

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH
DECEMBER 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 TWELVE MONTH PERIOD AS AT 31TH DECEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH DECEMBER 2020

(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>31 December 2020</u>	<u>31 December 2019</u>	Assets	Notes	<u>31 December 2020</u>	<u>31 December 2019</u>
		Cash and due from central bank			
29,442	29,650	<i>Cash</i>		29,442	29,650
79,238	45,534	<i>Placements with the central bank</i>		79,238	45,534
<u>108,680</u>	<u>75,184</u>			<u>108,680</u>	<u>75,184</u>
11,556	11,183	Placements with banks and other credit institutions	3	11,321	11,164
		Financial assets at fair value through profit or loss			
6	10	<i>Derivative financial instruments</i>		6	10
<u>6</u>	<u>10</u>			<u>6</u>	<u>10</u>
54,584	50,004	Debt securities	4	54,584	50,004
		Loans and receivables	5		
191,176	192,409	<i>Loans to customers</i>		186,494	188,010
13,530	15,875	<i>Finance lease receivable</i>		13,530	15,875
<u>204,706</u>	<u>208,284</u>			<u>200,024</u>	<u>203,885</u>
-	-	Investments in subsidiaries	8	6,406	6,687
528	1,423	Investment property	6	217	283
6,206	6,726	Property and equipment	7	6,185	6,703
464	364	Intangible assets		429	341
		Tax assets			
176	19	<i>Current taxes</i>		176	19
825	1,400	<i>Deferred taxes</i>		825	1,400
<u>1,001</u>	<u>1,419</u>			<u>1,001</u>	<u>1,419</u>
673	737	Other assets	9	665	691
<u>388,404</u>	<u>355,334</u>	Total assets		<u>389,518</u>	<u>356,371</u>

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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 TWELVE MONTH PERIOD AS AT 31TH DECEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
31 December 2020	31 December 2019	Liabilities	Notes	31 December 2020	31 December 2019
1	3,036	Due to banks and other credit institutions	10	1	3,036
61	59	Derivative financial instruments		61	59
341,647	310,431	Due to customers	11	343,028	311,398
1,000	1,000	Subordinated loans	12	1,000	1,000
2,201	2,184	Debt securities issued	12	2,201	2,184
74	35	Impairment		108	66
-	234	Tax assets		-	234
-	-	Current taxes		-	-
-	234	Deferred taxes		-	234
5,208	3,982	Other liabilities	13	4,921	3,804
350,192	320,961	Total liabilities		351,320	321,781
		Equity			
19,948	19,948	Share capital	14	19,948	19,948
7,622	3,779	Retained earnings		7,608	3,996
326	330	Revaluation reserve of property and equipment		326	330
10,316	10,316	Other reserves	14	10,316	10,316
38,212	34,373	Total shareholders' equity		38,198	34,590
388,404	355,334	Total liabilities and shareholders' equity		389,518	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 TWELVE MONTH PERIOD AS AT 31TH DECEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
31 December 2020	31 December 2019		Notes	31 December 2020	31 December 2019
12,233	10,972	Interest income	15	10,935	10,391
(1,833)	(1,787)	Interest expenses	15	(1,833)	(1,787)
10,400	9 185	Net interest income		9,102	8,604
5,511	6,683	Service fee and commission income	16	5,879	6,919
(837)	(496)	Service fee and commission expenses	16	(694)	(430)
4,674	6,187	Net service fee and commission income		5,185	6,489
-	-	Net result on equity securities trading		-	(740)
4,500	5,141	Net foreign exchange gain	17	4,500	5,141
323	(241)	Net result from operations with derivatives		323	(241)
-	-	Impairment of investments into subsidiaries		(281)	109
(122)	(606)	Net result on operations on investment property	6, 18	(17)	(289)
38	121	Other income		61	214
19,813	19,787	Total operating income		18,873	19,287
(1,717)	(974)	Impairment of loans and other financial assets		(1,592)	(878)
18,096	18,813	Operating income after impairment		17,281	18,409
(8,558)	(8,663)	Salaries and benefits		(8,230)	(8,301)
(1,125)	(1,132)	Depreciation		(1,119)	(1,126)
(183)	(137)	Amortisation		(166)	(109)
(3,697)	(4,287)	Other operating expenses	19	(3,472)	(4,136)
(13,563)	(14,219)	Total operating expenses		(12,987)	(13,672)
4,533	4,594	Operating profit (loss)		4,294	4,737
(695)	(746)	Income tax		(687)	(746)
3,838	3,848	Profit (loss) for the year		3,607	3,991
3,838	3,848	Attributable to equity holders of the Bank		3,607	3,991

