LCKU public bond issue

The first and largest central credit union in Lithuania

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Kredito unijų grupė

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Content

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Summary of the investment proposal

Transaction

Second tranche of the bond issue by Lietuvos centrinė kredito unija

Offer

Lietuvos centrinė kredito unija 10-year subordinated bond issue

Main terms of the second tranche

- **Issuer** – Lietuvos centrinė kredito unija (LCKU)
- **Status** – unsecured and subordinated bonds
- **Second tranche size** – up to 4 mEUR
- **Bond programme size** – up to 8 mEUR
- **Term** – 9,5 years (callable after 5 years from initial issue date)
- **Interest rate** – 8,25 %
- **Interest payment** – semi annual

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Issuer at glance

The first and largest credit union group in Lithuania

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

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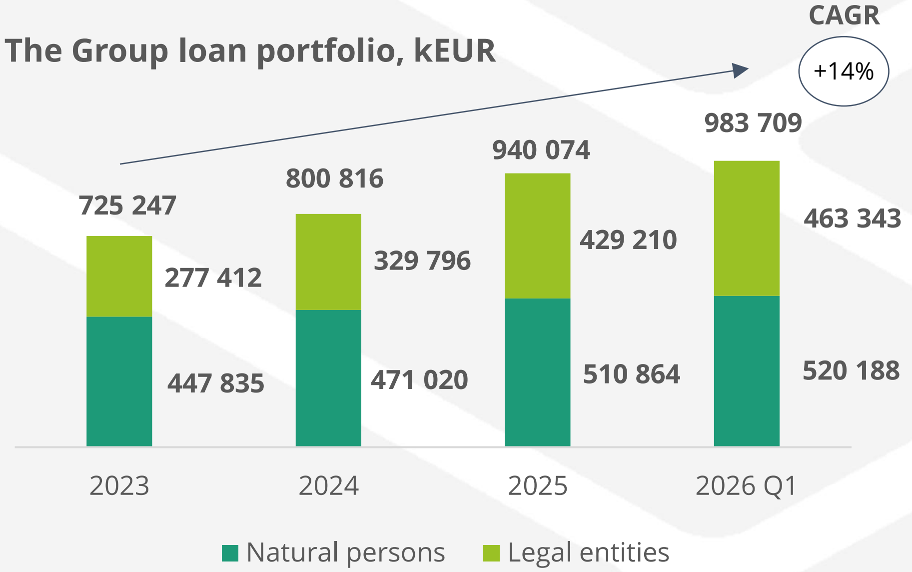
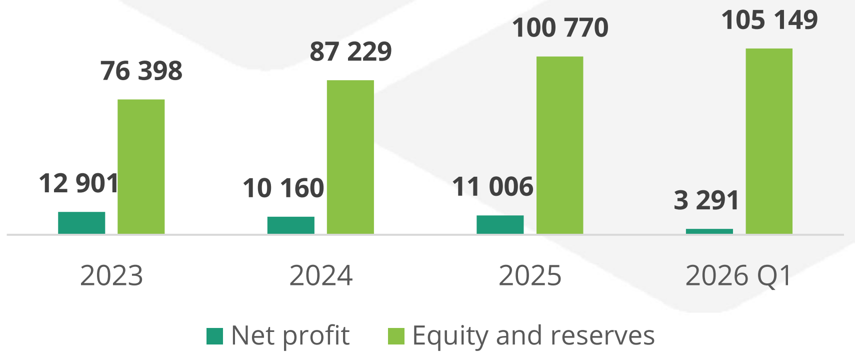
The Group loan portfolio, kEUR



The Group key financial metrics, kEUR



Terms and conditions of the bond issue

Issuer	Lietuvos centrinė kredito unija
Currency	EUR
Issue type	Tier 2 Subordinated Note
ISIN	LT0000136228
Issue size	8 000 000 EUR bond programme
Second tranche size	Up to 4 000 000 EUR
Interest rate	8,25 %
Subscription period	June 11 – June 26, 2026
Issue date	June 30, 2026
Interest payments	Semi-annual
Term	9,5 years (maturity – December 17, 2035)
Redemption	Fully redeemable on the redemption date at 100% of the nominal value, plus accrued interest
Early redemption	Early redemption available after 5 years from the initial issue date at 100% of the nominal amount and other limited circumstances indicated in the Information Document
Size of the bond *(Dirty price)*	EUR 1 002,930
Nominal size of the bond	EUR 1 000
Interest accrual method	Actual/Actual ICMA
Source of repayment	Cash flows from operating activities; refinancing through bond issue
Trustee	AUDIFINA, UAB
Use of proceeds	The Issuer intends to use the net proceeds to strengthen its Tier 2 capital, which will enable it to further expand its loan portfolio and increase interest income
Events of default	Non-payment; Insolvency; Insolvency proceedings.

