


Signet Bank AS
Annual report
for year ended
31 December 2023

SIGNET
BANK

Content

Signet Bank AS
Antonijas street 3,
Riga, Latvia, LV-1010

Unified registration number: 40003043232

Phone: +371 67 080 000
Fax: +371 67 080 001
E-mail: info@signetbank.com
www.signetbank.com

Management report on the Group and the Bank's operations during 2023

Changes at Signet Bank AS Group (hereinafter – the Group) level in 2023:

- On 11 December 2023, Signet Bank AS acquired 100% of voting shares of AS "LPB Bank", becoming its parent company.

AS "LPB Bank"will continue to operate as a subsidiary of Signet Bank Group, retaining its existing credit institution license, and focusing on FinTech companies, Banking as a Service (BaaS) and innovative digital financial products. This transaction enables Signet Bank Group to increase its business volumes, strengthen its digital solutions and significantly increase and diversify the range of financial services and products offered to customers.

- On 7 July 2023, Signet Bank AS acquired 100% of voting shares in Signet Pensiju Pārvalde IPAS (previous name Integrum Asset Management IPAS), becoming its parent company. With the acquisition, the Group commences management of pension plans of the state-funded pension scheme.

Signet Bank Group has considerable experience in the field of investment products: since 2011 Signet Asset Management Latvia IPS, a subsidiary of Signet Bank AS, has been successfully managing funds of the 3rd pension pillar's largest private pension plan, investment funds and individual customer portfolios. On the other hand, Signet Bank is a market leader in providing financing to Latvian companies, making good use of opportunities provided by the capital market through bond and equity issues.

The Group's capital markets business also had a successful year in 2023: we arranged 11 bond placements and equity issues for our clients, raising a total of EUR 149 million, which is 81% more than in 2022. Arranging bond placements and equity IPOs for Baltic companies has become one of the most important business line for us, along with providing financing to local companies through loans. The Group will continue to focus on these products also in the future, providing an important contribution to the development of the capital market in Latvia.

We believe that a well-developed capital market is one of the key elements for a more dynamic development of the Latvian economy and we are committed to supporting issuers and investors in capital market transactions, as well as promoting financial literacy among investors and Latvian entrepreneurs. In 2023, the Group continued to support several public projects: Signet Capital Market Academy, which offers information to entrepreneurs and dispels myths about capital market opportunities; the Investor Club, which provides local investors with information about the Baltic capital market developments. We will continue to support initiatives that promote financial literacy, both individually and in cooperation with the Finance Latvia Association and the Bank of Latvia.

In 2023, the Group managed to also substantially increase other business volumes, increasing the number of clients, volume of deposits and growing its loans portfolio. Compared to the end of 2022, in 2023 the Group's:

- Capital increased by 29% and reached 29 million;
- Deposits increased by 33%;
- Loan portfolio increased by 41%;
- AUMA (assets under management and administration) increased by 35%, amounting to EUR 1.4 billion;
- Total comprehensive income (Attributable to the Bank's shareholders) amounted to EUR 5.4 million.

The Group maintains a conservative risk profile – the capital adequacy ratio stood at 17.73%, with a liquidity coverage ratio of 143.13%. Return on equity (ROE) and return on assets (ROA) were 18.63% un 1.11% respectively.

An important milestone for the Bank came on July 11, 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). This transaction provided the Group with infrastructure for further development, possibility to expand business operations and to strengthen its positions in the domestic market to an even greater degree. 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, the Group has provided information about the Group's business operations before and after the transaction in the Group's Annual Report 2022. The Group's Annual Report 2022 is available on Signet Bank webpage.

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.

The Group is committed to developing our operations in accordance with sustainability principles and integrating environmental, social and governance considerations into the operations of Signet Bank AS and companies of the Group. In 2023, we developed a sustainability strategy that determines goals and targets for 2023-2025 to effectively implement integration of sustainability at all levels of the organization and to promote the availability of sustainable financial solutions. A major development last year was the launch of cooperation with the European Energy Efficiency Fund (eeef) to develop and finance energy efficiency projects in Latvia. The cooperation with eeef will make it possible for the Group to both improve its financing solutions for local companies and strengthen its competitiveness in developing sustainable projects, as well as to contribute to solutions to mitigate climate change.

As a socially responsible company, the Group supported several cultural, sports and educational initiatives during 2023:

- 2023 World Athletics Road Running Championships in Riga, providing support for a major national and global event open to all members of the public;
- Ultra-distance cyclist Arvis Sprude's participation in WUCA 2023 500 mile European Championship, thereby supporting growth of Latvian athletes;
- Organization of Latvian Offshore Sailing Championship, Livonia Cup Challenge and Gulf of Riga Regatta 2023;
- Organization of Davis Cup tennis matches in Riga;
- High-profile cultural event: band DAGAMBA's show "Bach Against the Machine" at Mežaparks Great Bandstand;
- Organization of the international academic conference by the Doctoral Programme of the Art Academy of Latvia;
- Signet Bank supported a major retrospective dedicated to the originator of Latvian modernism Jāzeps Grosvalds, titled "I am now committed to living for art", at the Latvian National Museum of Art;
- Publication of artist Ēriks Apaļais' book "Family";
- Publication of Latvian composer Zigmars Liepiņš' book "Musaic";
- Such major events as the Baltic Sustainability Award and Family Firm Offices Conference.

In addition, for the second year in a row Signet Bank and its partners organized Baltic Capital Market Conference, the largest capital market conference in the Baltics, which brought together more than 300 representatives of local companies and investment professionals from the Baltic countries to bring the development of the capital market into focus.

Russia’s war against Ukraine has been ongoing for two years. 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. The Bank has strongly denounced Russia’s war, which is destroying the foundations of international order. We stand with the Ukrainian people in their struggle against the aggressor and fight for the opportunity to build their future in a family of civilized and democratic countries.

Despite challenging global environment and geopolitical situation, the Group’s management sees 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, as well as develop digital and BaaS products through the subsidiary AS “LPB Bank”. We will continue to work hard to ensure that the Group eventually becomes a real competitor to the foreign-owned banks that currently dominate the Latvian market.

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 as well.

On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

1 March 2024

The Council and Management of the Bank

Supervisory Council of the Bank

There were no changes in the membership of the Bank's supervisory council during the reporting period.
On December 31, 2023, the membership of the Bank's Supervisory council was this:

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

Management Board of the Bank

There were changes in the membership of the Bank's board during the reporting period.
On December 31, 2023, the membership of the Bank's board was such:

Position	Name, surname	Date of Appointment	Date of release
Chairman of the Management Board	Roberts Idelsons	01.07.2022.	-
Member of the Management Board	Tatjana Drobina	01.07.2022.	-
Member of the Management Board	Sergejs Zaicevs	01.07.2022.	-
Member of the Management Board	Jānis Solovjakovs	01.07.2022.	18.09.2023.
Member of the Management Board	Arnis Praudiņš	19.09.2023.	-

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 8 to 104 of the financial statements of the Bank and the Group for 2023 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 (previously - 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

1 March 2024

Group`s Consolidated and Bank's Separate Statement of Income for the year ended 31 December 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest income		18 390	16 560	5 541	5 363
Interest expense		(4 098)	(4 034)	(762)	(724)
Net interest income	8	**14 292**	**12 526**	**4 779**	**4 639**
Fee and commission income	9	11 696	10 772	6 083	5 957
Fee and commission expense	10	(2 926)	(2 916)	(1 572)	(1 564)
Net fee and commission income		**8 770**	**7 856**	**4 511**	**4 393**
Dividend income		12	12	2	2
Net profit /(loss) on discontinuing recognition of financial assets and financial liabilities at fair value through profit or loss		(18)	(18)	(466)	(466)
Net profit /(loss) from financial assets and financial liabilities measured at fair value through profit or loss		1 290	1 290	(230)	(230)
Net foreign exchange profit		179	181	79	79
Net other income		513	315	893	198
Total operating income		**25 038**	**22 162**	**9 568**	**8 615**
General administrative expenses	11	(16 287)	(13 511)	(8 780)	(8 041)
Share of loss of equity-accounted investee, net of tax		(3)	-	1	-
Provisions		(11)	(11)	(6)	(6)
Impairment recovery/(loss)	12	(2 494)	(1 511)	190	(20)
Profit before income tax		**6 243**	**7 129**	**973**	**548**
Income tax expense	13	(1 474)	(1 463)	(37)	(32)
Profit for the period		**4 769**	**5 666**	**936**	**516**
Profit Attributable to non-controlling interest		(624)	-	(1)	-
Profit Attributable to Equity holders of the Bank		5 393	5 666	937	516

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Profit for the period		**4 769**	**5 666**	**936**	**516**
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		(70)	(70)	335	335
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income (debt securities)		77	77	(138)	(138)
Other comprehensive income for the period		**7**	**7**	**197**	**197**
Total comprehensive income for the period		**4 776**	**5 673**	**1 133**	**713**
Attributable to non-controlling interest		(624)	-	(1)	-
Profit/(expense) attributable to Equity holders of the Bank		5 400	5 673	1 134	713

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Assets					
Cash and due from central banks	14	72 807	8 141	2 988	2 988
Demand deposits with credit institutions	16	9 939	9 672	8 068	8 065
Financial instruments carried at fair value through profit or loss	15	10 953	10 150	11 657	11 657
Debt securities measured at fair value through other comprehensive income	18	18 791	1 786	18 080	18 080
Financial assets measured at amortized cost		399 101	324 138	342 834	340 680
Debt securities	*19*	*180 349*	*145 107*	*143 420*	*143 420*
Loans and advances due from non-banks	*17*	*167 162*	*128 527*	*118 334*	*116 180*
Term deposits with central bank		*48 736*	*48 736*	*77 709*	*77 709*
Term deposits with credit institutions	*16*	*2 854*	*1 768*	*3 371*	*3 371*
Investment in subsidiaries	20	-	38 067	-	1 454
Investment in associates	21	1 598	1 760	1 829	1 988
Property and equipment	22	8 365	1 866	2 218	2 059
Intangible assets	23	1 772	1 077	1 055	1 028
Non-current assets held for sale	24	2 401	2 324	3 845	3 778
Other assets	25	9 521	7 137	3 232	2 530
Total Assets		**535 248**	**406 118**	**395 806**	**394 307**

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Liabilities and shareholders' equity					
Liabilities to central bank		3 855	3 855	3 859	3 859
Demand deposits to credit institutions		-	-	183	183
Financial liabilities at fair value through profit or loss	15	74	74	278	278
Financial liabilities measured at amortized cost		486 062	362 197	362 732	364 033
Deposits	26	469 943	346 566	*354 252*	*356 543*
Subordinated liabilities	27	11 299	11 299	*5 453*	*5 453*
Debt securities issued	28	4 332	4 332	*2 037*	*2 037*
Other liabilities		488	-	*990*	-
Provisions	29	29	25	47	47
Other liabilities	30	15 834	11 631	5 873	4 244
Total Liabilities		**505 854**	**377 782**	**372 972**	**372 644**
Share capital	31	12 644	12 644	11 644	11 644
Share premium		6 360	6 360	6 360	6 360
Other reserves		25	25	25	25
Fair value reserve		60	60	53	53
Accumulated profit		9 857	9 247	4 464	3 581
Total Equity Attributable to Equity Holders of the Bank		**28 946**	**28 336**	**22 546**	**21 663**
Non-controlling Interest		448	-	288	-
Total Shareholders' Equity		**29 394**	**28 336**	**22 834**	**21 663**
Total Liabilities and Shareholders' Equity		**535 248**	**406 118**	**395 806**	**394 307**
Assets under management and administration	33	**926 351**	**741 111**	**680 097**	**604 924**

*The Group did not exist in 2021

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Cash flows from operating activities					
Profit before income tax		6 243	7 129	973	548
Corporate income tax		1 474	1 463	37	32
Amortisation and depreciation	22,23	887	862	594	584
Impairment loss		3 347	3 020	1 702	1 619
Net interest income		(14 292)	(12 526)	(4 779)	(4 639)
Repossession of collaterial		(2 324)	(2 324)	-	-
Increase of provisions		(23)	(22)	(136)	(136)
The result of the merger of credit institutions		-	-	19 947	18 331
Increase / (Decrease) in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(4 688)**	**(2 398)**	**18 338**	**16 339**
(Increase)/decrease in financial assets at fair value through profit or loss		1 303	1 303	1 978	1 978
(Increase)/decrease in balances due from financial institutions		29 515	30 605	(4 983)	(5 442)
(Increase)/decrease in loans and advances due from customers		(8 633)	(10 213)	3 822	6 038
Increase in non-current assets held for sale		(10)	-	(67)	-
Increase in other assets		(5 110)	(5 543)	(2 638)	(1 588)
Increase in deposits and balances due from customers		(13 535)	(11 234)	(42 898)	(41 470)
Increase in other liabilities		4 727	4 842	5 548	3 800
Increase / (Decrease) in cash and cash equivalents from changes in assets and liabilities, as a result of ordinary operations		**3 569**	**7 362**	**(20 900)**	**(20 345)**
Interest received		17 557	16 265	4 751	4 640
Interest paid		(1 753)	(1 985)	(279)	(368)
Net cash flow from operating activities		**19 373**	**21 642**	**(16 428)**	**(16 073)**
Cash flow from investing activities					
Purchase of property and equipment		(872)	(718)	(235)	(39)
Investments in financial instruments designated at fair value through profit or loss		437	437	(3 578)	(3 578)
Proceeds in financial instruments designated at fair value through profit or loss		15 863	15 863	28 770	28 770
Investments in financial assets measured at amortized cost		(54 871)	(54 871)	(9 828)	(9 828)
Proceeds in financial assets measured at amortized cost		53 005	53 040	9 564	9 564
Dividends paid		-	-	(11 660)	(11 660)
Acquisition of subsidiaries		-	(35 547)	-	-
Investments in subsidiaries		-	(838)	-	-
Proceeds from acquisition of subsidiaries		29 987	-		
Investments in associate		231	-	-	-
Net cash flow from investing activities		**43 780**	**(22 634)**	**13 033**	**13 229**

Group's Consolidated and Bank's Separate Statement of Cash Flows for the year ended 31 December 2023

'000 EUR	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Cash flow from financing activities					
Non-controlling interest in subsidiary		784	-	289	-
Increase in share capital		1 000	1 000	-	-
Increase / (Decrease) in Subordinated liabilities		5 316	5 316	(194)	(653)
Increase in Debt securities issued		1 695	1 695	2 001	2 001
Repayment of lease liabilities		(46)	(43)	(3)	(222)
Net cash flow from financing activities		**8 749**	**7 968**	**2 093**	**1 126**
Net in cash and cash equivalents		**71 902**	**6 976**	**(1 302)**	**(1 718)**
Cash and cash equivalents at the beginning of the year		11 056	11 053	11 891	11 891
Currency translation of cash and cash equivalents at the year		(212)	(216)	467	880
Cash and cash equivalents at the end of the year	14	**82 746**	**17 813**	**11 056**	**11 053**

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit	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**
Issue of shares		1 000	-	-	-	-	784	1 784
Comprehensive income								
Profit/ (loss) for the year		-	-	-	-	5 393	(624)	4 769
Other comprehensive income		-	-	7	-	-	-	7
Total comprehensive income / (expense)		-	-	**7**	-	**5 393**	**(624)**	**4 776**
Balance at 31 December 2023	31	**12 644**	**6 360**	**60**	**25**	**9 857**	**448**	**29 394**

*On January 1, 2022, the Group did not exist

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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 2023

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit	Total
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**
Issue of shares		1 000	-	-	-	-	784
Comprehensive income							
Profit for the year		-	-	-	-	**5 666**	**5 666**
Other comprehensive income		-	-	7	-	-	**7**
Total comprehensive income		-	-	**7**	-	**5 666**	**5 673**
Balance at 31 December 2023	31	**12 644**	**6 360**	**60**	**25**	**9 247**	**28 336**

The accompanying notes on pages 16 to 104 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 8 to 104 were approved by management of the Bank on 1 March 2024.

