

EUROPEAN MERCHANT BANK UAB

*ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2019
PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE
EUROPEAN UNION*

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF EUROPEAN MERCHANT BANK UAB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of European Merchant Bank UAB (hereinafter – Company), which comprise the statement of comprehensive position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the Laws of the Republic of Lithuania, regulating accounting and financial accountability, as well as the International Financial Reporting Standards (IFRS) that have been adopted for use in the European Union.

Basis for Opinion

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

Key Audit Matters

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

Software recoverable amount

See Financial Statements Note No. 3

Book value of company software as at December 31, 2019 was equal to 555 thousand EUR.

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

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

[3]

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

Other Information

The other information comprises the information included in the Company's annual report 2019 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 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 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

In accordance with the decision made by shareholders on 15 March, 2019 we have been chosen to carry the audit of the Company's 2019 and 2018 financial statements. Our appointment to carry out the audit of Company's financial statements in accordance with the decision made by shareholders has been renewed annually and the period of total uninterrupted engagement is 2 years.

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

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

During the audit period, we did not provide any services other than financial statements audit.

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

Certified auditor
Genadij Makušev
Auditor's certificate No. 000162
31 March, 2020
Vilnius, the Republic of Lithuania
Grant Thornton Baltic UAB
Audit firm certificate No. 001445



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

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

Companies 2019 financial and non-financial performance analysis and personnel information

On December 14, 2018 European Central Bank has granted European Merchant UAB a specialized Bank's license number 3. On June 6, 2019 the Company registered its Articles of Association at the Register of Legal Entities related to becoming a specialized Bank.

In 2019 the Company purchased a Core Banking System, carried out the preparation activities for the services provision according to the license (term deposits, credits, etc.).

At the end of 2019 the Company started providing payment and lending services.

In 2019 the Company generated 8 thousand EUR revenue. The expenses amounted to 1,328 thousand EUR. The 2019 result is 1,320 thousand EUR loss.

The average number of employees in 2019 was 9.

Subsidiaries

The Company has not established any subsidiaries in 2019.

Information about share capital

As of December 31, 2019, the company's share capital was equal to 3 300 000 EUR. The share capital is divided into 3 300 000 ordinary registered shares with EUR 1 par value each.

The number of all own shares acquired and held by the Company and the nominal value thereof and the share of the authorized capital of these shares – in 2019 the Company did not acquire and did not own its own shares.

Number of own shares acquired and transferred during the reporting period and their nominal value and share of the authorized capital, which these shares constitute – in 2019 the Company did not acquire or transfer its own shares.

Information on payment for own shares, if they are acquired or transferred for remuneration – in 2019 the Company did not acquire or transfer its own shares.

Reasons for Acquisition of the Company's Own Shares during the Reporting Period – in 2019 the Company did not acquire or transfer its own shares.

Objective overview of the Company's condition, performance and development, description of key risks and uncertainties encountered

In 2019 the Company started providing financial services for corporate customers (accounts, payment services, credits, etc.).

The company is planning to create new products and attract new customers based on approved business strategy and budget.

The Company's financial risks are disclosed in the financial statements.

References and additional explanations on the data presented in the annual financial statements

References and additional explanations are given in the financial statements notes.

The important events that occurred after the end of the financial year

On February 25, 2020 the share capital of the Company was increased from EUR 3 300 000 to EUR 10 300 000.

Spread of COVID-19 at the beginning of 2020 does not have a significant impact on the Company's 2019 financial statements. The Company has no information that the value of assets shown on the balance sheet had to be valued differently on the last day of reporting period. The Management of the Company believes that business continuity principle should be applied.

Information on the members of the Supervisory Board of the Company:

Name, family name	Workplace	Company code	Company address	Duties
Ekmeļ Cilingir	Akce Holding Malta Ltd.	C75291	Level 0, St. Julian's Business Centre, Triq Elija Zammit, St. Julian's, STJ 3155 Malta	Director
Vygintas Bubnys	UAB Grinda	120153047	Eigulių 32, 03150 Vilnius	Chairman of the Board-
Vaineta Barevičiūtė-Kryževičienė	Intrum Global Business Services	303326659	Spaudos street 8, 05132 Vilnius	Operations Director

Management Board in the Company consists of CEO Nemira Palaimienė and CFO Jelena Salietienė.

