



INTERIM INFORMATION

for the six month period ended 30 June 2020

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the six month period ended 30 June 2020

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

	Notes	30 June 2020		31 December 2019	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		265,286	263,670	184,917	181,582
Securities in the trading book	2	33,698	9,158	40,427	15,354
Due from other banks		450	450	280	280
Derivative financial instruments		684	684	986	986
Loans to customers	1	1,606,532	1,598,465	1,514,578	1,510,052
Finance lease receivables	1	148,664	148,593	157,597	157,540
Investment securities at fair value	2	41,240	38,481	14,059	9,491
Investment securities at amortized cost	2	637,490	625,152	545,849	535,479
Investments in subsidiaries and associates	2	-	30,750	-	31,491
Intangible assets		4,135	2,717	4,288	2,921
Property, plant and equipment		17,597	15,153	12,216	11,170
Investment property		5,992	355	7,570	367
Current income tax prepayment		40	-	44	-
Deferred income tax asset		2,172	1,620	1,419	831
Other assets	3	36,603	25,465	23,956	12,274
Total assets		2,800,583	2,760,713	2,508,186	2,469,818
LIABILITIES					
Due to other banks and financial institutions	5	211,515	213,751	74,395	76,674
Derivative financial instruments		2,339	2,339	945	945
Due to customers	4	2,167,251	2,168,820	2,033,649	2,036,674
Special and lending funds		2,793	2,793	7,060	7,060
Debt securities in issue		20,637	20,637	20,044	20,044
Current income tax liabilities		1,520	1,309	1,579	1,472
Deferred income tax liabilities		1,132	-	917	-
Liabilities related to insurance activities		32,704	-	33,497	-
Other liabilities		28,099	18,163	25,296	15,598
Total liabilities		2,467,990	2,427,812	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	6	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		73	60	(9)	(22)
Other equity	6	2,359	2,066	1,536	1,345
Retained earnings		127,339	128,134	106,414	107,387
Non-controlling interest		-	-	-	-
Total equity		332,593	332,901	310,804	311,351
Total liabilities and equity		2,800,583	2,760,713	2,508,186	2,469,818

The notes on pages 10 to 30 constitute an integral part of these financial statements.

Deputy Chief Executive Officer acting as Chief Executive Officer

Chief Accountant

31 July 2020



Donatas Savickas



Vita Urbonienė

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

for the six month period ended

	Notes	30 June 2020		30 June 2019	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	38,466	31,995	34,572	30,611
<i>Other similar income</i>	7	3,817	3,750	3,340	3,230
<i>Interest expense and similar charges</i>	7	(4,844)	(4,847)	(3,916)	(3,913)
Net interest income		37,439	30,898	33,996	29,928
<i>Fee and commission income</i>	8	10,988	11,164	11,330	11,146
<i>Fee and commission expense</i>	8	(3,308)	(3,188)	(2,995)	(2,914)
Net fee and commission income		7,680	7,976	8,335	8,232
<i>Net gain from trading activities</i>	11	3,294	5,109	8,120	6,036
<i>Net gain (loss) from derecognition of financial assets</i>		952	257	676	115
<i>Net gain (loss) from disposal of tangible assets</i>		457	69	1,815	44
<i>Revenue related to insurance activities</i>		3,490	-	3,303	-
<i>Other operating income</i>		435	166	577	299
<i>Salaries and related expenses</i>		(10,684)	(9,255)	(11,258)	(9,666)
<i>Depreciation and amortization expenses</i>		(1,989)	(1,703)	(1,723)	(1,466)
<i>Expenses related to insurance activities</i>	11	(696)	-	(4,565)	-
<i>Other operating expenses</i>	9	(6,404)	(4,814)	(5,817)	(4,047)
Operating profit before impairment losses		33,974	28,703	33,459	29,475
<i>Allowance for impairment losses on loans and other assets</i>	10	(8,282)	(7,111)	(1,157)	(849)
<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	-	3,258	-	3,067
Profit before income tax		25,692	24,850	32,302	31,693
<i>Income tax expense</i>		(4,808)	(4,103)	(4,486)	(3,839)
Net profit for the period		20,884	20,747	27,816	27,854
Net profit attributable to:					
<i>Owners of the Bank</i>		20,884	20,747	27,816	27,854
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.03		0.05	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.03		0.05	

The notes on pages 10 to 30 constitute an integral part of these financial statements.

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

	for the three month period			
	1 April - 30 June 2020		1 April - 30 June 2019	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	19,564	16,363	17,729	15,561
<i>Other similar income</i>	1,845	1,812	1,705	1,675
<i>Interest expense and similar charges</i>	(2,484)	(2,483)	(1,995)	(1,993)
Net interest income	18,925	15,692	17,439	15,243
<i>Fee and commission income</i>	5,231	5,276	5,979	5,927
<i>Fee and commission expense</i>	(1,686)	(1,613)	(1,601)	(1,557)
Net fee and commission income	3,545	3,663	4,378	4,370
<i>Net gain from trading activities</i>	5,356	3,620	3,696	3,166
<i>Net gain (loss) from derecognition of financial assets</i>	437	227	748	37
<i>Net gain (loss) from disposal of tangible assets</i>	129	4	674	(5)
<i>Revenue related to insurance activities</i>	1,707	-	1,673	-
<i>Other operating income</i>	289	103	268	116
<i>Salaries and related expenses</i>	(4,625)	(4,002)	(5,698)	(4,894)
<i>Depreciation and amortization expenses</i>	(1,013)	(877)	(869)	(746)
<i>Expenses related to insurance activities</i>	(2,915)	-	(1,805)	-
<i>Other operating expenses</i>	(3,007)	(2,221)	(3,640)	(2,635)
Operating profit before impairment losses	18,828	16,209	16,864	14,652
<i>Allowance for impairment losses on loans and other assets</i>	(3,380)	(2,756)	(1,816)	(515)
<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>	-	1,652	-	684
Profit before income tax	15,448	15,105	15,048	14,821
<i>Income tax expense</i>	(2,927)	(2,549)	(1,957)	(1,727)
Net profit for the period	12,521	12,556	13,091	13,094
Net profit attributable to:				
<i>Owners of the Bank</i>	12,521	12,556	13,091	13,094
<i>Non-controlling interest</i>	-	-	-	-

The notes on pages 10 to 30 constitute an integral part of these financial statements.

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

for the six month period ended

	30 June 2020		30 June 2019	
	Group	Bank	Group	Bank
Net profit for the period	20,884	20,747	27,816	27,854
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	36	36	603	603
Deferred income tax on gain from revaluation of financial assets	46	46	(85)	(85)
<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	82	82	518	518
Total comprehensive income for the period	20,966	20,829	28,334	28,372
Total comprehensive income (loss) attributable to:				
Owners of the Bank	20,966	20,829	28,334	28,372
Non-controlling interest	-	-	-	-
	20,966	20,829	28,334	28,372

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

for the three month period

	1 April - 30 June 2020		1 April - 30 June 2019	
	Group	Bank	Group	Bank (restated)
Net profit for the period	12,521	12,556	13,091	13,094
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	52	52	199	199
Deferred income tax on gain (loss) from revaluation of financial assets	4	4	(25)	(25)
<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 (loss), net of deferred tax	56	56	174	174
Total comprehensive income for the period	12,577	12,612	13,265	13,268
Total comprehensive income (loss) attributable to:				
Owners of the Bank	12,577	12,612	13,265	13,268
Non-controlling interest	-	-	-	-
	12,577	12,612	13,265	13,268

The notes on pages 10 to 30 constitute an integral part of these financial statements.

THE GROUP'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	Non-controlling interest	Total equity
		Attributable to the owners of the Bank										
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		-	-	-	-	-	-	1,552	-	1,552	-	1,552
Other adjustments		-	-	-	-	-	-	-	2	2	-	2
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income		-	-	-	518	-	-	-	27,816	28,334	-	28,334
30 June 2019		174,211	3,428	756	26	14,472	10,000	1,552	82,706	287,151	-	287,151
Changes in other equity		-	-	-	-	-	-	(16)	-	(16)	-	(16)
Other adjustments		-	-	-	-	-	-	-	(2)	(2)	-	(2)
Transfer to/from statutory reserve		-	-	-	-	(4)	-	-	4	-	-	-
Total comprehensive income		-	-	-	(35)	-	-	-	23,706	23,671	-	23,671
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	-	-	-
Changes in other equity		-	-	-	-	-	-	823	-	823	-	823
Total comprehensive income		-	-	-	82	-	-	-	20,884	20,966	-	20,966
30 June 2020		174,211	3,428	756	73	14,427	10,000	2,359	127,339	332,593	-	332,593

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		-	-	-	-	-	-	1,345	-	1,345
Other adjustments		-	-	-	-	-	-	-	595	595
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	518	-	-	-	27,854	28,372
30 June 2019		174,211	3,428	756	26	14,246	10,000	1,345	82,733	286,745
Other adjustments		-	-	-	-	-	-	-	(595)	(595)
Total comprehensive income		-	-	-	(48)	-	-	-	25,249	25,201
31 December 2019		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
Changes in other equity		-	-	-	-	-	-	721	-	721
Total comprehensive income		-	-	-	82	-	-	-	20,747	20,829
30 June 2020		174,211	3,428	756	60	14,246	10,000	2,066	128,134	332,901

The notes on pages 10 to 30 constitute an integral part of these financial statements.