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH DECEMBER 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
01-10-2020- 31-12-2020	01-10-2019- 31-12-2019		01-10-2020- 31-12-2020	01-10-2019- 31-12-2019
		Notes		
3,124	2,987	Interest income	2,728	2,764
(476)	(458)	Interest expenses	(477)	(458)
2,648	2,529	Net interest income	2,251	2,306
1,443	1,692	Service fee and commission income	1,520	1,780
(272)	(131)	Service fee and commission expenses	(212)	(113)
1,171	1,561	Net service fee and commission income	1,308	1,667
-	-	Net result on equity securities trading	-	-
1,431	1,433	Net foreign exchange gain	1,431	1,433
(156)	(124)	Net result from operations with derivatives	(156)	(124)
-	-	Impairment of investments into subsidiaries	(27)	-
37	(136)	Net result on operations on investment property	-	7
6	66	Other income	12	72
5,137	5,329	Total operating income	4,819	5,361
(791)	(299)	Impairment of loans and other financial assets	(735)	(279)
4,346	5,030	Operating income after impairment	4,084	5,082
(2,253)	(2,219)	Salaries and benefits	(2,149)	(2,109)
(273)	(289)	Depreciation	(271)	(287)
(54)	(37)	Amortisation	(50)	(34)
(1,055)	(1,275)	Other operating expenses	(989)	(1,222)
(3,635)	(3,820)	Total operating expenses	(3,459)	(3,652)
711	1,210	Operating profit (loss)	625	1,430
(137)	8	Income tax	(137)	8
574	1,218	Profit (loss) at the end of the reporting period	488	1,438
574	1,218	Attributable to equity holders of the Bank	488	1,438

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(5)
Other	-	-
	<u>1</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
	<u>1</u>	<u>-</u>
Other comprehensive income (expenses), after tax		
Profit (loss) at the end of the reporting period	3,607	3,991
Total comprehensive income	<u><u>3,608</u></u>	<u><u>3,991</u></u>
Attributable to:		
Equity holders of the Bank	3,608	3,991

The Group

	<u>31 December 2020</u>	<u>31 December 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(5)
Other	-	-
	<u>1</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
Related tax	-	-
	<u>-</u>	<u>-</u>
Other comprehensive income (expenses), after tax		
Profit (loss) at the end of the reporting period	3,838	3,848
Total comprehensive income	<u><u>3,839</u></u>	<u><u>3,848</u></u>
Attributable to:		
Equity holders of the Bank	3,839	3,848

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>01-10-2020 – 31-12-2020</u>	<u>01-10-2019 – 31-12-2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(5)
Other		
	<u>1</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
	<u>-</u>	<u>-</u>
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	488	1,438
Total comprehensive income	<u>489</u>	<u>1,438</u>
Attributable to:		
Equity holders of the Bank	489	1,438

The Group

	<u>01-10-2020 – 31-12-2020</u>	<u>01-10-2019 – 31-12-2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(5)
Other	-	-
	<u>1</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
Related tax	-	-
	<u>-</u>	<u>-</u>
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	574	1,218
Total comprehensive income	<u>575</u>	<u>1,218</u>
Attributable to:		
Equity holders of the Bank	575	1,218

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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 (restated)	Revaluation reserve of property and equipment	Other reserves	Total
At 31 December 2018	19,948	2,138	335	8,178	30,599
Profit or loss	-	3,991	-	-	3,991
Other comprehensive income (expense)	-	5	(5)	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(2,138)	-	2,138	-
At 31 December 2019	19,948	3,996	330	10,316	34,590
Profit or loss	-	3,607	-	-	3,607
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 December 2020	19,948	7,608	326	10,316	38,198

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

	Share capital	Retained earnings (restated)	Revaluation reserve of property and equipment	Other reserves	Total
At 31 December 2018	19,948	2,064	335	8,178	30,525
Profit or loss	-	1,218	-	-	1,218
Other comprehensive income (expense)	-	5	(5)	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(2,138)	-	2,138	-
At 31 December 2019	19,948	3,779	330	10,316	34,373
Profit or loss	-	3,838	-	-	3,838
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 December 2020	19,948	7,622	326	10,316	38,212

