

UAB MEDICINOS BANKAS

CONDENSED INTERIM SEPARATE AND CONSOLIDATED UNAUDITED
FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30
SEPTEMBER 2023, PREPARED IN ACCORDANCE WITH INTERNATIONAL
ACCOUNTING STANDARD 34 *INTERIM FINANCIAL REPORTING*, AS
ADOPTED BY THE EUROPEAN UNION

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

CONTENTS OF FINANCIAL STATEMENTS

SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
SEPARATE AND CONSOLIDATED INCOME STATEMENTS	5
SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER	6
SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	7
SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER ..	8
SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	9
SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS	11
Note 1 Background information	13
Note 2 Basis of preparation and significant accounting policies	14
Note 3 Debt securities	15
Note 4 Loans and receivables	15
Note 5 Investment in subsidiaries	16
Note 6 Assets held for sale	17
Note 7 Amounts due to customers	17
Note 8 Subordinated loans and issued debt securities (the Bank)	17
Note 9 Other liabilities	18
Note 10 Shareholders' equity	18
Note 11 Net interest income	19
Note 12 Net service fee and commission income	19
Note 13 Net foreign exchange gain	20
Note 14 Operating expenses	20
Note 15 Cash and cash equivalents	21
Note 16 Fair values of financial instruments	21
Note 17 Related party transactions	26
Note 18 Segment information	28
Note 19 Risk management	30
Note 20 Capital	44
Note 21 Quality of financial assets, profitability rates and other information	45
Note 22 Events after the reporting date	46
CONFIRMATION OF RESPONSIBLE PERSONS	46

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(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>The Group</u>				<u>The Bank</u>	
<u>30 September 2023</u>	<u>31 December 2022</u>	Assets	Notes	<u>30 September 2023</u>	<u>31 December 2022</u>
		Cash and due from central bank			
16,611	21,134	<i>Cash</i>		16,611	21,134
		<i>Placements with the central bank</i>			
<u>99,324</u>	<u>48,067</u>			<u>99,324</u>	<u>48,067</u>
115,935	69,201	Placements with banks and other credit institutions		115,935	69,201
15,036	11,156			15,031	11,143
		Financial assets at fair value through profit or loss			
		<i>Derivative financial instruments</i>			
<u>7</u>	<u>54</u>			<u>7</u>	<u>54</u>
7	54			7	54
33,522	59,218	Debt securities	3	33,522	59,218
		Loans and receivables	4		
297,474	241,543	<i>Loans to customers</i>		285,768	232,577
<u>27,677</u>	<u>22,194</u>	<i>Finance lease</i>		<u>27,677</u>	<u>22,194</u>
325,151	263,737			313,445	254,771
-	-	Investments in subsidiaries	5	12,342	9,342
27	37	Other equity instruments		27	37
47	84	Investment property		47	84
2,500	5,701	Property, plant and equipment (PPE)		2,498	5,688
679	671	Intangible assets		601	665
		Tax assets			
-	-	<i>Current taxes</i>		-	-
<u>98</u>	<u>95</u>	<i>Deferred taxes</i>		<u>98</u>	<u>95</u>
98	95			98	95
4,308	-	Assets held for sale	6	4,308	-
2,274	1,750	Other assets		1,525	1,223
<u>499,584</u>	<u>411,704</u>	Total assets		<u>499,386</u>	<u>411,521</u>

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

(continued on the next page)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

<u>The Group</u>		Liabilities and shareholders' equity	Notes	<u>The Bank</u>	
30 September 2023	31 December 2022			30 September 2023	31 December 2022
		Liabilities			
33	33	Due to banks and other credit institutions		33	33
31	3	Derivative financial instruments		31	3
433,514	354,227	Due to customers	7	433,967	354,569
1,000	1,000	Subordinated loans	8	1,000	1,000
2,209	2,235	Debt securities issued	8	2,209	2,235
120	71	Impairment		133	133
		Tax liabilities			
1,111	856	Current taxes		1,042	789
-	-	Deferred taxes		-	-
1,111	856			1,042	789
6,438	5,220	Other liabilities	9	5,972	4,684
444,456	363,645	Total liabilities		444,387	363,446
		Shareholders' equity			
35,468	19,948	Share capital	10	35,468	19,948
7,030	16,304	Retained earnings		6,926	16,339
318	318	Revaluation reserve of property and equipment		318	318
12,312	11,489	Other reserves	10	12,287	11,470
55,128	48,059	Total shareholders' equity		54,999	48,075
499,584	411,704	Total liabilities and shareholders' equity		499,386	411,521

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

Chairman of the Board and Head of Administration

M. Arlauskas

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED INCOME STATEMENTS

<u>The Group</u>			<u>The Bank</u>		
<u>30 September 2023</u>	<u>30 September 2022</u>		<u>30 September 2023</u>	<u>30 September 2022</u>	
19,602	10,592	Interest income	11	18,144	9,485
(2,898)	(1,462)	Interest expenses	11	(2,898)	(1,462)
16,704	9,130	Net interest income		15,246	8,023
4,065	3,925	Service fee and commission income	12	4,238	4,123
(551)	(730)	Service fee and commission expenses	12	(320)	(533)
3,514	3,195	Net service fee and commission income		3,918	3,590
2,460	3,619	Net foreign currency exchange gain	13	2,460	3,619
86	193	Net result from operations with derivatives		86	193
(21)	56	Net result on operations on investment property		(21)	56
27	64	Other income		36	67
22,770	16,257	Total operating income		21,725	15,548
(550)	(672)	Impairment of loans and other financial assets		(134)	(534)
22,220	15,585	Operating income after impairment		21,591	15,014
(7,933)	(7,276)	Salaries and benefits		(7,694)	(7,010)
(739)	(722)	Depreciation		(727)	(720)
(306)	(299)	Amortisation		(277)	(289)
(4,468)	(2,967)	Other operating expenses	14	(4,351)	(2,823)
(13,446)	(11,264)	Total operating expenses		(13,049)	(10,842)
8,774	4,321	Operating profit (loss)		8,542	4,172
(1,705)	(805)	Income tax		(1,618)	(754)
7,069	3,516	Profit (loss) for the year		6,924	3,418
7,069	3,516	Attributable to: shareholders of the Bank		6,924	3,418

The accompanying notes on pages 13 to 46 are an integral part of these financial statements.

