UAB SME Bank

BANK'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Content

ROSK CONSULTING

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SME Bank UAB:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SME bank UAB (hereafter – „the Bank"), which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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 respective response are described below.

Key Audit Matter	**How the matter was addressed in our audit**
Valuation of loans and receivables (see note 9 to the financial statements and the accounting policy note "Credit loss allowance ")	
The impairment allowance for the Group's loans and receivables (hereinafter – the loans), which as at 31 December 2024, after impairment loss, amounted to EUR 80,963 thousand, is calculated by dividing the Bank's loans into homogeneous groups and risk levels. The Bank's loans are divided into 3 risk levels, where the 1st risk level is the lowest and the 3rd risk level is the highest. Impairment allowances for loans are calculated by estimating expected credit losses based on historical information and economic indicators. Expected credit losses are determined based on the value of collateral and debtor's credit rating. For individually rated loans, the provisions are mainly related to significant loan exposures or loans with higher risk levels. Calculation of allowances for loans valued by the Bank is related to estimations and decision making, including assessment of collateral value, the recovery period and other assumptions.	We have conducted these audit procedures: We have assessed whether the Bank's accounting policy for calculating the impairment of loans and receivables meets the requirements of the International Financial Reporting Standards as adopted by the European Union. We have identified loan approval process and tested controls and their effectiveness: regarding loan risk monitoring, including client rating estimation and risk level allocation, identification of loss events, timely collateral revaluation. For the risk assessment and provisioning exercise, we have selected higher-risk loans (including individually significant loans, loans with a recorded loss event, or loans otherwise assigned to risk level 3). We have tested the selected loan sample and identified whether the loan is assigned to the appropriate risk level (i.e. whether the assumptions made while evaluating loss events, discount rate and the value of collateral are reasonable) and if estimated credit losses are calculated appropriately.

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(continued) In our opinion, these estimates and assumptions made by the Bank (interest rate, risk group, rating assignment, value of the collateral and its realization period) both in relation to the expected losses of groups of loans and the individual loans for which repayment cash flows are being calculated, have a significant effect on the value of the Bank's amounts and loans. Based on these reasons, we believe that this area is a key audit matter.	We have reviewed the collateral used to calculate the loan provisions and identified whether the methods and assumptions used for the valuations were appropriate and logical, whether market conditions had changed between the date of the valuation and 31 December 2024, and whether the valuation should be updated. We have reviewed the methodology for impairment allowance calculations and tested whether impairment calculations were made in accordance with the Bank's methodology. We have also tested whether historic and prospective information used in the valuation model is appropriate. We have evaluated the sufficiency and appropriateness of disclosures related to loans and receivables in the financial statements of the Bank.

Other matters

The financial statements of the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 April 2024.

Other information

The other information comprises the information included in the Bank's management report, 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, except as specified below.

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 Banks's management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

The information given in the Banks's management report for the financial year for which the financial

statements are prepared is consistent with the financial statements; and

The Bank's management report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of 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 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 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 judgement and maintain professional scepticism 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's 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 Bank 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 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 auditors' 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

By decision of the Shareholders meeting on 26 June 2024 we were appointed to audit the financial statements of the Bank. The total uninterrupted term of the audit of the financial statements is one year.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the financial statements presented to the Bank and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

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

Auditor Romanas Skrebnevskis

Auditor's certificate No. 000471

ROSK Consulting UAB

Audit company's certificate No. 001514

Vilnius, Lithuania

11 April 2025

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

MANAGEMENT REPORT

GENERAL

In 2021, the first Lithuanian based digital neo-bank intended for business clients UAB SME Bank (hereinafter the "Bank") started operating in the Lithuanian market. The Bank was established considering the lack of financing for small and medium-sized businesses – limited access to sources of financing and fewer opportunities for businesses operating in regional areas.

The services of the Bank, which holds a specialized banking license, are available in Lithuania, Latvia, Estonia and Finland. Since the beginning of its operations, the Bank has attracted almost 2,000 clients, of whom more than 80% (as of December 31, 2024) had a loan and/or an account and a need for daily banking services. The Bank's loan portfolio remained stable in 2024, amounting to EUR 81 million, despite more challenging lending conditions. The Bank placed significant focus on the growth of non-interest income – commission income from this activity grew by 52%.

The steadily growing number of clients indicates a demand for alternative business financing among small and medium-sized enterprises. Small and medium-sized enterprises (SMEs) require tailored solutions that help them establish themselves in the market, be more flexible, gain greater negotiating power with suppliers or partners, operate smoothly, and protect themselves against risks encountered in the course of economic activity.

SME Bank customer

In 2024, the Bank's services were primarily used by companies operating in trade (29%), manufacturing (23%), as well as construction (12%), transportation and logistics (8%), real estate (7%), administration and consulting (6%), and other sectors. The majority of the Bank's portfolio consisted of working capital loans.

SME Bank partners

As in 2023, in 2024 the Bank continued its cooperation with the national development bank UAB "ILTE" (formerly INVEGA, hereinafter – ILTE) and the European Investment Fund (hereinafter – EIF).

The partnership with ILTE enabled small and medium-sized businesses to receive compensation for up to 95% of interest paid. It also included the provision of individual and portfolio guarantees under the PG3 instrument. Additionally, following the reorganization and merger of UAB "Agricultural Loan Guarantee Fund" with ILTE, the cooperation extended to individual guarantees during the period of Russian aggression against Ukraine.

The partnership with the EIF provided small and medium-sized businesses with greater opportunities for growth. In 2023, the Bank and the EIF signed a new agreement under the European Commission's "InvestEU" program. Under this agreement with the EIF, the Bank provides loan guarantees in the following key areas: sustainability, innovation and digitalization, microfinancing of up to EUR 50,000, and culture and creativity.

As of December 31, 2024, the outstanding balance of loans issued with an EIF guarantee amounted to over EUR 24 million. The total amount of loans included in the portfolio under the PG3 instrument reached nearly EUR 22.6 million, while those with ILTE guarantees totaled slightly over EUR 6 million. These guarantees enabled at least 400 Lithuanian companies to access better credit conditions and expand more rapidly.

By cooperating with the EIF, the Bank contributes to the promotion of sustainable business – financing is provided to small and medium-sized enterprises that focus on pollution reduction, research, innovation, and digitalization projects. The Bank also finances projects aimed at expanding infrastructure for people with disabilities.

As previously mentioned, in 2024 the Bank continued its cooperation with ILTE in providing preferential loans to farmers and agricultural companies affected by Russia's war in Ukraine. This measure aimed to ensure economic stability in the regions and to mitigate the negative impact on the financial situation of Lithuanian farmers and agricultural enterprises. By the end of the program, more than EUR 14 million in support funds had been disbursed to over 170 clients (as of December 31, 2024).

In 2024, the Bank collaborated with Finnvera Oyi – a new agreement was signed for guarantees aimed at the Finnish market. After the Bank began active operations in Finland at the start of 2024, the first loan with a Finnvera guarantee was issued at the beginning of 2025.

SME Bank services

In 2024, the Bank continued investing in the development of products and IT solutions, placing strong focus on enhancing existing products, expanding the range of account types, and improving everyday banking services. To better meet growing customer needs, the Bank broadened its offering of account types, further strengthened daily banking services, and ensured faster, more flexible, and more secure service delivery.

The Bank's main areas of activity in 2024 were:

- Enhancement of daily banking and payment services, with particular focus on customer experience and fast, secure payments;
- Introduction and expansion of new account types;
- Improvement of existing lending and other banking products, with a particular focus on smooth and efficient customer onboarding.

Additionally, the Bank actively strengthened its internal systems to ensure customers had access to up-to-date information in real time. It also implemented additional security integrations that comply with the highest standards for anti-money laundering (AML), counter-terrorist financing (CTF), and other regulatory requirements.

Continuing its efforts in the field of cybersecurity, the Bank actively collaborated with the Bank of Lithuania (LB), the National Cyber Security Centre (NKSC), the Association of Lithuanian Banks (LBA), and other financial market participants, sharing up-to-date information on cyber threats.

SME Bank operational and financial overview

In 2024, the Bank had formed a loan portfolio of EUR 81 million (compared to EUR 80 million in 2023). As of December 31, 2024, the Bank had attracted EUR 170 million in customer deposits (EUR 106 million in 2023). The Bank placed particular focus on attracting funds from small and medium-sized business clients operating in Lithuania, while also raising deposits from private individuals in Germany, the Netherlands, and Spain.

The Bank managed liquidity effectively by investing in liquid debt securities – as of December 31, 2024, the Bank's debt securities portfolio amounted to EUR 54 million (EUR 27 million in 2023).

In 2024, the Bank's revenue grew by 45%, earning a total of EUR 10,787 thousand in interest income (EUR 7,443 thousand in 2023). Due to significant investments in staffing, systems and compliance improvements, the Bank incurred a net loss of EUR 1,220 thousand (EUR 473 thousand net loss in 2023). From securities transactions, the Bank earned EUR 397 thousand in realized profit and EUR 575 thousand in unrealized profit, which was reported under other comprehensive income.

Throughout 2024, the Bank complied with all prudential requirements applicable to credit institutions. The Bank did not hold, acquire, or dispose of its own shares during the reporting period. It also did not establish any subsidiaries, associates, branches, or representative offices and did not engage in research and development activities.

As of 31 December 2024, the Bank's share capital remained unchanged at EUR 3,500,000, divided into 3,500,000 ordinary registered shares with a nominal value of EUR 1 each (2023: EUR 3,500,000).

In 2024, the Bank's reserve capital was increased by an additional EUR 3,450 thousand, bringing the total reserve capital to EUR 7,250 thousand as of 31 December 2024 (2023: 3,800 thousand EUR).

In June 2024, by decision of the Board, Ieva Naudžiūnaitė was appointed Acting Chief Executive Officer. In March 2025, she was confirmed as Chief Executive Officer.

Between January and March 2024, the Bank of Lithuania conducted a scheduled inspection of the Bank's anti-money laundering and counter-terrorist financing (AML/CTF) practices. The Bank is currently undergoing an external audit in this area to verify whether the deficiencies identified during the inspection have been properly addressed. If necessary, the Bank will take additional measures.

No significant events occurred after the end of the financial year that would materially affect the Bank's operations or plans, except those disclosed in Note 22.

Sustainability information

Climate change and environmental degradation underscore the urgent need to transition toward an environmentally sustainable and inclusive economy. As such, the integration of environmental, social, and governance (ESG) risks into the Bank's risk management processes is a critical step in ensuring long-term sustainability.

The Bank conducts its operations in strict compliance with the laws and regulations of the Republic of Lithuania and the European Union, adhering to the highest standards of professional conduct and regulatory compliance. Recognizing the importance of timely action in addressing ESG risks, the Bank has embedded environmental, social, and governance considerations and objectives into its strategy, risk appetite, and risk management processes.

In 2024, the Bank successfully implemented its ESG framework by approving an ESG policy, materiality assessment procedure, and methodology. The following ESG-related processes were initiated:

- Expand the list of Key Risk Indicators (KRIs), which form part of the risk management and monitoring system. This is done to monitor significant ESG risks and serves as a tool aimed at preventing and proactively mitigating credit and/or reputational damage or losses to the organization;
- Monitor the bank's green asset position to facilitate future portfolio expansion and reporting;
- Collecting information on assets potentially exposed to physical risk (collateralized and financed assets).

To ensure ongoing relevance of ESG risk management, the Bank will regularly review its ESG risk profile and consider expanding the list of stakeholders to ensure their perspectives are appropriately reflected in the risk assessment process.

Information about employees

The Bank's management team is fully established, and the number of employees is optimal, ensuring efficient operations. In 2024, the Bank placed strong emphasis on strengthening employee competencies in order to ensure effective risk management across its operations.

Employee remuneration is governed by internal policies aligned with the legal framework of the Republic of Lithuania and harmonized with EU legislation, including: Directive 2013/36/EU (Article 92(2)), the EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04), the EBA Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06), among others.

The Bank has implemented a remuneration management system that includes a fixed base salary and variable remuneration, which may be annual (for specific departments and roles) or quarterly. Variable remuneration may not exceed 100% of the employee's annual fixed salary. More detailed information on the Bank's employee remuneration and remuneration policy is publicly available in the Pillar 3 disclosures on the Bank's website: https://smebank.lt/en/financial-results/ .

Employees are strictly prohibited from giving or accepting bribes or facilitating bribery or corruption in any form. To ensure appropriate employee conduct and prevent corruption, bribery, or other inappropriate behavior, the Bank has adopted a Code of Ethics and an Anti-Bribery and Corruption Policy. In addition, the Bank organizes annual training for employees on these topics.

SME Bank plans

The Bank's primary goal is to be a reliable financial partner for small and medium-sized enterprises (SMEs), providing growth and development opportunities for every SME—regardless of industry, geographical location, or revenue size.

In its strategic business plan, the Bank has identified the following key areas of focus:

- Sustainable business growth through income diversification, expansion of the loan portfolio, and operational efficiency;
- International expansion to diversify revenue streams and ensure sustainable development in new markets;
- Robust risk management and compliance while fostering a culture of operational efficiency;
- Development of a professional team that promotes innovation and supports the implementation of strategic objectives.

