EMBANK
European Merchant Bank

EUROPEAN MERCHANT BANK UAB

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

Grant Thornton

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, 2020, 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, 2020, 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) and 2014 April 16 Regulation (EU) No. 182/2011 of the European Parliament and of the Council Regulation (EU) No. 537/2014 on specific statutory audit requirements for public interest entities (Regulation (EU) No. 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

We have performed the responsibilities described in the section "Auditor's Responsibility for the Audit of the Financial Statements" of this Opinion, including those related to key audit matters. Accordingly, our audit covered the performance of procedures that were planned in response to the risk of material misstatement of the financial statements. The results of the procedures performed, including the procedures performed in response to the matters set out below, provide the basis for our opinion on the financial statements set out below.

Loans to customers

31 December, 2020 loans to customers amounted to 1992 thousand EUR, and after deducting the expected credit losses in 1990 thousand EUR. As disclosed in Note 8 to the financial statements, the Company's management has determined the expected credit losses on these assets. The estimated value of expected credit losses in 2020 was 2 thousand EUR.

We have focused on this area because the decisions regarding the assessment of expected credit losses (ECL) are complex and significant.

Expected credit losses are calculated based on a model that classifies financial assets into three tiers, uses collateral coverage ratios and loan delinquency measures to measure their impact.

Expected credit losses for loan customers in 31 December, 2020 amounted to EUR 1490 (EUR 0 in 2019).

Significant and complex decisions are made regarding the calculation of the ECL, which is why we considered this area to be the main subject of the audit.

We evaluated the system and effectiveness of control procedures related to the relevant loan data and the calculation of the ECL. These control procedures included regular review of loan files, determination and monitoring of collateral values. We also checked the control procedures applied to the ECL calculation processes, i.e., whether:

- The credit deterioration stages and the maturity period or the 12-month default rate are properly assigned to the stage 2 and stage 1 exposures respectively;
- Accurately calculate the validity period and 12-month ECL based on assigned default probabilities and collateral values;
- The ECL of stage 3 assets is accurately calculated based on the values of the collateral.

We have determined that we can rely on these control procedures for our audit;

We selected loans, reviewed customer financial information, collateral data, and other available information to assess whether:

- Appropriate days of delay for the debtor have been set for the client;
- The estimated future cash flows of the collateral are reasonable.

Using professional judgment, we verified the calculation of the probability of default of the loan portfolio at the end of the year. We verified the accuracy of the data used to calculate loan losses due to defaults.

We also performed detailed reliability testing of loan portfolio data, including credit value, assessment of borrower's financial condition and delays, and other data used in the ECL calculation in 31 December, 2020.

Other Information

The other information comprises the information included in the Company's annual report 2020 year, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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.

Other matters

The financial statements of the Company for the year ended December 31, 2019 was audited by the other auditor, who released unqualified opinion in 31 March 2020.

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 audit committee on 25 February, 2020 we have been chosen to carry the audit of the Company's 2020 and 2021 financial statements. Our appointment to carry out the audit of Company's financial statements in accordance with the decision made by audit committee 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 Darius Gliaubicas.

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

Grant Thornton Baltic UAB
Audit firm certificate No. 001502

This is a free translation into English of the Statutory 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, 2020

Companies 2020 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 (payments, term deposits, loans, etc.).

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

In 2020 the Company generated 401 thousand EUR net revenue. The expenses amounted to 3830 thousand EUR. The 2020 result is 2792 thousand EUR net loss.

The average number of employees in 2020 was 35.

Subsidiaries

The Company has not established any subsidiaries in 2020.

Information about share capital

As of December 31, 2020, the company's share capital was equal to 10 300 000 EUR. The share capital is divided into 10 300 000 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 2020 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 2020 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 2020 the Company did not acquire or transfer its own shares.

Reasons for Acquisition of the Company's Own Shares during the Reporting Period – in 2020 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 2020 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 15, 2021 the share capital of the Company was increased from EUR 10 300 000 to EUR 15 300 000.

