



INTERIM INFORMATION

for the twelve months period ended 31 December 2020

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the twelve month period ended 31 December 2020

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

	Notes	31 December 2020		31 December 2019	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		432,584	431,649	184,917	181,582
Securities in the trading book	2	37,068	9,582	40,427	15,354
Due from other banks		1,598	1,598	280	280
Derivative financial instruments		445	445	986	986
Loans to customers	1	1,605,663	1,592,363	1,514,578	1,510,052
Finance lease receivables	1	155,457	155,290	157,597	157,540
Investment securities at fair value	2	34,342	34,215	14,059	9,491
Investment securities at amortized cost	2	709,454	697,136	545,849	535,479
Investments in subsidiaries and associates	2	-	29,135	-	31,491
Intangible assets		5,729	4,230	4,288	2,921
Property, plant and equipment	3	16,484	15,852	12,216	11,170
Investment property		5,552	362	7,570	367
Current income tax prepayment		48	8	44	-
Deferred income tax asset		2,078	1,690	1,419	831
Other assets	3	22,343	14,114	23,956	12,274
Total assets		3,028,845	2,987,669	2,508,186	2,469,818
LIABILITIES					
Due to other banks and financial institutions		227,823	231,270	74,395	76,674
Derivative financial instruments		3,840	3,840	945	945
Due to customers	4	2,347,427	2,349,021	2,033,649	2,036,674
Special and lending funds	5	5,749	5,749	7,060	7,060
Debt securities in issue		20,027	20,027	20,044	20,044
Current income tax liabilities		1,092	737	1,579	1,472
Deferred income tax liabilities		1,251	-	917	-
Liabilities related to insurance activities		36,275	-	33,497	-
Other liabilities		30,295	21,461	25,296	15,598
Total liabilities		2,673,779	2,632,105	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		388	375	(9)	(22)
Other equity	6	2,359	2,066	1,536	1,345
Retained earnings		149,497	150,482	106,414	107,387
Non-controlling interest		-	-	-	-
Total equity		355,066	355,564	310,804	311,351
Total liabilities and equity		3,028,845	2,987,669	2,508,186	2,469,818

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

Chief Executive Officer

Chief Accountant

26 February 2021




Vytautas Sinius

Vita Urbonienė

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

	for the twelve month period ended				
	Notes	31 December 2020		31 December 2019	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	78,502	65,067	73,401	63,842
<i>Other similar income</i>	7	7,527	7,435	7,223	7,074
<i>Interest expense and similar charges</i>	7	(10,321)	(10,071)	(8,212)	(8,032)
Net interest income		75,708	62,431	72,412	62,884
<i>Fee and commission income</i>	8	22,613	23,014	22,791	23,222
<i>Fee and commission expense</i>	8	(6,568)	(6,327)	(6,077)	(5,909)
Net fee and commission income		16,045	16,687	16,714	17,313
<i>Net gain from trading activities</i>	11	11,589	12,018	15,013	11,245
<i>Net gain (loss) from derecognition of financial assets</i>		1,265	384	2,442	1,184
<i>Net gain (loss) from disposal of tangible assets</i>		376	7	3,462	198
<i>Revenue related to insurance activities</i>		7,225	-	6,962	-
<i>Other operating income</i>		774	452	1,498	580
<i>Salaries and related expenses</i>		(23,470)	(20,506)	(22,842)	(19,607)
<i>Depreciation and amortization expenses</i>		(4,106)	(3,569)	(3,595)	(2,996)
<i>Expenses related to insurance activities</i>	11	(5,448)	-	(8,764)	-
<i>Other operating expenses</i>	9	(15,177)	(11,681)	(15,158)	(11,330)
Operating profit before impairment losses		64,781	56,223	68,144	59,471
<i>Allowance for impairment losses on loans and other assets</i>	10	(11,973)	(9,950)	(8,392)	(6,177)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	(114)	-	1,996
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	11	-	5,470	-	4,713
Profit before income tax		52,808	51,629	59,752	60,003
<i>Income tax expense</i>		(9,887)	(8,534)	(8,230)	(6,900)
Net profit from continuing operations		42,921	43,095	51,522	53,103
<i>Profit (loss) from discontinued operations, net of tax</i>		121	-	-	-
Net profit for the year		43,042	43,095	51,522	53,103
Net profit attributable to:					
<i>Owners of the Bank</i>		43,042	43,095	51,522	53,103
<i>From continuing operations</i>		42,921	43,095	51,522	53,103
<i>From discontinued operations</i>		121	-	-	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.07		0.09	
<i>From continuing operations</i>		0.07		0.09	
<i>From discontinued operations</i>		0.00		-	

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 October – 31 December 2020		1 October – 31 December 2019	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	20,076	16,535	20,208	16,848
<i>Other similar income</i>	1,922	1,891	1,910	1,899
<i>Interest expense and similar charges</i>	(2,841)	(2,593)	(2,275)	(2,099)
Net interest income	19,157	15,833	19,843	16,648
<i>Fee and commission income</i>	5,831	5,938	5,391	6,090
<i>Fee and commission expense</i>	(1,796)	(1,735)	(1,749)	(1,706)
Net fee and commission income	4,035	4,203	3,642	4,384
<i>Net gain from trading activities</i>	4,230	3,218	3,842	2,707
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	(55)	(137)	942	586
<i>Net gain (loss) from disposal of tangible assets</i>	(141)	(38)	610	30
<i>Revenue related to insurance activities</i>	1,909	-	1,863	-
<i>Other operating income</i>	124	210	582	162
<i>Salaries and related expenses</i>	(6,898)	(6,149)	(6,226)	(5,314)
<i>Depreciation and amortization expenses</i>	(1,070)	(958)	(995)	(777)
<i>Expenses related to insurance activities</i>	(2,915)	-	(2,177)	-
<i>Other operating expenses</i>	(4,864)	(4,039)	(6,209)	(5,072)
Operating profit before impairment losses	13,512	12,143	15,717	13,354
<i>Allowance for impairment losses on loans and other assets</i>	(2,856)	(2,301)	(3,480)	(3,152)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	(114)	-	1,996
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	859	-	1,293
Profit before income tax	10,656	10,587	12,237	13,491
<i>Income tax expense</i>	(1,980)	(1,658)	(1,310)	(1,026)
Net profit from continuing operations	8,676	8,929	10,927	12,465
<i>Profit (loss) from discontinued operations, net of tax</i>	121	-	-	-
Net profit for the year	8,797	8,929	10,927	12,465
Net profit attributable to:				
<i>Owners of the Bank</i>	8,797	8,929	10,927	12,465
<i>From continuing operations</i>	8,676	8,929	10,927	12,465
<i>From discontinued operations</i>	121	-	-	-
<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 twelve month period ended

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Net profit for the period	43 042	43 095	51 522	53 103
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Financial assets valuation gains (losses) taken to other comprehensive income	839	839	766	766
Financial assets valuation result transferred to profit or loss	(393)	(393)	(166)	(166)
Deferred income tax on gain (loss) from revaluation of financial assets	(49)	(49)	(130)	(130)
<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	-	-	13	-
Other comprehensive income, net of deferred tax	397	397	483	470
Total comprehensive income for the period	43 439	43 492	52 005	53 573
Total comprehensive income (loss) attributable to:				
Owners of the Bank	43 439	43 492	52 005	53 573
Non-controlling interest	-	-	-	-
	43 439	43 492	52 005	53 573

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

for the three month period

	1 October - 31 December 2020		1 October - 31 December 2019	
	Group	Bank	Group	Bank
Net profit for the period	8 797	8 929	10 927	12 465
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Financial assets valuation gains (losses) taken to other comprehensive income	271	271	32	32
Financial assets valuation result transferred to profit or loss	(16)	(16)	(72)	(72)
Deferred income tax on gain (loss) from revaluation of financial assets	(49)	(49)	(34)	(34)
<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	-	-	13	-
Other comprehensive income (loss), net of deferred tax	206	206	(61)	(74)
Total comprehensive income for the period	9 003	9 135	10 866	12 391
Total comprehensive income (loss) attributable to:				
Owners of the Bank	9 003	9 135	10 866	12 391
Non-controlling interest	-	-	-	-
	9 003	9 135	10 866	12 391

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 statutory reserve	-	-	-	-	4,099	-	-	(4,099)	-	-	-
Transfer to reserve for acquisition of own shares	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity	-	-	-	-	-	-	1,536	-	1,536	-	1,536
Payment of dividends	6	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income	-	-	-	483	-	-	-	51,522	52,005	-	52,005
31 December 2019	174,211	3,428	756	(9)	14,468	10,000	1,536	106,414	310,804	-	310,804
Transfer to statutory reserve	-	-	-	-	(41)	-	-	41	-	-	-
Recognition of other equity	6	-	-	-	-	-	823	-	823	-	823
Total comprehensive income	-	-	-	397	-	-	-	43,042	43,439	-	43,439
30 September 2020	174,211	3,428	756	388	14,427	10,000	2,359	149,497	355,066	-	355,066

