

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST
MARCH 2021 PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31 MARCH 2021

(All amounts in EUR thousand unless otherwise stated)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>The Group</u>				<u>The Bank</u>	
<u>31 March 2021</u>	<u>31 December 2020</u>	Assets	Notes	<u>31 March 2021</u>	<u>31 December 2020</u>
		Cash and due from central bank			
24,412	29,442	<i>Cash</i>		24,412	29,442
65,119	79,238	<i>Placements with the central bank</i>		65,119	79,238
89,531	108,680			89,531	108,680
9,334	11,556	Placements with banks and other credit institutions	3	9,290	11,321
		Financial assets at fair value through profit or loss			
12	6	<i>Derivative financial instruments</i>		12	6
12	6			12	6
58,217	54,584	Debt securities	4	58,217	54,584
		Loans and receivables	5		
198,891	191,176	<i>Loans to customers</i>		193,378	186,494
15,216	13,530	<i>Finance lease receivable</i>		15,216	13,530
214,107	204,706			208,594	200,024
-	-	Investments in subsidiaries	6	6,373	6,406
420	528	Investment property		229	217
6,197	6,206	Property and equipment		6,177	6,185
407	464	Intangible assets		376	429
		Tax assets			
231	176	<i>Current taxes</i>		231	176
658	825	<i>Deferred taxes</i>		658	825
889	1,001			889	1,001
710	673	Other assets		913	665
379,824	388,404	Total assets		380,601	389,518

(continued on the next page)

The accompanying notes on pages 11 to 41 are an integral part of these financial statements.

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(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
31 March 2021	31 December 2020	Liabilities	Notes	31 March 2021	31 December 2020
1	1	Due to banks and other credit institutions		1	1
26	26	Derivative financial instruments		26	61
331,001	331,001	Due to customers	7	331,838	343,028
1,000	1,000	Subordinated loans	8	1,000	1,000
2,176	2,176	Debt securities issued	8	2,176	2,201
62	62	Impairment		70	108
79	79	Tax assets		79	-
-	-	Current taxes		-	-
79	79	Deferred taxes		79	-
6,342	6,342	Other liabilities	9	6,028	4,921
340,687	340,687	Total liabilities		341,218	351,320
		Equity			
19,948	19,948	Share capital	10	19,948	19,948
7,958	7,958	Retained earnings		8,223	7,608
326	326	Revaluation reserve of property and equipment		326	326
10,905	10,905	Other reserves	10	10,886	10,316
39,137	39,137	Total shareholders' equity		39,383	38,198
379,824	379,824	Total liabilities and shareholders' equity		380,601	356,371

The accompanying notes on pages 11 to 41 are an integral part of these financial statements.

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31 March 2021

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
31 March 2021	31 March 2020		Notes	31 March 2021	31 March 2020
3,053	3,067	Interest income	11	2,735	2,805
(486)	(457)	Interest expenses	11	(486)	(457)
2,567	2,610	Net interest income		2,249	2,348
1,217	1,454	Service fee and commission income	12	1,329	1,548
(221)	(140)	Service fee and commission expenses	12	(187)	(126)
996	1,314	Net service fee and commission income		1,142	1,422
-	-	Net result on equity securities trading		200	-
1,194	754	Net foreign exchange gain	13	1,194	754
(340)	310	Net result from operations with derivatives		(340)	310
-	-	Impairment of investments into subsidiaries		(33)	-
3	(1)	Net result on operations on investment property		-	-
60	8	Other income		66	15
4,480	4,995	Total operating income		4,478	4,849
(128)	(577)	Impairment of loans and other financial assets		(36)	(494)
4,352	4,418	Operating income after impairment		4,442	4,355
(2,065)	(2,199)	Salaries and benefits		(1,943)	(2,136)
(284)	(285)	Depreciation		(282)	(284)
(57)	(37)	Amortisation		(52)	(33)
(777)	(1,088)	Other operating expenses	14	(736)	(1,042)
(3,183)	(3,609)	Total operating expenses		(3,013)	(3,495)
1,169	809	Operating profit (loss)		1,429	860
(244)	(146)	Income tax		(244)	(137)
925	663	Profit (loss) for the year		1,185	723
925	663	Attributable to equity holders of the Bank		1,185	723

The accompanying notes on pages 11 to 41 are an integral part of these financial statements.

