UAB MEDICINOS BANKAS

BANK’S CONDENSED INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 PREPARED IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARD 34 INTERIM FINANCIAL REPORTING, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR’S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Medicinos bankas UAB:

Report on the Audit of the Condensed Interim Separate and the Consolidated Financial Statements

Opinion

We have audited the condensed interim separate financial statements of Medicinos Bankas UAB (hereinafter – „the Bank") and the condensed interim consolidated financial statements of Medicinos Bankas UAB and its subsidiaries (hereinafter –„the Group") (pages from 5 to 35), which comprise the condensed interim separate statement of financial position of the Bank and the condensed interim consolidated statement of financial position of the Group as at 30 September 2019, the condensed interim separate income statement and the condensed interim consolidated income statement, the condensed interim statement of the comprehensive income and the condensed interim consolidated statement of comprehensive income, the condensed interim separate statement of changes in equity and the condensed interim consolidated statement of changes in equity, the condensed interim separate statement of cash flows and the condensed interim consolidated statement of cash flows for the 9 months period then ended, and the notes to the condensed interim separate and consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying condensed interim 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 30 September 2019, and their respective unconsolidated and consolidated financial performance and their respective unconsolidated and consolidated cash flows for the 9 months period then ended in accordance with International Accounting Standard *34 Interim Financial Reporting*, 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 Condensed Interim 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.

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

Management is responsible for the preparation and fair presentation of the condensed interim separate and consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim 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.

ROSK Consulting, UAB,
Vytenio st. 46,
03229 Vilnius, Lithuania

Tel. +370 (5) 207 1773,
Fax +370 (5) 207 1772
e-mail info@roskconsulting.lt
www.roskconsulting.lt

Company code 302692397, VAT payer code LT100006552313, registered in the Register of Legal Entities of the Republic of Lithuania, bank account No. LT952140030002659714, Nordea Bank Finland Plc Lithuania Branch

Auditor's Responsibilities for the Audit of the Condensed Interim Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed interim separate and condensed interim 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 condensed interim separate and condensed interim 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 condensed interim separate and condensed interim 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 condensed interim separate and condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim separate and condensed interim 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 condensed interim 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.

Auditor Romanas Skrebnevskis
Auditor certificate No. 000471

ROSK Consulting UAB
Audit company certificate No. 001407

Vilnius, Lithuania
6 December 2019

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group				The Bank	
30 September 2019	**31 December 2018**	**Assets**	**Notes**	**30 September 2019**	**31 December 2018**
		Cash and due from central bank			
25,439	*27,304*	*Cash*		*25,439*	*27,304*
28,926	*30,070*	*Placements with the central bank*		*28,926*	*30,070*
54,365	57,374			54,365	57,374
18,109	13,280	Placements with banks and other credit institutions	3	18,077	13,239
		Financial assets at fair value through profit or loss			
7	*41*	*Derivative financial instruments*		*7*	*41*
7	*41*			*7*	*41*
52,154	70,746	Debt securities	4	52,154	70,746
		Loans and receivables	5		
193,440	*159,017*	*Loans to customers*		*189,046*	*156,986*
17,076	*12,809*	*Finance lease receivable*		*17,076*	*12,809*
210,516	171,826			206,122	169,795
-	-	Investments in subsidiaries	6	6,687	7,521
1,932	3,018	Investment property	7	498	1,050
7,090	5,548	Property and equipment	8	7,066	5,545
393	314	Intangible assets		369	267
		Tax assets			
19	6	*Current taxes*		*19*	6
1,375	*1,925*	*Deferred taxes*		*1,375*	*1,925*
1,394	1,931			1,394	1,931
916	685	Other assets		838	621
346,876	**324,763**	**Total assets**		**347,577**	**328,130**

(continued on the next page)

The accompanying notes on pages 13 to 35 are an integral part of these financial statements

(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
30 September 2019	**31 December 2018**	**Liabilities and Equity**	**Notes**	**30 September 2019**	**31 December 2018**
		Liabilities			
8,536	228	Due to banks and other credit institutions	9	8,536	228
10	5	Derivative financial instruments		10	5
297,659	289,126	Due to customers		298,563	290,733
1,000	1,000	Subordinated loans		1,000	1,000
2,140	2,167	Debt securities issued		2,140	2,167
32	30	Impairment		42	30
		Tax assets			
217	-	*Current taxes*		*217*	-
-	-	*Deferred taxes*		-	-
217	-			217	-
4,127	1,682	Other liabilities	10	3,917	3,368
313,721	**294,238**	**Total liabilities**		**314,425**	**297,531**
		Equity			
19,948	19,948	Share capital		19,948	19,948
2,556	2,064	Retained earnings		2,553	2,138
335	335	Revaluation reserve of property and equipment		335	335
10,316	8,178	Other reserves	11	10,316	8,178
33,155	**30,525**	**Total shareholders' equity**		**33,152**	**30,599**
346,876	**324,763**	**Total liabilities and shareholders' equity**		**347,577**	**328,130**

The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
30 September 2019	30 September 2018 (unaudited)		Notes	30 September 2019	30 September 2018 (unaudited)
7,985	6,888	Interest income		7,627	6,813
(1,329)	(1,307)	Interest expenses		(1,329)	(1,307)
6,656	**5,581**	**Net interest income**	12	**6,298**	**5,506**
4,991	4,013	Service fee and commission income		5,139	4,013
(365)	(343)	Service fee and commission expenses		(317)	(323)
4,626	**3,670**	**Net service fee and commission income**	13	**4,822**	**3,690**
-	-	Net result on equity securities trading	6	(740)	-
3,708	3,536	Net foreign exchange gain		3,708	3,536
(117)	(94)	Net result from operations with derivatives		(117)	(94)
-	-	Impairment of investments into subsidiaries		109	(923)
(470)	(790)	Net result on operations on investment property		(296)	(199)
55	116	Other income		142	100
14,458	**12,019**	**Total operating income**		**13,926**	**11,616**
(675)	(1,050)	Impairment of loans and other financial assets		(599)	(1,055)
13,783	**10,969**	**Operating income after impairment**		**13,327**	**10,561**
(6,444)	(5,715)	Salaries and benefits		(6,192)	(5,488)
(843)	(359)	Depreciation		(839)	(359)
(100)	(140)	Amortisation		(75)	(127)
(3,012)	(3,166)	Other operating expenses		(2,914)	(2,991)
(10,399)	**(9,380)**	**Total operating expenses**		**(10,020)**	**(8,965)**
3,384	**1,589**	**Operating profit (loss)**		**3,307**	**1,596**
(754)	**(16)**	**Income tax expense**		**(754)**	**(16)**
2,630	**1,573**	**Profit (loss) for the year**		**2,553**	**1,580**
2,630	**1,573**	**Attributable to equity holders of the Bank**		**2,553**	**1,580**