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.
On July 7, 2023, the Bank acquired 100% of voting shares of investment management company Signet Pensiju Pārvalde IPAS (Reg No 40003814724). In 2023, the Bank's subsidiary Signet Pensiju Pārvalde IPAS commenced management of the 2nd pillar pension funds of the state funded pension scheme, adding a new product to the range of products offered by the Group, which is available to all residents of Latvia. The Group intends to further develop the range of investment products offered by the Bank and its subsidiaries Signet Pensiju Pārvalde IPAS (pension plan management services) and Signet Asset Management Latvia IPAS (investment fund and individual investment portfolio management services).
At the end of 2023, following the approval of the Bank of Latvia and the European Central Bank, and the approval of the Competition Council, the Bank acquired 100% of shares in AS "LPB Bank" (Reg No 50103189561). This transaction is a strategic step in the development of Signet Bank Group (Group) that will enable it to increase the Bank's business volumes, strengthen its digital solutions and significantly increase and diversify the range of financial services and products offered to customers, unlocking growth opportunities in FinTech. AS "LPB Bank" will be rebranded and will continue to operate as a subsidiary bank of the Bank, focusing on implementation of its individual strategy.
An important milestone for the Bank came on July 11, 2022, when Signet Bank AS (Reg No 40003076407), once cleared by the Financial and Capital Market Commission and the European Central Bank, transferred its business operations to AS Expobank (Reg No 40003043232), and AS Expobank changed its name to Signet Bank AS (Reg No 40003043232). This provided the Group with infrastructure for further development, 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 (19.5%), 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.
The Bank offers high-quality financial services to local entrepreneurs and their companies, doing so at the highest level of professionalism and trustworthiness. The Bank's primary products 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 management services, consultations on investments, deposits, services related to the everyday banking transactions of individuals and legal entities, as well as payment cards.
In the long term, the Bank 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 the Bank. In 2023, the Bank organised 11 bond emissions for Latvian companies, helping them to attract financing worth EUR 149 million. According to Nasdaq CSD and Bloomberg data, the Bank was convincingly in first place among banks in Latvia when it came to the number of bond emissions and their volume in 2023.

2023 was the second year of Russia's war 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. The Bank 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 2023, 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, 2023, were 20.33% and 127.90% respectively. Return on equity (ROE) and return on assets (ROA) were 22.71% un 1.39% respectively.

The Bank operates in accordance with Latvian law, as well as the license that was issued to it by the Bank of Latvia (LB), which has made it possible to offer all of the financial services that are listed in the Law on Lending Institutions. The Bank's operations are supervised by the Bank of Latvia. The Bank's legal address is at Antonijas Street 3, Rīga LV-1010, Latvia.

2. Commitment to Sustainability

Our commitment to sustainability promotion is founded on:

- shared vision in a better future, peace and prosperity for people and the planet;
- acknowledgment of the potential sustainability risks to society and the environment;
- belief that achieving lasting success and wellbeing is attainable without causing harm to the planet and its inhabitants;
- endorsement of international, European, and national initiatives aimed at fostering sustainable development;
- advocacy of collective efforts, as we firmly believe that everyone should be engaged in our shared journey toward a more sustainable future.

In 2023 we developed our Sustainability strategy for 2023-2025, driven by our sustainability commitments:

- We acknowledge our responsibility to contribute to a sustainable future by managing our operations in an environmentally and socially responsible manner and integrating sustainability considerations into our business strategy and decision-making processes;
- We embrace the role that financial industry can play in promoting sustainable development and are committed to offering financial products and services that support the transition to sustainable economy;
- We recognize that sustainability is an ongoing journey, and are dedicated to continuously improve our sustainability practices.

Materiality assessment

Double materiality analysis helps us understanding the intersection between our impact on the environment and society and the influence of sustainability factors on our operational success. This process, rooted in stakeholder engagement and industry insights, allows us to identify and prioritize the sustainability issues most critical to our business and stakeholders and guides our strategic focus, ensuring that our sustainability efforts are both impactful and aligned with our broader objectives.

- In the realm of environmental priorities, we have identified climate change and biodiversity as areas requiring urgent attention and action. Although these topics might not have instant significant physical effect to our performance, we recognize the significant effect of transitioning to environmentally more sustainable activities.
- Socially, our priorities emphase safe working conditions, equality, non-discrimination, human rights, ethical product development, and data privacy. We aim to foster a culture of respect and responsibility.
- We believe that effective and responsible governance practices forms the backbone of sustainability endeavors and advocate for transparency and sustainability in all business practices.

Strategic goals for 2023-2025

1. Reduce Our Direct Environmental Impact

Our 2023-2025 strategy aims to reduce our environmental footprint by focusing on key areas: reducing our carbon emissions, improving resource efficiency, enhancing waste management, and fostering employee engagement in sustainability practices, as well as integrating environmental considerations into our value chain.

2. Improve the Well-being of Our Employees

Employee welfare, development and learning opportunities, health, as well as maintaining a balance between private life and work is our constant priority. In addition to the usual employee benefits programs, we pay special attention to employee well-being issues, as well as ensuring an equal, non-discriminatory, and inclusive work environment.

3. Deliver Customer Service Aligned with Sustainability Practices

Our commitment to sustainability extends to providing customer service through the digitalization of banking services, responsible product development, ethical selling and advertising practices, stringent privacy and data protection measures, enhanced cybersecurity, and educational initiatives to promote sustainable financial practices to our clients.

4. Enhance Social Well-being and Foster Sustainable Communities

Our goal is to empower local businesses with strategic financing solutions, promote financial literacy among entrepreneurs and society at large, foster cross-sector cooperation, and increase our positive social impact by supporting cultural, sports, and educational initiatives.

5. Strengthen Sustainability Governance

Our strategy includes embedding sustainability governance into our core operations, ensuring compliance with relevant policies, enhancing transparency and reporting, and establishing responsible relationships with suppliers and partners.

6. Improve Sustainability Performance of Loan and Investments Portfolio

A significant prerequisite for aligning the loan and investment portfolio with sustainability priorities is data availability and transparency, as well as understanding of the sustainability performance of our clients. This allows us to objectively assess the current situation and support clients in transitioning to more sustainable practices where applicable. Our goal is to promote financing availability for projects with a positive impact on sustainability objectives.

7. Support Clients in Their Transition to a More Sustainable Future

One of our most important tasks is to provide financial solutions that support society's transition to a more sustainable economy. By constantly enhancing our knowledge in the field of sustainability, we increase our contribution in collaboration with clients to identify and support opportunities for sustainable growth.

8. Ensure Effective Sustainability Risk Management

On the path to a more sustainable future, effective sustainability risk management plays a significant role. Recognizing this, we pay close attention to identifying, assessing, and managing risks associated with environmental, social, and governance factors, as well as understanding the potential impact of these risks on our clients, our own performance, and society at large. By incorporating considerations of sustainability risk into our decision-making processes, we reduce potential negative consequences and identify opportunities for positive change. Given the importance of materiality assessment, a crucial aspect is managing transition risks by reducing the volume of assets exposed to such risks or working with clients to mitigate the impact of transition risks on them.

3. Authorisation of the financial statements

These financial statements have been authorised for issuance by the Management of the Bank on 1 March 2024 and they comprise the financial information of Signet Bank AS (hereinafter – the Bank) and its subsidiaries - AS "LPB Bank", Signet Asset Management Latvia IPS, Signet Pensiju Pārvalde IPAS, 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 % 31 Dec 2023
AS "LPB Bank"	Latvia	Credit institution	54 Brivibas street, Riga LV-1011, Latvia	Subsidiary	100
Signet Asset Management Latvia IPS	Latvia	Financial services	3-1 Antonijas street, Riga LV-1010, Latvia	Subsidiary	100
Signet Pensiju Pārvalde IPAS	Latvia	Financial services	3-7 Antonijas street, Riga LV-1010, Latvia	Subsidiary	90
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
SB Real Estate SIA	Latvia	Real estate management of subsidiaries	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 2023, 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 2022.

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

New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A Layout Group. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.
These amendments had no effect on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.
These amendments had no effect on the annual consolidated financial statements of the Group.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.
Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.
Management of A Layout has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

New standards, interpretations and amendments 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 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 *Financial Instruments: Disclosures*).

The following amendments are effective for the period beginning 1 January 2025:

Lack of Exchangeability (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*)

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 are yet to be 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, if any. More detailed information on the Group's subsidiary is presented in Note 20 (Investment in Subsidiaries).
The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of

comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

(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 Subsidiary company'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 represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.
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 Subsidiary 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 management of the Bank or Subsidiaries 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

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
Land and buildings	50 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 the consumer loan portfolio of the Bank's daughter company, 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 Bank's or Subsidiary company's management.

For debt securities, amounts due from other banks and counterparties and other instruments that have a credit rating, the Group uses PD's that are based on the rating .

For debt securities, amounts due from other banks and counterparties and other instruments, except loans to customers, that do not have credit rating, the Group estimates ratings based on the level and intervals of financial indicators used by 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.

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 macroeconomic risks may be evaluated as elevated, higher probabilities of default are employed to calculate expected credit losses than in 'normal' circumstances.

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 (CIT) assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. Up until now, the Bank and the Group had to pay corporate income tax on the profit distribution in Latvia. Thus, the corporate 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.

According to amendments to the CIT Law adopted in 2024, credit institutions and consumer credit providers have pay an annual corporate income tax surcharge of 20%, which is calculated on the basis of their financial data of pre-taxation year. In essence, the tax surcharge is an advance payment that will be taken into account for an unlimited period in calculating the tax payable on distributions of dividends.

The CIT surcharge is recognised in the income statement in the financial year, and as a tax liability of the current period for the reporting period payable to the tax administration in 2024.

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) and sanctions 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 2023		31 December 2022	
	Group	Bank	Group	Bank
Impact on profit: parallel increase by 100 basis points	(93)	(93)	(107)	(107)
Impact on profit: parallel decrease by 100 basis points	97	97	109	109
Impact on equity: parallel increase by 100 basis points	(387)	(85)	(299)	(299)
Impact on equity: parallel decrease by 100 basis points	404	90	313	313

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 2023	31 December 2022
100 bp parallel increase	360	332
100 bp parallel decrease	(360)	(332)

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 2023		31 December 2022	
	Profit or loss, Group	Profit or loss, Bank	Profit or loss, Group	Profit or loss, Bank
5% appreciation of USD against EUR	(18)	(1)	18	18
5% depreciation of USD against EUR	18	1	(18)	(18)
5% appreciation of GBP against EUR	(1)	-	(4)	(4)
5% depreciation of GBP against EUR	1	-	4	4

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 2023 and 2022 and a simplified scenario of a 5% change in all securities prices is as follows:

'000 EUR	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Impact on profit: increase of securities prices by 5%	156	156	267	267
Impact on profit: decrease of securities prices by 5%	(156)	(156)	(267)	(267)
Impact on other comprehensive income: increase of securities prices by 5%	940	89	904	904
Impact on other comprehensive income: decrease of securities prices by 5%	(940)	(89)	(904)	(904)