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
31	31		31	31
December	December		December	December
2020	2019		2020	2019
			Notes	
		Cash flows from operating activities		
3,838	3,848	Profit (loss) for the year	3,607	3,991
		Non-cash Revenue and Cost Recovery:		
1,308	1,269	Depreciation and amortisation	1,285	1,235
(34)	(119)	Loss, gain on the sale of tangible, intangible and investment property	21	(131)
1,756	974	Impairment of loans	1,634	878
-	-	Impairment of investments in subsidiaries	281	(109)
177	621	Impairment of investment property	17	304
6	85	Derivatives revaluation	6	85
110	19	Elimination of accrued vacation pay	108	10
695	746	Income tax expenses	687	746
182	(54)	Elimination of other non-cash items	144	(70)
8,038	7,389	Cash flows from (to) operating activities before changes in operating assets and liabilities	7,790	6,939
		Changes in operating assets and liabilities:		
(315)	59	Changes in compulsory reserves	(315)	59
-	-	Changes in amounts due from banks	-	-
(319)	(33,745)	Loans to customers	(75)	(31,691)
2,278	(3,661)	Finance lease receivable	2,278	(3,590)
(35)	(192)	Changes in due to banks and other credit institutions	(35)	(192)
33,270	23,250	Changes in due to customers	33,684	22,610
1,682	1,329	Changes in other assets and liabilities	1,562	(495)
44,599	(5,571)	Net cash flows from operating activities before income tax	44,889	(6,360)
(508)	-	Income tax (paid)	(501)	-
44,091	(5,571)	Net cash flows from operating activities after income tax	44,388	(6,360)
(1,076)	(1,032)	Investing activities	(1,043)	(1,004)
-	(12)	(Acquisitions) of intangible assets and property and equipment	-	-
722	1,173	(Acquisitions) of investment property	163	1,001
-	-	Proceeds from sale of tangible, intangible and equipment and investment property	-	(2,335)
-	-	Investments in subsidiaries	-	2,752
-	-	Sold subsidiaries	-	526
(566)	(600)	Part of the main amount of rent payments	(553)	(600)
38,049	43,494	Redemption of debt-securities	38,049	43,494
(42,629)	(22,752)	(Acquisitions) of of debt-securities	(42,629)	(22,752)
(5,500)	20,271	Net cash flows to investing activities	(6,013)	21,082

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(All amounts in EUR thousand unless otherwise stated)

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

Group			Bank	
31	31		31	31
December	December	Notes	December	December
2020	2019		2020	2019
		Financing activities		
17	17	Bonds (issued)	17	17
-	-	Bonds (redeemed)	-	-
(3,000)	3,000	Loans received according to Eurosystem Open market operations	(3,000)	3,000
5,535	7,143	Loans (received)	5,535	7,143
(7,080)	(9,269)	Loans (repaid)	(7,080)	(9,269)
(4,529)	891	Net cash flows from (to) financing activities	(4,529)	891
(508)	181	Effect of exchange rate changes on cash and cash equivalents	(508)	181
33,554	15,772	Net increase (decrease) in cash and cash equivalents	33,338	15,794
84,146	68,374	Cash and cash equivalents at 1 January	84,127	68,333
117,700	84,146	Cash and cash equivalents at 31 December	117,465	84,127
		Additional information to operating cash flows		
11,395	11,954	Interest (received)	10,140	11,388
(1,689)	(1,425)	Interest (paid)	(1,689)	(1,425)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH DECEMBER 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 fourth 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 31 December 2020 the Bank employed 310 employees (342 employees as at 31 December 2019). As at 31 December 2020 the Group employed 321 employees (352 employees as at 31 December 2019).

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

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

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. Karosas and Western Petroleum Ltd. entered into an agreement for the sale of shares to Nitin Shelke (founder and Chairman of the Board of Growmore Group). Deal should be finished after Lithuanian Bank and responsible national security organisations will give a permission.

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 31 December 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 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 2019. 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 2019 in the annual financial statements.

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

Board of the Bank and Group don't expect that newly published standards which are mandatory for accounting periods from 1 January 2020 or later will have major impact to the Bank and Group financial information. Also there is no any new standards which should be mandatory for the Bank and Group from year 2020 and which might have noticeable impact for financial information.

While preparing interim separate and consolidated financial statements according to IFRS some assumptions and estimations are applied. They have impact for accounted assets, amounts of liabilities and uncertain assets, liabilities at the day of report and also have impact for amount of income and costs at reporting period. Despite the fact that all these estimations are based on the knowledge of Board in the end results can be different. While preparing interim separate and consolidated financial statements there was applied the same assumptions and estimations which were used while preparing interim separate and consolidated financial statements for 31 December 2019.

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>31 December 2020</u>	<u>31 December 2019</u>
USD	1.2281	1.1189

Note 3 Placements with banks and other credit institutions

The Group			The Bank	
<u>31 December 2020</u>	<u>31 December 2019</u>		<u>31 December 2020</u>	<u>31 December 2019</u>
7,718	8,236	Cash in correspondent accounts	7,483	8,217
<u>3,838</u>	<u>2,947</u>	Term deposits	<u>3,838</u>	<u>2,947</u>
<u>11,556</u>	<u>11,183</u>	Placements with banks and other credit institutions	<u>11,321</u>	<u>11,164</u>

Debt securities

The Bank (Group)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Government bonds of the Republic of Lithuania	43,725	37,069
Government bonds of the Republic of Croatia	3,063	-
Government bonds of the Republic of Latvia	2,445	6,036
Government bonds of the Republic of Poland	2,357	1,555
Government bonds of the Republic of Romania	2,172	2,006
Government bonds of the Kingdom of Sweden	822	1,525
Government bonds of the Republic of Iceland	-	660
Financial company bonds	886	893
Non-financial company bonds	260	260
Total	<u>54,584</u>	<u>50,004</u>

