

UAB MEDICINOS BANKAS

CONDENSED INTERIM SEPARATE AND CONSOLIDATED UNAUDITED
FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE
2023, PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING
STANDARD 34 *INTERIM FINANCIAL REPORTING*, 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 SIX MONTH PERIOD AS AT 30 JUNE 2023

(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

<u>The Group</u>				<u>The Bank</u>	
<u>30 June 2023</u>	<u>31 December 2022</u>	Assets	Notes	<u>30 June 2023</u>	<u>31 December 2022</u>
		Cash and due from central bank			
19,439	21,134	<i>Cash</i>		19,439	21,134
		<i>Placements with the central bank</i>			
<u>58,713</u>	<u>48,067</u>			<u>58,713</u>	<u>48,067</u>
78,152	69,201			78,152	69,201
		Placements with banks and other credit institutions	3	15,664	11,143
		Financial assets at fair value through profit or loss			
		<i>Derivative financial instruments</i>			
<u>8</u>	<u>54</u>			<u>8</u>	<u>54</u>
8	54			8	54
		Debt securities	4	45,323	59,218
45,323	59,218	Loans and receivables	5		
		<i>Loans to customers</i>		261,397	232,577
<u>272,162</u>	<u>241,543</u>	<i>Finance lease</i>		<u>28,910</u>	<u>22,194</u>
28,910	22,194			290,307	254,771
<u>301,072</u>	<u>263,737</u>				
		Investments in subsidiaries	6	11,342	9,342
-	-	Other equity instruments		27	37
27	37	Investment property		84	84
84	84	Property and equipment		6,204	5,688
6,210	5,701	Intangible assets		526	665
611	671	Tax assets			
		<i>Current taxes</i>		-	-
<u>60</u>	<u>95</u>	<i>Deferred taxes</i>		<u>60</u>	<u>95</u>
60	95	Other assets		60	95
				2,857	1,223
3,454	1,750				
<u>450,668</u>	<u>411,704</u>	Total assets		<u>450,554</u>	<u>411,521</u>

The accompanying notes on pages 13 to 46 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		Liabilities and shareholders' equity	Notes	The Bank	
30 June 2023	31 December 2022			30 June 2023	31 December 2022
		Liabilities			
33	33	Due to banks and other credit institutions		33	33
11	3	Derivative financial instruments		11	3
386,903	354,227	Due to customers	7	387,255	354,569
1,000	1,000	Subordinated loans	8	1,000	1,000
2,243	2,235	Debt securities issued	8	2,243	2,235
148	71	Impairment		178	133
796	856	Tax liabilities		765	789
-	-	Current taxes		-	-
796	856	Deferred taxes		765	789
6,817	5,220	Other liabilities	9	6,304	4,684
397,951	363,645	Total liabilities		397,789	363,446
		Shareholders' equity			
19,948	19,948	Share capital	10	19,948	19,948
20,139	16,304	Retained earnings		20,212	16,339
318	318	Revaluation reserve of property and equipment		318	318
12,312	11,489	Other reserves	10	12,287	11,470
52,717	48,059	Total shareholders' equity		52,765	48,075
450,668	411,704	Total liabilities and shareholders' equity		450,554	411,521

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

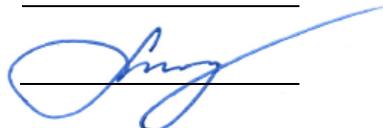
Chairman of the Board and Head of Administration

M. Arlauskas



Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė



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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

<u>The Group</u>			<u>The Bank</u>	
<u>30 June 2023</u>	<u>30 June 2022</u>		<u>30 June 2023</u>	<u>30 June 2022</u>
12,014	6,752	Interest income	11,189	6,037
(1,442)	(1,001)	Interest expenses	(1,442)	(1,001)
10,572	5,751	Net interest income	9,747	5,036
2,791	2,595	Service fee and commission income	2,904	2,728
(376)	(458)	Service fee and commission expenses	(227)	(330)
2,415	2,137	Net service fee and commission income	2,677	2,398
1,617	1,997	Net foreign currency exchange gain	1,617	1,997
120	291	Net result from operations with derivatives	120	291
-	(3)	Net result on operations on investment property	-	(3)
22	38	Other income	28	40
14,746	10,211	Total operating income	14,189	9,759
(371)	(496)	Impairment of loans and other financial assets	(96)	(368)
14,375	9,715	Operating income after impairment	14,093	9,391
(5,386)	(4,753)	Salaries and benefits	(5,215)	(4,585)
(493)	(493)	Depreciation	(485)	(492)
(209)	(192)	Amortisation	(189)	(185)
(2,571)	(2,041)	Other operating expenses	(2,488)	(1,940)
(8,659)	(7,479)	Total operating expenses	(8,377)	(7,202)
5,716	2,236	Operating profit (loss)	5,716	2,189
(1,058)	(388)	Income tax	(1,026)	(360)
4,658	1,848	Profit (loss) for the year	4,690	1,829
4,658	1,848	Attributable to: shareholders of the Bank	4,690	1,829