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
Payment of dividends	6	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income	-	-	-	470	-	-	-	53,103	53,573
31 December 2019	174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
Recognition of other equity	-	-	-	-	-	-	721	-	721
Total comprehensive income	-	-	-	397	-	-	-	43,095	43,492
31 December 2020	174,211	3,428	756	375	14,246	10,000	2,066	150,482	355,564

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 twelve month period ended

	Notes	31 December 2020		31 December 2019	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		81,714	67,625	65,043	55,527
Interest received on securities in the trading book		463	463	1,035	960
Interest paid		(3,392)	(3,133)	(7,233)	(7,053)
Fees and commissions received		22,578	23,014	22,701	23,131
Fees and commissions paid		(6,379)	(6,327)	(6,032)	(5,864)
Net cash inflows from trade in securities in the trading book		1,555	3,273	37,464	28,890
Net inflows from foreign exchange operations		13,619	11,843	8,005	7,940
Net inflows from derecognition of financial assets		1,265	384	2,442	1,184
Net inflows from derecognition of non-financial assets		376	7	5,236	420
Cash inflows related to other activities of Group companies		7,942	452	8,460	580
Cash outflows related to other activities of Group companies		(5,448)	-	(8,764)	-
Recoveries on loans previously written off		2,868	694	2,183	422
Salaries and related payments to and on behalf of employees		(23,470)	(20,874)	(23,662)	(20,427)
Payments related to operating and other expenses		(9,271)	(19,631)	(5,106)	(3,202)
Income tax paid		(9,046)	(8,502)	(4,808)	(3,759)
Net cash flow from operating activities before change in operating assets and liabilities		75,374	49,288	96,964	78,749
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(1,318)	(1,318)	1,810	1,810
(Increase) in loans to customers and finance lease receivables		(99,161)	(94,789)	(260,253)	(250,196)
Decrease (increase) in other assets		3,095	2,951	5,338	5,479
Decrease (increase) in due to banks and financial institutions		153,432	154,600	5,275	5,386
Increase (decrease) increase in due to customers		306,852	305,421	186,968	188,991
Increase in special and lending funds		(1,311)	(1,311)	3,868	3,868
Increase (decrease) in other financial liabilities		-	-	6,038	5,665
Increase (decrease) in other non-financial liabilities		(9,033)	(14,717)	1,439	(5,141)
Change		348,564	346,666	(78,143)	(77,841)
Net cash flow from (used in) from operating activities		423,938	395,954	18,821	908
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(4,396)	(4,335)	(5,527)	(4,245)
Disposal of property, plant and equipment, investment property and intangible assets		2,347	2,292	5,109	4,778
Acquisition of debt securities at amortized cost		(389,552)	(387,599)	(48,246)	(37,876)
Proceeds from redemption of debt securities at amortized cost		225,013	225,008	122,242	122,242
Interest received on debt securities at amortized cost		6,644	6,381	14,864	14,740
Dividends received		2	4,002	42	4,842
Acquisition of investment securities at fair value		(24,605)	(28,640)	(7,469)	(7,204)
Sale or redemption of investment securities at fair value		4,847	4,551	14,328	14,031
Interest received on investment securities at fair value		551	551	382	350
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	-	-	-
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	-	-	-
Net cash flow (used in) from investing activities		(179,149)	(177,789)	95,725	111,658
Financing activities					
Payment of dividends		(11)	(11)	(17,382)	(17,382)
Interest on debt securities in issue		(1,230)	(1,230)	(120)	(120)
Issue of debt securities		-	-	20,000	20,000
Redemption of debt securities issued		-	-	(20,000)	(20,000)
Principal elements of lease payments		-	-	(1,431)	(1,214)
Issue and interest on debt securities in issue		4,119	3,709	1,439	(5,141)
Net cash flow (used in) financing activities		2,878	2,468	(17,494)	(23,857)
Net increase (decrease) in cash and cash equivalents		247,667	220,633	97,052	88,709
Cash and cash equivalents at 1 January		184,917	181,582	89,304	87,732
Cash and cash equivalents at 31 December		432,584	402,215	186,356	176,441

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 31 December 2020 the Bank had 756 employees (31 December 2019: 737). As at 31 December 2020 the Group had 849 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 twelve month period ended 31 December 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. Main judgements and estimates include impairment of financial assets, goodwill impairment, TLTRO-III borrowing classification, insurance liabilities, taxes, Level 3 fair value estimations. It should be noted that at the moment of producing the financial reports uncertainties regarding further development scenarios of Covid-19 pandemic and further global, country and sector development trends existed, therefore there is a significant 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:

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	363,088	362,251	121,595	118,376
<i>Loans and advances to banks</i>	1,598	1,598	280	280
<i>Loans and advances to customers:</i>	1,605,663	1,592,363	1,514,578	1,510,052
<i>Finance lease receivables</i>	155,457	155,290	157,597	157,540
<i>Debt securities at fair value through profit or loss</i>	14,540	8,844	18,104	14,546
<i>Derivative financial instruments</i>	445	445	986	986
<i>Debt securities at fair value through other comprehensive income</i>	30,429	30,429	8,953	8,558
<i>Debt securities at amortized cost</i>	709,454	697,136	545,849	535,479
<i>Other assets subject to credit risk</i>	4,632	4,278	7,875	7,229
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	48,790	48,851	44,425	44,489
<i>Letters of credit</i>	3,522	3,522	13,779	13,779
<i>Loan commitments and other credit related liabilities</i>	281,765	300,768	254,753	282,424
Total	3 219 383	3 205 775	2 688 774	2 693 738

Loans to customers

Loans and advances are summarised as follows:

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Gross	1,648,446	1,630,184	1,553,088	1,542,118
<i>Subtract: allowance for impairment</i>	(42,783)	(37,821)	(38,510)	(32,066)
Net	1,605,663	1,592,363	1,514,578	1,510,052

1 PASTABA

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

The distribution of loans by stages and days past due:

	Group					Group				
	31 December 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	1,258,537	24,002	14	29	1,282,582	1,296,092	46,750	339	-	1,343,181
Allowance for impairment	(6,517)	(1,056)	-	(1)	(7,574)	(6,973)	(1,020)	(28)	-	(8,021)
Net amount	1,252,020	22,946	14	28	1,275,008	1,289,119	45,730	311	-	1,335,160
Stage 2:										
Gross amount	241,246	5,117	5,482	5	251,850	116,540	8,201	6,890	-	131,631
Allowance for impairment	(5,130)	(248)	(1,610)	(1)	(6,989)	(2,052)	(64)	(1,888)	-	(4,004)
Net amount	236,116	4,869	3,872	4	244,861	114,488	8,137	5,002	-	127,627
Stage 3:										
Gross amount	61,559	6,658	3,160	42,637	114,014	25,735	6,458	9,592	36,491	78,276
Allowance for impairment	(6,249)	(1,107)	(1,018)	(19,846)	(28,220)	(5,446)	(2,475)	(4,593)	(13,971)	(26,485)
Net amount	55,310	5,551	2,142	22,791	85,794	20,289	3,983	4,999	22,520	51,791
Total:										
Gross amount	1,561,342	35,777	8,656	42,671	1,648,446	1,438,367	61,409	16,821	36,491	1,553,088
Allowance for impairment	(17,896)	(2,411)	(2,628)	(19,848)	(42,783)	(14,471)	(3,559)	(6,509)	(13,971)	(38,510)
Net amount	1,543,446	33,366	6,028	22,823	1,605,663	1,423,896	57,850	10,312	22,520	1,514,578

	Bank					Bank				
	31 December 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	1,256,789	11,159	14	10	1,267,972	1,303,206	35,101	27	-	1,338,334
Allowance for impairment	(3,747)	(79)	-	-	(3,826)	(4,386)	(167)	-	-	(4,553)
Net amount	1,253,042	11,080	14	10	1,264,146	1,298,820	34,934	27	-	1,333,781
Stage 2:										
Gross amount	241,247	5,117	1,206	-	247,570	117,938	8,201	2,206	-	128,345
Allowance for impairment	(5,130)	(248)	(57)	-	(5,435)	(2,052)	(64)	(144)	-	(2,260)
Net amount	236,117	4,869	1,149	-	242,135	115,886	8,137	2,062	-	126,085
Stage 3:										
Gross amount	65,546	5,835	1,732	41,529	114,642	25,726	6,089	8,553	35,071	75,439
Allowance for impairment	(8,310)	(688)	(291)	(19,271)	(28,560)	(5,732)	(2,273)	(4,025)	(13,223)	(25,253)
Net amount	57,236	5,147	1,441	22,258	86,082	19,994	3,816	4,528	21,848	50,186
Total:										
Gross amount	1,563,582	22,111	2,952	41,539	1,630,184	1,446,870	49,391	10,786	35,071	1,542,118
Allowance for impairment	(17,187)	(1,015)	(348)	(19,271)	(37,821)	(12,170)	(2,504)	(4,169)	(13,223)	(32,066)
Net amount	1,546,395	21,096	2,604	22,268	1,592,363	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.