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(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
2023-07-01- 2023-09-30	2022-07-01- 2022-09-30		2023-07-01- 2023-09-30	2022-07-01- 2022-09-30
7,588	3,840	Interest income	6,955	3,448
(1,456)	(461)	Interest expenses	(1,456)	(461)
6,132	3,379	Net interest income	5,499	2,987
1,274	1,330	Service fee and commission income	1,334	1,395
(175)	(272)	Service fee and commission expenses	(93)	(203)
1,099	1,058	Net service fee and commission income	1,241	1,192
843	1,622	Net foreign currency exchange gain	843	1,622
(34)	(98)	Net result from operations with derivatives	(34)	(98)
(21)	59	Net result on operations on investment property	(21)	59
5	26	Other income	8	27
8,024	6,046	Total operating income	7,536	5,789
(179)	(176)	Impairment of loans and other financial assets	(38)	(166)
7,845	5,870	Operating income after impairment	7,498	5,623
(2,547)	(2,523)	Salaries and benefits	(2,479)	(2,425)
(246)	(229)	Depreciation	(242)	(228)
(203)	(107)	Amortisation	(88)	(104)
(1,897)	(926)	Other operating expenses	(1,863)	(883)
(4,787)	(3,785)	Total operating expenses	(4,672)	(3,640)
3,058	2,085	Operating profit (loss)	2,826	1,983
(647)	(417)	Income tax	(592)	(394)
2,411	1,668	Profit (loss) for the year	2,234	1,589
2,411	1,668	Attributable to: shareholders of the Bank	2,234	1,589

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Chairman of the Board and Head of
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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Bank	30 September 2023	30 September 2022
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that will never be reclassified to profit or loss	-	-
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related taxes	-	-
Other comprehensive income (expenses), net tax result	-	-
Profit (loss) at the end of the reporting period	6,924	3,418
Total comprehensive income	6,924	3,418
Attributable to:		
Shareholders of the Bank	6,924	3,418
The Group	30 September 2023	30 September 2022
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 will never be reclassified to profit or loss	-	-
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax	-	-
Profit (loss) at the end of the reporting period	7,069	3,516
Total comprehensive income	7,069	3,516
Attributable to:		
Shareholders of the Bank	7,069	3,516

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(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR QUARTER

The Bank	2023-07-01- 2023-09-30	2022-07-01- 2022-09-30
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other		
Items that will never be reclassified to profit or loss	-	-
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	-	-
Profit (loss) at the end of the reporting period	2,234	1,589
Total comprehensive income	2,234	1,589
Attributable to:		
Shareholders of the Bank	2,234	1,589
	2023-07-01- 2023-09-30	2022-07-01- 2022-09-30
The Group		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that will never be reclassified to profit or loss	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	-	-
Profit (loss) at the end of the reporting period	2,411	1,668
Total comprehensive income	2,411	1,668
Attributable to:		
Shareholders of the Bank	2,411	1,668

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2021	19,948	11,690	322	10,886	42,846
Profit or loss	-	3,418	-	-	3,418
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(584)	-	584	-
As at 30 September 2022	19,948	14,524	322	11,470	46,264
Profit or loss	-	1,810	-	-	1,810
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
As at 31 December 2022	19,948	16,339	318	11,470	48,075
Profit or loss	-	6,924	-	-	6,924
Other comprehensive income (expense)	-	-	-	-	-
Share capital increase	15,520	(15,520)	-	-	-
Transfer to reserves	-	(817)	-	817	-
As at 30 September 2023	35,468	6,926	318	12,287	54,999

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2021	19,948	11,429	322	10,905	42,604
Profit or loss	-	3,516	-	-	3,516
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(584)	-	584	-
As at 30 September 2022	19,948	14,361	322	11,489	46,120
Profit or loss	-	1,938	-	-	1,938
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
As at 31 December 2022	19,948	16,304	318	11,489	48,059
Profit or loss	-	7,069	-	-	7,069
Other comprehensive income (expense)	-	-	-	-	-
Share capital increase	15,520	(15,520)	-	-	-
Transfer to reserves	-	(823)	-	823	-
As at 30 September 2023	35,468	7,030	318	12,312	55,128

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(All amounts in EUR thousand unless otherwise stated)

SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
30 September 2023	30 September 2022	Notes	30 September 2023	30 September 2022
		Cash flows from operating activities		
7,069	3,516	Profit (loss) for the year	6,924	3,418
		Non-cash revenue and cost recovery		
1,045	1,021	Depreciation and amortisation	1,004	1,009
11	(56)	Loss (gain) on the sale of tangible, intangible and investment property	11	(56)
550	672	Impairment of loans	134	534
(17,683)	(9,235)	Interest income on loans granted to customers	(16,225)	(9,235)
2,898	1,462	Interest expense on liabilities to depositors	2,898	1,462
75	(149)	Derivatives revaluation	75	(149)
(59)	18	Elimination of accrued vacation pay	(62)	16
1,705	805	Income tax expenses	1,618	754
208	40	Elimination of other non-cash items	209	40
(4,181)	(1,906)	Cash flows from (to) operating activities before changes in operating assets and liabilities	(3,414)	(2,207)
		Changes in operating assets and liabilities		
(356)	156	Changes in compulsory reserves	(356)	156
-	(370)	Changes in bank's balances	-	(370)
(55,792)	(38,226)	Loans to customers	(52,752)	(36,745)
(5,428)	(2,881)	Finance lease receivable	(5,428)	(2,881)
-	(1)	Changes in due to banks and other credit institutions	-	(1)
78,121	(4,040)	Changes in due to customers	78,232	(3,720)
1,324	3,885	Changes in other assets and liabilities	1,607	3,986
17,869	(41,477)	Change	21,303	(39,575)
16,988	9,098	Received interest on loans granted to customers	15,598	9,075
(1,697)	(1,296)	Interest paid on liabilities to depositors	(1,697)	(1,628)
(1,443)	(490)	Income tax paid	(1,358)	(490)
27,536	(36,071)	Net cash flows from main operating activities after income tax	30,432	(34,825)
		Cash flows from investments		
(2,385)	(778)	Acquisitions of investment property, property and equipment and intangible assets	(2,284)	(777)
43	310	Proceeds from sale of investment property, property and equipment and intangible assets	43	308
-	-	Investments in subsidiaries	(3,000)	(1,000)
-	(10)	Other equity instruments	-	(10)
27,649	11,672	Redemption of debt-securities	27,649	11,672
(1,953)	(10,845)	Acquisitions of debt-securities	(1,953)	(10,845)
23,354	349	Net cash flows form investing activities	20,455	(652)

(continued on the next page)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(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 reorganized to UAB Medicinos Bankas. The address of its registered office is as follows:

Pamėnkalnio St. 40,
Vilnius, Lithuania.

The Bank accepts deposits, grants loans, performs monetary and documentary settlements, exchanges currencies and issues guarantees for its clients. The Bank also trades in securities, provides consulting and custody services. The Bank provides services to both corporate and retail sectors.

At the end of third quarter of 2023 the Bank had 36 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 consumer loans to private persons). UAB TG Invest-1 has been acquired on 17 May 2013, while UAB Saugus kreditas on 17 October 2017.

As at 30 September 2023 the Bank employed 302 employees (296 employees as at 31 December 2022). As at 30 September 2023 the Group employed 312 employees (306 employees as at 31 December 2022).

As at 30 September 2023 the shareholders of the Bank were as follows:

	Ordinary shares held	Percent of ownership
Mr. Konstantinas Karosas	63,932,284	90.13
Western Petroleum Ltd.	7,003,456	9.87
Total	70,935,740	100.00

As at 31 December 2022 the shareholders of the Bank were as follows:

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

In 2023, by the shareholders' decision, the procedures for increasing the Bank's share capital from retained earnings and thus changing the nominal value and number of shares, were started.

As at 30 September 2023 the Bank's share capital consisted of 70,935,740 ordinary shares, each with a nominal value of 0.50 EUR (as at 31 December 2022, there were 137,750 ordinary shares with a nominal value of 144.81 each).

As at 30 September 2023 and December 31, 2022 all shares were fully paid.

After the transfer of voting rights, UAB MB valdymas has the right to vote all the Bank's shares at the Bank's general meeting of shareholders.

Capital and liquidity positions as at 30 September 2023 remain strong and prudential standards comply with regulations with a reserve.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 2022. 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 2022 for the annual financial statements.

New and modified standards and interpretations

Bank and Group management does not expect that newly published standards which are mandatory for accounting periods from 1 January 2023 or later will have major impact to the Bank and Group financial information. Also there is any new standards which should be mandatory for the Bank and Group from year 2023 and which might have noticeable impact on financial information.

While preparing interim separate and consolidated financial statements according to IFRS some assumptions and estimations are applied. They have impact for accounted assets, amounts of liabilities and uncertain assets, liabilities at the day of report and also have impact for amount of income and costs at reporting period. Despite the fact that all these estimations are based on the knowledge of management, in the end results can be different. While preparing interim separate and consolidated financial statements, the same assumptions and estimations, which were used while preparing annual separate and consolidated financial statements for 31 December 2022, were applied.

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):

	<u>30 September 2023</u>	<u>31 December 2022</u>
USD	1.0594	1.0666

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 3 Debt securities

The Bank (Group)

	<u>30 September 2023</u>	<u>31 December 2022</u>
Government bonds of the Republic of Lithuania	16,518	36,444
Government bonds of the Republic of Slovenia	6,079	6,789
Government bonds of the Republic of Croatia	3,846	4,946
Government bonds of the Republic of Romania	4,468	5,524
Government bonds of the Republic of Hungary	2,611	2,671
Government bonds of the Republic of Poland	-	2,844
Total	<u>33,522</u>	<u>59,218</u>

Note 4 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	<u>30 September 2023</u>	<u>31 December 2022</u>
Loans to customers, including short-term bills of exchange	287,089	233,498
Overdrafts	654	462
Factoring	638	1,142
Finance lease	28,204	22,722
	<u>316,585</u>	<u>257,824</u>
Impairment	(3,140)	(3,053)
Loans and receivables, net	<u>313,445</u>	<u>254,771</u>

	The Group	
	<u>30 September 2023</u>	<u>31 December 2022</u>
Loans to customers, including short-term bills of exchange	299,725	243,031
Overdrafts	654	462
Factoring	638	1,142
Finance lease	28,204	22,722
	<u>329,221</u>	<u>267,357</u>
Impairment	(4,070)	(3,620)
Loans and receivables, net	<u>325,151</u>	<u>263,737</u>

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 5 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	
	2023	2022
Balance at the beginning of the year	9,342	8,342
Acquisitions	3,000	1,000
Change in impairment of investment in subsidiaries	-	-
Balance at the end of the reporting period	12,342	9,342

Balance as at 30 September 2023	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
UAB „Saugus kreditas“	100	100	9,601	(31)	10,570
Total			12,634	(1,292)	12,342

Balance as at 31 December 2022	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
UAB „Saugus kreditas“	100	100	7,601	(31)	7,570
Total			10,634	(1,292)	9,342

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 6 Assets held for sale

In 2023 the management decided to begin preparations of sale of land and buildings, owned by Bank and located in Vilnius and Kaunas. Under these circumstances those real estate objects were reclassified in the statement of financial position as assets held for sale. As at 30 September 2023 fair value of these objects was 4,308 thousand EUR.

