INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
ANNUAL REPORT

31 December 2019

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ŠIAULIŲ BANKAS

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Independent auditor's report

To the shareholders of Šiaulių bankas AB

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Šiaulių bankas AB ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2019, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 6 March 2019.

What we have audited

The Bank's and the Group's separate and consolidated financial statements comprise:

- the Group's and the Bank's statements of financial position as at 31 December 2019;
- the Group's and the Bank's income statements and statements of comprehensive income for the year then ended;
- the Group's and the Bank's statements of changes in equity for the year then ended;
- the Group's and the Bank's statements of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Bank and the Group, in the period from 1 January 2019 to 31 December 2019, are disclosed in the Section "the External audit" of the Consolidated Annual Report.

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Our audit approach

Overview

- Overall Bank materiality is EUR 3,000 thousand
- Overall Group materiality is EUR 3,000 thousand

- We have audited the separate financial statements of the Bank
- We also conducted audit work at 2 other reporting units, all of them are in Lithuania
- Our full scope audit addressed 96% of the Group's revenues and 99% of assets

- Impairment of loans to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Bank materiality	EUR 3,000 thousand (2018: EUR 2,400 thousand)
Overall Group materiality	EUR 3,000 thousand (2018: EUR 2,400 thousand)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	The use of profit before tax is considered appropriate as, in our view, profit is stakeholder's primary measurement benchmark and key performance indicator for management and Supervisory Board. We chose the threshold of 5%, which

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	is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 150 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans to customers (refer to Part 1 "Credit risk" of note "Financial risk management" on pages 34-50, note 7 "Impairment losses" on page 86 and note 13 "Loans to customers" on pages 92-105 for further details) We focused on this area because the estimates regarding impairment allowances are complex and require a significant degree of judgement. For all loans expected credit loss is calculated based on the model, which uses classification of financial assets to 3 stages, uses collateral values and credit ratings of credit exposures, includes impact of macroeconomic scenarios, also, expert adjustments are made for unusual or significant exposures in all stages. Allowance for loan impairment as at 31 December 2019 amounted to EUR 32,065 thousand for the Bank and to EUR 38,509 thousand for the Group, impairment loss on loans to customers for the year ended 31 December 2019 amounted to EUR 4,252 thousand for the Bank and EUR 6,192 thousand for the Group. Given the significance of judgements and the high complexity related particularly to the calculation of ECL we considered this area as a key audit matter.	We assessed whether the Bank and the Group has retained the same policies and procedures in relation to the ECL of loans to customers as applied in 2018, and assessed changes for compliance with IFRS 9. We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included those over the credit file periodic review and rating assessment, collateral value establishing and monitoring. We also tested controls over ECL calculation processes, ie. whether: • stages of credit deterioration are properly established in the system and relevant lifetime or 12-month PDs are assigned to stage 2 and stage 1 exposures respectively, • lifetime and 12-month ECL is accurately calculated based on assigned PD and collateral values, • ECL for stage 3 assets is accurately calculated based on collateral values. We determined that we could rely on these controls for the purposes of our audit. We selected a sample of loans representing different credit ratings, stages, economic sectors and obtained customer financial information, collateral data and other available information to assess: • If appropriate credit rating is applied to a customer; • Whether the estimated future cash flows from collaterals are supportable.

On a sample basis we tested calculation of quarterly probability of default (PD) from loan portfolio and reconciled selected quarterly PD figures to working files where the PDs were adjusted for macroeconomic scenarios, and 12 month and life-time PDs established. We tested accuracy of data used in loss given default calculation for consumer financing.

We also performed detailed testing over reliability of loan portfolio data, including exposure, credit rating and other inputs used in impairment calculation engine as at 31 December 2019.

We made a selection of loans with manual adjustments in provision calculation engine and tested if changes in selected loans were justified.

We also analytically compared impairment provisions as at 1 January 2019 and 31 December 2019 and did not identify unusual or unexplained deviations.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries that operate in Lithuania (refer to note "General information" on page 17 of the Financial Statements). A full scope audit was performed by PwC Lithuania for the following Group entities covering substantially all of the Group's interest, fee and commission income and about 99% of the Group's assets:

- Šiaulių bankas AB
- SB lizingas UAB
- Bonum Publicum GD UAB.

For other entities of the Group we have carried out audit work on the selected balances and transactions, which were assessed by us as material from the Group audit perspective.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report and the social responsibility report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Bank and the Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Bank and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Bank and the Group in 1994. Our appointment has been renewed by tenders and shareholders' resolutions in the intermediate years, representing a total period of uninterrupted engagement appointment of 26 years.

The key audit partner on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
6 March 2020

FINANCIAL STATEMENTS

31 December 2019

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(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

		Year ended			
		31 December 2019		31 December 2018	
	Notes	Group	Bank	Group	Bank (restated)
Interest revenue calculated using the effective interest method	1	73,401	63,842	64,839	57,798
Other similar income	1	7,223	7,074	6,421	5,943
Interest expense and similar charges	1	(8,212)	(8,032)	(8,434)	(8,443)
Net interest income		**72,412**	**62,884**	**62,826**	**55,298**
Fee and commission income	2	22,791	23,222	19,518	19,109
Fee and commission expense	2	(6,077)	(5,909)	(5,319)	(5,196)
Net fee and commission income		**16,714**	**17,313**	**14,199**	**13,913**
Net gain from trading activities	3	15,013	11,245	7,897	9,214
Net gain from changes in fair value of subordinated loan	30	-	-	9,043	9,043
Net gain from derecognition of financial assets	6	2,442	1,184	582	582
Net gain from disposal of tangible assets	6	3,462	198	2,449	273
Revenue related to insurance activities	5	6,962	-	6,465	-
Other operating income	6	1,498	580	1,426	510
Salaries and related expenses		(22,842)	(19,607)	(21,085)	(17,935)
Depreciation and amortization expenses		(3,595)	(2,996)	(1,982)	(1,672)
Expenses related to insurance activities	5	(8,764)	-	(3,930)	-
Other operating expenses	4	(15,158)	(11,330)	(12,146)	(9,117)
Operating profit before impairment losses		**68,144**	**59,471**	**65,744**	**60,109**
Allowance for impairment losses on loans and finance lease receivables	7	(7,158)	(5,619)	(2,941)	(3,129)
Allowance for impairment losses on other assets	7	(1,234)	(558)	(4,802)	(1,556)
(Allowance) / reversal of allowance for impairment losses on investments in subsidiaries	7, 16	-	1,996	-	(1,996)
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	16	-	4,713	-	3,327
Profit before income tax		**59,752**	**60,003**	**58,001**	**56,755**
Income tax expense	8	(8,230)	(6,900)	(5,363)	(4,744)
Net profit for the year		**51,522**	**53,103**	**52,638**	**52,011**
Net profit attributable to:					
Owners of the Bank		51,522	53,103	52,638	52,011
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	9	0.09	-	0.10	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	9	0.09	-	0.10	

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

6 March 2020

The accounting policies and notes on pages 17 to 130 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

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

		Year ended			
		31 December 2019		31 December 2018	
	Notes	Group	Bank	Group	Bank (restated)
Net profit for the year		51,522	53,103	52,638	52,011
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss:					
Financial assets valuation gains (losses) taken to other comprehensive income	15	766	766	(486)	(486)
Financial assets valuation result transferred to profit or loss	15	(166)	(166)	(74)	(74)
Deferred income tax on gain (loss) from revaluation of financial assets	8, 15	(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	24, 30	13	-	352	352
Other comprehensive income (loss), net of deferred tax		483	470	(124)	(124)
Total comprehensive income for the year		52,005	53,573	52,514	51,887
Total comprehensive income attributable to:					
Owners of the Bank		52,005	53,573	52,514	51,887
Non-controlling interest		-	-	-	-
		52,005	53,573	52,514	51,887

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

6 March 2020

The accounting policies and notes on pages 17 to 130 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

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

		31 December 2019		*31 December 2018*		*1 January 2018*
	Notes	Group	Bank	Group	Bank (restated)	Bank (restated)
ASSETS						
Cash and cash equivalents	10	184,917	181,582	89,304	87,732	126,569
Securities in the trading book	12	40,427	15,354	60,182	27,896	18,284
Due from other banks	11	280	280	2,090	2,090	2,218
Derivative financial instruments	12	986	986	1,197	1,197	747
Loans to customers	13	1,514,578	1,510,052	1,262,167	1,264,741	1,099,062
Finance lease receivables	14	157,597	157,540	124,088	123,969	89,389
Investment securities at fair value	15	14,059	9,491	21,107	16,507	11,536
Investment securities at amortized cost	15	545,849	535,479	638,655	638,655	575,977
Investments in subsidiaries and associates	16	-	31,491	-	29,450	32,735
Intangible assets	17	4,288	2,921	3,359	1,975	1,684
Property, plant and equipment	18	12,216	11,170	8,630	8,018	10,068
Investment property	26	7,570	367	9,760	2,277	3,771
Current income tax prepayment		44	-	1,477	1,435	-
Deferred income tax asset	8	1,419	831	1,251	573	1,345
Inventories	19	8,780	-	16,312	-	-
Other financial assets	19	7,875	7,229	13,213	12,708	9,328
Other non-financial assets	19	7,301	5,045	8,937	7,306	5,963
Total assets		2,508,186	2,469,818	2,261,729	2,226,529	1,988,676
LIABILITIES						
Due to other banks and financial institutions	20	74,395	76,674	69,152	71,320	57,884
Derivative financial instruments	12	945	945	1,048	1,048	1,894
Due to customers	21	2,033,649	2,036,674	1,845,788	1,846,790	1,648,817
Special and lending funds	22	7,060	7,060	3,192	3,192	13,336
Debt securities in issue	23	20,044	20,044	20,003	20,003	20,003
Subordinated loan	30	-	-	-	-	34,203
Current income tax liabilities		1,579	1,472	233	-	3,440
Deferred income tax liabilities	8	917	-	598	-	-
Liabilities related to insurance activities	24	33,497	-	27,967	-	-
Other financial liabilities	25	18,128	13,817	13,501	9,366	7,945
Other non-financial liabilities	25	7,168	1,781	5,509	914	485
Total liabilities		2,197,382	2,158,467	1,986,991	1,952,633	1,788,007
EQUITY						
Share capital	27	174,211	174,211	174,211	174,211	131,366
Share premium	27	3,428	3,428	3,428	3,428	-
Reserve capital	27	756	756	756	756	756
Statutory reserve	27	14,468	14,246	10,369	10,195	7,071
Financial instruments revaluation reserve		(9)	(22)	(492)	(492)	(368)
Reserve for acquisition of own shares	27	10,000	10,000	-	-	-
Other equity	27	1,536	1,345	-	-	-
Retained earnings		106,414	107,387	86,466	85,798	61,844
Non-controlling interest		-	-	-	-	-
Total equity		310,804	311,351	274,738	273,896	200,669
Total liabilities and equity		2,508,186	2,469,818	2,261,729	2,226,529	1,988,676

Chief Executive Officer — Vytautas Sinius

Chief accountant — Vita Urbonienė

6 March 2020

The accounting policies and notes on pages 17 to 130 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE GROUP'S 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										
1 January 2018		131,366	-	756	(368)	7,177	-	-	61,953	200,884	-	200,884
							-	-				
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	27	16,572	3,428	-	-	-	-	-	4,732	24,732	-	24,732
Payment of dividends	29	-	-	-	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Increase in share capital through bonus issue of shares	27	26,273	-	-	-	-	-	-	(26,273)	-	-	-
Total comprehensive income:		-	-	-	(124)	-	-	-	52,638	52,514	-	52,514
Net profit		-	-	-	-	-	-	-	*52,638*	*52,638*	-	*52,638*
Other comprehensive income		-	-	-	*(124)*	-	-	-	-	*(124)*	-	*(124)*
31 December 2018		174,211	3,428	756	(492)	10,369			86,466	274,738	-	274,738
Impact of change in accounting principles		-	-	-	-	-	-	-	(54)	(54)	-	(54)
1 January 2019		174,211	3,428	756	(492)	10,369	-	-	86,412	274,684	-	274,684
Transfer to statutory reserve		-	-	-	-	4,099	-	-	(4,099)	-	-	-
Transfer to reserve for acquisition of own shares	27	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity	27	-	-	-	-	-	-	1,536	-	1,536	-	1,536
Payment of dividends	29	-	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income:		-	-	-	483	-	-	-	51,522	52,005	-	52,005
Net profit		-	-	-	-	-	-	-	*51,522*	*51,522*	-	*51,522*
Other comprehensive income		-	-	-	*483*	-	-	-	-	*483*	-	*483*
31 December 2019		174,211	3,428	756	(9)	14,468	10,000	1,536	106,414	310,804	-	310,804

The accounting policies and notes on pages 17 to 130 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2018		131,366	-	756	(368)	7,071	-	-	56,004	194,829
Impact of change in accounting principles		-	-	-	-	-	-	-	5,840	5,840
1 January 2018 (restated)		131,366	-	756	(368)	7,071	-	-	61,844	200,669
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	29	-	-	-	-	-	-	-	(2,265)	(2,265)
Increase in share capital through bonus issue of shares	27	26,273	-	-	-	-	-	-	(26,273)	-
Total comprehensive income:		-	-	-	(124)	-	-	-	52,011	51,887
Net profit		-	-	-	-	-	-	-	*52,011*	*52,011*
Other comprehensive income		-	-	-	*(124)*	-	-	-	-	*(124)*
31 December 2018 (restated)		174,211	3,428	756	(492)	10,195	-	-	85,798	273,896
Impact of change in accounting principles		-	-	-	-	-	-	-	(42)	(42)
1 January 2019		174,211	3,428	756	(492)	10,195	-	-	85,756	273,854
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity		-	-	-	-	-	-	1,345	-	1,345
Payment of dividends	29	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income:		-	-	-	470	-	-	-	53,103	53,573
Net profit		-	-	-	-	-	-	-	53,103	53,103
Other comprehensive income		-	-	-	470	-	-	-	-	470
31 December 2019		174,211	3,428	756	(22)	14,246	10,000	1,345	107,387	311,351

The accounting policies and notes on pages 17 to 130 constitute an integral part of these financial statements.

(All amounts are in EUR thousand, unless otherwise stated)

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

	Notes	31 December 2019 Group	31 December 2019 Bank	31 December 2018 Group	31 December 2018 Bank
					Year ended
Operating activities					
Interest received on loans and advances		65,043	55,527	54,403	46,976
Interest received on finance leases		6,907	6,871	5,599	5,507
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	*8*	(4,808)	(3,759)	(10,704)	(9,893)
Net cash flow from operating activities before change in operating assets and liabilities		96,964	78,749	32,400	19,215
Change in operating assets and liabilities:					
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 financel 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		6,178	1,235	(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)
Change		(78,143)	(77,841)	(17,437)	(4,803)
Net cash flow from operating activities		18,821	908	14,963	14,412
Investing activities					
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	15	(48,246)	(37,876)	(133,985)	(133,985)
Proceeds from redemption or sale of debt securities at amortized cost	15	122,242	122,242	70,184	70,184
Interest received on debt securities at amortized cost	15	14,864	14,740	13,900	13,900
Dividends received	29	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
Net cash flow from (used in) investing activities		95,725	111,658	(53,005)	(50,879)
Financing activities					
Payment of dividends	29	(17,382)	(17,382)	(2,272)	(2,272)
Interest on debt securities in issue	23	(120)	(120)	(120)	(120)
Issue of debt securities	23	20,000	20,000	-	-
Redemption of debt securities issued	23	(20,000)	(20,000)	-	-
Principal elements of lease payments	10	(1,431)	(1,214)	-	-
Net cash flow (used in) from financing activities	10	(18,933)	(18,716)	(2,392)	(2,392)
Net increase (decrease) in cash and cash equivalents		95,613	93,850	(40,434)	(38,859)
Cash and cash equivalents at 1 January		89,304	87,732	129,738	126,591
Cash and cash equivalents at 31 December	10	184,917	181,582	89,304	87,732

The accounting policies and notes on pages 17 to 130 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 - 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 2018 the Bank had 737 employees (31 December 2018: 714). As at 31 December 2018 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.

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 (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).

As of 31 December 2018 the Bank owned the following indirectly controlled subsidiaries:
9. Apželdinimas UAB (real estate management activities),
10. Sandworks UAB (real estate management activities),
11. ŽSA 5 UAB (activities of head offices).

Investments in subsidiaries are described in more detail in Note 16 *Investments in subsidiaries*.

(All amounts are in EUR thousand, unless otherwise stated)

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared under the historical cost convention as modified for the fair value of financial assets and liabilities at fair value through profit or loss and investment securities at fair value through other comprehensive income.

The preparation of financial statements in conformity with International Financial Reporting Standards require 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.

These financial statements combine the consolidated financial statements for the Group and separate 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.

Neither the Bank's shareholders, nor any other party have power to amend the financial statements after issue. According to local legislation, the financial statements are subject to approval in the general meeting of shareholders, but the approval/disapproval cannot result in amendment of the financial statements.

Amounts shown in these financial statements are presented in the national currency the euro (EUR), which is the Bank's and Group's functional and presentation currency.

Changes in accounting policies

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 reason for changing the accounting principles was the intention to make the Bank's unconsolidated financial statements more transparent by eliminating the fluctuations in the interim financial results of the Bank and difference in the results of the Group and the Bank. Typically, dividends by subsidiaries for the whole previous year were paid in the first quarter of the year and recognized in the Bank's income statement, making the Bank's result for that quarter significantly better than the Group's, while the next quarters were opposite as positive results earned by subsidiaries were not reflected in Bank's income statement. 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.

Under the equity method, the share of the profit or loss is included in the value of investments in subsidiaries and Bank's income statement, dividends paid by the subsidiary to the Bank are subtracted from the value of investment in subsidiary and not included in Bank's income statement, also the base for impairment calculation differs resulting in different impairment amounts. If the value of the subsidiary under the equity method results in negative number, a constructive liability to cover the losses of the subsidiary is recognized in other liabilities of the Bank. 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		
	Previously reported amount	*Restatement adjustment*	*Restated amount*	*Previously reported amount*	*Restatement adjustment*	*Restated amount*
ASSETS						
Investments in subsidiaries	24,659	4,791	29,450	26,895	5,840	32,735
LIABILITIES						
Other non-financial liabilities	909	5	914	485	-	485
EQUITY						
Retained earnings	81,012	4,786	85,798	56,004	5,840	61,844

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

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

(All amounts are in EUR thousand, unless otherwise stated)

Amendments to existing standards and interpretations effective in 2019

IFRS 16, Leases: The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The adoption of the standard primarily affected the accounting for the Bank's and Group's operating leases. The Bank and the Group applied the standard to contracts that were previously identified as leases. 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 recognised in retained earnings as at 1 January 2019 (see statement of changes in equity).

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 3,625 thousand (the Bank: right-of-use assets EUR 3,082 thousand, lease liabilities 3,131 thousand).

		1 January 2019
	Group	Bank
Non-cancellable operating lease commitments at 31 December 2018	3,055	2,639
Reassessment of agreement terms by management presumptions on entity's intentions	1,264	1,085
Discounting effect	(224)	(190)
Value added tax effect	(468)	(401)
Commitments discounted using the lessee's incremental borrowing rate at the date of initial application	3,627	3,133
Less: low-value leases not recognised as a liability	(2)	(2)
Lease liabilities recognised as at 1 January 2019	3,625	3,131

The IFRS 16 adoption impact as at 1 January 2019 is summarized in the following tables:

			Group			*Bank*
	As reported at 31 December 2018	Adjustments due to adoption of IFRS 16	Adjusted opening balance at 1 January 2019	As reported at 31 December 2018	Adjustments due to adoption of IFRS 16	Adjusted opening balance at 1 January 2019
Assets:						
Right-of-use assets (included in Property, plant and equipment)	-	3,564	3,564	-	3,082	3,082
Prepayments for lease agreements (included in other assets)	133	-	133	97	-	97
Deferred tax assets arising from right-of-use assets	-	7	7	-	7	7
Other asset items	2,261,596	-	2,261,596	2,226,432	-	2,226,432
Total assets	2,261,729	3,571	2,265,300	2,226,529	3,089	2,229,618
Liabilities:						
Lease liabilities	-	3,625	3,625	-	3,131	3,131
Accrued lease expenses (included in other liabilities)	17	-	17	16	-	16
Other liability items	1,986,974	-	1,986,974	1,952,617	-	1,952,617
Total liabilities	1,986,991	3,625	1,990,616	1,952,633	3,131	1,955,764
Equity:						
Retained earnings	86,466	(54)	86,412	85,798	(42)	85,756
Effect on retained earnings, before taxes	-	(61)	-	-	(49)	-
Deferred tax impact on retained earnings	-	7	-	-	7	-
Other equity items	188,272	-	188,272	188,098	-	188,098
Total equity	274,738	(54)	274,684	273,896	(42)	273,854

ACCOUNTING POLICIES (continued)

IFRIC 23, Uncertainty over Income Tax Treatments: IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The interpretation did not have a material impact on Bank's and Group's financial statements.

Prepayment Features with Negative Compensation - Amendments to IFRS 9: the amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The amendments did not have a material impact on Bank's and Group's financial statements.

Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28: the amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The amendments did not have a material impact on Bank's and Group's financial statements.

Annual Improvements to IFRSs 2015-2017 cycle: the narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The amendments did not have a material impact on Bank's and Group's financial statements.

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19: the amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendments did not have a material impact on Bank's and Group's financial statements.

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020): the amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Bank and the Group is currently assessing the impact of the amendments on its financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020): the amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows Under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80-125% range required by retrospective test Under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinues during the period of IBOR related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss Under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Bank and the Group do not apply hedge accounting, therefore the ammendment is not relevant for the Bank and the Group.

Definition of a business – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020): the amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Bank and the Group is currently assessing the impact of the amendments on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU): the revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Bank and the Group is currently assessing the impact of the amendments on its financial statements.

IFRS 17, Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU): IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU): these amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Bank and the Group is currently assessing the impact of the amendments on its financial statements.

ACCOUNTING POLICIES (continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022; not yet adopted by the EU): these narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Bank and the Group is currently assessing the impact of the amendments on its financial statements.

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies (including subsidiaries classified as held for sale) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Subsidiaries in the stand-alone financial statements are accounted for using equity method. 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. the share of the profit or loss is included in the value of investments in subsidiaries and Bank's income statement, dividends paid by the subsidiary to the Bank are subtracted from the value of investment in subsidiary and not included in Bank's income statement.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the euro, which is the Bank's functional and presentation currency. Euro also is functional and presentation currency of all the subsidiaries of the Bank included in the consolidated financial statements.

(b) Transactions and balances

All monetary assets and liabilities denominated in foreign currencies are translated into the euro (EUR) at the official daily euro foreign exchange reference rates (published by the European Central Bank) prevailing at the end of the reporting period. Gains and losses arising from this translation are included in the statement of comprehensive income for the reporting period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

Foreign currency transactions are recorded in the euro using the exchange rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the statement of comprehensive income at the time of transaction using the exchange rate ruling at that date.

Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Recognition of income and expenses

Interest income and expense are recognised in the statement of comprehensive income on debt instruments at amortized cost or at fair value through other comprehensive income on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees and other similar income and expenses are recognised as gained or incurred.

For financial assets interest income is calculated by applying the effective interest rate to the gross carrying amount, except for financial assets that are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to the net carrying amount (i.e. gross carrying amount reduced by the allowance for impairment), and purchased or originated credit-impaired (POCI) assets, for which the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

Fees and commissions are recognised over time on a straight line basis as the services are provided, when the customer simultaneously receives and consumes the benefits provided by the Group. Income includes fees for account administration, administration of loans of third parties. Fee and commission is recognised at a point in time when the Group satisfies its performance obligation upon execution of the specified transaction. Such income includes fees for settlement services, cash operations, documentary collection, collection of utility and similar payments, services related to securities and other.

Revenue from other activities of the Group comprise sale of apartments or other developed real estate projects. This revenue is recognized at a point of time upon transfer of completed property to client.

Dividend income

Dividends are recognised in the statement of comprehensive income when the Bank's or Group's right to receive payments is established.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, taxable profit for 2019 and 2018 period is subject to income tax at a rate of 15%. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes. From year 2020 commercial banks operating in Lithuania will be subject to income tax of 20%.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled (20% for deferred income tax assets and liabilities recognized at 31 December 2019, 15% for deferred income tax assets and liabilities recognized at 31 December 2018).

The principal temporary differences arise from taxable losses deferred for future periods, revaluation of securities, difference between net book value and tax base of tangible fixed assets and accrued charges. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

b) Other taxes

Real estate tax rate is up to 1% on the tax value of tangible fixed assets and foreclosed assets. The Bank is also obliged to pay land and land lease taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the statement of comprehensive income.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Bank of Lithuania, treasury bills and other eligible bills, amounts due from banks and financial institutions and short-term government securities.

Financial assets

Financial assets are classified into 3 categories:

- financial assets at fair value through profit and loss (the Group and the Bank have debt and equity securities which are included to trading book, and equity secutities which are included to investment securities potfolio),
- financial assets at fair value through other comprehensive income (the Group and the Bank have only debt securities of this category, these are included to Investment securities portfolio) and
- financial assets at amortized cost.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. The classification is based on the cash flow characteristics of the asset and the Group's business model for managing the asset.

Financial assets at fair value through profit or loss

Trading book (trading sub-portfolio) includes debt securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin.

Trading book (other assets sub-portolio) includes debt and equity assets of the subsidiary involved in life insurance activities. These assets are managed on behalf of customers and were designated at fair value through profit or loss in order to significantly reduce the accounting mismatch between these securities and unit-linked provisions.

Investment portfolio includes non-trading (investment) equities that were acquired for generating a profit in longer term fluctuations or in line with other purposes with the Group (e.g. to have participation in entities that provide services to the group, or other).

Securities at fair value through profit or loss are initially recognised at fair value, which is based on transaction price and are subsequently measured at fair value based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned is reported as interest income. Dividends received are included in dividend income. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

All purchases and sales of securities at fair value through profit or loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date when payment is made for assets purchased or sold. All other purchases and sales are recognised as derivative forward transactions until settlement.

Financial assets at fair value through other comprehensive income

Debt securities that are held for collection of contractual cash flows and for selling them, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for recognition of impairment gains or losses, interest income and foreign exchange gains or losses on the financial instrument's amortised cost which are recognized in profit or loss. When the debt asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in Net gain (loss) in operations from securities. Interest income from these financial assets is included in Interest income using the effective interest rate method.

The Group did not designate any equities at fair value through other comprehensive income.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets that pass the "Solely payments of principal and interest" (SPPI) test other than: (a) those that the bank classifies as fair value through profit or loss due to intention for short-term sale or reduction of accounting mismatch; (b) those that the bank upon initial recognition designates at fair value through other comprehensive income; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the asset and recognised in the statement of comprehensive income as 'Allowance for impairment losses'.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortized cost and fair value through other comprehensive income and with exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition. Section 1.3 of the Financial risk management disclosure provides more details on the ECL measurement.

Write-offs of financial assets

Loans and receivables are written-off from the balance sheet when the total loan balance or a part of it is considered as uncollectible under the most optimistic scenario using expert judgement on each exposure. 100% impairment provision against the carrying amount of the exposure must be recognized before an uncollectible exposure (or part of it that is considered to be uncollectible) can be written-off. Written-off exposures are accounted for as off-balance sheet claims ("accumulated write-offs") until the legal right to claim the amounts from the borrower expires.

Modifications of financial assets

The Bank sometimes modifies the payment terms of loans to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Modification practices are based on criteria which, in the judgement of management, indicate that payment will most likely continue. The modification of the loan contract does not impact its credit stage assignment (unless payment modifications are made to problematic loans – if loan is modified due to bad credit situation of the borrower twice, it is automatically moved to Stage 3; additional observation periods are introduced for the loans that were modified due to bad credit situation of the borrower to be moved to better stage from Stage 3 or Stage 2).

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Reverse repurchase transactions

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between purchase and repurchase price is treated as interest and accrued over the life of agreement using the effective interest method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Reverse repurchase agreements are classified as loans and receivables and are accounted for using the amortised cost method.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life (see note 17).

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the Statement of comprehensive income.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset maintenance costs are charged to the statement of comprehensive income when they are incurred. Significant improvements of assets are capitalised and depreciated over the remaining useful life period of the improved asset. Borrowing costs that are directly attributable to the acquisition or construction of assets requiring substantial amount of time to get ready for their usage are capitalized. Useful lives of property, plant and equipment are disclosed in note 18.

Leases

a) Group company is the lessee

Right-of-use assets and liabilities arising from lease are initially measured on present value basis, discounted using the interest rate implicit in the lease (the weighted average lessee's incremental borrowing rates: 1 January 2019: Group 1.44%, Bank 1.12%; 31 December 2019: Group 1.14%, Bank 0.91%). Lease liabilities include fixed and variable payments (based on an consumer index or infliation rate). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The discount influence is recognised in finance cost as interest expense in statement of profit or loss. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, adjusted by advance payments. Right-of-use assets are depreciated using the straight-line method over rent period. The depreciation charge is recognised as depreciation expenses in income statement. The duration of rent agreements are adjusted by the group's management assumptions on contract extensions. The expenses related to short-term leases or to leases of low-value assets are included in operating expenses in income statement. Right-of-use assets are included in Property, plant and equipment, lease liabilities are included in Other financial liabilities.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate). Otherwise, the Group considers other factors including the plans to continue an activity. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

b) Group company is the lessor

Operating leases

Assets leased out under operating leases are included in tangible fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

The policy used to account for leases before 1 January 2019:

a) Group company is the lessee

Operating leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the period of lease.

b) Group company is the lessor

Operating leases

Assets leased out under operating leases are included in tangible fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Inventories

Inventories of the Group consist mainly of apartments held for sale and property for development. They are stated at the lower of cost and net realizable value. Net realizable value for apartments held for sale are calculated as based on market value of apartments less costs to sell. Net realizable value of property for development are calculated as discounted cash inflows to be received from developed property less discounted cash outflows related to the development and selling of a property.

Financial liabilities

The Group's financial liabilities consist of those designated at fair value and those carried at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities at fair value through profit or loss

The group can designate certain liabilities upon initial recognition as at fair value through profit or loss (fair value option); this designation cannot be changed subsequently.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue, liabilities to special and lending funds as well as other various financial liabilities. Initially they are recognised at fair value, and subsequently stated at amortised cost, with any difference between net proceeds and the redemption value recognised in the Income statement over their period using the effective interest method.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

Technical provisions

Technical provisions are computed in accordance with Lithuanian insurance supervisory authority (Bank of Lithuania) requirements and are based on assumptions and estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

a) Unearned premiums reserve

Unearned premiums reserve represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Unearned premiums reserve is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of unearned premiums reserve attributable to the reinsurers is calculated by the same method.

b) Outstanding claims reserve

Outstanding claims reserve represents amounts payable for claims outstanding. Provision covers all anticipatory payments for claims reported but not settled, claims incurred but not reported, claims reported, settled but not paid, including amounts required for claims settlement according to all above mentioned claims as of the financial statement date.

Base for calculation of provision for claims reported but not settled is an individual evaluation of every reported claim, according to the information available at the moment of calculation of this technical provision.

The part of provision for claims incurred, not reported is calculated using "Chain-ladder", Bornhuetter – Ferguson or Loss-ratio methods for insurance products separately.

The part of outstanding claims reserve attributable to the reinsurers is calculated under reinsurance contracts.

c) Life insurance mathematical provision

Life insurance mathematical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance mathematical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. For the calculations Zillmer adjustment method is applied. Thus deferred acquisition costs reduce life insurance mathematical technical reserve.

When computing the life insurance mathematical technical provision mortality tables of general population of Lithuania for the years 1993 – 1996, that were modified in year 2007 according the situation of the population of Lithuania are applied. Guaranteed interest rate is applied according to agreements but no more than 3.5%.

According to the profit (surplus) sharing rules, the contract of the endowment, pure endowment, pension and scholarship insurance, valid more than three years, participates in the profit (surplus) sharing of the insurer. The insurers profit share calculated for the insurance agreement is not paid at once but increases the claims in case of death or/and survival till the end of insurance period, also the surrender values are increased respectively. The profit (surplus) calculated for insurance product, is ascribed to the mathematical technical provision.

d) Technical provision for unit-linked life insurance policies

Technical provision for unit-linked life insurance policies is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policy holder to cover expenses and the risk assumed. The technical provision is expressed in investment units which are reprised in accordance with changes in market values of related investments.

(All amounts are in EUR thousand, unless otherwise stated)

Insurance contracts

Bank's subsidiary Bonum Publicum (the company) is engaged in life insurance activities and offers various insurance contracts, main categories of which include:

a) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as expenses when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Life insurance mathematical provision for these insurance contracts is calculated as described in accounting policies above.

The liabilities are recalculated at each balance sheet date using the assumptions established at inception of the contract.

b) Long-term insurance contracts without fixed terms – unit-linked

These contracts insure human life events (for example death or survival) over a long duration. The company does not unbundle deposit component separately from insurance component as:

- deposit element is not clearly identifiable from the terms of the contract;
- contracts of this kind are a single product, regulated as insurance business by insurance supervisory authority and should be treated in a similar way for financial reporting;
- the information about gross premium inflows is considered to be important as an aid to economic decisions.

Gross insurance premiums are recognized as revenue when they are received from the policyholder and the respective liability is recognized. Technical provision for unit-linked life insurance policies and mathematical provision for these insurance contracts is calculated is described in accounting policies above.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

c) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

As mentioned above, long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margin for adverse deviation) are used for the subsequent measurement of these liabilities.

Any deferred acquisition costs written off as a result of this test cannot subsequently be reinstated.

For the years ended 31 December 2019 and 2018 the liability adequacy test and the changes were as follows:

	Technical provisions	Deferred acquisition cost	Best estimate of future cash flows	Excess of technical provisions
At 31 December 2018	27,967	548	22,667	4,752
Change for the period	5,530	585	4,934	11
At 31 December 2019	33,497	1,133	27,601	4,763

Dividends

Dividends on the Bank's shares are recorded in equity in the period in which they are declared.

Employee benefits

a) *Social security contributions*
The Group companies pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

b) *Termination benefits*
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it can no longer withdraw the offer of those benefits; or when recognises costs for a restructuring that involves the payment of termination benefits. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the Statement of comprehensive income and within other liabilities in the balance sheet.

Segment information

Operating segments are reported in accordance with the information analysed by the Executive Board (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has four main business segments:
- Traditional banking operations and lending – includes traditional retail and corporate banking operations such as issuing loans and providing banking services to the customers and finance, lease and consumer financing services provided to customers of the Group (includes financial information of the Bank allocated to this segment and financial information of Šiaulių Banko Lizingas UAB and SB Lizingas UAB);
- Treasury – includes banking treasury operations such as managing securities and liquidity portfolio, currency exchange etc. (includes financial information of the Bank allocated to this segment);
- Non-core banking activities - includes other banking operations not included in traditional lending and treasury segments such as lending to subsidiaries (except for lending to leasing and consumer financing subsidiaries), revenues/expenses related to investment in subsidiaries (dividends, impairment of investment in subsidiaries), engagement in one-off projects, managing problem loans (includes financial information of the Bank allocated to this segment);
- Other activities – includes other activities performed by Group companies not included in previous segments – i.e. real estate operations, life insurance, investment management (includes financial information of the subsiaries not mentioned above).

As the Group's segment operations, except for real estate development are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. Also all other main items of the statement of comprehensive income are analysed by the management of the Group on segment basis therefore they are presented in the segment reporting.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Board is measured in a manner consistent with that in the consolidated statement of comprehensive income. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of profit before taxes comprising net interest income, net fee and commission income, loan impairment charges, operating expenses, amortization and depreciation expenses and other net income.

