

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH
SEPTEMBER 2020 PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group				The Bank	
30 September 2020	31 December 2019	Assets	Notes	30 September 2020	31 December 2019
		Cash and due from central bank			
23,190	29,650	<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			92,495	75,184
9,573	11,183	Placements with banks and other credit institutions	3	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	4	50,179	50,004
		Loans and receivables	5		
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	8	6,433	6,687
779	1,423	Investment property	6	217	283
6,457	6,726	Property and equipment	7	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	9	628	691
369,493	355,334	Total assets		370,611	356,371

(continued on the next page)

The accompanying notes on pages 13 to 45 are an integral part of these financial statements.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
30 September 2020	31 December 2019	Liabilities	Notes	30 September 2020	31 December 2019
39	3,036	Due to banks and other credit institutions	10	39	3,036
24	59	Derivative financial instruments		24	59
321,693	310,431	Due to customers	11	322,974	311,398
1,000	1,000	Subordinated loans	12	1,000	1,000
2,158	2,184	Debt securities issued	12	2,158	2,184
70	35	Impairment		115	66
173	234	Tax assets		173	234
-	-	Current taxes		-	-
173	234	Deferred taxes		173	234
6,699	3,982	Other liabilities	13	6,419	3,804
331,856	320,961	Total liabilities		332,902	321,781
		Equity			
19,948	19,948	Share capital	14	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	14	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 45 are an integral part of these financial statements.

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED 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	Interest income	15	8,207	7,627
(1,357)	(1,329)	Interest expenses	15	(1,356)	(1,329)
7,752	6,656	Net interest income		6,851	6,298
4,068	4,991	Service fee and commission income	16	4,359	5,139
(565)	(365)	Service fee and commission expenses	16	(482)	(317)
3,503	4,626	Net service fee and commission income		3,877	4,822
-	-	Net result on equity securities trading		-	(740)
3,069	3,708	Net foreign exchange gain	17	3,069	3,708
479	(117)	Net result from operations with derivatives		479	(117)
-	-	Impairment of investments into subsidiaries		(254)	109
(159)	(470)	Net result on operations on investment property	6, 18	(17)	(296)
32	55	Other income		49	142
14,676	14,458	Total operating income		14,054	13,926
(926)	(675)	Impairment of loans and other financial assets		(857)	(599)
13,750	13,783	Operating income after impairment		13,197	13,327
(6,305)	(6,444)	Salaries and benefits		(6,081)	(6,192)
(852)	(843)	Depreciation		(848)	(839)
(129)	(100)	Amortisation		(116)	(75)
(2,642)	(3,012)	Other operating expenses	19	(2,483)	(2,914)
(9,928)	(10,399)	Total operating expenses		(9,528)	(10,020)
3,822	3,384	Operating profit (loss)		3,669	3,307
(558)	(754)	Income tax		(550)	(754)
3,264	2,630	Profit (loss) for the year		3,119	2,553
3,264	2,630	Attributable to equity holders of the Bank		3,119	2,553

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
01-07-2020- 30-09-2020	01-07-2019- 30-09-2019		01-07-2020- 30-09-2020	01-07-2019- 30-09-2019
			Notes	
3,075	2,916	Interest income	2,721	2,754
(453)	(452)	Interest expenses	(452)	(452)
2,622	2,464	Net interest income	2,269	2,302
1,412	1,709	Service fee and commission income	1,521	1,772
(292)	(140)	Service fee and commission expenses	(236)	(125)
1,120	1,569	Net service fee and commission income	1,285	1,647
-	-	Net result on equity securities trading	-	(740)
1,294	1,525	Net foreign exchange gain	1,294	1,525
261	26	Net result from operations with derivatives	261	26
-	-	Impairment of investments into subsidiaries	(54)	429
16	(268)	Net result on operations on investment property	-	(281)
13	8	Other income	18	15
5,326	5,324	Total operating income	5,073	4,923
(15)	230	Impairment of loans and other financial assets	(107)	(201)
5,311	5,094	Operating income after impairment	4,966	4,722
(2,130)	(2,122)	Salaries and benefits	(2,054)	(2,047)
(279)	(290)	Depreciation	(277)	(288)
(48)	(39)	Amortisation	(43)	(29)
(866)	(1,014)	Other operating expenses	(796)	(986)
(3,323)	(3,465)	Total operating expenses	(3,170)	(3,350)
1,988	1,629	Operating profit (loss)	1,796	1,372
(230)	(377)	Income tax	(230)	(377)
1,758	1,252	Profit (loss) at the end of the reporting period	1,566	995
1,758	1,252	Attributable to equity holders of the Bank	1,566	995

