UAB SME Bank

Risk Management and Capital Adequacy Report,

Pillar 3 Annual Report 2021

(amounts in thousands EUR)

Contents

Introduction 3
Principles of Risk Management 3
Credit Risk 5
Liquidity Risk 6
Market Risk 6
Non-Financial Risks 7
Remuneration 9
Quantitative tables 10

(amounts in thousands EUR)

Introduction

SME Bank, UAB (further – the Bank) was established on 5 August 2019 and is owned by UAB AKM Finance (46,5% of the Bank shares and respective voting rights), UAB Magnus Investments (46,5% of the Bank shares and respective voting rights) and UAB KR Finance (7% of the Bank shares and respective voting rights). The Bank does not have any subsidiaries itself.

The Bank is providing services that are allowed to specialised banks by the Law on Banks of the Republic of Lithuania No. IX-2084 under the specialized bank license issued by European Central Bank on 12 February 2021. The Bank's received full-fledged specialized bank license includes lending, payment services, receipt of deposits, currency exchange, issuing of e-money, issuing guarantees, fund administration, financial leasing, financial intermediation, creditworthiness assessment and all other traditional banking services. Bank started its operations in 28th of May, 2021 and is currently providing a variety of services, including deposit accounts and credit facilities. Due to a clear demand for better financing of SMEs in Lithuania, the Bank aims to offer business loans thus improving access to finance to SMEs not only in Lithuania, but in the EU as well. The Bank focuses on various financing and daily banking products, based on customers' needs. The Bank is actively analyzing the market and looking for the best solutions or their new features to be implemented for the customers. The Bank focuses on poorly developed but growing SME market. The Bank creates a tailor made IT platform for the digital client approach. Due to the optimal size of the team, single branch location and developed IT system the Bank is able to provide on-time solutions to the customers. Due to the optimal size of the team, single branch location and developed IT system the Bank is able to provide on-time solutions to the customers.

The Bank's mission is to actively and continually develop new ways of thinking about neo banking and initiate new opportunities that benefit our SMEs customers grow business in Lithuania and abroad.

Report is prepared according to the Capital Requirements Directive (CRD IV), the Capital Requirements Regulation No 575/2013 (CRR) Part Eight, European Commission implementing regulations as well as European Banking Institution's regulatory technical standards and implementing technical standards (ITS/RTS).

This document is a complementary report to the audit financial statements report of SME Bank, UAB. It discloses additional non-audited information on Bank's risk and its management, regulatory capital, risk weighted assets, leverage and liquidity exposures.

Principles of Risk Management

The risk management in the Bank is based on the model with three lines of defence:

1. **The first line of defence** is the operational management's ongoing risk management and internal control. The business units themselves own the risk and are responsible for daily risk management. The business units are responsible for operation execution quality and keeping the overall risks in line with the risk appetite set by the Supervisory Board.
2. **The second line of defence** is an independent control and reporting function authorized to verify that the first line of defence is operating within the risk appetite limits set for the Bank. The risk management and compliance units are independent of the business and supports units whose risk it controls but is not isolated from them.
3. **The third line of defence** is an internal audit and assurance function which evaluates governance, risk management and operational control processes within first and second lines of defence, mitigating risks and promoting sound control function in the Bank.

The primarily aim of the Bank's risk management is to ensure optimal balance between the Bank's risk of loss and earning potential in a long-term perspective. Risk Appetite and Limit Framework establishes the basic foundations associated with the Bank's risk appetite and limits and key risk indicators, observing the nature and complexity of products, services, activities, processes, best practices, standards and other regulations. Risk management framework - the Bank's strategies, processes, procedures, internal rules, limits, controls and reporting procedures that constitute a framework for the Bank's risk management. Bank's Risk Management and Control policy describes overall risk management and control framework and, together with risk strategy, concept of the risk, processes and procedures, serves as a master policy for the further and more detailed risk governance documentation in supplementary policies.

The Bank encourages a strong culture of threat that contains but is not necessarily limited to:

- **Tone from top**: it is the obligation of the management function to set and implement the core values and requirements of the institution.
- **Accountability**: relevant personnel at all levels know and understand the Bank's main principles and its appetite for risk and risk capability to the level necessary for its role.

