

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST
MARCH 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 THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>The Group</u>				<u>The Bank</u>	
<u>31 March 2020</u>	<u>31 December 2019</u>	Assets	Notes	<u>31 March 2020</u>	<u>31 December 2019</u>
		Cash and due from central bank			
24,092	29,650	<i>Cash</i>		24,092	29,650
49,589	45,534	<i>Placements with the central bank</i>		49,589	45,534
<u>73,681</u>	<u>75,184</u>			<u>73,681</u>	<u>75,184</u>
8,514	11,183	Placements with banks and other credit institutions	3	8,457	11,164
		Financial assets at fair value through profit or loss			
26	10	<i>Derivative financial instruments</i>		26	10
<u>26</u>	<u>10</u>			<u>26</u>	<u>10</u>
45,468	50,004	Debt securities	4	45,468	50,004
		Loans and receivables	5		
189,981	192,409	<i>Loans to customers</i>		185,604	188,010
16,863	15,875	<i>Finance lease receivable</i>		16,863	15,875
<u>206,844</u>	<u>208,284</u>			<u>202,467</u>	<u>203,885</u>
-	-	Investments in subsidiaries	8	6,687	6,687
1,347	1,423	Investment property	6	260	283
6,472	6,726	Property and equipment	7	6,450	6,703
327	364	Intangible assets		308	341
		Tax assets			
19	19	<i>Current taxes</i>		19	19
1,308	1,400	<i>Deferred taxes</i>		1,308	1,400
<u>1,327</u>	<u>1,419</u>			<u>1,327</u>	<u>1,419</u>
889	737	Other assets	9	842	691
<u>344,895</u>	<u>355,334</u>	Total assets		<u>345,973</u>	<u>356,371</u>

(continued on the next page)

The accompanying notes on pages 11 to 44 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)

31 March 2020	31 December 2019	Liabilities	Notes	31 March 2020	31 December 2019
36	3,036	Due to banks and other credit institutions	10	36	3,036
106	59	Derivative financial instruments		106	59
302,522	310,431	Due to customers	11	303,521	311,398
1,000	1,000	Subordinated loans	12	1,000	1,000
2,149	2,184	Debt securities issued	12	2,149	2,184
46	35	Impairment		72	66
45	234	Tax assets		45	234
-	-	Current taxes		-	-
45	234	Deferred taxes		45	234
3,955	3,982	Other liabilities	13	3,731	3,804
309,859	320,961	Total liabilities		310,660	321,781
		Equity			
19,948	19,948	Share capital	14	19,948	19,948
4,442	3,779	Retained earnings		4,719	3,996
330	330	Revaluation reserve of property and equipment		330	330
10,316	10,316	Other reserves	14	10,316	10,316
35,036	34,373	Total shareholders' equity		35,313	34,590
344,895	355,334	Total liabilities and shareholders' equity		345,973	356,371

The accompanying notes on pages 11 to 44 are an integral part of these financial statements.

Acting Chairman of the
Board and Chief Executive
Officer

D. Klišauskienė

Deputy Director of
Accounting and Reporting
Department, acting Director,
Chief Accountant

D. Prievelytė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
31 March 2020	31 March 2019		Notes	31 March 2020	31 March 2019
3,067	2,379	Interest income	15	2,805	2,302
(457)	(434)	Interest expenses	15	(457)	(434)
2,610	1,945	Net interest income		2,348	1,868
1,454	1,546	Service fee and commission income	16	1,548	1,576
(140)	(109)	Service fee and commission expenses	16	(126)	(97)
1,314	1,437	Net service fee and commission income		1,422	1,479
-	-	Net result on equity securities trading		-	-
754	1,085	Net foreign exchange gain	17	754	1,085
310	(153)	Net result from operations with derivatives		310	(153)
-	-	Impairment of investments into subsidiaries		-	(47)
(1)	(20)	Net result on operations on investment property	6, 18	-	(12)
8	31	Other income		15	26
4,995	4,325	Total operating income		4,849	4,246
(577)	(109)	Impairment of loans and other financial assets		(494)	(83)
4,418	4,216	Operating income after impairment		4,355	4,163
(2,199)	(2,058)	Salaries and benefits		(2,136)	(1,981)
(285)	(268)	Depreciation		(284)	(268)
(37)	(25)	Amortisation		(33)	(20)
(1,088)	(965)	Other operating expenses	19	(1,042)	(946)
(3,609)	(3,316)	Total operating expenses		(3,495)	(3,215)
809	900	Operating profit (loss)		860	948
(146)	(143)	Income tax expense		(137)	(143)
663	757	Profit (loss) for the year		723	805
663	757	Attributable to equity holders of the Bank		723	805

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
	<hr/>	<hr/>
Items that are or may be reclassified to profit or loss	<hr/>	<hr/>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
	<hr/>	<hr/>
Other comprehensive income (expenses), net of tax	<hr/>	<hr/>
Profit (loss) at the end of the reporting period	723	805
Total comprehensive income	<u>723</u>	<u>805</u>
Attributable to:		
Equity holders of the Bank	723	805