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

Chairman of the Board and Head of Administration

M. Arlauskas

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
2023-04-01- 2023-06-30	2022-04-01- 2022-06-30		2023-04-01- 2023-06-30	2022-04-01- 2022-06-30
6,477	3,487	Interest income	6,062	3,111
(902)	(500)	Interest expenses	(902)	(500)
5,575	2,987	Net interest income	5,160	2,611
1,406	1,266	Service fee and commission income	1,471	1,339
(180)	(251)	Service fee and commission expenses	(108)	(181)
1,226	1,015	Net service fee and commission income	1,363	1,158
-	-		-	-
909	1,102	Net foreign currency exchange gain	909	1,102
17	238	Net result from operations with derivatives	17	238
-	-	Net result on operations on investment property	-	-
17	17	Other income	19	16
7,744	5,359	Total operating income	7,468	5,125
(318)	(270)	Impairment of loans and other financial assets	(233)	(190)
7,426	5,089	Operating income after impairment	7,235	4,935
(2,973)	(2,504)	Salaries and benefits	(2,891)	(2,409)
(257)	(228)	Depreciation	(253)	(227)
(103)	(98)	Amortisation	(92)	(95)
(1,601)	(1,088)	Other operating expenses	(1,561)	(1,032)
(4,934)	(3,918)	Total operating expenses	(4,797)	(3,763)
2,492	1,171	Operating profit (loss)	2,438	1,172
(586)	(197)	Income tax	(566)	(184)
1,906	974	Profit (loss) for the year	1,872	988
1,906	974	Attributable to: shareholders of the Bank	1,872	988

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

Chairman of the Board and Head of
Administration

M. Arlauskas

Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė



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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Bank	30 June 2023	30 June 2022
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that will never 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	4,690	1,829
Total comprehensive income	4,690	1,829
Attributable to:		
Shareholders of the Bank	4,690	1,929
The Group	30 June 2023	30 June 2022
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 will never 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	4,658	1,848
Total comprehensive income	4,658	1,848
Attributable to:		
Shareholders of the Bank	4,658	1,848

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER

The Bank	2023-04-01- 2023-06-30	2022-04-01- 2022-06-30
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other		
Items will never be reclassified to profit or loss	-	-
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	-	-
Profit (loss) at the end of the reporting period	1,872	988
Total comprehensive income	1,872	988
Attributable to:		
Shareholders of the Bank	1,872	988
The Group	2023-04-01- 2023-06-30	2022-04-01- 2022-06-30
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), net of tax	-	-
Profit (loss) at the end of the reporting period	1,906	974
Total comprehensive income	1,906	974
Attributable to:		
Shareholders of the Bank	1,906	974

The accompanying notes on pages 13 to 46 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 CHANGES IN EQUITY**The Bank**

	Share capital	Retained earnings	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2021	19,948	11,690	322	10,886	42,846
Profit or loss	-	1,829	-	-	1,829
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(584)	-	584	-
As at 30 June 2022	19,948	12,935	322	11,470	44,675
Profit or loss	-	3,399	-	-	3,399
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
As at 31 December 2022	19,948	16,339	318	11,470	48,075
Profit or loss	-	4,690	-	-	4,690
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(817)	-	817	-
As at 30 June 2023	19,948	20,212	318	12,287	52,765

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2021	19,948	11,429	322	10,905	42,604
Profit or loss	-	1,848	-	-	1,848
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(584)	-	584	-
As at 30 June 2022	19,948	12,693	322	11,489	44,452
Profit or loss	-	3,606	-	-	3,606
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
As at 31 December 2022	19,948	16,304	318	11,489	48,059
Profit or loss	-	4,658	-	-	4,658
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(823)	-	823	-
As at 30 June 2023	19,948	20,139	318	12,312	52,717

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Chairman of the Board and Head
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L. Bertašienė



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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
30 June 2023	30 June 2022	Notes	30 June 2023	30 June 2022
		Cash flows from operating activities		
4,658	1,848	Profit (loss) for the year	4,690	1,829
		Non-cash revenue and cost recovery		
702	685	Depreciation and amortisation	674	677
(10)	3	Loss (gain) on the sale of tangible, intangible and investment property	(10)	3
371	496	Impairment of loans	96	368
(10,911)	(7,166)	Interest income on loans granted to customers	(10,086)	(5,873)
1,442	1,001	Interest expense on liabilities to depositors	1,442	1,001
54	81	Derivatives revaluation	54	(81)
97	206	Elimination of accrued vacation pay	94	195
1,058	388	Income tax expenses	1,026	360
43	(374)	Elimination of other non-cash items	43	(235)
(2,496)	(2,994)	Cash flows from (to) operating activities before changes in operating assets and liabilities	(1,977)	(1,756)
		Changes in operating assets and liabilities		
(90)	85	Changes in compulsory reserves	(90)	85
-	(370)	Changes in bank's balances	-	(370)
(30,513)	(29,742)	Loans to customers	(28,526)	(29,171)
(6,665)	(1,284)	Finance lease receivable	(6,665)	(1,284)
31,734	(11,318)	Changes in due to customers	31,744	(11,362)
174	4,831	Changes in other assets and liabilities	263	4,760
(5,360)	(37,798)	Change	(3,274)	(37,342)
10,460	7,129	Received interest on loans granted to customers	9,690	5,857
(1,095)	(920)	Interest paid on liabilities to depositors	(1,095)	(1,082)
(1,074)	(304)	Income tax paid	(1,006)	(304)
435	(34,887)	Net cash flows from operating activities after income tax	2,338	(34,627)
		Investing activities		
(1,193)	(669)	Acquisitions of investment property, property and equipment and intangible assets	(1,093)	(669)
10	27	Proceeds from sale of investment property, property and equipment and intangible assets	10	27
-	-	Investments in subsidiaries	(2,000)	-
15,834	9,702	Redemption of debt-securities	15,834	9,702
(1,939)	(9,381)	Acquisitions of debt-securities	(1,939)	(9,381)
12,712	(321)	Net cash flows to investing activities	10,812	(321)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(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 reorganized 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 second quarter of 2023 the Bank had 37 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 consumer loans to private persons). UAB TG Invest-1 has been acquired on 17 May 2013, while UAB Saugus kreditas on 17 October 2017.