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 Bank’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 Bank 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 Treasury Division and Brokerage 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
31.12.2023							
Total gross loans	**32 241**	**6 141**	**23 134**	**43 022**	**8 364**	**56 491**	**169 393**
Neither past due nor impaired loans	32 104	6 141	19 849	39 828	8 364	56 432	**162 718**
Past due and impaired loans							
past due up to 29 days	137	-	1 730	2 351	-	-	**4 218**
past due from 30 days up to 59 days	-	-	374	838	-	-	**1 212**
past due from 60 days up to 90 days	-	-	157	-	-	-	**157**
past due more than 90 days	-	-	1 024	5	-	59	**1 088**
Total impairment allowance	**(177)**	**(8)**	**(1 690)**	**(136)**	**-**	**(220)**	**(2 231)**
Total impairment allowance - neither past due nor impaired loans	(171)	(8)	(471)	(130)	**-**	(161)	**(941)**
Impairment allowance - loans are past due							
past due up to 29 days	(6)	-	(150)	(1)	-	-	**(157)**
past due from 30 days up to 59 days	-	-	(147)	-	-	-	**(147)**
past due from 60 days up to 90 days	-	-	(103)	-	-	-	**(103)**
past due more than 90 days	-	-	(819)	(5)	-	(59)	**(883)**
Total net loans	**32 064**	**6 133**	**21 444**	**42 886**	**8 364**	**56 271**	**167 162**
Neither past due nor impaired loans	31 933	6 133	19 378	39 698	8 364	56 271	161 777
Past due and impaired loans							
past due up to 29 days	131	-	1 580	2 350	-	-	**4 061**
past due from 30 days up to 59 days	-	-	227	838	-		**1 065**
past due from 60 days up to 90 days	-	-	54	-	-	-	**54**
past due more than 90 days	-	-	205	-	-	-	**205**
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 impairment allowance - neither past due nor impaired loans	(151)	(1)	(430)	(41)	**-**	(109)	**(732)**
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
31.12.2023							
Total gross loans	**51 419**	**6 141**	**712**	**22 158**	**4 826**	**45 210**	**130 466**
Neither past due nor impaired loans	51 419	6 141	616	22 158	4 826	45 210	**130 370**
Past due and impaired loans							
past due more than 90 days	-	-	**96**	-	-	-	**96**
Total impairment allowance	**(1 556)**	**(8)**	**(100)**	**(61)**	**-**	**(214)**	**(1 939)**
Total individually impairment allowance - neither past due nor impaired loans	(1 556)	(8)	(4)	(61)	-	(214)	(1 843)
Past due and impaired loans							
past due more than 90 days	-	-	**(96)**	-	-	-	**(96)**
Total net loans	**49 863**	**6 133**	**612**	**22 097**	**4 826**	**44 996**	**128 527**
Neither past due nor impaired loans	49 863	6 133	612	22 097	4 826	44 996	**128 527**
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

The Group assessed the impact of modification of cash flows on restructured loans and concluded that it is immaterial. Four loans in the total amount of 2 466 thousand EUR had active restructured status as at 31 December 2023 (2022: six loans, 7 718 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, 2023:

’000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	72 807	-	-	72 807
Demand deposits with credit institutions	9 939	-	-	9 939
Debt securities measured at fair value through other comprehensive income	18 791	-	-	18 791
Financial assets measured at amortized cost	364 755	29 554	7 202	401 511
Other financial assets	2 668	-	-	2 668
Total gross financial assets	**468 960**	**29 554**	**7 202**	**505 716**
Total impairment allowance	(868)	(333)	(1209)	(2 410)
Total net financial assets	**468 092**	**29 221**	**5 993**	**503 306**

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, 2023:

’000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	8 141	-	-	8 141
Demand deposits with credit institutions	9 672	-	-	9 672
Debt securities measured at fair value through other comprehensive income	1 786	-	-	1 786
Financial assets measured at amortized cost	315 701	9 808	712	326 221
Other financial assets	1 608	-	-	1 608
Total gross financial assets	**336 908**	**9 808**	**712**	347 428
Total impairment allowance	(1 873)	(18)	(192)	(2 083)
Total net financial assets	**335 035**	**9 790**	**520**	345 345

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**

Changes in financial assets measured at amortized cost of the Group's financial assets by stages for the year ended 31 December 2023:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2023	**333 623**	**9 513**	**1 391**	**344 527**
Increases in connection with the acquisition of the subsidiary company AS "LPB Bank" (result of consolidation)	50 398	17 555	5 350	73 303
New assets originated or increased on the existing contracts	66 536	4 114	387	71 037
Assets redeemed	(80 024)	(5 910)	(140)	(86 074)
Effect on Gross carrying value at the end of the period due to changes in accruals				
Transfers to Stage 1	3 458	(3 453)	(5)	-
Transfers to Stage 2	(7 880)	7 884	(4)	-
Transfers to Stage 3	(629)	(36)	665	-
Written off	(727)	(113)	(442)	**(1 282)**
Gross carrying amount 31 December 2023	**364 755**	**29 554**	**7 202**	**401 511**

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 2022	**-**	**-**	**-**	**-**
New assets originated or increased on the existing contracts	350 325	13 495	1 906	**365 726**
Assets 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 2022	**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 2023:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2023	**332 500**	**9 079**	**711**	**342 290**
New assets originated or increased on the existing contracts	57 239	3 451	-	**60 690**
Assets repaid (redeemed)	(70 891)	(5 869)	1	**(76 759)**
Effect on Gross carrying value at the end of the period due to changes in accruals				
Transfers to Stage 1	3 276	(3 276)	-	-
Transfers to Stage 2	(6 423)	6 423	-	-
Gross carrying amount 31 December 2023	**315 701**	**9 808**	**712**	**326 221**

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 2022	**25 851**	**6 860**	**-**	**32 711**
New assets originated or increased on the existing contracts	318 635	5 789	711	**325 135**
Assets 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 2022	**332 500**	**9 079**	**711**	**342 290**

Changes in loan loss allowance of the Group's financial assets measured at amortised cost by stages for the year ended 31 December 2023:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2023	**986**	**79**	**637**	**1 702**
Increases in connection with the acquisition of the subsidiary company AS "LPB Bank" (result of consolidation)	133	3	162	298
New assets originated or increased on the existing contracts	361	114	265	740
Assets repaid (redeemed)	(148)	210	493	555
Written off	**(466)**	**(72)**	**(347)**	**(885)**
At 31 December 2023	**866**	**334**	**1 210**	**2 410**

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 measured at amortised cost by stages for the year ended 31 December 2023:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2023	**1 408**	**21**	**190**	**1 619**
New assets originated or increased on the existing contracts	147	6	-	153
Assets repaid (redeemed)	318	(9)	2	311
At 31 December 2023	**1 873**	**18**	**192**	**2 083**

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**

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 2023 and 31 December 2022.

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 2023:

'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	-	-	-	3 855	-	-	**3 855**	**3 855**
Deposits	374 082	33 338	21 544	31 369	9 070	-	**469 403**	**469 943**
Subordinated liabilities	61	298	1 366	510	5 238	6 232	**13 705**	**11 299**
Debt securities issued	-	-	-	-	-	4 332	**4 332**	**4 332**
Other liabilities	488	-	-	-	-	-	488	488
Other financial liabilities	3 784	41	41	84	606	-	**4 556**	**4 556**
Contingent liabilities for guarantees	304	-	50	50	3 678	-	**4 082**	**4 082**
Unrecognised loan commitments	8 938	27	300	134	2 220	-	**11 619**	**11 619**
Total Non-derivative liabilities	**387 657**	**33 704**	**23 301**	**36 002**	**20 812**	**10 564**	**512 040**	**510 174**
Derivative liabilities								
Inflow	(9 810)	(2 308)	(1 315)	(652)	-	(250)	(14335)	**(14 233)**
Outflow	9 764	2 328	1 317	635	-	254	14 298	**14 225**
Total Derivative liabilities	**(46)**	**20**	**2**	**(17)**	-	**4**	**(37)**	**(8)**
Total	**387 611**	**33 724**	**23 303**	**35 985**	**20 812**	**10 568**	**512 003**	**510 166**

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 2023:

'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	-	-	-	3 855	-	-	**3 855**	**3 855**
Deposits	272 382	30 638	17 485	23 059	3 802	-	**347 366**	**346 566**
Subordinated liabilities	61	298	1 366	510	5 238	6 232	**13 705**	**11 299**
Debt securities issued	-	-	-	-	-	4 332	**4 332**	**4 332**
Other financial liabilities	2 171	41	41	83	601	-	**2 937**	**2 937**
Contingent liabilities for guarantees	-	-	50	50	3 678	-	**3 778**	**3 778**
Unrecognised loan commitments	8 564	-	300	134	2 113	-	**11 111**	**11 111**
Total Non-derivative liabilities	**283 178**	**30 977**	**19 242**	**27 691**	**15 432**	**10 564**	**387 084**	**383 878**
Derivative liabilities								
Inflow	(9 810)	(2 308)	(1 315)	(652)	-	(250)	(14 335)	(14 233)
Outflow	9 764	2 328	1 317	635	-	254	14 298	14 225
Total Derivative liabilities	**(46)**	**20**	**2**	**(17)**	**-**	**4**	**(37)**	**(8)**
Total	**283 132**	**30 997**	**19 244**	**27 674**	**15 432**	**10 568**	**387 047**	**383 870**

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**

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 2023 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	72 807	-	-	-	-	-	**72 807**
Demand deposits with credit institutions	9 939	-	-	-	-	-	**9 939**
Financial instruments designated at fair value through profit or loss	7 814	-	-	-	3 139	-	**10 953**
Debt securities measured at fair value through other comprehensive income	-	3 967	-	-	14 824	-	**18 791**
Financial assets measured at amortized cost	84 577	32 775	48 137	35 963	197 443	206 *	**399 101**
Other financial assets	2 668	-	-	-	-	-	**2 668**
Total financial assets	**177 805**	**36 742**	**48 137**	**35 963**	**215 406**	**206**	**514 259**
Financial liabilities							
Financial liabilities at fair value through profit or loss	74	-	-	-	-	-	**74**
Liabilities to central bank	-	-	3 855	-	-	-	**3 855**
Deposits	377 360	32 408	20 672	29 805	9 698	-	**469 943**
Subordinated liabilities	-	-	673	305	10 321	-	**11 299**
Debt securities issued	-	-	-	-	4 332	-	**4 332**
Other liabilities	488	-	-	-	-	-	**488**
Other financial liabilities	3 784	41	41	84	606	-	**4 556**
Contingent liabilities for guarantees	304	-	50	50	3 678	-	**4 082**
Unrecognised loan commitments	8 938	27	300	134	2 220	-	**11 619**
Total financial liabilities	**390 948**	**32 476**	**25 591**	**30 378**	**30 855**	**-**	**510 248**
Total Equity	-	-	-	-	-	29 453	**29 453**
Total Liabilities and Equity	**390 948**	**32 476**	**25 591**	**30 378**	**30 855**	**29 453**	**539 701**
Net liquidity position as at 31 December 2023	**(213 143)**	**4 266**	**22 546**	**5 586**	**184 551**	**(29 247)**	**-**
Net liquidity position as at 31 December 2022	(81 711)	(307)	(2 141)	12 268	65 447	(18 752)	-

* Security deposits

The Bank's Analysis of contractual maturities of financial assets and liabilities and equity as at 31 December 2023 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	8 141	-	-	-	-	-	**8 141**
Demand deposits with credit institutions	9 672	-	-	-	-	-	**9 672**
Financial instruments designated at fair value through profit or loss	7 011	-	-	-	3 139	-	**10 150**
Debt securities measured at fair value through other comprehensive income	-	-	-	-	1 786	-	**1 786**
Financial assets measured at amortized cost	77 920	30 533	41 590	28 174	145 715	206 *	**324 138**
Other financial assets	1 608	-	-	-	-	-	**1 608**
Total financial assets	**104 352**	**30 533**	**41 590**	**28 174**	**150 640**	**206**	**355 495**
Financial liabilities							
Financial liabilities at fair value through profit or loss	74	-	-	-	-	-	**74**
Liabilities to central bank	-	-	3 855	-	-	-	**3 855**
Deposits	275 232	29 709	16 442	21 287	3 896		**346 566**
Subordinated liabilities	-	-	673	305	10 321	-	**11 299**
Debt securities issued	-	-	-	-	4 332	-	**4 332**
Other financial liabilities	2 171	41	41	83	601	-	2 937
Contingent liabilities for guarantees	-	-	50	50	3 678	-	**3 778**
Unrecognised loan commitments	8 564	-	300	134	2 113	-	**11 111**
Total financial liabilities	**286 041**	**29 750**	**21 361**	**21 859**	**24 941**	-	**383 952**
Total Equity	-	-	-	-	-	28 336	**28 336**
Total Liabilities and Equity	**286 041**	**29 750**	**21 361**	**21 859**	**24 941**	**28 336**	**412 288**
Net liquidity position as at 31 December 2023	**(181 689)**	**783**	**20 229**	**6 316**	**125 699**	**(28 130)**	**-**
Net liquidity position as at 31 December 2022	(66 796)	(340)	(2 736)	11 853	48 874	(17 581)	-

* Security deposits

The interest rate analysis chart for the Group's financial assets and financial liabilities, taking into their sensitivity, as at 31 December 2023 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	63 527	-	-	-	-	-	9 280	**72 807**
Demand deposits with credit institutions	183	-	-	-	-	-	9 756	**9 939**
Financial instruments designated at fair value through profit or loss	-	-	-	-	3 123	-	7 830	**10 953**
Debt securities measured at fair value through other comprehensive income	4	3 991	56	1	13 009	1 730	-	**18 791**
Financial assets measured at amortized cost	93 175	31 112	52 880	23 114	148 678	81	50 061	**399 101**
Other financial assets	-	-	-	-	-	-	2 668	**2 668**
Long positions of interest rates risk sensitive off-balance items*	9 709	2 308	1 315	652	250	-	-	**14 234**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**166 598**	**37 411**	**54 251**	**23 767**	**165 060**	**1 811**	**79 595**	**528 493**
Financial liabilities								
Financial liabilities at fair value through profit or loss	74	-	-	-	-	-	-	**74**
Liabilities to central bank	-	-	-	-	-	-	3 855	**3 855**
Deposits	71 904	43 763	29 050	37 470	21 218	-	266 538	**469 943**
Subordinated liabilities	905	-	673	305	9 416	-	-	**11 299**
Debt securities issued	-	-	-	-	-	4 332	-	**4 332**
Other liabilities	488	-	-	-	-	-	-	488
Other financial liabilities	-	-	-	-	-	-	4 556	**4 556**
Short positions of interest rates risk sensitive off-balance items*	10 364	2 422	1 357	635	254	-	-	**15 032**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**83 735**	**46 185**	**31 080**	**38 410**	**30 888**	**4 332**	**274 949**	**509 579**
Net position as at 31 December 2023	**82 863**	**(8 774)**	**23 171**	**(14 643)**	**134 172**	**(2 521)**	**(195 354)**	**18 914**
Net position as at 31 December 2022	207 211	6	(4 880)	13 018	29 265	44 774	(273 669)	15 725

