SET OF ANNUAL FINANCIAL REPORTS

2021

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INFORMATION ABOUT THE BANK

Name:	AB Fjord Bank
Legal form:	Public Limited Liability Company
Registration No.:	304493038
VAT code:	LT100012244316
Address:	Rinktinės str. 5, LT-09234 Vilnius
Telephone:	+370 525 11181
Email:	info@fjordbank.lt
Website:	www.fjordbank.lt
Financial Year:	January 1st, 2021 - December 31st, 2021
License:	Specialized Bank License No 5 from 10th December 2019
Audit Company:	Grant Thornton Baltic UAB

Members of the Supervisory Board:

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

Members of the Management Board:

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB FJORD BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AB Fjord Bank (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of profit (loss) and other comprehensive income (expenses), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 2014 April 16 the European Parliament and of the Council Regulation (EU) No 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with these requirements 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 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 financial statements.

Loans to customers

As referred to in Note 9 and the Credit Risk paragraph of the Risk Management section, the balance of loans granted to the Company's customers before impairment amounted to EUR 5 949 thousand, while the related impairment (expected credit losses, ECLs) was EUR 88 thousand. The Company's accounting policy on expected credit losses is disclosed in the financial statements under the section of accounting policies Impairment of Financial Assets.

Impairment of loans granted to customers is deemed subjective due to the management's judgement in determining the expected credit losses, which depend on the method and model chosen, significant assumptions and estimation uncertainty used.

The significant assumptions applied by the management in determining the stage of loan impairment include the choice of the appropriate method and model, the identification of significant increases in the credit risk, the assessment of forward-looking information used for different probability weighted scenarios, the assessment of customers with loans considered credit-impaired and the assessment of expected future cash flows related to the loans.

This matter is considered to be a key audit matter due to significant balance of loans granted to customers and estimation uncertainty involved in impairment testing of loans.

How the Matter Was Addressed in the Audit

We, among other audit procedures, have obtained an understanding (including understanding of the assumptions, methods and models used) and performed testing of the operating effectiveness of internal controls over the process of estimation of expected credit losses for loans to customers.

We have considered whether current loan impairment testing policy is adequate and in line with the requirements of IFRS 9 Financial Instruments.

We have assessed loans through selective testing to determine whether the criteria for determining if expected credit losses are forecast to actually default in the next 12 months or over lifetime of the loan are in line with the applicable accounting policy. For selected loans, we have also assessed management's cash flow forecast, expected loan repayment in the event of default by the customer and other sources of repayment.

We have assessed forward-looking information applied in the impairment model by comparing the management's estimates to publicly available information.

Finally, we have considered the adequacy of related disclosures in the financial statements in accordance with the IFRS requirements.

Other Information

The other information comprises the information included in the Company's annual report of 2021 year, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Other requirements for the auditor's report under the European Parliament and of the Council Regulation No 537/2014.

In accordance with the decision made by shareholders on 4 May 2020 we have been chosen to carry out the audit of the Company's financial statements. Our appointment to carry out the audit of Company's 2020 year of financial statements. In accordance with the decision made by shareholders on 25 March 2021 we have been chosen to carry out the audit of the Company's financial statements. Our appointment to carry out the audit of Company's 2021 year of financial statements. The total uninterrupted term of appointment is 5 years.

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

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

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

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

Certified auditor
Darius Gliaubicas[1]
Auditor's certificate No. 000594
15 March, 2022
Vilnius, the Republic of Lithuania
Grant Thornton Baltic UAB
Audit firm certificate No. 001513

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.

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The analysis of the year 2021 financial statements and operating activities

The year 2021 marked the first full year of activities for the AB Fjord Bank (hereinafter - the Bank). The Bank followed its previously agreed strategy, by offering loans and term deposits to Lithuanian consumers in digital channels.

According to plans, the Bank aimed to increase its sales volumes quarter by quarter, maintaining at the same time a good and controlled credit quality. Supported by the favorable macro-environment adapted to COVID-19 implications, the Bank achieved its goals, exceeding initial sales targets by 17% and maintaining a non-performing loan portfolio at a low 0,3% level. Due to strong sales growth the Bank´s gross loan portfolio reached by the end of the year to EUR 5,9m and deposit portfolio to EUR 4,8m level.

The changes in the loan and deposit portfolios reflected the increase of Bank's assets to EUR 11.7m compare to EUR 4.5m at the beginning of the reporting period. The net loss was mostly related with the staff expenses, sales costs and one-time costs related to the new capital emission. In 2022, the Bank intends to significantly increase both deposit and loan portfolios, as well income generated from the loan portfolio.

The Bank has earlier informed about entering the Investment and Share Purchase Agreement with Opera Financial Technologies Limited (hereinafter - Opera). According to the agreement, Opera would acquired 9,9% of the Bank´s newly issued shares and intended to acquire the remaining shares. In May 2021, the shareholders of the Bank and Opera mutually agreed to terminate the part of the Agreement concerning the acquisition of the remaining shares. Such an agreement is not influencing the Bank´s established operations.

In the second and third quarters, the Bank focused on strengthening its capital position. The equity issue was completed in September when the Bank of Lithuania approved the related amendments in the Bank´s bylaws. The equity issue, managed by the Pensum Asset Management in Norway, was eventually oversubscribed, and capped at EUR 5m. The funds are intended to support the Bank´s growth and profitability path.