As at 30 June 2023 the Bank employed 302 employees (296 employees as at 31 December 2022). As at 30 June 2023 the Group employed 312 employees (306 employees as at 31 December 2022).

As at 30 June 2023 the shareholders of the Bank were as follows:

	Ordinary shares held	Percent 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 2022 the shareholders of the Bank were as follows:

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

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 30 June 2023 and 31 December 2022, all shares were fully paid.

After the transfer of voting rights, UAB MB valdymas has the right to vote all the Bank's shares at the Bank's general meeting of shareholders.

Capital and liquidity positions as at 30 June 2023 remain strong and prudential standards comply with regulations with a reserve.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

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 2022. 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 2022 for the annual financial statements.

New and modified standards and interpretations

Bank and Group management does not expect that newly published standards which are mandatory for accounting periods from 1 January 2023 or later will have major impact to the Bank and Group financial information. Also there is any new standards which should be mandatory for the Bank and Group from year 2023 and which might have noticeable impact on 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 management, in the end results can be different. While preparing interim separate and consolidated financial statements, the same assumptions and estimations, which were used while preparing annual separate and consolidated financial statements for 31 December 2022, were applied.

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):

	<u>30 June 2023</u>	<u>31 December 2022</u>
USD	1.0938	1.0666

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2023

(All amounts in EUR thousand unless otherwise stated)

Note 3 Placements with banks and other credit institutions

The Group			The Bank	
30 June 2023	31 December 2022		30 June 2023	31 December 2022
9,040	10,556	Cash in correspondent accounts	9,037	10,543
6,627	600	Term deposits	6,627	600
15,667	11,156	Total	15,664	11,143

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

	30 June 2023	31 December 2022
Government bonds of the Republic of Lithuania	27,567	36,444
Government bonds of the Republic of Slovenia	6,026	6,789
Government bonds of the Republic of Croatia	3,826	4,946
Government bonds of the Republic of Romania	5,358	5,524
Government bonds of the Republic of Hungary	2,546	2,671
Government bonds of the Republic of Poland	-	2,844
Total	45,323	59,218

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	30 June 2023	31 December 2022
Loans to customers, including short-term bills of exchange	262,394	233,498
Overdrafts	625	462
Factoring	894	1,142
Leasing	29,444	22,722
	293,357	257,824
Impairment	(3,050)	(3,053)
Loans and receivables, net	290,307	254,771
	The Group	
	30 June 2023	31 December 2022
Loans to customers, including short-term bills of exchange	273,967	243,031
Overdrafts	625	462
Factoring	894	1,142
Leasing	29,444	22,722
	304,930	267,357
Impairment	(3,858)	(3,620)
Loans and receivables, net	301,072	263,737

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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	
	2023	2022
Balance at the beginning of the year	9,342	8,342
Acquisitions	2,000	1,000
Additional impairment of investment in subsidiaries	-	-
Balance at the end of the reporting period	11,342	9,342

Balance as at 30 June 2023	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
UAB „Saugus kreditas“	100	100	9,601	(31)	9,570
Total			12,634	(1,292)	11,342

Balance as at 31 December 2022	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
UAB „Saugus kreditas“	100	100	7,601	(31)	7,570
Total			10,634	(1,292)	9,342

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
30 June 2023	31 December 2022		30 June 2023	31 December 2022
172,379	156,271	Term deposits	172,731	156,271
198,210	181,616	Current accounts	198,210	181,958
2,208	3,035	Customer funds in transit accounts	2,208	3,035
14,106	13,305	Loans from funds	14,106	13,305
386,903	354,227	Total	387,255	354,569
36,814	34,289	Out of which held as security against guarantees and loans	36,814	34,289

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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 June 2023 net value of issued debt securities is 2,243 thous. EUR (as of 31 December 2022 2,235 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. Annual interest rate – 7 percent, 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 June 2023	31 December 2022		30 June 2023	31 December 2022
2,052	2,026	Accrued payments to employees	2,007	1,917
362	352	Prepayments	-	-
2,084	1,799	Accrued expenses	2,079	1,787
463	-	Liabilities to the State Tax Inspectorate	458	-
		Liabilities to the Board of the State Social		
183	-	Fund	176	-
506	265	Sales VAT	506	265
99	80	Deferred income	99	80
		Payable to the Latvian and Estonian Road		
47	42	Transport Administration	47	42
827	382	Debt to suppliers	758	319
194	274	Other	174	274
6,817	5,220	Total	6,304	4,684

Note 10 Shareholders' equity

As at 30 June 2023 and 31 December 2022, 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.

In 2023, by the shareholders' decision, the procedures for increasing the Bank's share capital from retained earnings and thus changing the nominal value and number of shares, were started.

