

LCKU public bond issue

The first and largest central credit union in Lithuania

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Content

Summary of the investment proposal	5
Overview of the Issuer	11
Organizational structure	20
Financial information	28
Risk factors	29
Appendices	37



Summary of the investment proposal

Transaction

Inaugural bond issue by
Lietuvos centrinė
kredito unija

Offer

Lietuvos centrinė kredito unija 10-year subordinated bond issue

Main terms of the first tranche

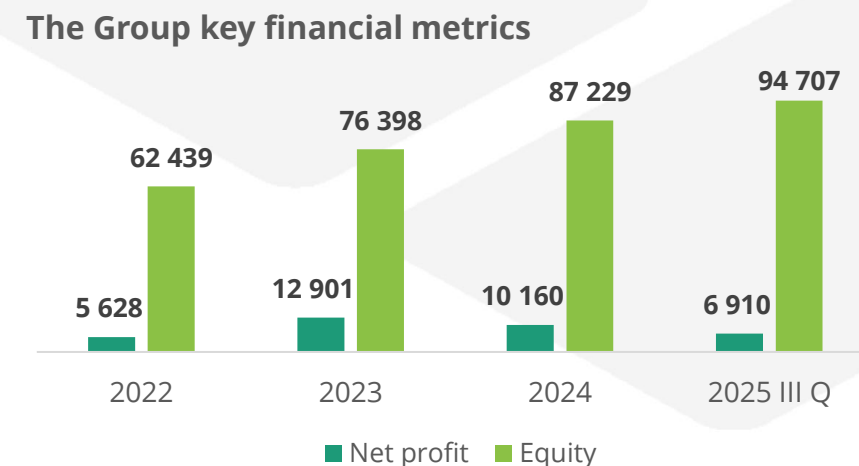
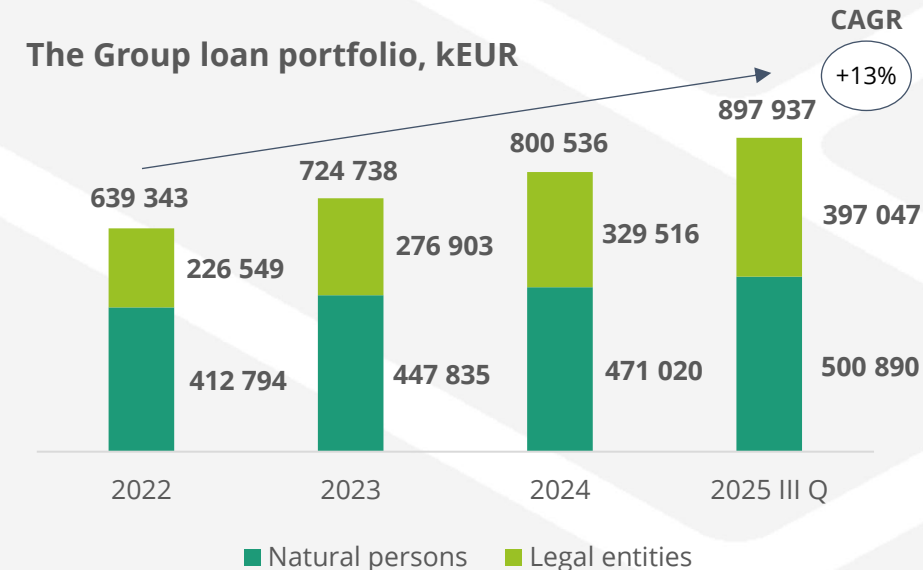
- **Issuer** - Lietuvos centrinė kredito unija (LCKU)
- **Status** - unsecured and subordinated bonds
- **Issue size** - up to 8 mEUR
- **Term** - 10 years (callable after 5 years)
- **First tranche size** - up to 4 mEUR
- **Interest rate** – 8/8,25 % (subject to the result of the bidding process)
- **Interest payment** - semi annual



Issuer at glance

The first and largest credit union group in Lithuania

- **Lietuvos centrinė kredito unija (LCKU)** – the organization that unites and supervises the largest group of credit unions in Lithuania (LKU Group). LCKU has been coordinating and ensuring the stable operation of the LKU credit union group since 2002
 - **Network:** 44 member credit unions across Lithuania through over 100 customer service locations
 - **Supervised by the Bank of Lithuania**
 - **Services:**
 - Centralized financial and operational services – accounting, internal audit, cash collection, liquidity management, payments, IT systems and regulatory compliance for member credit unions
 - Risk management and group oversight – ensuring capital adequacy, stability and prudent operations across the entire LKU credit union network



Terms and conditions of the bond issue

Issuer	Lietuvos centrinė kredito unija
Currency	EUR
Issue type	Tier 2 Subordinated Note
ISIN	LT0000136228
Issue size	8 000 000 EUR bond programme
First tranche size	Up to 4 000 000 EUR
Interest rate	8/8,25 % (subject to bidding process)
Subscription period	November 26 – December 12, 2025
Issue date	December 17, 2025
Interest payments	Semi-annual
Term	10 years
Redemption	Fully redeemable on the redemption date at 100% of the nominal value, plus accrued interest
Early redemption	Early redemption available after 5 years from the issue date at 100% of the nominal amount and other limited circumstances indicated in the Information Document
Nominal size of the bond	EUR 1 000
Interest accrual method	Actual/Actual ICMA
Source of repayment	Cash flows from operating activities; refinancing through bond issue
Trustee	AUDIFINA, UAB
Use of proceeds	The Issuer intends to use the net proceeds to strengthen its Tier 2 capital, which will enable it to further expand its loan portfolio and increase interest income
Listing	Nasdaq Vilnius First North market within 6 months from the date of the issue of the Bonds
Events of default	Non-payment; Insolvency; Insolvency proceedings.

Key dates

Interest Payment and Maturity Date of the Bonds

2025

**November 26 –
December 12**

Public offering of bonds to
investors in the Baltics

2025

December 17

Issue date

2030

December 17

Early redemption
possibility*

2035

December 17

20th interest payment
and bond maturity date

**Semi-annual interest payments
on December 17 and June 17**

* From this point, the Bonds gradually count less towards the Issuer's regulatory capital under the Capital requirements regulation, which may create an incentive for early redemption by the Issuer (subject to the Bank of Lithuania approval, if required).

Key investment highlights

1

Established and Proven Network of Financial Services Providers

- The LKU Group, established in 2002, unites 44 out of 59 credit unions with over 100 service points nationwide, making it the largest central credit union in Lithuania
- Demonstrated track record of profitability and prudent growth under a unified operational and risk framework
- Under current regulatory framework, additional central credit unions would be very complicated to establish

2

Supervised by the Central Bank

- Licensed and prudentially supervised by the Bank of Lithuania, ensuring compliance with strict capital, liquidity, and risk management standards in line with EU banking regulation
 - Continuous off-site and on-site supervision strengthens transparency, governance, and investor protection

3

Strong and Stable Balance Sheet

- Consolidated assets of 1.22 bEUR and CET1 ratio above 14 %, supported by a conservative lending portfolio and high liquidity coverage
- Low concentration risk and solid capital buffers provide resilience across economic cycles

4

Supported by the Lithuanian Government

- The Government of Lithuania owns member shares of LCKU, reinforcing institutional credibility, governance quality, and long-term strategic alignment with national financial stability goals