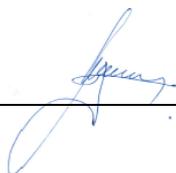
The Group

	<u>31 March 2020</u>	<u>31 March 2019</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
	<hr/>	<hr/>
Items that are or may be reclassified to profit or loss	<hr/>	<hr/>
Related tax	-	-
	<hr/>	<hr/>
Other comprehensive income (expenses), net of tax	<hr/>	<hr/>
Profit (loss) at the end of the reporting period	663	757
Total comprehensive income	<u>663</u>	<u>757</u>
Attributable to:		
Equity holders of the Bank	663	757

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D. Klišauskienė



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D. Prievelytė



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(All amounts in EUR thousand unless otherwise stated)

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

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
At 31 December 2018	19,948	2,138	335	8,178	30,599
Profit or loss	-	805	-	-	805
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(2,138)	-	2,138	-
At 31 March 2019	19,948	805	335	10,316	31,404
Profit or loss	-	3,186	-	-	3,186
Other comprehensive income (expense)	-	5	(5)	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 December 2019	19,948	3,996	330	10,316	34,590
Profit or loss	-	723	-	-	723
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 March 2020	19,948	4,719	330	10,316	35,313

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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**

	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	-	757	-	-	757
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(2,138)	-	2,138	-
At 31 March 2019	19,948	683	335	10,316	31,282
Profit or loss	-	3,091	-	-	3,091
Other comprehensive income (expense)	-	5	(5)	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 December 2019	19,948	3,779	330	10,316	34,373
Profit or loss	-	663	-	-	663
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
At 31 March 2020	19,948	4,442	330	10,316	35,036

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D. Kliškauskienė



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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
31 March 2020	31 March 2019	Notes	31 March 2020	31 March 2019
		Cash flows from operating activities		
663	757	Profit (loss) for the year	723	2,435
		Non-cash Revenue and Cost Recovery:		
322	293	Depreciation and amortisation	317	288
1	7	Loss, gain on the sale of tangible, intangible and investment property	-	6
577	106	Impairment of loans	494	80
-	-	Impairment of investments in subsidiaries	-	47
-	7	Impairment of investment property	-	-
31	49	Derivatives revaluation	31	49
55	16	Elimination of accrued vacation pay	48	41
146	143	Income tax expenses	137	143
<u>(376)</u>	<u>(15,752)</u>	Elimination of other non-cash items	<u>(366)</u>	<u>(15,754)</u>
1,419	(14,374)	Cash flows from (to) operating activities before changes in operating assets and liabilities	1,384	(14,295)
		Changes in operating assets and liabilities:		
(83)	238	Changes in compulsory reserves	(83)	238
-	-	Changes in amounts due from banks	-	-
1,851	334	Loans to customers	1,912	1,446
(976)	(1,251)	Finance lease receivable	(976)	(1,251)
-	(198)	Changes in due to banks and other credit institutions	-	(198)
(6,822)	(8,302)	Changes in due to customers	(6,790)	(8,112)
129	8,609	Changes in other assets and liabilities	76	6,739
<u>(4,482)</u>	<u>(14,944)</u>	Net cash flows from operating activities before income tax	<u>(4,477)</u>	<u>(15,433)</u>
(62)	-	Income tax (paid)	(53)	-
<u>(4,544)</u>	<u>(14,944)</u>	Net cash flows from operating activities after income tax	<u>(4,530)</u>	<u>(15,433)</u>
		Investing activities		
(56)	(2,249)	(Acquisitions) of intangible assets and property and equipment	(56)	(2,224)
-	-	(Acquisitions) of investment property	-	-
69	332	Proceeds from sale of tangible, intangible and equipment and investment property	17	254
-	-	Investments in subsidiaries	-	(1,235)
-	-	Sold subsidiaries	-	1,781
(138)	(135)	Part of the main amount of rent payments	(138)	(135)
14,981	24,648	Redemption of debt-securities	14,981	24,648
<u>(10,445)</u>	<u>(21,766)</u>	(Acquisitions) of of debt-securities	<u>(10,445)</u>	<u>(21,766)</u>
<u>4,411</u>	<u>830</u>	Net cash flows to investing activities	<u>4,359</u>	<u>1,323</u>

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 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 first quarter of the year of 2020 the Bank had 49 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 2020 the Bank employed 332 employees (342 employees as at 31 December 2019). As at 31 March 2020 the Group employed 342 employees (352 employees as at 31 December 2019).

As at 31 March 2020 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
Vytenis Rasutis	300	0.22
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
Vytenis Rasutis	300	0.22
Total	137,750	100.00

Konstantinas Karosas has acquired 89.91% of the Bank's shares by inheritance. Till the decision of the supervisory authority, Konstantinas Karosas may not exercise the voting rights attaching to the shares at the Bank's general meeting.

