

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30TH
SEPTEMBER 2022 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 NINE MONTH PERIOD AS AT 30 SEPTEMBER 2022

(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 September 2022</u>	<u>31 December 2021</u>			<u>30 September 2022</u>	<u>31 December 2021</u>
		Cash and due from central bank			
24,968	30,803	<i>Cash</i>	24,968	30,803	
53,101	78,962	<i>Placements with the central bank</i>	53,101	78,962	
<u>78,069</u>	<u>109,765</u>		<u>78,069</u>	<u>109,765</u>	
8,568	12,809	Placements with banks and other credit institutions	8,552	12,537	3
		Financial assets at fair value through profit or loss			
70	-	<i>Derivative financial instruments</i>	70	-	
<u>70</u>	<u>-</u>		<u>70</u>	<u>-</u>	
58,350	59,177	Debt securities	58,350	59,177	4
		Loans and receivables			5
241,081	203,359	<i>Loans to customers</i>	232,435	196,036	
17,406	14,516	<i>Finance lease receivable</i>	17,406	14,516	
<u>258,487</u>	<u>217,875</u>		<u>249,841</u>	<u>210,552</u>	
-	-	Investments in subsidiaries	9,342	8,342	6
37	27	Other equity instruments	37	27	
84	234	Investment property	84	232	
5,711	6,097	Property and equipment	5,708	6,093	
739	740	Intangible assets	729	720	
		Tax assets			
325	-	<i>Current taxes</i>	325	-	
62	156	<i>Deferred taxes</i>	62	156	
<u>387</u>	<u>156</u>		<u>387</u>	<u>156</u>	
1,736	1,073	Other assets	1,275	849	
<u>412,238</u>	<u>407,953</u>	Total assets	<u>412,444</u>	<u>408,450</u>	

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The accompanying notes on pages 11 to 45 are an integral part of these financial statements.

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30 SEPTEMBER 2022

(All amounts in EUR thousand unless otherwise stated)

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

30 September 2022	31 December 2021	Liabilities and shareholders' equity	Notes	The Bank	
				30 September 2022	31 December 2021
		Liabilities			
100	101	Due to banks and other credit institutions		100	101
8	87	Derivative financial instruments		8	87
351,751	355,454	Due to customers	7	352,270	355,985
1,000	1,000	Subordinated loans	8	1,000	1,000
2,192	2,218	Debt securities issued	8	2,192	2,218
97	57	Impairment		145	108
705	163	Tax liabilities		658	163
-	-	Current taxes		-	-
705	163	Deferred taxes		658	163
10,265	6,269	Other liabilities	9	9,807	5,942
366,118	365,349	Total liabilities		366,180	365,604
		Shareholders' equity			
19,948	19,948	Share capital	10	19,948	19,948
14,361	11,429	Retained earnings		14,524	11,690
322	322	Revaluation reserve of property and equipment		322	322
11,489	10,905	Other reserves	10	11,470	10,886
46,120	42,604	Total shareholders' equity		46,264	42,846
412,238	407,953	Total liabilities and shareholders' equity		412,444	408,450

The accompanying notes on pages 11 to 45 are an integral part of these financial statements.

Acting Chairman of the
Board and Head of
Administration

M. Arlauskas

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 INCOME STATEMENTS

<u>The Group</u>			<u>The Bank</u>	
<u>30</u>	<u>30</u>		<u>30</u>	<u>30</u>
<u>September</u>	<u>September</u>		<u>30</u>	<u>September</u>
<u>2022</u>	<u>2021</u>		<u>September</u>	<u>September</u>
			<u>2022</u>	<u>2021</u>
10,592	9,954	Interest income	9,485	9,088
(1,462)	(1,419)	Interest expenses	(1,462)	(1,419)
9,130	8,535	Net interest income	8,023	7,669
3,925	3,964	Service fee and commission income	4,123	4,258
(730)	(746)	Service fee and commission expenses	(533)	(631)
3,195	3,218	Net service fee and commission income	3,590	3,627
-	-	Net result on equity securities trading	-	200
3,619	3,749	Net foreign exchange gain	3,619	3,749
193	(348)	Net result from operations with derivatives	193	(348)
-	-	Impairment of investments into subsidiaries	-	(64)
56	36	Net result on operations on investment property	56	(4)
64	85	Other income	67	95
16,257	15,275	Total operating income	15,548	14,924
(672)	(489)	Impairment of loans and other financial assets	(534)	(327)
15,585	14,786	Operating income after impairment	15,014	14,597
(7,276)	(6,334)	Salaries and benefits	(7,010)	(6,075)
(722)	(834)	Depreciation	(720)	(830)
(299)	(172)	Amortisation	(289)	(160)
(2,967)	(3,012)	Other operating expenses	(2,823)	(2,895)
(11,264)	(10,352)	Total operating expenses	(10,842)	(9,960)
4 321	4,434	Operating profit (loss)	4,172	4,637
(805)	(1,059)	Income tax	(754)	(1,059)
3,516	3,375	Profit (loss) for the year	3,418	3,578
3,516	3,375	Attributable to shareholders of the Bank	3,418	3,578

The accompanying notes on pages 11 to 45 are an integral part of these financial statements.