CEO Nemira Palaimienė

27 March, 2020

Nemira Palaimienė

EUROPEAN MERCHANT BANK UAB
Comprehensive income statement for the year ended December 31, 2019
(all amounts are in EUR, if not otherwise stated)

**COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED
DECEMBER 31, 2019**

Article	Notes	Financial year	Previous financial year
Net interest income		773	
Net fee and commission income		4 796	
Net currency exchange gain (loss)	1	(7 969)	
Net gain (loss) on derivatives at fair value	1	2 713	
Total revenue		313	
Remuneration and related expenses		(636 113)	
Depreciation and amortization	3-5	(80 087)	
General and administrative expenses	2	(603 986)	(12 208)
Total expenses		(1 320 186)	(12 208)
PROFIT (LOSS) BEFORE TAXES		(1 319 873)	(12 208)
Income tax	6		
NET PROFIT (LOSS) FOR THE YEAR		(1 319 873)	(12 208)
Profit (loss) per share		(0,40)	(0,01)

The financial statements were approved and signed on 27 March, 2020 by:

Nemira Palaimienė

Nemira Palaimienė
CEO

Jelena Salietienė

Jelena Salietienė
CFO

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

Article	Notes no.	Financial year	Previous financial year
ASSETS			
Cash and cash equivalents	7	8 612 620	2 065 819
Intangible assets	3	555 537	
Tangible assets	4-5	422 927	
Other assets	6	25 441	
TOTAL ASSETS		9 615 525	2 065 819
LIABILITIES			
Deposits from public	9	170 830	
Other liabilities	5, 10	7 477 793	1 078 044
TOTAL LIABILITIES		7 648 623	1 078 044
Equity			
Capital	8	3 300 000	1 000 000
Retained earnings (loss)		(1 332 098)	(12 225)
TOTAL EQUITY		1 967 902	987 775
TOTAL EQUITY AND LIABILITIES		9 615 525	2 065 819

The financial statements were approved and signed on 27 March, 2020 by:

Nemira Palaimienė

Nemira Palaimienė
CEO

Jelena Salietienė

Jelena Salietiene
CFO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

Article	Share capital	Retained earnings (losses)	Total Equity
Balance at December 31, 2017	251 875	(17)	251 858
Profit (loss) for the year		(12 208)	(12 208)
Share capital increase	748 125		748 125
Balance at December 31, 2018	1 000 000	(12 225)	987 775
Profit (loss) for the year		(1 319 873)	(1 319 873)
Share capital increase	2 300 000		2 300 000
Balance at December 31, 2019	3 300 000	(1 332 098)	1 967 902

The financial statements were approved and signed on 27 March, 2020 by:

Nemira Palaimienė

Nemira Palaimienė
CEO

Jelena Salietienė

Jelena Salietienė
CFO

EUROPEAN MERCHANT BANK UAB
Statement of cash flows for the year ended December 31, 2019
(all amounts are in EUR, if not otherwise stated)

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

Article	Notes no.	Financial year	Previous financial year
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		(1 319 873)	(12 208)
Adjustments:			
Depreciation and amortization		80 087	
Elimination of financing and investing activity results		18 957	
Changes:			
Decrease (increase) in other receivables		(25 441)	
Increase (decrease) in payables to customers		170 830	
Decrease (increase) in other receivables		5 973 652	1 078 044
Net cash flow from operating activities		4 898 212	1 065 836
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible and intangible fixed assets		(587 763)	
Loans received		61 930	
Loans (repaid)		(61 930)	
Other increases in cash flow from investing activities		2 687	
Net cash flows from investing activities		(585 076)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		2 300 000	748 125
Premises rent paid		(58 366)	
Net cash flows from financing activities		2 241 634	748 125
Net foreign exchange difference on cash and cash equivalents		(7 969)	
Net increase in cash and cash equivalents		6 546 801	1 813 961
Cash and cash equivalents at the beginning of the year		2 065 819	251 858
Cash and cash equivalents at the end of the year		8 612 620	2 065 819

The financial statements were approved and signed on 27 March, 2020 by:

Nemira Palaimienė

Nemira Palaimienė
CEO

Jelena Salietienė

Jelena Salietienė
CFO

EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

I. GENERAL INFORMATION

European Merchant Bank UAB (hereinafter the Company) – was registered as a joint stock company in the Enterprise Register of the Republic of Lithuania on 2017-06-28; the company’s code is 304559043. The company provides financial services. The Head Office of the company is located at Gedimino avenue 35, 01109, Vilnius.

