

INTERIM INFORMATION

for the six months period ended 30 June 2021

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Independent Auditors' Report on Review of Condensed Separate and Consolidated Interim Financial Information

To the Shareholders of Šiaulių Bankas AB

Introduction

We have reviewed the accompanying 30 June 2021 condensed separate interim financial information of Šiaulių Bankas AB ("the Bank") and accompanying condensed consolidated interim financial information of the Bank and its subsidiaries ("the Group") on pages 5–35, which comprises:

- the condensed separate and consolidated statement of financial position as at 30 June 2021;
- the condensed separate and consolidated income statements for the three-month and six-month periods ended 30 June 2021;
- the condensed separate and consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed separate and consolidated statements of changes in equity for the six-month period ended 30 June 2021;
- the condensed separate and consolidated statements of cash flows for the six-month period ended 30 June 2021; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed separate and consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed separate and consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed separate and consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed separate and consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
24 August 2021

The electronic auditor's signature applies only to the Independent Auditor's Review Report on pages 3 to 4 of this document.

CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months period ended 30 June 2021

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

	30 June 2021			31 December 2020	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		476,564	475,486	432,584	431,649
Securities in the trading book	2	44,530	18,316	37,068	9,582
Due from other banks		1,019	1,019	1,598	1,598
Derivative financial instruments		1,640	1,640	445	445
Loans to customers	1	1,733,397	1,715,982	1,605,663	1,592,363
Finance lease receivables	1	177,006	176,820	155,457	155,290
Investment securities at fair value	2	54,665	54,665	34,342	34,215
Investment securities at amortized cost	2	680,986	668,303	709,454	697,136
Investments in subsidiaries and associates	2	-	28,772	-	29,135
Intangible assets		5,311	3,679	5,729	4,230
Property, plant and equipment		16,638	15,024	16,484	15,852
Investment property		2,270	356	5,552	362
Current income tax prepayment		1,146	1,126	48	8
Deferred income tax asset		1,078	728	2,078	1,690
Assets held for sale	3	838	2,823	7,547	4,573
Other assets	3	18,299	15,016	14,796	9,541
Total assets		3,215,387	3,179,755	3,028,845	2,987,669
LIABILITIES					
Due to other banks and financial institutions	5	244,038	252,728	227,823	231,270
Derivative financial instruments		194	194	3,840	3,840
Due to customers	4	2,484,854	2,492,011	2,347,427	2,349,021
Special and lending funds	5	10,268	10,256	5,749	5,749
Debt securities in issue		20,637	20,637	20,027	20,027
Current income tax liabilities		292	-	1,092	737
Deferred income tax liabilities		1,373	-	1,251	-
Liabilities related to insurance activities	17	38,575	-	36,275	-
Liabilities related to assets classified as held for sale	3	93	-	98	-
Other liabilities		34,787	22,979	30,197	21,461
Total liabilities		2,835,111	2,798,805	2,673,779	2,632,105
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	21,893	21,770	14,427	14,246
Reserve for acquisition of own shares	6	10,000	10,000	10,000	10,000
Accumulated other comprehensive income		(159)	(172)	388	375
Other equity	6	3,534	3,074	2,359	2,066
Retained earnings		166,613	167,883	149,497	150,482
Non-controlling interest		-	-	-	-
Total equity		380,276	380,950	355,066	355,564
Total liabilities and equity		3,215,387	3,179,755	3,028,845	2,987,669

The notes on pages 12 - 35 constitute an integral part of these condensed interim financial statements.

Chief Executive Officer

Vytautas Sinius

Chief Financial Officer

Donatas Savickas

24 August 2021

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

	Notes	30 June 2021		30 June 2020	
		Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>	7	39,341	32,964	38,466	31,995
<i>Other similar income</i>	7	4,024	3,954	3,817	3,750
<i>Interest expense and similar charges</i>	7	(5,372)	(5,376)	(4,844)	(4,847)
Net interest income		37,993	31,542	37,439	30,898
<i>Fee and commission income</i>	8	11,799	12,060	10,988	11,164
<i>Fee and commission expense</i>	8	(3,370)	(3,258)	(3,308)	(3,188)
Net fee and commission income		8,429	8,802	7,680	7,976
<i>Net gain from trading activities</i>	11	6,177	4,423	3,294	5,109
<i>Net gain (loss) from derecognition of financial assets</i>		316	182	952	257
<i>Net gain (loss) from disposal of tangible assets</i>		3,546	60	457	69
<i>Revenue related to insurance activities</i>		3,861	-	3,490	-
<i>Other operating income</i>		385	288	435	166
<i>Salaries and related expenses</i>		(12,843)	(11,183)	(10,684)	(9,255)
<i>Depreciation and amortization expenses</i>		(2,234)	(1,989)	(1,989)	(1,703)
<i>Expenses related to insurance activities</i>	11	(3,630)	-	(696)	-
<i>Other operating expenses</i>	9	(6,950)	(5,206)	(6,404)	(4,814)
Operating profit before impairment losses		35,050	26,919	33,974	28,703
<i>Allowance for impairment losses on loans and other assets</i>	10	(941)	462	(8,282)	(7,111)
<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>	12	-	5,940	-	3,258
Profit before income tax		34,109	33,321	25,692	24,850
<i>Income tax expense</i>		(5,858)	(5,092)	(4,808)	(4,103)
Net profit for the period		28,251	28,229	20,884	20,747
<i>Profit (loss) from discontinued operations, net of tax</i>		(365)	-	-	-
Net profit for the period		27,886	28,229	20,884	20,747
Net profit attributable to:					
<i>Owners of the Bank</i>		27,886	28,229	20,884	20,747
<i>From continuing operations</i>		28,251	28,229	20,884	20,747
<i>From discontinued operations</i>		(365)	-	-	-
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.05		0.03	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>	6	0.05		0.03	

The notes on pages 12 - 35 constitute an integral part of these condensed interim financial statements.

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

	for the three months period				
	1 April - 30 June 2021		1 April - 30 June 2020		
	Notes	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method</i>		20,085	16,916	19,564	16,363
<i>Other similar income</i>		2,109	2,074	1,845	1,812
<i>Interest expense and similar charges</i>		(2,639)	(2,641)	(2,484)	(2,483)
Net interest income		19,555	16,349	18,925	15,692
<i>Fee and commission income</i>		6,237	6,398	5,231	5,276
<i>Fee and commission expense</i>		(1,942)	(1,887)	(1,686)	(1,613)
Net fee and commission income		4,295	4,511	3,545	3,663
<i>Net gain from trading activities</i>		3,005	2,242	5,356	3,620
<i>Net gain (loss) from changes in fair value of subordinated loan</i>		-	-	-	-
<i>Net gain (loss) from derecognition of financial assets</i>		167	104	437	227
<i>Net gain (loss) from disposal of tangible assets</i>		3,421	(2)	129	4
<i>Revenue related to insurance activities</i>		1,992	-	1,707	-
<i>Other operating income</i>		156	140	289	103
<i>Salaries and related expenses</i>		(6,024)	(5,241)	(4,625)	(4,002)
<i>Depreciation and amortization expenses</i>		(1,111)	(996)	(1,013)	(877)
<i>Expenses related to insurance activities</i>		(1,887)	-	(2,915)	-
<i>Other operating expenses</i>		(4,140)	(3,176)	(3,007)	(2,221)
Operating profit before impairment losses		19,429	13,931	18,828	16,209
<i>Allowance for impairment losses on loans and other assets</i>		(829)	489	(3,380)	(2,756)
<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>		-	3,664	-	1,652
Profit before income tax		18,600	18,084	15,448	15,105
<i>Income tax expense</i>		(3,034)	(2,612)	(2,927)	(2,549)
Net profit for the period		15,566	15,472	12,521	12,556
<i>Profit (loss) from discontinued operations, net of tax</i>		(46)	-	-	-
Net profit for the year		15,520	15,472	12,521	12,556
Net profit attributable to:					
<i>Owners of the Bank</i>		15,520	15,472	12,521	12,556
<i>From continuing operations</i>		15,566	15,472	12,521	12,556
<i>From discontinued operations</i>		(46)	-	-	-
<i>Non-controlling interest</i>		-	-	-	-

The notes on pages 12 - 35 constitute an integral part of these condensed interim financial statements.

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

	for the six months period ended			
	30 June 2021		30 June 2020	
	Group	Bank	Group	Bank
Net profit for the period	27,886	28,229	20,884	20,747
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(684)	(684)	36	36
Deferred income tax on gain from revaluation of financial assets	137	137	46	46
<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	(547)	(547)	82	82
Total comprehensive income for the period	27,339	27,682	20,966	20,829
Total comprehensive income (loss) attributable to:				
Owners of the Bank	27,339	27,682	20,966	20,829
Non-controlling interest	-	-	-	-
	27,339	27,682	20,966	20,829

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

	for the three months period			
	1 April - 30 June 2021		1 April - 30 June 2020	
	Group	Bank	Group	Bank
Net profit for the period	15,520	15,472	12,521	12,556
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(319)	(319)	52	52
Deferred income tax on gain (loss) from revaluation of financial assets	64	64	4	4
<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	(255)	(255)	56	56
Total comprehensive income for the period	15,265	15,217	12,577	12,612
Total comprehensive income (loss) attributable to:				
Owners of the Bank	15,265	15,217	12,577	12,612
Non-controlling interest	-	-	-	-
	15,265	15,217	12,577	12,612

The notes on pages 12 - 35 constitute an integral part of these condensed interim 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 Bank shareholders										
1 January 2020		174,211	3,428	756	(9)	14,468	10,000	1,536	106,414	310,804	-	310,804
<i>Transfer to/from statutory reserve</i>		-	-	-	-	(41)	-	-	41	-	-	-
<i>Acquisition of own shares</i>	6	-	-	-	-	-	(320)	-	-	(320)	-	(320)
<i>Share-based payment</i>	6	-	-	-	-	-	320	823	-	1,143	-	1,143
<i>Total comprehensive income</i>		-	-	-	82	-	-	-	20,884	20,966	-	20,966
30 June 2020		174,211	3,428	756	73	14,427	10,000	2,359	127,339	332,593	-	332,593
<i>Total comprehensive income</i>		-	-	-	315	-	-	-	22,158	22,473	-	22,473
31 December 2020		174,211	3,428	756	388	14,427	10,000	2,359	149,497	355,066	-	355,066
<i>Transfer to statutory reserve</i>		-	-	-	-	7,466	-	-	(7,466)	-	-	-
<i>Share-based payment</i>	6	-	-	-	-	-	-	1,175	-	1,175	-	1,175
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	(3,304)	(3,304)	-	(3,304)
<i>Total comprehensive income</i>		-	-	-	(547)	-	-	-	27,886	27,339	-	27,339
30 June 2021		174,211	3,428	756	(159)	21,893	10,000	3,534	166,613	380,276	-	380,276

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 2020		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351
<i>Acquisition of own shares</i>	6	-	-	-	-	-	(320)	-	-	(320)
<i>Share-based payment</i>	6	-	-	-	-	-	320	721	-	1,041
<i>Total comprehensive income</i>		-	-	-	82	-	-	-	20,747	20,829
30 June 2020		174,211	3,428	756	60	14,246	10,000	2,066	128,134	332,901
<i>Total comprehensive income</i>		-	-	-	315	-	-	-	22,348	22,663
31 December 2020		174,211	3,428	756	375	14,246	10,000	2,066	150,482	355,564
<i>Transfer to statutory reserve</i>		-	-	-	-	7,524	-	-	(7,524)	-
<i>Share-based payment</i>	6	-	-	-	-	-	-	1,008	-	1,008
<i>Payment of dividends</i>	6	-	-	-	-	-	-	-	(3,304)	(3,304)
<i>Total comprehensive income</i>		-	-	-	(547)	-	-	-	28,229	27,682
30 June 2021		174,211	3,428	756	(172)	21,770	10,000	3,074	167,883	380,950

The notes on pages 12 - 35 constitute an integral part of these condensed interim financial statements.