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank	
01-07-2022- 30-09-2022	01-07-2021- 30-09-2021		01-07-2022- 30-09-2022	01-07-2021- 30-09-2021
		Notes		
3,840	3,643	Interest income	3,448	3,365
(461)	(485)	Interest expenses	(461)	(485)
3,379	3,158	Net interest income	2,987	2,880
1,330	1,453	Service fee and commission income	1,395	1,543
(272)	(294)	Service fee and commission expenses	(203)	(248)
1,058	1,159	Net service fee and commission income	1,192	1,295
-	-	Net result on equity securities trading	-	-
1,622	1,500	Net foreign exchange gain	1,622	1,500
(98)	(16)	Net result from operations with derivatives	(98)	(16)
-	-	Impairment of investments into subsidiaries	-	-
59	1	Net result on operations on investment property	59	-
26	5	Other income	27	6
6,046	5,807	Total operating income	5,789	5,665
(176)	(73)	Impairment of loans and other financial assets	(166)	(11)
5,870	5,734	Operating income after impairment	5,623	5,654
(2,523)	(2,086)	Salaries and benefits	(2,425)	(2,013)
(229)	(276)	Depreciation	(228)	(275)
(107)	(60)	Amortisation	(104)	(57)
(926)	(1,319)	Other operating expenses	(883)	(1,288)
(3,785)	(3,741)	Total operating expenses	(3,640)	(3,633)
2,085	1,993	Operating profit (loss)	1,983	2,021
(417)	(477)		(394)	(477)
1,668	1,516	Profit (loss) at the end of the reporting period	1,589	1,544
1,668	1,516	Attributable to shareholders of the Bank	1,589	1,544

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>30 September 2022</u>	<u>30 September 2021</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	3,418	3,578
Total comprehensive income	<u><u>3,418</u></u>	<u><u>3,578</u></u>
Attributable to:		
Shareholders of the Bank	3,418	3,578

The Group

	<u>30 September 2022</u>	<u>30 September 2021</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	3,516	3,375
Total comprehensive income	<u><u>3,516</u></u>	<u><u>3,375</u></u>
Attributable to:		
Shareholders of the Bank	3,516	3,375

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

	<u>01-07-2022 – 30-09-2022</u>	<u>01-07-2021 – 30-09-2021</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	1,589	1,544
Total comprehensive income	<u><u>1,589</u></u>	<u><u>1,544</u></u>
Attributable to:		
Shareholders of the Bank	1,589	1,544

The Group

	<u>01-07-2022 – 30-09-2022</u>	<u>01-07-2021 – 30-09-2021</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	1,668	1,516
Total comprehensive income	<u><u>1,668</u></u>	<u><u>1,516</u></u>
Attributable to:		
Shareholders of the Bank	1,668	1,516

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(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2020	19,948	7,608	326	10,316	38,198
Profit or loss	-	3,578	-	-	3,578
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(570)	-	570	-
As at 30 September 2021	19,948	10,616	326	10,886	41,776
Profit or loss	-	1,069	-	-	1,069
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
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

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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	Revaluation reserve of property and equipment	Other reserves	Total
As at 31 December 2020	19,948	7,622	326	10,316	38,212
Profit or loss	-	3,375	-	-	3,375
Other comprehensive income (expense)	-	-	-	-	-
Transfer to reserves	-	(589)	-	589	-
As at 30 September 2021	19,948	10,408	326	10,905	41,587
Profit or loss	-	1,016	-	-	1,016
Other comprehensive income (expense)	-	5	(4)	-	1
Transfer to reserves	-	-	-	-	-
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

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
30 September 2022	30 September 2021	Notes	30 September 2022	30 September 2021
		Cash flows from operating activities		
3,516	3,375	Profit (loss) for the year	3,418	3,578
		Non-cash Revenue and Cost Recovery		
1,021	1,006	Depreciation and amortisation	1,009	990
(56)	36	Loss, gain on the sale of tangible, intangible and investment property	(56)	61
672	489	Impairment of loans	534	327
-	-	Impairment of investments in subsidiaries	-	64
(149)	(77)	Derivatives revaluation	(149)	(77)
18	(53)	Elimination of accrued vacation pay	16	(36)
805	1,059	Income tax expenses	754	1,059
(623)	(55)	Elimination of other non-cash items	(386)	80
5,204	5,780	Cash flows from (to) operating activities before changes in operating assets and liabilities	5,140	6,046
		Changes in operating assets and liabilities		
156	(43)	Changes in compulsory reserves	156	(43)
(370)	(799)	Changes in bank's balances	(370)	(799)
(38,354)	(15,168)	Loans to customers	(36,896)	(12,744)
(2,890)	(1,182)	Finance lease receivable	(2,890)	(1,182)
(1)	500	Changes in due to banks and other credit institutions	(1)	500
(3,874)	433	Changes in due to customers	(3,886)	(669)
4,548	3,996	Changes in other assets and liabilities	4 412	3,948
(35,581)	(6,483)	Net cash flows from operating activities before income tax	(34,335)	(4,943)
(490)	(440)	Income tax paid	(490)	(440)
(36,071)	(6,923)	Net cash flows from operating activities after income tax	(34,825)	(5,383)
		Investing activities		
(778)	(1,516)	Acquisitions of intangible assets and property and equipment	(777)	(1,514)
310	864	Proceeds from sale of property and equipment and investment property	308	515
-	-	Investments in subsidiaries	(1,000)	(1,000)
(10)	(27)	Other equity instruments	(10)	(27)
(574)	(432)	Part of the main amount of rent payments	(563)	(422)
11,672	14,468	Redemption of debt-securities	11,672	14,468
(10,845)	(17,531)	Acquisitions of of debt-securities	(10,845)	(17,531)
(225)	(4,174)	Net cash flows to investing activities	(1,215)	(5,511)