As the Group focuses on domestic activities, no geographical concentration is observed in Group's decision making. Due to the nature of Group's activities (financial services), capital expenditures are not important in the decision making process therefore not used in the segment reporting and total assets is more relevant indicator than the fixed asset amount.

Fiduciary activities
Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Fair value of assets and liabilities
Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial guarantee contracts, letters of credit and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognized in accordance with principles of IFRS 15.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

These contracts are in the scope of the ECL impairment recognition requirements.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise buildings for commercial activities and land plots for undetermined future use.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 95% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Group uses the size of the property measured in square meters.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at cost less less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life . All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

In addition, impairment properties are tested for impairment. These valuations are performed annually by external or internal appraisers.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for non-traded options), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Bank's and the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

Strategic decisions related to financing and investing activities of the Bank and the Group is made by the Board of the Bank. Operating financing and investment decisions are made on division level. Divisions of the Group are presented in Segment information. Decisions on risk management are made by the Risk Management Committee of the Bank. Risk Management Policy is approved and monitored by the Board of the Bank.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other guarantees.

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at the Group aims at ensuring a sufficient return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

The Risk Management Policy approved by the Council of the Bank as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The purpose of risk management policy is to define the risks as well as their management principles in the Group's activities. Due to the fact that various risks experienced by the Group are interdependent their management is centralized. Organization and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

The Group reviews its risk management procedures and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually.

The Group performs self assessment each year. This process analyses types of risks that could potentially arise from banking activities and have material impact to the Group. The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk, concentration risk, operational risk, IT risk, model risk and compliance risk. Market risk includes currency risk, interest rate and securities price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

1. Credit risk

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's Board has approved the credit risk management policies and procedures which lay down the principles for credit risk management, establish an acceptable level of credit risk and credit risk's structure and determine credit risk mitigation measures and their interaction. This ensures a uniform understanding of the principles for taking on exposure to credit risk and allows achieving consistency with the nature and complexity of the Bank's lending policy and the prudential requirements.

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 Bank's lending policy is focused on small and medium-size business clients, seeking to provide them with the better funding terms and long-term support, at the same time paying attention to Bank's potential to grow.

Large entities are defined as entities employing more than 250 employees. Small and medium size entities are defined as entities employing less than 250 employees and the balance sheet total does not exceed EUR 43 million or annual turnover does not exceed EUR 50 million.

New types of activities or products are launched only after the assessment of the arising risk. All lending products and processes at the Bank are regulated and documented pursuant to the requirements of risk assessment and internal control policy. Special procedures are established with respect to each lending product.

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.

The Bank's credit risk management policy is based on the best practice in risk management of other banks. Therefore, the Bank's employees continuously enhance their knowledge of credit risk management systems of Lithuanian and foreign banks and the results of their application.

1.1. Credit risk measurement

(a) Loans and receivables

The Bank applies credit risk management measures, which could be divided into two types:

1) Measures that help to avoid decisions to grant unsecured loans;
2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:

1) Multi-stage decision-making and its approval system;
2) Risk allocation among structural levels – limit establishment;
3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

The Bank's Credit Risk Department collects and, if necessary, provides to responsible managerial personnel information on external conditions, the growth of the credit portfolio and fulfilment of targeted profit, expenses associated with risks, the largest amounts due from clients, distribution of credits by the type of economic activity, repayment terms past due, the largest clients with default possibilities, analysis of the credit portfolio by risk groups, changes in risk groups over a certain time period.

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

(b) Debt securities

Credit risk exposures with respect to debt securities are managed by carrying out counterparty analysis when decision for acquisition of securities is made. The concentration risk together with lending exposure arising from debt securities portfolio is analysed and monitored on a regular basis by the Risk Management Committee of the Bank.

(c) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The above guarantees and letters of documentary credit are usually collateralised by clients' funds in the Bank accounts. With regards to commitments to grant credit the Bank is exposed to loss equal to the unused commitment amount.

1.2. Risk limit control and mitigation policies

(a) Concentrations

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

In addition to the supervisory requirements to limit the exposures to a single borrower and large exposures, the Group also sets exposure requirement, which to a single borrower may not exceed 15 percent of the Bank's capital. The Bank's Council must approve the higher limits. Prudential maximum exposure requirement to a single borrower is 25 percent. Concentration of credit risk of the Bank is disclosed in Section 1.8. of Financial Risk Management disclosure.

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed.

Some other specific control and mitigation measures are outlined below.

b) Collateral

The Group mitigates credit risk by taking security for loans granted. The types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial and industrial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities);
- Third party guarantees.

Long-term financing and lending to corporate entities are generally secured; revolving facilities and consumer loans to private individuals are generally unsecured. In order to minimize the credit loss as the impairment indicators for the relevant individual loans and advances are noticed the Group seeks for additional collateral from the counterparty.

While calculating a decrease in value for the loan the repayment of which is secured by the collateral, a cash flow from the security measure is also taken into consideration when determining the LGD factor. If several loans are insured with the same security measure (collateral), such security measure (collateral) is allocated according to rank of the pledge.

Debt securities, treasury and other eligible bills are generally unsecured.

For finance lease receivables the lender remains the owner of the leased object. Therefore, in case of customer's default the lender is able to gain control on the risk mitigation measures and realize them in rather short period.

1.3. Impairment and provisioning policies

a) ECL model used by the Group

Upon assessing impairment losses on loans, due to banks, debt securities at amortized cost and at fair value through other comprehensive income and other assets the Group follows the requirements expected credit loss (ECL) model prescribed in IFRS 9 Financial Instruments. The Group and the Bank carries out valuation of assets on a monthly basis, based on valuation policies approved by the Board of the Bank.

The ECL is measured by the formula:

PD x LGD x EAD = ECL
Where:
PD – probability of default. It represents the likelihood of a borrower on defaulting on its financial obligation;
LGD – loss given default. It represents the extent of loss the Group is likely to incur in case the borrower defaults;
EAD – exposure at default. It represents expected exposure at the time of the default.

The financial assets are grouped into 3 stages:

1) Stage 1 financial assets – no significant increase in credit risk is observed since initial recognition. The Group uses low credit risk exemption and assigns all of the exposures with external investment grade credit rating or exposures with Standard internal credit rating to Stage 1. 12 month PDs apply to Stage 1 exposures;

2) Stage 2 financial assets – significant increase in credit risk is observed since initial recognition. The Group uses multiple criteria to assess whether the credit risk has increased. Main criteria include: credit rating decrease (external credit rating decrease by >=3 notches; internal credit rating decrease by 1 notch), payment delays (>30 days past due financial assets are classified to Stage 2 unless there is observable evidence indicating otherwise), other observable criteria (restructuring, forbearance, other qualititative factors showing increased credit risk). Lifetime PDs apply to Stage 2 exposures;

3) Stage 3 financial assets – credit-impaired financial assets. Main criteria for inclusion the asset in Stage 3 include: bankruptcy of the customer; termination of the contract; payment delay >90 days; non-performing exposure status by regulatory rules (i.e. the exposure is unlikely to be repaid in full without collateral realisation (irrespective of any past-due amount or of the number of days past-due)); other observable criteria. For Stage 3 exposures, the PD ratio is always equal to 1.

In case observable evidence is available, Group's employees responsible for impairment calculations can rank certain exposures to better or worse stage.

The exposure ceases to be Stage 3 when it no longer meets the criteria for the consecutive period of 3 months. It should be noted that some of the regulatory non-performing exposure criteria have their own exit periods, therefore the period for an exposure to be classified out of Stage 3 may actually be longer.

The Group calculates its own PDs for loans to customers, finance lease receivables and other assets and uses PDs published by the rating agencies for debt securities and due to banks.

PDs for loans to customers and finance lease receivables are calculated using the historical data of Group's own lending portfolio. Full approach is applied for finance lease receivables as financial leases are part of Group's main activities. For this purpose, the Group uses migration matrices for the exposures grouped by the economic sector. The Group uses PDs published by rating agencies for debt securities and due from banks. For other financial assets, a simplified model derived from Group's lending data is used.

For loans to customers and finance lease receivables, LGDs are estimated by the Group using the value of collateral available for each exposure individually and discounting by certain ratios over certain period of time. Ratios and recovery periods depend on the type of collateral and are derived from Group's own recovery experience. For consumer financing exposures, the LGDs are estimated on a exposure group level using the ultimate recovery rate historical data. For debt securities and due from banks, LGDs from rating agencies are used.

For lending portfolio, Stage 1 EAD represents the expected exposure value over 12 month period; Stage 2 EAD represents the current exposure value and assumptions on the expected use of the off-balance sheet credit commitments. Stage 3 EAD is estimated as the total balance and off-balance sheet exposure. For debt securities, due from banks and other assets, gross exposure value is used as EAD estimate.

Group's PD estimates incorporate forward-looking information. The Group transfers its historical ("through the cycle") data to economic-situation specific ("point-in-time") data by using models based on the expected economic development scenarios. The economic variables and their associated impact on the PD vary by financial instrument. The impact of economic variables on PD has been determined by performing statistical regression analysis. Expert judgement is also applied in the process.

To include the impact of economic variables, the Group uses 4 economic scenarios (base case, optimistic, pessimistic, stressed) and derives a single scenario based on the probabilities assigned to these scenarios. These probabilities are calibrated expert judgement of Group's employees, but it is aimed that the GDP growth estimate (i.e. the parameter that is prevalent in the most observed correlations) in the derivative scenario would align to the forecasts published by the institutions that publish economic forecasts (i.e. Bank of Lithuania, Ministry of Finance of Lithuania, etc.).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The most significant assumptions used for the ECL estimates as at 31 December 2018 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in retail trade turnover	Change in freight	Change in corporate revenue	Change in salaries
At 31 December 2019:										
Base scenario	4.00%	-1.90%	6.10%	0.20% - 0.85%	4.00%	6.60%	8.00%	7.62%	12.12%	1.90% - 2.00%
Pessimistic scenario	-3.53%	-5.98%	17.83%	-0.28% - 1.18%	0.80%	-15.18%	-7.94%	-3.34%	-0.98%	-0.65% - 0.05%
Optimistic scenario	5.88%	9.10%	5.72%	0.10% - 1.18%	10.85%	9.60%	15.58%	12.24%	19.55%	3.70% - 4.00%
Stressed scenario	-15.30%	-15.10%	18.20%	-0.90% - 3.00%	-6.20%	-31.10%	-26.58%	-13.15%	-19.40%	-3.90%

Scenario probabilities and weighted average GDP growth:

	2020		2021		2022		2023		2024	
At 31 December 2019:	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*
Base scenario	4.00%	69%	4.00%	66%	4.00%	64%	4.00%	62%	4.00%	60%
Pessimistic scenario	-3.53%	18%	-3.53%	20%	-3.53%	21%	-3.53%	22%	-3.53%	23%
Optimistic scenario	5.88%	11%	5.88%	12%	5.88%	13%	5.88%	14%	5.88%	15%
Stressed scenario	-15.30%	2%	-15.30%	2%	-15.30%	2%	-15.30%	2%	-15.30%	2%
Weighted average GDP growth	2.5%		2.3%		2.5%		2.2%		2.0%	

The most significant assumptions used for the ECL estimates as at 31 December 2018 are presented in the tables below:

	GDP growth	Change in agricultural production	Unemployment	Inflation	Change in manufacturing output	Change in housing prices	Change in retail trade turnover	Change in freight	Change in corporate revenue	Change in salaries
At 31 December 2018:										
Base scenario	3.70%	-0.20%	5.90%	0.46% - 1.01%	3.30%	7.40%	7.40%	7.93%	18.28%	3.10%
Pessimistic scenario	-3.53%	-5.98%	17.40%	-0.28% - +0.96%	0.80%	-15.18%	-7.94%	-3.34%	-0.98%	0.63%
Optimistic scenario	5.88%	9.10%	4.97%	0.10% - 1.18%	10.85%	9.60%	15.58%	12.24%	19.55%	4.80%
Stressed scenario	-15.30%	-15.10%	18.20%	-0.90% - 3.00%	-6.20%	-31.10%	-26.58%	-13.15%	-19.40%	-3.90%

Scenario probabilities and weighted average GDP growth:

	2019		2020		2021		2022		2023	
At 31 December 2018:	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*	*GDP*	*Probability*
Base scenario	3.70%	73%	3.70%	69%	3.70%	68%	3.70%	65%	3.70%	63%
Pessimistic scenario	-3.53%	14%	-3.53%	15%	-3.53%	16%	-3.53%	17%	-3.53%	18%
Optimistic scenario	5.88%	12%	5.88%	14%	5.88%	14%	5.88%	15%	5.88%	15%
Stressed scenario	-15.30%	1%	-15.30%	2%	-15.30%	2%	-15.30%	3%	-15.30%	4%
Weighted average GDP growth	2.8%		2.5%		2.5%		2.2%		2.0%	

The assumptions underlying ECL calculations are subject to frequent (at least annual) review, the models used in ECL calculation are backtested against the actual performance data. In case of need, changes are made to the models. In 2019, changes were made to the economic scenario impact inclusion models (last available data of four quarters average before the calculation date was used as the base instead of available data of the last quarter before the calculation date), Stage 3 definition was expanded to include additional scenarios according to which more loans with modification of previous terms or conditions that would not have been granted had the debtor not been in financial difficulties would be assigned to Stage 3. In 2018, Stage 3 definition was expanded to include additional scenarios by which loans classified as non-performing in Group's supervisory reporting would be treated as Stage 3 loans (previously, such loans could be classified either in Stage 2 or Stage 3).

b) Impairment loss sensitivity

The most significant assumptions affected the estimated ECL allowance are GDP, given the significant impact on the borrowers performance; real estate price level, given the significant impact on the collateral values and consumer financing portfolio recovery rates, given the significant impact on the ultimate recoveries of the unsecured borrowings. The table below provides an sensitivity analysis of the above factors.

		2019		*2018*
	Group	Bank	Group	Bank
Scenario 1: GDP growth increases by 0.5 p.p.	ECL decreases by EUR 483 thousand	ECL decreases by EUR 425 thousand	ECL decreases by EUR 384 thousand	ECL decreases by EUR 369 thousand
Scenario 2: GDP growth decreases by 0.5 p.p.	ECL increases by EUR 810 thousand	ECL increases by EUR 314 thousand	ECL increases by EUR 611 thousand	ECL increases by EUR 597 thousand
Scenario 3: real estate prices increase by 5%	ECL decreases by EUR 1,760 thousand	ECL decreases by EUR 1,760-thousand	ECL decreases by EUR 1,592 thousand	ECL decreases by EUR 1,592 thousand
Scenario 4: real estate prices decrease by 5%	ECL increases by EUR 1,968 thousand	ECL increases by EUR 1,968 thousand	ECL increases by EUR 1,718 thousand	ECL increases by EUR 1,718 thousand
Scenario 5: consumer financing portfolio recoveries increase by 5 p.p.	ECL decreases by EUR 751 thousand	ECL decreases by EUR 80 thousand	ECL decreases by EUR 397 thousand	ECL decreases by EUR 100 thousand
Scenario 6: consumer financing portfolio recoveries decrease by 5 p.p.	ECL increases by EUR 665 thousand	ECL increases by EUR 74 thousand	ECL increases by EUR 401 thousand	ECL increases by EUR 105 thousand

(All amounts are in EUR thousand, unless otherwise stated)

c) write-offs

The accumulated write-offs, including any amount constituting legal claims to the borrowers even if those amounts were never recognized on the balance sheet (the most common example of such cases is the difference between gross value and acquisition value of credit-impaired loans acquired by the Group) is presented in the table below:

		2019		*2018*
	Group	Bank	Group	Bank
Total accumulated write-offs subject to enforcement	99,983	97,668	96,665	92,234
of which: amounts written-off during the year subject to enforcement	15,356	14,438	24,028	23,604

1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

		2019		*2018*
	Group	Bank	Group	Bank
Cash equivalents:	121,595	118,376	40,924	40,735
Balances in bank correspondent accounts	31,411	28,192	28,925	28,736
Placements with Central Bank	90,184	90,184	11,999	11,999
Loans and advances to banks	280	280	2,090	2,090
Loans and advances to customers:	1,514,578	1,510,052	1,262,167	1,264,741
Loans and advances to financial institutions	3,600	100,085	693	50,255
Loans to individuals (Retail):	356,728	244,257	243,078	178,632
Consumer loans	*134,519*	*22,048*	*91,524*	*27,078*
Mortgages	*101,727*	*101,727*	*50,203*	*50,203*
Multiapartment rennovation loans	*104,617*	*104,617*	*81,806*	*81,806*
Other (reverse repurchase agreements, other loans backed by securities, other)	*15,865*	*15,865*	*19,545*	*19,545*
Loans to business customers:	1,154,250	1,165,710	1,018,396	1,035,854
Large corporates	*118,426*	*118,426*	*84,976*	*84,976*
SME	*931,196*	*942,656*	*835,513*	*852,971*
Central and local authorities, administrative bodies and other	*104,628*	*104,628*	*97,907*	*97,907*
Finance lease receivables	157,597	157,540	124,088	123,969
Individuals	25,023	25,020	20,792	20,754
Business customers	132,574	132,520	103,296	103,215
Securities in the trading book:	18,104	14,546	42,384	27,332
Debt securities in the trading book	18,104	14,546	42,384	27,332
Derivative financial instruments	986	986	1,197	1,197
Investment securities at fair value	8,953	8,558	16,379	15,984
Debt securities at fair value through other comprehensive income	8,953	8,558	16,379	15,984
Investment securities at amortized cost	545,849	535,479	638,655	638,655
Debt securities at amortized cost	545,849	535,479	638,655	638,655
Other financial assets	7,875	7,229	13,213	12,708
Credit risk exposures relating to off–balance sheet items are as follows:				
Financial guarantees	44,425	44,489	39,655	39,720
Letters of credit	13,779	13,779	760	760
Loan commitments and other credit related liabilities	254,753	282,424	265,407	285,618
At 31 December	2,688,774	2,693,738	2,446,919	2,453,509

The table above represents a worst case scenario of credit risk exposure at 31 December 2019 and 2018, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures presented above are net carrying amount as reported in the balance sheet.

(All amounts are in EUR thousand, unless otherwise stated)

1.5. Loans to customers

Loans to customers are summarised as follows:

	2019 Group	2019 Bank	2018 Group	2018 Bank
Gross loans to customers	1,553,087	1,542,117	1,304,933	1,301,592
Allowance for loan impairment	(38,509)	(32,065)	(42,766)	(36,851)
Net loans to customers	**1,514,578**	**1,510,052**	**1,262,167**	**1,264,741**

During the year ended 31 December 2019, the Group's gross loans and advances increased by 20%. The Group's total impairment provision for loans and advances amounts to EUR 38,509 thousand (2018: EUR 42,766 thousand) and it accounts for 2.51% of the respective portfolio (2018: 3.28%).

a) Credit grades

The Group and the Bank examines the potential borrower's financial performance before issuing a loan and monitors any development in financial performance during the whole loan service period. The Group and the Bank evaluates the borrower's financial performance at least annually. Consumer loans to individuals are assessed based on application scorings when decision is made. After they are granted they are monitored based on their past due status.

The bank uses internal grade system that has 5 internal grades (1 – best, 5 – worst). Standard loan is a loan when the borrower's financial performance is either very good or good (i.e. internal grades 1 or 2). Watch loan is a loan when the borrower's financial performance is satisfactory (i.e. internal grade 3). Substandard loan is a loan when the borrower's financial performance is poor or bad (i.e. internal grade 4 or 5). Problem loan is a loan when the payment is overdue for over 90 days, or the borrower is bankrupt, or the contract is terminated. Stage 3 may contain not only problem loans because certain staging scenarios require so (for example, a performing contract is assigned to Stage 3 if other contracts with the borrower have problems, or a certain period of time is required to pass before transfering a contract to a better stage).

Group loans to customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	883,375	8,600	3,129	895,104	683,395	27,885	1,510	712,790
Watch	382,767	97,359	19,811	499,937	360,876	87,750	17,419	466,045
Substandard	77,029	25,672	18,296	120,997	42,292	25,210	11,084	78,586
Problem	10	-	37,039	37,049	8	72	47,432	47,512
Gross	**1,343,181**	**131,631**	**78,275**	**1,553,087**	**1,086,571**	**140,917**	**77,445**	**1,304,933**
Less: allowance for impairment	(8,021)	(4,003)	(26,485)	(38,509)	(5,839)	(4,462)	(32,465)	(42,766)
Net	**1,335,160**	**127,628**	**51,790**	**1,514,578**	**1,080,732**	**136,455**	**44,980**	**1,262,167**

Bank loans to customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	963,950	8,141	3,052	975,143	721,464	27,439	1,395	750,298
Watch	367,050	98,039	19,617	484,706	354,622	91,301	17,232	463,155
Substandard	7,335	22,164	16,736	46,235	9,652	22,802	9,853	42,307
Problem	-	-	36,033	36,033	1	124	45,707	45,832
Gross	**1,338,335**	**128,344**	**75,438**	**1,542,117**	**1,085,739**	**141,666**	**74,187**	**1,301,592**
Less: allowance for impairment	(4,552)	(2,259)	(25,254)	(32,065)	(3,399)	(2,948)	(30,504)	(36,851)
Net	**1,333,783**	**126,085**	**50,184**	**1,510,052**	**1,082,340**	**138,718**	**43,683**	**1,264,741**

Group loans to indiduals (retail)

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	249,112	2,669	418	252,199	178,164	1,794	341	180,299
Watch	27,497	2,737	373	30,607	18,821	3,211	2,468	24,500
Substandard	70,640	5,700	2,267	78,607	33,830	5,370	997	40,197
Problem	10	-	5,962	5,972	8	37	7,375	7,420
Gross	**347,259**	**11,106**	**9,020**	**367,385**	**230,823**	**10,412**	**11,181**	**252,416**
Less: allowance for impairment	(5,172)	(2,135)	(3,350)	(10,657)	(3,728)	(2,060)	(3,550)	(9,338)
Net	**342,087**	**8,971**	**5,670**	**356,728**	**227,095**	**8,352**	**7,631**	**243,078**

Bank loans to indiduals (retail)

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	230,624	2,210	341	233,175	163,532	1,347	246	165,125
Watch	4,139	2,019	179	6,337	2,180	2,458	2,281	6,919
Substandard	946	2,193	707	3,846	1,190	2,963	177	4,330
Problem	-	-	4,608	4,608	1	2	5,650	5,653
Gross	**235,709**	**6,422**	**5,835**	**247,966**	**166,903**	**6,770**	**8,354**	**182,027**
Less: allowance for impairment	(1,723)	(391)	(1,595)	(3,709)	(1,288)	(498)	(1,609)	(3,395)
Net	**233,986**	**6,031**	**4,240**	**244,257**	**165,615**	**6,272**	**6,745**	**178,632**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to indiviuals (retail): Consumer loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	40,842	767	166	41,775	42,425	741	174	43,340
Watch	23,389	722	194	24,305	16,682	761	187	17,630
Substandard	69,695	3,511	1,560	74,766	32,642	2,415	825	35,882
Problem	10	-	1,522	1,532	7	35	2,025	2,067
Gross	133,936	5,000	3,442	142,378	91,756	3,952	3,211	98,919
Less: allowance for impairment	(4,064)	(1,858)	(1,937)	(7,859)	(3,451)	(1,712)	(2,232)	(7,395)
Net	129,872	3,142	1,505	134,519	88,305	2,240	979	91,524

Bank loans to indiviuals (retail): Consumer loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	22,354	308	89	22,751	27,793	294	79	28,166
Watch	31	4	-	35	41	8	-	49
Substandard	1	4	-	5	2	8	5	15
Problem	-	-	189	189	-	-	300	300
Gross	22,386	316	278	22,980	27,836	310	384	28,530
Less: allowance for impairment	(615)	(114)	(203)	(932)	(1,011)	(150)	(291)	(1,452)
Net	21,771	202	75	22,048	26,825	160	93	27,078

Group loans to indiviuals (retail): Mortgages

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	94,919	1,530	117	96,566	42,727	530	40	43,297
Watch	1,075	1,302	127	2,504	1,462	1,573	22	3,057
Substandard	770	1,811	35	2,616	801	2,077	51	2,929
Problem	-	-	1,174	1,174	-	-	1,801	1,801
Gross	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084
Less: allowance for impairment	(469)	(222)	(442)	(1,133)	(58)	(271)	(552)	(881)
Net	96,295	4,421	1,011	101,727	44,932	3,909	1,362	50,203

Bank loans to indiviuals (retail): Mortgages

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	94,919	1,530	117	96,566	42,727	530	40	43,297
Watch	1,075	1,302	127	2,504	1,462	1,573	22	3,057
Substandard	770	1,811	35	2,616	801	2,077	51	2,929
Problem	-	-	1,174	1,174	-	-	1,801	1,801
Gross	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084
Less: allowance for impairment	(469)	(222)	(442)	(1,133)	(58)	(271)	(552)	(881)
Net	96,295	4,421	1,011	101,727	44,932	3,909	1,362	50,203

Group loans to indiviuals (retail): Multiapartment rennovation loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	105,240	-	-	105,240	81,983	-	-	81,983
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	105,240	-	-	105,240	81,983	-	-	81,983
Less: allowance for impairment	(623)	-	-	(623)	(177)	-	-	(177)
Net	104,617	-	-	104,617	81,806	-	-	81,806

Bank loans to indiviuals (retail): Multiapartment rennovation loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	105,240	-	-	105,240	81,983	-	-	81,983
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	105,240	-	-	105,240	81,983	-	-	81,983
Less: allowance for impairment	(623)	-	-	(623)	(177)	-	-	(177)
Net	104,617	-	-	104,617	81,806	-	-	81,806

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to indiduals (retail): Other

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	8,111	372	135	8,618	11,029	523	127	11,679
Watch	3,033	713	52	3,798	677	877	2,259	3,813
Substandard	175	378	672	1,225	387	878	121	1,386
Problem	-	-	3,266	3,266	1	2	3,549	3,552
Gross	11,319	1,463	4,125	16,907	12,094	2,280	6,056	20,430
Less: allowance for impairment	(16)	(55)	(971)	(1,042)	(42)	(77)	(766)	(885)
Net	11,303	1,408	3,154	15,865	12,052	2,203	5,290	19,545

Bank loans to indiduals (retail): Other

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	8,111	372	135	8,618	11,029	523	127	11,679
Watch	3,033	713	52	3,798	677	877	2,259	3,813
Substandard	175	378	672	1,225	387	878	121	1,386
Problem	-	-	3,245	3,245	1	2	3,549	3,552
Gross	11,319	1,463	4,104	16,886	12,094	2,280	6,056	20,430
Less: allowance for impairment	(16)	(55)	(950)	(1,021)	(42)	(77)	(766)	(885)
Net	11,303	1,408	3,154	15,865	12,052	2,203	5,290	19,545

Group loans to financial institutions

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	15	3,623	-	3,638	28	681	-	709
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	15	3,623	-	3,638	28	681	-	709
Less: allowance for impairment	-	(38)	-	(38)	-	(16)	-	(16)
Net	15	3,585	-	3,600	28	665	-	693

Bank loans to financial institutions

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	96,500	3,623	-	100,123	49,590	681	-	50,271
Watch	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Problem	-	-	-	-	-	-	-	-
Gross	96,500	3,623	-	100,123	49,590	681	-	50,271
Less: allowance for impairment	-	(38)	-	(38)	-	(16)	-	(16)
Net	96,500	3,585	-	100,085	49,590	665	-	50,255

Group loans to business customers

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	634,248	2,308	2,711	639,267	505,203	25,410	1,169	531,782
Watch	355,270	94,622	19,438	469,330	342,055	84,539	14,951	441,545
Substandard	6,389	19,972	16,029	42,390	8,462	19,840	10,087	38,389
Problem	-	-	31,077	31,077	-	35	40,057	40,092
Gross	995,907	116,902	69,255	1,182,064	855,720	129,824	66,264	1,051,808
Less: allowance for impairment	(2,849)	(1,830)	(23,135)	(27,814)	(2,111)	(2,386)	(28,915)	(33,412)
Net	993,058	115,072	46,120	1,154,250	853,609	127,438	37,349	1,018,396

Bank loans to business customers

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	636,826	2,308	2711	641,845	508,342	25,411	1,149	534,902
Watch	362,911	96,020	19438	478,369	352,442	88,843	14,951	456,236
Substandard	6,389	19,971	16,029	42,389	8,462	19,839	9,676	37,977
Problem	-	-	31,425	31,425	-	122	40,057	40,179
Gross	1,006,126	118,299	69,603	1,194,028	869,246	134,215	65,833	1,069,294
Less: allowance for impairment	(2,829)	(1,830)	(23,659)	(28,318)	(2,111)	(2,434)	(28,895)	(33,440)
Net	1,003,297	116,469	45,944	1,165,710	867,135	131,781	36,938	1,035,854

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to business customers: Large corporates

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	101,794	-	119	101,913	76,552	-	101	76,653
Watch	14,066	1,900	-	15,966	2,185	1,184	-	3,369
Substandard	-	-	1,776	1,776	4,200	1,007	-	5,207
Problem	-	-	-	-	-	-	-	-
Gross	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229
Less: allowance for impairment	(1,065)	(47)	(117)	(1,229)	(192)	(61)	-	(253)
Net	114,795	1,853	1,778	118,426	82,745	2,130	101	84,976

Bank loans to business customers: Large corporates

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	101,794	-	119	101,913	76,552	-	101	76,653
Watch	14,066	1,900	-	15,966	2,185	1,184	-	3,369
Substandard	-	-	1,776	1,776	4,200	1,007	-	5,207
Problem	-	-	-	-	-	-	-	-
Gross	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229
Less: allowance for impairment	(1,065)	(47)	(117)	(1,229)	(192)	(61)	-	(253)
Net	114,795	1,853	1,778	118,426	82,745	2,130	101	84,976

Group loans to business customers: SME

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	433,528	2,308	2,591	438,427	371,053	25,409	1,068	397,530
Watch	338,483	92,068	19,438	449,989	302,021	82,664	14,951	399,636
Substandard	4,950	19,701	12,774	37,425	2,974	18,653	8,552	30,179
Problem	-	-	31,069	31,069	-	35	40,048	40,083
Gross	776,961	114,077	65,872	956,910	676,048	126,761	64,619	867,428
Less: allowance for impairment	(1,560)	(1,777)	(22,377)	(25,714)	(1,491)	(2,226)	(28,198)	(31,915)
Net	775,401	112,300	43,495	931,196	674,557	124,535	36,421	835,513

Bank loans to business customers: SME

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	436,106	2,308	2,591	441,005	374,192	25,410	1,048	400,650
Watch	346,124	93,466	19,438	459,028	312,408	86,968	14,951	414,327
Substandard	4,950	19,700	12,774	37,424	2,974	18,652	8,141	29,767
Problem	-	-	31,417	31,417	-	122	40,048	40,170
Gross	787,180	115,474	66,220	968,874	689,574	131,152	64,188	884,914
Less: allowance for impairment	(1,540)	(1,777)	(22,901)	(26,218)	(1,491)	(2,274)	(28,178)	(31,943)
Net	785,640	113,697	43,319	942,656	688,083	128,878	36,010	852,971

Group loans to business customers: Central and local authorities and other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	98,926	-	1	98,927	57,598	1	-	57,599
Watch	2,721	654	-	3,375	37,849	691	-	38,540
Substandard	1,439	271	1,479	3,189	1,288	180	1,535	3,003
Problem	-	-	8	8	-	-	9	9
Gross	103,086	925	1,488	105,499	96,735	872	1,544	99,151
Less: allowance for impairment	(224)	(6)	(641)	(871)	(428)	(99)	(717)	(1,244)
Net	102,862	919	847	104,628	96,307	773	827	97,907

Bank loans to business customers: Central and local authorities and other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	98,926	-	1	98,927	57,598	1	-	57,599
Watch	2,721	654	-	3,375	37,849	691	-	38,540
Substandard	1,439	271	1,479	3,189	1,288	180	1,535	3,003
Problem	-	-	8	8	-	-	9	9
Gross	103,086	925	1,488	105,499	96,735	872	1,544	99,151
Less: allowance for impairment	(224)	(6)	(641)	(871)	(428)	(99)	(717)	(1,244)
Net	102,862	919	847	104,628	96,307	773	827	97,907

For analysis of debt securities according to the credit quality see Notes 12 and 15.

(All amounts are in EUR thousand, unless otherwise stated)

b) Payment delays

The tables below provide an analysis of loans and advances to customers by payment delays. The Group considers a loan to be past due when the following criteria are met: for loans to individuals – overdue amount is higher than the lower of EUR 100 or 1% of total exposure; for loans to business customers – overdue amount is higher than the lower of EUR 500 or 1% of total exposure.

Group loans to customers

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	1,296,092	116,540	25,735	1,438,367	1,031,498	120,316	22,238	1,174,052
Past due up to 30 days	46,750	8,201	6,458	61,409	54,605	14,537	5,292	74,434
Past due 31-90 days	339	6,890	9,591	16,820	467	6,062	2,734	9,263
Past due more than 90 days	-	-	36,491	36,491	1	2	47,181	47,184
Gross	**1,343,181**	**131,631**	**78,275**	**1,553,087**	**1,086,571**	**140,917**	**77,445**	**1,304,933**
Less: allowance for impairment	(8,021)	(4,003)	(26,485)	(38,509)	(5,839)	(4,462)	(32,465)	(42,766)
Net	**1,335,160**	**127,628**	**51,790**	**1,514,578**	**1,080,732**	**136,455**	**44,980**	**1,262,167**

Bank loans to customers

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	1,303,206	117,937	25,726	1,446,869	1,038,874	124,708	21,568	1,185,150
Past due up to 30 days	35,102	8,202	6,088	49,392	46,715	14,536	5,098	66,349
Past due 31-90 days	27	2,205	8,553	10,785	149	2,420	2,055	4,624
Past due more than 90 days	-	-	35,071	35,071	1	2	45,466	45,469
Gross	**1,338,335**	**128,344**	**75,438**	**1,542,117**	**1,085,739**	**141,666**	**74,187**	**1,301,592**
Less: allowance for impairment	(4,552)	(2,259)	(25,254)	(32,065)	(3,399)	(2,948)	(30,504)	(36,851)
Net	**1,333,783**	**126,085**	**50,184**	**1,510,052**	**1,082,340**	**138,718**	**43,683**	**1,264,741**

Group loans to indiduals (retail)

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	324,512	4,240	1,161	329,913	206,651	5,147	2,709	214,507
Past due up to 30 days	22,425	386	564	23,375	23,808	688	413	24,909
Past due 31-90 days	322	6,480	1,427	8,229	363	4,575	822	5,760
Past due more than 90 days	-	-	5,868	5,868	1	2	7,237	7,240
Gross	**347,259**	**11,106**	**9,020**	**367,385**	**230,823**	**10,412**	**11,181**	**252,416**
Less: allowance for impairment	(5,172)	(2,135)	(3,350)	(10,657)	(3,728)	(2,060)	(3,550)	(9,338)
Net	**342,087**	**8,971**	**5,670**	**356,728**	**227,095**	**8,352**	**7,631**	**243,078**

Bank loans to indiduals (retail)

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	224,922	4,240	730	229,892	150,939	5,147	2,470	158,556
Past due up to 30 days	10,777	387	194	11,358	15,918	688	219	16,825
Past due 31-90 days	10	1,795	389	2,194	45	933	143	1,121
Past due more than 90 days	-	-	4,522	4,522	1	2	5,522	5,525
Gross	**235,709**	**6,422**	**5,835**	**247,966**	**166,903**	**6,770**	**8,354**	**182,027**
Less: allowance for impairment	(1,723)	(391)	(1,595)	(3,709)	(1,288)	(498)	(1,609)	(3,395)
Net	**233,986**	**6,031**	**4,240**	**244,257**	**165,615**	**6,272**	**6,745**	**178,632**

Group loans to financial institutions

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	15	3,623	-	3,638	28	681	-	709
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
Gross	**15**	**3,623**	**-**	**3,638**	**28**	**681**	**-**	**709**
Less: allowance for impairment	-	(38)	-	(38)	-	(16)	-	(16)
Net	**15**	**3,585**	**-**	**3,600**	**28**	**665**	**-**	**693**

Bank loans to financial institutions

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	96,500	3,623	-	100,123	49,590	681	-	50,271
Past due up to 30 days	-	-	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-	-	-
Past due more than 90 days	-	-	-	-	-	-	-	-
Gross	**96,500**	**3,623**	**-**	**100,123**	**49,590**	**681**	**-**	**50,271**
Less: allowance for impairment	-	(38)	-	(38)	-	(16)	-	(16)
Net	**96,500**	**3,585**	**-**	**100,085**	**49,590**	**665**	**-**	**50,255**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to business customers

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	971,565	108,677	24,574	1,104,816	824,819	114,488	19,529	958,836
Past due up to 30 days	24,325	7,815	5,894	38,034	30,797	13,849	4,879	49,525
Past due 31-90 days	17	410	8,164	8,591	104	1,487	1,912	3,503
Past due more than 90 days	-	-	30,623	30,623	-	-	39,944	39,944
Gross	995,907	116,902	69,255	1,182,064	855,720	129,824	66,264	1,051,808
Less: allowance for impairment	(2,849)	(1,830)	(23,135)	(27,814)	(2,111)	(2,386)	(28,915)	(33,412)
Net	993,058	115,072	46,120	1,154,250	853,609	127,438	37,349	1,018,396

Bank loans to business customers

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Not past due	981,784	110,074	24,996	1,116,854	838,345	118,880	19,098	976,323
Past due up to 30 days	24,325	7,815	5,894	38,034	30,797	13,848	4,879	49,524
Past due 31-90 days	17	410	8,164	8,591	104	1,487	1,912	3,503
Past due more than 90 days	-	-	30,549	30,549	-	-	39,944	39,944
Gross	1,006,126	118,299	69,603	1,194,028	869,246	134,215	65,833	1,069,294
Less: allowance for impairment	(2,829)	(1,830)	(23,659)	(28,318)	(2,111)	(2,434)	(28,895)	(33,440)
Net	1,003,297	116,469	45,944	1,165,710	867,135	131,781	36,938	1,035,854

c) Stage 3 loans and advances to customers

The breakdown of the gross amount of Stage 3 loans and advances by class, along with the fair value of related collateral held by the Group and the Bank as security is as follows:

31 December 2019

				Group				*Bank*
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans to individuals (Retail):	9,020	(3,350)	5,670	5,158	5,835	(1,595)	4,240	5,158
Consumer loans	*3,442*	*(1,937)*	*1,505*	*18*	*278*	*(203)*	*75*	*18*
Mortgages	*1,453*	*(442)*	*1,011*	*1,261*	*1,453*	*(442)*	*1,011*	*1,261*
Multiapartment rennovation loans	-	-	-	-	-	-	-	-
Other	*4,125*	*(971)*	*3,154*	*3,879*	*4,104*	*(950)*	*3,154*	*3,879*
Loans to business customers:	69,255	(23,135)	46,120	61,520	69,603	(23,659)	45,944	61,520
Large corporates	*1,895*	*(117)*	*1,778*	*1,596*	*1,895*	*(117)*	*1,778*	*1,596*
SME	*65,872*	*(22,377)*	*43,495*	*58,494*	*66,220*	*(22,901)*	*43,319*	*58,494*
Central and local authorities, administrative bodies and other	*1,488*	*(641)*	*847*	*1,430*	*1,488*	*(641)*	*847*	*1,430*
Total loans to customers	78,275	(26,485)	51,790	66,678	75,438	(25,254)	50,184	66,678

31 December 2018

				Group				*Bank*
	Gross value	Allowance for impairment	Net value	Fair value of collateral	Gross value	Allowance for impairment	Net value	Fair value of collateral
Loans and advances to financial institutions	-	-	-	-	-	-	-	-
Loans to individuals (Retail):	11,181	(3,550)	7,631	7,684	8,354	(1,609)	6,745	7,684
Consumer loans	*3,211*	*(2,232)*	*979*	*10*	*384*	*(291)*	*93*	*10*
Mortgages	*1,914*	*(552)*	*1,362*	*1,797*	*1,914*	*(552)*	*1,362*	*1,797*
Multiapartment rennovation loans	-	-	-	-	-	-	-	-
Other	*6,056*	*(766)*	*5,290*	*5,877*	*6,056*	*(766)*	*5,290*	*5,877*
Loans to business customers:	66,264	(28,915)	37,349	54,383	65,833	(28,895)	36,938	54,383
Large corporates	*101*	-	*101*	*101*	*101*	-	*101*	*101*
SME	*64,619*	*(28,198)*	*36,421*	*52,864*	*64,188*	*(28,178)*	*36,010*	*52,864*
Central and local authorities, administrative bodies and other	*1,544*	*(717)*	*827*	*1,418*	*1,544*	*(717)*	*827*	*1,418*
Total loans to customers	77,445	(32,465)	44,980	62,067	74,187	(30,504)	43,683	62,067

Impairment loss by class of financial assets for loans is disclosed in Note 13.

(All amounts are in EUR thousand, unless otherwise stated)

d) Information about loan collateral

The method for collateral valuation is selected by the Group and the Bank based on specifics of collateral and existing market conditions on the day of valuation. Based on collateral characteristics and the purpose of its valuation the following valuation methods are used: comparable sales price method or income capitalisation method. Fair values of the collateral are updated regularly in line with the Bank's procedures.

If loan is secured by several different types of collateral, priority in their recognition is based on their liquidity. Cash deposits are treated as having the highest liquidity followed by guarantees, residential real estate and then other real estate. Securities that have no active market and other assets are treated as having the lowest liquidity.

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.). The total amount of loans to individuals and business customers secured by the above security measure, but disclosed as unsecured as at 31 December 2019 amounted to EUR 66 million (2018: EUR 66 million). Totally unsecured loans comprise only consumer loans and loans issued by the Bank to its subsidiaries.

Following tables present the lower of loan and collateral amount per agreement.

31 December 2019

	Group loans to individuals (retail)				
	Consumer loans	Mortgages	Multiapartment rennovation loans	Other	Total
Unsecured loans	142,378	11,772	105,240	2,930	262,320
Loans collateralised by:	**-**	**91,088**	**-**	**13,977**	**105,065**
residential real estate -	-	86,986	-	5,846	92,832
other real estate -	-	3,509	-	6,947	10,456
securities -	-	14	-	1	15
guarantees -	-	540	-	1,143	1,683
cash deposits -	-	39	-	-	39
other assets -	-	-	-	40	40
Total	**142,378**	**102,860**	**105,240**	**16,907**	**367,385**

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	63,983	13,295	3,638	99,734	180,650
Loans collateralised by:	**892,927**	**106,360**	**-**	**5,765**	**1,005,052**
residential real estate -	75,322	79	-	446	75,847
other real estate -	658,722	81,652	-	5,192	745,566
securities -	833	284	-	-	1,117
guarantees -	125,634	4,013	-	127	129,774
cash deposits -	2,190	-	-	-	2,190
other assets -	30,226	20,332	-	-	50,558
Total	**956,910**	**119,655**	**3,638**	**105,499**	**1,185,702**

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Multiapartment rennovation loans	Other	Total
Unsecured loans	22,980	11,772	105,240	2,909	142,901
Loans collateralised by:	**-**	**91,088**	**-**	**13,977**	**105,065**
residential real estate -	-	86,986	-	5,846	92,832
other real estate -	-	3,509	-	6,947	10,456
securities -	-	14	-	1	15
guarantees -	-	540	-	1,143	1,683
cash deposits -	-	39	-	-	39
other assets -	-	-	-	40	40
Total	**22,980**	**102,860**	**105,240**	**16,886**	**247,966**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	72,334	13,295	100,123	99,734	285,486
Loans collateralised by:	**896,540**	**106,360**	**-**	**5,765**	**1,008,665**
residential real estate -	75,322	79	-	446	75,847
other real estate -	662,321	81,652	-	5,192	749,165
securities -	833	284	-	-	1,117
guarantees -	125,634	4,013	-	127	129,774
cash deposits -	2,190	-	-	-	2,190
other assets -	30,240	20,332	-	-	50,572
Total	**968,874**	**119,655**	**100,123**	**105,499**	**1,294,151**

(All amounts are in EUR thousand, unless otherwise stated)

31 December 2018

Group loans to individuals (retail)

	Consumer loans	Mortgages	Multiapartment rennovation loans	Other	Total
Unsecured loans	100,433	6,074	81,983	8,108	196,598
Loans collateralised by:	2	47,654	-	15,448	63,104
residential real estate -	-	45,433	-	6,307	51,740
other real estate -	-	1,598	-	8,117	9,715
securities -	-	19	-	1	20
guarantees -	2	604	-	1,022	1,628
cash deposits -	-	-	-	-	-
other assets -	-	-	-	1	1
Total	100,435	53,728	81,983	23,556	259,702

Group loans to business customers

	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	53,013	5,696	645	104,419	163,853
Loans collateralised by:	794,117	82,340	1	4,921	881,379
residential real estate -	61,403	79	-	395	61,877
other real estate -	575,430	68,605	1	4,267	648,303
securities -	948	434	-	73	1,455
guarantees -	117,351	1,391	-	172	118,914
cash deposits -	2,965	-	-	-	2,965
other assets -	36,020	11,831	-	14	47,865
Total	847,130	88,036	646	109,340	1,045,232

Bank loans to individuals (retail)

	Consumer loans	Mortgages	Multiapartment rennovation loans	Other	Total
Unsecured loans	34,091	6,074	81,983	4,063	126,211
Loans collateralised by:	2	47,654	-	15,448	63,104
residential real estate -	-	45,433	-	6,307	51,740
other real estate -	-	1,598	-	8,117	9,715
securities -	-	19	-	1	20
guarantees -	2	604	-	1,022	1,628
cash deposits -	-	-	-	-	-
other assets -	-	-	-	1	1
Total	34,093	53,728	81,983	19,511	189,315

Bank loans to business customers

	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	65,789	5,696	50,207	104,499	226,191
Loans collateralised by:	798,827	82,340	1	4,921	886,089
residential real estate -	61,403	79	-	395	61,877
other real estate -	580,140	68,605	1	4,267	653,013
securities -	948	434	-	73	1,455
guarantees -	117,351	1,391	-	172	118,914
cash deposits -	2,965	-	-	-	2,965
other assets -	36,020	11,831	-	14	47,865
Total	864,616	88,036	50,208	109,420	1,112,280

Following tables show the distribution of LTV (loan to collateral value) ratios for the Group's loan portfolio:

Group loans to customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	490,082	71,077	19,189	580,348	339,918	58,039	18,143	416,100
50% to 60%	124,069	16,157	14,186	154,412	121,424	15,286	3,420	140,130
60% to 70%	143,398	14,777	6,583	164,758	125,459	18,479	13,580	157,518
70% to 80%	55,716	4,107	4,713	64,536	60,438	10,240	4,275	74,953
80% to 90%	32,663	578	3,127	36,368	32,300	3,301	6,669	42,270
90% to 100%	18,746	2,011	6,620	27,377	31,186	3,155	2,601	36,942
higher than 100%	95,808	2,664	19,185	117,657	73,761	9,581	22,657	105,999
no collateral	382,699	20,260	4,672	407,631	302,085	22,836	6,100	331,021
Total gross loans	1,343,181	131,631	78,275	1,553,087	1,086,571	140,917	77,445	1,304,933

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank loans to customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	490,082	71,077	19,189	580,348	338,827	58,039	18,143	415,009
50% to 60%	124,069	16,157	14,186	154,412	121,425	15,285	3,420	140,130
60% to 70%	143,398	14,777	6,583	164,758	125,458	18,479	13,580	157,517
70% to 80%	55,716	4,107	4,713	64,536	60,438	10,240	3,864	74,542
80% to 90%	32,663	578	3,127	36,368	37,010	3,301	6,669	46,980
90% to 100%	18,746	2,011	6,620	27,377	31,186	3,155	2,601	36,942
higher than 100%	99,573	2,664	19,533	121,770	73,761	9,581	22,657	105,999
no collateral	374,088	16,973	1,487	392,548	297,634	23,586	3,253	324,473
Total gross loans	1,338,335	128,344	75,438	1,542,117	1,085,739	141,666	74,187	1,301,592

Group loans to individuals (Retail) – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	42,974	2,162	331	45,467	19,050	1,890	2,548	23,488
50% to 60%	12,584	842	2,861	16,287	10,441	1,017	412	11,870
60% to 70%	18,332	1,148	237	19,717	12,758	981	2,815	16,554
70% to 80%	10,869	1,010	579	12,458	6,545	1,179	1,169	8,893
80% to 90%	11,165	92	269	11,526	2,493	143	211	2,847
90% to 100%	3,905	54	105	4,064	477	115	97	689
higher than 100%	5,036	646	1,097	6,779	1,657	839	648	3,144
no collateral	242,394	5,152	3,541	251,087	177,402	4,248	3,281	184,931
Total gross loans	347,259	11,106	9,020	367,385	230,823	10,412	11,181	252,416

Bank loans to individuals (Retail) – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	42,974	2,162	331	45,467	19,050	1,890	2,548	23,488
50% to 60%	12,584	842	2,861	16,287	10,441	1,017	412	11,870
60% to 70%	18,332	1,148	237	19,717	12,758	981	2,815	16,554
70% to 80%	10,869	1,010	579	12,458	6,545	1,179	1,169	8,893
80% to 90%	11,165	92	269	11,526	2,493	143	211	2,847
90% to 100%	3,905	54	105	4,064	477	115	97	689
higher than 100%	5,036	646	1,097	6,779	1,657	839	648	3,144
no collateral	130,844	468	356	131,668	113,482	606	454	114,542
Total gross loans	235,709	6,422	5,835	247,966	166,903	6,770	8,354	182,027

Group loans to individuals (Retail) : Consumer loans – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	1	-	2	3
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	3,424	6	1	3,431	-	-	-	-
higher than 100%	3,494	50	17	3,561	-	-	-	-
no collateral	127,018	4,944	3,424	135,386	91,755	3,952	3,209	98,916
Total gross loans	133,936	5,000	3,442	142,378	91,756	3,952	3,211	98,919

Bank loans to individuals (Retail) : Consumer loans – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	1	-	2	3
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	3,424	6	1	3,431	-	-	-	-
higher than 100%	3,494	50	17	3,561	-	-	-	-
no collateral	15,468	260	260	15,988	27,835	310	382	28,527
Total gross loans	22,386	316	278	22,980	27,836	310	384	28,530

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to individuals (Retail) : Mortgages – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	36,101	1,635	248	37,984	13,305	1,449	157	14,911
50% to 60%	10,774	569	92	11,435	8,937	556	178	9,671
60% to 70%	16,707	1,140	104	17,951	10,499	453	162	11,114
70% to 80%	10,594	921	141	11,656	6,177	1,111	935	8,223
80% to 90%	10,876	91	184	11,151	2,268	134	170	2,572
90% to 100%	451	47	68	566	349	105	34	488
higher than 100%	1,424	240	592	2,256	1,383	347	233	1,963
no collateral	9,837	-	24	9,861	2,072	25	45	2,142
Total gross loans	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084

Bank loans to individuals (Retail) : Mortgages – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	36,101	1,635	248	37,984	13,305	1,449	157	14,911
50% to 60%	10,774	569	92	11,435	8,937	556	178	9,671
60% to 70%	16,707	1,140	104	17,951	10,499	453	162	11,114
70% to 80%	10,594	921	141	11,656	6,177	1,111	935	8,223
80% to 90%	10,876	91	184	11,151	2,268	134	170	2,572
90% to 100%	451	47	68	566	349	105	34	488
higher than 100%	1,424	240	592	2,256	1,383	347	233	1,963
no collateral	9,837	-	24	9,861	2,072	25	45	2,142
Total gross loans	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084

Group loans to individuals (Retail) : Multiapartment rennovation loans – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	105,240	-	-	105,240	81,983	-	-	81,983
Total gross loans	105,240	-	-	105,240	81,983	-	-	81,983

Bank loans to individuals (Retail) : Multiapartment rennovation loans – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	-	-	-	-
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	105,240	-	-	105,240	81,983	-	-	81,983
Total gross loans	105,240	-	-	105,240	81,983	-	-	81,983

Group loans to individuals (Retail) : Other – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	6,873	527	83	7,483	5,744	441	2,389	8,574
50% to 60%	1,810	273	2,769	4,852	1,504	461	234	2,199
60% to 70%	1,625	8	133	1,766	2,259	528	2,653	5,440
70% to 80%	275	89	438	802	368	68	234	670
80% to 90%	289	1	85	375	225	9	41	275
90% to 100%	30	1	36	67	128	10	63	201
higher than 100%	118	356	488	962	274	492	415	1,181
no collateral	299	208	93	600	1,592	271	27	1,890
Total gross loans	11,319	1,463	4,125	16,907	12,094	2,280	6,056	20,430

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank loans to individuals (Retail) : Other – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	6,873	527	83	7,483	5,744	441	2,389	8,574
50% to 60%	1,810	273	2,769	4,852	1,504	461	234	2,199
60% to 70%	1,625	8	133	1,766	2,259	528	2,653	5,440
70% to 80%	275	89	438	802	368	68	234	670
80% to 90%	289	1	85	375	225	9	41	275
90% to 100%	30	1	36	67	128	10	63	201
higher than 100%	118	356	488	962	274	492	415	1,181
no collateral	299	208	72	579	1,592	271	27	1,890
Total gross loans	11,319	1,463	4,104	16,886	12,094	2,280	6,056	20,430

Group loans to financial institutions – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	1	-	-	1
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	15	3,623	-	3,638	27	681	-	708
Total gross loans	15	3,623	-	3,638	28	681	-	709

Bank loans to financial institutions – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	-	-	-	-	1	-	-	1
50% to 60%	-	-	-	-	-	-	-	-
60% to 70%	-	-	-	-	-	-	-	-
70% to 80%	-	-	-	-	-	-	-	-
80% to 90%	-	-	-	-	-	-	-	-
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	-	-	-	-	-	-	-	-
no collateral	96,500	3,623	-	100,123	49,589	681	-	50,270
Total gross loans	96,500	3,623	-	100,123	49,590	681	-	50,271

Group loans to business customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	447,108	68,915	18,858	534,881	320,867	56,149	15,595	392,611
50% to 60%	111,485	15,315	11,325	138,125	110,983	14,269	3,008	128,260
60% to 70%	125,066	13,629	6,346	145,041	112,701	17,498	10,765	140,964
70% to 80%	44,847	3,097	4,134	52,078	53,893	9,061	3,106	66,060
80% to 90%	21,498	486	2,858	24,842	29,807	3,158	6,458	39,423
90% to 100%	14,841	1,957	6,515	23,313	30,709	3,040	2,504	36,253
higher than 100%	90,772	2,018	18,088	110,878	72,104	8,742	22,009	102,855
no collateral	140,290	11,485	1,131	152,906	124,656	17,907	2,819	145,382
Total gross loans	995,907	116,902	69,255	1,182,064	855,720	129,824	66,264	1,051,808

Bank loans to business customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	447,108	68,915	18858	534,881	319,776	56,149	15,595	391,520
50% to 60%	111,485	15315	11,325	138,125	110,984	14,268	3,008	128,260
60% to 70%	125,066	13,629	6346	145,041	112,700	17,498	10,765	140,963
70% to 80%	44,847	3,097	4134	52,078	53,893	9,061	2,695	65,649
80% to 90%	21,498	486	2858	24,842	34,517	3,158	6,458	44,133
90% to 100%	14,841	1957	6515	23,313	30,709	3,040	2,504	36,253
higher than 100%	94,537	2018	18,436	114,991	72,104	8,742	22,009	102,855
no collateral	146,744	12,882	1,131	160,757	134,563	22,299	2,799	159,661
Total gross loans	1,006,126	118,299	69,603	1,194,028	869,246	134,215	65,833	1,069,294

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group loans to business customers: Large corporates – LTV distribution

	2019				2018			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	43,310	1,618	1,477	46,405	32,612	928	101	33,641
50% to 60%	5,903	97	119	6,119	8,349	730	-	9,079
60% to 70%	16,378	80	-	16,458	13,107	417	-	13,524
70% to 80%	4,969	-	-	4,969	-	-	-	-
80% to 90%	1,133	-	-	1,133	13,794	-	-	13,794
90% to 100%	1,036	-	-	1,036	-	-	-	-
higher than 100%	39,215	105	-	39,320	11,931	116	-	12,047
no collateral	3,916	-	299	4,215	3,144	-	-	3,144
Total gross loans	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229

Bank loans to business customers: Large corporates – LTV distribution

	2019				2018			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	43,310	1,618	1,477	46,405	32,612	928	101	33,641
50% to 60%	5,903	97	119	6,119	8,349	730	-	9,079
60% to 70%	16,378	80	-	16,458	13,107	417	-	13,524
70% to 80%	4,969	-	-	4,969	-	-	-	-
80% to 90%	1,133	-	-	1,133	13,794	-	-	13,794
90% to 100%	1,036	-	-	1,036	-	-	-	-
higher than 100%	39,215	105	-	39,320	11,931	116	-	12,047
no collateral	3,916	-	299	4,215	3,144	-	-	3,144
Total gross loans	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229

Group loans to business customers: SME – LTV distribution

	2019				2018			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	401,512	66,962	17,381	485,855	286,809	54,982	15,494	357,285
50% to 60%	105,582	15,138	11,206	131,926	102,586	13,539	3,008	119,133
60% to 70%	108,017	13,549	6,346	127,912	98,820	16,979	10,765	126,564
70% to 80%	39,878	3,097	4,134	47,109	53,879	9,061	3,106	66,046
80% to 90%	19,414	486	1,428	21,328	16,013	3,158	5,040	24,211
90% to 100%	13,805	1,957	6,515	22,277	30,709	3,040	2,504	36,253
higher than 100%	51,400	1,815	18,088	71,303	59,082	8,528	22,009	89,619
no collateral	37,353	11,073	774	49,200	28,150	17,474	2,693	48,317
Total gross loans	776,961	114,077	65,872	956,910	676,048	126,761	64,619	867,428

Bank loans to business customers: SME – LTV distribution

	2019				2018			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	401,512	66,962	17,381	485,855	285,718	54,982	15,494	356,194
50% to 60%	105,582	15,138	11,206	131,926	102,587	13,538	3,008	119,133
60% to 70%	108,017	13,549	6,346	127,912	98,819	16,979	10,765	126,563
70% to 80%	39,878	3,097	4,134	47,109	53,879	9,061	2,695	65,635
80% to 90%	19,414	486	1,428	21,328	20,723	3,158	5,040	28,921
90% to 100%	13,805	1,957	6,515	22,277	30,709	3,040	2,504	36,253
higher than 100%	55,165	1,815	18,436	75,416	59,082	8,528	22,009	89,619
no collateral	43,807	12,470	774	57,051	38,057	21,866	2,673	62,596
Total gross loans	787,180	115,474	66,220	968,874	689,574	131,152	64,188	884,914

Group loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution

	2019				2018			
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	2,286	335	-	2,621	1,446	239	-	1,685
50% to 60%	-	80	-	80	48	-	-	48
60% to 70%	671	-	-	671	774	102	-	876
70% to 80%	-	-	-	-	14	-	-	14
80% to 90%	951	-	1,430	2,381	-	-	1,418	1,418
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	157	98	-	255	1,091	98	-	1,189
no collateral	99,021	412	58	99,491	93,362	433	126	93,921
Total gross loans	103,086	925	1,488	105,499	96,735	872	1,544	99,151

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank loans to business customers: Central and local authorities, administrative bodies and other – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	2,286	335	-	2,621	1,446	239	-	1,685
50% to 60%	-	80	-	80	48	-	-	48
60% to 70%	671	-	-	671	774	102	-	876
70% to 80%	-	-	-	-	14	-	-	14
80% to 90%	951	-	1,430	2,381	-	-	1,418	1,418
90% to 100%	-	-	-	-	-	-	-	-
higher than 100%	157	98	-	255	1,091	98	-	1,189
no collateral	99,021	412	58	99,491	93,362	433	126	93,921
Total gross loans	**103,086**	**925**	**1,488**	**105,499**	**96,735**	**872**	**1,544**	**99,151**

e) Loans to customers against which no impairment loss allowance is recognized

Loans to customers contain loans against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such loans are summarized in the following table:

Group, as at 31 December 2019				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	15	-	-	15	0%
Loans to individuals:	52,717	3,471	839	57,027	29%
Mortgages -	42,866	2,677	391	45,934	38%
Other-	9,851	794	448	11,093	20%
Loans to business customers:	527,221	68,642	13,794	609,657	30%
Central and local authorities, administrative bodies and other -	2,928	335	-	3,263	16%
Large corporates -	21,872	271	299	22,442	38%
SME -	502,421	68,036	13,495	583,952	35%
Total	**579,953**	**72,113**	**14,633**	**666,699**	**30%**

Group, as at 31 December 2018				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Loans to financial institutions	28	-	-	28	1%
Loans to individuals:	38,152	3,001	3,127	44,280	31%
Mortgages -	29,518	2,046	360	31,924	37%
Other-	8,634	955	2,767	12,356	17%
Loans to business customers:	387,080	54,063	9,986	451,129	26%
Central and local authorities, administrative bodies and other -	2,267	79	-	2,346	5%
Large corporates -	21,745	474	101	22,320	18%
SME -	363,068	53,510	9,885	426,463	26%
Total	**425,260**	**57,064**	**13,113**	**495,437**	**26%**

f) Purchased or originated credit-impaired (POCI) loans to customers

Loans to customers contain POCI loans to customers. Major part of these loans were acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas under a discount over their nominal value due to their non-performing status at the time of transfer. Details on POCI loans are summarized in the following table:

		As at 31 December 2019			*As at 31 December 2018*	
	Gross value	Impairment	Carrying value	Gross value	Impairment	Carrying value
Loans to financial institutions	-	-	-	-	-	-
Loans to individuals:	194	(9)	185	446	(55)	391
Consumer loans -	-	-	-	-	-	-
Mortgages -	178	(9)	169	189	(13)	176
Other-	16	-	16	257	(42)	215
Loans to business customers:	3,245	(769)	2,476	5,624	(1,595)	4,029
Central and local authorities, administrative bodies and other -	-	-	-	-	-	-
Large corporates -	-	-	-	-	-	-
SME -	3,245	(769)	2,476	5,624	(1,595)	4,029
Total	3,439	(778)	2,661	6,070	(1,650)	4,420

g) Modifications of loans to customers

The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2019 as part of Group's restructuring activities was EUR 68,107 thousand, these modifications resulted in a net gain of EUR 101 thousand. The amortized cost before modification of loans with lifetime ECL whose cash flows were modified during 2018 as part of Group's restructuring activities was EUR 66,810 thousand, these modifications resulted in a net loss of EUR 17 thousand.

(All amounts are in EUR thousand, unless otherwise stated)

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

	2019		*2018*	
	Group	Bank	Group	Bank
Business customers	136,144	135,348	105,634	104,784
Individuals	25,414	25,379	21,100	21,027
Gross	**161,558**	**160,727**	**126,734**	**125,811**
Subtract: Allowance for impairment	(3,961)	(3,187)	(2,646)	(1,842)
Net	**157,597**	**157,540**	**124,088**	**123,969**

During the year ended 31 December 2019, finance lease receivables portfolio of the Group increased by 27.5% (2018: 36.2%). Total impairment provisions for finance lease receivables of the Group amount to EUR 3,961 thousand (2018: EUR 2,646 thousand) and account for 2.45% of the respective portfolio (2018: 2.09%).

a) Credit grades of finance lease receivables

The bank uses internal grade system that has 5 internal grades (1 – best, 5 – worst). Standard finance lease receivable is a receivable when the borrower's financial performance is either very good or good (i.e. internal grades 1 or 2). Watch finance lease receivable is a receivable when the borrower's financial performance is satisfactory (i.e. internal grade 3). Substandard finance lease receivable is a receivable when the borrower's financial performance is poor or bad (i.e. internal grade 4 or 5). Problem finance lease receivable is a receivable when the payment is overdue for over 90 days, or the borrower is bankrupt, or the contract is terminated. Finance lease receivables from individuals are assessed based on application scorings when decision is made. After they are granted they are monitored based on their past due status.

Group finance lease receivables

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	73,349	964	278	74,591	52,819	1,501	456	54,776
Watch	58,679	13,101	5,686	77,466	43,218	13,768	4,987	61,973
Substandard	740	1,935	544	3,219	1,078	2,856	322	4,256
Problem	-	-	6,282	6,282	-	-	5,729	5,729
Gross	132,768	16,000	12,790	161,558	97,115	18,125	11,494	126,734
Less: allowance for impairment	(693)	(445)	(2,823)	(3,961)	(349)	(537)	(1,760)	(2,646)
Net	132,075	15,555	9,967	157,597	96,766	17,588	9,734	124,088

Bank finance lease receivables

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	73,348	964	279	74,591	52,801	1,501	456	54,758
Watch	58,677	13,101	5,686	77,464	43,203	13,767	4,986	61,956
Substandard	739	1,935	544	3,218	1,075	2,857	322	4,254
Problem	-	-	5,454	5,454	-	-	4,843	4,843
Gross	132,764	16,000	11,963	160,727	97,079	18,125	10,607	125,811
Less: allowance for impairment	(692)	(445)	(2,050)	(3,187)	(349)	(538)	(955)	(1,842)
Net	132,072	15,555	9,913	157,540	96,730	17,587	9,652	123,969

Group finance lease receivables – business customers

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	50,008	426	258	50,692	33,939	632	256	34,827
Watch	57,882	12,928	5,686	76,496	42,675	13,656	4,986	61,317
Substandard	351	1,918	544	2,813	903	2,798	322	4,023
Problem	-	-	6,143	6,143	-	-	5,467	5,467
Gross	108,241	15,272	12,631	136,144	77,517	17,086	11,031	105,634
Less: allowance for impairment	(468)	(405)	(2,697)	(3,570)	(260)	(490)	(1,587)	(2,337)
Net	107,773	14,867	9,934	132,574	77,257	16,596	9,444	103,297

Bank finance lease receivables – business customers

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standard	50,008	426	258	50,692	33,939	632	256	34,827
Watch	57,882	12,928	5,686	76,496	42,675	13,655	4,986	61,316
Substandard	351	1,918	544	2,813	903	2,799	322	4,024
Problem	-	-	5,347	5,347	-	-	4,617	4,617
Gross	108,241	15,272	11,835	135,348	77,517	17,086	10,181	104,784
Less: allowance for impairment	(468)	(405)	(1,955)	(2,828)	(260)	(491)	(818)	(1,569)
Net	107,773	14,867	9,880	132,520	77,257	16,595	9,363	103,215

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group finance lease receivables – individuals

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	23,341	538	20	23,899	18,880	869	200	19,949
Watch	797	173	-	970	543	112	1	656
Substandard	389	17	-	406	175	58	-	233
Problem	-	-	139	139	-	-	262	262
Gross	24,527	728	159	25,414	19,598	1,039	463	21,100
Less: allowance for impairment	(225)	(40)	(126)	(391)	(89)	(47)	(173)	(309)
Net	24,302	688	33	25,023	19,509	992	290	20,791

Bank finance lease receivables – individuals

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Standard	23,340	538	21	23,899	18,862	869	200	19,931
Watch	795	173	-	968	528	112	-	640
Substandard	388	17	-	405	172	58	-	230
Problem	-	-	107	107	-	-	226	226
Gross	24,523	728	128	25,379	19,562	1,039	426	21,027
Less: allowance for impairment	(224)	(40)	(95)	(359)	(89)	(47)	(137)	(273)
Net	24,299	688	33	25,020	19,473	992	289	20,754

b) Payment delays of finance lease receivables

Group finance lease receivables

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	120,650	11,808	6,130	138,588	81,625	12,946	5,624	100,195
Past due up to 30 days	12,118	2,555	309	14,982	15,481	3,529	135	19,145
Past due 31-90 days	-	1,637	135	1,772	9	1,650	7	1,666
Past due more than 90 days	-	-	6,216	6,216	-	-	5,728	5,728
Gross	132,768	16,000	12,790	161,558	97,115	18,125	11,494	126,734
Less: allowance for impairment	(693)	(445)	(2,823)	(3,961)	(349)	(537)	(1,760)	(2,646)
Net	132,075	15,555	9,967	157,597	96,766	17,588	9,734	124,088

Bank finance lease receivables

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	120,648	11,808	6,130	138,586	81,595	12,947	5,623	100,165
Past due up to 30 days	12,116	2,555	310	14,981	15,475	3,528	136	19,139
Past due 31-90 days	-	1,637	135	1,772	9	1,650	5	1,664
Past due more than 90 days	-	-	5,388	5,388	-	-	4,843	4,843
Gross	132,764	16,000	11,963	160,727	97,079	18,125	10,607	125,811
Less: allowance for impairment	(692)	(445)	(2,050)	(3,187)	(349)	(538)	(955)	(1,842)
Net	132,072	15,555	9,913	157,540	96,730	17,587	9,652	123,969

Group finance lease receivables – business customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	99,007	11,692	6,112	116,811	64,856	12,580	5,442	82,878
Past due up to 30 days	9,234	2,511	305	12,050	12,652	3,467	120	16,239
Past due 31-90 days	-	1,069	135	1,204	9	1,039	3	1,051
Past due more than 90 days	-	-	6,079	6,079	-	-	5,466	5,466
Gross	108,241	15,272	12,631	136,144	77,517	17,086	11,031	105,634
Less: allowance for impairment	(468)	(405)	(2,697)	(3,570)	(260)	(490)	(1,587)	(2,337)
Net	107,773	14,867	9,934	132,574	77,257	16,596	9,444	103,297

Bank finance lease receivables – business customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	99,007	11,692	6,112	116,811	64,856	12,581	5,440	82,877
Past due up to 30 days	9,234	2,511	305	12,050	12,652	3,466	121	16,239
Past due 31-90 days	-	1,069	135	1,204	9	1,039	3	1,051
Past due more than 90 days	-	-	5,283	5,283	-	-	4,617	4,617
Gross	108,241	15,272	11,835	135,348	77,517	17,086	10,181	104,784
Less: allowance for impairment	(468)	(405)	(1,955)	(2,828)	(260)	(491)	(818)	(1,569)
Net	107,773	14,867	9,880	132,520	77,257	16,595	9,363	103,215

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group finance lease receivables – individuals

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	21,643	116	18	21,777	16,769	366	182	17,317
Past due up to 30 days	2,884	44	4	2,932	2,829	62	15	2,906
Past due 31-90 days	-	568	-	568	-	611	4	615
Past due more than 90 days	-	-	137	137	-	-	262	262
Gross	24,527	728	159	25,414	19,598	1,039	463	21,100
Less: allowance for impairment	(225)	(40)	(126)	(391)	(89)	(47)	(173)	(309)
Net	24,302	688	33	25,023	19,509	992	290	20,791

Bank finance lease receivables – individuals

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Not past due	21,641	116	18	21,775	16,739	366	183	17,288
Past due up to 30 days	2,882	44	5	2,931	2,823	62	15	2,900
Past due 31-90 days	-	568	-	568	-	611	2	613
Past due more than 90 days	-	-	105	105	-	-	226	226
Gross	24,523	728	128	25,379	19,562	1,039	426	21,027
Less: allowance for impairment	(224)	(40)	(95)	(359)	(89)	(47)	(137)	(273)
Net	24,299	688	33	25,020	19,473	992	289	20,754

c) Stage 3 Finance lease receivables

31 December 2019

	Group Gross value	Group Allowance for impairment	Group Net value	Group Fair value of collateral	Bank Gross value	Bank Allowance for impairment	Bank Net value	Bank Fair value of collateral
31 December 2019:								
Business customers	12,631	(2,697)	9,934	11,687	11,835	(1,955)	9,880	11,687
Individuals	159	(126)	33	120	128	(95)	33	120
Total finance lease receivables	12,790	(2,823)	9,967	11,807	11,963	(2,050)	9,913	11,807

31 December 2018

	Group Gross value	Group Allowance for impairment	Group Net value	Group Fair value of collateral	Bank Gross value	Bank Allowance for impairment	Bank Net value	Bank Fair value of collateral
31 December 2018:								
Business customers	11,031	(1,587)	9,444	10,710	10,181	(818)	9,363	9,860
Individuals	463	(173)	290	394	426	(137)	289	357
Total finance lease receivables	11,494	(1,760)	9,734	11,104	10,607	(955)	9,652	10,217

d) Information about risk mitigation measures for finance lease receivables

Upon initial recognition of financial lease receivables, the fair value of risk mitigation measures is based on valuation approaches commonly used for the corresponding types of assets. Market values are used for real estate and movable assets serving as risk mitigation measures. In subsequent periods, the fair value of risk mitigation measures is updated based on their depreciation rates.

If exposure is secured by several different types of risk mitigation measures, priority in their recognition is based on their liquidity. Transport vehicles are treated as having highest liquidity followed by residential real estate and then other real estate. Equipment and other assets are treated as having lowest liquidity.

The lender remains the owner of the leased object. Therefore, in case of customer default it is able to gain control on the risk mitigation measures and realize them in rather short period.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Following tables present the lower of lease receivable and collateral amount per agreement.

The Group

	2019			2018		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	599	3,217	3,816	926	6,338	7,264
Finance lease receivables secured by:						
transport vehicles -	23,718	83,185	106,903	18,903	54,516	73,419
real estate -	926	25,983	26,909	1,105	26,902	28,007
equipment and other -	171	23,759	23,930	166	17,878	18,044
Total	**25,414**	**136,144**	**161,558**	**21,100**	**105,634**	**126,734**

The Bank

	2019			2018		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	599	3,217	3,816	925	6,338	7,263
Finance lease receivables secured by:						
transport vehicles -	23,718	83,185	106,903	18,890	54,515	73,405
real estate -	895	25,983	26,878	1,074	26,902	27,976
equipment and other -	167	22,963	23,130	138	17,029	17,167
Total	**25,379**	**135,348**	**160,727**	**21,027**	**104,784**	**125,811**

The following tables present the LTV distributions of finance lease receivables:

Group finance lease receivables – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	77,912	8,450	8,961	95,323	56,175	10,798	8,616	75,589
50% to 60%	13,752	1,545	424	15,721	10,255	2,072	667	12,994
60% to 70%	15,172	1,513	450	17,135	10,221	1,586	229	12,036
70% to 80%	12,267	1,969	669	14,905	7,600	1,672	207	9,479
80% to 90%	8,802	1,613	727	11,142	6,980	1,018	81	8,079
90% to 100%	2,949	448	437	3,834	3,061	499	296	3,856
higher than 100%	1,363	452	990	2,805	1,034	210	999	2,243
no collateral	551	10	132	693	1,789	270	399	2,458
Total gross loans	**132,768**	**16,000**	**12,790**	**161,558**	**97,115**	**18,125**	**11,494**	**126,734**

Bank finance lease receivables – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	77,912	8,450	8,961	95,323	56,175	10,798	8,616	75,589
50% to 60%	13,752	1,545	424	15,721	10,255	2,072	667	12,994
60% to 70%	15,172	1,513	450	17,135	10,220	1,586	228	12,034
70% to 80%	12,267	1,969	669	14,905	7,600	1,672	207	9,479
80% to 90%	8,802	1,613	727	11,142	6,981	1,018	81	8,080
90% to 100%	2,949	448	437	3,834	3,026	499	296	3,821
higher than 100%	1,363	452	194	2,009	1,034	210	144	1,388
no collateral	547	10	101	658	1,788	270	368	2,426
Total gross loans	**132,764**	**16,000**	**11,963**	**160,727**	**97,079**	**18,125**	**10,607**	**125,811**

Group finance lease receivables: Individuals – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	15,987	372	37	16,396	12,512	596	227	13,335
50% to 60%	2,191	78	55	2,324	1,792	167	13	1,972
60% to 70%	1,693	31	-	1,724	1,525	36	8	1,569
70% to 80%	1,430	88	-	1,518	1,292	78	22	1,392
80% to 90%	1,099	81	6	1,186	921	38	20	979
90% to 100%	858	46	3	907	705	75	16	796
higher than 100%	1,058	25	24	1,107	574	5	57	636
no collateral	211	7	34	252	277	44	100	421
Total gross loans	**24,527**	**728**	**159**	**25,414**	**19,598**	**1,039**	**463**	**21,100**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank finance lease receivables: Individuals – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	15,987	372	37	16,396	12,512	596	227	13,335
50% to 60%	2,191	78	55	2,324	1,792	167	13	1,972
60% to 70%	1,693	31	-	1,724	1,524	36	8	1,568
70% to 80%	1,430	88	-	1,518	1,292	78	22	1,392
80% to 90%	1,099	81	6	1,186	922	38	20	980
90% to 100%	858	46	3	907	670	75	16	761
higher than 100%	1,058	25	24	1,107	574	5	57	636
no collateral	207	7	3	217	276	44	63	383
Total gross loans	24,523	728	128	25,379	19,562	1,039	426	21,027

Group finance lease receivables: Business customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	61,925	8,078	8,924	78,927	43,663	10,202	8,389	62,254
50% to 60%	11,561	1,467	369	13,397	8,463	1,905	654	11,022
60% to 70%	13,479	1,482	450	15,411	8,696	1,550	221	10,467
70% to 80%	10,837	1,881	669	13,387	6,308	1,594	185	8,087
80% to 90%	7,703	1,532	721	9,956	6,059	980	61	7,100
90% to 100%	2,091	402	434	2,927	2,356	424	280	3,060
higher than 100%	305	427	966	1,698	460	205	942	1,607
no collateral	340	3	98	441	1,512	226	299	2,037
Total gross loans	108,241	15,272	12,631	136,144	77,517	17,086	11,031	105,634

Bank finance lease receivables: Business customers – LTV distribution

				2019				2018
LTV ratio:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
lower than 50%	61,925	8,078	8,924	78,927	43,663	10,202	8,389	62,254
50% to 60%	11,561	1,467	369	13,397	8,463	1,905	654	11,022
60% to 70%	13,479	1,482	450	15,411	8,696	1,550	220	10,466
70% to 80%	10,837	1,881	669	13,387	6,308	1,594	185	8,087
80% to 90%	7,703	1,532	721	9,956	6,059	980	61	7,100
90% to 100%	2,091	402	434	2,927	2,356	424	280	3,060
higher than 100%	305	427	170	902	460	205	87	752
no collateral	340	3	98	441	1,512	226	305	2,043
Total gross loans	108,241	15,272	11,835	135,348	77,517	17,086	10,181	104,784

e) Finance lease receivables against which no impairment loss allowance is recognized

Finance lease receivables contain receivables against which no loss impairment loss allowance was recognized because of sufficiency of collateral. Such receivables are summarized in the following table:

At 31 December 2019:				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Business customers	24,075	4,011	8,447	36,533	26%
Individuals	3,997	97	16	4,110	23%
Total	28,072	4,108	8,463	40,643	25%

At 31 December 2018:				*Gross value*	
	Stage 1	Stage 2	Stage 3	Total	LTV
Business customers	23,531	6,755	8,925	39,211	25%
Individuals	3,033	141	187	3,361	17%
Total	26,564	6,896	9,112	42,572	24%

(All amounts are in EUR thousand, unless otherwise stated)

1.7. Other financial assets

Other financial assets consist of amounts receivable. Their perfomance is monitored based on the past due status.

The Group

	2019			2018		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Stage 1	644	7,676	8,320	284	13,237	13,521
Stage 2	-	15	15	-	10	10
Stage 3	7	50	57	12	65	77
Gross	651	7,741	8,392	296	13,312	13,608
Less: allowance for impairment	(16)	(501)	(517)	(21)	(374)	(395)
Net	635	7,240	7,875	275	12,938	13,213

The Bank

	2019			2018		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Stage 1	496	7,166	7,662	93	12,913	13,006
Stage 2	-	15	15	-	10	10
Stage 3	7	50	57	7	57	64
Gross	503	7,231	7,734	100	12,980	13,080
Less: allowance for impairment	(7)	(498)	(505)	(9)	(363)	(372)
Net	496	6,733	7,229	91	12,617	12,708

(All amounts are in EUR thousand, unless otherwise stated)

1.8. Concentration of risks of financial assets with credit risk exposure

Industry sectors

The following table breaks down the main credit exposures at their carrying amounts, as categorized by the industry sectors of our counterparties.

Group	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2019:												
Cash equivalents	31,411	-	-	-	-	-	90,184	-	-	-	-	121,595
Loans and advances to banks	280	-	-	-	-	-	-	-	-	-	-	280
Loans and advances to customers:	32,999	157,436	184,503	221,495	95,366	124,847	97,568	58,748	31,724	356,728	153,164	1,514,578
Loans and advances to financial institutions	3,600	-	-	-	-	-	-	-	-	-	-	3,600
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	356,728	-	356,728
Consumer loans -	-	-	-	-	-	-	-	-	-	134,519	-	134,519
Mortgages -	-	-	-	-	-	-	-	-	-	101,727	-	101,727
Multiapartment renovation loans -	-	-	-	-	-	-	-	-	-	104,617	-	104,617
Other -	-	-	-	-	-	-	-	-	-	15,865	-	15,865
Loans to business customers:	29,399	157,436	184,503	221,495	95,366	124,847	97,568	58,748	31,724	-	153,164	1,154,250
Large corporates -	-	275	73,038	-	21,436	-	-	233	15,186	-	8,258	118,426
SME -	29,399	157,128	111,465	221,044	73,880	124,847	499	58,515	13,982	-	140,437	931,196
Central and local authorities, administrative bodies and other -	-	33	-	451	50	-	97,069	-	2,556	-	4,469	104,628
Finance lease receivables:	759	20,523	12,096	6,252	8,241	5,769	-	29,979	1,324	25,023	47,631	157,597
Individuals -	-	-	-	-	-	-	-	-	-	25,023	-	25,023
Business customers -	759	20,523	12,096	6,252	8,241	5,769	-	29,979	1,324	-	47,631	132,574
Securities in the trading book:	31,857	481	461	34	-	-	4,876	462	21	-	2,235	40,427
Debt securities -	10,243	481	297	-	-	-	4,876	392	-	-	1,815	18,104
Equity securities -	21,614	-	164	34	-	-	-	70	21	-	420	22,323
Derivative financial instruments	910	3	-	-	-	-	-	-	-	24	49	986
Investment securities at fair value:	11,273	-	-	-	-	-	1,343	-	-	-	1,443	14,059
Equity securities -	4,949	-	-	-	-	-	-	-	-	-	157	5,106
Debt securities -	6,324	-	-	-	-	-	1,343	-	-	-	1,286	8,953
Investment securities at amortized cost:	51,310	1,608	42,962	1,009	-	-	375,498	3,014	3,990	-	66,458	545,849
Debt securities -	51,310	1,608	42,962	1,009	-	-	375,498	3,014	3,990	-	66,458	545,849
Other financial assets	1,652	13	65	14	5	2	53	6	2	635	5,428	7,875
Credit risk exposures relating to off –balance sheet items are as follows:												-
Financial guarantees -	8,327	13,330	5,576	657	10,448	250	-	1,236	38	62	4,501	44,425
Letters of credit -	-	-	10,926	-	-	-	-	2,853	-	-	-	13,779
Loan commitments and other credit related liabilities -	1,137	19,378	51,902	25,018	27,931	8,384	3,434	15,667	3,000	32,397	66,505	254,753
Total at 31 December2019	171,915	212,772	308,491	254,479	141,991	139,252	572,956	111,965	40,099	414,869	347,414	2,716,203
At 31 December 2018:												
Cash equivalents	28,925	-	-	-	-	-	11,999	-	-	-	-	40,924
Loans and advances to banks	2,090	-	-	-	-	-	-	-	-	-	-	2,090
Loans and advances to customers:	9,627	153,485	158,947	179,672	94,767	115,984	91,752	20,916	32,865	243,078	161,074	1,262,167
Loans and advances to financial institutions	693	-	-	-	-	-	-	-	-	-	-	693
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	243,078	-	243,078
Consumer loans -	-	-	-	-	-	-	-	-	-	91,524	-	91,524
Mortgages -	-	-	-	-	-	-	-	-	-	50,203	-	50,203
Multiapartment renovation loans -	-	-	-	-	-	-	-	-	-	81,806	-	81,806
Other -	-	-	-	-	-	-	-	-	-	19,545	-	19,545
Loans to business customers:	8,934	153,485	158,947	179,672	94,767	115,984	91,752	20,916	32,865	-	161,074	1,018,396
Large corporates -	-	523	57,602	-	11,145	-	-	6	15,459	-	241	84,976
SME -	8,934	152,962	101,345	179,624	83,546	115,984	502	20,910	14,570	-	157,136	835,513
Central and local authorities, administrative bodies and other -	-	-	-	48	76	-	91,250	-	2,836	-	3,697	97,907
Finance lease receivables:	725	17,690	12,925	6,194	7,683	6,402	467	20,796	845	20,791	29,570	124,088
Individuals -	-	-	-	-	-	-	-	-	-	20,791	-	20,791
Business customers -	725	17,690	12,925	6,194	7,683	6,402	467	20,796	845	-	29,570	103,297
Securities in the trading book:	30,780	2,563	4,569	275	-	-	13,533	169	409	-	7,884	60,182
Debt securities -	13,426	2,549	4,531	239	-	-	13,533	155	387	-	7,564	42,384
Equity securities -	17,354	14	38	36	-	-	-	14	22	-	320	17,798
Derivative financial instruments	737	26	4	-	1	-	-	7	-	181	241	1,197
Investment securities at fair value:	11,914	-	1,909	11	-	-	3,325	-	-	-	3,948	21,107
Equity securities -	4,277	-	-	11	-	-	-	-	-	-	440	4,728
Debt securities -	7,637	-	1,909	-	-	-	3,325	-	-	-	3,508	16,379
Investment securities at amortized cost:	53,194	2,280	42,103	1,009	-	-	463,943	3,015	3,981	-	69,130	638,655
Debt securities -	53,194	2,280	42,103	1,009	-	-	463,943	3,015	3,981	-	69,130	638,655
Other financial assets	-	34	29	29	4	6	-	5	1	275	12,830	13,213
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	1,061	10,178	4,206	808	8,201	190	-	1,015	24	-	13,972	39,655
Letters of credit -	-	72	486	-	183	-	-	-	-	-	19	760
Loan commitments and other credit related liabilities -	-	19,320	29,966	30,907	21,604	8,178	4,260	8,444	986	88,635	53,107	265,407
Total at 31 December2018	139,053	205,648	255,144	218,905	132,443	130,760	589,279	54,367	39,111	352,960	351,775	2,469,445