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 June 2023	31 December 2022
Special reserve to cover possible losses	2,528	2,528
Legal reserve	2,262	1,445
Reserve capital	7,497	7,497
Total other reserves	12,287	11,470

	The Group	
	30 June 2023	31 December 2022
Special reserve to cover possible losses	2,528	2,528
Legal reserve	2,287	1,464
Reserve capital	7,497	7,497
Total other reserves	12,312	11,489

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Note 11 Net interest income

The Group			The Bank	
30 June 2023	30 June 2022		30 June 2023	30 June 2022
9,877	6,024	On loans to customers	9,063	5,327
43	125	On impaired loans to customers including interest on arrears	32	107
969	414	Finance lease including interest on arrears	969	414
22	25	Other interest on arrears (not including finance lease and impaired loans)	22	25
179	142	On debt securities	179	142
758	-	For funds in the Bank of Lithuania	758	-
166	22	On placements with the banks and other credit institutions	166	22
12,014	6,752	Interest revenue	11,189	6,037
(1,165)	(600)	On obligations to customers, including letters of credit	(1,165)	(600)
(155)	(153)	Deposit and guarantee insurance	(155)	(153)
(10)	(10)	On subordinated loans	(10)	(10)
(86)	(86)	For debt securities issued	(86)	(86)
-	(124)	On obligations to banks and other credit institutions	-	(124)
(26)	(28)	Lease of property	(26)	(28)
(1,442)	(1,001)	Interest expenses	(1,442)	(1,001)
10,572	5,751	Total	9,747	5,036

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
30 June 2023	30 June 2022		30 June 2023	30 June 2022
1,065	806	Payment services	1,065	806
86	106	Income from currency exchange	86	106
364	427	Administration of bank accounts	364	427
605	648	Collection of payments	605	648
130	18	Brokerage income	243	151
379	389	Cash operations	379	389
162	201	Other	162	201
2,791	2,595	Service fee and commission income	2,904	2,728
(18)	(23)	Rent fee according to agreements	(18)	(23)
(136)	(198)	Cash operations	(136)	(198)
(39)	(76)	Money transfer operations	(39)	(76)
(149)	(127)	Brokerage costs	-	-
(34)	(34)	Other	(34)	(33)
(376)	(458)	Service fee and commission expense	(227)	(330)
2,415	2,137	Total	2,677	2,398

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	30 June 2023	30 June 2022
Gain from foreign exchange	1,766	2,348
Revaluation of items in statement of financial position, net	(149)	(351)
Net foreign exchange gain	1,617	1,997

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
30 June 2023	30 June 2022	30 June 2023	30 June 2022
(160)	(170)	(156)	(160)
(523)	(435)	(514)	(431)
(174)	(163)	(174)	(163)
(576)	(303)	(545)	(270)
(140)	(142)	(138)	(139)
(56)	(54)	(56)	(54)
(114)	(136)	(114)	(136)
(330)	(165)	(330)	(165)
(19)	(10)	(13)	(1)
(28)	(17)	(28)	(17)
(21)	(20)	(20)	(20)
(15)	(23)	(15)	(23)
(12)	(50)	(12)	(50)
(6)	(6)	(6)	(6)
(14)	(22)	(14)	(22)
(10)	(10)	(10)	(10)
(87)	(69)	(87)	(68)
(40)	(13)	(38)	(13)
(72)	(68)	(72)	(68)
(97)	(70)	(73)	(46)
(77)	(95)	(73)	(78)
(2,571)	(2,041)	(2,488)	(1,940)

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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 June 2023	30 June 2022		30 June 2023	30 June 2022
19,439	24,681	Cash on hand	19,439	24,681
56,011	48,758	Current accounts with the Bank of Lithuania	56,011	48,758
9,040	6,682	Current accounts with other credit institutions	9,037	6,677
6,627	4,030	Term deposits with credit institutions up to 90 days	6,627	4,030
91,117	84,151	Total	91,114	84,146

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 condition, 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 approximates 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 valuation was done by discounting the future cash flows for each loan over its entire term, using the market's 12 month average interest rates at the end of the year.

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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 June 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	78,152	78,152	69,201	69,201
Placements with banks and other credit institutions	15,664	15,664	11,143	11,143
Debt securities	45,323	44,191	59,218	57,422
Loans and receivables	290,307	301,141	254,771	269,902
Other assets	-	-	-	-
Total	429,446	439,148	394,333	407,668
Financial liabilities				
Due to banks and other credit institutions	33	33	33	33
Due to customers, including letters of credit	387,255	393,305	354,569	357,318
Debt securities issued	2,243	2,441	2,235	2,557
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,304	6,304	4,684	4,684
Total	396,835	403,083	362,521	365,592
The Group				
Financial assets				
Cash and due from central bank	78,152	78,152	69,201	69,201
Placements with banks and other credit institutions	15,667	15,667	11,156	11,156
Debt securities	45,323	44,191	59,218	57,422
Loans and receivables	301,072	306,294	263,737	276,221
Other assets	-	-	-	-
Total	440,214	444,304	403,312	414,000
Financial liabilities				
Due to banks and other credit institutions	33	33	33	33
Due to customers, including letters of credit	386,903	392,952	354,227	356,976
Debt securities issued	2,243	2,441	2,235	2,557
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,817	6,817	5,942	5,942
Total	396,996	403,243	363,437	366,508

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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 three 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 June 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	8	-	8
Financial liabilities				
Derivative financial instruments	-	11	-	11