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(All amounts in EUR thousand unless otherwise stated)

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

Group			Bank	
30 September 2022	30 September 2021		30 September 2022	30 September 2021
		Notes		
		Financing activities		
-	-	Bonds issued	-	-
(26)	(26)	Bonds redeemed	(26)	(26)
5,094	7,105	Loans received	5,094	7,105
(4,656)	(5,632)	Loans repaid	(4,656)	(5,632)
412	1,447	Net cash flows from (to) financing activities	412	1,447
(267)	277	Effect of exchange rate changes on cash and cash equivalents	(267)	277
(36,151)	(9,373)	Net increase (decrease) in cash and cash equivalents	(35,895)	(9,170)
119,893	117,700	Cash and cash equivalents at 1 January	119,621	117,465
83,742	108,327	Cash and cash equivalents at 30 September	83,726	108,295
		15		
		Additional information to operating cash flows		
11,158	9,221	Interest received	10,028	8,465
(1,296)	(1,275)	Interest paid	(1,296)	(1,275)

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Acting Chairman of the
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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30 SEPTEMBER 2022

(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 2022 the Bank had 37 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). UAB "TG Invest-1" has been acquired on 17 May 2013, while UAB "Saugus kreditas" on 17 October 2017.

As at 30 September 2022 the Bank employed 296 employees (296 employees as at 31 December 2021). As at 30 September 2022 the Group employed 307 employees (307 employees as at 31 December 2021).

As at 30 September 2022 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 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

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 30 September 2022 and 31 December 2021, all shares were fully paid.

Capital and liquidity positions remain strong and prudential standards comply with regulations with a reserve. As at 30 September 2022, the Bank complied with the established prudential standards.

UAB MEDICINOS BANKAS

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD AS AT 30 SEPTEMBER 2022

(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 2021. 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 2021 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 2022 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 2022 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 2021, 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):

	30 September 2022	31 December 2021
USD	0.9706	1.1334

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Note 3 Placements with banks and other credit institutions

The Group			The Bank	
30 September 2022	31 December 2021		30 September 2022	31 December 2021
5,909	8,859	Cash in correspondent accounts	5,893	8,587
2,659	3,950	Term deposits	2,659	3,950
8,568	12,809	Placements with banks and other credit institutions	8,552	12,537

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

	30 September 2022	31 December 2021
Government bonds of the Republic of Lithuania	33,490	41,037
Government bonds of the Republic of Slovenia	7,460	4,251
Government bonds of the Republic of Croatia	5,344	4,923
Government bonds of the Republic of Romania	5,961	5,421
Government bonds of the Republic of Hungary	2,982	2,626
Government bonds of the Republic of Poland	3,113	919
Total	58,350	59,177

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	30 September 2022	31 December 2021
Loans to customers, including short-term bills of exchange	233,003	196,903
Overdrafts	1,244	372
Factoring	991	1,169
Leasing	17,888	14,887
	253,126	213,331
Less: impairment	(3,285)	(2,779)
Loans and receivables, net	249,841	210,552

	The Group	
	30 September 2022	31 December 2021
Loans to customers, including short-term bills of exchange	242,194	204,639
Overdrafts	1,244	372
Factoring	991	1,169
Leasing	17,888	14,887
	262,317	221,067
Less: impairment	(3,830)	(3,192)
Loans and receivables, net	258,487	217,875

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Note 6 Investment in subsidiaries

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

	The Bank	
	2022	2021
Balance at the beginning of the year	8,342	6,406
Acquisitions	1,000	2,000
Impairment of investment in subsidiaries	-	(64)
Balance at the end of the reporting period	9,342	8,342

Balance as at 30 September 2022	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,261)
UAB Saugus Kreditas	100	100	7,601	(31)	7,570
Total			10,634	(1,292)	9,342
Balance as at 31 December 2021	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,261)
UAB Saugus Kreditas	100	100	6,601	(31)	6,570
Total			9,634	(1,292)	8,342

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
30 September 2022	31 December 2021		30 September 2022	31 December 2021
158,733	165,753	Term deposits	158,733	165,753
180,049	177,170	Current accounts	180,568	177,701
12,969	12,531	Loans from funds	12,969	12,531
351,751	355,454	Total	352,270	355,985
33,655	37,261	Out of which held as security against guarantees and loans	33,655	37,261

