

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31ST
DECEMBER 2021 PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

UAB MEDICINOS BANKAS

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

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31 DECEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group				The Bank	
31 December 2021	31 December 2020	Assets	Notes	31 December 2021	31 December 2020
		Cash and due from central bank			
30,803	29,442	<i>Cash</i>		30,803	29,442
78,962	79,238	<i>Placements with the central bank</i>		78,962	79,238
109,765	108,680			109,765	108,680
12,809	11,556	Placements with banks and other credit institutions	3	12,537	11,321
		Financial assets at fair value through profit or loss			
-	6	<i>Derivative financial instruments</i>		-	6
-	6			-	6
59,177	54,584	Debt securities	4	59,177	54,584
		Loans and receivables	5		
203,359	191,176	<i>Loans to customers</i>		196,036	186,494
14,516	13,530	<i>Finance lease receivable</i>		14,516	13,530
217,875	204,706			210,552	200,024
-	-	Investments in subsidiaries	6	8,342	6,406
27	-	Other equity instruments		27	-
234	528	Investment property		232	217
6,097	6,206	Property and equipment		6,093	6,185
740	464	Intangible assets		720	429
		Tax assets			
-	176	<i>Current taxes</i>		-	176
156	825	<i>Deferred taxes</i>		156	825
156	1,001			156	1,001
1,073	673	Other assets		849	665
407,953	388,404	Total assets		408,450	389,518

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

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(All amounts in EUR thousand unless otherwise stated)

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

The Group				The Bank	
31 December 2021	31 December 2020	Liabilities	Notes	31 December 2021	31 December 2020
101	1	Due to banks and other credit institutions		101	1
87	61	Derivative financial instruments		87	61
355,454	341,647	Due to customers	7	355,985	343,028
1,000	1,000	Subordinated loans	8	1,000	1,000
2,218	2,201	Debt securities issued	8	2,218	2,201
57	74	Impairment		108	108
163	-	Tax liabilities		163	-
-	-	Current taxes		-	-
163	-	Deferred taxes		163	-
6,269	5,208	Other liabilities	9	5,942	4,921
365,349	350,192	Total liabilities		365,604	351,320
		Equity			
19,948	19,948	Share capital	10	19,948	19,948
11,429	7,622	Retained earnings		11,690	7,608
322	326	Revaluation reserve of property and equipment		322	326
10,905	10,316	Other reserves	10	10,886	10,316
42,604	38,212	Total shareholders' equity		42,846	38,198
407,953	388,404	Total liabilities and shareholders' equity		408,450	389,518

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

Acting Chairman of the Board and Chief Executive Officer

D. Klišauskienė

Director of Accounting and Reporting Department, Chief Accountant

L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31 DECEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

The Group				The Bank	
31 December 2021	31 December 2020		Notes	31 December 2021	31 December 2020
13,213	12,233	Interest income	11	12,048	10,935
(1,941)	(1,833)	Interest expenses	11	(1,941)	(1,833)
11,272	10,400	Net interest income		10,107	9,102
5,480	5,511	Service fee and commission income	12	5,827	5,879
(1,014)	(837)	Service fee and commission expenses	12	(840)	(694)
4,466	4,674	Net service fee and commission income		4,987	5,185
-	-	Net result on equity securities trading		200	-
5,115	4,500	Net foreign exchange gain	13	5,115	4,500
(527)	323	Net result from operations with derivatives		(527)	323
-	-	Impairment of investments into subsidiaries		(64)	(281)
36	(122)	Net result on operations on investment property		(4)	(17)
112	38	Other income		125	61
20,474	19,813	Total operating income		19,939	18,873
(549)	(1,717)	Impairment of loans and other financial assets		(245)	(1,592)
19,925	18,096	Operating income after impairment		19,694	17,281
(8,775)	(8,558)	Salaries and benefits		(8,466)	(8,230)
(1,101)	(1,125)	Depreciation		(1,096)	(1,119)
(245)	(183)	Amortisation		(230)	(166)
(4,081)	(3,697)	Other operating expenses	14	(3,923)	(3,472)
(14,202)	(13,563)	Total operating expenses		(13,715)	(12,987)
5,723	4,533	Operating profit (loss)		5,979	4,294
(1,332)	(695)	Income tax		(1,332)	(687)
4,391	3,838	Profit (loss) for the year		4,647	3,607
4,391	3,838	Attributable to equity holders of the Bank		4,647	3,607

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L. Bertašienė

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31 DECEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS FOR QUARTER

The Group			The Bank		
01-10-2021- 31-12-2021	01-10-2020- 31-12-2020		Notes	01-10-2021- 31-12-2021	01-10-2020- 31-12-2020
3,259	3,124	Interest income		2,960	2,728
(522)	(476)	Interest expenses		(522)	(477)
2,737	2,648	Net interest income		2,438	2,251
1,516	1,443	Service fee and commission income		1,569	1,520
(268)	(272)	Service fee and commission expenses		(209)	(212)
1,248	1,171	Net service fee and commission income		1,360	1,308
	-	Net result on equity securities trading		-	-
1,366	1,431	Net foreign exchange gain		1,366	1,431
(179)	(156)	Net result from operations with derivatives		(179)	(156)
-	-	Impairment of investments into subsidiaries		-	(27)
-	37	Net result on operations on investment property		-	-
27	6	Other income		30	12
5,199	5,137	Total operating income		5,015	4,819
(60)	(791)	Impairment of loans and other financial assets		82	(735)
5,139	4,346	Operating income after impairment		5,097	4,084
(2,441)	(2,253)	Salaries and benefits		(2,391)	(2,149)
(267)	(273)	Depreciation		(266)	(271)
(73)	(54)	Amortisation		(70)	(50)
(1,069)	(1,055)	Other operating expenses		(1,028)	(989)
3,850	(3,635)	Total operating expenses		(3,755)	(3,459)
1,289	711	Operating profit (loss)		1,342	625
(273)	(137)	Income tax expense		(273)	(137)
1,016	574	Profit (loss) at the end of the reporting period		1,069	488
1,016	574	Attributable to equity holders of the Bank		1,069	488

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Board and Chief Executive
Officer

D. Klišauskienė

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

L. Bertašienė

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(4)
Other		
Items that are or may be reclassified to profit or loss	<u>1</u>	<u>1</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax		
Profit (loss) at the end of the reporting period	4,647	3,607
Total comprehensive income	<u><u>4,648</u></u>	<u><u>3,608</u></u>
Attributable to:		
Equity holders of the Bank	4,648	3,608

