

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30TH JUNE
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 SIX MONTH PERIOD AS AT 30 JUNE 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>Assets</u>	<u>Notes</u>	<u>The Bank</u>	
<u>30 June 2021</u>	<u>31 December 2020</u>			<u>30 June 2021</u>	<u>31 December 2020</u>
		Cash and due from central bank			
28,114	29,442	<i>Cash</i>	28,114	29,442	
57,530	79,238	<i>Placements with the central bank</i>	57,530	79,238	
85,644	108,680		85,644	108,680	
15,367	11,556	Placements with banks and other credit institutions	3	15,310	11,321
		Financial assets at fair value through profit or loss			
27	6	<i>Derivative financial instruments</i>		27	6
27	6			27	6
56,010	54,584	Debt securities	4	56,010	54,584
		Loans and receivables	5		
202,062	191,176	<i>Loans to customers</i>		195,271	186,494
14,676	13,530	<i>Finance lease receivable</i>		14,676	13,530
216,738	204,706			209,947	200,024
-	-	Investments in subsidiaries	6	7,342	6,406
27	-	Other equity instruments		27	-
244	528	Investment property		232	217
6,091	6,206	Property and equipment		6,072	6,185
376	464	Intangible assets		349	429
		Tax assets			
223	176	<i>Current taxes</i>		223	176
533	825	<i>Deferred taxes</i>		533	825
756	1,001			756	1,001
923	673	Other assets		836	665
382,203	388,404	Total assets		382,552	389,518

(continued on the next page)

The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2021

(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
30 June 2021	31 December 2020	Liabilities	Notes	30 June 2021	31 December 2020
1	1	Due to banks and other credit institutions		1	1
10	61	Derivative financial instruments		10	61
332,031	341,647	Due to customers	7	332,416	343,028
1,000	1,000	Subordinated loans	8	1,000	1,000
2,209	2,201	Debt securities issued	8	2,209	2,201
77	74	Impairment		117	108
144	-	Tax assets		144	-
-	-	Current taxes		-	-
144	-	Deferred taxes		144	-
6,660	5,208	Other liabilities	9	6,423	4,921
342,132	350,192	Total liabilities		342,320	351,320
		Equity			
19,948	19,948	Share capital	10	19,948	19,948
8,892	7,622	Retained earnings		9,072	7,608
326	326	Revaluation reserve of property and equipment		326	326
10,905	10,316	Other reserves	10	10,886	10,316
40,071	38,212	Total shareholders' equity		40,232	38,198
382,203	388,404	Total liabilities and shareholders' equity		382,552	389,518

The accompanying notes on pages 13 to 43 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 SIX MONTH PERIOD AS AT 30 JUNE 2021

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
30 June 2021	30 June 2020		Notes	30 June 2021	30 June 2020
6,311	6,034	Interest income	11	5,723	5,486
(934)	(904)	Interest expenses	11	(934)	(904)
5,377	5,130	Net interest income		4,789	4,582
2,511	2,656	Service fee and commission income	12	2,715	2,838
(452)	(273)	Service fee and commission expenses	12	(383)	(246)
2,059	2,383	Net service fee and commission income		2,332	2,592
-	-	Net result on equity securities trading		200	-
2,249	1,775	Net foreign exchange gain	13	2,249	1,775
(332)	218	Net result from operations with derivatives		(332)	218
-	-	Impairment of investments into subsidiaries		(64)	(200)
35	(175)	Net result on operations on investment property		(4)	(17)
80	19	Other income		89	31
9,468	9,350	Total operating income		9,259	8,981
(416)	(911)	Impairment of loans and other financial assets		(316)	(750)
9,052	8,439	Operating income after impairment		8,943	8,231
(4,248)	(4,175)	Salaries and benefits		(4,062)	(4,027)
(558)	(573)	Depreciation		(555)	(571)
(112)	(81)	Amortisation		(103)	(73)
(1,693)	(1,776)	Other operating expenses	14	(1,607)	(1,687)
(6,611)	(6,605)	Total operating expenses		(6,327)	(6,358)
2,441	1,834	Operating profit (loss)		2,616	1,873
(582)	(328)	Income tax		(582)	(320)
1,859	1,506	Profit (loss) for the year		2,034	1,553
1,859	1,506	Attributable to equity holders of the Bank		2,034	1,553