The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Bank	**30 September 2019**	**30 September 2018 (unaudited)**
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	**-**	**-**
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	**-**	-
Profit (loss) at the end of the reporting period	2,553	1,580
Total comprehensive income	**2,553**	**1,580**
Attributable to:		
Equity holders of the Bank	**2,553**	**1,580**

The Group	**30 September 2019**	**30 September 2018 (unaudited)**
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
Items that are or may be reclassified to profit or loss	**-**	-
Related tax	-	-
Other comprehensive income (expenses), net of tax	**-**	-
Profit (loss) at the end of the reporting period	2,630	1,573
Total comprehensive income	**2,630**	**1,573**
Attributable to:		
Shareholders of the Bank	**2,630**	**1,573**

The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The Bank

	Notes	Share capital	Retained earnings (restated)	Revaluation reserve of property and equipment	Other reserves	Total
At 31 December 2017		**19,948**	**852**	**339**	**6,326**	**27,465**
Changes in accounting principles		-	(302)	-	-	**(302)**
At 1 January 2018		**19,948**	**550**	**339**	**6,326**	**27,163**
Profit or loss		-	1,580	-	-	**1,580**
Transactions with owners of the Bank						
Transfer to reserves		-	(852)	-	1,852	**1,000**
At 30 September 2018 (unaudited)		**19,948**	**1,278**	**339**	**8,178**	**29,743**
Profit or loss		-	855	-	-	**855**
Other comprehensive income (expenses)		-	5	(4)	-	**1**
At 31 December 2018		**19,948**	**2,138**	**335**	**8,178**	**30,599**
Profit or loss		-	2,553	-	-	**2,553**
Transactions with owners of the Bank						
Transfer to reserves	11	-	(2,138)	-	2,138	-
At 30 September 2019		**19,948**	**2,553**	**335**	**10,316**	**33,152**

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The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

The Group

	Notes	Share capital	Retained earnings (restated)	Revaluation reserve of property and equipment	Other reserves	Total
At 31 December 2017		**19,948**	**828**	**339**	**6,326**	**27,441**
Changes in accounting policies		-	(302)	-	-	**(302)**
At 1 January 2018		**19,948**	**526**	**339**	**6,326**	**27,139**
Profit or loss		-	1,573	-	-	**1,573**
Transactions with owners of the Bank						
Transfer to reserves		-	(852)	-	1 852	**1 000**
At 30 September 2018 (unaudited)		**19,948**	**1,247**	**339**	**8,178**	**29,712**
Profit or loss		-	812	-	-	**812**
Other comprehensive income (expenses)			5	(4)		**1**
At 31 December 2018		**19,948**	**2,064**	**335**	**8,178**	**30,525**
Profit or loss		-	2,630	-	-	**2,630**
Transactions with owners of the Bank						
Transfer to reserves	11	-	(2,138)	-	2,138	**-**
At 30 September 2019		**19,948**	**2,556**	**335**	**10,316**	**33,155**

The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	

(All amounts in EUR thousand unless otherwise stated)

CONDENSED INTERIM SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

The Group				The Bank	
30 September 2019	**30 September 2018 (unaudited)**		**Notes**	**30 September 2019**	**30 September 2018 (unaudited)**
		Cash flows from operating activities			
2,630	1,573	Profit (loss) for the year		2,553	1,580
		Non-cash Revenue and Cost Recovery:			
943	499	Depreciation and amortisation		914	486
(73)	(84)	Loss, gain on the sale of tangible, intangible and investment property		(60)	(84)
675	1,050	Impairment of loans		599	1,055
-	-	Impairment of investments in subsidiaries		(109)	923
479	(170)	Impairment of investment property		293	102
39	11	Derivatives revaluation		39	11
(25)	(16)	Elimination of accrued vacation pay		(34)	(16)
754	16	Income tax expenses		754	16
15	760	Elimination of other non-cash items		15	760
5,437	3,639	Cash flows from (to) operating activities before changes in operating assets and liabilities		4,964	4,833
		Changes in operating assets and liabilities:			
149	(153)	Changes in compulsory reserves		149	(153)
-	(1,167)	Changes in amounts due from banks		-	(1,167)
(34,581)	(7,159)	Loans to customers		(32,160)	(6,018)
(4,870)	(256)	Finance lease receivable		(4,799)	(256)
(191)	(3,329)	Changes in due to banks and other credit institutions		(192)	(3,329)
9,320	21,655	Changes in due to customers		8 617	23,952
350	7,892	Changes in other assets and liabilities		(1,522)	7,510
(24,386)	21,122	Net cash flows from operating activities before income tax		(24,943)	25,372
-	-	Income tax (paid)		-	-
(24,386)	**21,122**	**Net cash flows from operating activities after income tax**		**(24,943)**	**25,372**
		Investing activities			
(731)	(752)	(Acquisitions) of intangible assets and property and equipment		(704)	(727)
-	(2)	(Acquisitions) of investment property		-	(2)
808	3,553	Proceeds from sale of tangible, intangible and equipment and investment property		404	967
-	-	Investments in subsidiaries		(2,335)	(1,700)
-	-	Sold subsidiaries		526	-
-	-	Liquidation of subsidiaries		2 752	-
39,097	21,755	Redemption of debt-securities		39,097	21,755
(20,505)	(48,421)	(Acquisitions) of of debt-securities		(20,505)	(48,421)
18,669	**(23,867)**	**Net cash flows to investing activities**		**19,235**	**(28,128)**

