

UAB MEDICINOS BANKAS

BANK'S SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED
FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH
MARCH 2019 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 31TH MARCH 2019

(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 March 2019	31 December 2018	Assets	Notes	31 March 2019	31 December 2018
24,367	27,304	Cash and due from central bank <i>Cash</i>		24,367	27,304
20,104	30,070	<i>Placements with the central bank</i>		20,104	30,070
44,471	57,374			44,471	57,374
11,706	13,280	Placements with banks and other credit institutions		11,669	13,239
3	41	Financial assets at fair value through profit or loss <i>Derivative financial instruments</i>		3	41
3	41			3	41
67,864	70,746	Debt securities	3	67,864	70,746
158,607	159,017	Loans and receivables <i>Loans to customers</i>	4	155,490	156,986
14,057	12,809	<i>Finance lease receivable</i>		14,057	12,809
172,664	171,826			169,547	169,795
-	-	Investments in subsidiaries	6	6,928	7,521
2,688	3,018	Investment property	5	806	1,050
7,461	5,548	Property and equipment		7,435	5,545
289	314	Intangible assets		247	267
19	6	Tax assets <i>Current taxes</i>		19	6
1,769	1,925	<i>Deferred taxes</i>		1,769	1,925
1,788	1,931			1,788	1,931
14,606	685	Other assets	7	14,524	621
323,540	324,763	Total assets		325,282	328,130

(continued on the next page)

The accompanying notes on pages 11 to 43 are an integral part of these financial statements.

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

31 March 2019	31 December 2018	Liabilities	Notes	31 March 2019	31 December 2018
30	228	Due to banks and other credit institutions	8	30	228
16	5	Derivative financial instruments		16	5
280,734	289,126	Due to customers	9	282,531	290,733
1,001	1,000	Subordinated loans	10	1,001	1,000
2,132	2,167	Debt securities issued	10	2,132	2,167
33	30	Impairment		33	30
8,312	1,682	Other liabilities	11	8,135	3,368
292,258	294,238	Total liabilities		293,878	297,531
		Equity			
19,948	19,948	Share capital	12	19,948	19,948
683	2,064	Retained earnings		805	2,138
335	335	Revaluation reserve of property and equipment		335	335
10,316	8,178	Other reserves	12	10,316	8,178
31,282	30,525	Total shareholders' equity		31,404	30,599
323,540	324,763	Total liabilities and shareholders' equity		325,282	328,130

The accompanying notes on pages 11 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

A. Tonkich

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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED INCOME STATEMENTS

<u>The Group</u>				<u>The Bank</u>	
<u>31 March 2019</u>	<u>31 December 2018</u>		<u>Notes</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
2,379	2,226	Interest income	13	2,302	2,206
(434)	(429)	Interest expenses	13	(434)	(429)
1,945	1,797	Net interest income		1,868	1,777
1,546	1,080	Service fee and commission income	14	1,576	1,080
(109)	(112)	Service fee and commission expenses	14	(97)	(103)
1,437	968	Net service fee and commission income		1,479	977
-	-	Net result on equity securities trading		-	-
1,085	951	Net foreign exchange gain	15	1,085	951
(153)	(65)	Net result from operations with derivatives		(153)	(65)
-	-	Impairment of investments into subsidiaries	6	(47)	(207)
(20)	(168)	Net result on operations on investment property	5, 16	(12)	(22)
31	19	Other income		26	15
4,325	3,502	Total operating income		4,246	3,426
(109)	(254)	Impairment of loans and other financial assets		(83)	(255)
4,216	3,248	Operating income after impairment		4,163	3,171
(2,058)	(1,828)	Salaries and benefits		(1,981)	(1,740)
(268)	(116)	Depreciation		(268)	(116)
(25)	(47)	Amortisation		(20)	(44)
(965)	(980)	Other operating expenses	17	(946)	(934)
(3,316)	(2,971)	Total operating expenses		(3,215)	(2,834)
900	277	Operating profit (loss)		948	337
(143)	(13)	Income tax expense		(143)	(13)
757	264	Profit (loss) for the year		805	324
757	264	Attributable to equity holders of the Bank		805	324

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(All amounts in EUR thousand unless otherwise stated)

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other		(1)
	<u>-</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>(1)</u>
Other comprehensive income (expenses), net of tax		
	<u>-</u>	<u>(1)</u>
Profit (loss) at the end of the reporting period	805	324
Total comprehensive income	<u><u>805</u></u>	<u><u>323</u></u>
Attributable to:		
Equity holders of the Bank	805	323

The Group

	<u>31 March 2019</u>	<u>31 December 2018</u>
Items that will never be reclassified to profit or loss		
Change in PPE revaluation	-	-
Transfer of depreciation for PPE net of tax	-	-
Other	-	-
	<u>-</u>	<u>-</u>
Items that are or may be reclassified to profit or loss		
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	757	264
Total comprehensive income	<u><u>757</u></u>	<u><u>264</u></u>
Attributable to:		
Equity holders of the Bank	757	264

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(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings (restated)	Revaluation reserve of property and equipment	Financial assets revaluation reserve	Other reserves	Total
At 31 December 2017	19,948	852	339	-	6,326	27,465
Apskaitos principų pasikeitimo įtaka	-	(302)	-	-	-	(302)
At 1 January 2018	19,948	550	339	-	6,326	27,163
Profit or loss	-	324	-	-	-	324
Other comprehensive income (expenses)	-	(1)	-	-	-	(1)
Transactions with owners of the Bank						
Transfer to reserves	-	(852)	-	-	852	-
At 31 March 2018	19,948	21	339	-	7,178	27,486
Profit or loss	-	2,111	-	-	-	2,111
Other comprehensive income (expenses)	-	6	(4)	-	-	2
Transactions with owners of the Bank						
Transfer to reserves	-	-	-	-	1,000	1,000
At 31 December 2018	19,948	2,138	335	-	8,178	30,599
Profit or loss	-	805	-	-	-	805
Transactions with owners of the Bank						
Transfer to reserves	-	(2,138)	-	-	2,138	-
At 31 March 2019	19,948	805	335	-	10,316	31,404

