



AB FJORD BANK

**INDEPENDENT AUDITOR'S OPINION,
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2019**

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INFORMATION ABOUT THE COMPANY

Name:	AB Fjord Bank
Legal form:	Public Limited Liability Company
Registration No.:	304493038
Address:	Konstitucijos av. 9-101, Vilnius
Telephone:	+370 525 11181
Email:	info@fjordbank.lt
Website:	www.fjordbank.lt
Financial Year:	January 1 st , 2019 - December 31 st , 2019
Chairman of the Supervisory Board:	Svein Øvrebø
Chairman of the Management Board:	Stig Roar Myrseth
CEO:	Veiko Kandla
License:	Specialised Bank License No 5 from 10 th December 2019
Accounting Company:	UAB IMG Numeri
Audit Company:	Grant Thornton Baltic UAB

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Fjord Bank AB

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fjord Bank AB (the Company), which comprise the statement of financial position as at December 31, 2019, and the comprehensive income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the requirements of the Law on Audit of the Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Financial Statements of the Republic of Lithuania and the Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's 2019 annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

Grant Thornton Baltic UAB

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditor, director
Genadij Makušev
Auditor's certification No. 000162
12 March, 2020
A. Goštautas str. 40B, Vilnius
Grant Thornton Baltic UAB
Audit company's certification No. 001445



This is a free translation into English of the Statutory Auditors' report and financial statements issued in Lithuanian language. The financial statements of AB "Fjord Bank" originally issued in Lithuanian language have been audited.

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

The analysis of 2019 financial statements and operating activities as well as information related to personnel

During 2019 Fjord Bank AB (the company) prepared actively for the launch of business operations and carried out the activities in order to secure the specialized bank license in Lithuania. The license was granted by the European Central Bank on December 10th, 2019, following the assessment by the Bank of Lithuania. In the initial phase, the company is planning to provide unsecured consumer credits for private persons residing in Lithuania as well as accept deposits from private persons. The company expects to start its operations within first half of 2020. The bank, having obtained the license of a specialized bank, had not yet registered the relevant changes in the Register of Legal Entities.

In respect of the license received and in order to prepare for the start of banking activities, in 2019 the company hired the appropriate amount of staff in order to prepare all documentation including business plan as well as outsourced some of the needed activities to third-part consultants, largely IT-related. Wage costs and preparation of all documentations accounted for 53% and 17% of total administrative costs respectively (52% and 19% in 2018). As well the necessary platform for providing banking services were further developed, including banking system software, additional partner services for assessing customer creditworthiness, and a website for banking products selling. These investments used for programming are recognized as intangible assets.

The proceeds from the share capital increase in 2018 were temporarily invested in the Norway's private investment fund KLP Kapitalforvaltning AS in order to earn additional income while waiting for the start of operations and the specialized bank license. The company booked EUR 49k realized and unrealized gains in 2019 accounts (EUR 37k in 2018) from the investment in KLP Kapitalforvaltning AS. At the end of Year 2019 these investments were fully realized.

As of December 31, 2019, the company had 8 employees (As of December 31, 2018 – 5 employees). In 2019, the average number of listed employees was 7, in 2018 - 4 employees.

Subsidiaries

The company has not established any subsidiaries or associated companies and does not have any branches.

An objective overview of the company's status and position, performance and development, and description of the principal risks and uncertainties that the company faces with

The company was granted a specialized bank license at the end of 2019. The active preparations for the start of the operations have continued with signing of various contracts, software testing as well as preparations of certain documentation. The company is planning to accept deposits and provide unsecured consumer loans for private people residing in Lithuania.

In accordance with the business plan of a specialized bank, the Company is planning a strategy for attracting new customers.

Information about the share capital

As of December 31, 2019, the company's share capital was equal to EUR 1 183 959. The share capital is divided into 29 598 982 ordinary registered shares with EUR 0.04 par value each. The issued all shares provide equal rights for the shareholders in accordance with the Law on Companies of the Republic of Lithuania as well as the company's Article of Association.

The company did not increase share capital in 2019. The company did not acquire and did not hold (or transfer) any its own shares.

Key Management Bodies

The key Management Bodies of the company are the following: General Meeting of Shareholders, Supervisory Board, Management Board and Head of Administration (Chief Executive Officer).

General Meeting of Shareholders: The competence of the General Meeting of Shareholders of the company and shareholders' rights and their implementation are provided by the Laws of the Republic of Lithuania. The company can call an Extraordinary General Meeting of Shareholders.

The Supervisory Board of the company is a collegial supervisory body supervising the operation of the company consisting of five Members and elected for the period of two years. The competence and election of the Supervisory Board of the company are not different than that provided for by the Laws of the Republic of Lithuania. The following are the company's Members of the Supervisory Board:

Members of the Supervisory Board

Mr. Svein Øvrebø is the Chairman of the Supervisory Board, holding 10.61% ownership in the company through his own company Hema Group AS. Mr. Øvrebø is a Norwegian citizen, residing in Bergen, Norway.

Mr. Svein Øvrebø is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
CEO and Chairman	Europa Link AS	Private limited liability company	921568908	Norway
CEO and Chairman	Hema Group AS	Private limited liability company	918485074	Norway
CEO and Chairman	Miel Holding AS	Private limited liability company	919415444	Norway
CEO and Chairman	Digtective Holding AS	Private limited liability company	919825596	Norway
CEO and Chairman	Digtective Norge AS	Private limited liability company	919937165	Norway
CEO and Chairman	Hema Vekst AS	Private limited liability company	919159847	Norway
CEO and Chairman	Vidden Holding AS	Private limited liability company	921568959	Norway
CEO and Chairman	Hema Drift Bergen AS	Private limited liability company	922614571	Norway
CEO and Chairman	Vard Invest AS	Private limited liability company	923117849	Norway
CEO and Chairman	Samos AS	Private limited liability company	923117857	Norway
Chairman	Epsilon Property AS	Private limited liability company	922302502	Norway
Chairman	Casa Nord AS	Private limited liability company	989497103	Norway
Chairman	Rønvik Bodø Holding AS	Private limited liability company	919808683	Norway
Chairman	Mørkvedveien 98 AS	Private limited liability company	917747784	Norway
Chairman	Ringveien 1-5 AS	Private limited liability company	918308792	Norway
Chairman	Suya AS	Private limited liability company	919922087	Norway
Chairman	Øysteins gate 8 AS	Private limited liability company	816449952	Norway

Mr. Martin Hagen is the Member of the Supervisory Board, holding 6.69% ownership in the company through his own company First Partner Holding. Mr. Hagen is a Norwegian citizen, residing in Drøbak, Norway.

