EMBANK
European Merchant Bank

EUROPEAN MERCHANT BANK UAB

FINANCIAL RESULTS – 31/12/2023

TABLE OF CONTENTS

MESSAGES FROM THE MANAGEMENT

1- Message from the Chairperson

Dear Esteemed Stakeholders,

As we present EMBank's 2023 Financial Report, I am pleased to reflect on the significant milestones and steadfast progress we have achieved together. Celebrating our fifth anniversary of 'banking with a human touch', we forge ahead with renewed vigour and a clear vision towards the future.

This future will be built on EMBank's shared values. Since our founding in 2018, EMBank has merged dynamic digital innovation and time-honoured banking wisdom. We are proactive and agile, leveraging technology and insights to meet and exceed our clients' needs. Alongside all these attributes, we also place great importance on and continue to invest in compliance and risk management structures to ensure that we take firm steps and provide a safe space for ourselves and our clients. In 2023, we put forth our four pillars in writing to crystallise the EMBank way of working. They are the power of partnership, trust and integrity, rapid adaptability and proactivity, and thinking and acting smart. Values attain meaning when expressed in action: We uphold high professional standards through transparent practices, demonstrate resilience in finding solutions, and display a commitment to our stakeholders. This year's financial results of over 50% growth in total income and more than tripling of our net profit, as detailed in the report, stand as a testament to the success of this approach.

At the beginning of 2024, we took significant steps to contribute to the Lithuanian business world and society by becoming the Lithuanian State Symphony Orchestra's general sponsor and joining the Lithuanian Business Confederation. These initiatives are commitments of EMBank's ecological and social governance. Sustainability of humanity's life and habitat has been and will continue to be the leitmotiv of these efforts.

Looking to the future, we are motivated to blend our entrepreneurial passion with our banking expertise to achieve even greater success and positively impact our society. I'd like to thank our employees, customers, and partners, all of whom I hope will continue redefining the banking landscape together.

Warm Regards,

Ekmel Çilingir
Chairperson, European Merchant Bank

EMBANK European Merchant Bank

MESSAGES FROM THE MANAGEMENT

2- Message from the CEO

Our Esteemed Stakeholders,

As I go through the pages of our 2023 financial report, I'm filled with a profound sense of pride, solidarity and gratitude. This year marked the 5th anniversary of EMBank's journey, a milestone we celebrated to honour our commitment to provide the best of digital banking - with a human touch. I am proud that EMBank has become an institution that contributes to the revitalisation of the economy through its banking services and has taken steps towards sustainability through its ecological social governance (ESG) initiatives.

In a year characterised by the global shrinking of demand resulting from anti-inflationary measures amidst economic uncertainties and increasing geo-strategic challenges, EMBank has not only persevered but thrived, growing its assets by 28%, its loan portfolio by nearly 50% and increasing its total income by over 50%. The bank more than tripled its net profit from EUR 312,000 in 2022 to EUR 1.1 million in 2023 even as profitable growth came into sharper focus worldwide, a remarkably rapid achievement that belongs to you all.

EMBank empowered the growth of Lithuanian businesses along the way. Our expansion among small and medium enterprise (SME) customers in Lithuania, coupled with the robust growth of our fintech business on a global scale, shows our commitment to broadening EMBank's positive impact at home and abroad. A key factor in our impact has been strengthening our technological infrastructure via innovations such as EMBank Connect (API) and the renewal of our mobile application in line with our philosophy of making our customers' lives easier.

Looking ahead, I'm very excited about the opportunities and challenges that lie before us as we continue to make a meaningful difference in the lives of our customers and communities. I'd like to take this opportunity to thank our employees, customers and business partners for contributing to EMBank's success.

Kind Regards,

Sarp Demiray
CEO, European Merchant Bank

ABOUT THE BANK

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, analyze 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 trains 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.

ESG risks are assessed for transition and physical risks and the sectors with material transition and physical risk are monitored based on ESG Risk Management Policy.

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

2023 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 2023. 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 2023. As of the end of the year, our loan portfolio amounted to 35 925 thousand EUR, and our deposit base maintained a consistent upward trend, driven by the acquisition of new customers, and ultimately reaching a sum of 133 762 thousand EUR.

We continue to invest in digital and IT for our clients together with our employees to attract, increase customer satisfaction, create loyalty and keep them in the bank. We earned 9 303 thousand EUR operating income in 2023.

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 assets.

In 2023 the Bank generated 10 909 thousand EUR revenue. The expenses amounted to 9 818 thousand EUR. The 2023 result is 1 091 thousand EUR profit.

The average number of employees in 2023 was 64 (2022 – 59).

