EUROPEAN MERCHANT BANK UAB

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF EUROPEAN MERCHANT BANK UAB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of European Merchant Bank UAB (the Bank), which comprise the statement of financial position as at December 31, 2022, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 the European Parliament and of the Council Regulation (EU) No 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Expected credit losses on loans to customers

Refer to Significant accounting policies sections Credit impairment, Measurement of expected credit losses, Expected credit loss (ECL) Calculation – Input and forecasting methodologies, Definition of default and credit-impaired assets, determining a significant increase in credit risk since initial recognition, Expected lifetime, Modifications, Presentation of credit recoveries/credit loss allowances, Note 18 Financial risk management sub-section Credit risk and Note 9 Loans to customers on pages 26-29, 39, and 44-48 respectively.

As of 31 December 2022, Bank's expected credit losses on loans amounted to 98 thousand EUR (refer to note 9).

Bank's credit impairments included to statement of profit and loss and other comprehensive income for the expected credit losses for the year ended 31 December 2022 amounted to 78 thousand EUR.

Provisions for impairment due to credit risk reflect the expected credit losses (ECL) related to granted loans (positions) as the best assessment of the management on the date of the financial statements. We focused on this area because management is subject to complex and subjective judgments in determining impairment amounts.

The assessment of changes and valuation of active positions (stage 1 and 2 according to the hierarchy established in IFRS 9) and non-performing positions (stage 3) is carried out based on the Bank's knowledge of the circumstances of each specific borrower and their understanding. The related impairment provisions are determined on a case-by-case basis through a discounted cash flow analysis.

In the reporting year, the bank was inspected by the supervisory authority, which covered credit risk management and assessment of the expected credit loss evaluation. For the reasons listed above and the impact of the war in Ukraine due to the significantly increased valuation uncertainty for the economy, we considered the impairment of the loans as a significant risk during the audit, so we have paid increased attention to this area. Accordingly, we thought that this area is the main subject of the audit.

How the Matter Was Addressed in the Audit

In addition to other audit procedures, we performed the following audit procedures in this area:

- we gained an understanding of the Bank's ECL impairment methodology and assessed whether it complies with IFRS 9 the relevant requirements of the standard; through the aforementioned procedures, we have identified appropriate methods, we have assessed the assumptions and data sources as to whether these methods, assumptions, data and their application are appropriate, taking into account the requirements of IFRS 9. In addition, we checked whether in the level of complexity, the management applied methodologies appropriately in the light of our assessment of subject-level factors;

- we gained an understanding of the significant issues presented in the target inspection report of the Bank of Lithuania dated 17 February 2022 shortcomings due to the application of the ECL model and credit risk management;

- we made requests to the employees of the Bank's risk management and information technology (IT) areas, in order to acquire an understanding of the IT applications used in the loan impairment process. In addition, we evaluated and checked Bank data security and access control environment;

- we tested if the selected internal controls regarding loan approval, accounting and monitoring, including, but not limited to, works effectively regarding loan risk monitoring, loss events determination of default; in addition, we checked the classification into performing and default positions eligibility, calculation of overdue days and total ECL estimate;

- we assessed whether the definition of default and the staging criteria were consistently applied following relevant financial reporting standards;

- we assessed whether ECL Bank properly assessed the war influence in Ukraine;

- we critically evaluated whether taking into account the main documents (loan files) and discussions with the management and relevant customers' business operations, market conditions and historical loan repayment trends are any things that on 31 December 2022 could lead to assignment to stage 3;

- for positions that can be assigned to stage 3, we checked the Bank's basic assumptions, applied calculating future cash flows such as collateral values (including values reduction factors) and realization periods. We checked the external evaluation reports, we relied on the Bank internal evidence and analysis and publicly available market transaction data;

- based on the requirements of the applicable financial reporting standards, we assessed the impairment of the loans and the accuracy and completeness of the disclosures related to credit risk in the financial statements.

Other Information

The other information comprises the information included in the Bank's annual report of 2022 year, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

In addition, our responsibility is to consider whether information included in the Bank's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Bank's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Bank's annual report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings of the Republic of Lithuania.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

In accordance with the decision made by shareholders on 25 April, 2022 we have been chosen to carry out the audit of the Bank's 2022 year and 2023 year financial statements. Our appointment to carry out the audit of Bank's financial statements in accordance with the decision made by shareholders has have been renewed every 2 years and the period of total uninterrupted term of appointment is 3 year.

We confirm that our opinion in the section 'Opinion' is consistent with the additional audit report which we have submitted to the Bank and its audit committee.

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

In the course of audit, we have not provided any other services except for audit of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Darius Gliaubicas.

Grant Thornton Baltic UAB
Audit firm certificate No. 001513
Upės str. 21-1, Vilnius

Certified auditor
Darius Gliaubicas[1]
Auditor's certificate No. 000594
7 April 2023

[1] An electronic document is signed with an electronic signature, has the same legal force as a signed written document and is a permissible means of proof. Only the independent auditor's report is signed with the electronic signature of the auditor.

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

Objective overview of the Bank's condition, performance and development, description of key risks and uncertainties encountered

In 2020 the Bank started providing financial services for corporate customers (accounts, payment services, credits, etc.).

The Bank is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with its activities as a means of minimizing the impact of undesired and unexpected events on the Bank's business activities. The Bank performs the following actions to ensure efficient risk management:

- identifies business strategy and business objectives that reflect the interests of its stakeholders;
- identifies the threats to the achievement of its business objectives;
- controls and manages its exposure to risk by appropriate risk reduction and mitigation actions;
- regularly reviews its exposure to all forms of risk and reduce it as far as reasonably practicable or achievable;
- educates and train its staff members on risk management processes and potential risk awareness;
- regularly reviews the risks the Bank faces as a result of its business activities and of the business and economic climate in which the Bank operates;
- identifies cost effective risk treatment options;
- identifies and regularly measures key risk indicators and takes appropriate action to reduce its risk exposure;
- ensures that risks are assessed for all new products and services before they are implemented;
- regularly reviews its key risk controls to ensure that they remain relevant, robust and effective.

The Management Board holds overall responsibility for implementing the risk management strategy and risk policies and adhering to the risk appetite approved by the Supervisory Board. Risk Management function is responsible for carrying out risk assessments, overall process of risk analysis and evaluation, recording findings, providing periodic reports to the management and initiating appropriate management actions in a timely manner.

Based on the Bank's current Business Plan and initial risk assessment, the following risks are distinguished as material:

- Credit risk;
- Liquidity risk;
- Money Laundering and Counter Terrorist Financing Risk;
- Operational Risk;
- Interest Rate Risk;
- Compliance Risk;
- Strategic Risk.

The Bank's financial risks are disclosed in the financial statements.

2022 financial and non-financial performance analysis and personnel information

On December 14, 2018 European Central Bank has granted European Merchant UAB a specialized Bank‘s license number 3. On June 6, 2019 the Bank registered its Articles of Association at the Register of Legal Entities related to becoming a specialized Bank.

In 2019 the Bank purchased a Core Banking System, carried out the preparation activities for the services provision according to the license (payments, term deposits, loans, etc.).

At the end of 2019 the Bank started providing payment and lending services.

Consistent with our plan, we persevered in our endeavors to reinforce our financial position during 2022. Despite the adversities that emerged due to the invasion of Ukraine by Russia, rising prices of commodities and oil, and inflationary conditions, we were able to accomplish significant progress in 2022. As of the end of the year, our loan portfolio amounted to 23 726 thousand EUR, and our deposit base maintained a consistent upward trend, driven by the acquisition of new customers, and ultimately reaching a sum of 101 719 thousand EUR.

We continue to invest on digital and IT for our clients together with our employees to attract, increase customer satisfaction, create loyalty and keep them in bank. Beginning from second half of previous year, we started to have positive results on monthly basis and earned 7 160 thousand EUR operating revenue in 2022.

Our key ratios related to balance sheet performance and earnings continue to improve like net interest margin, cost to income ratio, return on equity and asset.

In 2022 the Bank generated 7 160 thousand EUR revenue. The expenses amounted to 6 848 thousand EUR. The 2022 result is 312 thousand EUR profit.

The average number of employees in 2022 was 59 (2021 – 47).

Subsidiaries

The Bank has not established any subsidiaries. The Bank has not established branches or representative offices.

Information about share capital

As of December 31, 2022, the Bank’s share capital was equal to 15 300 thousand EUR. The share capital is divided into 15 300 thousand ordinary registered shares with EUR 1 par value each.

The number of all own shares acquired and held by the Bank and the nominal value thereof and the share of the authorized capital of these shares – in 2022 the Bank did not acquire and did not own its own shares.

The Bank did not acquire or transfer its own shares.

Bank’s plans and prognosis

The Bank continues working on new initiatives which shall be launched in the future, e.g. new trade finance and trade services products, credit cards, alignments with merchants and scaling-up Point of Sale (POS) and even offering of investment services.

According to our business strategy for coming years, the Bank foresees the opportunities again in working with SMEs, both local and international, as well as focusing on fintech’s, namely Electronic

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Money Institutions (EMIs), Payment Service Providers (PSP's), Payment Institutions (PI's) and Non-Bank Financial Institutions (NBFI's).

Based on its expertise, current development trends and market analysis, the Bank will continue to focus on the several markets. This includes mainly Lithuania; the EU member states and other jurisdictions (UK, Turkey and others).

In addition to this, credit institutions are also foreseen as the potential B2B partners of the Bank, while individuals are seen as the key funding providers in terms of placing term deposits into the Bank to earn the attractive return.

References and additional explanations on the data presented in the annual financial statements

References and additional explanations are given in the financial statements notes.