A core strategic objective is sustainable growth, which the Bank defines as consistent and long-term business development focused on financial stability, sound risk management, and improved competitiveness. Sustainability in this context means not only maintaining steady growth but also having the agility to adapt to market changes while reducing dependence on individual revenue sources.

The Bank also plans to expand its operations beyond the domestic market in order to reduce reliance on local economic fluctuations and ensure long-term growth. International expansion enables the Bank to diversify its income sources, tap into new customer segments, and leverage its existing expertise in new geographical markets.

As a responsible participant in the financial sector, the Bank plays an important role in the broader economy. Effective risk management and a well-structured compliance function are integral to daily operations, making it essential to maintain a robust risk management framework and an efficient compliance system.

Strengthening human resources and ensuring employee professionalism are key to long-term business success and competitiveness.

What sets the Bank apart is its fully digital operations, tailored solutions for every business, exceptionally fast decision-making, and 24/7 availability of services.

MANAGEMENT BODIES

The Bank has the following managerial and supervisory bodies: the General Meeting of Shareholders, the Supervisory Board, the Management Board, and the Chief Administrative Officer of the Bank.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest governing body of the Bank. It reviews and approves the set of financial statements (including profit distribution), decides on amendments to the Articles of Association, elects members of the Supervisory Board, and addresses other matters as authorized by law and the Articles of Association.

Supervisory Board

The Supervisory Board is responsible for overseeing the Bank's activities and monitoring the implementation of the Bank's strategic business plans. The Supervisory Board consists of three members elected for a four-year term by the General Meeting of Shareholders.The key responsibilities of the Supervisory Board include electing and dismissing members of the Management Board; monitoring the Bank's business activities to ensure compliance with laws, the Articles of Association, and shareholder decisions; overseeing the preparation of business plans and budgets; supervising the Management Board's activities, including reviewing and approving the Bank's annual financial statements prior to their submission to the General Meeting of Shareholders; addressing other matters as provided for by law and the Articles of Association.

The current members of the Bank's Supervisory Board are Marius Svidinskas, Sven Oliver Hein, and Irmantas Kamienas. Their additional positions currently held are outlined below.

Management Board

The Management Board is a collegial governing body elected by the Bank's Supervisory Board. The Board currently consists of four members, the fifth one undergoing the approval process, each appointed for a four-year term.

Acting in the Bank's interests and assuming responsibility for the provision of financial services in accordance with applicable laws, the Management Board is responsible for the oversight of the Bank's overall and day-to-day business operations. This includes ensuring proper business organization, a sound organizational structure and functional allocation, as well as the implementation of internal controls to ensure that operations, accounting, and asset management are properly monitored and managed.

The current members of the Management Board are Audrius Milukas, Ieva Naudžiūnaitė, Marijana Romanova, and Raimondas Berniūnas. Their other professional roles are listed below.

Chief Administrative Officer of the Bank

The Chief Administrative Officer (CAO) is appointed and dismissed by the Management Board. The CAO is responsible for organizing the Bank's day-to-day operations, leading and executing its activities, hiring and dismissing employees, concluding and terminating employment contracts, and performing other duties as assigned.

Information on the other executive positions held by the Chief Administrative Officer of the Bank, members of the Board and the Supervisory Board:

- Marius Svidinskas, Member of the Supervisory Board
  - Main workplace: UAB „Edenred Finance“ (formerly UAB „EBV Finance“) (303150257) – executive, member of the Board.
  - Other current positions:
    - UAB „EASY DEBT SERVICE“ (304406834) – member of the Board;
    - UAB „EBV GROUP“ (304736682) – executive;
    - UAB „Magnus Investments“ (304724648) – shareholder.
- Sven Oliver Hein, Member of the Supervisory Board
  - Main workplace: Technische Hochschule Mittelhessen University of Applied Sciences – professor.
  - Other current positions:
    - „BalticMore Agency“ UG – member of the Advisory Board
- Irmantas Kamienas, Member of the Supervisory Board
  - Main workplace: UAB SME Bank (305223469) – member of the Supervisory Board
  - Other current positions: none.
- Audrius Milukas, Chairman of the Board
  - Main workplace: UAB „SME Finance“ (305223469) – Chairman of the Board and Advisor for Strategic Affairs.
  - Other current positions:
    - UAB „A. Miluko investicijos“ (304584089) – director;
    - UAB „Open Circle Capital GP“ (304230368) – director;
    - UAB „Uniqum Capital“ (05033516) – Chairman of the Board;
    - UAB „Uniqum Investments“ (304724872) – Chairman of the Board;
    - UAB „Whatagraph“ (304106776) – member of the Board;
    - UAB „Solarbank“ (305250808) – member of the Board;
    - UAB „AKM Finance“ (304234701) – advisor for strategic affairs;
    - UAB „EASY DEBT SERVICE“ (304406834) – member of the Board;
    - UAB „Frontu“ (304891896) – member of the Board.
- Ieva Naudžiūnaitė, Member of the Board
  - Main workplace: UAB SME Bank (305223469) – Chief Administrative Officer.
  - Other current positions: none.
- Marijana Romanova, Member of the Board
  - Main workplace: UAB SME Bank (305223469) – Chief Risk Officer.
  - Other current positions: none.
- Raimondas Berniūnas, Member of the Board
  - Main workplace: UAB SME Bank (305223469) – Chief Transformation Officer.

- Other current positions:
  - UAB „Axiology DLT“ (306440582) – independent member of the Board;
  - AS „Bondora Group“ (14794392) – member of the Supervisory Board;
  - AS „Bondora Finance“ (16700863) – member of the Supervisory Board.

Committees

The Bank has established four committees: the Audit Committee, the Credit Committee, the Business Relationship Committee, and, as of April 1, 2024, the Asset and Liability Committee.

The Audit Committee was established to support the Supervisory Board in its oversight function. It is responsible for preparing strategic and annual internal audit plans, reviewing internal audit reports, making recommendations on the selection of external audit firms and the acquisition of additional services, and addressing other matters as defined in its regulations.

The Credit Committee was established by the Management Board to manage credit risk, one of the Bank’s key risk areas. It makes decisions on loan issuance within its delegated authority and handles non-standard loan projects, evaluates borrower conditions, and determines appropriate actions regarding debtors.

This committee was originally formed in 2021 as the Compliance Committee by decision of the Management Board. In December 2023, it was renamed the Client Acceptance Committee, and in April 2024, it was restructured and renamed the Business Relationship Committee to better reflect its actual scope of activity. The committee makes decisions regarding the establishment, limitation, or termination of business relationships with clients, assesses reputational risk, and addresses issues related to client reputation and compliance with the Bank’s risk appetite.

Established by the Management Board, the Asset and Liability Committee is tasked with effective management of the Bank’s assets, liabilities, and related risks. Its key responsibilities include oversight of the Bank’s asset and liability management policies and processes, implementation of a coordinated strategy in these areas, review of the Bank’s budget and funding allocation, and monitoring of liquidity, investment performance, and overall financial results.

RISK MANAGEMENT

The Bank’s risk management system encompasses policies, procedures, risk limits, and risk controls to ensure the proper, timely, and continuous identification, assessment, monitoring, management, mitigation, and reporting of risks related to its business products and overall operations. In identifying and assessing risks, the Bank applies appropriate methodologies, including both forward-looking and historical approaches. This framework includes the evaluation of the actual risk profile in light of the institution’s risk appetite, as well as the identification and assessment of potential and unexpected risk exposures under various assumptions or adverse scenarios, taking into account the Bank’s risk capacity. The risk management system also considers unavoidable (residual) risks.

The Bank identifies four core business risk categories: Credit Risk, Market Risk, Operational Risk, Liquidity Risk.

The Bank’s risk objectives, along with the nature, materiality, and management of these risks, are disclosed in the notes to the financial statements under the *Risk Management* section. Effective risk management enables the Bank to pursue optimal returns without exceeding the level of risk acceptable to the Bank of Lithuania.

The Bank’s acceptable risk appetite is defined in the *Risk Limits and Indicators* document, which outlines the permissible thresholds and early warning indicators for each risk type, triggering enhanced monitoring of relevant processes when activated.

The Bank did not use hedging instruments to manage risk during the reporting period.

Chief Administrative Officer Ieva Naudžiūnaitė

signed electronically

11 April 2025

(All amounts are in Euro, unless otherwise stated)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Items	Notes	Current reporting period	Previous reporting period
Interest income recognised using the effective interest rate method	1	10 787 467	7 443 002
Interest expenses	1	(4 938 761)	(2 670 765)
Net interest income (expense)		**5 848 706**	**4 772 237**
Service and commission income	2	751 486	493 545
Service and commission expense	2	(624 575)	(554 518)
Net fee and commission income (expense)		**126 911**	**(60 973)**
Net result from securities transactions	3	397 475	492 236
Loss on disposal of financial assets		(8 627)	(22 731)
Other operating income (expenses)	4	(41 772)	(24 833)
Net other operating income (loss)		**347 076**	**444 672**
Staff costs	5	(4 363 463)	(3 281 264)
Administrative expenses	6	(1 818 559)	(1 371 816)
Depreciation and amortization expenses	10, 11	(971 894)	(568 685)
PROFIT (LOSS) BEFORE IMPAIRMENT LOSS		**(831 223)**	**(65 829)**
Credit loss allowance	9	(684 144)	(488 717)
Other loss provisions		(2 544)	(14 972)
PROFIT (LOSS) BEFORE INCOME TAX		**(1 517 911)**	**(569 518)**
Income tax expense	13	298 013	96 279
NET PROFIT (LOSS)		**(1 219 898)**	**(473 239)**
Other comprehensive income			
Items that may subsequently be reclassified to profit (loss)			
Debt securities carried at fair value through other comprehensive income :			
Change in fair value during the year	3	1 082 451	541 490
Reclassification to profit (loss)	3	(397 475)	(492 236)
Related deferred income tax	3	(109 597)	(7 388)
Other comprehensive income less deferred income tax		**575 379**	**41 866**
TOTAL COMPREHENSIVE INCOME		**(644 519)**	**(431 373)**

The accompanying notes are an integral part of these financial statements.

These financial statements were prepared on 11 April 2025.

signed electronically	*signed electronically*
Chief Administrative Officer	Chief Financial Officer
Ieva Naudžiūnaitė	Julija Tankeliūnaitė

(All amounts are in Euro, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

Items	Notes	Current reporting period	Previous reporting period
ASSETS			
Cash and cash equivalents	7	44 053 035	5 675 277
Debt securities at fair value through other comprehensive income	8	54 402 430	27 813 232
Debt securities at amortized cost	8	1 525 811	519 244
Loans to customers	9	80 962 640	80 255 236
Intangible assets	10	2 172 083	2 090 195
Fixed assets	10	67 906	50 624
Right-of-use of assets	11	692 830	332 963
Deferred tax assets	13	256 536	68 119
Other assets	14	361 936	274 254
TOTAL ASSETS		**184 495 207**	**117 079 144**
LIABILITIES			
Customer deposits	15	169 882 951	105 899 185
Issued debt securities	16	1 957 345	1 952 143
Lease liabilities	11	715 160	326 070
Provisions for off-balance sheet liabilities		2 950	11 585
Other liabilities	12	1 815 757	1 484 308
TOTAL LIABILITIES		**174 374 163**	**109 673 291**
EQUITY			
Issued capital	17	3 500 000	3 500 000
Reserve capital	17	7 223 697	3 800 000
Share option reserve	6	-	90 290
Legal reserve	17	-	22 347
Financial instruments revaluation reserve	4	617 245	41 866
Retained earnings (loss)	17	(1 219 898)	(48 650)
TOTAL EQUITY		**10 121 044**	**7 405 853**
TOTAL EQUITY AND LIABILITIES		**184 495 207**	**117 079 144**

The accompanying notes are an integral part of these financial statements.

These financial statements were prepared on 11 April 2025.

signed electronically

Chief Administrative Officer

Ieva Naudžiūnaitė

signed electronically

Chief Financial Officer

Julija Tankeliūnaitė

(All amounts are in Euro, unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Legal reserve	Share option reserve	Retained earnings	Financial instruments revaluation reserve	Total equity
31 December 2022	**3 500 000**	**2 000 000**	**-**	**-**	**446 936**	**-**	**5 946 936**
Reserve capital	-	1 800 000	-	-	-	-	1 800 000
Legal reserve	-	-	22 347	-	(22 347)	-	-
Share option reserve	-	-	-	90 290	-	-	90 290
Net profit (loss)	-	-	-	-	(473 239)	-	(473 239)
Other comprehensive income less deferred income tax	-	-	-	-	-	41 866	41 866
Total comprehensive income	-	-	-	-	**(473 239)**	**41 866**	**(431 373)**
31 December 2023	**3 500 000**	**3 800 000**	**22 347**	**90 290**	**(48 650)**	**41 866**	**7 405 853**
Reserve capital	-	3 450 000	-	-	-	-	3 450 000
Legal reserve		(26 303)	(22 347)		48 650		-
Share option reserve	-	-	-	(90 290)	-	-	(90 290)
Net profit (loss)	-	-	-	-	(1 219 898)		(1 219 898)
Other comprehensive income less deferred income tax	-	-	-	-	-	575 379	575 379
Total comprehensive income	-	-	-	-	**(1 219 898)**	**575 379**	**(644 519)**
31 December 2024	**3 500 000**	**7 223 697**	**-**	**-**	**(1 219 898)**	**617 245**	**10 121 044**

The accompanying notes are an integral part of these financial statements.

These financial statements were prepared on 11 April 2025.

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Chief Administrative Officer

Ieva Naudžiūnaitė

signed electronically

Chief Financial Officer

Julija Tankeliūnaitė

(All amounts are in Euro, unless otherwise stated)

STATEMENT OF CASH FLOWS

Items	Notes	Current reporting period	Previous reporting period
Net profit (loss) before income tax		**(1 517 911)**	**(569 518)**
Adjustments:			
Credit loss allowance		684 144	488 717
Other loss provisions		2 544	14 972
Interest income	1	(10 077 879)	(7 373 119)
Interest expenses	2,15	5 143 967	2 664 703
Share option expense		(90 290)	90 290
Depreciation and amortisation		971 894	548 481
Right of use contract modification	11	(8 626)	29 418
Loss on termination of the rights to claim		8 627	22 731
Income tax		-	7 440
Other non-monetary items		(477 182)	(462 755)
TOTAL ADJUSTMENTS TO OPERATING ACTIVITIES		**(3 842 802)**	**(3 969 122)**
(Increase) decrease in loans to customers		(1 603 458)	(17 427 299)
Increase/(decrease) in customer deposits		63 359 623	19 435 831
(Increase) decrease in other receivables		(87 682)	(133 853)
Increase (decrease) in other payables		941 259	779 583
(Increase) decrease in lease liabilities		(465 745)	-
CHANGE IN ASSETS AND LIABILITIES OF OPERATING ACTIVITIES		**62 143 997**	**2 654 262**
Interest received		10 281 162	7 171 782
Interest paid		(4 314 618)	(1 371 988)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**62 749 828**	**3 915 416**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(961 955)	(1 060 200)
Disposal of property, plant and equipment and intangible assets		5 396	-
Acquisition of debt securities		(51 063 117)	(83 310 352)
Disposal of debt securities		24 549 803	55 644 688
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(27 469 873)**	**(28 725 864)**
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES			
Paying-up reserve capital	17	3 450 000	1 800 000
Lease liabilities paid, including interest		(152 194)	(210 542)
Interest paid	11	(200 003)	(270 260)
NET CASH FLOWS FROM/USED IN FINANCING ACTIVITIES		**3 097 803**	**1 319 198**
Net increase in cash and cash equivalents		**38 377 758**	**(23 491 250)**
Cash and cash equivalents at the beginning of year		5 675 277	29 166 527
Cash and cash equivalents at end of year	7	**44 053 035**	**5 675 277**

The accompanying notes are an integral part of these financial statements.

These financial statements were prepared on 11 April 2025.

signed electronically	*signed electronically*
Chief Administrative Officer	Chief Financial Officer
Ieva Naudžiūnaitė	Julija Tankeliūnaitė

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

UAB SME Bank (hereinafter – the Bank) is a private limited liability company, registered in the Register of Legal Entities of the Republic of Lithuania on August 5, 2019, with company code 305223469. The Bank holds a specialized banking license issued by the European Central Bank upon the proposal of the Bank of Lithuania. It is authorized to accept deposits and other repayable funds, provide lending services, and offer other financial services. License No. 7 was issued to the Bank on February 12, 2022.

On 31 May 2021, the Bank registered the Bank's Articles of Association, changed its former name UAB "SME Digital Financing" to UAB SME Bank.

The Bank is headquartered in Vilnius, at Antano Tumėno St. 4-15, LT-01109, Republic of Lithuania. As of 31 December 2024, the Bank employed 82 staff members (31 December 2023 – 81). The average number of employees in 2024 was 79 (2023 – 64).

The Bank's shareholder structure is as follows:

1. UAB "Magnus Investments", company code 304724648, registered address Antano Tumėno st. 4-107, Vilnius, the Republic of Lithuania.
2. UAB "AKM Finance, company code 304234701, registered address Antano Tumėno g. 4-15, Vilnius, the Republic of Lithuania.
3. UAB AR Finance, company code 304747351, registered address Antano Tumėno st. 4, Vilnius, the Republic of Lithuania.
4. UAB "cargoGo Group", company code 304051372, registered address Laisvės per. 10, Vilnius, the Republic of Lithuania.

Shareholder	**31 December 2024**		**31 Decembr 2023**	
	Number of shares	**Interest held**	**Number of shares**	**Interest held**
UAB „Magnus Investments“	1 559 425	44,555%	1 575 175	45,005%
UAB „AKM Finance“	1 559 425	44,555%	1 575 175	45,005%
UAB „AR Finance“	346 150	9,89%	349 650	9,99%
UAB „cargoGo Group“	35 000	1%	-	-
Total:	**3 500 000**	**100%**	**3 500 000**	**100%**

The ultimate controlling shareholders of the Bank are Marius Svidinskas (44.555% of shares) and Kamilė Milukė (44.555% of shares).

The Bank's management is confident in the stable and well-balanced outlook for the Bank's operations and has prepared these financial statements on a going concern basis. In 2024 and 2023, the Bank did not hold any of its own shares, did not establish any subsidiaries or associate companies, and had no branches.

The key accounting principles applied in the preparation of these financial statements are described below.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the laws on financial accounting and financial reporting of the Republic of Lithuania. In addition, the financial statements are prepared in accordance with the Law on Banks of the Republic of Lithuania, the Law on Financial Statements of Entities of the Republic of Lithuania, taking into account other regulations and decisions of the Bank of Lithuania.

The preparation of financial statements in conformity with IFRSs requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expense during the reporting period. Although these estimates are based on the management's knowledge of the current situation and actions, actual results ultimately may differ from those estimates.

These financial statements were prepared based on a going concern basis. The Bank's financial year coincides with a calendar year.

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

During the reporting year, the Bank adopted all new or revised standards and interpretations relevant to its operations and applicable to reporting periods beginning on or after 1 January 2024..

Standards, their amendments, and interpretations effective for annual periods beginning on or after 1 January 2024

New Standards, Amendments, and Interpretations Not Yet Effective for the Reporting Period Beginning on 1 January 2024 and Not Yet Early Adopted in the Preparation of These Financial Statements.

a) *New and/or Amended Standards and Interpretations Effective from 1 January 2024.:*

As of 1 January 2024, the following revised standards, amendments, and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) have come into effect. The Bank has applied these in the preparation of its financial statements:

- Amendments to IFRS 16 "Leases": Lease liability in a sale and leaseback (effective for annual periods beginning on or after 1 January 2024).
- Amendments of IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current and Non-Current Date; Classification of Liabilities as Current and Non-Current – Deferral of the Effective Date; Non-Current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments": Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024).

The adoption of the above-mentioned standards, amendments, and interpretations had no material impact on the Bank's financial statements.

b) *Standards, Amendments, and Interpretations Issued by the IASB, Adopted by the EU, but Not Yet Effective:*

As of the signing date of these financial statements, the Bank has not early adopted the following new and revised IFRS standards, amendments, and interpretations that have been approved but are not yet effective:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

The Bank's management does not expect the adoption of these standards, amendments, and interpretations to have a material impact on the Bank's financial statements in the period of initial application, except as noted below.

c) *Standards, Amendments, and Interpretations Issued but Not Yet Adopted by the EU:*

At present, IFRSs adopted by the EU do not differ significantly from those adopted by the IASB, except for the following standards, amendments, and interpretations which have not yet been endorsed by the EU (effective dates apply under full IFRS):

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027);
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027).
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements Volume 11 (effective for annual periods beginning on or after 1 January 2026).
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026).

The Bank's management does not anticipate that the application of these standards, amendments, and interpretations will have a material impact on its financial statements in the period of initial adoption, except as otherwise described below.

Currency of financial statements

The Bank keeps its accounting records and all amounts in these financial statements have been recorded and presented in euros, which is a national currency of the Republic of Lithuania.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Monetary assets and liabilities measured at acquisition cost are translated using the exchange rate prevailing at the date of the transaction. Foreign exchange gain or loss resulting from that translation and from retranslation of assets and liabilities denominated in a foreign currency into a functional currency using the exchange rate prevailing at the balance sheet date are recorded in income or expense in the period in which they arise.

These financial statements are presented in euros, unless stated otherwise.

Financial instruments

Financial instruments make up the majority of the Bank's assets on the balance sheet. Financial instrument: a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Cash and a contractual right to receive cash are classified as financial assets, meanwhile a contractual right to pay cash or deliver other financial assets are classified as financial liabilities. A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as a foreign exchange, interest rate or share prices, requires little or no initial investment and is settled at a future date.

Classification of financial instruments in specific balance sheet items takes into account the nature of a financial instrument and its counterparty. A financial instrument without a specific counterparty or listed on a stock exchange is classified as a security in the balance sheet statement..

Financial assets

In 2024, the Bank's financial assets consisted of cash and cash equivalents, debt securities, and assets classified under loans and receivables. In 2023, the Bank's financial assets consisted of cash and cash equivalents, debt securities, and assets classified under loans and receivables as well.

Cash and cash equivalents

Cash includes cash balances held with the Bank of Lithuania and commercial banks of the Republic of Lithuania, and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash Such investments mature in less than three months and are subject to insignificant risk of change in value.

The Bank tests cash and cash equivalents as financial assets for impairment on monthly basis. For more detailed description of the valuation model see section "Credit loss allowance".

Classification and measurement

Financial assets are classified into the following three categories:

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs (refer to paragraph "Contract costs" for more details).

Financial asset is classified and measured at amortised cost or fair value through other comprehensive income, where cash flows arising from financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level. This assessment takes into account whether contractual cash flows are consistent with a basic lending arrangement. The principal loan amount is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk, for other basic lending risks, as well as a profit margin that is consistent with a basic lending arrangement. Where the risk or variability specified in contractual terms are not consistent with a basic lending arrangement, the related financial assets are not considered consisting of solely payments of principal and interest.

A financial asset is measured at amortized cost if the following two conditions are met and has not been classified as at fair value through other comprehensive income:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets are classified as at fair value through profit or loss.

Subsequent to initial recognition financial assets are not reclassified unless the Bank changes its business model for managing those financial assets.

Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

Subsequent measurement

Loans to customers, the provision of which is the basic strategic line of the Bank's business, constitute the majority of the Bank's assets and are classified as financial assets measured at amortised cost (as well as other qualifying assets such as cash equivalents, receivables from banks, other financial assets).

Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus accrued interest, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit loss allowance.

Assets at amortised cost may be sold, but sales (other than sales low in volume or sales as part of problem debt recovery activities) are rare and infrequent.

Credit-impaired financial instruments

For debt instruments measured at amortized cost or at fair value through other comprehensive income (FVOCI), the Bank assesses credit loss allowances using the expected credit loss (ECL) model. The ECL reflects an unbiased and probability-weighted amount that is determined by evaluating the possible outcomes and considering all reasonable and supportable information available at the reporting date, without incurring undue cost or effort.

In determining credit loss allowances, the Bank assesses whether there has been a significant increase in credit risk since the initial recognition of the financial instrument.

In accordance with IFRS 9, credit loss allowances are grouped into three stages:

- Stage 1 includes financial instruments whose credit risk has not significantly increased since initial recognition, and financial instruments assessed according to the Bank's accounting policies as having low credit risk at the reporting date, defined by credit ratings;
- Stage 2 includes financial instruments whose credit quality has significantly deteriorated since initial recognition but do not exhibit objective evidence of impairment due to credit risk;
- Stage 3 includes credit-impaired financial instruments for which there is objective evidence of impairment due to credit risk.

For Stage 1 financial instruments, expected credit losses over a 12-month period are recognized, while for Stage 2 and Stage 3 financial instruments, lifetime expected credit losses are recognized. Lifetime expected credit losses refer to losses resulting from all potential default events over the remaining life of the financial instrument. The 12-month expected credit losses represent the portion of lifetime expected credit losses associated with default events that could occur within 12 months after the reporting date..

Assessment of expected credit losses

Expected credit losses are assessed for each individual exposure by discounting future cash flows, taking into account the following key components:Probability of Default (PD) – the likelihood that a borrower will default on their obligations; Exposure at Default (EAD) – the expected exposure value in the event of default, which includes scheduled principal and interest payments according to the contractual terms, and anticipated drawdowns of irrevocable credit facilities. EAD excludes contract administration fees and transaction costs; Loss Given Default (LGD) – the expected loss in case of a default, taking into account such factors as the characteristics of the counterparty, collateral type, and product features.

Expected credit losses are determined by forecasting PD, LGD, and EAD for each future month over the expected life of the exposure. These three parameters are multiplied and adjusted for the borrower's likelihood of remaining solvent, or the probability that the instrument will not be prepaid early or defaulted.

The resulting expected credit losses for each month are then discounted back to the reporting date using the original effective interest rate. The sum of discounted credit losses for all months over the remaining expected life of the financial instrument represents the lifetime expected credit losses, while the total for the upcoming 12 months represents the 12-month expected credit losses.

For further details on the assessment of financial assets, refer to the *Credit Risk Management* subsection.

Expected lifetime of financial instruments

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime ECL. The expected lifetime is generally limited by the maximum contractual period over which the Bank is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Bank.