In the third quarter, the Bank started preparations to enter its first foreign market. Cooperating with the major pan-European deposit platform Raisin DS, the Bank launched in December its cross-border deposit offer in the German market. Retail deposits from Germany enable the Bank to diversify its funding sources, lower the funding cost and attract longer deposits.

A simple and focused business model combined with continuous investments in automatic processes has enabled the Bank to keep the staff numbers on a flat level. In 2021, the average number of employees was 12, in 2020 - 12 employees. The Bank has not carried out any activities classified as research & development**.**

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

Subsidiaries

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

Information about the share capital

As of December 31, 2021, the Bank's share capital was equal to EUR 2 135 407. The share capital is divided into 53 385 163 ordinary registered shares with EUR 0.04 par value each. All the issued shares provide equal rights for the shareholders.

In 2021, amended versions of the Articles of Association were registered within the Register of Legal Entities, reflecting the decisions of the Extraordinary General Meeting of the Shareholders to increase the Bank's share capital by issuing new shares. Detailed information is presented in the note regarding the share capital and share premium (Note 17). The Bank did not acquire and did not hold (or transfer) any of its shares.

Management Bodies

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

The General Meeting of Shareholders

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

The Supervisory Board

The Supervisory Board carries out the function of supervision over the Bank´s activities. The Supervisory Board consists of 5 members. The main tasks of the Supervisory Board include electing and recalling of the Members of the Management Board, monitoring the Bank's business activities and their compliance with the law, the Articles of Association and the decisions of its shareholders, supervising over the activities of the Management Board, approve transactions between the Bank and members of the Management Board, the Bank's auditors or related persons, examine and approve the Bank's annual accounts before submitting to the General Meeting of Shareholders and other questions given by the laws and Articles of Association.

In December 2021 Mr. Aaron Michael McParlan resigned from the position of the Member of the Supervisory Board. The Supervisory Board continues activities with the following members:

Mr. Olav Haugland is the Chairman of the Supervisory Board, holding 7.02% ownership in the Bank through Skalmen AS. Mr. Olav Haugland is not participating in the other companies' management bodies.

Mr. Svein Øvrebø is a Member of the Supervisory Board, holding 5.7% ownership in the Bank through Hema Group AS.

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

Position	Company name	Form of company	Registration No.	Country
CEO and Chairman	Europa Link AS	Private limited liability company	921568908	Norway
CEO and Chairman	Hema Group AS	Private limited liability company	918485074	Norway
CEO and Chairman	Miel Holding AS	Private limited liability company	919415444	Norway
CEO and Chairman	Hema Vekst AS	Private limited liability company	919159847	Norway
CEO and Chairman	Vidden Holding AS	Private limited liability company	921568959	Norway
CEO and Chairman	Hema Drift Bergen AS	Private limited liability company	922614571	Norway
CEO and Chairman	Vard Invest AS	Private limited liability company	923117849	Norway
CEO and Chairman	Samos AS	Private limited liability company	923117857	Norway
CEO and Chairman	Svemo AS	Private limited liability company	923479406	Norway
Chairman	Rønvik Bodø Holding AS	Private limited liability company	919808683	Norway
Chairman	Mørkvedveien 98 AS	Private limited liability company	917747784	Norway
Chairman	Øysteins gate 8 AS	Private limited liability company	816449952	Norway
Chairman	Mørkvedveien 98 Bodø AS	Private limited liability company	917747792	Norway
Chairman	Øysteins gate 8 Harstad AS	Private limited liability company	916393148	Norway
Chairman	Bjørnfjell AS	Private limited liability company	965696369	Norway
Board member	Wedding AS	Private limited liability company	922556601	Norway

Mr. Tor Ove Berg-Eriksen is a Member of the Supervisory Board, holding 9.9% ownership in the Bank through Stranden Invest AS.

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

Position	Company name	Form of company	Registration No.	Country
CEO	Stranden Invest AS	Private limited liability company	977347343	Norway
Board Member	Croatian Devlopment II AS	Private limited liability company	991608982	Norway
Board Member	Bafo Holding AS	Private limited liability company	990355282	Norway

Mr. Sven Tore Kaasa is a Member of the Supervisory Board, holding 9.9% ownership in the Bank through Lenani AS.

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

Position	Company name	Form of company	Registration No.	Country
Chairman	Lenani AS	Private limited liability company	996338452	Norway
Chairman	K&K Holding AS	Private limited liability company	921387032	Norway
Chairman	Røyken Næringspark Invest AS	Private limited liability company	921441320	Norway
Chairman	Past Eiendom AS	Private limited liability company	921441290	Norway
Chairman	Johan Follestadsvei 24 AS	Private limited liability company	917118817	Norway

Mr. Martin Hagen is a Member of the Supervisory Board, holding 9.9% ownership in the Bank through First Partner Holding AS.

