

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH
SEPTEMBER 2021 PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

UAB MEDICINOS BANKAS

Legal entity code 112027077, Pamėnkalnio St. 40, LT-01114 Vilnius

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30 SEPTEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group				The Bank	
30 September 2021	31 December 2020	Assets	Notes	30 September 2021	31 December 2020
		Cash and due from central bank			
25,417	29,442	<i>Cash</i>		25,417	29,442
69,449	79,238	<i>Placements with the central bank</i>		69,449	79,238
94,866	108,680			94,866	108,680
16,839	11,556	Placements with banks and other credit institutions	3	16,807	11,321
		Financial assets at fair value through profit or loss			
45	6	<i>Derivative financial instruments</i>		45	6
45	6			45	6
57,647	54,584	Debt securities	4	57,647	54,584
		Loans and receivables	5		
205,837	191,176	<i>Loans to customers</i>		198,869	186,494
14,656	13,530	<i>Finance lease receivable</i>		14,656	13,530
220,493	204,706			213,525	200,024
-	-	Investments in subsidiaries	6	7,342	6,406
27	-	Other equity instruments		27	-
234	528	Investment property		232	217
6,164	6,206	Property and equipment		6,160	6,185
416	464	Intangible assets		393	429
		Tax assets			
325	176	<i>Current taxes</i>		325	176
294	825	<i>Deferred taxes</i>		294	825
619	1,001			619	1,001
923	673	Other assets		781	665
398,273	388,404	Total assets		398,444	389,518

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The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

The Group				The Bank	
30 September 2021	31 December 2020	Liabilities	Notes	30 September 2021	31 December 2020
501	1	Due to banks and other credit institutions		501	1
23	61	Derivative financial instruments		23	61
343,830	341,647	Due to customers	7	344,109	343,028
1,000	1,000	Subordinated loans	8	1,000	1,000
2,175	2,201	Debt securities issued	8	2,175	2,201
56	74	Impairment		67	108
382	-	Tax liabilities		382	-
	-	Current taxes			-
	-	Deferred taxes			-
382	-			382	-
8,719	5,208	Other liabilities	9	8,411	4,921
356,686	350,192	Total liabilities		356,668	351,320
		Equity			
19,948	19,948	Share capital	10	19,948	19,948
10,408	7,622	Retained earnings		10,616	7,608
326	326	Revaluation reserve of property and equipment		326	326
10,905	10,316	Other reserves	10	10,886	10,316
41,587	38,212	Total shareholders' equity		41,776	38,198
398,273	388,404	Total liabilities and shareholders' equity		398,444	389,518

The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
30 September 2021	30 September 2020		Notes	30 September 2021	30 September 2020
9,954	9,109	Interest income	11	9,088	8,207
(1,419)	(1,357)	Interest expenses	11	(1,419)	(1,356)
8,535	7,752	Net interest income		7,669	6,851
3,964	4,068	Service fee and commission income	12	4,258	4,359
(746)	(565)	Service fee and commission expenses	12	(631)	(482)
3,218	3,503	Net service fee and commission income		3,627	3,877
-	-	Net result on equity securities trading		200	-
3,749	3,069	Net foreign exchange gain	13	3,749	3,069
(348)	479	Net result from operations with derivatives		(348)	479
-	-	Impairment of investments into subsidiaries		(64)	(254)
36	(159)	Net result on operations on investment property		(4)	(17)
85	32	Other income		95	49
15,275	14,676	Total operating income		14,924	14,054
(489)	(926)	Impairment of loans and other financial assets		(327)	(857)
14,786	13,750	Operating income after impairment		14,597	13,197
(6,334)	(6,305)	Salaries and benefits		(6,075)	(6,081)
(834)	(852)	Depreciation		(830)	(848)
(172)	(129)	Amortisation		(160)	(116)
(3,012)	(2,642)	Other operating expenses	14	(2,895)	(2,483)
(10,352)	(9,928)	Total operating expenses		(9,960)	(9,528)
4,434	3,822	Operating profit (loss)		4,637	3,669
(1,059)	(558)	Income tax		(1,059)	(550)
3,375	3,264	Profit (loss) for the year		3,578	3,119
3,375	3,264	Attributable to equity holders of the Bank		3,578	3,119

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
01-07-2021- 30-09-2021	01-07-2020- 30-09-2020		01-07-2021- 30-09-2021	01-07-2020- 30-09-2020
			Notes	
3,643	3,075	Interest income	3,365	2,721
(485)	(453)	Interest expenses	(485)	(452)
3,158	2,622	Net interest income	2,880	2,269
1,453	1,412	Service fee and commission income	1,543	1,521
(294)	(292)	Service fee and commission expenses	(248)	(236)
1,159	1,120	Net service fee and commission income	1,295	1,285
-	-	Net result on equity securities trading	-	-
1,500	1,294	Net foreign exchange gain	1,500	1,294
(16)	261	Net result from operations with derivatives	(16)	261
-	-	Impairment of investments into subsidiaries	-	(54)
1	16	Net result on operations on investment property	-	-
5	13	Other income	6	18
5,807	5,326	Total operating income	5,665	5,073
(73)	(15)	Impairment of loans and other financial assets	(11)	(107)
5,734	5,311	Operating income after impairment	5,654	4,966
(2,086)	(2,130)	Salaries and benefits	(2,013)	(2,054)
(276)	(279)	Depreciation	(275)	(277)
(60)	(48)	Amortisation	(57)	(43)
(1,319)	(866)	Other operating expenses	(1,288)	(796)
(3,741)	(3,323)	Total operating expenses	(3,633)	(3,170)
1,993	1,988	Operating profit (loss)	2,021	1,796
(477)	(230)	Income tax expense	(477)	(230)
1,516	1,758	Profit (loss) at the end of the reporting period	1,544	1,566
1,516	1,758	Attributable to equity holders of the Bank	1,544	1,566

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Acting Chairman of the
Board and Chief Executive
Officer

D. Kliškauskienė

Deputy Director of
Accounting and Reporting
Department, acting Director,
Chief Accountant

L. Bertašienė

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**The Bank**

	<u>30 September 2021</u>	<u>30 September 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other		
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax		
Profit (loss) at the end of the reporting period	<u>3,578</u>	<u>3,119</u>
Total comprehensive income	<u><u>3,578</u></u>	<u><u>3,119</u></u>
Attributable to:		
Equity holders of the Bank	3,578	3,119

The Group

	<u>30 September 2021</u>	<u>30 September 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	<u>3,375</u>	<u>3,264</u>
Total comprehensive income	<u><u>3,375</u></u>	<u><u>3,264</u></u>
Attributable to:		
Equity holders of the Bank	3,375	3,264

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER**The Bank**

	<u>01-07-2021 – 30-09-2021</u>	<u>01-07-2020 – 30-09-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,544	1,566
Total comprehensive income	<u><u>1,544</u></u>	<u><u>1,566</u></u>
Attributable to:		
Equity holders of the Bank	1,544	1,566