Mr. Martin Hagen is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
Board Member	Osloveien 37 AS	Private limited liability company	914430453	Norway
Board Member	ProDev AS	Private limited liability company	911915596	Norway
Board Member	Duo 2 AS	Private limited liability company	916119844	Norway
Board Member	First Partner Holding AS	Private limited liability company	989574302	Norway
Board Member	Gulliksbakken AS	Private limited liability company	913272129	Norway
Board Member	Sogsti Panorama AS	Private limited liability company	998843715	Norway
Board Member	Hagen Gårdene AS	Private limited liability company	985077118	Norway

Mr. Tor Ove Berg-Eriksen is the Member of the Supervisory Board, holding 7.77% ownership in the company through his own company Stranden Invest AS. Mr. Tor Ove Berg-Eriksen is a Norwegian citizen, residing in Nesoddtangen, Norway.

Mr. Tor Ove Berg-Eriksen is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
CEO	Stranden Invest AS	Private limited liability company	977347343	Norway
Chairman	Askim Logistikkcenter Invest I AS	Private limited liability company	918052402	Norway
Chairman	Askim Logistikkcenter Invest II AS	Private limited liability company	918052534	Norway
Board Member	Croatian Development II AS	Private limited liability company	991608982	Norway
Board Member	Bafo Holding AS	Private limited liability company	990355282	Norway

Mr. Sven Tore Kaasa is the Member of the Supervisory Board, holding 3.04% ownership in the company through his own company Lenani AS. Mr. Sven Tore Kaasa is a Norwegian citizen, residing in Vollen, Norway.

Mr. Sven Tore Kaasa is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
Chairman	Lenani AS	Private limited liability company	996338452	Norway
Chairman	K&K Holding AS	Private limited liability company	921387032	Norway
Chairman	Røyken Næringspark Invest AS	Private limited liability company	921441320	Norway
Chairman	Past Eiendom AS	Private limited liability company	921441290	Norway

Mr. Heidar Engebret is the Member of the Supervisory Board, holding 0.2% ownership in the company as a private person. Mr. Heidar Engebret is a Norwegian citizen, residing in Aas, Norway.

Mr. Heidar Engebret is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
Board Member	Blueberry Capital AS	Private limited liability company	995632381	Norway

The Management Board of the company is a collegial management body consisting of three Members electr for four years period. The competence and elections of the Management Board of the company are not differ... than that provided for by the Laws of the Republic of Lithuania. The following are the company's Members of the Management Board:

Members of the Management Board

Mr. Stig Roar Myrseth is the Chairman of the Management Board, holding 7.62% ownership in the company as a private person. Mr. Stig Roar Myrseth is a Norwegian citizen, residing Lithuania.

Mr. Stig Roar Myrseth is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
CEO, Chairman	DOVRE FORVALTNING UAB	Private limited liability company	302589746	Lithuania
Board Member	Dovre Forvaltning Holding AS	Private limited liability company	821888522	Norway
Board Member	Bedrock Group AS	Private limited liability company	920333672	Norway
Chairman	Trinity Capital UAB	Private limited liability company	302682894	Lithuania

Mr. Peter Joakim Mandorsson is the Member of the Management Board, holding 8.03% ownership through his own company Mander Investments AB. Mr. Peter Joakim Mandorsson is a Swedish citizen, residing in Sweden.

Mr. Peter Joakim Mandorsson is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
Chairman	Joakim Mandorsson Förvaltnings AB	Public limited liability company	556729-9937	Sweden
Chairman	Mander investments AB	Public limited liability company	556889-7283	Sweden
Chairman	Joakim Mandorsson Livsmedel AB	Public limited liability company	559090-6656	Sweden
Chairman	BatteriExperterna Europé AB	Public limited liability company	556768-9350	Sweden
Chairman	BatteriExperterna Holding AB	Public limited liability company	556996-7150	Sweden
Chairman	Byax AB	Public limited liability company	559006-7343	Sweden
Chairman	Byax Holding AB	Public limited liability company	559081-2094	Sweden
Board Member	Heal Scandinavia AB	Public limited liability company	559065-7432	Sweden
Board Member	Köksmästarna Norden AB	Public limited liability company	559048-2633	Sweden
Chairman	M konceptservice Norden AB	Public limited liability company	559048-7905	Sweden
Chairman	Matbaren I Norden AB	Public limited liability company	559013-8136	Sweden
Chairman	Matbaren Sverige AB	Public limited liability company	559048-2955	Sweden
Board Member	Romaregården invest AB	Public limited liability company	559100-1523	Sweden
Board Member	Salladsbaren 2.0 Norden AB	Public limited liability company	559048-2849	Sweden
Board Member	Credible Finance OÜ	Private limited liability company	14254572	Estonia

Mr. Veiko Kandla is the Member of the Management Board and Head of Administration (CEO), holding 0.3% ownership as a private person. Mr. Veiko Kandla is an Estonian citizen, residing in Estonia and Lithuania.

Mr. Veiko Kandla is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
CEO	Tailwind OÜ	Private limited liability company	12929072	Estonia

The Head of Administration (Chief Executive Officer) is a single person management body of the company. The Chief Executive Officer organizes the daily operation of the company and takes other rights and obligations to perform based on the Management Bodies' decisions as well as aims to run the company and maintain its operations.

Financial risk management

The company's financial risk management system consists of policy and procedures in order to empower the company's management to achieve its goals, ensure efficient and effective operations which should comply with regulations and laws as well as within the company's risk limits.

The company's Management Board is well aware of the responsibility to realize risk policy's and internal control's procedures before starting the banking operations. The company's Management Board is of the opinion that the current company's internal control level, including but not limited to appropriate separation of functions, appropriate operations, appropriate documents and records, private asset control and independent checks, are appropriate for the current company's operations.

The company did not use any derivatives to manage credit, liquidity, asset price, foreign exchange, interest rates and balance risks due to which the hedging account is required. Therefore, the company did not have any material or immaterial risk on the positions in the balance or off-balance sheets related to financial risks hedging.

The company's financial risk goals as well as credit risk, liquidity risk and cash flows risk, their significance and nature are disclosed in the explanatory notes of financial statements under financial risk management section.

As part of the overall internal control framework, the company have a holistic bank-wide risk management framework extending across all its business lines and internal units, including internal control functions, recognizing fully the economic substance of all its risk exposures. The company's risk management framework covers both essential and unavoidable risks, including credit risk, liquidity risk, operational risk, business risk (earnings risk), concentration risk, reputational risk.