Subsidiaries

The Bank has not established any subsidiaries. The Bank has no established branches or representative offices.

Information about share capital

As of December 31, 2023, 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 2023 the Bank did not acquire and did not own its own shares.

The Bank did not acquire or transfer its own shares.

Information about research and development activities

The Bank did not carry out research and development activities.

Economic environment and outlook

The year 2023 brought formidable challenges to Lithuania's economy. Inflation soared to one of the highest rates in the EU, hitting a peak of 20% in January before gradually receding over the course of the year. However, this decline in inflation coincided with a rise in interest rates, placing strain on both mortgage holders and businesses.

Despite efforts to address economic hurdles, the Real GDP contracted by 0.3% in 2023, though this downturn was less severe than initially projected. The year began with negative growth but saw a robust recovery in the second quarter, followed by a period of stagnation. Factors such as subdued private consumption, sluggish exports, and tighter financing conditions contributed to the delays in economic recovery.

Export performance, particularly in sectors like plastics, wood, chemicals, and furniture, remained hindered by weak global demand. However, there were signs of improvement in service exports. Despite these challenges, the labor market showed resilience, with declining unemployment and increased employment, partly due to self-employment and individuals seeking refuge from the conflict in Ukraine.

Wage growth remained steady, supported by higher minimum wages, salary increases in the public sector, and a tight labor market. Although confidence indicators across various sectors reflected pessimism, consumer confidence started to improve. Private consumption is expected to rise, driven by reduced price pressures, though concerns regarding the conflict in Ukraine may lead to cautious spending habits.

Looking ahead, Lithuania and the EU are likely to continue grappling with challenges such as the Ukraine conflict, Western sanctions against Russia and Belarus, and higher loan interest rates. However, some of these adverse impacts are expected to ease in the latter half of 2024.

Weak external demand remains a barrier to overall growth, with GDP growth forecasted at around 2.0% in 2024. HICP inflation moderated from its peak of 18.9% in 2022 to 8.7% in 2023, primarily due to declining energy prices and slower growth in food and manufacturing prices. Projections for 2024 suggest further declines in HICP inflation, though it is expected to remain slightly above 2%.

Many analysts anticipate the European Central Bank (ECB) to initiate interest rate cuts in the second half of the year. This, coupled with falling inflation, recovering consumption, and expected investment growth, should facilitate a faster economic recovery. Potential interest rate cuts could particularly benefit mortgage holders in Lithuania, as many mortgages are tied to fluctuating interest rates linked to the 6-month EURIBOR rates.

The effects of current geopolitical tensions

Escalating geopolitical tensions, including ongoing conflicts such as the war in Ukraine, the Hamas-Israel conflict, China's assertion over Taiwan, and Houthi attacks on Red Sea shipping, are heightening global concerns. The Ukrainian war particularly impacts the economies of the Baltic States, exacerbating regional growth slowdowns and affecting global commodity markets, supply chains, inflation rates, and financial conditions. Despite the Baltic economies showing resilience, economic activity remains subdued. In response, the Lithuanian government introduced additional support packages at the end of 2022 and the beginning of 2023 to mitigate the impact of the energy crisis on businesses and vulnerable households.

Despite the ongoing escalation of geopolitical tensions since 2022 and the resultant economic uncertainties, European Merchant Bank has not observed any immediate concerns regarding liquidity, customer behavior, or overall business sentiment. Throughout 2023, corporate lending saw an increase, particularly in demand from the public sector and utilities industry, especially within the renewable energy sector. Overall, demand for long-term lending remained robust.

Business Strategy of the Bank and Business Plan looking forward

Bank has a vision of “Banking for Growth: providing business insight, products and technology to empower our clients.”

The Bank ‘s mission is to ensure accessibility of digital banking services for SMEs and enable the underbanked businesses to reach their potential through our banking services, while ensuring compliance with EU standards. This forward-looking position is based on our core values of Partnership, Trust and Integrity, Smartness and Proactive Agility:

- We are more than just a bank; we are a partner for our clients, ensuring that every financial solution works towards its success.
- We believe in the future of business, based on transparency and trust and the integrity of banking activities.
- We harness technology and insights to provide sophisticated banking solutions, always reflecting on our clients’ evolving needs.
- We embrace change with foresight and flexibility, proactively adapt to the evolving financial landscape.

This translates for Fintechs to a total package consisting of a European banking license, accounts in-line with regulations, a single API-based software, and the know-how to provide a true embedded finance offering. For businesses, it’s accessible lending options for needs big and small, payment and account solutions for local and international business’ needs.