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Key dates

Interest Payment and Maturity Date of the Bonds

2026
June 11 – June 26
Public offering of the second tranche to investors in the Baltics

2026
June 30
Issue date of the second tranche

2030
December 17
Early redemption possibility*

2035
December 17
20th interest payment and bond maturity date

Semi-annual interest payments on December 17 and June 17

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

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Key investment highlights

1

Established and Proven Network of Financial Services Providers

- The LKU Group, established in 2002, unites 44 out of 58 credit unions with over 100 service points nationwide, making it the largest central credit union in Lithuania
- Demonstrated track record of profitability and prudent growth under a unified operational and risk framework
- Under current regulatory framework, additional central credit unions would be very complicated to establish

2

Supervised by the Central Bank

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

3

Strong and Stable Balance Sheet

- Consolidated assets of 1.27 bEUR and CET1 ratio above 13 %, supported by a conservative lending portfolio and high liquidity coverage
- Low concentration risk and solid capital buffers provide resilience across economic cycles

4

Financed by multilateral development institutions

- In the lending area, LCKU also cooperates with international financial institutions
  - 4 mEUR in financing was received from the Council of Europe Development Bank
  - In addition, to strengthen its capital base, subordinated loans worth 5,5 mEUR were attracted from the European Investment Fund (EIF)

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Overview of the Group

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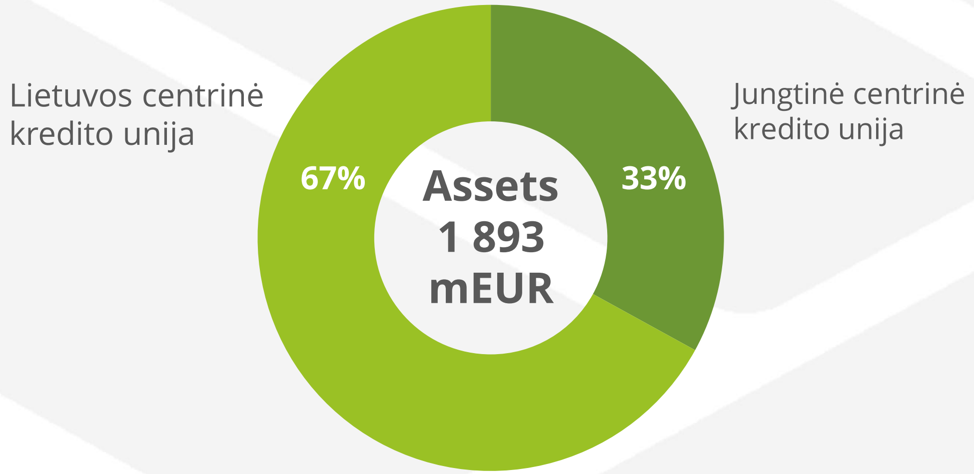
Review of the credit union sector

Stable Lithuanian market

Sector summary

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

Market split (as of Q1 2026)



Group overview (1)

Leading credit union in Lithuania

LKU Group

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

Mission and values

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

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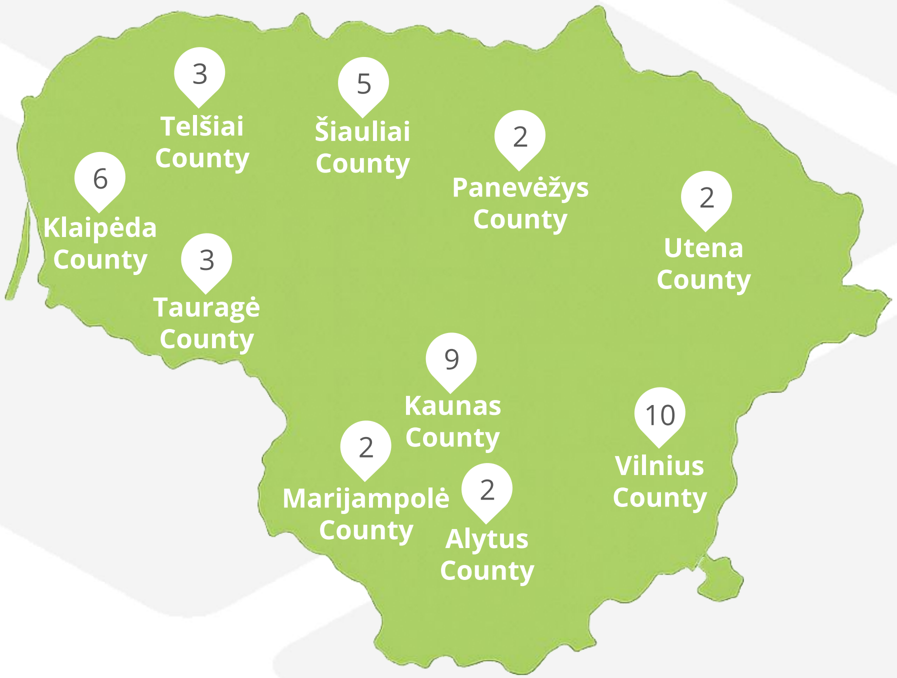
44 member credit unions in Lithuania



Group overview (2)