*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 2023 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	52	-	-	-	-	-	8 089	**8 141**
Demand deposits with credit institutions	-	-	-	-	-	-	9 672	**9 672**
Financial instruments designated at fair value through profit or loss	-	-	-	-	3 123	-	7 027	**10 150**
Debt securities measured at fair value through other comprehensive income	-	-	-	-	1 786	-	-	**1 786**
Financial assets measured at amortized cost	81 144	21 573	32 462	18 498	125 852	-	44 609	**324 138**
Other financial assets	-	-	-	-	-	-	1 608	**1 608**
Long positions of interest rates risk sensitive off-balance items*	9 709	2 308	1 315	652	250	-	-	**14 234**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**90 905**	**23 881**	**33 777**	**19 150**	**131 011**	**-**	**71 005**	**369 729**
Financial liabilities								
Financial liabilities at fair value through profit or loss	74	-	-	-	-	-	-	**74**
Liabilities to central bank	-	-	-	-	-	-	3 855	**3 855**
Deposits	8 221	30 192	16 892	21 128	3 595	-	266 538	**346 566**
Subordinated liabilities	905	-	673	305	9 416	-	-	**11 299**
Debt securities issued	-	-	-	-	-	4 332	-	**4 332**
Other financial liabilities	-	-	-	-	-	-	2 937	**2 937**
Short positions of interest rates risk sensitive off-balance items*	9 691	2 328	1 317	635	254	-	-	**14 225**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**18 891**	**32 520**	**18 882**	**22 068**	**13 265**	**4 332**	**273 330**	**383 288**
Net position as at 31 December 2023	**72 014**	**(8 639)**	**14 895**	**(2 918)**	**117 746**	**(4 332)**	**(202 325)**	**(13 559)**
Net position as at 31 December 2022	**223 755**	**(38)**	**(5 505)**	**12 527**	**22 688**	**34 499**	**(274 902)**	**13 024**

*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 2023:

’000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	72 768	32	5	72 805
Demand deposits with credit institutions	3 461	2 015	4 463	9 939
Financial instruments designated at fair value through profit or loss	10 150	803	-	10 953
Debt securities measured at fair value through other comprehensive income	16 624	2 167	-	18 791
Financial assets measured at amortized cost	362 993	33 134	2 974	399 101
Other assets	2 668	-	-	2 668
Total financial assets	468 664	38 151	7 442	514 257
Off-balance (currency SWAP nominal value)	10 504	3 729	-	14 233
Financial liabilities				
Financial liabilities at fair value through profit or loss	74	-	-	74
Liabilities to central bank	3 855	-	-	3 855
Deposits	433 633	28 868	7 442	469 943
Subordinated liabilities	8 027	3 272	-	11 299
Debt securities issued	4 332	-	-	4 332
Other liabilities	488	-	-	488
Other financial liabilities	4 556	-	-	4 556
Total financial liabilities	**454 965**	**32 140**	**7 442**	**494 547**
Total Equity and reserves	29 394	-	-	29 394
Total Liabilities and Equity	**484 359**	**32 140**	**7 442**	**523 941**
Off-balance (currency SWAP nominal value)	3 746	10 479	-	14 225
Net currency balance position as at 31 December 2023	**(15 695)**	**6 011**	-	**(9 684)**
Net currency position as at 31 December 2023 (balance & off-balance)	**(8 937)**	**(739)**	-	**(9 676)**
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)

The following table shows the Bank's currency structure of financial assets and financial liabilities at 31 December 2023:

'000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	8 103	32	6	8 141
Demand deposits with credit institutions	3 346	2 003	4 323	9 672
Financial instruments designated at fair value through profit or loss	10 150	-	-	10 150
Debt securities measured at fair value through other comprehensive income	1 786	-	-	1 786
Financial assets measured at amortized cost	289 145	32 019	2 974	324 138
Other assets	1 608	-	-	1 608
Total financial assets	**314 138**	**34 054**	**7 303**	**355 495**
Off-balance (currency SWAP nominal value)	10 504	3 729	-	14 233
Financial liabilities				
Financial liabilities at fair value through profit or loss	74	-	-	74
Liabilities to central bank	3 855	-	-	3 855
Deposits	314 923	24 369	7 274	346 566
Subordinated liabilities	8 027	3 272	-	11 299
Debt securities issued	4 332	-	-	4 332
Other financial liabilities	2 937	-	-	2 937
Total financial liabilities	**334 148**	**27 641**	**7 274**	**369 063**
Total Equity and reserves	28 336	-	-	28 336
Total Liabilities and Equity	**362 484**	**27 641**	**7 274**	**397 399**
Off-balance (currency SWAP nominal value)	3 746	10 479	-	14 225
Net currency balance position as at 31 December 2023	**(48 346)**	**6 413**	**29**	**(41 904)**
Net currency position as at 31 December 2023 (balance & off-balance)	**(41 588)**	**(337)**	**29**	**(41 896)**
Net currency balance position as at 31 December 2022	(14 873)	6 134	75	(8 664)
Net currency position as at 31 December 2022	(8 908)	277	(8)	(8 639)

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 is integral part of the Bank's organizational structure and is taking place in each unit of the Bank. The management of the risk is based on overall comprehension of each employee on processes to be conducted and the risks inherent in these processes (risk awareness), as well, the sound risk culture. The Bank does not accept operational risks, which exceed the Bank's risk appetite. The Bank is not accepting also the operations risks, if the impact of such risks cannot be evaluated in money terms and these risks at the same time are uncontrollable 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 and Sanctions (further – ML/TPF and Sanctions) Risk

The ML/TPF and sanctions risk is the risk that the Group can be involved into money laundering or terrorism or proliferation financing or breaching or circumventing of sanctions. 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 or breaching or circumventing of sanctions, 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 and sanctions 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 the economical meaning 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 and sanctions risk management (further - AML/CTPF and Sanctions) issues and constitute the first line of defense.

In order to insure supervision of the customer activity, the Bank has established second line of defense - a division, which is independent and separated from the business activities, with the aim to 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 proper and timely performance of duties of the Bank stipulated in the law in relations with the competent state bodies. The quality control function within this division provides a constant assessment of the effectiveness of the established internal control elements.

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. 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 specially appointed 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 and Sanctions risk. In addition, the Bank additionally scrutinizes customers and their transactions, including, paying attention to customer transactions with countries highlighted by the national FIU in the 2023 National Risk Assessment document or other public sources that might be used for circumvention of sanctions, in order to ensure compliance with the restrictive measures set against the Russian Federation and Belarus.

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 Group or the Group's reputation may suffer. The Group 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 Group; to protect the Group's reputation, to lower the cost of capital; to reduce litigation and sanctions enforcement risks. To manage the compliance risk the Bank:

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

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

l) Risks related to sustainability matters

Risks related to sustainability matters include:

- Environmental risks, divided into physical and transitional risks. Physical risks can manifest as acute (extreme weather events) or chronic (long-term changes, e.g., temperature rise), negatively impacting business operations, causing property or asset losses, and requiring additional expenses for adaptation measures, among others. Transitional risks stem from the transition to a sustainable economy and result from changes in regulations, technology, and market sentiment;
- Social risks encompass issues related to employees and workforce in value change (working conditions, equal opportunities), consumers and end-users (privacy, security, responsible marketing, non-discrimination), and communities (economic, social, cultural, civil, and political rights);
- Governance risks arise from weak corporate culture, ethical violations, corruption, and fraudulent supplier relationship management, posing a threat to the company's reputation and overall operations.

The Group considers that risk factors related to sustainability can affect other risk categories (credit, market, operational, and liquidity risks), and the evaluation of the impact of sustainability factors is integrated into the mentioned risk management processes rather than managed as a separate type of risk.

6. Capital management

The capital requirements for the Bank and the Group are determined and monitored by the LB. 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 2023, the individual minimum Capital adequacy ratio level for the Bank is set at 14.10 % (2022: 14.10 %). The Bank was in compliance with the LB determined individual capital ratio as at 31 December 2023 and 2022.
The Group's risk based capital adequacy ratio as at 31 December 2023 was 17.73 % (2022: 20.33 %)%. The Bank's risk based capital adequacy ratio as at 31 December 2023 was 20.33 % (2022: 16.69 %). As at 31 December 2023, the Tier 1 Capital adequacy ratio level for the Bank was 15.75 % (2022: 14.77 %). 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 2023 and 2022:

'000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Tier 1 capital				
Share capital	12 644	12 644	11 644	11 644
Additional paid-in capital	6 360	6360	6 360	6 360
Reserves	25	25	25	25
Accumulated profit / (losses)	9 857	9 247	4 464	3 582
Reductions of tier 1 capital	(1 854)	(1 178)	(1 086)	(1 061)
Additional deductions for Tier 1 capital according to Article 3 of the CRR	(17)	(1)	(47)	(47)
Common Equity Tier 1 capital	27 014	27 096	21 359	20 502
Additional Tier 1 capital	4 000	4 000	2 000	2 000
Total tier 1 capital	**31 014**	**31 096**	**23 359**	**22 502**
Tier 2 capital				
Subordinated liabilities (unamortised portion)	9 032	9 032	2 923	2 923
Total tier 2 capital	**9 032**	**9 032**	**2 923**	**2 923**
Total capital	**40 046**	**40 128**	**26 282**	**25 425**
Capital requirements				
Credit risk requirements	15 036	13 206	10 004	10 028
Market risk requirements	40	8	35	35
Operational risk requirements	2 994	2 580	2 445	2 445
Total capital requirements	**18 070**	**15 794**	**12 484**	**12 508**
Total risk exposure amount	**225 885**	**197 424**	**156 049**	**152 343**
Capital adequacy ratio	**17.73 %**	**20.33 %**	**16.84 %**	**16.69 %**
CET 1 Capital adequacy ratio	**11.96 %**	**13.72 %**	**13.69 %**	**13.46 %**
Tier 1 Capital adequacy ratio	**13.73 %**	**15. 75 %**	**14.97%**	**14.77%**

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 2023 and 31 December 2022.

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 21.

(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 2023 and 2022 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	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest income calculated using the effective interest method				
Interest income on financial assets at amortized cost				
Loans and advances due from customers	14 948	13 118	4 638	4 460
Debt securities	2 243	2 243	528	528
Balances due from financial institutions	247	247	-	-
Other assets	210	210	30	30
Interest income on debt securities at fair value through profit or loss in other comprehensive income	472	472	308	308
Interest income on financial assets mandatorily at fair value through profit or loss	-	-	12	12
Interest income on liabilities from Latvian Bank	270	270	25	25
Total interest income	**18 390**	**16 560**	**5 541**	**5 363**
Interest expense				
Interest expense recognised on liabilities measured at amortised cost				
Current accounts and deposits due to customers	(2 517)	(2 537)	(278)	(281)
Subordinated liabilities	(530)	(530)	(162)	(162)
Balances due to financial institutions	(126)	(127)	(89)	(89)
Interest expense on issued debt securities	(600)	(600)	(36)	(36)
Payments to the deposit guarantee fund and other expenses	(202)	(202)	(132)	(132)
Lease commitments	(39)	(38)	(24)	(24)
Other interest expense	(84)	-	(41)	-
Total interest expense	**(4 098)**	**(4 034)**	**(762)**	**(724)**
Net interest income	**14 292**	**12 526**	**4 779**	**4 639**

Interest income on loans and advances due from customers classified in stage 2 and stage 3 during the year ended 31 December 2023 Bank amounted to EUR 1 058 thousand (2022: EUR 253 thousand).

9. Fee and commission income

’000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Brokerage operations	3 548	2 907	1 453	1 453
Structured products	3 240	3 240	1 697	1 697
Asset management and fiduciary services	2 445	2 159	1 548	1 423
Servicing current accounts	1 757	1 759	1 078	1 078
Credit card maintenance	268	268	137	137
Other	438	439	170	169
Total	**11 696**	**10 772**	**6 083**	**5 957**

10. Fee and commission expense

’000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Asset management and brokerage services	1 655	1 647	743	736
Agency fees	1 112	1 112	717	717
Settlements	156	154	84	83
Other	3	3	28	28
Total	**2 926**	**2 916**	**1 572**	**1 564**

11. General administrative expenses

'000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Employee compensation and payroll taxes	9 763	8 467	5 275	4 891
Professional services	1 185	720	112	90
Depreciation and amortization	887	862	594	584
Advertising and marketing	790	527	244	219
Communications and information services	594	482	482	480
IT services costs	502	400	370	368
Non-refundable value added tax	493	448	167	166
Payment cards expenses	341	341	310	310
Other employee expenses	290	239	301	99
Rent and utilities payments	193	191	72	72
Other	1 249	834	853	762
Total	**16 287**	**13 511**	**8 780**	**8 041**

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	2023 Group	2023 Bank	2022 Group	2022 Bank
Expenses and payments made in previous periods to a sworn auditor for the audit of the annual report	96	60	72	51
Expenses and payments made in previous periods to a sworn auditor for non - audit services	24	24	6	6
Total	**120**	**84**	**78**	**57**

The Bank's rental fees for low value inventory rental in the amount of EUR 15 thousand are included under the item 'IT services costs' (2022: EUR 7 thousand) and in the amount of EUR 8 thousand - under the item 'Other' (2022: EUR 2 thousand).
In 2023 the Group employed an average of 196 persons (2022:144), whereas the Bank employed an average of 137 (2022: 98).
Number of employees of the Group and the Bank at the year end:

	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Management	15	4	12	4
Heads of divisions and departments	84	23	25	22
Other personnel	317	122	107	87
Total at the end of the year	**416**	**149**	**144**	**113**

