



INTERIM INFORMATION

for the nine month period ended 30 September 2020

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the nine month period ended 30 September 2020

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



	Notes	30 September 2020		31 December 2019	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		329,723	327,955	184,917	181,582
Securities in the trading book	2	28,876	4,165	40,427	15,354
Due from other banks		1,449	1,444	280	280
Derivative financial instruments		1,214	1,214	986	986
Loans to customers	1	1,584,767	1,574,365	1,514,578	1,510,052
Finance lease receivables	1	153,225	153,132	157,597	157,540
Investment securities at fair value	2	37,227	34,449	14,059	9,491
Investment securities at amortized cost	2	709,272	696,947	545,849	535,479
Investments in subsidiaries and associates	2	-	32,103	-	31,491
Intangible assets		4,536	2,997	4,288	2,921
Property, plant and equipment	3	15,620	14,751	12,216	11,170
Investment property		7,599	365	7,570	367
Current income tax prepayment		40	-	44	-
Deferred income tax asset		1,937	1,395	1,419	831
Other assets	3	35,194	25,074	23,956	12,274
Total assets		2,910,679	2,870,356	2,508,186	2,469,818
LIABILITIES					
Due to other banks and financial institutions		196,557	198,948	74,395	76,674
Derivative financial instruments		2,423	2,423	945	945
Due to customers	4	2,273,518	2,275,952	2,033,649	2,036,674
Special and lending funds	5	4,441	4,441	7,060	7,060
Debt securities in issue		20,947	20,947	20,044	20,044
Current income tax liabilities		1,593	1,317	1,579	1,472
Deferred income tax liabilities		1,242	-	917	-
Liabilities related to insurance activities		33,854	-	33,497	-
Other liabilities		30,041	19,899	25,296	15,598
Total liabilities		2,564,616	2,523,927	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		182	169	(9)	(22)
Other equity	6	2,359	2,066	1,536	1,345
Retained earnings		140,700	141,553	106,414	107,387
Non-controlling interest		-	-	-	-
Total equity		346,063	346,429	310,804	311,351
Total liabilities and equity		2,910,679	2,870,356	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

9 November 2020

Vytautas Sinius

Vita Urbonienė

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

		for the nine month period ended			
	Notes	30 September 2020		30 September 2019	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	58,426	48,532	53,193	46,994
<i>Other similar income</i>	7	5,605	5,544	5,313	5,175
<i>Interest expense and similar charges</i>	7	(7,480)	(7,478)	(5,937)	(5,933)
Net interest income		56,551	46,598	52,569	46,236
<i>Fee and commission income</i>	8	16,782	17,076	17,400	17,132
<i>Fee and commission expense</i>	8	(4,772)	(4,592)	(4,328)	(4,203)
Net fee and commission income		12,010	12,484	13,072	12,929
<i>Net gain from trading activities</i>	11	7,725	9,166	11,171	8,538
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	12	-	-	-	-
<i>Net gain (loss) from derecognition of financial assets</i>		954	155	1,500	598
<i>Net gain (loss) from disposal of tangible assets</i>		517	45	2,852	168
<i>Revenue related to insurance activities</i>		5,316	-	5,099	-
<i>Other operating income</i>		650	242	916	418
<i>Salaries and related expenses</i>		(16,572)	(14,357)	(16,616)	(14,293)
<i>Depreciation and amortization expenses</i>		(3,036)	(2,611)	(2,600)	(2,219)
<i>Expenses related to insurance activities</i>	11	(2,533)	-	(6,587)	-
<i>Other operating expenses</i>	9	(10,313)	(7,642)	(8,949)	(6,258)
Operating profit before impairment losses		51,269	44,080	52,427	46,117
<i>Allowance for impairment losses on loans and other assets</i>	10	(9,117)	(7,649)	(4,912)	(3,025)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	11	-	4,611	-	3,420
Profit before income tax		42,152	41,042	47,515	46,512
<i>Income tax expense</i>		(7,907)	(6,876)	(6,920)	(5,874)
Net profit for the period		34,245	34,166	40,595	40,638
Net profit attributable to:					
<i>Owners of the Bank</i>		34,245	34,166	40,595	40,638
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.06		0.07	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.06		0.07	

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 August - 30 September 2020		1 August - 30 September 2019	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	19,960	16,537	18,621	16,383
<i>Other similar income</i>	1,788	1,794	1,973	1,945
<i>Interest expense and similar charges</i>	(2,636)	(2,631)	(2,021)	(2,020)
Net interest income	19,112	15,700	18,573	16,308
<i>Fee and commission income</i>	5,794	5,912	6,070	5,986
<i>Fee and commission expense</i>	(1,464)	(1,404)	(1,333)	(1,289)
Net fee and commission income	4,330	4,508	4,737	4,697
<i>Net gain from trading activities</i>	4,431	4,057	3,051	2,502
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	2	(102)	824	483
<i>Net gain (loss) from disposal of tangible assets</i>	60	(24)	1,037	124
<i>Revenue related to insurance activities</i>	1,826	-	1,796	-
<i>Other operating income</i>	215	76	339	119
<i>Salaries and related expenses</i>	(5,888)	(5,102)	(5,358)	(4,627)
<i>Depreciation and amortization expenses</i>	(1,047)	(908)	(877)	(753)
<i>Expenses related to insurance activities</i>	(1,837)	-	(2,022)	-
<i>Other operating expenses</i>	(3,909)	(2,828)	(3,132)	(2,211)
Operating profit before impairment losses	17,295	15,377	18,968	16,642
<i>Allowance for impairment losses on loans and other assets</i>	(835)	(538)	(3,755)	(2,176)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	1,353	-	353
Profit before income tax	16,460	16,192	15,213	14,819
<i>Income tax expense</i>	(3,099)	(2,773)	(2,434)	(2,035)
Net profit for the period	13,361	13,419	12,779	12,784
Net profit attributable to:				
<i>Owners of the Bank</i>	13,361	13,419	12,779	12,784
<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 nine month period ended

	30 September 2020		30 September 2019	
	Group	Bank	Group	Bank
Net profit for the period	34,245	34,166	40,595	40,638
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	191	191	640	640
Deferred income tax on gain from revaluation of financial assets	-	-	(96)	(96)
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income, net of deferred tax	191	191	544	544
Total comprehensive income for the period	34,436	34,357	41,139	41,182
Total comprehensive income (loss) attributable to:				
Owners of the Bank	34,436	34,357	41,139	41,182
Non-controlling interest	-	-	-	-
	34,436	34,357	41,139	41,182

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

for the three month period

	1 August - 30 September 2020		1 August - 30 September 2019	
	Group	Bank	Group	Bank
Net profit for the period	13,361	13,419	12,779	12,784
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	155	155	37	37
Deferred income tax on gain (loss) from revaluation of financial assets	(46)	(46)	(11)	(11)
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
Other comprehensive income (loss), net of deferred tax	109	109	26	26
Total comprehensive income for the period	13,470	13,528	12,805	12,810
Total comprehensive income (loss) attributable to:				
Owners of the Bank	13,470	13,528	12,805	12,810
Non-controlling interest	-	-	-	-
	13,470	13,528	12,805	12,810

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

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank										
1 January 2019		174,211	3,428	756	(492)	10,369	-	-	86,412	274,684	-	274,684
Transfer to/from statutory reserve		-	-	-	-	4,099	-	-	(4,099)	-	-	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity		-	-	-	-	-	-	1,538	-	1,538	-	1,538
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income		-	-	-	544	-	-	-	40,595	41,139	-	41,139
30 September 2019		174,211	3,428	756	52	14,468	10,000	1,538	95,487	299,940	-	299,940
Changes in other equity		-	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income		-	-	-	(61)	-	-	-	10,927	10,866	-	10,866
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	-	-	-
Changes in other equity		-	-	-	-	-	-	823	-	823	-	823
Total comprehensive income		-	-	-	191	-	-	-	34,245	34,436	-	34,436
30 September 2020		174,211	3,428	756	182	14,427	10,000	2,359	140,700	346,063	-	346,063