Overview of the Group

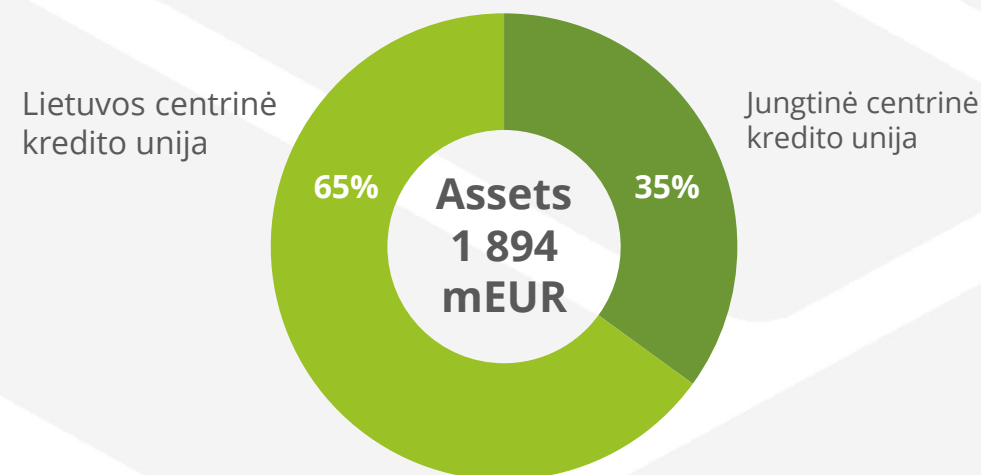
Review of the credit union sector

Stable Lithuanian market

Sector summary

- **The 2018 reform** required all credit unions to join **either central credit union**, creating two regulated groups with centralized liquidity, risk management, solvency assurance and supervision systems
- It introduced **stricter capital, governance, and prudential standards** aligned with EU regulations to strengthen stability and transparency in the sector
- **59** credit unions and **2** central credit unions operate across Lithuania
- Total membership stands at **168 400**, reflecting a stable individual and corporate participation

Market split (as of Q3 2025)



Group overview (1)

Leading credit union in Lithuania

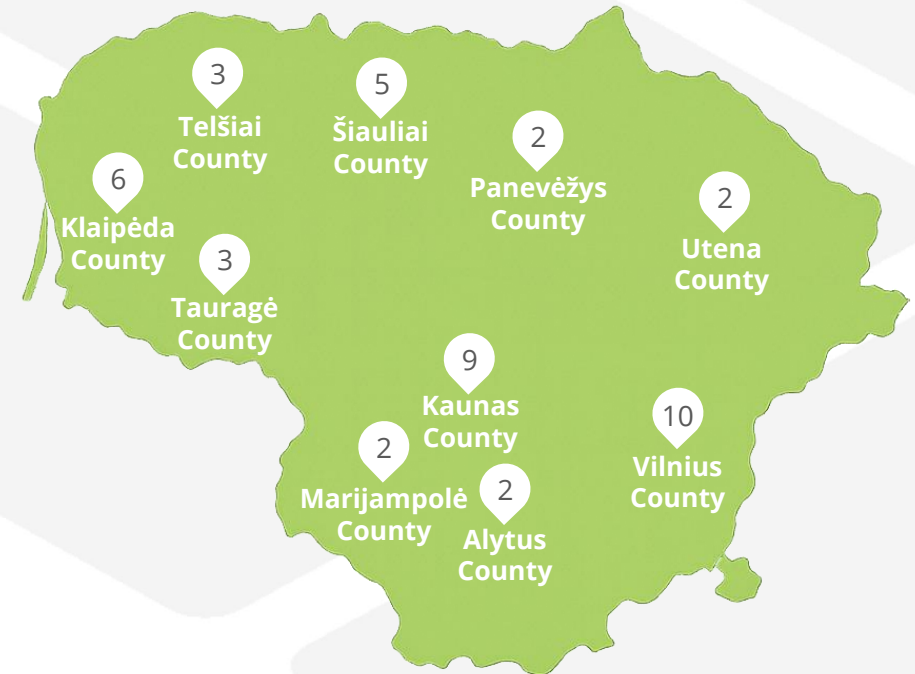
LKU Group

- The largest credit-union group in Lithuania
- With LCKU serving as the central credit union within the LKU Group
- The Issuer oversees and supports 44 member credit unions serving clients exclusively in Lithuania through over 100 customer service locations
- Headquarters based in Kaunas
- Currently there are 594 staff members employed across the Group
- Audited by the Big 4 Company
- LCKU and member unions are members of Deposits insurance scheme at national level
- Stabilization fund

Mission and values

To be an efficient, innovative, and leading center of excellence in cooperative banking. Guided by the core values of integrity, professionalism, and openness

44 member credit unions in Lithuania



Group overview (2)

Leading credit union in Lithuania

Business Model

- The Issuer's business model operates on two levels. At the central level, it supports 44 member credit unions with liquidity management, credit assessment, business support, clearing operations (via Centrolink), risk management and other centralized functions, also acts as a core-IT and solvency provider
- At the member level, the Group unions provide deposits, loans (including mortgage loans), payment services, and cards to individuals, businesses, and farmers, while also facilitating participation in government and EU support programs

Services offered



Individuals

- **Daily banking:** payment accounts, debit and credit cards, online banking (i-Unija), payments, LKU mobile app
- **Saving products:** term deposits, children's savings, savings deposits, non-cancellable term deposits
- **Loans:** housing, secured consumer and real estate, consumer, real estate-backed



Businesses

- **Daily banking:** payment accounts, credit cards, online banking (i-Unija), payments, LKU mobile app, savings account, card readers
- **Saving products:** term deposits, savings deposits, non-cancellable term deposits
- **Loans:** working capital (up to 3 years), credit lines (up to 5 years), investment loans (10-15 years), factoring, and EU/national programs



Farmers

- **Daily banking:** payment accounts, debit and credit cards, online banking (i-Unija), payments, LKU mobile app
- **Saving products:** term deposits, savings deposits, non-cancellable term deposits
- **Loans:** working capital (up to 3 years), credit lines (up to 5 years) and long-term loans (up to 25 years), as well as support programs (financing for young farmers, joint risk loans, financing for agricultural projects)

History

A constantly growing company

2002-04-22

The Lithuanian Central Credit Union was established

2015

The LKU Credit Union Group brand was renewed

2022

LCKU complies with the requirements of the Code of Good Conduct

2024

The LCKU, which supervises the group, was evaluated with the aim of determining an institutional rating