12. Impairment recovery/(loss)

Total net asset impairment allowance included in statement of income:

’000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Loans and advances due from customers	(1 628)	(645)	440	230
Other assets	(913)	(913)	-	-
Debt securities	288	288	(251)	(251)
Investment in associates	(228)	(228)	-	-
Balances due from financial institutions	-	-	1	1
Other financial assets	(13)	(13)	-	-
Total impairment allowance and provisions charged to income statement, net	**(2 494)**	**(1 511)**	**190**	**(20)**

Changes in the Group financial and other asset impairment allowance for the year ended 31 December 2023:

’000 EUR	Increases in origination and acquisition	(Increases) / Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(51)	339	288
Loans and advances due from customers	(546)	521	(25)
Other financial and non-financial assets	(1 155)	-	(1 155)
Total stage 1 impairment	**(1 752)**	**860**	**(892)**
Stage 2			
Loans and advances due from customers	(108)	(159)	(267)
Total stage 2 impairment	**(108)**	**(159)**	**(267)**
Stage 3			
Loans and advances due from customers	(273)	(1 062)	(1 335)
Total stage 3 impairment	**(273)**	**(1 062)**	**(1 335)**
Total allowances for credit losses recognised in profit or loss, net	**(2 133)**	**(361)**	**(2 494)**

12. Impairment recovery/(loss) (continued)

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

’000 EUR	(Increases) / Decreases in origination and acquisition	(Increases) / 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**

Changes in the Bank financial and other asset impairment allowance for the year ended 31 December 2023:

’000 EUR	Increases in origination and acquisition	(Increases) / Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(51)	339	288
Loans and advances due from customers	(980)	343	(637)
Other financial and non-financial assets	(1 155)	-	(1 155)
Total stage 1 impairment	**(2 186)**	**682**	**(1 504)**
Loans and advances due from customers	-	(7)	(7)
Total stage 2 impairment	**-**	**(7)**	**(7)**
Stage 3			
Loans and advances due from customers	-	-	-
Total stage 3 impairment	-	-	-
Total allowances for credit losses recognised in profit or loss, net	**(2 186)**	**675**	**(1 511)**

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)**

13. Income tax

Income tax recognised in the profit or loss:

'000 EUR	2023 Group	2023 Bank	2022 Group	2022 Bank
Income tax surcharge for the profit of the reporting year (in the amount of 20%)	1 416	1 416	-	-
Income tax on profit distribution	58	47	37	32
Income tax recognised in profit or loss	**1 474**	**1 463**	**37**	**32**

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. Up until now, the Bank and the Group had to pay corporate income tax on the profit distribution in Latvia. Thus, the corporate 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.

According to amendments to the Corporate Income Tax Law adopted in 2024, credit institutions and consumer credit providers have pay an annual corporate income tax surcharge of 20%, which is calculated on the basis of their financial data of pre-taxation year. In essence, the tax surcharge is an advance payment that will be taken into account for an unlimited period in calculating the tax payable on distributions of dividends.

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Cash	1 331	234	279	279
Balances due from central banks	71 476	7 907	2 709	2 709
Subtotal	**72 807**	**8 141**	**2 988**	**2 988**
Demand deposit due from financial institutions	9 939	9 672	8 068	8 065
Total	**82 746**	**17 813**	**11 056**	**11 053**

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Assets				
Debt securities				
Corporate debt securities *	3 109	3 109	3 292	3 292
Financial institutions debt securities *	818	15	2 041	2 041
Credit institutions debt securities *	-	-	-	-
Total debt securities	**3 927**	**3 124**	**5 333**	**5 333**
Equity instruments				
Financial institutions shares*	6 909	6 909	5 953	5 953
Corporate shares*	15	15	12	12
Total equity instruments	**6 924**	**6 924**	**5 965**	**5 965**
Derivative financial instruments				
Foreign currency contracts	102	102	357	357
Foreign currency forward agreements	-	-	2	2
Total derivative financial instruments	**102**	**102**	**359**	**359**
Total assets at fair value	**10 953**	**10 150**	**11 657**	**11 657**
Notional amount				
Derivative financial instruments				
Foreign currency forward agreements	14 021	14 021	18 160	18 160
Foreign currency contracts	212	212	3 069	3 069
Total derivative financial instruments at national amount	**14 233**	**14 233**	**21 229**	**21 229**
Liabilities				
Derivative financial instruments, Foreign currency contracts	74	74	278	278
Total liabilities at fair value	**74**	**74**	**278**	**278**
Notional amount				
Derivative financial instruments				
Foreign currency forward agreements	14 012	14 012	18 133	18 133
Foreign currency contracts	213	213	3 070	3 070
Total derivative financial instruments at national amount	**14 225**	**14 225**	**21 203**	**21 203**

*held for trading

Included in financial assets and financial liabilities at fair value through profit or loss at 31 December 2023 are EUR 10.15 million (2022: EUR 11.7 million) and EUR 74 thousand (2022: EUR 278 thousand) respectively which are held for trading.

16. Balances due from financial institutions

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Not impaired or past due				
Nostro accounts				
OECD banks[1]	9 899	9 646	8 049	8 046
Non-OECD banks	40	26	19	19
Credit ratings2				
Rated A- and above	7 930	7925	6 968	6 967
AA	138	27	122	122
Rated from BBB- to BBB+	6	-	-	-
Not rated	1 865	1 720	978	976
Total nostro accounts	**9 939**	**9 672**	**8 068**	**8 065**
Loans and deposits[3]				
OECD banks[3]	2 854	1 768	3 371	3 371
Credit ratings[2]				
BBB	1 768	1 768	-	-
Not rated	1 086	-	3 371	3 371
Total loans and deposits not impaired	**2 854**	**1 768**	**3 371**	**3 371**
Total balances due from financial institutions	**12 793**	**11 440**	**11 439**	**11 436**

1. Nostro accounts held with OECD banks include balances with 14 counterparties (31 December 2022: 11) two of which exceed 62% (31 December 2022: two - 61%) of the total account balance. The respective one counterparties credit rating was A+ as at 31 December 2023 (31 December 2022: one,A+).
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 2 financial institutions of which individually exceeds 30% of the total balance, one - BBB rating, other - do not have credit ratings, is registered and operates in the EU (31 December 2022: 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 2023 and 2022 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 2023 and 2022 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 2023 and 2022 none of these balances individually exceeded 69 % and 60 % 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 2023 was EUR 7 925 thousand (31 December 2022: EUR 10 339 thousand) and it included 1 bank (31 December 2022: 2) with the credit ratings A- and above (31 December 2022: one – A-, to the other no ratings).

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Corporate entities	92 560	65 940	59 170	59 170
Private individuals and Associations and foundations serving individuals and households	42 840	14 644	38 757	20 918
Financial auxiliaries and other financial intermediaries	33 993	49 882	21 751	37 353
Total loans and advances due from non-banks	**169 393**	**130 466**	**119 678**	**117 441**
Total impairment allowance	(2 231)	(1 939)	(1 344)	(1 261)
Loans and advances due from non-banks customers, net	**167 162**	**128 527**	**118 334**	**116 180**

Four loans in the total amount of 2 466 thousand EUR had active restructured status as at 31 December 2023 (2022: six loans, 7 718 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 2023 Group				31 Dec 2022 Group			
	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	30 146	149 233	2 096	107	45 243	175 607	1 863	4 053
Reverse repo and loans secured by financial instruments	6 140	13 991	-	-	4 657	8 378	100	98
Consumer loans	679	1 768	22 454	-	8 382	17 451	18 060	-
Mortgage loans	43 022	134 143	-	-	19 418	92 524	-	-
Other deposits with financial institutions	-	-	8 364	-	-	-	12 344	5 625
Other	55 936	176 389	556	-	8 686	30 721	925	312
Loans and advances due from customers	**135 923**	**475 524**	**33 470**	**107**	**86 386**	**324 681**	**33 292**	**10 088**
Impairment allowance	(392)	-	(1 839)	-	(227)	-	(1 117)	-
Loans and advances due from customers, net	**135 531**	**475 524**	**31 631**	**107**	**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 2023 Bank				31 Dec 2022 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	50 592	167 246	827	-	60 845	191 819	1 863	4 053
Reverse repo and loans secured by financial instruments	6 140	13 991	-	-	4 657	8 378	100	98
Consumer loans	433	1 067	280	-	8 382	17 451	221	-
Mortgage loans	22 158	80 592	-	-	19 418	92 524	-	-
Other deposits with financial institutions	-	-	4 826	-	-	-	12 344	5 625
Other	44 710	145 366	500	-	8 686	30 721	925	312
Loans and advances due from customers	**124 033**	**408 262**	**6 433**	**-**	**101 988**	**340 893**	**15 453**	**10 088**
Impairment allowance	(1 739)	-	(200)	-	(1 063)	-	(198)	-
Loans and advances due from customers, net	**122 294**	**408 262**	**6 233**	**-**	**100 925**	**340 893**	**15 255**	**10 088**

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 2023:

'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	**32 064**	**50 110**	**4 767**	**200**	**94 266**	**149 343**
OECD countries		7 047	-	-	28	**7 075**
Latvia		32 888	4 416	200	94 238	**131 742**
*Other countries**		10 175	351	-	-	**10 526**
Reverse repo and loans secured by financial instruments	**6 133**	**-**	**13 990**	**-**	**-**	**13 990**
OECD countries		-	253	-	-	**253**
Latvia			11 908		-	**11 908**
*Other countries**			1 829		-	**1 829**
Consumer loans	**21 444**	**1 358**	**380**	**10**	**20**	**1 768**
Latvia		453	36	-	-	**489**
OECD countries		905	334	10	20	**1 269**
*Other countries**		-	10	-	-	**10**
Mortgage loans	**42 886**	**125 426**	**1 372**	**48**	**7 297**	**134 143**
Latvia		102 388	1 372	48	7 297	**111 105**
Russia		4 298	-	-	-	**4 298**
OECD countries		17 240	-	-	-	**17 240**
*Other countries**		1 500	-	-	-	**1 500**
Other deposits with financial institutions	**8 364**	**-**	**-**	**-**	**-**	**-**
OECD countries			-	-	-	-
Other	**56 271**	**122 917**	**11 051**	**229**	**42 190**	**176 387**
Latvia		101 562	5 698	161	36 252	**143 673**
OECD countries		12 331	3 886	68	5 938	**22 223**
*Other countries**		9 024	1 467	-	-	**10 491**

*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 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 2023:

'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	**49 863**	**47 446**	**4 767**	**200**	**114 835**	**167 248**
OECD countries		7 047	-	-	28	**7 075**
Latvia		30 224	4 416	200	114 807	**149 647**
*Other countries**		10 175	351	-	-	**10 526**
Reverse repo and loans secured by financial instruments	**6 133**	**-**	**13 990**	**-**	**-**	**13 990**
OECD countries		-	253	-	-	**253**
Latvia			11 908	-	-	**11 908**
*Other countries**			1 829	-	-	**1 829**
Consumer loans	**612**	**667**	**380**	**-**	**20**	**1 067**
Latvia		453	36	-	-	**489**
OECD countries		214	334	-	20	**568**
*Other countries**		-	10	-	-	**10**
Mortgage loans	**22 097**	**72 484**	**1 372**	**43**	**6 693**	**80 592**
Latvia		49 446	1 372	43	6 693	**57 554**
Russia		4 298	-	-	-	**4 298**
OECD countries		17 240	-	-	-	**17 240**
*Other countries**		1 500	-	-	-	**1 500**
Other deposits with financial institutions	**4 826**	**-**	**-**	**-**	**-**	**-**
OECD countries		-	-	-	-	**-**
Other	**44 996**	**92 253**	**11 051**	**193**	**41 868**	**145 365**
Latvia		12 331	3 886	68	5 938	**22 223**
OECD countries		70 898	5 698	125	35 930	**112 651**
*Other countries**		9 024	1 467	-	-	**10 491**

*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)

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Loans and advances due from customers				
Latvia	126 753	92 980	83 668	81 431
OECD countries	28 789	24 751	7 260	7 260
Russia	2 427	1 575	5 557	5 557
Other countries*	11 424	11 160	23 193	23 193
Total loans and advances due from non-banks	**169 393**	**130 466**	**119 678**	**117 441**
Total impairment allowance	(2 231)	(1 939)	**(1 344)**	**(1 261)**
Loans and advances due from non-banks, net	**167 162**	**128 527**	**118 334**	**116 180**

* 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, 2023 the Bank had one (2022: one) borrower (subsidiary of a subsidiary) whose total credit obligations to the Bank exceeded 10% of the amount of loans issued by the Bank, which amounted to EUR 19 521 thousand (2022: EUR 14 766 thousand). As of 31 December 2023, the Group had no customers, whose balances exceeded 10% of loans to customers (2022: 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 2023 and 2022 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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Debt securities				
Government and municipal bonds				
European Union and EEA	7 411	-	11 189	11 189
Other countries	1 428	-		
Total government and municipal bonds	**8 839**	**-**	**11 189**	**11 189**
Financial authorities and institutions bonds				
European Union and EEA	1 440	-	655	655
Other countries	-	-	-	-
Total Financial authorities and institutions bonds	**1 440**	**-**	**655**	**655**
Corporate bonds				
European Union and EEA	7 549	1 786	6 236	6 236
Other countries	963	-	-	-
Total corporate bonds	**8 512**	**1 786**	**6 236**	**6 236**
Total debt securities measured at fair value through other comprehensive income	**18 791**	**1 786**	**18 080**	**18 080**

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Debt securities [1]				
Government and municipal bonds				
Rated from AAA- to A-	6 238	-	11 189	11 189
Rated from BBB+ to BBB-	2 601	-	-	-
Total government and municipal bonds	**8 839**	**-**	**11 189**	**11 189**
Financial institutions bonds				
Rated from AAA- to A-	1 440	-	-	-
BBB+ to BBB-	-	-	655	655
Total Financial institutions bonds	**1 440**	**-**	**655**	**655**
Corporate bonds				
Rated from AAA- to A-	4 843	-	-	-
Rated from BB- to BB+	1 883	-	501	501
Rated from BBB+ to BBB-	-	-	-	-
Not rated [2]	1 786 [2]	1 786 [2]	5 735 [3]	5 735 [3]
Total corporate bonds	**8 512**	**1 786**	**6 236**	**6 236**
Total debt securities measured at fair value through other comprehensive income	**18 791**	**1 786**	**18 080**	**18 080**

