INDUSTRA

Annual Report 2023

CONTENT

INDUSTRA

MANAGEMENT REPORT

In brief: A year of growth with smart investments in the future

In 2023 Industra Bank continued its stable growth, achieving a significant increase in its operating volume and profits. The Bank's pre-tax profits in 2023 reached EUR 5.8 million while the Group's profits reached EUR 5.2 million, an increase of 44% and 22%, respectively, compared to 2022. Importantly, in 2023 we continued investing in the expansion and development of our service offering, with the objective of providing the very latest technological services and solutions to our clients.

We predict an improvement in the tempo of economic growth

Globally, 2023 was characterized by a still very tense geopolitical situation and slow economic growth against a backdrop of rising interest rates, used as a tool by the European Central Bank (ECB) to control rising inflation. However, overall, one can conclude that the increase in interest rates did not have significant adverse effect on the operating activities of Industra Bank's customers and the credit payment discipline has been very high last year. Although inflation in the Eurozone was 2.9% last December, still above the ECB's set target of 2%, in December the ECB decided to stop raising interest rates and to keep them at the current level. Moreover, there are even signals that the ECB could decide to cut rates in the summer of 2024.

Weak growth in Latvia's primary export markets, a tense geopolitical situation regionally, along with high inflation were the key factors that undermined Latvia's economic growth in 2023. During the year, the situation gradually improved, but, overall GDP last year fell by 0.6%, according to the data of the Central Statistical Bureau. It is worth noting that the situation was much better in manufacturing sectors, which grew by 3.6%. It is anticipated that the situation will improve this year, in light of the forecast economic growth in Latvia's key export markets, as well as due to an increase in investments, provided that it proves possible to make reasonable cuts to the administrative burden and implement the planned EU fund programmes.

We have achieved an increase in profits and return on equity

The bank's pre-tax profits in 2023 reached EUR 5.8 million, while group's profits reached EUR 5.2 million, rising by 44% and 22% respectively, compared to 2022. The Group's return on equity (ROE) for the second consecutive year reached a high level of 23% A major role in the development of the bank's results was played by the steady increase in the total volume of issued loans – the total loan portfolio grew by 17%, reaching EUR 81 million at the end of the year. As a result of the increase in the loan portfolio and interest rates, the Bank's interest income reached EUR 10 million last year, a 190% increase on the previous year. It should be noted that 2023 was the first year in which the impact of the takeover of PrivatBank, executed during the second half of 2022 (we took over 5,809 customer contracts, EUR 50 million of customer funds and loans totalling EUR 25 million), was fully reflected in Industra Bank's operating results.

The second biggest driving force behind the growth of interest income during the year was interest payments received from correspondent banks – primarily from the Bank of Latvia – on average cash balances in accounts, which increased by 888% – from EUR 396,000 in 2022 to EUR 3.9 million in 2023.

Industra Bank's total assets decreased by 5.5% in 2023. As at 31 December 2023, they amounted to EUR 255 million, while the amount of deposits was EUR 224 million, an 8% decrease during the year.

We are gradually approaching a credit portfolio of EUR 100 million

We have continued to increase the volume of loans issued to businesses, prompting our competitors to reckon with us and a growing number of Latvian entrepreneurs to view Industra Bank as a potential partner in the execution of their ideas.

In 2024, our most important task is to grow with the requisite degree of quality, continuing to modernize our services and processes, and developing our skill set.

This year, we will continue to be a trustworthy and attentive business partner for Latvian small and medium-sized enterprises from various sectors of the national economy with a clear, profitable business and financial model.

New loans to private individuals are intended only for financing the sale of real estate owned by the bank and its subsidiaries.

We plan to continue increasing our lending volumes, with the loan portfolio reaching EUR 100 million.

Expertise in working with SMEs is our unique attribute

In 2024, the main focus of Industra Bank's development strategy remains attracting and servicing Latvian small and medium-sized enterprises. It is our objective as a bank to meet the expectations of entrepreneurs at a time when they feel as if they are undervalued and not listened to on the conveyor belt of large banks. We aspire to be a bank that evaluates our customers' business ideas in-depth and finances those whose potential the customer has carefully weighed up, providing sound financial calculations. Since we have recently introduced remote customer identification and now provide a full range of technologically advanced digital services, we will be more active in offering new business customers not only lending, but also day-to-day banking services.

We are rapidly developing new digital services for our customers

In 2023, our customers benefited from the introduction of a series of improvements and new services, as a result of which we can now offer them a technologically complete set of modern digital services.

At the start of the year, our customers received the mobile app vPOS – POS terminal on a smartphone. And over the course of the year, we also introduced mobile banking, which is available for both Android and iOS mobile device users, and made a series of improvements to the internet bank in response to customer feedback.

We continued to develop the commercial activity income (SDI) account introduced at the end of 2022, which is an automatic tax payment solution for self-employed persons (micro enterprise taxpayers), allowing them to reduce their administrative workload.

We implemented a series of activities to educate the target audience about the benefits conferred by the SDI account and to attract customers, and by the end of the year, 255 customers had opened SDI accounts with the bank. We are still the only bank to offer SDI accounts in Latvia, which has not only enabled us to attract new customers, but has also brought us positive publicity, boosting both the bank's brand awareness and reputation.

At the end of 2023, we introduced remote customer identification, which is a considerable step in expanding the availability of Industra Bank services. It is possible to become a customer of bank remotely - an option available to both individuals and legal entities, as long as the potential customer has a secure electronic signature. As a bank formed by local entrepreneurs, we appreciate the needs of our customers and our ambition is to become their first choice when it comes to choosing a bank, when starting a new business, or in the event that their existing bank fails to meet their expectations.

In 2023, we also introduced a leasing service for legal entities, which is initially being offered to individual existing customers.

This year, we plan to further develop the service in order to offer it to a wider customer audience.

Last year, we continued to develop our client relationship management system (CRM), introducing a number of new modules. Work on the CRM system will continue this year.

In 2024, Industra Bank plans to introduce instant payments for the convenience of its customers. At the same time, we will continue work on improvements and new functionalities of the internet bank and mobile bank.

Increasing efficiency is key to ensuring the bank's competitiveness, and is therefore our continual top priority. Due to the fact that the bank's target customers prefer to predominantly use services remotely, in 2024 we plan to close two small customer service centres in Riga. Consequently, after this reorganization, five customer service centres in Riga, Liepaja, Ventspils, Jelgava and Daugavpils will be open for customer service.

We have received a positive assessment in risk prevention

The internal control system created by the bank has been praised by the Bank of Latvia, which conducted an on-site inspection during the period from June to November 2023 in the field of money laundering and terrorism and proliferation financing prevention and sanctions risk management. We will continue to invest in the improvement of internal systems in 2024.

For a number of years now, Industra Bank has been purposefully reducing the level of its inherent operating risks.

A significant reduction in risks has been achieved in the fields of Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT), internal operations and risk management, capital adequacy and operational risks, resulting in an improvement in the overall risk assessment of the Bank's Supervisory Review and Evaluation Process (SREP) and the Bank's regulator has set the required individual capital requirement for 2023 at 12.75% level (incl. recommended capital reserve requirement or P2G in the amount of 0.25%).

We are introducing modern values into corporate governance

To strengthen the bank's corporate governance, foster high ethical standards and a positive work environment, in 2023 we continued to implement the bank's values developed during the first half of 2022 together with key stakeholders, that is, employees, the Board and shareholders. We integrated the aspect of values into a series of internal projects in order to jointly build a bank with an internal culture that each of us would be proud to be part of. In order to highlight best practices, once a year we invite employees to highlight their colleagues' actions, the experience of which epitomizes the bank's values in practice. Industra Bank's values are:

Integrity and empathy
Mutual respect, an inclusive environment and responsible entrepreneurship. Team cooperation. Every customer and every employee is valuable, every person's work and contribution matter. The courage to be honest – to respectfully express and be ready to listen to an opinion.

Speed and elasticity
Fast and efficient decisions and action, practical and simple work organisation, clear and direct communication.

Knowledge and experience
We understand the local market and business requirements. We are experts in our own field, and trust one another's decisions and knowledge. We are professionals who offer solutions appropriate to the client's requirements and situation.

Openness and transparency
We are honest, communicate openly, and share information and knowledge. We speak about both the positive and negative honestly.

We prioritize sustainable projects and an inclusive environment

The sustainable development of both Latvia and the planet as a whole are of vital importance not only to our customers but also to the bank. Sustainable and responsible customers.

In our daily operations, we perceive sustainability as the financing of environmentally friendly businesses and projects, prioritizing the utilization of energy-efficient buildings, technologies and renewable energy, as well as the development of efficient waste and water supply. This entails cooperation with socially responsible businesses whose economic and social operations facilitate Latvia's development. We expect our customers to have a good reputation, and to adhere to the discipline of paying taxes honestly and complying with laws and regulations.

We support the use of technologies that reduce consumption of natural resources by both the bank and our customers.

Educated employees in the field of ESG
To increase the awareness of Industra Bank's employees regarding environmental, social and corporate governance (ESG) issues, in the first half of 2024 we plan to introduce guidelines for integrating ESG and sustainability considerations into customer service, financing and other banking operations.

An ethical and inclusive working environment
We pay great attention to fostering an inclusive work environment. Therefore, we have incorporated fundamental principles into the bank's ethical standards whereby employees are not discriminated against on the basis of race, ethnicity, religious beliefs, age, gender, sexual orientation, political beliefs, family status, income level, disability or any other characteristics. We adhere to these principles in both our daily work and when it comes to hiring employees.

A modern flexible operating model
In light of the favourable response to the hybrid work model in terms of employee satisfaction, we are now implementing a flexible work model for employees for whom this is functionally feasible. Meanwhile, in order to foster a positive climate and a greater sense of community, we have determined a recommended balance between remote and in-person work.

At the start of 2023, the bank moved its main offices to an office building at Muitas Street 1, Riga, which was acquired as part of the PrivatBank transaction. This year, we will continue to upgrade the premises to create a modern, comfortable and success-oriented working environment for the bank's employees and our customers.

An independent assessment in the Sustainability Index
To get an independent assessment of what we have already accomplished in the area of sustainability and to find initiatives for further activities, Industra Bank plans to participate in the Sustainability Index led by the Institute of Corporate Sustainability and Responsibility from 2024.

We are evaluating the potential of artificial intelligence in support processes

Reflecting on last year, a notable development was the rapid emergence of artificial intelligence solutions in daily life with the potential to use them in order to make banking services more efficient. Whereas the use of artificial intelligence used to be quite expensive and thus only accessible to big businesses, by the start of 2023 the availability of these tools had grown geometrically, with generative artificial intelligence tools entering the market, followed by a series of artificial intelligence solutions that are now available to users free of charge or at very reasonable price points. Artificial intelligence tools are now widely used to provide functions connecting one system to another, including translation and idea generation, etc., and enabling company specialists to use their time more efficiently and focus on more crucial tasks.

We will continue to upgrade our services, processes and knowledge in order to better understand our customers' wishes and to fulfil the expectations of not only businesses, but also their employees and owners. Accordingly, in 2024, Industra Bank will continue to work in the following directions:

- **We will focus on expanding lending to support the growth of Latvia's small and medium-sized enterprises.**
- **We will augment our digital services with instant payments and other new functions.**
- **We will continue to automate customer service and payment processes.**
- **We will increase efficiency, the bank's competitiveness and the attractiveness of our cooperation terms and conditions for customers.**

On behalf of the Board and Council of AS Industra Bank:

Jurijs Adamovičs
Chairman of the Supervisory Council

Raivis Kakānis
Chairman of the Management Board

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INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

Name, surname	Position	Date of appointment
Jurijs Adamovičs	Chairman of the Council	28 December 2018
Andis Kļaviņš	Deputy Chairman of the Council	04 April 2020
Ivars Grunte	Member of the Council	10 December 2018
Guntars Reidzāns	Member of the Council	04 April 2020

On 1st February 2024 Guntars Reidzāns left the position of the Member of the Council.

On 6th February 2024 new Member of the Council Aleksejs Prokofjevs was elected.

Board members as of the date of signing these financial statements

Name, surname	Position	Date of appointment
Raivis Kakānis	Chairman of the Board	06 April 2020
Ruta Amtmane	Member of the Board	21 February 2019
Artūrs Veics	Member of the Board	12 June 2020
Jānis Diedišķis	Member of the Board	23 November 2022

On 20th February 2024 Ruta Amtmane left the position of the Member of the Board.

On 21th March 2024 Kristaps Zaķis was elected as new Member of the Board.

STATEMENT OF RESPONSIBILITY OF THE BANK'S MANAGEMENT

STATEMENT OF RESPONSIBILITY OF THE BANK'S MANAGEMENT

The management of AS Industra Bank is responsible for the preparation of the Bank's separate financial statements and the consolidated financial statements of the Bank and its subsidiary AS Industra Invest (previously - AS MTB Finance) (hereinafter – the Group).

The financial statements presented on pages 13 to 87 are prepared based on source documents and present fairly the financial position of the Group and the Bank as at 31 December 2023 and the results of their operations, and cash flows for the year then ended.

The Bank's separate and the Group's consolidated financial statements are prepared in accordance with the IFRS Accounting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The management of the Bank is responsible for the maintenance of a proper accounting system, safeguarding the Group's and the Bank's assets, and the detection and prevention of fraud and other irregularities in the Group and the Bank. Management is also responsible for operating the Group and the Bank in compliance with the Law on Credit Institutions, regulations of Latvijas Banka and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Council and the Board of the Bank:

Jurijs Adamovičs
Chairman of the Supervisory Council

Raivis Kakānis
Chairman of the Management Board

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THE BANK'S SEPARATE AND THE GROUP'S CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Bank's separate and the Group's consolidated statements of financial position

EUR'000	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
ASSETS					
Cash and balances due from the Latvijas Banka	6	92,688	92,688	116,924	116,924
Demand deposits with credit institutions	7	611	611	600	600
Financial assets at fair value through profit or loss	8	2,005	2,005	1,662	1,662
Financial assets at fair value through other comprehensive income	8	24	24	1,015	1,015
Financial assets at amortised cost		130,854	145,944	119,907	133,120
Debt securities	8	49,143	49,143	49,903	49,903
Loans and receivables	9	81,711	96,801	70,004	83,217
Intangible assets	10	354	354	563	563
Property, equipment and right-of-use assets	11	9,107	9 074	557	515
Investment properties	12	14,473	1,020	22,306	10,140
Other assets	13	4,558	3,735	6,035	5,115
Total assets		**254,674**	**255,455**	**269,569**	**269,654**
LIABILITIES AND EQUITY					
Financial liabilities at amortised cost:	14	224,191	224,413	243,706	243,770
Deposits		220,502	220,724	240,029	240,093
Subordinated liabilities	15	3,689	3,689	3,677	3,677
Other liabilities	16	5,766	5,427	5,376	5,061
Provisions		37	37	13	13
Total liabilities		**229,994**	**229,877**	**249,095**	**248,844**
Shareholders' equity					
Share capital	17	27,601	27,601	27,601	27,601
Share premium		-	-	260	260
Reserve capital		-	-	4,156	4,156
Fair value reserve		24	24	14	14
Accumulated losses		(2,945)	(2,047)	(11,557)	(11,221)
Total Shareholders' equity		**24,680**	**25,578**	**20,474**	**20,810**
Total liabilities and equity		**254,674**	**255,455**	**269,569**	**269,654**

The accompanying notes on pages 17 to 87 form an integral part of these Bank's separate and Group's consolidated financial statements.
The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 13 to 87 on 21 March 2024.

Jurijs Adamovičs
Chairman of the Supervisory Council

Raivis Kakānis
Chairman of the Management Board

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The Bank's separate and the Group's consolidated statements of profit or loss and other comprehensive income

EUR'000	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest income	18	10,081	10,017	3,481	3,554
including income at effective interest rate		9,332	9,453	2,930	3,212
Interest expenses	19	(1,803)	(1,803)	(1,053)	(1,053)
Net interest income		**8,278**	**8,214**	**2,428**	**2,501**
Commission and fee income	20	8,449	8,449	8,788	8,786
Commission and fee expense	21	(1,805)	(1,805)	(2,476)	(2,476)
Net commission income		**6,644**	**6,644**	**6,312**	**6,310**
Gain on trading with financial instruments	22	232	258	260	350
Net gain/ (loss) on revaluation of financial assets measured at fair value through profit or loss	22	406	406	(167)	(167)
Net gain from Bargain purchase	40	-	-	3,093	3,093
Other operating income	23	603	369	1,143	427
Other operating expenses		(760)	(382)	(436)	(283)
Net operating income		**15,403**	**15,509**	**12,633**	**12,231**
Administrative expenses	24	(10,062)	(9,779)	(8,279)	(8,123)
Depreciation of property, equipment and right-of-use assets	25	(731)	(721)	(431)	(423)
Revaluation of investment property	12	-	-	(195)	-
Net impairment allowance result		642	805	573	334
Loss from asset write-off		(10)	(10)	-	-
Profit before taxation		**5,242**	**5,804**	**4,301**	**4,019**
Income tax expenses	39	(1,046)	(1,045)	-	-
Profit after taxation		**4,196**	**4,759**	**4,301**	**4,019**
Profit for the reporting period		**4,196**	**4,759**	**4,301**	**4,019**
Other comprehensive income					
Items that could be reclassified to profit or loss					
Net gains / (loss) on financial assets (debt instruments) at fair value through other comprehensive income		10	10	(14)	(14)
Other comprehensive income for the reporting year		**10**	**10**	**(14)**	**(14)**
Total comprehensive income		**4,206**	**4,769**	**4,287**	**4,005**

The accompanying notes on pages 17 to 87 form an integral part of these Bank's separate and Group's consolidated financial statements.
The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 13 to 87 on 21 March 2024.

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The Bank's separate and the Group's consolidated statements of changes in shareholder's equity

Group EUR'000	Share capital	Share premium	Reserve capital	Fair value reserve	Accumulated loss	Total equity
As at 31 December 2021	**27,601**	**260**	**4,156**	**28**	**(15,858)**	**16,187**
Profit for the reporting year	-	-	-	-	4,301	4,301
Other comprehensive income	-	-	-	(14)	-	(14)
Total comprehensive income	**-**	**-**	**-**	**(14)**	**4,301**	**4,287**
As at 31 December 2022	**27,601**	**260**	**4,156**	**14**	**(11,557)**	**20,474**
Recognition of reserves in retained earnings of previous years (note 17)	-	(260)	(4,156)	-	4,416	-
Profit for the reporting year	-	-	-	-	4,196	4,196
Other comprehensive income	-	-	-	10	-	10
Total comprehensive income	**-**	**(260)**	**(4,156)**	**10**	**8,612**	**4,206**
As at 31 December 2023	**27,601**	**-**	**-**	**24**	**(2,945)**	**24,680**

Bank EUR'000	Share capital	Share premium	Reserve capital	Fair value reserve	Accumulated loss	Total equity
As at 31 December 2021	**27,601**	**260**	**4,156**	**28**	**(15,240)**	**16,805**
Profit for the reporting year	-	-	-	-	4,019	4,019
Other comprehensive income	-	-	-	(14)	-	(14)
Total comprehensive income	**-**	**-**	**-**	**(14)**	**4,019**	**4,005**
As at 31 December 2022	**27,601**	**260**	**4,156**	**14**	**(11,221)**	**20,810**
Recognition of reserves in retained earnings of previous years	-	(260)	(4,156)	-	4,416	-
Profit for the reporting year	-	-	-	-	4,759	4,759
Other comprehensive income	-	-	-	10	-	10
Total comprehensive income	**-**	**(260)**	**(4,156)**	**10**	**9,175**	**4,769**
As at 31 December 2023	**27,601**	**-**	**-**	**24**	**(2,046)**	**25,579**

The accompanying notes on pages 17 to 87 form an integral part of these Bank's separate and Group's consolidated financial statements.
The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 13 to 87 on 21 March 2024.