In that sense: The Bank ‘s mid-term strategy focuses on increasing the Bank’s corporate loan portfolio while giving SME development a higher priority; growing funds from depositors; maintaining strong asset quality through efficient risk management and continuous organic growth for businesses. For Fintech, strategic focus is on being established as a pioneering bank that supports the FinTech ecosystem with the most advanced payment-banking systems and by offering superior customer service; setting up a full-fledged correspondent banking network and offering trade financing and Euroclearing services as well as growing a skilled staff for banking services with the knowledge and aptitude to use the newest methods and technologies. Bank also has a strategic priority to further build its global brand; establishing a strong brand awareness, building a solid reputation in the marketplace and being one of the first banks to come to mind in the sector.

At Bank, all the employees pride themselves on high professional standards, transparent practices, resilience to find solutions and long-term commitment to the Bank‘s partners.

Bank combines its employees’ passion for entrepreneurship with their banking experience, making them entrepreneurs at heart and seasoned bankers in practice.

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

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

As of January 23, 2024, Akce Holding Malta Ltd. has sold all its' shares to European Merchant Bank Holdings, UAB.

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	EPSO - G	302826889	Laisves Ave. 10, LT-04215,Vilnius	Head of Organizational Development and Culture
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

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
Aurelijus Šveikauskas	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.

<u>Members:</u>

- 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, Risk, Liquidity and Fund Management Policy ensuring that assets and liabilities are appropriately managed to optimize profitability while minimizing risks. ALCO meets regularly every two weeks and additional meetings may be scheduled as needed based on circumstances.

<u>Members:</u>

- 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.

Members:

- 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 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.
- 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/.

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT

Items	Notes	Financial year	Previous financial year Corrected
Interest income at effective interest rate	**1**	4 783	1 833
Interest expenses	**1**	(1 415)	(461)
Net interest income		**3 368**	**1 372**
Commission income	**2**	5 932	5 277
Commission expenses	**2**	(90)	(95)
Net commission income		**5 842**	**5 182**
Other income (loss)	**3**	101	15
Net currency exchange gain (loss)	**4**	(12)	35
Net gain (loss) on derivatives at fair value	**5**	4	(35)
Staff expenses	**6**	(4 182)	(3 208)
Administrative expenses	**7**	(2 737)	(2 084)
Depreciation and amortization expenses	**11-13**	(726)	(588)
Credit recoveries/loss allowances	**9**	(656)	(78)
Profit (loss) before tax		**1 002**	**611**
Tax expense	**14**	89	(299)
Profit (loss) for the year		**1 091**	**312**
Total comprehensive income		**1 091**	**312**

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

STATEMENT OF FINANCIAL POSITION

Items	Notes	Financial year	Previous financial year
ASSETS			
Cash and cash equivalents	**8**	107 580	87 897
Bonds at amortized costs	**9**	415	-
Loans to customers	**10**	35 925	23 726
Derivatives	**11**	12	5
Intangible assets	**12**	1 945	1 616
Tangible assets	**13**	28	37
Right of use assets	**14**	50	188
Deferred tax asset	**15**	755	603
Trade and other receivables		136	222
Other assets	**16**	794	684
TOTAL ASSETS		**147 640**	**114 978**
LIABILITIES			
Deposits from financial institutions	**17**	75 063	60 309
Deposits from public	**18**	58 699	41 410
Lease liabilities	**14**	-	143
Trade and other payables		312	313
Other liabilities	**19**	1 593	1 921
TOTAL LIABILITIES		**135 667**	**104 096**
Equity			
Capital	**20**	15 300	15 300
Retained earnings	**20**	(3 327)	(4 418)
TOTAL EQUITY		**11 973**	**10 882**
TOTAL EQUITY AND LIABILITIES		**147 640**	**114 978**

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

STATEMENT OF CASH FLOWS

Article	Notes	Financial year	Previous financial year
Operating activities			
Profit (loss) for the year		**1 091**	**312**
Adjustments:			
Credit recoveries/credit loss allowances		656	78
Interest income		(4 617)	(1 833)
Interest expense		1 256	305
Depreciation and amortization		726	588
Elimination of financing and investing activity results		4	(39)
Deferred tax assets		(152)	202
Other non- monetary transactions		37	8
Total adjustments:		**(2 090)**	**(691)**
Net change in loans to customer		(12 968)	5 871
Net change in other receivables		(31)	(397)
Net change in payables to customers and banks		31 499	25 757
Net change in other liabilities		(367)	1 620
Total adjustments to operating assets and liabilities		**18 133**	**32 851**
Interest received		4 740	1 866
Interest paid		(707)	(180)
Cash flows from operating activities		**21 167**	**34 158**
Investing activities			
Acquisition of tangible and intangible fixed assets		(908)	(798)
Net change in bonds at amortized costs		(425)	-
Other increases in cash flow from investing activities		(4)	35
Cash flows from investing activities		**(1 337)**	**(763)**
Financial activities			
Premises rent payments have been paid		(143)	(146)
Cash flows from financial activities		**(143)**	**(146)**
Exchange rate difference on cash and cash equivalents		**(4)**	**4**
Net increase in cash and cash equivalents		**19 683**	**33 253**
Cash and cash equivalents at the beginning of the year		**87 897**	**54 644**
Cash and cash equivalents at the end of the year	**8**	**107 580**	**87 897**