(tęsinys kitame puslapyje)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH MARCH 2019

(All amounts in EUR thousand unless otherwise stated)

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

	Share capital	Retained earnings (restated)	Revaluation reserve of property and equipment	Financial assets revaluation reserve	Other reserves	Total
At 31 December 2017	19,948	828	339	-	6,326	27,441
Apskaitos principų pasikeitimo įtaka	-	(302)	-	-	-	(302)
At 1 January 2018	19,948	526	339	-	6,326	27,139
Profit or loss	-	264	-	-	-	264
Other comprehensive income (expenses)	-	-	-	-	-	-
Transactions with owners of the Bank	-	(852)	-	-	852	-
Transfer to reserves	-	-	-	-	-	-
At 31 March 2018	19,948	(62)	339	-	7,178	27,403
Profit or loss	-	2,122	-	-	-	2,122
Other comprehensive income (expenses)	-	4	(4)	-	-	-
Transactions with owners of the Bank	-	-	-	-	1,000	1,000
Transfer to reserves	-	-	-	-	1,000	1,000
At 31 December 2018	19,948	2,064	335	-	8,178	30,525
Profit or loss	-	757	-	-	-	757
Transactions with owners of the Bank	-	(2,138)	-	-	2,138	-
Transfer to reserves	-	(2,138)	-	-	2,138	-
At 31 March 2019	19,948	683	335	-	10,316	31,282

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D. Klišauskienė



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A. Tonkich



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(All amounts in EUR thousand unless otherwise stated)

CONDENSED SEPARATE AND CONSOLIDATED CASH FLOW STATEMENTS

Group			Bank	
31 March 2019	31 March 2018	Notes	31 March 2019	31 March 2018
		Cash flows from operating activities		
757	264	Profit (loss) for the year	805	324
		Non-cash Revenue and Cost Recovery:		
293	163	Depreciation and amortisation	288	160
7	(24)	Loss, gain on the sale of tangible, intangible and investment property	6	(14)
106	224	Impairment of loans	80	225
-	-	Impairment of investments in subsidiaries	47	207
7	180	Impairment of investment property	-	23
49	(49)	Derivatives revaluation	49	(49)
16	38	Elimination of accrued vacation pay	41	38
143	13	Income tax expenses	143	13
<u>(15,752)</u>	<u>(298)</u>	Elimination of other non-cash items	<u>(15,754)</u>	<u>(300)</u>
(14,374)	511	Cash flows from (to) operating activities before changes in operating assets and liabilities	(14,295)	627
		Changes in operating assets and liabilities:		
238	(99)	Changes in compulsory reserves	238	(99)
-	2,108	Changes in amounts due from banks	-	2,108
(1,108)	(3,603)	Loans to customers	4	(3,432)
1,442	(721)	Purchased loan portfolio	1,442	(721)
(1,251)	175	Finance lease receivable	(1,251)	175
(198)	(200)	Changes in due to banks and other credit institutions	(198)	(200)
(8,302)	36,574	Changes in due to customers	(8,112)	37,425
<u>8,474</u>	<u>7,899</u>	Changes in other assets and liabilities	<u>6,604</u>	<u>7,572</u>
(15,079)	42,644	Net cash flows from operating activities before income tax	(15,568)	43,455
-	(6)	Income tax (paid)	-	(6)
<u>(15,079)</u>	<u>42,638</u>	Net cash flows from operating activities after income tax	<u>(15,568)</u>	<u>43,449</u>
		Investing activities		
(2,249)	(155)	(Acquisitions) of intangible assets and property and equipment	(2,224)	(146)
-	(2)	(Acquisitions) of investment property	-	(2)
332	167	Proceeds from sale of tangible, intangible and equipment and investment property	254	73
-	-	Investments in subsidiaries	(1,235)	(701)
-	-	Disposal of subsidiaries	1,781	-
24,648	15,066	Redemption of debt-securities	24,648	15,066
<u>(21,766)</u>	<u>(19,898)</u>	(Acquisitions) of of debt-securities	<u>(21,766)</u>	<u>(19,898)</u>
<u>965</u>	<u>(4,822)</u>	Net cash flows to investing activities	<u>1,458</u>	<u>(5,608)</u>

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UAB MEDICINOS BANKAS

SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH MARCH 2019

(All amounts in EUR thousand unless otherwise stated)

Note 1 Background information

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

Pamėnkalnio St. 40,
Vilnius, Lithuania.

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

At the end of the first quarter of 2019 the Bank had 51 customer service units in different regions of Lithuania.

The 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, SIA Nida Capital (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, SIA Nida Capital was established on 31 March 2014, and UAB Saugus Kreditas was acquired 17 October 2017.

As at 31 March 2019 the Bank employed 359 employees (369 employees as at 31 December 2018). As at 31 March 2019 the Group employed 374 employees (384 employees as at 31 December 2018).

As at 31 March 2019 and 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

*Died on 16-01-2019, the only legal heir - son Konstantinas Karosas.

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

Note 2 Basis of preparation and significant accounting policies

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

These financial statements are presented in EUR, which is the Bank's and its subsidiaries' functional currency unless otherwise stated. On 1 January 2015, the Republic of Lithuania joined the euro area and the Lithuanian national currency litas was replaced by the euro.

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 March 2019	31 December 2018
USD	1.1235	1.1454

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(All amounts in EUR thousand unless otherwise stated)

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

The expected credit loss impairment model

From 1 January 2018 the Bank and the Group adopted IFRS 9. The Group prepared and implemented model of expected credit loss (ECL) evaluation which is applied to financial instruments such as loans to customers, finance lease receivables, debt securities, placements with banks and other financial assets.

