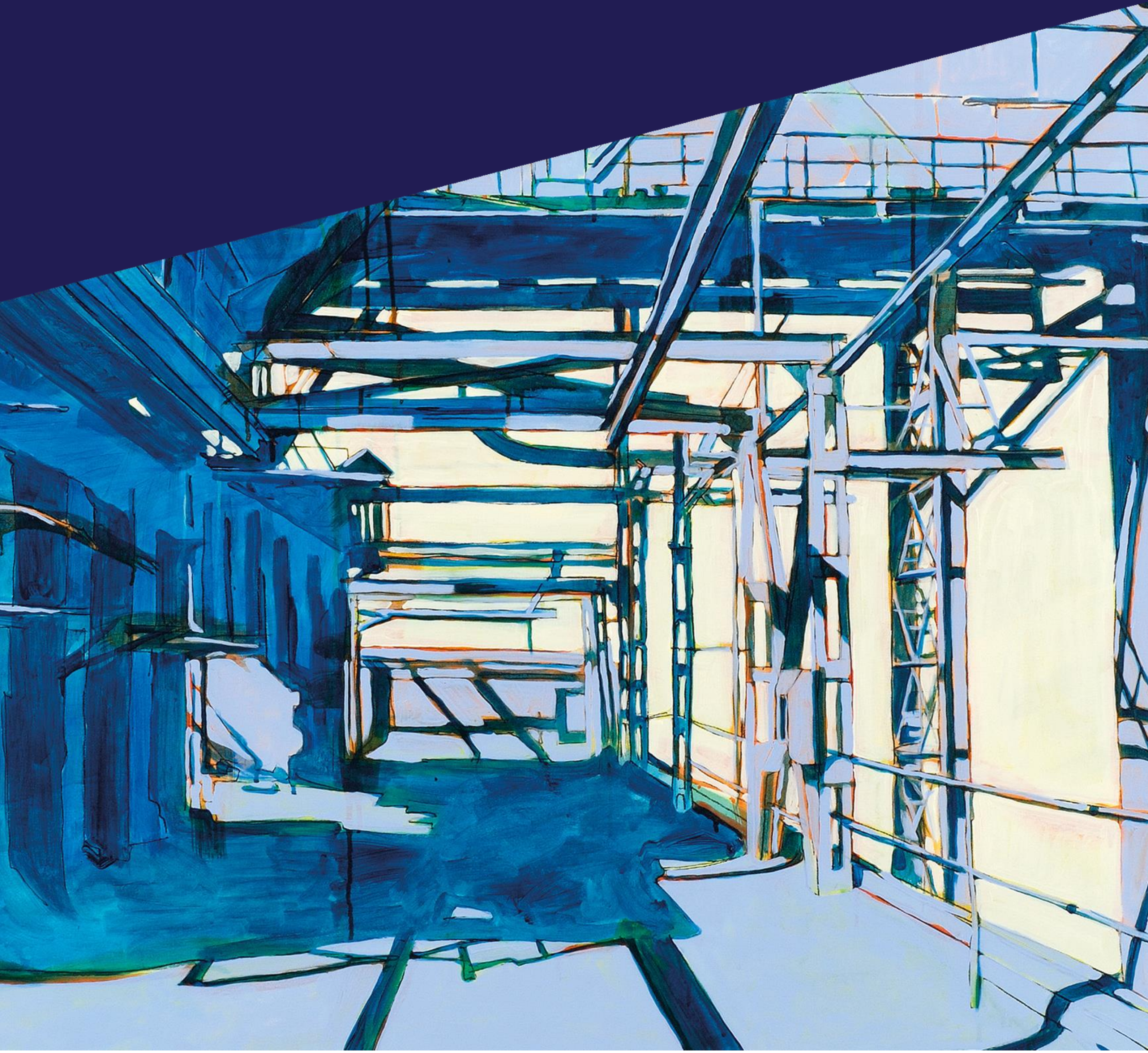
INDUSTRA

Information disclosure statement for 2021



1. Introduction

The information has been prepared in compliance with the Credit Institution Law, the Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, which sets forth the procedure for disclosing the information on the risks pertaining to operations of banks and investment brokerage companies, on purposes, methods, and policies of risk management, on own funds requirements, and internal capital adequacy assessment, Financial and Capital Market Commission Regulations No. 86 "Regulatory Provisions on clarifying disclosure requirements in accordance with the eighth paragraph of Regulation (EU) No 575/2013 and on Materiality of Information, Protected and Confidential Information " as well as the remuneration policy and practices. The information is partially disclosed in the AS "Industra Bank" document - the Bank's separate and Group consolidated financial statements for the year ended on December 31, 2021 (hereinafter referred to as the Annual Report for the year 2021).
https://industra.finance/data/2021_gada_parskati/industra-2021-annual-report-eng-final-signed-audit-report.pdf

Information on the Bank's management is reflected in the Annual Report for the year 2021 on page 5, and on the Bank home page:
https://www.industra.finance/en/bank/leadership.

