

UAB MEDICINOS BANKAS

BANK'S CONDENSED INTERIM SEPARATE AND CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30
SEPTEMBER 2020 PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34 *INTERIM FINANCIAL
REPORTING*, AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

UAB MEDICINOS BANKAS

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

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Medicinos bankas UAB:

Report on the Audit of the Condensed Interim Separate and Consolidated Financial Statements**Opinion**

We have audited the condensed interim separate financial statements of Medicinos Bankas UAB (hereinafter – „the Bank“) and the condensed interim consolidated financial statements of Medicinos Bankas UAB and its subsidiaries (hereinafter – „the Group“) (pages from 7 to 37), which comprise the condensed interim separate statement of financial position of the Bank and the condensed interim consolidated statement of financial position of the Group as at 30 September 2020, the condensed interim separate income statement and the condensed interim consolidated income statement, the condensed interim statement of the comprehensive income and the condensed interim consolidated statement of other comprehensive income, the condensed interim separate statement of changes in equity and the condensed interim consolidated statement of changes in equity, the condensed interim separate statement of cash flows and the condensed interim consolidated statement of cash flows for the 9 months period then ended, and the notes to the condensed interim separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying condensed interim separate and consolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank and the consolidated financial position of the Group as at 30 September 2020, and their respective unconsolidated and consolidated financial performance and their respective unconsolidated and consolidated cash flows for the 9 months period then ended in accordance with International Accounting Standard 34 *Interim Financial Reporting*, 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 Condensed Interim Separate and Consolidated Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements 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.

Responsibilities of Management and Those Charged with Governance for the Condensed Interim Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the condensed interim separate and consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group'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 and the Group's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Condensed Interim Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed interim separate and condensed interim consolidated 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the condensed interim separate and condensed interim consolidated 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 and the Group'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 and the Group'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 condensed interim separate and condensed interim consolidated 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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the condensed interim separate and condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim separate and condensed interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Auditor Romanas Skrebnevskis
Auditor certificate No. 000471

ROSK Consulting UAB
Audit company certificate No. 001407

Vilnius, Lithuania
15 December 2020

A handwritten signature in blue ink, appearing to be 'R. Skrebnevskis', is written over the text of the auditor's name and certificate number.

UAB MEDICINOS BANKAS

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

CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| <u>The Group</u> | | | | <u>The Bank</u> | |
|--------------------------|-------------------------|---|--------------|--------------------------|-------------------------|
| <u>30 September 2020</u> | <u>31 December 2019</u> | Assets | Notes | <u>30 September 2020</u> | <u>31 December 2019</u> |
| 23,190 | 29,650 | Cash and due from central bank <i>Cash</i> | | 23,190 | 29,650 |
| 69,305 | 45,534 | <i>Placements with the central bank</i> | | 69,305 | 45,534 |
| 92,495 | 75,184 | Placements with banks and other credit institutions | 3 | 92,495 | 75,184 |
| 9,573 | 11,183 | | | 9,531 | 11,164 |
| | | Financial assets at fair value through profit or loss | | | |
| 127 | 10 | <i>Derivative financial instruments</i> | | 127 | 10 |
| 127 | 10 | | | 127 | 10 |
| 50,179 | 50,004 | Debt securities | | 50,179 | 50,004 |
| | | Loans and receivables | 4 | | |
| 192,753 | 192,409 | <i>Loans to customers</i> | | 188,126 | 188,010 |
| 14,740 | 15,875 | <i>Finance lease receivable</i> | | 14,740 | 15,875 |
| 207,493 | 208,284 | | | 202,866 | 203,885 |
| - | - | Investments in subsidiaries | | 6,433 | 6,687 |
| 779 | 1,423 | Investment property | | 217 | 283 |
| 6,457 | 6,726 | Property and equipment | | 6,435 | 6,703 |
| 489 | 364 | Intangible assets | | 449 | 341 |
| | | Tax assets | | | |
| 227 | 19 | <i>Current taxes</i> | | 227 | 19 |
| 1,024 | 1,400 | <i>Deferred taxes</i> | | 1,024 | 1,400 |
| 1,251 | 1,419 | | | 1,251 | 1,419 |
| 650 | 737 | Other assets | | 628 | 691 |
| 369,493 | 355,334 | Total assets | | 370,611 | 356,371 |

(continued on the next page)

The accompanying notes on pages 13 to 41 are an integral part of these financial statements.

UAB MEDICINOS BANKAS

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CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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

| <u>The Group</u> | | | | <u>The Bank</u> | |
|--------------------------|-------------------------|---|--------------|--------------------------|-------------------------|
| <u>30 September 2020</u> | <u>31 December 2019</u> | Liabilities and Equity | Notes | <u>30 September 2020</u> | <u>31 December 2019</u> |
| | | Liabilities | | | |
| 39 | 3,036 | Due to banks and other credit institutions | 5 | 39 | 3,036 |
| 24 | 59 | Derivative financial instruments | | 24 | 59 |
| 321,693 | 310,431 | Due to customers | | 322,974 | 311,398 |
| 1,000 | 1,000 | Subordinated loans | | 1,000 | 1,000 |
| 2,158 | 2,184 | Debt securities issued | | 2,158 | 2,184 |
| 70 | 35 | Impairment | | 115 | 66 |
| | | Tax assets | | | |
| 173 | 234 | Current taxes | | 173 | 234 |
| - | - | Deferred taxes | | - | - |
| 173 | 234 | | | 173 | 234 |
| 6,699 | 3,982 | Other liabilities | 6 | 6,419 | 3,804 |
| 331,856 | 320,961 | Total liabilities | | 332,902 | 321,781 |
| | | Equity | | | |
| 19,948 | 19,948 | Share capital | | 19,948 | 19,948 |
| 7,043 | 3,779 | Retained earnings | | 7,115 | 3,996 |
| 330 | 330 | Revaluation reserve of property and equipment | | 330 | 330 |
| 10,316 | 10,316 | Other reserves | | 10,316 | 10,316 |
| 37,637 | 34,373 | Total shareholders' equity | | 37,709 | 34,590 |
| 369,493 | 355,334 | Total liabilities and shareholders' equity | | 370,611 | 356,371 |

The accompanying notes on pages 13 to 41 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

UAB MEDICINOS BANKAS

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

CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED INCOME STATEMENTS

| The Group | | | The Bank | |
|-------------------|-------------------|---|-------------------|-------------------|
| 30 September 2020 | 30 September 2019 | Notes | 30 September 2020 | 30 September 2019 |
| 9,109 | 7,985 | | 8,207 | 7,627 |
| (1,357) | (1,329) | | (1,356) | (1,329) |
| 7,752 | 6,656 | 7 | 6,851 | 6,298 |
| | | | | |
| 4,068 | 4,991 | | 4,359 | 5,139 |
| (565) | (365) | | (482) | (317) |
| 3,503 | 4,626 | 8 | 3,877 | 4,822 |
| | | | | |
| - | - | | - | (740) |
| 3,069 | 3,708 | | 3,069 | 3,708 |
| 479 | (117) | | 479 | (117) |
| - | - | | (254) | 109 |
| (159) | (470) | | (17) | (296) |
| 32 | 55 | | 49 | 142 |
| 14,676 | 14,458 | | 14,054 | 13,926 |
| | | | | |
| (926) | (675) | | (857) | (599) |
| 13,750 | 13,783 | | 13,197 | 13,327 |
| | | | | |
| (6,305) | (6,444) | | (6,081) | (6,192) |
| (852) | (843) | | (848) | (839) |
| (129) | (100) | | (116) | (75) |
| (2,642) | (3,012) | 9 | (2,483) | (2,914) |
| (9,928) | (10,399) | | (9,528) | (10,020) |
| 3,822 | 3,384 | | 3,669 | 3,307 |
| | | | | |
| (558) | (754) | | (550) | (754) |
| 3,264 | 2,630 | | 3,119 | 2,553 |
| | | | | |
| 3,264 | 2,630 | Attributable to equity holders of the Bank | 3,119 | 2,553 |

