

Disclosure Report

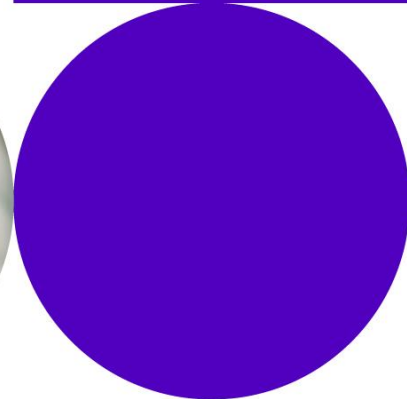
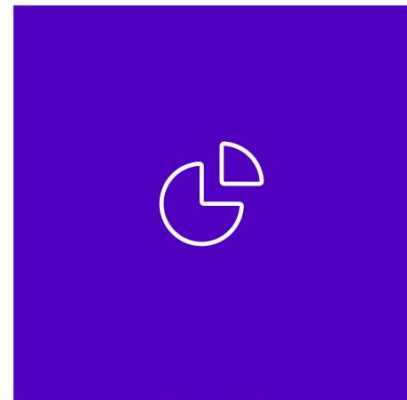
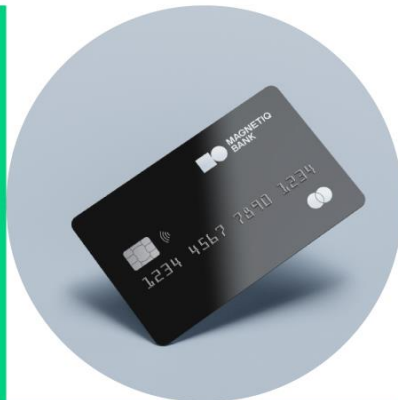


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INTRODUCTION

JSC AS Magnetiq Bank (hereinafter referred to as the Bank) was registered in the Republic of Latvia on 5 September 2008, under uniform registration No. 50103189561. The Bank's registered office is at Brīvības iela 54, Riga, LV-1011. LEI code: 259400YE9CCQBVY41L71. The previous name of the Bank was Joint Stock Company "LPB Bank".

The Pillar 3 Disclosure Report (hereinafter referred to as the Report) has been drafted on the basis of Republic of Latvia Credit Institution Law Section 36.³(3), Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, Part Eight, in compliance with the reporting formats stated in Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No. 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

In accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, the Bank is not considered a large institution or a small and non-complex institution, the Bank has no branches or representative offices abroad, and has no consolidated group, and is non-listed; therefore, the Report is drafted on an individual level once per year, in accordance with the provisions of with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 Article 433c (2).

In addition, the Bank discloses information on non-performing and forborne exposures based on the instructions of the Bank of Latvia and discloses it in accordance with the European Banking Authority's Guidelines EBA/GL/2018/10 on the disclosure of non-performing and forborne exposures in the reporting formats.

This Report should be considered in conjunction with the preceding year's report, quarterly financial information and therefore specific important information not included in the aforementioned reports is displayed herein and is not duplicated. The aforementioned reports are available on the Bank's website www.magnetiqbank.com under "[Financial reports](#)".

The Report was drafted and approved by the Board of the Bank on 13 May 2024.

TEMPLATE EU KM1 – KEY METRICS TEMPLATE (EUROS WHOLE)