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. During the period when moratoria were offered (until 30 September 2020) Group's approved applications for modification of loan payment schedules based on Covid-19 implications on the borrowers amounted to EUR 246,184 thousand, of which EUR 89,874 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 twelve month period ended 31 December 2020, loan modifications resulted in net loss of EUR 47 thousand, which was included in income statement line "Other operating income").

Although no significant increase in payment delays was observed, the share of loans assigned to Stages 2 or 3 increased. Two factors contributed the most:

(i) Changes in credit classification criteria: in line with the supervisory guidelines, additional scenarios for assigning loans to Stages 2 and 3 have been introduced, which had a major impact on the migration of loans to Stage 3 and some impact on loan migration from Stage 1 to 2:

a. Stage 2 loans can be classified according to additional scenarios, which include inclusion in the Watch List and loan restructuring in case of financial difficulties of the borrower;

b. Stage 3 loans can be classified under additional unlikelihood to pay scenarios;

(ii) the classification of loans as Stage 2 due to the impact of the pandemic (deterioration of the client's financial condition compared to the original status or due to loan restructuring measures outside the scope of the ALB moratoria were the main reasons for loan migration from Stage 1 to Stage 2).

Expected credit losses increased due to changes in the structure of loan stages, calculation parameters (mostly increase in probabilities of default) and relevant customer parameters such as customer risk and collateral structure. Collective assessment of the significant increase in credit risk used in previous quarters of 2020 was discontinued as the individual review of potentially affected customers was performed during the fourth quarter and the uncertainties regarding future economic developments were included calculation of impairment parameters.

Finance lease receivables

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

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Business customers</i>	133,358	132,448	136,144	135,348
<i>Individuals</i>	26,684	26,684	25,413	25,379
Gross	160,042	159,132	161,557	160,727
<i>Subtract: Allowance for impairment</i>	(4,585)	(3,842)	(3,960)	(3,187)
Net	155,457	155,290	157,597	157,540

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

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

	Group					Group				
	31 December 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	113,772	4,868	-	-	118,640	120,649	12,118	-	-	132,767
Allowance for impairment	(764)	(36)	-	-	(800)	(624)	(68)	-	-	(692)
Net amount	113,008	4,832	-	-	117,840	120,025	12,050	-	-	132,075
Stage 2:										
Gross amount	29,376	1,415	597	-	31,388	11,808	2,554	1,637	-	15,999
Allowance for impairment	(833)	(63)	(35)	-	(931)	(302)	(61)	(81)	-	(444)
Net amount	28,543	1,352	562	-	30,457	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	6,685	1,068	191	2,070	10,014	6,130	310	135	6,216	12,791
Allowance for impairment	(1,125)	(36)	(86)	(1,607)	(2,854)	(788)	(121)	(61)	(1,854)	(2,824)
Net amount	5,560	1,032	105	463	7,160	5,342	189	74	4,362	9,967
Total:										
Gross amount	149,833	7,351	788	2,070	160,042	138,587	14,982	1,772	6,216	161,557
Allowance for impairment	(2,722)	(135)	(121)	(1,607)	(4,585)	(1,714)	(250)	(142)	(1,854)	(3,960)
Net amount	147,111	7,216	667	463	155,457	136,873	14,732	1,630	4,362	157,597

	Bank					Bank				
	31 December 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	113,660	4,867	-	-	118,527	120,648	12,117	-	-	132,765
Allowance for impairment	(763)	(36)	-	-	(799)	(625)	(68)	-	-	(693)
Net amount	112,897	4,831	-	-	117,728	120,023	12,049	-	-	132,072
Stage 2:										
Gross amount	29,376	1,415	597	-	31,388	11,808	2,554	1,637	-	15,999
Allowance for impairment	(833)	(63)	(35)	-	(931)	(302)	(61)	(81)	-	(444)
Net amount	28,543	1,352	562	-	30,457	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	6,685	1,068	191	1,273	9,217	6,130	310	135	5,388	11,963
Allowance for impairment	(1,125)	(36)	(86)	(865)	(2,112)	(788)	(121)	(61)	(1,080)	(2,050)
Net amount	5,560	1,032	105	408	7,105	5,342	189	74	4,308	9,913
Total:										
Gross amount	149,721	7,350	788	1,273	159,132	138,586	14,981	1,772	5,388	160,727
Allowance for impairment	(2,721)	(135)	(121)	(865)	(3,842)	(1,715)	(250)	(142)	(1,080)	(3,187)
Net amount	147,000	7,215	667	408	155,290	136,871	14,731	1,630	4,308	157,540

Collective assessment of the significant increase in credit risk used in previous quarters of 2020 was discontinued as the individual review of potentially affected customers was performed during the fourth quarter and the uncertainties regarding future economic developments were included calculation of impairment parameters.

Securities in the trading book

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

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Debt securities:	14,540	8,844	18,104	14,546
Government bonds	6,403	4,182	4,876	2,535
Corporate bonds	8,137	4,662	13,228	12,011
Equity securities	22,528	738	22,323	808
Total	37,068	9,582	40,427	15,354
	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	11,806	8,844	16,127	14,546
from AA- to AAA	-	-	1,201	1,201
from A- to A+	3,968	3,771	3,121	2,918
from BBB- to BBB+	1,665	1,035	7,773	6,765
from BB- to BB+	973	610	1,932	1,562
lower than BB-	270	270	75	75
no rating	4,930	3,158	2,025	2,025
Equity securities	738	738	808	808
listed	732	732	805	805
unlisted	6	6	3	3
units of investment funds	-	-	-	-
Total trading securities	12,544	9,582	16,935	15,354
Other trading book securities:				
Debt securities	2,734	-	1,977	-
from AA- to AAA	-	-	-	-
from A- to A+	216	-	1,202	-
from BBB- to BBB+	1,614	-	472	-
from BB- to BB+	97	-	-	-
lower than BB-	-	-	-	-
no rating	807	-	303	-
Equity securities	21,790	-	21,515	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	21,790	-	21,515	-
Total other trading book securities	24,524	-	23,492	-
TOTAL	37,068	9,582	40,427	15,354

NOTE 2
SECURITIES (continued)

Investment securities

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities:</i>	30,429	30,429	8,953	8,558
Government bonds	17,709	17,709	1,343	1,343
Corporate bonds	12,720	12,720	7,610	7,215
<i>Equity securities</i>	3,913	3,786	5,106	933
<i>Total</i>	34,342	34,215	14,059	9,491
Securities at amortized cost:				
<i>Debt securities:</i>	709,454	697,136	545,849	535,479
Government bonds	532,501	526,700	375,502	370,825
Corporate bonds	176,953	170,436	170,347	164,654
<i>Total</i>	709,454	697,136	545,849	535,479

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities</i>	30,429	30,429	8,953	8,558
from AA- to AA+	-	-	-	-
from A- to A+	16,971	16,971	4,529	4,529
from BBB- to BBB+	11,837	11,837	3,854	3,854
from BB- to BB+	1,621	1,621	-	-
lower than BB-	-	-	175	175
no rating	-	-	395	-
<i>Equities</i>	3,913	3,786	5,106	933
listed	-	-	-	-
unlisted	525	398	741	622
units of investment funds	3,388	3,388	4,365	311
<i>Total</i>	34,342	34,215	14,059	9,491
Securities at amortized cost:				
<i>Debt securities</i>	709,454	697,136	545,849	535,479
from AA- to AA+	6,116	5,910	8,320	8,113
from A- to A+	535,155	529,095	378,386	372,941
from BBB- to BBB+	167,269	162,131	156,743	152,433
from BB- to BB+	914	-	2,400	1,992
lower than BB-	-	-	-	-
no rating	-	-	-	-
<i>Total</i>	709,454	697,136	545,849	535,479

Credit stages of investment debt securities:

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	739,065	726,933	553,918	543,140
Allowance for impairment	(316)	(306)	(273)	(260)
Net amount	738,749	726,627	553,645	542,880
Stage 2:				
Gross amount	1,173	974	1,187	1,187
Allowance for impairment	(39)	(36)	(30)	(30)
Net amount	1,134	938	1,157	1,157
Stage 3:				
Gross amount	1,016	-	1,014	-
Allowance for impairment	(1,016)	-	(1,014)	-
Net amount	-	-	-	-