The important events that occurred after the end of the financial year

While observing the weaknesses of just-in-time supply chains due to the pandemic, the economic repercussions of Russia's invasion of Ukraine point to additional risks in the global system. The disruption in the global supply of commodities, the drastically rising food and energy prices are the consequences of the war. However, although energy price increases have recovered from their high levels, the outlook for the global economy remains vulnerable. Trade tensions, financial fragilities and high core inflation driven by strong services price increases and cost pressures from tight labor markets point to persistent downside risks. For the time being, no loss is foreseen in the loan portfolio of our Bank due to the sanctions and no change is observed in the risk status of our bank's loan customers due to the sanctions.

As of December 31st, 2022 there were no significant events which would have impact to the Bank's financial statements.

Information on the members of the Supervisory Board of the Bank:

Name, Surname	Workplace	Company code	Company address	Responsibilities
Ekmel Cilingir	Akce Holding Malta Ltd.	C75291	Level 0, St. Julian's Business Centre, Triq Elija Zammit, St. Julian's, STJ 3155 Malta	CEO
Vygintas Bubnys	UAB Grinda	120153047	Eigulių 32, 03150 Vilnius	Chairman of the Board
Simona Grineviciene	ADB Gjensidige	110057869	Žalgirio str. 90, LT-09303, Vilnius	Head of Legal and Prevention Division Baltics
Hakan Turkmen	Private Practicing Lawyer	37519446166	Esentepe MAh. Buyukdere Cad. Yonca Apt. B Blok No: 151/20 34394 Sisli/Istanbul/Turkey	Managing Partner-Legal Attorney

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Information on the members of the Board of the Bank:

Name, Surname	Workplace	Company code	Company address	Responsibilities
Sarp Demiray	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	CEO
Semin Dulek	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	Deputy CEO
Justinas Dedela	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	Deputy CEO
Mehmet Guven Aytas	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	Head of Global Sales
Eugenijus Preiksa	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	CRO

Bank's Committees

Audit Committee

The primary function of the Audit Committee is to assist the Supervisory Board of the Bank in fulfilling its oversight responsibilities for financial reporting processes, the effectiveness of internal controls, the internal audit process and monitoring of compliance with laws, regulations and the Bank's policies and procedures.

The Audit Committee maintains free and open communication with the Supervisory Board, Management Board, the independent auditors, internal audit, and any other party affected by the work of the Audit Committee.

Members:

- Ekmel Cilingir
- Vygintas Bubnys
- Simona Grinevičienė

Asset/Liability Committee (ALCO)

ALCO's primary duties and responsibilities are to assess the adequacy and monitor the implementation of the Bank's Asset, Liability, Liquidity and Fund Management Policy. ALCO convenes regularly once each 2 (two) weeks, and non-regular meetings may also be called when circumstances require.

Members:

- CEO
- CFO
- CRO
- Head of Global Sales
- Head of Local Sales
- Head of Financial Institutions

Risk Committee

The Supervisory Board of the Bank acts as – up until there is a separately established Risk Committee – the Risk Committee of the Bank.

The Supervisory Board, in the role of the Risk Committee:

- monitors the Bank's overall actual and future risk appetite and strategy, considering all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture, and values of the institution.
- oversees the implementation of the institution's risk strategy and the corresponding limits set.
- oversees the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of the Bank (including reputational risk), in order to assess their adequacy against the approved risk appetite and strategy.

Credit Committee

The Credit Committee shall meet at least monthly and may hold additional meetings as needed or appropriate.

Members:

- CEO
- Head of Local Sales / Head of Global Sales
- Legal Counsel
- Local Credits Manager / International Credits Manager
- CFO

The specific authority and responsibilities of the Credit Committee include the following:

- approve credit proposals under the limit set to the Committee and make recommendations regarding credit proposals to the upper authorization level – Management Board and Supervisory Board of the Bank.
- monitoring of overall credits concentration limits, including credits to one borrower, by industry, by product.
- monitoring of the Bank's credit products, origination volumes, market area and credit facilities development.
- monitoring the Bank's quality of both credits portfolio and individual credits, credits portfolio tendencies, expected credit losses, and collateral policy.
- recommending to the Management Board for approval of Credit risk/Lending policies and procedures commensurate with the Bank's specific risk tolerances and strategic goals and monitoring the implementation of lending policies.
- periodical review of the Bank's credits grading system and monitor the performance of the system, including a review of classification reports, external credit reviews and examination reports.
- performing a periodic review of the Bank's high-risk and non-performing credits. Review collection practices and strategies, as appropriate.
- preparing and making periodic reports to the Management Board.
- annual review of this Charter and recommend changes to the Management Board as needed.

Nomination Committee

The Supervisory Board of the Bank acts as – up until there is a separately established Nomination Committee – the Nomination Committee of the Bank.

The Supervisory Board, in the role of the Nomination Committee, is mainly responsible to:

- identify, recommend, and approve Management Board candidates.
- dismiss Management Board members.
- assess the balance of skills, knowledge, and experience in the bank's body and prepare a description of the functions and abilities required.
- for the specific position and assess the time required to perform the position
- at least annually evaluate the balance of knowledge, skills, diversity, and experience of the individual Management Board members (and the Head of Administration, where applicable) and Management Board collectively.
- assess the structure, size, composition, and performance of the Management Board (and the Head of Administration, where applicable) and make recommendations with regard to any changes.

Information Security Committee (ISC)

The Information Security Committee's main duty is to provide recommendations to the Management Board of the Bank in relation to all information security efforts undertaken by the Bank. This committee also coordinates and communicates the direction, current state, and oversight of the information security program.

<u>Members:</u>

- CRO
- CISO
- CTO
- Head of Operations
- Compliance Manager
- DPO

The responsibilities of the Information Security Committee cover:

- formulating, reviewing, and recommending the information security policy of the Bank.
- review the effectiveness of policy implementations.
- providing clear direction and visible management support for security initiatives.
- initiating plans and programs to maintain information security awareness.
- approving and monitoring major information security projects and the status of information security plans and budgets, establishing priorities, and approving procedures.
- ensuring the security activities are executed in compliance with the policy.
- identifying the significant threat changes and vulnerabilities.
- assessing the adequacy and coordinating the implementation of information security controls.
- promoting information security education, training, and awareness throughout the Bank.
- educating the team and staff on ongoing legal, regulatory and compliance changes as well as industry news and trends.

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

- reviewing the status of security awareness programs.
- assessing new developments or issues relating to information security.
- reporting to and or presenting to the Management Board on information security activities on at least a quarterly basis.

Detailed information regarding to Bank's remuneration policy is provided in a separate "Remuneration Policy" report published on https://em.bank/corporate-govarnance/.

As of December 31st, 2022 the number of the "Risk Takers" at the bank was 19.

Remuneration awarded for the financial year

		A	B	C	D	Total
		Supervisory function	**Management function**	**Other senior management**	**Other identified staff**	
Fixed Remuneration	Number of identified staff	4	5	7	3	**19**
	Total fixed remuneration	389	592	501	92	**1 574**
	of which: Cash based	389	592	501	92	**1 574**
Variable Remuneration	Number of identified staff	4	5	7	3	**19**
	Total variable remuneration	-	50	43	7	**100**
	of which: Cash based	-	50	43	7	**100**
Total Remuneration		**389**	**642**	**544**	**99**	**1 674**

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Management body remuneration			Business areas		
	MB Supervisory function	**MB Management function**	**Total MB**	**Independent control functions**	**All other**	**Total**
Total number of identified staff	**4**	**5**	**9**	**-**	**-**	**19**
of which: members of the MB	4	5	9	-	-	19
of which: other senior management	-	-	-	2	5	7
of which: other identified staff	-	-	-	1	2	3
Total remuneration of identified staff	**389**	**642**	**1 032**	**172**	**470**	**1 674**
of which: variable remuneration	-	50	50	13	37	100
of which: fixed remuneration	389	592	982	159	433	1 574

CEO Sarp Demiray 6 April 2023

Signed electronically

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Items	Notes	Financial year	Previous financial year Corrected
Interest income at effective interest rate	**1**	1 833	1 562
Interest expenses	**1**	(461)	(380)
Net interest income		**1 372**	**1 182**
Commission income	**2**	5 277	3 423
Commission expenses	**2**	(95)	(161)
Net commission income		**5 182**	**3 262**
Other income (loss)	**3**	15	(138)
Net currency exchange gain (loss)	**4**	35	32
Net gain (loss) on derivatives at fair value	**5**	(35)	(52)
Staff expenses	**6**	(2 966)	(2 659)
Administrative expenses	**7**	(2 326)	(1 617)
Depreciation and amortization expenses	**11-13**	(588)	(628)
Credit recoveries/loss allowances	**9**	(78)	(92)
Profit (loss) before tax		**611**	**(710)**
Tax expense	**14**	(299)	105
Profit (loss) for the year		**312**	**(605)**
Total comprehensive income		**312**	**(605)**

Earnings per share (EUR / 1 share)		0,02	(0,04)

The financial statements were signed on 6 April 2023 by:

Sarp Demiray
CEO

Signed electronically

Onder Ozcan
CFO

Signed electronically

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

Items	Notes no.	Financial year	Previous financial year Corrected
ASSETS			
Cash and cash equivalents	**8**	87 897	54 644
Loans to customers	**9**	23 726	29 680
Derivatives	**10**	5	-
Intangible assets	**11**	1 616	1 225
Tangible assets	**12**	37	58
Right of use assets	**13**	188	315
Deferred tax asset	**14**	603	805
Trade and other receivables		222	97
Other assets	**15**	684	417
TOTAL ASSETS		**114 978**	**87 241**

LIABILITIES			
Deposits from financial institutions	**16**	60 309	50 302
Deposits from public	**17**	41 410	25 546
Derivatives	**10**	-	5
Lease liabilities	**13**	143	289
Trade and other payables		313	140
Other liabilities	**18**	1 921	389
TOTAL LIABILITIES		**104 096**	**76 671**
Equity			
Capital	**19**	15 300	15 300
Retained earnings	**19**	(4 418)	(4 730)
TOTAL EQUITY		**10 882**	**10 570**
TOTAL EQUITY AND LIABILITIES		**114 978**	**87 241**

