

# UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION  
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

**CONTENTS**

---

**CONTENTS OF FINANCIAL STATEMENTS**

|  |     |
|--|-----|
| INDEPENDENT AUDITOR'S REPORT .....   | 3   |
| ANNUAL MANAGEMENT REPORT .....   | 7   |
| SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....                       | 32  |
| SEPARATE AND CONSOLIDATED INCOME STATEMENTS .....                                      | 34  |
| SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME .....                     | 35  |
| SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....                        | 36  |
| SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS .....                                   | 38  |
| Note 1 Background information .....  | 40  |
| Note 2 Basis of preparation and significant accounting policies.....                   | 40  |
| Note 3 Use of estimates and judgements in the preparation of financial statements..... | 54  |
| Note 4 Going concern .....   | 55  |
| Note 5 Placements with the central bank .....  | 56  |
| Note 6 Placements with banks and other credit institutions .....                       | 56  |
| Note 7 Debt securities.....  | 56  |
| Note 8 Loans and receivables .....   | 57  |
| Note 9 Property and equipment .....  | 62  |
| Note 10 Intangible assets .....  | 65  |
| Note 11 Investment property.....   | 66  |
| Note 12 Investment in subsidiaries .....   | 70  |
| Note 13 Other assets .....   | 71  |
| Note 14 Derivative financial instruments .....   | 71  |
| Note 15 Due to banks and other credit institutions .....                               | 72  |
| Note 16 Due to customers .....   | 72  |
| Note 17 Subordinated loans and debt securities (the Bank) .....                        | 74  |
| Note 18 Other liabilities .....  | 74  |
| Note 19 Shareholders' equity.....  | 74  |
| Note 20 Contractual commitments and contingencies .....                                | 75  |
| Note 21 Net interest income .....  | 76  |
| Note 22 Net service fee and commission income.....                                     | 76  |
| Note 23 Net foreign exchange gain .....  | 77  |
| Note 24 Net result on operations with investment property .....                        | 77  |
| Note 25 Other income (expenses) .....  | 77  |
| Note 26 Impairment of loans and other financial assets.....                            | 77  |
| Note 27 Operating expenses .....   | 79  |
| Note 28 Income tax.....  | 80  |
| Note 29 Cash and cash equivalents .....  | 82  |
| Note 30 Fair values of financial instruments.....                                      | 82  |
| Note 31 Related party transactions.....  | 87  |
| Note 32 Segment information .....  | 90  |
| Note 33 Risk management .....  | 92  |
| Note 34 Capital .....  | 116 |
| Note 35 Quality of financial assets, profitability ratios and other information .....  | 118 |
| Note 36 Events after the reporting date .....  | 118 |
| CONFIRMATION OF RESPONSIBLE PERSONS .....  | 119 |

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Medicinos bankas UAB:

**Report on the Audit of the Separate and the Consolidated Financial Statements**

**Opinion**

We have audited the separate financial statements of Medicinos Bankas UAB (hereinafter – „the Bank“) and the consolidated financial statements of Medicinos Bankas UAB and its subsidiaries (hereinafter – „the Group“) (pages from 32 to 119), which comprise the separate statement of financial position of the Bank and the consolidated statement of financial position of the Group as at 31 December 2019, the separate income statement and the consolidated income statement, the separate statement of comprehensive income and the consolidated statement of comprehensive income, the separate statement of changes in equity and the consolidated statement of changes in equity, the separate statement of cash flows and the consolidated statement of cash flows for the year then ended, and the notes to the separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank and the consolidated financial position of the Group as at 31 December 2019, and their respective unconsolidated and consolidated financial performance and their respective unconsolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

| The key audit matter  | How the matter was addressed in our audit   |
|---|---|
| <p data-bbox="225 1473 1449 1505">Valuation of loans and receivables (see notes 8 and 26 in separate and consolidated financial statements)</p> <p data-bbox="204 1532 805 1749">The Group's impairment allowances for loans and receivables (hereinafter – loans) are calculated by classifying the Group's loans and receivables according to their homogeneous groups and levels of risk. The Group's loans and receivables are allocated to 3 risk levels, where the 1<sup>st</sup> risk level being the lowest and the 3<sup>rd</sup> risk level being the highest.</p> <p data-bbox="204 1780 805 1912">Collective impairment allowances for loans are calculated based on expected losses (probabilities of default), historical information and economic indicators, individual impairment allowances – using individual valuation, based on the level of risk.</p> | <p data-bbox="833 1532 1453 1563">We conducted these audit procedures, among others:</p> <p data-bbox="833 1585 1471 1749">We have identified loan approval process and tested controls and their effectiveness: regarding loan risk monitoring, identification of loss events, timely collateral revaluation, accurate and correct impairment calculation, including client rating estimation and risk level allocation.</p> <p data-bbox="833 1780 1471 1912">We have selected higher risk loans (including individually significant loans, loss-bearing loans, or loans that were assigned risk level 3 for other reasons) for testing risk assessment and impairment allowance calculation.</p> |

Individual impairment is mostly related to significant loans or loans with a higher risk level. Calculation of both, collective and individual allowances, is related to estimations and decision making.

In our opinion, these estimates and assumptions made by the Bank and the Group (interest rate, risk group, rating assignment, value of the collateral and its realization period) regarding the expected losses of loan group loans and individual loans for which cash flows for loan repayment are calculated have a significant effect on the value of the Bank's and the Group's receivables and loans. Based on these reasons, we believe that this area is a key audit matter.

We have tested the selected loan sample, arranged discussions with the responsible Bank officers and identified whether the future cash flow of the loan is calculated appropriately and whether the loan is assigned to the appropriate risk level (i.e. whether the assumptions made while calculating the cash flow for loan repayment, discount rate and the value of collateral are reasonable).

We have tested valuations of the collateralized assets which usually comprise the majority of future cash flows for the loans that have indications of impairment and identified whether the methods and assumptions used in valuations were appropriate and logical, whether the market conditions between the date of valuation and the end of 2019 did not change significantly and whether there is a need to update the valuation.

We have reviewed the methodology for collective impairment allowance calculations and tested whether selected sample of loan impairment calculations in accordance with the Bank's and the Group's methodology.

We have evaluated the sufficiency and appropriateness of disclosures related to loans and receivables in the financial statements of the Bank and the Group.

## Other Information

The other information comprises the information included in the Group's annual report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Group's annual management report, including corporate governance report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the Group's annual management report, including corporate governance report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The Group's annual management report has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

## Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and the Group's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 30 March 2018 for the first time to audit the Bank's and the Group's separate and consolidated financial statements. Our appointment to audit the Bank's and the Group's separate and consolidated financial statements is confirmed for the period of 2 years under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 2 years (for the audit of 2018 and 2019).

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the separate and consolidated financial statements presented to the Bank and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, except for the services disclosed in the Group annual report or separate and consolidated financial statements, we have provided the following services to the Bank: the audit of the condensed interim financial statements of the Bank and the Group for the period ended 30 September 2019.

The audit engagement partner for this independent auditor's report is Romanas Skrebneviskis.

Auditor Romanas Skrebneviskis  
Auditor certificate No. 000471



ROSK Consulting UAB  
Audit company certificate No. 001407

Vilnius, Lithuania  
9 March 2020

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

### ANNUAL MANAGEMENT REPORT

#### *The reporting period covered by the Consolidated Annual Report*

Year 2019.

#### **Group companies, contact details and types of their main activities**

|                             |  |
|-----------------------------|--|
| Company name                | UAB Medicinos Bankas   |
| Legal form                  | Joint stock company  |
| Legal address               | Pamėnkalnio St. 40, LT-01114 Vilnius   |
| Legal entity code           | 112027077  |
| Registration date and place | 24 November 1992, Vilnius (as KB Ancorobank), and 16 January 1997 reorganized into UAB Medicinos Bankas. |
| Telephone                   | (8 5) 264 48 00  |
| Facsimile                   | (8 5) 264 48 01  |
| E-mail address              | <a href="mailto:info@medbank.lt">info@medbank.lt</a>   |
| Website address             | <a href="http://www.medbank.lt">www.medbank.lt</a>   |

**Main activities.** UAB Medicinos Bankas is a joint stock company, a credit institution operating on share capital basis and is licensed by the Bank of Lithuania to engage in such types of activities as acceptance of deposits and other refundable means from non-professional market participants and funds lending, also it is entitled to engage in offering other financial services and assumes relevant related risks and liability.

|                             |  |
|-----------------------------|--|
| Company name                | UAB TG Invest-1  |
| Legal form                  | Joint stock company  |
| Legal address               | Pamėnkalnio St. 40-5, LT-01114 Vilnius                               |
| Legal entity code           | 302464707  |
| Registration date and place | 17 May 2013, Vilnius   |
| Telephone                   | 8 682 82107  |
| Facsimile                   | (8 5) 264 48 01  |
| E-mail address              | <a href="mailto:e-saskaita@tginvest1.lt">e-saskaita@tginvest1.lt</a> |
| Website address             | <a href="http://www.mbturtas.lt">www.mbturtas.lt</a>                 |

**Main activities.** Granting of consumer credit.

|                             |  |
|-----------------------------|--|
| Company name                | UAB Saugus Kreditas  |
| Legal form                  | Joint stock company  |
| Legal address               | Panerių St. 42, LT-03202 Vilnius                                   |
| Legal entity code           | 302547722  |
| Registration date and place | 01 September 2010, Vilnius   |
| Telephone                   | 8 700 33303  |
| E-mail address              | <a href="mailto:info@sauguskreditas.lt">info@sauguskreditas.lt</a> |
| Website address             | <a href="http://www.sauguskreditas.lt">www.sauguskreditas.lt</a>   |

**Main activities.** Granting of consumer credit to natural persons.

#### **1. Objective overview of the Bank's and the Group's status, activities and development, analysis of the Group's financial performance**

In 2019, the Group earned net profit of EUR 3.85 million, the Bank – EUR 3.99 million. It was mostly influenced by the increase in all bank activity income, which resulted in an income increase by 19.11 percent or EUR 3,17 million. The Group's net interest income increased 22.45 percent or EUR 1.68 million, revenue from net service fee and commission income increased by 18.06 percent or EUR 0.95 million, net foreign exchange gain increased by 10.23 percent or EUR 0.48 million.

The Group's operating expenses increased by 10.01 percent or EUR 1.29 million mainly due to the increase of salaries and depreciation costs. Impairment losses, related with the Group's loans and other financial assets value decrease, decreased by EUR 0.34 million.

At the end of 2019, the Group's assets amounted to EUR 355.33 million, since 2018 the assets increased by EUR 30.57 million or 9.41 percent. The Group's loan and receivables portfolio during the year 2019 increased by 21.21 percent and reached EUR 208.28 million. The proportion between total provisions and loan portfolio of the Group during the year decreased

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

from 1.49 percent at the beginning of the year to 0.57 percent at the end of the year 2019. The decline in the indicator was a result of a transaction in the sale of part of the bad loan portfolio in the amount of EUR 1.3 million (creditor claims amount was EUR 11.7 million).

During the year, deposits in the Bank increased by 7.37 percent to EUR 310.43 million.

At the end of 2019, the shareholders' equity of the Group was EUR 34.37 million, i.e. it increased during the year by EUR 3.85 million or 12.61 percent. During the year, the Group's capital adequacy ratio, which reflects the Group's assumed risk coverage by capital and the Group's stability, increased from 17.66 percent at the end of the year 2018 to 17.76 percent at the end of the year 2019.

### **Description of the main risk types and uncertainties**

The risks related to activities of the Group and the Bank are managed in line with the principles of Risk Management Policy approved by the Board of the Bank. Certain operating risks are hedged by implementing the internal system of limits. The structure of Group's risks is traditional, i.e. credit, market, liquidity, and operating risks prevail. The Bank does not use hedging instruments to manage the risks described above.

In 2019, the Bank complied with all the prudential requirements specified by the Bank of Lithuania: liquidity requirements and large exposure requirements and capital or own fund requirements.

### **Ratios and prudential requirements for banking activities**

**Capital or own funds requirements** - banks shall satisfy the following own funds requirements:

- a common equity Tier 1 capital ratio of 4.5 per cent;
- a Tier 1 capital adequacy ratio of 6 per cent;
- a total capital ratio of 8 per cent.

**Additional capital buffer requirements:**

- capital conservation buffer of 2.5 percent;
- 1.0 percent requirement for countercyclical capital. For positions in Lithuania

**Liquidity requirements** – Liquidity coverage ratio (LRC). It is one of the main liquidity measures for financial institutions indicating how well short-term obligations are covered with highly liquid assets. It reveals how well a company is prepared for a short-term liquidity disruptions. According to EU Regulations, by the compulsory requirement, the Bank must operate under a liquidity coverage ratio (LCR) not lower than 100%.

**The large exposure requirement** - Exposure to a client or a group of connected clients, i.e. loans granted, also any asset or off-balance-sheet asset share cannot exceed 25 per cent of the institution's eligible capital.

### **Bank's main profitability ratios**

**Return on equity (ROE)** - Return on equity is a ratio calculated dividing net profit by the shareholders' equity. It measures the profitability of a company by revealing how much of the profit can a company earn on the shareholders' investments. The higher ratio is, the more profitable is an equity investment in the company.

**Return on assets (ROA)**- Return on assets is a ratio calculated dividing net profit by the total assets. It measures the profitability and management efficiency by revealing how well the assets are used for profit generation. The higher ratio is, the more efficient the company is in using its assets to generate return to shareholders.

### **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 has established a credit quality review process to provide early identification of 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 the necessary corrective action.

### **Liquidity risk**

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments related to financial instruments as they actually fall due. In order to manage liquidity risk, the Group and the Bank perform daily monitoring of internal limits and future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process.



# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

### **Market risk**

The Group and the Bank experience risk exposed to effects of fluctuation in the prevailing foreign currency exchange rates on their financial position and cash flows. 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. The Bank's policy is to keep foreign exchange positions more or less closed.

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 limits on the interest rate gaps and the minimum interest rate margin. The limits are monitored on a monthly basis. Interest rate risk is managed by forecasting the market interest rates and by managing the mismatches between assets and liabilities from re-pricing maturities.

Real estate market price risk is the risk to incur losses due to low market liquidity that disables to sell assets at the desired time for a desired price or a possibility to sell available assets (investments) is lost. The market risk is managed and controlled by continuous market monitoring and analysis of forecasted market changes.

### **Operational risk**

Operational risk is the risk to incur losses due to improper internal processes, human mistakes, system disorders or external factors. Definition of operational risk involves legal and reputational risks.

Detailed information about main risks and implementation of prudential requirements set by the Bank of Lithuania is presented in explanatory notes 33 and 34 to the financial statements for the year 2019.

### **2. Non-financial performance analysis of the Bank and the Group, environmental protection and human resource information**

For the second year in a row, the Bank is giving its support to Pal. kun. Mykolas Sapočka's hospice in Vilnius, Všį Kaunas hospice house, Všį Tėviškės namai in Alytus and Šv. Pranciškus Oncology Center in Klaipėda.

As at 31 December 2019 the Bank employed 342 employees (369 employees as at 31 December 2018).

### **3. Notes on consolidated financial statements and data**

Key financial data are presented in the Group's consolidated financial statements.

### **4. Data on acquisition of own shares**

UAB Medicinos Bankas and the Group's enterprises do not have own shares. During the reporting period, 37,735 ordinary shares of UAB MB Turtas sold by UAB Medicinos Bankas in 2019 due to the merger of the Group companies were recognized as acquisition of own shares of UAB TG Invest-1. Prior to the announcement of the reorganization, 76,354 shares owned by MB Turtas UAB were recognized as own shares and were canceled.

### **5. Information about the Bank's branches and representatives**

At the end of 2019, the Bank had 49 client service subdivisions: 6 branches, 43 customer service divisions and subdivisions in different regions of Lithuania.

Bank branches:

Vilnius Branch  
Pamėnkalnio St. 40, LT-01114 Vilnius

Kaunas Branch  
Donelaičio St. 76, LT-44248 Kaunas

Klaipėda Branch  
Šermukšnių St. 1, LT-91206 Klaipėda

Šiauliai Branch  
Varpo St. 25-10, LT-76298 Šiauliai

Panevėžys Branch  
J. Basanavičiaus St. 3, LT-35182 Panevėžys

Lazdijai Branch  
Seinų St. 5-41A, LT-67113 Lazdijai

### **6. Material events after the end of financial year**

At 30 January 2020 after 2018 supervisory review by the Bank of Lithuania and evaluation process (SREP) additional own fund requirement was decreased from 2.2 percent till 1.8 percent. In addition, it is recommended to have 1.0 percent capital of the second pillar capital guidelines, that should be included in the capital planning and risk management systems.

### **7. Company's business planning & forecasting**

The Bank has developed a long-term plan for the period from 2019 until 2021.

The main objectives of the Bank are to ensure a profitable and successfully growing banking business by providing high quality services to the Bank's target customers – micro, small and medium-sized businesses. The Group's management structure ensures prompt and high quality work with customers in selecting the individual client-tailored solutions and rapid response into changes in the financial markets. Rational customer service network enables the Group to ensure growing income from the daily financial services provision. Despite the rapid development of information technologies, direct human contact remains very important, which is based on the relationships between the Group and its customers based on mutual trust and respect screened by the long-term co-operation. Another important factor to ensure an efficient provision of standard product services and an increase of competitiveness in the provision of services is a continuous development of new technologies and banking innovations.

Taking into consideration the increasing supervisory requirements, the economic environment and the strategic goal to ensure stable performance, the Bank pays special attention to increase its own capital basis. As a part of this strategy, in the near future it is intended to increase the Bank's capital basis by transferring all profit earned in 2019–2021 into capital reserves.

### **8. The Group's information on the remuneration policy and its implementation**

New wording of Remuneration Policy of UAB Medicinos Bankas, which was approved on 27 December 2019 by the decision of the Supervisory Board (No. N-33/19), applies to the Bank's and the Group's staff. The policy sets out clear principles for remuneration of work, to fairly and transparently reward work and results, to motivate, encourage and enable employees to increase performance, quality, to pursue the Group's goals, to maintain and attract competent employees. Policy principles are designed to meet the long-term interests of the Group, its business strategy, goals, values, and promote sound and effective risk management, avoid conflicts of interest, and ensure the principles of investor and customer protection when providing services.

Components of the remuneration system of the Group employees: fixed part of the remuneration, variable part of remuneration, monetary supplements to fixed remuneration, additional occasional benefits.

The system of fixed remuneration is based on a matrix of job levels, grouping of positions into levels, taking into account the importance of the position to the activities of the Group. The level of responsibility is determined by evaluating the required competence, level of responsibility, independence, creativity, complexity and conditions of work.

The variable part of the remuneration is allocated for the achievement of the set operational targets. The allocated variable part and size are determined by the levels of the job, the period during which the performance can be assessed: quarterly or annual.

Conditions, value and circumstances of Additional occasional payments are described under the internal acts Medicinos bankas UAB.

Variable component could be paid:

- For additional (parallel) job;
- For substitution of temporary free position;
- For temporary bigger work flow.

The amount of additional occasional benefits (benefits, gifts), the terms of appointment and payment are set in the Bank's internal legislation. Decisions regarding the determination of a fixed remuneration for the employee, money supplements to the fixed remuneration, determination and payment of additional occasional benefits shall be taken by the CEO in accordance with the principles set out in this Policy and other requirements of internal legislation.

The Bank's Supervisory Board is responsible for setting the principles of the Remuneration Policy and calculation models of the variable part of the remuneration. Due to the Group's size, organizational structure, operational nature and scale there is no the Remuneration Committee. Its functions are dedicated to the Bank's Supervisory Board. The Bank's Supervisory Board assesses Remunerations policy adequacy to Groups taken risk, capital of the Bank, its liquidity and compatibility with Bank strategy and long-term performance interests.

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### General quantitative information by business areas:

| Year 2019   | Fixed remuneration<br>(thous. EUR)* | Variable remuneration<br>(thous. EUR) | Number of<br>recipients |
|---|-------------------------------------|---------------------------------------|-------------------------|
| <b>UAB Medicinos Bankas</b>   | <b>7,057</b>                        | <b>706</b>                            | <b>397</b>              |
| The Bank's senior management (the board)                            | 446                                 | 12                                    | 4                       |
| Employees whose decisions could significantly impact the risk taken | 767                                 | 154                                   | 19                      |
| Other employees   | 5,844                               | 540                                   | 374                     |
| Employees of the Group companies                                    | 290                                 | 27                                    | 10                      |
| <b>Total for the Group</b>  | <b>7,347</b>                        | <b>733</b>                            | <b>407</b>              |

\* Paid amounts without taxes paid by employer

\*\* The number of recipients includes the number of employees recruited and dismissed

The other remuneration payments (benefits and bonuses) for the Bank's employees subject only to the general principles of the Remuneration Policy. All of designated variable part of the remuneration in 2019 was paid in cash.

### Benefit appointment related with the termination of a contract:

| Year 2019           | Number of<br>recipients | Amount of severance<br>pay (thous. EUR) | Biggest amount for one<br>recipient (thous. EUR) |
|---------------------|-------------------------|---|--|
| The Bank            | 21                      | 148                                     | 25   |
| The Group companies | 1                       | 15                                      | 15   |

## 9. Information on the internal management

The Bank's management code is described below. The bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Council of the Bank, Board of the Bank and Chief Executive Officer (hereinafter - CEO). The management bodies of the Bank are as follows: Board of the Bank and Chief Executive Officer.

General Meeting of Shareholders takes place annually, within 3 months after the end of fiscal year. The extraordinary meeting of shareholder may also be convened. The shareholders, having no less than 1/10 of all the votes, as well as the Bank's Board and Supervisory Council have an initiative right of convening the meeting. The Law on Companies of the Republic of Lithuania specifies the cases when a general meeting can be convened by other persons.

The competence of the General Meeting of Shareholders and shareholders' rights and their exercising are provided for by the laws of the Republic of Lithuania. If the meeting cannot take place due to lack of a quorum (more than 1/2 of the total votes), the re-convened meeting of shareholders with the valid agenda of the previous meeting shall be summoned.

Exclusively the General Shareholders' Meeting:

- amends Charter of the Bank, except in cases, provided in the laws;
- changes domicile of the Bank;
- elects the Bank's Supervisory Council members;
- recalls the Bank's Supervisory Council or its individual members;
- elects and recalls the audit company to audit the annual financial statements, sets the terms of payment for audit services;
- approves the set annual financial statements of the Bank;
- sets class, number, par value and minimum issue price of the shares, issued by the Bank;
- issues of convertible bonds;
- cancels the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
- converses of the Bank's shares of one class into another, approves the conversion order;
- allocates profit (loss);
- making, use, reduction and cancellation of reserves;
- increases authorized capital;
- reduces of authorized capital, except of the cases, provided in the laws;
- purchase by the Bank of its own shares;
- reorganization or demerge of the Bank and approving terms of such reorganization or demerge;
- restructures of the Bank;
- liquidates of the Bank, cancels of liquidation, except cases, provided in the laws;
- selects and cancels the Bank's liquidator, except cases, provided in the laws.

The General Shareholders' Meeting may also resolve other issues, if according to the laws and the Bylaws of the Bank it is not assigned to the competence of other bodies of the Bank and if it is not a function of the Bank's management bodies in essence.

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

**The Supervisory Council** of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is directed by its Chairman. The Supervisory Council consisting of 4 (four) members is elected by the General Meeting of Shareholders for a term of four years. The initiators of the Meeting or the shareholders holding shares that grant at least 1/20 of the Bank's shares, shall have the right of proposing the members of the Supervisory Council. The candidates are proposed before the Meeting or during such Meeting. If the candidates are proposed before the meeting, each shareholder may get acquainted with the information about the candidate collected by the Bank according to the legal acts of the Republic of Lithuania and the internal legislation of the Bank. Each candidate to the Supervisory Council's members irrespective of whether he was proposed before or during the meeting, may be invited to the meeting and shall inform the Meeting about his current capacity and how his activities are related to the Bank or to other legal entities associated with the Bank.

While electing the Supervisory Council's members each shareholder shall have such number of votes which is equal to the product of the numbers of votes granted to him by the shares owned and number of the Supervisory Council's members to be elected. These votes are allocated by the shareholder at his own discretion - for one or several candidates. The candidates who receive the biggest number of votes are elected.

1 (one) independent member is elected to the current tenure of the Supervisory Council. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The functions of the Supervisory Council are as follows:

- elect members of the Board and remove them from office. If the Bank operates at a loss, the Council must consider the suitability of the Board members for their positions;
- supervises the activities of the Board and the Head of Administration;
- Adopts the Rules of Procedure of the Supervisory Council of the Bank;
- approves the Bank's business plans;
- ensures that the Bank has effective internal control and internal audit systems;
- establishes the Audit Committee and approve the regulations of the Committee;
- Submits proposals and comments to the Annual General Meeting regarding the Bank's activity strategy, the Bank's annual financial statements, the draft profit (loss) distribution plan and the Bank's annual report, as well as the activities of the Board and the CEO;
- defines the procedure for lending that is only possible with the approval of the Supervisory Board;
- Makes proposals to the Management Board and the CEO to revoke their decisions that are in conflict with laws and other legal acts, the Articles of Bylaw of the Bank or decisions of the General Shareholders Meeting;
- discusses and resolves other issues that are to be considered or resolved by the Supervisory Board in accordance with laws and the Bank's Articles of Association as well as decisions of the General Meeting of Shareholders.

**The Management Board** is a collegial Bank management body, consisting of 4 (four) members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board members are elected, recalled and supervised by the Bank's Supervisory Council. The Board of the Bank is elected by the Council for a term of 4 years - the number of tenures is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

The Bank's Management Board shall consider and approve:

- the annual report of the Bank;
- the structure of the Bank management and positions; posts in which persons are employed only by approve of Management board or by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- regulations of the Loan Committee and Risk Management Committee of the Bank;
- the Board determines the information to be considered commercial secret of the Bank.

The Board shall elect (assign) and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer.

The Board shall adopt:

- decisions on the Bank becoming the incorporator, member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on the mortgage or hypothec of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction)
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- decisions on issuing of non-convertible bonds;
- Board work regulation;

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

- decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- Terms for the issue of the bonds of the Bank. When the General Shareholders' Meeting adopts a resolution regarding the issuing of convertible bonds, the Board is entitled to set additional terms of issuing and to approve bond subscription agreements, signed by the Chief Executive Officer or his authorized person;

The Board shall execute resolutions passed by the Meeting and Supervisory Council.

The Board shall analyse and evaluate the material submitted by the Chief Executive Officer on:

- implementation of the Bank's activities plan;
- arrangement of the Bank's activity;
- the Bank's financial position;
- results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

The Board also analyses, assesses the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the Board and General Meeting of Shareholders. Also, the Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.

The Board shall convene and hold the General Shareholders' Meetings in due time.

**Chief Executive Officer** is the sole governing body of the Bank. Chief Executive Officer acts in the name of the Bank, organizes the Bank's day-to-day activities and has other functions assigned by laws of the Republic of Lithuania and by the Bank's Statute.

Functions of the CEO:

- to arrange everyday activities of the Bank;
- to engage and discharge employees, make work contracts with them and terminate them, induce them and impose sanctions. The CEO is entitled to authorize another Bank employee to perform actions listed therein;
- to represent the Bank in its relations with other persons, in court and arbitrage without special authorization;
- to grant and cancel powers of attorney and procurements;
- to issue orders;
- to perform other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

- arrangement of the Bank's activity and implementation of its aims;
- making of annual financial statements and preparation of the Bank's annual report;
- making of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Supervisory Council in the cases, provided for in the laws or upon request;
- delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;
- delivery of the documents to the Register of Legal Entities;
- publication of the information, prescribed by the laws and other legal acts, in the media sources stated in this Charter;
- information delivery to the shareholders;
- Establishment and submission of a list of the Bank's shareholders;
- execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except for the exceptions, stated therein or in the resolutions of the bodies of the Bank.

The Chief Executive Officer and the members of the Board and Supervisory Council may participate in the general meetings of shareholders.

3 members of the Supervisory Board were elected at the Bank's Ordinary General Meeting of Shareholders on 30 March 2016. Kęstutis Jovaišas was elected as a member of the Supervisory Board at the Extraordinary General Meeting of Shareholders held on 26 October 2018.

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

As of 31 December 2019, the members of the Bank's Supervisory Board are:

| <b>Name, Surname</b>      | <b>Position in Supervisory Board</b> | <b>Workplace</b>  |
|---------------------------|--------------------------------------|---|
| <b>Irmantas Kamienas</b>  | Chairman of Bank's Supervisory Board | MB „Bratus“ director, į.k.303046931, address: Santariškių st.75-26, Vilnius                                 |
| <b>Laima Petkevičiūtė</b> | Member of Bank's Supervisory Board   | UAB „MB valda“ director's advisor, company code.302461718, address: Pamėnkalnio st. 40, Vilnius             |
| <b>Vytenis Rasutis</b>    | Member of Bank's Supervisory Board   | UAB Medicinos bankas, manager-currency dealer, company code 112027077, address: Pamėnkalnio st. 40, Vilnius |
| <b>Kęstutis Jovaišas</b>  | Member of Bank's Supervisory Board   | UAB „Civitta“ partner-general manager, į.k.302477747, address: Gedimino av. 27, Vilnius                     |

The end of the term of the duty of the members of the Bank's Supervisory Board is in 2020.

Members of the Bank's Supervisory Board in 2019 hadn't received wages, bonuses, melons or other payments for participation in the Supervisory Board.

The Bank's Management Board consists of 4 members. The Management Board of the Bank appoints and revokes the Chief Executive Officer and his deputies for the organization of daily banking activities. The Bank's Management Board is responsible for ensuring that the Bank's activities comply with the law in order to implement the Bank's Strategy established by the Bank's Supervisory Board, as well as for the development, periodic review and enforcement of the Bank's core business policies. The Management Board of the Bank is also responsible for the establishment, improvement, monitoring and control of the risks faced by the Bank, and the establishment and improvement of reporting processes, the establishment of permissible risk limits. The Management Board determines how bank capital will be used to cover the risk. The Management Board forms the values of the Bank and the Group and adopts a code of conduct, ensures that the Bank and the Group operate an effective information and communication system.

Members of the Management Board were elected at the Bank's Supervisory Board meeting in 30 March 2016.

As of 31 December 2019, the members of the Bank's Management Board are:

| <b>Name, Last name</b>    | <b>Position</b>   |
|---------------------------|---|
| <b>Dalia Klišauskienė</b> | Chairman of the Management Board, CEO   |
| <b>Arnas Žalys</b>        | Member of the Management Board, deputy CEO, Head of Financial services            |
| <b>Igor Kovalčiuk</b>     | Member of the Management Board, deputy CEO, Head of Legal and compliance services |
| <b>Marius Arlauskas</b>   | Member of the Management Board, deputy CEO, Head of Business management services  |

The end of the term of the duty of the members of the Bank's Management Board is in 2020. The Chief Executive Officer of the Bank and the members of the Board of the Bank do not hold other senior positions in other legal entities.

Salary average paid to a member of the Management Board in 2019 was 67 thousand. EUR (in 2018 was 56 thousand EUR). No melons were paid to Members of the Management Board of the Bank in 2019. No bonuses, melons or other payments were paid to Members of the Management Board of the Bank in 2018.

### Information on the principles for the election of the members of the Board and the amendment of the Bank's Articles of Association

The principles of the election of the members of the Board of the Bank are regulated by the Bylaws of the Bank, the Law on Companies of the Republic of Lithuania and the Law on Banks of the Republic of Lithuania. The diversity policy related to aspects such as age, gender, education, professional experience is applicable as it is regulated by the laws described above and is applied to the election of the CEO, management and supervisory bodies.

The Bank shall not discriminate on grounds of sex, sexual orientation, race, nationality and social status, religion, marital or family status, age, beliefs or attitudes, affiliations to political parties and public organizations in relation to the merits of the

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

Employees in the context of the selection of Management Board members. Selection of Management Board members - to form an effective team that would not only be able but also capable to achieve the Bank's goals. For the quality selection of Management Board members, the Bank Group uses modern, innovative tools to search for vacant positions, with the aim of ensuring maximum dissemination of information and maintaining a good image of the Group as an employer.

Main Selection Criteria for Employees: Compliance with the requirements set by the Bank of Lithuania, internal legislation of the Group; subject-specific competence - appropriate education, work experience, subject knowledge, skills, abilities required for future work; personal qualities that determine and operate a particular job successfully.

Amendments to the Articles of Association of the Bank shall be made in accordance with the Law on Companies and the Articles of Association of the Bank. Last time the Bank's Articles of Association were changed in 31 March 2016.

#### Committees of the Bank

The Bank has continuously operating non-structural divisions: Loan, Internal Audit and Risk Management committees. Formation of the Loan, Internal Audit and Risk Management committees, their activities and competence are established by the Supervisory Authority legislation, the Statute, committee regulations and other regulations approved by the Bank bodies.

**Loan Committee** examines the loan application documents, takes decisions regarding loans granting and the conditions for granting loans and their amendments, evaluates credit risk, provides suggestions on the loan, the loan interest rate, improvement of loan administration procedures, and performs other functions approved by the Board. The Board approves the members of the Loan Committee and performs its supervision.

Information about the members of the Loan Committee 31 December 2019.

|          | <b>Name, Last name</b> |
|----------|------------------------|
| Chairman | Laura Ivaškevičiūtė    |
| Members: | Lina Babelienė         |
|          | Raimundas Keršys       |
|          | Julius Ivaška          |
|          | Saulius Laučius        |

**The Risk Management Committee** determines, assesses, monitors and controls all types of risks faced by the Bank and the Bank's financial group. The Committee also controls the acceptable risk parameters, and performs other functions prescribed by the regulations. The Board approves the members of the Risk Management Committee and performs its supervision.

Information about the members of the Risk Management Committee 31 December 2019.

|          | <b>Name, Last name</b> |
|----------|------------------------|
| Chairman | Arnas Žalys            |
| Members: | Aleksejus Tonkich      |
|          | Snieguolė Kudrevičienė |
|          | Laura Ivaškevičiūtė    |
|          | Julius Ivaška          |

**The Bank Audit Committee** periodically discusses the effectiveness of the Bank's internal control systems, coordinates and periodically evaluates the internal audit department's work. The Committee discusses internal and external audit reports and performs other duties prescribed by the Supervisory Authority legislation and by the regulations of the Internal Audit

Committee. The Council approves the members of the Internal Audit Committee and the Committee's regulations, and performs the supervision of the Committee.

Information about the members of the Internal Audit Committee 31 December 2019.

|          | <b>Name, Last name</b> |
|----------|------------------------|
| Chairman | Laima Petkevičiūtė     |
| Members: | Irmantas Kamienas      |
|          | Vytenis Rasutis        |
|          | Kęstutis Jovaišas      |

The Board and the Chief Executive Officer are the Bank's management bodies.

### **10. Internal control system of the Bank**

Requirements for internal control system of the Bank are established by laws and the legislation of the Supervisory Authority. The reliable and proper internal control system and an independent Audit Division ensure efficiency of the Bank's internal control.

**Audit Division** is the Bank's internal audit unit that develops internal control system evaluation methods, analyses and evaluates the adequacy and efficiency of the Bank's internal control system, and the use of internal control procedures. Internal Audit Division checks whether the assumption of risk does not exceed the Bank's risk limits and compliance with legislative requirements and the requirements of the Supervisory Authority, the implementation of the Bank's business strategy, the Bank's policies and compliance with the Bank's policy and procedures; it also performs other functions prescribed by the regulations. Internal Audit Division activities and regulations are approved by the Internal Audit Committee.

### **11. Information on transactions with related parties**

When a bank deals with related parties, the Bank follows market prices, the Bank has not entered into transactions with related parties that are classified as unusual economic activities and (or) have a significant influence on the Company, its finances, assets and liabilities.

### **12. Information on existing restrictions on voting rights**

On 16 January 2019 after the death of the main shareholder of the Bank Saulius Karosas, Konstantinas Karosas acquired all of the Bank's ordinary registered shares (123,850 shares) by inheritance. Due to the universal transfer of rights and obligations to Konstantinas Karosas, the decision of the supervisory authority under Article 24 of the Banking Act not to raise objections to the acquisition of the qualifying share capital and voting rights was not obtained. In view of this and pursuant to the Article 24 of the Bank Act the provision shall be considered as the loss of voting rights in Konstantinas Karosas share of the Bank's authorized capital and voting rights at the General Meeting of Shareholders. Restricted shares represent 89.91 percent of the total number of voting shares.

9 March 2020

Acting Chairman of the Board and Chief Executive Officer



Dalia Klišauskienė



# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### Corporate Governance Reporting Form (appendix to the annual management report for 2019)

**1. Reference to the applicable corporate governance code and the place of its publication, and (or) reference to the all necessary published information regarding management practices of the entity**

UAB Medicinos bankas acting in compliance with Article 12 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided. The Bank follows the Nasdaq Vilnius Corporate Governance Report form approved on 15 January 2019 which is prepared in accordance with the Governance Code for Listed Companies.

**2. In case of derogation from the provisions of the applicable corporate governance code and (or) when the provisions are not complied with, such provisions and the reasons thereof shall be indicated**

Information on compliance with and / or non-compliance with the Corporate Governance Code is provided in a structured table (No.2).

**2. Structured table:**

| PRINCIPLES/ RECOMMENDATIONS   | YES/NO/<br>NOT<br>APPLICABLE | COMMENTARY   |
|---|------------------------------|--|
| <b>Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights<br/>The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.</b>  |                              |  |
| 1.1 All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.  | Yes                          |  |
| 1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.   | Yes                          |  |
| 1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.   | Yes                          |  |
| 1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.  | Yes                          |  |
| 1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | Yes/No                       | Bank acts in accordance with the requirements of Law on Companies act Article 25 Part 4. |
| 1.6 With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in  | Yes                          |  |

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|  |        |   |
|--|--------|---|
| <p>advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.</p> |        |   |
| <p>1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>  | Yes    |   |
| <p>1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.</p>   | No     | Bank has 3 shareholders, therefore all remote voting issues are solved by voting in advance via post service.   |
| <p>1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.</p>  | Yes/No | <p>Information on the candidates to the Supervisory Council is provided before the shareholders' meeting if the members are suggested in advance. During the meeting the members to the Supervisory Council introduce information on them required by laws and answer the shareholders' questions before voting. Eligibility of the member to be elected to the Supervisory Council is assessed by the Bank of Lithuania.</p> <p>The Bank's annual and interim reports include the updated information on the collegial bodies' members' education, professional experience and current position.</p> |
| <p>1.10. Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.</p>  | Yes    | Bank acts in accordance with the requirements of Law on Companies act Article 21 Part 2.  |
| <p><b>Principle 2: Supervisory board</b></p> <p><b>2.1 Functions and liability of the supervisory board</b></p> <p><b>The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.</b></p>  |        |   |

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|   |     |  |
|---|-----|--|
| <b>The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.</b>   |     |  |
| 2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.  | Yes |  |
| 2.1.2 Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.   | Yes |  |
| 2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.   | Yes |  |
| 2.1.4 Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.   | Yes |  |
| 2.1.5 The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.   | Yes |  |
| 2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.  | Yes |  |
| <b>2.2 Formation of the supervisory board</b>   |     |  |
| <b>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</b>  |     |  |
| 2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. | Yes |  |

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|   |            |  |
|---|------------|--|
| <p>2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.</p>   | <p>Yes</p> |  |
| <p>2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.</p>  | <p>Yes</p> |  |
| <p>2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.</p> | <p>Yes</p> |  |
| <p>2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.</p>  | <p>Yes</p> | <p>Information on the candidates to the Supervisory Council is provided before the shareholders' meeting if the members are suggested in advance. During the meeting the members to the Supervisory Council introduce information on them required by laws and answer the shareholders' questions before voting. Eligibility of the member to be elected to the Supervisory Council is assessed by the Bank of Lithuania. The Bank's annual and interim reports include the updated information on the collegial bodies' members' education, professional experience and current position.</p> |
| <p>2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.</p>   | <p>Yes</p> |  |
| <p>2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory</p>   | <p>Yes</p> |  |

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|  |        |  |
|--|--------|--|
| board should, at least once a year, make public respective information about its internal structure and working procedures.  |        |  |
| <p><b>Principle 3: Management Board</b></p> <p><b>3.1 Functions and liability of the management board</b></p> <p><b>The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.</b></p>   |        |  |
| 3.1.1 The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.  | Yes    |  |
| 3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.                         | Yes    |  |
| 3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.  | Yes    |  |
| 3.1.4 Moreover, the management board should ensure that the measures included into the <a href="#">OECD Good Practice Guidance</a> on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.  | Yes/No | Internal Control procedures on Ethics and Compliance during year 2020 will be adopted to comply with OECD requirements |
| 3.1.5 When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.   | Yes    |  |
| <p><b>3.2. Formation of the management board</b></p>   |        |  |
| 3.2.1 The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | Yes    |  |

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|  |                |  |
|--|----------------|--|
| 3.2.2 Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | Yes            |  |
| 3.2.3 All new members of the management board should be familiarized with their duties and the structure and operations of the company.  | Yes            |  |
| 3.2.4 Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.  | Yes            |  |
| 3.2.5 Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.   | Yes            |  |
| 3.2.6 Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.   | Yes            |  |
| 3.2.7 In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.  | Not Applicable |  |
| 3.2.8 The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.  | No             | Supervisory board approves the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. |
| 3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.   | Yes            |  |
| 3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public   | Yes/No         | Board's annual activities assessment report, according to Lithuanian law legislation should be provided to the Bank of Lithuania and other parties.                        |

|   |            |  |
|---|------------|--|
| <p>respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.</p>   |            |  |
| <p><b>Principle 4: Rules of procedure of the supervisory board and the management board of the company</b></p> <p><b>The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.</b></p>   |            |  |
| <p>4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.</p> | <p>Yes</p> |  |
| <p>4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</p>   | <p>Yes</p> |  |
| <p>4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.</p>                               | <p>Yes</p> |  |
| <p>4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.</p>   | <p>Yes</p> |  |
| <p><b>Principle 5: Nomination, remuneration and audit committees</b></p> <p><b>5.1 Purpose and formation of committees</b></p> <p><b>The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.</b></p>  |            |  |

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|  |                |   |
|--|----------------|---|
| <p><b>Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.</b></p>   |                |   |
| 5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees  | Yes/No         | In accordance with the requirements of Law on Banks Article 36 Part 1, UAB Medicinos bankas is not treated as bank that is significant in terms of its size, internal organisation and the nature, scope and the complexity of its activities, therefore it is not obligatory to create nomination and remuneration committees.   |
| 5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.   | Not Applicable |   |
| 5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.   | Yes            |   |
| 5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.  | Yes            |   |
| 5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. | Yes/No         | The authority delegated to the Committee as well as its reporting are set in the Committees' provisions approved by the Supervisory Council.<br>Information regarding the functions and composition of the Committees are declared in the Bank's annual report. However, information regarding the number of committee meetings and participation of the committee members is not declared there. |
| 5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.  | Yes/No         |   |
| <p><b>5.2 Nomination committee</b></p>   |                |   |
| 5.2.1. The key functions of the nomination committee should be the following:<br>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the   | Not Applicable |   |



## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|   |                |  |
|---|----------------|--|
| <p>functions and capabilities required to assume a particular position and assess the time commitment expected;</p> <p>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;</p> <p>3) devote the attention necessary to ensure succession planning.</p>  |                |  |
| <p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p>   | Not Applicable |  |
| <p><b>5.3 Remuneration committee</b></p>  |                |  |
| <p>The main functions of the remuneration committee should be as follows:</p> <p>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</p> <p>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;</p> <p>3) review, on a regular basis, the remuneration policy and its implementation.</p> | Not Applicable |  |
| <p><b>5.4 Audit committee</b></p>   |                |  |
| <p>5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee</p>   | Yes            |  |
| <p>5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.</p>   | Yes            |  |
| <p>5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.</p>  | Yes            |  |
| <p>5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.</p>  | Yes            |  |

# UAB MEDICINOS BANKAS

## ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|   |        |   |
|---|--------|---|
| 5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.  | Yes    |   |
| 5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.   | Yes/No | The audit committee submits annual activity reports and this complies with annual the Bank's reporting cycle.   |
| <p><b>Principle 6: Prevention and disclosure of conflicts of interest</b></p> <p><b>The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies</b></p> <p><b>The corporate governance framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.</b></p> |        |   |
| Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.   | Yes    |   |
| <p><b>Principle 7: Remuneration policy of the company</b></p> <p><b>The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.</b></p>   |        |   |
| 7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.  | Yes    |   |
| 7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.  | Yes    |   |
| 7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.  | Yes/No | Banks remuneration policy relates with sustainable banks financial results, i.e. in case there is variable remuneration bigger than 4000 euros, this remuneration would be divided into parts and would be paid during 3 years period with link to banks financial results in the future. |

|  |                       |  |
|--|-----------------------|--|
| <p>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</p>  | <p>Yes</p>            |  |
| <p>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</p>  | <p>Not Applicable</p> |  |
| <p>7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.</p>            | <p>Yes/No</p>         | <p>The report of the Remuneration policy is prepared according to the requirements set by the resolution of the Board of the Bank of Lithuania. Information regarding implementation of the Remuneration policy is provided in the annual report and interim reports in the scope set by the valid requirements.</p> |
| <p>7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.</p>   | <p>Yes/No</p>         | <p>Supervisory board approves the Banks remuneration policy.</p>   |
| <p><b>Principle 8: Role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</b></p>  |                       |  |
| <p>8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.</p>   | <p>Yes</p>            |  |
| <p>8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.</p> | <p>Yes</p>            |  |
| <p>8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>   | <p>Yes</p>            |  |
| <p>8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.</p>   | <p>Yes/No</p>         | <p>Reports regarding illegal or unethical practices are provided to management board.</p>  |

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

| <b>Principle 9: Disclosure of information</b>  |        |   |
|--|--------|---|
| <b>The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.</b>  |        |   |
| 9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:  |        |   |
| 9.1.1. operating and financial results of the company;   | Yes    |   |
| 9.1.2. objectives and non-financial information of the company;  | Yes    |   |
| 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;  | Yes    |   |
| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;  | Yes/No | The Bank of Lithuania is informed according to the requirements of Lithuanian laws. |
| 9.1.5 reports from existing committees on their composition, number of meetings and attendance at meetings in the previous year, as well as on their main activities and performance;  | Yes/No | Reports of the existing committees is provided to management or supervisory boards  |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy;   | Yes    |   |
| 9.1.7. the company's transactions with related parties;  | Yes    | More information in Note 31   |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);  | Yes    |   |
| 9.1.9. structure and strategy of corporate governance;   | Yes    |   |
| 9.1.10 initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.<br><br>This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.   | Yes    |   |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.  | Yes    |   |
| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | Yes    |   |

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

|  |     |  |
|--|-----|--|
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.   | Yes |  |
| <b>Principle 10: Selection of the company's audit firm</b>   |     |  |
| <b>The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.</b>  |     |  |
| 10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.   | Yes |  |
| 10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.   | Yes |  |
| 10.3 In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. | Yes |  |

**3. Information regarding the level of risk and risk management – management of risks related to the financial reporting, risk mitigation measures, and internal control systems implemented at the entity shall be described**

The Bank provided information on the extent of risk in 2019 separate and consolidated financial statements Note 33 and 34. Information on risk management and risk mitigation measures can be found in the risk sections of the Management's annual report. Information on the internal control system implemented in the Bank is provided in 2019 Annual Management Report section 10.

**4. Information regarding significant directly or indirectly managed holdings**

Information described in 2019 separate and consolidated financial statements Note's 1 "Background" section on page 40.

**5. Information regarding transactions with related parties, according to the Law on Companies Article 37<sup>2</sup> (by specifying the counterparty (legal form, name, code, register of the legal entity in which the person is stored, premises (address); name, surname, address of the natural person and the value of the transaction)**

During 2019, the Bank did not have any related party transactions that met the criteria in Article 37<sup>2</sup>

**6. Information regarding the shareholders who have special rights of control and the description of such rights**

Information described in 2019 separate and consolidated financial statements Note's 1 "Background" section on page 40.

**7. Information regarding all current restrictions on voting rights (such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)**

Information described in 2019 separate and consolidated financial statements Note's 1 "Background" section on page 40.

**8. Information regarding the rules governing the appointment and dismissal of board members, as well as the amendment of the company's articles of association**

More details in the Management's annual report paragraph 9 "Management of the Bank" section.

**9. Information regarding the powers of the board members**

More details in the Management's annual report paragraph 9 "Management of the Bank" section.

**10. Information regarding the competence of the general meeting of shareholders, the rights of shareholders and implementation thereof, if such information is not established in the applicable legislation**

More details in the Management's annual report paragraph 9 "Management of the Bank" section.

**11 Information regarding the composition of the management, supervisory bodies, and the committees thereof, as well as the fields of activity of the aforesaid bodies and the manager of the company**

More details in the Management's annual report paragraph 9 "Management of the Bank" section.

**12. Description of diversity policy applicable in appointing the manager of the company, management, and supervisory bodies, related to the aspects such as age, gender, education, professional experience; objectives of such policy, methods of implementation thereof, and results of the reference period. if the diversity policy is not applied, the reasons thereof shall be indicated**

More details in the Management's annual report paragraph 9 "Management of the Bank" section.

**13. Informacija apie visus akcininkų tarpusavio susitarimus (jų esmė, sąlygos)**

The Bank has no information about agreements between shareholders.

## UAB MEDICINOS BANKAS

### ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### EVALUATION OF INTERNAL CONTROL

Depending on the risk appetite acceptable to the Bank, risk management principles are developed and implemented throughout the Group. Risk management principles are governed by the Bank's Group Risk Management Policy.

The Group's remuneration policy is an integral part of the Bank's risk management system. The remuneration policy is coordinated with the Bank's business strategy, assumed by the risk level, the Bank's goals, values and long-term vision.

The Bank's internal control system is an integral and continuous part of its daily activities. All employees of the Bank are responsible at the appropriate level for the functioning of the Bank's internal control processes, and each employee participates in the internal control system and can influence it.

Internal control aims to ensure the legality, economy, efficiency, effectiveness and transparency of the Bank's operations, implementation of strategic and other business plans, asset protection, reliability and completeness of information and reporting, compliance with contractual and other obligations to third parties and management of all risk factors related thereto.

The Compliance Officer and other compliance Officers are appointed to the Compliance function in the Bank, who perform their functions independently. For the Compliance in the Bank, i.e. that all the Bank's employees performance comply with the Bank's laws and regulations are also responsible all employees of the Bank, who are involved in the internal control system during performance of their functions.

The Bank's internal control system, risk management and compliance assessment are performed by the Bank's Internal Audit Division. This unit shall inform the Bank's Internal Audit Committee and the Bank's Management Board of any deficiencies or violations noted.

9 March 2020

Acting Chairman of the Board and Chief Executive Officer



Dalia Klišauskienė

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| <u>The Group</u>                |                                 | <u>Assets</u>   | <u>Notes</u> | <u>The Bank</u>                 |                                 |
|---------------------------------|---------------------------------|---|--------------|---------------------------------|---------------------------------|
| <u>31<br/>December<br/>2019</u> | <u>31<br/>December<br/>2018</u> |   |              | <u>31<br/>December<br/>2019</u> | <u>31<br/>December<br/>2018</u> |
|                                 |                                 | Cash and due from central bank                        |              |                                 |                                 |
| 29,650                          | 27,304                          | <i>Cash</i>   |              | 29,650                          | 27,304                          |
| 45,534                          | 30,070                          | <i>Placements with the central bank</i>               | 5            | 45,534                          | 30,070                          |
| 75,184                          | 57,374                          |   |              | 75,184                          | 57,374                          |
|                                 |                                 | Placements with banks and other credit institutions   | 6            | 11,164                          | 13,239                          |
|                                 |                                 | Financial assets at fair value through profit or loss |              |                                 |                                 |
| 10                              | 41                              | <i>Derivative financial instruments</i>               | 14           | 10                              | 41                              |
| 10                              | 41                              |   |              | 10                              | 41                              |
| 50,004                          | 70,746                          | Debt securities                                       | 7            | 50,004                          | 70,746                          |
|                                 |                                 | Loans and receivables                                 |              |                                 |                                 |
| 192,409                         | 159,017                         | <i>Loans to customers</i>                             | 8            | 188,010                         | 156,986                         |
| 15,875                          | 12,809                          | <i>Finance lease receivable</i>                       | 8            | 15,875                          | 12,809                          |
| 208,284                         | 171,826                         |   |              | 203,885                         | 169,795                         |
| -                               | -                               | Investments in subsidiaries                           | 12           | 6,687                           | 7,521                           |
| 1,423                           | 3,018                           | Investment property                                   | 11           | 283                             | 1,050                           |
| 6,726                           | 5,548                           | Property and equipment                                | 9            | 6,703                           | 5,545                           |
| 364                             | 314                             | Intangible assets                                     | 10           | 341                             | 267                             |
|                                 |                                 | Tax assets  |              |                                 |                                 |
| 19                              | 6                               | <i>Current taxes</i>                                  |              | 19                              | 6                               |
| 1,400                           | 1,925                           | <i>Deferred taxes</i>                                 | 28           | 1,400                           | 1,925                           |
| 1,419                           | 1,931                           |   |              | 1,419                           | 1,931                           |
| 737                             | 685                             | Other assets  | 13           | 691                             | 621                             |
| <b>355,334</b>                  | <b>324,763</b>                  | <b>Total assets</b>                                   |              | <b>356,371</b>                  | <b>328,130</b>                  |

(continued on the next page)

The accompanying notes on pages 40 to 119 are an integral part of these financial statements.



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

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

| <u>The Group</u>        |                         |   |              | <u>The Bank</u>         |                         |
|-------------------------|-------------------------|---|--------------|-------------------------|-------------------------|
| <u>31 December 2019</u> | <u>31 December 2018</u> | <b>Liabilities</b>                                | <b>Notes</b> | <u>31 December 2019</u> | <u>31 December 2018</u> |
| 3,036                   | 228                     | Due to banks and other credit institutions        | 15           | 3,036                   | 228                     |
| 59                      | 5                       | Derivative financial instruments                  |              | 59                      | 5                       |
| 310,431                 | 289,126                 | Due to customers                                  | 16           | 311,398                 | 290,733                 |
| 1,000                   | 1,000                   | Subordinated loans                                | 17           | 1,000                   | 1,000                   |
| 2,184                   | 2,167                   | Debt securities issued                            | 17           | 2,184                   | 2,167                   |
| 35                      | 30                      | Impairment  |              | 66                      | 30                      |
| 234                     | -                       | Tax liabilities                                   |              | 234                     | -                       |
| -                       | -                       | <i>Current tax</i>                                |              | -                       | -                       |
| 234                     | -                       | <i>Deferred tax</i>                               |              | 234                     | -                       |
| 3,982                   | 1,682                   | Other liabilities                                 | 18           | 3,804                   | 3,368                   |
| <b>320,961</b>          | <b>294,238</b>          | <b>Total liabilities</b>                          |              | <b>321,781</b>          | <b>297,531</b>          |
|                         |                         | <b>Equity</b>                                     |              |                         |                         |
| 19,948                  | 19,948                  | Share capital                                     |              | 19,948                  | 19,948                  |
| 3,779                   | 2,064                   | Retained earnings                                 |              | 3,996                   | 2,138                   |
| 330                     | 335                     | Revaluation reserve of property and equipment     |              | 330                     | 335                     |
| 10,316                  | 8,178                   | Other reserves                                    | 19           | 10,316                  | 8,178                   |
| <b>34,373</b>           | <b>30,525</b>           | <b>Total shareholders' equity</b>                 |              | <b>34,590</b>           | <b>30,599</b>           |
| <b>355,334</b>          | <b>324,763</b>          | <b>Total liabilities and shareholders' equity</b> |              | <b>356,371</b>          | <b>328,130</b>          |

The accompanying notes on pages 40 to 119 are an integral part of these financial statements. The financial statements were authorised for issue on 9 March 2020. These financial statements were signed on behalf of the Bank by:

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

A. Tonkich

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**SEPARATE AND CONSOLIDATED INCOME STATEMENTS**

| <u>The Group</u> |                 |   |              | <u>The Bank</u> |                 |
|------------------|-----------------|---|--------------|-----------------|-----------------|
| <u>2019</u>      | <u>2018</u>     |   | <u>Notes</u> | <u>2019</u>     | <u>2018</u>     |
| 10,972           | 9,243           | Interest income                                   | 21           | 10,391          | 9,113           |
| (1,787)          | (1,742)         | Interest expenses                                 | 21           | (1,787)         | (1,742)         |
| <b>9,185</b>     | <b>7,501</b>    | <b>Net interest income</b>                        |              | <b>8,604</b>    | <b>7,371</b>    |
| 6,683            | 5,674           | Service fee and commission income                 | 22           | 6,919           | 5,675           |
| (496)            | (435)           | Service fee and commission expenses               | 22           | (430)           | (411)           |
| <b>6,187</b>     | <b>5,239</b>    | <b>Net service fee and commission income</b>      |              | <b>6,489</b>    | <b>5,264</b>    |
| -                | -               | Net result on equity securities trading           |              | (740)           | -               |
| 5,141            | 4,664           | Net foreign on equity exchange gain               | 23           | 5,141           | 4,664           |
| (241)            | 33              | Net result from operations with derivatives       | 14           | (241)           | 33              |
| -                | -               | Impairment of investments into subsidiaries       |              | 109             | (1,119)         |
| (606)            | (993)           | Net result on operations on investment property   | 24           | (289)           | (275)           |
| 121              | 169             | Other income                                      | 25           | 214             | 126             |
| <b>19,787</b>    | <b>16,613</b>   | <b>Total operating income</b>                     |              | <b>19,287</b>   | <b>16,064</b>   |
| (974)            | (1,313)         | Impairment of loans and other financial assets    | 26           | (878)           | (1,308)         |
| <b>18,813</b>    | <b>15,300</b>   | <b>Operating income after impairment</b>          |              | <b>18,409</b>   | <b>14,756</b>   |
| (8,663)          | (7,866)         | Salaries and benefits                             | 27           | (8,301)         | (7,566)         |
| (1,132)          | (486)           | Depreciation                                      |              | (1,126)         | (484)           |
| (137)            | (161)           | Amortisation                                      |              | (109)           | (146)           |
| (4,287)          | (4,412)         | Other operating expenses                          | 27           | (4,136)         | (4,136)         |
| <b>(14,219)</b>  | <b>(12,925)</b> | <b>Total operating expenses</b>                   |              | <b>(13,672)</b> | <b>(12,332)</b> |
| <b>4,594</b>     | <b>2,375</b>    | <b>Operating profit</b>                           |              | <b>4,737</b>    | <b>2,424</b>    |
| (746)            | 11              | Income tax expense                                | 28           | (746)           | 11              |
| <b>3,848</b>     | <b>2,386</b>    | <b>Profit for the year</b>                        |              | <b>3,991</b>    | <b>2,435</b>    |
| <b>3,848</b>     | <b>2,386</b>    | <b>Attributable to equity holders of the Bank</b> |              | <b>3,991</b>    | <b>2,435</b>    |

The accompanying notes on pages 40 to 119 are an integral part of these financial statements. The financial statements were authorised for issue on 9 March 2020. These financial statements were signed on behalf of the Bank by:

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

A. Tonkich

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

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

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Items that will never be reclassified to profit or loss</b>                 |                     |                     |
| Change in PPE revaluation  | 5                   | 5                   |
| Transfer of depreciation for PPE net of tax                                    | (5)                 | (4)                 |
| Other  | -                   | -                   |
|  | <u>-</u>            | <u>-</u>            |
| <b>Items that are or may be reclassified to profit or loss</b>                 | <u>-</u>            | <u>1</u>            |
| Net amount transferred to profit or loss (available-for-sale financial assets) | -                   | -                   |
| Related tax  | -                   | -                   |
|  | <u>-</u>            | <u>-</u>            |
| <b>Other comprehensive income (expenses), net of tax</b>                       | <u>-</u>            | <u>1</u>            |
| Profit for the year  | 3,991               | 2,435               |
| <b>Total comprehensive income</b>  | <u><u>3,991</u></u> | <u><u>2,436</u></u> |
| <b>Attributable to:</b>  |                     |                     |
| <b>Equity holders of the Bank</b>  | <b>3,991</b>        | <b>2,436</b>        |

**The Group**

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Items that will never be reclassified to profit or loss</b> |                     |                     |
| Change in PPE revaluation                                      | 5                   | 4                   |
| Transfer of depreciation for PPE net of tax                    | (5)                 | (4)                 |
| Other  | -                   | -                   |
|  | <u>-</u>            | <u>-</u>            |
| <b>Items that are or may be reclassified to profit or loss</b> | <u>-</u>            | <u>-</u>            |
| Related tax  | -                   | -                   |
|  | <u>-</u>            | <u>-</u>            |
| <b>Other comprehensive income (expenses), net of tax</b>       | <u>-</u>            | <u>-</u>            |
| Profit for the year  | 3,848               | 2,386               |
| <b>Total comprehensive income</b>                              | <u><u>3,848</u></u> | <u><u>2,386</u></u> |
| <b>Attributable to:</b>  |                     |                     |
| <b>Equity holders of the Bank</b>                              | <b>3,848</b>        | <b>2,386</b>        |

The accompanying notes on pages 40 to 119 are an integral part of these financial statements. The financial statements were authorised for issue on 9 March 2020. These financial statements were signed on behalf of the Bank by:

Acting Chairman of the Board and  
Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting  
Department, Chief Accountant

A. Tonkich

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

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

|   | Note | Share capital | Retained earnings (restated) | Revaluation reserve of property and equipment | Other reserves | Total         |
|---|------|---------------|------------------------------|---|----------------|---------------|
| <b>At 31 December 2017</b>                  |      | <b>19,948</b> | <b>852</b>                   | <b>339</b>                                    | <b>6,326</b>   | <b>27,465</b> |
| Impact of change in accounting principles   |      | -             | (302)                        | -   | -              | (302)         |
| <b>At 1 January 2018</b>                    |      | <b>19,948</b> | <b>550</b>                   | <b>339</b>                                    | <b>6,326</b>   | <b>27,163</b> |
| Profit or loss                              |      | -             | 2,435                        | -   | -              | 2,435         |
| Other comprehensive income (expenses)       |      | -             | 5                            | (4)   | -              | 1             |
| <b>Transactions with owners of the Bank</b> |      |               |                              |   |                |               |
| Transfer to reserves                        |      | -             | (852)                        | -   | 1,852          | 1,000         |
| <b>At 31 December 2018</b>                  |      | <b>19,948</b> | <b>2,138</b>                 | <b>335</b>                                    | <b>8,178</b>   | <b>30,599</b> |
| Profit or loss                              |      | -             | 3,991                        | -   | -              | 3,991         |
| Other comprehensive income (expenses)       |      | -             | 5                            | (5)   | -              | -             |
| <b>Transactions with owners of the Bank</b> |      |               |                              |   |                |               |
| Transfer to reserves                        | 19   | -             | (2,138)                      | -   | 2,138          | -             |
| <b>At 31 December 2019</b>                  |      | <b>19,948</b> | <b>3,996</b>                 | <b>330</b>                                    | <b>10,316</b>  | <b>34,590</b> |

*(continued on the next page)*

The accompanying notes on pages 40 to 119 are an integral part of these financial statements.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

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

|   | Note | Share capital | Retained earnings (restated) | Revaluation reserve of property and equipment | Other reserves | Total         |
|---|------|---------------|------------------------------|---|----------------|---------------|
| <b>At 31 December 2017</b>                  |      | <b>19,948</b> | <b>828</b>                   | <b>339</b>                                    | <b>6,326</b>   | <b>27,441</b> |
| Impact of change in accounting principles   |      | -             | (302)                        | -   | -              | (302)         |
| <b>At 1 January 2018</b>                    |      | <b>19,948</b> | <b>526</b>                   | <b>339</b>                                    | <b>6,326</b>   | <b>27,139</b> |
| Profit or loss                              |      | -             | 2,386                        | -   | -              | 2,386         |
| Other comprehensive income (expenses)       |      | -             | 4                            | (4)   | -              | -             |
| <b>Transactions with owners of the Bank</b> |      | -             | (852)                        | -   | 1,852          | <b>1,000</b>  |
| Transfer to reserves                        |      |               |                              |   |                |               |
| <b>At 31 December 2018</b>                  |      | <b>19,948</b> | <b>2,064</b>                 | <b>335</b>                                    | <b>8,178</b>   | <b>30,525</b> |
| Profit or loss                              |      | -             | 3,848                        | -   | -              | 3,848         |
| Other comprehensive income (expenses)       |      | -             | 5                            | (5)   | -              | -             |
| <b>Transactions with owners of the Bank</b> |      |               |                              |   |                |               |
| Transfer to reserves                        | 19   | -             | 2,138                        | -   | 2,138          | -             |
| <b>At 31 December 2019</b>                  |      | <b>19,948</b> | <b>3,779</b>                 | <b>330</b>                                    | <b>10,316</b>  | <b>34,373</b> |

The accompanying notes on pages 40 to 119 are an integral part of these financial statements. The financial statements were authorised for issue on 9 March 2020. These financial statements were signed on behalf of the Bank by:

Acting Chairman of the Board and  
Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting  
Department, Chief Accountant

A. Tonkich

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS**

| <u>The Group</u>                                    |                 |              | <u>The Bank</u> |                 |
|---|-----------------|--------------|-----------------|-----------------|
| <u>2019</u>   | <u>2018</u>     | <u>Notes</u> | <u>2019</u>     | <u>2018</u>     |
| <b>Cash flows from operating activities</b>         |                 |              |                 |                 |
| 3,848   | 2,386           |              | 3,991           | 2,435           |
| <b>Non-cash Revenue and Cost Recovery:</b>          |                 |              |                 |                 |
| 1,269   | 647             | 9,10         | 1,235           | 630             |
| (119)   | (129)           |              | (131)           | 42              |
| 974   | 1,283           | 26           | 878             | 1,278           |
| -   | -               | 12           | (109)           | 1,119           |
| 621   | 1,131           | 11,24        | 304             | 242             |
| 85  | (60)            | 14           | 85              | (60)            |
| 19  | 58              |              | 10              | 38              |
| 746   | (11)            | 28           | 746             | (11)            |
| (54)  | (225)           |              | (70)            | (225)           |
| 7,389   | 5,080           |              | 6,939           | 5,488           |
| <b>Changes in operating assets and liabilities:</b> |                 |              |                 |                 |
| 59  | (337)           |              | 59              | (337)           |
| -   | 66              |              | -               | 66              |
| (33,745)  | (9,447)         |              | (31,691)        | (7,952)         |
| (3,661)   | (970)           |              | (3,590)         | (970)           |
| (192)   | (3,372)         |              | (192)           | (3,372)         |
| 23,250  | 34,776          |              | 22,610          | 35,318          |
| 1,329   | 2,535           |              | (495)           | 2,311           |
| (5,571)   | 28,331          |              | (6,360)         | 30,552          |
| -   | -               |              | -               | -               |
| -   | (6)             |              | -               | (6)             |
| <b>(5,571)</b>                                      | <b>28,325</b>   |              | <b>(6,360)</b>  | <b>30,546</b>   |
| <b>Investing activities</b>                         |                 |              |                 |                 |
| (1,032)   | (1,038)         | 9,10         | (1,004)         | (997)           |
| (12)  | (2)             | 11           | -               | (2)             |
| 1,173   | 3,263           |              | 1,001           | 1,423           |
| -   | -               |              | (2,335)         | (2,201)         |
| -   | -               |              | 2,752           | -               |
| -   | -               |              | 526             | -               |
| -   | -               |              | -               | 1,781           |
| (600)   | -               |              | (600)           | -               |
| 43,494  | 22,526          |              | 43,494          | 22,526          |
| (22,752)  | (53,412)        |              | (22,752)        | (53,412)        |
| <b>20,271</b>                                       | <b>(28,663)</b> |              | <b>21,082</b>   | <b>(30,882)</b> |

*(continued on the next page)*

The accompanying notes on pages 40 to 119 are an integral part of these financial statements.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

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

| <b>Group</b>  |               |   |              | <b>Bank</b>   |               |
|---|---------------|---|--------------|---------------|---------------|
| <b>2019</b>   | <b>2018</b>   |   | <b>Notes</b> | <b>2019</b>   | <b>2018</b>   |
| <b>Financing activities</b>                           |               |   |              |               |               |
| -   | 1,000         | Shareholder contributions to increase reserves                | 19           | -             | 1,000         |
| 17  | 2,167         | Bonds issued  |              | 17            | 2,167         |
| -   | -             | Bonds (redeemed)  |              | -             | -             |
| 3,000   | -             | Loans received according to Eurosystem Open market operations |              | 3,000         | -             |
| 7,143   | 9,217         | Loans received  |              | 7,143         | 9,217         |
| (9,269)   | (6,640)       | Loans (repaid)  |              | (9,269)       | (6,640)       |
| <b>891</b>  | <b>5,744</b>  | <b>Net cash flows from (to) financing activities</b>          |              | <b>891</b>    | <b>5,744</b>  |
| 181   | (82)          | Effect of exchange rate changes on cash and cash equivalents  | 23           | 181           | (82)          |
| <b>15,772</b>   | <b>5,324</b>  | <b>Net increase (decrease) in cash and cash equivalents</b>   |              | <b>15,794</b> | <b>5,326</b>  |
| 68,374  | 63,050        | Cash and cash equivalents at 1 January                        |              | 68,333        | 63,007        |
| <b>84,146</b>   | <b>68,374</b> | <b>Cash and cash equivalents at 31 December</b>               | 29           | <b>84,127</b> | <b>68,333</b> |
| <b>Additional information to operating cash flows</b> |               |   |              |               |               |
| 11,954  | 9,742         | Interest received   |              | 11,388        | 9,769         |
| (1,425)   | (1,485)       | Interest (paid)   |              | (1,425)       | (1,485)       |

The accompanying notes on pages 40 to 119 are an integral part of these financial statements. The financial statements were authorised for issue on 9 March 2020. These financial statements were signed on behalf of the Bank by:

Acting Chairman of the Board and  
Chief Executive Officer

D. Kliškauskienė

Director of Accounting and Reporting  
Department, Chief Accountant

A. Tonkich

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(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.

The consolidated financial statements of the Group include the financial statements of the Bank and its fully owned subsidiaries UAB TG Invest-1 (main activity of the companies – real estate management and development) and UAB Saugus Kreditas (main activity of the company – granting of consumer credit to natural persons). UAB TG Invest-1 was acquired on 17 May 2013, UAB Saugus kreditas – until 17 October 2017.

At November of 2019 the process of reorganization of subsidiaries by merger was completed. The companies UAB “MB Turtas”, UAB “MB Valda”, UAB “MB investicija” are merged with UAB TG Invest-1.

As at 31 December 2019 the Bank employed 342 employees (369 employees as at 31 December 2018). As at 31 December 2019 the Group employed 352 employees (384 employees as at 31 December 2018).

As at 31 December 2019 the shareholders of the Bank were as follows:

|                          | <b>Ordinary shares<br/>held</b> | <b>Per cent of<br/>ownership</b> |
|--------------------------|---------------------------------|----------------------------------|
| Mr. Konstantinas Karosas | 123,850                         | 89,91                            |
| Western Petroleum Ltd.   | 13,600                          | 9,87                             |
| Mr. Vytenis Rasutis      | 300                             | 0,22                             |
| <b>Total</b>             | <b>137,750</b>                  | <b>100,00</b>                    |

As at 31 December 2018 the shareholders of the Bank were as follows:

|                        | <b>Ordinary shares<br/>held</b> | <b>Per cent of<br/>ownership</b> |
|------------------------|---------------------------------|----------------------------------|
| Mr. Saulius Karosas    | 123,850                         | 89,91                            |
| Western Petroleum Ltd. | 13,600                          | 9,87                             |
| Mr. Vytenis Rasutis    | 300                             | 0,22                             |
| <b>Total</b>           | <b>137,750</b>                  | <b>100,00</b>                    |

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

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 31 December 2019 and 2018, all shares were fully paid.

#### Note 2 Basis of preparation and significant accounting policies

##### **Statement of compliance**

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

##### **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss, available-for-sale financial assets and investment property, measured at fair value, and buildings measured at revalued amounts.

##### **Functional and presentation currency**

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



## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### Application of new and revised International Financial Reporting Standards (IFRSs)

##### Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (further – EU) are effective for the current period:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019):

As of 1 January 2019 the Bank and the Group adopted IFRS 16 and recognized the right-of-use assets as part of property, plant and equipment. The Group chose the option to apply the simplified transition method and did not restate comparative amounts for the year prior to first adoption.

Under IFRS 16 contract is a lease or includes lease if it grants the right to manage the use of the identified asset for a period of time in exchange for consideration. The new model requires the tenant to recognize the right of use assets and lease obligations for such contracts. The right of use the property is depreciated and the obligation accrues interest. As a result, most rental transactions will incur an advance cost, even if the tenant pays constant annual rents.

The new standard establishes a limited exceptions for lease transactions that includes:

- Lease transactions where the lease period does not exceed 12 months and the transaction does not provide for the possibility to purchase; and
- Lease transactions with small-ticket leases.

The lessor's accounting for the new standard has remained largely unchanged and the separation between operating and financial leases has been maintained.

The major impact on the Bank's and the Group's financial statements has accounting for rent of premises. The Bank and the Group as at 1 January 2019 has accounted for the following impact in relation to the implementation of IFRS 16: Right of use assets – 1,911 thousand EUR, lease liabilities - 1,911 thousand EUR. There was no significant impact on profit or loss, however the presentation in profit or loss has been changed: instead of rent expenses, there is depreciation of right of use assets and the related lease interests.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019),
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 - Long-Term Interest in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- IAS 19 changes: Plan Amendment, Curtailment or Settlement is now reflected in the Endorsement Status Report (effective for annual periods beginning on or after 1 January 2019),
- The endorsement by the European Commission of Annual Improvements to IFRS Standards 2015-2017 Cycle is now reflected in the Endorsement Status Report Ventures (effective for annual periods beginning on or after 1 January 2019);

The application of these standards, amendments and interpretations, except for IFRS 16 Leases, will not have a significant effect on the Bank's and the Group's financial statements.

##### Standards and Interpretations issued by IASB, approved by EU but not yet effective

The Bank and the Group did not yet apply these IFRS that are already issued on the date of signing these financial statements but are not yet effective:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 is now reflected in the Endorsement Status Report (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8 is now reflected in the Endorsement Status Report (effective for annual periods beginning on or after 1 January 2020);

According to the Bank and the Group, the application of these standards, amendments and interpretations will not have a significant effect on the Bank's and the Group's financial statements at the time of its first adoption.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### Standards and Interpretations issued by IASB but not yet endorsed by EU

FRSs currently endorsed by EU are not significantly different from the standards, endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020);
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2021);

According to the Bank and the Group, the application of these standards, amendments and interpretations will not have a significant effect on the Bank's and the Group's financial statements at the time of its first adoption.

##### **Basis of consolidation**

The consolidated financial statements are prepared annually for the year ended 31 December and include the parent Bank and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year using consistent accounting policies.

##### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

##### Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### Non-controlling interests

At the date of acquisition, non-controlling interests (NCIs) are measured at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Inter-company transactions between the Group companies are eliminated.

Subsidiaries in the separate financial statements are accounted at cost, less impairment. That means the income from the investment is recognised only to the extent that the Bank receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

## **UAB MEDICINOS BANKAS**

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

### **SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 2 Basis of preparation and significant accounting policies (cont'd)**

##### ***Segment information***

Operating segments are reported in accordance with the information analysed by the Management Board of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has three main business segments:

Traditional banking operations and lending – includes traditional banking operations such as issuing loans and providing banking services to the customers and finance lease provided to micro, small and medium enterprises, households;

Treasury – includes banking treasury operations such as managing securities and liquidity portfolio, currency exchange etc.

Other activities – includes other banking operations not included in traditional banking operations and treasury segments such as income (expenses) related to investment in subsidiaries, operations with investment property and other subsidiaries operating income (expenses);

The activities of the Group's segments, with the exception of consumer loans, are property management and development, and the major of the Group's expenses (income) are from investment properties.

Transactions with other business segments is done with market price.

The key indicator for reporting to the management of the Bank is the pre-tax profit (loss), which consists of net interest income, net commission income, loan impairment changes, net result on operations on investment property, operating expenses, amortization and depreciation costs, and other net income

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### *Financial assets and financial liabilities*

The Group and the Bank recognise financial assets and liabilities in their statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the instrument.

Under IFRS 9 Financial Assets - cash and cash equivalents, contractual rights to receive cash or another financial asset, contractual rights to exchange financial instruments with another party on terms that are potentially favourable, equity instruments of other entities, and contracts that will or may be settled themselves with company equity instruments.

Financial assets are classified:

- Financial assets that are subsequently measured at amortized cost;
- Financial assets that are measured at fair value in subsequent periods by recognizing a change in fair value through comprehensive income;
- Financial assets at fair value through profit or loss recognized in subsequent periods;

Financial assets are measured at amortized cost if both conditions are met:

- Financial assets are held according to the business model - designed to hold financial assets to collect contractual cash flows;
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets are measured at fair value, the change of which is recognized in other comprehensive income if both of the following conditions are met:

- financial assets are held according to a business model whose purpose is to achieve the contractual cash flows and to sell the financial assets;
- Due to contractual terms of the financial asset, cash flows that occur only on the principal amount and on the principal amount outstanding may arise on specified dates.

Financial assets at fair value through profit or loss include those financial assets that are not classified as financial assets at amortized cost and as financial assets at fair value through profit or loss, for which changes are recognized in other comprehensive income. At initial recognition, a financial asset may be irrevocably classified as a financial asset measured at fair value through profit or loss, if such assignment eliminates or diminishes the inconsistency of the measurement and recognition of financial instruments (accounting inconsistencies). These financial assets cannot subsequently be transferred to another group of financial assets.

The category of financial assets is determined at the time of acquisition of these assets.

##### **Recognition of financial assets**

All ordinary acquisitions and disposals of financial assets for which a period specified in the regulatory authority or market agreements exists for the transfer of securities to the buyer are accounted for at settlement, i.e. when the asset is delivered to the Group or when the Group presents it to the buyer. On the trade date, an off-balance sheet liability is recognized for the purchase or sale of a financial asset that is derecognised at the time of settlement.

Loans granted are accounted for at amortized cost: the cost of the principal (calculated on the basis of direct transaction costs) less principal repayments, amortization of accrued difference between cost and redemption amount and loan impairment losses are recognized at initial recognition.

Business model evaluation. The objective of the Group's business model is to collect held-to-collect cash flows, where cash flows are only payments of principal and interest on principal. There are no financial instruments in the Group that aim to receive cash flows from the sale of instruments. No other business models are used.

Solely payments of principal and interest (SPPI). All loans and receivables are measured using the SPPI test. The estimated or principal amount is the fair value of the financial asset at initial recognition and meets the SPPI criteria. Is the interest earned a reward for the time value of money for credit risk associated with a non-covered principal amount. The credit risk element is assessed. Does the time value element for transactions with fixed interest rate fulfil the criteria. Variable interest rates are measured by the change in the time value of the monetary item and determine whether the change does not result in a significant difference between the contractual cash flows and the cash flows that would arise if the time value element did not change. In the case of insignificant deviations, it should be noted that loans and receivables meet the requirements of the SPPI.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

Financial assets measured at amortized cost with the Bank and its subsidiaries:

Cash and due from central bank;

Placements with banks and other credit institutions;

Debt securities;

Loans and receivables;

Other assets.

Cash and cash at the central bank consist of balances of cash and other payment instruments, balances of funds in correspondent bank accounts of the Bank of Lithuania, reserve assets.

Cash is cash on hand with a book value equal to their fair value.

The fair value of funds in a central bank is equal to the carrying amount.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on the market. This category of financial assets also includes bank-acquired (discounted) bills and the purchase of debt liabilities (factoring).

Other assets and other prepayments are cash paid for goods or services not yet provided.

The Bank accounts prepayments and advances at the cost of cash or cash.

#### Impairment of loans

The Impairment Model (Expected Credit Loss Calculation Model) will be applied to financial assets at amortized cost or fair value, excluding equity investments. Depending on the credit risk change since the initial recognition, financial instruments are classified into 3 risk levels. For off-balance sheet items, expected credit losses are calculated in the same way as losses for the respective balance sheet exposures according to the risk level of the respective balance sheet position.

Lending positions, irrespective of whether special provisions are set for a homogeneous group or individually, are regrouped in order to respond consistently to credit risk factors as macroeconomic conditions change. After the breakdown of lending positions, the amounts of special provisions are recalculated accordingly.

Lending positions, after assessing their credit risk from initial recognition, are classified into one of three risk levels:

Risk level 1 includes those exposures that have not significantly increased credit risk, i.e. no credit risk indicator or loss event has been recorded after the initial loan recognition.

Risk level 2 includes exposures with a credit risk indicator or significant credit risk increase.

Risk level 3 includes non-performing loans and other exposures that are expected to be defaulted (loss event).

Special provisions for a borrowing position shall be calculated collectively or individually in accordance with the following provisions:

Lending exposures assigned to risk level 1 (low credit risk) are collectively assessed and special provisions are valued at the amount of 12 months' ECL (expected credit loss) duration.

For risk level 2 (significant increase in credit risk), assigned credit exposures are valued collectively, except for customers with a bank lending position of more than EUR 500,000 or overdue payments from 60 to 90 calendar days. Lending positions are valued individually. For collectively assessed lending exposures, the amount of special provisions is calculated on the basis of an unlimited duration of ECL.

Lending positions assigned to level 3 (credit default) are assessed individually.

Other asset groups include lending positions that do not meet the criteria for other homogeneous groups.

Lending positions with the Central Bank are not assessed because they assume that their credit risk is very low and does not significantly increase from initial recognition.

Collectively rated lending exposures are assessed by the ECL using a model developed by the Bank that calculates internal risk parameters for each homogeneous group according to the applicable scenario. The Procedure for Recognition of Impairment of Financial Instruments is described in the Expected Credit Risk Loss Assessment Rules.

The carrying amount of the loans is reduced through the use of an allowance account and the amount of the impairment loss is included in the income statement. For all financial instruments, after initial recognition, the borrowing position is reviewed, and at least once a year a comprehensive assessment of the change in the client's risk profile is performed to determine the materiality of the credit risk. Each month, an assessment is made of indicators that reduce (increase) the credit risk of the borrowing position, by which the previously recognized impairment loss is reversed or increased by adjusting the allowance account. Impairment losses relate to the original application of IFRS 9 and are accounted for directly through equity.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

Lending positions, irrespective of whether special provisions are set for a homogeneous group or individually, are regrouped in order to respond consistently to credit risk factors as macroeconomic conditions change. After the breakdown of lending positions, the amounts of special provisions are recalculated accordingly.

##### Factoring

A factoring transaction is a funding transaction whereby the Group and the Bank finance their customers through buying their receivable claims. Companies transfer rights to invoices due at a future date to the Group and the Bank. Factoring transactions comprise factoring transactions with a right to recourse (the Group and the Bank are entitled to sell the overdue claim back to the customer) and factoring transactions without a right to recourse (the Group and the Bank are not entitled to sell the overdue claim back to the customer). The factor's revenue comprises the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration of the payment term set by the purchaser. Gains and losses are recognised in profit or loss when the factoring receivables are derecognised or impaired, as well as through the amortisation process.

The factoring balance includes the aggregate amount of factored invoices outstanding as at the reporting date and all amounts accrued for the unpaid amount.

##### Write-offs

When the loans and advances cannot be recovered and all collateral has been realised, they are written-off and charged against impairment for incurred credit losses. The management of the Group and the Bank makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the profit or loss.

Partial write-off may be applicable only for clients having the status of defaulted clients, if there is no evidence that full or partial Bank claim (principal, accrued interest and other charges) towards the client will be covered (e.g. the client has the status of bankrupt procedure, or the Bank has initiated legal procedure and there is not enough collateral and no expected cash flow or any other property to fully cover part of the claim).

##### Repurchase agreements

Securities sold under repurchase (repo) agreements are accounted for as trading or investment securities, depending on the classification of these papers at the time of acquisition. The liability related to this repurchase agreement is included in the amounts due to banks (other customers) or bank (other client) deposits.

##### *Derivative financial instruments*

The Bank uses derivatives such as foreign exchange forwards and swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative; they are initially recognised in the statement of financial position at their fair value on the settlement date. Changes in the fair value of derivatives held for trading are included in net trading income.

Fair values of the derivative financial instruments are disclosed in Note 14.

In 2019 and in 2018, the Bank granted certain loans to customers with variable interest rate; however, the floor for interest rate was also set in the agreements. The floor is an integral part of the agreement. Accounting standards mandate that if at the moment of granting the loan the floor interest rate approximates the market variable interest rate, then the embedded derivative is closely related with host contract and thus may be accounted for together.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### *Financial assets and financial liabilities (cont'd)*

###### Debt issued and other borrowed funds

Issued financial instruments and their components are classified as liabilities, where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amounts separately determined as the fair value of the liability component on the date of issue.

After initial recognition, debt issued and other borrowings, which are not designated at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

##### **Repurchase agreements**

Securities sold that are subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and the liability to the counterparty of the agreement is included in deposits from banks, other deposits, or deposits due to customers, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and amortised over the life of repurchase agreements using effective interest rate for the whole period.

Borrowed securities are not included in the financial statements, unless they were sold to a third party. In that case a liability for the obligation to return these securities is recognised at fair value as a trading liability.

##### **Derecognition of financial assets and liabilities**

###### Financial liabilities

Financial liabilities - contractual obligations to transfer cash, other financial assets or financial instruments under potentially unfavourable conditions and contracts that will or may be settled by the Bank's own equity instruments. Financial liabilities are classified into:

- Financial liabilities at amortized cost;
- Valuable at fair value through profit or loss.

Financial liabilities are classified as financial liabilities at amortized cost, except for:

- measured at fair value through profit or loss and derivative financial instruments;
- financial liabilities that arise when the transfer of financial assets does not meet the criteria for derecognition or if a follow-up approach is applied;
- financial guarantee contracts;
- commitments to grant a loan with a lower than market interest rate;
- contingent consideration recognized in a business combination.

Financial liabilities measured at fair value through profit or loss include those financial liabilities that are not classified as financial liabilities at amortized cost in the category of financial liabilities. Financial liabilities at initial recognition may be irrevocably attributable to fair value through profit or loss, provided that:

- The group of financial liabilities or financial assets and financial liabilities is managed and its results are measured at fair value based on a documented risk management or investment strategy;
- Such an assignment eliminates or reduces the inconsistencies between the measurement and recognition of financial instruments (accounting discrepancies).

These financial liabilities cannot subsequently be transferred to another group of financial liabilities.

The Group has not classified any financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortized cost with the Bank and its subsidiaries:

- Due to banks and other credit institutions;
- Due to customers;
- Subordinated loans;
- Other liabilities.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

# UAB MEDICINOS BANKAS

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

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Employee benefits

##### Short-term employee benefits

Short-term employee benefits are recognised as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no significant long-term employee benefits.

##### Social security contributions

The Bank pays social security contributions to the State Social Security Fund (hereinafter referred to as the Fund) on behalf of its employees in accordance with the local legal requirements. The social security contributions are recognised as an expense on an accrual basis and are included within personnel expenses.

#### Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated to EUR at the official exchange rate of the Bank of Lithuania (spot exchange rate) prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than EUR are recognised in the profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate prevailing at the date of the statement of financial position. Gains and losses resulting from the translation of items of the statement of financial position are recognised in the profit or loss. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while non-monetary assets carried at fair value or revalued amounts are translated at the exchange rate when the fair value was determined.

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

|     | <u>31 December 2019</u> | <u>31 December 2018</u> |
|-----|-------------------------|-------------------------|
| USD | 1.1189                  | 1.1454                  |

#### Interest revenue and expenses

Interest revenue and expense are recognised in the profit or loss on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

#### Fees and commission

Fees and commission revenue and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission revenue, including account servicing fees, investment management fees, sales commission, placement fees and other are recognised on accrual basis as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to the transaction and service fees, which are expensed as the services are received.



## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### **Expenses**

Other expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due.

##### **Dividends**

Dividend revenue is recognised when the right to receive payment is established.

##### **Cash and cash equivalents**

Cash, current accounts with the Bank of Lithuania and current accounts with other banks due to their high liquidity with maturity up to three months from the date of placement are accounted for as cash and cash equivalents in the statement of cash flows. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

##### **Intangible assets**

Initially intangible assets acquired by the Group and the Bank are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Bank do not have any intangible assets with indefinite life.

Intangible assets with finite lives are amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense when incurred.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible assets, from the date that it is available for use. The estimate useful life of software is 3–7 years.

##### **Property and equipment**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment. The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the profit or loss as incurred.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Buildings are recorded at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 2 Basis of preparation and significant accounting policies (cont'd)**

such that the carrying amount does not differ materially from that which is determined using fair value at the date of statement of financial position. The fair value of the buildings is determined by appraisals undertaken by certified independent valuers. The depreciation of buildings is calculated on a straight-line basis over their estimated useful lives. The revaluation reserve for buildings is being reduced each period by the difference between depreciation based on the revalued carrying amount of the asset and that based on its original cost, which is transferred directly to retained earnings.

In the case of revaluation, when the estimated fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and such decrease is recognised as an expense. However, such impairment is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve to the extent it does not exceed the amount of such increase.

In the case of revaluation, when the estimated fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded in the revaluation reserve of property and equipment within equity.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for property and equipment are as follows:

|                         |             |
|-------------------------|-------------|
| Buildings               | 60–90 years |
| IT hardware             | 3–6 years   |
| Vehicles                | 6 years     |
| Devices and accessories | 3–10 years  |

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each financial year-end. Leasehold improvements are amortised over the shorter of the remaining lease term and their useful lives. The asset's useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

#### **Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and the Bank have a currently enforceable legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's and the Bank's trading activity.

#### **Fair values of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group and the Bank measure the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For financial instruments traded in active financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. In the absence of an active market the fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. For unquoted equity investments fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis.

#### **Measurement of fair values**

A number of the Group and Bank accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### *Measurement of fair values (cont'd)*

When measuring the fair value of an asset or a liability, the Group and the Bank use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 8 – Loans and receivables

Note 9 – Property and equipment

Note 11 – Investment property

Note 30 – Fair value of financial instruments

##### *Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses on debt financial instruments) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in the profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

##### *Lease*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

## **UAB MEDICINOS BANKAS**

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

### **SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 2 Basis of preparation and significant accounting policies (cont'd)**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

#### ***Share capital***

Share capital is presented in the statement of financial position at the amount subscribed.

#### ***Income tax***

Income tax on the profit for the year comprises current and deferred tax. Income tax is calculated based on the Lithuanian tax legislation.

In accordance with the Law on Corporate Income Tax of the Republic of Lithuania, the current income tax rate is 15% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities. As at the taxable year 2015, ordinary tax losses carried forward can only be set off against up to 70% of the calculated taxable profits of the taxable period. The losses from disposal of securities can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 2 Basis of preparation and significant accounting policies (cont'd)

##### *Income tax (cont'd)*

##### *Other taxes*

Real estate annual tax rate is up to 3% on the tax value of property and equipment and foreclosed assets. The Bank is also obliged to pay land and land rent taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the income statement.

##### *Off-balance sheet items*

All liabilities that may be recognised in the statement of financial position in the future are accounted for as off-balance sheet liabilities. This allows the Group and the Bank to assess capital requirement and to attract the necessary funding to cover these liabilities.

##### *Related parties*

Parties are considered to be related if one party has the ability to unilaterally or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or where parties are under common control. In addition, members of key management personnel as well as their close family members and entities controlled by them, and close family members of individuals that unilaterally or jointly control the Bank or exercise significant influence over it. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

##### *Credit-related commitments*

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group and the Bank are potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Commitments to extend credit are treated as risk assets for capital adequacy calculation purposes.

In the ordinary course of the business the Group and the Bank issue financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, under Other Liabilities caption, being premium received. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required for settling any financial obligation arising as a result of the guarantee where payment has become probable.

Any increase in the liability relating to financial guarantees is recorded to profit or loss under Impairment expenses caption. The premium received is recognised in profit or loss in Net fees and commissions income caption on a straight-line basis over the life of guarantee.

Guarantees represent irrevocable assurances that the Group and the Bank will make payments in the event when a customer cannot meet its obligations to the third parties. In case of execution of such a guarantee it is subsequently accounted for as statement of financial position item and is subject for impairment assessment. Until a guarantee is terminated, it is treated as risk asset for capital adequacy calculation purposes.

Documentary and commercial letters of credit represent written undertakings by the Group and the Bank on behalf of a customer authorising a third party to draw drafts on the Group and the Bank up to a stipulated amount under specific terms and conditions. Letters of credit are collateralised by the underlying shipments of goods. Letters of credit are treated as risk assets for capital adequacy calculation purposes.

##### *Provisions*

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow or recourse embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the profit or loss. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognised as a borrowing cost.

## **UAB MEDICINOS BANKAS**

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

### **SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 2 Basis of preparation and significant accounting policies (cont'd)**

##### ***Contingencies***

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

##### ***Subsequent events***

Events subsequent to the year-end that provide additional information about the Group's and the Bank's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

#### **Note 3 Use of estimates and judgements in the preparation of financial statements**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation and judgements used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for loans and other receivables, measured at amortized cost investments, investments in subsidiaries, fair value measurement, realisation of deferred tax asset, finance leases and derecognition of financial assets and going concern.

Below are presented key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### ***Impairment losses on loans and receivables***

The Group and the Bank regularly review their loans and receivables to assess impairment. The Group and the Bank use their experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and historical data relating to similar borrowers is available. Similarly, the Group and the Bank estimate changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables when scheduling its future cash flows. The Group and the Bank use their experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For further information see note 8 and Note 33.

##### ***Fair value of investment properties***

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. Based on the policy of the Bank and the Group, investment property has to be revalued by external valuers at least every 3 years. For further information see Note 11.

##### ***Fair value of property and equipment***

The buildings are carried at revalued amount which is their fair value as at the revaluation date less subsequently accumulated depreciation and impairment. Revaluations are carried out regularly, at least every 5 years, ensuring that the carrying amount of buildings does not significantly differ from their fair values as at reporting date. The fair value of buildings is established by certified independent real estate valuers.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 3 Use of estimates and judgements in the preparation of financial statements (cont'd)**

##### ***Impairment losses on loans and receivables (cont'd)***

###### *Fair value of property and equipment (cont'd)*

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The revaluation reserve of buildings is reduced by an equivalent amount of annual depreciation charged on revalued buildings each year and is transferred directly to retained earnings.

In case of revaluation, when the estimated fair value of the assets exceeds their carrying value, the carrying value is increased to the fair value and the amount of increase is included into revaluation reserve of property and equipment as other comprehensive income in equity. However, such increase in revaluation is recognised as income to the extent it does not exceed the decrease of previous revaluation recognised in profit or loss. Depreciation is calculated from the depreciable amount which is equal to acquisition cost less residual value of an asset. More information in Note 9.

###### *Impairment losses on debt securities*

Collectively rated lending exposures are assessed by the ECL using a model developed by the Bank that calculates internal risk parameters for each homogeneous group according to the applicable scenario. The Procedure for Recognition of Impairment of Financial Instruments is described in the Expected Credit Risk Loss Assessment Rules. Debt securities are disclosed in Note 7.

###### *Write-off of loans and receivables*

In 2014, the Bank started to apply partial write-offs. Partial write-off is applied only for the defaulted clients, if there is no evidence that full or partial Bank claim (principal, accrued interest and other charges) towards the client will be satisfied (e.g. the client has entered bankruptcy, or the Bank has initiated a legal procedure and there is not enough collateral and no expected cash flow or any other property to fully cover part of the claim). More information in Note 8.

###### *Impairment losses on investments in subsidiaries*

The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank applies the adjusted net asset method for evaluation of the fair value of its subsidiaries. Taking into consideration activities of the subsidiaries, the investment value is measured based on the fair value of the subsidiaries' assets and liabilities. At the end of each year the Bank evaluates investment amount into each subsidiary against subsidiaries' assets and liabilities stated at fair value. The value of the investment property owned by subsidiaries and specified in external valuation reports is adjusted by a certain coefficient defined by the management of the Bank depending on the type of the investment property and associated risks (Note 12).

Adjustments are recorded when the estimation of the fair value of the investment in subsidiaries indicates impairment of the Bank's investment.

###### *Finance leases*

Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

###### *Deferred tax asset*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies (Note 28).

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable. Please refer to Note 33 for description of change in estimates on loan impairment.

#### **Note 4 Going concern**

The separate and consolidated financial statements have been prepared on a going concern basis.

# UAB MEDICINOS BANKAS

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

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### Note 5 Placements with the central bank

| The Group              |                        |   | The Bank               |                        |
|------------------------|------------------------|---|------------------------|------------------------|
| 31<br>December<br>2019 | 31<br>December<br>2018 |   | 31<br>December<br>2019 | 31<br>December<br>2018 |
| 2,221                  | 2,280                  | Compulsory reserve with the central bank    | 2,221                  | 2,280                  |
| 43,313                 | 27,790                 | Correspondent account with the central bank | 43,313                 | 27,790                 |
| <b>45,534</b>          | <b>30,070</b>          | <b>Placements with the central bank</b>     | <b>45,534</b>          | <b>30,070</b>          |

The Bank is being charged for holding compulsory reserves, i.e. for the whole amount of the compulsory reserves applying the European Central Bank's (ECB) main refinance operations interest rate. Moreover, the central bank of Lithuania calculates the interest amount for funds which exceed the amount of the compulsory reserves, applying the European Central Bank's (ECB) interest rate for using the deposit facility.

### Note 6 Placements with banks and other credit institutions

| The Group              |                        |  | The Bank               |                        |
|------------------------|------------------------|--|------------------------|------------------------|
| 31<br>December<br>2019 | 31<br>December<br>2017 |  | 31<br>December<br>2019 | 31<br>December<br>2017 |
| 8,236                  | 12,099                 | Current accounts with correspondent banks                  | 8,217                  | 12,058                 |
| 2,947                  | 1,181                  | Term deposits  | 2,947                  | 1,181                  |
| <b>11,183</b>          | <b>13,280</b>          | <b>Placements with banks and other credit institutions</b> | <b>11,164</b>          | <b>13,239</b>          |

The movement of provisions for banks and other credit institutions is disclosed in Note 8.

As at 2019 December 31 the Group and the Bank did not have any pledged term deposits. As at 31 December 2018, the Group and the Bank have pledged term deposits with the carrying amount of EUR 1,181 thousand for the possibility to perform FX transactions.

### Note 7 Debt securities

Debt securities investments are as follows:

|   | The Bank (Group) |                  |
|---|------------------|------------------|
|   | 31 December 2019 | 31 December 2018 |
| Government bonds of the Republic of Lithuania | 37,069           | 43,888           |
| Non-financial company bonds                   | 260              | 1,148            |
| Financial company bonds                       | 893              | 1,314            |
| Government bonds of the Republic of Iceland   | 1,525            | 1,566            |
| Government bonds of the Kingdom of Spain      | -                | 1,002            |
| Government bonds of the Republic of Croatia   | 660              | -                |
| Government bonds of the Republic of Latvia    | 6,036            | 4,575            |
| Government bonds of the Republic of Poland    | 1,555            | 3,005            |
| Government bonds of the Republic of Romania   | 2,006            | 3,089            |
| Government bonds of the Republic of Slovenia  | -                | 4,172            |
| Government bonds of the Kingdom of Sweden     | -                | 2,619            |
| Government bonds of the Republic of Finland   | -                | 2,689            |
| Government bonds of the Republic of Hungary   | -                | 1,679            |
| <b>Total</b>                                  | <b>50,004</b>    | <b>70,746</b>    |

The provisions for debt securities is disclosed in Note 8.