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

EXPLANATORY NOTES

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	2023		2022	
	No of shares	Ownership	No of shares	Ownership
Akce Holding Malta Ltd.	15 300 000	100%	15 300 000	100%
Total		**100%**		**100%**

As of January 23, 2024, Akce Holding Malta Ltd. has sold all its' shares to European Merchant Bank Holdings, UAB.

The Bank does not hold its own shares.

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

The average number of employees in 2023 was 64 (2022 – 59).

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Net interest income

Items	Financial year	Previous financial year
Interest income at effective interest rate	**4 783**	**1 833**
Interest income from loans	2 439	1 399
Interest income from banks	2 215	182
Interest income from securities	2	-
Correction of effective interest rate		
Loans origination fees	86	11
Other	41	241
Interest expenses	**(1 415)**	**(461)**
Interest expense for term deposits	(1 276)	(294)
Interest expense for IFRS 16	(5)	(11)
Correction of effective interest rate		
Transaction costs	(134)	(75)
Other	-	(81)
Total	**3 368**	**1 372**

Note 2 Net commission income

Items	Financial year	Previous financial year
Commission income	**5 932**	**5 277**
Account maintenance fees	4 692	4 340
Payment services fees	1 156	843
Other	84	94
Commission expenses	**(90)**	**(95)**
Account administration costs	(51)	(58)
Payment services costs	(38)	(36)
Other	(1)	(1)
Total	**5 842**	**5 182**

Note 3 Other income (loss)

Items	Financial year	Previous financial year
Income from the sale of assets	5	6
Other	96	9
Total	**101**	**15**

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

Note 4 Net currency exchange gain (loss)

Items	Financial year	Previous financial year
Foreign currency revaluation net gain	100	154
Foreign currency revaluation net loss	(112)	(119)
Net currency exchange gain (loss)	**(12)**	**35**

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

Items	Financial year	Previous financial year
Realized income (loss) from forward foreign exchange transactions	(8)	(46)
Unrealized income (loss) from forward foreign exchange transactions	12	11
Net gain (loss) on derivatives at fair value	**4**	**(35)**

Note 6 Staff expenses

Items	Financial year	Previous financial year
Payroll expenses	3 556	3 046
Bonus expenses	400	-
Social security contribution expenses	69	65
Other expenses	157	97
Staff expenses	**4 182**	**3 208**

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

Note 7 Administrative expenses

Items	Financial year	Previous financial year
IT expenses	700	442
Legal and consultancy expenses	371	307
Non-deductible VAT expenses	359	290
Advertising and public relation expenses	211	149
Business trip expenses	165	172
Representation expenses	120	24
Solidarity tax expenses	105	-
Expenses related to the premises	93	65
Telecommunication expenses	68	58
Training expenses	39	36
Employees search and recruitment expenses	29	16
Memberships expenses	25	29
Financial statements audit expenses	22	24
Insurance expenses	10	10
Bank of Lithuania fine	-	175
Other expenses	420	287
Administrative expenses	**2 737**	**2 084**

Note 8 Cash and cash equivalents

Items	Financial year	Previous financial year
Cash at Central Bank	29 184	41 094
Money market placements (deposits) maturity date 2nd January 2024 at central bank	77 026	40 004
Cash at other banks	1 175	4 591
Cash at Lithuanian banks	199	2 243
Expected credit losses (-)	(4)	(35)
TOTAL:	**107 580**	**87 897**

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

Note 9 Bonds at amortized costs

Items	Financial year	Previous financial year
Acquisition costs	426	-
Accrued interest at amortized cost	1	-
Expected credit losses (-)	(12)	-
TOTAL:	**415**	**-**

Issuer	Issuer residency	Issue date	Maturity date	Interest rate	Coupon redemption frequency
Modus Grupe	Lithuania	04/12/2023	04/12/2025	Euribor6M + %7	6 months

