SET OF ANNUAL FINANCIAL REPORTS

2020

TABLE OF CONTENTS

INFORMATION ABOUT THE BANK

Name:	AB Fjord Bank
Legal form:	Public Limited Liability Company
Registration No.:	304493038
VAT code:	LT100012244316
Address:	Rinktinės str. 5, LT-09234 Vilnius
Telephone:	+370 525 11181
Email:	info@fjordbank.lt
Website:	www.fjordbank.lt
Financial Year:	January 1st, 2020 - December 31st, 2020
License:	Specialized Bank License No 5 from 10th December 2019
Audit Company:	Grant Thornton Baltic UAB

Members of the Supervisory Board:

Olav Haugland, Chairman of the Supervisory Board
Svein Øvrebø
Tor Ove Berg-Eriksen
Martin Hagen
Sven Tore Kaasa
Aaron Michael McParlan

Members of the Management Board:

Veiko Kandla, Chairman of the Management Board
Danas Juzėnas
Mindaugas Varnas

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Fjord Bank

Report on the audit of the financial statements

Opinion
We have audited the financial statements of AB Fjord Bank (the Company), which comprise the statement of financial position as at December 31, 2020, and the 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, 2020, 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) and 2014 April 16 Regulation (EU) No. 182/2011 of the European Parliament and of the Council Regulation (EU) No 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). 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.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our response to it are described below.

Software recoverable amount

See Financial Statements Note No. 10

Book value of company software as at December 31, 2020 was equal to 760 thousand EUR.

We focused on this area due to the amount of the software book value and due to the use of discounted cash flows by management in valuation of software recoverable amount.

We have become familiar with the Company's accounting policy and the methodology applied for calculating the recoverable amount, how they comply with IFRS requirements.

We received the recoverable amount calculations. We have checked the reliability of the data and management's assumptions used in the forecasts.

Other Information
The other information comprises the information included in the Company's annual report of 2020 year, 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.

Other matters

Company's financial statements as at December 31, 2019, was audited by another auditor, who expressed the unmodified opinion about the company's financial statements on March 12, 2020.

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

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

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

Report on other legal and regulatory requirements
Other requirements for the auditor's report under Regulation (EU) No 182/2011 of the European Parliament and of the council 537/2014.

In accordance with the decision made by shareholders on 4 May 2020 we have been chosen to carry out the audit of the Company's financial statements. Our appointment to carry out the audit of Company's 2020 year of financial statements.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

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

Certified auditor
Darius Gliaubicas
Auditor's certificate No. 000594
16 March, 2021
Vilnius, the Republic of Lithuania

Grant Thornton Baltic UAB
Audit firm certificate No. 001502

This is a free translation into English of the Statutory Auditor's report issued in Lithuanian language

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The analysis of the year 2020 financial statements and operating activities

2020 was a year marking a significant milestone in the AB Fjord Bank´s (the Bank) history. Following securing a banking license at the end of 2019, the next target was to finalize all the ongoing technical and administrational preparations during the first and second quarter of 2020 and launch the banking services in the Lithuanian market.

In February, 2020 the Supervisory Board elected the new Management Board and in March the General Meeting of Shareholders prolonged the mandate of the Supervisory Board. The General Meeting of Shareholders also adopted a new version of the Bank´s Articles of Association, necessary for providing banking services.

2020 was a year of uncertainty unlike any other in recent memory. It was no different for the financial industry. The biggest uncertainty was Covid-19. The unexpected Covid-19 pandemic influenced the Bank´s plans somewhat and made us launch the services a few months later than initially targeted. However, the Lithuanian economy performed exceptionally well, supported by both strong credit quality and customer demand. This gave the Bank the confidence to launch its services – consumer loans and fixed-term deposits – in the third quarter of the year. The Bank focuses on the current development stage to the Lithuanian market and serves only private individuals. The Bank offers to its customers two types of products – consumer loans and fixed-term deposits.

The Bank is a full-digital service provider, which means that customer onboarding, product processing, and other functions are carried out in a fast manner and as automatically as possible. Automatization enables the Bank to maintain an efficient, viable, and cost-effective structure. The Bank does not have any representative offices and serves its customers in digital channels via the internet homepage www.fjordbank.lt.

Another significant event of the year was entering the investment and share purchase agreement with Opera Financial Technologies Limited, belonging to the Opera group (hereinafter together as Opera). Opera is one of the world´s leading browser providers, seeking to expand its offer in the personal finance area. Opera acquired the Bank´s newly issued shares representing 9,9% of the share capital. The capital increase transaction was completed in January, 2021 and is disclosed as the event after the reporting date (Note 20). According to the agreement, Opera also intends to acquire the remaining shares of the Bank (subject to prior regulatory approval). As of the date, the process has not been completed yet. After the full acquisition, the Bank is expected to continue operating as a specialized consumer finance bank and complement Opera´s fintech area operations.

The short-term priority of the Bank in the Year 2020 was to test the market, operational capacity, and the functionality of the IT systems. The Bank intends to increase the business volumes in both product segments significantly during 2021. By spring 2020, the Bank fully developed an IT platform for providing banking services and implemented connections with necessary registries and databases, as well as other service providers. These investments are recognized in the statement of financial position as intangible assets.

In 2020, the average number of employees was 12, in 2019 - 7 employees. The wage costs accounted for 59% of total administrative costs (54% in 2019).

From the accounting point of view, the Bank has not carried out any activities classified as research & development**.**

Subsidiaries

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

Information about the share capital

As of December 31, 2020, the Bank'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. All the issued shares provide equal rights for the shareholders.

On January 4, 2021, an amended version of the Articles of Association was registered within the Register of Legal Entities, reflecting the May 4, 2020 decision of the Extraordinary General Meeting of the Shareholders to increase the Bank’s share capital by issuing new shares. Detailed information is presented in the note regarding the share capital and share premium (Note 17). The Bank did not acquire and did not hold (or transfer) any of its shares.

Management Bodies

The management bodies of the Bank are the following: General Meeting of Shareholders, Supervisory Board, Management Board, and Head of Administration (Chief Executive Officer).

The General Meeting of Shareholders

The General Meeting of Shareholders is the highest body of the Bank that reviews and approves the annual accounts (including allocation of profit and distribution of dividends), decides on amending the Articles of Association, elects the members of the Supervisory Board, and decides other questions given by the laws and Articles of Association.

The Supervisory Board

The Supervisory Board carries out the function of supervision over the Bank´s activities. The Supervisory Board consists of 6 members, who are elected by the General Meeting of Shareholders for 3 years period. The main tasks of the Supervisory Board include electing and recalling of the Members of the Management Board, monitoring the Bank’s business activities and their compliance with the law, the Articles of Association and the decisions of its shareholders, supervising over the activities of the Management Board, approve transactions between the Bank and members of the Management Board, the Bank‘s auditors or related persons, examine and approve the Bank’s annual accounts before submitting to the General Meeting of Shareholders and other questions given by the laws and Articles of Association. The current members of the Supervisory Board are the following:

Mr. Olav Haugland is the Chairman of the Supervisory Board, holding 6.07% ownership in the Bank through Skalmen AS.

Mr. Svein Øvrebø is a Member of the Supervisory Board, holding 9.2% ownership in the Bank through Hema Group AS.