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

for the six month period ended

	Notes	30 June 2020		30 June 2019	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		42,863	34,381	32,772	30,196
Interest received on securities in the trading book		240	240	603	550
Interest paid		(15,403)	(15,406)	(3,440)	(3,437)
Fees and commissions received		10,953	11,160	11,330	11,146
Fees and commissions paid		(3,119)	(2,999)	(2,995)	(2,914)
Net cash inflows from trade in securities in the trading book		7,135	6,137	21,902	10,243
Net inflows from foreign exchange operations		3,306	1,557	4,390	3,714
Net inflows from derecognition of financial assets		952	257	676	115
Net inflows from derecognition of non-financial assets		1,490	825	5,197	49
Cash inflows related to other activities of Group companies		435	166	3,880	299
Cash outflows related to other activities of Group companies		(696)	-	(4,565)	-
Recoveries on loans previously written off		1,313	172	2,066	335
Salaries and related payments to and on behalf of employees		(13,776)	(12,347)	(12,598)	(11,006)
Payments related to operating and other expenses		(4,852)	(443)	(3,107)	(1,337)
Income tax paid		(8,341)	(5,003)	(2,520)	(1,943)
Net cash flow from operating activities before change in operating assets and liabilities		22,500	18,697	53,591	36,010
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(170)	(170)	610	610
(Increase) in loans to customers		(99,263)	(92,413)	(102,196)	(96,728)
Decrease (increase) in loans to customers		7,592	7,262	(25,906)	(25,947)
Decrease (increase) in other assets		(14,361)	(13,812)	2,781	3,220
Increase (decrease) in due to banks and financial institutions		137,153	137,110	(12,904)	(12,763)
Increase (decrease) increase in due to customers		144,135	142,679	115,583	117,086
Increase (decrease) in special and lending funds		(4,267)	(4,267)	6,304	6,304
Increase (decrease) in other liabilities		560	(3,980)	5,608	(499)
Change		171,379	172,409	(10,120)	(8,717)
Net cash flow from (used in) from operating activities		193,879	191,106	43,471	27,293
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,451)	(1,390)	(2,120)	(1,517)
Disposal of property, plant and equipment, investment property and intangible assets		1,237	1,182	1,092	985
Acquisition of debt securities at amortized cost		(256,307)	(254,354)	(74,701)	(64,718)
Proceeds from redemption of debt securities at amortized cost		164,696	164,681	74,999	74,999
Interest received on debt securities at amortized cost		3,494	3,409	4,761	4,761
Dividends received		2	4,002	26	3,826
Acquisition of investment securities at fair value		(32,091)	(33,121)	(3,903)	(4,200)
Sale or redemption of investment securities at fair value		3,369	3,073	6,435	6,432
Interest received on investment securities at fair value		102	102	156	156
Net cash flow (used in) from investing activities		(116,949)	(112,416)	6,745	20,724
Financing activities					
Payment of dividends		-	-	(17,381)	(17,381)
Principal elements of lease payments		3,439	3,398	2,216	2,125
Net cash flow (used in) financing activities		3,439	3,398	(15,165)	(15,256)
Net increase (decrease) in cash and cash equivalents		80,369	82,088	35,051	32,761
Cash and cash equivalents at 1 January		184,917	181,582	89,304	87,732
Cash and cash equivalents at 30 June		265,286	263,670	124,355	120,493

The notes on pages 10 to 30 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 59 customer service outlets (2019: 60 outlets). As at 30 June 2020 the Bank had 745 employees (31 December 2019: 737). As at 30 June 2020 the Group had 843 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 six month period ended 30 June 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 2020, 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 little clarity regarding further development scenarios 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 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:

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	197,976	196,442	121,595	118,376
<i>Loans and advances to banks</i>	450	450	280	280
<i>Loans and advances to customers:</i>	1,606,532	1,598,465	1,514,578	1,510,052
<i>Loans and advances to financial institutions</i>	-	106,530	-	100,084
<i>Loans to individuals (Retail)</i>	497,545	380,259	356,708	244,257
<i>Loans to business customers</i>	1,108,987	1,111,676	1,157,870	1,165,711
<i>Finance lease receivables</i>	148,664	148,593	157,597	157,540
<i>Debt securities at fair value through profit or loss</i>	13,094	8,584	18,104	14,546
<i>Derivative financial instruments</i>	684	684	986	986
<i>Debt securities at fair value through other comprehensive income</i>	36,908	36,540	8,953	8,558
<i>Debt securities at amortized cost</i>	637,490	625,152	545,849	535,479
<i>Other assets subject to credit risk</i>	20,921	20,505	7,875	7,229
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	39,592	39,656	44,425	44,489
<i>Letters of credit</i>	8,740	8,740	13,779	13,779
<i>Loan commitments and other credit related liabilities</i>	201,175	219,755	254,753	282,424

Loans to customers

Loans and advances are summarised as follows:

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Gross	1,647,992	1,632,831	1,553,088	1,542,118
<i>Subtract: allowance for impairment</i>	(41,460)	(34,366)	(38,510)	(32,066)
Net	1,606,532	1,598,465	1,514,578	1,510,052

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**KLIENTAMS SUTEIKTOS PASKOLOS IR
FINANSINĖS NUOMOS GAUTINOS SUMOS (tęsinys)**

The distribution of loans by stages and days past due:

	Group					Group				
	30 June 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	1,215,895	30,253	651	-	1,246,799	1,296,092	46,750	339	-	1,343,181
Allowance for impairment	(8,386)	(948)	(49)	-	(9,383)	(6,973)	(1,020)	(28)	-	(8,021)
Net amount	1,207,509	29,305	602	-	1,237,416	1,289,119	45,730	311	-	1,335,160
Stage 2:										
Gross amount	300,600	11,115	8,190	-	319,905	116,540	8,201	6,890	-	131,631
Allowance for impairment	(4,647)	(129)	(1,963)	-	(6,739)	(2,052)	(64)	(1,888)	-	(4,004)
Net amount	295,953	10,986	6,227	-	313,166	114,488	8,137	5,002	-	127,627
Stage 3:										
Gross amount	23,557	4,936	4,364	48,431	81,288	25,735	6,458	9,592	36,491	78,276
Allowance for impairment	(4,726)	(1,334)	(964)	(18,314)	(25,338)	(5,446)	(2,475)	(4,593)	(13,971)	(26,485)
Net amount	18,831	3,602	3,400	30,117	55,950	20,289	3,983	4,999	22,520	51,791
Total:										
Gross amount	1,540,052	46,304	13,205	48,431	1,647,992	1,438,367	61,409	16,821	36,491	1,553,088
Allowance for impairment	(17,759)	(2,411)	(2,976)	(18,314)	(41,460)	(14,471)	(3,559)	(6,509)	(13,971)	(38,510)
Net amount	1,522,293	43,893	10,229	30,117	1,606,532	1,423,896	57,850	10,312	22,520	1,514,578

	Bank					Bank				
	30 June 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	1,222,337	17,822	4	-	1,240,163	1,303,206	35,101	27	-	1,338,334
Allowance for impairment	(5,802)	(83)	-	-	(5,885)	(4,386)	(167)	-	-	(4,553)
Net amount	1,216,535	17,739	4	-	1,234,278	1,298,820	34,934	27	-	1,333,781
Stage 2:										
Gross amount	301,322	11,115	2,996	-	315,433	117,938	8,201	2,206	-	128,345
Allowance for impairment	(4,647)	(129)	(111)	-	(4,887)	(2,052)	(64)	(144)	-	(2,260)
Net amount	296,675	10,986	2,885	-	310,546	115,886	8,137	2,062	-	126,085
Stage 3:										
Gross amount	23,154	4,458	2,986	46,637	77,235	25,726	6,089	8,553	35,071	75,439
Allowance for impairment	(4,962)	(1,089)	(258)	(17,285)	(23,594)	(5,732)	(2,273)	(4,025)	(13,223)	(25,253)
Net amount	18,192	3,369	2,728	29,352	53,641	19,994	3,816	4,528	21,848	50,186
Total:										
Gross amount	1,546,813	33,395	5,986	46,637	1,632,831	1,446,870	49,391	10,786	35,071	1,542,118
Allowance for impairment	(15,411)	(1,301)	(369)	(17,285)	(34,366)	(12,170)	(2,504)	(4,169)	(13,223)	(32,066)
Net amount	1,531,402	32,094	5,617	29,352	1,598,465	1,434,700	46,887	6,617	21,848	1,510,052

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued) NOTE 1

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 30 June 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 184,732 thousand (there were no loans assigned to stage 2 based on this criteria on 31 December 2019).