Note 10 Loans to customers

Items	Financial year	Previous financial year
Loans to small and medium companies	27 617	18 511
Loans to corporates	6 694	2 909
Loans to financial institutions	2 408	2 408
Accrued interest	134	46
Deferred loan origination fees	(192)	(50)
Credit recoveries loss allowances (expected credit losses)	(736)	(98)
TOTAL:	**35 925**	**23 726**

31-12-2023

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	35 099	(152)	(3)	-	(192)	34 752	0,4
0-30 days	-	-	-	-	-	-	-
31-89 days	1 507	-	-	(549)	-	958	36,4
90 days and more	247	-	-	(32)	-	215	13,0
Total loans to customers	**36 853**	**(152)**	**(3)**	**(581)**	**(192)**	**35 925**	**2,0**

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**

(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	**98**	**93**
Additions	705	112
Collections	(47)	(68)
Write-offs	(20)	(39)
Closing Balance	**736**	**98**

Note 11 Derivatives

Items	Financial year	Previous financial year
Currency related contracts	**12**	**5**
Forward contracts*	12	5
TOTAL:	**12**	**5**

*The notional amount of the forward contract for 2023 is 400 thousand Eur (2022: 400 thousand Eur).

Note 12 Intangible assets

Items	Financial year
Balance on December 31, 2022	**1 616**
a) Non-current intangible assets acquisition cost At December 31, 2022 Changes during the financial year: - Acquisition of assets	 2 777 893
December 31, 2023	**3 670**
b) Amortization At December 31, 2022 Changes during the financial year: - Depreciation during the financial year	 (1 161) (564)
December 31, 2023	**(1 725)**
c) Balance at December 31, 2023 (a) - (b)	**1 945**

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

Note 13 Tangible assets

Items	Computer equipment	Other equipment	Total
Balance at December 31, 2022	**37**	**-**	**37**
a) Non-current tangible assets acquisition cost			
At December 31, 2022	151	2	153
Changes during the financial year:			
- Acquisition of assets	12	3	15
December 31, 2023	**163**	**5**	**168**
b) Amortization			
At December 31, 2022	**(114)**	**(2)**	**(116)**
Changes during the financial year:			
- Depreciation during the financial year	(24)	-	(24)
December 31, 2023	**(138)**	**(2)**	**(140)**
c) Balance at December 31, 2023 (a) - (b)	**25**	**3**	**28**

Note 14 Right of use assets and lease liabilities

The value of the right to use assets is determined based on 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 on January 1, 2023	Additions / Increase	Depreciation	Balance on December 31, 2023
Premises*	188	-	(138)	50
Total	**188**	**-**	**(138)**	**50**

*includes deposit payment amounting to 39 thousand Eur

Lease liabilities	Balance on January 1, 2023	Additions / Increase	Payments	Balance on December 31, 2023
Premises	143	-	(143)	-
Total	**143**	**-**	**(143)**	**-**

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

*includes deposit payment amounting to 39 thousand Eur

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

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

Note 15 Deferred tax asset

Items	Financial year	Previous financial year
Accrued tax loses	736	826
Right of use asset	(21)	(19)
Expected credit losses (Stage 1 & 2)	11	9
Differences between the useful lives of intangible fixed assets and financial and tax accounting	9	(247)
Lease liability	20	22
Other	-	12
Total	**755**	**603**

Note 16 Other assets

Items	Financial year	Previous financial year
Prepaid expenses	462	351
Collateral given (Given to credit card issuer companies)	282	282
Other assets	50	51
Total	**794**	**684**

Note 17 Deposits from financial institutions

Items	Financial year	Previous financial year
Demand deposits	75 063	60 309
Total	**75 063**	**60 309**

Note 18 Deposits from public

Items	Financial year	Previous financial year
Term deposits	48 890	32 171
Demand deposits	9 105	9 101
Accrued interest	767	193
Transaction costs	(63)	(55)
TOTAL:	**58 699**	**41 410**

*Average rate of interest on time deposits in 2023 year was 3.83% (2022 – 1.64%).

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

Note 19 Other liabilities

Items	Financial year	Previous financial year
Accrued bonuses	400	-
Accrued expenses	238	86
VAT payable	117	47
CIT payable	63	97
Accrued vacation reserve	43	79
Solidarity tax	32	-
Other*	700	1 612
Total	**1 593**	**1 921**

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

Note 20 Other liabilities

Share capital

As of December 31, 2023, the Bank's share capital was equal to 15 300 thousand EUR (as of December 31, 2022 – 15 300 thousand EUR). The share capital is divided into 15 300 thousand ordinary registered shares with EUR 1 par value each.

All shares as of December 31, 2023 and December 31, 2022 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, 2023, 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	(4 418)
2	Current financial year net profit (loss)	1 091
3	Profit (loss) for distribution (1+2)	(3 327)
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)	(3 327)

Note 21 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. The company shall make appropriate efforts to minimize expected losses through ensuring sound Enterprise Risk Framework and internal controls.