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>31 March 2021</u>	<u>31 March 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	5
Transfer of depreciation for PPE net of tax	-	(4)
Other	-	-
	<u>-</u>	<u>1</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	1,185	723
Total comprehensive income	<u>1,185</u>	<u>723</u>
Attributable to:		
Equity holders of the Bank	1,185	723

The Group

	<u>31 March 2021</u>	<u>31 March 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
	<u>-</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
	<u>-</u>	<u>-</u>
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	925	663
Total comprehensive income	<u>925</u>	<u>663</u>
Attributable to:		
Equity holders of the Bank	925	663

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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 2019	19,948	3,996	330	10 316	34,590
Profit or loss	-	723	-	-	723
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 March 2020	19,948	4,719	330	10,316	35,313
Profit or loss	-	2,884	-	-	2,884
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
Profit or loss	-	1,185	-	-	1,185
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(570)	-	570	-
At 31 March 2021	19,948	8,223	326	10,886	39,383

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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 2019	<u>19,948</u>	<u>3,779</u>	<u>330</u>	<u>10,316</u>	<u>34,373</u>
Profit or loss	-	663	-	-	663
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 March 2020	<u>19,948</u>	<u>4,442</u>	<u>330</u>	<u>10,316</u>	<u>35,036</u>
Profit or loss	-	3,175	-	-	3,175
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 December 2020	<u>19,948</u>	<u>7,622</u>	<u>326</u>	<u>10,316</u>	<u>38,212</u>
Profit or loss	-	925	-	-	925
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(589)	-	589	-
At 31 March 2021	<u>19,948</u>	<u>7,958</u>	<u>326</u>	<u>10,905</u>	<u>39,137</u>

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
		Cash flows from operating activities		
925	663	Profit (loss) for the year	1,185	723
		Non-cash Revenue and Cost Recovery:		
341	322	Depreciation and amortisation	334	317
(57)	1	Loss, gain on the sale of tangible, intangible and investment property	(54)	-
128	577	Impairment of loans	36	494
-	-	Impairment of investments in subsidiaries	33	-
-	-	Impairment of investment property	-	-
(41)	31	Derivatives revaluation	(41)	31
84	55	Elimination of accrued vacation pay	100	48
244	146	Income tax expenses	244	137
81	(376)	Elimination of other non-cash items	(127)	(366)
1,705	1,419	Cash flows from (to) operating activities before changes in operating assets and liabilities	1,710	1,384
		Changes in operating assets and liabilities:		
(102)	(83)	Changes in compulsory reserves	(102)	(83)
(7,855)	1,851	Loans to customers	(6,959)	1,912
(1,708)	(976)	Finance lease receivable	(1,708)	(976)
-	-	Changes in due to banks and other credit institutions	-	-
(10,974)	(6,822)	Changes in due to customers	(11,518)	(6,790)
1,181	129	Changes in other assets and liabilities	1,138	76
(17,753)	(4,482)	Net cash flows from operating activities before income tax	(17,439)	(4,477)
(155)	(62)	Income tax (paid)	(155)	(53)
(17,908)	(4,544)	Net cash flows from operating activities after income tax	(17,594)	(4,530)
		Investing activities		
(479)	(56)	(Acquisitions) of intangible assets and property and equipment	(479)	(56)
-	-	(Acquisitions) of investment property	-	-
375	69	Investments in subsidiaries	252	17
-	-	Part of the main amount of rent payments	-	-
(131)	(138)	Redemption of debt-securities	(131)	(138)
10,402	14,981	(Acquisitions) of of debt-securities	10,402	14,981
(14,035)	(10,445)	Net cash flows to investing activities	(14,035)	(10,445)
(3,868)	4,411		(3,991)	4,359

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

Group			Bank	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
		Notes		
		Financing activities		
-	-	Bonds (issued)	-	-
(25)	(35)	Bonds (redeemed)	(25)	(35)
	(3,000)	Loans received according to Eurosystem Open market operations	-	(3,000)
2,115	1,394	Loans (received)	2,115	1,394
(2,122)	(2,105)	Loans (repaid)	(2,122)	(2,105)
(32)	(3,746)	Net cash flows from (to) financing activities	(32)	(3,746)
(335)	(376)	Effect of exchange rate changes on cash and cash equivalents	(335)	(376)
21,473	(4,255)	Net increase (decrease) in cash and cash equivalents	21,282	(4,293)
117,700	84,146	Cash and cash equivalents at 1 January	117,465	84,127
96,227	79,891	Cash and cash equivalents at 31 December	96,183	79,834
		15		
		Additional information to operating cash flows		
2,981	2,648	Interest (received)	2,674	2,439
(499)	(542)	Interest (paid)	(499)	(542)

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D. Kliškauskienė

Director of Accounting and
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L. Bertašienė

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(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 first quarter of 2021 the Bank had 46 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 March 2021 the Bank employed 311 employees (310 employees as at 31 December 2020). As at 31 March 2021 the Group employed 321 employees (321 employees as at 31 December 2020).