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
252,823	156,271	Term deposits	252,823	156,271
165,079	181,616	Current accounts	165,532	181,958
2,160	3,035	Customer funds in transit accounts	2,160	3,035
13,452	13,305	Loans from funds	13,452	13,305
433,514	354,227	Total	433,967	354,569
46,208	34,289	Out of which held as security against guarantees and loans	46,208	34,289

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 September 2023 net value of issued debt securities is 2,209 thous. EUR (as of 31 December 2022 2,235 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. Annual interest rate – 7 percent, with a payment twice a year. Maturity date – 24 July 2025.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 9 Other liabilities

Other liabilities comprise of:

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
2,125	2,026	Accrued payments to employees	2,085	1,917
340	352	Prepayments	-	-
2,227	1,799	Accrued expenses	2,222	1,787
719	-	Liabilities to the State Tax Inspectorate	714	-
		Liabilities to the Board of the State Social		
172	-	Fund	166	-
140	265	Sales VAT	140	265
67	80	Deferred income	67	80
		Payable to the Latvian and Estonian Road		
39	42	Transport Administration	39	42
234	382	Debt to suppliers	164	319
150	-	Advances received	150	-
225	274	Other	225	274
6,438	5,220	Total	5,972	4,684

Note 10 Shareholders' equity

In 2023, by the shareholders' decision, the procedures for increasing the Bank's share capital from retained earnings and thus changing the nominal value and number of shares, were started.

As at 30 September 2023 the Bank's share capital consisted of 70,935,740 ordinary shares, each with a nominal value of 0.50 EUR (as at 31 December 2022, there were 137,750 ordinary shares with a nominal value of 144.81 each).

As at 30 September 2023 and December 31, 2022 all shares were fully paid.

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 September 2023	31 December 2022
Special reserve to cover possible losses	2,528	2,528
Legal reserve	2,262	1,445
Reserve capital	7,497	7,497
Total other reserves	12,287	11,470

	The Group	
	30 September 2023	31 December 2022
Special reserve to cover possible losses	2,528	2,528
Legal reserve	2,287	1,464
Reserve capital	7,497	7,497
Total other reserves	12,312	11,489

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 11 Net interest income

Net interest income comprises:

The Group			The Bank	
30 September 2023	30 September 2022		30 September 2023	30 September 2022
15,962	9,414	For loans to customers	14,533	8,389
82	185	For impaired loans to customers including interest on arrears	53	162
1,589	598	For finance lease including interest on arrears	1,589	642
50	86	Other interest on arrears (not including finance lease and impaired loans)	50	42
266	211	On debt securities	266	219
1,349	2	On cash at central banks	1,349	2
304	98	On placements with the banks and other credit institutions	304	31
19,602	10,592	Interest revenue	18,144	9,485
(2,471)	(911)	On obligations to customers, including letters of credit	(2,471)	(911)
(244)	(224)	Deposit and guarantee insurance	(244)	(224)
(15)	(15)	On subordinated loans	(15)	(15)
(129)	(129)	On debt securities issued	(129)	(129)
-	(142)	On obligations to banks and other credit institutions	-	(142)
(39)	(41)	Lease of property	(39)	(41)
(2,898)	(1,462)	Interest expenses	(2,898)	(1,462)
16,704	9,130	Total	15,246	8,023

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
30 September 2023	30 September 2022		30 September 2023	30 September 2022
1,482	1,250	Payment services	1,482	1,250
132	170	Income from currency exchange	132	170
535	626	Administration of bank accounts	535	626
883	974	Collection of payments	883	974
221	41	Brokerage income	394	239
566	593	Cash operations	566	593
246	271	Other	246	271
4,065	3,925	Service fee and commission income	4,238	4,123
(27)	(49)	Rent fee according to agreements	(27)	(49)
(182)	(327)	Cash operations	(182)	(327)
(59)	(103)	Money transfer operations	(59)	(103)
(230)	(198)	Brokerage costs	-	-
(53)	(53)	Other	(52)	(54)
(551)	(730)	Service fee and commission expense	(320)	(533)
3,514	3,195	Total	3,918	3,590

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 13 Net foreign exchange gain

	The Bank (Group)	
	30 September 2023	30 September 2022
Gain from foreign exchange	2,589	3,887
Revaluation of items in statement of financial position, net	(129)	(268)
Net foreign exchange gain	2,460	3,619

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
30 September 2023	30 September 2022	30 September 2023	30 September 2022
(238)	(251)	(238)	(234)
(850)	(672)	(844)	(670)
(284)	(251)	(284)	(251)
(1,349)	(429)	(1,308)	(381)
(215)	(207)	(212)	(202)
(87)	(79)	(87)	(79)
(171)	(220)	(171)	(220)
(466)	(219)	(466)	(211)
(41)	(17)	(27)	(4)
(37)	(25)	(37)	(25)
(32)	(34)	(31)	(34)
(90)	(30)	(90)	(30)
(18)	(50)	(18)	(50)
(8)	(10)	(8)	(10)
(22)	(28)	(22)	(28)
(15)	(16)	(15)	(16)
(132)	(102)	(129)	(100)
(52)	(20)	(52)	(20)
(72)	(68)	(72)	(68)
(130)	(123)	(94)	(87)
(159)	(116)	(146)	(103)
(4,468)	(2,967)	(4,351)	(2,823)

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 15 Cash and cash equivalents