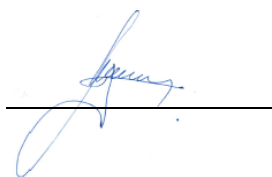
The Group

	<u>01-07-2021 – 30-09-2021</u>	<u>01-07-2020 – 30-09-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), net of tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,516	1,758
Total comprehensive income	<u><u>1,516</u></u>	<u><u>1,758</u></u>
Attributable to:		
Equity holders of the Bank	1,516	1,758

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**The Bank**

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
As at 31 December 2019	19,948	3,996	330	10,316	34,590
Profit or loss	-	3,119	-	-	3,119
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 30 September 2020	19,948	7,115	330	10,316	37,709
Profit or loss	-	488	-	-	488
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 31 December 2020	19,948	7,608	326	10,316	38,198
Profit or loss	-	3,578	-	-	3,578
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(570)	-	570	-
As at 30 September 2021	19,948	10,616	326	10,886	41,776

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**The Group**

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
As at 31 December 2019	19,948	3,779	330	10,316	34,373
Profit or loss	-	3,264	-	-	3,264
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 30 September 2020	19,948	7,043	330	10,316	37,637
Profit or loss	-	574	-	-	574
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 31 December 2020	19,948	7,622	326	10,316	38,212
Profit or loss	-	3,375	-	-	3,375
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(589)	-	589	-
As at 30 September 2021	19,948	10,408	326	10,905	41,587

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
As at 30 September 2021	As at 30 September 2020		As at 30 September 2021	As at 30 September 2020
			Notes	
		Cash flows from operating activities		
3,375	3,264	Profit (loss) for the year	3,578	3,119
		Non-cash Revenue and Cost Recovery:		
1,006	981	Depreciation and amortisation	990	964
36	(9)	Loss, gain on the sale of tangible, intangible and investment property	61	9
489	926	Impairment of loans	327	857
-	-	Impairment of investments in subsidiaries	64	254
-	176	Impairment of investment property	-	17
(77)	(152)	Derivatives revaluation	(77)	(152)
(53)	14	Elimination of accrued vacation pay	(36)	13
1,059	558	Income tax expenses	1,059	550
(55)	(94)	Elimination of other non-cash items	80	(120)
5,780	5,664	Cash flows from (to) operating activities before changes in operating assets and liabilities	6,046	5,511
		Changes in operating assets and liabilities:		
(43)	(93)	Changes in compulsory reserves	(43)	(93)
(799)	-	Changes in bank's balances	(799)	-
(15,168)	(1,070)	Loans to customers	(12,744)	(924)
(1,182)	1,072	Finance lease receivable	(1,182)	1,072
500	3	Changes in due to banks and other credit institutions	500	3
433	13,600	Changes in due to customers	(669)	13,914
3,996	3,107	Changes in other assets and liabilities	3,948	3,004
(6,483)	22,283	Net cash flows from operating activities before income tax	(4,943)	22,487
(440)	(210)	Income tax (paid)	(440)	(208)
(6,923)	22,073	Net cash flows from operating activities after income tax	(5,383)	22,279
		Investing activities		
(1,516)	(949)	(Acquisitions) of intangible assets and property and equipment	(1,514)	(916)
-	-	(Acquisitions) of investment property	-	-
864	435	Proceeds from sale of property and equipment and investment property	515	163
-	-	Investments in subsidiaries	(1,000)	-
(27)	-	Other equity instruments	(27)	-
(432)	(412)	Part of the main amount of rent payments	(422)	(402)
14,468	32,496	Redemption of debt-securities	14,468	32,496
(17,531)	(32,671)	(Acquisitions) of of debt-securities	(17,531)	(32,671)
(4,174)	(1,101)	Net cash flows to investing activities	(5,511)	(1,330)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS (CONT'D)

Group			Bank	
As at 30 September 2021	As at 30 September 2020		As at 30 September 2021	As at 30 September 2020
		Notes		
		Financing activities		
-	-	Bonds issued	-	-
(26)	(26)	Bonds (redeemed)	(26)	(26)
-	(3,000)	Loans received according to Eurosystem Open market operations	-	(3 000)
7,105	3,435	Loans (received)	7,105	3,435
(5,632)	(5,131)	Loans (repaid)	(5,632)	(5,131)
1,447	(4,722)	Net cash flows from (to) financing activities	1,447	(4,722)
277	(642)	Effect of exchange rate changes on cash and cash equivalents	277	(642)
(9,373)	15,608	Net increase (decrease) in cash and cash equivalents	(9,170)	15,585
117,700	84,146	Cash and cash equivalents at 1 January	117,465	84,127
108,327	99,754	Cash and cash equivalents at 30 September	108,295	99,712
		15		
		Additional information to operating cash flows		
9,221	8,386	Interest received	8,465	7,514
(1,275)	(1,249)	Interest paid	(1,275)	(1,248)

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L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30 SEPTEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

Note 1 Background information

UAB Medicinos Bankas (hereinafter referred to as the Bank) was established on 24 November 1992 (as KB Ancorobank) and on 16 January 1997 was reorganised to UAB Medicinos Bankas. The address of its registered office is as follows:

Pamėnkalnio St. 40,
Vilnius, Lithuania.

The Bank accepts deposits, grants loans, performs monetary and documentary settlements, exchanges currencies and issues guarantees for its clients. The Bank also trades in securities, provides consulting and custody services. The Bank provides services to both corporate and retail sectors.

At the end of third quarter of 2021 the Bank had 42 customer service units in different regions of Lithuania.

The consolidated financial statements of the Group include the financial statements of the Bank and its fully owned subsidiaries UAB TG Invest-1 (main activity of the company – real estate management and development) and UAB Saugus Kreditas (main activity of the company – granting of consumer loans to private persons).

As at 30 September 2021 the Bank employed 296 employees (310 employees as at 31 December 2020). As at 30 September 2021 the Group employed 306 employees (321 employees as at 31 December 2020).

As at 30 September 2021 the shareholders of the Bank were as follows:

	Ordinary shares held	Per cent of ownership
Mr. Konstantinas Karosas	124,150	90.13
Western Petroleum Ltd.	13,600	9.87
Total	137,750	100.00

As at 31 December 2020 the shareholders of the Bank were as follows:

	Ordinary shares held	Per cent of ownership
Mr. Konstantinas Karosas	124,150	90.13
Western Petroleum Ltd.	13,600	9.87
Total	137,750	100.00

Konstantinas Karosas has acquired 89,91 percent of the Bank's shares by inheritance. Till the decision of the supervisory authority, Konstantinas Karosas didn't have voting rights attaching to the shares at the Bank's General Meeting of Shareholders.

As at 15 March 2021 shareholders of UAB Medicinos Bankas (hereafter - the Bank) Mr. Konstantinas Karosas and Western Petroleum Ltd. informed the Bank that on 5 March 2021, the European Central Bank (hereafter the ECB) has adopted a decision regarding the acquisition of a qualifying holding of the Bank's shares by Konstantinas Karosas and Western Petroleum Ltd. (hereinafter 'Decision I'). According to the Decision I ECB has decided not to raise any objections to the following actions:

- Mr. Konstantinas Karosas will acquire the Bank's qualified share of the Bank's authorized capital and voting rights, exceeding 50 percent ;

- Western Petroleum Ltd. (company is owned by Mr. Konstantinas Karosas) would acquire a qualified share of the Bank's authorized capital and voting rights (to have the right of significant influence).