In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB) that offer principal repayment deferral solutions for individual and business customers. Until 30 June 2020, Group's approved applications for modification of loan payment schedules based on Covid-19 implications on the borrowers amounted to EUR 226 136 thousand, of which EUR 89 613 thousand were according to ALB moratoria conditions. Group follows legal treatment for loan contract amendments, i.e. amended loan contracts are accounted for as modifications. As interest rate is not modified as a condition for moratoria, no material result from contract modifications was recorded (during six month period ended 30 June 2020, loan modifications resulted in net loss of EUR 44 thousand, which was included in income statement line "Other operating income").

Finance lease receivables

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

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Business customers</i>	127,253	126,441	136,144	135,348
<i>Individuals</i>	27,031	26,998	25,413	25,379
Gross	154,284	153,439	161,557	160,727
<i>Subtract: Allowance for impairment</i>	(5,620)	(4,846)	(3,960)	(3,187)
Net	148,664	148,593	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					31 December 2019				
	30 June 2020					30 June 2020				
	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	81,111	5,158	-	-	86,269	120,649	12,118	-	-	132,767
Allowance for impairment	(673)	(41)	-	-	(714)	(624)	(68)	-	-	(692)
Net amount	80,438	5,117	-	-	85,555	120,025	12,050	-	-	132,075
Stage 2:										
Gross amount	52,527	4,367	867	-	57,761	11,808	2,554	1,637	-	15,999
Allowance for impairment	(1,860)	(181)	(34)	-	(2,075)	(302)	(61)	(81)	-	(444)
Net amount	50,667	4,186	833	-	55,686	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	7,022	486	128	2,618	10,254	6,130	310	135	6,216	12,791
Allowance for impairment	(521)	(234)	(89)	(1,987)	(2,831)	(788)	(121)	(61)	(1,854)	(2,824)
Net amount	6,501	252	39	631	7,423	5,342	189	74	4,362	9,967
Total:										
Gross amount	140,660	10,011	995	2,618	154,284	138,587	14,982	1,772	6,216	161,557
Allowance for impairment	(3,054)	(456)	(123)	(1,987)	(5,620)	(1,714)	(250)	(142)	(1,854)	(3,960)
Net amount	137,606	9,555	872	631	148,664	136,873	14,732	1,630	4,362	157,597
Bank										
	30 June 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	81,095	5,157	-	-	86,252	120,648	12,117	-	-	132,765
Allowance for impairment	(672)	(41)	-	-	(713)	(625)	(68)	-	-	(693)
Net amount	80,423	5,116	-	-	85,539	120,023	12,049	-	-	132,072
Stage 2:										
Gross amount	52,527	4,367	867	-	57,761	11,808	2,554	1,637	-	15,999
Allowance for impairment	(1,860)	(181)	(34)	-	(2,075)	(302)	(61)	(81)	-	(444)
Net amount	50,667	4,186	833	-	55,686	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	7,022	486	128	1,790	9,426	6,130	310	135	5,388	11,963
Allowance for impairment	(521)	(234)	(89)	(1,214)	(2,058)	(788)	(121)	(61)	(1,080)	(2,050)
Net amount	6,501	252	39	576	7,368	5,342	189	74	4,308	9,913
Total:										
Gross amount	140,644	10,010	995	1,790	153,439	138,586	14,981	1,772	5,388	160,727
Allowance for impairment	(3,053)	(456)	(123)	(1,214)	(4,846)	(1,715)	(250)	(142)	(1,080)	(3,187)
Net amount	137,591	9,554	872	576	148,593	136,871	14,731	1,630	4,308	157,540

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

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 30 June 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the amount borrowed 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 finance lease receivables 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 finance lease receivables that were assigned to stage 2 based on the criteria of significant credit risk increase in sector amounted to EUR 42,756 thousand (there were no finance lease receivables assigned to stage 2 based on this criteria on 31 December 2019).

NOTE 2

SECURITIES

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.

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Debt securities:	13,094	8,584	18,104	14,546
Government bonds	4,663	2,199	4,876	2,535
Corporate bonds	8,431	6,385	13,228	12,011
Equity securities	20,604	574	22,323	808
Total	33,698	9,158	40,427	15,354
	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities:	10,629	8,584	16,127	14,546
from AA- to AAA	297	297	1,201	1,201
from A- to A+	3,721	3,523	3,121	2,918
from BBB- to BBB+	2,643	1,656	7,773	6,765
from BB- to BB+	968	610	1,932	1,562
lower than BB-	74	74	75	75
no rating	2,926	2,424	2,025	2,025
Equity securities	574	574	808	808
listed	571	571	805	805
unlisted	3	3	3	3
units of investment funds	-	-	-	-
Total trading securities	11,203	9,158	16,935	15,354
Other trading book securities:				
Debt securities	2,465	-	1,977	-
from AA- to AAA	-	-	-	-
from A- to A+	1,106	-	1,202	-
from BBB- to BBB+	706	-	472	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	653	-	303	-
Equity securities	20,030	-	21,515	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	20,030	-	21,515	-
Total other trading book securities	22,495	-	23,492	-
TOTAL	33,698	9,158	40,427	15,354

NOTE 2
SECURITIES (continued)

Investment securities

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities:</i>	36,908	36,540	8,953	8,558
Government bonds	17,685	17,685	1,343	1,343
Corporate bonds	19,223	18,855	7,610	7,215
<i>Equity securities</i>	4,332	1,941	5,106	933
<i>Total</i>	41,240	38,481	14,059	9,491
Securities at amortized cost:				
<i>Debt securities:</i>	637,490	625,152	545,849	535,479
Government bonds	464,104	458,289	375,502	370,825
Corporate bonds	173,386	166,863	170,347	164,654
<i>Total</i>	637,490	625,152	545,849	535,479

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities</i>	36,908	36,540	8,953	8,558
from AA- to AA+	599	599	-	-
from A- to A+	19,765	19,765	4,529	4,529
from BBB- to BBB+	14,583	14,583	3,854	3,854
from BB- to BB+	1,593	1,593	-	-
lower than BB-	-	-	175	175
no rating	368	-	395	-
<i>Equities</i>	4,332	1,941	5,106	933
listed	-	-	-	-
unlisted	797	678	741	622
units of investment funds	3,535	1,263	4,365	311
<i>Total</i>	41,240	38,481	14,059	9,491
Securities at amortized cost:				
<i>Debt securities</i>	637,490	625,152	545,849	535,479
from AA- to AA+	6,327	6,119	8,320	8,113
from A- to A+	465,005	459,133	378,386	372,941
from BBB- to BBB+	165,554	159,900	156,743	152,433
from BB- to BB+	411	-	2,400	1,992
lower than BB-	-	-	-	-
no rating	193	-	-	-
<i>Total</i>	637,490	625,152	545,849	535,479

Credit stages of investment debt securities:

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	673,623	661,073	553,918	543,140
Allowance for impairment	(338)	(297)	(273)	(260)
Net amount	673,285	660,776	553,645	542,880
Stage 2:				
Gross amount	1,132	932	1,187	1,187
Allowance for impairment	(19)	(16)	(30)	(30)
Net amount	1,113	916	1,157	1,157
Stage 3:				
Gross amount	1,016	-	1,014	-
Allowance for impairment	(1,016)	-	(1,014)	-
Net amount	-	-	-	-

During the six month periods ended 30 June 2020 and 2019, no material reclassifications between portfolios of securities were performed.

NOTE 2
SECURITIES (continued)

Investments in subsidiaries

As of 30 June 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 30 June 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:

	30 June 2020	31 December 2019
	Carrying amount	Carrying amount
<i>Bonum Publicum GD UAB</i>	10,858	10,741
<i>Minera UAB</i>	2,959	2,925
<i>Pavasaris UAB</i>	8	2
<i>SB lizingas UAB</i>	10,625	10,749
<i>SBTF UAB</i>	797	1,703
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	986	933
<i>Šiaulių Banko Lizingas UAB</i>	1,074	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,443	3,364
Total	30,750	31,491

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	20,921	20,505	7,875	7,229
<i>Inventories</i>	7,818	-	8,780	-
<i>Deferred charges</i>	1,248	1,214	913	849
<i>Assets under reinsurance and insurance contracts</i>	1,187	-	1,189	-
<i>Prepayments</i>	2,621	1,257	944	79
<i>Foreclosed assets</i>	915	831	919	835
<i>Assets classified as held for sale</i>	998	998	1,004	1,004
<i>Other</i>	895	660	2,332	2,278
Total	36,603	25,465	23,956	12,274

NOTE 4 DUE TO CUSTOMERS

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
National government institutions	51,028	51,028	25,906	25,906
Local government institutions	86,673	86,673	73,856	73,856
Governmental and municipal companies	15,253	15,253	24,058	24,058
Corporate entities	464,066	465,280	402,900	405,115
Non-profit organisations	20,959	20,959	19,456	19,456
Individuals	535,061	535,061	491,616	491,616
Unallocated amounts due to customers	94,510	94,865	69,380	70,190
Total demand deposits	1,267,550	1,269,119	1,107,172	1,110,197
<i>Time deposits:</i>				
National government institutions	4,889	4,889	1,432	1,432
Local government institutions	771	771	796	796
Governmental and municipality companies	4,127	4,127	6,501	6,501
Corporate entities	44,844	44,844	56,234	56,234
Non-profit organisations	2,372	2,372	2,242	2,242
Individuals	842,698	842,698	859,272	859,272
Total time deposits	899,701	899,701	926,477	926,477
Total	2,167,251	2,168,820	2,033,649	2,036,674

NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Due to other banks and financial institutions

On 24th June 2020, Bank borrowed via the ECB's TLTRO III operation EUR 150 million for the 3-year term. Loan maturity date is on 28th June 2023 with early repayment option starting on 29th September 2021. Interest rate on TLTRO III is -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%. Debt securities with accounting value of EUR 149 270 thousand as of 30 June 2020 were pledged for this borrowing.