The accompanying notes on pages 13 to 41 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

UAB MEDICINOS BANKAS

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CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| The Bank | 30 September 2020 | 30 September 2019 |
|--|--------------------------|--------------------------|
| 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 | - | - |
| 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 | 3,119 | 2,553 |
| Total comprehensive income | 3,119 | 2,553 |
| Attributable to: | | |
| Equity holders of the Bank | 3,119 | 2,553 |

| The Group | 30 September 2020 | 30 September 2019 |
|--|--------------------------|--------------------------|
| 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 | - | - |
| Related tax | - | - |
| Other comprehensive income (expenses), after tax | - | - |
| Profit (loss) at the end of the reporting period | 3,264 | 2,630 |
| Total comprehensive income | 3,264 | 2,630 |
| Attributable to: | | |
| Equity holders of the Bank | 3,264 | 2,630 |

The accompanying notes on pages 13 to 41 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

UAB MEDICINOS BANKAS

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CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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

| | Share capital | Retained earnings (restated) | Revaluation reserve of property and equipment | Other reserves | Total |
|---|---------------|------------------------------|---|----------------|---------------|
| At 31 December 2018 | 19,948 | 2,138 | 335 | 8,178 | 30,599 |
| Profit or loss | - | 2,553 | - | - | 2,553 |
| Other comprehensive income (expense) | - | - | - | - | - |
| Transactions with owners of the Bank | | | | | |
| Transfer to reserves | - | (2,138) | - | 2,138 | - |
| At 30 September 2019 | 19,948 | 2,553 | 335 | 10,316 | 33,152 |
| Profit or loss | - | 1,438 | - | - | 1,438 |
| Other comprehensive income (expense) | - | 5 | (5) | - | - |
| Transactions with owners of the Bank | | | | | |
| Transfer to reserves | - | - | - | - | - |
| 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 | - | - | - | - | - |
| At 30 September 2020 | 19,948 | 7,115 | 330 | 10,316 | 37,709 |

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The accompanying notes on pages 13 to 41 are an integral part of these financial statements.

UAB MEDICINOS BANKAS

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

CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

The Group

| | Share capital | Retained earnings (restated) | Revaluation reserve of property and equipment | Other reserves | Total |
|---|---------------|------------------------------|---|----------------|---------------|
| At 31 December 2018 | 19,948 | 2,064 | 335 | 8,178 | 30,525 |
| Profit or loss | - | 2,630 | - | - | 2,630 |
| Other comprehensive income (expense) | - | - | - | - | - |
| Transactions with owners of the Bank | | | | | |
| Transfer to reserves | - | (2,138) | - | 2,138 | - |
| At 30 September 2019 | 19,948 | 2,556 | 335 | 10,316 | 33,155 |
| Profit or loss | - | 1,218 | - | - | 1,218 |
| Other comprehensive income (expense) | - | 5 | (5) | - | - |
| Transactions with owners of the Bank | | | | | |
| Transfer to reserves | - | - | - | - | - |
| 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 | - | - | - | - | - |
| At 30 September 2020 | 19,948 | 7,043 | 330 | 10,316 | 37,637 |

The accompanying notes on pages 13 to 41 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

UAB MEDICINOS BANKAS

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CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

| Group | | | Bank | |
|--------------------------|--------------------------|--|--------------------------|--------------------------|
| 30 September 2020 | 30 September 2019 | Notes | 30 September 2020 | 30 September 2019 |
| | | Cash flows from operating activities | | |
| 3,264 | 2,630 | Profit (loss) for the year | 3,119 | 2,553 |
| | | Non-cash Revenue and Cost Recovery: | | |
| 981 | 943 | Depreciation and amortisation | 964 | 914 |
| (9) | (73) | Loss, gain on the sale of tangible, intangible and investment property | 9 | (60) |
| 926 | 675 | Impairment of loans | 857 | 599 |
| - | - | Impairment of investments in subsidiaries | 254 | (109) |
| 176 | 479 | Impairment of investment property | 17 | 293 |
| (152) | 39 | Derivatives revaluation | (152) | 39 |
| 14 | (25) | Elimination of accrued vacation pay | 13 | (34) |
| 558 | 754 | Income tax expenses | 550 | 754 |
| (94) | 15 | Elimination of other non-cash items | (120) | 15 |
| | | Cash flows from (to) operating activities before changes in operating assets and liabilities | | |
| 5,664 | 5,437 | | 5,511 | 4,964 |
| | | Changes in operating assets and liabilities: | | |
| (93) | 149 | Changes in compulsory reserves | (93) | 149 |
| - | - | Changes in amounts due from banks | - | - |
| (1,070) | (34,581) | Loans to customers | (924) | (32,160) |
| 1,072 | (4,870) | Finance lease receivable | 1,072 | (4,799) |
| 3 | (191) | Changes in due to banks and other credit institutions | 3 | (192) |
| 13,600 | 9,320 | Changes in due to customers | 13,914 | 8,617 |
| 3,107 | 790 | Changes in other assets and liabilities | 3,004 | (1,093) |
| | | Net cash flows from operating activities before income tax | | |
| 22,283 | (23,946) | | 22,487 | (24,514) |
| (210) | - | Income tax (paid) | (208) | - |
| | | Net cash flows from operating activities after income tax | | |
| 22,073 | (23,946) | | 22,279 | (24,514) |
| | | Cash flows from investing activities | | |
| (949) | (731) | (Acquisitions) of intangible and property and equipment | (916) | (704) |
| - | - | (Acquisitions) of investment property | - | - |
| 435 | 808 | Proceeds from sale of tangible, intangible and equipment and investment property | 163 | 404 |
| - | - | Investments in subsidiaries | - | (2,335) |
| - | - | Sold subsidiaries | - | 526 |
| - | - | Liquidation of subsidiaries | - | 2,752 |
| (412) | (440) | Part of the main amount of rent payments | (402) | (429) |
| 32,496 | 39,097 | Redemption of debt-securities | 32,496 | 39,097 |
| (32,671) | (20,505) | (Acquisitions) of of debt-securities | (32,671) | (20,505) |
| (1,101) | 18,229 | Net cash flows to investing activities | (1,330) | 18,806 |

(continued on the next page)

The accompanying notes on pages 13 to 41 are an integral part of these financial statements.

UAB MEDICINOS BANKAS

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CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(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 2020 the Bank had 47 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 companies – real estate management and development) and UAB Saugus Kreditas (main activity of the company – granting of consumer credit to natural persons). UAB „TG Invest-1“ was acquired on 17 May 2013, UAB „Saugus kreditas“ was acquired on 17 October 2017.

As at 30 September 2020 the Bank employed 319 employees (342 employees as at 31 December 2019). As at 30 September 2020 the Group employed 329 employees (352 employees as at 31 December 2019).

