

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

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

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

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

Corporate and Private Client Financing

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

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

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

Daily Banking

Since the announcement of the quarantine on March 16th, in response to government decisions and recommendations, a decision has been made to reduce the number of operating units, ensuring customers can receive services remotely: both through e-channels and through a call center (the activity of which has more than

doubled). The purpose of the bank during quarantine is to ensure the operation of branches in the regions so that the customers can receive the necessary services. Meanwhile, more conservative policies are being pursued in the country's major cities, where customers tend to refocus quicker and use remote channels more easily.

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

Saving and Investing

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

Updated key performance indicators for 2020

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