2009

The new Credit Unions Act came into force

2018

Credit union reform

2022

A new member joined the LKU Credit Union Group

2025-12-17

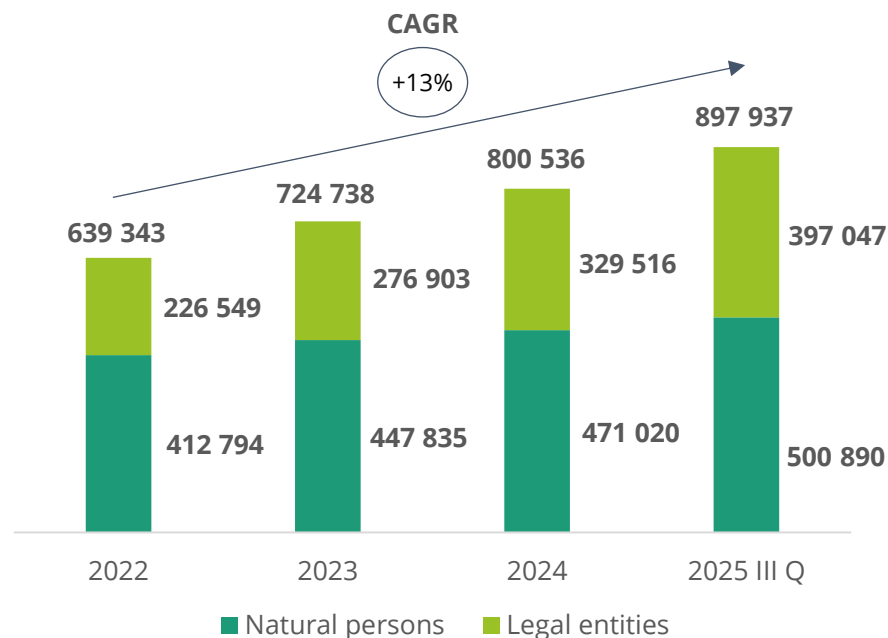
Inaugural public bond issue

Loan portfolio overview

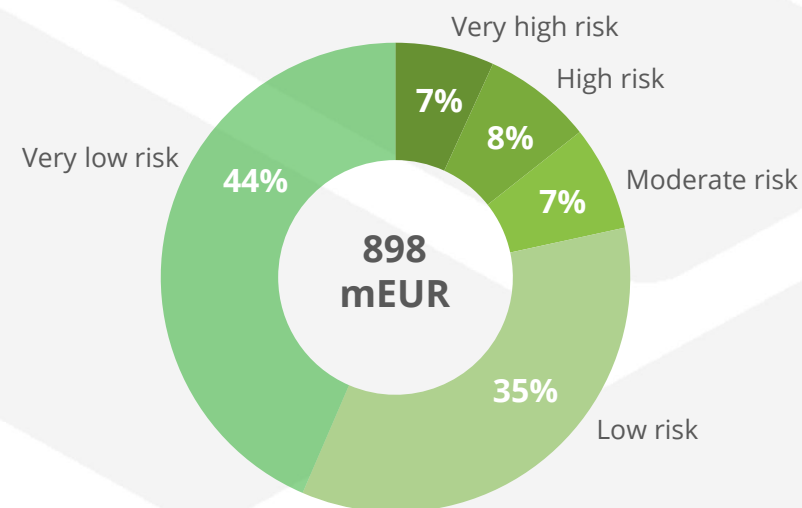
Consistent growth and diversified client base

Provisions to portfolio (2025 III Q) **2.2%**

Loan portfolio, kEUR



By risk group 2025 III Q

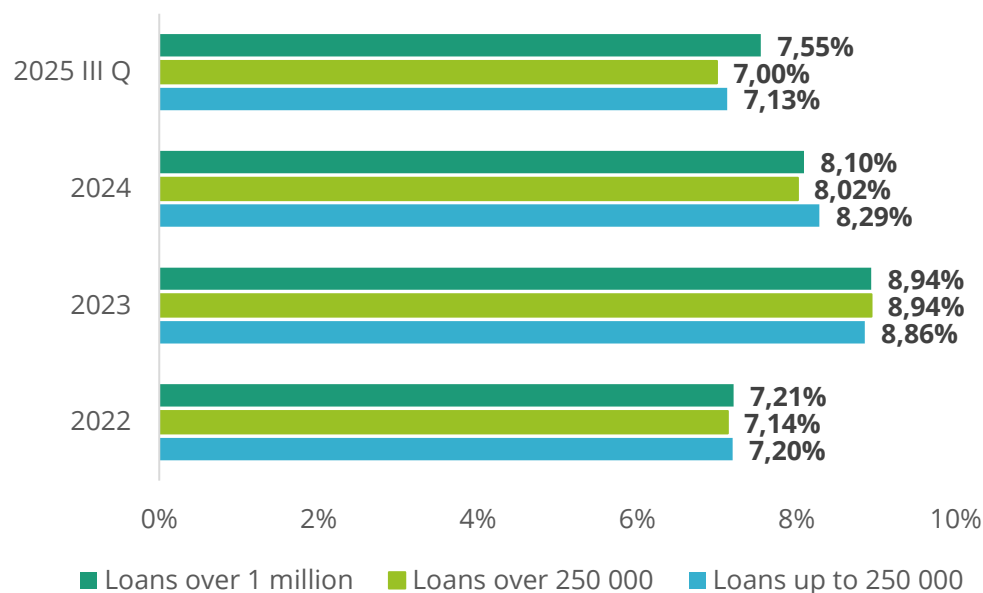


As of III Q 2025, LKU Group's loan portfolio grew 13% annually to EUR 898 million, maintaining a balanced mix between private and business clients. The business loans portfolio is well diversified, with almost 80% of loans rated low or very low risk. Asset quality remains solid, with provisions ratio at 2.2%, reflecting prudent lending and effective risk management

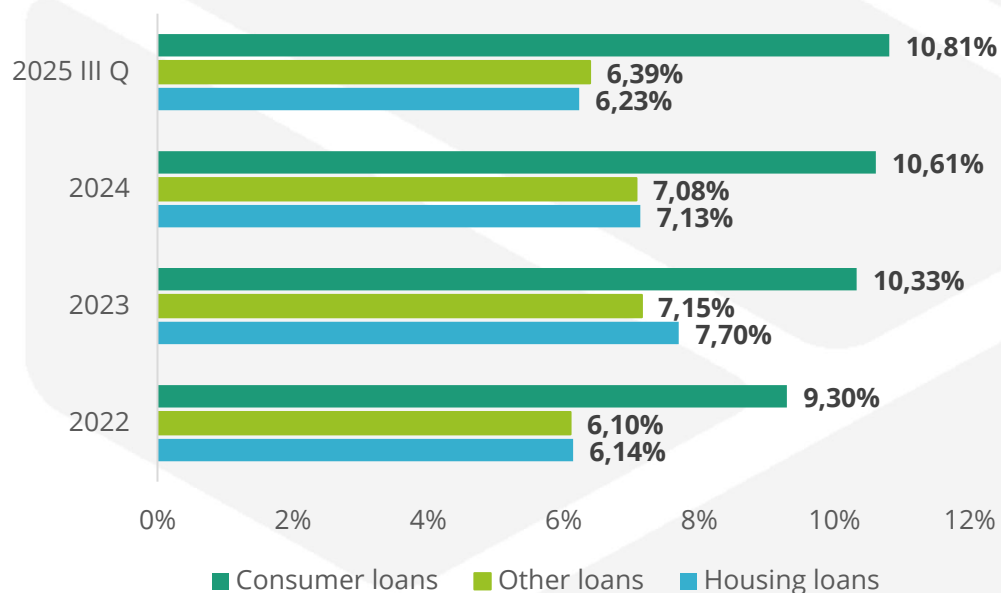
Loan portfolio interest rates

Competitive interest rates

Interest rates on new loans signed (legal persons)



Interest rates on new loans signed (natural persons)