The financial statements were signed on 6 April 2023 by:

Sarp Demiray
CEO

Signed electronically

Onder Ozcan
CFO

Signed electronically

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

Items	Capital	Retained earnings	Equity
Balance at December 31, 2020	**10 300**	**(4 125)**	**6 175**
Profit (loss) for the year	-	(605)	(605)
Capital increase	5 000	-	5 000
Balance at December 31, 2021	**15 300**	**(4 730)**	**10 570**
Profit (loss) for the year	-	312	312
Balance at December 31, 2022	**15 300**	**(4 418)**	**10 882**

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Sarp Demiray
CEO

Signed electronically

Onder Ozcan
CFO

Signed electronically

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

STATEMENT OF CASH FLOWS

Article	Notes no.	Financial year	Previous financial year Corrected
Operating activities			
Profit (loss) for the year		**312**	**(605)**
Adjustments:			
Credit recoveries/credit loss allowances		78	92
Interest income		(1 833)	(1 562)
Interest expense		305	380
Depreciation and amortization		588	627
Elimination of financing and investing activity results		(39)	(64)
Deferred tax assets		202	(105)
Other non- monetary transactions		8	6
Total adjustments:		**(691)**	**(626)**
Net change in loans to customer		5 871	(10 748)
Net change in other receivables		(397)	(372)
Net change in payables to customers and banks		25 757	20 570
Net change in other liabilities		1 620	85
Total adjustments to operating assets and liabilities		**32 851**	**9 535**
Interest received		1 866	1 644
Interest paid		(180)	(345)
Cash flows from operating activities		**34 158**	**9 603**
Investing activities			
Acquisition of tangible and intangible fixed assets		(798)	(883)
Investments to terminal deposits		-	17 116
Other increases in cash flow from investing activities		35	32
Cash flows from investing activities		**(763)**	**16 265**
Financial activities			
Premises rent payments have been paid		(146)	(132)
Cash flows from financial activities		**(146)**	**(132)**
Exchange rate difference on cash and cash equivalents		**4**	**32**
Net increase in cash and cash equivalents		**33 253**	**25 768**
Cash and cash equivalents at the beginning of the year		**54 644**	**28 876**
Cash and cash equivalents at the end of the year	**8**	**87 897**	**54 644**

The financial statements were signed on 6 April 2023 by:

Sarp Demiray CEO Signed electronically	Onder Ozcan CFO Signed electronically

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

EXPLANATORY NOTES

I. GENERAL INFORMATION

European Merchant Bank UAB (hereinafter the Bank) – was registered as a joint stock company in the Enterprise Register of the Republic of Lithuania on June 28, 2017; the Bank's code is 304559043. The Head Office of the Bank is located at Gedimino avenue 35, 01109, Vilnius.

Main activity of the Bank is provision of financial services.

December 14, 2018 the European Central Bank has issued a specialized bank license no.3 for the European Merchant Bank UAB. June 6, 2019 the Bank registered its Articles of Association in the Register of Legal Entities related to becoming a specialized Bank.

As of December 31, 2022, the capital of the Bank was 15 300 thousand EUR which is divided into 15 300 thousand ordinary registered shares with EUR 1 par value each.

The sole Bank's shareholder is Akce Holding Malta LTD, Code: C7529, address Level 0, St. Julian's Business Centre, Triq Elija Zammit, St. Julian's, STJ 3155 Malta:

Shareholder	**2022**		**2021**	
	No of shares	**Ownership**	**No of shares**	**Ownership**
Akce Holding Malta Ltd.	15 300 000	100%	15 300 000	100%
Total		**100%**		**100%**

The Bank does not hold own shares.

European Merchant Bank UAB has no subsidiaries or associated companies. The Bank also has no branches and representative offices.

The average number of employees in 2022 was 59 (2021 – 47).

II. ACCOUNTING POLICY

Statement of compliance

The financial statements of the Bank are prepared in accordance with the Laws of the Republic of Lithuania, regulating accounting and financial accountability, as well as the International Financial Reporting Standards (IFRS) that have been adopted for use in the European Union.

The financial statements are also prepared according to the Republic of Lithuania Law on Banks, Law of the Republic of Lithuania on Reporting by Undertakings and other regulations and advices of the Bank of Lithuania.

These financial statements have been prepared on a going concern basis.

Basis of measurement

The financial statements are prepared using several measurement bases. Financial assets and liabilities are measured at amortised cost. The carrying amounts of financial assets and liabilities subject to fair value hedge accounting are adjusted for changes in fair value attributable to the hedged risk. Non-monetary items are measured on a historical cost basis, unless otherwise specified.

Functional currency and foreign currency transaction

The financial statements are presented in euro and all figures are rounded to thousands of euro (EURth) unless indicated otherwise.

Due to the rounding of individual amounts to thousands of euros in the tables, the numbers may not match, such rounding errors are insignificant in these financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Financial assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate prevailing at the date of the statement of financial position. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while non-monetary assets carried at fair value or revalued amounts are translated at the exchange rate when the fair value was determined. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognized in the profit or loss.

The use of assessments and decisions in the financial statements

In the preparation of the financial statements in accordance with IFRS that have been adopted for use in the European Union, the management, based on the certain assumptions, has to evaluate factors which influence the choice of accounting principles as well as the effect on the assets, liabilities, income and expenses amounts. The actual results might differ from assumptions and forecasts. The evaluations, forecasts and assumptions are always reviewed and revised on a regular basis.
The effect of changes in evaluations is recognized in the period during which the evaluation is revised and for the coming periods if the evaluation affects the future periods as well. The evaluations might be

revised based on the changed conditions which were used to make evaluation or if there are new information available or new experience gained during the period which might lead to more accurate evaluations.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2022

(a) The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2022

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments) (All issued 14 May 2020, effective from 1 January 2022)

The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of Statement of Profit and Loss and Other Comprehensive Income.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective in European Union for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

Management has assessed that these amendments do not have a material impact on these financial statements.

(b) Standards and amendments that have been approved but are not yet effective and have not been applied in advance

Amendments to IFRS 17 and IFRS 4: The deferral of effective dates for IFRS 17 and IFRS 9 for insurers (published 25 June 2020, effective from 1 January 2023)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

The management has assessed that these amendments will not have any impact on the Banks's financial statements.

IFRS 17: Insurance Contracts (published 18 May 2017, effective from 1 January 2023)

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This IFRS will not have any impact on the financial position or performance of the Bank as insurance services are not provided.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021, effective from 1 January 2023)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Amendments have not yet been endorsed by the EU. The Bank has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective from 1 January 2023)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Bank has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective from 1 January 2023)

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Bank has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (issued on 23 January 2020, effective from 1 January 2024, but not before approval by the EU)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the Bank issuing own equity instruments. Management has not yet assessed the impact of applying these amendments.

The amendments in Non-current Liabilities with Covenants (Amendments to IAS 1) (issued on 31 October 2022, effective from 1 January 2024, but not before approval by the EU):

Modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted.

Management has not yet assessed the impact of applying these amendments.

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (issued on 22 September 2022, effective from 1 January 2024, but not before approval by the EU):

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

Management has not yet assessed the impact of applying these amendments.

The following presents the main principles of the accounting policy which have been consistently applied to all the years presented, unless otherwise stated.

Significant accounting policies

Presentation of financial statements (IAS 1)

Financial statements provide a structured representation of the Bank's financial position, financial results and cash flows, to provide information useful in connection with financial decisions. The financial statements also indicate the results of executive management's administration of the resources entrusted to them. Complete financial statements consist of Bank's statements of profit and loss and other comprehensive income, a statement of financial position, statements of changes in equity, cash flow statements and notes. Bank's statements of profit and loss and other comprehensive income contains all revenue and expense items, provided that a special IFRS does not require or allow otherwise. Other revenue and expense items are recognised in the same statement as other comprehensive income.

Financial Instruments (IAS 32, IFRS 9)

Financial instruments represent the largest part of the Bank's balance sheet. A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Cash and contractual rights to receive cash are examples of financial assets, whereas a contractual obligation to deliver cash or another financial asset is an example of a financial liability. A derivative is a financial instrument that is distinguished by the fact that its value changes in response to the change in a specified variable, such as foreign exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date. Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty.

Recognition and derecognition

Financial assets and liabilities are recognised on the balance sheet on the trade date, which is the date when the Bank becomes a party to the instrument's contractual provisions, with the exception of financial assets measured at amortised cost, which are recognised on the settlement day and financial lease that is recognised on the asset delivery date. Financial assets are derecognised when the right to receive cash flows from a financial asset has expired or the Bank has transferred substantially all the risks and rewards of ownership to another party. When a financial asset is modified, there is assessment needed whether the modification results in derecognition. A financial asset is considered modified where the contractual terms governing the cash flows are amended versus the original agreement, for example due to forbearance measures being applied, changes in market conditions, customer retention reasons or other factors unrelated to the credit deterioration of a borrower. Modified financial assets have to be derecognised from the balance sheet and a new loan recognised where an agreement is cancelled and replaced with a new agreement on substantially different terms or where the terms of an existing agreement are substantially modified. Modifications due to financial difficulties, including forbearance measures, are not considered substantial on their own. Financial liabilities are derecognised when the obligation in the agreement has been discharged, cancelled or expired.

Classification and measurement

Financial assets are classified as measured at either amortised cost or fair value through profit or loss, based on the business model for managing the assets and the asset's contractual terms. The Bank does not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model). The business model reflects how the Bank manages portfolios of financial assets in order to generate cash flows. The factors considered in determining the business model for a portfolio of financial assets include past experience on how the cash flows have been collected, how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed and how compensation is linked to performance. The Bank assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of a financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is not compliant with the solely payments of principal and interest criterion. Financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

Financial assets at amortised cost

Financial assets which are debt instruments are classified as measured at amortised cost if they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are initially recognised at fair value including transaction costs that are directly attributable to the acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus repayments of principal, plus accrued interest, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit loss allowances (the terms 'credit loss allowances' and 'allowances' are hereinafter used interchangeably). Accounting policies regarding credit loss allowances are disclosed in paragraph Credit impairment.

