

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

CONTENT

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CASH FLOWS	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO FINANCIAL STATEMENTS:	
GENERAL INFORMATION	11
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	13
FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES	33
FINANCIAL RISK MANAGEMENT	35
CAPITAL ADEQUACY	53
OTHER NOTES TO THE FINANCIAL STATEMENTS	55



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VAT payer code LT108784411
Register of Legal Entities

To the Management of Lithuanian Central Credit Union (in Lithuanian language “Lietuvos centrinė kredito unija”)

Ernst & Young Baltic UAB has performed an audit of the special-purpose combined financial statements of Lithuanian Central Credit Union (hereinafter – the Company), its member credit unions and Stabilization Fund administered by the Company (hereinafter – the Group) for the year ended 31 December 2023 prepared in the Lithuanian language. The accompanying set of financial statements is the translation into the English language and below is presented a translation of our auditor's report from the original, which was issued in the Lithuanian language. The Management of the Company is responsible for the translation of the financial statements. All possible care has been taken to ensure that the translation of the auditor's report and the accompanying financial statements is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the auditor's report takes precedence over this translation.

“INDEPENDENT AUDITOR’S REPORT

To the members of Lietuvos centrinė kredito unija

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying special-purpose combined financial statements (hereinafter – the financial statements) of Lietuvos centrinė kredito unija (hereinafter – the Company), its member credit unions and Stabilization Fund administered by the Company (hereinafter – the Group), which comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in equity and cash flows 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 of the Group are prepared, in all material respects, in accordance with the accounting principles described in Note 2 to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). 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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to Note 2 of the accompanying financial statements, which describes the basis of accounting. The financial statements are prepared based on the requirement of the Law on Central Credit Unions of the Republic of Lithuania and the Group’s accounting policy. As a result, the financial statements may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How our audit addressed the key audit matter

Impairment of loans and receivables from customers

As disclosed in the *Credit risk* disclosure under *Financial risk management* note as at 31 December 2023 the gross loans and receivables from customers of the Group amounted to EUR 742 882 thousand, and the related impairment provision amounted to EUR 15 659 thousand. The basis of the Group’s impairment accounting policy is presented in the section *Impairment of financial assets* of the accounting policies note to the financial statements. Also, attention is drawn to the use of judgements and estimates, set out in the accounting policies note of *Significant accounting estimates and judgements* part (a) *Impairment of financial assets (expected credit losses)* in this area in the preparation of financial statements disclosures.

Impairment of loans and receivables from customers is a subjective assessment area due to the level of judgement applied by the management in determining the extent of expected credit losses, which is dependent on the methods and models used, significant assumptions applied and consideration of estimation uncertainty.

The significant assumptions applied by the management in determining the level of impairment for loans and receivables include selection of the appropriate method and model, identification of events of significant increase in credit risk, estimation of forward-looking information for different probability-weighted scenarios, the assessment of customers that are defaulted, appropriate valuation of the related collaterals and the future expected cash flows relating to loans and receivables.

Due to the material nature of loans and receivables from customers and the related judgment involved in the estimation of loans and receivables impairment, it is considered to be a key audit matter.

We, among other audit procedures, have gained an understanding (including understanding about assumptions, methods and models used) and tested operating effectiveness of the controls over the process of estimating individually and collectively assessed expected credit losses of loans and receivables from customers of the Group.

We involved our internal risk assessment specialist to assist us in assessing whether the existing accounting policy for the estimation of impairment of loans and receivables from customers is in accordance with the accounting policy described in Note 2 to the financial statements.

For individually assessed loans for impairment, we selected a sample of loans and receivables outstanding as at the reporting date and assessed whether the criteria for determining whether the credit losses expected to arise over the life of the asset or over the next 12 months agree to the applied accounting policy. For the selected sample of loans and receivables we assessed management’s forecast of the recoverable cash flows, the valuation of collaterals, estimation of recovery on default and other sources of repayment.

For the collectively assessed loans for impairment, we involved our internal risk assessment specialist to assist us in assessing the model’s compliance with accounting policy requirements and key inputs used (probability of default, loss given default and exposure at default) by reviewing selected expected credit loss calculation. We assessed the computation of the key inputs (probability of default, loss given default and exposure at default) by agreeing data used in the calculation to the supporting evidence (e.g. default event and cash payments received) for a selected sample.

In addition, we compared the provision amounts for expected credit losses disaggregated by loan type and stage as at 31 December 2023 against our set expectations.

We assessed forward-looking information by comparing the management’s estimate with the publicly available reputable sources of information (e.g. Bank of Lithuania).

We also assessed the adequacy of the related financial statements disclosures according to the accounting policy requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the accounting principles described in Note 2 to the financial statements, as well as determining that the applicable financial reporting framework is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 skepticism 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 Group'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 Group'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 Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the members of Lietuvos centrinė kredito unija on 30 April 2021 we have been chosen to carry out the 2021 - 2023 years audit of the Group's and Company's financial statements. The period of total uninterrupted engagement is 9 years for the Company's financial statements and 6 years for the Group's financial statements.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in section "Opinion" is consistent with the additional Audit report, which we have submitted to the management of the Company and its Audit Committee.

Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period we have not provided any other services except for the audit of Company's financial statements, the audit of the special-purpose combined financial statements of the Company and its members and financial statements translation service.

The partner in charge of the audit resulting in this independent auditor's report is Kęstutis Juozaitis.

UAB ERNST & YOUNG BALTIC
Audit company's license No. 001335

Kęstutis Juozaitis
Auditor's licence
No. 000550

30 April 2024"

Kęstutis Juozaitis
28 June 2024

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

STATEMENT OF COMPREHENSIVE INCOME	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest and other similar income	6	59,701	35,385
Interest and other similar expenses	6	(13,681)	(6,733)
		46,020	28,652
Net interest income			
Fee and commission income	7	1,523	1,492
Fee and commission expenses	7	(1,556)	(1,287)
		(33)	205
Net fee and commission income (expenses)			
Other income	8	1,916	2,966
Net result from securities transactions	9	536	446
Net result from foreign currency transactions	10	7	14
(Impairment) reversal of impairment of loans and other assets	11	(3,483)	(2,459)
Change in provisions	12	305	(44)
Payroll and related expenses		(18,799)	(14,677)
Depreciation of property, plant and equipment and right-of-use assets	19	(1,564)	(1,069)
Amortisation of intangible assets	20	(224)	(227)
Depreciation of investment property	21	(57)	(136)
Other operating expenses	14	(10,263)	(7,110)
		14,361	6,561
Profit (loss) before tax			
Income tax expense	13	(1,460)	(933)
		12,901	5,628
Net profit (loss)			
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income			
Net change in fair value during the year		1,050	(2,152)
Change in expected credit loss	11	31	(24)
Reclassification to profit (loss)		(35)	(14)
Deferred income tax related to the above	13	(152)	325
Net profit (loss) on debt instruments at fair value through other comprehensive income		894	(1,865)
Other comprehensive income (loss) for the year, net of deferred income tax		894	(1,865)
Total comprehensive income		13,795	3,763

The accounting policies and notes on pages 13 to 69 form an integral part of these financial statements.

The financial statements set out on pages 7 to 69 were authorized on 30 April 2024.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

STATEMENT OF FINANCIAL POSITION

		As at 31 December 2023	As at 31 December 2022
	Notes		
ASSETS			
Cash and cash equivalents held in central bank	15	13,177	27,820
Loans and receivables from credit institutions	16	2,485	6,644
Loans and receivables from other parties	17	724,738	639,343
From natural persons	17	447,835	412,794
From legal persons	17	276,903	226,549
Securities	18	102,388	101,710
At fair value through other comprehensive income	18	29,218	35,726
At amortized cost	18	67,819	61,182
At fair value through profit or loss	18	5,351	4,802
Property, plant and equipment	19	7,381	7,452
Right-of-use assets	19	2,189	964
Intangible assets	20	514	618
Investment property	21	3,988	3,570
Other assets	22	2,688	2,818
Deferred tax assets	13	867	1,025
Total assets		860,415	791,964
LIABILITIES			
Amounts due to credit and other financial institutions	23	76,901	67,012
Deposits from other parties	24	692,903	650,237
Deposits from natural persons	24	643,091	605,962
Deposits from legal persons	24	49,812	44,275
Subordinated loans	26, 28	5,405	5,342
Income tax payable		1,076	356
Provisions	25	687	508
Other liabilities	27	7,045	6,070
Total liabilities		784,017	729,525
EQUITY			
Primary member shares	29	4,212	4,357
Additional sustainable member shares	29	47,998	47,862
Additional unsustainable member shares	29	649	782
Preference member shares	29	30	30
Repayable member shares	29	1,072	799
Reserve capital	29	194	222
Legal and other reserves	29	20,003	13,800
Financial asset revaluation reserve	29	(880)	(1,774)
Retained (loss) of previous reporting periods		(9,781)	(9,267)
Result for the reporting period		12,901	5,628
Total equity		76,398	62,439
Total liabilities and equity		860,415	791,964

The accounting policies and notes on pages 13 to 69 form an integral part of these financial statements.

The financial statements set out on pages 7 to 69 were authorized on 30 April 2024.

Head of Administration
Mindaugas Vijūnas

Head of Finance and
Accounting
Eglė Balčiūnė

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

STATEMENT OF CASH FLOWS

		For the year ended 31 December 2023	For the year ended 31 December 2022
	Notes		
Operating activities			
Interest income received		57,862	34,206
Interest paid		(10,411)	(7,740)
Commission income received		1,523	1,492
Commission expenses paid		(1,556)	(1,287)
Wages and salaries, and social security contributions		(18,799)	(14,677)
Inflows from non-finance and other income		1,824	2,966
Other operating expenses paid		(10,341)	(6,654)
Changes in assets/liabilities			
(Increase) decrease in loans to credit unions	16	324	348
(Increase) decrease in loans granted to other parties		(87,065)	(94,186)
(Increase) decrease in other assets and other financial assets		130	(457)
Increase (decrease) in deposits of credit unions and financial institutions	23	9,889	18,213
Increase (decrease) in deposits of other parties		39,743	46,035
Increase (decrease) in other liabilities		(198)	1,031
Net cash flows from operating activities before income tax		(17,075)	(20,710)
Income tax paid		(422)	(477)
Net cash flows from operating activities		(17,497)	(21,187)
Investing activities			
Acquisition of property, plant and equipment and intangible assets	19, 20	(1,423)	(1,692)
Disposal of property, plant and equipment and intangible assets		801	806
Acquisition of investment property	21	(490)	-
Disposal of investment property		1,186	658
Acquisition of debt securities		(40,260)	(26,945)
Redemption of debt securities		40,872	14,943
Acquisition of equity securities		(75)	(600)
Redemption of equity securities		27	19
Net cash flows used in investing activities		638	(12,811)
Financing activities			
Admission of CU Taupa	2	-	7,633
Payments from members for primary member shares		199	202
Payments to members for primary member shares		(344)	(299)
Payments from members for additional member shares		4,724	4,242
Payments to members for additional member shares		(4,448)	(1,949)
Other loans received	28	2,000	2,000
Subordinated loans received (repaid)	26, 28	50	1,000
Funds received from INVEGA UAB and ŽŪPGF UAB	28	2,100	2,400
Funds repaid to INVEGA UAB and ŽŪPGF UAB	28	(5,153)	(4,443)
Principal portion of the lease for right-of-use assets	19	(747)	(46)
Net cash flows from/used in financing activities		(1,619)	10,740
Increase (decrease) in cash and cash equivalents		(18,478)	(23,258)
Cash and cash equivalents at the beginning of the period		33,631	56,889
Cash and cash equivalents at the end of the period:		15,153	33,631
Cash on hand and balances in correspondent account with the Bank of Lithuania	15	13,177	27,820
Balances in correspondent accounts with banks	16	1,976	5,811
Non-cash transactions			
Acquisition of investment property (repossessed assets)	21	(957)	(136)

The accounting policies and notes on pages 13 to 69 form an integral part of these financial statements.

The financial statements set out on pages 7 to 69 were authorized on 30 April 2024.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

STATEMENT OF CHANGES IN EQUITY

	No- tes	Share capital					Legal and other re- serves	Re- serve capi- tal	Financial asset reval- uation re- serve	Retained earnings (deficit)	Total:
		Pri- mary mem- ber share s	Addi- tional sustain- able member shares	Addi- tional unsus- tainable member shares	Pref- er- ence mem- ber share s	Re- pay- able mem- ber share s					
Balance as at 31 December 2021		4,359	40,752	927	30	360	8,046	242	91	(2,440)	52,367
Net profit (loss) for the period		-	-	-	-	-	-	-	-	5,628	5,628
Other compre- hensive income		-	-	-	-	-	-	-	(1,865)	-	(1,865)
Comprehensive income		-	-	-	-	-	-	-	(1,865)	5,628	3,763
Admission of CU Taupa	2	95	5,000	111	-	-	1,014	-	-	(2,159)	4,061
New member shares acquired by members	29	202	4,242	-	-	-	-	-	-	-	4,444
Member shares refunded to members	29	(299)	(2,132)	(256)	-	439	-	52	-	-	(2,196)
Coverage of re- tained deficit	29	-	-	-	-	-	-	(72)	-	72	-
Transfer to re- serves	29	-	-	-	-	-	4,740	-	-	(4,740)	-
Balance as at 31 December 2022		4,357	47,862	782	30	799	13,800	222	(1,774)	(3,639)	62,439
Net profit (loss) for the period		-	-	-	-	-	-	-	-	12,901	12,901
Other compre- hensive income		-	-	-	-	-	-	-	894	-	894
Comprehensive income		-	-	-	-	-	-	-	894	12,901	13,795
New member shares acquired by members	29	199	4,724	-	-	-	-	-	-	-	4,923
Member shares refunded to members	29	(344)	(4,588)	(133)	-	273	-	33	-	-	(4,759)
Coverage of re- tained deficit	29	-	-	-	-	-	-	(61)	-	61	-
Transfer to re- serves	29	-	-	-	-	-	6,203	-	-	(6,203)	-
Balance as at 31 December 2023		4,212	47,998	649	30	1,072	20,003	194	(880)	3,120	76,398

The accounting policies and notes on pages 13 to 69 form an integral part of these financial statements.

The financial statements set out on pages 7 to 69 were authorized on 30 April 2024.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

The Lithuanian Central Credit Union (in Lithuanian language "Lietuvos centrinė kredito unija", hereinafter "LCCU") was registered with the Lithuanian Register of Enterprises on 22 April 2002. On 28 November 2002, the Bank of Lithuania issued a license to LCCU No 54 to perform all operations provided for in the former Lithuanian Law on Central Credit Union. LCCU started its principal activities on 2 December 2002. LCCU is based at Savanorių ave. 363B-201, Kaunas.

The group of the Lithuanian Central Credit Union (hereinafter "the Group"), whose special purpose combined (consolidated) financial statements (hereinafter "financial statements") are presented here, consists of LCCU, its member credit unions and the stabilization fund administered by LCCU (hereinafter "the Group members", "the Group entities").

As at 31 December 2023 and 2022, LCCU consisted of 46 members, of which 45 were credit unions and the State of the Republic of Lithuania. On 6 January 2023, Vievio Taupa Credit Union changed its name to Elektrėnai Credit Union. On 27 April 2023, Pakruojis Farmers Credit Union was renamed to Pakruojis Credit Union. On 11 May 2023, Širvintai Credit Union was renamed to KB Pilies Credit Union. The following credit unions were in the Group as at 31 December 2023 and 2022:

1. Achema Credit Union
2. Alytus Credit Union
3. Anykščiai Credit Union
4. Centras Credit Union
5. Druskininkai Credit Union
6. Elektrėnai Credit Union
7. Fortūna Credit Union
8. Grinkiškis Credit Union
9. Jurbarkas Credit Union
10. Jonava Credit Union
11. Kaunas Credit Union
12. Kaunas Region Credit Union
13. KB ARKU Credit Union
14. KB Pilies Credit Union
15. Kelmė Credit Union
16. Kėdainiai Region Credit Union
17. Klaipėda Credit Union
18. Gargždų Taupa Credit Union
19. Germanto Lobis Credit Union
20. Mėmelio Taupomoji Kasa Credit Union
21. Delta Credit Union
22. Neris Credit Union
23. Magnus Credit Union
24. Prienų Taupa Credit Union
25. Tikroji Viltis Credit Union
26. Sūduvos Parama Credit Union
27. Ebitum Credit Union
28. Taupa Credit Union
29. Kretinga Credit Union
30. Mažeikiai Credit Union
31. Pagėgiai Credit Union
32. Pakruojis Credit Union
33. Palanga Credit Union
34. Panevėžys Credit Union
35. Pasvalys Credit Union
36. Plungė Credit Union
37. Šeima Credit Union
38. Šilutė Credit Union
39. Tauragė Credit Union
40. Trakai Credit Union
41. Ukmergės Farmers Credit Union
42. Utena Credit Union
43. Vilkaviškis Credit Union
44. Vilnius Credit Union
45. Vytauto Didžiojo Credit Union

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

LCCU operates under the Lithuanian Law on Central Credit Unions. LCCU is a credit institution organized on co-operative basis, established by legal entities credit unions and the Lithuanian Government, and registered in the manner prescribed by the former Lithuanian Law on Central Credit Union. LCCU operates on the basis of share capital contributed by members and performs the functions of liquidity maintenance and solvency recovery of credit unions, performs clearing transactions, maintenance service of payment cards and internet bank for credit unions and their members, accepts deposits and other repayable funds, grants loans and takes on risks and responsibility relating to it. In addition, LCCU provides non-financial services to the credit unions.

Each credit union in the Group is a credit institution, which meets the economic and social needs of its members and has a license to engage in and is engaged in accepting deposits and other repayable funds from non-professional markets participants, as well as has the rights to engage in the provision of other financial services specified in the Law on Credit Unions of the Republic of Lithuania to the persons specified by the Law and take the related risks and responsibility. The legal form of the credit union, as a legal entity, is a cooperative company. 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 of the Republic of Lithuania on Cooperative Societies and other laws, legislation adopted by the supervisory authority and its Articles of Association.

The information about the members of the credit unions is provided below:

	As at 31 December 2023		As at 31 December 2022	
	Members	Associate members	Members	Associate members
Natural persons	120,210	-	119,058	-
Legal persons	-	6,786	-	6,411

As at the end of the reporting period, the Group had 576 employees (as at 31 December 2022, 561 employees).

LCCU management approved these financial statements on 30 April 2024. The financial statements have to be approved by the members of LCCU within the period of 4 months from the end date of the financial year.

(All amounts in EUR thousand unless stated otherwise)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The combined (consolidated) financial statements of the Group are prepared in accordance with the requirements of the Law on Central Credit Unions of the Republic of Lithuania to prepare such financial statements and by the Resolution No 03-116 of the Board of the Bank of Lithuania of 13 July 2017 on the Approval of the Description of the Requirements for the Combined (Consolidated) Financial Statements and Supervisory Reporting of Central Credit Unions. In light of these requirements, the special purpose financial statements of the Group have been prepared in accordance with the Group's accounting policies, as set out in these financial statements below.

LCCU also prepares separate financial statements in accordance with International Financial reporting Standards (IFRS) as adopted by the EU, which are published under the Law on Central Credit Unions, as adopted by the Republic of Lithuania, on website www.lccu.lt.

Financial statements are prepared under the historical cost basis, except for financial assets stated at fair value.

The financial statements are prepared on a going concern basis.

The amounts in these financial statements are presented in EUR, which is the functional and presentation currency of the Group.

Due to rounding of certain amounts to thousand, figures in the tables may differ. Such rounding errors are immaterial in these financial statements.

