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AB "MANO BANKAS"

INDEPENDENT AUDITOR'S REPORT, ANNUAL MANAGEMENT REPORT AND FINANCIAL STATEMENTS

31 December 2023

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CONTENTS OF FINANCIAL STATEMENTS

INDEPENDENT AUDITOR‘S REPORT

To the shareholders of Mano bankas AB:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mano bankas AB (hereafter – „the Bank“), which comprise the statement of financial position as at 31 December 2023, the income statement, the statement of other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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. Each audit matter and our respective response are described below.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of loans and receivables (see notes 11 and 25 to the financial statements)</td></tr>
<tr><td>The Bank’s impairment allowances for loans and receivables (hereinafter – loans), which as at 31 December 2023 amounted to EUR 99,541 thousand after impairment, are calculated by classifying the Bank’s loans and receivables according to their homogenous groups and levels of risk. The Bank’s loans and receivables are allocated to 3 risk levels, with the 1st risk level being the lowest and the 3rd risk level being the highest.

Impairment allowances for loans are calculated based on expected losses, historical information and economic indicators. Expected credit losses are determined based on the value of collateral and debtor’s credit rating.</td><td>We conducted these audit procedures:

We assessed whether the Bank's accounting policy for calculating the impairment of loans and receivables meets the requirements of the International Financial Reporting Standards as adopted by the European Union.

We have identified loan approval process and tested controls and their effectiveness: regarding loan risk monitoring, including client rating estimation and risk level allocation, identification of loss events, timely collateral revaluation.

We have selected higher risk loans (including individually significant loans, loss-bearing loans, or loans that were assigned risk level 3 for other reasons) for testing risk assessment and impairment allowance calculation.</td></tr>
</table>

Individual impairment is mostly related to significant loans or loans with a higher risk level. Calculation of allowances is related to estimations and decision making, including assessment of collateral value and other assumptions. In our opinion, these estimates and assumptions made by the Bank (interest rate, risk group, rating assignment, value of the collateral and its realization period) regarding the expected losses of loan group loans and individual loans for which cash flows for loan repayment are calculated, have a significant effect on the value of the Bank's receivables and loans. Based on these reasons, we believe that this area is a key audit matter.	We have tested the selected loan sample, arranged discussions with the responsible Bank's officers and identified whether the loan is assigned to the appropriate risk level (i.e. whether the assumptions made while evaluating loss events, discount rate and the value of collateral are reasonable) and if estimated credit losses are calculated appropriately. We have tested valuations of the collateralized assets which is the main factor in calculating loan impairment and identified whether the methods and assumptions used in valuations were appropriate and logical, whether the market conditions between the date of valuation and 31 December 2023 did not change significantly and whether there is a need to update the valuation. We have reviewed the methodology for impairment allowance calculations and tested whether impairment calculations were made in accordance with the Bank's methodology. We have also tested whether historic and prospective information used in the valuation model is appropriate. We have evaluated the sufficiency and appropriateness of disclosures related to loans and receivables in the financial statements of the Bank.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

By the decision of the Shareholders meeting on 7 April 2023 we were appointed to audit the financial statements of the Bank. The total uninterrupted term of appointment is 4 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the financial statements presented to the Bank and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.
In the course of the audit we have provided to the Bank the review of the interim financial information for the period ended 30 June 2023.

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

Auditor Romanas Skrebnevskis
Auditor's certificate No. 000471

ROSK Consulting UAB
Audit company's certificate No. 001514

Vilnius, Lithuania
15 March 2024

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report.

ANNUAL MANAGEMENT REPORT

01/01/2023 – 12/31/2023

GENERAL INFORMATION

Business name: AB “Mano Bankas“
Legal form: Joint-stock company (AB)
Address: S. Moniuškos str. 27, LT-08115, Vilnius
Legal entity code: 112043081
Telephone: +370 5 2409389
Email address: hello@mano.bank
Website address: www.mano.bank

INFORMATION ABOUT BRANCHES

AB “Mano Bankas” (hereinafter – the Bank) has no branches or representative offices. The bank’s headquarters, where customer service is also carried out, is located at the address S. Moniuškos str. 27, LT-08115, Vilnius. The Bank’s head office provides financial services to private and business customers.

As of September 30, 2023, the Bank was granted the right to provide financial services in 29 countries of the European Economic Area without establishing a branch. AB “Mano Bankas” has had the right to provide the service of accepting deposits and other refundable funds in five EEA countries of the European Economic Area – Ireland, Austria, Spain, the Netherlands, and Germany – since August 20, 2021.

OVERVIEW OF ACTIVITIES AND RESULTS

Despite the economic uncertainty prevailing in 2023, the slowed economy, high inflation, and rising interest rates, the Bank continued to grow sustainably, and the Bank’s operations remained stable and profitable.

In 2023, the Bank continued to expand the range of services offered to clients.
In the field of lending, the Bank continues to actively participate in guarantee loans under the “Pan-European Guarantee Fund (EGF)” program, which is administered by the European Investment Fund (EIF) and provides loans with the guarantees of UAB “Investicijų ir Verslo Garantijos” (INVEGA). In 2023, the Bank introduced additional sustainability requirements for financing companies that contribute to the achievement of global sustainability and social responsibility goals. In the second half of the reporting year, a new lending product was offered to business clients – finance leasing of all types of vehicles, agricultural, construction machinery, or equipment.

In the field of payments, the Bank successfully migrated to the updated TARGET2 system, offering customers instant payments (SEPA Instant). In order to improve the availability of the provided payment services, the Bank invested in a new programming interface (API) for customers’ access to their accounts and the initiation of various payments both in the SEPA area (as of 2022) and for international payments (SWIFT), as well as updated the Internet bank.

In the field of IT, the Bank focused on decisions regarding infrastructure, system development, and data quality, as well as data availability and security automation issues.

In 2023, the Bank updated and presented its website www.mano.bank to customers as well as registered its trademark in the European Union.

OBJECTIVE OVERVIEW OF THE BANK’S CONDITION, PERFORMANCE AND DEVELOPMENT

During the reporting year 2023, the bank’s assets increased by 44 897 thousand EUR, 22.3%, and by 31 December 2023 amounted to 246 449 thousand EUR.
As in previous years, the largest part of the Bank’s assets (as of December 31, 2023 – 40.4%) consisted of the portfolio of loans granted to customers, which grew moderately but steadily during 2023 – it increased by 10 413 thousand EUR in a year, or 11.7%. In 2023, the provision of new loans to the Bank’s clients was complicated by the uncertainty prevailing due to the geopolitical situation and the slowing economy, affecting business planning or forecasts, and the related more conservative approach of the Bank to the extent of assumed credit risk and its management. Nevertheless, rapidly developing technological innovations, which encourage continuous investment in new systems and/or equipment, renewable energy facilities, and other advanced business branches, ensured a stable bank loan portfolio, whose interest income in 2023 was 62.4% higher, compared to the interest income of loans in 2022. By conservatively assessing the assumed credit risk both in relation to specific clients and/or projects and in the perspective of macroeconomic forecasts, the Bank increased the loan portfolio’s provisions for expected credit losses in 2023 from 468 thousand EUR on December 31, 2022, to 1 412 thousand EUR on December 31, 2023.

In 2023, the Bank safely invested funds raised from customers in debt securities issued by the Government of the Republic of Lithuania, whose portfolio grew by 169.2% from 24 257 thousand EUR on December 31, 2022, to 65 309 thousand EUR on December 31, 2023.

(All amounts in EUR thousand unless otherwise stated)

The growing customer base of the Bank created conditions for the Bank to increase the volume of obligations to customers and to diversify this portfolio both according to the customer's areas of activity and jurisdictions, as well as according to the duration and purpose of the funds kept in the Bank. The Bank's portfolio of deposits in customer accounts on demand increased by 12 580 thousand EUR, or 15.7%, in 2023, while the portfolio of term deposits increased by 20 100 thousand EUR, or 18.9%. In 2023, the Bank was active in the Lithuanian, German, and Spanish term deposit markets, offering attractive term deposit pricing to residents, businesses, and financial institutions.

The Bank's income from operations in 2023 was 75.7%, or 5 879 thousand EUR higher than the income earned in 2022.
In 2023, the ECB's monetary policy and the growth of base interest rates in the market had a significant impact on the change in net interest income – it increased by 97.5% in 2023, or 4 917 thousand EUR, compared to 2022.
The Bank's net income from the provision of services in 2023 increased by 37.1%, or 980 thousand EUR, compared to the income earned in 2022. In this category of income, the biggest impact on growth was the increased amount of payment transactions served by the Bank, which increased by 68.7% in 2023 compared to 2022, and the turnover of payments, which increased by 80.7% in 2023.

Personnel costs, which make up the largest part of the Bank's operating expenses, increased by 1 108 thousand EUR, or 28.2%, in 2023, due to the growing number of Bank personnel and changes in remuneration and additional benefits for employees that correspond to market conditions. Other operating costs of the Bank increased by 1 331 thousand EUR or 70.8% in 2023, and the biggest influence on the growth of these costs was the Law on Temporary Solidarity Contribution of the Republic of Lithuania adopted at the beginning of 2023, according to which the costs of the temporary solidarity contribution for 2023 were calculated and paid to the state budget year and amounted to 867 thousand EUR. In addition to these supplementary costs, in 2023 the expenses incurred by the Bank related to the development of the Bank's information systems and increased security, as well as expenses for marketing and advertising, have increased. The Bank pays special attention to the management of operating costs, using detailed planning and periodic control of these costs, so in 2023, the cost-to-income ratio (CIR) reached 62.12% (in 2022 – 77.25%).

In 2023, the net profit earned by the Bank was more than twice as high as in 2022 and amounted to 3 464 thousand EUR (in 2022 – 1 576 thousand EUR), and the Bank's performance indicators for the entire period of 2023 were among the best among financial institutions operating in the banking sector: return on assets (ROA) was 1.55% (1.01% in 2022), and return on equity (ROE) was 28.51% (16.36% in 2022).

DESCRIPTION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES FACED BY THE COMPANY

The bank assesses the following types of risks in its activities:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Compliance risk
- Sustainability risk
- Prevention of money laundering and terrorist financing and the risk of international sanctions
- Other risks (reputational, activity, strategic risks).

See note 25 for details on these risks.

In 2023, the Bank fulfilled the requirements of prudential indicators.

Indicator	December 31, 2023	December 31, 2022
General capital adequacy ratio (T1+T2), percent	17.13	16.28
Leverage ratio, percent	4.19	4.61
Liquid asset coverage ratio (LCR), percent	194.32	229.06
Net stable funding ratio (NSFR), percent	195.19	201.71
Maximum loan rate, percent	24.74	23.22

Risk management is an essential field of activity in a changing regulatory, economic, and geopolitical environment. The Bank's risk management goals for the coming periods include improving governance, implementing IT systems, diversifying funding sources, and reducing credit concentration. ICT, cybersecurity, and GDPR will continue to be in focus along with AML/CTF, international sanctions enforcement, and fraud prevention risks.

The Bank's expected prudential indicators for 2024:

Indicator	31.12.2024
Total capital adequacy ratio (T1+T2)	19.20%
Leverage ratio	3.70%
Liquid Asset Coverage Ratio (LCR)	200.00%
Net Stable Funding Ratio (NSFR)	200.00%
Maximum loan rate	23.50%

BUSINESS PLANS AND FORECASTS OF THE COMPANY

In 2023, the Bank created a strategic activity plan for the period 2024-2028. This plan envisages the strategic goal of the Bank: sustainable and responsible growth, promoting the culture and practice of risk management and compliance, fully responsible behavior of employees, and provision and development of responsible and sustainable financial services.

The Bank's mission: Financial partner for those who want to grow.
The Bank's vision: A profitable, modern, high-quality, and customer-oriented digital European bank, chosen by small and medium-sized businesses in the European Union.
The Bank's values:

- We work efficiently: we achieve maximum results through streamlined processes in the shortest possible time.
- Said and done: we speak clearly, act rationally, and honor our commitments.
- We prioritize sustainability: we consider future perspectives, assess environmental impacts, and promote responsible actions.

