


Signet Bank AS
Annual report
for year ended
31 December 2022

SIGNET
BANK

Content

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Management report on the Group and the Bank's operations during 2022

There were significant changes at Signet Bank AS Group (further – the Group) level in 2022:

- on January 26, 2022, Signet Bank AS (Reg. No. 40003076407) acquired 100% ownership in AS Expobank (Reg. No. 40003043232) and became its parent company;
- in the first half of 2022, preparations were made for a merger of the business of Signet Bank AS (Reg. No.40003076407) and AS Expobank (Reg. No.40003043232), which was completed on July 11, 2022;
- on July 11, 2022, the subsidiary AS Expobank (Reg. No.40003043232) became the parent company of the Group, taking over the assets and liabilities of the former parent company Signet Bank AS (Reg. No.40003076407), and changed its name to Signet Bank AS. As a result, a new Group was formed, with the parent company Signet Bank AS (40003043232), the financial result of which for 2022 included the individual result of the former AS Expobank (1.57 mln EUR loss) and the result of the existing Signet Bank AS Group for the period from the moment of merger to December 31, 2022 (2.5 mln EUR profit);
- the composition of the Group's shareholders remained the same as it was in Signet Bank AS before the merger transaction. As a result of the business merger, the equity of the parent company of the newly formed Group increased by 5 mln EUR, compared to the equity of the parent company of the previous Group as of December 31, 2022.

As a result of the merger, the Group structure was simplified and the Group continues to successfully implement its strategy, focusing on servicing local entrepreneurs and their businesses. Completion of the merger has strengthened the Group's position in the domestic market and provides additional opportunities to increase business volumes.

Year 2022 was successful for the Group's investment banking business. During this period the Group raised financing of more than 82 mln EUR for its clients by arranging bond placements. In total, Signet Bank AS has arranged or acted as a co-arranger in 12 bond placement transactions.

The arranging bond placements and equity IPOs for Baltic companies has become the most important business line for the Group, along with providing financing to local companies through loans. The Group will continue to focus on this product also in the future, providing an important contribution to the development of the capital market in Latvia.

In 2022, the Group managed to substantially increase business volumes, increasing the number of clients, volume of deposits and growing its loans portfolio. Compared to the end of 2021, in 2022 the Group's:

- Capital increased by 28.7 % and reached 22.5 mln EUR;
- Deposits increased by 12 %;
- Loans portfolio increased by 15 %;
- AUMA (assets under management and administration) was stable at 1 bln EUR.

The Group maintains a conservative risk profile – the capital adequacy ratio stood at 16.84 %, with a liquidity coverage ratio of 144 %.

In 2022 Latvia continued to restore international reputation of the financial sector. The coordinated efforts of government, lawmakers, Financial Intelligence Unit, FCMC, law enforcement agencies and financial institutions has led to irreversible de-risking of Latvian banking sector, which now commands AML/CTPF standards fully up-to-date with the international best practice. With this background, the Group continues to pay great attention to AML/CTPF compliance, constantly enhancing its internal controls in line with the changing regulatory environment and international best practice. We are investing in IT and human resources to maintain risk management and controls consistent with the chosen business model.

Despite challenging global environment and geopolitical situation, we see many opportunities as the banking sector of Latvia continues to undergo structural changes. In addition to lending and arranging bond placements, we see a clear opportunity for the Group to grow our corporate banking and investment banking businesses.

Management would like to thank our clients for their continuous trust, our shareholders for their support, and our employees for their contribution in the Group growth. We are confident that the Group is well positioned to continue its successful development in the coming years.

Considering that the added business volume of Signet Bank AS (Reg. No.40003076407) for the first half of 2022 was significantly higher than that of AS Expobank (Reg. No.40003043232), and, in order to ensure the comparability of the Group's operating results, Management report provides below information on the financial position of the previous Group as of December 31, 2021, and the financial position of the existing (newly created) Group as of December 31, 2022, as well as half-year information on the performance of the Groups before and after the completion of the business combination transaction.

Signet Bank AS Group Statement of Financial Position as at December 31, 2022 and December 31, 2021

EUR '000

Title of entry	31 Dec 2022 Signet Bank AS Reg. No: 40003043232 Group (Audited)*	31 Dec 2021 Signet Bank AS Reg. No: 40003076407 Group (Audited)*
Cash and demand deposits with central banks	2 988	107 102
Demand deposits with credit institutions	8 068	11 399
Financial assets designated at fair value through profit or loss	11 657	6 419
Financial assets measured at fair value through other comprehensive income	18 080	13 715
Financial assets measured at amortized cost	342 834	208 061
Loans to financial institutions, companies and private individuals	*107 596*	*93 573*
Short term deposits with central bank	*77 709*	-
Short term deposits with credit institutions	*10 738*	*20 967*
Other deposits with financial institutions	*3 371*	*10 065*
Debt securities	*143 420*	*83 456*
Derivative financial instruments - hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Investments in subsidiaries, joint ventures and associates	1 829	1 831
Tangible assets	2 218	2 188
Intangible assets	1 055	582
Tax assets	29	96
Other assets	3 203	2 878
Non-current assets and disposal groups classified as held for sale	3 845	4 006
Total assets	**395 806**	**358 277**
Liabilities due to central banks	3 859	3 900
Demand liabilities from credit institutions	183	2
Financial liabilities designated at fair value through profit or loss	278	288
Financial liabilities measured at amortized cost	362 732	325 320
Derivative financial instruments - hedge accounting	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-
Provisions	47	3 505
Tax liabilities	41	70
Other liabilities	5 832	7 379
Liabilities included in disposal groups classified as held for sale	-	-
Total liabilities	**372 972**	**340 464**
Share capital and Share premium	18 004	16 573
Other reserves	25	312
Fair value reserve	53	(21)
Accumulated profit	3 527	1 207
Profit / (Losses) Attributable to shareholders	937	(547)
Total Equity Attributable to shareholders	**22 546**	**17 524**
Non-controlling Interest	288	289
Total Shareholders' Equity	**22 834**	**17 813**
Total liabilities and shareholders' equity	**395 806**	**358 277**
Memorandum items		
Contingent liabilities	1 596	2 198
Financial commitments	16 467	11 017
Total memorandum items	**18 063**	**13 215**
Assets under management and in custody	**680 097**	**861 783**

*Auditor: SIA "BDO Assurance"

As a result of the business merger and economic activities, in 2022 equity of the newly created Group increased by 5 mln EUR compared to the previous Group's equity as of December 31, 2021.

Signet Bank AS Group Statement of profit or loss for the Period from the beginning of the year 2021/ 2022 until December 31, 2021 and December 31, 2022

EUR ’000

Title of entry	01 Jan 2022- 30 Jun 2022 Signet Bank AS Reg. No: 40003076407 Group (Unaudited)	01 Jan 2021- 30 Jun 2021 Signet Bank AS Reg. No: 40003076407 Group (Unaudited)	01 Jul 2022- 31 Dec 2022 Signet Bank AS Reg. No: 40003043232 Group (Unaudited)	01 Jul 2021- 31 Dec 2021 Signet Bank AS Reg. No: 40003076407 Group (Unaudited)
Interest income	4 128	3 723	4 813	3 888
Interest expense (-)	(1 003)	(613)	(590)	(811)
Dividends received	-	2	-	5
Commission and fee income	4 787	4 389	5 806	6 095
Commission and fee expense (-)	(1 323)	(1 034)	(1 503)	(1 902)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	8	24	6	65
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	(56)	107	(12)	167
Result from foreign exchange trading and revaluation, net (+/-)	211	132	90	157
Other operating income	384	114	870	196
General administrative expenses	(7 644)	(5 028)	(6 607)	(6 135)
Provisions or reversal of provisions (+/-)	-	(448)	12	(3 047)
Impairment or reversal of impairment (+/-)	(482)	(152)	(347)	(362)
Profit from acquisition of subsidiary	3 967	-	-	-
Share of the profit/ loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method (+/-)	(2)	(14)	1	(7)
Profit / (loss) before corporate income tax	**2 975**	**1 202**	**2 539**	**(1 691)**
Corporate income tax	(31)	(16)	(37)	(25)
Net profit / (loss) for the period	**2 944**	**1 186**	**2 502**	**(1 716)**

Signet Bank Group's financial results were positive for the first half and second half of 2022. As a result of the business merger, six months profit recognized at the previous Signet Bank Group, increased the Group’s equity from 17.8 mln EUR (equity of the Signet Group as of December 31, 2021) to 22.8 mln EUR.

On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

29 March 2023

The Council and Management of the Bank

Supervisory Council of the Bank

There were changes in the membership of the Bank's supervisory council during the reporting period.
The merger of Signet Bank AS (Reg No 40003076407) and AS Expobank (Reg No 40003043232) led to the election of new council members, and the new composition thereof was registered in the Commercial Register of the Company Register on July 5, 2022. Since then the membership of the council has not changed, and this was the membership on December 31, 2022:

Position	Name, surname
Chairman of the Supervisory Council	Michael A.L. Balboni
Deputy Chairman of the Supervisory Council	Irīna Pīgozne
Member of the Supervisory Council	Thomas Roland Evert Neckmar
Member of the Supervisory Council	Sergejs Medvedevs

On December 31, 2021, the membership of the Bank's (Reg No 40003043232) Supervisory council was this:

Position	Name, surname
Chairman of the Supervisory Council	Ilya Mitelman
Deputy Chairman of the Supervisory Council	Kirill Nifontov
Member of the Supervisory Council	Igor Kim
Member of the Supervisory Council	Gints Čakāns

At an extraordinary shareholder meeting on February 15, 2022, Ilya Mitelman, Kirill Nifontov, Igor Kim and Gints Čakāns were removed from their posts on the supervisory council, instead electing as new members Roberts Idelsons, Sergejs Zaicevs, Tatjana Drobina and Jānis Solovjakovs.

Management Board of the Bank

There were changes in the membership of the Bank's board during the reporting period.
The merger of Signet Bank AS (Reg No 40003076407) and AS Expobank (Reg No 40003043232) led to the election of new council members, and the new composition thereof was registered in the Commercial Register of the Company Register on July 5, 2022. Since then the membership of the Council has not changed, and this was the membership on December 31, 2022:

Position	Name, surname
Chairman of the Management Board	Roberts Idelsons
Member of the Management Board	Tatjana Drobina
Member of the Management Board	Sergejs Zaicevs
Member of the Management Board	Jānis Solovjakovs

On December 31, 2021, the membership of the Bank's board was such:

Position	Name, surname
Chairman of the Management Board	Rolands Legzdiņš
Member of the Management Board	Evija Sloka
Member of the Management Board	Vasilijs Karpovs
Member of the Management Board	Valda Knauere

On January 6, 2022, the supervisory council of the Bank removed board member Vasilijs Karpovs and replaced him with Reinis Zauers.

Statement of Management Responsibility

The management of Signet Bank AS (the Bank) is responsible for the preparation of the financial statements of the Bank and its subsidiaries (the Group) that reflect the Bank and the Group's financial position at the end of the reporting period in a clear and actual manner, as well as for the financial results and the movement of monetary assets and liabilities during the reporting period.

The Bank's management confirms that throughout the preparation of pages 9 to 89 of the financial statements of the Bank and the Group for 2022 the corresponding bookkeeping methods have been used consistently, and that the decisions and evaluations of the Bank's management during the preparation of the financial statements have been in all respects sufficient, well-considered and balanced.

The aforementioned financial statements are prepared on a going concern basis in conformity with International Financial Reporting Standards as adopted by the European Union. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Bank's management is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud or any other irregularities in the Group.

The Bank's management is also responsible for operating the Group and the Bank in compliance with the Law on Credit Institutions of the Republic of Latvia, Regulations of the Bank of Latvia and the Financial and Capital Market Commission of the Republic of Latvia, and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

29 March 2023

Group`s Consolidated and Bank’s Separate Statement of Income for the year ended 31 December 2022

’000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Interest income		5 541	5 363	2 118
Interest expense		(762)	(724)	(423)
Net interest income	8	**4 779**	**4 639**	**1 695**
Fee and commission income	9	6 083	5 957	1 024
Fee and commission expense	10	(1 572)	(1 564)	(205)
Net fee and commission income		**4 511**	**4 393**	**819**
Dividend income		2	**2**	148
Net profit / loss on discontinuing recognition of financial assets and financial liabilities at fair value through profit or loss		(466)	(466)	(417)
Net profit / loss from financial assets and financial liabilities measured at fair value through profit or loss		(230)	(230)	630
Net foreign exchange profit / loss		79	79	29
Net other income		893	198	108
Total operating income		**9 568**	**8 615**	**3 012**
General administrative expenses	11	(8 780)	(8 041)	(4 981)
Share of loss of equity-accounted investee, net of tax		1	-	-
Provisions		(6)	(6)	-
Impairment recovery/(loss)	12	190	(20)	(139)
Profit / (loss) before income tax		**973**	**548**	**(2 108)**
Income tax expense	13	(37)	(32)	(5)
Profit / (loss) for the period		**936**	**516**	**(2 113)**
Profit Attributable to non-controlling interest		(1)	-	-
Profit Attributable to Equity holders of the Bank		937	516	(2 113)

*The Group did not exist in 2021

The accompanying notes on pages 17 to 89 are an integral part of the Group consolidated and Bank separate financial statements.

The Group consolidated and Bank`s separate financial statements as set out on pages 9 to 89 were approved by management of the Bank on 29 March 2023.

On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group`s Consolidated and Bank's Separate Statement of Comprehensive Income for the year ended 31 December 2022

'000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Profit / (loss) for the period		**936**	**516**	**(2 113)**
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Changes in revaluation reserve of debt securities at fair value through other comprehensive income		335	335	(144)
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income (debt securities)		(138)	(138)	(417)
Other comprehensive income/(expense) for the period		**197**	**197**	**(561)**
Total comprehensive income/(expense) for the period		**1 133**	**713**	**(2 674)**
Attributable to non-controlling interest		(1)	-	-
Profit/(expense) attributable to Equity holders of the Bank		1 134	713	(2 674)

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Statement of Financial Position as at 31 December 2022

'000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Assets				
Cash and due from central banks	14	2 988	2 988	10 127
Demand deposits with credit institutions	16	8 068	8 065	1 764
Financial instruments carried at fair value through profit or loss	15	11 657	11 657	5 992
Debt securities measured at fair value through other comprehensive income	18	18 080	18 080	26 833
Financial assets measured at amortized cost		342 834	340 680	32 008
Debt securities	*19*	*143 420*	*143 420*	*-*
Loans and advances due from non-banks	*17*	*118 334*	*116 180*	*32 008*
Term deposits with central bank		*77 709*	*77 709*	*-*
Term deposits with credit institutions	*16*	*3 371*	*3 371*	*-*
Investment in subsidiaries	20	-	1 454	-
Investment in associates	21	1 829	1 988	-
Property and equipment	22	2 218	2 059	370
Intangible assets	23	1 055	1 028	584
Non-current assets held for sale	24	3 845	3 778	-
Other assets	25	3 232	2 530	951
Total Assets		**395 806**	**394 307**	**78 629**

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Statement of Financial Position as at 31 December 2022

'000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Liabilities and shareholders' equity				
Liabilities to central bank		3 859	3 859	-
Demand deposits to credit institutions		183	183	1 327
Financial liabilities at fair value through profit or loss	15	278	278	-
Financial liabilities measured at amortized cost		362 732	364 033	43 875
Deposits	26	*355 242*	*356 543*	*43 875*
Subordinated liabilities	27	*5 453*	*5 453*	-
Debt securities issued	28	*2 037*	*2 037*	-
Provisions	29	47	47	177
Other liabilities	30	5 873	4 244	640
Total Liabilities		**372 972**	**372 644**	**46 019**
Share capital	31	11 644	11 644	11 644
Share premium		6 360	6 360	6 360
Other reserves		25	25	25
Fair value reserve		53	53	(144)
Accumulated profit		4 464	3 581	14 725
Total Equity Attributable to Equity Holders of the Bank		**22 546**	**21 663**	**32 610**
Non-controlling Interest		288	-	-
Total Shareholders' Equity		**22 834**	**21 663**	**32 610**
Total Liabilities and Shareholders' Equity		**395 806**	**394 307**	**78 629**
Assets under management and administration	33	**680 097**	**604 924**	-

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Statement of Cash Flows for the year ended 31 December 2022

'000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Cash flows from operating activities				
Profit / (loses) before income tax		973	548	(2 108)
Corporate income tax paid		37	32	5
Amortisation and depreciation	22,23	594	584	390
Impairment loss	12	1 702	1 619	708
Net interest income		(4 779)	(4 639)	(1 695)
Increase of provisions		(136)	(136)	139
The result of the merger of credit institutions		19 947	18 331	-
Decrease in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**18 338**	**16 339**	**(2 561)**
(Increase)/decrease in financial assets at fair value through profit or loss		1 978	1 978	(5 992)
(Increase)/decrease in balances due from financial institutions		(4 983)	(5 442)	1 326
(Increase)/decrease in loans and advances due from customers		3 822	6 038	(10 828)
Increase in non-current assets held for sale		(67)	-	-
Increase in other assets		(2 638)	(1 588)	(24)
Increase in deposits and balances due from customers		(42 898)	(41 470)	18 566
Increase in other liabilities		5 548	3 800	231
Increase in cash and cash equivalents from changes in assets and liabilities, as a result of ordinary operations		**(20 900)**	**(20 345)**	**718**
Interest received		4 751	4 640	1 881
Interest paid		(279)	(368)	(597)
Net cash flow from operating activities		**(16 428)**	**(16 073)**	**2 002**
Cash flow from investing activities				
Purchase of property and equipment		(235)	(39)	(224)
Investments in financial instruments designated at fair value through profit or loss		(3 578)	(3 578)	-
Proceeds in financial instruments designated at fair value through profit or loss		28 770	28 770	1 912
Investments in financial assets measured at amortized cost		(9 828)	(9 828)	-
Proceeds in financial assets measured at amortized cost		9 564	9 564	-
Dividends paid		(11 660)	(11 660)	-
Net cash flow from investing activities		**13 033**	**13 229**	**1 688**

*The Group did not exist in 2021

Group's Consolidated and Bank's Separate Statement of Cash Flows for the year ended 31 December 2022

'000 EUR	Note	2022 Group *	2022 Bank	2021 Bank
Cash flow from financing activities				
Non-controlling interest in subsidiary		289	-	-
(Decrease) in Subordinated liabilities		(194)	(653)	-
(Decrease) in Debt securities issued		2 001	2 001	-
Repayment of lease liabilities		(3)	(222)	(199)
Net cash flow from financing activities		**2 093**	**1 126**	**(199)**
Net in cash and cash equivalents		**(1 302)**	**(1 718)**	**3 491**
Cash and cash equivalents at the beginning of the year		11 891	11 891	8 400
Currency translation of cash and cash equivalents at the year		467	880	-
Cash and cash equivalents at the end of the year	14	**11 056**	**11 053**	**11 891**

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated Statement of Changes in Shareholders' equity for the year ended 31 December 2022

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit / (losses)	Non-controlling Interest	Total
Balance at 1 January 2022 *		-	-	-	-	-	-	-
July 11, 2022 merger of credit institutions		**11 644**	**6 360**	**(144)**	**25**	**3 527**	**289**	**21 701**
Comprehensive income								
Profit/ (loss) for the year		-	-	-	-	937	(1)	936
Other comprehensive income		-	-	197	-	-	-	197
Total comprehensive income / (expense)		**-**	**-**	**197**	**-**	**937**	**(1)**	**1 133**
Balance at 31 December 2022	31	**11 644**	**6 360**	**53**	**25**	**4 464**	**288**	**22 834**

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Bank's Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2022

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit / (losses)	Total
Balance at 1 January 2021*		**11 644**	**6 360**	**417**	**25**	**16 838**	**35 284**
Comprehensive income							
Loss for the year		-	-	-	-	(2 113)	(2 113)
Other comprehensive expense		-	-	(561)	-	-	(561)
Total comprehensive expense		**-**	**-**	**(561)**	**-**	**(2 113)**	**(2 674)**
Balance at 31 December 2021		**11 644**	**6 360**	**(144)**	**25**	**14 725**	**32 610**
Payment of dividends		**-**	**-**	**-**	**-**	**(11 660)**	**(11 660)**
Comprehensive income							
Profit for the year		-	-	-	-	516	516
Other comprehensive income		-	-	197	-	-	197
Total comprehensive income		**-**	**-**	**197**	**-**	**516**	**713**
Balance at 31 December 2022	31	**11 644**	**6 360**	**53**	**25**	**3 581**	**21 663**

*The Group did not exist in 2021

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Notes to the Financial Statements

1. Background

Principal activities

Signet Bank AS (Bank) was established on December 6, 1991, in the Republic of Latvia as a closed joint stock company.