As at 31 March 2021 the shareholders of the Bank were as follows:

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

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

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

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

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

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

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

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

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

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

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

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(All amounts in EUR thousand unless otherwise stated)

Note 1 Background information (cont'd)

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

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

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 31 March 2021 and 31 December 2020, 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 2020. Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Despite the principles mentioned below the accounting policies applied in the preparation of this condensed intermediate financial information are consistent with the accounting policies applied by the Bank in 2020 in the annual financial statements.

New and modified standards and interpretations

Board of the Bank and Group don't expect that newly published standards which are mandatory for accounting periods from 1 January 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 2021 and which might have noticeable impact for financial information.

While preparing interim separate and consolidated financial statements according to IFRS some assumptions and estimations are applied. They have impact for accounted assets, amounts of liabilities and uncertained 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 2020.

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):

	31 March 2021	31 December 2020
USD	1.1741	1.2281

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(All amounts in EUR thousand unless otherwise stated)

Note 3 Placements with banks and other credit institutions

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
8,600	7,718	Cash in correspondent accounts	8,556	7,483
734	3,838	Term deposits	734	3,838
9,334	11,556	Placements with banks and other credit institutions	9,290	11,321

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

	31 March 2021	31 December 2020
Government bonds of the Republic of Lithuania	41,471	43,725
Government bonds of the Republic of Romania	4,591	2,172
Government bonds of the Republic of Croatia	3,995	3,063
Government bonds of the Republic of Slovenia	2,730	-
Government bonds of the Republic of Latvia	2,568	2,445
Government bonds of the Republic of Poland	1,880	2,357
Government bonds of the Kingdom of Hungary	982	822
Total	58,217	54,584

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	31 March 2021	31 December 2020
Loans to customers, including short-term bills of exchange	194,739	187,746
Overdrafts	123	234
Factoring	710	650
Leasing	15,627	13,923
	211,199	202,553
Less: impairment	(2,605)	(2,529)
Loans and receivables, net	208,594	200,024

	The Group	
	31 March 2021	31 December 2020
Loans to customers, including short-term bills of exchange	200,545	192,655
Overdrafts	123	234
Factoring	710	650
Leasing	15,627	13,923
	217,005	207,462
Less: impairment	(2,898)	(2,756)
Loans and receivables, net	214,107	204,706

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Note 6 Investment in subsidiaries

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

	The Bank	
	31 March 2021	31 December 2020
Balance at the beginning of the year	6,406	6,687
Additional impairment of investment in subsidiaries	(33)	(281)
Balance at the end of the reporting period	6,373	6,406

Balance as at 31 March 2021	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,230)
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,261)	6,373

Balance as at 31 December 2020	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,197)
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,228)	6,406

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
164,905	172,994	Term deposits	164,905	172,994
157,673	160,224	Current accounts	158,510	161,605
8,423	8,429	Loans from funds	8,423	8,429
331,001	341,647	Total	331,838	343,028
31,742	34,718	Out of which held as security against guarantees and loans	31,742	34,718

Note 8 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 March 2021 net value of issued debt securities is 2,176 thous. EUR (as of 31 December 2020 2,201 thous. EUR). From 1 August 2018 debt securities of UAB Medicinos bankas are listed in Nasdaq stock exchange – ISIN code LT0000432114 (ticker: OPMB070025A).

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

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Note 9 Other liabilities

Other liabilities comprise of:

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
2,049	1,585	Accrued payments to employees	1,945	1,495
126	135	Prepayments (advance payments)	5	3
1,707	1,433	Accrued expenses	1,707	1,433
1,531	1,464	AML suspended funds	1,531	1,464
84	24	Sales VAT	84	24
58	79	Deferred income	58	79
15	-	Liabilities to the State Tax Inspectorate	15	-
127	1	Liabilities to The State Social Insurance Fund Board	127	1
		Payable to the Latvian and Estonian Road		
27	25	Transport Administration	27	25
213	233	Debt to suppliers	112	173
405	229	Other	417	224
6,342	5,208	Total	6,028	4,921

Note 10 Shareholders' equity

As at 31 March 2021 and 31 December 2020, the share capital of the Group and the Bank consisted of 137,750 ordinary shares with the par value of 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	
	31 March 2021	31 December 2020
Special reserve to cover possible losses	2,528	2,528
Legal reserve	861	291
Reserve capital	7,497	7,497
Total other reserves	10,886	10,316