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 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
CEO and Chairman	Svemo AS	Private limited liability company	923479406	Norway
Chairman	Digtective Holding AS	Private limited liability company	919825596	Norway
Chairman	Rønvik Bodø Holding AS	Private limited liability company	919808683	Norway
Chairman	Mørkvedveien 98 AS	Private limited liability company	917747784	Norway
Chairman	Suya AS	Private limited liability company	919922087	Norway
Chairman	Øysteins gate 8 AS	Private limited liability company	816449952	Norway
Chairman	Mørkvedveien 98 Bodø AS	Private limited liability company	917747792	Norway
Chairman	Øysteins gate 8 Harstad AS	Private limited liability company	916393148	Norway
Chairman	Bjørnfjell AS	Private limited liability company	965696369	Norway
Board member	Wedding AS	Private limited liability company	922556601	Norway

Mr. Aaron Michael McParlan is a Member of the Supervisory Board and the Director of Opera Financial Technologies Limited (9,9% shareholder of the Bank). Mr. McParlan is also acting as the General Counsel of Opera Limited.

Mr. Aaron Michael McParlan is participating in the following companies' management bodies:

Position	Company name	Form of company	Registration No.	Country
Director	Opera Unite HK Limited	Corporation	2878318	Hong Kong
Director	Yoyo Games Limited	Corporation	05260718	United Kingdom
Director	Opera Lifestyle	Corporation	MC-353418	Cayman
Director	Opera Lifestyle Nigeria Limited	Corporation	RC 1612796	Nigeria
Director	OList Homes Limited	Corporation	RC 1651894	Nigeria
Director	Opera Financial Technologies Limited	Corporation	12334478	United Kingdom
Director	P2C International Limited	Corporation	10448866	United Kingdom
Director and Company Secretary	OneSpot Technology Investment Limited	Corporation	619761	Ireland

Mr. Martin Hagen is a Member of the Supervisory Board, holding 6.03% ownership in the Bank through First Partner Holding AS.

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 a Member of the Supervisory Board, holding 7% ownership in the Bank through Stranden Invest AS.

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
Board Member	Croatian Devlopment II AS	Private limited liability company	991608982	Norway
Board Member	Bafo Holding AS	Private limited liability company	990355282	Norway

Mr. Sven Tore Kaasa is a Member of the Supervisory Board, holding 2.74% ownership in the Bank through Lenani AS.

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

The Management Board

The Management Board is a collegial management body elected by the Supervisory Board of the Bank. The Management Board shall be elected for 3 years. The Management Board is responsible for, among other things, supervising the general and day-to-day management of the Bank´s business, ensuring proper organization of the business, preparing plans and budgets for the activities, ensuring that activities, accounts, and asset management are subject to adequate controls, representing the Bank's interests and bears the liability for the performance of financial services according to law. The current members of the Management Board are:

Mr. Veiko Kandla is the Chairman of the Management Board and Head of Administration (CEO), holding 0.27% ownership in the Bank as a private person. Mr. Veiko Kandla is the CEO of the private limited liability company Tailwind OÜ (registration No. 12929072, Estonia).

Mr. Danas Juzėnas is a Member of the Management Board and Deputy Head of Administration, holding no ownership in the Bank and not participating in other companies' management bodies.

Mr. Mindaugas Varnas is a Member of the Management Board, holding no ownership in the Bank. Mr. Mindaugas Varnas is the CEO of the private limited liability company UAB Vulon (registration No. 110803429, Lithuania).

The Head of Administration (Chief Executive Officer)

The Head of Administration (CEO) is a single-person management body of the Bank. The Head of Administration (CEO) is elected and dismissed from office by the Management Board. The Head of Administration (CEO) organizes daily activities of the Bank, leads and operates the business of the Bank, hires and dismisses employees, concludes and terminates employment contracts therewith, and performs other functions.

Mr. Veiko Kandla is appointed as the Head of administration (CEO) of the Bank and **Mr. Danas Juzenas** as the Deputy Head of Administration of the Bank.

Committees of the Bank

The Bank has established three committees - the Audit Committee, the Credit Committee, and the Crisis Management Committee.

The Audit Committee is established by the Supervisory Board to assist the fulfillment of the supervisory function of the Bank. The Audit Committee consists of three members, who are simultaneously the members of the Supervisory Board: Mr. Svein Øvrebø, Mr. Sven Tore Kaasa, and Mr. Olav Haugland (Chairman).

The Credit Committee is established by the Management Board of the Bank to support the management of the credit risk as one of the key risks in the Bank. The Credit Committee is, among other issues, handling non-standard loan projects, assessing the necessity to amend and improve regulations regarding issuing, managing, and collecting loans and propose relevant changes.

The Crisis Management Committee is established by the Management Board of the Bank to strengthen the organization's ability to restore financial and economic viability when the Bank falls into crisis or emergency. The composition of the Committee is organized in such a way to make sure that specific business know-how related to safety, business continuity, or recovery from an emergency, internal and external communication expertise of the Bank are available.

Financial risk management

The Bank'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 Bank. When identifying and measuring or assessing risks, the Bank develop appropriate methodologies, including both forward-looking and backward-looking tools. The framework includes the assessment of the actual risk profile against the Bank'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 Bank's risk capacity. The Bank's risk management framework covers both essential and unavoidable risks.

The Bank’s financial risk goals as well as risk management, significance, and nature are disclosed in the explanatory note of financial statements under the risk management section (Note 1). In addition, a more detailed overview of the risks is included in the Risk Management and Capital Adequacy Report, available on the Bank’s homepage www.fjordbank.lt.

Covid-19 pandemic impact evaluation

Although the launch of the banking activities was somewhat delayed due to an unexpected Covid-19 pandemic, the following influence has remained rather limited.

As the Bank positions itself as a fully digital financial services provider, the Bank can easily establish and manage customer relationships online without having any physical contacts. The same also applies to the organization of the work processes - the Bank has been able to easily switch to partly or full-scale remote work.

The Bank has implemented additional measures to ensure sound credit quality. Such measures include, for example, closer monitoring of influenced employment sectors, a higher share of manually controlled credit decisions, and higher entry-level requirements. The Bank is easily able to monitor the overall macroeconomic situation and accelerate further growth based on that. Additionally, a potential moderate decline in general market demand would not affect the Bank's current activities.

The Bank’s existing loan portfolio is very small, which also means that potential deterioration of the payment behavior does not affect the financial situation of the Bank in a material way. This is also supported by the fact that the Lithuanian economy has had one of the strongest recoveries in Europe and the private sector payment discipline has remained on a strong level. Meanwhile, the Bank can focus on issuing loans and apply various protective measures to ensure sound credit quality. Lithuania has revealed a range of stimulus measures which are helping both consumers and companies to cope with the influence of the pandemic. To support affected customers and restore their ability to pay, the Bank is also able to offer to its customer’s restructuring of loans.

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 Bank since the end of the last reporting period

There were no subsequent material events after the statement of financial position date, except those disclosed in the Explanatory Note 20 of the financial statements.