Leading credit union in Lithuania

Business model

LCKU

LCKU centrally services 44 credit unions by managing supervision, liquidity, risks, IT and other shared functions

44 members Credit Unions

Credit unions directly serve members by accepting deposits, granting loans, providing payment services and offering other financial services

Union members

Services offered

Individuals

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

Businesses

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

Farmers

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

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History

A constantly growing company

2002-04-22
The Lithuanian Central Credit Union was established

2008
Credit unions have launched an online banking service and begun issuing Mastercard payment cards to their members

2009
The new Credit Unions Act came into force

2015
The LKU Credit Union Group brand was renewed

2018
Credit union reform

2022
LCKU complies with the requirements of the Code of Good Conduct

2023
LCKU has published its first sustainability report, prepared in accordance with the principles of the European Union’s Green Deal

2024
The LKU Credit Union Group started offering instant payments

2024
The LCKU, which supervises the group, was evaluated with the aim of determining an institutional rating

2024
The LCKU Group's assets exceeded 1 bEUR

2025-12-17
Inaugural public bond issue

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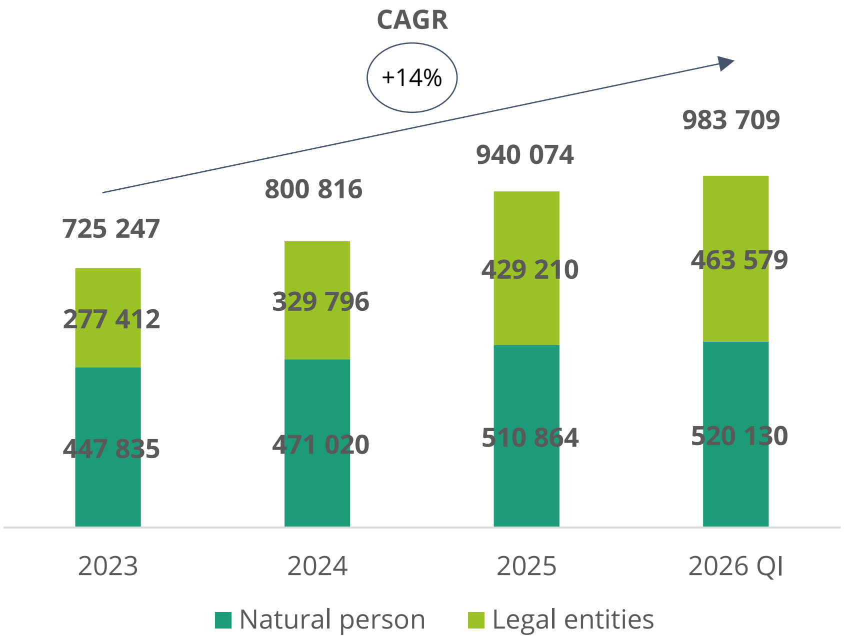
Loan portfolio overview

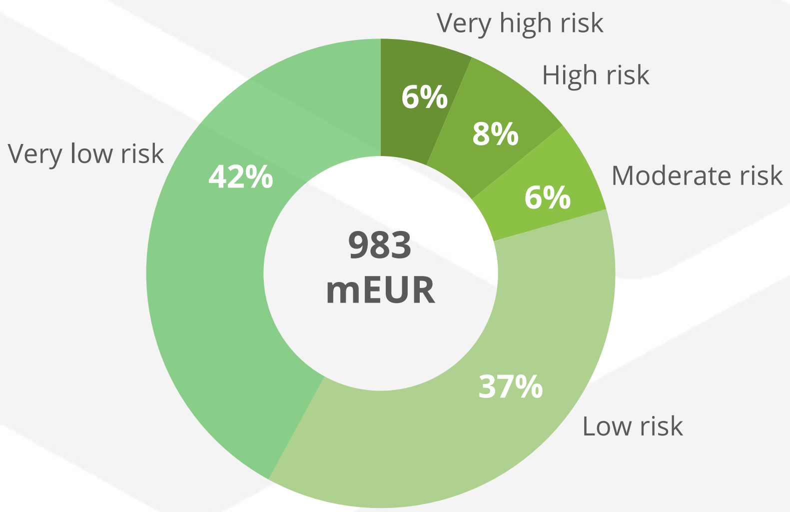
Consistent growth and diversified client base

Provisions to portfolio (2026 I Q) **1,9%**

Loan portfolio, kEUR



By risk group 2026 IQ



As of I Q 2026, LKU Group's loan portfolio grew at 15% annual rate to EUR 983,7 million, maintaining a balanced mix between private and business clients. The business loans portfolio is well diversified, with almost 80% of loans rated low or very low risk. Asset quality remains solid, with provisions ratio at 1,9%, reflecting prudent lending and effective risk management