Expected credit loss is evaluated depending on changes in credit risk of exposure since the initial recognition, taking into account unbiased future oriented information even if no actual loss was incurred. ECL model is based on past events, current conditions and forecast of future economic conditions which can make impact on expected future cash flows. Therefore credit loss impairment allowances now are more sensitive to changes in forecasts of future economic conditions and can fluctuate more than before the adoption of IFRS 9.

The expected credit loss impairment model is based on the actual credit loss experience data from 01-01-2010. Loan portfolio exposures were segmented to corporates or individuals, and corporates were segmented as those that are linked to the real estate industry (real estate development, rent or selling) or not.

Off-balance sheet exposures are divided into 3 stages the same way as appropriate balance-sheet exposures. ECL's are calculated in the same way as for appropriate balance-sheet exposures.

Estimated impact of IFRS 9 application for the 1 January 2018 is disclosed in the tables below.

Impact of IFRS 9 application on impairment

The Bank (Group)	31 December 2017 IAS 39	1 January 2018 IFRS 9	Change
Loans and receivables	5,745	6,002	257
Debt securities	-	24	24
Placements with central and other banks	-	20	20
Other financial assets	-	1	1
Impairment of financial assets	5,745	6,047	302

In amount of change in loans and receivables (257 thousand euros) included impairment losses on credit liabilities represent 23 thousand euros and guarantees – 3 thousand euros.

The Bank (The Group)	31 December 2017 TAS 39	31 December 2018 TFAS 9	Change
Credit commitments	0	(23)	(23)
Guarantees	0	(3)	(3)
Total impairment of off-balance items	0	(26)	(26)

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH MARCH 2019

(All amounts in EUR thousand unless otherwise stated)

Note 3 Debt securities

Held-to-maturity investments are as follows:

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
43,718	43,888	Government bonds of the Republic of Lithuania	43,718	43,888
2,974	1,148	Non-financial company bonds	2,974	1,148
-	1,314	Financial company bonds	-	1,314
1,568	1,566	Government bonds of the Republic of Iceland	1,568	1,566
-	1,002	Government bonds of the Kingdom of Spain	-	1,002
6,786	4,575	Government bonds of the Republic of Latvia	6,786	4,575
4,296	3,005	Government bonds of the Republic of Poland	4,296	3,005
3,096	3,089	Government bonds of the Republic of Romania	3,096	3,089
-	4,172	Government bonds of the Republic of Slovenia	-	4,172
2,668	2,619	Government bonds of the Kingdom of Sweden	2,668	2,619
2,758	2,689	Government bonds of the Republic of Finland	2,758	2,689
-	1,679	Government bonds of the Republic of Hungary	-	1,679
67,864	70,746	Total	67,864	70,746

Note 4 Loans and receivables

Loans to customers and receivables comprise:

	The Bank	
	31 March 2019	31 December 2018
Loans to customers, including short-term bills of exchange	155,424	156,946
Overdrafts	1,880	1,814
Factoring	634	589
Leasing	14,256	12,992
	172,194	172,341
Less: impairment	(2,647)	(2,546)
Loans and receivables, net	169,547	169,795

	The Group	
	31 March 2019	31 December 2018
Loans to customers, including short-term bills of exchange	158,620	159,030
Overdrafts	1,880	1,814
Factoring	634	589
Leasing	14,256	12,992
	175,390	174,425
Less: impairment	(2,726)	(2,599)
Loans and receivables, net	172,664	171,826

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(All amounts in EUR thousand unless otherwise stated)

Note 5 Investment property

	The Bank	
	31 March 2019	31 December 2018
Balance at the beginning of year	1,050	1,370
Additions	3	1,382
Disposals	(247)	(1,460)
Changes in fair value	-	(242)
Balance at the end of year	806	1,050

	The Group	
	31 March 2019	31 December 2018
Balance at the beginning of year	3,018	6,213
Additions	3	1,407
Disposals	(326)	(3,471)
Changes in fair value	(7)	(1,131)
Balance at the end of year	2,688	3,018

The fair value of investment properties owned by subsidiaries:

	31 March 2019	31 December 2018
UAB MB Turtas	98	98
UAB MB Valda	217	251
UAB MB Investicija	222	229
UAB TG Invest-1	1,345	1,390
Total	1,882	1,968

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SEPARATE AND CONSOLIDATED CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD AS AT 31TH MARCH 2019

(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	
	31 March 2019	31 December 2018
Balance at the beginning of the year	7,521	6,439
Additions	1,235	2,201
Disposal (nominal value)	(1,781)	-
Additional impairment of investment in subsidiaries	(47)	(1,119)
	(593)	1,082
Balance at the end of the report period	6,928	7,521

Balance as at 31 March 2019	Ownership (%)	Direct ownership (%)	Nominal amount	Impairment	Carrying value
	UAB MB Turtas	100	9.45	317	(214)
UAB MB Valda	100	32.52	1,150	(328)	822
UAB MB Investicija	100	8.86	274	(103)	171
UAB TG Invest-1	100	51.00	2,484	(647)	1,837
SIA Nida capital	100	100	850	(324)	526
UAB Saugus Kreditas	100	100	3,500	(31)	3,469
Total			8,575	(1,647)	6,928

Balance as at 31 December 2018	Ownership (%)	Direct ownership (%)	Nominal amount	Impairment	Carrying value
	UAB MB Turtas	100	22.46	753	(489)
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	3,567	(918)	2,649
SIA Nida Capital	100	100	850	(324)	526
UAB Saugus Kreditas	100	100	2,265	(31)	2,234
Total			10,066	(2,545)	7,521

Note 7 Other assets

Other assets comprise:

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
13,415	-	Receivables for redeemed debt securities	13,415	-
382	308	Prepayments	366	291
480	145	VAT receivable	480	145
48	46	Buyers' debts	5	11
136	120	Costs for future periods	136	120
145	66	Other	122	54
14,606	685	Other assets	14,524	621

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Note 8 Due to banks and other credit institutions

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
30	228	Current accounts and overnight deposits	30	228
30	228	Amounts due to banks and other credit institutions	30	228

Note 9 Due to customers

Amounts due to customers comprise:

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
165,181	167,271	Term deposits	166,978	167,271
103,688	109,754	Current accounts	103,688	111,361
11,865	12,101	Loans from funds	11,865	12,101
280,734	289,126	Amounts due to customers	282,531	290,733
16,215	18,475	Out of which held as security against guarantees and loans	16,215	18,475

Note 10 Subordinated loans and issued debt securities (the Bank)

Subordinated loans

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

As of 31 March 2019 there was accrued interest of 1 thous.EUR related with subordinated loan.