The Bank (Group)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	54	-	54
Financial liabilities				
Derivative financial instruments	-	3	-	3

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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 June 2023	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	93,819	-	-	93,819
Debt securities	45,323	-	-	45,323
Loans to customers	-	-	261,397	261,397
Finance lease	-	-	28,910	28,910
Other assets	-	-	-	-
Total financial assets	139,142	-	290,307	429,449
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	387,255	-	387,255
Debt securities issued	-	2,243	-	2,243
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,304	6,304
Total financial liabilities	-	389,531	7,304	396,835

The Bank

31 December 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	80,344	-	-	80,344
Debt securities	59,218	-	-	59,218
Loans to customers	-	-	232,577	232,577
Finance lease	-	-	22,194	22,194
Other assets	-	-	-	-
Total financial assets	139,562	-	254,771	394,333
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	354,569	-	354,569
Debt securities issued	-	2,235	-	2,235
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	4,684	4,684
Total financial liabilities	-	356,837	5,684	362,521

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

30 June 2023	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	93,819	-	-	93,819
Debt securities	45,323	-	-	45,323
Loans to customers	-	-	272,162	272,162
Finance lease	-	-	28,910	28,910
Other assets	-	-	-	-
Total financial assets	139,142	-	301,072	440,214
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	386,903	-	386,903
Debt securities issued	-	2,243	-	2,243
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,817	6,817
Total financial liabilities	-	389,179	7,817	396,996

The Group

31 December 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	80,344	-	-	80,344
Debt securities	59,218	-	-	59,218
Loans to customers	-	-	241,543	241,543
Finance lease	-	-	22,194	22,194
Other assets	-	-	-	-
Total financial assets	139,562	-	263,737	403,299
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	354,227	-	354,227
Debt securities issued	-	2,235	-	2,235
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	5,220	5,220
Total financial liabilities	-	356,495	6,220	362,715

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Note 17 Related party transactions

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

The outstanding balances of loans, term deposits and bonds issued in between 30 June 2023 and 31 December 2022 and expense and income, related to that, and which are included in the June 30 2023 and June 30 2022 profit and loss statements, are set out below:

The Bank	Supervisory Board and Key Management Personnel			
2023	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 30 June 2023, net	-	24,061	-	339
Interest rate, percent	-	7.0	-	6.63-7.52
Impairment of loans	-	(328)	-	(1)
Term deposits as at 30 June 2023	-	-	124	2,223
Interest rate, percent	-	-	0.3-3.85	0.05-4.0
Current accounts as at 30 June 2023	253	352	361	3,680
Bonds issued as at 30 June 2023	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 30 June 2023	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For six month period as at 30 June 2023				
Interest income on loans	-	1,056	-	13
Interest expense on deposits	-	-	-	(5)
Interest expense on bonds	(4)	-	-	-
Interest expense on subordinated loans	(10)	-	-	-
Service fee and commission revenue	-	121	-	5
Service fee and commission expenses	-	-	-	-
The Bank	Supervisory Board and Key Management Personnel			
2022	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2022, net	-	21,377	-	402
Interest rate, percent	-	8.55	-	4.33-5.08
Impairment of loans	-	(268)	-	(3)
Term deposits as at 31 December 2022	-	-	-	1,194
Interest rate, percent	-	-	-	0.05-1.00
Current accounts as at 31 December 2022	2,124	342	186	4,007
Bonds issued as at 31 December 2022	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 31 December 2022	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For six month period as at 30 June 2022				
Interest income on loans	-	811	-	10
Interest expense on deposits	-	-	-	(2)
Interest expense on bonds	(4)	-	-	-
Interest expense on subordinated loans	(10)	-	-	-
Service fee and commission revenue	-	137	-	3
Service fee and commission expenses	-	-	-	-

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

2023	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 30 June 2023, net	-	-	339
Interest rate, percent	-	-	6.63-7.52
Impairment of loans	-	-	(1)
Term deposits as at 30 June 2023	-	124	2,223
Interest rate, percent	-	0.3-3.85	0.05-4.0
Current accounts as at 30 June 2023	253	266	3,673
Bonds issued as at 30 June 2023	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 30 June 2023	1,000	-	-
Interest rate, percent	2.0	-	-
For six month period as at 30 June 2023			
Interest income on loans	-	-	13
Interest expense on deposits	-	-	(5)
Interest expense on bonds	(4)	-	-
Interest expense on subordinated loans	(10)	-	-
Service fee and commission revenue	-	-	5
Service fee and commission expenses	-	-	-

The Group

2022	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2022, net	-	-	402
Interest rate, percent	-	-	4.33-5.08
Impairment of loans	-	-	(3)
Term deposits as at 31 December 2022	-	-	1,194
Interest rate, percent	-	-	0.05-1.00
Current accounts as at 31 December 2022	2,124	228	3,965
Bonds issued as at 31 December 2022	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 31 December 2022	1,000	-	-
Interest rate, percent	2.0	-	-
For six month period as at 30 June 2022			
Interest income on loans	-	-	10
Interest expense on deposits	-	-	(2)
Interest expense on bonds	(4)	-	-
Interest expense on subordinated loans	(10)	-	-
Service fee and commission revenue	-	-	3
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 June 2023 and in the Statement of comprehensive income as at 30 June 2023 is presented in the table below:

	30 June 2023				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,126	-	(70)	(1,056)	-
External	10,841	1,103	70	-	12,014
Interest income	11,967	1,103	-	(1,056)	12,014
Internal	(1,126)	-	-	(1,126)	-
External	(1,435)	(7)	-	-	(1,442)
Interest expenses	(2,561)	(7)	-	(1,126)	(1,442)
Internal	-	-	(70)	70	-
External	9,406	1,096	70	-	10,572
Net interest income	9,406	1,096	-	70	10,572
Internal	-	-	-	-	-
External	2,415	-	-	-	2,415
Net fee and commission income	2,415	-	-	-	2,415
Internal	-	-	(70)	70	-
External	11,821	1,096	70	-	12,987
Net interest, fee and commissions income	11,821	1,096	-	70	12,987
Internal	-	-	-	-	-
External	(7,806)	(151)	-	-	(7,957)
Operating expenses	(7,806)	(151)	-	-	(7,957)
Amortisation charges	(209)	-	-	-	(209)
Depreciation charges	(493)	-	-	-	(493)
Internal	-	-	-	-	-
External	(371)	-	-	-	(371)
Impairment expenses	(371)	-	-	-	(371)
Internal	-	-	-	-	-
External	1,419	318	22	-	1,759
Net other income	1,419	318	22	-	1,759
Profit (loss) before tax	4,361	1,263	22	70	5,716
Income tax	(1,058)	-	-	-	(1,058)
Profit (loss) per segment after tax	3,303	1,263	22	70	4,658
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the shareholders of the Bank	3,303	1,263	22	70	4,658
Total segment assets	342,838	143,901	1,941	(38,012)	450,668
Total segment liabilities	419,192	5,150	47	(26,438)	397,951
Net segment assets (shareholders equity)	(76,354)	138,751	1,894	(11,574)	52,717

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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 June 2022 and in the Statement of comprehensive income as at 30 June 2022 is presented in the table below:

	30 June 2022				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	859	-	(48)	(811)	-
External	6,540	164	48	-	6,752
Interest income	7,399	164	-	(811)	6,752
Internal	(859)	-	-	859	-
External	(778)	(223)	-	-	(1,001)
Interest expenses	(1,637)	(223)	-	859	(1,001)
Internal	-	-	(48)	48	-
External	5,762	(59)	48	-	5,751
Net interest income	5,762	(59)	-	48	5,751
Internal	-	-	-	-	-
External	2,166	-	-	(29)	2,137
Net fee and commission income	2,166	-	-	(29)	2,137
Internal	-	-	(48)	48	-
External	7,928	(59)	48	(29)	7,888
Net interest, fee and commissions income	7,928	(59)	-	19	7,888
Internal	-	-	-	-	-
External	(6,685)	(106)	(3)	-	(6,794)
Operating expenses	(6,685)	(106)	(3)	-	(6,794)
Amortisation charges	(192)	-	-	-	(192)
Depreciation charges	(493)	-	-	-	(493)
Internal	-	-	-	-	-
External	(496)	-	-	-	-
Impairment expenses	(496)	-	-	-	-
Internal	-	-	-	-	-
External	1,853	434	35	-	2,322
Net other income	1,853	434	35	-	2,322
Profit (loss) before tax	1,916	269	32	19	2,236
Income tax	(388)	-	-	-	(388)
Profit (loss) per segment after tax	1,528	269	32	19	1,848
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the shareholders of the Bank	1,528	269	32	19	1,848
Total segment assets	289,720	144,053	1,871	(32,503)	403,141
Total segment liabilities	377,408	5,054	42	(23,815)	358,689
Net segment assets (shareholders equity)	(87,688)	138,999	1,829	(8,688)	44,452

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 cannot exceed 25 percent 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 June 2023	31 December 2022		30 June 2023	31 December 2022
10,768	8,085	Maximum exposure to a single customer or group of connected customers	10,768	8,085
46,569	44,471	Eligible capital	46,987	45,130
23.12	18.07	Maximum exposure ratio, percent	22.92	17.80

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 June 2023	31 December 2022		30 June 2023	31 December 2022
		Statement of financial position items, other than trading and investment activities		
58,713	48,067	Balances with the Bank of Lithuania	58,713	48,067
15,667	11,156	Due from banks	15,664	11,143
272,162	241,543	Loans to customers	261,397	232,577
28,910	22,194	Finance lease	28,910	22,194
375,452	322,960		364,684	313,981
		Off balance sheet items		
2,144	2,231	Guarantees	2,144	2,231
28,588	12,706	Loan commitments	30,808	17,644
406,184	337,897	Total balance and off balance sheet items, other than trading and investment activities	397,636	333,856
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
8	54	Derivative financial instruments	8	54
		- Held-to-maturity investments		-
45,3232	59,218	Debt securities	45,323	59,218
45,331	59,272	Total trading and investment activities	45,331	59,272
451,515	397,169	Total credit exposure	442,967	393,128

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Note 19 Risk management (cont'd)

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

	The Bank (Group)	
	30 June 2023	31 December 2022
Government bonds	45,323	59,218
Derivatives	8	54
Total	45,331	59,272

Bonds exposure by rating grade	The Bank (Group)	
	30 June 2023	31 December 2022
High grade (AAA-A)	33,592	46,077
Standard grade (B-BBB+)	11,731	13,141
Not rated	-	-
Total	45,323	59,218

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 assigned to the high rating class debt securities, whose issuers combined credit rating, according to the assessments of recognized international rating agencies (Moody's, Standard&Poor's or Fitch Ratings), is from „AAA“ to „A“, when bonds with issuer's ratings from „BBB“ to „B“ are assigned to the standard rating class.