In its activities, the Bank distinguishes 5 strategic directions in which it plans actions during the period of the strategic plan:

- Risk management
- Sustainable business growth and development of international services
- Increasing customer satisfaction
- Technological progress in finance
- Operational efficiency and data management

Fostering a culture of transparency, honesty, and ethical behavior, the Bank pays great attention to the definition and adherence to the code of conduct. This document is a framework for all our employees, setting out the principles on which we communicate and operate with each other. The Bank's commitment to equal rights is included in the Equal Opportunities Policy, promoting an inclusive environment that promotes diversity and unequivocally condemns discrimination. In addition, it recognizes the importance of actively managing conflicts of interest in order to ensure that decisions are made impartially and taking into account the interests of all stakeholders and defines this in the Conflict of Interest Avoidance and Management Policy.

INFORMATION ABOUT SHARES

AB “Mano Bankas” has not purchased its shares and has not bought or sold them during the reporting period.

In 2023, on November 6, the Bank's Extraordinary General Meeting of Shareholders adopted a decision to increase the Bank's authorized capital by additional monetary contributions to 4 948 608 EUR. The authorized capital of the Bank is increased by issuing 7 953 preferred registered shares with a 12% dividend, calculated from the issue price of the preferred registered share, which is equal to 251.48 EUR per share with a nominal value of 28 EUR. As of December 31, 2023, all newly issued shares have been paid for, but changes to the Bank's statutes related to the increase of the authorized capital have not yet been registered as of December 31, 2023.

INFORMATION ABOUT THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

AB “Mano Bankas” did not carry out research and development activities.

INFORMATION ABOUT COMPANY SUSTAINABILITY

AB “Mano Bankas” prepares a sustainability report and publishes it on the Bank's website www.mano.bank

AB “Mano Bankas” is a certified climate-neutral organization and a member of the Lithuanian Responsible Business Association (LAVA).

INFORMATION ABOUT EMPLOYEES

In 2023, the number of employees of the Bank grew by 8,4% and reached 90 at the end of the year. The Bank invests in employee training and development: more than half (50) of employees participated in various professional qualification training (not including mandatory and general training). In 2023, 10 employees made an internal career in the bank (both vertical and horizontal).

Wages in the Bank are managed in accordance with internal documents regulating the remuneration policy, which were prepared in accordance with the legislation of the Republic of Lithuania and harmonized with the legislation of the EU institutions (Directive 2013/36/EU (Article 92 (2)), EBA Guidelines for a reliable remuneration policy according to the Directive 2013 /36/EU (EBA/GL/2021/04), EBA Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06), etc.

(All amounts in EUR thousand unless otherwise stated)

The bank has implemented a remuneration management system, which includes basic salary and annual, and for individual departments and positions, quarterly, variable remuneration. Variable remuneration cannot amount to more than 100% of the annual fixed salary.

INFORMATION ABOUT THE BANK'S INTERNAL CONTROL

The management of the bank is based on the principles of the three-line model, which enables accountability, actions/decisions based on measured risk, and timely advice/supervision based on communication and proactive promotion of continuous improvement.

INFORMATION ABOUT THE MANAGEMENT OF THE BANK AND OTHER DUTIES OF MANAGING EMPLOYEES

In 2023, on December 31, the Bank had a 4-member Supervisory Board and a 5-member Board. The sole management body of the bank is the General Director.

The bank has 3 committees: Loans Committee, Business Relations Committee, and Audit Committee.
The Remuneration Committee and the Risk Committee are not established in the Bank, therefore the functions of these committees are performed by the Supervisory Board, which, among other functions, makes decisions related to awarding and determining remuneration.
The members of the Bank's Supervisory Board and Board, the General Director and his deputies, and the Head of the Internal Audit Service are considered to be the executives of the Bank. In accordance with the policy of evaluation, selection, and appointment of the Bank's Managers and persons performing key functions, the Bank's top-level managers, employees performing second and third-level control functions, chairmen of the loan committee, and the audit committee are considered to be employees performing key functions.

The suitability of the Bank's executives and persons performing key functions to perform their duties is assessed by taking into account their reputation, qualifications, and experience, possible conflicts of interest, the ability to devote sufficient time to work in the Bank, the individual's independence and ability to perform duties independently and avoid undue influence by other persons.

Members of the Bank's Supervisory Council and their positions:

Leading employee	Governing body	Main workplace	Obligations	Other companies where the person holds a managerial position	Obligations
Pijus Ralys	Supervisory Board	-	-	-	-
Kęstutis Olšauskas	Supervisory Board	-	-	Association “Lietuvos Kreditas“, 124139116, S. Moniuškos g. 27-1, LT-08115 Vilnius	Chairman of the Board
Rytis Laurinavičius	Supervisory Board	UAB “Omnisend“, 302530363, Verkių g. 25C-1, LT-08223 Vilnius	Director	UAB “LM5“, 305957018, Paupio g. 39-2, Vilnius	Director
Gintas Pošiūnas	Supervisory Board	UAB “Pošiūno Klinika“,303575646, Olimpiečių g. 3E-107, LT-09235 Vilnius	Director for Medicine	-	-

On November 10, 2023, with the permission of the Bank of Lithuania (LB), two new members were added to the board of “Mano Bankas” – Giedrė Blazgienė, the current Head of the Bank, and Andrius Popovas, Head of the Risk Management Department. The appointment of new board members aims to further strengthen the Bank's management and risk supervision.

(All amounts in EUR thousand unless otherwise stated)

Members of the Bank's Board, Head of Administration and their positions:

Leading employee	**Governing body**	**Main workplace**	**Obligations**	**Other companies where the person holds a managerial position**	**Obligations**
Vytautas Jonas Lapienis	Board	AB "Mano Bankas", 112043081, S.Moniuškos g. 27, LT-08115 Vilnius	Deputy Head of Administration	Association "Lietuvos Kreditas", 124139116, S. Moniuškos g. 27-1, LT-08115 Vilnius UAB "Subačiaus Namai", 303243957, V. Mykolaičio-Putino g. 10-27, LT-03155 Vilnius UAB "Dorentina" , 306105616, S. Moniuškos g. 27-4, LT-08115 Vilnius	Board Member Director Director
Vytautas Olšauskas	Board / Chairman of the Board	AB "Mano Bankas", 112043081, S.Moniuškos g. 27, LT-08115 Vilnius	Deputy Head of Administration	UAB „Crowdpear", 305888586, Kareivių g. 11B, LT-09109 Vilnius	Director
Aurimas Putna	Board	AB "Mano Bankas", 112043081, S.Moniuškos g. 27, LT-08115 Vilnius	Head of Credit	UAB "Luna Brands", 305556840, Šv. Jokūbo g. 1-8, LT-66118 Druskininkai MB "1337 Idėjos", 303144820, Pušų g. 36-6, LT-08116 Vilnius UAB "Krono Trade", 306058789, Šv. Jokūbo g. 1-8, LT-66118 Druskininkai	Director Director Director
Andrius Popovas	Board	AB "Mano Bankas", 112043081, S.Moniuškos g. 27, LT-08115 Vilnius	Head of Risk Management	-	-
Giedrė Blazgienė	Board /Head of Administration	AB "Mano Bankas", 112043081, S.Moniuškos g. 27, LT-08115 Vilnius	General Director	VĮ "Regitra", 110078991, Liepkalnio g. 97A, LT-02121 Vilnius	Board Member

INFORMATION ABOUT SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF THE FINANCIAL YEAR

On January 31, 2024, amendments to the Bank's articles of association were registered, according to which the Bank's authorized capital was increased by 222 684 EUR, after issuing 7 953 preferred registered shares. As of January 31, 2024, the authorized capital of the Bank amounts to 4 948 608 EUR.

Chief Executive Officer　　　　Giedrė Blazgienė

15 March 2024

(All amounts in EUR thousand unless otherwise stated)

INCOME STATEMENT

	Notes	Year ended 31 December 2023	31 December 2022
Interest income		10 422	5 615
Other similar income		2 828	947
Interest and other similar expense		(3 290)	(1 519)
Net interest income	1	**9 960**	**5 043**
Service fee and commission income		4 035	2 914
Service fee and commission expense		(414)	(273)
Net service fee and commission income	2	**3 621**	**2 641**
Net result on debt securities trading	3	4	(106)
Net result on currency exchange transactions		41	56
Net result on operations from non-financial assets		-	101
Other income	4	15	27
Salaries and related expenses		(5 033)	(3 925)
Depreciation and amortisation		(230)	(191)
Other operating expenses	5	(3 211)	(1 880)
Profit before impairment		**5 167**	**1 766**
Provisions		(8)	(37)
Impairment of loans and other financial assets	6	(951)	(3)
Fair value change of investment property	15	13	185
Operating profit before income tax		**4 221**	**1 911**
Income tax expenses	7	(757)	(335)
Net profit		**3 464**	**1 576**
Attributable to:			
The Bank shareholders		3 464	1 576
Non-controlling interest		-	-
Basic earnings per share (EUR per share), attributable to the Bank shareholders	8	20.52	9.34
Diluted earnings per share (EUR per share), attributable to the Bank shareholders	8	20.52	9.34

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024

The accompanying notes on pages 18-48 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Net profit		3 464	1 576
Other comprehensive income (loss):		-	-
Other comprehensive income items that are or may be reclassified to profit or loss			
Fair value revaluation reserve charged directly to equity		-	-
Fair value revaluation reserve charged to statement of profit (loss)		-	-
Deferred income tax related to revaluation		-	-
Other comprehensive income items that may not be reclassified to profit or loss			
Fair value change of financial liabilities, measured at fair value through profit (loss), attributable directly to the liability's credit risk		-	-
Other comprehensive income (loss), net of deferred taxes		-	-
Total comprehensive income		**3 464**	**1 576**
Attributable to:			
The Bank shareholders		3 464	1 576
Non-controlling interest		-	-

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024

The accompanying notes on pages 18-48 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	9	29	86
Debt securities measured at fair value through profit (loss)	10	-	138
Cash balances at banks	9	76 749	83 613
Loans to customers	11	99 541	89 128
Debt securities measured at amortised cost	12	65 309	24 257
Intangible assets	13	244	211
Tangible assets	14	3 116	3 155
Investment property	15	522	509
Deferred income tax	7	-	-
Other assets	16	939	455
Total assets		**246 449**	**201 552**
LIABILITIES			
Due to customers	17	225 786	188 215
Subordinated liabilities	18	2 985	1985
Current income tax liability		470	127
Deferred tax liability	7	42	24
Provisions		21	97
Paid-up newly issued shares	20	2 000	-
Other liabilities	19	1 262	685
Total liabilities		**232 566**	**191 133**
EQUITY			
Share capital	20	4 726	4 726
Other reserves		-	-
Legal reserve		3 115	2 980
Retained earnings		6 042	2 713
Total equity		**13 883**	**10 419**
Total liabilities and equity		**246 449**	**201 552**

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024

The accompanying notes on pages 18-48 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Notes	*Share capital*	*Emission differences*	*Legal reserve*	*Fair value revaluation reserve*	*Retained earnings*	*Total*
Balance as of 1 January 2022		**4 726**		**2 920**		**1 197**	**8 843**
Transfers to reserves				60		(60)	-
Total comprehensive income:						1 576	1 576
Net profit						1 576	1 576
Other comprehensive income						-	-
Balance as of 31 December 2022		**4 726**		**2 980**		**2 713**	**10 419**
Transfers to reserves				135		(135)	-
Total comprehensive income:						3 464	3 464
Net profit						3 464	3 464
Other comprehensive income							-
Balance as of 31 December 2023		**4 726**		**3 115**		**6 042**	**13 883**

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024

The accompanying notes on pages 18-48 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

CASH FLOW STATEMENT

	Notes	31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Interest income received		12 308	6 504
Interest expense paid		(1 712)	(855)
Service fee and commission income		4 030	2 884
Service fee and commission expense		(410)	(273)
Other income		156	183
Other expenses		-	-
Cash flows from recovered loans		16	11
Salaries and related expenses		(5 079)	(4 064)
Other operating expenses		(3 253)	(1 569)
Income tax paid		(396)	(334)
Cash flows from operating activities before changes in operating assets and liabilities		**5 560**	**2 487**
Changes in operating assets and liabilities			
Loans to customers disbursement		(100 719)	(89 680)
Loans to customers repayment		89 680	50 926
Changes in due to customers		36 349	88 189
Net change		**25 310**	**49 435**
Net cash flows from operating activities		**30 870**	**51 922**
Investing activities			
Acquisitions of tangible and intangible assets		(224)	(193)
Proceeds from sale of tangible, intangible and investment property		-	-
Acquisitions of debt securities		(42 614)	(10 111)
Proceeds from redemption or disposal of debt securities		2 249	1 441
Proceeds from disposal of investment property		-	302
Acquisitions of investment property		-	-
Net cash flows from investing activities		**(40 589)**	**(8 561)**
Financing activities			
Contributions to share capital	20	2 000	-
Dividends paid		-	-
Subordinated amounts received		1 000	1 485
Subordinated amounts repaid		(203)	(67)
Net cash flows from financing activities		**2 797**	**1 418**
Net increase (decrease) in cash and cash equivalents		**(6 921)**	**44 779**
Cash and cash equivalents at 1 January	9	83 699	38 920
Cash and cash equivalents at 31 December	9	76 778	83 699

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024

The accompanying notes on pages 18-48 are an integral part of these financial statements.

GENERAL INFORMATION

AB „Mano bankas“ (hereinafter referred to as the Bank) was registered as a joint stock company in the register of legal entities on 2 January 2019 after reorganisation of credit union “Mano Unija”, which was operating since 30 May 1996.

AB “Mano bankas” is acting in accordance with a specialised bank license granted by the European Central Bank on 15 October 2018, which allows the Bank to collect deposits and other refundable funds from non-professional market participants and to lend those funds by assuming the related risk and responsibility as well as to provide other financial services as described in the Banking law of Republic of Lithuania and Articles of the Bank. The Bank collects deposits, provides loans, carries out payment transactions, invests into debt securities, trades them and carries out other operations.

Bank headquarters are located on S.Moniuškos st. 27, LT-08115.

On 31 December 2023 the Bank had 90 employees (83 as of 31 December 2022).

These financial statements were approved and signed by the management on 15 March 2024.

In accordance with Republic of Lithuania Law on Companies the financial statements have to be approved by the shareholder meeting. The shareholders have a right not to approve the financial statements and request the management to prepare new ones.

The shareholder structure of the Bank is described in Note 20 Shareholder’s equity.

ACCOUNTING PRINCIPLES

These are the main accounting principles that were used while preparing the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through profit (loss), and investment property, measured at fair value.

The amounts in these financial statements are prepared in the national currency, the euro (EUR), which is the Bank's functional currency.

These financial statements have been prepared on a going concern basis, with the assumption that the Bank in the foreseeable future will be able to continue its activity.

Use of estimates and judgements in the preparation of the financial statements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Estimates are prepared based on the available information to the management and current market situation, however factual outcome might differ.

Below are presented key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment losses on loans and receivables

The Bank regularly reviews loans and receivables to assess impairment. The Bank uses experienced judgment to estimate the amount of impairment loss in cases when a borrower is in financial difficulties and historical data relating to similar borrowers is available. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables when scheduling its future cash flows. The Bank uses experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred. For further information see Note 6 and Note 24.

Fair value of investment property

To determine the fair value of investment property, the Bank uses external independent asset appraisers and delegated Bank employees that hold a qualification as asset appraisers. As of 31 December 2023 and 2022, the market value of the significant part of investment property was determined by an independent asset appraiser, while the other was determined by the Bank's internal asset appraiser, who is qualified as a real estate, movable and business asset appraiser.
Comparative method was the main type of valuation method used in preparation of the financial statements, meaning that the fair value of objects is determined based on the available market information of transactions that involve similar assets, adjusting for minor differences between them. The accuracy of the calculated value significantly depends on the level of comparability of the assets, transactions carried out and market changes. Therefore, the fair value of investment property is assigned to the 3rd level in the fair value hierarchy.
Changes in fair value of investment property are accounted for in the income statement.

Deferred tax asset

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Future events may occur which may cause changes in the assumptions used in the estimations. The effect of any changes in estimates will be recorded in the financial statements when they'll be determined.

ACCOUNTING PRINCIPLES (cont'd)

Application of new and revised International Financial Reporting Standards (IFRSs)

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (further – EU) are effective for the current period:

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 “Income taxes”: International Tax Reform – Pillar Two Model Rules (effective for annual periods beginning on or after 1 January 2023).

The application of these standards, amendments and interpretations did not have a significant effect on the Bank’s financial statements.

Standards, amendments and interpretations to existing standards issued by IASB, adopted by EU, but not yet effective:
At the date of authorisation of these financial statements, the Bank has not early adopted the following new and revised IFRS standards, amendments and interpretations that have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective date; Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The management of the Bank does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Bank in future periods.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been endorsed by EU:
IFRSs currently endorsed by EU are not significantly different from the standards, endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

- 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);
- Amendments to IAS 21 “The Effects of Changes in Foreign Exchange Rates”: Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

The management of the Bank does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Bank in future periods.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate of European Central Bank prevailing at the date of the statement of financial position. Gains and losses resulting from the translation of items of the statement of financial position are recognised in the profit or loss. Non-monetary items carried are translated using the exchange rate at the date of the transaction.

Transactions in foreign currencies are translated to EUR at the spot exchange rate prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognised in the profit or loss.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a currently enforceable legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expense recognition

Interest income and expense from debt instruments, stated at amortised cost or fair value through other comprehensive income, are recognised in income statement on accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. In calculation of the effective interest rate the Bank evaluates cash flows based on the contract terms (i.e. possibility of advance payment), but does not evaluate future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Other fees and commission revenue, including account servicing fees are recognised on accrual basis as the related services are performed.

Interest income from financial assets is calculated using effective interest rate based on the book value of the asset, except for credit impaired assets (stage 3 financial assets), for which interest income is calculated using effective interest rate based on the gross carrying amount (book value less impairment losses) and for purchased or originated credit impaired assets, for which interest income is calculated using credit risk adjusted effective interest rate based on their amortised cost.

Service fee and commission revenue include account servicing fees, transaction fees, cash operations fees and fees for other services related to loan administration. These revenues are recognised on accrual basis as these services are provided. Revenues are typically the reward expected to be received for the services provided. Revenues are distributed for each service provided based on whether the service is provided at a point in time or over a certain period. Bank recognises contractual revenues for services not yet provided as accrued revenues and contractual commitments based on received advance payments, when the services are yet to be provided, as deferred revenues. Commission expenses are dependent on individual agreements and are directly related to agreements that generate revenues accounted under service fee and commission income line in the income statement.

The Bank also generates revenues through disposal of its own tangible assets and investment property as well as through lease of such assets. These revenues are only accounted upon transfer of the asset to the client and in cases of rental income – upon completion of contractual obligations. All expenses related to disposal are accounted for as incurred as typically related assets are disposed within 12 months of their acquisition.

Taxes

Income tax

In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, 15 percent basic income tax rate is applied on taxable income and 5 percent additional income tax rate is applied on taxable income exceeding 2 million EUR. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation: the taxable income of 2022 is subject to a 15 percent tax rate, and 15 percent basic and 5 percent additional rates are applied to 2023 taxable income.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax laws that have been enacted or substantively enacted at the date of the statement of financial position. 2023 and 2022 deferred income tax is calculated using a basic corporate tax rate of 15 percent.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts.

Temporary solidarity contribution

According to the Law on Temporary Solidarity Contribution of the Republic of Lithuania, which entered into force 16 May 2023, credit institutions operating in Lithuania were required to calculate and pay the temporary solidarity contribution. This contribution is calculated from the surplus of the bank's net interest income earned from activity performed in territory of Lithuania, and will be applied in 2023 and 2024. This contribution is included in other expenses in the income statement.

Other taxes

Real estate annual tax rate is up to 1 percent on the tax value of property and equipment and foreclosed assets. The Bank is also obliged to pay land and land rent taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the income statement.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising funds that have maturity date up to three months from the date of placement, including cash and current accounts with the Bank of Lithuania, short-term bonds receivables from other banks and financial institutions.

Financial assets

Financial assets are classified into 3 categories:

- Financial assets that are subsequently measured at fair value through profit (loss) (the Bank has debt securities that are included in the trading book),
- Financial assets that are subsequently measured at fair value through other comprehensive income (the Bank does not have assets under this category),
- Financial assets that are subsequently measured at amortised cost.

At initial recognition financial assets are measured at fair value, plus, in the case of investments not at fair value through profit (loss), directly attributable incremental transaction costs. Subsequent measurement is based on the cash flow properties and business operating model of the asset.

Financial assets measured at fair value through profit (loss)

Trading book assets (trading portfolio) includes debt securities that were purchased for generation of profit from short-term fluctuations in price or dealer's margin.

At initial recognition debt securities measured at fair value through profit (loss) are recognised at fair value based on the transaction price. Subsequent fair value measurement is based on available market prices or internally determined prices based on discounted cash flow method, if market prices are not representative enough. Realised profit and loss from debt securities operations is recognised in the income statement. Interest income collected is included in the fair value of these securities. Received dividends are recorded under dividend revenue. These assets are derecognised when the contractual right to receive cash flows expires or when the Bank has transferred substantially all the risks and rewards of the asset.

All purchases and disposals of debt securities, measured at fair value through profit (loss), that have to be disposed based on regulatory institutions or risk conventions determined timeframes, are recognised at the factual settlement date (upon the factual payment for purchased or disposed asset). All other purchases and disposals are considered to be forward deals until the payment date.

Financial assets measured at fair value through other comprehensive income

Debt securities that are held for the purpose of collecting contractual cash flows and selling them, when the cash flows are solely payments of principal and interest on the principal amount outstanding and which at initial recognition cannot be measured at fair value through profit (loss) are measured at fair value through other comprehensive income. A revaluation gain or loss is recognised in other comprehensive income, except for impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised through profit (loss). Upon derecognition of these assets the cumulative fair value revaluation gain or loss previously recognised in other comprehensive income is reclassified from equity to profit (loss) and is recorded as revenue from debt securities operations. For debt securities the interest revenue is recognized in profit (loss) calculated by the effective interest rate method.

The Bank did not have such securities during the reporting period.

Financial assets measured at amortised cost

Financial assets, measured at amortised cost, consist of non-derivative financial assets, that are designed to be held and to collect contractual cashflows except for: a) assets, that are measured at fair value through profit (loss) due to intent of disposing them in the near future or to correct accounting inaccuracies; b) assets, that were initially measured at fair value through other comprehensive income; c) assets, whose owner, for reasons other than deterioration of credit quality, might not recover the majority of investment. Impairment loss is recognised as the amount decreasing the carrying amount of the asset and is recorded in the profit (loss) statement under impairment losses.

ACCOUNTING PRINCIPLES (cont'd)

Impairment of financial assets

Financial assets, that are measured at amortized cost or fair value through other comprehensive income as well as positions arising from crediting commitments and other financial guarantees are valuated based on the Expected Credit Loss (ECL) valuation model. At the end of each reporting period, the Bank recognises the calculated amount of these impairment losses. ECL depicts unbiased probability based amount that is calculated based on a range of potential outcomes, time value of money and reliable information (that can be obtained with reasonable effort and expense) at the reporting date about past events, current conditions and future economic forecasts.

Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial asset to determine whether there are any indications of impairment and the asset's carrying amount might not be recovered. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the greater of assets value in use and its fair value less cost to sell. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets. Impairment testing can be performed for individual assets if value in use or fair value less cost to sell can be determined reliably. Impaired non-financial assets are reviewed at the end of each reporting period for potential impairment loss reversal.

Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Bank are classified as investment properties. Investment property comprise residential and commercial buildings and land plots with undetermined future use.

Investment property is recognised only if it is probable that future economic benefits and expenses related to the property can be reasonably evaluated. This usually happens at the moment of risk transfer.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

When there is a change in use, investment property is transferred to tangible assets (if used for own purposes) or to inventories (if it has been decided to sell the asset). Fair value of the asset, determined at the moment of derecognition, is deemed cost for subsequent accounting.

Intangible assets

Intangible assets are stated at cost less any accumulated amortization. Intangible assets are amortised on a straight-line basis over their useful lives as described in Note 13. Amortisation is recognised in profit (loss) and costs associated with maintenance are recorded as an expense when incurred.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation. Depreciation is recognised in profit (loss) on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Depreciated items are periodically reviewed for impairment if events or conditions arise that indicate potential losses. Carrying value of asset is reduced to recoverable amount if the carrying amount is higher. Recoverable amount is higher of fair value less costs to sell and value in use.

Result from disposal of tangible assets is estimated based on its carrying value and is included in the income statement.

At the end of each reporting period the Bank reviews residual values and useful lives of tangible assets and revises them if necessary. The costs of servicing and maintenance are recognised in the profit (loss) as incurred. Significant improvements of tangible assets are capitalized and depreciated during the remaining useful life of the asset. Borrowing costs that can be directly attributed to tangible assets that are being prepared for use, are capitalized. Useful lives of tangible assets are disclosed in Note 14.

Leased assets are continued to be depreciated over their useful lives at the same depreciation rate. Lease income is recognised in a directly proportional method during lease period.

Lease

The Bank recognizes right-of-use asset and a corresponding lease liability in the balance sheet at inception of the contract, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. These short-term and / or low-value lease payments are recognized as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities are recognized in the balance sheet as other liabilities and are initially measured at the present value of lease payments that are not paid at the commencement date. Subsequently, the lease liability is increased by the interest accrued and reduced by the lease payments.

The right-of-use assets are presented within Tangible assets and initially are measured at cost which comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. Subsequently, right-to-used assets are depreciated over the lease term, starting from the date the lease is commenced. The carrying amount of the right-of-use assets is adjusted for impairment.

Depreciation and interest expense on right-to-used assets are recognized in the income statement.

Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities mainly include customers deposits. Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost. Difference between received amount and purchase price is recognised over term of liability in the statement of profit (loss) based on effective interest rate.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.
Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

Dividends

Dividends are recognised on the same period when they are declared.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits.

Severance pay

Severance pay is paid to employees upon termination of employment before the standard pension leave term or upon employees wish to willingly leave in return for this payment. Bank records severance expenses when such legal obligation arises. If severance pay is due after 12 months after the date of financial position, it is discounted to net present value. Severance pay is recorded in the income statement under employee related expenses and under other liabilities in the statement of financial position.
There are no significant long-term employee benefits.

The Bank's liabilities to pension aged employees (which consists of 2 months average employee salary) are immaterial, thus pension reserve was not formed as at 31 December 2023 and 2022.

Fair value of financial assets and liabilities

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.
For financial instruments traded in active financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. In the absence of an active market the fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics.

(All amounts in EUR thousand unless otherwise stated)

ACCOUNTING PRINCIPLES (cont'd)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

In the table below are presented the carrying amounts and fair values of the financial instruments, which are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	76 778	76 778	83 699	83 699
Debt securities	65 309	64 221	24 395	22 747
Loans to customers	99 541	99 887	89 128	92 805
Other assets	538	538	25	25
Total financial assets	**242 166**	**241 424**	**197 247**	**199 276**
Financial liabilities				
Due to customers	225 786	226 473	188 215	188 640
Subordinated liabilities	2 985	3 178	1 985	2 249
Other liabilities	3 764	3 764	836	836
Total financial liabilities	**232 535**	**233 415**	**191 036**	**191 725**

The following describes the methodologies and assumptions used to determine the fair value for those financial instruments:

<u>Cash</u>. Represents cash on hand for which the carrying amount is its fair value.

<u>Balances with the Central Bank</u>. The carrying amount equals to the fair value as these are current accounts at the Bank of Lithuania.

<u>Debt securities</u>. Their fair value was calculated based on market quotations.

<u>Amounts due from banks</u>. For assets maturing within three months, the carrying amount approximates the fair value due to the relatively short-term maturity of these financial instruments.

<u>Loans to customers</u>. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

<u>Other assets</u> include advances paid and other debts of partners with maturity less than 3 months, therefore their carrying amount approximates the fair value due to the relatively short maturity of these assets.

<u>Amounts due to customers</u>. For balances maturing within three months the carrying amount approximates the fair value due to the relatively short maturity of these financial instruments. For longer term fixed interest-bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity and credit quality.

<u>Subordinated liabilities:</u> The fair value of subordinated liabilities was determined by discounting cash flows using market interest rates of loans at the end of the year.

<u>Other liabilities</u> include accounts receivables and tax liabilities with maturity of less than 3 months, therefore their carrying amount approximates the fair value due to the relatively short maturity of these liabilities.

The following table shows an analysis of the financial instruments recorded at fair value by the level of the fair value hierarchy:

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities measured at fair value through profit (loss)	138	-	-	138
Total financial assets	**138**	**-**	**-**	**138**

As of 31 December 2023 the Bank had no financial assets carried at fair value.

(All amounts in EUR thousand unless otherwise stated)

ACCOUNTING PRINCIPLES (cont'd)

The following table sets out the financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy.

31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	76 778	-	-	76 778
Debt securities	65 309	-	-	65 309
Loans to customers	-	99 541	-	99 541
Other assets	-		538	538
Total financial assets	**142 087**	**99 541**	**538**	**242 166**
Financial liabilities				
Due to customers	-	225 786	-	225 786
Subordinated liabilities	-	2 985	-	2 985
Other liabilities	-	-	3 764	3 764
Total financial liabilities	-	**228 771**	**3 764**	**232 535**

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	83 699	-	-	83 699
Debt securities	24 257	-	-	24 257
Loans to customers	-	89 128	-	89 128
Other assets	-	-	25	25
Total financial assets	**107 956**	**89 128**	**25**	**197 109**
Financial liabilities				
Due to customers	-	188 215	-	188 215
Subordinated liabilities	-	1 985	-	1 985
Other liabilities	-	-	679	679
Total financial liabilities	-	**190 200**	**679**	**190 879**

Financial guarantees

Guarantees represent irrevocable assurances that the Bank will make payments in the event when a customer cannot meet its obligations to the third parties. Bank issues guarantees for its clients to ensure a proper fulfilment of their obligations.

Financial guarantees are initially recognised in the financial statements at fair value. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and amount recorded at initial recognition less recorded revenues under IFRS 15.

(All amounts in EUR thousand unless otherwise stated)

NOTE 1 NET INTEREST INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income on loans to customers	9 048	5 571
Interest income on debt securities measured at amortized cost	1 374	44
Total effective interest income	10 422	5 615
Interest income on liabilities to customers	490	705
Interest income on funds in the central bank	2 232	189
Other similar income	106	53
Total other interest and similar income	2 828	947
Total interest income	**13 250**	**6 562**
Interest expense on liabilities of customers	(2 964)	(1 232)
Interest expense on funds held in banks	-	(127)
Deposit insurance expense	(123)	(93)
Interest expense on subordinated liabilities	(203)	(67)
Interest expense on debt securities measured at amortized cost	-	-
Total interest and similar expense	**(3 290)**	**(1 519)**
Net interest income	**9 960**	**5 043**

NOTE 2 NET SERVICE FEE AND COMMISSION INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Service fee and commission income		
Payment services	2 633	1 964
Administration of bank accounts	1 260	835
Loan administration services	135	106
Cash operations	7	9
Total service fee and commission income	**4 035**	**2 914**
Service fee and commission expense:		
Loan administration services	(258)	(163)
Payment services	(141)	(100)
Cash collection services	(2)	(6)
Other service fee and commission expense	(13)	(4)
Total service fee and commission expense	**(414)**	**(273)**
Net service fee and commission income	**3 621**	**2 641**

(All amounts in EUR thousand unless otherwise stated)

NOTE 3 NET RESULT ON DEBT SECURITIES TRADING

	Year ended	
	31 December 2023	**31 December 2022**
Trading book debt securities:		
Realised profit from debt securities	4	(87)
Unrealised profit (loss) from debt securities	-	(19)
Net result on trading book debt securities	**4**	**(106)**
Banking book debt securities:		
Realised profit from debt securities measured at amortised cost	-	-
Net result on banking book debt securities	**-**	**-**
Total	**4**	**(106)**

NOTE 4 OTHER INCOME

The Bank's other operating income in 2023 and 2022 consisted of income from the rent of premises, they respectively amounted to EUR 15 thousand and EUR 27 thousand.

NOTE 5 OTHER OPERATING EXPENSES

	Year ended	
	31 December 2023	**31 December 2022**
Payments for service providers	1 476	1 035
Temporary solidarity contribution expenses	867	-
Marketing and advertising expenses	259	93
Transportation and parking expenses	96	93
Legal and consulting expenses	83	18
Recruitment and training expenses	72	139
Office maintenance expenses	68	65
Charity and support	60	11
Financial market supervision fees	28	17
Asset maintenance expenses	28	31
Business trip expenses	24	40
Activity insurance expenses	21	20
Paid taxes and fines	15	179
Communication expenses	13	20
Debt collection expenses	5	5
Other expenses	96	114
Total	**3 211**	**1 880**

NOTE 6 IMPAIRMENT LOSSES

	Year ended	
	31 December 2023	**31 December 2022**
Impairment loss on loans:		
Impairment losses calculated during the year	(953)	(14)
Recovery of loans previously written-off	2	11
Net impairment of loans and other financial assets	**(951)**	**(3)**

Changes in the loan impairment are disclosed in Note 11 Loans to customers.

(All amounts in EUR thousand unless otherwise stated)

NOTE 7 INCOME TAX

	Year ended 31 December 2023	31 December 2022
Current year income tax	(739)	(295)
Previous year income tax	-	(6)
Deferred taxes	(18)	(34)
Total	**(757)**	**(335)**

The income tax expense, applicable to the result of the current year, can be reconciled with the income tax expenses calculated using statutory basic and additional income tax rates for the pre-tax income as follows:

	Year ended 31 December 2023	31 December 2022
Profit before tax	4 202	1 911
Profit tax calculated at basic 15% tax rate	630	287
Non-taxable income	(19)	(40)
Non-deductible expenses	31	48
Tax relief for donations	(18)	-
Profit tax calculated at additional 5 % rate	110	-
Non-taxable income	(6)	-
Non-deductible expenses	11	-
Income tax expense	**739**	**295**

Deferred tax asset and liability:

	Net balance at 1 January	Recognised in profit (loss)	Balance at 31 December 2023		
			Net amount	Deferred tax asset	Deferred tax liability
Impairment of investment property	(37)	(5)	(42)	-	(42)
Provisions	13	(13)	-	-	-
Total	**(24)**	**(18)**	**(42)**	**-**	**(42)**

	Net balance at 1 January	Recognised in profit (loss)	Balance at 31 December 2022		
			Net amount	Deferred tax asset	Deferred tax liability
Impairment of investment property	(19)	(18)	(37)	-	(37)
Accrued expenses	22	(22)	-	-	-
Provisions	7	6	13	13	-
Total	**10**	**(34)**	**(24)**	**13**	**(37)**

(All amounts in EUR thousand unless otherwise stated)

NOTE 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing the net profit by the weighted average number of the ordinary shares outstanding during the period.

The weighted average number of the ordinary shares outstanding was 168 783 as at 31 December 2023 and 2022 and has not changed during 2022 and 2023.

	Year ended	
	31 December 2023	31 December 2022
Profit for the from continuous operations year attributable to shareholders	3 464	1 576
Profit from discontinued operations attributable to shareholders	-	-
Profit attributable to shareholders	***3 464***	***1 576***
Weighted average number of the ordinary shares outstanding during the period	168 783	168 783
Basic earnings per share (EUR)	**20,52**	**9,34**
Basic earnings per share (EUR) from continuous operations	20,52	9,34
Basic earnings per share (EUR) from discontinued operations	-	-

NOTE 9 CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	29	86
Current accounts with other credit institutions	347	1 236
Current accounts with the Bank of Lithuania	76 402	82 377
Total	***76 778***	***83 699***

As at 31 December 2023 and 2022 cash and cash equivalents were not pledged.

NOTE 10 DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT (LOSS)

	31 December 2023	31 December 2022
Trading book debt securities:		
Republic of Lithuania government bonds	-	138
Total	**-**	**138**
Debt securities based on term of redemption		
Short-term (less than 1 year)	-	-
Long-term (more than 1 year)	-	138
Total	**-**	**138**

In December 2023, the Bank reclassified its trading book securities carried at fair value through profit or loss to banking book securities at amortised cost, taking into account the objectives of holding these securities. The market price of the reclassified portfolio was EUR 142 thousand at the moment of reclassification.

Debt securities measured at fair value through profit (loss) were not pledged as at 31 December 2022.

NOTE 11 LOANS TO CUSTOMERS

	31 December 2023	31 December 2022
Loans to customers, gross amount	100 953	89 596
Loan impairment	(1 412)	(468)
Loans to customers, net amount	**99 541**	**89 128**

(All amounts in EUR thousand unless otherwise stated)

NOTE 11 LOANS TO CUSTOMERS (CONT'D)

Movement of loans in gross value is presented in the table:

	Stage 1	Stage 2	Stage 3	Total
Gross amount as at 31 December 2022	**67 889**	**17 145**	**4 562**	**89 596**
Transfers between stages:				
From stage 1 to stage 2	(9 216)	9 216	-	-
From stage 1 to stage 3	(2 928)	-	2 928	-
From stage 2 to stage 1	5 191	(5 191)	-	-
From stage 2 to stage 3	-	(572)	572	-
From stage 3 to stage 1	105	-	(105)	-
From stage 3 to stage 2	-	1	(1)	-
New loans or increase in loan amount	21 931	5 186	124	27 241
Loan repayments or derecognised loans	(10 485)	(2 950)	(2 435)	(15 869)
Loans written-off during the period	-	-	(14)	(14)
Gross amount as at 31 December 2023	**72 487**	**22 835**	**5 631**	**100 953**

The following table shows the change in the impairment of loans in 2023 and 2022.

	Balance as at 31 December 2022	Increase due to new loans granted	Change due to derecognition	Change due to change in credit risk	Loan write-offs	Balance as at 31 December 2023
Impairment of performing loans with no significant increase in credit risk (stage 1)	(324)	(109)	14	(239)	-	(658)
Impairment of performing loans with significant increase in credit risk (stage 2)	(44)	(116)	9	(254)	-	(405)
Impairment of defaulted loans (stage 3)	(100)	-	42	(291)	-	(349)
Total amount of impairment	(468)	(225)	65	(784)	-	(1 412)

	Balance as at 31 December 2021	Increase due to new loans granted	Change due to derecognition	Change due to change in credit risk	Loan write-offs	Balance as at 31 December 2022
Impairment of performing loans with no significant increase in credit risk (stage 1)	(219)	(229)	36	88	-	(324)
Impairment of performing loans with significant increase in credit risk (stage 2)	(112)	-	2	66	-	(44)
Impairment of defaulted loans (stage 3)	(117)	-	5	12	-	(100)
Total amount of impairment	(448)	(229)	43	166	-	(468)

(All amounts in EUR thousand unless otherwise stated)

NOTE 12 DEBT SECURITIES MEASURED AT AMORTISED COST

	31 December 2023	31 December 2022
Debt securities measured at amortised cost:		
Republic of Lithuania government bonds	65 309	24 257
Total	**65 309**	**24 257**
Debt securities based on term of redemption		
Short-term (less than 1 year)	6 910	2 252
Long-term (more than 1 year)	58 399	22 005
Total	**65 309**	**24 257**

Debt securities measured at amortised cost were not pledged as at 31 December 2023 and 2022.

Distribution of the Bank's debt securities based on different stages and their respective impairment is presented in the table:

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Republic of Lithuania government bonds, gross amount	65 309	-	-	65 309
Less: impairment losses	-	-	-	-
Republic of Lithuania government bonds, net amount	65 309	-	-	65 309
Total, gross amount	65 309	-	-	65 309
Less: impairment losses	-	-	-	-
Total, net amount	**65 309**	**-**	**-**	**65 309**
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Republic of Lithuania government bonds, gross amount	24 257	-	-	24 257
Less: impairment losses	-	-	-	-
Republic of Lithuania government bonds, net amount	24 257	-	-	24 257
Total, gross amount	24 257	-	-	24 257
Less: impairment losses	-	-	-	-
Total, net amount	**24 257**	**-**	**-**	**24 257**

(All amounts in EUR thousand unless otherwise stated)

NOTE 13 INTANGIBLE ASSETS

Software and licenses

1 January 2022	
Acquisition cost	263
Accumulated amortisation	(59)
Net book value	204
Year ended 31 December 2022:	
Net book value as at 1 January	204
Acquisition	44
Write-off	(3)
Amortisation charge	(37)
Amortisation write-off	3
Net book value as at December 31	211
31 December 2022:	
Acquisition cost	304
Accumulated amortisation	(93)
Net book value	211
Year ended 31 December 2023:	
Net book value as at 1 January	211
Additions	81
Disposals and write-offs	(31)
Amortisation charge	(48)
Amortisation write-off	31
Net book value as at December 31	244
31 December 2023:	
Acquisition cost	354
Accumulated amortisation	(110)
Net book value	244
Useful life (years)	3-7

(All amounts in EUR thousand unless otherwise stated)

NOTE 14 TANGIBLE ASSETS

	Land and buildings	Vehicles	Office and other equipment	Right of use assets	Total
1 January 2022:					
Acquisition cost	3 131	128	202	42	3 503
Accumulated depreciation	(165)	(67)	(110)	(1)	(343)
Net book value	**2 966**	**61**	**92**	**41**	**3 160**
Year ended 31 December 2022:					
Net book value as at 1 January	**2 966**	**61**	**92**	**41**	**3 160**
Additions	-	37	112	-	149
Disposals and write-offs	-	-	(13)	-	(13)
Depreciation charge	(75)	(17)	(54)	(8)	(154)
Depreciation of disposed and written-off assets	-	-	13	-	13
Net book value as at 31 December	**2 891**	**81**	**150**	**33**	**3 155**
31 December 2022:					
Acquisition cost	3 131	165	301	42	3 639
Accumulated depreciation	(240)	(84)	(151)	(9)	(484)
Net book value	**2 891**	**81**	**150**	**33**	**3 155**
Year ended 31 December 2023:					
Net book value as at 1 January	**2 891**	**81**	**150**	**33**	**3 155**
Additions	-	77	66	1	144
Disposals and write-offs	-	-	(10)	-	(10)
Depreciation charge	(75)	(26)	(73)	(8)	(182)
Depreciation of disposed and written-off assets	-	-	9	-	9
Net book value as at 31 December	**2 816**	**132**	**142**	**26**	**3 116**
31 December 2023:					
Acquisition cost	3 131	242	357	43	3 773
Accumulated depreciation	(315)	(110)	(215)	(17)	(657)
Net book value	**2 816**	**132**	**142**	**26**	**3 116**
Useful life (years)	40	6	3-6	5	3-40

The Bank has rented part of its buildings as an operating lease (15.8 percent of total premises) as at 31 December 2023 and 2022.

The Bank did not have pledged tangible assets as at 31 December 2023 and 2022.

Minimal future lease payments from operating lease agreements are presented in the table below:

31 December 2023			31 December 2022		
Within 1 year	*1-5 years*	*After 5 years*	*Within 1 year*	*1-5 years*	*After 5 years*
9	-	-	11	-	-

NOTE 15 INVESTMENT PROPERTY

	31 December 2023	31 December 2022
Balance at the beginning of the year	**509**	**324**
Disposals	-	-
Fair value change	13	185
Balance at the end of the year	**522**	**509**

Expenses related to the maintenance of investment property are recorded in the income statement under other operating expenses. In 2023 these expenses amounted to EUR 1 thousand (2022 – EUR 4 thousand).

(All amounts in EUR thousand unless otherwise stated)

NOTE 16 OTHER ASSETS

	31 December 2023	31 December 2022
Assets held for sale	230	230
Deferred expenses	177	199
Prepayments	526	25
Other assets	6	1
Total	**939**	**455**

NOTE 17 DUE TO CUSTOMERS

	31 December 2023	31 December 2022
Current accounts:		
Financial corporate clients	43 867	25 639
Private corporate clients	43 174	49 324
Private clients	5 571	5 069
Total current accounts	**92 612**	**80 032**
Term deposits:		
Financial corporate clients	22 212	3 220
Private corporate clients	9 543	3 082
Private clients	94 658	100 011
Total term deposits	**129 413**	**106 313**
Customer funds in transitional accounts	**6 761**	**1 870**
Total	**225 786**	**188 215**
Due to customers, based on maturity		
Current (within 1 year)	181 608	154 715
Non-current (over 1 year)	44 178	33 500
Total	**225 786**	**188 215**

(All amounts in EUR thousand unless otherwise stated)

NOTE 18 SUBORDINATED LIABILITIES

	31 December 2023	31 December 2022
Subordinated liabilities:		
Balance at the beginning of the year	1 985	500
Subordinated loans received	1 000	1 485
Subordinated liabilities at the end of the year	**2 985**	**1 985**

Subordinated loans granted to the Bank by the Bank's shareholders and unrelated legal entities for a period of 8-10 years are necessary to meet the Bank's own funds requirements. The Bank pays a fixed interest rate of 8-10% per annum on subordinated loans.

NOTE 19 OTHER LIABILITIES

	31 December 2023	31 December 2022
Other liabilities:		
Variable remuneration payable	484	271
Vacation reserve	304	212
Payable for services	254	196
Payable temporary solidarity contribution and other taxes	210	-
Other liabilities	10	6
Total other liabilities	**1 262**	**685**
Other liabilities based on settlement term:		
Current (within 1 year)	1 262	685
Non-current (over 1 year)	-	-
Total other liabilities	**1 262**	**685**

NOTE 20 SHAREHOLDER'S EQUITY

Share capital

As at 31 December 2023 and 2022 the Bank's share capital was EUR 4 725 924 and consisted of 168 783 ordinary shares with the par value of EUR 28 each.

As at 31 December 2023 and 2022 all Bank shares are fully paid. Each share is entitled to equal voting rights, dividends and participation in distribution of residual assets in the even of a winding-up. The Bank's shares are not publicly listed.

As at 31 December 2023 the Bank had 3 208 shareholders (31 December 2022 – 3 325 shareholders).

10 shareholders of the Bank (UAB "Mano unijos kapitalas", Vytautas Jonas Lapienis, Skaistė Lapienė, Juozas Lapienis, Vytautas Olšauskas, Kęstutis Olšauskas, Tomas Kudirka, Pijus Ralys, UAB „Vilniaus kapitalas“, UAB „Gintarinė energija“) had signed a shareholders agreements and together composed a shareholders group which together owned 76,75 percent of the Bank shares as at 31 December 2023 (31 December 2022 – 73,02 percent).

The Bank did not acquire or dispose any of its shares during 2023 and did not own its own shares as at 31 December 2023 and 2022.

In November 6, 2023 the Bank's shareholders' extraordinary general meeting made a decision to increase the Bank's authorized capital by additional cash contributions up to EUR 4 948 608 by issuing 7 953 preferred shares with a 12% dividend calculated from the issue price of preferred share, which is equal to EUR 251.48 per share with a nominal value of EUR 28. As at December 31, 2023 all the newly issued shares have been paid, but the amendments to the Bank's articles of association related to the increase of the authorized capital have not been registered.