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. Bank's all Financial instruments issued by one issuer were included in Stage 1 according to IFRS 9 requirements.
3. Bank's Financial instruments issued by 4 issuers 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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Debt securities				
Government and municipal bonds				
European Union	92 077	82 949	107 175	107 175
Latvia	42 193	32 294	24 545	24 545
Other countries	20 998	20 998	1 037	1 037
Total government and municipal bonds, gross	**155 268**	**136 241**	**132 757**	**132 757**
Impairment allowance	(139)	(106)	(297)	(297)
Total government and municipal bonds, net	**155 129**	**136 135**	**132 460**	**132 460**
Financial institutions bonds				
European Union and EEA	7 928	5 886	7 360	7 360
Other countries	10 158	-	-	-
Total financial institutions bonds, gross	**18 086**	**5 886**	**7 360**	**7 360**
Impairment allowance	(3)	(1)	(5)	(5)
Total financial institutions bonds, net	**18 083**	**5 885**	**7 355**	**7 355**
Corporate bonds				
European Union and EEA	5 157	3 124	3 652	3 652
Other countries	2 017	-	-	-
Total corporate bonds, gross	**7 174**	**3 124**	**3 652**	**3 652**
Impairment allowance	(37)	(37)	(47)	(47)
Total corporate bonds, net	**7 137**	**3 087**	**3 605**	**3 605**
Total debt securities measured at amortized cost, net	**180 349**	**145 107**	**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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Debt securities [1]				
Government and municipal bonds[1]				
Rated from A- to above	78 072	63 033	-	-
Rated from AA- to AA+	60 761	60 761	72 624	72 624
Rated from AAA- to AAA+	12 046	12 046	58 801	58 801
Rated from BB- to BB+	1 037	-	-	-
Rated from BBB- to BBB+	3 213	295	1 035	1 035
Total government and municipal bonds, net	**155 129**	**136 135**	**132 460**	**132 460**
Financial institutions bonds				
Rated from A- to above	10 156	-	-	-
Rated from AA- to AA+	5 885	5 885	-	-
Rated from AAA- to AAA+	2 042	-	7 255	7 255
Rated from BBB- to BBB+	-	-	100	100
Total financial institutions and corporate bonds	**18 083**	**5 885**	**7 355**	**7 355**
Corporate bonds				
Rated from AA- to AA+	2 081	2 081	1 882	1 882
Rated from BBB- to BBB+	4 050	-		
Not rated [2]	1 006	1 006	1 723	1 723
Total corporate bonds	**7 137**	**3 087**	**3 605**	**3 605**
Total debt securities measured at amortized cost, net	**180 349**	**145 107**	**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. For the Group/Bank, all financial instruments issued by issuers with a total value were included in stage 1 in accordance with the requirements of IFRS 9.

20. Investment in subsidiaries

Following the approval of the Bank of Latvia and the European Central Bank, and the approval of the Competition Council, on 11 December 2023 a transaction was completed whereby AS Signet Bank, acquired AS “LPB Bank”.
AS “LPB Bank” in the transaction result will be rebranded. AS “LPB Bank” will continue to operate as a subsidiary of the Signet Bank Group, retaining its existing credit institution license, and focusing on FinTech companies, Banking as a Service (BaaS) and innovative digital financial products.
This transaction will enable Signet Bank Group to increase its business volumes, strengthen its digital solutions and significantly increase and diversify the range of financial services and products offered to customers.
Bank’s investment in subsidiary AS “LPB Bank”:

	31 Dec 2023
Investments in AS “LPB Bank”, ‘000 EUR	34 687
Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	100 %

The control over AS “LPB Bank” was exchanged on 11 December 2023. For financial reporting purposes 31 December 2023 was designated a convenience date.

The balance sheet as of 31.12.2023 was as follows:

	’000 EUR
Cash and claims against Bank of Latvia	64 576
Financial assets measured at amortized cost	73 058
Debt securities measured at FVOCI	17 005
Tangible assets	6 216
Intangible assets	663
Other assets	2 577
Deposits (measured at amortized cost)	(127 471)
Savings	(5)
Other liabilities	(2 336)
Total net assets	**34 283**

At the time of the acquisition, the fair value of the net identifiable assets approximated their book value which was confirmed by an independent valuation of the net assets performed shortly prior to the acquisition (as of 31 October 2023).

Analysis of the impact on the financial statements, if convivence date would not be applied (thus acquisition date would be 11 December 2023):

	‘000 EUR
Estimated change in Profit / (loss) for the period before tax	(334)
Income tax	(100)
Total Estimated change in Profit / (loss) for the period	**(434)**

Impact on the consolidated financial statements

Since the book value of net identifiable assets at the acquisition date (December 11, 2023) according to the Bank's best estimate approximated their fair value, the difference of EUR 434 thousand as a practical expedient is attributed to the Group's result after the acquisition and recognized as other operating expenses in consolidated financial statements.

Fair value of consideration paid

In accordance with the sale and purchase agreement under certain pre-agreed conditions linked to the performance of AS "LPB Bank" over the next three years AS Signet Bank will pay an additional acquisition consideration.

The management of AS Signet Bank estimated the NPV of this obligation and has not recognized it as a contingent liability in these financial statements due to its insignificance both in absolute and relative to the deal terms. The NPV of the contingent liability is subject to annual revision up until the end of 2026.

Analysis of cash flows on the acquisition:

	'000 EUR
Purchase consideration (Cash paid)	**(34 686)**
Net cash acquired with the subsidiary (31.12.2023)	**64 665**
Net cash flow on acquisition	**29 979**

20. Investment in subsidiaries (continued)

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

'000 EUR	31 Dec 2023	31 Dec 2022
Investments in Signet Asset Management Latvia IPS	874	874

Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2023	100 %
31 December 2022	100 %

Financial position of the subsidiary:

'000 EUR	As at 31 Dec 2023	As at 31 Dec 2022
Non-current assets	513	200
Current assets	541	744
Current liabilities	(12)	(34)
Net assets	**1 042**	**910**
Group share in net assets	**100 %**	**100 %**
	2023	**2022 ***
Income	289	259
Expenses	(168)	(147)
Profit	**121**	**112**
The bank's profit share 100%	121	**44**

*The bank's profit share from the merger of credit institutions 11.07.2022. 100%

The subsidiary Signet Asset Management Latvia IPS which as at 31 December 2023 had the net asset value of EUR 1 042 thousand which mainly consists of cash and term deposits of EUR 1 010 thousand.

During the year ended 31 December 2023 and 2022 the Group did not receive dividends from investment in subsidiary.

Given that the net assets exceed the investment amount, the subsidiary's net profit in 2023 as well as expected budgeted profit for the next three years, there are no indications of impairment of investment in subsidiary.

The Bank considers that Signet Asset Management Latvia IPS is a significant business line having sustainable development and growth prospects for the future. Signet Asset Management Latvia IPS will continue to develop such business lines as mutual funds and individual portfolio management.

20. Investment in subsidiaries (continued)

On July 7, 2023, with permission from the Bank of Latvia, a transaction was completed during which Signet Bank AS acquired 100% of voting shares in Signet Pensiju Pārvalde IPAS. Following the acquisition, Signet Bank Group commenced management of pension plans of the state-funded pension scheme, running the 2nd pension pillar investment plan Active Investment Plan Integrum. The Group's strategy is closely related to investment products and development of the Latvian capital market. The Group has considerable experience in the field of investment products: since 2011 Signet Asset Management Latvia IPS, a subsidiary of Signet Bank AS, has been successfully managing funds of the 3rd pension pillar's largest private pension plan, investment funds and individual customer portfolios. The Bank is a market leader in providing financing to Latvian companies, making good use of opportunities provided by the capital market through bond and equity issues.

With the acquisition of Signet Pensiju Pārvalde IPAS, the Group is also entering the market for management of state-funded pension plans, adding to the range of services a product that was previously not available to the Bank's clients. The new product will be popular with the Group's existing clients and will also attract new customers, as increasingly more clients will be offered the opportunity to benefit from the Group's expertise in capital markets and asset management.

The balance sheet as of 07.07.2023 was as follows:

	'000 EUR
Claims against credit institutions	858
Tangible assets, carrying amount	1
Intangible assets	26
Deferred tax asset	25
Other assets	16
Accrued liabilities for settlements with employees	(55)
Other accrued liabilities	(36)
Accumulated liabilities for social insurance	(13)
Tax obligations	(5)
Other settlements	(26)
Total net assets	**791**

At the time of the acquisition, the book value of net identifiable assets matched their fair value, thus no adjustments to the recognition of assets/liabilities were necessary. Following the acquisition (7 July 2023), the Group recognized goodwill of EUR 59 thousand, equalling the difference between the acquisition price and net identifiable assets. Applying the principle of practical expedient, the management of AS Signet Bank decided to write off the entire amount of goodwill relating to Signet Pensiju Pārvalde IPAS at the end of 2023, given its immateriality.

Impact on the consolidated financial statements:

	'000 EUR
Additional Profit for the period (07.07.2023 - 31.12.2023)	121

20. Investment in subsidiaries (continued)

Fair value of consideration paid

	’000 EUR
Cash	850
Net identifiable assets at fair value (07.07.2023)	(791)
Goodwill as at acquisition date	59
Goodwill write-off	(59)
Goodwill as at December 31, 2023	-

Analysis of cash flows on the acquisition:

	’000 EUR
Purchase consideration (Cash paid)	(850)
Net cash acquired with the subsidiary (07.07.2023)	858
Net cash flow on acquisition	8

Bank’s investment in subsidiary Signet Pensiju Pārvalde IPAS:

’000 EUR	31 Dec 2023
Investments in Signet Pensiju Pārvalde IPAS	850

Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2023	90 %

Financial position of Signet Pensiju Pārvalde IPAS:

’000 EUR	As at 31 Dec 2023
Non-current assets	33
Current assets	940
Current liabilities	(253)
Net assets	**720**
Bank share 90% in net assets	**648**
’000 EUR	**2023**
Income	1 199
Expenses	(1 007)
Profit	**192**
The bank's profit share from 07.07.2023. 90%	**109**

The subsidiary Signet Pensiju Pārvalde IPAS which as at 31 December 2023 had the net asset value of EUR 912 thousand which mainly consists of cash and term deposits of EUR 882 thousand. During the year ended 31 December 2023 the Group did not receive dividends from investment in subsidiary.

20. Investment in subsidiaries (continued)

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

	31 Dec 2023	31 Dec 2022
Investments in AS "Primero Holding", '000 EUR	1 096	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 2023	51 %
31 December 2023	51 %

Financial position of AS "Primero Holding":

'000 EUR	As at 31 Dec 2023	As at 31 Dec 2022
Non-current assets	2 149	**549**
Current assets	11	**5**
Current liabilities	(6)	**(5)**
Net assets	**2 154**	**549**
Bank share 51% in net assets	**1 099**	**280**
'000 EUR	**2023**	**2022 ***
Income	24	**-**
Expenses	(18)	(6)
Loss	**6**	**(6)**
The bank's profit / (loss) share 51%	**3**	**(3)**

* The bank's loss share from the merger of credit institutions 11.07.2022. 51%

During the year ended 31 December 2023 and 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%. In 2023, AS "Primero Holding" increased the share capital of two subsidiary companies. During the year ended 31 December 2023 and 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, 2023	1 544	2.5	603
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 the subsidiaries of the Bank's subsidiary AS "Primero Holding":

'000 EUR

	AS "Primero Finance"		Primero SV1 OU		UAB Primero Finance	
	As at 31 Dec 2023	**As at 31 Dec 2022**	**As at 31 Dec 2023**	**As at 31 Dec 2022**	**As at 31 Dec 2023**	**As at 31 Dec 2022**
Non-current assets	16 719	12 869	-	-		
Current assets	5 880	5 159	541	739	877	-
Non-current liabilities	(21 505)	(16 504)	-	-	-	-
Current liabilities	(529)	(739)	(538)	(736)	(374)	-
Net assets	**565**	**785**	**3**	**3**	**503**	-
Bank share 51% in net assets	**288**	**400**	**1.5**	**1.5**	**257**	-
	2023	**2022 ***	**2023**	**2022 ***	**2023**	**2022 ***
Income	1 608	1 721	-	-	-	-
Expenses	(2 818)	(1 547)	-	-	(58)	(4)
Income tax expense	(10)	(9)	-	-	-	-
Profit /(Loss)	**(1 220)**	**165**	-	-	**(58)**	**(4)**
The bank's profit / (loss) share, 51%	(622)	1	-	-	(30)	(2)

* The bank's profit / (loss) share from the merger of credit institutions 11.07.2022. 51%

Following the net loss of the subsidiary in 2023 the Group assessed the sustainability of subsidiary's business strategy developed for 2024-2026 and concluded that there no indications of impairment of investment in subsidiary.

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. During the reporting period the Subsidiary performed according to the Terms of Issue.

The Lithuanian subsidiary company UAB Primero Finance was founded with the aim of developing financial and reverse leasing services in Lithuania. The subsidiary started its operations in April 2023. Having evaluated current market conditions, the decision to cease operations was made in December 2023. By the end of 2023 the loan portfolio was sold in its entirety.