Presentation of credit loss allowance

For financial assets measured at amortised cost, credit loss allowance reduces the gross carrying amount of the assets in the statement of financial position. Such credit loss allowance and write-offs are recognised in the Bank's statement of profit or loss and other comprehensive income, under "Credit loss allowance". Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous allowances. Any subsequent recoveries of write-offs or impairment provisions are recognised as gains under "Credit loss allowance".

Derecognition

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

- The rights to receive cash flows from financial assets have expired or
- The Bank has transferred its rights to receive cash flows from the financial asset;
- The Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Transaction costs

When applying the effective interest rate (EIR) method, the Bank identifies fees that form an integral part of the financial instrument's effective interest rate. Such fees are treated as adjustments to the effective interest rate, unless the financial instrument is measured at fair value through profit or loss, in which case changes in fair value are recognized in profit or loss and fees are recognized as income or expense at the time of initial recognition.

The Bank amortizes any fees, amounts paid or received, transaction costs, and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the financial instrument.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate:
- Origination fees received by the Bank relating to the creation or acquisition of a financial asset.
- Commitment fees received to originate a loan, when the loan commitment is not measured at fair value through profit or loss, and it is probable that the Bank will enter a specific lending arrangement.
- Origination fees paid on issuing financial liabilities measured at amortised cost.

The Bank attributes the collected loan administration fees to the adjustment of the effective interest rate, since the fee includes the assessment of the borrower's financial condition, the assessment and registration of guarantees, collateral and other guarantees, agreements, negotiations on the terms of financial instruments, preparation and processing of documents and the completion of the transaction. This in turn is an integral part of the financial instrument. Charges are recognized over the life of the financial instrument.
Fees that are not an integral part of the effective interest rate for a financial instrument include:
- Fees charged for servicing a loan. These are recognised as revenue as the services are provided.
- Commitment fees to originate a loan when the loan commitment is not measured at FVPL, and it is unlikely that a specific loan will be made. These are recognised on a time basis over the commitment period.
- Loan syndication fees received by the Bank that arranges a loan and retains no part of the loan package for itself (or retains a part of the same effective interest rate for comparable risk as other participants).
- Investment management fees.

Fees received that are not part of the effective interest rate are accounted for in accordance with IFRS 15.

Financial liabilities

The Bank's financial liabilities consist of those designated at fair value through profit or loss and those carried at amortized cost.

As of 31 December 2024 and 2023, the Bank did not designate any financial liabilities at fair value through profit or loss.

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. These are deposits from banks or customers, debt securities in issue, and other various financial liabilities. Initially they are recognised at fair value, and subsequently stated at amortised cost, with any difference between net proceeds and the redemption value recognised in the statement of profit or loss over their period using the effective interest method. After initial recognition, financial assets are measured at amortised cost.

Financial liabilities are derecognised once the liabilities are discharged, cancelled or expired. When one current financial liability is replaced with another financial liability to the same creditor but under other terms, or when the current liability's terms are significantly changed, this change is considered as a termination of the initial liability and signing of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

If the Bank measures an asset or a liability initially at fair value and the transaction price differs from fair value, the difference is recognised in profit or loss.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

In the absence of any directly observable input data, i.e. quoted prices (unadjusted) in active markets for identical assets or liabilities which the Bank can access at measurement date, the fair value is determined on the basis of the adjusted directly observable inputs.

In the case when the observable (directly or indirectly) inputs are not available, fair value is measured on the basis of unobservable inputs developed by the Bank using appropriate valuation techniques, such as income and market approach.

Assets and liabilities that are measured at fair value in the statement of financial position or are not valued at fair value, but information about them is disclosed, are categorized by the Bank into a three-level fair value hierarchy based on the availability of the inputs:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

Intangible assets

Intangible asset is an identifiable non-monetary asset without physical substance, which are going to be used longer than one year with their acquisition cost amounting to not less than EUR 3,000.

Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Bank and the cost of asset can be measured reliably. This requirement applies whether an intangible asset is acquired externally or generated internally.

Research costs are expensed, and development costs are capitalised and recognised in the balance sheet, if they can be reliably measured and it is probable that the future economic benefits that are associated with the asset will flow to the Bank. In other cases, development costs are expensed as they are incurred. If the Bank cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Bank treats the expenditure on that project as if it were incurred in the research phase only.

Intangible assets are recognised initially at acquisition cost. Subsequent to the initial recognition, intangible assets are recognised at acquisition cost less accumulated amortisation and impairment loss, if any. The cost of intangible asset comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs. Intangible assets are amortized on a straight-line basis over the estimated useful lives.

- Basic software: 3–5 years
- Other intangible assets: 5 years.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use.

Amortisation periods for intangible assets with finite useful lives are reviewed at each financial year-end.

Property, plant and equipment

Property, plant and equipment are such assets, which are going to be used longer than one year with their acquisition cost amounting to not less than EUR 300. Property, plant and equipment is stated at cost less accumulated depreciation and estimated impairment losses, if any.

When assets are sold or written-off, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit or loss. The cost of property, plant and equipment comprises its purchase price, including non-refundable acquisition taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repair and maintenance costs incurred after property, plant and equipment is brought into use are usually recognised in the statement of profit or loss in the period when such costs arise. Where it can be clearly demonstrated that those costs will lead to an increase in the economic benefits embodied in the use and/or an increase in the estimated economic life of the asset, costs are capitalised by adding them to the cost of the property, plant and equipment.

Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life. The assets' book values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. For the main types of property, plant and equipment, depreciation is calculated using the following estimated useful lives of the assets:

- Computer hardware and communication equipment (computers, computer networks and equipment): 3 years
- Cars: 5 years
- Equipment and other assets not listed above: 4 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Lease (the Bank as a lessee)

Under leases, the liabilities and related right-of-use assets are recognised when the Bank may start to exercise the right to use assets. Each lease payment is allocated between the lease liability and interest expenses. Interest expenses are recognised over the lease term. Lease payments are discounted using the Bank's incremental borrowing rate. The Bank applies a single recognition and measurement approach for all leases, except for current leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, lease payments are discounted using the Bank's incremental borrowing rate, which is reviewed periodically. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liabilities are accounted for under the caption "Lease liabilities" (Note 11).

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases. Short-term leases are assessed on the basis of a renewal probability. If the leases have a remaining lease term of less than 12 months at the reporting date, the possibility of extending the leases is then assessed. Extension options are only included in the lease term if the lease is reasonably certain to be extended, an assumption that it will be extended for the planned period is adopted. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Current and deferred income tax

Income tax on the profit for the year comprises current and deferred tax. Calculation of income tax is based on requirements of the Lithuanian regulatory legislation on taxation.

The income tax rate in the Republic of Lithuania is 15%.

Tax losses can be carried forward for unlimited consecutive years in Lithuania. As from 1 January 2014, tax loss carry forward that is deducted cannot exceed 70% of the taxable profit of the current financial year. The losses from disposal of securities and (or) derivative financial instruments can be carried forward for five consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax is recognised, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the Bank's management believes it will be realised in the foreseeable future, based on taxable profit forecasts. When it is probable that future taxable profit will not be available against which the deferred income tax will be utilised, such deferred income tax is not recognized in the financial statements.

Net interest income

Interest income on financial assets and interest expenses on financial liabilities include interest received or paid during the reporting period, changes in accrued interest, and the amortization over the life of the financial instrument of any difference between the initial amount and the final amount at maturity, reflecting a constant rate of return throughout the instrument's period, also known as the effective interest rate. The effective interest rate is the rate used to discount future cash flows to the gross carrying amount of a financial asset or to the amortized cost of a financial liability, considering transaction costs, premiums or discounts, and fees paid or received, which form part of the return on the financial instrument.

Interest income on financial assets is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except in two cases outlined below. If the amortized cost of a financial asset has decreased due to credit risk since initial recognition (financial assets classified in Stage 3), interest income is calculated by applying the effective interest rate to the amortized cost, which equals the gross carrying amount minus impairment allowances due to credit risk. If the financial asset is no longer credit-impaired, interest income calculations revert to using the gross carrying amount. If a financial asset measured at amortized cost is credit-impaired upon initial recognition, interest income is calculated using a credit-adjusted effective interest rate on the amortized cost until derecognition. The credit-adjusted effective interest rate is calculated based on the amortized cost of the financial asset rather than its gross carrying amount and incorporates the impact of expected credit losses on the estimated future cash flows.

Net fee and commission income

Revenue from contracts with customers comprises fees related to services and is presented in the Bank's statement of profit or loss and other comprehensive income under the line item *"Fee and commission income."* The majority of such income consists of service-related fees, including payment services, service plans, account maintenance, and other charges. These revenues reflect the amount of consideration the Bank expects to receive in exchange for providing the related services.

Revenue recognition depends on whether the Bank has fulfilled its performance obligations. The total consideration is allocated to each performance obligation, depending on whether the service is provided at a point in time or over a period of time. The Bank evaluates each contract individually and identifies distinct performance obligations contained within it. The contractual consideration is then allocated to each distinct performance obligation in proportion to their relative standalone selling prices.

Revenue is recognized based on the nature of the performance obligations.

Late payment fees and other obligations related to loan agreements are recognized as income on a cash basis, i.e., when payments are actually received from customers.

Expense recognition

Interest on deposits are recognised on an accrual basis taking into account the amount of deposit and by using the interest rate applicable to the deposit agreement. Other operating expenses are recognised in accordance with the principles of accrual and comparability in the accounting period in which the related income is earned regardless of the time of the issue. 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.

Expenses are usually measured at amount paid or payable, including non-deductible VAT. In cases where a long settlement period is foreseen and no interest is deducted, the cost amount is estimated by discounting the settlement amount at the market rate.

Employee benefits

The Bank does not have any contribution and benefit plans, but in 2023 has introduced shared based payments using equity instruments. In order to reflect the stock options granted by the Bank, the Bank recognizes employee benefits as an expense in the statement of profit (loss) and other comprehensive income and, accordingly, the same amount as an increase in the share option reserve in equity. The fair value of such granted equity instruments is determined at the time of grant, i.e. on the day of grant. The grant date is the day on which the contract was concluded and the parties agreed on the terms of payment in shares. On the date of the grant, employees are granted rights to payment in shares. Since the rights to the granted equity instruments are not transferred until the employee met the service condition, it is assumed that the services are provided during the period of the transfer of rights. This means that cost and the corresponding increase in equity are recognized over the vesting period. Non-market vesting conditions, such as the requirement that the employee remain with the company, are taken into account when deciding how much of the equity instruments to be vested will be vested.

Short-term employee benefits are recognized as an expense in the current period when employees provide services. Benefits include wages, social security benefits, bonuses, paid vacations, and more.

Use of judgements and estimates in the preparation of financial statements

Based on IFRS as adopted by the European Union, the management, when preparing the financial statements, has to make certain estimates and assumptions that affect the disclosure of assets, liabilities, income, expenses and contingencies. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future, are discussed below.

Estimating expected credit losses for loans granted to customers

The Bank regularly reviews its portfolio of loans to determine whether they are credit-impaired. In determining whether loan impairment loss should be recorded in profit or loss, the Bank uses estimates whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the Bank's debtors with similar risk characteristics. This estimate is based on the analysis of historical data about the group of debtors with similar risk characteristics and related future information. The probability of default is established for each group of debtors with similar risk characteristics and is used to determine impairment. Assumptions used are reviewed regularly to reduce any differences between loss estimate and actual loss incurred. For more detailed information on the amounts included see Note 9.

Deferred tax assets

Deferred tax assets are recognized on temporary differences to the extent that it is probable that tax benefits will be utilized against the future taxable profit. Management judgement is required to determine the amount of deferred tax assets to be recognized based on the likely timing and amount of future taxable profits together with future tax planning strategies. Deferred income tax assets are recognized with reference to the Bank's projections of its operations results and taxable profit. Future events may occur which will cause the assumptions used for estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable. For more information see Note 13.

Going concern assessment

According to IAS 1 "Presentation of Financial Statements," management is required to assess the Bank's ability to continue as a going concern for at least 12 months from the date of the financial statements. In assessing the going concern assumption, management considers all available information about the future operating performance, liquidity, capital adequacy, and other significant factors such as projected cash flows, fulfilment of obligations, market developments, and the impact of the regulatory environment. If management identifies significant doubt regarding the Bank's ability to continue as a going concern, these circumstances and their impact are clearly disclosed in the notes to the financial statements, along with the key assumptions and actions taken by management to address these issues. Further information is provided in Note 21.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements, but disclosed when an inflow or economic benefits are probable.

Offsetting

While preparing the financial statements assets and liabilities, and income and expenses are not offset, except cases, when an individual international financial reporting standard requires such offset.

Events after the reporting period

Events after the reporting period that provide additional information about the Bank's position at the statement of financial position date (adjusting events) are disclosed in the financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes when material.

RISK MANAGEMENT

Risks are inherent in the Bank's activities. Risk management at the Bank is an ongoing process designed to ensure that the risks incurred by the Bank are identified and understood, their consequences are anticipated and measures are taken to mitigate the potential adverse effects of risk events.

The Bank's risk management encompasses the process of continuous recognition, assessment and control, taking into account on risk limits and other controls. The risk management process is important for the Bank's continued profitability and each individual within the Bank is responsible for managing risks related to their responsibilities.

The Bank is exposed to a credit risk, liquidity risk, market risk, operational risk, regulatory capital risk, etc.

Credit risk

Credit risk is defined as the risk for the Bank to incur losses due to the customers' failure to fulfil their financial obligations towards the Bank. Credit exposures arise principally in lending activities and it is the most significant risk in the Bank's business.

The Bank has implemented a credit risk management system that is continually being refined and includes lending policies, credit risk limit control system, other credit risk management measures, as well as internal control and internal audit of credit risk management.

The Bank's Board has approved the credit risk management policies and procedures which lay down the principles for credit risk management, establish an acceptable level of credit risk and credit risk's structure and determine credit risk mitigation measures and their interaction. This ensures a uniform understanding of the principles for taking on exposure to credit risk and allows achieving consistency with the nature and complexity of the Bank's lending policy and the prudential requirements.

The Bank's credit risk management policy is based on the best practice in risk management of other banks. Therefore, the Bank's employees are keeping abreast of the credit risk management systems implemented in Lithuanian and foreign banks and their management achievements.

The table below illustrates the maximum credit risk. Maximum exposure to credit risk is disclosed net before collateral held.

	31 December 2024	31 December 2023
Cash and cash equivalents:		
Balances with the Bank of Lithuania, gross	44 024 653	5 547 710
Balances with commercial banks, gross	28 382	127 567
Loans and receivables from customers	**82 921 774**	**81 264 119**
Debt securities	**55 928 241**	**28 332 476**
Credit risk exposures relating to off-balance sheet items:		
Off-balance sheet items	5 655 673	14 111 021
TOTAL:	**188 558 723**	**129 382 893**

Credit loss allowance

The Bank, in accordance with IFRS 9, applies a three-stage model to calculate expected credit losses. Based on changes in credit risk since initial recognition, financial instruments are classified into:

- **Stage 1** – if there has been no significant increase in credit risk compared to the initial recognition and there is no objective evidence that the exposure is credit-impaired. This means the exposure is performing, there are no significant payment delays, and the counterparty is expected to fulfill its contractual obligations in the future.
- **Stage 2** – if a significant increase in credit risk is identified at the end of the reporting period compared to the initial recognition, but the exposure is not considered credit-impaired. A significant increase in credit risk may be recognized if, for example, the counterparty's rating has deteriorated, payments are more than 30 days past due, the loan has been restructured due to financial difficulties, or in other cases as defined by the Bank.
- **Stage 3** – if the exposure is considered credit-impaired at the end of the reporting period. This includes cases where payments are more than 90 days past due, enforcement procedures are underway, restructuring processes are in place, or in cases of bankruptcy.

Movement between risk stages is based on changes in the exposure's risk profile and criteria established by the Bank. An exposure is transferred to a higher risk stage if there is a significant increase in credit risk, payment delays occur, or other risk factors emerge—such as breached contractual obligations or financial difficulties. A return to a lower risk stage is only possible when the risk factors have been eliminated and the exposure has been performing properly for a certain period—without significant delays or breaches.

Expected credit losses (ECL) are calculated differently for each risk stage, depending on the assigned stage and the credit risk assessment:

- For exposures classified in Stage 1, a 12-month expected credit loss is applied. This means provisions are made based on expected losses that could occur within the next 12 months, should a credit default event occur.
- For exposures in Stage 2, the lifetime expected credit loss is calculated. Since a significant increase in credit risk has already been identified, the provision reflects potential losses over the full remaining term of the contract.

- Exposures in Stage 3, which are considered credit-impaired, are also subject to a lifetime ECL calculation.

Expected credit losses are calculated by considering the probability of default (PD), exposure at default (EAD), and loss given default (LGD). PD represents the likelihood that a borrower will fail to meet their financial obligations within the next 12 months or over the remaining term of the obligation. EAD indicates the value of the exposure at the time of default. LGD reflects the expected portion of loss if the obligation is not fulfilled.

Conservative methods are used to assess LGD, considering collateral value, potential decreases in collateral value, and liquidation costs. PD is calculated using assessments from external rating agencies, adjusted for projected economic conditions. In its ECL assessment, the Bank applies three macroeconomic scenarios—baseline, optimistic, and pessimistic—to ensure a forward-looking and balanced risk evaluation.

The table below presents the distribution of the Bank's loan portfolio by credit risk stage:

31 December 2024					
	Gross value			Loss allowance	Amortised cost
	Carrying amount	Deferred administration fee	Deferred transaction costs		
Stage 1	66 290 583	(667 054)	261 970	(317 752)	65 567 747
Stage 2	12 928 247	(125 580)	43 242	(265 783)	12 580 126
Stage 3	3 702 944	(27 540)	4 560	(865 197)	2 814 767
Total:	**82 921 774**	**(820 174)**	**309 772**	**(1 448 732)**	**80 962 640**

31 December 2023					
	Gross value			Loss allowance	Amortised cost
	Carrying amount	Deferred administration fee	Deferred transaction costs		
Stage 1	61 148 825	(577 073)	381 143	(273 073)	60 679 822
Stage 2	15 847 164	(154 774)	96 946	(148 201)	15 641 135
Stage 3	4 268 130	(13 994)	23 457	(343 314)	3 934 279
Total:	**81 264 119**	**(745 841)**	**501 546**	**(764 588)**	**80 255 236**

The table below provides a breakdown of the Bank's loan portfolio, before loss allowance, by stages and days past due:

Days past due	31 December 2024				31 December 2023			
	Stage				Stage			
	1	2	3	**VISO:**	1	2	3	**TOTAL**
0-4 days	63 213 144	6 975 390	36 474	70 225 008	57 108 630	10 779 877	1 140 123	**69 028 630**
5-30 days	2 615 597	2 324 170	97 229	5 036 996	3 826 880	1 433 607	264 763	**5 525 250**
31-60 days	1 415	1 321 665	444 392	1 767 472	777	3 575 852	366 339	**3 942 968**
61-90 days	1 233	2 224 685	608 491	2 834 409	1 237	-	1 176 086	**1 177 323**
More than 90 days	54 111	-	2 493 376	2 547 487	15 372	-	1 330 281	**1 345 653**
Total:	**65 885 500**	**12 845 910**	**3 679 962**	**82 411 372**	**60 952 896**	**15 789 336**	**4 277 592**	**81 019 824**

The table below provides the Bank's credit loss allowance for ECL:

	31 December 2024	31 December 2023
Impairment as at January 1	**764 588**	**275 872**
Formed	206 993	118 007
Derecognised financial assets	(157 869)	(55 150)

(All amounts are in Euro, unless otherwise stated)

Transfers between stages	624 232	194 090
Other	10 788	231 769
Impairment as at December 31	**1 448 732**	**764 588**

Change in total impairment for financial assets is presented below:

	31 December 2024	31 December 2023
Loss allowance for loans granted	684 144	488 717
Loss allowance for off-balance sheet loan commitments under signed loan agreements	(8 635)	10 922
Allowance for cash and cash equivalents	3 462	(1 341)
Allowance for debt securities	7 717	5 391
Impairment during the year:	**686 688**	**503 689**

The movement in the gross carrying amount of loans is presented in the table below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2023:	**60 952 895**	**15 789 336**	**4 277 593**	**81 019 824**
Transfers between stages:				
From Stage 1 to Stage 2	(9 707 704)	9 707 704	-	-
From Stage 1 to Stage 3	(2 000 901)	2 000 901	-	-
From Stage 2 to Stage 1	2 722 699	(2 722 699)	-	-
From Stage 2 to Stage 3	-	(687 393)	687 393	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	111 124	(111 124)	-
New loans granted or increases in loan amounts	37 758 566	3 642 195	697 077	**42 097 838**
Loan repayments and write-offs	(23 840 056)	(12 994 358)	(38 718 77)	**(40 706 291)**
Gross carrying amount as at 31 December 2024:	**65 885 499**	**12 845 909**	**3 679 964**	**82 411 372**

Collateral and Other Credit Risk Mitigation Measures

The types of collateral acceptable to the Bank are defined in the Bank's internal policies. The Bank provides loans secured by mortgages on real estate, pledges of movable property or property rights, sureties, guarantees, and other forms of performance security.

The Bank aims to diversify its loan portfolio by both the size of obligations and by sector. All collateral pledged to the Bank must be assessed in accordance with the requirements set out in the Bank's internal procedures. Bank staff evaluate the quality of asset valuation reports provided by external appraisers and conduct periodic reviews of asset values.

The value of collateral pledged to the Bank is determined based on independent appraisals, the average market value provided by the State Enterprise Centre of Registers (VĮ „Registrų centras"), acquisition cost, or book value. The value of guarantees and sureties is determined in accordance with the terms of the respective agreements. The value of a guarantee depends on the guarantee intensity. In the case of portfolio guarantees, the maximum potential payout under the guarantee is evaluated based on the total guaranteed loan portfolio. For credit amounts exceeding EUR 300,000, the assumptions and values used in collateral valuation are reviewed—and adjusted if necessary—by the Credit Risk Department.

Collateral valuation reviews are also carried out in other instances specified in the Bank's internal procedures. All collateral is periodically revalued, taking into account the type of collateral, the valuation basis, the credit quality, time remaining until final loan maturity, the ratio of the outstanding loan to the collateral value, and the amount of loan repaid. For clients whose loans are classified as non-performing, the revaluation of collateral is carried out immediately. Additionally, if the Bank receives information indicating a significant deterioration in the condition of pledged collateral, the value and related loan exposure are immediately reassessed.

As mentioned in the Management Report, the Bank has signed agreements with the EIF (European Investment Fund) and ILTE, under which loans provided by the Bank to small and medium-sized enterprises (SMEs) may be secured by guarantees from the European Guarantee Fund (EGF), either as individual or portfolio (PG3) guarantees.

(All amounts are in Euro, unless otherwise stated)

The table below presents the distribution of the Bank's loans by stage based on the loan-to-discounted collateral value ratio:

LTV ratio, %	31 December 2024				31 December 2023			
	Stage				Stage			
	1	2	3	TOTAL:	1	2	3	TOTAL:
Without collateral	347 155	3 141	550 534	**900 830**	338 646	9 994	127 995	**476 636**
<10%	190 639	-	-	**190 639**	2 069	22 892	-	**24 962**
From 10 to 49%	14 681 995	923 551	998 558	**16 604 104**	12 065 596	5 738 515	1 737 591	**19 541 701**
From 50 to 59%	11 529 092	1 033 078	41 715	**12 603 886**	9 245 765	2 223 936	1 009 285	**12 478 986**
From 60 to 69%	10 033 731	3 607 581	848 792	**14 490 104**	12 211 256	2 664 147	880 719	**15 756 122**
From 70 to 79%	5 832 761	1 360 901	97 229	**7 290 890**	3 611 278	875 200	232 211	**4 718 689**
From 80 to 89%	5 949 153	3 942 685	-	**9 891 838**	5 972 474	2 841 325	-	**8 813 799**
From 90 to 100%	3 565 313	369 419	19 672	**3 954 403**	6 130 553	-	132 489	**6 263 042**
More than 100%	13 755 663	1 605 553	1 123 463	**16 484 679**	11 375 258	1 413 326	157 304	**12 945 888**
Total:	**65 885 500**	**12 845 910**	**3 679 962**	**82 411 372**	**60 952 896**	**15 789 336**	**4 277 592**	**81 019 824**

Concentration risk

The Bank manages, limits, and controls credit risk concentration, primarily arising in relation to individual clients and groups of connected clients, as well as specific economic activity sectors. The Bank complies with the supervisory credit exposure limits set by the Bank of Lithuania, including the maximum exposure to a single borrower and large exposure limits.

As of 31 December 2024, the Bank complied with the maximum exposure requirement, with the largest exposure to a single borrower amounting to 17.9%. In accordance with the large exposure regulation, the total exposure to a single client or a group of connected clients—comprising loans granted, as well as on-balance sheet and off-balance sheet items—may not exceed 25% of the Bank's Tier 1 capital. For exposures to financial institutions, the limit is the greater of 25% of the Bank's Tier 1 capital or EUR 150 million.

The Bank's credit risk concentration by economic sector is disclosed in the table below, before expected credit losses.

31 December 2024		
Sector of economic activity	**Amount, EUR**	**Proportion, %**
Manufacturing	18 676 320	23%
Wholesale	14 016 713	17%
Construction	9 987 485	12%
Retail	9 733 553	12%
Other	6 785 655	8%
Transportation and warehousing	6 254 432	8%
Real estate	5 789 919	7%
Administration and consulting services	4 216 497	5%
Arts, entertainment, recreation, health care	3 465 963	4%
Operating and finance lease	3 484 835	4%
Total:	**82 411 372**	**100%**

31 December 2023		
Sector of economic activity	**Amount, EUR**	**Proportion, %**
Wholesale	18 228 613	22%
Manufacturing	13 788 928	17%
Retail	12 860 193	16%
Real estate	11 161 442	14%
Construction	6 082 733	8%
Other	5 819 097	7%
Administration and consulting services	5 170 909	6%
Transportation and warehousing	4 022 162	5%
Arts, entertainment, recreation, health care	2 447 852	3%
Operating and finance lease	1 437 895	2%
Total:	**81 019 824**	**100%**

(All amounts are in Euro, unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. To manage liquidity risk, the Bank's policy provides for the maintenance of a sufficient amount of cash and cash equivalents to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The following table discloses the Bank's maximum liquidity risk exposure at carrying value without taking into account any collateral:

	31 December 2024					
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total:
Assets						
Cash and cash equivalents	44 053 035		-	-	-	44 053 035
Loans and receivables from customers	3 701 931	4 971 712	24 095 854	44 834 513	4 807 362	82 411 372
Debt securities	55 928 241	-	-	-	-	55 928 241
Other assets	68 363	42 313	157 446	93 693	121	361 936
Total:	**103 751 570**	**5 014 025**	**24 253 300**	**44 928 206**	**4 807 483**	**182 754 584**
Liabilities						
Payables to customers	61 141 615	11 451 682	69 981 549	27 308 105	-	169 882 951
Debt securities issued	-	-	-	-	2 000 000	2 000 000
Lease liability	-	30 632	95 196	589 332	-	715 160
Other liabilities	753 868	1 061 889				1 815 757
Total:	**61 895 483**	**12 544 203**	**70 076 745**	**27 897 437**	**2 000 000**	**174 413 868**

	31 December 2023					
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total:
Assets						
Cash and cash equivalents	5 675 277	-	-	-	-	5 675 277
Loans and receivables from customers	1 941 652	8 875 546	23 001 445	41 952 186	5 248 995	81 019 824
Debt securities	28 332 476	-	-	-	-	28 332 476
Other assets	166 543	6 015	42 321	53 824	5 551	274 254
Total:	**36 115 948**	**8 881 561**	**23 043 766**	**42 006 010**	**5 254 546**	**115 301 831**
Liabilities						
Payables to customers	10 464 205	12 941 423	76 425 100	6 068 457	-	105 899 185
Debt securities issued	-	-	-	-	2 000 000	2 000 000
Lease liability	-	15 437	71 392	239 241	-	326 070
Other liabilities	811 536	672 772				1 484 308
Total:	**11 275 741**	**13 629 632**	**76 496 492**	**6 307 698**	**2 000 000**	**109 709 563**

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

As of 31 December 2024, the Bank's LCR stood at 188.62% (compared to 310.17% as of 31 December 2023). The Bank's Net Stable Funding Ratio (NSFR) as of 31 December 2024 was 216.19% (31 December 2023 – 156.89%). Meanwhile, the leverage ratio as of 31 December 2024 was 4% (31 December 2023 – 4.67%).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. During the financial year no investments were made in financial instruments related to share prices, and all monetary assets and liabilities were denominated in euros, therefore the Bank was focusing solely on the management of interest rate risk.

Interest rate risk

As at 31 December 2024, the Bank did not have any derivatives with the purpose of managing interest rate risk. The Bank's interest rate gap position is related to the interest rates on a banking book portfolio.

	As at 31 December 2024 (thousand EUR)										
	Overnight	< 1 month	1–3 months	3–6 months	6–12 months	1–2 years	2–3 years	3–4 years	4–5 years	> 5 year	**Total**
EFFECT NII* if interest rate increase by 2p.p.	(363)	36	141	208	(66)	0	0	0	0	0	**(44)**
EFFECT NII* if interest rate decrease by 2p.p.	363	(36)	(141)	(208)	66	0	0	0	0	0	**44**
EFFECT EVE** interest rate increase by 2p.p. p.	0	(5)	(40)	(152)	80	118	(158)	(122)	17	(532)	**(794)**
EFFECT EVE** if interest rate decrease by 2p.p.	(1)	3	21	78	(165)	(249)	84	67	(37)	305	**106**

* Net interest income (NII)
** Economic value of equity (EVE)

Foreign currency exchange risk

The Bank's risk management policy provided for the requirement to reconcile cash flows from highly probable future transactions in each foreign currency. The Bank does not use financial instruments to manage foreign exchange risk.

The Bank issues loans to customers only in EUR, and borrows also only in EUR. The Bank does not create significant currency positions in any other way. An insignificant foreign currency position may appear only in exceptional cases: if the customer executes settlement in another currency, foreign currency position may remain until the amount is converted into the main currency of the Bank.

Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, people, systems or external incidents. Within the Bank, operational risk management focuses on the risks arising from the people, systems and processes in which the Bank operates. This also includes other risks such as fraud, legal risks, physical or environmental risks.

In addition to calculating the capital requirement for operational risk based on the Basic Indicator Approach, it will be assessed whether the Bank's use of outsourcing requires additional Pillar 2 requirements. In calculating the minimum required capital requirement for operational risk, the Bank applies the Basic Indicator Approach. The calculation of the operational risk also makes part of the internal capital adequacy assessment process. The risk appetite, risk tolerance, and early warning limit for operational risk are implemented accordingly.

Regulatory capital

The Bank is required to maintain sufficient capital to cover unexpected losses, ensuring its ability to meet capital adequacy requirements and maintain an optimal capital level to support portfolio growth and mitigate potential risks. Based on the results of the Bank's Supervisory Review and Evaluation Process (SREP), the following own funds requirements apply: 11.12% Common Equity Tier 1 (CET1) ratio, 13.66% Tier 1 capital adequacy ratio, 17.05% total capital adequacy ratio

In addition to the minimum capital requirement of 8%, banks must meet capital buffer requirements, which include a 2.5% capital conservation buffer and an institution-specific counter-cyclical capital buffer. As of the reporting date, the Bank of Lithuania had set an additional 1% buffer requirement.

The Bank has not issued any instruments classified as Additional Tier 1 capital; therefore, the Bank's Common Equity Tier 1 capital is equal to its Tier 1 capital.

(All amounts are in Euro, unless otherwise stated)

As of 31 December 2024, the Bank met all own funds and capital buffer requirements, with a total capital adequacy ratio of 18.6%.

More detailed information regarding the Bank's compliance with capital requirements is available in the publicly disclosed **Pillar 3 report** on the Bank's website: https://smebank.lt/en/financial-results/.

The table below presents the key performance indicators of the Bank as of 31 December 2024:

Indicator	Amount (thousand EUR)	Indicator, %
Common Equity Tier 1 capital	7 949	15,02%
Tier 1 capital	7 949	15,02%
Tier 2 capital	1 900	-
Total capital	9 849	18,61%
Risk exposure amount	52 913	-

The table below presents the key performance indicators of the Bank as of 31 December 2023. In 2023, the following capital adequacy requirements were applied to the Bank: 4.5% Common Equity Tier 1 (CET1) ratio, 6% Tier 1 capital adequacy ratio, 8% total capital adequacy ratio.

Indicator	Amount (thousand EUR)	Indicator, %
Common Equity Tier 1 capital	5 225	12,9%
Tier 1 capital	5 225	12,9%
Tier 2 capital	1 742	-
Total capital	6 947	17,2%
Risk exposure amount	40 423	-

(All amounts are in Euro, unless otherwise stated)

NOTE 1: Net interest income (expense)

	31 December 2024	31 December 2023
Interest income		
Loans to legal persons	9 357 891	7 124 483
Loans to financial institutions	5 821	115 414
Loans to households	133 458	33 636
Balances with central banks	687 313	15 576
Deposits in credit institutions	16 102	24 387
Interest income from debt securities	586 882	129 506
Total interest income:	**10 787 467**	**7 443 002**
Interest expense		
Interest expense on customer deposits	(4 369 043)	(2 224 222)
Bond interest expenses	(201 096)	(200 000)
Contract costs	(325 451)	(228 767)
Interest expense on IFRS 16 lease liabilities	(43 171)	(17 776)
Total interest expense:	**(4 938 761)**	**(2 670 765)**
Net interest income	**5 848 706**	**4 772 237**

NOTE 2: Net fee and commission income (expense)

	31 December 2024	31 December 2023
Fee and commission income		
Late interest income	375 163	305 190
Commission income from payment services	126 334	113 525
Commission income from lending services	217 359	70 455
Other commission income	32 630	4 375
Total fee and commission income:	**751 486**	**493 545**
Fee and commission expense		
Commission expenses related to lending services	(77 909)	(354 125)
Commission expenses related to collection of deposits	(214 303)	(127 524)
Commissions payable to banks	(5 203)	(35 923)
Commission expenses related to debt securities	(263 391)	(14 210)
Commission expenses related to issued bonds	(19 270)	(11 714)
Commission expenses related to payment services	(44 499)	(11 022)
Total fee and commission expense:	**(624 575)**	**(554 518)**
Net fee and commission income (expense)	**126 911**	**(60 973)**

NOTE 3: Net result from securities transactions and other comprehensive income

	31 December 2024	31 December 2023
Realized gains from debt securities valued at fair value	397 475	505 958
Realized (losses) from debt securities valued at fair value	-	(13 722)
Net result from debt securities transactions	**397 475**	**492 236**
Change in fair value during the year	1 082 451	541 490
Reclassification to profit (loss)	(397 475)	(492 236)
Unrealized gains (losses) from debt securities measured at fair value	**684 976**	**49 254**
Deferred income tax	(109 597)	(7 388)
Total comprehensive income	**575 379**	**41 866**

NOTE 4: Other operating income (expenses)

	31 December 2024	31 December 2023
Income (expenses) from financial assets and liabilities held for trading	25 620	3 619
Foreign exchange results	530	451
Other operating income (expenses)	(67 922)	(28 903)*
Total:	**(41 772)**	**(24 833)***

* Part of the expenses from the Note 4. "Other operating income (expenses)" were reclassified to the note 6. "Administrative expenses" to comply with the disclosure of other operating expenses and administrative expenses for this financial year and to maintain comparability.

NOTE 5: STAFF COSTS

	31 December 2024	31 December 2023
Wages and salaries and related tax expenses	4 337 812	3 051 655
Social security contributions	92 904	65 858
Share option expense	(90 290)	90 290
Vacation accruals	(15 317)	62 686
Other personnel expenses	38 354	10 775
TOTAL:	**4 363 463**	**3 281 264**

During 2023 share options were granted for one employee for the 39-month vesting period. As at 31 December 2023, the remaining contractual vesting period was 28 months. In total, the option to acquire 70,000 of the Bank shares free of charge was granted, and it was valued at fair value on the date of the grant of the share option, with the relevant costs and reserve recognized proportionately over the vesting period.

The fair value of the share options was determined evaluating the possible future results, estimating those results by probability, and discounting the outcomes to present value. The expected value of the share is determined by the indirect Black Scholes method, and by determining the price of the Bank's shares in comparison with the prices of the shares of the relevant comparable market entities. On 14 June 2024, the Bank and the employee signed a mutual employment termination agreement, which also terminated the share option agreement, therefore the recognized costs were reversed with a corresponding adjustment to the share option reserve.

NOTE 6: Administrative expenses

	31 December 2024	31 December 2023
VAT and other taxes	412 295	331 946
IT and other communication expenses	449 377	334 508
Legal and consultation expenses	434 765	131 866
Marketing expenses	28 742	74 187
Office rent and maintenance expenses	109 942	78 611
Other expenses	190 509	101 617
Bank of Lithuania penalty	-	170 000
Transportation expenses	69 537	37 125
Accounting services	4 351	11 386
Financial audit expenses	25 000	18 000
Advisory and non-financial audit services	-	2 380
Business trip expenses	4 324	5 870
Membership expenses	17 453	4 215*
Online compliance service fees	1 883	1 495*
IT compliance costs	70 381	68 610*
TOTAL:	**1 818 559**	**1 371 816***

* Part of the expenses from the Note 4. "Other operating income (expenses)" were reclassified to the note 6. "Administrative expenses" to comply with the disclosure of other operating expenses and administrative expenses for this financial year and to maintain comparability

NOTE 7: Cash and cash equivalents

	31 December 2024	31 December 2023
Balances with the Bank of Lithuania		
Accounts with the Bank of Lithuania	42 670 056	4 595 265
Minimum reserve in local currency, gross	1 359 000	953 000
Loss allowance	(4 403)	(555)
Balances with the Bank of Lithuania, gross	**44 024 653**	**5 547 710**
Balances with commercial banks		
Gross value	29 077	128 648
Loss allowance	(695)	(1 081)
Balances with commercial banks, gross	**28 382**	**127 567**
Total:	**44 053 035**	**5 675 277**

The minimum reserves held at the Bank of Lithuania are calculated on a quarterly basis by applying the reserve ratio to deposits with maturity up to two years held by non-monetary financial institutions, subject to minimum reserve requirements. As from 1 January 2015, a 1% reserve ratio applies. The minimum reserves are held at the Bank of Lithuania as deposits on demand. The Bank is free to dispose of the funds held in the Bank's settlement account with the Bank of Lithuania, the average of which may not be less than the estimated minimum reserve during the entire reserve maintenance period.

Cash balances at credit and other financial institutions and cash balances at the Bank of Lithuania are assigned to Level 1 financial assets. The following table shows the breakdown of the Bank's cash balances at credit and other financial institutions with different credit rating:

Rating	31 December 2024	31 December 2023
From A- to A+	13 655	104 852
Cash balances at banks without external rating (internal rating – Standard risks)	15 422	23 796
Total:	**29 077**	**128 648**

NOTE 8: Debt securities

	31 December 2024	31 December 2023
Debt securities measured at fair value through other comprehensive income		
Nominal value of debt securities	53 821 000	28 167 100
Change in fair value	130 141	(440 128)
Accrued coupon interest on debt securities	456 730	89 042
Impairment of debt securities	(5 441)	(2 782)
Total value of debt securities measured at fair value through other comprehensive income	**54 402 430**	**27 813 232**
Debt securities measured at amortized cost		
Nominal value of debt securities	1 500 000	500 000
Accrued coupon interest on debt securities	33 479	21 853
Impairment of debt securities	(7 668)	(2 609)
Total value of debt securities valued at amortized cost	**1 525 811**	**519 244**
Total debt securities:	**55 928 241**	**28 332 476**

Securities valued at fair value through other comprehensive income consist of securities of the following countries:

	31 December 2024	31 December 2023
Government securities of the Republic of Lithuania	31 498 948	8 124 891
Government securities of EU countries	22 903 482	19 688 341

Total:	**54 402 430**	**27 813 232**

As at 31 December 2024, the fair value of debt securities was determined based on the average purchase and sale prices of official quotes.

Securities valued at amortized cost include securities of the following countries:

	31 December 2024	31 December 2023
Debt securities of institutions of EU countries	1 525 811	519 244
Total:	**1 525 811**	**519 244**

The calculated interest rate of the securities was fixed at 7.75%.

NOTE 9: Loans to customers

	31 December 2024	31 December 2023
Loans to customers	82 921 774	81 264 119
Deferred administration fee	(820 174)	(745 841)
Deferred contract costs	309 772	501 546
Carrying amount	**82 411 372**	**81 019 824**
Credit loss allowance	(1 448 732)	(764 588)
Total:	**80 962 640**	**80 255 236**

The Bank has granted loans to customers in Lithuania, Latvia and Estonia. Breakdown of loans by geographic region is provided in the table below:

	31 December 2024				Total
	Lithuania	Latvia	Estonia	Finland	
Loans to customers	78 060 486	4 441 534	419 753	-	82 921 773
Deferred administration fee	(794 589)	(22 283)	(3 301)	-	(820 173)
Deferred contract costs	304 550	5 222	-	-	309 772
Carrying amount	**77 570 447**	**4 424 473**	**416 452**	**-**	**82 411 372**
Credit loss allowance	(1 317 713)	(130 057)	(962)	-	(1 448 732)
Total:	**76 252 734**	**4 294 416**	**415 490**	**-**	**80 962 640**

	31 December 2023				Total
	Lithuania	Latvia	Estonia	Finland	
Loans to customers	75 507 446	2 573 987	1 160 494	2 022 192	81 264 119
Deferred administration fee	(696 669)	(20 764)	(3 542)	(24 866)	(745 841)
Deferred contract costs	479 719	10 033	5 779	6 015	501 546
Carrying amount	**75 290 496**	**2 563 256**	**1 162 731**	**2 003 341**	**81 019 824**
Credit loss allowance	(721 283)	(40 063)	(3 242)	-	(764 588)
Total:	**74 569 213**	**2 523 193**	**1 159 489**	**2 003 341**	**80 255 236**

(All amounts are in Euro, unless otherwise stated)

NOTE 10: Intangible assets and fixed assets

Intangible assets for 2024	Basic software	Additional software	Other intangible assets	Total intangible assets
Net book value at the end of the previous financial year	**1 936 303**	**9 296**	**144 596**	**2 090 195**
(A) Intangible assets at acquisition cost				
At the end of the previous reporting period	2 761 915	31 277	144 596	2 937 788
Changes in current reporting period:				
- Additions	880 670	19 129	44 655	944 454
- Disposals			(39 613)	(39 613)
At the end of the reporting period	**3 642 585**	**50 406**	**149 638**	**3 842 629**
(b) Amortisation				
At the end of the previous reporting period	825 612	21 981	-	847 593
Changes in current reporting period:				
- Amortisation charge for the year	816 790	6 163	-	822 953
At the end of the reporting period	**1 642 402**	**28 144**	**-**	**1 670 546**
(c) Net book value at the end of the financial year (a)-(b)	**2 000 183**	**22 262**	**149 638**	**2 172 083**

Intangible assets for 2023	Basic software	Additional software	Other intangible assets	Total intangible assets
Net book value at the end of the previous financial year	**1 220 735**	**15 576**	**276 859**	**1 513 170**
(A) Intangible assets at acquisition cost				
At the end of the previous reporting period	1 611 312	27 828	276 859	1 915 999
Changes in current reporting period:				
- Additions	1 150 603	3 449	(132 263)	1 021 789
- Disposals	-	-	-	-
At the end of the reporting period	**2 761 915**	**31 277**	**144 596**	**2 937 788**
(b) Amortisation				
At the end of the previous reporting period	390 577	12 252	-	402 829
Changes in current reporting period:				
- Amortisation charge for the year	435 035	9 729	-	444 764
At the end of the reporting period	**825 612**	**21 981**	**-**	**847 593**
(c) Net book value at the end of the financial year (a)-(b)	**1 936 303**	**9 296**	**144 596**	**2 090 195**

As of 31 December 2024, the Bank had fully amortized intangible assets (acquisition cost EUR 24,828) and tangible assets (acquisition cost EUR 30,419), but still in use.

(All amounts are in Euro, unless otherwise stated)

Fixed assets in 2024	Equipment	Computers	Plant and machinery	Total property, plant and equipment
Net book value at the end of the previous financial year	**13 321**	**34 095**	**3 208**	**50 624**
(a) Fixed assets at acquisition cost				
At the end of the previous reporting period	21 675	71 943	4 033	97 651
Changes in current reporting period:				
- Additions	11 627	38 535	4 993	55 155
- Disposals	(415)	(1 998)	(2 983)	(5 396)
At the end of the reporting period	**32 887**	**108 480**	**6 043**	**147 410**
(b) Depreciation				
At the end of the previous reporting period	8 354	37 848	825	47 027
Changes in current reporting period:				
- Depreciation charge for the year	8 010	25 597	1 063	34 670
- Depreciation reversal	(196)	(1 259)	(738)	(2 193)
At the end of the reporting period	**16 168**	**62 186**	**1 150**	**79 504**
(c) Net book value at the end of the financial year (a)-(b)	**16 719**	**46 294**	**4 893**	**67 906**

Fixed assets in 2023	Equipment	Computers	Plant and machinery	Total property, plant and equipment
Net book value at the end of the previous financial year	**13 543**	**23 198**	**658**	**37 399**
(a) Fixed assets at acquisition cost				
At the end of the previous reporting period	15 610	42 579	1 050	59 239
Changes in current reporting period:				
- Additions	6 065	29 364	2 983	38 412
At the end of the reporting period	**21 675**	**71 943**	**4 033**	**97 651**
(b) Depreciation				
At the end of the previous reporting period	2 067	19 381	392	21 840
Changes in current reporting period:				
- Depreciation charge for the year	6 287	18 467	433	25 187
At the end of the reporting period	**8 354**	**37 848**	**825**	**47 027**
(c) Net book value at the end of the financial year (a)-(b	**13 321**	**34 095**	**3 208**	**50 624**

NOTE 11: Right-of-use assets and lease liabilities

The carrying value of right-of-use assets as at 31 December 2024 and 2023 and its movement throughout the year is disclosed in the tables below:

Right-of-use assets in 2024	Vehicles	Rented premises	Total
Net book value at the end of the previous financial year	**73 907**	**259 056**	**332 963**
(a) Carrying amount of the right-of-use assets			
At the end of the previous reporting period	83 445	419 568	503 013
Changes in current reporting period:			
- Additions	341 446	408 162	749 608
- Disposals	(83 053)	(405 169)	(488 222)
- Right of use contract modification	3 121	5 505	8 626
At the end of the reporting period	**344 959**	**428 066**	**773 025**
(b) Depreciation			
At the end of the previous reporting period	9 538	160 512	170 050
Changes in current reporting period:			
- Depreciation charge for the year	48 681	86 212	134 893
- Write-off Due to Modified Terms	(20 462)	(204 286)	(224 748)
At the end of the reporting period	**37 757**	**42 438**	**80 195**
(c) Net book value at the end of the financial year (a)-(b)	**307 202**	**385 628**	**692 830**
Diskonto norma	7,4%	5,7 %	
Nuomos terminas	3 metai	5 metai	

Right-of-use assets in 2023	Vehicles	Rented premises	Total
Net book value at the end of the previous financial year	**50 910**	**307 169**	**358 079**
(a) Carrying amount of the right-of-use assets			
At the end of the previous reporting period	69 118	380 481	449 599
Changes in current reporting period:			
- Additions	82 832	-	82 832
- Right of use contract modification	(68 505)	39 087	(29 418)
At the end of the reporting period	**83 445**	**419 568**	**503 013**
(b) Depreciation			
At the end of the previous reporting period	18 207	73 312	91 519
Changes in current reporting period:			
- Depreciation charge for the year	(8 669)	87 200	78 531
At the end of the reporting period	**9 538**	**160 512**	**170 050**
(c) Net book value at the end of the financial year (a)-(b)	**73 907**	**259 056**	**332 963**
Discount rate	6,81%	6,10 %	
Lease term	5 years	3 years	

Carrying value of lease liabilities and their movement throughout the period was as follows:

	2024	2023
As at January 1	**326 070**	**360 409**
Additions	749 608	82 832
Increase in interest	42 049	17 766
Payments	(152 193)	(127 710)
Payment and contract modification	8 626	39 701
Terminations	(259 000)	(46 928)
As at 31 December	**715 160**	**326 070**
Current liabilities	*151 119*	*94 960*
Non-current lease liabilities	*564 041*	*231 110*

On 31 July 2024, the existing premises lease agreement was terminated and a new lease was signed, valid until 31 July 2029. On 31 December 2024, an annex was signed regarding the increase in leased space and the change in rental fee. The rental price changed from EUR 7,842.84 to EUR 11,052.71.

On 15 July 2024, two vehicle lease agreements were signed for a 2-year period, with a rental price of EUR 1,005.94.

On 16 September 2024, another vehicle lease agreement was signed for a 2-year period, with a rental price of EUR 500.

A vehicle lease agreement signed in 2023 for a 5-year period was terminated in September 2024.

In July 2024, a new vehicle lease agreement was signed for a 5-year period, with a rental price of EUR 5,323.40.

NOTE 12: Other liabilities

	2024	2023
Trade payables	104 253	121 481
Balance of transit account for external payments	15 588	108 762
Accrued expenses	102 020	103 723
Payables to related parties	1 822	97 289
Vacation accruals	200 887	194 020
EIF guarantee fee payable	57 105	107 807
ILTE guarantee fee payable	16 404	32 558
Payable to ŽŪPGF	1 061 889	519 697
Other liabilities	229 854	184 072
Taxes payable	23 116	13 824
Employment related liabilities	2 819	1 075
TOTAL	**1 815 757**	**1 484 308**

Taxes payable include obligations to ILTE – specifically, the amounts to be reimbursed from preferential loans and interest recovered from clients under the state aid program *“Loans to ensure the liquidity of economic entities operating in the agricultural and fisheries product production, processing, and marketing sectors in response to Russia’s aggression against Ukraine.”* Further information on off-balance sheet commitments is provided in Note 18.

NOTE 13: Income tax and deferred tax

	2024	2023
Income tax expenses for the reporting period		
Income tax expenses for the previous reporting period	-	7 440
Change in deferred income tax	286 120	96 064
Change in deferred income tax for the previous reporting period	11 893	(7 225)
Income tax benefit (expenses)	**298 013**	**96 279**

	2024	2023
Profit (loss) before income tax	**(1 517 911)**	**(569 518)**
Tax calculated at an applicable rate	242 865	85 428
Non-taxable income	60 026	45 778
Non-deductible expenses	(16 771)	(50 270)
Charity	-	300
Change in deferred income tax of the previous reporting year	11 893	215
Deferred income tax on other comprehensive income	(109 596)	7 388
Income tax expenses of the previous reporting period	-	7 440
Income tax benefits/(expense) in the statement of comprehensive income	**188 417**	**96 279**

Recognised income tax income (expenses) can be reconciled with income tax expense amount, resulted from the application of statutory income tax rate to profit before tax as follows:

	2024	2023
Profit (loss) before income tax	**(1 517 911)**	**(569 518)**
Non-taxable income	(375 163)	(305 190)
Non-deductible expenses	76 127	335 081
Total taxable profit (loss)	**(1 816 945)**	**(539 627)**
Tax rate	16%	15%
Deferred tax on tax losses	290 711	80 944
Deferred tax from tax losses of the previous reporting period	-	(6 754)
Deferred tax on right-of-use assets	(110 853)	(49 944)
Deferred tax on lease liability	114 426	48 911
Deferred tax on accrued expenses of the previous reporting period	(842)	(472)
Deferred tax on accrued expenses		(732)
Deferred tax on accrued expenses	4 572	3 555
Deferred tax on other comprehensive income	(109 597)	(7 388)
Total deferred tax asset	**188 417**	**68 119**
Deferred tax assets at the beginning of the period	**68 119**	**(13 331)**
Deferred tax assets at the end of the period	**256 536**	**68 119**

NOTE 14: Other assets

	31 December 2024	31 December 2023
Receivables from related parties	32	92
Accrued income and deferred expenses	174 942	89 731
Advances paid	51 805	79 518
Other assets	135 157	104 913
Total:	**361 936**	**274 254**

Accrued income and prepaid expenses included prepaid expenses related to preferential loans under the state aid program *"Loans to ensure the liquidity of economic entities operating in the agricultural and fisheries product production, processing, and marketing sectors in response to Russia's aggression against Ukraine"*. They also included employee health insurance expenses and membership fees.