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Chief Accountant

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2021

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
01-04-2021- 30-06-2021	01-04-2020- 30-06-2020		01-04-2021- 30-06-2021	01-04-2020- 30-06-2020
			Notes	
3,258	2,967	Interest income	2,988	2,681
(448)	(447)	Interest expenses	(448)	(447)
2,810	2,520	Net interest income	2,540	2,234
1,294	1,202	Service fee and commission income	1,386	1,290
(231)	(133)	Service fee and commission expenses	(196)	(120)
1,063	1,069	Net service fee and commission income	1,190	1,170
-	-	Net result on equity securities trading	-	-
1,055	1,021	Net foreign exchange gain	1,055	1,021
8	(92)	Net result from operations with derivatives	8	(92)
-	-	Impairment of investments into subsidiaries	(31)	(200)
32	(174)	Net result on operations on investment property	(4)	(17)
20	11	Other income	23	16
4,988	4,355	Total operating income	4,781	4,132
(288)	(334)	Impairment of loans and other financial assets	(280)	(256)
4,700	4,021	Operating income after impairment	4,501	3,876
(2,183)	(1,976)	Salaries and benefits	(2,119)	(1,891)
(274)	(288)	Depreciation	(273)	(287)
(55)	(44)	Amortisation	(51)	(40)
(916)	(688)	Other operating expenses	(871)	(645)
(3,428)	(2,996)	Total operating expenses	(3,314)	(2,863)
1,272	1,025	Operating profit (loss)	1,187	1,013
(338)	(182)	Income tax expense	(338)	(183)
934	843	Profit (loss) at the end of the reporting period	849	830
934	843	Attributable to equity holders of the Bank	849	830

The accompanying notes on pages 13 to 43 are an integral part of these financial statements.

Acting Chairman of the
Board and Chief Executive
Officer

D. Kliškauskienė

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

L. Bertašienė

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>30 June 2021</u>	<u>30 June 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	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	2,034	1,553
Total comprehensive income	<u><u>2,034</u></u>	<u><u>1,553</u></u>
Attributable to:		
Equity holders of the Bank	2,034	1,553

The Group

	<u>30 June 2021</u>	<u>30 June 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	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,859	1,506
Total comprehensive income	<u><u>1,859</u></u>	<u><u>1,506</u></u>
Attributable to:		
Equity holders of the Bank	1,859	1,506

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D. Klišauskienė

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>01-04-2021 – 30-06-2021</u>	<u>01-04-2020 – 30-06-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	849	830
Total comprehensive income	<u><u>849</u></u>	<u><u>830</u></u>
Attributable to:		
Equity holders of the Bank	849	830

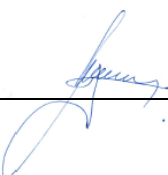
The Group

	<u>01-04-2021 – 30-06-2021</u>	<u>01-04-2020 – 30-06-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	<u>-</u>	<u>-</u>
Related tax	-	-
Other comprehensive income (expenses), net of tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	934	843
Total comprehensive income	<u><u>934</u></u>	<u><u>843</u></u>
Attributable to:		
Equity holders of the Bank	934	843

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D. Klišauskienė


Deputy Director of
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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>
As at 31 December 2019	19,948	3,996	330	10,316	34,590
Profit or loss	-	1,553	-	-	1,553
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 30 June 2020	19,948	5,549	330	10,316	36,143
Profit or loss	-	2,054	-	-	2,054
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 31 December 2020	19,948	7,608	326	10,316	38,198
Profit or loss	-	2,034	-	-	2,034
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(570)	-	570	-
As at 30 June 2021	19,948	9,072	326	10,886	40,232

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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
As at 31 December 2019	19,948	3,779	330	10,316	34,373
Profit or loss	-	1,506	-	-	1,506
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 30 June 2020	19,948	5,285	330	10,316	35,879
Profit or loss	-	2,332	-	-	2,332
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 31 December 2020	19,948	7,622	326	10,316	38,212
Profit or loss	-	1,859	-	-	1,859
Other comprehensive income (expense)	-	-	-	-	-
Transactions with owners of the Bank					
Transfer to reserves	-	(589)	-	589	-
As at 30 June 2021	19,948	8,892	326	10,905	40,071

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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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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
30 June 2021	30 June 2020	Notes	30 June 2021	30 June 2020
		Cash flows from operating activities		
1,859	1,506	Profit (loss) for the year	2,034	1,553
		Non-cash Revenue and Cost Recovery:		
670	654	Depreciation and amortisation	658	644
20	22	Loss, gain on the sale of tangible, intangible and investment property	60	22
416	911	Impairment of loans	316	750
-	-	Impairment of investments in subsidiaries	64	200
-	176	Impairment of investment property	-	17
(72)	(141)	Derivatives revaluation	(72)	(141)
111	63	Elimination of accrued vacation pay	129	52
582	328	Income tax expenses	582	320
(241)	(201)	Elimination of other non-cash items	(160)	(203)
3,345	3,318	Cash flows from (to) operating activities before changes in operating assets and liabilities	3,611	3,214
		Changes in operating assets and liabilities:		
26	(46)	Changes in compulsory reserves	26	(46)
(370)	-	Changes in bank's balances	(370)	-
(11,299)	3,601	Loans to customers	(9,085)	3,871
(1,020)	437	Finance lease receivable	(1,202)	437
-	1	Changes in due to banks and other credit institutions	-	1
(10,671)	1,172	Changes in due to customers	(11,667)	1,215
1,623	3,060	Changes in other assets and liabilities	1,649	2,970
(18,366)	11,543	Net cash flows from operating activities before income tax	(17,038)	11,662
(238)	(62)	Income tax (paid)	(238)	(53)
(18,604)	11,481	Net cash flows from operating activities after income tax	(17,276)	11,609
		Investing activities		
(884)	(798)	(Acquisitions) of intangible assets and property and equipment	(883)	(796)
-	(9)	(Acquisitions) of investment property	-	(9)
591	176	Proceeds from sale of property and equipment and investment property	434	43
-	-	Investments in subsidiaries	(1,000)	-
(27)	-	Other equity instruments	(27)	-
(282)	(245)	Part of the main amount of rent payments	(276)	(245)
14,147	29,651	Redemption of debt-securities	14,147	29,651
(15,573)	(26,782)	(Acquisitions) of of debt-securities	(15,573)	(26,782)
(2,028)	1,993	Net cash flows to investing activities	(3,178)	1,862