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 2022 net value of issued debt securities is 2,192 thous. EUR (as of 31 December 2021 2,218 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 – 7 percent, 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 September 2022	31 December 2021		30 September 2022	31 December 2021
2,040	1,895	Accrued payments to employees	1,955	1,856
159	216	Prepayments	-	-
1,721	1,997	Accrued expenses	1,721	1,997
4,849	1,585	AML suspended funds	4,849	1,585
143	-	Liabilities to the State Tax Inspectorate	138	-
155	-	Liabilities to the Board of the State Social Fund	149	-
329	1	Sales VAT	329	1
82	77	Deferred income	82	77
		Payable to the Latvian and Estonian Road		
45	33	Transport Administration	45	33
420	265	Debt to suppliers	331	204
322	200	Other	208	189
10,265	6,269	Total	9,807	5,942

Note 10 Shareholders' equity

As at 30 September 2022 and 31 December 2021, 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 September 2022	31 December 2021
Special reserve to cover possible losses	2,528	2,528
Legal reserve	1,445	861
Reserve capital	7,497	7,497
Total other reserves	11,470	10,886

	The Group	
	30 September 2022	31 December 2021
Special reserve to cover possible losses	2,528	2,528
Legal reserve	1,464	880
Reserve capital	7,497	7,497
Total other reserves	11,489	10,905

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Note 11 Net interest income

The Group			The Bank	
30 September 2022	30 September 2021		30 September 2022	30 September 2021
9,414	8,785	On loans to customers	8,389	7,932
185	176	On impaired loans to customers including interest on arrears	162	163
598	598	Leasing including interest on arrears	642	598
86	86	Other Interest on arrears (not including leasing's and impaired loans)	42	86
211	211	On debt securities	219	211
98	98	On placements with the banks and other credit institutions	31	98
10,592	9,954	Interest revenue	9,485	9,088
(911)	(856)	On obligations to customers, including letters of credit	(911)	(856)
(224)	(197)	Deposit and guarantee insurance	(224)	(197)
(15)	(15)	On subordinated loans	(15)	(15)
(129)	(129)	For debt securities issued	(129)	(129)
(142)	(183)	On obligations to banks and other credit institutions	(142)	(183)
(41)	(39)	Lease of property	(41)	(39)
(1,462)	(1,419)	Interest expenses	(1,462)	(1,419)
9,130	8,535	Total	8,023	7,669

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
30 September 2022	30 September 2021		30 September 2022	30 September 2021
1,250	1,574	Payment services	1,250	1,574
170	122	Income from currency exchange	170	122
626	604	Administration of bank accounts	626	604
974	950	Collection of payments	974	950
41	10	Brokerage income	239	304
593	464	Cash operations	593	464
271	240	Other	271	240
3,925	3,964	Service fee and commission income	4,123	4,258
(49)	-	Rent cost under contracts	(49)	-
(327)	(392)	Cash operations	(327)	(392)
(103)	-	Money transfer operations	(103)	-
(198)	-	Brokerage costs	-	-
(53)	(354)	Other	(54)	(239)
(730)	(746)	Service fee and commission expense	(533)	(631)
3,195	3,218	Total	3,590	3,627

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	31 September 2022	30 September 2021
Gain from foreign exchange	3,887	3,472
Revaluation of items in statement of financial position, net	(268)	277
Net foreign exchange gain	3,619	3,749

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
30 September 2022	30 September 2021	30 September 2022	30 September 2021
(251)	(191)	(234)	(177)
(672)	(621)	(670)	(607)
(251)	(234)	(251)	(234)
(429)	(498)	(381)	(470)
(207)	(164)	(202)	(160)
(79)	(77)	(79)	(77)
(220)	(199)	(220)	(198)
(13)	(7)	(3)	(7)
(219)	(202)	(211)	(200)
(17)	(52)	(4)	(37)
(25)	(14)	(25)	(14)
(34)	(14)	(34)	(14)
(30)	(63)	(30)	(63)
(50)	(11)	(50)	(11)
(10)	(2)	(10)	(2)
(28)	(23)	(28)	(23)
(16)	(11)	(16)	(11)
(102)	(106)	(100)	(104)
(20)	(16)	(20)	(16)
(68)	(38)	(68)	(38)
(123)	(97)	(87)	(61)
-	(300)	-	(300)
(103)	(72)	(100)	(71)
(2,967)	(3,012)	(2,823)	(2,895)
	Total		

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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 September 2022	30 September 2021		30 September 2022	30 September 2021
24,968	25,417	Cash on hand	24,968	25,417
50,576	66,870	Current accounts with the Bank of Lithuania	50,576	66,870
5,910	11,860	Current accounts with other credit institutions	5,894	11,828
2,288	4,180	Term deposits with credit institutions up to 90 days	2,288	4,180
83,742	108,327	Total	83,726	108,295