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Chairman of the Supervisory Council

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The Bank's separate and the Group's consolidated statements of cash flows

EUR'000	Note	2023 Group	2023 Bank	2022 Group	2022 Bank
Cash flows from operating activities					
Profit before taxation		5,242	5,804	4,301	4,019
Depreciation of property, equipment and right-of use assets		731	721	431	423
Impairment allowance		(642)	(805)	(573)	(334)
Revaluation of investment property		-	-	195	-
Interest income		(10,081)	(10,017)	(3,481)	(3,554)
Interest expense		1,803	1,803	1,053	1,053
Bargain gain purchase (non-cash)	40	-	-	(3,093)	(3,093)
Other changes		10	10	(14)	(14)
Decrease in cash and cash equivalents used in operating activities before changes in operating assets and liabilities		**(2,937)**	**(2,484)**	**(1,181)**	**(1,500)**
Increase in loans and advances to customers		(10,873)	(12,624)	(4,649)	(194)
Increase/(decrease) in financial assets at amotrised cost – debt securities		760	760	(49,903)	(49,903)
Decrease in other financial assets		648	648	1,839	1,839
Decrease/ (increase) in other assets		1,477	1,378	(109)	(1,381)
(Decrease)/ increase in deposits		(19,527)	(19,369)	43,529	43,539
Decrease in other liabilities		(632)	(655)	(81)	(492)
Interest received		10,026	9,962	3,472	3,554
Interest paid		(1,803)	(1,803)	(1,053)	(1,053)
Net cash flows from operating activities		**(22,861)**	**(24,185)**	**(8,136)**	**(5,591)**
Cash flow from investing activities					
Purchase of property, equipment and intangible assets		(345)	(345)	(286)	(235)
Disposal of property and equipment and intangible assets		34	34	-	-
Acquisition of investment property		(3,353)	-	(1,950)	-
Disposal of investment property		2,354	325	2,596	-
Cash paid net of cash acquired in a business combination	40	-	-	22,840	20,890
Net cash flow from investing activities		**(1,310)**	**14**	**23,200**	**20,655**
Cash flow from financing activities					
Issue of shares					
Increase/(decrease) in subordinated liabilities		12	12	(976)	(976)
Repayment of lease liabilities (IFRS 16)		(66)	(66)	(203)	(203)
Net cash flows from financing activities		**(54)**	**(54)**	**(1,179)**	**(1,179)**
Net increase in cash and cash equivalents		**(24,225)**	**(24,225)**	**13,885**	**13,885**
Cash and cash equivalents at the beginning of the year		**117,524**	**117,524**	**103,639**	**103,639**
Cash and cash equivalents at the end of the year	**26**	**93,299**	**93,299**	**117,524**	**117,524**

The accompanying notes on pages 17 to 87 form an integral part of these Bank's separate and Group's consolidated financial statements.
The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 13 to 87 on 21 March 2024.

Jurijs Adamovičs
Chairman of the Supervisory Council

Raivis Kakānis
Chairman of the Management Board

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NOTES TO THE BANK'S SEPARATE AND THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Information on the Bank
AS Industra Bank (hereinafter – the Bank, Industra Bank) was incorporated in the Republic of Latvia as joint stock company "Multibanka" in 1994, in Riga and is licensed as a bank offering a wide range of financial services to enterprises and individuals. The legal address of the Bank on 31st December 2022 is Elizabetes iela 57, Riga, Latvia, but from 19th January 2023 the Bank's new legal address is Muitas iela 1, Riga, Latvia. The Bank has three client service centres in Riga, and client service centres in Liepāja, Ventspils, Daugavpils and Jelgava.

These financial statements include the Group's consolidated and the Bank's separate financial statements. The consolidated financial statements for the year ended 31 December 2023 include the financial statements of the Bank and its subsidiary AS Industra Invest (until 20.03.2023. named as AS MTB Finance) (hereinafter - the Group). The legal address of AS Industra Invest on 31st December 2023 is Elizabetes iela 57, Riga, Latvia, but from 30th January 2023 AS Industra Invest new legal address is Muitas iela 1, Riga, Latvia. AS Industra Invest manages investment properties portfolio and provides leasing services.

The financial statements were approved for issue by the Board on 21 March 2024. The shareholders have the right to reject these financial statements and request that new financial statements are prepared.

Legislation regulating the Bank's operations
The Bank's operations are governed by the law "On Credit Institutions", "Commercial Law" and regulations issued by the EU and Latvijas Banka and previously Financial and Capital Market Commision (integrated with Latvijas Banka since 01.01.2023). The above regulations govern capital adequacy, minimum equity, liquidity, foreign exchange positions, risk transaction restrictions with respect to one counterparty, group of related customers and related parties of the Bank, as well as other applicable requirements.

2 BASIS OF PREPARATION

Statement of Compliance
These financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (IFRS accounting standards) on a going concern basis. The financial statements were prepared on a historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and investment properties measured at fair value.

After considering key risks the management believes that the going concern basis is appropriate for the preparation of these financial statements. The financial and capital position of the Group and the Bank and their business activities, the objectives and policies of risk management and the key risks to which the Group and the Bank are exposed are described in Note 4. Liquidity risk management is particularly important with regard to the going concern basis as the inability to attract sufficient funds to settle its liabilities may cause the Bank to borrow funds at excessive cost, breach regulatory requirements, delay regular settlements or make the Group and the Bank no longer compliant with the going concern basis. For more information, please refer to Note 4 section "Liquidity risk". Of equal importance to the Group's and the Bank's compliance with the going concern basis is compliance with regulatory requirements, in particular those relating to capital adequacy.

Business activities are planned and carried out by the Group and the Bank in view of the available capital and liquidity and in line with regulatory requirements. The capital adequacy calculation and wider disclosures on current and expected capital adequacy requirements are provided in section "Capital management". In addition to other risk policies and procedures the Group and the Bank have a comprehensive liquidity risk management and capital planning framework in place.

The management of the Group and the Bank consistently monitors and evaluates the market situation and its potential impact on the Group and the Bank.

The preparation of the financial statements under IFRS accounting standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported income and expenses for the reporting period.

Although such estimates are based on reasonable information available to management regarding these events and activities, actual results may differ from these estimates.

Functional and Presentation Currency
The financial statements are presented in euros and all figures are rounded to thousands of euros unless indicated otherwise. Euro is functional currency of the Bank and its subsidiaries.

2 BASIS OF PREPARATION (continued)

Presentation of statement of financial position in order of liquidity
The Group and the Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 35 for analysis of financial instruments by their maturity.

3 MATERIAL ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated and separate financial statements:

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The investment in AS Industra Invest, in which the Bank holds a 100% interest and voting rights, is accounted for in the Bank's separate financial statements at cost less impairment.

Transactions eliminated on consolidation

Intra-group transactions, balances and unrealised profits arising from intra-group transactions are eliminated in the course of consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in a former subsidiary is measured by the Group at fair value when control is lost.

Currency translation

Foreign exchange transactions are translated into the respective functional currency at the reference exchange rate published by the European Central Bank on the date of the respective transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest rate and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date of acquisition or the date that the fair value was determined, respectively. Foreign currency differences arising on translation are recognised in the statement of profit or loss.

The exchange rates for the most significant currencies as set by the European Central Bank at reporting date were as follows:

Currency	Reporting date	
	31.12.2023	**31.12.2022**
USD	1.1050	1.0666
RUB*	99.96	78.73
CNY	7.85090	7.35820

* Until 1st of March 2022 the Bank used European Central Bank official EUR / RUB exchange rate. After 1st of March 2022 the Bank used EUR / RUB exchange rate that was daily published by Bloomberg.

Financial instruments

Initial recognition

All purchases and sales of financial assets that require delivery in accordance with accepted market principles ("ordinary" purchases and sales) are accounted for at the date of the transaction, which is the date on which the Group / the Bank commits to deliver the financial asset. Other purchases are recognised when the Group / the Bank becomes a party to the contractual terms of the instrument.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

Financial instruments are classified into the following categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI);
- Financial assets at amortised cost (AC).

The classification and subsequent measurement of financial assets depends on: (i) the Group's and the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group and the Bank manages the assets in order to generate cash flows – whether the Group's and the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group and the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group and the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group and the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss if they are not measured at amortised cost or measured at fair value through other comprehensive income.

For equity instruments that would otherwise be measured at fair value through profit or loss, at initial recognition an irrevocable election may be made to recognise those at fair value through other comprehensive income. The option to choose is applicable to each instrument individually.

Interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in the fair value of the respective financial assets are included directly in the income item "Net gain on revaluation of financial assets measured at fair value through profit or loss". Such financial assets and liabilities after initial recognition are revalued at fair value based on available market prices or broker quoted prices.

Financial assets at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income, it should be concurrently held within a business model the aim thereof is both to receive contractual cash flows and to sell the financial asset and the contractual terms of the financial asset should give rise on specific dates to cash flows that are "solely payments of principal and interest on the principal amount outstanding". The Group's financial assets measured at fair value through other comprehensive income are expected to be held for an indefinite period of time and may be sold if required by liquidity or changes in interest rates, exchange rates or share prices.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets measured at fair value through other comprehensive income are subsequently, after initial recognition, re-measured at fair value based on available market prices. A revaluation gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. For debt securities the difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income; upon de-recognising of a security the cumulative fair value revaluation gain previously recognised in other comprehensive income is reclassified from equity to profit or loss.

For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position. For equity instruments, that are not held for trading and not acquired as a result of business combinations, the Group and the Bank, upon initial recognition, should make an irrevocable election to present the subsequent changes in fair value of the instruments in other comprehensive income or in profit or loss. This election is made on an instrument-by- instrument basis. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings.

Financial assets at amortised cost

In order to measure a financial asset at amortised cost, it should be held concurrently within a such business model that aims to hold a financial asset in order to receive its contractual cash flows and the contractual terms of the financial asset should give rise on specific dates to cash flows that are "solely payments of principal and interest on the principal amount outstanding" (SPPI principle). Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment.

A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss when the financial asset is derecognised, reclassified through the amortisation process or in order to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing of a relevant contract till drawdown they are accounted for as off-balance sheet commitments.

When amending or revising the contractual cash flows of financial assets that do not result in derecognition, the Group and the Bank shall recalculate the gross carrying amount of the financial assets and recognise gain or loss from changes in the statement of profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The new gross carrying amount is an estimate of the present value resulting from the initial effective interest rate of the financial asset or the credit-adjusted effective interest rate on a financial asset that is impaired or impaired by discounting the modified or revised contractual cash flows. Estimates of expected cash flows include all contractual cash flows and payments, except for expected credit losses, unless the financial asset is acquired or issued with impairment. Costs or commissions adjust the carrying amount of the modified financial asset and are amortised over the remaining period of repayment of the modified asset.

If financial assets cannot be recovered, they are written off and charged against allowance for credit losses. The management of the Group and the Bank decides on writing-off of financial assets. Recoveries of loans previously written off are credited to the statement of profit or loss.

This category includes claims on credit institutions, loans and advances to customers and fixed income securities that correspond to the principle of "solely principal and interest payments".

Liabilities at amortised cost

Liabilities at amortised cost include deposits and account balances of credit institutions, balances of customer current accounts and customer deposits, subordinated liabilities and other financial liabilities.

Financial liabilities at amortised cost are initially measured at fair value less direct transaction costs and subsequently measured at amortised cost using the effective interest rate method.

The fixed maturity of subordinated deposits is at least five years at the time of their creation and these deposits must be repaid before maturity only in the event of the cessation of business or bankruptcy of the Bank, when those are ranked before shareholders' claims. Likewise, issued subordinated debt securities must be

3 MATERIAL ACCOUNTING POLICIES (continued)

repaid before maturity only in the event of the cessation of business or bankruptcy of the Bank, when they rank before the shareholders' claims.

Derecognition

Financial assets – write-off

Financial assets are written off in full or in part when the Group and the Bank has exhausted all practical possibilities of recovery and has concluded that there is no reason to believe that the amounts will be recovered. The write-off is a de-recognition event. The Group and the Bank may write off financial assets that are still subject to enforcement activity when the Group and the Bank seeks to recover amounts that are due under contracts, however, there is no reason to believe that they will be recovered.

Financial assets – de-recognition

The Group and the Bank derecognises financial assets when:

- the assets are redeemed or the rights to cash flows from the assets expired; or
- the Group and the Bank transfer the rights to the cash flows from the financial assets or enter into a relevant agreement, while
  (i) transferring all material risks and rewards of ownership of the asset, or
  (ii) neither transferring nor retaining all material risks and rewards inherent in the ownership of the asset, nor retaining control. Control is maintained if the other party to the transaction does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale transaction.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents the interest expense and is recognised in the statement of comprehensive income over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the "reverse repo" agreement using the effective interest method. If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivatives

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are initially recognised in the statement of financial position at their fair value. Attributable transaction costs are recognised in the statement of profit or loss of the relevant period. Fair values are obtained from quoted market prices or discounted cash flow models, as appropriate. OTC derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group and the Bank do not use hedge accounting.

Offsetting

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

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment are recognized if the expected usage is more than a year and the cost is at least 300 EUR, incl. VAT.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment. Cost includes expenses that are directly attributable to the acquisition of the asset.

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Depreciation methods, useful lives and residual values are assessed annually.

3 MATERIAL ACCOUNTING POLICIES (continued)

The annual depreciation rates are as follows:

Buildings	5%
Furniture and cars	20%
Computers	35%
Other fixed assets	20%

Intangible assets
Intangible assets acquired by the Group or the Bank are stated at cost less accumulated amortisation and impairment losses.

Software licences are capitalised based on the costs incurred to acquire and customise the specific software. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. The estimated use is the period of validity of the relevant licence or no longer than 3 years from the moment of acquisition or creation.

Repossessed assets
As part of the normal course of business the Group and the Bank occasionally take possession of property that originally was pledged as security for a loan. When the Group and the Bank acquire (i.e., gains full title to) a property in this way, the property's classification follows the nature of its intended use by the Group and the Bank. Mostly, the concern and the bank classify the acquired assets as assets held for sale. When the Group and the Bank are uncertain of their intentions with respect to property that they have repossessed, those properties are classified as investment property. Other types of collateral (repossessed finance lease objects) are classified as other assets and carried at cost net of impairment loss.

Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. All investment properties are carried at fair value through statement of profit or loss. The fair value of investment property is based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of the Group's and the Bank's investment property is measured by independent appraisers on a regular basis.

The Group and the Bank transfers a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Recognition of income and expenses
All significant categories of income and expenses are recognised on an accrual basis.

Interest income is recognised as it accrues in the statement of profit or loss using the effective interest method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loan origination fees and other fees including the related direct costs that are considered an integral part of the total loan profitability are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been supplied.

Fair value measurement principles
The management of the Group and the Bank makes the following significant estimates and judgements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents the risk of default.

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities carried at fair value or disclosures on their fair value should be made in the financial statements.

3 MATERIAL ACCOUNTING POLICIES (continued)

The Group and the Bank have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

The methods described below have been used for the determination of fair values.

The methods described below have been used for the determination of fair values.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. When available, the Group and the Bank measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the fair value is established by the Group and the Bank using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique should make maximum use of market inputs, rely as little as possible on estimates specific to the Group and the Bank, incorporate all factors that market participants would consider in setting a price, and be consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group and the Bank calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Group and the Bank assess and document the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS accounting standards.

This includes:

- Verifying that equity broker or pricing service is approved by the Group and the Bank for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

In determining the fair value of assets or liabilities the Group and the Bank use observable market data to the extent possible. Fair value is classified into different levels of the fair value hierarchy based on the inputs used in the measurement techniques:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of

3 MATERIAL ACCOUNTING POLICIES (continued)

the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. For further analysis of the basis for fair value refer to Note 38.

Credit impairment

Financial assets

The Management of the Group and the Bank considers both specific exposures and portfolio-level risks in determining the balance of impairment allowance for expected credit losses. The expected credit loss assessment is forward-looking and is based on unbiased and probability-weighted information about past events, current conditions and forecasts of future economic conditions. Impairment allowance for expected credit losses is recognised even if no credit loss event has happened. A loan or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans, and it can be reliably estimated.

For off-balance contingent liabilities, the Group and the Bank may account allowances for expected future losses that are recognised as provisions. The provisioning principles for expected losses arising from off-balance sheet financial commitments and contingent liabilities are consistent with the principles and methods applied for on-balance sheet exposures. Additional considerations are applied to adjustments for expected conversion and future use patterns of the committed limits as well as the Group's and the Bank's performance in timely identification and termination of limits for deteriorating exposures.

The Group and the Bank have grouped the loans into 4 stages, based on the applied impairment methodology, as described below:

Stage 1 – performing loans: when loans are first recognised, the Group and the Bank recognise an allowance based on twelve months expected credit losses.

Stage 2 – loans with significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Group and the Bank record an allowance for the lifetime expected credit loss. The Group and the Bank use the following criteria to determine a significant increase in credit risk: contractual payments are overdue by more than 30 days, the loan is included in the watch list, a negative outlook for the industry.

Stage 3 – loans in default or with indication for unlikeliness to pay. The Group and the Bank recognise lifetime expected credit losses for these loans and, in addition, accrue interest income on the amortised cost of the loan net of allowances. Allowances for expected credit losses on individual loans are calculated according to the present value of their discounted future cash flows, however, the collateral value is adjusted to reflect the amount expected to be earned from the collateral. The definition of "default" as used by the Group and the Bank to classify financial assets into Stage 3 does not differ from the one provided in Article 178 of Regulation 575/2013, i.e., exposure delayed 90 and more days (less days for some products), significant restructuring, insolvency or bankruptcy, or similar legal proceedings started or other indicators of unlikeliness to pay. Evidence that a financial asset is in default of unlikely to pay includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, a concession that the Group or the Bank would not otherwise consider;
- the borrower entering bankruptcy or other financial reorganisation becomes highly probable;
- a combination of several other events that cause a loan to become credit impaired.

POCI – credit-impaired financial asset at the time when they were purchased or originated.

The Group and the Bank recognise impairment for fair value through other comprehensive income (FVOCI) debt securities as applicable, depending on whether they are classified as Stage 1, 2, 3 or POCI, as explained above. However, in this event the expected credit losses will not reduce the carrying amount of these financial assets in the financial statement, which shall remain to be stated at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost will be recognised in other

3 MATERIAL ACCOUNTING POLICIES (continued)

comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss.

For FVOCI debt securities considered to be ''low risk", the Group and the Bank apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition. Such instruments will include investment grade securities where the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. For "low risk" assets Expected Credit Loss (ECL) is calculated as explained in Stage 1 above.

When estimating lifetime ECLs for undrawn loan commitments, the Group and the Bank: a) estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment, and b) calculate the present value of cash shortfalls between the contractual cash flows that are due to the Group and the Bank and the cash flows the Group and the Bank expect to receive for that expected portion of the loan drawn down.

For financial guarantee contracts, the Group and the Bank calculate the ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party.

For revolving facilities such as credit cards and overdrafts, the Group and the Bank measure ECLs by determining the period over which they expect to be exposed to credit risk, taking into account the credit risk management actions that they expect to take once the credit risk has increased and that serve to mitigate losses.

Following a decrease in credit risk, a financial asset may be re-classified from Stage 3 to Stage 2 or from Stage 2 to Stage 1. The Group and the Bank use a sufficiently long (in some events – up to 2 years) probation period until all factors of enhanced risk or default do not exist anymore, to establish a possibility to move a financial asset from Stage 3 to Stage 2 and from Stage 2 to Stage 1. The classification of POCI assets will not change over the assets' lifetime.

Expected credit loss will be determined by the Group and the Bank using the so-called EAD x PD x LGD method, where EAD is exposure at default, PD is probability of default and LGD is loss given default. For measurement of expected credit losses financial instruments are grouped based on similar probability of default and common credit peculiarities as well as individual assessment of borrowers.