Debt securities issued

In July 2018 bank have issued subordinated debt securities emission. As of 31 December 2018 net value of issued debt securities is 2 167 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. Coupon – 7%, coupon payment twice a year. Maturity date – 24 July 2025.

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Note 11 Other liabilities

Other liabilities comprise:

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
3,092	-	Customer funds payable	3,092	-
1,181	829	Accrued payments to employees	1,143	809
58	59	Prepayments (advance payments)	-	1,796
1,800	121	Accrued expenses	1,800	121
		Amounts due to customers by insurance events		
824	-	from deposit and investment insurance	824	-
253	-	AML suspended funds	253	-
434	-	Sales VAT	429	-
121	77	Deferred income	121	77
107	-	Fee payable to the State Social Insurance Board	103	-
140	215	Commitments to the State Social Fund Board	135	215
		Payable to the Lithuanian Road Transport Administration		
56	-		56	4
		Payable to the Latvian and Estonian Road Transport Administration		
34	21		34	21
91	115	Debt to customers	48	94
121	245	Other	97	231
8,312	1,682	Other liabilities	8,135	3,368

Note 12 Shareholders' equity

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

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

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

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

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Note 13 Net interest income

The Group			The Bank	
31 March 2019	31 March 2018		31 March 2019	31 March 2018
1,996	1,818	On loans to customers	1,919	1,798
34	107	On impaired loans to customers	34	107
156	128	Leasing	156	128
25	28	Delinquency	25	28
149	135	On held-to-maturity investments	149	135
19	10	On placements with the banks and other credit institutions	19	10
2,379	2,226	Interest revenue	2,302	2,206
(277)	(302)	On obligations to customers, including letters of credit	(277)	(302)
(68)	(66)	Deposit insurance	(68)	(66)
(5)	(5)	On subordinated loans	(5)	(5)
(42)	-	For Debt securities	(42)	-
(23)	(43)	Loan portfolio guarantee insurance	(23)	(43)
(1)	(13)	On obligations to banks and other credit institutions	(1)	(13)
(18)	-	Lease of property	(18)	-
(434)	(429)	Interest expenses	(434)	(429)
1,945	1,797	Net interest income	1,868	1,777

Note 14 Net service fee and commission income

Net fee and commission income comprises:

The Group			The Bank	
31 March 2019	31 March 2018		31 March 2019	31 March 2018
552	328	Payment services	552	328
88	94	Commission income from currency exchange	88	94
164	75	Administration of bank accounts	164	75
423	294	Collection of payments	423	294
143	88	Brokerage income	143	88
137	117	Cash operations	137	117
39	84	Other	69	84
1,546	1,080	Service fee and commission income	1,576	1,080
(11)	(21)	Rent fee according to agreements	(11)	(21)
(62)	(52)	Cash operations	(62)	(52)
(36)	(39)	Other	(24)	(30)
(109)	(112)	Service fee and commission expense	(97)	(103)
1,437	968	Net service fee and commission income	1,479	977

Note 15 Net foreign exchange gain

The Group			The Bank	
31 March 2019	31 March 2018		31 March 2019	31 March 2018
939	893	Gain on dealing in foreign currencies	939	893
146	58	Revaluation of items in statement of financial position, net	146	58
1,085	951	Net foreign exchange gain	1,085	951

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Note 16 Net result on operations with investment property

The Group			The Bank	
31 March 2019	31 March 2018		31 March 2019	31 March 2018
(13)	12	Realised gain (loss)	(12)	1
(7)	(180)	Changes in fair value	-	(23)
(20)	(168)	Net result on operations on investment property	(12)	(22)

Note 17 Operating expenses

Operating expenses are as follows:

The Group			The Bank	
31 March 2019	31 March 2018		31 March 2019	31 March 2018
		Other operating expenses		
(100)	(214)	Occupancy and rent	(97)	(209)
(158)	(124)	Office supplies	(158)	(124)
(57)	(90)	Expenses for service providers for the bank	(57)	(90)
(186)	(118)	Taxes other than income tax	(183)	(107)
(56)	(67)	Communication	(56)	(66)
(8)	(22)	Debt recovery costs	(8)	(22)
(81)	(99)	Transportation expenses	(81)	(98)
(12)	(16)	Expenses related with investment property	(8)	(5)
(31)	(29)	Security	(31)	(29)
(66)	(22)	Marketing and advertising	(61)	(22)
(5)	(8)	Legal and consultancy	(5)	(8)
(1)	(3)	Personnel training	(1)	(3)
(8)	(22)	Representation	(8)	(22)
(13)	(6)	Building repair costs	(13)	(6)
(2)	-	Charity and support costs	(2)	-
(26)	(2)	Business travel and related	(26)	(2)
(13)	(12)	Disposable items	(13)	(12)
(6)	(8)	Stationary supplies	(6)	(8)
(37)	(9)	Insurance expenses	(36)	(9)
(6)	(5)	Participation fees	(6)	(5)
(93)	(104)	Other	(90)	(87)
(965)	(980)	Total other operating expenses	(946)	(934)

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Note 18 Cash and cash equivalents

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

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
24,367	27,304	Cash on hand	24,367	27,304
18,062	27,790	Current accounts with the Bank of Lithuania	18,062	27,790
10,522	12,099	Current accounts with other credit institutions	10,485	12,058
1,184	1,181	Term deposits with credit institutions up to 90 days	1,184	1,181
54,135	68,374	Cash and cash equivalents	54,098	68,333

Note 19 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.