Information on organizational structure of the Bank is published in the Annual report for the year 2021 on page 11 and on the Bank home page in the section "About bank":
https://industra.finance/data/pdf/industra-org-struktura-7okt2021-eng.pdf

Latest information about shareholders of the Bank is published on the Bank's home page:
https://www.industra.finance/en/bank/shareholders.

Information on the composition of the consolidated group and methods of consolidation is reflected in the Annual Report for the year 2021 on page 11 and has not changed since its publication.

2. Capital and liquidity adequacy assessment process

The aim of capital and liquidity adequacy assessment is to ensure that the capital of the Bank in respect of amount, capital units and their proportion would be sufficient to cover existing and probable risks of current and planned activities of the Bank and the Bank's liquidity reserve is sufficient to ensure the Bank's liquidity.

The Bank has developed documents regulating the capital and liquidity adequacy assessment process – the Capital and liquidity adequacy assessment policy and procedure. For the purposes of the capital adequacy assessment process the Bank is using and is going to use in the future the definition of minimal capital requirement given in Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter referred to as Regulation (EU) No 575/2013). The above definition of equity capital is also used by the Bank for the purposes of performance measurement, risk management and other decisions regarding the current and planned activity.

To identify risks that are significant to the Bank, in the reporting period an expert method was applied. Significant risks, in the opinion of the Bank’s management, were credit risk, liquidity risk, currency risk, interest rate risk, operational risk, risk of non-compliance with anti-money laundering regulation, country risk, reputation risk, strategic risk and excessive leverage risk.

In 2021, the Bank carried out a capital adequacy assessment by applying „Basel’s First Pillar +” approach. The capital amount required to cover the risks (hereinafter - Internal capital requirements of the) is calculated as the sum of:

- Pillar 1 risk capital requirements;
- capital requirements for Pillar 2 risks – the amount of capital required to cover risks is comprised of the amounts of capital required to cover individual risks, potential risks and other risks inherent in the Bank’s operations;
- the recommended capital reserve - the amount of capital needed to ensure that the Bank's capital is sufficient in case of possible adverse events, as well as to ensure that the Bank’s capital is sufficient throughout the whole economic cycle, i.e. during a period of economic upturn the Bank creates a capital buffer to cover potential losses that may arise during a period of economic downturn.

When determining the amount of capital required for covering Pillar 1 risks, the Bank uses methods according to Regulation (EU) No. 575/2013.

The Bank applied *Standardized approach* for calculation of the credit risk capital requirement, according to the Regulation (EU) No. 575/2013. The Bank has nominated an external credit rating institution – *Standard & Poor’s Ratings Services* – for determining of credit quality level for all categories of exposures. To mitigate credit risk, in 2020 the Bank used financial collateral. The Bank reduce the credit risk capital requirements in relation to exposures to small and medium-sized enterprises (SMEs) by applying the SME multiplier specified in Article 501 of Regulation (EU) No. 575/2013.

The Bank carries out an additional assessment connected with credit risk:

- assesses whether the application of 35% risk weight to the exposures secured by mortgages on residential real estate, is consistent with the projected developments in real estate market. If deterioration in client's solvency, collateral impairment, difficulty in realization or other adverse developments in the real estate market or economy is identified, the Bank shall apply a risk weight higher than 35 percent to determine the amount of capital required to cover the credit risk associated with that exposure, which may differ from the standardized approach. During the reporting period, the Bank applied 35% risk weight to the category of mortgage-backed exposures. These transactions did not show any deterioration in clients' solvency, collateral impairment, and difficulty in realizing it or other negative trends in the real estate market or economy. For all other mortgage-backed exposures, the Bank applied risk weighting permitted in the standardized approach.
- The Bank evaluates the reasonability of application of 75% risk weight to the retail exposure portfolio, by analysing the statistics and granularity of the changes in the quality of exposures included in the retail exposure portfolio. If a deterioration in the quality of a retail exposure portfolio is identified, then in order to determine the amount of capital required to cover the credit risk of that portfolio the Bank may apply a risk

weight higher than 75 percent, which may differ from the risk weightings used in the standardized approach. In 2020, the Bank did not apply the 75% risk weight to its retail exposure portfolio.
- The Bank assesses the adequacy of the application of 0% risk weight to claims against Member States' central governments and central banks, taking into account their financial position (e.g. compliance with the Maastricht criteria, creditworthiness assessment under EU Regulation 575/2013), especially if the 0% risk weight is applied on the ground that the exposures are denominated and funded in the respective EU Member state national currency in accordance with Regulation (EU) No. 575/2013. As at December 31, 2020 all transactions with EU central governments that are denominated and funded in the respective EU Member state national currency correspond to a 0% risk weight.