As at 30 September 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 |

As at 31 December 2019 the shareholders of the Bank were as follows:

| | Ordinary shares held | Per cent of ownership |
|--------------------------|----------------------|-----------------------|
| Mr. Konstantinas Karosas | 123,850 | 89.91 |
| Western Petroleum Ltd. | 13,600 | 9.87 |
| Mr. Vytenis Rasutis | 300 | 0.22 |
| Total | 137,750 | 100.00 |

Konstantinas Karosas has acquired 90,13% of the Bank's shares by inheritance. Till the decision of the supervisory authority, Konstantinas Karosas does not have voting rights attaching to the shares at the Bank's general meeting. On May 6, 2020 K. Karosas and Western Petroleum Limited entered into the agreement of sale of 100% Medicinos Bankas shares to Nitin Shelke, founder and chairman of the Growmore Group. The transaction is expected to be completed after Bank of Lithuania and Commission for Coordination of Protection of Objects, Important for National Security will grant their permission.

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 30 September 2020 and 31 December 2019, all shares were fully paid.

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union (EU). The condensed interim separate and consolidated financial statements should be read in conjunction with the annual separate and consolidated financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied in the preparation of this condensed interim financial information are consistent with the accounting policies applied by the Bank in 2019 in the annual financial statements.

Note 2 Basis of preparation and significant accounting policies (cont'd)

UAB MEDICINOS BANKAS

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

CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

New or modified standards / interpretations

The Board of the Bank and the Group don't expect that newly published standards / interpretations (which will apply to the Bank for the reporting periods beginning in 1 January 2020 or later) will have major influence for financial information of the Bank or the Group. There is no any new standards / interpretations which must be implemented or which have major influence for financial information of the Bank or the Group from 1 January 2020.

Assumptions and estimates used in preparation of condensed interim separate and consolidated financial statements in accordance with IFRS have influence to amounts of the assets and liabilities accounted for and the disclosure of assets and liabilities at the balance sheet date, as well as the amounts of income and expenses accounted for during the reporting period. Despite the fact that these estimations are based on the Board knowledge about current situation and actions, actual results may differ from these estimates. The condensed interim separate and consolidated financial statements have been prepared using the same assumptions and estimates as those which were used in the preparation of the annual separate and consolidated financial statements for the year ended 31 December 2019.

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.

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):

| | <u>30 September 2020</u> | <u>31 December 2019</u> |
|-----|--------------------------|-------------------------|
| USD | 1.1702 | 1.1189 |

Note 3 Placements with banks and other credit institutions

| The Group | | | The Bank | |
|--------------------------|-------------------------|--|--------------------------|-------------------------|
| <u>30 September 2020</u> | <u>31 December 2019</u> | | <u>30 September 2020</u> | <u>31 December 2019</u> |
| 9,343 | 8,236 | Cash in correspondent accounts | 9,301 | 8,217 |
| 230 | 2,947 | Term deposits | 230 | 2,947 |
| 9,573 | 11,183 | Placements with banks and other credit institutions | 9,531 | 11,164 |

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(All amounts in EUR thousand unless otherwise stated)

Note 4 Loans and receivables

Loans to customers and receivables comprise of:

| | The Bank | |
|--|----------------------|---------------------|
| | 30 September 2020 | 31 December 2019 |
| Loans to customers, including short-term bills of exchange | 188,939 | 187,356 |
| Overdrafts | 322 | 837 |
| Factoring | 276 | 763 |
| Leases | 15,191 | 16,002 |
| | 204,728 | 204,958 |
| Less: impairment | (1,862) | (1,073) |
| Loans and receivables | 202,866 | 203,885 |

| | The Group | |
|--|----------------------|---------------------|
| | 30 September 2020 | 31 December 2019 |
| Loans to customers, including short-term bills of exchange | 193,749 | 191,866 |
| Overdrafts | 322 | 837 |
| Factoring | 276 | 763 |
| Leases | 15,191 | 16,002 |
| | 209,538 | 209,468 |
| Less: impairment | (2,045) | (1,184) |
| Loans and receivables | 207,493 | 208,284 |

Note 5 Due to banks and other credit institutions

| | The Bank (Group) | |
|---|----------------------|---------------------|
| | 30 September 2020 | 31 December 2019 |
| Loans received according to Eurosystem Open market operations | - | 3,000 |
| Current accounts and overnight deposits | 39 | 36 |
| Amounts due to banks and other credit institutions | 39 | 3,036 |

2020 September 30 the Bank didn't have loans with the Bank of Lithuania for Eurosystem monetary policy operations. As at 2019 December 31 the Bank had loans transactions with the Bank of Lithuania worth 3,000 thousand EUR.

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Note 6 Other liabilities

Other liabilities comprise of:

| The Group | | | The Bank | |
|-------------------------|------------------------|--|-------------------------|------------------------|
| 30 September 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 1,604 | 1,264 | Accrued payments to employees | 1,528 | 1,206 |
| 16 | 68 | Prepayments (advance payments) | - | 2 |
| 1,551 | 1,408 | Accrued expenses | 1,551 | 1,408 |
| 2,637 | 414 | AML suspended funds | 2,637 | 414 |
| 142 | - | Sales VAT | 142 | - |
| 2 | 218 | Receipts from sale of loan portfolio (claims) | 2 | 218 |
| 210 | 97 | Deferred income | 99 | 97 |
| 111 | - | Liabilities to the State Tax Inspectorate | 107 | - |
| 139 | - | Liabilities to the Board of the State Social Fund | 134 | - |
| 25 | 17 | Payable to the Latvian and Estonian Road Transport Administration | 25 | 17 |
| 79 | 297 | Debt to suppliers | 37 | 263 |
| 183 | 199 | Other | 157 | 179 |
| 6,699 | 3,982 | Other liabilities | 6,419 | 3,804 |

Note 7 Net interest income

| The Group | | | The Bank | |
|----------------------|----------------------|---|----------------------|----------------------|
| 30 September 2020 | 30 September 2019 | | 30 September 2020 | 30 September 2019 |
| 7,955 | 6,731 | On loans to customers | 7,069 | 6,378 |
| 100 | 112 | On impaired loans to customers | 84 | 107 |
| 633 | 548 | Leasing | 633 | 548 |
| 76 | 115 | Interest on arrears | 76 | 115 |
| 324 | 396 | On held-to-maturity investments | 324 | 396 |
| 21 | 83 | On placements with the banks and other credit institutions | 21 | 83 |
| 9,109 | 7,985 | Interest revenue | 8,207 | 7,627 |
| (839) | (841) | On obligations to customers, including letters of credit | (838) | (841) |
| (207) | (206) | Deposit insurance | (207) | (206) |
| (15) | (15) | On subordinated loans | (15) | (15) |
| (129) | (128) | For debt securities | (129) | (128) |
| (1) | (10) | Loan portfolio guarantee insurance | (1) | (10) |
| (124) | (80) | On obligations to banks and other credit institutions | (124) | (80) |
| (42) | (49) | Lease of property | (42) | (49) |
| (1,357) | (1,329) | Interest expense | (1,356) | (1,329) |
| 7,752 | 6,656 | Net interest income | 6,851 | 6,298 |

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Note 8 Net service fee and commission income

Net fee and commission income comprises:

| The Group | | | The Bank | |
|-------------------|-------------------|--|-------------------|-------------------|
| 30 September 2020 | 30 September 2019 | | 30 September 2020 | 30 September 2019 |
| 1,678 | 1,843 | Payment services | 1,678 | 1,843 |
| 149 | 299 | Income from currency exchange | 149 | 299 |
| 561 | 582 | Administration of bank accounts | 561 | 582 |
| 994 | 1,242 | Collection of payments | 994 | 1,242 |
| 72 | 427 | Brokerage income | 363 | 427 |
| 371 | 452 | Cash operations | 371 | 452 |
| 243 | 146 | Other | 243 | 294 |
| 4,068 | 4,991 | Service fee and commission income | 4,359 | 5,139 |
| (37) | (54) | Rent fee according to agreements | (37) | (54) |
| (292) | (209) | Cash operations | (292) | (209) |
| (236) | (102) | Other | (153) | (54) |
| (565) | (365) | Service fee and commission expense | (482) | (317) |
| 3,503 | 4,626 | Net service fee and commission income | 3,877 | 4,822 |

Note 9 Operating expenses

Operating expenses are as follows:

| The Group | | | The Bank | |
|-------------------|-------------------|---------------------------------------|-------------------|-------------------|
| 30 September 2020 | 30 September 2019 | | 30 September 2020 | 30 September 2019 |
| | | Other operating expenses | | |
| (184) | (265) | Rent and maintenance of premises | (174) | (251) |
| (641) | (532) | Office supplies | (608) | (527) |
| (261) | (237) | Payments for Bank's service providers | (261) | (237) |
| (216) | (569) | Taxes other than income tax | (181) | (554) |
| (172) | (173) | Communication | (171) | (172) |
| (4) | - | Debt recovery costs | (4) | - |
| (217) | (260) | Transportation expenses | (215) | (259) |
| (24) | (32) | Investment property maintenance | (3) | (16) |
| (77) | (73) | Security | (77) | (73) |
| (239) | (219) | Marketing and advertising | (239) | (219) |
| (45) | (26) | Legal fees and consultancing | (40) | (23) |
| (21) | (14) | Personnel training | (21) | (14) |
| (29) | (42) | Representation | (28) | (42) |
| (82) | (38) | Building repair costs | (82) | (38) |
| - | (6) | Sponsorship | - | (6) |
| (24) | (35) | Business trips | (24) | (34) |
| (31) | (31) | Disposable items | (31) | (31) |
| (13) | (19) | Stationary supplies | (13) | (19) |
| (110) | (110) | Insurance expenses | (108) | (109) |
| (19) | (19) | Membership fees | (19) | (19) |
| - | (40) | Teambuilding expenses | - | (40) |
| (90) | - | Accounting services | (54) | - |
| (143) | (272) | Other | (130) | (231) |
| (2,642) | (3,012) | Total other operating expenses | (2,483) | (2,914) |

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Note 10 Cash and cash equivalents

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

| The Group | | | The Bank | |
|----------------------|----------------------|--|----------------------|----------------------|
| 30 September 2020 | 30 September 2019 | | 30 September 2020 | 30 September 2019 |
| 23,190 | 25,439 | Cash on hand | 23,190 | 25,439 |
| 66,991 | 26,795 | Current accounts with the Bank of Lithuania | 66,991 | 26,795 |
| 9,343 | 10,941 | Current accounts with other credit institutions | 9,301 | 10,909 |
| 230 | 7,168 | Term deposits with credit institutions up to 90 days | 230 | 7,168 |
| 99,754 | 70,343 | Cash and cash equivalents | 99,712 | 70,311 |

Note 11 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 2020 third quarter.

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Note 11 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 2020 | | 31 December 2019 | |
|---|-------------------|----------------|------------------|----------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | | | | |
| Cash and due from central bank | 92,495 | 92,495 | 75,184 | 75,184 |
| Placements with banks and other credit institutions | 9,531 | 9,531 | 11,164 | 11,164 |
| Debt securities | 50,179 | 50,705 | 50,004 | 50,691 |
| Loans and receivables | 202,866 | 204,867 | 203,884 | 208,152 |
| Other assets | - | - | 691 | 691 |
| Total financial assets | 355,071 | 357,598 | 340,927 | 345,882 |
| Financial liabilities | | | | |
| Due to banks and other credit institutions | 39 | 39 | 3,036 | 3,036 |
| Due to customers, including letters of credit | 322,974 | 327,828 | 311,398 | 316,385 |
| Debt securities issued | 2,158 | 2,433 | 2,184 | 2,266 |
| Subordinated loans | 1,000 | 1,000 | 1,000 | 1,000 |
| Other liabilities | 6,419 | 6,419 | 3,804 | 3,804 |
| Total financial liabilities | 331,590 | 337,719 | 321,422 | 326,491 |

| The Group | 30 September 2020 | | 31 December 2019 | |
|---|-------------------|----------------|------------------|----------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | | | | |
| Cash and due from central bank | 92,495 | 92,495 | 75,184 | 75,184 |
| Placements with banks and other credit institutions | 9,573 | 9,573 | 11,183 | 11,183 |
| Debt securities | 50,179 | 50,705 | 50,004 | 50,691 |
| Loans and receivables | 207,493 | 206,493 | 208,284 | 212,551 |
| Other assets | - | - | 737 | 733 |
| Total financial assets | 359,740 | 359,266 | 345,392 | 350,342 |
| Financial liabilities | | | | |
| Due to banks and other credit institutions | 39 | 39 | 3,036 | 3,036 |
| Due to customers, including letters of credit | 321,693 | 326,548 | 310,431 | 315,418 |
| Debt securities issued | 2,158 | 2,433 | 2,184 | 2,266 |
| Subordinated loans | 1,000 | 1,000 | 1,000 | 1,000 |
| Other liabilities | 6,699 | 6,699 | 3,982 | 3,982 |
| Total financial liabilities | 331,589 | 336,719 | 320,633 | 325,702 |

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Note 11 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)

| As at 30 September 2020 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|-------|
| Financial assets | | | | |
| Derivative financial instruments | - | 127 | - | 127 |
| Financial liabilities | | | | |
| Derivative financial instruments | - | 24 | - | 24 |

The Bank (Group)

| As at 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|-------|
| Financial assets | | | | |
| Derivative financial instruments | - | 10 | - | 10 |
| Financial liabilities | | | | |
| Derivative financial instruments | - | 59 | - | 59 |

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Note 11 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 2020 | Level 1 | Level 2 | Level 3 | Total carrying amount |
|--|----------------|----------------|----------------|-----------------------|
| Assets | | | | |
| Cash and due from banks | 102,026 | - | - | 102,026 |
| Debt securities | 50,179 | - | - | 50,179 |
| Loans to customers | - | - | 188,126 | 188,126 |
| Receivables from leasing | - | - | 14,740 | 14,740 |
| Other assets | - | - | - | - |
| Total financial assets | 152,205 | - | 202,866 | 355,071 |
| Liabilities | | | | |
| Due to banks and other credit institutions | - | 39 | - | 39 |
| Due to customers | - | 322,974 | - | 322,974 |
| Debt securities issued | - | 2,158 | - | 2,158 |
| Subordinated loan | - | - | 1,000 | 1,000 |
| Other liabilities | - | - | 6,419 | 6,419 |
| Total financial liabilities | - | 325,171 | 7,419 | 332,590 |

The Bank

| 31 December 2019 | Level 1 | Level 2 | Level 3 | Total carrying amount |
|--|----------------|----------------|----------------|-----------------------|
| Assets | | | | |
| Cash and due from banks | 86,348 | - | - | 86,348 |
| Debt securities | 50,004 | - | - | 50,004 |
| Loans to customers | - | - | 188,010 | 188,010 |
| Receivables from leasing | - | - | 15,875 | 15,875 |
| Other assets | - | - | 691 | 691 |
| Total financial assets | 136,352 | - | 204,576 | 340,928 |
| Liabilities | | | | |
| Due to banks and other credit institutions | - | 3,036 | - | 3,036 |
| Due to customers | - | 311,398 | - | 311,398 |
| Debt securities issued | - | 2,184 | - | 2,184 |
| Subordinated loans | - | - | 1,000 | 1,000 |
| Other liabilities | - | - | 3,804 | 3,804 |
| Total financial liabilities | - | 316,618 | 4,804 | 321,422 |