An important milestone for the Bank came in 2022, when Signet Bank AS (Reg No 40003076407) transferred its business operations to AS Expobank (Reg No 40003043232), and AS Expobank changed its name to Signet Bank AS (Reg No 40003043232). Thanks to this transaction, the Bank obtained an infrastructure for its further development. This allowed it to expand business operations and to strengthen its positions in the domestic market to an even greater degree.

The Bank's leading shareholders are financially powerful investors, including Signet Acquisition III LLC (24.5 % of capital shares), AS RIT GROUP (19.50 %), and SIA Reglink (15.93 %). A diversified shareholder structure ensures not just financial stability, but also a foundation for rational and considered strategic decisions at the shareholder level – ones which make use of the mutually supplementary broad and diverse experience of each and every shareholder.

Signet Bank AS offers high-quality financial services to businesspeople and their companies, doing so at the highest level of professionalism and trustworthiness. The Bank's primary projects and services include corporate and private loans, placement of bonds, organisation of IPOs for shares, club-type financing transactions, capital management, including brokerage, securities storage and portfolio administration services, consultations on investments, deposits, services related to the everyday banking transactions of individuals and legal entities, as well as payment cards.

Signet Bank AS is seeking to become the most convenient and trustworthy bank in the provision of services and sustainable financial solutions in the Baltic region.

Placement of bonds, organisation of IPOs and provision of financing for companies in Latvia – these are the most important operations for Signet Bank AS. In 2022, Signet Bank AS organised 12 bond emissions for Latvian companies, helping them to attract financing worth EUR 117 million. According to Bank calculations, Signet Bank AS is convincingly in first place among banks in Latvia when it came to the number of bond emissions and their volume in 2022.

2022 was a year of Russian aggression in Ukraine. This shattered assumptions about principles that were established over the course of the previous decades – ones that supported secure lives and made it possible to forecast the future. This was a true test for the principles of Western democracy. Signet Bank AS has strongly denounced Russia's war, which is destroying the foundations of international order. We stand together with the people of Ukraine in their struggle for freedom.

Signet Bank AS target clients are residents of Latvia, European Union member states and OECD member states. At the end of 2022, much of the Bank's business (24% of deposits and 16% of revenues) came from residents of EU, EEA and OECD member states, while 60% of deposits and 70% of revenues came from residents of Latvia. When it comes to attracting clients and issuing loans, the Bank will continue to see as its key priority an expansion of business volumes in Latvia and the other Baltic States.

The Bank's capital adequacy and Liquidity coverage ratio on December 31, 2022, were 16.54% and 143% respectively. Return on equity (ROE)[1] and return on assets (ROA)[2] were 3.58% and 0.46% respectively.

[1] The net profit/losses of the relevant period, dividing this sum up by the amount of equity capital at the beginning and the end of the period.
[2] The net profit/losses of the relevant period, dividing this sum up by the average volume of overall assets at the beginning and the end of the period.

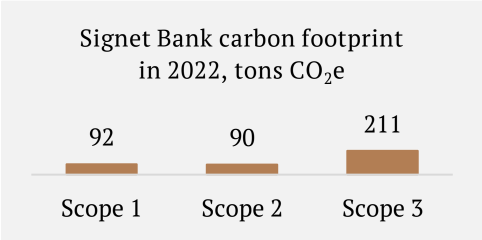
Signet Bank AS operates in accordance with Latvian law, as well as the license that was issued to it by the Finance and Capital Markets Commission of the Republic of Latvia (whose legal successor is the Bank of Latvia since January 1, 2023), and this has made it possible to offer all of the services that are listed in the Law on Lending Institutions. The Bank's operations are supervised by the Bank of Latvia. Its legal address is at Antonijas Street 3, Rīga LV-1010, Latvia.

2. Commitment to Sustainability

Sustainability and related issues are becoming of ever greater importance in the bank's operations and in its relationships with clients.

Sustainable environment
In 2022, the Bank calculated its CO2 emissions. These findings will be used as a baseline for defining goals for minimizing our environmental impact and evaluating performance in future years.
In the calculation were included:

- Scope 1 direct emissions
- Scope 2 indirect emissions
- Scope 3 indirect emissions in the following categories: purchased goods and services, waste, business travel, employee commuting.



Given the limited data available across the value creation chain, Scope 3 calculations are currently more informative. It is also clear that the greatest impact of the Bank's value chain is in the 15th category of Scope 3 – financed emissions, or the emissions that are generated by companies and projects in which the Bank has made investments or granted loans and other financial products. Therefore, we have set the calculation of financed emissions as one of our key tasks in 2023, insofar as it will be possible given the challenges of data accessibility.
Although climate changes and greenhouse gas emissions are, with good reason, a key element in the sustainability agenda, we believe it to be equally important to encourage positive changes in other environmental and social issues. The Bank continues to work on the availability of sustainability data, both by identifying it in external data sources and improving the information obtained from customers, in order to use it to its full potential in the management of sustainability risks, as well as to encourage clients to align their businesses with principles of sustainability.

Sustainable society
The Bank's unchanging priority has been support for the welfare, improvement and learning opportunities of its employees, including aspects of health, private life and a balance between work and leisure. Along with accustomed benefits, the Bank in 2023 will focus on the well-being of employees by organizing various events and seminars and investing in new relaxation areas at the Bank's office.
We also believe that we can make a substantial contribution to the development and adoption of sustainability by continually discussing sustainability-related opportunities and risks with our employees, customers, and society as a whole. In 2022, we were happy to support the Baltic Sustainability Awards, which brought together sustainability specialists, enthusiasts, and companies that have already achieved significant success in the field of sustainability innovation.

3. Authorisation of the financial statements

These financial statements have been authorised for issuance by the Management of the Bank on 29 March 2023 and they comprise the financial information of Signet Bank AS (hereinafter – the Bank) and its subsidiaries - Signet Asset Management Latvia IPS, AS Primero Holding, Citra Development SIA, and subsidiaries of a subsidiary - AS "Primero Finance", UAB Primero Finance and Primero SV1 OU (together referred to as the "Group"). The shareholders have the right to approve these financial statements, as well as have the right to make changes to these financial statements.

Subsidiaries of the Group is as follows:

Name	Country of incorporation	Principal Activities	Address	Reasons for inclusion in the group	Ownership % 2022
Signet Asset Management Latvia IPS	Latvia	Financial services	3-1 Antonijas street, Riga LV-1010, Latvia	Subsidiary	100
AS Primero Holding	Latvia	Financial services	3-1 Antonijas street, Riga LV-1010, Latvia	Subsidiary	51
AS "Primero Finance"	Latvia	Financial services	3 Antonijas street, Riga LV-1010, Latvia	Subsidiary of a subsidiary	51 *
UAB Primero Finance	Lithuania	Financial services	Perkūnkiemio Str. 6-1, Vilnius, LT-12130, Lithuania	Subsidiary of a subsidiary	51 *
Primero SV1 OU	Estonia	Financial services	Harju maakond, Tallinn, Kesklinna linnaosa, Narva mnt 5, 10117, Igaunija	Subsidiary of a subsidiary	51*
Citra Development SIA	Latvia	Real estate rental and management	Antonijas Str. 3-5, Riga, LV-1010, Latvia	Subsidiary	100

*Bank's direct shareholding in AS Primero Holding is 51%; AS Primero Holding owns 100% of shares.

4. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the Group's consolidated and the Bank's separate financial statements.

a) Basis of preparation

The accompanying Group consolidated and Bank separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and regulations of the Financial and Capital Market Commission of the Republic of Latvia in force as at the reporting date and in accordance with a going concern basis. Having reassessed the main risks, the Management considers it appropriate to adopt going concern basis of accounting in preparing these financial statements, there are no material uncertainties with regard to applying going concern basis of accounting.

Some of the updated standards became effective on 1 January 2022, but they do not have a material impact on the Group, therefore the accounting policies were not updated and revised. The other accounting policies have not changed from those used in the preparation of the financial statements for the year ended 31 December 2021.

b) Functional and Presentation Currency

Group's and Bank's functional currency and presentation currency, is the official currency of the Republic of Latvia, Euro ("EUR"). The accompanying financial statements are presented in thousands of Euros (EUR 000's).

c) Changes in significant accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.
The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g., direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g., Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.
These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41):

- IFRS 1: Subsidiary as a First-time Adopter (FTA);
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities;
- IAS 41: Taxation in Fair Value Measurements.

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.
The following amendments are effective for the period beginning 1 January 2023:
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:
- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current);
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.
The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

d) Basis of consolidation

(i) Subsidiaries and subsidiaries of a subsidiary
Subsidiaries and subsidiaries of a subsidiary are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The investments in the subsidiaries are presented in the Bank's financial statements at acquisition cost less impairment allowance. More detailed information on the Group's subsidiary is presented in Note 20 (Investment in Subsidiaries).

(ii) Associates
The Bank's interests in equity accounted investees comprise interests in associates.
Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are accounted for in the Group consolidated financial statements using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, consolidated financial

statements include the Group's share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.
Investments in associates are carried in the Bank's separate financial statements at cost less impairment, if any. More detailed information on the Group's associates is presented in Note 21 (Investment in associates).

(iii) Transactions eliminated on consolidation

Detailed information of the subsidiaries entity is available in Note 20.
The Bank and its Subsidiarie's financial statements are consolidated in the Group financial statements, merging the respective assets, liabilities, income and expense captions. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, have been eliminated in the preparation of the consolidated financial statements.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.
Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Negative goodwill arising on acquisition is recognised immediately in profit or loss. Impairment losses are not reversed.

e) Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of Group companies at the exchange rate at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the European Central Bank spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in foreign currency are retranslated into the functional currency at the European Central Bank spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flow hedge, which are recognised in other comprehensive income.

f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank and the Group companies in the management of short-term commitments.

g) Financial instruments

(i) Recognition

The Group recognises financial asset on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.

All transactions of purchase and sale of financial assets are recognised in the statement of financial position on the settlement date. In the period between a transaction and the settlement date, the Bank recognises changes of fair value of an asset to be received or transferred according to the same principles that are applied to the accounting of any asset of the respective category.

(ii) Classification

At the time of initial recognition, the Group classifies all financial assets and financial liabilities into one of the business models as follows:

- held in order to collect contractual cash flows (HTC);
- held in order to both collect the contractual cash flows and sell the financial asset (HTCS);
- held for trading (TRD).

The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Management. For financial asset classification in particular category, the Group at inception has to determine whether the asset meets the relevant business model and contractual cash flow criteria.

The Group, having regard to the business model objectives and the contractual cash flow characteristics, accounts financial assets in 3 (three) measurement categories:

- measured at amortised cost (AmC);
- measured at fair value through other comprehensive income (FVOCI);
- measured at fair value through profit or loss (hereinafter referred to as FVTPL).

The Group accounts all financial assets as measured at AmC, except for:

- liabilities held for trading or those initially classified as FVTPL. Such liabilities, including derivative instruments which are liabilities, are afterwards measured at fair value;
- financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition, or a continuing involvement approach applies;
- financial guarantee contracts;
- commitment to issue a loan at an interest rate lower than the market interest rate;
- contingent consideration recognised by the buyer in a business combination that is subject to IFRS 3. Such possible remuneration is subsequently measured at fair value with changes recognised in the statement of profit and loss.

(iii) Measurement

Financial assets and liabilities measured at amortised cost

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's effective interest rate. The effective interest rate is applied to the gross carrying amount of a financial asset except for credit-impaired financial assets. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition. For financial assets which subsequently become credit-impaired the effective interest rate is applied to the revised after impairment carrying amount and where the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired, the effective interest rate is applied to the gross carrying amount.
A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing a contractual agreement till drawdown they are accounted for as off-balance sheet commitments.
When the financial asset cannot be recovered, it is written off and charged against allowance for credit losses. The Group makes the decision on writing-off of financial assets. Recoveries of loans previously written-off are credited to the statement of income.
The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method, except for derivatives and certain deposit components of the insurance plan liabilities which are measured at fair value through profit or loss. A gain or loss on a financial liability that is measured at amortised cost is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial assets measured at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income it should be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at fair value through other comprehensive income are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates, share prices or other circumstances.
Financial assets measured at fair value through other comprehensive income are subsequently re-measured at fair value based on available market prices. A revaluation gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and

losses, until the financial asset is derecognised or reclassified. For debt securities the difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income and is recognised in profit or loss; on derecognising the cumulative fair value revaluation gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet. Impairment gains or losses are recognised in profit or loss.

For equity instruments, neither held for trading or acquired in a business combination, the Group at initial recognition, has to make an irrevocable election to present subsequent changes in the fair value of each instrument in other comprehensive income or profit or loss. This election is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income subsequently are not transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings. Dividends on equity instruments classified at fair value through other comprehensive are recognised in the statement of income. Such equity instruments are not tested for impairment, but carried at fair value.

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

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired in a business model which is characterised by generation of a profit from short-term fluctuations in price or dealer's margin, or a pattern of short-term profit taking exists.

Modification of terms in loan contracts

The Group sometimes renegotiates or otherwise modifies the contractual cash flows or other contractual terms of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different from the original ones. To do so, the Group considers modifications such as:

- significant extension of the loan when the borrower is not in financial difficulty;
- significant change in interest rate;
- change of the loan currency;
- whether there are any other changes in the loan contract that substantially affect the risk profile of the loan including changes in the composition of collateral.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and calculates new effective interest rate for the asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset is deemed to be credit-impaired at initial recognition, especially when the renegotiation was driven by the debtor being unable to meet the original schedule of payments.

Differences in the carrying amount are recognised on profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the modification does not result in derecognition, and the Group recalculates the gross carrying amount by discounting the revised cash flows at the original effective interest rate. Resulting gain or loss is recognised in profit or loss.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

h) Repurchase and reverse repurchase agreements

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Group is the transferor, assets transferred remain on the Group's balance sheet and are subject to the Group's usual accounting policies, with the purchase price received recorded as a liability owed to the transferee. Assets in the balance sheet are shown separately from other assets when the transferee has the right by contract or custom to sell or repledge the collateral.

Where the Group is the transferee, the assets are not included in the Group's balance sheet, but the purchase price paid by it to the transferor is recorded as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognised in the statement of income over the term of the agreement.

i) Derivative financial instruments

Derivative financial instruments include OTC interest rate swaps, exchange-traded interest rate futures and interest rate options, currency forwards and swaps, options on precious metals, and stock options and any combinations of these financial instruments. All derivatives are classified as measured at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the profit or loss.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in the profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group/Bank trade with derivative instruments for risk hedging purposes, the Group/Bank do not apply hedge accounting.

j) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently, the right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured at the discounted value of agreed-upon payments over the lease term. A discount rate which discounts future payments to estimated present value is applied. The Group presents right-of-use assets in the same line items in which it presents owned assets of the same nature. Lease liabilities are presented within other liabilities. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets, but to expense lease payments for low-value assets over the lease term instead.

When estimating a lease term, the Group's intentions as well as contractual early termination and extension options available to the lessee and lessor are considered. When a previously recognised lease is modified and the scope of the lease increases, and increase in compensation is commensurate, a new separate lease is recognised; if increase in compensation is not commensurate or the scope of lease decreases, the current right-of-use asset and corresponding

lease liability are re-measured. In case of decrease in scope of lease a gain or loss (if any) is recognised in income statement.
The most important kind of lease agreement for the bank as a lessee concerns spaces leased for the purposes of the Bank's core activities. If a lease contract entails the possibility of extension or premature termination, in many cases a period of lease equal to a one-year planning period is applied – unless an agreement already specifies a shorter period of lease.
As a lessee, the Group defines IFRS 16 accounting terms beyond the scope of the Standard as follows:

- a short-term lease is a lease with the term of less than or equal to 12 (twelve) months;
- a low value asset is an asset which is acquired new and has value equal to or less than EUR 5'000.00 (five thousand euros).

Leasehold improvements are capitalized, and their depreciation is calculated on a straight-line basis over the remaining lease term. Leasehold renovation costs in relation to improving quality of the building are capitalized.
Leasehold maintenance and current repair costs are recognized in the profit or loss statement when incurred.

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Over the lease term
Equipment	3 years
Fixtures and fittings	5 years

l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.
Costs associated with maintaining computer software programs are recognised as an expense as incurred.
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Intangible assets	5-7 years

m) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than continuing use and the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell of the non-current asset. At least at each reporting date, the Group assesses, whether the value of the non-current assets classified as held for sale is impaired. The impairment loss reduces carrying amount of the asset and is included in the statement of income's line 'Other impairment losses'. In the same line of the statement of income a gain from any subsequent increase in fair value less cost to sell of an asset is recognised, but not in excess of the cumulative impairment loss that has been recognised either for non-current asset held for sale or previously for the non-current asset.

n) Impairment of financial assets and expected loss

The Group's impairment requirements are based on an expected loss model. Expected loss calculations do not represent the losses that the Group may suffer in a single scenario such as a stress scenario, but represent a probability weighted loss in a number of reasonably possible scenarios including a normal repayment scenario.

To calculate impairment, the assets are divided into three categories (stages):

- stage 1 includes assets where no significant increase in credit risk since acquisition/initial recognition is identified;
- stage 2 includes assets for which a significant increase in credit risk is identified since acquisition/initial recognition but for which no default of the issuer has been identified;
- stage 3 includes defaulted assets.