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The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
30 September 2019	**30 September 2018 (unaudited)**		**Notes**	**30 September 2019**	**30 September 2018 (unaudited)**
		Financing activities			
-	2,123	Bonds issued		-	2,123
(27)	-	Bonds (redeemed)		(27)	-
8,500	-	Loans received according to Eurosystem Open market operations		8,500	-
(6,793)	(4,566)	Loans (repaid)		(6,793)	(4,566)
5,920	7,155	Loans received		5,920	7,155
7,600	**4,712**	**Net cash flows from (to) financing activities**		**7,600**	**4,712**
86	65	Effect of exchange rate changes on cash and cash equivalents		86	65
1,969	**2,032**	**Net increase (decrease) in cash and cash equivalents**		**1,978**	**2,021**
68,374	63,050	Cash and cash equivalents at 1 January		68,333	63,007
70,343	**65,082**	**Cash and cash equivalents at 30 September**	14	**70,311**	**65,028**
		Additional information to operating cash flows			
8,339	6,727	Interest received		8,012	6,629
(990)	(1,080)	Interest (paid)		(990)	(1,080)

The accompanying notes on pages 13 to 35 are an integral part of these financial statements.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	

(All amounts in EUR thousand unless otherwise stated)

Note 1 Background information

UAB Medicinos Bankas (hereinafter referred to as the Bank) was established on 24 November 1992 (as KB Ancorobank) and on 16 January 1997 was reorganised to UAB Medicinos Bankas. The address of its registered office is as follows:

Pamėnkalnio St. 40,
Vilnius, Lithuania.

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

At the end of the third quarter of 2019 the Bank had 49 customer service units in different regions of Lithuania.

The consolidated financial statements of the Group include the financial statements of the Bank and its fully owned subsidiaries UAB MB Turtas, UAB MB Valda, UAB MB Investicija, 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), which were established on 12 August 2009, 30 November 2009 and 16 December 2011 respectively. UAB TG Invest-1 was bought on 17 May 2013 and UAB Saugus Kreditas was acquired 17 October 2017. Bank-controlled subsidiary SIA Nida Capital liquidated on 10 September 2019 (established March 31, 2014).

As at 30 September 2019 the Bank employed 353 employees (369 employees as at 31 December 2018). As at 30 September 2019 the Group employed 367 employees (384 employees as at 31 December 2018).

As at 30 September 2019 the shareholders of the Bank were as follows:

	Ordinary shares held	Per cent of ownership
Mr. Konstantinas Karosas	123,850	89.91
Western Petroleum Ltd.	13,600	9.87
Vytenis Rasutis	300	0.22
Total	**137,750**	**100.00**

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

	Ordinary shares held	Per cent of ownership
Mr. Saulius Karosas	123,850	89.91
Western Petroleum Ltd.	13,600	9.87
Vytenis Rasutis	300	0.22
Total	**137,750**	**100.00**

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

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 30 September 2019 and 31 December 2018, all shares were fully paid.

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

Separate and consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union (IFRS). The condensed interim financial statements should be read in conjunction with the annual financial statements. Separate and consolidated financial statements for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Except as described below, the accounting policies applied in the preparation of these condensed interim financial information are consistent with accounting principles applied in the Bank's 2018 annual financial statements.

(All amounts in EUR thousand unless otherwise stated)

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

New and changed standards and interpretations

As of 2019 1 January the Bank and the Group has adopted IFRS 16. The impact of the application of the standard is described in the annual financial statements of the Bank and the Group for the year ended 31 December 2018.

Apart from the standard mentioned above, the management of the Bank and the Group do not expect the new standards, amendments and interpretations that will be mandatory for the Bank for the reporting periods beginning in 2019 January 1 or thereafter, there will be no new standards, amendments or interpretations that are mandatory for the Bank and the Group from 2019 and would have a material effect on the Bank and the Group.

The preparation of condensed interim separate and consolidated financial statements in accordance with IFRSs requires the use of assumptions and estimates that affect the amount of recognized assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date, as well as income and expense recognized during the period. Although these estimates are based on management's knowledge of the current situation and actions, actual results may ultimately differ from those estimates. Except for the impact of IFRS 16 described above, the same significant assumptions and estimates have been used in the preparation of the condensed interim separate and consolidated financial statements that were used in the preparation of the annual separate and consolidated financial statements for the year ended 2018 December 31.

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

Functional and presentation currency

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

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

	30 September 2019	31 December 2018
USD	1.0935	1.1454

Note 3 Funds in banks and other credit institutions

The Group			The Bank	
30 September 2019	31 December 2018		30 September 2019	31 December 2018
10,941	12,099	Funds in correspondent accounts	10,909	12,058
7,168	1,181	Term deposits	7,168	1,181
18,109	**13,280**	**Funds in banks and other credit institutions**	**18,077**	**13,239**

(All amounts in EUR thousand unless otherwise stated)

Note 4 Debt securities, net

	The Bank (Group)	
	30 September 2019	**31 December 2018**
Government bonds of the Republic of Lithuania	36,508	43,888
Government bonds of the Republic of Latvia	7,754	4,575
Government bonds of the Republic of Romania	2,032	3,089
Government bonds of the Republic of Poland	1,563	3,005
Government bonds of the Republic of Iceland	1,533	1,566
Government bonds of the Kingdom of Sweden	918	2,619
Government bonds of the Republic of Croatia	660	-
Government bonds of the Kingdom of Spain	-	1,002
Government bonds of the Republic of Slovenia	-	4,172
Government bonds of the Republic of Finland	-	2,689
Government bonds of the Republic of Hungary	-	1,679
Financial company bonds	916	1,314
Non-financial company bonds	270	1,148
Total	**52,154**	**70,746**

Debt securities outstanding in 2019 September 30 decreased due to redemption at maturity.

Note 5 Loans and receivables

Loans to customers and receivables comprise:

	The Bank	
	30 September 2019	**31 December 2018**
Loans to customers, including short-term bills of exchange	189,662	156,946
Overdrafts	1,231	1,814
Factoring	1,145	589
Leasing	17,136	12,992
	209,174	**172,341**
Less: impairment	(3,052)	(2,546)
Loans and receivables, net	**206,122**	**169,795**

	The Group	
	30 September 2019	**31 December 2018**
Loans to customers, including short-term bills of exchange	194,144	159,030
Overdrafts	1,231	1,814
Factoring	1,145	589
Leasing	17,136	12,992
	213,656	**174,425**
Less: impairment	(3,140)	(2,599)
Loans and receivables, net	**210,516**	**171,826**

(All amounts in EUR thousand unless otherwise stated)

Note 6 Investment in subsidiaries

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

	The Bank	
	30 September 2019	**31 December 2018**
Balance at the beginning of the year	**7,521**	**6,439**
Additions	2,335	2,201
Disposal (nominal value)	(2,752)	-
Liquidation of SIA „Nida capital“	(526)	-
Additional (increase) decrease of impairment of investments in subsidiaries	109	(1,119)
	(834)	1,082
Balance at the end of the report period	**6,687**	**7,521**

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).