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

The Group			The Bank	
30 September 2023	30 September 2022		30 September 2023	30 September 2022
16,611	24,968	Cash on hand	16,611	24,968
96,356	50,576	Current accounts with the Bank of Lithuania	96,356	50,576
4,613	5,910	Current accounts with other credit institutions	4,608	5,894
10,423,	2,288	Term deposits with credit institutions up to 90 days	10,423,	2,288
128,003	83,742	Total	127,998	83,726

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 condition, 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 approximates 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 valuation was done by discounting the future cash flows for each loan over its entire term, using the market's 12 month average interest rates at the end of the year.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	115,935	115,935	69,201	69,201
Placements with banks and other credit institutions	15,031	15,031	11,143	11,143
Debt securities	33,522	32,632	59,218	57,422
Loans and receivables	313,445	307,160	254,771	269,902
Other assets	-	-	-	-
Total	477,933	470,758	394,333	407,668
Financial liabilities				
Due to banks and other credit institutions	33	33	33	33
Due to customers, including letters of credit	433,967	385,407	354,569	357,318
Debt securities issued	2,209	2,382	2,235	2,557
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	5,972	5,972	4,684	4,684
Total	443,181	394,794	362,521	365,592
The Group				
Financial assets				
Cash and due from central bank	115,935	115,935	69,201	69,201
Placements with banks and other credit institutions	15,036	15,036	11,156	11,156
Debt securities	33,522	32,632	59,218	57,422
Loans and receivables	325,151	316,348	263,737	276,221
Other assets	-	-	-	-
Total	489,644	479,951	403,312	414,000
Financial liabilities				
Due to banks and other credit institutions	33	33	33	33
Due to customers, including letters of credit	433,514	384,955	354,227	356,976
Debt securities issued	2,209	2,382	2,235	2,557
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,438	6,438	5,220	5,220
Total	443,194	394,808	362,715	365,786

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

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

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

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

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

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

The Bank (Group)

As at 30 September 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	7	-	7
Financial liabilities				
Derivative financial instruments	-	31	-	31

The Bank (Group)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	54	-	54
Financial liabilities				
Derivative financial instruments	-	3	-	3

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	130,966	-	-	130,966
Debt securities	33,522	-	-	33,522
Loans to customers	-	-	285,768	285,768
Finance lease	-	-	27,677	27,677
Other assets	-	-	-	-
Total financial assets	164,488	-	313,445	477,933
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	433,967	-	433,967
Debt securities issued	-	2,209	-	2,209
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	5,972	5,972
Total financial liabilities	-	436,209	6,972	443,181

The Bank

31 December 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	80,344	-	-	80,344
Debt securities	59,218	-	-	59,218
Loans to customers	-	-	232,577	232,577
Finance lease	-	-	22,194	22,194
Other assets	-	-	-	-
Total financial assets	139,562	-	254,771	394,333
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	354,569	-	354,569
Debt securities issued	-	2,235	-	2,235
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	4,684	4,684
Total financial liabilities	-	356,837	5,684	362,521

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

30 September 2023	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	130,971	-	-	130,971
Debt securities	33,522	-	-	33,522
Loans to customers	-	-	297,474	297,474
Finance lease	-	-	27,677	27,677
Other assets	-	-	-	-
Total financial assets	164,493	-	325,151	489,644
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	433,514	-	433,514
Debt securities issued	-	2,209	-	2,209
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	6,438	6,438
Total financial liabilities	-	435,756	7,438	443,194

The Group

31 December 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	80,344	-	-	80,344
Debt securities	59,218	-	-	59,218
Loans to customers	-	-	241,543	241,543
Finance lease	-	-	22,194	22,194
Other assets	-	-	-	-
Total financial assets	139,562	-	263,737	403,299
Liabilities				
Due to banks and other credit institutions	-	33	-	33
Due to customers	-	354,227	-	354,227
Debt securities issued	-	2,235	-	2,235
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	5,220	5,220
Total financial liabilities	-	356,495	6,220	362,715

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 17 Related party transactions

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

The outstanding balances of loans, term deposits and bonds issued in between 30 September 2023 and 31 December 2022 and expense and income, related to that, and which are included in the September 30 2023 and September 30 2022 profit and loss statements, are set out below:

The Bank	Supervisory Board and Key Management Personnel			
2023	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 30 September 2023, net	-	25,329	-	1,784
Interest rate, percent	-	7.0	-	7.66-8.66
Impairment of loans	-	(313)	-	(9)
Term deposits as at 30 September 2023	-	-	84	1,074
Interest rate, percent	-	-	0.3-3.85	1.00-3.85
Current accounts as at 30 September 2023	775	453	124	3 647
Bonds issued as at 30 September 2023	100	-	-	-
Interest rate, percent	7,0	-	-	-
Subordinated loans as at 30 September 2023	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For nine month period as at 30 September 2023				
Interest income on loans	-	1,513	-	42
Interest expense on deposits	-	-	(1)	(14)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	-	186	-	7
Service fee and commission expenses	-	-	-	-
The Bank	Supervisory Board and Key Management Personnel			
2022	Shareholders	Subsidiaries	Personnel	Other*
Loans outstanding as at 31 December 2022, net	-	21,377	-	402
Interest rate, percent	-	8.55	-	4.33-5.08
Impairment of loans	-	(268)	-	(3)
Term deposits as at 31 December 2022	-	-	-	1,194
Interest rate, percent	-	-	-	0.05-1.00
Current accounts as at 31 December 2022	2,124	342	186	4,007
Bonds issued as at 31 December 2022	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 31 December 2022	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For nine month period as at 30 September 2022				
Interest income on loans	-	1,293	1	16
Interest expense on deposits	-	-	-	(3)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	-	205	-	5
Service fee and commission expenses	-	-	-	-

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 17 Related party transactions (cont'd)