Veiko Kandla
CEO

March 16, 2021

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes no.	2020	2019
ASSETS			
Cash and cash equivalents	**8**	2 979 617	2 791 600
Loans to customers	**9**	54 145	-
Intangible assets	**10**	825 146	447 337
Tangible assets	**11, 12**	290 347	323 061
Deferred tax assets	**13**	330 097	155 727
Other assets	**14**	19 988	10 558
Total assets:		**4 499 340**	**3 728 283**

LIABILITIES			
Deposits from customers	**15**	1 016 503	-
Other liabilities	**16**	380 943	398 770
Total liabilities:		**1 397 446**	**398 770**
EQUITY			
Capital	**17**	1 183 959	1 183 959
Share premium account	**17**	3 067 868	3 067 868
Paid capital under registration	**17, 20**	769 169	-
Retained earnings (loss)	**17**	(1 919 102)	(922 314)
Total Equity:		**3 101 894**	**3 329 513**
Total liabilities and equity:		**4 499 340**	**3 728 283**

The accompanying notes on pages 16-40 are an integral part of these financial statements.

The financial statements were prepared on March 16th, 2021 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (EXPENSES)

FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes no.	2020	2019 Corrected
Interest income	**2**	1 954	-
Interest expense	**2**	(17 472)	(1 379)
Net interest income (expenses)		**(15 518)**	**(1 379)**
Fee income	**3**	353	-
Net fee and commission income (expenses)		**353**	-
Realized gain (loss) from sold investments valued at fair value	**4**	-	49 069
Income (expenses) from investment and financial activities	**4**	(631)	35 106
Other operating income (expenses)	**5**	38 956	2 937
OPERATING PROFIT (LOSS)		**23 160**	**85 733**
Personnel expenses	**6**	(593 855)	(312 241)
Administration expenses	**7**	(417 204)	(266 902)
Depreciation and amortization	**10-12**	(181 364)	(9 074)
PROFIT (LOSS) BEFORE IMPAIRMENT LOSSES		**(1 169 263)**	**(502 484)**
Impairment losses on loans	**9**	(1 895)	-
PROFIT (LOSS) BEFORE TAXES		**(1 171 158)**	**(502 484)**
Income tax	**13**	174 370	73 309
NET PROFIT (LOSS)		**(996 788)**	**(429 175)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**(996 788)**	**(429 175)**
Profit (loss) per share attributed to the shareholders		(0,03)	(0,01)

The accompanying notes on pages 16-40 are an integral part of these financial statements.

The financial statements were prepared on March 16th, 2021 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes no.	Share capital	Share premium	Mandatory reserve	Paid capital under registration	Retained earnings (losses)	Total Equity
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**
Profit (loss) for the year						(996 788)	(996 788)
Other comprehensive income							-
Total comprehensive income (expenses)						(996 788)	(996 788)
Share capital increase	**17, 20**				769 169		769 169
Balance at December 31, 2020		**1 183 959**	**3 067 868**		**769 169**	**(1 919 102)**	**3 101 894**

The accompanying notes on pages 16-40 are an integral part of these financial statements.

The financial statements were prepared on March 16th, 2021 by:

Veiko Kandla	Asta Guleckienė
CEO	Chief Accountant
/signed digitally/	/signed digitally/

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

Article	2020	2019 Corrected
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss)	(996 788)	(429 175)
Adjustments:		
Depreciation and amortization	181 364	9 074
Decrease (increase) in deferred income tax	(174 370)	(73 309)
Impairment loss on loans	1 895	
The net result from investments valued at fair value	-	(49 069)
Realized forex exchange result	632	(38 011)
Loss (profit) from the sale of fixed assets	-	186
Other adjusments	(27 375)	(5 189)
Changes in:		
Decrease (increase) in other short-term assets	(9 430)	(4 030)
Decrease (increase) in right of use asset	(27 957)	-
Decrease (increase) in loans to customers	(56 039)	-
Increase (decrease) in deposits from customers	1 016 503	-
Increase (decrease) in liabilities related to employment relations	28 047	14 824
Increase (decrease) in other liabilities	(7 048)	50 130
Net cash flow from operating activities	**(70 566)**	**(524 569)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of tangible fixed assets	(4 602)	(8 764)
Proceeds from the sale of tangible fixed assets	-	410
Proceeds from the sale of investments valued at fair value	-	3 599 090
Acquisition of intangible fixed assets	(492 433)	(333 563)
Other cash flow from investing activities	(1 467)	(11 281)
Net cash flows from investing activities	**(498 502)**	**3 245 892**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net income from rent activities	(11 452)	(1 379)
Issue of shares	769 169	-
Net cash flows from financing activities	**757 717**	**(1 379)**
Result of foreign exchange	**(632)**	**38 011**
Net increase in cash and cash equivalents	**188 017**	**2 757 955**
Cash and cash equivalents at the beginning of the year	**2 791 600**	**33 645**
Cash and cash equivalents at the end of the year	**2 979 617**	**2 791 600**

The accompanying notes on pages 16-40 are an integral part of these financial statements.

The financial statements were prepared on February 16th, 2021 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

I. GENERAL PART

The Bank was registered as a public company in the Enterprise Register of the Republic of Lithuania on March 28th, 2017; the Bank's code is 304493038. The Bank is registered at Rinktinės str. 5, Vilnius. The Bank was granted a specialized bank license by the European Central Bank on December 10th, 2019. The relevant changes of the Article of Association were registered in the Register of Legal Entities on 15th April 2020. The Bank launched its services in the second half of 2020. The Bank is offering unsecured consumer loans and fixed-term deposits through digital channels for private people residing in Lithuania.

The Bank's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements based ongoing concern basis assumptions. The Bank does not hold any own shares. The Bank has no subsidiaries or associated companies or branches. In 2020, the average number of employees was 12, in 2019 - 7 employees.

II. ACCOUNTING POLICY

Statement of compliance

The financial statements of the Bank are prepared following 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 March 16th, 2021. The financial statements are prepared following 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 recognized in the profit or loss.

Fixed assets

Intangible assets

Intangible assets are initially measured at cost. An intangible asset is recognized 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 Bank. 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. 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 accounting principles already described apply to the accounting for additional acquisitions of intangible assets already in use. In the event of an additional increase in the value of the intangible assets used, the intangible assets are amortized on a straight-line basis over their estimated useful lives.

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 assets is the same as accounting principles of an acquired intangible asset.

Tangible assets

Long-term tangible assets are those assets whose 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 Bank 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 Bank 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 Bank recognizes financial assets and liabilities in the statement of financial position when, and only when, the Bank 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 that are directly related to purchasing 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. Transaction costs that 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 amortized cost are initially recognized at fair value plus any directly attributable transaction costs. Financial instruments measured at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss as they occur. Subsequent measurement is fair value with gains and losses recognized in the income statement.

Investments in financial assets, which are not designated at fair value through profit or loss, are measured at amortized 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 to 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 recognized 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 recognized at fair value and subsequent measurement is fair value with gains and losses recognized 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.

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 derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Bank 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 Bank 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 Bank 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 recognized to the extent of the Bank 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 Bank could be required to repay.

Impairment of financial assets

The Bank 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 Bank will not be able to collect all amounts due. Evidence of impairment is based on the 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 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 forborne (where due to the customer's financial difficulties the contractual terms of the loans have been revised and concessions are 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 recognized at amortized costs valued at fair value, except financial liabilities valued at fair value through profit or loss with gains and losses recognized in the income statement.