The calculation of capital requirements for CVA risk is performed by the Bank in accordance with the requirements of Title VI of Part Three of Regulation (EU) No. 575/2013 using the standardized CVA method.

The Bank has permission not to calculate the risk capital requirement for debt and equity exposures for the trading book. The conditions for maintaining the permit are set out in Art. 94 of the Regulation (EU) No. 575/2013.

During the reporting period, the capital requirement for the trading book counterparty credit risk was calculated in accordance with the requirements of Part Three, Chapter 6, Section 4 of the Regulation (EU) No. 575/2013. For the calculation of the exposure value, the Bank applied the *original exposure method* in accordance with Art. 275 of the Regulation (EU) No. 575/2013.

The Bank calculates the non-trading book and trading book foreign currency risk capital requirement according to provisions of the Part Three Title IV Chapter 3 of the Regulation (EU) No. 575/2013.
In addition, the Bank makes the following market risk assessments:
- to determine the amount of capital required to cover foreign currency risk, the Bank compares the multiplication amount of its net open positions in foreign currencies and the annual volatility of the relevant currencies with the capital requirement for foreign currency risk calculated according to *the standardized approach*. For determination of the amount of the capital necessary for covering foreign currency risk, the Bank uses the largest value from the calculated ones. Foreign exchange volatility (standard deviations) is determined according to the holding period of a position and a desirable confidential interval, based on historical data and future forecasts. When comparing the received results with the foreign exchange risk capital requirement calculated by using the *standardized* approach, it is concluded that the capital requirement is sufficient to cover the existing risks related to foreign currency volatility
- the amount of market risk is influenced by the liquidity of the financial instruments market, i.e., whether the Bank can close all positions at the desired time and without significant discount.

The Bank calculates the non-trading book and trading book commodities risk capital requirement according to provisions of the Part Three Title IV Chapter 4 of the Regulation (EU) No. 575/2013.

For calculation of the operational risk capital requirement, the Bank applies *the Basic Indicator approach*, according to provisions of the Part Three Title III Chapter 2 of the Regulation (EU)

No. 575/2013. In addition, the Bank estimates whether the level of operational risk calculated in accordance with the regulatory minimum capital requirements is sufficient to cover losses related to the operational risk.

The Bank calculates the settlement/delivery risk capital requirement according to provisions of the Part Three Title V of the Regulation (EU) No. 575/2013.

For the purposes of determining the amount of capital necessary to cover Pillar 2 risks, the capital requirement is calculated for:

- interest rate risk in the non-trading book
- the effect of concentration risk on the credit risk
- money laundering and terrorism and proliferation financing and sanction risk
- strategic (business model) risk.

The Bank uses *the simplified approach* for calculating the capital amount required to cover the interest rate risk.

The Bank uses *the simplified approach* for calculating the capital amount required to cover the concentration risk. In addition, the Bank also limits the concentration of potential exposures - claims on one client, claims on one group of related clients, claims on clients related to one and the same economic area and sector, claims on residents and non-residents, claims on entities and natural persons, claims on clients in the same country and region, claims by type of loans, claims with the same type of collateral.

The Bank uses *the simplified approach* for calculating the capital amount required to cover the money laundering and terrorist and proliferation financing and sanction risk.

The Bank set the capital requirement for strategic (business model) risk at 5% of the total regulatory minimum capital requirements.

The Bank uses *the simplified approach* for calculating the capital amount required to cover other risks: liquidity risk, country risk, reputation risk, strategic risk, excessive financial leverage risk, other non-essential risks. The capital amount required to cover the other risks is 5% of the total amount of regulatory minimum capital requirements.

The Bank calculates the recommended capital reserve (*capital guidance*) in order to ensure that the capital of Bank is sufficient for covering losses in case of possible adverse scenario, and that the size of the capital available to the Bank is sufficient during the whole business cycle, i.e. during economic growth the Bank creates a capital reserve for covering of losses that can appear during an economic decline.
In case of adverse events, the Bank can use a capital reserve for covering of losses and maintain a smaller capital reserve, covering losses arisen due to the adverse events from earlier created capital reserve. At the same time, the Bank takes necessary measures to restore the capital reserve, within a reasonable period of time, for covering losses in case of other possible adverse events, and to ensure that the size of the capital available to the Bank is sufficient during the whole business cycle. When determining the recommended capital reserve, the Bank analyses and assesses possible scenarios of development of the Bank for the next 3-year period.