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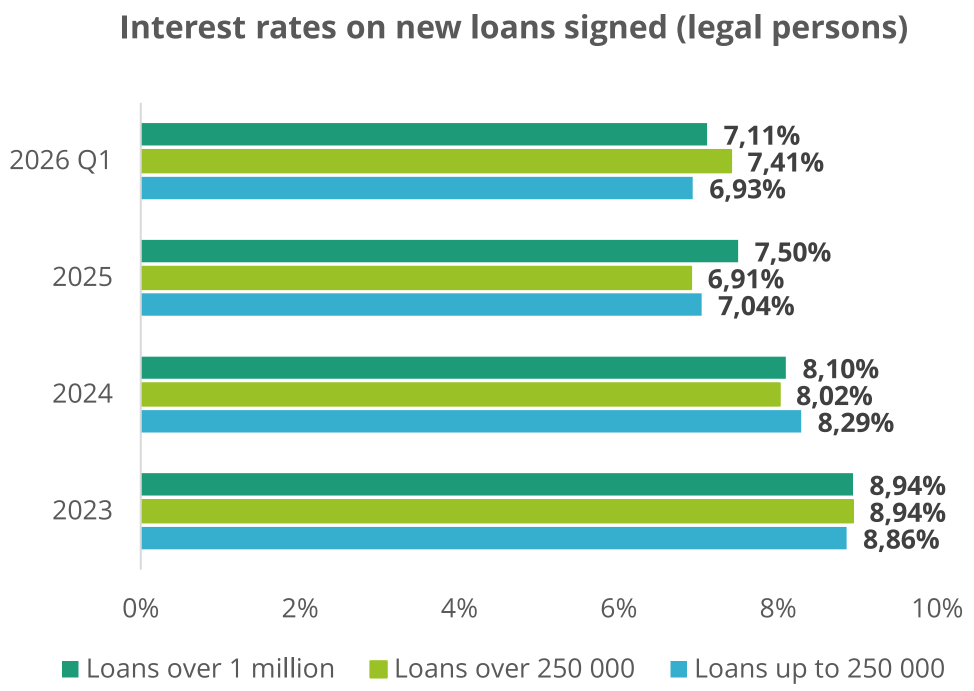
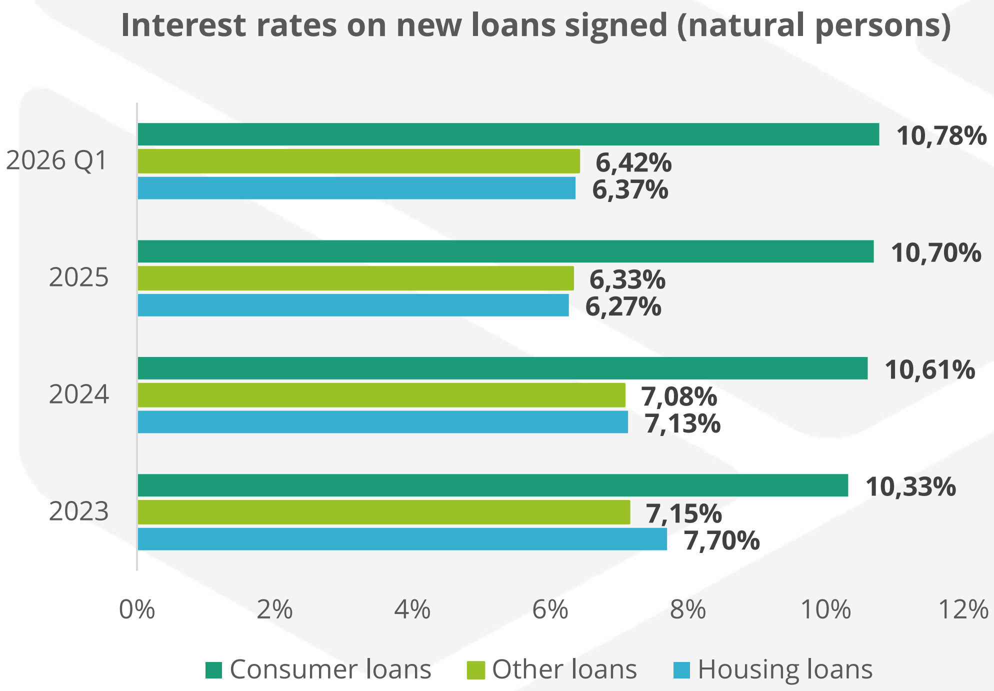
Loan portfolio interest rates

Competitive interest rates





The Group maintains favorable average interest rates, with natural persons at **6,71%**, legal entities at **7,16%**, and an overall portfolio average of **6,99%**, reflecting balanced pricing and competitive lending conditions