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

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The condensed intermediate separate financial statements and consolidated financial statements should be read in conjunction with the annual separate and consolidated financial statements for the year ended at 2019. Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies applied in the preparation of this condensed intermediate financial information are consistent with the accounting policies applied by the Bank in 2019 in the annual financial statements.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

Note 5 Loans and receivables

Loans to customers and receivables comprise:

	The Bank	
	31 March 2020	31 December 2019
Loans to customers, including short-term bills of exchange	18,849	187,356
Overdrafts	1,332	837
Factoring	863	763
Leasing	17,003	16,002
	204,047	204,958
Less: impairment	(1,580)	(1,073)
Loans and receivables, net	202,467	203,885

	The Group	
	31 March 2020	31 December 2019
Loans to customers, including short-term bills of exchange	189,403	191,866
Overdrafts	1,332	837
Factoring	863	763
Leasing	17,003	16,002
	208,601	209,468
Less: impairment	(1,757)	(1,184)
Loans and receivables, net	206,844	208,284

Note 6 Investment property

	The Bank	
	31 March 2020	31 December 2019
Balance at the beginning of year	283	1,050
Additions	-	532
Disposals	(23)	(995)
Changes in fair value	-	(304)
Balance at the end of year	260	283

	The Group	
	31 March 2020	31 December 2019
Balance at the beginning of year	1,423	3,018
Additions	-	603
Disposals	(76)	(1,577)
Changes in fair value	-	(621)
Balance at the end of year	1,347	1,423

The fair value of investment properties owned by subsidiaries:

	31 March 2020	31 December 2019
UAB TG Invest-1	1,087	1,140
Total	1,087	1,140

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

Note 7 Property and equipment

Non-current material assets for Bank as at 2020 March 31 amounted to 6,450 thousand EUR including usage rights assets worth 1,089 thousand EUR (As of 31 December 2019 amounted to 6,703 thousand EUR including usage rights assets 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 of property. The Group chose the option to apply the simplified transition method and did not restate comparative amounts for the year prior to first adoption financial information for the year before the adoption of the standard.

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

Note 8 Investment in subsidiaries

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

	The Bank	
	31 March 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	-	109
	-	(834)
Balance at the end of the report period	6,687	6,687

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

Note 9 Other assets, net

Other assets comprise:

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
352	310	Prepayments	352	306
15	14	Buyers' debts	4	4
124	31	VAT receivable	124	30
317	314	Costs for future periods	316	313
116	103	Other	81	73
924	772		877	726
(35)	(35)	Deducted: Impairment losses on receivables	(35)	(35)
889	737	Other assets	842	691

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD AS AT 31ST MARCH 2020

(All amounts in EUR thousand unless otherwise stated)

Note 10 Due to banks and other credit institutions

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

2020 March 31 the Bank didn't have loans with the Bank of Lithuania for Eurosystem monetary policy operations. 2019 December 31 the Bank has loans transactions with the Bank of Lithuania worth 3,000 thousand EUR. Eurosystem monetary policy operations maturing in 2019.

Note 11 Due to customers

Amounts due to customers comprise:

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
167,327	169,615	Term deposits	167,327	169,615
125,931	130,841	Current accounts	126,930	131,808
9,264	9,975	Loans from funds	9,264	9,975
302,522	310,431	Amounts due to customers	303,521	311,398
20,465	25,936	Out of which held as security against guarantees and loans	20,465	25,936

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

Subordinated loans

In November 2016 the Bank received a subordinated loan of EUR 1 million from the major shareholder of the Bank. The term of the subordinated loan is until 1 December 2023 with a fixed 2 percent annual interest rate. Subordinated loan is amortized in accordance with Article 64 of CRR 575 Regulation.

Debt securities issued

In July 2018 bank have issued subordinated debt securities emission. As of 31 December 2019 net value of issued debt securities is 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:

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
1,610	1,264	Accrued payments to employees	1,545	1,206
71	68	Prepayments (advance payments)	-	2
1,252	1,408	Accrued expenses	1,252	1,408
55	414	AML suspended funds	55	414
108	-	Sales VAT	108	-
107	218	Receipts from sale of loan portfolio (claims)	107	218
70	97	Deferred income	70	97
126	-	Liabilities to the State Tax Inspectorate	126	-
153	-	Liabilities to the Board of the State Social Fund Payable to the Latvian and Estonian Road Transport Administration	153	-
26	17		26	17
167	297	Debt to customers	100	263
210	199	Other	189	179
3,955	3,982	Other liabilities	3,731	3,804

Note 14 Shareholders' equity

As at 31 March 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 has the right, equally, to vote, to dividends and to participate in residual assets in the event of a winding-up.