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2019		174,211	3,428	756	(492)	10,195	-	-	85,756	273,854
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity		-	-	-	-	-	-	1,345	-	1,345
Other adjustments		-	-	-	-	-	-	-	595	595
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	544	-	-	-	40,638	41,182
30 September 2019		174,211	3,428	756	52	14,246	10,000	1,345	95,517	299,555
Other adjustments		-	-	-	-	-	-	-	(595)	(595)
Total comprehensive income		-	-	-	(74)	-	-	-	12,465	12,391
31 December 2019		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
Changes in other equity		-	-	-	-	-	-	721	-	721
Total comprehensive income		-	-	-	191	-	-	-	34,166	34,357
30 September 2020		174,211	3,428	756	169	14,246	10,000	2,066	141,553	346,429

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 nine month period ended

	Notes	30 September 2020		30 September 2019	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		59,734	49,795	52,398	46,191
Interest received on securities in the trading book		336	336	813	750
Interest paid		(3,671)	(3,664)	(5,117)	(5,113)
Fees and commissions received		10,953	17,076	17,400	17,132
Fees and commissions paid		(4,583)	(4,592)	(4,328)	(4,203)
Net cash inflows from trade in securities in the trading book		6,799	9,126	15,064	6,405
Net inflows from foreign exchange operations		-	6,305	6,170	6,056
Net inflows from derecognition of financial assets		1,320	521	2,142	335
Net inflows from derecognition of non-financial assets		1,550	801	(18,495)	(16,172)
Cash inflows related to other activities of Group companies		650	242	1,500	598
Cash outflows related to other activities of Group companies		-	-	6,229	302
Recoveries on loans previously written off		8,374	(347)	6,015	418
Salaries and related payments to and on behalf of employees		(15,995)	(13,780)	(6,587)	-
Payments related to operating and other expenses		(7,767)	(248)	(6,972)	(4,206)
Income tax paid		(8,405)	(7,619)	(3,965)	(3,110)
Net cash flow from operating activities before change in operating assets and liabilities		49,295	53,952	62,267	45,383
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(1,169)	(1,164)	996	996
(Increase) in loans to customers		(78,067)	(68,910)	(243,341)	(235,686)
Decrease (increase) in loans to customers		3,031	2,687	-	-
Decrease (increase) in other assets		(12,588)	(16,101)	(2,199)	(3,398)
Decrease (increase) in due to banks and financial institutions		122,195	122,307	2,884	3,138
Increase (decrease) increase in due to customers		250,994	250,403	147,531	149,495
Increase (decrease) in special and lending funds		(2,619)	(2,619)	1,234	1,234
Increase (decrease) in other liabilities		(8,543)	(13,860)	6,382	(1,250)
Change		273,234	272,744	(86,513)	(85,471)
Net cash flow from (used in) from operating activities		322,529	326,695	(24,246)	(40,088)
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		2,956	(2,894)	(3,268)	(2,708)
Disposal of property, plant and equipment, investment property and intangible assets		553	(601)	4,484	4,466
Acquisition of debt securities at amortized cost		(368,489)	(366,536)	(115,030)	(105,180)
Proceeds from redemption of debt securities at amortized cost		205,083	205,068	179,057	179,057
Interest received on debt securities at amortized cost		5,118	4,902	7,076	6,970
Dividends received		2	4,002	31	3,831
Acquisition of investment securities at fair value		(28,293)	(29,323)	(3,684)	(3,992)
Sale or redemption of investment securities at fair value		4,905	4,609	10,688	10,688
Interest received on investment securities at fair value		151	151	273	273
Net cash flow (used in) from investing activities		(178,015)	(180,623)	79,627	93,405
Financing activities					
Payment of dividends		(9)	(9)	(17,382)	(17,381)
Principal elements of lease payments		301	301	-	-
Net cash flow (used in) financing activities		292	292	(17,382)	(17,381)
Net increase (decrease) in cash and cash equivalents		144,806	146,364	38,000	35,936
Cash and cash equivalents at 1 January		184,917	181,582	89,304	87,732
Cash and cash equivalents at 30 September		329,723	327,946	127,304	123,668

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

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 59 customer service outlets (2019: 60 outlets). As at 30 September 2020 the Bank had 755 employees (31 December 2019: 737). As at 30 September 2020 the Group had 851 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 nine month period ended 30 September 2020 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2019.

Income tax

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

New and amended standards, and interpretations

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2019, except for judgements and estimations used for calculation of impairment, which were revised to reflect the changes in environment caused by global Covid-19 pandemic. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was little clarity regarding further development scenarios of Covid-19 pandemic and significant uncertainties regarding further global, country and sector development trends existed, therefore there is a high probability that actual results may deviate from the estimated.

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

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

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	267,759	266,076	121,595	118,376
<i>Loans and advances to banks</i>	1,449	1,444	280	280
<i>Loans and advances to customers:</i>	1,584,767	1,574,365	1,514,578	1,510,052
<i>Loans and advances to financial institutions</i>	-	109,093	-	100,084
<i>Loans to individuals (Retail)</i>	517,409	395,723	356,708	244,257
<i>Loans to business customers</i>	1,067,358	1,069,549	1,157,870	1,165,711
<i>Finance lease receivables</i>	153,225	153,132	157,597	157,540
<i>Debt securities at fair value through profit or loss</i>	8,198	3,608	18,104	14,546
<i>Derivative financial instruments</i>	1,214	1,214	986	986
<i>Debt securities at fair value through other comprehensive income</i>	32,438	32,062	8,953	8,558
<i>Debt securities at amortized cost</i>	709,272	696,947	545,849	535,479
<i>Other assets subject to credit risk</i>	19,591	19,294	7,875	7,229
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	39,592	39,656	44,425	44,489
<i>Letters of credit</i>	8,740	8,740	13,779	13,779
<i>Loan commitments and other credit related liabilities</i>	201,175	219,755	254,753	282,424
Total	3,027,420	3,016,293	2,688,774	2,693,738

Loans to customers

Loans and advances are summarised as follows:

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Gross	1,626,355	1,609,103	1,553,088	1,542,118
<i>Subtract: allowance for impairment</i>	(41,588)	(34,738)	(38,510)	(32,066)
Net	1,584,767	1,574,365	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									
	30 September 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	1,148,429	28,503	18	22	1,176,972	1,296,092	46,750	339	-	1,343,181
Allowance for impairment	(8,483)	(1,045)	-	(1)	(9,529)	(6,973)	(1,020)	(28)	-	(8,021)
Net amount	1,139,946	27,458	18	21	1,167,443	1,289,119	45,730	311	-	1,335,160
Stage 2:										
Gross amount	356,223	6,981	6,004	4	369,212	116,540	8,201	6,890	-	131,631
Allowance for impairment	(5,173)	(65)	(1,689)	(1)	(6,928)	(2,052)	(64)	(1,888)	-	(4,004)
Net amount	351,050	6,916	4,315	3	362,284	114,488	8,137	5,002	-	127,627
Stage 3:										
Gross amount	27,287	4,060	2,289	46,535	80,171	25,735	6,458	9,592	36,491	78,276
Allowance for impairment	(5,455)	(1,149)	(733)	(17,794)	(25,131)	(5,446)	(2,475)	(4,593)	(13,971)	(26,485)
Net amount	21,832	2,911	1,556	28,741	55,040	20,289	3,983	4,999	22,520	51,791
Total:										
Gross amount	1,531,939	39,544	8,311	46,561	1,626,355	1,438,367	61,409	16,821	36,491	1,553,088
Allowance for impairment	(19,111)	(2,259)	(2,422)	(17,796)	(41,588)	(14,471)	(3,559)	(6,509)	(13,971)	(38,510)
Net amount	1,512,828	37,285	5,889	28,765	1,584,767	1,423,896	57,850	10,312	22,520	1,514,578

