



INTERIM INFORMATION

for the three month period ended 31 March 2020

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

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THE GROUP'S AND THE BANK'S CONDENSED
STATEMENTS OF FINANCIAL POSITION

	Notes	31 March 2020		31 December 2019	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		264,828	262,716	184,917	181,582
Securities in the trading book	2	38,371	16,560	40,427	15,354
Due from other banks		187	187	280	280
Derivative financial instruments		1,328	1,328	986	986
Loans to customers	1	1,510,871	1,505,653	1,514,578	1,510,052
Finance lease receivables	1	155,746	155,687	157,597	157,540
Investment securities at fair value	2	11,349	8,477	14,059	9,491
Investment securities at amortized cost	2	532,390	521,034	545,849	535,479
Investments in subsidiaries and associates	2	-	29,098	-	31,491
Intangible assets		4,180	2,814	4,288	2,921
Property, plant and equipment	3	12,054	11,202	12,216	11,170
Investment property		7,739	373	7,570	367
Current income tax prepayment		40	-	44	-
Deferred income tax asset		1,690	1,127	1,419	831
Other assets	3	34,305	23,602	23,956	12,274
Total assets		2,575,078	2,539,858	2,508,186	2,469,818
LIABILITIES					
Due to other banks and financial institutions		49,831	52,080	74,395	76,674
Derivative financial instruments		769	769	945	945
Due to customers	4	2,124,350	2,127,663	2,033,649	2,036,674
Special and lending funds	5	2,781	2,781	7,060	7,060
Debt securities in issue		20,330	20,330	20,044	20,044
Current income tax liabilities		1,634	1,520	1,579	1,472
Deferred income tax liabilities		1,018	-	917	-
Liabilities related to insurance activities		30,401	-	33,497	-
Other liabilities		24,771	15,147	25,296	15,598
Total liabilities		2,255,885	2,220,290	2,197,382	2,158,467
EQUITY					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Reserve capital		756	756	756	756
Statutory reserve		14,427	14,246	14,468	14,246
Reserve for acquisition of own shares	6	10,000	10,000	10,000	10,000
Accumulated other comprehensive income		17	4	(9)	(22)
Other equity	6	1,536	1,345	1,536	1,345
Retained earnings		114,818	115,578	106,414	107,387
Non-controlling interest		-	-	-	-
Total equity		319,193	319,568	310,804	311,351
Total liabilities and equity		2,575,078	2,539,858	2,508,186	2,469,818

The notes on pages 8 to 28 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

30 April 2020



Vytautas Sinius



Vita Urbonienė

THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS

for the three month period ended

	Notes	31 March 2020		31 March 2019	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	18,902	15,632	16,843	15,050
<i>Other similar income</i>	7	1,972	1,938	1,635	1,555
<i>Interest expense and similar charges</i>	7	(2,360)	(2,364)	(1,921)	(1,920)
Net interest income		18,514	15,206	16,557	14,685
<i>Fee and commission income</i>	8	5,757	5,888	5,351	5,219
<i>Fee and commission expense</i>	8	(1,622)	(1,575)	(1,394)	(1,357)
Net fee and commission income		4,135	4,313	3,957	3,862
<i>Net gain from trading activities</i>	11	(2,062)	1,489	4,424	2,870
<i>Net gain (loss) from derecognition of financial assets</i>		515	30	(72)	78
<i>Net gain (loss) from disposal of tangible assets</i>		328	65	1,141	49
<i>Revenue related to insurance activities</i>		1,783	-	1,630	-
<i>Other operating income</i>		146	63	309	183
<i>Salaries and related expenses</i>		(6,059)	(5,253)	(5,560)	(4,772)
<i>Depreciation and amortization expenses</i>		(976)	(826)	(854)	(720)
<i>Expenses related to insurance activities</i>	11	2,219	-	(2,760)	-
<i>Other operating expenses</i>	9	(3,397)	(2,593)	(2,177)	(1,412)
Operating profit before impairment losses		15,146	12,494	16,595	14,823
<i>Allowance for impairment losses on loans and other assets</i>	10	(4,902)	(4,355)	659	(334)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	11	-	1,606	-	2,383
Profit before income tax		10,244	9,745	17,254	16,872
<i>Income tax expense</i>		(1,881)	(1,554)	(2,529)	(2,112)
Net profit for the period		8,363	8,191	14,725	14,760
Net profit attributable to:					
<i>Owners of the Bank</i>		8,363	8,191	14,725	14,760
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.01		0.02	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.01		0.02	

The notes on pages 8 to 28 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

for the three month period ended

	31 March 2020		31 March 2019	
	Group	Bank	Group	Bank
Net profit for the period	8,363	8,191	14,725	14,760
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(16)	(16)	404	404
Deferred income tax on gain from revaluation of financial assets	42	42	(60)	(60)
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income, net of deferred tax	26	26	344	344
Total comprehensive income for the period	8,389	8,217	15,069	15,104
Total comprehensive income (loss) attributable to:				
Owners of the Bank	8,389	8,217	15,069	15,104
Non-controlling interest	-	-	-	-
	8,389	8,217	15,069	15,104

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2019		174,211	3,428	756	(492)	10,369	-	-	86,412	274,684	-	274,684
Transfer to/from statutory reserve		-	-	-	-	4,103	-	-	(4,103)	-	-	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity		-	-	-	-	-	-	811	-	811	-	811
Other adjustments		-	-	-	-	-	-	-	2	2	-	2
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income		-	-	-	344	-	-	-	14,725	15,069	-	15,069
31 March 2019		174,211	3,428	756	(148)	14,472	10,000	811	69,615	273,145	-	273,145
Recognition of other equity		-	-	-	-	-	-	725	-	725	-	725
Other adjustments		-	-	-	-	-	-	-	(2)	(2)	-	(2)
Transfer to/from statutory reserve		-	-	-	-	(4)	-	-	4	-	-	-
Total comprehensive income		-	-	-	139	-	-	-	36,797	36,936	-	36,936
31 December 2019		174,211	3,428	756	(9)	14,468	10,000	1,536	106,414	310,804	-	310,804
Transfer to/from statutory reserve		-	-	-	-	(41)	-	-	41	-	-	-
Total comprehensive income		-	-	-	26	-	-	-	8,363	8,389	-	8,389
31 March 2020		174,211	3,428	756	17	14,427	10,000	1,536	114,818	319,193	-	319,193

The notes on pages 8 to 28 constitute an integral part of these financial statements.

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2019		174,211	3,428	756	(492)	10,195	-	-	85,756	273,854
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity		-	-	-	-	-	-	784	-	784
Other adjustments		-	-	-	-	-	-	-	595	595
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	344	-	-	-	14,760	15,104
31 March 2019		174,211	3,428	756	(148)	14,246	10,000	784	69,639	272,916
Recognition of other equity		-	-	-	-	-	-	561	-	561
Other adjustments		-	-	-	-	-	-	-	(595)	(595)
Total comprehensive income		-	-	-	126	-	-	-	38,343	38,469
31 December 2019		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
Total comprehensive income		-	-	-	26	-	-	-	8,191	8,217
31 March 2020		174,211	3,428	756	4	14,246	10,000	1,345	115,578	319,568

The notes on pages 8 to 28 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF CASH FLOWS

for the three month period ended

	Notes	31 March 2020		31 March 2019	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		22,424	18,820	15,796	13,931
Interest received on securities in the trading book		115	100	442	402
Interest paid		(2,321)	(2,327)	(1,836)	(1,840)
Fees and commissions received		5,718	5,850	5,351	5,219
Fees and commissions paid		(1,501)	(1,454)	(1,394)	(1,357)
Net cash inflows from trade in securities in the trading book		1,763	(1,676)	23,661	13,571
Net inflows from foreign exchange operations		1,730	2,189	566	516
Net inflows from derecognition of financial assets		515	30	(72)	78
Net inflows from derecognition of non-financial assets		1,361	751	1,141	49
Cash inflows related to other activities of Group companies		1,929	63	1,939	183
Cash outflows related to other activities of Group companies		2,219	-	(2,760)	-
Recoveries on loans previously written off		817	78	1,682	53
Salaries and related payments to and on behalf of employees		(5,401)	(4,595)	(5,664)	(4,876)
Payments related to operating and other expenses		(1,845)	(1,317)	(2,326)	(1,412)
Income tax paid		(8,341)	(8,516)	(1,966)	(1,688)
Net cash flow from operating activities before change in operating assets and liabilities		19,182	7,996	34,560	22,829
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		93	93	(3,161)	(3,161)
(Increase) in loans to customers		(2,075)	(334)	(20,967)	(21,507)
Decrease (increase) in loans to customers		623	1,309	(4,159)	(4,192)
Decrease (increase) in other assets		(11,486)	(11,763)	10,986	7,780
Decrease (increase) in due to banks and financial institutions		(24,547)	(24,577)	(14,558)	(14,598)
Increase (decrease) increase in due to customers		90,652	90,940	46,155	47,933
Increase in special and lending funds		(4,279)	(4,279)	(564)	(564)
Increase (decrease) in other liabilities		(6,020)	683	855	130
Change		42,961	52,072	14,587	11,821
Net cash flow from (used in) from operating activities		62,143	60,068	49,147	34,650
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(851)	(790)	(1,224)	(845)
Disposal of property, plant and equipment, investment property and intangible assets		920	865	824	549
Acquisition of debt securities at amortized cost		(5,220)	(4,234)	(77,890)	(69,747)
Proceeds from redemption of debt securities at amortized cost		18,679	18,679	65,266	65,266
Interest received on debt securities at amortized cost		1,829	1,788	2,408	2,408
Dividends received		2	4,002	1	3,801
Acquisition of investment securities at fair value		(1,667)	(1,667)	(2,372)	(2,372)
Sale or redemption of investment securities at fair value		4,406	2,702	1,158	849
Interest received on investment securities at fair value		33	33	101	101
Net cash flow (used in) from investing activities		18,131	21,378	(11,728)	10
Financing activities					
Payment of dividends		-	-	-	-
Principal elements of lease payments		(363)	(312)	(452)	(344)
Net cash flow (used in) financing activities		(363)	(312)	(452)	(344)
Net increase (decrease) in cash and cash equivalents		79,911	81,134	36,967	34,316
Cash and cash equivalents at 1 January		184,917	181,582	89,304	87,732
Cash and cash equivalents at 31 March		264,828	262,716	126,271	122,048