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Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	31 December 2020	31 December 2019
Loans to customers, including short-term bills of exchange	187,746	187,356
Overdrafts	234	837
Factoring	650	763
Leasing	13,923	16,002
	202,553	204,958
Less: impairment	(2,529)	(1,073)
Loans and receivables, net	200,024	203,885

	The Group	
	31 December 2020	31 December 2019
Loans to customers, including short-term bills of exchange	192,655	191,866
Overdrafts	234	837
Factoring	650	763
Leasing	13,923	16,002
	207,462	209,468
Less: impairment	(2,756)	(1,184)
Loans and receivables, net	204,706	208,284

Note 6 Investment property

	The Bank	
	31 December 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	
	31 December 2020	31 December 2019
Balance at the beginning of year	1,423	3,018
Additions	80	603
Disposals	(798)	(1,577)
Changes in fair value	(177)	(621)
Balance at the end of year	528	1,423

The fair value of investment properties owned by subsidiaries:

	31 December 2020	31 December 2019
UAB TG Invest-1	311	1,140
Total	311	1,140

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Note 7 Property and equipment

Non-current tangible assets for Bank as at 2020 December 31 amounted to 6,185 thousand EUR including property lease worth 1,201 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.

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	
	31 December 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	(281)	109
	-	(834)
Balance at the end of the report period	6,406	6,687

Balance as at 31 December 2020	Ownership	Direct	Nominal	Impairment	Carrying
	(%)	ownership	amount		value
UAB TG Invest-1	100	100	3,033	(1,170)	1,917
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,228)	6,406
Balance as at 31 December 2019	Ownership	Direct	Nominal	Impairment	Carrying
	(%)	ownership	amount		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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
290	310	Prepayments	283	306
11	14	Debtors	11	4
68	31	VAT receivable	68	30
297	314	Deferred costs	281	313
8	103	Other	22	73
674	772		665	726
-	(35)	Deducted: Impairment losses on receivables	-	(35)
674	737	Other assets	665	691

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Note 10 Due to banks and other credit institutions

	The Bank (Group)	
	31 December 2020	31 December 2019
Loans received according to Eurosystem Open market operations	-	3,000
Current accounts and overnight deposits	1	36
Amounts due to banks and other credit institutions	1	3,036

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

Note 11 Due to customers

Amounts due to customers comprise of:

The Group			The Bank	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
172,994	169,615	Term deposits	172,994	169,615
160,224	130,841	Current accounts	161,605	131,808
8,429	9,975	Loans from funds	8,429	9,975
341,647	310,431	Amounts due to customers	343,028	311,398
34,718	25,936	Out of which held as security against guarantees and loans	34,718	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.

Debt securities issued

In July 2018 the Bank have issued subordinated debt securities emission. As of 31 December 2020 net value of issued debt securities is 2,201 thous. EUR (as of 31 December 2019 2,184 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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
1 585	1,264	Accrued payments to employees	1 495	1,206
135	68	Prepayments (advance payments)	3	2
1 433	1,408	Accrued expenses	1 433	1,408
1 464	414	AML suspended funds	1 464	414
24	-	Sales VAT	24	-
12	218	Receipts from sale of loan portfolio (claims)	12	218
79	97	Deferred income	79	97
1	-	Liabilities to the Board of the State Social Fund Payable to the Latvian and Estonian Road Transport Administration	1	-
25	17		25	17
233	297	Debt to suppliers	173	263
217	199	Other	212	179
5 208	3,982	Other liabilities	4 921	3,804

Note 14 Shareholders' equity

As at 31 December 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)	
	31 December 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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
10,603	9,308	On loans to customers	9,328	8,728
270	159	On impaired loans to customers including interest on arrears	247	159
824	756	Leasing including interest on arrears	824	756
86	136	Other Interest on arrears	86	135
412	496	On debt securities	412	496
38	117	On placements with the banks and other credit institutions	38	117
12,233	10,972	Interest revenue	10,935	10,391
(1,121)	(1,129)	On obligations to customers, including letters of credit	(1,121)	(1,129)
(269)	(277)	Deposit insurance	(269)	(277)
(20)	(20)	On subordinated loans	(20)	(20)
(172)	(172)	For debt securities	(172)	(172)
(2)	(9)	Loan portfolio guarantee insurance	(2)	(9)
(195)	(117)	On obligations to banks and other credit institutions	(195)	(117)
(54)	(63)	Lease of property	(54)	(63)
(1,833)	(1,787)	Interest expenses	(1,833)	(1,787)
10,400	9,185	Net interest income	9,102	8,604