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

	Notes	for the six months period ended			
		30 June 2021		30 June 2020	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		45,021	38,574	42,863	34,381
Interest received on securities in the trading book		158	98	240	240
Interest paid		(5,266)	(5,261)	(4,157)	(4,160)
Fees and commissions received		11,764	12,060	10,953	11,160
Fees and commissions paid		(3,370)	(3,258)	(3,119)	(2,999)
Net cash inflows from trade in securities in the trading book		(7,397)	(11,001)	7,135	6,137
Net inflows from foreign exchange operations		2,738	(1,289)	3,306	1,557
Net inflows from derecognition of financial assets		316	182	952	257
Net inflows from derecognition of non-financial assets		3,546	60	1,490	825
Cash inflows related to other activities of Group companies		385	288	435	166
Cash outflows related to other activities of Group companies		616	-	(696)	-
Recoveries on loans previously written off		(494)	609	1,313	172
Salaries and related payments to and on behalf of employees		(14,103)	(12,443)	(13,776)	(12,347)
Payments related to operating and other expenses		(2,551)	(1,606)	(4,852)	(443)
Income tax paid		(6,634)	(5,985)	(5,349)	(5,003)
Net cash flow from operating activities before change in operating assets and liabilities		24,729	11,028	36,738	29,943
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		579	579	(170)	(170)
(Increase) in loans to customers and finance lease receivables		(97,795)	(106,283)	(99,263)	(92,413)
(Increase)/decrease in finance lease receivables		(38,164)	(20,440)	7,592	7,262
Decrease (increase) in other assets		3,207	(1,981)	(17,353)	(13,812)
Decrease (increase) in due to banks and financial institutions		16,227	21,470	137,153	137,110
Increase (decrease) increase in due to customers		137,328	142,891	132,889	131,433
Increase in special and lending funds		4,519	4,507	(4,267)	(4,267)
Increase (decrease) in other liabilities		3,419	1,136	4,544	4
Change		29,320	41,879	161,125	165,147
Net cash flow from (used in) from operating activities		54,049	52,907	197,863	195,090
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(418)	(418)	(1,451)	(1,390)
Disposal of property, plant and equipment, investment property and intangible assets		891	477	1,237	1,182
Acquisition of debt securities at amortized cost		(53,969)	(53,057)	(256,307)	(254,354)
Proceeds from redemption of debt securities at amortized cost		17,493	17,973	164,693	164,681
Interest received on debt securities at amortized cost		2,729	2,729	3,494	3,409
Dividends received		-	5,000	2	4,002
Acquisition of investment securities at fair value		(5,897)	(5,483)	(32,091)	(33,121)
Sale or redemption of investment securities at fair value		27,881	24,373	3,369	3,073
Interest received on investment securities at fair value		208	208	102	102
Disposal of subsidiaries		4,704	2,828	-	-
Net cash flow (used in) from investing activities		(6,378)	(5,370)	(116,952)	(112,416)
Financing activities					
Payment of dividends		(3,382)	(3,382)	-	-
Principal elements of lease payments		(309)	(318)	(542)	(586)
Net cash flow (used in) financing activities		(3,691)	(3,700)	(542)	(586)
Net increase (decrease) in cash and cash equivalents		43,980	43,837	80,369	82,088
Cash and cash equivalents at 1 January		432,584	431,649	184,917	181,582
Cash and cash equivalents at 30 June		476,564	475,486	265,286	263,670

The notes on pages 12 - 35 constitute an integral part of these condensed interim 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 (31 December 2020: 59 outlets). As at 30 June 2021 the Bank had 764 employees (31 December 2020: 756). As at 30 June 2021 the Group had 861 employees (31 December 2020: 849 employees).

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

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

This condensed interim financial information for the six months period ended 30 June 2021 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 2020, 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 and the Group for the year ended 31 December 2020.

These condensed interim financial statements were authorized for issue by the Bank's management board on 24 August 2021.

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

Newly published standards, amendments and interpretations that are mandatory for the Bank's and the Group's reporting periods beginning on or after 1 January 2021 did not have a material impact on the Bank's and the Group's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2021, and that would have a material impact on the Bank's and the Group'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 2020, except for judgements and estimations used for calculation of impairment, which were revised to reflect the most recent economic forecasts. These judgements and estimates are described in more detail in Notes 1 and 10. It should be noted that at the moment of producing the financial reports there was no full clarity regarding further development scenarios of Covid-19 pandemic and uncertainties regarding further global, country and sector development trends existed, therefore there is a significant probability that actual results may deviate from the estimated.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank.

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 and the Group 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 and the Group 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 and Group's position in the market and would increase the Bank's and Group's value. In assessing exposure to credit risk, the Bank and the Group adheres to the principle of prudence.

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

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

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	408,726	407,733	363,088	362,251
<i>Loans and advances to banks</i>	1,019	1,019	1,598	1,598
<i>Loans and advances to customers:</i>	1,733,397	1,715,982	1,605,663	1,592,363
<i>Loans and advances to financial institutions</i>	-	113,191	-	107,574
<i>Loans to individuals (Retail)</i>	607,179	482,033	547,122	426,374
<i>Loans to business customers</i>	1,126,218	1,120,758	1,058,541	1,058,415
<i>Finance lease receivables</i>	177,006	176,820	155,457	155,290
<i>Debt securities at fair value through profit or loss</i>	22,544	17,373	14,540	8,844
<i>Derivative financial instruments</i>	1,640	1,640	445	445
<i>Debt securities at fair value through other comprehensive income</i>	50,046	50,046	30,429	30,429
<i>Debt securities at amortized cost</i>	680,986	668,303	709,454	697,136
<i>Other assets subject to credit risk</i>	5,093	4,862	4,695	4,278
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	43,954	44,015	48,790	48,851
<i>Letters of credit</i>	2,650	2,650	3,522	3,522
<i>Loan commitments and other credit related liabilities</i>	379,783	398,711	281,765	300,768
Total	3,506,844	3,489,154	3,219,446	3,205,775

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

Loans to customers

Loans and advances are summarized as follows:

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Gross	1,768,865	1,744,902	1,648,446	1,630,184
<i>Less: allowance for impairment</i>	(35,468)	(28,920)	(42,783)	(37,821)
Net	1,733,397	1,715,982	1,605,663	1,592,363

The distribution of loans by stages and days past due:

	30 June 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
<i>Gross amount</i>	1,361,971	50,448	449	3,774	1,416,642	1,258,537	24,002	14	29	1,282,582
<i>Allowance for impairment</i>	(8,210)	(1,012)	(1)	(4)	(9,227)	(6,517)	(1,056)	-	(1)	(7,574)
Net amount	1,353,761	49,436	448	3,770	1,407,415	1,252,020	22,946	14	28	1,275,008
Stage 2:										
<i>Gross amount</i>	252,852	4,296	8,181	16	265,345	241,246	5,117	5,482	5	251,850
<i>Allowance for impairment</i>	(4,636)	(26)	(1,510)	-	(6,172)	(5,130)	(248)	(1,610)	(1)	(6,989)
Net amount	248,216	4,270	6,671	16	259,173	236,116	4,869	3,872	4	244,861
Stage 3:										
<i>Gross amount</i>	42,815	12,913	4,597	26,553	86,878	61,559	6,658	3,160	42,637	114,014
<i>Allowance for impairment</i>	(4,167)	(1,152)	(1,386)	(13,364)	(20,069)	(6,249)	(1,107)	(1,018)	(19,846)	(28,220)
Net amount	38,648	11,761	3,211	13,189	66,809	55,310	5,551	2,142	22,791	85,794
Total:										
<i>Gross amount</i>	1,657,638	67,657	13,227	30,343	1,768,865	1,561,342	35,777	8,656	42,671	1,648,446
<i>Allowance for impairment</i>	(17,013)	(2,190)	(2,897)	(13,368)	(35,468)	(17,896)	(2,411)	(2,628)	(19,848)	(42,783)
Net amount	1,640,625	65,467	10,330	16,975	1,733,397	1,543,446	33,366	6,028	22,823	1,605,663

	30 June 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
<i>Gross amount</i>	1,250,270	37,803	449	3,774	1,292,296	1,256,789	11,159	14	10	1,267,972
<i>Allowance for impairment</i>	(5,407)	(104)	(1)	(4)	(5,516)	(3,747)	(79)	-	-	(3,826)
Net amount	1,244,863	37,699	448	3,770	1,286,780	1,253,042	11,080	14	10	1,264,146
Stage 2:										
<i>Gross amount</i>	360,797	4,296	4,497	16	369,606	241,247	5,117	1,206	-	247,570
<i>Allowance for impairment</i>	(4,636)	(26)	(222)	-	(4,884)	(5,130)	(248)	(57)	-	(5,435)
Net amount	356,161	4,270	4,275	16	364,722	236,117	4,869	1,149	-	242,135
Stage 3:										
<i>Gross amount</i>	41,939	12,035	3,338	25,688	83,000	65,546	5,835	1,732	41,529	114,642
<i>Allowance for impairment</i>	(4,148)	(709)	(753)	(12,910)	(18,520)	(8,310)	(688)	(291)	(19,271)	(28,560)
Net amount	37,791	11,326	2,585	12,778	64,480	57,236	5,147	1,441	22,258	86,082
Total:										
<i>Gross amount</i>	1,653,006	54,134	8,284	29,478	1,744,902	1,563,582	22,111	2,952	41,539	1,630,184
<i>Allowance for impairment</i>	(14,191)	(839)	(976)	(12,914)	(28,920)	(17,187)	(1,015)	(348)	(19,271)	(37,821)
Net amount	1,638,815	53,295	7,308	16,564	1,715,982	1,546,395	21,096	2,604	22,268	1,592,363

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

Stage 1 loans: loans with no significant 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.

During the first quarter of 2021, internal credit rating procedures were enhanced: an updated legal customer financial status methodology was implemented. Main change in the methodology – increased number of grades: there were 5 internal grades under previous methodology, updated methodology has 11 grades. This allows for more granular assessment of borrowers. Clear links between internal credit grades and credit stages have been established – exposures assigned to internal credit rating grades 7 – 9 are in credit stage 2, exposures assigned internal grades 10 – 11 are in credit stage 3.