Main activity of the Company is provision of financial services.

On December 14, 2018 the European Central Bank has issued a specialized bank license no.3 for the European Merchant Bank UAB. On June 6, 2019 the Company registered it’s Articles of Association in the Register of Legal Entities related to becoming a specialized Bank.

As of December 31st, 2019 the authorized capital of the company was EUR 3 300 000 which is divided into 3 300 000 ordinary registered shares with EUR 1 par value each.

The sole company’s shareholder is Akce Holding Malta LTD, Code: C7529, address Level 0, St. Julian’s Business Centre, Triq Elija Zammit, St. Julian’s, STJ 3155 Malta:

Shareholder	2019		2018	
	No of shares	Ownership	No of shares	Ownership
Akce Holding Malta Ltd.	3 300 000	100%	1 000 000	100%
Total		100%		100%

The company does not hold any own shares.

European Merchant Bank UAB has no subsidiaries or associated companies.

The average number of employees in 2019 was 9 (2018 – 0).

II. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Statement of compliance

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

These financial statements have been prepared on a going concern basis.

Basis of measurement

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.

The use of assessments and decisions in the financial statements

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

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

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

IFRS 16: Leases

The standard is effective for annual periods beginning on or after January 1st, 2019.

IFRS 16 changes IAS 17 Leases and related interpretations. It eliminates the double-count model used by lessees; instead, it requires entities to account for most of leases in the statement of financial position using the single model, eliminating the difference between the operating and finance lease.

Under IFRS 16 a contract is a lease or includes it if it gives you right to control the use of the identified asset for a specific period in exchange for the pay. The new model requires the lessee to recognize the right to use assets and lease obligations for such contracts. The right to use asset is depreciable and the lease liability accrues interest. As a result, in most lease transactions more expenses will be recognized in prior contract periods, even when the lessee pays a steady annual rent.

The new standard establishes certain exceptions:

- Leases where the lease period does not exceed 12 months and agreement does not give right to the purchase;
- Leases where the underlying assets are of low value.

IFRIC 23 Interpretation: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The management of the company has assessed that the application of the standard will have no material effect on the company's financial statements.

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

The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The management of the company has assessed that the application of the standard will have no material effect on the company's financial statements as company does not invested in associated or joint companies.

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

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IFRS 11 clarify

that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

Standards that are not yet effective

The Company has not applied the following interpretations of IFRSs and IFRICs which are already adopted at the date of signing these financial statements but are not yet effective at the date of the financial statements:

Application of the Conceptual Framework to International Financial Reporting Standards (IFRS) (applicable to annual periods beginning on or after 1 January 2020)

On 29 March 2018, the International Accounting Standards Board (IASB) conducted a review of the conceptual financial reporting framework. The conceptual framework provides a comprehensive set of concepts applicable to the preparation of financial statements and standards, and provides guidance for the preparation of accounting policies by developers, and helps others understand and interpret standards. The IASB has also issued a separate accompanying document, "Amendments to the IFRS Conceptual Framework," which introduces amendments to related standards to update references to the revised conceptual framework. Its purpose is to facilitate the transition to a revised conceptual framework for companies that develop accounting policies through a conceptual framework where a particular transaction is not covered by any IFRS.

IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes and Errors in Accounting Estimates: Definition of "Materiality" (amendments come into effect from the financial year beginning on or after 1 January 2020)

The amendments clarify the definition of materiality and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could

reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." In addition, clarifications to the definition have been improved. The amendments also ensure that the definition of materiality is the same in all IFRS standards. The EU has not yet adopted these amendments. The management has not yet evaluated the impact of the application of these amendments.

IFRS 3: Business Combinations (amendments) (amendments come into effect from the financial year beginning on or after 1 January 2020 but not earlier than adopted by EU)

The IASB has made amendments to the definition of 'Business' (amendments to IFRS 3) to address the difficulties that arise when an entity has to determine whether a business was acquired or a group of assets.

IFRS 17. Insurance Contracts (come into effect from the financial year beginning on or after 1 January 2020 but not earlier than adopted by EU)

IFRS 17 solves the comparative problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner and to the benefit of both investors and insurance companies. Management has not yet assessed the impact of the application of these amendments.