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

NOTE 2
SECURITIES (continued)

Investments in subsidiaries

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

1. SB Draudimas UAB (name changed Bonum Publicum GD UAB; life insurance activities),
2. SB Lizingas UAB (consumer financing activities),
3. Šiaulių Banko Lizingas UAB (lease activities),
4. Šiaulių Banko Turto Fondas UAB (real estate management activities)

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

1. Apželdinimas UAB (real estate management activities),
2. Sandworks UAB (real estate management activities),

As of 31 December 2020 the Bank owned directly controlled subsidiaries held for sale:

1. Minera UAB (real estate management activities),
2. Šiaulių Banko Investicijų Valdymas UAB (investment management activities)

As of 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 (lease activities),
8. Šiaulių Banko Turto Fondas UAB (real estate management activities)

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

1. Apželdinimas UAB (real estate management activities),
2. Sandworks UAB (real estate management activities),

Bank's investments in subsidiaries consisted of:

	31 December 2020	31 December 2019
	<i>Carrying amount</i>	<i>Carrying amount</i>
<i>SB Draudimas GD UAB</i>	10,513	10,741
<i>Minera UAB</i>	0	2,925
<i>Pavasaris UAB</i>	15	2
<i>SB lizingas UAB</i>	13,274	10,749
<i>SBTF UAB</i>	792	1,703
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	0	933
<i>Šiaulių Banko Lizingas UAB</i>	1,074	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,467	3,364
Total	29,135	31,491

In October 2020, the management of Šiaulių Bankas took decision to optimize the structure of its subsidiaries. The Bank will have three major directly controlled subsidiaries operating in the areas of leasing, life insurance and real estate management. The strategy and activities of SB Lizingas UAB and life insurance SB Draudimas UAB will not change. The companies working with foreclosed assets will be reorganized by merging SBTF UAB and Pavasaris UAB, that are discontinuing their operations, with Šiaulių Banko Turto Fondas UAB, which will continue to operate under the new name SB Turto Fondas UAB. Šiaulių Banko Investicijų Valdymas UAB will be liquidated, Minera UAB will be sold. The latter two companies are categorized as subsidiaries held for sale and the result of their activities is accounted for as result of discontinued operations.

NOTE 3

SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	4,632	4,278	7,875	7,229
<i>Inventories</i>	1,391	-	8,780	-
<i>Deferred charges</i>	748	736	913	849
<i>Assets under reinsurance and insurance contracts</i>	1,315	-	1,189	-
<i>Prepayments</i>	3,477	1,469	944	79
<i>Foreclosed assets</i>	509	431	919	835
<i>Assets classified as held for sale</i>	7,547	4,573	1,004	1,004
<i>Other</i>	2,724	2,627	2,332	2,278
Total	22,343	14,114	23,956	12,274

In October 2020 Bank's management took a decision to liquidate Šiaulių Banko Investicijų Valdymas UAB and to sell Minera UAB. Therefore these two companies were transferred from consolidate subsidiaries to subsidiaries held for sale and the result of their activities is accounted for as result of discontinued operations. As of 31 December 2020, the assets attributable to subsidiaries held for sale amount to: Group EUR 6,687 thousand, Bank EUR 3,713 thousand.

NOTE 4

DUE TO CUSTOMERS

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	49,085	49,085	25,906	25,906
<i>Local government institutions</i>	72,992	72,992	73,856	73,856
<i>Governmental and municipal companies</i>	23,135	23,135	24,058	24,058
<i>Corporate entities</i>	636,651	638,224	402,900	405,115
<i>Non-profit organisations</i>	22,791	22,791	19,456	19,456
<i>Individuals</i>	643,878	643,878	491,616	491,616
<i>Unallocated amounts due to customers</i>	11,887	11,908	69,380	70,190
Total demand deposits	1,460,419	1,462,013	1,107,172	1,110,197
<i>Time deposits:</i>				
<i>National government institutions</i>	1,059	1,059	1,432	1,432
<i>Local government institutions</i>	761	761	796	796
<i>Governmental and municipality companies</i>	2,259	2,259	6,501	6,501
<i>Corporate entities</i>	46,309	46,309	56,234	56,234
<i>Non-profit organisations</i>	3,371	3,371	2,242	2,242
<i>Individuals</i>	833,249	833,249	859,272	859,272
Total time deposits	887,008	887,008	926,477	926,477
Total	2,347,427	2,349,021	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 155,921 thousand as of 31 December 2020 were pledged for this borrowing.

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

At 31 December 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 December 2020, the Bank had 9,053 shareholders (as at 31 December 2019: 5,391).

Dividends:

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

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

Reserve for acquisition of own shares:

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

During the twelve month period ended 31 December 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 31 December 2020, the Bank did not possess its own shares.

During the twelve month period ended 31 December 2020 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 31 December 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 - 31 December 2020		1 January - 31 December 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>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	78,502	65,067	73,401	63,842
<i>on loans to customers</i>	921	3,762	808	4,396
<i>on debt securities at amortized cost</i>	70,725	54,688	63,413	50,422
<i>on debt securities at fair value through other comprehensive income</i>	6,559	6,381	8,942	8,818
<i>Other similar income:</i>	297	236	238	206
<i>on debt securities at fair value through profit or loss</i>	7,527	7,435	7,223	7,074
<i>on finance leases</i>	292	214	507	392
<i>other interest income</i>	7,111	7,097	6,664	6,630
	124	124	52	52
Total interest income	86,029	72,502	80,624	70,916
<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>	(9,659)	(9,653)	(7,795)	(7,806)
<i>on other liabilities</i>	(662)	(418)	(417)	(226)
Total interest expense	(10,321)	(10,071)	(8,212)	(8,032)
Net interest income	75,708	62,431	72,412	62,884

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	4,598	4,598	4,359	4,359
<i>for settlement services</i>	5,106	5,110	5,634	5,651
<i>for cash operations</i>	5,037	5,037	5,595	5,595
<i>for account administration</i>	4,011	4,011	3,843	3,843
<i>for guarantees, letters of credit, documentary collection</i>	763	763	685	685
<i>for collection of utility and similar payments</i>	272	276	269	273
<i>for services related to securities</i>	1,977	2,119	1,694	1,807
<i>other fee and commission income</i>	849	1,100	712	1,009
Total fee and commission income	22,613	23,014	22,791	23,222
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(3,459)	(3,459)	(3,315)	(3,309)
<i>for cash operations</i>	(1,203)	(1,203)	(1,130)	(1,130)
<i>for correspondent bank and payment system fees</i>	(671)	(452)	(611)	(456)
<i>for services of financial data vendors</i>	(190)	(190)	(189)	(189)
<i>for services related to securities</i>	(678)	(678)	(590)	(583)
<i>other fee and commission expenses</i>	(367)	(345)	(242)	(242)
Total fee and commission expense	(6,568)	(6,327)	(6,077)	(5,909)
Net fee and commission income	16,045	16,687	16,714	17,313

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(251)	(196)	(191)	(196)
<i>Utility services for buildings and premises</i>	(749)	(681)	(748)	(681)
<i>Other expenses related to buildings and premises</i>	(1,387)	(1,385)	(1,389)	(1,385)
<i>Transportation expenses</i>	(384)	(319)	(413)	(319)
<i>Legal costs</i>	(368)	(368)	(368)	(368)
<i>Personnel and training expenses</i>	(396)	(371)	(389)	(371)
<i>IT and communication expenses</i>	(3,922)	(3,329)	(3,698)	(3,329)
<i>Marketing and charity expenses</i>	(3,190)	(1,685)	(3,319)	(1,685)
<i>Service organisation expenses</i>	(1,555)	(1,440)	(1,582)	(1,440)
<i>Non-income taxes, fines</i>	(1,247)	(793)	(1,368)	(793)
<i>Costs incurred due to debt recovery</i>	(443)	(175)	(423)	(175)
<i>Other expenses</i>	(1,285)	(939)	(1,270)	(588)
Total	(15,177)	(11,681)	(15,158)	(11,330)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(11,270)	(10,294)	(8,000)	(4,674)
Recoveries of loans previously written-off	1,309	694	2,558	422
Reversal of impairment losses / (impairment losses) on finance lease receivables	(656)	(655)	(1,341)	(1,367)
Recovered previously written-off finance lease receivables	142	-	(375)	-
(Impairment losses) on debt securities	(56)	(52)	62	70
Reversal of impairment losses on due from banks	(20)	(20)	(9)	(9)
Reversal of impairment losses / (impairment losses) on other financial assets	352	350	(134)	(138)
(Impairment losses) on subsidiaries	-	(114)	-	1,996
(Impairment losses) / reversal of impairment losses on other non-financial assets	(1,973)	27	(715)	(481)
Recoveries of other non-financial assets previously written-off	-	-	-	-
Provisions for other liabilities	199	-	(438)	-
Total	(11,973)	(10,064)	(8,392)	(4,181)

	1 January - 31 December 2020		1 January - 31 December 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	11,270	10,294	8,000	4,674
Loans written off during the period	(6,972)	(4,514)	(12,257)	(9,460)
Other factors (reclassification, FX rate shift, etc.)	(24)	(24)	-	-
As at 31 December	42,783	37,821	38,509	32,065
<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	656	655	1,341	1,367
Finance lease receivables written off during the period	(32)	-	(26)	(22)
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 December	4,585	3,842	3,961	3,187
<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	56	52	(62)	(70)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(2)	-	2	1
As at 31 December	1,371	342	1,317	290
<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	20	20	9	9
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(1)	(1)	-	1
As at 31 December	42	42	22	23
<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	(352)	(350)	134	138
Other financial assets written off during the period	6	(2)	(13)	(5)
Other factors (reclassification, FX rate shift, etc.)	(2)	-	1	-
As at 31 December	169	153	517	505

Impairment expenses increased due to changes in the structure of loan stages, calculation parameters (mostly increase in probabilities of default) and relevant customer parameters such as customer risk and collateral structure. Collective assessment of the significant increase in credit risk used in previous quarters of 2020 was discontinued as the individual review of potentially affected customers was performed during the fourth quarter and the uncertainties regarding future economic developments were included calculation of impairment parameters. Changes in impairment calculation parameters resulted in a recognition of impairment loss of EUR 4,205 thousand during the 2020 for the Group (in 2019, an impairment reversal of EUR 524 was recognized due to change in parameters).

Scenarios used to established PD parameters relied on institutional forecasts, adjusted taking into account uncertainties regarding further economic developments and end of loan extension measures applied for the customers.

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
Net gain from foreign exchange and related derivatives	13,590	13,585	7,855	7,790
Net gain (loss) from other derivatives	(6,531)	(6,531)	(31)	(31)
Net gain (loss) on equity securities in the trading book	(365)	-	3,413	66
Net gain (loss) on debt securities in the trading book	(69)	-	966	927
Net gain on debt securities at fair value through other comprehensive income	393	393	166	166
Net gain (loss) on investment equities	393	393	679	362
Net gain on debt securities at amortized cost	4,149	4,149	1,923	1,923
Dividend and other income from equity securities in the trading book	23	23	35	35
Dividend and other income from investment equities	6	6	7	7
Total	11,589	12,018	15,013	11,245

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 363 thousand for the twelve month period ended 31 December 2020; a net gain of EUR 3,447 thousand for the twelve month period ended 31 December 2019.

Expenses related to insurance activities

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	363	-	(3,447)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(5,811)	-	(5,317)	-
Total expenses related to insurance activities	(5,448)	-	(8,764)	-

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

	1 January - 31 December 2020		1 January - 31 December 2019	
	Group	Bank	Group	Bank
Interest and similar income	61	-	40	-
Net gain (loss) from operations with securities	(421)	-	3,342	-
Net gain (loss) from foreign exchange	(3)	-	65	-
Total	(363)	-	3,447	-

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

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

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

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

	31 December 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>	1 606	57	1 535	31
<i>Other related parties (excluding subsidiaries of the Bank)</i>	4 306	18 161	4 889	20 075
Total	5 912	18 218	6 424	20 106

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 December 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>	2 575	4 709	4 164	9 264
<i>Financial institutions</i>	2 466	102 760	1 141	135 106
	5 041	107 469	5 305	144 370

Bank's total balances with subsidiaries:

	31 December 2020	31 December 2019
Assets		
<i>Loans</i>	107 468	108,964
<i>Other assets</i>	93	69
<i>Bank's investment in subsidiaries</i>	29 135	31,491
Liabilities and shareholders' equity		
<i>Deposits</i>	4 866	5,305
<i>Other liabilities</i>	175	14

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 December 2020	1 January – 31 December 2019
Income		
<i>Interest</i>	3 210	4 049
<i>Commission income</i>	494	704
<i>FX gain (loss)</i>	6	6
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	5 470	4 713
<i>Other income</i>	250	86
Expenses		
<i>Interest</i>	(17)	(18)
<i>Operating expenses</i>	(1)	(27)
<i>Impairment losses on loans</i>	(2158)	(455)
<i>Allowance for impairment losses on investments in subsidiaries</i>	114	1 996

As of 31 December 2020, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 2672 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 31 December 2020 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	434,913	56,306	72,912	115,651	243,296	1,003,560	1,016,339	85,868	3,028,845
<i>Total liabilities and shareholders' equity</i>	1,525,924	96,438	126,636	158,671	290,531	356,600	118,979	355,066	3,028,845
<i>Net liquidity gap</i>	(1,091,011)	(40,132)	(53,724)	(43,020)	(47,235)	646,960	897,360	(269,198)	-

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

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

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	433,978	49,423	159,971	102,766	218,464	961,141	984,594	77,332	2,987,669
<i>Total liabilities and shareholders' equity</i>	1,528,408	89,581	126,300	158,476	289,318	353,245	86,777	355,564	2,987,669
<i>Net liquidity gap</i>	(1,094,430)	(40,158)	33,671	(55,710)	(70,854)	607,896	897,817	(278,232)	-

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, 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 employees.

In 2020, Bank's attention is further devoted to Bank's business continuity management, outsourcing, 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. Other bank's continuity planning documents were updated, Crisis Management Commission composition was renewed, its regulations were prepared..

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 twelve month period ended 31 December 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.

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

	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
LEVEL I				
<i>Trading book securities</i>	33,459	7,327	38,908	13,835
<i>Investment securities at fair value</i>	30,888	30,888	8,869	8,869
Total Level I financial assets	64,347	38,215	47,777	22,704
LEVEL II				
<i>Derivative financial instruments - assets</i>	445	445	986	986
<i>Derivative financial instruments - liabilities</i>	(3,840)	(3,840)	(945)	(945)
LEVEL III				
<i>Trading book securities</i>	3,609	2,255	1,519	1,519
<i>Investment securities at fair value</i>	3,454	3,327	5,190	622
Total Level III financial assets	7,063	5,582	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 - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
<i>As at 31 December</i>	1,519	2,229	5,190	5,031
<i>Impact of change in accounting principles</i>	-	-	-	-
<i>As at 1 January</i>	1,519	2,229	5,190	5,031
<i>Additions</i>	6,477	8,883	3,033	-
<i>Disposals / redemption / derecognition</i>	(4,384)	(9,567)	(4,000)	(374)
<i>Changes due to interest accrued/paid</i>	1	(26)	-	-
<i>Changes in fair value</i>	(4)	-	(769)	533
<i>As at 31 December</i>	3,609	1,519	3,454	5,190
Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
<i>As at 31 December</i>	1,519	2,229	622	432
<i>Impact of change in accounting principles</i>	-	-	-	-
<i>As at 1 January</i>	1,519	2,229	622	432
<i>Additions</i>	5,122	8,883	3,025	-
<i>Disposals / redemption / derecognition</i>	(4 384)	(9 567)	-	(11)
<i>Changes due to interest accrued/paid</i>	1	(26)	-	-
<i>Changes in fair value</i>	(3)	-	(320)	201
<i>As at 31 December</i>	2 255	1 519	3 327	622

	1 January – 31 December 2020		1 January – 31 December 2019	
	Group	Bank	Group	Bank
<i>Total result from revaluation of Level III instruments included in the income statement</i>	(773)	(322)	533	201

Fair value of investment securities held to collect cash flows:

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

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
<i>Investment securities at amortized cost</i>	709 454	725 022	535 479	555 977