The notes on pages 8 to 28 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document, Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries (described in more detail in Note 2) - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 60 customer service outlets (2019: 60 outlets). As at 31 March 2020 the Bank had 753 employees (31 December 2019: 737). As at 31 March 2020 the Group had 852 employees (31 December 2019: 831 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank.

The Bank's shares are listed on the Baltic Main List of the Nasdaq Stock Exchange.

This condensed interim financial information for the three month period ended 31 March 2020 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2019.

Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards, and interpretations

The Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2020 will have a material impact on the Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2029, and that would have a material impact on the Bank's financial information.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2019, except for judgements and estimations used for calculation of impairment, which were revised to reflect the changes in environment caused by global Covid-19 pandemic. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was no clarity regarding further development scenaria of Covid-19 pandemic and significant uncertainties regarding further global, country and sector development trends existed, therefore there is a high probability that actual results may materially deviate from the estimated.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

No significant amounts of the Group's and the Bank's income or expenses are of a substantial seasonal nature.

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities. There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

The Bank regularly reviews its credit risk management policies which include lending policies, credit risk limit control, other credit risk mitigation measures as well as the internal control and internal audit of credit risk management.

The Bank takes risks only in the fields, which are well known to it and where it has long-term experience, trying to avoid excessive risk in transactions that can have negative influence to the big portion of shareholders' equity but seeks the sufficient profitability which, in terms of increasing competition, would ensure the stable Bank's position in the market and would increase the Bank's value. In assessing exposure to credit risk, the Bank adheres to the principle of prudence.

The aim of the Bank's credit risk management policy is to ensure that the conflict between interests of staff or structural units is avoided. With respect to provision of credits to clients, the principle stating that profit should not be earned at the expense of excessive credit risk is observed.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	198,017	195,980	121,595	118,376
<i>Loans and advances to banks</i>	187	187	280	280
<i>Loans and advances to customers:</i>	1,510,871	1,505,653	1,514,578	1,510,052
<i>Loans and advances to financial institutions</i>	-	104,701	-	100,084
<i>Loans to individuals (Retail)</i>	390,858	274,983	356,708	244,257
<i>Loans to business customers</i>	1,120,013	1,125,969	1,157,870	1,165,711
<i>Finance lease receivables</i>	155,746	155,687	157,597	157,540
<i>Debt securities at fair value through profit or loss</i>	19,883	15,922	18,104	14,546
<i>Derivative financial instruments</i>	1,328	1,328	986	986
<i>Debt securities at fair value through other comprehensive income</i>	6,945	6,550	8,953	8,558
<i>Debt securities at amortized cost</i>	532,390	521,034	545,849	535,479
<i>Other assets subject to credit risk</i>	19,136	19,791	7,875	7,229
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	40,887	40,951	44,425	44,489
<i>Letters of credit</i>	9,786	9,786	13,779	13,779
<i>Loan commitments and other credit related liabilities</i>	332,562	349,230	254,753	282,424

Loans to customers

Loans and advances are summarised as follows:

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Gross	1,553,831	1,541,498	1,553,088	1,542,118
<i>Subtract: allowance for impairment</i>	(42,960)	(35,845)	(38,510)	(32,066)
Net	1,510,871	1,505,653	1,514,578	1,510,052

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

The distribution of loans by stages and days past due:

	Group					31 December 2019				
	31 March 2020					31 December 2019				
	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	1,129,484	72,680	405	-	1,202,569	1,296,092	46,750	339	-	1,343,181
Allowance for impairment	(7,303)	(1,335)	(33)	-	(8,671)	(6,973)	(1,020)	(28)	-	(8,021)
Net amount	1,122,181	71,345	372	-	1,193,898	1,289,119	45,730	311	-	1,335,160
Stage 2:										
Gross amount	243,717	13,547	12,146	-	269,410	116,540	8,201	6,890	-	131,631
Allowance for impairment	(3,841)	(132)	(2,263)	-	(6,236)	(2,052)	(64)	(1,888)	-	(4,004)
Net amount	239,876	13,415	9,883	-	263,174	114,488	8,137	5,002	-	127,627
Stage 3:										
Gross amount	19,066	8,463	4,209	50,114	81,852	25,735	6,458	9,592	36,491	78,276
Allowance for impairment	(4,558)	(3,306)	(1,293)	(18,896)	(28,053)	(5,446)	(2,475)	(4,593)	(13,971)	(26,485)
Net amount	14,508	5,157	2,916	31,218	53,799	20,289	3,983	4,999	22,520	51,791
Total:										
Gross amount	1,392,267	94,690	16,760	50,114	1,553,831	1,438,367	61,409	16,821	36,491	1,553,088
Allowance for impairment	(15,702)	(4,773)	(3,589)	(18,896)	(42,960)	(14,471)	(3,559)	(6,509)	(13,971)	(38,510)
Net amount	1,376,565	89,917	13,171	31,218	1,510,871	1,423,896	57,850	10,312	22,520	1,514,578

	Bank					31 December 2019				
	31 March 2020					31 December 2019				
	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	1,138,912	59,074	41	-	1,198,027	1,303,206	35,101	27	-	1,338,334
Allowance for impairment	(4,624)	(315)	-	-	(4,939)	(4,386)	(167)	-	-	(4,553)
Net amount	1,134,288	58,759	41	-	1,193,088	1,298,820	34,934	27	-	1,333,781
Stage 2:										
Gross amount	244,621	13,547	6,583	-	264,751	117,938	8,201	2,206	-	128,345
Allowance for impairment	(3,841)	(132)	(183)	-	(4,156)	(2,052)	(64)	(144)	-	(2,260)
Net amount	240,780	13,415	6,400	-	260,595	115,886	8,137	2,062	-	126,085
Stage 3:										
Gross amount	19,111	7,983	2,882	48,744	78,720	25,726	6,089	8,553	35,071	75,439
Allowance for impairment	(5,018)	(3,041)	(566)	(18,125)	(26,750)	(5,732)	(2,273)	(4,025)	(13,223)	(25,253)
Net amount	14,093	4,942	2,316	30,619	51,970	19,994	3,816	4,528	21,848	50,186
Total:										
Gross amount	1,402,644	80,604	9,506	48,744	1,541,498	1,446,870	49,391	10,786	35,071	1,542,118
Allowance for impairment	(13,483)	(3,488)	(749)	(18,125)	(35,845)	(12,170)	(2,504)	(4,169)	(13,223)	(32,066)
Net amount	1,389,161	77,116	8,757	30,619	1,505,653	1,434,700	46,887	6,617	21,848	1,510,052

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

(continued)

Loans are assigned to stages using the following principles (a deviation from these principles is allowed in the process of individual loan assessment based on contract-specific circumstances if it would result in more precise assessment of the risk of the contract):

Stage 1 loans: loans with no increase in credit risk observed.

Stage 2 loans: loans with an increase in credit risk observed. Main reasons for determining an increase in credit risk are: deterioration of borrower's financial status from the initial (this criteria is not applicable to the low credit risk loans, i.e. loans that have internal borrower's financial status assessment grades "very good" or "good" or investment grade credit ratings by external credit rating agencies), payment delay of over 30 days, and other objective criteria showing an increase in credit risk.

Stage 3 loans: defaulted loans. Main reasons for determining a default are: payment delay of over 90 days, bankruptcy of the borrower, termination of the contract, start of the foreclosure procedures and other objective criteria.

Many households and businesses will be negatively affected by the unprecedented nature and extent of the current health and safety measures. While the definite outcome is still uncertain, there is no doubt that many borrowers, especially from certain sectors, will face financial difficulties as their revenues will shrink significantly and they will face difficulties in servicing loans by initial schedule. As of 31 March 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the loans but concrete borrowers or contracts cannot yet be identified from the data available from borrowers' financial statements or level of payment delays, an increase of credit risk was assessed on a collective basis – i.e. significant increase of credit risk was recognized for loans granted for sectors that the Bank's management recognized as risky. The Bank has recognized an increased credit risk in these main sectors: trade, hotels and restaurants, education, healthcare and social work, recreation, certain subsectors of professional, scientific, technical, administrative and support service activities. In determining these sectors, significant accounting judgements were made, judgements were based on information and lists of impacted entities published by the institutions of Republic of Lithuania. Gross value of loans that were assigned to stage 2 based on the criteria of significant credit risk increase in sector amounted to EUR 200,774 thousand (there were no loans assigned to stage 2 based on this criteria on 31 December 2019).

