From the Donetsk Probability Group

April 2007

A contract has been signed between the Group and Credit Union Dobrobut, in Donetsk. The subject of the contract is the problem of modeling and forecasting assets and deposits. We have to build models using 5 parameters:

- reserve (depends on the assets);
- reserve for covering arrears (depends on the arrears);
- liquidity (depends on the deposits);
- insurance expenses (depends on the deposits);
- payments to the credit bureau (depends on the number of new members);

forecast them to the end of 2007 and calculate their share in the profit from the credit portfolio.

The purpose is to find out what rate of interest for credits will allow the Credit Union to cover all its expenses.

The source data are 13 measurements for each parameter.

One of the conditions of the contract is the publication of the results in a special magazine for credit unions, named "Coordinator".

The duration of the contract is one month, namely May 2007.