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**RATO KREDITO UNIJA**

**Molėtų st. 13, Didžioji Riešė, Vilnius district municipality.  
Lithuania**

**RATO KREDITO UNIJA**

**SET OF FINANCIAL STATEMENTS 2020**

RATO KREDITO UNIJA

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## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RATO KREDITO UNIJA

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Rato kredito unija (the Union), which comprise the balance sheet as at 31 December 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Union as at 31 December 2020, and its financial performance for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and Business Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of the Republic of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

The financial statements of the Union for the year ended 31 December 2019 were audited by another auditor, which issued an unqualified opinion on the financial statements of the Union on 17 March 2020.

#### Responsibilities of Management and those Charged with Governance for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Business Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Union's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified auditor  
Darius Gliubicas  
9 March 2021  
Upės st. 21, Vilnius  
Auditor's certification No. 000594      */signature/*

Grant Thornton Baltic UAB  
Audit company's certification No. 001502

Grant Thornton International Ltd.

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### Rato kredito unija

The Union's code 112043124, Molėtų st. 13, Didžioji Riešė, Vilnius

#### BALANCE SHEET as at 31 December 2020

9 March 2021

(reporting date)

Year		EUR thousand		
(reporting period)		(reporting currency and degree of accuracy)		
	ASSETS	Notes	Financial year	Previous financial year
<b>A.</b>	<b>ASSETS</b>			
I.	Cash and cash equivalents	6	10 251	7 027
II.	Investments in securities	7	2 436	2 848
III.	Loans granted to credit institutions and other receivables			
IV.	Loans granted to members of the Credit Union and other receivables	8	40 792	35 056
V.	Other financial assets	9	609	
VI.	Reserves, repossessed and other assets	10	173	260
VII.	Non-current tangible assets	11	108	77
VIII.	Intangible assets	11	73	31
	<b>TOTAL ASSETS:</b>		<b>54 442</b>	<b>45 299</b>
	EQUITY AND LIABILITIES	Notes	Financial year	Previous financial year
<b>B.</b>	<b>AMOUNTS PAYABLE AND LIABILITIES</b>		<b>50 122</b>	<b>41 627</b>
I.	Amounts payable and liabilities to credit institutions			
II.	Amounts payable and liabilities to clients and the Credit Union members	12	49 867	41 463
III.	Other amounts payable and liabilities	14	172	164
IV.	Provisions		2	
V.	Subordinated liabilities	13	81	
<b>C.</b>	<b>EQUITY</b>		<b>4 320</b>	<b>3 672</b>
I.	Share capital	15	3 345	3 118
II.	Legal reserve and capital		554	32
III.	Revaluation reserve			
<b>IV.</b>	<b>Retained earnings (deficit)</b>	<b>25</b>	<b>421</b>	<b>522</b>
IV.1	Profit (loss) for the reporting year		421	522
IV.2	Profit (loss) for the previous year			
	<b>TOTAL EQUITY AND LIABILITIES:</b>		<b>54 442</b>	<b>45 299</b>

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

**Rato kredito unija**

The Union's code 112043124, Molėtų st. 13, Didžioji Riešė, Vilnius

**INCOME STATEMENT as at 31 December 2020**

9 March 2021

(reporting date)

Year  
(reporting period)

EUR thousand  
(reporting currency and degree of accuracy)

No.	Items	Notes	Financial year	Previous financial year
I.	Interest income	1	2 347	1 831
II.	Interest expense	1	963	663
III.	Commission and customer service income	2	634	585
IV.	Commission and customer service expenses	2	1	3
V.	Result of changes in the value of financial assets and sales		-105	-71
V.1.	Expenses of special provisions	3	-105	-71
V.2.	Other result of changes in the value of financial assets and sales			
VI.	Other profit (loss) from financial and investment activities			
VII.	General and administrative expenses	4	1 466	1 099
VIII.	Other operating income		32	
IX.	Other operating expenses			
X.	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>478</b>	<b>580</b>
XI.	Income tax	5	57	58
XII.	<b>NET PROFIT (LOSS)</b>		<b>421</b>	<b>522</b>

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka



## RATO kredito unija

Legal entity code 112043124, Molėtų st. 13, Didžioji Riešė, Vilnius

### EXPLANATORY NOTES Year ended 31 December 2020 Reporting date 8 March 2021

#### I. GENERAL INFORMATION

The cooperative society *RATO kredito unija* (formerly - Vilnius Regional Credit Union, Lith. *Vilniaus regiono kredito unija*) was registered in the Register of Legal Entities of the Republic of Lithuania on 30 May 1996. On 30 May 1996, the Bank of Lithuania issued the license No 10, registration No KU96-10, to carry out financial operations that included accepting deposits and other repayable funds from non-professional market participants, transferring money and currency exchanging in cash.

*RATO kredito unija* (hereinafter - the Credit Union) is a credit institution not only meeting the economic and social needs of its members, but also accepting deposits and other repayable funds from non-professional market participants and lending funds. The Credit Union also has the right to engage in the provision of financial services specified in the Law on Credit Unions of the Republic of Lithuania to persons stipulated by the law by assuming the related risks and responsibilities. The Credit Union is not a VAT payer.

Given that on 30 June 2016, the Law amending the Law on Credit Unions of the Republic of Lithuania No I-796 (entered into force on 1 January 2017) was passed, according to which credit unions operating in Lithuania until 2018 January 1 had to consolidate its activities by merging into central credit unions or decide on reorganization into banks, the Board of the Credit Union decided that the reorganization of the Credit Union into a public limited company with a specialized banking license issued under the Law on Banks of the Republic of Lithuania is in the best interests of members of the Credit Union. On 4 December 2017, by the decision No 241-220 of the Director of the Supervision Service of the Bank of Lithuania "Regarding the Consent to Performing the Reorganization of RATO kredito unija", the Credit Union was granted the permission of the Bank of Lithuania regarding the reorganization of the Union into a specialized bank. On 28 August 2020, the Credit Union submitted an application for the issuance of a specialized banking license for the assessment of the Supervision Service of the Bank of Lithuania.

In its activities, the Credit Union follows the Civil Code of the Republic of Lithuania, the Law on Credit Unions of the Republic of Lithuania, the Law on Financial Institutions of the Republic of Lithuania, the Law on Cooperative Societies (Cooperatives) and other laws, as well as legislation adopted by the supervisory authorities and its Articles of Association.

The Credit Union's business address: J. Jasinskio st. 14A, Vilnius, the registered address: Molėtų st. 13, Didžioji Riešė. In 2020 and 2019, the Credit Union had no remote cash-desks. In 2020 and 2019, the average number of employees on payroll was 20.

Information on the Credit Union's members and associate members:

	Financial year		Previous financial year	
	Members	Associate members	Members	Associate members
<i>Natural persons</i>	2 882		3 021	
<i>Legal entities</i>		292		261

The number of the Credit Union's members decreased in 2020 by the decision of the general meeting of members after the removal of inactive members of the Credit Union.

## II. ACCOUNTING POLICY

The set of financial statements has been prepared in accordance with the Accounting Law of the Republic of Lithuania, the Law on Credit Unions of the Republic of Lithuania, Business Accounting Standards of the Republic of Lithuania.

The financial year of the Credit Union coincides with the calendar year - starting on 1 January and ending on 31 December.

The amounts in the financial statements are presented in national currency, in thousands of euros, unless otherwise stated.

Foreign currency transactions are accounted for using official exchange rates prevailing at the dates of transactions. Profit or loss arising from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Balances in foreign currency at the end of the year are revalued at the official exchange rates set by the Bank of Lithuania valid on 31 December.

### Significant accounting principles

The significant accounting principles are followed in managing the Credit Union's accounting and preparing the financial statements:

1. **Economic entity principle.** The Credit Union is a separate unit of account and, in carrying out its activities and preparing its financial statements, includes only its owned assets, equity, liabilities, income and expenses.
2. **Going concern principle.** The financial statements are based on the assumption that the Union will operate and continue its operations for a sufficient period of time to ensure that it will not go into liquidation or that its activities will not be significantly restricted.
3. **Time period principle.** The financial statements of the Credit Union are presented for periods of equal duration, at the end of which the reporting data on the assets owned by the Union and its changes during the reporting period as well as the income earned and expenses incurred are presented.
4. **Consistency principle** The Union's accounting policies are not changed frequently to remain stable for quite a long time.
5. **Monetary unit principle.** All Credit Union's assets, equity and liabilities and operating results in accounting and financial statements are priced and reflected in cash.
6. **Accrual principle.** Underlying transactions of the Union shall be recognized and recorded when they occur, regardless of cash inflow or outflow moments, and shall be reflected in the financial statements for that period. Income under this principle is recorded when it is earned. Accrual-based financial statements inform service users not only on past events but also on obligations to pay or receive cash in the future.
7. **Matching principle.** The income earned by the Union during the reporting period is linked to the expenses incurred.
8. **Prudence principle.** The Credit Union chooses the accounting methods according to



which its assets, equity and liabilities, income and expenses are assessed prudently, i. e., so that the value would not be unduly increased or unduly reduced and the financial statements would be reliable and neutral.

9. **Neutrality principle.** The accounting information of the Union is presented impartially so that its presentation would not influence the users of this information to make incorrect decisions.

10. **Substance over form principle.** Underlying transactions and events are recorded in the accounts of the Union according to their substance and in economic terms, and not solely according to their legal form.

## Financial assets

**Financial assets** – 1) cash and cash equivalents, 2) contractual rights to receive cash or another financial asset, contractual rights to exchange financial instruments with another party, 3) acquired securities of other entities.

Revenue not recognized as income during the reporting period is recognized as liabilities in the balance sheet, whereas payments made during the reporting period that are not recognized as expense are recognized in the balance sheet as asset.

Financial assets are classified in the following 3 categories:

- assets held for sale;
- held-to-maturity assets;
- loans and receivables.

*Assets held for sale* – assets acquired for the purpose of selling or gaining from price fluctuations, as well as other financial assets that cannot be classified as held-to-maturity assets or loans and receivables.

Assets held for sale are initially recognized and accounted for at cost and measured at fair value, and each time the financial statements are prepared, they are measured at fair value - market value.

Held-to-maturity financial assets are initially recognized at cost and amortized cost, and each time the financial statements are prepared - at amortized cost. The amortized cost is calculated using the effective interest method.

All regular purchases and sales of securities are recognized upon settlement. The acquisition value of securities includes all costs related to the purchase - commissions.

*Loans and receivables* are non-derivative financial assets with fixed or otherwise determinable payments that are not quoted in an active market, except for available-for-sale and measured at fair value. Initially, loans are recognized at cost, and are measured at amortized cost in preparing the financial statements. The amortized cost is calculated using the effective interest method. Loans and other receivables are accounted for with interest and loan impairment (special provisions and other impairment) are assessed.

### *Loan impairment*

Loans are assessed at least monthly. During the assessment of loans, the Credit Union determines the occurrence of any loss events and loan impairment. Depending on the

assessment results, the loan is assigned to the respective loan risk group.

Loans are assessed in accordance with the legislation of the Republic of Lithuania, resolutions of the Board of the Bank of Lithuania, the Credit Union's loan valuation rules, the Credit Union's financial debtor status assessment procedure and the Business Accounting Standard 18 "Financial Assets and Financial Liabilities".

Loans are classified into five groups according to risk assessment. Depending on a loan risk group, the expected impairment of book value of the loan approved by the Board of the Credit Union and applied in the financial statements are presented in the table below:

Loan risk group	Impairment of book value, %	
	Financial year	Previous financial year
Standard	0	0
Potential risk	5	5
Increased risk	25	25
High risk	50	50
Very high risk	100	100

Impairment of loans is calculated based on a loan risk group (expected recovery of the book value of loan) and the collateral (collateral cash flow). When calculating the collateral cash flow, in 2019 and 2018, a discount rate of 2.50% was applied.

#### **Non - financial assets**

The Credit Union's non-financial assets include non-current tangible assets and intangible assets, inventories, assets taken over for debts and other non-financial assets intended to be sold in the near future, at fair value less costs to sell and subsequently measured in accordance with the provisions of the Business Accounting Standard 9 "Inventories".

The item of non-current tangible assets reflects the value of non-current tangible assets used in the activities of the Credit Union, recognized and recorded in the accounting in accordance with the provisions of Business Accounting Standard 12 "Non-Current Tangible Assets".

The item of intangible assets shows the value of intangible assets used in the activities of the Credit Union, recognized and recorded in the accounting in accordance with the provisions of Business Accounting Standard 13 "Intangible Assets".

Fixed assets (approved minimum acquisition cost of fixed assets EUR 202.73) are stated at cost less the amount of the accumulated depreciation (amortization) and the depreciation of the asset. Depreciation (amortization) is calculated on a straight-line basis by proportionately writing down the cost of each individual property unit over its estimated useful life.

The Credit Union applies these depreciation or amortization rates for fixed assets:

Fixed assets group	Depreciation (amortization) period, years
Software	3
Cars	6
Furniture	6
Computer equipment	3
Other fixed assets	4

## **Share capital**

The share capital of the Union consists of the value of all Union share contributions. Share contributions can only be cash contributions. In 2020 and 2019, the minimum share of a member of the Union was EUR 30, the share of an associate member was EUR 100. The Union's shares are accounted for at nominal value.

It is prohibited to use the funds borrowed by the Union and the property pledged to it for accumulation of the share capital of the Union. Additional shares, although having the characteristics of financial liabilities, are included in the capital of the Union as they do not have a specific repayment term.

## **Legal reserve**

Legal reserve or capital reserve is formed from the Credit Union's profit deductions. Deductions to the legal reserve or capital reserve are mandatory and may not be less than 90 % of the Credit Union's distributable profit until the legal reserve or capital reserve and reserve capital amount to at least 9/10 of the Credit Union's equity. The legal reserve or capital reserve may be used only to cover the operating losses of the Credit Union by the decision of the general meeting of members of the Credit Union. When part of the legal reserve or capital reserve and / or reserve capital is used to cover the operating losses of the Credit Union, from distributable profit it is deducted to the legal reserve or capital reserve to the extent that the legal reserve or capital reserve and reserve capital become fixed.

## **Financial liabilities**

The item of amounts payable and liabilities to credit institutions shows the total amount of the Union's liabilities to domestic and foreign banks and other credit institutions. Amounts payable and liabilities to credit institutions are recognized and measured in accordance with the provisions of the Business Accounting Standard 18 "Financial Assets and Financial Liabilities".

The item of amounts payable and liabilities to customers and members of the Credit Union reflects the total amount of the liabilities of the Union to customers – non-members of the credit institution – and to members of the Credit Union. Amounts payable and liabilities to customers and members of the Credit Union are recognized and measured in accordance with the provisions of the Business Accounting Standard 18 "Financial Assets and Financial Liabilities".

Other amounts payable and liabilities show other amounts payable and liabilities not reflected under the item of other amounts payable and liabilities. The amounts payable and liabilities shown in this item are recognized and measured in accordance with the Business Accounting Standard 24 "Income Tax", the Business Accounting Standard 31 "Employee Remuneration" and other corresponding business accounting standards.

Borrowings are initially recognized at fair value consisting of the net proceeds received after deducting transaction costs incurred. Borrowings are subsequently carried at amortized cost and any difference between net proceeds, and the redemption value is recognized in profit or loss in the income statement over the repayment period using applicable interest rates. Borrowings are recognized upon settlement.

Financial assets and liabilities are offset and the net amount is recognized in the balance sheet when there is a legal possibility to offset the recognized amounts together with an

intention to settle the net amount or realize the assets and liabilities simultaneously.

### **Revenue and expense recognition**

The interest income item shows income earned from cash held in the Union, loans granted to members of the Credit Union and other financial assets that are not measured at fair value. Interest income on financial assets measured at amortized cost is calculated using the effective interest method. Interest income is recognized on an accrual basis when it is probable that the economic benefits will flow to the entity and the amount of the income may be measured reliably.

The interest expense item shows interest accrued to credit institutions, the Union members and other customers on deposits, loans and other liabilities not measured at fair value.

The items of income and expenses from commissions and customer service activities show the income earned and expenses incurred through mediation. These items also reflect other operating income and expenses. Any additional loan administration fees received are immaterial and are recognized as income as soon as they are received. Commission expenses are recognized when incurred. Commission income from transactions is recognized when a related transaction is performed.

The item of changes in the value of financial assets and sales shows the result of impairment of loans granted to credit institutions and members of the Credit Union and reversal of impairment losses. This item also reflects the result of changes in the fair value of securities, impairment of securities and other financial assets and reversal of impairment losses. This item shows the expense of special provisions formed by the Credit Union, taking into account the risk level of each of its transactions in the provision of financial services, the financial and economic status of a client, the fulfilment of obligations under financial services transactions, the collateral available to meet these obligations and other circumstances, affecting the value of the Credit Union's assets.

The item of other profit (loss) from financial and investment activities item shows the results of transactions in foreign currency, purchase and sale of other financial instruments.

The item of general and administrative expenses shows the expenses of the reporting period related to the main activities of the Credit Union.

Items of other operating income and other operating expenses show regular operating income and expenses not reflected in other items of the income statement.

The income tax item shows the amount of income tax and deferred tax assets of the Credit Union for the reporting period. Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, 15% tax rate is imposed on taxable profits of 2019 and 2018.

Deferred income tax is calculated using tax rates in force or approved at the balance sheet date and are expected to be applied during the period of realization of deferred tax assets or settlement of deferred tax liabilities.

The main temporary differences arise from the carry forward of accrued expenses and losses incurred. Rates in force or approved at the balance sheet date are used to calculate the deferred income tax.

When calculating the balance of total deferred tax asset, it is recognized in the financial statements only to the extent the realization of which, in the opinion of the management, is probable.

Revenue received in the reporting period, not recognized as income of this period, is recognized as liabilities in the balance sheet, while payments during the reporting period that are not recognized as an expense in the reporting period, are recognized in the balance sheet as assets.

### **Comparative figures**

The changing of the accounting policies and accounting estimates, and corrections of errors are accounted for in accordance with IAS 7. The material error rate set for the Credit Union in preparing these financial statements is 1.0% of the total carrying amount of the assets.

### III. NOTES TO THE FINANCIAL STATEMENTS

#### Note 1. Interest income and expense

Item	Financial year	Previous financial year	Change
For loans	2 333	1 817	516
For securities	14	14	-
<b>Total income</b>	<b>2 347</b>	<b>1 831</b>	<b>516</b>
For deposits	923	650	273
For surplus funds held with the Bank of Lithuania	40	13	27
<b>Total expense</b>	<b>963</b>	<b>663</b>	<b>300</b>
<b>Net interest income</b>	<b>1 384</b>	<b>1 168</b>	<b>216</b>

#### Note 2. Income and expenses from commissions and customer service activities

Item	Financial year	Previous financial year	Change
Commission and customer service income:	634	585	49
<i>Income related to lending procedures</i>	622	567	55
<i>Other income</i>	12	18	(6)
Commissions and customer service expenses	2	3	(1)
<b>Net commission and customer service income</b>	<b>634</b>	<b>582</b>	<b>52</b>

#### Note 3. Expenses on special provisions

Item	Financial year	Previous financial year	Change
Expenses on special provisions for loans (-)	(79)	(76)	(3)
Expenses on special provisions for claims on consumer credits (-)	(29)	-	(29)
Expenses on written-off loans (-), income (+)	5	5	-
Provisions for off-balance sheet liabilities	(2)	-	(2)
<b>Changes in the value of financial assets and sales</b>	<b>(105)</b>	<b>(71)</b>	<b>(34)</b>

#### Note 4. General and administrative expenses

Item	Financial year	Previous financial year	Change
Wages and salaries and related tax expenses	806	586	220
Office equipment expenses	186	158	28
Legal and advisory expenses related to the restructuring of the Credit Union	91	71	20
Lease of premises	64	71	(7)
Payments to organizations serving the union	49	46	3
Notarial and legal expenses	44	13	31
Deposit insurance premium expenses	42	38	4
Depreciation and amortization expenses	40	26	14
Advertising and marketing expenses	39	5	34

Transport, training and business trip expenses	24	26	(2)
Insurance expenses	19	14	5
Expenses of audit of financial statements	11	11	-
Other expenses	51	34	17
<b>Total</b>	<b>1 466</b>	<b>1 099</b>	<b>367</b>

The increase of the Credit Union's general administrative expenses was driven by the remuneration paid to the members of the management bodies, the costs of the reorganization into the bank, and the investments in the Credit Union's IT technologies.

#### Note 5. Income tax expense and deferred tax assets

Item	Financial year	Previous financial year	Change
Deferred income tax expense	9	41	(32)
Current year income tax expense	48	17	31
<b>Total income tax expense</b>	<b>57</b>	<b>58</b>	<b>(1)</b>
<b>Movement of deferred tax assets</b>			
Balance at the beginning of the year	9	50	(41)
Change in assets due to tax losses and holiday pay accruals	(9)	(41)	32
<b>Balance at the end of the year</b>	<b>-</b>	<b>9</b>	<b>(9)</b>

#### Note 6. Cash and cash equivalents

Item	Financial year	Previous financial year	Change
Cash in the current account of the Bank of Lithuania	7 887	4 791	3 096
Cash in commercial banks of the Republic of Lithuania	2 245	2 140	105
Cash in hand	119	96	23
<b>Total</b>	<b>10 251</b>	<b>7 027</b>	<b>3 224</b>

#### Note 7. Investments in securities

As at 31 December 2020

Item	Financial year	Maturity	Coupon rate, %
<b>Held-to-maturity securities</b>			
Investments in Lithuanian GS	2 436	2021-2024	0.4-5.5
<b>Total investments in securities</b>	<b>2 436</b>		

As at 31 December 2019

Item	Previous financial year	Maturity	Coupon rate, %
<b>Held-to-maturity securities</b>			
Investments in Lithuanian GS	2 673	2020-2024	0.3-5.5
Investment in EU GS	175	2020	4.125
<b>Total investments in securities</b>	<b>2 848</b>		

Under the current "Rules for Investment of Credit Unions into Non-Equity Securities" approved on 29 March 2018 by the Bank of Lithuania, credit unions' investments into securities may not exceed 30 % of assets, while the average modified financial duration of credit unions' securities portfolio may not exceed three and a half years. As of 31 December 2020 and 2019, the Credit Union complied with the established standards.

In 2020 and 2019, the Credit Union did not pledge any securities. All securities acquired were held-to-maturity.

**Note 8.** Loans granted to members of the Credit Union and other receivables from them

No	Risk group	Financial year			Previous financial year			Yearly change	
		Debt amount	Special provisions	Collateral value	Debt amount	Special provisions	Collateral value	Debt amount	Special provisions
1	Standard	16 024	-	35 854	13 801	-	17 419	2 224	-
2	Potential risk	12 640	(10)	30 492	10 982	(9)	19 217	1 658	1
3	Increased risk	4 376	(4)	11 527	4 127	(3)	9 664	249	1
4	High risk	1 122	(3)	2363	59	(3)	96	1 063	-
5	Very high risk	7 024	(377)	16 810	6 410	(308)	10 365	614	(69)
	<b>Total</b>	<b>41 186</b>	<b>(394)</b>	<b>97 046</b>	<b>35 379</b>	<b>(323)</b>	<b>56 761</b>	<b>5 807</b>	<b>(71)</b>
	<b>Total amortized cost</b>	<b>40 792</b>			<b>35 056</b>			<b>5 736</b>	

**Note 9.** Other financial assets

Risk group	Debt amount	Special provisions	Collateral value
Standard	108	-	-
Potential risk	523	(27)	-
Increased risk	7	(2)	-
High risk	-	-	-
Very high risk	-	-	-
<b>Total</b>	<b>638</b>	<b>(29)</b>	<b>-</b>
<b>Total amortized cost</b>	<b>609</b>		<b>-</b>

In August 2020, the Credit Union acquired claim rights to consumer loans in the amount of EUR 848 thousand. These beneficiaries of consumer loans are not members of the Credit Union.

There were no other financial assets at the end of 2020.

**Note 10.** Assets and other assets taken over for debts

Item	Financial year	Previous financial year	Change
Assets taken over for debts	150	236	(86)
Deferred tax assets	-	9	(9)
Goods for resale (e-password generators)	23	15	8
Deferred charges			
<b>Assets and other assets taken over for debts at the end of the period, total:</b>	<b>173</b>	<b>260</b>	<b>(87)</b>



In 2020, real estate (a residential house in Vilnius) was newly taken over for debts, the value of which, including takeover expenses, amounted to EUR 150 thousand as at 31 December 2020.

In 2020, real estate (an apartment) was taken over and sold in the same calendar year for debts. In 2020, the land plot taken over for debts in Širvintos district was also sold, as well as the array of plots in Vilnius (Gulbinai 4400-4049-3925). The Union earned EUR 21 thousand for the sale of assets for debts during the year (recognized in these financial statements as other operating income).

#### Note 11. Non-current tangible and intangible assets

Item	Tangible assets	Intangible assets	Prepared for use intangible assets	Deposit for rent of premises (Note 9)	Total
<b>Acquisition cost at 31 December 2019</b>	160	12			172
Accumulated depreciation at 31 December 2018	(71)	(1)			(72)
Depreciation and amortization	(26)				(26)
Accumulated depreciation and amortization of write-offs	5				5
Accumulated depreciation at 31 December 2019	<b>(92)</b>	<b>(1)</b>			<b>(93)</b>
<b>Net book amount at 31 December 2019</b>	<b>68</b>	<b>11</b>	<b>20</b>	<b>9</b>	<b>108</b>
<b>Acquisition cost at 31 December 2020</b>	<b>186</b>	<b>85</b>			<b>271</b>
Accumulated depreciation at 31 December 2019	(92)	(1)			(93)
Depreciation and amortization	(29)	(11)			(40)
Accumulated depreciation and amortization of write-offs	34				34
Accumulated depreciation at 31 December 2020	<b>(87)</b>	<b>(12)</b>			<b>(99)</b>
<b>Net book amount at 31 December 2020</b>	<b>99</b>	<b>73</b>		<b>9</b>	<b>181</b>

The Credit Union uses all non-current tangible assets in its activities. It has not been pledged or the rights to it have not been restricted otherwise.

In 2020, the Union sold a vehicle, which was fully depreciated and earned income amounting to EUR 6 thousand (recognized in these financial statements as other operating income).

The value of the acquisition cost of IT fully depreciated but still in use in the activities of the Credit Union as at 31 December 2020 amounted to EUR 24 thousand. EUR (31 December 2019 - EUR 31 thousand).

#### Note 12. Amounts payable and liabilities to customers and members of the Credit Union

Item	Financial year	Previous financial year	Change
Deposits redeemable at notice			
- of members (natural persons)	1 436	854	582
- of associate members	1 347	658	689
- of other organizations	399	223	176
<b>Total liabilities redeemable at notice</b>	<b>3 182</b>	<b>1 735</b>	<b>1 447</b>
Term and savings deposits			
- of members (natural persons)	45 295	38 821	6 474
- of associate members	1 313	655	658
- of other organizations	77	252	(175)
<b>Total term and savings deposits</b>	<b>46 685</b>	<b>39 728</b>	<b>6 957</b>

<b>Total</b>	<b>49 867</b>	<b>41 463</b>	<b>8 404</b>
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During 2020, term deposits of the Credit Union customers kept increasing due to attractive deposit interest rates and applied marketing measures.

At the end of 2019, the Credit Union did not have term deposits from members related with the attraction of additional share contributions amounted to EUR 6 thousand, as of 31 December 2018 this amount was EUR 152 thousand, while the average interest rate paid was 3.9 %.

The interest rates applied in 2020 by the Credit Union to term deposits were in line with the market average of credit unions. At the end of 2020, the interest rates applied to members of the Credit Union for term deposits ranged from 0.55% to 2.2% (2019: from 0.55% to 2.4%), depending on the type and term of the deposit. Interest on deposits redeemable at notice for natural persons in 2020 and 2019 were not paid, while legal entities got paid only for the balance in the account exceeding EUR 20 thousand - 0.20%.

### **Note 13. Subordinated loans**

In 2020, the Credit Union was granted subordinated loans, the balance of which as at 31 December 2020 amounted to EUR 81 thousand. 3% interest rate is paid for these subordinated loans. The loan repayment terms are 7-13 years. The subordinated loans are included in the Tier II capital of the Credit Union in accordance with the procedures established by the laws of the Republic of Lithuania. The subordinated loans will mature in 2027-2033.

### **Note 14. Other amounts payable and liabilities**

<b>Item</b>	<b>Financial year</b>	<b>Previous financial year</b>	<b>Change</b>
Prepayments received for the sale of assets (land) taken over for debts and the acquisition of the right of claim	-	82	(82)
Trade debts	42	25	17
Holiday pay accruals	32	10	22
Transit account related with provision of loan financial instruments	28	-	28
Income tax payable	21	17	4
Balances of closed customer accounts	17	6	11
Bonus accruals	11	13	(2)
Accrued expenses of audit of financial statements	11	11	-
Other amounts payable	10	-	10
<b>Total</b>	<b>172</b>	<b>164</b>	<b>8</b>

In 2019, the Credit Union received an advance payment of EUR 82 thousand according to the concluded agreements for the acquisition of assets taken over for debts (EUR 24.5 thousand, Note 10) and claims on the debtor (EUR 57 thousand).

### **Note 15. Equity**

The share capital of the Credit Union amounts to EUR 3,345 thousand (2019: EUR 3,118 thousand). It consists of primary and additional shares. The nominal value of one share for a member of the Credit Union is EUR 30 and EUR 100 - for an associate member. The entire share capital of the Credit Union has been paid up.

Each shareholder of the Credit Union holding a principle share has one vote, irrespective of the amount of additional shares paid. At the expiration of the shareholder membership in the Credit Union, a member shall be settled by repaying the contributions of the redeemed primary and additional shares.

When redeeming a share contribution for primary and / or additional shares paid after 1 January 2017 (hereinafter - Sustainable shares), the Credit Union shall reduce it proportionally, taking into account the amounts of retained loss of the Credit Union recognized in the approved annual balance sheet for the year ended and only after obtaining the permission of the supervisory

authority to reduce the equity capital of the Credit Union.

Item	Financial year	Previous financial year	Change
<b>Sustainable shares</b>	<b>3 232</b>	<b>2 944</b>	<b>288</b>
- primary shares	152	146	6
- sustainable additional shares	3 080	2 798	282
<b>Unsustainable shares</b>	<b>3 232</b>	<b>174</b>	<b>3 058</b>
- redeemable primary shares	2	2	-
- unsustainable additional shares	111	172	(61)
<b>Total share capital</b>	<b>3 345</b>	<b>3 118</b>	<b>227</b>

#### Note 16. Changes in equity

Changes in equity are presented in the notes to the financial statements - Annex No 1 Changes in Equity.

#### Note 17. Classification of assets and liabilities by maturity

As at 31 December 2020:

	Up to 3 months	From 3 months up to 1 year	From 1 to 5 years	More than 5 years	TOTAL
Assets	11 228	6 795	16 349	20 070	54 442
Liabilities, capital and reserves	11 615	27 386	10 984	4 457	54 442
Liquid assets					10 197
Net negative cash flow					1 884
Liquidity ratio, %					541,24

As at 31 December 2019:

	Up to 3 months	From 3 months up to 1 year	From 1 to 5 years	More than 5 years	TOTAL
Assets	8 093	5 270	14 882	17 054	45 299
Liabilities, capital and reserves	9 171	21 130	11 190	3 808	45 299
Liquid assets					7 751
Net negative cash flow					1 751
Liquidity ratio, %					442,48

From 1 April 2019, the liquidity ratio of credit unions must not be less than 100%.

#### Note 18. Prudential regulations

On a daily basis, the Credit Union complies with all prudential regulations approved by the Bank of Lithuania for credit unions. During the reporting period, the standards were met.

Ratio	Financial year	Previous financial year	Ratio set by the Bank of Lithuania
Capital adequacy ratio, %	14.32	12.57	>=8.70 % in 2019, from 1 January 2020 - 10.20 %, only unions, which by 1 January 2018 received the consent of the Bank of Lithuania to carry out the restructuring.
Liquidity ratio, %	541.24	442.48	> 100 %*
Maximum foreign currency open position rate, %	-	-	≤15 % (except for EUR)
Maximum loan amount rate per debtor, % from the recalculated capital of the Credit Union	In progress	In progress	> 25 % of the recalculated capital of the Credit Union
<i>debtor I</i>	22.30	22.45	
<i>debtor II</i>	20.17	20.09	
<i>debtor III</i>	19.44	17.35	
<i>debtor IV</i>	18.79	17.23	
<i>debtor V</i>	16.42	16.85	

#### Note 19. Cash flow information

Cash flow information is presented in Annex No 2 Changes in Cash Flows.

#### Note 20. Related parties

Related parties of the Credit Union are considered to be members of the Credit Union's Supervisory Board, the Board members, Chairman of the Loan Committee, Internal Auditor and Head of Administration and persons closely related to the executives of the Credit Union: a spouse (cohabitant), children (adoptees), parents (adoptive parents) and legal entities, if the head of the Credit Union owns their qualified share of the authorized capital and / or voting rights.

	Financial year	Previous financial year
Calculated amount of remuneration-related payments and related social security contributions, and other wage benefits	316	123
Balance of liabilities to management, excluding deposits accepted, at the end of the period	-	-

The Credit Union grants loans and accepts deposits on market terms to parties related to the executives of the Union. The balance of loans and deposits granted to parties related to the executives of the Credit Union:

	Financial year	Previous financial year
Loans granted	111	289
Balance of deposits accepted	271	217
Shares	471	420

#### Note 21. Off-balance sheet liabilities

The Credit Union's liabilities to grant loans as at 31 December 2020 amounted to EUR 1,644 thousand (31 December 2019 – EUR 1,238 thousand). The Credit Union has provided one guarantee for the amount of EUR 30 thousand with the provisions totalling EUR 2 thousand.

## Note 22. Minimum deferred liabilities

Future operating lease payments:

Lease periods	Financial year	Previous financial year
Up to one year	50	54
From one to five years	42	99
<b>Total:</b>	<b>92</b>	<b>153</b>

The maturity of the operating lease of the Credit Union is 1 November 2022.

## Note 23. Contingent liabilities

On 16 January 2020, a claim for invalidity of transactions was filed against the Credit Union (as one of the defendants) and the debtor and the collateral provider of the Credit Union are requested to be involved in the case as a third party. The case seeks to invalidate the 2016 mortgage transaction concluded between the Credit Union and the customers, which was concluded to secure a loan of EUR 327,000 granted by the Credit Union (the balance of the loan as at 31 December 2019 amounted to EUR 314 thousand). In case the transactions were declared invalid, the Credit Union would lose the rights of the mentioned collateral, in addition, it might be subject to paying litigation costs. During the preparation of the defence, no legislative violations of the legal acts and procedures applied by the Credit Union in concluding the disputed pledge transaction were determined. The claim was filed after the expiration of the time-limit for bringing an action, other mandatory legal grounds for satisfaction of the claim were not substantiated, therefore, in the opinion of the Credit Union, the claim is prospectless and should be rejected as unfounded. Furthermore, according to Article 4.197 (6) of the Civil Code, the right of a bona fide lender remains valid even if a mortgage transaction is declared invalid on a ground for which the lender is not liable.

On 8 September 2020, the court heard the case and decided to dismiss the claim. In dismissing the claim, the court upheld the arguments set out in the Union's response. The claimants filed an appeal on 8 October 2020, requesting the annulment of the said court decision and upholding the claim, while the Union submitted a response to the court on 27 October 2020, requesting to dismiss the appeal. The date for hearing the appeal has not yet been set by the court. As it was mentioned, by the hearing of the case at first instance, the action is prospectless, as confirmed by the court decision. The appeal does not set out any stronger arguments as to why the action should be upheld, so it is likely that the appeal will be dismissed and the decision of the court of first instance upheld.

## Note 24. Subsequent events

There were no subsequent events adjusting the financial statements for 2020.

In 2020, the Credit Union focused on assessing the impact of the COVID-19 pandemic on the quality of the Credit Union's loan portfolio. The Credit Union has also joined the agreement among the members of the Association of Lithuanian Banks and other market participants on the application and renewal of loan moratoriums to businesses and individuals. According to the Credit Union, the implementation of the countercyclical fiscal policy and the provision of support to companies and employees of the affected sectors reduced the potential losses of the Credit Union due to the deterioration of the quality of the loan portfolio. By assessing all the uncertainties regarding the impact of the COVID-19 pandemic on the future financial condition of customers, the management of the Credit Union decided to more conservatively assess the possible uncertainties regarding the impact of COVID-19 on the real estate market and set 7% discount rate instead of 2.5% applicable before. As a result, around EUR 57 thousand additional special provisions were formed.

**Note 25. Profit (loss) distribution project**

	<b>Financial year</b>	<b>Previous financial year</b>
Last year's retained loss at the beginning of the period	-	
Profit (loss) for the reporting year	421	522
Transfer to legal reserve	(421)	(522)
Last year's retained loss at the end of the period	-	-

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

**Rato kredito unija**

The Union's code 112043124, Molėtų st. 13, Didžioji Riešė, Vilnius

**CHANGES IN EQUITY**

Year

EUR thousand

	Share capital	Reserves and capitals			Retained earnings (deficit)	Total
		Legal	Reserves	Other		
<b>Balance at 31 December 2018</b>	<b>2 492</b>	<b>1</b>			<b>31</b>	<b>2 524</b>
Profit (loss) unrecognized in the income statement						
Net profit (loss) for the reporting period					522	522
Share of profit for payments in proportion to turnover and / or dividends						
Other payments						
Reserves established		31			-31	0
Reserves used						
Change in share capital	626					626
<b>Balance at 31 December 2019</b>	<b>3 118</b>	<b>32</b>			<b>553</b>	<b>3 672</b>
Profit (loss) unrecognized in the income statement						
Net profit (loss) for the reporting period					421	421
Share of profit for the payments in proportion to turnover and / or dividends						
Other payments						
Reserves established		522			-522	0
Reserves used						
Change in share capital	227					227
<b>Balance at 31 December 2020</b>	<b>3 345</b>	<b>554</b>			<b>452</b>	<b>4 320</b>

Head of Administration

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**CHANGES IN CASH FLOWS**

Year

EUR thousand

No	Items	Notes	Financial year	Previous financial year
<b>I.</b>	<b>Cash flows from operating activities</b>			
I.1.1	Interest received		2 322	1 804
I.1.2	Interest paid		780	656
<i>I.1.</i>	<i>Result</i>		1 542	1 148
I.2.1	Commissions received		634	585
I.2.2	Commissions paid		1	3
<i>I.2.2</i>	<i>Result</i>		633	582
I.3.1	Other amounts received for services			
I.3.2	Other amounts paid for services			
<i>I.3.</i>	<i>Result</i>			
I.4.1	Recovered loans and other credit income from members of the Credit Union		18 538	12 049
I.4.2	Loans granted and other payments to members of the Credit Union		24 952	20 978
<i>I.4.</i>	<i>Result</i>		-6 414	-8 929
I.5.1	Income from deposits and special purpose funds		162 382	119 640
I.5.2	Payments from deposits and special purpose funds		154 132	111 560
<i>I.5.</i>	<i>Result</i>		8 250	8 080
I.6.1	Income from credit institutions			
I.6.2	Payments to credit institutions			
<i>I.6.</i>	<i>Result</i>			
I.13.	Other increases from operating activities		32	
I.14.	Other decreases from operating activities		1 373	1 167
I.7.3	Income tax paid		35	-14
<i>I.7</i>	<i>Result</i>		-1 376	-1 153
	<b>Net cash flows generated from operating activities</b>		<b>2 635</b>	<b>-272</b>
<b>II.</b>	<b>Cash flows from investing activities</b>			
II.1.1	Proceeds from the disposal of securities		407	2 218
II.1.2	Payments for the acquisition of securities		2	302
<i>II.1.</i>	<i>Result</i>		405	1 916
II.2.1	Proceeds from the disposal of non-current assets			
II.2.2	Payments for the acquisition of intangible and non-current tangible assets		133	38
<i>II.2.</i>	<i>Result</i>		-133	-38
II.3.1	Other proceeds from investing activities		9	82
II.3.2	Other payments from investing activities			
<i>II.3.</i>	<i>Result</i>		9	82
	<b>Net cash flow generated from investing activities</b>		<b>281</b>	<b>1 960</b>
<b>III.</b>	<b>Cash flows from financing activities</b>			
III.1.1	Share contributions		227	637
III.1.2	Returned primary and additional shares to the Union's membership leavers			11
III.1.3	Payment of a share of profit to members of the Credit Union			
<i>III.1.</i>	<i>Result</i>		227	626
III.2.1	Amounts received under subordinated liabilities		81	
III.2.2	Amounts paid under subordinated liabilities			
<i>III.2.</i>	<i>Result</i>		81	
III.3.1	Other increases from financing activities			
III.3.2	Other decreases from financing activities			
<i>III.3.</i>	<i>Result</i>			
	<b>Net cash flows generated from financing activities</b>		<b>308</b>	<b>626</b>
<b>IV.</b>	<b>Net increase (decrease) in cash flows</b>		<b>3 224</b>	<b>2 314</b>
V.	Cash at the beginning of the period		7 027	4 713
VI.	Cash at the end of the period		10 251	7 027



Head of Administration

Vladislav Jančis

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Senior Accountant

Jolanta Novicka

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