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

	The Bank (Group)	
	31 March 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 March 2020	31 March 2019		31 March 2020	31 March 2019
2,674	1,996	On loans to customers	2,417	1,919
21	34	On impaired loans to customers	17	34
219	156	Leasing	219	156
30	25	Delinquency	30	25
105	149	On held-to-maturity investments	105	149
17	19	On placements with the banks and other credit institutions	17	19
3,066	2,379	Interest revenue	2,805	2,302
(286)	(277)	On obligations to customers, including letters of credit	(286)	(277)
(73)	(68)	Deposit insurance	(73)	(68)
(5)	(5)	On subordinated loans	(5)	(5)
(43)	(42)	For Debt securities	(43)	(42)
-	(1)	Loan portfolio guarantee insurance	-	(1)
(37)	(23)	On obligations to banks and other credit institutions	(37)	(23)
(13)	(18)	Lease of property	(13)	(18)
(457)	(434)	Interest expenses	(457)	(434)
2,610	1,945	Net interest income	2,348	1,868

Note 16 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
31 March 2020	31 March 2019		31 March 2020	31 March 2019
563	552	Payment services	563	552
63	88	Commission income from currency exchange	63	88
191	164	Administration of bank accounts	191	164
349	423	Collection of payments	349	423
56	143	Brokerage income	150	143
142	137	Cash operations	142	137
90	39	Other	90	69
1,454	1,546	Service fee and commission income	1,548	1,576
(18)	(11)	Rent fee according to agreements	(18)	(11)
(54)	(62)	Cash operations	(54)	(62)
(69)	(36)	Other	(54)	(24)
(141)	(109)	Service fee and commission expense	(126)	(97)
1,314	1,437	Net service fee and commission income	1,422	1,479

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Note 17 Net foreign exchange gain

	The Bank (Group)	
	31 March 2020	31 March 2019
Gain on dealing in foreign currencies	1,130	939
Revaluation of items in statement of financial position, net	(376)	146
Net foreign exchange gain	754	1,085

Note 18 Net result on operations with investment property

The Group			The Bank	
31 March 2020	31 March 2019		31 March 2020	31 March 2019
(1)	(13)	Realised gain (loss)	-	(12)
-	(7)	Changes in fair value	-	-
(1)	(20)	Net result on operations on investment property	-	(12)

Note 19 Operating expenses

Operating expenses are as follows:

The Group			The Bank	
31 March 2020	31 March 2019		31 March 2020	31 March 2019
		Other operating expenses		
(81)	(100)	Occupancy and rent	(76)	(97)
(202)	(158)	Office supplies	(202)	(158)
(152)	(57)	Expenses for service providers for the bank	(152)	(57)
(168)	(186)	Taxes other than income tax	(158)	(183)
(58)	(56)	Communication	(58)	(56)
(3)	(8)	Debt recovery costs	(3)	(8)
(79)	(81)	Transportation expenses	(78)	(81)
(4)	(12)	Expenses related with investment property	-	(8)
(27)	(31)	Security	(27)	(31)
(51)	(66)	Marketing and advertising	(50)	(61)
(66)	(5)	Legal and consultancy	(53)	(5)
(18)	(1)	Personnel training	(18)	(1)
(18)	(8)	Representation	(18)	(8)
(13)	(13)	Building repair costs	(13)	(13)
-	(2)	Charity and support costs	-	(2)
(24)	(26)	Business travel and related	(23)	(26)
(5)	(13)	Disposable items	(5)	(13)
(6)	(6)	Stationary supplies	(6)	(6)
(39)	(37)	Insurance expenses	(38)	(36)
(7)	(6)	Participation fees	(7)	(6)
(21)	(75)	Accounting and brokerage services	(13)	(75)
(46)	(18)	Other	(44)	(15)
(1,088)	(965)	Total other operating expenses	(1,042)	(946)

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Note 20 Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows comprise:

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
24,092	29,650	Cash on hand	24,092	29,650
47,285	43,313	Current accounts with the Bank of Lithuania	47,285	43,313
8,514	8,236	Current accounts with other credit institutions	8,457	8,217
-	2,947	Term deposits with credit institutions up to 90 days	-	2,947
79,891	84,146	Cash and cash equivalents	79,834	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 2019 third quarter.

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

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

Debt securities issued and subordinated loan. The fair value is calculated 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 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	73,681	73,681	75,183	75,183
Placements with banks and other credit institutions	8,457	8,457	11,164	11,164
Debt securities	45,468	45,915	50,004	50,691
Loans and receivables	202,467	205,223	203,884	208,152
Other assets	22	22	691	691
Total financial assets	330,095	333,298	340,926	345,881
Financial liabilities				
Due to banks and other credit institutions	36	36	3,036	3,036
Due to customers, including letters of credit	303,521	305,695	311,398	316,385
Debt securities issued	2,149	2,464	2,184	2,266
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	3,731	3,731	3,804	3,804
Total financial liabilities	310,437	312,926	321,422	326,491

The Group	31 March 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	73,681	73,681	75,183	75,183
Placements with banks and other credit institutions	8,498	8,498	11,183	11,183
Debt securities	45,468	45,915	50,004	50,691
Loans and receivables	206,673	207 137	208,284	212,551
Other assets	22	22	737	733
Total financial assets	334 342	335 253	345,391	350,341
Financial liabilities				
Due to banks and other credit institutions	36	36	3,036	3,036
Due to customers, including letters of credit	302,522	304,696	310,431	315,418
Debt securities issued	2,149	2,464	2,184	2,266
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	3,955	3,955	3,982	3,982
Total financial liabilities	309,662	312,151	320,633	325,702