As part of the portfolio based EAD x PD x LGD method each component is determined separately and then all components are aggregated on the portfolio level. PD evaluation is made by the Bank using migration matrices based on historical performance of portfolio of financial assets adjusted for forward-looking forecasts. The main macroeconomic and industry factors taken into account are gross domestic product, geopolitical risks and real estate prices. EAD evaluation is made by the Group and the Bank using payment schedules adjusted, where necessary, for advance payments and taking into account off-balance sheet transactions.

Model validation includes reviews of input data, underlying assumptions used for expected credit loss evaluation, and review of model output data. Back-testing is performed by testing whether the Stage 2 indicators correctly reflect an increase in credit risk, and namely, the Bank analyses the number and amount of cases when a loan is reclassified directly from Stage 1 to Stage 3, as well as it is intended to compare the actual historical performance of portfolio to the expected credit loss estimation results as per developed models.

The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood (Stage 2) or a default (Stage 3) occurring since initial recognition. In most cases, there will be a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs (Stage 3), thus default (Stage 3) and credit-impaired loan classification will be closely aligned and will indicate non-performance of the borrower or significance of forbearance measures undertaken, but classification will not necessarily equal in all cases.

For purchased or originated credit-impaired (POCI) financial assets, expected credit losses are discounted using the credit-adjusted effective interest rate determined at initial recognition. For purchased or originated credit-impaired financial assets only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

3 MATERIAL ACCOUNTING POLICIES (continued)

Fully impaired loans, the recovery of which may become economically unviable, may be written-off and charged against impairment allowance. These loans are not written-off until the necessary legal procedures have been completed and the amount of the loss is determined. When a loan or receivable is written-off, the claim against the borrower normally is not forgiven. Subsequent recoveries of amounts previously written-off are reported in the statement of profit or loss as recovered written-off assets within net credit losses on financial instruments.

For unused credits that have been granted, under the terms of the credit agreement, but not used, a conversion factor is calculated which is determined in accordance with the requirements set out in Regulation 575/2013. The unused credit amount is multiplied by the conversion factor and added to the loan balance.

Similarly, as for loans to customers, the Group and the Bank estimate expected credit losses to reflect changes in credit risk since initial recognition of debt securities, loans to credit institutions and central banks exposures and commitments to extend credit. Impairment allowances are recognised based on forward looking information, even if no credit loss event has happened. The assessment considers a broad range of information, but as most of these types of exposures are rated, it relies heavily on external credit ratings and rating agencies' reported default rates derived by calculating multi-period rating transition matrices. The LGD depends on the type of issuer (counterparty) and the external credit rating. Discounted cash flow is used to calculate EAD. The effective interest rate on debt securities is the yield at the time of purchase. The effective interest rate on a money market transaction is the interest rate of the transaction. Expected losses for balances in correspondent accounts and interbank overnight loans are not calculated due to the short-term nature of transactions (not exceeding one day).

If no credit rating is assigned, then the country's long-term credit rating is used, downgraded by 1 rating notch. Impairment provisions apply to financial assets measured at amortised cost but does not apply to financial assets measured at fair value through profit or loss. The Group and the Bank will recognise impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as described above. The expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value.

For financial assets measured at fair value through other comprehensive income, the loss allowances are recognised in other comprehensive income and does not reduce their carrying amount in the statement of financial position.

Geopolitical risks

As the consequence of the Russia invasion of Ukraine, the imposed EU, USA and other sanctions as well as the counter measures implemented by Russia, the geopolitical risks increase significantly. Businesses and assets directly located in Russia, Belarus, as well as Ukraine have been negatively impacted. The Group and the Bank were successful to rapidly reduce exposures in the mentioned regions and remaining exposures are minor (4 thousand EUR as at 31st December 2023). There are also indirect consequences resulting in changes of payment flows, sanctioned goods flows as well as price shocks of multiple commodities and products. Credit customers that are affected by such negative events (e.g., manufacturers of metal products, energy production from natural gas, etc.) have been added to credit watch list and consequently reclassified as Stage 2 exposures.

Non-financial assets

The carrying amounts of the Group's and the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The main assets and cash generating units considered by the Group comprise investment properties. Properties are valued on an individual basis. Impairment losses are recognised as in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their

3 MATERIAL ACCOUNTING POLICIES (continued)

present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, except goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Loan commitments

In the normal course of business, the Group and the Bank enter into credit related commitments comprising irrevocable credit line facilities, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably. For unused credit amounts that have been granted but not used in accordance with the terms of the loan agreement, a conversion factor is calculated, depending on the historical use of the credit limits over the last 3 years. The amount of unused credit is multiplied by the conversion factor and added to the loan balance. For the purpose of calculating EAD for unused loans, it is assumed that the unused credits will be repaid in accordance with the repayment schedule of the relevant loan agreement.

Financial guarantee liabilities and provisions for other credit related commitments are included within other liabilities.

Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the statement of profit or loss in the year for which it is assessed. Corporate income tax for the distributed profit and corporate income tax for the conditionally distributed profit is included in the statement of profit or loss line item "Income tax expenses" and disclosed by the components in the notes to the financial statements.

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation. Corporate income tax is included in the profit and loss statement line item "Corporate income tax for the reporting year" in the year for which it is assessed and disclosed by the components in the notes to the financial statements.

Corporate income tax for the distributed profit is calculated as 20/80 of the net amount payable to shareholders. Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The applicable tax rate in Latvia for undistributed profits earned till 2023 was 0%. For profits earned in 2023 or later periods, corporate income tax should be calculated and paid in the amount of 20% from annual profit after tax. Any amount of corporate income tax paid on undistributed profit will subsequently reduce the amount of tax payable for distribution of profit of the particular year.

3 MATERIAL ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Latvijas Banka and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of their short-term commitments, less amounts due to the Latvijas Banka and credit institutions with original maturities of less than 3 months.

Leases

Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When assets are leased out under finance lease terms, the net investment in finance lease is recognised as a receivable. The net investment in finance lease represents the difference between the gross receivable and the unearned finance income.

Operating lease

An operating lease is a lease other than a finance lease.

Assets leased out under an operating lease are presented within property and equipment in the statement of financial position net of accumulated depreciation. They are depreciated over their expected useful lives on a basis consistent with similar owned property and equipment.

The Group and the Bank as a lessee

Where the Bank acts as a lessee, the standard requires that right-of-use (RoU) assets and lease liabilities arising from most leases are recognised in the statement of financial position.

Depreciation of the RoU assets and interest expenses related to lease liabilities are recognised in the statement of profit or loss. In the statements of cash flows payments for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities. The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The RoU asset is initially measured at cost i.e., the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. The RoU asset is thereafter depreciated over the lease term. Lease payments are discounted using the incremental borrowing rate. The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group and the Bank as lessor

When acting as a lessor all leases shall be classified as either an operating lease or a finance lease. Operating leases are those leases where the lessor bears the economic risks and benefits.

Provisions

A provision is recognised in the statement of financial position when the Group and the Bank have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and provision amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends

The Group and the Bank receive dividends from the equity instruments that are recorded in profit or loss when the right to receive payment is established.

Proposed dividends are recognised in the financial statements only when approved by the shareholders.

Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in administrative expenses on an accrual basis. The Group and the Bank pay contributions to the State Social Insurance Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group and the Bank will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

3 MATERIAL ACCOUNTING POLICIES (continued)

Adoption of new and/or amended IFRSs accounting standarts and IFRIC interpretations

The following amended standards became effective for the first time for the annual periods beginning 1 January 2023, but did not have any material impact on the Group's and the Bank's financial statements:

• **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2023).

• **Amendments to IFRS 17 and an amendment to IFRS 4** (effective for annual periods beginning on or after 1 January 2023).

• **Transition option to insurers applying IFRS 17 – Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023).

• **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

• **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

• **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

• **Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules** (effective for annual periods beginning on or after 1 January 2023). This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform and provide a temporary exception options.

Standards or interpretations effective for the first time for the annual periods beginning on or after 1 January 2024 or not yet adopted by the EU.

• **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

• **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

• **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

• **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

The Group and the Bank are assessing impact of new standards and amendments on their financial statements.

4 RISK MANAGEMENT

The Board of the Bank has developed a system for the identification, supervision and management of the key financial risks. The Bank's Council has approved this risk management system. This system is being constantly updated to consider market conditions and the development of the Group's and the Bank's main operations. The following policies have been approved in order to achieve the Group's and the Bank's objectives related to capital adequacy, liquidity risk, credit risk, market risk, operational risk management, reputation risk, conflict of interest prevention activities, personal data protection and processing activities, internal control and anti-money laundering and counter-terrorism and proliferation financing and sanctions risk management:

1. Liquidity risk management policy;
2. Credit policy;
3. Credit risk management policy;
4. Risk transactions and risk control policy for large transactions;
5. Currency risk management policy;
6. Country risk management policy;
7. Interest rate risk management policy;
8. Internal control policy;
9. Anti-money laundering and counterterrorism and proliferation financing and sanctions risk management policy;

4 RISK MANAGEMENT (continued)

10. Compliance risk management policy;
11. Capital adequacy and liquidity assessment policy;
12. Operational risk management policy;
13. Conflicts of interest prevention policy;
14. Reputation risk management policy;
15. Personal data protection and processing policy.

The Board of the Bank is responsible for the implementation of the risk management policy approved by the Council of the Bank.

Comprehensive management of the risk control functions at the Bank is ensured by Chief Risk Officer (CRO). The CRO ensures that the following functions are performed:

- Set-up, supervision and timely improvement of the Group's risk management system;
- Providing comprehensive and clear information on the Group's overall risk profile, key risks and compliance with the risk strategy to the Bank's Council, Board and heads of relevant units on a regular basis;
- Advising and supporting the Bank's Council and Board in the development of risk strategies and in making other decisions related to the Group's risks.

To promote independence, the CRO's duties exclude such functions that relate to the performance of the activities to be controlled.

Liquidity risk

Liquidity risk is defined as the risk that the Group and the Bank may be unable to sustain its current and future cash flows and secure funding to prevent threats to the Bank's daily operations or overall financial position of the Bank (liquidity risk of financing) and risk that the Group and the Bank may be unable to sell its financial assets in the desired term without material losses due to a market collapse or insufficient market depth (market liquidity risk).

The Group and the Bank maintains adequate amounts of liquid assets to ensure compliance with liquidity ratio required by the normative acts of the Republic of Latvia and European Union. According to the requirement set by the Latvijas Banka, during 2023 the Bank was required to maintain liquidity coverage ratio (LCR) of at least 100% and net stable funding ratio (NSFR) of at least 100%. The Bank is following this requirement.

Regulations (EC) No.575/2013 introduced the concept of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as measurements of the Bank's and the Group's liquidity position. The minimum liquidity coverage ratio requirement is being introduced gradually. The minimum requirements to be complied with is 100%.

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Liquidity reserve	121,479	121,479	163,130	163,130
Net cash outflows	15,173	15,151	42,228	42,235
Liquidity coverage ratio, %	**801 %**	**802 %**	**386 %**	**386 %**

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.

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Required stable funding	93,482	87,288	84,034	77,985
Available stable funding	210,420	213,446	221,350	222,847
Net stable funding ratio, %	**225 %**	**245 %**	**263 %**	**286 %**

4 RISK MANAGEMENT (continued)

The Group and the Bank have approved internal limits for liquidity net position of the term structures of assets and liabilities in all currencies, EUR and USD. Internal limits for liquidity are used for risk analysis and control of liquidity and desirable structure of financing sources. An early warning system was developed in order to help identify exposure of the Bank's and the Group's liquidity position and necessity to attract additional sources. Based on data from early notification indices the Group and the Bank identify adverse trends impacting liquidity and analyse these trends and assess whether any hedging measures are required for liquidity risk. The Bank's Treasury Division organises and manages the daily process of resource management in order to ensure solvency, liquidity and profitability of the Bank. The Risk Management Division of the Bank evaluates and plans the term structure of assets and liabilities on a regular basis and carries out control over liquidity risk management, including monitors compliance with the required liquidity norms and internal limits defined by the Group and the Bank. Liquidity stress testing is performed using multiple scenarios. Scenarios include both internal and external factors. Stress testing is performed to the following stress levels: internal and typical to the Bank unfavourable events, changes of general market conditions, banking crisis and general market crisis at the same time. The impact of various shock scenarios on the liquidity ratio, liquidity coverage ratio and the Bank's income is analysed. The reverse stress testing is also carried out. The Board develops and the Council approves a Business Continuity Plan for liquidity crises that specifies preventive measures for the reduction of the likelihood of liquidity crisis, methods and activities of timely identification of liquidity crisis and risk assessment, measures that have to be taken immediately in order to overcome liquidity crisis. The Business Continuity Plan is tested on a regular basis. For maturity analysis of assets and liabilities refer to Note 35.

Credit risk

Credit risk is the risk that a counterparty, or borrower, fails or refuses to meet contractual obligations to the Group and the Bank.

The main objective of the Group's and the Bank's credit risk management is to ensure an optimal level of profit, financial stability of the Group and the Bank in a long term by adhering to the set credit risk appetite and tolerance limits across various categories, ensuring effective credit risk identification, measurement, monitoring and evaluation system, risk forecasting, estimation of its probable volumes and consequences, identifying, developing and implementing risk mitigation measures.

The Group and the Bank have developed appropriate credit risk management strategy, policies and procedures to manage the credit risk. The Credit Policy of the Group and the Bank sets out the basic principles for the management of credit exposures, credit risk diversification instruments, various permitted concentration levels and limits, basic principles for assessing the creditworthiness of borrowers and the document governing the decision on granting loans and changing credit conditions. The Group's and the Bank's credit risk management policies and strategies set out basic methods for credit risk management, identification, measurement and monitoring (ongoing supervision), control and mitigation, credit monitoring policies and quality evaluation criteria. The credit risk evaluation system includes:

- risk assessment to make a decision on granting a loan;
- monitoring and management of credit risk;
- profit adjustment representing risk;
- risk analysis of credit portfolios;
- capital adequacy and capital distribution assessment;
- regular credit risk stress testing by the use of different scenarios.

The Group and the Bank apply various credit risk minimisation methods:

- limits and other restrictions, including limits on the total amount of loans granted to a single borrower or group of related persons, compliance with which is regularly monitored;
- diversification of the loan portfolio;
- assessing the creditworthiness of borrowers and guarantors;
- taking security and regular revaluation;
- setting special and / or additional conditions for loan issue;
- loan monitoring and supervision, including through the Early Warning Indicator System;
- regular loan quality assessment, etc.

The Group's and the Bank's credit risk is managed by Council, Board, Chief Risk Officer and Credit Committee. The established Asset Valuation Committee regularly monitors the Group's and the Bank's credit risk.

Credit risk control at the Group and the Bank is carried out by a dedicated unit – Credit Risk Management Unit. The Group and the Bank continuously monitor the performance of individual credit exposures and

4 RISK MANAGEMENT (continued)

regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly determined by either independent appraisal companies or the Bank's specialists, the changes in real estate prices are regularly monitored and analysed.

The Group and the Bank's maximum exposure to credit risk in the statement of financial position is generally reflected in the carrying amount of financial assets. The impact of possible netting of assets and liabilities to reduce potential credit risk exposure is not significant.

The Group and the Bank determine concentration limits and monitor credit risk concentration by industry/ sector, geographic location, type of loan, country of residence, loan currency and type of collateral. Overall, concentration of the loan portfolio is verified across seven positions. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 9 "Loans and receivables" and Note 37 "Maximum credit risk exposure". In order to meet the requirements defined in the Risk transactions and large risk transactions control policy, the Group and the Bank perform an assessment and control of risks associated with all assets and liabilities, including contingent liabilities of the Group and the Bank on a regular basis. Limits are regarded as the main tool for the control of risk transactions.

Capital management

Regulation No 575/2013 requires credit institutions to maintain Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6% and total capital ratio of 8%. Capital ratios are calculated by the Bank as follows: Common Equity Tier 1 capital ratio is Tier 1 equity of the Bank expressed as a percentage against total risk exposure; Tier 1 capital ratio is Tier 1 capital expressed as a percentage against total risk exposure; and total capital ratio is equity expressed as a percentage against total risk exposure. Total risk exposure is the sum of notional risk weighted assets and contingent liabilities and is determined as the sum of capital requirement for specific risk multiplied by 12.5. According to the requirement set by the Latvijas Banka (previously Financial and Capital Market Commission), during 2022 the Bank was required to maintain an individual capital adequacy ratio of 10.15%. During 2023 the Bank was required to maintain an individual capital adequacy ratio of 10.2%. In addition, according to the Credit Institutions Law, the Bank is required to maintain a sufficient level of Tier 1 capital to cover the total capital buffer requirement, which consists of a capital buffer of 2.5% of total risk exposure, the specific countercyclical capital buffer of 0.01% of total risk exposure determined as the total value of exposures multiplied by the countercyclical capital buffer rate specific for the particular credit institution, and Pillar 2 Guidance requirement set by the Latvijas Banka of 0.25% of total risk exposure.

Bank uses Standardised approach for determining risk exposure values and the amount of capital, necessary to cover risks associated with these assets. Weighted average value of guarantees and potential liabilities are estimated in accordance with lending risk adjustment grades and risk grades defined for exposures of partners. The following risk grades are applied: 0%, 20%, 35%, 50%, 100%, 150%. For qualifying exposures Bank applies SME supporting factor to reduce the risk exposure.

Capital management is carried out at the Bank according to the Capital and Liquidity Adequacy Assessment Policy. The process of capital adequacy assessment is organised at the Bank by CRO and implemented by the Risk Management Division.

An integral part of the capital adequacy assessment process at the Bank is the calculation, planning and maintenance of capital adequacy. The Bank's objectives when managing capital, which complies with the term "equity" in the statement of financial position, are:

- To comply with the capital regulatory requirements.
- To safeguard the Bank's ability to continue as a going concern to provide returns for shareholders.
- To maintain the sufficient capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management on a regular basis, employing techniques based on the guidelines developed by the Basel Committee and the European Union directives, as implemented by the Latvijas Banka (previously Financial and Capital Market Commission).

For the calculation of capital adequacy refer to Note 36.

Capital adequacy calculation of the Group and the Bank include several transitional adjustments as implemented by the European Union and Latvijas Banka (previously Financial and Capital Market Commission). The transitional adjustments under Regulation (EU) 2017/2395 (of 12 December 2017) concerning

4 RISK MANAGEMENT (continued)

the impact of IFRS 9 on equity (CET1) were applicable from 2018 till 2022. As of financial year 2023, no such transitional adjustments were applied.

Currency risk

Currency risk represents the potential losses from revaluation of balance sheet and off-balance-sheet items denominated in foreign currencies due to movements in foreign exchange rates. Gold is regarded as foreign currency. The objective of currency risk management is to mitigate the impact of adverse changes in exchange rates by minimising open positions in foreign currencies. The Bank does not use foreign currency open positions to generate income from speculative operations. The Group and the Bank performs daily controls of compliance with limits defined in Currency risk management policy, for transactions with foreign currency. The Group and the Bank are subject to the Credit Institutions Law which requires that the open position in an individual currency should not exceed 10% of the Bank's capital and the total open foreign currency position should not exceed 20% of the Bank's capital applicable to limiting large exposures according to Regulation No 575/2013. In accordance with the Currency Risk Management Policy, structural units of the Group and the Bank are cooperating with the Risk Management Division in evaluation of the currency risk component of the planned transactions and elaboration of risk hedging method for it. For currency analysis refer to Note 34.

