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Grant Thornton

RATO KREDITO UNIJA

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

RATO KREDITO UNIJA

SET OF FINANCIAL STATEMENTS 2021

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 2021, 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 2021, 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.

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 Gliubicas¹

Auditor's certification No. 000594

3 March 2022

Grant Thornton Baltic UAB

Upės g. 21, Vilnius

Audit company's certification No. 001513

¹ An electronic document is signed with an electronic signature, it has the same legal force as a signed written document and is an admissible means of proof. Only an independent auditor's report is signed with the electronic signature of an auditor.

Rato kredito unija

Legal entity's code 112043124, Molėtų g. 13, Didžioji Riešė, Vilnius

BALANCE SHEET as at 31 December 20213 March 2022

(reporting date)

Year (reporting period)	EUR thousand (reporting currency and degree of accuracy)
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	ASSETS	Notes	Financial year	Previous financial year
A.	ASSETS			
I.	Cash and cash equivalents	6	12,052	10,251
II.	Investments in securities	8		2,436
III.	Loans granted to credit institutions and other receivables	7	67	
IV.	Loans granted to members of the Credit Union and other receivables	9	52,013	40,792
V.	Other financial assets	10	2,565	609
VI.	Reserves, repossessed and other assets	11	554	173
VII.	Non-current tangible assets	12	90	108
VIII.	Intangible assets	12	68	73
	TOTAL ASSETS:		67,409	54,442

	EQUITY AND LIABILITIES	Notes	Financial year	Previous financial year
B.	AMOUNTS PAYABLE AND LIABILITIES		62,434	50,122
I.	Amounts payable and liabilities to credit institutions			
II.	Amounts payable and liabilities to clients and the Credit Union members	13	59,877	49,867
III.	Other amounts payable and liabilities	15	1,310	172
IV.	Provisions			2
V.	Subordinated liabilities	14	1,247	81
C.	EQUITY		4,975	4,320
I.	Share capital	16	3,335	3,345
II.	Legal reserve and capital		975	554
III.	Revaluation reserve			
IV.	Retained earnings (deficit)	26	665	421
IV.1	Profit (loss) for the reporting year		665	421
IV.2	Profit (loss) for the previous year			
	TOTAL EQUITY AND LIABILITIES:		67,409	54,442

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

Rato kredito unija

Legal entity's code 112043124, Molėtų g. 13, Didžioji Riešė, Vilnius

INCOME STATEMENT as at 31 December 2021**3 March 2022**
(reporting date)

Year		EUR thousand		
(reporting period)		(reporting currency and degree of accuracy)		
No.	Items	Notes	Financial year	Previous financial year
I.	Interest income	1	2,940	2,347
II.	Interest expense	1	1,061	963
III.	Commission and customer service income	2	733	634
IV.	Commission and customer service expenses	2	13	1
V.	Result of changes in the value of financial assets and sales		-83	-105
V.1.	Expenses of special provisions	3	-132	-105
V.2.	Other result of changes in the value of financial assets and sales	3	49	
VI.	Other profit (loss) from financial and investment activities			
VII.	General and administrative expenses	4	1,755	1,466
VIII.	Other operating income		21	32
IX.	Other operating expenses			
X.	PROFIT (LOSS) BEFORE TAX		782	478
XI.	Income tax	5	117	57
XII.	NET PROFIT (LOSS)		665	421

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

RATO kredito unija

Legal entity's code 112043124, Molėtų g. 13, Didžioji Riešė, Vilnius

EXPLANATORY NOTES

Year ended 31 December 2021

Reporting date 3 March 2022

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. In August 2021, the Credit Union resubmitted 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 g. 14A, Vilnius, the registered address: Molėtų g. 13, Didžioji Riešė. In 2020 and 2019, the Credit Union had no remote cash-desks. In 2021, the average number of employees on payroll was 22 (2020: 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>	2,588		2,882	
<i>Legal entities</i>		272		292

The number of the Credit Union's members decreased in 2021 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 is 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 2021, a discount rate of 4.5% was applied (2020: 7%).