Financial liabilities (including loans and receivables) recognized at amortized 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 amortized cost based on the effective interest rate method.

Financial liabilities are valued at fair value through profit as following: 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 the business merger.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 recognized 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 cash flow statement, cash and cash equivalents comprise the cash in the bank's account balances.

Share capital and reserves

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

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

According to Law on Companies of the Republic of Lithuania, the mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of the 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 Bank 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.

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 reliably,
- It is probable that the economic benefits associated with the transaction will flow to the enterprise.

The Bank's revenues from main operations are attributed to the interest income and from specialized bank services. Interest income is recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Fee and commission income is recognized on an accrual basis when the service is provided and is allocated over the life of the financial instrument. Such income includes a monthly loan administration fee. Late payment fees are recognized when the payment is received from the customer.

Income from the financial activity is comprised of changes in the fair value of financial instruments. 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 a 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 in accounting in accordance with the principles of accrual and comparison. Interest expense is recognized using the effective interest method. Fees and commissions are recognized when the service is provided.

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 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 the 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 fulfillment 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 Bank 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 Bank'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 Bank calculates depreciation; in addition, the Bank also recognizes finance expenses related to the financial 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 Bank, 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 recognized as expenses on a straight-line basis over the lease term and included in 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 of the date of preparation of the financial statements. Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15% on taxable income since January 1st, 2010.

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

The losses can be used to reduce the taxable income earned during the reporting year by a maximum of 70%.

Deferred income tax

Deferred tax assets have been recognized in the statement of financial position to the extent the management believes they will be realized 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 realized, this part of the deferred tax asset is not recognized 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 recognized to the extent it is likely on each closing day that they can be utilized. As a result, a previously unrecognized deferred tax asset is recognized 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 utilized, then deferred tax assets are reduced accordingly.

Deferred income tax liabilities are generally recognized for all temporary taxable differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which temporary deductible differences can be utilized. Such assets and liabilities are not recognized 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 realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only if the Bank 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 Bank‵s accounting registers for the last five years before the reporting period, and also can calculate and apply additional taxes and sanctions for the Bank. The management of the Bank has no information about the events and conditions which can result in significant additional tax expenses or liabilities for the Bank.

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 Bank'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 Bank if the person:

- i. Has control or jointly control of the Bank
- ii. Can exercise a significant influence over the Bank
- iii. Is the member of the management personnel of the Bank or a parent of the Bank

b. An entity is related to the Bank if any of the following conditions are met:

- i. An entity and the Bank 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 Bank or an entity related to the Bank. If the Company is itself such a plan, the sponsoring employers are also related to the Bank
- 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.

Reclassification

In order to improve the accuracy of the figures presented in the financial statements, the 2019 figures have been reclassified to certain items in the profit (loss) statement. This reclassification did not affect the Bank's net profit (loss) for the Year 2019. Information on how the reclassified figures have been presented is given in the table below:

Profit (loss) statement items	2019 value before the reclassification	Reclassification value	2019 value after the reclassification
Interest expenses	-	(1 379)	(1 379)
Income (expenses) from investment and financial activities	33 727	1 379	35 106
Other operating income (expenses)	(467)	3 404	2 937
Depreciation and amortization	(5 670)	(3 404)	(9 074)

Statement of cash flow items	2019 value before the reclassification	Reclassification value	2019 value after the reclassification
Depreciation and amortization	5 670	3 404	9 074
Other adjustments	(1 785)	(3 404)	(5 189)
Net increase in cash and cash equivalents	2 719 943	38 012	2 757 955

The use of assessments and decisions in the financial statements

In the preparation of the financial statements following IFRS that have been adopted for use in the European Union, the management, based on certain assumptions, has to evaluate factors that 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 regularly.

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 the evaluation or if there is 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.

Significant accounting estimates

According to the IFRS, many of the financial indicators in the report are based on accounting-related management estimates, which have an impact on the value of the assets and liabilities presented in the financial statements and on the income and expenses. Although these estimates are based on the best knowledge of the management and conclusions from ongoing events, the actual result may not coincide with them in the end and may differ significantly from these estimates. The management consistently reviews such decisions and estimates, including the ones that influence the fair value of financial instruments, other and deferred assets.

The measurement of the expected credit loss allowance for loans measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and customer behavior. The inputs, assumptions, and estimation techniques used in measuring expected credit loss are described in detail in the part "Accounting policy". Several significant judgments are also required in applying the accounting requirements of the determining criteria for the significant increase in credit risk, choosing appropriate assumptions for the measurement of expected credit loss, and establishing the number and relative weightings of forward-looking scenarios.

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

Application of the Conceptual Framework to International Financial Reporting Standards (IFRSs) (issued on 29 March 2018, effective from 1 January 2020)

International Accounting Standards Board (IASB) 2018 March 29 conducted a review of the conceptual financial reporting framework. The conceptual framework provides a comprehensive set of concepts applicable to the preparation of financial statements and the issuance of standards, and provides guidance to preparers in preparing consistently applied accounting policies and assisting others in understanding and interpreting the standards. The IASB has also issued a separate accompanying document, Amendments to the References to the IFRS Conceptual Framework, which sets out amendments to related standards to update the references to the revised conceptual framework. Its purpose is to facilitate the transition to a revised conceptual framework for entities that develop accounting policies using a conceptual framework where no IFRS applies to a particular transaction. The application of the amendments did not affect the Bank's financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of "Materiality" (issued on 31 October 2018, effective from 1 January 2020).

The amendments will harmonize the definition of materiality when determining whether or not information has a material effect on the financial statements. The new definition states that "Information is material if its omission, misstatement or misstatement could reasonably be expected to influence the decisions that direct users of general purpose financial statements make on the basis of those financial statements. These amendments have not been and are not expected to have an impact on the Bank's financial statements in the future.

Amendment to IFRS 3 "Definition of Business" (issued on 22 October 2018, effective from 1 January 2020). The amendment will clarify the definition of a business for the purpose of helping to determine whether a transaction should be accounted for as an acquisition of an asset or a business combination. These amendments did not have an impact on the Bank's financial statements, but may have an impact on future periods if the Company makes business combinations.

IFRS 9 Financial Instruments, IAS 39 Financial Instruments. Recognition and Measurement "and IFRS 7" Financial Instruments. "Amendments: Reform of the Interest Rate Index (issued on 26 September 2019, effective from 1 January 2020).

The amendments to IFRS 9, IAS 39 and IFRS 7 complete the first phase of responding to the impact of the reform of the Interbank Offered Rates (IBOR) on financial statements. These published amendments address issues that affect the financial statements in the period before the replacement of an existing interest rate benchmark by an alternative interest rate and analyze the impact that specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 may have "Financial instruments. Recognition and measurement" when such effects require a forward-looking analysis. The amendments provide for a temporary exemption applicable to all hedging transactions that are directly affected by the interest rate benchmark reform, where such hedging continues to account for a period of uncertainty until the existing interest rate benchmark is converted to an alternative near-risk-free interest rate. Amendments have also been made to IFRS 7 Financial Instruments. Disclosure on the disclosure of additional information about the uncertainty arising from the reform of the interest rate benchmark. "Stage 2" will focus on issues that may affect the financial statements when the current interest rate benchmark is changed to a near-risk-free interest rate (RFR). The application of the amendments did not affect the Bank's financial statements.
The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.

Amendments to IFRS 16: Lease Concessions / Discounts Relating to COVID-19 (issued on 28 May 2020, effective for annual periods beginning on or after 1 July 2020). June 1 or later. Earlier application is permitted, including financial statements that are not yet authorized for issue in 2020. May 28 The IASB has amended the standard to make it easier for lessees to apply IFRS 16 on accounting for lease changes when it relates directly to lease discounts arising from the Covid-19 pandemic. This amendment provides a practical benefit to a lessee in accounting for changes in IFRS 16 as if the change was not a change in a lease when any changes in lease payments related to the Covid-19 pandemic and related discounts occur then all of the following conditions are met:

- The revised rent is substantially the same as or less than the rent immediately prior to the change.
- Any rent reduction relates only to payments that were originally due by June 30, 2021 inclusive.
- Other essential lease terms are not changed.

In the opinion of the Bank's management, the application of these amendments does not have a significant impact on the financial statements, as they have not received any significant concessions / discounts during the reporting period and are not expected to be received in subsequent reporting periods.

Standards and amendments that have been approved but are not yet effective and have not been applied in advance

New standards, amendments and interpretations that do not become effective for the reporting period beginning in 1 st January 2020 and which were not previously adopted in preparing these financial statements are set out below:

IFRS 17 Insurance Contracts (issued on 18 May 2017, effective for annual periods beginning on or after 1 January 2023, subject to endorsement by the EU).

The standard is effective for annual periods beginning on or after 1st January 2021 or later, although earlier application is permitted, provided that IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are also applied. At its meeting in March 2020, the Board decided to postpone the date of entry into force until 2023. IFRS 17 sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts. It also requires similar principles to apply to existing reinsurance contracts and investment contracts with self-participation elements. The aim is for traders to present relevant information so that those transactions are presented correctly. Based on such information, users of financial statements can evaluate the effect of such transactions on the entity's financial position, financial performance and cash flows when IFRS 17 applies. This standard will not affect the Bank's financial position or performance as the Bank does not provide insurance services.
Amendments to IFRS 17 and IFRS 4: Postponement of the Effective Date of IFRS 17 and IFRS 9 for Insurers (issued on 25 June 2020, effective from 1 January 2021, but not before approved by the EU)

The amendments to IFRS 17 are applied retrospectively for annual periods beginning on or after 2023. January 1 or for a financial year beginning later, although earlier application is permitted. The amendments are intended to assist companies in applying this standard. In particular, the amendments are designed to reduce costs by simplifying the application of some of the requirements of the standard, simplifying the interpretation of financial results and transitioning to the application of the standard by postponing its effective date to 2023 and providing an additional exemption that is available when IFRS 17 is applied for the first time.

The amendments to IFRS 4 change the expiration date of the temporary exemption from IFRS 9 Financial Instruments in IFRS 4 Insurance Contracts, after which the Bank would be required to apply IFRS 9 in 2023. January 1 or for a subsequent financial year.

Management has estimated that the application of these amendments will not have any impact on the Bank's financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current ”(issued on 23 January 2020, effective for annual periods beginning on or after 1 January 2023, subject to endorsement by the EU).

The amendments seek to promote consistent application by assisting companies in deciding whether debts and other liabilities with indefinite settlement dates should be classified as current or non-current in the statement of financial position. The amendments affect the presentation of liabilities in the statement of financial position and do not change the applicable requirements regarding the measurement or recognition of assets, liabilities, income or expenses, or the information that entities disclose about those items. The amendments also clarify the requirement to classify debt when an entity can settle such debt using its own equity instruments. The Bank is currently assessing the impact of this amendment on its financial statements.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to Amendments to Annual Improvements (issued on 14 May 2020, effective from 1 January 2022, but not before approval by the EU)

The amendments are effective for annual periods beginning on or after 1st January 2022 or later, allowing them to be applied earlier. The IASB has issued amendments to narrow IFRSs:

• IFRS 3 Business Combinations (Amendments) updates the reference in IFRS 3 to the Conceptual Financial Reporting Framework without changing the accounting requirements for business combinations.

• IAS 16, property, plant and equipment (amendments), prohibits an entity from deducting from the cost of an item of property, plant and equipment the proceeds from the sale of an asset while the entity prepares the asset for its intended use. Instead, the enterprise will recognize such revenue and related expenses in the income statement.

• IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (amendments) specifies the costs that an entity includes in determining contract costs to determine whether a contract is onerous.
• The annual improvements make minor amendments to the interpretative examples in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and IFRS 16 Leases.

Management is currently assessing the impact of these amendments on the Bank's financial statements.

IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures: Sales of Assets or Contributions between an Investor and His Associate or Joint Venture" (amended) (issued on 11 September 2014, no effective date)

The amendments address a recognized inconsistency between the requirements of IFRS 10 and IAS 28 in relation to the sale of assets or contributions between an investor and its associate or joint venture. The main consequence of the amendments is that any gain or loss is recognized when the transaction involves a transfer of a business (whether or not it is developed in a subsidiary). Part of the gain or loss is recognized when the transaction involves an asset that does not meet the definition of a business, even if that asset belongs to a subsidiary. 2015 December. The IASB has postponed the effective date indefinitely, depending on the results of the equity accounting research project. Management estimates that the application of these amendments will not have a material impact on the Bank's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Index Reform (issued on 28 August 2020, effective from 1 January 2021 and to be applied retrospectively)

The amendments to IFRS 9, IAS 39 and IFRS 7 complete the second phase, which addresses issues that may affect the financial statements when an existing interest rate benchmark is converted to a near-risk-free interest rate (RFR). The amendments will not affect the Bank's financial statements.

The Bank 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 Risk management

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

The most important types of risk the Bank is exposed to are Credit risk, Liquidity risk, Market risk, and Operational risk. This Note to the financial statements includes information about the impact of the risks on the Bank, its objectives, policy, and processes related to the risk assessment and management, also the information about 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 Bank is designed to identify and analyze the risks that the Bank faces, the implementation and the supervision of the respective limits and controls. The risk management policy and the risk management systems are revised regularly to reflect the developments in the market conditions and the operations in the Bank. The Bank seeks to develop a disciplinary and constructive risk management policy where all employees are aware of their functions and obligations.

The Bank's risk management is built on the concept of three lines of role: First Line of Role – refers to all risk management activities carried out by the business operations and its support functions; Second Line of Role – refers to the Risk Management Function and Compliance Functions which are governed by and report to the CEO, and the Third Line of Role – refers to the Internal Audit Function which is governed by and reports to the Supervisory Board.

A more detailed overview of the risks is included in the Risk Management and Capital Adequacy Report, available on the Bank's homepage www.fjordbank.lt.

Credit risk

Credit risk means the risk for the Bank to incur losses due to the customers' failure to fulfill their financial obligations towards the Bank. The Bank is using several 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 Bank does not grant any guarantees in respect of the obligations of other parties.

The largest credit risk is represented by the carrying value of each unit of financial assets in the statement of the financial position. As a result, the Bank'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.