Interest rate risk

Interest rate risk is represented by possible negative influence on the Group's and the Bank's income that can result from possible changes of interest rates. The GAP analysis is used for measurement of interest rates risk. Assets, liabilities, guarantees and contingent liabilities, subjected to interest rate risk, are divided in accordance with minimum period, left till possible repricing dates of interest rates. Basis risk is the likelihood to incur losses due to changes in interest rates on financial instruments with equal repricing dates but different base rates. Basis risk is managed by repricing loans (at floating interest rates) and deposits (with floating interest rates) to the same base rates. Repricing risk is the likelihood to incur losses due to changes in interest rates and different remaining maturities of assets, liabilities and contingent items. Yield curve risk is the likelihood to incur losses due to unexpected changes in the slope and shape of the yield curve. Repricing risk and yield curve risk are managed by matching interest rate sensitive assets and liabilities in each term interval (i.e., maintaining the net position of interest rate risk in each term interval within internal limits). Optionality risk is the likelihood to incur losses when the financial instrument directly (options) or indirectly (loans with early repayment option, demand deposits etc.) provides the customer with an option. Optionality risk is managed by setting enough commission fees for early withdrawal of a deposit and early repayment of a loan. The Group and the Bank calculate the influence on yearly interest income, with parallel increase of interest rates for 100 base points. In order to assess the impact of adverse changes in interest rates on profitability and economic value in market emergencies the Bank performs interest rate risk stress testing. In accordance with requirements of Interest rate risk management policy, interest rate risk must be assessed whenever limits for financial instruments are determined. For the results of sensitivity analysis refer to Note 32.

Country risk

Country risk is represented by possible losses in cases, where a debtor of the Group and the Bank, being non-resident, will not be able to meet its liabilities against the Group and the Bank, due to political, social or economic circumstances of the country of residency of the debtor. Country risk is managed by the Board of the Bank. Based on analysis of economic, political and social conditions of each country, limits are determined for geographic concentration of assets, liabilities and off-balance sheet items, for the purpose of management of country risk. The evaluation provided by international rating agencies is considered when assessing country risk. Limitations have been approved for placement of assets in countries graded as non-OECD, as well as for limitations on residual balances of nostro accounts. Limits for partners and transaction types are determined based on evaluation of risks of country and partners. Compliance with the limits is ensured by the Risk Management Division via regular control. For geographical concentration refer to Note 31.

Anti-money laundering and counter-terrorism and proliferation financing and sanctions risk management

The Bank's objective in anti-money laundering and counter-terrorism and proliferation financing (hereinafter referred to as - AML/CTF/CPF) and sanctions risk management is to safeguard the Bank's reputation and stability in relationships with customers and in the society as a whole, to cooperate and provide financial services to trustworthy customers and business partners, the business activity of which is understandable to the Bank to prevent the Bank from being involved in ML/TF/PF in breach of sanctions, so that to prevent losses related to loss of customers and trust.

4 RISK MANAGEMENT (continued)

Ensuring efficient Money Laundering and Terrorism Financing and Proliferation Financing and sanctions risk management process is one of the Bank's priority. The Bank is constantly improving the ML/TF/PF and sanctions risk management system to ensure adequate monitoring of its customers' operations and services.

Within the framework of ML/TF/PF and sanctions risk management, the sufficiency of the necessary resources is ensured, including ensuring the amount of capital necessary to cover the risks related to the bank's operations.

The Bank ensures the management of the ML/TF/PF risk and sanctions risk in compliance with:
- the requirements of regulatory enactments in force in the Republic of Latvia;
- the Bank's business development strategy;
- the ML/TF risk management strategy;
- the ML/TF/PF risk and sanctions risk management policy;
- the internal procedures and instructions governing the field of the Bank's ML/TF/PF risk and sanctions risk management.

During the reporting period, measures have been taken to improve payment supervision, strengthening the risk-based approach. In order to increase the competence and professional knowledge of employees, external and internal trainings were provided in various areas related to risk management. The implemented structural changes and the automation of internal processes allow to significantly reduce the daily workload of human resources and increase the quality of execution.

Operational risk

Operational risk is the risk of losses resulting from inadequate or improper internal processes, human and systems error, or the impact of external events, including legal risk but excluding strategic and reputational risk. Aiming to set up a system for the management of operational risk that would reduce the frequency of risk occurrences and the amount of loss to a level acceptable to the Bank and to safeguard the Bank's assets and capital, the Council has approved an appropriate policy. In order to implement this policy, the Board has approved a procedure that specifies the methods for identification, assessment, regular monitoring, control and mitigation of operational risk. Operational risk is managed by the Bank employing the following approaches: reporting of operational risk events; maintaining a data base of operational risk; establishing and controlling operational risk indicators any changes in which may indicate an increased likelihood of risk; self-assessing operational risk; and stress testing using both internal data and information on external operational risk events. The Bank uses insurance to reduce risk. Operational risk is managed by Risk Management Division.

To support the Bank's business continuity and to decrease operational losses due to force majeure circumstances the Board drafts and the Council approves and improves the business continuity plan and the information system recovery plan.

Operational compliance risk

Operational compliance risk is the risk that the Bank may incur losses or legal obligations, be subject to sanctions or suffer impairment of reputation as a result of a failure to comply or a breach of compliance laws, regulations and standards. Operational compliance risk is inherent in all operations of the Bank. Management of operational compliance risk involves control, due identification, documentation, assessment, classification and efficient prevention of this risk or decreasing it to a level that the Bank finds acceptable, and follow-up of the risk. The operational compliance control is directed at the existing Bank's operations and due planning and execution of measures to prevent or decrease operational compliance risk regarding new products and services of the Bank or other lines of business. Management of operational compliance risk is effected according to a policy approved by the Council using the following measures and approaches: compliance legislation changes monitoring; implementation of the appropriate changes to internal normative documents of the Bank; providing the information on the recent changes in external regulation to the Bank's employees; systemic compliance reviews of the Bank's structural units, policies, internal procedures, other normative and informative materials; assessment of innovations; identification of operational compliance risks caused by external conditions; analysis of reports of internal and external auditors and regulator or other parties; performance of quality assurance controls; analysis of the Bank client's complaints; maintenance of an operational compliance risk data base and control over due prevention of identified risks or decreasing such risks to an acceptable level. Operational compliance risk is managed by the Compliance Control Division who reports to the management on a regular basis about the Bank's compliance risk level, as well as on recommended and completed tasks to improve compliance risk management.

Geopolitical risk

The Russian-Ukrainian war and the ensuing sanctions and negative effects on the economic situation have not produced any significant immediate negative effects on the Bank's activities.

5 ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS accounting standards as adopted by the EU requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of financial assets at amortised cost

The management makes a number of judgements regarding financial instruments: classification of financial assets, evaluation of the business model assets, and the contractual terms of a financial asset, in accordance with the "principal and interest payments only" principle. Note 3, "Credit impairment": criteria for determining a significant increase in the credit risk of a financial asset from initial recognition, including Forward-Looking Information in the Estimation of expected credit loss and models used to calculate expected credit loss.

Fair value of investment property

In assessing the fair value of investment property, management relies on external experts, independent property appraisers who have appropriate and recognised professional qualifications and recent experience in valuing the same category of property in the same place. External evaluations use the income method or the comparative method (or both). The income method is based on the discounted estimated future cash flows of the property. The comparative method is based on recent transactions with similar properties.

6 CASH AND BALANCES DUE FROM THE LATVIJAS BANKA

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Cash	1,004	1,004	1,712	1,712
Due from the Latvijas Banka (including obligatory reserve)	91,684	91,684	115,212	115,212
Total	**92,688**	**92,688**	**116,924**	**116,924**

Due from the Latvijas Banka represents the EUR nominated balance on the correspondent account with the Latvijas Banka.

According to the regulations of the European Central Bank, the Bank is required to maintain obligatory reserves with the Latvijas Banka equal to 1% of the closing monthly balances due of deposits with agreed maturity or period of notice up to 2 years and debt securities issued with initial maturity up to 2 years. For all other liabilities included in the reserve calculation the applicable rate is 0%.

The obligatory reserve is compared to the Bank's average monthly balance on the correspondent account with the Latvijas Banka. The Bank's average cash and correspondent account balance should exceed the compulsory reserve requirement.

As at 31 December 2023 and 31 December 2022 the Bank was in compliance with the above requirements.

Cash and balances are available on request from the Latvijas Banka, thus, given the very low probability of default, the expected credit loss is not material.

7 DEMAND DEPOSITS WITH CREDIT INSTITUTIONS

(a) Geographical segments

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Credit institutions of OECD countries	153	153	124	124
Credit institutions of non-OECD countries	458	458	476	476
Total	**611**	**611**	**600**	**600**

The Bank maintained relationships with 6 correspondent banks (2022: 7).

The main outstanding balance per correspondent bank of the Group and the Bank is Bank of China - 337 thousand EUR (2022: 467 thousand EUR).

(b) Credit rating structure (Standard&Poors)

When allocating financial resources to monetary financial institutions, external credit ratings assigned to financial institutions are assessed. For financial institutions with no individual rating, the rating of the parent bank as well as the assessment of financial and operational performance is considered. After commencement of business relations, the Group and the Bank monitors monetary financial institutions and controls the compliance of granted limits with credit risk assessment.

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
-rated from AAA to A-	490	490	598	598
-rated from BBB+ to BBB-	120	120	-	-
-rated from BB+ to B-	1	1	1	1
-not rated	-	-	1	1
Total	**611**	**611**	**600**	**600**

8 FINANCIAL ASSETS

(a) By category

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Financial assets at amortised cost:				
Debt securities	49,143	49,143	49,903	49,903
Loans and receivables	81,711	96,801	70,004	83,217
Financial assets at fair value through profit or loss:				
Equity securities (Visa Inc. Class C convertible participating preferred stock)	2,005	2,005	1,662	1,662
Financial assets at fair value through other comprehensive income:				
Debt securities	-	-	992	992
SWIFT shares	24	24	23	23

8 FINANCIAL ASSETS (continued)

(b) Debt securities:

EUR'000	2023 Group	2023 Banka	2022 Group	2022 Banka
Financial assets at amortised cost:	49,143	49,143	49,903	49,903
Latvian government bonds with fixed income (S&P: A+; Moody's: A3)	27,997	27,997	28,514	28,514
Lithuanian government bonds with fixed income (S&P: A+; Moody's: A2)	21,146	21,146	21,389	21,389
Financial assets at fair value through other comprehensive income:	-	-	992	992
Latvian government bonds with fixed income (S&P: A+; Moody's: A3)	-	-	992	992

9 LOANS AND RECEIVABLES

(a) Loans by groups:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Individuals	17,988	17,497	21,630	21,105
Legal entities	68,163	87,033	56,227	73,537
Total loans, gross	**86,151**	**104,530**	**77,857**	**94,642**
Allowance for expected credit losses	(4,440)	(7,729)	(7,853)	(11,425)
Total loans, net	**81,711**	**96,801**	**70,004**	**83,217**

(b) Loans by type:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Loans	76,176	80,500	72,185	76,780
Credit lines	9,657	23,712	5,335	17,525
Overdrafts	318	318	337	337
Loans, gross	**86,151**	**104,530**	**77,857**	**94,642**
Allowance for expected credit losses	(4,440)	(7,729)	(7,853)	(11,425)
Total loans, net	**81,711**	**96,801**	**70,004**	**83,217**

9 LOANS AND RECEIVABLES (continued)

(c) Loans issued by industry, gross:

EUR'000	2023 Group	%	2023 Bank	%	2022 Group	%	2022 Bank	%
Legal entities								
Real estate	25,546	37%	25,546	29%	24,723	44%	25,047	34%
Construction	646	1%	646	1%	347	1%	347	0%
Electricity	912	1%	912	1%	2,867	5%	2,867	4%
Wholesale and retail	7,946	12%	7,946	9%	5,523	10%	5,523	8%
Industrial markets	10,851	16%	10,851	12%	7,582	13%	7,582	10%
Transport, warehousing and communications	5,760	8%	5,760	7%	6,661	12%	6,661	9%
Financial intermediaries	-	0%	21,728	25%	4	0%	20,264	28%
Finance lease	2,857	4%	-	0%	3,274	6%	-	0%
Others	13,645	21%	13,644	16%	5,246	9%	5,246	7%
Total	**68,163**	**100%**	**87,033**	**100%**	**56,227**	**100%**	**73,537**	**100%**
Individuals								
Consumer loans	559	3%	559	3%	1,520	7%	1,520	7%
Credit cards	318	2%	318	2%	337	2%	337	2%
Mortgage loans	14,915	83%	14,915	85%	17,747	82%	17,747	84%
Finance lease	491	2%	-	0%	525	2%	-	0%
Business loans	92	1%	92	1%	1,365	6%	1,365	6%
Others	1,613	9%	1,613	9%	136	1%	136	1%
Total	**17,988**	**100%**	**17,497**	**100%**	**21,630**	**100%**	**21,105**	**100%**

(d) Loans by geographical classification:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Residents of Latvia	85,695	104,074	77,377	94,162
Residents of OECD countries	452	452	464	464
Residents of non-OECD countries	4	4	16	16
Loans and advances to non-banking customers, gross	**86,151**	**104,530**	**77,857**	**94,642**
Allowance for expected credit losses	(4,440)	(7,729)	(7,853)	(11,425)
Loans and advances to customers, net	**81,711**	**96,801**	**70,004**	**83,217**

(e) Movements in the allowances for expected credit losses:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Balance at the beginning of the year	**7,853**	**11,425**	**13,698**	**15,975**
Increase in allowance for expected credit losses	1,568	1,581	1,322	2,666
Release of prior periods' expected credit losse	(1,548)	(1,844)	(893)	(1,942)
Write-off of prior periods' expected credit losses	(3,433)	(3,433)	(6,274)	(5,274)
Balance at the end of the reporting period	**4,440**	**7,729**	**7,853**	**11,425**

9 LOANS AND RECEIVABLES (continued)

The main reasons for the decrease in reserves are: 1) NPL loan repayment and recovery, incl. NPL loans were written off, 2) reduction of PrivatBank loan portfolio taken over and recalculation of the amount of savings was carried out; 3) indexation of collateral value; 4) others, incl. changes in the macroeconomic forecast.

(f) Loans and accrued interest allocation, depending on delay of payments:

Group EUR'000		Loans not overdue	Overdue loans					
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
31 December 2023								
Gross loans	**86,151**	72,187	2,764	2,839	308	79	614	7,360
Allowance for expected credit losses	**(4,440)**	(1,913)	(140)	(377)	(109)	(10)	(522)	(1,369)
31 December 2022								
Gross loans	**77,857**	57,763	4,427	390	668	1,090	90	13,429
Allowance for expected credit losses	**(7,853)**	(2,197)	(1,044)	(16)	(23)	(17)	(5)	(4,551)

Bank EUR'000		Loans not overdue	Overdue loans					
			Up to 30 days	30-60 days	61-90 days	91-180 days	181-360 days	More than 360 days
31 December 2023								
Gross loans and advances	**104,530**	91,566	2,628	2,181	157	24	614	7,360
Allowance for expected credit losses	**(7,729)**	(5,381)	(139)	(250)	(61)	(7)	(522)	(1,369)
31 December 2022								
Gross loans and advances	**94,642**	75,884	3,849	349	161	556	90	13,753
Allowance for expected credit losses	**(11,425)**	(5,877)	(912)	(16)	(23)	(17)	(5)	(4,575)

9 LOANS AND RECEIVABLES (continued)

The amounts shown in the table represent the gross carrying amount of the loans by type of collateral and do not necessarily represent the fair value of the underlying security:

	2023 Group		2023 Bank		2022 Group		2022 Bank	
	EUR'000	%	EUR'000	%	EUR'000	%	EUR'000	%
Commercial buildings	39,234	46%	39,316	38%	35,783	46%	36,189	38%
Commercial assets pledge	5,969	7%	5,969	6%	7,187	9%	5,369	6%
Land mortgage	12,028	14%	12,028	11%	5,448	7%	5,448	6%
Mortgage on residential properties	21,854	25%	21,854	21%	19,859	26%	19,859	21%
Guarantee	256	0%	256	0%	704	1%	704	1%
Lease and other	5,789	7%	2,440	2%	7,057	9%	5,076	5%
No collateral	1,021	1%	22,667	22%	1,819	2%	21,997	23%
Incl.: credit card limits	306	-	306	-	337	-	337	-
Consumer loans	715	-	715	-	1,482	-	1,482	-
Loans to Consolidated subsidiaries	-	-	21,646	-	-	-	20,178	-
Total	**86,151**	**100%**	**104,530**	**100%**	**77,857**	**100%**	**94,642**	**100%**

Significant credit risk concentration

As at 31 December 2023 the Bank had 10 borrowers or groups of related borrowers and as at 31 December 2022, the Bank had 12 borrowers or groups of related borrowers, respectively, each of whose total loan liabilities exceeded 10% of the Bank's capital as disclosed in Note 36. The gross amount of the above loans as at 31 December 2023 and 31 December 2022 was 56,272 thousand EUR and 60,023 thousand EUR, respectively representing more than 50% of the outstanding loans. An impairment allowance was recognised for the above loans as at 31 December 2023 and 31 December 2022 in the amount of 4,204 thousand EUR and 7,839 thousand EUR, respectively.

The gross amount of three largest borrowers or groups of related borrowers as at 31 December 2023 were (in thousands): 5,028 EUR; 4,500 EUR and 3,620 EUR.

According to regulatory requirements, the credit exposure to one client or a group of related clients cannot exceed more than 25% of the Bank's Tier 1 capital. The Bank was in compliance with this requirement as at 31 December 2023 and at 31 December 2022.

(g) Breakdown of the Group's and the Bank's loans by their qualitative assessment:

EUR'000	31 December 2023		31 December 2022	
	Group	Bank	Group	Bank
Credit risk has not increased significantly (Stage 1)	57,774	55,918	44,717	42,544
Credit risk has increased significantly (Stage 2)	17,033	30,480	15,765	27,865
Loans in default or with evidence of impairment (Stage 3)	10,146	14,833	16,498	21,559
Loans purchased or originated credit-impaired financial assets (POCI)	1,198	3,299	877	2,674
Total gross loans	**86,151**	**104,530**	**77,857**	**94,642**
Allowance for expected credit losses	(4,440)	(7,729)	(7,853)	(11,425)
Total net loans	**81,711**	**96,801**	**70,004**	**83,217**

9 LOANS AND RECEIVABLES (continued)

Breakdown of the Group's and the Bank's loans by their qualitative assessment:

Group EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2022	**878**	**1,197**	**5,778**	**-**	**7,853**	**44,717**	**15,765**	**16,498**	**877**	**77,857**
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(40)	79	-	-	39	(2,235)	2,373	-	-	138
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	(5)	(49)	287	-	233	(120)	(815)	794	-	(141)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	-	-	-	-	-	-	-	-
to 12-months ECL (from Stage 2 to Stage 1)	16	(96)	-	-	(80)	1,330	(1,571)	-	-	(241)
New originated or purchased	430	72	298	6	806	23,016	5,485	791	351	29,643
Movements without impact on allowances for expected credit lossesin the period:	(195)	(223)	56	5	(357)	(2,496)	(1,085)	(309)	106	(3,784)
De-recognized	(151)	(193)	(277)	-	(621)	(6,438)	(3,119)	(4,195)	(136)	(13,888)
Other changes	-	-	-	-	-	-	-	-	-	-
Total movements for the period	**55**	**(410)**	**364**	**11**	**20**	**13,057**	**1,268**	**(2,919)**	**321**	**11,727**
Write-offs	-	-	(3,433)	-	(3,433)	-	-	(3,433)	-	(3,433)
31 December 2023	**933**	**787**	**2,709**	**11**	**4,440**	**57,774**	**17,033**	**10,146**	**1,198**	**86,151**

9 LOANS AND RECEIVABLES (continued)

Bank EUR'000	Aallowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
On 31 December 2022	**778**	**1,198**	**8,998**	**451**	**11,425**	**42,544**	**27,865**	**21,559**	**2,674**	**94,642**
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(40)	79	-	-	39	(2,235)	2,373	-	-	138
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	(5)	(49)	287	-	233	(120)	(815)	794	-	(141)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	-	-	-	-	-	-	-	-
to 12-months ECL (from Stage 2 to Stage 1)	16	(96)	-	-	(80)	1,330	(1,571)	-	-	(241)
New originated or purchased	430	72	298	6	806	23,016	5,485	791	351	29,643
Movements without impact on allowances for expected credit losses in the period:	(170)	(351)	33	166	(322)	(2,180)	341	(359)	2,012	(186)
De-recognized	(151)	(193)	(301)	(294)	(939)	(6,437)	(3,198)	(4,519)	(1,738)	(15,892)
Other changes	-	-	-	-	-	-	-	-	-	-
Total movements for the period	**80**	**(538)**	**317**	**(122)**	**(263)**	**13,374**	**2,615**	**(3,293)**	**625**	**13,321**
Write-offs	-	-	(3,433)	-	(3,433)	-	-	(3,433)	-	(3,433)
On 31 December 2023	**858**	**660**	**5,882**	**329**	**7,729**	**55,918**	**30,480**	**14,833**	**3,299**	**104,530**

9 LOANS AND RECEIVABLES (continued)

Group EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2021	**872**	**481**	**12,345**	**-**	**13,698**	**29,993**	**5,317**	**24,278**	**409**	**59,997**
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(236)	231	-	-	(5)	(6,327)	4,729	-	-	(1,598)
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	(50)	-	73	-	23	(511)	(60)	415	-	(156)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	2	(42)	-	(40)	-	103	(107)	-	(4)
to 12-months ECL (from Stage 2 to Stage 1)	5	(17)	-	-	(12)	276	(288)	-	-	(12)
New originated or purchased	569	705	48	-	1,322	26,117	6,351	314	657	33,439
Movements without impact on allowances for expected credit losses in the period:	(250)	(201)	(371)	-	(822)	(942)	186	(1,727)	(189)	(2,672)
De-recognized	(32)	(4)	-	-	(36)	(3,889)	(573)	(20)	-	(4,482)
Other changes	-	-	(1)	-	(1)	-	-	(381)	-	(381)
Total movements for the period	**6**	**716**	**(293)**	**-**	**429**	**14,724**	**10,448**	**(1,506)**	**468**	**24,134**
Write-offs	-	-	(6,274)	-	(6,274)	-	-	(6,274)	-	(6,274)
31 December 2022	**878**	**1,197**	**5,778**	**-**	**7,853**	**44,717**	**15,765**	**16,498**	**877**	**77,857**

9 LOANS AND RECEIVABLES (continued)

Bank EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2021	**697**	**481**	**14,313**	**484**	**15,975**	**27,234**	**20,483**	**27,588**	**2,165**	**77,470**
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(237)	231	-	-	(6)	(6,255)	4,661	-	-	(1,594)
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	(50)	-	73	-	23	(503)	-	359	-	(144)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	2	(42)	-	(40)	-	103	(107)	-	(4)
to 12-months ECL (from Stage 2 to Stage 1)	5	(17)	-	-	(12)	276	(288)	-	-	(12)
New originated or purchased	569	705	48	-	1,322	26,117	6,434	313	698	33,562
Movements without impact on allowances for expected credit losses in the period:	(174)	(200)	(119)	(33)	(526)	(625)	(1,406)	(1,243)	(189)	(3,463)
De-recognized	(32)	(4)	-	-	(36)	(3,700)	(2,122)	(20)	-	(5,842)
Other changes	-	-	(1)	-	(1)	-	-	(57)	-	(57)
Total movements for the period	**81**	**717**	**(41)**	**(33)**	**724**	**15,310**	**7,382**	**(755)**	**509**	**22,446**
Write-offs	-	-	(5,274)	-	(5,274)	-	-	(5,274)	-	(5,274)
On 31 December 2022	**778**	**1,198**	**8,998**	**451**	**11,425**	**42,544**	**27,865**	**21,559**	**2,674**	**94,642**

9 LOANS AND RECEIVABLES (continued)

Finance lease receivables:

Loans and advances to customers include the following finance lease receivables for leases of certain fixed assets where the Group is a lessor:

EUR'000	2023	2023
Gross investment in finance leases, receivable with maturity:		
Less than one year	526	859
Between one and five years	2,427	2,716
More than 5 years	397	224
Total gross investment in finance leases, receivables	**3,350**	**3,799**
Impairment allowance	(253)	(232)
Net investment in finance lease	**3,097**	**3,567**
Net investments in finance leases with maturity:		
Less than one year	526	727
Between one and five years	2,190	2,616
More than 5 years	381	224
Total	**3,097**	**3,567**

10 INTANGIBLE ASSETS

EUR'000	Group	Bank
Cost		
As at 31 December 2021	**2**	**2**
Additions	597	597
Disposals	-	-
31 December 2022	**599**	**599**
Additions	-	-
Disposals	-	-
31 December 2023	**599**	**599**
Accumulated depreciation		
As at 31 December 2021	**-**	**-**
Depreciation	36	36
31 December 2022	**36**	**36**
Depreciation	209	209
31 December 2023	**245**	**245**
Balance		
As at 31 December 2021	**2**	**2**
As at 31 December 2022	**563**	**563**
As at 31 December 2023	**354**	**354**

11 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Group EUR'000	Buildings	Vehicles	Office equipment	Right-of-use assets	Total
Cost					
As at 31 December 2021	**479**	**37**	**1,453**	**907**	**2,876**
Additions	-	51	235	-	286
Sales	-	-	-	-	-
Disposals	-	-	(9)	-	(9)
As at 31 December 2022	**479**	**88**	**1,679**	**907**	**3,153**
Additions	192	-	153	0	345
Reclassified from Investment property	8,792	-	-	-	8,792
Sales	(2)	-	-	-	(2)
Disposals	-	(28)	(2)	(907)	(937)
As at 31 December 2023	**9,461**	**60**	**1,830**	**-**	**11,351**
Accumulated depreciation					
As at 31 December 2021	**334**	**37**	**1,198**	**631**	**2,200**
Depreciation for the reporting year	24	9	153	210	396
Depreciation of disposed fixed assets	-	-	-	-	-
As at 31 December 2022	**358**	**46**	**1,351**	**841**	**2,596**
Depreciation for the reporting year	332	9	180	-	521
Depreciation of disposed fixed assets	(2)	(28)	(2)	(841)	(873)
As at 31 December 2023	**688**	**27**	**1,529**	**-**	**2,244**
Balance					
As at 31 December 2021	**145**	**-**	**255**	**276**	**676**
As at 31 December 2022	**121**	**42**	**328**	**66**	**557**
As at 31 December 2023	**8,773**	**33**	**301**	**-**	**9,107**

In connection with the fact that the bank's office and customer service center moved to the building owned by the Bank at Muitas street 1 in January 2023 and the Bank's Board, after evaluating the overall actual use of the building, concluded that the largest, actually used part of the building is for its own needs, the real estate Muitas street 1 should be reclassified from investment properties to fixed assets.

11 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Bank EUR'000	Buildings	Vehicles	Office equipment	Right-of-use assets	Total
Cost					
As at 31 December 2021	**479**	**-**	**1,453**	**907**	**2,839**
Additions	-	-	235	-	235
Sales	-	-	-	-	-
Disposals	-	-	(9)	-	(9)
As at 31 December 2022	**479**	**-**	**1,679**	**907**	**3,065**
Additions	192	-	153	-	345
Reclassified from Investment property	8,792	-	-	-	8,792
Sales	(2)	-	-	-	(2)
Disposals	-	-	(2)	(907)	(909)
As at 31 December 2023	**9,461**	**-**	**1,830**	**-**	**11,291**
Accumulated depreciation					
As at 31 December 2021	**334**	**-**	**1,198**	**631**	**2,163**
Depreciation for the reporting year	24	-	153	210	387
Depreciation of disposed fixed assets	-	-	-	-	-
As at 31 December 2022	**358**	**-**	**1,351**	**841**	**2,550**
Depreciation for the reporting year	332	-	180	-	512
Depreciation of disposed fixed assets	(2)	-	(2)	(841)	(845)
As at 31 December 2023	**688**	**-**	**1,529**	**-**	**2,217**
Balance					
As at 31 December 2021	**145**	**-**	**255**	**276**	**676**
As at 31 December 2022	**121**	**-**	**328**	**66**	**515**
As at 31 December 2023	**8,773**	**-**	**301**	**-**	**9,074**

Movement of lease liability

As at 31 December 2021	**279**
Lease payments	(197)
Interest accrued	5
Interest paid	(5)
As at 31 December 2022	**82**
Lease payments	(66)
Interest accrued	0
Interest paid	(16)
As at 31 December 2023	**-**

12 INVESTMENT PROPERTIES

Group EUR'000	Land	Buildings	Total
Cost			
As at 31 December 2021	**4,987**	**11,348**	**16,335**
Disposed	-	(2,596)	(2,596)
Acquired	1,950	5	1,955
Acquired through business combination (see Note 40)	-	8,942	8,942
31 December 2022	**6,937**	**17,699**	**24,636**
Disposed	(153)	(1,883)	(2,036)
Reclassified to Property and Equipment (see Note 11)	-	(8,794)	(8,794)
Acquired	2,219	1,134	3,353
31 December 2023	**9,003**	**8,156**	**17,159**
Change in fair value			
As at 31 December 2021	**259**	**(2,343)**	**(2,084)**
Revaluation impact	-	(244)	(244)
Adjustments	(1,066)	1,064	(2)
31 December 2022	**(807)**	**(1,523)**	**(2,330)**
Revaluation impact	(36)	(47)	(83)
Adjustments	(273)	-	(273)
31 December 2023	**(1,116)**	**(1,570)**	**(2,686)**
Balance			
As at 31 December 2021	**5,246**	**9,005**	**14,251**
As at 31 December 2021	**6,130**	**16,176**	**22,306**
As at 31 December 2023	**7,887**	**6,586**	**14,473**

Income from lease of investment property in 2023 amounted to EUR 350 thousand (2022: EUR 378 thousand) and related maintenance expenses in 2023 amounted to EUR 178 thousand (2022: EUR 131 thousand).

Investment property consists of land, residential properties and commercial properties.

The fair value measurement for investment property is categorised as Level 3 in the fair value hierarchy.

The largest investment properties by their value on:

Group EUR'000	Fair value 31.12.2023	Fair value 31.12.2022	Key assumptions
Sand and gravel deposit, Talsi region	3,700	3,700	Discount rate of 15.12%. Cash flow period of 10 years. Income based on sale of various quality of extracted sand and gravel.
Real estate Jāņogu street, Rīga	2,190	2,190	Income method based on separate sales deals, with discount rate 14%.
Real estate Slokas street, Jūrmala	1,858	1,858	Area with multi-apartment residential and commercial construction potential. Comparable transaction method.
Commercial real estate, Riga	1,134	-	Comparable market transactions method (50%) and income method (50%). Discount rate 10%.

12 INVESTMENT PROPERTY (continued)

Bank EUR'000	Land	Buildings	Total
Cost			
As at 31 December 2021	**53**	**867**	**920**
Disposed	-	-	-
Acquired through business combination	-	8,947	8,947
31 December 2022	**53**	**9,814**	**9,867**
Disposed	(53)	-	(53)
Reclassified to Property and Equipment (see Note 11)	-	(8,794)	(8,794)
Additions	-	-	-
31 December 2023	**-**	**1,020**	**1,020**
Change in fair value			
As at 31 December 2021	**273**	**-**	**273**
Revaluation impact	-	-	-
Adjustments	-	-	-
31 December 2022	**273**	**-**	**273**
Revaluation impact	-	-	-
Adjustments	(273)	-	(273)
31 December 2023	**-**	**-**	**-**
Balance			
As at 31 December 2021	**326**	**867**	**1,193**
As at 31 December 2022	**326**	**9,814**	**10,140**
As at 31 December 2023	**-**	**1,020**	**1,020**

There were three properties acquired through business combination. The main acquired property was land and building at Muitas iela 1, Riga the value of which was determined based on independent external appraisal. Until 31 December 2022 the property was used solely for the renting purposes. In mid-January 2023 the headquarters of the Bank were transferred to one part of the building acquired and the whole property was reclassified to Property and Equipment.

13 OTHER ASSETS

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Financial assets:				
Receivables	267	3	273	13
Credit card transactions in transit	790	790	483	483
Security deposits with VISA, MasterCard	1,656	1,656	1,668	1,668
VISA Inc A class shares sale in process	-	-	1,529	1,529
Other financial assets	570	662	828	828
	3,283	**3,111**	**4,781**	**4,521**
Non-financial assets:				
Deferred expenses	691	624	670	594
Assets held for sale	584	-	584	-
	1,275	**624**	**1,254**	**594**
Total	**4,558**	**3,735**	**6,035**	**5,115**

14 FINANCIAL LIABILITIES AT AMORTISED COST

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Sector profile:				
Non-banking deposits				
Legal entities	109,812	110,034	117,376	117,440
Individuals	114,370	114,370	126,279	126,279
State institutions	9	9	51	51
Total non-banking deposits:	**224,191**	**224,413**	**243,706**	**243,770**
Total deposits	**224,191**	**224,413**	**243,706**	**243,770**
Geographical profile:				
Residents	166,916	167,138	163,863	163,927
Non-residents	57,275	57,275	79,843	79,843
Residents of OECD countries	21,926	21,926	36,056	36,056
Residents of non-OECD countries	35,349	35,349	43,787	43,787
Incl. Residents of Cyprys	14,946	14,946	20,903	20,903
Residents of Russia	9,762	9,762	11,690	11,690
Residents of Ukraine	5,086	5,086	5,316	5,316
Other non-OECD countries	5,555	5,555	5,878	5,878
Total deposits	**224,191**	**224,413**	**243,706**	**243,770**

14 FINANCIAL LIABILITIES AT AMORTISED COST (continued)

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Demand deposits				
Legal entities	104,636	104,858	106,945	107,009
Private individuals	65,020	65,020	81,324	81,324
State institutions	9	9	51	51
Total demand deposits	**169,665**	**169,887**	**188,320**	**188,384**
Term deposits				
Legal entities	5,176	5,176	10,431	10,431
Private individuals	49,350	49,350	44,955	44,955
Total term deposits	**54,526**	**54,526**	**55,386**	**55,386**
Total current accounts and deposits from non-banking customers	**224,191**	**224,413**	**243,706**	**243,770**

As at 31 December 2023, the customer deposit balances of EUR 820 thousand (2022: EUR 1,509 thousand) were blocked by the Bank as collateral for loans and other contingent liabilities granted by the Bank.

Concentrations of current accounts and customer deposits

As at 31 December 2023 and 31 December 2022 the Bank had no customers whose balances exceeded 10% of total customer deposits.

15 SUBORDINATED LIABILITIES

As at 31 December 2023 subordinated liabilities comprise loans received from 4 private individuals and 4 legal entities (31 December 2022: 4 private individuals and 4 legal entity).

EUR'000	Maturity	Interest rate	2023 Group	2023 Bank	2022 Group	2022 Bank
Loan No. 1	30.06.2026	4.00%	281	281	281	281
Loan No. 2	26.04.2025	4.00%	632	632	615	615
Loan No. 3	28.08.2023	5.00%	202	202	210	210
Loan No. 4	13.07.2025	5.00%	501	501	501	501
Loan No. 5	27.08.2025	5.00%	500	500	501	501
Loan No. 6	29.12.2025	5.00%	315	315	315	315
Loan No. 7	30.11.2025	5.00%	1,004	1,004	1,004	1,004
ALoan No. 8	22.12.2025	5.00%	129	129	125	125
Loan No. 9	22.12.2025	5.00%	125	125	125	125
Total			**3,689**	**3,689**	**3,677**	**3,677**

In case of liquidation of the Bank subordinated loans are to be satisfied after the claims of all other creditors of the Bank, but before claims of shareholders of the Bank.

16 OTHER LIABILITIES

Other liabilities are as follows:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Financial liabilities				
Cash in transit	1,104	1,104	982	982
Unmatched funds	79	79	328	328
Other financial liabilities, incl.	2,245	1,925	2,798	2,798
Lease liabilities (IFRS 16)	-	-	*82*	*82*
	3,428	**3,108**	**4,108**	**4,108**
Non-financial liabilities				
Corporate Income Tax liabilities (see Note 39)	1,045	1,045	-	-
Other taxes	272	269	47	47
Accrued expenses and deferred income	1,021	1,005	1,221	906
	2,338	**2,319**	**1,268**	**953**
Total	**5,766**	**5,427**	**5,376**	**5,061**

Cash in transit includes amounts requested by customers for payment with a value date of 2 January 2023 and 2022 respectively.

Unmatched funds include amounts which are under investigation and are not yet attributed to the Bank's customer accounts. Unmatched funds are investigated within ten working days after they are received.

Other liabilities include provisions for unused vacations in amount of EUR 526 thousand for the Group and EUR 512 thousand for the Bank (2022: EUR 476 thousand and EUR 465 thousand, respectively).

17 SHARE CAPITAL

		2023		2022	
	Nominal value EUR	Number of shares	Share capital EUR'000	Number of shares	Share capital EUR'000
Ordinary shares	71.10	388,200	27,601	388,200	27,601

Shareholders

	2023		2022	
	Number of shares	%	Number of shares	%
Legal entities	388,200	100%	388,200	100%
Total	**388,200**	**100%**	**388,200**	**100%**

The Bank's capital is registered and fully paid. Ordinary shares rank equally with respect to dividends, as may be declared, and entitle all holders to equal voting rights at the shareholders' meeting. All shares rank equal with respect to residual assets. As at 31 December 2023, there were 5 shareholders – 5 legal entities (as at 31 December 2022: 5 shareholders – 5 legal entities).

As at 31.12.2023 SIA "J.A. Investment Holdings" owns 33.63% of the capital, SIA "HPI 2" and SIA "Ouroboros" owns 25.00% each.

At 31.12.2023 the Group and the Bank fully complies with EU Regulation no. 575/2013 - the total capital adequacy ratio of the Group and the Bank is 19.07% and 21.02%, respectively, while the minimum total capital adequacy ratio of the Bank and the Group set by Latvijas Banka is 12.71%.

The use of share premium is defined by applicable Latvian legislation.

On 28th December 2023 the shareholders of the Bank decided on the allocation of share issuance and reserves to cover the losses of the previous years.