IFRS 9 Financial instruments, IAS 39 Financial Instruments. Recognition and Management and IFRS 7 Financial Instruments. Amendments: Interest Rate (come into effect from the financial year beginning on or after 1 January 2020 but not earlier than adopted by EU)

The IASB has issued the amendments to IFRS 9, IAS 39 and IFRS 7 providing for certain interest rate related benefits. The benefits are related to hedge accounting and as the result the IBOR reform should not normally cease hedge accounting. However ineffectiveness of the hedging instrument should continue to be recognized in profit and loss. Taking into account that hedges covering IBOR-based contracts are concessional, concessions will affect companies in all industries.

IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures: Sales or Contributions of Assets between an Investor and Its Associate/Joint Venture (amendment)

The amendments address recognized non-compliance between IFRS 10 and IAS 28 with respect to the sale of assets or contributions between an investor and its associate or joint venture. The main consequence of the amendments is that all revenue or loss is recognized when the transaction involves the transfer of a business (whether or not it is developed in a subsidiary). Part of the income or loss is recognized when the transaction includes an asset that does not meet the definition of a business, even if that asset belongs to a subsidiary. In December 2015, the IASB postponed the effective date for an indefinite period, depending on the results of the equity accounting method research project. The EU has not yet adopted these amendments. Management has not yet assessed the impact of the application of these amendments.

The Company expects that the adoption of these standards, amendments and interpretations to existing standards will have no material impact on the financial statements of the Company during the period of initial application.

The following presents the main principles of the accounting policy which have been consistently applied to all the years presented, unless otherwise stated.

Fixed assets

Intangible assets

A long-term intangible assets are those assets which useful life is more than one year and which cost exceeds EUR 1.000. An 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 company. Intangible assets are initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment. The cost includes all expenses for purchasing, manufacturing, taxes and other direct costs to otherwise bring the goods to their current location and condition. An amortization of the intangible asset is calculated using the straight-line method of amortization based on the estimated useful life of the asset:

- Software 3 years
- Other intangible assets 4 years

Impairment

Assets that are amortized are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An excess of the carrying amount of an asset over its recoverable amount is recognized as an impairment loss. The recoverable amount is the assets value less sales expenses or value of the asset in use whichever is greater. For the purpose of the impairment assessing assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets are reviewed for impairment at each reporting date.

Tangible assets

Long-term tangible assets are those assets which useful life is more than one year and which cost exceeds EUR 300-1.000. 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.

Gains and losses on disposals of tangible assets are determined by reference to their carrying amount and are charged to the income statement. 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. If the economic benefits increase for the company due to costs or if the useful life of the

asset increases or if there are significant renewals of assets, then costs are capitalized and added to tangible assets and depreciated over the remaining useful life period of the improved asset.

Depreciation and amortization is calculated using the straight-line method of depreciation based on the estimated useful life of the asset. Useful lives, residual values and depreciation methods are reassessed and changed when necessary in connection with each closing day. The following amortization and depreciation useful life (years) are applied in the company for the respective asset category:

- Computers	3 years
- Office equipment	4 years
- Communication tools	5 years
- Other property and equipment	4 years
- Furniture	6 years

Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash on bank accounts.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When receivables are recognised initially, they are measured at fair value. Loans are carried at amortised cost using the effective interest method. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Losses on loans and receivables and other financial assets impairment are established if there is objective evidence that the company will not be able to collect all amounts due or, if there is objective evidence that the value of receivables is reduced, then the impairment loss is reported as a deduction from the carrying value of the loan. When receivables are uncollectible, it is written-off against the related allowances for loan impairment.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, has replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, combining all three aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another.

Initial recognition and evaluation:

Financial assets are initially allocated at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

Assigning financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model that defines the management of the financial asset. Except for trade receivables and contract assets that do not have a significant funding component, the Company recognizes financial assets at fair value through initial recognition plus, when financial assets are not measured at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not include a significant funding component are measured at the transaction price determined in IFRS 15.

For a financial asset to be designated and measured at amortized cost or fair value through other comprehensive income, the cash flows arising from the financial asset should be only principal and interest payments (SPPI) on the principal uncovered amount. This assessment is called the SPPI test and is performed for each financial instrument.

The Company's financial asset management model specifies how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognized on the trade date, i.e. the date the Company undertakes to purchase or sell the financial asset.