Decision I is valid with the condition, that both p. Konstantinas Karosas and Western Petroleum Limited will transfer all voting rights at the General Meeting of Shareholders of the Bank to UAB MB valdymas, legal entity code 305663422, registered office address Vokiečių st. 28-24, Vilnius, Republic of Lithuania (company is owned by Mr. Konstantinas Karosas).

Also in 5 March 2021 The ECB adopted a decision regarding the proposed acquisition of the qualified voting rights of UAB MB valdymas at the General Meeting of Shareholders of the Bank (hereafter - Decision II). According to Decision II, the ECB decided not to oppose the acquisition by the UAB MB valdymas of a qualifying holding in excess of 50percent of the voting rights at the General Meeting of Shareholders of the Bank due to the above-mentioned transfer of voting rights.

On 12 March 2021 Konstantinas Karosas and Western Petroleum Limited, according to the agreement, transferred all voting rights at the General Meeting of Shareholders of the Bank to UAB MB Valdymas.

Upon the transfer of voting rights, UAB MB Valdymas will have the right to vote with all the shares of the Bank at General Meeting of Shareholders.

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Note 1 Background information (cont'd)

As at 6 May 2020 K. Karosas and Western Petroleum Limited entered into an agreement to sell 100 percent of Medicinos Bankas shares to Nitin Shelke, founder and chairman of the Growmore Group. In the 1st quarter of 2021, UAB Medicinos Bankas was informed that the share purchase and sale agreement between Mr. Konstantinas Karosas, Western Petroleum Limited (Sellers) and Mr. Nitin Prabhakar Shelke (Buyer) was terminated.

Termination of the share purchase and sale agreement will not affect the operations and further strategy of the UAB Medicinos bankas.

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 30 September 2021 and 31 December 2020, all shares were fully paid.

Capital and liquidity positions remain strong and prudential standards comply with regulations with a reserve. As at 2021 September 30, the Bank complied with the established prudential standards.

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Reporting Standards IRS 34 as adopted by the European Union (EU). The condensed intermediate separate financial statements and consolidated financial statements should be read in conjunction with the annual separate and consolidated financial statements for the year ended at 2020. Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Despite the principles mentioned below the accounting policies applied in the preparation of this condensed intermediate financial information are consistent with the accounting policies applied by the Bank in 2020 in the annual financial statements.

New and modified standards and interpretations

Board of the Bank and Group don't expect that newly published standards which are mandatory for accounting periods from 1 January 2021 or later will have major impact to the Bank and Group financial information. Also there is no any new standards which should be mandatory for the Bank and Group from year 2021 and which might have noticeable impact for financial information.

While preparing interim separate and consolidated financial statements according to IFRS some assumptions and estimations are applied. They have impact for accounted assets, amounts of liabilities and uncertain assets, liabilities at the day of report and also have impact for amount of income and costs at reporting period. Despite the fact that all these estimations are based on the knowledge of Board in the end results can be different. While preparing interim separate and consolidated financial statements there was applied the same assumptions and estimations which were used while preparing annual separate and consolidated financial statements for 31 December 2020.

These condensed interim financial statements include the Bank's separate financial statements and the consolidated financial statements of the Group.

There are no significant amounts of income and expenses of the Bank and the Group that would be characterized by significant seasonality.

Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's and the Group functional currency unless otherwise stated.

The official exchange rates of the main currencies, used for the revaluation of the items in the statement of financial position as at the end of report period were as follows (EUR units to currency unit):

	30 September 2021	31 December 2020
USD	1.1654	1.2281

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Note 3 Placements with banks and other credit institutions

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
11,860	7,718	Cash in correspondent accounts	11,828	7,483
4,979	3,838	Term deposits	4,979	3,838
16,839	11,556	Placements with banks and other credit institutions	16,807	11,321

Note 4 Debt securities**The Bank (Group)**

	30 September 2021	31 December 2020
Government bonds of the Republic of Lithuania	40,910	43,725
Government bonds of the Republic of Croatia	4,864	3,063
Government bonds of of Romania	4,574	2,172
Government bonds of the Republic of Slovenia	3,654	-
Government bonds of the Republic of Poland	1,901	2,357
Government bonds of Hungary	1,744	822
Government bonds of the Republic of Latvia	-	2,445
Total	57,647	54,584

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	30 September 2021	31 December 2020
Loans to customers, including short-term bills of exchange	200,081	187,746
Overdrafts	509	234
Factoring	800	650
Leasing	15,029	13,923
	216,419	202,553
Less: impairment	(2,894)	(2,529)
Loans and receivables, net	213,525	200,024

	The Group	
	30 September 2021	31 December 2020
Loans to customers, including short-term bills of exchange	207,415	192,655
Overdrafts	509	234
Factoring	800	650
Leasing	15,029	13,923
	223,753	207,462
Less: impairment	(3,260)	(2,756)
Loans and receivables, net	220,493	204,706

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Note 6 Investment in subsidiaries

The main activities of established subsidiaries are real estate management and development and granting of consumer loans to private persons.

	The Bank	
	2021	2020
Balance at the beginning of the year	6,406	6,687
Acquisitions	1,000	-
Additional impairment of investment in subsidiaries	(64)	(281)
Balance at the end of the reporting period	7,342	6,406

Balance as at 30 September 2021	Ownership	Direct	Nominal	Impairment	Carrying
	(percent)	ownership	amount		value
		(percent)			
UAB TG Invest-1	100	100	3,033	(1,261)	1,772
UAB Saugus Kreditas	100	100	5,601	(31)	5,570
Total			8,634	(1,292)	7,342
Balance as at 31 December 2020	Ownership	Direct	Nominal	Impairment	Carrying
	(percent)	ownership	amount		value
		(percent)			
UAB TG Invest-1	100	100	3,033	(1,197)	1,836
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,228)	6,406

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
163,514	172,994	Term deposits	163,514	172,994
170,413	160,224	Current accounts	170,692	161,605
9,903	8,429	Loans from funds	9,903	8,429
343,830	341,647	Total	344,109	343,028
32,889	34,718	Out of which held as security against guarantees and loans	32,889	34,718

Note 8 Subordinated loans and issued debt securities (the Bank)

Subordinated loans

In November 2016 the Bank received a subordinated loan of 1 mln EUR from the major shareholder of the Bank. The term of the subordinated loan is until 1 December 2023 with a fixed 2 percent annual interest rate.

Debt securities issued

In July 2018 the Bank have issued subordinated debt securities emission. As of 30 September 2021 net value of issued debt securities is 2,175 thous. EUR (as of 31 December 2020 2,201 thous. EUR). From 1 August 2018 debt securities of UAB Medicinos bankas are listed in Nasdaq stock exchange – ISIN code LT0000432114 (ticker: OPMB070025A).

UAB Medicinos bankas debt securities issue value – 2 210 000 EUR. Nominal value – 1000 EUR. Interest rate – 7percent, with a payment twice a year. Maturity date – 24 July 2025.