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

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Note 11 Net interest income

The Group			The Bank	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
2,708	2,674	On loans to customers	2,394	2,417
52	21	On impaired loans to customers including interest on arrears	48	17
182	219	Leasing including interest on arrears	182	219
10	30	Other Interest on arrears	10	30
78	105	On debt securities	78	105
23	17	On placements with the banks and other credit institutions	23	17
3,053	3,066	Interest revenue	2,735	2,805
(281)	(286)	On obligations to customers, including letters of credit	(281)	(286)
(64)	(73)	Deposit insurance	(64)	(73)
(5)	(5)	On subordinated loans	(5)	(5)
(52)	(43)	For debt securities	(52)	(43)
(2)	-	Loan portfolio guarantee insurance	(2)	-
(70)	(37)	On obligations to banks and other credit institutions	(70)	(37)
(12)	(13)	Lease of property	(12)	(13)
(486)	(457)	Interest expenses	(486)	(457)
2,567	2,610	Net interest income	2,249	2,348

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
492	563	Payment services	492	563
23	63	Income from currency exchange	23	63
198	191	Administration of bank accounts	198	191
312	349	Collection of payments	312	349
1	56	Brokerage income	114	150
124	142	Cash operations	124	142
66	90	Other	66	90
1,217	1,454	Service fee and commission income	1,329	1,548
(122)	(54)	Cash operations	(122)	(54)
(99)	(87)	Other	(65)	(72)
(221)	(141)	Service fee and commission expense	(187)	(126)
996	1,314	Net service fee and commission income	1,142	1,422

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	31 March 2021	31 March 2020
Gain on dealing in foreign currencies	859	1,130
Revaluation of items in statement of financial position, net	335	(376)
Net foreign exchange gain	1,194	754

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
31 March 2021	31 March 2020	31 March 2021	31 March 2020
(61)	(81)	(58)	(76)
(206)	(202)	(199)	(202)
(58)	(152)	(58)	(152)
(144)	(168)	(134)	(158)
(56)	(58)	(55)	(58)
(57)	(79)	(57)	(78)
(25)	(27)	(25)	(27)
(21)	(51)	(21)	(50)
(8)	(66)	(6)	(53)
(3)	(18)	(3)	(18)
(3)	(18)	(3)	(18)
(10)	(13)	(10)	(13)
-	(24)	-	(23)
(11)	(5)	(11)	(5)
(4)	(6)	(4)	(6)
(33)	(39)	(33)	(38)
(5)	(7)	(5)	(7)
(34)	(21)	(22)	(13)
(38)	(53)	(32)	(47)
(777)	(1,088)	(736)	(1,042)

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Note 15 Cash and cash equivalents

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

The Group			The Bank	
31 March 2021	31 March 2020		31 March 2021	31 March 2020
24,412	24,092	Cash on hand	24,412	24,092
62,481	47,285	Current accounts with the Bank of Lithuania	62,481	47,285
8,600	8,514	Current accounts with other credit institutions	8,556	8,457
734	-	Term deposits with credit institutions up to 90 days	734	-
96,227	79,891	Cash and cash equivalents	96,183	79,834

Note 16 Fair values of financial instruments

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

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

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

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

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

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

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

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

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

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

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

The Bank	31 March 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	89,531	89,531	108,679	108,679
Placements with banks and other credit institutions	9,290	9,290	11,321	11,321
Debt securities	58,217	58,602	54,584	55,136
Loans and receivables	208,594	211,236	200,024	203,295
Other assets	-	-	-	-
Total financial assets	365,632	368,659	374,608	378,431
Financial liabilities				
Due to banks and other credit institutions	1	1	1	1
Due to customers, including letters of credit	331,838	333,911	343,028	345,082
Debt securities issued	2,176	2,663	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,028	6,028	4,921	4,921
Total financial liabilities	341,043	343,603	351,151	353,475
The Group				
Financial assets				
Cash and due from central bank	89,531	89,531	108,679	108,679
Placements with banks and other credit institutions	9,334	9,334	11,556	11,556
Debt securities	58,217	58,602	54,584	55,136
Loans and receivables	214,107	213,022	204,706	205,097
Other assets	-	-	-	-
Total financial assets	371,189	370,489	379,525	380,468
Financial liabilities				
Due to banks and other credit institutions	1	1	1	1
Due to customers, including letters of credit	331,001	333,075	341,647	343,701
Debt securities issued	2,176	2,663	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,342	6,342	5,208	5,208
Total financial liabilities	340,520	343,081	350,057	352,381

