

---

**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 of 31 December 2022, 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 2022, 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 the Lithuanian Financial Reporting 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 Union 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 the Lithuanian Financial Reporting 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.

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<sup>1</sup>  
Auditor's certification No. 000594  
8 March 2023

Grant Thornton Baltic UAB  
Upės g. 21-1, Vilnius  
Audit company's certification No. 001513

---

<sup>1</sup> The electronic document is signed with the electronic signature, has the same legal force as a signed written document and serves as an admissible means of proof. Only the Independent Auditor's Report is signed with the auditor's electronic signature.

**Rato Kredito Unija**

Company code 112043124, Molėtų g. 13, Didžioji Riešė v., Vilnius d.

**BALANCE SHEET as at 31 December 2022**

8 March 2023

(reporting date)

2022

(reporting period)

EUR thousand

(reporting currency and degree of accuracy)

	<b>ASSETS</b>	<b>Note</b>	<b>Financial year</b>	<b>Previous financial year</b>
<b>A.</b>	<b>ASSETS</b>			
I.	Cash and cash equivalents	6	9 410	12 052
II.	Investments in securities	8	2 793	
III.	Loans granted to credit institutions and other receivables	7		67
IV.	Loans granted to members of the Credit Union and other receivables	9	57 061	52 013
V.	Other financial assets	10	4 368	2 565
VI.	Reserves, repossessed and other assets	11	100	554
VII.	Non-current tangible assets	12	77	90
VIII.	Intangible assets	12	48	68
	<b>TOTAL ASSETS:</b>		<b>73 857</b>	<b>67 409</b>

	<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>Financial year</b>	<b>Previous financial year</b>
<b>B.</b>	<b>AMOUNTS PAYABLE AND LIABILITIES</b>		<b>67 925</b>	<b>62 434</b>
I.	Amounts payable and liabilities to credit institutions			
II.	Amounts payable and liabilities to clients and the Credit Union members	13	63 036	59 877
III.	Other amounts payable and liabilities	15	2 190	1 310
IV.	Provisions			
V.	Subordinated liabilities	14	2 699	1 247
<b>C.</b>	<b>EQUITY</b>		<b>5 932</b>	<b>4 975</b>
I.	Share capital	16	3 321	3 335
II.	Legal reserve and capital		1 640	975
III.	Revaluation reserve			
<b>IV.</b>	<b>Retained earnings (deficit)</b>	<b>26</b>	<b>971</b>	<b>665</b>
IV.1	Profit (loss) for the reporting year		971	665
IV.2	Profit (loss) for the previous year			
	<b>TOTAL EQUITY AND LIABILITIES:</b>		<b>73 857</b>	<b>67 409</b>

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

**Rato Kredito Unija**

Company code 112043124, Molėtų g. 13, Didžioji Riešė v., Vilnius d.

**INCOME STATEMENT as at 31 December 2022**8 March 2023

(reporting date)

2022  
(reporting period)EUR thousand  
(reporting currency and degree of  
accuracy)

No	Items	Note	Financial year	Previous financial year
I.	Interest income	1	3 758	2 940
II.	Interest expense	1	1 434	1 061
III.	Commission and customer service income	2	767	733
IV.	Commission and customer service expenses	2	18	13
V.	Result of changes in the volume of financial assets and sales		-98	-83
V.1.	Expenses of special provisions	3	-98	-132
V.2.	Other result of changes in the volume of financial assets and sales	3		49
VI.	Other profit (loss) from financial and investment activities			
VII.	General and administrative expenses	4	1847	1 755
VIII.	Other operating income		12	21
IX.	Other operating expenses			
X.	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>1 140</b>	<b>782</b>
XI.	Income tax	5	169	117
XII.	<b>NET PROFIT (LOSS)</b>		<b>971</b>	<b>665</b>

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

**Rato Kredito Unija**

Company code 112043124, Molėtų g. 13, Didžioji Riešė v., Vilnius d.