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

Name, family name	Workplace	Company code	Company address	Duties
Ekmel 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

Information on the members of the Board of the Company:

Name, family name	Workplace	Company code	Company address	Duties
Semin Dulek	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	Acting CEO
Mehmet Guven Aytas	European Merchant Bank UAB	304559043	Gedimino ave. 35, Vilnius, LT–01109 Business Center Merchants' Club	Head of Global Sales

Acting CEO Semin Dulek

31 March, 2021

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes	Financial year	Previous financial year Corrected
Net interest income	1	28 895	(15 805)
Net fee and commission income	2	333 871	4 796
Net currency exchange gain (loss)	3	(62 392)	(7 969)
Net gain (loss) on derivatives at fair value	3	37 813	2 713
Total revenue		**338 187**	**(16 265)**
Remuneration and related expenses	4	(2 150 351)	(636 113)
Depreciation and amortization	9-11	(425 560)	(80 087)
General and administrative expenses	5	(1 253 016)	(587 408)
Expected credit losses	8	(1 490)	-
Total expenses		**(3 830 417)**	**(1 303 608)**
PROFIT (LOSS) BEFORE TAXES		**(3 492 230)**	**(1 319 873)**
Income tax	12	700 000	
NET PROFIT (LOSS) FOR THE YEAR		**(2 792 230)**	**(1 319 873)**

Profit (loss) per share		(0,30)	(0,40)

The financial statements were approved and signed on 31 March, 2021 by:

Semin Dulek
Acting CEO

Onder Ozcan
CFO

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes no.	Financial year	Previous financial year
ASSETS			
Cash and cash equivalents	6	28 875 513	8 612 620
Terminal deposits	7	17 116 029	-
Loans to customers	8	1 989 850	-
Intangible assets	9	818 165	555 537
Tangible assets	10-11	524 595	422 927
Deferred tax asset	12	700 000	-
Other assets	13	143 037	25 441
TOTAL ASSETS		**50 167 189**	**9 616 525**
LIABILITIES			
Deposits from financial institutions	14	471 889	-
Deposits from public	15	37 655 430	170 830
Other liabilities	16	5 864 198	7 477 793
TOTAL LIABILITIES		**43 991 517**	**7 648 623**
Equity			
Capital	17	10 300 000	3 300 000
Retained earnings (loss)		(4 124 328)	(1 332 098)
TOTAL EQUITY		**6 175 672**	**1 967 902**
TOTAL EQUITY AND LIABILITIES		**50 167 189**	**9 616 525**

The financial statements were approved and signed on 31 March, 2021 by:

Semin Dulek
Acting CEO

Onder Ozcan
CFO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Share capital	Retained earnings (losses)	Total Equity
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**
Profit (loss) for the year	-	(2 792 230)	(2 792 230)
Share capital increase	7 000 000	-	7 000 000
Balance at December 31, 2020	**10 300 000**	**(4 124 328)**	**6 175 672**

The financial statements were approved and signed on 31 March, 2021 by:

Semin Dulek
Acting CEO

Onder Ozcan
CFO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

Article	Notes no.	Financial year	Previous financial year
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		(2 792 230)	(1 319 873)
Adjustments:			
Depreciation and amortization		425 560	80 087
Elimination of financing and investing activity results		34 419	18 957
Deferred tax assets		(700 000)	-
Changes:			
Decrease (increase) in loans to customer		(1 989 850)	-
Decrease (increase) in other receivables		(117 597)	(25 441)
Increase (decrease) in payables to customers and banks		37 956 491	170 830
Decrease (increase) in other liabilities		219 138	1 273 652
Net cash flow from operating activities		**33 035 931**	**198 212**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible and intangible fixed assets		(622 590)	(587 763)
Investments to terminal deposits		(17 088 573)	-
Loans received		-	61 930
Loans (repaid)		-	(61 930)
Other increases in cash flow from investing activities		(37 811)	2 687
Net cash flows from investing activities		**(17 748 974)**	**(585 076)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		5 000 000	7 000 000
Other financial activities cash flow increase (decrease)		-	(58 366)
Net cash flows from financing activities		**5 000 000**	**6 941 634**
Net foreign exchange difference on cash and cash equivalents		**(24 064)**	**(7 969)**
Net increase in cash and cash equivalents		**20 262 893**	**6 546 801**
Cash and cash equivalents at the beginning of the year		**8 612 620**	**2 065 819**
Cash and cash equivalents at the end of the year		**28 875 513**	**8 612 620**