NOTE 6 CAPITAL

As of 30 June 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 30 June 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 7,299 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.

NOTE 6
CAPITAL (continued)

Reserve for acquisition of own shares:

Reserve for acquisition of own shares is formed from retained earnings by a decision of general meeting of shareholders. 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.

During the six month period ended 30 June 2020 the Bank acquired 780 thousand own shares for EUR 320 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2016 and 2017. As of 30 June 2020, the Bank did not possess its own shares.

During the six month period ended 30 June 2019 the Bank acquired 1,176 thousand own shares for EUR 618 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2015, 2016 and 2017. As of 30 June 2019, the Bank did not possess its own shares.

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 - 30 June 2020		1 January - 30 June 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>	38,466	31,995	34,572	30,611
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	362	1,856	450	1,757
<i>on loans to customers</i>	34,495	26,641	29,153	23,958
<i>on debt securities at amortized cost</i>	3,494	3,409	4,817	4,760
<i>on debt securities at fair value through other comprehensive income</i>	115	89	152	136
<i>Other similar income:</i>	3,817	3,750	3,340	3,230
<i>on debt securities at fair value through profit or loss</i>	181	121	265	191
<i>on finance leases</i>	3,600	3,593	3,039	3,003
<i>other interest income</i>	36	36	36	36
Total interest income	42,283	35,745	37,912	33,841
<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>	(4,805)	(4,811)	(3,746)	(3,751)
<i>on other liabilities</i>	(39)	(36)	(170)	(162)
Total interest expense	(4,844)	(4,847)	(3,916)	(3,913)
Net interest income	37,439	30,898	33,996	29,928

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	2,252	2,252	2,115	2,115
<i>for settlement services</i>	2,433	2,439	2,753	2,760
<i>for cash operations</i>	2,344	2,344	2,473	2,473
<i>for account administration</i>	2,048	2,048	1,922	1,922
<i>for guarantees, letters of credit, documentary collection</i>	386	386	333	333
<i>for collection of utility and similar payments</i>	131	133	130	132
<i>for services related to securities</i>	901	971	870	912
<i>other fee and commission income</i>	493	591	734	499
Total fee and commission income	10,988	11,164	11,330	11,146
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(1,837)	(1,808)	(1,704)	(1,702)
<i>for cash operations</i>	(527)	(527)	(500)	(500)
<i>for correspondent bank and payment system fees</i>	(284)	(203)	(279)	(203)
<i>for services of financial data vendors</i>	(89)	(89)	(92)	(92)
<i>for services related to securities</i>	(391)	(391)	(305)	(302)
<i>other fee and commission expenses</i>	(180)	(170)	(115)	(115)
Total fee and commission expense	(3,308)	(3,188)	(2,995)	(2,914)
Net fee and commission income	7,680	7,976	8,335	8,232

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(116)	(94)	(95)	(100)
<i>Utility services for buildings and premises</i>	(374)	(338)	(406)	(369)
<i>Other expenses related to buildings and premises</i>	(431)	(430)	(299)	(295)
<i>Transportation expenses</i>	(160)	(125)	(166)	(123)
<i>Legal costs</i>	(138)	(138)	(180)	(180)
<i>Personnel and training expenses</i>	(112)	(93)	(126)	(116)
<i>IT and communication expenses</i>	(2,288)	(2,005)	(1,579)	(1,422)
<i>Marketing and charity expenses</i>	(905)	(331)	(1,564)	(773)
<i>Service organisation expenses</i>	(1,021)	(957)	(734)	(667)
<i>Non-income taxes, fines</i>	(67)	145	24	285
<i>Costs incurred due to debt recovery</i>	(191)	(58)	(175)	(77)
<i>Other expenses</i>	(601)	(390)	(517)	(210)
Total	(6,404)	(4,814)	(5,817)	(4,047)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(7,796)	(5,833)	(2,066)	(179)
Recoveries of loans previously written-off	775	173	1,689	335
Reversal of impairment losses / (impairment losses) on finance lease receivables	(1,659)	(1,659)	(1,011)	(1,038)
Recovered previously written-off finance lease receivables	144	-	377	-
(Impairment losses) on debt securities	(54)	(23)	28	28
Reversal of impairment losses on due from banks	(9)	(9)	(3)	(3)
Reversal of impairment losses / (impairment losses) on other financial assets	213	209	41	36
(Impairment losses) on subsidiaries	-	-	-	-
(Impairment losses) / reversal of impairment losses on other non-financial assets	31	31	73	(28)
Recoveries of other non-financial assets previously written-off	-	-	-	-
Provisions for other liabilities	73	-	(285)	-
Total	(8,282)	(7,111)	(1,157)	(849)

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
<u>Allowance for impairment of loans</u>				
As at 1 January	38,509	32,065	42,766	36,851
Change in allowance for loan impairment	7,796	5,833	2,066	179
Loans written off during the period	(4,845)	(3,532)	(2,025)	(1,100)
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 June	41,460	34,366	42,807	35,930
<u>Allowance for impairment of finance lease receivables</u>				
As at 1 January	3,961	3,187	2,646	1,842
Change in allowance for impairment of finance lease receivables	1,659	1,659	1,011	1,038
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 June	5,620	4,846	3,657	2,880
<u>Allowance for impairment of debt securities</u>				
As at 1 January	1,317	290	1,377	359
Change in allowance for impairment of debt securities	54	23	(28)	(28)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	2	-	9	-
As at 30 June	1,373	313	1,358	331
<u>Allowance for impairment of due from banks</u>				
As at 1 January	23	23	13	13
Change in allowance for impairment of due from banks	9	9	3	3
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 June	32	32	16	16
<u>Allowance for impairment of other financial assets</u>				
As at 1 January	517	505	395	372
Change in allowance for impairment of other financial assets	(213)	(209)	(41)	(36)
Other financial assets written off during the period	(9)	(9)	(5)	(5)
Other factors (reclassification, FX rate shift, etc.)	(2)	-	-	-
As at 30 June	293	287	349	331

Impairment expenses for loans and finance lease receivables increased significantly during the first half 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 6,409 thousand during the first half of 2020: due to change in parameters the Group recognized an impairment loss of EUR 4,582 thousand, additional impairment loss of EUR 1,827 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 and values of positions were not changed, they are the same as used in financial statements for 2019. For the reporting date of 30 June 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 significant probability that actual results may deviate from the estimated.

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
<i>Net gain (loss) from operations with securities</i>	(32)	1,811	4,410	2,337
<i>Net gain from foreign exchange and related derivatives</i>	3,306	3,278	3,725	3,714
<i>Net gain (loss) from other derivatives</i>	20	20	(15)	(15)
Total	3,294	5,109	8,120	6,036

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 1,948 thousand for the six month period ended 30 June 2020; a net gain of EUR 1,991 thousand for the six month period ended 30 June 2019.

Expenses related to insurance activities

	1 January - 30 June 2020		1 January - 30 June 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>	1,921	-	(2,012)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(2,617)	-	(2,553)	-
Total expenses related to insurance activities	(696)	-	(4,565)	-

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

	1 January - 30 June 2020		1 January - 30 June 2019	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	27	-	21	-
<i>Net gain (loss) from operations with securities</i>	(1,976)	-	1,976	-
<i>Net gain (loss) from foreign exchange</i>	28	-	15	-
Total	(1,921)	-	2,012	-

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:

	30 June 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>	1,741	90	1,535	31
<i>Other related parties (excluding subsidiaries of the Bank)</i>	3,606	19,040	4,889	20,075
Total	5,347	19,130	6,424	20,106

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 June 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>	2,784	7,541	4,164	9,264
<i>Financial institutions</i>	1,150	129,033	1,141	135,106
	3,934	136,574	5,305	144,370

Bank's total balances with subsidiaries:

	30 June 2020	31 December 2019
Assets		
<i>Loans</i>	110,191	108,964
<i>Other assets</i>	44	69
<i>Bank's investment in subsidiaries</i>	30,750	31,491
Liabilities and shareholders' equity		
<i>Deposits</i>	3,934	5,305
<i>Other liabilities</i>	5	14

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 June 2020	1 January – 30 June 2019
Income		
<i>Interest</i>	1,642	1,497
<i>Commission income</i>	260	271
<i>FX gain (loss)</i>	5	2
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	3,258	3,067
<i>Other income</i>	54	81
Expenses		
<i>Interest</i>	(9)	(9)
<i>Operating expenses</i>	(9)	(2)
<i>Impairment losses on loans</i>	(150)	7
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 30 June 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, MARKET 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 30 June 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>	280,078	43,981	72,685	135,457	228,819	908,628	1,040,708	90,227	2,800,583
<i>Total liabilities and shareholders' equity</i>	1,310,627	84,668	118,346	181,056	292,160	365,425	115,625	332,676	2,800,583
<i>Net liquidity gap</i>	(1,030,549)	(40,687)	(45,661)	(45,599)	(63,341)	543,203	925,083	(242,449)	-

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 30 June 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>	278,462	37,646	66,298	127,985	302,551	863,738	1,002,719	81,313	2,760,713
<i>Total liabilities and shareholders' equity</i>	1,312,172	76,580	117,292	180,711	291,667	362,400	86,990	332,901	2,760,713
<i>Net liquidity gap</i>	(1,033,710)	(38,934)	(50,994)	(52,726)	10,884	501,338	915,729	(251,588)	-

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, MARKET 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.

In 2020, Bank's attention is devoted to Bank's business continuity management, improvement of internal control organization and formalization of data and information quality assurance processes. In the first half of 2020, banking product creation and development process was renewed. It includes all new and (or) modified products and services. The goal of this process is to avoid unforeseen risks in banking activities, help to assure quality of new and (or) modified products and services. Bank's business continuity management regulations were also updated, in which structure and components of business continuity plan were modified. It is planned to review and update other bank's continuity planning documents.

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 six month period ended 30 June 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 six month period ended 30 June 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

	30 June 2020		31 December 2019	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	31,644	7,606	38,908	13,835
Investment securities at fair value	37,803	37,803	8,869	8,869
Total Level I financial assets	69,447	45,409	47,777	22,704
LEVEL II				
Derivative financial instruments - assets	684	684	986	986
Derivative financial instruments - liabilities	(2,339)	(2,339)	(945)	(945)
LEVEL III				
Trading book securities	2,054	1,552	1,519	1,519
Investment securities at fair value	3,437	678	5,190	622
Total Level III financial assets	5,491	2,230	6,709	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 six month period ended 30 June:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
As at 1 January	1,519	2,229	1,136	1,243
Additions	2,682	6,246	-	-
Disposals / redemption / derecognition	(2,150)	(6,867)	(1,594)	(324)
Changes due to interest accrued/paid	3	(11)	-	8
Changes in fair value	-	-	(159)	18
As at 30 June	2,054	1,597	(617)	945
Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
As at 1 January	1,519	2,229	622	432
Additions	2,180	6,246	-	-
Disposals / redemption / derecognition	(2,150)	(6,867)	-	(11)
Changes due to interest accrued/paid	3	(11)	-	-
Changes in fair value	-	-	56	2
As at 30 June	1,552	1,597	678	423

	1 January – 30 June 2020		1 January – 30 June 2019	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(159)	56	18	2

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.

	30 June 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	637,490	650,210	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 30 June 2020 and in the Statement of comprehensive income for the six month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(156)	-	139	(126)	143	-
External	33,987	2,102	1,169	181	-	37,439
Net interest income	33,831	2,102	1,308	55	143	37,439
Internal	176	-	-	27	(203)	-
External	7,793	-	-	(113)	-	7,680
Net fee and commissions income	7,969	-	-	(86)	(203)	7,680
Internal	20	-	139	(99)	(60)	-
External	41,780	2,102	1,169	68	-	45,119
Net interest, fee and commissions income	41,800	2,102	1,308	(31)	(60)	45,119
Internal	(28)	-	(3)	(39)	70	-
External	(14,641)	(1,407)	3	(1,739)	-	(17,784)
Operating expenses	(14,669)	(1,407)	-	(1,778)	70	(17,784)
Amortisation charges	(458)	(51)	-	(23)	-	(532)
Depreciation charges	(1,155)	(119)	-	(183)	-	(1,457)
Internal	-	-	(150)	4	146	-
External	(8,692)	-	364	46	-	(8,282)
Impairment expenses	(8,692)	-	214	50	146	(8,282)
Internal	2,910	-	269	116	(3,295)	-
External	4,391	1,811	223	2,203	-	8,628
Net other income	7,301	1,811	492	2,319	(3,295)	8,628
Profit (loss) before tax	24,127	2,336	2,014	354	(3,139)	25,692
Income tax	(4,431)	(410)	-	33	-	(4,808)
Profit (loss) per segment after tax	19,696	1,926	2,014	387	(3,139)	20,884
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	19,696	1,926	2,014	387	(3,139)	20,884
Total segment assets	1,906,548	958,132	17,789	61,674	(143,560)	2,800,583
Total segment liabilities	1,679,376	842,525	15,845	44,518	(114,274)	2,467,990
Net segment assets (shareholders' equity)	227,172	115,607	1,944	17,156	(29,286)	332,593

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 30 June 2019 and in the Statement of comprehensive income for the six month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(328)	-	194	(192)	326	-
External	29,704	3,743	319	230	-	33,996
Net interest income	29,376	3,743	513	38	326	33,996
Internal	272	-	-	(54)	(218)	-
External	8,355	-	-	(20)	-	8,335
Net fee and commissions income	8,627	-	-	(74)	(218)	8,335
Internal	(56)	-	194	(246)	108	-
External	38,059	3,743	319	210	-	42,331
Net interest, fee and commissions income	38,003	3,743	513	(36)	108	42,331
Internal	(9)	-	-	4	5	-
External	(14,357)	(1,370)	-	(5,913)	-	(21,640)
Operating expenses	(14,366)	(1,370)	-	(5,909)	5	(21,640)
Amortisation charges	(336)	(36)	-	(28)	-	(400)
Depreciation charges	(1,070)	(111)	-	(142)	-	(1,323)
Internal	-	-	7	-	(7)	-
External	(1,004)	-	26	(179)	-	(1,157)
Impairment expenses	(1,004)	-	33	(179)	(7)	(1,157)
Internal	74	-	3,150	23	(3,247)	-
External	4,304	2,338	374	7,475	-	14,491
Net other income	4,378	2,338	3,524	7,498	(3,247)	14,491
Profit (loss) before tax	25,605	4,564	4,070	1,204	(3,141)	32,302
Income tax	(3,903)	(384)	-	(199)	-	(4,486)
Profit (loss) per segment after tax	21,702	4,180	4,070	1,005	(3,141)	27,816
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	21,702	4,180	4,070	1,005	(3,141)	27,816
Total segment assets	1,617,040	804,569	25,087	65,708	(118,607)	2,393,797
Total segment liabilities	1,420,029	706,738	22,036	49,134	(91,289)	2,106,648
Net segment assets (shareholders' equity)	197,011	97,831	3,051	16,574	(27,318)	287,149

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 30 June 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

	30 June 2020	31 December 2019
ASSETS		
Cash and cash equivalents	264,013	181,903
Securities in the trading book	9,158	15,354
Due from other banks	450	280
Derivative financial instruments	684	986
Loans to customers	1,613,751	1,522,117
Finance lease receivables	148,664	157,597
Investment securities at fair value	41,240	14,059
Investment securities at amortized cost	625,152	535,479
Investments in subsidiaries and associates	14,657	15,406
Intangible assets	2,720	2,922
Property, plant and equipment	17,216	11,590
Investment property	1,314	3,053
Current income tax prepayment	-	4
Deferred income tax asset	1,989	1,214
Other assets	29,305	16,340
Total assets	2,770,313	2,478,304
LIABILITIES		
Due to other banks and financial institutions	212,608	75,534
Derivative financial instruments	2,339	945
Due to customers	2,168,812	2,036,674
Special and lending funds	2,793	7,060
Debt securities in issue	20,637	20,044
Current income tax liabilities	1,520	1,488
Deferred income tax liabilities	1,132	917
Other liabilities	26,959	23,843
Total liabilities	2,436,800	2,166,505
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,246	14,292
Reserve for acquisition of own shares	10,000	10,000
Financial instruments revaluation reserve	60	(22)
Financial instruments revaluation reserve	2,325	1,524
Retained earnings	128,487	107,610
Non-controlling interest	-	-
Total equity	333,513	311,799
Total liabilities and equity	2,770,313	2,478,304

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the six month period ended	
	30 June 2020	30 June 2019
<i>Interest revenue calculated using the effective interest method</i>	38,509	34,563
<i>Other similar income</i>	3,757	3,266
<i>Interest expense and similar charges</i>	(4,849)	(3,918)
Net interest income	37,417	33,911
<i>Fee and commission income</i>	11,062	11,394
<i>Fee and commission expense</i>	(3,269)	(2,975)
Net fee and commission income	7,793	8,419
<i>Net gain from trading activities</i>	5,260	6,067
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	952	676
<i>Net gain (loss) from disposal of tangible assets</i>	281	401
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	359	483
<i>Salaries and related expenses</i>	(10,157)	(10,599)
<i>Depreciation and amortization expenses</i>	(1,826)	(1,603)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(6,139)	(5,439)
Operating profit before impairment losses	33,940	32,316
<i>Allowance for impairment losses on loans and other assets</i>	(8,501)	(960)
<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>	251	778
Profit before income tax	25,690	32,134
<i>Income tax expense</i>	(4,859)	(4,294)
Net profit for the period	20,831	27,840
Net profit attributable to:		
<i>Owners of the Bank</i>	20,831	27,840
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the six month period ended	
	30 June 2020	30 June 2019
Net profit for the period	20,831	27,840
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	36	603
<i>Deferred income tax on gain from revaluation of financial assets</i>	46	(85)
Other comprehensive income, net of deferred tax	82	518
Total comprehensive income for the period	20,913	28,358
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	20,913	28,358
<i>Non-controlling interest</i>	-	-
	20,913	28,358



CONSOLIDATED REPORT FOR
THE PERIOD OF 6 MONTHS OF 2020

The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 6 months covers the period from 01 January 2020 to 30 June 2020.