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

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

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

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

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

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

The Bank (Group)

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	26	-	26
Financial liabilities				
Derivative financial instruments	-	106	-	106

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 March 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	73,681	8,457	-	82,138
Debt securities	-	45,468	-	45,468
Loans to customers	-	184,437	1,167	185,604
Receivables from leasing	-	15,459	1,404	16,863
Other assets	-	22	-	22
Total financial assets	73,681	253,843	2,571	330,095
Liabilities				
Due to banks and other credit institutions	-	36	-	36
Due to customers	-	303,521	-	303,521
Debt securities issued	-	2,149	-	2,149
Subordinated loan	-	1,000	-	1,000
Other liabilities	-	3,731	-	3,731
Total financial liabilities	-	310,437	-	310,437

The Bank

31 December 2019	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	75,184	11,164	-	86,348
Debt securities	-	50,004	-	50,004
Loans to customers	-	186,825	1,185	188,010
Receivables from leasing	-	14,464	1,411	15,875
Other assets	-	691	-	691
Total financial assets	75,184	263,148	2,596	340,928
Liabilities				
Due to banks and other credit institutions	-	3,036	-	3,036
Due to customers	-	311,398	-	311,398
Debt securities issued	-	2,184	-	2,184
Subordinated loans	-	1,000	-	1,000
Other liabilities	-	3,803	-	3,803
Total financial liabilities	-	321,421	-	321,421

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

As at 31 March 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	73,681	8,514	-	82,195
Debt securities	-	45,468	-	45,468
Loans to customers	-	188,655	1,326	189,981
Receivables from leasing	-	15,459	1,404	16,863
Other assets	-	22	-	22
Total financial assets	73,681	258,118	2,730	334,529
Liabilities				
Due to banks and other credit institutions	-	36	-	36
Due to customers	-	302,522	-	302,522
Debt securities issued	-	2,149	-	2,149
Subordinated loan	-	1,000	-	1,000
Other liabilities	-	3,955	-	3,955
Total financial liabilities	-	309,662	-	309,662

The Group

31 December 2019	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	75,184	11,164	-	86,348
Debt securities	-	50,004	-	50,004
Loans to customers	-	191,139	1,270	192,409
Receivables from leasing	-	14,464	1,411	15,875
Other assets	-	733	-	733
Total financial assets	75,184	267,504	2,681	345,369
Liabilities				
Due to banks and other credit institutions	-	3,036	-	3,036
Due to customers	-	310,431	-	310,431
Debt securities issued	-	2,184	-	2,184
Subordinated loans	-	1,000	-	1,000
Other liabilities	-	3,803	-	3,803
Total financial liabilities	-	320,454	-	320,454

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Note 22 Related party transactions

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

The outstanding balances of loans, term deposits and bonds issued in 31 December 2019 and 31 March 2020 and related expense and income are included in the profit and loss account is set out below:

The Bank

	<u>Shareholders</u>	<u>Subsidiaries</u>	<u>Key management personnel</u>	<u>Other*</u>
Loans outstanding as at 31 March 2020, net	33	6,210	-	3,912
Interest rate,%	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,%	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,%	7	-	-	-
Subordinated loans as at 31 March 2020	1,000	-	-	-
Interest rate,%	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	-	-	-	-

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 three month period which ended at 31 March 2019				
Interest income on loans	-	-	-	28
Interest expense on deposits	-	-	-	(1)
Interest expense on bonds	(1)	-	-	-
Interest expense on subordinated loans	(5)	-	-	-
Service fee and commission revenue	-	30	-	3
Service fee and commission expenses	-	-	-	-

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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 March 2020, net	33	-	3,912
Interest rate,%	6.58	-	2.0-4.5
Impairment of loans	-	-	(24)
Term deposits as at 31 March 2020	21	13	1,198
Interest rate,%	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,%	7	-	-
Subordinated loans as at 31 March 2020	1,000	-	-
Interest rate,%	2	-	-
For three month period which ended at 31 March 2020			
Interest income on loans			
Interest expense on deposits	-	-	25
Interest expense on bonds	-	-	(1)
Interest expense on subordinated loans	(2)	-	-
Service fee and commission revenue	(5)	-	-
Service fee and commission expenses	-	-	3

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 three month period which ended at 31 March 2019			
Interest income on loans			
Interest expense on deposits	-	-	28
Interest expense on bonds	-	-	(1)
Interest expense on subordinated loans	(1)	-	-
Service fee and commission revenue	(5)	-	-
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 personnel include members of the board and administration and management of subsidiaries.