(amounts in thousands EUR)

- **Efficient communication and challenge**: a strong risk culture encourages a direct communication atmosphere and an efficient challenge in which decision-making procedures promote a wide diversity of opinions, allows for testing present procedures, stimulates a positive critical attitude among employees and encourages an atmosphere of open and constructive commitment across the organization.
- **Opportunities**: appropriate guidelines shall play a main role in aligning risk-taking behaviours with both the risk profile and long-term interest of the Bank.

Effective internal control of the Bank consists of said major interrelated elements:

Control environment

- Integrity and ethical values
- Commitment to competence
- Supervisory Board
- Assignment of authority and responsibility

Risk assessment

- Risk identification and analysis
- Regularity

Control activities

- Policies and procedures
- Adequacy
- Segregation of functions

Information and communication

- Quality of information
- Effectiveness of communication

Monitoring

- Ongoing monitoring
- Separate evaluations
- Reporting deficiencies

The Supervisory Board and Management Board are accountable for maintaining high standards of ethics and integrity and creating a culture within the Bank that highlights and illustrates the importance of internal control system. All Bank employees shall be ensured to know their position in the system of internal checks and to be fully involved in the system.

Internal Capital and Liquidity Adequacy Assessment Process

The process of Internal Capital and Liquidity Adequacy Assessment (ICLAAP) seeks to ensure that the Bank has adequate capital in relation its strategy and risk profile. It incorporates all identifiable risks across the full profile of risk types and requires a collaboration of a number of different business units, including but not limited to Risk Management, Finance or Treasury.

Four crucial elements to any ICLAAP are:

1. Assessment (identification and measurement) of the different risks the Bank is, or may be, exposed to;
2. Application of mitigation techniques;
3. Stress-testing techniques;
4. Role of the Supervisory Council and Management Board

First two elements in the ICLAAP are required to establish Bank's internal capital requirement. Enterprise-wide risk assessment is performed to evaluate Bank's risk profile and residual risk exposure, based on the likelihood and impact to Bank's income and/or capital. Adverse macroeconomic and financial conditions are simulated at the third element of ICLAAP in the form of stress test. The purpose of this exercise is to evaluate whether capital is sufficient to withstand possible adverse effects. Lastly, results are presented to Bank's governing bodies for a discussion and approval.

Credit Risk

The major part of Credit Risk Bank is exposed to is driven by the lending to SMEs companies. Currently, Bank does not have credit facilities with Large non-financial companies and exposure to Banks and financial institutions is limited to support function of Bank's other activities. Counterparty credit risk, settlement risk and concentration risks are considered to be part of the Credit risk.

Lending is the core source of revenue stream of the Bank, therefore, it is extremely important to have sound and clear standards which translate business strategy to credit risk strategy. Identification, understanding, control and management of credit risk is the foundation which ensures the Bank`s sustainability, profitability and resistance to potential adverse market environment.

Credit origination is the key element for construction of high-quality credit portfolio. Credit decisions are based on full understanding of counterparty's business model, financial analysis, shareholder structure, purpose of the loan, primary source of repayment and collateral. Additional key risks for lending product are fraud and operational risk therefore sufficient analysis of trade agreement, high trust in people involved in transaction are extremely important as well as adequate application of risk mitigating instruments such as state guarantees, cross checks of financial data, high quality documentation. The Bank does not facilitate credits that in any way could be perceived as unethical, a violation of human or workers' rights, corrupt or detrimental to the environment, including, but not limited, gambling, obscenity, pornography, arms trade, etc. Furthermore, limiting factor to loan origination is Bank's credit standards that are consistent with its risk appetite. Also, Client Risk Assessment and Acceptance policy defines unacceptable client segments.

Main Credit Risk Mitigation tools are collateral and guarantees. Most frequent collateral types are state guarantees, real estate, equipment, inventories and trade receivables. Bank is working with state and EU guarantee programs, namely Invega, the European Investment Fund and the Agricultural Credit Guarantee Fund.
Credit portfolio shall consist of various forms of loan products. Bank's credit portfolio shall be taken into account as a part of the credit granting process and diversification of the portfolio shall be pursued based on the but not limited to the following:

- Customer group exposure;
- Country;
- Industry;
- Product
- Ticket size, etc.

Customer scoring is based on the qualitative and quantitative information on the customer. There are 10 rating classes where 1st class is the lowest and 10th is the highest credit risk. Customers with ratings 1 to 5 are high priority, 6 to 7 are low priority and 8 rating customers are acceptable on exception basis only. For Banks and Financial Institutions, ECAI ratings from respectable rating agencies (Fitch, S&P, Moody's) are used.

Key part of credit decision making process is credit analysis which shall cover following major components:

- prudent KYC (know your client) analysis shall describe shareholder structure till final beneficiary level and decision makers of the client, identifying customer, gathering documents of source of funds/ wealth, confirming address and filling in KYC questionnaire, screening client, UBO and authorized persons for sanctions, PEP status and adverse media;
- business analysis shall describe activity and business model of the client, market position, strengths and weaknesses, threats and opportunities;
- financial analysis shall focus on working capital composition, asset quality evaluation to distinguish real equity in the company, financial debt level and structure, debt service capacity, cash flow;
- Credit info report shall be used to evaluate payment history of the client, legal proceedings and other information provided in the report. This report shall be used as supplementary information source for overall evaluation of creditworthiness of the client.

Credit deal risk assessment includes credit and concentration risk assessment; operational risk assessment; environmental risk assessment and assessment of AML compliance, political, judicial and reputational risks.

(amounts in thousands EUR)

Creditworthiness of existing client shall be re-assessed before any new lending decision regardless of the size of existing exposure.

Following Client Monitoring and Administration Procedure, Customer group exposure 300 kEUR or above or customer has a CreditInfo rating of 7 or above and customer group exposure 100 kEUR or abovewith shall be reviewed at least once per quarter unless client faces business, financial or other difficulties – in such case client review shall be performed immediately in order to take timely active measures to safeguard Bank's exposure and review credit rating in order to maintain prudent classification of Bank's assets.

Expected Credit Loss assessment principles, definition of and migration between stages, definition of default are disclosed in the annual financial statement report of SME Bank, UAB.

Liquidity Risk

Liquidity risk results from the Bank's difficulty or inability to honour its liquidity commitments in a timely manner at a reasonable cost. Liquidity risk can also extend to the Bank's inability to take advantage of business opportunities and sustain the growth forecast in its strategic business plan (strategic risk) due to a lack of liquidity or difficulty in obtaining funding at a reasonable cost.

Bank's funding is well diversified across the customers, given that major part of funding is driven from term deposits issued to private individuals.

The governance structure for the Bank's liquidity management is based on the direct involvement of Management Board, clear delimitation of the three lines of defense and a strict separation of functions, and a clear structure of responsibilities in committees, units - general and functional areas.

The Bank holds liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions, so as to ensure that the Bank maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions excess to the period of 30 days (Liquidity Coverage Ratio (LCR) > 120%).

Moreover, the Bank maintains available stable funding (equity and liability financing expected to remain stable over a one-year time horizon) which exceeds the matching assets, i.e. illiquid assets which cannot be easily turned into cash over the following 12 months (the Net Stable Funding Requirement (NSFR) > 120%).

Leverage ratio is additional risk-based solvency requirement set under the Basel III framework that Bank incorporates into its business and asset-liabilities management strategy.
Management Board's outlined a liquidity strategy in business plan consistent with the strategic objectives of the Bank taking into account of the assets and liabilities structure, marketability and liquidity on a currency-by-currency basis, a product-by-product basis and a term-by-term basis as well as its capital status.

Additional daily/monthly metrics and Key Risk Indicators are utilized to strengthen Liquidity Risk Management process. Liquidity risk is controlled through regulatory limits and survival horizon seeking to align assets and liability structure by terms. The goal for the Bank to align deposit terms to credit product terms or timely update shorter funding.

Liquidity Risk Management Policy describes liquidity risk management in the Bank, main principles methods and instruments, defines the structure of limits and their sizes, sets responsible organizational units for its management and control and authorization levels of the management bodies as well as internal reporting content and frequency.

Market Risk

Limited interest rate risk: bank funding and lending will be done at fixed interest rate, short term financing will ensure relatively fast repricing process in case of increased price of funding sources.

Bank has limited foreign currency risk, given the fact that it does not offer products in other currencies.
Interest rate risk is disclosed in the audit financial statements report of SME Bank, UAB.

(amounts in thousands EUR)

Non-Financial Risks

Operational Risk

Operational risk is defined as the risk of direct or indirect losses resulting from inadequate or failed internal processes, human mistakes in any field of activity, including the risk of internal and external fraud, shutdown of critical systems or any other event and natural disasters.