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(All amounts in EUR thousand unless otherwise stated)

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

Group			Bank	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
		Notes		
		Financing activities		
8	8	Bonds issued	8	8
-	-	Bonds (redeemed)	-	-
-	(3,000)	Loans received according to Eurosystem Open market operations	-	(3,000)
5,090	2,616	Loans (received)	5,090	2,616
(4,346)	(3,840)	Loans (repaid)	(4,346)	(3,840)
752	(4,216)	Net cash flows from (to) financing activities	752	(4,216)
311	(310)	Effect of exchange rate changes on cash and cash equivalents	311	(310)
(19,569)	8,948	Net increase (decrease) in cash and cash equivalents	(19,391)	8,945
117,700	84,146	Cash and cash equivalents at 1 January	117,465	84,127
98,131	93,094	Cash and cash equivalents at 30 June	98,074	93,072
		Additional information to operating cash flows		
5,527	5,171	Interest (received)	5,039	4,643
(859)	(883)	Interest (paid)	(859)	(883)

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Acting Chairman of the Board and Chief Executive Officer

D. Kliškauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD AS AT 30 JUNE 2021

(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 second quarter of 2021 the Bank had 43 customer service units in different regions of Lithuania.

The consolidated financial statements of the Group include the financial statements of the Bank and its fully owned subsidiaries UAB TG Invest-1 (main activity of the company – real estate management and development) and UAB Saugus Kreditas (main activity of the company – granting of consumer loans to private persons).

As at 30 June 2021 the Bank employed 306 employees (310 employees as at 31 December 2020). As at 30 June 2021 the Group employed 316 employees (321 employees as at 31 December 2020).

As at 30 June 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 50 percent ;

- 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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Note 1 Background information (cont'd)

As at 6 May 2020 K. Karosas and Western Petroleum Limited entered into an agreement to sell 100 percent 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 30 June 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 2021 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 annual separate and consolidated financial statements for 31 December 2020.

These condensed interim financial statements include the Bank's separate financial statements and the consolidated financial statements of the Group.

There are no significant amounts of income and expenses of the Bank and the Group that would be characterized by significant seasonality.

Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's and the Group functional currency unless otherwise stated.

The official exchange rates of the main currencies, used for the revaluation of the items in the statement of financial position as at the end of report period were as follows (EUR units to currency unit):

	30 June 2021	31 December 2020
USD	1.1888	1.2281

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Note 3 Placements with banks and other credit institutions

The Group			The Bank	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
10,975	7,718	Cash in correspondent accounts	10,918	7,483
4,392	3,838	Term deposits	4,392	3,838
15,367	11,556	Placements with banks and other credit institutions	15,310	11,321

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

	30 June 2021	31 December 2020
Government bonds of the Republic of Lithuania	41,270	43,725
Government bonds of of Romania	4,565	2,172
Government bonds of the Republic of Croatia	3,875	3,063
Government bonds of the Republic of Slovenia	2,698	-
Government bonds of the Republic of Latvia	-	2,445
Government bonds of the Republic of Poland	1,895	2,357
Government bonds of Hungary	1,707	822
Total	56 010	54,584

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	30 June 2021	31 December 2020
Loans to customers, including short-term bills of exchange	196,773	187,746
Overdrafts	224	234
Factoring	697	650
Leasing	15,087	13,923
	212,781	202,553
Less: impairment	(2,834)	(2,529)
Loans and receivables, net	209,947	200,024

	The Group	
	30 June 2021	31 December 2020
Loans to customers, including short-term bills of exchange	203,897	192,655
Overdrafts	224	234
Factoring	697	650
Leasing	15,087	13,923
	219,905	207,462
Less: impairment	(3,167)	(2,756)
Loans and receivables, net	216,738	204,706

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Note 6 Investment in subsidiaries

The main activities of established subsidiaries are real estate management and development and granting of consumer loans to private persons.