The Group	Supervisory Board and Key Management Personnel		
	Shareholders	Personnel	Other*
2023			
Loans outstanding as at 30 September 2023, net	-	-	1,784
Interest rate, percent	-	-	7.66-8.66
Impairment of loans	-	-	(9)
Term deposits as at 30 September 2023	-	84	1,074
Interest rate, percent	-	0.3-3.85	1.00-3.85
Current accounts as at 30 September 2023	775	149	3,622
Bonds issued as at 30 September 2023	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 30 September 2023	1,000	-	-
Interest rate, percent	2.0	-	-
For nine month period as at 30 September 2023			
Interest income on loans	-	-	42
Interest expense on deposits	-	(1)	(14)
Interest expense on bonds	(5)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	-	-	7
Service fee and commission expenses	-	-	-
The Group		Supervisory Board and Key Management Personnel	
2022	Shareholders	Personnel	Other*
Loans outstanding as at 31 December 2022, net	-	-	402
Interest rate, percent	-	-	4.33-5.08
Impairment of loans	-	-	(3)
Term deposits as at 31 December 2022	-	-	1,194
Interest rate, percent	-	-	0.05-1.00
Current accounts as at 31 December 2022	2,124	228	3,965
Bonds issued as at 31 December 2022	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 31 December 2022	1,000	-	-
Interest rate, percent	2.0	-	-
For nine month period as at 30 September 2022			
Interest income on loans	-	1	16
Interest expense on deposits	-	-	(3)
Interest expense on bonds	(5)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	-	-	5
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.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023 and in the Statement of comprehensive income as at 30 September 2023 is presented in the table below:

	30 September 2023				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,620	-	(107)	(1,513)	-
External	17,369	1,856	107	-	19,602
Interest income	19,259	1,856	-	(1,513)	16,602
Internal	(1,620)	-	-	1,620	-
External	(2,886)	(12)	-	-	(2,898)
Interest expenses	(4,506)	(12)	-	1,620	(2,898)
Internal	-	-	(107)	107	-
External	14,753	1,844	107	-	16,704
Net interest income	14,753	1,844	-	107	16,704
Internal	-	-	-	-	-
External	3,511	-	-	3	3,514
Net fee and commission income	3,511	-	-	3	3,514
Internal	-	-	(107)	107	-
External	18,264	1,844	107	3	20,218
Net interest, fee and commissions income	18,264	1,844	-	110	20,218
Internal	-	-	-	-	-
External	(12,203)	(198)	-	-	(12,401)
Operating expenses	(12,203)	(198)	-	-	(12,401)
Amortisation	(306)	-	-	-	(306)
Depreciation	(739)	-	-	-	(739)
Internal	-	-	-	-	-
External	(550)	-	-	-	(550)
Impairment expenses	(550)	-	-	-	(550)
Internal	-	-	-	-	-
External	2,105	441	6	-	2,552
Net other income	2,105	441	6	-	2,552
Profit (loss) before tax	6,571	2,087	6	110	8,774
Income tax	(1,705)	-	-	-	(1,705)
Profit (loss) per segment after tax	4,866	2,087	6	110	7,069
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the shareholders of the Bank	4,866	2,087	6	110	7,069
Total segment assets	364,677	173,322	1,968	(40,383)	499,584
Total segment liabilities	466,730	5,445	53	(27,772)	444,456
Net segment assets (shareholders equity)	(102,053)	167,877	1,915	(12,611)	55,128

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2022 and in the Statement of comprehensive income as at 30 September 2022 is presented in the table below:

	30 September 2022				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,366	-	(73)	(1,293)	-
External	10,267	252	73	-	10,592
Interest income	11,633	252	-	(1,293)	10,592
Internal	(1,366)	-	-	1,366	-
External	(1,215)	(247)	-	-	(1,462)
Interest expenses	(2,581)	(247)	-	1,366	(1,462)
Internal	-	-	(73)	73	-
External	9,052	5	73	-	9,130
Net interest income	9,052	5	-	73	9,130
Internal	-	-	-	-	-
External	3,232	-	-	(37)	3,195
Net fee and commission income	3,232	-	-	(37)	3,195
Internal	-	-	(73)	73	-
External	12,284	5	73	(37)	12,325
Net interest, fee and commissions income	12,284	5	-	36	12,325
Internal	-	-	-	-	-
External	(10,142)	(158)	56	-	(10,244)
Operating expenses	(10,142)	(158)	56	-	(10,244)
Amortisation	(299)	-	-	-	(299)
Depreciation	(722)	-	-	-	(722)
Internal	-	-	-	-	-
External	(672)	-	-	-	(672)
Impairment expenses	(672)	-	-	-	(672)
Internal	-	-	-	-	-
External	3,025	787	120	-	3,933
Net other income	3,025	787	120	-	3,933
Profit (loss) before tax	3,475	634	176	36	4,321
Income tax	(805)	-	-	-	(805)
Profit (loss) per segment after tax	2,670	634	176	36	3,516
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the shareholders of the Bank	2,670	634	176	36	3,516
Total segment assets	301,415	143,148	1,886	(34,211)	412,238
Total segment liabilities	383,035	5,601	42	(24,560)	366,118
Net segment assets (shareholders equity)	(83,620)	137,547	1,844	(9,651)	46,120

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.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 cannot 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 September 2023	31 December 2022		30 September 2023	31 December 2022
10,502	8,085	Maximum exposure to a single customer or group of connected customers	10,502	8,085
46,123	44,471	Eligible capital	46,717	45,130
22.77	18.07	Maximum exposure ratio, percent	22.48	17.80