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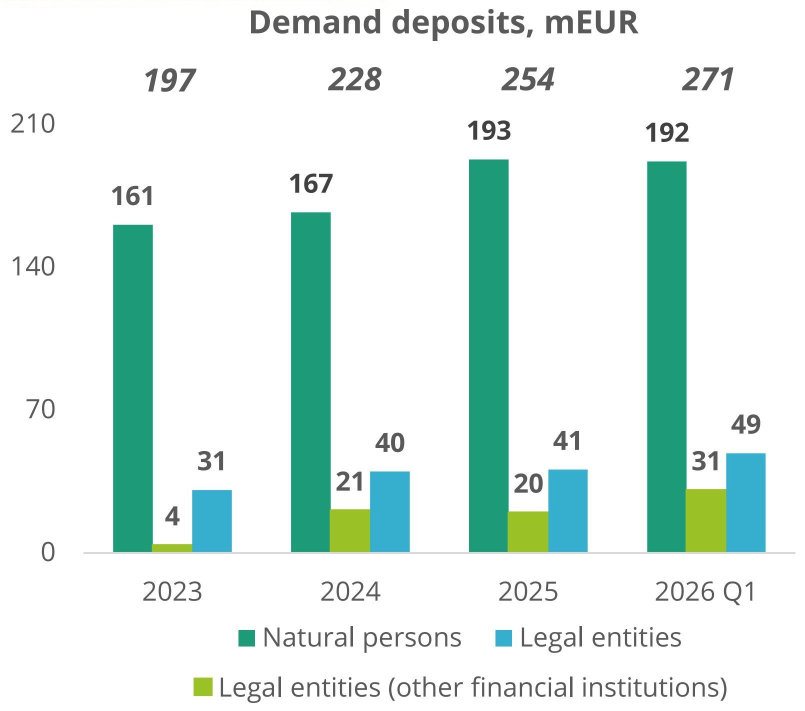
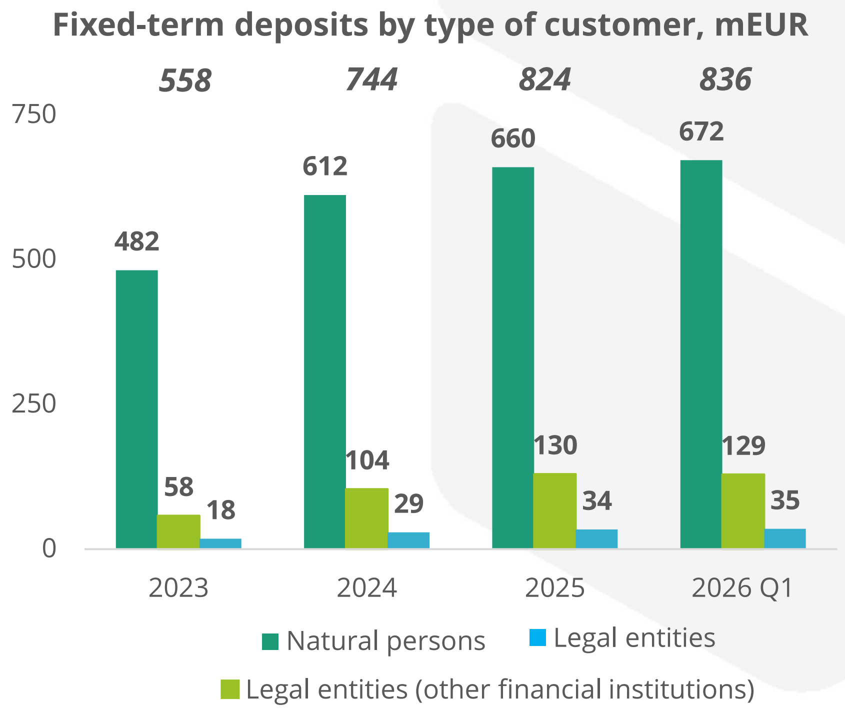
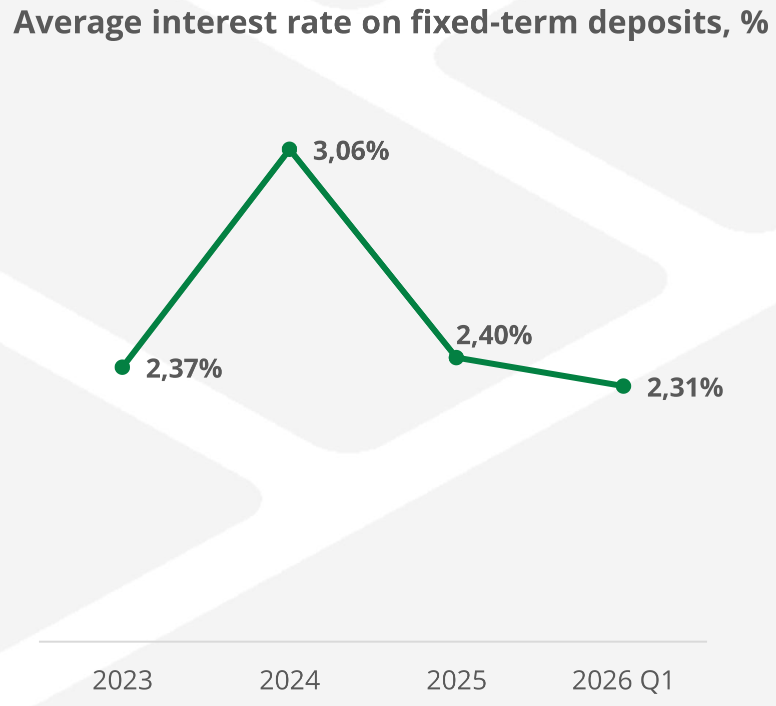
Structure of deposits

Diversified depositor base







Demand deposits remain at a healthy level, while fixed-term deposits have shown strong growth with a CAGR of **13,2%**. The structure of **24%** demand deposits and **76%** fixed-term deposits reflects a stable and well-managed funding base. The competitive pricing of fixed-term deposits further support ongoing stability and growth

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Central bank supervision

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

Disclaimer: actual requirements calculated according to 2026 IQ financial data

Capital adequacy (CET1)	
Actual **14,54%**	Requirement **min 9,22%**
Capital adequacy (Total capital)	
Actual **16,10%**	Requirement **min 13,41%**
Liquidity Coverage Ratio (LCR)	
Actual **209,14%**	Requirement **min 100%**
Largest exposure to one borrower (concentration)	
Actual **14,15%**	Requirement **max 25%**

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Organizational structure

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Key management

Mindaugas Vijūnas

Chairman of the Board and CEO

Experience

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

Rūtenis Šukevičius

Head of the Treasury Department and Deputy CEO

Experience

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

Eglė Balčiūnė

Head of Finance and Accounting Department

Experience

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

Jovita Platenkovienė

Head of Business Development Department

Experience

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

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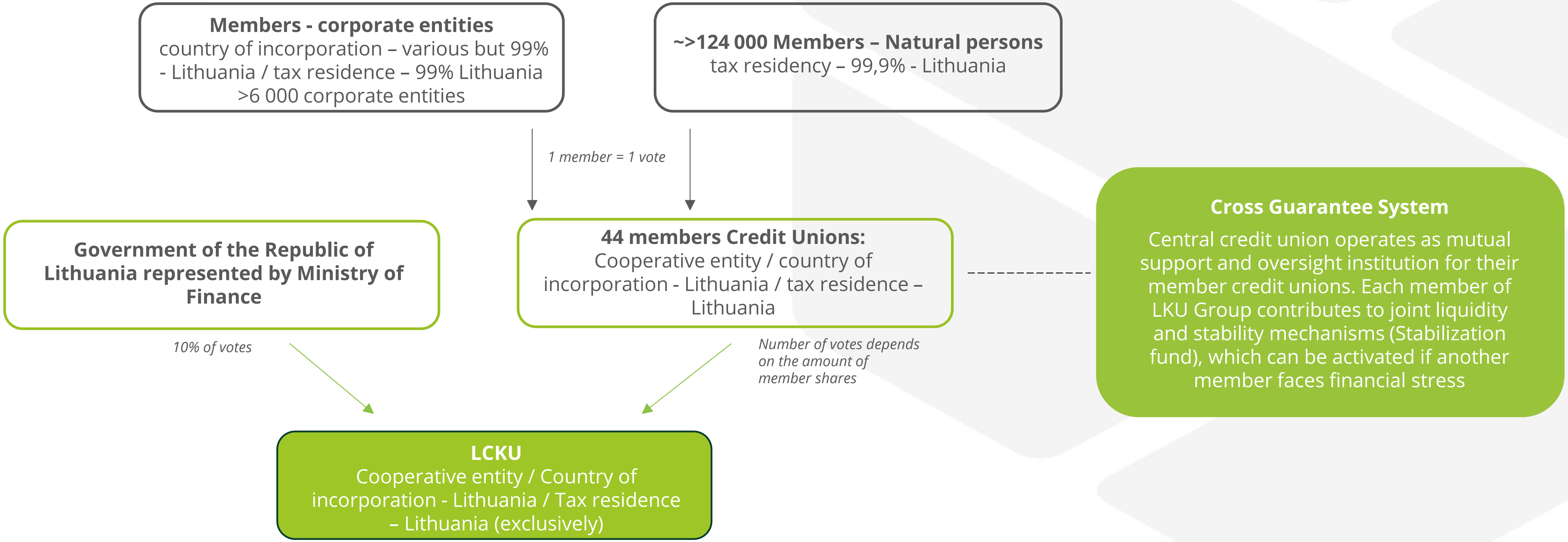
Ownership structure



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Financial information

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Income statement

Consolidated

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Net interest income	**48 884**	**48 056**	**11 053**	**13 401**
Net fee and commission income	**212**	**250**	**125**	**39**
Net result from operations with securities and foreign exchange operations	233	229	8	14
Other income	1 608	1 630	203	225
Reversal (impairment) of loans and other assets	-4 465	-191	-718	-853
Wages and related expenses	-21 937	-24 104	-5 488	-6 237
Depreciation and amortisation	-2 254	-2 342	-586	-708
Other operating expenses	-10 876	-11 388	-2 541	-2 464
Profit (loss) before tax	**11 405**	**12 140**	**2 056**	**3 417**
Income tax expense	-1 245	-1 134	-214	-126
Net profit (loss)	**10 160**	**11 006**	**1 842**	**3 291**