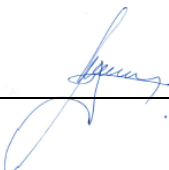
The Group

	<u>31 December 2021</u>	<u>31 December 2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(4)
Other	-	-
Items that are or may be reclassified to profit or loss	<u>1</u>	<u>1</u>
Net amount transferred to profit or loss (available-for-sale financial assets)	-	-
Related tax	-	-
Other comprehensive income (expenses), after tax	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	4,391	3,838
Total comprehensive income	<u><u>4,392</u></u>	<u><u>3,839</u></u>
Attributable to:		
Equity holders of the Bank	4,392	3,839

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D. Klišauskienė

Director of Accounting and
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Chief Accountant

L. Bertašienė



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(All amounts in EUR thousand unless otherwise stated)

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

	<u>01-10-2021 – 31-12-2021</u>	<u>01-10-2020 – 31-12-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(4)
Other		
	<u>1</u>	<u>1</u>
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	-	-
	<u>-</u>	<u>-</u>
Other comprehensive income (expenses), net of tax		
	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,069	488
Total comprehensive income	<u>1,070</u>	<u>489</u>
Attributable to:		
Equity holders of the Bank	<u>1,070</u>	<u>489</u>

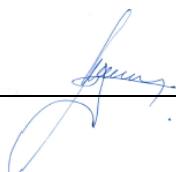
The Group

	<u>01-10-2021 – 31-12-2021</u>	<u>01-10-2020 – 31-12-2020</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	5	5
Transfer of depreciation for PPE net of tax	(4)	(4)
Other	-	-
	<u>1</u>	<u>1</u>
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	-	-
	<u>-</u>	<u>-</u>
Other comprehensive income (expenses), net of tax		
	<u>-</u>	<u>-</u>
Profit (loss) at the end of the reporting period	1,016	574
Total comprehensive income	<u>1,017</u>	<u>575</u>
Attributable to:		
Equity holders of the Bank	<u>1,017</u>	<u>575</u>

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Officer

D. Klišauskienė


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

L. Bertašienė



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(All amounts in EUR thousand unless otherwise stated)

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

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
As at 31 December 2019	19,948	3,996	330	10,316	34,590
Profit or loss	-	3,607	-	-	3,607
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-		-	-	-
As at 31 December 2020	19,948	7,608	326	10,316	38,198
Profit or loss	-	4,647	-	-	4,647
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	(570)	-	570	-
As at 31 December 2021	19,948	11,690	322	10,886	42,846

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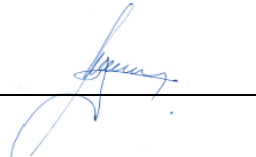

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31 DECEMBER 2021

(All amounts in EUR thousand unless otherwise stated)

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

	<u>Share capital</u>	<u>Retained earnings (restated)</u>	<u>Revaluation reserve of property and equipment</u>	<u>Other reserves</u>	<u>Total</u>
As at 31 December 2019	19,948	3,779	330	10,316	34,373
Profit or loss	-	3,838	-	-	3,838
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	-	-	-	-
As at 31 December 2020	19,948	7,622	326	10,316	38,212
Profit or loss	-	4,391	-	-	4,391
Other comprehensive income (expense)	-	5	(4)	-	1
Transactions with owners of the Bank					
Transfer to reserves	-	(589)	-	589	-
As at 31 December 2021	19,948	11,429	322	10,905	42,604

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

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
31	31		31	31
December	December		December	December
2021	2020		2021	2020
			Notes	
		Cash flows from operating activities		
4,391	3,838	Profit (loss) for the year	4,647	3,607
		Non-cash Revenue and Cost Recovery:		
1,346	1,308	Depreciation and amortisation	1,326	1,285
(94)	(34)	Loss, gain on the sale of tangible, intangible and investment property	(52)	21
549	1,756	Impairment of loans	245	1,634
-	-	Impairment of investments in subsidiaries	64	281
-	177	Impairment of investment property	-	17
32	6	Derivatives revaluation	32	6
74	110	Elimination of accrued vacation pay	85	108
1,332	695	Income tax expenses	1,332	687
(43)	182	Elimination of other non-cash items	174	144
7,587	8,038	Cash flows from (to) operating activities before changes in operating assets and liabilities	7,853	7,790
		Changes in operating assets and liabilities:		
(145)	(315)	Changes in compulsory reserves	(145)	(315)
-	-	Changes in bank's balances	-	-
(12,749)	(319)	Loans to customers	(9,788)	(75)
(1,042)	2,278	Finance lease receivable	(1,042)	2,278
100	(35)	Changes in due to banks and other credit institutions	100	(35)
9,269	33,270	Changes in due to customers	8,419	33,684
1,768	1,682	Changes in other assets and liabilities	1,704	1,562
4,788	44,599	Net cash flows from operating activities before income tax	7,101	44,889
(367)	(508)	Income tax (paid)	(367)	(501)
4,421	44,091	Net cash flows from operating activities after income tax	6,734	44,388
		Investing activities		
(2,289)	(1,076)	(Acquisitions) of intangible assets and property and equipment	(2,287)	(1,043)
-	-	(Acquisitions) of investment property	-	-
907	722	Proceeds from sale of property and equipment and investment property	542	163
-	-	Investments in subsidiaries	(2,000)	-
(27)	-	Other equity instruments	(27)	-
(781)	(566)	Part of the main amount of rent payments	(768)	(553)
15,294	38,049	Redemption of debt-securities	15,294	38,049
(19,887)	(42,629)	(Acquisitions) of of debt-securities	(19,887)	(42,629)
(6,783)	(5,500)	Net cash flows to investing activities	(9,133)	(6,013)

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(All amounts in EUR thousand unless otherwise stated)

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

Group			Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
		Notes		
		Financing activities		
17	17	Bonds issued	17	17
-	-	Bonds (redeemed)	-	-
-	(3,000)	Loans received according to Eurosystem Open market operations	-	(3,000)
10,854	5,535	Loans (received)	10,854	5,535
(6,753)	(7,080)	Loans (repaid)	(6,753)	(7,080)
4,118	(4,529)	Net cash flows from (to) financing activities	4,118	(4,529)
437	(508)	Effect of exchange rate changes on cash and cash equivalents	437	(508)
2,193	33,554	Net increase (decrease) in cash and cash equivalents	2,156	33,338
117,700	84,146	Cash and cash equivalents at 1 January	117,465	84,127
119,893	117,700	Cash and cash equivalents at 31 December	119,621	117,465
		15		
		Additional information to operating cash flows		
12,460	11,395	Interest received	11,264	10,140
(1,811)	(1,689)	Interest paid	(1,811)	(1,689)

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(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 fourth quarter of 2021 the Bank had 40 customer service units in different regions of Lithuania.