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

Position	Company name	Form of company	Registration No.	Country
Board Member	Osloveien 37 AS	Private limited liability company	914430453	Norway
Board Member	ProDev AS	Private limited liability company	911915596	Norway
Board Member	Duo 2 AS	Private limited liability company	916119844	Norway
Board Member	First Partner Holding AS	Private limited liability company	989574302	Norway
Board Member	Gulliksbakken AS	Private limited liability company	913272129	Norway
Board Member	Sogsti Panorama AS	Private limited liability company	998843715	Norway
Board Member	Hagen Gårdene AS	Private limited liability company	985077118	Norway
Board Member	Credeva Securities AS	Private limited liability company	913908686	Norway
Board Member	Norselab AS	Private limited liability company	918392033	Norway

The Management Board

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

The current members of the Management Board are:

Mr. Veiko Kandla is the Chairman of the Management Board and Head of Administration (CEO), holding 0.23% ownership in the Bank as a private person. Mr. Veiko Kandla is the CEO of the private limited liability company Tailwind OÜ (registration No. 12929072, Estonia).

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

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

The Head of Administration (Chief Executive Officer)

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

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

Committees of the Bank

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

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

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

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

The Bank was in line with all prudential requirements applicable for the Bank. The principles of the risk management in the Bank are described in the Note 1 of this report and more detailed overview of the risks is included in the Risk Management and Capital Adequacy Report, available on the Bank's homepage www.fjordbank.lt.

Covid-19 pandemic impact evaluation

As in 2020, the influence of the Covid-19 pandemic remained rather limited also in 2021. As the Bank positions itself as a fully digital financial services provider, the Bank can easily establish and manage customer relationships in online channels, without having any physical contacts. The same also applies to the organization of the work processes - the Bank has been able to easily switch to partly or full-scale remote work where necessary or mandatory.

The Bank´s payment behavior has not shown any signs of deterioration, as at the end of the year the share of the non-performing loan portfolio stands at 0,3% and the total overdue portfolio at 1,2%. To support affected customers and restore their ability to pay, the Bank is also able to offer to its customers restructuring of loans. However, the real-life need for such a measure has been nearly non-existent.

The demand and consumer confidence have remained strong despite the pandemic and the macroeconomic outlook does not currently show any signs of weakening. The Bank is easily able to monitor the overall macroeconomic situation and accelerate further growth based on the findings.

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

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

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

There were no subsequent material events after the statement of financial position date.

Veiko Kandla
CEO

March 15, 2022

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021

Article	Notes no.	2021	2020
ASSETS			
Cash and cash equivalents	**8**	3 971 680	2 979 617
Loans to customers	**9**	5 860 825	54 145
Intangible assets	**10**	917 772	825 146
Tangible assets	**11, 12**	217 283	290 347
Deferred tax assets	**13**	683 754	330 097
Other assets	**14**	30 228	19 988
Total assets:		**11 681 542**	**4 499 340**
LIABILITIES			
Deposits from customers	**15**	4 758 312	1 016 503
Other liabilities	**16**	411 762	380 943
Total liabilities:		**5 170 074**	**1 397 446**
EQUITY			
Capital	**17**	2 135 407	1 183 959
Share premium	**17**	7 561 929	3 067 868
Paid capital under registration	**17**	-	769 169
Retained earnings (loss)	**17**	(3 185 868)	(1 919 102)
Total Equity:		**6 511 468**	**3 101 894**
Total liabilities and equity:		**11 681 542**	**4 499 340**

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

The financial statements were prepared on March 15th, 2022 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

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

FOR THE YEAR ENDED DECEMBER 31, 2021

Article	Notes no.	2021	2020
Interest income calculated using the effective interest method	**2**	100 588	1 954
Interest expense	**2**	(63 329)	(17 472)
Net interest income (expenses)		**37 259**	**(15 518)**
Fee income	**3**	73 436	353
Net fee and commission income (expenses)		**73 436**	**353**
Income (expenses) from investment and financial activities	**4**	(281)	(631)
Other operating income (expenses)	**5**	42 180	38 956
OPERATING PROFIT (LOSS)		**152 594**	**23 160**
Personnel expenses	**6**	(668 978)	(593 855)
Administration expenses	**7**	(716 058)	(417 204)
Depreciation and amortization	**10-12**	(302 342)	(181 364)
PROFIT (LOSS) BEFORE IMPAIRMENT LOSSES		**(1 534 784)**	**(1 169 263)**
Impairment losses on loans	**9**	(85 639)	(1 895)
PROFIT (LOSS) BEFORE TAXES		**(1 620 423)**	**(1 171 158)**
Income tax	**13**	353 657	174 370
NET PROFIT (LOSS)		**(1 266 766)**	**(996 788)**

Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**(1 266 766)**	**(996 788)**
Profit (loss) per share attributed to the shareholders		(0,02)	(0,03)

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

The financial statements were prepared on March 15th, 2022 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

Article	Notes no.	Share capital	Share premium	Mandatory reserve	Paid capital under registration	Retained earnings (losses)	Total Equity
Balance at December 31, 2019		**1 183 959**	**3 067 868**			**(922 314)**	**3 329 513**
Profit (loss) for the year						(996 788)	(996 788)
Other comprehensive income							-
Total comprehensive income (expenses)						(996 788)	(996 788)
Share capital increase	**17**				769 169		769 169
Balance at December 31, 2020		**1 183 959**	**3 067 868**		**769 169**	**(1 919 102)**	**3 101 894**
Profit (loss) for the year						(1 266 766)	(1 266 766)
Other comprehensive income							-
Total comprehensive income (expenses)						(1 266 766)	(1 266 766)
Share capital increase	**17**	951 448	3 854 985		(769 169)		4 676 340
Balance at December 31, 2021		**2 135 407**	**7 561 929**			**(3 185 868)**	**6 511 468**