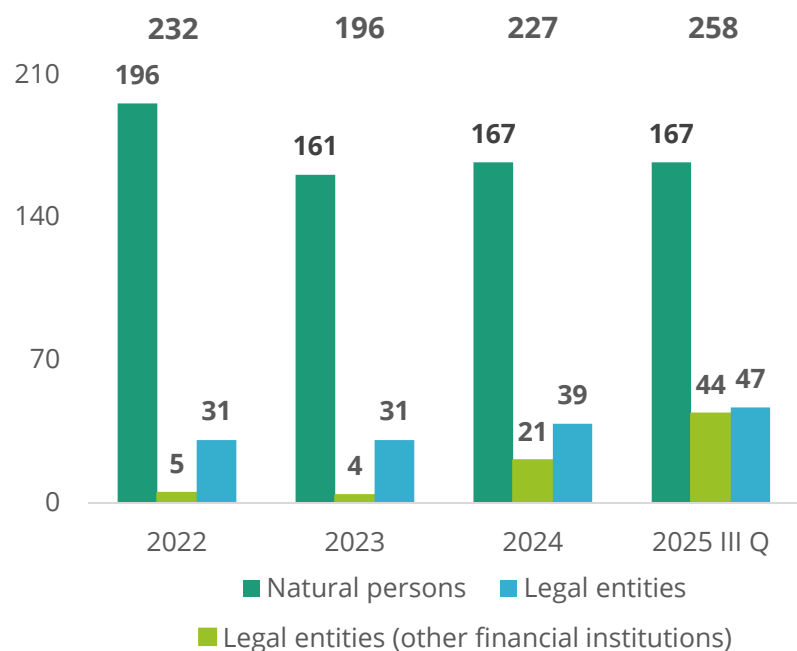


The Group maintains favorable average interest rates, with natural persons at **6,77%**, legal entities at **7,26%**, and an overall portfolio average of **7,04%**, reflecting balanced pricing and competitive lending conditions

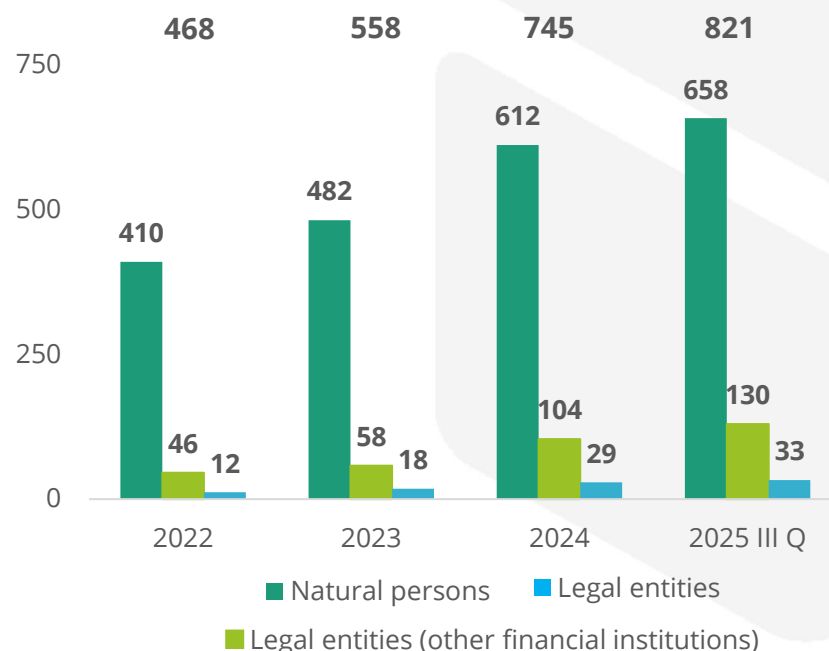
Structure of deposits

Diversified depositor base

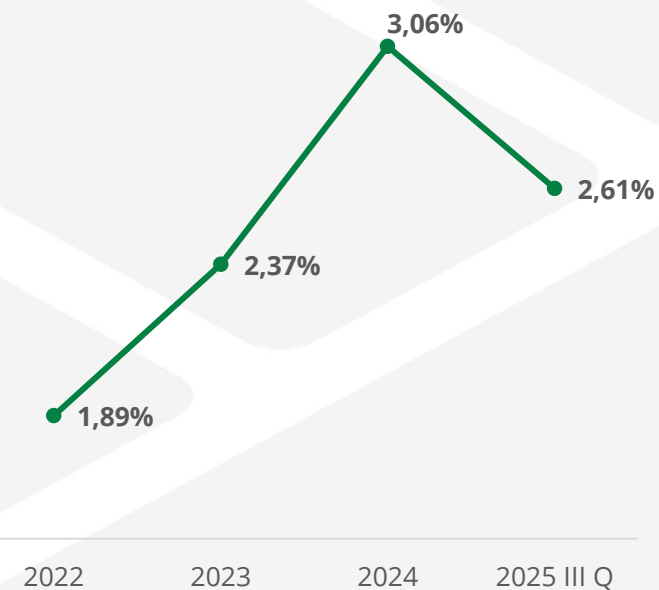
Demand deposits, mEUR



Fixed-term deposits by type of customer, mEUR



Average interest rate on fixed-term deposits, %



Demand deposits remain at a healthy level, while fixed-term deposits have shown strong growth with a CAGR of **23%**. The structure of **24%** demand deposits and **76%** fixed-term deposits reflects a stable and well-managed funding base. The competitive pricing of fixed-term deposits further support ongoing stability and growth

Central bank supervision

- **Supervised by the Bank of Lithuania (BoL)** – ensures prudential soundness, governance and consumer protection across all Group members (LCKU).
- **Unified regulatory framework** under the **Law on Credit Unions, Law on Central Credit Unions**, and **EU prudential standards (CRD/CRR)**.
- **Mandatory membership in a Central Credit Union (CCU)** creates an integrated, cross-guarantee system enhancing stability and liquidity.
- **BoL conducts off-site and on-site supervision**, reviewing capital, liquidity, risk management, and compliance practices of all member unions.

Disclaimer: actual requirements calculated according to 2025 IIIQ financial data

Capital adequacy (CET1)

Actual 14,21%	Requirement min 9,28%
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Capital adequacy (Total capital)

Actual 15,37%	Requirement min 13,48%
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Liquidity Coverage Ratio (LCR)

Actual 250,77%	Requirement min 100%
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Largest exposure to one borrower (concentration)

Actual 15,07%	Requirement max 25%
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Organizational structure

Key management



Mindaugas Vijūnas
Chairman of the Board and
CEO

Experience

- Mindaugas has been the Chairman of the Board and Chief Executive Officer of LCKU since 2017
- Since 2018, he has also been a member of the Board of the Lithuanian Credit Union Association
- Before becoming Chairman of the Board and CEO of LCKU, Mindaugas managed the Risk Management and Control Department from 2015 to 2017



Rūtenis Šukevičius
Head of the Treasury
Department and Deputy
CEO

Experience

- Since 2015, he has been serving as Head of the Treasury Department and Deputy CEO of LCKU, and since 2025, he has also been a member of the LCKU Board
- His professional experience in finance dates back to 2001, when he worked in the Financial Markets and Treasury Departments of the largest banks in Lithuania: SEB, Luminor, and Nordea



Eglė Balčiūnė
Head of Finance and
Accounting Department

Experience

- Eglė has been the Head of the Finance and Accounting Department at LCKU since 2022
- Eglė has many years of diverse experience in finance. Before taking up her current position, Eglė gained experience at the international audit and consulting company EY
- She later joined NNL LT, where she worked as Finance and Accounting Manager from 2020 to 2022



Jovita Platenkovienė
Head of Business
Development Department

Experience

- Jovita joined the LCKU team in 2015, starting her career at LCKU in the product development department, and in 2017 she began managing the Business Development Department
- She has been gaining experience in finance since 2004, when she worked at Ūkio Bankas and Danske Bank