Loans to customers

The core business of the Bank is to provide unsecured consumer credits for private persons residing in Lithuania. In accessing the customer's credit quality behavior, the Bank is accessing previous payment history, income, and obligations and other relevant factors. Allocation of the loan receivables from customers in areas by overdue days are presented in the following table.

As of December 31, 2020:

Distribution of loans by overdue days	Gross loans	Expected Credit Losses (ECL)			Net loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3		
Not overdue	51 951	(1 694)	-	-	50 257	3.3%
0-30 days	4 088	(201)	-	-	3 888	4.9%
31-89 days	-	-	-	-	-	-
90 days and more	-	-	-	-	-	-
Total loans to customers	**56 039**	**(1 895)**	**-**	**-**	**54 145**	**3.4%**

No changes between the stages have been observed during the financial year.

Calculation of the loan impairment

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 expected credit losses 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 objective evidence of a loss event on the balance sheet date.

At the end of each reporting date, the significant increase in the credit risk is assumed to occur at 30 days past due from the initial recognition of the loan. The loan at default is considered then a loan is past due 90 days and more or the borrower meets unlikely to pay criteria including the significant difficulty of the borrower, bankruptcy, decease, court proceeding, and other unlikely to pay criteria.

The expected credit losses model as well incorporates the future forecasted economic developments. For the macroenvironment estimation, the Bank uses three scenarios with forward-looking information: baseline scenario (most probable and relevant), upside scenario, and downside scenario. As of the end of 2020, the baseline scenario was estimated with a likelihood of 60%, downside scenario with a likelihood of 25%, and upside scenario with a likelihood of 15%. The expected credit loss model's necessary parameters as the probability of default, loss given default, and exposure at default for the calculation of allowances are based on the historical data from risk scoring service providers and the management estimations. Allowances for the loans to customers are calculated on an individual level depending on the probability of default.

The Bank has adopted a strategy for the debt collection activities.

Cash balances at the central bank and commercial banks

The Bank's cash balances are held with the central bank and commercial banks counterparties and the management estimates such exposures as at low credit risk. The unrated counterparty includes a commercial bank – a subsidiary of the Scandinavian bank that has assigned credit rating to the parent bank but the credit rating is missing for the subsidiary bank. All cash balances are payable under demand.

The following table discloses the Bank's cash balance exposures by credit ratings:

Items	2020	2019
Cash balance at the central bank	1 834 162	-
Cash balance at commercial no rated bank but with assigned credit rating to the parent bank	1 142 573	2 791 059
Cash balance at the commercial bank with P – 2 rating for short-term funding by Moody's Investors Service	2 882	541
Total	**2 979 617**	**2 791 600**

Due to the cash balances are payable on demand no allowance of the cash balances from central bank and credit institutions has been recognized in the statement of financial position.

The Bank didn't hold collateral and other credit enhancements against certain of its credit exposures and has no of the collateral arrangements relating to derivatives, repurchase, and reverse repurchase agreements.

Liquidity risk

The liquidity risk means the risk that the Bank 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 crises may result in a delay of incoming payments). For liquidity risk management, the Bank's policy is to maintain sufficient cash and cash equivalents enabling the Bank to fulfill its obligations under ordinary or complex conditions without incurring unacceptable loss or risk to the Bank's reputation.

The following table discloses the Bank's largest liquidity risk exposures irrespective of the security measures according to the contractual flow:

As of December 31, 2020:

Items	Contractual cash flows					
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Not distributed
Assets						
Cash and cash equivalents	2 979 617	2 979 617	-	-	-	-
Loans to customers	56 039	-	4 041	10 653	41 232	113
Right of use asset	189 290	-	11 269	33 806	144 125	-
Other receivables	19 988	-	19 086	818	84	-
Balance at December 31, 2020	**3 244 934**	**2 979 617**	**34 396**	**45 277**	**185 531**	**113**
Liabilities						
Deposits from customers	1 016 504	-	-	412 886	603 618	-
Rent liabilities	261 702	-	15 889	48 317	197 496	-
Payables to service providers	66 778	-	66 778	-	-	-
Other current liabilities	52 462	38 578	13 884	-	-	-
Balance at December 31, 2020	**1 397 446**	**38 578**	**96 551**	**461 203**	**801 114**	**-**

As of December 31, 2019:

Items	**Contractual cash flows**					
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Not distributed
Assets						
Cash and cash equivalents	2 791 600	2 791 600	-	-	-	-
Right of use assets	159 048	-	11 563	21 890	125 595	-
Other receivables	10 558	-	9 594	864	100	-
Balance at December 31, 2019	**2 961 206**	**2 791 600**	**21 157**	**22 754**	**125 695**	**-**
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**	**-**

Banks must hold sufficient liquid assets to be able to cover net cash outflows under gravely stressed conditions within 30 days. The value of the liquidity coverage ratio (LCR) must not be below 100 percent, i.e., a credit institution's reserves of liquid assets must not be lower than net cash outflows over 30 calendar days under gravely stressed conditions.

As of December 31, 2020 the Bank's liquidity coverage ratio was 7213%. A more detailed overview of the liquidity requirements is included in the Risk Management and Capital Adequacy Report, available on the Bank's homepage www.fjordbank.lt.

Market risk

Market risk is the risk that the Bank'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 market risk management is to manage the open risk exposures to maximize the return. The Bank was involved in the management of the interest rate risk only, as through the financial year no investments in to equity price related financial instruments were done and all monetary assets and liabilities were held in Euros.

Interest rate risk

As of December 31, 2020, the Bank did not have any derivatives with the purpose of managing interest rate risk. The Bank's interest rate gap position is related to the interest rates on a banking book portfolio. As of 31 December 2020, a 2 percentage point increase in market interest rates would increase the Bank's equity by +42 thousand Eur and the annual profit by +57 thousand Eur, and a 2 percentage point decrease in market interest rates would affect the Bank's equity by +45 thousand Eur and the annual profit by +57 thousand EUR.

Foreign exchange risk

The Bank's risk management policy includes the requirement to match the cash flows from the highly probable future transactions in each foreign currency. The Bank did not use any financial instruments or derivatives to manage the foreign exchange risk.

The Bank's monetary assets and monetary liabilities as of December 31 2020 and 2019 were in EUR currency as follows:

	2020		**2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	2 979 617	353 794	2 791 600	353 794
Other currencies	-	-	-	-
Total:	**2 979 617**	**353 794**	**2 791 600**	**353 794**

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or external events. Within the Bank, operational risk management focuses on risks arising from the people, systems, and processes through which the Bank operates. It also includes other classes of risk, such as fraud, legal risks, physical or environmental risks.

In addition to calculating the capital requirement for operational risk based on the standard method, it will be assessed whether the Bank's use of outsourcing requires additional Pillars 2 requirements. The Bank uses the base method to calculate the minimum required capital need for operational risk. The calculation of the operational risk is part of the ICAAP-process as well. The risk appetite, risk tolerance, and early warning limit for operational risk are implemented accordingly.

Regulatory Capital

The Bank must comply with prudential regulatory requirements and ensure the Bank‘s ability to comply with the capital adequacy requirements and ensure the ability to maintain the optimal capital level to ensure the investment portfolio growth and protect against possible risks.