Balance as at 30 September 2019	**Ownership (%)**	**Direct ownership (%)**	**Nominal amount**	**Impairment**	**Carrying value**
UAB „MB Turtas“	100	-	-	-	-
UAB „MB Valda“	100	-	-	-	-
UAB „MB Investicija“	100	-	-	-	-
SIA „Nida capital“	100	-	-	-	-
UAB TG Invest-1	100	51.00	2,484	(367)	2,117
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			**7,085**	**(398)**	**6,687**

Balance as at 31 December 2018	**Ownership (%)**	**Direct ownership (%)**	**Nominal amount**	**Impairment**	**Carrying 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
Total			**10,086**	**(2,565)**	**7,521**

(All amounts in EUR thousand unless otherwise stated)

Note 7 Investment property

	The Bank	
	30 September 2019	**31 December 2018**
Balance at the beginning of year	**1,050**	**1,370**
Additions	532	1,382
Disposals	(791)	(1,460)
Changes in fair value	(293)	(242)
Balance at the end of year	**498**	**1,050**

	The Group	
	30 September 2019	**31 December 2018**
Balance at the beginning of year	**3,018**	**6,213**
Additions	603	1,407
Disposals	(1,210)	(3,471)
Changes in fair value	(479)	(1,131)
Balance at the end of year	**1,932**	**3,018**

The fair value of investment properties owned by subsidiaries:

	30 September 2019	**31 December 2018**
UAB MB Turtas	63	98
UAB MB Valda	160	251
UAB MB Investicija	42	229
UAB TG Invest-1	1,169	1,390
Total	**1,434**	**1,968**

(All amounts in EUR thousand unless otherwise stated)

Note 8 Property and equipment

Non-current material assets as at 2019 September 30 amounted to 7,066 thousand EUR including usage rights assets worth 1,430 thousand EUR (As of 31 December 2018 5,545 thousand EUR, usage rights – EUR 0).

As of 1 January 2019, 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. financial information for the year before the adoption of the standard.

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

Group recognized as of January 1, 2019 the value of usage rights assets worth 1,911 thousand EUR.

Short-term or low-value leases are recognized on a straight-line basis over the income statement.

Note 9 Due to banks and other credit institutions

	The Bank (Group)	
	30 September 2019	**31 December 2018**
Loans received according to Eurosystem Open market operations	8,500	-
Current accounts and overnight deposits	36	228
Amounts due to banks and other credit institutions	**8,536**	**228**

2019 September 30 the Bank has loans transactions with the Bank of Lithuania worth 8,500 thousand EUR for Eurosystem monetary policy operations that mature in 2019.

Note 10 Other liabilities

Other liabilities comprise:

The Group			**The Bank**	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
1,320	829	Accrued payments to employees	1,280	809
143	59	Prepayments (advance payments)	49	1,796
1,541	121	Accrued expenses	1,541	121
260	-	AML suspended funds	260	-
166	-	Sales VAT	165	-
93	77	Deferred income	93	77
115	-	Fee payable to the State Social Insurance Board	111	-
141	215	Commitments to the State Social Fund Board	136	215
20	4	Payable to the Lithuanian Road Transport Administration	20	4
28	21	Payable to the Latvian and Estonian Road Transport Administration	28	21
112	115	Debt to customers	53	94
188	241	Other	181	231
4,127	**1,682**	**Other liabilities**	**3,917**	**3,368**

(All amounts in EUR thousand unless otherwise stated)

Note 11 Other reserves

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

	The Bank (Group)	
	30 September 2019	**31 December 2018**
Special reserve to cover possible losses	2,528	2,528
Legal reserve	291	184
Reserve capital	7,497	5,466
Total other reserves	**10,316**	**8,178**

Note 12 Net interest income

The Group			The Bank	
30 September 2019	**30 September 2018 (unaudited)**		**30 September 2019**	**30 September 2018 (unaudited)**
6,731	5,458	On loans to customers	6,378	5,383
112	419	On impaired loans to customers	107	419
548	402	Leasing	548	402
115	161	Delinquency	115	161
396	390	On held-to-maturity investments	396	390
83	58	On placements with the banks and other credit institutions	83	58
7,985	**6,888**	**Interest revenue**	**7,627**	**6,813**
(841)	(907)	On obligations to customers, including letters of credit	(841)	(907)
(206)	(198)	Deposit insurance	(206)	(198)
(15)	(15)	On subordinated loans	(15)	(15)
(128)	(32)	For Debt securities	(128)	(32)
(80)	(130)	On obligations to banks and other credit institutions	(80)	(130)
(10)	-	Loan portfolio guarantee insurance	(10)	-
(49)	-	Lease of property	(49)	-
-	(25)	Other	-	(25)
(1,329)	**(1,307)**	**Interest expenses**	**(1,329)**	**(1,307)**
6,656	**5,581**	**Net interest income**	**6,298**	**5,506**

(All amounts in EUR thousand unless otherwise stated)

Note 13 Net service fee and commission income

Net fee and commission income comprise:

The Group			The Bank	
30 September 2019	30 September 2018 (unaudited)		30 September 2019	30 September 2018 (unaudited)
1,843	1,448	Payment services	1,843	1,448
299	347	Commission income from currency exchange	299	347
582	320	Administration of bank accounts	582	320
1,242	953	Collection of payments	1,242	953
427	247	Brokerage income	427	247
452	380	Cash operations	452	380
146	318	Other	294	318
4,991	**4,013**	**Service fee and commission income**	**5,139**	**4,013**
(54)	(60)	Rent fee according to agreements	(54)	(60)
(209)	(195)	Cash operations	(209)	(195)
(102)	(88)	Other	(54)	(68)
(365)	**(343)**	**Service fee and commission expense**	**(317)**	**(323)**
4,626	**3,670**	**Net service fee and commission income**	**4,822**	**3,690**

Note 14 Cash and cash equivalents

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

The Group			The Bank	
30 September 2019	30 September 2018 (unaudited)		30 September 2019	30 September 2018 (unaudited)
25,439	28,079	Cash on hand	25,439	28,079
26,795	26,669	Current accounts with the Bank of Lithuania	26,795	26,669
10,941	7,053	Current accounts with other credit institutions	10,909	6,999
7,168	3,281	Term deposits with credit institutions up to 90 days	7,168	3,281
70,343	**65,082**	**Cash and cash equivalents**	**70,311**	**65,028**

Note 15 Fair values of financial instruments

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

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

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

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

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

Amounts due from and to credit institutions. For assets maturing within three months, the carrying amount approximates the fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, due to the repricing of assets to the market interest rates, the interest rates applicable approximate market rates and, consequently, the fair value approximate the carrying amounts.

(All amounts in EUR thousand unless otherwise stated)

Loans to customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective end of 2019 third quarter.

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	30 September 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	54,365	54,365	57,374	57,374
Placements with banks and other credit institutions	18,077	18,077	13,239	13,239
Debt securities	52,154	52,882	70,746	71,512
Loans and receivables	206,122	207,309	169,795	173,082
Other assets	838	838	621	621
Total financial assets	**331,556**	**333,471**	**311,775**	**315,828**
Financial liabilities				
Due to banks and other credit institutions	8,536	8,536	228	228
Due to customers, including letters of credit	298,563	300,488	290,733	292,342
Debt securities issued	2,140	2,150	2,167	2,288
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	3,917	3,917	3,368	3,367
Total financial liabilities	**314,156**	**316,091**	**297,496**	**299,225**

The Group	30 September 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	54,365	54,365	57,374	57,374
Placements with banks and other credit institutions	18,109	18,109	13,280	13,280
Debt securities	52,154	52,154	70,746	71,512
Loans and receivables	210,516	211,703	171,826	175,113
Other assets	916	916	685	685
Total financial assets	**336,060**	**337,247**	**313,911**	**317,964**
Financial liabilities				
Due to banks and other credit institutions	8,536	8,536	228	228
Due to customers, including letters of credit	297,659	299,584	289,126	290,735
Debt securities issued	2,140	2,150	2,167	2,288
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	4,127	4,127	1,682	1,682
Total financial liabilities	**313,462**	**315,397**	**294,203**	**295,933**

(All amounts in EUR thousand unless otherwise stated)

Note 15 Fair values of financial instruments (cont'd)

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

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

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

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

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

The Bank (Group)

As at 30 September 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	-	7	-	7
Financial liabilities				
Derivative financial instruments	-	10	-	10

The Bank (Group)

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	-	41	-	41
Financial liabilities				
Derivative financial instruments	-	5	-	5

Financial instruments not measured at fair value

The following table sets out financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy.

The Bank

30 September 2019	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
Cash and due from banks	54,365	18,077	-	72,442
Debt securities	-	52,154	-	52,154
Loans to customers	-	187,213	1,833	189,046
Receivables from leasing	-	15,653	1,423	17,076
Other assets	-	838	-	838
Total financial assets	**54,365**	**273,935**	**3,256**	**331,556**
Liabilities				
Due to banks and other credit institutions	-	8,536	-	8,536
Due to customers	-	298,563	-	298,563
Debt securities issued	-	2,140	-	2,140
Subordinated loan		1,000		1,000
Other liabilities	-	3,917	-	3,917
Total financial liabilities		**314,156**		**314,156**

(All amounts in EUR thousand unless otherwise stated)

Note 15 Fair values of financial instruments (cont'd)

The Bank

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
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	-	621	-	621
Total financial assets	**57,374**	**250,086**	**4,315**	**311,775**
Liabilities				
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
Total financial liabilities		**297,496**		**297,496**

The Group

30 September 2019	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
Cash and due from banks	54,365	18 109	-	72 474
Debt securities	-	52,154	-	52,154
Loans to customers	-	191,582	1,858	193,440
Receivables from leasing	-	15,653	1,423	17,076
Other assets	-	916	-	916
Total financial assets	**54,365**	**278,414**	**3,281**	**336,060**
Liabilities				
Due to banks and other credit institutions	-	8,536	-	8,536
Due to customers	-	297,659	-	297,659
Debt securities issued	-	2,140	-	2,140
Subordinated loan		1,000		1,000
Other liabilities	-	4,127	-	4,127
Total financial liabilities	**-**	**313,462**	**-**	**313,462**

The Group

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
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	-	685	-	685
Total financial assets	**57,374**	**252,180**	**4,357**	**313,911**
Liabilities				
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
Total financial liabilities	**-**	**294,203**	**-**	**294,203**

(All amounts in EUR thousand unless otherwise stated)

Note 16 Related party transactions

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

The outstanding balances of loans, term deposits and bonds issued in 31 December 2018 and 30 September 2019 and related expense and income are included in the profit and loss account for the nine-month period ended 30 September of the respectively year is set out below:

The Bank

30 September 2019	**Shareholders**	**Subsidiaries**	**Key management personnel**	**Other***
Loans outstanding as at 30 September 2019, net	34	1,846	-	4,011
Interest rate,%	6.5828	4.2	-	2.0 - 4.5
Impairment of loans	-	(8)	-	(11)
Term deposits as at 30 September 2019	21	-	2	1,203
Interest rate,%	6.5	-	0.3	0.05 - 0.35
Demand accounts as at 30 September 2019	49	904	156	3,441
Bonds issued as at 30 September 2019	100	-	-	-
Interest rate,%	7	-	-	-
Subordinated loans as at 30 September 2019	1,000	-	-	-
Interest rate,%	2	-	-	-
For nine month period which ended at 30 September 2019				
Interest income on loans	1	14	-	82
Interest expense on deposits	-	-	-	(2)
Interest expense on bonds	(5)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	-	153	-	12
Service fee and commission expenses	-	-	-	-

The Bank

31 December 2018	**Shareholders**	**Subsidiaries**	**Key management personnel**	**Other***
Loans outstanding as at 31 December 2018, net	37	-	-	4,372
Interest rate,%	6.5828	-	-	2.0 - 4.5
Impairment of loans	-	-	-	(14)
Term deposits as at 31 December 2018	-	-	3	247
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 rate,%	7	-	-	-
Subordinated loans as at 31 December 2018	1,000	-	-	-
Interest rate,%	2	-	-	-
For nine month period which ended at 30 September 2018				
Interest income on loans	-	2	1	91
Interest expense on deposits	-	-	-	(2)
Interest expense on bonds	(1)	-	-	-
Interest expense on subordinated loans	(15)	-	-	-
Service fee and commission revenue	1	1	-	13
Service fee and commission expenses	-	-	-	(2)

(All amounts in EUR thousand unless otherwise stated)

Note 16 Related party transactions (cont'd)

The Group

30 September 2019	**Shareholders**	**Key management personnel**	**Other***
Loans outstanding as at 30 September 2019, net	34	-	4,011
Interest rate,%	6.5828	-	2.0-4.5
Impairment of loans	-	-	(11)
Term deposits as at 30 September 2019	21	2	1,203
Interest rate,%	6.5	0.3	0.05–0.35
Demand accounts as at 30 September 2019	49	160	3,437
Bonds issued as at 30 September 2019	100	-	-
Interest rate,%	7	-	-
Subordinated loans as at 30 September 2019	1,000	-	-
Interest rate,%	2	-	-
For nine month period which ended at 30 September 2019			
Interest income on loans	1	-	82
Interest expense on deposits	-	-	(2)
Interest expense on bonds	(5)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	-	-	12
Service fee and commission expenses	-	-	-

The Group

31 December 2018	**Shareholders**	**Key management personnel**	**Other***
Loans outstanding as at 31 December 2018, net	37	-	4,372
Interest rate,%	6.5828	-	2.0-4.5
Impairment of loans	-	-	(14)
Term deposits as at 31 December 2018	-	3	247
Interest rate,%	-	0.3	0.05–6.5
Demand accounts as at 31 December 2018	99	88	3,006
Bonds issued as at 31 December 2018	100	-	-
Interest rate,%	7	-	-
Subordinated loans as at 31 December 2018	1,000	-	-
Interest rate,%	2	-	-
For nine month period which ended at 30 September 2018			
Interest income on loans	-	1	91
Interest expense on deposits	-	-	(2)
Interest expense on bonds	(1)	-	-
Interest expense on subordinated loans	(15)	-	-
Service fee and commission revenue	1	-	13
Service fee and commission expenses	-	-	(2)

* Other related parties are entities controlled by the members of the management of the Group and the Bank or shareholders of the Bank and other related parties. Key management personnel include members of the board and administration and management of subsidiaries.

(All amounts in EUR thousand unless otherwise stated)

Note 17 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2019 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below:

	30 September 2019				
	Traditional banking operations and lending	**Treasury**	**Other activities**	**Eliminations**	**Total**
Internal	-	-	-	-	-
External	7,514	480	5	(14)	7,985
Interest income	**7,514**	**480**	**5**	**(14)**	**7,985**
Internal	-	-	-	-	-
External	(1,135)	(208)	-	14	(1,329)
Interest expenses	**(1,135)**	**(208)**	**-**	**14**	**(1,329)**
Internal	-	-	-	-	-
External	6,379	272	5	-	6,656
Net interest income	**6,379**	**272**	**5**	**-**	**6,656**
Internal	-	-	-	-	-
External	4,761	-	(9)	(126)	4,626
Net fee and commission income	**4,761**	**-**	**(9)**	**(126)**	**4,626**
Internal	-	-	-	-	-
External	11,140	272	(4)	(126)	11,282
Net interest, fee and commissions income	**11,140**	**272**	**(4)**	**(126)**	**11,282**
Internal	-	-	(6,425)	6,425	-
External	(7,609)	(164)	(1,683)	-	(9,456)
Operating expenses	**(7,609)**	**(164)**	**(8,108)**	**6,425**	**(9,456)**
Amortisation charges	(100)	-	-	-	(100)
Deprecation charges	(843)	-	-	-	(843)
Internal	-	-	-	-	-
External	(675)	-	-	-	(675)
Impairment expenses	**(675)**	**-**	**-**	**-**	**(675)**
Internal	-	-	-	-	-
External	3,208	380	(412)	-	3,176
Net other income	**3,208**	**380**	**(412)**	**-**	**3,176**
Profit (loss) before tax	**5,121**	**488**	**(8,524)**	**6,299**	**3,384**
Income tax	(754)	-	-	-	(754)
Profit (loss) per segment after tax	**4,367**	**488**	**(8,524)**	**6,299**	**2,630**
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	**4,367**	**488**	**(8,524)**	**6,299**	**2,630**
Total segment assets	250,127	103,853	4,541	(11,645)	346,876
Total segment liabilities	307,993	8,403	119	(2,794)	313,721
Net segment assets (shareholders equity)	**(57,866)**	**95,450**	**4,422**	**(8,851)**	**33,155**

(All amounts in EUR thousand unless otherwise stated)

Note 17 Segment information (cont'd)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2018 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below:

	30 September 2018 (unaudited)				
	Traditional banking operations and lending	**Treasury**	**Other activities**	**Eliminations**	**Total**
Internal	-	-	-	-	-
External	6,435	448	7	(2)	6,888
Interest income	**6,435**	**448**	**7**	**(2)**	**6,888**
Internal	-	-	-	-	-
External	(1,147)	(162)	-	2	(1,307)
Interest expenses	**(1,147)**	**(162)**	**-**	**2**	**(1,307)**
Internal	-	-	-	-	-
External	5,288	286	7	-	5,581
Net interest income	**5,288**	**286**	**7**	**-**	**5,581**
Internal	-	-	-	-	-
External	3,672	-	(2)	-	3,670
Net fee and commission income	**3,672**	**-**	**(2)**	**-**	**3,670**
Internal	-	-	-	-	-
External	8,960	286	5	-	9,251
Net interest, fee and commissions income	**8,960**	**286**	**5**	**-**	**9,251**
Internal	-	-	(923)	923	-
External	(6,963)	(204)	(1,714)	-	(8,881)
Operating expenses	**(6,963)**	**(204)**	**(2,637)**	**923**	**(8,881)**
Amortisation charges	(140)	-	-	-	(140)
Deprecation charges	(359)	-	-	-	(359)
Internal	-	-	-	-	-
External	(1,050)	-	-	-	(1,050)
Impairment expenses	**(1,050)**	**-**	**-**	**-**	**(1,050)**
Internal	-	-	-	-	-
External	3,171	271	(674)	-	2,768
Net other income	**3,171**	**271**	**(674)**	**-**	**2,768**
Profit (loss) before tax	**3,619**	**353**	**(3,306)**	**923**	**1,589**
Income tax	(16)	-	-	-	(16)
Profit (loss) per segment after tax	**3,603**	**353**	**(3,306)**	**923**	**1,573**
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	**3,603**	**353**	**(3,306)**	**923**	**1,573**
Total segment assets	214,432	108,002	13,472	(18,228)	317,678
Total segment liabilities	277,859	13,231	239	(3,367)	287,962
Net segment assets (shareholders equity)	**(63,427)**	**94,771**	**13,233**	**(14,861)**	**29,716**

Distribution of the Group's assets and revenues by geographical segments

All the Group's long-term assets, except financial assets, are in Lithuania. The Group did not earn revenue in other countries.