The Group calculates provisions for expected credit losses according to the requirements of IFRS 9:

- for stage 1 assets, loan loss allowance equals the 12 month expected credit loss, that is a possible loss if the issuer defaults within the next 12 months;
- for stage 2 and 3 assets loan loss allowance equals the lifetime expected credit losses.

The 'default' is defined in line with the prudential definition of the default: exposure delayed 90 and more days, significant restructuring and other unlikeliness to pay indicators. The 'default' is the criteria for transfer to stage 3.

To determine if the credit risk associated with a financial instrument has increased significantly since initial recognition (or a financial instrument is in default), the Group monitoring a number of indicators, such as:

- whether the payments related to an asset (or other obligations of an obligor) have been past due or there has been a breach of covenants;
- whether there has been information about significant deterioration of the obligor's financial situation;
- whether an obligor has informed the Group about his willingness to alter the debt contract terms that can be deemed to be a forbearance (granting to the obligor a concession(s) due to the obligor's financial difficulty that would not otherwise be granted) or an event of forbearance itself;
- whether substantial decline of the market price of the obligor's debt instruments has occurred, in case an obligor has issued financial instruments and those are actively traded;
- whether actual or expected changes in business conditions have been observed / forecasted that may have a significant impact on the obligor's creditworthiness assessment;

- whether there has been a decrease of an obligor's external or internal credit rating;
- whether there has been an increase of the loan-to-value ratio (for the Group's issued loans).

Based on the above mentioned criteria, the Group's management make a decision regarding classification of the assets by stages. Usually, if payments related to an asset are past due more than 30 days, the asset is classified as stage 2 asset, and, if payments related to an asset are past due more than 90 days, the asset is classified as stage 3 asset.

The Group use the "low credit risk exemption" permitted by the standard. The Group uses low credit risk exemption as permitted by the IFRS 9 standard when calculating the amount of expected credit losses (ECL) for the Group's claims on counterparties and issuers that have BBB- or higher credit rating from rating companies Standard & Poor's, Moody's or Fitch taking into account that probabilities of default (PD) have historically been low for issuers with such credit rating level (average 1 year PD of 0.18% for issuers with BBB- credit rating and lower for issuers with higher credit rating). Low credit risk exemption means that, if a counterparty has BBB- or higher credit rating, the Group considers that credit risk that is related to the Group's claims on that counterparty has not increased significantly even if there are indications of the counterparty's creditworthiness worsening.

The Group calculates expected loss (EL) on an individual basis for all assets in scope of the standard, except stage 1 credit card overdrafts and trade debtors (with individual exposures below EUR 100 thousand) for which EL is calculated on collective basis.

For stage 1 and 2 assets, the amount of EL is calculated by multiplying the exposure at default on the reporting date (including accrued interest and undisbursed loan or credit line) by loss given default (LGD) rate and by the probability of default: 12 month PD rate for stage 1 assets and lifetime PD rate for stage 2 assets. For stage 3 assets, individual scenarios of recovery cash flows are developed by the Group and approved by the Group's management.

For debt securities, amounts due from other banks and counterparties and other instruments that have a credit rating by S&P, Moody's or Fitch, the Group uses PD's that are based on the rating agencies' historical data.

For debt securities, amounts due from other banks and counterparties and other instruments, except loans to customers, that do not have an external credit rating by S&P, Moody's or Fitch rating agencies, the Group estimates ratings based on the level and intervals of financial indicators used by the credit rating agencies to determine credit rating. The estimated credit ratings and historical PD's by ratings based on the external rating agencies data are used as the basis for PD assessment.

For debt securities held, amounts due from counterparties and other assets the Group bases its LGD estimate on LGDs calculated by rating agencies orinternal analysis of recoveries from defaulted exposures.

For stage 1 and stage 2 loans to customers, the Group estimates PD rates that are based on the number of defaults that the Group has experienced in its loans portfolio during the past 3 years taking into account each borrower's specific creditworthiness assessment.

For loans to customers, loss given default rates are based on the estimated proceeds from the sale of collateral in case of the default. For that purpose, the Group makes assumptions regarding possible sales term, discount and selling costs based on the collateral type, liquidity, location, etc.

Impairment allowance for loans to customers is calculated as a difference between the net present value of projected future cash flows that are discounted using the loan's original effective interest rate and the net carrying amount. Calculation of net present value of projected future cash flows for loans secured with collateral takes into account cash flows from repossession of collateral less cost of repossession and sale. Losses are recognised in profit or loss.

Calculation of impairment allowance for expected credit losses from off-balance sheet liabilities and contingent liabilities is in line with the principles and methodology applied for balance sheet positions. Additional aspects evaluated for off-balance sheet financial liabilities are conversions and estimates of future use, as well as the Group's ability to react timely, identify exposures and close such limits in case their credit quality deteriorates.

Loss allowance for expected credit losses on loan commitments and financial guarantee contracts is recognised as provisions. Details of the calculation methodology are described in Note 4 (o).

The Group uses a separate approach for calculating expected credit losses for loans issued by the Group's company which operates in consumer lending business. Probabilities of default are calculated based on the company's data on defaults that the company has actually experienced, and loss given default rates are based on the actual income from recoveries for the defaulted and terminated loan agreements.

The Group adjusts PDs used in the EL calculation depending on forecasted relevant macroeconomic circumstances. If a conterparty's or a borrower's creditworthiness depends on economic situation in a country or a region and in that country or a region economic downturn is expected, higher probabilities of default are employed to calculate expected credit losses than in 'normal' circumstances when economic downturn is not expected.

When calculating expected credit losses for loans to clients as of 31.12.2021, the Group used substantially higher default rates for loans to those clients who experienced substantial negative impact on their operations from the Covid-19 pandemic.

The Group regularly reviews and improves the methods it uses for EL calculation including comparison of actually experienced losses to previously expected losses.

o) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

p) Debt securities issued

The Group recognises financial liabilities on its balance on drawdown.

After an initial measurement, being a fair value minus directly attributable transaction costs, in the case of a financial liability not at fair value through profit or loss, debt issued, subordinated liabilities and borrowings are measured at amortised cost and any difference between net proceeds and value at redemption is recognised in the statement of income over the period of borrowing using the effective interest rate.

q) Unrecognised loan commitments

In the normal course of business, the Group enters into unrecognised loan commitments, comprising undrawn loan commitments and provides guarantees and letters of credit.
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.
A financial guarantee is recognised initially at fair value, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.
Financial guarantee liabilities and provisions for other credit related commitment are included within provisions.

r) Income tax

The tax payable includes the expected payment of the tax from the taxable income for the year, calculated using the tax rates which are in force at the end date of the reporting period, and adjustments to the taxes payable for previous years. Corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. The Bank and the Group's have to pay income tax on the profit distribution in Latvia. Thus, the income tax on the profit distribution is recognized at the time of payment, when dividends are declared. Whereas UAB Primero Finance pays income tax on taxable income in Lithuania.

s) Income and expense recognition

Interest income and expense items are recognised on an accrual basis using the effective interest rate.
Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.
Commissions in respect of the acquisition of financial assets that are not at fair value through profit or loss are deferred and recognised as an adjustment to the effective yield on the respective asset or liability. Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.
Penalty income is recognised on cash-received basis.

5. Risk management

The Group mainly has exposure to the following risks:
- market risks
- interest rate risk
- currency risk
- price risk
- credit risk
- liquidity risk
- operational risk
- other risks: Money Laundering and Terrorism and Proliferation Financing (further – ML/TPF) risk, compliance and reputation risk, strategic risk.

This note presents information about the Bank's exposure to each of the above risks, as well as about the Group's objectives, policies and processes for measuring and managing risk.

a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Group's tolerance of risks is set forth in the Group's respective risk management policies. Risk management policies and procedures are reviewed regularly to reflect changes in regulation, market conditions, products and services offered and emerging risk management best practice.
The Council has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.
The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Financial Risk Management Department (further – FRMD) is responsible for identifying, measuring, managing and reporting financial risks. The Head of Compliance and Risk Management Department is responsible for the non-financial risks and compliance issues.
Credit risk, market risk and liquidity risk, both at portfolio and transactional levels are managed and controlled by Credit committee and Assets and liabilities committee (further - ALCO).

b) Market risks

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and fixed income or other financial instruments, which are exposed to general and specific market movements and volatility of market prices.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.
Overall authority for market risk is vested in the ALCO, chaired by the CEO. Market risk limits are approved by ALCO based on recommendations of the FRMD.
The Group manages its market risk by setting open position limits for financial instruments, interest rate risk positions and currency positions which are monitored on a regular basis and reviewed and approved by the ALCO. Additional restrictions are set for financial instrument portfolios, such as duration limits, concentration limits etc.

In addition, the Group uses various stress tests to model the financial impact of a variety of exceptional market scenarios on individual portfolios and the Group's overall position. Stress tests provide an indication of the potential losses that could arise under adverse or very unfavorable conditions.

c) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.

The Group is exposed to changes of market interest rates on its financial position and cash flows. Due to changes of market interest rates the Group's profit may increase, decrease, or the Group may suffer losses if there are large unexpected changes of market interest rates.

In the following table below possible impact on the Group's and the Bank's profit and equity is shown from a change of yield of fixed income securities acquired by the Group and the Bank by 100 basis points. This analysis assumes that all other variables, including foreign exchange rates, remain constant. The analysis includes fixed income securities classified as FVTPL or FVOCI. The impact of income taxes is not reflected in this analysis:

'000 EUR	31 December 2022		31 December 2021
	Group	Bank	Bank
Impact on profit: parallel increase by 100 basis points	(107)	(107)	(298)
Impact on profit: parallel decrease by 100 basis points	109	109	305
Impact on equity: parallel increase by 100 basis points	(299)	(299)	(1 177)
Impact on equity: parallel decrease by 100 basis points	313	313	1 188

In addition to the impact on securities prices, possible changes in the interest rates may impact the interest income that the Bank receives on the assets with variable interest rates and pays on the liabilities with variable interest rates thus impacting the Bank's net interest income. Below a possible impact on the Bank's net interest income within a period of the next 12 months is provided:

'000 EUR	31 December 2022	31 December 2021
100 bp parallel increase	332	238
100 bp parallel decrease	(332)	(238)

d) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the receivables in a foreign currency are either greater or less than the payables in that currency. For further information on the Group's exposure to currency risk at year end refer to Currency analysis table in this Note.

A change in exchange rates as indicated below, as at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The impact of income taxes is not reflected in this analysis:

'000 EUR	31 December 2022		31 December 2021
	Profit or loss, Group	Profit or loss, Bank	Profit or loss, Bank
5% appreciation of USD against EUR	18	18	137
5% depreciation of USD against EUR	(18)	(18)	(137)
5% appreciation of GBP against EUR	(4)	(4)	-
5% depreciation of GBP against EUR	4	4	-
20% appreciation of RUB against EUR	1	1	-
20% depreciation of RUB against EUR	(1)	(1)	-

e) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.
An analysis of sensitivity of the Group's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 5% change in all securities prices is as follows:

'000 EUR	31 December 2022		31 December 2021
	Group	Bank	Bank
Impact on profit: increase of securities prices by 5%	267	267	300
Impact on profit: decrease of securities prices by 5%	(267)	(267)	(300)
Impact on other comprehensive income: increase of securities prices by 5%	904	904	1 341
Impact on other comprehensive income: decrease of securities prices by 5%	(904)	(904)	(1 341)

f) Credit risk

Credit risk means possible losses to the Group (or reduction of profit), if the Group's customer, counterparty, or issuer of financial instruments owned by the Bank fully or partially fails to fulfil its financial obligations towards the Group, as well as losses (or reduction in profit) due to price decrease of the financial instruments owned by the Group due to worsening of creditworthiness of the issuer.
The Group's credit risk management guidelines are defined by the Bank's internal regulatory document „Credit Risk Management Policy", „Credit Policy" and „Country Risk Management Policy" approved by the Council of the Bank, as well as the Bank's internal regulatory document „Country Risk Management Procedure"; credit risk management procedure is determined by the Bank's internal regulatory document „Credit Risk Management Procedure".
According to the Bank's internal regulatory document „Credit Risk Management Policy", the Group separately manages credit risk related to the Group's loans to the customers (except loans against collateral for financial instruments), and credit risk related to interbank claims and the Group's investments in financial instruments (as well as loans against collateral for financial instruments).
The Group's guidelines in relation to customer financing transactions (loans to customers) are set out in the Bank's internal regulatory document „Credit Policy" that stipulates:

- desirable creditworthiness and reputation profile of the customer;
- preferred loan term;
- requirements for loan security and restrictions/ conditions for LTV (loan to value) ratio;
- procedure of lending process;
- credit portfolio management and supervision procedure;
- limits to the total proportion of the loans, proportion of unsecured loans, and proportion of loans secured by real estate in the Bank's assets.

Decision on issue of loans at the Bank is made by the Credit Committee according to regulations on its operations. The Bank's Board accepts decisions of the Credit Committee on crediting transactions exceeding EUR 500 thousand. The Bank's Council accepts decisions of the Credit Committee of crediting transactions exceeding EUR 1 million, except for those with cash as collateral.
Creditworthiness of each borrower and credit risk of the planned transaction is assessed by FRMD according to the procedure prescribed by the Bank's internal regulatory document „Procedure for Credit Risk Assessment of Crediting Transaction". Legal Department of the Bank assesses legal

aspects of each planned transaction and provides its opinion on legal aspects of the transaction. Security Department of the Bank performs inspection of the customer, persons associated with the customer, information and documents submitted by the customer, by using information sources and resources available to the Bank including the inspection of customer's reputation, existence of negative information on customer and associated persons, and the department provides an opinion on the customer.

In addition to the abovementioned, in order to ensure a credit risk level acceptable to the Group at the portfolio level, ALCO sets limits for the concentration of loan portfolio by countries/ regions, industries, and other factors.

The Group’s credit risk that stems from keeping of funds in correspondent accounts in other banks, as well as transactions made by the Bank’s Treasury Division, Investment Division and Brokerage Division (interbank loans, loans against collateral for financial instruments, financial instruments transactions, and other transactions), is restricted by the Group with a help of limits for maximum amount of claim against each counterparty. Limits are set by ALCO that operates according to the regulations on its operation. Monitoring of the set limits is performed every day by FRMD and Accounting and Reporting Department of the Bank, and management of Financial Market Division of the Bank is informed about detected limit violations, as well as the situation regarding compliance with the set limits is reviewed every week by ALCO.

Besides management of credit risk at an individual exposure level, the Group/Bank also performs management of credit risk at a portfolio level. Stress testing of the Group’s credit risk is performed in which total possible credit risk losses of the Group in a number of scenarios are calculated assuming that unfavorable or very unfavorable economic circumstances set in. Planning of the Group’s balance sheet/assets structure and overall exposure to credit risk is performed. Limits on the Group’s various transaction types and concentration of claims are set and control of observance of these limits is performed.

Every quarter FRMD prepares a credit risk report reflecting detailed information regarding credit risk undertaken by the Group in relation to all transactions/ transaction types concluded by the Group. Report is reviewed by ALCO.

Group / Bank regularly performs asset quality assessment in accordance with the requirements of IFRS 9 (See Note 4 (c) (i) IFRS 9 Financial Instruments”.

Past due loan is defined as the loan for which interest, commissions or principal payments are overdue.

Impaired loan is defined as the loan for which one or more events with a negative effect on the expected cash flow of the loan have occurred - loss events. Signs that may indicate that a loan may be impaired are the following:

- material financial difficulties of the borrower;
- violation of the terms of the loan agreement (including a failure to make a timely payment according to the loan agreement);
- a relief granted to the borrower due to economic or legal reasons related to the borrower’s financial difficulties that would otherwise not have been granted;
- a fair chance that the borrower will initiate the bankruptcy procedure or a reorganization;
- prerequisites of the loan project failing to materialize;
- a failure to fulfill obligations by a person that impacts the borrowers’ ability to make timely payments to the Bank;
- a failure to utilize the borrowed funds according to the loan purpose;
- a drop in the value of the loan collateral;
- other events that increase the credit risk.

Credit quality analysis for the Group:

'000 EUR	Business	Reverse repo and loans secured by financial instruments	Consumer	Mortgage	Other deposits with financial institutions	Other	Total
31.12.2022							
Total gross loans	**47 106**	**4 756**	**26 443**	**19 418**	**12 344**	**9 611**	**119 678**
Neither past due nor impaired loans	**47 009**	**4 756**	**24 830**	**19 418**	**12 344**	**9 611**	**117 968**
Past due and impaired loans							
past due up to 29 days	-	-	790	-	-	-	790
past due from 30 days up to 59 days	-	-	103	-	-	-	103
past due from 60 days up to 90 days	-	-	110	-	-	-	110
past due more than 90 days	97	-	610	-	-	-	707
Total impairment allowance	**(151)**	**(1)**	**(1 042)**	**(41)**	**-**	**(109)**	**(1 344)**
Total individually impairment allowance - neither past due nor impaired loans	(151)	(1)	(430)	(41)	-	(109)	**(732)**
Individually impairment allowance - loans are past due							
past due up to 29 days	-	-	(66)	-	-	-	**(66)**
past due from 30 days up to 59 days	-	-	(30)	-	-	-	**(30)**
past due from 60 days up to 90 days	-	-	(54)	-	-	-	**(54)**
past due more than 90 days	-	-	(462)	-	-	-	**(462)**
Total net loans	**46 955**	**4 755**	**25 401**	**19 377**	**12 344**	**9 502**	**118 334**
Neither past due nor impaired loans	46 858	4 755	24 400	19 377	12 344	9 502	117 236
Past due and impaired loans							
past due up to 29 days	-	-	724	-	-	-	724
past due from 30 days up to 59 days	-	-	73	-	-	-	73
past due from 60 days up to 90 days	-	-	56	-	-	-	56
past due more than 90 days	-	-	148	-	-	-	148

Credit quality analysis for the Bank:

'000 EUR	Business	Reverse repo and loans secured by financial instruments	Consumer	Mortgage	Other deposits with financial institutions	Other	Total
31.12.2022							
Total gross loans	**62,708**	**4,756**	**8,604**	**19,418**	**12,344**	**9,611**	**117,441**
Neither past due nor impaired loans	62,611	4,756	8,503	19,418	12,344	9,611	117,243
Past due and impaired loans							
past due up to 29 days	-	-	5	-	-	-	5
past due more than 90 days	97	-	96	-	-	-	193
Total impairment allowance	**(987)**	**(1)**	**(123)**	**(41)**	**-**	**(109)**	**(1,261)**
Total individually impairment allowance - neither past due nor impaired loans	(987)	(1)	(27)	(41)	-	(109)	(1 165)
Past due and impaired loans							
past due more than 90 days	-	-	(96)	-	-	-	**(96)**
Total net loans	**61 721**	**4 755**	**8 481**	**19 377**	**12 344**	**9 502**	**116 180**
Neither past due nor impaired loans	61 624	4 755	8 476	19 377	12 344	9 502	**116 078**
Past due and impaired loans							
past due up to 29 days	-	-	5	-	-	-	5
past due more than 90 days	97	-	-	-	-	-	97
31.12.2021							
Total gross loans	**2751**	**117**	**2 525**	**27 318**	**-**	**-**	**32,711**
Neither past due nor impaired loans	2751	117	2 525	27 318	-	-	32,711
Past due and impaired loans							
past due from 30 days up to 59 days							
past due more than 90 days							
Total impairment allowance	**(17)**	**-**	**(12)**	**(674)**	**-**	**-**	**(703)**
Total individually impairment allowance - neither past due nor impaired loans	(17)	-	(12)	(674)	-	-	(703)
Total net loans	**2 734**	**117**	**2 513**	**26 644**	**-**	**-**	**32 008**
Neither past due nor impaired loans	2 734	117	2 513	26 644	-	-	32 008

The Group assessed the impact of modification of cash flows on restructured loans and concluded that it is immaterial. Six loans in the total amount of 7 718 thousand EUR had active restructured status as at 31 December 2022 (2021: one loan, 6 427 thousand EUR). These changes were made on the basis of the agreements between the Group or the Bank and customers amending respective loan conditions, as otherwise the loans might be past due. A loan is considered to be forborned from the date of the above mutual agreement to the date when at least two years have passed without delays of contractual payments by more than 30 days and none of the loss events has taken place.
The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 17 "Loans and advances due from customers".