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Note 9 Other liabilities

Other liabilities comprise of:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
1,872	1,585	Accrued payments to employees	1,801	1,495
176	135	Prepayments (advance payments)	-	3
2,323	1,433	Accrued expenses	2,323	1,433
1,542	1,464	AML suspended funds	1,542	1,464
1,956	-	Verification of AML documents	1,956	-
131	24	Sales VAT	131	24
65	79	Deferred income	65	79
123	-	Liabilities to the State Tax Inspectorate	120	-
140	1	Liabilities to The State Social Insurance Fund Board	135	1
30	25	Payable to the Latvian and Estonian Road Transport Administration	30	25
76	233	Debt to suppliers	32	173
285	229	Other	276	224
8,719	5,208	Total	8,411	4,921

Note 10 Shareholders' equity

As at 30 September 2021 and 31 December 2020, the share capital of the Group and the Bank consisted of 137,750 ordinary shares with the par value of 144.81 EUR each. All shares are issued, authorised and fully paid. The shares are not listed.

Each share is entitled to equal voting rights, dividends and participation in distribution of residual assets in the event of a winding-up.

Other reserves of the Group and the Bank were as follows:

	The Bank	
	30 September 2021	31 December 2020
Special reserve to cover possible losses	2,528	2,528
Legal reserve	861	291
Reserve capital	7,497	7,497
Total other reserves	10,886	10,316

	The Group	
	30 September 2021	31 December 2020
Special reserve to cover possible losses	2,528	2,528
Legal reserve	880	291
Reserve capital	7,497	7,497
Total other reserves	10,905	10,316

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Note 11 Net interest income

The Group			The Bank	
30 September 2021	30 September 2020		30 September 2021	30 September 2020
8,785	7,955	On loans to customers	7,932	7,069
176	100	On impaired loans to customers including interest on arrears	163	84
598	633	Leasing including interest on arrears	598	633
86	76	Other Interest on arrears (not including leasing's and impaired loans)	86	76
211	324	On debt securities	211	324
98	21	On placements with the banks and other credit institutions	98	21
9,954	9,109	Interest revenue	9,088	8,207
(856)	(839)	On obligations to customers, including letters of credit	(856)	(838)
(197)	(208)	Deposit insurance	(197)	(208)
(15)	(15)	On subordinated loans	(15)	(15)
(129)	(129)	For debt securities	(129)	(129)
(183)	(124)	On obligations to banks and other credit institutions	(183)	(124)
(39)	(42)	Lease of property	(39)	(42)
(1,419)	(1,357)	Interest expenses	(1,419)	(1,356)
8,535	7,752	Net interest income	7,669	6,851

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
30 September 2021	30 September 2020		30 September 2021	30 September 2020
1,574	1,678	Payment services	1,574	1,678
122	149	Income from currency exchange	122	149
604	561	Administration of bank accounts	604	561
950	994	Collection of payments	950	994
10	72	Brokerage income	304	363
464	371	Cash operations	464	371
240	243	Other	240	243
3,964	4,068	Service fee and commission income	4,258	4,359
(392)	(292)	Cash operations	(392)	(292)
(354)	(273)	Other	(239)	(190)
(746)	(565)	Service fee and commission expense	(631)	(482)
3,218	3,503	Net service fee and commission income	3,627	3,877

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	30 September 2021	30 September 2020
Gain on dealing in foreign currencies	3,472	3,711
Revaluation of items in statement of financial position, net	277	(642)
Net foreign exchange gain	3,749	3,069

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
30 September 2021	30 September 2020	30 September 2021	30 September 2020
(191)	(184)	(177)	(174)
(621)	(641)	(607)	(608)
(234)	(261)	(234)	(261)
(498)	(216)	(470)	(181)
(164)	(172)	(160)	(171)
(199)	(217)	(198)	(215)
(7)	(24)	(7)	(3)
(77)	(77)	(77)	(77)
(202)	(239)	(200)	(239)
(52)	(45)	(37)	(40)
(14)	(21)	(14)	(21)
(14)	(29)	(14)	(28)
(63)	(82)	(63)	(82)
(11)	-	(11)	-
(2)	(24)	(2)	(24)
(23)	(31)	(23)	(31)
(11)	(13)	(11)	(13)
(106)	(110)	(104)	(108)
(16)	(19)	(16)	(19)
(38)	-	(38)	-
(97)	(90)	(61)	(54)
(300)	-	(300)	-
(72)	(147)	(71)	(134)
(3,012)	(2,642)	(2,895)	(2,483)

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Note 15 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise of:

The Group			The Bank	
30 September 2021	30 September 2020		30 September 2021	30 September 2020
25,417	23,190	Cash on hand	25,417	23,190
66,870	66,991	Current accounts with the Bank of Lithuania	66,870	66,991
11,860	9,343	Current accounts with other credit institutions	11,828	9,301
4,180	230	Term deposits with credit institutions up to 90 days	4,180	230
108,327	99,754	Cash and cash equivalents	108,295	99,712

Note 16 Fair values of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced transaction, involuntary liquidation or distress sale. As no readily available market exists for a large part of the Bank's and the Group's financial instruments, judgment is necessary in arriving at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to variable rate financial instruments, as the Group and the Bank did not identify significant increases in credit spreads.

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing loans and deposits is based on discounted cash flow using prevailing market interest rates for debts with similar credit risk and maturity.

The following describes the methodologies and assumptions used to determine the fair value for those financial instruments:

Cash. Represents cash on hand for which the carrying amount is its fair value.

Amounts due from and to credit institutions. For assets maturing within three months, the carrying amount approximates the fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, due to the re-pricing of assets to the market interest rates, the interest rates applicable approximate market rates and, consequently, the fair value approximate the carrying amounts.

Loans to customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective end of 2021 third quarter.

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Note 16 Fair values of financial instruments (cont'd)

Amounts due to customers. For balances maturing within three months the carrying amount approximates the fair value due to the relatively short maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity and credit quality.

Debt securities issued and subordinated loan. The fair value is calculated by discounting of scheduled future cash flows using current market rates.

In the table below the carrying amounts and fair values of financial instruments which are not carried at fair value in the financial statements are presented. This table does not include the fair values of non-financial assets and non-financial liabilities.