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management

Credit risk

Credit risk is the risk that the Group and the Bank will incur loss because their customers or counterparties failed to discharge their contractual obligations. The Group and the Bank manage and control credit risk by setting limits on the amount of risk they are willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits. The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revision. The credit quality review process allows the Group and the Bank to assess the potential loss to which it is exposed and to take corrective action. The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. They expose the Bank to similar risks as loans and these are mitigated by the same control processes and policies. In cases, when cash flows of nonperforming loans are based on expected cash flows to be recovered from sale of collateral, value of the collateral is an important estimate in calculating impairment losses for loans and receivables.
The Bank and the Group have to comply with the limit to large exposures (maximum exposure to single customer) set in Regulation (EU) No 575/2013 of the European Parliament and of the Council. Exposure to a customer or group of connected customers cannot exceed 25 % of the Bank's and Group's eligible capital. Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
6,989	5,832	Maximum exposure to a single customer or group of connected customers	6,989	5,832
30,037	25,773	Eligible capital	30,101	25,639
23.27	**22.63**	**Maximum exposure ratio, %**	**23.22**	**22.75**

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

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

The Group			The Bank	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
		Statement of financial position items, other than trading and investment activities		
28,926	30,070	Balances with the Bank of Lithuania	28,926	30,070
18,109	13,280	Due from banks	18,077	13,239
193,440	159,017	Loans to customers	189,046	156,986
17,076	12,809	Receivables from leasing	17,076	12,809
257,551	**215,176**		**253,125**	**213,104**
		Off balance sheet items		
1,530	2,022	Guarantees	1,530	2,022
8,129	8,876	Loan commitments	10,269	8,876
267,210	**226,074**	**Total balance and off balance sheet items, other than trading and investment activities**	**264,924**	**224,002**
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
7	*41*	*Derivative financial instruments*	*7*	*41*
-	-	Held-to-maturity investments	-	-
52,154	*70,746*	*Debt securities*	*52,154*	*70,746*
52,161	**70,787**	**Total trading and investment activities**	**52,161**	**70,787**
46	**55**	Other financial assets	**46**	**55**
319,417	**296,916**	**Total credit exposure**	**317,131**	**294,844**

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management (cont'd)

Maximum exposure to credit risk without taking into account any collateral and other credit enhancement (cont.)

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

	The Bank (Group)	
	30 September 2019	**31 December 2018**
Government bonds	50,967	68,284
Regional government bonds	-	878
Multilateral Development Banks Bonds	916	1,314
Bank and corporate bonds	271	270
Derivatives	7	41
Total	**52,161**	**70,787**

Bonds exposure by rating grade	The Bank (Group)	
	30 September 2019	**31 December 2018**
High grade (AAA-A)	49,191	65,709
Standard grade (B-BBB+)	2,963	5,037
Not rated	-	-
Total	**52,154**	**70,746**

Debt securities are held-to-maturity and are measured at amortised cost. The Group and the Bank have no impaired or overdue amounts within investment activities.

The Group and the Bank have assigned bonds with ratings from international rating agencies from „AAA" to „A" to high grade, „BBB" to „B" rating bonds – to standard grade.

Credit risk assessment

When evaluating financial instruments, the Group and the Bank apply specific valuation criteria and procedures on the clients. Due to the change in credit risk since initial recognition loans are divided into three stages:

- Stage 1 – all performing loans, unless there has been a significant increase in credit risk since the initial recognition, and it's expected that the borrower has strong capacity to meet contractual future cash flows.
- Stage 2 – loans when there has been a significant increase in credit risk since initial recognition.
- Stage 3 – all defaulted loans with recognised loss events and POCI (purchased or originated credit-impaired) assets.

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management (cont'd)

Breakdown of impairment for financial instruments by stages:

	31 December 2018					30 September 2019				
The Bank	**Collective impairment**	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**	**Collective impairment**	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**
Stage 1	**441**	**-**	**26**	**4**	**471**	**534**	**-**	**39**	**2**	**575**
Loans and receivables	385	-	26	4	**415**	484	-	39	2	**525**
Placements with LB and other banks	13	-	-	-	**13**	18	-	-	-	**18**
Debt securities	43	-	-	-	**43**	31	-	-	-	**31**
Other financial assets	-	-	-	-	**-**	1	-	-	-	**1**
Stage 2	**78**	**-**	**-**	**-**	**78**	**58**	**-**	**-**	**-**	**58**
Loans and receivables	78	-	-	-	**78**	58	-	-	-	**58**
Stage 3	**-**	**2,083**	**-**	**-**	**2,083**	**-**	**2,510**	**-**	**-**	**2,510**
Loans and receivables	-	2,083	-	-	**2,083**	-	2,510	-	-	**2,510**
Total	**519**	**2,083**	**26**	**4**	**2,632**	**592**	**2,510**	**39**	2	**3,143**

	31 December 2018					30 September 2019				
The Group	**Collective impairment**	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**	**Collective impairment**	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**
Stage 1	**459**	**-**	**26**	**4**	**489**	**593**	**-**	**29**	**2**	**624**
Loans and receivables	403	-	26	4	**433**	543	-	29	2	**574**
Placements with LB and other banks	13	-	-	-	**13**	18	-	-	-	**18**
Debt securities	43	-	-	-	**43**	31	-	-	-	**31**
Other financial assets	-	-	-	-	**-**	1	-	-	-	**1**
		-	-	-	-					
Stage 2	**79**	**-**	**-**	**-**	**79**	**61**	**-**	**-**	**-**	**61**
Loans and receivables	79	-	-	-	**79**	61	-	-	-	61
Stage 3	**-**	**2,118**	**-**	**-**	**2,118**	**-**	**2,536**	**-**	**-**	**2,536**
Loans and receivables	-	2,118	-	-	**2,118**	-	2,536	-	-	**2,536**
Total	**538**	**2,118**	**26**	**4**	**2,686**	**654**	**2,536**	**29**	**2**	**3,221**

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management (cont'd)

Change of impairment during reporting period

The Group						The Bank				
Collective impairment	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**	**30 September 2019**	**Collective impairment**	**Individual impairment**	**Credit commitments**	**Guarantees**	**Total**
134	**-**	**13**	**(2)**	**145**	**Stage 1**	**93**	**-**	**13**	**(2)**	**104**
140	-	13	(2)	**151**	Loans and receivables	99	-	13	(2)	**110**
5	-	-	-	**5**	Placements with LB and other banks	5	-	-	-	**5**
(12)	-	-	-	**(12)**	Debt securities	(12)	-	-	-	**(12)**
1	-	-	-	**1**	Other financial assets	1	-	-	-	**1**
(18)	**-**	**-**	**-**	**(18)**	**Stage 2**	**(20)**	**-**	**-**	**-**	**(20)**
(18)				**(18)**	Loans and receivables	(20)	-	-	-	**(20)**
-	**418**	**-**	**-**	**418**	**Stage 3**	**-**	**427**	**-**	**-**	**427**
-	418	-	-	**418**	Loans and receivables	-	427	-	-	**427**
116	**418**	13	**(2)**	**545**	**Total**	**73**	**427**	**13**	**(2)**	**511**
-	**146**	**-**	**-**	**146**	Write-offs	-	**146**	**-**	**-**	**146**
-	**(57)**	-	-	**(57)**	Income on loans written off in earlier periods	-	**(57)**	-	-	**(57)**
116	**507**	**13**	**(2)**	**634**	**Total change of impairment**	**73**	**516**	**13**	**(2)**	**600**

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management (cont'd)

Liquidity risk

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

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

The Group			The Bank	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
99,437	128,502	Liquid assets	99,437	128,502
10,194	13,564	Short-term (up to 30 days) obligations	10,604	13,791
975	**947**	**LCR, %**	**938**	**932**

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

The Bank	**30 September 2019**							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	65,275	14,799	14,950	59,818	83,020	91,151	18,564	347,577
Liabilities and shareholders' equity	121,658	18,340	27,865	79,916	37,029	29,573	33,196	347,577
Net gap	**(56,383)**	**(3,541)**	**(12,915)**	**(20,098)**	**45,991**	**61,578**	**(14,632)**	-
Credit commitments	-	10,254	-	-	-	-	-	10,254

	31 December 2018							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	69,432	6,359	27,657	50,192	82,310	72,352	19,828	328,130
Liabilities and shareholders' equity	111,790	16,652	18,213	78,562	44,798	27,508	30,607	328,130
Net gap	**(42,358)**	**(10,293)**	**9,444**	**(28,370)**	**37,512**	**44,844**	**(10,779)**	**-**
Credit commitments	-	8,876		-	-	-	-	8,876

(All amounts in EUR thousand unless otherwise stated)

Note 18 Risk management (cont'd)

Liquidity risk (cont'd)

The Group	30 September 2019							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	65,307	14,953	15,211	60,913	83,487	93,536	13,469	**346,876**
Liabilities and shareholders' equity	120,754	18,336	27,865	79,916	37,029	29,573	33,403	**346,876**
Net gap	**(55,447)**	**(3,383)**	**(12,654)**	**(19,003)**	**46,458**	**63,963**	**(19,934)**	**-**
Credit commitments	-	8,114	-	-	-	-	-	8,114

	31 December 2018							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	Total
Assets	69,473	6,413	27,761	50,602	83,136	72,940	14,438	324,763
Liabilities and shareholders' equity	110,183	14,966	18,213	78,562	44,798	27,508	30,533	324,763
Net gap	**(40,710)**	**(8,553)**	**9,548**	**(27,960)**	**38,338**	**45,432**	**(16,095)**	**-**
Credit commitments	-	8,876	-	-	-	-	-	8,876

Overdue loans are disclosed under column "Without maturity".

Currency risk

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

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

The Group			The Bank	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
548	534	Long positions	548	534
(115)	(515)	Short positions	(115)	(515)
30,037	25,773	Eligible capital	30,101	25,639
1.82	**2.07**	**Overall net currency position, %**	**1.82**	**2.08**

Note 19 Capital

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain healthy capital ratios in order to support their business and to maximize the shareholders' value.
The Group's and the Bank's capital management procedures are based on the regulatory capital requirements contained in the Capital Requirements Directive (CRD) and in the Capital Requirements Regulation (CRR) No. 575/2013. According to these requirements capital requirement level is determined on several levels: the minimum capital requirement on first level an additional capital adequacy requirement to cover potential losses on the second level and a total capital requirement.

2 2 % the additional capital requirement amount is determined from 30 September 2018 during supervisory review by the Bank of Lithuania and evaluation process (SREP). Capital requirement was decreased 1.2 percentage points comparing with applied value at the beginning of the 2018. From 31 December 2018 came into force anti-cycling buffer requirement 0.5 percent, but from 30 June 2019 buffer requirement increased until 1 percent.
30 June 2019 the Group and the Bank require to maintain total capital adequacy ratio of 12.7 %. The Group and the Bank capital adequacy ratio exceeded the required minimum.

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

The Group			The Bank	
30 September 2019	**31 December 2018**		**30 September 2019**	**31 December 2018**
15.22	15.50	CET 1 Capital ratio	15.09	15.03
15.22	15.50	Tier 1 Capital ratio	15.09	15.03
16.90	**17.66**	**Capital adequacy ratio**	**16.74**	**17.14**

Note 20 Quality of financial assets, profitability rates and other information

Financial assets quality indicators as at 30 September 2019 are given in the table below:

The Group			The Bank	
Provisions (EUR thousands	**Provisions to financial assets ratio (%)**		**Provisions (EUR thousands)**	**Provisions to financial assets ratio (%)**
3,080	1.59	Loans to customers	2,992	1.58
60	0.35	Finance lease receivable	60	0.35
31	0.06	Debt securities	31	0.06
18	0.10	Placements with banks	18	0.10
3,189	**1.14**	**Total:**	**3,101**	**1.12**

Main profitability rates of the bank as at 30 September 2019 are provided in the table below:

Main Profitability Showings	**Ratio (%)**
Return on assets (ROA)	0.97
Return on equity (ROE)	8.81

Action applied to the Bank

During the third quarter 2019 any measures of effect were not applied to the Medicinos Bankas.

Note 21 Post balance events

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.

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 three 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.

6 December 2019

Acting Chairman of the Board and Chief Executive Officer	D. Klišauskienė	
Director of Accounting and Reporting Department, Chief Accountant	A. Tonkich	