	The Bank	
	2021	2020
Balance at the beginning of the year	6,406	6,687
Acquisitions	1,000	-
Additional impairment of investment in subsidiaries	(64)	(281)
Balance at the end of the reporting period	7,342	6,406

Balance as at 30 June 2021	Ownership	Direct	Nominal	Impairment	Carrying
	(percent)	ownership	amount		value
UAB TG Invest-1	100	100	3,033	(1,261)	1,772
UAB Saugus Kreditas	100	100	5,601	(31)	5,570
Total			8,634	(1,292)	7,342
Balance as at 31 December 2020	Ownership	Direct	Nominal	Impairment	Carrying
	(percent)	ownership	amount		value
UAB TG Invest-1	100	100	3,033	(1,197)	1,836
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	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
163,851	172,994	Term deposits	163,851	172,994
159,007	160,224	Current accounts	159,392	161,605
9,173	8,429	Loans from funds	9,173	8,429
332,031	341,647	Total	332,416	343,028
28,496	34,718	Out of which held as security against guarantees and loans	28,496	34,718

Note 8 Subordinated loans and issued debt securities (the Bank)

Subordinated loans

In November 2016 the Bank received a subordinated loan of 1 mln EUR from the major shareholder of the Bank. The term of the subordinated loan is until 1 December 2023 with a fixed 2 percent annual interest rate.

Debt securities issued

In July 2018 the Bank have issued subordinated debt securities emission. As of 30 June 2021 net value of issued debt securities is 2,209 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	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
1,847	1,585	Accrued payments to employees	1,795	1,495
113	135	Prepayments (advance payments)	-	3
1,773	1,433	Accrued expenses	1,773	1,433
1,512	1,464	AML suspended funds	1,512	1,464
463	-	Verification of AML documents	463	-
123	24	Sales VAT	123	24
62	79	Deferred income	62	79
112	-	Liabilities to the State Tax Inspectorate	106	-
132	1	Liabilities to The State Social Insurance Fund Board	125	1
		Payable to the Latvian and Estonian Road		
28	25	Transport Administration	28	25
258	233	Debt to suppliers	214	173
237	229	Other	222	224
6,660	5,208	Total	6,423	4,921

Note 10 Shareholders' equity

As at 30 June 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 144.81 EUR 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	
	30 June 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	
	30 June 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	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
5,521	5,242	On loans to customers	4,942	4,703
120	65	On impaired loans to customers including interest on arrears	111	56
397	433	Leasing including interest on arrears	397	433
74	60	Other Interest on arrears	74	60
148	216	On debt securities	148	216
51	18	On placements with the banks and other credit institutions	51	18
6,311	6,034	Interest revenue	5,723	5,486
(557)	(562)	On obligations to customers, including letters of credit	(557)	(562)
(131)	(145)	Deposit insurance	(131)	(145)
(10)	(10)	On subordinated loans	(10)	(10)
(85)	(85)	For debt securities	(85)	(85)
(126)	(73)	On obligations to banks and other credit institutions	(126)	(73)
(25)	(29)	Lease of property	(25)	(29)
(934)	(904)	Interest expenses	(934)	(904)
5,377	5,130	Net interest income	4,789	4,582

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
1,028	1,073	Payment services	1,028	1,073
57	89	Income from currency exchange	57	89
390	376	Administration of bank accounts	390	376
636	633	Collection of payments	636	633
4	69	Brokerage income	208	251
266	243	Cash operations	266	243
130	173	Other	130	173
2,511	2,656	Service fee and commission income	2,715	2,838
(243)	(125)	Cash operations	(243)	(125)
(209)	(148)	Other	(140)	(121)
(452)	(273)	Service fee and commission expense	(383)	(246)
2,059	2,383	Net service fee and commission income	2,332	2,592

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	30 June 2021	30 June 2020
Gain on dealing in foreign currencies	1,938	2,085
Revaluation of items in statement of financial position, net	311	(310)
Net foreign exchange gain	2,249	1,775

Note 14 Operating expenses

Operating expenses are as follows:

The Group			The Bank	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
(130)	(107)	Rent and maintenance of premises	(123)	(98)
(409)	(421)	Office supplies	(407)	(403)
(149)	(246)	Payments for Bank's service providers	(149)	(246)
(296)	(76)	Taxes other than income tax	(276)	(58)
(113)	(115)	Communication	(110)	(114)
(124)	(132)	Transportation expenses	(123)	(131)
(50)	(52)	Security	(50)	(52)
(103)	(147)	Marketing and advertising	(101)	(147)
(45)	(65)	Legal fees and consulting	(31)	(60)
(4)	(19)	Personnel training	(4)	(19)
(5)	(22)	Representation	(5)	(22)
(20)	(61)	Building repair costs	(20)	(61)
(2)	(24)	Business trips	(2)	(23)
(16)	(11)	Disposable items	(16)	(11)
(6)	(9)	Stationary supplies	(6)	(9)
(72)	(76)	Insurance expenses	(70)	(74)
(11)	(13)	Membership fees	(11)	(13)
(83)	(52)	Accounting services	(59)	(32)
(55)	(128)	Other	(44)	(114)
(1,693)	(1,776)	Total other operating expenses	(1,607)	(1,687)