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 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 2022 third 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 September 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	78,069	78,069	109,765	109,765
Placements with banks and other credit institutions	8,552	8,552	12,537	12,537
Debt securities	58,350	56,047	59,177	59,221
Loans and receivables	249,841	256,670	210,552	213,486
Other assets	-	-	-	-
Total financial assets	394,812	399,338	392,031	395,009
Financial liabilities				
Due to banks and other credit institutions	100	100	101	101
Due to customers, including letters of credit	352,270	354,577	355,985	358,173
Debt securities issued	2,192	2,444	2,218	2,656
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	9,807	9,807	5,942	5,942
Total financial liabilities	365,369	367,928	365,246	367,872
The Group				
Financial assets				
Cash and due from central bank	78,069	78,069	109,765	109,765
Placements with banks and other credit institutions	8,568	8,568	12,809	12,809
Debt securities	58,350	56,047	59,177	59,221
Loans and receivables	258,487	262,519	217,875	216,737
Other assets	-	-	-	-
Total financial assets	403,474	405,203	399,626	398,532
Financial liabilities				
Due to banks and other credit institutions	100	100	101	101
Due to customers, including letters of credit	351,751	354,059	355,454	357,642
Debt securities issued	2,192	2,444	2,218	2,656
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	10,265	10,265	6,269	6,269
Total financial liabilities	365,308	367,868	365,042	367,668

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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)

As at 30 September 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	70	-	70
Financial liabilities				
Derivative financial instruments	-	8	-	8

The Bank (Group)

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	-	-	-
Financial liabilities				
Derivative financial instruments	-	87	-	87

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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 September 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	86,621	-	-	86,621
Debt securities	58,350	-	-	58,350
Loans to customers	-	-	232,435	232,435
Receivables from leasing	-	-	17,406	17,406
Other assets	-	-	-	-
Total financial assets	144,971	-	249,841	394,812
Liabilities				
Due to banks and other credit institutions	-	100	-	100
Due to customers	-	352,270	-	352,270
Debt securities issued	-	2,192	-	2,192
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	9,807	9,807
Total financial liabilities	-	354,562	10,807	365,369

The Bank

31 December 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	122,302	-	-	122,302
Debt securities	59,177	-	-	59,177
Loans to customers	-	-	196,036	196,036
Receivables from leasing	-	-	14,516	14,516
Other assets	-	-	-	-
Total financial assets	181,479	-	210,552	392,031
Liabilities				
Due to banks and other credit institutions	-	101	-	101
Due to customers	-	355,985	-	355,985
Debt securities issued	-	2,218	-	2,218
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	5,942	5,942
Total financial liabilities	-	358,304	6,942	365,246

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

30 September 2022	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	86,637	-	-	86,637
Debt securities	58,350	-	-	58,350
Loans to customers	-	-	241,081	241,081
Receivables from leasing	-	-	17,406	17,406
Other assets	-	-	-	-
Total financial assets	144,987	-	258,487	403,474
Liabilities				
Due to banks and other credit institutions	-	100	-	100
Due to customers	-	351,751	-	351,751
Debt securities issued	-	2,192	-	2,192
Subordinated loan	-	-	1,000	1,000
Other liabilities	-	-	10,265	10,265
Total financial liabilities	-	354,043	11,265	365,308

The Group

31 December 2021	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	122,574	-	-	122,574
Debt securities	59,177	-	-	59,177
Loans to customers	-	-	203,359	203,359
Receivables from leasing	-	-	14,516	14,516
Other assets	-	-	-	-
Total financial assets	181,751	-	217,875	399,626
Liabilities				
Due to banks and other credit institutions	-	101	-	101
Due to customers	-	355,454	-	355,454
Debt securities issued	-	2,218	-	2,218
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	6,269	6,269
Total financial liabilities	-	357,773	7,269	365,042

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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 30 September 2022 and 31 December 2021 and related expense and income, included in the profit and loss statement, are set out below:

	Supervisory Board and Key Management Personnel			
	Shareholders	Subsidiaries	Personnel	Other*
The Bank				
Loans outstanding as at 30 September 2022, net	-	22,088	13	425
Interest rate, percent	-	8.55	4.65	4.33-6.25
Impairment of loans	-	(253)	-	(4)
Term deposits as at 30 September 2022	-	-	10	1,196
Interest rate, percent	-	-	0.3	0.05-0.35
Current accounts as at 30 September 2022	437	519	255	3,760
Bonds issued as at 30 September 2022	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 30 September 2022	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For period which ended 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)	-	-	-
Dividend revenue from subsidiaries	-	-	-	-
Service fee and commission revenue	-	205	-	5
Service fee and commission expenses	-	-	-	-
The Bank				
	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2021, net	-	17,855	19	313
Interest rate, percent	-	9.0	4.0	4.0
Impairment of loans	-	(205)	-	(2)
Term deposits as at 31 December 2021	-	-	10	2,135
Interest rate, percent	-	-	0.3	0.05-0.35
Current accounts as at 31 December 2021	40	531	196	3,373
Bonds issued as at 31 December 2021	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 31 December 2021	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For period which ended at 30 September 2021				
Interest income on loans	-	949	1	48
Interest expense on deposits	-	-	-	(3)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Dividend revenue from subsidiaries	-	-	-	-
Service fee and commission revenue	-	300	-	7
Service fee and commission expenses	-	-	-	-

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Note 17 Related party transactions (cont'd)**The Group**

	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 30 September 2022, net	-	13	425
Interest rate, percent	-	4.65	4.33-6.25
Impairment of loans	-	-	(4)
Term deposits as at 30 September 2022	-	10	1,196
Interest rate, percent	-	0.3	0.05-0.35
Current accounts as at 30 September 2022	437	290	3,725
Bonds issued as at 30 September 2022	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 30 September 2022	1,000	-	-
Interest rate, percent	2.0	-	-
For period which ended 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	-	-	-