The Bank's operational risk management focuses on proactive measures in order to ensure business continuity as well as the accuracy of information used internally and reported externally, a competent and well-informed staff, and its adherence to established rules and procedures as well as on security arrangements to protect the physical and ICT infrastructure of the Bank.

The Bank identifies and assesses the operational risk inherent in all its material products, activities, processes and systems. Furthermore, the Bank ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate assessment procedures.

The Bank mitigates operational risks by defining, documenting and updating the relevant business processes. Furthermore, the Bank mitigates operational risk by following strict rules for the assignment of duties and responsibilities among and within the functions and a system of internal control and supervision. To minimize the operational risk, the Bank will implement the following:

- high security level core systems and reliable web technologies from top-level cloud service providers will be used;
- high level of automation shall reduce operational risk level;
- extended usage of 4 eyes principle and 3 lines of defence concept

The Bank has chosen Basic Indicator Approach for capital allocation for operational risk. The capital requirement for operational risk is equal to 15% of the average over three years annual revenue.

Financial Crime Risk

The Bank ensures full compliance to the requirements prescribed in the Lithuanian Republic's Money Laundering and Terrorist Financing prevention legal act, European Commission implementing regulations and other applicable requirements.

In order to become a client of the Bank, the person – weather natural person or legal entity – has to take all the necessary steps towards appropriate identification of a customer, its representatives and/or beneficial owners. Every customer identification procedure shall take at least the following steps:

- all customers shall submit all the necessary information and valid documentation for proper identification and verification;
- the Bank will shall perform the screening in external databases (such as lists of people that are financially sanctioned by Lithuania, EU, United Nations), analyse and compare to the information provided by the customer;
- the Bank shall make efforts to identify politically exposed persons as well as to assess other considerable risks;
- after the commencement of the business relationship with the customer, the Bank will repeatedly update the information of the customer and will continue to apply risk-based approach.

The Customer project managers, as the first line of defense, is accountable for the appropriate smooth on-boarding of customers, periodical update of the customer information, detecting the unusual patterns of customer behavior during the contact and sharing this information with the second line of defense.

Anti-money laundering team, as the second line of defense, is responsible for the monitoring, assessment, guidance, training, awareness, controls and reporting the Management Board and appropriate state institutions of money laundering, terrorist financing and financial sanctions risks. MLRO of the Bank is directly responsible for implementing AML/CTF measures and identifying relevant risks.

Moreover, the Bank shall put additional measures to ensure the prevention as well as effective management of money laundering and/or terrorist financing related risks. Such measures consist of, among others, ongoing compliance training for the Banks employees; proper implementation of whistleblowing and conflict of interest policies; constant monitoring and registration of any suspicious transactions; timely cooperation with the competent institutions and other.

The KYC and CDD procedure from the Bank, describes client identification, verification, screening and other KYC, AML/CFT regulatory requirements for establishment of business relationships and other relationships with potential customers. The aforementioned procedure, is a document which details general requirements to facilitate establishment of business relationships with potential clients; describes enhanced onboarding and record keeping requirements as well as onboarding decision making process. The data gathering, which is conducted to meet the abovementioned requirements, forms the baseline for transaction

(amounts in thousands EUR)

monitoring and constitutes a foundation of the AML, CTF and financial sanctions risk scoring model ("Risk Scoring"). Bank applies a risk-based approach towards due diligence, such approach is described in the documents Client Risk Assessment and Acceptance Policy and Customer Risk Assessment Tool of the Bank, with reference to a customer's geographic ties, chosen products and / or services, delivery channels, high risk business activities and other special high risk factors.

Before launching new financial products and services, The Bank, as required by laws, shall carry out risk assessment in order to understand money laundering and terrorist financing risks related to particular product and service, its delivery channels. Based on the results of risk assessment, the Bank shall apply adequate risk mitigation measures.

Enterprise Wide Risk Assessment (EWRA) enables Bank to identify and appropriately manage the money laundering and terrorist financing (ML / TF) risks to which the Bank is exposed by identifying existing controls, proposing new controls, or where appropriate, adopt de-risking measures to limit them. EWRA is proportionate to the Bank activities, products and services offered, considering inherent ML/TF risks of its business and, the risks identified in the National Assessment of ML/TF and the European commission's Assessment on the risk of ML/TF.

Information Technology and Information Security Risk (IT/IS)

The fact that the Bank provides its services digitally and is cloud-based institution prioritizes IT/IS security as a crucial element of organisation's sustainable business continuity.

The information security objectives in the Bank are the following:

- Minimizing and proactively dealing with information security risks involved into the Bank's activities;
- Ensuring and maintaining online e-banking services confidentiality, integrity and availability, including secure e-banking software delivery lifecycle practice;
- Ensuring business continuity by maintaining effective recovery capability of Bank services and data in a case of events having catastrophic and severe impact on its activities;
- Promote information security posture and best practices across all employees of Bank and its external parties.

  Any security controls associated with the protection of information entrusted to a service provider are documented in contract provisions, a memorandum of understanding or an equivalent formal agreement between parties. Ref. to separate document: Cyber security requirements for acquisition of information systems

Information Security Officer (CISO) shall ensure that there are corporate policies, procedures and standards concerning information security and that those policies, procedures and standards are effectively implemented in all business functions within Bank.

To protect Bank network and devices against virus and other malware attacks and to ensure it can respond to a malware infection within critical time scales, the system owner is responsible for that adequate virus protection arrangements based on up-to-date security solutions shall be established and maintained.

To identify suspected or actual malicious attacks and to be able to respond before serious damage is done, the system owner is responsible for that intrusion prevention and detection mechanisms are applied to critical system and networks.

All confidential information sent from Bank computer systems to other organizations will be protected by using private network or encryption on public networks.

All mobile devices containing stored data owned by employees must use an approved method of encryption to protect data at rest. Mobile devices are defined to include laptops, tablets, and mobile phones.

All employees have an obligation of confidentiality regarding information they have access to in undertaking their day-to-day activities. This obligation of confidentiality extends both externally and internally, i.e. sensitive information shall not be shared with co-workers unless there is a need for them to have access to this.

(amounts in thousands EUR)

Remuneration

The main principle for the payment of all employees and executives in each level is to comply with the Bank's ethical principles, values, business strategy, vision, leadership principles, strategic targets, internal balance and ensure long-term value generation.

Total remuneration should be structured to ensure that it does not expose the Bank to unwanted risk. The policy should be competitive, but cost-effective for the Bank.

Remuneration is disclosed in the audit financial statements report of SME Bank, UAB.

(amounts in thousands EUR)

Quantitative tables

Table 1. Own funds, Commission Implementing Regulation (EU) No 1423/2013.

		Amounts	Article reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	3 500	26 (1), 27, 28, 29,
	of which: Instrument type 1	3 500	EBA list 26 (3)
2	Retained earnings	-249	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	500	26 (1)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3 751**	**Sum of rows 1-5a**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount)	-1 119	36 (1) (b), 37
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-1 119**	Sum of rows 7- 20a, 21, 22 and 25a-27
29	**Common Equity Tier 1 (CET1) capital**	**2 632**	Row 6 minus row 28
Additional Tier 1 (AT1) capital: regulatory adjustments			
44	**Additional Tier 1 (AT1) capital**	**0**	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2 632**	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	1 500	62, 63
51	**Tier 2 (T2) capital before regulatory adjustments**	**1 500**	
Tier 2 (T2) capital: regulatory adjustments			
58	**Tier 2 (T2) capital**	**877**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**3 509**	Sum of row 45 and row 58
60	**Total Risk exposure amount**	**25 914**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	10,2%	92 (2) (a)
62	Tier 1 capital	10,2%	92 (2) (b)
63	Total capital	13,5%	92 (2) (c)
64	Institution CET1 overall capital requirements	7,0%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0%	
67	of which: systemic risk buffer requirement	0%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available**	5,7%	CRD 128

(amounts in thousands EUR)

Table 2. Geographical distribution of credit exposures for the countercyclical capital buffer calculation.

	General credit exposures		**Trading book exposure**		**Securitisation exposure exposure**		**Own funds requirements**					
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	**Own funds requirement weights**	**Countercyclical capital buffer rate**
Lithuania	23 764						1 901			1 901	0,92	0,0%
Latvia	311						25			25	0,01	0,0%
Estonia	1 839						147			147	0,07	0,0%
Total	**25 914**						**2 073**			**2 073**	**1,00**	**0,0%**

Table 3. Article 3, Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments' main features template		
1	Issuer	SME Bank, UAB
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	LT0000405623
3	Governing law(s) of the instrument	Lithuanian
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary registered shares
8	Amount recognised in regulatory capital (currency in thousands, as of most recent reporting	3500 EUR
9	Nominal amount of instrument	3500 EUR
9a	Issue price	1 EUR
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	2019-08-05
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A

(amounts in thousands EUR)

19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Table 4. OV1, overview of RWAs.

		Total risk exposure amounts (TREA)		Total own funds
		2021-12-31	2021-09-30	2021-12-31
1	**Credit risk (excluding CCR)**	**21 576**	**18 630**	**1 726**
2	Of which the standardised approach	21 576	18 630	1 726
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	**Counterparty credit risk - CCR**			
16	**Securitisation exposures in the non-trading book (after**			
20	**Position, foreign exchange and commodities risks**			
23	**Operational risk**	**4 338**	**4 586**	**347**
EU 23a	Of which basic indicator approach	4 338	4 586	347
EU 23b	Of which standardised approach			

(amounts in thousands EUR)

EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject			
29	**Total**	**25 914**	**23 216**	**2 073**

Table 5. CRB-B.

		Net value of exposures	Average net exposures
15	**Total IRB approach**	0	0
16	Central governments or central banks	3 544	3 537
17	Regional governments or local authorities	7 338	5 926
18	Public sector entities		
19	Multilateral development banks	7 947	3 974
20	International organisations		
21	Institutions	1 920	4 078
22	Corporates	1 661	1 279
23	*of which: SMEs*	1 661	1 279
24	Retail	12 848	9 874
25	*of which: SMEs*	12 848	9 874
26	Secured by mortgages on immovable property	11 550	8 934
27	*of which: SMEs*	11 550	8 934
28	Exposures in default		
29	Items associated with particularly high risk	2 940	1 683
30	Covered bonds		
31	Claims on institutions and corporates with a short-term		
32	Collective investments undertaking		
33	Equity exposures		
34	Other exposures	699	361
35	**Total standardised approach**	**50 447**	**36 346**
36	**Total**	**50 447**	**36 346**

Table 6. CRB-C.

		Europe	Lithuania	Latvia	Estonia	Luxembourg	Total
1	Central governments or central						
2	Institutions						
3	Corporates						
4	Retail						
5	Equity						

(amounts in thousands EUR)

6	***Total IRB approach***						
7	Central governments or central	3 544	3 544				3 544
8	Regional governments or local	7 338	7 338				7 338
9	Public sector entities						
10	Multilateral development banks	7 947				7 947	7 947
11	International organisations						
12	Institutions	1 920	1 920				1 920
13	Corporates	1 661	1 661				1 661
14	Retail	12 848	10 907	1 941			12 848
15	Secured by mortgages on	11 550	10 526	402	622		11 550
16	Exposures in default						
17	Items associated with particularly	2 940	2 838	102			2 940
18	Covered bonds						
19	Claims on institutions and						
20	Collective investments						
21	Equity exposures						
22	Other exposures	699	699				699
23	***Total standardised approach***	**50 477**	**39 433**	**2 445**	**622**	**7 947**	**50 477**
24	***Total***	**50 477**	**39 433**	**2 445**	**622**	**7 947**	**50 477**

(amounts in thousands EUR)

Table 7. CRB-D.

		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services	Total
6	***Total IRB***																				
7	Central															3 544					**3 544**
8	Regional															7 338					**7 338**
9	Public sector entities																				**0**
10	Multilateral development banks											7 947									**7 947**
11	International																				**0**
12	Institutions											1 920									**1 920**
13	Corporates			358				1 197				106									**1 661**
14	Retail	790	295	2 771		152	710	2 135	1 690	9			1 308	1 042	1 608			137	201		**12 848**
15	Secured by mortgages on immovable property	559		1 930		370	229	2 394	323	1 005	59	285	1 575	1 823	597				401		**11 550**
16	Exposures in default																				**0**

(amounts in thousands EUR)