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

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

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

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

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

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

The Bank (Group)

31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	12	-	12
Financial liabilities				
Derivative financial instruments	-	26	-	26

The Bank (Group)

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

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

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

The Bank

31 March 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	98,821	-	-	98,821
Debt securities	58,217	-	-	58,217
Loans to customers	-	-	193,378	193,378
Receivables from leasing	-	-	15,216	15,216
Other assets	-	-	-	-
Total financial assets	157,038	-	208,594	365,632
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	331,838	-	331,838
Debt securities issued	-	2,176	-	2,176
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,028	6,028
Total financial liabilities	-	334,015	7,028	341,043

The Bank

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

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

31 March 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	98,865	-	-	98,865
Debt securities	58,217	-	-	58,217
Loans to customers	-	-	198,891	198,891
Receivables from leasing	-	-	15,216	15,216
Other assets	-	-	-	-
Total financial assets	157,082	-	214,107	371,189
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	331,001	-	331,001
Debt securities issued	-	2,176	-	2,176
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,342	6,342
Total financial liabilities	-	333,178	7,342	340,520

The Group

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

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Note 17 Related party transactions

Transactions 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 March 2021 and 31 March 2020 and related expense and income are included in the profit and loss account is set out below:

The Bank	Supervisory Board and Key Management Personnel			
	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 31 March 2021, net	-	14,236	55	3,394
Interest rate,percent	-	9.0	2.66-4.0	2.0-4.3
Impairment of loans	-	(163)	-	(18)
Term deposits as at 31 March 2021	-	-	12	1,177
Interest rate,percent	-	-	0.3	0.3-0.35
Demand accounts as at 31 March 2021	25	836	218	6,903
Bonds issued as at 31 December 2020	100	-	-	-
Interest rate,percent	7	-	-	-
Subordinated loans as at 31 March 2021	1,000	-	-	-
Interest rate,percent	2	-	-	-
For three month period which ended at 31 March 2021				
Interest income on loans	-	235	-	22
Interest expense on deposits	-	-	-	(1)
Interest expense on bonds	(2)	-	-	-
Interest expense on subordinated loans	(5)	-	-	-
Service fee and commission revenue	-	115	-	2
Service fee and commission expenses	-	-	-	-

The Bank	Supervisory Board and Key Management Personnel			
	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 31 March 2020, net	33	6,210	-	3,912
Interest rate,percent	6.58	4.2	-	2.0-4.5
Impairment of loans	-	(59)	-	(24)
Term deposits as at 31 March 2020	21	-	13	1,198
Interest rate,percent	6.5	-	0.05-0.3	0.3-0.45
Demand accounts as at 31 March 2020	171	999	140	2,831
Bonds issued as at 31 March 2020	100	-	-	-
Interest rate,percent	7	-	-	-
Subordinated loans as at 31 March 2020	1,000	-	-	-
Interest rate,percent	2	-	-	-
For three month period which ended at 31 March 2020				
Interest income on loans	-	59	-	25
Interest expense on deposits	-	-	-	(1)
Interest expense on bonds	(2)	-	-	-
Interest expense on subordinated loans	(5)	-	-	-
Service fee and commission revenue	-	97	-	3
Service fee and commission expenses	-	-	-	-

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Note 17 Related party transactions (cont'd)

The Group	Supervisory Board and Key Management Personnel		
	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 March 2021, net	-	55	3,394
Interest rate,percent	-	2.66-4.0	2.0-4.3
Impairment of loans	-	-	(18)
Term deposits as at 31 March 2021	-	12	1,177
Interest rate,percent	-	0.3	0.3-0.35
Demand accounts as at 31 March 2021	25	235	6,886
Bonds issued as at 31 March 2021	100	-	-
Interest rate,percent	7	-	-
Subordinated loans as at 31 March 2021	1,000	-	-
Interest rate,percent	2	-	-
For three month period which ended at 31 March 2021			
Interest income on loans	-	-	22
Interest expense on deposits	-	-	(1)
Interest expense on bonds	(2)	-	-
Interest expense on subordinated loans	(5)	-	-
Service fee and commission revenue	-	-	2
Service fee and commission expenses	-	-	-