**CHANGES IN EQUITY**

2022

EUR thousand

	Share capital	Reserves and capitals		Retained earnings (deficit)	Total
		Legal	Other		
<b>Balance at 31 December 2020</b>	<b>3 345</b>	<b>554</b>		<b>421</b>	<b>4 320</b>
Profit (loss) unrecognized in the income statement					
Net profit (loss) for the reporting period				665	665
Share of profit for payments in proportion to turnover and / or dividends					
Other payments					
Reserves established		421		-421	
Reserves used					
Change in share capital	-10				-10
<b>Balance at 31 December 2021</b>	<b>3 335</b>	<b>975</b>		<b>665</b>	<b>4 975</b>
Profit (loss) unrecognized in the income statement					
Net profit (loss) for the reporting period				971	971
Share of profit for payments in proportion to turnover and / or dividends					
Other payments					
Reserves established		665		-665	
Reserves used					
Change in share capital	-14				-14
<b>Balance at 31 December 2022</b>	<b>3 321</b>	<b>1 640</b>		<b>971</b>	<b>5 932</b>

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka



## Rato Kredito Unija

Company code 112043124, Molėtų g. 13, Didžioji Riešė v., Vilnius d.

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2022

Reporting date: 8 March 2023

#### 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.

The business address of Kredito Unija: J. Jasinskio g. 14A, Vilnius, the registered address: Molėtų g. 13, Didžioji Riešė v.

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.

From 1 January 2023, Rato Kredito Unija has become a member of the United Central Credit Union Kreda.

In 2022 and 2021, the Credit Union had no remote cash-desks.

In 2022, the average number of employees on payroll was 23 (2021: 22).

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>	2 779		2 588	
<i>Legal entities</i>		314		272

The number of the Credit Union's members increased in 2022, as the Union expanded its activities and attracted new members.

#### 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, the Lithuanian Financial Reporting Standards.

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 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.

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 granted and receivables.

*Money and cash equivalents* comprise cash in hand of the Credit Union, legal reserves at the Bank of Lithuania and demand deposits in the accounts of banks and other credit institutions.

*Assets held for sale* are 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 2022, a discount rate of 5% was applied (2021: 4.5%).

### 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 2022 and 2021, 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 2022 and 2021.

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 the Lithuanian Financial Reporting Standard 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	3 703	2 934	769
For securities	55	6	49
<b>Total income</b>	<b>3 758</b>	<b>2 940</b>	<b>818</b>
For deposits and subordinated loans received	1 402	1 022	380
For funds held with the Bank of Lithuania	32	39	(7)
<b>Total expense</b>	<b>1 434</b>	<b>1 061</b>	<b>373</b>
<b>Net interest income</b>	<b>2 324</b>	<b>1 879</b>	<b>445</b>

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

Item	Financial year	Previous financial year	Change
Income related to lending procedures	747	715	32
Other income	20	18	2
<b>Total commission and customer service income</b>	<b>767</b>	<b>733</b>	<b>34</b>
Commissions and customer service expenses	18	13	5
<b>Net commission and customer service income</b>	<b>749</b>	<b>720</b>	<b>29</b>

#### Note 3. Result of change in volume and sale of financial assets

Item	Financial year	Previous financial year	Change
Expenses on special provisions for loans (-)	(2)	(28)	26
Expenses on special provisions for claims on consumer credits (-)	(105)	(162)	57
Expenses on written-off loans (-), income (+)	9	56	(47)
Provisions for off-balance sheet liabilities	-	2	(2)
<b>Expenses of special provisions</b>	<b>(98)</b>	<b>(132)</b>	<b>34</b>
Other result of change in volume and sale of financial assets (GS)	-	49	(49)
<b>Result of change in volume and sale of financial assets</b>	<b>(98)</b>	<b>(83)</b>	<b>(15)</b>

#### Note 4. General and administrative expenses

Item	Financial year	Previous financial year	Change
Wages and salaries and related tax expenses	1 036	1 002	34
Office equipment expenses	222	220	2
Legal and advisory expenses related to the restructuring of the Credit Union	120	51	69
Lease of premises	70	63	7
Payments to organizations serving the union	12	55	(43)
Legal and loan administration expenses	53	50	3
Deposit insurance premium expenses	62	49	13
Depreciation and amortization expenses	79	63	16

Advertising and marketing expenses	61	59	2
Transport, training and business trip expenses	53	39	14
Insurance expenses	12	31	(19)
Auditing expenses	18	11	7
Other expenses	49	62	(13)
<b>Total</b>	<b>1 847</b>	<b>1 755</b>	<b>92</b>

The increase of the Credit Union's general administrative expenses was driven by the increasing wage guarantee fund and remuneration paid to employees and members of the management bodies, investments in IT and other support costs necessary for the development of the Credit Union's activities.