To assess future risks, the Bank uses *stress testing*. Stress testing allows to identify such possible events or possible changes in the market conditions that can adversely affect the amount of the Bank's capital. The Bank conducts stress testing by modelling situations that are consistent with the Bank's business development strategy and possible changes in financial market conditions. Taking into account volumes and specifics of the Bank's operations, the Board has approved the stress testing methodology. In order to determine the recommended capital reserve, the Bank reviews macroeconomic development scenarios (baseline scenario) and the scenario of adverse development for each of the following three years (stress test scenario). The size of the recommended capital reserve is determined by taking into account the results of the annual stress test scenario with the highest negative impact on the Bank.

The most essential risk inherent in the Bank's activity is the credit risk that affects the Bank's development scenarios. As a basis for calculation of a capital reserve are used credit risk stress testing scenarios and results. During the reporting period, the Bank carried out credit risk stress testing using 3 scenarios. When performing the credit risk stress testing, Bank analysed how the scenario affect the size of the credit risk, analysed the expected changes in the balance sheet, profit and equity over a 3-year period, as well as conducted reverse stress testing. The amount of the recommended capital reserve depends on the results of credit risk stress tests and the state of the economy.
When calculating the recommended capital reserve, the Bank also evaluates the market risk stress testing results for the portfolio of debt securities measured at fair value through other comprehensive income (i.e. held for an indefinite period of time and sold when required by liquidity or changes in interest rates, foreign exchange rates or stock prices). the Bank also assesses the results of operational risk stress testing.

To manage the operational risk, the Bank uses the results of operational risk stress testing. Expected losses of the operational risk are evaluated taking into account the actual and planned maximum amounts of operational risk losses during the year (taking into account the recovered amounts) over the last five years. For calculations, the Bank's operational risk events data and information on the Bank's operational risk indicators are used. Unexpected operational risk losses are assessed on the basis of the maximum amount of possible operational risk losses per year during the last five years, publicly available summaries of external operational risk event databases and other publicly available information, applying it to the volume of the Bank's activities.

The Bank regularly carries out liquidity risk stress testing (6 scenarios were tested) and liquidity risk *reverse stress testing*. The results of liquidity risk stress testing as at 12.31.2021 are satisfactory. The Bank's ability to overcome shock scenarios is at a rather high level.

The Bank carries out interest rate risk stress testing and interest rate risk reverse stress testing. The results of stress tests, as at 31.12.2021, confirm that the Bank's ability to absorb negative consequences of the various scenarios is acceptable.

The Bank determines the total amount of required capital by summing up the amount of capital required for covering the risks for which the Bank calculates, while assessing the capital adequacy, the required amount of capital, and the capital reserve.

The legislation of the EU and of the Republic of Latvia requires banks to maintain a minimum capital adequacy ratio of 8%. In accordance with the requirements of the Financial and Capital

Market Commission, in the year 2021, in order to cover the risks, the Bank should maintain an individual total capital requirement of 11.40%.

In addition, according to Art. $35.^{25}$ of the Credit Institution Law, the Bank shall ensure that its Common Equity Tier 1 is sufficient to cover the total capital reserve requirement, which currently, according to requirement of Art. $35.^{3}$ p.1 of the Credit Institution Law, is formed by capital conservation buffer set at 2.5% of the total exposure value calculated according to Art.92 p.3 of the Regulation (EU) No. 575/2013, and, taking into account the requirement set out in the first paragraph of Article 35.4 of the Credit Institution Law, the specific countercyclical capital buffer shall be determined by multiplying the total exposure value, calculated in accordance with Article 92 (3) of the Regulation, by institution-specific countercyclical capital buffer rate.

The Bank's Capital and Liquidity Adequacy Assessment Policy stipulates that the Bank's capital must be sufficient to maintain current operations of the Bank and develop its future operations for a capital adequacy planning period of at least 3 years. When planning the capital adequacy, the Bank takes into account:

- forecast of the Bank’s performance (risk level forecast, profit forecast, asset and liability volume and structure forecast, evaluation of services provided to clients, projected maximum exposure, results of stress tests);
- intentions of the Bank’s shareholders (dividends policy, possibility of new share issues);
- forecast of external economic situation and market situation.

The following sources are intended to increase the Bank's equity:

- redistribution of retained earnings for the period to increase capital
- additional capital contributions (additional share issue)
- attraction of subordinated capital
- disposal of foreclosed assets.

In the event of a crisis, in order to meet capital adequacy requirements, the Bank intends to take measures to modify its exposure structure and reduce the volume of exposures, as well as to attract additional subordinated capital.

Additional information on risk management methods relevant to the Bank's operations is presented in the Annual Report for the year 2021 (pp. 24-79). The information has not changed since the report was published.