Combination (consolidation) of the Group's financial statements

The combined (consolidated) financial statements of the Group use the financial information of the entities within the Group for the same reporting period (the separate financial statements of each member of the Group).

Operating results and balance-sheet items of each credit union member are included in the combined (consolidated) financial statements from the day the credit union becomes a LCCU member. If a credit union withdraws from LCCU, its operating results and balance-sheet items are included in the combined (consolidated) financial statements until the date of withdrawal.

When a new member joins, all information is transferred to LCCU's systems. The balance-sheet items of a new member are aggregated in accordance with the principles and rules set out in the following note. Credit unions comply with the requirements of the Lithuanian Financial Reporting Standards applicable in the Republic of Lithuania, therefore, their financial information is restated to comply with the accounting principles applied by the Group, as set out below in these financial statements.

A new member's assets and liabilities recognised and measured at carrying amount before the admission are reflected in the combined (consolidated) financial statements of LCCU Group. Any retained earnings (loss) generated (incurred) before the admission are reported under the Groups reserve capital. Any differences arising from the following recalculations are reported under retained earnings (loss). The share capital of a new member is added to the Group's share capital. Cash balances of a new LCCU member accounted for at the date of admission are reported in the statement of cash flows under financing activities. Assets and liabilities of a new member are disclosed in the movement tables presented in the notes to the financial statements as increased due to admission of a new member.

The borrowers' financial position and collaterals of a new LCCU member are not re-assessed as at the date of admission. The adjustment to the assessment of ECLs on loan portfolio as at the date of admission is made in accordance with the requirements analogical to those in IFRS 9 Financial Instruments using the most recent available assessment of the borrowers' financial position and collaterals of the newly admitted credit union made before the date of admission. The ECLs assessment as at the date of admission is based on the loan levels described the section of accounting policy "Impairment of financial assets", applicable as at the date of admission, taking into account the increased risk since the loan issuance date. For this reason, the levels of loans assessed at the date of admission range from Level 1 (credit risk has not increased significantly from the loan issue date) to Level 3 (the loan is impaired).

The Stabilization Fund shall be included in the combined financial statements for the whole reporting period.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

At the time of preparation of the combined (consolidated) financial statements, all the balance sheet, profit and loss items of the individual credit unions, LCCU and the stabilization fund are aggregated. The aggregation of items is conducted by eliminating the intercompany transactions and balances between Group entities:

- Eliminating the value of the equity capital of LCCU and of each credit union's investment in the equity capital of the LCCU, including the amount of related special provisions for the shares of LCCU, recorded in separate credit unions;
- Eliminating income of the Stabilization Fund and the expenses of each credit union in paying contributions to the Fund, the contributions to the Stabilization Fund for prior periods are eliminated from the retained earnings (only current contributions to the Stabilization Fund are eliminated for current period);
- Eliminating payments from and/or subordinated loans granted by the Stabilization Fund and, respectively, credit union's components of equity and/or loans payable;
- Eliminating the intercompany loans and other receivables (including accrued interest), current accounts and term deposits (including accrued interest), other assets and other liabilities, liquidity reserve accounts;
- Eliminating intergroup income and expenses (interest income and expenses, commissions, other income and expenses);
- If a particular item (account) is used solely for the purpose of representing intercompany transactions or balances, these amounts are eliminated.

All other balance sheet, profit and loss items are also reviewed to identify the possible amounts of any intercompany transactions and balances that should be eliminated.

Credit unions comply with the requirements of the Lithuanian Financial Reporting Standards applicable in the Republic of Lithuania, therefore, their financial information is restated to comply with the accounting principles applied by the Group, as set out below in these financial statements.

When restating financial information, it is important to consider that the amounts being restated correspond to the reporting period for which the financial statements are being prepared, the items of profit or loss would reflect the economic activities of the reporting period or the restated results.

The summary of restatements (or non-restatements) made to the financial information of credit unions to comply with the Group accounting policy described below, are as follows:

- The cash items of the members of the Group are not restated, considering that there are no differences in the accounting principles applied by the members of the Group and the Group in this area.
- Cash balances in current accounts and term deposits held in other credit institutions are not restated after making sure that the interest is accrued at the effective interest rate, and the expected credit loss is measured in accordance with the requirements analogical to those in IFRS 9, Financial Instruments.
- Equity and debt investments are restated due to the following matters:
 - o Proper classification of equity and debt investments in accordance with the requirements analogical to those in IFRS 9, Financial Instruments;
 - o Appropriate subsequent measurement to a revised classification under the requirements analogical to those in IFRS 9, Financial Instruments. Adjustments are made accordingly by transferring the gain (loss) to the revaluation reserve and/or any other adjustments required. Restatements are also made for the presentation of expected credit losses under the requirements analogical to those in IFRS 9, Financial Instruments;
 - o It is assured that the market value of securities when measured at fair value is determined in accordance with the Group's Accounting Policy;
 - o Assets that are measured at amortized cost are accounted for in accordance with the requirements analogical to those in IFRS 9, Financial Instruments;
 - o Securities adjustments are made for each securities position held by an individual member of the Group.
- Loans (granted or purchased) and receivables are restated for:
 - o Appropriate classification in accordance with the requirements analogical to those in IFRS 9, Financial Instruments (and, accordingly, whether amortized cost is measured correctly);

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

- Appropriate subsequent assessment on the application of the effective interest rate method under reviewed classification in accordance with the requirements analogical to those in IFRS 9, Financial Instruments;
 - The Group's expected credit losses are measured in accordance with the requirements analogical to those in IFRS 9, Financial Instruments.
 - Loan portfolio adjustments listed above are made on a combined (consolidated) level rather than on an individual level for the Group members.
- Property, plant and equipment and intangible assets are restated due to:
 - Timing or method that do not match the Group's accounting policies for depreciation or amortisation;
 - Impairment, if any, determined but not recognized;
 - Classification: reviewing the existence of significant leased assets to third parties, where such assets should be classified as investment property in Group's financial statements.
- Repossessed assets are restated by reviewing the appropriateness of their valuation principles within the Group and the appropriateness of its classification, depending on the nature and objectives of the repossessed assets.
- Deferred tax assets and liabilities are not usually restated if they are calculated by an individual member of the Group, unless differences are identified or arise from other restatements. If a member of the Group does not restate deferred tax assets or liabilities (it is permitted not to calculate/recognize deferred taxes under the provisions of the Lithuanian Financial Reporting Standards, depending on the size of the credit union's assets), such restatement is performed at the time of preparing the combined (consolidated) financial statements. The Group also assesses the need for impairment of deferred tax assets previously recognized or initially calculated within the Group, depending on their realisation.
- Other assets and other liabilities are restated if there is a discrepancy between the Group's accounting policies and the financial statements of the individual members of the Group (other assets are also subject to the expected credit losses if they are subject to the requirements analogical to those in IFRS 9, Financial Instruments). In any event, no restatement is made for such items if the amounts and the effect of the restatement would be insignificant.
- Items related to current taxes (current accounting period income tax) are not restated.
- Items of accepted term deposits and current accounts shall not be restated if it is assured that the interest is accrued correctly and there are no other possible discrepancies.
- Items of loans received are not restated if they are subject to an effective interest rate application (and there are no other reasons for restatement under the terms of existing contracts).
- Accruals (including vacation reserve) are not restated, but care is taken to ensure that all accruals are accounted for.
- Equity items are not restated but are reasonably assured of fair presentation in the Group's financial statements. State owned shares in LCCU are accounted for in the Group's equity as member shares.
- Interest income and interest expenses are restated due to the application of the effective interest rate method of accounting. The restatement is performed by segmenting the portfolio if it is not possible to measure the impact on the individual financial instrument.
- Gain or loss on securities is restated according to the above debt and equity restatement, as described above.
- Commission income and expenses are not restated but reviewed for proper recognition and classification in accordance with the Group's accounting policies.
- Operating expenses, other income and expenses are not restated, unless the need is established for individual credit unions or arises from recalculations of other items.
- All types of revenue are additionally assessed for the need of further significant adjustments according to adoption of the requirements analogical to those in IFRS 15, Revenue from Contracts with Customers.
- The lease expenses incurred by the Group members are additionally restated by recognising the right-of-use assets and associated liabilities respectively (as well as interest expenses and depreciation).

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The preparation of the combined (consolidated) financial statements of the Group also requires the Group to make significant accounting estimates in accordance with the Group accounting policies to ensure that they are properly accounted for and disclosed in the Group's financial statements.

No adjustments are made if the amounts are insignificant to the Group's financial statements, or the estimated effect of the restatement is not significant (would not materially affect the Group's financial statements). Restatements are not carried out for items that are eliminated in a consolidation (and therefore would not have any impact on the Group's financial statements).

In addition to the aforementioned restatements, combining financial statements includes additional consolidation entries that are made related to the preparation of the Group's financial statements in accordance with the Group's accounting policies (not related to the restatement of financial information provided by individual members of the Group, but to group-wide double entries or significant accounting estimates under the Group's accounting policies).

After combining all similar items of assets, liabilities and equity of the Group members, similar amounts of income and expenses of the Group members, after eliminating intercompany transactions and balances in the consolidation, restating the financial information of Group members and performing other consolidation entries at the Group level, the Group's statement of financial position and statement of comprehensive income are prepared. Following the steps described above, the combined (consolidated) statements of cash flows and changes in equity are also prepared in the same way.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Admission of a new Group member

On 17 November 2022, the Lithuanian Central Credit Union (hereinafter "LCCU") signed the LCCU membership agreement with Taupa Credit Union, confirming the decision of Taupa Credit Union on membership in LCCU, in its solvency management system, while acquiring all the rights and assuming all the obligations conferred to the members of LCCU by the Law on Central Credit Unions of the Republic of Lithuania and the Articles of Association of LCCU. The date of entry into force of the Agreement and the migration of the data of the customers/union members was 1 December 2022.

Taupa Credit Union acquired primary member shares of LCCU before date of signing the LCCU membership agreement. Additionally, Taupa Credit Union acquired 4,059 units of additional member shares in LCCU and, at the same time, paid the contributions to the Stabilization Fund managed by LCCU and the admission fee.

All the amendments to the Group's accounting policies, as set out in the section "Combination (consolidation) of the Group's financial statements" of Note 2 "Summary of Significant Accounting Policies", were made as at the date of admission, i.e. 1 December 2022.

Below is the credit union's statement of financial position as at the date of admission.

STATEMENT OF FINANCIAL POSITION

	As at 1 December 2022 (under LFRS)	Effect of adjustments to the Group's accounting policies*	As at 1 December 2022 (after restatement)
ASSETS			
Cash and cash equivalents held in central bank	7,633	-	7,633
Loans and receivables from other parties	56,816	(2,159)	54,657
Securities	1,022	-	1,022
Property, plant and equipment	440	-	440
Right-of-use assets	-	446	446
Intangible assets	67	-	67
Investment property	1,219	-	1,219
Other assets	2,328	-	2,328
Total assets	69,525	(1,713)	67,812
LIABILITIES			
Deposits from other parties	61,059	-	61,059
Subordinated loans	1,100	-	1,100
Other liabilities	1,146	446	1,592
Total liabilities	63,305	446	63,751
EQUITY			
Primary member shares	95	-	95
Additional sustainable member shares	5,000	-	5,000
Additional unsustainable member shares	111	-	111
Reserve capital	-	-	-
Legal and other reserves	1,014	-	1,014
Retained (loss) of previous reporting periods	-	(2,159)	(2,159)
Total equity	6,220	(2,159)	4,061
Total liabilities and equity	69,525	(1,713)	67,812

* EUR 2,159 thousand – effect of adjustments to the Group's accounting policies in accordance with the requirements analogical to those in IFRS 9, of which EUR 1,716 thousand of loans ECLs and EUR 443 thousand of the EIR calculation adjustment. EUR 446 thousand – the right-of-use asset estimation adjustment in accordance with the requirements analogical to those in IFRS 16.

(All amounts in EUR thousand unless stated otherwise)

Foreign currency translation

Foreign currency transactions are accounted for using the official exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into a local currency are recognized in the statement of comprehensive income. Foreign currency balances at the year-end are translated using the exchange rate prevailing at the year-end.

Revenue and expense recognition

Effective interest rate application

Interest income and expenses for all interest-bearing financial instruments are recognized using the effective interest rate (EIR). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period (until the next revaluation) to the net carrying amount of the financial asset or financial liability. EIR (including cost of amortized asset) calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of EIR, transaction costs and all other premiums or discounts.

If expected cash flows are revaluated because of different reasons than changes in credit risk, the corresponding gain or loss is recognized in the statement of comprehensive income, increasing or reducing other revenue.

Interest and similar income and expenses

For gross carrying amount calculation, the Group calculates interest income by applying EIR on financial assets, except assets that are fully impaired.

When financial assets are impaired and therefore are considered as of level 3 financial assets (see explanation below), the Group calculates interest income by applying EIR on the value of financial assets measured at net amortized cost. If financial assets return to a performing status and are no longer credit impaired, the Group reverts to interest income calculation from the gross carrying amount.

For purchased or originated credit impaired financial assets (POCI), the Group calculates interest income by calculating the credit-adjusted effective interest rate and applying this rate to the amortized cost of the financial assets. Credit-adjusted effective interest rate is an interest rate which, at the moment of recognition, discounts expected cash flows (including expected credit losses) to the amortized cost of such assets.

Negative earnings

Negative interest on financial assets is recognized as interest expense, and negative interest on financial liabilities is recognized as interest income.

Commission income and expense

Commission income on transactions is recognized when the related transaction has been performed, except for commissions that are part of effective interest rate. Commission expenses are recognized when incurred.

Other Revenue from Contracts with Customers

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances.

Revenue from contracts with customers

Group also provides to credit unions other non-financial services to other financial institutions – mostly IT support and other services.

Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has concluded that it is the principal in its revenue arrangements, because it controls the services before transferring them to the customer. The Group provides its services that are either sold separately or bundled together. Contracts for bundled services are comprised of several performance obligations because the promises to transfer different services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the separate services.

(All amounts in EUR thousand unless stated otherwise)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties granted).

In addition, the management considers the effect of other matters to the revenue recognition such as the existence of significant financing components, non-cash consideration, and consideration payable to the customer.

The transaction price allocated to the remaining performance obligation is not disclosed because the Group is entitled to consideration from a customer for an amount that fairly represents the amount of service provided to the customer at the balance sheet date.

Income tax

Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the members of the Group are subject to 5% or 15% corporate tax rate. The standard corporate tax rate for companies registered in the Republic of Lithuania is 15%. Taxable operating losses may be carried forward to future periods for an indefinite period, provided that the entity's operations giving rise to the losses are not changed, unless the unit is no longer operating for reasons beyond its control. Losses arising from the disposal of securities and/or derivatives may be carried forward indefinitely. Starting from 1 January 2014, tax losses carried forward can be used to reduce the taxable profit earned during the reporting year by maximum 70% if income tax rate of 15% is applied. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is provided using tax rates and rates of utilization at the date of the statement of financial position that are expected to apply at the time of disposal of the deferred tax asset or the settlement of the deferred tax liability.

Taxable profit, exceeding the threshold of EUR 2 million, in the period starting from 1 January 2020 is subject to an additional 5% income tax rate. Taking into account profit earned by individual members of the Group, LCCU calculates an additional 5% income tax rate, and other Group's entities will continue to be subject to 5% or 15% rate, as defined in the Law on Corporate Income Tax of the Republic of Lithuania. The Group's deferred income tax asset and liability were measured using a tax rates of 5% or 15%.

The principal temporary differences arise from the revaluation of financial assets and from accrued expenses. The rates in force or approved at the reporting date are those used to calculate deferred income tax. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability at the time of the business combination and does not affect either accounting or taxable profit or loss at the time of the transaction.

When the total deferred tax asset is calculated, it is recognized in the financial statements only to the extent that management believes that it is probable that it will be realized.

Deferred tax asset arising from the revaluation of securities carried at fair value through other comprehensive income is also included in other comprehensive income.

Temporary solidarity contribution

The obligation to pay a temporary solidarity contribution has been established for the period from 16 May 2023 to 31 December 2024. A 60% temporary solidarity contribution rate will be charged on net interest income that is 50 % greater than the average net interest income in the four-year reference period. The interest income earned on credit agreements concluded on or after 1 January 2023 shall be exempt from the calculation of the temporary solidarity contribution (except for agreements with financial sector entities). The temporary solidarity contribution is also reduced by the deposit insurance premiums paid to the Deposit Insurance Fund, and the net interest income of the current payment period, after paying the temporary solidarity contribution of that period, should amount to at least net interest income of the year 2022 increased by 15%. The temporary solidarity contribution is payable in advance quarterly instalments, as well as annual.

Given that the solidarity contribution is temporary and its base does not meet the definition of taxable profit under the Law on Corporate Income Tax of the Republic of Lithuania, as it is payable on the surplus of the interest rather than on the taxable profit, the temporary solidarity contribution is not considered as a corporate income tax.

Given the net interest income of the LCCU Group, LCCU calculated and paid an advance solidarity contribution of EUR 676 thousand, but it is not subject an annual contribution liability. The overpaid temporary solidarity contribution is accounted for as other assets.

(All amounts in EUR thousand unless stated otherwise)

Cash and cash equivalents

Cash and cash equivalents represent amounts with maturity of 3 months or less from the date of their acquisition. As at 31 December 2023 and 2022, cash and cash equivalents comprise of cash on hand and cash balances correspondent accounts with the Bank of Lithuania and commercial banks.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Moment of initial recognition

Financial assets and liabilities, other than loans and receivables from customers and liabilities to customers, are initially recognized at settlement date. Loans and receivables from customers are recognised when funds are transferred to customers' accounts. Liabilities to customers are recognized when funds are transferred to the Group.

Initial recognition and evaluation

The initial recognition of a financial asset to a relevant group depends on the contractual cash flow characteristics of the financial asset and the business model defining the management of the financial asset. Excluding other receivables that do not have a significant financing component, the Group initially measures financial assets at fair value plus transaction costs, when the financial asset is not carried at fair value through profit or loss. Other receivables that do not have a significant financing component are measured at transaction price under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

The financial asset management model specifies how financial assets are managed to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The business model and the SPPI test are explained in more detail below.

Groups of financial assets and financial liabilities

The Group classifies all financial assets according to the business management model and the contractual terms of the assets into the following:

- amortized cost;
- fair value through other comprehensive income;
- fair value through profit or loss.

The Group classifies and measures derivatives and investments in collective investment undertakings at fair value through profit or loss. The Group may also classify other financial instruments at fair value through profit or loss, if it would significantly reduce the discrepancies of measurement or recognition (otherwise known as accounting mismatch).

Financial liabilities, other than loans and financial guarantees, are measured at amortized cost or fair value through profit or loss when these are derivatives either held for trading or measured at fair value.

Receivables from credit institutions, loans granted to and receivables from other customers, financial investments measured at amortized cost

The Group measures loans and receivables from credit institutions, loans and receivables from other customers and other financial investments at amortized cost, only if both of the following conditions are met:

- financial assets are held within the business model whose objective is to hold financial assets to collect their contractual cash flows; and
- the contractual terms of financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Group determines its business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Group's business model is not measured by an instrument-

(All amounts in EUR thousand unless stated otherwise)

by-instrument approach to classification, but at a higher level of portfolio aggregation and is based on factors such as:

- (a) how the results of the business management model are measured, and financial assets held under the business model treated, how they are reported to the management;
- (b) the risk affecting the result of the business model (and financial assets held under the business model), foremost how those risks are managed;
- (c) how the business managers are remunerated (for example, what is the remuneration based on – the fair value of the assets or contractual cash flows collected);
- (d) the expected frequency, value and timing of sales are also important aspects of assessment.