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. Moratoria ended on 30 September 2020, but, taking into account Covid-19 developments in Lithuania, they were renewed in January 2021 until 31 March 2021. As interest rate is not modified as a condition for moratoria, no material result from contract modifications was recorded (during six months period ended 30 June 2021, loan modifications resulted in net loss of EUR 3 thousand, which was included in income statement line "Other operating income"). Renewed moratoria did not reach significant volumes – extensions according to the renewed moratoria were applied for loans and finance lease receivables with carrying amount of EUR 2,831 thousand. Major part of the loans that had extensions according to moratoria have returned to their original payment schedules – as of 30 June 2021, loans and finance lease receivables with unexpired payment deferrals according to moratoria (including renewed moratoria) amounted to EUR 2,575 thousand. Also, loans and finance lease receivables with carrying amount of EUR 28,773 thousand had other extension measures that were not under moratoria and had not returned to the original payment schedules.

Finance lease receivables

Information on finance lease receivables is summarized in the tables below:

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Business customers</i>	154,932	154,004	133,358	132,448
<i>Individuals</i>	26,350	26,350	26,684	26,684
Gross	181,282	180,354	160,042	159,132
<i>Less: Allowance for impairment</i>	(4,276)	(3,534)	(4,585)	(3,842)
Net	177,006	176,820	155,457	155,290

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (CONTINUED)

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

	30 June 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Group										
Stage 1:										
Gross amount	129,013	11,855	-	-	140,868	113,772	4,868	-	-	118,640
Allowance for impairment	(711)	(53)	-	-	(764)	(764)	(36)	-	-	(800)
Net amount	128,302	11,802	-	-	140,104	113,008	4,832	-	-	117,840
Stage 2:										
Gross amount	30,420	1,030	601	16	32,067	29,376	1,415	597	-	31,388
Allowance for impairment	(1,067)	(47)	(20)	(1)	(1,135)	(833)	(63)	(35)	-	(931)
Net amount	29,353	983	581	15	30,932	28,543	1,352	562	-	30,457
Stage 3:										
Gross amount	5,909	489	345	1,604	8,347	6,685	1,068	191	2,070	10,014
Allowance for impairment	(1,112)	(49)	(94)	(1,122)	(2,377)	(1,125)	(36)	(86)	(1,607)	(2,854)
Net amount	4,797	440	251	482	5,970	5,560	1,032	105	463	7,160
Total:										
Gross amount	165,342	13,374	946	1,620	181,282	149,833	7,351	788	2,070	160,042
Allowance for impairment	(2,890)	(149)	(114)	(1,123)	(4,276)	(2,722)	(135)	(121)	(1,607)	(4,585)
Net amount	162,452	13,225	832	497	177,006	147,111	7,216	667	463	155,457

	30 June 2021					31 December 2020				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Bank										
Stage 1:										
Gross amount	128,882	11,855	-	-	140,737	113,660	4,867	-	-	118,527
Allowance for impairment	(710)	(53)	-	-	(763)	(763)	(36)	-	-	(799)
Net amount	128,172	11,802	-	-	139,974	112,897	4,831	-	-	117,728
Stage 2:										
Gross amount	30,420	1,030	601	16	32,067	29,376	1,415	597	-	31,388
Allowance for impairment	(1,067)	(47)	(20)	(1)	(1,135)	(833)	(63)	(35)	-	(931)
Net amount	29,353	983	581	15	30,932	28,543	1,352	562	-	30,457
Stage 3:										
Gross amount	5,909	489	345	807	7,550	6,685	1,068	191	1,273	9,217
Allowance for impairment	(1,112)	(49)	(94)	(381)	(1,636)	(1,125)	(36)	(86)	(865)	(2,112)
Net amount	4,797	440	251	426	5,914	5,560	1,032	105	408	7,105
Total:										
Gross amount	165,211	13,374	946	823	180,354	149,721	7,350	788	1,273	159,132
Allowance for impairment	(2,889)	(149)	(114)	(382)	(3,534)	(2,721)	(135)	(121)	(865)	(3,842)
Net amount	162,322	13,225	832	441	176,820	147,000	7,215	667	408	155,290

NOTE 2
SECURITIES

Securities in the trading book

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

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Debt securities:	22,544	17,373	14,540	8,844
Government bonds	8,689	6,708	6,403	4,182
Corporate bonds	13,855	10,665	8,137	4,662
Equity securities	21,986	943	22,528	738
Total	44,530	18,316	37,068	9,582

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	20,137	17,373	11,806	8,844
from AA- to AAA	-	-	-	-
from A- to A+	6,684	6,492	3,968	3,771
from BBB- to BBB+	1,158	531	1,665	1,035
from BB- to BB+	3,798	3,639	973	610
lower than BB-	-	-	270	270
no rating	8,497	6,711	4,930	3,158
Equity securities	943	943	738	738
listed	940	940	732	732
unlisted	3	3	6	6
units of investment funds	-	-	-	-
Total trading securities	21,080	18,316	12,544	9,582
Other trading book securities:				
Debt securities	2,407	-	2,734	-
from AA- to AAA	-	-	-	-
from A- to A+	208	-	216	-
from BBB- to BBB+	1,595	-	1,614	-
from BB- to BB+	95	-	97	-
lower than BB-	-	-	-	-
no rating	509	-	807	-
Equity securities	21,043	-	21,790	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	21,043	-	21,790	-
Total other trading book securities	23,450	-	24,524	-
TOTAL	44,530	18,316	37,068	9,582

NOTE 2
SECURITIES (CONTINUED)

Investment securities

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities:	50,046	50,046	30,429	30,429
Government bonds	29,782	29,782	17,709	17,709
Corporate bonds	20,264	20,264	12,720	12,720
Equity securities	4,619	4,619	3,913	3,786
Total	54,665	54,665	34,342	34,215
Securities at amortized cost:				
Debt securities:	680,986	668,303	709,454	697,136
Government bonds	510,921	505,134	532,501	526,700
Corporate bonds	170,065	163,169	176,953	170,436
Total	680,986	668,303	709,454	697,136

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities	50,046	50,046	30,429	30,429
from AA- to AA+	1,503	1,503	-	-
from A- to A+	32,526	32,526	16,971	16,971
from BBB- to BBB+	8,086	8,086	11,837	11,837
from BB- to BB+	6,942	6,942	1,621	1,621
lower than BB-	-	-	-	-
no rating	989	989	-	-
Equities	4,619	4,619	3,913	3,786
listed	-	-	-	-
unlisted	487	487	525	398
units of investment funds	4,132	4,132	3,388	3,388
Total	54,665	54,665	34,342	34,215
Securities at amortized cost:				
Debt securities	680,986	668,303	709,454	697,136
from AA- to AA+	6,208	6,002	6,116	5,910
from A- to A+	512,676	506,645	535,155	529,095
from BBB- to BBB+	160,176	155,656	167,269	162,131
from BB- to BB+	1,926	-	914	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	680,986	668,303	709,454	697,136

Credit stages of investment debt securities:

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	731,160	718,665	739,065	726,933
Allowance for impairment	(329)	(316)	(316)	(306)
Net amount	730,831	718,349	738,749	726,627
Stage 2:				
Gross amount	201	-	1,173	974
Allowance for impairment	-	-	(39)	(36)
Net amount	201	-	1,134	938
Stage 3:				
Gross amount	1,020	-	1,016	-
Allowance for impairment	(1,020)	-	(1,016)	-
Net amount	-	-	-	-
Total	731,032	718,349	739,883	727,565

During the six months periods ended 30 June 2021 and 30 June 2020, no material reclassifications between portfolios of securities were performed.

NOTE 2
SECURITIES (CONTINUED)

Investments in subsidiaries

As of 30 June 2021 and 31 December 2020 the Bank owned the following directly controlled subsidiaries:

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

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

5. Apželdinimas UAB (real estate management activities),
6. Sandworks UAB (real estate management activities).

As of 30 June 2021 Bank indirectly through Šiaulių Banko Investicijų Valdymas UAB held 100% shares in Sandworks UAB. Šiaulių Banko Investicijų Valdymas UAB was directly controlled subsidiary of the Bank as of 30 June 2021 but due to planned liquidation was classified as held for sale. For more information see Note 3.

The Bank also had subsidiaries held for sale (30 June 2021 – two companies, 31 December 2020 – two companies), please see Note 3 for information.

Bank's investments in subsidiaries consisted of:

	Share in equity	30 June 2021	31 December 2020
<i>SB draudimas GD UAB</i>	100%	11,791	10,513
<i>SB lizingas UAB</i>	100%	11,336	13,274
<i>Šiaulių Banko Lizingas UAB</i>	100%	1,074	1,074
<i>SB Turto Fondas UAB</i>	100%	4,571	4,274
Total		28,772	29,135

Bank's subsidiary SB Draudimas GD UAB was tested for impairment using embedded value approach as of 31 December 2020 and 31 December 2019. No impairment indications were determined at these dates. During first half of year 2021 the subsidiary is in line with forecasted operating results therefore no indications of impairment were identified at 30 June 2021 as well.

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	5,093	4,862	4,695	4,278
<i>Inventories</i>	712	-	1,391	-
<i>Deferred charges</i>	1,564	1,540	748	736
<i>Assets under reinsurance and insurance contracts</i>	1,461	-	1,315	-
<i>Prepayments</i>	2,560	1,774	3,477	1,469
<i>Foreclosed assets</i>	326	248	509	431
<i>Other</i>	6,583	6,592	2,661	2,627
Total	18,299	15,016	14,796	9,541

NOTE 3

SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS (CONTINUED)

Assets held for sale and liabilities related to assets held for sale

Assets held for sale and related liabilities consist of:

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Assets related to subsidiaries classified as held for sale	203	2,188	6,687	3,713
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	203	2,188	1,393	885
<i>Minera UAB</i>	-	-	5,294	2,828
<i>Real estate classified as held for sale</i>	635	635	860	860
Total assets classified as held for sale	838	2,823	7,547	4,573
Liabilities attributable to subsidiaries classified as held for sale	93	-	98	-
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	10	-	24	-
<i>Minera UAB</i>	-	-	74	-
<i>Apželdinimas UAB</i>	83	-	-	-

By implementing its strategic plan, the Bank optimizes the structure of its subsidiaries, therefore in fourth quarter of 2020 following subsidiaries were included in subsidiaries held for sale: Minera UAB (intention to sell shares) and Šiaulių Banko Investicijų Valdymas UAB (intention to liquidate). In second quarter of 2021 Apželdinimas UAB (intention to sell shares; shares were sold on 9th July 2021) was also included in subsidiaries held for sale. As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations is attributable to equity owners of the Group. During the six months period ended 30 June 2021, Bank's share in Minera UAB was sold. The result of this sale is included in Group's result from discontinued operations (result of sale is nil in Bank's accounts).

Result of discontinued operations, as of 30 June 2021	Minera UAB	Apželdinimas UAB	Šiaulių Banko Investicijų Valdymas UAB	Total
<i>Profit (loss) of current year</i>	6	(16)	(7)	(17)
<i>Gain (loss) from disposal of subsidiary</i>	(348)	-	-	(348)
Result of discontinued operations:	(342)	(16)	(7)	(365)

NOTE 4

DUE TO CUSTOMERS

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
Demand deposits:				
<i>National government institutions</i>	62,871	62,871	49,085	49,085
<i>Local government institutions</i>	116,737	116,737	72,992	72,992
<i>Governmental and municipal companies</i>	30,380	30,380	23,135	23,135
<i>Corporate entities</i>	649,520	656,656	636,651	638,224
<i>Non-profit organizations</i>	35,081	35,081	22,791	22,791
<i>Individuals</i>	701,210	701,210	643,878	643,878
<i>Unallocated amounts due to customers</i>	24,109	24,130	11,887	11,908
Total demand deposits	1,619,908	1,627,065	1,460,419	1,462,013
Time deposits:				
<i>National government institutions</i>	3,015	3,015	1,059	1,059
<i>Local government institutions</i>	4,071	4,071	761	761
<i>Governmental and municipality companies</i>	2,610	2,610	2,259	2,259
<i>Corporate entities</i>	50,427	50,427	46,309	46,309
<i>Non-profit organizations</i>	3,137	3,137	3,371	3,371
<i>Individuals</i>	801,686	801,686	833,249	833,249
Total time deposits	864,946	864,946	887,008	887,008
Total	2,484,854	2,492,011	2,347,427	2,349,021

NOTE 5

SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITIES ITEMS

Due to other banks and financial institutions

As at 30 June 2021, the outstanding borrowing on the balance sheet under third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank amounted to EUR 150 million. Loan maturity date is on 28 June 2023 with early repayment option starting on 29 September 2021. The Bank intends to use the early repayment option. 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%. The Bank does not include the bonus on the special interest period in its effective interest recognition. The TLTRO-III negative interest is recorded in the income statement line "Interest income". Securities with a carrying value of EUR 157,189 thousand were placed as a collateral for these borrowings.

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 5,749 thousand in the beginning of the year to EUR 10,268 thousand (for Group) and EUR 10,256 (for Bank) in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 30 June 2021 and 31 December 2020 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

At 30 June 2021 and 31 December 2020, the European Bank for Reconstruction and Development possessed 26.02% of the authorized capital and votes of the Bank.

As at 30 June 2021, the Bank had 13,283 shareholders (as at 31 December 2020: 9,053).

Dividends:

On 31 March 2021 the ordinary general meeting of shareholders made a decision to pay EUR 0.0055 (i.e. 1.9%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

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.

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.

The Bank did not acquire own shares during the six months period ended 30 June 2021.

During the six months period ended 30 June 2020 the Bank acquired 780 thousand own shares for EUR 320 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2016 and 2017. As of 30 June 2021 and 30 June 2020, the Bank did not possess its own shares.

NOTE 6
CAPITAL (CONTINUED)

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.

The Group's remuneration policy prescribes two main elements of remuneration – fixed remuneration and variable remuneration, and various additional benefits. Employees whose professional activities and/or decisions might have a significant impact on the risk accepted by the Group, receive deferred variable remuneration. The remuneration amounts are accrued as staff expenses in income statement. Until 2018, Group's incentive scheme included deferred payments in shares and cash of not less than 40% of variable remuneration being paid in equal instalments during three-year period. From 2019 under the Group's incentive scheme employees whose professional activities and/or decisions may have a significant impact on the risk assumed by the Group receive 50% of the annual long-term incentive program in cash and 50% in form of Bank's shares options executable after 3 years. The number of share options is based on the currency value of the achieved results divided by the weighted average price at which the Bank's shares are traded on Nasdaq Vilnius during the period of five months prior the approval of remuneration. Each option is convertible into one ordinary share.

The Group has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. The model inputs include:

- For the option granted 31 March 2021: grant date (31 March 2021), expiry day (12 April 2024), share price 0.538 on grant day, exercise price 0.498, expected price volatility of the bank's shares 25%, risk free interest rate - 0.1%;
- For the option granted 31 March 2020: grant date (31 March 2020), expiry day (15 April 2023), share price 0.510 on grant day, exercise price 0.449, expected price volatility of the bank's shares 21%, risk free interest rate - 0.1%

The value of the option is included in other equity line in the statement of financial position. Other equity consists of:

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
<i>Options</i>	3,408	2,967	2,233	1,959
<i>Shares distributable to employees</i>	126	107	126	107
Total	3,534	3,074	2,359	2,066

No options were forfeited, exercised or expired during periods ended 30 June 2021 and 31 December 2020.

Basic earnings per share:

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 30 June 2021 and 30 June 2020, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 30 June 2021 and 30 June 2020 was 600,726 thousand. Weighted average number of shares in issue for the period ended 30 June 2021 was 600,717 thousand (30 June 2020: 600,717 thousand).

Group

	30 June 2021	30 June 2020
<i>Net profit from continuing operations attributable to equity holders</i>	28,251	20,884
<i>Net profit (loss) from discontinued operations attributable to equity holders</i>	(365)	-
Net profit attributable to equity holders	27,886	20,884
<i>Weighted average number of shares in issue during the period (thousand units)</i>	600,717	600,717
Basic earnings per share (EUR)	0.05	0.03
<i>Basic earnings per share (EUR) from continuing operations</i>	0.05	0.03
<i>Basic earnings per share (EUR) from discontinued operations</i>	0.00	0.00

NOTE 7
NET INTEREST INCOME

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):	39,341	32,964	38,466	31,995
on loans to other banks and financial institutions and placements with credit institutions	527	1,848	362	1,856
on loans to customers	35,853	28,277	34,495	26,641
on debt securities at amortized cost	2,821	2,729	3,494	3,409
on debt securities at fair value through other comprehensive income	140	110	115	89
Other similar income:	4,024	3,954	3,817	3,750
on debt securities at fair value through profit or loss	158	98	181	121
on finance leases	3,537	3,527	3,600	3,593
other interest income	329	329	36	36
Total interest income	43,365	36,918	42,283	35,745
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	-	-
on financial liabilities measured at amortized cost	(4,490)	(4,498)	(4,805)	(4,811)
on other liabilities	(882)	(878)	(39)	(36)
Total interest expense	(5,372)	(5,376)	(4,844)	(4,847)
Net interest income	37,993	31,542	37,439	30,898

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	2,275	2,275	2,252	2,252
for settlement services	2,610	2,613	2,433	2,439
for cash operations	2,243	2,243	2,344	2,344
for account administration	2,086	2,086	2,048	2,048
for guarantees, letters of credit, documentary collection	478	478	386	386
for collection of utility and similar payments	136	136	131	133
for services related to securities	1,585	1,642	901	971
other fee and commission income	386	587	493	591
Total fee and commission income	11,799	12,060	10,988	11,164
Fee and commission expense:				
for payment cards	(1,952)	(1,952)	(1,837)	(1,808)
for cash operations	(539)	(539)	(527)	(527)
for correspondent bank and payment system fees	(306)	(206)	(284)	(203)
for services of financial data vendors	(98)	(98)	(89)	(89)
for services related to securities	(300)	(300)	(391)	(391)
other fee and commission expenses	(175)	(163)	(180)	(170)
Total fee and commission expense	(3,370)	(3,258)	(3,308)	(3,188)
Net fee and commission income	8,429	8,802	7,680	7,976

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(138)	(138)	(116)	(94)
<i>Utility services for buildings and premises</i>	(419)	(378)	(374)	(338)
<i>Other expenses related to buildings and premises</i>	(433)	(432)	(431)	(430)
<i>Transportation expenses</i>	(143)	(110)	(160)	(125)
<i>Legal costs</i>	(152)	(152)	(138)	(138)
<i>Personnel and training expenses</i>	(123)	(103)	(112)	(93)
<i>IT and communication expenses</i>	(2,653)	(2,319)	(2,288)	(2,005)
<i>Marketing and charity expenses</i>	(1,137)	(464)	(905)	(331)
<i>Service organization expenses</i>	(763)	(707)	(1,021)	(957)
<i>Non-income taxes, fines</i>	(331)	(30)	(67)	145
<i>Costs incurred due to debt recovery</i>	(154)	(57)	(191)	(58)
<i>Other expenses</i>	(504)	(316)	(601)	(390)
Total	(6,950)	(5,206)	(6,404)	(4,814)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
<i>(Impairment losses) / reversal of impairment losses on loans</i>	(2,554)	(2)	(7,796)	(5,833)
<i>Recoveries of loans previously written-off</i>	447	147	775	173
<i>Reversal of impairment losses / (impairment losses) on finance lease receivables</i>	307	306	(1,659)	(1,659)
<i>Recovered previously written-off finance lease receivables</i>	-	-	144	-
<i>(Impairment losses) on debt securities</i>	26	26	(54)	(23)
<i>Reversal of impairment losses on due from banks</i>	(2)	(2)	(9)	(9)
<i>Reversal of impairment losses / (impairment losses) on other financial assets</i>	(50)	(11)	213	209
<i>(Impairment losses) on subsidiaries</i>	-	-	-	-
<i>(Impairment losses) / reversal of impairment losses on other non-financial assets</i>	820	(2)	31	31
<i>Recoveries of other non-financial assets previously written-off</i>	-	-	-	-
<i>Provisions for other liabilities</i>	65	-	73	-
Total	(941)	462	(8,282)	(7,111)

NOTE 10
IMPAIRMENT LOSSES (CONTINUED)

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
As at 1 January	42,783	37,821	38,509	32,065
Change in allowance for loan impairment	2,554	2	7,796	5,833
Loans written off during the period	(9,870)	(8,904)	(4,845)	(3,532)
Other factors (reclassification, FX rate shift, etc.)	1	1	-	-
As at 30 June	35,468	28,920	41,460	34,366
Allowance for impairment of finance lease receivables				
As at 1 January	4,585	3,842	3,961	3,187
Change in allowance for impairment of finance lease receivables	(307)	(306)	1,659	1,659
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(2)	(2)	-	-
As at 30 June	4,276	3,534	5,620	4,846
Allowance for impairment of debt securities				
As at 1 January	1,372	342	1,317	290
Change in allowance for impairment of debt securities	(26)	(26)	54	23
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	3	-	2	-
As at 30 June	1,349	316	1,373	313
Allowance for impairment of due from banks				
As at 1 January	42	42	23	23
Change in allowance for impairment of due from banks	2	2	9	9
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 30 June	44	44	32	32
Allowance for impairment of other financial assets				
As at 1 January	161	153	517	505
Change in allowance for impairment of other financial assets	50	11	(213)	(209)
Other financial assets written off during the period	(12)	(12)	(9)	(9)
Other factors (reclassification, FX rate shift, etc.)	-	-	(2)	-
As at 30 June	199	152	293	287

As environmental factors changed, assumptions and estimates used in probability of default (PD) estimations were changed. The scenarios used to calculate PDs were based on the latest available economic change scenarios published by institutions, Group's management assigned judgement-based probabilities to these scenarios.

Scenario probabilities and weighted average GDP growth:

	2021		2022		2023		2024		2025	
At 30 June 2021:	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>
Base scenario	5.10%	50%	4.10%	50%	3.10%	50%	2.40%	50%	2.40%	50%
Pessimistic scenario	3.50%	45%	3.50%	45%	1.10%	45%	1.10%	45%	1.10%	45%
Optimistic scenario	6.00%	5%	6.00%	5%	3.80%	5%	3.80%	5%	3.80%	5%
Weighted average GDP growth	4.4%	3.9%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
At 31 December 2020:	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>	<i>GDP Probability</i>
Base scenario	-4.00 %	21 %	-4.00 %	19 %	-4.00 %	20 %	-4.00 %	21 %	-4.00 %	22 %
Pessimistic scenario	-6.60 %	10 %	-6.60 %	5 %	-6.60 %	5 %	-6.60 %	5 %	-6.60 %	5 %
Optimistic scenario	5.88 %	66 %	5.88 %	75 %	5.88 %	74 %	5.88 %	73 %	5.88 %	72 %
Stressed scenario	-15.30 %	3 %	-15.30 %	1 %	-15.30 %	1 %	-15.30 %	1 %	-15.30 %	1 %
Weighted average GDP growth	1.9%	3.2%	3.1%	3.0%	3.0%	3.0%	3.0%	2.9%	2.9%	2.9%

Recovery rates used to derive LGD parameters were also revised to take into account latest available collateral sales data. Group's impairment expenses due to changes in accounting estimates amounted to: for the six months period ended 30 June 2021 – an impairment loss of EUR 1,190 thousand (all attributable to change in calculation parameters), for the six months period ended 30 June 2020 – an impairment loss of EUR 6,409 thousand (EUR 4,582 thousand due to change in calculation parameters, and EUR 1,827 thousand due to the contracts that the significant credit risk increase was recognized based on the collective assessment of Covid-19 influence to sector).

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	2,842	1,107	(32)	1,811
<i>Net gain from foreign exchange and related derivatives</i>	(728)	(747)	3,306	3,278
<i>Net gain (loss) from other derivatives</i>	4,063	4,063	20	20
Total	6,177	4,423	3,294	5,109

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net gain of EUR 1,888 thousand for the six months period ended 30 June 2021; a net loss of EUR 1,948 thousand for the six months period ended 30 June 2020.

Expenses related to insurance activities

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	(1,918)	-	1,921	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(1,712)	-	(2,617)	-
Total expenses related to insurance activities	(3,630)	-	(696)	-

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

	1 January - 30 June 2021		1 January - 30 June 2020	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	30	-	27	-
<i>Net gain (loss) from operations with securities</i>	1,869	-	(1,976)	-
<i>Net gain (loss) from foreign exchange</i>	19	-	28	-
Total	1,918	-	(1,921)	-

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 2021 and 2020, 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).

RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	30 June 2021		31 December 2020	
	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>	2,036	121	1,606	88
<i>Other related parties (excluding subsidiaries of the Bank)</i>	3,897	16,971	4,306	18,166
Total	5,933	17,092	5,912	18,254

As of 30 June 2021, the balance of individual allowance for impairment losses on loans to related parties, except subsidiaries, amounted to EUR 91 thousand (31 December 2020: EUR 51 thousand).

Remuneration of the management of the Bank:

According to the Bank's Remuneration Policy, the members of the management bodies are paid a fixed and annual variable remuneration. The annual variable remuneration fund is formed based on the Bank's performance, taking into account current and future risks. During 6 months period ended 30 June 2021 the total amount of fixed and annual variable remuneration (total of payments in cash and in shares of the Bank) to the Bank's Board members amounted to EUR 1,426 thousand (2020: EUR 1,444 thousand).

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 June 2021		31 December 2020	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	7,970	-	2,575	5,767
<i>Financial institutions</i>	6,801	126,224	2,466	129,132
	14,771	126,224	5,041	134,899

Bank's total balances with subsidiaries:

	30 June 2021	31 December 2020
Assets		
<i>Loans</i>	107,752	107,468
<i>Other assets</i>	-	93
<i>Bank's investment in subsidiaries</i>	28,772	29,135
<i>Bank's investment in subsidiaries classified as held for sale</i>	2,188	3,713
Liabilities and shareholders' equity		
<i>Deposits</i>	14,771	5,041
<i>Other liabilities</i>	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 30 June 2021	1 January – 30 June 2020
Income		
<i>Interest</i>	1,357	1,642
<i>Commission income</i>	37	260
<i>FX gain (loss)</i>	5	5
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	5,940	3,258
<i>Other income</i>	-	54
Expenses		
<i>Interest</i>	(9)	(9)
<i>Operating expenses</i>	-	(9)
<i>(Impairment losses)/ reversal of impairment losses on loans</i>	1,998	(150)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-

As of 30 June 2021, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 674 thousand (31 December 2020: EUR 2,672 thousand).

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

Liquidity risk means the risk that the Bank and the Group 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 and the Group'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 and Group's liquidity situation deterioration was observed during Covid-19 epidemic situation.

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

The structure of the Group's assets and liabilities by maturity as at 30 June 2021 was as follows:

	Less than 1 month	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>	478,995	52,252	112,974	125,494	262,035	1,096,521	1,016,206	70,910	3,215,387
<i>Total liabilities and shareholders' equity</i>	1,709,870	77,854	263,303	183,991	308,181	176,542	115,300	380,346	3,215,387
<i>Net liquidity gap</i>	(1,230,875)	(25,602)	(150,329)	(58,497)	(46,146)	919,979	900,906	(309,436)	-

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

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

The structure of the Bank's assets and liabilities by maturity as at 30 June 2021 was as follows:

	Less than 1 month	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>	477,924	48,247	105,575	111,191	341,520	1,049,708	981,269	64,321	3,179,755
<i>Total liabilities and shareholders' equity</i>	1,724,514	67,654	262,998	183,360	307,168	174,128	78,983	380,950	3,179,755
<i>Net liquidity gap</i>	(1,246,590)	(19,407)	(157,423)	(72,169)	34,352	875,580	902,286	(316,629)	-

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (CONTINUED)

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

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

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 and Group'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. Currently the larger part of the closed client service units have renewed their activities.

In 2021, Bank's and Group's attention will be devoted to management of Bank's and Group's reputational risk, business continuity and outsourcing services. In order to ensure effective reputational risk management, reputational risk management procedure was approved in the end of 2020. Update of Bank's business continuity documentation and preparation for testing of components of Business Continuity Plan is currently being performed. After the approval of outsourcing service procurement procedure in the management board, amendments of important outsourcing agreements with Suppliers were initiated.

To properly implement risk management measures related with climate change and environmental risks, a review of Bank's Extreme Situation Management plan and operational / reputational risk management documentation is planned.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the six months period ended 30 June 2021, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2020. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the six months period ended 30 June 2021.

Details on the main models used in valuation of Level III instruments:

Unlisted debt securities. Most commonly used fair value measures in the Group are assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities. Significant unobservable inputs include discount rates (from 5.6 % to 7.1 %) and probabilities of forecasted cashflows. Probabilities of forecasted cashflows are based on assessment of individual instruments.

Unlisted equity securities. Most commonly used fair value measures in the Group are: valuations from external independent certified appraisers or assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities. Significant unobservable inputs include discount rates (from 5.6 % to 7.1 %) and probabilities of forecasted cashflows. Probabilities of forecasted cashflows are based on assessment of individual instruments.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

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

	30 June 2021		31 December 2020	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	38,809	13,229	33,459	7,327
Investment securities at fair value	43,407	43,407	30,888	30,888
Total Level I financial assets	82,216	56,636	64,347	38,215
LEVEL II				
Derivative financial instruments - assets	1,640	1,640	445	445
Derivative financial instruments - liabilities	(194)	(194)	(3,840)	(3,840)
LEVEL III				
Trading book securities	5,721	5,087	3,609	2,255
Investment securities at fair value	11,258	11,258	3,454	3,327
Total Level III financial assets	16,979	16,345	7,063	5,582

There were no transfers between fair value hierarchy levels during 2021 and 2020.

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

Group	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
As at 31 December	3,609	1,519	3,454	1,136
Impact of change in accounting principles	-	-	-	-
As at 1 January	3,609	1,519	3,454	1,136
Additions	5,076	2,682	7,793	-
Disposals / redemption / derecognition	(2,833)	(2,150)	(127)	(1,594)
Changes due to interest accrued/paid	7	3	4	-
Changes in fair value	(138)	-	134	(159)
As at 30 June	5,721	2,054	11,258	(617)

Bank	Trading book securities		Investment securities at fair value	
	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
As at 31 December	2,255	1,519	3,327	622
Impact of change in accounting principles	-	-	-	-
As at 1 January	2,255	1,519	3,327	622
Additions	5,076	2,180	7,793	-
Disposals / redemption / derecognition	(2,252)	(2,150)	-	-
Changes due to interest accrued/paid	7	3	4	-
Changes in fair value	1	-	134	56
As at 30 June	5,087	1,552	11,258	678

	1 January – 30 June 2021		1 January – 30 June 2020	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(4)	135	(159)	56

Fair value of investment securities held to collect cash flows:

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

	30 June 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	680,986	693,647	709,454	725,022

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2021 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<i>Internal</i>	(304)	-	27	(29)	306	-
<i>External</i>	36,273	1,366	175	179	-	37,993
Net interest income	35,969	1,366	202	150	306	37,993
<i>Internal</i>	193	-	-	12	(205)	-
<i>External</i>	8,531	-	-	(102)	-	8,429
Net fee and commissions income	8,724	-	-	(90)	(205)	8,429
<i>Internal</i>	(111)	-	27	(17)	101	-
<i>External</i>	44,804	1,366	175	77	-	46,422
Net interest, fee and commissions income	44,693	1,366	202	60	101	46,422
<i>Internal</i>	(46)	-	-	(42)	88	-
<i>External</i>	(16,957)	(1,639)	-	(4,827)	-	(23,423)
Operating expenses	(17,003)	(1,639)	-	(4,869)	88	(23,423)
<i>Amortisation charges</i>	(593)	(66)	-	(22)	-	(681)
<i>Depreciation charges</i>	(1,261)	(133)	-	(159)	-	(1,553)
<i>Internal</i>	-	-	-	(1,176)	-	(1,176)
<i>External</i>	197	-	12	26	-	235
Impairment expenses	197	-	12	(1,150)	-	(941)
<i>Internal</i>	3,142	-	2,912	(6)	(6,048)	-
<i>External</i>	6,299	1,107	(2,382)	8,085	-	13,109
Net other income	9,441	1,107	530	8,079	(6,048)	13,109
Profit (loss) before tax from continuing operations	35,474	635	744	3,115	(5,859)	34,109
<i>Income tax</i>	(5,136)	(509)	-	(213)	-	(5,858)
Profit (loss) per segment after tax from continuing operations	30,338	126	744	2,902	(5,859)	28,251
<i>Profit or (loss) per segment after tax from discontinued operations</i>	-	-	(365)	-	-	(365)
Profit (loss) per segment	30,338	126	379	2,902	(5,859)	27,886
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	30,338	126	379	2,902	(5,859)	27,886
<i>Total segment assets</i>	2,077,968	1,224,763	6,762	59,230	(153,336)	3,215,387
<i>Total segment liabilities</i>	1,832,022	1,078,030	5,952	42,750	(123,643)	2,835,111
Net segment assets (shareholders' equity)	245,946	146,733	810	16,480	(29,693)	380,276

NOTE 15

SEGMENT INFORMATION (CONTINUED)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2020 and in the Statement of comprehensive income for the six months period then ended is presented in the table below.