3. Results of calculation of the minimum capital requirement

Table No. 1. Information on own capital during a transition period as at 31.12.2021, according to requirements of the Regulation (EU) No. 1423/2013 (EUR'000)

Title	Bank	Group
Common equity Tier 1 capital		
Capital instruments and share premium accounts related to those	27,861	27,861
incl. shares	27,601	27,601
incl. share issue premium	260	260
Retained earnings	(15,240)	(15,858)
Other accrued income not recognized in profit or loss (and other reserves to include unrealized gains and losses in accordance with applicable accounting standards).	5,129	3,842
Common equity Tier 1 capital before regulatory adjustments	17,750	15,845
Common equity Tier 1 capital: regulatory adjustments	(38)	(38)
Intangible assets	(2)	(2)
Total regulatory adjustments to Common equity Tier 1 capital	(40)	(40)
Common equity Tier 1 capital	17,710	15,805
Tier 1 capital	17,710	15,805
Tier 2 capital: reserves and instruments		
Capital instruments and share premium accounts related to those	2,663	2,663
Common equity Tier 2 capital before regulatory adjustments	2,663	2,663
Common equity Tier 2 capital: regulatory adjustments	-	-
Total regulatory adjustments to common equity Tier 2 capital	-	-
Tier 2 capital	2,663	2,663
Total capital	20,373	18,468
Total risk-weighted assets	73,681	73,751
Capital ratios and reserves		
Common equity Tier 1 capital (percentage of exposure value)	**19.95%**	**17.62%**
Tier 1 capital (percentage of exposure value)	**19.95%**	**17.62%**
Total capital (percentage of exposure value)	**22.96%**	**20.59%**
Institution's specific buffer requirement (percentage of exposure value)	**2.50%**	**2.50%**
incl. the requirement for the capital conservation buffer	**2.50%**	**2.50%**
incl. institution-specific countercyclical capital buffer	**0.00%**	**0.00%**
incl. systemic risk capital buffer	**0.00%**	**0.00%**

Table No. 2. Results of calculation of the minimum capital requirement as at 31.12.2021 (EUR’000)

Type of the minimum capital requirement	Bank	Group
Regulatory minimum capital requirements (total):	7,100	7,177
Credit risk capital requirement (total):	5,895	5,900
incl. central governments and central banks	0	0
incl. institutions	8	8
incl. corporate	2,849	1,935
incl. secured by mortgages on immovable property	33	33
incl. exposures in default	1,331	1,151
incl. exposures with particularly high risk	1,361	1,361
incl. equity securities	42	42
incl. other items	271	1,370
Market risk capital requirement (total):	29	40
incl. foreign exchange risk capital requirement for non-trading book and trading book	29	40
Credit valuation adjustment risk capital requirement	3	3
Capital requirement for settlement/ delivery risk	0	0
Capital requirement for operational risk	1,173	1,234

To decrease the credit risk, the Bank used financial collateral.

Table No. 3. The Bank’s exposure value before and after application of Credit Risk Mitigation (CRM) as at 31.12.2021 (EUR’000)

Risk Weight	Exposure Classes	Central governments or central banks	Institu-tions	Corporate	Secured by mortgages on immovable property	Exposures in default	Exposures with particular-ly high risk	Equity securities	Other items
0%	before CRM	102,091							348
	after CRM	102,091							710
20%	before CRM		493	515					1,783
	after CRM		493	515					1,783
35%	before CRM				1,177				
	after CRM				1,177				
50%	before CRM			1,060					
	after CRM			1,060					
100%	before CRM			41,911		7,727		525	3,032
	after CRM			41,580		7,727		525	3,032
150%	before CRM			14		6,538	11,376		
	after CRM			14		6,538	11,345		

Table No. 4. The Group's exposure value before and after application of Credit Risk Mitigation (CRM) as at 31.12.2021 (EUR'000)

Risk Weight	Exposure Classes	Central governments or central banks	Institu-tions	Corporate	Secured by mortgages on immovable property	Exposures in default	Exposures with particularly high risk	Equity securities	Other items
0%	before CRM	102,091							348
	after CRM	102,091							710
20%	before CRM		493	515					1,783
	after CRM		493	515					1,783
35%	before CRM				1,177				
	after CRM				1,177				
50%	before CRM			1,060					
	after CRM			1,060					
100%	before CRM			28,716		2,957		525	16,763
	after CRM			28,385		2,957		525	16,763
150%	before CRM			14		7,621	11,376		
	after CRM			14		7,621	11,345		

4. Disclosure of information on Encumbered and Unencumbered Assets as at 31.12.2021.

The information has been prepared in compliance with the Delegated Regulation (EU) No. 2017/2295 of 4 September 2017 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards regulatory technical standards on disclosure of encumbered and unencumbered assets, setting disclosure requirements for encumbered and unencumbered assets.

