

OPERATION OF COOPERATIVE CREDIT UNIONS

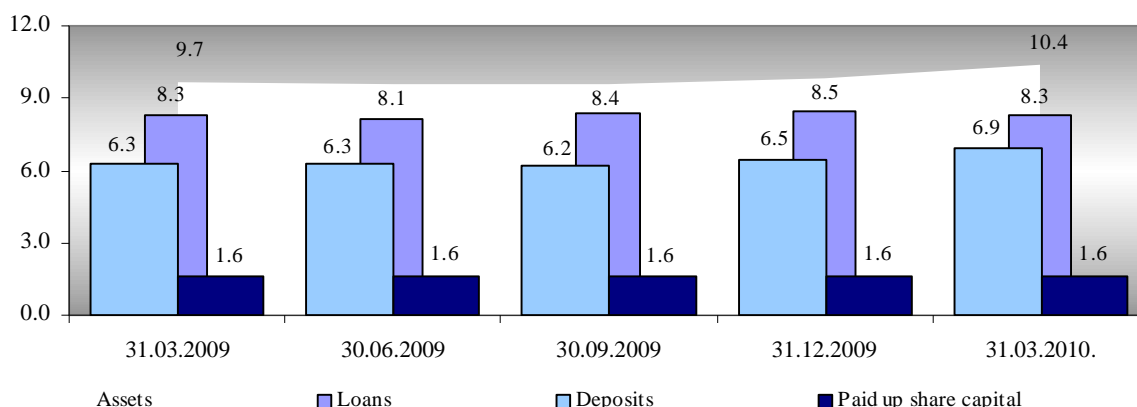
GENERAL INFORMATION

In Q1 2010, there were 34 cooperative credit unions still operating in Latvia.

In the reporting quarter, the amount of assets of credit unions rose by 503 thousand lats, or 5.1%, and at end-March amounted to 10.4 million lats (0.05% of banking sector assets) (see Figure 1).

Figure 1

ASSETS, LOANS, DEPOSITS AND PAID-UP SHARE CAPITAL OF CREDIT UNIONS (million lats)



The key line of credit institution operation is lending to their members. The amount of loans issued to the members of credit unions in the reporting year shrank by 2.4% and at end-March was 8.3 million lats, or 80% of total assets of credit unions. Of total credit union loan portfolio, a greater part, or 60%, still was consumer loans while mortgage loans made up 36% (compared to 62% and 35% at end-2009).

By end-Q1 2010, of total credit union loan portfolio 22% were short-term loans (up to one year), 42% – were medium-term loans (from one to five years) and 36% – long-term loans (more than five years) in comparison with 22%, 43% and 35% at end-2009.

At the end of reporting year, 66.4% of credit union loan portfolio was assessed as standard loans, 29.6% – as close-watch loans and 4% - as total sum of substandard, doubtful and lost loans (compared to 66.2%, 30.1% and 3.7% at end-2009). Special loan loss provisions at the end of March made up 5.1% of total credit union loan portfolio.

The main source of funds attracted by credit unions constituted member deposits and their amount rose by 6.2% in the reporting quarter, totalling 6.9 million lats at end-March or 66% of total liabilities. Deposits of private persons constituted a greater part (83.8%) of total credit union member deposits.

At the end of reporting quarter, 67% of total deposits were short-term deposits up to one year, 27% were medium-term deposits (from one to five years) and 6% were long-term deposits (more than 5 years), compared to 66%, 28% and 6% at-end 2009.

At end-Q1 2010 total capital and reserves of credit unions accounted for 2.2 million lats, paid-up share capital, 1.6 million lats.

PERFORMANCE INDICATORS

In Q1 2010, credit unions earned a total of 46.2 thousand lats¹ after tax (compared to 39.4 thousand lats in Q1 2009). Of total, 17 credit unions ended the reporting quarter with a profit while 17 credit unions posted losses totalling 10.2 thousand lats.

In the reporting quarter income from interest on loans issued to credit union members (74%) was the main source of credit union income (compared to 74% at end-2009), while major expenditure items for credit unions were made up by administrative expenses, expenses on provisions for doubtful debts as well as interest expenses on deposits, at the end of March constituting 44%, 24% and 22% of total expenditures, respectively (compared to 38%, 23% and 28% at end-2009).

By the end of the reporting quarter, the return on equity (ROE)² was 8.7%, whereas return on assets (ROA)³ – 1.8% (compared to 2.7% and 0.6% at end-2009).

At the end of March the capital adequacy ratio for the credit union sector was 20.8% (compared to 21.1% at end-2009) (minimum capital adequacy requirement is 10%).

¹ Non-audited data.

² ROE – the ratio of the profit/loss from the beginning of the year to capital and reserves (average).

³ ROA – the ratio of the profit/loss from the beginning of the year to assets (average).