The financial statements were approved and signed on 31 March, 2021 by:

Semin Dulek
Acting CEO

Onder Ozcan
CFO

EXPLANATORY NOTES FOR THE YEAR ENDED DECEMBER 31, 2020

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 its Articles of Association in the Register of Legal Entities related to becoming a specialized Bank.

As of December 31st, 2020, the authorized capital of the company was EUR 10 300 000 which is divided into 10 300 000 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	2020		2019	
	No of shares	**Ownership**	**No of shares**	**Ownership**
Akce Holding Malta Ltd.	10 300 000	100%	3 300 000	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 2020 was 35 (2019 – 9).

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

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

On March 29, 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 the issuance of standards and provides guidance to preparers in developing consistently applied accounting policies and assisting others in understanding and interpreting the standards. The IASB has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which contains amendments to related standards in order to update references to the revised conceptual framework. Its purpose is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS applies to a particular transaction.

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

The amendments will harmonize the definition of material when determining whether or not information has a material effect on the financial statements. 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". These amendments had no impact and are not expected to have an impact in the future on the Bank's financial statements.

Amendments to IFRS 3: "Definition of a Business" (published 22 October 2018, effective from 1 January 2020).

The amendment will clarify the definition of a business for the purpose of helping to determine whether a transaction should be accounted for as an acquisition of an asset or a business combination. These amendments did not have an impact on the Bank's financial statements, but may have an impact on future periods if the Bank makes business combinations.

Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures": Interest Rate Benchmark Reform (published 26 September 2019, effective from 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7 conclude phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Phase two will focus 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 did not have an impact on the Bank's financial statements.

Amendments to IFRS 16: COVID-19 related rent concessions/discounts (published 28 May 2020, effective from 1 July 2020)

Issued IASB amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
• The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
• Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
• There is no substantive change to other terms and conditions of the lease.

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

Standards and their changes approved but not yet in force and not applied in advance.

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

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 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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (published 23 January 2020, effective from 1 January 2022, 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 Bank is currently assessing the impact of this amendment on their financial statements.

Amendments to IFRS 3 Business combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent liabilities and Contingent Assets as well as Annual Improvements (amendments) (published 14 May 2020, effective from 1 January 2022, but not before approval by the EU)

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published 11 September 2014, effective date not appointed)

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

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
(published on 28 August 2020, effective from 1 January 2021and 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.

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 asset are those assets which useful life is more than one year and which cost exceeds EUR 1.000. An intangible asset is 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.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, 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:

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 2020, and 2019, 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 2020, and 2019, 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

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.

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 derecognized 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.

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.

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 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

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 service 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 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 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. 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)

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

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

Comprehensive income statement items	2019 value before the reclassification	Reclassification value	2019 value after the reclassification
Interest expenses		16 578	16 578
General and administrative expenses	603 986	(16 578)	587 408

Cash flow income statement items	2019 value before the reclassification	Reclassification value	2019 value after the reclassification
Decrease (increase) in other receivables	5 973 652	(4 700 000)	1 273 652
Issue of shares	2 300 000	4 700 000	7 000 000

III. NOTES TO THE FINANCIAL STATEMENTS

Note 1 Net interest income

Items	Financial year	Previous financial year
Interest income	110 400	773
Interest expense	(58 886)	(16 578)
Interest expense right of use fixed assets	(22 619)	-
TOTAL	**28 895**	**(15 805)**

Note 2 Net fee and commission income

Items	Financial year	Previous financial year
Fee and commission revenue	397 118	4 796
Fee and commission expenses	(63 247)	-
TOTAL	**333 871**	**4 796**

Note 3 Financial income and expenses

Items	Financial year	Previous financial year
Foreign currency translation and items in the statement of financial position revaluation net gain	46 540	651
Foreign currency translation and items in the statement of financial position revaluation net loss	(108 932)	(8 620)
Total exchange rate gain (loss)	**(62 392)**	**(7 969)**
Realized result from forward foreign exchange transactions	41 173	2 687
Unrealized result from forward foreign exchange transactions	(3 362)	241
Interest paid	2	(215)
Total result from forward foreign exchange transactions	**37 813**	**2 713**

Note 4 Renumeration and related expenses

Items	Financial year	Previous financial year
Payroll expenses	1 689 848	602 608
Bonuses expenses	379 401	-
Social security contribution expenses	40 046	11 163
Other expenses	41 056	22 342
TOTAL	**2 150 351**	**636 113**

Note 5 General and administrative expenses

Items	Financial year	Previous financial year
IT expenses	322 995	120 665
Employees search and recruitment expenses	192 722	6 718
Consultations expenses by the supervisory Board	175 949	98 464
Non-deductible VAT expense	170 452	66 824
Legal and consultancy expenses	54 621	57 297
Expenses related to the premises	39 554	23 693
Representation expenses	32 789	18 078
Insurance expenses	31 354	7 864
Advertising and public relation expenses	29 444	31 733
Business trip expenses	23 623	40 221
Memberships expenses	19 966	28 021
Telecommunication expenses	18 701	8 331
Training expenses	11 310	5 055
Financial statements audit expenses	10 000	6 000
Office supplies expenses	3 667	1 797
Transportation expenses	1 409	11 539
Payments and settlements related expenses	476	5 830
Donation expenses	-	2 500
Other expenses	113 984	46 778
TOTAL	**1 253 016**	**587 408**

Note 6 Cash and cash equivalents

Items	Financial year	Previous financial year
Cash at Central Bank	21 896 720	7 175 776
Cash at Lithuanian banks	1 032 024	1 145 833
Cash at other banks	5 946 769	291 011
TOTAL:	**28 875 513**	**8 612 620**

Note 7 Terminal deposits

Items	Financial year	Previous financial year
Term deposits in foreign financial institutions	17 088 573	-
Accrued interest	27 456	-
TOTAL:	**17 116 029**	-

Note 8 Loans to customers

Items	Financial year	Previous financial year
Loans to small and medium companies	1 990 397	-
Accrued interest	943	-
Expected credit losses	(1 490)	-
TOTAL:	**1 989 850**	-

Distribution of loans by overdue days	Gross loans	Expected Credit Losses (ECL)			Net loans	Impairment coverage, %
		Stage 1	Stage 2	Stage 3		
Not overdue	1 991 340	(1 490)	-	-	1 989 850	0,1
0-30 days	-	-	-	-	-	-
31-89 days	-	-	-	-	-	-
90 days and more	-	-	-	-	-	-
Total loans to customers	**1 990 340**	**(1 490)**	-	-	**1 989 850**	**0,1**

Note 9 Non-current intangible assets

Items	Financial year
Balance at December 31, 2019	**555 537**
a) Non-current intangible assets acquisition cost At December 31, 2019 Changes during the financial year: - Acquisition of assets	 **557 936** 540 279
December 31, 2020	**1 098 215**
b) Amortization – At December 31, 2019 Changes during the financial year: - Depreciation during the financial year	 **(2 399)** (277 651)
December 31, 2020	**(280 050)**
c) Balance at December 31, 2020 (a) - (b)	**818 165**

Note 10 Non-current tangible assets

Items	Computer equipment	Other equipment	Total
Balance at December 31, 2019	**39 998**	**2 162**	**42 160**
a) Non-current tangible assets acquisition cost			
At December 31, 2019	**46 525**	**2 322**	**48 847**
Changes during the financial year:			
- Acquisition of assets	68 666	-	68 666
December 31, 2020	**115 191**	**2 322**	**117 513**
b) Amortization			
At December 31, 2019	**(6 527)**	**(160)**	**(6 687)**
Changes during the financial year:			
- Depreciation during the financial year	(27 139)	(721)	(27 860)
December 31, 2020	**(33 666)**	**(881)**	**(34 547)**
c) Balance at December 31, 2020 (a) - (b)	**81 524**	**1 442**	**82 966**

Note 11 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 the applicable standard are recognized as an expense. The discount rate used to depend 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 2020 the Company has recognized the rights of use assets worth 167 thousand EUR and lease liabilities of 167 thousand EUR additionally.

Right of use asset	Balance at January 1, 2020	Additions / Increase	Deposit	Depreciation	Balance at December 31, 2020
Premises	380 767	167 266	13 645	(120 049)	441 629
Total	**380 767**	**167 266**	**13 645**	**(120 049)**	**441 629**

Right of use asset	Balance at January 1, 2020	Additions / Increase	Payments	Balance at December 31, 2020
Lease liability	371 931	167 266	(117 807)	421 391
Total	**371 931**	**167 266**	**(117 807)**	**421 391**

Right of use asset	Balance at January 1, 2019	Additions / Increase	Deposit	Depreciation	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 12 Deferred income tax asset

Items	Financial year	Previous financial year
Accrued tax loses	699 905	196 240
Accrual for vacation reserve of social security contribution	95	60
Total deferred income tax asset	**700 000**	**196 300**
Subtract: post-valuation reduction of deferred tax asset	-	**(196 300)**
Net deferred income tax asset	**700 000**	**-**

The Company expects to use deferred tax assets in the nearest future due to the business plan.

Note 13 Other Assets

Items	Financial year	Previous financial year
Accrued expenses	85 855	24 995
Trade receivables	56 899	-
Other assets	283	446
TOTAL:	**143 037**	**25 441**

Note 14 Deposits from financial institutions

Items	Financial year	Previous financial year
Demand deposits	471 889	-
TOTAL:	**471 889**	**-**

Note 15 Deposits from public

Items	Financial year	Previous financial year
Demand deposits	26 466 128	170 830
Term deposits	11 156 452	-
Accrued interest	32 850	-
TOTAL:	**37 655 430**	**170 830**

Average rate interests in 2020 year were 0,94%.

Note 16 Amounts payables and liabilities

Items	Financial year	Previous financial year
Amounts received from shareholders for increase of the share capital	5 000 000	7 000 000
Lease liabilities under IFRS 16	421 391	371 931
Liabilities to employees	213 703	-
Liabilities to vendors	120 659	59 346
Accrued vacation reserve	36 073	22 132
VAT payable	12 395	17 193
Accrued expenses	55 648	6 994
Changes in fair value Forward contracts	4 272	-
Other	57	197
Total	**5 864 198**	**7 477 793**

Note 17 Share capital and reserves

Share capital
As of December 31, 2020, the company's share capital was equal to 10 300 000 EUR (as of December 31, 2019 – 3 300 000 EUR). The share capital is divided into 10 300 000 ordinary registered shares with EUR 1 par value each.
All shares as of December 31, 2020 and December 31, 2019 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, 2020, 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 18 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 analyses the risks that the company faces with, the implementation and the supervision of the respective limits and controls. The risk management policy and the risk management systems are revised on a regular basis to reflect the developments in the market conditions and the operations in the company. The company seeks to develop a disciplinary and constructive risk management policy where all employees are aware of their functions and obligations.

Credit risk

Credit risk means the risk for the company to incur losses due to the customers' failure to fulfil their financial obligations towards the company. The company is using 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 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 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, 2020:

	Amount/market value	Applicable weight	Value
Withdrawable central bank reserves	21 896 720	1,0	21 896 720
Liquidity Buffer			**21 896 720**
Retail deposits			
Other retail deposits	11 156 452	0,1	1 115 645
Non-operational deposits			
Deposits by financial customers	25 838 492	1,0	25 838 492
Deposits covered by Deposit Guarantee Scheme	1 085 680	0,2	217 136
Deposits not covered by Deposit Guarantee Scheme			
Committed facilities			
credit facilities	1 623 226	0,1	162 323
Other liabilities			
liabilities resulting from operating expenses	5 602 955	0.0	-
Total Outflows			**27 333 596**
Inflows from unsecured transactions/deposits			
Reduction for Inflows Subject to 75% Cap			14 594 904
NET LIQUIDITY OUTFLOW			**12 738 692**
LIQUIDITY COVERAGE RATIO (%)			**171,89%**

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, 2020 and 2019 were as follows:

	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
EUR	49 652 455	50 167 189	9 345 819	9 602 559
USD	226 430	-	270 633	-
GBP	97 311	-	-	13 966
TRY	9 097	-	-	-
JPY	93 348	-	-	-
AED	88 548	-	-	-
Total	**50 167 189**	**50 167 189**	**9 616 525**	**9 616 525**

Note 19 Prudential requirements

Capital adequacy

The Company has 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 except maximum position requirement as of December 31, 2020:

Tier 1 capital ratio requirement - 4,5%	22.89%
Tier 1 capital adequacy requirement - 6%	22.89%
General capital adequacy requirement - 8%	22.89%
Liquidity requirement – liquidity coverage ratio shall not be less than 100 %	171.89%
Maximum position requirement (maximum position) – must not exceed 25 % of bank' s eligible capital or 150 million EUR (whichever is greater)	85.94%

Article 395 of Capital Requirements Regulation (CRR) was breached due to the large exposures in credit institutions of third countries not considered as "applying supervisory and regulatory arrangements equivalent to those applied to credit institutions". The breach was annulled on January 18th, 2021 through the capital increase at the amount of EUR 5 million.

Interest rate risk

As per the December 31, 2020 financial figures, the company has calculated Economic value of equity (EVE) in EUR, excluding the undrawn credit commitments due to the immateriality. The scenarios of 2% increase or decrease in interest rates on various time buckets is calculated and EVE is hence found to be positive. The company did not have any derivatives with the purpose to manage interest rate risk.

Note 20 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.

2020-12-31

Related parties name	Acquisitions from related parties during 2020	Liabilities 2020-12-31	Sales to related parties during 2020	Receivable 2020-12-31
Shareholder	-	5 000 000	-	-
Associated companies	-	107 590	-	-
Total	**-**	**5 107 590**	**-**	**-**

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**

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	621 422	316 905
- Allowance for work at the Supervisory Board	175 949	98 464
- Share-based payment	-	-
- Free of charge granted assets or services	-	-
- Other significant amounts	-	-

Note 21 Off balance sheet items

Items	2020	2019
Foreign exchange future contact to decrease the risk of the foreign currency exchange rate	570 000	270 000
Credit commitments granted	2 695 358	40 000
Guarantees	13 881	-

Note 22 Subsequent events

On February 15, 2021 the share capital of the Company was increased from EUR 10 300 000 to EUR 15 300 000.

The COVID-19 pandemic caused serious effects on health systems and the global economy as the virus spread to the world in the first quarter of 2020, widespread closure of businesses and unprecedented constraints in social interactions have significantly affected economic activity. Countries have taken measures to slow the spread of the pandemic, such as testing and treating patients, applying travel restrictions, quarantining citizens and canceling large meetings. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce the negative effects on the economic outlook. Estimations and assumptions used to reflect COVID-19 impacts on 31 December 2020 financial statements of the Bank.

These financial statements were signed and approved on March 31, 2021.

Semin Dulek
Acting CEO

Onder Ozcan
CFO