The Group	Supervisory Board and Key Management Personnel		
	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 March 2020, net	33	-	3,912
Interest rate,percent	6.58	-	2.0-4.5
Impairment of loans	-	-	(24)
Term deposits as at 31 March 2020	21	13	1,198
Interest rate,percent	6.5	0.05-0.3	0.3-0.45
Demand accounts as at 31 March 2020	171	140	2,831
Bonds issued as at 31 March 2020	100	-	-
Interest rate,percent	7	-	-
Subordinated loans as at 31 March 2020	1,000	-	-
Interest rate,percent	2	-	-
For three month period which ended at 31 March 2020			
Interest income on loans	-	-	25
Interest expense on deposits	-	-	(1)
Interest expense on bonds	(2)	-	-
Interest expense on subordinated loans	(5)	-	-
Service fee and commission revenue	-	-	3
Service fee and commission expenses	-	-	-

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

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Note 18 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2021 and in the Statement of comprehensive income as at 31 March 2021 is presented in the table below:

	31 March 2021				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	246	-	(11)	(235)	-
External	2,939	101	12	-	3,053
Interest income	3,185	102	1	(235)	3,053
Internal	(246)	-	-	246	-
External	(364)	(123)	-	-	(487)
Interest expenses	(610)	(123)	-	246	(487)
Internal	-	-	(11)	11	-
External	2,576	(21)	12	-	2,567
Net interest income	2,576	(21)	1	11	2,567
Internal	-	-	-	-	-
External	1,065	-	(1)	(68)	996
Net fee and commission income	1,065	-	(1)	(68)	996
Internal	-	-	(11)	11	-
External	3,641	(21)	11	(68)	3,563
Net interest, fee and commissions income	3,641	(21)	-	(7)	3,563
Internal	-	-	(33)	33	-
External	(2,795)	(50)	3	-	(2,842)
Operating expenses	(2,795)	(50)	(30)	33	(2,842)
Amortisation charges	(57)	-	-	-	(57)
Depreciation charges	(284)	-	-	-	(284)
Internal	-	-	-	-	-
External	(128)	-	-	-	(128)
Impairment expenses	(128)	-	-	-	(128)
Internal	-	-	-	-	-
External	730	125	62	-	917
Net other income	730	125	62	-	917
Profit (loss) before tax	1,107	54	32	(24)	1,169
Income tax	(244)	-	-	-	(244)
Profit (loss) per segment after tax	863	54	32	(24)	925
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	863	54	32	(24)	925
Total segment assets	252,374	148,827	1,845	(23,222)	379,824
Total segment liabilities	346,204	10,907	96	(16,521)	340,686
Net segment assets (shareholders equity)	(93,830)	137,920	1,749	(6,701)	39,138

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Note 18 Segment information (cont'd)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2020 and in the Statement of comprehensive income as at 31 March 2020 is presented in the table below:

	31 March 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	59	-	-	(59)	-
External	2,943	122	1	0	3,066
Interest income	3,002	122	1	(59)	3,066
Internal	(59)	-	-	59	-
External	(378)	(79)	-	-	(457)
Interest expenses	(437)	(79)	-	59	(457)
Internal	-	-	-	-	-
External	2,565	43	1	-	2,609
Net interest income	2,565	43	1	-	2,609
Internal	-	-	-	-	-
External	1,389	-	(3)	(72)	1,314
Net fee and commission income	1,389	-	(3)	(72)	1,314
Internal	-	-	-	-	-
External	3,954	43	(2)	(72)	3,923
Net interest, fee and commissions income	3,954	43	(2)	(72)	3,923
Internal	-	-	-	-	-
External	(3,029)	(54)	(203)	-	(3,286)
Operating expenses	(3,029)	(54)	(203)	-	(3,286)
Amortisation charges	(37)	-	-	-	(37)
Depreciation charges	(285)	-	-	-	(285)
Internal	-	-	-	-	-
External	(577)	-	-	-	(577)
Impairment expenses	(577)	-	-	-	(577)
Internal	-	-	-	-	-
External	860	204	7	-	1,071
Net other income	860	204	7	-	1,071
Profit (loss) before tax	886	193	(198)	(72)	809
Income tax	(146)	-	-	-	(146)
Profit (loss) per segment after tax	740	193	(198)	(72)	663
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	740	193	(198)	(72)	663
Total segment assets	244,644	112,264	2,179	(14,192)	344,895
Total segment liabilities	307,757	9,336	89	(7,323)	309,859
Net segment assets (shareholders equity)	(63,113)	102,928	2,090	(6,869)	35,036

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

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

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Note 19 Risk management

Credit risk

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

The Bank and the Group have to comply with the limit to large exposures (maximum exposure to single customer) set in Regulation (EU) No 575/2013 of the European Parliament and of the Council. Exposure to a customer or group of connected customers can not exceed 25 percent of the Bank's and Group's eligible capital. Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
6,510	6,510	Maximum exposure to a single customer or group of connected customers	6,510	6,510
38,964	39,189	Eligible capital	39,067	39,210
16.71	16.61	Maximum exposure ratio, percent	16.66	16.60