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

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 June 2021 and 31 December 2020 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. SB Turto Fondas UAB (real estate management activities, name changed from Šiaulių Banko Turto Fondas UAB),
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 using equity method, in the same way as presented on the balance sheet of the Bank. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Financial Group's condensed statement of financial position

	30 June 2021	31 December 2020
ASSETS		
<i>Cash and cash equivalents</i>	475,821	432,035
<i>Securities in the trading book</i>	18,316	9,582
<i>Due from other banks</i>	1,019	1,598
<i>Derivative financial instruments</i>	1,640	445
<i>Loans to customers</i>	1,733,203	1,610,371
<i>Finance lease receivables</i>	177,006	155,457
<i>Investment securities at fair value</i>	54,665	34,342
<i>Investment securities at amortized cost</i>	668,303	697,136
<i>Investments in subsidiaries and associates</i>	11,791	11,320
<i>Intangible assets</i>	3,680	4,232
<i>Property, plant and equipment</i>	16,136	16,233
<i>Investment property</i>	2,270	2,920
<i>Current income tax prepayment</i>	1,126	8
<i>Deferred income tax asset</i>	1,076	2,076
<i>Other assets</i>	17,693	17,661
Total assets	3,183,745	2,995,416
LIABILITIES		
<i>Due to other banks and financial institutions</i>	250,488	230,143
<i>Derivative financial instruments</i>	194	3,840
<i>Due to customers</i>	2,486,374	2,347,682
<i>Special and lending funds</i>	10,256	5,749
<i>Debt securities in issue</i>	20,637	20,027
<i>Current income tax liabilities</i>	142	1,092
<i>Deferred income tax liabilities</i>	1,373	1,251
<i>Other liabilities</i>	33,965	29,563
Total liabilities	2,803,429	2,639,347
EQUITY		
<i>Share capital</i>	174,211	174,211
<i>Share premium</i>	3,428	3,428
<i>Reserve capital</i>	756	756
<i>Statutory reserve</i>	21,770	14,304
<i>Reserve for acquisition of own shares</i>	10,000	10,000
<i>Financial instruments revaluation reserve</i>	(172)	375
<i>Financial instruments revaluation reserve</i>	3,488	2,325
<i>Retained earnings</i>	166,835	150,670
<i>Non-controlling interest</i>	-	-
Total equity	380,316	356,069
Total liabilities and equity	3,183,745	2,995,416

SELECTED INFORMATION OF FINANCIAL GROUP (CONTINUED)

Financial Group's condensed income statement

	for the six months period ended	
	30 June 2021	30 June 2020
<i>Interest revenue calculated using the effective interest method</i>	39,278	38,509
<i>Other similar income</i>	3,964	3,757
<i>Interest expense and similar charges</i>	(5,377)	(4,849)
Net interest income	37,865	37,417
<i>Fee and commission income</i>	11,861	11,062
<i>Fee and commission expense</i>	(3,330)	(3,269)
Net fee and commission income	8,531	7,793
<i>Net gain from trading activities</i>	4,296	5,260
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-
<i>Net gain (loss) from derecognition of financial assets</i>	316	952
<i>Net gain (loss) from disposal of tangible assets</i>	767	281
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	399	359
<i>Salaries and related expenses</i>	(12,243)	(10,157)
<i>Depreciation and amortization expenses</i>	(2,093)	(1,826)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(6,744)	(6,139)
Operating profit before impairment losses	31,094	33,940
<i>Allowance for impairment losses on loans and other assets</i>	271	(8,501)
<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>	1,259	251
Profit before income tax	32,624	25,690
<i>Income tax expense</i>	(5,683)	(4,859)
Net profit for the period	26,941	20,831
<i>Profit (loss) from discontinued operations, net of tax</i>	(7)	-
Net profit for the year	26,934	20,831
Net profit attributable to:		
<i>Owners of the Bank</i>	26,934	20,831
<i>From continuing operations</i>	26,941	20,831
<i>From discontinued operations</i>	(7)	-
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the six months period ended	
	30 June 2021	30 June 2020
Net profit for the period	26,934	20,831
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(684)	36
<i>Deferred income tax on gain from revaluation of financial assets</i>	137	46
Other comprehensive income, net of deferred tax	(547)	82
Total comprehensive income for the period	26,387	20,913
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	26,387	20,913
<i>Non-controlling interest</i>	-	-
	26,387	20,913

NOTE 17
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:

Bank's subsidiary SB Draudimas UAB is engaged in life insurance business. For the periods ended 30 June 2021 and 31 December 2020 the technical insurance provisions and their changes were as follows:

	Unearned premiums	Claims outstanding	Mathematical	Unit-linked	Total
Gross:					
At 1 January 2020	15	144	9,291	24,048	33,498
Change during period	(1)	120	1,242	1,417	2,778
At 31 December 2020	14	264	10,533	25,465	36,276
Change during period	(1)	(46)	(605)	2,951	2,299
At 30 June 2021	13	218	9,928	28,416	38,575
Reinsurance share:					
At 1 January 2020	(25)	-	(5)	-	(30)
Change during period	(3)	(16)	-	-	(19)
At 31 December 2020	(28)	(16)	(5)	-	(49)
Change during period	1	14	-	-	15
At 30 June 2021	(27)	(2)	(5)	-	(34)
Net value					
At 31 December 2020	(14)	248	10,528	25,465	36,227
At 30 June 2021	(14)	216	9,923	28,416	38,541

During first half of year 2021 methodology of technical provisions calculation used in financial statements preparation was improved. Main change in methodology was inclusion of investment return to forecasted future cashflows when assessing Liabilities adequacy test. After these changes in methodology were made, mathematical technical provision has decreased by EUR 479 thousand. Other changes in insurance technical provisions were influenced by: risk free interest rate curve increase; increase in value of investment units; increased operations level (change in portfolio).

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (30 June 2021: securities EUR 23,450 thousand, cash EUR 4,966 thousand, 31 December 2020: securities EUR 24,525 thousand, cash EUR 940 thousand).

NOTE 18
SUBSEQUENT EVENTS

After end of reporting period there were no significant events which would have impact to these financial statements.

CONSOLIDATED REPORT

for the period of 6 months of 2021

The present additional information of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2021 to 30 June 2021.

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

[Homepage](#) › [Bank Investors](#) › [Financial Information](#) › [Alternative Performance Measures](#)

ACTIVITY RESULTS

- In the first half of the year, Šiaulių Bankas Group earned EUR 27.9 million of unaudited net profit
- The volume of financing for both business and private clients is growing – new credit agreements with the total amount exceeding EUR 600 million have been signed since the beginning of the year, and the loan portfolio has grown by 8% up to EUR 1.91 billion
- Becoming an increasingly important player in the housing loan market – a record amount of new credit agreements is signed through the Bank in the Q2
- The ECB's comprehensive assessment results - the capital base of Šiaulių Bankas is sufficient

“While facing high economic activity and consumer consumption, we continue to work actively on the Bank's strategic goals and directions - financing is provided to more and more business and private customers, with mortgage loan financing reaching record high sales volumes in Q2. The sustainability of the activities carried out by the Bank is further confirmed by the outcome of the ECB's comprehensive assessment - even in the particularly severe scenarios, the capital base of Šiaulių Bankas was sufficient and exceeded the set thresholds. Although pandemic challenges are still in place, we managed to adapt to the changing environment and serve our clients as promised - being closer to them and their needs” said Vytautas Sinius, CEO of Šiaulių Bankas.

In the first half of this year, Šiaulių Bankas Group earned EUR 27.9 million of unaudited net profit (34% more than a year ago, when the profit amounted to EUR 20.9 million). Profit for the second quarter was EUR 15.5 million and increased by 24% compared to the profit of EUR 12.5 million for the same period last year.

The operating revenue grew in the H1 of the year compared to the same period of 2020 - net interest income increased by 1% and reached EUR 38.0 million, net fee and commission income increased by 10% and reached EUR 8.4 million.

Provisions for possible impairment losses amounted to EUR 8.3 million in the H1 of last year. As the adverse economic forecast scenario did not materialise, the ECB's comprehensive assessment process has been successfully completed, the majority of loans deferred due to COVID-19 reached deferral period expiration and no signs of significant deterioration of the loan portfolio were observed, provisions for possible impairment losses of EUR 0.9 million were made in the H1 of this year. At the end of the H1, the cost of risk ratio (CoR) was 0.2% (1.0% in the H1 of 2020).

Business and Private Clients Financing

With the further decrease in economic uncertainty and the ease of quarantine restrictions, both private and business clients were actively financed. New credit agreements worth over EUR 600 million were signed in the first half of the year, i.e. 140% more than in the same period last year. The total loan and leasing portfolio of the Group increased by 5% (EUR 93 million) during the quarter and grew by 8% (EUR 149 million) since the beginning of the year (up to EUR 1.91 billion).

Almost three times more business financing loans (worth EUR 351 million) were signed compared to the first half of the previous year. The strong growth in the volume of new agreements observed for several quarters in a row will contribute to higher interest income in the upcoming quarters. The business financing portfolio grew by 3% (EUR 36 million) during the quarter and 6% (EUR 66 million) since the beginning of the year and reached EUR 1.12 billion.

In terms of sales volumes, both the second quarter and the entire half-year were again at a record high in the residential mortgage loan sector. New credit agreements worth EUR 96 million (132% more than in H1 2020) were signed. The number of applications continues to grow (35% more compared to Q1), which gives reasonable hope that sales volumes will remain stable. The mortgage loan portfolio increased by 12% (EUR 40 million) and by 24% (EUR 70 million) since the beginning of the year and reached EUR 367 million.

Fewer restrictions on customer service in the physical places and increased volumes of consumer credits issued have contributed to the growth of the consumer financing portfolio; over the quarter, the portfolio grew by 3% and reached EUR 161 million. In the first half of the year, consumer financing agreements worth EUR 59 million were signed.

The demand for the financing of energy-efficient projects remains high – in the first half of the year, multi-apartment modernisation agreements worth EUR 60 million (113% more than last year) were signed; in total, the Bank has already signed renovation agreements for EUR 640 million. The Bank has received more interest than expected from investors wishing to contribute funds to the new EUR 200 million multi-apartment house renovation fund. It is planned to complete negotiations with investors and establish the fund at the end of 2021 or the beginning of next year.

Daily banking

Fewer quarantine restrictions have also led to higher consumption and increased customer activity with net fee and commission income growing up to EUR 8.4 million or by 10% compared to H1 2020. Over the quarter, the number and turnover of payments by card grew by more than 20%; the number and turnover of cash payments - by more than 10%. The number of payment cards and customers remained similar; however, the number of customers who subscribed to service plans and, therefore, generate stable commission income grew steadily (+2%) over the quarter and exceeded 167 thousand.

More and more customers are using the updated digital channels of the Bank, the total number of users of which increased by 5% during the H1 and reached 200 thousand. The volume of incoming calls and remote requests remains steadily higher since the beginning of the pandemic, and the number of customers identified by remote means continues to grow.

Almost all customer service units that were temporarily closed have been gradually re-opened (57 at the end of the half-year). The volume of customer visits and the number of transactions they perform remain at a similar level as a year ago. One of the main obstacles to provide services in the customer service units is the limitation of area per customer, which makes it impossible to increase the number of customers served.

Saving and Investing

The deposit portfolio has increased by 6% (EUR 142 million) over the half-year and amounted to EUR 2.5 billion at the end of June. Demand deposits, which make up most of the portfolio, increased by 11% or EUR 164 million, while the term deposit portfolio decreased by EUR 22 million (-2%).

Interest in the Bank's investment services is growing - fee and commission income from investment-related services reached EUR 1.6 million in the first half of the year (76% more compared to the first half of 2020). This year already, a new long-term savings product will be offered to the customers of the Bank in cooperation with *SB Draudimas*.

COVID-19

The second quarantine introduced on 7 November 2020 due to the coronavirus threat has been extended until 30 June. During the quarantine, 7 customer service units out of 59 were closed due to reduced physical customer visits and increased capacities of remote service. Although the effects of the pandemic were strongly felt in the first half of 2021, even with strict quarantine measures, uninterrupted service to customers across the country was ensured. As customers made payments after the deferral period, the size of the portfolio affected by COVID-19 was decreasing from the end of the moratorium to the beginning of 2021. In January 2021, Šiaulių Bankas, together with other Lithuanian credit companies, agreed to extend the moratorium on temporary deferral of credit liabilities to private and business customers affected by COVID-19 until 31 March 2021. The resumed moratorium in the context of COVID-19 led to EUR 3 million in new restructurings under the moratorium and EUR 12 million in new restructurings failing to satisfy the conditions of the moratorium. On 30 June, the amount of loans deferred due to COVID-19 since the beginning of the pandemic is EUR 208 million (or 671 customers), of which EUR 62 million for customers subject to the moratorium. The largest part of deferred payments consists of provisions for legal entities (EUR 208 million); the remaining part – for natural persons (EUR 11 million). The majority (85%) of deferred payments are due and most customers are making payments under non-readjusted schedule. The repeated restructurings, most of which were performed in 2021, make up 27 % of the portfolio of overdue deferred payments. The majority of the repeated restructurings due to COVID-19 were made in the Accommodation and Catering, Arts and Entertainment, and Real Estate business sectors.

RATINGS

On February 22, 2021, the international rating agency Moody's Investor Service (Moody's) affirmed Šiaulių Bankas' previous long-term debt rating Baa2 and changed its outlook to positive from stable. The bank was also affirmed with a short-term rating of P-2.

Long-term rating	Baa2
Short-term rating	P-2
Outlook	Positive

The rating outlook improvement reflected expectations that Šiaulių Bankas would maintain a strong capital position, ensure resilient profitability as well as successfully manage asset risk and risk appetite. The rating agency also noted that the rating of Šiaulių Bankas was also affected by the recently improved long-term debt rating of Lithuanian to A2 from A3. Moody's has improved the country's rating after six years considering Lithuania's resilience to shock and its ability to manage pandemic threats to the country's economy.

CONSOLIDATED REPORT FOR THE PERIOD OF 6 MONTHS OF 2021 COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

The cost-to-income ratio of the Group (excluding the impact from the investment result of the *SB Draudimas* assets under unit-linked contracts) was 40.4% (39.0% in the corresponding period last year), and the return-on-equity (ROE) was 15.4% (13.2% in the corresponding period last year). Information on the profitability ratios is available on the Bank's internet site at:

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

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 30 June 2021 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:

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

In April 2021, the Bank received an updated MREL requirement, entailing the following MREL requirements that shall be met by 1 January 2024:

- The minimum requirement for own funds and eligible liabilities of the resolution entity with which the Bank shall comply is 19.91% of total risk exposure (MREL-TREA) and 6.94% of leverage ratio exposure (MREL-LRE);
- Subordinated instruments shall comprise 13.50% of total risk exposure (MREL-TREA, subordinated) and 5.79% of leverage ratio exposures (MREL-LRE, subordinated).

The Bank has received intermediate targets to ensure a linear build-up of own funds and eligible liabilities towards the requirements. For 1 January 2022, such targets comprise MREL-TREA of 15.43% and MREL-LRE of 6.94%, subordinated MREL-TREA of 13.50% and subordinated MREL-LRE of 5.79%. The Bank's MREL targets can be summarised as follows:

	01/01/2022 (intermediate target)	01/01/2024 (requirement)
<i>MREL-TREA</i>	15.43%	19.91%
<i>MREL-LRE</i>	6.94%	6.94%
<i>MREL-TREA, subordinated</i>	13.50%	13.50%
<i>MREL-LRE, subordinated</i>	5.79%	5.79%

AUTHORIZED CAPITAL, SHAREHOLDERS

As of 30 June 2021, the authorized capital of the Bank totalled to EUR 174,210,616.27 and is divided into 600,726,263 units of ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253 Nasdaq CSD Lithuanian branch). The Charter of the Bank were registered in the Register of Legal Entities on 13 December 2018 after the last increase of the authorized capital by additional contributions. The authorized capital of the bank was not increased during 2020.

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

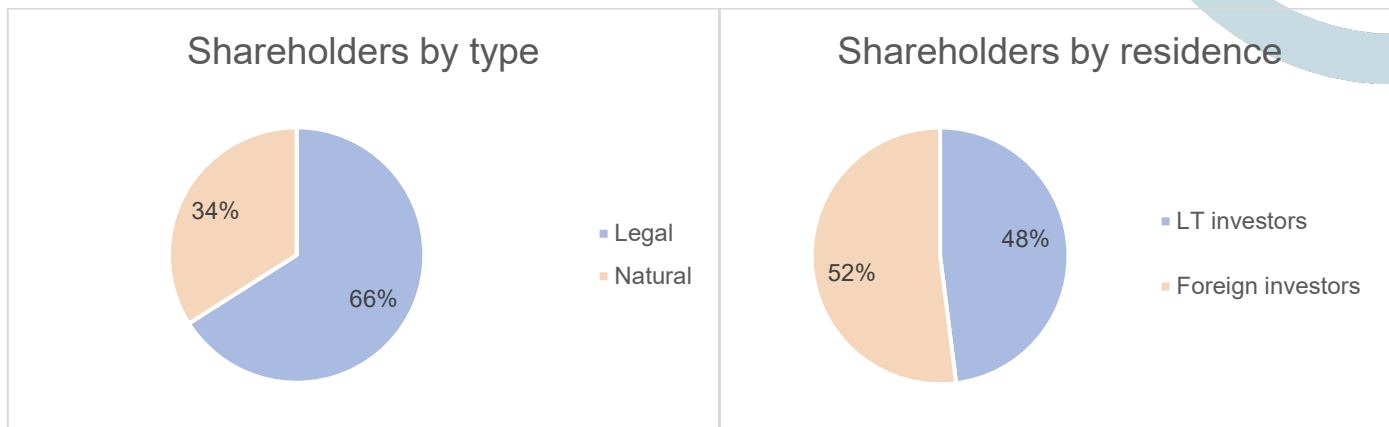
[Homepage](#) › [About Us](#) › [Important Documents](#)

Authorized capital:

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

As of 30 June 2021 the number of the Bank's shareholders was 13,283 (at the end of 2020 – 9,053). 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:

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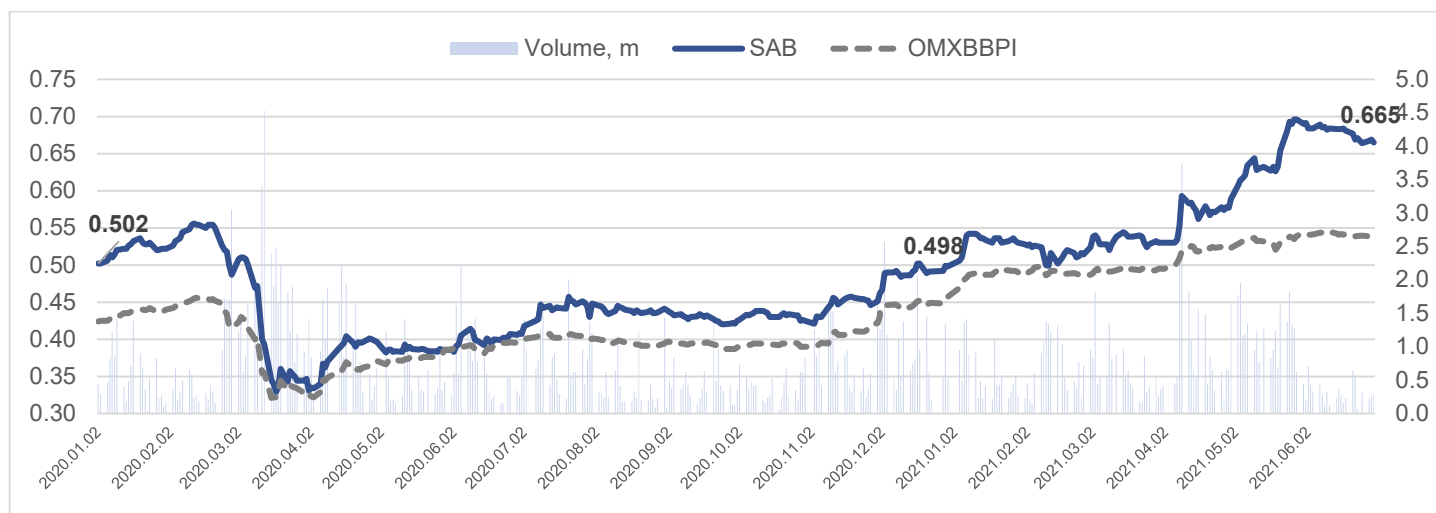


Information on shares

	31/12/2017	31/12/2018	31/12/2019	30/06/2020	31/12/2020	30/06/2021
Capitalization, m EUR	266.8	240.9	304.0	245.1	299.2	399.5
Turnover, mln. Eur	44.5	34.7	48.3	46.8	84.5	52.5
Share price on the last trading session day	0.589	0.401	0.506	0.408	0.498	0.665
Lowest share price during the reporting period	0.448	0.391	0.394	0.320	0.320	0.493
Highest share price during the reporting period	0.627	0.658	0.534	0.558	0.558	0.699
Average share price during the reporting period	0.530	0.521	0.473	0.438	0.442	0.590
Share book value	0.448	0.448	0.518	0.554	0.592	0.634
P/BV	1.3	0.9	1.0	0.7	0.8	1.0
P/E	8.3	4.6	5.9	5.9	7.0	7.2
Capital increase from retained earnings, %	20.0	-	-	-	-	-

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

Turnover and price of the Bank's shares 2020-2021



The shares of the Bank are traded on the regulated market. They are traded on the Nasdaq Baltic Market and admitted to official listing. All 600,726,263 registered ordinary shares of the Bank with a nominal value of EUR 0.29 per share and total nominal value of EUR 174,210,616.27 are admitted to the listing.

The shares issued by the Bank are included in the Nasdaq indexes:

- *OMX Baltic Benchmark (OMXBGGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10, OMXB10EXP)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXBGI, OMXBPI)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXVGI)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials (B30GI, B30PI)* - an index of the Baltic financial institutions;
- *OMX Baltic Banks (B3010GI, B3010PI)* - an index of the Baltic banks.

Gross Index (GI) tracks the gross return of the stocks it includes. It reflects not only changes in their prices, but also any dividends they pay. This is generally seen as a fuller measure of a market's performance than a price index. Price Index (PI) only reflects changes in the prices of the stocks that the index includes, not taking dividends into account. In a Capped Index (CAP), there is a limit to the weight of any single security. If a stock exceeds the upper limit, its weight in the index is reduced to that maximum limit.

Besides, the Bank's shares are included into such indices as: *STOXX All Europe Total Market, STOXX EU Enlarged TMI, STOXX Eastern Europe 300, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Mid 100, STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market, Bloomberg ESB Data Index, S&P Frontier BMI Index*, and into several *FTSE Russell Frontier* indices.

ACQUISITION OF OWN SHARES

There were no outstanding own shares acquired by the Bank as of 30 June 2021.

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

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

As of 30 June 2021, the Bank itself, as an intermediary in public circulation, under agreements with 664 securities issuing companies managed accounting of 748 securities issues (including shares of public and private companies, debt securities, and investment fund units). The Bank also executed market making and at the end of June 2021 was the market maker of 10 securities issues on the Nasdaq Baltic market.

INFORMATION ON DETRIMENTAL TRANSACTIONS

During the reporting period no detrimental transactions inconsistent with the Bank's objectives, normal market conditions, violating the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or performance results were concluded. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

DIVIDENDS

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

On March 31, 2021, the General Meeting of Shareholders while distributing the bank's profit decided to pay dividends. EUR 3,304 thousand was allocated for dividends, which is 1.9 percent of the nominal value. Dividends were paid to the Bank's shareholders who had share rights at the end of the accounting day - 15/04/2021. The deviation from the dividend policy of the amount of dividends provided

was determined by the recommendations of the European Central Bank (ECB), which Šiaulių Bankas, as a bank directly supervised by the ECB, must follow, regardless of its solid capital reserve.

Information on the dividends paid:

The year for which the dividends are allocated and paid	2016	2017	2018	2019	2020
Per cent from nominal value	1.72	1.72	10.00	-	1.90
Dividend amount per share, Eur	0.005	0.005	0.029	-	0.0055
Dividend amount, Eur	1,887,442	2,264,938	17,421,064	-	3,303,994
Yields from dividends, %	1.1	0.8	6.2	-	1.1
Dividends to Group net profit, per cent	4.3	7.1	33.0	-	7.7

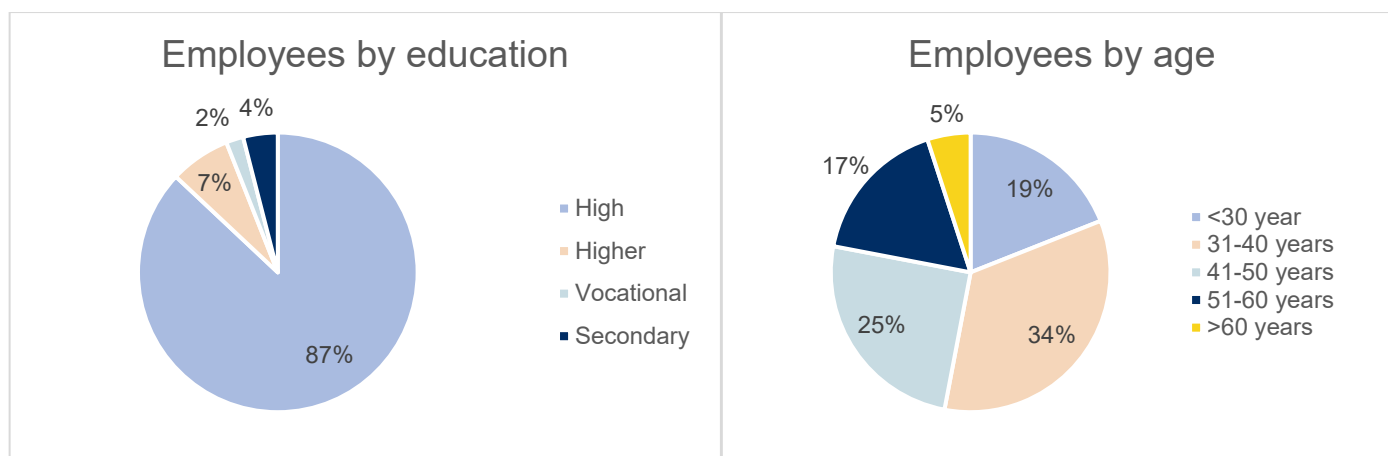
The description of alternative performance indicators is available on the Bank's website at:

[Homepage](#) > [Bank Investors](#) > [Financial Information](#) > [Alternative Performance Measures](#)

EMPLOYEES

As on 30 June 2021, the Bank had 764 employees and the Group had 861 employees (compared to 30 June 2020 the Bank had 745 employees and the Group had 843 employees).

As on 30 June 2021, the Group had 79,6 percent female and 20,4 percent male employees (compared to 30 June 2020 – 80,4 percent female and 19,6 percent male employees)



Average monthly salary of the employees, before taxes:

	Bank				Group			
	Leading Employees		Other Employees		Leading Employees		Other Employees	
	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR	Average number of employees	Average salary per month, EUR
2021 H1	77	7,394	632	1,839	89	7,295	724	1,856

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

	Bank	Group
31/12/2020 outstanding deferred annual variable remuneration:		
- in cash, thou EUR	134	157
- in shares, thou units	267	313
Annual variable remuneration allocated in 2021 for 2020:		
- in cash, thou EUR	959	1,094
- in shares, thou units	1,991	2,273
Annual variable remuneration paid in the first half of 2021:		
- in cash, thou EUR	1,093	1,251
- in shares, thou units	0.00	0.00

30/06/2021 outstanding deferred annual variable remuneration:

- in cash, thou EUR	0.00	0.00
- in shares, thou units	2,258	2,585

THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

Functions, procedures of formation and the policy of activities of the bank's committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

Information on the committee members as of 30 June 2021:

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

	Name, surname	
<i>Chairman</i>	Miha Košak	Member of the Supervisory Council
<i>Deputy</i>	Adriano Arietti	Member of the Supervisory Council
<i>Members:</i>	Darius Šulnis	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

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

	Name, surname	
<i>Chairperson</i>	Ramunė Vilija Zabulienė	Member of the Supervisory Council
<i>Members:</i>	Martynas Česnavičius	Member of the Supervisory Council
	Susan Gail Buyske	Member of the Supervisory Council

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

	Name, surname	
<i>Chairman</i>	Martynas Česnavičius	Member of the Supervisory Council
<i>Members:</i>	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Member of the Supervisory Council

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

	Name, surname	
<i>Chairman</i>	Martynas Česnavičius	Member of the Supervisory Council
<i>Members:</i>	Gintaras Kateiva	Member of the Supervisory Council
	Ramunė Vilija Zabulienė	Member of the Supervisory Council

COMMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD

Information on the committee members as of 30 June 2021:

The Loan Committee evaluates loan granting material / documents and loan risk, approves / rejects lending decisions and / or amendments to terms and conditions, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
<i>Chairman</i>	Edas Mirijauskas	Director of Credit Department
<i>Deputy</i>	Diana Leonavičienė	Director of Regional Lending Unit
<i>Members:</i>	Vytautas Sinius	Chief Executive Officer
	Algimantas Gaulia	Head of Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Ramūnas Dešukas	Director of the Special Assets Department
	Aurelija Geležiuinė	Director of the Legal Department

The Risk Management Committee performs functions related to the organization, coordination and control of the Bank's risk management system, determines and controls risk measurement indicators corresponding to the risk appetite acceptable to the Bank, as well as performs other functions provided for in its regulations:

	Name, surname	Position
<i>Chairman</i>	Algimantas Gaulia	Head of Risk Management Division
<i>Deputy</i>	Dalia Udrienė	Director of Risk Department
<i>Members:</i>	Laurynas Bagdonas	Director of Compliance Department
	Tomas Dautoras	Director of Non-Financial Risk Department
	Edas Mirijauskas	Director of Credit Department
	Donatas Savickas	Head of Finance Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Denis Zubov	Director of Credit Risk Management and Control Department

MANAGEMENT OF THE BANK

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

The Bank's Supervisory Council (elected on 31 March 2020 and replenished on 10 June 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024) currently consists of 8 members, 5 of whom are independent.

Supervisory Council of the Bank

Name, Surname	Duties at the Supervisory Council	Share of capital under the right of ownership, % (30/06/2021)	Share of votes together with the related persons, % (30/06/2021)
<i>Arvydas Salda</i>	Chairman since 1999	1.73	1.73
<i>Gintaras Kateiva</i>	Member since 2008	5.27	5.29*
<i>Ramunė Vilija Zabulienė</i>	Independent members since 2012	-	-
<i>Darius Šulnis</i>	Member since 2016	-	-
<i>Martynas Česnavičius</i>	Independent member since 2016	-	0.35**
<i>Miha Košak</i>	Independent member since 2017	-	-
<i>Adriano Arietti</i>	Independent member since 2020-06-03	-	-
<i>Susan Gail Buyske</i>	Independent members since 2020-07-31	-	-

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

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

The Board of the Bank was elected on 31 March 2020, the term of office expires on the day of the Ordinary General Meeting of Shareholders of the Bank in 2024. In the meeting of 6 May 2021, the Supervisory Board of the Bank removed Vita Urbonienė from the position of a member of the Board of the Bank and elected Algimantas Gaulia as a new member of the Board of the Bank, who will take up the position of a member of the Board only with the permission of the supervisory authority.

Board of the Bank

Name, Surname	Duties at the Board	Other current leading positions at the Bank	Share of capital under the right of ownership, % (30/06/2021)	Share of votes together with the related persons, % (30/06/2021)
<i>Algirdas Butkus</i>	Chairman since 1999	Deputy Chief Executive Officer	2.43	5.36*
<i>Vytautas Sinius</i>	Deputy Chairman since 2014	Chief Executive Officer	0.20	0.20
<i>Donatas Savickas</i>	Deputy Chairman since 1995	Deputy Chief Executive Officer, Head of Finance Division	0.10	0.10
<i>Daiva Šorienė</i>	Members since 2005	Deputy Chief Executive Officer, Head of Sales and Marketing Division	0.01	0.01
<i>Mindaugas Rudys</i>	Member since 2020	Head of Service Development Division	0.03	0.03
<i>Ilona Baranauskienė</i>	Members since 2014.	Head of Legal and Administration Division	0.01	0.01

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

BANK'S COMPANY GROUP

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

The Bank directly controls the following subsidiaries

<i>SB Lizingas UAB</i>	finance lease, consumer credits.	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sb.lt , www.sblizingas.lt
<i>Šiaulių Banko Lizingas UAB</i>	finance leases (leasing) and operating leases.	16/08/1999	145569548	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt , www.sb.lt
<i>SB Turto Fondas UAB</i>	real estate management	13/08/2002	145855439	Vilniaus str. 167, LT-76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt , www.sbjp.lt
<i>Life insurance SB draudimas UAB</i>	life insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	info@sbdraudimas.lt , www.sbdraudimas.lt
<i>Šiaulių Banko Investicijų Valdymas UAB *</i>	Investment management	31/08/2000	145649065	Šeimyniškių st. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt , www.sbjp.lt

The Bank indirectly controls the following subsidiaries:

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

*held for sale

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

*** held for sale, the Bank's 100% owned subsidiary SB Turto Fondas controlled 100% shares of the company

CONSOLIDATED REPORT FOR THE PERIOD OF 6 MONTHS OF 2021 OTHER INFORMATION, PUBLISHED 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 reports on material events are announced in the Central regulated information base and on the Bank's website at:

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

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

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

Chief Executive Officer

Vytautas Sinius

24 August 2021

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Financial Officer Donatas Savickas, confirm that as far as we know, the condensed interim financial statements for six months of 2021 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 Financial Officer

Donatas Savickas

24 August 2021