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 first quarter.

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Note 19 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 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 March 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	44,471	44,471	57,374	57,374
Placements with banks and other credit institutions	11,669	11,669	13,239	13,239
Debt securities	67,864	68,614	70,746	71,512
Loans and receivables	169,547	175,382	169,795	173,082
Other assets	14,524	14,524	621	621
Total financial assets	308,075	314 660	311,775	315,828
Financial liabilities				
Due to banks and other credit institutions	30	30	228	228
Due to customers, including letters of credit	282,531	284,158	290,733	292,342
Debt securities issued	2,132	2,252	2,167	2,288
Subordinated loans	1,001	1,001	1,000	1,000
Other liabilities	8,135	8,135	3,368	3,367
Total financial liabilities	293,829	295,576	297,496	299,225
The Group				
	31 March 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from central bank	44,471	44,471	57,374	57,374
Placements with banks and other credit institutions	11,706	11,706	13,280	13,280
Debt securities	67,864	68,614	70,746	71,512
Loans and receivables	172,664	178,499	171,826	175,113
Other assets	14,606	14,606	685	685
Total financial assets	311,311	317,896	313,911	317,964
Financial liabilities				
Due to banks and other credit institutions	30	30	228	228
Due to customers, including letters of credit	280,734	282,361	289,126	290,735
Debt securities issued	2,132	2,252	2,167	2,288
Subordinated loans	1,001	1,001	1,000	1,000
Other liabilities	8,312	8,312	1,682	1,682
Total financial liabilities	292,209	293,956	294,203	295,933

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Note 19 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 March 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	3	-	3
Financial liabilities				
Derivative financial instruments	-	16	-	16
As at 31 December 2018				
Financial assets				
Derivative financial instruments	-	41	-	41
Financial liabilities				
Derivative financial instruments	-	5	-	5

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Note 19 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

	Level 1	Level 2	Level 3	Total carrying amount
31 March 2019				
Assets				
Cash and due from banks	44,471	11,669	-	56,140
Debt securities	-	67,864	-	67,864
Loans to customers	-	153,084	2,406	155,490
Receivables from leasing	-	12,209	1,848	14,057
Other assets	-	14,524	-	14,524
Total financial assets	44,471	259,350	4,254	308,075
Liabilities				
Due to banks and other credit institutions	-	30	-	30
Due to customers	-	282,531	-	282,531
Debt securities issued	-	2,132	-	2,132
Subordinated loan	-	1,001	-	1,001
Other liabilities	-	8,135	-	8,135
Total financial liabilities		293,829		293,829
31 December 2018				
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

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Note 19 Fair values of financial instruments (cont'd)

The Group

	Level 1	Level 2	Level 3	Total carrying amount
31 March 2019				
Assets				
Cash and due from banks	44,471	11,706	-	56,177
Debt securities	-	67,864	-	67,864
Loans to customers	-	156,140	2,467	158,607
Receivables from leasing	-	12,209	1,848	14,057
Other assets	-	14,606	-	14,606
Total financial assets	44,471	262,525	4,315	311,311
Liabilities				
Due to banks and other credit institutions	-	30	-	30
Due to customers	-	280,734	-	280,734
Debt securities issued	-	2,132	-	2,132
Subordinated loan	-	1,001	-	1,001
Other liabilities	-	8,312	-	8,312
Total financial liabilities	-	292,209	-	292,209
31 December 2018				
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

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Note 20 Related party transactions

Transactions between 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 at the year end, and related expense and income for the year are as follows:

2019	Key management personnel			
	Shareholders	Subsidiaries	Key management personnel	Other*
Loans outstanding as at 31 March 2019, net	36	-	-	4,288
Interest rate,%	6.5828	-	-	2.0-4.5
Impairment of loans	-	-	-	(14)
Term deposits as at 31 March 2019	-	-	2	267
Interest rate,%	-	-	0.3	0.05-6.5
Demand accounts as at 31 March 2019	123	1,797	96	3,154
Bonds issued as at 31 March 2019	100	-	-	-
Interest rate,%	7	-	-	-
Subordinated loans as at 31 March 2019	1,001	-	-	-
Interest rate,%	2	-	-	-
For first quarter of 2019 which ended at 31 March 2019				
Paskolų palūkanų pajamos	-	-	-	28
Indėlių palūkanų sąnaudos	-	-	-	(1)
Obligacijų palūkanų sąnaudos	(1)	-	-	-
Subordinuotųjų paskolų palūkanų sąnaudos	(5)	-	-	-
Service fee and commission revenue	-	30	-	3
Service fee and commission expenses	-	-	-	-
The Bank				
2018	Key management personnel			
	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 first quarter of 2018 which ended at 31 March 2018				
Paskolų palūkanų pajamos	-	2	-	32
Indėlių palūkanų sąnaudos	-	-	-	(1)
Obligacijų palūkanų sąnaudos	-	-	-	-
Subordinuotųjų paskolų palūkanų sąnaudos	(5)	-	-	-
Service fee and commission revenue	-	-	-	5
Service fee and commission expenses	-	-	-	-

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Note 20 Related party transactions (cont'd)