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 7 Debt securities (continued)**

As at 31 December 2019, the Group and the Bank had measured at amortized cost debt securities held as collateral amounting to EUR 7,163 thousand (EUR 6,291 thousand as at 31 December 2018) to secure the repurchase agreement under targeted longer-term refinancing operations provided by ECB.

Coupon rates and maturities of measured at amortized cost investments are as follows:

|   | 2019         |             | 2018          |             |
|---|--------------|-------------|---------------|-------------|
|   | %            | Maturity    | %             | Maturity    |
| Government bonds of the Republic of Lithuania | 0 – 7.375    | 2020 – 2024 | 0 – 5.5       | 2019 – 2024 |
| Non-financial company bonds                   | 4.5          | 2020        | 4-6           | 2019 – 2020 |
| Financial company bonds                       | 1.375        | 2020        | 1.875         | 2019        |
| Government bonds of the Republic of Iceland   | 2.5          | 2020        | 2.5           | 2020        |
| Government bonds of the Kingdom of Spain      | -            | -           | 0.25          | 2019        |
| Government bonds of the Republic of Croatia   | 6.625        | 2020        | -             | -           |
| Government bonds of the Republic of Latvia    | 0.5 – 2.75   | 2020        | 0.5 – 0.625   | 2019 – 2020 |
| Government bonds of the Republic of Poland    | 0.875 – 4    | 2021        | 0.875 – 6.375 | 2019 – 2021 |
| Government bonds of the Republic of Romania   | 2.75 – 4.625 | 2020 – 2025 | 2.75 – 4.875  | 2019 – 2025 |
| Government bonds of the Republic of Slovenia  | -            | -           | 4.125         | 2019        |
| Government bonds of the Kingdom of Sweden     | -            | -           | 1.125         | 2019        |
| Government bonds of the Republic of Finland   | -            | -           | 1             | 2019        |
| Government bonds of the Republic of Hungary   | -            | -           | 4 – 6         | 2019        |

**Note 8 Loans and receivables**

Loans to customers and receivables comprise:

|  | The Bank            |                     |
|--|---------------------|---------------------|
|  | 31 December<br>2019 | 31 December<br>2018 |
| Loans to customers, including short-term bills of exchange | 187,356             | 156,946             |
| Overdrafts   | 837                 | 1,814               |
| Factoring  | 763                 | 589                 |
| Leasing  | 16,002              | 12,992              |
|  | <b>204,958</b>      | <b>172,341</b>      |
| Less: impairment   | (1,073)             | (2,546)             |
| <b>Loans and receivables, net</b>                          | <b>203,885</b>      | <b>169,795</b>      |
|  |                     |                     |
|  | The Group           |                     |
|  | 31 December<br>2019 | 31 December<br>2018 |
| Loans to customers, including short-term bills of exchange | 191,866             | 158,803             |
| Overdrafts   | 837                 | 1,814               |
| Factoring  | 763                 | 589                 |
| Leasing  | 16,002              | 12,992              |
|  | <b>209,468</b>      | <b>174,425</b>      |
| Less: impairment   | (1,184)             | (2,599)             |
| <b>Loans and receivables, net</b>                          | <b>208,284</b>      | <b>171,826</b>      |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 8 Loans and receivables (cont'd)**

In the table "Loans and receivables", the line "impairment" does not include provisions for funds in banks and debt securities (the Bank and the Group amounted for 50 thousand. As at 31 December 2018 amounted for 55 thousand.

As at 31 December 2019, the Group and the Bank had a concentration of loans within the loan portfolio represented by loans issued to 10 major clients, the amount of which was EUR 43,492 thousand or 15.65% of the Group's net loan portfolios and 15,62 % of the Bank net loan portfolios (EUR 37,632 thousand or 21.90 % in 2018). As at 31 December 2019, the total impairment of these loans issued to 10 major clients in the Bank and in the Group amounted to EUR 123 thousand (EUR 77 thousand as at 31 December 2018).

The movements in impairment of loans and receivables during 2019 were as follows:

|  | <b>The Bank</b>  |   |  |                                    |   |                  |
|--|------------------|---|--|------------------------------------|---|------------------|
|  | 31 December 2018 | Increase in provisions due to acquisition | Decrease in provision due to derecognition | Changes in provisions (net amount) | Decrease in provisions due to write-downs | 31 December 2019 |
| <b>Level I</b>   | <b>(440)</b>     | <b>(233)</b>                              | <b>58</b>                                  | <b>67</b>                          | <b>-</b>                                  | <b>(548)</b>     |
| <i>Debt securities</i>                                 | <b>(42)</b>      | <b>(15)</b>                               | <b>27</b>                                  | <b>(9)</b>                         | <b>-</b>                                  | <b>(39)</b>      |
| Government institutions                                | (41)             | (14)                                      | 26   | (9)                                | -   | (38)             |
| Other financial institutions                           | (1)              | (1)                                       | 1  | -                                  | -   | (1)              |
| Non-financial companies                                | -                | -   | -  | -                                  | -   | -                |
| <i>Loans and other advance payments</i>                | <b>(398)</b>     | <b>(218)</b>                              | <b>31</b>                                  | <b>76</b>                          | <b>-</b>                                  | <b>(509)</b>     |
| Government institutions                                | (12)             | -   | 2  | -                                  | -   | (10)             |
| Credit institutions                                    | (14)             | (3)                                       | 3  | 3                                  | -   | (11)             |
| Other financial institutions                           | (2)              | (25)                                      | 2  | (4)                                | -   | (29)             |
| Non-financial companies                                | (230)            | (152)                                     | 20   | 27                                 | -   | (335)            |
| Households   | (140)            | (38)                                      | 4  | 50                                 | -   | (124)            |
| <b>Level II</b>  | <b>(78)</b>      | <b>(1)</b>                                | <b>1</b>                                   | <b>17</b>                          | <b>-</b>                                  | <b>(61)</b>      |
| <i>Loans and other advance payments</i>                | <b>(78)</b>      | <b>(1)</b>                                | <b>1</b>                                   | <b>17</b>                          | <b>-</b>                                  | <b>(61)</b>      |
| Non-financial companies                                | (50)             | (1)                                       | 1  | 30                                 | -   | (20)             |
| Households   | (28)             | -   | -  | (13)                               | -   | (41)             |
| <b>Level III</b>                                       | <b>(2,083)</b>   | <b>(73)</b>                               | <b>3</b>                                   | <b>(717)</b>                       | <b>2,356</b>                              | <b>(514)</b>     |
| <i>Loans and other advance payments</i>                | <b>(2,083)</b>   | <b>(73)</b>                               | <b>3</b>                                   | <b>(717)</b>                       | <b>2,356</b>                              | <b>(514)</b>     |
| Non-financial companies                                | (1,615)          | (73)                                      | 3  | (734)                              | 2,201                                     | (218)            |
| Households   | (468)            | -   | -  | 17                                 | 155                                       | (296)            |
| <b>Total amount of provisions for debt instruments</b> | <b>(2,601)</b>   | <b>(307)</b>                              | <b>62</b>                                  | <b>(633)</b>                       | <b>2,356</b>                              | <b>(1,123)</b>   |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 8 Loans and receivables (cont'd)**

|  | The Group        |  |   |                                       |  | 31 December 2019 |
|--|------------------|--|---|---------------------------------------|--|------------------|
|  | 31 December 2018 | Increase in provisions<br>due to acquisition | Decrease in provision<br>due to derecognition | Changes in provisions<br>(net amount) | Decrease in provisions<br>due to write-downs |                  |
| <b>Level I</b>   | <b>(457)</b>     | <b>(294)</b>                                 | <b>58</b>                                     | <b>73</b>                             | -  | <b>(620)</b>     |
| <b>Debt securities</b>                                 | <b>(42)</b>      | <b>(15)</b>                                  | <b>27</b>                                     | <b>(9)</b>                            | -  | <b>(39)</b>      |
| Government institutions                                | (41)             | (14)   | 26  | (9)                                   | -  | (38)             |
| Other financial institutions                           | (1)              | (1)  | 1   | -                                     | -  | (1)              |
| Non-financial companies                                | -                | -  | -   | -                                     | -  | -                |
| <b>Loans and other advance payments</b>                | <b>(415)</b>     | <b>(279)</b>                                 | <b>31</b>                                     | <b>82</b>                             | -  | <b>(581)</b>     |
| Government institutions                                | (12)             | -  | 2   | -                                     | -  | (10)             |
| Credit institutions                                    | (14)             | (3)  | 3   | 3                                     | -  | (11)             |
| Other financial institutions                           | (2)              | -  | 2   | (4)                                   | -  | (4)              |
| Non-financial companies                                | (230)            | (152)  | 20  | 28                                    | -  | (334)            |
| Households   | (157)            | (124)  | 4   | 55                                    | -  | (222)            |
| <b>Level II</b>  | <b>(79)</b>      | <b>(4)</b>                                   | <b>1</b>                                      | <b>16</b>                             | -  | <b>(66)</b>      |
| <b>Loans and other advance payments</b>                | <b>(79)</b>      | <b>(4)</b>                                   | <b>1</b>                                      | <b>16</b>                             | -  | <b>(66)</b>      |
| Non-financial companies                                | (50)             | (1)  | 1   | 30                                    | -  | (20)             |
| Households   | (29)             | (3)  | -   | (14)                                  | -  | (46)             |
| <b>Level III</b>                                       | <b>(2,118)</b>   | <b>(92)</b>                                  | <b>18</b>                                     | <b>(783)</b>                          | <b>2,427</b>                                 | <b>(548)</b>     |
| <b>Loans and other advance payments</b>                | <b>(2,118)</b>   | <b>(92)</b>                                  | <b>18</b>                                     | <b>(783)</b>                          | <b>2,427</b>                                 | <b>(548)</b>     |
| Non-financial companies                                | (1,615)          | (73)   | 3   | (736)                                 | 2,202  | (219)            |
| Households   | (503)            | (19)   | 15  | (47)                                  | 225  | (329)            |
| <b>Total amount of provisions for debt instruments</b> | <b>(2,654)</b>   | <b>(390)</b>                                 | <b>77</b>                                     | <b>(694)</b>                          | <b>2,427</b>                                 | <b>(1,234)</b>   |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 8 Loans and receivables (cont'd)**

The movements in impairment of loans and receivables during 2018 were as follows:

|  | The Bank       |   |  |                                       |  | 31 December 2018 |
|--|----------------|---|--|---------------------------------------|--|------------------|
|  | 1 January 2018 | Changes due to change<br>in valuation<br>methodology Influence<br>of IFRS 9 | Increase in provisions<br>due to acquisition | Changes in provisions<br>(net amount) | Decrease in provisions<br>due to write-downs |                  |
| <b>Level I</b>   | <b>(227)</b>   | <b>(196)</b>  | <b>(170)</b>                                 | <b>153</b>                            | -  | <b>(440)</b>     |
| <b>Debt securities</b>                                 | -              | <b>(24)</b>   | <b>(32)</b>                                  | <b>14</b>                             | -  | <b>(42)</b>      |
| Government institutions                                | -              | (23)  | (31)   | 13                                    | -  | (41)             |
| Other financial institutions                           | -              | -   | (1)  | -                                     | -  | (1)              |
| Non-financial companies                                | -              | (1)   | -  | 1                                     | -  | -                |
| <b>Loans and other advance payments</b>                | <b>(227)</b>   | <b>(172)</b>  | <b>(138)</b>                                 | <b>139</b>                            | -  | <b>(398)</b>     |
| Government institutions                                | (5)            | (6)   | -  | (1)                                   | -  | (12)             |
| Credit institutions                                    | -              | (20)  | (2)  | 8                                     | -  | (14)             |
| Other financial institutions                           | (2)            | (1)   | -  | 1                                     | -  | (2)              |
| Non-financial companies                                | (139)          | (93)  | (107)  | 109                                   | -  | (230)            |
| Households   | (81)           | (52)  | (29)   | 22                                    | -  | (140)            |
| <b>Level II</b>  | <b>(9)</b>     | <b>(25)</b>   | <b>(3)</b>                                   | <b>(41)</b>                           | -  | <b>(78)</b>      |
| <b>Loans and other advance payments</b>                | <b>(9)</b>     | <b>(25)</b>   | <b>(3)</b>                                   | <b>(41)</b>                           | -  | <b>(78)</b>      |
| Non-financial companies                                | (7)            | (21)  | (1)  | (21)                                  | -  | (50)             |
| Households   | (2)            | (4)   | (2)  | (20)                                  | -  | (28)             |
| <b>Level III</b>                                       | <b>(5,470)</b> | <b>(55)</b>   | -  | <b>(1,377)</b>                        | <b>4,819</b>                                 | <b>(2,083)</b>   |
| <b>Loans and other advance payments</b>                | <b>(5,470)</b> | <b>(55)</b>   | -  | <b>(1,377)</b>                        | <b>4,819</b>                                 | <b>(2,083)</b>   |
| Non-financial companies                                | (3,473)        | 1   | -  | (742)                                 | 2,599  | (1,615)          |
| Households   | (1,997)        | (56)  | -  | (635)                                 | 2,220  | (468)            |
| <b>Total amount of provisions for debt instruments</b> | <b>(5,706)</b> | <b>(276)</b>  | <b>(173)</b>                                 | <b>(1,265)</b>                        | <b>4,819</b>                                 | <b>(2,601)</b>   |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 8 Loans and receivables (cont'd)**

|  | The Group      |  |  |                                       |  | 31 December 2018 |
|--|----------------|--|--|---------------------------------------|--|------------------|
|  | 1 January 2018 | Changes due to change<br>in valuation methodology<br>influence of IFRS 9 | Increase in provisions<br>due to acquisition | Changes in provisions<br>(net amount) | Decrease in provisions<br>due to write-downs |                  |
| <b>Level I</b>   | <b>(228)</b>   | <b>(196)</b>   | <b>(187)</b>                                 | <b>154</b>                            | -  | <b>(457)</b>     |
| <b>Debt securities</b>                                 | -              | <b>(24)</b>  | <b>(32)</b>                                  | <b>14</b>                             | -  | <b>(42)</b>      |
| Government institutions                                | -              | (23)   | (31)   | 13                                    | -  | (41)             |
| Other financial institutions                           | -              | -  | (1)  | -                                     | -  | (1)              |
| Non-financial companies                                | -              | (1)  | -  | 1                                     | -  | -                |
| <b>Loans and other advance payments</b>                | <b>(228)</b>   | <b>(172)</b>   | <b>(155)</b>                                 | <b>140</b>                            | -  | <b>(415)</b>     |
| Government institutions                                | (5)            | (6)  | -  | (1)                                   | -  | (12)             |
| Credit institutions                                    | -              | (20)   | (2)  | 8                                     | -  | (14)             |
| Other financial institutions                           | (2)            | (1)  | -  | 1                                     | -  | (2)              |
| Non-financial companies                                | (139)          | (93)   | (107)  | 109                                   | -  | (230)            |
| Households   | (82)           | (52)   | (46)   | 23                                    | -  | (157)            |
| <b>Level II</b>  | <b>(11)</b>    | <b>(25)</b>  | <b>(4)</b>                                   | <b>(39)</b>                           | -  | <b>(79)</b>      |
| <b>Loans and other advance payments</b>                | <b>(11)</b>    | <b>(25)</b>  | <b>(4)</b>                                   | <b>(39)</b>                           | -  | <b>(79)</b>      |
| Non-financial companies                                | (7)            | (21)   | (1)  | (21)                                  | -  | (50)             |
| Households   | (4)            | (4)  | (3)  | (18)                                  | -  | (29)             |
| <b>Level III</b>                                       | <b>(5,514)</b> | <b>(55)</b>  | <b>(4)</b>                                   | <b>(1,364)</b>                        | <b>4,819</b>                                 | <b>(2,118)</b>   |
| <b>Loans and other advance payments</b>                | <b>(5,514)</b> | <b>(55)</b>  | <b>(4)</b>                                   | <b>(1,364)</b>                        | <b>4,819</b>                                 | <b>(2,118)</b>   |
| Non-financial companies                                | (3,473)        | 1  | -  | (742)                                 | 2,599  | (1,615)          |
| Households   | (2,041)        | (56)   | (4)  | (622)                                 | 2,220  | (503)            |
| <b>Total amount of provisions for debt instruments</b> | <b>(5,753)</b> | <b>(276)</b>   | <b>(195)</b>                                 | <b>(1,249)</b>                        | <b>4,819</b>                                 | <b>(2,654)</b>   |

In 2014, the Bank started to apply partial write-offs. Partial write-off is applied only for the defaulted clients, if there is no evidence that full or partial Bank claim (principal, accrued interest and other charges) towards the client will be satisfied (e.g. the client has entered bankruptcy, or the Bank has initiated a legal procedure and there is not enough collateral and no expected cash flow or any other property to fully cover part of the claim).

As at 31 December 2019, the outstanding amount of loans written-off in the Bank amounted to EUR 0.9 million (EUR 9.9 million as at 31 December 2018). Also, during 2019, the income received from the written-off loans amounted to EUR 70 thousand (amounted to EUR 115 thousand during 2018), EUR 1.2 million (Group EUR 1.3 million) have been received for sold written-off loan portfolio which amounted to EUR 9.99 million (Group EUR 11.7 million).

During 2018 for the sale of right of claim the Bank (Group) received EUR 5.90 million (creditor claims amount to EUR 10.1 million).

The impairment calculation policy is disclosed in the Note 2.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 9 Property and equipment**

The movements in property and equipment were as follows:

**The Bank**

|   | <b>Land, buildings<br/>and other real<br/>estate</b> | <b>Vehicles</b> | <b>Office<br/>equipment<br/>and other</b> | <b>Total</b>  |
|---|--|-----------------|---|---------------|
| <b>Acquisition cost or revalued amounts</b>           |  |                 |   |               |
| <b>Balance as at 31 December 2018</b>                 | <b>4,723</b>   | <b>1,064</b>    | <b>2,418</b>                              | <b>8,205</b>  |
| Additions (reconstruction)                            | 2,253  | 304             | 176                                       | 2,733         |
| Disposals and write-offs                              | (452)  | (73)            | (208)                                     | (733)         |
| <b>Balance as at 31 December 2019</b>                 | <b>6,524</b>   | <b>1,295</b>    | <b>2,386</b>                              | <b>10,205</b> |
| <b>Accumulated depreciation and impairment losses</b> |  |                 |   |               |
| <b>Balance as at 31 December 2018</b>                 | <b>536</b>   | <b>311</b>      | <b>1,813</b>                              | <b>2,660</b>  |
| Depreciation for the year                             | 664  | 204             | 258                                       | 1,126         |
| Disposals and write-offs                              | (22)   | (63)            | (199)                                     | (284)         |
| <b>Balance as at 31 December 2019</b>                 | <b>1,178</b>   | <b>452</b>      | <b>1,872</b>                              | <b>3,502</b>  |
| <b>Net book value</b>                                 |  |                 |   |               |
| <b>As at 31 December 2018</b>                         | <b>4,187</b>   | <b>753</b>      | <b>605</b>                                | <b>5,545</b>  |
| <b>As at 31 December 2019</b>                         | <b>5,346</b>   | <b>843</b>      | <b>514</b>                                | <b>6,703</b>  |

**The Group**

|   | <b>Land, buildings<br/>and other real<br/>estate</b> | <b>Vehicles</b> | <b>Office<br/>equipment<br/>and other</b> | <b>Total</b>  |
|---|--|-----------------|---|---------------|
| <b>Acquisition cost or revalued amounts</b>           |  |                 |   |               |
| <b>Balance as at 31 December 2018</b>                 | <b>4,723</b>   | <b>1,064</b>    | <b>2,423</b>                              | <b>8,210</b>  |
| Additions (reconstruction)                            | 2,253  | 328             | 178                                       | 2,759         |
| Disposals and write-offs                              | (452)  | (73)            | (208)                                     | (733)         |
| <b>Balance as at 31 December 2019</b>                 | <b>6,524</b>   | <b>1,319</b>    | <b>2,393</b>                              | <b>10,236</b> |
| <b>Accumulated depreciation and impairment losses</b> |  |                 |   |               |
| <b>Balance as at 31 December 2018</b>                 | <b>536</b>   | <b>311</b>      | <b>1,815</b>                              | <b>2,662</b>  |
| Depreciation for the year                             | 664  | 207             | 261                                       | 1,132         |
| Disposals and write-offs                              | (22)   | (63)            | (199)                                     | (284)         |
| <b>Balance as at 31 December 2019</b>                 | <b>570</b>   | <b>455</b>      | <b>1,877</b>                              | <b>3,510</b>  |
| <b>Net book value</b>                                 |  |                 |   |               |
| <b>As at 31 December 2018</b>                         | <b>4,187</b>   | <b>753</b>      | <b>608</b>                                | <b>5,548</b>  |
| <b>As at 31 December 2019</b>                         | <b>5,346</b>   | <b>864</b>      | <b>516</b>                                | <b>6,726</b>  |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 9 Property and equipment (cont'd)****The Bank**

|   | Land, buildings<br>and other real<br>estate | Vehicles     | Office<br>equipment<br>and other | Total        |
|---|---|--------------|----------------------------------|--------------|
| <b>Acquisition cost or revalued amounts</b>           |   |              |                                  |              |
| <b>Balance as at 31 December 2017</b>                 | <b>4,762</b>                                | <b>745</b>   | <b>2,313</b>                     | <b>7,820</b> |
| Additions (reconstruction)                            | 15  | 493          | 319                              | 827          |
| Disposals and write-offs                              | (54)  | (174)        | (214)                            | (442)        |
| <b>Balance as at 31 December 2018</b>                 | <b>4,723</b>                                | <b>1,064</b> | <b>2,418</b>                     | <b>8,205</b> |
| <b>Accumulated depreciation and impairment losses</b> |   |              |                                  |              |
| <b>Balance as at 31 December 2017</b>                 | <b>479</b>                                  | <b>259</b>   | <b>1,744</b>                     | <b>2,482</b> |
| Depreciation for the year                             | 57  | 150          | 277                              | 484          |
| Disposals and write-offs                              | -   | (98)         | (208)                            | (306)        |
| <b>Balance as at 31 December 2018</b>                 | <b>536</b>                                  | <b>311</b>   | <b>1,813</b>                     | <b>2,660</b> |
| <b>Net book value</b>                                 |   |              |                                  |              |
| <b>As at 31 December 2017</b>                         | <b>4,283</b>                                | <b>486</b>   | <b>569</b>                       | <b>5,338</b> |
| <b>As at 31 December 2018</b>                         | <b>4,187</b>                                | <b>753</b>   | <b>605</b>                       | <b>5,545</b> |

**The Group**

|   | Land, buildings<br>and other real<br>estate | Vehicles     | Office<br>equipment<br>and other | Total        |
|---|---|--------------|----------------------------------|--------------|
| <b>Acquisition cost or revalued amounts</b>           |   |              |                                  |              |
| <b>Balance as at 31 December 2017</b>                 | <b>4,762</b>                                | <b>745</b>   | <b>2,318</b>                     | <b>7 825</b> |
| Additions (reconstruction)                            | 15  | 493          | 319                              | 827          |
| Disposals and write-offs                              | (54)  | (174)        | (214)                            | (442)        |
| <b>Balance as at 31 December 2018</b>                 | <b>4,723</b>                                | <b>1,064</b> | <b>2,423</b>                     | <b>8 210</b> |
| <b>Accumulated depreciation and impairment losses</b> |   |              |                                  |              |
| <b>Balance as at 31 December 2017</b>                 | <b>479</b>                                  | <b>259</b>   | <b>1,744</b>                     | <b>2,482</b> |
| Depreciation for the year                             | 57  | 150          | 279                              | 486          |
| Disposals and write-offs                              | -   | (98)         | (208)                            | (306)        |
| <b>Balance as at 31 December 2018</b>                 | <b>536</b>                                  | <b>311</b>   | <b>1,815</b>                     | <b>2,662</b> |
| <b>Net book value</b>                                 |   |              |                                  |              |
| <b>As at 31 December 2017</b>                         | <b>4,283</b>                                | <b>486</b>   | <b>574</b>                       | <b>5,343</b> |
| <b>As at 31 December 2018</b>                         | <b>4,187</b>                                | <b>753</b>   | <b>608</b>                       | <b>5,548</b> |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 9 Property and equipment (cont'd)

As at 31 December 2019 and 2018, the Bank and the Group did not have property and equipment purchased under finance lease agreements.

As at 31 December 2019 and 2018, the owner-occupied buildings of the Group and the Bank are accounted for at the revalued amounts. The Bank renovated a part of the premises and made the valuation of the entire building in 2016 on the basis of the comparative method. The value according to the valuation report approximates the net book value of the building; therefore, there was no impact recorded due to the recent valuation. Had the buildings been booked at historical costs, the carrying amount of buildings of the Group and the Bank as at 31 December 2019 would be EUR 3,579 thousand (EUR 3,629 thousand as at 31 December 2018).

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

| Type  | Valuation technique   |
|---|---|
| Buildings and land with the carrying amount (without depreciation) of EUR 4,283 thousand located in Vilnius, Kaunas and Klaipėda. | Every five years an independent valuator evaluates real estate owned by the Bank. Last evaluations for Klaipėda buildings were made in 2018 and for Vilnius and Kaunas building in 2017 by using different valuation techniques: the comparative method and the income method. The fair value was based on the results of comparable sales of similar buildings and land. |

Non-current material assets for Bank as at 2019 December 31 amounted to 6,703 thousand EUR including usage rights assets worth 1,261 thousand EUR (As of 31 December 2018 5,545 thousand EUR, right-of-use assets – 0 EUR).

As of 2019 January 1st The Group adopted IFRS 16 and recognized the right-of-use assets as part of property, plant and equipment. The Group chose the option to apply the simplified transition method and did not restate comparative amounts for the year prior to first adoption.

The value of the right to use the asset is determined based on the discounted lease payments (liabilities) over the lease term planned by management. The depreciation period for these assets corresponds to the lease term for the asset.

Group 2019 Recognized as of January 1, 2019 the value of usage rights assets worth 1,911 thousand EUR. Short-term or low-value leases are recognized on a straight-line basis over the income statement.

Righth-of-use assets type – buildings. In 2019 righth-of-use assets depreciation – EUR 608 thousand.



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 10 Intangible assets**

The movements in intangible assets were as follows:

|                                       | <u>The Bank</u> | <u>The Group</u> |
|---------------------------------------|-----------------|------------------|
|                                       | <u>Software</u> | <u>Software</u>  |
| <b>Acquisition cost</b>               |                 |                  |
| <b>Balance as at 31 December 2018</b> | <b>2,169</b>    | <b>2,241</b>     |
| Additions                             | 183             | 187              |
| Disposals and write-offs              | (1)             | (1)              |
|                                       | <b>2,351</b>    | <b>2,427</b>     |
| <b>Balance as at 31 December 2019</b> |                 |                  |
| <b>Accumulated amortisation</b>       |                 |                  |
| <b>Balance as at 31 December 2018</b> | <b>1,902</b>    | <b>1,927</b>     |
| Charges for the year                  | 109             | 137              |
| Disposals and write-offs              | (1)             | (1)              |
|                                       | <b>2,010</b>    | <b>2,063</b>     |
| <b>Balance as at 31 December 2019</b> |                 |                  |
| <b>Net book value</b>                 |                 |                  |
| <b>As at 31 December 2018</b>         | <b>267</b>      | <b>314</b>       |
| <b>As at 31 December 2019</b>         | <b>341</b>      | <b>364</b>       |

|                                       | <u>The Bank</u> | <u>The Group</u> |
|---------------------------------------|-----------------|------------------|
|                                       | <u>Software</u> | <u>Software</u>  |
| <b>Acquisition cost</b>               |                 |                  |
| <b>Balance as at 31 December 2017</b> | <b>2,002</b>    | <b>2,033</b>     |
| Additions                             | 170             | 211              |
| Disposals and write-offs              | (3)             | (3)              |
|                                       | <b>2,169</b>    | <b>2,241</b>     |
| <b>Balance as at 31 December 2018</b> |                 |                  |
| <b>Accumulated amortisation</b>       |                 |                  |
| <b>Balance as at 31 December 2017</b> | <b>1,759</b>    | <b>1,769</b>     |
| Charges for the year                  | 146             | 161              |
| Disposals and write-offs              | (3)             | (3)              |
|                                       | <b>1,902</b>    | <b>1,927</b>     |
| <b>Balance as at 31 December 2018</b> |                 |                  |
| <b>Net book value</b>                 |                 |                  |
| <b>As at 31 December 2017</b>         | <b>243</b>      | <b>264</b>       |
| <b>As at 31 December 2018</b>         | <b>267</b>      | <b>314</b>       |

As at 31 December 2019 and 2018, the Bank and the Group did not have any intangible assets acquired under finance lease agreements.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 11 Investment property**

|   | <u>The Bank</u><br><u>2019</u> | <u>The Bank</u><br><u>2018</u> |
|---|--------------------------------|--------------------------------|
| <b>Balance at the beginning of year</b> | <b>1,050</b>                   | <b>1,370</b>                   |
| Additions                               | 532                            | 1,382                          |
| Disposals                               | (995)                          | (1,460)                        |
| Changes in fair value                   | (304)                          | (242)                          |
| <b>Balance at the end of year</b>       | <b>283</b>                     | <b>1,050</b>                   |

|   | <u>The Group</u><br><u>2019</u> | <u>The Group</u><br><u>2018</u> |
|---|---------------------------------|---------------------------------|
| <b>Balance at the beginning of year</b> | <b>3,018</b>                    | <b>6,213</b>                    |
| Additions                               | 603                             | 1,407                           |
| Disposals                               | (1,577)                         | (3,471)                         |
| Changes in fair value                   | (621)                           | (1,131)                         |
| <b>Balance at the end of year</b>       | <b>1,423</b>                    | <b>3,018</b>                    |

The Bank's and the Group's additions to the investment property represent the assets taken over for impaired loans. This is not a cash flow transaction; therefore, the acquisitions to the investment property by the Bank and the Group are zero in the Separate and Consolidated Cash Flow Statements. Some items of the investment property were sold by issuing a new loan to the acquirer; therefore, the disposal proceeds were decreased by EUR 219 thousand in the cash flow statement of the Bank and by EUR 629 thousand in the cash flow statement of the Group (during 2018 – EUR 77 thousand in the cash flow statement of the Bank, EUR 418 thousand – in the cash flow statement of the Group).

The fair value of investment properties owned by subsidiaries as at December 31:

|                    | <u>2019</u>  | <u>2018</u>  |
|--------------------|--------------|--------------|
| UAB MB Turtas      | -            | 98           |
| UAB MB Valda       | -            | 251          |
| UAB MB Investicija | -            | 229          |
| UAB TG Invest-1    | 1,140        | 1,390        |
| <b>Total</b>       | <b>1,140</b> | <b>1,968</b> |

Investment property consists of repossessed assets for defaulted loans. The fair value of investment properties has been determined using valuation reports prepared by external valuers. In addition, the management of the Bank decided to use adjustment coefficients varying from 0.40 to 0.80 (0.39 to 0.74 during 2018), depending on the type of investment property, taking into consideration the liquidity of the asset, VAT risks, costs and other factors:

| Type of investment property | 2019                               |                        |                     | 2018                               |                        |                     |
|-----------------------------|------------------------------------|------------------------|---------------------|------------------------------------|------------------------|---------------------|
|                             | Fair value as to valuation reports | Adjustment coefficient | Adjusted fair value | Fair value as to valuation reports | Adjustment coefficient | Adjusted fair value |
| Buildings                   | 808                                |                        | 404                 | 1,759                              |                        | 1,221               |
| Land plots                  | 1,701                              |                        | 996                 | 2,624                              |                        | 1,776               |
| Other                       | 32                                 |                        | 23                  | 20                                 |                        | 21                  |
| <b>Total</b>                | <b>2,541</b>                       | 0.56                   | <b>1,423</b>        | <b>4,403</b>                       | 0.69                   | <b>3,018</b>        |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 11 Investment property (cont'd)

During 2019 the Group engaged independent valuation specialists to reevaluate the investment property which had been evaluated as early as 4 years ago according to the requirements of the Group's accounting policy. Independent valuations of the Investment property or Consultation regarding expected price were obtained from independent valuers. Repeated valuations of property at net values for each relevant year were the following:

- EUR 168 thousand or 11.78% in 2019;
- EUR 39 thousand or 2,75% of the investment property in 2018;
- EUR 1,056 thousand or 74.18% in 2017;
- EUR 160 thousand or 11.3% in 2016;

The Group recognised EUR 621 thousand fair value decrease of investment property in 2019 (EUR 1,131 thousand in 2018).

The price range of land plots, buildings and equipment used in determining the fair value according to their purpose were as follows:

#### 2019 The Bank

|              | <b>Land plots</b> | <b>Price range per are, in EUR thousand</b>    |
|--------------|-------------------|--|
| Agricultural |                   | 0.07   |
| Other        |                   | 0.50   |
|              | <b>Buildings</b>  | <b>Price range per sq. m., in EUR thousand</b> |
| Commercial   |                   | 0.06–0.13                                      |
| Residential  |                   | 1.28   |
|              | <b>Other</b>      | <b>Price range per sq. m., in EUR thousand</b> |
| Other assets |                   | 23.44  |

#### 2019 The Group

|              | <b>Land plots</b> | <b>Price range per are, in EUR thousand</b>    |
|--------------|-------------------|--|
| Agricultural |                   | 0.04–0.55                                      |
| Residential  |                   | 0.02–0.47                                      |
| Other        |                   | 0.01–16.20                                     |
|              | <b>Buildings</b>  | <b>Price range per sq. m., in EUR thousand</b> |
| Commercial   |                   | 0.06–0.22                                      |
| Residential  |                   | 1.28   |
|              | <b>Other</b>      | <b>Price range per sq. m., in EUR thousand</b> |
| Other assets |                   | 23.44  |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 11 Investment property (cont'd)

##### 2018 The Bank

|              | <b>Land plots</b> | <b>Price range per are, in EUR thousand</b>    |
|--------------|-------------------|--|
| Agricultural |                   | 0.02–0.08                                      |
| Residential  |                   | 7.35   |
| Other        |                   | 0.61   |
|              | <b>Buildings</b>  | <b>Price range per sq. m., in EUR thousand</b> |
| Commercial   |                   | 0.12–1.10                                      |
| Residential  |                   | 0.45–9.32                                      |
|              | <b>Other</b>      | <b>Price range per sq. m., in EUR thousand</b> |
| Other assets |                   | 2.17 – 18.56                                   |

##### 2018 The Group

|              | <b>Land plots</b> | <b>Price range per are, in EUR thousand</b>    |
|--------------|-------------------|--|
| Agricultural |                   | 0.02–0.67                                      |
| Residential  |                   | 0.01–7.35                                      |
| Other        |                   | 0.01 –16.20                                    |
|              | <b>Buildings</b>  | <b>Price range per sq. m., in EUR thousand</b> |
| Commercial   |                   | 0.12–1.10                                      |
| Residential  |                   | 0.17–9.32                                      |
|              | <b>Other</b>      | <b>Price range per sq. m., in EUR thousand</b> |
| Other assets |                   | 2.17 – 18.56                                   |

Investment properties are based on the fair value, which is determined based on valuation performed by independent valuers by using comparative value, discounted cash flows from rental or other income and cost approach to valuation methods. Comparative value method is used to determine the market value of comparable properties with similar transaction prices or offer price, taking into account the differences between the object and comparable assets. The use of this method is based on the principle of replacement by the other assets. Discounted cash flows technique: the model is based on expected discounted cash flows from rental or other income. Cost approach to valuation technique: it is a method of appraising property based on the depreciated reproduction or replacement cost (new) of similar assets, plus the market value of the site.

Applying the comparative value method, property assessor must collect and analyse more data on events in the area of similar items for sale and purchase transactions, as well as the proposed sale of similar items. If the property assessor has insufficient information about similar objects (analogue) in the area, he must explore comparable analogues in other areas of comparable facilities and to clarify the difference. In order to calculate the adjustments, there is a need to compare the data and to clarify correction factors: the time correction factor, the size of the area correction factor, correction factor for the financial conditions, other correction factors, expressing the differences of physical and terms of use conditions.

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every 3 years. As at 31 December 2019, the Group had investment property in the amount of EUR 160 thousand that was revalued more than 3 years ago. As at 31 December 2018, the Group had investment property in the amount of EUR 88 thousand that was revalued more than 4 years ago.

As mentioned above, in addition to external valuations, the management of the Bank decided to use adjustment coefficients depending on the type of investment property taking into consideration liquidity of the asset, VAT risks, costs and other factors.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 11 Investment property (cont'd)**

The fair value measurement for investment property of EUR 1,423 thousand has been categorised as a Level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

| <b>Type</b>                                |                     | <b>Valuation technique</b>   |
|--|---------------------|--|
| Commercial properties of EUR 243 thousand  | Of EUR 45 thousand  | Comparative value technique: the fair value was based on the results of comparable sales of similar buildings.   |
|  | Of EUR 2 thousand   | Comparative value technique: the fair value was based on the results of comparable sales of similar buildings as well as income method applying capitalization calculation manner. |
|  | Of EUR 196 thousand | Income method (discounted cash flow method).   |
| Residential properties of EUR 161 thousand | Of EUR 161 thousand | Comparative value technique: the fair value was based on the results of comparable sales of similar buildings.   |
| Other properties of EUR 23 thousand        | Of EUR 23 thousand  | Comparative value technique: the fair value was based on the results of comparable sales of similar buildings.   |
| Agricultural land plots of EUR 72 thousand | Of EUR 72 thousand  | Comparative value technique: the fair value was based on the results of comparable sales of similar land plots.  |
| Residential land plots of EUR 529 thousand | Of EUR 529 thousand | Comparative value technique: the fair value was based on the results of comparable sales of similar land plots.  |
| Other land plots of EUR 395 thousand       | Of EUR 395 thousand | Comparative value technique: the fair value was based on the results of comparable sales of similar land plots.  |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 12 Investment in subsidiaries

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

In 2019, the operating result of subsidiaries was a loss of EUR 5,931 thousand (loss of EUR 1,168 thousand in 2018), which was mainly affected by the loss of EUR 5,384 thousand from the revaluation of securities and of EUR 317 thousand (EUR 718 thousand in 2018) from the sale and the revaluation of the repossessed assets.

In 2019 executed and in 2019 November finished, the process of reorganization of subsidiaries by merger was completed. The companies UAB "MB Turtas", UAB "MB Valda", UAB "MB investicija" are merged with UAB TG Invest-1. One of the stages of the reorganization is the sale of shares of UAB MB Turtas, UAB MB Valda, UAB MB Investicija (the shares selling result is loss of 740 thous. EUR).

|   | The Bank     |              |
|---|--------------|--------------|
|   | 2019         | 2018         |
| <b>Balance at the beginning of the year</b>         | <b>7,521</b> | <b>6,439</b> |
| Additions   | 2,335        | 2,201        |
| Disposal (nominal value)                            | (2,752)      | -            |
| Liquidation of SIA „Nida capital“                   | (526)        | -            |
| Additional impairment of investment in subsidiaries | 109          | (1,119)      |
|   | (834)        | 1,082        |
| <b>Balance at the end of the year</b>               | <b>6,687</b> | <b>7,521</b> |

| Balance as at 31 December 2019 | Ownership | Direct    | Nominal       | Impairment     | Carrying     |
|--------------------------------|-----------|-----------|---------------|----------------|--------------|
|                                | (%)       | ownership | amount        |                | value        |
| UAB TG Invest-1                | 100       | 100       | 3,033         | (916)          | 2,117        |
| UAB Saugus Kreditas            | 100       | 100       | 4,601         | (31)           | 4,570        |
| <b>Total</b>                   |           |           | <b>7,634</b>  | <b>(947)</b>   | <b>6,687</b> |
| Balance as at 31 December 2018 | Ownership | Direct    | Nominal       | Impairment     | Carrying     |
|                                | (%)       | ownership | amount        |                | value        |
| UAB MB Turtas                  | 100       | 22.46     | 753           | (489)          | 264          |
| UAB MB Valda                   | 100       | 32.52     | 1,150         | (314)          | 836          |
| UAB MB Investicija             | 100       | 47.94     | 1,481         | (469)          | 1,012        |
| UAB TG Invest-1                | 100       | 73.22     | 3,587         | (938)          | 2,649        |
| SIA Nida Capital               | 100       | 100       | 850           | (324)          | 526          |
| UAB Saugus Kreditas            | 100       | 100       | 2,265         | (31)           | 2,234        |
| <b>Total</b>                   |           |           | <b>10,086</b> | <b>(2,565)</b> | <b>7,521</b> |

#### Fair value evaluation of investment in subsidiaries

The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank applies the adjusted net asset method for evaluation of the fair value of its subsidiaries. The value of the investment property owned by subsidiaries and specified in external valuation reports is adjusted by a certain coefficient defined by the management of the Bank depending on the type of the investment property and associated risks (see Note 11).

Adjustments are recorded when estimation of the fair value of investment in subsidiaries indicates impairment of the Bank's investment.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 13 Other assets**

Other assets comprise:

| The Group        |                  |  | The Bank         |                  |
|------------------|------------------|--|------------------|------------------|
| 31 December 2019 | 31 December 2018 |  | 31 December 2019 | 31 December 2018 |
| 310              | 308              | Prepayments                                  | 306              | 291              |
| 14               | 46               | Receivables from customers                   | 4                | 11               |
| 31               | 145              | Receivable value added tax                   | 30               | 145              |
| 352              | 120              | Deferred expenses                            | 348              | 120              |
| 65               | 66               | Other  | 38               | 54               |
| <u>772</u>       | <u>685</u>       |  | <u>726</u>       | <u>621</u>       |
| (35)             | -                | Less: impairment for losses from receivables | (35)             | -                |
| <u>737</u>       | <u>685</u>       | <b>Other assets</b>                          | <u>691</u>       | <u>621</u>       |

**Note 14 Derivative financial instruments****The Bank and the Group****31 December 2019**

|                                 | Notional amount<br>Purchase | Fair value<br>Assets | Fair value<br>Liabilities |
|---------------------------------|-----------------------------|----------------------|---------------------------|
| Foreign exchange forwards (EUR) | 8,369                       | 10                   | 40                        |
| Foreign exchange swaps (EUR)    | 1,902                       | -                    | 19                        |
| Foreign exchange swaps (NOK)    | 508                         | -                    | -                         |
|                                 |                             | <u>10</u>            | <u>59</u>                 |

**The Bank and the Group****31 December 2018**

|                                 | Notional amount<br>Purchase | Fair value<br>Assets | Fair value<br>Liabilities |
|---------------------------------|-----------------------------|----------------------|---------------------------|
| Foreign exchange forwards (EUR) | 7,836                       | 22                   | 2                         |
| Foreign exchange swaps (EUR)    | 2,468                       | 19                   | 1                         |
| Foreign exchange swaps (NOK)    | 311                         | -                    | 1                         |
| Foreign exchange forwards (USD) | 297                         | -                    | 1                         |
|                                 |                             | <u>41</u>            | <u>5</u>                  |

As at 31 December 2019, the Group and the Bank didn't have pledged term deposits (as at 31 December 2018 the Group and the Bank have pledged term deposits with the carrying amount of EUR 1,181 thousand) for the foreign exchange forward agreements.

Bank uses FX forwards and FX swaps as hedge instruments, without applying the hedge account technique.

|  | The Bank (The Group) |           |
|--|----------------------|-----------|
|  | 2019                 | 2018      |
| Realised result from swaps   | (12)                 | (20)      |
| Realised result from foreign exchange forwards                               | (180)                | 18        |
| Unrealised result from swaps   | (19)                 | 16        |
| Unrealised result from foreign exchange forwards                             | (30)                 | 19        |
| <b>Net gain (loss) from operations with derivative financial instruments</b> | <u>(241)</u>         | <u>33</u> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 15 Due to banks and other credit institutions**

|   | <b>The Bank (The Group)</b> |                             |
|---|-----------------------------|-----------------------------|
|   | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
| Deposits CB (ECB Open market operations)                  | 3,000                       | -                           |
| Current accounts and overnight deposits                   | 36                          | 228                         |
| <b>Amounts due to banks and other credit institutions</b> | <b>3,036</b>                | <b>228</b>                  |

2019 December 31 the Bank has loans transactions with the Bank of Lithuania worth 3,000 thousand EUR. Eurosystem monetary policy operations maturing in 2019. The end of this agreement is at 30 January 2020.

Securities amounting to EUR 7,163 thousand (31 December 2018: EUR 6,291 thousand) and loans receivable amounting to EUR 1,361 thousand (31 December 2018: EUR 1,364 thousand) were held to secure the loan from targeted longer-term refinancing operations (Note 7 and Note 8).

As at 31 December 2019, interest rates on amounts due to banks and other credit institutions were 0% (0% at 31 December 2018).

**Note 16 Due to customers**

Amounts due to customers comprise:

| <b>The Group</b>            |                             |   | <b>The Bank</b>             |                             |
|-----------------------------|-----------------------------|---|-----------------------------|-----------------------------|
| <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |   | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
| 169,615                     | 167,271                     | Term deposits   | 169,615                     | 167,271                     |
| 130,841                     | 109,754                     | Current accounts  | 131,808                     | 111,361                     |
| 9,975                       | 12,101                      | Loans from funds  | 9,975                       | 12,101                      |
| <b>310,431</b>              | <b>289,126</b>              | <b>Amounts due to customers</b>                                       | <b>311,398</b>              | <b>290,733</b>              |
| <b>25,936</b>               | <b>18,475</b>               | <b>Out of which held as security against guarantees<br/>and loans</b> | <b>25,936</b>               | <b>18,475</b>               |

As at 31 December 2019, amounts due to ten largest customers of the Bank amounted to EUR 27,803 thousand or 8.96% of the Bank's deposit holders (EUR 22,137 thousand or 7.61% in 2018).



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 16 Due to customers (cont'd)**

Amounts due to customers include accounts with the following types of customers:

|  | <b>The Bank</b>         |                      |                         |                      |
|--|-------------------------|----------------------|-------------------------|----------------------|
|  | <b>31 December 2019</b> |                      | <b>31 December 2018</b> |                      |
|  | <b>Current accounts</b> | <b>Term deposits</b> | <b>Current accounts</b> | <b>Term deposits</b> |
| <b>Deposits</b>                                    |                         |                      |                         |                      |
| Government departments and state-owned enterprises | 4,572                   | 669                  | 3,405                   | 663                  |
| Other financial institutions                       | 1,882                   | 3,499                | 2,397                   | 2,289                |
| Non financial institutions                         | 74,500                  | 6,029                | 63,426                  | 5,496                |
| Households   | 50,854                  | 159,418              | 42,133                  | 158,823              |
| <b>Amounts due to customers</b>                    | <b>131,808</b>          | <b>169,615</b>       | <b>111,361</b>          | <b>167,271</b>       |

|  | <b>Loans</b>         |                  |                   |                  |
|--|----------------------|------------------|-------------------|------------------|
|  | <b>Short-term</b>    | <b>Long-term</b> | <b>Short-term</b> | <b>Long-term</b> |
|  | <b>Lending funds</b> |                  |                   |                  |
| UAB „Investicijų ir verslo garantijos“ | -                    | 9,975            | -                 | 12,101           |
|  | -                    | <b>9,975</b>     | -                 | <b>12,101</b>    |
| <b>Amounts due to customers</b>        | <b>131,808</b>       | <b>179,590</b>   | <b>111,361</b>    | <b>179,372</b>   |

|  | <b>The Group</b>        |                      |                         |                      |
|--|-------------------------|----------------------|-------------------------|----------------------|
|  | <b>31 December 2019</b> |                      | <b>31 December 2018</b> |                      |
|  | <b>Current accounts</b> | <b>Term deposits</b> | <b>Current accounts</b> | <b>Term deposits</b> |
| <b>Deposits</b>                                    |                         |                      |                         |                      |
| Government departments and state-owned enterprises | 4,572                   | 669                  | 3,405                   | 663                  |
| Other financial institutions                       | 1,882                   | 3,499                | 2,163                   | 2,289                |
| Non financial institutions                         | 73,533                  | 6,029                | 62,053                  | 5,496                |
| Households   | 50,854                  | 159,418              | 42,133                  | 158,823              |
| <b>Amounts due to customers</b>                    | <b>130,841</b>          | <b>169,615</b>       | <b>109,754</b>          | <b>167,271</b>       |

|  | <b>Loans</b>         |                  |                   |                  |
|--|----------------------|------------------|-------------------|------------------|
|  | <b>Short-term</b>    | <b>Long-term</b> | <b>Short-term</b> | <b>Long-term</b> |
|  | <b>Lending funds</b> |                  |                   |                  |
| UAB „Investicijų ir verslo garantijos“ | -                    | 9,975            | -                 | 12,101           |
|  | -                    | <b>9,975</b>     | -                 | <b>12,101</b>    |
| <b>Amounts due to customers</b>        | <b>130,841</b>       | <b>179,590</b>   | <b>109,754</b>    | <b>179,372</b>   |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 17 Subordinated loans and debt securities (the Bank)

##### Subordinated loans

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

According to the regulations of the Board of the Bank of Lithuania, the Bank had a permission to include this subordinated loan in the Bank's Tier 2 capital.

##### Debt securities issued

In July 2018 bank have issued subordinated debt securities emission. As of 31 December 2019 net value of issued debt securities is EUR 2,184 thousand. 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 – 1,000 EUR. Coupon – 7%, coupon payment twice a year. Maturity date – 24 July 2025.

#### Note 18 Other liabilities

Other liabilities comprise:

| The Group              |                        |  | The Bank               |                        |
|------------------------|------------------------|--|------------------------|------------------------|
| 31<br>December<br>2019 | 31<br>December<br>2018 |  | 31<br>December<br>2019 | 31<br>December<br>2018 |
| 1,264                  | 829                    | Accrued payments to employees  | 1,206                  | 809                    |
| 68                     | 59                     | Prepayments (advance payments)   | 2                      | 1,796                  |
| 1,408                  | 121                    | Accrued expenses   | 1,408                  | 121                    |
| 414                    | -                      | AML suspended funds  | 414                    | -                      |
| 218                    | -                      | Receipts from sale of loan portfolio (claims)  | 218                    | -                      |
| 97                     | 77                     | Deferred income  | 97                     | 77                     |
| -                      | 215                    | Commitments to the State Social Fund Board<br>Payable to the Latvian and Estonian Road Transport<br>Administration | -                      | 215                    |
| 17                     | 19                     | Debt to customers  | 17                     | 19                     |
| 297                    | 115                    | Other  | 263                    | 94                     |
| 199                    | 247                    |  | 179                    | 237                    |
| <b>3,982</b>           | <b>1,682</b>           | <b>Other liabilities</b>   | <b>3,804</b>           | <b>3,368</b>           |

#### Note 19 Shareholders' equity

As at 31 December 2019 and 31 December 2018, the share capital of the Group and the Bank consisted of 137,750 ordinary shares with the par value of EUR 144.81 each. All shares are issued, authorised and fully paid. The shares are not listed.

Each share has the right, equally, to vote, to dividends and to participate in residual assets in the event of a winding-up.

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

|  | The Bank (Group)    |                     |
|--|---------------------|---------------------|
|  | 31 December<br>2019 | 31 December<br>2018 |
| Special reserve to cover possible losses | 2,528               | 2,528               |
| Legal reserve                            | 291                 | 184                 |
| Reserve capital                          | 7,497               | 5,466               |
| <b>Total other reserves</b>              | <b>10,316</b>       | <b>8,178</b>        |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 19 Shareholders' equity (cont'd)

##### Nature and purpose of reserves

###### *Legal reserve*

The Bank's legal reserve amounted to EUR 291 thousand as at 31 December 2019 (EUR 184 thousand as at 31 December 2018). A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. The legal reserve can be used to cover the Bank's operating losses and for share capital increase.

###### *Reserve capital*

The Bank's and the Group's reserve capital amounting to EUR 7,497 thousand as at 31 December 2019 (EUR 5,466 thousand as at 31 December 2018) is created from additional shareholders' contributions of EUR 1,000 and the 2017 retained earnings of the Bank. The purpose of the reserve capital is to guarantee the financial stability of the Bank. The reserve capital can be used to cover the Bank's operating losses and for share capital increase.

###### *Special reserve to cover possible losses*

The Bank has created a special reserve to cover possible losses, which could be used to cover future possible losses.

###### *Revaluation reserve of property and equipment*

The revaluation reserve of property and equipment is used to record increase in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

#### Note 20 Contractual commitments and contingencies

The contractual commitments and contingencies comprise the following:

| <b>The Group</b>            |                             |  | <b>The Bank</b>             |                             |
|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|
| <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
|                             |                             | <b>Credit related commitments and guarantees</b>                     |                             |                             |
| 10,813                      | 8,902                       | Credit related commitments   | 15,863                      | 8,902                       |
| 2,092                       | 2,026                       | Guarantees   | 2,092                       | 2,026                       |
| <b>12,905</b>               | <b>10,928</b>               |  | <b>17,955</b>               | <b>10,928</b>               |
| (35)                        | (30)                        | Less: Provisions for credit liabilities and guarantees               | (66)                        | (30)                        |
| <b>12,870</b>               | <b>10,898</b>               |  | <b>17,889</b>               | <b>10,898</b>               |
| (7,069)                     | (6 993)                     | Less: cash held as security against letters of credit and guarantees | (7,069)                     | (6 993)                     |
| <b>5,801</b>                | <b>3,905</b>                | <b>Total credit related commitments and guarantees</b>               | <b>10,820</b>               | <b>3,905</b>                |
|                             |                             | <b>Operating lease commitments</b>                                   |                             |                             |
| 691                         | 596                         | Not later than 1 year  | 676                         | 581                         |
| 701                         | 854                         | Later than 1 year but not later than 5 years                         | 701                         | 854                         |
| 16                          | 20                          | Later than 5 years   | 16                          | 20                          |
| <b>1,408</b>                | <b>1,470</b>                | <b>Total operating lease commitments</b>                             | <b>1,393</b>                | <b>1,455</b>                |

In 2019 the Bank's operating lease expenses (rent of premises) amounted to EUR 749 thousand, the Group's EUR 768 thousand (In 2018 Bank's EUR 760 thousand, Group's EUR 779 thousand).

##### Contingent tax liabilities

The tax authorities have not carried out a full-scope tax audit of the Bank for the period from 2011 to 2019. The tax authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

The State Tax Inspectorate carried an inspection for the period from 01/01/2012 until 31/12/2013.

# UAB MEDICINOS BANKAS

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

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### Note 20 Contractual commitments and contingencies (cont'd)

#### Insurance

The Group is a member of the obligatory deposit insurance system. The system operates under the Lithuanian legislation and is governed by State Company Deposit and Investment Insurance (Indėlių ir Investicijų Draudimas VĮ). The insurance covers the Bank's liabilities to natural persons and legal entities for the amount of up to EUR 100,000 for each individual in case of business failure.

### Note 21 Net interest income

| The Group      |                |  | The Bank       |                |
|----------------|----------------|--|----------------|----------------|
| 2019           | 2018           |  | 2019           | 2018           |
| 9,300          | 7,341          | On loans to customers                                      | 8,728          | 7,213          |
| 167            | 545            | On impaired loans to customers                             | 159            | 545            |
| 756            | 562            | Leasing  | 756            | 562            |
| 136            | 180            | Delinquency  | 135            | 178            |
| 496            | 539            | On debt securities   | 496            | 539            |
| 117            | 76             | On placements with the banks and other credit institutions | 117            | 76             |
| <b>10,972</b>  | <b>9,243</b>   | <b>Interest revenue</b>                                    | <b>10,391</b>  | <b>9,113</b>   |
| (1,129)        | (1,196)        | On obligations to customers, including letters of credit   | (1,129)        | (1,196)        |
| (277)          | (264)          | Deposit insurance  | (277)          | (264)          |
| (20)           | (20)           | On subordinated loans                                      | (20)           | (20)           |
| (172)          | (75)           | For Debt securities  | (172)          | (75)           |
| (9)            | (20)           | Loan portfolio guarantee insurance                         | (9)            | (20)           |
| (63)           | -              | Lease of property  | (63)           | -              |
| (117)          | (167)          | On obligations to banks and other credit institutions      | (117)          | (167)          |
| <b>(1,787)</b> | <b>(1,742)</b> | <b>Interest expenses</b>                                   | <b>(1,787)</b> | <b>(1,742)</b> |
| <b>9,185</b>   | <b>7,501</b>   | <b>Net interest income</b>                                 | <b>8,604</b>   | <b>7,371</b>   |

In 2019 the Bank received EUR 147 thousand (the Group received EUR 148 thousand) delinquency income (in 2018 the Bank received EUR 187 thousand, the Group EUR 189 thousand). The major part of the income from delinquency charges is related with the cover of non-performing loans. The Bank recognises delinquency charges only when it is aware that the income from delinquency charges will be received.

### Note 22 Net service fee and commission income

Net fee and commission income comprise:

| The Group    |              |  | The Bank     |              |
|--------------|--------------|--|--------------|--------------|
| 2019         | 2018         |  | 2019         | 2018         |
| 2,531        | 2,141        | Payment services                             | 2,531        | 2,141        |
| 389          | 456          | Commission income from currency exchange     | 389          | 456          |
| 772          | 502          | Administration of bank accounts              | 772          | 502          |
| 1,619        | 1,271        | Collection of payments                       | 1,619        | 1,271        |
| 596          | 383          | Brokerage income                             | 596          | 383          |
| 616          | 536          | Cash operations                              | 616          | 536          |
| 160          | 385          | Other  | 396          | 386          |
| <b>6,683</b> | <b>5,674</b> | <b>Service fee and commission income</b>     | <b>6,919</b> | <b>5,675</b> |
| (69)         | (72)         | Rent fee according to agreements             | (69)         | (72)         |
| (272)        | (256)        | Cash operations                              | (272)        | (256)        |
| (155)        | (107)        | Other  | (89)         | (83)         |
| <b>(496)</b> | <b>(435)</b> | <b>Service fee and commission expense</b>    | <b>(430)</b> | <b>(411)</b> |
| <b>6,187</b> | <b>5,239</b> | <b>Net service fee and commission income</b> | <b>6,489</b> | <b>5,264</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 23 Net foreign exchange gain**

|  | <b>The Bank (The Group)</b> |              |
|--|-----------------------------|--------------|
|  | <b>2019</b>                 | <b>2018</b>  |
| Gain on dealing in foreign currencies                        | 4,960                       | 4,746        |
| Revaluation of items in statement of financial position, net | 181                         | (82)         |
| <b>Net foreign exchange gain</b>                             | <b>5,141</b>                | <b>4,664</b> |

**Note 24 Net result on operations with investment property**

| <b>The Group</b> |              |  | <b>The Bank</b> |              |
|------------------|--------------|--|-----------------|--------------|
| <b>2019</b>      | <b>2018</b>  |  | <b>2019</b>     | <b>2018</b>  |
| 15               | 138          | Realised gain (loss)                                   | 15              | (33)         |
| (621)            | (1,131)      | Changes in fair value                                  | (304)           | (242)        |
| <b>(606)</b>     | <b>(993)</b> | <b>Net result on operations on investment property</b> | <b>(289)</b>    | <b>(275)</b> |

For more details on changes in the fair value for investment property see Note 11.

**Note 25 Other income (expenses)**

| <b>The Group</b> |             |                                      | <b>The Bank</b> |             |
|------------------|-------------|--------------------------------------|-----------------|-------------|
| <b>2019</b>      | <b>2018</b> |                                      | <b>2019</b>     | <b>2018</b> |
| 74               | 13          | Income from real estate disposal     | 74              | 13          |
| -                | 12          | Income from disposal of claim right  | -               | -           |
| 14               | 28          | Rental revenue                       | 14              | 18          |
| -                | -           | Intergroup income                    | 101             | 11          |
| -                | 10          | Fines received                       | -               | 10          |
| 33               | 106         | Other income (expenses)              | 25              | 74          |
| <b>121</b>       | <b>169</b>  | <b>Total other income (expenses)</b> | <b>214</b>      | <b>126</b>  |

**Note 26 Impairment of loans and other financial assets**

| <b>The Group</b> |                |   | <b>The Bank</b> |                |
|------------------|----------------|---|-----------------|----------------|
| <b>2019</b>      | <b>2018</b>    |   | <b>2019</b>     | <b>2018</b>    |
| (1,009)          | (1,428)        | Impairment loss on loans and receivables                    | (913)           | (1,423)        |
| (35)             | -              | Impairment loss on leasing                                  | (35)            | -              |
| 70               | 115            | Recovery of loans previously written-off                    | 70              | 115            |
| <b>(974)</b>     | <b>(1,313)</b> | <b>Total impairment of loans and other financial assets</b> | <b>(878)</b>    | <b>(1,308)</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 26 Impairment of loans and other financial assets (cont'd)**

Impairment loss on loans and receivables for the year 2019 and 2018 by main factors is as follows:

| <b>The Group</b> |                |   | <b>The Bank</b> |                |
|------------------|----------------|---|-----------------|----------------|
| <b>2019</b>      | <b>2018</b>    |   | <b>2019</b>     | <b>2018</b>    |
| (519)            | (1,273)        | Due to changes of collateral value                          | (519)           | (1,273)        |
| 35               | 207            | Due to changes of cash flow                                 | 35              | 195            |
| (50)             | (135)          | Due to postponement of collateral realization (time effect) | (50)            | (135)          |
| (282)            | (92)           | Loss of expected cash flow                                  | (186)           | (92)           |
| (82)             | (24)           | Administrative expenses                                     | (82)            | (24)           |
| (146)            | (80)           | Impairment for general loan portfolio credit risk           | (146)           | (62)           |
| 70               | 115            | Cash flow (recovery) from written-off loans                 | 70              | 115            |
| -                | (31)           | Other factors   | -               | (32)           |
| <b>(974)</b>     | <b>(1,313)</b> | <b>Total impairment loss on loans and receivables</b>       | <b>(878)</b>    | <b>(1,308)</b> |

Impairment expenses for the year 2019 and 2018 by industry sectors are as follows:

| <b>The Group</b> |                |   | <b>The Bank</b> |                |
|------------------|----------------|---|-----------------|----------------|
| <b>2019</b>      | <b>2018</b>    |   | <b>2019</b>     | <b>2018</b>    |
| (78)             | (403)          | Real estate operations                                      | (78)            | (403)          |
| (58)             | (185)          | Individuals   | 38              | (180)          |
| (66)             | (9)            | Manufacturing   | (66)            | (9)            |
| (45)             | (15)           | Real estate constructions                                   | (45)            | (15)           |
| (104)            | (443)          | Services  | (104)           | (443)          |
| (305)            | (273)          | Trading enterprises   | (305)           | (273)          |
| (1)              | (2)            | Agriculture and food processing                             | (1)             | (2)            |
| (235)            | 33             | Transport   | (235)           | 33             |
| -                | (1)            | Energy  | -               | (1)            |
| (87)             | (14)           | Financial services  | (87)            | (14)           |
| 5                | (1)            | Local government  | 5               | (1)            |
| <b>(974)</b>     | <b>(1,313)</b> | <b>Total impairment of loans and other financial assets</b> | <b>(878)</b>    | <b>(1,308)</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 27 Operating expenses**

Salaries and benefits and other operating expenses are as follows:

| <b>The Group</b> |                |   | <b>The Bank</b> |                |
|------------------|----------------|---|-----------------|----------------|
| <b>2019</b>      | <b>2018</b>    |   | <b>2019</b>     | <b>2018</b>    |
|                  |                | <b>Salaries and benefits</b>                |                 |                |
| (8,642)          | (6,048)        | Salaries and bonuses                        | (8,282)         | (5,820)        |
| (21)             | (1,818)        | Social security costs                       | (19)            | (1,746)        |
| <b>(8,663)</b>   | <b>(7,866)</b> | <b>Total salaries and benefits</b>          | <b>(8,301)</b>  | <b>(7,566)</b> |
|                  |                | <b>Other operating expenses</b>             |                 |                |
| (361)            | (862)          | Lease and cost of maintaining premises      | (342)           | (843)          |
| (798)            | (605)          | Office supplies                             | (798)           | (605)          |
| (351)            | (354)          | Expenses for service providers for the bank | (351)           | (354)          |
| (788)            | (547)          | Taxes other than income tax                 | (761)           | (503)          |
| (233)            | (250)          | Communication                               | (231)           | (250)          |
| 3                | -              | Debt recovery costs                         | 3               | -              |
| (347)            | (427)          | Transportation expenses                     | (345)           | (427)          |
| (56)             | (96)           | Expenses related with investment property   | (17)            | (28)           |
| (103)            | (98)           | Security                                    | (103)           | (98)           |
| (305)            | (227)          | Marketing and advertising                   | (297)           | (219)          |
| (54)             | (40)           | Legal and consultancy                       | (29)            | (40)           |
| (55)             | (27)           | Personnel training                          | (55)            | (26)           |
| (60)             | (46)           | Representation                              | (59)            | (46)           |
| (67)             | (63)           | Building repair costs                       | (67)            | (63)           |
| (75)             | (72)           | Team building expenses                      | (75)            | (72)           |
| (14)             | (10)           | Charity and support costs                   | (14)            | (10)           |
| (52)             | (9)            | Business travel and related                 | (51)            | (9)            |
| (38)             | (37)           | Disposable items                            | (38)            | (37)           |
| (27)             | (30)           | Stationary supplies                         | (27)            | (30)           |
| (146)            | (113)          | Insurance expenses                          | (141)           | (113)          |
| (25)             | (23)           | Participation fees                          | (25)            | (23)           |
| (159)            | (193)          | Accounting and brokerage services           | (159)           | (193)          |
| (176)            | (283)          | Other                                       | (154)           | (147)          |
| <b>(4,287)</b>   | <b>(4,412)</b> | <b>Total other operating expenses</b>       | <b>(4,136)</b>  | <b>(4,136)</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 28 Income tax**

The Group's and the Bank's income tax is specified below:

| <b>The Group</b>                          |              |   | <b>The Bank</b> |              |
|---|--------------|---|-----------------|--------------|
| <b>2019</b>                               | <b>2018</b>  |   | <b>2019</b>     | <b>2018</b>  |
| (220)                                     | (16)         | Current income tax expenses                     | (220)           | (16)         |
| (526)                                     | 27           | Change in deferred income tax                   | (526)           | 27           |
| <b>(746)</b>                              | <b>11</b>    | <b>Total income tax income (expenses)</b>       | <b>(746)</b>    | <b>11</b>    |
| <b>Components of deferred income tax</b>  |              |   |                 |              |
| Deferred income tax assets:               |              |   |                 |              |
| 1,671                                     | 2,186        | Tax loss carried forward                        | 1,312           | 1,925        |
| 106                                       | 19           | Accruals  | 106             | 19           |
| 101                                       | 78           | Collective impairment for loans                 | 101             | 78           |
| <b>1,878</b>                              | <b>2,283</b> | <b>Deferred income tax assets</b>               | <b>1,519</b>    | <b>2,022</b> |
| (355)                                     | (261)        | Less: not recognised part of deferred tax asset | 4               | -            |
| <b>1,523</b>                              | <b>2,022</b> | <b>Deferred income tax assets</b>               | <b>1,523</b>    | <b>2,022</b> |
| Deferred income tax liabilities:          |              |   |                 |              |
| (58)                                      | (60)         | Revaluation of property and equipment           | (58)            | (60)         |
| (65)                                      | (37)         | Other   | (65)            | (37)         |
| <b>(123)</b>                              | <b>(97)</b>  | <b>Deferred income tax liabilities</b>          | <b>(123)</b>    | <b>(97)</b>  |
| <b>1,400</b>                              | <b>1,925</b> | <b>Deferred income tax, net</b>                 | <b>1,400</b>    | <b>1,925</b> |
| Deferred tax income (expense) recognised: |              |   |                 |              |
| 1   | 1            | In the statement of OCI                         | 1               | 1            |
| (526)                                     | 27           | In the income statement                         | (526)           | 27           |

Deferred income tax assets are recognised for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. Deferred tax assets on tax losses carried forward of EUR 320 thousand at the Bank and EUR 3,453 thousand at the Group have not been recognised because of realisation uncertainty.

Deferred tax components related to revaluation of available-for-sale financial instruments and revaluation of property and equipment are accounted for in equity.



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 28 Income tax (cont'd)****Amounts recognised in other comprehensive income****The Bank (Group)**

|  | 2019       |                       |            | 2018       |                       |            |
|--|------------|-----------------------|------------|------------|-----------------------|------------|
|  | Before tax | Tax (expense) benefit | Net of tax | Before tax | Tax (expense) benefit | Net of tax |
| Revaluation of property and equipment    | -          | -                     | -          | -          | -                     | -          |
| Available-for-sale investment securities | -          | -                     | -          | -          | -                     | -          |
| <b>Total</b>                             | -          | -                     | -          | -          | -                     | -          |

**Reconciliation of effective tax rate**

The income tax expense, applicable to the result of the current year, can be reconciled with the income tax expenses calculated using statutory income tax rate for the pre-tax income as follows:

| The Group   |              |             |             | The Bank    |              |             |             |
|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|
| 2019        |              | 2018        |             | 2019        |              | 2018        |             |
|             | 4,834        |             | 2,375       |             | 4,737        |             | 2,424       |
| 15%         | 725          | 15%         | 356         | 15%         | 711          | 15%         | 364         |
| (16)%       | (811)        | (10)%       | (227)       | (6)%        | (277)        | (4)%        | (92)        |
| 21%         | 1,013        | 16%         | 383         | 9%          | 418          | 14%         | 343         |
| -           | -            | -           | -           | -           | -            | -           | -           |
| (14)%       | (666)        | (25)%       | (600)       | (12)%       | (596)        | (17)%       | (419)       |
| -           | -            | -           | -           | (1)%        | (36)         | (8)%        | (180)       |
| (1)%        | (41)         | (4)%        | (104)       | -           | -            | -           | -           |
| -           | -            | -           | -           | -           | -            | -           | -           |
| <b>(5)%</b> | <b>(220)</b> | <b>(0)%</b> | <b>(16)</b> | <b>(5)%</b> | <b>(220)</b> | <b>(0)%</b> | <b>(16)</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 28 Income tax (cont'd)****Movement in deferred tax balances****The Bank (Group)**

|                               | <b>Balance at 31 December 2019</b>  |   |                              |              |                                    |                                     |
|-------------------------------|-------------------------------------|---|------------------------------|--------------|------------------------------------|-------------------------------------|
|                               | <b>Net balance<br/>at 1 January</b> | <b>Recognised in<br/>profit or loss</b> | <b>Recognised in<br/>OCI</b> | <b>Net</b>   | <b>Deferred<br/>tax<br/>assets</b> | <b>Deferred tax<br/>liabilities</b> |
| Property and equipment        | (59)                                | -                                       | 1                            | (58)         | -                                  | (58)                                |
| Available-for-sale securities | -                                   | -                                       | -                            | -            | -                                  | -                                   |
| Tax loss carry-forwards       | 1,925                               | (613)                                   | -                            | 1,312        | 1,312                              | -                                   |
| Other tax assets              | 97                                  | 114                                     | -                            | 211          | 211                                | -                                   |
| Other tax liabilities         | (38)                                | (27)                                    | -                            | (65)         | -                                  | (65)                                |
| <b>Total</b>                  | <b>1,925</b>                        | <b>(526)</b>                            | <b>1</b>                     | <b>1,400</b> | <b>1,523</b>                       | <b>(123)</b>                        |

|                               | <b>Balance at 31 December 2018</b>  |   |                              |              |                                |   |
|-------------------------------|-------------------------------------|---|------------------------------|--------------|--------------------------------|---|
|                               | <b>Net balance<br/>at 1 January</b> | <b>Recognised in<br/>profit or loss</b> | <b>Recognised in<br/>OCI</b> | <b>Net</b>   | <b>Deferred<br/>tax assets</b> | <b>Deferred<br/>tax<br/>liabilities</b> |
| Property and equipment        | (60)                                | -                                       | 1                            | (59)         | -                              | (59)                                    |
| Available-for-sale securities | -                                   | -                                       | -                            | -            | -                              | -                                       |
| Tax loss carry-forwards       | 1,996                               | (71)                                    | -                            | 1,925        | 1,925                          | -                                       |
| Other tax assets              | 54                                  | 43                                      | -                            | 97           | 97                             | -                                       |
| Other tax liabilities         | (93)                                | 55                                      | -                            | (38)         | -                              | (38)                                    |
| <b>Total</b>                  | <b>1,897</b>                        | <b>27</b>                               | <b>1</b>                     | <b>1,925</b> | <b>2,022</b>                   | <b>(97)</b>                             |

**Note 29 Cash and cash equivalents**

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

| <b>The Group</b>            |                             |  | <b>The Bank</b>             |                             |
|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|
| <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
| 29,650                      | 27,304                      | Cash on hand   | 29,650                      | 27,304                      |
| 43,313                      | 27,790                      | Current accounts with the Bank of Lithuania          | 43,313                      | 27,790                      |
| 8,236                       | 12,099                      | Current accounts with other credit institutions      | 8,217                       | 12,058                      |
| 2,947                       | 1,181                       | Term deposits with credit institutions up to 90 days | 2,947                       | 1,181                       |
| <b>84,146</b>               | <b>68,374</b>               | <b>Cash and cash equivalents</b>                     | <b>84,127</b>               | <b>68,333</b>               |

**Note 30 Fair values of financial instruments**

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

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

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

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

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

# UAB MEDICINOS BANKAS

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

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### Note 30 Fair values of financial instruments (cont'd)

**Balances with the Central Bank.** The carrying amount equals to the fair value as these are current accounts at the Bank of Lithuania.

**Financial assets at fair value through profit or loss and available-for-sale financial assets.** The carrying amount is the fair value of such investments.

**Debt securities.** Their fair value was calculated based on market quotations.

**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 year-end.

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

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

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

| The Bank  | 2019           |                | 2018           |                |
|---|----------------|----------------|----------------|----------------|
|   | Carrying value | Fair value     | Carrying value | Fair value     |
| <b>Financial assets</b>                             |                |                |                |                |
| Cash and due from central bank                      | 75,184         | 75,184         | 57,374         | 57,374         |
| Placements with banks and other credit institutions | 11,164         | 11,164         | 13,239         | 13,239         |
| Debt securities                                     | 50,004         | 50,691         | 70,746         | 71,512         |
| Loans and receivables                               | 203,885        | 208,152        | 169,795        | 173,082        |
| Other assets  | 41             | 41             | 55             | 55             |
| <b>Total financial assets</b>                       | <b>340,278</b> | <b>345,232</b> | <b>311,209</b> | <b>315,262</b> |
| <b>Financial liabilities</b>                        |                |                |                |                |
| Due to banks and other credit institutions          | 3,036          | 3,036          | 228            | 228            |
| Due to customers, including letters of credit       | 311,398        | 316,385        | 290,734        | 292,342        |
| Debt securities issued                              | 2,184          | 2,266          | 2,167          | 3,176          |
| Subordinated loans                                  | 1,000          | 1,000          | 1,000          | 1,000          |
| Other liabilities                                   | 3,804          | 3,804          | 3,367          | 3,367          |
| <b>Total financial liabilities</b>                  | <b>321,422</b> | <b>326,491</b> | <b>297,496</b> | <b>300,113</b> |
| <b>The Group</b>                                    |                |                |                |                |
|   |                |                |                |                |
| <b>Financial assets</b>                             |                |                |                |                |
| Cash and due from central bank                      | 75,184         | 75,184         | 57,374         | 57,374         |
| Placements with banks and other credit institutions | 11,183         | 11,183         | 13,280         | 13,280         |
| Debt securities                                     | 50,004         | 50,691         | 70,746         | 71,512         |
| Loans and receivables                               | 208,284        | 210,498        | 171,826        | 175,113        |
| Other assets  | 41             | 41             | 55             | 55             |
| <b>Total financial assets</b>                       | <b>344,696</b> | <b>347,597</b> | <b>313,281</b> | <b>317,334</b> |
| <b>Financial liabilities</b>                        |                |                |                |                |
| Due to banks and other credit institutions          | 3,036          | 3,036          | 228            | 228            |
| Due to customers, including letters of credit       | 310,431        | 315,418        | 289,126        | 290,735        |
| Debt securities issued                              | 2,184          | 2,266          | 2,167          | 3,176          |
| Subordinated loans                                  | 1,000          | 1,000          | 1,000          | 1,000          |
| Other liabilities                                   | 3,982          | 3,982          | 1,682          | 1,682          |
| <b>Total financial liabilities</b>                  | <b>320,633</b> | <b>325,702</b> | <b>294,203</b> | <b>296,821</b> |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 30 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 fair value of all Bank contracted derivatives is defined as Level 2. These are mainly FX swaps and derivatives which are revaluated using discounted cash flow or present value calculation method. In all cases revaluation is based on market observable inputs. Debt securities are priced in accordance to market quotes and, in cases when there is no active market for particular security, the price for this kind of security is determined with the reference to market observable inputs. As at 31 December 2019 and 2018, due to absence of active market, bonds issued by other Lithuanian and foreign banks were classified under Level 2. There were no movements of financial instruments between Level 1 and Level 2 in 2019 and 2018.

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

#### The Bank (Group)

| As at 31 December 2019           | Level 1        | Level 2        | Level 3        | Total        |
|----------------------------------|----------------|----------------|----------------|--------------|
| <b>Financial assets</b>          |                |                |                |              |
| Derivative financial instruments | -              | 10             |                | 10           |
| <b>Financial liabilities</b>     |                |                |                |              |
| Derivative financial instruments | -              | 59             | -              | 59           |
| <b>As at 31 December 2018</b>    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>Financial assets</b>          |                |                |                |              |
| Derivative financial instruments | -              | 41             | -              | 41           |
| <b>Financial liabilities</b>     |                |                |                |              |
| Derivative financial instruments | -              | 5              | -              | 5            |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 30 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**

| <b>31 December 2019</b>                    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total carrying amount</b> |
|--|----------------|----------------|----------------|------------------------------|
| <b>Assets</b>                              |                |                |                |                              |
| Cash and due from banks                    | 75,184         | 11,164         | -              | 86,348                       |
| Debt securities                            | -              | 50,004         | -              | 50,004                       |
| Loans to customers                         | -              | 186,825        | 1,185          | 188,010                      |
| Receivables from leasing                   | -              | 14,464         | 1,411          | 15,875                       |
| Other assets                               | -              | 41             | -              | 41                           |
| <b>Total financial assets</b>              | <b>75,184</b>  | <b>262,498</b> | <b>2,596</b>   | <b>340,278</b>               |
| <b>Liabilities</b>                         |                |                |                |                              |
| Due to banks and other credit institutions | -              | 3,036          | -              | 3,036                        |
| Due to customers                           | -              | 311,398        | -              | 311,398                      |
| Debt securities issued                     | -              | 2,184          | -              | 2,184                        |
| Subordinated loan                          | -              | 1,000          | -              | 1,000                        |
| Other liabilities                          | -              | 3,804          | -              | 3,804                        |
| <b>Total financial liabilities</b>         | <b>-</b>       | <b>321,422</b> | <b>-</b>       | <b>321,422</b>               |

**The Bank**

| <b>31 December 2018</b>                    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total carrying amount</b> |
|--|----------------|----------------|----------------|------------------------------|
| <b>Assets</b>                              |                |                |                |                              |
| Cash and due from banks                    | 57,374         | 13,239         | -              | 70,613                       |
| Debt securities                            | -              | 70,746         | -              | 70,746                       |
| Loans to customers                         | -              | 154,524        | 2,462          | 156,986                      |
| Receivables from leasing                   | -              | 10,956         | 1,853          | 12,809                       |
| Other assets                               | -              | 55             | -              | 55                           |
| <b>Total financial assets</b>              | <b>57,374</b>  | <b>249,520</b> | <b>4,315</b>   | <b>311,209</b>               |
| <b>Liabilities</b>                         |                |                |                |                              |
| Due to banks and other credit institutions | -              | 228            | -              | 228                          |
| Due to customers                           | -              | 290,733        | -              | 290,733                      |
| Debt securities issued                     | -              | 2,167          | -              | 2,167                        |
| Subordinated loans                         | -              | 1,000          | -              | 1,000                        |
| Other liabilities                          | -              | 3,368          | -              | 3,368                        |
| <b>Total financial liabilities</b>         | <b>-</b>       | <b>297,496</b> | <b>-</b>       | <b>297,496</b>               |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 30 Fair values of financial instruments (cont'd)****Financial instruments not measured at fair value****The Group**

| <b>31 December 2019</b>                    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total carrying amount</b> |
|--|----------------|----------------|----------------|------------------------------|
| <b>Assets</b>                              |                |                |                |                              |
| Cash and due from banks                    | 75,184         | 11,183         | -              | 86,367                       |
| Debt securities                            | -              | 50,004         | -              | 50,004                       |
| Loans to customers                         | -              | 191,139        | 1,270          | 192,409                      |
| Receivables from leasing                   | -              | 14,464         | 1,411          | 15,875                       |
| Other assets                               | -              | 41             | -              | 41                           |
| <b>Total financial assets</b>              | <b>75,184</b>  | <b>266,831</b> | <b>2,681</b>   | <b>344,696</b>               |
| <b>Liabilities</b>                         |                |                |                |                              |
| Due to banks and other credit institutions | -              | 3,036          | -              | 3,036                        |
| Due to customers                           | -              | 310,431        | -              | 310,431                      |
| Debt securities issued                     | -              | 2,184          | -              | 2,184                        |
| Subordinated loan                          | -              | 1,000          | -              | 1,000                        |
| Other liabilities                          | -              | 3,982          | -              | 3,982                        |
| <b>Total financial liabilities</b>         | <b>-</b>       | <b>320,633</b> | <b>-</b>       | <b>320,633</b>               |

**The Group**

| <b>31 December 2018</b>                    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total carrying amount</b> |
|--|----------------|----------------|----------------|------------------------------|
| <b>Assets</b>                              |                |                |                |                              |
| Cash and due from banks                    | 57,374         | 13,280         | -              | 70,654                       |
| Debt securities                            | -              | 70,746         | -              | 70,746                       |
| Loans to customers                         | -              | 156,513        | 2,504          | 159,017                      |
| Receivables from leasing                   | -              | 10,956         | 1,853          | 12,809                       |
| Other assets                               | -              | 55             | -              | 55                           |
| <b>Total financial assets</b>              | <b>57,374</b>  | <b>251,550</b> | <b>4,357</b>   | <b>313,281</b>               |
| <b>Liabilities</b>                         |                |                |                |                              |
| Due to banks and other credit institutions | -              | 228            | -              | 228                          |
| Due to customers                           | -              | 289,126        | -              | 289,126                      |
| Debt securities issued                     | -              | 2,167          | -              | 2,167                        |
| Subordinated loans                         | -              | 1,000          | -              | 1,000                        |
| Other liabilities                          | -              | 1,682          | -              | 1,682                        |
| <b>Total financial liabilities</b>         | <b>-</b>       | <b>294,203</b> | <b>-</b>       | <b>294,203</b>               |

The following table shows the valuation techniques used by the Bank and the Group in measuring Level 2 and Level 3 fair values (where the fair value differs from the carrying amount), as well as the significant unobservable inputs used:

| <b>Type</b>  | <b>Valuation technique</b> | <b>Significant unobservable inputs</b>           |
|--|----------------------------|--|
| Measured at amortized cost investments   | Discounted cash flows      | Discount rates                                   |
| Loans and receivables, loans to banks, loans to financial institutions, receivables from leasing | Discounted cash flows      | Discount rates, default rates, expected lifetime |
| Due to customers   | Discounted cash flows      | Discount rates                                   |
| Debt securities issued   | Discounted cash flows      | Discount rates                                   |
| Subordinated loans   | Discounted cash flows      | Discount rates                                   |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 31 Related party transactions**

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

The outstanding balances of loans, term deposits and bonds issued at the year end, and related expense and income for the year are as follows:

**The Bank 2019**

|   | <u>Shareholders</u> | <u>Subsidiaries</u> | <u>Key management personnel</u> | <u>Other*</u> |
|---|---------------------|---------------------|---------------------------------|---------------|
| Loans outstanding as at 31 December 2019, net | 34                  | 3,935               | -                               | 3,962         |
| Interest rate,%                               | 6.58                | 4.2                 | -                               | 2.0-4.5       |
| Interest income on loans                      | 2                   | 47                  | -                               | 108           |
| Impairment of loans                           | -                   | (25)                | -                               | (12)          |
| Term deposits as at 31 December 2019          | 21                  | -                   | 13                              | 1,956         |
| Interest expense on deposits                  | (1)                 | -                   | -                               | (3)           |
| Interest rate,%                               | 6.5                 | -                   | 0.05-0.3                        | 0-0.45        |
| Demand accounts as at 31 December 2019        | 65                  | 967                 | 97                              | 2,427         |
| Bonds issued as at 31 December 2019           | 100                 | -                   | -                               | -             |
| Interest expense on bonds                     | (7)                 | -                   | -                               | -             |
| Interest rate,%                               | 7                   | -                   | -                               | -             |
| Subordinated loans as at 31 December 2019     | 1,000               | -                   | -                               | -             |
| Interest expense on subordinated loans        | (20)                | -                   | -                               | -             |
| Interest rate,%                               | 2                   | -                   | -                               | -             |
| Service fee and commission revenue            | 1                   | 242                 | -                               | 13            |
| Service fee and commission expenses           | -                   | -                   | -                               | (3)           |
| Other operating income                        | -                   | 17                  | -                               | -             |
| Other operating expenses                      | -                   | -                   | -                               | (42)          |

**The Bank 2018**

|   | <u>Shareholders</u> | <u>Subsidiaries</u> | <u>Key management personnel</u> | <u>Other*</u> |
|---|---------------------|---------------------|---------------------------------|---------------|
| Loans outstanding as at 31 December 2018, net | 37                  | -                   | -                               | 4,372         |
| Interest rate,%                               | 6.58                | -                   | -                               | 2.0-4.5       |
| Interest income on loans                      | 1                   | 1                   | 1                               | 120           |
| Impairment of loans                           | -                   | -                   | -                               | (14)          |
| Term deposits as at 31 December 2018          | -                   | -                   | 3                               | 247           |
| Interest expense on deposits                  | -                   | -                   | -                               | (2)           |
| Interest rate,%                               | -                   | -                   | 0.3                             | 0.05-6.5      |
| Demand accounts as at 31 December 2018        | 99                  | 1,607               | 88                              | 3,006         |
| Bonds issued as at 31 December 2018           | 100                 | -                   | -                               | -             |
| Interest expense on bonds                     | (3)                 | -                   | -                               | -             |
| Interest rate,%                               | 7                   | -                   | -                               | -             |
| Subordinated loans as at 31 December 2018     | 1,000               | -                   | -                               | -             |
| Interest expense on subordinated loans        | (20)                | -                   | -                               | -             |
| Interest rate,%                               | 2                   | -                   | -                               | -             |
| Service fee and commission revenue            | 1                   | 2                   | -                               | 17            |
| Service fee and commission expenses           | -                   | -                   | -                               | (3)           |
| Other operating income                        | -                   | 11                  | -                               | -             |
| Other operating expenses                      | -                   | -                   | -                               | (59)          |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 31 Related party transactions (cont'd)****The Group 2019**

|   | Shareholders | Key management<br>personnel | Other*  |
|---|--------------|-----------------------------|---------|
| Loans outstanding as at 31 December 2019, net | 3            | -                           | 3,962   |
| Interest rate,%                               | 6.58         | -                           | 2.0-4.5 |
| Interest income on loans                      | 1            | -                           | 108     |
| Impairment of loans                           | -            | -                           | (12)    |
|   | 21           | 13                          | 1,956   |
| Term deposits as at 31 December 2019          | (1)          | -                           | (3)     |
| Interest expense on deposits                  | 6.5          | 0.05-0.3                    | 0-0.45  |
| Interest rate,%                               | 65           | 97                          | 2,427   |
|   | 100          | -                           | -       |
| Bonds issued as at 31 December 2019           | (7)          | -                           | -       |
| Interest expense on bonds                     | 7            | -                           | -       |
| Interest rate,%                               | 1,000        | -                           | -       |
| Subordinated loans as at 31 December 2019     | (20)         | -                           | -       |
| Interest expense on subordinated loans        | 2            | -                           | -       |
| Interest rate,%                               | 1            | -                           | 13      |
| Service fee and commission revenue            | -            | -                           | (3)     |
| Service fee and commission expenses           | -            | -                           | -       |
| Other operating income                        | -            | -                           | -       |
| Other operating expenses                      | -            | -                           | (42)    |

**The Group 2018**

|   | Shareholders | Key management<br>personnel | Other*   |
|---|--------------|-----------------------------|----------|
| Loans outstanding as at 31 December 2018, net | 37           | -                           | 4,372    |
| Interest rate,%                               | 6.58         | -                           | 2.0-4.5  |
| Interest income on loans                      | 1            | 1                           | 120      |
| Impairment of loans                           | -            | -                           | (14)     |
|   | -            | 3                           | 247      |
| Term deposits as at 31 December 2018          | -            | -                           | (2)      |
| Interest expense on deposits                  | -            | 0.3                         | 0.05-6.5 |
| Interest rate,%                               | 99           | 88                          | 3,006    |
|   | 100          | -                           | -        |
| Bonds issued as at 31 December 2018           | (3)          | -                           | -        |
| Interest expense on bonds                     | 7            | -                           | -        |
| Interest rate,%                               | 1,000        | -                           | -        |
| Subordinated loans as at 31 December 2018     | (20)         | -                           | -        |
| Interest expense on subordinated loans        | 2            | -                           | -        |
| Interest rate,%                               | 1            | -                           | 17       |
| Service fee and commission revenue            | -            | -                           | (3)      |
| Service fee and commission expenses           | -            | -                           | -        |
| Other operating income                        | -            | -                           | -        |
| Other operating expenses                      | -            | -                           | (59)     |

\* 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 31 Related party transactions (cont'd)****The Group**

Compensation of key management personnel comprised the following:

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Salaries and other short-term benefits             | 510               | 338               |
| Social security costs                              | 9                 | 106               |
| <b>Total key management personnel compensation</b> | <b><u>519</u></b> | <b><u>444</u></b> |

Key management personnel include members of the board and administration and management of subsidiaries.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 32 Segment information**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2019 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below:

|  | 31 December 2019                                    |                |                     |                |                 |
|--|---|----------------|---------------------|----------------|-----------------|
|  | Traditional<br>banking<br>operations and<br>lending | Treasury       | Other<br>activities | Eliminations   | Total           |
| Internal   | 47  | -              | -                   | (47)           | -               |
| External   | 10 354  | 612            | 6                   | -              | 10 972          |
| <b>Interest income</b>   | <b>10 401</b>                                       | <b>612</b>     | <b>6</b>            | <b>(47)</b>    | <b>10 972</b>   |
| Internal   | (47)  | -              | -                   | 47             | -               |
| External   | (1,498)   | (289)          | -                   | -              | (1,787)         |
| <b>Interest expenses</b>   | <b>(1,545)</b>                                      | <b>(289)</b>   | <b>-</b>            | <b>47</b>      | <b>(1,787)</b>  |
| Internal   | -   | -              | -                   | -              | -               |
| External   | 8,856   | 323            | -                   | -              | 9,179           |
| <b>Net interest income</b>   | <b>8,856</b>  | <b>323</b>     | <b>-</b>            | <b>-</b>       | <b>9,179</b>    |
| Internal   | -   | -              | -                   | -              | -               |
| External   | 6,394   | -              | (4)                 | (195)          | 6,195           |
| <b>Net fee and commission income</b>                                     | <b>6,394</b>  | <b>-</b>       | <b>(4)</b>          | <b>(195)</b>   | <b>6,195</b>    |
| Internal   | -   | -              | -                   | -              | -               |
| External   | 15,250  | 323            | (4)                 | (195)          | 15,374          |
| <b>Net interest, fee and commissions income</b>                          | <b>15,250</b>                                       | <b>323</b>     | <b>(4)</b>          | <b>(195)</b>   | <b>15,374</b>   |
| Internal   | -   | -              | (1,182)             | 1,182          | -               |
| External   | (10,253)  | (216)          | (2,481)             | -              | (12,950)        |
| <b>Operating expenses</b>  | <b>(10,253)</b>                                     | <b>(216)</b>   | <b>(3,663)</b>      | <b>1,182</b>   | <b>(12,950)</b> |
| Amortisation charges   | (137)   | -              | -                   | -              | (137)           |
| Depreciation charges   | (1,132)   | -              | -                   | -              | (1,132)         |
| Internal   | -   | -              | -                   | -              | -               |
| External   | (974)   | -              | -                   | -              | (974)           |
| <b>Impairment expenses</b>   | <b>(974)</b>  | <b>-</b>       | <b>-</b>            | <b>-</b>       | <b>(974)</b>    |
| Internal   | -   | -              | -                   | -              | -               |
| External   | 4,395   | 505            | (485)               | -              | 4,415           |
| <b>Net other income</b>  | <b>4,395</b>  | <b>505</b>     | <b>(485)</b>        | <b>-</b>       | <b>4,415</b>    |
| <b>Profit (loss) before tax</b>  | <b>7,149</b>  | <b>612</b>     | <b>(4,154)</b>      | <b>987</b>     | <b>4,594</b>    |
| Income tax   | (746)   | -              | -                   | -              | (746)           |
| <b>Profit (loss) per segment after tax</b>                               | <b>6,403</b>  | <b>612</b>     | <b>(4,154)</b>      | <b>987</b>     | <b>3,848</b>    |
| Non-controlling interest   | -   | -              | -                   | -              | -               |
| <b>Profit (loss) for the year attributable to the owners of the Bank</b> | <b>6,403</b>  | <b>612</b>     | <b>(4,154)</b>      | <b>987</b>     | <b>3,848</b>    |
| Total segment assets   | 251,520   | 113,411        | 2,211               | (11,808)       | 355,334         |
| Total segment liabilities  | 317,670   | 8,200          | 73                  | (4,982)        | 320,961         |
| <b>Net segment assets (shareholders equity)</b>                          | <b>(66,150)</b>                                     | <b>105,211</b> | <b>2,138</b>        | <b>(6,826)</b> | <b>34,373</b>   |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 32 Segment information (cont'd)**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2018 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below:

|  | 31 December 2018                           |                |                  |                 |                 |
|--|--|----------------|------------------|-----------------|-----------------|
|  | Traditional banking operations and lending | Treasury       | Other activities | Eliminations    | Total           |
| Internal   | 2  | -              | -                | (2)             | -               |
| External   | 8,673                                      | 561            | 9                | -               | 9,243           |
| <b>Interest income</b>   | <b>8,675</b>                               | <b>561</b>     | <b>9</b>         | <b>(2)</b>      | <b>9,243</b>    |
| Internal   | (2)  | -              | -                | 2               | -               |
| External   | (1,479)                                    | (263)          | -                | -               | (1,742)         |
| <b>Interest expenses</b>   | <b>(1,481)</b>                             | <b>(263)</b>   | <b>-</b>         | <b>2</b>        | <b>(1,742)</b>  |
| Internal   | -  | -              | -                | -               | -               |
| External   | 7,194                                      | 298            | 9                | -               | 7,501           |
| <b>Net interest income</b>   | <b>7,194</b>                               | <b>298</b>     | <b>9</b>         | <b>-</b>        | <b>7,501</b>    |
| Internal   | -  | -              | -                | -               | -               |
| External   | 5,241                                      | -              | (2)              | -               | 5,239           |
| <b>Net fee and commission income</b>                                     | <b>5,241</b>                               | <b>-</b>       | <b>(2)</b>       | <b>-</b>        | <b>5,239</b>    |
| Internal   | -  | -              | -                | -               | -               |
| External   | 12,435                                     | 298            | 7                | -               | 12,740          |
| <b>Net interest, fee and commissions income</b>                          | <b>12,435</b>                              | <b>298</b>     | <b>7</b>         | <b>-</b>        | <b>12,740</b>   |
| Internal   | -  | -              | (1,130)          | 1,130           | -               |
| External   | (11,576)                                   | (277)          | (425)            | -               | (12,278)        |
| <b>Operating expenses</b>  | <b>(11,576)</b>                            | <b>(277)</b>   | <b>(1,555)</b>   | <b>1,130</b>    | <b>(12,278)</b> |
| Amortisation charges   | (161)                                      | -              | -                | -               | (161)           |
| Depreciation charges   | (486)                                      | -              | -                | -               | (486)           |
| Internal   | -  | -              | -                | -               | -               |
| External   | (1,257)                                    | (56)           | -                | -               | (1,313)         |
| <b>Impairment expenses</b>   | <b>(1,257)</b>                             | <b>(56)</b>    | <b>-</b>         | <b>-</b>        | <b>(1,313)</b>  |
| Internal   | -  | -              | -                | -               | -               |
| External   | 4,299                                      | 398            | (824)            | -               | 3,873           |
| <b>Net other income</b>  | <b>4,299</b>                               | <b>398</b>     | <b>(824)</b>     | <b>-</b>        | <b>3,873</b>    |
| <b>Profit (loss) before tax</b>  | <b>3,254</b>                               | <b>363</b>     | <b>(2,372)</b>   | <b>1,130</b>    | <b>2,375</b>    |
| Income tax   | 11   | -              | -                | -               | 11              |
| <b>Profit (loss) per segment after tax</b>                               | <b>3,265</b>                               | <b>363</b>     | <b>(2,372)</b>   | <b>1,130</b>    | <b>2,386</b>    |
| Non-controlling interest   | -  | -              | -                | -               | -               |
| <b>Profit (loss) for the year attributable to the owners of the Bank</b> | <b>3,265</b>                               | <b>363</b>     | <b>(2,372)</b>   | <b>1,130</b>    | <b>2,386</b>    |
| Total segment assets   | 215,095                                    | 115,162        | 13,080           | (18,574)        | 324,763         |
| Total segment liabilities  | 289,856                                    | 7,709          | 76               | (3,403)         | 294,238         |
| <b>Net segment assets (shareholders equity)</b>                          | <b>(74,761)</b>                            | <b>107,453</b> | <b>13,004</b>    | <b>(15,171)</b> | <b>30,525</b>   |

Distribution of the Group's assets and revenue according to geographical segments.

All the Group's non-current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### **Note 33 Risk management**

Risk is inherent in the Bank's and the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's and the Group's continuing profitability and each individual within the Bank and the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group and the Bank are exposed to credit risk, liquidity risk and market risk, it is also subject to operating risk.

#### Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

#### *Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

#### *Supervisory Board*

The Supervisory Board has the responsibility for monitoring the overall risk process within the Bank and the Group.

#### *Risk Committee*

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

#### *Audit Committee*

Audit Committee periodically reviews efficiency of the Bank's internal control procedures, it coordinates and periodically assesses the work of internal audit, monitors and assesses internal and external auditor's reports.

#### *Risk Department*

The Risk Department is responsible for monitoring compliance with risk principles, policies and limits, across the Group and the Bank.

#### *Bank Treasury*

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risk of the Group and the Bank.

#### *The Bank Audit Division*

Risk management processes throughout the Group and the Bank are audited annually by the internal audit that examines both the adequacy of the procedures and the Bank's and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

---

#### Note 33 Risk management (cont'd)

##### Risk measurement and reporting systems

The Group and the Bank apply credit risk management measures, which could relevantly be divided into two types:

- 1) Measures that help to avoid decisions to grant unwarrantably risky loans;
- 2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:

- 1) Multi-stage decision-making and its approval system;
- 2) Risk allocation among structural levels – limit establishment;
- 3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

The Bank's Credit Risk Department collects and, if necessary, provides to responsible managerial personnel information on external conditions, the growth of the credit portfolio and fulfilment of targeted profit, expenses associated with risks, the largest amounts due from clients, distribution of credits by the type of economic activity, repayment terms past due, the largest clients with default possibilities, analysis of the credit portfolio by risk groups, changes in risk groups over a certain time period.

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

Monitoring and controlling of risks are primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Bank or the Group is willing to accept.

Information compiled from all the business is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Committee and the head of each business division.

The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Group and the Bank.

A daily briefing is given to the Board of Directors on the utilisation of market limits, analysis of proprietary investments and liquidity.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**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. Sensitivity analysis of real estate market prices is presented in section *Market risk*.

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.

| <b>The Group</b>            |                             |  | <b>The Bank</b>             |                             |
|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|
| <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
|                             |                             | <b>Statement of financial position items, other than trading and investment activities</b>     |                             |                             |
| 45,534                      | 30,070                      | Balances with the Bank of Lithuania  | 45,534                      | 30,070                      |
| 11,183                      | 13,280                      | Due from banks   | 11,164                      | 13,239                      |
| 192,409                     | 159,017                     | Loans to customers   | 188,010                     | 156,986                     |
| 15,875                      | 12,809                      | Receivables from leasing   | 15,875                      | 12,809                      |
| <b>265,001</b>              | <b>215,176</b>              |  | <b>260,583</b>              | <b>213,104</b>              |
|                             |                             | <b>Off balance sheet items</b>   |                             |                             |
| 2,088                       | 2,022                       | Guarantees   | 2,088                       | 2,022                       |
| 10,782                      | 8,876                       | Loan commitments   | 15,801                      | 8,876                       |
| <b>277,871</b>              | <b>226,074</b>              | <b>Total balance and off balance sheet items, other than trading and investment activities</b> | <b>278,472</b>              | <b>224,002</b>              |
|                             |                             | <b>Trading and investment activities</b>   |                             |                             |
|                             |                             | Financial assets at fair value through profit or loss  |                             |                             |
| 10                          | 41                          | <i>Derivative financial instruments</i>  | 10                          | 41                          |
| -                           | -                           | Financial assets measured at amortized cost  | -                           | -                           |
| 50,004                      | 70,746                      | <i>Debt securities</i>   | 50,004                      | 70,746                      |
| <b>50,014</b>               | <b>70,787</b>               | <b>Total trading and investment activities</b>   | <b>50,014</b>               | <b>70,787</b>               |
| <b>41</b>                   | <b>55</b>                   | Other financial assets   | <b>41</b>                   | <b>55</b>                   |
| <b>327,926</b>              | <b>296,916</b>              | <b>Total credit exposure</b>   | <b>328,527</b>              | <b>294,844</b>              |

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the possible maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)Maximum exposure to credit risk without taking into account any collateral and other credit enhancement (cont'd)

|                                  | <b>The Bank</b>         |                         |
|----------------------------------|-------------------------|-------------------------|
|                                  | <b>31 December 2019</b> | <b>31 December 2018</b> |
| <b>Contracted amount</b>         |                         |                         |
| Loan and credit line commitments | 13,365                  | 6,767                   |
| Undrawn overdraft facilities     | 2,436                   | 2,109                   |
| Guarantees and letters of credit | 2,088                   | 2,022                   |
| <b>Total</b>                     | <b>17,889</b>           | <b>10,898</b>           |

|                                  | <b>The Group</b>        |                         |
|----------------------------------|-------------------------|-------------------------|
|                                  | <b>31 December 2019</b> | <b>31 December 2018</b> |
| <b>Contracted amount</b>         |                         |                         |
| Loan and credit line commitments | 8,346                   | 6,767                   |
| Undrawn overdraft facilities     | 2,436                   | 2,109                   |
| Guarantees and letters of credit | 2,088                   | 2,022                   |
| <b>Total</b>                     | <b>12,870</b>           | <b>10,898</b>           |

The aggregate amount of contractual commitments signed above does not necessarily reflect future cash flow requirements as these liabilities may expire or be terminated before any payout occurs.

Restricted assets (pledged or otherwise restricted use):

|                 | <b>The Bank (Group)</b> |                          |
|-----------------|-------------------------|--------------------------|
|                 | <b>31 December 2019</b> | <b>31 December 2018)</b> |
| Due from banks  | -                       | 1,181                    |
| Debt securities | 7,163                   | 6,291                    |
| Loans issued    | 14,452                  | 1,364                    |
| <b>Total</b>    | <b>21,615</b>           | <b>8,836</b>             |

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

|                                      | <b>The Bank (Group)</b> |                         |
|--------------------------------------|-------------------------|-------------------------|
|                                      | <b>31 December 2019</b> | <b>31 December 2018</b> |
| Government bonds                     | 48,851                  | 68,284                  |
| Regional government bonds            | -                       | 878                     |
| Multilateral Development Banks Bonds | 893                     | 1,314                   |
| Corporate bonds                      | 260                     | 270                     |
| Derivatives                          | 10                      | 41                      |
| <b>Total</b>                         | <b>50,014</b>           | <b>70,787</b>           |

|                                       | <b>The Bank (Group)</b> |                         |
|---------------------------------------|-------------------------|-------------------------|
|                                       | <b>31 December 2019</b> | <b>31 December 2018</b> |
| <b>Bonds exposure by rating grade</b> |                         |                         |
| High grade (AAA-A)                    | 47,078                  | 65,709                  |
| Standard grade (B-BBB+)               | 2,926                   | 5,037                   |
| Not rated                             | -                       | -                       |
| <b>Total</b>                          | <b>50,004</b>           | <b>70,746</b>           |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)Risk concentration of the maximum exposure to credit risk

Tables below present the breakdown of trading and investment activities by geographical region:

| Bonds<br>exposure by<br>geography | The Bank (The Group) |               |                                   |   |                     |               |                                   |   |
|-----------------------------------|----------------------|---------------|-----------------------------------|---|---------------------|---------------|-----------------------------------|---|
|                                   | 31 December 2019     |               |                                   |   | 31 December 2018    |               |                                   |   |
|                                   | Government<br>bonds  | Bank<br>bonds | Financial<br>institution<br>bonds | Non-<br>financial<br>institution<br>bonds | Government<br>bonds | Bank<br>bonds | Financial<br>institution<br>bonds | Non-<br>financial<br>institution<br>bonds |
| Lithuania                         | 37,069               | -             | -                                 | -   | 43,887              | -             | -                                 | -   |
| Iceland                           | 1,525                | -             | -                                 | -   | 1,567               | -             | -                                 | -   |
| Spain                             | -                    | -             | -                                 | -   | 1,002               | -             | -                                 | -   |
| Croatia                           | 660                  | -             | -                                 | -   | -                   | -             | -                                 | -   |
| Latvia                            | 6,036                | -             | -                                 | -   | 4,575               | -             | -                                 | -   |
| Poland                            | 1,555                | -             | -                                 | -   | 3,005               | -             | -                                 | -   |
| Romania                           | 2,006                | -             | -                                 | -   | 3,089               | -             | -                                 | -   |
| Slovenia                          | -                    | -             | -                                 | -   | 4,172               | -             | -                                 | -   |
| Sweden                            | -                    | -             | -                                 | -   | 2,619               | -             | -                                 | -   |
| Hungary                           | -                    | -             | -                                 | -   | 1,679               | -             | -                                 | -   |
| Germany                           | -                    | -             | -                                 | -   | -                   | -             | -                                 | 878                                       |
| Estonia                           | -                    | -             | -                                 | 260                                       | -                   | -             | -                                 | 270                                       |
| Finland                           | -                    | -             | -                                 | -   | 2,689               | -             | -                                 | -   |
| Belgium                           | -                    | -             | -                                 | -   | -                   | -             | -                                 | -   |
| Luxembourg                        | -                    | 893           | -                                 | -   | -                   | 1,314         | -                                 | -   |
| <b>Total</b>                      | <b>48,851</b>        | <b>893</b>    | <b>-</b>                          | <b>260</b>                                | <b>68,284</b>       | <b>1,314</b>  | <b>-</b>                          | <b>1,148</b>                              |

The Group and the Bank have no impaired or overdue amounts within trading and investment activities.

For trading and investment activities, the Group and the Bank have assigned "AAA" to "A" (based on Fitch ratings or similar international rating agency equivalent) rating bonds to high grade, "BBB" to "B" rating bonds – to standard grade.

**Corporate and bank bonds by sectors**

| The Bank (the Group)                     | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Finance (Bank)                           | 893              | 1,314            |
| Energy                                   | 260              | 270              |
| General public administration activities | -                | 878              |
| <b>Total</b>                             | <b>1,153</b>     | <b>2,462</b>     |

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

In addition to the Bank of Lithuania requirements to limit exposures to a single borrower and large exposures, the Group also sets exposure requirement that the exposure of the borrowers may not exceed the established 15 percent internal limits. The maximum exposure requirement to a single borrower established by the Bank of Lithuania is 25 percent. Concentration of credit risk of the Bank is disclosed in Note 33, Credit risk.



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)Risk concentration of the maximum exposure to credit risk (cont'd)

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

*Exposure by geographical area*

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed. The Bank's maximum credit exposure to one client or counterparty before impairment as at 31 December 2019 was EUR 6,986 thousand (EUR 5,841 thousand as at 31 December 2018), and after application of all credit risk mitigation measures as at 31 December 2019 was EUR 6,986 thousand (EUR 5,832 thousand as at 31 December 2018). The proportion to the Bank's capital was 20.95% (22.75% as at 31 December 2018).

| <b>The Bank, 2019</b>    | <b>Corporate<br/>loans</b> | <b>Individuals<br/>loans</b> | <b>Total</b>   |
|--------------------------|----------------------------|------------------------------|----------------|
| Lithuania                | 245,122                    | 22,890                       | <b>268,012</b> |
| United States of America | 13                         | -                            | <b>13</b>      |
| Germany                  | -                          | 21                           | <b>21</b>      |
| Austria                  | 5,273                      | -                            | <b>5,273</b>   |
| Russia                   | 3,901                      | 231                          | <b>4,132</b>   |
| Belarus                  | -                          | 65                           | <b>65</b>      |
| Poland                   | 17                         | -                            | <b>17</b>      |
| France                   | -                          | 154                          | <b>154</b>     |
| United Kingdom           | -                          | 231                          | <b>231</b>     |
| Croatia                  | -                          | -                            | <b>-</b>       |
| Other                    | 290                        | 264                          | <b>554</b>     |
|                          | <b>254,616</b>             | <b>23,856</b>                | <b>278,472</b> |
|                          |                            |                              |                |
| <b>The Group, 2019</b>   | <b>Corporate<br/>loans</b> | <b>Individuals<br/>loans</b> | <b>Total</b>   |
| Lithuania                | 244,521                    | 22,890                       | <b>267,411</b> |
| United States of America | 13                         | -                            | <b>13</b>      |
| Germany                  | -                          | 21                           | <b>21</b>      |
| Austria                  | 5,273                      | -                            | <b>5,273</b>   |
| Russia                   | 3,901                      | 231                          | <b>4,132</b>   |
| Belarus                  | -                          | 65                           | <b>65</b>      |
| Poland                   | 17                         | -                            | <b>17</b>      |
| France                   | -                          | 154                          | <b>154</b>     |
| United Kingdom           | -                          | 231                          | <b>231</b>     |
| Croatia                  | -                          | -                            | <b>-</b>       |
| Other                    | 290                        | 264                          | <b>554</b>     |
| <b>Total</b>             | <b>254,015</b>             | <b>23,856</b>                | <b>277,871</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)Risk concentration of the maximum exposure to credit risk (cont'd)

| <b>The Bank, 2018</b>    | <b>Corporate<br/>loans</b> | <b>Individuals<br/>loans</b> | <b>Total</b>   |
|--------------------------|----------------------------|------------------------------|----------------|
| Lithuania                | 195,354                    | 22,846                       | <b>218,200</b> |
| United States of America | 5                          | -                            | <b>5</b>       |
| Germany                  | -                          | 23                           | <b>23</b>      |
| Austria                  | 2,476                      | -                            | <b>2,476</b>   |
| Russia                   | 1,470                      | 305                          | <b>1,775</b>   |
| Belarus                  | -                          | 91                           | <b>91</b>      |
| Poland                   | 26                         | -                            | <b>26</b>      |
| France                   | -                          | 176                          | <b>176</b>     |
| United Kingdom           | 14                         | 244                          | <b>258</b>     |
| Croatia                  | 450                        | -                            | <b>450</b>     |
| Other                    | 177                        | 345                          | <b>522</b>     |
|                          | <b>199,972</b>             | <b>24,030</b>                | <b>224,002</b> |
|                          |                            |                              |                |
| <b>The Group, 2018</b>   | <b>Corporate<br/>loans</b> | <b>Individuals<br/>loans</b> | <b>Total</b>   |
| Lithuania                | 195,579                    | 24,651                       | <b>220,230</b> |
| United States of America | 5                          | -                            | <b>5</b>       |
| Germany                  | -                          | 24                           | <b>24</b>      |
| Austria                  | 2,476                      | -                            | <b>2,476</b>   |
| Russia                   | 1,470                      | 305                          | <b>1,775</b>   |
| Belarus                  | -                          | 91                           | <b>91</b>      |
| Poland                   | 26                         | -                            | <b>26</b>      |
| France                   | -                          | 176                          | <b>176</b>     |
| United Kingdom           | 14                         | 244                          | <b>258</b>     |
| Croatia                  | 450                        | -                            | <b>450</b>     |
| Other                    | 219                        | 344                          | <b>563</b>     |
| <b>Total</b>             | <b>200,239</b>             | <b>25,835</b>                | <b>226,074</b> |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 33 Risk management (cont'd)

##### Credit risk (cont'd)

##### Risk concentration of the maximum exposure to credit risk (cont'd)

##### *Risk by sector*

An industry sector split of the Bank's and the Group's financial assets before taking into account collateral held is as follows:

| The Group           |                     |                                    | The Bank            |                     |
|---------------------|---------------------|------------------------------------|---------------------|---------------------|
| 31 December<br>2019 | 31 December<br>2018 |                                    | 31 December<br>2019 | 31 December<br>2018 |
| <b>245,855</b>      | <b>200,239</b>      | <b>Corporate loans</b>             | <b>254,618</b>      | <b>199,972</b>      |
| 18,165              | 21,688              | Trading enterprises                | 18,165              | 21,688              |
| 45,388              | 21,974              | Real estate operations             | 45,388              | 21,974              |
| 6,321               | 5,391               | Real estate constructions          | 6,321               | 5,391               |
| 14,413              | 13,334              | Transport                          | 14,413              | 13,334              |
| 11,742              | 9,127               | Manufacturing                      | 11,742              | 9,127               |
| 50,581              | 42,167              | Services                           | 50,409              | 41,941              |
| 32,031              | 30,118              | Agriculture and food<br>processing | 32,031              | 30,118              |
| 3,230               | 4,651               | Energy                             | 3,230               | 4,651               |
| 62,397              | 49,237              | Financial services                 | 71,332              | 49,196              |
| 1,587               | 2,552               | Local government                   | 1,587               | 2,552               |
| <b>32,016</b>       | <b>25,835</b>       | <b>Individuals loans</b>           | <b>23,854</b>       | <b>24,030</b>       |
| <b>277,871</b>      | <b>226,074</b>      | <b>Total</b>                       | <b>278,472</b>      | <b>224,002</b>      |

##### *Collateral and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The ability to repay loan is the primary criterion in loan evaluation, though the Group and the Bank always demand collateral. Acceptable collaterals are classified into real estate, movable properties, guarantees, insurance, financial assets and other. Assets accepted as collateral are estimated at their fair value, while estimating present value of the loan taking into account the costs for obtaining and selling the collateral. When real estate is appraised, the Group and the Bank also take into account its liquidity and useful life.

According to the Bank's policy for evaluation of collaterals, different types of collaterals need to be revaluated in different timescale: residential buildings – at least every 5 years, commercial buildings – every 4 years, land – 3-5 years, vehicles – 1 years, other collaterals from 1 to 3 years. In addition to that there is also a requirement that in case of significant price correction in the real estate market or other significant change in economic environment, revaluation of all Bank's collateral should be performed.

The fair value of the rest collateral is appraised using both external and internal valuers.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 33 Risk management (cont'd)

##### Credit risk (cont'd)

##### Risk concentration of the maximum exposure to credit risk (cont'd)

##### *Collateral and other credit enhancements (cont'd)*

The main types of collateral by fair value of collateral established on the last appraisal date are as follows:

|                     | The Bank (The Group) 2019 |               |                | The Bank (The Group) 2018 |               |                |
|---------------------|---------------------------|---------------|----------------|---------------------------|---------------|----------------|
|                     | Corporate                 | Individuals   | Totals         | Corporate                 | Individuals   | Totals         |
| Real estate         | 488,205                   | 72,642        | 560,847        | 333,613                   | 76,995        | 410,608        |
| Securities          | 19,156                    | -             | 19,156         | 4,850                     | -             | 4,850          |
| Vehicles            | 47,201                    | 565           | 47,766         | 41,510                    | 653           | 42,163         |
| Equipment           | 16,344                    | -             | 16,344         | 19,262                    | -             | 19,262         |
| Cash                | 2,415                     | 23            | 2,438          | 2,455                     | 30            | 2,485          |
| Credit insurance    | 1,788                     | 550           | 2,338          | 1,118                     | 651           | 1,769          |
| Guarantees received | 12,239                    | -             | 12,239         | 14,038                    | 3             | 14,041         |
| Other               | 38,376                    | 4             | 38,380         | 92,392                    | 4             | 92,396         |
| <b>Total</b>        | <b>625,724</b>            | <b>73,784</b> | <b>699,508</b> | <b>509,238</b>            | <b>78,336</b> | <b>587,574</b> |

Pledged real estate value (related with NPL assets) is based on the valuation reports of licensed appraisers. New vehicles and equipment collateral value is based on acquisition value according to the acquisition document, used vehicles and equipment – based on the valuation reports of licensed appraisers (revaluation is performed every 3 years for not impaired loans and every 2 years for impaired loans). Guarantees are presented based on contractual terms. Cash is presented as the balance in the account on the reporting day. Securities are presented at their nominal value. Credit insurance value is based on the management's evaluation based on the documents from insurance companies. The value of other collaterals (goods, inventories) is based on the management's evaluation.

##### *Credit quality per class of financial asset*

The credit quality of financial assets is managed by the Bank and the Group using an internal credit assessment system as described below.

##### *Credit quality by financial asset classes*

The credit quality of a financial asset in the Bank or the Group is managed using an internal credit risk assessment system as described below.

#### **Risk management**

When assessing financial instruments, the Group and the Bank apply specific criteria and procedures for the assessment of debtors. 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 recognised 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 FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items

| <b>The Bank</b>                    | <b>Not<br/>overdue</b> | <b>1 to 59<br/>days</b> | <b>60 to 89<br/>days</b> | <b>More than 90<br/>days</b> | <b>Total</b>   |
|------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| <b>31 December 2019</b>            |                        |                         |                          |                              |                |
| <b>Stage 1</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 185,032                | 1,588                   | -                        | -                            | 186,620        |
| Placements with LB and other banks | 56,698                 | -                       | -                        | -                            | 56,698         |
| Debt securities                    | 50,004                 | -                       | -                        | -                            | 50,004         |
| Other financial assets             | 41                     | -                       | -                        | -                            | 41             |
| <b>Total</b>                       | <b>291,775</b>         | <b>1,588</b>            | <b>-</b>                 | <b>-</b>                     | <b>293,363</b> |
| <b>Stage 2</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 6,989                  | 1,540                   | 1,374                    | -                            | 9,903          |
| Placements with LB and other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                    | -                      | -                       | -                        | -                            | -              |
| Other financial assets             | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                       | <b>6,989</b>           | <b>1,540</b>            | <b>1,374</b>             | <b>-</b>                     | <b>9,903</b>   |
| <b>Stage 3</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 3,087                  | 1,116                   | 1,088                    | 2,071                        | 7,362          |
| Placements with LB and other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                    | -                      | -                       | -                        | -                            | -              |
| Other financial assets             | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                       | <b>3,087</b>           | <b>1,116</b>            | <b>1,088</b>             | <b>2,071</b>                 | <b>7,362</b>   |
| <b>Total</b>                       | <b>301,851</b>         | <b>4,244</b>            | <b>2,462</b>             | <b>2,071</b>                 | <b>310,628</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)

| <b>The Bank</b>                    | <b>Not<br/>overdue</b> | <b>1 to 59<br/>days</b> | <b>60 to 89<br/>days</b> | <b>More than 90<br/>days</b> | <b>Total</b>   |
|------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| <b>1 December 2018</b>             |                        |                         |                          |                              |                |
| <b>Stage 1</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 150,689                | 2,623                   | -                        | -                            | <b>153,312</b> |
| Placements with LB and other banks | 43,309                 | -                       | -                        | -                            | <b>43,309</b>  |
| Debt securities                    | 70,746                 | -                       | -                        | -                            | <b>70,746</b>  |
| Other financial assets             | 55                     | -                       | -                        | -                            | <b>55</b>      |
| <b>Total</b>                       | <b>264,799</b>         | <b>2,623</b>            | <b>-</b>                 | <b>-</b>                     | <b>267,422</b> |
| <b>Stage 2</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 9,664                  | 409                     | 354                      | -                            | <b>10,427</b>  |
| Placements with LB and other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                    | -                      | -                       | -                        | -                            | -              |
| Other financial assets             | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                       | <b>9,664</b>           | <b>409</b>              | <b>354</b>               | <b>-</b>                     | <b>10,427</b>  |
| <b>Stage 3</b>                     |                        |                         |                          |                              |                |
| Loans and receivables              | 1,306                  | 1,849                   | 388                      | 2,513                        | <b>6,056</b>   |
| Placements with LB and other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                    | -                      | -                       | -                        | -                            | -              |
| Other financial assets             | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                       | <b>1,306</b>           | <b>1,849</b>            | <b>388</b>               | <b>2,513</b>                 | <b>6,056</b>   |
| <b>Total</b>                       | <b>275,769</b>         | <b>4,881</b>            | <b>742</b>               | <b>2,513</b>                 | <b>283,905</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)

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

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Credit risk (cont'd)**The Group**

|                                       | <b>Not<br/>overdue</b> | <b>1 to 59<br/>days</b> | <b>60 to 89<br/>days</b> | <b>More than 90<br/>days</b> | <b>Total</b>   |
|---------------------------------------|------------------------|-------------------------|--------------------------|------------------------------|----------------|
| <b>31 December 2018</b>               |                        |                         |                          |                              |                |
| <b>Stage 1</b>                        |                        |                         |                          |                              |                |
| Loans and receivables                 | 152,364                | 2,903                   | -                        | -                            | <b>155,267</b> |
| Placements with LB and<br>other banks | 43,350                 | -                       | -                        | -                            | <b>43,350</b>  |
| Debt securities                       | 70,746                 | -                       | -                        | -                            | <b>70,746</b>  |
| Other financial assets                | 55                     | -                       | -                        | -                            | <b>55</b>      |
| <b>Total</b>                          | <b>266,515</b>         | <b>2,903</b>            | <b>-</b>                 | <b>-</b>                     | <b>269,418</b> |
| <b>Stage 2</b>                        |                        |                         |                          |                              |                |
| Loans and receivables                 | 9,672                  | 432                     | 357                      | -                            | <b>10,461</b>  |
| Placements with LB and<br>other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                       | -                      | -                       | -                        | -                            | -              |
| Other financial assets                | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                          | <b>9,672</b>           | <b>432</b>              | <b>357</b>               | <b>-</b>                     | <b>10,461</b>  |
| <b>Stage 3</b>                        |                        |                         |                          |                              |                |
| Loans and receivables                 | 1,306                  | 1,852                   | 394                      | 2,546                        | <b>6,098</b>   |
| Placements with LB and<br>other banks | -                      | -                       | -                        | -                            | -              |
| Debt securities                       | -                      | -                       | -                        | -                            | -              |
| Other financial assets                | -                      | -                       | -                        | -                            | -              |
| <b>Total</b>                          | <b>1,306</b>           | <b>1,852</b>            | <b>394</b>               | <b>2,546</b>                 | <b>6,098</b>   |
| <b>Total</b>                          | <b>277,493</b>         | <b>5,187</b>            | <b>751</b>               | <b>2,546</b>                 | <b>285,977</b> |



# UAB MEDICINOS BANKAS

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

## SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

### Note 33 Risk management (cont'd)

Breakdown of impairment for financial instruments by stages:

|                                    | 31 December 2019      |                       |                    |            |              | 31 December 2018      |                       |                    |            |              |
|------------------------------------|-----------------------|-----------------------|--------------------|------------|--------------|-----------------------|-----------------------|--------------------|------------|--------------|
|                                    | Collective impairment | Individual impairment | Credit commitments | Guarantees | Total        | Collective impairment | Individual impairment | Credit commitments | Guarantees | Total        |
| <b>The Bank</b>                    |                       |                       |                    |            |              |                       |                       |                    |            |              |
| <b>Stage 1</b>                     | <b>548</b>            | <b>-</b>              | <b>62</b>          | <b>4</b>   | <b>614</b>   | <b>441</b>            | <b>-</b>              | <b>26</b>          | <b>4</b>   | <b>471</b>   |
| Loans and receivables              | 498                   | -                     | 62                 | 4          | 564          | 385                   | -                     | 26                 | 4          | 415          |
| Placements with LB and other banks | 11                    | -                     | -                  | -          | 11           | 13                    | -                     | -                  | -          | 13           |
| Debt securities                    | 39                    | -                     | -                  | -          | 39           | 43                    | -                     | -                  | -          | 43           |
| Other financial assets             | -                     | -                     | -                  | -          | -            | -                     | -                     | -                  | -          | -            |
| <b>Stage 2</b>                     | <b>61</b>             | <b>-</b>              | <b>-</b>           | <b>-</b>   | <b>61</b>    | <b>78</b>             | <b>-</b>              | <b>-</b>           | <b>-</b>   | <b>78</b>    |
| Loans and receivables              | 61                    | -                     | -                  | -          | 61           | 78                    | -                     | -                  | -          | 78           |
| <b>Stage 3</b>                     | <b>-</b>              | <b>550</b>            | <b>-</b>           | <b>-</b>   | <b>550</b>   | <b>-</b>              | <b>2,083</b>          | <b>-</b>           | <b>-</b>   | <b>2,083</b> |
| Loans and receivables              | -                     | 515                   | -                  | -          | 515          | -                     | 2,083                 | -                  | -          | 2,083        |
| Other financial assets             | -                     | 35                    | -                  | -          | 35           | -                     | -                     | -                  | -          | -            |
| <b>Total</b>                       | <b>609</b>            | <b>550</b>            | <b>62</b>          | <b>4</b>   | <b>1,225</b> | <b>519</b>            | <b>2,083</b>          | <b>26</b>          | <b>4</b>   | <b>2,632</b> |
|                                    |                       |                       |                    |            |              |                       |                       |                    |            |              |
|                                    | 31 December 2019      |                       |                    |            |              | 31 December 2018      |                       |                    |            |              |
|                                    | Collective impairment | Individual impairment | Credit commitments | Guarantees | Total        | Collective impairment | Individual impairment | Credit commitments | Guarantees | Total        |
| <b>The Group</b>                   |                       |                       |                    |            |              |                       |                       |                    |            |              |
| <b>Stage 1</b>                     | <b>620</b>            | <b>-</b>              | <b>30</b>          | <b>4</b>   | <b>654</b>   | <b>459</b>            | <b>-</b>              | <b>26</b>          | <b>4</b>   | <b>489</b>   |
| Loans and receivables              | 570                   | -                     | 30                 | 4          | 604          | 403                   | -                     | 26                 | 4          | 433          |
| Placements with LB and other banks | 11                    | -                     | -                  | -          | 11           | 13                    | -                     | -                  | -          | 13           |
| Debt securities                    | 39                    | -                     | -                  | -          | 39           | 43                    | -                     | -                  | -          | 43           |
| Other financial assets             | -                     | -                     | -                  | -          | -            | -                     | -                     | -                  | -          | -            |
| <b>Stage 2</b>                     | <b>66</b>             | <b>-</b>              | <b>-</b>           | <b>-</b>   | <b>66</b>    | <b>79</b>             | <b>-</b>              | <b>-</b>           | <b>-</b>   | <b>79</b>    |
| Loans and receivables              | 66                    | -                     | -                  | -          | 66           | 79                    | -                     | -                  | -          | 79           |
| <b>Stage 3</b>                     | <b>-</b>              | <b>583</b>            | <b>-</b>           | <b>-</b>   | <b>583</b>   | <b>-</b>              | <b>2,118</b>          | <b>-</b>           | <b>-</b>   | <b>2,118</b> |
| Loans and receivables              | -                     | 548                   | -                  | -          | 548          | -                     | 2,118                 | -                  | -          | 2,118        |
| Other financial assets             | -                     | 35                    | -                  | -          | 35           | -                     | -                     | -                  | -          | -            |
| <b>Total</b>                       | <b>686</b>            | <b>583</b>            | <b>30</b>          | <b>4</b>   | <b>1,303</b> | <b>538</b>            | <b>2,118</b>          | <b>26</b>          | <b>4</b>   | <b>2,686</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Change of impairment during reporting period

| <b>The Group</b>             |                              |                           |                   |                | <b>The Bank</b>                                |                              |                              |                           |                   |                |
|------------------------------|------------------------------|---------------------------|-------------------|----------------|--|------------------------------|------------------------------|---------------------------|-------------------|----------------|
| <b>Collective impairment</b> | <b>Individual impairment</b> | <b>Credit commitments</b> | <b>Guarantees</b> | <b>Total</b>   |  | <b>Collective impairment</b> | <b>Individual impairment</b> | <b>Credit commitments</b> | <b>Guarantees</b> | <b>Total</b>   |
|                              |                              |                           |                   |                | <b>31 December 2019</b>                        |                              |                              |                           |                   |                |
| <b>161</b>                   | <b>-</b>                     | <b>4</b>                  | <b>-</b>          | <b>165</b>     | <b>Stage 1</b>                                 | <b>107</b>                   | <b>-</b>                     | <b>35</b>                 | <b>-</b>          | <b>142</b>     |
| 167                          | -                            | 4                         | -                 | 171            | Loans and receivables                          | 113                          | -                            | 35                        | -                 | 148            |
| (2)                          | -                            | -                         | -                 | (2)            | Placements with LB and other banks             | (2)                          | -                            | -                         | -                 | (2)            |
| (4)                          | -                            | -                         | -                 | (4)            | Debt securities                                | (4)                          | -                            | -                         | -                 | (4)            |
| -                            | -                            | -                         | -                 | -              | Other financial assets                         | -                            | -                            | -                         | -                 | -              |
| <b>(13)</b>                  | <b>-</b>                     | <b>-</b>                  | <b>-</b>          | <b>(13)</b>    | <b>Stage 2</b>                                 | <b>(17)</b>                  | <b>-</b>                     | <b>-</b>                  | <b>-</b>          | <b>(17)</b>    |
| (13)                         | -                            | -                         | -                 | (13)           | Loans and receivables                          | (17)                         | -                            | -                         | -                 | (17)           |
| <b>-</b>                     | <b>(1,535)</b>               | <b>-</b>                  | <b>-</b>          | <b>(1,535)</b> | <b>Stage 3</b>                                 | <b>-</b>                     | <b>(1,534)</b>               | <b>-</b>                  | <b>-</b>          | <b>(1,534)</b> |
| -                            | (1,570)                      | -                         | -                 | (1,570)        | Loans and receivables                          | -                            | (1,569)                      | -                         | -                 | (1,569)        |
| -                            | 35                           | -                         | -                 | 35             | Other financial assets                         | -                            | 35                           | -                         | -                 | 35             |
| <b>148</b>                   | <b>(1,535)</b>               | <b>4</b>                  | <b>-</b>          | <b>(1,383)</b> | <b>Total</b>                                   | <b>90</b>                    | <b>(1,534)</b>               | <b>35</b>                 | <b>-</b>          | <b>(1,409)</b> |
| -                            | 2,427                        | -                         | -                 | 2,427          | Write-offs                                     | -                            | 2,356                        | -                         | -                 | 2,356          |
| -                            | -                            | -                         | -                 | (70)           | Income on loans written off in earlier periods | -                            | -                            | -                         | -                 | (70)           |
| <b>-</b>                     | <b>-</b>                     | <b>-</b>                  | <b>-</b>          | <b>974</b>     | <b>Total change of impairment</b>              | <b>-</b>                     | <b>-</b>                     | <b>-</b>                  | <b>-</b>          | <b>877</b>     |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 33 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 proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The major part of term deposits in the Bank's and the Group's deposit portfolio are placed for 6 to 13 month period, and average monthly fluctuations of this portfolio not exceeding more than 5 percent according to historical data. Several year statistics of the Group and the Bank show that activities of the Group and the Bank ensure stable level of those funds, also most of such funds are extended after maturity; this allows investing them into longer term financial assets.

From the beginning of 2015, the mandatory requirements of compliance with liquidity coverage ratio came into force according to Regulation (EU) No 575/2013 of the European Parliament and of the Council. The 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 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:

| <b>The Group</b>            |                             |  | <b>The Bank</b>             |                             |
|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|
| <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
| 123,647                     | 128,502                     | Liquid assets                          | 123,647                     | 128,502                     |
| 22,294                      | 13,564                      | Short-term (up to 30 days) obligations | 24,502                      | 13,791                      |
| <b>555</b>                  | <b>947</b>                  | <b>LCR (%)</b>                         | <b>505</b>                  | <b>932</b>                  |

Liquid assets of the Bank or the Group consist of cash, balances in central bank (eliminating required reserves requirements) and highly liquid debt securities (at current market value).

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Liquidity risk (cont'd)

Overdue loans in 2019 December 31 and 2018 December 31 is revealed in the column 'Without maturity'.

The following tables provide an analysis of financial liabilities based on contractual undiscounted repayment obligations:

**The Bank**

|   | 31 December 2019 |                   |               |                    |               |               |                  | Total          |
|---|------------------|-------------------|---------------|--------------------|---------------|---------------|------------------|----------------|
|   | On demand        | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 3 years  | Over 3 years  | Without maturity |                |
| <b>Liabilities:</b>                             |                  |                   |               |                    |               |               |                  |                |
| Due to banks and other credit institutions      | 36               | 3,000             | -             | -                  | -             | -             | -                | <b>3,036</b>   |
| Due to customers                                | 131,808          | 15,947            | 22,128        | 77,606             | 39,445        | 27,272        | 3                | <b>314,209</b> |
| Debt securities issued                          | -                | -                 | -             | -                  | -             | 1,000         | -                | <b>1,000</b>   |
| Subordinated loans                              | -                | -                 | -             | -                  | -             | 2,520         | -                | <b>2,520</b>   |
| Other liabilities                               | 525              | 3,531             | 4             | 15                 | 12            | 12            | 64               | <b>4,163</b>   |
| Guarantees                                      | 2,088            | -                 | -             | -                  | -             | -             | -                | <b>2,088</b>   |
| Credit commitments                              | 15,801           | -                 | -             | -                  | -             | -             | -                | <b>15,801</b>  |
| <b>Total undiscounted financial liabilities</b> | <b>150,258</b>   | <b>22,478</b>     | <b>22,132</b> | <b>77,621</b>      | <b>39,457</b> | <b>30,804</b> | <b>67</b>        | <b>342,817</b> |

**The Bank**

|   | 31 December 2018 |                   |               |                    |               |               |                  | 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 |                |
| <b>Liabilities:</b>                             |                  |                   |               |                    |               |               |                  |                |
| Due to banks and other credit institutions      | 228              | -                 | -             | -                  | -             | -             | -                | <b>228</b>     |
| Due to customers                                | 111,362          | 13,555            | 18,283        | 79,153             | 45,998        | 25,636        | 3                | <b>293,990</b> |
| Debt securities issued                          | -                | -                 | -             | -                  | -             | 1,000         | -                | <b>1,000</b>   |
| Subordinated loans                              | -                | -                 | -             | -                  | -             | 3,229         | -                | <b>3,229</b>   |
| Other liabilities                               | 201              | 3,135             | 5             | 10                 | 8             | 9             | -                | <b>3,368</b>   |
| Guarantees                                      | 2,026            | -                 | -             | -                  | -             | -             | -                | <b>2,026</b>   |
| Credit commitments                              | 8,902            | -                 | -             | -                  | -             | -             | -                | <b>8,902</b>   |
| <b>Total undiscounted financial liabilities</b> | <b>122,719</b>   | <b>16,690</b>     | <b>18,288</b> | <b>79,163</b>      | <b>46,006</b> | <b>29,874</b> | <b>3</b>         | <b>312,743</b> |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Liquidity risk (cont'd)**The Group**

|   | 31 December 2019 |                   |               |                    |               |               |                  | Total          |
|---|------------------|-------------------|---------------|--------------------|---------------|---------------|------------------|----------------|
|   | On demand        | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 3 years  | Over 3 years  | Without maturity |                |
| <b>Liabilities:</b>                             |                  |                   |               |                    |               |               |                  |                |
| Due to banks and other credit institutions      | 36               | 3,000             | -             | -                  | -             | -             | -                | <b>3,036</b>   |
| Due to customers                                | 130,841          | 15,947            | 22,128        | 77,606             | 39,445        | 27,272        | 3                | <b>313,242</b> |
| Debt securities issued                          | -                | -                 | -             | -                  | -             | 1,000         | -                | <b>1,000</b>   |
| Subordinated loans                              | -                | -                 | -             | -                  | -             | 2,520         | -                | <b>2,520</b>   |
| Other liabilities                               | 525              | 3,709             | 4             | 15                 | 12            | 12            | 33               | <b>4,310</b>   |
| Guarantees                                      | 2,088            | -                 | -             | -                  | -             | -             | -                | <b>2,088</b>   |
| Credit commitments                              | 10,782           | -                 | -             | -                  | -             | -             | -                | <b>10,782</b>  |
| <b>Total undiscounted financial liabilities</b> | <b>144,272</b>   | <b>22,656</b>     | <b>22,132</b> | <b>77,621</b>      | <b>39,457</b> | <b>30,804</b> | <b>36</b>        | <b>336,978</b> |

**The Group**

|   | 31 December 2018 |                   |               |                    |               |               |                  | 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 |                |
| <b>Liabilities:</b>                             |                  |                   |               |                    |               |               |                  |                |
| Due to banks and other credit institutions      | 228              | -                 | -             | -                  | -             | -             | -                | <b>228</b>     |
| Due to customers                                | 109,755          | 13,555            | 18,283        | 79,153             | 45,998        | 25,636        | 3                | <b>292,383</b> |
| Debt securities issued                          | -                | -                 | -             | -                  | -             | 1,000         | -                | <b>1,000</b>   |
| Subordinated loans                              | -                | -                 | -             | -                  | -             | 3,229         | -                | <b>3,229</b>   |
| Other liabilities                               | 201              | 1,449             | 5             | 10                 | 8             | 9             | -                | <b>1,682</b>   |
| Guarantees                                      | 2,026            | -                 | -             | -                  | -             | -             | -                | <b>2,026</b>   |
| Credit commitments                              | 8,902            | -                 | -             | -                  | -             | -             | -                | <b>8,902</b>   |
| <b>Total undiscounted financial liabilities</b> | <b>121,112</b>   | <b>15,004</b>     | <b>18,288</b> | <b>79,163</b>      | <b>46,006</b> | <b>29,874</b> | <b>3</b>         | <b>309,450</b> |

The Group and the Bank do not expect to pay under any of the guarantees, though they were included in the range on demand assuming worst case scenario. In case of failure of clients to fulfil the obligations where the Group and the Bank have issued guarantees, guarantees would become payable on demand.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**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.

The Bank and the Group by managing loans in foreclosure processes and holding as investment property repossessed assets face real estate market price risk. Real estate market price risk is the risk to incur losses due to low market liquidity that disables to sell assets at the desired time for a desired price or a possibility to sell available assets (investments) is lost.

**The Bank**

|                      | <b>Changes in presumptions</b> | <b>Effect for profit and loss</b> |                         |
|----------------------|--------------------------------|-----------------------------------|-------------------------|
|                      |                                | <b>31 December 2019</b>           | <b>31 December 2018</b> |
| Land                 | + 10%                          | 48                                | 50                      |
| Commercial property  | + 10%                          | 184                               | 328                     |
| Residential property | + 10%                          | 75                                | 121                     |
| Other assets         | + 10%                          | 74                                | 58                      |
| <b>Total</b>         |                                | <b>381</b>                        | <b>557</b>              |
| Land                 | - 10%                          | (48)                              | (50)                    |
| Commercial property  | - 10%                          | (184)                             | (328)                   |
| Residential property | - 10%                          | (75)                              | (121)                   |
| Other assets         | - 10%                          | (74)                              | (58)                    |
| <b>Total</b>         |                                | <b>(381)</b>                      | <b>(557)</b>            |

**The Group**

|                      | <b>Changes in presumptions</b> | <b>Effect for profit and loss</b> |                         |
|----------------------|--------------------------------|-----------------------------------|-------------------------|
|                      |                                | <b>31 December 2019</b>           | <b>31 December 2018</b> |
| Land                 | + 10%                          | 143                               | 209                     |
| Commercial property  | + 10%                          | 203                               | 357                     |
| Residential property | + 10%                          | 75                                | 130                     |
| Other assets         | + 10%                          | 74                                | 58                      |
| <b>Total</b>         |                                | <b>495</b>                        | <b>754</b>              |
| Land                 | - 10%                          | (143)                             | (209)                   |
| Commercial property  | - 10%                          | (203)                             | (357)                   |
| Residential property | - 10%                          | (75)                              | (130)                   |
| Other assets         | - 10%                          | (74)                              | (58)                    |
| <b>Total</b>         |                                | <b>(495)</b>                      | <b>(754)</b>            |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Interest rate risk

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

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

| <b>The Bank</b>  | <b>Interest rate change</b> | <b>Effect on net interest income</b> |                         |
|------------------|-----------------------------|--------------------------------------|-------------------------|
|                  |                             | <b>31 December 2019</b>              | <b>31 December 2018</b> |
| EUR              | + 1 proc.                   | 1,086                                | 890                     |
| USD              | + 1 proc.                   | 62                                   | 64                      |
| Other            | + 1 proc.                   | (2)                                  | (4)                     |
| EUR              | - 1 proc.                   | (1,086)                              | (890)                   |
| USD              | - 1 proc.                   | (62)                                 | (64)                    |
| Other            | - 1 proc.                   | 2                                    | 4                       |
| <b>The Group</b> |                             |                                      |                         |
|                  | <b>Interest rate change</b> | <b>Effect on net interest income</b> |                         |
|                  |                             | <b>31 December 2019</b>              | <b>31 December 2018</b> |
| EUR              | + 1 proc.                   | 1,096                                | 896                     |
| USD              | + 1 proc.                   | 62                                   | 64                      |
| Other            | + 1 proc.                   | (2)                                  | (4)                     |
| EUR              | - 1 proc.                   | (1,096)                              | (896)                   |
| USD              | - 1 proc.                   | (62)                                 | (64)                    |
| Other            | - 1 proc.                   | 2                                    | 4                       |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Interest rate risk (cont'd)

The table below summarises the Group's and the Bank's exposure to interest rate risk as at 31 December 2019 and 2018. The table below includes the Group's and the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

| The Bank   | 31 December 2019        |                  |                  |                       |                 |                 | Total          |
|--|-------------------------|------------------|------------------|-----------------------|-----------------|-----------------|----------------|
|  | Less than<br>1 month    | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | 1 to 3<br>years | Over 3<br>years |                |
| <b>Assets:</b>   |                         |                  |                  |                       |                 |                 |                |
| Cash and due from banks  | 2,946                   | -                | -                | -                     | -               | -               | 2,946          |
| Loans and receivables  | 37,840                  | 61,376           | 96,476           | 6,068                 | 4,750           | 4,133           | 210,643        |
| Investments in debt securities   | 4,467                   | 10,386           | 14,538           | 8,370                 | 8,575           | 3,263           | 49,599         |
| Other assets   | 203                     | -                | -                | -                     | -               | -               | 203            |
| <b>Sensitive assets to interest rate fluctuation</b>                     | <b>45,456</b>           | <b>71,762</b>    | <b>111,014</b>   | <b>14,438</b>         | <b>13,325</b>   | <b>7,396</b>    | <b>263,391</b> |
| <b>Non-sensitive assets to interest rate fluctuation</b>                 |                         |                  |                  |                       |                 |                 | <b>92,980</b>  |
| <b>Liabilities:</b>  |                         |                  |                  |                       |                 |                 |                |
| Due to banks and other credit institutions                               | -                       | -                | -                | -                     | -               | -               | -              |
| Due to customers   | 15,739                  | 21,933           | 24,284           | 52,583                | 38,183          | 15,671          | 168,393        |
| Debt securities issued   | -                       | -                | -                | -                     | -               | 2,184           | 2,184          |
| Other liabilities  | -                       | -                | -                | 183                   | -               | 10,816          | 10,999         |
| <b>Sensitive liabilities to interest rate fluctuation</b>                | <b>15,739</b>           | <b>21,933</b>    | <b>24,284</b>    | <b>52,766</b>         | <b>38,183</b>   | <b>28,671</b>   | <b>181,576</b> |
| <b>Non-sensitive liabilities and equity to interest rate fluctuation</b> |                         |                  |                  |                       |                 |                 | <b>174,795</b> |
| <b>Total interest sensitivity gap</b>                                    | <b>29,717</b>           | <b>49,829</b>    | <b>86,730</b>    | <b>(38,328)</b>       | <b>(24,858)</b> | <b>(21,275)</b> | <b>-</b>       |
|  | <b>31 December 2018</b> |                  |                  |                       |                 |                 |                |
| The Bank   | Less than<br>1 month    | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | 1 to 3<br>years | Over 3<br>years | Total          |
| <b>Assets:</b>   |                         |                  |                  |                       |                 |                 |                |
| Cash and due from banks  | -                       | -                | -                | -                     | -               | -               | -              |
| Loans and receivables  | 34,538                  | 50,457           | 67,920           | 13,403                | 4,913           | 4,593           | 175,824        |
| Investments in debt securities   | 2,250                   | 21,818           | 8,052            | 10,776                | 21,955          | 5,333           | 70,184         |
| Other assets   | 189                     | -                | -                | -                     | -               | -               | 189            |
| <b>Sensitive assets to interest rate fluctuation</b>                     | <b>36,977</b>           | <b>72,275</b>    | <b>75,972</b>    | <b>24,179</b>         | <b>26,868</b>   | <b>9,926</b>    | <b>246,197</b> |
| <b>Non-sensitive assets to interest rate fluctuation</b>                 |                         |                  |                  |                       |                 |                 | <b>81,933</b>  |
| <b>Liabilities:</b>  |                         |                  |                  |                       |                 |                 |                |
| Due to banks and other credit institutions                               | -                       | -                | -                | -                     | -               | -               | -              |
| Due to customers   | 12,084                  | 16,681           | 24,716           | 53,325                | 43,830          | 13,101          | 163,737        |
| Debt securities issued   | -                       | -                | -                | -                     | -               | 2,210           | 2,210          |
| Other liabilities  | -                       | -                | -                | -                     | 626             | 12,473          | 13,099         |
| <b>Sensitive liabilities to interest rate fluctuation</b>                | <b>12,084</b>           | <b>16,681</b>    | <b>24,716</b>    | <b>53,325</b>         | <b>44,456</b>   | <b>27,784</b>   | <b>179,046</b> |
| <b>Non-sensitive liabilities and equity to interest rate fluctuation</b> |                         |                  |                  |                       |                 |                 | <b>149,084</b> |
| <b>Total interest sensitivity gap</b>                                    | <b>24,893</b>           | <b>55,594</b>    | <b>51,256</b>    | <b>(29,146)</b>       | <b>(17,588)</b> | <b>(17,858)</b> | <b>-</b>       |



**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Interest rate risk (cont'd)

| The Group  | 31 December 2019     |                  |                  |                       |                 |                 | Total          |
|--|----------------------|------------------|------------------|-----------------------|-----------------|-----------------|----------------|
|  | Less than<br>1 month | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | 1 to 3<br>years | Over 3<br>years |                |
| <b>Assets:</b>   |                      |                  |                  |                       |                 |                 |                |
| Cash and due from banks  | 2 946                | -                | -                | -                     | -               | -               | <b>2 946</b>   |
| Loans and receivables  | 38 010               | 61 695           | 96 935           | 6 940                 | 3 728           | 7 689           | <b>214 997</b> |
| Investments in debt securities   | 4 467                | 10 386           | 14 538           | 8 370                 | 8 575           | 3 263           | <b>49 599</b>  |
| Other assets   | 203                  | -                | -                | -                     | -               | -               | <b>203</b>     |
| <b>Sensitive assets to interest rate fluctuation</b>                     | <b>45 626</b>        | <b>72 081</b>    | <b>111 473</b>   | <b>15 310</b>         | <b>12 303</b>   | <b>10 952</b>   | <b>267 745</b> |
| <b>Non-sensitive assets to interest rate fluctuation</b>                 |                      |                  |                  |                       |                 |                 | <b>87 589</b>  |
| <b>Liabilities:</b>  |                      |                  |                  |                       |                 |                 |                |
| Due to banks and other credit institutions                               | -                    | -                | -                | -                     | -               | -               | -              |
| Due to customers   | 15 739               | 21 933           | 24 284           | 52 583                | 38 183          | 15 671          | <b>168 393</b> |
| Debt securities issued   | -                    | -                | -                | -                     | -               | 2 184           | <b>2 184</b>   |
| Other liabilities  | -                    | -                | -                | 183                   | -               | 10 816          | <b>10 999</b>  |
| <b>Sensitive liabilities to interest rate fluctuation</b>                | <b>15 739</b>        | <b>21 933</b>    | <b>24 284</b>    | <b>52 766</b>         | <b>38 183</b>   | <b>28 671</b>   | <b>181 576</b> |
| <b>Non-sensitive liabilities and equity to interest rate fluctuation</b> |                      |                  |                  |                       |                 |                 | <b>173 758</b> |
| <b>Total interest sensitivity gap</b>                                    | <b>29 887</b>        | <b>50 148</b>    | <b>87 189</b>    | <b>(37 456)</b>       | <b>(25 880)</b> | <b>(17 719)</b> | <b>-</b>       |

| The Group  | 31 December 2018     |                  |                  |                       |                 |                 | Total          |
|--|----------------------|------------------|------------------|-----------------------|-----------------|-----------------|----------------|
|  | Less than<br>1 month | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | 1 to 3<br>years | Over 3<br>years |                |
| <b>Assets:</b>   |                      |                  |                  |                       |                 |                 |                |
| Cash and due from banks  | -                    | -                | -                | -                     | -               | -               | -              |
| Loans and receivables  | 34,592               | 50,561           | 68,330           | 14,229                | 5,501           | 4,642           | <b>177,855</b> |
| Investments in debt securities   | 2,250                | 21,818           | 8,052            | 10,776                | 21,955          | 5,333           | <b>70,184</b>  |
| Other assets   | 189                  | -                | -                | -                     | -               | -               | <b>189</b>     |
| <b>Sensitive assets to interest rate fluctuation</b>                     | <b>37,031</b>        | <b>72,379</b>    | <b>76,382</b>    | <b>25,005</b>         | <b>27,456</b>   | <b>9,975</b>    | <b>248,228</b> |
| <b>Non-sensitive assets to interest rate fluctuation</b>                 |                      |                  |                  |                       |                 |                 | <b>76,535</b>  |
| <b>Liabilities:</b>  |                      |                  |                  |                       |                 |                 |                |
| Due to banks and other credit institutions                               | -                    | -                | -                | -                     | -               | -               | -              |
| Due to customers   | 12,084               | 16,681           | 24,716           | 53,325                | 43,830          | 13,101          | <b>163,737</b> |
| Debt securities issued   | -                    | -                | -                | -                     | -               | 2,210           | <b>2,210</b>   |
| Other liabilities  | -                    | -                | -                | -                     | 626             | 12,473          | <b>13,099</b>  |
| <b>Sensitive liabilities to interest rate fluctuation</b>                | <b>12,084</b>        | <b>16,681</b>    | <b>24,716</b>    | <b>53,325</b>         | <b>44,456</b>   | <b>27,784</b>   | <b>179,046</b> |
| <b>Non-sensitive liabilities and equity to interest rate fluctuation</b> |                      |                  |                  |                       |                 |                 | <b>145,717</b> |
| <b>Total interest sensitivity gap</b>                                    | <b>24,947</b>        | <b>55,698</b>    | <b>51,666</b>    | <b>(28,320)</b>       | <b>(17,000)</b> | <b>(17,809)</b> | <b>-</b>       |

The Bank and the Group is exposed to the price risk, which arises from investments measured as fair value though profit and loss (FVTPL). The management of the Group monitors the proportions of debt securities in its investment portfolio based on market indices.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 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 Bank                                   | Statement of financial position |                        | Off Balance sheet |                        | Open position | Position as % of capital |
|--|---------------------------------|------------------------|-------------------|------------------------|---------------|--------------------------|
|  | Assets                          | Equity and liabilities | Contingent claims | Contingent liabilities |               |                          |
| 31 December 2019                           |                                 |                        |                   |                        |               |                          |
| EUR  | 324,043                         | 334,210                | 10,458            | 506                    | (215)         | (0.65%)                  |
| USD  | 19,616                          | 19,707                 | -                 | 2                      | (93)          | (0.28%)                  |
| Other currencies                           | 12,712                          | 2,454                  | 508               | 10,512                 | 254           | 0.76%                    |
| <b>Total assets</b>                        | <b>356,371</b>                  | <b>356,371</b>         | <b>10,966</b>     | <b>11,020</b>          |               |                          |
| Long positions                             |                                 |                        |                   |                        |               | 469                      |
| Short positions                            |                                 |                        |                   |                        |               | (309)                    |
| Eligible capital                           |                                 |                        |                   |                        |               | 33,331                   |
| <b>Open foreign currency position 2019</b> |                                 |                        |                   |                        |               | <b>1.41 %</b>            |

| The Bank                                   | Statement of financial position |                        | Off Balance sheet |                        | Open position | Position as % of capital |
|--|---------------------------------|------------------------|-------------------|------------------------|---------------|--------------------------|
|  | Assets                          | Equity and liabilities | Contingent claims | Contingent liabilities |               |                          |
| 31 December 2018                           |                                 |                        |                   |                        |               |                          |
| EUR  | 290,889                         | 300,864                | 10,304            | 312                    | 17            | 0.06 %                   |
| USD  | 23,611                          | 24,029                 | 297               | -                      | (121)         | (0.47) %                 |
| Other currencies                           | 13,630                          | 3,237                  | 311               | 10,565                 | 140           | 0.55 %                   |
| <b>Total assets</b>                        | <b>328,130</b>                  | <b>328,130</b>         | <b>10,912</b>     | <b>10,877</b>          |               |                          |
| Long positions                             |                                 |                        |                   |                        |               | 534                      |
| Short positions                            |                                 |                        |                   |                        |               | (515)                    |
| Eligible capital                           |                                 |                        |                   |                        |               | 25,639                   |
| <b>Open foreign currency position 2018</b> |                                 |                        |                   |                        |               | <b>2.08 %</b>            |

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS****AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**Note 33 Risk management (cont'd)**Currency risk (cont'd)

| The Group                                  | Statement of financial position |                        | Off Balance sheet |                        | Open position | Position as % of capital |
|--|---------------------------------|------------------------|-------------------|------------------------|---------------|--------------------------|
|  | Assets                          | Equity and liabilities | Contingent claims | Contingent liabilities |               |                          |
| 31 December 2019                           |                                 |                        |                   |                        |               |                          |
| EUR  | 323,005                         | 333,173                | 10,458            | 506                    | (216)         | (0.65%)                  |
| USD  | 19,616                          | 19,707                 | -                 | 2                      | (93)          | (0.28%)                  |
| Other currencies                           | 12,713                          | 2,454                  | 508               | 10,512                 | 255           | 0.77%                    |
| <b>Total assets</b>                        | <b>355,334</b>                  | <b>355,334</b>         | <b>10,966</b>     | <b>11,020</b>          |               |                          |
| Long positions                             |                                 |                        |                   |                        |               | 469                      |
| Short positions                            |                                 |                        |                   |                        |               | (309)                    |
| Eligible capital                           |                                 |                        |                   |                        |               | 33,076                   |
| <b>Open foreign currency position 2019</b> |                                 |                        |                   |                        |               | <b>1.42 %</b>            |

| The Group                                  | Statement of financial position |                        | Off Balance sheet |                        | Open position | Position as % of capital |
|--|---------------------------------|------------------------|-------------------|------------------------|---------------|--------------------------|
|  | Assets                          | Equity and liabilities | Contingent claims | Contingent liabilities |               |                          |
| 31 December 2018                           |                                 |                        |                   |                        |               |                          |
| EUR  | 287,522                         | 297,497                | 10,304            | 312                    | 17            | 0.06 %                   |
| USD  | 23,611                          | 24,029                 | 297               | -                      | (121)         | (0.47) %                 |
| Other currencies                           | 13,630                          | 3,237                  | 311               | 10,565                 | 140           | 0.54 %                   |
| <b>Total assets</b>                        | <b>324,763</b>                  | <b>324,763</b>         | <b>10,912</b>     | <b>10,877</b>          |               |                          |
| Long positions                             |                                 |                        |                   |                        |               | 534                      |
| Short positions                            |                                 |                        |                   |                        |               | (515)                    |
| Eligible capital                           |                                 |                        |                   |                        |               | 25,773                   |
| <b>Open foreign currency position 2018</b> |                                 |                        |                   |                        |               | <b>2.07%</b>             |

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

|                             | 2019 | 2018 |
|-----------------------------|------|------|
| Increase in FX rates by 10% | 16   | 2    |
| Decrease in FX rates by 10% | (16) | (2)  |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 33 Risk management (cont'd)

##### Anti-money laundering risk management

##### **Anti-money laundering risk management**

UAB Medicinos Bankas is implementing money laundering and terrorist financing prevention policy according to the legislation of the Republic of Lithuania and international legislation.

The Bank's money laundering and terrorist financing prevention policy's aims, its implementation procedures and instruments are regulated in the special Bank's documents.

Main procedures of money laundering and terrorist financing prevention:

- Know Your Customer procedures;
- customer identification;
- monitoring of the financial transactions performed by customers;
- identification of suspicious transactions and termination hereof (special systems introduced at the Bank enable to efficiently implement the procedure);
- keeping of information about transactions performed by customers and register handling;
- providing timely information to the Bank staff and training;
- internal control.

The Bank is following strict ethical and moral norms and is working with those clients whose funds and assets are reasonable and whose legitimacy is not doubtful.

#### Note 34 Capital

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), which took effect on 1 January 2015. The CRD consists of three pillars two of which were represented in the financial statements:

Pillar one contains a set of rules for the mathematical calculation of capital requirements for credit, market and operational risks. These rules are set by Regulation (EU) No. 575/2013 of the European Parliament and of the Council and require banks to maintain a common equity Tier 1 capital ratio of 4.5% and a total capital adequacy ratio of 8% of risk-weighted assets. On 30 June 2015 a new requirement for Tier 1 equity items came into effect. According to these requirements, there is a need to accumulate additional reserve, which is equal to 2.5 percentage from generally evaluated risk amount. From 2018 December came into effect countercyclical buffer for Lithuanian positions which is equal to 1.0 percentage from generally evaluated risk amount. The risk weighted asset is determined based on a standard method when different risk weight is attributed to different categories of asset based on its type and risk involved, taking into account collateral and warranties, which hedge the risk. Off-balance sheet positions are evaluated in a similar way. Operating risk capital adequacy requirement is determined based on the base indicator method. 2.2 % the additional capital requirement amount is determined from 30 September 2018.

##### **CRD IV and CRR requirements for the Bank's capital adequacy ratios for the year end in percentage**

| Capital components  | 2019  | 2018  | 2017  |
|---|-------|-------|-------|
| General capital adequacy ratio  | 8.00  | 8.00  | 8.00  |
| General capital adequacy ratio plus Pillar II                                 | 10.20 | 10.20 | 11.40 |
| General capital adequacy ratio plus Pillar II and Capital conservation buffer | 13.70 | 13.20 | 13.90 |

Pillar two describes the supervisory review process and requires banks to carry out an internal capital adequacy assessment process (ICAAP).

The Bank's internal capital adequacy monitoring process is reviewed at least once a year and the most critical risks to the Bank are determined. The Bank assesses that credit, market, liquidity, concentration and operating risks are the most important to the Bank's activities. Also, during the review process all of the above mentioned risks are divided into sub-categories. All structural units of the Bank are involved in self-assessment to exposure of such risks. Based on the identified significant risks, an additional capital adequacy requirement (in addition to the Pillar one ratio) is determined. An additional required capital is determined on a periodical basis based on stress testing and internal capital adequacy assessment.

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 34 Capital (cont'd)

Based on self-assessment results the Bank's management determined that credit risk is the most significant to the Bank. Concentration risk is assessed as a part of credit risk. Operating risk was assessed as moderate in the Bank. The following subcategories of operating risk are analysed in the Bank: IT risk and the Bank's employees' mistake risk. Liquidity risk is managed centrally; however, due to the fact that the Bank does not have a strong parent company (financial institution), this risk is assessed as medium. Market risk includes foreign exchange, debt securities price risks. Other risks are considered as not material. There are internal regulations in the Bank which determine risk management process integrity. The risks taken by the Bank are controlled by limit system that is implemented in the Bank. In addition to the limit system, additional measures such as risk source monitoring and informing Bank's management are applied.

In addition to assessment of various risks and calculation of required additional capital stress testing for credit, liquidity, market, interest rate, foreign exchange and operational risks is performed. The purpose of such test is to determine whether the Bank's capital is sufficient to cover potential losses due to possible deterioration of the financial position of the Bank. Stress testing is performed once a year in order to comply with the regulations set by the Bank of Lithuania.

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 maximise the shareholders' value. Taking into consideration Regulation (EU) No. 575/2013 of the European Parliament and of the Council and capital adequacy requirements, the Bank's and the Group's total capital adequacy ratio should not be less than 13.70 percent. With permission of the Bank of Lithuania Supervision Authority, the Bank into Common Equity Tier 1 capital in 31 December 2019 added financial profit for the period of 9 months (EUR 2,193 million). As at 31 December 2019, the Group's and the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

Capital adequacy ratio, according to the requirements of the Bank of Lithuania, was estimated as follows:

|                               | 2019         |              | 2018         |              |
|-------------------------------|--------------|--------------|--------------|--------------|
|                               | Group        | Bank         | Group        | Bank         |
| <b>Capital adequacy ratio</b> | <b>17.76</b> | <b>17.63</b> | <b>17.66</b> | <b>17.14</b> |

## UAB MEDICINOS BANKAS

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

### SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in EUR thousand unless otherwise stated)

#### Note 35 Quality of financial assets, profitability ratios and other information

Financial asset quality ratios as at 31 December 2019 are provided in the table below:

| The Group                     |  |                          | The Bank                      |  |
|-------------------------------|--|--------------------------|-------------------------------|--|
| Provisions (EUR)<br>thousands | Provisions to<br>financial assets<br>ratio (%) |                          | Provisions (EUR)<br>thousands | Provisions to<br>financial assets<br>ratio (%) |
| 1,057                         | 0.55   | Loans to customers       | 946                           | 0.50   |
| 127                           | 0.79   | Finance lease receivable | 127                           | 0.79   |
| 39                            | 0.08   | Debt securities          | 39                            | 0.08   |
| 11                            | 0.10   | Placements with banks    | 11                            | 0.10   |
| 35                            | 4.56   | Other assets             | 35                            | 4.82   |
| <b>1,269</b>                  | <b>0.47</b>                                    | <b>Total:</b>            | <b>1,158</b>                  | <b>0.43</b>                                    |

Financial assets quality ratios as at 31 December 2018:

| The Group                     |  |                          | The Bank                      |  |
|-------------------------------|--|--------------------------|-------------------------------|--|
| Provisions (EUR)<br>thousands | Provisions to<br>financial assets<br>ratio (%) |                          | Provisions (EUR)<br>thousands | Provisions to<br>financial assets<br>ratio (%) |
| 2,416                         | 1.50   | Loans to customers       | 2,363                         | 1.48   |
| 183                           | 1.41   | Finance lease receivable | 183                           | 1.41   |
| 42                            | 0.06   | Debt securities          | 42                            | 0.06   |
| 13                            | 0.10   | Placements with banks    | 13                            | 0.10   |
| -                             | -  | Other assets             | -                             | -  |
| <b>2,654</b>                  | <b>1.03</b>                                    | <b>Total:</b>            | <b>2,601</b>                  | <b>1.01</b>                                    |

Main profitability rates (in %) of the bank and the Group are provided in the table below:

| The Group           |                     |                        | The Bank            |                     |
|---------------------|---------------------|------------------------|---------------------|---------------------|
| 31 December<br>2019 | 31 December<br>2018 |                        | 31 December<br>2019 | 31 December<br>2018 |
| 1.11                | 0.66                | Return on assets (ROA) | 1.15                | 0.66                |
| 9.67                | 6.92                | Return on equity (ROE) | 10.03               | 7.03                |

#### Note 36 Events after the reporting date

At 30 January 2020 after 2018 supervisory review by the Bank of Lithuania and evaluation process (SREP) additional own fund requirement were decreased from 2.2 percent till 1.8 percent. In addition, it's recommended to have 1.0 percent capital of the second pillar capital guidelines, that should be included in the capital planning and risk management systems.

**UAB MEDICINOS BANKAS**

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

**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in EUR thousand unless otherwise stated)

**CONFIRMATION OF RESPONSIBLE PERSONS**

We, UAB Medicinos Bankas Chairman of the Board and Chief Executive Officer Dalia Klišauskienė and Director of Accounting and Reporting Department, Chief Accountant Aleksejus Tonkich, confirm that the financial statements for four quarters of 2019 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.

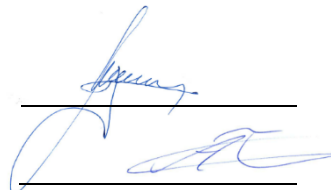
9 March 2020

Acting Chairman of the Board and  
Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting  
Department, Chief Accountant

A. Tonkich



\*\*\*\*\*