Non - financial assets

The Credit Union's non-financial assets include non-current tangible assets and intangible assets, inventories, repossessed assets 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 2021 and 2020, 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 2021 and 2020.

Deferred income tax is calculated using tax rates in force or approved at the balance sheet date and is 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	2,934	2,333	601
For securities	6	14	(8)
Total income	2,940	2,347	593
For deposits and subordinate loans received	1,022	923	99
Cash held with the Bank of Lithuania	39	40	(1)
Total expense	1,061	963	98
Net interest income	1,879	1,384	495

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

Item	Financial year	Previous financial year	Change
Commission and customer service income:	733	634	99
<i>Income related to lending procedures</i>	715	622	93
<i>Other income</i>	18	12	6
Commissions and customer service expenses	13	2	12
Net commission and customer service income	720	634	87

Note 3. Changes in the value of financial assets and sales

Item	Financial year	Previous financial year	Change
Expenses on special provisions for loans (-)	(28)	(79)	51
Expenses on special provisions for claims on consumer credits (-)	(162)	(29)	(133)
Expenses on written-off loans (-), income (+)	56	5	51
Provisions for off-balance sheet liabilities	2	(2)	4
Expenses on special provisions	(132)	(105)	(27)
Other changes in the value of financial assets and sales (SG)	49	-	49
Changes in the value of financial assets and sales	(83)	(105)	22

Note 4. General and administrative expenses

Item	Financial year	Previous financial year	Change
Wages and salaries and related tax expenses	1,002	806	196
Office equipment expenses	220	186	34
Legal and advisory expenses related to the restructuring of the Credit Union	51	91	(40)
Lease of premises	63	64	(1)
Payments to organizations serving the union	55	49	6
Legal and loan administration expenses	50	44	6
Deposit insurance premium expenses	49	42	7

Depreciation and amortization expenses	63	40	23
Advertising and marketing expenses	59	39	20
Transport, training and business trip expenses	39	24	15
Insurance expenses	31	19	12
Expenses of audit of financial statements	11	11	0
Other expenses	62	51	11
Total	1,755	1,466	289

The Credit Union's general administrative expenses rose due to the increasing Wages Guarantee Fund and remuneration paid to employees and the members of the management bodies, investments in IT and other expenses necessary for the support of the development of the activities of the Credit Union.

Note 5. Income tax expense

Item	Financial year	Previous financial year	Change
Deferred income tax expense	-	9	(9)
Current year income tax expense	117	48	69
Total income tax expense	117	57	60

Note 6. Cash and cash equivalents

Item	Financial year	Previous financial year	Change
Cash in the current account of the Bank of Lithuania	8,813	7,887	926
Cash in commercial banks of the Republic of Lithuania	3,119	2,245	874
Cash in hand	120	119	1
Total	12,052	10,251	1,801

Note 7. Loans and other receivables from credit institutions

Item	Financial year	Previous financial year	Change
Time deposits with banks	67	-	67
Total	67	-	67

At the end of 2021, the Credit Union's disposal of the time deposit with the bank was restricted to ensure the fulfilment of obligations under the provided guarantee.

Note 8. Investments in securities

Item	Financial year	Previous financial year	Maturity	Coupon rate, %
Investments in Lithuanian GS	0	2,436	2021-2024	0.4-5.5
Total investments in securities	0	2,436		

In 2021, the Credit Union reclassified all equity securities from held to maturity and sold them. The result of the sale of securities is profit of EUR 49 thousand (Note 3).

Note 9. Loans granted to members of the Credit Union and other receivables from them

Risk group	Financial year			Previous financial year			Change	
	Debt amount	Special provisions	Collateral value	Debt amount	Special provisions	Collateral value	Debt amount	Special provisions
Standard	19,007	-	35,618	16,024	-	35,854	2,983	-
Potential risk	19,528	(29)	43,276	12,640	(10)	30,492	6,888	(19)

Increased risk	7,951	(57)	17,673	4,376	(4)	11,527	3,575	(53)
High risk	660	(2)	1,699	1,122	(3)	2,363	(462)	1
Very high risk	5,272	(317)	12,597	7,024	(377)	16,810	(1,752)	60
Total	52,418	(405)	110,863	41,186	(394)	97,046	11,232	(11)
Total amortized cost	52,013			40,792			11,221	

Note 10. Other financial assets

Risk group	Financial year		Previous Financial year		Change	
	Debt amount	Special provisions	Debt amount	Special provisions	Debt amount	Special provisions
Standard	285	-	108	-	177	-
Potential risk	2,370	(118)	523	(27)	1,847	(91)
Increased risk	34	(9)	7	(2)	27	(7)
High risk	6	(3)	-	-	6	(3)
Very high risk	-	-	-	-	-	-
Total claim rights to consumer loans	2,695	(130)	638	(29)	2,057	(101)
Total amortized cost	2,565		609		1,956	

Other financial assets of the Credit Union include acquired claim rights to consumer loans. The acquired claim rights to consumer loans are unsecured.

Note 11. Assets and other repossessed assets

Item	Financial year	Previous financial year	Change
Advance payment paid for the acquisition of claim rights	500	-	500
Repossessed assets	-	150	(150)
Deferred charges	23	23	-
Contributions collected	27	-	27
Advance payments	4	-	4
Assets and other repossessed assets at the end of the period, total:	554	173	381

The advance is secured by EUR 1,200 thousand deposited in the Union's account received after 31 December 2021.

In 2021, the Credit Union sold real estate (a residential house in Vilnius) repossessed for EUR 144 thousand plus VAT, and received a reimbursement for the accrued maintenance costs of this repossessed assets. The Credit Union did not make any profit from the sale of the repossessed assets.

Note 12. Non-current tangible and intangible assets

Item	Tangible assets	Intangible assets	Deposit for rent of premises	Total
Acquisition cost at 31 December 2020	186	85	9	280
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	(87)	(12)		(99)
Net book amount at 31 December 2020	99	73	9	181
Acquisition cost at 31 December 2021	193	109	9	311
Accumulated depreciation at 31 December 2020	(87)	(12)		(99)
Depreciation and amortization	(34)	(29)		(63)
Accumulated depreciation and amortization of write-offs	9	-		9
Accumulated depreciation at 31 December 2021	(112)	(41)		(153)
Net book amount at 31 December 2021	81	68	9	158

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 2021 amounted to EUR 35 thousand. (31 December 2020: EUR 24 thousand).

Note 13. 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)	884	1,436	(552)
- of associate members	2,466	1,347	1,119
- of other organizations	217	399	(182)
Total liabilities redeemable at notice	3,567	3,182	385
Term and savings deposits			
- of members (natural persons)	51,367	45,295	6,072
- of associate members	4,766	1,313	3,453
- of other organizations	177	77	100
Total term and savings deposits	56,310	46,685	9,625
Total amortized cost	59,877	49,867	10,010

The interest rates applied in 2021 by the Credit Union to term deposits were slightly lower than the average of credit unions market.

At the end of 2021, the interest rates applied to members of the Credit Union for term deposits ranged from 1.8% to 2.2% (2020: from 0.55% to 2.2%), depending on the type and term of the deposit. Interest on deposits redeemable at notice for natural persons in 2021 and 2020 were not paid, while legal entities got paid only for the balance in the account exceeding EUR 20 thousand - 0.20%.

Note 14. Subordinated loans

Item	Financial year	Previous financial year	Change
Subordinated loans from financial institutions	1,050	-	1,050
Subordinated loans from other legal entities	195	81	114
Interest accrued on subordinated loans	2	-	2
Total amortized cost	1,247	81	1,166

Subordinated loans repayment terms are 7-13 years. The subordinated loans amounting to EUR 1,245 thousand 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 2026-2033.

Note 15. Other amounts payable and liabilities

Item	Financial year	Previous financial year	Change
Transit account related with provision of loan financial instruments (Agricultural Credit Guarantee Fund)	1,025	28	997
Income tax payable	87	21	66
Holiday pay accruals	46	32	14
Trade debts	31	42	(11)
Bonus accruals	12	11	1
Accrued expenses of audit of financial statements	11	11	-
Balances of closed customer accounts	10	17	(7)
Other amounts payable	88	10	78
Total	1,310	172	1,138

Note 16. Equity

Item	Financial year	Previous financial year	Change
Sustainable shares	3,306	3,232	74
- primary shares	125	152	(27)
- sustainable additional shares	3,181	3,080	101
Unsustainable shares	29	113	(84)
- redeemable primary shares	23	2	21
- unsustainable additional shares	6	111	(105)
Total share capital	3,335	3,345	(10)

The entire share capital of the Credit Union is 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.

Note 17. Changes in equity

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

Note 18. Classification of assets and liabilities by maturity

As at 31 December 2021:

	Up to 3 months	From 3 months up to 1 year	From 1 to 5 years	More than 5 years	TOTAL
Assets	13,164	10,732	18,453	25,060	67,409
Liabilities, capital and reserves	17,269	33,786	10,110	6,244	67,409
Liquid assets					8,615
Net negative cash flow					3,246
Liquidity ratio, %					265.45

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

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

Note 19. Prudential regulations

Ratio	Financial year	Previous financial year	Ratio set by the Bank of Lithuania
Capital adequacy ratio, %	13.71	14.32	From 1 January 2022 - 13.10% only unions, which by 1 January 2018 received the consent of the Bank of Lithuania to carry out the restructuring.
Liquidity ratio, %	265.45	541.24	> 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>	20.27	22.30	
<i>debtor II</i>	18.77	20.17	
<i>debtor III</i>	18.67	19.44	
<i>debtor IV</i>	18.42	18.79	
<i>debtor V</i>	16.06	16.42	

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.

Note 20. Cash flow information

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

Note 21. 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
The amount of benefits related with the remuneration of the Board members and payments for the Board members and social security contributions, and other remuneration payments of the Board members	381	316
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 granted, deposits accepted and shares to parties related to the executives of the Credit Union:

	Financial year	Previous financial year
Loans granted and off-balance sheet liabilities	25	111
Balance of deposits accepted	65	271
Shares	724	471

Note 22. Off-balance sheet liabilities

The Credit Union's liabilities to grant loans as at 31 December 2021 amounted to EUR 2,306 thousand (31 December 2020: EUR 1,644 thousand). The Credit Union has provided one guarantee for the amount of EUR 67 thousand.

Note 23. Minimum deferred liabilities

Future operating lease payments:

Lease periods	Financial year	Previous financial year
Up to one year	45	50
From one to five years	-	42
Total:	45	92

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

Note 24. 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 Court of Appeal of Lithuania upheld the judgment of the court of first instance and the claim against the Credit Union was dismissed in full.

Note 25. Subsequent events

There were no subsequent events adjusting the financial statements for 2021.

In 2021 and 2020, the Credit Union paid special attention to the quality of loans the payment of which was deferred due to the COVID-19 pandemic. No significant negative impact on the quality of the Credit Union loan portfolio was recorded.

After the launch of the war in Ukraine, the management of the Credit Union assessed the impact of the possible operational disruptions and international sanctions on the Credit Union's customers. Possible changes in the domestic and global economy may have some impact on the development and profitability of the Credit Union, however it will not affect the going concern of the Credit Union, nor does it have effects of adjustments on the financial statements of 2021.

Note 26. Profit (loss) distribution project

	Financial year	Previous financial year
Last year's retained loss at the beginning of the period	-	
Profit (loss) for the reporting year	665	421
Transfer to legal reserve	(665)	(421)
Last year's retained loss at the end of the period	-	-

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

RATO kredito unija

Legal entity's code 112043124, Molėtų g. 13, Didžioji Riešė, Vilnius

CHANGES IN EQUITY

Year

EUR thousand

	Share capital	Reserves and capitals			Retained earnings (deficit)	Total
		Legal	Reserves	Other		
Balance at 31 December 2019	3,118	31			523	3,672
Profit (loss) unrecognized in the income statement						
Net profit (loss) for the reporting period					421	421
Share of profit for payments in proportion to turnover and / or dividends						
Other payments						
Reserves established		523			-523	
Reserves used						
Change in share capital	227					227
Balance at 31 December 2020	3,345	554			421	4,320
Profit (loss) unrecognized in the income statement						
Net profit (loss) for the reporting period					665	665
Share of profit for the payments in proportion to turnover and / or dividends						
Other payments						
Reserves established		421			-421	
Reserves used						
Change in share capital	-10					-10
Balance at 31 December 2020	3,335	975			665	4,975

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CHANGES IN CASH FLOWS

Year EUR thousand

No	Items	Notes	Financial year	Previous financial year
I.	Cash flows from operating activities			
I.1.1	Interest received		2,945	2,322
I.1.2	Interest paid		1,011	780
<i>I.1.</i>	<i>Result</i>		1,934	1,542
I.2.1	Commissions received		737	634
I.2.2	Commissions paid		13	1
<i>I.2.2</i>	<i>Result</i>		724	633
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		26,843	18,538
I.4.2	Loans granted and other payments to members of the Credit Union		40,085	24,952
<i>I.4.</i>	<i>Result</i>		-13,242	-6,414
I.5.1	Income from deposits and special purpose funds		184,921	162,382
I.5.2	Payments from deposits and special purpose funds		174,961	154,132
<i>I.5.</i>	<i>Result</i>		9,960	8,250
I.6.1	Income from credit institutions			
I.6.2	Payments to credit institutions		69	
<i>I.6.</i>	<i>Result</i>		-69	
I.13.	Other increases from operating activities			32
I.14.	Other decreases from operating activities		2,093	1,373
I.7.3	Income tax paid		52	35
<i>I.7</i>	<i>Result</i>		-2,145	-1,376
	Net cash flows generated from operating activities		-2,838	2,635
II.	Cash flows from investing activities			
II.1.1	Proceeds from the disposal of securities		2,462	407
II.1.2	Payments for the acquisition of securities			2
<i>II.1.</i>	<i>Result</i>		2,462	405
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		36	133
<i>II.2.</i>	<i>Result</i>		-36	-133
II.3.1	Other proceeds from investing activities			9
II.3.2	Other payments from investing activities			
<i>II.3.</i>	<i>Result</i>			9
	Net cash flow generated from investing activities		2,426	281
III.	Cash flows from financing activities			
III.1.1	Share contributions		420	227
III.1.2	Returned primary and additional shares to the Union's membership leavers		430	
III.1.3	Payment of a share of profit to members of the Credit Union			
<i>III.1.</i>	<i>Result</i>		-10	227
III.2.1	Amounts received under subordinated liabilities		1,166	81
III.2.2	Amounts paid under subordinated liabilities			
<i>III.2.</i>	<i>Result</i>		1,166	81
III.3.1	Other increases from financing activities		1,057	
III.3.2	Other decreases from financing activities			
<i>III.3.</i>	<i>Result</i>		1,057	
	Net cash flows generated from financing activities		2,213	308
IV.	Net increase (decrease) in cash flows		1,801	3,224
V.	Cash at the beginning of the period		10,251	7,027
VI.	Cash at the end of the period		12,052	10,251

Head of Administration

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Senior Accountant

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