The Group

	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2021, net	-	19	313
Interest rate, percent	-	4.0	4.0
Impairment of loans	-	-	(2)
Term deposits as at 31 December 2021	-	10	2,135
Interest rate, percent	-	0.3	0.05-0.35
Current accounts as at 31 December 2021	40	253	3,317
Bonds issued as at 31 December 2021	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 31 December 2021	1,000	-	-
Interest rate, percent	2.0	-	-
For period which ended at 30 September 2021			
Interest income on loans	-	1	48
Interest expense on deposits	-	-	(3)
Interest expense on bonds	(5)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	-	-	7
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 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 charges	(299)	-	-	-	(299)
Depreciation charges	(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

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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 September 2021 and in the Statement of comprehensive income as at 30 September 2021 is presented in the table below:

	30 September 2021				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,005	-	56	(949)	-
External	9,589	309	56	-	9,954
Interest income	10,594	309	-	(949)	9,954
Internal	(1,005)	-	-	1,005	-
External	(1,101)	(318)	-	-	(1,419)
Interest expenses	(2,106)	(318)	-	1,005	(1,419)
Internal	-	-	(56)	56	-
External	8,488	(9)	56	-	8,535
Net interest income	8,488	(9)	-	56	8,535
Internal	-	-	-	-	-
External	3,371	-	(1)	(152)	3,218
Net fee and commission income	3,371	-	(1)	(152)	3,218
Internal	-	-	(56)	56	-
External	11,859	(9)	55	(152)	11,753
Net interest, fee and commissions income	11,859	(9)	(1)	(96)	11,753
Internal	-	-	(64)	64	-
External	(9,228)	(154)	36	-	(9,346)
Operating expenses	(9,228)	(154)	(28)	64	(9,346)
Amortisation charges	(172)	-	-	-	(172)
Depreciation charges	(834)	-	-	-	(834)
Internal	-	-	-	-	-
External	(489)	-	-	-	(489)
Impairment expenses	(489)	-	-	-	(489)
Internal	-	-	-	-	-
External	2,922	480	120	-	3,522
Net other income	2,922	480	120	-	3,522
Profit (loss) before tax	4,058	317	91	(32)	4,434
Income tax	(1,059)	-	-	-	(1,059)
Profit (loss) per segment after tax	2,999	317	91	(32)	(3,375)
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the shareholders of the Bank	2,999	317	91	(32)	(3,375)
Total segment assets	260,756	162,971	1,831	(27,285)	398,273
Total segment liabilities	366,783	9,440	41	(19,578)	356,686
Net segment assets (shareholders equity)	(106,027)	153,531	1,790	(7,707)	41,587

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 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 September 2022	31 December 2021		30 September 2022	31 December 2021
8,306	8,941	Maximum exposure to a single customer or group of connected customers	8,306	8,941
40,766	36,322	Eligible capital	41,318	36,640
20.37	24.62	Maximum exposure ratio, percent	20.10	24.40

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 2022	31 December 2021		30 September 2022	31 December 2021
		Statement of financial position items, other than trading and investment activities		
53,101	78,962	Balances with the Bank of Lithuania	53,101	78,962
8,568	12,809	Due from banks	8,552	12,537
241,081	203,359	Loans to customers	232,435	196,036
17,406	14,516	Receivables from leasing	17,406	14,516
320,156	309,646		311,494	302,051
		Off balance sheet items		
2,313	2,548	Guarantees	2,313	2,548
16,026	9,616	Loan commitments	20,277	14,125
338,495	321,810	Total balance and off balance sheet items, other than trading and investment activities	334,084	318,724
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
70	-	- Derivative financial instruments	70	-
-	-	- Held-to-maturity investments	-	-
58,350	59,177	Debt securities	58,350	59,177
58,420	59,177	Total trading and investment activities	58,420	59,177
-	-	Other financial assets	-	-
396,915	380,987	Total credit exposure	392,504	377,901

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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 2022	31 December 2021
Government bonds	58,350	59,177
Derivatives	70	-
Total	58,420	59,177

Bonds exposure by rating grade	The Bank (Group)	
	30 September 2022	31 December 2021
High grade (AAA-A)	44,063	46,207
Standard grade (B-BBB+)	14,287	12,970
Not rated	-	-
Total	58,350	59,177

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.

During the third quarter, the internal procedures for assignment to different risk levels were improved, which increased the volume of financial instruments assigned to risk level 2. During the reporting period, no significant restructuring was carried out due to the uncertainties in the economic environment. The Bank does not operate in Russia, Belarus or Ukraine and has no direct positions in these countries. The credit risk assessment of individual customers, in order to determine their dependence on countries affected by the war and influence on credit risk, did not show increase in credit risk. In third quarter of 2022 enhanced monitoring was applied to clients, included in the list of monitored clients.