The Group

2019	Shareholders	Key management personnel	Other*
Loans outstanding as at 31 March 2019, net	36	-	4,288
Interest rate,%	6.5828	-	2.0-4.5
Impairment of loans	-	-	(14)
Term deposits as at 31 March 2019	-	2	267
Interest rate,%	-	0.3	0.05-6.5
Demand accounts as at 31 March 2019	123	99	3,151
Bonds issued as at 31 March 2019	100	-	-
Interest rate,%	7	-	-
Subordinated loans as at 31 March 2019	1,001	-	-
Interest rate,%	2	-	-
For first quarter of 2019 which ended at 31 March 2019			
Paskolų palūkanų pajamos	-	-	28
Indėlių palūkanų sąnaudos	-	-	(1)
Obligacijų palūkanų sąnaudos	(1)	-	-
Subordinuotųjų paskolų palūkanų sąnaudos	(5)	-	-
Service fee and commission revenue	-	-	3
Service fee and commission expenses	-	-	-

The Group

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 first quarter of 2018 which ended at 31 March 2018			
Paskolų palūkanų pajamos	-	-	32
Indėlių palūkanų sąnaudos	-	-	(1)
Obligacijų palūkanų sąnaudos	-	-	-
Subordinuotųjų paskolų palūkanų sąnaudos	(5)	-	-
Service fee and commission revenue	-	-	5
Service fee and commission expenses	-	-	-

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

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Note 21 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 % of the Bank's and Group's eligible capital. Compliance to this requirement is disclosed in the table below:

The Group			The Bank	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
5,755	5,832	Maximum exposure to a single customer or group of connected customers	5,755	5,832
30,591	25,773	Eligible capital	30,615	25,639
18.81	22.63	Maximum exposure ratio, %	18.80	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	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
		Statement of financial position items, other than trading and investment activities		
20,104	30,070	Balances with the Bank of Lithuania	20,104	30,070
11,706	13,280	Due from banks	11,669	13,239
158,607	159,017	Loans to customers	155,490	156,986
14,057	12,809	Receivables from leasing	14,057	12,809
204,474	215,176		201,320	213,104
		Off balance sheet items		
1,547	2,022	Guarantees	1,547	2,022
14,774	8,876	Loan commitments	14,774	8,876
220,795	226,074	Total balance and off balance sheet items, other than trading and investment activities	217,641	224,002
		Trading and investment activities		
		Financial assets at fair value through profit or loss		
3	41	Derivative financial instruments	3	41
67,864	70,746	Debt securities	67,864	70,746
67,867	70,787	Total trading and investment activities	67,867	70,787
32	55	Other financial assets	32	55
288,694	296,916	Total credit exposure	285,540	294,844

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Note 21 Risk management (cont.)

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 March 2019	31 December 2018
Government bonds	64,890	68,284
Regional government bonds	2,704	878
Multilateral Development Banks Bonds	0	1,314
Bank and corporate bonds	270	270
Derivatives	3	41
Total	67,867	70,787

Bonds exposure by rating grade	The Bank (Group)	
	31 March 2019	31 December 2018
High grade (AAA-A)	64,498	65,709
Standard grade (B-BBB+)	3,366	5,037
Not rated	-	-
Total	67,864	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.

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Note 21 Risk management (cont.)

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 March 2019					
Stage 1					
Loans and receivables	147,747	4,573	-	-	152,320
Placements with LB and other banks	31,773	-	-	-	31,773
Debt securities	67,864	-	-	-	67,864
Other financial assets	32	-	-	-	32
Total	247,416	4,573	-	-	251,989
Stage 2					
Loans and receivables	8,942	1,988	-	-	10,930
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	8,942	1,988	-	-	10,930
Stage 3					
Loans and receivables	1,721	1,295	505	2,776	6,297
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	1,721	1,295	505	2,776	6,297
Total	258,079	7,856	505	2,776	269,216

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Note 21 Risk management (cont.)

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
1 December 2018					
Stage 1					
Loans and receivables	150,689	2,623	-	-	153,312
Placements with LB and other banks	43,309	-	-	-	43,309
Debt securities	70,746	-	-	-	70,746
Other financial assets	55	-	-	-	55
Total	264,799	2,623	-	-	267,422
Stage 2					
Loans and receivables	9,664	409	354	-	10,427
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	9,664	409	354	-	10,427
Stage 3					
Loans and receivables	1,306	1,849	388	2,513	6,056
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	1,306	1,849	388	2,513	6,056
Total	275,769	4,881	742	2,513	283,905

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Note 21 Risk management (cont.)

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 March 2019					
Stage 1					
Loans and receivables	150,378	4,968	-	-	155,346
Placements with LB and other banks	31,773	-	-	-	31,773
Debt securities	67,864	-	-	-	67,864
Other financial assets	32	-	-	-	32
Total	250,047	4,968	-	-	255,015
Stage 2					
Loans and receivables	8,951	2,010	-	-	10,961
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	8,951	2,010	-	-	10,961
Stage 3					
Loans and receivables	1,721	1,298	515	2,823	6,357
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	1,721	1,298	515	2,823	6,357
Total	260,719	8,276	515	2,823	272,333

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Note 21 Risk management (cont.)

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 2018					
Stage 1					
Loans and receivables	152,364	2,903	-	-	155,267
Placements with LB and other banks	43,350	-	-	-	43,350
Debt securities	70,746	-	-	-	70,746
Other financial assets	55	-	-	-	55
Total	266,515	2,903	-	-	269,418
Stage 2					
Loans and receivables	9,672	432	357	-	10,461
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	9,672	432	357	-	10,461
Stage 3					
Loans and receivables	1,306	1,852	394	2,546	6,098
Placements with LB and other banks	-	-	-	-	-
Debt securities	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	1,306	1,852	394	2,546	6,098
Total	277,493	5,187	751	2,546	285,977

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Note 21 Risk management (cont.)