Classification of the Group's financial assets in measurement categories (3 stages) as of December 31, 2022:

’000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	2 988	-	-	2 988
Demand deposits with credit institutions	8 068	-	-	8 068
Debt securities measured at fair value through other comprehensive income	18 080	-	-	18 080
Financial assets measured at amortized cost	333 623	9 513	1 391	344 527
Other financial assets	1 515	-	-	1 515
Total gross financial assets	**364 274**	**9 513**	**1 391**	**375 178**
Total impairment allowance	(977)	(79)	(637)	(1 693)
Total net financial assets	**363 297**	**9 434**	**754**	**373 485**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2022:

’000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	2 988	-	-	2 988
Demand deposits with credit institutions	8 065	-	-	8 065
Debt securities measured at fair value through other comprehensive income	18 080	-	-	18 080
Financial assets measured at amortized cost	332 500	9 079	711	342 290
Other financial assets	692	-	-	692
Total gross financial assets	**362 325**	**9 079**	**711**	**372 115**
Total impairment allowance	(1 399)	(20)	(190)	(1 609)
Total net financial assets	**360 926**	**9 059**	**521**	**370 506**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2021:

’000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	10 127	-	-	10 127
Demand deposits with credit institutions	1 764	-	-	1 764
Debt securities measured at fair value through other comprehensive income	26 833	-	-	26 833
Financial assets measured at amortized cost	25 879	6 832	-	32 711
Other financial assets	566	-	-	566
Total gross financial assets	**65 169**	**6 832**	**-**	72 001
Total impairment allowance	(298)	(405)	-	(703)
Total net financial assets	**64 871**	**6 427**	**-**	**71 298**

Changes in financial assets measured at amortized cost of the Group's financial assets by stages for the year ended 31 December 2022:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2021	-	-	-	-
New assets originated or increased on the existing contracts	350 325	13 495	1 906	**365 726**
Assets repaid (redeemed)	(11 986)	(3 570)	-	**(15 556)**
Effect on Gross carrying value at the end of the period due to changes in accruals				
Transfers to Stage 1	323	(276)	(47)	-
Transfers to Stage 2	(186)	204	(18)	-
Transfers to Stage 3	(364)	(58)	422	-
Written off	(4 489)	(282)	(872)	**(5 643)**
Gross carrying amount 31 December 2021	**333 623**	**9 513**	**1 391**	**344 527**

Changes in financial assets measured at amortized cost of the Bank's financial assets by stages for the year ended 31 December 2022:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2021	**25 851**	**6 860**	-	**32 711**
New assets originated or increased on the existing contracts	318 635	5 789	711	**325 135**
Assets repaid (redeemed)	(11 986)	(3 570)	-	**(15 556)**
Effect on Gross carrying value at the end of the period due to changes in accruals				
Gross carrying amount 31 December 2021	**332 500**	**9 079**	**711**	**342 290**

Changes in financial assets measured at amortized cost of the Bank's financial assets by stages for the year ended 31 December 2021:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2021	**15 500**	**6 926**	-	**22 426**
New assets originated or increased on the existing contracts	16 788	-	-	**16 788**
Assets repaid (redeemed)	(6 409)	(94)	-	**(6 503)**
Effect on Gross carrying value at the end of the period due to changes in accruals				
Transfers to Stage 2	(28)	(28)	-	-
Gross carrying amount 31 December 2021	**25 851**	**6 804**	-	**32 711**

Changes in loan loss allowance of the Group's financial assets by stages for the year ended 31 December 2022:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 11 July022	**986**	**79**	**637**	**1 702**
At 31 December 2022	**986**	**79**	**637**	**1 702**

Changes in loan loss allowance of the Bank's financial assets by stages for the year ended 31 December 2022:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2022	**303**	**405**	**-**	**708**
New assets originated or increased on the existing contracts	1 382	14	190	**1 586**
Assets redeemed	(277)	(398)	-	**(675)**
At 31 December 2022	**1 408**	**21**	**190**	**1 619**

Changes in loan loss allowance of the Bank's financial assets by stages for the year ended 31 December 2021:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2021	**148**	**380**	**-**	**528**
New assets originated or increased on the existing contracts	197	-	-	**197**
Assets repaid (redeemed)	(42)	25	-	**(17)**
Impact on period end ECL due to transfers between stages or changes in models	-	-	-	**-**
At 31 December 2021	**303**	**405**	**-**	**708**

g) Liquidity risk

Liquidity risk means possible losses to the Group or decrease in profit from the sale of the assets or attraction of resources at unfavourable interest rates in order for the Group to meet its financial liabilities towards depositors, counterparties and other creditors.

The Group's guidelines for liquidity risk management are defined in the Bank's internal regulatory document „Liquidity Risk Management Policy" approved by the Bank's Council and liquidity risk management procedure is defined in the Bank's internal regulatory document „Liquidity Risk Management Procedure".

The purpose of liquidity risk ratios is to indicate the liquidity risk level undertaken by the Group from various angles and promptly indicate the increase in liquidity risk level. Liquidity risk ratios are calculated and monitored every day, and the Bank's internal regulatory document „Liquidity Risk Management Procedure" sets out actions to be taken when ratios have reached certain levels.

The Group's liquidity risk stress testing is conducted every quarter, and the surplus or deficit of liquid assets in stress scenarios is determined. Liquidity risk stress test results are assessed by ALCO.

In order to limit the liquidity risk, limits are set on the Bank's liquidity net positions, as well as on investments in low liquidity assets. The control of liquidity net positions is conducted once a month, but the control of the limit of loans to customers is carried out every week.

Group performs liquidity planning within the framework of budget planning. Liquidity ratio, LCR (liquidity coverage ratio), and NSFR (net stable funding ratio) are planned.

The Group also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the Financial and Capital Markets Commission and the requirement of Regulation 575/2013. The Bank was in compliance with these ratios during the twelve-month period ended 31 December 2022 and 31 December 2021.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Analysis of the Group's financial liabilities' contractual undiscounted cash flows as at 31 December 2022:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to central bank	-	-	-	-	3 859	-	**3 859**	**3 859**
Liabilities to financial institutions	183	-	-	-	-	-	**183**	**183**
Deposits	319 572	1 430	10 124	8 613	10 057	5 850	**355 646**	**355 242**
Subordinated liabilities	13	15	1 093	360	5 191		**6 672**	**5 453**
Debt securities issued	-	-	-	-	2 037	-	**2 037**	**2 037**
Other financial liabilities	1 235	23	34	68	682	-	**2 042**	**2 042**
Contingent liabilities for guarantees	345	-	1 000	-	250	-	**1 595**	**1 595**
Unrecognised loan commitments	626	520	211	614	14 496	-	**16 467**	**16 467**
Total Non-derivative liabilities	**321 974**	**1 988**	**12 462**	**9 655**	**36 572**	**5 850**	**388 501**	**386 878**
Derivative liabilities								
Inflow	(14 045)	(3 834)	(2 296)	(209)	(1 203)	-	(21 587)	**(21 229)**
Outflow	14 004	4 061	2 268	-	1 147	-	21 480	**21 203**
Total Derivative liabilities	**(41)**	**227**	**(28)**	**(209)**	**(56)**	**-**	**(107)**	**(26)**
Total	**321 933**	**2 215**	**12 434**	**9 446**	**36 516**	**5 850**	**388 394**	**386 852**

Analysis of the Bank's financial liabilities' contractual undiscounted cash flows as at 31 December 2022:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to central bank	-	-	-	-	3 859	-	**3 859**	**3 859**
Liabilities to financial institutions	183	-	-	-	-	-	**183**	**183**
Deposits	320 172	1 431	10 625	8 613	10 265	5 850	**356 956**	**356 543**
Subordinated liabilities	13	15	1 093	360	5 191		**6 672**	**5 453**
Debt securities issued	-	-	-	-	2 037	-	**2 037**	**2 037**
Other financial liabilities	12	23	34	68	673	-	**810**	**810**
Contingent liabilities for guarantees	345	-	1 000	-	250	-	**1 595**	**1 595**
Unrecognised loan commitments	626	520	211	614	14 496	-	**16 467**	**16 467**
Total Non-derivative liabilities	**321 351**	**1 989**	**12 963**	**9 655**	**36 771**	**5 850**	**388 579**	**386 947**
Derivative liabilities								
Inflow	(14 045)	(3 834)	(2 296)	(209)	(1 203)	-	(21 587)	(21 229)
Outflow	14 004	4 061	2 268	-	1 147	-	21 480	21 203
Total Derivative liabilities	**(41)**	**227**	**(28)**	**(209)**	**(56)**	**-**	**(107)**	**(26)**
Total	**321 310**	**2 216**	**12 935**	**9 446**	**36 715**	**5 850**	**388 472**	**386 921**

Analysis of the Bank's financial liabilities' contractual undiscounted cash flows as at 31 December 2021:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to financial institutions	1 327	-	-	-	-	-	1 327	1 327
Deposits	15 405	-	-	-	28 470	-	43 875	43 875
Other financial liabilities	10	29	77	-	186	-	302	302
Unrecognised loan commitments	7 312	-	-	-	-	-	7 312	7 312
Total Non-derivative liabilities	**24 054**	**29**	**77**	**-**	**28 656**	**-**	**52 816**	**52 816**
Derivative liabilities								
Inflow	-	-	-	-	-	-	-	-
Outflow	-	-	-	-	-	-	-	-
Total Derivative liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**24 054**	**29**	**77**	**-**	**28 656**	**-**	**52 816**	**52 816**

The Group are keeping different financial assets to provide liquidity. If necessary, the Group and the Bank will be able to realize liquid assets in the short term in order to meet the demand side. The Group's Analysis of contractual maturities of financial assets and liabilities and equity as at 31 December 2022 is presented below:

Group '000 EUR	1 month	1-3 months	3-6 months	6-12 months	More than 1 year	No maturity	Total
Financial assets							
Cash and due from central banks	2 988	-	-	-	-	-	**2 988**
Demand deposits with credit institutions	8 068	-	-	-	-	-	**8 068**
Financial instruments designated at fair value through profit or loss	770	87	32	209	10 559	-	**11 657**
Debt securities measured at fair value through other comprehensive income	11 844	-	-	1 925	4 311	-	**18 080**
Financial assets measured at amortized cost	221 331	2 096	9 166	19 321	86 838	4 082 *	**342 834**
Other financial assets	1 167	-	-	-	-	-	**1 167**
Total financial assets	**246 168**	**2 183**	**9 198**	**21 455**	**101 708**	**4 082**	**384 794**
Financial liabilities							
Financial liabilities at fair value through profit or loss	104	167	7	-	-	-	**278**
Liabilities to central bank	-	-	-	-	3 859	-	**3 859**
Liabilities to financial institutions	183	-	-	-	-	-	**183**
Deposits	325 386	1 780	10 087	8 214	9 775	-	**355 242**
Subordinated liabilities	-	-	-	291	5 162	-	**5 453**
Debt securities issued	-	-	-	-	2 037	-	**2 037**
Other financial liabilities	1 235	23	34	68	682	-	**2 042**
Contingent liabilities for guarantees	345	-	1 000	-	250	-	**1 595**
Unrecognised loan commitments	626	520	211	614	14 496	-	**16 467**
Total financial liabilities	**327 879**	**2 490**	**11 339**	**9 187**	**36 261**	**-**	**387 156**
Total Equity	-	-	-	-	-	22 834	**22 834**
Total Liabilities and Equity	**327 879**	**2 490**	**11 339**	**9 187**	**36 261**	**22 834**	**409 990**
Net liquidity position as at 31 December 2022	**(81 711)**	**(307)**	**(2 141)**	**12 268**	**65 447**	**(18 752)**	**-**
Net liquidity position as at 31 December 2021	-	-	-	-	-	-	-

* Security deposits

The Bank's Analysis of contractual maturities of financial assets and liabilities and equity as at 31 December 2022 is presented below:

Bank '000 EUR	1 month	1-3 months	3-6 months	6-12 months	More than 1 year	No maturity	Total
Financial assets							
Cash and due from central banks	2 988	-	-	-	-	-	**2 988**
Demand deposits with credit institutions	8 065	-	-	-	-	-	**8 065**
Financial instruments designated at fair value through profit or loss	770	87	32	209	10 559	-	**11 657**
Debt securities measured at fair value through other comprehensive income	11 844	-	-	1 925	4 311	-	**18 080**
Financial assets measured at amortized cost	236 102	2 063	9 071	18 906	70 456	4 082 *	**340 680**
Other financial assets	692	-	-	-	-	-	**692**
Total financial assets	**260 461**	**2 150**	**9 103**	**21 040**	**85 326**	**4 082**	**382 162**
Financial liabilities							
Financial liabilities at fair value through profit or loss	104	167	7	-	-	-	**278**
Liabilities to central bank	-	-	-	-	3 859	-	**3 859**
Liabilities to financial institutions	183	-	-	-	-	-	**183**
Deposits	325 987	1 780	10 587	8 214	9 975		**356 543**
Subordinated liabilities	-	-	-	291	5 162	-	**5 453**
Debt securities issued	-	-	-	-	2 037	-	**2 037**
Other financial liabilities	12	23	34	68	673	-	**810**
Contingent liabilities for guarantees	345	-	1 000	-	250	-	**1 595**
Unrecognised loan commitments	626	520	211	614	14 496	-	**16 467**
Total financial liabilities	**327 257**	**2 490**	**11 839**	**9 187**	**36 452**	**-**	**387 225**
Total Equity	-	-	-	-	-	21 663	**21 663**
Total Liabilities and Equity	**327 257**	**2 490**	**11 839**	**9 187**	**36 452**	**21 663**	**408 888**
Net liquidity position as at 31 December 2022	**(66 796)**	**(340)**	**(2 736)**	**11 853**	**48 874**	**(17 581)**	**-**
Net liquidity position as at 31 December 2021	22 165	88	(30)	(2 203)	4 465	(9)	-

* Security deposits

The interest rate analysis chart for the Group's financial assets and financial liabilities, taking into their sensitivity, as at 31 December 2022 is presented in the table below:

'000 EUR	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing financial instruments	Total
Financial assets								
Cash and due from central banks	2 699	-	-	-	-	-	289	**2 988**
Demand deposits with credit institutions	-	-	-	-	-	-	8 068	**8 068**
Financial instruments designated at fair value through profit or loss	770	87	32	209	4 594	-	5 965	**11 657**
Debt securities measured at fair value through other comprehensive income	11 845	-	-	1 925	1 002	3 308	-	**18 080**
Financial assets measured at amortized cost	195 332	2 007	5 180	19 397	40 522	41 466	38 930	**342 834**
Other financial assets	1 152	-	-	-	-	-	15	**1 167**
Long positions of interest rates risk sensitive off-balance items*	14 015	3 746	2 264	-	1 203	-	-	**21 228**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**225 813**	**5 840**	**7 476**	**21 531**	**47 321**	**44 774**	**53 267**	**406 022**
Financial liabilities								
Financial liabilities at fair value through profit or loss	104	167	7	-	-	-	-	**278**
Liabilities to central bank	-	-	-	-	-	-	3 859	**3 859**
Liabilities to financial institutions	-	-	-	-	-	-	183	**183**
Deposits	4 065	1 772	10 087	8 214	9 775	-	321 329	**355 242**
Subordinated liabilities	-	-	-	299	5 124	-	30	**5 453**
Debt securities issued	-	-	-	-	2 001	-	36	**2 037**
Other financial liabilities	534	-	-	-	9	-	1 499	**2 042**
Short positions of interest rates risk sensitive off-balance items*	13 899	3 895	2 262	-	1 147	-	-	**21 203**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**18 602**	**5 834**	**12 356**	**8 513**	**18 056**	**-**	**326 936**	**390 297**
Net position as at 31 December 2022	**207 211**	**6**	**(4 880)**	**13 018**	**29 265**	**44 774**	**(273 669)**	**15 725**
Net position as at 31 December 2021	-	-	-	-	-	-	-	-

*Foreign currency forward agreements and Foreign currency contracts

The amounts in the tables above represent interest rate gap position by carrying amounts of the financial assets and liabilities as at the reporting date and do not include future interest payments. The interest rate analysis chart for the Bank's financial assets and financial liabilities, taking into their sensitivity, as at 31 December 2022 is presented in the table below:

'000 EUR	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing financial instruments	Total
Financial assets								
Cash and due from central banks	2 699	-	-	-	-	-	289	**2 988**
Demand deposits with credit institutions	-	-	-	-	-	-	8 065	**8 065**
Financial instruments designated at fair value through profit or loss	770	87	32	209	4 594	-	5 965	**11 657**
Debt securities measured at fair value through other comprehensive income	11 845	-	-	1 925	1 002	3 308	-	**18 080**
Financial assets measured at amortized cost	210 827	1 963	5 055	18 906	34 136	31 191	38 602	**340 680**
Other financial assets	677	-	-	-	-	-	15	**692**
Long positions of interest rates risk sensitive off-balance items*	14 015	3 746	2 264	-	1 203	-	-	**21 228**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**240 833**	**5 796**	**7 351**	**21 040**	**40 935**	**34 499**	**52 936**	**403 390**
Financial liabilities								
Financial liabilities at fair value through profit or loss	104	167	7	-	-	-	-	**278**
Liabilities to central bank	-	-	-	-	-	-	3 859	**3 859**
Liabilities to financial institutions	-	-	-	-	-	-	183	**183**
Deposits	3 075	1 772	10 587	8 214	9 975	-	322 920	**356 543**
Subordinated liabilities	-	-	-	299	5 124	-	30	**5 453**
Debt securities issued	-	-	-	-	2 001	-	36	**2 037**
Other financial liabilities	-	-	-	-	-	-	810	**810**
Short positions of interest rates risk sensitive off-balance items*	13 899	3 895	2 262	-	1 147	-	-	**21 203**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**17 078**	**5 834**	**12 856**	**8 513**	**18 247**	**-**	**327 838**	**390 366**
Net position as at 31 December 2022	**223 755**	**(38)**	**(5 505)**	**12 527**	**22 688**	**34 499**	**(274 902)**	**13 024**
Net position as at 31 December 2021	14 100	10 114	4 984	(1 459)	(1 528)	-	423	26 634

*Foreign currency forward agreements and Foreign currency contracts

The amounts in the tables above represent interest rate gap position by carrying amounts of the financial assets and liabilities as at the reporting date and do not include future interest payments.