The assessment of the business management model is based on reasonably plausible scenarios, regardless of “worst case” or “stress case” scenarios. If cash flows after initial recognition are realised in a way that differs from the Group’s initial expectations, the Group does not change the classification of the remaining financial assets under the business model but considers such information when measuring newly acquired financial assets.

SPPI test

During the second part of grouping process, the Group evaluates contractual terms of financial assets, to check whether they correspond to SPPI test. For financial asset would be attributed and valued at amortised cost or at fair value through other comprehensive income, cash flows coming from financial asset should be only solely payments of principal and interest (SPPI) from main unfulfilled amount. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

Principal amount is the real value of financial assets during the moment recognition. Interest is comprised of time value of money, main uncovered amount related with credit risk for certain period and other main credit risk and expenses together with profit margin.

Due to contractual terms which tolerate larger than *de minimis* risk or which cause to originate contractual cash flows unrelated with principal amount and interest payments of main non-covered amount, financial assets should be carried at fair value through profit or loss.

Debt financial instruments carried at fair value through other comprehensive income

Under the requirements analogical to those in IFRS 9, the Group classifies its financial assets as debt financial instruments carried at fair value through other comprehensive income, when both mentioned below conditions are met:

- Instrument is kept based on the business model, which is successful in collection of cash flows and in selling of financial assets.
- Contractual terms of financial asset comply with SPPI test.

Subsequently financial instruments that are accounted for at fair value through other comprehensive income are measured at fair value profit or loss to be presented in other comprehensive income. As well as financial assets valued at amortized cost, interest revenue and gain (loss) from changes in foreign currency are recognized through profit or loss. Valuation principles of expected credit losses for debt instruments valued at fair value through other comprehensive income are described below. When the Group has more than one investment into same investment security, it is considered that investment acquired earlier is realised first. Following derecognition of such debt instruments, accumulated profit or loss earlier recognized through other comprehensive income are reclassified to income (loss).

Financial liabilities

Borrowings are recognized initially at fair value equal to proceeds received net of transaction costs incurred. Subsequently borrowings are stated at amortized cost, which is calculated by taking into account any discount or premium on acquisition and costs that are an integral part of the effective interest rate. Borrowings are recognized on the day of settlement.

(All amounts in EUR thousand unless stated otherwise)

Financial assets and liabilities carried at fair value through profit or loss

This category consists of financial assets and liabilities which are not available-for-sale and during the moment of acquisition, have been assigned to be accounted through profit or loss by management or are obligatory carried at fair value under the requirements analogical to those in IFRS 9. Management can assign a financial instrument to be accounted through profit or loss only when one of the following criteria is met. This assignment is set at the level of the individual instruments:

- classification removes or strongly reduces evaluation or recognition discrepancy, which, otherwise would arise during valuation of assets or liabilities or during recognition of their profit or loss by other means.

or

- Liabilities are groups of financial liabilities, which are managed with their results carried at fair value, using documents-based risk management or investment strategy;

or

- Liabilities, which contain one or more embedded derivatives, expect cases when such liabilities do not significantly change cash flows, arising from contractual liabilities, or without profound analysis is clear that, in case of a similar instrument, separation of embedded derivatives from principle agreement is impossible.

Financial assets and liabilities carried at fair value through profit or loss are recognized at fair value in the statement of financial position. Changes in fair value are accounted in profit or loss, except for changes in fair value of liabilities recognized at fair value through profit or loss, due to changes in the Group's credit risk. Such changes are recognized through other comprehensive income and later are not reclassified to profit or loss. Interest, received or paid on instruments measured at fair value through profit or loss, are accumulated and recognized as interest income or interest expenses, respectively, in the statement of comprehensive income using effective interest rate and considering all discounts/premiums and transaction expenses under IFRS 9 requirements, which are an integral part of the instrument. Dividend income from equity instruments measured at fair value through profit or loss is recognized in income when right to dividends is acquired.

Guarantees and loan commitments

The Group grants guarantees and loan commitments.

The guarantee represents a guarantee letter issued by LCCU or a credit union, a member of the Group, by which it unilaterally undertakes to pay the specified amount to the beneficiary of the guarantee if the person against whom the guarantee is given fails to fulfil or improperly fulfils the obligation to the beneficiary of the guarantee. Such guarantee agreements fall into expected credit loss requirements application scope.

Income from guarantees issued are recognised in the statement of comprehensive income as fee and commission income.

Lending obligations are obligations whereby the Group is obliged to grant a loan on terms and conditions to the customer.

When the agreed guarantee or loan meets market conditions, the nominal contractual value of guarantees and loan commitments is not included into the statement of financial position.

Reclassification of financial assets and liabilities

The Group does not perform reclassification of financial assets and financial liabilities after their initial recognition, except extraordinary cases when the Group acquires, disposes or discontinues part of the business. Financial liabilities are never reclassified.

(All amounts in EUR thousand unless stated otherwise)

Derecognition of financial assets and liabilities

(a) Derecognition due to material changes in contractual terms

The Group derecognises financial asset (e.g. loan granted to the customer), when the terms have been revised to the extent that it becomes a substantially new loan and the difference is recognized as derecognition profit or loss for that part for which has not been impaired. Newly granted loans are classified as level 1 (described below) loans for expected credit loss evaluation purposes, unless the new loan would be considered as purchased or originated credit impairment financial asset (POCI).

In assessing whether to derecognise a loan, the Group considers, *inter alia*, the following factors:

- Changes in loan currency;
- Indication of ownership;
- Changes in contractual party;
- Whether the change is such that instrument would not meet criteria of SPPI test.

If a change does not have a material effect on cash flows, such change does not indicate the derecognition of financial asset. On a basis of changes in cash flows, which have been discounted based on the original EIR, the Group recognizes replacement income or loss to the extent, to which impairment has not been recognized. Cash flow from derecognition of POCI assets is accounted for in cash flows from operating activities.

(b) Derecognition due to other reasons than material changes in contractual terms

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the financial asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay (amount of the guarantee). Gain (loss) on disposal of financial assets is recognised on other income.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised as profit or loss.

(All amounts in EUR thousand unless stated otherwise)

Impairment of financial assets

Summary of expected credit losses (ECL) valuation principles

The Group measures and accounts for expected credit losses on all loans and other debt instruments (hereinafter "the financial instruments"), including loan commitments that are not measured at fair value through profit or loss. Under the requirements analogical to those in IFRS 9, equity instruments are not subject to valuation of expected credit losses. Expected credit losses on loan commitments and guarantees are accounted for as provisions.

The expected credit loss allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss.

A 12-month ECL is a part of expected credit loss exposure, reflecting expected credit losses, which occur due to unfulfilled obligations of financial instruments and are likely to occur within 12 months from the reporting date.

Both 12-month and lifetime ECL are calculated on individual or collective basis, depending on portfolio type of financial instruments. The principles for grouping financial assets measured on a collective basis are explained below.

At the end of each reporting period, it is considered if the credit risk of financial instrument has significantly increased since its initial measurement, considering changes in default risk during the remaining period of financial instrument. During this process, the Group classifies its loans and purchased or originated credit impairment financial assets (POCI) into Level 1, Level 2 and Level 3 loans, as described below:

- Level 1: When loans are initially recognized, the Group recognises 12-month ECL. Loans with improved credit risk and which were transferred from Level 2 are also considered to be Level 1.
- Level 2: If loan's credit risk has increased significantly after initial recognition, the Group records a lifetime ECL. Loans with impaired credit risk and which were transferred from level 3 are also considered to be level 2.
- Level 3: Loans considered credit-impaired. The Group records a lifetime ECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. POCI positions in these financial statements are represented together with risk level 3 loans.

If the Group does not have reasonable expectations to recover all or part of its financial asset, gross carrying amount is reduced. This is considered a derecognition (partial) of financial asset.

Calculation of expected credit loss

The Group calculates expected credit losses based on probability weighted scenarios, in order to evaluate expected shortfalls in cash flows, discounted at approximate EIR. A shortfall in cash flows is a difference between contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

Main elements used for calculation of expected credit loss are as follows:

- PD – probability of default.
- EAD – exposure at default (credit principal and accrued interest).
- LGD – loss given default, calculated on historic data of the Group. It represents the difference between the contractual cash flows due and those that the lender expects to receive, including recovery of any collateral.

(All amounts in EUR thousand unless stated otherwise)

In calculation of expected credit losses for 2023 and 2022 and taking into account increasing interbank offered rates (EURIBOR), inflation and uncertainty due to geopolitical situation, the Group considered the following three possible scenarios:

- Scenario of economic downfall (pessimistic): assuming, that future macroeconomic changes will be significant taking into account the assumptions used by the Group in the stress test;
- Most likely scenario: assuming, that future macroeconomic changes will reflect the projections of economic experts;
- Optimistic scenario: assuming, that positive macroeconomic changes will reflect realistic economic forecasts published by Bank of Lithuania.

The scenarios that allow to assess the potential losses under different market conditions were reviewed in 2023 using macro trends and recent data. In view of a still prevalent uncertainty in the market and potential indications of recession, the worst-case scenario parameters were recalculated based on the parameters used by LCCU in the stress test. Weights attributed to scenarios allow appropriate assessment of potential losses, consequently a weight of 50% for the most likely scenario (in 2022: 45%), 30% for the pessimistic scenario (in 2022: 30%) and 20% for the optimistic scenario (in 2022: 25%).

Except for instruments of revolving credits, maximum period for expected credit loss is financial instrument's validity period, unless LCCU has a legal right to retrieve it earlier.

PD and LGD parameters and the ECL calculation depend on the risk level of the loan:

For loans at risk Level 1, the 12-month ECLs are recognised – a part of ECL exposure, reflecting expected credit losses, which occur due to default events that are possible within 12 months after the valuation date;

For loans at risk Level 2 and 3, a lifetime ECLs are recognised – ECLs that result from all possible default events over the expected life of the lending position.

Impairment (reversal) losses are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount. The calculation of ECLs in 2023 and 2022 was based on a number of factors that may have an adverse effect on the payment status of customers, collateral liquidity and higher expected loss.

At the end of 2023, there was still uncertainty due to geopolitical tension and the potential impact on individual sectors, and there is therefore a likelihood that actual results may differ from estimates made. The aggregate impact of negative externalities was taken into account in both the assessment of specific risk exposures and the use of relevant parameters in recognition of ECLs. The risk Level 2 was assigned to the segments of natural and legal persons most adversely affected or potentially indirectly affected by geopolitical factors, debtors who applied for additional financing intended as an aid to war-affected farms. Taking into account the above criteria, the quality structure of the loan portfolio was adjusted with additional transfer of loans amounting to EUR 27,864 thousand to risk Level 2 (in 2022: EUR 22,587 thousand). Due to the reclassification between risk levels, additional ECLs were recognised in amount of EUR 300 thousand (in 2022: EUR 154 thousand).

In 2023, when calculating ECLs, account was taken of the most current macroeconomic trends at the time and actual negative return from LCCU's loan portfolio for 2013–2023 (period of 2012–2022 was considered in 2022).

Moreover, in order to assess the impact of changes in parameters on the results of ECLs, taking into account the structure of the loan portfolio for 2023 and the results of ECLs, a 1% increase in LGD would result in 2.6% impact on the final increase of ECLs (in 2022: 3.6%).

(All amounts in EUR thousand unless stated otherwise)

Individual and collective assessment

The Group lending positions can be assessed on individual or collective basis:

- Individual ECL assessment – ECL valuation method, when ECL is set individually for each lending position and is based on expected credit repayment schedules and their probabilities determined by provided scenarios.
- Collective ECL assessment – ECL valuation method, when ECL is set collectively for a segment of borrowers (in case of lending positions) or for subgroup of homogenic group having been assigned financial instrument (in case of debt securities) with respective PD, LGD and EAD parameters ($ECL = EAD \times PD \times LGD$, based upon different scenarios and their weights).

ECL of debt securities are based on the publicly available external sources, i.e. *S&P Global and Fitch ratings*.

The individual assessment generally applies to significant lending positions (exceeding 1.5–2% of the Group's capital recalculated for supervisory purposes) and to all lending positions for other credit institutions.

Expected credit loss accounting of debt securities valued at fair value through other comprehensive income

ECLs for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in other comprehensive income is recycled to the profit and loss upon derecognition of the assets. In the Group, ECLs for debt instruments measured at fair value through other comprehensive income both in 2023 and 2022 was insignificant (less than EUR 48 thousand).

Expected credit loss accounting of Purchased or Originated Credit Impairment financial assets (POCI)

For POCI financial assets LCCU recognizes cumulative expected credit loss changes from initial recognition. POCI financial assets are remeasured at least annually with gains and losses on remeasurement or result of a sale recognised in other income (POCI remeasurement and sale result was EUR 287 thousand in 2023, and EUR 990 thousand in 2022).

Instruments of revolving credit

The Group's product offering includes such revolving credit instruments as credit lines. The Group calculates expected credit losses during period, which reflects the Group's expectations on clients' behaviour, their possibility of defaulting and the Group's future risk mitigation measures, which could include radical or derecognition of revolving credit instruments' limits. Based on previous Group's experience and its expectations, calculation periods of expected credit loss parameters are same as for other instruments.

Valuation of whether credit risk of revolving credit instrument has significantly increased is performed constantly. Interest rate used for discounting the expected credit losses is calculated based on average effective interest rate, which, as expected, will be applied during anticipatory validity period of revolving credit instruments. Calculation of expected credit losses, including calculation of expected maturity and discount rate, is performed on individual basis, considering that, in the Group case, most of revolving credits are granted to other credit institutions.

Future-oriented information

In its expected credit loss models, the Group relies on broad range information, including forward looking information, such as GDP growth, unemployment level and housing price index. PDs and LGDs of the Group borrowers' segments are adjusted by basis of yearly GDP/unemployment level/housing price index changes (regression models for future PD and LGD predictions are made). For the assessment of results for 2023, the forecast models based on historical data (2013–2023) and forward-looking macroeconomic indicators were used to assess PD and LGD parameters (for the assessment of results for 2022, historical data for 2012–2022 was used to assess PD and LGD parameters).

(All amounts in EUR thousand unless stated otherwise)

During each quarter, the Group observes said factual parameters together with the Bank of Lithuania forecasts and analyses their effect on creditworthiness of respective borrowers' segments. Continued growth of unemployment and/or negative GDP change, exceeding set threshold values, is considered as a signal of anticipated worsening of borrowers' creditworthiness. Whenever unemployment level and/or GDP change exceeds the marginal threshold, weight of scenarios and predictive PD structures are being updated. In an uncertain market situation and in order to reflect ECLs as accurately as possible, parameters may be updated, and weight of scenarios may be allocated on individual basis.

Valuation of collateral

To mitigate credit risk on financial assets, Group seeks to use collateral when possible. Collaterals may come in form of cash, investment securities, credits/guarantees, real estate, trade receivables, inventories, other non-financial assets and etc.

Collateral (unless repossessed) is not recognized on the Group's statement of financial position, however, the value of collateral has effect on expected credit loss calculation in case of both individual and collective ECL valuation. Generally, collateral's value is assessed at the moment of inception and later is reassessed. Details on various Group's collaterals are described in the section "Credit Risk Management" below. For assessment of financial asset used as collateral, the Group uses data of an active market when possible. Other financial assets, without easily determined market values, are valued using valuation techniques. Non-financial collaterals, e.g. real estate, are valued using third parties (e.g. property appraisers) data, internal valuations of the Group or based on housing price index.

Repossessed assets

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (in case of financial assets) and fair value less cost to sell (in case of non-financial assets). Assets may also be accounted for as investment property or inventories if they meet the definitions of investment property or inventories. All assets taken repossessed by the Group are accounted for as investment property. Investment property leased to third parties is reduced by the amount of accumulated depreciation. An equal amount of depreciation expenses is recognized in each month, starting from the month in which the asset is available for use. The depreciation period applied for rented premises is 25 years.

Financial assets write-off

Financial assets are written-off fully or partially, only when Group does not expect to recover any asset-related funds and respectively has stopped property retrieval process. If written-off amount is larger than expected credit loss, the difference is treated as additional impairment loss deducted from the gross carrying value. Any other recoveries of financial assets are reported in the statement of comprehensive income under other income.

Forborne and restructured loans

Under certain circumstances, the Group in reaction to borrower's financial difficulties, does not take over collateral or does not realize it by other means, but provides discounts or amends initial terms of agreements.

The Group considers a loan restructured if such changes are made due to current or expected financial difficulties of a borrower and no such changes would be made, if a borrower was financially capable. Factors indicating financial difficulties are failure to fulfil obligations or other material observations on borrower side made by Credit risk department. Restructuring may result in extension of payment's due date or changes in loan agreement terms. Group's policy is to properly observe all restructured loans to ensure, that future payments will be made.

Decisions for recognition and classification between Level 2 and 3 are set individually for each individual case. If these procedures identify losses related to the loan, such loan is considered impaired Level 3 restructured loan until it is collected, or loan is written-off. Where a loan has been renegotiated or modified but is not derecognised, the Group also reassesses whether the credit risk has materially increased. The Group also considers if such loan should be classified as Level 3 financial assets. If a loan was restructured, it should remain as such during whole 12-month monitoring period, during which the borrower should meet certain conditions in order to be transferred to a lower risk level. If changes in contractual agreements are material, recognition of loan is terminated, as described above.

(All amounts in EUR thousand unless stated otherwise)

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. An equal amount of depreciation expenses is recognized in each month, starting from the month in which the asset is available for use and taking into account its useful life, unless depreciation is included in the cost of self-creation of the other asset. Depreciation is calculated using the straight-line method. The estimated useful lives of property, plant and equipment are as follows: buildings – 25 years, cars – 6 to 10 years, furniture: 3 to 6 years, computer hardware – 3 to 5 years, and other assets – 3 to 6 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals of tangible fixed assets are determined by reference to their carrying amount and are recognized in the statement of comprehensive income. The assets' book values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Repair and maintenance costs are charged to the profit and loss in statement of comprehensive income when they are incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Intangible assets

Intangible assets are recorded at cost, less subsequent accumulated amortization and impairment. Amortization is calculated on a straight-line basis over the estimated useful life of 3 to 5 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Intangible assets are reviewed for impairment when-ever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The cost of an intangible asset internally generated by the Group is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Development costs directly attributable to the creation and testing of unique computer software controlled by LCCU are recognized as intangible assets only when LCCU has reliable evidence that:

- it is technically possible to complete the production (development) of intangible assets, which could be put into use;
- it has technical capacities, financial and other resources necessary to complete development works;
- it intends to finish the production (development) of intangible assets and put it into use or sell it;
- it is able to use or sell intangible assets;
- it can prove that intangible assets will provide economic benefits to the Group in future periods;
- it can make a reliable estimate of expenses associated with the production (development) of intangible assets.

Cost of the production (development) of computer software includes wages and salaries of employees directly involved in the production (development) process and the related taxes and other expenses directly related to the production (development) of computer software, if the assets meet all the above conditions.

Maintenance and other development costs that are not attributed to the cost of computer software produced (developed) by the Company are recognized as an expenses in the period during which it was incurred. Costs expensed in previous financial periods cannot be subsequently adjusted and included in the cost of computer software production (development).

(All amounts in EUR thousand unless stated otherwise)

Investment property

The Group's investment assets mostly consists of repossessed assets which are leased by the Group members to third parties. Investment property is accounted for at acquisition (repossession) cost, less accumulated depreciation and impairment. Depreciation is accounted only for investment property leased to third parties. Further information is provided for in Note 21.

Depreciation costs are recognized on a straight-line basis over the useful life of the asset on a monthly basis. The depreciation period applied to investment property is 25 years.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Transfers to investment property are only made when there is a change in use: end of owner-occupation, commencement of an operating lease to another party or end of construction. For a transfer from investment property, the asset is carried at its carrying amount on the date of the change of use.