17	Items associated with particularly high risk						767						1 787	203	91		92				**2 940**
18	Covered bonds																				**0**
19	Claims on institutions and corporates with a short term credit assessment																				**0**
20	Collective investments undertakings																				**0**
21	Equity exposures																				**0**
22	Other exposures																			699	**699**
23	***Total standardised approach***	**1 349**	**295**	**5 059**	**0**	**522**	**1 706**	**5 726**	**2 013**	**1 014**	**59**	**10 258**	**4 670**	**3 068**	**2 296**	**10 882**	**92**	**137**	**602**	**699**	**50 477**
24	***Total***	**1 349**	**295**	**5 059**	**0**	**522**	**1 706**	**5 726**	**2 013**	**1 014**	**59**	**10 258**	**4 670**	**3 068**	**2 296**	**10 882**	**92**	**137**	**602**	**699**	**50 477**

(amounts in thousands EUR)

Table 8. CRB-E.

		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Central governments or						
2	Institutions						
3	Corporates						
4	Retail						
5	Equity						
6	***Total IRB approach***						
7	Central governments or	3 544					**3 544**
8	Regional governments or		74	6 781	483		**7 338**
9	Public sector entities						**0**
10	Multilateral development		2 400	5 296	252		**7 948**
11	International						**0**
12	Institutions	1 920					**1 920**
13	Corporates		106	1 555			**1 661**
14	Retail		1 222	11 454	172		**12 848**
15	Secured by mortgages on			10 845	705		**11 550**
16	Exposures in default						**0**
17	Items associated with		1 761	1 179			**2 940**
18	Covered bonds						**0**
19	Claims on institutions and						**0**
20	Collective investments						**0**
21	Equity exposures						**0**
22	Other exposures					698	**698**
23	***Total standardised***	**5 464**	**5 563**	**37 110**	**1 612**	**698**	**50 477**
24	***Total***	**5 464**	**5 563**	**37 110**	**1 612**	**698**	**50 477**

Table 9. CR1-A.

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
15	***Total IRB***							
16	Central		3 544					3 544
17	Regional		7 338					7 338
18	Public							
19	Multilateral		7 948					7 948
20	International							

(amounts in thousands EUR)

21	Institutions		1 921	1			1	1 920
22	Corporates		1 667	6			6	1 661
23	*Of which:*		1 667					1 661
24	Retail		12 943	95			95	12 848
25	*Of which:*		12 943					12 848
26	Secured by		11 600	50			50	11 550
27	*Of which:*		11 600					11 550
28	Exposures							
29	Items		2 947	7			7	2 940
30	Covered							
31	Claims on							
32	Collective							
33	Equity							
34	Other		698					698
35	***Total***		**50 606**	**159**			**159**	**50 477**
36	***Total***		**50 606**	**159**			**159**	**50 477**
37	Of which: Loans		29 855	158			158	29 697
38	Of which: Debt							
39	Of which: Off balance-sheet		2 819	9			9	2 810

Table 10. CR1-B.

		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
		Defaulted exposures	**Non-defaulted exposures**					**(a +b-c-d)**
1	Agriculture, forestry and fishing		1 376	27			27	1 349
2	Mining and quarrying		299	4			4	295
3	Manufacturing		5 084	25			25	5 059
4	Electricity, gas, steam and air conditioning supply		0	0			0	0
5	Water supply		523	1			1	522
6	Construction		1 713	7			7	1 706

(amounts in thousands EUR)

7	Wholesale and retail trade		5 739	13			13	5 726
8	Transport and storage		2 034	21			21	2 013
9	Accommodation and food service activities		1 020	6			6	1 014
10	Information and communication		60	1			1	59
11	Financial and insurance activities		10 261	3			3	10 258
12	Real estate activities		4 687	17			17	4 670
13	Professional, scientific and technical activities		3 089	21			21	3 068
14	Administrative and support service activities		2 305	9			9	2 296
15	Public administration and defence, compulsory social security		10 882	0			0	10 882
16	Education		93	1			1	92
17	Human health services and social work activities		137	0			0	137
18	Arts, entertainment and recreation		605	3			3	602
19	Other services		699	0			0	699
20	***Total***		**50 606**	**159**			**159**	**50 477**

Table 11. CR1-C.

		Gross carrying values of		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges**	**Net values**
		Defaulted exposures	**Non-defaulted exposures**					**(a+ b -c-d)**
1	Europe		49 991	159			159	49 832
2	*Lithuania*		39 562	129			129	39 433
3	*Latvia*		2 468	23			23	2 445
4	*Estonia*		629	7			7	622

(amounts in thousands EUR)

5	*Luxembourg*	7 947					7 947
6	***Total***	**50 606**	**159**			**159**	**50 447**

Table 12. CR1-E.