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					
30 June 2023	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
Stage 1					
Loans and receivables	240,076	3,750	-	-	243,826
Placements with LB and other banks	74,377	-	-	-	74,377
Debt securities	45,323	-	-	-	45,323
Other financial assets	-	-	-	-	-
Total	359,776	3,750	-	-	363,526
Stage 2					
Loans and receivables	36,712	1,446	153	-	38,311
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	36,712	1,446	153	-	38,311
Stage 3					
Loans and receivables	5,101	346	2,404	319	8,170
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	5,101	346	2,404	319	8,170
Total	401,589	5,542	2,557	319	410,007

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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 2022					
Stage 1					
Loans and receivables	201,310	1,160	-	-	202,470
Placements with LB and other banks	59,210	-	-	-	59,210
Debt securities	59,218	-	-	-	59,218
Other financial assets	-	-	-	-	-
Total	319 738	1,160	-	-	320,898
Stage 2					
Loans and receivables	48,603	745	-	-	49,348
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	4, 603	745	-	-	49,348
Stage 3					
Loans and receivables	2,301	324	200	128	2,953
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,301	324	200	128	2,953
Total	370,642	2,229	200	128	373,199

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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 June 2023					
Stage 1					
Loans and receivables	247,292	4,493	-	-	251,785
Placements with LB and other banks	74,380	-	-	-	74,380
Debt securities	45,323	-	-	-	45,323
Other financial assets	-	-	-	-	-
Total	366,995	4,493	-	-	371,488
Stage 2					
Loans and receivables	38,474	2,287	208	-	40,967
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	38,474	2,285	208	-	40,967
Stage 3					
Loans and receivables	5,141	364	2,421	394	8,320
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	5,141	364	2,421	394	8,320
Total	410,610	7,142	2,629	394	420,775

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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 2022					
Stage 1					
Loans and receivables	208,125	1,758	-	-	209,883
Placements with LB and other banks	59,223	-	-	-	59,223
Debt securities	59,218	-	-	-	59,218
Other financial assets	-	-	-	-	-
Total	326,566	1,758	-	-	328,324
Stage 2					
Loans and receivables	49,293	1,411	40	-	50,744
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	49,293	1,411	40	-	50,744
Stage 3					
Loans and receivables	2,322	341	226	221	3,110
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,322	341	226	221	3,110
Total	378,181	3,510	266	221	382,178

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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 June 2023					
357	-	75	1	433	Stage 1	345	-	43	1	389
360	-	75	1	436	Loans and receivables	348	-	43	1	392
5	-	-	-	5	Placements with LB and other banks	5	-	-	-	5
(8)	-	-	-	(8)	Debt securities	(8)	-	-	-	(8)
(55)	-	-	-	(55)	Stage 2	(219)	-	1	-	(218)
(55)	-	-	-	(55)	Loans and receivables	(219)	-	1	-	(218)
-	(67)	-	-	(67)	Stage 3	-	(132)	-	-	(132)
-	(67)	-	-	(67)	Loans and receivables	-	(132)	-	-	(132)
-	-	-	-	-	Other financial assets	-	-	-	-	-
302	(67)	75	1	311	Total	126	(132)	44	1	39
-	62	-	-	62	Write-offs	-	59	-	-	59
-	(2)	-	-	(2)	Income on loans written off in earlier periods	-	(2)	-	-	(2)
-	-	-	-	371	Total change of impairment	-	-	-	-	96

The credit risk assessment of individual clients, in order to determine their dependence on war-affected countries and the impact on credit risk, did not show increased credit risk. In 2023, enhanced monitoring is applied to the clients included in the list of monitored clients.

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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 June 2023	31 December 2022		30 June 2023	31 December 2022
120,162	125,833	Liquid assets	120,162	125,833
32,590	30,060	Short-term (up to 30 days) obligations	33,795	32,316
369	419	LCR, percent	356	389

Furthermore, according to the Regulation (EU) No 2019/876 of the European Parliament and of the Council, the net stable funding ratio should be at least of 100% starting from 28 June 2021. Net stable funding ratios of the Bank and the Group are as follows:

The Group			The Bank	
30 June 2023	31 December 2022		30 June 2023	31 December 2022
387,393	364,440	Available stable funding	387,701	364,716
259,144	223,162	Required stable funding	254,974	229,968
149	163	NSFR, percent	152	159

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Note 19 Risk management (cont'd)

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 June 2023							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	36,529	65,322	19,161	84,541	85,010	138,524	21,467	450,554
Liabilities and shareholders' equity	175,078	13,826	14,838	110,565	49,601	33,634	247	397,789
Net gap	(138,549)	51,496	4,323	(26,024)	35,409	104,890	21,220	52,765
Credit commitments	-	30,808	-	-	-	-	-	30,808

	31 December 2022							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	38,739	46,018	12,465	57,207	120,599	119,225	17,268	411,521
Liabilities and shareholders' equity	185,251	16,323	17,399	66,296	48,102	29,872	203	363,446
Net gap	(146,512)	29,695	(4,934)	(9,089)	72,497	89,353	17,065	48,075
Credit commitments	-	17,644	-	-	-	-	-	17,644