Currency analysis in the table is the currency structure of the Group's financial assets and financial liabilities as at 31 December 2022:

’000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	2 927	52	9	2 988
Demand deposits with credit institutions	3 590	1 992	2 486	8 068
Financial instruments designated at fair value through profit or loss	11 457	200	-	11 657
Debt securities measured at fair value through other comprehensive income	6 891	11 189	-	18 080
Financial assets measured at amortized cost	279 135	62 405	1 294	342 834
Other assets	1 167	-	-	1 167
Total financial assets	**305 167**	**75 838**	**3 789**	**384 794**
Off-balance (currency SWAP nominal value)	13 308	7 552	368	21 228
Financial liabilities				
Financial liabilities at fair value through profit or loss	278	-	-	278
Liabilities to central bank	3 859	-	-	3 859
Liabilities to financial institutions	-	183	-	183
Deposits	285 155	66 373	3 714	355 242
Subordinated liabilities	2 305	3 148	-	5 453
Debt securities issued	2 037	-	-	2 037
Other financial liabilities	2 042	-	-	**2 042**
Total financial liabilities	**295 676**	**69 704**	**3 714**	**369 094**
Total Equity and reserves	22 834	-	-	22 834
Total Liabilities and Equity	**318 510**	**69 704**	**3 714**	**391 928**
Off-balance (currency SWAP nominal value)	7 343	13 409	451	21 203
Net currency balance position as at 31 December 2022	**(13 343)**	**6 134**	**75**	**(7 134)**
Net currency position as at 31 December 2022 (balance & off-balance)	**(7 490)**	**277**	**(8)**	**(7 221)**
Net currency balance position as at 31 December 2021	-	-	-	-
Net currency position as at 31 December 2021 (balance & off-balance)	-	-	-	-

The following table shows the Bank's currency structure of financial assets and financial liabilities at 31 December 2022:

'000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	2 927	52	9	2 988
Demand deposits with credit institutions	3 587	1 992	2 486	8 065
Financial instruments designated at fair value through profit or loss	11 457	200	-	11 657
Debt securities measured at fair value through other comprehensive income	6 891	11 189	-	18 080
Financial assets measured at amortized cost	276 981	62 405	1 294	340 680
Other assets	692	-	-	692
Total financial assets	**302 535**	**75 838**	**3 789**	**382 162**
Off-balance (currency SWAP nominal value)	13 308	7 552	368	21 228
Financial liabilities				
Financial liabilities at fair value through profit or loss	278	-	-	278
Liabilities to central bank	3 859	-	-	3 859
Liabilities to financial institutions	-	183	-	183
Deposits	286 456	66 373	3 714	356 543
Subordinated liabilities	2 305	3 148	0	5 453
Debt securities issued	2 037	-	-	2 037
Other financial liabilities	810	-	-	**810**
Total financial liabilities	**295 745**	**69 704**	**3 714**	**369 163**
Total Equity and reserves	21 663	-	-	21 663
Total Liabilities and Equity	**317 408**	**69 704**	**3 714**	**390 826**
Off-balance (currency SWAP nominal value)	**7 343**	**13 409**	**451**	**21 203**
Net currency balance position as at 31 December 2022	**(14 873)**	**6 134**	**75**	**(8 664)**
Net currency position as at 31 December 2022 (balance & off-balance)	**(8 908)**	**277**	**(8)**	**(8 639)**
Net currency balance position as at 31 December 2021	29 336	2 748	7	32 091
Net currency position as at 31 December 2021	29 336	2 748	7	32 091

h) Operational Risk

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, which do not comply with the requirements of the external and internal legal regulations, the Bank's employees' and system activities, defects of internal processes, third parties' activities or from other external events as well, including legal risk, but excluding strategic and reputation risk. The aim of the management of the operational risk is to keep the operational risk on the economic reasonable minimum level, to stimulate stability of the Bank's activities and commercial profit in the long term.

The management of the operational risk goes through all the Bank's organizational structure and is realized in each unit of the Bank, that is why the management of the risk is based on overall comprehension of each employee of the Bank on processes he conducts and the risks inherent in these processes (high risk awareness), and on sound risk culture as well. The Bank does not accept operational risks, which exceed the Bank's risk appetite or if the impact of such risks cannot be evaluated in money terms and these risks at the same time are uncontrollable – it is impossible to prevent them or to insure against their consequences irrespective of economic benefit, which could arise from acceptance of such operational risks. In order to mitigate operational risk, the Bank uses the expert assessment method and self-assessment; risk assessment prior launch of new products/process; implementation of quantitative indicators of operational risk; usage of database of risk events; stress – testing and scenario analysis.

i) Money Laundering and Terrorism and Proliferation Financing (further – ML/TPF) Risk

ML/TPF risk is the risk that the Group can be involved into money laundering or terrorism or proliferation financing. Internal control system operates in the Bank, observing requirements of the binding regulatory enactments and taking into account the best international practice, in order to prevent the use of financial services of the Bank for the ML/TPF, dedicating the respective resources for that purpose and training employees. The Bank has internal rules to identify each client and to apply due diligence procedures in accordance with a degree of the risk of the client. Depending on the degree of the ML/TPF risk, the Bank has procedures to investigate the nature of personal or economic activity of the client, origin of funds in accounts held with the Bank and nature of transactions. The Bank employees servicing the clients have a deep level of knowledge and experience in anti - money laundering and combating terrorism and proliferation financing (further - AML/CTPF) issues and constitute the first line of defense. As the second line of defense the special client supervision structural unit is established in the Bank that is intended to enforce ensure due diligence of the clients of the Bank prior to establishing business relations, supervision of transactions during business relations as well as to oversee exactly proper and timely performance of duties of the Bank stipulated in the law in relations with the competent state bodies.
The third line of defense is independent internal audit function. The Bank has zero tolerance level to persons from the international sanction lists or persons which are involved in supporting proliferation. The quality control function provides a constant assessment of the effectiveness of the established internal control elements. In accordance with the requirements of regulatory acts, the Bank conducts a regular independent evaluation of its established internal control system. The Bank provides on-line payment monitoring to ensure compliance to the sanction lists. There is special employee appointed as a responsible person for sanction risk management. The Bank has the modest quantity of clients and it has deep knowledge of each of them which allows minimizing ML/TPF risk.

j) Compliance and Reputation Risk

Compliance and reputation risk is the risk that the Group, by not being in compliance with legislation, may suffer losses or legal obligations or penalties may be imposed against the Bank or the Bank's reputation may suffer. The Bank has developed and implemented the „Compliance Policy" with the aim, of subject to compliance with the requirements of the legislation, to strengthen confidence in the Bank; to protect the Bank's reputation, to lower the cost of capital; to reduce litigation and sanctions enforcement risks. To manage the compliance risk the Bank:

- has established a Compliance committee that has a central role in compliance risk management. The Compliance committee of the Bank evaluates and assesses identified compliance risks, decides on appropriate risks mitigation actions to be taken, monitors efficiency of compliance risks management.
- keeps track of changes of compliance legislation and implements appropriate changes to internal regulatory documents of the Bank;
- actively participates in the Finance Latvia Association held discussions/workshops on issues that affect the challenges in AML/CTPF area;
- evaluates the Bank's internal regulatory documents and the lack of practical application;
- analyses and compares the performance data to ensure their compliance with the certain requirements proactively;
- actively keeps all employees informed on the recent developments in AML/CTPF area;
- analyses the Bank client's complaints.

k) Strategy Risk

Strategy risk is the risk that the changes in the business environment and the Group's failure to respond to these changes timely, or false/unsubstantiated activities of the Bank's long-term strategy, or the Bank's inability to provide the necessary resources for the implementation of the strategy could adversely affect the Bank's income/expense (and the amount of equity capital). The Bank has developed operational development strategies, the implementation of which is regularly monitored and updated as necessary. The Bank plans its work with a variety of scenarios, including the negative scenarios that reflect the possible impact of adverse external conditions on the Bank's results.

Planning activities within the framework of development, the Bank carries out analysis of the external environment, competitiveness of the Bank, its position in the financial market, Bank's internal business environment, including macroeconomic circumstances, with the purpose to determine the likelihood that an event in a business environment, in which the Bank carries out its activities and/or intends to take action in the future, will have a negative impact on the Bank's ability to achieve its strategic objectives (to implement the strategy) and/or threaten the Bank's future operations. Evaluating and planning the Bank's asset and liability structure is based on results of analysis of selected indicators of development activities and the business environment.

6. Capital management

The capital requirements for the Bank and the Group are determined and monitored by the FCMC, whose legal successor is the Bank of Latvia since January 1, 2023.
The Bank and the Group defines as capital those items defined by statutory regulation as capital.
The Bank's and the Group's capital position are calculated in accordance with the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 . As at 31 December 2022, the individual minimum Capital adequacy ratio level for the Bank is set at 14.10 % (2021: 15.40 %). The Bank was in compliance with the FCMC determined individual capital ratio as at 31 December 2022 and 2021.
The Group's risk based capital adequacy ratio as at 31 December 2022 was 16.84 %.
The Bank's risk based capital adequacy ratio as at 31 December 2022 was 16.69 % (2021: 41.41 %).
As at 31 December 2022, the Tier 1 Capital adequacy ratio level for the Bank was 14.77 % (2021: 41.41 %). The Group monitors its capital adequacy levels calculated in accordance with the requirements of the regulations, commonly known as Basel III agreement and its implementing act in Europe, commonly known as CRD IV package.
The following table shows the composition of the Group and the Bank's capital position as at 31 December 2022 and 2021:

'000 EUR	2022 Group	2022 Bank	2021 Bank
Tier 1 capital			
Share capital	11 644	11 644	11 644
Additional paid-in capital	6 360	6 360	6 360
Reserves	24	24	(119)
Accumulated profit / (losses)	4 464	3 582	14 725
Reductions of tier 1 capital	(1 086)	(1 061)	(617)
Additional deductions for Tier 1 capital according to Article 3 of the CRR	(47)	(47)	-
Common Equity Tier 1 capital	21 359	20 502	31 993
Additional Tier 1 capital	2 000	2 000	-
Total tier 1 capital	**23 359**	**22 502**	**31 993**
Tier 2 capital			
Subordinated liabilities (unamortised portion)	2 923	2 923	-
Total tier 2 capital	2 923	2 923	-
Total capital	**26 282**	**25 425**	**31 993**
Capital requirements			
Credit risk requirements	10 004	10 028	5 022
Market risk requirements	35	35	697
Operational risk requirements	2 445	2 445	462
Total capital requirements	**12 484**	**12 508**	**6 181**
Total risk exposure amount	**156 049**	**152 343**	**77 264**
Capital adequacy ratio	**16.84%**	**16.69%**	**41.41%**
CET 1 Capital adequacy ratio	**13.69%**	**13.46%**	**41.41%**
Tier 1 Capital adequacy ratio	**14.97%**	**14.77%**	**41.41%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of assets and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.
The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements during the years ended 31 December 2022 and 31 December 2021.

7. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key sources of estimation uncertainty:

(i) Expected credit losses
For investments in financial instruments classified as amortized cost or measured at fair value through other comprehensive income, the Group regularly assesses whether there has been a significant increase in credit risk since the acquisition and when a significant increase in credit risk has occurred, for these financial instruments the Group calculates the expected loss that it may incur during the remaining term of these financial instruments until maturity as opposed to expected losses in the 12-month period for financial instruments for which no significant credit risk increase has been identified.
For calculation of provisions for expected credit losses the Group uses significant assumptions and judgements. When calculating provisions for expected credit losses for its investments in debt securities and amounts due from other banks and counterparties, the Group uses average default rates for debt issuers with corresponding credit rating during the period of previous 10 years based on the data by credit rating agencies as well as historic data on average losses in case of default according to the data by the same credit rating agencies. However, the number of defaults and losses experienced by the Group in future periods may differ from the estimated indicators. Also, when calculating provisions for expected credit losses for issued loans, the Group bases its expectations on its own experienced defaults over the period of past 5 years. However, also taking into account that the number of defaulted loans has been small, there is a possibility that the number of defaults in the next periods may not correspond to the forecasted numbers. In addition, when calculating provisions for expected credit losses for issued loans, the Group makes assumptions about sale value of collateral assets, and, even though the Group applies discount to calculate possible values of collateral assets, it is possible that in some cases sale values of collateral assets may be lower than the assumed values.
The procedure for determining the significant increase in credit risk and the procedure for calculating the expected loss is described in Note 4, which describes the accounting policy.

(ii) Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
The Group has an established control framework with respect to the measurement of fair values.
Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Bank assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS as adopted by EU. This includes:
- Verifying that broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;

- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value of non-financial assets is determined taking into account market participants' view of highest and best use of these assets, even if it is different from current use. The highest and best use has to be physically possible, legally permissible and financially feasible.

Further information about the assumptions and judgments made in measuring fair values is included in Note 37 Fair value of financial instruments.

(iii) Classification of investment in associate

Upon acquisition of an entity's shares it is being assessed whether control or significant influence has been acquired, or whether investment is a financial instrument accounted under IFRS 9. In assessment of control and level of influence the Bank considers direct and indirect interest in equity, as well as other circumstances that allow the Bank to influence operations of the investee. In 2018 the Bank applied the described procedures when judging about classification of shares acquired as a result of a loan restructuring, as described in Note 20.

(iv) Valuation of real estate development projects

In assessment of real estate development projects the Bank has to make assumptions and judgements in relation to future outcomes that can significantly affect results of the project in subsequent periods. The Bank prefers to use external data from independent sources, uses local and international real estate market experts' opinion, as well as estimates, forecasts and financial data of real estate market participants. Having considered nature of development project, the Bank defines key parameters that can affect the outcome of the project and assesses key sources of uncertainty. The Bank validates key parameters using external sources of information as much as possible. In addition, in order to estimate the effect of uncertainty the Bank performs sensitivity testing against changes in parameters. In 2022 and 2021 the Bank applied the procedures described when it was assessing fair value of assets of associate entity it acquired, as described in Note 20.

(v) Impairment of Non-financial Assets

It is assessed at each reporting date whether events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. This assessment is carried out more often, if there are events or changes in circumstances that indicate that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. This written down amount constitutes an impairment loss.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

This increase constitutes the reversal of impairment losses.

The Bank and Group apply the procedures described when assessing the value of investment in associates, as their main assets are non-financial.

(vi) Estimate of provision amounts

Provisions are recognised in amount that is the best estimate as of the reporting date. Management of the Group and Bank estimates provisions required to cover obligations. In preparation of the estimate management uses available information, evidence and experience, as well as engages independent experts if necessary.

8. Net interest income

'000 EUR	2022 Group	2022 Bank	2021 Bank
Interest income calculated using the effective interest method			
Interest income on financial assets at amortized cost			
Loans and advances due from customers	4 638	4 460	1 662
Debt securities	528	528	-
Balances due from financial institutions	-	-	43
Other assets	30	30	-
Interest income on debt securities at fair value through profit or loss in other comprehensive income	308	308	413
Interest income on financial assets mandatorily at fair value through profit or loss	12	12	-
Interest income on liabilities from Latvian Bank	25	25	-
Total interest income	**5 541**	**5 363**	**2 118**
Interest expense			
Interest expense recognised on liabilities measured at amortised cost			
Current accounts and deposits due to customers	(278)	(281)	(265)
Subordinated liabilities	(162)	(162)	-
Balances due to financial institutions	(89)	(89)	(66)
Interest expense on issued debt securities	(36)	(36)	
Payments to the deposit guarantee fund and other expenses	(132)	(132)	(75)
Lease commitments	(24)	(24)	(10)
Other interest expense	(41)	-	(7)
Total interest expense	**(762)**	**(724)**	**(423)**
Net interest income	**4 779**	**4 639**	**1 695**

Interest income on loans and advances due from customers classified in stage 2 and stage 3 during the year ended 31 December 2022 Bank amounted to EUR 253 thousand (2021: EUR 44 thousand).

9. Fee and commission income

'000 EUR	2022 Group	2022 Bank	2021 Bank
Structured products	1 697	1 697	-
Asset management and fiduciary services	1 548	1 423	210
Brokerage operations	1 453	1 453	95
Servicing current accounts	1 078	1 078	545
Credit card maintenance	137	137	11
Other	170	169	163
Total	**6 083**	**5 957**	**1 024**

10. Fee and commission expense

'000 EUR	2022 Group	2022 Bank	2021 Bank
Asset management and brokerage services	743	736	58
Agency fees	717	717	-
Settlements	84	83	55
Other	28	28	92
Total	**1 572**	**1 564**	**205**

11. General administrative expenses

'000 EUR	2022 Group	2022 Bank	2021 Bank
Employee compensation and payroll taxes	5 275	4 891	3 290
Depreciation and amortization	594	584	390
Communications and information services	482	480	496
IT services costs	370	368	90
Payment cards expenses	310	310	100
Other employee expenses	301	99	-
Advertising and marketing	244	219	48
Non-refundable value added tax	167	166	2
Professional services	112	90	249
Rent and utilities payments	72	72	60
Donations	63	63	-
Other	790	699	256
Total	**8 780**	**8 041**	**4 981**

Audit and other fees paid to the independent auditor company which has audited these financial statements are presented within administrative expenses under the heading "Professional services". Other audits and consultations included audit related services to fullfil regulatory requirements on custodian responsibilities,deposit guarantee fund contribution reporting and other.

'000 EUR	2022 Group *	2022 Bank *	2021 Bank **
Expenses and payments made in previous periods to a sworn auditor for the audit of the annual report	72	51	48
Expenses and payments made in previous periods to a sworn auditor for non - audit services	6	6	4
Total	**78**	**57**	**52**

* Auditor: SIA "BDO Assurance"
** Auditor: PricewaterhouseCoopers SIA

The Bank's rental fees for low value inventory rental in the amount of EUR 7 thousand are included under the item 'IT services costs' (2021: was not) and in the amount of EUR 2 thousand - under the item 'Other' (2021: was not).

In 2022 the Group employed an average of 144 persons, whereas the Bank employed an average of 98 (2021: 68).

