



## INTERIM INFORMATION

for the twelve month period ended 31 December 2019

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CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)	3
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF FINANCIAL POSITION	4
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS	5
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS FOR THE QUARTER	6
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	7
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER	7
THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY	8
THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY	9
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF CASH FLOWS	10
GENERAL INFORMATION	11
NOTE 1 LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES	12
NOTE 2 SECURITIES	15
NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS	18
NOTE 4 DUE TO CUSTOMERS	19
NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS	19
NOTE 6 CAPITAL	19
NOTE 7 NET INTEREST INCOME	20
NOTE 8 NET FEE AND COMMISSION INCOME	21
NOTE 9 OTHER OPERATING EXPENSES	21
NOTE 10 IMPAIRMENT LOSSES	22
NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS	23
NOTE 12 RELATED-PARTY TRANSACTIONS	24
NOTE 13 LIQUIDITY AND OPERATIONAL RISKS	25
NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	27
NOTE 15 SEGMENT INFORMATION	29
NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP	31
ADDITIONAL INFORMATION	33
ANNUAL ACTIVITY RESULTS	34
RATINGS	37
RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS	37
AUTHORIZED CAPITAL OF THE BANK, SHAREHOLDERS	38
MANAGEMENT OF THE BANK	39
GROUP OF THE BANK'S COMPANIES	41
OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS	41
CONFIRMATION FROM THE RESPONSIBLE PERSONS	42



CONDENSED INTERIM  
FINANCIAL STATEMENTS  
(unaudited)

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

		31 December 2019		31 December 2018	
	Notes	Group	Bank	Group	Bank
<b>ASSETS</b>					(restated)
Cash and cash equivalents		184,917	181,582	89,304	87,732
Securities in the trading book	2	40,427	15,354	60,182	27,896
Due from other banks		280	280	2,090	2,090
Derivative financial instruments		986	986	1,197	1,197
Loans to customers	1	1,514,578	1,510,052	1,262,167	1,264,741
Finance lease receivables	1	157,597	157,540	124,088	123,969
Investment securities at fair value	2	14,059	9,491	21,107	16,507
Investment securities at amortized cost	2	545,849	535,479	638,655	638,655
Investments in subsidiaries and associates	2	-	31,491	-	29,450
Intangible assets		4,288	2,921	3,359	1,975
Property, plant and equipment	3	12,216	11,170	8,630	8,018
Investment property		7,570	367	9,760	2,277
Current income tax prepayment		44	-	1,477	1,435
Deferred income tax asset		1,419	831	1,251	573
Other assets	3	23,956	12,274	38,462	20,014
<b>Total assets</b>		<b>2,508,186</b>	<b>2,469,818</b>	<b>2,261,729</b>	<b>2,226,529</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions		74,395	76,674	69,152	71,320
Derivative financial instruments		945	945	1,048	1,048
Due to customers	4	2,033,649	2,036,674	1,845,788	1,846,790
Special and lending funds	5	7,060	7,060	3,192	3,192
Debt securities in issue		20,044	20,044	20,003	20,003
Current income tax liabilities		1,579	1,472	233	-
Deferred income tax liabilities		917	-	598	-
Liabilities related to insurance activities		33,497	-	27,967	-
Other liabilities		25,296	15,598	19,010	10,280
<b>Total liabilities</b>		<b>2,197,382</b>	<b>2,158,467</b>	<b>1,986,991</b>	<b>1,952,633</b>
<b>EQUITY</b>					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Reserve capital		756	756	756	756
Statutory reserve	6	14,468	14,246	10,369	10,195
Reserve for acquisition of own shares	6	10,000	10,000	-	-
Accumulated other comprehensive income		(9)	(22)	(492)	(492)
Other equity	6	1,536	1,345	-	-
Retained earnings		106,414	107,387	86,466	85,798
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>310,804</b>	<b>311,351</b>	<b>274,738</b>	<b>273,896</b>
<b>Total liabilities and equity</b>		<b>2,508,186</b>	<b>2,469,818</b>	<b>2,261,729</b>	<b>2,226,529</b>

The notes on pages 11 to 32 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

28 February 2020



Vytautas Sinius



Vita Urbonienė

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

for the twelve month period ended					
	Notes	31 December 2019 Group	31 December 2019 Bank	31 December 2018 Group	31 December 2018 Bank (restated)
<i>Interest revenue calculated using the effective interest method</i>	7	73,401	63,842	64,839	57,798
<i>Other similar income</i>	7	7,223	7,074	6,421	5,943
<i>Interest expense and similar charges</i>	7	(8,212)	(8,032)	(8,434)	(8,443)
<b>Net interest income</b>		<b>72,412</b>	<b>62,884</b>	<b>62,826</b>	<b>55,298</b>
<i>Fee and commission income</i>	8	22,791	23,222	19,518	19,109
<i>Fee and commission expense</i>	8	(6,077)	(5,909)	(5,319)	(5,196)
<b>Net fee and commission income</b>		<b>16,714</b>	<b>17,313</b>	<b>14,199</b>	<b>13,913</b>
<i>Net gain from trading activities</i>	11	15,013	11,245	7,897	9,214
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	12	-	-	9,043	9,043
<i>Net gain (loss) from derecognition of financial assets</i>		2,442	1,184	582	582
<i>Net gain (loss) from disposal of tangible assets</i>		3,462	198	2,449	273
<i>Revenue related to insurance activities</i>		6,962	-	6,465	-
<i>Other operating income</i>		1,498	580	1,426	510
<i>Salaries and related expenses</i>		(22,842)	(19,607)	(21,085)	(17,935)
<i>Depreciation and amortization expenses</i>		(3,595)	(2,996)	(1,982)	(1,672)
<i>Expenses related to insurance activities</i>	11	(8,764)	-	(3,930)	-
<i>Other operating expenses</i>	9	(15,158)	(11,330)	(12,146)	(9,117)
<b>Operating profit before impairment losses</b>		<b>68,144</b>	<b>59,471</b>	<b>65,744</b>	<b>60,109</b>
<i>Allowance for impairment losses on loans and other assets</i>	10	(8,392)	(6,177)	(7,743)	(4,685)
<i>Allowance for impairment losses on investments in subsidiaries</i>		-	1,996	-	(1,996)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	11	-	4,713	-	3,327
<b>Profit before income tax</b>		<b>59,752</b>	<b>60,003</b>	<b>58,001</b>	<b>56,755</b>
<i>Income tax expense</i>		(8,230)	(6,900)	(5,363)	(4,744)
<b>Net profit for the period</b>		<b>51,522</b>	<b>53,103</b>	<b>52,638</b>	<b>52,011</b>
<b>Net profit attributable to:</b>					
<i>Owners of the Bank</i>		51,522	53,103	52,638	52,011
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.09		0.10	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.09		0.10	

The notes on pages 11 to 32 constitute an integral part of these financial statements.

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

for the three month period

	1 October - 31 December 2019		1 October - 31 December 2019	
	Group	Bank	Group	Bank (restated)
<i>Interest revenue calculated using the effective interest method</i>	20,208	16,848	17,390	15,346
<i>Other similar income</i>	1,910	1,899	1,766	1,642
<i>Interest expense and similar charges</i>	(2,275)	(2,099)	(2,051)	(2,053)
<b>Net interest income</b>	<b>19,843</b>	<b>16,648</b>	<b>17,105</b>	<b>14,935</b>
<i>Fee and commission income</i>	5,391	6,090	5,462	5,395
<i>Fee and commission expense</i>	(1,749)	(1,706)	(1,531)	(1,514)
<b>Net fee and commission income</b>	<b>3,642</b>	<b>4,384</b>	<b>3,931</b>	<b>3,881</b>
<i>Net gain from trading activities</i>	3,842	2,707	932	2,010
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-	4,084	4,084
<i>Net gain (loss) from derecognition of financial assets</i>	942	586	158	158
<i>Net gain (loss) from disposal of tangible assets</i>	610	30	1,310	8
<i>Revenue related to insurance activities</i>	1,863	-	1,657	-
<i>Other operating income</i>	582	162	457	97
<i>Salaries and related expenses</i>	(6,226)	(5,314)	(5,668)	(4,764)
<i>Depreciation and amortization expenses</i>	(995)	(777)	(514)	(437)
<i>Expenses related to insurance activities</i>	(2,177)	-	(299)	-
<i>Other operating expenses</i>	(6,209)	(5,072)	(4,137)	(3,051)
<b>Operating profit before impairment losses</b>	<b>15,717</b>	<b>13,354</b>	<b>19,016</b>	<b>16,921</b>
<i>Allowance for impairment losses on loans and other assets</i>	(3,480)	(3,152)	(2,952)	(2,339)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	1,996	-	(1,996)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	1,293	-	2,454
<b>Profit before income tax</b>	<b>12,237</b>	<b>13,491</b>	<b>16,064</b>	<b>15,040</b>
<i>Income tax expense</i>	(1,310)	(1,026)	(1,922)	(1,540)
<b>Net profit for the period</b>	<b>10,927</b>	<b>12,465</b>	<b>14,142</b>	<b>13,500</b>
<b>Net profit attributable to:</b>				
<i>Owners of the Bank</i>	10,927	12,465	14,142	13,500
<i>Non-controlling interest</i>	-	-	-	-

The notes on pages 11 to 32 constitute an integral part of these financial statements.

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

for the twelve month period ended				
	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
				(restated)
<b>Net profit for the period</b>	<b>51,522</b>	<b>53,103</b>	<b>52,638</b>	<b>52,011</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	600	600	(560)	(560)
Deferred income tax on gain from revaluation of financial assets	(130)	(130)	84	84
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	13	-	352	352
<b>Other comprehensive income, net of deferred tax</b>	<b>483</b>	<b>470</b>	<b>(124)</b>	<b>(124)</b>
<b>Total comprehensive income for the period</b>	<b>52,005</b>	<b>53,573</b>	<b>52,514</b>	<b>51,887</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	52,005	53,573	52,514	51,887
Non-controlling interest	-	-	-	-
	52,005	53,573	52,514	51,887

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

for the three month period				
	1 October - 31 December 2019		1 October - 31 December 2018	
	Group	Bank	Group	Bank
				(restated)
<b>Net profit for the period</b>	<b>10,927</b>	<b>12,465</b>	<b>14,142</b>	<b>13,500</b>
<b>Other comprehensive income (loss)</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(40)	(40)	(167)	(167)
Deferred income tax on gain (loss) from revaluation of financial assets	(34)	(34)	23	23
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	13	-	352	352
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>(61)</b>	<b>(74)</b>	<b>208</b>	<b>208</b>
<b>Total comprehensive income for the period</b>	<b>10,866</b>	<b>12,391</b>	<b>14,350</b>	<b>13,708</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	10,866	12,391	14,350	13,708
Non-controlling interest	-	-	-	-
	10,866	12,391	14,350	13,708

The notes on pages 11 to 32 constitute an integral part of these financial statements.

## THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
	Atributable to the owners of the Bank										
<b>1 January 2018</b>	<b>131,366</b>	<b>-</b>	<b>756</b>	<b>(368)</b>	<b>7,177</b>	<b>-</b>	<b>-</b>	<b>61,953</b>	<b>200,884</b>	<b>-</b>	<b>200,884</b>
Transfer to statutory reserve	-	-	-	-	3,192	-	-	(3,192)	-	-	-
Reversal of deferred income tax previously recognized directly in equity	-	-	-	-	-	-	-	(1,127)	(1,127)	-	(1,127)
Conversion of subordinated loan to share capital	16,572	3,428	-	-	-	-	-	4,732	24,732	-	24,732
Payment of dividends	6	-	-	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	-	-	(26,273)	-	-	-
Total comprehensive income	-	-	-	(124)	-	-	-	52,638	52,514	-	52,514
<b>31 December 2018</b>	<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,369</b>	<b>-</b>	<b>-</b>	<b>86,466</b>	<b>274,738</b>	<b>-</b>	<b>274,738</b>
Impact of change in accounting principles	-	-	-	-	-	-	-	(54)	(54)	-	(54)
<b>1 January 2019</b>	<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,369</b>	<b>-</b>	<b>-</b>	<b>86,412</b>	<b>274,684</b>	<b>-</b>	<b>274,684</b>
Transfer to statutory reserve	-	-	-	-	4,099	-	-	(4,099)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity	-	-	-	-	-	-	1,536	-	1,536	-	1,536
Payment of dividends	6	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income	-	-	-	483	-	-	-	51,522	52,005	-	52,005
<b>31 December 2019</b>	<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(9)</b>	<b>14,468</b>	<b>10,000</b>	<b>1,536</b>	<b>106,414</b>	<b>310,804</b>	<b>-</b>	<b>310,804</b>

The notes on pages 11 to 32 constitute an integral part of these financial statements.



## 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
<b>1 January 2018</b>		<b>131,366</b>	-	<b>756</b>	<b>(368)</b>	<b>7,071</b>	-	-	<b>56,004</b>	<b>194,829</b>
Impact of change in accounting principles		-	-	-	-	-	-	-	5,840	5,840
<b>1 January 2018 (restated)</b>		<b>131,366</b>	-	<b>756</b>	<b>(368)</b>	<b>7,071</b>	-	-	<b>61,844</b>	<b>200,669</b>
Transfer to statutory reserve		-	-	-	-	3,124	-	-	(3,124)	-
Reversal of deferred income tax previously recognized directly in equity		-	-	-	-	-	-	-	(1,127)	(1,127)
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	-	-	4,732	24,732
Payment of dividends	6	-	-	-	-	-	-	-	(2,265)	(2,265)
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	-	-	-	(26,273)	-
Total comprehensive income		-	-	-	(124)	-	-	-	52,011	51,887
<b>31 December 2018 (restated)</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,195</b>	-	-	<b>85,798</b>	<b>273,896</b>
Impact of change in accounting principles		-	-	-	-	-	-	-	(42)	(42)
<b>1 January 2019</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,195</b>	-	-	<b>85,756</b>	<b>273,854</b>
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity		-	-	-	-	-	-	1,345	-	1,345
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	470	-	-	-	53,103	53,573
<b>31 December 2019</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(22)</b>	<b>14,246</b>	<b>10,000</b>	<b>1,345</b>	<b>107,387</b>	<b>311,351</b>

The notes on pages 11 to 32 constitute an integral part of these financial statements.

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

for the twelve month period ended

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received on loans and advances	71,950	62,398	60,002	52,483
Interest received on debt securities in the trading book	1,035	960	1,247	894
Interest paid	(7,233)	(7,053)	(8,053)	(8,062)
Fees and commissions received	22,701	23,131	19,532	19,127
Fees and commissions paid	(6,032)	(5,864)	(5,282)	(5,159)
Net cash inflows from trade in securities in the trading book	37,464	28,890	(11,909)	(11,253)
Net inflows from foreign exchange operations	8,005	7,940	5,637	5,468
Net inflows from derecognition of financial assets	2,442	1,184	582	582
Net inflows from disposal of tangible assets	5,236	420	8,373	273
Cash inflows related to other activities of Group companies	8,460	580	7,891	510
Cash outflows related to other activities of Group companies	(8,764)	-	(3,976)	-
Recoveries on loans previously written off	2,183	422	1,582	662
Salaries and related payments to and on behalf of employees	(23,662)	(20,427)	(20,422)	(17,272)
Payments related to operating and other expenses	(12,013)	(10,073)	(12,100)	(9,145)
Income tax paid	(5,300)	(4,251)	(10,704)	(9,893)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>96,472</b>	<b>78,257</b>	<b>32,400</b>	<b>19,215</b>
<b>Change in operating assets and liabilities:</b>				
Decrease in due from other banks	1,810	1,810	128	128
Increase in loans to customers	(260,253)	(250,196)	(176,866)	(168,063)
Increase in financial lease receivable	(34,824)	(34,938)	(32,632)	(32,766)
Decrease (increase) in other financial assets	5,338	5,479	(2,728)	(3,092)
Decrease (increase) in other non-financial assets	6,670	1,727	(8,873)	(2,998)
Increase in due to banks and financial institutions	5,275	5,386	13,215	13,216
Increase in due to customers	186,968	188,991	197,499	197,737
Increase (decrease) in special and lending funds	3,868	3,868	(10,144)	(10,144)
Increase (decrease) in other financial liabilities	6,058	5,665	1,625	1,421
Increase (decrease) in other non-financial liabilities	1,439	(5,141)	1,339	(242)
<b>Change</b>	<b>(77,651)</b>	<b>(77,349)</b>	<b>(17,437)</b>	<b>(4,803)</b>
<b>Net cash flow from operating activities</b>	<b>18,821</b>	<b>908</b>	<b>14,963</b>	<b>14,412</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment, investment property and intangible assets	(5,527)	(4,245)	(2,328)	(2,053)
Disposal of property, plant and equipment, investment property and intangible assets	5,109	4,778	3,555	1,126
Acquisition of debt securities at amortized cost	(48,246)	(37,876)	(133,985)	(133,985)
Proceeds from redemption or sale of debt securities at amortized cost	122,242	122,242	70,184	70,184
Interest received on debt securities at amortized cost	14,864	14,740	13,900	13,900
Dividends received	42	4,842	37	4,647
Acquisition of investment securities at fair value	(7,469)	(7,204)	(7,078)	(7,408)
Sale or redemption of investment securities at fair value	14,328	14,031	2,459	2,459
Interest received on investment securities at fair value	382	350	251	251
<b>Net cash flow from (used in) investing activities</b>	<b>95,725</b>	<b>111,658</b>	<b>(53,005)</b>	<b>(50,879)</b>
<b>Financing activities</b>				
Payment of dividends	(17,382)	(17,382)	(2,272)	(2,272)
Interest on debt securities in issue	(120)	(120)	(120)	(120)
Issue of debt securities	20,000	20,000	-	-
Redemption of debt securities issued	(20,000)	(20,000)	-	-
Principal elements of lease payments	(1,431)	(1,214)	-	-
<b>Net cash flow (used in) from financing activities</b>	<b>(18,933)</b>	<b>(18,716)</b>	<b>(2,392)</b>	<b>(2,392)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>95,613</b>	<b>93,850</b>	<b>(40,434)</b>	<b>(38,859)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>89,304</b>	<b>87,732</b>	<b>129,738</b>	<b>126,591</b>
<b>Cash and cash equivalents at 31 December</b>	<b>184,917</b>	<b>181,582</b>	<b>89,304</b>	<b>87,732</b>

The notes on pages 11 to 32 constitute an integral part of these financial statements.

## GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 60 customer service outlets (2018: 62 outlets). As at 31 December 2019 the Bank had 737 employees (31 December 2018: 714). As at 31 December 2019 the Group had 831 employees (31 December 2018: 815 employees).

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

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

This condensed interim financial information for the twelve month period ended 31 December 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2018.

### Investments in subsidiaries

Accounting principles for investments in subsidiaries were changed from 1 January 2019. Investments in subsidiaries are accounted for using equity method – i.e. investment is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the subsidiary. In previous financial statements investments in subsidiaries were accounted for at cost. The change in accounting method did not have any impact on Group's financial statements, but caused changes in Bank's separate financial statements. Bank's comparative financial information was restated to reflect the change in accounting method. The changes are summarized in tables below.

Impact of change in accounting method on Bank's Statement of Financial Position:

	31 December 2018			1 January 2018		
	<i>Previously reported amount</i>	<i>Restatement adjustment</i>	<i>Restated amount</i>	<i>Previously reported amount</i>	<i>Restatement adjustment</i>	<i>Restated amount</i>
<b>ASSETS</b>						
<i>Investments in subsidiaries</i>	24,659	4,791	29,450	26,895	5,840	32,735
<b>LIABILITIES</b>						
<i>Other non-financial liabilities</i>	909	5	914	485	-	485
<b>EQUITY</b>						
<i>Retained earnings</i>	81,012	4,786	85,798	56,004	5,840	61,844

Previously published Bank's interim financial statements for the three, six and nine month periods ended 31 March 2019, 30 June 2019 and 30 September 2019 included incorrect restated comparative amounts for Bank's investments in subsidiaries and retained earnings for the dates of 31 December 2018 and 1 January 2018. These amounts should be equal to the amounts presented in the table above. This error did not have any impact on published financial data of the Group or other comparative financial information of the Bank.

Impact of change in accounting method on Bank's Income Statement:

	2018		
	<i>Previously reported amount</i>	<i>Restatement adjustment</i>	<i>Restated amount</i>
<i>Allowance for impairment losses on investments in subsidiaries</i>	(2,234)	238	(1,996)
<i>Dividends from investments in subsidiaries</i>	4,619	(4,619)	N/A
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	3,327	3,327
<b>Profit before income tax</b>	<b>57,809</b>	<b>(1,054)</b>	<b>56,755</b>
<b>Net profit</b>	<b>53,065</b>	<b>(1,054)</b>	<b>52,011</b>

### Income tax

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

### New and amended standards, and interpretations

The Group adopted IFRS 16 from 1 January 2019. The impact of adoption of the standard is described in Bank's annual financial statements for the year ended 31 December 2018. Also see Note 3 for additional disclosures.

## GENERAL INFORMATION (continued)

Except for the standards mentioned above, the Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2019 will have a material impact on the Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2019, and that would have a material impact on the Bank's financial information.

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. Except for the impact of above-described IFRS 16, 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 2018.