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 satisfactorily 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 Bank.

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 executed 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 the 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

The following tables present loans to the public and credit institutions at amortized 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)

31-12-2023	**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	9 068	(57)	9 011	-	-	-	-	-	-	**9 011**
Wholesale and retail trade	5 846	(17)	5 829	1 302	(3)	1 299	-	-	-	**7 128**
Transport and storage	5 022	(21)	5 001	-	-	-	1 507	(549)	958	**5 959**
Manufacturing	4 064	(12)	4 052	-	-	-	-	-	-	**4 052**
Financial institutions	2 415	(28)	2 387	-	-	-	-	-	-	**2 387**
Agriculture, forestry, and fishing	2 014	(5)	2 009	-	-	-	247	(32)	215	**2 224**
Administrative and support service act.	1 837	(7)	1 830	-	-	-	-	-	-	**1 830**
Construction	780	(1)	779	-	-	-	-	-	-	**779**
Human health services and social work activities	411	-	411	-	-	-	-	-	-	**411**
Professional, scientific, and technical act.	163	-	163	-	-	-	-	-	-	**163**
Arts, entertainment, and recreation	1 985	(4)	1 981							**1 981**
TOTAL	**33 605**	**(152)**	**33 453**	**1 302**	**(3)**	**1 299**	**1 754**	**(581)**	**1 173**	**35 925**

(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	6 882	(33)	6 849	-	-	-	-	-	-	**6 849**
Real estate activities	5 565	(17)	5 548	-	-	-	-	-	-	**5 548**
Wholesale and retail trade	3 402	(6)	3 396	-	-	-	21	(21)	-	**3 396**
Financial institutions	2 417	(7)	2 410	-	-	-	-	-	-	**2 410**
Agriculture, forestry, and fishing	2 239	(3)	2 236	-	-	-	-	-	-	**2 236**
Manufacturing	1 821	(8)	1 813	20	-	20	-	-	-	**1 833**
Administrative and support service act.	471	(3)	467	-	-	-	-	-	-	**467**
Construction	450	-	450	-	-	-	-	-	-	**450**
Human health services and social work activities	342	-	342	-	-	-	-	-	-	**342**
Professional, scientific, and technical act.	194	-	194	-	-	-	-	-	-	**194**
TOTAL	**23 783**	**(77)**	**23 706**	**20**	**-**	**20**	**21**	**(21)**	**-**	**23 726**

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

Maximum credit risk exposure

The following tables present the Bank's maximum credit risk exposure before taking account of any collateral held. For financial assets recognized 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	107 580	87 897
Investment securities	415	-
Loans to customers by type of collateral	35 925	23 726
Real Estate Residential	3 161	2 274
Real Estate Commercial	21 138	10 851
Movable property	3 911	2 713
Other collateral	3 358	2 147
Unsecured	4 357	5 741
Derivatives	12	5
Trade and other receivables	136	222
Contingent liabilities and commitments		
Guarantees	-	-
Commitments	3 633	2 123
Maximum credit risk exposure	**147 701**	**113 973**

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**	**Total**
Aaa	< 0,02 %	-	-	-	**-**
Aa1 - Aa3	0,02 % - 0,09 %	-	-	-	**-**
A1 - A3	0,09 % - 0,27 %	-	-	-	**-**
Baa1 -Baa3	0,27 % - 1,1 %	160	-	-	**160**
Ba1 - Ba3	1,1 % - 3,7 %	19 701	1 038	-	**20 739**
B1 - B3	3,7 % - 8,5 %	13 744	264	-	**14 008**
Caa/C	100%	-	-	1 754	**1 754**
Total		**33 605**	**1 302**	**1 754**	**36 661**

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

Internal credit risk rating (Moody's)	PD	Previous financial year			
		Stage 1	Stage 2	Stage 3	Total
Aaa	< 0,02 %	-	-	-	**-**
Aa1 - Aa3	0,02 % - 0,09 %	-	-	-	**-**
A1 - A3	0,09 % - 0,27 %	4	-	-	**4**
Baa1 -Baa3	0,27 % - 1,1 %	1 056	-	-	**1 056**
Ba1 - Ba3	1,1 % - 3,7 %	16 315	20	-	**16 335**
B1 - B3	3,7 % - 8,5 %	6 408	-	-	**6 408**
Caa/C	100%	-	-	21	**21**
Total		**23 783**	**20**	**21**	**23 824**

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 amortized cost where the line Increase/Decrease in volume refers to loan contractual amount increase, increase in overdraft and loan amortization, decrease in overdraft. New financial assets present newly originated loan contracts and purchased loans, whereas the line Derecognized financial assets present fully repaid loans or write-offs. These movements impact ECL changes which are also presented separately, namely, for derecognized 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 amortization, decrease in overdraft.