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

The financial statements were prepared on March 15th, 2022 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

Article	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss)	(1 266 766)	(996 788)
Adjustments:		
Depreciation and amortization	302 342	181 364
Decrease (increase) in deferred income tax	(353 657)	(174 370)
Impairment loss on loans	85 639	1 895
Realized forex exchange result	281	632
Other adjustments	(63 944)	(27 375)
Changes in:		
Decrease (increase) in other short-term assets	(4 239)	(9 430)
Decrease (increase) in right of use asset	2 292	(27 957)
Decrease (increase) in loans to customers	(5 894 214)	(56 039)
Increase (decrease) in deposits from customers	3 741 808	1 016 503
Increase (decrease) in liabilities related to employment relations	19 994	28 047
Increase (decrease) in other liabilities	76 927	(7 048)
Net cash flow from operating activities	**(3 353 537)**	**(70 566)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of tangible fixed assets	(924)	(4 602)
Acquisition of intangible fixed assets	(323 273)	(492 433)
Other cash flow from investing activities	-	(1 467)
Net cash flows from investing activities	**(324 197)**	**(498 502)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net income from rent activities	(6 262)	(11 452)
Issue of shares	5 000 000	769 169
Issue of shares cost	(323 660)	-
Net cash flows from financing activities	**4 670 078**	**757 717**
Result of foreign exchange	**(281)**	**(632)**
Net increase in cash and cash equivalents	**992 063**	**188 017**
Cash and cash equivalents at the beginning of the year	**2 979 617**	**2 791 600**
Cash and cash equivalents at the end of the year	**3 971 680**	**2 979 617**

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

The financial statements were prepared on March 15th, 2022 by:

Veiko Kandla
CEO
/signed digitally/

Asta Guleckienė
Chief Accountant
/signed digitally/

EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2021

I. GENERAL PART

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

The Bank's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements based ongoing concern basis assumptions. The Bank does not hold any own shares. The Bank has no subsidiaries or associated companies or branches. In 2021, the average number of employees was 12, in 2020 - 12 employees.

II. ACCOUNTING POLICY

Statement of compliance

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

The Management Board prepared the financial statements on March 15th, 2022. The financial statements are prepared following a going concern assumption. The financial statements are prepared on a historical cost basis.

Functional currency and foreign currency transaction

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

Fixed assets

Intangible assets

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

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

The accounting principles already described apply to the accounting for additional acquisitions of intangible assets already in use. In the event of an additional increase in the value of the intangible assets used, the intangible assets are amortized on a straight-line basis over their estimated useful lives.

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

Tangible assets

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

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

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

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

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

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

Financial instruments

The Bank recognizes financial assets and liabilities in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument. When financial assets and liabilities are recognized initially, they are measured at fair value. Transaction costs that are directly related to purchasing or issuance of the financial assets (except financial assets and financial liabilities which are recognized at fair value through profit or loss) when initially recognized, are added or subtracted from financial assets' or financial liabilities' fair value. Transaction costs that are directly attributed to financial assets or financial liabilities at fair value are immediately recognized through profit or loss.

Financial assets

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

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

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

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

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

The effective interest rate method

The effective interest method is a method for calculating 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 asset or to the amortised 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 integral part of the effective interest rate, such as origination fees.

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

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

Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Losses on loan and receivables impairment are established through profit or loss if there is objective evidence that the Bank will not be able to collect all amounts due.

Evidence of impairment is based on the Expected Credit Losses model (ECL), which tests if the credit risk has not increased significantly after initial recognition.

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

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

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

Financial liabilities

All financial liabilities are recognized at amortized costs valued at fair value, except financial liabilities valued at fair value through profit or loss with gains and losses recognized in the income statement.

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

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Cash and cash equivalents

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

For the cash flow statement, cash and cash equivalents comprise the cash in the bank's account balances.

Share capital and reserves

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

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

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

Employee benefits

The Bank does not have any defined benefit, employee incentive plans, or compensation through share-based incentive programs. Short-term benefits for employees are recognized as current operating costs for the period during which the employees provided the services.

Revenues

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

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

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

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

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

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

Expenses

Expenses are recognized in accounting in accordance with the principles of accrual and comparison. Interest expense is recognized using the effective interest method. Fees and commissions are recognized when the service is provided.

In those cases, when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. Administrative expenses include personnel expenses, office rent, telephone and communication expenses as well as other expenses such as amortization and depreciation.

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

Finance and operating lease

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

Finance lease

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

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

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

Operating lease

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

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

Income tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax expenses are calculated based on the information available as of the date of preparation of the financial statements. Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15% on taxable income since January 1st, 2010.

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

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

Deferred income tax

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

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

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

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

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

Income tax and deferred income tax for the reporting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items 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 financial statements. They are disclosed in the financial notes unless the possibility of an outflow of resources embodying economic benefits is marginal.

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

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

Subsequent events

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

Related parties

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

Offsetting

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

The use of assessments and decisions in the financial statements

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

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

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

Significant accounting estimates

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

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

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

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 2021.

Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments) (issued on 31 March 2021, effective from 1 April 2021). These amendments extend the scope of the 2020 amendments by increasing the period of eligibility to apply the practical expedient from 30 June 2021 to 30 June 2022.

On 28 May 2020, the Board issued COVID-19-Related Rent Concessions, which amended IFRS 16 Leases. The 2020 amendments permit lessees, as a practical expedient, not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Among other conditions, the 2020 amendments permit a lessee to apply the practical expedient only to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. If a rent concession reduces lease payments both before and after 30 June 2021, IFRS 16 does not permit the practical expedient to be applied to that concession.
The amendments are effective in European Union for annual reporting periods beginning on or after 1 April 2021. The management of the Bank has assessed that these amendments have no significant impact on these financial statements as no significant concessions/discounts have been received during the reporting period and are not expected to be received in subsequent periods.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) (issued on 27 August 2020, effective from 1 January 2021)

These amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are effective in European Union for annual periods beginning on or after 1 January 2021. The Management of the Bank has assessed that these amendments have no significant impact on these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published on 27 August 2020, effective from 1 January 2021 and must be applied retrospectively)

Amendments to IFRS 9, IAS 39 and IFRS 7 will conclude phase two focused on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). These amendments will not have an impact on the Bank's financial statements.

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

New standards, amendments and interpretations that do not become effective for the reporting period beginning in 1st January 2021 and which were not previously adopted in preparing these financial statements are set out below:

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments) (All issued 14 May 2020, effective from 1 January 2022)

The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss of SPLOCI.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective in European Union for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. The management of the Bank is currently assessing the impact of these amendments on the Bank’s financial statements.

Amendments to IFRS 17 and IFRS 4: The deferral of effective dates for IFRS 17 and IFRS 9 for insurers (published 25 June 2020, effective from 1 January 2021, but not before approval by the EU)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
The management has assessed that these amendments will not have any impact on the Bank’s financial statements.

IFRS 17: Insurance Contracts (published 18 May 2017, effective from 1 January 2023, but not before approval by the EU)

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.
This IFRS will not have any impact on the financial position or performance of the Bank as insurance services are not provided.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021, effective from 1 January 2023, but not before approval by the EU)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Amendments have not yet been endorsed by the EU. The management of the Bank has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective from 1 January 2023, but not before approval by the EU)

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Amendments have not yet been endorsed by the EU. The management of the Bank has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and 15 July 2020 respectively, effective from 1 January 2023, but not before approval by the EU)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The management of the Bank is currently assessing the impact of this amendment on their financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective from 1 January 2023, but not before approval by the EU)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The management of the Bank has not yet evaluated the impact of the implementation of these amendments.

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

III. NOTES

Note 1 Risk management

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

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

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

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

When identifying and measuring or assessing risks, the Bank develop appropriate methodologies, including both forward-looking and backward-looking tools. The framework includes the assessment of the actual risk profile against the Bank's risk appetite, as well as the identification and assessment of potential and stressed risk exposures under a range of assumed adverse circumstances against the Bank's risk capacity. The Bank's risk management framework covers both essential and unavoidable risks.

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

Credit risk

Credit risk means the risk for the Bank to incur losses due to the customers' failure to fulfill their financial obligations towards the Bank. The Bank is using several measures designed to continuously ensure that transactions are made with reliable customers and the transaction amounts do not exceed the approved credit risk limit. The Bank does not grant any guarantees in respect of the obligations of other parties.

The largest credit risk is represented by the carrying value of each unit of financial assets in the statement of the financial position. As a result, the Bank's management believes that the maximum risk is equal to the amounts receivable less the recognized impairment loss as of the statement of the financial position date.

Loans to customers

The core business of the Bank is to provide unsecured consumer credits for private persons residing in Lithuania. In assessing the customer's credit quality behavior, the Bank is assessing previous payment history, income, and obligations and other relevant factors.

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

As of December 31, 2021:

Distribution of loans by overdue days	Gross loans	Expected Credit Losses (ECL)			Net loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3		
Not overdue	5 874 434	(71 625)	-	-	5 802 809	1.2%
0-30 days	44 176	(852)	-	-	43 324	1.9%
31-89 days	10 866	-	(894)	-	9 971	8.2%
90 days and more	18 883	-	-	(14 162)	4 721	75.0%
Total loans to customers	**5 948 359**	**(72 477)**	**(894)**	**(14 162)**	**5 860 825**	**1.5%**

As of December 31, 2020:

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

Calculation of the loan impairment

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

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

The expected credit losses model as well incorporates the future forecasted economic developments. For the macroenvironment estimation, the Bank uses three scenarios with forward-looking information: baseline scenario (most probable and relevant), upside scenario, and downside scenario. As of the end of 2021 and 2020, the baseline scenario was estimated with a likelihood of 60%, downside scenario with a likelihood of 25%, and upside scenario with a likelihood of 15%. The expected credit loss model's necessary parameters as the probability of default, loss given default, and exposure at default for the calculation of allowances are based on the historical data from risk scoring service providers and the management estimations. Allowances for the loans to customers are calculated on an individual level depending on the probability of default.