Subsequent evaluation

After initial recognition, the Company assesses financial assets:

- a) Amortized cost (debt financial instruments);
- b) At fair value through other comprehensive income when the cumulative gain or loss after the derecognition is transferred to profit or (loss) (debt financial instruments). As of 31 December 2019 and 2018, the Company did not have such instruments;
- c) Fair value through other comprehensive income when the cumulative gain or loss on discontinuance is not transferred to profit or (loss) (equity). As of 31 December 2019 and 2018, the Company did not have such instruments;
- d) At fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets classified as at fair value through profit or loss, or financial assets at fair value through initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near future. Derivatives, including segregated

embedded derivatives, are also classified as held for trading unless they are classified as effective hedging instruments (in accordance with IFRS 9). Financial assets related to cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria described above, under which debt instruments are classified as amortized cost or fair value through other comprehensive income, debt instruments may be classified as at fair value through profit or loss at initial recognition if it eliminates or significantly reduces accounting inconsistencies. Financial assets are carried at fair value through profit or loss in the statement of financial position at fair value through profit or loss in the statement of comprehensive income.

Impairment of financial assets

In accordance with IFRS 9, the Company generally recognizes expected credit loss (ECL) for all debt instruments that are not measured at fair value through profit or loss. The ECL is based on the difference between the contractual receivables and cash flows expected to be received by the Company, discounted at an approximate initial effective interest rate. ECL is recognized in two stages. For credit exposures whose credit risk on initial recognition is not materially increased, ECL is calculated for credit losses arising from default events occurring within the next 12 months (12-month ECL). For those credit exposures that have significantly increased their credit risk from initial recognition, the impairment loss is formed for the amount of credit losses expected during the remaining life of the credit exposure, irrespective of the maturity (ECL).

(a) Evaluation of impairment of trade receivables

The Company uses the simplified method for calculating ECL for trade receivables and assets arising from contracts with customers. Therefore, the Company does not observe changes in credit risk but recognizes impairment for each financial statement date on the basis of the validity of the ECL. The Company has created a matrix of expected loss rates based on historical credit loss analysis and adjusted to reflect future factors specific to debtors and the economic environment. The Company considers that the debtor has failed to fulfil its obligations relating to financial assets if the contractual payments are overdue, or when there are indications that the debtor or group of debtors are experiencing severe financial difficulties, default (principal or interest), that they will initiate bankruptcy or reorganization procedures, and in cases where the observed data suggest a reduction in future cash flows, such as changes in the past due to arrears or changes in economic conditions that correlate with default. Financial assets are derecognised when there is no reasonable expectation of recovering contractual cash flows.

i) **Financial liabilities**

Initial recognition and evaluation:

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, loan receivables and payables. All financial liabilities at initial recognition are recognized at fair value and, for loans and receivables, less directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent evaluation

The measurement of financial liabilities depends on their classification as described below.

Financial liabilities are carried at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss at initial recognition. Financial liabilities are classified as held for trading if they are held for repurchase purposes in the near future.

Loans received and other amounts due

After initial recognition, loans and other payables are carried at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised or amortized. Amortized cost is calculated by reference to the discount or premium on the acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortization is included in financial expenses in the statement of comprehensive income.

Coverage of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is an enforceable right to settle the amounts recognized and is intended to be settled net, i.e. to realize the assets and fulfil their obligations at the same time.

Impact of IFRS 9 on 1 January 2019

The adoption of IFRS 9 classification and measurement requirements did not have a material impact on the Company.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

A financial liability is derecognized when it is settled, cancelled or expires. When one existing financial liability is replaced by another liability to the same lender but in other circumstances, or when the terms of an existing obligation are substantially changed, such a change is considered to be a termination of the original liability and a new liability occurs. The difference between the respective carrying amounts is recognized in the statement of comprehensive income.

Share capital and reserves

Share capital is presented according to the company's articles of association. Consideration received for the shares sold in excess over their par value is shown as share premium.

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

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

Employee benefits

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

Revenues

Interest income and expenses are recognized as gain or loss on an accrual basis by using effective interest rate method.

Fee and commission income is related to the transactions and services provided and are paid when the services are rendered. Fee and commission income is recognized on an accrual 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.

The effective interest rate method

The effective interest method is a method for calculating financial asset amortized cost and interest income allocation over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) to the net carrying amount on initial recognition during the financial asset, or (if appropriate) a shorter period of time.