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>30 September 2020</u>	<u>30 September 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	3,119	2,553
Total comprehensive income	<u><u>3,119</u></u>	<u><u>2,553</u></u>
Attributable to:		
Equity holders of the Bank	3,119	2,553

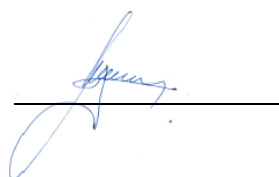
The Group

	<u>30 September 2020</u>	<u>30 September 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	3,264	2,630
Total comprehensive income	<u><u>3,264</u></u>	<u><u>2,630</u></u>
Attributable to:		
Equity holders of the Bank	3,264	2,630

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>01-07-2020 – 30-09-2020</u>	<u>01-07-2019 – 30-09-2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,566	955
Total comprehensive income	<u><u>1,566</u></u>	<u><u>955</u></u>
Attributable to:		
Equity holders of the Bank	1,566	955

The Group

	<u>01-07-2020 – 30-09-2020</u>	<u>01-07-2019 – 30-09-2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,758	1,252
Total comprehensive income	<u><u>1,758</u></u>	<u><u>1,252</u></u>
Attributable to:		
Equity holders of the Bank	1,758	1,252

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
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	10,318	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
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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(All amounts in EUR thousand unless otherwise stated)


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

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
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

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Acting Chairman of the Board and Chief Executive Officer

D. Kliškauskienė



Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė



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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
30	30		30	30
September	September		September	September
2020	2019	Notes	2020	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
5,664	5,437	Cash flows from (to) operating activities before changes in operating assets and liabilities	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)
22,283	(23,946)	Net cash flows from operating activities before income tax	22,487	(24,514)
(210)	-	Income tax (paid)	(208)	-
		Net cash flows from operating activities after income tax	22,279	(24,514)
22,073	(23,946)			
(949)	(731)	Investing activities	(916)	(704)
-	-	(Acquisitions) of intangible assets and property and equipment	-	-
435	808	(Acquisitions) of investment property	163	404
-	-	Proceeds from sale of tangible, intangible and equipment and investment property	-	(2,335)
-	-	Investments in subsidiaries	-	526
-	-	Sold 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

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH SEPTEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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

Group			Bank	
30	30		30	30
September	September		September	September
2020	2019	Notes	2020	2019
		Financing activities		
-	-	Bonds issued	-	-
(26)	(27)	Bonds (redeemed)	(26)	(27)
(3,000)	8,500	Loans received according to Eurosystem Open market operations	(3,000)	8,500
3,435	(6,793)	Loans received	3,435	(6,793)
(5,131)	5,920	Loans (repaid)	(5,131)	5,920
(4,722)	7,600	Net cash flows from (to) financing activities	(4,722)	7,600
(642)	86	Effect of exchange rate changes on cash and cash equivalents	(642)	86
15,608	1,969	Net increase (decrease) in cash and cash equivalents	15,585	1,978
84,146	68,374	Cash and cash equivalents at 1 January	84,127	68,333
99,754	70,343	Cash and cash equivalents at 30 September	99,712	70,311
		Additional information to operating cash flows		
8,386	8,339	Interest received	7,514	8,012
(1,249)	(990)	Interest (paid)	(1,248)	(990)

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D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH 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).

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.

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 International Financial Reporting Standards (IFRS) 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 2019. Financial statements 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 intermediate financial information are consistent with the accounting policies applied by the Bank in 2019 in the annual financial statements.

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

These condensed intermediate 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 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

Note 4 Debt securities

	The Bank (Group)	
	<u>30 September 2020</u>	<u>31 December 2019</u>
Government bonds of the Republic of Lithuania	40,314	37,069
Government bonds of the Republic of Latvia	3,626	6,036
Government bonds of the Republic of Poland	2,425	1,555
Government bonds of the Republic of Romania	1,298	2,006
Government bonds of the Kingdom of Sweden	859	1,525
Government bonds of the Republic of Croatia	539	-
Government bonds of the Republic of Iceland	-	660
Financial company bonds	886	893
Non-financial company bonds	260	260
Total	50,179	50,004