Reserve capital

The Bank's reserve capital is formed from the Bank's profit and purpose of it is to guarantee the financial stability of the Bank. Shareholders can decide to use the reserve capital to cover losses.

(All amounts in EUR thousand unless otherwise stated)

Legal reserve

In accordance with the banking laws of the Republic of Lithuania, contributions to the statutory reserve must amount to at least 1/20 of the distributable profit. The statutory reserve may only be used to cover operating losses in accordance with a decision of an ordinary or extraordinary general meeting of shareholders.

NOTE 21 OFF-BALANCE SHEET ITEMS AND CONTINGENCIES

Tax inspections

Tax Administrator has not carried out a comprehensive tax inspection in the Company. The Tax Administrator may at any time examine the books, records and tax declarations of the current and last 3 years, and in certain cases of the current ant last 5 or 10 years and calculate additional taxes and fines. The Bank's management is not aware of any circumstances that might give rise to a potential material liability in this regard.

Guarantees and letters of credit:

	31 December 2023	31 December 2022
Issued financial guarantees	940	3
Loan commitments	11 249	8 772
Provisions for irrevocable loan commitments	**(21)**	**(12)**
Total	**12 168**	**8 763**
Cash held as guarantee assurance	(940)	(3)
Net guarantees and loan commitments	**11 228**	**8 760**

The Bank has several vehicles under operating lease and use agreements. As at 31 December 2023 the Bank had 3 vehicles under such agreements (31 December 2022 – 3). The term of the concluded lease agreements are 1-5 years with an option to extend term. In 2023 operating lease expenses amounted to EUR 34 thousand (2022 – EUR 45 thousand).

NOTE 22 RELATED PARTY TRANSACTIONS

During 2023 and 2022 a certain number of transactions within the normal course of business occurred with related parties. These transactions include purchase of tangible assets, payments, loans and deposits.

Balances of loans, off-balance sheet commitments and deposits with related parties as well as their average interest rates are presented in the table below:

	Balance of deposits, year-end		*Average annual interest rate, percentage*		*Balances of received subordinated loans, year-end*		*Average annual interest rate, percentage*	
	2023 m.	2022 m.	2023 m.	2022 m.	2023 m.	2022 m.	2023 m.	2022 m.
Supervisory board and board members	1 118	839	0,00-3,00	0,00	-	-	-	-
Shareholders	1 487	790	0,00-4,17	0,00-0,67	800	800	8,00	8,00
Other related parties	854	430	0,00-4,17	0,00-2,12	435	435	8,00-10,00	8,00-10,00
Total	3 459	2 059			1 235	1 235		

	Loan balance, year-end		*Average annual interest rate, percentage*		*Credit commitments*		*Value of collateral, year-end*		*Impairment losses*	
	2023 m.	2022 m.	2023 m.	2022 m.	2023 m.	2022 m.	2023 m.	2022 m.	2023 m.	2022 m.
Supervisory Board and Board members	180	188	5,00	5,28	-	-	331	269	-	-
Shareholders	-	-	-	-	-	-	-	-	-	-
Other related parties	161	105	5,70	4,43	-	24	190	124	(3)	(2)
Total	**341**	**293**			**-**	**24**	**521**	**393**	**(3)**	**(2)**
In relation with share capital, percentage	2.46	2,50								

.Compensation of key management personnel

During 2023 salaries and other short-term benefits to the members of the Bank board and Chief Executive Officer amounted to EUR 517 thousand (2022 – EUR 543 thousand).

NOTE 23 EVENTS AFTER THE REPORTING DATE

On January 31, 2024, amendments to the Bank's Articles of Association were registered and the Bank's authorised share capital was increased by EUR 222 684 by issuing 7 953 preferred shares. The issue price of the additional shares purchased and paid up amounted to EUR 2 000 020 and these preferred shares will be subject to a dividend of 12% of the issue price.

NOTE 24 FINANCIAL RISK MANAGEMENT

Risk is integral to the Bank's activity. Risk management is a continuous process designed to ensure that all risks that the Bank is exposed to are identified and understood, their potential effects are anticipated and measures are undertaken to reduce their potential adverse effects.

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.
The Bank is exposed to credit risk, liquidity risk and market risk, it is also subject to operating risk.

Risk management structure

The Bank's risk management structure is based on a three-level control form:

- 1st line – participants of the business process, who undertake the risk and have the ability to ensure that the undertaken risk is acceptable.
- 2nd line – risk management, compliance and control function participants, who are responsible for setting risk management guidelines, risk assessment and application of risk management instruments.
- 3rd line – internal audit members, responsible for testing and evaluating effectiveness of organization management, risk management and internal controls.

Supervisory Board
The Supervisory Board has the responsibility for monitoring the overall risk process within the Bank and ensures an effective internal control system.

Audit Committee
Audit Committee reports to the Supervisory Board and has the responsibility to monitor and evaluate efficiency of the Bank's internal risk and control procedures and assesses the work of internal audit division.

Board
The Board is responsible for the overall risk management approach and supervises its implementation. The Board also supervises other Bank departments in terms of risk management.

Risk Department
The Risk Department is responsible for monitoring compliance with risk principles, policies and limits, across the Bank.

Compliance Department
Compliance Department ensures that the Bank's activity is in compliance with the European Union and the Republic of Lithuania laws and other legislation, creates and develops compliance risk management processes.

Internal audit division
Evaluation of the Bank's internal control systems, risk management and compliance are performed by the Internal Bank audit division.

Other departments
Other Bank departments act as a 1st line in their respective functions by ensuring that the risk taken is within the Bank's risk limits.

Risk measurement and reporting systems

The Bank applies credit risk management measures, which could relevantly be divided into two types:

1) Measures that help to avoid taking unwarrantably high risk.

Measures that help to avoid decisions to grant unwarrantably high risk include: multi-stage decision-making and its approval system, risk allocation among structural levels – limit establishment, security measures for credit repayment (collateral). Multi stage decision making and approval system has an aim to ensure that loans issuance/credit granting would not be in hands of one authorised person. Based on the type of transaction, the approval has to be confirmed with a direct supervisor, the Bank's Loans committee, Board or Supervisory Board. There are certain limits to authorized persons that do not require a second approval – it is lower risk, standardised contracts that are issued based on clearly defined guidelines (collection of deposits, issuing consumer loans). An integral part of the Bank's risk management system – system of risk limits and indicators, which includes all risks that the Bank faces. This system has two goals: first – constricting risk appetite, second – ensuring appropriate division of risk evaluation between the Bank's administration, Board and Supervisory Board.

2) Measures ensuring an effective monitoring of undertaken risks.

The undertaken risk has to be controlled in order to maintain it at a satisfactory level. That is achieved by obtaining and analysing information in a timely manner, constantly monitoring risk related transactions and external conditions. Receiving timely, comprehensive and reliable data in a timely manner and basing decisions on it, is one of the key instruments in risk management. This allows the Bank to evaluate the factual risk and estimate it's possible changes in the best possible way. The Bank's main safety and reliability principle is related to monitoring and administrating risk related transactions. Appropriate administration of these transactions involves timely update of counterparties information, adding this information into the Bank's system and preparing related documents and their changes. Monitoring external conditions is also an integral part of the Bank's risk management system. Business related information is reviewed and analysed to determine and control external risks.

Risk management measures are integral to periodical reporting process, which is designed to inform the Bank's management and responsible departments in a timely manner about risk environment and to escalate questions in need to the higher Bank structures.

Credit risk

Credit risk in the Bank arises from lending (granting loans) and investing (debt securities) activity as well as from off-balance commitments (loan commitments, issued financial guarantees).

The Bank has an established credit risk management system that is consistently developed and includes crediting policy, monitoring credit risk limits, other credit risk management tools, credit risk management internal controls and internal audit.

The Supervisory Board of the Bank has approved the highest level credit risk limit system. The Board of the Bank has approved credit risk policy and procedures in which credit risk management principles are determined, appropriate credit risk level and structure are defined and credit risk management tools and their interaction are described. Such way ensures a unified credit risk acceptance principles, that are in line with the Bank's crediting activity and complexity as well as legal requirements.

The Bank only accepts risk in those areas that are familiar to it and where the Bank has sufficient positive experience, in order to avoid unnecessary large risk that might impact the shareholder's equity, but at the same time to ensure sufficient profitability, that would allow the Bank to have a steady market share and improve shareholder's value considering the ever-growing competition. The Bank applies principles of safety, conservatism and awareness when taking on additional credit risk.

The Bank's crediting policy is mainly focused on small and medium size clients with the main goal to ensure better financing conditions while considering capabilities of the Bank.

New branches of business or products are only included in the Banks activity after proper risk assessment. All crediting instruments and processes are regulated and documented in accordance with risk assessment and internal control requirements.

Credit risk management of the Bank is organised in a way to avoid personnel or structural departments interest conflicts. The Bank has applied a principle that profitability should not be achieved through overly high levels of credit risk.

(All amounts in EUR thousand unless otherwise stated)

Maximum exposure to credit risk without taking into account any collateral and other credit enhancement

The table below shows the maximum exposure to credit risk. The maximum exposure is shown in net value, before the effect of collateral agreements.

	31 December 2023	31 December 2022
Cash and cash equivalents:	**76 749**	**83 613**
Balances held in other banks	347	1 236
Balances with the Bank of Lithuania	76 402	82 377
Loans to customers:	**99 541**	**89 128**
Loans to private individuals	13 048	11 646
Loans to corporate clients	86 493	77 482
Debt instruments measured at fair value through profit (loss):	**-**	**138**
Debt instruments measured at fair value through profit (loss)	-	138
Debt securities measured at amortised cost:	**65 309**	**24 257**
Debt securities measured at amortised cost	65 309	24 257
Other assets	**538**	**25**
Other financial assets	538	25
Off-balance sheet items bearing credit risk	**12 189**	**8 775**
Issued financial guarantees	940	3
Loan commitments	11 249	8 772
Total	**254 326**	**205 936**

The table above discloses credit risk positions based on the worst scenario on 31 December 2023 and 31 December 2022 without taking into account the value of collateral and other credit risk mitigating measures. Value of the assets is disclosed at net, same as in the statement of financial position.

The amounts reflected in the table for guarantees and loan commitments represent the possible maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted without taking into account the value of collateral and other credit risk mitigating measures. Commitments to issue loans do not necessarily reflect the future cash flow requirements as these commitments might expire or be terminated before any pay-out occurs.

Debt securities of the Bank are disclosed based on geographical segments in the table below:

	31 December 2023	31 December 2022
Republic of Lithuania government	65 309	24 395
Total	65 309	24 395

Collateral and other credit enhancements

The Bank has set guidelines that define acceptable type of collaterals for credits. The Bank issues loans that are collateralised by real estate assets, pledges of mobile assets or rights to other assets, guarantees and other types of collateral. The Bank has a goal that overall part of loans that are collateralised by real estate assets would not exceed 30 percent of the total loan portfolio (excluding consumer loans).

All assets pledged to the bank, except for products, materials and goods for sale have to be evaluated based on internal policies of the Bank. The Bank has employees that are certified valuators with sufficient experience to review the quality of external valuation reports and to perform periodic revision of collateral values.

The value of assets pledged to the Bank is determined based on the asset's valuation reports made by independent property appraisers or the Bank's internal property appraiser, also by the average market value determined by SE "Registrų centras", or by acquisition price or book value. Asset values are determined for the purpose of being pledged. Legal rights are assigned a symbolic value of EUR 1 if a supporting valuation of such rights is not provided to the Bank. The values of guarantees and sureties are determined in accordance with the terms of the guarantee and suretyship agreements. The value of the guarantee depends on guarantee rate (or intensity). In case of portfolio guarantees, the bank also takes into account the maximum amount of guarantee calculated for the total loan portfolio.

In cases when the amount of loan granted is above EUR 150 thousand and the value of collateral, valuated by independent

(All amounts in EUR thousand unless otherwise stated)

external valuators exceeds EUR 150 thousand, a review of provided valuation report is performed and a final conclusion about the asset value is provided by the Bank's valuator or a different independent valuator that is under a contract with the Bank. Reviews of external valuation reports are also performed for other reasons as stated in the Bank's internal policies.
All collaterals are periodically revaluated based on the type of collateral, basis of valuation and credit stage. For loans that are in default, a repeated valuation of collateral has to be performed not later than 120 days after the loans is determined to be in default.

In 2021 the Bank has signed an agreement with European Investment Fund (EIF), under which loans granted to small and medium entities can be covered under European Investment Fund (EIF) guarantee, which has been designed to mitigate the effects of COVID-19 pandemic and to help with liquidity of small and medium enterprises. As at 31 December 2023 the Bank has issued loans in an outstanding amount of EUR 41 539 thousand that were collateralised by this guarantee and the total value of the guarantee provided was EUR 29 598 thousand. (as of 31 December 2022 EUR 42 593 thousand and EUR 29 885 thousand, respectively).

In October 2022, the Bank signed a new agreement with the European Investment Fund (EIF) under the European Commission's program "InvestEU". Under this agreement, EIF will provide guarantees for loans in two main policy areas. The sustainability guarantee will provide support for new loans for small and medium-sized enterprises to contribute to the European Green Deal. The SME competitiveness guarantee will provide loans to SMEs affected by the COVID-19 pandemic, which have managed to stabilize their activities but need additional financing - to refinance loans, strengthen working capital reserves, and further invest in ongoing projects. As at 31 December 2023 the Bank has issued loans in an outstanding amount of EUR 7 758 thousand that were collateralised by InvestEU guarantee and the total value of the guarantee provided was EUR 5 546 thousand. (as of 31 December 2022 the Bank had not yet provided loans secured by these guarantees).

Main types of collateral based on the fair value at the latest day of valuation are presented in the table:

	31 December 2023			*31 December 2022*		
	Corporate clients	Private clients	Total	Corporate clients	Private clients	Total
Received guarantees	38 721	29	**38 750**	33 366	38	**33 404**
Real estate assets	60 952	19 929	**80 881**	45 371	18 305	**63 676**
Mobile assets	12 612	41	**12 653**	8 967	41	**9 008**
Vehicles	323	-	**323**	76	-	**76**
Land	42 108	2073	**44 181**	67 221	2 682	**69 903**
Other	86 445	509	**86 954**	62 027	546	**62 573**
Total	**241 161**	**22 581**	**263 742**	**217 028**	**21 612**	**238 640**

Bank manages, limits and controls credit risk concentration by imposing certain limits: maximal share of loan portfolio to a particular sector, maximal loan amount to the related parties, maximal loan amounts to the management of the Bank, minimal number of different sectors in the loan portfolio, maximal share of large credits in the loans portfolio.

The Bank does not face a geographical concentration risk.

An industry sector split of the Bank's financial assets before thanking into account collateral is presented below:

	31 December 2023	***31 December 2022***
Corporate clients	**86 492**	**77 482**
Real estate operations	34 073	37 087
Trading	10 944	10 831
Construction	10 944	7 915
Hospitality industry	2 780	1 084
Manufacturing	3 004	2 901
Services	16 156	10 892
Agriculture	-	-
Transportation	4 217	4 305
Financial services	4 374	2 467
Private clients	**13 049**	**11 646**
Real estate mortgages	6 234	5 909
Consumer loans	4 010	3 323
Other loans	2 805	2 414
Total	**99 541**	**89 128**

<u>Collateral repossess</u>

The Bank repossesses the collateral pledged for the loans, aiming to recover as much of the lost cash flows from non-performing loans as possible and thus reduce the volume of impaired assets. Such acquired assets are actively managed and/or other value-creating measures are applied. Additionally, the Bank aims to optimally manage its expenses in maintaining the recovered assets. In 2023 and 2022, the Bank did not acquire any new collateral, and the balance value of acquired assets as of December 31, 2023 was EUR 522 thousand (as of December 31, 2022 - EUR 509 thousand), with the change in asset value being influenced by changes in the market value of investment assets.

(All amounts in EUR thousand unless otherwise stated)

Credit quality

The Bank manages credit risk of financial assets based on internal risk management system as described below:

Expected credit losses and impairment
Impairment model (expected credit losses model) is applied for financial assets stated at amortised cost. These assets are segregated into 3 stages depending on the change in credit risk since initial recognition. Same method is used to calculate expected credit losses for off-balance sheet items.
Loans are divided into three stages based on changes in credit risk since initial recognition:

- Stage 1: all performing loans without significant changes in credit risk since initial recognition (no loss events have been recorded).
- Stage 2: loans with significant increase in credit risk since initial recognition, however the debtor is still meeting his obligations. Significant increase in credit risk is defined as decrease in debtors internal Bank rating, delays in contractual payments over 30 days, modification of loan due to debtor's financial situation and in other cases.
- Stage 3: all defaulted loans. It is considered that the loan is in default if contractual payments are delayed for over 90 days, the client has the lowest internal Bank rating, there has been a forced loan modification, other party is going bankrupt or is being restructured and in other cases.

Provisions are estimated for each position as follows:
- Stage 1 (no significant increase in credit risk since initial recognition): provision is calculated as a sum of 12 month expected credit losses (ECL).
- Stage 2 (significant increase in credit risk since initial recognition): provision is calculated as a sum of life time ECL.
- Stage 3 (default): provision is calculated as a sum of life time ECL.

Historic loan portfolio data of the Bank is used when determining probabilities of default. The Bank uses stage transfer matrixes based on the client type. LGD coefficients are assigned for each position based on the value of collateral and discounting them at certain rate and over certain period. Discounting norm and period are determined based on historical Bank data on debt collection process. For consumer loans, LGD is determined at a group level based on historical debt collection information.

In the probability of default (PD) estimation, the Bank includes prospective information. The Bank's model relies on probable economic development scenarios. Economic variables and their impact on the probability of default depend on the financial instrument: like when assessing the likelihood of household default, the forecasted unemployment rate is taken into account, while in the case of business loans, the forecasts of the country's gross domestic product (GDP) growth are included. The impact of economic variables on default probabilities is determined by performing a statistical regression analysis. Expert judgment is also used in the process. Scenarios used to determine default probabilities (PD) were based on economic change scenarios published by institutions and Bank management assessments.

	2023 m. gruodžio 31 d.	*2022 m. gruodžio 31 d.*
Basic GDP change, %	2.10	1,30
Pesimistic GDP change, %	-0.50	-0,50
Basic unemployment rate, %	6,50	6.70
Pesimistic unemployment rate, %	7,10	7,10

Gross loan balance is reduced through impairment account. Impairment losses are included in the statement of profit (loss). All financial instruments are reviewed after initial recognition to determine whether there has been a significant increase in credit risk. At least every 2 years a detailed client risk profile assessment is performed for individual persons, and at least once every quarter such procedure is performed for corporate clients. The Bank performs assessment of indicators that determine change in credit risk every month and revises previously determined impairment.

(All amounts in EUR thousand unless otherwise stated)

Breakdown of impairment for financial instruments by stages:

	31 December 2023		31 December 2022	
	Gross amount	Impairment	Gross amount	Impairment
Stage 1				
Debt securities	65 309	-	24 257	-
Loans and receivables	72 487	(658)	67 888	(324)
Stage 2				
Loans and receivables	22 835	(405)	17 145	(44)
Stage 3				
Loans and receivables	5 631	(349)	4 562	(100)
Total	**166 262**	**(1 412)**	**113 852**	**(468)**

Write-off loans

The bank writes off loans when the final amount of the loss is determined and there are no real opportunities to recover these granted loans. The final amount of the loss is determined when the borrower is granted relief or when all assets pledged for the loans are taken over by the Bank or sold.
When loans are written off, provisions made for them are eliminated.
After the loan is written off, the borrower is usually not released from the requirement to repay it.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they fall due. The goal of liquidity risk management policy is to ensure, that all risk related to liquidity are known, evaluated and constantly monitored and managed.

The Bank controls current, short-term and long-term liquidity through various measures – daily control of cash balances, analysing future cash flows, preparing liquidity gap analysis, debt securities, etc.
The Bank has set liquidity risk limits to monitor and assess liquidity risk: short-term wholesale funding and short-term funding from financial institutions ratios, large deposits ratio, loans to term deposits ratio, demand deposits and other short-term (up to 1 year) liabilities coverage ratio, as well as the Bank calculates and forecasts survival period aiming for it not to be less than 12 months.

The Bank must comply with mandatory requirements of liquidity coverage ratio and net stable funding ratio under Regulation (EU) No 575/2013 of the European Parliament and of the Council. The liquidity coverage ratio (LCR) refers to highly liquid assets held by the Bank in order to meet short-term obligations. The Bank is required to hold an amount of highly-liquid assets, such as cash, treasury bonds and other liquid financial instruments, equal to or greater than net cash outflow over a 30-day period, i.e. liquidity coverage ratio cannot be lower than 100 percent. Net stable funding ratio (NSFR) represents the Bank's ability to ensure, that illiquid assets of the Bank would be financed with minimal stable illiquid funds. The net stable funding ratio can not be lower than 100 percent, which means, that the amount of Bank's consistent funds must not be lower than the requirements of consistent funding required for one year period.

Liquidity coverage ratios of the Bank are as follows:

	31 December 2023	31 December 2022
Liquid assets	135 357	103 829
Short-terms (up to 30 days) obligations	69 657	45 329
Liquidity coverage ratio (LCR), percentage	**194.32**	**229,06**

The Bank's net stable funding ratios are as follows:

	31 December 2023	31 December 2022
Consistent funds	153 321	147 195
Consistent funding required	78 548	72 972
Net stable funding ratio (NSFR), percentage	**195.19**	**201,71**

(All amounts in EUR thousand unless otherwise stated)

The following tables provide an analysis of financial assets and liabilities based on contractual undiscounted repayment obligations:

	31 December 2023							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Without maturity*	*Total*
Assets:								
Cash and cash equivalents	76 778	-	-	-	-	-	-	76 778
Debt securities	-	1 857	-	5 054	41 027	17 371	-	65 309
Loans to customers	-	4 472	916	31 184	38 771	19 396	4 802	99 541
Other assets	-	-	-	-	-	-	4 821	4 821
Total assets	**76 778**	**6 329**	**916**	**36 238**	**79 798**	**36 767**	**9 623**	**246 449**
Liabilities:								
Due to customers	99 381	2 757	13 693	65 727	29 864	14 364	-	225 786
Subordinated loans	-	-	-	-	-	2 985	-	2 985
Other liabilities	24	138	3 120	493	-	-	21	3 796
Total liabilities	**99 405**	**2 895**	**16 813**	**66 220**	**29 864**	**17 349**	**21**	**232 567**
Credit commitments	11 249	-	-	-	-	-	-	11 249
Net position	(33 876)	3 434	(15 897)	(29 982)	49 934	19 418	9 602	2 633
Net gap	**(33 876)**	**(30 442)**	**(46 339)**	**(76 321)**	**(26 387)**	**(6 969)**	**2 633**	**-**

	31 December 2022							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Without maturity*	*Total*
Assets:								
Cash and cash equivalents	83 699	-	-	-	-	-	-	83 699
Debt securities	-	-	-	2 252	13 356	8 787	-	24 394
Loans to customers	-	2 076	1 451	25 279	23 260	33 146	3 916	89 128
Other assets	-	-	-	-	-	-	4 330	4 330
Total assets	**83 699**	**2 076**	**1 451**	**27 531**	**36 616**	**41 933**	**8 246**	**201 552**
Liabilities:								
Due to customers	81 904	2 207	19 643	50 962	23 582	9 917	-	188 215
Subordinated loans	-	-	-	-	-	1 985	-	1 985
Other liabilities	-	170	329	422	-	-	12	933
Total liabilities	**81 904**	**2 377**	**19 972**	**51 384**	**23 582**	**11 902**	**12**	**191 133**
Credit commitments	8 772							8 772
Net position	(6 977)	(301)	(18 521)	(23 853)	13 034	30 031	8 234	1 647
Net gap	**(6 977)**	**(7 278)**	**(25 799)**	**(49 652)**	**(36 618)**	**(6 587)**	**1 647**	**-**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. The Bank considers these types of market risk:

- Interest rate risk – risk, that the Bank will incur losses due to changes in interest rates;
- Foreign exchange rates – risk, that the Bank will incur losses due to changes in foreign currency exchange rate while having open foreign currency positions;
- Debt securities risk – risk, that the Bank will incur losses due value changes from open positions in debt securities (including dividend risk);
- Equity risk – risk, that the Bank will incur losses due to price changes in open market traded positions.

The Bank also faces risk related to real estate market prices in administering loans in default and owning assets collected from collateral. The Bank faces a risk of incurring losses due to low asset liquidity or decrease in market prices that might impair the Bank's ability to realise such assets.

In 2023 and 2022 the Bank did not face risk related to foreign exchange rates, debt securities and equity as it did not conclude activity that would be subject to the mentioned risks.

(All amounts in EUR thousand unless otherwise stated)

In order to monitor and evaluate market risk, the Bank has imposed market risk limits: minimal average interest rate in loan portfolio, maximal average interest rate in term deposit portfolio, maximal economic value change of equity in different short and long-term interest change scenarios. Trading activity limits are expressed through comparable portfolios which are designed to define trading activity goals and limits that have to be complied with when conducting such activity.

Interest rate risk

Interest rate risk – risk, that the Bank will incur losses due to changes in interest rates. Interest rate is common within the Bank and is integral source of the Bank's profitability. However, interest rate risk that is too high might adversely impact Bank's profitability if it affects interest sensitive revenues and expenses too much.
Bank's interest risk management system includes the following elements: appropriate supervision from the Supervisory Board, Board, head of administration, head of finance and head of risk management department, adequate risk management procedures, risk assessment, monitoring and control functions, effective internal controls and internal audit.
The goals of interest rate risk monitoring are to ensure a unified understanding of interest rate risk, adequate identification of risk factors and understanding of their consequences, appropriate application of preventive and corrective measures. Interest rate risk management is an integral part of the Bank's risk management system and is based on three-line system, risk indicators and limits.
The table below includes the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

	31 December 2023						
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Assets:							
Cash and cash equivalents	76 778	-	-	-	-	-	76 778
Debt securities	1 857	-	5 052	-	41 028	17 372	65 309
Loans to customers	15 430	23 044	42 025	8 058	6 475	4 509	99 541
Other assets	-	-	-	709	752	3 360	4 821
Sensitive assets to interest rate fluctuations	94 065	23 044	47 077	8 058	47 503	21 881	241 628
Non-sensitive assets to interest rate fluctuations	-	-	-	709	752	2 826	4 821
Liabilities:							
Due to customers	102 812	13 311	20 828	44 681	29 790	17 349	228 771
Other liabilities	1 053			21			1 074
Sensitive liabilities to interest rate fluctuations	102 812	13 311	20 828	44 681	29 790	17 349	228 771
Non-sensitive liabilities and equity to interest rate fluctuations	1 053	-	-	21	-	-	1 074
Interest sensitivity gap	**(8 747)**	**9 733**	**26 249**	**(36 623)**	**17 713**	**4 532**	**112 857**

	31 December 2022						
	Less than 1 month	**1 to 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Assets:							
Cash and cash equivalents	83 699	-	-	-	-	-	83 699
Debt securities	-	-	935	1 317	13 356	8 787	24 395
Loans to customers	21 373	21 429	39 532	2 781	2 633	1 934	89 682
Other assets	-	-	-	225	739	2 812	3 776
Sensitive assets to interest rate fluctuations	105 072	21 429	40 467	4 098	15 989	10 721	197 776
Non-sensitive assets to interest rate fluctuations	-	-	-	225	739	2 812	3 776
Liabilities:							
Due to customers	84 191	19 563	12 114	38 863	23 622	11 847	190 200
Other liabilities	679	157	-	97	-	-	933
Sensitive liabilities to interest rate fluctuations	84 191	19 563	12 114	38 863	23 622	11 847	190 200
Non-sensitive liabilities and equity to interest rate fluctuations	679	157	-	97	-	-	933
Interest sensitivity gap	**20 881**	**1 866**	**28 353**	**(34 765)**	**(7 633)**	**(1 126)**	**7 576**

(All amounts in EUR thousand unless otherwise stated)

Table below summarises effect of interest rate risk on the Bank's net interest income as at 31 December 2023 and 31 December 2022:

	Change in interest rate	*Effect to net interest income*	
		31 December 2023	***31 December 2022***
EUR	+ 1 percent	137	329
EUR	- 1 percent	(137)	(329)

Operational risk

Operational risk – risk, that the Bank will incur losses due to lack of or failure to act on appropriate internal control processes, personnel mistakes and (or) illegal actions, IT systems failures or from impact of external events. Operational risk, contrary to other types of risk (Credit, market, liquidity) is not undertaken voluntarily in order to gain from it. It occurs naturally from Bank's activities.

Principles to manage the Bank's operational risk: appropriately identify, assess, monitor operational risk and provide periodic reports. The purpose of internal control - prevent bigger operational risk events and losses; appropriately organize and supervise internal control environment by consistently reviewing the control methods; focus time and funds to determine key sources of operational risk and to manage them in all Bank activities.

The Bank has implemented the following operational risk management methods – the Bank's operational risk events registering system, operational risk indicator and their limit monitoring system, multi-level management reporting system. Reputational risk is managed through operational risk management system – events recorded in the operational risk management system that pose signs of reputational risk are included in the OR events register, where they are monitored, analysed and evaluated.

IT risk

The Bank allocates significant attention and resources to manage IT risk. The Bank has IT security risk management policy and other internal procedures for user right and workspace management as well as rules for replacing IT systems and technology. The Bank has same requirements for monitoring analysing and correcting IT risk events as for other types of operational risks (see above). While improving IT risk management, the number of IT employees is increased (including the hiring of information security specialists), investments are made in modern work tools, IT infrastructure is improved, and a new customer data administration system is developed.

Compliance risk

Compliance risk is such risk, that the Bank will not meet the legal requirements of regulating acts of law, European Banking Authority and Bank of Lithuania guidelines and requirements. Compliance functions in the Bank are determined based on the size and complexity of activity, operations and their risk level as well as potential sanctions for non-compliance. Compliance officers carry out risk evaluation through risk-based approach, prepare compliance enhancement plans for the Bank, notify the Bank's management about identified risks on regular basis, proactively suggest risks mitigation measures and supervises their implementation. In 2023 the compliance function was particularly focused in reviewing and evaluating the main areas of the Bank's activities, such as loan granting, deposit acceptance, prevention of money laundering and terrorist financing, as well as implementation of international sanctions. Significant emphasis was also put on outsourcing management, ICT and cyber security risk management, enhancement of personal data protection.

Stress testing

Besides regularly performing risk assessment and measuring capital adequacy, the Bank also performs testing at the most unfavourable conditions (stress testing) that is part of the Banks internal capital (ICAAP) and liquidity (ILAAP) adequacy assessment process. Testing includes different types of risks, identified during self-assessment. The Bank assesses whether the capital basis would be enough to cover potential losses due to deteriorated financial position. According to the requirements of the Bank of Lithuania, stress testing is performed annually. If there is a need to better understand individual risk factors, separate risk ad hoc testing is performed.

Capital management

The Bank's capital is calculated and distributed across risks based on European Union Capital Requirements Directive and Regulation (ES) No 575/2013 (CRDIV / CRR). Primary objectives of the Bank's capital management:

1) To ensure that the Bank complies with externally imposed capital requirements and internal capital adequacy goals;
2) To ensure the Bank's ability to continue as a going concern, maximise value for shareholders and third parties;
3) Promote Bank's business development through strong capital basis.

The Bank provides quarterly capital adequacy reporting to regulatory institution, based on CRR/CRD IV requirements. Banks have to meet the following equity requirements:

(All amounts in EUR thousand unless otherwise stated)

- 4.5 percent Tier 1 own capital ratio. This is the ratio between the Bank's 1st level own capital and risk-weighted assets, including off-balance sheet liabilities.
- 6 percent Tier 1 capital ratio. This is the ratio between the Bank's 1st level capital and risk-weighted assets, including off-balance sheet liabilities.
- 8 percent general capital adequacy ratio. This is the ratio between the Bank's eligible capital and risk-weighted assets, including off-balance sheet liabilities.
- 3 percent leverage coefficient that is Tier 1 own capital expressed as a percentage of the total position size to be calculated.

Besides the minimal capital requirements, banks have to comply with the following additional reserve capital requirements:

- 2.5 percent reserve capital requirement. Purpose of this requirement is to oblige all EU banks to accumulate additional reserves to cover unexpected losses.
- Countercyclical buffer capital requirement. Member countries of the EU can at their own discretion set a specific countercyclical buffer capital requirement for a particular institution or group of institutions and in such way control unsustainable growth and to prevent the banking sector and economy from a possible credit boom. As at 31 December 2018 this requirement was set at 0.5 percent in Lithuania. On 30 June 2019 the countercyclical buffer capital requirement was adjusted to 1 percent. As of 1 April 2020 the requirement has been reduced to 0 percent.
- Other entities reserve requirement – not applicable for the Bank.

Based on the Bank's Supervisory Review and Evaluation Process (SREP) conducted in 2022, on 28 December 2023, the Board of the Bank of Lithuania has established additional capital requirement of 3,93 percent of generally evaluated risk amount. After adjusting for the requirement, the Bank has to meet the following capital requirements:
- 6.71 percent Tier 1 own capital ratio requirement;
- 8.95 percent Tier 1 capital requirement;
- 11.93 percent general capital adequacy requirement.

In addition to these requirements, the Bank was recommended to maintain an additional 1 percent Pillar 2 guidance (P2G) capital.

During 2021-2023 year period the Bank signed the subordinated loan agreements in amount of EUR 2 985 thousand. The loans were granted for 8-10 years term. These loans are included in the Bank's Tier 2 capital.

The balance of risk weighted assets is calculated based on standardized method using risk weight coefficients that are assigned based on the type of asset, type of counterparty, type of collateral and guarantees that are considered appropriate to reduce the risk. Similarly, with some adjustments, the Bank evaluates off-balance sheet items. Capital requirement to cover operational risk is calculated using the Basic indicator method.

The capital structure of the Bank and key figures for the years ended 31 December are provided in the table.

	31 December 2023	**31 December 2022**
Common equity Tier 1 capital		
Paid up capital	4 726	4 726
Retained earnings	2 578	1 137
Current year profit	1 809	1 162
Reserve capital	3 115	2 980
(-) Intangible assets	(244)	(211)
(-) Insufficient coverage for non-performing exposures	(106)	(64)
(-) Other deductions	(983)	
TIER 1 CAPITAL	10 895	9 730
TIER 2 CAPITAL	2 985	1 985
TOTAL OWN FUNDS	13 880	11 715
Own funds requirement		
Risk-weighted exposure amounts for credit risk	70 877	65 309
Trading book debt securities	-	
Operational risk, calculated using the Basic indicator method	10 133	6 652
Total risk exposure amount	81 010	71 961
Common equity Tier 1 capital ratio %	13.45	13,52
Tier 1 capital ratio %	13,45	13,52
Total capital adequacy ratio %	17,13	16,28
Leverage ratio		

A common measure of positions	260 110	210 952
Leverage ratio %	4.19	4.61

When calculating the amount of own funds as of December 31, 2023, part of the current year's profit – EUR 1 809 thousand - was included in the Bank's Tier 1 capital (December 31, 2022 – EUR 1 162 thousand) , based on "Description of the procedure for crediting profit to capital" approved by the resolution of the Board of the Bank of Lithuania on June 6, 2022 (No. 03-91).

During the year ended 31 December 2023 and 31 December 2022, the Bank has complied with prudential risk requirements.

Chief Executive Officer Giedrė Blazgienė

Chief Financial Officer Renata Grumbinienė

15 March 2024