FJORD BANK

SET OF ANNUAL FINANCIAL REPORTS

2024

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INFORMATION ABOUT THE BANK

Name:	AB Fjord Bank
Legal form:	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, 2024 - December 31st, 2024
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
Joakim Mandorsson
Tor Ove Berg-Eriksen (till January 9, 2025)
Martin Hagen
Sven Tore Kaasa

Members of the Management Board:

Veiko Kandla, Chairman of the Management Board
Danas Juzėnas
Kristina Simonovič

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB FJORD BANK

Report on the audit of the Bank and Group financial statements

Opinion

We have audited the separate financial statements of AB Fjord Bank and consolidated financial statements of AB Fjord Bank and its subsidiaries (the Group) which comprise the separate and consolidated statement of financial position statement as at December 31, 2024, and the separate and consolidated statement of profit and loss and other comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Bank and Group as at December 31, 2024, and its separate and consolidated financial performance and its separate and consolidated 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 European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 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 Bank and Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements and Other Assurance Services 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 Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. 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 judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

Key audit matter

Expected credit losses of Loans to customers

Referring to Material accounting policies section Credit impairment and Note 1 of Risk management section and sub-sections Credit risk, Loans to customers, Calculation of the loan impairment and Note 9 Loans to customers on pages 22-23, 31-33 and 43 respectively.

We focused on this area because application of the expected credit loss (ECL) model to loan impairment losses under IFRS 9 "Financial instruments" requires complex and subjective judgements over both the timing of recognition of impairment and the size of any such impairment.

The key features of the ECL model include classification of loans to three stages, assessment of credit risk parameters and application of forward-looking information. The amount of impairment provision for the Bank's and Group's loans is based on the model calculations, taking into consideration the exposure at default, probability of default, changes in customer credit rating, other known risk factors impacting stage of each exposure, and return of bad loans (loss given default), and the ECL adjustments by expected impact of future macroeconomic scenarios.

As of 31 December 2024, the expected credit losses on loans amounted to EUR 623 thousand in the Bank and Group (refer to note 9).

Credit impairments charged to statement of profit and loss and other comprehensive income for the expected credit losses for the year ended 31 December 2024 amounted EUR 356 thousand for the Bank and Group.

How the Matter Was Addressed in the Audit

We have assessed whether the Bank's and Group's accounting policies in relation to the ECL for loans to customers are following IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definition of default and significant increase in credit risk, and use of macroeconomic scenarios.

We have assessed the design and operating effectiveness of the controls over relevant loan data and the ECL calculations. Those controls included controls over recording of loans data in the system, credit analysis and approval before issuing loans, including automatic rating assessment and calculation of overdue days.

We have determined that we could rely on those controls for the purpose of our audit.

Further, we have performed detailed testing over reliability of loan data, including contract dates, scoring rates for loans exposures, estimation of loss given default, overdue days and other inputs.

We also performed detailed testing over data flows to/from source systems and macroeconomic factors to the ECL model. We performed audit procedures on selected loans from stages 1, 2 and 3 to assess the reasonableness of the loan stage assignment as of December 31, 2024.

Finally, we reviewed the credit risk disclosures.

Other Information

The other information comprises the information included in the consolidated management report of 2024 year but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether consolidated management 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 consolidated management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The consolidated management report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and Group'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 Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated 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 Bank's and Group'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 Bank's and Group'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 separate and consolidated 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 Bank and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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 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 in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In accordance with the decision made by shareholders on 20 March 2024 we have been chosen to carry out the audit of the Bank's and Group's 2024 year separate and consolidated financial statements. Our appointment to carry out the audit of Bank's and Group's separate and consolidated financial statements in accordance with the decision made by shareholders has been renewed each year and the period of total uninterrupted appointment is 5 year.

We confirm that our opinion in the section 'Opinion' is consistent with the additional audit report which we have submitted to the Bank and Group and its Audit committee.

We confirm that in light of our knowledge and belief, services provided to the Bank and 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.

In the course of audit, we have not provided any other services except for audit of separate and consolidated financial statements.

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

Grant Thornton Baltic UAB
Audit company's certification No. 001513
Upės str. 21-1, Vilnius

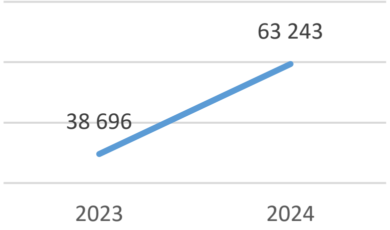
Certified auditor
Darius Gliaubicas[1]
Auditor's certification No. 000594
12 March, 2025

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

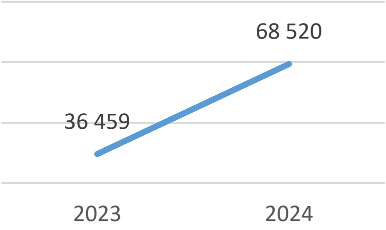
[1] An electronic document is signed with an electronic signature, has the same legal force as a signed written document and is a permissible means of proof. Only the independent auditor's report is signed with the electronic signature of the auditor.

GROUP'S KEY FINANCIAL INDICATORS

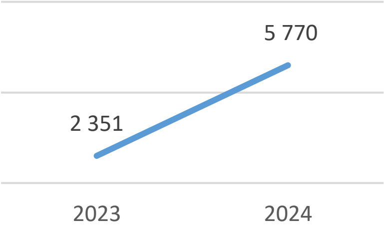
Loan portfolio
EUR 63 243 thousand
+63% year-on-year



Deposit portfolio
EUR 68 520 thousand
+88% year-on-year



Fee and interest income
EUR 5 770 thousand
+145% year-on-year



In thousands EUR

Indicator	2024	2023	Change, th EUR 2024/2023	Change, % 2024/2023
Total Income (Operating profit)	3 332	1 358	1 974	145%
Net Result	(115)	(1 071)	956	-89%
Total Assets	80 412	44 139	36 273	82%
Equity	9 168	6 877	2 291	33%
Loan Portfolio	63 243	38 696	24 547	63%
Deposit Portfolio	68 520	36 459	32 061	88%

Ratio	2024	2023
ROA	-0.2%	-3.0%
ROE	-1.4%	-18.0%
Net Margin	11.7%	9.6%
Impairment to Loan Portfolio	1.0%	0.7%
Cost / Income Ratio	100%	188%

Explanation of ratios:

ROA - Return on assets: Net result / total assets (average over the period)
ROE - Return on equity: Net result / total equity (average over the period)
Net margin: Net interest and fee income/income earning assets (average over the period)
Impairment losses to loan portfolio: Impairment losses on loans/loan portfolio
Total Gross Income: Total gross interest, fee, and other income
Total Income: Total net interest, fee, and other income
Cost/income ratio: Total operating expenses / total income

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2024

The analysis of the year 2024 Set of Annual Financial Reports and operating activities

AB Fjord Bank (hereinafter – the Group) is a specialized digital consumer finance bank that aims to offer its customers fast, convenient, and competitively priced lending and saving opportunities. In 2024, the Group offered consumer lending services to private persons in the Lithuanian and Estonian markets and deposit services in the Lithuanian, German, Spanish, Dutch and Irish markets.

Macroeconomic environment

The macroeconomic environment in Europe has been diverse. While German and Nordic economies have continued to show stagnation or minor growth, the Lithuanian economy, on the contrary, shined out by getting back on the growth path. According to the Bank of Lithuania, domestic GDP grew in 2024 by 2,6% and is expected to grow in 2025 by 3,1%. The European Union´s GDP as a whole is expected to grow in 2024 by 0,9% and in 2025 by 1,5% (source: European Commission).

The major attention has continuously been on inflation-related developments in the eurozone. While the inflation rate was 2,4% in December 2024 and has thus still not reached the European Central Bank´s (ECB) 2% annual target, it has shown clear signs of stabilization. This has allowed the ECB to start easing the key interest rates. Reaching the 4,5% level, the first key interest rate cut took place in May 2024, later than the market initially anticipated. However, the year in total resulted in 4 25bps cuts with further decreases expected. This has started to positively influence the eurozone economic activity and from the Group´s perspective - lower deposit interest rates in various European markets where the Bank operates.

As the Bank offers loans to private persons, the labor market developments, specifically unemployment and wage growth, have a key role in the Group´s activities. In 2024, the labor market remained stable. The unemployment increased to 7,4%, but this can be explained by new labor market entrants fleeing the war in Ukraine. On the other hand, this has relieved labor demand pressures in several sectors. In 2025, the unemployment is expected to decline to 7,1%. The wage growth was around 10% and this is expected to grow further at a more moderate pace (source: the Bank of Lithuania). Positive developments have enabled Lithuanian consumer confidence to stay well above the European Union´s average.

Continuous Russian aggression in Ukraine and the Israel-Hamas conflict have added uncertainty to the general operating environment. Considering that the Group does not have operations or exposures in any related countries, the direct effect on the Group is minor and appears through general macroeconomic sentiment.

Business results

The Group´s most important goals in 2024 were further strong growth of the loan portfolio and reaching profitability. The Group achieved both goals by significantly increasing the business volumes and exceeding the break-even point in the middle of the year.

The loan portfolio increased by the end of the year to EUR 63 243 thousand (EUR 38 696 thousand at the end of 2023), representing a 63% growth. The annual sales improved by 53%. Significant growth was driven by further improvements and automatization of the loan issuing processes but also increased investment in customer acquisition and awareness. The credit rule set and criteria for issuing new loans did not change significantly during the year. During the year, the Group issued loans in Lithuanian and Estonian markets.