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Note 11 Fair values of financial instruments (cont'd)**The Group**

| 30 September 2020 | Level 1 | Level 2 | Level 3 | Total carrying amount |
|--|----------------|----------------|----------------|------------------------------|
| Assets | | | | |
| Cash and due from banks | 102,068 | - | - | 102,068 |
| Debt securities | 50,179 | - | - | 50,179 |
| Loans to customers | - | - | 192,753 | 192,753 |
| Receivables from leasing | - | - | 14,740 | 14,740 |
| Other assets | - | - | - | - |
| Total financial assets | 152,247 | - | 207,493 | 359,740 |
| Liabilities | | | | |
| Due to banks and other credit institutions | - | 39 | - | 39 |
| Due to customers | - | 321,693 | - | 321,693 |
| Debt securities issued | - | 2,158 | - | 2,158 |
| Subordinated loan | - | - | 1,000 | 1,000 |
| Other liabilities | - | - | 6,699 | 6,699 |
| Total financial liabilities | - | 323,890 | 7,699 | 331,589 |

The Group

| 31 December 2019 | Level 1 | Level 2 | Level 3 | Total carrying amount |
|--|----------------|----------------|----------------|------------------------------|
| Assets | | | | |
| Cash and due from banks | 86,367 | - | - | 86,367 |
| Debt securities | 50,004 | - | - | 50,004 |
| Loans to customers | - | - | 192,409 | 192,409 |
| Receivables from leasing | - | - | 15,875 | 15,875 |
| Other assets | - | - | 737 | 737 |
| Total financial assets | 136,371 | - | 209,021 | 345,392 |
| Liabilities | | | | |
| Due to banks and other credit institutions | - | 3,036 | - | 3,036 |
| Due to customers | - | 310,431 | - | 310,431 |
| Debt securities issued | - | 2,184 | - | 2,184 |
| Subordinated loans | - | - | 1,000 | 1,000 |
| Other liabilities | - | - | 3,982 | 3,802 |
| Total financial liabilities | - | 315,651 | 4,982 | 320,633 |

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Note 12 Related party transactions

Transactions between 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 31 December 2019 and 30 September 2020 and related expense and income are included in the profit and loss account is set out below:

The Bank

| 30 September 2020 | Shareholders | Subsidiaries | Key management personnel | Other* |
|--|---------------------|---------------------|---------------------------------|---------------|
| Loans outstanding as at 30 September 2020, net | - | 10,860 | 31 | 3,731 |
| Interest rate,% | - | 4.2 | 6.58 | 2.0-4.5 |
| Impairment of loans | - | (122) | - | (17) |
| Term deposits as at 30 September 2020 | - | - | 12 | 1,201 |
| Interest rate,% | - | - | 0.3 | 0.3-0.45 |
| Demand accounts as at 30 September 2020 | 47 | 1,280 | 104 | 4,339 |
| Bonds issued as at 30 September 2020 | 100 | - | - | - |
| Interest rate,% | 7 | - | - | - |
| Subordinated loans as at 30 September 2020 | 1,000 | - | - | - |
| Interest rate,% | 2 | - | - | - |
| For nine month period which ended at 30 September 2020 | | | | |
| 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 | - | - | - | - |

The Bank

| 31 December 2019 | Shareholders | Subsidiaries | Key management personnel | Other* |
|--|---------------------|---------------------|---------------------------------|---------------|
| Loans outstanding as at 31 December 2019, net | 34 | 3,935 | - | 3,962 |
| Interest rate,% | 6.58 | 4.2 | - | 2.0-4.5 |
| Impairment of loans | - | (25) | - | (12) |
| Term deposits as at 31 December 2019 | 21 | - | 13 | 1,956 |
| Interest rate,% | 6.5 | - | 0.05-0.3 | 0-0.45 |
| Demand accounts as at 31 December 2019 | 65 | 967 | 97 | 2,427 |
| Bonds issued as at 31 December 2019 | 100 | - | - | - |
| Interest rate,% | 7 | - | - | - |
| Subordinated loans as at 31 December 2019 | 1,000 | - | - | - |
| Interest rate,% | 2 | - | - | - |
| For nine month period which ended at 30 September 2019 | | | | |
| Interest income on loans | 1 | 14 | - | 82 |
| Interest expense on deposits | - | - | - | (2) |
| Interest expense on bonds | (5) | - | - | - |
| Interest expense on subordinated loans | (15) | - | - | - |
| Service fee and commission revenue | - | 153 | - | 12 |
| Service fee and commission expenses | - | - | - | - |

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Note 12 Related party transactions (cont'd)**The Group****30 September 2020**

| | <u>Shareholders</u> | <u>Key management personnel</u> | <u>Other*</u> |
|--|---------------------|---------------------------------|---------------|
| Loans outstanding as at 30 September 2020, net | - | 31 | 3,731 |
| Interest rate,% | - | 6.58 | 2.0-4.5 |
| Impairment of loans | - | - | (17) |
| Term deposits as at 30 September 2020 | - | 12 | 1,201 |
| Interest rate,% | - | 0.3 | 0.3-0.45 |
| Demand accounts as at 30 September 2020 | 47 | 181 | 4,262 |
| Bonds issued as at 30 September 2020 | 100 | - | - |
| Interest rate,% | 7 | - | - |
| Subordinated loans as at 30 September 2020 | 1,000 | - | - |
| Interest rate,% | 2 | - | - |
| For nine month period which ended at 30 September 2020 | | | |
| 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 | - | - | - |

The Group**31 December 2019**

| | <u>Shareholders</u> | <u>Key management personnel</u> | <u>Other*</u> |
|--|---------------------|---------------------------------|---------------|
| Loans outstanding as at 31 December 2019, net | 34 | - | 3,962 |
| Interest rate,% | 6.58 | - | 2.0-4.5 |
| Impairment of loans | - | - | (12) |
| Term deposits as at 31 December 2019 | 21 | 13 | 1,956 |
| Interest rate,% | 6.5 | 0.05-0.3 | 0-0.45 |
| Demand accounts as at 31 December 2019 | 65 | 97 | 2,427 |
| Bonds issued as at 31 December 2019 | 100 | - | - |
| Interest rate,% | 7 | - | - |
| Subordinated loans as at 31 December 2019 | 1,000 | - | - |
| Interest rate,% | 2 | - | - |
| For nine month period which ended at 30 September 2019 | | | |
| Interest income on loans | 1 | - | 82 |
| Interest expense on deposits | - | - | (2) |
| Interest expense on bonds | (5) | - | - |
| Interest expense on subordinated loans | (15) | - | - |
| Service fee and commission revenue | - | - | 12 |
| 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. Key management personnel include members of the board and administration and management of subsidiaries.