Number of employees of the Group and the Bank at the year end:

	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Management	12	4	4
Heads of divisions and departments	25	22	15
Other personnel	107	87	51
Total at the end of the year	**144**	**113**	**70**

12. Impairment recovery/(loss)

Total net asset impairment allowance included in statement of income:

’000 EUR	2022 Group	2022 Bank	2021 Bank
Loans and advances due from customers	440	230	(139)
Debt securities	(251)	(251)	-
Balances due from financial institutions	1	1	-
Total impairment allowance and provisions charged to income statement, net	**190**	**(20)**	**(139)**

Changes in the Group financial and other asset impairment allowance for the year ended 31 December 2022:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(307)	56	(251)
Loans and advances due from customers	(1 157)	1 454	297
Other financial and non-financial assets	(7)	7	-
Balances due from financial institutions	-	1	1
Total stage 1 impairment	**(1 471)**	**1 518**	**47**
Stage 2			
Loans and advances due from customers	(49)	(22)	(71)
Total stage 2 impairment	**(49)**	**(22)**	**(71)**
Stage 3			
Loans and advances due from customers	99	115	214
Total stage 3 impairment	**99**	**115**	**214**
Total allowances for credit losses recognised in profit or loss, net	**(1 421)**	**1 611**	**190**

12. Impairment recovery/(loss) (continued)

Changes in the Bank financial and other asset impairment allowance for the year ended 31 December 2022:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(307)	56	(251)
Loans and advances due from customers	(676)	913	237
Other financial and non-financial assets	(7)	7	-
Balances due from financial institutions	-	1	1
Total stage 1 impairment	**(990)**	**977**	**(13)**
Stage 2			
Loans and advances due from customers	(9)	18	9
Total stage 2 impairment	**(9)**	**18**	**9**
Stage 3			
Loans and advances due from customers	(16)	-	(16)
Total stage 3 impairment	**(16)**	**-**	**(16)**
Total allowances for credit losses recognised in profit or loss, net	**(1 015)**	**995**	**(20)**

Changes in the Bank financial and other asset impairment allowance for the year ended 31 December 2021:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Loans and advances due from customers	(156)	42	(114)
Total stage 1 impairment	**(156)**	**42**	**(114)**
Stage 2			
Loans and advances due from customers	-	(25)	(25)
Total stage 2 impairment	**-**	**(25)**	**(25)**
Total stage 3 impairment	**-**	**-**	**-**
Total allowances for credit losses recognised in profit or loss, net	**(156)**	**17**	**(139)**

13. Income tax

Income tax recognised in the profit or loss:

’000 EUR	2022 Group	2022 Bank	2021 Bank
Income tax recognised in profit or loss	**37**	**32**	**5**

The corporate income tax is payable only for certain expenses which for tax calculation purposes are considered to be the distribution of profit (for example, non-operating expenses and representation expenses that exceed a specific threshold).

14. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Cash	279	279	176
Balances due from central banks	2 709	2 709	9 951
Subtotal	**2 988**	**2 988**	**10 127**
Demand deposit due from financial institutions	8 068	8 065	1 764
Total	**11 056**	**11 053**	**11 891**

Deposits with the Bank of Latvia represent the balance outstanding on correspondent account in EUR. Credit institutions should comply with the compulsory reserve requirement calculated on the basis of attracted funding. The Bank's compulsory reserve must be exceeded by a credit institution's average monthly euro balance on its correspondent account with the Bank of Latvia.

15. Financial assets and liabilities at fair value through profit or loss

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Assets			
Debt securities			
Corporate debt securities *	3 292	3 292	4 466
Financial institutions debt securities *	2 041	2 041	-
Credit institutions debt securities *	-	-	543
Total debt securities	**5 333**	**5 333**	**5 009**
Equity instruments			
Financial institutions shares*	5 953	5 953	**983**
Corporate shares*	12	12	-
Total equity instruments	**5 965**	**5 965**	**983**
Derivative financial instruments			
Foreign currency contracts	357	357	-
Foreign currency forward agreements	2	2	-
Total derivative financial instruments	**359**	**359**	**-**
Total assets at fair value	**11 657**	**11 657**	**5 992**
Notional amount			
Derivative financial instruments			
Foreign currency forward agreements	18 160	18 160	-
Foreign currency contracts	3 069	3 069	-
Total derivative financial instruments at national amount	**21 229**	**21 229**	**-**
Liabilities			
Derivative financial instruments, Foreign currency contracts	278	278	-
Total liabilities at fair value	**278**	**278**	**-**
Notional amount			
Derivative financial instruments			
Foreign currency forward agreements	18 133	18 133	-
Foreign currency contracts	3 070	3 070	-
Total derivative financial instruments at national amount	**21 203**	**21 203**	**-**

*held for trading

Included in financial assets and financial liabilities at fair value through profit or loss at 31 December 2022 are EUR 11.7 million (2021: EUR 6 million) and EUR 0.2 million (2021: was not) respectively which are held for trading.

16. Balances due from financial institutions

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Not impaired or past due			
Nostro accounts			
OECD banks[1]	8 049	8 046	**202**
Non-OECD banks	19	19	**1 562**
Credit ratings[2]			
Rated A- and above	6 968	6 967	15
AA	122	122	-
Rated from BBB- to BBB+	-	-	1 562
Not rated	978	976	187
Total nostro accounts	**8 068**	**8 065**	**1 764**
Loans and deposits[3]			
OECD banks[3]	3 371	3 371	-
Credit ratings[2]			
Not rated	3 371	3 371	-
Total loans and deposits not impaired	**3 371**	**3 371**	**-**
Total balances due from financial institutions	**11 439**	**11 436**	**1 764**

1. Nostro accounts held with OECD banks include balances with 11 counterparties (31 December 2021: 7) two of which exceed 61% (31 December 2021: 82%) of the total account balance. The respective one counterparties credit rating was A+, other do not have credit ratings (31 December 2021: Rated from BBB- to BBB+) as at 31 December 2022.
2. Balances due from financial institutions are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.
3. Loans and deposits held with OECD banks include balances with 1 financial institutions of which individually exceeds 30% of the total balance. Do not have credit ratings, is registered and operates in the EU.

As at 31 December 2022 and 2021 the Group's and Bank's balances due from financial institutions had no impairments.

Concentration of placements with banks and other financial institutions

As at 31 December 2022 and 2021 the Group and the Bank had a number of due from balances with banks and financial institutions that individually exceeded 10% of the total balances due from financial institutions. As of 31 December 2022 and 2021 none of these balances individually exceeded 60 % and 81 % respectively. The gross value of due from balances with banks and financial institutions that individually exceeded 10% of the total balances due from financial institutions as of 31 December 2022 was EUR 10 339 thousand (31 December 2021: EUR 1 668 thousand) and it included 2 banks (31 December 2021: 2) with the credit ratings 1 - A-, 1 – no ratings (31 December 2021: one – no ratings, to the other BBB- to BBB+).

17. Loans and advances due from non-banks

Breakdown of loans issued by the Group and the Bank by customer type:

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Corporate entities	59 170	59 170	30 068
Private individuals and Associations and foundations serving individuals and households	38 757	20 918	2 643
Financial auxiliaries and other financial intermediaries	21 751	37 353	-
Total loans and advances due from non-banks	**119 678**	**117 441**	**32 711**
Total impairment allowance	(1 344)	(1 261)	(703)
Loans and advances due from non-banks customers, net	**118 334**	**116 180**	**32 008**

Six loans in the total amount of 7 718 thousand EUR had active restructured status as at 31 December 2022 (2021: one loan, 6 427 thousand EUR).
In the tables below estimated Group's fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ⩾ 100%):

'000 EUR	31 Dec 2022 Group			
	LTV < 100%		LTV ⩾ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Business loans	45 243	175 607	1 863	4 053
Reverse repo and loans secured by financial instruments	4 657	8 378	100	98
Consumer loans	8 382	17 451	18 060	-
Mortgage loans	19 418	92 524	-	-
Other deposits with financial institutions	-	-	12 344	5 625
Other	8 686	30 721	925	312
Loans and advances due from non-banks	**86 386**	**324 681**	**33 292**	**10 088**
Impairment allowance	(227)	-	(1 117)	-
Loans and advances due from customers, net	**86 159**	**324 681**	**32 175**	**10 088**

17. Loans and advances due from non-banks (continued)

In the tables below estimated Bank’s fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ≥ 100%):

’000 EUR	31 Dec 2022 Bank				31 Dec 2021 Bank			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Business loans	60 845	191 819	1 863	4 053	2 748	7 367	3	-
Reverse repo and loans secured by financial instruments	4 657	8 378	100	98	117	185	-	-
Consumer loans	8 382	17 451	221	-	2 525	5 655	1	-
Mortgage loans	19 418	92 524	-	-	24 977	67 497	2 340	2 260
Other deposits with financial institutions	-	-	12 344	5 625	-	-	-	-
Other	8 686	30 721	925	312	-	-	-	-
Loans and advances due from customers	**101 988**	**340 893**	**15 453**	**10 088**	**30 367**	**80 704**	**2 344**	**2 260**
Impairment allowance	(1 063)	-	(198)	-	(681)	-	(22)	-
Loans and advances due from customers, net	**100 925**	**340 893**	**15 255**	**10 088**	**29 686**	**80 704**	**2 322**	**2 260**

17. Loans and advances due from non-banks (continued)

The following table shows the types of credit collateral and its geography for the Group as at 31 December 2022:

'000 EUR		Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Real estate	Financial instruments	Money and deposits	Another type of collateral	
Loans and advances due from non-banks						
Business loans	46 955	**92 956**	**13 405**	**4 062**	**69 236**	**179 659**
OECD countries		3 735	-	1 504	1 425	6 664
Russia		1 639	-	9	583	2 231
Latvia		78 426	13 405	2 549	67 228	161 608
*Other countries**		9 156	-	-	-	9 156
Reverse repo and loans secured by financial instruments	**4 755**	**8**	**8 468**	**-**	**-**	**8 476**
OECD countries		2	680	-	-	682
Russia		-	153	-	-	153
Latvia		-	6 554	-	-	6 554
*Other countries**		6	1 081	-	-	1 087
Consumer loans	**25 401**	**15 016**	**994**	**159**	**1 283**	**17 452**
Latvia		5 857	246	87	1 283	7 473
Russia		4 012	-	64	-	4 076
OECD countries		420	-	8	-	428
*Other countries**		4 727	748	-	-	5 475
Mortgage loans	**19 377**	**70 228**	**2 024**	**2 665**	**17 608**	**92 525**
Latvia		64 540	100	2 243	17 608	84 491
Russia		3 260	1 924	62	-	5 246
OECD countries		2 428	-	360	-	2 788
Other deposits with financial institutions	**12 344**	**-**	**-**	**5 625**	**-**	**5 625**
OECD countries		-	-	5 625	-	5 625
Other	**9 502**	**26 321**	**1 733**	**669**	**2 309**	**31 032**
Latvia		17 286	-	637	2 285	20 208
OECD countries		9 035	1 733	32	24	10 824

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, etc.)

17. Loans and advances due from non-banks (continued)

The following table shows the types of credit collateral and its geography for the Bank as at 31 December 2022:

’000 EUR		Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Real estate	Financial instruments	Money and deposits	Another type of collateral	
Loans and advances due from non-banks						
Business loans	**61 721**	**92 957**	**13 404**	**4 428**	**85 082**	**195 871**
OECD countries		3 735	-	1 504	1 425	6 664
Russia		1 639	-	9	583	2 231
Latvia		78 427	13 404	2 915	83 074	177 820
*Other countries**		9 156	-	-	-	9 156
Reverse repo and loans secured by financial instruments	**4 755**	**8**	**8 468**	**-**	**-**	**8 476**
OECD countries		2	680	-	-	682
Russia		-	153	-	-	153
Latvia		-	6 554	-	-	6 554
*Other countries**		6	1 081	-	-	1 087
Consumer loans	**8 481**	**15 016**	**994**	**159**	**1 283**	**17 452**
Latvia		5 857	246	87	1 283	7 473
Russia		4 012	-	64	-	4 076
OECD countries		420	-	8	-	428
*Other countries**		4 727	748	-	-	5 475
Mortgage loans	**19 377**	**70 228**	**2 024**	**2 665**	**17 608**	**92 525**
Latvia		64 540	100	2 243	17 608	84 491
Russia		3 260	1 924	62	-	5 246
OECD countries		2 428	-	360	-	2 788
Other deposits with financial institutions	**12 344**	**-**	**-**	**5 625**	**-**	**5 625**
OECD countries		-	-	5 625	-	5 625
Other	**9 502**	**26 321**	**1 733**	**669**	**2 309**	**31 032**
Latvia		17 286	-	637	2 285	20 208
OECD countries		9 035	1 733	32	24	10 824

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, etc.)

17. Loans and advances due from non-banks (continued)

The following table shows the types of credit collateral and its geography for the Bank as at 31 December 2021:

’000 EUR		Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Real estate	Financial instruments	Money and deposits	Another type of collateral	
Loans and advances due from customers						
Business loans	2 734	-	-	-	7 367	**7 367**
Latvia		-	-	-	7 367	7 367
Reverse repo and loans secured by financial instruments	117	-	185	-	-	**185**
Latvia		-	185	-	-	185
Consumer loans	2 513	5 655	-	-	-	**5 655**
OECD countries		5 655	-	-	-	5 655
Mortgage loans	26 644	69 757	-	-	-	**69 757**
Latvia		69 757	-	-	-	69 757

Geographical analysis of the loan portfolio to the Group and the Bank. Geographic split of borrowers' credit risk is based on the country of origin of their projected cash flows used for loan repayment.

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Loans and advances due from customers			
Latvia	83 668	81 431	30 186
OECD countries	7 260	7 260	-
Russia	5 557	5 557	-
Other countries*	23 193	23 193	2 525
Total loans and advances due from non-banks	**119 678**	**117 441**	**32 711**
Total impairment allowance	**(1 344)**	**(1 261)**	**(703)**
Loans and advances due from non-banks, net	**118 334**	**116 180**	**32 008**

* single primary country cannot be identified, Borrowers’ Income is generated in different countries (EU countries, etc.). Furthermore borrower has income that is generated internationally (FI investment portfolio, sale of movable property etc.)

Significant credit exposures

As of December 31, 2022 the Bank had one (2021: three) borrower whose total credit obligations to the Bank exceeded 10% of the amount of loans issued by the Bank, which amounted to EUR 14 766 thousand (2021: EUR 17 241 thousand). As of 31 December 2022, the Group had no customers, whose balances exceeded 10% of loans to customers (2021: the same).
According to regulatory requirements, the Group is not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at 31 December 2022 and 2021 the Group was in compliance with this requirement.

18. Debt securities measured at fair value through other comprehensive income

Debt securities of the Group and the Bank measured at fair value through other comprehensive income, by type of issuer:

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Debt securities			
Government and municipal bonds			
European Union and EEA	11 189	11 189	12 536
Total government and municipal bonds	**11 189**	**11 189**	**12 536**
Financial authorities and institutions bonds			
European Union and EEA	655	655	-
Other countries	-	-	2 802
Total Financial authorities and institutions bonds	**655**	**655**	**2 802**
Corporate bonds			
European Union and EEA	6 236	6 236	6 641
Other countries	-	-	4 854
Total corporate bonds	**6 236**	**6 236**	**11 495**
Total debt securities measured at fair value through other comprehensive income	**18 080**	**18 080**	**26 833**

Geographical allocation is based on countries of principal entities.

Debt securities of the Group and the Bank measured at fair value through other comprehensive income quality analysis:

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Debt securities [1]			
Government and municipal bonds			
Rated from AAA- to A-	11 189	11 189	10 419
Rated from BBB+ to BBB-	-	-	2 117
Total government and municipal bonds	**11 189**	**11 189**	**12 536**
Financial institutions bonds			
BBB+ to BBB-	655	655	2 802
Total Financial institutions bonds	**655**	**655**	**2 802**
Corporate bonds			
BB+	501	501	9 768
BBB+ to BBB-	-	-	1 715
Not rated [2]	5 735 [3]	5 735 [3]	12 [4]
Total corporate bonds	**6 236**	**6 236**	**11 495**
Total debt securities measured at fair value through other comprehensive income	**18 080**	**18 080**	**26 833**

1. Financial assets measured at fair value through other comprehensive income are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.
2. Group's and Bank's all Financial instruments issued by issuers were included in Stage 1 according to IFRS 9 requirements.
3. Group's and Bank's all Financial instruments issued by 4 issuers were included in Stage 1 according to IFRS 9 requirements
4. Bank's Financial instruments issued by 1 issuer were included in Stage 1 according to IFRS 9 requirements

19. Debt securities measured at amortized cost

Debt securities of the Group and the Bank measured at amortized cost, by type of issuer:

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Debt securities			
Government and municipal bonds			
European Union	107 175	107 175	-
Latvia	24 545	24 545	-
Other countries	1 037	1 037	-
Total government and municipal bonds, gross	**132 757**	**132 757**	-
Impairment allowance	(297)	(297)	-
Total government and municipal bonds, net	**132 460**	**132 460**	**-**
Financial institutions bonds			
European Union and EEA	7 360	7 360	-
Total financial institutions bonds, gross	**7 360**	**7 360**	-
Impairment allowance	(5)	(5)	-
Total financial institutions bonds, net	**7 355**	**7 355**	-
Corporate bonds			
European Union and EEA	3 652	3 652	-
Total corporate bonds, gross	**3 652**	**3 652**	**-**
Impairment allowance	(47)	(47)	-
Total corporate bonds, net	**3 605**	**3 605**	-
Total debt securities measured at amortized cost, net	**143 420**	**143 420**	**-**

Geographical allocation is based on countries of principal entities.

Debt securities of the Group and the Bank measured at amortized cost quality analysis:

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Debt securities [1]			
Government and municipal bonds[1]			
Rated from AA- to AA+	72 624	72 624	-
Rated from AAA- to AAA+	58 801	58 801	-
Rated from BBB- to BBB+	1 035	1 035	-
Total government and municipal bonds, net	**132 460**	**132 460**	**-**
Financial institutions bonds			
Rated from AAA- to AAA+	7 255	7 255	-
Rated from BBB- to BBB+	100	100	-
Total financial institutions and corporate bonds	**7 355**	**7 355**	**-**
Corporate bonds			
Rated from AA- to AA+	1 882	1 882	-
Not rated [2]	1 723	1 723	
Total corporate bonds	**3 605**	**3 605**	**-**
Total debt securities measured at amortized cost, net	**143 420**	**143 420**	**-**

1. Debt securities are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.
2. Bank's Financial instruments issued by 1 were included in Stage 1 according to IFRS 9 requirements

20. Investment in subsidiaries

Bank's investment in subsidiary Signet Asset Management Latvia IPS:

'000 EUR	31 Dec 2022
Investments in Signet Asset Management Latvia IPS	874

	Signet Asset Management Latvia IPAS
Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2022	100 %

Financial position of the subsidiary:

'000 EUR	As at 31 Dec 2022
Non-current assets	200
Current assets	744
Current liabilities	(34)
Net assets	**910**
Group share in net assets	**100 %**
	2022
Income	259
Expenses	(147)
Income tax	-
Profit	**112**
The bank's profit share from the merger of credit institutions 11.07.2022. 100%	**44**

The subsidiary Signet Asset Management Latvia IPS which as at 31 December 2022 had the net asset value of EUR 910 thousand which mainly consists of cash and term deposits of EUR 914 thousand.

During the year ended 31 December 2022 and 2021 the Group did not receive dividends from investment in subsidiary.

In order to assess a possible impairment loss of the investment the Bank assessed the recoverable amount of the investment by applying the value in use approach; no additional impairment was required as a result of the assessment. The assessment was based on discounted dividend model. The profit after tax was assumed to be a proxy for free cash flows available for dividend distribution to the shareholders. The discount rate was calculated based on cost of equity that was determined in amount of 16.40 % (2021: 10.26 %). The Bank applied terminal growth rate of 2 %. The model expects that in 2023 the subsidiary will be change of income by 26 % (+ EUR 67 thousand), and moderate growth in the coming years (in average + EUR 29 thousand, that is + 8 %).