	Bank									
	30 September 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	1,153,240	14,594	18	-	1,167,852	1,303,206	35,101	27	-	1,338,334
Allowance for impairment	(5,898)	(62)	-	-	(5,960)	(4,386)	(167)	-	-	(4,553)
Net amount	1,147,342	14,532	18	-	1,161,892	1,298,820	34,934	27	-	1,333,781
Stage 2:										
Gross amount	356,592	6,981	1,441	-	365,014	117,938	8,201	2,206	-	128,345
Allowance for impairment	(5,173)	(65)	(108)	-	(5,346)	(2,052)	(64)	(144)	-	(2,260)
Net amount	351,419	6,916	1,333	-	359,668	115,886	8,137	2,062	-	126,085
Stage 3:										
Gross amount	26,790	3,239	966	45,242	76,237	25,726	6,089	8,553	35,071	75,439
Allowance for impairment	(5,639)	(729)	(54)	(17,010)	(23,432)	(5,732)	(2,273)	(4,025)	(13,223)	(25,253)
Net amount	21,151	2,510	912	28,232	52,805	19,994	3,816	4,528	21,848	50,186
Total:										
Gross amount	1,536,622	24,814	2,425	45,242	1,609,103	1,446,870	49,391	10,786	35,071	1,542,118
Allowance for impairment	(16,710)	(856)	(162)	(17,010)	(34,738)	(12,170)	(2,504)	(4,169)	(13,223)	(32,066)
Net amount	1,519,912	23,958	2,263	28,232	1,574,365	1,434,700	46,887	6,617	21,848	1,510,052

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

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

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

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

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

Many households and businesses will be negatively affected by the unprecedented nature and extent of the current health and safety measures. While the definite outcome is still uncertain, there is no doubt that many borrowers, especially from certain sectors, will face financial difficulties as their revenues will shrink significantly and they will face difficulties in servicing loans by initial schedule. As of 30 September 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the loans but concrete borrowers or contracts cannot yet be identified from the data available from borrowers' financial statements or level of payment delays, an increase of credit risk was assessed on a collective basis – i.e. significant increase of credit risk was recognized for loans granted for sectors that the Bank's management recognized as risky. The Bank has recognized an increased credit risk in these main sectors: trade, hotels and restaurants, education, healthcare and social work, recreation, certain subsectors of professional, scientific, technical, administrative and support service activities. In determining these sectors, significant accounting judgements were made, judgements were based on information and lists of impacted entities published by the institutions of Republic of Lithuania. Gross value of loans that were assigned to stage 2 based on the criteria of significant credit risk increase in sector amounted to EUR 112,291 thousand (there were no loans assigned to stage 2 based on this criteria on 31 December 2019).

In April 2020 the Bank joined the moratoria initiated by the Association of Lithuanian Banks (ALB) that offer principal repayment deferral solutions for individual and business customers. Until 30 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 nine month period ended 30 September 2020, loan modifications resulted in net loss of EUR 34 thousand, which was included in income statement line "Other operating income").

Finance lease receivables

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

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Business customers</i>	131,434	130,599	136,144	135,348
<i>Individuals</i>	27,446	27,414	25,413	25,379
Gross	158,880	158,013	161,557	160,727
<i>Subtract: Allowance for impairment</i>	(5,655)	(4,881)	(3,960)	(3,187)
Net	153,225	153,132	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

	30 September 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	68,936	5,661	-	-	74,597	120,649	12,118	-	-	132,767
Allowance for impairment	(562)	(40)	-	-	(602)	(624)	(68)	-	-	(692)
Net amount	68,374	5,621	-	-	73,995	120,025	12,050	-	-	132,075
Stage 2:										
Gross amount	70,339	2,925	695	-	73,960	11,808	2,554	1,637	-	15,999
Allowance for impairment	(2,113)	(140)	(26)	-	(2,279)	(302)	(61)	(81)	-	(444)
Net amount	68,226	2,785	669	-	71,681	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	7,397	412	207	2,308	10,323	6,130	310	135	6,216	12,791
Allowance for impairment	(828)	(135)	(79)	(1,732)	(2,774)	(788)	(121)	(61)	(1,854)	(2,824)
Net amount	6,569	277	128	576	7,549	5,342	189	74	4,362	9,967
Total:										
Gross amount	146,672	8,998	902	2,308	158,880	138,587	14,982	1,772	6,216	161,557
Allowance for impairment	(3,503)	(315)	(105)	(1,732)	(5,655)	(1,714)	(250)	(142)	(1,854)	(3,960)
Net amount	143,169	8,683	797	576	153,225	136,873	14,732	1,630	4,362	157,597

Bank

	30 September 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	68,897	5,661	-	-	74,558	120,648	12,117	-	-	132,765
Allowance for impairment	(561)	(40)	-	-	(601)	(625)	(68)	-	-	(693)
Net amount	68,336	5,621	-	-	73,957	120,023	12,049	-	-	132,072
Stage 2:										
Gross amount	70,340	2,925	695	-	73,960	11,808	2,554	1,637	-	15,999
Allowance for impairment	(2,113)	(140)	(26)	-	(2,279)	(302)	(61)	(81)	-	(444)
Net amount	68,227	2,785	669	-	71,681	11,506	2,493	1,556	-	15,555
Stage 3:										
Gross amount	7,397	412	206	1,480	9,495	6,130	310	135	5,388	11,963
Allowance for impairment	(828)	(135)	(79)	(959)	(2,001)	(788)	(121)	(61)	(1,080)	(2,050)
Net amount	6,569	277	127	521	7,494	5,342	189	74	4,308	9,913
Total:										
Gross amount	146,634	8,998	901	1,480	158,013	138,586	14,981	1,772	5,388	160,727
Allowance for impairment	(3,502)	(315)	(105)	(959)	(4,881)	(1,715)	(250)	(142)	(1,080)	(3,187)
Net amount	143,132	8,683	796	521	153,132	136,871	14,731	1,630	4,308	157,540

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

Many households and businesses will be negatively affected by the unprecedented nature and extent of the current health and safety measures. While the definite outcome is still uncertain, there is no doubt that many borrowers, especially from certain sectors, will face financial difficulties as their revenues will shrink significantly and they will face difficulties in servicing loans by initial schedule. As of 30 September 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the amount borrowed but concrete borrowers or contracts cannot yet be identified from the data available from borrowers' financial statements or level of payment delays, an increase of credit risk was assessed on a collective basis – i.e. significant increase of credit risk was recognized for finance lease receivables granted for sectors that the Bank's management recognized as risky. The Bank has recognized an increased credit risk in these main sectors: trade, hotels and restaurants, education, healthcare and social work, recreation, certain subsectors of professional, scientific, technical, administrative and support service activities. In determining these sectors, significant accounting judgements were made, judgements were based on information and lists of impacted entities published by the institutions of Republic of Lithuania. Gross value of finance lease receivables that were assigned to stage 2 based on the criteria of significant credit risk increase in sector amounted to EUR 31,507 thousand (there were no finance lease receivables assigned to stage 2 based on this criteria on 31 December 2019).

NOTE 2 SECURITIES

Securities in the trading book

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

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Debt securities:	8,198	3,608	18,104	14,546
Government bonds	3,543	1,216	4,876	2,535
Corporate bonds	4,655	2,392	13,228	12,011
Equity securities	20,678	557	22,323	808
Total	28,876	4,165	40,427	15,354
	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	5,662	3,608	16,127	14,546
from AA- to AAA	-	-	1,201	1,201
from A- to A+	1,388	1,192	3,121	2,918
from BBB- to BBB+	1,841	841	7,773	6,765
from BB- to BB+	957	599	1,932	1,562
lower than BB-	75	75	75	75
no rating	1,401	901	2,025	2,025
Equity securities	557	557	808	808
listed	557	557	805	805
unlisted	-	-	3	3
units of investment funds	-	-	-	-
Total trading securities	6,219	4,165	16,935	15,354
Other trading book securities:				
Debt securities	2,536	-	1,977	-
from AA- to AAA	-	-	-	-
from A- to A+	734	-	1,202	-
from BBB- to BBB+	1,032	-	472	-
from BB- to BB+	118	-	-	-
lower than BB-	-	-	-	-
no rating	652	-	303	-
Equity securities	20,121	-	21,515	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	20,121	-	21,515	-
Total other trading book securities	22,657	-	23,492	-
TOTAL	28,876	4,165	40,427	15,354

NOTE 2
SECURITIES (continued)

Investment securities

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities:</i>	32,438	32,062	8,953	8,558
Government bonds	18,515	18,515	1,343	1,343
Corporate bonds	13,923	13,547	7,610	7,215
<i>Equity securities</i>	4,789	2,387	5,106	933
Total	37,227	34,449	14,059	9,491
Securities at amortized cost:				
<i>Debt securities:</i>	709,272	696,947	545,849	535,479
Government bonds	551,460	545,641	375,502	370,825
Corporate bonds	157,812	151,306	170,347	164,654
Total	709,272	696,947	545,849	535,479

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Securities at fair value:				
<i>Debt securities</i>	32,438	32,062	8,953	8,558
from AA- to AA+	-	-	-	-
from A- to A+	17,662	17,662	4,529	4,529
from BBB- to BBB+	12,841	12,841	3,854	3,854
from BB- to BB+	1,559	1,559	-	-
lower than BB-	-	-	175	175
no rating	376	-	395	-
<i>Equities</i>	4,789	2,387	5,106	933
listed	-	-	-	-
unlisted	1,242	1,115	741	622
units of investment funds	3,547	1,272	4,365	311
Total	37,227	34,449	14,059	9,491
Securities at amortized cost:				
<i>Debt securities</i>	709,272	696,947	545,849	535,479
from AA- to AA+	6,321	6,116	8,320	8,113
from A- to A+	552,402	546,333	378,386	372,941
from BBB- to BBB+	149,939	144,498	156,743	152,433
from BB- to BB+	610	-	2,400	1,992
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	709,272	696,947	545,849	535,479

Credit stages of investment debt securities:

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	740,549	728,410	553,918	543,140
Allowance for impairment	(305)	(296)	(273)	(260)
Net amount	740,244	728,114	553,645	542,880
Stage 2:				
Gross amount	1,536	930	1,187	1,187
Allowance for impairment	(70)	(35)	(30)	(30)
Net amount	1,466	895	1,157	1,157
Stage 3:				
Gross amount	1,013	-	1,014	-
Allowance for impairment	(1,013)	-	(1,014)	-
Net amount	-	-	-	-

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

NOTE 2 SECURITIES (continued)

Investments in subsidiaries

As of 30 September 2020 and 31 December 2019 the Bank owned the following directly controlled subsidiaries:

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

As of 30 September 2020 and 31 December 2019 the Bank owned the following indirectly controlled subsidiaries:

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

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

Bank's investments in subsidiaries consisted of:

	30 September 2020	31 December 2019
	Carrying amount	Carrying amount
<i>Bonum Publicum GD UAB</i>	10,780	10,741
<i>Minera UAB</i>	2,941	2,925
<i>Pavasaris UAB</i>	15	2
<i>SB lizingas UAB</i>	12,119	10,749
<i>SBTF UAB</i>	793	1,703
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	943	933
<i>Šiaulių Banko Lizingas UAB</i>	1,074	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,438	3,364
Total	32,103	31,491

In October 2020, Bank's management took decision to optimise the structure of Šiaulių Bankas AB Group (see Note 17 for details).

SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	19,591	19,294	7,875	7,229
<i>Inventories</i>	7,560	-	8,780	-
<i>Deferred charges</i>	966	957	913	849
<i>Assets under reinsurance and insurance contracts</i>	1,243	-	1,189	-
<i>Prepayments</i>	2,185	1,469	944	79
<i>Foreclosed assets</i>	738	654	919	835
<i>Assets classified as held for sale</i>	990	990	1,004	1,004
<i>Other</i>	1,921	1,710	2,332	2,278
Total	35,194	25,074	23,956	12,274

NOTE 4 DUE TO CUSTOMERS

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	49,803	49,803	25,906	25,906
<i>Local government institutions</i>	86,645	86,645	73,856	73,856
<i>Governmental and municipal companies</i>	24,688	24,688	24,058	24,058
<i>Corporate entities</i>	543,131	544,426	402,900	405,115
<i>Non-profit organisations</i>	23,621	23,621	19,456	19,456
<i>Individuals</i>	566,371	566,371	491,616	491,616
<i>Unallocated amounts due to customers</i>	82,306	83,445	69,380	70,190
Total demand deposits	1,376,565	1,378,999	1,107,172	1,110,197
<i>Time deposits:</i>				
<i>National government institutions</i>	3,358	3,358	1,432	1,432
<i>Local government institutions</i>	758	758	796	796
<i>Governmental and municipality companies</i>	2,608	2,608	6,501	6,501
<i>Corporate entities</i>	43,112	43,112	56,234	56,234
<i>Non-profit organisations</i>	3,324	3,324	2,242	2,242
<i>Individuals</i>	843,793	843,793	859,272	859,272
Total time deposits	896,953	896,953	926,477	926,477
Total	2,273,518	2,275,952	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 156,293 thousand as of 30 September 2020 were pledged for this borrowing.

NOTE 6 CAPITAL

As of 30 September 2020 and 31 December 2019 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 30 September 2020 and 31 December 2019, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 30 September 2020, the Bank had 7,299 shareholders (as at 31 December 2019: 5,391).

Dividends:

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

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

NOTE 6
CAPITAL (continued)

Reserve for acquisition of own shares:

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

During the nine month period ended 30 September 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 30 September 2019, the Bank did not possess its own shares.

Other equity:

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

NOTE 7
NET INTEREST INCOME

	1 January - 30 September 2020		1 January - 30 September 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>	58,426	48,532	53,193	46,994
<i>on loans to customers</i>	602	2,825	554	2,970
<i>on debt securities at amortized cost</i>	52,541	40,633	45,362	36,877
<i>on debt securities at fair value through other comprehensive income</i>	5,033	4,902	7,077	6,971
<i>Other similar income:</i>	250	172	200	176
<i>on debt securities at fair value through profit or loss</i>	5,605	5,544	5,313	5,175
<i>on finance leases</i>	215	163	383	290
<i>other interest income</i>	5,316	5,307	4,886	4,841
	74	74	44	44
Total interest income	64,031	54,076	58,506	52,169
<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>	(7,404)	(7,404)	(5,751)	(5,747)
<i>on other liabilities</i>	(76)	(74)	(186)	(186)
Total interest expense	(7,480)	(7,478)	(5,937)	(5,933)
Net interest income	56,551	46,598	52,569	46,236

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 30 September 2020		1 January - 30 September 2019	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	3,426	3,426	3,230	3,230
<i>for settlement services</i>	3,732	3,735	4,150	4,162
<i>for cash operations</i>	3,760	3,760	4,010	4,010
<i>for account administration</i>	3,024	3,024	2,933	2,933
<i>for guarantees, letters of credit, documentary collection</i>	581	581	497	497
<i>for collection of utility and similar payments</i>	200	203	197	200
<i>for services related to securities</i>	1,382	1,479	1,230	1,311
<i>other fee and commission income</i>	677	868	1,153	789
Total fee and commission income	16,782	17,076	17,400	17,132
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(2,456)	(2,456)	(2,334)	(2,330)
<i>for cash operations</i>	(910)	(910)	(806)	(806)
<i>for correspondent bank and payment system fees</i>	(477)	(314)	(429)	(313)
<i>for services of financial data vendors</i>	(132)	(132)	(140)	(140)
<i>for services related to securities</i>	(523)	(523)	(448)	(443)
<i>other fee and commission expenses</i>	(274)	(257)	(171)	(171)
Total fee and commission expense	(4,772)	(4,592)	(4,328)	(4,203)
Net fee and commission income	12,010	12,484	13,072	12,929

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 30 September 2020		1 January - 30 September 2019	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(222)	(167)	(142)	(149)
<i>Utility services for buildings and premises</i>	(516)	(463)	(572)	(519)
<i>Other expenses related to buildings and premises</i>	(800)	(799)	(643)	(638)
<i>Transportation expenses</i>	(246)	(193)	(302)	(233)
<i>Legal costs</i>	(214)	(214)	(288)	(288)
<i>Personnel and training expenses</i>	(186)	(164)	(183)	(170)
<i>IT and communication expenses</i>	(3,496)	(3,053)	(2,413)	(2,159)
<i>Marketing and charity expenses</i>	(1,729)	(624)	(2,070)	(887)
<i>Service organisation expenses</i>	(1,478)	(1,386)	(1,060)	(966)
<i>Non-income taxes, fines</i>	(186)	135	(162)	264
<i>Costs incurred due to debt recovery</i>	(291)	(79)	(279)	(126)
<i>Other expenses</i>	(949)	(635)	(835)	(387)
Total	(10,313)	(7,642)	(8,949)	(6,258)

NOTE 10
IMPAIRMENT LOSSES

1 January - 30 September 2020 1 January - 30 September 2019

	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(8,740)	(6,428)	(5,101)	(1,592)
Recoveries of loans previously written-off	883	274	1,763	371
Reversal of impairment losses / (impairment losses) on finance lease receivables	(1,694)	(1,694)	(1,296)	(1,324)
Recovered previously written-off finance lease receivables	143	-	379	-
(Impairment losses) on debt securities	(73)	(42)	53	53
Reversal of impairment losses on due from banks	(15)	(15)	(8)	(8)
Reversal of impairment losses / (impairment losses) on other financial assets	229	225	21	20
(Impairment losses) on subsidiaries	-	-	-	-
(Impairment losses) / reversal of impairment losses on other non-financial assets	31	31	(438)	(545)
Recoveries of other non-financial assets previously written-off	-	-	-	-
Provisions for other liabilities	119	-	(285)	-
Total	(9,117)	(7,649)	(4,912)	(3,025)

1 January - 30 September 2020 1 January - 30 September 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	8,740	6,428	5,101	1,592
Loans written off during the period	(5,649)	(3,743)	(5,661)	(4,208)
Other factors (reclassification, FX rate shift, etc.)	(12)	(12)	1	1
As at 30 September	41,588	34,738	42,207	34,236
<u>Allowance for impairment of finance lease receivables</u>				
As at 1 January	3,961	3,187	2,646	1,842
Change in allowance for impairment of finance lease receivables	1,694	1,694	1,296	1,324
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 September	5,655	4,881	3,942	3,166
<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	73	42	(53)	(53)
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(2)	(1)	7	-
As at 30 September	1,388	331	1,331	306
<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	15	15	8	8
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(1)	(1)	-	-
As at 30 September	37	37	21	21
<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	(229)	(225)	(21)	(20)
Other financial assets written off during the period	6	6	(5)	(5)
Other factors (reclassification, FX rate shift, etc.)	(2)	-	-	-
As at 30 September	292	286	369	347

Impairment expenses for loans and finance lease receivables increased significantly during the first nine months of 2020. The impact of Covid-19 pandemic did not yet reflect in the borrowers' financial data available for the Bank or in payment delays, therefore in order to estimate the impact of the pandemic the reestimation of the parameters used for impairment loss calculations and collective risk estimation of borrower groups defined by sector was performed. These changes in accounting estimates resulted in a recognition of impairment loss of EUR 6,197 thousand during the first nine months of 2020: due to change in parameters the Group recognized an impairment loss of EUR 4,370 thousand, additional impairment loss of EUR 1,827 was recognized due to the contracts that the significant credit risk increase was recognized based on the collective assessment of Covid-19 influence to sector.

NOTE 10 IMPAIRMENT LOSSES (continued)

As environmental factors changed significantly due to Covid-19 influence, assumptions and estimates used in probability of default estimations were changed. Due to dynamic and fast-paced changes in operating environment there are no reliable development scenarios and macroeconomic forecasts, therefore the scenarios used were more based on expert judgement and long term economic growth perspectives were taken into account. Assumptions regarding values of collaterals and values of positions were not changed, they are the same as used in financial statements for 2019. For the reporting date of 30 September 2020, taking into account that Covid-19 pandemic has affected the possibility of the borrowers to repay the loans but concrete borrowers or contracts cannot yet be identified from the data available from borrowers' financial statements or level of payment delays, an increase of credit risk was assessed on a collective basis – i.e. significant increase of credit risk was recognized for loans granted for sectors that the Bank's management recognized as risky (sector risk assessment is described in more detail in Note 1). It is planned that the individual assessment of the borrowers capacities to pay back the loans taking into account the impact of pandemic will be performed until the end of the year, therefore the collective risk assessment will no longer be necessary unless new uncertainties arise. It should be noted that at the moment of producing the financial reports significant uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated.

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 September 2020		1 January - 30 September 2019	
	Group	Bank	Group	Bank
Net gain from foreign exchange and related derivatives	7,595	7,579	5,945	5,831
Net gain (loss) from other derivatives	(2,264)	(2,264)	(32)	(32)
Net gain (loss) on equity securities in the trading book	(1,632)	(139)	2,496	72
Net gain (loss) on debt securities in the trading book	(242)	(125)	899	838
Net gain on debt securities at fair value through other comprehensive income	377	377	94	94
Net gain (loss) on investment equities	654	501	216	161
Net gain on debt securities at amortized cost	3,212	3,212	1,522	1,543
Dividend and other income from equity securities in the trading book	20	20	29	29
Dividend and other income from investment equities	5	5	2	2
Total	7,725	9,166	11,171	8,538

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net loss of EUR 1,539 thousand for the nine month period ended 30 September 2020; a net gain of EUR 2,576 thousand for the nine month period ended 30 September 2019.

Expenses related to insurance activities

	1 January - 30 September 2020		1 January - 30 September 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*	1,539	-	(2,576)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(4,072)	-	(4,011)	-
Total expenses related to insurance activities	(2,533)	-	(6,587)	-

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

	1 January - 30 September 2020		1 January - 30 September 2019	
	Group	Bank	Group	Bank
Interest and similar income	44	-	30	-
Net gain (loss) from operations with securities	(1,599)	-	2,432	-
Net gain (loss) from foreign exchange	16	-	114	-
Total	(1,539)	-	2,576	-

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

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

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

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

	30 September 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>	1,896	89	1,535	31
<i>Other related parties (excluding subsidiaries of the Bank)</i>	4,243	18,225	4,889	20,075
Total	6,139	18,314	6,424	20,106

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 September 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>	3,703	7,768	4,164	9,264
<i>Financial institutions</i>	1,123	129,099	1,141	135,106
	4,826	136,867	5,305	144,370

Bank's total balances with subsidiaries:

	30 September 2020	31 December 2019
Assets		
<i>Loans</i>	112,256	108,964
<i>Other assets</i>	45	69
<i>Bank's investment in subsidiaries</i>	32,103	31,491
Liabilities and shareholders' equity		
<i>Deposits</i>	4,826	5,305
<i>Other liabilities</i>	-	14

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 September 2020	1 January – 30 September 2019
Income		
<i>Interest</i>	2,424	2,694
<i>Commission income</i>	384	530
<i>FX gain (loss)</i>	5	3
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	4,611	3,420
<i>Other income</i>	84	54
Expenses		
<i>Interest</i>	(13)	(12)
<i>Operating expenses</i>	(1)	(19)
<i>Impairment losses on loans</i>	(150)	(86)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 30 September 2020, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 653 thousand (31 December 2019: EUR 504 thousand).

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

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

The structure of the Group's assets and liabilities by maturity as at 30 September 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>	347,174	63,786	80,583	107,607	230,279	1,007,792	985,803	87,655	2,910,679
<i>Total liabilities and shareholders' equity</i>	1,416,517	71,455	134,052	190,598	266,367	367,978	117,649	346,063	2,910,679
<i>Net liquidity gap</i>	(1,069,343)	(7,669)	(53,469)	(82,991)	(36,088)	639,814	868,154	(258,408)	-

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

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

The structure of the Bank's assets and liabilities by maturity as at 30 September 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>	345,133	57,930	73,371	193,473	208,918	962,075	949,518	79,938	2,870,356
<i>Total liabilities and shareholders' equity</i>	1,418,994	62,725	133,172	190,414	265,606	365,203	87,814	346,428	2,870,356
<i>Net liquidity gap</i>	(1,073,861)	(4,795)	(59,801)	3,059	(56,688)	596,872	861,704	(266,490)	-

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 nine month period ended 30 September 2020, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2019. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the nine month period ended 30 September 2020. The outcomes Covid-19 pandemic may have an impact on fair values of financial assets and liabilities, but due to high degree of uncertainty and lack of reliable forecasts it is impossible to estimate it reliably at the moment of producing the interim financial statements.