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

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

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
		Statement of financial position items, other than trading and investment activities		
99,324	48,067	Balances with the Bank of Lithuania Due from banks	99,324	48,067
15,036	11,156		15,031	11,143
297,475	241,543	Loans to customers	285,768	232,577
27,677	22,194	Finance lease	27,677	22,194
439,512	322,960		427,800	313,981
		Off balance sheet items		
2,208	2,231	Guarantees	2,208	2,231
20,392	12,706	Loan commitments	21,380	17,644
462,112	337,897	Total balance and off balance sheet items, other than trading and investment activities	451,388	333,856
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
7	54	Derivative financial instruments	7	54
		- Held-to-maturity investments		-
33,522	59,218	Debt securities	33,522	59,218
33,529	59,272	Total trading and investment activities	33,529	59,272
495,641	397,169	Total credit exposure	484,917	393,128

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 19 Risk management (cont'd)

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

	The Bank (Group)	
	30 September 2023	31 December 2022
Government bonds	33,522	59,218
Derivatives	7	54
Total	33,529	59,272

Bonds exposure by rating grade	The Bank (Group)	
	30 September 2023	31 December 2022
High grade (AAA-A)	22,597	46,077
Standard grade (B-BBB+)	10,925	13,141
Not rated	-	-
Total	33,522	59,218

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 assigned to the high rating class debt securities, whose issuers combined credit rating, according to the assessments of recognized international rating agencies (Moody's, Standard&Poor's or Fitch Ratings), is from „AAA“ to „A“, when bonds with issuer's ratings from „BBB“ to „B“ are assigned to the standard rating class.

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.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023					
Stage 1					
Loans and receivables	258,151	3,114	-	-	261,265
Placements with LB and other banks	114,355	-	-	-	114,355
Debt securities	33,522	-	-	-	33,522
Other financial assets	-	-	-	-	-
Total	406,028	3,114	-	-	409,142
	,	,	,	,	,
Stage 2					
Loans and receivables	38,211	5,812	-	-	44,023
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	38,211	5,812	-	-	44,023
	,	,	,	,	,
Stage 3					
Loans and receivables	7,059	707	9	382	8,157
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	7,059	707	9	382	8,157
Total	451,298	9,633	9	382	461,322

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 2022					
Stage 1					
Loans and receivables	201,310	1,160	-	-	202,470
Placements with LB and other banks	59,210	-	-	-	59,210
Debt securities	59,218	-	-	-	59,218
Other financial assets	-	-	-	-	-
Total	319 738	1,160	-	-	320,898
Stage 2					
Loans and receivables	48,603	745	-	-	49,348
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	4, 603	745	-	-	49,348
Stage 3					
Loans and receivables	2,301	324	200	128	2,953
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,301	324	200	128	2,953
Total	370,642	2,229	200	128	373,199

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023					
Stage 1					
Loans and receivables	266,192	3,647	-	-	269,839
Placements with LB and other banks	114,360	-	-	-	114,360
Debt securities	33,522	-	-	-	33,522
Other financial assets	-	-	-	-	-
Total	414,074	3,647	-	-	417,721
	,	,	,	,	,
Stage 2					
Loans and receivables	40,101	6,818	43	-	46,962
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	40,101	6,818	43	-	46,962
	,	,	,	,	,
Stage 3					
Loans and receivables	7,102	735	24	489	8,350
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	7,102	735	24	489	8,350
	,	,	,	,	,
Total	461,277	11,200	67	489	473,033

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 2022					
Stage 1					
Loans and receivables	208,125	1,758	-	-	209,883
Placements with LB and other banks	59,223	-	-	-	59,223
Debt securities	59,218	-	-	-	59,218
Other financial assets	-	-	-	-	-
Total	326,566	1,758	-	-	328,324
Stage 2					
Loans and receivables	49,293	1,411	40	-	50,744
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	49,293	1,411	40	-	50,744
Stage 3					
Loans and receivables	2,322	341	226	221	3,110
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,322	341	226	221	3,110
Total	378,181	3,510	266	221	382,178

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023										
400	-	47	2	449	Stage 1	336	-	(4)	2	334
411	-	47	2	460	Loans and receivables	347	-	(4)	2	345
5	-	-	-	5	Placements with LB and other banks	5	-	-	-	5
(16)	-	-	-	(16)	Debt securities	(16)	-	-	-	(16)
4	-	-	-	4	Stage 2	(178)	-	1	-	(177)
4	-	-	-	4	Loans and receivables	(178)	-	1	-	(177)
-	34	-	-	34	Stage 3	-	(83)	-	-	(83)
-	34	-	-	34	Loans and receivables	-	(83)	-	-	(83)
-	-	-	-	-	Other financial assets	-	-	-	-	-
404	34	47	2	487	Total	158	(83)	(3)	2	74
-	66	-	-	66	Write-offs	-	63	-	-	63
-	(3)	-	-	(3)	Income on loans written off in earlier periods	-	(3)	-	-	(3)
-	-	-	-	550	Total change of impairment	-	-	-	-	134

The credit risk assessment of individual clients, in order to determine their dependence on war-affected countries and the impact on credit risk, did not show increased credit risk. In 2023, enhanced monitoring is applied to the clients included in the list of monitored clients.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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 September 2023	31 December 2022		30 September 2023	31 December 2022
148,350	125,833	Liquid assets	148,350	125,833
41,132	30,060	Short-term (up to 30 days) obligations	41,958	32,316
361	419	LCR, percent	354	389

Furthermore, according to the Regulation (EU) No 2019/876 of the European Parliament and of the Council, the net stable funding ratio should be at least of 100% starting from 28 June 2021. Net stable funding ratios of the Bank and the Group are as follows:

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
425,840	364,440	Available stable funding	426,172	364,716
276,175	223,162	Required stable funding	271,774	229,968
154	163	NSFR, percent	157	159

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 19 Risk management (cont'd)

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

The Bank	30 September 2023							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	32,522	105,971	13,895	79,793	87,220	158,267	21,718	499,386
Liabilities and shareholders' equity	167,782	17,771	21,753	151,790	54,669	30,456	165	444,386
Net gap	(135,260)	88,200	(7,858)	(71,997)	32,551	127,811	21,553	55,000
Credit commitments	-	21,380	-	-	-	-	-	21,380

	31 December 2022							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	38,739	46,018	12,465	57,207	120,599	119,225	17,268	411,521
Liabilities and shareholders' equity	185,251	16,323	17,399	66,296	48,102	29,872	203	363,446
Net gap	(146,512)	29,695	(4,934)	(9,089)	72,497	89,353	17,065	48,075
Credit commitments	-	17,644	-	-	-	-	-	17,644

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	30 September 2023							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	32,527	106,649	15,258	60,644	101,305	172,854	10,348	499,584
Liabilities and shareholders' equity	167,329	18,237	21,753	151,790	54,669	30,456	223	444,457
Net gap	(134,802)	88,412	(6,495)	(91,146)	46,636	142,398	10,125	55,127
Credit commitments	-	20,392	-	-	-	-	-	20,392

The Group	31 December 2022							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	38,752	46,516	13,563	61,961	110,489	131,835	8,588	411,704
Liabilities and shareholders' equity	184,909	16,859	17,399	66,296	48,102	29,872	208	363,645
Net gap	(146,157)	29,657	(3,836)	(4,335)	62,387	101,963	8,380	48,059
Credit commitments	-	12,706	-	-	-	-	-	12,706

Overdue loans are disclosed under column "Without maturity".

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 September 2023 and 31 December 2022. 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.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

The Bank	30 September 2023						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	46,446	92,089	150,634	41,200	13,324	1,576	345,269
Non-sensitive assets to interest rate fluctuation							154,117
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,243	21,201	44,160	105,489	57,459	30,964	269,516
Non-sensitive liabilities and equity to interest rate fluctuation							229,870
Interest sensitivity gap	36,203	70,888	106,474	(64,289)	(44,135)	(29,388)	-

The Bank	31 December 2022						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	57,557	101,573	106,570	15,532	31,035	1,522	313,789
Non-sensitive assets to interest rate fluctuation							97,732
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,315	18,126	20,573	43,685	49,615	30,497	172,811
Non-sensitive liabilities and equity to interest rate fluctuation							238,710
Interest sensitivity gap	47,242	83,447	85,997	(28,153)	(18,580)	(28,975)	-

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 19 Risk management (cont'd)

The Group	30 September 2023						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	47,271	67,950	152,675	45,193	27,409	16,163	356,661
Non-sensitive assets to interest rate fluctuation							142,923
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,243	21,201	44,160	105,489	57,459	30,964	269,516
Non-sensitive liabilities and equity to interest rate fluctuation							230,068
Interest sensitivity gap	37,028	46,749	108,515	(60,296)	(30,050)	(14,801)	-

Interest rate risk (cont'd)

The Group	31 December 2022						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	58,213	81,169	108,182	18,666	42,154	14,132	322,516
Non-sensitive assets to interest rate fluctuation							89,188
Liabilities:							
Sensitive liabilities to interest rate fluctuation	10,315	18,126	20,573	43,685	49,615	30,497	172,811
Non-sensitive liabilities and equity to interest rate fluctuation							238,893
Interest sensitivity gap	47,898	63,043	87,609	(25,019)	(7,461)	(16,365)	-

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 19 Risk management (cont'd)

Currency risk

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

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

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
145	151	Long positions	145	151
(202)	(331)	Short positions	(202)	(331)
46,957	45,800	Eligible capital	47,552	46 459
0.43	0.72	Overall net currency position, percent	0.42	0.71

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

	30 September 2023	31 December 2022
Increase in FX rates by 10 percent	6	18
Decrease in FX rates by 10 percent	(6)	(18)

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 20 Capital

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

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

As per the European Banking Authority's (EBA) recommendation, the 3 percent leverage ratio requirement has become binding from 28 June 2021. As of 30 September 2023, the Bank's leverage ratio of 8.94 percent (the Group – 8.83 percent) exceeded the minimum requirement.

On 15 March 2022, based on 2021 Supervisory Review and Evaluation Process (SREP), the Board of the Bank of Lithuania set an additional own funds requirement (Pillar II) of 1.7 percent.

Taking into consideration Regulation (EU) No. 575/2013 of the European Parliament and of the Council and capital adequacy requirements, the Bank's and the Group's total capital adequacy ratio should not be less than 12.35 percent. The Group and the Bank capital adequacy ratio exceeded the required minimum.

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

	The Bank		The Group	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Capital adequacy ratio, percent	18.07	20.73	17.76	20.27

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

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

Financial assets quality indicators as at 30 September 2023 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)
3,543	1.16	Loans to customers	2,613	0.98
527	2.32	Finance lease	527	2.32
20	0.06	Debt securities	20	0.06
15	0.10	Placements with banks	15	0.10
4,105	1.01	Total:	3,175	0.88

Financial assets quality indicators as at 31 December 2022:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
3,092	1.16	Loans to customers	2,525	0.98
528	2.32	Finance lease r	528	2.32
36	0.06	Debt securities	36	0.06
11	0.10	Placements with banks	11	0.10
3,667	1.01	Total:	3,100	0.88

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

The Group			The Bank	
30 September 2023	31 December 2022		30 September 2023	31 December 2022
2.11	1.34	Return on assets (ROA)	2.06	1.28
18.24	12.12	Return on equity (ROE)	17.68	11.62

Action applied to the Bank

In the third quarter 2023, no enforcement measures or actions were applied.

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in EUR thousand unless otherwise stated)

Note 22 Events after the reporting date

There were no material subsequent events during the third quarter of year 2023 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 Marius Arlauskas and Director of Accounting and Reporting Department, Chief Accountant Lina Bertašienė, confirm that the financial statements for third quarter of 2023 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.

Chairman of the Board and Head of
Administration

M. Arlauskas



Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė