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 March 2019					
(5)	-	3	(1)	(3)	Stage 1	(16)	-	3	(1)	(14)
(2)	-	3	(1)	(0)	Loans and receivables	(13)	-	3	(1)	(11)
(1)	-	-	-	(1)	Placements with LB and other banks	(1)	-	-	-	(1)
(2)	-	-	-	(2)	Debt securities	(2)	-	-	-	(2)
-	-	-	-	-	Other financial assets	-	-	-	-	-
(1)	-	-	-	(1)	Stage 2	(1)	-	-	-	(1)
(1)				(1)	Loans and receivables	(1)	-	-	-	(1)
-	130	-	-	130	Stage 3	-	115	-	-	115
-	130	-	-	130	Loans and receivables	-	115	-	-	115
(6)	130	3	(1)	126	Total	(17)	115	3	(1)	100
-	-	-	-	-	Write-offs	-	-	-	-	-
-	(17)	-	-	(17)	Income on loans written off in earlier periods	-	(17)	-	-	(17)
-	-	-	-	109	Total change of impairment	-	-	-	-	83

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Note 21 Risk management (cont.)

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 March 2019	31 December 2018		31 March 2019	31 December 2018
112,713	128,502	Liquid assets	112,713	128,502
8,262	13,564	Short-term (up to 30 days) obligations	8,272	13,791
1,364	947	LCR, %	1,363	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	31 March 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	51,666	24,226	17,014	52,775	84,620	73,321	21,660	325,282
Liabilities and shareholders' equity	107,935	12,977	18,051	89,974	37,368	27,527	31,450	325,282
Net gap	(56,269)	11,249	(1,037)	(37,199)	47,252	45,794	(9,790)	-
Credit commitments	-	14,774	-	-	-	-	-	14,774

The Bank	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	6,318	27,657	50,192	82,310	72,352	19,869	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)	(10,334)	9,444	(28,370)	37,512	44,844	(10,738)	-
Credit commitments	-	8,876	-	-	-	-	-	8,876

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Note 21 Risk management (cont.)

Liquidity risk (cont.)

The Group	31 March 2019							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	51,703	24,348	17,163	53,406	85,805	74,331	16,784	323,540
Liabilities and shareholders equity	106,138	13,153	18,051	89,974	37,368	27,527	31,329	323,540
Net gap	(54,435)	11,195	(888)	(36,568)	48,437	46,804	(14,545)	-
Credit commitments	-	14,774	-	-	-	-	-	14,774

The Group	31 December 2018							Total
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Without maturity	
Assets	69,473	6,372	27,761	50,602	83,136	72,940	14,479	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)	(8,594)	9,548	(27,960)	38,338	45,432	(16,054)	-
Credit commitments	-	8,876	-	-	-	-	-	8,876

Overdue loans are disclosed under column "Without maturity".

Market risk

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

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Note 21 Risk management (cont.)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established internal limits, monitors compliance with the required limits are monitored on a monthly basis. Interest rate risk is managed by forecasting the market interest rates and managing the mismatches between assets and liabilities from re-pricing maturities. The Group and the Bank apply the interest rate risk management methods allowing to measure the Bank's and the Group's sensitivity to interest rate changes by computing the impact to yearly net interest income in case of parallel shift by 1 percentage point in the yield curve.

The following table demonstrates the sensitivity to change in interest rates, with all other variables held constant, on the Bank's and the Group's pre-tax income (which equals the effect on net interest income):

The Bank	Interest rate change	Effect on net interest income	
		31 March 2019	31 December 2018
EUR	+ 1 proc.	791	890
USD	+ 1 proc.	85	64
Other	+ 1 proc.	(4)	4
EUR	- 1 proc.	(791)	(890)
USD	- 1 proc.	(85)	(64)
Other	- 1 proc.	4	(4)

The Group	Interest rate change	Effect on net interest income	
		31 March 2019	31 December 2018
EUR	+ 1 proc.	795	955
USD	+ 1 proc.	85	64
Other	+ 1 proc.	(4)	4
EUR	- 1 proc.	(795)	(955)
USD	- 1 proc.	(85)	(64)
Other	- 1 proc.	4	(4)

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Note 21 Risk management (cont.)

Interest rate risk (cont.)

The table below summarises the Group's and the Bank's exposure to interest rate risk as of 31 March 2019 and 31 December 2018. The table below includes the Group's and the Bank's assets and liabilities at carrying amounts, classified by the earlier of contractual re-pricing or maturity dates.

The Bank	31 March 2019						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	44,088	61,764	72,890	28,103	29,785	10,230	246,860
Non-sensitive assets to interest rate fluctuation							78,422
Liabilities:							
Sensitive liabilities to interest rate fluctuation	11,461	17,991	28,666	60,893	37,063	29,655	185,728
Non-sensitive liabilities and equity to interest rate fluctuation							139,554
Total interest sensitivity gap	32,627	43,773	44,224	(32,790)	(7,278)	(19,425)	-

The Bank	31 December 2018						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	36,977	72,275	75,972	24,179	26,868	9,926	246,197
Non-sensitive assets to interest rate fluctuation							81,933
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,084	16,681	24,716	53,325	44,456	27,784	179,045
Non-sensitive liabilities and equity to interest rate fluctuation							149,085
Total interest sensitivity gap	24,893	55,594	51,256	(29,146)	(17,588)	(17,858)	-

The Group	31 March 2019						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	44,168	61,912	73,096	28,473	30,990	11,275	249,914
Non-sensitive assets to interest rate fluctuation							73,626
Liabilities:							
Sensitive liabilities to interest rate fluctuation	11,461	17,991	28,666	60,893	37,063	29,655	185,728
Non-sensitive liabilities and equity to interest rate fluctuation							137,812
Total interest sensitivity gap	32,707	43,921	44,430	(32,420)	(6,073)	(18,380)	-

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Note 21 Risk management (cont'd)

Interest rate risk (cont'd)

The Group	31 December 2018						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	37,031	72,379	76,382	25,005	27,456	9,975	248,228
Non-sensitive assets to interest rate fluctuation							76,535
Liabilities:							
Sensitive liabilities to interest rate fluctuation	12,084	16,681	24,716	53,325	44,456	27,784	179,045
Non-sensitive liabilities and equity to interest rate fluctuation							145,717
Total interest sensitivity gap	24,947	55,698	51,666	(28,320)	(17,000)	(17,809)	-

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 March 2019	31 December 2018		31 March 2019	31 December 2018
398	534	Long positions	398	534
(243)	(515)	Short positions	(243)	(515)
30,591	25,776	Eligible capital	30,615	25,639
1.30	2.07	Overall net currency position, %	1.30	2.08

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

	31 March 2019	31 December 2018
Increase in FX rates by 10%	16	2
Decrease in FX rates by 10%	(16)	(2)

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Note 22 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 maximise 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 requirements.