#### Note 5. Income tax

Item	Financial year	Previous financial year	Change
Current year income tax expense	169	117	52
<b>Total income tax expense</b>	<b>169</b>	<b>117</b>	<b>52</b>

#### Note 6. Cash and cash equivalents

Item	Financial year	Previous financial year	Change
Cash in the current account of the Bank of Lithuania	7 939	8 813	(874)
Cash in commercial banks of the Republic of Lithuania	1 368	3 119	(1 751)
Cash in hand	103	120	(17)
<b>Total</b>	<b>9 410</b>	<b>12 052</b>	<b>(2 642)</b>

The Credit Union acts as a financial intermediary by lending the funds received from the Agricultural Credit Guarantee Fund (Žemės ūkio paskolų garantijų fondas UAB) based on the state financial incentives (Note 24). The collected funds (as at 31 December 2022 amounted to EUR 1,801 thousand, and 31 December 2021: EUR 1,025 thousand) under this incentive are pledged to the Agricultural Credit Guarantee Fund and transferred quarterly.

#### Note 7. Loans granted to credit institutions and other amounts receivable from them

Item	Financial year	Previous financial year	Change
Term deposits in banks	-	67	(67)
<b>Total</b>	<b>-</b>	<b>67</b>	<b>(67)</b>

In 2022, the Credit Union did not have term deposits in banks, and at the end of 2021, the Credit Union's disposal of fixed deposit in the bank was limited for ensuring the fulfilment of obligations according to the provided guarantee.

#### Note 8. Investments in securities

Item	Financial year	Previous financial year	Maturity	Coupon rate, %
Acquisition cost of investments to EU* GS	2 758	-	2026-2027	1,1-2,3
Accrued interest	35	-	-	-
<b>Total investments in securities</b>	<b>2 793</b>	<b>-</b>	<b>-</b>	<b>-</b>

In 2022, the Credit Union made investments to Romanian and Hungarian GS.

**Note 9.** Loans granted to members of the Credit Union and other receivables thereof

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	17 678	-	34 144	19 007	-	35 618	(1 329)	-
Potential risk	17 278	(20)	38 123	19 528	(29)	43 276	(2 250)	9
Increased risk	14 435	(98)	42 431	7 951	(57)	17 673	6 484	(41)
High risk	1 743	(81)	3 633	660	(2)	1 699	1 083	(79)
Very high risk	6 262	(136)	15 092	5 272	(317)	12 597	990	181
<b>Total</b>	<b>57 396</b>	<b>(335)</b>	<b>133 423</b>	<b>52 418</b>	<b>(405)</b>	<b>110 863</b>	<b>4 978</b>	<b>70</b>
<b>Total amortized cost</b>	<b>57 061</b>			<b>52 013</b>			<b>5 048</b>	

As at 31 December 2022, accrued interest on loans amounted to EUR 197 thousand (at 31 December 2021: EUR 197 thousand).

In 2022, the amount of EUR 72 thousand of loans and accrued interest was written-off as off-balance sheet items, for which 100% special provisions were formed. In 2021, there were no write-off loans.

**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	529	-	285	-	244	-
Potential risk	2 355	(118)	2 370	(118)	(15)	-
Increased risk	63	(15)	34	(9)	29	(6)
High risk	8	(4)	6	(3)	2	(1)
Very high risk	1 550	-	-	-	1 550	-
<b>Total claim rights to consumer loans</b>	<b>4 505</b>	<b>(137)</b>	<b>2 695</b>	<b>(130)</b>	<b>1 810</b>	<b>(7)</b>
<b>Total amortized cost</b>	<b>4 368</b>		<b>2 565</b>		<b>1 803</b>	

Other financial assets of the Credit Union consist of acquired claim rights to consumer loans (EUR 2,955 thousand) and claim rights to debts of a legal entity acquired for EUR 1,550 thousand. The acquired claim rights to consumer loans are without collateral with special provisions amounting to EUR 137 thousand formed for them, and the acquired claim rights to the debts of the legal entity are secured by a real estate mortgage (amounting to EUR 4,585 thousand), no provisions have been formed for them.