The volume of Bank's decisions taken regarding changing loan repayment schedules with regards to Covid-19 situation consequences to borrowers was not significant at 31 March 2020. In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks that offer principal repayment deferral solutions for individual and business customers.

Finance lease receivables

Information on finance lease receivables is summarised in the tables below.

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Business customers</i>	133,828	133,030	136,144	135,348
<i>Individuals</i>	26,511	26,477	25,413	25,379
Gross	160,339	159,507	161,557	160,727
<i>Subtract: Allowance for impairment</i>	(4,593)	(3,820)	(3,960)	(3,187)
Net	155,746	155,687	157,597	157,540

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

The distribution of finance lease receivables by stages and days past due:

	Group					Group				
	31 March 2020					31 December 2019				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	112,207	20,527	-	-	132,734	120,649	12,118	-	-	132,767
Allowance for impairment	(754)	(109)	-	-	(863)	(624)	(68)	-	-	(692)
Net amount	111,453	20,418	-	-	131,871	120,025	12,050	-	-	132,075
Stage 2:										
Gross amount	9,219	5,307	2,350	-	16,876	11,808	2,554	1,637	-	15,999
Allowance for impairment	(354)	(47)	(76)	-	(477)	(302)	(61)	(81)	-	(444)
Net amount	8,865	5,260	2,274	-	16,399	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	2,545	4,860	124	3,200	10,729	6,130	310	135	6,216	12,791
Allowance for impairment	(408)	(411)	(61)	(2,373)	(3,253)	(788)	(121)	(61)	(1,854)	(2,824)
Net amount	2,137	4,449	63	827	7,476	5,342	189	74	4,362	9,967
Total:										
Gross amount	123,971	30,694	2,474	3,200	160,339	138,587	14,982	1,772	6,216	161,557
Allowance for impairment	(1,516)	(567)	(137)	(2,373)	(4,593)	(1,714)	(250)	(142)	(1,854)	(3,960)
Net amount	122,455	30,127	2,337	827	155,746	136,873	14,732	1,630	4,362	157,597

	Bank					Bank				
	31 March 2020					31 December 2019				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	112,203	20,526	-	-	132,729	120,648	12,117	-	-	132,765
Allowance for impairment	(754)	(109)	-	-	(863)	(625)	(68)	-	-	(693)
Net amount	111,449	20,417	-	-	131,866	120,023	12,049	-	-	132,072
Stage 2:										
Gross amount	9,219	5,307	2,350	-	16,876	11,808	2,554	1,637	-	15,999
Allowance for impairment	(354)	(47)	(76)	-	(477)	(302)	(61)	(81)	-	(444)
Net amount	8,865	5,260	2,274	-	16,399	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	2,545	4,860	124	2,373	9,902	6,130	310	135	5,388	11,963
Allowance for impairment	(408)	(411)	(61)	(1,600)	(2,480)	(788)	(121)	(61)	(1,080)	(2,050)
Net amount	2,137	4,449	63	773	7,422	5,342	189	74	4,308	9,913
Total:										
Gross amount	123,967	30,693	2,474	2,373	159,507	138,586	14,981	1,772	5,388	160,727
Allowance for impairment	(1,516)	(567)	(137)	(1,600)	(3,820)	(1,715)	(250)	(142)	(1,080)	(3,187)
Net amount	122,451	30,126	2,337	773	155,687	136,871	14,731	1,630	4,308	157,540

Securities in the trading book

Securities in the trading book are comprised of trading securities and other securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary. These securities are measured at fair value through profit or loss.

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Debt securities:	19,883	15,922	18,104	14,546
Government bonds	5,035	2,747	4,876	2,535
Corporate bonds	14,848	13,175	13,228	12,011
Equity securities	18,488	638	22,323	808
Total	38,371	16,560	40,427	15,354
	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	17,960	15,922	16,127	14,546
from AA- to AAA	1,186	1,186	1,201	1,201
from A- to A+	4,870	4,673	3,121	2,918
from BBB- to BBB+	7,390	6,416	7,773	6,765
from BB- to BB+	1,901	1,536	1,932	1,562
lower than BB-	71	71	75	75
no rating	2,542	2,040	2,025	2,025
Equity securities	638	638	808	808
listed	638	638	805	805
unlisted	-	-	3	3
units of investment funds	-	-	-	-
Total trading securities	18,598	16,560	16,935	15,354
Other trading book securities:				
Debt securities	1,923	-	1,977	-
from AA- to AAA	-	-	-	-
from A- to A+	1,046	-	1,202	-
from BBB- to BBB+	589	-	472	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	288	-	303	-
Equity securities	17,850	-	21,515	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,850	-	21,515	-
Total other trading book securities	19,773	-	23,492	-
TOTAL	38,371	16,560	40,427	15,354

NOTE 2
SECURITIES (continued)

Investment securities

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities:	6,945	6,550	8,953	8,558
Government bonds	685	685	1,343	1,343
Corporate bonds	6,260	5,865	7,610	7,215
Equity securities	4,404	1,927	5,106	933
Total	11,349	8,477	14,059	9,491
Securities at amortized cost:				
Debt securities:	532,390	521,034	545,849	535,479
Government bonds	367,794	362,344	375,502	370,825
Corporate bonds	164,596	158,690	170,347	164,654
Total	532,390	521,034	545,849	535,479

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities	6,945	6,550	8,953	8,558
from AA- to AA+	-	-	-	-
from A- to A+	2,679	2,679	4,529	4,529
from BBB- to BBB+	3,871	3,871	3,854	3,854
from BB- to BB+	-	-	-	-
lower than BB-	-	-	175	175
no rating	395	-	395	-
Equities	4,404	1,927	5,106	933
listed	-	-	-	-
unlisted	749	630	741	622
units of investment funds	3,655	1,297	4,365	311
Total	11,349	8,477	14,059	9,491
Securities at amortized cost:				
Debt securities	532,390	521,034	545,849	535,479
from AA- to AA+	6,308	6,101	8,320	8,113
from A- to A+	364,681	362,124	378,386	372,941
from BBB- to BBB+	156,264	150,897	156,743	152,433
from BB- to BB+	5,137	1,912	2,400	1,992
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	532,390	521,034	545,849	535,479

Credit stages of investment debt securities:

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	537,688	525,917	553,918	543,140
Allowance for impairment	(265)	(245)	(273)	(260)
Net amount	537,423	525,672	553,645	542,880
Stage 2:				
Gross amount	1,998	1,998	1,187	1,187
Allowance for impairment	(86)	(86)	(30)	(30)
Net amount	1,912	1,912	1,157	1,157
Stage 3:				
Gross amount	1,015	-	1,014	-
Allowance for impairment	(1,015)	-	(1,014)	-
Net amount	-	-	-	-

During the three month periods ended 31 March 2020 and 2019, no material reclassifications between portfolios of securities were performed.

NOTE 2 SECURITIES (continued)

Investments in subsidiaries

As of 31 March 2020 and 31 December 2019 the Bank owned the following directly controlled subsidiaries:

1. Bonum Publicum GD UAB (life insurance activities),
2. Minera UAB (real estate management activities),
3. Pavasaris UAB (development of the area of multi-apartment residential houses),
4. SB Lizingas UAB (consumer financing activities),
5. SBTF UAB (real estate management activities),
6. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
7. Šiaulių Banko Lizingas UAB (finance and operating lease activities),
8. Šiaulių Banko Turto Fondas UAB (real estate management activities).

As of 31 March 2020 and 31 December 2019 the Bank owned the following indirectly controlled subsidiaries:

9. Apželdinimas UAB (real estate management activities),
10. Sandworks UAB (real estate management activities).

Šiaulių Banko Turto Fondas UAB held 100% shares in Apželdinimas UAB. Šiaulių Banko Investicijų Valdymas UAB held 100% shares in Sandworks UAB.

Bank's investments in subsidiaries consisted of:

	31 March 2020	31 December 2019
	Carrying amount	Carrying amount
<i>Bonum Publicum GD UAB</i>	10,612	10,741
<i>Minera UAB</i>	2,989	2,925
<i>Pavasaris UAB</i>	7	2
<i>SB lizingas UAB</i>	9,148	10,749
<i>SBTF UAB</i>	778	1,703
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	1,079	933
<i>Šiaulių Banko Lizingas UAB</i>	1,075	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,410	3,364
Total	29,098	31,491

NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	19,136	19,791	7,875	7,229
<i>Inventories</i>	8,103	-	8,780	-
<i>Deferred charges</i>	840	818	913	849
<i>Assets under reinsurance and insurance contracts</i>	1,246	-	1,189	-
<i>Prepayments</i>	2,536	751	944	79
<i>Foreclosed assets</i>	867	783	919	835
<i>Assets classified as held for sale</i>	998	998	1,004	1,004
<i>Other</i>	579	461	2,332	2,278
Total	34,305	23,602	23,956	12,274

NOTE 4 DUE TO CUSTOMERS

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	38,017	38,017	25,906	25,906
<i>Local government institutions</i>	85,747	85,747	73,856	73,856
<i>Governmental and municipal companies</i>	17,767	17,767	24,058	24,058
<i>Corporate entities</i>	446,810	449,179	402,900	405,115
<i>Non-profit organisations</i>	20,475	20,475	19,456	19,456
<i>Individuals</i>	510,537	510,537	491,616	491,616
<i>Unallocated amounts due to customers</i>	93,520	94,464	69,380	70,190
Total demand deposits	1,212,873	1,216,186	1,107,172	1,110,197
<i>Time deposits:</i>				
<i>National government institutions</i>	7,622	7,622	1,432	1,432
<i>Local government institutions</i>	767	767	796	796
<i>Governmental and municipality companies</i>	3,587	3,587	6,501	6,501
<i>Corporate entities</i>	42,976	42,976	56,234	56,234
<i>Non-profit organisations</i>	2,541	2,541	2,242	2,242
<i>Individuals</i>	853,984	853,984	859,272	859,272
Total time deposits	911,477	911,477	926,477	926,477
Total	2,124,350	2,127,663	2,033,649	2,036,674

NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The decrease in special and lending funds from EUR 7,060 thousand in the beginning of the year to EUR 2,781 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6 CAPITAL

As of 31 March 2020 and 31 December 2019 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 31 March 2020 and 31 December 2019, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 31 March 2020, the Bank had 6,653 shareholders (as at 31 December 2019: 5,391).

Dividends:

On 31 March 2020 the ordinary general meeting of shareholders did not approve draft profit distribution therefore no dividends were paid out for year 2019 and all the profit that the Bank has earned for 2019 remains undistributed.

On 28 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 0.029 (i.e. 10.00%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

Reserve for acquisition of own shares:

On 28 March 2019 the ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employees as part of variable remuneration.

No own share acquisitions were performed during the three month periods ended 31 March 2020 and 31 March 2019.

Other equity:

Other equity consists of amount that corresponds to the obligation to present Bank's shares to Group's employees as part of variable remuneration.

NOTE 7
NET INTEREST INCOME

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</i>	18,902	15,632	16,843	15,050
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	167	1,007	168	781
<i>on loans to customers</i>	16,881	12,820	14,172	11,789
<i>on debt securities at amortized cost</i>	1,829	1,788	2,422	2,407
<i>on debt securities at fair value through other comprehensive income</i>	25	17	81	73
<i>Other similar income:</i>	1,972	1,938	1,635	1,555
<i>on debt securities at fair value through profit or loss</i>	93	62	161	110
<i>on finance leases</i>	1,866	1,863	1,448	1,419
<i>other interest income</i>	13	13	26	26
Total interest income	20,874	17,570	18,478	16,605
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	-	-
<i>on financial liabilities measured at amortised cost</i>	(2,327)	(2,331)	(1,823)	(1,826)
<i>on other liabilities</i>	(33)	(33)	(98)	(94)
Total interest expense	(2,360)	(2,364)	(1,921)	(1,920)
Net interest income	18,514	15,206	16,557	14,685

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	1,120	1,120	1,043	1,043
for settlement services	1,255	1,258	1,355	1,358
for cash operations	1,293	1,293	1,126	1,126
for account administration	1,145	1,145	974	974
for guarantees, letters of credit, documentary collection	194	194	158	158
for collection of utility and similar payments	59	60	65	66
for services related to securities	435	470	375	397
other fee and commission income	256	348	255	97
Total fee and commission income	5,757	5,888	5,351	5,219
<i>Fee and commission expense:</i>				
for payment cards	(896)	(894)	(809)	(809)
for cash operations	(257)	(257)	(240)	(240)
for correspondent bank and payment system fees	(133)	(90)	(117)	(81)
for services of financial data vendors	(67)	(67)	(36)	(36)
for services related to securities	(189)	(189)	(134)	(133)
other fee and commission expenses	(80)	(78)	(58)	(58)
Total fee and commission expense	(1,622)	(1,575)	(1,394)	(1,357)
Net fee and commission income	4,135	4,313	3,957	3,862

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
Rent of buildings and premises	(62)	(47)	(50)	(49)
Utility services for buildings and premises	(215)	(193)	(218)	(200)
Other expenses related to buildings and premises	(226)	(226)	(85)	(80)
Transportation expenses	(93)	(75)	(76)	(57)
Legal costs	(109)	(109)	(116)	(116)
Personnel and training expenses	(100)	(82)	(19)	(15)
IT and communication expenses	(1,049)	(927)	(674)	(611)
Marketing and charity expenses	(492)	(213)	(495)	(157)
Service organisation expenses	(616)	(579)	(356)	(314)
Non-income taxes, fines	56	154	174	292
Costs incurred due to debt recovery	(92)	(27)	(75)	(41)
Other expenses	(399)	(269)	(187)	(64)
Total	(3,397)	(2,593)	(2,177)	(1,412)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank (restated)
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(5,318)	(4,006)	(887)	(204)
<i>Recoveries of loans previously written-off</i>	678	78	1,318	53
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	(632)	(633)	(232)	(259)
<i>Recovered previously written-off finance lease receivables</i>	139	-	364	-
<i>(Impairment losses) on debt securities</i>	(48)	(41)	11	11
<i>Reversal of impairment losses on due from banks</i>	(4)	(4)	(8)	(8)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	243	239	74	71
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	12	12	7	2
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	12	-
<i>Provisions for other liabilities</i>	28	-	-	-
Total	(4,902)	(4,355)	659	(334)

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<u>Allowance for impairment of loans</u>				
As at 1 January	38,509	32,065	42,766	36,851
<i>Change in allowance for loan impairment</i>	5,318	4,006	887	204
<i>Loans written off during the period</i>	(867)	(226)	(706)	(695)
<i>Other factors (reclassification, FX rate shift, etc.)</i>	-	-	-	-
As at 31 March	42,960	35,845	42,947	36,360
<u>Allowance for impairment of finance lease receivables</u>				
As at 1 January	3,961	3,187	2,646	1,842
<i>Change in allowance for impairment of finance lease receivables</i>	632	633	232	259
<i>Finance lease receivables written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	-	-	-	-
As at 31 March	4,593	3,820	2,878	2,101
<u>Allowance for impairment of debt securities</u>				
As at 1 January	1,317	290	1,377	359
<i>Change in allowance for impairment of debt securities</i>	48	41	(11)	(11)
<i>Debt securities written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	1	-	9	-
As at 31 March	1,366	331	1,375	348
<u>Allowance for impairment of due from banks</u>				
As at 1 January	23	23	13	13
<i>Change in allowance for impairment of due from banks</i>	4	4	8	8
<i>Due from banks written off during the period</i>	-	-	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	-	-	-	-
As at 31 March	27	27	21	21
<u>Allowance for impairment of other financial assets</u>				
As at 1 January	517	505	395	372
<i>Change in allowance for impairment of other financial assets</i>	(243)	(239)	(74)	(71)
<i>Other financial assets written off during the period</i>	(8)	(8)	(5)	(5)
<i>Other factors (reclassification, FX rate shift, etc.)</i>	(1)	1	-	-
As at 31 March	265	259	316	296

Impairment expenses for loans and finance lease receivables increased significantly during the first quarter of 2020. The impact of Covid-19 pandemic did not yet reflect in the borrowers' financial data available for the Bank or in payment delays, therefore in order to estimate the impact of the pandemic the reestimation of the parameters used for impairment loss calculations and collective risk estimation of borrower groups defined by sector was performed. These changes in accounting estimates resulted in a recognition of impairment loss of EUR 3,054 thousand during the first quarter of 2020: due to change in parameters the Group recognized an impairment loss of EUR 1,832 thousand, additional impairment loss of EUR 1,222 was recognized due to the contracts that the significant credit risk increase was recognized based on the collective assessment of Covid-19 influence to sector.

NOTE 10 IMPAIRMENT LOSSES (continued)

As environmental factors changed significantly due to Covid-19 influence, assumptions and estimates used in probability of default estimations were changed. Due to dynamic and fast-paced changes in operating environment there are no reliable development scenarios and macroeconomic forecasts, therefore the scenarios used were more based on expert judgement and long term economic growth perspectives were taken into account. Assumptions regarding values of collaterals (parameters impacting LGD) and values of positions (parameters impacting EAD) were not changed, they are the same as used in financial statements for 2019. For the reporting date of 31 March 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the loans but concrete borrowers or contracts cannot yet be identified from the data available from borrowers' financial statements or level of payment delays, an increase of credit risk was assessed on a collective basis – i.e. significant increase of credit risk was recognized for loans granted for sectors that the Bank's management recognized as risky (sector risk assessment is described in more detail in Note 1). It should be noted that at the moment of producing the financial reports significant uncertainties regarding further global, country and sector development trends existed, therefore there is a high probability that actual results may materially deviate from the estimated.

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<i>Net gain (loss) from operations with securities</i>	(3,813)	(228)	2,664	1,160
<i>Net gain from foreign exchange and related derivatives</i>	1,730	1,696	1,777	1,727
<i>Net gain (loss) from other derivatives</i>	21	21	(17)	(17)
Total	(2,062)	1,489	4,424	2,870

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 3,713 thousand for the three month period ended 31 March 2020; a net gain of EUR 1,496 thousand for the three month period ended 31 March 2019.

Expenses related to insurance activities

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	3,697	-	(1,507)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(1,478)	-	(1,253)	-
Total expenses related to insurance activities	2,219	-	(2,760)	-

* The investment result of the insurance company assets under unit-linked contracts is included in the following income statement lines:

	1 January - 31 March 2020		1 January - 31 March 2019	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	16	-	11	-
<i>Net gain (loss) from operations with securities</i>	(3,747)	-	1,446	-
<i>Net gain (loss) from foreign exchange</i>	34	-	50	-
Total	(3,697)	-	1,507	-

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled over by these related parties;
- subsidiaries of the Bank;
- the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2020 and 2019, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. According to the local legislation, the information on executed material transactions with related parties is published on Bank's website (www.sb.lt › About bank › Information › Reports regarding the transactions with related parties).

The balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, were as follows:

	31 March 2020		31 December 2019	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	1,042	91	1,535	31
<i>Other related parties (excluding subsidiaries of the Bank)</i>	3,918	19,477	4,889	20,075
Total	4,960	19,568	6,424	20,106

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 March 2020		31 December 2019	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	4,417	7,774	4,164	9,264
<i>Financial institutions</i>	1,146	128,927	1,141	135,106
	5,563	136,701	5,305	144,370

Bank's total balances with subsidiaries:

	31 March 2020	31 December 2019
Assets		
<i>Loans</i>	111,675	108,964
<i>Other assets</i>	1,041	69
<i>Bank's investment in subsidiaries (restated as of 31 December 2018)</i>	29,098	31,491
Liabilities and shareholders' equity		
<i>Deposits</i>	5,563	5,305
<i>Other liabilities</i>	1	14

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 March 2020	1 January – 31 March 2019
Income		
<i>Interest</i>	843	714
<i>Commission income</i>	161	49
<i>FX gain (loss)</i>	(1)	2
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	1,606	2,383
<i>Other income</i>	42	8
Expenses		
<i>Interest</i>	(4)	(4)
<i>Operating expenses</i>	(2)	(7)
<i>Impairment losses on loans</i>	(150)	(12)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 31 March 2020, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 653 thousand (31 December 2019: EUR 504 thousand).

NOTE 13 LIQUIDITY AND OPERATIONAL RISKS

Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or that it will not manage to receive financial resources during a short time by borrowing or selling the assets.

Liquidity risk management process

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market and the liquidity of the market itself. Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Board of the Bank. The management of the current and non-current liquidity risk is distinguished in the mentioned procedures. The current liquidity is based on the control of the incoming and outgoing cash flow. The non-current liquidity is managed on the limit system basis.

No Bank's liquidity situation deterioration was observed during Covid-19 epidemic situation.

Tables below present the assets and liabilities according to their remaining maturity defined in the agreements. However, actual maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

The structure of the Group's assets and liabilities by maturity as at 31 March 2020 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	278,778	98,334	108,905	106,681	211,744	770,750	916,383	83,503	2,575,078
<i>Total liabilities and shareholders' equity</i>	1,252,878	77,338	123,506	173,764	312,870	201,679	113,850	319,193	2,575,078
<i>Net liquidity gap</i>	(974,100)	20,996	(14,601)	(67,083)	(101,126)	569,071	802,533	(235,690)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2019 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	185,313	60,826	104,343	163,544	224,834	701,243	985,729	82,354	2,508,186
<i>Total liabilities and shareholders' equity</i>	1,165,388	127,898	130,676	176,732	303,253	183,368	110,067	310,804	2,508,186
<i>Net liquidity gap</i>	(980,075)	(67,072)	(26,333)	(13,188)	(78,419)	517,875	875,662	(228,450)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2020 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	276,666	94,388	97,179	97,756	290,665	741,913	865,926	75,365	2,539,858
<i>Total liabilities and shareholders' equity</i>	1,256,219	69,671	123,074	172,726	312,248	199,017	87,335	319,568	2,539,858
<i>Net liquidity gap</i>	(979,553)	24,717	(25,895)	(74,970)	(21,583)	542,896	778,591	(244,203)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2019 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	181,978	55,407	187,576	151,212	209,954	673,534	938,245	71,912	2,469,818
<i>Total liabilities and shareholders' equity</i>	1,168,498	120,511	130,313	176,357	301,777	180,601	80,410	311,351	2,469,818
<i>Net liquidity gap</i>	(986,520)	(65,104)	57,263	(25,145)	(91,823)	492,933	857,835	(239,439)	-

NOTE 13

LIQUIDITY AND OPERATIONAL RISKS (continued)

Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and/or illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

Covid-19 epidemic situation significantly impacted the organization of Bank's activities and activated certain business continuity management processes. Much attention was devoted to assurance of continuity of services, management of risk factors related to organization of activities during the quarantine. Due to quarantine restrictions servicing in physical customer service points was reorganized, some service units temporarily closed, customers encouraged to use electronic service channel when possible. Possibility to work from home was organized for some employees, additional security measures were organized for those employees that had to work at the office.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Types of inputs used in valuation techniques determine the following fair value hierarchy:

- Level I – Quoted prices (unadjusted) or public price quotations in active markets for identical assets or liabilities;
- Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level III – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the three month period ended 31 March 2020, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2019. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the three month period ended 31 March 2020. The outcomes Covid-19 pandemic may have an impact on fair values of financial assets and liabilities, but due to high degree of uncertainty and lack of reliable forecasts it is impossible to estimate it reliably at the moment of producing the interim financial statements.

Measurement of financial assets and liabilities according to the fair value hierarchy

	31 March 2020		31 December 2019	
	Group	Bank	Group	Bank
LEVEL I				
<i>Trading book securities</i>	36,587	15,278	38,908	13,835
<i>Investment securities at fair value</i>	10,205	7,847	12,923	8,869
Total Level I financial assets	46,792	23,125	51,831	22,704
LEVEL II				
<i>Derivative financial instruments - assets</i>	1,328	1,328	986	986
<i>Derivative financial instruments - liabilities</i>	(769)	(769)	(945)	(945)
LEVEL III				
<i>Trading book securities</i>	1,784	1,282	1,519	1,519
<i>Investment securities at fair value</i>	1,144	630	1,136	622
Total Level III financial assets	2,928	1,912	2,655	2,141

There were no transfers between fair value hierarchy levels during 2020 and 2019.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the three month period ended 31 March:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019
As at 1 January	1,519	2,229	1,136	1,243
Additions	1,836	1,527	-	-
Disposals / redemption / derecognition	(1,575)	(3,011)	-	(297)
Changes due to interest accrued/paid	4	(24)	-	-
Changes in fair value	-	-	8	15
As at 31 March	1,784	721	1,144	961
Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2020	1 Jan - 31 Mar 2019
As at 1 January	1,519	2,229	622	432
Additions	1,334	1,527	-	-
Disposals / redemption / derecognition	(1,575)	(3,011)	-	-
Changes due to interest accrued/paid	4	(24)	-	-
Changes in fair value	-	-	8	7
As at 31 March	1,282	721	630	439

	1 January – 31 March 2020		1 January – 31 March 2019	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	8	8	15	7

Fair value of investment securities held to collect cash flows:

The fair value for investment securities at amortized cost is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy.

	31 March 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	532,390	542,374	545,849	566,830

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2020 and in the Statement of comprehensive income for the three month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Continuing operations</i>						
<i>Internal</i>	(165)	-	56	(64)	173	-
<i>External</i>	17,037	1,125	263	89	-	18,514
Net interest income	16,872	1,125	319	25	173	18,514
<i>Internal</i>	156	-	-	(35)	(121)	-
<i>External</i>	4,141	-	-	(6)	-	4,135
Net fee and commissions income	4,297	-	-	(41)	(121)	4,135
<i>Internal</i>	(9)	-	56	(99)	52	-
<i>External</i>	21,178	1,125	263	83	-	22,649
Net interest, fee and commissions income	21,169	1,125	319	(16)	52	22,649
<i>Internal</i>	(13)	-	-	(13)	26	-
<i>External</i>	(8,113)	(785)	-	1,661	-	(7,237)
Operating expenses	(8,126)	(785)	-	1,648	26	(7,237)
<i>Amortisation charges</i>	(223)	(25)	-	(11)	-	(259)
<i>Depreciation charges</i>	(565)	(58)	-	(94)	-	(717)
<i>Internal</i>	-	-	(150)	7	143	-
<i>External</i>	(5,283)	-	356	25	-	(4,902)
Impairment expenses	(5,283)	-	206	32	143	(4,902)
<i>Internal</i>	3	-	1,647	2	(1,652)	-
<i>External</i>	2,224	(228)	117	(1,403)	-	710
Net other income	2,227	(228)	1,764	(1,401)	(1,652)	710
Profit (loss) before tax	9,199	29	2,289	158	(1,431)	10,244
<i>Income tax</i>	(1,770)	(155)	-	44	-	(1,881)
Profit (loss) per segment after tax	7,429	(126)	2,289	202	(1,431)	8,363
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	7,429	(126)	2,289	202	(1,431)	8,363
<i>Total segment assets</i>	1,809,504	832,918	18,159	60,633	(146,136)	2,575,078
<i>Total segment liabilities</i>	1,586,874	728,172	15,715	43,669	(118,545)	2,255,885
Net segment assets (shareholders' equity)	222,630	104,746	2,444	16,964	(27,591)	319,193

NOTE 15
SEGMENT INFORMATION (continued)

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 for the three month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Continuing operations</i>						
<i>Internal</i>	(23)	-	102	(100)	21	-
<i>External</i>	14,226	1,918	322	91	-	16,557
Net interest income	14,203	1,918	424	(9)	21	16,557
<i>Internal</i>	45	-	-	(32)	(13)	-
<i>External</i>	3,963	-	-	(6)	-	3,957
Net fee and commissions income	4,008	-	-	(38)	(13)	3,957
<i>Internal</i>	22	-	102	(132)	8	-
<i>External</i>	18,189	1,918	322	85	-	20,514
Net interest, fee and commissions income	18,211	1,918	424	(47)	8	20,514
<i>Internal</i>	(10)	(1)	-	(1)	12	-
<i>External</i>	(6,467)	(617)	-	(3,413)	-	(10,497)
Operating expenses	(6,477)	(618)	-	(3,414)	12	(10,497)
<i>Amortisation charges</i>	(159)	(17)	-	(14)	-	(190)
<i>Depreciation charges</i>	(534)	(55)	-	(75)	-	(664)
<i>Internal</i>	-	-	(12)	-	12	-
<i>External</i>	552	-	87	20	-	659
Impairment expenses	552	-	75	20	12	659
<i>Internal</i>	71	-	2,393	1	(2,465)	-
<i>External</i>	1,576	1,161	299	4,396	-	7,432
Net other income	1,647	1,161	2,692	4,397	(2,465)	7,432
Profit (loss) before tax	13,240	2,389	3,191	867	(2,433)	17,254
<i>Income tax</i>	(2,188)	(211)	-	(130)	-	(2,529)
Profit (loss) per segment after tax	11,052	2,178	3,191	737	(2,433)	14,725
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	11,052	2,178	3,191	737	(2,433)	14,725
<i>Total segment assets</i>	1,502,502	822,994	26,162	67,747	104,334	2,315,071
<i>Total segment liabilities</i>	1,320,697	724,475	23,030	51,109	77,385	2,041,926
Net segment assets (shareholders' equity)	181,805	98,519	3,132	16,638	26,949	273,145

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 March 2020 and 31 December 2019 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

1. Šiaulių Banko Lizingas UAB (finance and operating lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities),
3. Šiaulių Banko Turto Fondas UAB (real estate management activities),
4. SB Lizingas UAB (consumer financing activities).

In the Financial Group financial statements, the subsidiaries of the Bank that are not included in the Financial Group are not consolidated in full as would be required by IFRS 10 but presented on the consolidated balance sheet of the Financial Group as investments in subsidiaries at cost less impairment, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Financial Group's condensed statement of financial position

	31 March 2020	31 December 2019
ASSETS		
<i>Cash and cash equivalents</i>	262,976	181,903
<i>Securities in the trading book</i>	16,560	15,354
<i>Due from other banks</i>	187	280
<i>Derivative financial instruments</i>	1,328	986
<i>Loans to customers</i>	1,518,078	1,522,117
<i>Finance lease receivables</i>	155,746	157,597
<i>Investment securities at fair value</i>	11,349	14,059
<i>Investment securities at amortized cost</i>	521,034	535,479
<i>Investments in subsidiaries and associates</i>	14,421	15,406
<i>Intangible assets</i>	2,817	2,922
<i>Property, plant and equipment</i>	11,629	11,590
<i>Investment property</i>	3,038	3,053
<i>Current income tax prepayment</i>	-	4
<i>Deferred income tax asset</i>	1,504	1,214
<i>Other assets</i>	28,060	16,340
Total assets	2,548,727	2,478,304
LIABILITIES		
<i>Due to other banks and financial institutions</i>	50,943	75,534
<i>Derivative financial instruments</i>	769	945
<i>Due to customers</i>	2,127,655	2,036,674
<i>Special and lending funds</i>	2,781	7,060
<i>Debt securities in issue</i>	20,330	20,044
<i>Current income tax liabilities</i>	1,634	1,488
<i>Deferred income tax liabilities</i>	1,018	917
<i>Other liabilities</i>	23,465	23,843
Total liabilities	2,228,595	2,166,505
EQUITY		
<i>Share capital</i>	174,211	174,211
<i>Share premium</i>	3,428	3,428
<i>Reserve capital</i>	756	756
<i>Statutory reserve</i>	14,246	14,292
<i>Reserve for acquisition of own shares</i>	10,000	10,000
<i>Financial instruments revaluation reserve</i>	4	(22)
<i>Financial instruments revaluation reserve</i>	1,524	1,524
<i>Retained earnings</i>	115,963	107,610
<i>Non-controlling interest</i>	-	-
Total equity	320,132	311,799
Total liabilities and equity	2,548,727	2,478,304

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the three month period ended	
	31 March 2020	31 March 2019
<i>Interest revenue calculated using the effective interest method</i>	18,922	16,877
<i>Other similar income</i>	1,941	1,584
<i>Interest expense and similar charges</i>	(2,365)	(1,922)
Net interest income	18,498	16,539
<i>Fee and commission income</i>	5,794	5,383
<i>Fee and commission expense</i>	(1,616)	(1,388)
Net fee and commission income	4,178	3,995
<i>Net gain from trading activities</i>	1,698	2,858
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	515	(72)
<i>Net gain (loss) from disposal of tangible assets</i>	178	211
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	151	295
<i>Salaries and related expenses</i>	(5,783)	(5,243)
<i>Depreciation and amortization expenses</i>	(894)	(794)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(3,242)	(2,004)
Operating profit before impairment losses	15,299	15,785
<i>Allowance for impairment losses on loans and other assets</i>	(5,073)	640
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	16	690
Profit before income tax	10,242	17,115
<i>Income tax expense</i>	(1,935)	(2,390)
Net profit for the period	8,307	14,725
Net profit attributable to:		
<i>Owners of the Bank</i>	8,307	14,725
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the three month period ended	
	31 March 2020	31 March 2019
Net profit for the period	8,307	14,725 (restated)
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(16)	404
<i>Deferred income tax on gain from revaluation of financial assets</i>	42	(60)
Other comprehensive income, net of deferred tax	26	344
Total comprehensive income for the period	8,333	15,069
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	8,333	15,069
<i>Non-controlling interest</i>	-	-
	8,333	15,069



ADDITIONAL INFORMATION

The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 3 months covers the period from 01 January 2020 to 31 March 2020.

The description of alternative performance indicators is available on the Bank's website at:

Home page › About bank › To Bank's Investors › Financial statements, ratios and prospectuses › [Alternative performance measures](#).

OPERATING RESULTS

- The Bank Group earned EUR 8.4 million of net profit, revenue reached EUR 23.4 million
- Higher provisions for expected credit losses were formed
- No growth in loan portfolio due to higher than usual loan repayments and COVID-19 uncertainty
- Key performance indicators for 2020 were updated

Šiaulių Bankas Group earned EUR 8.4 million of unaudited net profit in the Q1 of this year - by 43 % less than Q1 2019. According to forecasts for the impact of COVID-19, provisions of EUR 4.9 million were formed in the Q1 for expected credit losses, when the recovery of impairment losses of EUR 0.7 million was recorded in the first quarter of the previous year.

The Bank Group revenue for the Q1 was EUR 23.4 million (EUR 27.9 million for the same period in 2019). Net interest income in the Q1 of this year was EUR 18.5, which is by 12 % more than in the first quarter last year, while the net interest income margin remained unchanged. Net fee and commission income increased by 4% compared to the same period and exceeded EUR 4.1 million.

The efficiency of the Bank Group's performance remains high - the cost-to-income ratio was 35 % at the end of March. The return on equity reached 11 %. The capital and liquidity position remains sound - prudential regulations are met with the solid buffers.

Corporate and Private Client Financing

The loan and finance lease portfolio stood at EUR 1.67 billion, which is by 0.3 % lower than in the previous quarter but by 18 % higher than a year ago. New credit agreements for more than EUR 150 million were signed in the first quarter of this year, which is by 23 % less than in the previous quarter and by 22 % less compared to the Q1 of 2019. Increasing uncertainty over COVID-19 during the first quarter reduced lending. Also, the loan portfolio tended to decline during the quarter due to higher-than-usual loan repayments.

Compared to the Q1 of 2019, the sales of mortgage loans have increased five times - during the quarter, agreements were signed for EUR 27.3 million, and the portfolio amounted to EUR 126 million. Since the beginning of the year, the portfolio has grown by 24 %. During Q1, the continued works on the acquisition of the mortgage and other loans portfolio from the Lithuanian branch of Danske Bank A/S have been carried out and are expected to be over on May 1st.

In order to mitigate the situation of customers facing difficulties with COVID-19, the bank signed moratoriums in April, committing itself to allowing all private customers to defer loan repayments for up to one year and in case of leasing and consumer loans - to defer loan repayments for up to half a year and up to 6 months deferrals are offered to companies (the moratorium applies to business loans of up to EUR 5 million per group of companies). Šiaulių Bankas also signed an agreement with the state owned financial entity INVEGA on the financing of preferential loans for the businesses most affected by COVID-19.

Daily Banking

Since the announcement of the quarantine on March 16th, in response to government decisions and recommendations, a decision has been made to reduce the number of operating units, ensuring customers can receive services remotely: both through e-channels and through a call center (the activity of which has more than doubled). The purpose of the bank during quarantine is to ensure the operation of branches in the regions so that the customers can receive the necessary services. Meanwhile, more conservative policies are being pursued in the country's major cities, where customers tend to refocus quicker and use remote channels more easily.

About 4.5 thousand new private and over 500 corporate customers started using the bank's services in the Q1. The total number of customers had decreased by 3 % since the beginning of the year, which was affected by the closing of inactive customer accounts. The share of customers using service plans increased by 7 % during the quarter (46 % of private and 48 % of corporate customers use the Bank's service plans)..

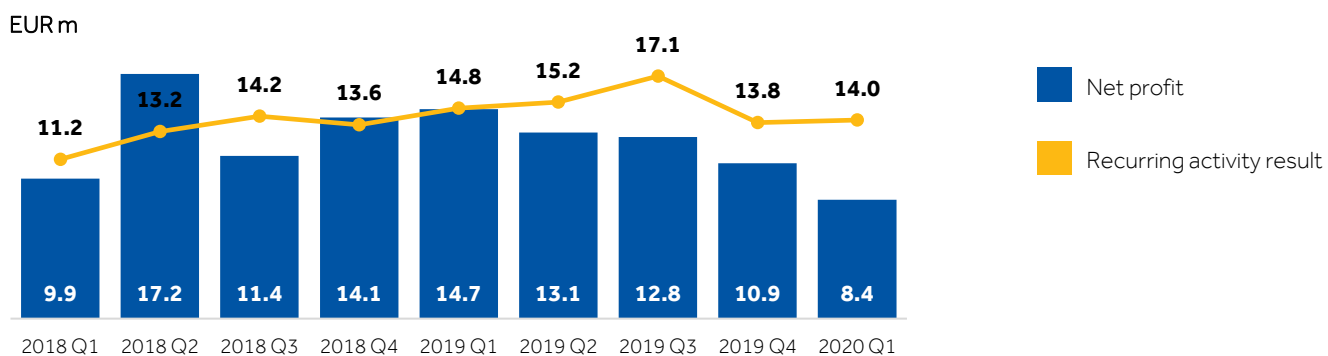
Saving and Investing

The deposit portfolio exceeded EUR 2.12 billion in Q1, it grew by 4 % over the quarter. The deposit portfolio was mainly affected by the growth of corporate sight deposits, which amounted to almost EUR 63 million. The term deposit linked to agricultural commodity price indices expired in January. This term deposit with additional interest is the second of three offered deposits of this type: the first was linked to a change in oil company shares and allowed depositors to earn 5 times higher interest; the third and last term deposit linked to a change in the price of gold will expire in September this year. Furthermore, the first quarter of this year was marked by record securities brokerage revenues, which was caused by large fluctuations in financial markets.

Updated key performance indicators for 2020

Due to the impact of the COVID-19 pandemic on the economic environment, Šiaulių Bankas updated the financial forecasts for 2020. As currently planned, decreasing revenues will be partially offset by cost cutting, but higher provisions for expected credit losses will have a negative impact on net profit. According to the updated forecasts, the cost-of-risk ratio (CoR) will reach 1.4 % and the ROE will be around 8 % in 2020. Accordingly, the target of reducing the non-performing exposure ratio (NPE) to below 5 % will not be met. Other goals of cost-to-income ratio (C/I), risk management, market share and customer satisfaction remain unchanged. The Bank closely monitors the situation and is ready to keep its stakeholders informed of important changes in the market and the company.

Non-recurring activities shall mean an indicator used the Bank's analyses to show a portion of income based on the result from one-time transactions or transactions that are not recurring in the Group's typical activities. Breakdown of operating profit into recurring and non-recurring activities is provided below (in EUR m):



	Q1 2020	Q1 2019
Results of Recurring activities	13.959	14.796
Results of Non-Recurring activities	1.187	1.799
Net profit (loss) from financial derivatives	21	-17
Net profit from derecognition of financial assets	515	-72
Net gain (loss) from disposal of tangible assets	328	1.141
Realized profit from held-to-maturity securities	323	747
Impairment recovery	-4.902	659
Income tax	-1.881	-2.529
Net profit	8.363	14.725

RATINGS

Consistent capitalization and sustained improvement in profitability, supported by lending growth and good margins, were evaluated by international rating agency Moody's Investors Service on 16 May 2019 which upgraded deposit ratings to Šiaulių Bankas and set them as follows:

- a long-term deposit rating – Baa2;
- a short-term deposit rating - P-2;
- rating outlook - Stable.

As of 31 March 2020 the Bank's clientèle totalled to 325 thousand - 297 thousand of individuals and 28 thousand of corporate customers. The bank serves clients at 60 customer service points.

COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS

With revenues growing faster than expenses, operational efficiency remains strong - a cost to income ratio of the Group comprised 35 per cent at the end of the first quarter. Information on the profitability ratios is available on the Bank's internet site at: Home page › About bank › To Bank's Investors › [Financial statements, ratios and prospectuses](#).

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 March 2020 the Bank complied with all the prudential requirements set out by the Bank of Lithuania. Data are available on the website of Šiaulių Bankas at: Home page › About bank › To Bank's Investors › Financial statements, ratios and prospectuses › [Alternative performance measures](#).

AUTHORIZED CAPITAL OF THE BANK, SHAREHOLDERS

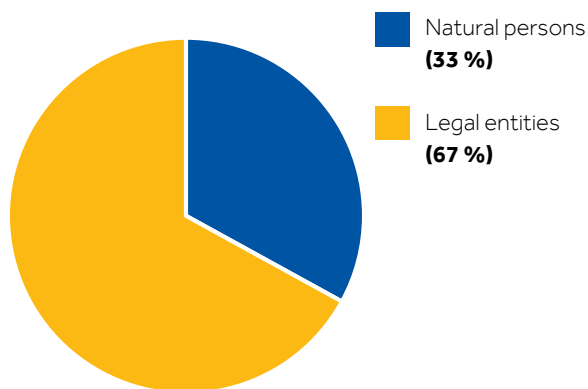
As of 31 March 2020, the authorized capital of the Bank totalled to EUR 174 210 616.27 which is divided into 600 726 263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253). After the last increase of the authorized capital by additional contributions, the Charter of the Bank were registered in the Register of Legal Entities in 13 December 2018. The authorized capital of the Bank was not increased in the first quarter of 2020.

Authorized capital:

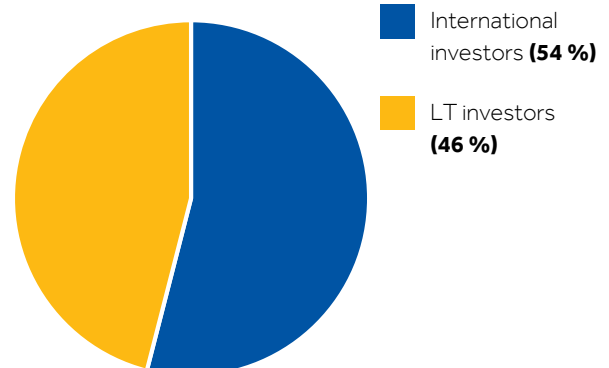
	01/01/2015	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	78 300 000	85 033 800	91 226 381.99	109 471 658.33	131 365 989.88	157 639 187.74	174 210 616.27

As of 31 March 2020, the number of the Bank's shareholders amounted to 6653 (at the end of 2019 – 5391). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank.

Shareholders by type



Shareholders by residence



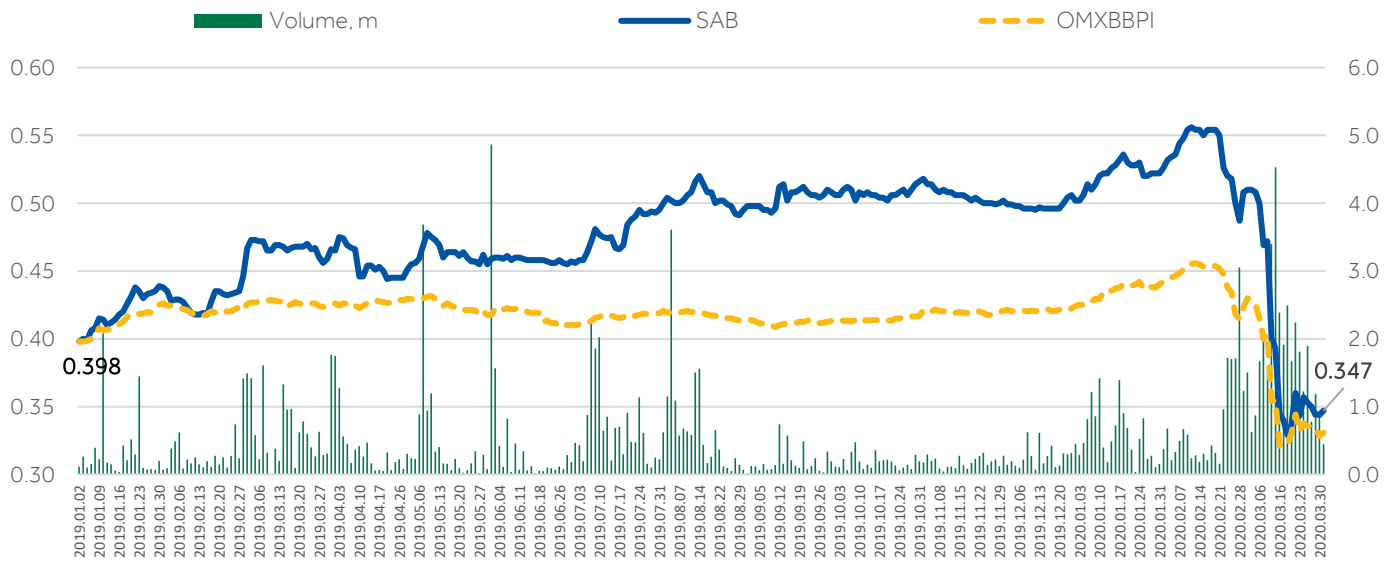
Information on shares:

	2016	2017	2018	2019	31/03/2020
Capitalization, m.EUR	169.5	266.8	240.9	304.0	208.5
Turnover, mln. Eur	23.1	44.5	34.7	48.3	28.7
Share price on the last trading session day	0.449	0.589	0.401	0.506	0.347
Share book value	0.458	0.448	0.448	0.518	0.532
P/BV	1.0	1.3	0.9	1.0	0.7
P/E	3.9	8.3	4.6	5.9	6.2
Capital increase from retained earnings, %	20.0	20.0	-	-	-

The description of alternative performance indicators is available on the Bank's website at:

Home page › About bank › To Bank's Investors › Financial statements, ratios and prospectuses › [Alternative performance measures](#).

Turnover and price of the Bank's shares:



ACQUISITION OF OWN SHARES

The Bank and its subsidiaries, or persons acting on behalf of their subsidiaries, do not hold any shares in the Bank.

The General Meeting of Shareholders held on 31 March 2020 adopted a decision for the Bank to acquire its own shares under the following conditions:

- 1) the purpose of acquisition of own shares is to retain and increase the market price of the Bank's shares;
- 2) maximum number of shares to be acquired - the total nominal value of the Bank's own shares may not exceed 1/10 of the Bank's authorized capital;
- 3) the time limit for the Bank to acquire its own shares - 18 months from the date of adoption of this decision;
- 4) maximum acquisition price per share - 15% higher than the market price of the Bank's shares on the Nasdaq Vilnius Stock Exchange when the Board makes a decision to acquire own shares, however, not higher than the book value of the share calculated according to the latest published financial statements of the Bank; minimal acquisition price per share - 15% lower than the market price of the Bank's shares in Nasdaq Vilnius when the Board makes a decision to repurchase Bank's own shares;
- 5) The procedure for sale of own shares and the minimum selling price - the shares acquired by the Bank may be annulled by decision of the General Meeting of Shareholders or sold by decision of the Board determining that the minimum selling price of the shares is their average acquisition price and the sales procedure will ensure equal opportunities for all shareholders to acquire the shares of the Bank;
- 6) To delegate the Board of the Bank, in accordance with the provisions of this resolution and requirements of the Law on Companies of the Republic of Lithuania, to make decisions regarding buying-in of the Bank's own shares, to organize repurchase and selling of its own shares, to determine the procedure for the repurchase and sale of shares, the time, number and price of the shares as well as to perform other actions related to the acquisition and sale of own shares.

To establish that after adoption of the resolution the decision of the General Meeting of Shareholders dated 28/03/2019 on the acquisition of the Bank's own shares shall expire.

DIVIDENDS

In 2018, the Supervisory Council approved the dividend policy. Carrying out its activities and planning the capital the Bank seeks to ensure a competitive return on investment through dividends and increasing stock value. The Bank shall pay dividends on two assumptions – when external and internal capital and liquidity requirements will be sustained, and the level of capital after dividends will remain sufficient to carry out all approved investment and development plans and other capital-intensive activities. Taking into account the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

On 31 March 2020 the ordinary general meeting of shareholders did not approve draft profit distribution therefore no dividends were paid out for year 2019 and all the profit that the Bank has earned for 2019 remains undistributed.

Comment of the Bank's management on the allocation of the Bank's profit

The decision of the bank's shareholders not to approve the profit allocation which envisages the payment of almost EUR 17 million in dividends, shows a strategic approach to focus on the long-term perspective. As a result of this decision of the shareholders, the capital reserve of Šiaulių Bankas will increase to more than EUR 160 million above the minimum capital adequacy requirement and will help the Bank operate stably and successfully in the face of unfavorable economic conditions.

On 6 March 2020 the draft resolutions (on the agenda of the General Meeting of Shareholders) approved at the meeting of the Board of the Bank were adopted on the terms of that day. At that time, information on the COVID-19 risk was already available but in the opinion of the Bank's Board, dividends from distributable profits could be paid to the Bank's shareholders, ensuring the continuity of the dividend policy, stable Bank operations and safe performance of the Bank's risk indicators. In March, the bank's major shareholders and supervisors were consulted on possible adjustments to the draft decisions to assess the growing risks of the economic situation.

Following the reduction of uncertainty regarding economic development and the assessment of the consequences of COVID-19, Šiaulių Bankas will continue to pursue the approved dividend policy in order to increase the value created for shareholders.

Information on the dividends paid:

<i>The year for which the dividends are allocated and paid</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<i>Per cent from nominal value</i>	0.25	0.69	1.72	1.72	10
<i>Dividend amount per share, Eur</i>	0.000725	0.002	0.005	0.005	0.029
<i>Dividend amount, Eur</i>	195 750	629 147	1 887 442	2 264 938	17 421 064
<i>Yields from dividends, %</i>	0.3	0.7	1.1	0.8	6.2
<i>Dividends to Group net profit, per cent</i>	1.7	2.6	4.3	7.1	33.0

The description of alternative performance indicators is available on the Bank's website at:

Home page › About bank › To Bank's Investors › Financial statements, ratios and prospectuses › [Alternative performance measures](#).

BANK'S MANAGEMENT

The Management Board bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Supervisory Council of the Bank, Management Board of the Bank and Chief Executive Officer (CEO).

The General Meeting of Shareholders held on 31 March 2020 elected the Bank's Supervisory Council for a new four-year term. The General Meeting of Shareholders approved amendments to the Bank's Charter according to which the Bank's Supervisory Council will consist of 8 members instead of 7, as before. The eighth member of the Supervisory Council will be elected at the next General Meeting of Shareholders when the amended wording of the Charter enters into force. Elected Chairman and members of [the Supervisory Council of the Bank](#):

- Chairman of the Council - Arvydas Salda;
- Members - Gintaras Kateiva, Darius Šulnis, Miha Košak, Martynas Česnavičius, Ramunė Vilija Zabulienė and Adriano Arietti, who will take office after receiving the permission of the European Central Bank.

The end of the term of office of the newly elected Supervisory Council is the day of the Ordinary General Meeting of Shareholders of the Bank in 2024.

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
					
Member since 1991. Chairman since 1999	Member since 2008	Independent members since 2012	Member since 2016	Member since 2016	Member since 2017
Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024
Share of capital under the right of ownership, % (31/03/2020)					
1.84	5.27	-	-	-	-
Share of votes together with the related persons, % (31/03/2020)					
1.84	5.29	-	-	0.35	-

*NOTE: The Bank's annual report for 2019 provides information on 6.14 per cent of Bank's shares indirectly controlled by Darius Šulnis, which was published by the Bank in accordance with the information provided on the website of Invalda INVL AB about the votes of Invalda INVL AB indirectly held by Darius Šulnis. Considering that the Shareholders' Group of Invalda INVL AB acts in agreement only in relation to Invalda INVL AB, it cannot be considered that Darius Šulnis has indirect votes of the Bank.

The newly elected Supervisory Council of the Bank elected the members of the [Board of the Bank](#) at its first meeting on 31 March 2020. At its first meeting, the Board elected the Chairman of the Board and his deputies. Jonas Bartkus, member of the Board, was replaced by Mindaugas Rudys, Head of the Service Development Division of Šiaulių Bankas.

- Chairman of the Management Board - Algirdas Butkus.
- Deputy Chairmen of the Board - Vytautas Sinius, Donatas Savickas.
- Members - Daiva Šorienė, Vita Urbonienė, Ilona Baranauskienė and Mindaugas Rudys.

Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Mindaugas Rudys	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the Council 1991-1999) Deputy Chief Executive Officer	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer	Deputy Chairman of the Board since 1995 Deputy Chief Executive Officer, Head of Finance and Risk Management Division	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division	Member since 2011 Chief Accountant, Head of Accounting and Tax Division	Member since 2012. Head of Service Development Division	Members since 2014. Head of Legal and Administration Division
Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024	Tenure beginning 31/03/2020/ end 2024
Share of capital under the right of ownership, % (31/03/2020)						
2.50	0.19	0.10	0.02	0.04	0.03	0.01
Share of votes together with the related persons, % (31/03/2020)						
5.47	0.19	0.10	0.02	0.04	0.03	0.01

OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website <https://www.sb.lt/> at Reports on Stock Events.

Other important events are published on the Bank's website <https://www.sb.lt/> under *Significant events and dates and News/Announcements/Campaigns*.

Chief Executive Officer
30 April 2020

Vytautas Sinius



CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm that as far as we know, the financial statements for three months of 2020 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Urbonienė

30 April 2020