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

	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	**23 783**	**20**	**21**	**29 773**	**-**	**-**
Increases due to origination	16 523	1 282	1 733	6 123	20	60
Derecognised financial assets	(4 623)			(7 666)		
Increase/ Decrease in volume	(2 038)		-	(4 447)		-
Non-performing loan sales	-	-	(40)	-	-	(39)
Closing Balance	**33 645**	**1 302**	**1 714**	**23 783**	**20**	**21**
Credit loss allowances	**77**	**-**	**-**	**93**	**-**	**-**
Increases due to origination and acquisition	63	3	529	19	-	60
Derecognised financial assets	(37)			(5)		
Changes on risk factors (EAD, PD, LGD)	48			(30)		
Stage transfers	1	-	32	-	-	-
from stage 1 to stage 2	1	-	-	-	-	-
from stage 1 to stage 3	-	-	32	-	-	-
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*	-	-	(20)	-	-	(39)
Closing Balance	**146**	**3**	**581**	**77**	**-**	**21**
Opening Balance	**23 706**	**20**	**-**	**29 680**	**-**	**-**
Closing Balance	**33 453**	**1 299**	**1 173**	**23 706**	**20**	**-**

*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 maximize the repayment of outstanding loans. Changes in contractual terms include various forms of concessions such as amortization 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 2023.

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

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, 2023:

	Amount/market value	Applicable weight	Value
Liquidity Buffer	**28 109**		**28 109**
Withdrawable central bank reserves	28 109	1,0	28 109
Retail deposits	**49 153**		**4 865**
deposits exempted from the calculation of outflows	44 293	0,00	-
deposits where the payout has been agreed within the following 30 days	4 865	1,00	4 865
Other retail deposits	-	0,10	-
Operational deposits	**18 913**		**4 579**
maintained for clearing, custody, cash management or other comparable services in the context of an established operational relationship	18 913		4 579
covered by Deposit Guarantee Scheme	744	0,05	37
not covered by Deposit Guarantee Scheme	18 169	0,25	4 542
Excess operational deposits	**43 913**		**40 203**
deposits by financial customers	38 086	1,00	38 086
deposits by other customers	5 827		2 117
covered by Deposit Guarantee Scheme	1 069	0,20	214
not covered by Deposit Guarantee Scheme	4 758	0,40	1 903
Non-operational deposits	**22 109**		**22 107**
correspondent banking and provisions of prime brokerage deposits	21 475	1,00	21 475
deposits by financial customers	630	1,00	630
deposits by other customers	4		2
covered by Deposit Guarantee Scheme	-	0,20	-
not covered by Deposit Guarantee Scheme	4	0,40	2
Committed facilities	**3 633**		**363**
credit facilities	3 633		363
to non-financial customers other than retail customers	3 633	0,10	363
to credit institutions	-	0,40	-
Other liabilities			
liabilities resulting from operating expenses	1 878	0,00	-
Total Outflows			**72 117**
Inflows Subject to 75% Cap			**79 369**
Reduction for Inflows Subject to 75% Cap			**54 088**
NET LIQUIDITY OUTFLOW			**18 029**
LIQUIDITY COVERAGE RATIO (%)			**155,9%**

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

Interest rate risk

As per the December 31, 2023 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 of managing interest rate risk.

Net interest income 12 months	Change	Financial year	Previous financial year
Increased interest rates	+1 % point	143	65
Decreased interest rates	-1 % point	(143)	(65)

Time buckets in EVE calculation as per the Interest Rate Risk Report dated 2023.12.31

	Demand	Overnight	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 year to 2 years	from 2 years to 3 years	from 3 years to 4 years	from 4 years to 5 years	from 5 years to 7 years	>7 years
Total Assets	30 648	97 528	1 000	2 851	4 066	6 751	43	-	-	991	739	-
Total Liabilities	88 067	-	5 365	10 198	29 778	4 279	478	-	-	-	-	-
Total Gap	**(57 422)**	**97 528**	**(4 365)**	**(7 347)**	**(25 712)**	**2 472**	**(435)**	**-**	**-**	**991**	**739**	**-**

(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	77 026	-	-	-	30 554	107 580
Investment securities	-	415	-	-	-	415
Loans to customers*	23 320	9 786	1 795	-	1 024	35 925
Derivatives	-	-	-	-	12	12
Intangible assets	-	-	-	-	1 945	1 945
Tangible assets	-	-	-	-	28	28
Right of use assets	-	-	-	-	50	50
Deferred tax asset	-	-	-	-	755	755
Trade and other receivables	-	-	-	-	136	136
Other assets	-	-	-	-	794	794
Total Assets	**100 346**	**10 201**	**1 795**	**-**	**35 298**	**147 640**
Deposits from financial institutions	21 475	-	-	-	53 588	75 063
Deposits from public	1 391	23 773	24 494	-	9 041	58 699
Lease liabilities	-	-	-	-	-	-
Trade and other payables	-	-	-	-	312	312
Other liabilities	-	-	-	-	1 593	1 593
Total Liabilities	**22 866**	**23 773**	**24 494**	**-**	**64 534**	**135 667**

Net Repricing Gap as of financial year	**77 480**	**(13 572)**	**(22 699)**	**-**	**(29 236)**	**11 973**

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	40 004	-	-	-	47 893	87 897
Loans to customers*	11	15 794	7 002	996	(77)	23 726
Intangible assets	-	-	-	-	5	5
Tangible assets	-	-	-	-	1 616	1 616
Right of use assets	-	-	-	-	37	37
Deferred tax asset	-	-	-	-	188	188
Trade and other receivables	-	-	-	-	603	603
Other assets	-	-	-	-	222	222
Total Assets	**-**	**-**	**-**	**-**	**684**	**684**
	40 015	**15 794**	**7 002**	**996**	**51 171**	**114 978**
Deposits from financial institutions						
Deposits from public	5 639	-	-	-	54 670	60 309
Derivatives	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.

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 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, 2023 and 2022 were as follows:

	Financial year					
	USD	**GBP**	**TRY**	**Other**	**EUR**	**Total**
Cash and cash equivalents	109	-	-	-	107 471	107 580
Investment securities	-	-	-	-	415	415
Loans to customers	-	-	-	-	35 925	35 925
Intangible assets	-	-	-	-	1 945	1 945
Tangible assets	-	-	-	-	28	28
Right of use assets	-	-	-	-	50	50
Deferred tax asset	-	-	-	-	755	755
Trade and other receivables	-	-	-	-	136	136
Other assets	282	-	-	-	524	545
Total Assets	**391**	**-**	**-**	**-**	**147 249**	**147 640**
Deposits from financial institutions	8	7	-	-	75 048	75 063
Deposits from public	-	-	-	-	58 699	58 699
Lease liabilities	-	-	-	-	-	-
Trade and other payables	-	-	-	-	312	312
Other liabilities	-	-	-	-	1 593	1 593
Total Equity	-	-	-	-	11 973	11 973
Total Equity And Liabilities	**8**	**7**	**-**	**-**	**147 625**	**147 640**
Net balance sheet position	**383**	**(7)**	**-**	**-**	**(376)**	**-**
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	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**	**-**

ESG Risk

The Bank has finalized its ESG risk management framework in 2023 to serve for the regulatory requirements that will be valid for 2024, and continuously improves its practices in line with the release of new European regulation in the ESG domain. The Bank will include ESG disclosures in its 2024 Pillar 3 disclosure report.

Note 22 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, 2023:

CET1 Capital ratio - 4,5%	17,60%
T1 Capital ratio - 6%	17,60%
Total capital ratio - 8%	17,60%
Capital conservation buffer - 2,5%	1 318
Institution specific countercyclical capital buffer - 0,74%	390
Leverage ratio - shall be more than 3%	6,30%
Liquidity requirement - liquidity coverage ratio shall not be less than 100%	155,90%
Liquidity requirement - net stable funding ratio shall not be less than 100%	220,70%
Large exposure requirement for non-institutions- shall not exceed 25% of bank' s T1 capital	21,60%
Large exposure requirement for institutions- shall not exceed 100% of bank' s T1 capital	10,70%

Note 23 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 2023	Liabilities 2023-12-31	Income from related parties during 2023	Operating expense to related parties during 2023
Shareholder	-	-	-	-
Associated companies	-	69	145	78
Total	**-**	**69**	**145**	**78**

2022-12-31

Related parties name	Acquisitions from related parties during 2022	Liabilities 2022-12-31	Income from related parties during 2022	Receivable 2022-12-31
Shareholder	-	-	-	-
Associated companies	-	5 355	176	48
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)	661	642
- Allowance for work at the Supervisory Board	454	389
- Free of charge granted assets or services	-	-
- Other significant amounts	-	-

Note 24 Subsequent events

As of January 23, 2024, Akce Holding Malta Ltd. has sold all its' shares to European Merchant Bank Holdings, UAB.