The Bank still considers that Signet Asset Management Latvia IPS is a significant business line having sustainable development and growth prospects for the future.

On the 28th of April 2020 Asset Management Latvia IPS registered their first UCITS compliant open-ended mutual fund "Signet Bond Fund" with two share classes (Class A - USD shares, ISIN: LV0000401008 and Class H - EUR shares, ISIN: LV0000401016). The investment objective is to provide an opportunity for investors to earn an income from a diversified portfolio of fixed income securities. On the 16th of November 2021 tika another fund was registered – "Signet Sustainability Promoting Balanced Fund". It is the first open investment fund in Latvia, which is focused on promoting ESG principles.

20. Investment in subsidiaries (continued)

Bank's investment in subsidiary AS "Primero Holding":

’000 EUR	31 Dec 2022
Investments in AS "Primero Holding"	280

	AS "Primero Holding"
Main activity	Financial services
Country of incorporation	Latvia
Address	3-1 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2021	51 %

Financial position of AS "Primero Holding":

’000 EUR	As at 31 Dec 2022
Non-current assets	**549**
Current assets	**5**
Current liabilities	**(5)**
Net assets	**549**
Bank share 51% in net assets	**280**
’000 EUR	**2022**
Income	-
Expenses	(6)
Loss	**(6)**
The bank's loss share from the merger of credit institutions 11.07.2022. 51%	**(3)**

During the year ended 31 December 2022 Group did not receive dividends from investment in subsidiary.

20. Investment in subsidiaries (continued)

The Bank's subsidiary AS "Primero Holding" has shares in other subsidiary companies - the Latvian company AS "Primero Finance", the Estonian company Primero SV1 OU and the Lithuanian company UAB Primero Finance. The Bank's direct participation in all subsidiaries of the subsidiary company is 51%.
During the year ended 31 December 2022 Group did not receive dividends from investment in subsidiaries.
The Group's investment in the subsidiary's subsidiaries:

'000 EUR	AS "Primero Finance"	Primero SV1 OU	UAB Primero Finance
AS "Primero Holding" participation in the company's capital on December 31, 2022	425	2.5	2.5
Main activity	Financial services	Financial services	Financial services
Country of incorporation	Latvia	Estonia	Lithuania
Address	Antonijas street 3, Riga, LV-1010, Latvia	Harju maakond, Tallinn, Kesklinna linnaosa, Narva mnt 5, 10117, Estonia	Perkūnkiemio g. 6-1, Vilnius, Lithuania

Financial position of AS "Primero Finance":

'000 EUR	As at 31 Dec 2022
Non-current assets	12 869
Current assets	5 159
Non-current liabilities	(16 504)
Current liabilities	(739)
Net assets	**785**
Bank share 51% in net assets	**400**
	2022
Income	1 721
Expenses	(1 547)
Income tax expense	(9)
Profit	**165**
The bank's profit share from the merger of credit institutions 11.07.2022. 51%	**1**

On 7 February 2022, the Bank's subsidiary AS Primero Finance established the Estonian company Primero SV1 OU. The Company as issuer is a securitization special purpose entity ("SSPE"), established for the purposes of performing the Securitization transaction.

Financial position of Primero SV1:

'000 EUR	As at 31 Dec 2022
Current assets	739
Current liabilities	(736)
Net assets	**3**
Bank share 51% in net assets	**1,53**

20. Investment in subsidiaries (continued)

AS "Primero Finance" was sold all owned shares of UAB Primero Finance to AS "Primero Holding". As of December 31, 2022, the core business had not yet started.

Financial position of UAB Primero Finance:

	2022
Expenses	(4)
Loss	**(4)**
The bank's loss share from the merger of credit institutions 11.07.2022. 51%	**(2)**

On 24 July 2020, established a subsidiary Citra Development SIA, with the aim of developing a real estate project in Riga, which is planned to be implemented together with the Bank's customers. Bank's investment in Citra Development SIA:

'000 EUR	31 Dec 2022
Investments in Citra Development SIA	300

	Citra Development SIA
Main activity	Real estate rental and management
Country of incorporation	Latvia
Address	3-5 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2022	100 %

Financial position of Citra Development SIA:

'000 EUR	As at 31 Dec 2022
Non-current assets	137
Current assets	5
Current liabilities	(30)
Net assets	**112**
Bank share 100% in net assets	**112**
	2022
Expenses	(19)
Profit	**(19)**
The bank's profit share from the merger of credit institutions 11.07.2022. 100%	-

21. Investment in associates

The Bank’s investment in company's SIA “LS Medical Property” share capital EUR 880 thousand with the participation of 32%. As the Bank does not have the control over SIA “LS Medical Property” the investment is not consolidated in the Group’s consolidated financial statements.
Bank’s investment in associate:

’000 EUR	31 Dec 2022
Investments in SIA ”LS Medical Property”	880
Part of the Bank’s loss	(211)
Investment in the associate, net	**669**

	SIA ”LS Medical Property”
Main activity	Development of property for hospital operation purposes
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2022	32 %

Financial position of SIA “LS Medical Property”:

’000 EUR	As at 31 Dec 2022
Non-current assets	2 094
Current assets	2
Net assets	**2 096**
Bank’s share 32% in net assets	**671**
	2022
Expenses	(14)
Loss	**(14)**
The bank's loss share from the merger of credit institutions 11.07.2022. 32%	**(3)**

21. Investment in associates (continued)

The Bank and its customers obtained 32 % of share capital in SIA "Citra Kaļķu" which gives the Bank a significant impact. As of December 31, 2022 the Bank's direct investment was 11.68 %. In addition, the Bank exercises the significant impact through its representative in the management board of SIA "Citra Kaļķu". The Bank considers its investment in SIA "Citra Kaļķu" as an investment in an associate. The Bank does not have a decisive control to consider it as a subsidiary, so it is not consolidated.

At the time of acquisition of shareholdings, the Bank also took over claims against SIA Citra Kaļķu in the amount of EUR 471 thousand, which were recognized as part of the loan portfolio. The main asset of SIA Citra Kaļķu is a land plot in the centre of Riga, which the Bank, together with potential investors, plans to use for the construction of a high-quality hotel. To generate the value of the project, the Bank agreed with another member of SIA Citra Kaļķu to purchase their share, paying a security deposit and advance payment total amount EUR 1 106 thousand (classified as prepayment, see Note 25). For the purposes of valuation, the Bank combines all investments made into a single group.

Bank's investment in associate:

'000 EUR	31 Dec 2022
Investments in SIA "Citra Kaļķu"	1 447
Part of the previous year's profit	49
Part of the Bank's profit for the year from 11.07.2022	3
Impairment of investment	(339)
Investment in the associate, net	**1 160**

	SIA "Citra Kaļķu"
Main activity	Real estate transactions, development, leasing and rental of real estate
Country of incorporation	Latvia
Address	Aspāzijas bulvāris 32-1A, Riga LV-1050, Latvia
Ownership interest	
31 December 2022	11.68 %

Financial position of SIA "Citra Kaļķu":

'000 EUR	As at 31 Dec 2022
Non-current assets	10 947
Current assets	-
Non-current liabilities	(1 086)
Current liabilities	-
Net assets	**9 861**
Bank's share 11.68% in net assets	**1 152**
	2022
Income	53
Expenses	(13)
Profit	**40**
The bank's profit share from the merger of credit institutions 11.07.2022. 51%	**3**

Upon acquisition of SIA "Citra Kaļķu" (hereinafter – SIA), the Bank adjusted fair value of the investee's assets, based on their highest and best use that was determined to be the construction of a premium hotel on the SIA's land plot.

21. Investment in associates (continued)

The Bank conducted an impairment test as at 31 December 2022 to verify that the fair value of the investee's assets had not decreased. The test did not establish any decrease in the fair value of the company's assets.

As the basis for the valuation, the Bank relied on an appraisal prepared in 2021 by a certified real estate appraiser, and a forecast by the business partner – a professional hotel operator (hereinafter referred to as the Project Business Partner) – based on the performance of existing hotels, as well as appraisals and information from other external experts.

As at 31.12.2022, the Bank updated the financial model of the development project, which contains the following key parameters and sources for validation of the parameters:

- occupancy rate, which is based on validated information from the Project Business Partner on the occupancy indicators of hotels in similar locations; the occupancy rate is lower in the first few years and gradually increases in subsequent years;
- hotel room rates, which were validated using offers published in open internet sources and hotel reservation systems for hotels operating in Riga city centre for different times of the year, as well as forecasts by the Project Business Partner;
- income from the hotel restaurant, which was validated using experience and calculations by the Bank's Project Cooperation Partner, opinions and research results of external experts, as well as Bank's experience from other projects related to financing of hotels;
- hotel construction term, which was validated using publicly available information about construction of a comparative hotel, as well as forecasts by the Project Business Partner;
- construction costs, which were validated using experience and calculations by the Project Business Partner;
- capitalisation rate, which was validated using experience and calculations by the Bank Project Cooperation Partner, opinions and research findings from external experts, as well as Bank's experience from other projects related to financing of hotels.

To make sure that the hotel project can be implemented on the land plot owned by SIA, Riga Development Plan and the rules for the use and development of the territory of the historical centre of Riga and its protected area were used. Using the above assumptions, the net present value of the project is determined in the amount of EUR 17 638 thousand (2021: EUR 16 863 thousand), which exceeds the value of the investment made, the Bank's share is EUR 1 970. The change in value is due to a change in the individual assumptions of the model, taking into account the agreement reached with the hotel operator and the shortening of the term of sale.

Key parameters and results of sensitivity analysis for the hotel development project are presented below, based on the value depreciation test performed as at 31.12.2022. Sensitivity analysis was prepared to calculate changes in net present value of the project in cases when key hotel parameter will be worse than forecasted.

Parameter	Parameter value	Net present value EUR'000, from unfavourable changes in the parameter by 5 %	Net present value EUR'000, from unfavourable changes in the parameter by 10 %
Occupancy rate	82 % - 89 %	15 354	13 069
Hotel room rate	81 EUR on average	15 354	13 069
Income from restaurant	Up to 27 % (revenue share vs. number income)	17 233	16 829
Hotel sales price	EUR 74 522 thousand	15 437	13 238
Construction costs	EUR 31 861 thousand	16 914	16 190
Capitalisation rate	6.5 %	15 543	13 638

22. Property and equipment

Group '000 EUR	Leasehold improvements	Right-of-use assets (IFRS 16)	Other	Total
Cost				
At 1 January 2022				
Purchases	-	-	77	77
Additions				
Write-offs	(137)	(704)	(772)	(1 613)
Taken over as a result of the merger of credit institutions on 11.07.2022.	2 468	1 978	3 058	7 504
At 31 December 2022	**2 331**	**1 274**	**2 363**	**5 968**
Depreciation				
At 1 January 2022	-	-	-	-
Depreciation charge	67	149	130	346
Write-offs	(136)	(599)	(752)	(1 487)
Taken over as a result of the merger of credit institutions on 11.07.2022.	1 639	975	2 277	4 891
At 31 December 2021	**1 570**	**525**	**1 655**	**3 750**
Carrying value				
At 31 December 2021	**761**	**749**	**708**	**2 218**

Bank '000 EUR	Leasehold improvements	Right-of-use assets (IFRS 16)	Other	Total
Cost				
At 1 January 2022	137	704	1 230	2 071
Purchases	-	-	77	77
Additions				
Write-offs	(137)	(704)	(772)	(1 613)
Taken over as a result of the merger of credit institutions on 11.07.2022.	2 331	1 264	1 676	5 271
At 31 December 2021	**2 331**	**1 264**	**2 211**	**5 806**
Depreciation				
At 1 January 2022	137	521	1 043	1 701
Depreciation charge	67	147	129	343
Write-offs	(136)	(599)	(752)	(1 487)
Taken over as a result of the merger of credit institutions on 11.07.2022.	1 502	454	1 234	3 190
At 31 December 2022	**1 570**	**523**	**1 654**	**3 747**
Carrying value				
At 31 December 2022	**761**	**741**	**557**	**2 059**
Cost				
At 1 January 2021	137	835	1 205	2 177
Additions	-	-	46	46
Write-offs	-	-	(21)	(21)
Contract modification	-	(131)	-	(131)
At 31 December 2021	**137**	**704**	**1 230**	**2 071**
Depreciation				
At 1 January 2021	137	335	988	1 460
Depreciation charge	-	186	75	261
Write-offs	-	-	(20)	(20)
At 31 December 2021	**137**	**521**	**1 043**	**1 701**
Carrying value				
At 31 December 2021	**-**	**183**	**187**	**370**
Carrying value				
At 31 December 2020	-	500	217	717

23. Intangible assets

’000 EUR	Group Total	Bank Total
Cost		
At 1 January 2022	-	2 018
Additions	63	29
Write-offs	(230)	(230)
Taken over as a result of the merger of credit institutions on 11.07.2022.	3 870	1 852
At 31 December 2022	**3 703**	**3 669**
Amortisation		
At 1 January 2022	-	1 434
Amortisation charge	248	241
Write-offs	(285)	(285)
Taken over as a result of the merger of credit institutions on 11.07.2022.	2 685	1 251
At 31 December 2022	**2 648**	**2 641**
Carrying value		
At 31 December 2022	**1 055**	**1 028**
Cost		
At 1 January 2021	-	1 789
Additions	-	229
At 31 December 2021	**-**	**2 018**
Amortisation		
At 1 January 2021	-	1 321
Amortisation charge	-	129
Write-offs		(16)
At 31 December 2021	**-**	**1 434**
Carrying value		
At 31 December 2021	**-**	**584**
Carrying value		
At 31 December 2020	-	468

Intangible assets of the Group and the Bank consist of software’s licenses and computer programmes.

24. Non-current assets held for sale

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Non-current assets held for sale			
Real estate	3 778	3 778	-
Movable property	67	-	-
Total **Non-current assets held for sale**	**3 845**	**3 778**	**-**

Non-current assets held for sale are accounted at the lower of the carrying amount and fair value less costs to sell. The bank took over such non-current assets held for sale on July 11, 2022, as a result of the merger of two lending institutions. These long-term assets relate to real estate investments in Russia (EUR 3 778 thousand) that were taken over as loan recovery results. This asset also includes tangible property. The Bank plans to sell these assets and is taking the relevant steps to do so. Prior to the war in Ukraine, there was interest in real estate in Russia, and people were prepared to pay prices that were in line with appraisals. The bank hopes to sell these assets as quickly as possible or after active war in Ukraine comes to an end.

25. Other assets

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Other financial assets			
Settlement of financial services	475	-	-
Settlement of payment cards	677	677	**180**
Settlement of securities	15	15	383
Other financial assets	**1 167**	**692**	**563**
Impairment allowance			
Other non-financial assets			
Prepayments	1 445	1 251	**345**
Accrued income	226	198	4
Settlement of tax	5	-	-
Other	398	398	**43**
Other non-financial assets	**2 074**	**1 847**	**392**
Impairment allowance	(9)	(9)	(4)
Total other assets	**3 232**	**2 530**	**951**

26. Deposits

Client deposits split by their profile

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Current accounts and demand deposits	**314 603**	**316 193**	**15 405**
Private individuals	108 517	108 518	7 104
Corporates	206 086	207 675	8 301
Term deposits	**40 639**	**40 350**	**28 470**
Private individuals	32 691	32 691	27 769
Corporates	7 948	7 659	701
Total current accounts and demand deposits	**355 242**	**356 543**	**43 875**

Geographical analysis of the deposits

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Current accounts and demand deposits	**314 603**	**316 193**	**15 405**
Latvia	194 338	195 190	5 952
OECD countries	50 005	50 743	4 981
Russia	29 488	29 488	388
Other countries	40 772	40 772	4 084
Term deposits	**40 639**	**40 350**	**28 470**
Latvia	12 575	12 286	5 699
OECD countries	27 506	27 506	22 560
Russia	353	353	211
Other countries	205	205	-
Total deposits	**355 242**	**356 543**	**43 875**

Concentrations of current accounts and customer deposits

As of 31 December 2022 and 31 December 2021, the Group and Bank had no customers, whose balance exceeded 10% of total customer accounts.

27. Subordinated liabilities

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Subordinated borrowings			
Private individuals	5 348	5 348	-
Corporates	105	105	-
Total Subordinated borrowings	**5 453**	**5 453**	-

Subordinated borrowings have a fixed term of at least five years at their origination, and are repayable before maturity only on winding up of the Bank. In the event of the winding-up of the Bank these borrowings will be subordinated to the claims of depositors and all other creditors of the Bank.

Reconciliation of movements of subordinated borrowings to cash flows arising from financing activities

’000 EUR	2022 Group	2022 Bank	2021 Bank
Balance of subordinated borrowings at 11 July	**5 515**	**5 515**	-
Redemption of subordinated borrowings	-	-	-
Increase in subordinated borrowings	-	-	-
Changes from financing cash flows			
Other changes Liability-related			
Interest expense	162	162	-
Interest paid	(38)	(38)	-
Interest paid in advance decrease / (increase)	122	122	-
Exchenge rates	(308)	(308)	
Total liability-related other changes	**(62)**	**(62)**	-
Balance of subordinated borrowings at 31 December	**5 453**	**5 453**	-

Concentrations of subordinated borrowings

As of 31 December 2022 and 2021, the Group and Bank had one subordinated borrowing agreements, whose balance exceeded 10% of the total subordinated borrowings and which are indicated in the table below.

Customer	Currency	Issue size ‘000	Interest rate	Original agreement date	Maturity date	Carrying amount ‘000 EUR
						31.12.2022
Private individual - resident	USD	2 000	6.67 %	27.02.2015	23.06.2025	1 813
Private individual – resident	USD	1 000	6.67 %	24.11.2014	02.02.2027	908

28. Debt securities issued

Issued bonds qualify for inclusion in additional tier 1 capital of the Bank and Group. Additional information about capital adequacy is available in Note 6 “Capital Management”.
On November 17, 2022, Signet Bank AS issued 2 million euros of Temporary Write-Down Additional Tier 1 bonds (LV0000802668). Bonds are perpetual and have no maturity date. The purpose of the issue is to strengthen the Bank's capital in order to increase the volume of loan portfolio. The bonds were offered only to the Bank's shareholders with a floating coupon rate of 12.50% + 12M Euribor.

