



**REPORT ON RISK AND CAPITAL MANAGEMENT
PILLAR3 OF THE BASEL
FOR THE YEAR ENDED 31 DECEMBER 2025**

DISCLOSURE OF INFORMATION UNDER PART EIGHT OF REGULATION (EU) No 575/2013

CONTENTS

INTRODUCTION	4
REPRESENTATION REGARDING SUITABILITY OF RISK MANAGEMENT MEASURES	4
DISCLOSURE OF KEY PARAMETERS	4
Table EU OVC - ICAAP information.....	4
DISCLOSURE OF RISK MANAGEMENT OBJECTIVES	5
Table EU OVA - Institution risk management approach.....	5
OPERATIONAL RISK MANAGEMENT	5
GENERAL DESCRIPTION OF THE RISK MANAGEMENT SYSTEM	6
DISCLOSURE OF A CONCISE RISK REPORT APPROVED BY THE MANAGEMENT BODY	6
STATEMENT ON THE ADEQUACY OF RISK MANAGEMENT MEASURES APPROVED BY THE MANAGEMENT BODY.....	7
Table EU OVB - Disclosure on governance arrangements	7
DISCLOSURE OF THE SCOPE OF APPLICATION	8
Table EU LIA - Explanations of differences between accounting and regulatory exposure amounts	8
Table EU LIB - Other qualitative information on the scope of application.....	8
LEVERAGE RATIO.....	8
Table EU LRA: Disclosure of LR qualitative information	8
DISCLOSURE OF LIQUIDITY REQUIREMENTS	8
Table EU LIQA - Liquidity risk management.....	8
Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1	10
CREDIT RISK AND CREDIT QUALITY	10
Table EU CRA: General qualitative information about credit risk	10
Table EU CRB: Additional disclosure related to the credit quality of assets	10
INFORMATION ON CREDIT RISK MITIGATION MEASURES	10
Table EU CRC – Qualitative disclosure requirements related to CRM techniques	10
DISCLOSURE OF THE USE OF THE STANDARDISED APPROACH	11
Table EU CRD – Qualitative disclosure requirements related to standardised approach	11
COUNTERPARTY CREDIT RISK	11
Table EU CCRA – Qualitative disclosure related to CCR.....	11
SECURITISATION	12
Table EU-SECA - Qualitative disclosure requirements related to securitisation exposures	12
OBJECTIVES AND MANAGEMENT OF CREDIT RISK	12
ACCOUNTING POLICIES	13
MARKET RISK	13
Table EU MRA: Qualitative disclosure requirements related to market risk.....	13
CREDIT VALUATION ADJUSTMENT RISK.....	13
OPERATIONAL RISK.....	14
Table EU ORA - Qualitative information on operational risk.....	14

DISCLOSURE OF INTEREST RATE RISK FOR POSITIONS NOT INCLUDED IN THE TRADING BOOK.....	14
Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities.....	14
REMUNERATION	14
INFORMATION ABOUT ASSET ENCUMBRANCE	14
Table EU AE4 - Accompanying narrative information.....	14
DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)	15
BUSINESS STRATEGY AND PROCESSES.....	15
MANAGEMENT	18
RISK MANAGEMENT	20
CLIMATE AND ENVIRONMENTAL IMPACT ASSESSMENT	21
TRANSITION RISKS.....	23
PHYSICAL RISKS.....	23
MEMBERSHIPS AND COMMITMENTS	24
RISK APPETITE	25
STRESS TESTING.....	25
CALCULATION OF FINANCED GHG EMISSIONS.....	25

This report was approved by the Management Board of the Bank on 25 March 2026.

INTRODUCTION

This document provides additional unaudited information in accordance with Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR3); Commission Implementing Regulation (EU) 2024/3172 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637.

The annual report of Artea Bankas AB discloses information related to risk, its management and capital. This document provides additional information, which is published together with the Independent Auditor's Report, Financial Statements and Annual Report. This document discloses only such information that is relevant, non-confidential and not considered as commercial secret.

This document presents the own funds of Artea Bankas Financial Group, its internal capital indicators, the main features of capital instruments, justifies the appropriateness of risk management and describes the overall risk profile of an organization, taking into account the business strategy.

The document discloses consolidated information as of 31 December 2025.

REPRESENTATION REGARDING SUITABILITY OF RISK MANAGEMENT MEASURES

The risk management systems applicable by Artea Bankas AB are appropriate taking into account the size, nature of activities and strategy of the Bank and its subsidiaries (the Group - together with the Bank).

DISCLOSURE OF KEY PARAMETERS

Table EU OVC - ICAAP information

One of the main buffers against potential losses is a strong capital base, so the aim is to maintain a sufficient capital buffer to cover the increased level of risk. A sound, effective and comprehensive Internal Capital Adequacy Assessment Process (ICAAP) contributes to a clear assessment of the risk capital and goes hand in hand with risk management and management communication processes, based on a thorough risk strategy that produces an effective prudential framework.

The purpose of the Bank's ICAAP is to carry out processes to ensure that the Bank Group's capital requirements are sufficient to cover the risks of the appropriate nature and level arising or likely to arise from the banking activities and to ensure the continuity of the business, and that the Bank's capital base is adequately developed.

The Board of the Bank, based on the results of the ICAAP and all other relevant information, approves the Bank's capital adequacy assessment in the form of a Capital Adequacy Statement.

The ICAAP includes the Bank's self-assessment, testing and determination of internal capital requirements. The internal self-assessment identifies the risks inherent in the Group's activities and assesses them using selected assessment methods. The risk level is determined by assessing the impact of the risk on the Group's earnings and capital. Once the Bank's self-assessment has identified the risk structure and levels of individual risks, testing is performed to assess the potential impact on the Group's financial position, economic and regulatory capital and liquidity in the event of an adverse event and/or changes in the financial or economic environment. The main

objective of the stress test is to determine whether the Group's capital is sufficient to cover potential losses arising from adverse macroeconomic and financial conditions.

For ICAAP purposes, the Group carries out stress tests to determine whether the level of capital is sufficient for this scenario. The scenarios for the stress testing of the Bank Group as at end-2025 have been selected taking into account external factors that may affect the Group's activities: macroeconomic factors such as negative macroeconomic indicators, geopolitical threats affecting the energy, transport and commodity markets, and the risks stemming from potential interest rate changes.

The internal capital requirement is defined as the results of the baseline scenario. The results are assessed from both a normative and an economic perspective. The internal capital requirement is calculated for those risks for which the normative and economic capital requirement calculated in the testing was higher than the regulatory requirement.

The results of the 2025 ICAAP show that the Bank Group has a capital buffer that ensures that the mandatory total capital requirement is met, both in a baseline and in an adverse scenario with severe economic stress.

DISCLOSURE OF RISK MANAGEMENT OBJECTIVES

Table EU OVA - Institution risk management approach

OPERATIONAL RISK MANAGEMENT

A full disclosure of all material risks faced by the Bank Group is provided in to the 2025 Financial Statements under "Financial Risk Management" (page 172).

The Group analyses, assesses, assumes and manages the risks or groups of risks it faces in its operations. The purpose of risk management is to ensure a sufficient return on equity by managing risks conservatively. In implementing its risk management strategy, the Bank Group aims not only to minimise potential risks, but also to ensure an optimal risk-return ratio and efficient allocation of capital.

Risk assessment is a continuous, ongoing process, involving both the ongoing analysis of existing risks and the identification of new or emerging risks in the process of introducing new products and in the event of external or intra-group changes. The ICAAP includes, at least annually, an overall assessment of the risks specific to the Bank Group.

The main risks of the Bank Group are credit and liquidity risks. Other risks to which the Group is exposed include market, concentration, operational, IT, model, compliance, interest rates on the banking book and ESG (environmental, social and governance) risks. Market risk includes foreign exchange rate, interest rate and security price risks. The Bank Group improves a framework for qualitative assessment parameters for ESG risks (which include the risks of climate change), which is integrated into processes and the Group's governance system. Other risks are considered to be insignificant and are therefore not assessed.

Risk management is a structured, coordinated and continuous process at all levels of the Group, with the following objectives: to align business strategy and risk tolerance; to find solutions in response to risk; to reduce operating losses; to increase business opportunities and competitiveness; to identify multiple overlapping risks, either separately or in an integrated way; and to improve the capital allocation.

The Bank Group manages operational risk using a multi-tier management system that enables informed decision-making. Risk is assessed from the bottom up and from the top down throughout the management chain, as well as across all business lines, using consistent terminology and methodologies across the Group.