NOTE 15: Customer deposits

Deposits at the Bank are accepted both through the local market and via third-party service providers. Since 2021, the Bank has been using platforms operated by Raisin GmbH. Currently, deposits are raised exclusively through the "Weltsparen" platform (earlier deposits raised via the "Zinspilot" platform matured at the end of 2024, and no new deposits are being accepted through this platform). All collected deposits are recorded in the Bank's core system and are subject to fixed interest rates. The average interest rate paid on deposits in 2024 was 3.51% (compared to 3.78% in 2023).

31 December 2024					
	„Zinspilot"	**„Weltsparen"**	**Lithuanian depositors**	**Foreign depositors**	**Total**
Term deposits	-	106 162 819	684 100	-	106 846 919
Deposits on demand	-	-	59 693 609	1 386 444	61 080 053
Accrued interest to customers	-	2 040 319	77 590	-	2 117 909
Deferred commission expenses	-	(161 930)	-	-	(161 930)
Average interest rate	-	*3,51%*	*3,90%*	-	*3,51%*
	-	**108 041 208**	**60 455 299**	**1 386 444**	**169 882 951**

31 December 2023					
	„Zinspilot"	**„Weltsparen"**	**Lithuanian depositors**	**Foreign depositors**	**Total**
Term deposits	1 443 240	92 173 895	486 500	-	94 103 635
Demand deposits	-	-	8 943 597	1 520 608	10 464 205
Accrued interest to customers	21 625	1 463 533	8 608	-	1 493 766
Deferred commission expenses	(1 130)	(161 291)	-	-	(162 421)
Average interest rate	*2,73%*	*3,81%*	*4,10%*	-	*3,78%*
	1 463 735	**93 476 137**	**9 438 705**	**1 520 608**	**105 899 185**

In accordance with the Republic of Lithuania Law on Deposit and Investor Insurance, the Bank is required to make annual contributions to the Deposit and Investor Compensation Fund. In 2024, these expenses amounted to EUR 199,303 (compared to EUR 91,524 in 2023) and are classified as fee and commission expenses in the statement of comprehensive income. Since 2015, all deposits that fall under the scope of deposit insurance, as defined by legal regulations, and do not exceed EUR 100,000, are covered by the deposit insurance scheme.

NOTE 16: Issued debt securities

By the supplement of 21 September 2022 to the subscription agreement for subordinate bonds of 15 July 2021, the substitution was agreed to the Bank's issue of 1,500 subordinated bonds in dematerialised book-entry form with a nominal value of EUR 1,000 each. The maturity of the bonds issued is extended until 1 October 2029, and the annual interest rate is changed from 7 to 10%. Interest payment is due every three months.

On 5 September 2022, the Bank additionally issued 500 units of subordinated bonds with a nominal value of EUR 1,000 each in dematerialised book-entry form. The bonds were not included in trading on a regulated market. The bonds are redeemable in seven years and pay annual interests of 10% every three months. The bonds meet the criteria to be included under Tier 2 Capital.

All bonds issued by the Bank are not subject to pledge.

As at 31 December 2024, the Bank's liabilities related to the bonds consisted of the following:

	31 December 2024	**31 December 2023**
Issued bonds	2 000 000	2 000 000
Accrued expenses related to bond issue	(42 655)	(47 857)
Total debt securities	**1 957 345**	**1 952 143**

NOTE 17: Equity

	31 December 2024	**Nominal amount, eur**	**31 December 2023**
Structure of authorised share capital at the end of previous reporting period:			
Ordinary shares	3 500 000	1	3 500 000
Reserve capital	3 800 000		2 000 000
Total:	**7 300 000**		**5 500 000**

Structure of authorised share capital at the end of reporting period:			
Ordinary shares	3 500 000	1	3 500 000
Reserve capital	7 223 697		3 800 000
Total:	**10 723 697**		**7 300 000**

Except for the aforementioned ordinary registered shares, the Bank does not have any other type of shares. The issued capital of the Bank was fully paid as at 31 December 2024.

During 2024, the Bank did not acquire and disposed of its own shares, and did not hold its own shares as at 31 December 2024 and 2023.

Reserve capital

On 20 December 2021, the Bank's reserve capital was established in the amount of EUR 500,000, funded by shareholder cash contributions. In 2022, during the general meetings of shareholders held on 15 February, 11 May, and 8 August, it was decided to increase the Bank's reserve capital by EUR 500,000 at each meeting. In 2023, the reserve capital was further increased by EUR 1,800,000, with contributions made on: 3 March – EUR 500,000, 2 October – EUR 1,000,000, 27 December – EUR 300,000

In 2024, the reserve capital was additionally increased by EUR 3,450,000, as follows: 18 January – EUR 1,000,000, 26 February – EUR 300,000, 5 March – EUR 300,000, 28 June – EUR 1450,000, 20 December – EUR 400,000.

As of 31 December 2024, a total of EUR 7,250,000 in reserve capital (reserve fund) had been formed from shareholder cash contributions. The purpose of the reserve capital is to ensure the financial stability of the Bank.

Legal reserve

As of 31 December 2023, a legal reserve of 22,347 euros was formed from the undistributed profit of 2022.The Bank is obliged to form a legal reserve under the legislation of the Republic of Lithuania. The Bank is required to make annual transfers comprising 5% of the net profit calculated in accordance with the requirements of the legislation on financial accounting of the Republic of Lithuania until the reserve reaches 10% of the issued capital.

On 29 April 2024, by resolution of the General Meeting of Shareholders, the Bank's retained loss was covered using amounts from the statutory reserve and the reserve capital.

Profit distribution proposal

	2024
Profit (loss) brought forward from the previous reporting period	**-**
Net profit for the reporting period	(**1 219 898**)
Retained earnings	**(1 219 898)**
Transfers to legal reserve	-
Retained earnings:	**(1 219 898)**

NOTE 18: Off-balance sheet assets and liabilities, contingencies

As of 31 December 2024, the Bank had outstanding loan commitments totaling EUR 5,655,673 (compared to EUR 14,111,021 as of 31 December 2023).

The Bank operates as a financial intermediary, lending funds received from ILTE to farmers and agricultural companies affected by the war in Ukraine. This classification is based on the agreement with ILTE, which specifies that the Bank acts solely as a financial intermediary: it lends the funds received from ILTE but does not make final lending decisions, and bears no financial or non-financial responsibility in the event of borrower default.

Since the Bank acts as an intermediary under this financial instrument, in accordance with IFRS requirements, neither the funds received from the fund nor the repayments collected from borrowers are recognized in the Bank's accounting records or disclosed in its financial statements. Under this arrangement, the Bank had distributed EUR 14 million in loans. As of 31 December 2024, the outstanding balance of such loans amounted to EUR 10.8 million.

The Tax Inspectorate may audit the Bank's financial records and accounting entries at any time during the three years following the end of the relevant reporting year, and may impose additional taxes and fines. As of the reporting date, the Bank's management is not aware of any circumstances that could result in a significant liability in this regard.

From January to March 2024, the Bank of Lithuania conducted a scheduled inspection of the Bank regarding anti-money laundering and counter-terrorist financing (AML/CTF) compliance. As of the date of issuance of the financial statements, the Bank has not received any information regarding potential supervisory measures, and therefore no related expenses have been accrued. The Bank is currently working to enhance certain internal processes to further improve its operations.

NOTE 19: Fair value

The carrying amounts of the Bank's cash balances, debt securities, and financial liabilities are close to their fair values. The fair value of loans was determined by discounting the expected future cash flows for each loan over its full term using the average market interest rates applicable at the end of the reporting period. The accompanying tables present the carrying amounts and fair values of the Bank's financial assets and liabilities, as well as their classification within the fair value hierarchy levels. For financial assets and liabilities not measured at fair value, the carrying amount is a reasonable approximation of fair value.

	Fair value	Carrying amount	Level 1	Level 2	Level 3
Financial assets as at 31 December 2024					
Cash and cash equivalents	44 053 035	44 053 035	44 053 035		-
Loans to customers	83 805 730	80 962 640	-	80 962 640	-
Debt securities	55 928 241	55 928 241	55 928 241		
Financial liabilities as at 31 December 2024					
Payables to customers	169 882 951	169 882 951	-	169 882 951	-
Debt securities issued	1 957 345	1 957 345		1 957 345	
(Finance) lease liabilities	715 160	715 160	-		715 160
Other liabilities	1 815 757	1 815 757	-		1 815 757

	Fair value	Carrying amount	Level 1	Level 2	Level 3
Financial assets as at 31 December 2023					
Cash and cash equivalents	5 675 277	5 675 277	5 675 277	-	-
Loans to customers	86 875 033	80 255 236	-	80 255 236	-
Debt securities	28 332 476	28 332 476	28 332 476	-	-
Other assets	274 254	274 254	-	-	274 254
Financial liabilities as at 31 December 2023					
Payables to customers	105 899 185	105 899 185	-	105 899 185	-
Debt securities issued	1 952 143	1 952 143	-	1 952 143	-
(Finance) lease liabilities	326 070	326 070	-	-	326 070

NOTE 20: Related party transactions

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Bank, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

During 2024 and 2023, a number of transactions with related parties took place in the course of normal activities. These transactions are disclosed in the tables below:

2024	Purchases	Sales	Receivables	Payables
Shareholders	-	-	-	-
Company A	202 387	23 919	-	1 822
Company B	1 920	6	-	-
Other related companies	266 151	91 215	32	7 278
Total:	**470 458**	**115 140**	**32**	**9 100**

(All amounts are in Euro, unless otherwise stated)

2023	Purchases	Sales	Receivables	Payables
Shareholders	-	-	-	-
Company A	606 055	68 601	180	97 289
Company B	-	692 747	617 320	-
Other related companies	248 401	2 378	714	(40 742)
Total:	**854 456**	**763 726**	**618 214**	**56 547**

In 2024, as in 2023, the majority of acquisitions consisted of sales agency and consultancy services. Intermediary and consultation expenses were estimated by observing the arm's length principle.

2024	Loans granted	Interest and other income	Loans received	Interest expenses
Shareholders	-	-	-	-
Company A	-	101 019	-	-
Company B	-	198 788	-	-
Other related companies	1 300 000	103 175	-	-
Total:	**1 300 000**	**402 982**	-	-

2023	Loans granted	Interest and other income	Loans received	Interest expenses
Shareholders	-	-	-	-
Company A	841 026	175 492	-	-
Company B	2 400 000	234 631	-	-
Other related companies	-	-	-	-
Total:	**3 241 026**	**410 123**	-	-

Remuneration of the Bank's management

Information about payments to members of the Board, Chief Administrative Officer and key management personnel in 2024 and 2023 is disclosed in the table below:

	2024	2023
Remuneration payable to the Board members and key management personnel:		
Board members	307 722	364 568
Other key management personnel	1 674 725	1 111 743
Total:	**1 982 447**	**1 476 311**

In 2024, average number of management employees was 19 (2023: 19).

NOTE 21: Going concern

The Bank's management has performed an assessment of the going concern assumption and is not aware of any facts that would raise doubt about the Bank's ability to continue its operations in the foreseeable future. The Bank has sufficient capital to support its activities, continuously monitors risk exposures and key financial indicators (including liquidity and capital ratios), and actively addresses both direct and indirect risks, including but not limited to risks related to cybersecurity, anti-money laundering (AML), counter-terrorist financing (CTF), and sanctions compliance.

The Bank's financial forecasts for 2025–2028 indicate stable and sustainable growth, supported by strong capital, profitability, and effective risk management. These projections take into account current economic and market challenges; however, the Bank's strategy ensures that it remains financially resilient and able to respond to potential adverse conditions.

NOTE 22: Subsequent events

In January 2025, the existing shareholders of the Bank – UAB "Magnus Investments", UAB "AKM Finance", and UAB "AR Finance" – collectively sold 1% of their shares in the Bank to UAB "UHB AGRO" (legal entity code: 303402007, registered office: Plento g. 92, LT-19126 Širvintos). Following this transaction, the ownership structure of the Bank is as follows:

- UAB "Magnus Investments" (legal entity code: 304724648) owns 1,543,675 shares, representing 44.105% of total shares,

(All amounts are in Euro, unless otherwise stated)

- UAB “AKM Finance” (legal entity code: 304234701) owns 1,543,675 shares, representing 44.105% of total shares,
- UAB “AR Finance” (legal entity code: 304747351) owns 342,650 shares, representing 9.79% of total shares,
- UAB “cargoGo Group” (legal entity code: 304051372) owns 35,000 shares, representing 1% of total shares,
- UAB “UHB AGRO” (legal entity code: 303402007) owns 35,000 shares, representing 1% of total shares.

The updated shareholder information has been registered in the securities accounts register.

In March 2025, the Bank’s Board appointed Ieva Naudžiūnaitė as the Chief Executive Officer of the Bank.

In April 2025, shareholders contributed an additional EUR 1,000,000 to the Bank’s reserve capital.

Between the end of the financial year and the date of approval of these financial statements, no other subsequent events have occurred that would impact the financial statements or require disclosure as of 31 December 2024.

These financial statements were prepared on 11 April 2025.

signed electronically	*signed electronically*
Chief Administrative Officer	Chief Financial Officer
Ieva Naudžiūnaitė	Julija Tankeliūnaitė