The Bank	30 September 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	94,866	94,866	108,679	108,679
Placements with banks and other credit institutions	16,807	16,807	11,321	11,321
Debt securities	57,647	57,922	54,584	55,136
Loans and receivables	213,525	216,016	200,024	203,295
Other assets	-	-	-	-
Total financial assets	382,845	385,611	374,608	378,431
Financial liabilities				
Due to banks and other credit institutions	501	501	1	1
Due to customers, including letters of credit	344,109	345,813	343,028	345,082
Debt securities issued	2,175	2,634	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	8,411	8,411	4,921	4,921
Total financial liabilities	356,196	358,359	351,151	353,475
The Group				
Financial assets				
Cash and due from central bank	94,866	94,866	108,679	108,679
Placements with banks and other credit institutions	16,839	16,839	11,556	11,556
Debt securities	57,647	57,922	54,584	55,136
Loans and receivables	220,493	218,716	204,706	205,097
Other assets	-	-	-	-
Total financial assets	389,550	388,102	379,525	380,468
Financial liabilities				
Due to banks and other credit institutions	501	501	1	1
Due to customers, including letters of credit	343,830	345,535	341,647	343,701
Debt securities issued	2,175	2,634	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	8,719	8,719	5,208	5,208
Total financial liabilities	356,225	358,389	350,057	352,381

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Note 16 Fair values of financial instruments (cont'd)

Financial instruments which are carried at fair value in the financial statements are distributed by 3 levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair values that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy:

The Bank (Group)

30 September 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	45	-	45
Financial liabilities				
Derivative financial instruments	-	23	-	23

The Bank (Group)

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	6	-	6
Financial liabilities				
Derivative financial instruments	-	61	-	61

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Note 16 Fair values of financial instruments (cont'd)**Financial instruments not measured at fair value**

The following table sets out financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy.

The Bank

30 September 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	111,673	-	-	111,673
Debt securities	57,647	-	-	57,647
Loans to customers	-	-	198,869	198,869
Receivables from leasing	-	-	14,656	14,656
Other assets	-	-	-	-
Total financial assets	169,320	-	213,525	382,845
Liabilities				
Due to banks and other credit institutions	-	501	-	501
Due to customers	-	344,109	-	344,109
Debt securities issued	-	2,175	-	2,175
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	8,411	8,411
Total financial liabilities	-	346,785	9,411	356,196

The Bank

31 December 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	120,001	-	-	120,001
Debt securities	54,584	-	-	54,584
Loans to customers	-	-	186,494	186,494
Receivables from leasing	-	-	13,530	13,530
Other assets	-	-	-	-
Total financial assets	174,585	-	200,024	374,609
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	343,028	-	343,028
Debt securities issued	-	2,201	-	2,201
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	4,921	4,921
Total financial liabilities	-	345,230	5,921	351,151

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Note 16 Fair values of financial instruments (cont'd)**The Group**

30 September 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	111,705	-	-	111,705
Debt securities	57,647	-	-	57,647
Loans to customers	-	-	205,837	205,837
Receivables from leasing	-	-	14,656	14,656
Other assets	-	-	-	-
Total financial assets	169,352	-	220,493	389,845
Liabilities				
Due to banks and other credit institutions	-	501	-	501
Due to customers	-	343,830	-	343,830
Debt securities issued	-	2,175	-	2,175
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	8,719	8,719
Total financial liabilities	-	346,506	9,719	356,225

The Group

31 December 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	120,236	-	-	120,236
Debt securities	54,584	-	-	54,584
Loans to customers	-	-	191,176	191,176
Receivables from leasing	-	-	13,530	13,530
Other assets	-	-	-	-
Total financial assets	174,820	-	204,706	379,526
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	341,647	-	341,647
Debt securities issued	-	2,201	-	2,201
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	5,208	5,208
Total financial liabilities	-	343,849	6,208	350,057

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Note 17 Related party transactions

Transactions among the Group and the Bank and their related parties, respectively, were effected on normal commercial terms and conditions as transactions with unrelated parties.

The outstanding balances of loans, term deposits and bonds issued in between 31 December 2020 and 30 September 2021 and related expense and income, included in the profit and loss statement, are set out below:

The Bank	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 30 September 2021, net	-	17,430	22	340
Interest rate, percent	-	9.0	4.0	4.0
Impairment of loans	-	(200)	-	(3)
Term deposits as at 30 September 2021	-	-	12	2,133
Interest rate, percent	-	-	0.3	0.05–0.35
Demand accounts as at 30 September 2021	72	278	136	4,072
Bonds issued as at 30 September 2021	100	-	-	-
Interest rate, percent	7	-	-	-
Subordinated loans as at 30 September 2021	1,000	-	-	-
Interest rate, percent	2	-	-	-
For nine month period which ended at 30 September 2021				
Interest income on loans	-	949	1	48
Interest expense on deposits	-	-	-	(3)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	-	300	-	7
Service fee and commission expenses	-	-	-	-

The Bank	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	11,902	30	3,493
Interest rate, percent	-	4.2	6.58	2.0-4.3
Impairment of loans	-	(136)	-	(18)
Term deposits as at 31 December 2020	-	-	12	1,201
Interest rate, percent	-	-	0.3	0.3–0.35
Demand accounts as at 31 December 2020	29	1,381	224	5,652
Bonds issued as at 31 December 2020	100	-	-	-
Interest rate, percent	7	-	-	-
Subordinated loans as at 31 December 2020	1,000	-	-	-
Interest rate, percent	2	-	-	-
For nine month period which ended at 30 September 2021				
Interest income on loans	-	245	1	74
Interest expense on deposits	-	-	-	(3)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	1	298	-	10
Service fee and commission expenses	-	-	-	-

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Note 17 Related party transactions (cont'd)**The Group**

	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 30 September 2021, net	-	22	340
Interest rate, percent	-	4.0	4.0
Impairment of loans	-	-	(3)
Term deposits as at 30 September 2021	-	12	2,33
Interest rate, percent	-	0.3	0.05–0.35
Demand accounts as at 30 September 2021	72	200	4,008
Bonds issued as at 30 September 2021	100	-	-
Interest rate, percent	7	-	-
Subordinated loans as at 30 September 2021	1,000	-	-
Interest rate, percent	2	-	-
For nine month period which ended at 30 September 2021			
Interest income on loans			
Interest expense on deposits	-	1	48
Interest expense on bonds	-	-	(3)
Interest expense on subordinated loans	(5)	-	-
Service fee and commission revenue	(15)	-	-
Service fee and commission expenses	-	-	7

The Group

	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	30	3,493
Interest rate, percent	-	6.58	2.0-4.3
Impairment of loans	-	-	(18)
Term deposits as at 31 December 2020	-	12	1,201
Interest rate, percent	-	0.3	0.3–0.35
Demand accounts as at 31 December 2020	29	224	5,652
Bonds issued as at 31 December 2020	100	-	-
Interest rate, percent	7	-	-
Subordinated loans as at 31 December 2020	1,000	-	-
Interest rate, percent	2	-	-
For nine month period which ended at 30 September 2021			
Interest income on loans	-	1	74
Interest expense on deposits	-	-	(3)
Interest expense on bonds	(5)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	1	-	10
Service fee and commission expenses	-	-	-

* Other related parties are entities, controlled by the members of the Management of the Group and the Bank or Shareholders of the Bank and other related parties.