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

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

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
Statement of financial position items, other than trading and investment activities				
65,119	79,238	Balances with the Bank of Lithuania	65,119	79,238
		Due from banks		
9,334	11,556		9,290	11,321
198,891	191,176	Loans to customers	193,378	186,494
15,216	13,530	Receivables from leasing	15,216	13,530
288,560	295,500		283,003	290,583
Off balance sheet items				
2,233	2,839	Guarantees	2,233	2,839
9,648	13,096	Loan commitments	12,614	16,062
300,441	311,435	Total balance and off balance sheet items, other than trading and investment activities	297,850	309,484
Trading and investment activities				
Financial assets at fair value through profit or loss				
12	67	Derivative financial instruments	12	6
-	-	Held-to-maturity investments	-	-
58,217	54,584	Debt securities	58,217	54,584
58,229	54,590	Total trading and investment activities	58,229	54,590
358,670	366,025	Total credit exposure	356,079	364,074

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Note 19 Risk management (cont'd)

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

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

	The Bank (Group)	
	31 March 2021	31 December 2020
Government bonds	58,217	54,584
Regional government bonds	-	-
Multilateral Development Banks Bonds	-	-
Corporate bonds	-	-
Derivatives	12	6
Total	58,229	54,590

	The Bank (Group)	
	31 March 2021	31 December 2020
High grade (AAA-A)	48,648	49,349
Standard grade (B-BBB+)	9,569	5,235
Not rated	-	-
Total	58,217	54,584

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

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

Credit risk assessment

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

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

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

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 March 2021					
Stage 1					
Loans and receivables	156,360	787	-	-	157,147
Placements with LB and other banks	74,409	-	-	-	74,409
Debt securities	58,217	-	-	-	58,217
Other financial assets	-	-	-	-	-
Total	288,986	787	-	-	289,773
Stage 2					
Loans and receivables	43,763	1,572	-	-	45,335
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,763	1,572	-	-	45,335
Stage 3					
Loans and receivables	3,113	1,307	25	1,677	6,112
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,113	1,307	25	1,677	6,112
Total	335,862	3,666	25	1,667	341,220

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

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

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

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 March 2021					
Stage 1					
Loans and receivables	160,751	1,214	-	-	161,965
Placements with LB and other banks	74,409	-	-	-	74,453
Debt securities	58,217	-	-	-	58,217
Other financial assets	-	-	-	-	-
Total	293,421	1,214	-	-	294,635
Stage 2					
Loans and receivables	44,062	1,852	47	-	45,961
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	44,062	1,852	47	-	45,961
Stage 3					
Loans and receivables	3,121	1,315	25	1,720	6,181
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,121	1,315	25	1,720	6,181
Total	340,604	4,381	72	1,720	346,777

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

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

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

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
31 March 2021										
70	-	(7)	(3)	60	Stage 1	58	-	(33)	(3)	22
69	-	(7)	(3)	59	Loans and receivables	57	-	(33)	(3)	21
(2)	-	-	-	(2)	Placements with LB and other banks	(2)	-	-	-	(2)
3	-	-	-	3	Debt securities	3	-	-	-	3
27	4	(3)	-	28	Stage 2	16	4	(3)	-	17
27	4	(3)	-	28	Loans and receivables	16	4	(3)	-	17
-	46	-	-	42	Stage 3	-	(1)	-	-	(1)
-	46	-	-	42	Loans and receivables	-	(1)	-	-	(1)
97	46	(10)	(3)	130		74	3	(36)	(3)	38
-	-	-	-	-	Write-offs	-	-	-	-	-
-	-	-	-	(2)	Income on loans written off in earlier periods	-	-	-	-	(2)
-	-	-	-	128	Total change of impairment	-	-	-	-	36

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 5 million EUR 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 31 of March 2021 Bank have postponed of 190 clients loan repayments (Group – 276 clients), that meets the conditions of the moratorium, with net value of 39.4 million EUR (Group – 39.09 million EUR) or 18.89 percent (Group – 18.26 percent) 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 176 applications have been approved for business customers, with the total net deferred amount 38.67 million EUR, 14 applications have been approved for private customers, with the total net deferred amount EUR 0.73 million EUR.

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Note 19 Risk management (cont'd)

Change of impairment during reporting period (cont'd)

Change of impairment (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 March, 2021, this portfolio amounted to net value of 19.27 million EUR, and provisions 642 thousand EUR.