The company's risk management framework includes policies, procedures, risk limits and risk controls ensuring adequate, timely and continuous identification, measurement or assessment, monitoring, management, mitigation and reporting of the risks at the business line and the company. When identifying and measuring or assessing risks, the company develop appropriate methodologies including both forward-looking and backward-looking tools. The tools include the assessment of the actual risk profile against the institution's risk appetite, as well as the identification and assessment of potential and stressed risk exposures under a range of assumed adverse circumstances against the institution's risk capacity.

Links and additional explanations about the data are presented in the annual financial statements

Links and additional explanations are presented in the explanatory notes of the financial statements.

Significant events in the company since the end of the last reporting period

There were no material subsequent events after the statement of financial position date, except those disclosed in the Explanatory Note 17 of the financial statements.

The company has not made any Research & Development.

CEO Veiko Kandla

February 4, 2020



Company code: 304493038

Registration address: Konstitucijos av. 9-101, Vilnius

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019


Article	Notes no.	2019	2018
ASSETS			
Cash and cash equivalents	1	2 791 600	33 645
Investments valued at fair value	2	-	3 550 021
Intangible assets	3	447 337	114 313
Tangible assets	4-5	323 061	5 051
Deferred tax assets	6	155 727	82 418
Other assets	7	10 558	6 529
Total assets:		3 728 283	3 791 977
LIABILITIES			
Other liabilities	8	398 770	33 289
Total liabilities:		398 770	33 289
EQUITY			
Capital	9	1 183 959	1 183 959
Share premium account	9	3 067 868	3 067 868
Retained earnings (loss)	9	(922 314)	(493 139)
Total Equity:		3 329 513	3 758 688
Total liabilities and equity:		3 728 283	3 791 977

The accompanying notes on pages 14-33 are an integral part of these financial statements.

The financial statements were prepared on February 4th, 2020 by:



Veiko Kandla
CEO



Vidmantas Liepuonius
The representative person from accounting firm

Company code: 304493038


Registration address: Konstitucijos av. 9-101, Vilnius

COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019


Article	Notes no.	2019	2018
Realized gain (loss) from sold investments valued at fair value	2, 10	49 069	1 720
Unrealized gain (loss) from change of value of investments valued at fair value	2, 10	-	35 579
Income (expenses) from investment and financial activities	10	33 727	(49 039)
OPERATING PROFIT (LOSS)		82 796	(11 740)
Other operating income (expenses)		(467)	-
Personnel expenses	11	(312 241)	(165 473)
Administration expenses	12	(266 902)	(150 438)
Depreciation and amortization	3-5	(5 670)	(744)
PROFIT (LOSS) BEFORE TAXES		(502 484)	(328 395)
Income tax	6	73 309	46 094
NET PROFIT (LOSS)		(429 175)	(282 301)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)		(429 175)	(282 301)
Profit (loss) per share attributed to the shareholders		(0,01)	(0,01)

The accompanying notes on pages 14-33 are an integral part of these financial statements.

The financial statements were prepared on February 4th, 2020 by:



Veiko Kandla
CEO



Vjdmantas Liepuonius
The representative person from accounting firm

Company code: 304493038
 Registration address: Konstitucijos av. 9-101, Vilnius

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

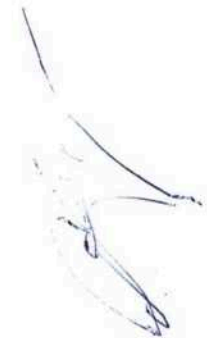
Article	Notes no.	Share capital	Share premium	Retained earnings (losses)	Total Equity
Balance at December 31, 2017		240 000		(210 838)	29 162
Profit (loss) for the year				(282 301)	(282 301)
Other comprehensive income				-	-
Total comprehensive income (expenses)				(282 301)	(282 301)
Share capital increase		943 959	3 067 868		4 011 827
Balance at December 31, 2018		1 183 959	3 067 868	(493 139)	3 758 688
Profit (loss) for the year				(429 175)	(429 175)
Other comprehensive income				-	-
Total comprehensive income (expenses)				(429 175)	(429 175)
Share capital increase					-
Balance at December 31, 2019		1 183 959	3 067 868	(922 314)	3 329 513

The accompanying notes on pages 14-33 are an integral part of these financial statements.

The financial statements were prepared on February 4th, 2020 by:



Veiko Kandla
 CEO



Vidmantas Liepuonius
 The representative person from accounting firm

Company code: 304493038

Registration address: Konstitucijos av. 9-101, Vilnius

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

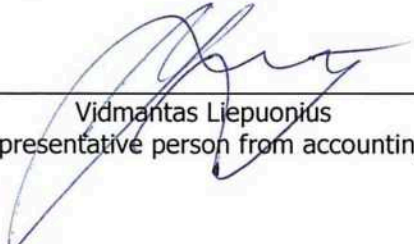
Article	Notes no.	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		(429 175)	(282 301)
Adjustments:			
Depreciation and amortization		5 670	744
Decrease (increase) in deferred income tax		(73 309)	(46 094)
Net result from investments valued at fair value		(49 069)	-
Realized forex exchange result		(38 011)	-
Loss (profit) from sell of fixed assets		186	-
Interest income from the rent of right of use assets and other non-cash transactions		(1 785)	-
Changes in:			
Decrease (increase) in other short-term assets		(4 030)	(6 148)
Increase (decrease) in liabilities related to employment relations		14 824	(354)
Increase (decrease) in other liabilities		50 129	14 748
Net cash flow from operating activities		(524 569)	(319 405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible fixed assets		(8 764)	(5 444)
Proceeds from sell of tangible fixed assets		410	-
Acquisition of investments valued at fair value		-	(3 807 210)
Proceeds from sell of investments valued at fair value		3 599 090	222 971
Income from investments valued at fair value			34 218
Acquisition of intangible fixed assets		(333 563)	(113 490)
Other cash flow from investing activities		(11 281)	
Net cash flows from investing activities		3 245 892	(3 668 955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net income from rent activities		(1 379)	-
Issue of shares		-	951 827
Net cash flows from financing activities		(1 379)	951 827
Result of foreign exchange		38 011	-
Net increase in cash and cash equivalents		2 719 943	(3 036 533)
Cash and cash equivalents at the beginning of the year		33 645	3 070 178
Cash and cash equivalents at the end of the year		2 791 600	33 645

The accompanying notes on pages 14-33 are an integral part of these financial statements.

The financial statements were prepared on February 4th, 2020 by:



 Veiko Kandla
 CEO



 Vidmantas Liepuonius
 The representative person from accounting firm

EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

I. GENERAL PART

AB Fjord Bank (hereinafter the company) – was registered as a public company in the Enterprise Register of the Republic of Lithuania on March 28th, 2017; the company's code is 304493038. The company is registered at Konstitucijos av. 9-101, Vilnius. The company was granted a specialized bank license by the European Central Bank on December 10th, 2019, but not yet registered the relevant changes in the Register of Legal Entities. The company is planning to accept deposits and provide unsecured consumer loans for private people residing in Lithuania. The company is planning to start operations within first half of 2020.

The company's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements based on going concern basis assumption. The company does not hold any own shares. AB Fjord Bank has no any subsidiaries or associated companies or branches. As of December 31, 2019, the company had 8 employees (As of December 31, 2018 – 5 employees). In 2019, the average number of listed employees was 7, in 2018 - 4 employees.

Statement of compliance

The financial statements of the company are prepared in accordance with the Laws of the Republic of Lithuania, regulating accounting and financial accountability, as well as the International Financial Reporting Standards (IFRS) that have been adopted for use in the European Union.

The Management Board prepared the financial statements on February 4th, 2020. The financial statements are prepared in accordance with a going concern assumption. The financial statements are prepared on a historical cost basis.

Functional currency and foreign currency transaction

The financial statements are presented in the local currency - Euro (EUR). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate prevailing at the date of the statement of financial position. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while non-monetary assets carried at fair value or revalued amounts are translated at the exchange rate when the fair value was determined. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognised in the profit or loss.

The use of assessments and decisions in the financial statements

In the preparation of the financial statements in accordance with IFRS that have been adopted for use in the European Union, the management, based on the certain assumptions, has to evaluate factors which influence the choice of accounting principles as well as the effect on the assets, liabilities, income and expenses amounts. The actual results might differ from assumptions and forecasts. The evaluations, forecasts and assumptions are always reviewed and revised on a regular basis.

The effect of changes in evaluations is recognized in the period during which the evaluation is revised and for the coming periods if the evaluation affects the future periods as well. The evaluations might be revised based on the changed conditions which were used to make evaluation or if there are new information available or new experience gained during the period which might lead to more accurate evaluations.

The cash flows statement was prepared based on an indirect method.

II. ACCOUNTING POLICY

Fixed assets

Intangible assets

An intangible assets are initially measured at cost. An intangible asset is recognised in the balance sheet only when its cost can be measured reliably and it is likely that future economic benefits attributable to the assets will accrue to the company. Intangible assets are initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment. The cost includes all expenses for purchasing, manufacturing, taxes and other direct costs to otherwise bring the goods to their current location and condition. An amortization of the intangible asset is calculated using the straight-line method of amortization based on the estimated useful life of the asset:

- | | |
|----------------------------|---------|
| - Software | 5 years |
| - Specialized bank license | 5 years |
| - Other intangible assets | 4 years |

The created intangible asset is recognized at cost and recorded in the separate intangible asset account until the asset is used. When the intangible assets are started to be used in the operations, the accounting of intangible asset is the same as accounting principles of acquired intangible asset.

Tangible assets

Long-term tangible assets are those assets which useful life is more than one year and which cost exceeds EUR 500. Tangible assets are held at historical cost less accumulated depreciation and any impairment in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The cost includes all expenses for purchasing, manufacturing, taxes and other direct costs to otherwise bring the goods to their current location and condition. Asset maintenance costs are charged to the income statement when they are incurred.

Depreciation and amortization are calculated using the straight-line method of depreciation based on the estimated useful life of the asset. Useful lives, residual values and depreciation methods are reassessed and changed when necessary in connection with each closing day.

The following amortization and depreciation useful life (years) are applied in the company for the respective asset category:

Office equipment:

- | | |
|--------------------------------|---------|
| - Computers | 3 years |
| - Furniture, Office equipment | 6 years |
| - Other property and equipment | 4 years |

Gains and losses on disposals of tangible assets are determined by reference to their carrying amount and are charged to the income statement. If the economic benefits increase for the company due to costs or if the useful life of the asset increases or if there are significant renewals of assets, then costs are capitalized and added to tangible assets and depreciated over the remaining useful life period of the improved asset.

Financial instruments

The company recognizes financial assets and liabilities in statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument. When financial assets and

liabilities are recognized initially, they are measured at fair value. Transaction costs which are directly related to purchase or issuance of the financial assets (except financial assets and financial liabilities which are recognized at fair value through profit or loss) when initially recognized are added or subtracted from financial assets' or financial liabilities' fair value. Transactions costs which are directly attributed to financial assets or financial liabilities at fair value are immediately recognized through profit or loss.

Financial assets

Financial assets measured at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Financial instruments measured at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss as they occur. Subsequent measurement is fair value with gains and losses recognised in the income statement.

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortised cost if both of the following conditions are met: the assets are held within a business model whose objective is to hold the asset and collect the contractual cash flows and the contractual cash flows represent solely payment of principal and interest.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, shall be measured at fair value with changes through other comprehensive income, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Changes recognised through other comprehensive income should be reclassified to profit or loss when the assets are sold or otherwise disposed of.

All other financial assets are initially recognised at fair value and subsequent measurement is fair value with gains and losses recognised in the income statement.

Financial assets are only reclassified when there is a significant change in the business model for those assets. Such changes are expected to be very infrequent. Financial liabilities are not reclassified.

The effective interest rate method

The effective interest method is a method for calculating financial asset amortized cost and interest income allocation over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) to the net carrying amount on initial recognition during the financial asset, or (if appropriate) a shorter period of time.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay

Impairment of financial assets

The company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Losses on loan and receivables impairment are established through profit or loss if there is objective evidence that the company will not be able to collect all amounts due. Evidence of impairment is based on Expected Credit Losses model (ECL), which tests if the credit risk has not increased significantly after initial recognition.

The measurement of the provision for expected losses under the general model depends on whether the credit risk has increased significantly since initial recognition. The ECL model has a three-stage approach based on changes in the credit risk. Upon initial recognition and when the credit risk has not increased significantly after initial recognition, a provision shall be made for 12-month expected losses, and the financial asset is recognized as Stage 1. Twelve-month expected losses are the losses expected to occur during the instrument's lifetime, but that can be linked to events occurring in the next 12 months. Stage 2 includes financial assets for which the credit risk has increased significantly since initial recognition, but there is no objective evidence of a loss. Stage 3 (in default) of the model includes assets for which the credit risk has increased significantly since initial recognition, and there has been an objective evidence of a loss event on the balance sheet date.

The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets.

Regardless of the quantitative indicator, a significant increase in credit risk is triggered if the following backstop indicators occur: payments are past due >30 days and/or financial assets are forbore (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions given). Defaults are defined as overdrawn amounts of more than 90 days, or a situation in which objective evidence exists that indicates a customer will default as a result of a weakening of the debtor's creditworthiness.