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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 September 2022					
Stage 1					
Loans and receivables	179,850	1,818	-	-	181,668
Placements with LB and other banks	61,653	-	-	-	61,653
Debt securities	58,350	-	-	-	58,350
Other financial assets	-	-	-	-	-
Total	299,853	1,818	-	-	301,671
Stage 2					
Loans and receivables	63,816	1,117	-	-	64,933
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	63,816	1,117	-	-	64,933
Stage 3					
Loans and receivables	6,174	450	-	616	3,240
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,174	450	-	616	3,240
Total	365,843	3,385	-	616	369,844

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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 2021					
Stage 1					
Loans and receivables	153,432	3,270	-	-	156,702
Placements with LB and other banks	91,499	-	-	-	91,499
Debt securities	59,177	-	-	-	59,177
Other financial assets	-	-	-	-	-
Total	304,108	3,270	-	-	307,378
Stage 2					
Loans and receivables	47,968	941	116	-	49,025
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	47,968	941	116	-	49,025
Stage 3					
Loans and receivables	3,930	144	340	411	4,825
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,930	144	340	411	4,825
Total	356,006	4,355	456	411	361,228

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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 September 2022					
Stage 1					
Loans and receivables	186,549	2,402	-	-	188,951
Placements with LB and other banks	61,669	-	-	-	61,669
Debt securities	58,350	-	-	-	58,350
Other financial assets	-	-	-	-	-
Total	306,568	2,402	-	-	308,970
Stage 2					
Loans and receivables	64,495	1,521	180	-	66,196
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	64,495	1,521	180	-	66,196
Stage 3					
Loans and receivables	2,189	457	16	678	3,340
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	2,189	457	16	678	3,340
Total	373,252	4,380	196	678	378,506

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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 2021					
Stage 1					
Loans and receivables	159,187	3,650	-	-	162,837
Placements with LB and other banks	91,771	-	-	-	91,771
Debt securities	59,177	-	-	-	59,177
Other financial assets	-	-	-	-	-
Total	310,135	3,650	-	-	313,785
Stage 2					
Loans and receivables	48,583	1,368	176	-	50,127
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	48,583	1,368	176	-	50,127
Stage 3					
Loans and receivables	3,934	150	344	483	4,911
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,934	150	344	483	4,911
Total	362,652	5,168	520	483	368,823

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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 September 2021										
175	-	35	(1)	209	Stage 1	123	-	32	(1)	154
180	-	35	(1)	214	Loans and receivables	128	-	32	(1)	159
(5)	-	-	-	(5)	Placements with LB and other banks	(5)	-	-	-	(5)
-	-	-	-	-	Debt securities	-	-	-	-	-
-	-	-	-	-	Other financial assets	-	-	-	-	-
197	-	6	-	203	Stage 2	193	-	6	-	199
197	-	6	-	203	Loans and receivables	193	-	6	-	199
-	260	-	-	260	Stage 3	-	183	-	-	183
-	260	-	-	260	Loans and receivables	-	183	-	-	183
-	-	-	-	-	Other financial assets	-	-	-	-	-
372	260	41	(1)	672		316	183	38	(1)	536
-	3	-	-	3	Write-offs	-	1	-	-	1
-	(3)	-	-	(3)	Income on loans written off in earlier periods	-	(3)	-	-	(3)
-	-	-	-	672	Total change of impairment	-	-	-	-	534

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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 September 2022	31 December 2021		30 September 2022	31 December 2021
134,115	168,986	Liquid assets	134,115	168,986
35,452	29,639	Short-term (up to 30 days) obligations	37,561	32,159
378	570	LCR, percent	357	525

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 2022	31 December 2021		30 September 2022	31 December 2021
357,043	361,948	Available stable funding	357,535	362,398
218,818	190,683	Required stable funding	226,004	196,980
163	190	NSFR, percent	158	184

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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 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	48,961	44,704	10,278	55,214	121,569	112,650	19,068	412,444
Liabilities and shareholders' equity	186,612	15,320	16,898	70,133	51,835	26,208	46,438	412,444
Net gap	(136,651)	29,384	(6,620)	(14,919)	69,734	86,442	(27,370)	-
Credit commitments	-	20,277	-	-	-	-	-	20,277

	31 December 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	118,354	6,726	12,233	33,939	129,175	91,220	16,803	408,450
Liabilities and shareholders' equity	179,447	18,028	19,313	66,895	55,170	26,575	43,022	408,450
Net gap	(61,093)	(11,302)	(7,080)	(32,956)	74,005	64,645	(26,219)	-
Credit commitments	-	14,125	-	-	-	-	-	14,125

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Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	30 September 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	48,976	45,189	11,336	59,897	110,628	125,915	10,297	412,238
Liabilities and shareholders equity	185,093	15,778	16,898	70,133	51,835	26,208	46,293	412,238
Net gap	(136,117)	29,411	(5,562)	(10,236)	58,793	99,707	(35,996)	-
Credit commitments	-	16,026	-	-	-	-	-	16,026

The Group	31 December 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	118,626	7,096	13,072	37,568	119,899	102,931	8,761	407,953
Liabilities and shareholders equity	178,916	18,357	19,313	66,895	55,170	26,575	42,727	407,953
Net gap	(60,290)	(11,261)	(6,241)	(29,327)	64,729	76,356	(33,966)	-
Credit commitments	-	9,616	-	-	-	-	-	9,616