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Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	30 June 2023							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	36,531	65,935	20,414	66,193	98,116	152,551	10,928	450,668
Liabilities and shareholders' equity	174,726	14,339	14,838	110,565	49,601	33,634	248	397,951
Net gap	(138,195)	51,596	5,576	(44,372)	48,515	118,917	10,680	52,717
Credit commitments	-	28,588	-	-	-	-	-	28,588

The Group	31 December 2022							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	38,752	46,516	13,563	61,961	110,489	131,835	8,588	411,704
Liabilities and shareholders' equity	184,909	16,859	17,399	66,296	48,102	29,872	208	363,645
Net gap	(146,157)	29,657	(3,836)	(4,335)	62,387	101,963	8,380	48,059
Credit commitments	-	12,706	-	-	-	-	-	12,706

Overdue loans are disclosed under column "Without maturity".

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 June 2023 and 31 December 2022. 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 June 2023						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	65,541	95,999	109,357	47,709	13,683	1,588	333,877
Non-sensitive assets to interest rate fluctuation							116,677
Liabilities:							
Sensitive liabilities to interest rate fluctuation	6,335	14,863	28,746	78,598	52,868	34,159	215,569
Non-sensitive liabilities and equity to interest rate fluctuation							234,985
Interest sensitivity gap	59,206	81,136	80,611	(30,889)	(39,185)	(32,571)	-

The Bank	31 December 2022						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	57,557	101,573	106,570	15,532	31,035	1,522	313,789
Non-sensitive assets to interest rate fluctuation							97,732
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,315	18,126	20,573	43,685	49,615	30,497	172,811
Non-sensitive liabilities and equity to interest rate fluctuation							238,710
Interest sensitivity gap	47,242	83,447	85,997	(28,153)	(18,580)	(28,975)	-

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Note 19 Risk management (cont'd)

The Group	30 June 2023						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	66,301	97,250	86,985	51,399	26,789	15,615	344,339
Non-sensitive assets to interest rate fluctuation							106,329
Liabilities:							
Sensitive liabilities to interest rate fluctuation	6,335	14,863	28,746	78,598	52,868	34,159	215,569
Non-sensitive liabilities and equity to interest rate fluctuation							235,099
Interest sensitivity gap	59,966	82,387	58,239	(27,199)	(26,079)	(18,544)	-

Interest rate risk (cont'd)

The Group	31 December 2022						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	58,213	81,169	108,182	18,666	42,154	14,132	322,516
Non-sensitive assets to interest rate fluctuation							89,188
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,315	18,126	20,573	43,685	49,615	30,497	172,811
Non-sensitive liabilities and equity to interest rate fluctuation							238,893
Interest sensitivity gap	47,898	63,043	87,609	(25,019)	(7,461)	(16,365)	-

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Note 19 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 June 2023	31 December 2022		30 June 2023	31 December 2022
118	151	Long positions	118	151
(225)	(331)	Short positions	(225)	(331)
47,578	45,800	Eligible capital	47,996	46 459
0.47	0.72	Overall net currency position, percent	0.47	0.71

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

	30 June 2023	31 December 2022
Increase in FX rates by 10 percent	11	18
Decrease in FX rates by 10 percent	(11)	(18)

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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 percent from generally evaluated risk amount.

As per the European Banking Authority 's (EBA) recommendation, the 3 percent leverage ratio requirement has become binding from 28 June 2021. As of 30 June 2023, the Bank 's leverage ratio of 9.72 percent (the Group – 9.67 percent) exceeded the minimum requirement.

On 15 March 2022, based on 2021 Supervisory Review and Evaluation Process (SREP), the Board of the Bank of Lithuania set an additional own funds requirement (Pillar II) of 1.7 percent.

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 12.33 percent. The Group and the Bank capital adequacy ratio exceeded the required minimum.

After the general meeting of shareholders, full-year 2022 profit was included in 31 December 2022 Common Equity Tier 1.

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

	The Bank		The Group	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Capital adequacy ratio, percent	19.03	20.73	18.59	20.27

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

Financial assets quality indicators as at 30 June 2023 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)
3,324	1.21	Loans to customers	2,516	0.95
534	1.81	Finance lease	534	1.81
27	0.06	Debt securities	27	0.06
16	0.10	Placements with banks	16	0.10
3,901	1.06	Total:	3,093	0.87

Financial assets quality indicators as at 31 December 2022:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
3,092	1.16	Loans to customers	2,525	0.98
528	2.32	Finance lease r	528	2.32
36	0.06	Debt securities	36	0.06
11	0.10	Placements with banks	11	0.10
3,667	1.01	Total:	3,100	0.88

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

The Group			The Bank	
30 June 2023	31 December 2022		30 June 2023	31 December 2022
2.17	1.34	Return on assets (ROA)	2.16	1.28
18.44	12.12	Return on equity (ROE)	18.37	11.62

Action applied to the Bank

There were no material subsequent events during the second quarter of year 2023 that would require adjustment of or disclosure in those financial statements of the Group and the Bank.

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Note 22 Events after the reporting date

There were no material subsequent events during the second quarter of year 2023 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 Marius Arlauskas and Director of Accounting and Reporting Department, Chief Accountant Lina Bertašienė, confirm that the financial statements for second quarter of 2023 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.

Chairman of the Board and Head of
Administration

M. Arlauskas



Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė