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

	30 September 2020		31 December 2019	
	Group	Bank	Group	Bank
LEVEL I				
<i>Trading book securities</i>	28,056	3,945	38,908	13,835
<i>Investment securities at fair value</i>	32,509	32,509	8,869	8,869
Total Level I financial assets	60,565	36,454	47,777	22,704
LEVEL II				
<i>Derivative financial instruments - assets</i>	1,214	1,214	986	986
<i>Derivative financial instruments - liabilities</i>	(2,423)	(2,423)	(945)	(945)
LEVEL III				
<i>Trading book securities</i>	820	220	1,519	1,519
<i>Investment securities at fair value</i>	4,718	1,940	5,190	622
Total Level III financial assets	5,538	2,160	6,709	2,141

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

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE
(continued)

Changes in Level III instruments during the six month period ended 30 June:

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019
As at 1 January	1,519	2,229	5,190	1,243
Additions	2,935	8,429	848	-
Disposals / redemption / derecognition	(3,627)	(8,656)	(1,594)	(324)
Changes due to interest accrued/paid	(9)	(15)	8	-
Changes in fair value	2	21	266	34
As at 30 September	820	2,008	4,718	953
Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019	1 Jan - 30 Sep 2020	1 Jan - 30 Sep 2019
As at 1 January	1,519	2,229	622	432
Additions	2,330	8,429	840	-
Disposals / redemption / derecognition	(3,627)	(8,656)	-	(11)
Changes due to interest accrued/paid	(5)	(15)	-	-
Changes in fair value	3	21	478	18
As at 30 September	220	2,008	1,940	439

	1 January – 30 September 2020		1 January – 30 September 2019	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	268	481	55	39

Fair value of investment securities held to collect cash flows:

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

	30 September 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	696,947	710,857	545,849	566,830

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2020 and in the Statement of comprehensive income for the nine 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	(184)	-	188	(176)	172	-
External	51,655	3,075	1,560	261	-	56,551
Net interest income	51,471	3,075	1,748	85	172	56,551
Internal	266	-	-	31	(297)	-
External	12,171	-	-	(161)	-	12,010
Net fee and commissions income	12,437	-	-	(130)	(297)	12,010
Internal	82	-	188	(145)	(125)	-
External	63,826	3,075	1,560	100	-	68,561
Net interest, fee and commissions income	63,908	3,075	1,748	(45)	(125)	68,561
Internal	(31)	-	(1)	(52)	84	-
External	(23,026)	(2,200)	-	(4,192)	-	(29,418)
Operating expenses	(23,057)	(2,200)	(1)	(4,244)	84	(29,418)
Amortisation charges	(707)	(78)	-	(33)	-	(818)
Depreciation charges	(1,760)	(182)	-	(276)	-	(2,218)
Internal	-	-	(150)	4	146	-
External	(9,553)	-	343	93	-	(9,117)
Impairment expenses	(9,553)	-	193	97	146	(9,117)
Internal	4,428	-	279	(30)	(4,677)	-
External	6,377	3,851	163	4,771	-	15,162
Net other income	10,805	3,851	442	4,741	(4,677)	15,162
Profit (loss) before tax	39,636	4,466	2,382	240	(4,572)	42,152
Income tax	(7,244)	(688)	-	25	-	(7,907)
Profit (loss) per segment after tax	32,392	3,778	2,382	265	(4,572)	34,245
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	32,392	3,778	2,382	265	(4,572)	34,245
Total segment assets	1,907,749	1,071,155	17,016	62,756	(147,997)	2,910,679
Total segment liabilities	1,679,339	941,875	14,962	45,714	(117,274)	2,564,616
Net segment assets (shareholders' equity)	228,410	129,280	2,054	17,042	(30,723)	346,063

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2019 and in the Statement of comprehensive income for the nine 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	(434)	-	275	(271)	430	-
External	46,435	5,435	335	364	-	52,569
Net interest income	46,001	5,435	610	93	430	52,569
Internal	543	-	-	(82)	(461)	-
External	13,099	-	-	(27)	-	13,072
Net fee and commissions income	13,642	-	-	(109)	(461)	13,072
Internal	109	-	275	(353)	(31)	-
External	59,534	5,435	335	337	-	65,641
Net interest, fee and commissions income	59,643	5,435	610	(16)	(31)	65,641
Internal	(28)	-	-	(48)	76	-
External	(21,517)	(2,054)	-	(8,581)	-	(32,152)
Operating expenses	(21,545)	(2,054)	-	(8,629)	76	(32,152)
Amortisation charges	(509)	(55)	-	(43)	-	(607)
Depreciation charges	(1,613)	(167)	-	(213)	-	(1,993)
Internal	-	-	(86)	238	(152)	-
External	(4,362)	-	(393)	(157)	-	(4,912)
Impairment expenses	(4,362)	-	(479)	81	(152)	(4,912)
Internal	77	-	3,477	22	(3,576)	-
External	6,778	2,740	1,125	10,895	-	21,538
Net other income	6,855	2,740	4,602	10,917	(3,576)	21,538
Profit (loss) before tax	38,469	5,899	4,733	2,097	(3,683)	47,515
Income tax	(5,993)	(587)	-	(340)	-	(6,920)
Profit (loss) per segment after tax	32,476	5,312	4,733	1,757	(3,683)	40,595
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	32,476	5,312	4,733	1,757	(3,683)	40,595
Total segment assets	1,749,943	743,426	22,738	65,563	(134,121)	2,447,549
Total segment liabilities	1,534,678	651,043	19,913	48,080	(106,105)	2,147,609
Net segment assets (shareholders' equity)	215,265	92,383	2,825	17,483	(28,016)	299,940

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 September 2020 and 31 December 2019 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

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

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

Financial Group's condensed statement of financial position

	30 September 2020	31 December 2019
ASSETS		
Cash and cash equivalents	328,287	181,903
Securities in the trading book	4,165	15,354
Due from other banks	1,444	280
Derivative financial instruments	1,214	986
Loans to customers	1,591,712	1,522,117
Finance lease receivables	153,225	157,597
Investment securities at fair value	37,227	14,059
Investment securities at amortized cost	696,947	535,479
Investments in subsidiaries and associates	14,564	15,406
Intangible assets	3,000	2,922
Property, plant and equipment	15,182	11,590
Investment property	2,944	3,053
Current income tax prepayment	-	4
Deferred income tax asset	1,764	1,214
Other assets	28,272	16,340
Total assets	2,879,947	2,478,304
LIABILITIES		
Due to other banks and financial institutions	197,826	75,534
Derivative financial instruments	2,423	945
Due to customers	2,275,952	2,036,674
Special and lending funds	4,441	7,060
Debt securities in issue	20,947	20,044
Current income tax liabilities	1,593	1,488
Deferred income tax liabilities	1,242	917
Other liabilities	28,520	23,843
Total liabilities	2,532,944	2,166,505
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,246	14,292
Reserve for acquisition of own shares	10,000	10,000
Financial instruments revaluation reserve	169	(22)
Financial instruments revaluation reserve	2,325	1,524
Retained earnings	141,868	107,610
Non-controlling interest	-	-
Total equity	347,003	311,799
Total liabilities and equity	2,879,947	2,478,304