Financial liabilities

All financial liabilities are recognised at amortised cost valued at fair value, except financial liabilities valued at fair value through profit or loss with gains and losses recognised in the income statement.

Financial liabilities (including loans and receivables) recognised at amortised cost are initially valued at fair value with the addition of direct transaction costs. In periods after the initial measurement, the liabilities are valued at amortised cost based on the effective interest rate method.

Financial liabilities are valued at valued at fair value through profit as: financial liabilities are treated as liabilities, where fair value changes are recognized through profit or loss; financial liabilities, which occur if the transfer of the financial assets does not comply with the derecognition criteria and if the further control method is applied; financial guarantee contracts; provided loans which apply lower than market interest rates and uncertain remuneration during business merger.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different

terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash in correspondent bank account balances.

Share capital and reserves

Share capital is presented according to the company's articles of association. Consideration received for the shares sold in excess over their par value is shown as share premium. Paid-in capital where price of issued shares exceed that of the nominal valued, is recognized as share premium.

The reserves are made from the distribution of fiscal year net profit decided by the shareholder meeting, in accordance with Republic of Lithuania' act of law as well as the company's articles of association.

According to Law on Companies of the Republic of Lithuania, mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of share capital. The mandatory reserve cannot be used for payment of dividends and it is established to cover future losses only.

Employee benefits

The company does not have any defined benefit, employee incentive plans or compensation through share-based incentive programs. Short-term benefits for employees are recognized as current operating costs for the period during which the employees provided the services. The benefits include salaries, social security contributions, bonuses, paid-holidays, and others.

Revenues

Revenues are recognized as income on an accrual basis when earned. The services are treated as completed and provided for the customer if the following conditions are satisfied:

- The amount of the revenue can be measured reliably
- The transaction is completed or the probability of the transaction being completed could be measured in a reliable way
- It is probable that the economic benefits associated with the transaction will flow to the enterprise

The company's revenues from main operations are attributed to revenues from specialized bank services (there was no revenues from the main operations in 2019).

Income from financial activity is comprised from changes in the fair value of securities as well as interest income from receivables. The fair value of the security is determined based on the quote based on information from an active market. The market is deemed to be active if there are enough frequent trades as well as the representative volume for the security in order to fairly evaluate the price on the continuous basis.

Gains and losses arising from the foreign currency translation of financial assets and liabilities are recognized at fair value as income or expenses of financial activities and included in the income statement for the period depending on if the foreign currency changes are net profit or loss respectively.

Expenses

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

Administrative expenses include as personnel expenses, office rent, telephone and communication expenses as well as other expenses such as amortization and depreciation.

Financial activity expenses include asset management fees, interests for debt as well as administration expenses related to receivables. The interest expenses are recognized by using effective interest rate method.

Finance and operating lease

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance lease

The company recognizes the finance lease as assets and liabilities in the financial position statement, carried at the fair value of the finance lease at the beginning of the lease or minimal present value of the future lease payments, if the latter is lower. In calculating the present value of the minimum finance lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine. Otherwise, the company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge payments are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For finance lease assets and lease liabilities the company calculates depreciation; in addition, the company also recognizes finance expenses related to finance lease. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the company, according to the lease contract, gets transferred their ownership after the lease term is over.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead, it is deferred and amortized over the lease term

Operating lease

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other administrative and operating expenses.

The overall discounts granted by the lessor are recognized as a reduction in lease expenses on a straight-line basis over the lease term

Income tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax expenses are calculated based on the information available as at the date of preparation of the financial statements. In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15%.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and (or) derivative instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself.

The losses from disposal of securities can be carried forward for 5 consecutive years and can be used to reduce the taxable income earned during the reporting year by maximum 70%.

Deferred income tax

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements. Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements.

Deferred tax assets are tested on each closing period and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. If it is not probable that future taxable profit will be available against which the temporary differences can be utilised, then deferred tax assets are reduced accordingly.

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only if the company has a legally enforceable right to set off current tax assets against current tax liabilities.

Income tax and deferred income tax for the reporting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in other comprehensive income.

Contingent liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed in the financial notes unless the possibility of an outflow of resources embodying economic benefits is marginal.

According to current laws, the Tax Inspectorate at any time could check the company's accounting registers for the last five years before the reporting period, and also can calculate and apply additional taxes and sanctions for the company. The management of the company has no any information about the events and conditions which can result in significant additional tax expenses or liabilities for the company.

A contingent asset is not recognized in the financial statements but disclosed in the financial notes when an inflow of economic benefits is probable.

Subsequent events

Events after the reporting date that provide additional information about the company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

Related parties

Parties are considered to be related if at least one of the conditions are met:

- a. The person or its relative is treated as related to the company if the person:
 - i. Has control or jointly control of the company
 - ii. Can exercise a significant influence over the company
 - iii. Is the member of the management personnel of the company or of a parent of the company
- b. An entity is related to the company if any of the following conditions are met:
 - i. An entity and the company are members of the same group (i.e. each parent, subsidiary, and fellow subsidiary is related to each other)
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
 - iii. Both entities are joint ventures of the same third party
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity
 - v. An entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company
 - vi. An entity is controlled or jointly controlled by a person identified in (a)
 - vii. A person identified in (a), (i) has a significant influence over an entity or is a member of the key management personnel of an entity (or of a parent of an entity).

Offsetting

In the preparation of the financial statements, assets and liabilities as well as income and expenses are not offset, except the cases when a specific IFRS note requires or allows a specific offsetting operation.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

- **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases. IFRS 16 establishes significant new accounting requirements for lessees, while the requirements for lessors are more or less unchanged. Pursuant to the new standard, there will be no differentiation between operational and financial leasing where leases that have been

entered into transfer the right of use to a specific assets from the lessor to the lessee for a specific period. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessees are required to account for most leases under a single on-balance sheet model, and the distinction between operating and finance leases for lessees as was required by IAS 17 has been eliminated.

In accordance with IFRS 16, the company recognises a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset), and recognises depreciation of the right-of-use assets separately from interest on lease liabilities in the income statement. As a result, the majority of lease contracts will result in more expenses being recognised at the beginning of the contract term, even if the lessor pays stable annual lease fees & taxes.

The new standard sets out limited exceptions for the leases contracts, which include:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- Low-value leases

- **IFRIC 23 Interpretation: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after January 1st, 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1st, 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.

- **IFRS 3: Business Combinations (Amendments) and IFRS 11 Joint Arrangements.** IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa.
- **IAS 12 Income Taxes.** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- **IAS 23 Borrowing Costs.** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally. The application of these amendments has not had any effect for the company's financial statements.
- **IAS 19 Plan Amendment, Curtailment or Settlement (Amendments).** The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

Confirmed standards and amendments, effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU

The company has not yet adopted the following IFRS and IFRIC standards, which have been confirmed as of the signing date of these financial statements, but not yet effective for these financial statements/financial year.

Conceptual Framework in IFRS standards (effective for annual periods beginning on or after 1 January 2020)

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments) (effective for annual periods beginning on or after 1 January 2020)

The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. At the moment, the Company has not yet assessed the effect of amendment on Financial statements.

IFRS 3: Business Combinations (Amendments) (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

IFRS 17: Insurance contracts (Amendments) (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU)

IFRS 17 Insurance contracts will replace IFRS 4 Insurance contracts and establishes principles for recognition, measurement, presentation and disclosure of insurance contracts. The objective of the new standard is to eliminate inconsistent accounting practices for insurance contracts. At the moment, the Company has not yet assessed the effect of amendment on Financial statements.

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments (Amendments): Interest rates (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by the EU)

The IASB amended some of its requirements for hedge accounting related to IFRS 9, IAS 39 and IFRS 7. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). Any modifications modification gain or loss shall be recognised in profit or loss. Given that hedging instruments made through IBOR basis are treated as a relief for the companies, the amendments will have impact to the majority business segments.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.

The company plans to adopt the above mentioned standards and amendments from the effective date and if they are confirmed/endorsed by the EU.

III. NOTES

Note 1 Cash and cash equivalents

Items	2019	2018
Cash in the bank (EUR)	2 791 600	11 728
Cash in the bank (NOK)	-	21 917
Total:	2 791 600	33 645

Note 2 Investments valued at fair value

The company had investments in the Norway's private investment fund KLP Kapitalforvaltning AS in the reporting period. These investments are recognized as receivables in the company's financial statements. At the end of 2019 such investments were realized.

Key information about the asset manager:

Investment fund: KLP Pengemarked (Money Market Fund)

Country: Norway

Asset manager: KLP Kapitalforvaltning AS

Currency: Norwegian Krone (NOK)

Items	2019		2018	
	Amount (no. of units)	Value	Amount (no. of units)	Value
Trade and other receivables at the beginning of the reporting year (fair value)	35 461,73	3 550 021	-	-
Acquisitions during the reporting year			37 107,41	3 878 992
Sold during the reporting period	(35 461,73)	(3 554 491)	(2 127,71)	(222 971)
Gains from sold investments (Note 10)		49 069		1 720
Gains due fair value changes of investments (Note 10)		-		35 579
Losses related to foreign exchange		(41 694)		(141 218)
Related management & commission fee (Note 10)		(2 905)		(3 081)
No. of units received additionally (adjustments)		-	482,03	-
Trade and other receivables at the end of the reporting year (fair value)	-	-	35 461,73	3 550 021

The fair value of listed investments is based on the market price on the balance sheet date. The fair value hierarchy introduces three levels of inputs based on the lowest level of input significant to the overall fair value:

- Level 1 – quoted prices for similar instruments. Valuations in Level 1 are determined by reference to unadjusted quoted market prices for identical instruments in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis
- Level 2 – directly observable market inputs other than Level 1 inputs. Recent transactions and the price of another instrument that is substantially the same
- Level 3 – inputs not based on observable market data. Level 3 valuation techniques incorporate significant inputs that are unobservable. These techniques are generally based on extrapolating from observable inputs for similar instruments, analyzing historical data or other analytical techniques

For the financial year, the company had investments valued at fair value – i.e. investments in foreign investment fund KLP Kapitalforvaltning AS (Level 1).

Note 3 Non-current intangible assets

Items	Built-up Banking IT platform	Specialized Banking license	Other intangible assets	Total
<i>The acquisition cost</i>				
December 31, 2016	-	-	-	-
Acquisition of assets	-	-	1 252	1 252
December 31, 2017	-	-	1 252	1 252
Acquisition of assets	56 011	56 578	900	113 489
December 31, 2018	56 011	56 578	2 152	114 741
Acquisition of assets	316 865	11 495	5 203	333 563
December 31, 2019	372 876	68 073	7 355	448 304
<i>Amortization</i>				
December 31, 2016	-	-	-	-
Amortization during the financial year	-	-	(78)	(78)
December 31, 2017	-	-	(78)	(78)
Amortization during the financial year	-	-	(350)	(350)
December 31, 2018	-	-	(428)	(428)
Amortization during the financial year	-	-	(539)	(539)
December 31, 2019	-	-	(967)	(967)
Balance at December 31, 2018	56 011	56 578	1 724	114 313
Balance at December 31, 2019	372 876	68 073	6 388	447 337

Note 4 The Right of use of assets

Items	The Company's part	Rented	Total
Right of use of assets balance			
Initially measured fair value	153 251	147 400	300 651
Fair value increase due to investments	9 818	(4 267)	5 551
Depreciation	(3 540)	(3 404)	(6 944)
Balance at December 31, 2019	159 529	139 729	299 258

As from 2019 1 January the company adopted IFRS 16 and recognized the right to use the asset in an item of property, plant and equipment. The value of the right to use an asset is determined on the basis of the discounted lease payments (liabilities) over the lease term planned by management. The long-term office lease agreement is signed for a period of 5 years. Part of the office space was leased for the same period to an IT service company that develops software for the company to provide banking services. The depreciation period of these assets corresponds to the lease term of the asset. The discount rate used is 2.71%.

Note 5 Non-current tangible assets

Items	Equipment	Furniture	Rent of office prepayment	Total
Acquisition cost				
December 31, 2016	-	-	-	-
Acquisition of assets	-	-	-	-
December 31, 2017	-	-	-	-
Acquisition of assets	2 340	3 104	-	5 444
December 31, 2018	2 340	3 104	-	5 444
Acquisition of assets	1 671	7 988	11 282	20 941
Sell of assets	-	(894)	-	(894)
December 31, 2019	4 011	10 198	11 282	25 491
Depreciation				
December 31, 2016	-	-	-	-
Depreciation	-	-	-	-
December 31, 2017	-	-	-	-
Depreciation	(264)	(129)	-	(393)
December 31, 2018	(264)	(129)	-	(393)
Depreciation during the financial year	(965)	(626)	-	(1 591)
Sell of the assets	-	296	-	296
December 31, 2019	(1 229)	(459)	-	(1 688)
Balance at December 31, 2018	2 076	2 975	-	5 051
Balance at December 31, 2019	2 782	9 739	11 282	23 803

Note 6 Deferred tax assets

Items	2019	2018
Profit (loss) before taxes	(502 484)	(328 395)
Non-tax deductible expenses	13 039	21 526
Other adjustments	(43 752)	-
Total taxable profit (loss)	(533 197)	(306 869)
<i>Rate</i>	<i>15 %</i>	<i>15 %</i>
Deferred tax income from losses	79 980	46 030
Deferred tax income from vacation accruals related to social contribution taxes	(108)	64
Deferred tax income from other adjustments	(6 563)	-
Total deferred tax assets	73 309	46 094
Deferred tax assets at the beginning of the reporting year	82 418	36 234
Deferred tax assets at the end of the reporting year	155 727	82 418

Note 7 Other assets

Items	2019	2018
Deferred expenses	7 950	3 569
Prepayments	2 608	2 960
Total	10 558	6 529

Note 8 Other liabilities

Items	2019	2018
Office rent liabilities	300 528	-
Liabilities to service providers	59 178	22 507
Vacation accruals	18 985	3 701
Accrued expenses	15 531	6 133
Payable VAT	4 547	948
Total	398 770	33 289

Note 9 Share capital and share premium

Items	Share units	Share capital	Share premium
Balance at December 31, 2017	6 000 000	240 000	-
Share par value		0,04	
Share premium (the difference between share issue price and nominal value)			0,13
Share issue on January 11 th , 2018	18 000 000	720 000	2 340 000
Share issue on April 15 th , 2018	5 598 982	223 959	727 868
Balance at December 31, 2018	29 598 982	1 183 959	3 067 868
Balance at December 31, 2019	29 598 982	1 183 959	3 067 868

All shares are fully paid-up. The company does not have any other types of shares except the ordinary shares as referred to above.

The company's shareholders as of December 31, 2019 were as follows:

Shareholder	as of December 31, 2019		as of December 31, 2018	
	No of shares	Ownership, %	No of shares	Ownership, %
Hema Group AS	3 141 000	10.61%	3 000 000	10.14%
NEW VENCE INVEST AS	2 395 210	8.09%	2 395 210	8.09%
Mander Investments AB	2 376 000	8.03%	2 376 000	8.03%
Stranden Invest AS	2 300 000	7.77%	2 300 000	7.77%
AMG Property AS	2 300 000	7.77%	2 300 000	7.77%
Stig Roar Myrseth	2 256 000	7.62%	2 256 000	7.62%
First Partner Holding 4 AS	1 980 000	6.69%	-	-
Privat person	-	-	1 980 000	6.69%
SKALMEN AS	1 796 407	6.07%	1 796 407	6.07%
Other legal persons	7 926 758	26.78%	7 430 393	25.10%
Other private persons	3 127 607	10.57%	3 764 972	12.72%
Total	29 598 982	100%	29 598 982	100%
Legal persons	24 215 375	81.81%	23 578 010	79.66%
Private persons	5 383 607	18.19%	6 020 972	20.34%
Total	29 598 982	100%	29 598 982	100%

Mandatory reserve

As of December 31, 2019, the company did not have reserves which are compulsory under the Lithuanian legislation.

According to Law on Companies of the Republic of Lithuania, mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of share capital. The mandatory reserve cannot be used for payment of dividends and it is established to cover future losses only. A part of mandatory reserve which exceeds 10% threshold of share capital can be re-distributed when the annual profit of next year is distributed.

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The management of the company is planning to start transferring funds to the mandatory reserve as soon as it starts operating profitably.

Profit (loss) available for distribution

Note no.	Item	Value
1	Retained earnings (loss) at the beginning of the financial year	(493 139)
2	Current financial year net profit (loss)	(429 175)
3	Profit (loss) for distribution (1+2)	(922 314)
4	Profit (loss) transfer to the compulsory reserve or emergency (reserve) capital	-
5	Profit (loss) transfer to the reserve	-
6	Retain profit (loss) at the end of financial year (3-4-5)	(922 314)

Note 10 Realized profit (loss) from investments valued through profit (loss) and other financial activity income and expenses

Items	2019	2018
Gain (loss) from sell of investments at fair value	49 069	1 720
Realized profit (loss) from investments valued at fair value:	49 069	1 720
Gain (loss) from fair value change of investments	-	35 579
Unrealized profit (loss) from fair value change of investments:	-	35 579
Losses related to investments changes in foreign exchange	(41 694)	(141 218)
Other operating gain related to exchange in currency	79 705	95 260
Other financial activity expenses	(1 379)	(593)
Asset management fees & expenses	(2 905)	(3 081)
Total financial activity income (expenses):	33 727	(49 632)

Note 11 Personnel expenses

Items	2019	2018
Salary	291 420	124 437
Vacation accruals	15 285	1 754
Taxes related to salary paid by the employer	5 536	39 282
Total	312 241	165 473

Note 12 Administrative expenses

Items	2019	2018
Consultation expenses	82 803	34 609
Internet and communication expenses	56 881	24 899
Business trips expenses	28 049	25 766
Office rent and maintenance expenses	22 151	6 380
Tax expenses	15 287	9 341
Lawyers services	12 697	21 373
Bank fee expenses	12 672	3 064
Accounting expenses	5 969	3 868
Financial audit expenses	4 940	4 820
Representation expenses	4 840	4 356
Insurance expenses	3 400	173
Translation expenses	1 995	4 353
Public relations and marketing expenses	1 773	3 025
Other expenses	13 445	4 411
Total	266 902	150 438

Note 14 Financial risk management

The company defines the risk as the possibility of a negative deviation from an expected financial outcome and negative impact for the company. One consequence of risk-taking is the occurrence of losses, which can be broken into expected and unexpected losses. The company shall make appropriate efforts to minimise expected losses through ensuring sound internal practices, good internal controls as well as insurance policies.

The most important types of risk the company is exposed to are: Credit risk, Liquidity risk and Market risk. This Note to the financial statements includes information about the impact of the risks on the company, its objectives, policy and processes related to the risk assessment and management, also the information about the capital management. The quantitative disclosures are presented in other Notes to the financial statements.

The Management Board is responsible for the development and supervisory of risk management structure. The risk management policy of the company is designed to identify and analyze the risks that the company faces with, the implementation and the supervision of the respective limits and controls. The risk management policy and the risk management systems are revised on a regular basis to reflect the developments in the market conditions and the operations in the company. The company seeks to develop a disciplinary and constructive risk management policy where all employees are aware of their functions and obligations.

Credit risk

Credit risk means the risk for the company to incur losses due to the customers' failure to fulfil their financial obligations towards the company. The company is using a number of measures designed to continuously ensure that transactions are made with reliable customers and the transaction amounts do not exceed the approved credit risk limit. The company does not grant any guarantees in respect of obligations of other parties. The largest credit risk is represented by the carrying value of each unit of financial assets, including the derivative financial instruments in the statement of the financial position, if any. As a result, the company's management believes that the maximum risk is equal to the amounts receivable less the recognized impairment loss as of the statement of the financial position date.

Maximum assumed credit risk amount:

The following table discloses the company's largest credit risk exposures irrespective of the security measures:

Items	2019	2018
Cash and cash equivalents	2 791 600	33 645
Financial instruments at FVTPL	-	3 550 021
Total	2 791 600	3 583 666

For the financial year, the credit risk was mainly related to cash in Lithuanian commercial banks' accounts.

As of December 31, 2018, the company's other receivables amounted to EUR 3.5 million (which is equivalent to NOK 35.4 million) in the investment fund, which reflects the maximum credit risk for the company related to the asset concerned at that time. The funds were invested in the Norway's private investment fund KLP Kapitalforvaltning AS.

Liquidity risk

The liquidity risk means the risk that the company is unable to meet its financial obligations in time or the risk to incur losses due to a sudden decrease in financial resources (e.g. financial crisis situations may result in delay of incoming payments). For the purpose of liquidity risk management, the company's policy is to maintain a sufficient cash and cash equivalents enabling the company to fulfil its obligations under ordinary or complex conditions without incurring unacceptable loss or risk to the company's reputation.

The following table discloses the company's largest liquidity risk exposures irrespective of the security measures:

As of December 31, 2019:

Items	Contractual cash flows					
	Total	Upon request	1-3 months	3-12 months	1-5 years	Not agree maturity
Assets						
Cash and cash equivalents	2 791 600	2 791 600				
Right of use assets	299 258		13 668	46 222	239 368	
Other receivables	637 425		9 594	864	100	626 867
Balance at December 31, 2019	3 728 283	2 791 600	23 262	47 086	239 468	626 867
Liabilities						
Rent liabilities	300 528		23 664	42 173	234 691	
Payables to service providers	63 726		63 726			
Other current liabilities	34 516	18 985	15 531			
Balance at December 31, 2019	398 770	18 985	102 921	42 173	234 691	-

As of December 31, 2018:

Items	Contractual cash flows					
	Total	Upon request	1-3 months	3-12 months	1-5 years	Not agree maturity
Assets						
Cash and cash equivalents	33 645	33 645				
Other receivables	3 550 021	3 550 021				
Other assets	208 301		3 916	2 613		201 782
Balance at December 31, 2018	3 791 977	3 583 666	3 916	2 613	-	201 782
Liabilities						
Payables to service providers	23 455		23 455			
Other current liabilities	9 834	3 701	6 133			
Balance at December 31, 2018	33 289	3 701	29 588	-	-	-

Market risk

Market risk is the risk that the company's results or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The purpose of the market risk management is to manage the open risk exposures with a view to maximizing the return.

Foreign exchange risk

The company's risk management policy includes the requirement to match the cash flows from the highly probable future transactions in each foreign currency. The company did not use any financial instruments or derivatives to manage the foreign exchange risk. The investment in the Norway's investment fund in 2018-2019 was temporary which reflected the main goal - to earn additional return while waiting for the start of operations.

The company's monetary assets and monetary liabilities in different currencies on December 31, 2019 and 2018 were as follows:

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
EUR	2 791 600	353 794	11 728	29 178
NOK	-	-	3 571 938	4 111
Other currencies	-	-	-	-
Total:	2 791 600	353 794	3 583 666	33 289

Interest rate risk

As of December 31, 2019, the company did not have any financial assets or financial liabilities which are sensitive to changes in interest rates. In addition, the company did not have any derivatives with the purpose to manage interest rate risk.

Capital adequacy

The company has an obligation to maintain its equity no less than 50% of its share capital as required by the Law on Companies of the Republic of Lithuania.

Upon receiving the specialized banking license last year, the company must comply with prudential regulatory capital requirements set by the Bank of Lithuania, including capital adequacy ratio. In addition, the company's objectives are: ensure the company's ability to comply with the capital adequacy requirements and ensure the

ability to maintain the optimal capital level with a view to ensure the investment portfolio growth and protect against possible risks.

Note 15 Contingencies

According to current laws, the Tax Inspectorate at any time could check the company's accounting registers for the last five years as well as can calculate and apply additional taxes, fines and sanctions for the company. The management of the company has no any information about the events and conditions which can result in potential significant additional tax expenses or liabilities for the company.

Note 16 Transactions with related parties

The company's related parties are considered to be its shareholders, employees, Members of the Board, their close family members or entities that they directly or indirectly, through one or several intermediaries control or are controlled by, or are managed jointly with the company, and this relation enables one of the parties to exercise control or significant influence upon the other party in making financial or operating decisions.

The following shows transactions with the company's shareholders or closely related persons:

Related parties name	Total	Receivables
Sales from related parties during 2018		
Shareholders	10 133	-

Related parties name	Total	Liabilities
Acquisitions from related parties during 2018		
Shareholders	56 011	14 084
Other transactions related to shareholders	23 744	3 810
Acquisitions from related parties during 2019		
Shareholders	297 311	37 642
Other transactions related to shareholders	50 121	4 840

Financial relations with the company's Management Board: paid salary (including taxes) amounted to EUR 94 226 (2018 – EUR 62 794).

Note 17 Subsequent events

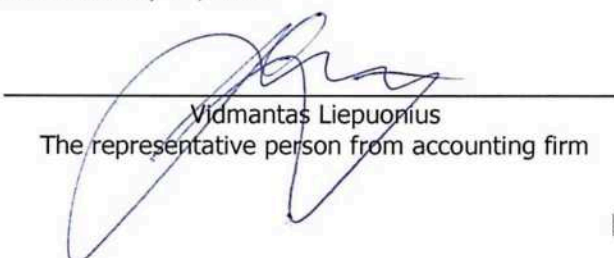
The Supervisory Board in February 2020 has elected the new composition of the Management Board, as approved by the Bank of Lithuania in the licensing process: Veiko Kandla, CEO and Head of Administration; Danas Juzenas, CFO and Deputy Head of Administration; Mindaugas Varnas, CRO. New members of the Board will act after the registered information on new Board members in the Register of Legal Entities. As of the date of signing the financial statements this registration had not been made.

There were no other material subsequent events that would have any significant effect on the company's financial statements or would have to be disclosed if material.

These financial statements were signed and approved on February 4th, 2020



Veiko Kandla
CEO



Vidmantas Liepuonius
The representative person from accounting firm



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