20. Investment in subsidiaries (continued)

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:

	31 Dec 2023	31 Dec 2022
Investments in Citra Development SIA, '000 EUR	550	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 2023	100 %
31 December 2022	100 %

Financial position of Citra Development SIA:

'000 EUR	As at 31 Dec 2023	As at 31 Dec 2022
Non-current assets	237	137
Current assets	278	5
Current liabilities	(5)	(30)
Net assets	**510**	**112**
Bank share 100% in net assets	**510**	**112**
	2023	**2022 ***
Expenses	(16)	(19)
Loss	**(16)**	**(19)**
The bank's loss share,100%	**(16)**	**-**

* The bank's loss share from the merger of credit institutions 11.07.2022. 51%

Subsidiary SB Real Estate SIA was established on 8 March 2023 for the purpose of managing the Bank's real estate projects and the Bank's transactions that are and will be related to real estate. Bank's investment in SB Real Estate SIA:

	31 Dec 2023
Investments in SB Real Estate SIA, '000 EUR	10

	SB Real Estate SIA
Main activity	Management of subsidiaries
Country of incorporation	Latvia
Address	3-5 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2023	100 %

Financial position of SB Real Estate SIA:

'000 EUR	As at 31 Dec 2023
Current assets	9
Net assets	**9**
Bank share 100% in net assets	**9**
	2023
Expenses	(1)
Loss	**(1)**
The bank's loss share,100%	**(1)**

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.
The original project LS Medical Property envisioned a construction of a medical centre on Skanstes 17, Riga. However, due to the lack of progress with this project, the decision was made to sell the land plot. Sale agreement was signed in 2023 which schedules gradual payment during three-year period. In order to estimate recoverable amount of the Bank's investment the discounted cash flow (CF) model was prepared, resulting in the impairment of EUR 228 thousand.
Bank's investment in associate:

'000 EUR	31 Dec 2023	31 Dec 2022
Investments in SIA "LS Medical Property"	880	880
Impairment of investment	(228)	-
Part of the Bank's loss	(219)	(211)
Investment in the associate, net	**433**	**669**

	SIA "LS Medical Property"
Main activity	Development of real estate
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2023	32 %
31 December 2022	32 %

Financial position of SIA "LS Medical Property":

'000 EUR	As at 31 Dec 2022	As at 31 Dec 2022
Non-current assets	2 094	2 094
Current assets	12	2
Current liabilities	**(30)**	-
Net assets	**2 076**	**2 096**
Bank's share 32% in net assets	**664**	**671**
	2023	**2022 ***
Expenses	(23)	(14)
Loss	**(23)**	**(14)**
The bank's loss share, 32%	**(7)**	**(3)**

* The bank's loss share from the merger of credit institutions 11.07.2022. 51%

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, 2023 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 1 356 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 2023	31 Dec 2022
Investments in SIA "Citra Kaļķu"	1 447	1 447
Part of the previous year's profit	53	49
Part of the Bank's profit	4	3 *
Impairment of investment	(339)	(339)
Investment in the associate, net	**1 165**	**1 160**

* The bank's profit share from the merger of credit institutions 11.07.2022. 51%

	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 2023	11.68 %
31 December 2022	11.68 %

Financial position of SIA "Citra Kaļķu":

'000 EUR	As at 31 Dec 2023	As at 31 Dec 2022
Non-current assets	10 947	10 947
Non-current liabilities	9 861	(1 086)
Net assets	**10 947**	**9 861**
Bank's share 11.68% in net assets	**(1 086)**	**1 152**
	2023	**2022 ***
Income	75	53
Expenses	(40)	(13)
Profit	**35**	**40**
The bank's profit, 11.68%	**4**	**3**

* The bank's profit share from the merger of credit institutions 11.07.2022. 51%

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 2023 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 2023 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 31.12.2023, 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 (2022: EUR 17 638 thousand), which exceeds the value of the investment made. 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 31.12.2023. 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)	Land and buildings	Other	Total
Cost					
At 1 January 2023	2 331	1 274	-	2 363	**5 968**
Purchases	-	-	-	306	**306**
Additions	-	104	-	(7)	**97**
The result of the consolidation of the new members of the Group for the year 2023	-	-	7 214	1 385	**8 599**
At 31 December 2023	**2 331**	**1 378**	**7 214**	**4 047**	**14 970**
Depreciation					
At 1 January 2023	1 570	525	-	1 655	**3 750**
Depreciation charge	143	162	-	177	**482**
Write-offs	-	-	-	(8)	**(8)**
The result of the consolidation of the new members of the Group for the year 2023	-	-	1 481	900	**2 381**
At 31 December 2023	**1 713**	**687**	**1 481**	**2 724**	**6 605**
Carrying value					
At 31 December 2023	**618**	**691**	**5 733**	**1 323**	**8 365**
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 2022	**1 570**	**525**	-	**1 655**	**3 750**
Carrying value					
At 31 December 2022	**761**	**749**	-	**708**	**2 218**
Carrying value					
At 31 December 2021	-	-	-	-	-

22. Property and equipment (continued)

Bank '000 EUR	Leasehold improvements	Right-of-use assets (IFRS 16)	Other	Total
Cost				
At 1 January 2023	2 331	1 264	2 211	**5 806**
Purchases	-	-	172	**172**
Additions	-	111	(2)	**109**
At 31 December 2023	**2 331**	**1 375**	**2 381**	**6 087**
Depreciation				
At 1 January 2023	1 570	523	1 654	**3 747**
Depreciation charge	143	160	173	**476**
Write-offs			(2)	**(2)**
At 31 December 2023	**1 713**	**683**	**1 825**	**4 221**
Carrying value				
At 31 December 2023	**618**	**692**	**556**	**1 866**
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 2022	**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**
Carrying value				
At 31 December 2021	137	521	1 043	1 701

23. Intangible assets

'000 EUR	Group Total	Bank Total
Cost		
At 1 January 2023	3 703	3 669
Additions	435	435
The result of the consolidation of the new members of the Group for the year 2023	1 963	-
At 31 December 2023	**6 101**	**4 104**
Amortisation		
At 1 January 2023	2 648	2 641
Amortisation charge	405	386
The result of the consolidation of the new members of the Group for the year 2023	1 276	-
At 31 December 2023	**4 329**	**3 027**
Carrying value		
At 31 December 2023	**1 772**	**1 077**
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**
Carrying value		
At 31 December 2021	-	584

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Non-current assets held for sale				
Real estate	2 324	2 324	3 778 *	3 778 *
Movable property	77	-	67	-
Total **Non-current assets held for sale**	**2 401**	**2 324**	**3 845**	**3 778**

* Reclassified in other non-financial assets in 2023

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 11 July 2022, as a result of the merger of two lending institutions (Signet Bank AS and AS Expobank). In 2023, these long-term assets related to real estate investments in Latvia that were taken over as loan recovery results, and movable property. In 2022, non-current assets held for sale related to real estate investments in Russia that were taken over as loan recovery results, and movable property. The Bank plans to sell these assets and is taking the relevant steps to do so. Prior to the war in Ukraine (and at this time also), there was interest in real estate in Russia, and potential buyers were prepared to pay prices that were in line with appraisals. The Bank plans to sell these assets as quickly as possible or after active war in Ukraine comes to an end.

Taking into consideration that the war in Ukraine continued in 2023, non-current assets held for sale in Russia were reclassified to other assets in the entry “Advances due from partners for property held for sale” (see Note 25).

In order to strengthen the Bank’s rights to assets and the right to sell these assets for a profit, the Bank has supplemented the legal structure for holding the assets with mortgages due to the Bank.

25. Other assets

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Other financial assets				
Settlement of payment cards	1 226	422	677	677
Settlement of securities	1 186	1 186	15	15
Settlement of financial services	256	-	475	-
Other financial assets	**2 668**	**1 608**	**1 167**	**692**
Other non-financial assets				
Claims against partners regarding property intended for sale	3 778 *	3 778 *	-	-
Prepayments	2 910	2 140	1 445	1 251
Accrued income	304	74	226	198
Settlement of tax	94	67	5	-
Other	703	406	398	398
Other non-financial assets	**7 789**	**6 465**	**2 074**	**1 847**
Impairment allowance	(936)	(936)	(9)	(9)
Total other assets	**9 521**	**7 137**	**3 232**	**2 530**

*Reclassified from non-current assets held for sale in 2023

Claims against partners regarding property intended for sale are secured by the mortgage. For these claims impairment allowances were recognized decreasing their value by 913 thousand. EUR. The net carrying value of the claims is less than the value determined by the external real estate appraiser.

26. Deposits

Client deposits split by their profile

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Current accounts and demand deposits	**354 669**	**265 554**	**313 613**	**316 193**
Private individuals	111 506	95 728	108 517	108 518
Corporates	243 163	169 826	205 096	207 675
Term deposits	**115 274**	**81 012**	**40 639**	**40 350**
Private individuals	71 579	48661	32 691	32 691
Corporates	43 695	32 351	7 948	7 659
Total current accounts and demand deposits	**469 943**	**346 566**	**354 252**	**356 543**

Geographical analysis of the deposits

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Current accounts and demand deposits	**354 669**	**265 554**	**313 613**	**316 193**
Latvia	194 602	161 896	193 348	195 190
OECD countries	87 032	39 653	50 005	50 743
Russia	24 823	22 658	29 488	29 488
Other countries	48 212	41 347	40 772	40 772
Term deposits	**115 274**	**81 012**	**40 639**	**40 350**
Latvia	60 651	39 705	12 575	12 286
OECD countries	40 644	36 670	27 506	27 506
Russia	2 693	826	353	353
Other countries	11 286	3 811	205	205
Total deposits	**469 943**	**346 566**	**354 252**	**356 543**

Concentrations of current accounts and customer deposits

As of 31 December 2023 and 31 December 2022, the Group and Bank had no customers, whose balance exceeded 10% of total customer accounts.

27. Subordinated liabilities

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Subordinated borrowings				
Private individuals	6 230	6 230	5 348	5 348
Corporates	5 069	5 069	105	105
Total Subordinated borrowings	**11 299**	**11 299**	**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 or with the permission of the LB. 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	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Balance of subordinated borrowings at 1 January	**5 453**	**5 453**	**-**	**-**
Balance of subordinated borrowings at 11 July	**-**	**-**	**5 515**	**5 515**
Redemption of subordinated borrowings	(300)	(300)	-	-
Increase in subordinated borrowings	6 150	6 150	-	-
Changes from financing cash flows				
Other changes Liability-related				
Interest expense	530	530	162	162
Interest paid	(338)	(338)	(38)	(38)
Interest paid in advance decrease / (increase)	(167)	(167)	122	122
Exchenge rates	(29)	(29)	(308)	(308)
Total liability-related other changes	**(4)**	**(4)**	**(62)**	**(62)**
Balance of subordinated borrowings at 31 December	**11 299**	**11 299**	**5 453**	**5 453**

Concentrations of subordinated borrowings

As of 31 December 2023, 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 31.12.2023
Legal entity – non-resident	EUR	5 000	8.361 %	20.10.2023	20.10.2031	4 963
Private individual – non - resident	USD	2 000	10 %	27.02.2015	30.06.2028	1 810

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 and persons related to them with a floating coupon rate of 12.50% + 12M Euribor.
On February 15, 2023, Signet Bank AS issued an additional tranche of LV0000802668 bonds in amount of EUR 2 million euros. As a result, total issue size reached EUR 4 million euros.

29. Provisions

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Provisions				
Provision for guarantees	5	5	1	1
Provision for commitments and contingencies	24	20	46	46
Total provisions	**29**	**25**	**47**	**47**

30. Other liabilities

’000 EUR	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Other financial liabilities				
Settlement of securities	1 306	1 306	1	1
Settlements for the purchase of AS "LPB Bank"	865	865	-	-
Settlements for electronic commerce and payment card operations	864	-	-	-
Lease liabilities	772	766	818	809
Settlement of financial services	749	-	1 223	-
Total other financial liabilities	**4 556**	**2 937**	**2 042**	**810**
Other non-financial liabilities				
Suspense liabilities and money in transit	3 038	2 732	668	668
Accrued expenses	2 948	2 512	1 734	1 633
Provision for employee vacations	1 207	556	521	466
Tax obligations	1 773	1 472	4	-
Deferred income	460	460	481	481
Other	1 852	962	423	186
Total other non-financial liabilities	**11 278**	**8 694**	**3 831**	**3 434**
Total other liabilities	**15 834**	**11 631**	**5 873**	**4 244**

31. Share capital

In October 2023, the Bank's share capital was increased by EUR 1 000 006.60 (one million six euros), by issuing new 70 423 (seventy thousand four hundred and twenty-three) shares with a nominal value of EUR 14.20 (fourteen euros and twenty euro cents). After the increase, the Bank's share capital is 12 644 006.60 euros (twelve million six hundred and forty-four thousand six euros and sixty euro cents), which consists of 890 423 (eight hundred and ninety thousand four hundred and twenty-three) shares. All shares of the new issue are paid in cash. All of the bank’s share are dematerialized registered shares.

On January 26, 2022, Signet Bank AS (Reg No 40003076407) became the owner of 100% of the shares of the Bank (previously - AS Expobank), according to the concluded share purchase agreement between Igor Kim and Signet Bank AS AS (Reg No 40003076407), when the Bank also made a transfer of shares and registered changes in the shareholders' register. On July 11, 2022, the owners of Signet Bank AS (Reg No 40003076407) became the owners of the shares in pursuit of business combination between the Bank and Signet Bank AS (Reg No 40003076407).

The shareholders of the Bank as of 31 December 2023 were as follows:

Shareholder	31 Dec 2023		
	Number of shares	Paid share capital (EUR)	Share capital ownership %
Signet Acquisition III, LLC	218 154	3 097 786.80	24.500 %
AS RIT GROUP	173 686	2 466 341.20	19.506 %
SIA “Reglink”	141 832	2 014 014.40	15.929 %
Natalija Petkevicha	87 767	1 246 291.40	9.857 %
Solrut Holding Company LLC	85 828	1 218 757.60	9.639 %
Leonid Kaplan	71 234	1 011 522.80	8.000 %
SIA “Slink”	56 733	805 608.60	6.371 %
ID Family Foundation SIA *	46 285	657 247.00	5.198 %
Michael A.L. Balboni	8 904	126 436.80	1.000 %
Total	**890 423**	**12 644 006.60**	**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 (2022: EUR 25 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, 2023	**818**	**809**
Part of the lease payments of a lease liability, (increase in leased area)	111	111
Lease payments of a lease liability	(196)	(192)
Interest parts of lease payments	39	38
Lease liabilities December 31, 2023	**772**	**766**
incl. current expenditure on lease liabilities	190	189
incl. long-term expenses for lease liabilities	582	577
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

33. Assets under management

Asset management services

The Group through its Subsidiary Signet Asset Management IPS and Signet Pensiju Pārvalde IPAS 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 2023 the Group had EUR 408 million assets under management of which the Bank held EUR 230 million (2022: EUR 228 million was not) and the Subsidiary held EUR 178 million (2022: EUR 75 million).

