2016, the **Lithuanian Central Credit Union (LCCU)** united 61 credit unions.

Since the beginning of the year, the assets of the LCCU have decreased by EUR 5 million — to EUR 132.6 million. The decrease in assets was due to a 3.8 per cent (up to EUR 111.8 million) decrease in deposits (mainly of credit unions that are members of the LCCU), which continued to be the main source of financing of LCCU assets (84% of LCCU assets are financed with them).

The bulk of the LCCU assets (72%) consisted of investments in debt securities, which grew by EUR 3.4 million in the reporting quarter and, according to data as of 1 April 2016, amounted to EUR 95.5 million. Government securities of the Republic of Lithuania comprised the major part of these investments (88%); the remaining part was comprised of government securities of other European Union countries (Latvia, Croatia, Hungary, Spain, Estonia and Bulgaria) and of debt securities of two enterprises.

Against a backdrop of the increase in the members' need for loans and the acquisition of new debt securities, the LCCU held less funds with the Bank of Lithuania. In the reference period, these funds almost halved (to EUR 13.7 million) and as of 1 April 2016 accounted for slightly more than a tenth of the LCCU assets, while the LCCU funds with banks, which increased by 50 per cent over the quarter (to EUR 0.9 million), accounted for an insignificant share of the assets.

As mentioned, with the start of farmers' preparation for spring, the loan portfolio grew in the first quarter of 2016. Loans granted by the LCCU over the aforementioned period increased by EUR 4.5 million and as of 1 April 2016 amounted to EUR 20.9 million. Loans granted to credit unions that are members of the LCCU amounted to EUR 16.7 million, of which EUR 4.4 million were subordinated loans. Other loans (more than EUR 4 million) were granted to members of credit unions — natural and legal persons. There were no specific provisions against loans.

With the decrease in deposits at credit unions, the LCCU liquidity support reserve fell by EUR 0.4 million and on 1 April 2016 amounted to EUR 4.3 million. The volume of funds in the stabilisation fund, designated for restoring the solvency of credit unions (LCCU members), has been changing insignificantly due to contributions for 2015–2017 that many credit unions which are members of the LCCU paid in advance. After aiding one credit union, the aforementioned fund contracted somewhat in the reference period and amounted to EUR 0.9 million on the reporting date.

The share capital of the LCCU has remained unchanged since 2014, amounting to EUR 9.4 million as of 1 April 2016. Over the first quarter of 2016, the LCCU earned EUR 0.3 million in profit (in 2015, operations of LCCU were loss-incurring over the same period). The profitable operations in the period under review were driven by interest income received for loans and debt 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 32.38 per cent (requirement — 14.7%), the overall capital adequacy ratio — 43.17 per cent (requirement — 18.2%), and the liquidity coverage ratio — 164.17 per cent (requirement — 100%).

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 (%)	
		01/04/2015	01/01/2016	01/04/2016	Q1 2016	over the year
1	Assets	115.6	137.6	132.6	-3.6	14.7
2	Debt securities	68.5	92.1	95.2	3.4	39.0
3	Funds with banks	35.4	27.2	14.6	-46.3	-2.4 times
4	Loans granted	20.0	16.4	20.9	27.4	4.5
4.1	to credit unions (LCCU members)	16.6	14.1	16.7	-9.5	-26.4
5	Loan impairment	-	-	-	-	-
6	Deposits and letters of credit	89.0	116.2	111.8	-3.8	25.6
6.1	of credit unions (LCCU members)	87.0	112.9	109.0	-3.5	25.3
7	Liquidity support reserve	4.7	4.7	4.3	-8.5	-8.5
8	Stabilisation fund	1.7	0.9	0.9	-	-47.1
9	Share capital	9.4	9.4	9.4	-	-
10	Profit (loss) for current year	-0.02	0.06	0.3	-	-
11	Number of credit unions (LCCU members)	63	62	61	-	-

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages			Change, percentage points	
		01/04/2015	01/01/2016	01/04/2016	Q1 2016	over the year
1	Overall capital adequacy ratio	58.41	49.33	43.17	-6.16	-15.24
2	CET1 capital ratio	42.31	37.0	32.38	-4.62	-9.93
3	Liquidity coverage ratio	176.61	180.41	164.17	-16.24	-12.44

Source: Bank of Lithuania.