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.

31 March 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	
31 March 2019	31 December 2018		31 March 2019	31 December 2018
18.44	15.50	CET 1 Capital ratio	18.18	15.03
18.44	15.50	Tier 1 Capital ratio	18.18	15.03
20.50	17.66	Capital adequacy ratio	20.20	17.14

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Note 23 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 March 2019 and in the Statement of comprehensive income as at 31 March 2019 is presented in the table below.

	31 March 2019				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	0	0	0	0	0
External	2,208	169	2	0	2,379
Interest income	2,208	169	2	0	2,379
Internal	0	0	0	0	0
External	(369)	(65)	0	0	(434)
Interest expenses	(369)	(65)	0	0	(434)
Internal	0	0	0	0	0
External	1,838	104	2	0	1,944
Net interest income	1,838	104	2	0	1,944
Internal	0	0	0	0	0
External	1,443	0	(6)	0	1,437
Net fee and commission income	1,443	0	(6)	0	1,437
Internal	0	0	0	0	0
External	3,281	104	(4)	0	3,381
Net interest, fee and commissions income	3,281	104	(4)	0	3,381
Internal	(3)	0	(47)	50	0
External	(2,965)	(56)	(1)	0	(3,022)
Operating expenses	(2,968)	(56)	(48)	50	(3,022)
Amortisation charges	(268)	0	0	0	(268)
Deprecation charges	(25)	0	0	0	(25)
Internal	0	0	0	0	0
External	(106)	(3)	0	0	(109)
Impairment expenses	(106)	(3)	0	0	(109)
Internal	0	0	0	0	0
External	809	123	11	0	943
Net other income	809	123	11	0	943
Profit (loss) before tax	723	168	(41)	50	900
Income tax	(143)	0	0	0	(143)
Profit (loss) per segment after tax	580	168	(41)	50	757
Non-controlling interest	0	0	0	0	0
Profit (loss) for the year attributable to the owners of the Bank	580	168	(41)	50	757
Total segment assets	227,965	100,674	13,058	(18,157)	323,540
Total segment liabilities	286,274	8,435	103	(1,797)	293,015
Net segment assets (shareholders equity)	(58,309)	92,239	12,955	(16,360)	30,525

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Note 23 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 March 2018 and in the statement of comprehensive income as at 31 March 2018 is presented below.

	31 March 2018				
	Traditional banking operations and lending	Treasury	Other activities	Eliminations	Total
Internal	2	0	0	(2)	0
External	2,077	146	3	0	2,226
Interest income	2,079	146	3	(2)	2,226
Internal	(2)	0	0	2	0
External	(386)	(43)	0	0	(429)
Interest expenses	(388)	(43)	0	2	(429)
Internal	0	0	0	0	0
External	1,691	103	3	0	1,797
Net interest income	1,691	103	3	0	1,797
Internal	0	0	0	0	0
External	971	0	(2)	0	969
Net fee and commission income	971	0	(2)	0	969
Internal	0	0	0	0	0
External	2,662	103	1	0	2,766
Net interest, fee and commissions income	2,662	103	1	0	2,766
Internal	(30)	0	(207)	210	0
External	(2,742)	(65)	0	0	(2,807)
Operating expenses	(2,745)	(65)	(207)	210	(2,807)
Amortisation charges	(47)	0	0	0	(47)
Depreciation charges	(116)	0	0	0	(116)
Internal	0	0	0	0	0
External	(63)	0	0	0	(63)
Impairment expenses	(63)	0	0	0	(63)
Internal	0	0	0	0	0
External	832	53	(149)	0	736
Net other income	832	53	(149)	0	736
Profit (loss) before tax	522	91	(355)	210	468
Income tax	(13)	0	0	0	(13)
Profit (loss) per segment after tax	509	91	(355)	210	455
Non-controlling interest	0	0	0	0	0
Profit (loss) for the year attributable to the owners of the Bank	509	91	(355)	210	455
Total segment assets	207,180	123,992	14,709	(16,499)	329,382
Total segment liabilities	265,827	37,867	201	(1,916)	301,979
Net segment assets (shareholders equity)	(58,647)	86,125	14,508	(14,583)	27,403

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(All amounts in EUR thousand unless otherwise stated)

Note 23 Segment information (cont'd)

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

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

Note 24 Quality of financial assets, profitability rates and other information

Financial assets quality indicators as at 31 March 2019 are given in the table below:

Group			Bank	
Provisions (EUR thousands)	Provisions to financial assets ratio (%)		Provisions (EUR thousands)	Provisions to financial assets ratio (%)
2,526	1.57	Loans to customers	2,447	1.55
199	1.40	Finance lease receivable	199	1.40
41	0.06	Debt securities	41	0.06
12	0.10	Placements with banks	12	0.10
2,778	1.09	Iš viso:	2,699	1.07

Main profitability rates of the bank as at 31 December 2018 are provided in the table below:

Main Profitability Showings	Ratio (%)
Return on assets (ROA)	0.98
Return on equity (ROE)	9.16

Action applied to the Bank

During the first quarter 2019 there were no action applied to the Medicinos Bankas.