29. Provisions

'000 EUR	2022 Group	2022 Bank	2021 Bank
Provisions			
Provision for guarantees	1	1	-
Provision for commitments and contingencies	46	46	-
Provisions for accrued liabilities	-	-	177
Total provisions	**47**	**47**	**177**

30. Other liabilities

'000 EUR	2022 Group	2022 Bank	2021 Bank
Other financial liabilities			
Settlement of financial services	1 223	-	-
Lease liabilities	818	809	302
Settlement of securities	1	1	-
Total other financial liabilities	**2 042**	**810**	**302**
Other non-financial liabilities			
Accrued expenses	1 734	1 633	**218**
Suspense liabilities and money in transit	668	668	-
Provision for employee vacations	521	466	-
Deferred income	481	481	-
Other	427	186	**120**
Total other non-financial liabilities	**3 831**	**3 434**	**338**
Total other liabilities	**5 873**	**4 244**	**640**

31. Share capital

The Bank's paid-up share capital on December 31, 2022, and December 31, 2021, was EUR 11 644 000 with 820 000 registered shares with voting rights. The face value of each share is EUR 14.20. All of the bank's share are dematerialized registered shares.
On December 31, 2021, the bank's only shareholder was Igor Kim. On January 26, 2022, Signet Bank AS (Reg No 40003076407) became the owner of 100% of shares because of a share purchase transaction between Igor Kim and Signet Bank AS (Reg No 40003076407). The bank transferred the shares and registered the changes in the shareholder register. On July 11, 2022, the owners of Signet Bank AS (Reg No 40003076407) became the owners of the shares in pursuit of business merger between the Bank and Signet Bank AS (Reg No 40003076407).
The shareholders of the Bank as of 31 December 2022 were as follows:

Shareholder	31 Dec 2022		
	Number of shares	**Paid share capital (EUR)**	**Share capital ownership %**
Signet Acquisition III, LLC	200 900	2 852 780.00	24.50 %
AS RIT GROUP	159 949	2 271 275.80	19.51 %
SIA "Reglink"	130 615	1 854 733.00	15.93 %
Natalija Petkevicha	80 826	1 147 729.20	9.86 %
Solrut Holding Company LLC	79 040	1 122 368.00	9.64 %
Leonid Kaplan	65 600	931 520.00	8.00 %
SIA "Slink"	52 246	741 893.20	6.37 %
ID Family Foundation SIA *	42 624	605 260.80	5.20 %
Michael A.L. Balboni	8 200	116 440.00	1.00 %
Total	**820 000**	**11 644 000.00**	**100.00 %**

* UBO are Roberts Idelsons and Jelena Idelsone.

Share premium

In 2004, the Bank executed a share capital increase of EUR 4,240 thousand with a share premium of EUR 6,360 thousand.

Other reserves

Bank's other reserves of EUR 25 thousand (2021: EUR 312 thousand) represent contributions made by shareholders in previous years. Other reserves represent residual interest of shareholders and can be distributed.

31. Share capital (continued)

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of equity instruments measured at FVOCI and the cumulative net change in the fair value of debt instruments measured at FVOCI until the assets are derecognized or reclassified. The amount is increased by the amount of loss allowance of debt instruments measured at FVOCI.

Non-controlling interest

The Group recognizes non-controlling interest in its subsidiaries based on non-controlling interest part in Net identifiable assets of subsidiaries. All costs related to acquisition are recognized as administrative expenses as they occur. Non-controlling interest is disclosed in the Group equity separately from the Bank shareholders equity. Profit or loss is attributed to the Bank as parent company and to non-controlling interest.

32. Lease liabilities

The lease liabilities are for the Group's and the Bank's premises lease agreements. The term of the Bank's Lease agreement is until May 1, 2028, with the possibility of renewing the lease after its expiration date. Lease payments are fixed. Lease agreements do not include additional obligations. The following table shows an analysis of the terms of the lease liabilities maturing after the reporting date.

’000 EUR	Group	Bank
Lease liabilities January 1, 2022	**-**	**302**
Lease payments of a lease liability	-	(223)
Interest parts of lease payments	-	2
Written off upon termination of lease	-	(81)
Lease liabilities July 10, 2022	-	-
Lease liabilities July 11, 2022, as a result of the merger of credit institutions	821	810
Lease payments of a lease liability	(26)	(24)
Interest parts of lease payments	23	23
Lease liabilities December 31, 2022	**818**	**809**
incl. current expenditure on lease liabilities	140	136
incl. long-term expenses for lease liabilities	678	673
Lease liabilities January 1, 2021	**-**	**486**
Lease payments of a lease liability	-	(199)
Interest parts of lease payments	-	15
Lease liabilities December 31, 2021	**-**	**302**
incl. current expenditure on lease liabilities	-	302
incl. long-term expenses for lease liabilities	-	-

33. Assets under management

Asset management services

The Group through its Subsidiary Signet Asset Management IPS provides asset management services to private individuals and companies. The Group receives management fee for providing these services. The assets under management of the Subsidiary are not included in neither the consolidated nor separate statement of financial position.
As of 31 December 2022 the Group had EUR 303 million assets under management of which the Bank held EUR 228 million (2021: was not) and the Subsidiary held EUR 75 million (2021: was not).

Custody activities

The Group and the Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are neither assets of the Group, nor the Bank and are not recognized in the consolidated and separate statements of financial position. As of 31 December 2022 the total amount in custody on behalf of customers was EUR 377 million (2021: was not).

34. Related party transactions

Transactions with members of the Group's Key Management Personnel

Total remuneration included in employee compensation (refer to Note 11):

'000 EUR	2022 Group	2022 Bank	2021 Bank
Total remuneration	**1 386**	**1 385**	**1 025**

Balances as of 31 December 2022 and 31 December 2021 with members of the Key Management Personnel were as follows:

'000 EUR	31 Dec 2022 '000 EUR	31 Dec 2021 '000 EUR
Statement of financial position		
Assets		
Loans	51	117
Liabilities		
Current accounts	188	146

34. Related party transactions (continued)

Transactions with related parties of the Bank

Balances as of 31 December 2022 and as of 31 December 2021 and related profit or loss amounts of transactions for the year ended 31 December 2022 and 31 December 2021 with other related parties were as follows:

'000 EUR	2022					2021
	Subsi-diary company	Associate companies	Share-holders*	Other	Total	Companies owned by Bank's shareholder
Statement of financial position						
Assets						
Financial instruments	5 031	-	-	-	**5 031**	-
Loans	14 766	506	-	1 906	**17 178**	-
Liabilities						
Financial institution deposits	-	-	-	-	**-**	1 326
Deposits	2 291	44	256	1 495	**4 086**	401
Income/ (expenses)						
Ccommission income/ (expenses)	13	1	1	108	**123**	8
Interest income	560	-	(2)	1	**559**	97

* with a shareholding of over 10%

The subsidiaries have no other related party transactions than those with the Bank. Therefore, transactions with related parties of the Group are not disclosed separately.

35. Financial assets pledged

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Other deposits with financial institutions	4 082	4 082	180
Financial assets measured at amortized cost *	3 936	3 936	-
Total financial assets pledged	**8 018**	**8 018**	**180**
Total liabilities secured by pledged financial assets *	**3 900**	**3 900**	**-**

- Pledged to central bank

All pledged amounts consist of several placements to secure various Bank's and Group's transactions in the ordinary course of business.

36. Commitments and guarantees

As part of lending operations the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans, credit card limits and overdraft facilities. The Bank provides financial guarantees of the performance of customers to third parties. The contractual amounts of commitments are set out in the following table by category.

’000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Contracted amount			
Loan commitments [1]	13 208	13 208	7 251
Unutilised credit line [1]	2 634	2 634	-
Contingent liabilities on guarantees [2]	1 595	1 595	-
Undrawn overdraft facilities [3]	626	626	62
Total commitments and guarantees	**18 063**	**18 063**	**7 313**
Provisions	(47)	(47)	(29)

[1] Provisions of EUR 41 thousand have been made for liabilities (2021:29).
[3] Provisions of EUR 1 thousand have been established for issued guarantees .
[3] Impairment allowance for unused credit limits in total amount of EUR 5 thousand

37. Fair value of financial instruments

Financial instruments measured at fair value

The table below analyses the Group’s and the Bank’s financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Group/ Bank 2022, ’000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	5 456	359	5 842	**11 657**
Debt securities measured at fair value through other comprehensive income	12 345	-	5 735	**18 080**
	17 801	**359**	**11 577**	**29 737**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	278	-	**278**

Bank 2021, ’000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	5 992	-	-	**5 992**
Debt securities measured at fair value through other comprehensive income	26 821	-	12	**26 833**
	32 813	**-**	**12**	**32 825**

37. Fair value of financial instruments (continued)

The following table shows reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy. The reason of the reclassification of the level in the fair value hierarchy was changes in their level of liquidity.

Group/Bank 2022 '000 EUR	Financial instruments carried at fair value through profit or loss	Debt securities measured at fair value through other comprehensive income	Total
Balance at 1 Jan 2022	**-**	**12**	**12**
Taken over as a result of the merger of credit institutions on 11.07.2022.	**3 625**	**2 733**	**6 358**
Total gains and losses:			
in profit or loss	196	123	319
in OCI	-	26	26
Purchases	4 335	3 578	7 913
Settlements	(2 314)	(725)	(3 039)
Balance at 31 Dec 2022	**5 842**	**5 735**	**11 577**

Bank 2021 '000 EUR	Debt securities measured at fair value through other comprehensive income	Total
Balance at 1 Jan 2021	**65**	**65**
in profit or loss	(21)	**(21)**
Purchases	(32)	**(32)**
Balance at 31 Dec 2021	**12**	**12**

Total gains or losses for the year in the above table are presented in the statement of comprehensive income as follows:

'000 EUR	31 Dec 2022 Group	31 Dec 2022 Bank	31 Dec 2021 Bank
Total gains and losses included in profit or loss:	**123**	**123**	**-**
Net realised gain for financial instruments from Level 3	97	97	-
Impairment loss for financial instruments from Level 3	26	26	-
Total losses recognised in other comprehensive income	**35**	**35**	**-**
Financial instruments – net change in fair value	35	35	-

As of 31 December 2022 the Group and Bank's fair value hierarchy Level 3 portfolio is represented by seven issuers operating in distributive services, real estate, technology & finance.
Precise discount rate 4.50 % - 13.50 % is an unobservable variable due to low liquidity of these instruments.

37. Fair value of financial instruments (continued)

As of 31 December 2022 change of discount rate by 300 bps will have the following effect on The Group's and Bank's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2022	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
11 577	(347)	347

As of 31 December 2021 change of discount rate by 300 bps will have the following effect on The Group's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2021	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
12	-	-

Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value of the Group, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2022, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	2 988	2 988
Balances due from financial institutions[2]	-	-	-	8 068	8 068
Financial assets measured at amortized cost	141 697	-	200 587	342 284	342 834
Other financial assets[3]	-	-	-	1 167	1 167
Financial liabilities					
Liabilities to central bank	-	-	-	3 859	3 859
Deposits	-	-	356 233	356 233	355 242
Subordinated liabilities	-	-	5 645	5 645	5 453
Debt securities issued	-	-	2 037	2 037	2 037
Other financial liabilities [4]	-	-	-	2 042	2 042

1. Cash and due from central banks are various currency cash and deposits with the Bank of Latvia whose carrying amount represents the fair value.
2. Most of the balances due from financial institutions are either deposits on demand or short term deposits; therefore, their carrying amount approximates the fair value.
3. Other financial assets consist of receivables from settlement of securities ans of payment card; thus the carrying amount is equal to their fair value
4. Other financial liabilities consist of receivables from settlement of securities and the lease liabilities; thus the carrying amount is equal to their fair value.

37. Fair value of financial instruments (continued)

Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value of the Bank, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2022, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	2 988	2 988
Balances due from financial institutions[2]	-	-	-	8 065	8 065
Financial assets measured at amortized cost	141 697	-	198 574	340 271	340 680
Other financial assets[3]	-	-	-	692	692
Financial liabilities					
Liabilities to central bank	-	-	-	3 859	3 859
Liabilities to financial institutions	-	-	-	183	183
Deposits	-	-	356 544	356 544	356 543
Subordinated liabilities	-	-	5 645	5 645	5 453
Debt securities issued	-	-	2 037	2 037	2 037
Other financial liabilities [4]	-	-	-	810	810
31 December 2021, '000 EUR	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Cash and due from central bank[1]	176	9 951	-	10 127	10 127
Balances due from financial institutions[2]	-	1 764	-	1 764	1 764
Financial assets measured at amortized cost	-	-	35 521	35 521	32 008
Other financial assets[3]	-	-	569	569	569
Financial liabilities					
Liabilities to financial institutions	-	-	1 327	1 327	1 327
Deposits	-	44 070	-	44 070	43 875

1. Cash and due from central banks are various currency cash and deposits with the Bank of Latvia whose carrying amount represents the fair value.
2. Most of the balances due from financial institutions are either deposits on demand or short term deposits; therefore, their carrying amount approximates the fair value.
3. Other financial assets consist of receivables from settlement of securities ans of payment card; thus the carrying amount is equal to their fair value
4. Other financial liabilities consist of receivables from settlement of securities and the lease liabilities; thus the carrying amount is equal to their fair value.

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets at fair value through profit or loss	Discounted cash flows, quoted prices for similar instruments	Discount rates, quoted prices for similar instruments in active markets
Financial assets at fair value through profit or loss (Level 3)	Discounted cash flows	Discount rates
Available for sale instruments	Discounted cash flows	Discount rates

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Balances due from financial institutions	Discounted cash flows	Discount rates
Loans and advances due from customers	Discounted cash flows	Discount rates
Deposits and balances due to customers	Discounted cash flows	Discount rates
Subordinated liabilities	Discounted cash flows	Discount rates

38. Events subsequent to the reporting date

After the end of the financial year, the imposed sanctions against Russia and Belarus in connection with the ongoing war in Ukraine continues. Changes in the geopolitical situation have caused negative economic consequences in Latvia and the world, which are manifested in the rise and availability of prices of energy resources and raw materials, an increase in inflation and an increase in the cost of financial resources, changes in the flow of goods and services. The exact impact of economic uncertainty on the Group's economic activity in 2023 cannot be predicted, but the Group believes that the sanctions and restrictions after the financial reporting date and the economic uncertainty will not materially affect the Group's activities both directly and indirectly. Group`s assumption is based on available information at the time of signing the financial statements, and the impact of future events on the Group's future operations may differ from Group's assessment.

In March 2023, there were increased fluctuations in the price of financial instruments on global financial markets, and several banks saw an outflow of deposits which forced them to close down. These events did not influence Signet Bank AS, and it continues to preserve a high level of liquidity which is substantially higher than legal requirements in this regard.

The Bank of Latvia (until 31.12.2022. Financial and Capital Markets Commission) during the end of 2022 and the beginning of 2023 carried out the AML / CTPF and sanctions risk management audit of the Bank and its subsidiary Signet Asset Management Latvia IPS (hereinafter – the Subsidiary). As at the moment of approval of these Financial Statements the results of the audit of the Bank have not been received and the Bank provides its comments to the Bank of Latvia on draft audit report which was received in March 2023.
The Subsidiary has received the audit report from the Bank of Latvia and has provided the Bank of Latvia with its comments and explanations and with the remediation plan for deficiencies found during the audit.
Taking into consideration discussions with representatives of the Bank of Latvia and activities by the Bank and the Subsidiary aimed at proactive elimination of deficiencies during and after the audit, the Bank and the Subsidiary do not expect administrative measures from the regulator. However, such scenario cannot be completely excluded.

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Independent Auditors' Report

To the shareholders of Signet Bank AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of Signet Bank AS ("the Bank") and consolidated financial statements of the Bank and its subsidiaries ("the Group") set out on pages 9 to 89 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2022;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity and reserves for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group as at 31 December 2022, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report*.

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report:

Impairment of loans to customers (the Bank and the Group)

Key audit matter	In the consolidated financial statements, gross value of loans to customers comprised EUR 119 678 thousand as at 31 December 2022 and impairment allowances comprised EUR 1 344 thousand as at 31 December 2022. In the separate financial statements, gross value of loans to customers comprised EUR 117 441 thousand as at 31 December 2022 (31 December 2021: EUR 32 711 thousand) and impairment allowances comprised EUR 1 261 thousand as at 31 December 2022 (31 December 2021: EUR 703 thousand). More details are provided in the note 17 of the separate and consolidated financial statements and information about the measurement policies is provided in the note 4. Individual impairment allowances recognized by the Group relate to individually monitored corporate exposures, where the Bank is assessing expected credit loss (ECL) on an individual basis. The assessment is therefore based on the analysis of financial performance of each individual borrower and estimation of the fair value of the related collateral. The Group also performs a collective assessment of impairment allowance for loans and leases issued by the subsidiary AS “Primero Finance”. The management applies significant judgements to define impairment allowance for loans to customers. Identification of a significant increase in credit risk and credit impairment loans, assessment of probability of default and loss given default ratios requires the management to exercise subjective judgments and develop complex financial models and therefore, we considered this as a key audit matter.
Our audit response	We assessed whether the accounting policies in relation to the impairment of loans to customers are in compliance with IFRS requirements. We assessed Bank’s and Group’s expected credit loss assessment methodology for compliance with the IFRS. We tested internal controls applied within processes related to the loan approval and issuance as well as controls over delayed payments and debt collection. We made a sample and audited the Bank’s loans covering 74% of outstanding loans to customers as at 31 December 2022 (including all loans classified by the Bank as credit-impaired). As part of the audit procedures, we assessed customers’ financial position, historic debt service, current creditworthiness

and the management's exit plans and activities, as well as available sources for loan repayment. Majority of the loans issued by the Bank are loans secured by collateral, therefore in most cases the key source of recovery for non-performing loans is sale of collateral. We performed detailed assessment of assumptions and information sources used in valuation reports provided by independent valuation specialists and the Bank's analysts, including independent checks on market prices for comparable properties and benchmarking assumptions used within the cash flow forecasts against market practice. We analysed repayment scenarios for loans issued to borrowers that are directly or indirectly affected by imposed sanctions against Russia and Belarus, we checked reasonability of assumptions used and assessed whether impairment for such loans have been estimated appropriately by the Bank.

We tested whether the management correctly identified and treated factors evidencing a significant increase in credit risk and impairment for loans to customers. We audited management assumptions and inputs used in assessment of probability of default and loss given default ratios. We tested completeness and accuracy of data used for the calculation of impairment allowance.

We audited completeness and accuracy of disclosures related to loans to customers, impairment allowance and impairment losses.

Reporting on Other Information

The Bank's and Group's management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 3 to 6 of the accompanying separate and consolidated Annual Report,
- the composition of the Supervisory Council and the Management Board, as set out on page 7 of the accompanying separate and consolidated Annual Report.
- the Statement on Management Responsibility, as set out on page 8 of the accompanying separate and consolidated Annual Report,

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* related to other information section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – regulation No 113 Regulations on the Preparation of the Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms, and Investment Management Companies.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia Regulation 113 Regulations on the Preparation of the Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms, and Investment Management Companies

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and 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 Bank and/or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated 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 Bank's and 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 Bank's and/or 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 separate and consolidated 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 Bank and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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 objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the shareholder's meeting on 16 September 2022 to audit the separate and consolidated financial statements of Signet Bank AS for the year ended 31 December 2022. This is our fifth year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank and the Group;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Bank and the Group the prohibited non-audit services (NASs) referred to in paragraph 1 of article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity (the Bank) and the Group in conducting the audit.

SIA "BDO ASSURANCE"
Licence No 182

Irita Cimdare
Responsible sworn auditor
Certificate No 103
Member of the Board

Riga, Latvia
29 March 2023

SIGNET
BANK

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