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Note 18 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2021 and in the Statement of comprehensive income as at 30 September 2021 is presented in the table below:

	30 September 2021				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,005	-	-56	(949)	-
External	9,589	309	56	-	9,954
Interest income	10,594	309	-	(949)	9,954
Internal	(1,005)	-	-	1 005	-
External	(1,101)	(318)	-	-	(1,419)
Interest expenses	(2,106)	(318)	-	1 005	(1,419)
Internal	-	-	(56)	56	-
External	8,488	(9)	56	-	8,535
Net interest income	8,488	(9)	-	56	8,535
Internal	-	-	-	-	-
External	3,371	-	(1)	(152)	3,218
Net fee and commission income	3,371	-	(1)	(152)	3,218
Internal	-	-	(56)	56	-
External	11,859	(9)	55	(152)	11,753
Net interest, fee and commissions income	11,859	(9)	(1)	(96)	11,753
Internal	-	-	(64)	64	-
External	(9,228)	(154)	36	-	(9,346)
Operating expenses	(9,228)	(154)	(28)	64	(9,346)
Amortisation charges	(172)	-	-	-	(172)
Depreciation charges	(834)	-	-	-	(834)
Internal	-	-	-	-	-
External	(489)	-	-	-	(489)
Impairment expenses	(489)	-	-	-	(489)
Internal	-	-	-	-	-
External	2,922	480	120	-	3,522
Net other income	2,922	480	120	-	3,522
Profit (loss) before tax	4,058	317	91	(32)	4,434
Income tax	(1,059)	-	-	-	(1,059)
Profit (loss) per segment after tax	2,999	317	91	(32)	(3,375)
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	2,999	317	91	(32)	(3,375)
Total segment assets	260,756	162,971	1,831	(27,285)	398,273
Total segment liabilities	366,783	9,440	41	(19,578)	356,686
Net segment assets (shareholders equity)	(106,027)	153,531	1,790	(7,707)	41,587

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Note 18 Segment information (cont'd)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2020 and in the Statement of comprehensive income as at 30 September 2020 is presented in the table below:

	30 September 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	245	-	-	(245)	-
External	8,805	301	3	-	9,109
Interest income	9,050	301	3	(245)	9,109
Internal	(245)	-	-	245	-
External	(1,143)	(214)	-	-	(1,357)
Interest expenses	(1,388)	(214)	-	245	(1,357)
Internal	-	-	-	-	-
External	7,662	87	3	-	7,752
Net interest income	7,662	87	3	-	7,752
Internal	-	-	-	-	-
External	3,722	-	(4)	(215)	3,503
Net fee and commission income	3,722	-	(4)	(215)	3,503
Internal	-	-	-	-	-
External	11,384	87	(1)	(215)	11,255
Net interest, fee and commissions income	11,384	87	(1)	(215)	11,255
Internal	-	-	(254)	254	-
External	(8,641)	(147)	(159)	-	(8,947)
Operating expenses	(8,641)	(147)	(413)	254	(8,947)
Amortisation charges	(129)	-	-	-	(129)
Depreciation charges	(852)	-	-	-	(852)
Internal	-	-	-	-	-
External	(926)	-	-	-	(926)
Impairment expenses	(926)	-	-	-	(926)
Internal	-	-	-	-	-
External	3,028	521	(128)	-	3,421
Net other income	3,028	521	(128)	-	3,421
Profit (loss) before tax	3,864	461	(542)	39	3,822
Income tax	(558)	-	-	-	(558)
Profit (loss) per segment after tax	3,306	461	(542)	39	3,264
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	3,306	461	(542)	39	3,264
Total segment assets	244,403	142,158	1,954	(19,022)	369,493
Total segment liabilities	335,145	8,952	106	(12,347)	331,856
Net segment assets (shareholders equity)	(90,742)	133,206	1,848	(6,675)	37,637

Distribution of the Group's assets and revenues by geographical segments

All the Group's long-term assets, except financial assets, are in Lithuania. The Group did not earn revenue in other countries.

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Note 19 Risk management

Credit risk

Credit risk is the risk that the Group and the Bank will incur loss because their customers or counterparties failed to discharge their contractual obligations. The Group and the Bank manage and control credit risk by setting limits on the amount of risk they are willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits. The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revision. The credit quality review process allows the Group and the Bank to assess the potential loss to which it is exposed and to take corrective action. The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. They expose the Bank to similar risks as loans and these are mitigated by the same control processes and policies. In cases, when cash flows of nonperforming loans are based on expected cash flows to be recovered from sale of collateral, value of the collateral is an important estimate in calculating impairment losses for loans and receivables.

The Bank and the Group have to comply with the limit to large exposures (maximum exposure to single customer) set in Regulation (EU) No 575/2013 of the European Parliament and of the Council. Exposure to a customer or group of connected customers can not exceed 25 % of the Bank's and Group's eligible capital. According to Regulation (EU) No 876/2019, effective since 28 June 2021, the maximum exposure ratio is calculated based on Tier 1 capital.

Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
9,071	6,510	Maximum exposure to a single customer or group of connected customers	9,071	6,510
36,309	39,189	Eligible capital	36,492	39,210
24.98	16.61	Maximum exposure ratio, %	24.86	16.60

Maximum exposure to credit risk without taking into account any collateral and other credit enhancement

The table below shows the maximum exposure to credit risk. The maximum exposure is shown in net value, before the effect of collateral agreements.

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
		Statement of financial position items, other than trading and investment activities		
69,449	79,238	Balances with the Bank of Lithuania	69,449	79,238
		Due from banks		
16,839	11,556		16,807	11,321
205,837	191,176	Loans to customers	198,869	186,494
14,656	13,530	Receivables from leasing	14,656	13,530
306,781	295,500		299,781	290,583
		Off balance sheet items		
2,541	2,839	Guarantees	2,541	2,839
9,679	13,096	Loan commitments	10,648	16,062
319,001	311,435	Total balance and off balance sheet items, other than trading and investment activities	312,970	309,484
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
23	67	Derivative financial instruments	23	6
-	-	Held-to-maturity investments	-	-
57,647	54,584	Debt securities	57,647	54,584
57,670	54,590	Total trading and investment activities	57,670	54,590
376,671	366,025	Total credit exposure	370,640	364,074

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Note 19 Risk management (cont'd)

Maximum exposure to credit risk without taking into account any collateral and other credit enhancement (cont.)

Tables below present the breakdown of trading and investment activities by type and grade:

	The Bank (Group)	
	30 September 2021	31 December 2020
Government bonds	57,647	54,584
Derivatives	45	6
Total	57,692	54,590

Bonds exposure by rating grade	The Bank (Group)	
	30 September 2021	31 December 2020
High grade (AAA-A)	46,465	49,349
Standard grade (B-BBB+)	11,182	5,235
Not rated	-	-
Total	57,647	54,584

Debt securities are held-to-maturity and are measured at amortised cost. The Group and the Bank have no impaired or overdue amounts within investment activities.

The Group and the Bank have assigned bonds with ratings from international rating agencies from „AAA“ to „A“ to high grade, „BBB“ to „B“ rating bonds – to standard grade.

Credit risk assessment

When evaluating financial instruments, the Group and the Bank apply specific valuation criteria and procedures on the clients. Due to the change in credit risk since initial recognition loans are divided into three stages:

- Stage 1 – all performing loans, unless there has been a significant increase in credit risk since the initial recognition, and it's expected that the borrower has strong capacity to meet contractual future cash flows.
- Stage 2 – loans when there has been a significant increase in credit risk since initial recognition.
- Stage 3 – all defaulted loans with recognized loss events and POCI (purchased or originated credit-impaired) assets.