The Group reached a break-even at the beginning of the 3rd quarter of 2024, operating since then profitably and improving financial results month-by-month. Despite reaching profitability, the full year ended in a small loss. The Group earned a net loss of EUR 115 thousand (EUR 1 071 thousand in 2023), which is 89% less than a year ago. Profitability was positively driven by flat administrative expenses and a significant increase in income. Fee and interest income from the issued loans increased to EUR 5 770 thousand (EUR 2 351 thousand in 2023), representing a 145% annual growth. The most significant cost items were staff expenses, sales-related costs, and financing expenses. Financing expenses were influenced by a continuously high level of key interest rates set by the European Central Bank.

Retail deposits are continuously the most important source of funding the Group´s loan issuing. By the end of the year, the deposit portfolio reached EUR 68 520 thousand (EUR 36 459 thousand at the end of 2023), corresponding to an increase of 88%. Besides earlier operations in the Lithuanian, German, Spanish and Dutch deposit markets, the Group launched at the end of the first quarter cross-border operations in Ireland and started to cooperate with the German deposit platform Check24. The Group´s deposit portfolio is geographically well diversified, with the German market comprising 37%, followed by Dutch (32%), Spanish (18%), Lithuanian (8%) and Irish (5%) markets. The Group broadened its product range, by starting to offer 3, 6 and 9-month deposits.

At the end of the year, the Group had nearly 14 000 active loan and deposit customers from 6 countries, which is 65% higher than the previous year. The Group's assets increased to EUR 80 412 thousand compared to EUR 44 139 thousand at the beginning of the reporting period (82% growth).

A rapid growth in the loan book was accompanied by a strengthening of the capital ratios. During the year, the Group attracted new capital both in the form of subordinated notes and new equity.

In February 2024, the Group arranged in cooperation with Evernord UAB FMI a successful private placement of subordinated notes. This was the Group´s first bond issue in the Lithuanian market. The Group issued EUR 2 000 thousand of new 10-year subordinated bonds that complement the Group´s Tier 2 capital.

In October, the Group arranged in cooperation with Pensum Asset Management an equity issue. As a result of the successful process, existing and new investors subscribed for the shares, adding EUR 2 500 thousand of new equity. The Group uses the proceeds to strengthen the capital ratios and support new lending and growth. Additionally, the Group redeemed prematurely all remaining subordinated notes issued in December 2022 (EUR 290 thousand), with the rest EUR 750 thousand redeemed a year earlier. Earlier redemption of the subordinated notes was related to investors using the proceeds to subscribe for the new shares.

The ratio of non-performing loans amounted at the end of the year to 1,15% (0,06% at the end of 2023). The increase reflects changes in the Group´s debt collection strategy. Considering current lower price levels, the debt purchase market is for financial institutions not as attractive as it used to be. Since the beginning of 2024, the Group has put more effort into in-house debt collection, processing non-performing loans in courts and enforcement process without selling the claims at an early default stage. The volume of sold claims has been very limited, amounting to EUR 67 thousand. The general payment behavior remained stable. The reserves for expected credit losses amounted to 1% compared to 0,7% a year earlier.

The Bank has a fully owned daughter company Fjord Support Services OÜ (reg nr 16479312, registered in the Business Register of Estonia). The purpose of the company is the administrative support of the Group in the process of administering loans. As of the end of the year, the daughter company employs 1 person. The members of the Management Board of the daughter company are Mr. Danas Juzenas and Mr. Veiko Kandla. The Bank has no other subsidiaries or branches. In the 4th quarter, the Group discontinued new lending in Estonia, continuing to administer the existing loan portfolio. With the decision, the Group achieved higher operational and financial efficiency. Since the Estonian portfolio makes up less than 10% of the total loan portfolio and the Group sees further good growth opportunities on the domestic market, this decision does not pose any negative impact on the Group´s operations or financial results.

During the whole year, the Group put significant effort into the preparations that are related to the Digital Operational Resilience Act (DORA), entering into force in January 2025. DORA is a European Union regulation, aimed at ensuring financial institutions, including digital banks, are operationally resilient to cyber threats and IT disruptions. Through increased scrutiny, investments in security and operational improvements, the Group has significantly improved its resilience to vulnerabilities.

In autumn, the Group passed its first Supervisory Review and Evaluation Process (SREP), resulting in the Group of Lithuania´s board decision in September 2024 about individual capital ratio. The SREP resulted in an attractive total capital ratio of 14.14% (including supplementary P2R capital requirement of 2.64%) + recommended Pillar 2 guidance (P2G) of 1%. As of the end of the year, the Bank was in line with all prudential requirements applicable to the Group. The principles of risk management in the Group are described in Note 1 of this report and a more detailed overview of the risks is included in the Risk Management and Capital Adequacy Report, available on the Group's homepage. During the reporting period, the Bank of Lithuania did not apply any sanctions to the Group.

The Bank´s average number of employees increased to 24 (in 2023 - 19 employees) and the Group's to 27 (in 2023 - 22 employees). The increase was related to strengthening marketing, and sales and replacing certain outsourced IT functions with in-house specialists. By the end of 2024, the Bank and its daughter company employed altogether 29 employees (24 by the end of 2023). During the year, the Group conducted two employee satisfaction surveys, reaching the Employee Net Promoter Score of 88, demonstrating continuous strong engagement by the employees.

The Group has not carried out any activities classified as research & development.

Information about the activity plans

The Group´s main goals in 2025 are continuously related to increasing the loan portfolio and revenues and a further improvement in the profitability of the operations. The Group focuses on developing existing and new consumer finance products and does not plan to enter new business segments. The Group does not plan any new foreign expansions. Declining financing costs and stable administrative expenses are expected to support the profitability goals.

Information about the share capital

As of December 31, 2024, the Group's share capital was equal to EUR 3 053 thousand. The share capital is divided into 76 325 thousand ordinary registered shares with EUR 0.04 par value each. All the issued shares provide equal rights for the shareholders. Detailed information is presented in the note regarding the share capital and share premium (Note 19). The Group did not acquire and did not hold (or transfer) any of its shares.

Bodies of the Bank and Subsidiary

The 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 of the Bank´s activities. The Supervisory Board consists of 5 members. The main tasks of the Supervisory Board include electing and recalling 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 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.

During the financial year, the Supervisory Board of the Bank consisted of the following members:

Mr. Olav Haugland is the Chairman of the Supervisory Board, holding 5.73% ownership in the Bank through Skalmen AS.

Mr. Olav Haugland is participating in the following companies' management bodies:

Position	Company name	Form of Company	Registration No.	Country
Board member	Greenbarge AS	Private limited liability company	997706536	Norway
Board member	Skalmen AS	Private limited liability company	914835518	Norway
Board member	Greenbarge 2023 AS	Private limited liability company	830591532	Norway

Mr. Joakim Mandorsson is a Member of the Supervisory Board, holding 3.11% ownership in the Bank through Mander Investments AB.

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

Position	Company name	Form of Company	Registration No.	Country
CEO	Hambedo AB	Private limited liability company	559048-2633	Sweden
CEO	Byax AB	Private limited liability company	559006-7343	Sweden
CEO	Mander Investments AB	Private limited liability company	556889-7283	Sweden

Mr. Sven Tore Kaasa is a Member of the Supervisory Board, holding 9.70% 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	Medvind Eiendom AS	Private limited liability company	921441290	Norway
Chairman	Johan Follestadsvei 24 AS	Private limited liability company	917118817	Norway
Chairman	Johan Follestadsvei 9 AS	Private limited liability company	921038968	Norway

Mr. Tor Ove Berg-Eriksen was a Member of the Supervisory Board till January 9, 2025, holding 8.54% 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
CEO	Stig Gård AS	Private limited liability company	924927127	Norway

Mr. Martin Hagen is a Member of the Supervisory Board, holding 9.13% ownership in the Bank through First Partner Holding 4 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
Board Member	Credeva Securities AS	Private limited liability company	913908686	Norway
Board Member	Norselab AS	Private limited liability company	918392033	Norway
Board Member	Norselab Credit Management AS	Private limited liability company	931243632	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 and consists of 3 members. The Management Board is responsible for, among other things, supervising the general and day-to-day management of the Bank´s business, risk management and compliance obligations 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 0.18% 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) and Member of the Management Board of private limited liability company Fjord Support Services OÜ (registration no. 16479312, Estonia).

Mr. Danas Juzėnas is a Member of the Management Board and Deputy Head of Administration, holding no ownership in the Bank. Mr. Danas Juzėnas is a Member of the Management Board of private limited liability company Fjord Support Services OÜ (registration no. 16479312, Estonia).

Ms. Kristina Simonovič is a Member of the Management Board, holding no ownership in the Bank and not participating in other companies' management bodies.

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 in the fulfillment of the supervisory function of the Bank. The Audit Committee consists of three members. The current members of the Audit Committee are Mr. Olav Haugland (Chairman), Mr. Sven Tore Kaasa and Mr. Martin Hagen.

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

Links and additional explanations about the data

Links and additional explanations are presented in the explanatory notes of the Set of Annual Financial Reports.

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

In January 2025, the Bank held an Extraordinary General Meeting of Shareholders. As a result of the meeting, Mr. Olav Haugland, Mr. Martin Hagen, Mr. Sven Tore Kaasa, Mr. Joakim Mandorsson and Mr. Otto Havneraas were elected the members of the Supervisory Board of the Bank. Mr. Otto Havneraas will take his seat after receiving approval from the Bank of Lithuania.

In February 2025 the Bank entered into an Engagement Letter with a leading Nordic investment bank to assess various capital markets opportunities.

There were no other subsequent material events after the statement of financial position date that would have a corrective effect on the Group and the Bank’s Set of Annual Financial Reports for the Year 2024.

Veiko Kandla March 12, 2025
CEO

(all amounts are in thousands of EUR, if not otherwise stated)

CONSOLIDATED AND BANK'S STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2024

Article	Notes no.	Group 2024	Bank 2024	Group 2023	Bank 2023
ASSETS					
Cash and cash equivalents	**8**	13 737	13 698	2 567	2 530
Loans to customers	**9**	63 243	63 243	38 696	38 696
Investment in subsidiary	**10**	-	41	-	32
Intangible assets	**11**	1 288	1 288	1 309	1 309
Tangible assets	**12, 13**	383	383	101	101
Deferred tax assets	**14**	1 702	1 702	1 421	1 421
Other assets	**15**	59	53	45	41
Total assets:		**80 412**	**80 408**	**44 139**	**44 130**
LIABILITIES					
Deposits from customers	**16**	68 520	68 520	36 459	36 459
Subordinated liabilities	**17**	1 955	1 955	287	287
Other liabilities	**18**	769	765	516	507
Total liabilities:		**71 244**	**71 240**	**37 262**	**37 253**
EQUITY					
Capital	**19**	3 053	3 053	2 642	2 642
Share premium	**19**	11 959	11 959	9 964	9 964
Retained earnings (loss)	**19**	(5 844)	(5 844)	(5 729)	(5 729)
Total Equity:		**9 168**	**9 168**	**6 877**	**6 877**
Total liabilities and equity:		**80 412**	**80 408**	**44 139**	**44 130**

The accompanying notes on pages 19-50 are an integral part of the Set of Annual Financial Reports.

The Set of Annual Financial Reports was prepared on March 12th, 2025 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

(all amounts are in thousands of EUR, if not otherwise stated)

CONSOLIDATED AND BANK'S STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

Article	Notes no.	Group 2024	Bank 2024	Group 2023	Bank 2023
Interest income at EIR	**2**	2 789	2 788	836	836
Interest expense	**2**	(2 413)	(2 413)	(918)	(918)
Net interest income (expenses)		**376**	**375**	**(82)**	**(82)**
Fee income	**3**	2 981	2 981	1 515	1 515
Net fee and commission income (expenses)		**2 981**	**2 981**	**1 515**	**1 515**
The net result from financial assets	**4**	(37)	(37)	(75)	(75)
Other income	**5**	12	12	-	-
OPERATING PROFIT (LOSS)		**3 332**	**3 331**	**1 358**	**1 358**
Personnel expenses	**6**	(1 485)	(1 492)	(1 135)	(1 141)
Administration expenses	**7**	(1 343)	(1 343)	(1 158)	(1 160)
Depreciation and amortization	**11-13**	(544)	(544)	(396)	(396)
PROFIT (LOSS) BEFORE IMPAIRMENT LOSSES AND SUBSIDIARY RESULT		**(40)**	**(48)**	**(1 331)**	**(1 339)**
Impairment losses on loans	**9**	(356)	(356)	(101)	(101)
Subsidiary results accounted through the equity method	**10**	-	8	-	8
PROFIT (LOSS) BEFORE TAXES		**(396)**	**(396)**	**(1 432)**	**(1 432)**
Tax expense	**14**	281	281	361	361
NET PROFIT (LOSS)		**(115)**	**(115)**	**(1 071)**	**(1 071)**
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**(115)**	**(115)**	**(1 071)**	**(1 071)**
Profit (loss) per share attributed to the shareholders		(0,002)	(0,002)	(0,02)	(0,02)

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CONSOLIDATED AND BANK'S STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

Article	Group and Bank				
	Notes no.	Share capital	Share premium	Retained earnings (losses)	Total Equity
Balance as of December 31, 2022		**2 135**	**7 562**	**(4 658)**	**5 039**
Profit (loss) for the year				(1 071)	(1 071)
Other comprehensive income					-
Total comprehensive income (expenses)				(1 071)	(1 071)
Share capital increase	**19**	507	2 402		2 909
Balance as of December 31, 2023		**2 642**	**9 964**	**(5 729)**	**6 877**
Profit (loss) for the year				(115)	(115)
Other comprehensive income					-
Total comprehensive income (expenses)				(115)	(115)
Share capital increase	**19**	411	1 995		2 406
Balance as of December 31, 2024		**3 053**	**11 959**	**(5 844)**	**9 168**

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CONSOLIDATED AND BANK'S STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

Article	Group 2024	Bank 2024	Group 2023	Bank 2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit (loss)	(115)	(115)	(1 071)	(1 071)
Adjustments:				
Interest income	(3 936)	(3 935)	(1 620)	(1 620)
Interest expenses	2 248	2 248	853	933
Depreciation and amortization	545	545	395	395
Decrease (increase) in deferred tax expense	(281)	(281)	(361)	(361)
Impairment loss on loans	356	356	101	101
Other adjustments	1 337	1 327	840	832
Changes in:				
Received interest	3 491	3 491	1 424	1 424
Paid interest	(1 192)	(1 192)	(229)	(229)
Decrease (increase) in other short-term assets	(14)	(12)	(11)	(11)
Decrease (increase) in right-of-use asset	(372)	(372)	(15)	(15)
Decrease (increase) in loans to customers	(25 605)	(25 605)	(19 075)	(19 075)
Increase (decrease) in deposits from customers	31 110	31 110	16 151	16 151
Increase (decrease) in other liabilities	318	323	142	140
Net cash flow from operating activities	**7 890**	**7 888**	**(2 476)**	**(2 486)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of tangible fixed assets	(5)	(5)	-	-
Acquisition of intangible fixed assets	(429)	(429)	(589)	(589)
Net cash flows from investing activities	**(434)**	**(434)**	**(589)**	**(589)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	2 500	2 500	3 086	3 086
Issue of shares cost	(94)	(94)	(177)	(177)
Issue of subordinated notes	1 710	1 710	(750)	(750)
Issue of subordinated notes cost	(68)	(68)	-	-
Subordinated notes interest paid	(241)	(241)	(94)	(94)
Principal payments of lease liability	(93)	(93)	(98)	(98)
Net cash flows from financing activities	**3 714**	**3 714**	**1 967**	**1 967**
Net increase in cash and cash equivalents	**11 170**	**11 168**	**(1 098)**	**(1 108)**
Cash and cash equivalents at the beginning of the year	**2 567**	**2 530**	**3 665**	**3 638**
Cash and cash equivalents at the end of the year	**13 737**	**13 698**	**2 567**	**2 530**

The accompanying notes on pages 19-50 are an integral part of the Set of Annual Financial Reports.

The Set of Annual Financial Reports was prepared on March 12th, 2025 by:

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EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2024

I. GENERAL PART

The Bank was registered as a public company in the Enterprise Register of the Republic of Lithuania on March 28th, 2017 and its business code is 304493038. The Bank is registered and operates 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 and started more active operations from the beginning of 2021. The Bank is offering unsecured consumer loans and fixed-term deposits through digital channels for private persons.

The Bank's management is fully convinced of stable and balanced performance going forward and based on that prepared the Set of Annual Financial Reports based on going concern basis assumptions. The Bank does not hold any own shares.

The Bank established in April 2022 a daughter company Fjord Support Services OÜ (reg nr 16479312, registered in the Business Register of Estonia). The purpose of the company is the administrative support of the Bank in the process of issuing and administering loans on the Estonian market. The Bank has no other subsidiaries or associated companies and does not have any branches. Detailed information about the established subsidiary and consolidation matter is presented in Note No. 10.

The Set of Annual Financial Reports comprises the Bank's and Group's (including daughter company Fjord Support Services OÜ) financial statements.

In 2024, the average number of employees of the Group was 27 and in 2023 – 22, while of the Bank in 2024 was 24 and in 2023 - 19 employees.

II. ACCOUNTING POLICY

Basis of accounting

The Set of Annual Financial Reports of the Group and 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 prepared the consolidated and the Parent Bank's Set of Annual Financial Reports on March 12th, 2025. The Set of Annual Financial Reports are prepared following a going concern assumption. The Set of Annual Financial Reports are prepared on a historical cost basis.

Functional currency and foreign currency transaction

The Set of Annual Financial Reports are presented in the local currency - Euro (EUR). Foreign currency transactions are translated into 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 the translation of monetary assets and liabilities denominated in currencies other than EUR are recognized in the profit or loss.

Consolidated Set of Annual Financial Reports (IFRS 3, IFRS 10)

Subsidiaries are all entities over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are deconsolidated from the date that control ceases. Intergroup receivables and liabilities, transactions and unrealized gains and losses on transactions between Group companies are eliminated upon consolidation.

The equity method is used in accounting for investments in subsidiaries in the separate Bank's financial reports. Initial investment value is recognized at cost and subsequently adjusted for post-acquisition changes in the Bank's share of the net assets of the subsidiary. The entity part of the profit or loss is included in the value of an investment in a subsidiary and the Bank's profit (loss) statement.

The Bank's primary Set of Annual Financial Reports are prepared using the same accounting principles as those that have been used for preparing the consolidated annual report except for the investments in subsidiaries that in the separate Bank report are accounted for in the equity method.

Under local law, the Bank is required to disclose certain information about the Financial Group. In preparing the Set of Annual Financial Reports of the Financial Group, the Bank's subsidiaries not included in the Financial Group are not consolidated under 10 IFRS and are presented in the consolidated balance sheet of the Financial Group as investments in subsidiaries accounted for at equity method, as in the Bank's Statement of financial position. Such presentation is consistent with the Set of Annual Financial Reports provided by the Bank for supervisory purposes, concluded under Regulation (EU) No 182/2011 of the European Parliament and the Council 575/2013 (CRR).