Note 16 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
2,291	2,531	Payment services	2,291	2,531
186	389	Income from currency exchange	186	389
755	772	Administration of bank accounts	755	772
1,356	1,619	Collection of payments	1,356	1,619
75	596	Brokerage income	443	596
516	616	Cash operations	516	616
332	160	Other	332	396
5,511	6,683	Service fee and commission income	5,879	6,919
(50)	(69)	Rent fee according to agreements	(50)	(69)
(428)	(272)	Cash operations	(428)	(272)
(359)	(155)	Other	(216)	(89)
(837)	(496)	Service fee and commission expense	(694)	(430)
4,674	6,187	Net service fee and commission income	5,185	6,489

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Note 17 Net foreign exchange gain

	The Bank (Group)	
	31 December 2020	31 December 2019
Gain on dealing in foreign currencies	5,008	4,960
Revaluation of items in statement of financial position, net	(508)	181
Net foreign exchange gain	4,500	5,141

Note 18 Net result on operations with investment property

The Group			The Bank	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
55	15	Realised gain (loss)	-	15
(177)	(621)	Changes in fair value	(17)	(304)
(122)	(606)	Net result on operations with investment property	(17)	(289)

Note 19 Operating expenses

Operating expenses are as follows:

The Group			The Bank	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
(273)	(361)	Rent and maintenance of premises	(254)	(342)
(832)	(798)	Office supplies	(820)	(798)
(370)	(351)	Payments for Bank's service providers	(370)	(351)
(350)	(788)	Taxes other than income tax	(296)	(761)
(227)	(233)	Communication	(225)	(231)
(5)	3	Debt recovery costs	(5)	3
(292)	(347)	Transportation expenses	(290)	(345)
(30)	(56)	Investment property maintenance	(4)	(17)
(98)	(103)	Security	(98)	(103)
(311)	(305)	Marketing and advertising	(311)	(297)
(69)	(54)	Legal fees and consulting	(59)	(29)
(30)	(55)	Personnel training	(29)	(55)
(44)	(60)	Representation	(43)	(59)
(93)	(67)	Building repair costs	(93)	(67)
(2)	(14)	Sponsorship	(2)	(14)
(25)	(52)	Business trips	(24)	(51)
(39)	(38)	Disposable items	(39)	(38)
(20)	(27)	Stationary supplies	(20)	(27)
(148)	(146)	Insurance expenses	(143)	(141)
(26)	(25)	Membership fees	(26)	(25)
-	(75)	Teambuilding expenses	-	(75)
(213)	(159)	Accounting services	(146)	(159)
(200)	(176)	Other	(175)	(154)
(3,697)	(4,287)	Total other operating expenses	(3,472)	(4,136)

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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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
29,442	29,650	Cash on hand	29,442	29,650
76,702	43,313	Current accounts with the Bank of Lithuania	76,702	43,313
7,718	8,236	Current accounts with other credit institutions	7,483	8,217
3,838	2,947	Term deposits with credit institutions up to 90 days	3,838	2,947
117,700	84,146	Cash and cash equivalents	117,465	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 re-pricing of assets to the market interest rates, the interest rates applicable approximate market rates and, consequently, the fair value approximate the carrying amounts.

Loans to customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective end of 2020 fourth 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	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	108,679	108,679	75,183	75,183
Placements with banks and other credit institutions	11,321	11,321	11,164	11,164
Debt securities	54,584	55,136	50,004	50,691
Loans and receivables	200,024	203,295	203,884	208,152
Other assets	-	-	691	691
Total financial assets	374,608	378,431	340,926	345,881
Financial liabilities				
Due to banks and other credit institutions	1	1	3,036	3,036
Due to customers, including letters of credit	343,028	345,082	311,398	316,385
Debt securities issued	2,201	2,471	2,184	2,266
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	4,921	4,921	3,804	3,804
Total financial liabilities	351,151	353,475	321,422	326,491
The Group				
Financial assets				
Cash and due from central bank	108,679	108,679	75,183	75,183
Placements with banks and other credit institutions	11,556	11,556	11,183	11,183
Debt securities	54,584	55,136	50,004	50,691
Loans and receivables	204,706	205,097	208,284	212,551
Other assets	-	-	737	733
Total financial assets	379,525	380,468	345,391	350,341
Financial liabilities				
Due to banks and other credit institutions	1	1	3,036	3,036
Due to customers, including letters of credit	341,647	343,701	310,431	315,418
Debt securities issued	2,201	2,471	2,184	2,266
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	5,208	5,208	3,982	3,982
Total financial liabilities	350,057	352,381	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)