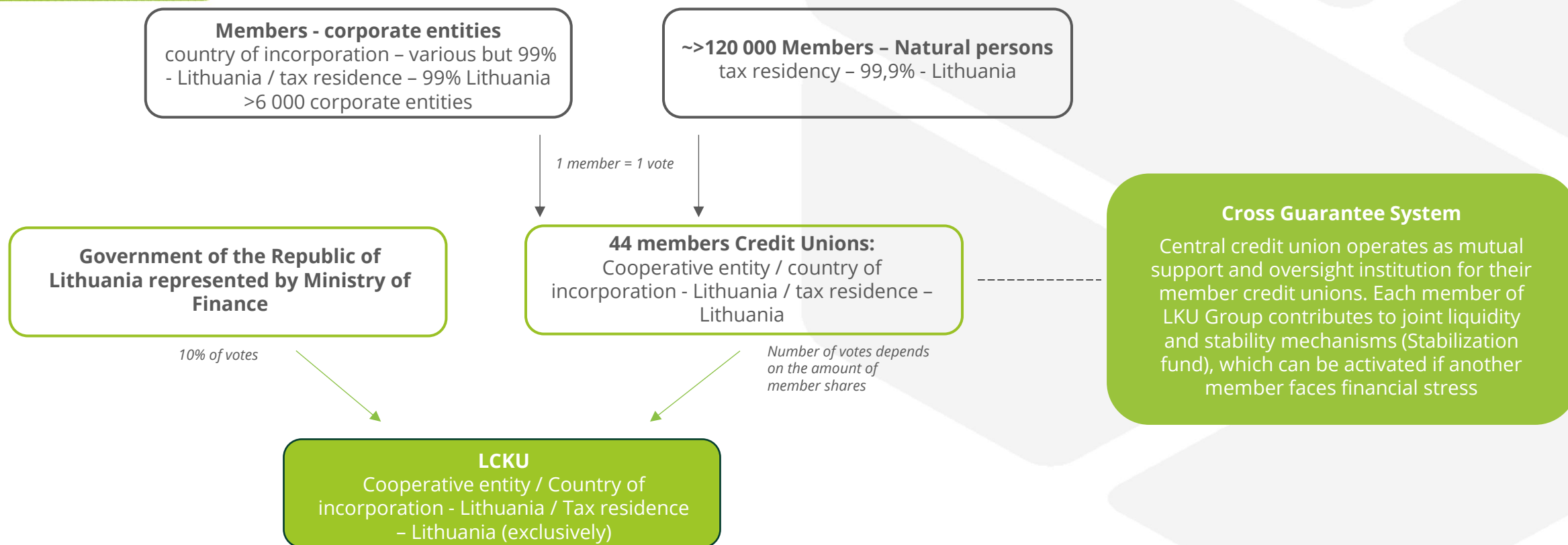


Edmundas Kaušikas
Head of Financial Risk
Department

Experience

- Since 2024, Edmundas has held the position of Head of the Financial Risk Department at LCKU
- He has been gaining experience in financial markets since 2007
- He has been working at LCKU since 2013
- He is also a member of the LCKU Stabilization Fund Commission

Ownership structure





Financial information

Income statement

Consolidated

Thousand EUR	2023	2024	2024 III Q	2025 III Q
Interest income calculated using the effective interest rate method	59 701	74 613	54 092	57 632
Interest expense calculated using the effective interest rate method	-13 681	-25 729	-18 232	-22 984
Net interest income	46 020	48 884	35 860	34 648
Fee and commission income	1 523	1 594	1 136	1 268
Fee and commission expense	-1 556	-1 382	-1 001	-968
Net fee and commission income (expense)	-33	212	135	300
Other income	1 916	1 608	897	1 013
Net result from operations with securities	536	225	94	-187
Net result from foreign exchange operations	7	8	-	-
Reversal (impairment) of loans and other assets	-3 483	-4 365	-3 171	-1 289
Change in provisions	305	-100	-	-
Wages and related expenses	-18 799	-21 937	-15 306	-17 430
Depreciation of property, plant and equipment and right-of-use assets	-1 564	-1 764	-1 445	-1 764
Amortisation of intangible assets	-224	-230	-	-
Depreciation of investment property	-57	-260	-	-
Other operating expenses	-10 263	-10 876	-7 625	-8 082
Profit (loss) before tax	14 361	11 405	9 439	7 209
Income tax expense	-1 460	-1 245	-518	-299
Net profit (loss)	12 901	10 160	8 921	6 910

Balance sheet statement

Consolidated

thousand EUR	2023	2024	2024 III Q	2025 III Q
Cash and cash balances at central bank	13 177	114 702	55 770	84 879
Loans and advances from credit institutions	2 485	2 761	2 860	1 610
Loans and advances from other parties	724 738	800 536	794 618	897 727
Securities	102 388	161 099	141 078	218 485
measured at fair value through other comprehensive income	29 218	74 784	63 976	102 227
measured at amortized cost	67 819	81 228	77 102	116 258
measured at fair value through profit or loss	5 351	5 087	-	-
Property, plant and equipment	7 381	8 552	10 332	10 814
Right-of-use assets	2 189	1 776	-	-
Intangible assets	514	430	496	364
Investment property	3 988	2 788	3 068	3 684
Assets held for sale	-	2 465	-	-
Other assets	2 688	2 462	4 578	5 760
Deferred tax assets	867	592	715	530
Total assets	860 415	1 098 163	1 013 515	1 223 853

thousand EUR	2023	2024	2024 III Q	2025 III Q
Amounts due to credit institutions and other financial institutions	76 901	148 358	134 762	204 839
Deposits from other parties	692 903	847 143	777 800	905 829
Subordinated loans	5 405	7 899	8 966	7 942
Income tax payable	1 076	455	-	-
Provisions	687	523	521	829
Other liabilities	7 045	6 556	6 865	9 707
Total liabilities	784 017	1 010 934	928 914	1 129 146
Paid-in capital	4 212	4 249	4 240	4 194
Additional permanent capital	47 998	47 488	48 099	49 887
Additional non-permanent capital	649	537	-	-
Preferred shares	30	30	-	-
Redeemable shares	1 072	1 141	-	-
Reserve capital	194	81	80	2
Reserve capital and other reserves	20 003	31 631	31 628	41 352
Revaluation reserve for financial assets	-880	265	-21	617
Retained losses from previous periods	-9 781	-8 353	-8 346	-8 255
Profit for the year	12 901	10 160	8 921	6 910
Total equity	76 398	87 229	84 601	94 707
Total liabilities and equity	860 415	1 098 163	1 013 515	1 223 853

Income statement

Standalone

Thousand EUR	2023	2024	2024 III Q	2025 III Q
Interest income calculated using the effective interest rate method	9 784	14 272	10 208	12 887
Interest expense calculated using the effective interest rate method	-2 817	-6 547	-4 479	-5 981
Net interest income	6 967	7 725	5 729	6 906
Fee and commission income	760	848	625	689
Fee and commission expense	-989	-975	-689	-735
Net fee and commission income (expense)	-229	-127	-64	-46
Other income	2 254	2 320	1 755	1 919
Net result from operations with securities	541	223	85	162
Net result from foreign exchange operations	-	-	-	-
Reversal (impairment) of loans and other assets	-381	-767	306	-683
Change in provisions	-117	-58	-	-
Wages and related expenses	-3 762	-4 443	-2 987	-3 980
Depreciation of property, plant and equipment and right-of-use assets	-122	-151	-209	-248
Amortisation of intangible assets	-130	-149	-	-
Depreciation of investment property	-	-	-	-
Other operating expenses	-1 819	-2 063	-1 507	-1 973
Profit (loss) before tax	3 202	2 510	2 516	2 057
Income tax expense	-338	-263	-262	-60
Net profit (loss)	2 864	2 247	2 254	1 997

Balance sheet statement

Standalone

thousand EUR	2023	2024	2024 III Q	2025 III Q
Cash and balances with central bank	14 269	113 094	53 232	82 317
Loans and receivables from credit institutions	89 906	41 477	56 605	45 889
Loans and receivables from other parties	69 856	89 621	86 332	115 710
Securities	78 802	134 145	114 519	185 792
- Measured at fair value	26 796	70 131	55 027	89 501
- Held-to-maturity	52 006	64 014	59 492	96 291
Property, plant, and equipment	1 072	1 247	1 270	1 294
Right of use assets	10	4	-	-
Intangible assets	331	323	367	304
Deferred tax assets	172	-	33	68
Other assets	1 208	741	1 349	1 451
Total assets	255 626	380 653	313 707	432 825

thousand EUR	2023	2024	2024 III Q	2025 III Q
Borrowings from credit institutions, other financial institutions, and funds	215 753	332 587	266 432	379 049
Subordinated loans	3 949	7 442	7 511	7 438
Deposits from other parties	36	40	28	52
Liquidity maintenance reserve	6 830	8 090	7 564	9 132
Provisions	207	265	183	329
Income tax payable	326	145	-	-
Other liabilities	1 586	1 512	1 680	3 118
Deferred income tax liabilities	-	11	-	--
TOTAL LIABILITIES	228 687	350 092	283 398	399 118
Share capital	46	46	46	45
Additional paid-in capital	22 049	22 382	22 383	23 288
Reserve capital	-	-	-	-
Revaluation reserve of financial assets	-879	162	-97	407
Other reserves	2 859	5 724	5 723	7 970
Retained losses from previous periods	-	-	-	-
Net result for the current year	2 864	2 247	2 254	1 997
TOTAL EQUITY AND RESERVES	26 939	30 561	30 309	33 707
TOTAL LIABILITIES, EQUITY, AND RESERVES	256 626	380 653	313 707	432 825



Risk factors

Risk factors 1/8

Risks related to Issuer

RISK	DESCRIPTION
Financial and Credit Risks	
Credit risk	The Issuer may incur losses if its counterparties fail to meet their obligations. Credit risk primarily stems from loans and other receivables from member credit unions and other clients. It also arises from cash and cash equivalents held with third parties (such as deposits with banks and other credit institutions), as well as from bonds and derivative instruments. Deterioration in the creditworthiness of borrowers or counterparties could result in increased loan losses or impairments, adversely affecting the Issuer's financial condition and its ability to meet obligations to Bondholders.
Concentration risk	If the Issuer's exposures are concentrated in a single client segment, economic sector or geographic region, unforeseen adverse events in these areas could lead to significant losses. The Issuer's business is concentrated in Lithuania and focused on the credit union sector. Economic difficulties affecting Lithuanian credit unions or the broader Lithuanian economy could have a disproportionate impact on the Issuer's financial performance.
Liquidity risk	Inadequate liquidity risk management and insufficient liquidity reserves may disrupt the Issuer's operations, reduce stakeholder confidence, and negatively affect the Issuer's financial stability and reputation. As the central credit union, the Issuer has a responsibility to maintain liquidity for its member credit unions. A sudden withdrawal of deposits by member credit unions or increased demand for funding could strain the Issuer's liquidity position. As a result, the Issuer may not be able to fulfil its obligations to Bondholders on the scheduled date.
Member credit union dependency risk	The Issuer's financial performance and stability depend significantly on the financial health and performance of its 44 member credit unions. The Issuer is responsible for maintaining the liquidity of member credit unions and ensuring their solvency. If most of the member credit unions or the largest member credit unions experience financial difficulties, loan losses, or liquidity problems, the Issuer may be required to provide increased financial support, which could adversely affect its own financial position, capital adequacy ratios, and ability to meet obligations to Bondholders.
Counterparty risk	The Issuer may incur financial losses due to the failure of counterparties to fulfil their obligations. A counterparty's failure may affect the completion of projects, the quality of services provided, or damage the Issuer's reputation. Although the Issuer monitors and manages counterparty risk, its materialization may negatively impact the Issuer's business and financial position, potentially affecting its ability to redeem the Bonds and pay accrued interest to Bondholders.
Refinancing risk	The Issuer may need to refinance its debts, including the Bonds, upon maturity. The Issuer's ability to successfully refinance depends on debt capital market conditions and its financial position at that time. The Issuer's inability to refinance its debts or to refinance them on favourable terms may negatively affect the Issuer's financial position and Bondholders' ability to recover funds under the Bonds.
Revenue risk	Ineffective asset management may adversely impact the Issuer's revenue from individual business segments and hinder its ability to maintain sufficient long-term profitability. Lower profitability could affect the Issuer's ability to build capital reserves and meet regulatory requirements, which may in turn impact its ability to service the Bonds.

Risk factors 2/8

Risks related to Issuer

RISK	DESCRIPTION
Market and Economic Risks	
Economic environment risk	The activities and results of the Issuer depend on economic processes taking place in Lithuania, the EU and internationally. Negative macroeconomic changes (such as rising energy and raw material prices, high inflation, or recession) may affect the ability of the Issuer's borrowers and member credit unions to meet their obligations and, thus, negatively affect the Issuer's ability to meet its obligations to Bondholders. During an economic downturn, demand for the Issuer's services may decrease, which may negatively affect the implementation of the business strategy and results of the Issuer.
Market risk	As a central credit union, the Issuer may be exposed to market risk arising from disruptions or volatility in financial markets. Such conditions could affect the availability and cost of liquidity, the stability of payment and settlement systems, and the ability of member credit unions to access or provide funding, which may in turn impact the Issuer's operations and financial condition.
Competition risk	The Issuer is the largest central credit union in Lithuania, which provides it with a strong market position. However, as a financial services provider, it operates in a highly competitive market with numerous participants. Increased competition may result in higher expenses related to marketing and client acquisition and a constant demand for innovation in the Issuer's services. Failure to adapt to competitive dynamics may negatively affect the Issuer's financial results and ability to meet obligations to Bondholders.
Strategic risk	Strategic risk may arise from uncertainties and challenges the Issuer might face when launching and managing new service offerings or executing strategic initiatives, as well as from the difficulties member credit unions may encounter in effectively attracting and integrating new members. Failure to execute these initiatives properly may impact the Issuer's growth prospects, financial performance and overall competitive position, which could affect its ability to service the Bonds.

Risk factors 3/8

Risks related to Issuer

RISK	DESCRIPTION
Regulatory and Compliance Risks	
Qualified audit opinion risk	The independent auditor issued a qualified opinion on the Issuer's separate financial statements for the year ended 31 December 2024 regarding the accounting treatment of EUR 5,279,000 in state aid received from the Republic of Lithuania. The Issuer classified this amount as equity, while the auditor considers it should be classified as a liability under IAS 32. If this amount were reclassified as recommended by the auditor, the Issuer's equity as at 31 December 2024 would decrease, and liabilities would increase, by EUR 5,279,000. This reclassification would reduce the Issuer's capital adequacy ratios and could potentially affect its ability to meet certain prudential requirements. Although, as of the date of this Information Document, the outstanding balance of this state aid is lower (EUR 3,979,000) and is currently treated as eligible capital for regulatory reporting purposes, any required reclassification could still have an adverse effect on the Issuer's financial position.
Risk of implementation of prudential requirements	The Issuer, as a central credit union, is subject to mandatory prudential requirements established by the Bank of Lithuania, which may be reviewed and modified from time to time. These requirements include minimum capital ratios, liquidity requirements, and large exposure limits. Failure to comply with these requirements could result in regulatory sanctions, restrictions on the Issuer's activities, or requirements to raise additional capital. Changes in prudential requirements could affect the Issuer's financial flexibility by limiting the capital available for business operations and strategic initiatives, and, consequently, may affect the value of the Bonds and the Issuer's ability to service them.
Compliance risk	This risk refers to the possibility that the Issuer may fail to adhere to applicable laws, regulations, or supervisory requirements set by the Bank of Lithuania or other regulatory authorities. Such non-compliance could result in regulatory sanctions, fines, reputational damage or operational restrictions. Compliance risk may adversely affect the Issuer's financial condition and its ability to meet obligations to Bondholders.
Money laundering, terrorist financing and international sanctions risk	As a central credit union, the Issuer provides financial services and liquidity to its member credit unions, accepts deposits, provides payment services to direct clients, and may therefore face exposure to money laundering, terrorist financing and sanctions violations. Failure to maintain effective anti-money laundering and counter-terrorist financing controls, or a breach of applicable sanctions regimes, could result in significant penalties, financial losses, regulatory restrictions or reputational damage, which may adversely affect the Issuer's financial condition and ability to service the Bonds.
ESG (environmental, social and governance) risk	Growing regulatory, member and public expectations around sustainability and responsible governance are increasing the importance of ESG factors in financial services. Failure to adequately integrate ESG considerations into policies, operations and services may result in penalties, reputational damage and reduced confidence among member credit unions and other stakeholders. Additionally, evolving ESG standards may impose higher compliance costs and more stringent operational requirements on the Issuer, which could affect its profitability and competitive position.
Tax risk	The introduction of new taxes relating to the Issuer's activities or changes in applicable tax laws and regulations may adversely affect the Issuer's financial performance and profitability. Changes in tax treatment could also affect the after-tax returns for Bondholders.

Risk factors 4/8

Risks related to Issuer

RISK	DESCRIPTION
Operational Risks	
Operational risk	The Issuer may incur losses due to inadequate or failed internal control processes, employee errors and illegal actions, or disruptions in information systems. There is a risk of financial and/or reputational losses arising from inadequate or ineffective internal processes, employee misconduct, system failures, or the impact of external events. Significant operational failures could disrupt the Issuer's business, result in financial losses, and damage its reputation, potentially affecting its ability to meet obligations to Bondholders.
ICT (information and communication technology) risk	The Issuer may incur losses arising from breaches of confidentiality, failures in system or data integrity, inappropriate or unavailable systems and data, or an inability to adapt information and communication technologies in a timely and cost-effective manner when requirements change. This risk includes security threats stemming from inadequate or failed internal processes, external events (including cyber-attacks), or inadequate physical security. As the administrator of the electronic banking platform for LKU Group, a significant ICT failure or cyber-attack could disrupt services to member credit unions and their customers, resulting in financial losses and reputational damage.
Fraud risk	The Issuer is exposed to fraud risk arising from potential internal misconduct, external criminal activity or fraudulent actions by member credit unions or their customers. Such incidents could result in financial losses, operational disruptions, regulatory sanctions and reputational damage, which may adversely affect the Issuer's ability to fulfil its obligations to Bondholders.
Reputational risk	Certain actions by the Issuer or its employees, suboptimal strategic decisions, or ineffective communication may lead to a negative perception of the Issuer by clients, member credit unions, regulators, investors and other stakeholders. Such reputational damage could result in the loss of business relationships, difficulty in attracting or retaining member credit unions, reduced access to funding, and financial losses. Reputational risk is particularly significant for cooperative financial institutions that rely on member trust and confidence.
Management and human resources risk	The Issuer's results depend on the competence, experience and decisions of its management and key employees. The loss of key team members, their potential employment with competitors, or inability to attract and retain qualified specialists may have a significant negative impact on the Issuer's management, operations, results, and financial position. This could affect the Issuer's ability to execute its strategy and maintain the quality of services provided to member credit unions.
Operating cost risk	Due to changing circumstances, the operating expenses of the Issuer may increase, which would reduce profitability. These expenses may increase due to the need for external specialists, increased regulatory requirements, technology investments, advertising, or additional employees. While the Issuer expects such expenses to be moderate and controlled, significant increases in operating costs may negatively affect the financial position of the Issuer and its ability to service the Bonds.

Risk factors 5/8

Risks related to Issuer

RISK	DESCRIPTION
External Risks Unpredictable events	Catastrophic events - such as terrorism, war, civil unrest, pandemics and similar force majeure events - and responses to them may disrupt operations, reduce available working days and impair the Issuer's ability to provide services. Such events can create economic and political uncertainty, reduce demand, raise costs, and lower revenues. Insurance coverage for certain risks may be unavailable or insufficient. Any such events could materially adversely affect the Issuer's business, results of operations, financial position, and ability to service the Bonds.
Risk of litigation	While the Issuer is not currently involved in any material judicial or out-of-court disputes, disputes may arise in the future. If a dispute is resolved unfavourably for the Issuer, it may result in financial losses, operational disruptions, and reputational damage. This may impact the Issuer's ability to fulfil its obligations to Bondholders and affect the Bonds' attractiveness and liquidity.

Risk factors 6/8

Risk related to Bonds

RISK	DESCRIPTION
Market and Liquidity Risks	
Risk of loss of Tier 2 status	The Bonds are intended to qualify as Tier 2 capital under CRR and other applicable requirements. Changes in applicable laws, regulations or supervisory interpretations could result in the Bonds ceasing to qualify as Tier 2 capital. This may affect the Issuer's capital adequacy ratios and could impact its ability to meet prudential requirements.
Inflation risk	There is a risk that, in the event of inflation, the depreciation of money might exceed the yield on the Bonds.
Listing risk. Risk of inactive secondary market	The Bonds constitute a new issue of securities by the Issuer. Prior to admission to trading on alternative market First North of Nasdaq Vilnius, there is no public market for the Bonds and other securities of the Issuer. Although application(s) will be made for the Bonds to be admitted to trading on alternative market First North of Nasdaq Vilnius, there is no assurance that such application(s) will be accepted, and the Bonds will be admitted to trading. In addition, admission to trading the Bonds on an alternative market will not guarantee that a liquid public market for the Bonds will develop or, if such market develops, that it will be maintained, and neither the Issuer, nor the Lead Manager is under any obligation to maintain such market. If an active market for the Bonds does not develop or is not maintained, it may result in a material decline in the market price of the Bonds, and the liquidity of the Bonds may be adversely affected. In addition, the liquidity and the market price of the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and the prospects of the Issuer, as well as many other factors that generally influence the market price for securities. Accordingly, due to such factors the Bonds may trade at a discount to the price at which the Bondholders purchased/subscribed the Bonds. Therefore, Investors may be not able to sell their Bonds at all or at a price that will provide them with a yield comparable to similar financial instruments that are traded on a developed and functioning secondary market. Further, if additional and competing financial instruments are introduced on the markets, this may also result in a material decline in the market price and value of the Bonds.
Interest rate risk	If interest rates in general or particularly with regard to obligations of corporate debtors or corporate debtors with activities in the industries sector for durations equal to the remaining term of the Bonds increase, the market value of the Bonds may decrease. The longer the remaining term of a debt instrument, the stronger is its market value affected by changes of the interest rate level. There are further factors which may affect the market value of the Bonds, including, but not limited to global or national economic factors and crises in the global or national financial or corporate sector. Bondholders should be aware that movements of the market interest rate can adversely affect the market price of the Bonds and can lead to losses for the Bondholders if they sell their Bonds

Risk factors 7/8

Risk related to Bonds

RISK	DESCRIPTION
Market and Liquidity Risks	
Bond duration risk	Since the Bonds have a long maturity of 10 years, Bondholders should carefully assess their ability to hold the Bonds until the redemption date. Bondholders have no contractual right to require early redemption of the Bonds. In the event of an unexpected need for liquidity, selling these long-term Bonds on the secondary market may prove challenging, particularly if market demand is low.
Transaction costs/charges	When the Bonds are purchased/subscribed or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase/issue or sale price of the Bonds. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Bondholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). These incidental costs may significantly reduce or eliminate any profit from holding the Bonds.
Changes in the Issuer's financial position	Any adverse change in the Issuer's financial condition or prospects may have a significant adverse effect on the liquidity of the Bonds and may result in a material decrease in the market price of the Bonds.
Structural and Legal Risks	
Subordination risk	In the event of the Issuer's liquidation or bankruptcy, claims arising from the Bonds will be satisfied only after all senior claims (first through sixth priority) have been paid in full, in accordance with Article 70(7) of the Law on Central Credit Unions. This means Bondholders rank behind depositors, general creditors, and certain other obligations, and may receive reduced payments or no payment at all in insolvency.
Risk of early redemption	The Issuer may redeem the Bonds early in several circumstances and subject to prior regulatory approval or other applicable requirements. If early redemption occurs, the return on investment may be lower than expected. Conversely, if required regulatory approval is not granted or other applicable requirements are not met, the Issuer may be unable to redeem the Bonds even if it wishes to do so.
No voting rights	Only shareholders of the Issuer have the right to vote at the Issuer's General Meetings. The Bonds do not confer such voting rights. Therefore, the Bondholders may not influence any decisions of the Issuer's shareholders relating, for example, to the Issuer's capital structure, commitments, or other transactions.
Potentially unfavourable decisions of Bondholders' Meetings	The laws applicable to the issue of the Bonds provide for the possibility of resolving certain matters at Bondholders' Meetings. Attendance of all Bondholders at the Meeting or unanimous approval from all Bondholders is not necessary for the decision to be adopted at the Bondholders' Meeting. Accordingly, the decisions made at the Bondholders' Meeting will be binding and effective for all Bondholders, including those who abstained or opposed the decision.
Changes in the legal and tax environment	The legal and tax environment relevant to the Bond issue may change. Bondholders may face additional expenses, procedural requirements, and diminished returns on their investment in the Bonds.

Risk factors 8/8

Risk related to Bonds

RISK	DESCRIPTION
Unsuitability of the Bonds for some Investors	Each potential Investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential Investor should: - have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Information Document; - have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio; - have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; - understand thoroughly the terms of the Bonds; and - be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. A potential Investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential Investor's overall investment portfolio.



Appendices

Illustrative examples of the bidding process

Payment for the Bonds

By submitting a Subscription Order each Investor authorises and instructs the Exchange Member through which the Subscription Order is submitted to immediately block the whole subscription amount on the Investor's cash account connected to its/his/her securities account until the settlement is completed or funds are released in accordance with these terms and conditions.

In case the Issuer offers the Bonds for a fixed annual interest rate within a range as specified in the Final Terms and the Investor has placed Subscription Orders at different preferred annual interest rates, the total transaction amount to be blocked will correspond to the sum of investment amounts (in EUR) payable per each Investor's offered preferred annual interest rate level. For illustrative purposes only, assuming the Investor has placed the following Subscription Orders:

Preferred annual interest rate (%) of the Bonds in a range of x% - z%	Investment amount (EUR) (per each offered interest rate)
x%	EUR 20 000
y%	EUR 40 000
z%	EUR 60 000

the amount of EUR 120,000 shall be the transaction amount and it will be blocked on the Investor's cash account until the settlement is completed or funds are released. Transaction related charges of the financial institution operating the Investor's securities account may also be blocked on the cash account as agreed between the Investor and the financial institution operating the Investor's securities account.

Illustrative examples of the bidding process

Allocation Date and Allocation Rules

Allocation of the Bonds will take place, and the final number of offer Bonds sold will be publicly announced after the Subscription Period expires.

The Bonds will be allocated to Investors by the Issuer on the Allocation Date indicated in the Final Terms. In case the Issuer offers the Bonds for a fixed annual interest rate within a range as specified in the Final Terms, only Subscription Orders which are at or below the set final Interest Rate (coupon) will be subject to allocation.

For illustrative purposes only, assuming the Investor has placed the following Subscription Orders at different preferred annual interest rates, below are a set of illustrative examples of various subscription alternatives and potential outcomes. The list is not exhaustive and there may be other potential outcomes:

Example 1.

Preferred annual interest rate (%) of the Bonds in a range of x% - z%	Investment amount (EUR) (per each offered interest rate)
x%	EUR 20 000
y%	EUR 40 000
z%	EUR 60 000

If the Issuer decides to set the final annual interest rate at y per-cent and there is no oversubscription, the Issuer does not decrease the aggregate principal amount of the relevant Tranche (i.e., each Investor receives full allocation of the Bonds), then in the case above the Investor shall receives EUR 60,000 of the Bonds.

Example 2.

Preferred annual interest rate (%) of the Bonds in a range of x% - z%	Investment amount (EUR) (per each offered interest rate)
x%	-
y%	EUR 40 000
z%	EUR 60 000

Illustrative examples of the bidding process

Allocation Date and Allocation Rules

Example 3.

Preferred annual interest rate (%) of the Bonds in a range of x% - z%	Investment amount (EUR) (per each offered interest rate)
x%	EUR 20 000
y%	-
z%	-

In case the Issuer decides to set the final annual interest rate at z per-cent and there is no oversubscription, the Issuer does not decrease the aggregate principal amount of the relevant Tranche (i.e., each investor receives full allocation of the Bonds), then in the case above the Investor shall receive EUR 20,000 of the Bonds.

Example 4.

Preferred annual interest rate (%) of the Bonds in a range of x% - z%	Investment amount (EUR) (per each offered interest rate)
x%	EUR 20 000
y%	EUR 40 000
z%	EUR 60 000

In case the Issuer decides to set the final annual interest rate at z per-cent and there is no oversubscription, the Issuer does not decrease the aggregate principal amount of the relevant Tranche (i.e., each investor receives full allocation of the Bonds), then in the case above the Investor shall receive EUR 120,000 of the Bonds.

The number of Bonds to be allocated to each Investor shall be determined upon time priority principle. Accordingly, Investors who placed the Subscription Order, may not receive all of the Bonds they have subscribed for and it is possible they may not receive any.

In case the Investor has not been allocated any Bonds or allocation is less than the number of subscribed Bonds, the relevant amount shall be released in accordance with the terms set out in Return of funds to Investors.

By placing a Subscription Order the Investors shall be considered as have consented to being allotted a lower number of Bonds than the number specified in such Investor's Subscription Order, or to not being allotted any Bonds at all, pursuant to this Information Document.

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