Impairment of non-financial assets

Assets that are amortized/depreciated are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An asset is classified as a cash-generating unit for the purpose of assessing impairment. Non-financial assets that were previously impaired are also assessed annually for reversal of impairment.

Lease

The Group is a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The useful life of the assets is 2 to 10 years.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The useful life in 2023 and 2022 ranges from 2 to 10 years depending on the lease term.

The right-of-use assets are also subject to impairment.

(All amounts in EUR thousand unless stated otherwise)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are accounted for under the caption "Other liabilities".

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

The Group is a lessor

At inception of a contract, the Group, as a lessor, determines whether the lease is a finance lease or an operating lease. If the Group determines that the lease transfers substantially all of the risks and rewards of ownership of the underlying asset, the lease is a finance lease. Leases in which the Group do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments are accounted for on a straight-line basis over the lease term and recognized as other operating income in the statement of comprehensive income based on its lease nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent payments are recognized as revenue in the period in which they are earned.

Employee benefits: Provisions for retirement benefits

In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Group after reaching retirement age is entitled to a one-off payment of 2 months' salary allowance.

The past service costs are recognized as expenses in the statement of comprehensive income as incurred. Previously incurred service costs are recognized as expenses on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of changes in terms of benefits (curtailment or settlement) are recognized in the statement of comprehensive income as incurred.

The cost of the liability for current employees is recognized as expenses immediately in the statement of comprehensive income. Remeasurements, consisting of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability is accounted for in the statement of financial position and reflects the present value of those benefits at the date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits.

Provisions for retirement benefits have been recognized as provisions in the statement of financial position.

(All amounts in EUR thousand unless stated otherwise)

Equity

State owned LCCU member shares

State owned shares in LCCU's financial statements (in accordance with the decision No 1084 of the Government of the Republic of Lithuania of 20 December 2017 „Regarding the membership in LCCU“, by which government acquired one main and 29,596 additional shares from central credit union and provided EUR 8,879,800 capital help, and the agreement signed on 15 March 2018 “Regarding redemption of LCCU shares” and subsequent amendments) or their remaining balance after redemptions, are accounted in the Group's equity as member shares. Service costs paid for State capital assistance are recognised on an accrual basis as interest and other similar costs. Further information is provided for in Note 29.

Repayable member shares

The repayable member shares are recorded in equity until they are actually repaid to the members of the credit union. Further information is provided for in Note 29.

Critical accounting estimates and judgements

The preparation of financial statements requires to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of potential income and expenses as at the date of financial statements as well as the amounts of income and expenses disclosed over the reporting period. Although these estimates are based on the best estimate of events and actions made by the management, factual results may differ from these estimates.

The Group makes accounting estimates and assumptions that affect amounts of assets and liabilities reported in current and subsequent financial years. Estimates and judgements are continually reviewed and evaluated and are based on historical experience and other factors.

(a) Impairment of financial assets (expected credit losses)

Assessment of impairment losses on various financial assets are required to be based on some judgements: firstly, estimated future cash flows and collateral's value and timing need to be reassessed and considered whether, after initial recognition, credit risk has increased significantly. Such decisions are based on multiple factors, which can lead to different level of impairment. The Group's calculation of estimated credit losses consists of complex models, containing multiple assumptions on applied data/entry choices and their interdependence. Elements of expected credit loss models, which are considered significant accounting estimates and judgements, includes:

- LCCU's internal credit grading model, which assigns PDs to the individual grades;
- Qualitative and quantitative criteria applied (credit risk indications), according to which assessments are made if credit risk has increased significantly, and accordingly, if credit losses should be evaluated applying life-time or 12-month expected credit losses.
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and GDP, house pricing index and the effect on PDs and LGDs .
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The methodology and assumptions used are reviewed regularly taking into consideration actual incurred losses.

(b) Deferred tax assets

In the financial statements, management has recognized deferred tax assets, because management estimates that they will be realized due to the unlimited loss carry forward period under the Income Tax Act, the continuing unlimited activity of the Group and the expected future profitability of the Group. The use of deferred tax assets is based on taxable profit forecasts.

(All amounts in EUR thousand unless stated otherwise)

(c) Assessment of the impact of the Russian military invasion of the Republic of Ukraine and increase in EURIBOR

While the report assessed the impact of the Russian military invasion of the Republic of Ukraine, there was still uncertainty about the further development of geopolitical tension and the impact of the European Central Bank's interest rate decisions on Lithuania, which may have a greater direct and indirect impact on borrowers whose activities are related to the said economic uncertainties. The management of LCCU considered this impact insignificant given the profile of Group's customers, moreover, the restrictive measures may also have an indirect impact on both other borrowers as a result of the evolving economic situation and the securities portfolio held by the Group due to potential fluctuations in market prices. While increasing interest rates have an impact on the fair value of debt securities held by the Group, including those held-to-maturity, this impact is considered insignificant (Note 3). The management of LCCU has assessed that these restrictive measures will not have a significant impact on the Group's ability to continue as a going concern, since the sanctions imposed are currently not having significant an adverse effect on the Group.

(d) Accounting of funding to those affected by COVID-19 and war

In 2023 and 2022, while representing a consortium of credit unions, the Group participated in the implementation of the COVID-19 targeted financial measures of INVEGA UAB and Žemės Ūkio Paskolų Garantijos Fondas UAB as a financial intermediary. As at 31 December 2023, the Group had issued EUR 15,317 thousand of loans to finance those affected by the COVID-19 pandemic through these measures (EUR 31,173 thousand in 2022). Additionally, the Group's not granted funds, related to aforementioned COVID-19 targeted financial measures, totalled EUR 2,740 thousand as at 31 December 2023 (as at 31 December 2022, EUR 3,566 thousand). From 2022, while representing a consortium of credit unions, the Group participated as financial intermediary in the implementation of the targeted financial measures of Žemės Ūkio Paskolų Garantijos Fondas UAB for those affected by war. As at 31 December 2023, the Group had issued EUR 18,386 thousand of loans to finance those affected by the war through these measures (in 2022: EUR 6,993 thousand). The not granted funds, related to aforementioned targeted financial measures for those affected by war, totalled EUR 440 thousand (in 2022: EUR 8 thousand). Given that the Group has undertaken a liability to pay all received cash flows to a third party based on related contracts without significant overdue and that the Group transfers substantially all the risks and rewards of the financial assets transferred, the loans, funds and related liabilities granted under those instruments are not recognised in the Group's statement of financial position.

Contingencies

Contingent liabilities are not recognized in the financial statements but disclosed unless it is unlikely that an economic benefit will be lost. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 3. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price which would be received for the sale of an asset or liability transfer in arm's length transaction between market participants at measurement date. Fair value assessment assumes that the transaction of asset disposal or liability transfer takes place:

- on the principal asset or liability market;
- in the absence of a principal market, on the most favourable market for the given asset or liability.

The principal or most favourable market must be accessible for the Group.

Fair values of financial liabilities and financial assets carried at amortized cost, loans granted to credit unions and loans received, do not significantly differ from their carrying amounts since interest rates approximate to or do not differ significantly from market interest rates. Fair value indicates a discounted value of expected future cash flows. Expected cash flows are discounted using estimated weighted interest rates for individual financial asset portfolios at the reporting date, and thus determine the fair value of the financial assets and liabilities.

Fair value of securities carried at fair value is determined by reference to quoted market prices or interbank quotes. These securities are considered to have quoted market prices. Fair value of other financial assets and liabilities is determined using the discounted cash flow models.

Other assets and liabilities are not measured at fair value in the financial statements, however, fair value is disclosed. For securities held at amortized cost, the fair value is determined based on active market prices, using Level 1 data.

Fair value of other financial assets and liabilities is determined using the discounted cash flow models. Other assets and liabilities are not measured at fair value in the financial statements, however, fair value is disclosed. Other assets and liabilities are measured using the present value method as effective discount rates – attributed to Level 3. In 2023 and 2022, the Group had no reclassifications of financial instruments from one level to another.

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents held in central bank	13,177	13,177	27,820	27,820
Loans and receivables from credit institutions	2,485	2,485	6,644	6,644
Balances in correspondent and deposit accounts with the banks	1,976	1,976	5,811	5,811
Loans to credit unions	509	509	833	833
Loans and receivables from other parties	724,738	735,430	639,343	648,518
Securities	102,388	99,969	101,710	98,312
At fair value through comprehensive income	29,218	29,218	35,726	35,726
At amortized cost	67,819	65,400	61,182	57,784
At fair value through profit or loss	5,351	5,351	4,802	4,802
As at 31 December	842,788	851,061	775,517	781,294

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Amounts due to credit and other financial institutions	76,901	76,901	67,012	67,012
Deposits for other parties	692,903	698,992	650,237	653,507
Deposits for natural persons	643,091	648,934	605,962	609,142
Deposits for legal persons	49,812	50,058	44,275	44,365
Subordinated loans	5,405	5,397	5,342	4,204
Other financial liabilities	5,053	5,053	4,144	4,144
As at 31 December	780,262	786,343	726,735	728,867

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

As at 31 December 2023 and 2022, the Group's assets measured at fair value were debt securities at fair value through other comprehensive income and equity securities of collective investment undertakings at fair value through profit or loss. As at 31 December 2023 and 2022, the Group had no liabilities carried at fair value.

The market prices of securities are based on quoted market prices, if such prices are publicly available.

The fair value is measured using 2 methods: on the basis of active market prices and using the present value method. The fair value is measured using inputs that are categorized into different levels:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 inputs are unobservable inputs for the asset or liability.

As at 31 December 2023 and 2022, the fair value of investment securities valued at fair value through other comprehensive income was determined based on active market price, using level 1 inputs.

As at 31 December 2023 and 2022, the fair value of collective investment undertakings recognized at fair value through profit or loss were measured according to the information published by the issuer using Level 3 inputs.

The level of inputs used is indicated in the table below.

	2023			2022		
Financial assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents held in central bank	13,177	-	-	27,820	-	-
Loans and receivables from credit institutions	1,976	-	509	5,811	-	833
Balances in correspondent and deposit accounts with the banks	1,976	-	-	5,811	-	-
Loans to credit unions	-	-	509	-	-	833
Loans and receivables from other parties	-	-	735,430	-	-	648,518
Securities	94,618		5,351	93,510		4,802
At fair value through other comprehensive income	29,218	-	-	35,726	-	-
At amortized cost	65,400	-	-	57,784	-	-
At fair value through profit or loss	-	-	5,351	-	-	4,802
As at 31 December	109,771	-	741,290	127,141	-	654,153

	2023			2022		
Financial liabilities:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Amounts due to credit and other financial institutions	-	-	76,901	-	-	67,012
Deposits	-	-	698,992	-	-	653,507
Subordinated loans	-	-	5,397	-	-	4,204
Other financial liabilities	-	-	5,053	-	-	4,144
As at 31 December	-	-	786,343	-	-	728,867

(All amounts in EUR thousand unless stated otherwise)

NOTE 4. FINANCIAL RISK MANAGEMENT

In order to properly manage the operational risks of the Group, the Group follows the LCCU's Group Risk Management Policy approved by LCCU's Supervisory Board, which is followed by LCCU and all LCCU member credit unions. The main purpose of Group's risk management is to identify, assess, limit and control various types of risk as the Group expands and pursues its strategic goals. The overall acceptable risk level and risk management limits of Group are set by LCCU's Supervisory Board. LCCU's Board is responsible for implementing the Group Risk Management Strategy, and for developing, implementing and improving the system and procedures for identifying, assessing, monitoring and controlling the risks faced by the Group.

LCCU and its member credit unions follow the same risk management standards and principles. The Group's risk management is based on risk identification, risk quantification, internal limits, indicators and standards by individual risk lines, lines of business, products, economic sectors, proposing measures to manage risk, control and monitoring, reporting. The managements of LCCU and credit unions are responsible for adhering to the risk management policy principles and all the Group employees are guided by these principles in their daily functions. Each member of the Group assumes full responsibility for the risks arising from its activities and decisions are made in accordance with the unified internal documents prepared by LCCU and approved by LCCU's Board. The Boards of LCCU and credit unions, taking into account the Group risk management limits set in the LCCU's Group Operational Risk Strategy, approve the maximum risk limits for individual risk types, above which risk management measures are set. The management and assessment of individual risks is governed by LCCU, the credit union management and valuation policies, procedures that help identify, measure and limit the risks taken by setting internal limits, indicators and standards, implementing control procedures, and controlling compliance with the limits. LCCU reviews risk management policies and systems on a regular basis, at least once a year, in the light of market developments, new products, regulatory requirements and best practices.

The main goal of the strategy is the successful continued operation of the Group with the additional condition of maintaining an adequate level of capital and liquidity of the Group, and therefore the Capital Adequacy Assessment Process (ICAAP) and the Liquidity Adequacy Assessment Process (ILAAP) are an integral part of the Group's management and decision-making process. The capital adequacy assessment process determines the capital requirement in relation to the overall level of risk taken and business strategy. The liquidity adequacy assessment process determines the appropriate need for a liquidity buffer.

The Group member monitoring and verification procedures as well as regular (once a year) Group stress testing ensure that potential threats are identified properly and timely. The risk management limits of the Group are controlled quarterly, the Board and the Supervisory Board of LCCU are informed and credit unions of the Group members are informed about compliance with and enforcement with these limits.

The key risks that the Group is exposed to are credit risk, market risk, operational risk, concentration risk and liquidity risk. In addition, risks related to strategic, income, environmental, social and governance factors (ESG) are identified.

Credit risk

The Loan Committee participates in the assessment and management of credit risk of LCCU and its member credit unions. LCCU additionally re-estimates potential new customer loans of LCCU member credit unions to individually determined limits set for the credit unions. Maximum exposure to credit risk before collateral held or other credit enhancements is described below:

Credit risk exposures relating to on-balance sheet assets:	2023	2022
Cash and cash equivalents held in central bank	13,177	27,820
Loans and receivables from credit institutions	2,485	6,644
Balances in bank correspondent accounts and overnight deposits	1,976	5,811
Loans to credit unions	509	833
Other loans and receivables	724,738	639,343
To natural persons	447,835	412,794
To legal persons	276,903	226,549
Securities	102,388	101,710
At fair value through comprehensive income	29,218	35,726
At amortized cost	67,819	61,182
At fair value through profit or loss	5,351	4,802
As at 31 December	842,788	775,517

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

	2023	2022
Credit risk exposures relating to off-balance sheet items:		
Loan commitments	27,067	25,112
Guarantees provided	837	1,278

Maximum exposure to credit risk taking into account collateral held or other credit enhancements is described below:

As at 31 December 2023	Exposure value before ECL assessment	Collateral value*						Value of unsecured positions	Expected credit losses
		Government guarantees	Residential real estate	Commercial real estate	Land	Other collaterals	Total value of collaterals		
Cash and cash equivalents held in central bank	13,177	-	-	-	-	-	-	13,177	-
Loans and receivables from credit institutions	2,487	-	-	-	-	-	-	2,487	(2)
Balances in bank correspondent accounts and overnight deposits	1,976	-	-	-	-	-	-	1,976	-
Loans to credit unions	511	-	-	-	-	-	-	511	(2)
Other loans and receivables	740,395	35,183	708,732	388,592	435,291	112,068	1,679,866	37,753	(15,657)
Natural persons	455,571	19,639	540,497	75,173	304,315	36,496	976,120	25,374	(7,736)
Legal persons	284,824	15,544	168,235	313,419	130,976	75,572	703,746	12,379	(7,921)
Securities	102,877	-	-	-	-	-	-	102,877	(489)
At fair value through other comprehensive income	29,218	-	-	-	-	-	-	29,218	-
At amortized cost	68,308	-	-	-	-	-	-	68,308	(489)
At fair value through profit or loss	5,351	-	-	-	-	-	-	5,351	-
Total	858,936	35,183	708,732	388,592	435,291	112,068	1,679,866	156,294	(16,148)

As at 31 December 2022	Exposure value before ECL assessment	Collateral value*						Value of unsecured positions	Expected credit losses
		Government guarantees	Residential real estate	Commercial real estate	Land	Other collaterals	Total value of collaterals		
Cash and cash equivalents held in central bank	27,820	-	-	-	-	-	-	27,820	-
Loans and receivables from credit institutions	6,646	-	-	-	-	-	-	6,646	(2)
Balances in bank correspondent accounts and overnight deposits	5,811	-	-	-	-	-	-	5,811	-
Loans to credit unions	835	-	-	-	-	-	-	835	(2)
Other loans and receivables	652,351	41,031	603,430	305,492	401,546	92,402	1,443,901	33,860	(13,008)
Natural persons	418,963	18,334	478,860	65,942	288,367	34,164	885,667	26,159	(6,169)
Legal persons	233,388	22,697	124,570	239,550	113,179	58,238	558,234	7,701	(6,839)
Securities	102,199	-	-	-	-	-	-	102,199	(489)
At fair value through other comprehensive income	35,726	-	-	-	-	-	-	35,726	-
At amortized cost	61,671	-	-	-	-	-	-	61,671	(489)
At fair value through profit or loss	4,802	-	-	-	-	-	-	4,802	-
Total	789,016	41,031	603,430	305,492	401,546	92,402	1,443,901	170,525	(13,499)

* The collateral value is estimated in accordance with the requirements approved by LCCU and does not represent a fair value as at the date of the statement of financial position.

The unsecured exposure value is determined separately at the level of each loan and recorded at the aggregate value.

In the ordinary course of business, the Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The purpose of credit risk management is to minimize risk of credit losses from loans. The main evaluation criteria of the Group credit unions, i.e. natural and legal persons, include assessment of reputation, financial capacity, business plan and environment, collateral and need for funds. The periodic reassessment of the position of debtors involves assessing their ability to meet their debt obligations.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

For the purpose of credit risk management, the Group does not provide loans with a maturity of more than 5 years for working capital development and liquidity. The maximum maturity of loans granted to member credit unions is 40 years.

The Loan Committee and/or the Board of each Group member may require loan collateral when examining a credit union loan application or during a loan repayment doubt. The Loan Committee examines whether a mortgage has been correctly assessed for a loan, examines its feasibility in the event of a loan default, and assesses collateral, surety, loan security and sufficient security. Collateral values are determined based on the requirements approved by LCCU.

The Group has implemented its internal risk management, assessment and rating system. Based on the system's data and other information, a preliminary assessment of the applicant's condition and follow-up monitoring of the borrower's condition is performed.

The main criteria for assessing the borrower's – credit union's condition before granting a loan and throughout the entire term from loan origination to its repayment are: the credit union's rating and credit history of the credit union. The main criteria for assessing the condition of the member of the credit union (legal/natural person) include the member's financial capacity, reputation, project's business plan and environment, and the progress of absorption of funding. Based on the established approach, each criterion affecting the borrower's condition is given a score between 1 to 5, where 1 stands for very good, 2 – good, 3 – satisfactory, 4 – unsatisfactory, and 5 – poor. In line with the established approach, the borrower's condition is assessed in view of the weight of individual components.