Financial assets at fair value through profit or loss

Financial assets classified as measured at fair value through profit or loss is comprised of financial assets mandatorily measured at fair value through profit or loss. The mandatory classification includes:

- Debt instruments that are held in a business model other than held to collect contractual cash flows, including those that are held for trading and those that are managed and whose performance is evaluated on a fair value basis;
- Equity instruments;
- Derivative assets that are not designated for hedge accounting.

Financial instruments held for trading are acquired for the purpose of selling in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit taking. Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value. Transaction costs that are directly attributable to the issue or acquisition of financial assets at fair value through profit or loss are expensed in profit or loss. The fair value of financial instruments is determined based on quoted prices in active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are based on observable market data, such as quoted prices in active markets for similar instruments or quoted prices for identical instruments in inactive markets. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so-called ‘day 1-profits or losses’, are recognised in the Bank’s statements of profit and loss and other comprehensive income only when the valuation model is based entirely on observable market data. Changes in fair value other than interest income are recognised through profit or loss in Net gains and losses on financial items and accrued income is disclosed in a separate row Other interest income. Changes in fair value due to changes in exchange rates are recognised in the same profit or loss line.

Credit impairment

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Losses on loan and receivables impairment are established through profit or loss if there is objective evidence that the Bank will not be able to collect all amounts due. Evidence of impairment is based on the Expected Credit Losses model (ECL), which tests if the credit risk has not increased significantly after initial recognition.

According IFRS 9 credit loss allowances are grouped:

Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

Measurement of expected credit losses

The Bank allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income.

The Bank recognize provisions for impairment in accordance with IFRS 9 "Financial Instruments". The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Expected Credit Loss (ECL) Calculation - Input and Forecasting Methodologies

Expected Credit Loss (ECL) is calculated as 12 months or lifetime, depending on whether there is a significant increase in credit risk after initial recognition or whether an asset is considered as a credit loss. Expected Credit Loss is calculated by using the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) components.

- Probability of Default (PD): PD indicates the probability of default due to inability of the borrower to meet its debt obligations. It has been calculated for 12 months or lifetime depends on increase on borrower's credit risk.

- Loss Given Default (LGD): In case of default of the borrower, Loss Given Default has been calculated as dividing historical realized credit loss to Exposure at Default (EAD). LGD models includes data such as product type, customer segment, collateral structure.

- Exposure at Default (EAD): Specifies the amount of risk that the borrower should pay in case of default. It is kept in the system by constantly calculated until the maturity of the borrower. The amount of extra risk that can be incurred in the event of default is included in the calculations by using the credit conversion rate (CCR) calculated for the irrevocable

Expected Credit Loss is calculated over the remaining maturity using the PD, LGD and EAD components. Calculated values are discounted on a monthly basis using the original effective interest rate. The expected credit loss value is calculated for all customers over the maturity period. However, for those who do not have a significant increase in credit risk, the 12-month ECL is taken into account, and for those with a significant increase in credit risk, the ECL value calculated over the remaining period is taken into account.

Macro-economic indicators are taken into account in determining the PD component in the expected credit loss calculation. Macro-economic indicators vary on a product-by-product basis for individual products and on a segment basis for commercial products. Future macroeconomic forecasts are reflected in the ECLs using more than one scenario.

Expected Credit Loss (ECL) calculations are reviewed at least once a year, and the macroeconomic model used in the process has been redeveloped during the reporting period. There was no change in the assumptions in the estimation techniques, and the model development studies were carried out by including recent up-to-date data. In the model development process, new indicators were used in addition to the indicators used in previous model studies.

Definition of default and credit-impaired assets

Default is an input to the PD, which affects both the identification of a significant increase in credit risk and the measurement of the expected credit losses. Financial assets classified as credit-impaired are included in Stage 3. The Bank's IFRS 9 definitions of default and credit-impaired assets are aligned to the Bank's regulatory definition of default, as this is what is used for risk management purposes. Default and credit-impairment are triggered when one of the following occurs: an exposure is more than 90 days past due, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, the Bank takes into account both qualitative and quantitative factors including but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. The Bank has elected to rebut the presumption that instruments which are 90 days past due are in default or credit-impaired for instruments in the sovereign and financial institutions exposure classes only, due to that default is triggered based on manual decisions. An instrument is no longer considered to be in default or credit-impaired when it no longer meets any of the default criteria for at least three consecutive months. Where a loan is in default due to a non-performing forbearance measure having been applied, longer probation periods are applied.

Determining a significant increase in credit risk since initial recognition

If the credit risk of financial assets determined to be significantly increasing, afore-mentioned assets are transferred to the stage 2. For stage 1 loans expected loss (provision) amounts are calculated for 1-year and for stage 2 loans expected loss (provision) is calculated for the remaining life of the loan.

If customers likeliness to pay is doubtful and forbearance discussions starts, to transfer customer to Stage2 one of the following criteria should be met:

- Forbearance measures for the credit facility was applied no more than one time within its lifetime
- Past due more than 30 days of any customer's financial instrument
- Suffered loss in two consecutive reporting periods (quarters) / except for the newly established companies (SPVs) which is in line with the projected cash flow. (While examining the loss status

of the company, it is checked whether the company's activities include seasonality. In companies with seasonal effects, two consecutive periods in the seasons in which the operations continued are compared.)

- Negative equity for four consecutive reporting periods

Definition of increase in the probability of default is the comparison between the probability of default on loan's opening date and probability of default on reporting date. If the loan's estimated probability of default on reporting date exceeds the threshold values determined above, it is considered to be worsening of the probability of default.

Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime expected credit losses. The expected lifetime is generally limited by the maximum contractual period over which the Bank is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Bank.

Modifications

Where a loan is modified but is not derecognised, significant increases in credit risk continue to be assessed for impairment purposes as compared to the initial recognition credit risk. Modifications do not automatically lead to a decrease in credit risk and all quantitative and qualitative indicators will continue to be assessed. Further to this, a modification gain or loss is recognised in the Bank's statements of profit and loss and other comprehensive income within Credit recoveries/credit loss allowances, which represents the difference in the present value of the contractual cash flows, discounted at the original effective interest rate. Where a loan is modified and derecognised, the date of the modification is the initial recognition date of the new loan for credit impairment purposes, including the assessment of significant increases in credit risk. Where the new loan is considered to be credit-impaired on initial recognition, it is classified as a purchased or originated credit impaired asset and therefore lifetime expected credit losses are calculated until the loan is repaid or written-off.

Presentation of credit recoveries/credit loss allowances

For financial assets measured at amortised cost, credit loss allowances are presented in the balance sheet as a reduction of the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, such provisions are presented as a liability within Provisions. Where a financial instrument includes both a loan and a loan commitment component, such as revolving credit facilities, the Bank recognises the credit loss allowances separately for the loan and the loan commitment components. A write-off reduces the gross carrying amount of a financial asset. Credit impairment losses and write-offs are presented as Credit recoveries/credit loss allowances in Bank's statements of profit and loss and other comprehensive income. Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Any subsequent recoveries of write-offs or credit loss allowances are recognised as gains within Credit recoveries/credit loss allowances.

Fixed assets (IAS 38, IAS 16)

Intangible assets

A long-term intangible asset are those assets which useful life is more than one year and which cost exceeds EUR 1.000. An intangible asset is initially measured at cost. An intangible asset is recognized in the balance sheet only when its cost can be measured reliably and it is likely that future economic benefits attributable to the assets will accrue to the Bank. Intangible assets are initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment. An amortization of the intangible asset is calculated using the straight-line method of amortization based on the estimated useful life of the asset:

- Software 5 years
- Other intangible assets 5 years

Development costs are capitalised and recognised in the balance sheet when the Bank controls the resulting asset, it is likely that future economic benefits attributable to the assets will accrue to the Bank and the costs can be calculated in a reliable way. In other cases, development costs are expensed when they arise.

Tangible assets

Long-term tangible assets are those assets which useful life is more than one year and which cost exceeds EUR 300-1.000. Tangible assets are held at historical cost less accumulated depreciation and any impairment in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains and losses on disposals of tangible assets are determined by reference to their carrying amount and are charged to the income statement. The cost includes all expenses for purchasing, manufacturing, taxes and other direct costs to otherwise bring the goods to their current location and condition. Asset maintenance costs are charged to the income statement when they are incurred. If the economic benefits increase for the Bank due to costs or if the useful life of the asset increases or if there are significant renewals of assets, then costs are capitalized and added to tangible assets and depreciated over the remaining useful life period of the improved asset.

Depreciation is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. Useful lives, residual values and depreciation methods are reassessed and changed when necessary, in connection with each closing day. The following amortization and depreciation useful life (years) are applied in the Bank for the respective asset category:

- Computers 3 years
- Office equipment 4 years
- Communication tools 5 years
- Other property and equipment 4 years
- Furniture 6 years

Cash and cash equivalents

Cash consists of cash on bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.
For the purposes of the cash flow statement, cash and cash equivalents comprise the cash on bank accounts.

Coverage of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognized and is intended to be settled net, i.e. to realize the assets and fulfil their obligations at the same time.

Share capital and reserves

Share capital is presented according to the Bank's articles of association.

According to Law on Companies of the Republic of Lithuania, mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of share capital. The mandatory reserve cannot be used for payment of dividends and it is established to cover future losses only.

Employee benefits (IAS 19)

The Bank does not have any defined benefit, employee incentive plans or compensation through share-based incentive programs. Short-term benefits for employees are recognized as current operating costs for the period during which the employees provided the services. The benefits include salaries, social security contributions, bonuses, paid-holidays, and others.

Net interest income (IFRS 9)

Interest income on financial assets and interest expense on financial liabilities include interest payments received or paid, change in accrued interest and amortisation of any difference between the initial amount and the maturity amount during the period, which produces a constant rate of return over the instrument's life, referred to as the effective interest rate. The effective interest rate is the rate that discounts future cash flows to the gross carrying amount of a financial asset or to the amortised cost of a financial liability, taking into account transaction costs, premiums or discounts and fees paid or received that are an integral part of the return. Interest income on financial assets is generally calculated by applying the effective interest rate to the gross carrying amount, with two exceptions. Where financial assets measured at amortised cost have become credit impaired subsequent to initial recognition (Stage 3 financial assets), interest income is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount less credit loss allowances. If such financial assets are no longer credit-impaired, the calculation of interest income reverts back to the gross carrying amount basis. Where financial assets measured at amortised cost are credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost until the financial asset is derecognised from the balance sheet. The credit-adjusted effective interest rate is calculated based on the amortised cost of the financial asset rather than the gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Interest expense is calculated by applying the effective interest rate to the financial liabilities.

Commission fees is a part of the EIR, when calculating interest income and expenses and included in calculation of carrying value of the related assets and liabilities. Therefore, deferred expenses related to issued loans are classified into loans caption in the statement of the financial position and deferred expenses related to accepted deposits are accounted in deposit liabilities caption in the statement of financial position accordingly. After presentation and measurement of commission expenses are corrected in the statement of financial position, commissions related to loans decrease interest income, while commissions related to deposits increase deposit related interest expenses in the statement of profit (loss) and other comprehensive income.

Net commission income (IFRS 15)

Revenue from contracts with customers consists primarily of service-related fees and is reported as Commission income. Revenue is recognised when a performance obligation is satisfied, which is when control of the service is transferred to the customer. The total consideration received is allocated to each performance obligation, depending on whether they are satisfied either over time or at a point in time. Where fees are variable, i.e. performance-based fees, revenue is recognised when it is highly probable that a significant reversal in the amount will not occur. Payment commissions are recognised when the services are provided, at a point in time. Fees related to service plans are recognised over the period of time when the services are provided. Lending fees that are not an integral part of the effective interest rate are recognised as commission income. Lending fees are recognised over time and at a point in time, depending on when the performance obligation is satisfied. Expenses for bought service directly attributable to generating commission income for service provided are reported as commission expense.

Expenses (IAS 37)

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent.

In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

Financial expenses include interests for debt as well as related administration expenses related to receivables. The interest expenses are recognized by using effective interest rate method.

Finance and operating lessee (IFRS 16)

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance lease

The Bank recognizes the finance lease as assets and liabilities in the financial position statement, carried at the fair value of the finance lease at the beginning of the lease or minimal present value of the future lease payments, if the latter is lower. In calculating the present value of the minimum finance lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine. Otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge payments are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For finance lease assets and lease liabilities the Bank calculates depreciation; in addition, the Bank also recognizes finance expenses related to finance lease. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the Bank, according to the lease contract, gets transferred their ownership after the lease term is over.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead, it is deferred and amortized over the lease term.

Operating lease

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments are recognized as an expense (less any discounts granted to the lessee) in proportion to the lease term. Payments received under leases (less any discounts granted to the lessee) are recognized as income on a straight-line basis over the lease term.

Income tax (IAS 12)

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax expenses are calculated based on the information available as at the date of preparation of the financial statements. In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15% on taxable income.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and (or) derivative instruments. Such carrying forward is disrupted if the Bank changes its activities due to which these losses were incurred except when the Bank does not continue its activities due to reasons which do not depend on the Bank itself. The losses from disposal of securities can be carried forward for 5 consecutive years and can be covered only by profits from same kind transactions.

Deferred income tax (IAS 12)

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets are tested on each closing period and recognized to the extent it is likely on each closing day that they can be utilized. If it is not probable that future taxable profit will be available against which the temporary differences can be utilized, then deferred tax assets are reduced accordingly.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
Deferred tax assets and liabilities are offset only if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities.

Income tax and deferred income tax for the reporting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in other comprehensive income.

Contingencies (IAS 37)

Contingent liabilities are not recognized in the financial statements. They are disclosed in the financial notes unless the possibility of an outflow of resources embodying economic benefits is marginal.

According to current laws, the Tax Inspectorate at any time could check the Bank‘s accounting registers for the last five years before the reporting period, and also can calculate and apply additional taxes and sanctions for the Bank. The management of the Bank has no any information about the events and conditions which can result in significant additional tax expenses or liabilities for the Bank.

A contingent asset is not recognized in the financial statements but disclosed in the financial notes when an inflow of economic benefits is probable.

Subsequent events (IAS 10)

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

Related parties (IAS 24)

Parties are considered to be related if at least one of the conditions are met:

a. The person or its relative is treated as related to the Bank if the person:

i. Has control or jointly control of the Bank

ii. Can exercise a significant influence over the Bank

iii. Is the member of the management personnel of the company or of a parent of the Bank

b. An entity is related to the Bank if any of the following conditions are met:

i. An entity and the Bank are members of the same group (i.e. each parent, subsidiary, and fellow subsidiary is related to each other)

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)

iii. Both entities are joint ventures of the same third party

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity

v. An entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank

vi. An entity is controlled or jointly controlled by a person identified in (a)

vii. A person identified in (a), (i) has a significant influence over an entity or is a member of the key management personnel of an entity (or of a parent of an entity)

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Reclassification

In order to improve the accuracy of the figures presented in the financial statements, the 2021 figures have been reclassified to certain items in the statement of financial position and profit and loss and other comprehensive income statement. This reclassification did not affect the Bank's net comprehensive income statement for the Year 2021. Information on how the reclassified figures have been presented is given in the table below:

Statement of financial position	2021 value before the reclassification	Reclassification value	2021 value after the reclassification
Trade and other receivables	-	97	97
Other assets	598	(181)	417
Deposits from public	(25 630)	84	(25 546)
Derivatives	-	(5)	(5)
Trade and other payables	-	(139)	(139)
Other liabilities	(533)	144	(389)
Total	**(25 565)**	**-**	**(25 565)**

Statement of profit and loss and other comprehensive income	2021 value before the reclassification	Reclassification value	2021 value after the reclassification
Interest income at effective interest rat	1 414	148	1 562
Commission income	3 588	(165)	3 423
Commission expenses	(178)	17	(161)
Total	**4 824**	**-**	**4 824**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

III. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Net interest income

Items	Financial year	Previous financial year
Interest income at effective interest rate	**1 833**	**1 562**
Interest income from loans	1 399	963
Interest income from banks	182	165
Other	252	434
Interest expense	**(461)**	**(380)**
Interest expense for term deposits	(294)	(175)
Interest expense for IFRS 16	(11)	(18)
Other	(156)	(187)
Total	**1 372**	**1 182**

Note 2 Net commission income

Items	Financial year	Previous financial year
Commission income	**5 277**	**3 423**
Account maintenance fees	4 340	2 727
Payment services fees	843	512
Other	94	184
Commission expenses	**(95)**	**(161)**
Account administration costs	(58)	(112)
Payment services costs	(36)	(43)
Other	(1)	(6)
Total	**5 182**	**3 262**

Note 3 Other income (loss)

Items	Financial year	Previous financial year
Income from the sale of equity assets	6	(138)
Other	9	-
Total	**15**	**(138)**

Note 4 Net currency exchange gains (loss)

Items	Financial year	Previous financial year
Foreign currency revaluation net gain	154	144
Foreign currency revaluation net loss	(119)	(112)
Net currency exchange gain (loss)	**35**	**32**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Note 5 Net gain (loss) on derivatives at fair value

Items	Financial year	Previous financial year
Realized income (loss) from forward foreign exchange transactions	(46)	(51)
Unrealized income (loss) from forward foreign exchange transactions	11	(1)
Net gain (loss) on derivatives at fair value	**(35)**	**(52)**

Note 6 Staff expenses

Items	Financial year	Previous financial year
Payroll expenses	2 859	2 369
Bonus expenses	-	205
Social security contribution expenses	65	64
Other expenses	42	21
Total	**2 966**	**2 659**

Note 7 Administrative expenses

Items	Financial year	Previous financial year
IT expenses	442	240
Legal and consultancy expenses	307	408
Non-deductible VAT expenses	290	232
Consultations expenses by the supervisory Board	187	178
Bank of Lithuania fine	175	65
Business trip expenses	172	70
Advertising and public relation expenses	149	55
Expenses related to the premises	65	46
Telecommunication expenses	58	45
Insurance expenses	65	43
Employees search and recruitment expenses	16	32
Memberships expenses	29	19
Financial statements audit expenses	24	18
Training expenses	36	16
Representation expenses	24	6
Other expenses	287	144
TOTAL	**2 326**	**1 617**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Note 8 Cash and cash equivalents

Items	Financial year	Previous financial year
Cash at Central Bank	41 094	47 827
Money market placements (deposits) maturity date 2nd January 2023	40 004	-
Cash at other banks	4 591	5 921
Cash at Lithuanian banks	2 243	897
Expected credit losses (-)	(35)	(1)
TOTAL:	**87 897**	**54 644**

Note 9 Loans to customers

Items	Financial year	Previous financial year
Loans to small and medium companies	18 511	18 689
Loans to corporates	2 909	6 636
Loans to financial institutions	2 408	4 365
Accrued interest	46	83
Deferred loan origination fees	(50)	-
Credit recoveries loss allowances	(98)	(93)
TOTAL:	**23 726**	**29 680**

31-12-2022

Distribution of loans by overdue days	Gross loans	Expected credit loss			Deferred revenue	Amortized cost of loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3			
Not overdue	23 833	(77)	-	-	(50)	23 706	0,4
0-30 days	20	-	-	-	-	20	-
31-89 days	21	-	-	(21)	-	-	-
90 days and more	-	-	-	-	-	-	-
Total loans to customers	**23 874**	**(77)**	**-**	**(21)**	**(50)**	**23 726**	**0,4**

31-12-2021

Distribution of loans by overdue days	Gross loans	Expected credit loss			Deferred revenue	Amortized cost of loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3			
Not overdue	29 773	(93)	-	-	-	29 680	0,3
0-30 days	-	-	-	-	-	-	-
31-89 days	-	-	-	-	-	-	-
90 days and more	-	-	-	-	-	-	-
Total loans to customers	**29 773**	**(93)**	**-**	**-**	**-**	**29 680**	**0,3**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Movements in the expected credit losses for loan losses are as follows:

	Financial year	Previous financial year
Opening Balance	**93**	**1**
Additions	112	93
Collections	(68)	(1)
Write-offs	(39)	-
Closing Balance	**98**	**93**

Note 10 Derivatives

Items	Financial year	Previous financial year
Currency related contracts	**5**	**(5)**
Forward contracts*	5	(5)
TOTAL:	**5**	**(5)**

*The notional amount of the forward contract for 2022 is 400 thousand Eur (2021: 590 thousand Eur).

Note 11 Intangible assets

Items	Financial year
Balance at December 31, 2021	**1 225**
a) Non-current intangible assets acquisition cost	
At December 31, 2021	1 964
Changes during the financial year:	
- Acquisition of assets	813
December 31, 2022	**2 777**
b) Amortization	
At December 31, 2021	(739)
Changes during the financial year:	
- Depreciation during the financial year	(422)
December 31, 2022	**(1 161)**
c) Balance at December 31, 2022 (a) - (b)	**1 616**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Note 12 Tangible assets

Items	Computer equipment	Other equipment	Total
Balance at December 31, 2021	**57**	**1**	**58**
a) Non-current tangible assets acquisition cost			
At December 31, 2021	132	2	134
Changes during the financial year:			
- Acquisition of assets	19	-	19
December 31, 2022	**151**	**2**	**153**
b) Amortization			
At December 31, 2021	**(75)**	**(2)**	**(77)**
Changes during the financial year:			
- Depreciation during the financial year	(39)	-	(39)
December 31, 2022	**(114)**	**(2)**	**(116)**
c) Balance at December 31, 2021 (a) - (b)	**37**	**-**	**37**

Note 13 Right of use assets and lease liabilities

The value of the right to use assets is determined on the basis of the discounted lease payments (liabilities) over the lease term planned by the management. The depreciation period for these assets corresponds to the lease term of the asset. The discount rate used to depend on the term of the lease is 5 percent.

Right of use asset	Balance at January 1, 2022	Additions / Increase	Depreciation	Balance at December 31, 2022
Premises	315	-	(127)	188
Total	**315**	**-**	**(127)**	**188**

Lease liabilities	Balance at January 1, 2022	Additions / Increase	Payments	Balance at December 31, 2022
Premises	289	-	(146)	143
Total	**289**	**-**	**(146)**	**143**

Right of use asset	Balance at January 1, 2021	Additions / Increase	Depreciation	Balance at December 31, 2021
Premises	442	-	(127)	315
Total	**442**	**-**	**(127)**	**315**

Lease liabilities	Balance at January 1, 2021	Additions / Increase	Payments	Balance at December 31, 2021
Premises	421	-	(132)	289
Total	**421**	**-**	**(132)**	**289**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Note 14 Deferred tax asset

Items	**Financial year**	**Previous financial year**
Accrued tax loses	826	826
Right of use asset	(19)	47
Expected credit losses (Stage 1 & 2)	9	14
Differences between the useful lives of intangible fixed assets and financial and tax accounting	(247)	(39)
Lease liability	22	(43)
Other	12	-
Total	**603**	**805**

Note 15 Other assets

Items	**Financial year**	**Previous financial year**
Prepaid expenses	351	151
Collateral given (Given to credit card issuer companies)	282	265
Other assets	51	1
Total	**684**	**417**

Note 16 Deposits from financial institutions

Items	**Financial year**	**Previous financial year**
Demand deposits	60 309	50 302
Total	**60 309**	**50 302**

Note 17 Deposits from public

Items	**Financial year**	**Previous financial year**
Term deposits	32 171	23 301
Demand deposits	9 101	2 260
Accrued interest	193	69
Prepaid commissions for term deposits	(55)	(84)
TOTAL:	**41 410**	**25 546**

*Average rate of interest on time deposits in 2022 year was 1.64%. (2021 – 0.97%)

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Note 18 Other liabilities

Items	Financial year	Previous financial year
CIT payable	97	-
Accrued expenses	86	290
Accrued vacation reserve	79	43
VAT payable	47	25
Other*	1 612	31
Total	**1 921**	**389**

*Other includes payment transactions that have not been recognized to customer accounts according to ongoing AML controls.

Note 19 Capital

Share capital
As of December 31, 2022, the Bank's share capital was equal to 15 300 thousand EUR (as of December 31, 2021 – 15 300 thousand EUR). The share capital is divided into 15 300 thousand (2021 : 15 300 thousand) ordinary registered shares with EUR 1 par value each.
All shares as of December 31, 2022 and December 31, 2021 are fully paid-up. The Bank does not have any other types of shares except the ordinary shares as referred to above.

Mandatory reserve
As of December 31, 2022, the Bank did not have reserves. According to Law on Companies of the Republic of Lithuania, mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of share capital.

Profit distribution project

No.	Items	
1	Retained earnings (loss) at the beginning of the financial year	(4 730)
2	Current financial year net profit (loss)	312
3	Profit (loss) for distribution (1+2)	(4 418)
4	Profit (loss) transfer to the compulsory reserve or emergency (reserve) capital	-
5	Profit (loss) transfer to the reserve	-
6	Retain profit (loss) at the end of the financial year (3-4-5)	(4 418)

Note 20 Financial risk management

The Bank defines risk as a potential negative impact on the value of the Bank that may arise from current internal processes or from internal and external future events. The concept of risk combines the probability of an event occurring with the impact that event would have on profit and loss, equity, and the value of the Bank. One consequence of risk-taking is the occurrence of losses. The company shall make appropriate efforts to minimize expected losses through ensuring sound internal practices, good internal controls as well as insurance policies.

This Note to the financial statements includes information about the impact of the risks on the company, its objectives, policy, and processes related to risk assessment and management, also the information about the capital management. The quantitative disclosures are presented in other Notes to the financial statements.

The Supervisory Board of the Bank has the overall responsibility for ensuring that risks associated with the Bank's operations and strategy are satisfactory managed and controlled. The Policy on Enterprise Risk Management contains the Bank's Risk Strategy, including fundamental principles that shall apply for the Bank on Risk Management, and provides guidance on their implementation. Furthermore, it defines and communicates the Bank's Risk Strategy and Risk Appetite, provides a complete and overarching description of how the Bank manages risks and how roles and responsibilities are allocated in the Risk Management process as well as to define the foundation of a sound Risk Culture and Risk Awareness. The risk management framework and the risk management systems are revised on a regular basis to reflect the developments in the market conditions and the operations of the company.

Credit risk

Credit risk means the risk that a counterparty fails to meet its obligations to the Bank and the risk that the pledged collateral does not cover the claims. The Bank uses several measures designed to continuously ensure that transactions are made with reliable customers and the transaction amounts do not exceed the approved credit risk limit. The Bank does not grant any guarantees in respect of obligations of other parties. The largest credit risk is represented by the carrying value of each unit of financial assets, including the derivative financial instruments in the statement of the financial position, if any. As a result, the Bank's management believes that the maximum risk is equal to the amounts receivable less the recognized impairment loss as of the statement of the financial position date.

Loans to the clients before deferred loan origination fee

The following tables present loans to the public and credit institutions at amortised cost by industry sectors, also representing the concentration of loans on which credit risk is managed.

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

31-12-2022	**Stage 1**			**Stage 2**			**Stage 3**			**Total**
Distribution of loans by sector/industry	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Amortised costs**
Transport and storage	6 920	(33)	6 887	-	-	-	-	-	-	**6 887**
Real estate activities	5 492	(17)	5 475	-	-	-	-	-	-	**5 475**
Wholesale and retail trade	3 392	(6)	3 386	-	-	-	21	(21)	-	**3 386**
Financial institutions	2 417	(7)	2 410	-	-	-	-	-	-	**2 410**
Agriculture, forestry, and fishing	2 235	(3)	2 232	-	-	-	-	-	-	**2 232**
Manufacturing	1 822	(8)	1 814	20	-	20	-	-	-	**1 834**
Administrative and support service act.	470	(3)	467	-	-	-	-	-	-	**467**
Construction	450	-	450	-	-	-	-	-	-	**450**
Human health services and social work activities	342	-	342	-	-	-	-	-	-	**342**
Professional, scientific, and technical act.	193	-	193	-	-	-	-	-	-	**193**
TOTAL	**23 733**	**(77)**	**23 656**	**20**	**-**	**20**	**21**	**(21)**	**-**	**23 676**

31-12-2021	**Stage 1**			**Stage 2**			**Stage 3**			**Total**
Distribution of loans by sector/industry	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Gross Carrying Amount**	**Expected credit loss**	**Net**	**Amortised costs**
Real estate activities	8 050	-	8 050	-	-	-	-	-	-	**8 050**
Transport and storage	5 133	(10)	5 123	-	-	-	-	-	-	**5 123**
Manufacturing	4 944	(64)	4 880	-	-	-	-	-	-	**4 880**
Financial institutions	4 422	(14)	4 408	-	-	-	-	-	-	**4 408**
Construction	2 370	-	2 370	-	-	-	-	-	-	**2 370**
Agriculture, forestry, and fishing	2 000	-	2 000	-	-	-	-	-	-	**2 000**
Wholesale and retail trade	1 852	-	1 852	-	-	-	-	-	-	**1 852**
Administrative and support service act.	407	(5)	402	-	-	-	-	-	-	**402**
Human health services and social work activities	383	-	383	-	-	-	-	-	-	**383**
Professional, scientific, and technical act.	207	-	207	-	-	-	-	-	-	**207**
Other services	5	-	5	-	-	-	-	-	-	**5**
TOTAL	**29 773**	**(93)**	**29 680**	**-**	**-**	**-**	**-**	**-**	**-**	**29 680**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Maximum credit risk exposure

The following tables presents the Bank's maximum credit risk exposure before taking account of any collateral held. For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that would have to be paid if the guarantees were called upon. For loan commitments and other credit–related commitments, it is generally the full amount of the committed facilities.

	Financial year	**Previous financial year**
Assets		
Cash and cash equivalents	87 897	54 644
Loans to customers by type of collateral	23 726	29 680
Real Estate Residential	2 274	2 954
Real Estate Commercial	10 851	13 530
Movable property	2 713	568
Other collateral	2 147	8 208
Unsecured	5 741	4 420
Derivatives	5	-
Trade and other receivables	222	97
Contingent liabilities and commitments		
Guarantees	-	14
Commitments	2 123	1 932
Maximum credit risk exposure	**113 973**	**86 367**

Distribution by internal credit risk rating

The tables below show the credit quality of financial instruments that are subject to the IFRS 9 impairment requirements. The gross carrying amounts are distributed by internal credit risk rating and stage.

Internal credit risk rating (Moody's)	**PD**	**Financial year**		
		Stage 1	**Stage 2**	**Stage 3**
Aaa	< 0,02 %	-	-	-
Aa1 - Aa3	0,02 % - 0,09 %	-	-	-
A1 - A3	0,09 % - 0,27 %	4	-	-
Baa1 -Baa3	0,27 % - 1,1 %	1 056	-	-
Ba1 - Ba3	1,1 % - 3,7 %	16 267	20	-
B1 - B3	3,7 % - 8,5 %	6 408	-	-
Caa/C	100%	-	-	21
Total		**23 735**	**20**	**21**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Reconciliations of gross carrying amount and credit loss allowances

The table below provides a reconciliation of the gross carrying amount and credit loss allowances for loans to the public at amortised cost where the line Increase/Decrease in volume refers to loan contractual amount increase, increase in overdraft and loan amortisation, decrease in overdraft. New financial assets present newly originated loan contracts and purchased loans, whereas the line Derecognised financial assets present fully repaid loans or write-offs. These movements impact ECL changes which are also presented separately, namely, for derecognised and new financial assets and for changes in risk factors (EAD, PD, LGD) which are directly impacted by loan contractual amount increase, increase in overdraft and loan amortisation, decrease in overdraft.

	Financial year			**Previous financial year**		
	Non credit-impaired		**Credit-impaired**	**Non credit-impaired**		**Credit-impaired**
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Gross carrying amount						
Opening Balance	**29 773**	**-**	**-**	**1 991**	**-**	**-**
Increases due to origination	6 123	20	60	28 470	-	-
Derecognised financial assets	(7 666)			(549)	-	-
Increase/ Decrease in volume	(4 447)		-	(139)	-	-
NPL Sales	-	-	(39)	-	-	-
Closing Balance	**23 783**	**20**	**21**	**29 773**	**-**	**-**
Credit loss allowances	**93**	**-**	**-**	**1**	**-**	**-**
Increases due to origination and acquisition	19	-	60	92	-	-
Derecognised financial assets	(5)			-	-	-
Changes on risk factors (EAD, PD, LGD)	(30)			-	-	-
Stage transfers	-	-	-	-	-	-
from stage 1 to stage 2	-	-	-	-	-	-
from stage 1 to stage 3	-	-	-	-	-	-
from stage 2 to stage 1	-	-	-	-	-	-
from stage 2 to stage 3	-	-	-	-	-	-
from stage 3 to stage 1	-	-	-	-	-	-
from stage 3 to stage 2	-	-	-	-	-	-
Other*	-	-	(39)	-	-	-
Closing Balance	**77**	**-**	**21**	**93**	**-**	**-**
Opening Balance	**29 680**	**-**	**-**	**1 990**	**-**	**-**
Closing Balance	**23 706**	**20**	**-**	**29 680**	**-**	**-**

*includes write-offs / NPL Sales

Forborne loans

Forborne loans refer to loans where the contractual terms have been changed due to the customer's financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again or to avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts. Depending on when the forbearance measures are taken and the severity of the financial difficulties of the borrower, the forborne loan could either be treated as a performing forborne loan or a non-performing forborne loan. There is not any forborne loans of the Bank as of 31 December 2022.

Liquidity risk

The liquidity risk means the risk of not being able to meet payment obligations when they fall due without incurring considerable additional costs for obtaining funds or losses due to asset urgent sale. For liquidity risk management, the Bank's aims at maintaining a strong liquidity buffer and sufficient counter balancing capacity to enable the Bank to fulfil its obligations under ordinary or complex conditions without incurring unacceptable loss or risk to the Bank's reputation.

The following table discloses the Bank's main items used in the calculation of Liquidity Coverage Ratio of December 31, 2022:

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

	Amount/market value	**Applicable weight**	**Value**
Liquidity Buffer	**40 455**		**40 455**
Withdrawable central bank reserves	40 455	1,0	40 455
Retail deposits	**32 313**		**1 041**
deposits exempted from the calculation of outflows	31 170	0,00	-
deposits where the payout has been agreed within the following 30 days	1 015	1,00	1 015
Other retail deposits	128	0,10	26
Operational deposits	**18 962**		**4 693**
maintained for clearing, custody, cash management or other comparable services in the context of an established operational relationship	18 962		4 693
covered by Deposit Guarantee Scheme	239	0,05	12
not covered by Deposit Guarantee Scheme	18 723	0,25	4 681
Excess operational deposits	**44 625**		**41 075**
deposits by financial customers	38 835	1,00	38 835
deposits by other customers	5 790		2 240
covered by Deposit Guarantee Scheme	382	0,20	76
not covered by Deposit Guarantee Scheme	5 408	0,40	2 163
Non-operational deposits	**5 823**		**5 729**
correspondent banking and provisions of prime brokerage deposits	5 369	1,00	5 639
deposits by financial customers	27	1,00	27
deposits by other customers	157		63
covered by Deposit Guarantee Scheme	-	0,20	-
not covered by Deposit Guarantee Scheme	157	0,40	63
Committed facilities	**2 078**		**208**
credit facilities	2 078		208
to non-financial customers other than retail customers	2 078	0,10	208
to credit institutions	-	0,40	-
Other liabilities			
liabilities resulting from operating expenses	2 375	0,00	-
Total Outflows			**52 744**
Inflows Subject to 75% Cap			39 558
Reduction for Inflows Subject to 75% Cap			39 558
NET LIQUIDITY OUTFLOW			**13 186**
LIQUIDITY COVERAGE RATIO (%)			**306,8%**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

The table below analyses carrying amount of assets and liabilities of the Bank into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date.

	Financial year						
	Demand	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and cash equivalents*	47 928	40 004	-	-	-	(35)	87 897
Loans to customers*	-	11	649	18 661	4 482	(77)	23 726
Derivatives	-	5	-	-	-	-	5
Intangible assets	-	-	-	-	-	1 616	1 616
Tangible assets	-	-	-	-	-	37	37
Right of use assets	-	-	-	-	-	188	188
Deferred tax asset	-	-	-	603	-	-	603
Trade and other receivables	-	-	-	-	-	222	222
Other assets	-	-	-	-	-	684	684
Total Assets	**47 928**	**40 020**	**649**	**19 264**	**4 482**	**2 635**	**114 978**
Deposits from financial institutions	60 309	-	-	-	-	-	60 309
Deposits from public	9 097	7 506	20 277	4 585	-	(55)	41 410
Lease liabilities	-	-	-	-	-	143	143
Trade and other payables	-	-	-	-	-	313	313
Other liabilities	-	-	97	-	-	1 824	1 921
Total Liabilities	**69 406**	**7 506**	**20 374**	**4 585**	**-**	**2 225**	**104 096**
Net Gap as of financial year	**(21 478)**	**32 514**	**(19 725)**	**14 679**	**4 482**	**410**	**10 882**

*Total impairments and non perfoming loans are presented "No maturity" column.

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

	Previous financial year						
	Demand	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and cash equivalents*	54 645	-	-	-	-	(1)	54 644
Loans to customers*	-	3 504	1 178	20 705	4 386	(93)	29 680
Intangible assets	-	-	-	-	-	1 225	1 225
Tangible assets	-	-	-	-	-	58	58
Right of use assets	-	-	-	-	-	315	315
Deferred tax asset	-	-	-	805	-	-	805
Trade and other receivables	-	-	-	-	-	97	97
Other assets	-	-	-	-	-	417	417
Total Assets	**54 645**	**3 504**	**1 178**	**21 510**	**4 386**	**2 018**	**87 241**
Deposits from financial institutions	50 302	-	-	-	-	-	50 302
Deposits from public	2 263	124	14 202	9 041	-	(84)	25 546
Derivatives	-	5	-	-	-	-	5
Lease liabilities	-	-	-	-	-	289	289
Trade and other payables	-	-	-	-	-	140	140
Other liabilities	-	-	-	-	-	389	389
Total Liabilities	**52 565**	**129**	**14 202**	**9 041**	**-**	**734**	**76 671**
Net Gap as of financial year	**2 080**	**3 375**	**(13 024)**	**12 469**	**4 386**	**1 274**	**10 570**

*Total impairments and non perfoming loans are presented "No maturity" column.

Interest rate risk

As per the December 31, 2022 financial figures, the company has calculated parallel shocks +/- 200 bps on the Economic value of equity (EVE) and Net Interest Income in EUR. The results did not indicate a significant interest rate sensitivity. Thus, the Bank did not have any derivatives with the purpose to manage interest rate risk.

Net interest income 12 months	**Change**	**Financial year**	**Previous financial year**
Increased interest rates	+1 % point	65	97
Decreased interest rates	-1 % point	(65)	(97)

Time buckets in EVE calculation as per the Interest Rate Risk Report dated 2022.12.31

	up to 1 month	**from 1 to 3 months**	**from 3 to 6 months**	**from 6 months up to 1 year**	**from 1 to 2 years**	**from 2 to 3 years**	**from 3 to 4 years**	**from 4 to 5 years**	**from 5 to 7 years**	**> 7 years**
Total Assets	87 933	874	4 145	13 634	3 664	43	-	-	1 745	-
Total Liabilities	72 503	6 955	12 649	7 702	4 224	371	-	-	-	-
Total Gap	15 430	(6 081)	(8 504)	5 932	(560)	(328)	-	-	1 745	-

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

	Financial year					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and cash equivalents	40 004	-	-	-	47 893	87 897
Loans to customers*	11	15 794	7 002	996	(77)	23 726
Derivatives	-	-	-	-	5	5
Intangible assets	-	-	-	-	1 616	1 616
Tangible assets	-	-	-	-	37	37
Right of use assets	-	-	-	-	188	188
Deferred tax asset	-	-	-	-	603	603
Trade and other receivables	-	-	-	-	222	222
Other assets	-	-	-	-	684	684
Total Assets	**40 015**	**15 794**	**7 002**	**996**	**51 171**	**114 978**
Deposits from financial institutions	5 639	-	-	-	54 670	60 309
Deposits from public	376	22 033	9 959	-	9 042	41 410
Lease liabilities	-	-	-	-	143	143
Trade and other payables	-	-	-	-	313	313
Other liabilities	-	-	-	-	1 921	1 921
Total Liabilities	**6 015**	**22 033**	**9 959**	**-**	**66 089**	**104 096**
Net Repricing Gap as of financial year	**34 000**	**(6 239)**	**(2 957)**	**996**	**(14 918)**	**10 882**
Off-balance sheet derivative instruments net notional position	**400**	**-**	**-**	**-**	**-**	**400**

*Total impairments and non performing loans are presented "No maturity" column.

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

	Previous financial year					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and cash equivalents	-	-	-	-	54 644	54 644
Loans to customers*	3 504	15 343	9 005	1 921	(93)	29 680
Intangible assets	-	-	-	-	1 225	1 225
Tangible assets	-	-	-	-	58	58
Right of use assets	-	-	-	-	315	315
Deferred tax asset	-	-	-	-	805	805
Trade and other receivables	-	-	-	-	97	97
Other assets	-	-	-	-	417	417
Total Assets	**3 504**	**15 343**	**9 005**	**1 921**	**57 468**	**87 241**
Deposits from financial institutions	50 302	-	-	-	-	50 302
Deposits from public	1 974	14 055	9 311	-	206	25 546
Derivatives	-	-	-	-	5	5
Lease liabilities	-	-	-	-	289	289
Trade and other payables	-	-	-	-	140	140
Other liabilities	-	-	-	-	389	389
Total Liabilities	**52 276**	**14 055**	**9 311**	**-**	**1 029**	**76 671**
Net Repricing Gap as of financial year	**(48 772)**	**1 288**	**(306)**	**1 921**	**56 439**	**10 570**
Off-balance sheet derivative instruments net notional position	**590**	**-**	**-**	**-**	**-**	**590**

*Total impairments and non performing loans are presented "No maturity" column.

IBOR Reform

The International Accounting Standards Board (IASB) has introduced changes to the Interbank Offered Rate (IBOR) methodology which may impact the bank's financial instruments in the future.

The bank has carefully reviewed the potential impact of the IBOR reform on its operations and financial statements. At present, the bank has not identified any material impact on its financial statements resulting from the reform.

The bank has been closely monitoring the IBOR reform and will continue to assess the impact of the IBOR reform on an ongoing basis and will provide additional disclosures in its financial statements as necessary to ensure that kept informed of any material impacts.

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Market risk

Market risk is the risk to value, earnings or capital arising from the movements of risk factors in financial markets. The purpose of the market risk management is to minimize market risk.

Currency risk

Currency risk is the risk to value, earnings or capital arising from movements of currencies and volatilities or correlations. The currency risk arising from banking operations is managed using financial derivatives, namely foreign exchange forwards.

The Bank’s monetary assets and monetary liabilities in different currencies on December 31, 2022 and 2021 were as follows:

	Financial year					
	USD	**GBP**	**TRY**	**Other**	**EUR**	**Total**
Cash and cash equivalents	109	35	3	-	87 750	87 897
Loans to customers	-	-	-	-	23 726	23 726
Intangible assets	-	-	-	-	1 616	1 616
Tangible assets	-	-	-	-	37	37
Right of use assets	-	-	-	-	188	188
Deferred tax asset	-	-	-	-	603	603
Trade and other receivables	-	-	-	-	222	222
Other assets	282	-	-	-	407	689
Total Assets	**391**	**35**	**3**	**-**	**114 549**	**114 978**
Deposits from financial institutions	17	37	-	-	60 255	60 309
Deposits from public	-	-	-	-	41 410	41 410
Lease liabilities	-	-	-	-	143	143
Trade and other payables	-	-	-	-	313	313
Other liabilities	-	-	-	-	1 921	1 921
Total Equity	-	-	-	-	10 882	10 882
Total Equity And Liabilities	**17**	**37**	**-**	**-**	**114 924**	**114 978**
Net balance sheet position	**374**	**(2)**	**3**	**-**	**(375)**	**-**
Net off-balance sheet position	**(400)**	**-**	**-**	**-**	**400**	**-**

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

	Previous financial year					
	USD	**GBP**	**TRY**	**Other**	**EUR**	**Total**
Cash and cash equivalents	193	155	-	-	54 296	54 644
Loans to customers	-	-	-	-	29 680	29 680
Intangible assets	-	-	-	-	1 225	1 225
Tangible assets	-	-	-	-	58	58
Right of use assets	-	-	-	-	315	315
Deferred tax asset	-	-	-	-	805	805
Trade and other receivables	-	-	-	-	97	97
Other assets	265	-	-	-	152	417
Total Assets	**458**	**155**	**-**	**-**	**86 628**	**87 241**
Deposits from financial institutions	57	30	-	-	50 215	50 302
Deposits from public	-	-	-	-	25 546	25 546
Lease liabilities	-	-	-	-	289	289
Trade and other payables	-	-	-	-	140	140
Other liabilities	-	-	-	-	394	394
Total Equity	-	-	-	-	10 570	10 570
Total Equity and Liabilities	**57**	**30**	**-**	**-**	**87 154**	**87 241**
Net balance sheet position	**401**	**125**	**-**	**-**	**(526)**	**-**
Net off-balance sheet position	**(590)**	**-**	**-**	**-**	**590**	**-**

Note 21 Prudential requirements

Capital adequacy

The Bank must comply with the prudential regulatory capital requirements determined by the Bank of Lithuania, including capital adequacy ratio.

In addition, the Bank has the following:

- Ensuring the Bank’s ability to comply with the capital adequacy requirements
- Ensuring the ability to maintain an optimal capital level in order to ensure the growth of the investment portfolio and to protect against potential risks

(Amounts expressed in thousands amount of EUR, unless otherwise stated)

Information on compliance with all prudential requirements of the Bank

The Bank has complied with all prudential requirements as of December 31, 2022:

CET1 Capital ratio - 4,5%	22,80%
T1 Capital ratio - 6%	22,80%
Total capital ratio - 8%	22,80%
Capital conservation buffer - 2,5%	950
Leverage ratio - shall be more than 3%	7,60%
Liquidity requirement - liquidity coverage ratio shall not be less than 100%	306,80%
Liquidity requirement - net stable funding ratio shall not be less than 100%	231,00%
Large exposure requirement for non-institutions- shall not exceed 25% of bank' s T1 capital	23,80%
Large exposure requirement for institutions- shall not exceed 100% of bank' s T1 capital	44,50%

Note 22 Transactions with related parties

The Bank's related parties are considered to be its shareholders, employees, Members of the Board, their close family members or entities that they directly or indirectly, through one or several intermediaries control or are controlled by, or are managed jointly with the Bank, and this relation enables one of the parties to exercise control or significant influence upon the other party in making financial or operating decisions.

2022-12-31

Related parties name	Acquisitions from related parties during 2022	Liabilities 2022-12-31	Income from related parties during 2022	Operating expense to related parties during 2022
Shareholder	-	-	-	-
Associated companies	-	5 355	176	48
Total	**-**	**5 355**	**176**	**48**

2021-12-31

Related parties name	Acquisitions from related parties during 2021	Liabilities 2021-12-31	Income from related parties during 2021	Receivable 2021-12-31
Shareholder	-	-	-	-
Associated companies	-	3 317	102	-
Total	**-**	**3 317**	**102**	**-**

Financial relationships with the Bank’s management are presented below:

Items	Financial year	Previous financial year
Amounts paid to Companies management and related parties:		
- Amounts related to employment relationships (Management Board)	642	638
- Allowance for work at the Supervisory Board	389	178
- Free of charge granted assets or services	-	-
- Other significant amounts	-	-

Note 23 Subsequent events

While observing the weaknesses of just-in-time supply chains due to the pandemic, the economic repercussions of Russia's invasion of Ukraine point to additional risks in the global system. The disruption in the global supply of commodities, the drastically rising food and energy prices are the consequences of the war. However, although energy price increases have recovered from their high levels, the outlook for the global economy remains vulnerable. Trade tensions, financial fragilities and high core inflation driven by strong services price increases and cost pressures from tight labor markets point to persistent downside risks. For the time being, no loss is foreseen in the loan portfolio of our Bank due to the sanctions and no change is observed in the risk status of our bank's loan customers due to the sanctions.

As of December 31st, 2022 there were no significant events which would have impact to the Bank’s financial statements.

These financial statements were signed on 6 April 2023.

Sarp Demiray CEO	Onder Ozcan CFO
Signed electronically	Signed electronically