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

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

OPERATING RESULT

- Šiaulių Bankas Group earned EUR 20.9 million of unaudited net profit in the first half of this year.
- The loan portfolio increased by EUR 88 million in the second quarter and reached EUR 1.76 billion which is by 16 per cent more than a year ago.
- Overcoming the challenges of the pandemic, the Bank Group ensured the continuous provision of all services to customers in customer service points and remotely, and offered support solutions to residents and businesses affected COVID-19.
- Following the highest standards of corporate governance, two more independent members elected to the Bank's Supervisory Council.

Šiaulių Bankas Group earned EUR 20.9 million of unaudited net profit in the first half of this year (at the same time last year - 27.8 million euros). Operating profit before impairment and income tax for the first six months of this year amounted to almost EUR 34 million which is by 2% more than in the corresponding period last year.

Net interest income increased by 10% compared to the first half of 2019 and amounted to EUR 37.4 million. Net fee and commission income decreased moderately to EUR 7.7 million and was 8 per cent less than in the first half of last year.

During the second quarter a negative development outlook of the country's economy this year led to the additional provisions of EUR 3.4 million formed for possible impairment losses making the half-year provisions amount to EUR 8.3 million. The half-year cost-of-risk ratio (CoR) stood at 1.0%, although, according to the forecasts updated at the end of the first quarter, it was expected the annual ratio would reach 1.4%.

The efficiency of the Bank Group's operations remains high - the cost / income ratio did not reach 37% at the end of June, and the return on equity exceeded 13%.

The capital and liquidity positions remain sound and prudential requirements are met with a large reserve - with a liquidity coverage ratio (LCR) of 223% * and a capital adequacy ratio (CAR) of 18.7% *. (*Forecast indicators).

Overview of Business Segments

Business and Consumer Financing

The loan and finance lease portfolio totalled EUR 1.76 billion, which was by 5% more than at the end of Q1 and by 16% more than a year ago. In Q2, the growth of the loan portfolio was mainly influenced by increased activity in the housing loan market and the acquisition of the mortgage loan portfolio of private customers of the Lithuanian branch of Danske Bank A/S in amount of EUR 121 million. The mortgage loan portfolio reached EUR 247 million at the end of the half-year compared to EUR 65 million a year ago. Uncertainty caused by the pandemic reduced lending to business - the corporate loan portfolio decreased by 2% during the quarter to EUR 1.12 billion. The Bank was one of the first in the market to provide loans under state business aid programmes to the companies facing financial challenges caused by the COVID-19 pandemic. From the start of quarantine till the end of the aid programmes, loans amounting to EUR 46.5 million were signed with more than 500 companies. The issuance of these loans will have a positive effect on commission income.

By 30th June, Šiaulių Bankas postponed credit repayments to 675 customers who faced financial difficulties caused by the COVID-19 virus pandemic. Business clients - 426 companies - account for the largest amount of loan deferrals (EUR 227 million), credit repayments were also temporarily delayed for 249 private customers (EUR 8 million). The moratoriums have been extended until 30th September, therefore the Bank Group is still receiving requests for deferral, however, the number of clients filling applications for a grace period is relatively low. Companies in the real estate, accommodation and catering, wholesale and retail sectors mainly applied for aid, while private clients applied mainly for deferral of mortgage, leasing and real estate loan repayments.

In Q2, the European Investment Bank (EIB) selected Šiaulių Bankas for the establishment of a EUR 200 million multi-apartment building renovation fund. The terms of the cooperation agreement between the Bank and the EIB are currently being negotiated in line with negotiations conducted with senior and junior debt investors to the fund's equity. With almost 10 years of experience and being a market leader in renovation financing, the Bank has all the necessary infrastructure and know-how to lend the funds raised for the modernisation of multi-apartment buildings.

Daily banking

During the quarantine Šiaulių Bankas provided all the banking services in the customer service units, i.e. did not limit itself to the basic services only. However, the Bank reduced the number of operating units, thus, the volume and income of cash transactions, currency conversion, settlements decreased. As of 1st June, all service units of the Bank were already operating at their normal business hours. During this period, the volumes of business lending inquiries started to grow again, and the sales recovered. Household expectations returned to the pre-quarantine level, together with consumption and credit demand. During the quarantine, part of clients started to use more digital channels - internet banking and mobile app. After quarantine, about 25% more customers consult on banking services remotely.

Saving and Investing

The deposit portfolio exceeded EUR 2.17 billion in Q2 with a growth of 2% compared to the end of Q1 and 10% compared to the end of June last year. Most of deposit portfolio growth came from customers demand deposits, which increased by EUR 160 million in the first half of the year.

During the ECB's TLTRO III operation in June the Bank borrowed EUR 150 million for the 3-year term. This has further diversified Bank's funding sources. In order to use the funds efficiently, the proceeds were immediately invested in government securities, while the ECB loan will ensure the funding for the Bank's growth in the future.

Other news

Following the highest standards of corporate governance and transparency, two more independent professionals with extensive experience in the financial sector - Adriano Arietti and Susan Gail Buyske - were elected to the Šiaulių bankas team of the Supervisory Council. After receiving permission of the supervisory authority, the Supervisory Council will consist of 8 members, 5 of whom will be independent. The Bank aims to continue to improve the corporate governance of the Group, based on the best global practice.

Life insurance company Bonum Publicum owned by Šiaulių Bankas changed its name to SB Draudimas from 1 July. The change was driven by the closer integration with Šiaulių Bankas and based on a group-wide image strategy of being closer to the customer and offering customers all financial services of the group companies in-house.

COVID-19

Following the outbreak of the coronavirus pandemic in March, quarantine was announced in Lithuania on 16 March. In response to the Government's decisions and recommendations, a decision was made to reduce the number of operating units, ensuring the conditions for customers to receive services remotely. At the beginning of April, the number of operating units was reduced from 60 to 21, ensuring operations in the main Lithuanian cities and towns. With the gradual easing of quarantine conditions, additional units were gradually opened in the country from late April to June. As of June 1, all divisions of the Bank were already operating at their normal business hours.

Aids for customers affected by COVID-19

During the first half of the year, uncertainty caused by COVID-19 reduced volumes of lending. In order to alleviate the situation of customers facing difficulties with COVID-19, Šiaulių Bankas, together with other Lithuanian credit companies, signed a moratorium on postponement of credit liabilities in April. By 30 June, Šiaulių Bankas postponed credit payments to more than 675 customers who experienced financial difficulties caused by the COVID-19 virus pandemic and the announced quarantine.

The moratorium on assistance to private customers undertakes to allow all private customers to defer their mortgage payments for up to one year and leasing and consumer loans for up to six months, without changing the terms of the contract or interest. As of June 30, 353 private customers had applied for a deferral of credit repayments, and 249 applications had been approved for a total deferred amount exceeding EUR 8 million.

By the moratorium on assistance to corporate customers the bank undertook to defer loan payments to companies for up to 6 months without changing contract terms and interest (the moratorium applies to corporate loans totalling up to EUR 5 million per group of companies and which have not had significant delays last year). A total of 587 applications for deferred credit repayments were received from business customers, 426 applications have been approved so far, and the total amount deferred amounts to EUR 227 million (almost 16% of the total loan portfolio of business customers). Credit deferrals were mainly requested by companies in the real estate, wholesale and retail trade, accommodation and catering, and manufacturing sectors.

The moratoriums have been extended until September 30, therefore the Bank is still receiving requests for deferral, however, increased activity compared to the quarantine period is no longer observed. Companies in the real estate, accommodation and catering, wholesale and retail sectors mainly applied for aids, while private clients applied mainly for deferral of housing, leasing and real estate loan repayments.

An agreement has also been signed with the state-owned financial institution INVEGA on the financing of soft loans for the businesses most affected by COVID-19. Since the start of quarantine, the Bank has lent EUR 46.5 million to more than 500 companies under state business aids programmes.

Borrowing allowances limit for 3-year refinancing operations approved

The European Central Bank (ECB) informed Šiaulių Bankas about borrowing allowances for the third series of targeted longer-term refinancing operations (TLTRO-III). Borrowing allowances for next four TLTRO-III operations are set at EUR 571.64 million. Interest rate on TLTRO III is -0.5% from June 2020 to June 2021 and for banks meeting the lending thresholds, the interest rate can be as low as -1%.

On 24 June, the Bank borrowed EUR 150 million for the 3-year term via the ECB's TLTRO III operation. Loan maturity date is on 28 June 2023 with early repayment option starting on 29 September 2021. The further level of participation in TLTRO III will depend on the need to finance the development of the bank's business. The current liquidity buffer is more than adequate and the liquidity coverage ratio stood at 223% at the end of June (forecast data).

Updated Activity Forecasts for 2020

Taking into account the impact of the COVID-19 pandemic on the business environment, Šiaulių bankas Group updated its financial forecasts for 2020 at the beginning of the second quarter. The Bank Group is expected to continue to incur significant impairment losses for the remaining part of this year, which will adversely affect net income and the Bank Group's Annual Return on Equity (ROE) will not reach the previously announced target (> 15%). According to the updated forecasts, the cost-of-risk ratio (CoR) will reach 1.4% and the ROE will not exceed 10% in 2020. Accordingly, the target of reducing the non-performing position ratio (NPE) to below 5% will not be met. Other goals of operational efficiency, risk management, market share and customer satisfaction remain unchanged.

Although the results for the first half of the year exceed the updated goals for 2020, we see a lot of uncertainty in the world. Taking into account how quickly the Lithuanian economy will recover, we remain with the option to review the goals again in the second half of the year. The Bank will continue to monitor the situation closely and inform its stakeholders about important changes in the company.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

With revenues growing faster than expenses, operational efficiency remains strong - a cost to income ratio of the Group was less 37 per cent at the end of the second for a quarter. Information on the profitability ratios is available on the Bank's internet site at:

[Home page](#) › [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 30 June 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](#) › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#)

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 30 June 2020 the Bank's clientèle totalled to 329 thousand - 301 thousand of individuals and 28 thousand of corporate customers. The network of the Bank consists of 59 customer service points.

AUTHORIZED CAPITAL OF THE BANK. SHAREHOLDERS

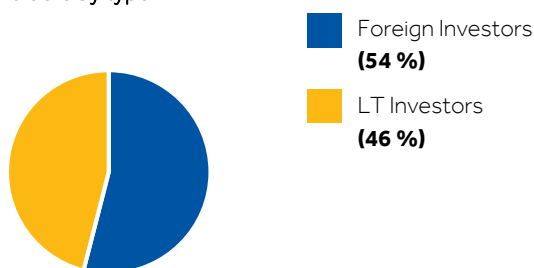
As of 30 June 2020, the authorized capital of the Bank totalled to EUR 174 210 616.27 and was divided into 600 726 263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253). The authorized capital of the bank was not increased during the first half of 2020.

Authorized capital:

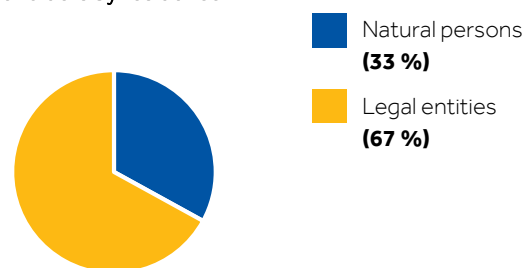
	01/01/2015	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	78 300 000	85 033 800	91 226 381.99	109 471 658.33	131 365 989.88	157 639 187.74	174 210 616.27

As of 30 June 2020, the number of the Bank's shareholders amounted to 7.299 (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



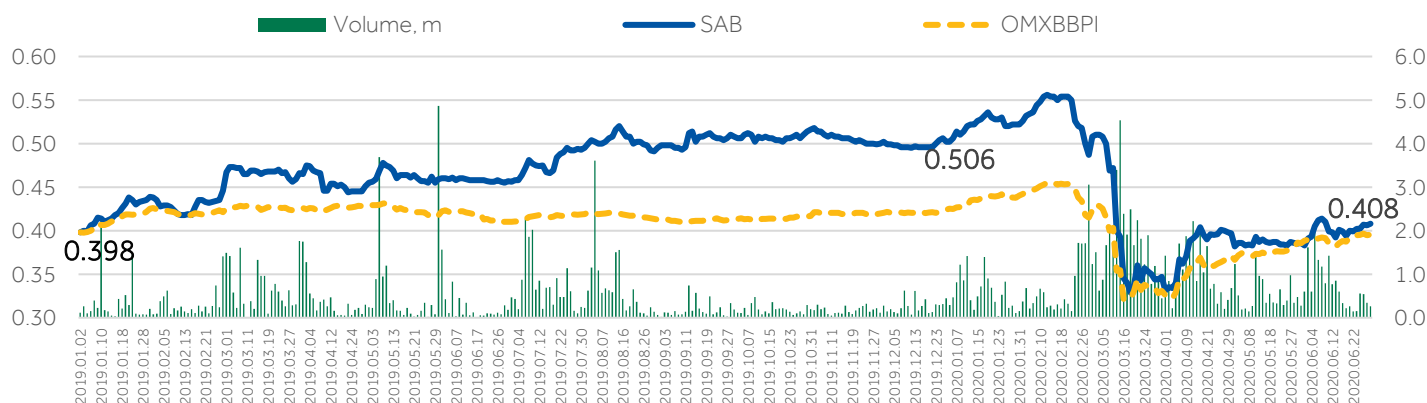
Share information:

	2016	2017	2018	2019	30-06-2020
Capitalization, mEUR	169.5	266.8	240.9	304.0	245.1
Turnover, mln. Eur	23.1	44.5	34.7	48.3	46.8
Share price on the last trading session day	0.449	0.589	0.401	0.506	0.408
Share book value	0.458	0.448	0.448	0.518	0.554
P/BV	1.0	1.3	0.9	1.0	0.7
P/E	3.9	8.3	4.6	5.9	5.9
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](#) › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#) › [Alternative performance measures](#)

Turnover and price of the Bank's shares:



The Bank's shares are traded on NASDAQ Baltic market; they are included into the Main List of this market. As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following *Nasdaq* indices:

- *OMX Baltic Benchmark (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)* – the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10GI, OMXB10PI)* – is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B8300GI, B8300PI)* – an index of the Baltic financial institutions;
- *OMX Baltic Banks (B8300GI, B8300PI)* – an index of the Baltic banks.

Return indices (RIs) represent the total return on the shares included in the index and reflect not only stock price movements but also the dividends paid, making these indices a more complete measure of market performance than price indices.

Price indices (PIs) only reflect changes in the price of shares included in the index, regardless of dividends.

There is a cap on the weight of the shares (CAP) forming indices of a limited number of shares above which the number of shares included in the index is reduced to a cap.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market*.

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 unfavourable 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, assessing the growing risks of the economic situation, the bank's major shareholders and supervisors were consulted on possible adjustments to the draft decisions.

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	10.0
<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>	1.66	2.64	4.32	7.05	33.0

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

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

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

Agreements with public circulation intermediaries, regarding the accounting of securities issued by the Bank are, not concluded, this accounting is managed by the Bank's Securities Accounting Department. The Bank has not entered into market-making agreements with respect to securities issued by the Bank.

According to data as of 30 June 2020 the Bank itself as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of securities issued by 545 companies - 713 issues in total (including shares of public and private companies, debt securities, investment fund units). The Bank is also a market maker on the Nasdaq Baltic under a market making programme and in compliance with the agreements with issuers. As of 30 June 2020, the Bank was the market maker of 9 securities issues.

INFORMATION ABOUT HARMFUL TRANSACTIONS

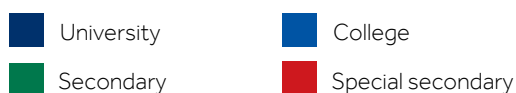
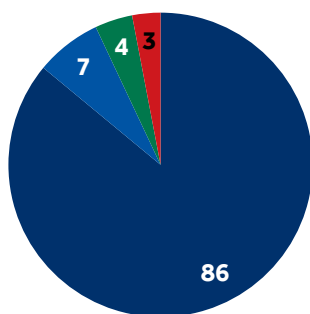
During the reporting period, no harmful transactions that were not in accordance with the Bank's objectives, normal market conditions, harming the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or results of operations were concluded. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

EMPLOYEES

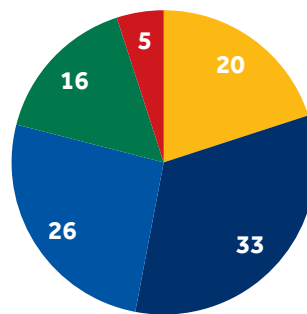
As of 30 June 2020 the Bank employed 745 employees, whereas together with the Group's companies their number reached 843 (as of 30 June 2019 the Bank had 724 employees, the Group - 823).

As of 30 June 2020, the Group employed 80.4 percent of women and 19.6 percent of men (as of 30 June 2019, the Group employed 80.6 percent of women and 19.4 percent of men).

Group's employees by education, per cent



Group's employees by age, per cent



Average monthly salary of the employees, before taxes:

2020 H1	Leading Employees		Other Employees	
	Average number of employees	Average salary per month, Eur	Average number of employees	Average salary per month, Eur
Bank	78	7000	608	1607
Group	92	7056	703	1621

Information on the annual variable remuneration, before taxes, of the Bank's and some of the Group's companies' nominated employees whose professional activities have a significant impact on the Bank's and the Group's risk profile:

	<i>Bank</i>	<i>Group</i>
31/12/2019 outstanding deferred annual variable remuneration:		
- in cash, thou EUR	401	467
- in shares, thou units	3403	3884
Annual variable remuneration allocated in 2020 for 2019:		
- in cash, thou EUR	1113	1281
- in shares, thou units	2165	2491
Annual variable remuneration paid in the first half of 2020:		
- in cash, thou EUR	1377	1589
- in shares, thou units	668	780
30/06/2020 outstanding deferred annual variable remuneration:		
- in cash, thou EUR	136	159
- in shares, thou units	4900	5596

MEMBERS OF THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

The functions, procedures of formation and the policy of activities of the committees formed within the Bank are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL:

Information on the committee members as of 30 June 2020:

The Risk Committee advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname	Position
Chairman	Miha Košak	Independent member of SC
Members:	Adriano Arietti	Independent member of SC
	Darius Šulnis	Member of SC
	Ramunė Vilija Zabulienė	Independent member of SC

The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act if the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are defined by the provisions of the internal Audit Committee approved by the Bank's Supervisory Council.

	Name, surname	Position
Chairman	Ramunė Vilija Zabulienė	Independent member of SC
Members:	Martynas Česnavičius	Independent member of SC
	Gintaras Kateiva	Member of SC

The **Nomination Committee** nominates candidates to fill management body vacancies and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size, composition, operating results of the Bank's bodies and carries out other functions provided for in its provisions.

	Name, surname	Position
Chairman	Martynas Česnavičius	Independent member of SC
Members:	Darius Šulnis	Member of SC
	Miha Košak	Independent member of SC

The **Remuneration Committee** evaluates the variable remuneration policies, practices and incentives developed to manage the risk, capital and liquidity of the Bank, supervises the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its policies.

	Name, surname	Position
Chairman	Martynas Česnavičius	Independent member of SC
Members:	Gintaras Kateiva	Member of SC
	Ramunė Vilija Zabulienė	Independent member of SC

COMMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD:

Information on the committee members as of 30 June 2020:

The **Loan Committee** analyses loan application documents, decides regarding granting of loans and amendment of their terms, assesses risks of loans, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Edas Mirijauskas	Director of Credit Department
Members:	Vytautas Sinius	Chief Executive Officer
	Giedrius Sarapinas	Deputy Director of Credit Risk Department
	Daiva Šorienė	Head of Sales and Marketing Division
	Donatas Savickas	Head of Finance and Risk Management Division
	Ramūnas Dešukas	Director of the Problem Assets Department
	Aurelija Geležiūnė	Director of the Legal Department
	Diana Leonavičienė	Director of Regional Lending Unit

The **Risk Management Committee** performs the functions related to arrangement, coordination and control of the risks assumed by the Bank, assessment and assurance of risk level corresponding the risk tolerance acceptable to the Bank and, also, performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Donatas Savickas	Head of Finance and Risk Management Division
Members:	Algimantas Gaulia (Deputy)	Director of Risk Management and Reporting Department
	Pranas Gedgaudas	Deputy Director of Markets and Treasury Department
	Edas Mirijauskas	Director of Credit Department
	Morena Liachauskienė	Director of Operational Risk Department
	Mindaugas Vingilis	Project Lead of IT Infrastructure Development and Maintenance Department

MANAGEMENT OF THE BANK

The Management 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).

At the General Meeting of Shareholders held on 31 March 2020, the Bank's Supervisory Council was elected 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 shall consist of 8 members instead of previous 7. The Chairman and members of the Supervisory Council of the Bank elected at the meeting:

- Chairman of the Council - Arvydas Salda;
- Members – Gintaras Kateiva, Darius Šulnis, Miha Košak, Martynas Česnavičius, Ramunė Vilija Zabulienė and Adriano Arietti.

The decision of the Meeting stipulates that the persons elected to the bank's Supervisory Council for the first time will take up the duties of the members of the council only with the permission of the supervisory authority. On 2 June 2020, the European Central Bank received a notification that the Governing Council of the ECB had decided not to oppose the appointment of Adrian Arietti as a member of the Supervisory Council of Šiaulių Bankas AB. Adriano Arietti is considered to be a member of the Supervisory Council of Šiaulių Bankas AB since 3 June 2020.

Susan Gail Buyske was elected to the Bank's Supervisory Board at the Extraordinary General Meeting of Shareholders held on 10 June 2020. She will take up the position of a member of the Supervisory Council only with the permission of the Bank's supervisory authority.

Supervisory Council of the Bank

The beginning of the term of office is 31 March 2020, the end of the term of office is the day of the Ordinary General Meeting of Shareholders of the Bank in 2024.

<i>Name, surname</i>	<i>Duties at the Supervisory Board</i>	<i>Share of capital under the right of ownership, % (30/06/2020)</i>	<i>Share of votes together with the related persons, % (30/06/2020)</i>
<i>Arvydas Salda</i>	Chairman since 1999	1.84	1.84
<i>Gintaras Kateiva</i>	Member since 2008	5.26	5.29
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-
<i>Adriano Arietti</i>	Independent member since 2020	-	-

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 and Deputy Chairmen of the Board. Jonas Bartkus, a 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

<i>Name, surname</i>	<i>Duties in the Board</i>	<i>Duties at the Bank</i>	<i>Share of capital under the right of ownership, % (30/06/2020)</i>	<i>Share of votes together with the related persons, % (30/06/2020)</i>
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.46	5.39
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman of the since 1995	Deputy Chief Executive Officer, Head of Finance and Risk Management Division	0.10	0.10
<i>Daiva Šorienė</i>	Members since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.03	0.03
<i>Vita Urbonienė</i>	Members since 2011	Chief Accountant, Head of Accounting and Tax Division	0.04	0.04
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.03	0.03
<i>Ilona Baranauskienė</i>	Members since 2014	Head of Legal and Administration Division	0.02	0.02

GROUP OF THE BANK'S COMPANIES

	<i>Nature of activities</i>	<i>Registration date</i>	<i>Company code</i>	<i>Address</i>	<i>Tel.</i>	<i>E- mail, website</i>
AB Šiaulių bankas	commercial banking	04/02/1992	112025254	Tilžės str. 149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt, www.sb.lt

The Bank directly controls the following subsidiaries

SB Lizingas UAB	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT- 44249 Kaunas	+370 37 407 200	info@sbl.lt, www.sblizingas.lt
Šiaulių Banko Lizingas UAB	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt, www.sb.lt
Šiaulių Banko Turto Fondas UAB	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt, www.sbp.lt
SBTF UAB	management and administration of real estate and movables	24/11/2004	300069309	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	sbtft@sb.lt, www.sbp.lt
Minera UAB	real estate management	30/09/1992	121736330	Dvaro str. 123A, LT-76208 Šiauliai	+370 41 399 423	info@minera.lt, www.sbp.lt, www.minera.lt
Pavasaris UAB	development of residential apartment area	25/09/1992	121681115	Jonažolių str. 3 -113, LT-04138 Vilnius	+370 5 244 8096	info@pavasaris.net, www.sbp.lt, www.pavasaris.net
Life insurance SB Draudimas UAB	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt, www.sbdraudimas.lt
Šiaulių banko investicijų valdymas UAB	Investment management	31/08/2000	145649065	Šeimyniškių st. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt, www.sbp.lt

The Bank indirectly controls the following subsidiaries:

Sandworks UAB*	real estate management	10/10/2012	302896357	Skrudynės str. 1, LT- 93123 Neringa	+ 370 8 615 34251	
Apželdinimas UAB**	afforestation, landscaping	05/02/1991	132443396	A. Mickevičiaus str. 56, LT-44244 Kaunas	+370 37 391 055	

*The Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas controlled 100% shares of the company

**The Bank's 100% owned subsidiary Šiaulių Banko Turto Fondas controlled 100% shares of the company.

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 „[Reports on Stock Events](#)“.

Other important events are available on the Bank's website <https://www.sb.lt/> under „[Significant events and dates](#)“ ir „[News/Announcements](#)“.

Deputy Chief Executive Officer acting as Chief Executive Officer



Donatas Savickas

31 July 2020

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 six 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.

Deputy Chief Executive Officer acting as Chief Executive Officer



Donatas Savickas

Chief Accountant



Vita Urbonienė

31 July 2020