To avoid conflicts of interest, the units performing risk control functions are separated from the units whose direct activities are related to the exposure to the various risks of banking activities:

- the first line of defence, which includes the Group's business units directly serving customers or indirectly involved in the provision of services to the Group's customers, is responsible for the ongoing and active management of risk in its business unit through the establishment and monitoring of risk limits and compliance with these limits, and through the implementation of controls and processes to establish, monitor and report the established risk limits and/or thresholds;
- internal risk control functions are performed by the second line of defence units of the Risk Management Division and Compliance, which are responsible for controlling the Bank Group's operational risks;
- The third line of defence is the Internal Audit Division, which provides a comprehensive, independent and objective assessment of risk management and the effectiveness and adequacy of the Bank's internal control system.

GENERAL DESCRIPTION OF THE RISK MANAGEMENT SYSTEM

The Bank's Board has approved the Group's Risk Strategy, which covers the main principles of risk management and the allocation of roles and responsibilities in the risk management process. The risk management system includes processes to ensure that the Group identifies, assesses (and, where possible, measures), manages, monitors risks and reports on them. These processes cover all identified material risks. The Group's risk management system includes:

- risk appetite and risk management strategy;
- remuneration policy that is consistent with and encourages effective risk management;
- internal capital and liquidity adequacy assessment processes (ICAAP, ILAAP);
- identifying significant risks and developing measures to manage them;
- internal control over risk management, the main principles of which are set out in the Regulations for the Organisation of Internal Control;
- internal audit, which regularly assesses the effectiveness of risk management processes.

To ensure that the Bank Group operates in an acceptable risk environment in its current and future activities, the Board of the Bank has established an overall risk appetite. Risk appetite is defined as the nature and level of risk that the Group is willing to accept in the conduct of its business. Based on risk appetite, individual risk limits have been set for risks, which are a means of monitoring and controlling the magnitude and concentration of the risks assumed. Risk limits and indicators provide early warning of changes in risk and are closely monitored to ensure that risks are kept within the risk appetite.

DISCLOSURE OF A CONCISE RISK REPORT APPROVED BY THE MANAGEMENT BODY

The Group seeks to manage its business so as to avoid excessive losses and depletion of capital in the normal course of business and accepts risk in a conscious and controlled manner.

The Bank Group maintains a capital buffer in excess of the required minimum capital adequacy, ensuring the smooth operation of the Group and increasing the Group's ability to neutralise unfavourable business scenarios and shocks. The risk appetite for capital is determined taking into account the internal assessment of capital requirements and the Group's current and future capital requirements and regulatory capital buffers. At the end of 2025, the CET1 capital ratio was 18.91 %, TIER1 capital ratio was 20.68% and the total capital ratio – 23.43 %. Capital ratios are well above both regulatory requirements and target capital. A leverage ratio of 9.55 % indicates a healthy buffer up to the minimum leverage ratio requirement of 3 %.

To ensure sufficient level of protection for the Group's creditors, the Bank seeks to ensure compliance with the established intermediate levels of the minimum requirement for own funds and eligible liabilities (MREL).

The Group aims to have a high-quality credit portfolio by implementing a credit risk culture based on long-term customer relationships, focusing on knowing the customer, understanding the economic feasibility of the financing transaction and the customer's ability to meet its obligations.

Liquidity risk appetite of the Bank Group is formed in such a way that the Group is able to fulfil its obligations to customers and legal obligations to partners under both normal and disrupted financial market conditions during the given survival period. Risk appetite is constrained by regulatory Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Bank Group maintains a high-quality liquidity buffer to ensure that the Group can operate and continue its core business in the face of unexpected shocks. Maintaining a liquidity buffer, together with funding planning and risk identification, are key tools to ensure that liquidity risk does not exceed appetite and supports the Group's strategic objectives.

Credit and counterparty risk accounts for 90.3% of RWA, i.e., the most significant risk exposure. During 2025, the Group's gross loans to customers increased by 8%. The customer base of the loan portfolio consists mainly of small and medium-sized enterprises and private individuals operating in Lithuania. The concentration of the loan portfolio in terms of borrowers is low and the number of customers in the portfolio is high.

Market risk represents 0.42% of the total risk exposure amount (RWA). The Bank works with relatively low trading volumes, i.e., is engaged in relatively small trading book business; therefore, it assumes limited market risk.

In the interest rate banking book, risk appetite is expressed as the negative impact on economic value and net interest income from adverse interest rate risk scenarios.

Operational risk losses in 2025 amounted to EUR 156 thousand. The Bank Group may be exposed to various operational risks inherent to its business: performance or process errors, internal and external fraud, loss of human resources, commercial disputes, non-compliance with the established processes and procedures. The Group seeks to ensure proper business continuity in crisis situations. The Group aims to ensure that continuity plans are up-to-date and identify potential material threats.

STATEMENT ON THE ADEQUACY OF RISK MANAGEMENT MEASURES APPROVED BY THE MANAGEMENT BODY

Risks arising from the Group's activities are managed through appropriate risk mitigation measures, taking into account the Group's business strategy and the complexity of its products. The improvement of risk management measures is an ongoing process performed in line with the requirements of the European Union and supervisory authorities and in accordance with the Bank's operational risk management strategy. Establishing an appropriate risk management system, continuously improving it and applying its measures in day-to-day operations are some of the most important prerequisites for the Group's success in the long term.

The Group monitors the tense geopolitical situation in order to properly and timely assess and identify the potential impact of geopolitical drivers on the Group's operations and the quality of its portfolio due to the risks it poses to clients.

Table EU OVB - Disclosure on governance arrangements

Organizational management structure, management bodies, structure and functions of the committees, etc. are disclosed in the Management Report for 2025:

- The composition of the management bodies and the principles for the appointment of their members, as well as information on the competencies of each member of the management body and the positions of directors in charge, are disclosed in the chapter "Management of the Bank" of the Management Report 2025 (page 15) and in the Governance information for 2025 (page 30);
- Information on the diversity policy applied in the selection of the members of the management body is disclosed in the section "Management of the Bank" of the Management Report 2025 (page 15) and in the Governance information for 2025 (page 30);

- The structure, functions and composition of the committees are disclosed in the section “The Committees formed within the Bank, areas of their activity” of the Management Report 2025 (page 17) and in the Governance information for 2025 (page 30).

DISCLOSURE OF THE SCOPE OF APPLICATION

Table EU LIA - Explanations of differences between accounting and regulatory exposure amounts

Any differences between the amounts in columns (a) and (b) of the EU LI1 form are due to the different scope of consolidation. The Bank’s consolidated financial statements consolidate all of the Bank’s subsidiaries (except for the Artea Retrofit Fund 1 UAB and Artea Retrofit Fund 2 UAB, which is accounted for at fair value through profit or loss in accordance with the provisions of IFRS 9 applicable to linked financial instruments) with all of their respective balances of assets and liabilities, including transactions with the Bank and other Bank subsidiaries. Within the scope of prudential consolidation, the Bank does not consolidate its subsidiaries Artea Life Insurance UAB, but it is accounted for using the equity method.

Table EU LIB - Other qualitative information on the scope of application

The Bank Group has not identified any impediments to the prompt transfer of own funds or the settlement of the Group’s liabilities. The actual own funds of all non-consolidated subsidiaries are not less than the required amount. The derogation provided for in Article 7 of the CRR or the individual consolidation method provided for in Article 9 of the CRR have not been applied.

LEVERAGE RATIO

Table EU LRA: Disclosure of LR qualitative information

In 2025 there were no significant factors that influenced the leverage ratio.

DISCLOSURE OF LIQUIDITY REQUIREMENTS

Table EU LIQA - Liquidity risk management

One of the Bank Group’s priority objectives is to maintain acceptable liquidity adequacy. Liquidity adequacy ensures that the Group meets its payment obligations at all times, under both normal and stressed conditions. The main strategy for managing liquidity risk is to maintain a conservative liquidity risk profile and an adequate liquidity buffer. The financing strategy is to ensure sufficient and stable funding for core activities through external financing.

The Group is not dependent on market sources of funding. One of the Group’s strengths is its stable retail deposit base, which forms the basis of the Group’s funding. In addition, the Group has the potential to finance itself by raising subordinated loans or issuing debt securities. Diversification of funding across investor types, products and instruments is important to ensure stable liquidity. The Bank Group aims to attract minimum requirement for own funds and eligible liabilities (MREL) eligible liabilities to achieve partial diversification of funding sources.

ILAAP is an integral part of the overall governance system, ensuring sound processes and systems for identifying, assessing, managing and monitoring liquidity risk over appropriate time periods, including intraday, thereby ensuring that the Group has an adequate liquidity buffer. ILAAP is integrated into the Group’s risk management system. Liquidity risk is managed through three lines of defence. The first line of defence consists of the Treasury Department and the business lines. The Risk Department acts as the second line of defence and is responsible for monitoring liquidity risk. The third line of defence includes Internal Audit, which is responsible for independent monitoring of the first and second lines of defence.

The Risk Department is responsible for ILAAP and the design and effective functioning of the liquidity risk management system at the Group level, and on the basis of the results of ILAAP and all other relevant information, the Risk Department annually provides an assessment of the Group’s liquidity adequacy in the liquidity adequacy statement. The Supervisory Board approves the liquidity risk strategy and the liquidity risk appetite set out in the

Risk Appetite Statement and the Risk Strategy. The Bank's Board is responsible for approving the overall ILAAP and the following components: the liquidity management system; the liquidity adequacy statement; the methodology used to assess liquidity adequacy (including the stress testing system and the clearly articulated definition of liquidity adequacy); the ILAAP report. The Risk Management Committee is responsible for overseeing methodologies for the quantification of liquidity risk, including the key assumptions and parameters (e.g., time horizon, confidence levels and maturity structure) for the calculation of the risk, based on reliable data and sound data systems. The Asset Liability Management Committee (ALMC) monitors the effectiveness of operational liquidity management and makes recommendations to the Bank's business units on its effectiveness.

The Bank is the main influencer and manager of the Group's liquidity profile and the subsidiaries do not have a significant impact on the Group's overall liquidity. The monitoring system in place ensures that when liquidity-relevant factors arise in subsidiaries, they are taken into account in liquidity management decisions.

Liquidity risk management is based on:

- monitoring and controlling liquidity risk using liquidity adequacy ratios;
- balancing cash inflows and outflows;
- ensuring compliance with liquidity risk limits;
- stress testing.

The Group actively manages liquidity risk by monitoring liquidity adequacy ratios at various points in time, including intraday, in order to identify and assess potential threats in a timely manner, to draw practical conclusions and to take preventive action to ensure that the Bank Group's internal liquidity buffer is sufficient. The Group uses a system of liquidity indicators and limits to assess liquidity risk. Indicators are defined in terms of target (green), warning (yellow) and danger (red) zones. The limits of the limit zones are set in accordance with the Bank's overall strategy, the liquidity risk appetite and actual trends, and the results of the testing, which allows for an effective limitation of risks and losses and the maintenance of a liquidity adequacy acceptable to the Group. A clearly regulated system for setting, monitoring and controlling limits and other restrictions ensures that liquidity risk is appropriately managed in line with the level of liquidity risk borne by the Group and taking into account current and expected future activities.

Also, in line with the strategic plan, the Bank Group will continue to maintain a conservative liquidity risk profile and a sufficient liquidity buffer consisting of high-quality assets. In line with its strategic direction, the Group sees diversification of funding sources and avoidance of concentration as the main focus of liquidity management.

Liquidity risk management includes organizing contingency liquidity measures that can be taken, including the amount of contingency liquidity that could be collected in the event of adverse conditions; the time frame over which the measures would be implemented; the potential negative impact (on the profit and loss account, reputation, etc.); and the likelihood of the measures being fully implemented in the event of adverse conditions. The mechanism for resolving liquidity problems in the event of stress is regulated by the Bank's Contingency Funding Plan, which is an integral part of the Bank's Business Continuity Plan. The Contingency Funding Plan defines the liquidity ratios and details the conditions for possible activation of the plan. The monitoring and analysis of these ratios and the constant provision of information to the Risk Management Committee allow the identification of a potential adverse liquidity event before it becomes a liquidity crisis.

Regular stress testing is performed in accordance with Bank's stress testing framework and must ensure the adequacy of liquidity in the event of adverse circumstances. Liquidity testing provides insight into the impact of adverse events on liquidity adequacy, the quantitative and qualitative adequacy of available liquid assets, and the adequacy of liquidity buffers to cover the risks that may arise under various types of stress scenarios.

Bank's survival period is regularly assessed under the following three stress scenarios: a Bank specific scenario, a market-wide scenario, and a combination of the two, and may be subject to reverse testing with a significant negative result. The extent and frequency of stress testing depends on the Group's current level of liquidity risk and the economic environment.

Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1

The main factors influencing the Group's LCR are changes in the liquidity buffer, which is largely made up of highly liquid government securities and funds held with the central bank, and cash outflows, primarily related to unsecured wholesale funding.

Throughout the 2025 the Bank was revising its liquidity calculation methodologies associated with regulatory liquidity risk reporting to align it with supervisory expectations and best practices. The review included adjustments addressing observations made by the European Central Bank during the 2025 inspection of the Bank's liquidity risk management framework. The methodology was incrementally updated during 2025 with the final amendments completed by the end of 2025.

As a result of the methodology review, the LCR ratio decreased by 23 percentage points in the second quarter of 2025, by 34 percentage points in the third quarter, and by an additional 7 percentage points in the fourth quarter. It should be noted that, if this revised methodology were applied retrospectively, the indicators for previous periods would be lower as well. Regardless of methodological differences, the Group complied with all applicable prudential requirements both at the end of 2024 and throughout 2025.

The Financial Group uses Retail deposits as the main source of financing. More detailed information on the concentration of funding sources is provided in Note 21 to the 2025 annual financial statements of ARTEA bankas AB and its Group.

Liquidity buffer is formed of high-quality assets that can easily be converted into cash without any restrictions and with minimal losses. Due to that fact the Financial Group possesses a significant debt securities portfolio, which is highly liquid.

The Group has insignificant derivative positions consisting of forward foreign exchange contracts and derivatives linked to the prices of financial instruments. Their share of total assets is 0.28%.

The Financial Group's 100% of assets are accounted for in euro and 99 % of liabilities. Therefore it not gives rise to an inherent risk of currency mismatch in the LCR.

CREDIT RISK AND CREDIT QUALITY

Table EU CRA: General qualitative information about credit risk

For general qualitative information on credit risk, see "Financial Risk Management" in the Explanatory Notes to the Financial Statements, section 1 "Credit Risk" (page 172).

Table EU CRB: Additional disclosure related to the credit quality of assets

For accounting and regulatory purposes, the recording of delinquency based on deviation from the contractual payment schedule, the identification of impaired positions and the methods for determining general and specific credit risk adjustments are described in the Explanatory Notes to the 2025 Financial Statements, see Note "Accounting Principles", section "Impairment of Financial Assets" (page 169), and Note "Financial Risk Management", section 1.3 "Impairment and provisioning policies" (page 173). The definition of default is in line with the EBA Guidelines on the definition of credit defaults.

INFORMATION ON CREDIT RISK MITIGATION MEASURES

Table EU CRC – Qualitative disclosure requirements related to CRM techniques

Qualitative information on credit risk mitigation is provided in the Explanatory Notes to the 2025 Financial Statements under "Financial Risk Management", section 1.2 "Control of risk limits and risk mitigation policy" (page 173), and section 1.5 "Loans to Customers" paragraph (d) "Information about loan collateral" (page 177).

DISCLOSURE OF THE USE OF THE STANDARDISED APPROACH

Table EU CRD – Qualitative disclosure requirements related to standardised approach

For the assessment of exposures that have an external credit rating, the Group uses credit rating agencies that are registered or certified in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Such External Credit Assessment Institutions (ECAI) are used:

- Standards & Poor's
- Moody's Investors Service
- Fitch Ratings

Exposures of debt securities and institutions are subject to the external credit rating which, assessing the credit risk under the standardized method, are classified according to the issuer, issue or rating held by the institution itself. If an individual exposure has been rated by two assessments institutions, then less the favourable assessment shall apply, in case three ratings are provided - two most favourable shall apply, in case two most favourable ratings do not coincide - then less favourable shall apply.

The Bank Group does not have a process for transferring issuer and issue credit ratings for similar assets that are not included in the trading book.

The association of the external rating of each nominated ECAI or ECA (referred to in paragraph one above) with the risk weights is consistent with the standard association published by EBA.

The Bank also uses private credit ratings for business clients prepared by CRIF at the Bank Group's specific request. CRIF Ratings is the Credit Rating Agency registered with the European Securities and Markets Authority (ESMA) which provides independent and reliable credit ratings and assessments.

COUNTERPARTY CREDIT RISK

Table EU CCRA – Qualitative disclosure related to CCR

The Bank Group has short-term counterparty credit risk exposures arising from forward foreign exchange contracts. It is assessed that, given the size of the positions, the Group is not exposed to significant counterparty risk, and this risk is managed through credit risk by setting appropriate limits to restrict the maximum size of positions. The collateral requirement for these positions is assessed on an individual basis.

The banking group has entered interest rate swap (IRS) agreements intended to manage the bank's interest rate risk in the banking book. The volume of these instruments in the Bank is limited by notional limits applied across all counterparties collectively, therefore counterparty credit risk for these instruments is not considered significant.

The collateral requirement is assessed on an aggregate basis for all transactions with each counterparty — variation margin is exchanged when the value of the transactions breaches a predefined minimum threshold set individually for each counterparty. The variation margin depends on movements in interest rate curves, which affect the valuation of the transactions. These values are calculated daily. Initial margin may be required if counterparties individually assess the Bank's risk profile as well as the duration and size of the transactions. Currently, none of the counterparties has requested such collateral, as the duration is relatively short and the notional amount does not exceed the EUR 8 billion threshold set under ISDA/CSA, above which this collateral would need to be posted.

Due to the immaterial size of counterparty positions (0.86% of total assets), a change in the Group's credit rating would not have a significant impact on the amounts of collateral to be posted.

SECURITISATION

Table EU-SECA - Qualitative disclosure requirements related to securitisation exposures

Securitisation means a transaction or scheme, whereby the credit risk associated with an exposure or a pool of exposures is tranching, having all of the following characteristics:

- (1) payments in the transaction or scheme are dependent upon the performance of the exposure or of the pool of exposures;
- (2) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

In securitisations, risk is dependent on the seniority of the retained interest and the performance of the underlying asset pool.

Traditional securitisation means a securitisation involving the economic transfer of the exposures being securitised. This shall be accomplished by the transfer of ownership of the securitised exposures from the originator institution to an SSPE or through sub-participation by an SSPE. The securities issued do not represent payment obligations of the originator institution.

Synthetic securitisation is a form of securitisation where the transfer of risk is achieved by use of guarantees, but the exposures being securitised remain exposures of the originator institution.

OBJECTIVES AND MANAGEMENT OF CREDIT RISK

The underlying exposures of traditional securitisation are multi-apartment buildings modernisation loans. The Bank has long-term experience in financing renovation of multi-apartment buildings and considers these loans as product that benefits and is necessary for country economy (included in the critical function assessment by SRB), that reduces climate impact (~50 thousand tons of CO₂ to be saved each year) and profitable for the Bank.

The structure of the traditional non-STS securitisation transaction was created to leverage received European Structural and Investment Funds (ESIF) resources. These funds were entrusted to the EIB, as a fund manager, who set up a scheme in which these funds were structured as investment to first loss layer to absorb expected losses and increase the structure's attractiveness to investors and minimize the cost of borrowing resources. Administration fee income and interest on investments to securitization meet the Bank's target return.

The underlying exposures of two synthetic securitisation are business loans and leases granted to small and medium enterprises (SMEs). The Bank provides loans and leases with a guarantee to encourage the financing of small and medium-sized businesses, while at the same time reducing the inherent risks that may be caused by providing credit to such companies. Having a guarantee allows Bank to finance projects when there is not enough collateral and usually under normal circumstances a loan or lease could not be granted. Providing such loans/leases with a guarantee allows the Bank to maintain the desired level of credit risk, and the companies using it - the opportunity to grow and strengthen their activities. The underlying exposures of the third synthetic securitisation are multi-apartment buildings modernisation loans.

As all 5 originated securitisation transactions involved significant risk transfer, securitisation is used for optimisation of capital.

UAB " Artea Retrofit Fund 1" and UAB " Artea Retrofit Fund 2" are SSPEs that acquire exposures originated by the institution are sponsored by the institution and for that the institution provides securitisation-related services, such as asset servicing and management services. These SSPEs were established for two traditional securitisations.

Investors have no close links with the Bank. Nevertheless, first loss piece layer creditor of traditional securitisation transactions – pension funds are managed by management company UAB Artea Asset Management, which is subsidiary of the Bank. Management company and pension funds are considered as separate legal personalities.

The assets of pensions funds are fully segregated from the assets of management company, which manages pension funds under trust on the fiduciary basis.

Bank complies with risk retention rule in traditional securitisation transactions by keeping 5% of the First-Loss Piece Layer (Equity tranche), 50% of the Junior (Mezzanine) layer and 5% of the Senior Layer, so that total retention in the whole scheme would be not less than 5%.

Bank complies with risk retention rule in synthetic securitisation transactions by keeping 20% of the First-Loss Piece Layer (Equity tranche) and the whole Senior Layer, so the total retention in the whole scheme will be not less than 5%.

Bank applies Standardised Approach (SEC-SA) for capital requirements calculation of its all non-STS securitisation transactions. Bank has excluded underlying exposures from its calculation of risk-weighted exposure amounts as significant credit risk (SRT) associated with the underlying exposures has been transferred to third parties.

The European Structural, Investment Funds and ILTE (a National Promotional Bank) have reduced the risk of a securitization transactions structures, the target investors were known in advance and there was no expressed need for external ratings.

The same principles of risk management and monitoring are applied to securitisation positions and underlying loan portfolios.

ACCOUNTING POLICIES

The Bank accounts its investment to traditional securitisation at FVTPL (First-Loss tranche) and amortised cost (Mezzanine and Senior tranches). According to IFRS 9 if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. De-recognition criteria for loans granted under the multi-apartment buildings modernisation program in Bank's accounts are met due to the contractual arrangements with EIB and other investors, so the underlying exposures will not be disclosed in Bank's loan portfolio.

In synthetic securitisation, the ownership of the securitised exposures remains with the Bank, that is, the exposures are accounted on the balance sheet. Credit risk is transferred with the use of financial guarantees.

MARKET RISK

Table EU MRA: Qualitative disclosure requirements related to market risk

The strategic focus of the Bank Group's activities – the provision of banking services to small and medium-sized businesses and private individuals, as well as project financing in cooperation with international organisations, state and local governments – makes the impact of the Group's trading activities on the Group's overall business activities not significant.

Qualitative information on market risk management is provided in the Explanatory Notes to the 2025 Financial Statements under "Financial Risk Management", section 3 "Market Risk" (page 182).

CREDIT VALUATION ADJUSTMENT RISK

Credit Valuation Adjustment (CVA) risk is calculated for financial instruments derivatives, covering the exposure, credit quality and maturity profile of counterparties. To manage credit valuation adjustment risk, the bank applies a system of counterparty limits, under which compliance with counterparty limits is continuously monitored and controlled.

The bank meets all the conditions set out in Article 273a(2) of Regulation 575/2013, however, the simplified method set out in Article 385 is not used to calculate own funds requirements for CVA risk.

OPERATIONAL RISK

Table EU ORA - Qualitative information on operational risk

Qualitative information on operational risk is provided in the Explanatory Notes to the 2025 Financial Statements under “Financial Risk Management”, section 6 “Operational Risk” (p. 188).

The own funds requirement for operational risk shall be the business indicator component calculated in accordance with Article 313 of Regulation (EU) No 575/2013.

DISCLOSURE OF INTEREST RATE RISK FOR POSITIONS NOT INCLUDED IN THE TRADING BOOK

Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities

Bank identifies the following sources of interest rate risk: GAP (repricing) risk, option risk, basis risk. Bank calculate changes in net interest income (over 1 year period) and changes in economic value of equity. Bank manages IRRBB risk using asset and liability management – debt securities portfolio formation principles, deposit pricing according to its tenor and hedging using interest rate derivatives. Bank is calculating net interest income and economic value of equity measures on the monthly basis. Bank measures change in earnings using 200 bp up/down interest rate scenario. The impact of interest rates shocks on EVE is assessed based on scenarios 1-6 set out in Annex III in guidelines EBA/GL/2018/02 and EBA/RTS/2022/10. Stress testing baseline scenario is built using interest rate 10-year period historical data and market interest rate forecast for the upcoming year. Adverse scenario is calculated from interest rate historical data covering the 2008 financial crisis. Interest rate derivatives are used to adjust the repricing profile of selected balance sheet positions and reduce the overall sensitivity of the Bank’s economic value and net interest income to changes in market interest rates. The Bank applies fair value hedge accounting for designated hedging relationships aimed at mitigating interest rate risk on selected balance sheet items. The Bank formally documents hedge relationships and regularly assesses hedge effectiveness in accordance with IFRS hedge accounting requirements. Cash flows are modelled according to their repricing or maturity dates which are either contractually fixed or based on behavioural (prepayments for fixed interest rate loans, core part for non-maturing deposits, term deposit early termination) assumptions. Cash flows are modelled dependent on interest rate scenarios and including behavioural and automatic optionality. Euribor forward rates are used for cash flow repricing in the future. In EVE calculation embedded option valuation is included. EVE and NII measures are significant, because Bank has defined IRRBB risk appetite and set risk limits (EVE and NII) based on risk appetite. Average repricing maturity for retail non-maturity deposits 1,96 years and 0,43 years for wholesale non-financial non-maturity deposits. Longest repricing maturity of non-maturity deposits 20,0 years.

REMUNERATION

Information on remuneration policies is provided in the Management Report 2025, section “Remuneration Policy” (page 23) and Remuneration information for 2025 (page 49).

INFORMATION ABOUT ASSET ENCUMBRANCE

Table EU AE4 - Accompanying narrative information

The median exposure values are obtained by calculating the median of the sums of the ending values of the four quarterly periods of the preceding 12-month period.

The Bank Group's encumbered assets consist primarily of variation margin received or transferred in connection with derivative transactions. Variation margin is exchanged between the parties to the transaction in accordance with the terms set forth in the ISDA/CSA, as the value of the transactions fluctuates; these values are calculated on a daily basis.

Apart from the Bank, the assets of other entities in the financial group are not encumbered.

Around 2% of the items included in column 060 "Carrying amount of unencumbered assets" and row 120 "Other assets" of the EU AE1 form consist of items that in the ordinary course of business are not considered to be assets that can be encumbered (derivatives of EUR 0.2 million, investments in subsidiaries and associates of EUR 44 million, tangible fixed assets of EUR 15 million, intangible assets of EUR 37,5 million, deferred tax assets of EUR 14 million, other assets of EUR 10 million).

The encumbrance of assets reported in line 010 of the EU AE3 form, "Carrying amount of certain financial liabilities," was related to derivative financial instruments and reverse repurchase agreements.

DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)

BUSINESS STRATEGY AND PROCESSES

The main goal of Artea Group's long-term strategy is to become the best bank in Lithuanian by 2029. The Bank aims to provide the best customer experience, to be the first choice in the minds of clients, to outperform the market growth rates in terms of number of clients and loan portfolio, and to generate high double-digit returns for investors.

Achievements (desired results) that detail this ambition:

- From a customer perspective, to become No.1 in customer satisfaction in the banking sector.
- In terms of growth, to grow faster than the market in terms of number of active clients and loan portfolio.
- From an employee's perspective, the goal is to become a TOP3 employer in the financial sector.
- In terms of awareness, to become the first brand in the minds of consumers in the banking sector.
- From the investors' perspective, to deliver a 20% rate of return to investors.

In 2025, the Bank reviewed the results of the Double Materiality Assessment conducted in the previous year and, having identified no significant changes, confirmed that the same sustainability topics remain material to the Group. Based on the results of the Bank's Double Materiality Assessment, the following Material Sustainability Topics (including sub-topics and sub-sub-topics) were identified:

- Climate change (climate change mitigation, adapting to climate change, energy).
- Own workforce (working conditions (fair pay, social dialogue, freedom of association, collective bargaining, health and safety), equal treatment and equal opportunities for all (gender equality and equal pay for work of equal value, training and skills development), other work-related rights (privacy)).
- Consumers and end-users (information-related impacts on consumers and/or end-users (privacy, access to (quality) information), social inclusion of consumers and/or end-users (non-discrimination, access to products and services, responsible marketing)
- Business ethics (corporate culture, corruption and bribery).

The Double Materiality Assessment process and results (materiality matrix) and the interaction between material impacts, risks, and opportunities with the strategy and business model are detailed in the *Artea Bank Group 2025 Consolidated Sustainability Information*, which is part of the Bank's Financial Statements and Annual Report for 2025.

To actively contribute to climate change mitigation, the Bank joined the international *Science Based Targets initiative* (SBTi) in January 2024 and committed to become a climate-neutral bank by 2050. The Bank has also pledged to set both long-term and near-term targets aligned with the pathway required to achieve the 2050 goal.

Using the SBTi standard, in 2025 the Bank's Management Board approved short-term targets for reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions across the Artea Bank Group, as well as targets for reducing GHG

emissions associated with the Bank's financing and investment activities. These approved targets will continue to be aligned with the new SBTi *Financial Institutions Net-Zero Standard*. Based on these targets, the Bank is preparing its Transition Plan. More detailed information on the Artea Group's Scope 1 and 2 GHG emissions and the Transition Plan is available in the *Artea Bank Group 2025 Consolidated Sustainability Information*.

When updating the ESG Strategy in 2025 — which is an integral part of the Group's overall strategy—the Bank took into account the results of the Double Materiality Assessment, the identified material topics, and the decarbonisation plan (GHG emissions reduction plan) approved by the Management Board. The Artea Group's ESG Strategy addresses all three elements — environmental, social, and governance, and the established targets cover different time horizons, from short-term to long-term, depending on the nature of each objective. More detailed information on the ESG Strategy targets is available in the *Artea Bank Group 2025 Consolidated Sustainability Information* (section: Strategy, Business Model and Value Chain).

Green products and products aimed at improving energy efficiency. AB Artea Bank is the main financing partner for multiapartment building renovation projects in the country. Between 2011 and 2025, the Bank financed 3,140 renovation projects for multiapartment buildings, with a total value of EUR 1.26 billion.

Since 2022, the Bank has managed the EUR 275 million “Artea Retrofit Fund 1”, which is currently financing the renovation of 394 multi-apartment buildings, and since 2024 – the EUR 200 million “Artea Retrofit Fund 2”, which is financing the modernisation of 272 multi-apartment buildings. In 2025, the Bank also received an invitation from the European Investment Bank (EIB) to begin negotiations on establishing a new, third national renovation fund for multi-apartment buildings in Lithuania. The fund is expected to reach up to EUR 625 million, with capacity to renovate approximately 850 multi-apartment buildings. Artea Bank's proposal to establish this fund was selected under the EIB's call for financial institutions seeking financing from the “*Lithuania 2021–2027*” Controlling Fund.

AB Artea Bank also contributes to the development of renewable energy projects in the country. In 2024, it financed solar and wind power acquisition and installation projects worth nearly EUR 55 million. In 2025, financing volumes for solar and wind energy decreased, but the Bank placed greater emphasis on financing electricity storage solutions — the total value of credit agreements supporting BESS (Battery Energy Storage Systems) investments now exceeds EUR 40 million.

The Bank offers green housing loans to customers, intended to finance real estate with the highest levels of energy efficiency. In 2025, the Bank issued EUR 17.6 million in green housing loans.

AB Artea Bank also provides other energy-efficiency-oriented products, such as leasing for electric and hybrid vehicles and financing for business sustainability projects. Loans on preferential terms for electric and hybrid vehicles contribute to creating a more sustainable environment and encourage customers to choose more environmentally friendly modes of transport.

In 2026, the Bank will continue to focus on financing other projects that improve business sustainability, such as:

- Renewable energy,
- Energy efficiency improvement projects,
- Waste management projects,
- Emission reduction projects,
- Sustainable forestry projects,
- Water and wastewater management projects.

In addition, the Bank undertakes other actions that contribute to the management of ESG risks (particularly climate and environmental risks) and to the reduction of GHG emissions:

- We periodically assess the impact of climate and environmental risks on the sectors and portfolios financed by the Bank (a Climate and Environmental Risk Materiality Assessment is carried out).

- We improve credit risk management processes. The lending decision-making framework ensures that clients with elevated ESG risk are properly assessed and that the approved financing structure enables the reduction of ESG risk levels.
- We monitor companies' (clients') efforts to reduce GHG emissions and adapt to new expectations. This supports better management of climate-related risks and may help avoid or mitigate potential negative impacts on the Bank's portfolio.
- Climate and environmental risk factors are incorporated into the collateral valuation process, including assessment of the asset's energy performance and analysis of physical climate risks. Evaluating these factors enhances credit risk management and promotes the transition toward more sustainable financing choices.
- We continuously monitor and implement new regulatory requirements that help improve the management of ESG risks.

Clients. Bank's customers are direct beneficiaries of the Bank's and the Group's products and services. Customers maintain direct relations with the Group, perform various operations, such as opening accounts, taking out loans, using investment products or other Group services.

The Bank, in accordance with the requirements of relevant legal acts, has regulated rules, processes and systems that it uses to get to know its customers as best as possible both before the start of business relations and during business relations. Knowing the customer before starting business relations includes the following main stages: establishing, verifying and updating the identity of the customer and the beneficiary; collecting, verifying and assessing information about the customer; assessing the acceptability of the customer, etc. Meanwhile, continuous knowing the customer during business relations includes the following main stages: periodic and ad-hoc updates of knowing the customer information and internal analysis and assessment processes.

During the customer due diligence process, all information related to the customer and submitted to the Bank is collected, verified and assessed, including information about the customer's beneficiaries - controlling legal entities and/or individuals.

When making decisions on lending to business customers, the Bank is guided by the requirements of legal acts and has separate specialized Bank procedures and processes that regulate in detail the actions related to the lending process and the principles of credit risk management. During the lending process, not only the specifics of the customer's activities and financial indicators are assessed, but also the customer's business management (history, experience of shareholders and managers) and shareholder structure (control and economic relations, influence on the company's financial management). Possible problems with the company's management or fundamental changes that may result in significant strategic changes in operations, affect the company's reputation, etc. are also taken into account. When determining the company's risk group, the final result is influenced by the reputation and experience of shareholders and managers, for which appropriate scores are assigned.

During the credit risk assessment (rating) process of business customers, potential changes in customer risk due to ESG risk (together with increased climate and environmental risk) are assessed. Therefore, in order to meet the supervisory requirements applicable to the Bank, the Bank has included ESG risk assessment of customers in the business customer lending process:

- The Bank provides an ESG risk questionnaire to business clients, aiming to determine their ESG risk level and encourage them to implement ESG risk mitigation measures in their operations. The questionnaire consists of both qualitative and quantitative questions and covers all three ESG components: environmental, social, and governance risks.
- The Bank also collects clients' GHG data alongside their annual financial statements.
- The ESG risk assessment is integrated into the business client credit risk assessment (rating) process and client risk monitoring process.

- The ESG risk evaluation influences credit risk assessment and pricing, with social and corporate governance factors embedded into the business client rating system.
- Internal policies ensure proper risk management, while internal control measures secure the implementation of ESG principles.

The ESG risk assessment process and methodology are regularly reviewed and, if necessary, updated. The updates are also guided by the results of the Bank's regular Climate and Environmental Risk Materiality Assessment, as well as by relevant legal acts and methodologies.

Suppliers. The Bank's approach to supplier relationships is based on expectations outlined in the policy "Prevention of Corruption and Unacceptable Conduct" which requires suppliers to comply with ESG requirements. In cases of non-compliance, the situation is assessed, and the Bank reserves the right to terminate the collaboration. To maintain responsible and transparent relationships, the Bank actively monitors and evaluates its suppliers, ensuring adherence to ethical standards and legal requirements. This proactive approach mitigates risks and ensures that the Bank's operations remain sustainable and responsible.

The "Supplier Code of Conduct," approved by the Bank's Board, reflects the Group's commitment to fostering sustainable partnerships with suppliers. This document establishes minimum obligations and ethical business conduct standards expected from all suppliers.

The Bank does not currently have a comprehensive supplier due diligence process, - suppliers are subject to a supplier due diligence process aimed to identify, assess, and manage any potential or actual negative impact on society and the environment caused by major suppliers. This process includes analyzing supplier-provided information and implementing additional measures to ensure supply chain responsibility. The due diligence process consists of:

- Questionnaire Submission – Major suppliers receive a comprehensive due diligence questionnaire to evaluate their impact and ESG risk mitigation measures. The questionnaire includes qualitative and quantitative questions covering all three ESG aspects: environmental, social, and governance risks.
- Response Analysis – Supplier responses are reviewed to assess potential impacts. The questionnaire is aligned with the Group's Supplier Code of Conduct, ensuring consistency with the Bank's strategic goals and values.
- Request for Additional Documents – If the answers to the questionnaire are not sufficient to assess the risk, additional documents or evidence may be requested.

The Bank regularly reviews the effectiveness of supplier risk management and conducts additional assessments in the event of significant changes. While the current process focuses on major suppliers, the Bank plans to expand and refine the due diligence scope over time to ensure comprehensive impact management.

MANAGEMENT

Different management bodies are responsible for managing ESG risk and ESG strategy in the Bank and Group companies.

Bank's Supervisory Council:

- At the level of the Bank's Supervisory Council, the ESG area is within direct responsibility of the member of the Supervisory Council who also serves as the Chairwoman of the Audit Committee and is a member of the Risk and Nomination Committees;
- Approves the Group's strategy, including the ESG strategy, which is an integral part of the Group's strategy;
- Approves the Bank's Risk Management Strategy and Risk Appetite Statement (together with ESG key risk indicators).

Bank's Management Board:

- At the level of the Bank's Management Board, direct oversight of ESG risk management is the responsibility of a member of the Management Board, who is also the Bank's Chief Risk Officer (CRO) holding the position of the Head of the Bank's Risk Management Division, and who has the ability to raise issues directly with the Management Board, the Risk Committee, and the Supervisory Council as necessary.
- The Bank's Management Board approves the ESG risk impact assessment for the Bank's operations, as well as the Climate and environmental risk materiality assessment and the Business environment scan (**once a year**).
- The Bank's Management Board is the top-level governance body responsible for aligning and integrating the ESG strategy into the Group's strategy and submitting it to the Bank's Supervisory Council for approval, as well as for the **annual** review of the implementation of the ESG strategy and the formulation of the strategic objectives of ESG within the context of the Group's strategy.

Risk Committee:

- Oversees ESG risk management in the Bank (**quarterly**);
- Conducts periodic monitoring of ESG risk indicators and overall ESG risk management (**quarterly**).
- Considers, on a proposal from the Bank's Management Board, changes to the ESG key risk indicators approved by the Supervisory Council;
- Conducts a deep dive into detailed ESG analyses as required.

Audit Committee

- Oversees the process of ensuring the integrity of the Bank's and Group's annual reports, including sustainability information.

Nomination Committee

- Monitors and assesses whether the Bank's governing bodies and key function holders have the core competencies required, including ESG risk management competencies.

Risk Management Committee:

- The Chief Risk Officer (CRO) chairs the Bank's Risk Management Committee;
- Oversees ESG risk management in the Bank (**monthly**);
- Conducts periodic monitoring of ESG risk indicators and overall ESG risk management (**monthly**).

Sustainable Action Group:

- The Sustainable Action Group is chaired by the Sustainability Officer;
- The Sustainable Action Group is composed of a total of 13 members from 7 different divisions (Chief Risk Officer, Director of the Risk Department, Director of the Credit Risk Management and Control Department, Director of the Product Development Department, Director of the Compliance Department, Director of the Personnel Department, the Sustainability Officer and other managers and specialists participate in the activities);
- The Sustainable Action Group is an advisory body on ESG risks and on the development of the ESG strategy, and conducts **quarterly** oversight of the implementation of the ESG strategy.

Other structural units, committees and functions:

- Banking Product Committee – responsible for the development of banking products, including green products, as well as products focused on improving energy efficiency and promoting a sustainable business model, and ESG risks are among the risks assessed in product development.
- Credit Committee – decides whether to grant loans to clients. The ESG risk class is also taken into account when considering lending.
- Retail Banking and Corporate Banking Divisions (first line of defence) – provide financing proposals to clients, also focused on improving energy efficiency and promoting a sustainable business model. Assesses the level of ESG risk of clients.
- Investment services – when investing, effort is made to avoid the negative impact of ESG risks on the price and liquidity of securities in the long term, and therefore compliance with the ESG criteria is assessed.
- The Non-Financial Risk Department (second line of defence) coordinates the Group's ESG risk management and control processes, drafts internal regulations to manage this risk and oversees their implementation.

- The Compliance Department (second line of defence) performs the internal regulatory compliance function in relation to the ESG risk management system, as well as compliance inspections.
- Internal Audit (third line of defence) - carrying out independent ESG audits on a risk basis, assessing the effectiveness of the ESG risk management control framework, making recommendations to strengthen the effectiveness of the ESG risk management control framework, and monitoring the implementation of the recommendations. Provides materials to the Bank’s Audit Committee on issues identified during audits, recommendations made and their implementation. Advises on ESG risk management issues as needed.

Part of the activities of the Group companies (Artea Life Insurance UAB, Artea Asset Management UAB, Artea Izingas UAB) are integrated into the Bank’s activities, therefore the above-mentioned Bank’s committees and commissions deal with the ESG risk management issues of the subsidiaries. However, the subsidiaries have committees dedicated solely to their activities.

The Bank also has a **Labour Council**, made up of 11 staff members elected by secret ballot and holding various positions in the Bank. The activities of the Council are governed by its rules of procedure. It actively cooperates with the Bank’s Human Resources, Asset Management and Administration and other departments, providing proposals that, among other things, reflect the ESG topics of interest to employees, in order to find the best solutions for the well-being of employees. The Group companies Artea Life Insurance UAB and Artea Asset Management UAB) also have Labour Councils, which operate on a similar basis to the Labour Council of the Bank.

More information in the Artea Group’s 2025 Consolidated statement on Sustainability.

Integration of sustainability-related performance in incentive schemes. The Group’s remuneration system includes a long-term incentive programme for nominated employees whose professional activities have the most significant impact on the nature of the Bank’s risk. One of the four main indicators of this programme is the ESG indicator, which provides an ESG rating in the results of the Reputation Index survey. Depending on the Bank’s market position, as determined by means of an ESG survey, the respective weights of key performance indicators (KPIs) are set.

ESG objectives can also be measured in terms of the achievement of the overall objectives of the organisation or assigned to specific posts with direct responsibility for this area. Currently, employee performance measurement is not directly based on specific sustainability-related targets or their impact, nor are ESG performance indicators considered as benchmarks for performance measurement or integrated into remuneration policies. The Group regularly reviews its remuneration system and its publicly disclosed Remuneration Policy and would, therefore, consider future improvements to better integrate sustainability objectives into its incentive and remuneration framework.

RISK MANAGEMENT

Bank’s ESG risk management contains of:

<i>Components of the ESG risk management system:</i>	Processes within the Bank:	
<i>Risk identification</i>	Overall monitoring of ESG risks and legal regulation, as well as definition of risk categories and assessment methodologies; Identification of ESG risks (Double Materiality Assessment); Climate and environmental risk materiality assessment; Business environment scan in relation to climate and environmental risks.	The Risk Management Strategy defines the Group’s policy for identifying, assessing and managing risks. The risk appetite statement defines the level of risk that the Group is willing to take in order to achieve its business objectives.
<i>Risk assessment</i>	Risk assessment process (Risk Map); GHG emissions from financing and investment activities; Stress testing and evaluation of results as part of the Internal Capital Adequacy Assessment Process (ICAAP); Green asset ratio.	
<i>Risk management</i>	Managing ESG risk as a distinct type of risk; Integrating ESG risk management into the management of other financial and non-financial risks.	
<i>Risk monitoring and reporting</i>	Internal reporting (see page 61 of the consolidated statement on Sustainability for details on the functions of the governing bodies); External reporting (public disclosure).	

<i>Risk review and improvement</i>	Continuous improvement of the risk management framework; ESG training for employees.	
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From the beginning of year 2026 new European Banking Authority (EBA) Guidelines on the management of ESG risks (EBA/GL/2025/01) comes into force for the Bank. In 2025, the Bank updated the Business Environment Scan related to climate and environmental risks and the Climate and Environmental Risk Materiality Assessment, while also implementing the requirements of the aforementioned guidelines.

Climate and environmental risk impact assessment is a regular process in the Bank, which is associated with the Double Materiality Assessment and the results of which are assessed during each review of the Group's strategy and Risk Management System (for example, when reviewing the Risk Appetite Statement, updating ESG risk indicators). In the new Group strategy (2024-2029), strengthening ESG standards is highlighted as one of the main strategic directions.

CLIMATE AND ENVIRONMENTAL IMPACT ASSESSMENT

The Climate and environmental risk materiality assessment looks at the impact of physical and transition risks on the Bank's activities, in terms of both financial and non-financial risks. The Climate and environmental risk materiality assessment and the Business environment scan are carried out at least once a year and approved by the Management Board of the Bank.

Use of Climate and environmental risk materiality assessment and the Business environment scan from a climate and environmental risk assessment perspective:

- part of the Group's Self-Assessment (risk assessment) process (once a year);
- the results and findings of the Climate and environmental risk materiality assessment and the Business environment scan feed into the review of the Bank's strategy (which also integrates ESG topics);
- Also used in the review of the Group's Risk Management Strategy and Risk Appetite Statement;
- in other internal processes, such as determining the level of client ESG risk, stress testing, determining ESG risk indicators, etc.

The Climate and environmental risk materiality assessment allows the Bank to get a holistic view and to direct its risk management strategy accordingly.

In 2025, when Climate and environmental risk materiality assessment was carried out, it included a detailed assessment of the impact of physical and transition risks on the following risks: credit, market, liquidity, operational and reputational, compliance and strategic (business model) and concentration risks, as well as the main sectors and portfolios financed by the Bank. The assessment identified the main risk drivers, risk transmission channels, assessed the impact of risks over different time horizons (short-, medium and long-term), and determined the final level of risk after assessing the Bank's risk management measures to mitigate these risks.

When assessing the impact of climate and environmental risk drivers, the Bank uses science-based climate scenarios: the Network for Greening the Financial System (NGFS) scenarios are used to assess the impact of transition risk: Net Zero 2050, delayed transition and current policies, while the Intergovernmental Panel on Climate Change (IPCC) scenarios – RCP2.8, RCP4.5 and RCP8.5 are used to assess the impact of physical risks.





The impact of climate and environmental risks on the Bank's standard financial and non-financial risks may vary from period to period. The Bank assesses the significance of climate and environmental risks by focusing on the following time periods:

<i>Period</i>	YEARS
<i>Short-term</i>	<1
<i>Medium</i>	1-5
<i>Long-term</i>	>5

Following the identification of potential transition and physical risk drivers, their transmission channels, and the assessment of the measures taken by the Bank to mitigate these risks, the impact and materiality of these risks in the context of the Bank's operations are further assessed. Although climate and environmental risks and their impact were assessed in the context of the Bank's various financial and non-financial risks, material impacts were observed for the following risk categories: credit risk and concentration risk, reputational risk and strategic (business model) risk:

● Short term (<1 year)
 ● Medium term (1-5 years)
 ● Long term (>5 years)

Risk category	Possible impact	Climate scenario	Time horizon
Credit risk and concentration risk	In both the medium and long term, the potential impact of climate risk on different sectors and portfolios is mainly related to transition risk and related drivers (regulatory and technological changes, etc.). However, gradual adaptation to change and active measures to achieve a more sustainable business model reduce the potential impact of physical risks . The Bank's focus on certain sectors, such as real estate, may also have an impact.	<i>Net Zero 2050</i>	● ●
	The transition risk tends to increase due to sudden changes (regulatory, technological, etc.) from 2030 onwards and their impact on the Bank's clients. Delayed action may also lead to an increase in the impact of physical risks (e.g., floods, droughts) on the Bank's clients and their activities. The Bank's focus on certain sectors, such as real estate, may also have an impact.	<i>Delayed transition</i>	● ●
	The transition risk is relatively low, as the Bank's clients do not face any regulatory or technological impetus to implement changes aimed at a more sustainable business model, but smaller companies may face a competitive disadvantage if they do not take proactive measures. However, in the long term, the impact of physical risks (depreciation of collateral, losses in the activities of the Bank's clients) may increase.	<i>Current policies</i>	● ●
Reputational risk	In both the medium and long term, there is a potential climate risk impact on the Bank's reputation related to its customers, i.e., their ability to adapt to changes associated with the implementation of the Green Deal, as well as the effectiveness of the Bank's measures to manage ESG risks. This risk is expected to increase over the long term and is highest in the delayed transition scenario. Meanwhile, although the Current Policies scenario assumes that the impact of climate risk is likely to be minimal, it is believed that smaller companies (the Bank's clients) may face a competitive disadvantage if they fail to take proactive measures.	<i>Net Zero 2050</i>	● ●
		<i>Delayed transition</i>	● ●
		<i>Current policies</i>	● ●
Strategic (business model) risk	The impact on strategic or business model risk is mainly related to the impact of climate risk on credit risk. In the medium term, the potential impact of climate risk (due to transition risk) on the Bank is fairly limited due to its broadly diversified loan portfolio and the Bank's active efforts in the area of transition planning. In the long term, however, climate risk is likely to increase due to the growing need for clients to transition to a more sustainable business model.	<i>Net Zero 2050</i>	● ●
	This scenario presents the greatest risk to the Bank, as delayed action by clients could result in a sudden impact and need for transition in certain sectors, which could pose additional challenges for the Bank in adapting its business model. Furthermore, in this scenario, the impact of not only transition risk but also physical risk (e.g., floods, droughts) on the Bank's clients and their activities increases.	<i>Delayed transition</i>	● ●
	The transition risk is relatively low, as the Bank's clients face no impetus for the transition, but smaller companies that do not take proactive measures may face a competitive disadvantage. In the long term, the impact of physical risk (depreciation of collateral, losses in the Bank's clients' activities) may increase, but the impact on the Bank's strategic or business model risk would likely be limited.	<i>Current policies</i>	● ●
General	In the medium and long term, the level of climate risk (transition risk) tends	<i>Net Zero 2050</i>	● ●

assessment	to increase in the Net Zero 2050 and Delayed Transition scenarios, mainly due to increasing regulatory requirements for both the Bank and its clients and the additional need for resources to meet the new requirements, as well as changing investor and client expectations and priorities, which are oriented towards more sustainable solutions. Additionally, the risk increases in the case of the Delayed Transition scenario, where the need for sector transformation is urgent and adaptation may be more complex. In the Current Policies scenario, the impact of transition risk is relatively limited, but the impact of physical risk is increasing, although the impact on the Bank's strategic or business model risk would likely be limited. The growing impact on strategic and business risks in the longer term reflects the need to focus on climate and environmental risk management and the continuous improvement of the risk management framework.	<i>Delayed transition</i>	 
		<i>Current policies</i>	 

TRANSITION RISKS

The materiality of transition risk drivers to credit risk is assessed both qualitatively by analysing the legal environment, best practices and international methodologies applied in the financial sector (e.g., the recommendations of the Task Force on Climate-Related Financial Disclosures, the reports of the European Banking Authority, the Fit for 55 toolkit and information on the related legislation). The materiality assessment also uses internal information, such as GHG emissions from financing activities, and takes into account the Bank's existing methodology (e.g., sectors with high ESG risk) and the Bank's climate and environmental risk management measures. The impacts of transition risks are assessed for the largest sectors (real estate, construction, manufacturing, trade and transport, agriculture) and segments (retail clients and corporate clients) financed by the Bank over different time horizons: short-term (<1 year), medium (1-5 years) and long-term (>5 years).

Following the update of the Climate and environmental risk materiality assessment in 2025 and taking into account the potential impacts of transition risks on individual sectors, the Bank has also updated the ESG Risk Assessment for Corporate Clients (methodology and process). According to the methodology currently used, the Bank has identified the following sectors of economic activity where corporate clients may have the highest transition risk: agriculture, forestry and fishing, mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply, sewage treatment, waste management and remediation; and construction, transport and real estate affairs.

PHYSICAL RISKS

In 2025, the Bank updated its physical risk materiality assessment and supplemented it with climate scenarios from the Intergovernmental Panel on Climate Change (IPCC) – RCP2.8, RCP4.5 and RCP8.5. The impact assessment is carried out over different time horizons: short-term (<1 year), medium (1-5 years) and long-term (>5 years).

The following physical risk categories and their impact on credit risk were assessed:

- Extreme weather events;
- Chronic weather events;
- Environmental physical risks – water scarcity, loss of biodiversity, impacts on soils (including soil degradation and erosion), destruction of habitats, dwindling resources, pollution.

Methodology

The Bank uses a variety of publicly available studies, tools and sources to assess the impact of physical risks. For example, the Study on Climate Change Risks by the Middle of the 21st Century (by the Hydrometeorological Service) and the Study of Soil Degradation and Erosion, Coastal Erosion and Solifluction in Lithuania (by Assoc. Prof. Dr. Jonas Volungevičius, Prof. Dr. Darijus Veteikis and Dr. Laurynas Jukna), ThinkHazard!, Aqueduct tools. The analysis of environmental physical risks is based on policies and strategic plans of the European Union and Lithuania, as well

as legislation and other sources. However, due to the lack of tools and sources, the analysis of environmental physical risks is of a more qualitative nature. Climate risk analysis (extreme and chronic weather events), on the other hand, is based on qualitative and quantitative approaches and, where possible, science-based climate scenarios.

Scope of the assessment

The materiality assessment uses the Bank's internal information, such as information on collateral (pledged real estate – registered address of the property, value of collateral). This internal information is then combined with physical risk maps (e.g., a flood map) to determine the proportion of the Bank's collateral that is exposed to future flood risk. The Bank's climate and environmental risk management measures (e.g., monitoring of insurance conditions) are also taken into account when determining the final (residual) risk level. Flood risk is the most relevant physical climate risk identified (and quantified). It affects a wide range of sectors in which real estate is used as collateral. The impact of flood risk is assessed on the Bank's corporate loan portfolio secured by real estate (Template 5).

The impacts of individual environmental risks are also assessed for other sectors financed by the Bank. Other environmental risks assessed include water scarcity, land use change, resource scarcity, biodiversity loss, destruction of habitats and pollution risks due to their environmental impacts in sectors such as agriculture, energy, manufacturing and construction. Land use change risks are relevant to the agriculture and construction sectors because of their potential impact on land and its characteristics. The water supply and waste recycling sectors, as well as the mining and quarrying sector, are exposed to resource scarcity and pollution risks.

Where possible, the Bank uses science-based scenarios (Representative Concentration Pathways (RCP); Shared Socioeconomic Pathways (SSP)) that allow for a better assessment of the long-term impacts of climate change under different scenarios or uses other available scenarios according to the information source (e.g. realistic, optimistic and pessimistic scenarios). In other cases, qualitative expert assessment is used, based on the sources mentioned above, to determine how physical risk phenomena may affect individual sectors or segments financed by the Bank.

MEMBERSHIPS AND COMMITMENTS

Partnership for Carbon Accounting Financials (PCAF). Recognizing that the majority of financial institutions' greenhouse gas (GHG) emissions and environmental impact originate from financing activities, the Bank joined the Partnership for Carbon Accounting Financials (PCAF) initiative at the beginning of 2023. The goal of this initiative is to help financial institutions measure and disclose GHG emissions from their financing and investment activities (Scope 3, Category 15 under the Greenhouse Gas (GHG) Protocol). The Bank selected the PCAF methodology due to its widespread recognition and applicability within the financial sector, as well as its alignment with the Bank's loan and securities portfolio data. Additionally, the PCAF methodology is based on the GHG Protocol, which the Bank follows when calculating its Scope 1 and 2 emissions, as well as other Scope 3 categories.

The Bank, seeking to actively contribute to climate change mitigation, joined the international Science Based Targets initiative (SBTi) in January 2024 and committed to becoming a climate-neutral bank by 2050, as well as setting long-term and near-term targets aligned with the trajectory required to achieve the 2050 objectives.

In July 2025, the Bank's Management Board approved short-term GHG reduction targets for Scope 1 and Scope 2 emissions of AB Artea Bank Group, as well as targets for reducing GHG emissions associated with financing and investment activities of AB Artea Bank. These approved targets will continue to be aligned with the new SBTi Financial Institutions Net-Zero Standard. The targets and corresponding measures are planned to be prepared and validated with SBTi by mid-2027.

Additionally, the Bank has set other important sustainability objectives across the environmental, social, and governance (ESG) areas (for more details, see *AB Artea Bank Group's 2025 Consolidated statement on Sustainability*).

RISK APPETITE

The Group periodically updates its **Risk Management Strategy** and **Risk Appetite** documents. The Risk Appetite Statement includes the following ESG-related risk indicators and their limits: the share of excluded (non-financed) sectors, the share of high-ESG-risk exposures in the loan portfolio, and the employee turnover rate. In addition, the implementation status of internal audit recommendations has been added to the monitored indicators. To strengthen the Group's ESG risk management, ESG risk indicators are reviewed annually and updated when necessary.

The Bank also monitors other ESG risk indicators that have defined limits, such as the volume of taxonomy-aligned mortgage loans, fuel consumption of company vehicles, and completion rates of mandatory trainings.

In implementing the European Banking Authority (EBA) requirements (EBA/GL/2025/01), the Bank has expanded its list of monitored risk indicators. It has begun tracking ESG-related metrics and information associated with loan and collateral positions by energy efficiency class, greenhouse gas emissions and their intensity, as well as indicators related to physical climate risk impacts on the Bank's activities, and other metrics used to measure ESG risks.

Changes to the Bank's key ESG risk indicators are reviewed by the Risk Committee and approved by the Supervisory Board, based on proposals from the Management Board. Periodic monitoring of ESG risk indicators and overall ESG risk management is performed by the Risk Committee, which receives monthly reports, and quarterly reports are also submitted to the Risk Committee.

Indicator limits are continuously monitored and controlled by the second line of defence, and periodic reports are submitted to the Risk Committee (at the Management Board level), the Management Board itself, and the Risk Committee (at the Supervisory Board level). In cases of limit breaches, the Bank has implemented ad-hoc escalation procedures to the Risk Committee and the Management Board.

STRESS TESTING

The Bank includes climate and environmental risk elements in internal stress testing, i.e. positions for which a high/medium-high risk assessment was determined during the assessment of the significance of climate change and environmental risk and risk factors with the highest probability of occurrence and potential impact. During testing, the occurrence of climate risk is assessed according to different climate scenarios. The Bank has improved the testing methodology and included the following Network for Greening the Financial System (NGFS) climate scenarios in the testing: Net Zero 2050 and Delayed transition, and also used the Baseline scenario, which does not have the impact of climate change. The negative impact of climate change on the Bank's capital needs is assessed by modeling the impact of transition and physical risks on the loan portfolio. The results of the stress testing are further used in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) to ensure future capital adequacy.

CALCULATION OF FINANCED GHG EMISSIONS

To calculate financed greenhouse gas (GHG) emissions, the Bank uses GHG emissions data provided by clients or publicly available sources (such as companies' sustainability reports and Bloomberg). When direct data is not available, GHG emissions are calculated using the clients' most recent available financial information (revenue, equity, liabilities). The Bank also uses other internal or third-party data sources (for example, from the State Enterprise Centre of Registers), including building energy performance classes and floor area, as well as GHG data provided by manufacturers for leased vehicles based on the vehicle and fuel type.

In 2025, in implementing the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), the Bank made efforts to improve its emissions calculation methodology in order to collect as much client GHG emissions data as possible. More detailed information on direct operational emissions and financed emissions is provided in the *AB Artea Bank Group 2025 Consolidated statement on Sustainability*.

Financed emissions are assessed once per year; therefore, the financed emissions figures presented in this report reflect 2025 data. In 2025, the Bank began assessing not only clients' Scope 1 and Scope 2 emissions but also Scope 3 emissions. Financed Scope 3 emissions (Template 1, column (j)) are reported for those portfolios where Scope 3 calculations are feasible. The Bank aims to use the highest possible data reliability class to ensure the most accurate assessment of financed emissions. To achieve this, the Bank is working to collect more emissions data directly from clients and to improve the reliability of other data sources used in the calculations.