In 2022, acquired claim rights to consumer loans in the amount of EUR 98 thousand (2021: EUR 60 thousand) were sold and written-off.

**Note 11.** Inventories, assets taken over for debts and other assets

Item	Financial year	Previous financial year	Change
Advance paid for the acquisition of claim rights	-	500	(500)
Deferred charges	86	23	63
Payments collected	13	27	(14)

Advance payments	1	4	(3)
<b>Assets taken over for debts and other assets, total</b>	<b>100</b>	<b>554</b>	<b>(454)</b>

**Note 12.** Non-current tangible and intangible assets

Item	Tangible assets	Intangible assets	Deposit for rent of premises	Total
<b>Acquisition cost</b>				
<b>At 31 December 2020</b>	<b>186</b>	<b>85</b>	<b>9</b>	<b>280</b>
- Additions	17	24		41
- Disposals and write-offs	(10)			(10)
<b>At 31 December 2021</b>	<b>193</b>	<b>109</b>	<b>9</b>	<b>311</b>
- Additions	19	27		46
- Disposals and write-offs	(15)			(15)
<b>At 31 December 2022</b>	<b>197</b>	<b>136</b>	<b>9</b>	<b>342</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2020</b>	<b>87</b>	<b>12</b>		<b>99</b>
- Depreciation	34	29		63
- Disposals and write-offs	(9)			(9)
<b>At 31 December 2021</b>	<b>112</b>	<b>41</b>		<b>153</b>
- Depreciation	32	47		79
- Disposals and write-offs	(15)			(15)
<b>At 31 December 2022</b>	<b>129</b>	<b>88</b>		<b>217</b>
<b>Net book amount:</b>				
<b>At 31 December 2021</b>	<b>81</b>	<b>68</b>	<b>9</b>	<b>158</b>
<b>At 31 December 2022</b>	<b>68</b>	<b>48</b>	<b>9</b>	<b>125</b>

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 2022 amounted to EUR 39 thousand (31 December 2021: EUR 35 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)	2 107	884	1 223
- of associate members	2 114	2 466	(352)
- of other organizations	209	217	(8)
<b>Total liabilities redeemable at notice</b>	<b>4 430</b>	<b>3 567</b>	<b>863</b>
Term and savings deposits			
- of members (natural persons)	52 242	51 367	875
- of associate members	5 997	4 766	1 231
- of other organizations	367	177	190
<b>Total term and savings deposits</b>	<b>58 606</b>	<b>56 310</b>	<b>2 296</b>
<b>Total amortized cost</b>	<b>63 036</b>	<b>59 877</b>	<b>3 159</b>

As at 31 December 2022, accrued interest on deposits amounted to EUR 645 thousand (31 December 2021: EUR 663 thousand).

At the end of 2022, the interest rates applied to members of the Credit Union for term deposits ranged from 1.6 % to 3.5 % (2021: 1.8-2.2%), depending on the type and term of the deposit. Interest on deposits redeemable at notice for natural persons in 2022 and 2021 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

Subordinated bond issues of the Credit Union were distributed in 2022. The issuance size is EUR 1.35 million. The seven-year bond issue has an annual interest rate of 12%, and interest is paid to investors on a quarterly basis. The nominal value of one bond is EUR 1,000. Bond issue redemption date is 18 July 2029.

The repayment terms of the subordinated loans are 7-13 years. The subordinated loans will mature in 2026-2033. Interest rate for these subordinated loans ranges from 3 to 11.6 %.

The subordinated loans and bonds in the amount of EUR 2.691 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.

Item	Financial year	Previous financial year	Change
Subordinated bonds	1 351	-	1 351
Subordinated loans received from financial institutions	1 050	1 050	-
Subordinated loans received from other legal entities and natural persons	295	195	100
Accrued interest	3	2	1
<b>Total amortized cost</b>	<b>2 699</b>	<b>1 247</b>	<b>1 452</b>

#### Note 15. Other amounts payable and liabilities

Item	Financial year	Previous financial year	Change
Transit account related with provision of loan financial instruments (ŽŪPGF)	1 801	1 025	776
Income tax payable	94	87	7
Holiday pay accruals	56	46	10
Trade debts	53	31	22
Bonus accruals	19	12	7
Accrued expenses of audit of financial statements	7	11	(4)
Balances of closed customer accounts	17	10	7
Other amounts payable	143	88	55
<b>Total</b>	<b>2 190</b>	<b>1 310</b>	<b>880</b>

#### Note 16. Share capital

Item	Financial year	Previous financial year	Change
<b>Sustainable shares</b>	<b>3 301</b>	<b>3 306</b>	<b>(5)</b>
- primary shares	136	125	11
- sustainable additional shares	3 165	3 181	(16)
<b>Unsustainable shares</b>	<b>20</b>	<b>29</b>	<b>(9)</b>
- redeemable primary shares	15	23	(8)
- unsustainable additional shares	5	6	(1)
<b>Total share capital</b>	<b>3 321</b>	<b>3 335</b>	<b>(14)</b>

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.

**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 2022:

	Up to 3 months	From 3 months up to 1 year	From 1 to 5 years	More than 5 years	TOTAL
Assets	12 862	14 430	17 267	29 298	73 857
Liabilities, capital and reserves	20 867	35 671	8 639	8 680	73 857
Liquid assets					10 371
Net negative cash flow					4 839
Liquidity ratio, %					214,33

Liquid assets and negative net cash flow are calculated based on the valid *Rules for calculating the liquidity ratio for credit unions* approved by the Bank of Lithuania.

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

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

**Note 19. Prudential regulations**

Rate	Financial year	Previous financial year	Ratio set by the Bank of Lithuania
Capital adequacy ratio, %	16.39	13.71	From 01/01/2022, 13.10%, from 01/01/2023, 7.88%
Liquidity ratio, %	214.33	265.45	> 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>	14.95	20.27	
<i>Debtor II</i>	13.13	18.77	
<i>Debtor III</i>	12.87	18.67	
<i>Debtor IV</i>	12.54	18.42	
<i>Debtor V</i>	10.79	16.06	

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.

	<b>Financial year</b>	<b>Previous financial year</b>
The calculated amount of payments related to remuneration of the members of the Board and the Head of Administration and payments to the members of the Board and related social security contributions, and other payments for the work of the members of the Board.	402	381
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, deposits granted and shares to parties related to the executives of the Credit Union:

	<b>Financial year</b>	<b>Previous financial year</b>
Loans granted and off-balance sheet liabilities	22	25
Balance of deposits accepted	41	65
Shares	724	724

**Note 22.** Off-balance sheet liabilities

The Credit Union's liabilities to grant loans as at 31 December 2022 amounted to EUR 1,791 thousand (31 December 2021: EUR 2,306 thousand). In 2022, the Credit Union did not provide guarantees, while in 2021, it provided one guarantee in the amount of EUR 67 thousand.

**Note 23.** Minimum deferred liabilities

Future payments of commercial lease:

	<b>Financial year</b>	<b>Previous financial year</b>
Lease periods		
Up to one year	57	45
From one to five years	106	-
<b>Total</b>	<b>163</b>	<b>45</b>

The commercial lease agreement of the Credit Union was extended in 2022 and shall be valid until 1 November 2025.

**Note 24.** Financial intermediation

The Union acts as a financial intermediary by lending the funds received from the Agricultural Credit Guarantee Fund under the financial incentives "Loans to ensure liquidity of economic

entities operating in the production, processing and trade of agricultural and fishery products during the outbreak of the Covid-19 disease" and "Loans to ensure liquidity of economic entities operating in the production, processing and trade of agricultural and fishery products in response to Russian aggression against Ukraine". The basis for such management assessment is the agreement with the Agricultural Credit Guarantee Fund stipulating that the Union is a financial intermediary that lends out funds received from the Agricultural Credit Guarantee Fund, does not make final decisions on granting the granted funds to the borrowers, and the Union does not incur any financial or non-financial obligations due to insolvency of the borrower. Since the Credit Union acts as the financial intermediary when granting loans under the aforementioned incentives, by applying the provisions of the Lithuanian Financial Reporting standards, the loans granted to the borrowers are not accounted for and are not disclosed in the items of assets or liabilities in the Union's the financial statements. As at 31 December 2022, the Credit Union had lent EUR 18,102 thousand as an intermediary under both abovementioned financial instruments, and as at 31 December 2021, the balance of borrowed loans amounted to EUR 13,800 thousand.