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Note 19 Risk management (cont'd)**Credit risk assessment of financial instruments, other than trading activities and off balance items**

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
30 September 2021					
Stage 1					
Loans and receivables	157,552	1,409	-	-	158,961
Placements with LB and other banks	86,256	-	-	-	86,256
Debt securities	57,647	-	-	-	57,647
Other financial assets	-	-	-	-	-
Total	301,455	1,409	-	-	302,864
Stage 2					
Loans and receivables	48,563	1,327	1	-	49,891
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	48,563	1,327	1	-	49,891
Stage 3					
Loans and receivables	3,539	450	284	400	4,673
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,539	450	284	400	4,673
Total	353,557	3,186	285	400	357,428

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2020					
Stage 1					
Loans and receivables	149,074	565	-	-	149,639
Placements with LB and other banks	90,559	-	-	-	90,559
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	294,217	565	-	-	294,782
Stage 2					
Loans and receivables	43,200	957	30	-	44,187
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,200	957	30	-	44,187
Stage 3					
Loans and receivables	3,894	602	25	1,677	6,198
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,894	602	25	1,677	6,198
Total	341,311	2,124	55	1,677	345,167

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
30 September 2021					
Stage 1					
Loans and receivables	162,907	1,913	-	-	164,820
Placements with LB and other banks	86,288	-	-	-	86,288
Debt securities	57,647	-	-	-	57,647
Other financial assets	-	-	-	-	-
Total	306,842	1,913	-	-	308,755
Stage 2					
Loans and receivables	49,076	1,792	33	-	50,901
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	49,076	1,792	33	-	50,901
Stage 3					
Loans and receivables	3,545	461	290	476	4,772
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,545	461	290	476	4,772
Total	359,463	4,166	323	476	364,428

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2020					
Stage 1					
Loans and receivables	152,964	894	-	-	153,858
Placements with LB and other banks	90,794	-	-	-	90,794
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	298,342	894	-	-	299,236
Stage 2					
Loans and receivables	43,348	1,170	61	-	44,579
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,348	1,170	61	-	44,579
Stage 3					
Loans and receivables	3,899	611	26	1,733	6,269
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,899	611	26	1,733	6,269
Total	345,589	2,675	87	1,733	350,084

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Note 19 Risk management (cont'd)Change of impairment during reporting period

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
30 September 2021										
Stage 1										
111	-	(11)	(1)	99		79	-	(34)	(1)	44
104	-	(11)	(1)	92	Loans and receivables	72	-	(34)	(1)	37
6	-	-	-	6	Placements with LB and other banks	6	-	-	-	6
1	-	-	-	1	Debt securities	1	-	-	-	1
Stage 2										
371	(49)	(6)	-	316		342	(49)	(6)	-	287
371	(49)	(6)	-	316	Loans and receivables	342	(49)	(6)	-	287
Stage 3										
-	78	-	-	78		-	-	-	-	-
-	78	-	-	78	Loans and receivables	-	-	-	-	-
482	29	(17)	(1)	493		421	(49)	(40)	(1)	331
-	-	-	-	-	Write-offs	-	-	-	-	-
				(4)	Income on loans written off in earlier periods					(4)
-	-	-	-	489	Total change of impairment	-	-	-	-	327

Bank, together with other Lithuanian credit companies, signed a moratorium on postponement of credit liabilities in April 2020, in order to alleviate the situation of customers facing difficulties with COVID-19.

By the moratorium on assistance to corporate customers the bank undertook to defer loan payments to companies for up to 6 months without changing contract terms and interest (the moratorium applies to corporate loans totaling up to EUR 5 million per group of companies and which have not had significant delays last year).

Under this Moratorium all private individuals properly fulfilling payments prior to the quarantine, however facing financial difficulties due to the coronavirus situation, and having lost their jobs or part of their income, can, after informing their financial and credit institutions in writing, have the repayment of the principal part of their mortgage postponed for up to 12 months. For consumer credit and leasing, institutions will apply postponements for up to half a year during the moratorium period.

In the context of the uncertainty related to COVID-19 pandemic and its impact on business in 2020, the loans to the most COVID-19 pandemic affected industry sectors have been reclassified as a separate homogeneous subgroup assigned to Stage 2. As of 30 September 2021, this portfolio amounted to net value of EUR 8.87 million, and provisions EUR 0.219 million.

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Note 19 Risk management (cont'd)**Liquidity risk**

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group and the Bank perform daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Board of Directors sets limits on the minimum level of assets of different level of liquidity that should be in place to cover withdrawals at unexpected levels of demand.

The Bank and the Group is required to satisfy the minimum requirement of liquidity coverage ratio according to Regulation (EU) No 575/2013 of the European Parliament and of the Council. Liquidity coverage ratio (LCR) refers to highly liquid assets held by the Bank or the Group in order to meet short-term obligations. The Bank or the Group is required to hold an amount of highly-liquid assets, such as cash, funds in Central bank, highly rated treasury bonds and other liquid financial instruments, equal to or greater than net cash outflow over a 30-day period, i.e. liquidity coverage ratio cannot be lower than 100 percent. Liquidity coverage ratios of the Bank and the Group are as follows:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
151,717	163,815	Liquid assets	151,717	163,815
26,739	30,811	Short-term (up to 30 days) obligations	27,364	33,215
567	532	LCR, %	554	493

The following tables provide an analysis of carrying amounts of all assets and all liabilities grouped on the basis of the remaining period from the date of the statement of financial position to the contractual maturity date:

The Bank	30 September 2021							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	106,693	12,124	7,290	37,704	121,824	97,001	15,808	398,444
Liabilities and shareholders' equity	174,897	15,796	21,057	70,945	50,454	23,423	41,872	398,444
Net gap	(68,204)	(3,672)	(13,767)	(33,241)	71,370	73,578	(26,064)	-
Credit commitments	-	10,648	-	-	-	-	-	10,648

The Bank	31 December 2020							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	116,162	12,955	12,249	38,869	105,509	89,320	16,454	389,518
Liabilities and shareholders' equity	163,252	26,877	16,873	75,652	46,653	21,903	38,308	389,518
Net gap	(47,090)	(13,922)	(4,624)	(38,783)	58,856	67,417	(21,854)	-
Credit commitments	-	16,062	-	-	-	-	-	16,062

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Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	30 September 2021							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	106,725	12,474	8,086	41,189	112,558	108,516	8,725	398,273
Liabilities and shareholders equity	174,618	16,104	21,057	70,945	50,454	23,423	41,672	398,273
Net gap	(67,893)	(3,630)	(12,971)	(29,756)	62,104	85,093	(32,947)	-
Credit commitments	-	9,679	-	-	-	-	-	9,679

The Group	31 December 2020							Total
	On,demand	Less,than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	116,397	13,254	12,791	39,186	98,972	97,338	10,466	388,404
Liabilities and shareholders equity	161,871	27,164	16,873	75,652	46,653	21,903	38,288	388,404
Net gap	(45,474)	(13,910)	(4,082)	(36,466)	52,319	75,435	(27,822)	-
Credit commitments	-	13,096	-	-	-	-	-	13,096

Overdue loans are disclosed under column "Without maturity".

The circumstances of the Covid-19 pandemic had no significant impact on the liquidity level of the Bank during the third quarter of 2021.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The market risk is managed and controlled by continuous market monitoring and analysis of forecasted market changes.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established internal limits, monitors compliance with the required limits are monitored at the intervals set by the Bank. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities from re-pricing maturities. The Group and the Bank apply the interest rate risk management methods allowing to measure the Bank's and the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income in case of parallel shift in the yield curve.

The table below summarises the Group's and the Bank's exposure to interest rate risk as of 30 September 2021 and 31 December 2020. The table below includes the Group's and the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

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Note 19 Risk management (cont'd)Interest rate risk (cont'd)

The Bank	30 September 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	41,846	63,604	105,618	10,583	40,941	5,519	268,111
Non-sensitive assets to interest rate fluctuation							130,333
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,235	20,187	30,958	39,901	48,113	17,320	166,714
Non-sensitive liabilities and equity to interest rate fluctuation							231,730
Interest sensitivity gap	31,611	43,417	74,660	(29,318)	(7,172)	(11,801)	-

The Bank	31 December 2020						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	41,813	60,326	104,079	4,145		5,024	252,946
Non-sensitive assets to interest rate fluctuation					37,559		136,572
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,899	27,514	21,987	51,532	45,184	17,140	176,256
Non-sensitive liabilities and equity to interest rate fluctuation							213,262
Interest sensitivity gap	28,914	32,812	82,092	(47,387)	(7,625)	(12,116)	-

The Group	30 September 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	42,323	64,400	89,282	12,876	48,988	17,032	274,901
Non-sensitive assets to interest rate fluctuation							123,372
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,235	20,187	30,958	39,901	48,113	17,320	166,714
Non-sensitive liabilities and equity to interest rate fluctuation							231,559
Interest sensitivity gap	32,088	44,213	58,324	(27,025)	875	(288)	-

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Note 19 Risk management (cont'd)Interest rate risk (cont'd)

The Group	31 December 2020						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	42,155	60,881	92,886	5,693	42,948	13,043	257,606
Non-sensitive assets to interest rate fluctuation							130,798
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,899	27,514	21,987	51,532	45,184	17,140	176,265
Non-sensitive liabilities and equity to interest rate fluctuation							212,148
Interest sensitivity gap	29,256	33,367	70,899	(45,839)	(2,236)	(4,097)	-

Currency risk

The currency risk is managed by monitoring the risk exposure against the limits established for single open currency position. Positions are monitored on a daily basis. Our policy is to keep foreign exchange positions more or less closed.

The Group and the Bank are exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies by branches by subsidiaries and in total. These limits also comply with the minimum requirements of the Bank of Lithuania. The Bank's and the Group's exposure to foreign currency exchange rate risk is as follows:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
217	327	Long positions	217	327
(284)	(131)	Short positions	(284)	(131)
38,401	39,189	Eligible capital	38,584	39,210
0.74	0.83	Overall net currency position, %	0.74	0.83

The pre-tax impact of changes in currency rates calculated on linear basis is presented below:

	30 September 2021	31 December 2020
Increase in FX rates by 10%	7	20
Decrease in FX rates by 10%	(7)	(20)

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Note 20 Capital

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain healthy capital ratios in order to support their business and to maximize the shareholders' value.

The Group's and the Bank's capital management procedures are based on the regulatory capital requirements contained in the Capital Requirements Directive (CRD) and in the Capital Requirements Regulation (CRR) No. 575/2013. According to these requirements, there is a need to accumulate addition conservation buffer reserve, which is equal to 2.5 percentage from generally evaluated risk amount.

Additional own funds requirement (Pillar II) has remained at the same level of 1,8% after 2020 supervisory review by the Bank of Lithuania and evaluation process (SREP).

New Regulation 2019/876, partly amending CRR, came into effect June 28, 2021 and had an impact on the Group's and the Bank's calculations of own funds and capital requirements for credit risk.

Taking into consideration Regulation (EU) No. 575/2013 of the European Parliament and of the Council and capital adequacy requirements, the Bank's and the Group's total capital adequacy ratio should not be less than 12.30 percent. The Group and the Bank capital adequacy ratio exceeded the required minimum.

Capital adequacy ratio calculation summary is presented in the table below:

The Group			The Bank	
30 September 2021	31 December 2020		30 September 2021	31 December 2020
19.24	20.24	CET 1 Capital ratio	18.72	19.57
19.24	20.24	Tier 1 Capital ratio	18.72	19.57
20.35	21.68	Capital adequacy ratio	19.80	20.95

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Note 21 Quality of financial assets, profitability rates and other information

Financial assets quality indicators as at 30 September 2021 are given in the table below:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
2,888	1.38	Loans to customers	2,522	1.25
372	2.48	Finance lease receivable	372	2.48
35	0.06	Debt securities	35	0.06
17	0.10	Placements with banks	17	0.10
3,312	1.11	Total:	2,946	1.01

Financial assets quality indicators as at 31 December 2020:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
2,362	1.22	Loans to customers	2,135	1.13
394	2.83	Finance lease receivable	394	2.83
33	0.06	Debt securities	33	0.06
11	0.10	Placements with banks	11	0.10
2,800	1.02	Total:	2,573	0.96

Main profitability rates (percent) of the Bank and Group are provided in the table below:

The Group			The Bank	
30 September 2021	30 September 2020		30 September 2021	30 September 2020
1.13	1.19	Return on assets (ROA)	1.20	1.15
11.04	11.87	Return on equity (ROE)	11.62	11.23

Action applied to the Bank

The Bank of Lithuania (BL) has carried out a planned inspection of the Bank's compliance with the procedures for the prevention of money laundering and terrorist financing (ML/TF). After reviewing the inspection report, the Board of the Bank of Lithuania stated and adopted a resolution that the Bank did not ensure adequate internal control procedures related to the implementation of international financial sanctions, and, therefore, obliged the Bank to correct the deficiencies identified in the field of the AML/TF prevention requirements, and imposed a penalty of EUR 300,000 on the Bank. The Bank informs that a significant part of the deficiencies identified by the BL were corrected before the results of the inspection were discussed by the BL Board. The Bank also informs that it is continuing the actions to strengthen its procedures for the prevention of ML/TF, which were initiated prior to the examination by the BL. Medicinos Bankas has not identified any cases where the weaknesses identified by the BL have affected the Bank's clients or the Bank has been used for the purposes of ML/TF.

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Note 22 Events after the reporting date

There were no material subsequent events during the third quarter of year 2021 that would require adjustment of or disclosure in those financial statements of the Group and the Bank.

CONFIRMATION OF RESPONSIBLE PERSONS

We, UAB Medicinos Bankas Chairman of the Board and Chief Executive Officer Dalia Klišauskienė and Director of Accounting and Reporting Department, Chief Accountant Lina Bertašienė, confirm that the financial statements for third quarter of 2021 have been prepared in accordance with the applicable accounting standard, represents reality and fairly shows the assets, liabilities, financial position, results of operations and cash flows of UAB Medicinos Bankas and the consolidated entities

Acting Chairman of the Board and Chief
Executive Officer

D. Klišauskienė



Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė