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

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

## NOTE 1 LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	121,595	118,376	40,924	40,735
<i>Loans and advances to banks</i>	280	280	2,090	2,090
<i>Loans and advances to customers:</i>	1,514,578	1,510,052	1,262,167	1,264,741
<i>Loans and advances to financial institutions</i>	-	100,084	693	50,255
<i>Loans to individuals (Retail)</i>	356,708	244,257	243,078	178,632
<i>Loans to business customers</i>	1,157,870	1,165,711	1,018,396	1,035,854
<i>Finance lease receivables</i>	157,597	157,540	124,088	123,969
<i>Debt securities at fair value through profit or loss</i>	18,104	14,546	42,384	27,332
<i>Derivative financial instruments</i>	986	986	1,197	1,197
<i>Debt securities at fair value through other comprehensive income</i>	8,953	8,558	16,379	15,984
<i>Debt securities at amortized cost</i>	545,849	535,479	638,655	638,655
<i>Other assets subject to credit risk</i>	7,875	7,229	13,213	12,708
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	44,425	44,489	39,655	39,720
<i>Letters of credit</i>	13,779	13,779	760	760
<i>Loan commitments and other credit related liabilities</i>	254,753	282,424	265,407	285,618

### Loans to customers

Loans and advances are summarised as follows:

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Gross</b>	1,553,088	1,542,118	1,304,933	1,301,592
<i>Subtract: allowance for impairment</i>	(38,510)	(32,066)	(42,766)	(36,851)
<b>Net</b>	1,514,578	1,510,052	1,262,167	1,264,741

## NOTE 1

### LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

The distribution of loans by stages and days past due:

	Group					31 December 2018				
	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
<b>Stage 1:</b>										
Gross amount	1,296,092	46,750	339	-	1,343,181	1,031,497	54,606	467	1	1,086,571
Allowance for impairment	(6,973)	(1,020)	(28)	-	(8,021)	(4,845)	(953)	(41)	-	(5,839)
<b>Net amount</b>	<b>1,289,119</b>	<b>45,730</b>	<b>311</b>	<b>-</b>	<b>1,335,160</b>	<b>1,026,652</b>	<b>53,653</b>	<b>426</b>	<b>1</b>	<b>1,080,732</b>
<b>Stage 2:</b>										
Gross amount	116,540	8,201	6,890	-	131,631	120,315	14,537	6,063	2	140,917
Allowance for impairment	(2,052)	(64)	(1,888)	-	(4,004)	(2,200)	(525)	(1,737)	-	(4,462)
<b>Net amount</b>	<b>114,488</b>	<b>8,137</b>	<b>5,002</b>	<b>-</b>	<b>127,627</b>	<b>118,115</b>	<b>14,012</b>	<b>4,326</b>	<b>2</b>	<b>136,455</b>
<b>Stage 3:</b>										
Gross amount	25,735	6,458	9,592	36,491	78,276	21,826	5,293	2,734	47,592	77,445
Allowance for impairment	(5,446)	(2,475)	(4,593)	(13,971)	(26,485)	(7,665)	(1,367)	(893)	(22,540)	(32,465)
<b>Net amount</b>	<b>20,289</b>	<b>3,983</b>	<b>4,999</b>	<b>22,520</b>	<b>51,791</b>	<b>14,161</b>	<b>3,926</b>	<b>1,841</b>	<b>25,052</b>	<b>44,980</b>
<b>Total:</b>										
Gross amount	1,438,367	61,409	16,821	36,491	1,553,088	1,173,638	74,436	9,264	47,595	1,304,933
Allowance for impairment	(14,471)	(3,559)	(6,509)	(13,971)	(38,510)	(14,710)	(2,845)	(2,671)	(22,540)	(42,766)
<b>Net amount</b>	<b>1,423,896</b>	<b>57,850</b>	<b>10,312</b>	<b>22,520</b>	<b>1,514,578</b>	<b>1,158,928</b>	<b>71,591</b>	<b>6,593</b>	<b>25,055</b>	<b>1,262,167</b>

	Bank					31 December 2018				
	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
<b>Stage 1:</b>										
Gross amount	1,303,206	35,101	27	-	1,338,334	1,038,871	46,718	149	1	1,085,739
Allowance for impairment	(4,386)	(167)	-	-	(4,553)	(3,139)	(260)	-	-	(3,399)
<b>Net amount</b>	<b>1,298,820</b>	<b>34,934</b>	<b>27</b>	<b>-</b>	<b>1,333,781</b>	<b>1,035,732</b>	<b>46,458</b>	<b>149</b>	<b>1</b>	<b>1,082,340</b>
<b>Stage 2:</b>										
Gross amount	117,938	8,201	2,206	-	128,345	124,707	14,537	2,420	2	141,666
Allowance for impairment	(2,052)	(64)	(144)	-	(2,260)	(2,248)	(525)	(175)	-	(2,948)
<b>Net amount</b>	<b>115,886</b>	<b>8,137</b>	<b>2,062</b>	<b>-</b>	<b>126,085</b>	<b>122,459</b>	<b>14,012</b>	<b>2,245</b>	<b>2</b>	<b>138,718</b>
<b>Stage 3:</b>										
Gross amount	25,726	6,089	8,553	35,071	75,439	21,568	5,099	2,054	45,466	74,187
Allowance for impairment	(5,732)	(2,273)	(4,025)	(13,223)	(25,253)	(7,483)	(1,235)	(428)	(21,358)	(30,504)
<b>Net amount</b>	<b>19,994</b>	<b>3,816</b>	<b>4,528</b>	<b>21,848</b>	<b>50,186</b>	<b>14,085</b>	<b>3,864</b>	<b>1,626</b>	<b>24,108</b>	<b>43,683</b>
<b>Total:</b>										
Gross amount	1,446,870	49,391	10,786	35,071	1,542,118	1,185,146	66,354	4,623	45,469	1,301,592
Allowance for impairment	(12,170)	(2,504)	(4,169)	(13,223)	(32,066)	(12,870)	(2,020)	(603)	(21,358)	(36,851)
<b>Net amount</b>	<b>1,434,700</b>	<b>46,887</b>	<b>6,617</b>	<b>21,848</b>	<b>1,510,052</b>	<b>1,172,276</b>	<b>64,334</b>	<b>4,020</b>	<b>24,111</b>	<b>1,264,741</b>

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

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

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

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

## NOTE 1

### LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

#### Finance lease receivables

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

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Business customers</i>	136,144	135,348	105,634	104,784
<i>Individuals</i>	25,413	25,379	21,100	21,027
<b>Gross</b>	<b>161,557</b>	<b>160,727</b>	<b>126,734</b>	<b>125,811</b>
<i>Subtract: Allowance for impairment</i>	(3,960)	(3,187)	(2,646)	(1,842)
<b>Net</b>	<b>157,597</b>	<b>157,540</b>	<b>124,088</b>	<b>123,969</b>

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

	Group					31 December 2018				
	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
<b>Stage 1:</b>										
<i>Gross amount</i>	120,649	12,118	-	-	132,767	81,625	15,481	9	-	97,115
<i>Allowance for impairment</i>	(624)	(68)	-	-	(692)	(307)	(42)	-	-	(349)
<b>Net amount</b>	<b>120,025</b>	<b>12,050</b>	<b>-</b>	<b>-</b>	<b>132,075</b>	<b>81,318</b>	<b>15,439</b>	<b>9</b>	<b>-</b>	<b>96,766</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	11,808	2,554	1,637	-	15,999	12,947	3,528	1,650	-	18,125
<i>Allowance for impairment</i>	(302)	(61)	(81)	-	(444)	(300)	(146)	(91)	-	(537)
<b>Net amount</b>	<b>11,506</b>	<b>2,493</b>	<b>1,556</b>	<b>-</b>	<b>15,555</b>	<b>12,647</b>	<b>3,382</b>	<b>1,559</b>	<b>-</b>	<b>17,588</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	6,130	310	135	6,216	12,791	5,625	135	6	5,728	11,494
<i>Allowance for impairment</i>	(788)	(121)	(61)	(1,854)	(2,824)	(278)	(55)	(3)	(1,424)	(1,760)
<b>Net amount</b>	<b>5,342</b>	<b>189</b>	<b>74</b>	<b>4,362</b>	<b>9,967</b>	<b>5,347</b>	<b>80</b>	<b>3</b>	<b>4,304</b>	<b>9,734</b>
<b>Total:</b>										
<i>Gross amount</i>	138,587	14,982	1,772	6,216	161,557	100,197	19,144	1,665	5,728	126,734
<i>Allowance for impairment</i>	(1,714)	(250)	(142)	(1,854)	(3,960)	(885)	(243)	(94)	(1,424)	(2,646)
<b>Net amount</b>	<b>136,873</b>	<b>14,732</b>	<b>1,630</b>	<b>4,362</b>	<b>157,597</b>	<b>99,312</b>	<b>18,901</b>	<b>1,571</b>	<b>4,304</b>	<b>124,088</b>

	Bank					31 December 2018				
	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
<b>Stage 1:</b>										
<i>Gross amount</i>	120,648	12,117	-	-	132,765	81,595	15,475	9	-	97,079
<i>Allowance for impairment</i>	(625)	(68)	-	-	(693)	(307)	(42)	-	-	(349)
<b>Net amount</b>	<b>120,023</b>	<b>12,049</b>	<b>-</b>	<b>-</b>	<b>132,072</b>	<b>81,288</b>	<b>15,433</b>	<b>9</b>	<b>-</b>	<b>96,730</b>
<b>Stage 2:</b>										
<i>Gross amount</i>	11,808	2,554	1,637	-	15,999	12,947	3,528	1,650	-	18,125
<i>Allowance for impairment</i>	(302)	(61)	(81)	-	(444)	(300)	(146)	(92)	-	(538)
<b>Net amount</b>	<b>11,506</b>	<b>2,493</b>	<b>1,556</b>	<b>-</b>	<b>15,555</b>	<b>12,647</b>	<b>3,382</b>	<b>1,558</b>	<b>-</b>	<b>17,587</b>
<b>Stage 3:</b>										
<i>Gross amount</i>	6,130	310	135	5,388	11,963	5,624	135	5	4,843	10,607
<i>Allowance for impairment</i>	(788)	(121)	(61)	(1,080)	(2,050)	(277)	(55)	(2)	(621)	(955)
<b>Net amount</b>	<b>5,342</b>	<b>189</b>	<b>74</b>	<b>4,308</b>	<b>9,913</b>	<b>5,347</b>	<b>80</b>	<b>3</b>	<b>4,222</b>	<b>9,652</b>
<b>Total:</b>										
<i>Gross amount</i>	138,586	14,981	1,772	5,388	160,727	100,166	19,138	1,664	4,843	125,811
<i>Allowance for impairment</i>	(1,715)	(250)	(142)	(1,080)	(3,187)	(884)	(243)	(94)	(621)	(1,842)
<b>Net amount</b>	<b>136,871</b>	<b>14,731</b>	<b>1,630</b>	<b>4,308</b>	<b>157,540</b>	<b>99,282</b>	<b>18,895</b>	<b>1,570</b>	<b>4,222</b>	<b>123,969</b>

## NOTE 2 SECURITIES

### Securities in the trading book

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

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>18,104</b>	<b>14,546</b>	<b>42,384</b>	<b>27,332</b>
Government bonds	4,876	2,535	13,533	5,637
Corporate bonds	13,228	12,011	28,851	21,695
<b>Equity securities</b>	<b>22,323</b>	<b>808</b>	<b>17,798</b>	<b>564</b>
<b>Total</b>	<b>40,427</b>	<b>15,354</b>	<b>60,182</b>	<b>27,896</b>
	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>16,127</b>	<b>14,546</b>	<b>40,619</b>	<b>27,332</b>
from AA- to AAA	1,201	1,201	1,794	1,236
from A- to A+	3,121	2,918	15,097	11,071
from BBB- to BBB+	7,773	6,765	16,284	9,273
from BB- to BB+	1,932	1,562	3,948	2,256
lower than BB-	75	75	50	50
no rating	2,025	2,025	3,446	3,446
<b>Equity securities</b>	<b>808</b>	<b>808</b>	<b>564</b>	<b>564</b>
listed	805	805	560	560
unlisted	3	3	4	4
units of investment funds	-	-	-	-
<b>Total trading securities</b>	<b>16,935</b>	<b>15,354</b>	<b>41,183</b>	<b>27,896</b>
<b>Other trading book securities:</b>				
<b>Debt securities</b>	<b>1,977</b>	<b>-</b>	<b>1,765</b>	<b>-</b>
from AA- to AAA	-	-	-	-
from A- to A+	1,202	-	1,437	-
from BBB- to BBB+	472	-	328	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	303	-	-	-
<b>Equity securities</b>	<b>21,515</b>	<b>-</b>	<b>17,234</b>	<b>-</b>
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	21,515	-	17,234	-
<b>Total other trading book securities</b>	<b>23,492</b>	<b>-</b>	<b>18,999</b>	<b>-</b>
<b>TOTAL</b>	<b>40,427</b>	<b>15,354</b>	<b>60,182</b>	<b>27,896</b>

## NOTE 2 SECURITIES (continued)

### Investment securities

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Securities at fair value:</b>				
<i>Debt securities:</i>	<b>8,953</b>	<b>8,558</b>	<b>16,379</b>	<b>15,984</b>
Government bonds	1,343	1,343	3,325	3,325
Corporate bonds	7,610	7,215	13,054	12,659
<i>Equity securities</i>	<b>5,106</b>	<b>933</b>	<b>4,728</b>	<b>523</b>
<b>Total</b>	<b>14,059</b>	<b>9,491</b>	<b>21,107</b>	<b>16,507</b>
<b>Securities at amortized cost:</b>				
<i>Debt securities:</i>	<b>545,849</b>	<b>535,479</b>	<b>638,655</b>	<b>638,655</b>
Government bonds	375,502	370,825	463,943	463,943
Corporate bonds	170,347	164,654	174,712	174,712
<b>Total</b>	<b>545,849</b>	<b>535,479</b>	<b>638,655</b>	<b>638,655</b>

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Securities at fair value:</b>				
<i>Debt securities</i>	<b>8,953</b>	<b>8,558</b>	<b>16,379</b>	<b>15,984</b>
from AA- to AA+	-	-	-	-
from A- to A+	4,529	4,529	5,563	5,563
from BBB- to BBB+	3,854	3,854	10,268	10,268
from BB- to BB+	-	-	-	-
lower than BB-	175	175	153	153
no rating	395	-	395	-
<i>Equities</i>	<b>5,106</b>	<b>933</b>	<b>4,728</b>	<b>523</b>
listed	-	-	-	-
unlisted	741	622	848	432
units of investment funds	4,365	311	3,880	91
<b>Total</b>	<b>14,059</b>	<b>9,491</b>	<b>21,107</b>	<b>16,507</b>
<b>Securities at amortized cost:</b>				
<i>Debt securities</i>	<b>545,849</b>	<b>535,479</b>	<b>638,655</b>	<b>638,655</b>
from AA- to AA+	8,320	8,113	9,990	9,990
from A- to A+	378,386	372,941	453,265	453,265
from BBB- to BBB+	156,743	152,433	172,370	172,370
from BB- to BB+	2,400	1,992	3,030	3,030
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Total</b>	<b>545,849</b>	<b>535,479</b>	<b>638,655</b>	<b>638,655</b>

### Credit stages of investment debt securities:

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Stage 1:</b>				
Gross amount	553,918	543,140	653,179	652,779
Allowance for impairment	(273)	(260)	(317)	(312)
<b>Net amount</b>	<b>553,645</b>	<b>542,880</b>	<b>652,862</b>	<b>652,467</b>
<b>Stage 2:</b>				
Gross amount	1,187	1,187	2,219	2,219
Allowance for impairment	(30)	(30)	(47)	(47)
<b>Net amount</b>	<b>1,157</b>	<b>1,157</b>	<b>2,172</b>	<b>2,172</b>
<b>Stage 3:</b>				
Gross amount	1,014	-	1,013	-
Allowance for impairment	(1,014)	-	(1,013)	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the twelve month periods ended 31 December 2019 and 2018, no material reclassifications between portfolios of securities were performed.



## NOTE 2 SECURITIES (continued)

### Investments in subsidiaries

As of 31 December 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries:

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

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

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

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

As of 31 December 2018 the Bank owned the following indirectly controlled subsidiaries:

11. Apželdinimas UAB (real estate management activities),
12. Sandworks UAB (real estate management activities),
13. ŽSA 5 UAB (activities of head offices).

Šiaulių Banko Turto Fondas UAB held 100% shares in Apželdinimas UAB. Šiaulių Banko Investicijų Valdymas UAB held 100% shares in Sandworks UAB and ŽSA 5 UAB.

During the twelve month period ended 31 December 2019, ŽSA 5 UAB was liquidated.

Bank's investments in subsidiaries consisted of:

	31 December 2019	31 December 2018	1 January 2018
	Carrying amount	Carrying amount (restated)	Carrying amount (restated)
<i>Bonum Publicum GD UAB</i>	10,741	8,533	10,829
<i>Minera UAB</i>	2,925	2,829	3,217
<i>Pavasaris UAB</i>	2	0	149
<i>SB lizingas UAB</i>	10,749	11,630	11,776
<i>SBTF UAB</i>	1,703	1,634	683
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	933	442	1,038
<i>Šiaulių Banko Lizingas UAB</i>	1,074	1,074	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,364	3,308	3,969
<b>Total</b>	<b>31,491</b>	<b>29,450</b>	<b>32,735</b>

## NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

### Property, plant and equipment

From 1 January 2019, the Group adopted IFRS 16 and recognized right-of-use assets as part of the property, plant and equipment. The Group chose the option to apply the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Differences in the carrying amounts of assets and liabilities resulting from adoption of IFRS 16 were recognized in retained earnings as at 1 January 2019 (see statement of changes in equity).

The value of right-of-use assets is determined by discounted lease payments (obligations) during the lease period planned by the management. The depreciation term of these assets corresponds to the lease term. Lease payments that do not meet the conditions of IFRS 16 are accounted for as operating expenses. The discount rate depends on the lease term and ranges from 0.265% to 5%.

As at 31 December 2018, the Group recognized non-cancellable operating lease commitments of EUR 3,055 thousand (the Bank: EUR 2,639 thousand). Short-term or low value leases are recognized on a straight-line basis as expense in income statement. For the remaining lease commitments the Group recognized right-of-use assets of EUR 3,564 thousand and lease liabilities (after adjustments for prepayments) of EUR 3,492 thousand.

Amounts of right-of-use assets recognized in Group's statement of financial position:

	Amount as at 1 January 2019	Additions / increases	Depreciation	Write-offs/ decreases	Amount as of 31 December 2019
<b>Right-of-use assets:</b>					
Buildings and premises	3,428	852	(1,281)	(331)	2,668
Vehicles	118	51	(44)	(48)	77
Office and other equipment	18	-	(7)	(6)	5
<b>Total right-of-use assets</b>	<b>3,564</b>	<b>903</b>	<b>(1,332)</b>	<b>(385)</b>	<b>2,750</b>

Amounts of lease liabilities recognized in Group's statement of financial position:

	31 December 2019	1 January 2019
Lease liabilities before prepayments	2,780	3,625
Prepayments received	(110)	(133)
<b>Lease liabilities, carrying value</b>	<b>2,670</b>	<b>3,492</b>

### Other assets

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
Amounts receivable	7,875	7,229	13,213	12,708
Inventories	8,780	-	16,312	-
Deferred charges	913	849	895	848
Assets under reinsurance and insurance contracts	1,189	-	597	-
Prepayments	944	79	4,607	3,777
Foreclosed assets	919	835	193	142
Assets classified as held for sale	1,004	1,004	1,794	1,794
Other	2,332	2,278	851	745
<b>Total</b>	<b>23,956</b>	<b>12,274</b>	<b>38,462</b>	<b>20,014</b>

## NOTE 4 DUE TO CUSTOMERS

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	25,906	25,906	24,043	24,043
<i>Local government institutions</i>	73,856	73,856	63,274	63,274
<i>Governmental and municipal companies</i>	24,058	24,058	28,558	28,558
<i>Corporate entities</i>	402,900	405,115	388,159	388,537
<i>Non-profit organisations</i>	19,456	19,456	15,284	15,284
<i>Individuals</i>	491,616	491,616	383,548	383,548
<i>Unallocated amounts due to customers</i>	69,380	70,190	44,838	45,462
<b>Total demand deposits</b>	<b>1,107,172</b>	<b>1,110,197</b>	<b>947,704</b>	<b>948,706</b>
<i>Time deposits:</i>				
<i>National government institutions</i>	1,432	1,432	1,334	1,334
<i>Local government institutions</i>	796	796	907	907
<i>Governmental and municipality companies</i>	6,501	6,501	5,498	5,498
<i>Corporate entities</i>	56,234	56,234	64,554	64,554
<i>Non-profit organisations</i>	2,242	2,242	2,347	2,347
<i>Individuals</i>	859,272	859,272	823,444	823,444
<b>Total time deposits</b>	<b>926,477</b>	<b>926,477</b>	<b>898,084</b>	<b>898,084</b>
<b>Total</b>	<b>2,033,649</b>	<b>2,036,674</b>	<b>1,845,788</b>	<b>1,846,790</b>

## NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

### 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 3,192 thousand in the beginning of the year to EUR 7,060 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

## NOTE 6 CAPITAL

As of 31 December 2019 and 31 December 2018 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.

The extraordinary meeting of shareholders of Šiaulių bankas that took place on 24 September 2018 passed a resolution to increase Bank's share capital by EUR 16,572 thousand by additional contributions issuing 57 142 857 ordinary registered shares with nominal value of EUR 0.29 and setting the issue price of EUR 0.35 per issued share (i.e. share premium amounts to EUR 3,428 thousand). The European Bank for Reconstruction and Development (hereinafter - EBRD) was provided with the right to acquire all the shares of the new issue. These shares were paid by offsetting mutual commitment between the Bank and EBRD under the subordinated convertible loan agreement signed 23 February 2013 (more information on subordinated loan is presented in Note 12). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 13 December 2018.

The ordinary meeting of shareholders of Šiaulių bankas that took place on 29 March 2018 passed a resolution to increase Bank's share capital by EUR 26,273 thousand (20%) using Bank's own resources (retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 1 June 2018, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of the day of accounting of rights of the Meeting (13 April 2018).

At 31 December 2019 and 31 December 2018, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 31 December 2019, the Bank had 5,391 shareholders (as at 31 December 2018: 4,992).

## NOTE 6 CAPITAL (continued)

### Dividends:

On 28 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 0.029 (i.e. 10.00%) dividends per one ordinary registered share with EUR 0.29 nominal value each. On 29 March 2018 the ordinary general meeting of shareholders made a decision to pay EUR 0.005 (i.e. 1.72%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

### Statutory Reserve:

According to the Law of the Republic of Lithuania on Banks, allocations to the statutory reserve shall be compulsory and shall not be less than 1/20 of the profit available for appropriation. The statutory reserve may, by a decision of extraordinary general or annual meeting of the shareholders, be used only to cover losses of the activities.

### Reserve for acquisition of own shares:

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

During the twelve month period ended 31 December 2019 the Bank acquired 1,176 thousand own shares for EUR 618 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2015, 2016 and 2017. As of 31 December 2019, the Bank did not possess its own shares.

No own share acquisitions were performed during the twelve month period ended 31 December 2018.

### Other equity:

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

## NOTE 7 NET INTEREST INCOME

	1 January - 31 December 2019		1 January - 31 December 2018	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</i>	73,401	63,842	64,839	57,798
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	808	4,396	332	2,565
<i>on loans to customers</i>	63,413	50,422	54,172	44,930
<i>on debt securities at amortized cost</i>	8,942	8,818	10,049	10,049
<i>on debt securities at fair value through other comprehensive income</i>	238	206	286	254
<i>Other similar income:</i>	7,223	7,074	6,421	5,943
<i>on debt securities at fair value through profit or loss</i>	507	392	814	419
<i>on finance leases</i>	6,664	6,630	5,525	5,442
<i>other interest income</i>	52	52	82	82
<b>Total interest income</b>	<b>80,624</b>	<b>70,916</b>	<b>71,260</b>	<b>63,741</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	(860)	(860)
<i>on financial liabilities measured at amortised cost</i>	(7,795)	(7,806)	(7,330)	(7,339)
<i>on other liabilities</i>	(417)	(226)	(244)	(244)
<b>Total interest expense</b>	<b>(8,212)</b>	<b>(8,032)</b>	<b>(8,434)</b>	<b>(8,443)</b>
<b>Net interest income</b>	<b>72,412</b>	<b>62,884</b>	<b>62,826</b>	<b>55,298</b>

## NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 31 December 2019		1 January - 31 December 2018	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	4,359	4,359	3,811	3,811
for settlement services	5,634	5,651	5,222	5,254
for cash operations	5,595	5,595	4,349	4,349
for account administration	3,843	3,843	3,069	3,069
for guarantees, letters of credit, documentary collection	685	685	516	516
for collection of utility and similar payments	269	273	253	257
for services related to securities	1,694	1,807	1,395	1,486
other fee and commission income	712	1,009	903	367
<b>Total fee and commission income</b>	<b>22,791</b>	<b>23,222</b>	<b>19,518</b>	<b>19,109</b>
<i>Fee and commission expense:</i>				
for payment cards	(3,315)	(3,309)	(3,097)	(3,093)
for cash operations	(1,130)	(1,130)	(916)	(916)
for correspondent bank and payment system fees	(611)	(456)	(422)	(303)
for services of financial data vendors	(189)	(189)	(185)	(185)
for services related to securities	(590)	(583)	(468)	(468)
other fee and commission expenses	(242)	(242)	(231)	(231)
<b>Total fee and commission expense</b>	<b>(6,077)</b>	<b>(5,909)</b>	<b>(5,319)</b>	<b>(5,196)</b>
<b>Net fee and commission income</b>	<b>16,714</b>	<b>17,313</b>	<b>14,199</b>	<b>13,913</b>

## NOTE 9 OTHER OPERATING EXPENSES

	2019		2018	
	Group	Bank	Group	Bank
Rent of buildings and premises	(191)	(196)	(1,458)	(1,261)
Utility services for buildings and premises	(748)	(681)	(684)	(622)
Other expenses related to buildings and premises	(1,389)	(1,385)	(333)	(331)
Transportation expenses	(413)	(319)	(529)	(361)
Legal costs	(368)	(368)	(390)	(390)
Personnel and training expenses	(389)	(371)	(241)	(222)
IT and communication expenses	(3,698)	(3,329)	(2,430)	(2,210)
Marketing and charity expenses	(3,319)	(1,685)	(2,968)	(1,817)
Service organisation expenses	(1,582)	(1,440)	(1,302)	(1,147)
Non-income taxes, fines	(1,368)	(793)	(521)	(78)
Costs incurred due to debt recovery	(423)	(175)	(388)	(247)
Other expenses	(1,270)	(588)	(902)	(431)
<b>Total</b>	<b>(15,158)</b>	<b>(11,330)</b>	<b>(12,146)</b>	<b>(9,117)</b>

## NOTE 10 IMPAIRMENT LOSSES

	1 January - 31 December 2019		1 January - 31 December 2018	
	Group	Bank	Group	Bank (restated)
(Impairment losses) / reversal of impairment losses on loans	(8,000)	(4,674)	(4,834)	(4,090)
Recoveries of loans previously written-off	2,558	422	1,407	656
Reversal of impairment losses / (impairment losses) on finance lease receivables	(1,341)	(1,367)	316	305
Recovered previously written-off finance lease receivables	(375)	-	170	-
(Impairment losses) on debt securities	62	70	(68)	(68)
Reversal of impairment losses on due from banks	(9)	(9)	9	9
Reversal of impairment losses / (impairment losses) on other financial assets	(134)	(138)	(73)	(75)
(Impairment losses) on subsidiaries	-	1,996	-	(1,996)
(Impairment losses) / reversal of impairment losses on other non-financial assets	(715)	(481)	(4,316)	(1,319)
Recoveries of other non-financial assets previously written-off	-	-	-	-
Provisions for other liabilities	(438)	-	(354)	(103)
<b>Total</b>	<b>(8,392)</b>	<b>(4,181)</b>	<b>(7,743)</b>	<b>(6,681)</b>

	1 January - 31 December 2019		1 January - 31 December 2018	
	Group	Bank	Group	Bank
<b><u>Allowance for impairment of loans</u></b>				
As at 1 January	42,766	36,851	41,366	35,767
Change in allowance for loan impairment	8,000	4,674	4,834	4,090
Loans written off during the period	(12,257)	(9,460)	(3,434)	(3,007)
Other factors (reclassification, FX rate shift, etc.)	-	-	-	1
<b>As at 31 December</b>	<b>38,509</b>	<b>32,065</b>	<b>42,766</b>	<b>36,851</b>
<b><u>Allowance for impairment of finance lease receivables</u></b>				
As at 1 January	2,646	1,842	2,963	2,147
Change in allowance for impairment of finance lease receivables	1,341	1,367	(316)	(305)
Finance lease receivables written off during the period	(26)	(22)	(1)	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
<b>As at 31 December</b>	<b>3,961</b>	<b>3,187</b>	<b>2,646</b>	<b>1,842</b>
<b><u>Allowance for impairment of debt securities</u></b>				
As at 1 January	1,377	359	1,318	291
Change in allowance for impairment of debt securities	(62)	(70)	68	68
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	2	1	(9)	-
<b>As at 31 December</b>	<b>1,317</b>	<b>290</b>	<b>1,377</b>	<b>359</b>
<b><u>Allowance for impairment of due from banks</u></b>				
As at 1 January	13	13	22	22
Change in allowance for impairment of due from banks	9	9	(9)	(9)
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	1	-	-
<b>As at 31 December</b>	<b>22</b>	<b>23</b>	<b>13</b>	<b>13</b>
<b><u>Allowance for impairment of other financial assets</u></b>				
As at 1 January	395	372	330	303
Change in allowance for impairment of other financial assets	134	138	73	75
Other financial assets written off during the period	(13)	(5)	-	-
Other factors (reclassification, FX rate shift, etc.)	1	-	(8)	(6)
<b>As at 31 December</b>	<b>517</b>	<b>505</b>	<b>395</b>	<b>372</b>

## NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

### Net gain from trading activities

	1 January – 31 December 2019		1 January – 31 December 2018	
	Group	Bank	Group	Bank
<i>Net gain from operations with securities</i>	7,189	3,486	962	2,448
<i>Net gain from foreign exchange and related derivatives</i>	7,855	7,790	6,931	6,762
<i>Net gain (loss) from other derivatives</i>	(31)	(31)	4	4
<b><i>Total net gain from trading activities</i></b>	<b>15,013</b>	<b>11,245</b>	<b>7,897</b>	<b>9,214</b>

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net gain of EUR 3,447 thousand for the twelve month period ended 31 December 2019; a net loss of EUR 931 thousand for the twelve month period ended 31 December 2018.

### Expenses related to insurance activities

	1 January - 31 December 2019		1 January - 31 December 2018	
	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>	(3,447)	-	931	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(5,317)	-	(4,861)	-
<b><i>Total expenses related to insurance activities</i></b>	<b>(8,764)</b>	<b>-</b>	<b>(3,930)</b>	<b>-</b>

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

	1 January - 31 December 2019		1 January - 31 December 2018	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	40	-	42	-
<i>Net gain (loss) from operations with securities</i>	3,342	-	(1,135)	-
<i>Net gain (loss) from foreign exchange</i>	65	-	162	-
<b><i>Total</i></b>	<b>3,447</b>	<b>-</b>	<b>(931)</b>	<b>-</b>

## NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- a) 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;
- b) subsidiaries of the Bank;
- c) 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 2019 and 2018, 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. Starting from 2018, according to the local legislation, the information on executed material transactions with related parties is published on Bank's website ([www.sb.lt](http://www.sb.lt) › About bank › Information › Reports regarding the transactions with related parties).

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

	31 December 2019		31 December 2018	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	1,535	31	3,176	243
<i>Other related parties (excluding subsidiaries of the Bank)</i>	4,889	20,075	2,346	21,233
<b>Total</b>	<b>6,424</b>	<b>20,106</b>	<b>5,522</b>	<b>21,476</b>

### Transactions with EBRD:

The Group/Bank had a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), which was repaid in 2018 by converting it to Bank's shares (see Note 6 for details). During the twelve month period ended 31 December 2018 subordinated loan related interest expenses amounted to EUR 860 thousand, a net gain of EUR 9,043 thousand related to revaluation of the liability to fair value was recorded in income statement.



## NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

### Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 December 2019		31 December 2018	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	4,164	9,264	2,043	13,887
<i>Financial institutions</i>	1,141	135,106	1,128	74,907
	<b>5,305</b>	<b>144,370</b>	<b>3,171</b>	<b>88,794</b>

### Bank's total balances with subsidiaries:

	31 December 2019	31 December 2018
<b>Assets</b>		(restated)
<i>Loans</i>	108,964	68,518
<i>Other assets</i>	69	19
<i>Bank's investment in subsidiaries (restated as of 31 December 2018)</i>	31,491	29,450
<b>Liabilities and shareholders' equity</b>		
<i>Deposits</i>	5,305	3,171
<i>Other liabilities</i>	14	5

### Income and expenses arising from transactions with subsidiaries:

	1 January – 31 December 2019	1 January – 31 December 2018
<b>Income</b>		(restated)
<i>Interest</i>	4,049	2,865
<i>Commission income</i>	704	222
<i>FX income</i>	6	4
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	4,713	3,327
<i>Other income</i>	86	39
<b>Expenses</b>		
<i>Interest</i>	(18)	(14)
<i>Operating expenses</i>	(27)	(30)
<i>Impairment losses on loans</i>	(455)	(7)
<i>Allowance for impairment losses on investments in subsidiaries</i>	1,996	(1,996)

As of 31 December 2019, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 504 thousand (31 December 2018: EUR 49 thousand).

## NOTE 13 LIQUIDITY AND OPERATIONAL RISKS

### Liquidity risk

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

#### Liquidity risk management process

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

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.

## NOTE 13 LIQUIDITY AND OPERATIONAL RISKS (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	185,313	62,522	104,343	163,543	224,834	702,556	986,484	78,591	2,508,186
<i>Total liabilities and shareholders' equity</i>	1,165,314	127,898	130,676	176,732	303,253	182,869	110,195	311,249	2,508,186
<i>Net liquidity gap</i>	(980,001)	(65,376)	(26,333)	(13,189)	(78,419)	519,687	876,289	(232,658)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2018 was as follows:

	Kiekvieno pareikalavimo	Iki 1 mėn.	1-3 mėn.	3-6 mėn.	6-12 mėn.	1-3 metai	Virš 3 metų	Nenustatyti terminai	Iš viso
<i>Iš viso turto</i>	95,587	52,539	90,540	98,567	246,403	629,534	974,388	74,171	2,261,729
<i>Iš viso įsipareigojimų ir akcininkų nuosavybės</i>	992,960	113,137	125,879	169,865	311,496	202,238	71,416	274,738	2,261,729
<i>Grynoji likvidumo spraga</i>	(897,373)	(60,598)	(35,339)	(71,298)	(65,093)	427,296	902,972	(200,567)	-

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	181,978	55,407	187,576	151,211	209,954	673,534	938,245	71,913	2,469,818
<i>Total liabilities and shareholders' equity</i>	1,168,498	120,511	130,313	176,357	301,777	180,102	80,909	311,351	2,469,818
<i>Net liquidity gap</i>	(986,520)	(65,104)	57,263	(25,146)	(91,823)	493,432	857,336	(239,438)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2018 (restated) was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	94,015	51,975	129,504	91,633	233,863	607,352	947,342	70,845	2,226,529
<i>Total liabilities and shareholders' equity</i>	993,894	107,073	125,628	169,086	310,678	200,265	46,009	273,896	2,226,529
<i>Net liquidity gap</i>	(899,879)	(55,098)	3,876	(77,453)	(76,815)	407,087	901,333	(203,051)	-

## NOTE 13 LIQUIDITY AND OPERATIONAL RISKS (continued)

### Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and/or illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

The principles for management operational risk in the Bank: proper identification and assessment of operational risk; preventing larger operational risk and losses by implementation of efficient internal control; proper organisation and supervision of internal control environment by continuous revision of applicable control methods; concentration of resources and time towards identification and management of main sources of operational risk in all the areas of Bank's activity.

The Bank prepares and continuously improves principles and tools for operational risk management in the Bank and its subsidiaries. They are documented in operational risk management procedure and instruction for management operational risk in subsidiaries, which are an integral part of the Bank's risk management policy.

The operational risk management methods are implemented in the Bank – the system for registration of operational risk events in the administrative information system (AIS), functioning of which is regulated by the Instruction for registration of Operational risk events; the system of operational risk indicators and monitoring of limits of these indicators. Operational risk indicator framework is used to manage reputational risk. Events that have signs of reputational risk and can cause the Bank to incur large losses, are included in the registry of operational risk events and are monitored, analysed and assessed accordingly.

In 2018, the Bank continued to develop systems of operational risk management and internal control organization measures. For that purpose, the Bank renewed the following internal documents: operational risk management procedure, provisions for organization of internal control, provisions for contingency planning organization.

In 2019, the Bank continues to further improve its internal control organization, business continuity management, systems for registration of incidents and suggestions and information delivery channels, and the system of internal operational risk indicators.

## NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the twelve month period ended 31 December 2019, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2018. 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 twelve month period ended 31 December 2019, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	31 December 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
Trading book securities	38,908	13,835	57,953	25,667
Investment securities at fair value	12,923	8,869	19,864	16,075
<b>Total Level I financial assets</b>	<b>51,831</b>	<b>22,704</b>	<b>77,817</b>	<b>41,742</b>
<b>LEVEL II</b>				
Derivative financial instruments - assets	986	986	1,197	1,197
Derivative financial instruments - liabilities	(945)	(945)	(1,048)	(1,048)
<b>LEVEL III</b>				
Trading book securities	1,519	1,519	2,229	2,229
Investment securities at fair value	1,136	622	1,243	432
<b>Total Level III financial assets</b>	<b>2,655</b>	<b>2,141</b>	<b>3,472</b>	<b>2,661</b>

There were no transfers between fair value hierarchy levels during 2019 and 2018.

## NOTE 14

### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the twelve month period ended 31 December:

Group	Trading book securities		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018
As at 31 December	2,229	2,897	1,243	1,620	-	34,203
Impact of change in accounting principles	-	(2,284)	-	(5)	-	-
As at 1 January	2,229	613	1,243	1,615	-	34,203
Additions	8,883	7,070	-	-	-	-
Disposals / redemption / derecognition	(9,567)	(5,480)	(335)	(383)	-	(24,732)
Changes due to interest accrued/paid	(26)	26	-	(7)	-	(428)
Changes in fair value	-	-	228	18	-	(9,043)
As at 31 December	1,519	2,229	1,136	1,243	-	-

Bank	Trading book securities		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018	1 Jan - 30 Dec 2019	1 Jan - 30 Dec 2018
As at 31 December	2,229	2,897	432	414	-	34,203
Impact of change in accounting principles	-	(2,284)	-	-	-	-
As at 1 January	2,229	613	432	414	-	34,203
Additions	8,883	7,070	-	-	-	-
Disposals / redemption / derecognition	(9,567)	(5,480)	(11)	-	-	(24,732)
Changes due to interest accrued/paid	(26)	26	-	-	-	(428)
Changes in fair value	-	-	201	18	-	(9,043)
As at 31 December	1,519	2,229	622	432	-	-

	1 January – 31 December 2019		1 January – 31 December 2018	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	228	201	9 043	9 043

Fair value of investment securities held to collect cash flows:

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

	31 December 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	545,849	566,830	638,655	653,889

## NOTE 15 SEGMENT INFORMATION

### Business segments

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

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

## NOTE 15 SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2018 and in the Statement of comprehensive income for the twelve month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
<b>Continuing operations</b>						
Internal	(54)	-	549	(603)	108	-
External	53,133	7,570	1,276	847	-	62,826
<b>Net interest income</b>	<b>53,079</b>	<b>7,570</b>	<b>1,825</b>	<b>244</b>	<b>108</b>	<b>62,826</b>
Internal	202	-	-	(116)	(86)	-
External	14,222	-	-	(23)	-	14,199
<b>Net fee and commissions income</b>	<b>14,424</b>	<b>-</b>	<b>-</b>	<b>(139)</b>	<b>(86)</b>	<b>14,199</b>
Internal	148	-	549	(719)	22	-
External	67,355	7,570	1,276	824	-	77,025
<b>Net interest, fee and commissions income</b>	<b>67,503</b>	<b>7,570</b>	<b>1,825</b>	<b>105</b>	<b>22</b>	<b>77,025</b>
Internal	(49)	(3)	-	(16)	68	-
External	(27,717)	(2,702)	-	(6,742)	-	(37,161)
<b>Operating expenses</b>	<b>(27,766)</b>	<b>(2,705)</b>	<b>-</b>	<b>(6,758)</b>	<b>68</b>	<b>(37,161)</b>
Amortisation charges	(552)	(57)	-	(61)	-	(670)
Depreciation charges	(1,040)	(110)	-	(162)	-	(1,312)
Internal	-	-	(2,241)	914	1,327	-
External	(2,983)	-	(1,548)	(3,212)	-	(7,743)
<b>Impairment expenses</b>	<b>(2,983)</b>	<b>-</b>	<b>(3,789)</b>	<b>(2,298)</b>	<b>1,327</b>	<b>(7,743)</b>
Internal	12	-	4,662	11	(4,685)	-
External	6,953	2,447	10,365	8,097	-	27,862
<b>Net other income</b>	<b>6,965</b>	<b>2,447</b>	<b>15,027</b>	<b>8,108</b>	<b>(4,685)</b>	<b>27,862</b>
<b>Profit (loss) before tax</b>	<b>42,127</b>	<b>7,145</b>	<b>13,063</b>	<b>(1,066)</b>	<b>(3,268)</b>	<b>58,001</b>
Income tax	(4,942)	(474)	-	53	-	(5,363)
<b>Profit (loss) per segment after tax</b>	<b>37,185</b>	<b>6,671</b>	<b>13,063</b>	<b>(1,013)</b>	<b>(3,268)</b>	<b>52,638</b>
Non-controlling interest	-	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>37,185</b>	<b>6,671</b>	<b>13,063</b>	<b>(1,013)</b>	<b>(3,268)</b>	<b>52,638</b>
Total segment assets	1,471,291	772,909	45,742	67,370	(95,583)	2,261,729
Total segment liabilities	1,288,613	679,326	40,203	50,509	(71,660)	1,986,991
<b>Net segment assets (shareholders' equity)</b>	<b>182,678</b>	<b>93,583</b>	<b>5,539</b>	<b>16,861</b>	<b>(23,923)</b>	<b>274,738</b>

## NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 December 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

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

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

### Financial Group's condensed statement of financial position

	31 December 2019	31 December 2018
<b>ASSETS</b>		(restated)
Cash and cash equivalents	181,903	87,990
Securities in the trading book	15,354	27,896
Due from other banks	280	2,090
Derivative financial instruments	986	1,197
Loans to customers	1,522,117	1,272,183
Finance lease receivables	157,597	124,088
Investment securities at fair value	14,059	20,810
Investment securities at amortized cost	535,479	638,655
Investments in subsidiaries and associates	15,406	13,340
Intangible assets	2,922	1,996
Property, plant and equipment	11,590	8,333
Investment property	3,053	5,301
Current income tax prepayment	4	1,435
Deferred income tax asset	1,214	967
Other assets	16,340	26,329
<b>Total assets</b>	<b>2,478,304</b>	<b>2,232,610</b>
<b>LIABILITIES</b>		
Due to other banks and financial institutions	75,534	70,195
Derivative financial instruments	945	1,048
Due to customers	2,036,674	1,846,788
Special and lending funds	7,060	3,192
Debt securities in issue	20,044	20,003
Current income tax liabilities	1,488	97
Deferred income tax liabilities	917	575
Other liabilities	23,843	16,313
<b>Total liabilities</b>	<b>2,166,505</b>	<b>1,958,211</b>
<b>EQUITY</b>		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,292	10,241
Reserve for acquisition of own shares	10,000	-
Financial instruments revaluation reserve	(22)	(492)
Financial instruments revaluation reserve	1,524	-
Retained earnings	107,610	86,255
Non-controlling interest	-	-
<b>Total equity</b>	<b>311,799</b>	<b>274,399</b>
<b>Total liabilities and equity</b>	<b>2,478,304</b>	<b>2,232,610</b>

## NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP (continued)

### Financial Group's condensed income statement

for the twelve month period ended

	31 December 2019	31 December 2018 (restated)
<i>Interest revenue calculated using the effective interest method</i>	73,411	64,913
<i>Other similar income</i>	7,108	6,026
<i>Interest expense and similar charges</i>	(8,216)	(8,443)
<b>Net interest income</b>	<b>72,303</b>	<b>62,496</b>
<i>Fee and commission income</i>	22,920	19,659
<i>Fee and commission expense</i>	(6,045)	(5,319)
<b>Net fee and commission income</b>	<b>16,875</b>	<b>14,340</b>
<i>Net gain from trading activities</i>	11,562	9,306
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	9,043
<i>Net gain (loss) from derecognition of financial assets</i>	2,442	582
<i>Net gain (loss) from disposal of tangible assets</i>	1,135	671
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	941	921
<i>Salaries and related expenses</i>	(21,549)	(19,953)
<i>Depreciation and amortization expenses</i>	(3,255)	(1,860)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(14,346)	(11,271)
<b>Operating profit before impairment losses</b>	<b>66,108</b>	<b>64,275</b>
<i>Allowance for impairment losses on loans and other assets</i>	(8,595)	(5,143)
<i>Allowance for impairment losses on investments in subsidiaries</i>	1,996	(1,996)
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	1,263	730
<b>Profit before income tax</b>	<b>60,772</b>	<b>57,866</b>
<i>Income tax expense</i>	(7,891)	(5,328)
<b>Net profit for the period</b>	<b>52,881</b>	<b>52,538</b>
<b>Net profit attributable to:</b>		
<i>Owners of the Bank</i>	52,881	52,538
<i>Non-controlling interest</i>	-	-

### Financial Group's condensed statement of comprehensive income

	1 January – 31 December 2019		1 January – 31 December 2018	
	Fin. Group	Bank	Fin. Group	Bank
<b>Profit for the period</b>	<b>52,881</b>	<b>53,103</b>	<b>52,538</b>	<b>52,011</b>
<b>Other comprehensive income (loss):</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
<i>Gain (loss) from revaluation of financial assets</i>	600	600	(560)	(560)
<i>Deferred income tax on gain (loss) from revaluation of financial assets</i>	(130)	(130)	84	84
<i>Items that may not be subsequently reclassified to profit or loss:</i>				
<i>Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk</i>	-	-	352	352
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>470</b>	<b>470</b>	<b>(124)</b>	<b>(124)</b>
<b>Total comprehensive income</b>	<b>53,351</b>	<b>53,573</b>	<b>52,414</b>	<b>51,887</b>
<b>Total comprehensive income (loss) attributable to:</b>				
<i>Owners of the Bank</i>	53,351	53,573	52,414	51,887
<i>Non-controlling interest</i>	-	-	-	-
	<b>53,351</b>	<b>53,573</b>	<b>52,414</b>	<b>51,887</b>



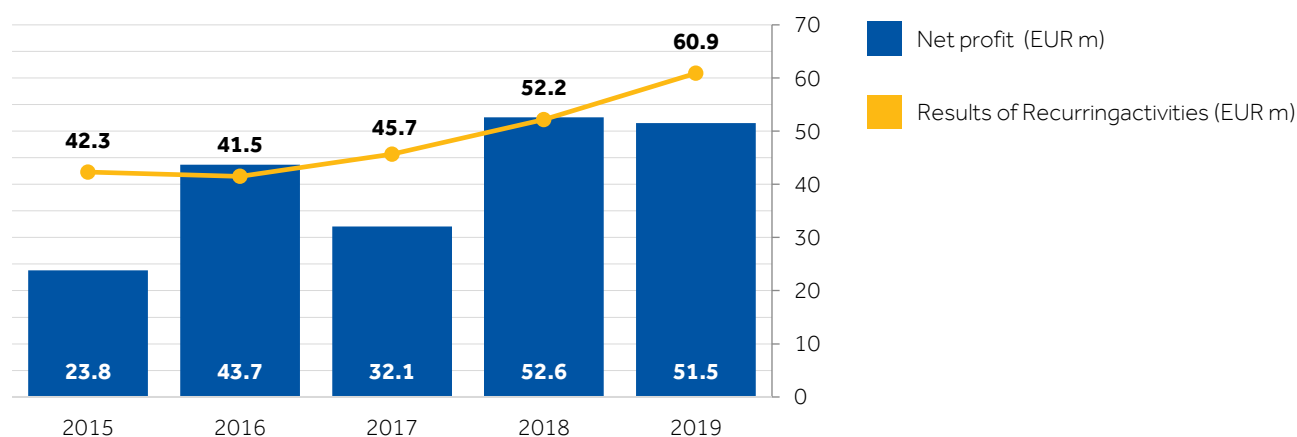


ADDITIONAL INFORMATION

## ANNUAL ACTIVITY RESULTS

- Bank Group earned 51.5 million euro of net profit, return on equity exceeded 17 per cent
- Recurring activity result grew by 17 over the recent year
- Loan and financial lease portfolio grew rapidly - it increased by 21 per cent over the year
- Deposit portfolio crossed a 2 billion-euro threshold
- Trading in Šiaulių Bankas's shares was a record high in 2019
- From 1 January 2020, the European Central Bank has become responsible for the direct supervision of Šiaulių Bankas.
- Šiaulių Bankas maintained its leading position in the best customer service bank survey

In 2019, Šiaulių Bankas Group earned an unaudited net profit of 51.5 million euros. Recurring activity result of Šiaulių Bankas had been improving steadily for several years in a row and reached 60.9 million euro in 2019, i.e. by 17% more than in 2018, when 52.2 million euros were earned. Net profit for the fourth quarter of 2019 was 10.9 million euros and the recurring activity result comprised 13.8 million euros.



In a view of increasing lending volumes and low resource costs, net interest income grew by 15 per cent over the year and reached 72.4 million euros. High customer activity in using banking services resulted in 18 per cent growth in net fee and commission income over the year and totalled to 16.7 million euros at the end of the year. In 2019 the profit from foreign exchange operations also increased significantly - during the year Šiaulių Bankas Group earned 7.9 million euro which is by 14% more than last year.

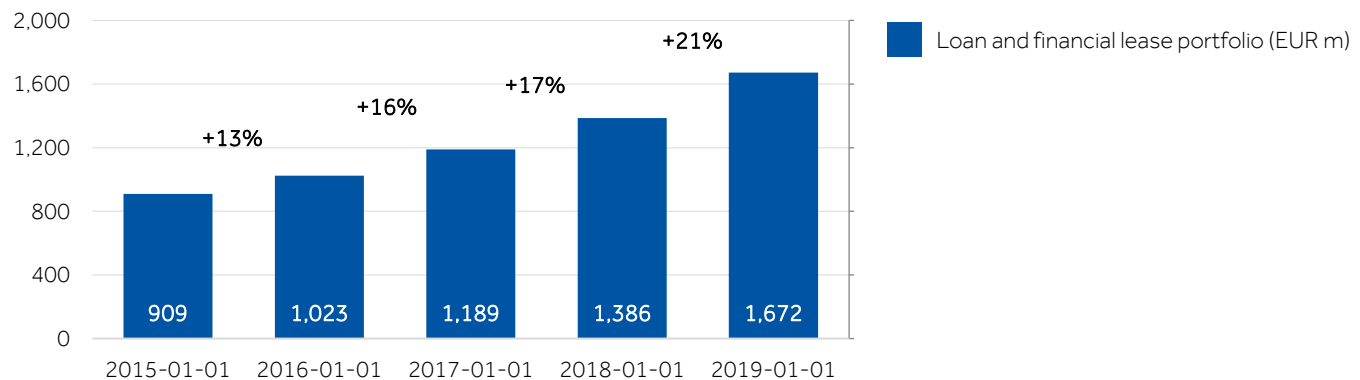
In line with growing income operating efficiency of Šiaulių Bankas Group remains strong - a cost to income ratio of comprised 42.5 per cent at the end of year. Return on equity reached 17.6 per cent and prudential requirements are being met with appropriate breathing room.

At the end of 2019, Šiaulių Bankas distributed the first issue of subordinated bonds of 20 million euro. The subordinated bonds were included in Tier 2 capital so that the bank could have more opportunities to grow sustainably and increase the shareholder returns. Also, the bonds are eligible liabilities under MREL requirements.

## Overview of Business Segments

### Business and Consumer Financing

The Bank Group's loan and finance lease portfolio growth in 2019 was the fastest in the last few years. Over the year, the portfolio grew by 21 per cent and at the end of December it exceeded 1.6 billion euros. In 2019 more than 770 million euros of new credit agreements were signed, i.e. 7 per cent more than in 2018.



The volume of the Bank's strategic directions - business and consumer financing - increased steadily throughout the year. The value of new business finance agreement reached 540 million euros during the year and the portfolio grew by 18 per cent. The portfolio of consumer finance products grew by 41 per cent and the value of new agreements exceeded 150 million euros.

In the beginning of 2019, Šiaulių Bankas took active steps in the housing market segment, which ensured rapid growth of the mortgage portfolio - the mortgage loan portfolio doubled during the year and exceeded 100 million euros.

### Daily banking

Increasing payments and cash turnover, high customer activity in choosing service plans for private and corporate customers resulted in 17 per cent higher fee and commission income compared to 2018. The number of customers increased by 4 per cent since the beginning of the year and at the end of December reached 337 thousand with more than 308 thousand of private and 28 thousand of corporate customers. The growth of commission income was also influenced by the growing number of payment cards participating in the Security Programme which increased by 64 per cent compared to 2018.

Number of the payment card transactions increased by 41 per cent in 2019. The growth of contactless payment transactions, which grew by more than 200%, contributed significantly to that growth. Currently, every other operation at physical payment points is contactless.

From June 2019, Šiaulių Bankas accepts instant payments, which in 2019 accounted for approximately 13 per cent of all received SEPA payments. Currently, the monthly part of instant payments accounts for around 22 per cent of all SEPA payments.

During 2019, fees to other banks for cash withdrawal transactions of Šiaulių Bankas payment card users increased by 49 per cent as customers were more active in withdrawing cash free of charge at all ATMs worldwide.

## *Saving and Investing*

Deposit portfolio grew by 10 per cent over the year and crossed 2 billion-euro threshold at the end of 2019. Demand deposits, which make up the bulk of the portfolio, increased by 160 million euro. The fixed term deposit portfolio grew by 28 million euros. Seeking for alternative savings solutions, three years ago Šiaulių Bankas was the first to offer its clients deposits related to financial instruments. After dissemination of the first deposit in October 2019, the Bank's customers earned 2.85 per cent of annual interest which is 5 times higher than interest rate applicable to regular term deposit.

In 2019, Šiaulių Bankas successfully launched a deposit service for the German market. At the end of the year, 12 million euros term deposits were collected through the deposit platform. Collaboration with the European deposit platform Raisin exceeded expectations, and therefore the Bank would seek to remain active in foreign markets in 2020 as well.

## **Record high turnover in Šiaulių Bankas' shares**

Consistent capitalization, sustained gains in profitability were not only well assessed by international rating agency Moody's Investors Service which improved a long-term credit rating of Šiaulių Bankas to Baa2 in May, but also by the investors. During 2019, the bank's share price on the Nasdaq Vilnius Stock Exchange increased by 26 per cent. Trading in Šiaulių Bankas' shares reached a record high and ensured the leading position - the annual turnover on the Nasdaq Baltic market exceeded 48 million euros.

## **High customer service quality**

According to the results of Mystery Shopper Survey in 2019 Šiaulių Bankas maintained its leader's positions for the second year in the row since its service quality indicator substantially exceeded the bank sector average. The mystery shopper survey showed that the total client service quality indicator of the Lithuanian bank sector came to 82.7 % last year – it decreased by 6.3 % during the year.

This evaluation is meaningful as it reflects how successfully the Bank is doing at maintaining its strategic direction – to be nearer its clients. In 2019, the Bank introduced a new brand strategy, visual identity and the slogan "Your bank - closer to you". The new image highlights the Bank's strengths - close customer relationship, openness and flexibility.