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 March 2021	31 December 2020		31 March 2021	31 December 2020	
148,133	163,815	Liquid assets	148,133	163,815	
29,957	30,811	Short-term (up to 30 days) obligations	30,624	33,215	
494	532	LCR, percent	484	493	

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

The Bank	31 March 2021							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	98,087	7,060	9,551	36,221	114,535	98,591	16,556	380,601
Liabilities and shareholders' equity	160,412	11,411	18,366	85,010	44,328	21,581	39,493	380,601
Net gap	(62,325)	(4,351)	(8,815)	(48,789)	70,207	77,010	(22,937)	-
Credit commitments	-	12,554	-	-	-	-	-	12,554

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

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Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	31 March 2021							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	98,130	7,341	10,180	38,958	106,815	108,138	10,261	379,824
Liabilities and shareholders equity	159,575	11,725	18,366	85,010	44,328	21,581	39,239	379,824
Net gap	(61,445)	(4,384)	(8,186)	(46,052)	62,487	86,557	(28,978)	-
Credit commitments	-	11,862	-	-	-	-	-	11,862

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

Overdue loans are disclosed under column "Without maturity".

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

Market risk

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

Interest rate risk

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

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

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

The Bank	31 March 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	40,746	65,883	97,621	9,422	40,519	10,811	265,002
Non-sensitive assets to interest rate fluctuation							115,599
Liabilities:							
Sensitive liabilities to interest rate fluctuation	7,126	16,300	31,171	54,918	41,620	16,973	168,108
Non-sensitive liabilities and equity to interest rate fluctuation							212,493
Interest sensitivity gap	33,620	49,583	66,450	(45,496)	(1,101)	(6,162)	-

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 Group	31 March 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	41,118	66,485	84,263	11,255	46,562	19,677	269,361
Non-sensitive assets to interest rate fluctuation							110,463
Liabilities:							
Sensitive liabilities to interest rate fluctuation	7,126	16,300	31,171	54,918	41,620	16,973	168,108
Non-sensitive liabilities and equity to interest rate fluctuation							211,716
Interest sensitivity gap	33,992	50,185	53,092	(43,663)	4,942	2,704	-

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

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

Currency risk

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

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

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
292	327	Long positions	292	327
(139)	(131)	Short positions	(131)	(131)
38,964	39,189	Eligible capital	39,067	39,210
0.75	0.83	Overall net currency position, percent	0.75	0.83

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

	31 March 2021	31 December 2021
Increase in FX rates by 10 percent	15	20
Decrease in FX rates by 10 percent	(15)	(20)

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(All amounts in EUR thousand unless otherwise stated)

Note 20 Capital

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

The Group's and the Bank's capital management procedures are based on the regulatory capital requirements contained in the Capital Requirements Directive (CRD) and in the Capital Requirements Regulation (CRR) No. 575/2013. According to these requirements, there is a need to accumulate addition conservation buffer reserve, which is equal to 2.5 percentage from generally evaluated risk amount. From 2020 April 1 the need for a countercyclical capital buffer for Lithuanian positions was canceled. A countercyclical capital buffer set 0percent from 2020 April for Lithuanian positions.

Additional own funds requirement (Pillar II) was set at 1,8percent 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 percent.

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

After the general meeting of shareholders, full-year 2020 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 March 2021	31 December 2020		31 March 2021	31 December 2020
18.95	20.24	CET 1 Capital ratio	18.48	19.57
18.95	20.24	Tier 1 Capital ratio	18.48	19.57
20.20	21.68	Capital adequacy ratio	19.70	20.95

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

Financial assets quality indicators as at 31 March 2021 are given in the table below:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
2,486	1.23	Loans to customers	2,193	1.12
412	2.64	Finance lease receivable	412	2.64
35	0.06	Debt securities	35	0.06
9	0.10	Placements with banks	9	0.10
-	-	Other assets	-	-
2,942	1.03	Total:	2,649	0.95

Financial assets quality indicators as at 31 December 2020:

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

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

The Group			The Bank	
31 March 2021	31 December 2020		31 March 2021	31 December 2020
0.96	1.06	Return on assets (ROA)	1.22	1.00
9.57	10.59	Return on equity (ROE)	12.25	9.84

Action applied to the Bank

During the first quarter of 2021 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 22 Events after the reporting date

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

CONFIRMATION OF RESPONSIBLE PERSONS

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

Acting Chairman of the Board and Chief
Executive Officer

D. Klišauskienė

Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė