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

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

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

Items	2021	2020
Cash balance at the central bank	2 008 145	1 834 162
Cash balance at commercial no rated bank but with assigned credit rating to the parent bank	952 555	1 142 573
Cash balance at the commercial bank with P – 2 rating for short-term funding by Moody's Investors Service	1 010 980	2 882
Total	**3 971 680**	**2 979 617**

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

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

Liquidity risk

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

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

As of December 31, 2021:

Items	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	3 971 680	3 971 680	-	-	-	-	-
Loans to customers	5 641 081	-	333 094	903 471	3 805 961	579 672	18 883
Right of use assets	132 975	-	10 305	30 915	91 755	-	-
Other receivables	30 228	-	24 734	4 946	548	-	-
Balance at December 31, 2021	**9 775 964**	**3 971 680**	**368 133**	**939 332**	**3 898 264**	**579 672**	**18 883**
Liabilities							
Deposits from customers	4 758 312	**-**	5 978	2 963 319	1 789 015	**-**	**-**
Rent liabilities	195 601	-	16 168	49 165	130 268	-	-
Payables to service providers	112 154	-	112 154	-	-	-	-
Other current liabilities	104 007	51 854	52 153	-	-	-	-
Balance at December 31, 2021	**5 170 074**	**51 854**	**186 453**	**3 012 484**	**1 919 283**	**-**	**-**

As of December 31, 2020:

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

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 reguirements structure:

Items	2021	2020
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA)	2 008 145	1 834 162
Total net cash outflow	59 750	25 425
LCR (%)	3361%	7213%
Net Stable Funding Ratio		
Total available stable funding	9 583 738	2 152 697
Total required stable funding	4 893 986	54 145
NSFR (%)	196%	3976%

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

Market risk

Market risk is the risk that the Bank's results or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The purpose of market risk management is to manage the open risk exposures to maximize the return. The Bank was involved in the management of the interest rate risk only, as through the financial year no investments in to equity price related financial instruments were done and all monetary assets and liabilities were held in Euros.

Interest rate risk

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 2021, a 2 percentage point increase in market interest rates would decrease the Bank's equity evaluated by economical value method by 180 thousand EUR (increase of 42 thousand EUR was calculated as for previous Year) and the annual profit evaluated by net interest income method would increase by 67 thousand EUR (increase by 57 thousand EUR was calculated as for previous Year), and a 2 percentage point decrease in market interest rates would increase the Bank's equity evaluated by economical value method by 203 thousand EUR (decrease of 45 thousand EUR was calculated as for previous Year) and would decrease the annual profit evaluated by net interest income method by 67 thousand EUR (increase of 57 thousand EUR was calculated as for previous Year).

Foreign exchange risk

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

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

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	9 852 007	5 066 067	3 052 511	1 278 206
USD	27	-	-	-
Other currencies	-	-	-	-
Total:	**9 852 034**	**5 066 067**	**3 052 511**	**1 344 984**

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

Operational risk

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

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

Climate-related risk

The Bank developed the Action Plan for Year 2022 according to which is planning to incorporate into the Banks risk management and internal control risk framework 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 Bank options for ESG risk management. The Bank may not be able to have the same variety of options like financial market participants with a much wider specter of products.

Regulatory Capital

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

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

Items	2021	2020
Equity as reported in the Balance sheet	6 511 468	3 101 894
Regulatory adjustments	1 601 526	1 924 412
Capital under registration	-	769 169
Intangible assets	917 772	825 146
Deferred tax assets	683 754	330 097
Common Equity Tier 1 capital	4 909 942	1 177 482
Tier 1 capital	4 909 942	1 177 482
Total regulatory capital	**4 909 942**	**1 177 482**
Risk exposure amount:		
Credit risk according to the standardized approach	5 037 017	580 035
Operational risk according to basic indicator approach	254 031	297 039
Total risk exposure amount	**5 291 047**	**877 074**
Total capital ratio (%)	**92,80%**	**134,17%**

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

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

Bank satisfied all own funds and additional capital buffer requirements. A more detailed overview on the own funds and additional capital buffer requirements is included in the Risk Management and Capital Adequacy Report, available on the Bank's homepage www.fjordbank.lt.

Leverage

The leverage ratio measures a Bank's core capital relative to its total assets. The ratio looks specifically at Tier 1 capital to judge how leveraged a bank is based on its assets. The 3% leverage ratio requirement became binding for Banks from the mid of the Year 2021. As of December 31, 2021 the Bank's leverage ratio was 49%.

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 Tier 1 capital, or EUR 150 million, 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 at 31st December 2021 the loans granted by the Bank to one customer or a group of related customers did not exceed 1% of the Bank's Tier 1 capital, while other bank asset positions (funds in commercial banks) amounted to 21% of the Bank's Tier 1 capital.

Note 2 Net interest income (expenses)

Items	2021	2020
Interest income calculated using the effective interest method		
Loans to households	100 588	1 954
Total interest income:	**100 588**	**1 954**
Interest expenses		
Deposits received	(42 502)	(4 055)
Interest expense on assets	(14 566)	(6 020)
Lease liability	(6 261)	(7 397)
Total interest expense:	**(63 329)**	**(17 472)**
Net interest income (expense)	**37 259**	**(15 518)**

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

Note 3 Net fee and commission income

Items	2021	2020
Fee income		
Loans to households	73 436	353
Total fee and commission income (expense):	**73 436**	**353**

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

Note 4 Other financial activity income and expenses

Items	2021	2020
Other operating gain (loss) related to exchange in the currency	(281)	(631)
Total financial activity income (expenses):	**(281)**	**(631)**

Note 5 Other operating income (expenses)

Items	2021	2020
Income from the sub-rent of the right of use asset	40 035	38 956
Other income	2 145	-
Total other income (expenses):	**42 180**	**38 956**

Note 6 Personnel expenses

Items	2021	2020
Salary and related paid taxes	623 620	550 032
Bonuses	31 262	23 205
Vacation accruals	13 276	19 593
Other personnel related expenses	820	1 025
Total personnel expenses	**668 978**	**593 855**

Note 7 Administrative expenses

Items	2021	2020
Marketing and public relations expenses	201 285	28 941
IT and communication expenses	178 866	96 710
Consultation expenses	141 853	149 601
Registers and maintenance expenses	109 226	27 822
Tax expenses	16 087	14 360
Financial audit expenses	14 520	9 680
Insurance expenses	12 597	6 595
Office rent and maintenance expenses	12 112	13 495
Business trips expenses	10 748	14 129
Bank, securities and supervision fees expenses	6 741	6 131
Legal services	861	36 736
Other expenses	11 222	13 004
Total administrative expenses	**716 058**	**417 204**

Note 8 Cash and cash equivalents

Items	2021	2020
Cash balances in the central bank	2 008 145	1 834 162
Cash balances in commercial banks	1 963 535	1 145 455
Total:	**3 971 680**	**2 979 617**

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

Note 9 Loans to customers

Items	2021	2020
Loans to households	5 914 337	55 268
Accrued interest	34 022	772
Loan impairment	(87 534)	(1 895)
Total Loans to customers:	**5 860 825**	**54 145**

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

Items	2021	2020
Balance at 1st January	**1 895**	-
Increases due to origination	81 225	5 145
Decrease due to derecognition repayments and disposals	(12 209)	(1 709)
Changes due to change in credit risk	17 693	-
Changes due to update in the institution's methodology for estimation	(1 070)	(1 541)
Balance at 31st December	**87 534**	**1 895**

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

Note 10 Intangible assets

Items	Built-up Banking IT platform	Specialized Banking license	Other intangible assets	Total
The acquisition cost				
December 31, 2019	**372 876**	**68 073**	**7 355**	**448 304**
Acquisition of assets	486 359	-	6 074	492 433
December 31, 2020	**859 235**	**68 073**	**13 429**	**940 737**
Acquisition of assets	323 272	-	-	323 272
December 31, 2021	**1 182 507**	**68 073**	**13 429**	**1 264 009**
Amortization				
December 31, 2019	**-**	**-**	**(967)**	**(967)**
Amortization during the financial year	(99 297)	(13 615)	(1 712)	(114 624)
December 31, 2020	**(99 297)**	**(13 615)**	**(2 679)**	**(115 591)**
Amortization during the financial year	(213 753)	(13 614)	(3 279)	(230 646)
December 31, 2021	**(313 050)**	**(27 229)**	**(5 958)**	**(346 237)**
Balance at December 31, 2020	**759 938**	**54 458**	**10 750**	**825 146**
Balance at December 31, 2021	**869 457**	**40 844**	**7 471**	**917 772**

All the capitalized intangible developed assets were introduced into life and are under amortization.

Note 11 The Right of use of assets

Items	The Bank's part	Rented part	Total
Right of use of assets balance			
Balance at December 31, 2019	**159 529**	**139 729**	**299 258**
Fair value change	(11 462)	39 419	27 957
Depreciation	(29 102)	(33 525)	(62 627)
Balance at December 31, 2020	**118 965**	**145 623**	**264 588**
Fair value change	(865)	(1 427)	(2 292)
Depreciation	(25 926)	(41 800)	(67 726)
Balance at December 31, 2021	**92 174**	**102 396**	**194 570**

The Bank adopted IFRS 16 and recognized the right to use the asset in an item of property, plant, and equipment. The value of the right to use an asset is determined based on the discounted lease payments (liabilities) over the lease term set by the rent agreement. The long-term office lease agreement is signed for 5 years. Part of the office space was subleased for the same period. The depreciation period of these assets corresponds to the lease term of the asset. The discount rate used is 2.71%.

In 2020 the Bank concluded the amendment to the office lease agreement, increasing the rented office space. Additionally rented office space was subleased for the same period as well.

Note 12 Tangible assets

Items	Equipment	Furniture	Rent of office prepayment	Total
Acquisition cost				
December 31, 2019	**4 011**	**10 198**	**11 282**	**25 491**
Acquisition of assets	4 602	-	1 467	6 069
December 31, 2020	**8 613**	**10 198**	**12 749**	**31 560**
Acquisition of assets	924	-	-	924
December 31, 2021	**9 537**	**10 198**	**12 749**	**32 484**
Depreciation				
December 31, 2019	**(1 229)**	**(459)**	**-**	**(1 688)**
Depreciation	(2 390)	(1 723)	-	(4 113)
December 31, 2020	**(3 619)**	**(2 182)**	-	**(5 801)**
Depreciation	(2 247)	(1 723)	-	(3 970)
December 31, 2021	**(5 865)**	**(3 905)**	-	**(9 771)**
Balance at December 31, 2020	**4 994**	**8 016**	**12 749**	**25 759**
Balance at December 31, 2021	**3 672**	**6 293**	**12 749**	**22 713**