The Bank must satisfy the own funds' requirements including a Common Equity Tier 1 capital ratio of 4.5 percent, a Tier 1 capital ratio of 6 percent and a total capital ratio of 8 percent. In addition to the capital requirement, to which the ratio of 8 percent is further applied, banks must meet additional capital buffer requirements, such as a capital conservation buffer of 2.5 percent and institution’s special countercyclical capital buffer requirement. At the report preparation date, according the Bank of Lithuania decision, a special countercyclical capital buffer requirement of 0 percent is applied.

As of December 31, 2020 the Bank’s satisfied all own funds and additional capital buffer requirements and the total capital adequacy ratio was 134%. A more detailed overview on the own funds and additional capital buffer requirements is included in the Risk Management and Capital Adequacy Report, available on the Bank’s homepage www.fjordbank.lt.

The following table discloses the Bank’s regulatory capital structure as of 31st December 2020:

Items	2020
Equity as reported in the Balance sheet	3 101 894
Regulatory adjustments	1 924 412
Capital under registration	769 169
Intangible assets	825 146
Deferred tax assets	330 097
Common Equity Tier 1 capital	1 177 482
Tier 1 capital	1 177 482
Total regulatory capital	**1 177 482**
Regulatory capital taking in to account the Capital under registration	**1 946 651**

On 4th January, the Bank’s capital increase was registered within the Register of Legal Entities (Note 20).

The capital planning process is an interlinked process to make sure the Bank fulfills its strategic, operational, and financial objectives. A sound risk culture contributes to maintaining a proper capital structure and support the Bank’s business plans.

Note 2 Net interest income (expenses)

Items	2020	2019
Interest income		
Loans to households	1 954	-
Total interest income:	**1 954**	**-**
Interest expenses		
Deposits received	(4 055)	-
Lease liability	(7 397)	(1 379)
Interest expense on assets	(6 020)	-
Total interest expense:	**(17 472)**	**(1 379)**

Net interest income (expense)	**(15 518)**	**(1 379)**

The interest expense on assets represents the interest expenses that the Bank charged on the cash balances according to the negative interest rate environment. An interest rate level for such charge is set by ECB for deposit facility operations.

Note 3 Net fee and commission income

Items	2020	2019
Fee income		
Loans to households	353	-
Total fee and commission income (expense):	**353**	**-**

The fee income on loans to households is related to the administration fee paid for the loan maintenance.

Note 4 Realized profit (loss) from investments valued through profit (loss) and other financial activity income and expenses

Items	2020	2019
Gain (loss) from the sale of investments at fair value	-	49 069
Realized profit (loss) from investments valued at fair value:	**-**	**49 069**
Losses related to investments changes in foreign exchange	-	(41 694)
Other operating gain related to exchange in the currency	(631)	79 705
Asset management fees & expenses	-	(2 905)
Total financial activity income (expenses):	**(631)**	**35 106**

During the Year 2019 the Bank had investments in Norway‘s private investment fund KLP Kapitalforvaltning AS. 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	
	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		
Sold during the reporting period	(35 461,73)	(3 554 491)
Gains from sold investments		49 069
Losses related to foreign exchange		(41 694)
Related management & commission fee		(2 905)
Trade and other receivables at the end of the reporting year (fair value)	-	-

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 unobservable inputs. These techniques are generally based on extrapolating from observable inputs for similar instruments, analyzing historical data, or other analytical techniques

The Bank's investments in foreign investment fund KLP Kapitalforvaltning AS was valued at fair value through profit (loss) statement (Level 1).

Note 5 Other operating income (expenses)

Items	2020	2019
Income from the sub-rent of the right of use asset	38 956	3 124
The result of the sale of the tangible asset	-	(187)
Total other income (expenses):	**38 956**	**2 937**

Note 6 Personnel expenses

Items	2020	2019
Salary and related paid taxes	550 032	296 956
Bonuses	23 205	-
Vacation accruals	19 593	15 285
Other personnel related expenses	1 025	-
Total personnel expenses	**593 855**	**312 241**

Note 7 Administrative expenses

Items	2020	2019
Consultation expenses	149 601	85 803
IT and communication expenses	96 710	56 881
Legal services	36 736	12 697
Marketing and public relations expenses	28 941	1 773
Registers maintenance expenses	27 822	-
Tax expenses	14 360	15 287
Business trips expenses	14 129	28 049
Office rent and maintenance expenses	13 495	22 151
Financial audit expenses	9 680	4 840
Insurance expenses	6 595	3 400
Bank, securities and supervision fees expenses	6 131	12 712
Accounting expenses	3 473	4 940
Other expenses	9 531	18 369
Total administrative expenses	**417 204**	**266 902**

Note 8 Cash and cash equivalents

Items	2020	2019
Cash balances in the central bank	1 834 162	-
Cash balances in commercial banks	1 145 455	2 791 600
Total:	**2 979 617**	**2 791 600**

The Bank is under the regime of the mandatory 1% reserve from deposits keeping the funds in the Bank of Lithuania. At the reporting date, the mandatory reserve amount was below the minimum limit of such reserves.

Note 9 Loans to customers

Items	2020	2019
Loans to households	55 268	-
Accrued interest	772	-
Loan impairment	(1 895)	-
Total Loans to customers:	**54 145**	**-**

The following table shows reconciliations from the opening to the closing balance of the loan loss allowance. The basis for determining transfers due to changes in credit risk is set out in our accounting policy.

Items	2020	2019
Balance at 1st January	-	-
Increases due to origination	5 145	-
Decrease due to derecognition repayments and disposals	(1 709)	-
Changes due to update in the institution's methodology for estimation	(1 541)	-
Balance at 31st December	**1 895**	**-**

The change in methodology for estimation reflects the impact of the Bank's estimates on expected credit losses due to macroeconomic forecasts, which the Bank reviews on a regular basis based on estimates by competent authorities.

Note 10 Non-current intangible assets

Items	Built-up Banking IT platform	Specialized Banking license	Other intangible assets	Total
The acquisition cost				
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**
Acquisition of assets	486 359	-	6 074	492 433
December 31, 2020	**859 235**	**68 073**	**13 429**	**940 737**
Amortization				
December 31, 2018	**-**	**-**	**(428)**	**(428)**
Amortization during the financial year	-	-	(539)	(539)
December 31, 2019	**-**	**-**	**(967)**	**(967)**
Amortization during the financial year	(99 297)	(13 615)	(1 712)	(114 624)
December 31, 2020	**(99 297)**	**(13 615)**	**(2 679)**	**(115 591)**
Balance at December 31, 2019	**372 876**	**68 073**	**6 388**	**447 337**
Balance at December 31, 2020	**759 938**	**54 458**	**10 750**	**825 146**

During the Year 2020, all the capitalized intangible developed assets were introduced into life and are under amortization.

Note 11 The Right of use of assets

Items	The Bank'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**
Fair value increase due to investments	(11 462)	39 419	27 957
Depreciation	(29 102)	(33 525)	(62 627)
Balance at December 31, 2020	**118 965**	**145 623**	**264 588**

As of 2019 1 January, the Bank 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 based on the discounted lease payments (liabilities) over the lease term set by the rent agreement. The long-term office lease agreement is signed for 5 years. Part of the office space was subleased for the same period to an IT service partner that develops the Bank software for providing banking services. The depreciation period of these assets corresponds to the lease term of the asset. The discount rate used is 2.71%.

In 2020 the Bank made the office lease agreement amendment and increased the rented office space. All additionally rented office space was subleased for the same period to an IT service partner.

Note 12 Non-current tangible assets

Items	Equipment	Furniture	Rent of office prepayment	Total
Acquisition cost				
December 31, 2018	**2 340**	**3 104**	**-**	**5 444**
Acquisition of assets	1 671	7 988	11 282	20 941
Sale of the assets	-	(894)	-	(894)
December 31, 2019	**4 011**	**10 198**	**11 282**	**25 491**
Acquisition of assets	4 602	-	1 467	6 069
December 31, 2020	**8 613**	**10 198**	**12 749**	**31 560**
Depreciation				
December 31, 2018	**(264)**	**(129)**	-	**(393)**
Depreciation during the financial year	(965)	(626)	-	(1 591)
Sale of the assets	-	296	-	296
December 31, 2019	**(1 229)**	**(459)**	**-**	**(1 688)**
Depreciation	(2 390)	(1 723)	-	(4 113)
December 31, 2020	**(3 619)**	**(2 182)**	-	**(5 051)**
Balance at December 31, 2019	**2 782**	**9 739**	**11 282**	**23 803**
Balance at December 31, 2020	**4 994**	**8 016**	**12 749**	**25 759**

Note 13 Deferred tax assets

Items	2020	2019
Profit (loss) before taxes	**(1 171 158)**	**(502 484)**
Non-tax deductible expenses	9 030	13 039
Total amount of expenses reducing profit	(60 413)	(43 752)
Total taxable profit (loss)	**(1 222 541)**	**(533 197)**
Rate	*15 %*	*15 %*
Deferred tax income from losses	183 381	79 980
Deferred tax income from vacation accruals related to social contribution taxes	51	(108)
Deferred tax income from expenses reducing profit	(9 062)	(6 563)
Total deferred tax assets	**174 370**	**73 309**
Deferred tax assets at the beginning of the reporting year	155 727	82 418
Deferred tax assets at the end of the reporting year	330 097	155 727

Note 14 Other assets

Items	2020	2019
Deferred expenses	13 988	7 950
Prepayments	6 000	2 608
Total	**19 988**	**10 558**

Note 15 Deposits from customers

Items	2020	2019
Households' deposits	1 012 450	-
Accrued interest	4 053	-
Total	**1 016 503**	**-**

Note 16 Other liabilities

Items	2020	2019
Office rent liabilities	261 703	300 528
Liabilities to service providers	54 612	59 178
Vacation accruals	38 578	18 985
Accrued expenses	13 884	15 531
Payable taxes	12 166	4 548
Total	**380 943**	**398 770**

Note 17 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 11th, 2018	18 000 000	720 000	2 340 000
Share issue on April 15th, 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**
Balance at December 31, 2020	**29 598 982**	**1 183 959**	**3 067 868**
Share par value		0,04	
Share premium (the difference between the share issue price and nominal value)			0,20
Share issue under registration in 2020	3 252 300	130 092	639 077
Balance after the share issue registration	**32 851 282**	**1 314 051**	**3 706 945**

All shares are fully paid-up. During the Year 2020 it was additionally issued and paid 3252300 shares for EUR 769 169. The Bank has no other type of shares, only ordinary registered shares. This issue of Shares was registered in the State Enterprise Center of Registers on 4th January, 2021 upon registration of the new Articles of Association of the Bank (Note 20). After the date of registration of the Articles of Association, increases of EUR 130 092 in share capital and EUR 639 077 in share premium were accounted from the Bank's registered capital of EUR 769,169. The Bank has no other type of shares than ordinary registered shares.

The Bank's shareholders were as follows:

Shareholder	as of December 31, 2020		as of December 31, 2019	
	No of shares	Ownership, %	No of shares	Ownership, %
Opera Financial Technologies Limited (under registration, Note 20)	3 252 300	9.90%	-	-
Hema Group AS	3 021 000	9.20%	3 141 000	10.61%
NEW VENCE INVEST AS	2 395 210	7.29%	2 395 210	8.09%
Mander Investments AB	2 376 000	7.23%	2 376 000	8.03%
Stig Roar Myrseth	2 376 000	7.23%	2 256 000	7.62%
Stranden Invest AS	2 300 000	7.00%	2 300 000	7.77%
AMG Property AS	2 300 000	7.00%	2 300 000	7.77%
First Partner Holding 4 AS	1 980 000	6.03%	1 980 000	6.69%
SKALMEN AS	1 796 407	5.47%	1 796 407	6.07%
Other legal persons	7 926 758	24.13%	7 926 758	26.78%
Other private persons	3 127 607	9.52%	3 127 607	10.57%
Total	**32 851 282**	**100%**	**29 598 982**	**100%**
Legal persons	27 347 675	83.25%	24 215 375	81.81%
Private persons	5 503 607	16.75%	5 383 607	18.19%
Total	**29 598 982**	**100%**	**29 598 982**	**100%**

Mandatory reserve

As of December 31, 2020, the Bank did not have reserves that are compulsory under the Lithuanian legislation. According to Law on Companies of the Republic of Lithuania, the mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of the 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 the mandatory reserve that exceeds 10% threshold of share capital can be re-distributed when the annual profit of next year is distributed.
The management of the Bank is planning to start transferring funds to the mandatory reserve as soon as it starts operating profitably.

Profit (loss) available for distribution

Note no.	Items	Value
1	Retained earnings (loss) at the beginning of the financial year	**(922 314)**
2	Current financial year net profit (loss)	(996 788)
3	Profit (loss) for distribution (1+2)	(1 919 102)
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 the financial year (3-4-5)	**(1 919 102)**

Note 18 Contingencies

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

Note 19 Transactions with related parties

The Bank's related parties are considered to be its shareholders, employees, members of the Management and Supervisory Boards, 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 Bank, and this relation enable 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 Bank's shareholders or closely related persons:

Related parties name	Total	Receivables
Sales from Shareholders during 2020	46 670	-
Sales from Shareholders during 2019	10 133	-

Related parties name	Total	Liabilities
Acquisitions from related parties during 2020		
Shareholders	426 936	39 568
Other related parties	38 001	-
Acquisitions from related parties during 2019		
Shareholders	297 311	37 642
Other related parties	50 121	4 840

Financial relations with the Bank's Management Board: paid salary (including taxes) in 2020 amounted to EUR 283 929 (2019 – EUR 94 226).

Note 20 Subsequent events

On 4th January 2021, an amended version of the Article of Association reflecting the May 4, 2020 decision of the Extraordinary General Meeting of the Shareholders to increase the Bank's capital by issuing new shares was registered within the Register of Legal Entities. The new shares were subscribed by Opera Financial Technologies Limited. Detailed information presented in the Note 17 Share capital and share premium.

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

These financial statements were signed and approved on March 16th, 2021.

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

AB Fjord Bank
Rinktinės str. 5, Vilnius
+370 5 251 1181
info@fjordbank.lt

www.fjordbank.lt