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Note 13 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 2020 and in the income statement 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 |

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Note 13 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 2019 and in the income statement as at 30 September 2019 is presented in the table below:

| | 30 September 2019 | | | | |
|--|--|---------------|------------------|----------------|----------------|
| | Traditional banking operations and lending | Treasury | Other activities | Eliminations | Total |
| Internal | - | - | - | - | - |
| External | 7,514 | 480 | 5 | (14) | 7,985 |
| Interest income | 7,514 | 480 | 5 | (14) | 7,985 |
| Internal | - | - | - | - | - |
| External | (1,135) | (208) | - | 14 | (1,329) |
| Interest expenses | (1,135) | (208) | - | 14 | (1,329) |
| Internal | - | - | - | - | - |
| External | 6,379 | 272 | 5 | - | 6,656 |
| Net interest income | 6,379 | 272 | 5 | - | 6,656 |
| Internal | - | - | - | - | - |
| External | 4,761 | - | (9) | (126) | 4,626 |
| Net fee and commission income | 4,761 | - | (9) | (126) | 4,626 |
| Internal | - | - | - | - | - |
| External | 11,140 | 272 | (4) | (126) | 11,282 |
| Net interest, fee and commissions income | 11,140 | 272 | (4) | (126) | 11,282 |
| Internal | - | - | (6,425) | 6,425 | - |
| External | (8,822) | (164) | (470) | - | (9,456) |
| Operating expenses | (8,822) | (164) | (6,895) | 6,425 | (9,456) |
| Amortisation charges | (100) | - | - | - | (100) |
| Depreciation charges | (843) | - | - | - | (843) |
| Internal | - | - | - | - | - |
| External | (675) | - | - | - | (675) |
| Impairment expenses | (675) | - | - | - | (675) |
| Internal | - | - | - | - | - |
| External | 3,208 | 380 | (412) | - | 3,176 |
| Net other income | 3,208 | 380 | (412) | - | 3,176 |
| Profit (loss) before tax | 3,908 | 488 | (7,311) | 6,299 | 3,384 |
| Income tax | (754) | - | - | - | (754) |
| Profit (loss) per segment after tax | 3,154 | 488 | (7,311) | 6,299 | 2,630 |
| Non-controlling interest | - | - | - | - | - |
| Profit (loss) for the year attributable to the owners of the Bank | 3,154 | 488 | (7,311) | 6,299 | 2,630 |
| Total segment assets | 250,127 | 103,853 | 4,541 | (11,645) | 346,876 |
| Total segment liabilities | 307,993 | 8,403 | 119 | (2,794) | 313,721 |
| Net segment assets (shareholders equity) | (57,866) | 95,450 | 4,422 | (8,851) | 33,155 |

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 14 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. Compliance to this requirement is disclosed in the table below:

| The Group | | | The Bank | |
|-------------------|------------------|---|-------------------|------------------|
| 30 September 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 6,628 | 6,986 | Maximum exposure to a single customer or group of connected customers | 6,628 | 6,986 |
| 33,970 | 33,076 | Eligible capital | 34,198 | 33,331 |
| 19.51 | 21.12 | Maximum exposure ratio, % | 19.38 | 20.96 |

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 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| | | Statement of financial position items, other than trading and investment activities | | |
| 69,305 | 45,534 | Balances with the Bank of Lithuania | 69,305 | 45,534 |
| | | Due from banks | | |
| 9,573 | 11,183 | | 9,531 | 11,164 |
| 192,753 | 192,409 | Loans to customers | 188,126 | 188,010 |
| 14,740 | 15,875 | Receivables from leasing | 14,740 | 15,875 |
| 286,371 | 265,001 | | 281,702 | 260,583 |
| | | Off balance sheet items | | |
| 2,976 | 2,088 | Guarantees | 2,976 | 2,088 |
| 14,056 | 10,782 | Loan commitments | 18,061 | 15,801 |
| 303,403 | 277,871 | Total balance and off balance sheet items, other than trading and investment activities | 302,739 | 278,472 |
| | | Trading and investment activities | | |
| | | Financial assets at fair value through profit or loss | | |
| 127 | 10 | Derivative financial instruments | 127 | 10 |
| - | - | Held-to-maturity investments | - | - |
| 50,179 | 50,004 | Debt securities | 50,179 | 50,004 |
| 50,306 | 50,014 | Total trading and investment activities | 50,306 | 50,014 |
| - | 41 | Other financial assets | - | 41 |
| 353,709 | 327,926 | Total credit exposure | 353,045 | 328,527 |

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Note 14 Risk management (cont'd)

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

| | The Bank (Group) | |
|--------------------------------------|-------------------|------------------|
| | 30 September 2020 | 31 December 2019 |
| Government bonds | 49,060 | 48,851 |
| Regional government bonds | - | - |
| Multilateral Development Banks Bonds | 858 | 893 |
| Corporate bonds | 261 | 260 |
| Derivatives | 127 | 10 |
| Total | 50,306 | 50,014 |

| Bonds exposure by rating grade | The Bank (Group) | |
|--------------------------------|-------------------|------------------|
| | 30 September 2020 | 31 December 2019 |
| High grade (AAA-A) | 48,081 | 47,078 |
| Standard grade (B-BBB+) | 2,098 | 2,926 |
| Not rated | - | - |
| Total | 50,179 | 50,004 |

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 14 Risk management (cont'd)Credit risk (cont'd)

Credit risk assessment of financial instruments, other than trading activities and off balance items

| The Bank 30 September 2020 | Not overdue | 1 to 59 days | 60 to 89 days | More than 90 days | Total |
|---------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| Stage 1 | | | | | |
| Loans and receivables | 172,961 | 1,327 | - | - | 174,288 |
| Placements with LB and other banks | 78,836 | - | - | - | 78,836 |
| Debt securities | 50,179 | - | - | - | 50,179 |
| Other financial assets | - | - | - | - | - |
| Total | 301,976 | 1,327 | - | - | 303,303 |
| Stage 2 | | | | | |
| Loans and receivables | 18,043 | 3,898 | 41 | - | 21,982 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 18,043 | 3,898 | 41 | - | 21,982 |
| Stage 3* | | | | | |
| Loans and receivables | 3,967 | 533 | 41 | 2,055 | 6,596 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 3,967 | 533 | 41 | 2,055 | 6,596 |
| Total credit risk assets | 323,986 | 5,758 | 82 | 2,055 | 331,881 |

* Here are also included loans that had signs of impairment at the time of acquisition - POCl (level 3 after acquisition), the value of which on 30/09/2020 is 1,360 thousand Eur, 31/12/2019 - 1,447 thousand Eur.

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Note 14 Risk management (cont'd)Credit risk (cont'd)

| The Bank 31 December 2019 | Not overdue | 1 to 59 days | 60 to 89 days | More than 90 days | Total |
|---------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| Stage 1 | | | | | |
| Loans and receivables | 185,032 | 1,588 | - | - | 186,620 |
| Placements with LB and other banks | 56,698 | - | - | - | 56,698 |
| Debt securities | 50,004 | - | - | - | 50,004 |
| Other financial assets | 41 | - | - | - | 41 |
| Total | 291,775 | 1,588 | - | - | 293,363 |
| Stage 2 | | | | | |
| Loans and receivables | 6,989 | 1,540 | 1,374 | - | 9,903 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 6,989 | 1,540 | 1,374 | - | 9,903 |
| Stage 3 | | | | | |
| Loans and receivables | 3,087 | 1,116 | 1,088 | 2,071 | 7,362 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 3,087 | 1,116 | 1,088 | 2,071 | 7,362 |
| Total credit risk assets | 301,851 | 4,244 | 2,462 | 2,071 | 310,628 |

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Note 14 Risk management (cont'd)Credit risk (cont.)

| The Group | Not overdue | 1 to 59 days | 60 to 89 days | More than 90 days | Total |
|------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| 30 September 2020 | | | | | |
| Stage 1 | | | | | |
| Loans and receivables | 176,668 | 1,644 | - | - | 178,312 |
| Placements with LB and other banks | 78,878 | - | - | - | 78,878 |
| Debt securities | 50,179 | - | - | - | 50,179 |
| Other financial assets | - | - | - | - | - |
| Total | 305,725 | 1,644 | - | - | 307,369 |
| Stage 2 | | | | | |
| Loans and receivables | 18,166 | 4,034 | 41 | - | 22,241 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 18,166 | 4,034 | 41 | - | 22,241 |
| Stage 3 | | | | | |
| Loans and receivables | 4,010 | 580 | 63 | 2,287 | 6,940 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 4,010 | 580 | 63 | 2,287 | 6,940 |
| Total credit risk assets | 327,901 | 6,258 | 104 | 2,287 | 336,550 |

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Note 14 Risk management (cont'd)Credit risk (cont.)

| The Group | Not overdue | 1 to 59 days | 60 to 89 days | More than 90 days | Total |
|------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| 31 December 2019 | | | | | |
| Stage 1 | | | | | |
| Loans and receivables | 188,846 | 1,779 | - | - | 190,625 |
| Placements with LB and other banks | 56,717 | - | - | - | 56,717 |
| Debt securities | 50,004 | - | - | - | 50,004 |
| Other financial assets | 41 | - | - | - | 41 |
| Total | 295,608 | 1,779 | - | - | 297,387 |
| Stage 2 | | | | | |
| Loans and receivables | 7,022 | 1,645 | 1,374 | - | 10,041 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 7,022 | 1,645 | 1,374 | - | 10,041 |
| Stage 3 | | | | | |
| Loans and receivables | 3,088 | 1,318 | 1,127 | 2,085 | 7,618 |
| Placements with LB and other banks | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Total | 3,088 | 1,318 | 1,127 | 2,085 | 7,618 |
| Total credit risk assets | 305,718 | 4,742 | 2,501 | 2,085 | 315,046 |

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Note 14 Risk management (cont'd)

Calculated impairments by risk levels

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 2020 | | | | | |
| | | | | | Stage 1 | | | | | |
| 264 | - | 29 | 7 | 300 | Loans and receivables | 272 | - | 42 | 7 | 321 |
| 273 | - | 29 | 7 | 309 | Placements with LB and other banks | 281 | - | 42 | 7 | 330 |
| - | - | - | - | - | Debt securities | - | - | - | - | - |
| (9) | - | - | - | (9) | Other financial assets | (9) | - | - | - | (9) |
| - | - | - | - | - | | - | - | - | - | - |
| 34 | 42 | - | - | 76 | Stage 2 | 29 | 42 | - | - | 71 |
| 37 | 42 | - | - | 76 | Loans and receivables | 29 | 42 | - | - | 71 |
| - | 476 | - | - | 476 | Stage 3 | - | 402 | - | - | 402 |
| - | 511 | - | - | 511 | Loans and receivables | - | 437 | - | - | 437 |
| - | (35) | - | - | (35) | Other financial assets | - | (35) | - | - | (35) |
| 298 | 518 | 29 | 7 | 852 | Total | 301 | 444 | 42 | 7 | 794 |
| - | - | - | - | 88 | Write-offs | - | - | - | - | 77 |
| - | - | - | - | (14) | Income on loans written off in earlier periods | - | - | - | - | (14) |
| - | - | - | - | 926 | Total change of impairment | - | - | - | - | 857 |

2020 within three quarters, uncertainty caused by COVID-19 reduced volumes of lending. In order to alleviate the situation of customers facing difficulties with COVID-19, Bank, together with other Lithuanian credit companies, signed a moratorium on postponement of credit liabilities in April.

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 home loan 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. During the postponement period, the client will only have to pay interest and other periodical payments.

Until 30th of September Bank have postponed of 210 clients loan repayments (Group – 281 clients), that meets the conditions of the moratorium, with net value of EUR 43.82 million (Group – EUR 44.18 million) or 21.63 % (Group – 21.29 %) of the total loan portfolio.

Credit deferrals were mainly requested by companies in the real estate, wholesale and retail trade, accommodation and catering, and manufacturing sectors.

A total of 196 applications have been approved for business customers, with the total net deferred amount EUR 43.07 million, 14 applications have been approved for private customers, with the total net deferred amount EUR 0.75 million.

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Note 14 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 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 143,070 | 123,647 | Liquid assets | 143,070 | 123,647 |
| 29,410 | 22,294 | Short-term (up to 30 days) obligations | 31,652 | 24,502 |
| 486 | 555 | LCR, % | 452 | 505 |

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 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 | 101,797 | 12,623 | 10,512 | 48,908 | 91,220 | 88,024 | 17,527 | 370,611 |
| Liabilities and shareholders' equity | 151,076 | 15,254 | 20,119 | 76,051 | 47,042 | 23,227 | 37,842 | 370,611 |
| Net gap | (49,279) | (2,631) | (9,607) | (27,143) | 44,178 | 64,797 | (20,315) | - |
| Credit commitments | - | 18,061 | - | - | - | - | - | 18,061 |

| The Bank | 31 December 2019 | | | | | | | |
|--------------------------------------|------------------|-------------------|----------------|--------------------|---------------|---------------|------------------|----------------|
| | 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 | 83,402 | 12,050 | 18,738 | 53,946 | 80,151 | 91,247 | 16,837 | 356,371 |
| Liabilities and shareholders' equity | 132,369 | 22,474 | 22,110 | 77,351 | 38,594 | 28,816 | 34,657 | 356,371 |
| Net gap | (48,967) | (10,424) | (3,372) | (23,405) | 41,557 | 62,431 | (17,820) | - |
| Credit commitments | - | 15,801 | - | - | - | - | - | 15,801 |

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Note 14 Risk management (cont'd)

Liquidity risk (cont.)

| The Group | 30 September 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 | 101,839 | 12,890 | 11,020 | 51,086 | 85,355 | 95,460 | 11,843 | 369,493 |
| Liabilities and shareholders equity | 149,796 | 15,533 | 20,119 | 76,051 | 47,042 | 23,227 | 37,725 | 369,493 |
| Net gap | (47,957) | (2,643) | (9,099) | (24,965) | 38,313 | 72,233 | (25,882) | - |
| Credit commitments | - | 14,056 | - | - | - | - | - | 14,056 |

| The Group | 31 December 2019 | | | | | | | 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 | 83,421 | 12,220 | 19,057 | 55,277 | 79,130 | 94,803 | 11,427 | 355,334 |
| Liabilities and shareholders equity | 131,402 | 22,652 | 22,110 | 77,351 | 38,594 | 28,816 | 34,409 | 355,334 |
| Net gap | (47,981) | (10,432) | (3,053) | (22,074) | 40,536 | 65,987 | (22,982) | - |
| Credit commitments | - | 10,782 | - | - | - | - | - | 10,782 |

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 2020.

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 by 1 percentage point in the yield curve.

The following table demonstrates the sensitivity to change in interest rates, with all other variables held constant, on the Bank's and the Group's pre-tax income (which equals the effect on net interest income):

| The Bank | Interest rate change | Effect on net interest income | |
|----------|----------------------|-------------------------------|------------------|
| | | 30 September 2020 | 31 December 2019 |
| EUR | + 1 proc. | 1,101 | 1,086 |
| Other | + 1 proc. | 14 | 60 |
| EUR | - 1 proc. | (1,101) | (1,086) |
| Other | - 1 proc. | (14) | (60) |

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Note 14 Risk management (cont'd)

Interest rate risk (cont.)

| The Group | Interest rate change | Effect on net interest income | |
|-----------|----------------------|-------------------------------|------------------|
| | | 30 September 2020 | 31 December 2019 |
| EUR | + 1 proc. | 1,048 | 1,096 |
| Other | + 1 proc. | 14 | 60 |
| EUR | - 1 proc. | (1,048) | (1,096) |
| Other | - 1 proc. | (14) | (60) |

The table below summarises the Group's and the Bank's exposure to interest rate risk as of 30 September 2020 and 31 December 2019. 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.

| The Bank | 30 September 2020 | | | | | | |
|---|-------------------|---------------|---------------|--------------------|-----------------|-----------------|----------|
| | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | Over 3 years | Total |
| Assets: | | | | | | | |
| Sensitive assets to interest rate fluctuation | 49,813 | 77,351 | 86,103 | 8,740 | 24,039 | 5,097 | 251,143 |
| Non-sensitive assets to interest rate fluctuation | | | | | | | 119,468 |
| Liabilities: | | | | | | | |
| Sensitive liabilities to interest rate fluctuation | 11,051 | 19,329 | 29,149 | 46,922 | 45,730 | 17,402 | 169,583 |
| Non-sensitive liabilities and equity to interest rate fluctuation | | | | | | | 201,028 |
| Interest sensitivity gap | 38,762 | 58,022 | 56,954 | (38,182) | (21,691) | (12,305) | - |
| 31 December 2019 | | | | | | | |
| The Bank | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | Over 3 years | Total |
| Assets: | | | | | | | |
| Sensitive assets to interest rate fluctuation | 45,456 | 71,762 | 111,014 | 14,438 | 13,325 | 7,396 | 263,391 |
| Non-sensitive assets to interest rate fluctuation | | | | | | | 92,980 |
| Liabilities: | | | | | | | |
| Sensitive liabilities to interest rate fluctuation | 15,739 | 21,933 | 24,284 | 52,766 | 38,183 | 28,671 | 181,576 |
| Non-sensitive liabilities and equity to interest rate fluctuation | | | | | | | 174,795 |
| Interest sensitivity gap | 29,717 | 49,829 | 86,730 | (38,328) | (24,858) | (21,275) | - |

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Note 14 Risk management (cont'd)**Interest rate risk (cont.)**

| The Group | 30 September 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 | 50,118 | 77,859 | 75,899 | 10,170 | 29,039 | 12,534 | 255,619 |
| Non-sensitive assets to interest rate fluctuation | | | | | | | 113,874 |
| Liabilities: | | | | | | | |
| Sensitive liabilities to interest rate fluctuation | 11,051 | 19,329 | 29,149 | 46,922 | 45,730 | 17,402 | 169,583 |
| Non-sensitive liabilities and equity to interest rate fluctuation | | | | | | | 199,910 |
| Interest sensitivity gap | 39,067 | 58,530 | 46,750 | (36,752) | (16,691) | (4,868) | - |
| | 31 December 2019 | | | | | | |
| The Group | Less than 1 month | 1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 to 3 years | Over 3 years | Total |
| Assets: | | | | | | | |
| Sensitive assets to interest rate fluctuation | 45,626 | 72,081 | 111,473 | 15,310 | 12,303 | 10,952 | 267,745 |
| Non-sensitive assets to interest rate fluctuation | | | | | | | 87,589 |
| Liabilities: | | | | | | | |
| Sensitive liabilities to interest rate fluctuation | 15,739 | 21,933 | 24,284 | 52,766 | 38,183 | 28,671 | 181,576 |
| Non-sensitive liabilities and equity to interest rate fluctuation | | | | | | | 173,758 |
| Interest sensitivity gap | 29,887 | 50,148 | 87,189 | (37,456) | (25,880) | (17,719) | - |

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Note 14 Risk management (cont'd)

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 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 362 | 469 | Long positions | 362 | 469 |
| (182) | (309) | Short positions | (182) | (309) |
| 33,970 | 33,076 | Eligible capital | 34,198 | 33,331 |
| 1.07 | 1.42 | Overall net currency position, % | 1.06 | 1.41 |

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

| | 30 September 2020 | 31 December 2019 |
|-----------------------------|-------------------|------------------|
| Increase in FX rates by 10% | 18 | 16 |
| Decrease in FX rates by 10% | (18) | (16) |

Note 15 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 additional conservation buffer reserve, which is equal to 2.5 percentage from generally evaluated risk amount. From 2020 April 1 the need for a countercyclical capital buffer for Lithuanian positions was canceled. A countercyclical capital buffer set 0% from 2020 April for Lithuanian positions. Additional own fund requirement (Pillar II) is determined 1.8% from 31 December 2019.

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 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 17.63 | 16.18 | CET 1 Capital ratio | 17.15 | 16.07 |
| 17.63 | 16.18 | Tier 1 Capital ratio | 17.15 | 16.07 |
| 19.16 | 17.76 | Capital adequacy ratio | 18.62 | 17.63 |

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Note 16 Quality of financial assets, profitability rates and other information

Financial assets quality indicators as at 30 September 2020 are given in the table below:

| The Group | | | The Bank | |
|----------------------------|--|--------------------------|----------------------------|--|
| Provisions (EUR) thousands | Provisions to financial assets ratio (%) | | Provisions (EUR) thousands | Provisions to financial assets ratio (%) |
| 1,593 | 0,84 | Loans to customers | 1,410 | 0.74 |
| 452 | 2,75 | Finance lease receivable | 452 | 2.98 |
| 30 | 0,06 | Debt securities | 30 | 0.06 |
| 10 | 0,10 | Placements with banks | 10 | 0.10 |
| - | - | Other assets | - | - |
| 2,085 | 0.79 | Total: | 1,902 | 0.72 |

Financial assets quality indicators as at 31 December 2019:

| The Group | | | The Bank | |
|----------------------------|--|--------------------------|----------------------------|--|
| Provisions (EUR) thousands | Provisions to financial assets ratio (%) | | Provisions (EUR) thousands | Provisions to financial assets ratio (%) |
| 1,057 | 0.55 | Loans to customers | 946 | 0.50 |
| 127 | 0.79 | Finance lease receivable | 127 | 0.79 |
| 39 | 0.08 | Debt securities | 39 | 0.08 |
| 11 | 0.10 | Placements with banks | 11 | 0.10 |
| 35 | 4.56 | Other assets | 35 | 4.82 |
| 1,269 | 0.47 | Total: | 1,158 | 0.43 |

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

| The Group | | | The Bank | |
|-------------------|------------------|------------------------|-------------------|------------------|
| 30 September 2020 | 31 December 2019 | | 30 September 2020 | 31 December 2019 |
| 1.19 | 1.11 | Return on assets (ROA) | 1.15 | 1.15 |
| 11.87 | 9.67 | Return on equity (ROE) | 11.23 | 10.03 |

Action applied to the Bank

During the third quarter of 2020 any measures of effect were not applied to the Medicinos Bankas.

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Note 17 Events after the reporting date

The Government of the Republic of Lithuania on 7th of November 2020, announced the second quarantine, followed by the extension until 2020. On 17th of December, the Bank plans further review of the assessments used to calculate the impairment of the loan portfolio for the fourth quarter of this year, taking into account economic development trends, state support programmes and the impact of quarantine on business.

At the time of preparation of these interim financial statements, there was a little clarity regarding the further development scenario of the Covid-19 pandemic and its impact on future financial and operating results. Due to the current economic situation due to the Covid-19 pandemic and introduction of quarantine, the impairment of loans in the fourth quarter of this year may increase significantly depending on the current economic situation. There was no other significant events during 2020 third quarter which would require to adjust these financial statements.

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 2020 have been prepared in accordance with the applicable accounting standards, 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