Note 13 Deferred tax assets

Items	2021	2020
Profit (loss) before taxes	**(1 620 423)**	**(1 171 158)**
Non-tax deductible expenses	24 494	9 030
Total amount of expenses reducing profit	(642 637)	(60 413)
Total taxable profit (loss)	**(2 238 566)**	**(1 222 541)**
Rate	*15 %*	*15 %*
Deferred tax from taxable losses	335 785	183 381
Deferred tax from vacation accruals related to social contribution taxes and bonuses	2 478	51
Deferred tax from other temporarily differencies	15 394	(9 062)
Total deferred tax assets	**353 657**	**174 370**
Deferred tax assets at the beginning of the reporting year	330 097	155 727
Deferred tax assets at the end of the reporting year	683 754	330 097

Note 14 Other assets

Items	2021	2020
Deferred expenses	23 448	13 988
Prepayments	6 780	6 000
Total	**30 228**	**19 988**

Note 15 Deposits from customers

Items	2021	2020
Households' term deposits	4 716 710	1 012 450
Accrued interest	41 602	4 053
Total	**4 758 312**	**1 016 503**

Note 16 Other liabilities

Items	2021	2020
Office rent liabilities	195 601	261 703
Liabilities to service providers	107 431	54 612
Accrued expenses	52 153	13 884
Holiday pay accruals	51 854	38 578
Payable taxes	4 723	12 166
Total	**411 762**	**380 943**

Note 17 Share capital and share premium

Items	Share units	Share capital	Share premium
Balance at December 31, 2019	**29 598 982**	**1 183 959**	**3 067 868**
Balance at December 31, 2020	**29 598 982**	**1 183 959**	**3 067 868**
Share par value (nominal)		0,04	
Share premium (the difference between the share issue price and nominal value)			0,20
Share issue registered on January 4th, 2021	3 252 300	130 093	639 076
Share issue registered on September 22nd, 2021	20 533 881	821 355	4 178 645
Share issue cost			(323 660)
Balance at December 31, 2021	**53 385 163**	**2 135 407**	**7 561 929**

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

In 2020, additional 3 252 300 shares were issued and paid for EUR 769,169. This share issue was finalized by registering new Articles of Association of the Bank in the State Enterprise Center of Registers on January 4, 2021. Following this registration Bank's share capital increased by EUR 130 093, and due to the paid issue sum of EUR 769 169, a share premium of EUR 639 076 was accounted for.

In 2021, additional 20 533 881 shares were issued and paid for EUR 5m. This share issue was finalized by registering new Bank Articles of Association of the Bank in the State Enterprise Center of Registers on September 22, 2021. Following this registration Bank's share capital increased by EUR 821 355, and due to the paid issue sum of EUR 5m, a share premium of EUR 4 178 645 was accounted for.

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

Shareholder	as of December 31, 2021		as of December 31, 2020	
	No of shares	Ownership, %	No of shares	Ownership, %
Stranden Invest AS	5 284 950	9.90%	2 300 000	7.77%
First Partner Holding 4 AS	5 284 950	9.90%	1 980 000	6.69%
Lenani AS	5 284 950	9.90%	898 802	3.04%
SKALMEN AS	3 747 126	7.02%	1 796 407	6.07%
NEW VENCE INVEST AS	3 631 787	6.80%	2 395 210	8.09%
Opera Financial Technologies Limited	3 252 300	6.09%	-	-
Hema Group AS	3 044 950	5.70%	3 021 000	10.21%
Stig R. Myrseth	-	-	2 376 000	8.03%
Other legal persons	7 926 758	30.49%	11 703 956	39.54%
Other private persons	7 579 978	14.20%	3 127 607	10.57%
Total	**53 385 163**	**100%**	**29 598 982**	**100%**
Legal persons	45 805 185	85.80%	27 347 675	83.25%
Private persons	7 579 978	14.20%	5 503 607	16.75%
Total	**53 385 163**	**100%**	**29 598 982**	**100%**

Mandatory reserve

As of December 31, 2021, the Bank did not have reserves that are compulsory under the Lithuanian legislation. According to Law on Companies of the Republic of Lithuania, the mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of the net result are required until the reserve reaches 10% of share capital. The mandatory reserve cannot be used for payment of dividends and it is established to cover future losses only. A part of the mandatory reserve that exceeds 10% threshold of share capital can be re-distributed when the annual profit of next year is distributed. The management of the Bank is planning to start transferring funds to the mandatory reserve as soon as it starts operating profitably.

Profit (loss) available for distribution

Note no.	Items	Value
1	Retained earnings (loss) at the beginning of the financial year	**(1 919 102)**
2	Current financial year net profit (loss)	(1 266 766)
3	Profit (loss) for distribution (1+2)	(3 185 868)
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)	**(3 185 868)**

Note 18 Contingencies

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

Note 19 Transactions with related parties

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

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

Related parties name	**Total**	**Receivables**
Sales from Shareholders during 2021	48 600	-
Sales from Shareholders during 2020	46 670	-

Related parties name	**Total**	**Liabilities**
Acquisitions from related parties during 2021		
Shareholders	502 821	46 111
Other related parties	-	-
Acquisitions from related parties during 2020		
Shareholders	426 936	39 568
Other related parties	38 001	-

Financial relations with the Bank's Management Board: the paid salary (including taxes) in Year 2021 amounted to EUR 288 564 (in Year 2020 – EUR 283 929).

Note 20 Subsequent events

There were no material subsequent events that would have a corrective effect on the Bank's financial statements for the Year 2021, including the impact of the COVID-19 pandemic and the war in Ukraine.

These financial statements were signed and approved on March 15th, 2022.

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/signed digitally/

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Chief Accountant
/signed digitally/

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