18 INTEREST INCOME

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest income calculated using effective interest rate:				
Interest income on assets at amortised cost:	9,332	9,453	2,930	3,212
Loans and receivables from customers	5,423	5,544	2,534	2,816
Loans and receivables from banks	3,909	3,909	396	396
Interest income from financial assets at fair value through profit or loss	564	564	254	254
Other interest income	-	-	88	88
Interest income from finance lease	185	-	209	-
Total	**10,081**	**10,017**	**3,481**	**3,554**

19 INTEREST EXPENSES

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest expenses on liabilities at amortised cost:				
Current accounts and deposits of customers	1,390	1,390	467	467
Other interest expense	413	413	586	586
Total	**1,803**	**1,803**	**1,053**	**1,053**

20 COMMISSION AND FEE INCOME

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Commissions from money transfers, cash operations and servicing accounts	5,095	5,095	4,530	4,530
Fees from e-commerce	1,603	1,603	2,655	2,655
Fees from cards services	752	752	719	719
Fees from POS services	270	270	324	324
Commissions from lending services and guarantees	416	416	209	209
Brokerage fees	10	10	20	20
Other commission income	303	303	331	329
Total	**8,449**	**8,449**	**8,788**	**8,786**

21 COMMISSION AND FEE EXPENSE

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Commissions paid to correspondent banks	98	98	96	96
Commissions for transactions with payment cards	1,648	1,648	2,353	2,353
Fees for operations with securities	46	46	23	23
Other commission expense	13	13	4	4
Total	**1,805**	**1,805**	**2,476**	**2,476**

22 GAIN ON TRADING WITH FINANCIAL INSTRUMENTS, NET

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Profit from foreign currency transactions	155	155	366	366
(Loss)/profit from revaluation of foreign currencies	66	92	(111)	(21)
Profit/(Loss) on the revaluation of financial assets measured at fair value through profit or loss	406	406	(167)	(167)
Income from dividends	11	11	5	5
Total	**638**	**664**	**93**	**183**

23 OTHER OPERATING INCOME

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Income from real estate rental and maintenance	411	230	508	204
Income from real estate sale	45	-	415	179
Written off asset recovery	84	84	43	43
Income from penalties	22	22	163	1
Other income	41	33	14	-
Total	**603**	**369**	**1,143**	**427**

24 ADMINISTRATIVE EXPENSES

Salaries represent the basic remuneration of the employees, social insurance contributions as well as other personnel expenses. As at 31 December 2023 the Group and the Bank employed on average 209 and 198 employees, respectively (2022: 207 and 202). Administrative expenses are as follows:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Salaries to members of the Council and the Board	842	679	780	722
Personnel salaries	5,385	5,354	4,523	4,499
State compulsory social insurance contributions	1,331	1,285	1,130	1,111
Professional services	1,465	1,461	1,024	1,020
Office supplies and maintenance expenses	446	451	252	252
Advertising and marketing	96	96	45	45
Other expenses	497	453	525	474
Total	**10,062**	**9,779**	**8,279**	**8,123**

Fees paid to the audit company PricewaterhouseCoopers SIA for annual audit of financial statements and other services included in the professional services line item are as follows:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Annual audit fees	114	110	107	102
Non-audit services	3	3	9	9

24 ADMINISTRATIVE EXPENSES (continued)

Total personnel expenses are included in the following profit or loss line item:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Administrative expenses	7,558	7,318	6,433	6,332
Total	**7,558**	**7,318**	**6,433**	**6,332**

25 DEPRECIATION OF PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Total depreciation of property, equipment and right of use assets consists of:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Depreciation of PPE	522	512	185	177
Depreciation of right-of-use assets	-	-	210	210
Depreciation of Intangible assets	209	209	36	36
Total	**731**	**721**	**431**	**423**

26 CASH AND CASH EQUIVALENTS

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Cash	1,004	1,004	1,712	1,712
Current placements with the Latvijas Banka	91,684	91,684	115,212	115,212
Demand deposits and term deposits with other credit institutions with initial maturity of less than three months	611	611	600	600
Total	**93,299**	**93,299**	**117,524**	**117,524**

27 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries

EUR'000		Investment %
Investments in subsidiaries	**2023**	**2022**
AS Industra Invest *	**100%**	**100%**
Investments in subsidiaries	44	44
Impairment allowance	(44)	(44)
Investment in subsidiary, net	**-**	**-**

27 INVESTMENTS IN SUBSIDIARIES (continued)

EUR'000	Current Assets	Long-term assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
31 December 2023	2,754	14,872	17,626	20,217	3,866	24,083	(6,457)
31 December 2022	2,974	14,104	17,078	15,617	7,062	22,679	(5,601)

EUR'000	Income	Expenses	Net loss
31 December 2023	1,040	(1,897)	(857)
31 December 2022	924	(1,183)	(259)

*AS "Industra Invest" (reg.No.40003471282) owns 100% shares of:

- MULT YATIRIM VE DANISMANLIK EMLAK TURIZM INSAAT ITHALAT IHRACAT SANAYI TICARET LIMITED SIRKETI (reg. No.52424) in Turkey, Antalya district, Kumluca region, Karaoz micro region, Jenica village
- SIA "Talsu Grants" (reg.No.40203271851) in Latvia, Rīga, Dzirnavu iela 62 - 20, LV-1050
- SIA "Jāņogu iela" (reg.No 40103514535) in Latvia, Rīga, Dzirnavu iela 62 - 20, LV-1050
- SIA "Slokas 60" (reg.No 40203445579) in Latvia, Rīga, Muitas iela 1, LV- 1010
- SIA "Brīvības 439" (reg.No. 50203493551) in Latvia, Rīga, Muitas iela 1, LV- 1010
- SIA "Pirmais Industriālais Parks" (reg.No. 40203501217) in Latvia, Rīga, Muitas iela 1, LV- 1010

28 RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders of the Bank who have a significant influence over the Bank, members of the Council and the Board, head of the Internal Audit Service, CRO, compliance controller, their close relatives and companies in which they have a controlling interest. In line with Section 43 of the Credit Institution Law, risk transactions with related parties must not exceed 20% of the Bank's equity, applicable to limiting large exposures according to Regulation No 575/2013.

Within the Group there are no transactions with MULT YATIRIM VE DANISMANLIK EMLAK TURIZM INSAAT ITHALAT IHRACAT SANAYI TICARET LIMITED SIRKETI, Turkey so there are no significant currency risk.

As at 31 December 2023 and 31 December 2022 the Bank was in compliance with this requirement.

The transactions carried out with AS Industra Invest were as follows:

EUR'000	2023 Bank	Average weighted rate	2022 Bank	Average weighted rate
Loans issued to AS Industra Invest	21,728	4.63%	22,039	2.45%
Loans issued to AS Industra Invest	222	-	64	-

The Bank's and the Group's assets and liabilities from transactions with related parties:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Credit exposures to other related parties, net				
Loans				
- Consolidated subsidiaries	-	21,728	-	22,039
- Management	-	-	-	-
- Companies related to the shareholders	1,105	1,105	523	523
Impairment	(41)	(3,584)	(72)	(3,926)
Credit exposures to related parties, net	**1,064**	**19,249**	**451**	**18,636**

28 RELATED PARTY TRANSACTIONS (continued)

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Liabilities to other related parties				
Deposits				
- Consolidated subsidiaries	-	222	-	64
- Management	153	153	254	254
- Companies related to the shareholders	8,030	8,030	1,297	1,297
Liabilities to related parties	**8,183**	**8,405**	**1,551**	**1,615**

The Bank's and the Group's operating income and expenses from transactions with related parties:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Interest income				
- Consolidated subsidiaries	-	107	-	282
- Management	-	-	-	-
- Companies related to shareholders	67	67	92	92
Interest expense				
- Consolidated subsidiaries	-	-	-	-
- Management	-	-	-	-
- Companies related to shareholders	102	102	1	1

The total amount of related party loans and deposits at the year end:

EUR'000	2023 Group	Weighted average rate	2022 Group	Weighted average rate
Loans to other related parties				
Opening balance	523		1,200	
Issued loans in current year (net)	1,105		-	
Repaid loans in current year	(523)		(177)	
The relationship with the bank ended in the reporting year	-		(500)	
Loans to other related parties	**1,105**	**8,89%**	**523**	**10,15%**

Remuneration to the Council and the Board:

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Remuneration to the Council and the Board	842	679	780	722
Social security tax for the remuneration to the Council and the Board	199	160	190	170
Total	**1,041**	**839**	**970**	**892**

29 ASSETS AND LIABILITIES UNDER MANAGEMENT

Assets EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Fiduciary loan	-	-	1,000	1,000
Total	**-**	**-**	**1,000**	**1,000**

Liabilities EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Funds received from corporate customers	-	-	1,000	1,000
Total	**-**	**-**	**1,000**	**1,000**

29 ASSETS AND LIABILITIES UNDER MANAGEMENT (continued)

A fiduciary loan is a transaction whereby the Group and the Bank have attracted a fiduciary deposit that has been issued to a borrower specified by those depositors on behalf of the depositors and at the depositor's risk. The property owned by customers is managed separately from the property of the Group and the Bank and is kept in separate accounts at credit institutions through which the funds are invested. Assets under management often represent a securities portfolio separated from the Group's and the Bank's assets and is treated as a unified management object with its own structure, liquidity degree, sources of resources, yield and common risk. The Group and the Bank are engaged in securities purchase and sales on behalf of their clients. Such securities are not recognised on statement of financial position of the Group and the Bank.

30 CONTINGENT LIABILITIES AND COMMITMENTS

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans, credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to ten years. The Bank also provides guarantees by acting as settlement agent in transactions with securities.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum exposure that would be recognised in the statement of comprehensive income if counterparties failed to honour their contracted liabilities to any extent.

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Loans and credit line liabilities	3,686	3,686	2,512	2,512
Guarantees and letters of credit	378	378	374	374
Total	**4,064**	**4,064**	**2,886**	**2,886**
Impairment allowance	(37)	(37)	(13)	(13)

31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities and commitments as at 31 December 2023 was as follows:

Group Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	92,604	84	-	-	92,688
Demand deposits with credit institutions	-	153	2	456	611
Financial assets at amortised cost	27,997	21,146	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	-	2,005
Financial assets at fair value through other comprehensive income	-	24	-	-	24
Loans and receivables	81,707	4	-	-	81,711
Intangible assets	354	-	-	-	354
Property, equipment and right-of-use assets	9,107	-	-	-	9,107
Investment properties	14,399	74	-	-	14,473
Other assets	2,899	1,659	-	-	4,558
Total assets	**229,067**	**25,149**	**2**	**456**	**254,674**

31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Group Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	164,342	21,926	10,233	24,001	220,502
Subordinated liabilities	2,574	-	632	483	3,689
Other liabilities	5,803	-	-	-	5,803
Capital and reserves	24,680	-	-	-	24,680
Total equity, reserves and liabilities	**197,399**	**21,926**	**10,865**	**24,484**	**254,674**
Contingent liabilities and commitments	**3,864**	**200**	**-**	**-**	**4,064**

31 December 2023

Bank Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	92,604	84	-	-	92,688
Demand deposits with credit institutions	-	153	2	456	611
Financial assets at amortised cost	27,997	21,146	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	-	2,005
Financial assets at fair value through other comprehensive income	-	24	-	-	24
Loans and receivables	96,797	4	-	-	96,801
Intangible assets	354	-	-	-	354
Property, equipment and right-of-use assets	9,074	-	-	-	9,074
Investment properties	1,020	-	-	-	1,020
Other assets	2,076	1,659	-	-	3,735
Total assets	**229,922**	**25,075**	**2**	**456**	**255,455**

Bank Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	164,564	21,926	10,233	24,001	220,724
Subordinated liabilities	2,574	-	632	483	3,689
Other liabilities	5,464	-	-	-	5,464
Capital and reserves	25,578	-	-	-	25,578
Total equity, reserves and liabilities	**198,180**	**21,926**	**10,865**	**24,484**	**255,455**
Contingent liabilities and commitments	**3,864**	**200**	**-**	**-**	**4,064**

31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities and commitments as at 31 December 2022 was as follows:

Group Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	116,882	42	-	-	116,924
Demand deposits with credit institutions	-	131	2	467	600
Financial assets at amortised cost	28,514	21,389	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	-	1,662
Financial assets at fair value through other comprehensive income	992	23	-	-	1,015
Loans and receivables	70,001	-	-	3	70,004
Intangible assets	563	-	-	-	563
Property, equipment and right-of-use assets	557	-	-	-	557
Investment property	22,185	121	-	-	22,306
Other assets	3,972	2,027	-	36	6,035
Total assets	**243,666**	**25,395**	**2**	**506**	**269,569**

Group Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	161,292	36,056	12,774	29,907	240,029
Subordinated liabilities	2,571	-	615	491	3,677
Other liabilities	5,188	201	-	-	5,389
Capital and reserves	20,474	-	-	-	20,474
Total equity, reserves and liabilities	**189,525**	**36,257**	**13,389**	**30,398**	**269,569**
Contingent liabilities and commitments	**2,686**	**200**	**-**	**-**	**2,886**

31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)

31 December 2022

Bank Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	116,882	42	-	-	116,924
Demand deposits with credit institutions	-	131	2	467	600
Financial assets at amortised cost	28,514	21,389	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	-	1,662
Financial assets at fair value through other comprehensive income	992	23	-	-	1,015
Loans and receivables	83,214	-	-	3	83,217
Intangible assets	563	-	-	-	563
Property, equipment and right-of-use assets	515	-	-	-	515
Investment property	10,140	-	-	-	10,140
Other assets	3,098	1,981	-	36	5,115
Total assets	**243,918**	**25,228**	**2**	**506**	**269,654**

Bank Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	161,356	36,056	12,774	29,907	240,093
Subordinated liabilities	2,571	-	615	491	3,677
Other liabilities	4,875	200	-	-	5,075
Capital and reserves	20,809	-	-	-	20,809
Total equity, reserves and liabilities	**189,611**	**36,256**	**13,389**	**30,398**	**269,654**
Contingent liabilities and commitments	**2,686**	**200**	**-**	**-**	**2,886**

32 INTEREST RATE REPRICING ANALYSIS

The interest rate repricing analysis of the Bank's and the Group's assets and liabilities as at 31 December 2023 was as follows:

Group EUR'000	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	91,684	-	-	-	-	-	1,004	92,688
Demand deposits with credit institutions	611	-	-	-	-	-	-	611
Financial assets at amortised cost	16,817	-	28,292	-	4,034	-	-	49,143
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,005	2,005
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	24	24
Loans and receivables	12,032	5,592	60,474	1,854	1,043	716	-	81,711
Intangible assets	-	-	-	-	-	-	354	354
Property, equipment and right-of-use assets	-	-	-	-	-	-	9,107	9,107
Investment property	-	-	-	-	-	-	14,473	14,473
Other assets	1,656	-	-	-	-	-	2,902	4,558
Total assets	**122,800**	**5,592**	**88,766**	**1,854**	**5,077**	**716**	**29,869**	**254,674**
Liabilities								
Deposits	163,060	6,430	7,004	20,265	23,726	17	-	220,502
Subordinated liabilities	200	-	-	-	3,489	-	-	3,689
Other liabilities	-	-	-	-	-	-	5,803	5,803
Total liabilities	**163,260**	**6,430**	**7,004**	**20,265**	**27,215**	**17**	**5,803**	**229,994**
Capital and reserves	-	-	-	-	-	-	24,680	24,680
Total liabilities, capital and reserves	**163,260**	**6,430**	**7,004**	**20,265**	**27,215**	**17**	**30,483**	**254,674**
Interest rate risk	**(40,460)**	**(838)**	**81,762**	**(18,411)**	**(22,138)**	**699**	**(614)**	**-**

32 INTEREST RATE REPRICING ANALYSIS (continued)

31 December 2023

Bank EUR'000	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	91,684	-	-	-	-	-	1,004	92,688
Demand deposits with credit institutions	611	-	-	-	-	-	-	611
Financial assets at amortised cost	16,817	-	28,292	-	4,034	-	-	49,143
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,005	2,005
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	24	24
Loans and receivables	13,942	5,528	71,477	2,192	3,594	68	-	96,801
Intangible assets	-	-	-	-	-	-	354	354
Property, equipment and right-of-use assets	-	-	-	-	-	-	9,074	9,074
Investment property	-	-	-	-	-	-	1,020	1,020
Other assets	1,656	-	-	-	-	-	2,079	3,735
Total assets	**124,710**	**5,528**	**99,769**	**2,192**	**7,628**	**68**	**15,560**	**255,455**
Liabilities								
Deposits	163,282	6,430	7,004	20,265	23,726	17	-	220,724
Subordinated liabilities	200	-	-	-	3,489	-	-	3,689
Other liabilities	-	-	-	-	-	-	5,464	5,464
Total liabilities	**163,482**	**6,430**	**7,004**	**20,265**	**27,215**	**17**	**5,464**	**229,877**
Capital and reserves	-	-	-	-	-	-	25,578	25,578
Total liabilities, capital and reserves	**163,482**	**6,430**	**7,004**	**20,265**	**27,215**	**17**	**31,042**	**255,455**
Interest rate risk	**(38,772)**	**(902)**	**92,765**	**(18,073)**	**(19,587)**	**51**	**(15,482)**	**-**

32 INTEREST RATE REPRICING ANALYSIS (continued)

The interest rate repricing analysis of the Group's and the Bank's assets and liabilities as at 31 December 2022 was as follows:

Group EUR'000	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	115,212	-	-	-	-	-	1,712	116,924
Demand deposits with credit institutions	600	-	-	-	-	-	-	600
Financial assets at amortised cost	-	-	-	-	49,903	-	-	49,903
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,662	1,662
Financial assets at fair value through other comprehensive income	-	-	992	-	-	-	23	1,015
Loans and receivables	15,225	6,381	42,209	4,488	1,682	19	-	70,004
Intangible assets	-	-	-	-	-	-	563	563
Property, equipment and right-of-use assets	-	-	-	-	-	-	557	557
Investment property	-	-	-	-	-	-	22,306	22,306
Other assets	-	-	-	-	-	-	6,035	6,035
Total assets	**131,037**	**6,381**	**43,201**	**4,488**	**51,585**	**19**	**32,858**	**269,569**
Liabilities								
Deposits	181,029	4,995	5,592	15,496	22,203	10,714	-	240,029
Subordinated liabilities	-	-	-	210	2,852	615	-	3,677
Other liabilities	-	-	-	-	-	-	5,389	5,389
Total liabilities	**181,029**	**4,995**	**5,592**	**15,706**	**25,055**	**11,329**	**5,389**	**249,095**
Capital and reserves	-	-	-	-	-	-	20,474	20,474
Total liabilities, capital and reserves	**181,029**	**4,995**	**5,592**	**15,706**	**25,055**	**11,329**	**25,863**	**269,569**
Interest rate risk	**(49,992)**	**1,386**	**37,609**	**(11,218)**	**26,530**	**(11,310)**	**6,995**	**-**

32 INTEREST RATE REPRICING ANALYSIS (continued)

31 December 2022

Bank EUR'000	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	115,212	-	-	-	-	-	1,712	116,924
Demand deposits with credit institutions	600	-	-	-	-	-	-	600
Financial assets at amortised cost	-	-	-	-	49,903	-	-	49,903
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,662	1,662
Financial assets at fair value through other comprehensive income	-	-	992	-	-	-	23	1,015
Loans and receivables	15,504	6,158	42,633	15,560	3,275	87	-	83,217
Intangible assets	-	-	-	-	-	-	563	563
Property, equipment and right-of-use assets	-	-	-	-	-	-	515	515
Investment property	-	-	-	-	-	-	10,140	10,140
Other assets	-	-	-	-	-	-	5,115	5,115
Total assets	**131,316**	**6,158**	**43,625**	**15,560**	**53,178**	**87**	**19,730**	**269,654**
Liabilities								
Deposits	181,093	4,995	5,592	15,496	22,203	10,714	-	240,093
Subordinated liabilities	-	-	-	210	2,852	615	-	3,677
Other liabilities	-	-	-	-	-	-	5,074	5,074
Total liabilities	**181,093**	**4,995**	**5,592**	**15,706**	**25,055**	**11,329**	**5,074**	**248,844**
Capital and reserves	-	-	-	-	-	-	20,810	20,810
Total liabilities, capital and reserves	**181,093**	**4,995**	**5,592**	**15,706**	**25,055**	**11,329**	**25,884**	**269,654**
Interest rate risk	**(49,777)**	**1,163**	**38,033**	**(146)**	**28,123**	**(11,242)**	**(6,154)**	**-**

32 INTEREST RATE REPRICING ANALYSIS (continued)

Sensitivity analysis

The following table disclose the sensitivity analysis of the Bank's statement of comprehensive income to reasonably possible changes in interest rates. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of statement of comprehensive income is the effect of the assumed changes in the interest rates on the net interest income for one year, following the reporting period end date, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2023 and 31 December 2022.

The sensitivity of the Group's profit and loss to changes in interest rates is not disclosed separately as it does not differ significantly from that of the Bank.

An increase and decrease of interest rates by 100 basis points would result in the following change to the statement of comprehensive income and equity:

EUR'000	2023		2022	
	Profit or loss	Shareholders' equity	Profit or loss	Shareholders' equity
Increase in interest rates	154	-	(230)	(3)
Decrease in interest rates	(154)	-	230	3
Increase in USD interest rates	(37)	-	(7)	-
Decrease in USD interest rates	37	-	7	-

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

31 December 2023

Group EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	92,688	-	-	-	92,688
Demand deposits with credit institutions	611	-	-	-	611
Financial assets at amortised cost	49,143	-	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	-	2,005
Financial assets at fair value through other comprehensive income	-	-	24	-	24
Loans and receivables	81,711	-	-		81,711
Other financial assets	3,283	-	-	-	3,283
Total financial assets	**227,436**	**2,005**	**24**	**-**	**229,465**
Financial liabilities					
Deposits	-	-	-	220,502	220,502
Subordinated liabilities	-	-	-	3,689	3,689
Other financial liabilities	-	-	-	3,428	3,428
Total financial liabilities	**-**	**-**	**-**	**227,619**	**227,619**

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (continued)

31 December 2023

Bank EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	92,688	-	-	-	92,688
Demand deposits with credit institutions	611	-	-	-	611
Financial assets at amortised cost	49,143	-	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	-	2,005
Financial assets at fair value through other comprehensive income	-	-	24	-	24
Loans and receivables	96,801	-	-		96,801
Other financial assets	3,112	-	-	-	3,112
Total financial assets	**242,355**	**2,005**	**24**	**-**	**244,384**
Financial liabilities					
Deposits	-	-	-	220,724	220,724
Subordinated liabilities	-	-	-	3,689	3,689
Other financial liabilities	-	-	-	3,108	3,108
Total liabilities	**-**	**-**	**-**	**227,521**	**227,521**

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (continued)

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Group EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	116,924	-	-	-	116,924
Demand deposits with credit institutions	600	-	-	-	600
Financial assets at amortised cost	49,903	-	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	-	1,662
Financial assets at fair value through other comprehensive income	-	-	1,015	-	1,015
Loans and receivables	70,004	-	-		70,004
Other financial assets	4,781	-	-	-	4,781
Total financial assets	**242,212**	**1,662**	**1,015**	**-**	**244,889**
Financial liabilities					
Deposits	-	-	-	240,029	240,029
Subordinated liabilities	-	-	-	3,677	3,677
Other financial liabilities	-	-	-	4,108	4,108
Total financial liabilities	**-**	**-**	**-**	**247,814**	**247,814**

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (continued)

31 December 2022

Bank EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	116,924	-	-	-	116,924
Demand deposits with credit institutions	600	-	-	-	600
Financial assets at amortised cost	49,903	-	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	-	1,662
Financial assets at fair value through other comprehensive income	-	-	1,015	-	1,015
Loans and receivables	83,167	-	-		83,167
Other financial assets	4,521	-	-	-	4,521
Total financial assets	**255,115**	**1,662**	**1,015**	**-**	**257,792**
Financial liabilities					
Deposits	-	-	-	240,093	240,093
Subordinated liabilities	-	-	-	3,677	3,677
Other financial liabilities	-	-	-	4,108	4,108
Total liabilities	**-**	**-**	**-**	**247,878**	**247,878**

34 CURRENCY ANALYSIS

The Group and the Bank actively controls foreign exchange open positions. The Bank operates based on the Law on Credit Institutions stating that the open position in any currency should not exceed 10% of the Tier 1 capital and that the total open position should not exceed 20% of the Tier 1 capital.

The currency analysis of the Group's and the Bank's expected and contingent liabilities of the financial position as at 31 December 2023 was as follows:

Group EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	92,604	15	69	92,688
Demand deposits with credit institutions	150	-	461	611
Financial assets at amortised cost	49,143	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	2,005
Financial assets at fair value through other comprehensive income	24	-	-	24
Loans and receivables	81,081	630	-	81,711
Intangible assets	354	-	-	354
Property, equipment and right-of-use assets	9,107	-	-	9,107
Investment property	14,399	-	74	14,473
Other assets	3,217	1,333	8	4,558
Total assets	**250,079**	**3,983**	**612**	**254,674**
Liabilities				
Deposits	215,104	4,547	851	220,502
Subordinated liabilities	3,689	-	-	3,689
Other liabilities	5,797	6	-	5,803
Total liabilities	**224,590**	**4,553**	**851**	**229,994**
Capital and reserves	24,680	-	-	24,680
Total liabilities, capital and reserves	**249,270**	**4,553**	**851**	**254,674**
Net open position in the statement of financial position	809	(570)	(239)	-
Net position arising from currency exchange transactions	(403)	403	-	-
Total net open position	**406**	**(167)**	**(239)**	**-**

34 CURRENCY ANALYSIS (continued)

31 December 2023

Bank EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	92,604	15	69	92,688
Demand deposits with credit institutions	150	-	461	611
Financial assets at amortised cost	49,143	-	-	49,143
Financial assets at fair value through profit or loss	-	2,005	-	2,005
Financial assets at fair value through other comprehensive income	24	-	-	24
Loans and receivables	95,928	873	-	96,801
Intangible assets	354	-	-	354
Property, equipment and right-of-use assets	9,074	-	-	9,074
Investment property	1,020	-	-	1,020
Other assets	2,402	1,325	8	3,735
Total assets	**250,699**	**4,218**	**538**	**255,455**
Liabilities				
Deposits	215,326	4,547	851	220,724
Subordinated liabilities	3,689	-	-	3,689
Other liabilities	5,458	6	-	5,464
Total liabilities	**224,473**	**4,553**	**851**	**229,877**
Capital and reserves	25,578	-	-	25,578
Total liabilities, capital and reserves	**250,051**	**4,553**	**851**	**255,456**
Net open position in the statement of financial position	648	(335)	(313)	-
Net position arising from currency exchange transactions	(403)	403	-	-
Total net open position	**245**	**68**	**(313)**	**-**

34 CURRENCY ANALYSIS (continued)

The currency analysis of the Group's and the Bank's expected and contingent liabilities as at 31 December 2022 was as follows:

Group **EUR'000**	**EUR**	**USD**	**Other**	**Total**
Assets				
Cash and balances due from the Latvijas Banka	116,543	168	213	116,924
Demand deposits with credit institutions	124	-	476	600
Financial assets at amortised cost	49,903	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	1,662
Financial assets at fair value through other comprehensive income	1,015	-	-	1,015
Loans and receivables	69,162	842	-	70,004
Intangible assets	563	-	-	563
Property, equipment and right-of-use assets	557	-	-	557
Investment property	22,306	-	-	22,306
Other assets	3,087	2,927	21	6,035
Total assets	**263,260**	**5,599**	**710**	**269,569**
Liabilities				
Deposits	232,912	5,927	1,190	240,029
Subordinated liabilities	3,677	-	-	3,677
Other liabilities	5,378	11	-	5,389
Total liabilities	**241,967**	**5,938**	**1,190**	**249,095**
Capital and reserves	20,474	-	-	20,474
Total liabilities, capital and reserves	**262,441**	**5,938**	**1,190**	**269,569**
Net open position in the statement of financial position	819	(339)	(480)	-
Net position arising from currency exchange transactions	(348)	348	-	-
Total net open position	**471**	**9**	**(480)**	**-**

34 CURRENCY ANALYSIS (continued)

31 December 2022

Bank EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	116,543	168	213	116,924
Demand deposits with credit institutions	124	-	476	600
Financial assets at amortised cost	49,903	-	-	49,903
Financial assets at fair value through profit or loss	-	1,662	-	1,662
Financial assets at fair value through other comprehensive income	1,015	-	-	1,015
Loans and receivables	82,271	946	-	83,217
Intangible assets	563	-	-	563
Property, equipment and right-of-use assets	515	-	-	515
Investment property	10,140	-	-	10,140
Other assets	2,175	2,919	21	5,115
Total assets	**263,249**	**5,695**	**710**	**269,654**
Liabilities				
Deposits	232,976	5,927	1,190	240,093
Subordinated liabilities	3,677	-	-	3,677
Other liabilities	5,063	11	-	5,074
Total liabilities	**241,716**	**5,938**	**1,190**	**248,844**
Capital and reserves	20,810	-	-	20,810
Total liabilities, capital and reserves	**262,526**	**5,938**	**1,190**	**269,654**
Net open position in the statement of financial position	723	(243)	(480)	-
Net position arising from currency exchange transactions	(348)	348	-	-
Total net open position	**375**	**105**	**(480)**	**-**

An analysis of sensitivity of the Group's and Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2023 and 2022 and a simplified scenario of a 10% change in USD to EUR exchange rates is as follows:

Group EUR'000	2023 Net profit	2022 Net profit
10% appreciation of USD against EUR	(7)	-
10% depreciation of USD against EUR	7	-

Bank EUR'000	2023 Net profit	2022 Net profit
10% appreciation of USD against EUR	7	11
10% depreciation of USD against EUR	(7)	(11)

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The amounts below represent the assets and liabilities grouped by residual maturity.

In line with liquidity management policy the liquidity risk is managed by Treasury Division. All units whose operations affect the liquidity of the Group and the Bank are involved in liquidity management. The structure of assets/liabilities and the difference between them are calculated in order to carry out liquidity control. Liquidity is managed by using monetary instruments.

The Bank is active in managing its net liquidity position by means of:

- reducing maturities of assets, including by maintaining large balances on correspondent accounts or interbank overnight deposits and by investing funds in highly liquid debt securities in the available-for-sale portfolio or in highly liquid debt securities in the held-to-maturity portfolio, which are accepted as collateral by the European Central Bank or other market players.
- increasing maturities of liabilities by attracting term deposits.

The Bank approves limits on net liquidity positions in general, as well as in EUR and USD.

As at 31 December 2023 and 31 December 2022 the liquidity coverage ratio for the Group was 801% and 386%, respectively, and for the Bank it was 802% and 386% respectively.

The contractual maturity analysis of the Group's and the Bank's assets and liabilities as at 31 December 2023 was as follows:

Group EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	92,688	-	-	-	-	-	92,688
Demand deposits with credit institutions	611	-	-	-	-	-	611
Financial assets at amortised cost	49,143	-	-	-	-	-	49,143
Financial assets at fair value through profit or loss	-	-	-	-	2,005	-	2,005
Financial assets at fair value through other comprehensive income	-	-	-	-	24	-	24
Loans and receivables	2,144	1,018	2,386	7,281	51,831	17,051	81,711
Intangible assets	-	-	-	-	354	-	354
Property, equipment and right-of-use assets	-	-	-	-	9,107	-	9,107
Investment property	-	-	-	-	-	14,473	14,473
Other assets	2,066	-	-	-	-	2,492	4,558
Total assets	**146,652**	**1,018**	**2,386**	**7,281**	**63,321**	**34,016**	**254,674**
Liabilities							
Deposits	163,060	6,430	7,004	20,265	13,066	10,677	220,502
Subordinated liabilities	200	-	-	-	3,062	427	3,689
Other liabilities	4,420	65	1,100	203	15	-	5,803
Total liabilities	**167,680**	**6,495**	**8,104**	**20,468**	**16,143**	**11,104**	**229,994**
Capital and reserves	-	-	-	-	-	24,680	24,680
Total capital, liabilities and reserves	**167,680**	**6,495**	**8,104**	**20,468**	**16,143**	**35,784**	**254,674**
Liquidity risk	**(21,028)**	**(5,477)**	**(5,718)**	**(13,187)**	**47,178**	**(1,768)**	**-**

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2023

Bank EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	92,688	-	-	-	-	-	92,688
Demand deposits with credit institutions	611	-	-	-	-	-	611
Financial assets at amortised cost	49,143	-	-	-	-	-	49,143
Financial assets at fair value through profit or loss	-	-	-	-	2,005	-	2,005
Financial assets at fair value through other comprehensive income	-	-	-	-	24	-	24
Loans and receivables	4,054	954	13,389	7,619	54,382	16,403	96,801
Intangible assets	-	-	-	-	354	-	354
Property, equipment and right-of-use assets	-	-	-	-	9,074	-	9,074
Investment property	-	-	-	-	-	1,020	1,020
Other assets	2,066	-	-	-	-	1,669	3,735
Total assets	**148,562**	**954**	**13,389**	**7,619**	**65,839**	**19,092**	**255,455**
Liabilities							
Deposits	163,282	6,430	7,004	20,265	13,066	10,677	220,724
Subordinated liabilities	200	-	-	-	3,062	427	3,689
Other liabilities	4,080	65	1,101	203	15	-	5,464
Total liabilities	**167,562**	**6,495**	**8,105**	**20,468**	**16,143**	**11,104**	**229,877**
Capital and reserves	-	-	-	-	-	25,578	25,578
Total capital, liabilities and reserves	**167,562**	**6,495**	**8,105**	**20,468**	**16,143**	**36,682**	**255,455**
Liquidity risk	**(19,000)**	**(5,541)**	**5,284**	**(12,849)**	**49,696**	**(17,590)**	**-**

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The contractual maturity analysis of the Group's and the Bank's assets and liabilities as at 31 December 2022 was as follows:

Group EUR'000	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 1 year**	**Over 5 years or not determined**	**Total**
Assets							
Cash and balances due from the Latvijas Banka	116,924	-	-	-	-	-	116,924
Demand deposits with credit institutions	600	-	-	-	-	-	600
Financial assets at amortised cost	49,903	-	-	-	-	-	49,903
Financial assets at fair value through profit or loss	-	-	-	-	1,662	-	1,662
Financial assets at fair value through other comprehensive income	992	-	-	-	23	-	1,015
Loans and receivables	986	1,360	3,552	9,030	35,052	20,024	70,004
Intangible assets	-	-	-	-	563	-	563
Property, equipment and right-of-use assets	-	-	-	-	557	-	557
Investment property	-	-	-	-	-	22,306	22,306
Other assets	3,805	-	-	-	-	2,230	6,035
Total assets	**173,210**	**1,360**	**3,552**	**9,030**	**37,857**	**44,560**	**269,569**
Liabilities							
Deposits	181,029	4,995	5,592	15,496	22,203	10,714	240,029
Subordinated liabilities	-	-	-	210	2,852	615	3,677
Other liabilities	5,015	-	1	302	71	-	5,389
Total liabilities	**186,044**	**4,995**	**5,593**	**16,008**	**25,126**	**11,329**	**249,095**
Capital and reserves	-	-	-	-	-	20,474	20,474
Total capital, liabilities and reserves	**186,044**	**4,995**	**5,593**	**16,008**	**25,126**	**31,803**	**269,569**
Liquidity risk	**(12,834)**	**(3,635)**	**(2,041)**	**(6,978)**	**12,731**	**12,757**	**-**

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2022

Bank EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	116,924	-	-	-	-	-	116,924
Demand deposits with credit institutions	600	-	-	-	-	-	600
Financial assets at amortised cost	49,903	-	-	-	-	-	49,903
Financial assets at fair value through profit or loss	-	-	-	-	1,662	-	1,662
Financial assets at fair value through other comprehensive income	992	-	-	-	23	-	1,015
Loans and receivables	966	1,137	4,722	20,043	36,182	20,167	83,217
Intangible assets	-	-	-	-	563	-	563
Property, equipment and right-of-use assets	-	-	-	-	515	-	515
Investment property	-	-	-	-	-	10,140	10,140
Other assets	3,469	-	-	-	-	1,646	5,115
Total assets	**172,854**	**1,137**	**4,722**	**20,043**	**38,945**	**31,953**	**269,654**
Liabilities							
Deposits	181,093	4,995	5,592	15,496	22,203	10,714	240,093
Subordinated liabilities	-	-	-	210	2,852	615	3,677
Other liabilities	4,701	-	1	302	70	-	5,074
Total liabilities	**185,794**	**4,995**	**5,593**	**16,008**	**25,125**	**11,329**	**248,844**
Capital and reserves	-	-	-	-	-	20,810	20,810
Total capital, liabilities and reserves	**185,794**	**4,995**	**5,593**	**16,008**	**25,125**	**32,139**	**269,654**
Liquidity risk	**(12,940)**	**(3,858)**	**(871)**	**4,035**	**13,820**	**(186)**	**-**

35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The table below presents the cash flows payable by the Bank under both non-derivative and derivative financial liabilities by remaining contractual maturities as at 31 December 2023 and 31 December 2022.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The Group's analysis of financial liabilities' contractual undiscounted cash flows has not been presented as the differences to the Bank analysis are insignificant.

EUR'000 31 December 2023	**Carrying amount**	**Gross nominal outflow**	**Less than 1 month**	**1 – 3 months**	**3 months to 1 year**	**1-5 y ears**	**Over 5 years**
Non-derivative financial liabilities							
Deposits	220,502	220,502	163,060	6,430	27,269	13,066	10,677
Subordinated liabilities	3,689	3,689	200	-	-	3,062	427
Other financial liabilities	3,428	3,428	3,428	-	-	-	-
Total non-derivative financial liabilities	**227,619**	**227,619**	**166,688**	**6,430**	**27,269**	**16,128**	**11,104**
Loans and credit line liabilities	3,686	3,686	3,686	-	-	-	-
Guarantees and letters of credit	378	378	378	-	-	-	-
Total financial liabilities	**231,683**	**231,683**	**170,752**	**6,430**	**27,269**	**16,128**	**11,104**

EUR'000 31 December 2022	**Carrying amount**	**Gross nominal outflow**	**Less than 1 month**	**1 – 3 months**	**3 months to 1 year**	**1-5 y ears**	**Over 5 years**
Non-derivative financial liabilities							
Deposits	240,029	241,272	181,183	5,027	21,237	23,190	10,635
Subordinated liabilities	3,677	3,677	-	-	210	2,852	615
Other financial liabilities	4,108	4,108	4,108	-	-	-	-
Total non-derivative financial liabilities	**247,814**	**249,057**	**185,291**	**5,027**	**21,447**	**26,042**	**11,250**
Loans and credit line liabilities	2,512	2,512	2,512	-	-	-	-
Guarantees and letters of credit	374	374	374	-	-	-	-
Total financial liabilities	**250,700**	**251,943**	**188,177**	**5,027**	**21,447**	**26,042**	**11,250**

36 CAPITAL ADEQUACY

The capital requirement for the Group and the Bank is set and monitored by Latvijas Banka.

Capital is defined by the Group and the Bank as items defined by statutory regulation as capital. Under the current capital requirements set by Latvijas Banka, banks must maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Furthermore, according to Section 35.25 of the Credit Institution Law, the Bank is required to ensure that its Tier 1 basic capital is sufficient to meet the total capital buffer requirement which given the provisions of Section 35.3(1) of the Credit Institution Law is comprised of a capital conservation buffer

36 CAPITAL ADEQUACY (continued)

of 2.5% of total exposures calculated according to Article 92(3) of the Regulation and, as required in Section 35.4(1) of the Credit Institutions Law, of the specific countercyclical capital buffer (CCyB) calculated by multiplying the total value of exposures as required by capital buffer (CCyB) calculated by multiplying the total value of exposures as required by Article 92(3) of the Regulation and the CCyB rate specific for the particular credit institution.

As at 31 December 2023 the individual minimum level is set 10.20% which is increased by the total capital buffer requirement of 2.51% calculated as the sum of the capital buffer and the countercyclical capital buffer specific for the particular credit institution (31 December 2022: 10.15% which is increased by the total capital buffer requirement of 2.5% calculated as the sum of the capital buffer and the countercyclical capital buffer specific for the particular credit institution).

The actual capital adequacy ratio of the Group and the Bank was above the individual capital adequacy ratio set by Latvijas Banka in the reporting year ended 31 December 2023 and above the individual capital adequacy ratio set by Latvijas Banka in the reporting year ended 31 December 2022.

The following table shows the composition of the Group's capital position as at 31 December 2023 and 31 December 2022:

Group **EUR'000**	**31 December 2023**	**31 December 2022**
Tier 1		
Share capital	27,601	27,601
Share premium	-	260
Reserve capital	-	4,156
Retained earnings/ (accumulated loss) carried forward from previous years	(7,142)	(15,858)
Profit/ (loss) for the reporting year	4,196	4,301
Revaluation reserve of financial assets at FVOCI	24	14
Additional value adjustment	(2)	(3)
Intangible assets	(1)	(1)
Other adjustments	(1,917)	(1,101)
Result of transition period conditions	-	473
Total Tier 1 capital	**22,759**	**19,842**
Tier 2 capital		
Subordinated capital (unamortised part)	1,179	1,860
Total Tier 2 capital	**1,179**	**1,860**
Statutory deductions from Tier 1 and Tier 2 capital	**(2)**	**(14)**
Total shareholders' equity	**23,936**	**21,688**
Risk weighted value of exposures to credit risk, counterparty credit risk, impairment of recoverable amounts and unpaid deliveries risk	101,750	96,538
Total exposure to position risk, foreign currency risk and commodity risk	594	644
Total exposure to operational risk	23,154	17,298
Total exposure to credit value adjustment risk	2	2
Total risk exposure	**125,500**	**114,482**
Total capital adequacy ratio	**19.07%**	**18.94%**
Minimum capital adequacy ratio set by the Latvijas Banka	**10.20%**	**10.15%**
Minimum capital adequacy ratio set by the Latvijas Banka including the total capital buffer requirement	**12.71%**	**12.65%**

36 CAPITAL ADEQUACY (continued)

The following table shows the composition of the Bank's capital position as at 31 December 2023 and 31 December 2022:

Bank EUR'000	31 December 2023	31 December 2022
Tier 1		
Share capital	27,601	27,601
Share premium	-	260
Reserve capital	-	4,156
Retained earnings/ (accumulated loss) carried forward from previous years	(6,806)	(15,240)
Profit/ (loss) for the reporting year	4,759	4,019
Revaluation reserve of financial assets at FVOCI	24	14
Additional value adjustment	(2)	(3)
Intangible assets	(1)	(1)
Result of transition period conditions	-	472
Total Tier 1 capital	**25,575**	**21,278**
Tier 2 capital		
Subordinated capital (unamortised part)	1,179	1,860
Total Tier 2 capital	**1,179**	**1,860**
Statutory deductions from Tier 1 and Tier 2 capital	**(2)**	**(14)**
Total shareholders' equity	**26,752**	**23,124**
Risk weighted value of exposures to credit risk, counterparty credit risk, impairment of recoverable amounts and unpaid deliveries risk	103,589	97,835
Total exposure to position risk, foreign currency risk and commodity risk	-	644
Total exposure to operational risk	23,663	15,941
Total exposure to credit value adjustment risk	2	2
Total risk exposure	**127,254**	**114,422**
Total capital adequacy ratio	**21.02%**	**20.21%**
Minimum capital adequacy ratio set by the Latvijas Banka	**10.20%**	**10.15%**
Minimum capital adequacy ratio set by the Latvijas Banka including the total reserve requirement	**12.71%**	**12.65%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment with some adjustments is adopted for off-balance sheet exposure to reflect the more contingent nature of the potential losses. The additional value adjustment was calculated according to the simplified approach based on European Commission Delegated Regulation (EU) 2016/101.

37 MAXIMUM CREDIT RISK EXPOSURE

The table below shows the maximum credit risk for the components of the statement of the financial position, including derivatives. Credit risk exposure is disclosed based on subjected to credit risk net carrying amount of statement of financial position items less impairment provisions for loans and advances to customers.

The maximum credit exposures are shown gross, i.e. without taking into account any pledges and collaterals. Detailed information on the type and amount of collateral is presented in the Note 9.

Group **EUR'000**	**2023**	**2022**
Balances with the Latvijas Banka	91,684	115,212
Demand deposits with credit institutions	611	600
Financial assets at amortised cost	49,143	49,903
Financial assets at fair value through profit or loss	2,005	1,662
Financial assets at fair value through other comprehensive income	24	1,015
Loans and receivables	81,711	70,004
Other financial assets	3,283	4,781
Total items of the statement of financial position subjected to credit risk	**228,461**	**243,177**
Loans and credit line liabilities	3,686	2,512
Guarantees and letters of credit	378	374
Contingent liabilities and commitments	**4,064**	**2,886**
Total maximum credit risk exposure	**232,525**	**246,063**

As disclosed above, 35% from total gross maximum credit risk amount refers to loans and receivables (2022: 28%).

Bank **EUR'000**	**2023**	**2022**
Balances with the Latvijas Banka	91,684	115,212
Demand deposits with credit institutions	611	600
Financial assets at amortised cost	49,143	49,903
Financial assets at fair value through profit or loss	2,005	1,662
Financial assets at fair value through other comprehensive income	24	1,015
Loans and receivables	96,801	83,217
Other financial assets	3,112	4,521
Total items of the statement of financial position subjected to credit risk	**243,380**	**256,130**
Loans and credit line liabilities	3,686	2,512
Guarantees and letters of credit	378	374
Contingent liabilities and commitments	**4,064**	**2,886**
Total maximum credit risk exposure	**247,444**	**259,016**

As disclosed above, 39% from total gross maximum credit risk amount refers to loans and receivables (2022: 32%).

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

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

The Groups and the Banks data in this position does not differ substantially.

31 December 2023 EUR'000	Level 1:	Level 2:	Level 3:	Total
Financial assets at fair value through profit or loss	-	2,005	-	2,005
Financial assets at fair value through other comprehensive income	-	24	-	24
Total	**-**	**2,029**	**-**	**2,029**

31 December 2022 EUR'000	Level 1:	Level 2:	Level 3:	Total
Financial assets at fair value through profit or loss	-	1,662	-	1,662
Financial assets at fair value through other comprehensive income	-	1,015	-	1,015
Total	**-**	**2,677**	**-**	**2,677**

(b) Financial instruments not measured at fair value

The table below analyses the fair values of the financial instruments of the Group and the Bank other than measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised.

Banks management has made estimates and believes that the fair value is substantially consistent with the balance sheet value based on ratio of the variable rates of loans and the average remaining maturity of deposits.

31 December 2023 Group EUR'000	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Financial assets					
Cash and due from central banks	-	92,688	-	92,688	92,688
Demand deposits with credit institutions	-	611	-	611	611
Loans and receivables	-	-	81,711	81,711	81,711
Financial assets at amortised cost	-	49,143	-	-	49,143
Other financial assets	-	-	3,283	3,283	3,283
Financial liabilities					
Deposits	-	220,502	-	220,502	220,502
Subordinated liabilities	-	-	3,689	3,689	3,689
Other financial liabilities	-	-	3,428	3,428	3,428

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments not measured at fair value (continued)

31 December 2022 Group EUR'000	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Financial assets					
Cash and due from central banks	-	116,924	-	116,924	116,924
Demand deposits with credit institutions	-	600	-	600	600
Loans and receivables	-	-	70,004	70,004	70,004
Financial assets at amortised cost	-	49,903	-	-	49,903
Other financial assets	-	-	4,781	4,781	4,781
Financial liabilities					
Deposits	-	240,029	-	240,029	240,029
Subordinated liabilities	-	-	3,677	3,677	3,677
Other financial liabilities	-	-	4,108	4,108	4,108

The carrying amounts of financial assets and liabilities approximate their fair value.

31 December 2023 Bank EUR'000	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Financial assets					
Cash and due from central banks	-	92,688	-	92,688	92,688
Demand deposits with credit institutions	-	611	-	611	611
Loans and advances to customers	-	-	96,801	96,801	96,801
Financial assets at amortised cost	-	49,143	-	-	49,143
Other financial assets	-	-	3,112	3,112	3,112
Financial liabilities					
Deposits	-	220,724	-	220,724	220,724
Subordinated liabilities	-	-	3,689	3,689	3,689
Other financial liabilities	-	-	3,108	3,108	3,108

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments not measured at fair value (continued)

31 December 2022 Bank EUR'000	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Financial assets					
Cash and due from central banks	-	116,924	-	116,924	116,924
Demand deposits with credit institutions	-	600	-	600	600
Loans and advances to customers	-	-	83,217	83,217	83,217
Financial assets at amortised cost	-	49,903	-	-	49,903
Other financial assets	-	-	4,521	4,521	4,521
Financial liabilities					
Deposits	-	240,093	-	240,093	240,093
Subordinated liabilities	-	-	3,677	3,677	3,677
Other financial liabilities	-	-	4,108	4,108	4,108

39 CORPORATE INCOME TAX

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Corporate income tax for additional payment for credit institutions	1,045	1,045	-	-
Corporate income tax for dividends	-	-	-	-
Corporate income tax for the conditionally distributed profit	1	-	-	-
Total corporate income tax	**1,046**	**1,045**	**-**	**-**

Income tax liabilities

EUR'000	2023 Group	2023 Bank	2022 Group	2022 Bank
Corporate income tax for additional payment for credit institutions	1,045	1,045	-	-
Corporate income tax for dividends	-	-	-	-
Total income tax liabilities	**1,045**	**1,045**	**-**	**-**

According to the Law on Corporate Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits (except Corporate income tax surcharge for Credit institutions). Therefore, deferred tax assets and liabilities are recognisable at nil amount as of 31 December 2023 as the Group and the Bank have full discretion on the distribution decisions.

40 BUSINESS COMBINATIONS

In spring 2022 AS PrivatBank entered into negotiations with AS Industra Bank with an aim to negotiate a transfer of its business. On 20 August 2022, the Bank and AS PrivatBank performed the transfer of all of AS PrivatBank unencumbered client current accounts and deposits, the major part of its retail loan portfolio and other assets through a Business Transfer agreement. The acquisition has significantly increased the Banks' assets, market share in retail market and its immediate and future profitability.

In accordance with IFRS 3 "Business Combinations", the Bank accounts for acquisitions based on fair values of the identifiable assets acquired, and liabilities and contingent liabilities assumed. The excess of the fair value of the acquiree's identifiable assets, over the fair value of the liabilities of the business combination is recognized immediately in profit or loss for the year.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

EUR'000	Attributed fair value
Cash consideration paid	699
Financial liabilities at amortized cost (deposits) assumed	50,120
Total consideration	**50,819**

Acquisition related transaction costs of 212 thousand EUR were expensed as general and administrative expenses.

Details of the fair value of the acquired assets and liabilities are as follows:

EUR'000	Note	Attributed fair value
Cash and cash equivalents		21,589
Loans and receivables	9	20,397
Financial assets at fair value through profit or loss	8	2,984
Investment property	11	8,942
Fair value of identifiable assets acquired		53,912
Total purchase consideration	14	50,819
Bargain Gain recognized in profit or loss		**3,093**

Inflow of cash and cash equivalents

EUR'000	Gross contractual amount
Total purchase consideration	**50,819**
Less: non-cash consideration	50,120
Less: cash and cash equivalents acquired	21,589
Net inflow of cash and cash equivalents	**20,890**

For each class of acquired receivables, the gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

EUR'000	Note	Gross contractual amount
Cash and due from the Latvijas Banka	6	20,890
Loans and receivables	9	22,889
Impairment allowance	9	(2,492)
Financial assets at fair value through profit or loss	8	2,984
Investment property	11	8,942
Total assets		**53,213**
Financial liabilities at amortized cost (deposits)	14	(50,120)
Total liabilities		**(50,120)**

40 BUSINESS COMBINATIONS (continued)

The fair values of assets and liabilities acquired are based on following evaluation methods:

- for Loans and receivables – discounted future cash flows where the expected credit loss, credit risk and impairments were taken into consideration;
- for Financial assets at fair value through profit or loss – discounted market value;
- Investment property – independent external valuation;
- Financial liabilities at amortized cost - amortised cost considered to equal FV as rates applied are consistent with market rates for similar deposits.

As displayed in the table above the total investment in the assets and liabilities were remeasured to its fair value at the acquisition date and a bargain gain of 3,093 thousand EUR was recognised in profit or loss for the year.

The acquired portfolios contributed revenue of 3,495 thousand EUR and profit of 3,494 thousand EUR to the Group for the period from the date of acquisition to 31 December 2022. If the acquisition had occurred on 1st January 2022, Group revenue for 2022 would have been 5,013 thousand EUR, and profit for 2022 would have been 4,819 thousand EUR.

41 LITIGATIONS

In the ordinary course of business the Group and the Bank are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group or the Bank.

42 SUBSEQUENT EVENTS

On 28th December 2023 the shareholders of the Bank decided on the reduction of the bank's share capital and, accordingly, the allocation of these funds to cover the losses of the previous years. At the beginning of the year 2024, legal actions were taken to reduce the bank's share capital and register changes in the Register of Companies and the allocation was performed on 15th February 2024.

On 1st February 2024 Gundars Reidzans left the position of Member of the Council.

On 6th February 2024 the new Council of the Bank was approved with Aleksejs Prokofjevs as the new Member of the Council.

On 20st February 2024 expired Ruta Amtmane mandate as a Member of the Board ended and she decided not to continue her engagement with the Bank.

Except for the above, there have been no other events during the period since the end of the reference year which would need to be reflected in these financial statements.

Independent Auditor's Report

To the Shareholders of AS Industra Bank

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS Industra Bank ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2023, and of the Bank's separate and the Group's consolidated financial performance and the Bank's separate and the Group's consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Audit Committee dated 25 March 2024.

What we have audited

The Bank's separate and the Group's consolidated financial statements (together "the financial statements") comprise:

- the Bank's separate and the Group's consolidated statements of financial position as at 31 December 2023;
- the Bank's separate and the Group's consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the Bank's separate and the Group's consolidated statements of changes in shareholders' equity for the year ended 31 December 2023;
- the Bank's separate and the Group's consolidated statements of cash flows for the year ended 31 December 2023; and
- the notes to the Bank's separate and the Group's consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of

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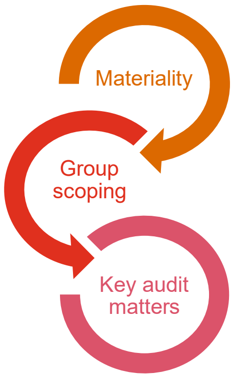
the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and its subsidiary are in accordance with the applicable law and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.6 of the Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Bank and its subsidiary in the period from 1 January 2023 to 31 December 2023 are disclosed in Note 24 to the financial statements.

Our audit approach

Overview



- Overall Bank and Group materiality: EUR 260 thousand which represents approximately 5% of profit before tax.

- We have audited the separate financial statements of the Bank.
- We have audited the Bank's subsidiary AS Industra Invest.
- Our audit scope covered substantially all of the Group's revenues and substantially all of the Group's total assets.

- Fair value of investment properties (the Bank and the Group).
- Expected credit losses on loans (the Bank and the Group).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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Overall Bank and Group materiality	Overall materiality applied to the Bank and the Group was EUR 260 thousand.
How we determined it	Approximately 5% of the Bank's and the Group's profit before tax for 2023.
Rationale for the materiality benchmark applied	We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is most commonly measured by users, and it is a generally accepted benchmark. We chose the threshold of 5%, which is within the range of acceptable quantitative materiality thresholds for this benchmark for a public-interest entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 13 thousand for the Bank and the Group, as well as the misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Fair value of investment properties (the Bank and the Group) Refer to Note 12 "*Investment properties*" and Note 5 "*Estimates and judgements*" of the financial statements. We focused on this area because the management makes subjective judgements when determining the fair value of investment properties, especially where the properties are of a type and location in which currently there is limited or no active market. Therefore, a variety of valuation techniques are used with inputs that are observable in the market and inputs that are not observable in the market. Management obtains reports from certified independent appraisers to assist them in determining the investment properties' fair values. Based on the type of investment property different valuation methods are used – market evidence of transaction prices for similar properties or income method.	We assessed whether the Bank's and the Group's accounting policies in relation to the fair valuation of investment properties comply with the requirements of IFRS Accounting Standards as adopted by the EU. For a selected sample of investment properties, we reviewed the independent valuations the Bank and the Group obtained in respect of the investment properties. We assessed the independence and experience of the valuers and involved our own expert to assess the appropriateness of the independent appraisers' valuations. Where comparative market data was used, we evaluated whether the location, condition and other relevant attributes of the property are similar to those of the comparable assets used by valuators. We also performed our own independent search of comparable market data. Where valuation models were used, we evaluated the reasonableness of inputs into the valuation models - future cash flows, income growth rates,

The most significant judgements made by the management in respect of fair valuation of investment properties are comparative market prices and discounted cash flows, including rent rates, expenses, income growth rates and discount rates.	and discount rates and checked the numerical accuracy of the models. We reviewed the disclosures in the financial statements in respect of investment properties.
Expected credit losses on loans (the Bank and the Group) Refer to Note 9 "*Loans and receivables*" and Note 5 "*Estimates and judgements*" of the financial statements. We focused on this area because application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans impairment losses requires complex and subjective judgements over both timing of recognition of expected credit losses and their extent. The key features of the ECL model include classification of loans to 3 stages, assessment of credit risk parameters and application of forward-looking information. The amount of ECL for the Bank's and the Group's loans is based on the model calculations taking into consideration the exposure at default (EAD), probability of default (PD), changes in customer credit risk and estimated future cash flows from the loan repayments or sale of collateral (loss given default) (LGD), and ECL adjustments for expected impact of future macroeconomic scenarios. For all loans in Stage 1 and 2 the expected credit losses are calculated using the ECL model, while for all exposures in Stage 3 expected credit losses are calculated on an individual basis. As at 31 December 2023 the impairment allowance amounted to EUR 7,729 thousand and EUR 4,440 thousand for the Bank and the Group respectively (refer to Note 9).	We assessed whether the Bank's and the Group's accounting policies in relation to the ECL of loans to customers comply with the requirements of IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definition of default and significant increase in credit risk, and the use of macroeconomic scenarios. We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included controls over recording of loans data in the system, credit analysis and approval before issuing loans, loan disbursement allocation to correct customer, accuracy of overdue days calculation and residential real estate indexation. Further, we performed testing for accuracy and completeness of loan data, including contract dates, interest rates, collateral type and valuation, performing/non-performing status and other inputs used in ECL calculation. For a sample of loans we evaluated reasonableness of staging as at 31 December 2023. For a sample of individually assessed loans, we evaluated reasonableness of assumptions made by credit expert regarding future expected cash flow scenarios. We have considered the rationale of these assumptions and verified the reasonableness of the values of collateral used in the assessment. We also checked the mathematical accuracy of the ECL calculation. For loans assessed using the ECL model, we checked that the PDs and LGDs used by the Bank and the Group were calculated consistent with prior periods and by using up to date data. We involved our expert to assess the ECL model and recalculate the credit loss allowance for loans and advances. We also tested the accuracy of input information used in the ECL model. Finally, we reviewed the credit risk disclosures relating to loans and allowances for expected credit loss.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group engagement team carried out audit work on the Bank's separate financial statements and the Bank's subsidiary AS Industra Invest, which was assessed by the Group engagement team as material from the Group audit perspective. Our audit work addressed substantially all of the Group's revenues and the Group's total assets.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 3 to 7 of the annual report;
- the Information on the Bank's Management, as set out on pages 8 to 9 of the annual report; and
- the Statement of Responsibility of the Bank's Management, as set out on pages 10 to 11 of the annual report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information identified above.

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

With respect to the Management Report, we also performed the procedures required by Law on Audit Services of the Republic of Latvia and the Financial and Capital Market Commission Regulation No 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies". Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the applicable legislation.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission Regulation No 113 "Regulation on preparation of the annual report and consolidated annual report of credit institutions, investment brokerage companies and investment management companies".

In addition, in light of the knowledge and understanding of the Bank and the Group and their operating environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and for such internal control as

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management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of the Bank and the Group by the shareholders' resolution on 10 April 2019. Our appointment has been renewed annually by shareholders' resolution representing a total period of uninterrupted engagement appointment of 6 years.

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

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Ilandra Lejiņa
Member of the Board
Certified auditor in charge
Certificate No. 168

Riga, Latvia
25 March 2024

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.

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