		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
					Of which non-performing				On performing exposures		On non-performing exposures		Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <=	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne	On non-performing exposures	Of which forborne exposures
10	Debt securities													
20	Loans and advances	29 240	1 376						158					
30	Off-balance-sheet exposures	2 819	0						9					

Table 13. CR2-A.

		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	0	
2	Increases due to amounts set aside for	159	
3	Decreases due to amounts reversed for		
4	Decreases due to amounts taken against		
5	Transfers between credit risk adjustments		
6	Impact of exchange rate differences		

(amounts in thousands EUR)

7	Business combinations, including	
8	Other adjustments	
9	**Closing balance**	159
10	Recoveries on credit risk adjustments	
11	Specific credit risk adjustments directly	

Table 14. CR2-B.

		Gross carrying value defaulted exposures
1	**Opening balance**	0
2	Loans and debt securities that have defaulted or	
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes	
6	**Closing balance**	0

Table 15. CR3.

		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	17 690	11 550	11 550		
2	Total debt securities					
3	**Total exposures**	17 690	11 550	11 550		
4	Of which defaulted					

Table 16. CR4.

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central governments or central	3 544		3 544		0	0%
2	Regional government or local	7 338		7 338		0	0%
3	Public sector entities						
4	Multilateral development banks	7 947		7 947		0	0%
5	International organisations						
6	Institutions	1 920		1 920		402	21%
7	Corporates	1 661		1 661		1 661	100%
8	Retail	11 356	1 492	11 356	746	9 077	75%

(amounts in thousands EUR)

9	Secured by mortgages on	10 587	963	10 588	482	5 535	50%
10	Exposures in default						
11	Exposures associated with	2 594	346	2 594	173	4 151	150%
12	Covered bonds						
13	Institutions and corporates with						
14	Collective investment						
15	Equity						
16	Other items	699		699		750	107%
17	**TOTAL**	**47 646**	**2 801**	**47 647**	**1 401**	**21 576**	**44%**

(amounts in thousands EUR)

Table 17. CR5.

	Exposure classes	Risk weight								Total	Of which unrated
		0%	20%	35%	50%	75%	100%	150%	250%		
1	Central governments or central banks	3 544								3 544	
2	Regional government or local authorities	7 338								7 338	
3	Public sector entities										
4	Multilateral development banks	7 947								7 947	
5	International organisations										
6	Institutions		1 897				23			1 920	**23**
7	Corporates						1 661			1 661	**1 661**
8	Retail exposures					12 848				12 848	**12 848**
9	Exposures secured by mortgages on immovable property				11 550					11 550	**11 550**
10	Exposures in default										
11	Exposures associated with particularly high risk							2 940		2 940	**2 940**
12	Covered bonds										
13	Exposures to institutions and corporates with a short-term credit assessment										
14	Units or shares in collective investment undertakings										
15	Equity exposures										
16	Other items						665		34	699	**699**
17	**TOTAL**	**18 829**	**1 897**	**0**	**11 550**	**12 848**	**2 349**	**2 940**	**34**	**50 477**	**29 721**

(amounts in thousands EUR)

Table 18. LRSum & LRCom.

	Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Applicable amount
1	Total assets as per published financial statements	44 528
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 810
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	-1 119
13	**Total exposure measure**	46 219
	Table LRCom: Leverage ratio common disclosure	
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	44 528
2	(Asset amounts deducted in determining Tier 1 capital)	-1 119
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**43 409**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (markto-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	

(amounts in thousands EUR)

9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivatives exposures (sum of lines 4 to 10)**	
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	4 524
18	(Adjustments for conversion to credit equivalent amounts)	-1 714
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**2 810**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
	Capital and total exposure measure	
20	**Tier 1 capital**	**2 632**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**46 219**
	Leverage ratio	
22	**Leverage ratio**	**5,69%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

Table 19. Liquidity ratios.

Liquidity ratios	2021-06-30	2021-09-30	2021-12-31
Liquidity Coverage Ratio (LCR)	118400%	130891%	2856%
Net Stable Funding Ratio (NSFR)	161%	131%	133%