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Review of the Activities of the Lithuanian Central Credit Union

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

The assets of the LCCU grew by EUR 5.5 million in Q3 2016 – to EUR 129.7 million. Asset growth was due to an increase in deposits (mainly of credit unions that are members of the LCCU) by EUR 6 million (to EUR 110.2 million), which continued to be the main source of financing of LCCU assets (85% of LCCU assets are financed with them). The main reason behind deposit growth was inflows in accounts of credit unions, uniting agricultural workers, due to seasonal factors. The major share of LCCU assets (67%) was comprised of investments in debt securities. In the reporting period, they grew by EUR 3 million, to EUR 86.5 million on 1 October 2016. Securities of the Government of the Republic of Lithuania accounted for the major part of these investments (84%); the remaining part consisted of debt securities of governments of other European Union countries (Bulgaria, Latvia, Croatia, Hungary, Spain, and Romania) and of two companies.

LCCU funds with the Bank of Lithuania went up by EUR 2.3 million (to EUR 18.5 million) in the reference period, to 14 per cent of LCCU assets on 1 October 2016, whereas LCCU funds with banks comprised an insignificant asset share (EUR 0.8 million).

The loan portfolio expanded slightly in the third quarter of 2016, to EUR 22.3 million on 1 October 2016. Loans granted to credit unions members of the LCCU amounted to EUR 17.5 million, of which subordinated loans – to EUR 3.8 million. Loans granted to members of credit unions (natural and legal persons) amounted to EUR 4.6 million on the reporting date. The quality of one loan, granted to a member of a credit union which is a member of the LCCU, deteriorated; hence, specific provisions were formed in the third quarter of 2016 (EUR 13 thousand) to cover the loan impairment costs.

On 1 October 2016, the LCCU liquidity support reserve amounted to EUR 4.9 million. With the contributions for 2015–2017 paid in advance by many credit unions that are members of the LCCU, changes in the volume of the stabilisation fund, designated for restoring the solvency of credit unions (LCCU members), were insignificant: it stood at EUR 1 million on the reporting date.

The share capital of the LCCU has remained unchanged since 2014 and amounted to EUR 9.4 million on 1 October 2016. The operating result for the nine months of 2016 is EUR 0.8 million in profit (in the same period of 2015, credit union operated at a loss). The profitable operations were due to interest income on loans and securities received.

The LCCU complied with the capital adequacy and liquidity coverage requirements with a fair margin: the common equity Tier 1 (CET1) capital was 34.60 per cent (the requirement is 14.03%), the overall capital adequacy ratio – 45.04 per cent (the requirement is 17.53%), the liquidity coverage ratio – 150.07 per cent (the ratio is 100%).

New Laws of the Republic of Lithuania on Credit Unions and on Central Credit Unions laid the foundations for the restructuring of the system of credit unions. In order to evaluate the real asset value, a LCCU asset quality evaluation process has been started, which is conducted by the Bank of Lithuania. LCCU asset quality is likely to be evaluated by the end of this year. The asset quality evaluation results are expected to reveal the real asset value and financial situation of 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 (%)	
		01/10/2015	01/07/2016	01/10/2016	2016 Q3	over the year
1	Assets	118.7	124.2	129.7	4.4	9.3
2	Debt securities	77.9	83.5	86.5	3.6	11.0
3	Funds with banks	20.0	16.9	19.3	14.2	-3.5
3.1	with the Bank of Lithuania	19.1	16.2	18.5	14.2	-3.1
4	Loans granted	18.8	22.1	22.3	0.9	18.6
4.1	to LCCU members	15.3	17.4	17.5	0.6	14.4
5	Loan impairment	-	-	0.01	-	-
6	Deposits and letters of credit	95.3	104.2	110.2	5.8	15.6
6.1	of LCCU members	93.9	96.0	103.4	7.7	10.1
7	Liquidity support reserve	4.6	5.0	4.9	-2.0	6.5
8	Stabilisation fund	1.0	0.9	1.0	11.1	-
9	Share capital	9.4	9.4	9.4	-	-
10	Profit (loss) for current year	-0.1	0.6	0.8	-	-
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	
		01/10/2015	01/07/2016	01/10/2016	2016 Q3	over the year
1	Overall capital adequacy ratio	44.65	44.86	45.04	0.18	0.39
2	CET1 capital adequacy ratio	33.49	33.86	34.60	0.74	1.11
3	Liquidity coverage ratio	172.04	173.87	150.07	-23.80	-21.97

Source: Bank of Lithuania.