21 Bank's customer service points were renovated in Vilnius, Kaunas, Šiauliai, Panevėžys, Marijampolė, Druskininkai, Palanga, Visaginas, Ukmergė, and other Lithuanian cities and towns throughout the last year. This year Šiaulių Bankas is planning on continuing the renovation of the customer service points at the same pace. Unlike other banks of the country Šiaulių Bankas intends not to decrease but maintain a wide network of the Bank divisions - currently the Bank has 60 customer service points operating in 37 towns throughout Lithuania.

## **The status of a significant financial institution**

From 1 January 2020, the European Central Bank (ECB) included Šiaulių Bankas in the list of banks of the directly supervised euro area countries. As Šiaulių Bankas became the third largest credit market participant in Lithuania, the ECB granted Šiaulių Bankas the status of a significant Lithuanian financial institution. Like every bank newly listed on the ECB's direct supervision list, Šiaulių Bankas is currently undergoing a comprehensive evaluation process.

In 2019 the Bank of Lithuania (BoL) carried out a scheduled inspection of Šiaulių Bankas on credit risk management and compliance with requirements of anti-money laundering and counter terrorist financing and passed a resolution obliging Šiaulių Bankas to correct violations and deficiencies of legislation and imposed a fine of EUR 880 thousand. Most of the violations and deficiencies identified by the BoL had been eliminated before the findings of the inspection were discussed at the Board of the BoL. The Board of Šiaulių Bankas resolved to appeal against the resolution of the Board of the Bank of Lithuania regarding the calculation and imposition of the sanction and for this purpose filed a complaint with the Vilnius Regional Administrative Court.

## Non-recurring activities

Non-recurring activities shall mean an indicator used the Bank's analyses to show a portion of income based on the result from one-time transactions or transactions that are not recurring in the Group's typical activities. Breakdown of operating profit into recurring and non-recurring activities is provided below (in EUR thou).

	2019 m.		2018 m.	
	Grupė		Grupė	
	Recurring	Non-recurring	Recurring	Non-recurring
Net interest income	72.412	-	62.826	-
Net fee and commission income	16.714	-	14.199	-
Net gain from securities	5.235	1.923	-1.437	2.399
Net foreign exchange gain and relating embedded derivatives	7.886	-	6.931	-
Net loss from other financial embedded derivatives	-	-31	-	4
Net loss from changes in fair value of subordinated loan	-	-	-	9.043
Net profit from derecognition of financial assets	-	2.442	-	582
Net gain from disposal of tangible assets	-	3.462	-	2.449
Income related to other activities of the Group companies	6.962	-	6.465	-
Other operating income	1.498	-	1.426	-
Salary and related expenses	-22.842	-	-21.085	-
Depreciation and amortization expenses	-3.595	-	-1.982	-
Expenses related to other activities of the Group companies	-8.764	-	-3.930	-
Other operating expenses	-15.158	-516	-11.169	-977
<b>Operating profit before impairment</b>	<b>60.864</b>	<b>7.280</b>	<b>52.244</b>	<b>13.500</b>

## RATINGS

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

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

## RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

With revenues growing faster than expenses, operational efficiency remains strong - a cost to income ratio of the Group comprised 42.5 per cent at the end of the year. Information on the profitability ratios is available on the Bank's website at: <https://sb.lt/lt/investuotojams/finansine-info/pelningumo-rodikliai>.

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 December 2019 the Bank complied with all the prudential requirements set out by the Bank of Lithuania. Information is available on the Bank's website at: <https://sb.lt/lt/investuotojams/finansine-info/veiklos-rizika-ribojantys-normatyvai>.

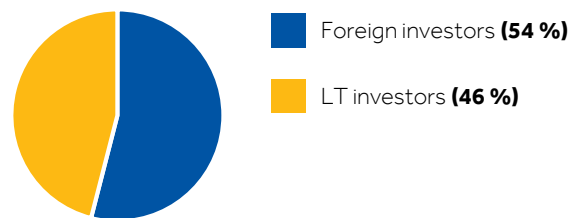
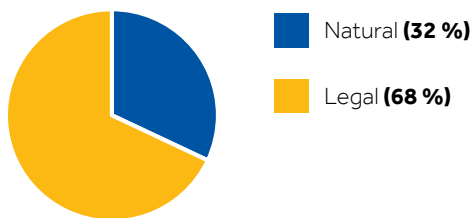
## AUTHORIZED CAPITAL OF THE BANK, SHAREHOLDERS

As of 31 December 2019, the authorized capital of the Bank totalled to EUR 174 210 616.27 and was divided 600 726 263 units of ordinary registered shares with a nominal value of EUR 0.29 each. The Bank's Charter was registered in the Register of Legal Entities after the last increase of the authorized capital on 13 December 2018. Bank's authorized capital was not increased in 2019.

### Authorized capital:

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

31 December 2019, the number of the Bank's shareholders amounted to 5391 (at the end of 2018 – 4 992). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank.



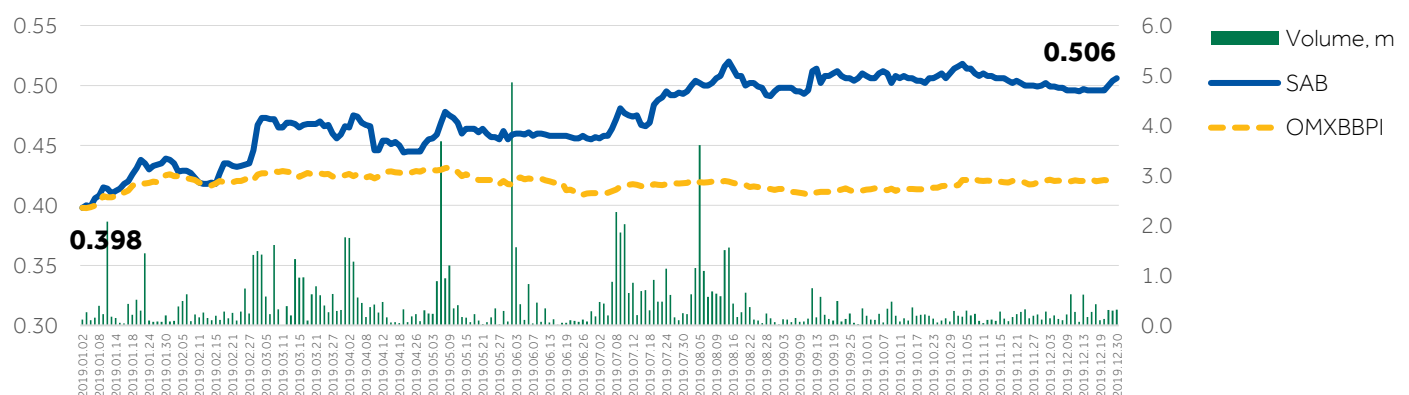
Shareholders owning more than 5% of the Bank's shares and votes as of 31 December 2019:

	Share of shares and votes, %
EBRD	26.0
Invalda INV. AB *	6.1
Algirdas Butkus*	5.6
Gintaras Kateiva*	5.3

\* Including shares owned indirectly

There are no restrictions set to transfer of the securities except shares assigned to the Bank's employees in accordance with the Remuneration Policy. These shares are subject to 12month transfer restriction counting from their assignment day.

### Turnover and price of the Bank's shares:



**Information on shares:**

	2015	2016	2017	2018	2019
Capitalization, mEUR	93.7	169.5	266.8	240.9	304.0
Turnover, mln. Eur	12.7	23.1	44.5	34.7	48.3
P/BV	0.7	1.0	1.3	0.9	1.0
P/E	3.9	3.9	8.3	4.6	5.9
Capital increase from retained earnings, %	20.0	20.0	20.0	-	-

The description of alternative performance indicators is available on the Bank's website at <https://sb.lt/lt/investuotojams/finansine-info/alternatyvus-veiklos-rodikliai>.

**MANAGEMENT OF THE BANK**

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

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council of the Bank shall be chaired by the Chairperson. The Bank's Supervisory Council, consisting of seven members, is elected by the General Meeting of Shareholders for a period of four years. The members of the Supervisory Council are proposed to the meeting by the initiators of the meeting or shareholders holding 1/20 of the Bank's shares. One independent member was elected to the Supervisory Council for this term. The Charter of the Bank provides that the term of office of a member of the Supervisory Council shall not be limited. Following the notification of the resignation as a member of the Supervisory Council on 5 May V. Vitkauskas ceased to be a member of the Council and Committees. The Supervisory Council of the Bank (elected on 30/03/2016, the term expires on 30/03/2020) currently consists of 6 members.

**Supervisory Council of the Bank**
**Arvydas Salda**


Member since 1991, Chairman since 1999

Tenure beginning 30/03/2016/ end 2020

**Gintaras Kateiva**


Member since 2008

Tenure beginning 30/03/2016/ end 2020

**Ramunė Vilija Zabulienė**


Independent members since 2012

Tenure beginning 30/03/2016/ end 2020

**Darius Šulinis**


Member since 2016

Tenure beginning 09/05/2016/ end 2020

**Martynas Česnavičius**


Member since 2016

Tenure beginning 09/05/2016/ end 2020

**Miha Košak**


Member since 2017

Tenure beginning 26/06/2017/ end 2020

**Share of capital under the right of ownership, % (31/12/2019)**

1.93

5.27

-

-

-

-

**Share of votes together with the related persons, % (31/12/2019)**

1.93

5.29

-


6.14

0.35

-

The Board of the Bank is a collegial management body of the Bank consisting of seven members. It manages the Bank, manages its affairs and is responsible for the execution of the Bank's financial services in accordance with the law. The rules of procedure of the Board shall determine the Rules of Procedure of the Board. The Board is elected by the Bank's Supervisory Council for a period of four years. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of office of the Board shall be four years and the number of terms shall not be limited. If individual members of the Board are elected, they shall be elected until the end of the term of office of the existing Board. The Board of the Bank (elected on 30/03/2016, the term expires on 30/03/2020).

### Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the Council 1991-1999) Deputy Chief Executive Officer	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer	Deputy Chairman of the Board since 1995 Deputy Chief Executive Officer, Head of Finance and Risk Management Division	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division	Member since 2011 Chief Accountant, Head of Accounting and Tax Division	Member since 2012 Head of IT Division	Members since 2014 Head of Legal and Administration Division
Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020
Share of capital under the right of ownership, % (31/12/2019)						
2.59	0.19	0.10	0.02	0.04	0.11	0.02
Share of votes together with the related persons, % (31/12/2019)						
5.59	0.19	0.10	0.02	0.04	0.11	0.02



## GROUP OF THE BANK'S COMPANIES

	Nature of activities	Registration date	Company code	Address	Tel.	E-mail, website
<b>Šiaulių Bankas AB</b>	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

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

The Bank indirectly controls the following subsidiaries:

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

\* Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas UAB controlled 100% of shares

\*\* Bank's 100% owned subsidiary Šiaulių Banko Turto Fondas UAB controlled 100% of shares

OTHER INFORMATION,  
PUBLISHED INFORMATION AND MAJOR EVENTS

Transactions with relating parties:

Information on these transactions with related parties is provided in note 12 to the condensed interim financial statements for the twelve month period ended 31 December 2019.

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website at <https://sb.lt/lt/investuotojams/pranesimai>.

Other important events are available on the Bank's website at <https://sb.lt/lt/apie/naujienos>.

Chief Executive Officer  
28 February 2020



Vytautas Sinius

## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm that as far as we know, the financial statements for twelve months of 2019 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Urbonienė

28 February 2020