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Note 5 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
Leasing	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
Leasing	15,191	16,002
	209,538	209,468
Less: impairment	(2,045)	(1,184)
Loans and receivables	207,493	208,284

Note 6 Investment property

	The Bank	
	30 September 2020	31 December 2019
Balance at the beginning of year	283	1,050
Additions	80	532
Disposals	(129)	(995)
Changes in fair value	(17)	(304)
Balance at the end of year	217	283

	The Group	
	30 September 2020	31 December 2019
Balance at the beginning of year	1,423	3,018
Additions	80	603
Disposals	(548)	(1,577)
Changes in fair value	(176)	(621)
Balance at the end of year	779	1,423

The fair value of investment properties owned by subsidiaries:

	30 September 2020	31 December 2019
UAB TG Invest-1	562	1,140
Total	562	1,140

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Note 7 Property and equipment

Non-current tangible assets for Bank as at 2020 September 30 amounted to 6,435 thousand EUR including property lease worth 1,361 thousand EUR (as of 31 December 2019 amounted to 6,703 thousand EUR including property lease worth 1,261 thousand EUR).

As of 2019 January 1st The Group adopted IFRS 16 and recognized the right-of-use assets as part of property. The Group chose the option to apply the simplified transition method and did not restate comparative amounts for the year prior to first adoption financial information for the year before the adoption of the standard.

The value of the right to use the asset is determined based on the discounted lease payments (liabilities) over the lease term planned by management. The depreciation period for these assets corresponds to the lease term for the asset. Group 2019 Recognized as of January 1, 2019 property lease assets worth 1,911 thousand EUR. Short-term or low-value leases are recognized on a straight-line basis over the income statement.

Note 8 Investment in subsidiaries

The main activities of established subsidiaries are real estate management and development.

	The Bank	
	30 September 2020	31 December 2019
Balance at the beginning of the year	6,687	7,521
Additions	-	2,335
Disposal (nominal value)	-	(2,752)
Liquidation of SIA „Nida capital“	-	(526)
Additional impairment of investment in subsidiaries	(254)	109
	-	(834)
Balance at the end of the report period	6,433	6,687

Balance as at 30 September 2020	Ownership (%)	Direct ownership (%)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,170)
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,201)	6,433
Balance as at 31 December 2019	Ownership (%)	Direct ownership (%)	Nominal amount	Impairment	Carrying value
UAB TG Invest-1	100	100	3,033	(916)	2,117
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(947)	6,687

Note 9 Other assets

Other assets comprise of:

The Group			The Bank	
30 September 2020	31 December 2019		30 September 2020	31 December 2019
261	310	Prepayments	239	306
11	14	Debtors	-	4
144	31	VAT receivable	144	30
204	314	Deferred costs	201	313
30	103	Other	44	73
650	772		628	726
-	(35)	Deducted: Impairment losses on receivables	-	(35)
650	737	Other assets	628	691

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Note 10 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. 2019 December 31 the Bank had loans transactions with the Bank of Lithuania worth 3,000 thousand EUR. Eurosystem monetary policy operations matured in 2019.

Note 11 Due to customers

Amounts due to customers comprise of:

The Group			The Bank	
30 September 2020	31 December 2019		30 September 2020	31 December 2019
166,402	169,615	Term deposits	166,402	169,615
147,012	130,841	Current accounts	148,293	131,808
8,279	9,975	Loans from funds	8,279	9,975
321,693	310,431	Amounts due to customers	322,974	311,398
29,031	25,936	Out of which held as security against guarantees and loans	29,031	25,936

Note 12 Subordinated loans and issued debt securities (the Bank)

Subordinated loans

In November 2016 the Bank received a subordinated loan of EUR 1 million 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. Subordinated loan is amortized in accordance with Article 64 of CRR 575 Regulation.

Debt securities issued

In July 2018 the Bank have issued subordinated debt securities emission. As of 30 September 2020 net value of issued debt securities is 2 158 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. Coupon – 7%, coupon payment twice a year. Maturity date – 24 July 2025.

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Note 13 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	-
		Payable to the Latvian and Estonian Road		
25	17	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 14 Shareholders' equity

As at 30 September 2020 and 31 December 2019, the share capital of the Group and the Bank consisted of 137,750 ordinary shares with the par value of EUR 144.81 each. All shares are issued, authorised and fully paid. The shares are not listed.