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 2023 the total amount in custody on behalf of customers was EUR 511 million (2022: EUR 377 million).

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	31 Dec 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Total remuneration	1 568	1 019	1 386	1 385

Balances as of 31 December 2023 and 31 December 2022 with members of the Key Management Personnel were as follows:

'000 EUR	31 Dec 2023 '000 EUR	31 Dec 2022 '000 EUR
Statement of financial position		
Assets		
Loans	77	51
Liabilities		
Current accounts	61	188

34. Related party transactions (continued)

Transactions with related parties of the Bank

Balances as of 31 December 2023 and as of 31 December 2022 and related profit or loss amounts of transactions for the year ended 31 December 2023 and 31 December 2022 with other related parties were as follows:

'000 EUR	2023					2022				
	Subsi-diary company	Asso-ciate comp a-nies	Share-holders*	Other	Total	Subsi-diary company	Asso-ciate compa-nies	Share-holders*	Other	Total
Statement of financial position										
Assets										
Financial instruments	2 791	-	-	1 012	**3 803**	5 031	-	-	-	**5 031**
Loans	19 688	552	72	4 057	**24 369**	14 766	506	-	1 906	**17 178**
Liabilities										
Deposits	4 094	79	188	2341	**6 702**	2 291	44	256	1 495	**4 086**
Income/ (expenses)										
Ccommission income/ (expenses)	37	1	2	148	**188**	13	1	1	108	**123**
Interest income	1 833	1	(5)	(214)	**1 615**	560	-	(2)	1	**559**

* 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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Other deposits with financial institutions	4 260	722	4 082	4 082
Financial assets measured at amortized cost *	3 920	3 920	3 936	3 936
Total financial assets pledged	**8 180**	**4 642**	**8 018**	**8 018**
Total liabilities secured by pledged financial assets *	**3 900**	**3 900**	**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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Contracted amount				
Loan commitments [1]	7 284	7 177	13 208	13 208
Contingent liabilities on guarantees [2]	4 082	3 778	1 595	1 595
Unutilised credit line [1]	3 274	3 247	2 634	2 634
Undrawn overdraft facilities [3]	1 061	687	626	626
Total commitments and guarantees	**15 701**	**14 889**	**18 063**	**18 063**
Provisions	(30)	(25)	(47)	(47)

[1] Provisions of EUR 41 thousand have been made for liabilities: Bank -17, Group total 22 (2022:41).
[3] Provisions of EUR 5 thousand have been established for issued guarantees (2022: 1).
[3] Impairment allowance for unused credit limits in total amount of EUR 2 thousand (2022:5)

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 2023, ’000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	4 787	102	6 064	**10 953**
Debt securities measured at fair value through other comprehensive income	17 005	-	1 786	**18 791**
	21 792	**102**	**7 850**	**29 744**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	74	-	**74**

Bank 2023, ’000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	4 787	102	5 261	**10 150**
Debt securities measured at fair value through other comprehensive income	-	-	1 786	**1 786**
	4 787	**102**	**7 047**	**11 936**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	74	-	-

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**

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 2023 '000 EUR	Financial instruments carried at fair value through profit or loss	Debt securities measured at fair value through other comprehensive income	Total
Bank's balance at 1 Jan 2023	**5 842**	**5 735**	**11 577**
Total gains and losses:			
in profit or loss	132	109	241
in OCI	61	-	61
Purchases	4 640	-	4 640
Settlements	(5 414)	(4 058)	(9 472)
Bank's balance at 31 Dec 2023	**5 261**	**1 786**	**7 047**
Consolidation of the subsidiary company as of December 31, 2023	803	-	803
Group's balance at 31 Dec 2023	**6 064**	**1 786**	**7 850**

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**

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 2023 Group	31 Dec 2023 Bank	31 Dec 2022 Group	31 Dec 2022 Bank
Total gains and losses included in profit or loss:	**109**	**109**	**123**	**123**
Net realised gain for financial instruments from Level 3	109	109	97	97
Impairment loss for financial instruments from Level 3	-	-	26	26
Total losses recognised in other comprehensive income	**26**	**26**	**35**	**35**
Financial instruments – net change in fair value	26	26	35	35

As of 31 December 2023 the Group and Bank's fair value hierarchy Level 3 portfolio is represented by five bonds, three shares and four investments in funds. Issuers operate in technology, wholesale, manufacture & financial sectors (investments in funds are diversified).
Precise bond discount rate 4.50% – 13.50% (no changes comparing to 2022) is an unobservable variable due to low liquidity of these instruments.

37. Fair value of financial instruments (continued)

As of 31 December 2023 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 31.12.2023	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
7 850	(236)	236

As of 31 December 2022 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 31.12.2022	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
11 577	(347)	347

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 2023, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	72 807	72 807
Balances due from financial institutions[2]	-	-	-	9 939	9 939
Financial assets measured at amortized cost	177 885	-	258 944	436 829	399 101
Other financial assets[3]	-	-	-	2 668	2 668
Financial liabilities					
Liabilities to central bank	-	-	-	3 855	3 855
Deposits	-	-	468 920	468 920	469 943
Subordinated liabilities	-	-	10 756	10 756	11 299
Debt securities issued	-	-	4 332	4 332	4 332
Other liabilities	-	-	488	488	488
Other financial liabilities [4]	-	-	-	4 556	4 556

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 2023, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	8 141	8 141
Balances due from financial institutions[2]	-	-	-	9 672	9 672
Financial assets measured at amortized cost	144 102	-	179 472	323 574	324 138
Other financial assets[3]				1 608	1 608
Financial liabilities					
Liabilities to central bank	-	-	-	3 855	3 855
Liabilities to financial institutions	-	-	347 402	347 402	346 566
Deposits	-	-	10 756	10 756	11 299
Subordinated liabilities	-	-	4 332	4 332	4 332
Debt securities issued	-	-	-	2 937	2 937
Other financial liabilities [4]	-	-	-	3 855	3 855
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

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

Shareholders of the Bank on 16 February 2024 approved additional issue of issue of temporary write-down Additional Tier 1 notes of the Bank (ISIN LV0000802668) by issuing an additional notes (tap issue) with a total nominal value of 1 500 000 EUR (one million five hundred thousand euros) in accordance with the terms of the notes issue (ISIN LV0000802668). Settlement for the notes is planned to take place until 1 March 2024.

Beyond the considerations described above, no events have occurred during the period between the final date of the reporting year and the date of signing of these consolidated and separate financial statements as a result of which the consolidated financial statement would require corrections, or which would require clarifications within this consolidated financial statement.

Tel: +371 66777800
www.bdo.lv

Kalku iela 15-3B
Riga, LV-1050
Latvija

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 8 to 104 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2023;
- 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 2023, 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:

<u>Impairment of loans to customers (the Bank and the Group)</u>

Key audit matter	In the consolidated financial statements, gross value of loans to customers comprised EUR 169 393 thousand as at 31 December 2023 (31 December 2022: EUR 119 678 thousand) and impairment allowances comprised EUR 2 231 thousand as at 31 December 2023 (31 December 2022: EUR 1 344 thousand). The combined gross value of loans to customers by both the Bank and LPB Bank AS constitutes the majority of the total gross value of loans to customers. In the separate financial statements, gross value of loans to customers comprised EUR 130 466 thousand as at 31 December 2023 (31 December 2022: EUR 117 441 thousand) and impairment allowances comprised EUR 1 939 thousand as at 31 December 2023 (31 December 2022: EUR 1 261 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 and individual exposures, where the Bank and the LPB Bank AS are 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 Primero Finance AS. 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 gross value to customers as at 31 December 2023. In addition, we made a sample and audited the LPB Bank AS loans covering 80% of outstanding loans to customers gross value as at 31 December 2023. 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.

Acquisition of the LPB Bank AS (LPB Bank)

Key audit matter	In 2023 the Bank acquired 100% voting shares of LPB Bank AS. The acquisition date for accounting purposes was 31 December 2023, whereas the control was acquired on 11 December 2023. We considered the audit of the acquisition of the LPB Bank AS to be a key audit matter as this is a significant transaction during the reporting year which require significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired subsidiary with those of the Group.
Our audit response	We have, amongst others, examined the sales and purchase agreements to obtain an understanding of the transactions and the key terms. We have assessed whether the appropriate accounting treatment has been applied to this transaction.

We have assessed LPB Bank AS accounting policies, to identify any gaps between the Bank`s and LPB Bank AS accounting policies, thus requiring adjustments upon consolidation.
We have assessed the valuation for the considerations paid and calculation, including the reasonableness of the assumptions used to determine the contingent consideration.
We have tested the identification and valuation of the acquired assets at their book values.
We have assessed the competence, independence and integrity of the third-party valuation experts used by the Bank, in order to determine fair value difference to book value of acquired assets and liabilities
We have assessed the determination of the acquisition date and usage of convenience date for consolidation purposes.
We have also assessed the adequacy of the related disclosures in the financial statements regarding the acquisition in Note 20.

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 5 of the accompanying separate and consolidated Annual Report,
- the composition of the Supervisory Council and the Management Board, as set out on page 6 of the accompanying separate and consolidated Annual Report.
- the Statement on Management Responsibility, as set out on page 7 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 18 July 2023 to audit the separate and consolidated financial statements of Signet Bank AS for the year ended 31 December 2023. This is our sixth year of appointment.

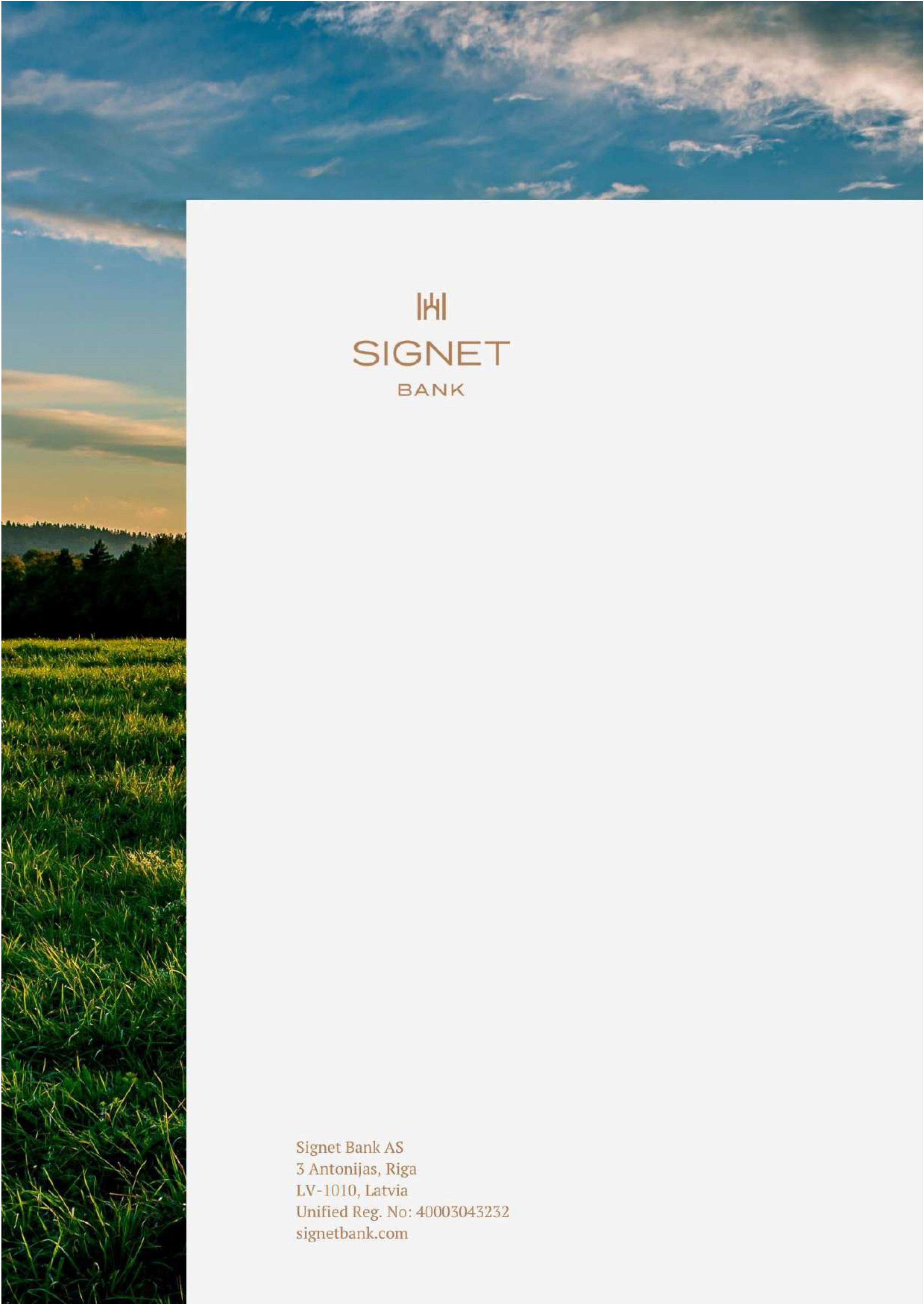
We confirm that:

- 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
1 March 2024



SIGNET

BANK

Signet Bank AS
3 Antonijas, Riga
LV-1010, Latvia
Unified Reg. No: 40003043232
signetbank.com