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

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

The Bank

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

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

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

The Group

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

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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 2020 and 31 December 2019 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 31 December 2020, net	-	11,902	30	3,507
Interest rate,%	-	4.2	6.58	2.0-4.3
Impairment of loans	-	(136)	-	(18)
Term deposits as at 31 December 2020	-	-	12	1,201
Interest rate,%	-	-	0.3	0.3-0.35
Demand accounts as at 31 December 2020	29	1,381	224	5,683
Bonds issued as at 31 December 2020	100	-	-	-
Interest rate,%	7.0	-	-	-
Subordinated loans as at 31 December 2020	1,000	-	-	-
Interest rate,%	2.0	-	-	-
For twelve month period which ended at 31 December 2020				
Interest income on loans	-	375	1	98
Interest expense on deposits	-	-	-	(4)
Interest expense on bonds	(7)	-	-	-
Interest expense on subordinated loans	(20)	-	-	-
Service fee and commission revenue	1	378	-	14
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 twelve month period which ended at 31 December 2019				
Interest income on loans	1	47	-	108
Interest expense on deposits	(1)	-	-	(3)
Interest expense on bonds	(7)	-	-	-
Interest expense on subordinated loans	(20)	-	-	-
Service fee and commission revenue	1	242	-	13
Service fee and commission expenses	-	-	-	(3)

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Note 22 Related party transactions (cont'd)**The Group**

	<u>Shareholders</u>	<u>Key management personnel</u>	<u>Other*</u>
Loans outstanding as at 31 December 2020, net	-	44	3,493
Interest rate,%	-	3.0-6.58	2.0-4.3
Impairment of loans	-	-	(18)
Term deposits as at 31 December 2020	-	12	1,201
Interest rate,%	-	0.3	0.3-0.35
Demand accounts as at 31 December 2020	29	255	5,652
Bonds issued as at 31 December 2020	100	-	-
Interest rate,%	7.0	-	-
Subordinated loans as at 31 December 2020	1,000	-	-
Interest rate,%	2.0	-	-
For twelve month period which ended at 31 December 2020			
Interest income on loans	-	1	98
Interest expense on deposits	-	-	(4)
Interest expense on bonds	(7)	-	-
Interest expense on subordinated loans	(20)	-	-
Service fee and commission revenue	1	-	14
Service fee and commission expenses	-	-	-

The Group

	<u>Shareholders</u>	<u>Key management personnel</u>	<u>Other*</u>
Loans outstanding as at 31 December 2019, net	34	-	3,962
Interest rate,%	6.58	-	2.0-4.5
Impairment of loans	-	-	(12)
Term deposits as at 31 December 2019	21	13	1,956
Interest rate,%	6.5	0.05-0.3	0-0.45
Demand accounts as at 31 December 2019	65	97	2,427
Bonds issued as at 31 December 2019	100	-	-
Interest rate,%	7	-	-
Subordinated loans as at 31 December 2019	1,000	-	-
Interest rate,%	2	-	-
For twelve month period which ended at 31 December 2019			
Interest income on loans	1	-	108
Interest expense on deposits	(1)	-	(3)
Interest expense on bonds	(7)	-	-
Interest expense on subordinated loans	(20)	-	-
Service fee and commission revenue	1	-	13
Service fee and commission expenses	-	-	(3)

* 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 personell is comprised of members of the Management Board and Administration of the Bank and it's 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 31 December 2020 and in the Statement of comprehensive income as at 31 December 2020 is presented in the table below:

	31 December 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	380	-	(5)	(375)	-
External	11,770	450	13	-	12,233
Interest income	12,150	450	8	(375)	12,233
Internal	(380)	-	-	380	-
External	(1,466)	(367)	-	-	(1,833)
Interest expenses	(1,846)	(367)	-	380	(1,833)
Internal	-	-	(5)	5	-
External	10,304	83	13	-	10,400
Net interest income	10,304	83	8	5	10,400
Internal	-	-	-	-	-
External	4,925	-	(4)	(247)	4,674
Net fee and commission income	4,925	-	(4)	(247)	4,674
Internal	-	-	(5)	5	-
External	15,229	83	9	(247)	15,074
Net interest, fee and commissions income	15,229	83	4	(242)	15,074
Internal	-	-	(281)	281	-
External	(11,930)	(201)	(122)	-	(12,253)
Operating expenses	(11,930)	(201)	(403)	281	(12,253)
Amortisation charges	(183)	-	-	-	(183)
Depreciation charges	(1,125)	-	-	-	(1,125)
Internal	-	-	-	-	-
External	(1,717)	-	-	-	-
Impairment expenses	(1,717)	-	-	-	(1,717)
Internal	-	-	-	-	-
External	4,159	664	(85)	-	4,738
Net other income	4,159	664	(85)	-	4,738
Profit (loss) before tax	4,432	546	(484)	39	4,533
Income tax	(695)	-	-	-	(695)
Profit (loss) per segment after tax	3,737	546	(484)	39	3,838
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	3,737	546	(484)	39	3,838
Total segment assets	248,495	159,170	1,892	(21,153)	388,404
Total segment liabilities	352,392	12,221	66	(14,487)	350,192
Net segment assets (shareholders equity)	(103,897)	146,949	1,826	(6,666)	38,212

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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 31 December 2019 and in the Statement of comprehensive income as at 31 December 2019 is presented in the table below:

	31 December 2019				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	47	-	-	(47)	-
External	10,354	612	-	-	10,966
Interest income	10,401	612	-	(47)	10,966
Internal	(47)	-	-	47	-
External	(1,498)	(289)	-	-	(1,787)
Interest expenses	(1,545)	(289)	-	47	(1,787)
Internal	-	-	-	-	-
External	8,856	323	-	-	9,179
Net interest income	8,856	323	-	-	9,179
Internal	-	-	-	-	-
External	6,394	-	(4)	(195)	6,195
Net fee and commission income	6,394	-	(4)	(195)	6,195
Internal	-	-	-	-	-
External	15,250	323	(4)	(195)	15,374
Net interest, fee and commissions income	15,250	323	(4)	(195)	15,374
Internal	-	-	(1,182)	1,182	-
External	(10,047)	(216)	(2,481)	-	(12,744)
Operating expenses	(10,047)	(216)	(3,663)	1,182	(12,744)
Amortisation charges	(137)	-	-	-	(137)
Depreciation charges	(1,132)	-	-	-	(1,132)
Internal	-	-	-	-	-
External	(973)	-	-	-	(973)
Impairment expenses	(973)	-	-	-	(973)
Internal	-	-	-	-	-
External	4,395	505	(454)	-	4,446
Net other income	4,395	505	(454)	-	4,446
Profit (loss) before tax	7,356	612	(4,121)	987	4,834
Income tax	(746)	-	-	-	(746)
Profit (loss) per segment after tax	6,610	612	(4,121)	987	4,088
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	6,610	612	(4,121)	987	4,088
Total segment assets	251,520	113,411	2,211	(11,808)	355,334
Total segment liabilities	317,670	8,200	73	(4,982)	320,961
Net segment assets (shareholders equity)	(66,150)	105,211	2,138	(6,826)	34,373

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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
6,510	6,986	Maximum exposure to a single customer or group of connected customers	6,510	6,986
36 902	33,076	Eligible capital	37,070	33,331
17.64	21.12	Maximum exposure ratio, %	17.56	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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
		Statement of financial position items, other than trading and investment activities		
79,238	45,534	Balances with the Bank of Lithuania	79,238	45,534
		Due from banks		
11,556	11,183		11,321	11,164
191,176	192,409	Loans to customers	186,494	188,010
13,530	15,875	Receivables from leasing	13,530	15,875
295,500	265,001		290,583	260,583
		Off balance sheet items		
2,839	2,088	Guarantees	2,839	2,088
13,096	10,782	Loan commitments	16,062	15,801
311,435	277,871	Total balance and off balance sheet items, other than trading and investment activities	309,484	278,472
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
67	10	Derivative financial instruments	6	10
-	-	Held-to-maturity investments	-	-
54,584	50,004	Debt securities	54,584	50,004
54,590	50,014	Total trading and investment activities	54,590	50,014
-	41	Other financial assets	-	41
366,025	327,926	Total credit exposure	364,074	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)	
	31 December 2020	31 December 2019
Government bonds	54,584	48,851
Regional government bonds	-	-
Multilateral Development Banks Bonds	-	893
Corporate bonds	-	260
Derivatives	6	10
Total	54,590	50,014

	The Bank (Group)	
	31 December 2020	31 December 2019
High grade (AAA-A)	49,349	47,078
Standard grade (B-BBB+)	5,235	2,926
Not rated	-	-
Total	54,584	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
31 December 2020					
Stage 1					
Loans and receivables	149,074	565	-	-	149,639
Placements with LB and other banks	90,559	-	-	-	90,559
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	294,217	565	-	-	294,782
Stage 2					
Loans and receivables	43,200	957	30	-	44,187
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,200	957	30	-	44,187
Stage 3					
Loans and receivables	3,894	602	25	1,677	6,198
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,894	602	25	1,677	6,198
Total	341,311	2,124	55	1,677	345,167

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Note 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
31 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
31 December 2020					
Stage 1					
Loans and receivables	152,964	894	-	-	153,858
Placements with LB and other banks	90,794	-	-	-	90,794
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	298,342	894	-	-	299,236
Stage 2					
Loans and receivables	43,348	1,170	61	-	44,579
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,348	1,170	61	-	44,579
Stage 3					
Loans and receivables	3,899	611	26	1,733	6,269
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,899	611	26	1,733	6,269
Total	345,589	2,675	87	1,733	350,084

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Note 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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Total	1,737	1,063	62	12	2,874	686	583	30	4	1 303
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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
31 December 2020										
248	-	23	8	279	Stage 1	241	-	25	8	274
252	-	23	8	283	Loans and receivables	245	-	25	8	278
-	-	-	-	-	Placements with LB and other banks	-	-	-	-	-
(4)	-	-	-	(4)	Debt securities	(4)	-	-	-	(4)
-	-	-	-	-	Other financial assets	-	-	-	-	-
804	48	9	-	861	Stage 2	793	48	9	-	850
804	48	9	-	861	Loans and receivables	793	48	9	-	850
-	432	-	-	432	Stage 3	-	334	-	-	334
-	467	-	-	467	Loans and receivables	-	369	-	-	369
-	(35)	-	-	(35)	Other financial assets	-	(35)	-	-	(35)
1,052	480	32	8	1,572	1,034	1,034	382	34	8	1,458
-	-	-	-	160	Write-offs	-	-	-	-	149
-	-	-	-	(15)	Income on loans written off in earlier periods	-	-	-	-	(15)
-	-	-	-	1,717	Total change of impairment	-	-	-	-	1,592

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.

During 2020 Bank have postponed of 200 clients loan repayments (Group – 259 clients), that meets the conditions of the moratorium, with net value of EUR 41.37 million (Group – EUR 41.65 million) or 20.68 % (Group – 20.35 %) 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 186 applications have been approved for business customers, with the total net deferred amount EUR 40.63 million, 14 applications have been approved for private customers, with the total net deferred amount EUR 0.74 million.

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Note 24 Risk management (cont'd)

In the context of the uncertainty related to COVID-19 pandemic and its impact on business in 2020, the loans to the most COVID-19 pandemic affected industry sectors have been reclassified as a separate homogeneous subgroup assigned to Stage 2. As of 31 December, 2020, this portfolio amounted to net value of EUR 23.32 million, and provisions EUR 0.704 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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
163,815	123,647	Liquid assets	163,815	123,647
30,811	22,294	Short-term (up to 30 days) obligations	33,215	24,502
532	555	LCR, %	493	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	31 December 2020							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	116,162	12,955	12,249	38,869	105,509	89,320	16,454	389,518
Liabilities and shareholders' equity	163,252	26,877	16,873	75,652	46,653	21,903	38,308	389,518
Net gap	(47,090)	(13,922)	(4,624)	(38,783)	58,856	67,417	(21,854)	-
Credit commitments	-	16,062	-	-	-	-	-	16,062

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

The Group	31 December 2019							Total
	On,demand	Less,than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	83,421	12,220	19,057	55,277	79,130	94,803	11,427	355,334
Liabilities and shareholders equity	131,402	22,652	22,110	77,351	38,594	28,816	34,409	355,334
Net gap	(47,981)	(10,432)	(3,053)	(22,074)	40,536	65,987	(22,982)	-
Credit commitments	-	10,782	-	-	-	-	-	10,782

Overdue loans are disclosed under column "Without maturity".

The circumstances of the Covid-19 pandemic had no significant impact on the liquidity level of the Bank during the third quarter of 2020.

Market risk

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

Interest rate risk

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

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

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

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

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

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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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
327	469	Long positions	327	469
(131)	(309)	Short positions	(131)	(309)
36,902	33,076	Eligible capital	37,070	33,331
0.89	1.42	Overall net currency position, %	0.88	1.41

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

	31 December 2020	31 December 2019
Increase in FX rates by 10%	20	16
Decrease in FX rates by 10%	(20)	(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 funds requirement (Pillar II) was set at 1,8% from 31 December 2019. During 2020 supervisory review by the Bank of Lithuania and evaluation process (SREP) additional own fund requirement was confirmed to remain at the same level of 1,8%.

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.

After permission issued by the Bank of Lithuania, part of nine months audited financial profit was included in 31 December 2020 Common Equity Tier 1.

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

The Group			The Bank	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
18.98	16.18	CET 1 Capital ratio	18.42	16.07
18.98	16.18	Tier 1 Capital ratio	18.42	16.07
20.41	17.76	Capital adequacy ratio	19.81	17.63

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Note 26 Quality of financial assets, profitability rates and other information

Financial assets quality indicators as at 31 December 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 (%)
2,362	1.22	Loans to customers	2,135	1.13
394	2.83	Finance lease receivable	394	2.83
33	0.06	Debt securities	33	0.06
11	0.10	Placements with banks	11	0.10
-	-	Other assets	-	-
2,800	1.02	Total:	2,573	0.96

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	
31 December 2020	31 December 2019		31 December 2020	31 December 2019
1.06	1.11	Return on assets (ROA)	1.00	1.15
10.59	9.67	Return on equity (ROE)	9.84	10.03

Action applied to the Bank

During the fourth quarter of 2020 any measures of effect which can affect these financial statements or which should be expanded for more details were not applied to the Medicinos Bankas.

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Note 27 Events after the reporting date

There were no material subsequent events during the fourth quarter of year 2020 that would require adjustment of or disclosure in those financial statements of the Group and the Bank.

CONFIRMATION OF RESPONSIBLE PERSONS

We, UAB Medicinos Bankas Chairman of the Board and Chief Executive Officer Dalia Klišauskienė and Director of Accounting and Reporting Department, Chief Accountant Lina Bertašienė, confirm that the financial statements for fourth 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