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

As at 31 December 2021 the Bank employed 296 employees (310 employees as at 31 December 2020). As at 31 December 2021 the Group employed 307 employees (321 employees as at 31 December 2020).

As at 31 December 2021 the shareholders of the Bank were as follows:

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

As at 31 December 2020 the shareholders of the Bank were as follows:

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

Konstantinas Karosas has acquired 89,91 percent of the Bank's shares by inheritance. Till the decision of the supervisory authority, Konstantinas Karosas didn't have voting rights attaching to the shares at the Bank's General Meeting of Shareholders.

As at 15 March 2021 shareholders of UAB Medicinos Bankas (hereafter - the Bank) Mr. Konstantinas Karosas and Western Petroleum Ltd. informed the Bank that on 5 March 2021, the European Central Bank (hereafter the ECB) has adopted a decision regarding the acquisition of a qualifying holding of the Bank's shares by Konstantinas Karosas and Western Petroleum Ltd. (hereinafter 'Decision I'). According to the Decision I ECB has decided not to raise any objections to the following actions:

- Mr. Konstantinas Karosas will acquire the Bank's qualified share of the Bank's authorized capital and voting rights, exceeding 50 percent ;

- Western Petroleum Ltd. (company is owned by Mr. Konstantinas Karosas) would acquire a qualified share of the Bank's authorized capital and voting rights (to have the right of significant influence).

Decision I is valid with the condition, that both p. Konstantinas Karosas and Western Petroleum Limited will transfer all voting rights at the General Meeting of Shareholders of the Bank to UAB MB valdymas, legal entity code 305663422, registered office address Vokiečių st. 28-24, Vilnius, Republic of Lithuania (company is owned by Mr. Konstantinas Karosas).

Also in 5 March 2021 The ECB adopted a decision regarding the proposed acquisition of the qualified voting rights of UAB MB valdymas at the General Meeting of Shareholders of the Bank (hereafter - Decision II). According to Decision II, the ECB decided not to oppose the acquisition by the UAB MB valdymas of a qualifying holding in excess of 50 percent of the voting rights at the General Meeting of Shareholders of the Bank due to the above-mentioned transfer of voting rights.

On 12 March 2021 Konstantinas Karosas and Western Petroleum Limited, according to the agreement, transferred all voting rights at the General Meeting of Shareholders of the Bank to UAB MB Valdymas.

Upon the transfer of voting rights, UAB MB Valdymas will have the right to vote with all the shares of the Bank at General Meeting of Shareholders.

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Note 1 Background information (cont'd)

On 15th December, 2021, Konstantinas Karosas and Western Petroleum Limited have entered into an agreement to sell 137,750 (one hundred thirty seven thousand seven hundred fifty) ordinary registered shares, constituting 100% of the share capital of Medicinos bankas UAB to the purchaser AAA Capital, UAB which is controlled by the Open-ended investment company with variable capital intended for informed investors "Mūsų ateities investicijos" and the ultimate key investor of which is Marius Jakulis Jason.

The transaction is scheduled to be completed once the approvals of the Bank of Lithuania, the Commission for Coordination of Protection of Objects Important for Ensuring National Security and the Competition Council of the Republic of Lithuania will be received.

The issued share capital consists of 137,750 ordinary shares with the par value of EUR 144.81 each. As at 31 December 2021 and 31 December 2020, all shares were fully paid.

Capital and liquidity positions remain strong and prudential standards comply with regulations with a reserve. As at 2021 December 31, the Bank complied with the established prudential standards.

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Reporting Standards IRS 34 as adopted by the European Union (EU). The condensed intermediate separate financial statements and consolidated financial statements should be read in conjunction with the annual separate and consolidated financial statements for the year ended at 2020. Financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Despite the principles mentioned below the accounting policies applied in the preparation of this condensed intermediate financial information are consistent with the accounting policies applied by the Bank in 2020 in the annual financial statements.

New and modified standards and interpretations

Board of the Bank and Group don't expect that newly published standards which are mandatory for accounting periods from 1 January 2021 or later will have major impact to the Bank and Group financial information. Also there is no any new standards which should be mandatory for the Bank and Group from year 2021 and which might have noticeable impact for financial information.

While preparing interim separate and consolidated financial statements according to IFRS some assumptions and estimations are applied. They have impact for accounted assets, amounts of liabilities and uncertain assets, liabilities at the day of report and also have impact for amount of income and costs at reporting period. Despite the fact that all these estimations are based on the knowledge of Board in the end results can be different. While preparing interim separate and consolidated financial statements there was applied the same assumptions and estimations which were used while preparing annual separate and consolidated financial statements for 31 December 2020.

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

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

Functional and presentation currency

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

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

	31 December 2021	31 December 2020
USD	1.1334	1.2281

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Note 3 Placements with banks and other credit institutions

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
8,859	7,718	Cash in correspondent accounts	8,587	7,483
3,950	3,838	Term deposits	3,950	3,838
12,809	11,556	Placements with banks and other credit institutions	12,537	11,321

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

	31 December 2021	31 December 2020
Government bonds of the Republic of Lithuania	41,037	43,725
Government bonds of the Republic of Romania	5,421	2,172
Government bonds of the Republic of Croatia	4,923	3,063
Government bonds of the Republic of Slovenia	4,251	-
Government bonds of the Republic of Hungary	2,626	-
Government bonds of the Republic of Poland	919	2,357
Government bonds of the Republic of Latvia	-	2,445
Government Bonds of Sweden	-	822
Total	59,177	54,584

Note 5 Loans and receivables

Loans to customers and receivables comprise of:

	The Bank	
	31 December 2021	31 December 2020
Loans to customers, including short-term bills of exchange	196,903	187,746
Overdrafts	372	234
Factoring	1,169	650
Leasing	14,887	13,923
	213,331	202,553
Less: impairment	(2,779)	(2,529)
Loans and receivables, net	210,552	200,024
	The Group	
	31 December 2021	31 December 2020
Loans to customers, including short-term bills of exchange	204,639	192,655
Overdrafts	372	234
Factoring	1,169	650
Leasing	14,887	13,923
	221,067	207,462
Less: impairment	(3,192)	(2,756)
Loans and receivables, net	217,875	204,706

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Note 6 Investment in subsidiaries

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

	The Bank	
	2021	2020
Balance at the beginning of the year	6,406	6,687
Acquisitions	2,000	-
Additional impairment of investment in subsidiaries	(64)	(281)
Balance at the end of the reporting period	8,342	6,406

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

Balance as at 31 December 2020	Ownership (percent)	Direct ownership (percent)	Nominal amount	Impairment	Carrying value
	UAB TG Invest-1	100	100	3,033	(1,197)
UAB Saugus Kreditas	100	100	4,601	(31)	4,570
Total			7,634	(1,228)	6,406

Note 7 Amounts due to customers

Amounts due to customers comprise of:

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
165,753	172,994	Term deposits	165,753	172,994
177,170	160,224	Current accounts	177,701	161,605
12,531	8,429	Loans from funds	12,531	8,429
355,454	341,647	Total	355,985	343,028
37,261	34,718	Out of which held as security against guarantees and loans	37,261	34,718

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

Subordinated loans

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

Debt securities issued

In July 2018 the Bank have issued subordinated debt securities emission. As of 31 December 2021 net value of issued debt securities is 2,218 thous. EUR (as of 31 December 2020 2,201 thous. EUR). From 1 August 2018 debt securities of UAB Medicinos bankas are listed in Nasdaq stock exchange – ISIN code LT0000432114 (ticker: OPMB070025A).

UAB Medicinos bankas debt securities issue value – 2 210 000 EUR. Nominal value – 1000 EUR. Interest rate – 7percent, with a payment twice a year. Maturity date – 24 July 2025.

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Note 9 Other liabilities

Other liabilities comprise of:

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
1,895	1,585	Accrued payments to employees	1,856	1,495
216	135	Prepayments (advance payments)	-	3
1,997	1,433	Accrued expenses	1,997	1,433
1,585	1,464	AML suspended funds	1,585	1,464
1	24	Sales VAT	1	24
77	79	Deferred income	77	79
		Payable to the Latvian and Estonian Road Transport Administration		
33	25		33	25
265	233	Debt to suppliers	204	173
200	229	Other	189	224
6,269	5,208	Total	5,942	4,921

Note 10 Shareholders' equity

As at 31 December 2021 and 31 December 2020, the share capital of the Group and the Bank consisted of 137,750 ordinary shares with the par value of 144.81 EUR each. All shares are issued, authorised and fully paid. The shares are not listed.

Each share is entitled to equal voting rights, dividends and participation in distribution of residual assets in the event of a winding-up.

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

	The Bank	
	31 December 2021	31 December 2020
Special reserve to cover possible losses	2,528	2,528
Legal reserve	861	291
Reserve capital	7,497	7,497
Total other reserves	10,886	10,316

	The Group	
	31 December 2021	31 December 2020
Special reserve to cover possible losses	2,528	2,528
Legal reserve	880	291
Reserve capital	7,497	7,497
Total other reserves	10,905	10,316

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Note 11 Net interest income

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
11,614	10,603	On loans to customers	10,512	9,328
239	270	On impaired loans to customers including interest on arrears	214	247
824	824	Leasing including interest on arrears	800	824
86	86	Other Interest on arrears (not including leasing's and impaired loans)	95	86
412	412	On debt securities	278	412
38	38	On placements with the banks and other credit institutions	149	38
13,213	12,233	Interest revenue	12,048	10,935
(1,151)	(1,121)	On obligations to customers, including letters of credit	(1,151)	(1,121)
(282)	(271)	Deposit insurance	(282)	(271)
(20)	(20)	On subordinated loans	(20)	(20)
(172)	(172)	For debt securities	(172)	(172)
(262)	(195)	On obligations to banks and other credit institutions	(262)	(195)
(54)	(54)	Lease of property	(54)	(54)
(1,941)	(1,833)	Interest expenses	(1,941)	(1,833)
11,272	10,400	Net interest income	10,107	9,102

Note 12 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
2,194	2,291	Payment services	2,194	2,291
178	186	Income from currency exchange	178	186
834	755	Administration of bank accounts	834	755
1,275	1,356	Collection of payments	1,275	1,356
17	75	Brokerage income	364	443
658	516	Cash operations	658	516
324	332	Other	324	332
5,480	5,511	Service fee and commission income	5,827	5,879
(42)	(50)	Rent cost under contracts	(42)	(50)
(499)	(428)	Cash operations	(499)	(428)
(222)	(150)	Money transfer operations	(222)	(150)
(171)	(139)	Brokerage costs	-	-
(80)	(70)	Other	(77)	(66)
(1,014)	(837)	Service fee and commission expense	(840)	(694)
4,466	4,674	Net service fee and commission income	4,987	5,185

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Note 13 Net foreign exchange gain

	The Bank (Group)	
	31 December 2021	31 December 2020
Gain on dealing in foreign currencies	4,678	5,008
Revaluation of items in statement of financial position, net	437	(508)
Net foreign exchange gain	5,115	4,500

Note 14 Operating expenses

Operating expenses are as follows:

The Group		The Bank	
31 December 2021	31 December 2020	31 December 2021	31 December 2020
(261)	(273)	(248)	(254)
(871)	(832)	(864)	(820)
(322)	(370)	(322)	(370)
(615)	(350)	(575)	(296)
(216)	(227)	(211)	(225)
(263)	(292)	(262)	(290)
(14)	(30)	(7)	(4)
(102)	(98)	(102)	(98)
(327)	(311)	(323)	(311)
(63)	(69)	(44)	(59)
(18)	(30)	(18)	(29)
(44)	(44)	(44)	(43)
(114)	(93)	(114)	(93)
(15)	(2)	(15)	(2)
(4)	(25)	(4)	(24)
(32)	(39)	(32)	(39)
(20)	(20)	(20)	(20)
(141)	(148)	(139)	(143)
(21)	(26)	(21)	(26)
(38)	-	(38)	-
(145)	(213)	(97)	(146)
(300)	-	(300)	-
(135)	(205)	(123)	(180)
(4,081)	(3,697)	(3,923)	(3,472)

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Note 15 Cash and cash equivalents

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
30,803	29,442	Cash on hand	30,803	29,442
76,281	76,702	Current accounts with the Bank of Lithuania	76,281	76,702
8,859	7,718	Current accounts with other credit institutions	8,587	7,483
3,950	3,838	Term deposits with credit institutions up to 90 days	3,950	3,838
119,893	117,700	Cash and cash equivalents	119,621	117,465

Note 16 Fair values of financial instruments

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

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

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

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

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

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

Loans to customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective end of 2021 fourth quarter.