As at 31 December 2023 and 2022, the loans issued by the Group are divided into the following classes: credit lines through which non-member credit unions grant loans from the funds of INVEGA UAB and ŽŪPGF, and loans to members (natural and legal persons) of credit unions (the Group members). The table below shows the quality of the non-impaired Group's loan portfolio by loan class (with information on net value of loans):

As at 31 December 2023						
Category of loan						
Borrower's condition	Credit lines to credit unions	Credit lines to natural persons	Credit lines to legal persons	Loans to natural persons	Loans to legal persons	Total
1 – very good	509	1,112	1,810	286,060	43,780	333,271
2 – good	-	475	3,063	75,073	114,605	193,216
3 – satisfactory	-	265	278	32,454	48,997	81,994
4 – unsatisfactory	-	53	273	26,239	48,389	74,954
5 – poor	-	122	241	25,992	15,457	41,812
Total	509	2,027	5,665	445,818	271,228	725,247

As at 31 December 2022						
Category of loan						
Borrower's condition	Credit lines to credit unions	Credit lines to natural persons	Credit lines to legal persons	Loans to natural persons	Loans to legal persons	Total
1 – very good	833	1,315	2,801	282,298	47,073	334,320
2 – good	-	142	1,022	69,347	68,288	138,799
3 – satisfactory	-	50	229	18,111	48,535	66,925
4 – unsatisfactory	-	59	476	20,700	42,014	63,249
5 – poor	-	23	93	20,750	16,017	36,883
Total	833	1,589	4,621	411,206	221,927	640,176

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The following table shows the collaterals for syndicated loans and loans from other parties by the borrowers' status:

As at 31 December 2023

Borrower's condition	Loans value before ECL assessment			Expected credit losses	Collateral value	Surplus (deficit) of collaterals	Unsecured part of loans
	Loans to natural persons	Loans to legal persons	Total				
1 – very good	287,408	45,726	333,134	(367)	734,416	424,361	22,997
2 – good	75,619	119,409	195,028	(1,812)	451,476	263,320	6,871
3 – satisfactory	32,982	50,347	83,329	(1,336)	202,165	122,200	3,341
4 – unsatisfactory	26,613	50,016	76,629	(1,676)	174,311	98,757	1,075
5 – poor	32,949	19,326	52,275	(10,466)	117,498	69,992	3,469
Total	455,571	284,824	740,395	(15,657)	1,679,866	978,630	37,753

As at 31 December 2022

Borrower's condition	Loans value before ECL assessment			Expected credit losses	Collateral value	Surplus (deficit) of collaterals	Unsecured part of loans
	Loans to natural persons	Loans to legal persons	Total				
1 – very good	284,084	50,239	334,323	(836)	721,848	411,457	23,933
2 – good	69,596	69,956	139,552	(752)	315,324	179,794	4,021
3 – satisfactory	18,418	49,918	68,336	(1,411)	154,328	88,367	2,374
4 – unsatisfactory	21,093	43,611	64,704	(1,456)	148,280	84,502	926
5 – poor	25,772	19,664	45,436	(8,553)	104,121	61,424	2,606
Total	418,963	233,388	652,351	(13,008)	1,443,901	825,544	33,860

Value from collateral is recovered in case of borrowers' default on the basis of contractual terms and conditions and other legal acts.

Loans are not granted if the borrower does not comply with the terms and conditions of LCCU and its member credit union loan granting procedures. The Boards of LCCU or its member credit union, upon receipt of the Loan Committee's conclusions (recommendations on loan availability, required collateral, etc.), reassesses the loan availability and makes the loan decision.

Within the Group, all loans (except deposits, funds held in accounts with other credit institutions, pre-payments, guarantees and sureties) are granted to credit unions other than members of LCCU and credit union members (natural/legal persons: farmers, private limited companies and cooperatives).

In order to reduce credit risk, the Bank of Lithuania has set a maximum exposure value per borrower - the exposure value per borrower shall not exceed 25% of the recalculated Tier I capital of LCCU or its member credit union. The Group sets internal limits for individual loan types and loan amounts. The Group sets and reviews internal maximum loan and exposure rates that are more conservative than those set by the Bank of Lithuania. When issuing a position, an assessment of whether a position will be assigned to a group of related persons is made. As at 31 December 2023, the maximum amount of a single loan, comprising loans to several related borrowers treated as a single borrower, was EUR 7,339 thousand or 9.99% of the Group's recalculated Tier I capital (as at 31 December 2022: EUR 9,164 thousand or 15.73% of the Group's calculated capital).

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The loans issued by LCCU Group are listed below by delay as at 31 December 2023 and 2022:

As at 31 December 2023

	Natural persons	Legal persons	Total	Expected credit losses	Collateral value	Unsecured part of loans
Not overdue	387,810	218,035	605,845	(7,245)	1,388,032	29,282
Overdue 1–30 days	54,227	56,609	110,836	(3,798)	241,924	6,281
Overdue 31–60 days	3,389	3,267	6,656	(324)	17,517	306
Overdue 61–90 days	2,031	1,170	3,201	(485)	6,653	380
Overdue more than 90 days	8,114	5,743	13,857	(3,805)	25,740	1,504
Total:	455,571	284,824	740,395	(15,657)	1,679,866	37,753

As at 31 December 2022

	Natural persons	Legal persons	Total	Expected credit losses	Collateral value	Unsecured part of loans
Not overdue	372,672	201,134	573,806	(7,734)	1,284,940	29,385
Overdue 1–30 days	36,973	23,259	60,232	(1,741)	122,579	2,947
Overdue 31–60 days	3,421	2,040	5,461	(486)	12,276	341
Overdue 61–90 days	1,124	1,596	2,720	(309)	5,251	192
Overdue more than 90 days	4,773	5,359	10,132	(2,738)	18,855	995
Total:	418,963	233,388	652,351	(13,008)	1,443,901	33,860

The table below provides information on outstanding balances and impairment losses on loans and receivables issued by the Group:

	2023	2022
Loans and receivables from credit institutions	2,487	6,646
Loans and receivables from other parties and institutions	740,395	652,351
To natural persons	455,571	418,963
To legal persons	284,824	233,388
Total loans granted	742,882	658,997
Total allowance for impairment:	(15,659)	(13,010)
To credit institutions	(2)	(2)
To other parties	(15,657)	(13,008)
To natural persons	(7,736)	(6,169)
To legal persons	(7,921)	(6,839)
Total net loans and receivables	727,223	645,987

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Changes in expected credit losses during the year are presented below:

	2023	2022
As at 1 January	(13,010)	(9,041)
Effect of admission of Taupa CU on impairment	-	(1,767)
Allowance for loan impairment	(6,657)	(5,814)
Risk Level 1 loans	(628)	(896)
Natural persons	(36)	(307)
Legal persons	(592)	(589)
Risk Level 2 loans	(1,308)	(1,746)
Natural persons	(200)	(274)
Legal persons	(1,108)	(1,472)
Risk Level 3 loans	(4,721)	(3,172)
Natural persons	(3,266)	(2,195)
Legal persons	(1,455)	(977)
Reversal of the allowance for loan impairment	3,551	3,322
Risk Level 1 loans	1,012	1,098
Natural persons	477	570
Legal persons	535	528
Risk Level 2 loans	1,703	924
Natural persons	781	456
Legal persons	922	468
Risk Level 3 loans	836	1,300
Natural persons	347	871
Legal persons	489	429
Uncollectible receivables written off during the year	457	290
As at 31 December	(15,659)	(13,010)

As at 31 December 2023, impairment of debt instruments measured at fair value through other comprehensive income amounted to EUR 48 thousand (as at 31 December 2022 – EUR 18 thousand).

As at 31 December 2023, EUR 372 thousand of expected losses were recognised on the Group's off-balance sheet commitments (as at 31 December 2022, EUR 130 thousand) under the Group's model for expected credit losses: EUR 321 thousand on the loan commitments (as at 31 December 2022, EUR 126 thousand), and EUR 51 thousand on guarantees (as at 31 December 2022, EUR 4 thousand).

Additional expected credit losses on off-balance sheet commitments calculated as at 31 December 2023 and 2022:

As at 31 December 2023				
Segment	Risk level			Total
	1	2	3	
To natural persons	4	5	15	24
To legal persons	140	147	61	348
Total	144	152	76	372

As at 31 December 2022				
Segment	Risk level			Total
	1	2	3	
To natural persons	4	3	2	9
To legal persons	23	94	4	121
Total	27	97	6	130

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Principles of the Group's expected credit loss model are provided below.

For the calculation of expected credit losses, all financial instruments are divided into homogeneous groups, taking into account general characteristics of risk. The Group has distinguished the following groups of financial instruments:

- Loans to credit union members.
- Lending positions for other credit institutions.
- Debt securities.
- Funds (deposits) in banks.
- Other financial assets (trade receivables, rent receivables and others).

Positions of loans granted to credit union members are grouped into 4 segments of debtors:

- Lending positions for natural non-commercial persons.
- Lending positions for natural commercial persons.
- Lending positions for legal persons, except lending positions for agricultural development. Lending positions for legal persons for agricultural development are prescribed to agricultural lending positions;
- Agricultural lending positions.

Debt securities are classified into two subgroups:

- Debt securities issued by issuers, having investment rating prescribed by ECAI.
- Debt securities issued by other issuers, having speculative rating prescribed by ECAI.

Debt securities issued by issuer, which due to low risk has ECAI investment rating, are considered as fully guaranteed financial instruments and in such case zero value expected credit losses are recognized.

Funds in bank accounts and deposits are considered as very low risk financial instruments, considering their short term and ratings of the banks, holding the funds. For these financial instruments zero value expected credit losses are recognized.

All of the Group's credit data for the period 2009–2023 was used to determine the Group's expected credit loss methodology.

Considering the increase of financial instrument's credit risk after its initial recognition, financial instruments are classified into three risk levels: Level 1, Level 2 and Level 3.

Risk level allocation to debt financial securities, funds in banks and deposits:

- Risk level 1 is assigned to:
 - Securities that were issued by issuer having investment rating.
 - Securities that were issued by issuer having non-investment rating, but being a government of EU country.
 - Funds in bank accounts and deposits.
- Risk level 2 is assigned to investment securities, having lower rating than BB+, but higher than CCC+;
- Risk level 3 is assigned to investment securities, having lower than CCC+ rating.

It is considered that applied credit risk to lending position has increased significantly from its initial recognition, if increased credit risk indicator is noted to such lending position. In such case, the debtor is moved from risk Level 1 to 2. If loss event is recognized, it is considered that debtor has failed to fulfil its obligations and, therefore, is transferred from risk Level 1 or 2 to 3.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Increased credit risk indicator is the criteria, objectively proving that financial instrument's default risk has increased significantly from its recognition and it should be assigned to risk Level 2. The following events are considered indicators of increased credit risk:

- Credit overdue – non-payment of periodic credit instalments (principal credit part, interest, commitment fee), delay of credit terms of more than 30 days;
- Deterioration of a borrower's financial position, which is a borrower's credit risk indicator reflecting reliability and financial capacity of the borrower, determined by taking into account the criteria for creditworthiness assessment;
- Reorganization of credit due to deterioration of the borrower's financial position, which is carried out not more than twice and there are no reasonable indications of default.
- Preferential postponements of instalments and discounts, which does not show any reasonable indications of default.
- Direct and indirect impact as a result of the economic situation, taking into account uncertainty due to geopolitical situation and inflation;
- Other events:
 - Use of funds granted to the borrower not in accordance with the designated purpose stipulated in loan agreement, however, the amount is not significant;
 - Violation of investment project's and/or business plan's execution terms and conditions, but the resulting risk is not significant to the borrower's cash flows;
 - Other event, due to which the borrower should be transferred to a higher risk level.

Loss event – criteria, objectively proving that default of financial obligations is recognized to financial instrument and such instrument should be classified as defaulted – assigned to risk Level 3. The following are considered major loss events:

- Credit overdue – non-payment of periodic credit instalments (principal credit part, interest, commitment fee), delay of credit terms of more than 90 days;
- Significant deterioration of borrower's financial position;
- Reorganization of credit due to the borrower's financial position, which is carried for more than second time or there are no reasonable indications of default.
- Preferential postponements of instalments and discounts, which show reasonable indications of default.
- Other events:
 - Use of funds granted to the borrower not in accordance with the designated purpose stipulated in loan agreement and the amount is significant;
 - Violation of investment project's and/or business plan's execution terms and conditions and the resulting risk is significant to the borrower's cash flows;
 - Revealing of document forging or of other illegal activity, etc.;
 - Initiation of bankruptcy against the borrower (initiated by credit union or other creditors);
 - Initiation of borrower's reorganization process;
 - Deterioration in the value of collateral in terms of loans, if repayment terms of loan being assessed directly depend on the value of collateral;
 - Legal processes (e.g. credit or other assets are recognized in corresponding balance sheet article only after fulfillment of guarantee or individual guarantee liability to the third party, except cases, if such commitment was predetermined in agreement between union and borrower);
 - Default on obligations by persons related to the borrower;
 - The death of a borrower, if there are no inheritors, or inheritors are not capable of fulfilling financial obligations;
 - Termination of credit agreement;
 - Acquired/realized transactions of increased credit risk;

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

- Other loss events due to which the borrower should be recognised as likely to default.

If a person related to the borrower is transferred to a higher risk level, the debtor is also transferred to a higher risk level, if there are no substantive reasons to determine otherwise.

Borrower's transfer to a lower risk level of one qualitative level (e.g. from 2 to 1 or from 3 to 2) is possible if there are no reasons to doubt that borrower will fulfil all credit obligations, i.e. during monitoring period (which may last from 3 to 12 months given the loss event or increased credit risk indicator) all specific conditions set for the borrower are met, implying that borrower will meet its obligations.

If a person related to the borrower is transferred to a lower risk level and the borrower itself meets all requirements of a transfer to a lower risk level, the borrower is also transferred to a lower risk level. Just because a credit is forbore/restructured, its credit risk is not considered as automatically lowered. If credit is forbore/restructured and, therefore, expected cash flows set in the primary credit agreement change, borrower's credit reassessment is done according to existing LCCU's rules of procedures.

Changes in loans and financial assets during 2023 and 2022 are described in the table below:

	Risk level 1		Risk level 2		Risk level 3 (incl. POCI)		Total	
	Loan value	ECL	Loan value	ECL	Loan value	ECL	Loan value	ECL
As at 1 January 2022	337,954	(698)	130,097	(2,029)	32,857	(6,316)	500,908	(9,041)
Admission of Taupa CU	12,967	(20)	28 942	(572)	15,147	(1,176)	57,056	(1,767)
Loans issued and new assets recognised	149,701	(577)	38,751	(1,012)	398	(222)	188,850	(1,812)
Loans repaid and derecognition of financial assets	(62,690)	66	(25,392)	283	(8,383)	435	(96,465)	784
Reclassifications between levels: From Level 2 to Level 1	49,489	(171)	(49,489)	171	-	-	-	-
Reclassifications between levels: From Level 1 to Level 2	(14,177)	219	14,177	(219)	-	-	-	-
Reclassifications between levels: From Level 3 to Level 2	-	-	3,272	(84)	(3,272)	84	-	-
Reclassifications between levels: From Level 2 to Level 3	-	-	(7,047)	962	7,047	(962)	-	-
Reclassifications between levels: From Level 3 to Level 1	2,119	(4)	-	-	(2,119)	4	-	-
Reclassifications between levels: From Level 1 to Level 3	(3,988)	533	-	-	3,988	(533)	-	-
Interests accrued	1,320	-	489	-	512	-	2,321	-
Decrease (increase) in expected credit losses	-	(732)	-	(499)	-	(231)	-	(1,462)
Write-offs	-	-	-	-	(319)	290	(319)	290
As at 31 December 2022	472 695	(1,384)	133,800	(2,999)	45,856	(8,627)	652,351	(13,008)
Loans issued and new assets recognised	173,026	(795)	33,966	(586)	5,956	(582)	212,948	(1,963)
Loans repaid and derecognition of financial assets	(87,007)	(1,892)	(28,664)	94	(11,870)	3 232	(127,541)	1,434
Reclassifications between levels: From Level 2 to Level 1	33,932	(753)	(33,932)	753	-	-	-	-
Reclassifications between levels: From Level 1 to Level 2	(58,351)	794	58,351	(794)	-	-	-	-
Reclassifications between levels: From Level 3 to Level 2	-	-	5,838	(102)	(5,838)	102	-	-
Reclassifications between levels: From Level 2 to Level 3	-	-	(10,221)	1 518	10,221	(1,518)	-	-
Reclassifications between levels: From Level 3 to Level 1	1,718	(3)	-	-	(1,718)	3	-	-
Reclassifications between levels: From Level 1 to Level 3	(9,367)	1,318	-	-	9,367	(1,318)	-	-
Interests accrued	2,026	-	820	-	829	-	3,675	-
Decrease (increase) in expected credit losses	-	533	-	(896)	-	(2,216)	-	(2,579)
Write-offs	-	-	-	-	(527)	457	(527)	457
As at 31 December 2023	528 672	(2,182)	159,958	(3,012)	52,276	(10,467)	740 906	(15,659)

Expected credit losses of financial assets were assessed individually and collectively, as it is described in accounting policies part of these financial statements.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Analysis of gross value of LCCU financial assets and their impairment according to risk levels, individual/collective assessment and segments as at 31 December 2023 and 2022 is as follows:

As at 31 December 2023								
Risk levels								
Segments		Level 1		Level 2		Level 3 (incl. POCI)		Total
		Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Loans to natural persons	Carrying amount	3,403	359,623	7,862	51,733	5,866	27,084	455,571
	Impairment	(21)	(287)	(64)	(521)	(185)	(6,658)	(7,736)
Loans to legal persons	Carrying amount	81,935	83,200	75,534	24,829	6,960	12,366	284,824
	Impairment	(1,636)	(236)	(1,972)	(455)	(835)	(2,787)	(7,921)
Loans from credit institutions	Carrying amount	511	-	-	-	-	-	511
	Impairment	(2)	-	-	-	-	-	(2)
Debt securities	Carrying amount	93,692	-	2,856	-	489	-	97,037
	Impairment	-	-	-	-	(489)	-	(489)
Loan commitments	Value of loan commitments (off-balance sheet)	6,187	15,369	4,099	1,153	-	259	27,067
	Impairment	(115)	(28)	(139)	(13)	-	(26)	(321)

As at 31 December 2022								
Risk levels								
Segments		Level 1		Level 2		Level 3 (incl. POCI)		Total
		Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Loans to natural persons	Carrying amount	2,356	351,240	3,118	36,211	4,290	21,747	418,962
	Impairment	(84)	(482)	(32)	(526)	(149)	(4,895)	(6,168)
Loans to legal persons	Carrying amount	32,738	86,272	61,972	32,499	7,145	12,762	233,388
	Impairment	(384)	(417)	(1,429)	(1,013)	(884)	(2,712)	(6,839)
Loans from credit institutions	Carrying amount	835	-	-	-	-	-	835
	Impairment	(2)	-	-	-	-	-	(2)
Debt securities	Carrying amount	93,930	-	2,978	-	489	-	97,397
	Impairment	-	-	-	-	(489)	-	(489)
Loan commitments	Value of loan commitments (off-balance sheet)	303	18,336	4,825	1,345	289	14	25,112
	Impairment	(3)	(24)	(82)	(15)	-	(1)	(125)

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

As at 31 December 2023 and 2022, the breakdown of loans granted by the Group to legal persons by economic activity is presented in the table below:

	2023		2022	
	Value	Part, %	Value	Part, %
Agriculture, forestry and fisheries	14,352	5%	12,659	5%
Manufacturing	15,797	6%	14,306	6%
Construction	66,055	24%	47,327	21%
Wholesale and retail trade	28,266	10%	26,362	12%
Transport and storage	7,024	2%	6,989	3%
Accommodation and food service activities	11,741	4%	12,709	6%
Real estate operations	86,108	31%	68,077	30%
Professional, scientific and technical activities	16,680	6%	14,018	6%
Administrative and support activities	7,229	3%	5,941	3%
Other activity	23,651	9%	18,161	8%
Total	276,903	100%	226,549	100%

As at 31 December 2023 and 2022, the breakdown of loans granted by the Group to natural persons by economic activity is presented in the table below:

	2023		2022	
	Value	Part, %	Value	Part, %
Agriculture, forestry and fisheries	93,200	21%	88,199	21%
Real estate financing	326,681	73%	298,175	72%
Consumer credits	19,917	4%	19,604	5%
Other activity	8,037	2%	6,816	2%
Total	447,835	100%	412,794	100%

Impairment losses on loans are individually assessed for loans and receivables at amortized cost that bears credit risk. All loans and/or commitments made by the Group to a single borrower shall be deemed to have the same risk.

The Group records loss events and calculates impairment losses on loans and receivables at amortized cost that bears credit risk and makes proposals to the Board of credit union for approval of such impairment losses. The Group also assesses the potential decrease in impairment losses recognized at amortized cost that bears credit risk.

Information on impairment of loans and receivables is disclosed in accounting policies in the part of significant accounting estimates and judgements.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Purchased securities are evaluated at the Group limits set by LCCU based on country and entity ratings based on Moody's, S&P or Fitch agencies' ratings (using a newer position rating). Positions in securities according to ratings set by the aforementioned external rating authorities:

		2023		
Rating		Securities at fair value through other comprehensive income	Securities at amortised cost	Securities at fair value through profit or loss
Moody's rating	S&P and Fitch rating			
Aaa–Aa3	AAA–AA–	500	2,992	-
A1–A3	A+–A–	23,330	52,475	-
Baa1–Baa3	BBB+ – BBB–	4,726	10,631	-
Ba1–Ba3	BB+ – BB–	461	1,221	-
B1–B3	B+ – B–	-	-	-
Without rating		201	500	5,351
Total		29,218	67,819	5,351

		2022		
Rating		Securities at fair value through other comprehensive income	Securities at amortised cost	Securities at fair value through profit or loss
Moody's rating	S&P and Fitch rating			
Aaa–Aa3	AAA–AA–	-	-	-
A1–A3	A+–A–	24,976	50,561	-
Baa1–Baa3	BBB+ – BBB–	5,148	7,605	-
Ba1–Ba3	BB+ – BB–	5,402	3,505	-
B1–B3	B+ – B–	-	-	-
Without rating		201	-	4,802
Total		35,726	61,671	4,802

As at 31 December 2023 and 2022, the Group kept all funds in correspondent accounts of high-rated (from AAA- to BBB-) banks or branches of such banks in Lithuania.

Liquidity risk

In the ordinary course of business, the Group is exposed to the possible risk of mismatches in cash flows. The purpose of liquidity risk management is to ensure that the Group will be able to meet its obligations in full. The key elements of liquidity risk management include management's reporting system, control over liquidity management, diversification of financing sources, planning of expected commitments, formation of liquidity buffers, calculations of projected cash receipts/payments and net funding gap. The Group's liquidity risk management is divided into current, short-term, medium-term and strategic liquidity risk management. The liquidity risk is managed by complying with the liquidity coverage ratio (hereinafter "LCR") as well as internal liquidity ratios, preparing monthly cash flow reports, performing stress testing of liquidity risk, assessing liquidity buffers, counterbalancing capacity, net funding gap, etc.

In the end of each operation day at LCCU/credit union a responsible employee is required to check the compliance with the liquidity ratio and ensure that all cash flows have been matched, cash payments and receipts and to assess scheduled future cash flows. When internal ratios established by LCCU/credit union are achieved, management of LCCU/credit union should be notified. At least once per month, following the established procedure depending on the size of the liquidity ratio, management analyses and assesses information as to the matching of cash flows and compliance with the liquidity ratio. When decisions are made in relation to granting a loan or accepting a large deposit, the management of LCCU/credit union assess how this would affect the cash flows and compliance with the liquidity ratio.

A part of the Group's investments in securities are classified as available-for-sale (investment securities, accounted at fair value through other comprehensive income), therefore, in case of any possible interruptions in cash flows or liquidity, these investments may be sold immediately. In the event of any actual or anticipated interruptions in LCCU /credit union's liquidity, LCCU/credit union uses the available liquidity sources, considering the costs of their utilization, and at the same time suspends the process of lending and investing.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Analysis of the Group's assets and liabilities by maturity as at 31 December 2023 is as follows:

2023	On demand	3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	> 10 years	Maturity undefined	Total
Assets										
Cash and cash equivalents held in central bank	13,177	-	-	-	-	-	-	-	-	13,177
Securities	-	8,652	14,932	10,773	40,557	21,252	871	-	5,351	102,388
Loans and receivables from credit institutions	1,976	-	-	-	-	-	-	509	-	2,485
Loans and receivables from other parties	-	7,155	9,772	32,919	118,341	72,038	168,583	314,601	1,329	724,738
Property, plant and equipment and right-of-use asset	-	1	7	9	1,712	509	480	-	7,366	10,084
Investment property	-	-	-	-	-	-	-	-	3,988	3,988
Other assets and deferred tax assets	223	867	80	2,385	-	-	-	-	-	3,555
Total assets	15,376	16,675	24,791	46,086	160,610	93,799	169,934	315,110	18,034	860,415
Liabilities, capital and reserves										
Amounts due to credit and other financial institutions	3,898	20,129	15,019	21,354	1,005	15,496	-	-	-	76,901
Deposits	192,891	99,667	103,811	190,258	90,622	14,559	770	325	-	692,903
Subordinated loans	-	49	-	-	-	2,900	2,456	-	-	5,405
Other liabilities, provisions and deferred taxes	1,718	3,376	326	-	1,712	509	480	-	687	8,808
Capital and reserves	-	-	1,300	-	2,600	2,600	1,379	-	68,519	76,398
Total liabilities, capital and reserves	198,507	123,221	120,456	211,612	95,939	36,064	5,085	325	69,206	860,415
Difference between assets and liabilities, capital and reserves	(183,131)	(106,546)	(95,665)	(165,526)	64,671	57,735	164,849	314,785	(51,172)	-
Off-balance sheet commitments	-	27,067	-	-	-	-	-	-	837	27 904

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The table below provides analysis of LCCU Group's assets and liabilities by maturity in 2022:

2022	On demand	3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	> 10 years	Maturity undefined	Total
Assets										
Cash and cash equivalents held in central bank	27,820	-	-	-	-	-	-	-	-	27,820
Securities	-	722	8,887	12,167	49,122	21,568	4,442	-	4,802	101,710
Loans and receivables from credit institutions	5,811	-	-	-	-	-	-	833	-	6,644
Loans and receivables from other parties	-	7,709	7,709	24,801	94,077	70,517	158,709	275,280	541	639,343
Property, plant and equipment and right-of-use asset	-	4	8	22	18	508	404	-	8,071	9,035
Investment property	-	-	-	-	-	-	-	-	3,570	3,570
Other assets and deferred tax asset	236	1,025	129	2,452	-	-	-	-	-	3,842
Total assets	33,867	9,460	16,733	39,442	143,217	92,593	163,555	276,113	16,984	791,964
Liabilities, capital and reserves										
Amounts due to credit and other financial institutions	4,783	9,571	3,725	14,046	18,348	14,533	2,006	-	-	67,012
Deposits	227,366	89,406	72,493	156,845	85,130	16,602	1,399	996	-	650,237
Subordinated loans	-	36	-	-	-	50	5,256	-	-	5,342
Other liabilities, provisions and deferred taxes	1,344	4,122	30	-	18	508	404	-	508	6,934
Capital and reserves	-	-	1,300	-	2,601	2,600	1,379	-	54,559	62,439
Total liabilities, capital and reserves	233,493	103,135	77,548	170,891	106,097	34,293	10,444	996	55,067	791,964
Difference between assets and liabilities, capital and reserves	(199,626)	(93,675)	(60,815)	(131,449)	37,120	58,300	153,111	275,117	(38,083)	-
Off-balance sheet commitments	-	25,112	-	-	-	-	-	-	1,278	26,390

The LCR is intended to determine the short-term resilience of the liquidity risk of the Group (minimal required value of the ratio is not lower than 100%). This ratio requires that the Group has risk-free liquid assets that can be easily liquidated in the market, to make necessary payments, excluding received payments, during the 30-day period of crisis without central bank support. The LCR is calculated as the ratio of liquidity buffer to cash flow. Values of liquidity buffer and cash flow are recalculated by applying adjustment factor to the value, as defined in the EU Regulations. As at 31 December 2023, LCR of the Group was 204% (as at 31 December 2022, 261%)

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The structure of LCCU Group's financial liabilities based on the remaining period at the date of financial statements to the contractual maturity date as at 31 December 2023 and 2022 is presented below. The amounts reported represent contractual undiscounted cash flows:

	On demand	1–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	> 10 years	Maturity undefined	Total
As at 31 December 2023										
Amounts due to credit and other finance institutions	3,898	20,166	15,202	21,882	1,041	2,012	2,004	-	11,479	77,684
Deposits	192,891	99,935	105,099	195,558	95,532	16,469	867	409	40	706,800
Subordinated loans	-	42	84	167	666	2,019	2,471	-	-	5,449
Other financial liabilities	-	2,342	-	10	1,712	509	480	-	-	5,053
Total financial liabilities	196,789	122,485	120,385	217,617	98,951	21,009	5,822	409	11,519	794,986

	On demand	1–3 months	3–6 months	6–12 months	1–3 years	3–5 years	5–10 years	> 10 years	Maturity undefined	Total
As at 31 December 2022										
Amounts due to credit and other finance institutions	4,783	9,592	3,766	14,385	19,884	500	500	-	14,533	67,943
Deposits	227,366	90,969	74,815	158,734	90,985	20,218	1,656	1,182	218	666,143
Subordinated loans	-	45	50	116	591	464	4,637	-	-	5,903
Other financial liabilities	-	3,207	-	7	18	508	404	-	-	4,144
Total financial liabilities	232,149	103 813	78,631	173,242	111,478	21,690	7,197	1,182	14,751	744,133

Market risk

Market risk assessment

The Group takes on exposure to market risk, which means the risk to incur losses due to unfavourable fluctuations in market variables such as interest rates (interest rate risk) and foreign exchange rates (foreign currency risk), debt and equity securities. The Group assesses its exposure to market risk, which means the risk that the fair value of future cash flows from financial instruments may change as a result of changes in market prices.

Possible changes in market risk are determined by taking into account the effects of its component parts, i.e. interest rate risk and foreign exchange risk. Market risk management and assessment uses risk management policies/procedures approved by LCCU's Board, which provide risk assessment indicators and limits, which are regularly reported to the LCCU's Board and Supervisory Board.

Interest rate risk is managed by the difference between assets and liabilities whose interest rates are sensitive to changes in market interest rates and by setting interest rate risk limits. LCCU/credit unions assess the impact of interest rate fluctuations on net interest income.

The Group's investment risk in debt securities is managed by limiting the proportion of debt securities in the balance sheet, the structure and modified maturity of debt securities at fair value through other comprehensive income and securities at amortized cost, the maturity of debt securities, setting limits for possible losses due to unfavourable changes in interest rates, setting restrictions on LCCU investments by credit rating groups and groups of debt securities issuer countries, and restrictions on single issuer debt securities. VaR is used to estimate the risk of potential debt securities losses due to fluctuations in market prices (over a period of time with a certain level of confidence).

The Group's investment risk in equity securities is managed by limiting the proportion of equity securities in the balance sheet, restricting issuers geographically and by sector of economic activity, and setting the maximum level of leverage for the issuer.

The risk of credit union investment in debt securities is managed by limiting the proportion of the balance sheet assets, modified financial maturity, restrictions based on the issuer's ratings, scenario analysis and determination of the maximum potential loss due to unfavourable interest rate changes.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Interest rate risk

Cash flow interest rate risk is the risk that, in the future, cash flows from financial instruments may fluctuate due to changes in market interest rates. Fair value interest rate risk of financial instruments is the risk that the fair value of financial instruments may change in the future due to changes in market interest rates. The Group manages interest rate risk by reviewing quarterly the interest rate gap report and the limits and rates of execution of interest rate risk management (minimum weighted average interest rate on loans granted, maximum weighted average interest rate on term deposits, end-of-period limits) and periodic review of interest rates on loans and deposits, fixed-rate or floating-rate loan decisions, and decisions concerning LCCU/credit union asset and liability structure. Interest rate risk is managed by applying a combination of variable and fixed interest rates to LCCU and the Group's loan and deposit transactions. LCCU and the Group applies the UNIBOR index to determine the interest rate on term deposits and working capital loans, which is determined by calculating the average cost of the credit union resources of LCCU's system. The internal rating of a credit union is also taken into account when determining the interest rates on new loans.

The table below summarizes the interest rate risk as of 31 December 2023. The table shows the assets and liabilities of the Group, broken down by the date of the contractual interest rate review or maturity date:

2023	Up to 1 month	1–3 months	3–6 months	6–12 months	1–3 years	> 3 years	Maturity undefined	Total
Assets								
Cash and cash equivalents held in central bank	-	-	-	-	-	-	13,177	13,177
Securities	6,126	995	13,421	9,985	38,790	20,154	12,917	102,388
Loans and receivables from credit institutions	-	-	-	-	-	509	1,976	2,485
Loans and receivables from other parties	78,869	232,837	256,236	121,386	21,504	13,906	-	724,738
Property, plant and equipment, intangible assets and right-of-use assets	-	-	-	-	2,189	-	7,895	10,084
Investment property	-	-	-	-	-	-	3,988	3,988
Other assets and deferred tax assets	-	-	-	-	-	-	3,555	3,555
Total assets	84,995	233,832	269,657	131,371	62,483	34,569	43,508	860,415
Liabilities and reserves								
Amounts due to credit and other financial institutions	-	20,129	15,018	21,354	1,005	15,496	3,899	76,901
Deposits from other parties	32,378	72,144	102,922	139,036	133,207	20,328	192,888	692,903
Subordinated loans	-	-	-	-	-	5,405	-	5,405
Other liabilities	-	-	-	-	2,189	-	6,619	8,808
Capital and reserves	-	-	1,300	-	2,600	2,679	69,819	76,398
Total liabilities and reserves	32,378	92,273	119,240	160,390	139,001	43,908	273,225	860,415
Balance difference due to interest sensitivity	52,617	141,559	150,417	(29,019)	(76,518)	(9,339)	(229,717)	-

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The table below shows the assets and liabilities of the Group as at 31 December 2022, categorized by the earlier of contractual repricing or redemption (maturity) dates:

2022	Up to 1 month	1–3 months	3–6 months	6–12 months	1–3 years	> 3 years	Maturity undefined	Total
Assets								
Cash and cash equivalents held in central bank	-	-	-	-	-	-	27,820	27,820
Securities	-	810	9,154	12,130	46,685	25,305	7,626	101,710
Loans and receivables from credit institutions	-	-	-	-	-	833	5,811	6,644
Loans and receivables from other parties	67,268	199,943	224,134	113,312	21,259	13,427	-	639,343
Property, plant and equipment, intangible assets and right-of-use assets	-	-	-	-	964	-	8,070	9,034
Investment property	-	-	-	-	-	-	3,570	3,570
Other assets and deferred tax assets	-	-	-	-	-	-	3,843	3,843
Total assets	67,268	200,753	233,288	125,442	68,908	39,565	56,740	791,964
Liabilities and reserves								
Amounts due to credit and other financial institutions	-	9,500	3,700	14,000	18,200	16,539	5,073	67,012
Deposits from other parties	24,686	68,391	73,829	117,024	119,674	19,556	227,077	650,237
Subordinated loans	-	-	3,936	-	-	1,406	-	5,342
Other liabilities	-	-	-	-	964	-	5,970	6,934
Capital and reserves	-	-	1,300	-	2,601	3,979	54,559	62,439
Total liabilities and reserves	24,686	77,891	82,765	131,024	141,439	41,480	292,679	791,964
Balance difference due to interest sensitivity	42,582	122,862	150,523	(5,582)	(72,531)	(1,915)	(235,939)	-

The table below summarizes the Group's assets and liabilities by type of interest as at 31 December 2023:

2023	Fixed interest	Variable interest	Non-interest bearing	Total
Assets				
Cash and cash equivalents held in central bank	-	10,363	2,814	13,177
Securities	102,388	-	-	102,388
Loans and receivables from credit institutions	-	509	1,976	2,485
Loans and receivables from other parties	56,590	668,148	-	724,738
Property, plant and equipment and right-of-use asset	-	-	10,084	10,084
Investment property	-	-	3,988	3,988
Other assets and deferred tax assets	-	-	3,555	3,555
Total assets	158,978	679,020	22,417	860,415
Liabilities and reserves				
Amounts due to credit and other financial institutions	57,507	1,425	17,969	76,901
Deposits from other parties	500,012	-	192,891	692,903
Subordinated loans	1,456	3,949	-	5,405
Other liabilities and provisions	-	-	8,808	8,808
Capital and reserves	6,579	-	69,819	76,398
Total liabilities and reserves	565,554	5,374	289,487	860,415
Balance sheet difference	(406,576)	673 646	(267,070)	-

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

The Group's assets and liabilities by type of interest as at 31 December 2022:

2022	Fixed interest	Variable interest	Non-interest bearing	Total
Assets				
Cash and cash equivalents held in central bank	-	24,885	2,935	27,820
Securities	101,710	-	-	101,710
Loans and receivables from credit institutions	-	833	5,811	6,644
Loans and receivables from other parties	56,486	582,857	-	639,343
Property, plant and equipment and right-of-use asset	-	-	9,034	9,034
Investment property	-	-	3,570	3,570
Other assets and deferred tax assets	-	-	3,843	3,843
Total assets	158,196	608,575	25,193	791,964
Liabilities and reserves				
Amounts due to credit and other financial institutions	45,690	1,737	19,585	67,012
Deposits from other parties	422,871	-	227,366	650,237
Subordinated loans	301	5,041	-	5,342
Other liabilities and provisions	-	-	6,934	6,934
Capital and reserves	7,880	-	54,559	62,439
Total liabilities and reserves	476,742	6,778	308,444	791,964
Balance sheet difference	(318,546)	601,797	(283,251)	-

The Group performs worst-case scenario testing for credit risk, liquidity risk, market risk, concentration risk and operational risk. The purpose of worst-case scenario testing is to assess whether the Group has sufficient capital to cover the extraordinary losses that the Group might incur in the event of unfavourable conditions, and to prepare the Group's business continuity plan. Standard, possible, and worst-case scenarios are used to estimate the losses that may occur as a result of the above risks. The results of the stress tests shall be submitted to LCCU Board as required, but at least once a year.

The table below summarises the effect of changes in interest rate risk by 1% on net interest income if all interest rate fluctuation sensitive asset and liabilities' items (up to 1 year) in the balance sheet were subject to 1% higher/lower interest rate):

	As at 31 December 2023 Impact on net interest income	As at 31 December 2022 Impact on net interest income
1% increase in interest rate	3,156	3,104
1% decrease in interest rate	(3,156)	(3,104)

Operational risk

Operational risk is defined as the risk that LCCU Group will incur loss resulting from inadequate or failed internal processes, personnel mistakes and/or illegal actions, IT systems failures or from impact of external events. Operational risk also includes legal and reputational, compliance, money laundering and terrorist financing, information and communication technology security and other risks, unless assessed separately, as well as disasters and crises in which Group's assets are at risk.

The primary objective of operational risk assessment and management is to ensure that the management and assessment of the operational risk assumed by LCCU Group is properly organised, effective, continuous and guarantees the safe and stable operation of LCCU Group. At least once each calendar year (during LCCU's self-assessment, operational risk assessment in the internal audit or by the decision of the head of administration of LCCU), the LCCU Group's processes, the operations of the structural units, the products (services) are assessed and the emergence of any new events that may pose a significant operational risk to LCCU Group is identified.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 5. CAPITAL ADEQUACY

The Group's main objectives when managing capital are as follows:

- to ensure compliance with and control of prudential ratios;
- to ensure the Group's ability to continue as a going concern – business stability guarantee;
- growing capital base enables the Group to increase its assets and maximum exposure to a single borrower.

Three capital adequacy ratios are used: Tier I capital ratio, additional Tier I capital ratio, and the total capital ratio. The ratios are calculated under the requirements of the Capital Requirements Directive IV (CRDIV) and the Capital Requirements Regulation (CRR), which is directly applied. Credit, market, operational and currency risks are assessed when calculating capital adequacy. The Group assesses credit risk using a standard risk assessment approach; operational risk is measured using a basic indicator approach. Information regarding the compliance with capital adequacy ratio and the use of capital is submitted to the supervising authority on a quarterly basis. The Group has implemented the Internal Capital Adequacy Assessment Process (ICAAP). These requirements represent additional requirements (Tier 2) supplementing general (Tier I) capital adequacy calculation requirements. Based on the ICAAP, the Group performs a thorough analysis, which includes identification of risks, assessment of risk management and assessment of internal required capital.

The capital of the Group as at 31 December 2023 and 2022 was made up of Tier I and Tier II capital. Tier I capital includes equity, reserves and other ancillary capital and reserves, part of the revaluation reserve for financial assets and retained earnings and other comprehensive income. The following is deducted from Tier I capital: intangible assets, losses of the previous periods, deferred tax assets. The Tier II capital consists of subordinated loans that meet the established requirements. Tier II capital may not exceed 1/3 of Tier I capital when calculating capital adequacy ratios. The capital is disclosed after the current earnings. The capital before current year's profit was 13.78% in 2023 (14.15% in 2022).

Capital adequacy ratios as at 31 December 2023 and 2022 were as follows:

	2023	2022
Tier I capital		
Share capital	53,281	53,018
Reserve capital	20,197	14,022
Part of revaluation reserve of financial assets	(880)	(1,774)
Intangible assets	(514)	(618)
Effect of insufficient non-performing loans coverage	(893)	(1,753)
Result for the reporting period	12,901	5,628
Retained earnings (deficit) of the previous reporting periods	(9,781)	(9,267)
Deferred tax assets	(867)	(1,025)
Total Tier I capital	73,444	58,231
Tier II capital	5,180	5,300
Total capital base	78,624	63,531
Required capital for credit risk, impairment risk of accounts receivable	411,140	360,924
Required capital for operational risk	65,835	48,232
Total required capital	476,975	409,156
Tier I capital adequacy ratio, %	15.40%	14.23%
Tier I and additional Tier I capital adequacy ratio, %	15.40%	14.23%
Total capital adequacy ratio, %	16.48%	15.53%

The capital conservation buffer which came into effect on 30 June 2015 in Lithuania (2.5%) increased the Tier I common equity capital ratio from 4.5% to 7%, and the total capital ratio from 8% to 10.5%. The Bank of Lithuania, together with the European Central Bank (ECB), has announced a plan of measures in view of possible negative consequences of the COVID-19 pandemic on the financial market. As from 1 April 2020, the countercyclical capital buffer requirement was reduced to 0% in line with this plan. On 5 October 2022, the Board of the Bank of Lithuania decided to increase the countercyclical capital buffer rate to 1% from 1 October 2023, bringing it back to pre-

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

pandemic levels. As at 31 December 2022, the countercyclical capital buffer requirement was waived, and, as at 31 December 2023, it was set at 1%

Based on the results of LCCU and supervisory review and assessment conducted by the Bank of Lithuania, the additional (Pillar II) capital adequacy ratio of 1.61% was set for the Group in January 2023 (in prior years, the additional rate was set at 1.34%). From 1 July 2022, credit institution with mortgage loan portfolios exceeding a materiality threshold of EUR 50 million are subject to additional capital buffer of 2% for mortgage loan portfolio. Consequently, the sectoral systemic risk buffer is applied to the Group, which amounted to 0.51% as at 31 December 2022, and to 0.5% as at 31 December 2023. Considering all the combined capital buffer requirements in force, the Group had to comply with the following individual minimum own funds requirements on 31 December 2023 and 2022: Tier I common equity capital ratio of 9.4% (in 2022: 7.7%), Tier I capital ratio of 11.21% (in 2022: 9.5%) and total capital ratio of 13.61% (in 2022: 12.35%). The recommended additional Tier II capital requirement of 0.5% was also applied as at 31 December 2023 and 2022. The Group was in compliance with the capital adequacy ratio in 2023 and 2022.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

OTHER NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. NET INTEREST INCOME

	2023	2022
Interest and other similar income:		
On loans to other parties:	56,831	34,247
To natural persons	35,535	23,810
To legal persons	21,296	10,349
Balances with central banks	566	88
On securities at fair value through other comprehensive income	321	175
On securities at amortized cost	1,216	423
Default interest income	767	540
Interest and other similar income, total	59,701	35,385
Interest and other similar expense:		
On deposits from credit unions	344	159
Deposits from other parties:	11,531	5,838
Natural persons	11,033	5,599
Legal persons	498	239
Negative interest expenses on funds held in central bank	586	71
For subordinated loans received	313	145
For other loans and funds received	852	487
Interest paid on finance lease	55	33
Interest and other similar expense, total	13,681	6,733
Net interest income	46,020	28,652

NOTE 7. NET FEE AND COMMISSION INCOME (EXPENSES)

	2023	2022
Fee and commission income:		
On money transfers	901	930
On operations with payment cards	409	348
On utility bills	65	62
On other service and commission income	148	152
Total fee and commission income	1,523	1,492
Fee and commission expenses:		
On money transfers	365	341
On operations with payment cards	757	746
Charged by financial brokerage companies	337	137
Other fee and commission expenses	97	63
Total fee and commission expenses	1,556	1,287
Net fee and commission income (expenses)	(33)	205

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 8. OTHER INCOME

	2023	2022
Net gain on derecognition of financial assets	10	-
POCI revaluation income	287	990
Gain on sale of property, plant and equipment and investment property	567	673
Income from loans written off	428	591
Rent of premises, uncompensated use	106	112
Enrolment fees	49	48
Other income	469	552
Total other income	1,916	2,966

The Group provides non-financial services consisting mainly of information systems and technology related services.

NOTE 9. NET RESULT ON OPERATIONS WITH SECURITIES

	2023	2022
Realized gain on operations with securities at fair value through other comprehensive income	46	18
Realized gain on operations with securities at fair value through profit or loss	8	5
Realized loss on operations with securities at fair value through other comprehensive income	(11)	(4)
Realized loss on operations with securities at fair value through profit or loss	0	(79)
Unrealized gain on operations with securities at fair value through profit or loss	493	506
Net result on operations with securities	536	446

NOTE 10. NET RESULT FROM FOREIGN CURRENCY OPERATIONS

	2023	2022
Realised gain on foreign currency operations	11	12
Realised loss on foreign currency operations	(6)	(9)
Unrealized gain on foreign currency operations	19	20
Unrealized loss on foreign currency operations	(17)	(9)
Net profit on foreign currency operations	7	14

NOTE 11. LOANS AND OTHER ASSETS IMPAIRMENT (LOSS) REVERSAL

	2023	2022
(Impairment) reversal of impairment of loans and other receivables	(2,648)	(2,238)
Loans written off during the period	(527)	(180)
(Impairment) reversal of impairment of securities	(31)	24
(Impairment) reversal of impairment other financial assets	(38)	(14)
(Impairment) reversal of impairment of other assets	(239)	(51)
(Impairment) reversal of impairment of loans and other assets	(3,483)	(2,459)

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 12. CHANGE IN PROVISIONS

	2023	2022
Change in provisions for off-balance sheet commitments	242	51
Change in provisions for employee benefits	63	(95)
Provision charges	305	(44)

NOTE 13. INCOME TAX

	2023	2022
Current income tax	1,454	726
Changes in deferred income tax	6	207
Total income tax (benefit) expense	1,460	933

Movements in deferred tax asset (liability) account

Balance as at 1 January 2022	908
Deferred tax (through other comprehensive income)	325
Income (expenses) through profit or loss	(207)
Balance as at 31 December 2022	1,025
Deferred tax (through other comprehensive income)	(152)
Income (expenses) through profit or loss	(6)
Balance as at 31 December 2023	867

NOTE 14. OTHER OPERATING EXPENSES

	2023	2022
Premises maintenance and utilities	863	698
Legal and consultation expenses	771	429
Financial audit expenses*	182	184
Transportation, postal and communication expenses	1 272	960
Contributions to deposit and investment insurance	837	708
Advertising and marketing expenses	1,147	644
Remuneration and other benefits to the bodies of credit unions for attending meetings	743	410
Stationery supplies	345	231
Equipment maintenance	398	201
Membership fees	124	124
Insurance expenses	160	139
Training expenses	244	126
Representation expenses	170	129
Charity and support	508	121
Taxes (other than income tax)	537	516
Other expenses	1,962	1,490
Total	10,263	7,110

Premises maintenance and utility expenses mainly consist of payments to utility service providers.

* of which, as at 31 December 2023, EUR 3 thousand were accrued expenses for translation services (as at 31 December 2022, EUR 3 thousand).

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 15. CASH ON HAND AND BALANCES WITH THE CENTRAL BANK

Cash on hand and balances with the Central Bank consists of credit union cash balances where members of the Group held EUR 2,814 thousand as at 31 December 2023 (in 2022: EUR 2,935 thousand), and correspondent account with the central bank where was held EUR 10,363 thousand as at 31 December 2023 (EUR 24,885 thousand as at 31 December 2022). The correspondent account in EUR generates 4% interest charged by the European Central Bank (2% as at 31 December 2022). The current and future funds held in the current accounts are related to ŽŪPGF UAB or INVEGA UAB measures, the balances which, as at 31 December 2023, were EUR 1,794 thousand and EUR 194 thousand, respectively (as at 31 December 2022, EUR 2,287 thousand and EUR 322 thousand, respectively), are pledged to INVEGA UAB and ŽŪPGF UAB for the purpose of securing repayment of the funds received, and these funds will have to be transferred to the aforementioned bodies to fulfil the contractual obligations (see also Note 23).

NOTE 16. LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

	2023	2022
Balances in correspondent accounts with banks	1,976	5,811
Loans to credit unions	509	833
Total	2,485	6,644

Information on impairment of loans and receivables is disclosed in the significant accounting estimates and judgments of the Accounting Principles and in the Credit Risk section of Financial Risk Management.

NOTE 17. LOANS AND RECEIVABLES FROM OTHER PARTIES

	2023	2022
Loans to natural persons	447,835	412,794
Loans to legal persons	276,903	226,549
Total	724,738	639,343

Information on impairment of loans and receivables is disclosed in the significant accounting estimates and judgments of the Accounting Principles and in the Credit Risk section of Financial Risk Management.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 18. SECURITIES

	2023	2022
Securities at fair value through other comprehensive income	29,218	35,726
Securities at amortised cost	67,819	61,182
Securities at fair value through profit or loss	5,351	4,802
Total	102,388	101,710

Securities at fair value through other comprehensive income consist of securities of the following issuers:

	2023	2022
(Debt) securities of the Government of the Republic of Lithuania	20,664	19,012
Corporate (debt) securities of the Republic of Lithuania	930	2,544
(Debt) securities of the institutions of the Republic of Lithuania	1,540	1,164
Government (debt) securities of the EU countries	4,678	3,844
(Debt) securities of the Government of the Republic of Latvia	2,156	1,834
(Debt) securities of the Government of the Republic of Romania	2,022	2,010
(Debt) securities of the Government of the Federal Republic of Germany	500	-
Corporate (debt) securities of the EU countries	510	6,359
(Debt) securities of companies of the Republic of Estonia	-	5,861
(Debt) securities of companies of the Republic of Latvia	510	498
(Debt) securities of the institutions of the EU countries	896	2,803
(Debt) securities of the institutions of the Republic of Estonia	896	2 803
Total	29,218	35,726

Securities at amortized cost consist of investment securities of the following issuers:

	2023	2022
(Debt) securities of the Government of the Republic of Lithuania	49,401	46,743
Corporate (debt) securities of the Republic of Lithuania	3,510	3,295
(Debt) securities of the institutions of the Republic of Lithuania	2,146	1,898
Government (debt) securities of the EU countries	9,003	5,253
(Debt) securities of the Government of the Republic of Bulgaria (debt)	808	713
(Debt) securities of the Government of the Republic of Hungary	122	122
(Debt) securities of the Government of the Republic of Latvia	3,074	3,105
(Debt) securities of the Government of the Republic of Romania	2,007	1 313
(Debt) securities of the Government of the Federal Republic of Germany	2,992	-
Corporate (debt) securities of the EU countries	400	2,593
(Debt) securities of companies of the Republic of Latvia	400	2,090
(Debt) securities of companies of the Republic of Estonia	-	503
(Debt) securities of the institutions of the EU countries	3,359	1,400
Securities of the institutions of the Republic of Latvia (debt)	2,587	899
(Debt) securities of the institutions of the Republic of Estonia	772	501
Total	67,819	61,182

Securities at fair value through profit or loss consist of investment securities of the following countries:

	2023	2022
Corporate securities of the Republic of Lithuania (collective investment undertakings)	5,351	4,802
Total	5,351	4,802

The effective interest rates on securities vary from -0.39 % to 15.0 % (in 2022: from -0.39 % to 15.0%) and are fixed.

As at 31 December 2023, the Group's pledged securities amounted to EUR 4,605 thousand (in 2022: EUR 11,562 thousand), of which EUR 1,218 thousand (in 2022: EUR 7,667 thousand) were measured at fair value through other comprehensive income and EUR 3,387 thousand at amortized cost (in 2022: EUR 3,895 thousand). These securities were pledged to the Central Bank of Lithuania as collateral for monetary policy operations. As a result of these ongoing monetary policy operations, the amount of the available but undrawn credit line amounted to EUR 4 million as at 31 December 2023 (in 2022: EUR 10 million). The unused credit line includes pledged securities with different enforcement periods as each of them has its own maturity date.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 19. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Right-of-use assets						
	Other assets	Land	Buildings	Buildings and premises	Cars	Total right-of-use assets	TOTAL
As at 1 January 2022							
Acquisition cost	3,800	151	8,018	1,654	89	1,744	13,712
Accumulated depreciation	(2,650)	-	(2,728)	(926)	(79)	(1,005)	(6,384)
Net book value	1,150	151	5,289	729	10	739	7,329
Reporting year 2022							
Net book value	1,150	151	5,289	729	10	739	7,329
Acquisitions/additions to contracts	502	-	749	117	66	183	1,434
Taupa CU acquisitions (01/12/2022)	520		345	376	70	446	1,311
Capitalisation of value	-	-	83	-	-	-	83
Changes contracts conditions	-	-	-	8	67	75	75
Reclassified from/to other assets	-	-	(131)	-	-	-	(131)
Reclassified from/to other assets (accumulated depreciation)	-	-	361	-	-	-	361
Write-offs/disposals/terminations of contracts	(184)	(61)	(475)	(86)	-	(86)	(806)
Depreciation of assets written-off/disposed/terminated contracts	164	-	108	6	-	6	278
Taupa CU depreciation charge (01/12/2022)	(296)	-	(189)	-	-	-	(485)
Depreciation charge	(416)	-	(218)	(327)	(72)	(399)	(1,033)
Net book value	1,440	90	5,922	823	141	964	8,416
As at 31 December 2022							
Acquisition cost	4,638	90	8,589	2,070	292	2,362	15,679
Accumulated depreciation	(3,198)	-	(2,667)	(1,247)	(151)	(1,398)	(7,263)
Net book value	1,440	90	5,922	823	141	964	8,416
Reporting year 2023							
Net book value	1,440	90	5,922	823	141	964	8,416
Acquisitions/additions to contracts	1,205	-	86	434	62	496	1,787
Capitalisation of value	-	-	-	-	-	-	-
Changes contracts conditions	-	-	-	1,185	175	1,360	1,360
Reclassification from/to investment property (acquisition cost)	-	-	(44)	-	-	-	(44)
Reclassified from/to other assets (accumulated depreciation)	(2)	-	23	-	-	-	21
Write-offs/disposals/terminations of contracts	(339)	-	(462)	(17)	(15)	(32)	(833)
Depreciation of assets written-off/disposed/terminated contracts	293	-	132	1	1	2	427
Depreciation charge	(616)	-	(347)	(484)	(117)	(601)	(1,564)
Net book value	1,981	90	5,310	1,942	247	2,189	9,570
As at 31 December 2023							
Acquisition cost	5,504	90	8,169	3,672	514	4,186	17,949
Accumulated depreciation	(3,523)	-	(2,859)	(1,730)	(267)	(1,997)	(8,379)
Net book value	1,981	90	5,310	1,942	247	2,189	9,570

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

Depreciation of the Group non-current assets during 2023 amounted to EUR 1,564 thousand (EUR 1,069 thousand during 2022), of which right-of-use assets – EUR 601 thousand (EUR 399 thousand during 2022). The Group did not have any pledged property, plant and equipment in either 2023 or 2022. The part of the Group's property plant and equipment with acquisition cost of EUR 2,458 thousand as at 31 December 2023 (EUR 1,905 thousand as at 31 December 2022) was fully amortized but still used in the Group's activities.

The table below shows the interest-bearing financial liability related to right of use assets presented in the statement of financial position:

Reporting year 2022	474
Additions	624
Interest expenses	31
Rent expenses	(46)
Balance as at 31 December 2022	1,083
 Reporting year 2023	
Additions	1,826
Interest expenses	(54)
Rent expenses	(747)
Balance as at 31 December 2023	2,108

The maturity structure of interest-bearing financial liabilities related to right-of-use assets is presented in the table of maturity structure of the Group's assets and liabilities.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 20. INTANGIBLE ASSETS

	Other intangi- ble assets	LCCU's internally developed soft- ware	Total
As at 1 January 2022			
Acquisition cost	835	1,472	2,307
Accumulated amortisation	(640)	(1,147)	(1,787)
Net book value	195	325	520
Reporting year 2022			
Net book value	195	325	520
Additions	118	140	258
Taupa CU acquisitions (01/12/2022)	112	-	112
Write-offs	(28)	-	(28)
Amortisation of asset written- off	28	-	28
Amortisation charge Taupa CU amortisation charge (01/12/2022)	(84)	(143)	(227)
	(45)	-	(45)
Net book value	296	322	618
As at 31 December 2022			
Acquisition cost	1,037	1,612	2,649
Accumulated amortisation	(741)	(1,290)	(2,031)
Net book value	296	322	618
Reporting year 2023			
Net book value	296	322	618
Additions	38	94	132
Write-offs	(12)	-	(12)
Amortisation of asset written- off	12	-	12
Amortisation charge	(134)	(102)	(236)
Net book value	200	314	514
As at 31 December 2023			
Acquisition cost	1,063	1,706	2,769
Accumulated amortisation	(863)	(1,392)	(2,255)
Net book value	200	314	514

LCCU is engaged in the development of computer software "i-Kubas". In 2023, employee remuneration expenses incurred in relation to the development of this computer software amounted to EUR 94 thousand (in 2022: EUR 140 thousand) and were recognised as intangible assets of LCCU. As at 31 December 2023, the net book amount of developed computer software brought into use was EUR 83 thousand and the net book amount of computer software not yet brought into use was EUR 11 thousand (as at 31 December 2022 – EUR 36 thousand and EUR 118 thousand, respectively). The amortisation charge of the Group's intangible assets amounted to EUR 236 thousand in 2023 (EUR 227 thousand in 2022). All costs are included in operating expenses. The part of the Group's intangible assets with acquisition cost of EUR 1,785 thousand as at 31 December 2023 (EUR 1,656 thousand as at 31 December 2022) was fully amortized but still used in the Group's activities.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 21. INVESTMENT PROPERTY

	Reposessed assets		Other investment property	
	Buildings	Land	Buildings	Total
As at 1 January 2022				
Acquisition cost	1,346	1,598	1,350	4,294
(Impairment) reversal of impairment	(20)	(255)	7	(268)
Accumulated depreciation	(23)	-	(301)	(324)
Net book value	1,303	1,343	1,056	3,702
Reporting year 2022				
Net book value	1,303	1,343	1,056	3,702
Acquisitions/takeovers	55	81	-	136
Taupa CU acquisitions/takeovers (01/12/2022)	765	6	-	771
Disposals	(230)	(428)	-	(658)
Depreciation of asset disposed	-	-	-	-
Reclassification from/to property, plant and equipment (acquisition cost)	-	-	131	131
Reclassified from/to property, plant and equipment (accumulated depreciation)	-	-	(361)	(361)
(Impairment) reversal of impairment	(13)	(2)	-	(15)
Depreciation charge	(2)	-	(134)	(136)
Net book value	1,878	1,000	692	3,570
As at 31 December 2022				
Acquisition cost	1,936	1,257	1,481	4,674
Accumulated impairment	(33)	(257)	7	(283)
Accumulated depreciation	(25)	-	(796)	(821)
Net book value	1,878	1,000	692	3,570
Reporting year 2023				
Net book value	1,878	1,000	692	3,570
Acquisitions/takeovers	73	884	490	1 447
Disposals	(1,000)	(32)	(62)	(1,094)
Depreciation of asset disposed	-	-	57	57
Reclassification from/to property, plant and equipment (acquisition cost)	-	-	44	44
Reclassified from/to property, plant and equipment (accumulated depreciation)	-	-	(23)	(23)
(Impairment) reversal of impairment	30	(1)	15	44
Depreciation charge	(3)	-	(54)	(57)
Net book value	978	1,851	1,159	3,988
As at 31 December 2023				
Acquisition cost	1,009	2,109	1,953	5,071
Accumulated impairment	(3)	(258)	22	(239)
Accumulated depreciation	(28)	-	(816)	(844)
Net book value	978	1,851	1,159	3,988

As at 31 December 2023, LCCU Group had non-current assets with the net book value of EUR 3,988 thousand (in 2022: EUR 3,570 thousand) classified as investment property. EUR 2,829 thousand residual value of the assets has been taken over for debts, EUR 1,159 thousand of these assets have been leased to third parties and accrued depreciation of EUR 796 thousand is included in these assets (in 2022: EUR 2,878 thousand of the residual value of the assets were taken over for debt, EUR 692 thousand of these assets were leased to third parties and accrued depreciation of EUR 134 thousand was included in these assets). In 2023, following assessment of the assets taken over for debts, EUR 44 thousand of an increase in value recognised (in 2022: the impairment amounted to EUR 15 thousand). Impairment losses are recognized in the statement of comprehensive income under impairment of loans and other assets.

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 22. OTHER ASSETS

	2023	2022
Deferred expenses	1,191	538
Advance solidarity contribution	676	-
Other current assets	223	236
Accrued income	80	129
Other assets	518	1,915
Total	2,688	2,818

Increase in receivables contributed to deferred expenses.

NOTE 23. AMOUNTS DUE TO CREDIT AND OTHER FINANCIAL INSTITUTIONS

	2023	2022
Funds of other financial institutions and credit unions other than members of LCCU Group:		
Term deposits	57,507	45,690
Demand deposits	3,898	4,783
Funds received from credit and other financial institutions	15,496	16,539
Targeted funding from INVEGA and ŽŪPGF funds (a)	11,479	14,533
Other loans (b)	4,017	2,006
Total	76,901	67,012

Interest rates on term deposits from other financial institutions and credit unions varied from 1.16% to 5.00% in 2023 (from 0.7% to 2.5% in 2022), interest rates on demand deposits were subject to 0% both in 2023 and 2022.

Funds received from credit and other financial institutions:

a) Targeted funding from INVEGA and ŽŪPGF funds:

In October 2016, LCCU representing a consortium of credit unions with Investicijų Garantijų Fondas UAB (INVEGA), has signed an agreement on the implementation of the Financial Instrument Verslumo Skatinimas 2014–2020, financed by Europe's social fund. As at 31 December 2023, the carrying amount of loans received under this contract was EUR 7,489 thousand (EUR 12,056 thousand as at 31 December 2022).

In 2023 and 2022, LCCU took part in implementation off the financial measures aimed at facilitating conditions for the activities of the country's agricultural entities. As at 31 December 2023, LCCU received loans under the Joint Activity (Consortium) Agreements per financial measures:

- Financial measure implemented by Žemės Ūkio Paskolų Garantijos Fondas UAB "Provision of loans funded using funds reimbursed under the financial measures of the Lithuanian Rural Development Programme 2007–2013, giving priority to entities engaged in primary production". As at 31 December 2023, the book value of loans received under this measure was EUR 1,425 thousand EUR (EUR 1,737 thousand as at 31 December 2022).
- Financial measure implemented by Žemės Ūkio Paskolų Garantijos Fondas UAB "Loans to entities affected by adverse climatic events". The book value of loans received under this measure was EUR 464 thousand EUR (EUR 740 thousand as at 31 December 2022).

In 2023, while representing a consortium of credit unions, LCCU signed an agreement with INVEGA on the implementation of the financial instrument Open Credit Fund 3 (OCF3). As at 31 December 2023, the carrying amount of loans received under this agreement was EUR 2,100 thousand.

As at 31 December 2023, balances with the Central Bank of EUR 1,989 thousand (as at 31 December 2022, EUR 2,609 thousand) were related to the financing of Group members under the measures of INVEGA and ŽŪPGF, and these funds will have to be transferred to the aforementioned bodies to fulfil the contractual liabilities. Further information is provided for in Note 28.

b) Other loans:

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

In September 2023, LCCU received a EUR 2,000 thousand loan from the Council of Europe Development Bank, with maturity in 2029 and an interest rate set at 4.36% (in 2022, LCCU received a EUR 2,000 thousand loans, with maturity in 2028 and an interest rate set at 2.05%).

As at 31 December 2023, the loans received by LCCU as part of monetary policy operations of the Eurosystem had not been utilised, and the amount of available loan was EUR 4 million. As at 31 December 2022, the loans also had not been utilised, and the amount of available loan was EUR 10 million. This is a credit line provided by the Bank of Lithuania for pledged debt securities.

The remaining amount of loans received from credit and other financial institutions consisted of funds received but not yet repaid in accordance with those commitments.

NOTE 24. DEPOSITS OF OTHER PERSONS

	2023	2022
Demand deposits from legal persons	31,396	31,116
Term deposits from legal persons	18,416	13,159
Demand deposits from natural persons	161,495	196,250
Term deposits from natural persons	481,596	409,712
Total	692,903	650,237

As at 31 December 2023, interest rates on term deposits from other parties varied from 0% to 8.2% (in 2022: from 0% to 9.0%), interest rates on demand deposits varied from 0% to 3.0% (in 2022: 0%).

NOTE 25. PROVISIONS

Provision for off-balance sheet commitments	2023	2022
Total as at January 1	130	79
Increase in provisions for loan commitments	242	51
Risk Level 1 loans	115	6
Natural persons	-	(1)
Legal persons	115	7
Risk Level 2 loans	54	46
Natural persons	2	2
Legal persons	52	44
Risk Level 3 loans	73	(1)
Natural persons	14	-
Legal persons	59	(1)
Total as at 31 December	372	130
 Provisions for employee benefits	 2023	 2022
Total as at January 1	378	283
Change in provisions for employee benefits through other comprehensive income	-	-
Change in provisions for employee benefits through profit or loss	(63)	95
Total as at 31 December	315	378
 Total provisions	 687	 508

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

NOTE 26. SUBORDINATED LOANS

In August 2020, LCCU received two subordinated loans from international funds. Approved subordinated loans totalled EUR 3,000 thousand. The total amount of subordinated loans disbursed to LCCU by 31 December 2021 was EUR 3,000 thousand. Another subordinated loan of EUR 900 thousand was received in December 2022. Interest rates on subordinated loans vary from 6% to 9%.

The subordinated loans received by credit unions in 2023 totalled EUR 50 thousand as at 31 December 2023 (EUR 1,000 thousand as at 31 December 2022).

NOTE 27. OTHER LIABILITIES

	2023	2022
Financial liabilities:	5,053	4,144
Collected fees payable	21	27
Lease liabilities	2,108	1,083
Funds received – instant monitoring	388	684
Other liabilities	2,536	2,350
Non-financial liabilities:	1,992	1,926
Vacation pay accrual	1,718	1,344
Accrued expenses	227	305
Advance amounts received	6	89
VAT payable	41	188
Total	7,045	6,070

Other liabilities at the end of the year amounted to EUR 2,536 thousand, and comprised other liabilities, unallocated customer funds and salaries payable in credit unions. The funds received consist of payments suspended during the instant monitoring of transactions.

NOTE 28. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	Subordinated loans	Commitment to IN-VEGA UAB	Commitment to ŽŪPGF UAB	Other loans
As at 1 January 2022	3,215	13,627	2,949	-
Cash flow items				
Admission of CU Taupa	1,100	-	-	-
Received	1,000	2,400	-	2,000
Repaid	-	(3,971)	(472)	-
Non-cash flow items	-	-	-	-
Interests accrued	27	-	-	6
Balance as at 31 December 2022	5,342	12,056	2,477	2,006
Cash flow items				
Received	50	2,100	-	2,000
Repaid	-	(4,565)	(588)	-
Non-cash flow items	-	-	-	-
Interests accrued	13	-	-	11
As at 31 December 2023	5,405	9,591	1,889	4,017

(All amounts in EUR thousand unless stated otherwise)

NOTE 29. EQUITY AND RESERVES

Primary and additional member shares, reserve capital

As at 31 December 2023, the Group's member shares were classified as additional ordinary (sustainable or unsustainable) and additional preference member shares. The additional member shares amounted to EUR 53,961 thousand (in 2022: EUR 53,830 thousand). It consists of primary, additional and repayable member shares. Additional ordinary sustainable member shares are contributions by members that have entered into the recalculated capital and may only be repaid with the permission of the competent authorities. Additional ordinary sustainable member shares were available from 1 January 2017, that is, after the entry into force of the new version of the Law on Credit Unions of the Republic of Lithuania. The additional ordinary member shares acquired before 1 January 2017 were considered unsustainable additional ordinary member shares. Additional preference member shares may be offered to members of a credit union if the credit union has approved such type of member shares and the amount of the dividend in its Articles of Association. Preference member shares are classified in Tier II of the credit union's recalculated capital. The amount of the preference member shares may not exceed 1/3 of the total share capital of the credit union. Preference member shares may be converted into ordinary member shares by a resolution of the general meeting if the Articles of Association of the credit union so provide and if the majority of the members of each class vote in favour by a majority of at least 2/3 of the members of the credit union attending the general meeting.

All the member shares of the Group have been paid. Each member of the Group who has the primary member share has one vote, regardless of the amount of the additional member share paid.

No new mergers took place in 2023. In 2022, Rokiškis Credit Union joined Grinkiškis Credit Union. Upon successful establishment of mandatory credit union membership in central credit unions, Taupa Credit Union joined LCCU on 1 December 2022. On 6 January 2023, Vievio Taupa Credit Union changed its name to Elektrėnai Credit Union. On 27 April 2023, Pakruojis Farmers Credit Union was renamed to Pakruojis Credit Union. On 11 May 2023, Širvintai Credit Union was renamed to KB Pilies Credit Union.

In 2017, the State of Lithuania became a member and acquired (primary and additional) member shares of LCCU. The total value of contributed shares of the State of Lithuania is EUR 8,879,800, which contains: (a) EUR 1,000 of primary member shares; (b) EUR 8,878,800 of additional member shares. Regardless of the treatment of this member share contribution under IFRS, it means the participation of the State of Lithuania in the capital of LCCU and provides the State of Lithuania with 10% voting rights. The balance as at 31 December 2023 was EUR 6,579,400 (as at 31 December 2022, EUR 7,879,600).

On 15 March 2018, LCCU and representatives of the Ministry of Finances of the Republic of Lithuania signed an agreement on redemption of LCCU's member shares. Under this agreement, LCCU committed to redeem these member shares within 10 years' time frame (last purchase on 31 December 2027). Service costs (in %) are also set for the State capital and recognized in the statement of comprehensive income under the caption "Interest and related expense". In 2023, the total amount of State aid servicing costs incurred by the Group was EUR 449 thousand (in 2022: EUR 406 thousand). In 2023, LCCU repaid additional State owned member shares at amount of EUR 1,300 thousand (in 2022: LCCU repaid additional State owned member shares at amount of EUR 500 thousand). The total value of member shares held by the State of Lithuania was EUR 6,579 thousand in 2023 (EUR 7,880 thousand in 2022).

When redeeming member shares, the value of the redeemed shares is reduced in accordance with Article 14 of the CU Act. Part 2 recalls. When redeeming to the person his/her contribution for the principal and/or additional member shares, the credit union shall proportionally reduce the redeemed member share for a member according to the year's, when a request to redeem was obtained, the total amount of retained losses and legal reserve or the reserve capital, if the total amount constitutes loss, in the statement of financial position. The outstanding amount is treated as reserve capital. The purpose of the reserve capital is to guarantee the financial stability of the credit union. The reserve capital of a credit union may only be used to cover the operating losses of a credit union by decision of the general meeting of the credit union.

Financial assets revaluation reserve is created when securities held by credit unions at fair value through other comprehensive income are revalued. The increase in the price of energy resources due to the outbreak of Russia's military invasion in 2022 contributed to a higher inflation, which was controlled by raising interbank interest rates. This led to a decrease in the fair value of securities bearing lower interest rates, and a negative financial asset revaluation reserves was therefore created. In 2023, the interbank interest rates were further increased to contain inflation which continued to grow. However, the negative revaluation reserve on financial assets decreased due to the approaching maturity of securities acquired earlier and the increasing share of higher coupon securities.

The mandatory reserve is made up of credit union profit deductions. Deductions to the mandatory reserve are mandatory and may not be less than 90% of the credit union's distributable profits until the legal reserve or reserve capital and reserve capital represent at least 9/10 of the credit union's equity. The 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

**LITHUANIAN CENTRAL CREDIT UNION GROUP'S
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(All amounts in EUR thousand unless stated otherwise)

part of the mandatory reserve is used to cover the operating losses of the credit union, it is again deducted from the distributable profit to the mandatory reserve to the required amount.

Stabilization Fund

Stabilization Fund is a fund managed by LCCU to ensure the solvency of the members of the Group, which consists of funds paid by the members of the Group and other assets. Stabilization Fund is not a legal person, it is administrated and managed by LCCU. Stabilization Fund has been separated from LCCU assets and its accounting is administrated separately.

If there are 10 or more member credit unions in LCCU, Stabilization Fund not later than in 10 years from the day LCCU received its license must contain the amount which is not less than 1% of LCCU's and its members' total assets.

The funds from Stabilization Fund are used in these forms: used to provide subordinated loans and non-refundable payments to credit unions, if they are included in credit union's reserve capital.

LCCU and its members have to make periodic and additional contributions to the Stabilization Fund. Additional contributions are made, if there are insufficient funds for predetermined payments from Stabilization fund. The size of periodical and additional contributions is calculated considering the Group's and its members' assets and business risk. The Group sets business risks criteria for LCCU members. The Group members' periodical and annual contributions to Stabilization Fund are the expenses of LCCU and its members. Periodical contributions are not refundable. If additional contributions to Stabilization Fund are lent and returned to the fund, then additional contributions proportionally to additional instalments made are repaid to the Group's members.

The size of periodical and additional contributions to the Stabilization Fund is determined by Stabilization Fund Commission. Contributions to the Stabilization fund are calculated on the basis of certain union's assets and risk level (internal rating of the credit union), which varied from 0.14% to 0.28% of deposits of credit unions. Credit unions, which have received non-refundable payments from Fund, make 100% higher contributions to the Fund.

The loans to ensure the stability and continuity of credit unions' activities can be granted in accordance with the conditions of LCCU's Procedure for the Formation and Utilization of Stabilization Fund. The decision on usage of resources of the stabilization fund and the method thereof is passed by the Stabilization Fund Commission.

As at 31 December 2023, net assets of the Stabilization Fund amounted to EUR 9,029 thousand (EUR 6,985 thousand as at 31 December 2022).

NOTE 30. RELATED PARTIES

The Group's related parties are considered members of the Boards of credit unions, the Supervisory Boards and persons closely related to them, members of the Stabilization Fund Commission and the management of LCCU.

	2023	2022
Remuneration due to related persons (including related taxes)	4,920	4,053
Other disbursement payable to associated persons (remuneration for attending meetings, interest, etc.)	1,830	1,419
Balances of loans granted	4,918	4,972
Accepted deposit balances	9,413	9,561
Balances of other assets, excluding loans granted	166	64
Balances of other liabilities to related parties, excluding accepted deposits	814	681

NOTE 31. COMPLIANCE WITH LAWS

LCCU Group is required by the Bank of Lithuania to comply with capital adequacy, liquidity coverage, maximum loan amount per borrower, large loans and open foreign exchange position. As at 31 December 2023 and 2022, LCCU Group complied with all the mandatory requirements. As at 31 December 2023, all credit unions complied with the applicable requirements (in 2022: all credit unions complied with the applicable requirements).

It is noted that as at 31 December 2023 the equity of 5 credit unions (12 as at 31 December 2022) was lower than the member share capital and did not meet the requirements of the Law on Credit Unions of the Republic of Lithuania. The restoration of unions' equity depends on future profitable activities. All of these credit unions in their draft action plans approved by their Boards, intend to make a profit in the coming years and thus remediate this non-compliance.

(All amounts in EUR thousand unless stated otherwise)

NOTE 32. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

The Tax Authorities may at any time during three successive years after the end of the reporting tax year carry out the inspection of accounting records and impose additional taxes or fines. LCCU's management is not aware of any circumstances that might result in a potential material liability in this respect.

At 31 December 2023, the amount of loans granted but not yet paid totalled EUR 27,067 thousand (as at 31 December 2022, EUR 25,112 thousand). As at 31 December 2023, the Group's guarantees, i.e. the guarantees issued by the credit unions for loans to their members, totalled EUR 837 thousand (in 2022: EUR 1,278 thousand).

As at 31 December 2023, LCCU had issued EUR 15 million of loans to finance those affected by the COVID-19 pandemic through the measures of INVEGA UAB and ŽŪPGF (EUR 31 million of loans as at 31 December 2022), including related funds of EUR 2,740 thousand repaid by the customers (As at 31 December 2022, EUR 3,566 thousand). As at 31 December 2023, LCCU had issued EUR 18 million of new loans to finance those affected by the war through the measures of ŽŪPGF (as at 31 December 2022, EUR 7 million), including related funds of EUR 440 thousand repaid by the customers. These LCCU's loans are considered credit risk-free, therefore these loans and related funds are not recognised in the statement of financial position of LCCU.

There was ongoing litigation with the owners of credit union regarding validity and repayment of additional member shares (for EUR 100 thousand as at 31 December 2023 and 2022).

The outcome of these proceedings is not clear, but management does not expect to incur significant losses. The provisions were not recognized as at 31 December 2023 and 2022 due to the high uncertainty of the outcome of the proceedings.

NOTE 33. EVENTS AFTER REPORTING PERIOD

On 27 March 2024, LCCU signed a subordinated loan agreement for EUR 3,500 thousand, which is likely to be repaid in early May 2024. There were no other events, which could have a significant effect on these financial statements.