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

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

	The Bank (Group)	
	30 September 2020	31 December 2019
Special reserve to cover possible losses	2,528	2,528
Legal reserve	291	291
Reserve capital	7,497	7,497
Total other reserves	10,316	10,316

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Note 15 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 expenses	(1,357)	(1,329)
7,752	6,656	Net interest income	6,851	6,298

Note 16 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

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Note 17 Net foreign exchange gain

	The Bank (Group)	
	30 September 2020	30 September 2019
Gain on dealing in foreign currencies	3,711	3,622
Revaluation of items in statement of financial position, net	(642)	86
Net foreign exchange gain	3,069	3,708

Note 18 Net result on operations with investment property

The Group			The Bank	
30 September 2020	30 September 2019		30 September 2020	30 September 2019
17	9	Realised gain (loss)	-	(3)
(176)	(479)	Changes in fair value	(17)	(293)
(159)	(470)	Net result on operations with investment property	(17)	(296)

Note 19 Operating expenses

Operating expenses are as follows:

The Group			The Bank	
30 September 2020	30 September 2019		30 September 2020	30 September 2019
(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)	(166)	Accounting services	(54)	(159)
(143)	(106)	Other	(130)	(72)
(2,642)	(3,012)	Total other operating expenses	(2,483)	(2,914)

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Note 20 Cash and cash equivalents

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

The Group			The Bank	
30 September 2020	31 December 2019		30 September 2020	31 December 2019
23,190	29,650	Cash on hand	23,190	29,650
66,991	43,313	Current accounts with the Bank of Lithuania	66,991	43,313
9,343	8,236	Current accounts with other credit institutions	9,301	8,217
230	2,947	Term deposits with credit institutions up to 90 days	230	2,947
99,754	84,146	Cash and cash equivalents	99,712	84,127

Note 21 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 repricing 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 21 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	75,183	75,183
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	340,926	345,881
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				
Financial assets				
Cash and due from central bank	92,495	92,495	75,183	75,183
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	345,391	350,341
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 21 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	-	3	-	3

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 21 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

As at 30 September 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	92,495	9,531	-	102,026
Debt securities	-	50,179	-	50,179
Loans to customers	-	187,215	911	188,126
Receivables from leasing	-	13,455	1,285	14,740
Other assets	-	-	-	-
Total financial assets	92,495	260,380	2,196	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	-	332,629	-	320,837

The Bank

31 December 2019	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	75,184	11,164	-	86,348
Debt securities	-	50,004	-	50,004
Loans to customers	-	186,825	1,185	188,010
Receivables from leasing	-	14,464	1,411	15,875
Other assets	-	691	-	691
Total financial assets	75,184	263,148	2,596	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	-	3,803	-	3,803
Total financial liabilities	-	321,421	-	321,421

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Note 21 Fair values of financial instruments (cont'd)**The Group**

As at 30 September 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	92,495	9,573	-	102,068
Debt securities	-	50,179	-	50,179
Loans to customers	-	191,655	1,098	192,753
Receivables from leasing	-	13,455	1,285	14,740
Other assets	-	-	-	-
Total financial assets	92,495	264,862	2,383	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	-	331,589	-	331,589

The Group

31 December 2019	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	75,184	11,164	-	86,348
Debt securities	-	50,004	-	50,004
Loans to customers	-	191,139	1,270	192,409
Receivables from leasing	-	14,464	1,411	15,875
Other assets	-	733	-	733
Total financial assets	75,184	267,504	2,681	345,369
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	-	3,803	-	3,803
Total financial liabilities	-	320,454	-	320,454

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Note 22 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

	<u>Shareholders</u>	<u>Subsidiaries</u>	<u>Key management personnel</u>	<u>Other*</u>
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

	<u>Shareholders</u>	<u>Subsidiaries</u>	<u>Key management personnel</u>	<u>Other*</u>
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 22 Related party transactions (cont'd)**The Group**

	Shareholders	Key management personnel	Other*
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

	Shareholders	Key management personnel	Other*
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 23 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 Statement of comprehensive income as at 30 September 2020 is presented in the table below:

	30 September 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	245	-	-	(245)	-
External	8,805	301	3	-	9,109
Interest income	9,050	301	3	(245)	9,109
Internal	(245)	-	-	245	-
External	(1,143)	(214)	-	-	(1,357)
Interest expenses	(1,388)	(214)	-	245	(1,357)
Internal	-	-	-	-	-
External	7,662	87	3	-	7,752
Net interest income	7,662	87	3	-	7,752
Internal	-	-	-	-	-
External	3,722	-	(4)	(215)	3,503
Net fee and commission income	3,722	-	(4)	(215)	3,503
Internal	-	-	-	-	-
External	11,384	87	(1)	(215)	11,255
Net interest, fee and commissions income	11,384	87	(1)	(215)	11,255
Internal	-	-	-	-	-
External	(7,546)	(147)	(1,253)	-	(8,949)
Operating expenses	(7,546)	(147)	(1,253)	-	(8,946)
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	4,959	461	(1,383)	(215)	3,822
Income tax	(558)	-	-	-	(558)
Profit (loss) per segment after tax	4,401	461	(1,383)	(215)	3,264
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	4,401	461	(1,382)	(215)	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 23 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 Statement of comprehensive income 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	(7,609)	(164)	(1,683)	-	(9,456)
Operating expenses	(7,609)	(164)	(8,108)	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	5,121	488	(8,524)	6,299	3,384
Income tax	(754)	-	-	-	(754)
Profit (loss) per segment after tax	4,367	488	(8,524)	6,299	2,630
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	4,367	488	(8,524)	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 24 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 Due from banks	69,305	45,534
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 24 Risk management (cont'd)

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

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

	The Bank (Group)	
	30 September 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 24 Risk management (cont'd)**Credit risk assessment of financial instruments, other than trading activities and off balance items**

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
30 September 2020					
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	323,986	5,758	82	2,055	331,881

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Note 24 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
1 December 2019					
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	301,851	4,244	2,462	2,071	310,628

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Note 24 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
30 September 2020					
Stage 1					
Loans and receivables	176,668	1,644	-	-	178,312
Placements with LB and other banks	78,878	-	-	-	78,878
Debt securities	40,179	-	-	-	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	327,901	6,258	104	2,287	336,550

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Note 24 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 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	305,718	4,742	2,501	2,085	315,046

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Note 24 Risk management (cont'd)Change of impairment during reporting period

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
30 September 2020										
264					Stage 1	272				
273	-	29	7	309	Loans and receivables	281	-	42	7	330
-	-	-	-	-	Placements with LB and other banks	-	-	-	-	-
(9)	-	-	-	(9)	Debt securities	(9)	-	-	-	(9)
-	-	-	-	-	Other financial assets	-	-	-	-	-
34					Stage 2	29				
37	42	-	-	76	Loans and receivables	29	42	-	-	71
-					Stage 3	-				
-	476	-	-	476	Loans and receivables	-	437	-	-	437
-	(35)	-	-	(35)	Other financial assets	-	(35)	-	-	(35)
298					Total	301				
-	-	29	7	852	Write-offs	-	-	-	-	77
-	-	-	-	(14)	Income on loans written off in earlier periods	-	-	-	-	(14)
926					Total change of impairment	857				

2020 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 24 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 24 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.

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Note 24 Risk management (cont'd)**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)
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)

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Note 24 Risk management (cont'd)Interest rate risk (cont.)

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						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	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)	-

The Bank	31 December 2019						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	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							174,576
Interest sensitivity gap	29,717	49,829	86,730	(38,328)	(24,858)	(21,275)	-

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)	-

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Note 24 Risk management (cont'd)Interest rate risk (cont'd)

The Group	31 December 2019						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	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)	-

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)

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Note 25 Capital

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

The Group's and the Bank's capital management procedures are based on the regulatory capital requirements contained in the Capital Requirements Directive (CRD) and in the Capital Requirements Regulation (CRR) No. 575/2013. According to these requirements, there is a need to accumulate addition conservation buffer reserve, which is equal to 2.5 percentage from generally evaluated risk amount. 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 26 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 27 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.

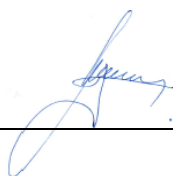
At the time of preparation of these interim financial statements, there was a little clarity regarding the further development scenario of the Covid-19 pandemic and its impact on future financial and operating results. Due to the current economic situation due to the Covid-19 pandemic and introduction of quarantine, the impairment of loans in the fourth quarter of this year may increase significantly depending on the current economic situation.

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 standard, represents reality and fairly shows the assets, liabilities, financial position, results of operations and cash flows of UAB Medicinos Bankas and the consolidated entities

Acting Chairman of the Board and Chief
Executive Officer

D. Klišauskienė



Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė