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

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

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

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

The Bank	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	109,765	109,765	108,679	108,679
Placements with banks and other credit institutions	12,537	12,537	11,321	11,321
Debt securities	59,177	59,221	54,584	55,136
Loans and receivables	210,552	213,486	200,024	203,295
Other assets	-	-	-	-
Total financial assets	392,031	395,009	374,608	378,431
Financial liabilities				
Due to banks and other credit institutions	101	101	1	1
Due to customers, including letters of credit	355,985	358,173	343,028	345,082
Debt securities issued	2,218	2,656	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	5,942	5,942	4,921	4,921
Total financial liabilities	365,246	367,872	351,151	353,475
The Group				
Financial assets				
Cash and due from central bank	109,765	109,765	108,679	108,679
Placements with banks and other credit institutions	12,809	12,809	11,556	11,556
Debt securities	59,177	59,221	54,584	55,136
Loans and receivables	217,875	216,737	204,706	205,097
Other assets	-	-	-	-
Total financial assets	399,626	398,532	379,525	380,468
Financial liabilities				
Due to banks and other credit institutions	101	101	1	1
Due to customers, including letters of credit	355,454	357,642	341,647	343,701
Debt securities issued	2,218	2,656	2,201	2,471
Subordinated loans	1,000	1,000	1,000	1,000
Other liabilities	6,269	6,269	5,208	5,208
Total financial liabilities	365,042	367,668	350,057	352,381

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

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

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

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

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

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

The Bank (Group)

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

The Bank (Group)

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	6	-	6
Financial liabilities				
Derivative financial instruments	-	61	-	61

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Note 16 Fair values of financial instruments (cont'd)**Financial instruments not measured at fair value**

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

The Bank

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

The Bank

31 December 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	120,001	-	-	120,001
Debt securities	54,584	-	-	54,584
Loans to customers	-	-	186,494	186,494
Receivables from leasing	-	-	13,530	13,530
Other assets	-	-	-	-
Total financial assets	174,585	-	200,024	374,609
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	343,028	-	343,028
Debt securities issued	-	2,201	-	2,201
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	4,921	4,921
Total financial liabilities	-	345,230	5,921	351,151

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

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

The Group

31 December 2020	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Cash and due from banks	120,236	-	-	120,236
Debt securities	54,584	-	-	54,584
Loans to customers	-	-	191,176	191,176
Receivables from leasing	-	-	13,530	13,530
Other assets	-	-	-	-
Total financial assets	174,820	-	204,706	379,526
Liabilities				
Due to banks and other credit institutions	-	1	-	1
Due to customers	-	341,647	-	341,647
Debt securities issued	-	2,201	-	2,201
Subordinated loans	-	-	1,000	1,000
Other liabilities	-	-	5,208	5,208
Total financial liabilities	-	343,849	6,208	350,057

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Note 17 Related party transactions

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

The outstanding balances of loans, term deposits and bonds issued in between 31 December 2020 and 31 December 2021 and related expense and income, included in the profit and loss statement, are set out below:

The Bank	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2021, net	-	17,855	19	313
Interest rate, percent	-	9.0	4.0	4.0
Impairment of loans	-	(205)	-	(2)
Term deposits as at 31 December 2021	-	-	10	2,135
Interest rate, percent	-	-	0.3	0.05-0.35
Demand accounts as at 31 December 2021	40	531	196	3,373
Bonds issued as at 31 December 2021	100	-	-	-
Interest rate, percent	7.0	-	-	-
Subordinated loans as at 31 December 2021	1,000	-	-	-
Interest rate, percent	2.0	-	-	-
For twelve month period which ended at 31 December 2021				
Interest income on loans	-	1,366	1	52
Interest expense on deposits	-	-	-	(4)
Interest expense on bonds	(7)	-	-	-
Interest expense on subordinated loans	(20)	-	-	-
Dividend revenue from subsidiaries	-	200	-	-
Service fee and commission revenue	-	346	-	9
Service fee and commission expenses	-	-	-	-

The Bank	Shareholders	Subsidiaries	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	11,902	30	3,507
Interest rate, percent	-	4.2	6.58	2.0-4.3
Impairment of loans	-	(136)	-	(18)
Term deposits as at 31 December 2020	-	-	12	1,201
Interest rate, percent	-	-	0.3	0.3-0.35
Demand accounts as at 31 December 2020	29	1,381	224	5,683
Bonds issued as at 31 December 2020	100	-	-	-
Interest rate, percent	7	-	-	-
Subordinated loans as at 31 December 2020	1,000	-	-	-
Interest rate, percent	2	-	-	-
For twelve month period which ended at 31 December 2020				
Interest income on loans	-	375	1	98
Interest expense on deposits	-	-	-	(4)
Interest expense on bonds	(7)	-	-	-
Interest expense on subordinated loans	(20)	-	-	-
Dividend revenue from subsidiaries	-	-	-	-
Service fee and commission revenue	1	378	-	14
Service fee and commission expenses	-	-	-	-

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Note 17 Related party transactions (cont'd)

The Group	Supervisory Board and Key Management Personnel		
	Shareholders	Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2021, net	-	19	313
Interest rate, percent	-	4.0	4.0
Impairment of loans	-	-	(2)
Term deposits as at 31 December 2021	-	10	2,135
Interest rate, percent	-	0.3	0.05-0.35
Demand accounts as at 31 December 2021	40	253	3,317
Bonds issued as at 31 December 2021	100	-	-
Interest rate, percent	7.0	-	-
Subordinated loans as at 31 December 2021	1,000	-	-
Interest rate, percent	2,0	-	-
For twelve month period which ended at 31 December 2021			
Interest income on loans	-	1	52
Interest expense on deposits	-	-	(4)
Interest expense on bonds	(7)	-	-
Interest expense on subordinated loans	(20)	-	-
Service fee and commission revenue	-	-	9
Service fee and commission expenses	-	-	-
The Group		Supervisory Board and Key Management Personnel	Other*
Loans outstanding as at 31 December 2020, net	-	44	3,493
Interest rate, percent	-	3.0-6.58	2.0-4.3
Impairment of loans	-	-	(18)
Term deposits as at 31 December 2020	-	12	1,201
Interest rate, percent	-	0.3	0.3-0.35
Demand accounts as at 31 December 2020	29	255	5,652
Bonds issued as at 31 December 2020	100	-	-
Interest rate, percent	7	-	-
Subordinated loans as at 31 December 2020	1,000	-	-
Interest rate, percent	2	-	-
For twelve month period which ended at 31 December 2020			
Interest income on loans	-	1	98
Interest expense on deposits	-	-	(4)
Interest expense on bonds	(7)	-	-
Interest expense on subordinated loans	(20)	-	-
Service fee and commission revenue	1	-	14
Service fee and commission expenses	-	-	-

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

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Note 18 Segment information

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2021 and in the Statement of comprehensive income as at 31 December 2021 is presented in the table below:

	31 December 2021				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	1,447	-	(81)	(1,366)	-
External	12,704	427	81	-	13,212
Interest income	14,151	427	-	(1,366)	13,212
Internal	(1,447)	-	-	1,447	-
External	(1,496)	(445)	-	-	(1,941)
Interest expenses	(2,943)	(445)	-	1,447	(1,941)
Internal	-	-	(81)	81	-
External	11,209	(18)	81	-	11,272
Net interest income	11,209	(18)	-	81	11,272
Internal	-	-	-	-	-
External	4,618	-	(2)	(150)	(4,466)
Net fee and commission income	4,618	-	(2)	(150)	(4,466)
Internal	-	-	(81)	81	-
External	15,827	(18)	79	(150)	15,738
Net interest, fee and commissions income	15,827	(18)	(2)	(69)	15,738
Internal	-	-	(64)	64	-
External	(12,685)	(207)	36	-	(12,856)
Operating expenses	(12,685)	(207)	(28)	64	(12,856)
Amortisation charges	(245)	-	-	-	(245)
Depreciation charges	(1,101)	-	-	-	(1,101)
Internal	-	-	-	-	-
External	(549)	-	-	-	(549)
Impairment expenses	(549)	-	-	-	(549)
Internal	-	-	-	-	-
External	3,860	729	147	-	4,736
Net other income	3,860	729	147	-	4,736
Profit (loss) before tax	5,107	504	117	(5)	5,723
Income tax	(1,332)	-	-	-	(1,332)
Profit (loss) per segment after tax	3,775	504	117	(5)	4,391
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	3,775	504	117	(5)	4,391
Total segment assets	262,981	170,022	1,844	(26,894)	407,953
Total segment liabilities	378,526	6,831	41	(20,049)	365,349
Net segment assets (shareholders equity)	(115,545)	163,191	1,803	(6,845)	42,604

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Note 18 Segment information (cont'd)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2020 and in the Statement of comprehensive income as at 31 December 2020 is presented in the table below:

	31 December 2020				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	380	-	(5)	(375)	-
External	11,770	450	13	-	12,233
Interest income	12,150	450	8	(375)	12,233
Internal	(380)	-	-	380	-
External	(1,466)	(367)	-	-	(1,833)
Interest expenses	(1,846)	(367)	-	380	(1,833)
Internal	-	-	(5)	5	-
External	10,304	83	13	-	10,400
Net interest income	10,304	83	8	5	10,400
Internal	-	-	-	-	-
External	4,925	-	(4)	(247)	4,674
Net fee and commission income	4,925	-	(4)	(247)	4,674
Internal	-	-	(5)	5	-
External	15,229	83	9	(247)	15,074
Net interest, fee and commissions income	15,229	83	4	(242)	15,074
Internal	-	-	(281)	281	-
External	(11,930)	(201)	(122)	-	(12,253)
Operating expenses	(11,930)	(201)	(403)	281	(12,253)
Amortisation charges	(183)	-	-	-	(183)
Depreciation charges	(1,125)	-	-	-	(1,125)
Internal	-	-	-	-	-
External	(1,717)	-	-	-	-
Impairment expenses	(1,717)	-	-	-	(1,717)
Internal	-	-	-	-	-
External	4,159	664	(85)	-	4,738
Net other income	4,159	664	(85)	-	4,738
Profit (loss) before tax	4,432	546	(484)	39	4,533
Income tax	(695)	-	-	-	(695)
Profit (loss) per segment after tax	3,737	546	(484)	39	3,838
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	3,737	546	(484)	39	3,838
Total segment assets	248,495	159,170	1,892	(21,153)	388,404
Total segment liabilities	352,392	12,221	66	(14,487)	350,192
Net segment assets (shareholders equity)	(103,897)	146,949	1,826	(6,666)	38,212

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

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

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Note 19 Risk management

Credit risk

Credit risk is the risk that the Group and the Bank will incur loss because their customers or counterparties failed to discharge their contractual obligations. The Group and the Bank manage and control credit risk by setting limits on the amount of risk they are willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits. The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revision. The credit quality review process allows the Group and the Bank to assess the potential loss to which it is exposed and to take corrective action. The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. They expose the Bank to similar risks as loans and these are mitigated by the same control processes and policies. In cases, when cash flows of nonperforming loans are based on expected cash flows to be recovered from sale of collateral, value of the collateral is an important estimate in calculating impairment losses for loans and receivables.

The Bank and the Group have to comply with the limit to large exposures (maximum exposure to single customer) set in Regulation (EU) No 575/2013 of the European Parliament and of the Council. Exposure to a customer or group of connected customers can not exceed 25 percent of the Bank's and Group's eligible capital. According to Regulation (EU) No 876/2019, effective since 28 June 2021, the maximum exposure ratio is calculated based on Tier 1 capital.

Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
8,941	6,510	Maximum exposure to a single customer or group of connected customers	8,941	6,510
36,322	39,189	Eligible capital	36,640	39,210
24.62	16.61	Maximum exposure ratio, percent	24.40	16.60

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

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
		Statement of financial position items, other than trading and investment activities		
78,962	79,238	Balances with the Bank of Lithuania	78,962	79,238
		Due from banks		
12,809	11,556		12,537	11,321
203,359	191,176	Loans to customers	196,036	186,494
14,516	13,530	Receivables from leasing	14,516	13,530
309,646	295,500		302,051	290,583
		Off balance sheet items		
2,548	2,839	Guarantees	2,548	2,839
9,616	13,096	Loan commitments	14,125	16,062
321,810	311,435	Total balance and off balance sheet items, other than trading and investment activities	318,724	309,484
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
-	6	Derivative financial instruments	-	6
-	-	Held-to-maturity investments	-	-
59,177	54,584	Debt securities	59,177	54,584
59,177	54,590	Total trading and investment activities	59,177	54,590
-	-	Other financial assets	-	-
380,987	366,025	Total credit exposure	377,901	364,074

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Note 19 Risk management (cont'd)

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

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

	The Bank (Group)	
	31 December 2021	31 December 2020
Government bonds	59,177	54,584
Regional government bonds	-	-
Multilateral Development Banks Bonds	-	-
Corporate bonds	-	-
Derivatives	-	6
Total	59,177	54,590

	The Bank (Group)	
	31 December 2021	31 December 2020
High grade (AAA-A)	46,207	49,349
Standard grade (B-BBB+)	12,970	5,235
Not rated	-	-
Total	59,177	54,584

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

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

Credit risk assessment

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

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

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Note 19 Risk management (cont'd)**Credit risk assessment of financial instruments, other than trading activities and off balance items**

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2021					
Stage 1					
Loans and receivables	153,432	3,270	-	-	156,702
Placements with LB and other banks	91,499	-	-	-	91,499
Debt securities	59,177	-	-	-	59,177
Other financial assets	-	-	-	-	-
Total	304,108	3,270	-	-	307,378
Stage 2					
Loans and receivables	47,968	941	116	-	49,025
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	47,968	941	116	-	49,025
Stage 3					
Loans and receivables	3,930	144	340	411	4,825
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,930	144	340	411	4,825
Total	356,006	4,355	456	411	361,228

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Bank	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2020					
Stage 1					
Loans and receivables	149,074	565	-	-	149,639
Placements with LB and other banks	90,559	-	-	-	90,559
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	294,217	565	-	-	294,782
Stage 2					
Loans and receivables	43,200	957	30	-	44,187
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,200	957	30	-	44,187
Stage 3					
Loans and receivables	3,894	602	25	1,677	6,198
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,894	602	25	1,677	6,198
Total	341,311	2,124	55	1,677	345,167

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2021					
Stage 1					
Loans and receivables	159,187	3,650	-	-	162,837
Placements with LB and other banks	91,771	-	-	-	91,771
Debt securities	59,177	-	-	-	59,177
Other financial assets	-	-	-	-	-
Total	310,135	3,650	-	-	313,785
Stage 2					
Loans and receivables	48,583	1,368	176	-	50,127
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	48,583	1,368	176	-	50,127
Stage 3					
Loans and receivables	3,934	150	344	483	4,911
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,934	150	344	483	4,911
Total	362,652	5,168	520	483	368,823

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Note 19 Risk management (cont'd)Credit risk assessment of financial instruments, other than trading activities and off balance items (cont.)

The Group	Not overdue	1 to 59 days	60 to 89 days	More than 90 days	Total
31 December 2020					
Stage 1					
Loans and receivables	152,964	894	-	-	153,858
Placements with LB and other banks	90,794	-	-	-	90,794
Debt securities	54,584	-	-	-	54,584
Other financial assets	-	-	-	-	-
Total	298,342	894	-	-	299,236
Stage 2					
Loans and receivables	43,348	1,170	61	-	44,579
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	43,348	1,170	61	-	44,579
Stage 3					
Loans and receivables	3,899	611	26	1,733	6,269
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	3,899	611	26	1,733	6,269
Total	345,589	2,675	87	1,733	350,084

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Note 19 Risk management (cont'd)

Change of impairment during reporting period

The Group					The Bank					
Collective impairment	Individual impairment	Credit commitments	Guarantees	Total		Collective impairment	Individual impairment	Credit commitments	Guarantees	Total
31 December 2021										
237	-	(10)	(1)	226	Stage 1	74	-	8	(1)	81
233	-	(10)	(1)	222	Loans and receivables	70	-	8	(1)	77
2	-	-	-	2	Placements with LB and other banks	2	-	-	-	2
2	-	-	-	2	Debt securities	2	-	-	-	2
-	-	-	-	-	Other financial assets	-	-	-	-	-
279	(48)	(6)	-	225	Stage 2	224	(49)	(6)	-	169
279	(48)	(6)	-	225	Loans and receivables	224	(49)	(6)	-	169
-	(28)	-	-	(28)	Stage 3	-	3	-	-	3
-	(28)	-	-	(28)	Loans and receivables	-	3	-	-	3
-	-	-	-	-	Other financial assets	-	-	-	-	-
516	(76)	(16)	(1)	423		298	(46)	2	(1)	253
-	-	-	-	141	Write-offs	-	-	-	-	1
-	-	-	-	140	Out of which were written off by selling the portfolio	-	-	-	-	-
-	-	-	-	(15)	Income on loans written off in earlier periods	-	-	-	-	(9)
-	-	-	-	549	Total change of impairment	-	-	-	-	245

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

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

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

In the context of the uncertainty related to COVID-19 pandemic and its impact on business in 2021, the loans to the most COVID-19 pandemic affected industry sectors have been reclassified as a separate homogeneous subgroup assigned to Stage 2. As of 31 December, 2021, this portfolio amounted to net value of EUR 14,29 million, and provisions EUR 0,26 million

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

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

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
168,986	163,815	Liquid assets	168,986	163,815
29,639	30,811	Short-term (up to 30 days) obligations	32,159	33,215
570	532	LCR, percent	525	493

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

The Bank	31 December 2021							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	118,354	6,726	12,233	33,939	129,175	91,220	16,803	408,450
Liabilities and shareholders' equity	179,447	18,028	19,313	66,895	55,170	26,575	43,022	408,450
Net gap	(61,093)	(11,302)	(7,080)	(32,956)	74,005	64,645	(26,219)	-
Credit commitments	-	14,125	-	-	-	-	-	14,125

The Bank	31 December 2020							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	116,162	12,955	12,249	38,869	105,509	89,320	16,454	389,518
Liabilities and shareholders' equity	163,252	26,877	16,873	75,652	46,653	21,903	38,308	389,518
Net gap	(47,090)	(13,922)	(4,624)	(38,783)	58,856	67,417	(21,854)	-
Credit commitments	-	16,062	-	-	-	-	-	16,062

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Note 19 Risk management (cont'd)

Liquidity risk (cont.)

The Group	31 December 2021							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	118,626	7,096	13,072	37,568	119,899	102,931	8,761	407,953
Liabilities and shareholders equity	178,916	18,357	19,313	66,895	55,170	26,575	42,727	407,953
Net gap	(60,290)	(11,261)	(6,241)	(29,327)	64,729	76,356	(33,966)	-
Credit commitments	-	9,616	-	-	-	-	-	9,616

The Group	31 December 2020							Total
	On,demand	Less,than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	116,397	13,254	12,791	39,186	98,972	97,338	10,466	388,404
Liabilities and shareholders equity	161,871	27,164	16,873	75,652	46,653	21,903	38,288	388,404
Net gap	(45,474)	(13,910)	(4,082)	(36,466)	52,319	75,435	(27,822)	-
Credit commitments	-	13,096	-	-	-	-	-	13,096

Overdue loans are disclosed under column "Without maturity".

The circumstances of the Covid-19 pandemic had no significant impact on the liquidity level of the Bank during the fourth quarter of 2021.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and equity prices. The market risk is managed and controlled by continuous market monitoring and analysis of forecasted market changes.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established internal limits, monitors compliance with the required limits are monitored at the intervals set by the Bank. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities from re-pricing maturities. The Group and the Bank apply the interest rate risk management methods allowing to measure the Bank's and the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income in case of parallel shift in the yield curve.

The table below summarises the Group's and the Bank's exposure to interest rate risk as of 31 December 2021 and 31 December 2020. The table below includes the Group's and the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

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

The Bank	31 December 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	42,921	82,757	90,120	5,100	45,420	3,027	269,345
Non-sensitive assets to interest rate fluctuation							139,105
Liabilities:							
Sensitive liabilities to interest rate fluctuation	31,764	20,198	43,396	38,710	23,835	23,751	181,654
Non-sensitive liabilities and equity to interest rate fluctuation							226,796
Interest sensitivity gap	11,157	62,559	46,724	(33,610)	21,585	(20,724)	-

The Bank	31 December 2020						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	41,813	60,326	104,079	4,145	37,559	5,024	252,946
Non-sensitive assets to interest rate fluctuation							136,572
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,899	27,514	21,987	51,532	45,184	17,140	176,256
Non-sensitive liabilities and equity to interest rate fluctuation							213,262
Interest sensitivity gap	28,914	32,812	82,092	(47,387)	(7,625)	(12,116)	-

The Group	31 December 2021						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	43,429	83,595	73,413	7,489	53,869	14,738	276,533
Non-sensitive assets to interest rate fluctuation							131,420
Liabilities:							
Sensitive liabilities to interest rate fluctuation	31,764	20,198	43,396	38,710	23,835	23,751	181,654
Non-sensitive liabilities and equity to interest rate fluctuation							226,299
Interest sensitivity gap	11,665	63,397	30,017	(31,221)	30,034	(9,013)	-

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

The Group	31 December 2020						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	
Assets:							
Sensitive assets to interest rate fluctuation	42,155	60,881	92,886	5,693	42,948	13,043	257,606
Non-sensitive assets to interest rate fluctuation							130,798
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,899	27,514	21,987	51,532	45,184	17,140	176,256
Non-sensitive liabilities and equity to interest rate fluctuation							212,148
Interest sensitivity gap	29,256	33,367	70,899	(45,839)	(2,236)	(4,097)	-

Currency risk

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

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
187	327	Long positions	187	327
(364)	(131)	Short positions	(364)	(131)
38,286	39,189	Eligible capital	38,604	39,210
0.95	0.83	Overall net currency position, percent	0.94	0.83

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

	31 December 2021	31 December 2020
Increase in FX rates by 10 percent	18	20
Decrease in FX rates by 10 percent	(18)	(20)

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Note 20 Capital

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

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

As per the European Banking Authority's (EBA) recommendation, the 3% leverage ratio requirement has become binding from 28 June 2021. As of 31 December 2021, the Bank's leverage ratio of 8.62 percent (the Group – 8.65 percentage) exceeded the minimum requirement.

Additional own funds requirement (Pillar II) has remained at the same level of 1,8 percent after 2020 supervisory review by the Bank of Lithuania and evaluation process (SREP).

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

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

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
19.11	20.24	CET 1 Capital ratio	18.50	19.57
19.11	20.24	Tier 1 Capital ratio	18.50	19.57
20.14	21.68	Capital adequacy ratio	19.49	20.95

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

Financial assets quality indicators as at 31 December 2021 are given in the table below:

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

Financial assets quality indicators as at 31 December 2020:

The Group			The Bank	
Provisions (EUR) thousands	Provisions to financial assets ratio (percent)		Provisions (EUR) thousands	Provisions to financial assets ratio (percent)
2,362	1.22	Loans to customers	2,135	1.13
394	2.83	Finance lease receivable	394	2.83
33	0.06	Debt securities	33	0.06
11	0.10	Placements with banks	11	0.10
2,800	1.02	Total:	2,573	0.96

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

The Group			The Bank	
31 December 2021	31 December 2020		31 December 2021	31 December 2020
1.12	1.06	Return on assets (ROA)	1.18	1.00
10.88	10.59	Return on equity (ROE)	11.44	9.84

Action applied to the Bank

During the fourth quarter of 2021 any measures of effect which can affect these financial statements or which should be expanded for more details were not applied to the Medicinos Bankas.

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Note 22 Events after the reporting date

There were no material subsequent events during the fourth quarter of year 2021 that would require adjustment of or disclosure in those financial statements of the Group and the Bank.

CONFIRMATION OF RESPONSIBLE PERSONS

We, UAB Medicinos Bankas Chairman of the Board and Chief Executive Officer Dalia Klišauskienė and Director of Accounting and Reporting Department, Chief Accountant Lina Bertašienė, confirm that the financial statements for fourth quarter of 2021 have been prepared in accordance with the applicable accounting standard, represents reality and fairly shows the assets, liabilities, financial position, results of operations and cash flows of UAB Medicinos Bankas and the consolidated entities

Acting Chairman of the Board and Chief
Executive Officer

D. Klišauskienė

Director of Accounting and Reporting
Department, Chief Accountant

L. Bertašienė