Material accounting policies

Intangible assets (IAS 38)

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 Group. 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:

- Banking software 7 years
- Other software 5 years
- Specialized bank license 5 years
- Other intangible assets 4 years

The described accounting principles 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 intangible assets are started to be used in the operations, the accounting of intangible assets is the same as the accounting principles of an acquired intangible asset.

Capitalized software development costs include payroll expenses and other expenses directly related to development. Other development expenditures that do not meet these criteria are recognized as expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Tangible assets (IAS 16)

Long-term tangible assets are those assets whose useful life is more than one year and whose 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 Group for the respective asset category:
Office equipment:

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

When an asset is sold or written off, its cost and accumulated depreciation are eliminated in the accounts and the gain or loss on sale is recorded in profit or loss. Expenses, such as repairs and maintenance, incurred after the property, plant and equipment is placed in service, are normally charged to profit or loss in the period in which they are incurred. If the economic benefits increase for the Group 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 Group recognizes financial assets and liabilities in the statement of financial position when the Group 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 amortized cost and interest income allocation over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of financial assets or financial liability to the gross carrying amount of financial assets or the amortized cost of financial liability. The method does not consider expected credit losses and includes all fees paid or received, transaction costs, and other premiums or discounts that are an integral part of the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes in value are recognized in the income statement.

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 Group 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 Group 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 Group 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 Group 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 Group could be required to repay.

Credit impairment

The Group 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 Group 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. IFRS 9 provides the ECL model with a three-stage approach based on changes in 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. Similar to Stage 2 the provision for expected losses for Stage 3 is calculated on lifetime expected credit losses. From 180 days overdue the provision for expected losses is constantly increasing to cover all defaulted exposure before the write-off. Credit-impaired financial assets considered under stage 3 their ECL is always measured on a lifetime basis.

Additionally, Stage 2 and Stage 3 include financial assets for which the credit risk has increased significantly since initial recognition due to financial difficulties (forbearance exposures). Forbearance measures are divided into short-period and long-period measures: short-term: to meet temporary liquidity constraints, e.g., through suspension/reduction of redemption payments, covenant waivers/holidays, etc., with a term of max. 2 years; and long-term: comprehensive settlement of existing arrears and actual reduction of the credit balance. For the receivables classified as performing forborne the maximum probation period is 24 months.

Defaulted loans are normally written off, either partially or in full when there is no realistic prospect of further recovery. The probability of recovery is considered low and credit may be written off if any of the following events has occurred: received a bailiff's letter regarding the impossibility of credit recovery; or the Management Board decides that the defaulted loan is uncollectable or it is not possible or economically practical to implement measures for collecting the loan.

The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets. ECL is calculated having in mind the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The lowest risk grades by PD represents the low credit risk exposures. EAD is expressed by assessment of the amounts the Group expects to be owed at the time of default. The LGD represents the expectation of the extent of loss on a defaulted exposure. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

The Group calculates the impairment of financial instruments according to the IFRS 9 standard, based on the expected credit loss (ECL) model. 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. Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. To assess the macroeconomic impact the Group has developed a model which incorporates developments of the future economic environment in the expected credit loss calculation. The impact of different economic variables (incl. GPD change, unemployment rate) on portfolio PD was implemented using regression analysis.

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.

The issued Subordinated Notes are recorded in the balance sheet at amortized cost by using the effective interest rate method. In addition to interest rate, the effective interest rate mainly reflects acquisition costs, recognized as a change in the nominal value of the debt securities and charged to interest expense over a term of notes.

Financial liabilities are valued at fair value through profit as follows: 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 Group’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 a share premium. Paid-in capital where the price of issued shares exceeds that of the nominal value is recognized as a share premium. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equiy instruments.

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 the 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

Short-term benefits for employees are recognized as current operating costs for the period during which the employees provided the services. The detailed information about Remuneration system is presented in the Note No. 1.

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 Group'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.

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 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.

Leases (IFRS 16)

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 whether the arrangement conveys a right to use the asset.

Finance lease

The Group 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 the 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 Group'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 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 Group calculates depreciation; in addition, the Group 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 a period longer than the lease term, unless the Group, 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.

TAXES

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 Set of Annual Financial Reports. According to the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15% on taxable income.

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 Group changes its activities due to which these losses were incurred except when the Group does not continue its activities due to reasons which do not depend on the Group 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 Set of Annual Financial Reports. Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Set of Annual Financial Reports.

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 Group 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 not recognized in profit or loss (either in the statement of profit or loss and other comprehensive income or directly in equity).

Contingent liabilities

Contingent liabilities are not recognized in the Set of Annual Financial Reports. 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 Group 's accounting registers for the last five years before the reporting period, and also can calculate and apply additional taxes and sanctions for the Group. The management of the Group has no information about the events and conditions which can result in significant additional tax expenses or liabilities for the Group.

A contingent asset is not recognized in the Set of Annual Financial Reports 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 Group 's position at the statement of financial position date (adjusting events) are reflected in the Set of Annual Financial Reports. 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 is met:

a. The person or its relative is treated as related to the Group if the person:
  i. Has control or joint control of the Group
  ii. Can exercise a significant influence over the Group
  iii. Is the member of the management personnel of the Group or a parent of the Group

b. An entity is related to the Group if any of the following conditions are met:
  i. An entity and the Group 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 Group or an entity related to the Group. If the Company is itself such a plan, the sponsoring employers are also related to the Group

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 Set of Annual Financial Reports, assets and liabilities, as well as income and expenses, are not offset, except in the cases when a specific IFRS note requires or allows a specific offsetting operation.

The use of assessments and decisions in the Set of Annual Financial Reports

In the preparation of the Set of Annual Financial Reports 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 flow statement was prepared based on an indirect method.

Material 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 Set of Annual Financial Reports 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, and other 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

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2024.

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 on 1st January 2025 and which were not previously adopted in preparing these financial statements are set out below:

Amendments to IAS 21 Lack of Exchangeability (issued on August 2023, effective from 1 January 2025, early application is permitted)

Lack of Exchangeability amends IAS 21 The Effects of Changes in Foreign Exchange Rates to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. These amendments will not have an impact on the Group and Bank's Set of Annual Financial Reports.

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

Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments (issued on 30 May 2024, effective from 1 January 2026, early application is permitted)

Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features - ESG-linked features in loans could affect whether the loans are measured at amortized cost or fair value. Stakeholders asked how to determine how such loans should be measured based on the characteristics of the contractual cash flows. To resolve any potential diversity in practice, the amendments clarify how the contractual cash flows on such loans should be assessed.

Settlement of liabilities through electronic payment systems - stakeholders highlighted challenges in applying the derecognition requirements in IFRS 9 to the settlement of a financial asset or a financial liability via electronic cash transfers. The amendments clarify the date on which a financial asset or financial liability is derecognized. The IASB also decided to develop an accounting policy option to allow a company to derecognize a financial liability before it delivers cash on the settlement date if specified criteria are met.

With these amendments, the IASB has also introduced additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example features tied to ESG-linked targets.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Earlier application of either all the amendments at the same time or only the amendments to the classification of financial assets is permitted.

An entity is required to apply the amendments retrospectively. An entity is not required to restate prior periods to reflect the application of the amendments, but may do so if, and only if, it is possible to do so without the use of hindsight. The Management of the Bank has not yet evaluated the impact of these amendments on the Group and Bank’s Set of Annual Financial Reports.

Annual Improvements Volume 11 (issued on 18 July 2024 effective from 1 January 2026, earlier application is permitted)

These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards. The amendments contained in the Annual Improvements relate to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter
- IFRS 7 Financial Instruments: Disclosures:

    - Gain or loss on derecognition
    - Disclosure of differences between the fair value and the transaction price
    - Disclosures on credit risk
- IFRS 9 Financial Instruments:
    - Derecognition of lease liabilities
    - Transaction price
- IFRS 10 Consolidated Financial Statements - Determination of a 'de facto agent'
- IAS 7 Statement of Cash Flows - Cost Method.

These amendments are mandatory for financial years beginning on or after 1 January 2026; earlier application is permitted. The Management of the Bank has not yet evaluated the impact of these amendments on the Group and Bank's Set of Annual Financial Reports.

Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity (issued on 18 December 2024, effective from 1 January 2027, early application is permitted)

The amendments are to the own-use requirements, and hedge accounting requirements, together with related disclosures. The scope of the amendments is narrow, and only if contracts meet the specified scoping characteristics will they be in the scope of the amendments.
The amendments include - clarifying the application of the 'own-use' requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

Amendments to IFRS 9 Financial Instruments:

- the own-use requirements in IFRS 9 are amended to include the factors an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
    - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
    - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures

The IASB amends IFRS 7 and IFRS 19 to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics. The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. The amendments shall be applied retrospectively; prior periods need not be restated to reflect the application of the amendments. These amendments will not have an impact on the Group and the Bank's Set of Annual Financial Reports.

Amendments to IFRS 18: Presentation and Disclosure in Financial Statements (issued on 9 April 2024 effective from 1 January 2027)

IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. The Management of the Bank has not yet evaluated the impact of these amendments on the Group and Bank's Set of Annual Financial Reports.

III. NOTES

Note 1 Risk management

The Bank (and Group) defines risk as 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, interest rate in the banking book risk, and operational risk. This Note includes information about the impact of the risks on the Bank, its objectives, policy, and processes related to risk assessment and management, also information about capital management. The quantitative disclosures are presented in other Notes to the Set of Annual Financial Reports.

The Management Board is responsible for the development and supervisory of an effective risk management structure. The Risk Management Strategy and Internal Control Policy describes overall risk management and internal control framework, including the concept of the risk, risk strategy, processes and principles for risk management and internal control system. The Risk Management Strategy, together with the Risk and Capital Policy, generally regulates risk management in the Bank and outlines the Bank's risk appetite. Detailed risk management principles and procedures are stipulated in separate policies prepared for the most important single risk that the Bank faces. The Risk Management Strategy and the risk management systems are revised regularly to reflect the developments in the market conditions and the operations of the Bank. The Bank seeks to promote high ethical and integrity standards, to develop a disciplinary and constructive risk management policy where all employees are aware of their functions and obligations and understand their position in the internal control system.

The Bank's risk management is built on the concept of Three Lines of Role: the First Line of Role – refers to all risk management activities carried out by the business operations and its support functions; the 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 Audit Committee.

Risk supervision and control are carried out based on the limits set by the Bank, reflecting its business strategy, market environment, and acceptable risk level, as determined by the Supervisory Board. The Management and Supervisory Boards periodically receive risk overview reports, which include a comprehensive assessment of significant risks for the Bank, internal limit execution, prudential ratio compliance, and changes in the risk profile.

When identifying and measuring or assessing risks, the Bank develops 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.

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 counterparty and 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 that 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.

(all amounts are in thousands EUR, if not otherwise stated)

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 and Estonia. In assessing the customer's credit quality behavior, the Bank is assessing previous payment history, income, obligations and other relevant factors.

Allocation of the loan receivables from customers is presented in the following table.

As of December 31, 2024:

Distribution of loans by overdue days	Group and Bank					
	Gross loans	Expected Credit Losses (ECL)			Net loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3		
Not overdue	60 584	(214)	(46)	(8)	60 316	0.4%
0-30 days	1 972	(20)	(10)	(7)	1 935	2.0%
31-90 days	583	-	(13)	(22)	548	6.3%
more than 90 days	727	-	-	(283)	444	40.6%
Total loans to customers	**63 866**	**(234)**	**(69)**	**(320)**	**63 243**	**1.0%**

As of December 31, 2023:

Distribution of loans by overdue days	Group and Bank					
	Gross loans	Expected Credit Losses (ECL)			Net loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3		
Not overdue	37 628	(160)	(26)	(3)	37 438	0.5%
0-30 days	948	(8)	(6)	(6)	928	2.1%
31-90 days	372	-	(17)	(33)	322	13.4%
more than 90 days	22	-	-	(15)	7	68.2%
Total loans to customers	**38 970**	**(169)**	**(49)**	**(57)**	**38 696**	**0.7%**

Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial asset at the time of initial recognition. The transaction costs attributed to loans to households for the end of 2024 amounted to EUR 3 226 thousand and at the end of 2023, EUR 1 821 thousand.

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 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. Similar to Stage 2 the provision for expected losses for Stage 3 is calculated on lifetime expected credit

(all amounts are in thousands EUR, if not otherwise stated)

losses. From 180 days overdue the provision for expected losses are constantly increasing to cover all defaulted exposure before the write-off. Credit-impaired financial assets considered under stage 3 their ECL is always measured on a lifetime basis.
Additionally, Stage 2 and Stage 3 include financial assets for which the credit risk has increased significantly since initial recognition due to the financial difficulties. Forbearance measures are divided into short-period and long-period measures. Short-term: to meet temporary liquidity constraints, e.g., through suspension/reduction of redemption payments, covenant waivers/holidays, etc., with a term of max. 2 years; and long-term: comprehensive settlement of existing arrears and actual reduction of the credit balance. For the receivables classified as performing forborne the maximum probation period is 24 months.

At the end of each reporting date, a significant increase in the credit risk is assumed to occur 30 days past due from the initial recognition of the loan. The loan at default is considered when 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, deceased, court proceeding, and other unlikely-to-pay criteria.

The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets. ECL is calculated having in mind the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. EAD is expressed by an assessment of the amounts the Bank expects to be owed at the time of default. The LGD represents the expectation of the extent of loss on a defaulted exposure. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis. The PDs used in the ECL model are divided into classes and the average per class for stage 1 loans were as follows: class A (low credit risk) 0.5%, class B 1.5%, class C 4% and class D 10.6%. The average LGD calculated in the ECL model for all scenarios was 44% for the Lithuanian market and 45% for the Estonian market.

The Bank calculates the impairment of financial instruments according to the IFRS 9 standard, based on the expected credit loss (ECL) model. 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.

Loss Given Default (LGD) represents Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. To assess the macroeconomic impact the Bank has developed a model which incorporates developments of the future economic environment in the expected credit loss calculation. The impact of different economic variables (incl. GPD change, unemployment rate) on portfolio PD was implemented using regression analysis.

For the macro environment estimation, the Bank uses three scenarios with forward-looking information: baseline scenario (most probable and relevant), upside scenario, and downside scenario.

	Group and Bank 2024			Group and Bank 2023		
At 31 December	**Upside**	**Baseline**	**Downside**	**Upside**	**Baseline**	**Downside**
Scenario probability weighting	15%	65%	20%	15%	65%	20%

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

(all amounts are in thousands EUR, if not otherwise stated)

providers and the management estimations. Allowances for loans to customers are calculated on an individual level depending on the probability of default.
The Bank has adopted a strategy for debt collection activities and concluded the forward-flow debt sales agreement (more info in the Note 4).

Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents. The Bank's cash balances are held with the central bank and commercial bank counterparties and the management estimates such exposures as at low credit risk.

The unrated counterparties include commercial banks – a subsidiary of the Scandinavian bank that has assigned a credit rating to the parent bank but the credit rating is missing for the subsidiary bank. The following table discloses the Bank's cash balance exposures by credit ratings:

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Cash balance at the central bank	13 673	13 673	2 491	2 491
Cash balance at commercial no rated bank but with assigned credit rating to the parent bank	10	10	30	30
Cash balance at the commercial bank with P – 2 rating for short-term funding by Moody's Investors Service	54	15	46	9
Total	**13 737**	**13 698**	**2 568**	**2 530**

Due to the cash balances being payable on demand, no allowance of the cash balances from the 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 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.

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.

The net stable funding ratio is a liquidity standard requiring banks to hold enough stable funding to cover the duration of their long-term assets. The value of the net stable funding ratio (NSFR) must not be below 100 percent, i.e., the ratio ensures banks do not undertake excessive maturity transformation, which is the practice of using short-term funding to meet long-term liabilities.

The following table discloses the Bank's prudential liquidity requirements structure:

Items	2024	2023
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA)	13 141	2 313
Total net cash outflow	3 455	477
LCR (%)	380%	485%

(all amounts are in thousands EUR, if not otherwise stated)

Net Stable Funding Ratio		
Total available stable funding	73 596	39 412
Total required stable funding	49 067	29 601
NSFR (%)	150%	133%

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.

The following table discloses the Group and Bank's largest liquidity risk exposures irrespective of the security measures according to the contractual flow (net value):

As of December 31, 2024:

Items	**Group Contractual cash flows**						
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Over 5 years	Not distributed
Assets							
Cash and cash equivalents	13 737	13 737	-	-	-	-	-
Loans to customers	60 017	-	3 872	9 966	38 954	6 726	498
Right of use asset	374	-	19	56	300	-	-
Other receivables	59	-	53	6	-	-	-
Balance as of December 31, 2024	**74 187**	**13 737**	**3 944**	**10 027**	**39 255**	**6 726**	**498**
Liabilities							
Deposits from customers	68 614	45	21 205	40 251	7 112	-	-
Subordinated notes	2 028	-	28	-	-	2 000	-
Rent liabilities	363	-	17	52	294	-	-
Payables to service providers	268	-	268	-	-	-	-
Other current liabilities	138	69	68	-	-	-	-
Balance as of December 31, 2024	**71 410**	**115**	**21 586**	**40 304**	**7 406**	**2 000**	**-**

As of December 31, 2023:

Items	**Group Contractual cash flows**						
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Over 5 years	Not distributed
Assets							
Cash and cash equivalents	2 567	2 567	-	-	-	-	-
Loans to customers	36 875	-	2 366	6 417	24 174	3 865	53
Right of use assets	94	-	23	71	-	-	-
Other receivables	45	-	39	6	-	-	-
Balance as of December 31, 2023	**39 581**	**2 567**	**2 429**	**6 494**	**24 174**	**3 865**	**53**
Liabilities							
Deposits from customers	36 508	16	6 173	24 216	6 103	-	-
Subordinated notes	292	-	2	-	-	290	-
Rent liabilities	85	-	23	62	-	-	-
Payables to service providers	280	-	280	-	-	-	-
Other current liabilities	151	78	73	-	-	-	-
Balance as of December 31, 2023	**37 316**	**94**	**6 550**	**24 278**	**6 103**	**290**	**-**

(all amounts are in thousands EUR, if not otherwise stated)

As of December 31, 2024:

Items	Bank Contractual cash flows						
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Over 5 years	Not distributed
Assets							
Cash and cash equivalents	13 698	13 698	-	-	-	-	-
Loans to customers	60 017	-	3 872	9 966	38 954	6 726	498
Right of use asset	374	-	19	56	300	-	-
Other receivables	53	-	47	6	-	-	-
Balance as of December 31, 2024	**74 142**	**13 698**	**3 938**	**10 027**	**39 255**	**6 726**	**498**
Liabilities							
Deposits from customers	68 614	45	21 205	40 251	7 112	-	-
Subordinated notes	2 028	-	28	-	-	2 000	-
Rent liabilities	363	-	17	52	294	-	-
Payables to service providers	256	-	256	-	-	-	-
Other current liabilities	147	67	80	-	-	-	-
Balance as of December 31, 2024	**71 408**	**112**	**21 586**	**40 304**	**7 406**	**2 000**	**-**

As of December 31, 2023:

Items	Bank Contractual cash flows						
	Total	Upon request	Till 3 months	3-12 months	1-5 years	Over 5 years	Not distributed
Assets							
Cash and cash equivalents	2 530	2 530	-	-	-	-	-
Loans to customers	36 875	-	2 366	6 417	24 174	3 865	53
Right of use assets	94	-	23	71	-	-	-
Other receivables	41	-	35	6	-	-	-
Balance as of December 31, 2023	**39 540**	**2 530**	**2 425**	**6 494**	**24 174**	**3 865**	**53**
Liabilities							
Deposits from customers	36 508	16	6 173	24 216	6 103	-	-
Subordinated notes	292	-	2	-	-	290	-
Rent liabilities	85	-	23	62	-	-	-
Payables to service providers	270	-	270	-	-	-	-
Other current liabilities	152	72	80	-	-	-	-
Balance as of December 31, 2023	**37 307**	**88**	**6 548**	**24 278**	**6 103**	**290**	**-**

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 into equity price-related financial instruments were done and all monetary assets and liabilities were held in Euros.

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 Group's financial assets and financial liabilities were in EUR currency as follows:

(all amounts are in thousands EUR, if not otherwise stated)

	2024		2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	76 998	71 130	41 282	37 131
Other currencies	-	-	0	-
Total:	**76 998**	**71 130**	**41 282**	**37 131**

The assets reflect receivables from the financial assets and liabilities include liabilities to depositors, bondholders and other payables to the service providers.

Interest rate in the banking book risk

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 2024, a 2 percentage point increase in market interest rates would decrease the Bank's equity evaluated by the economical value method by EUR 1 547 thousand (a decrease of EUR 1 023 thousand was calculated as for the previous year) and the annual profit evaluated by the net interest income method would decrease by EUR 217 thousand (an increase by EUR 111 thousand was calculated as for the previous year). A 2 percentage point decrease in market interest rates would increase the Bank's equity evaluated by the economic value method by EUR 1714 thousand (a decrease of EUR 1 142 thousand was calculated as for the previous year) and would decrease the annual profit evaluated by the net interest income method by EUR 272 thousand (a decrease of EUR 111 thousand was calculated as for the previous year).

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, ML/TF risk, legal and compliance risks, outsourcing, and cyber security 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 Pillar 2 requirements. The Bank uses the base method to calculate the minimum required capital needed 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.

ESG risk

The Bank developed an action plan which is gradually incorporated into the Bank's risk management and internal control risk framework for the management of Environmental, Social, and Governance (ESG) risks. It should be noted that the Bank has a very narrow product line consisting of loans and deposits for private individuals only and this circumstance impacts the Bank´s options for ESG risk management. The Bank may not be able to have the same variety of options as financial market participants with a much wider specter of products. However, the Bank implemented a new product "Green loan" to support individuals in making environmentally responsible choices. By offering favorable financing for sustainable projects, we aim to empower people to invest in energy efficiency, renewable energy, and eco-friendly solutions.

The Bank has started evaluating its partners in respect of ESG risk to ensure alignment with sustainability principles and regulatory expectations to promote transparency, mitigate long-term risks, and support a more sustainable economy. This assessment helps us identify potential environmental, social, and governance risks, promoting responsible business practices.

(all amounts are in thousands EUR, if not otherwise stated)

The Bank aims to generate long-term value by fostering responsible financial behavior and practices, actively considering the social impact of its business operations, and contributing to a more sustainable future. To do so, the Bank is seeking to identify its role in minimizing the risks and positively contributing to the sustainable development of society. Due to the limited scope and nature of the business and the lack of trusted guidelines on how environmental impact could be quantified for retail consumer exposures, the Bank cannot define carbon emission generation or other measurable targets on its portfolio yet. This will be reviewed once new and reputable guidelines become available. However, in the area of Environmental, Social, and Governance responsible development, the subject to further development in the Bank are sustainable work practices, sustainable cooperation, maintain responsible lending rules, social inclusiveness and equal rights principles.

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.

During 2024, the Bank and the regulator conducted the banks first Supervisory Review and Evaluation Process (SREP), resulting in the Bank of Lithuania´s board decision in September 2024. SREP applies to all European banks and during the process, the banking supervisor assesses the bank´s activities, operational model, related risks and their internal management. As a result of SREP, the supervisor compiles a list of recommendations and sets an individual capital ratio for each bank. The Banks SREP resulted with an attractive total capital ratio of 14.14% (including supplementary P2R capital requirement of 2.64%) + recommended Pillar 2 guidance (P2G) of 1%.

At the end of Year 2024, the Bank satisfied all own funds and additional capital buffer requirements. A more detailed overview of 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 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 supports the Bank's business plans.

The following table discloses the Bank's regulatory capital structure:

Items	2024	2023
Equity as reported in the Balance sheet	9 168	6 877
Regulatory adjustments	2 990	2 630
Intangible assets	1 288	1 209
Deferred tax assets	1 702	1 421
Common Equity Tier 1 capital	6 177	4 247
Tier 1 capital	6 177	4 247
Tier 2 capital	2 000	290
Total regulatory capital	**8 177**	**4 537**
Risk exposure amount:		
Credit risk according to the standardized approach	48 079	29 354
Operational risk according to the basic indicator approach	3 444	1 646
Total risk exposure amount	**51 523**	**31 000**
Total capital ratio (%)	**15,9%**	**14,6%**

Leverage

The leverage ratio measures the Bank's core capital relative to its total assets. The ratio looks specifically at Tier 1 capital to judge how leveraged the Bank is based on its assets. The 3% leverage ratio requirement became binding for banks in the mid of the Year 2021. As of December 31, 2024, the Bank's leverage ratio was 8% and as of December 31, 2023 10,3%.

The large exposure requirement

It's required that exposure (loans granted, also any asset or off-balance-sheet asset) to a client or a group of connected clients cannot exceed 25% of the Bank´s Tier 1 capital, or EUR 150 m, whichever the higher, provided that the sum of exposure values. An exposure to a client or a group of connected clients shall be considered a large exposure where the value of the exposure is equal to or exceeds 10 % of its Tier 1 capital.

The Bank complied with the large exposure requirement. As of 31st December 2024 and 2023, the exposure to one customer or a group of related customers did not exceed 1% of the Bank's Tier 1 capital.

Remuneration policy

The Supervisory Board of the Bank approves the Remuneration Policy of the Bank and directly supervises the remuneration rules for the Bank's employees.

The Policy is based on equal pay for male and female employees for equal work or work of equal value and is an integral part of the Bank's corporate strategy and risk management framework. Total remuneration is structured in a way that ensures that it does not expose the Bank to unwanted risk.

Considering the Bank's activities, complexity, size, organisational structure, and risk exposure the bank does not form a Remuneration Committee. The Supervisory Board of the Bank is responsible for establishing the principles of the Policy, the models for calculating variable remuneration, and for the periodic review of the Policy (at least annually), and the Management Board of the Bank is responsible for the implementation of the Policy.

The Bank is committed to all of the following principles in designing, updating and applying the Remuneration framework:

- external competitiveness - in order to attract and retain necessary and motivated Employees, competitive Remuneration corresponding to labour market trends is set to the Employees;

- non-discrimination - Remuneration is determined without discriminating on the basis of an Employee's sex, race, nationality, language, origin, social status, religion, belief or opinion (the Policy is neutral in respect of Employee's sex, race, nationality, language, origin, social status, religion, belief or opinion);

- internal fairness – Employee's assessment is based on the responsibilities assigned to the Employee, the employee's performance, the Employee's competencies, knowledge, experience, skills, etc., and equal remuneration is set for the same work or work of equal value;

- transparency - it must be clear to each Employee how his/her Remuneration is determined;

- flexibility - where there is a need to recruit or retain a key Employee, or to manage risks arising from Employee substitution, turnover, or business continuity, exceptions to this Policy may be made, provided that the principles of Variable remuneration versus Fixed remuneration are upheld.

(all amounts are in thousands EUR, if not otherwise stated)

Remuneration framework consists of:
- Fixed remuneration;
- Variable remuneration.

The Remuneration framework is based on the position level, with a Fixed remuneration range and other Remuneration indicators assigned to the specific position level. The position level is determined by assessing the required competence, qualification, experience, level of responsibility, the authority to make decisions and work complexity.

Variable remuneration is paid to align Employees' individual performance objectives with the long-term interests of the Bank, taking into account current and future risks, to ensure sustainable business development, and to encourage Employees to act with integrity, honesty, transparency and professionalism in a manner that respects clients' rights and interests.

The proportion of Variable remuneration shall not exceed a maximum of 100 percent of the proportion of Fixed remuneration calculated over 1 calendar year, unless the Bank's General Meeting of Shareholders, in accordance with the requirements of the legal acts, raises the maximum ratio of Variable to Fixed remuneration to 200 percent.

Variable annual remuneration may only be granted if the Bank is in a sustainable financial position, and in compliance with legal requirements. When approving the annual budget, the Supervisory Board may decide whether a variable annual remuneration for the coming year shall be applied.

The separate procedures stipulate the provisions for the award of performance fees, dedicated to the respective functions and structural units, which may establish qualitative, quantitative, and other criteria and tasks, the fulfilment of which shall result in the awarding of performance fees to the Employees. The amount of the performance fees shall not exceed 25% of the Employee's Fixed remuneration calculated for the relevant period. Employees may be paid other allowances (complementary financial incentives), which are given to encourage individual or group activities, the implementation of significant project work, and the performance of additional work functions (besides their official functions).

Group 2024	Fixed remuneration	Variable remuneration	Number of the staff
All staff	1 414	60	27
Management Board members of the Bank	341	-	3
Staff whose professional activities have a material impact on the Bank’s	994	1	12
Other employees	420	59	15

Group 2023	Fixed remuneration	Variable remuneration	Number of the staff
All staff	1 086	32	22
Management Board members of the Bank	301	-	3
Staff whose professional activities have a material impact on the Bank’s	774	5	11
Other employees	312	27	11

(all amounts are in thousands EUR, if not otherwise stated)

Note 2 Net interest income (expenses)

Items	Group 2024	Bank 2024	Group and Bank 2023
Interest income calculated using the effective interest method			
Loans to households	3 601	3 601	1 620
Adjustment on effective interest method	(1 147)	(1 147)	(784)
Interest income from loans:	**2 454**	**2 454**	**836**
Term deposits with commercial banks	1	-	-
Deposits with Central Bank	334	334	-
Total interest income:	**2 789**	**2 788**	**836**
Interest expenses calculated using the effective interest method			
Deposits received	(1 973)	(1 973)	(747)
Adjustment on effective interest method	(162)	(162)	(75)
Other interest expenses:			
Interest expense on subordinated liabilities	(275)	(275)	(92)
Lease liability	(3)	(3)	(4)
Total interest expense:	**(2 413)**	**(2 413)**	**(918)**
Net interest income (expense)	**376**	**375**	**(82)**

The interest income from deposits with Central Bank represents the interest income from the deposit facilities operations that were received on the cash balances. An interest rate level for such operations is set by ECB for deposit facility operations.

Note 3 Fee income

Items	Group and Bank 2024	Group and Bank 2023
Fee income		
Loans to households	2 981	1 515
Total:	**2 981**	**1 515**

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

Note 4 The net result from financial assets

Items	Group and Bank 2024	Group and Bank 2023
The net result from financial assets	(37)	(75)
Total:	**(37)**	**(75)**

According to the forward-flow agreement, the Bank sold loans that are more than 90 days overdue with no obligation to repurchase (except for fraud or death of the customer). The difference between pre-transaction and post-transaction loan carrying amount is recognized in the income statement and the total amount of the loan is derecognized from the statement of financial position.

Since the beginning of 2024, the Bank changed its debt collection strategy. Considering current lower price levels, the debt purchase market is for financial institutions not as attractive as it used to be. The Bank has put more effort into in-house debt collection, processing non-performing loans in courts and enforcement process without selling the claims at an early default stage.

(all amounts are in thousands EUR, if not otherwise stated)

Note 5 Other income

Items	Group and Bank 2024	Group and Bank 2023
Other income	12	-
Total:	**12**	**-**

Note 6 Personnel expenses

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Salary and related paid taxes	1 414	1 421	1 086	1 075
Bonuses	60	60	32	32
Vacation accruals	(10)	(10)	10	10
Other personnel-related expenses	21	21	7	24
Total:	**1 485**	**1 492**	**1 135**	**1 141**

Note 7 Administrative expenses

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Registers and maintenance expenses	367	367	304	304
IT and communication expenses	345	346	296	296
Marketing and public relations expenses	226	226	239	239
Consultation expenses	71	71	100	100
Office rent and maintenance expenses	50	51	47	47
Insurance expenses	22	21	31	31
Tax expenses	29	29	29	29
Business trips expenses	23	23	25	25
Financial audit expenses	22	22	22	22
Other expenses	188	187	64	62
Total:	**1 343**	**1 343**	**1 158**	**1 160**

Note 8 Cash and cash equivalents

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Cash balances in the central bank	13 673	13 673	2 491	2 491
Cash balances in commercial banks	64	25	76	39
Total:	**13 737**	**13 698**	**2 567**	**2 530**

The Bank is under the regime of the mandatory 1% reserve from deposits keeping the funds in the Bank of Lithuania. The mandatory reserve regime is active for the Bank from the end of December 2022 and the last amount for the certain period in 2024 was EUR 532 thousand.

(all amounts are in thousands EUR, if not otherwise stated)

Note 9 Loans to customers

Items	Group and Bank	
	2024	2023
Loans to households	63 421	38 774
Accrued interest	445	196
Loan impairment	(623)	(274)
Total:	**63 243**	**38 696**

Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial asset at the time of initial recognition. The transaction costs attributed to loans to households for the end of 2024 amounted to EUR 3 226 thousand and at the end of 2023, EUR 1 821 thousand.

The following table shows the geographical distribution of loan balance and the loan loss allowance. The cross-border operations in Estonia started in the fourth quarter of the year 2022.

Items	Group and Bank 2024			Group and Bank 2023		
	Lithuania	Estonia	Total	Lithuania	Estonia	Total
Loans to households	58 063	5 358	63 421	35 406	3 368	38 774
Accrued interest	405	40	445	174	22	196
Loan impairment	(452)	(171)	(623)	(188)	(86)	(274)
Total:	**58 016**	**5 227**	**63 243**	**35 392**	**3 304**	**38 696**
Share in portfolio, %	**92%**	**8%**	**100%**	**91%**	**9%**	**100%**

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 the Bank´s Accounting Policy.

Items	Group and Bank 2024	Group and Bank 2023
Balance as of 1st January	**274**	**176**
Increases due to origination	297	231
Decrease due to derecognition repayments and disposals, including sold loans	(167)	(112)
Changes due to changes in credit risk	329	100
Changes due to an update in the methodology for estimation	(103)	(118)
Changes due to write-offs	(7)	(3)
Balance as of 31st December	**623**	**274**

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 regularly based on estimates by competent authorities.

Note 10 Investment in subsidiary

In the Year 2022, the Bank started to offer loans on a cross-border basis in Estonia. For the administrative support of the operations, the Bank established in April 2022 a daughter company Fjord Support Services OÜ (reg nr 16479312, registered in the Business Register of Estonia). The purpose of the company is the administrative support of the Bank in the process of issuing and administering loans.
Investment in the Subsidiary amounted EUR 20 thousand and is accounted for in the Parent Bank statement

(all amounts are in thousands EUR, if not otherwise stated)

using the equity method and there is no impact on the consolidated result as the subsidiary result is included in the Bank's results through an equity method. Detailed information on the transactions between the Bank and the subsidiary is presented in Note 21. The Bank has developed transfer pricing documentation, which formulates and develops principles, methods and rules for determining the pricing policy for intra-group financing services transactions between the Bank and a subsidiary.

Note 11 Intangible assets

Items	Group and Bank			
	Built-up Banking IT platform	Specialized Banking license	Other intangible assets	Total
The acquisition cost				
December 31, 2022	**1 633**	**68**	**13**	**1 714**
Acquisition of assets	589	-	-	589
December 31, 2023	**2 222**	**68**	**13**	**2 303**
Acquisition of assets	387	-	42	429
December 31, 2024	**2 609**	**68**	**55**	**2 732**
Amortization				
December 31, 2022	**(644)**	**(41)**	**(9)**	**(694)**
Amortization during the financial year	(284)	(15)	(1)	(300)
December 31, 2023	**(928)**	**(56)**	**(10)**	**(994)**
Amortization during the financial year	(432)	(12)	(6)	(450)
December 31, 2024	**(1 360)**	**(68)**	**(16)**	**(1 444)**
Balance as of December 31, 2023	**1 294**	**12**	**3**	**1 309**
Balance as of December 31, 2024	**1 249**	**-**	**39**	**1 288**

As of December 31, 2023, the value of the created intangible asset was EUR 99 thousand. As of December 31, 2024 all capitalized intangible developed assets were introduced into life and are under amortization.

Note 12 The Right of use of assets

Items	Group and Bank
Balance as of December 31, 2022	**159**
Fair value change	15
Depreciation	(92)
Balance as of December 31, 2023	**82**
Fair value change	372
Depreciation	(92)
Balance as of December 31, 2024	**362**

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. In 2024 the long-term office lease agreement was signed for another 5 years. The depreciation period of these assets corresponds to the lease term of the asset. The discount rate used is 3.6%.

(all amounts are in thousands EUR, if not otherwise stated)

Note 13 Tangible assets

Items	Group and Bank			
	Equipment	**Furniture**	**Rent of office prepayment**	**Total**
Acquisition cost				
December 31, 2022	**10**	**15**	**13**	**38**
Acquisition of assets	-	-	-	-
December 31, 2023	**10**	**15**	**13**	**38**
Acquisition of assets	2	3	-	5
December 31, 2024	**12**	**18**	**13**	**43**
Depreciation				
December 31, 2022	**(8)**	**(6)**	-	**(14)**
Depreciation	(2)	(2)	-	(4)
December 31, 2023	**(10)**	**(8)**	-	**(18)**
Depreciation	-	(3)	-	(3)
December 31, 2024	**(10)**	**(11)**	-	**(21)**
Balance as of December 31, 2023	**-**	**7**	**13**	**20**
Balance as of December 31, 2024	**2**	**7**	**13**	**22**

Note 14 Deferred tax assets

Items	Group and Bank	
	2024	**2023**
Profit (loss) before taxes	**(396)**	**(1 432)**
Non-tax deductible expenses	73	99
Non-taxable income	(16)	-
Total amount of expenses reducing profit	(1 540)	(1 068)
Total taxable profit (loss)	**(1 879)**	**(2 401)**
Rate	*15 %*	*15 %*
Deferred tax from taxable losses	282	360
Deferred tax from vacation accruals related to social contribution taxes and bonuses	0	0
Deferred tax from other temporary differences	(1)	1
Total deferred tax assets	**281**	**361**
Deferred tax assets at the beginning of the reporting year	1 421	1 060
Deferred tax assets at the end of the reporting year	1 702	1 421

The Bank has made a projection of the utilization of deferred tax assets arising from accumulated tax losses. Based on the forecast analysis, the Bank's management does not consider that there is any indication that the deferred tax assets may not be utilized. However, there is uncertainty because the valuation is based on forecasts of taxable profits, the realization of which is dependent on future events.

The Bank's business plans envisage a significant increase in taxable profit based on its active operations and the prospects for their realization over the next 5 years. Management believes that the Bank's business volumes and taxable profits will grow, driven by higher income from loan sales in the context of a growing loan portfolio and lower funding costs in the context of market expectations of ECB interest rate cuts.

(all amounts are in thousands EUR, if not otherwise stated)

Note 15 Other assets

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Deferred expenses	36	36	34	35
Prepayments	23	17	11	6
Total:	**59**	**53**	**45**	**41**

Note 16 Deposits from customers

Items	Group and Bank 2024	Group and Bank 2023
Households' term deposits	67 065	35 818
Households' current accounts	45	20
Accrued interest	1 410	621
Total:	**68 520**	**36 459**

Household's term deposits by clients' residency:

Items	Group and Bank 2024					
	Lithuania	Germany	Netherlands	Spain	Ireland	Total
Households' term deposits	5 912	24 722	21 270	12 032	3 129	67 065
Accrued interest	160	430	499	298	23	1 410
Total:	**6 072**	**25 152**	**21 769**	**12 330**	**3 152**	**68 475**
Share in portfolio, %	**9%**	**36%**	**32%**	**18%**	**5%**	**100%**

Items	Group and Bank 2023				
	Lithuania	Germany	Spain	Netherlands	Total
Households' term deposits	8 521	13 280	7 536	6 481	35 818
Accrued interest	177	184	117	143	621
Total:	**8 698**	**13 464**	**7 653**	**6 624**	**36 439**
Share in portfolio, %	**24%**	**37%**	**21%**	**18%**	**100%**

Transaction costs that are directly attributable to the acquisition of a financial liability are added to the fair value of the financial liability at the time of initial recognition. Transaction costs attributed to the households' term deposits for the end of 2024 amounted to EUR 94 thousand and at the end of 2023, EUR 50 thousand.

(all amounts are in thousands EUR, if not otherwise stated)

Note 17 Subordinated liabilities

Items	Group and Bank 2024	Group and Bank 2023
Subordinated notes	2 000	290
Accrued interest	28	2
Deferred acquisition costs	(73)	(5)
Total:	**1 955**	**287**

According to the General Terms and Conditions for the Issuance of Tier 2 Subordinated Notes with a maturity of up to 10 years, the Bank in December 2022 and February 2024 issued Subordinated Notes.

Detailed information about Subordinated Notes:

Subordinated Notes	Nominal Price	Amount	Interest rate	Issue date	Maturity date	De-registration date
LT0000407124	EUR 10,000	1 040	11%	12/12/2022	12/12/2032	31/12/2024
LT0000408775	EUR 1,000	2 000	14%	28/02/2024	28/02/2034	-

The issued Subordinated Notes were included in the Bank´s Tier 2 capital. The Bank is obliged to pay quarterly perpetual interest payments. The Bank has the right to redeem the debt notes prematurely, as provided for in the General Terms and Conditions for the Issuance of Tier 2 Subordinated Notes.

In 2023 and 2024 all EUR 1 040 thousand of Subordinated Notes were redeemed prior to the maturity and the proceeds were used to pay for the newly issued capital (EUR 750 thousand for the capital issue in 2023 and EUR 290 thousand for the capital issue in 2024). Detailed information is presented in the note regarding the share capital and share premium (Note 19).

The issued Subordinated Notes are recorded in the balance sheet at amortized cost by using the effective interest rate method. In addition to interest rate, the effective interest rate mainly reflects acquisition costs, recognized as a change in the nominal value of the debt securities and charged to interest expense over a term of notes.

Note 18 Other liabilities

Items	Group 2024	Bank 2024	Group 2023	Bank 2023
Liabilities to service providers	221	220	235	234
Office rent liabilities	363	363	85	85
Holiday pay accruals	69	66	78	72
Accrued expenses	45	45	53	53
Payable taxes	47	36	45	36
Payables to subsidiary	-	15	-	13
Other payables	24	20	20	14
Total:	**769**	**765**	**516**	**507**

(all amounts are in thousands EUR, if not otherwise stated)

Note 19 Share capital and share premium

Items	Group and Bank		
	Share units	**Share capital**	**Share premium**
Balance as of December 31, 2022	**53 385**	**2 135**	**7 562**
Share par value (nominal)		0,04	
Share premium (the difference between the share issue price and nominal value)			0,20
Share issue registered on September 19th, 2023	12 673	507	2 579
Share issue cost			(177)
Balance as of December 31, 2023	**66 058**	**2 642**	**9 964**
Share par value (nominal)		0,04	
Share premium (the difference between the share issue price and nominal value)			0,20
Share issue registered on December 30th, 2024	10 267	411	2 089
Share issue cost			(94)
Balance as of December 31, 2024	**76 325**	**3 053**	**11 959**

All shares are fully paid up. The Bank has no other type of shares than ordinary registered shares.

In 2023, additional 12 673 thousand shares were issued and paid for EUR 3 086 thousand. The share issue was finalized by registering a new version of the Bank´s Articles of Association in the State Enterprise Center of Registers on September 19, 2023. Following this registration, the Bank's share capital increased by EUR 507 thousand, and due to the paid issue sum of EUR 3 086 thousand, a share premium of EUR 2 579 thousand was accounted for.

In 2024, additional 10 267 thousand shares were issued and paid for EUR 2 500 thousand. The share issue was finalized by registering a new version of the Bank´s Articles of Association in the State Enterprise Center of Registers on December 30, 2024. Following this registration, the Bank's share capital increased by EUR 411 thousand, and due to the paid issue sum of EUR 2 500 thousand, a share premium of EUR 2 089 thousand was accounted for.

The Bank’s shareholders were as follows (with an indication of shareholders with more than 5% ownership):

Shareholder	as of December 31, 2024		as of December 31, 2023	
	No of shares	**Ownership, %**	**No of shares**	**Ownership, %**
Lenani AS	7 402	9.70%	6 582	9.96%
First Partner Holding 4 AS	6 971	9.13%	6 602	9.99%
Stranden Invest AS	6 516	8.54%	6 106	9.24%
Skalmen AS	4 370	5.73%	4 117	6.23%
Europa Link AS	3 965	5.20%	2 793	4.23%
New Vence Invest AS	3 632	4.76%	4 248	6.43%
Other legal persons	29 676	38.87%	26 913	40.75%
Other private persons	13 793	18.07%	8 697	13.17%
Total:	**76 325**	**100%**	**66 058**	**100%**
Legal persons	62 532	81.93%	57 361	86.83%
Private persons	13 793	18.07%	8 697	13.17%
Total:	**76 325**	**100%**	**66 058**	**100%**

Mandatory reserve

As of December 31, 2024, the Bank did not have reserves that are compulsory under Lithuanian legislation.
According to the 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.

(all amounts are in thousands EUR, if not otherwise stated)

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 the 10% threshold of share capital can be re-distributed when the annual profit of the 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	**(5 729)**
2	Current financial year net profit (loss)	(115)
3	Profit (loss) for distribution (1+2)	(5 844)
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)	**(5 844)**

Note 20 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 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 21 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 Group and Bank's shareholders or other related parties:

Related parties name	**Total**	**Receivables**
Sales from a related party during 2024	-	-
Sales from Shareholders during 2023	-	-

Related parties name	**Total**	**Liabilities**
Acquisitions from related parties during 2024		
Shareholders	32	2
Subsidiary	169	15
Other related parties	490	33
Acquisitions from related parties during 2023		
Shareholders	-	292
Subsidiary	167	13
Other related parties	676	58

The acquisition from shareholders in the Year 2023 presents an amount of Tier 2 Subordinated Notes. The detailed information is presented in Note No. 17.

Financial relations with the Bank's Management Board: the paid salary (including taxes) in the Year 2024 amounted to EUR 342 thousand (in the Year 2023 – EUR 303 thousand).

Note 22 Subsequent events

In January 2025, the Bank held an Extraordinary General Meeting of Shareholders. As a result of the meeting, Mr. Olav Haugland, Mr. Martin Hagen, Mr. Sven Tore Kaasa, Mr. Joakim Mandorsson and Mr. Otto Havneraas were elected the members of the Supervisory Board of the Bank. Mr. Otto Havneraas will take his seat after receiving approval from the Bank of Lithuania.

In February 2025 the Bank entered into an Engagement Letter with a leading Nordic investment bank to assess various capital markets opportunities.

There were no other material subsequent events that would have a corrective effect on the Group and the Bank's sets of Annual Financial Reports for the Year 2024.

The Set of Annual Financial Reports was signed and approved on March 12th, 2025.

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

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