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the nine month period ended	
	30 September 2020	30 September 2019
<i>Interest revenue calculated using the effective interest method</i>	58,425	53,139
<i>Other similar income</i>	5,553	5,220
<i>Interest expense and similar charges</i>	(7,488)	(5,940)
Net interest income	56,490	52,419
<i>Fee and commission income</i>	16,883	17,522
<i>Fee and commission expense</i>	(4,712)	(4,301)
Net fee and commission income	12,171	13,221
<i>Net gain from trading activities</i>	9,319	8,566
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	954	1,500
<i>Net gain (loss) from disposal of tangible assets</i>	297	807
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	530	750
<i>Salaries and related expenses</i>	(15,688)	(15,666)
<i>Depreciation and amortization expenses</i>	(2,793)	(2,418)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(9,894)	(8,402)
Operating profit before impairment losses	51,386	50,777
<i>Allowance for impairment losses on loans and other assets</i>	(9,383)	(4,832)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	158	1,168
Profit before income tax	42,161	47,113
<i>Income tax expense</i>	(7,949)	(6,611)
Net profit for the period	34,212	40,502
Net profit attributable to:		
<i>Owners of the Bank</i>	34,212	40,502
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the nine month period ended	
	30 September 2020	30 September 2019
Net profit for the period	34,212	40,502
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	191	603
<i>Deferred income tax on gain from revaluation of financial assets</i>	-	(85)
Other comprehensive income, net of deferred tax	191	518
Total comprehensive income for the period	34,403	41,020
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	34,403	41,020
<i>Non-controlling interest</i>	-	-
	34,403	41,020

NOTE 17

EVENTS AFTER THE BALANCE SHEET DATE

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 will be categorized as subsidiaries held for sale and the result of their activities will be accounted for as result of discontinued operations. Had these companies been classified as subsidiaries held for sale from the beginning of this year, the result of discontinued operations for the nine month period ended 30 September 2020 would have been a profit of EUR 128 thousand.



ADDITIONAL INFORMATION

Interim information of Šiaulių Bankas AB (hereinafter — the Bank) of nine months covers the period from 01 January 2020 to 30 September 2020.

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

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

OPERATING RESULT

- Šiaulių Bankas Group earned EUR 34.2 million of unaudited net profit during three quarters of 2020
- Due to active household lending activities, housing and consumer finance portfolio grew by 6% in 3Q and amounted to EUR 431 million
- In the first 9 months of this year, more than EUR 200 million of new business loan agreements were signed
- Updated digital services - on-line banking and mobile application - were introduced to clients

Šiaulių Bankas Group earned EUR 34.2 million of unaudited net profit during three quarters of this year (EUR 40.6 million at the same time last year). Operating profit before impairment losses and income tax for the nine months of this year amounted to EUR 51.3 million, which is by 2% less than in the corresponding period last year.

Net interest income increased by 8% compared to the same period in 2019 and amounted to EUR 56.6 million. Net fee and commission income for the three quarters of this year was EUR 12 million, which is by 8% less than in the first three quarters of last year.

Mainly due to negative country's macroeconomic outlook for this year, additional provisions of EUR 0.8 million were recognised for possible impairment losses. Provisions for the three quarters amount to EUR 9.1 million, compared to EUR 4.9 million for the first nine months of last year. At the end of 3Q, the cost of risk ratio (CoR) stood at 0.7% (compared to 0.4% at the end of 3Q last year).

The operating efficiency of the Group remains high - the cost / income ratio at the end of 3Q was less than 38.8% (39.9% in the corresponding period of the previous year) and the return on equity (ROE) was 13.9% (19.1% at the end of 3Q last year).

The capital and liquidity positions remain sound and prudential requirements are met with a large reserve - the liquidation coverage ratio (LCR) increased from 223% to 309%* during the third quarter and the capital adequacy ratio (CAR) is at 18.7%* (*Forecast data).

Overview of Business Segments

Business and Private Clients Financing

As household expectations and consumption continued increasing, we recorded a strong demand for household lending - the mortgage and consumer financing portfolio grew by 6% to EUR 431 million over the quarter (increased by 86% compared to the end of 3Q last year). The mortgage portfolio alone grew by 8% to EUR 267 million during the quarter.

Even though economic uncertainty hampered corporate investment and development projects, the Bank was active in the corporate financing market - more than EUR 200 million of new credit agreements were signed in 9 months of this year. Corporate loan portfolio stood at EUR 1.08 billion at the end of the 3Q (2% less than at the end of the 2Q).

The Bank's total loan and leasing portfolio decreased by 1% during the 3Q to EUR 1.74 billion.

In 3Q, the Bank continued intensively working to set up a EUR 200 million renovation fund with the European Investment Bank (EIB). The terms of the operational agreement between the Bank and the EIB are being finalized, and active negotiations are under way with the potential creditors and investors in the fund's equity. The Bank plans to launch the renovation fund from the beginning of 2021.

Daily Banking

After the end of national lockdown, clients kept actively using banking services again - in the 3Q of this year, net fee and commission income increased by 22% compared to the second quarter to EUR 4.3 million.

In 3Q, more than 7 thousand new private customers and more than 500 business customers started using the Bank's services. Over the year, the portfolio of service plans used by private clients increased by 16% and the yearly change of corporate clients stands at 7% (48% of private and 55% of business clients have already subscribed to service plans).

The number of payment cards increased by 11% (to 172 thousand) compared to the same period last year (the number of card payments increased by 25% YoY). The demand for cash also increased slightly, with the number of cash withdrawal transactions increasing by 6% compared to the same period last year.

Customer service units located in the most affected cities by COVID-19 are subject to early registration of customers for the visit. If necessary, the Bank is ready to expand the network of book in advance for visit service units. However, for the convenience of customers, the Bank maintains all the service units operating at their normal business hours with all protective measures.

During the 3Q, the new BETA version of the on-line banking was introduced to customers, and at the end of October, customers started using the new mobile app.

Saving and Investing

The deposit portfolio increased by 12% since the beginning of the year and stood at EUR 2.27 billion at the end of 3Q. Demand deposits increased by 24% or EUR 269 million, while the term deposit portfolio decreased by EUR 30 million. The loan-to-deposit ratio at the end of 3Q stood at 76% (81% for 3Q 2019). While having high liquidity buffers and in order to lower funding costs, interest rates on term deposits have been reduced from 4Q.

Updated key performance indicators for 2020

In relation to the milder than estimated impact of the COVID-19 pandemic on the business environment and development of Lithuania's economy, the Bank updated financial forecasts for this year in September. According to the updated forecasts, the Group's cost of risk ratio (CoR) will not exceed 0.8%, and the annual return on equity (ROE) will be around 12%. The cost to income ratio (C/I), non-performing exposure ratio (NPE), risk management, market share and customer satisfaction goals remain unchanged.

COVID-19

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

Aids for customers affected by COVID-19

In the course of this year, uncertainty over COVID-19 reduced lending volumes. In order to alleviate the situation of distressed customers in the context of COVID-19, Šiaulių Bankas, together with other Lithuanian credit companies, signed a moratorium on temporary suspension of credit liabilities in April. The moratoria were extended until September 30.

The moratorium on assistance to private customers undertakes to allow all private customers to defer their mortgage payments for up to one year and leasing and consumer loans for up to six months, without changing the terms of the agreement or interest. Under the moratorium for corporate customers, the bank undertook to defer loan payments to companies for up to 6 months without changing agreement terms and interest (the moratorium applies to business loans totalling up to EUR 5 million per group of companies which have not had significant payment delays in the last one year).

As at 30 September, deferrals for COVID-19 loan repayments amounted to EUR 228 million in the Bank's total loan portfolio (735 clients). The largest part of deferred payments consists of deferrals for legal entities - EUR 217 million (444 clients), the remaining part of EUR 11 million - for individuals (291 client). Credit deferrals were mainly requested by companies operating in the real estate, wholesale and retail trade, accommodation and catering, and manufacturing sectors. Most customers plan to return to regular payments, and only a small number are likely to apply for additional restructuring.

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

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

With revenues growing faster than expenses, operational efficiency remains strong - a cost to income ratio of the Group comprised 38.8 per cent at the end of the third quarter. (in the corresponding period last year, the ratio was 39.9 per cent) Information on the profitability ratios is available on the website of Šiaulių Bankas at:

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

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 30 September 2020 the Bank complied with all the prudential requirements set out by the Bank of Lithuania. Data are available on the website of Šiaulių Bankas at:

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

RATINGS

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

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

As of 30 September 2020 the Bank's clientèle totalled to 331 thousand - 305 thousand of individuals and 26 thousand of corporate customers. The bank serves clients at 59 customer service outlets in 38.

AUTHORIZED CAPITAL OF THE BANK. SHAREHOLDERS

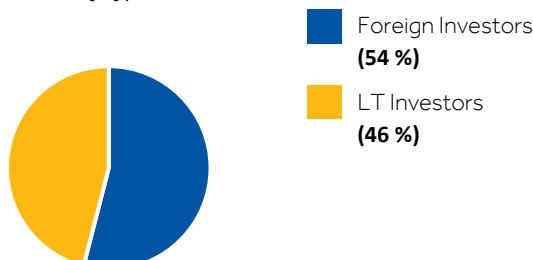
As of 30 September 2020, the authorized capital of the Bank totalled to EUR 174 210 616.27 and is divided 600 726 263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253). The Bank's Charter was registered in the Register of Legal Entities after the last increase of the authorized capital on 13 December 2018. The Bank's authorized capital was not increased in H1, 2019.

Authorized capital:

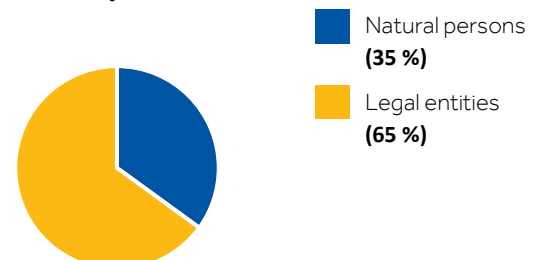
	01/01/2015	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	78 300 000	85 033 800	91 226 381.99	109 471 658.33	131 365 989.88	157 639 187.74	174 210 616.27

30 September 2020, the number of the Bank's shareholders amounted to 8.417 (at the end of 2019 - 5391). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania of Lithuania and the Charter of the Bank .

Shareholders by type



Shareholders by residence



Share information:

	Share of authorized capital under the right of ownership, %	Share of votes together with the related persons, %
European Bank for Reconstruction and Development (EBRD)	26.02	-
Invalda INVL AB	5.48	6.14 ¹
Gintaras Kateiva	5.27	5.29 ²
Algirdas Butkus	2.46	5.39 ³
Other Lithuanian investors		29.42
Other foreign investors		27.74

¹ – Votes are counted together with the controlled company INVL asset Management UAB.

² – Votes are counted together with the spouse,

³ – Votes are counted together with the controlled companies Mintaka UAB and Trade house Aiva UAB.

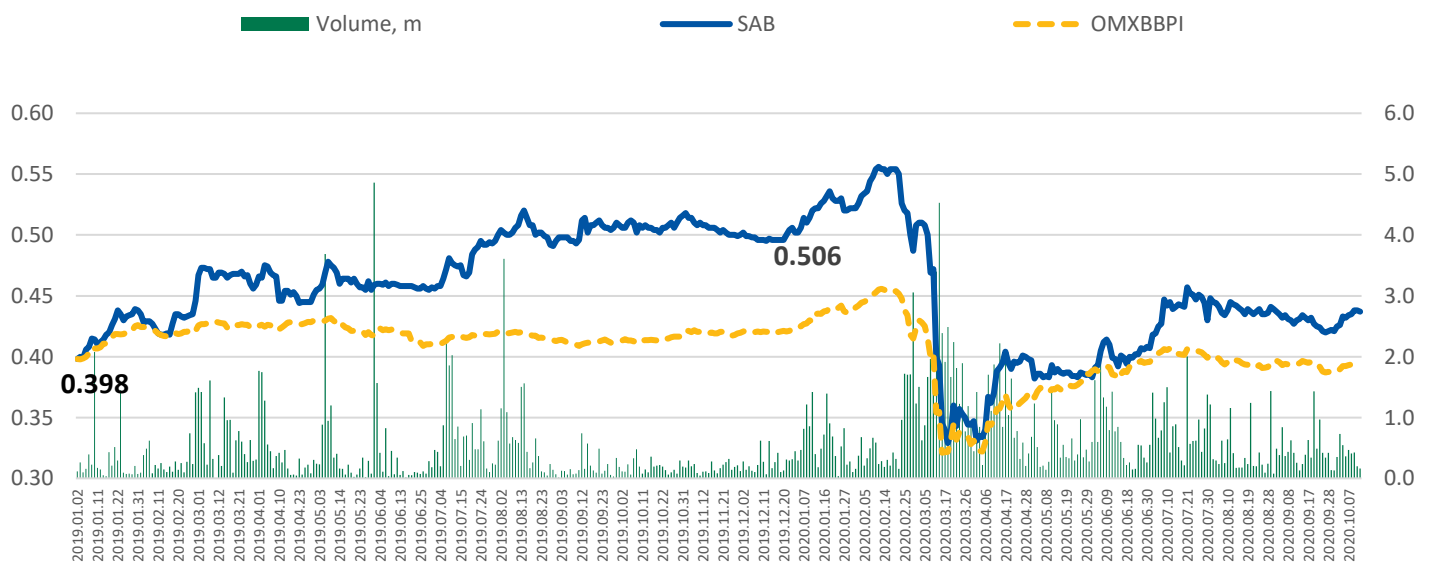
Information on shares:

	2016	2017	2018	30/09/2019	2019	30/09/2020
Capitalization, m EUR	169.5	266.8	240.9	306.4	304.0	252.9
Turnover, mln. Eur	23.1	44.5	34.7	42.1	48.3	63.3
Share price on the last trading session day	0.449	0.589	0.401	0.510	0.506	0.421
Share book value	0.458	0.448	0.448	0.499	0.518	0.577
P/BV	1.0	1.3	0.9	1.0	1.0	0.7
P/E	3.9	8.3	4.6	5.7	5.9	5.5
Capital increase from retained earnings, %	20.0	20.0	-	-	-	-

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

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

Turnover and price of the Bank's shares:



MANAGEMENT OF THE BANK

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

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

- 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 received a notification that the Governing Council of the ECB had decided not to oppose the appointment of Adrian Arietti as a member of the Supervisory Council of Šiaulių Bankas AB. Adriano Arietti is considered to be a member of the Supervisory Council of Šiaulių Bankas AB 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 AB Šiaulių Bankas received the notification from the European Central Bank (ECB), that the Governing Council of the ECB has decided not to object to the appointment of Ms Susan Gail Buyske to members of the Supervisory Council of Šiaulių Bankas AB. Susan Gail Buyske is considered to be a member of the Supervisory Council of Šiaulių Bankas AB from 31 July 2020.

Supervisory Council of the Bank

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

<i>Name, surname</i>	<i>Duties at the Supervisory Board</i>	<i>Share of capital under the right of ownership, % (30/09/2020)</i>	<i>Share of votes together with the related persons, % (30/09/2020)</i>
<i>Arvydas Salda</i>	Chairman since 1999	1.76	1.76
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29 ¹
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-
<i>Adriano Arietti</i>	Independent member since 2020	-	-
<i>Susan Gail Buyske</i>	Independent member since 2020	-	-

¹ - Votes are counted together with the spouse

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.*

Board of the Bank

<i>Name, surname</i>	<i>Duties in the Board</i>	<i>Duties at the Bank</i>	<i>Share of capital under the right of ownership, % (30/09/2020)</i>	<i>Share of votes together with the related persons, % (30/09/2020)</i>
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.46	5.39 ¹
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman of the since 1995	Deputy Chief Executive Officer, Head of Finance and Risk Management Division	0.10	0.10
<i>Daiva Šorienė</i>	Members since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.03	0.03
<i>Vita Urbonienė</i>	Members since 2011	Chief Accountant, Head of Accounting and Tax Division	0.04	0.04
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.03	0.03
<i>Ilona Baranauskienė</i>	Members since 2014	Head of Legal and Administration Division	0.02	0.02

¹ - Votes are counted together with the controlled companies Mintaka UAB and Trade house Aiva UAB.

OTHER INFORMATION, PUBLICLY DISCLOSED
INFORMATION AND MAJOR EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website [„Reports on Stock Events“](#).

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

Chief Executive Officer

9 November 2020



Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Deputy Chief Accountant acting as Chief Accountant Žaneta Bytautienė, confirm that as far as we know, the financial statements for nine 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

9 November 2020