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2020 and in the Statement of comprehensive income for the twelve 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	(174)	-	223	(134)	85	-
External	69,227	3,977	2,196	308	-	75,708
Net interest income	69,053	3,977	2,419	174	85	75,708
Internal	325	-	-	51	(376)	-
External	16,270	-	-	(225)	-	16,045
Net fee and commissions income	16,595	-	-	(174)	(376)	16,045
Internal	151	-	223	(83)	(291)	-
External	85,497	3,977	2,196	83	-	91,753
Net interest, fee and commissions income	85,648	3,977	2,419	-	(291)	91,753
Internal	(113)	-	(1)	(60)	174	-
External	(33,352)	(3,219)	-	(7,524)	-	(44,095)
Operating expenses	(33,465)	(3,219)	(1)	(7,584)	174	(44,095)
Amortisation charges	(959)	(106)	-	(45)	-	(1,110)
Depreciation charges	(2,401)	(250)	-	(345)	-	(2,996)
Internal	-	-	(2,262)	2,002	260	-
External	(10,470)	-	298	(1,801)	-	(11,973)
Impairment expenses	(10,470)	-	(1,964)	201	260	(11,973)
Internal	5,766	-	38	(46)	(5,758)	-
External	7,865	4,841	805	7,718	-	21,229
Net other income	13,631	4,841	843	7,672	(5,758)	21,229
Profit (loss) before tax from continuing operations	51,984	5,243	1,297	(101)	(5,615)	52,808
Income tax	(8,989)	(853)	-	(45)	-	(9,887)
Profit (loss) per segment after tax from continuing operations	42,995	4,390	1,297	(146)	(5,615)	42,921
Profit or (loss) per segment after tax from discontinued operations	-	-	121	-	-	121
Profit (loss) per segment	42,995	4,390	1,418	(146)	(5,615)	43,042
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	42,995	4,390	1,418	(146)	(5,615)	43,042
Total segment assets	1 921 559	1 179 967	12 969	61 613	(147 263)	3 028 845
Total segment liabilities	1 693 496	1 039 539	11 425	44 878	(115 559)	2 673 779
Net segment assets (shareholders' equity)	228 063	140 428	1 544	16 735	(31 704)	355 066

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2019 and in the Statement of comprehensive income for the twelve month period then ended is presented in the table below.

	<i>Traditional banking operations and lending</i>	<i>Treasury</i>	<i>Non-core banking activities</i>	<i>Other activities</i>	<i>Eliminations</i>	<i>Total</i>
<i>Continuing operations</i>						
<i>Internal</i>	(424)	-	348	(342)	418	-
<i>External</i>	64,448	6,730	811	423	-	72,412
Net interest income	64,024	6,730	1,159	81	418	72,412
<i>Internal</i>	682	-	-	(115)	(567)	-
<i>External</i>	16,746	-	-	(32)	-	16,714
Net fee and commissions income	17,428	-	-	(147)	(567)	16,714
<i>Internal</i>	258	-	348	(457)	(149)	-
<i>External</i>	81,194	6,730	811	391	-	89,126
Net interest, fee and commissions income	81,452	6,730	1,159	(66)	(149)	89,126
<i>Internal</i>	(45)	-	-	(46)	91	-
<i>External</i>	(32,108)	(3,094)	-	(11,562)	-	(46,764)
Operating expenses	(32,153)	(3,094)	-	(11,608)	91	(46,764)
<i>Amortisation charges</i>	(702)	(77)	-	(56)	-	(835)
<i>Depreciation charges</i>	(2,165)	(221)	-	(374)	-	(2,760)
<i>Internal</i>	-	-	1,541	246	(1,787)	-
<i>External</i>	(7,661)	-	(76)	(655)	-	(8,392)
Impairment expenses	(7,661)	-	1,465	(409)	(1,787)	(8,392)
<i>Internal</i>	(118)	-	4,805	(83)	(4,604)	-
<i>External</i>	9,047	3,485	1,871	14,974	-	29,377
Net other income	8,929	3,485	6,676	14,891	(4,604)	29,377
Profit (loss) before tax from continuing operations	47,700	6,823	9,300	2,378	(6,449)	59,752
<i>Income tax</i>	(7,190)	(690)	-	(350)	-	(8,230)
Profit (loss) per segment after tax from continuing operations	40,510	6,133	9,300	2,028	(6,449)	51,522
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	-	-	-	-
Profit (loss) per segment	40,510	6,133	9,300	2,028	(6,449)	51,522
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	40,510	6,133	9,300	2,028	(6,449)	51,522
<i>Total segment assets</i>	1 796 872	767 074	22 430	66 456	(144 646)	2 508 186
<i>Total segment liabilities</i>	1 573 157	670 357	19 602	48 704	(114 438)	2 197 382
<i>Net segment assets (shareholders' equity)</i>	223 715	96 717	2 828	17 752	(30 208)	310 804

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

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

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

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

Financial Group's condensed statement of financial position

	31 December 2020	31 December 2019
ASSETS		
Cash and cash equivalents	432,035	181,903
Securities in the trading book	9,582	15,354
Due from other banks	1,598	280
Derivative financial instruments	445	986
Loans to customers	1,610,371	1,522,117
Finance lease receivables	155,457	157,597
Investment securities at fair value	34,342	14,059
Investment securities at amortized cost	697,136	535,479
Investments in subsidiaries and associates	11,320	15,406
Intangible assets	4,232	2,922
Property, plant and equipment	16,233	11,590
Investment property	2,920	3,053
Current income tax prepayment	8	4
Deferred income tax asset	2,076	1,214
Other assets	17,661	16,340
Total assets	2,995,416	2,478,304
LIABILITIES		
Due to other banks and financial institutions	230,143	75,534
Derivative financial instruments	3,840	945
Due to customers	2,347,682	2,036,674
Special and lending funds	5,749	7,060
Debt securities in issue	20,027	20,044
Current income tax liabilities	1,092	1,488
Deferred income tax liabilities	1,251	917
Other liabilities	29,563	23,843
Total liabilities	2,639,347	2,166,505
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,304	14,292
Reserve for acquisition of own shares	10,000	10,000
Financial instruments revaluation reserve	375	(22)
Financial instruments revaluation reserve	2,325	1,524
Retained earnings	150,670	107,610
Non-controlling interest	-	-
Total equity	356,069	311,799
Total liabilities and equity	2,995,416	2,478,304

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the twelve month period ended	
	31 December 2020	31 December 2019
<i>Interest revenue calculated using the effective interest method</i>	78,481	73,411
<i>Other similar income</i>	7,449	7,108
<i>Interest expense and similar charges</i>	(10,329)	(8,216)
Net interest income	75,601	72,303
<i>Fee and commission income</i>	22,759	22,920
<i>Fee and commission expense</i>	(6,488)	(6,045)
Net fee and commission income	16,271	16,875
<i>Net gain from trading activities</i>	12,018	11,562
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	1,265	2,442
<i>Net gain (loss) from disposal of tangible assets</i>	266	1,135
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	718	941
<i>Salaries and related expenses</i>	(22,342)	(21,549)
<i>Depreciation and amortization expenses</i>	(3,794)	(3,255)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(14,683)	(14,346)
Operating profit before impairment losses	65,320	66,108
<i>Allowance for impairment losses on loans and other assets</i>	(12,283)	(8,595)
<i>Allowance for impairment losses on investments in subsidiaries</i>	(114)	1,996
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	(108)	1,263
Profit before income tax	52,815	60,772
<i>Income tax expense</i>	(9,859)	(7,891)
Net profit for the period	42,956	52,881
<i>Profit (loss) from discontinued operations, net of tax</i>	58	-
Net profit for the year	43,014	52,881
Net profit attributable to:		
<i>Owners of the Bank</i>	43,014	52,881
<i>From continuing operations</i>	42,956	52,881
<i>From discontinued operations</i>	58	-
<i>Non-controlling interest</i>	-	-

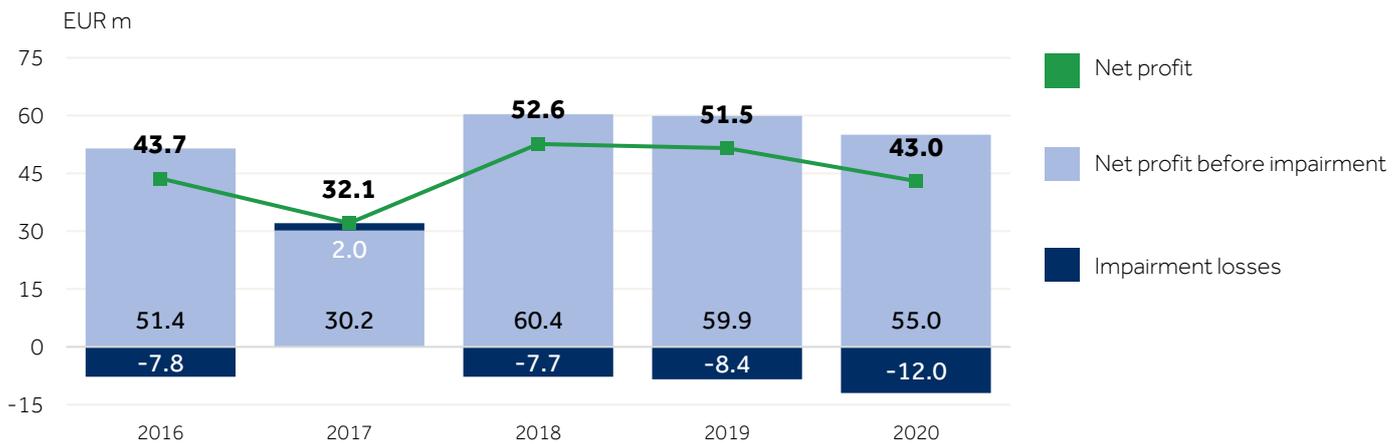
Financial Group's condensed statement of comprehensive income

	for the twelve month period ended	
	31 December 2020	31 December 2019
Net profit for the period	43,014	52,881
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	446	766
<i>Deferred income tax on gain from revaluation of financial assets</i>	(49)	(130)
Other comprehensive income, net of deferred tax	397	636
Total comprehensive income for the period	43,411	53,517
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	43,411	53,517
<i>Non-controlling interest</i>	-	-
	43,411	53,517

ADDITIONAL INFORMATION

ACTIVITY RESULTS

- Šiaulių Bankas Group earned EUR 43.0 million of unaudited net profit in year 2020
- The assets grew by 21% and exceeded EUR 3 billion
- The loan portfolio increased by 5% and reached EUR 1.76 billion
- The Bank became an active and significant participant of mortgage market - the portfolio increased almost 3 times and reached EUR 297 million
- The deposit portfolio grew by 15% and reached EUR 2.35 billion
- While overcoming the pandemic challenges, the Group managed to provide all services to customers, offered support solutions to residents and businesses impacted by COVID-19



Overview of the key performance indicators

The Šiaulių Bankas Group earned EUR 43.0 million of the unaudited net profit in year 2020 (EUR 51.5 million in 2019). Operating profit before impairment losses and income tax amounted to EUR 64.8 million, which is by 5% less than in 2019. The net profit for Q4 was EUR 8.8 million, and the operating profit before impairment losses and income tax amounted to EUR 13.5 million.

Net interest income increased by 5% compared to year 2019 and amounted to EUR 75.7 million. Net fee and commission decreased moderately to EUR 16.0 million, which is by 4% less than in year 2019.

There are no significant signs of decrease of credit quality or increase of loan repayment delays noticed, however, taking into account the findings of ECB asset quality review process, the Bank has changed the clients' credit quality evaluation criteria, which lead to the increase of non-performing exposures in the portfolio to 6.9%. The total amount of impairment losses for Q4 was EUR 2.9 million, and the total provisions for year 2020 amounts to EUR 12.0 million (EUR 8.4 million in 2019). The cost-of-risk on loans (CoR) in year 2020 was 0.6% (0.5% in year 2019).

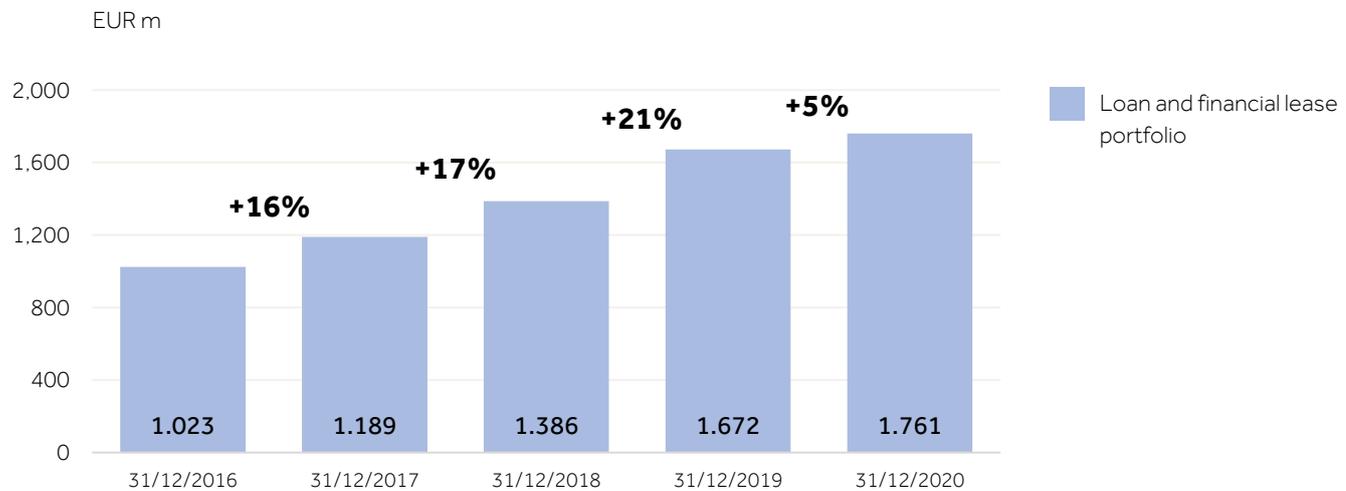
The cost-to-income ratio was 42.7% at the end of the year (42.5% in year 2019), and the return-on-equity (ROE) was 12.7% (17.6% in year 2019).

The capital and liquidity positions remain sound and the prudential requirements are met with a large reserve – with a liquidity coverage ratio (LCR) of 283%* and a capital adequacy ratio (CAR), not including net profit for the year 2020, of 17.2%*.

* forecast data

Overview of Business Segments

Business and Private Clients Financing



The loan and finance lease portfolio increased by 5% and exceeded EUR 1.76 billion (+1% quarter-on-quarter) at the end of 2020. The new credit agreements signed in 2020 amount to EUR 700 million, which is 22% less than during year 2019.

Due to the uncertainty and government support, the business financing demand continued to decrease - during the Q4 business financing portfolio has decreased by 2% to EUR 1.06 billion (-9% year-on-year).

On the other hand, despite the restrictions of second quarantine, we have recorded a strong demand for household lending. Mortgage loan portfolio during Q4 has increased by 11%, to EUR 297 million (+192% year-on-year). Consumer financing portfolio during Q4 decreased by 2%, to EUR 160 million and remained unchanged throughout the year.

The Bank remains active in financing energy efficiency projects, the loan agreements for modernisation of multi-apartment buildings signed amounted to EUR 26 million during the Q4 (+258% year-on-year) and to EUR 81 million during the whole year (+176% year-on-year). In Q4, the Bank continued intensively working to set up a EUR 200 million renovation fund with the European Investment Bank (EIB) with the purpose of attract private and international investors, and thus encourage them to invest in multi-apartment building modernisation projects through the fund. The fund's launch date is moved to Q3, 2021.

During Q4, a deferral period applied to EUR 161 million of corporate loans deferred due to COVID-19 had expired. As of 31 December, only 8% of them have applied for additional restructuring. EUR 41 million of corporate loans, deferred due to COVID-19, had not reached the end of deferral period by the end of year 2020. An increase of loans payment delays, affected by COVID-19, is not expected, however, there is still uncertainty due to the pandemic, so it is difficult to predict future tendencies.

Daily Banking

The customer activity in using the Bank's services have been affected by the second quarantine that took place during major part of Q4. Net fee and commission income decreased by 7% to EUR 4.0 million, compared to Q3.

Over 21 thousand of new private customers and over 2 thousand of new business customers have started using the Bank's services in 2020. The service plans portfolio increased by 14% for private customers, and by 2% for business customers (49% of private and 55% of business customers, respectively, have already subscribed to service plans).

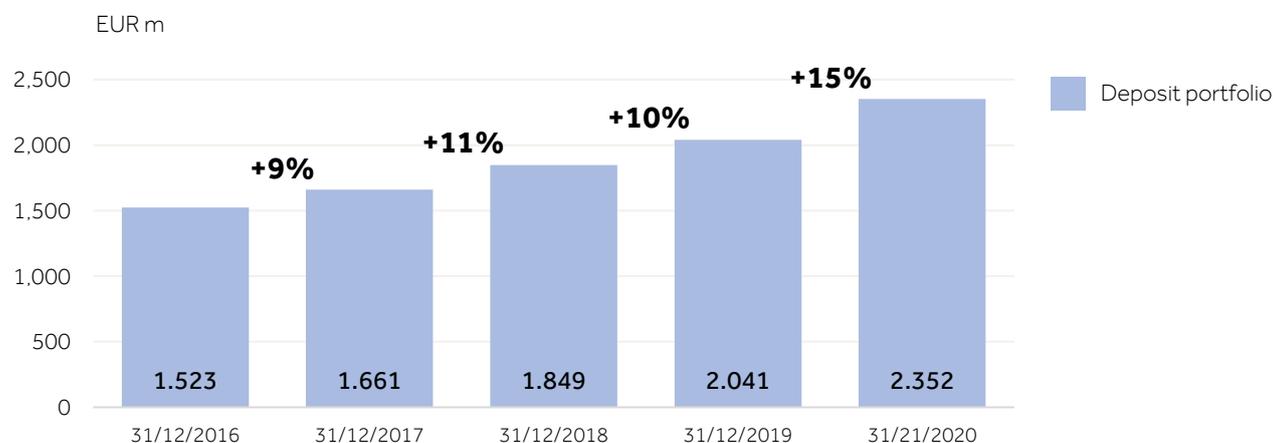
The updated digital services for customers during the third quarter - on-line banking and mobile application - have allowed to improve customer experience in the Bank's digital channels. The number of users in e-channels exceeded 190 thousand, number of logins to the e-channels increased by 26% during the year, and, in December 2020, for the first time, there were over 1 million logins to the e-channels. All in all, the customer stream for the remote service has increased twice.

The number of payment cards increased by 9% (up to 174 thousand), compared to the end of year 2019. The number of operations and turnover increased by 23% and 21%, respectively, compared to year 2019. The demand for cash has also increased - although the number of operations did not change, the turnover of cash operations increased by 10%, compared to year 2019.

Customer service units are subject to early registration of clients for the visit. Customers wishing to keep their distance are served remotely. Only 7 out of 59 customer service units, which locate in the biggest Lithuanian cities, were closed during second quarantine. Considering the restrictions of moving between the municipalities, the Bank aims to ensure an access to the Bank's services for the customers.

Saving and Investing

The deposit portfolio has increased by 15% during the year and amounted to EUR 2.35 billion at the end of 2020. The demand deposits increased by 32%, or EUR 353 million, during the year, while the term deposits decreased by EUR 40 million (- 4% year-on-year). The loan-to-deposit ratio stood at 75% at the end of Q4 (82% at the end of year 2019). While having high liquidity buffers and in order to lower funding costs, interest rates on term deposits have been reduced again from January 2021.



RATINGS

On 16 May 2019, the international rating agency Moody's Investors Service, after assessing the consistent strengthening of capitalization and sustainable improvement of profitability, improved the credit rating of Šiaulių Bankas and set the following:

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

On 18 February 2021 Moody's affirmed previous long-term deposit rating Baa2 and changed its outlook to positive from stable. The bank was also affirmed with the short-term deposit rating of P-2.

RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

Income was growing faster than its expenses which led to the high efficiency of the performance. Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve.

The main financial indicators of the Group:

	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020
ROAA, %	2.5	1.6	2.4	2.1	1.5
ROAE, %	26.1	16.1	22.3	17.6	12.7
Cost to income ratio, %	42.3	52.1	37.3	42.5	42.7
Loan to deposit ratio, %	68.5	72.2	75.1	82.2	75.1

Data on indicators are also available on the website of Šiaulių Bankas - on operating profitability indicators:

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Profitability Ratios](#)

and prudential requirements:

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Prudential Standards](#)

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 31 December 2020, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2020.

The rights granted by the Bank's shares are specified in the Bank's Charter, which is available on the Bank's website at:

[Homepage](#) › [About Us](#) › [Important Documents](#)

Authorized capital:

	03/06/2014	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	78,300,000	85,033,800	91,226,381.99	109,471,658.33	131,365,989.88	157,639,187.74	174,210,616.27

As of 31 December 2020 the number of the Bank's shareholders was 9,053 (at the end of 2019 – 5,391). 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:

[Homepage](#) › [About Us](#) › [Important Documents](#)

Shareholders by residence



Shareholders by type



Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2020:

	<i>Share of shares and votes, %</i>
ERPB, LEI code 549300HTGDOVDU60GK19	26.02
Invalda INVLAB, c.c. 121304349*	6.14
Algirdas Butkus**	5.36
Gintaras Kateiva***	5.29

* Pursuant to the Law on Securities of the Republic of Lithuania, the shareholder's votes are counted together with the controlled company UAB INVLAB Asset Management, company code 126263073 - 0.66% of the votes.

** Votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.03%, Mintaka UAB, company code 144725916 - 0.90%.

*** Votes are counted together with the votes held by the spouse.

Information on shares:

	2016	2017	2018	2019	2020
Capitalization, m EUR	169.5	266.8	240.9	304.0	299.2
Turnover, mln. Eur	23.1	44.5	34.7	48.3	84.5
Share price on the last trading session day	0.449	0.589	0.401	0.506	0.498
Lowest share price during the reporting period	0.283	0.448	0.391	0.394	0.320
Highest share price during the reporting period	0.462	0.627	0.658	0.534	0.558
Average share price during the reporting period	0.351	0.530	0.521	0.473	0.442
Share book value	0.458	0.448	0.448	0.518	0.592
P/BV	1.0	1.3	0.9	1.0	0.8
P/E	3.9	8.3	4.6	5.9	7.0
Capital increase from retained earnings, %	20.0	20.0	-	-	-

* description of indicators is provided on the Bank's website: [Homepage](#) > [Bank Investors](#) > [Financial Information](#) > [Alternative Performance Measures](#)

Turnover and price of the Bank's shares 2018-2020:



MANAGEMENT OF THE BANK

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

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of seven members, is elected by the General Meeting of Shareholders for a term of four years. The members of the Supervisory Council are nominated for the meeting by the initiators of the meeting or shareholders holding 1/20 of the bank's shares. The Charter of the Bank provide that the number of terms of office of a member of the Supervisory Council is not limited.

The General Meeting of Shareholders held on 31 March 2020 elected the Bank's Supervisory Council for a new four-year term. The General Meeting of Shareholders approved amendments to the Bank's Charter according to which the Bank's Supervisory Council will consist of 8 members instead of 7, as before. The Chairman and members of the Supervisory Council of the Bank elected at the meeting:

- Chairman - 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 (ECB) received a notification that the Governing Council of the ECB had decided not to oppose the appointment of Adriano Arietti as a member of the Bank's Supervisory Council. Adriano Arietti is considered to be a member of the Supervisory Council of the Bank from 3 June 2020.

Susan Gail Buyske was elected to the Bank's Supervisory Council at the Extraordinary General Meeting of Shareholders held on 10 June 2020. On 31 July 2020, the Bank received a notification from the ECB that the Governing Council of the ECB had decided not to oppose the appointment of Susan Gail Buyske as a member of the Bank's Supervisory Board. Susan Gail Buyske is considered to be a member of the Supervisory Council of the Bank from 31 July 2020.

The Bank's Supervisory Council (elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 8 members, 5 of whom are independent.

Supervisory Council of the Bank

<i>Name, Surname</i>	<i>Duties at the Supervisory Council</i>	<i>Share of capital under the right of ownership, % (31/12/2020)</i>	<i>Share of votes together with the related persons, % (31/12/2020)</i>
<i>Arvydas Salda</i>	Chairman since 1999	1.73	1.73
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29*
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35**
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Adriano Arietti</i>	Independent member since 2020	-	-
<i>Susan Gail Buyske</i>	Independent members since 2020	-	-

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with the votes held by the spouse.

** Votes are counted together with PRO Finance UAB, company code 110886161 - 0.35%.

The Board of the Bank is a collegial management body of the Bank consisting of 7 members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The rules of procedure of the Board shall determine the Rules of Procedure of the Board. The Management Board of the Bank is elected for four years. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

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 Deputies 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.

The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024.

Board of the Bank

<i>Name, Surname</i>	<i>Duties at the Board</i>	<i>Other current leading positions at the Bank</i>	<i>Share of capital under the right of ownership, % (31/12/2020)</i>	<i>Share of votes together with the related persons, % (31/12/2020)</i>
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.43	5.36*
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman 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	0.01	0.01
<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	0.01	0.01

* Pursuant to the Law on Securities of the Republic of Lithuania, votes are counted together with controlled companies: Prekybos namai AIVA UAB, company code 144031190 - 2.03%, Mintaka UAB, company code 144725916 - 0.90%.

BANK'S COMPANY GROUP

	<i>Nature of activities</i>	<i>Registration date</i>	<i>Company code</i>	<i>Address</i>	<i>Tel.</i>	<i>e-mail, website</i>
Šiaulių Bankas AB	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
Life insurance SB 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
Minera UAB*	real estate management	30/09/1992	121736330	Dvaro str. 123A, LT-76208 ŠŠiauliai	+370 41 399 423	info@minera.lt, www.sbp.lt, www.minera.lt

Netiesiogiai Banko valdomos patrunuojamosios įmonės:

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	

*Held for sale

**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, PUBLISHED INFORMATION AND MAJOR EVENTS

TRANSACTIONS WITH RELATING PARTIES

Information on these transactions with related parties is provided in note 12 to the Bank's financial statements for the year 2020.

REPORTS ON MATERIAL EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania reports on material events are announced in the Central regulated information base and on the Bank's website at:

[Homepage](#) › [Bank Investors](#) › [Reports on Stock Events](#)

Other important events are available on the Bank's website at:

[Homepage](#) › [About Us](#) › [News](#)

Chief Executive Officer

26 February 2021



Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

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

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Urbonienė

26 February 2021