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Balance sheet statement

Consolidated

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Cash and cash balances at central bank	114 702	49 247	80 084	31 798
Loans and advances*	**803 297**	**941 281**	**826 852**	**985 085**
Loans and advances from credit institutions	2 761	1 395	2 103	1 554
Loans and advances from other parties	800 536	939 886	824 749	983 531
Securities:	**161 099**	**223 344**	**202 628**	**232 132**
Measured at fair value	79 871	105 945	94 926	108 435
Measured at amortized cost	81 228	117 399	107 702	123 697
Property, plant and equipment	10 328	11 863	10 500	10 223
Investment property	5 253	2 869	3 717	2 705
Intangible assets	430	367	378	364
Other assets	3 054	5 510	5 090	6 414
Total assets	**1 098 163**	**1 234 481**	**1 129 249**	**1 268 721**

** The total value of loans and advances exceeded* ***1 billion euros*** *(net value: 985 million euros) for the first time in history*

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Amounts due to credit institutions and other financial institutions and funds	148 358	184 190	155 313	194 511
Deposits from other parties	847 143	928 156	868 234	947 294
Subordinated loans	7 899	11 907	7 952	12 040
Provisions	523	733	732	740
Other liabilities	7 011	8 725	7 635	8 987
Total liabilities	**1 010 934**	**1 133 711**	**1 039 866**	**1 163 572**
Paid-in capital	53 445	56 010	54 147	57 919
Reserve capital and other reserves	23 624	33 754	33 394	43 939
Profit for the year	10 160	11 006	1 842	3 291
Total equity	**87 229**	**100 770**	**89 383**	**105 149**
Total liabilities and equity	**1 098 163**	**1 234 481**	**1 129 249**	**1 268 721**

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Income statement

Standalone

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Net interest income	**7 725**	**9 845**	**1 920**	**3 132**
Net fee and commission income (expense)	**-127**	**-58**	**-8**	**2**
Net result from operations with securities	223	576	9	14
Other income	2 320	2 434	610	680
Reversal (impairment) of loans and other assets	-825	-972	-77	-233
Wages and related expenses	-4 443	-5 480	-1 273	-1 503
Depreciation and amortisation	-300	-331	-89	-79
Other operating expenses	-2 063	-2 799	-346	-734
Profit (loss) before tax	**2 510**	**3 215**	**746**	**1 279**
Income tax expense	-263	-252	-112	-54
Net profit (loss)	**2 247**	**2 963**	**634**	**1 225**

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Balance sheet statement

Standalone

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Cash and cash balances with central bank	113 094	47 695	77 650	28 781
Loans and receivables*	**131 098**	**177 224**	**143 090**	**204 239**
Loans and receivables from credit institutions	41 477	53 015	39 808	64 410
Loans and receivables from other parties	89 621	124 209	103 282	139 829
Securities	**134 146**	**186 607**	**171 181**	**195 114**
Measured at fair value	70 131	92 206	83 669	94 262
Held-to-maturity	64 015	94 401	87 512	100 852
Property, plant, and equipment	1 251	1 251	1 229	1 210
Intangible assets	323	301	290	306
Other assets	741	938	1 118	1 460
Total assets	**380 653**	**414 016**	**394 558**	**431 110**

** Total value of loans and advances in Q1 2026* ***208 million euros*** *(net value: 204 million euros)*

Thousand EUR	2024	2025	2025 Q1	2026 Q1
Borrowings from credit institutions, other financial institutions, and funds	332 587	355 694	344 640	371 312
Deposits from other parties	40	70	131	75
Liquidity maintenance reserve	8 090	9 341	8 708	9 550
Subordinated loans	7 442	11 451	7 494	11 581
Provisions	265	314	361	369
Other liabilities	1 668	2 555	2 224	2 878
TOTAL LIABILITIES	**350 092**	**379 424**	**363 558**	**395 765**
Share capital	22 429	23 334	22 428	23 334
Reserve capital and other reserves	5 885	8 295	7 938	10 787
Net result for the current year	2 247	2 963	634	1 225
TOTAL EQUITY AND RESERVES	**30 561**	**34 592**	**31 000**	**35 345**
TOTAL LIABILITIES, EQUITY, AND RESERVES	**380 653**	**414 016**	**394 558**	**431 110**