Expenses

Expenses are recognized on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent.

In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

General and administrative expenses include office rent, IT systems maintenance, communication expenses as well as other expenses.

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

Finance and operating lessee

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

Finance lease

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

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

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

Operating lease

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments are recognized as an expense (less any discounts granted to the lessee) in proportion to the lease term. Payments received under leases (less any discounts granted to the lessee) are recognized as income on a straight-line basis over the lease term.

Income tax

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

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and (or) derivative instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities can be carried forward for 5 consecutive years and can be covered only by profits from same kind transactions.

Deferred income tax

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary 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 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. 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 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 company has a legally enforceable right to set off current tax assets against current tax liabilities.

Income tax and deferred income tax for the reporting period

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

Contingencies

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

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

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

Subsequent events

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

Related parties

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

- a. The person or its relative is treated as related to the company if the person:
 - i. Has control or jointly control of the company
 - ii. Can exercise a significant influence over the company
 - iii. Is the member of the management personnel of the company or of a parent of the company
- b. An entity is related to the company if any of the following conditions are met:
 - i. An entity and the company are members of the same group (i.e. each parent, subsidiary, and fellow subsidiary is related to each other)
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)

- iii. Both entities are joint ventures of the same third party
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- v. An entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company
- vi. An entity is controlled or jointly controlled by a person identified in (a)
- vii. A person identified in (a), (i) has a significant influence over an entity or is a member of the key management personnel of an entity (or of a parent of an entity)

III. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Financial income and expenses

Items	Financial year	Previous financial year
Foreign currency translation and items in the statement of financial position revaluation net gain	651	
Foreign currency translation and items in the statement of financial position revaluation net loss	(8 620)	
Total exchange rate gain (loss)	(7 969)	
Realized result from forward foreign exchange transactions	2 687	
Unrealized result from forward foreign exchange transactions	241	
Interest paid	(215)	
Total result from forward foreign exchange transactions	2 713	

Note 2 General and administrative expenses

Items	Financial year	Previous financial year
IT systems support expenses	103 717	
Consultations expenses by the supervisory Board	98 465	
Non-deductible VAT expense	66 824	
Legal and consultancy expenses	73 297	8 569
Business trip expenses	40 221	
Expenses related to the premises	40 271	
IT expenses	34 492	
Advertising and public relation expenses	31 733	
Memberships expenses	28 021	
Representation expenses	18 078	
Transportation expenses	11 539	
Office supplies expenses	10 867	
Telecommunication expenses	8 331	
Insurance expenses	7 864	
Employees search and recruitment expenses	6 718	
Financial statements audit expenses	6 000	3 600
Payments and settlements related expenses	5 829	39
Training expenses	5 055	
Donation expenses	2 500	
Other expenses	4 164	
TOTAL	603 986	12 208

Note 3 Non-current intangible assets

Items	Financial year	Previous financial year
Balance at December 31, 2018	-	-
a) Non-current intangible assets acquisition cost		
At December 31, 2018	-	-
Changes during the financial year:		
- Acquisition of assets	557 936	557 936
December 31, 2019	557 936	557 936
b) Amortization –		
At December 31, 2018	-	-
Changes during the financial year:		
- Depreciation during the financial year	(2 399)	(2 399)
December 31, 2019	(2 399)	(2 399)
c) Balance at December 31, 2019 (a) - (b)	555 537	555 537

In 2019 the Company carried out a software impairment test using the discounted cash flow method. Based on the analysis, management does not see any signs of software impairment. However, there is uncertainty because the valuation is based on forecasts of future cash flows whose realization is dependent on future events.

The Company's 2020-2023 operational plans provide for consistent revenue growth in line with the strategic operational plan.

Note 4 Non-current tangible assets

Items	Computer equipment	Other equipment	Total
Balance at December 31, 2018	-	-	-
a) Non-current tangible assets acquisition cost			
At December 31, 2018	-	-	-
Changes during the financial year:			
- Acquisition of assets	46 525	2 322	48 847
December 31, 2019	46 525	2 322	48 847
b) Amortization –			
At December 31, 2018	-	-	-
Changes during the financial year:			
- Depreciation during the financial year	(6 527)	(160)	(6 687)
December 31, 2019	(6 527)	(160)	(6 687)
c) Balance at December 31, 2019 (a) - (b)	39 998	2 162	42 160

Note 5 Right of use assets

The value of the right to use assets is determined on the basis of the discounted lease payments (liabilities) over the lease term planned by the management. The depreciation period for these assets corresponds to the lease term of the asset. Lease payments that do not meet the criteria of

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the applicable standard are recognized as an expense. The discount rate used depending on the term of the lease is 5 percent.

