



Review of the Activities of the Lithuanian Central Credit Union

2017 / Q1

The Lithuanian Central Credit Union. As at 1 April 2017, the LCCU united 60 credit unions.

Following a decrease of EUR 19 million in Q1 2017, as at 1 April 2017 the assets of the LCCU amounted to EUR 140.7 million. The decline in assets was led by deposits (mainly of credit unions that are members of the LCCU), which shrank by EUR 19 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 87 per cent of them. As before, the major share of LCCU assets (65%) was comprised of investments in debt securities. In the period under review, they decreased by EUR 3.7 million – to EUR 92.1 million. Government securities of the Republic of Lithuania continued to comprise the largest share of the debt securities portfolio (76%). The remaining part consisted of debt securities of governments of other EU countries (Bulgaria, Latvia, Croatia, Hungary and Romania), the Government of the Republic of Iceland and of two companies.

Funds with the Bank of Lithuania accounted for almost a quarter of the LCCU assets. In Q1 2017 they reduced by EUR 14 million – to EUR 30.5 million. Funds with banks (EUR 0.9 million) comprised an insignificant LCCU asset share.

In the period under review, the loan portfolio remained basically unchanged, decreasing by EUR 1.2 million to stand at EUR 15.6 million at the end of the period. The major share of loans (EUR 10.5 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 5.1 million.

In the period under review, as one credit union returned a depreciated loan, specific provisions against loans granted from the stabilisation fund decreased, amounting to EUR 178 thousand at the end of the quarter.

The stabilisation fund stood at EUR 0.7 million at the end of Q1 2017. Changes in the volume of the stabilisation fund were driven by compulsory contributions made by credit unions (LCCU members). In Q1 2017, the LCCU provided unredeemable financial support to one credit union when it returned the previously granted subordinated loan. With the decrease in deposits at credit unions, the LCCU liquidity support reserve fell somewhat at the end of Q1 2017, amounting to EUR 5.1 million.

In the period under review, its share capital remained unchanged and stood at EUR 8.9 million. In Q1 2017, the LCCU earned EUR 49 thousand in profit (in Q1 2016, its operating result was a profit of EUR 0.3 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 39.71 per cent (requirement – 14.03%), the overall capital adequacy ratio – 46.73 per cent (requirement – 17.53%), the liquidity coverage ratio – 147.89 per cent (requirement – 100%). Pursuant to laws passed for the implementation of 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.

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 (%)	
		01/04/2016	01/01/2017	01/04/2017	2017 Q1	over the year
1.	Assets	132.6	159.5	140.7	-11.8	6.1
2.	Debt securities	95.2	95.8	92.1	-3.9	-3.3
3.	Funds with banks	14.6	45.3	31.4	-30.7	2.2 times
3.1	with the Bank of Lithuania	13.7	44.6	30.5	-31.6	2.2 times
4.	Loans granted	20.9	16.8	15.6	-7.1	-25.4
4.1	to LCCU members	16.7	11.9	10.5	-11.8	-38.3
5.	Loan impairment	–	0.18	–		
6.	Deposits and letters of credit	111.8	141.2	122.4	-13.3	9.4
6.1	of LCCU members	109.0	132.6	117.5	-11.4	9.6
7.	Liquidity support reserve	4.3	5.4	5.2	-3.7	20.9
8.	Stabilisation fund	0.9	0.6	0.7	16.7	-22.2
9.	Share capital	9.4	8.9	8.9		-5.3
10.	Profit (loss) for current year	0.3	0.5	0.05	–	–
11.	Number of credit unions (LCCU members)	61	61	60	–	–

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages			Change, percentage points	
		01/04/2016	01/01/2017	01/04/2017	2017 Q1	over the year
1.	Overall capital adequacy ratio	43.17	41.65	46.73	5.08	3.56
2.	CET1 capital adequacy ratio	32.38	34.00	39.71	5.71	7.33
3.	Liquidity coverage ratio	164.17	154.32	147.89	-6.43	-16.28

Source: Bank of Lithuania.