4.1. Bank

Table No.5. Assets (EUR'000)

		Carrying value of encumbered assets	Fair value of encumbered assets	Carrying value of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Total institution assets	1,575	X	170,696	X
030	including equity instruments	-	-	524	524
040	including debt securities	-	-	1,007	1,007
120	including other assets	1,575	X	169,165	X

Table No. 6. Collateral received (EUR'000)

		Fair value of received collateral or issued bonds and notes that are encumbered	Fair value of received collateral or issued bonds and notes that are available for encumbering
		010	040
130	Total collateral received by institution	-	-
150	including equity instruments	-	-
160	including bonds and notes	-	-
230	including other collateral received	-	-
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-

Table No.7. Encumbered assets and received collateral serving as security for the Bank's financial liabilities (EUR'000)

		Matching liabilities, contingent liabilities or securities lent	Encumbered assets, received collateral and own debt securities issued, other that own covered bonds or asset-backed securities
		010	030
010	Carrying value of financial liabilities	-	1,575

4.2. Group

Table No.8. Assets (EUR'000)

		Carrying value of encumbered assets	Fair value of encumbered assets	Carrying value of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	Total institution assets	1,575	X	170,750	X
030	including equity instruments	-	-	524	524
040	including bonds and notes	-	-	1,007	1,007
120	including other assets	1,575	X	169,219	X

Table No.9. Collateral received (EUR'000)

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	Total collateral received by institution	-	-
150	including equity instruments	-	-
160	including bonds and notes	-	-
230	including other collateral received	-	-
240	Own debt securities issued other than own covered bonds or asset-backed securities	-	-

Table No.10. Encumbered assets and received collateral serving as security for the institution’s financial liabilities (EUR’000)

		Matching liabilities, contingent liabilities or securities lent	Encumbered assets, received collateral and own debt securities issued, other that own covered bonds or asset-backed securities
		010	030
010	Carrying value of financial liabilities	-	1,575

5. Excessive leverage risk and leverage ratio

For the purposes of identifying, measuring and controlling excessive leverage risk, the Bank uses a leverage ratio defined as the ratio of Tier 1 capital to total risk-unweighted exposure amounts (incl. off-balance sheet items).

A higher leverage ratio allows the Bank to better manage potential losses. The Bank monitors the leverage ratio on a quarterly basis. The Board of the Bank is being regularly informed about the leverage ratio and its changes. The Bank includes the excessive leverage risk in the group of other risks.

The Bank can manage the excessive leverage risk by reducing the volume of assets and off-balance sheet exposures or increasing Tier 1 capital (new share issue and redirection of retained earnings to increase capital). During the reporting period, the Group's and the Bank's leverage ratios were at a satisfactory level, exceeding 3%.

Table No.11. Leverage ratio as at 31.12.2021

	Bank	Group
Tier 1 capital; EUR’000	17,710	15,805
Total amount of the exposure values of all assets and off-balance sheet items; EUR’000	175,016	173,303
Leverage; %	**10.12**	**9.12**

6. Disclosure of information on leverage ratio according to the Commission implementing Regulation (EU) No. 2016/200 dd 15.02.2016, laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council (hereinafter – Capital Requirements Regulation (CRR)

CRR Leverage Ratio

Level of application ***Individual***

Table No.12. Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount EUR'000
1	Total assets as per published financial statements	175,016
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
{ES-6a}	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
{ES-6b}	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	175,016

Table No.13. Leverage ratio common disclosure

		CRR leverage ratio exposures EUR'000
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	173,211
2	(Asset amounts deducted in determining Tier 1 capital)	(41)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	173,170
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
{ES-5a}	Exposure determined under Original Exposure Method	442
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	442
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
{ES-14a}	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
{ES-15a}	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,404
18	(Adjustments for conversion to credit equivalent amounts)	-

19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	1,404
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
{ES-19a}	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
{ES-19b}	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure measure	
20	**Tier 1 capital**	17,710
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	175,016
	Leverage ratio	
22	**Leverage ratio; %**	10.12%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
ES-23	Choice on transitional arrangements for the definition of the capital measure	-
ES-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table No.14. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures EUR'000
ES-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	173,211
ES-2	Trading book exposures	-
ES-3	Banking book exposures, of which:	-
ES-4	Covered bonds	-
ES-5	Exposures treated as sovereigns	-
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
ES-7	Institutions	-
ES-8	Secured by mortgages of immovable properties	-
ES-9	Retail exposures	-
ES-10	Corporate	-
ES-11	Exposures in default	-
ES-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	-

Level of application ***Consolidated***

Table No.15. Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount EUR'000
1	Total assets as per published financial statements	173,303
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
{ES-6a}	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
{ES-6b}	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Leverage ratio total exposure measure**	173,303

Table No.16. Leverage ratio common disclosure

		CRR leverage ratio exposures EUR'000
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	173,121
2	(Asset amounts deducted in determining Tier 1 capital)	(1,328)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	171,793
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
{ES-5a}	Exposure determined under Original Exposure Method	442
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	442
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
{ES-14a}	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
{ES-15a}	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,068
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	1,068
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	

{ES-19a}	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
{ES-19b}	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure measure	
20	**Tier 1 capital**	15,805
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	173,303
	Leverage ratio	
22	**Leverage ratio; %**	9.12%
	Choice on transitional arrangements and amount of derecognised fiduciary items	
ES-23	Choice on transitional arrangements for the definition of the capital measure	-
ES-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table 17 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures EUR'000
ES-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	173,121
ES-2	Trading book exposures	-
ES-3	Banking book exposures, of which:	-
ES-4	Covered bonds	-
ES-5	Exposures treated as sovereigns	-
ES-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
ES-7	Institutions	-
ES-8	Secured by mortgages of immovable properties	-
ES-9	Retail exposures	-
ES-10	Corporate	-
ES-11	Exposures in default	-
ES-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	-

7. Calculation of institution-specific countercyclical capital buffer (hereinafter - CCyB)

(Concern)

The information has been prepared in compliance with the Financial and Capital Market Commission regulatory rules No.137 regarding calculation of institution-specific countercyclical capital buffer.

Table No.18 Geographical location of the relevant credit exposures (EUR'000)

	Assets positions of credit transactions		Trading portfolio positions		Positions in securitization transactions		Total capital requirements				Total capital requirement ratios (%)	Rate of CCyB (%)
	CCyB	Internal models	Sum of long and short positions CCyB	Trading portfolio value for internal models	Assets value CCyB	Assets value for internal models	incl. general credit assets	incl. trading portfolio assets	incl. securitization assets	Total		
	010	020	030	040	050	060	070	080	090	100	110	120
Countries:												
BY	19		-		-		2	-	-	2	0.03	0.0
LV	67,462		-		-		5,397	-	-	5,397	91.67	0.0
LT	20		-		-		2	-	-	2	0.03	0.0
RU	2,872		-		-		230	-	-	230	3.90	0.0
TR	49		-		-		4	-	-	4	0.07	0.0
GB	412		-		-		33	-	-	33	0.56	0.0
US	2,388		-		-		191	-	-	191	3.25	0.0
BE	29		-		-		2	-	-	2	0.04	0.0
DE	330		-		-		26	-	-	26	0.45	0.0
KZ	2		-		-		-	-	-	-	0.00	0.0
Total	**73,583**	**-**	**-**	**-**	**-**	**-**	**5,887**	**-**	**-**	**5,887**	**100**	

Table No.19. Amount of institution-specific countercyclical capital buffer (EUR'000)

Position		Column
		010
010	Total risk exposure amount	88,749
020	Institution-specific countercyclical buffer rate	0.00%
030	Institution-specific countercyclical buffer requirements	0

8. Remuneration policies and practices of the Bank.

In order to regulate the main principles of the Bank's personnel management process, to ensure attraction of such employees who would further the efficiency of the Bank's business activities and its successful development, to achieve strategic goals, establish common values and principles for personnel management, and determine remuneration systems, incl. basic principles of motivation system, promote employee attraction and loyalty, motivate to use working hours productively, promote reputation of the Bank as a good employer, provide employees with work and development opportunities, the Bank has approved the "Personnel Remuneration Policy". The Policy ensures a uniform approach and use of methodology at the Group level, including setting of basic principles of remuneration for positions having impact on the risk profile. The policy ensures the attraction and motivation of duly qualified personnel, while not encouraging taking excessive risks.

The Bank's remuneration and motivation system is designed and maintained to facilitate the achievement of long-term goals, considering compliance with the Bank's risk management policies and capital adequacy assessment. The total remuneration structure that can be applied to the Bank's personnel consists of a variable and fixed part of the remuneration and additional benefits that the Bank determines for its personnel in each calendar year. The Bank stipulates that the variable remuneration granted to any employee and official for the reporting year may not exceed EUR 50,000 and at the same time not more than one third of the total amount of remuneration for the year.

- Quantitative financial indicators that characterize the volume of activity (for example, income or turnover);
- non-financial qualitative indicators:
    - observance and timely updating of internal regulatory enactments
    - observance and implementation of international professional standards in practice
    - compliance with customer service standards and other laws and regulations governing customer relations, fair treatment of customers
    - customer satisfaction
    - compliance with the set limits, etc. objective information collected by the Bank on the results achieved by the employee.

In order to ensure that the assessment of performance is based on long-term performance and is consistent with the Bank's business cycle and its operational risks, not only the reporting period but also multi-year performance is taken into account when determining the variable remuneration component and assessing performance.
In developing and applying remuneration models, the Bank ensures that the remuneration model does not, directly or indirectly, motivate the employee to neglect their official duties or to use their position in a manner that is contrary to interests of the Bank.