Short term or low value leases are recognized on a straight line basis in the income statement. In respect of the remaining lease liabilities in 2019 the Company has recognized the rights of use assets worth 426 thousand EUR and lease liabilities of 426 thousand EUR.

Right of use asset	Balance at January 1, 2019	Additions / Increase	Deposit	Depreciation	Write-offs / Decrease	Balance at December 31, 2019
Premises		426 007	25 761	(71 001)		380 767
Total		426 007	25 761	(71 001)		380 767

Right of use asset	Balance at January 1, 2019	Additions / Increase	Payments	Balance at December 31, 2019
Lease liability		426 007	(54 076)	371 931
Total		426 007	(54 076)	371 931

Note 6 Deferred income tax asset

Items	Financial year	Previous financial year
Accrued tax losses	196 240	12 225
Accrual for vacation reserve	60	
Total deferred income tax asset	196 300	12 225
Subtract: post-valuation reduction of deferred tax asset	(196 300)	(12 225)
Net deferred income tax asset	0	0

The Company does not expect to use deferred tax assets in the nearest future due to the loss-making activities. Once profitable, the Company will reconsider the use of its deferred tax assets.

Note 7 Cash and cash at Central Bank

Items	Financial year	Previous financial year
Cash at Central Bank	7 175 776	
Cash at Lithuanian banks	1 145 833	2 065 819
Cash at other banks	219 011	
TOTAL:	8 612 620	2 065 819

Note 8 Share capital and reserves

Share capital

As of December 31, 2019, the company's share capital was equal to 3 300 000 EUR (as of December 31, 2018 – 1 000 000 EUR). The share capital is divided into 3 300 000 ordinary registered shares with EUR 1 par value each.

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All shares as of December 31, 2019 and December 31, 2018 are fully paid-up. The company does not have any other types of shares except the ordinary shares as referred to above.

Mandatory reserve

As of December 31, 2019, the company did not have reserves. According to Law on Companies of the Republic of Lithuania, mandatory reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of share capital.

Note 9. Deposits from public

Items	Financial year	Previous financial year
Demand deposits	170 830	

Note 10 Amounts payables and liabilities

Items	Financial year	Previous financial year
Amounts received from shareholders for increase of the share capital	7 000 000	1 065 875
Lease liabilities under IRFS 16 (Note 5)	371 931	-
Liabilities to vendors	59 346	8 569
Accrued vacation reserve	22 329	
VAT payable	17 193	-
Accrued expenses	6 994	3 600
Total	7 477 793	1 078 044

Note 11 Financial risk management

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

The most important types of risk the company is exposed to are:

- Credit risk
- Liquidity risk
- Market risk

This Note to the financial statements includes information about the impact of the risks on the company, its objectives, policy and processes related to the risk assessment and management, also the information about the capital management. The quantitative disclosures are presented in other Notes to the financial statements.

The Management Board is responsible for the development and supervisory of risk management structure. The risk management policy of the company is designed to identify and analyse the risks that the company faces with, the implementation and the supervision of the respective limits and

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controls. The risk management policy and the risk management systems are revised on a regular basis to reflect the developments in the market conditions and the operations in the company. The company seeks to develop a disciplinary and constructive risk management policy where all employees are aware of their functions and obligations.

Credit risk

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

Liquidity risk

The liquidity risk means the risk that the company is unable to meet its financial obligations in time. For the purpose of liquidity risk management, the company's policy is to maintain a sufficient cash and cash equivalents enabling the company to fulfil its obligations under ordinary or complex conditions without incurring unacceptable loss or risk to the company's reputation.

The following table discloses the company's largest liquidity risk exposures irrespective of the security measures as of December 31, 2019:

	Amount/market value	Applicable weight	Value
Withdrawable central bank reserves	175 776	1,0	175 776
Liquidity Buffer			175 776
Non-operational deposits			
Deposits covered by Deposit Guarantee Scheme	101 106	0,2	20 221
Deposits not covered by Deposit Guarantee Scheme	69 724	0,4	27 890
Other products and services			
undrawn loans and advances to wholesale counterparties	40 000	1,0	40 000
Other liabilities			
liabilities resulting from operating expenses	477 793	0,0	-
Total Outflows			88 111
Inflows from unsecured transactions/deposits			
Deposits at other Financial Institutions	1 434 408	1,0	1 434 408
Reduction for Inflows Subject to 75% Cap			66 083
NET LIQUIDITY OUTFLOW			22 028
LIQUIDITY COVERAGE RATIO (%)			797,97%

As of December 31, 2018:

The Company did not have to comply with the liquidity ratio in 2018.

Market risk

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

Foreign exchange risk

Foreign exchange rate risk is the risk that the value of the Company assets and liabilities, including derivative financial instruments, will fluctuate due to changes in exchange rates or other relevant risk factors. The exchange rate risk arising from banking operations is managed by limiting the total value of assets and liabilities, including financial derivatives, in the same currency to the desired level by using derivatives such as foreign exchange forwards.

The Company manage the structural foreign exchange risk inherent in the structure of the balance sheet and income. Market risk arising from foreign currency positions is managed by setting a limit for open foreign currency positions.

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

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
EUR	9 345 892	9 602 559	2 065 819	2 065 819
USD	270 633			
GBP		13 966		
Total	9 616 525	9 616 525	2 065 819	2 065 819

Note 12 Prudential requirements

Capital adequacy

The Company have to comply with the prudential regulatory capital requirement determined by the European Central Bank, including capital adequacy ratio.

In addition, the Company has the following goals:

- To ensure the Company ability to comply with the capital adequacy requirements
- To ensure the ability to maintain an optimal capital level in order to ensure the growth of the investment portfolio and to protect against potential risks

Information on compliance with all prudential requirements of the Company

The Company has complied with all prudential requirements as of December 31, 2019:

Tier 1 capital ratio requirement - 4,5%	54.67%
Tier 1 capital adequacy requirement - 6%	54.67%
General capital adequacy requirement - 8%	54.67%
Liquidity requirement – liquidity coverage ratio shall not be less than 100 %	797.97%
Maximum position requirement (maximum position) – must not exceed 25 % of bank' s eligible capital or 150 million EUR (whichever is greater)*	81.13%

**When 150 million EUR sum is more than 25% of the institution' s eligible capital, the position shall not exceed 100% of the institution' s eligible capital.*

(In accordance with the 1 part of the Article 395 of the Regulation (EU): limits on large exposures)

Interest rate risk

As of December 31, 2019 and December 31, 2018, the company did not have any financial assets or financial liabilities which are sensitive to changes in interest rates. In addition, the company did not have any derivatives with the purpose to manage interest rate risk.

Note 13 Transactions with related parties

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

2019-12-31

Related parties name	Acquisitions from related parties during 2019	Liabilities 2019-12-31	Sales to related parties during 2019	Receivable 2019-12-31
Shareholder		7 000 000		50
Associated companies	344	170 877	1 200	
Total	344	7 170 877	1 200	50

2018-12-31

Related parties name	Acquisitions from related parties during 2018	Liabilities 2018-12-31	Sales to related parties during 2018	Receivable 2018-12-31
Shareholder	-	1 065 875		

Financial relationships with the Company's management are presented below:

Items	Financial year	Previous financial year
Amounts paid to Companies management and related parties:		
- Amounts related to employment relationships	316 905	
- Allowance for work at the Supervisory Board	98 464	
- Share-based payment		
- Free of charge granted assets or services		
- Other significant amounts		

Average number of managers per year 7.

Note 14 Off balance sheet items

Items	2019	2018
Foreign exchange future contract to decrease the risk of the foreign currency exchange rate	270 000	
Credit commitments granted	40 000	

Note 15 Subsequent events

On February 25, 2020 the share capital of the Company was increased from EUR 3 300 000 to EUR 10 300 000.

Spread of COVID-19 at the beginning of 2020 does not have a significant impact on the Company's 2019 financial statements. The Company has no information that the value of assets shown on the balance sheet had to be valued differently on the last day of reporting period. The Management of the Company believed that the going concern principle may continue to be applied.

These financial statements were signed and approved on March 27, 2020.

Nemira Palaimienė

Nemira Palaimienė
CEO

Jelena Salietienė

Jelena Salietiene
CFO

