



Review of the Activities of the Lithuanian Central Credit Union

2nd Quarter of 2016

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

The assets of the LCCU in the second quarter of 2016 contracted by EUR 8.4 million — to EUR 124.2 million. This was due to a 6.8 per cent (up to EUR 104.2 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 (67%) consisted of investments in debt securities, which narrowed by EUR 11.7 million in the reporting quarter, and, according to data as of 1 July 2016, amounted to EUR 83.5 million. Government securities of the Republic of Lithuania comprised the major part of these investments (86%); the remaining part consisted of debt securities of the governments of other European Union countries (Latvia, Croatia, Hungary, Spain, Estonia and Bulgaria) as well as of debt securities of one enterprise.

Having sold part of debt securities, the LCCU held spare funds with the Bank of Lithuania. In the reference period, these funds boosted by EUR 2.5 million (to EUR 16.2 million) and as of 1 July 2016 accounted for nearly an eighth of the LCCU assets, while the LCCU funds with banks (EUR 0.7 million) made up an insignificant share of the assets.

As the second quarter of 2016 saw continuing credit demand linked with the financing of agricultural works, the loan portfolio followed an upward path. Loans granted by the LCCU over the aforementioned period increased by EUR 1.2 million and, as of 1 July 2016, stood at EUR 22.1 million. Loans granted to credit unions that are members of the LCCU amounted to EUR 17.5 million, of which EUR 4.4 million were subordinated loans, while loans granted to members of credit unions (natural and legal persons) — EUR 4.6 million. On the reporting date, LCCU loan quality indicators were positive, hence no specific provisions against loans were formed.

As of 1 July 2016, the LCCU liquidity support reserve amounted to EUR 5 million year on year. With the contributions for 2015–2017 paid in advance by many credit unions that are members of the LCCU, the volume of the stabilisation fund, designated for restoring the solvency of credit unions (LCCU members), has been changing insignificantly, standing at 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 July 2016. Over the first half-year of 2016, the LCCU earned EUR 0.6 million in profit (in 2015 operations of credit unions were loss-bearing over the same period). The profitable operations in the above-named period 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 33.86 per cent (requirement — 14.7%), the overall capital adequacy ratio — 44.86 per cent (requirement — 18.2%), and the liquidity coverage ratio — 173.87 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 (%)	
		01/07/2015	01/04/2016	01/07/2016	Q2 2016	over the year
1	Assets	117.6	132.6	124.2	-6.3	5.6
2	Debt securities	55.8	95.2	83.5	-12.3	49.6
3	Funds with banks	40.9	14.6	16.9	15.8	-58.7
3.1	with the Bank of Lithuania	40.1	13.7	16.2	18.2	-59.6
4	Loans granted	18.8	20.9	22.1	5.7	17.6
4.1	to LCCU members	16.5	16.7	17.4	4.2	5.5
5	Loan impairment	-	-	-	-	-
6	Deposits and letters of credit	93.3	111.8	104.2	-6.8	11.7
6.1	of LCCU members	90.6	109.0	101.1	-7.2	11.6
7	Liquidity support reserve	5.0	4.3	5.0	16.3	-
8	Stabilisation fund	1.0	0.9	0.9	-	-10.0
9	Share capital	9.4	9.4	9.4	-	-
10	Profit (loss) for current year	-0.1	0.3	0.6	-	-
11	Number of credit unions (LCCU members)	63	61	61	-	-

Source: Bank of Lithuania.

Table 2. Other performance indicators

Seq. No	Indicator	Percentages			Change, percentage points	
		01/07/2015	01/04/2016	01/07/2016	Q2 2016	over the year
1	Overall capital adequacy ratio	49.13	43.17	44.86	1.69	-4.27
2	CET1 capital adequacy ratio	36.85	32.38	33.86	1.48	-2.99
3	Liquidity coverage ratio	197.81	164.17	173.87	9.70	-23.94

Source: Bank of Lithuania.