In the year 2021 both fixed and variable salary models were applied to separate categories of staff of the Bank. The variable part was paid in the form of monetary funds simultaneously with the fixed part.

8.1. Review of remuneration for the Bank’s employees.

The information has been prepared in compliance with the Financial and Capital Market Commission’s rules No. 207 of 03.11.2020 "Regulatory provisions on the basic principles of remuneration policy" and requirements set in p. 450 of the EU Regulation No. 575/2013.

Table No.20. Salary information of the Bank employees (EUR)

	Council	Board	Investment services[1]	Services to individuals or small and medium enterprises [2]	Asset management[3]	Corporate support function [4]	Internal control function[5]	Other types of activity [6]
Number of employees at the end of the year	4	4	2	9		59	38	50
Profit / (loss) after taxes				1,519,094				
Total remuneration, EUR	162,849	415,690	54,290	296,815		1146,154	781,817	1,660,463
Including: variable remuneration part		42,000		52,177		18,452	24,075	22,325

Table No.21. Information on remuneration to employees holding risk profile affecting positions in the Bank (EUR)

		Council	Board	Investment services[1]	Services to individuals or small and medium enterprises [2]	Asset management[3]	Corporate support function [4]	Internal control function[5]	Other types of activity [6]
	Number of employees affecting the institution's risk profile as at the end of the year:	4	4		1		2	9	3
	including the number of risk profile affecting employees who hold senior management positions	4	4						
Fixed remuneration part	**Total fixed remuneration part:**	162,849	415,690		51,054		133,018	392,086	145,095
	including monetary funds and other means of payment	162,849	415,690		51,054		133,018	392,086	145,095
	including shares and related instruments								
	including other instruments[7]								
Variable remuneration part	**Total variable remuneration part:**		42,000		2,500		6,200	15,055	9,500
	including monetary funds and other means of payment		42,000		2,500		6,200	15,055	9,500
	including shares and related instruments								
	including other instruments[7]								
Deferred variable remuneration part	**Total deferred variable remuneration part that is deferred in the reporting year:**								
	including deferred part in the form of monetary funds and other means of payment								
	including deferred part in the form of shares and related instruments								
	including deferred part in the form of other instruments[7]								
	Total unpaid deferred variable remuneration part that is awarded before the reporting year:								
	including part to which irrevocable rights have been acquired								
	including part to which irrevocable rights have not been acquired								
	Total deferred variable remuneration part paid out in the reporting year								

Adjustment to the variable remuneration part	**During the reporting year, adjustments have been made to the variable remuneration part with regard to variable remuneration part awarded in previous years**							
Guaranteed variable remuneration part	**Number of payees of the guaranteed variable part** (sign-on payments)							
	Amount of guaranteed variable remuneration part (sign-on)							
Severance pay	**Number of payees of severance pay**					1	1	
	Amount of severance pay in the reporting year					na*	na*	
	Largest amount of severance pay to one person					na*	na*	
Discretionary pension benefits	**Number of payees of discretionary pension benefits**							
	Amount of discretionary pension benefits							

[1] provision of consultations regarding finances of commercial companies, transactions in financial instruments traded and not traded in the regulated market, as well as services connected with purchase and sale of financial instruments.
[2] lending to individuals and commercial organizations.
[3] management of individual portfolios of investments, management of investments made in investment funds eligible under Directive 2009/65 / EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and other types of asset management.
[4] all functions that are applicable to the entire credit institution / consolidation group, e.g. IT, HR management.
[5] internal audit, compliance function and risk control function
[6] employees whose professional activities cannot be attributed to the above-mentioned activities. The institution shall attach an additional explanation to the report, specifying the types of activities in which the employees are performing their professional activity.
[7] instruments compliant with requirements set out in paragraph 19.2.2 of the FCMC Rules No.207.
* information is not disclosed in order to comply with The General Data Protection Regulation GDPR.

9. Information on liquidity coverage ratio and net stable funding ratio

Regulation (EU) No 575/2013 incorporate concept of liquidity coverage ratio and net stable funding ratio measurement both at the Bank's and the Group level. The minimum liquidity coverage ratio (LCR) requirement is 100%. Additional information about the LCR is presented in the Annual report 2021 (page 24) and on quarterly financial statements. The minimum net stable funding ratio (NSFR) requirement of 100% was introduced only in June 2021. NSFR is the minimum amount required of stable funding in order to cover liquidity of long-term assets for a duration of one year. The ratio is calculated by dividing the available stable funding with the required stable funding.

22. tabula. Information on Net stable funding ratio (EUR'000)

	Group	Bank
Required stable funding	57,812	50,336
Available stable funding	142,854	144,810
Net stable funding ratio, %	**247%**	**288%**