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Risk factors

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Risk factors 1/8

Risks related to Issuer

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

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Risk factors 2/8

Risks related to Issuer

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

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Risk factors 3/8

Risks related to Issuer

RISK	DESCRIPTION
Regulatory and Compliance Risks	
Qualified audit opinion risk	The independent auditor issued a qualified opinion on the Issuer's separate financial statements for the year ended 31 December 2025 regarding the accounting treatment of EUR 3 979 000 in state aid received from the Republic of Lithuania. The Issuer classified this amount as equity, while the auditor considers it should be classified as a liability under IAS 32. If this amount were reclassified as recommended by the auditor, the Issuer's equity as at 31 December 2025 would decrease, and liabilities would increase, by EUR 3 979 000. As of the date of this Information Document, the amount of unrepaid state aid is the same as it was on December 31, 2025 - EUR 3,979,000 and is currently treated as eligible capital for regulatory reporting purposes; however, any mandatory reclassification could still have a negative impact on the Issuer's financial position
Risk of implementation of prudential requirements	The Issuer, as a central credit union, is subject to mandatory prudential requirements established by the Bank of Lithuania, which may be reviewed and modified from time to time. These requirements include minimum capital ratios, liquidity requirements, and large exposure limits. Failure to comply with these requirements could result in regulatory sanctions, restrictions on the Issuer's activities, or requirements to raise additional capital. Changes in prudential requirements could affect the Issuer's financial flexibility by limiting the capital available for business operations and strategic initiatives, and, consequently, may affect the value of the Bonds and the Issuer's ability to service them.
Compliance risk	This risk refers to the possibility that the Issuer may fail to adhere to applicable laws, regulations, or supervisory requirements set by the Bank of Lithuania or other regulatory authorities. Such non-compliance could result in regulatory sanctions, fines, reputational damage or operational restrictions. Compliance risk may adversely affect the Issuer's financial condition and its ability to meet obligations to Bondholders.
Money laundering, terrorist financing and international sanctions risk	As a central credit union, the Issuer provides financial services and liquidity to its member credit unions, accepts deposits, provides payment services to direct clients, and may therefore face exposure to money laundering, terrorist financing and sanctions violations. Failure to maintain effective anti-money laundering and counter-terrorist financing controls, or a breach of applicable sanctions regimes, could result in significant penalties, financial losses, regulatory restrictions or reputational damage, which may adversely affect the Issuer's financial condition and ability to service the Bonds.
ESG (environmental, social and governance) risk	Growing regulatory, member and public expectations around sustainability and responsible governance are increasing the importance of ESG factors in financial services. Failure to adequately integrate ESG considerations into policies, operations and services may result in penalties, reputational damage and reduced confidence among member credit unions and other stakeholders. Additionally, evolving ESG standards may impose higher compliance costs and more stringent operational requirements on the Issuer, which could affect its profitability and competitive position.
Tax risk	The introduction of new taxes relating to the Issuer's activities or changes in applicable tax laws and regulations may adversely affect the Issuer's financial performance and profitability. Changes in tax treatment could also affect the after-tax returns for Bondholders.

Risk factors 4/8

Risks related to Issuer

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

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Risk factors 5/8

Risks related to Issuer

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

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Risk factors 6/8

Risk related to Bonds

RISK	DESCRIPTION
Market and Liquidity Risks	
Risk of loss of Tier 2 status	The Bonds are intended to qualify as Tier 2 capital under CRR and other applicable requirements. Changes in applicable laws, regulations or supervisory interpretations could result in the Bonds ceasing to qualify as Tier 2 capital. This may affect the Issuer's capital adequacy ratios and could impact its ability to meet prudential requirements.
Inflation risk	There is a risk that, in the event of inflation, the depreciation of money might exceed the yield on the Bonds.
Listing risk. Risk of inactive secondary market	The issuer's first tranche of bonds is listed on the Nasdaq Vilnius First North alternative market. An application will be submitted to list the second tranche of bonds on the same market, but there is no guarantee that the application will be approved. Furthermore, authorization to trade bonds on an alternative market does not guarantee that a liquid public bond market segment will develop, nor, if such a segment does develop, that it will be maintained; neither the issuer nor the lead manager has any obligation to maintain such a market segment. If an active bond market does not develop or is not maintained, this may result in a significant decline in the market price of the bonds, and the liquidity of the bonds may be adversely affected. In addition, it is expected that the liquidity and market price of the bonds will rise and fall depending on changes in market and economic conditions, the issuer's financial condition and prospects, as well as many other factors that typically influence the market price of securities. Accordingly, due to such factors, the bonds may trade at a discount to the price at which bondholders purchased or subscribed to the bonds. Consequently, investors may be unable to sell their bonds at all or may be able to sell them only at a price that would provide them with a return comparable to that of similar financial instruments traded in a developed and active secondary market. Furthermore, if additional and competing financial instruments are introduced into the markets, this may also result in a significant decline in the market price and value of the bonds.
Interest rate risk	If interest rates in general or particularly with regard to obligations of corporate debtors or corporate debtors with activities in the industries sector for durations equal to the remaining term of the Bonds increase, the market value of the Bonds may decrease. The longer the remaining term of a debt instrument, the stronger is its market value affected by changes of the interest rate level. There are further factors which may affect the market value of the Bonds, including, but not limited to global or national economic factors and crises in the global or national financial or corporate sector. Bondholders should be aware that movements of the market interest rate can adversely affect the market price of the Bonds and can lead to losses for the Bondholders if they sell their Bonds

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Risk factors 7/8

Risk related to Bonds

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

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Risk factors 8/8

Risk related to Bonds

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

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