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 2022 and 31 December 2021. 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 September 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	41,067	73,296	132,786	24,838	30,254	2,812	305,053
Non-sensitive assets to interest rate fluctuation							107,391
Liabilities:							
Sensitive liabilities to interest rate fluctuation	9,381	16,530	30,541	39,388	52,295	26,835	174,970
Non-sensitive liabilities and equity to interest rate fluctuation							237,474
Interest sensitivity gap	31,686	56,766	102,245	(14,550)	(22,041)	(24,023)	-

The Bank	31 December 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	42,921	82,757	90,120	5,100	45,420	3,027	269,345
Non-sensitive assets to interest rate fluctuation							139,105
Liabilities:							
Sensitive liabilities to interest rate fluctuation	31,764	20,198	43,396	38,710	23,835	23,751	181,654
Non-sensitive liabilities and equity to interest rate fluctuation							226,796
Interest sensitivity gap	11,157	62,559	46,724	(33,610)	21,585	(20,724)	-

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Note 19 Risk management (cont'd)

The Group	30 September 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	41,708	74,352	112,177	27,922	41,255	16,077	313,491
Non-sensitive assets to interest rate fluctuation							98,747
Liabilities:							
Sensitive liabilities to interest rate fluctuation	9,381	16,530	30,541	39,388	52,295	26,835	174,970
Non-sensitive liabilities and equity to interest rate fluctuation							237,268
Interest sensitivity gap	32,327	57,822	81,636	(11,466)	(11,040)	(10,758)	-

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	43,429	83,595	73,413	7,489	53,869	14,738	276,533
Non-sensitive assets to interest rate fluctuation							131,420
Liabilities:							
Sensitive liabilities to interest rate fluctuation	31,764	20,198	43,396	38,710	23,835	23,751	181,654
Non-sensitive liabilities and equity to interest rate fluctuation							226,299
Interest sensitivity gap	11,665	63,397	30,017	(31,221)	30,034	(9,013)	-

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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 2022	31 December 2021		30 September 2022	31 December 2021
127	187	Long positions	127	187
(426)	(364)	Short positions	(426)	(364)
42,232	38,286	Eligible capital	42,784	38,604
1.01	0.95	Overall net currency position, percent	1.00	0.94

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

	30 September 2022	31 December 2021
Increase in FX rates by 10 percent	30	18
Decrease in FX rates by 10 percent	(30)	(18)

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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 percent from generally evaluated risk amount.

As per the European Banking Authority's (EBA) recommendation, the 3percent leverage ratio requirement has become binding from 28 June 2021. As of 30 September 2022, the Bank's leverage ratio of 9.50 percent (the Group – 9.47 percent) exceeded the minimum requirement.

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 12.2 percent. The Group and the Bank capital adequacy ratio exceeded the required minimum.

After the general meeting of shareholders, full-year 2021 profit was included in 31-12-2021 Common Equity Tier 1.

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

The Group			The Bank	
30 September 2022	31 December 2021		30 September 2022	31 December 2021
18.77	19.11	CET 1 Capital ratio	18.28	18.50
18.77	19.11	Tier 1 Capital ratio	18.28	18.50
19.44	20.14	Capital adequacy ratio	18.93	19.49

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

Financial assets quality indicators as at 30 September 2022 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)
3,348	2.32	Loans to customers	2,803	1.19
481	2.69	Finance lease receivable	481	2.69
35	0.06	Debt securities	35	0.06
9	0.11	Placements with banks	9	0.11
3,873	1.68	Total:	3,328	1.04

Financial assets quality indicators as at 31 December 2021:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
2,821	1.37	Loans to customers	2,408	1.21
371	2.49	Finance lease receivable	371	2.49
35	0.06	Debt securities	35	0.06
13	0.10	Placements with banks	13	0.10
3,240	1.10	Total:	2,827	0.99

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

The Group			The Bank	
30 September 2022	31 December 2021		30 September 2022	31 December 2021
1.12	1.12	Return on assets (ROA)	1.26	1.18
10.34	10.88	Return on equity (ROE)	11.52	11.44

Action applied to the Bank

During the third quarter of 2022 any measures of effect were not applied to the Medicinos Bankas.

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Note 22 Events after the reporting date

After Dalia Klišauskienė resignation of the Chairman of the Management Board and Head of Administration, the Management Board of the Bank dismissed Mrs. Klišauskienė of Chairman of the Management Board and Head of Administration from 16 November 2022 and Supervisory Board of the Bank dismissed Dalia Klišauskienė from the position of a member of the Management Board from 17 November 2022. Mrs. Klišauskienė has been a member of the Management Board of Medicinos bankas UAB since 2010 and the Chairman of the Management Board and the Head of Administration since 2016.

From 18 November 2022 the Chairman of the Management Board of the Bank and the Head of Administration is Marius Arlauskas, who has been elected to these positions. Mr. Arlauskas was a member of the Management Board of Bank, Deputy Head of Administration and Director of Business Management Service since 2016.

There were no other material subsequent events during the third quarter of year 2022 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 2022 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 Head of Administration

M.Arlauskas



Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