**Note 25. Subsequent events**

There were no subsequent events adjusting the financial statements for 2022.

From 1 January 2023, Rato Kredito Unija has become a member of the United Central Credit Union Kreda. In January 2023, Rato Kredito Unija acquired the primary share of United Central Credit Union amounting to EUR 1 thousand and additional shares of EUR 865 thousand.

Forecasted changes in the national and global economy may have a certain impact on the development and profitability of the Credit Union's activities, however they will not affect the continuity of the Credit Union's activities, nor will they have a corrective influence for the financial statements for 2022.

**Note 26. Profit (loss) distribution project**

	<b>Financial year</b>	<b>Previous financial year</b>
Previous year's retained loss at the beginning of the period	-	
Profit (loss) for the reporting year	971	665
Transfer to legal reserve	(971)	(665)
Previous year's retained loss at the end of the period	-	-

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka

**Rato Kredito Unija**  
Company code 112043124, Molėtų g. 13, Didžioji Riešė v., Vilnius d.

**CHANGES IN CASH FLOWS**

2022

EUR thousand

No.	Items	Note	Financial year	Previous financial year
<b>I.</b>	<b>Cash flows from operating activities</b>			
I.1.1	Interest received		3 703	2 945
I.1.2.	Interest paid		1 434	1 011
<i>I.1.</i>	<i>Result</i>		2 269	1 934
I.2.1	Commissions received		767	737
I.2.2	Commissions paid		18	13
<i>I.2.2</i>	<i>Result</i>		749	724
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		23 781	26 843
I.4.2	Loans granted and other payments to members of the Credit Union		30 069	40 085
<i>I.4.</i>	<i>Result</i>		-6 288	-13 242
I.5.1	Income from deposits and special purpose funds		232 873	184 921
I.5.2	Payments from deposits and special purpose funds		229 712	174 961
<i>I.5.</i>	<i>Result</i>		3 161	9 960
I.6.1	Income from credit institutions		1 575	
I.6.2	Payments to credit institutions		1 500	69
<i>I.6.</i>	<i>Result</i>		75	-69
I.13.	Other increases from operating activities		866	1 057
I.14.	Other decreases from operating activities		1 983	2 093
I.7.3	VAT and income tax paid		173	52
<i>I.7</i>	<i>Result</i>		-1 290	-1 088
	<b>Net cash flows generated from operating activities</b>		<b>-1 324</b>	<b>-1 781</b>
<b>II.</b>	<b>Cash flows from investing activities</b>			
II.1.1	Proceeds from the disposal of securities			2 462
II.1.2	Payments for the acquisition of securities		2 759	
<i>II.1.</i>	<i>Result</i>		-2 759	2 462
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		17	36
<i>II.2.</i>	<i>Result</i>		-17	-36
II.3.1	Other proceeds from investing activities		21	
II.3.2	Other payments from investing activities			
<i>II.3.</i>	<i>Result</i>		21	
	<b>Net cash flow generated from investing activities</b>		<b>-2 755</b>	<b>2 426</b>

No.	Items	Note	Financial year	Previous financial year
<b>III.</b>	<b>Cash flows from financing activities</b>			
III.1.1	Share contributions		337	420
III.1.2	Returned primary and additional shares to the Union's membership leavers		351	430
III.1.3	Payment of a share of profit to members of the Credit Union			
<i>III.1.</i>	<i>Result</i>		<i>-14</i>	<i>-10</i>
III.2.1	Amounts received under subordinated liabilities		1 451	1 166
III.2.2	Amounts paid under subordinated liabilities			
<i>III.2.</i>	<i>Result</i>		<i>1 451</i>	<i>1 166</i>
III.3.1	Other increases from financing activities			
III.3.2	Other decreases from financing activities			
<i>III.3.</i>	<i>Result</i>		<i>0</i>	<i>0</i>
	<b>Net cash flows generated from financing activities</b>		<b><u>1 437</u></b>	<b><u>2 213</u></b>
<b>IV.</b>	<b>Net increase (decrease) in cash flows</b>		<b>-2 642</b>	<b>1 801</b>
V.	Cash at the beginning of the period		12 052	10 251
VI.	Cash at the end of the period		9 410	12 052

Head of Administration

Vladislav Jančis

Senior Accountant

Jolanta Novicka