		a	b
		2023	2022
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	33 586 186	27 972 579
2	Tier 1 capital	33 586 186	27 972 579
3	Total capital	33 586 186	27 972 579
Risk-weighted exposure amounts			
4	Total risk exposure amount	87 531 053	133 454 441
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	38.37%	20.96%
6	Tier 1 ratio (%)	38.37%	20.96%
7	Total capital ratio (%)	38.37%	20.96%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7.a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.40%	4.00%
EU 7.b	of which: to be made up of CET1 capital (percentage points)	1.91%	2.24%
EU 7.c	of which: to be made up of Tier 1 capital (percentage points)	2.55%	3.00%
EU 7.d	Total SREP own funds requirements (%)	11.40%	12.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8.a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	0.24%	0.10%
EU 9.a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
EU 10.a	Other Systemically Important Institution buffer (%)		
11	Combined buffer requirement (%)	2.74%	2.60%
EU 11.a	Overall capital requirements (%)	14.14%	14.60%
12	CET1 available after meeting the total SREP own funds requirements (%)	26.97%	8.96%
Leverage ratio			
13	Total exposure measure	163 840 022	164 423 759
14	Leverage ratio (%)	20.50%	17.01%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14.a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU 14.b	of which: to be made up of CET1 capital (percentage points)		
EU 14.c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14.d	Leverage ratio buffer requirement (%)		
EU 14.e	Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	60 253 997	84 500 114
EU 16.a	Cash outflows – Total weighted value	47 505 668	63 188 095
EU 16.b	Cash inflows – Total weighted value	3 951 133	4 662 602
16	Total net cash outflows (adjusted value)	43 554 535	58 525 493
17	Liquidity coverage ratio (%)	138.34%	144.38%
Net Stable Funding Ratio			
18	Total available stable funding	105 741 227	117 244 014
19	Total required stable funding	55 141 399	88 447 233
20	NSFR ratio (%)	191.76%	132.56%

TEMPLATE EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS (EUROS WHOLE)

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2023	2022	2023
1	Credit risk (excluding CCR)	59 907 076	103 320 909	4 792 566
2	Of which the standardised approach	59 907 076	103 320 909	4 792 566
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4.a	Of which equities under the simple risk-weighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk – CCR	-	122 685	-
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8.a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment – CVA	-	2 726	-
9	Of which other CCR	-	119 959	-
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19.a	Of which 1 250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk)	441 652	2 585 122	35 332
21	Of which the standardised approach	441 652	2 585 122	35 332
22	Of which IMA			
EU 22.a	Large exposures			
23	Operational risk			
EU 23.a	Of which basic indicator approach	27 182 325	27 425 725	2 174 586
EU 23.b	Of which standardised approach			
EU 23.c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	87 531 053	133 454 441	7 002 484

TEMPLATE EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS (AS AT 31.12.2023, EUROS WHOLE)

		a	b
Row		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	13 000 000	Template EU CC2 row E1
	of which: Paid-in share capital	13 000 000	Template EU CC2 row E1
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	22 170 081	Template EU CC2 row E3
3	Accumulated other comprehensive income (and other reserves)	-887 536	Template EU CC2 row E2
EU-3.a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5.a	Independently reviewed interim profits net of any foreseeable charge or dividend		
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	34 282 545	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	17 808	
8	Intangible assets (net of related tax liability) (negative amount)	662 508	Template EU CC2 row A7
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		

19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Not applicable		
EU-20.a	Exposure amount of the following items which qualify for a RW of 1 250%, where the institution opts for the deduction alternative		
EU-20.b	of which: qualifying holdings outside the financial sector (negative amount)		
EU-20.c	of which: securitisation positions (negative amount)		
ES-20.d	of which: free deliveries (negative amount)		Part of Template EU CC2 row A2
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17.65% threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences		
EU-25.a	Losses for the current financial year (negative amount)		
ES-25.b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27.a	Other regulatory adjustments	16 043	Part of Template EU CC2 row A9 total related to advance payments for intangible assets (Regulation 575/2013 Article 3)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	696 359	
29	Common Equity Tier 1 (CET1) capital	33586 186	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		
EU-33.a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
ES-33.b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third		

	parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		
42.a	Other regulatory adjustments to AT1 capital		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital		
45	Tier 1 capital (T1 = CET1 + AT1)	33 586 186	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts		
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
EU-47.a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
ES-47.b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	Tier 2 (T2) capital before regulatory adjustments		
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a		

	significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
54.a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Not applicable		
EU-56.a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
ES-56.b	Other regulatory adjustments to T2 capital		
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	Tier 2 (T2) capital		
59	Total capital (TC = T1 + T2)	33 586 186	
60	Total Risk exposure amount	87 531 053	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	38.37%	
62	Tier 1 capital	38.37%	
63	Total capital	38.37%	
64	Institution CET1 overall capital requirements	9.16%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.24%	
67	of which: systemic risk buffer requirement		
EU-67.a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		
ES-67.b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.91%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	28.46%	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		

Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

TEMPLATE EU CC2 – RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS (EUROS WHOLE)

Row		a	c
		Balance sheet as in published financial statements	Reference
		2023	
Assets – Breakdown by asset classes according to the balance sheet in the published financial statements			
A1	Cash and balances with the Bank of Latvia	64 576 117	
A2	Due from credit institutions	183 202	Part of Template EU CC1 row ES-20.d
A3	Financial assets measured at fair value through profit or loss	803 029	
A4	Financial assets measured at fair value through other comprehensive income	17 005 117	
A4.1	<i>Debt securities</i>	17 005 117	

A5	Financial assets measured at amortised cost	73 057 840	
A5.1	<i>Loans and receivables</i>	36 729 792	
A5.2	<i>Debt securities</i>	35 241 865	
A5.3	<i>Due for term deposits in credit institutions</i>	1 086 183	
A6	Tangible assets	6 216 292	
A7	Intangible assets	662 508	Template EU CC1 row 8
A8	Other financial assets	804 137	
A9	Other non-financial assets	786 724	Part of Template EU CC1 row 27.a
A10	Total assets	164 094 966	
		a	c
Row		Balance sheet as in published financial statements	Reference
		2023	
Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements			
L1	Liabilities measured at fair value through profit or loss	0	
L1.1	<i>Derivatives</i>	0	
L2	Liabilities measured at amortised cost	127 470 786	
L2.1	<i>Deposits</i>	127 470 786	
L3	Other financial liabilities	1 669 338	
L4	Other non-financial liabilities	672 297	
L5	Total liabilities	129 812 421	
		a	c
Row		Balance sheet as in published financial statements	Reference
		2023	
Equity attributable to equity holders			
E1	Paid-in share capital	13 000 000	Template EU CC1 row 1
E2	Financial assets measured at fair value through other comprehensive income revaluation reserve	-887 536	Template EU CC1 row 3
E3	Retained earnings	22 170 081	
E4	Total equity attributable to equity holders	34 282 545	

EU OVA — Institution risk management approach

Please refer to the publication on the Bank’s website, “LPB Bank financial statement for the year ended 31 December 2023”, Note 26 “RISK MANAGEMENT” and Note 28 “CAPITAL MANAGEMENT”, along with the publication “JSC “LPB Bank” public financial statement 2023 Q4”.

EU OVB — Disclosure on governance arrangements

Considering the size, operational nature and complexity of the Bank, and in accordance with the articles of association of the Bank, the Council consists of four

members elected by a meeting of shareholders, while the Board consists of five members elected by the Council. The Bank currently has only one member of the Board, who at the same time holds another position, i. e., that of the Chief Risk Officer (CRO).

The Bank maintains its governance membership assessment and selection processes in accordance with the Bank's Policy for selecting candidates for Council and Board membership, the Bank's Employee competence and performance evaluation procedure, the Bank's procedure for staff planning, selection, hiring, implementing FCMC normative regulation No. 94 "Regulation on the Assessment of the Suitability of the Executive and Supervisory Board Members and Key Function Holders", FCMC normative regulation No. 227 "Regulation on Establishment of the Internal Control System", FCMC normative regulation No. 201 "Procedure for Submitting Information and Documents to Evaluate the Suitability of Credit Institution Officials", the Labour Law, the requirements of other applicable regulations, and international guidelines.

Personnel selection within the Bank takes place with the use of both internal and external resources.

The personnel selection process is carried out according to competitive procedure, it is fair and objective, and provides equal opportunities to all candidates.

The personnel selection process is managed by the Personnel Management Department in cooperation with the heads of the Bank's structural units, members of the Board or with the chairman of the Board.

The Bank ensures that Council and Board members are appointed to positions consistent with best practice principles, on the basis of professional criteria that will be able to produce a positive influence, enabling correct decision-making and maximising the Bank's long-term achievement opportunities with a system for mutual substitution of professionals within the Bank.

The suitability of Council and Board membership candidates is evaluated in accordance with the Bank procedure set in the internal regulations, taking a wide range of characteristics and competencies into consideration.

The rules and principles laid out in the internal regulations of the Bank are adequate and sufficient for the Bank to be able to successfully implement diversity policy with regard to the members of its governing bodies.

In accordance with the Board Regulations of the Bank, the Board at least once a year submits the information on the collective qualifications and experience of the Board for the Council's review, drafting an assessment of the diversity, collective experience and qualifications of the Board.

Similarly, acting in accordance with the Council Regulations of the Bank, the Council at least once a year submits the information on the collective qualifications and experience of the Council for review to the Meeting of Shareholders, drafting an assessment of the diversity, collective experience and qualifications of the Council.

As set in the Council Regulations of the Bank, the Council performs the tasks of the Nomination Committee, including:

- at least once a year, reviewing the organisational structure, size, composition and operational effectiveness of the Council and the Board, notifying the Board about the part of the assessment relevant to the Board;
- at least once a year, undertaking an evaluation of the individual and collective knowledge, skills and experience of Council and Board members in accordance with FCMC normative regulation No. 94 of 14.07.2020 “Regulation on the Assessment of the Suitability of the Executive and Supervisory Board Members and Key Function Holders”.

In its operations, the Bank strictly adheres to environmental, social and governance (ESG) factors, ensuring education, professional experience, both gender and age diversity. Several members of the Board have had multiple years of business management experience both within and outside the Bank as corporate board members, including experience in fields such as IT services, real estate management retail, logistics etc., which complement their knowledge and horizons. On the other hand, one member of the Board previously had long-term work experience in a financial supervisory institution, as well as two members of the Board have obtained CAMS certificates and one - CAMS-RM, CGSS certificates. All of the above improves the knowledge of the members of the Board, as well as the implementation of management functions and supervisory functions.

The composition of the Council ensures the diversity of education, professional experience, gender and age, as well as the existence of an independent member of the Council. In addition to their employment in the Council, members of the Council are active in a range of areas contributing to their knowledge and perspective. All of the above mentioned contributes to the implementation of governance and supervisory functions by members of the Council.

EU CRA — General qualitative information about credit risk

Please refer to the publication on the Bank’s website, “LPB Bank annual report for the year ended 31 December 2023”, Note 26, under “CREDIT RISK”, and (b) Substantial accounting assumptions and estimates under “Losses due to depreciation” and (d) Financial assets alienates liabilities under “Expected credit losses due to financial asset depreciation”, along with the publication “JSC “LPB Bank” public financial statement 2023 Q4”.

EU MRA — Qualitative disclosure requirements related to market risk

Please refer to the publication on the Bank’s website, “LPB Bank annual report for the year ended 31 December 2023”, Note 26, under “MARKET RISK”, “CURRENCY RISK”, “POSITION RISK” and “INTEREST RATE RISK”.

EU LIQA — Liquidity risk management

Please refer to the publication on the Bank’s website, “LPB Bank annual report for the year ended 31 December 2023”, Note 26, under “LIQUIDITY RISK”, along with the publication “JSC “LPB Bank” public financial statement 2023 Q4”.

EU ORA — Qualitative information on operational risk

Please refer to the publication on the Bank’s website, “LPB Bank annual report for the year ended 31 December 2023”, Note 26, under “OPERATIONAL RISK”.

TEMPLATE EU OR1 – OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS (EUROS WHOLE)

Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		2021	2022	2023		
1	Banking activities subject to basic indicator approach (BIA)	16 886 850	13 587 241	13 017 622	2 174 586	27 182 325
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	<i>Subject to TSA:</i>					
4	<i>Subject to ASA:</i>					
5	Banking activities subject to advanced measurement approaches (AMA)					

EU REMA — Remuneration policy

In determining personnel remuneration, the Bank applies the principles of effectiveness, flexibility, fairness and transparency.

The Bank's Remuneration Policy (hereinafter referred to as the Policy) determines the core principles and components of the Bank's remuneration system, as well as the responsibilities and duties of Bank's Council, Board, Internal Control units and Personnel Management Department in implementing the Policy.

The obligations and tasks of the Remuneration Committee are handled by the Council of the Bank. The fulfilment of tasks assigned to the Remuneration Committee of the Bank is included on the agendas of Council meetings and reviewed no less than once per year.

The Policy is approved by the Council of the Bank, which determines the authorisations of Bank structural divisions in matters of personnel management and the labour remuneration system at the Bank. The Policy is revised no less than once per year in order to ensure relevance and conformance to changes in the operation of the Bank or the external circumstances affecting Bank activities or following amendments to compliance laws, regulations and standards regulating the Policy.

The Bank's Remuneration Policy is equally applicable to all levels of Bank staff – including members of the Bank's Council, Board, Internal Control Unit positions, and other positions affecting the Bank's risk profile.

The remuneration payable to members of the Council of the Bank is determined by the shareholder of the Bank.

The remuneration payable to members of the Board, head of the Internal Audit Department and Internal Audit Department staff is determined by the Council of the Bank, also ensuring direct supervision of the remuneration payable to the heads of the Risk Control Department and the Compliance Control Department.

While determining the remuneration payable to employees, the following methods are applied in order:

- not to encourage excessive risk above the risk level determined in the Bank's Development Strategy;
- not to limit the liquidity of the Bank and its ability to reinforce equity, whether short or long term;
- to conform to the operational goals and values determined in the Bank's Development Strategy, e. g. corporate values and high standards of professional conduct and ethics and to ensure prevention of conflicts of interest;
- to provide equal pay to Employees performing equal or equivalent work, maintaining gender-neutral policy and practices;
- to prevent contradicting the interests of clients or depositors and other stakeholders;
- to prevent short-term gains through transactions that bear or produce a risk of money laundering, terrorism or proliferation financing.

The Bank implements fair and reasonable remuneration practices and policies in order to promote business sustainability and development in the long term and achieve the interests of both the Bank and its employees.

The quality of life of Bank employees and employee motivation are accomplished by

both monetary (e. g. remuneration and benefits) and non-monetary (e. g. training and qualification enhancement) means, as well as through career growth opportunities.

The principle of remuneration effectiveness is implemented by the Bank motivating staff to accomplish the Bank's goals and allocate resources in a rational manner.

The Bank's activities incorporate strict compliance with environmental, social and governance factors (ESG), i. e. the Bank maintains not only gender neutral labour remuneration and salary policies for its staff (Bank's employees, regardless of their gender, receive equal pay for equal work), but also satisfies other requirements for an equal attitude to personnel regardless of gender in aspects of employment, including personnel selection as part of the Bank's personnel selection procedures, training opportunities and professional career growth opportunities, with further benefits of both monetary and non-monetary nature.

In order to ensure the observance of justice and gender-neutral principles for the determination of the fixed part of the Remuneration (salary), the Bank uses salary categories for all employees. Positions are evaluated based on several factors in 3 main areas: education and professional experience, job characteristics and level of responsibility required to perform the position.

The positions affecting the Bank's risk profile are evaluated and identified by the Council of the Bank, reviewing these not less than once per year.

The Bank has identified categories of positions whose professional activities have a substantial effect on risk profile:

- Members of the Council and Board of the Bank;
- Chief Risk Officer;
- Heads of internal control structural units, and heads of certain structural divisions;
- Employees ensuring the provision of investment services, in view of Financial Instrument Market Law Section 3 Paragraphs 4 and 5.
- Heads of structural units performing corporate functions;
- Heads of business structural units;
- Head of Anti-money laundering and terrorist financing structural unit and heads of its divisions;
- Head of Payment card fraud prevention structural unit and heads of its divisions;
- Personal data protection officer;
- MiFID II officer;
- AML/CTPF and sanctions risk management information systems officer;
- Head of the Information technology structural unit and heads of its certain structural divisions;
- Head of the information security structural unit.

The suitability of the Policy to the operational specifics of the Bank, its impact on the Bank's risk profile, including impact on capital and liquidity, is evaluated no less than once per year, with the results and conclusions of the assessment reported to the Council of the Bank, which may introduce corrective measures as necessary in order

to ensure that the Bank's Policy does not produce a negative impact on the overall risk profile of the Bank. An assessment of the suitability of the Policy is performed by the Bank's internal control function.

The remuneration system existing in the Bank provides only for the allocation of a fixed and also a variable part of the remuneration in accordance with the principles established by the Remuneration Policy.

The Bank's Remuneration Policy ensures that the monetary and non-monetary types of Remuneration do not include incentives that would make Employees prefer their interests or the interests of the Bank, thereby harming existing or potential customers.

The Bank ensures that the fixed part of the Remuneration in the Remuneration is large enough for the Bank to establish a flexible Remuneration policy regarding the variable part of the Remuneration, including the possibility not to pay the variable part of the Remuneration, for example, in the case of a deterioration of the Bank's financial condition or in cases where the requirements regulating the Bank's activities are not met.

The Bank did not have employee whose remuneration during the reporting year was equal or exceeded 1 million euros.

Template *EU REM1* – Remuneration awarded for the financial year

		Management Board – Supervisory function	Management Board – Management function	Other senior management	Other identified employees
Fixed remuneration	Number of identified employees	4	5	-	33
	Total fixed remuneration	1 848	395 391	-	1 628 239
	Of which: cash-based (Not applicable in the EU)	1 848	395 391	-	1 628 239
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments (Not applicable in the EU)	-	-	-	-
	Of which: other forms (Not applicable in the EU)	-	-	-	-
Variable remuneration	Number of identified employees	-	5	-	33
	Total variable remuneration	-	102 740	-	253 119
	Of which: cash-based	-	102 740	-	253 119
	Of which: deferred	-	-	-	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	-	-	-
Of which: deferred	-	-	-	-	

	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration (2 + 10)		1 848	498 131	-	1 881 358

Template *EU REM2* – Special payments to employees whose professional activities have a material impact on institutions’ risk profile (identified employees)

	Management Board – Supervisory function	Management Board – Management function	Other senior management	Other identified employees
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards – Number of identified employees	-	-	-	-
Guaranteed variable remuneration awards – Total amount	-	-	-	-
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified employees	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	-	-	-	-
Severance payments awarded during the financial year				
Severance payments awarded during the financial year – Number of identified employees	-	-	-	1
Severance payments awarded during the financial year – Total amount	-	-	-	11 730
Of which paid during the financial year	-	-	-	11 730
Of which deferred	-	-	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Of which highest payment that has been awarded to a single person	-	-	-	-

Template *EU REM3* – Deferred remuneration

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i. e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
Management Board – Supervisory function	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Management Board – Management function	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified employees	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	-	-	-	-	-	-	-	-

Template *EU REM4* – persons who received 1 million EUR or more in remuneration during the year

EUR	Identified employees that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	-
1 500 000 to below 2 000 000	-
2 000 000 to below 2 500 000	-
2 500 000 to below 3 000 000	-
3 000 000 to below 3 500 000	-
3 500 000 to below 4 000 000	-
4 000 000 to below 4 500 000	-
4 500 000 to below 5 000 000	-
5 000 000 to below 6 000 000	-
6 000 000 to below 7 000 000	-
7 000 000 to below 8 000 000	-
To be extended as appropriate, if further payment bands are needed.	

Template *EU REM5* – Information on remuneration of employees whose professional activities have a material impact on institutions’ risk profile (identified employees)

	Management body remuneration			Business areas						
	Management Board – Supervisory function	Management Board – Management function	Total Management Board	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified employees										42
Of which: members of the Management Board	4	5	9							
Of which: other senior management				-	-	-	-	-	-	
Of which: other identified employees				1	4	-	13	15	-	
Total remuneration of identified employees	1 848	498 131	499 979	73 700	304 889	-	773 882	728 887	-	
Of which: variable remuneration	-	102 740	102 740	12 525	46 935	-	105 586	88 073	-	
Of which: fixed remuneration	1 848	395 391	397 239	61 175	257 954	-	668 296	640 814	-	

Information on the gender pay gap

Total number of staff	195
Total number of identified staff*	37

*Excluding Council members

Representation of staff of different genders per quartile of remuneration level

Representation of male and female staff in each quartile of remuneration level	All male staff in percent of all staff	All female staff in percent of all staff	All male identified staff in percent based on all identified staff	All female identified staff in percent based on all identified staff
Quartile 1 (low)	7.69	17.44	40.00	60.00
Quartile 2 (low to medium)	6.67	18.46	44.00	56.00
Quartile 3 (medium to high)	9.23	15.38	56.00	44.00
Quartile 4 (high)	15.38	9.74	78.00	22.00
Total staff/identified staff	38.97	61.03	54.05	45.95

Gender pay gap based on the total gross remuneration

Total gross annual remuneration level	Gender pay gap of all staff, based on median	Gender pay gap of all staff, based on mean	Gender pay gap of identified staff, based on median	Gender pay gap of identified staff based on mean
Quartile 1 (low)	-0.91	-8.02	9.23	9.78
Quartile 2 (low to medium)	-1.87	0.23	-0.77	3.69
Quartile 3 (medium to high)	7.91	7.16	4.92	2.21
Quartile 4 (high)	10.13	12.99	-5.67	0.36
Total staff/identified staff	28.16	26.66	15.44	20.59

Disclosure of non-performing and forborne exposures

(in accordance with European Banking Authority Guideline EBA/GL/2018/10 of 17 December 2018 " Guidelines on disclosure of non-performing and forborne exposures")

Credit quality of forborne exposures

	Gross carrying amount of forborne exposures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposure	
	Performing forborne	Non-performing forborne	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-

			Of which defaulted	Of which impaired				performing exposures with forbearance measures
Loans and advances	10 289 074	1 184 670	1 184 670	1 184 670	-	(89 930)	11 280 849	991 775
<i>Central bank</i>	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	10 128 555	676 258	676 258	676 258	-	(88 307)	10 613 541	484 986
<i>Households</i>	160 519	508 412	508 412	508 412	-	(1 623)	667 308	506 789
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	10 289 074	1 184 670	1 184 670	1 184 670	-	(89 930)	11 280 849	991 775

Credit quality of performing and non-performing exposures by past due days

	GROSS CARRYING AMOUNT											
	Performing exposures			Non-performing exposures								
	Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	32 676 157	32 676 157	-	5 350 298	5 291 715	-	-	58 583	-	-	-	5 350 298
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	1 086 584	1 086 584	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	5 116 183	5 116 183	-	32	32	-	-	-	-	-	-	32
<i>Non-financial corporations</i>	20 947 522	20 947 522	-	4 536 482	4 477 899	-	-	58 583	-	-	-	4 536 482
<i>Of which SMEs</i>	20 947 522	20 947 522	-	4 536 482	4 477 899	-	-	58 583	-	-	-	4 536 482
<i>Households</i>	5 525 868	5 525 868	-	813 784	813 784	-	-	-	-	-	-	813 784
Debt securities	52 333 819	52 333 819	-	-	-	-	-	-	-	-	-	-
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	24 862 647	24 862 647	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	18 385 909	18 385 909	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	98 468	98 468	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	8 986 795	8 986 795	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	507 982	507 982	-	303 707	303 707	-	-	-	-	-	-	-
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-

<i>Another financial corporation</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	98 635	98 635	-	303 707	303 707	-	-	-	-	-	-	-
<i>Households</i>	409 347	409 347	-	-	-	-	-	-	-	-	-	-
Total	85 517 958	85 517 958	-	5 654 005	5 595 422	-	-	58 583	-	-	-	5 350 298

Performing and non-performing exposures and related provisions

	Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3	Total	Of which stage 1	Of which stage 2	Total	Of which stage 2	Of which stage 3			
Loans and advances	32 676 157	15 121 195	7 554 962	5 350 298	-	5 350 298	(48 525)	(45 780)	(2 745)	(161 955)	-	(161 955)	-	27 674 947	5 085 378
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	1 086 584	1 086 584	-	-	-	-	(401)	(401)	-	-	-	-	-	-	-
<i>Other financial corporations</i>	5 116 183	3 539 512	1 576 671	32	-	32	(1 224)	(1 224)	-	(32)	-	(32)	-	1 576 671	-
<i>Non-financial corporations</i>	20 947 522	6 163 112	14 784 410	4 536 482	-	4 536 482	(275)	-	(275)	(154 998)	-	(154 998)	-	20 937 046	4 278 520
<i>Of which SMEs</i>	20 947 522	6 163 112	14 784 410	4 536 482	-	4 536 482	(275)	-	(275)	(154 998)	-	(154 998)	-	20 937 046	4 278 520
<i>Households</i>	5 525 868	4 331 987	1 193 881	813 784	-	813 784	(46 625)	(44 155)	(2 470)	(6 925)	-	(6 925)	-	5 161 230	806 858
Debt securities	52 333 819	51 296 621	1 037 198	-	-	-	(86 837)	(86 498)	(339)	-	-	-	-	-	-
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	24 862 647	24 862 647	-	-	-	-	(79 732)	(79 732)	-	-	-	-	-	-	-
<i>Credit</i>	18 385 909	18 385 909	-	-	-	-	(3 466)	(3 466)	-	-	-	-	-	-	-

<i>institutions</i>															
<i>Other financial corporations</i>	98 468	98 468	-	-	-	-	(18)	(18)	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	8 986 795	7 949 597	1 037 198	-	-	-	(3 621)	(3 282)	(339)	-	-	-	-	-	-
Off-balance-sheet exposures	507 982	402 671	105 311	303 707	-	303 707	(5 075)	(4 798)	(277)	-	-	-	-	133 629	303 707
<i>Central bank</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Another financial corporation</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	98 635	5 000	93 635	303 707	-	303 707	(100)	(100)	-	-	-	-	-	93 629	303 707
<i>Households</i>	409 347	397 671	11 676	-	-	-	(4 975)	(4 698)	(277)	-	-	-	-	40 000	-
Total	85 517 958	66 820 487	18 697 471	5 654 005	-	5 654 005	(140 437)	(137 076)	(3 361)	(161 955)	-	(161 955)	-	27 808 576	5 389 085

Collateral obtained through repossession and enforcement proceedings

	Collateral obtained by repossession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	-	-
<i>Residential immovable property</i>	-	-
<i>Commercial Immovable property</i>	-	-
<i>Movable property (transport, ships, etc.)</i>	-	-
<i>Equity and debt instruments</i>	-	-
<i>Other</i>	-	-
Total	-	-

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