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Note 23 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 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	0	0	(59)	0
External	2,943	122	1	0	3,066
Interest income	3,002	122	1	(59)	3,066
Internal	(59)	0	0	59	0
External	(378)	(79)	0	0	(457)
Interest expenses	(437)	(79)	0	59	(457)
Internal	0	0	0	0	0
External	2,565	43	1	0	2,609
Net interest income	2,565	43	1	0	2,609
Internal	0	0	0	0	0
External	1,389	0	(3)	(72)	1,314
Net fee and commission income	1,389	0	(3)	(72)	1,314
Internal	0	0	0	0	0
External	3,954	43	(2)	(72)	3,923
Net interest, fee and commissions income	3,954	43	(2)	(72)	3,923
Internal	0	0	0	0	0
External	(3,029)	(54)	(203)	0	(3,286)
Operating expenses	(3,029)	(54)	(203)	0	(3,286)
Amortisation charges	(37)	0	0	0	(37)
Depreciation charges	(285)	0	0	0	(285)
Internal	0	0	0	0	0
External	(577)	0	0	0	(577)
Impairment expenses	(577)	0	0	0	(577)
Internal	0	0	0	0	0
External	860	204	7	0	1,071
Net other income	860	204	7	0	1,071
Profit (loss) before tax	886	193	(198)	(72)	809
Income tax	(146)	0	0	0	(146)
Profit (loss) per segment after tax	740	193	(198)	(72)	663
Non-controlling interest	0	0	0	0	0
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

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

	31 March 2019				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	0	0	0	0	0
External	2,208	169	2	0	2,379
Interest income	2,208	169	2	0	2,379
Internal	0	0	0	0	0
External	(369)	(65)	0	0	(434)
Interest expenses	(369)	(65)	0	0	(434)
Internal	0	0	0	0	0
External	1,838	104	2	0	1,944
Net interest income	1,838	104	2	0	1,944
Internal	0	0	0	0	0
External	1,443	0	(6)	0	1,437
Net fee and commission income	1,443	0	(6)	0	1,437
Internal	0	0	0	0	0
External	3,281	104	(4)	0	3,381
Net interest, fee and commissions income	3,281	104	(4)	0	3,381
Internal	(3)	0	(47)	50	0
External	(2,965)	(56)	(1)	0	(3,022)
Operating expenses	(2,968)	(56)	(48)	50	(3,022)
Amortisation charges	(268)	0	0	0	(268)
Deprecation charges	(25)	0	0	0	(25)
Internal	0	0	0	0	0
External	(106)	(3)	0	0	(109)
Impairment expenses	(106)	(3)	0	0	(109)
Internal	0	0	0	0	0
External	809	123	11	0	943
Net other income	809	123	11	0	943
Profit (loss) before tax	723	168	(41)	50	900
Income tax	(143)	0	0	0	(143)
Profit (loss) per segment after tax	580	168	(41)	50	757
Non-controlling interest	0	0	0	0	0
Profit (loss) for the year attributable to the owners of the Bank	580	168	(41)	50	757
Total segment assets	227,965	100,674	13,058	(18,157)	323,540
Total segment liabilities	286,274	8,435	103	(1,797)	293,015
Net segment assets (shareholders equity)	(58,309)	92,239	12,955	(16,360)	30,525

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 March 2019	31 December 2019		31 March 2019	31 December 2019
6,662	6,986	Maximum exposure to a single customer or group of connected customers	6,662	6,986
34,977	33,076	Eligible capital	34,977	33,331
19.26	21.12	Maximum exposure ratio, %	19.06	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 March 2020	31 December 2019		31 March 2020	31 December 2019
Statement of financial position items, other than trading and investment activities				
49,589	45,534	Balances with the Bank of Lithuania	49,589	45,534
8,514	11,183	Due from banks	8,457	11,164
189,982	192,409	Loans to customers	185,604	188,010
16,863	15,875	Receivables from leasing	16,863	15,875
264,948	265,001		260,513	260,583
Off balance sheet items				
2,362	2,088	Guarantees	2,362	2,088
9,424	10,782	Loan commitments	12,148	15,801
276,734	277,871	Total balance and off balance sheet items, other than trading and investment activities	275,023	278,472
Trading and investment activities				
Financial assets at fair value through profit or loss				
26	10	Derivative financial instruments	26	10
-	-	Held-to-maturity investments	-	-
45,468	50,004	Debt securities	45,468	50,004
45,494	50,014	Total trading and investment activities	45,494	50,014
22	41	Other financial assets	22	41
322,250	327,926	Total credit exposure	320,539	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 March 2020	31 December 2019
Government bonds	43,389	48,851
Regional government bonds	-	-
Multilateral Development Banks Bonds	1,819	893
Corporate bonds	260	260
Derivatives	26	10
Total	45,494	50,014

Bonds exposure by rating grade	The Bank (Group)	
	31 March 2020	31 December 2019
High grade (AAA-A)	42,543	47,078
Standard grade (B-BBB+)	2,925	2,926
Not rated	-	-
Total	45,468	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 March 2020					
Stage 1					
Loans and receivables	179,236	5,753	-	-	184,989
Placements with LB and other banks	58,046	-	-	-	58,046
Debt securities	45,468	-	-	-	45,468
Other financial assets	22	-	-	-	22
,468Total	282,772	5,753	-	-	288,525
Stage 2					
Loans and receivables	6,967	2,063	-	-	9,030
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	6,967	2,063	-	-	9,030
Stage 3					
Loans and receivables	3,364	1,153	1,295	2,636	8,448
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,364	1,153	1,295	2,636	8,448
Total	293,103	8,969	1,295	2,636	306,003

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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 March 2020					
Stage 1					
Loans and receivables	182,803	6,105	-	-	188,908
Placements with LB and other banks	58,103	-	-	-	58,103
Debt securities	45,468	-	-	-	45,468
Other financial assets	22	-	-	-	22
Total	286,396	6,105	-	-	292,501
Stage 2					
Loans and receivables	7,015	2,198	-	-	9,213
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	7,015	2,198	-	-	9,213
Stage 3					
Loans and receivables	3,369	1,174	1,334	2,847	8,724
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,369	1,174	1,334	2,847	8,724
Total	296,780	9,477	1,334	2,847	310,438

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

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

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Note 24 Risk management (cont'd)

Change of impairment during reporting period

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
31 March 2020										
340	-	10	2	352		302	-	4	2	308
Stage 1										
354	-	10	2	366	Loans and receivables	316	-	4	2	322
(2)	-	-	-	(2)	Placements with LB and other banks	(2)	-	-	-	(2)
(12)	-	-	-	(12)	Debt securities	(12)	-	-	-	(12)
-	-	-	-	-	Other financial assets	-	-	-	-	-
29	-	-	-	29		23	-	-	-	23
Stage 2										
29	-	-	-	29	Loans and receivables	23	-	-	-	23
-	190	-	-	190		-	167	-	-	167
Stage 3										
-	190	-	-	190	Loans and receivables	-	167	-	-	167
-	-	-	-	-	Other financial assets	-	-	-	-	-
369	190	10	2	571		325	167	4	2	498
Total										
-	-	-	-	11	Write-offs	-	-	-	-	-
-	-	-	-	(4)	Income on loans written off in earlier periods	-	-	-	-	(4)
-	-	-	-	578	Total change of impairment	-	-	-	-	494

Impact of the Covid-19 pandemic on the Bank's available debtors' financial data or transaction delays in 2020 March 31 has not yet been reflected, so a recalculation of the parameters used in the calculation of impairment affecting the magnitude of the probability of insolvency was performed to reflect the impact of the pandemic. Due to the impact of the recalculation of the impairment calculation parameters during the first quarter 2020 i, the Group incurred 411 thousand. EUR impairment costs. It should be noted that there are significant uncertainties regarding the further development trends of the country at the time of preparation of the reports, therefore it is highly probable that the actual results will differ significantly from the estimates.

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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 March 2020	31 December 2019		31 March 2020	31 December 2019
119,235	123,647	Liquid assets	119,235	123,647
24,400	22,294	Short-term (up to 30 days) obligations	25,724	24,502
489	555	LCR, %	464	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 March 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	82,138	4,067	22,667	49,079	82,948	88,379	16,695	345,973
Liabilities and shareholders' equity	127,256	13,388	16,547	82,172	44,723	26,500	35,387	345,973
Net gap	(45,118)	(9,321)	6,120	(33,093)	38,225	61,879	(18,692)	-
Credit commitments	-	12,148	-	-	-	-	-	12,148

	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 March 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	82,194	4,265	23,041	50,681	80,313	93,158	11,242	344,895
Liabilities and shareholders equity	126,257	13,611	16,547	82,172	44,723	26,500	35,085	344,895
Net gap	(44,063)	(9,346)	6,494	(31,491)	35,590	66,658	(23,843)	-
Credit commitments	-	9,424	-	-	-	-	-	9,424

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 first quarter of 2020.

Market risk

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

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

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established internal limits, monitors compliance with the required limits are monitored on a monthly basis. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities from re-pricing maturities. The Group and the Bank apply the interest rate risk management methods allowing to measure the Bank's and the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income in case of parallel shift by 1 percentage point in the yield curve.

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

The Bank	Interest rate change	Effect on net interest income	
		31 March 2020	31 December 2019
EUR	+ 1 proc.	1,136	1,086
Other	+ 1 proc.	(9)	60
EUR	- 1 proc.	(1,136)	(1,086)
Other	- 1 proc.	9	(60)
The Group			
	Interest rate change	Effect on net interest income	
		31 March 2020	31 December 2019
EUR	+ 1 proc.	1,109	1,096
Other	+ 1 proc.	(9)	60
EUR	- 1 proc.	(1,109)	(1,096)
Other	- 1 proc.	9	(60)

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

The table below summarises the Group's and the Bank's exposure to interest rate risk as of 31 March 2020 and 31 December 2019. The table below includes the Group's and the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

The Bank	31 March 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	45,888	82,459	76,747	22,184	14,817	4,905	247,000
Non-sensitive assets to interest rate fluctuation							98,973
Liabilities:							
Sensitive liabilities to interest rate fluctuation	9,896	16,114	27,200	54,351	44,898	18,122	170,581
Non-sensitive liabilities and equity to interest rate fluctuation							175,392
Total interest sensitivity gap	36,992	66,345	49,547	(32,167)	(30,081)	(13,217)	-

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
Total interest sensitivity gap	29,717	49,829	86,730	(38,328)	(24,858)	(21,275)	-

The Group	31 March 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	46,109	82,834	71,045	23,236	18,370	9,684	251,278
Non-sensitive assets to interest rate fluctuation							104,056
Liabilities:							
Sensitive liabilities to interest rate fluctuation	9,896	16,114	27,200	54,351	44,898	18,122	170,581
Non-sensitive liabilities and equity to interest rate fluctuation							184,753
Total interest sensitivity gap	36,213	66,720	43,845	(31,115)	(26,528)	(8,438)	-

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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
Total 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 March 2020	31 December 2019		31 March 2020	31 December 2019
595	469	Long positions	595	469
(186)	(309)	Short positions	(186)	(309)
34,592	33,076	Eligible capital	34,977	33,331
1.72	1.42	Overall net currency position, %	1.78	1.41

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

	31 March 2020	31 December 2019
Increase in FX rates by 10%	41	16
Decrease in FX rates by 10%	(41)	(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 and 1.0 percentage countercyclical buffer, set from 2019 June 30 for Lithuanian positions. Additional own fund requirement (Pillar II) is determined 1,8% from 31 December 2019.

Taking into consideration Regulation (EU) No. 575/2013 of the European Parliament and of the Council and capital adequacy requirements, the Bank's and the Group's total capital adequacy ratio should not be less than 13.30 percent. The Group and the Bank capital adequacy ratio exceeded the required minimum.

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

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
18.27	16.18	CET 1 Capital ratio	17.12	16.07
18.27	16.18	Tier 1 Capital ratio	17.12	16.07
18.81	17.76	Capital adequacy ratio	18.66	17.63

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

Financial assets quality indicators as at 31 March 2020 are given in the table below:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (%)		Provisions (EUR) thousands	Provisions to financial assets ratio (%)
1,675	0.87	Loans to customers	1,439	0.77
141	0.83	Finance lease receivable	141	0.83
27	0.06	Debt securities	27	0.06
8	0.09	Placements with banks	8	0.09
35	3.79	Other assets	35	3.99
1,886	0.72	Total:	1,650	0.64

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 as at 31 December 2019 are provided in the table below:

The Group			The Bank	
31 March 2020	31 December 2019		31 March 2020	31 December 2019
0.77	1.11	Return on assets (ROA)	0.82	1.15
7.57	9.67	Return on equity (ROE)	8.20	10.03

Action applied to the Bank

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

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Note 27 Events after the reporting date

Changes in the Bank 's management

On 26th March 2020 Dalia Klišauskienė, Igor Kovalčuk and Marius Arlauskas were re-elected to the Board of the Bank for a new four-year term at the meeting of the Supervisory Council of the Bank. A new member of the Board Aleksejus Tonkich also were elected. Aleksejus Tonkich has been working at Medicinos Bankas since 2008.

The Agreement was concluded to sell 100% of shares of Medicinos bankas UAB

Konstantinas Karosas and Western Petroleum Limited have entered into an agreement to sell 137,750 (one hundred thirty seven thousand seven hundred fifty) ordinary registered shares, constituting 100% of the share capital of Medicinos bankas UAB to Nitin Shelke, the Chairman and Founder of Growmore Group, an investment and financial services conglomerate with businesses across the UAE, UK, Switzerland, India and other regions. It is foreseen by the agreement that Konstantinas Karosas, prior to transferring the shares, shall acquire 300 (three hundred) ordinary registered shares, constituting 0.22% of the share capital of Medicinos bankas UAB, from Vytenis Rasutis.

The transaction is scheduled to be completed once the approvals of the Bank of Lithuania and the Coordination Commission for Protection of Objects of Importance to Ensure National Security of the Republic of Lithuania will be received.

The moratorium has been signed

Medicinos Bankas, together with other Lithuanian credit companies, has signed a moratorium to postpone loan payments for up to 6 months to private and business customers.

The moratorium is announced in connection with the COVID-19 pandemic and is intended to address the resulting deterioration in the client's financial condition. The temporary moratorium on credit obligations is intended to contribute to the assistance for private and legal persons affected by COVID-19.

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CONFIRMATION OF RESPONSIBLE PERSONS

We, UAB Medicinos Bankas Chairman of the Board and Chief Executive Officer Dalia Klišauskienė and Deputy Director of Accounting and Reporting Department, temporary acting as Director and Chief Accountant Danutė Prievelytė, confirm that the financial statements for first quarters 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

Deputy Director of Accounting and Reporting
Department, acting Director, Chief Accountant

D. Prievelytė