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Note 15 Cash and cash equivalents

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

The Group			The Bank	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
28,114	26,714	Cash on hand	28,114	26,714
55,020	55,207	Current accounts with the Bank of Lithuania	55,020	55,207
10,975	10,288	Current accounts with other credit institutions	10,918	10,266
4,022	885	Term deposits with credit institutions up to 90 days	4,022	885
98,131	93,094	Cash and cash equivalents	98,074	93,072

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 second 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	30 June 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	85,644	85,644	108,679	108,679
Placements with banks and other credit institutions	15,310	15,310	11,321	11,321
Debt securities	56,010	56,412	54,584	55,136
Loans and receivables	209,947	211,591	200,024	203,295
Other assets	-	-	-	-
Total financial assets	366,911	368,957	374,608	378,431
Financial liabilities				
Due to banks and other credit institutions	1	1	1	1
Due to customers, including letters of credit	332,416	334,269	343,028	345,082
Debt securities issued	2,209	2,705	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,423	6,423	4,921	4,921
Total financial liabilities	342,049	344,398	351,151	353,475
The Group				
Financial assets				
Cash and due from central bank	85,644	85,644	108,679	108,679
Placements with banks and other credit institutions	15,367	15,367	11,556	11,556
Debt securities	56,010	56,412	54,584	55,136
Loans and receivables	216,738	214,513	204,706	205,097
Other assets	-	-	-	-
Total financial assets	373,759	371,936	379,525	380,468
Financial liabilities				
Due to banks and other credit institutions	1	1	1	1
Due to customers, including letters of credit	332,031	333,884	341,647	343,701
Debt securities issued	2,209	2,705	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,660	6,660	5,208	5,208
Total financial liabilities	341,901	344,250	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)

30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	27	-	27
Financial liabilities				
Derivative financial instruments	-	10	-	10

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

30 June 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	100,954	-	-	100,954
Debt securities	56,010	-	-	56,010
Loans to customers	-	-	195,271	195,271
Receivables from leasing	-	-	14,676	14,676
Other assets	-	-	-	-
Total financial assets	156,964	-	209,947	366,911
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	332,416	-	332,416
Debt securities issued	-	2,209	-	2,209
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,423	6,423
Total financial liabilities	-	334,626	7,423	342,049

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**

30 June 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	101,011	-	-	101,011
Debt securities	56,010	-	-	56,010
Loans to customers	-	-	202,062	202,062
Receivables from leasing	-	-	14,676	14,676
Other assets	-	-	-	-
Total financial assets	157,021	-	216,738	373,759
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	332,031	-	332,031
Debt securities issued	-	2,209	-	2,209
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,660	6,660
Total financial liabilities	-	334,241	7,660	341,901

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 among 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 between 31 December 2020 and 30 June 2021 and related expense and income, included in the profit and loss statement, are set out below:

The Bank	Supervisory Board and Key Management Personnel			
	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 30 June 2021, net	-	14,869	52	707
Interest rate, percent	-	9.0	2.66-4.0	4.0-4.3
Impairment of loans	-	(170)	-	(6)
Term deposits as at 30 June 2021	-	-	12	1,180
Interest rate, percent	-	-	0.3	0.3–0.35
Demand accounts as at 30 June 2021	116	385	183	5,095
Bonds issued as at 30 June 2021	100	-	-	-
Interest rate, percent	7	-	-	-
Subordinated loans as at 30 June 2021	1,000	-	-	-
Interest rate, percent	2	-	-	-
For three month period which ended at 30 June 2021				
Interest income on loans	-	571	1	40
Interest expense on deposits	-	-	-	(2)
Interest expense on bonds	(4)	-	-	-
Interest expense on subordinated loans	(10)	-	-	-
Service fee and commission revenue	-	208	-	5
Service fee and commission expenses	-	-	-	-

The Bank	Supervisory Board and Key Management Personnel			
	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	11,902	30	3,493
Interest rate, percent	-	4.2	6.58	2.0-4.3
Impairment of loans	-	(136)	-	(18)
Term deposits as at 31 December 2020	-	-	12	1,201
Interest rate, percent	-	-	0.3	0.3–0.35
Demand accounts as at 31 December 2020	29	1,381	224	5,652
Bonds issued as at 31 December 2020	100	-	-	-
Interest rate, percent	7	-	-	-
Subordinated loans as at 31 December 2020	1,000	-	-	-
Interest rate, percent	2	-	-	-
For three month period which ended at 31 December 2020				
Interest income on loans	-	136	-	50
Interest expense on deposits	-	-	-	(2)
Interest expense on bonds	(4)	-	-	-
Interest expense on subordinated loans	(10)	-	-	-
Service fee and commission revenue	-	186	-	6
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 30 June 2021, net	-	52	707
Interest rate, percent	-	2.66-4.0	4.0-4.3
Impairment of loans	-	-	(6)
Term deposits as at 30 June 2021	-	12	1,180
Interest rate, percent	-	0.3	0.3-0.35
Demand accounts as at 30 June 2021	116	304	4,974
Bonds issued as at 30 June 2021	100	-	-
Interest rate, percent	7	-	-
Subordinated loans as at 30 June 2021	1,000	-	-
Interest rate, percent	2	-	-
For the first half of the year, which ended at 30 June 2021			
Interest income on loans	-	-	-
Interest expense on deposits	-	1	40
Interest expense on bonds	-	-	(2)
Interest expense on subordinated loans	(4)	-	-
Service fee and commission revenue	(10)	-	-
Service fee and commission expenses	-	-	5

The Group	Supervisory Board and Key Management Personnel		
	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	30	3,493
Interest rate, percent	-	6.58	2.0-4.3
Impairment of loans	-	-	(18)
Term deposits as at 31 December 2020	-	12	1,201
Interest rate, percent	-	0.3	0.3-0.35
Demand accounts as at 31 December 2020	29	224	5,652
Bonds issued as at 31 December 2020	100	-	-
Interest rate, percent	7	-	-
Subordinated loans as at 31 December 2020	1,000	-	-
Interest rate, percent	2	-	-
For the first half of the year, which ended at 31 December 2020			
Interest income on loans	-	-	50
Interest expense on deposits	-	-	(2)
Interest expense on bonds	(4)	-	-
Interest expense on subordinated loans	(10)	-	-
Service fee and commission revenue	-	-	6
Service fee and commission expenses	-	-	-

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

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Note 18 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2021 and in the Statement of comprehensive income as at 30 June 2021 is presented in the table below:

	30 June 2021				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	602	-	(31)	(571)	-
External	6,081	199	31	-	6,311
Interest income	6,683	199	-	(571)	6,311
Internal	(602)	-	-	602	-
External	(720)	(214)	-	-	(934)
Interest expenses	(1,322)	(214)	-	602	(934)
Internal	-	-	(31)	31	-
External	5,361	(15)	31	-	5,377
Net interest income	5,361	(15)	-	31	5,377
Internal	-	-	-	-	-
External	2,169	-	(1)	(109)	2,059
Net fee and commission income	2,169	-	(1)	(109)	2,059
Internal	-	-	(31)	31	-
External	7,530	(15)	30	(109)	7,436
Net interest, fee and commissions income	7,530	(15)	(1)	(78)	7,436
Internal	-	-	(64)	64	-
External	(5,875)	(101)	35	-	(5,941)
Operating expenses	(5,875)	(101)	(29)	64	(5,941)
Amortisation charges	(112)	-	-	-	(112)
Depreciation charges	(558)	-	-	-	(558)
Internal	-	-	-	-	-
External	(416)	-	-	-	(416)
Impairment expenses	(416)	-	-	-	(416)
Internal	-	-	-	-	-
External	1,649	269	115	-	2,033
Net other income	1,649	269	115	-	2,033
Profit (loss) before tax	2,217	153	85	(14)	2,441
Income tax	(582)	-	-	-	(582)
Profit (loss) per segment after tax	1,635	153	85	(14)	1,859
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	1,635	153	85	(14)	1,859
Total segment assets	259,659	145,512	1,822	(24,790)	382,203
Total segment liabilities	348,475	10,738	45	(17,126)	342,132
Net segment assets (shareholders equity)	(88,816)	134,774	1,777	(7,664)	40,071

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Note 18 Segment information (cont'd)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2020 and in the Statement of comprehensive income as at 30 June 2020 is presented in the table below:

	30 June 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	136	-	-	(136)	-
External	5,797	235	2	-	6,034
Interest income	5,933	235	2	(136)	6,034
Internal	(136)	-	-	136	-
External	(754)	(159)	-	-	(904)
Interest expenses	(881)	(159)	-	136	(904)
Internal	-	-	-	-	-
External	5,052	76	2	-	5,130
Net interest income	5,052	76	2	-	5,130
Internal	-	-	-	-	-
External	2,525	-	(3)	(139)	2,383
Net fee and commission income	2,525	-	(3)	(139)	2,383
Internal	-	-	-	-	-
External	7,577	76	(1)	(139)	7,513
Net interest, fee and commissions income	7,577	76	(1)	(139)	7,513
Internal	-	-	-	-	-
External	(5,188)	(98)	(663)	-	(5,949)
Operating expenses	(5,188)	(98)	(663)	-	(5,949)
Amortisation charges	(81)	-	-	-	(81)
Depreciation charges	(573)	-	-	-	(573)
Internal	-	-	-	-	-
External	(911)	-	-	-	(911)
Impairment expenses	(911)	-	-	-	(911)
Internal	-	-	-	-	-
External	1,653	340	(157)	-	1,836
Net other income	1,653	340	(157)	-	1,836
Profit (loss) before tax	2,477	318	(821)	(139)	1,834
Income tax	(328)	-	-	-	(328)
Profit (loss) per segment after tax	2,148	318	(821)	(139)	1,506
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	2,148	318	(821)	(139)	1,506
Total segment assets	243,848	126,385	1,993	(16,119)	356,107
Total segment liabilities	320,601	8,904	107	(9,384)	320,228
Net segment assets (shareholders equity)	(76,753)	117,481	1,886	(6,735)	35,879

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. According to Regulation (EU) No 876/2019, effective since 28 June 2021, the maximum exposure ratio is calculated based on Tier 1 capital.

Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
6,473	6,510	Maximum exposure to a single customer or group of connected customers	6,473	6,510
36,368	39,189	Eligible capital	36,456	39,210
17.80	16.61	Maximum exposure ratio, percent	17.76	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	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
Statement of financial position items, other than trading and investment activities				
57,530	79,238	Balances with the Bank of Lithuania	57,530	79,238
		Due from banks		
15,367	11,556		15,310	11,321
202,062	191,176	Loans to customers	195,271	186,494
14,676	13,530	Receivables from leasing	14,676	13,530
289,635	295,500		282,787	290,583
Off balance sheet items				
1,969	2,839	Guarantees	1,969	2,839
13,573	13,096	Loan commitments	17,083	16,062
305,177	311,435	Total balance and off balance sheet items, other than trading and investment activities	301,839	309,484
Trading and investment activities				
Financial assets at fair value through profit or loss				
27	67	Derivative financial instruments	27	6
-		- Held-to-maturity investments	-	
56,010	54,584	Debt securities	56,010	54,584
56,037	54,590	Total trading and investment activities	56,037	54,590
361,214	366,025	Total credit exposure	357,876	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)	
	30 June 2021	31 December 2020
Government bonds	56,010	54,584
Regional government bonds	-	-
Multilateral Development Banks Bonds	-	-
Corporate bonds	-	-
Derivatives	27	6
Total	56,037	54,590

	The Bank (Group)	
	30 June 2021	31 December 2020
High grade (AAA-A)	45,863	49,349
Standard grade (B-BBB+)	10,147	5,235
Not rated	-	-
Total	56,010	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
30 June 2021					
Stage 1					
Loans and receivables	153,257	750	-	-	154,007
Placements with LB and other banks	72,840	-	-	-	72,840
Debt securities	56,010	-	-	-	56,010
Other financial assets	-	-	-	-	-
Total	282,107	750	-	-	272,857
Stage 2					
Loans and receivables	50,200	871	-	-	51,071
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	50,200	871	-	-	51,071
Stage 3					
Loans and receivables	3,716	760	64	329	4,869
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,716	760	64	329	4,869
Total	336,023	2,381	64	329	338,797

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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
30 June 2021					
Stage 1					
Loans and receivables	158,771	1,190	-	-	159,961
Placements with LB and other banks	72,897	-	-	-	72,897
Debt securities	56,010	-	-	-	56,010
Other financial assets	-	-	-	-	-
Total	287,678	1,190	-	-	288,868
Stage 2					
Loans and receivables	50,621	1,187	25	-	51,833
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	50,621	1,187	25	-	51,833
Stage 3					
Loans and receivables	3,723	767	68	382	4,944
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,723	767	68	386	4,944
Total	342,022	3,144	93	386	345,645

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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

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
30 June 2021										
76	-	6	(4)	78	Stage 1	48	-	12	(4)	56
71	-	6	(4)	73	Loans and receivables	43	-	12	(4)	51
4	-	-	-	4	Placements with LB and other banks	4	-	-	-	4
1	-	-	-	4	Debt securities	1	-	-	-	1
216	14	1	-	231	Stage 2	198	14	1	-	213
216	14	1	-	231	Loans and receivables	198	14	1	-	213
-	110	-	-	110	Stage 3	-	50	-	-	50
-	110	-	-	110	Loans and receivables	-	50	-	-	50
292	124	7	(4)	419		246	64	13	(4)	39
-	-	-	-	-	Write-offs	-	-	-	-	-
-	-	-	-	(3)	Income on loans written off in earlier periods	-	-	-	-	(3)
-	-	-	-	416	Total change of impairment	-	-	-	-	316

Bank, together with other Lithuanian credit companies, signed a moratorium on postponement of credit liabilities in April 2020, in order to alleviate the situation of customers facing difficulties with COVID-19.

By the moratorium on assistance to corporate customers the bank undertook to defer loan payments to companies for up to 6 months without changing contract terms and interest (the moratorium applies to corporate loans totaling up to EUR 5 million per group of companies and which have not had significant delays last year).

Under this Moratorium all private individuals properly fulfilling payments prior to the quarantine, however facing financial difficulties due to the coronavirus situation, and having lost their jobs or part of their income, can, after informing their financial and credit institutions in writing, have the repayment of the principal part of their home loan postponed for up to 12 months. For consumer credit and leasing, institutions will apply postponements for up to half a year during the Moratorium period. During the postponement period, the client will only have to pay interest and other periodical payments.

Until 30th of June Bank have postponed of 175 clients loan repayments (Group – 257 clients), that meets the conditions of the moratorium, with net value of EUR 34.95 million (Group – EUR 35.34 million) or 16.65 percent (Group – 16.31 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 162 applications have been approved for business customers, with the total net deferred amount EUR 34.24 million, 13 applications have been approved for private customers, with the total net deferred amount EUR 0.71 million.

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 30 June, 2021, this portfolio amounted to net value of EUR 7,611 million, and provisions EUR 0,178 million.

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Note 19 Risk management (cont'd)**Liquidity risk**

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group and the Bank perform daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Board of Directors sets limits on the minimum level of assets of different level of liquidity that should be in place to cover withdrawals at unexpected levels of demand.

The Bank and the Group is required to satisfy the minimum requirement of liquidity coverage ratio according to Regulation (EU) No 575/2013 of the European Parliament and of the Council. Liquidity coverage ratio (LCR) refers to highly liquid assets held by the Bank or the Group in order to meet short-term obligations. The Bank or the Group is required to hold an amount of highly-liquid assets, such as cash, funds in Central bank, highly rated treasury bonds and other liquid financial instruments, equal to or greater than net cash outflow over a 30-day period, i.e. liquidity coverage ratio cannot be lower than 100 percent. Liquidity coverage ratios of the Bank and the Group are as follows:

The Group			The Bank	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
142,056	163,815	Liquid assets	142,056	163,815
23,598	30,811	Short-term (up to 30 days) obligations	25,373	33,215
602	532	LCR, percent	560	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	30 June 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	96,561	9,345	5,858	38,268	120,459	97,417	14,644	382,552
Liabilities and shareholders' equity	161,525	12,974	21,570	76,598	44,342	25,127	40,416	382,552
Net gap	(64,964)	(3,629)	(15,712)	(38,330)	76,117	72,290	(25,772)	-
Credit commitments	-	17,083	-	-	-	-	-	17,083

The Bank	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	116,162	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	30 June 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	96,618	9,669	6,562	41,335	112,831	107,695	7,493	382,203
Liabilities and shareholders equity	161,140	13,211	21,570	76,598	44,342	25,127	40,215	382,203
Net gap	(64,522)	(3,542)	(15,008)	(35,263)	68,489	82,568	(32,722)	-
Credit commitments	-	13,573	-	-	-	-	-	13,573

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 second 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 30 June 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	30 June 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	40,162	74,214	90,302	13,634	41,499	5,835	265,646
Non-sensitive assets to interest rate fluctuation							116,906
Liabilities:							
Sensitive liabilities to interest rate fluctuation	8,022	21,482	29,205	46,492	44,122	17,748	167,071
Non-sensitive liabilities and equity to interest rate fluctuation							215,481
Interest sensitivity gap	32,140	52,732	61,097	(32,858)	(2,623)	(11,913)	-

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	30 June 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	40,593	74,929	76,403	15,684	48,705	16,113	272,428
Non-sensitive assets to interest rate fluctuation							109,775
Liabilities:							
Sensitive liabilities to interest rate fluctuation	8,022	21,482	29,205	46,492	44,122	17,748	167,071
Non-sensitive liabilities and equity to interest rate fluctuation							215,132
Interest sensitivity gap	32,571	53,447	47,198	(30,808)	4,583	(1,635)	-

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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	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
284	327	Long positions	284	327
(373)	(131)	Short positions	(373)	(131)
38,647	39,189	Eligible capital	38,734	39,210
0.97	0.83	Overall net currency position, percent	0.96	0.83

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

	30 June 2021	31 December 2021
Increase in FX rates by 10 percent	9	20
Decrease in FX rates by 10 percent	(9)	(20)

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Note 20 Capital

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

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

Additional own funds requirement (Pillar II) has remained at the same level of 1.8 percent after 2020 supervisory review by the Bank of Lithuania and evaluation process (SREP).

New Regulation 2019/876, partly amending CRR, came into effect June 28, 2021 and had an impact on the Group's and the Bank's calculations of own funds and capital requirements for credit risk.

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

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

The Group			The Bank	
30 June 2021	31 December 2020		30 June 2021	31 December 2020
19.55	20.24	CET 1 Capital ratio	18.89	19.57
19.55	20.24	Tier 1 Capital ratio	18.89	19.57
20.78	21.68	Capital adequacy ratio	20.08	20.95

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

Financial assets quality indicators as at 30 June 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)
2,755	1.35	Loans to customers	2,422	1.23
412	2.73	Finance lease receivable	412	2.73
34	0.06	Debt securities	34	0.06
15	0.10	Placements with banks	15	0.10
-	-	Other assets	-	-
3,216	1.10	Total:	2,883	1.01

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 (percent) of the Bank and Group are provided in the table below:

The Group			The Bank	
30 June 2021	30 June 2020		30 June 2021	30 June 2020
0.97	0.86	Return on assets (ROA)	1.06	0.89
9.50	8.58	Return on equity (ROE)	10.32	8.72

Action applied to the Bank

During the second 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 second quarter 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 second 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