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank	Financial intermediation	Wholesale and retail	Manufacturing	Real estate and rent	Construction	Agriculture, hunting and forestry	Public administration and defence, compulsory social security	Transport, storage and communication	Health and social work	Loans to individuals	Other	Total
At 31 December 2019:												
Cash equivalents	28,192	-	-	-	-	-	90,184	-	-	-	-	118,496
Loans and advances to banks	280	-	-	-	-	-	-	-	-	-	-	280
Loans and advances to customers:	133,026	157,436	184,503	225,650	100,075	124,847	97,568	58,748	31,724	244,257	152,218	1,510,052
Loans and advances to financial institutions	100,085	-	-	-	-	-	-	-	-	-	-	100,085
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	244,257	-	244,257
Consumer loans -	-	-	-	-	-	-	-	-	-	22,048	-	22,048
Mortgages -	-	-	-	-	-	-	-	-	-	101,727	-	101,727
Multiapartment renovation loans -	-	-	-	-	-	-	-	-	-	104,617	-	104,617
Other -	-	-	-	-	-	-	-	-	-	15,865	-	15,865
Loans to business customers:	32,941	157,436	184,503	225,650	100,075	124,847	97,568	58,748	31,724	-	152,218	1,165,710
Large corporates -	-	275	73,038	-	21,436	-	-	233	15,186	-	8,258	118,426
SME -	32,941	157,128	111,465	225,199	78,589	124,847	499	58,515	13,982	-	139,491	942,656
Central and local authorities, administrative bodies and other -	-	33	-	451	50	-	97,069	-	2,556	-	4,469	104,628
Finance lease receivables:	759	20,523	12,042	6,252	8,241	5,769	-	29,979	1,324	25,020	47,631	157,540
Individuals -	-	-	-	-	-	-	-	-	-	25,020	-	25,020
Business customers -	759	20,523	12,042	6,252	8,241	5,769	-	29,979	1,324	-	47,631	132,520
Securities in the trading book:	10,169	-	461	34	-	-	2,535	462	21	-	1,672	15,354
Debt securities -	10,070	-	297	-	-	-	2,535	392	-	-	1,252	14,546
Equity securities -	99	-	164	34	-	-	-	70	21	-	420	808
Derivative financial instruments	910	3	-	-	-	-	-	-	-	24	49	986
Investment securities at fair value:	6,824	-	-	-	-	-	1,343	-	-	-	1,324	9,491
Equity securities -	895	-	-	-	-	-	-	-	-	-	38	933
Debt securities -	5,929	-	-	-	-	-	1,343	-	-	-	1,286	8,558
Investment securities at amortized cost:	49,982	1,003	42,522	1,009	-	-	370,824	3,014	3,990	-	63,135	535,479
debt securities -	49,982	1,003	42,522	1,009	-	-	370,824	3,014	3,990	-	63,135	535,479
Other financial assets	1,652	13	65	14	5	2	53	6	2	496	4,921	7,229
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	8,391	13,330	5,576	657	10,448	250	-	1,236	38	62	4,501	44,489
Letters of credit -	-	-	10,926	-	-	-	-	2,853	-	-	-	13,779
Loan commitments and other credit related liabilities -	31,050	19,378	51,902	25,018	27,981	8,384	3,434	15,667	3,000	32,397	64,213	282,424
Total at 31 December 2019:	271,235	211,686	307,997	258,634	146,750	139,252	565,941	111,965	40,099	302,256	339,664	2,695,599
At 31 December 2018:												
Cash equivalents	28,736	-	-	-	-	-	11,999	-	-	-	-	40,735
Loans and advances to banks	2,090	-	-	-	-	-	-	-	-	-	-	2,090
Loans and advances to customers:	63,414	153,485	158,947	188,030	100,730	115,984	91,752	20,916	32,865	178,632	159,986	1,264,741
Loans and advances to financial institutions	50,255	-	-	-	-	-	-	-	-	-	-	50,255
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	178,632	-	178,632
Consumer loans -	-	-	-	-	-	-	-	-	-	27,078	-	27,078
Mortgages -	-	-	-	-	-	-	-	-	-	50,203	-	50,203
Multiapartment renovation loans -	-	-	-	-	-	-	-	-	-	81,806	-	81,806
Other -	-	-	-	-	-	-	-	-	-	19,545	-	19,545
Loans to business customers:	13,159	153,485	158,947	188,030	100,730	115,984	91,752	20,916	32,865	-	159,986	1,035,854
Large corporates -	-	523	57,602	-	11,145	-	-	6	15,459	-	241	84,976
SME -	13,159	152,962	101,345	187,982	89,509	115,984	502	20,910	14,570	-	156,048	852,971
Central and local authorities, administrative bodies and other -	-	-	-	48	76	-	91,250	-	2,836	-	3,697	97,907
Finance lease receivables:	725	17,689	12,870	6,194	7,683	6,390	467	20,782	845	20,754	29,570	123,969
Individuals -	-	-	-	-	-	-	-	-	-	20,754	-	20,754
Business customers -	725	17,689	12,870	6,194	7,683	6,390	467	20,782	845	-	29,570	103,215
Securities in the trading book:	10,732	1,753	3,768	36	-	-	5,637	14	409	-	5,547	27,896
Debt securities -	10,612	1,739	3,730	-	-	-	5,637	-	387	-	5,227	27,332
Equity securities -	120	14	38	36	-	-	-	14	22	-	320	564
Derivative financial instruments	737	26	4	-	1	-	-	7	-	181	241	1,197
Investment securities at fair value:	7,730	-	1,909	11	-	-	3,325	-	-	-	3,532	16,507
Equity securities -	488	-	-	11	-	-	-	-	-	-	24	523
Debt securities -	7,242	-	1,909	-	-	-	3,325	-	-	-	3,508	15,984
Investment securities at amortized cost:	53,194	2,280	42,103	1,009	-	-	463,943	3,015	3,981	-	69,130	638,655
debt securities -	53,194	2,280	42,103	1,009	-	-	463,943	3,015	3,981	-	69,130	638,655
Other financial assets	-	34	29	29	4	6	-	5	1	91	12,509	12,708
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees -	1,126	10,178	4,206	808	8,201	190	-	1,015	24	-	13,972	39,720
Letters of credit -	-	72	486	-	183	-	-	-	-	-	19	760
Loan commitments and other credit related liabilities -	15,471	19,320	29,981	34,838	22,413	8,178	4,260	8,444	986	88,635	53,092	285,618
Total at 31 December 2018:	183,955	204,837	254,303	230,955	139,215	130,748	581,383	54,198	39,111	288,293	347,598	2,454,596

In 2018, the concentration risk management system was upgraded – a system of internal concentration key risk indicators, which are monitored on a regular basis, was introduced. As at 31 December 2019 the Group and the Bank were compliant with the internal limits.

Concentration exposure
As at 31 December 2019, the largest single exposure comprising loans to several related borrowers treated as a single borrower not secured by the Lithuanian Government guarantees, amounted to EUR 40.0 million, i.e. 14.83% of the Bank's calculated capital (2018: EUR 39.2 million or 18.23% of the Bank's calculated capital).

2. Market risk

The Group takes on exposure to market risk, which means the risk for the Group to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (foreign currency risk), interest rates (interest rate risk) or securities prices (securities risk). Securities and interest rate risks are the most significant market risks for the Group while other market risks are of lower significance.

2.1. Foreign exchange risk

The management of the currency exchange risk is regulated by the "Currency Exchange Risk Management Procedures" which specify the principles allowing the Group to reduce the incurred foreign currency fluctuation risk to minimum. The Group is not engaged in any speculative transactions through which it could expect to earn profit from the open currency positions after changes in currency rate. Open foreign currency positions are observed daily and, if needed, closed using currency derivative contracts. The Market and Treasury Department of the Bank bears responsibility for the Group's compliance with the Currency Exchange Risk Management Procedures, Risk Management and Reporting Department performs the ex post control of currency risk management and compliance with the limits for open positions. The limits are imposed by the Risk Management Committee and subject to annual or more frequent review.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. Long position means that Group's assets exceed liabilities in given currency, whereas short position means that liabilities exceed assets. The Group also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As at 31 December 2019 the Group's ONOP to capital ratio was 0.22% (2018: 0.17%), the Bank's ONOP to capital ratio was 0.22% (2018: 0.11%).

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Open positions

The Group's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2019:					
Assets					
Cash and cash equivalents	11,925	14,670	26,595	158,322	184,917
Due from other banks	135	-	135	145	280
Securities in the trading book	3,991	145	4,136	36,291	40,427
Derivative financial instruments	-	-	-	986	986
Loans granted to customers, finance lease receivables	11,524	1,051	12,575	1,659,600	1,672,175
Investment securities at fair value	2,916	-	2,916	11,143	14,059
Investment securities at amortized cost	2,630	-	2,630	543,219	545,849
Intangible assets	-	-	-	4,288	4,288
Property, plant and equipment and investment property	-	-	-	19,786	19,786
Other assets	91	1	92	25,327	25,419
Total assets	33,212	15,867	49,079	2,459,107	2,508,186
Liabilities and shareholders' equity					
Due to other banks and financial institutions	1,042	609	1,651	72,744	74,395
Derivative financial instruments	-	-	-	945	945
Due to customers	100,181	15,852	116,033	1,917,616	2,033,649
Special and lending funds	-	-	-	7,060	7,060
Debt securities in issue	-	-	-	20,044	20,044
Liabilities related to insurance activities	2,140	145	2,285	31,212	33,497
Other liabilities	688	6	694	27,098	27,792
Shareholders' equity	-	-	-	310,804	310,804
Total liabilities and shareholders' equity	104,051	16,612	120,663	2,387,523	2,508,186
Net balance sheet position	(70,839)	(745)	(71,584)	71,584	-
Open currency exchange transactions	71,165	912	72,077	(71,664)	413
Net open position	326	167	493	(80)	413
At 31 December 2018:					
Assets					
Cash and cash equivalents	22,186	12,874	35,060	54,244	89,304
Due from other banks	410	-	410	1,680	2,090
Securities in the trading book	6,314	159	6,473	53,709	60,182
Derivative financial instruments	-	-	-	1,197	1,197
Loans granted to customers, finance lease receivables	11,779	103	11,882	1,374,373	1,386,255
Investment securities at fair value	4,433	-	4,433	16,674	21,107
Investment securities at amortized cost	5,260	-	5,260	633,395	638,655
Intangible assets	-	-	-	3,359	3,359
Property, plant and equipment and investment property	-	-	-	18,390	18,390
Other assets	31	14	45	41,145	41,190
Total assets	50,413	13,150	63,563	2,198,166	2,261,729
Liabilities and shareholders' equity					
Due to other banks and financial institutions	313	-	313	68,839	69,152
Derivative financial instruments	-	-	-	1,048	1,048
Due to customers	103,587	13,554	117,141	1,728,647	1,845,788
Special and lending funds	-	-	-	3,192	3,192
Debt securities in issue	-	-	-	20,003	20,003
Liabilities related to insurance activities	2,896	159	3,055	24,912	27,967
Other liabilities	6	-	6	19,835	19,841
Shareholders' equity	(37)	-	(37)	274,775	274,738
Total liabilities and shareholders' equity	106,765	13,713	120,478	2,141,251	2,261,729
Net balance sheet position	(56,352)	(563)	(56,915)	56,915	-
Open currency exchange transactions	56,567	614	57,181	(56,623)	558
Net open position	215	51	266	292	558

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The Bank's open positions of prevailing currencies were as follows:

	USD	Other currencies	Total currencies	EUR	Total
At 31 December 2019:					
Assets					
Cash and cash equivalents	11,917	14,671	26,588	154,994	181,582
Due from other banks	135	-	135	145	280
Securities in the trading book	1,865	-	1,865	13,489	15,354
Derivative financial instruments	-	-	-	986	986
Loans granted to customers, finance lease receivables	11,524	1,051	12,575	1,655,017	1,667,592
Investment securities at fair value	2,916	-	2,916	6,575	9,491
Investment securities at amortized cost	2,630	-	2,630	532,849	535,479
Investments in subsidiaries	-	-	-	31,491	31,491
Intangible assets	-	-	-	2,921	2,921
Property, plant and equipment and investment property	-	-	-	11,537	11,537
Other assets	91	1	92	13,013	13,105
Total assets	31,078	15,723	46,801	2,423,017	2,469,818
Liabilities and shareholders' equity					
Due to other banks and financial institutions	1,042	609	1,651	75,023	76,674
Derivative financial instruments	-	-	-	945	945
Due to customers	100,181	15,852	116,033	1,920,641	2,036,674
Debt securities in issue	-	-	-	20,044	20,044
Special and lending funds	-	-	-	7,060	7,060
Other liabilities	688	6	694	16,376	17,070
Shareholders' equity	-	-	-	311,351	311,351
Total liabilities and shareholders' equity	101,911	16,467	118,378	2,351,440	2,469,818
Net balance sheet position	(70,833)	(744)	(71,577)	71,577	-
Open currency exchange transactions	71,165	912	72,077	(71,664)	413
Net open position	332	168	500	(87)	413
At 31 December 2018:					
Assets					
Cash and cash equivalents	22,173	12,874	35,047	52,685	87,732
Due from other banks	410	-	410	1,680	2,090
Securities in the trading book	3,292	-	3,292	24,604	27,896
Derivative financial instruments	-	-	-	1,197	1,197
Loans granted to customers, finance lease receivables	11,779	103	11,882	1,376,828	1,388,710
Investment securities at fair value	4,433	-	4,433	12,074	16,507
Investment securities at amortized cost	5,260	-	5,260	633,395	638,655
Investments in subsidiaries	-	-	-	24,659	24,659
Intangible assets	-	-	-	1,975	1,975
Property, plant and equipment and investment property	-	-	-	10,295	10,295
Other assets	30	14	44	21,978	22,022
Total assets	47,377	12,991	60,368	2,161,370	2,221,738
Liabilities and shareholders' equity					
Due to other banks and financial institutions	313	-	313	71,007	71,320
Derivative financial instruments	-	-	-	1,048	1,048
Due to customers	103,587	13,554	117,141	1,729,649	1,846,790
Debt securities in issue	-	-	-	20,003	20,003
Special and lending funds	-	-	-	3,192	3,192
Other liabilities	6	-	6	10,269	10,275
Shareholders' equity	(37)	-	(37)	269,147	269,110
Total liabilities and shareholders' equity	103,869	13,554	117,423	2,104,315	2,221,738
Net balance sheet position	(56,492)	(563)	(57,055)	57,055	-
Open currency exchange transactions	56,567	614	57,181	(56,623)	558
Net open position	75	51	126	432	558

(All amounts are in EUR thousand, unless otherwise stated)

The Bank has also granted loans in foreign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the local currency may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2019 and forecast that exchange rate fluctuations will have the same trends in 2020.

Currency	Annual reasonable shift, 2020	Annual reasonable shift, 2019
GBP	6%	3%
USD	6%	6%
Other currencies	4%	4%
CIS countries currencies	8%	6.5%

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	31 December 2019		*31 December 2018*	
Impact on profit or loss and equity	Group	Bank	Group	Bank
USD	20	20	13	5
GBP	1	1	2	2
Other currencies	12	12	7	7
CIS countries currencies	1	1	4	4
Total	34	34	26	18

The impact of presumable FX rate change on the Group's / Bank's profit for the year is at acceptable level. In 2019 for the Group and for the Bank it equals to EUR 34 thousand (2018: Group EUR 26 thousand, Bank EUR 18 thousand).

2.2. Interest rate risk in the banking book

An interest rate risk is a risk to incur losses because of the mismatch of re-evaluation possibility between the Bank's and the Group's assets and liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The risk management is regulated by the Procedures for Interest Rate Risk Management, which includes a system of internal risk limits and indicators, which establish methods of risk measurement and set up measures for risk management. These procedures are approved by the Board of the Bank and define that:

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk is evaluated using a system of internal key risk indicators;
- Risk Management and Reporting Department provides the information on regular basis to Risk Management Committee about compliance with internal risk limits.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Sensitivity of interest rate risk

The table below summarises Group's interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Groups's expected behavioral movement from demand deposits to term deposits.

Group	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2019							
Total interest rate sensitive assets	260,716	431,128	709,708	82,281	740,028	242,912	2,466,773
Total interest rate sensitive liabilities	116,248	124,889	174,667	301,273	630,431	848,929	2,196,437
Net interest sensitivity gap at 31 December 2019	144,468	306,239	535,041	(218,992)	109,597	(606,017)	270,336
31 December 2018							
Total interest rate sensitive assets	217,083	390,487	610,362	131,200	683,865	167,354	2,200,351
Total interest rate sensitive liabilities	103,089	124,994	170,739	310,460	812,421	464,239	1,985,942
Net interest sensitivity gap at 31 December 2018	113,994	265,493	439,623	(179,260)	(128,556)	(296,885)	214,409

Assessing the sensitivity of the Group's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

The table below summarises the effect on the Group's profit and other components of equity of interest rate risk in the banking book as at 31 December 2019 and 31 December 2018.

	31 December 2019		*31 December 2018*	
	Increase (decrease) in profit	Increase (decrease) in other components of equity	Increase (decrease) in profit	Increase (decrease) in other components of equity
Interest rate increase by 1 p.p.	6,735	(170)	5,611	(751)
Interest rate decrease by 1 p.p.	(6,735)	184	(5,611)	804

The shift of yield curve according to above mentioned parameters creates significant impact on Group's equity and makes EUR 6,565 thousand in 2019 (2018: EUR 4,860 thousand) higher impact and EUR 6,551 thousand in 2019 (2018: EUR 4,807 thousand) lower impact on equity.

The table below summarises the Bank's interest rates sensitive assets and liabilities in the banking book based on repricing dates adjusted by Groups's expected behavioral movement from demand deposits to term deposits.

Bank	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non interest bearing or maturity undefined	Total
31 December 2019							
Total interest rate sensitive assets	256,221	515,126	697,761	69,752	675,326	239,292	2,453,478
Total interest rate sensitive liabilities	115,916	124,802	174,491	300,901	598,809	842,603	2,157,522
Net interest sensitivity gap at 31 December 2018	140,305	390,324	523,270	(231,149)	76,517	(603,311)	295,956
31 December 2018							
Total interest rate sensitive assets	217,162	432,456	606,004	126,764	657,407	152,853	2,192,646
Total interest rate sensitive liabilities	102,711	125,490	170,586	310,023	785,966	456,803	1,951,579
Net interest sensitivity gap at 31 December 2018	114,451	306,966	435,418	(183,259)	(128,559)	(303,950)	241,067

Assessing the sensitivity of the Bank's profit and other components of equity towards the change of interest rates, it has been assumed that interest is to change by 2 percentage points.

The table below summarises the effect on the Bank's profit and other components of equity of interest rate risk in the banking book as at 31 December 2019 and 31 December 2018.

	31 December 2019		*31 December 2018*	
	Increase (decrease) in profit	Increase (decrease) in other components of equity	Increase (decrease) in profit	Increase (decrease) in other components of equity
Interest rate increase by 1 p.p.	7,292	(168)	5,924	(749)
Interest rate decrease by 1 p.p.	(7,292)	182	(5,924)	802

The shift of yield curve according to above mentioned parameters creates significant impact on Bank's equity and makes EUR 7,124 thousand in 2019 (2018: EUR 5,175 thousand) higher impact and EUR 7,110 thousand in 2019 (2018: EUR 5,122 thousand) lower impact on equity.

(All amounts are in EUR thousand, unless otherwise stated)

2.3. Securities risk

Securities risk is the risk to incur losses from the investment in securities.

The management of the securities risk is regulated by the Investment in Securities Limits Procedure. In order to properly manage the debt securities portfolio risk, the Bank uses an internal limit system that combines maturity/rating limits, geographical region limits imposed on total debt securities portfolio, VaR ratio limits imposed on debt securities at amortized cost portfolio, and VaR and capital requirements amount limits imposed on other debt securities portfolios. For the equity portfolio risk management, a limit system that combines decision taking limits, issuer limits, portfolio limits is used. The compliance with limits must be checked before taking the investment decisions, monthly reports on the compliance with the limits set are submitted to the Bank's Risk Management Committee.

Securities concentrations

Sector concentration of the securities portfolio is disclosed in Financial Risk Management disclosure, section 1.8. Maturities concentration of securities portfolio is disclosed in Financial Risk Management disclosure, section 3.2. Credit quality of the securities portolio is disclosed in Notes 12 and Note 15. Geographical concentration of the debt securities portfolio is presented in tables below, which contain Top 20 countries in which the Group and the Bank have exposures:

Top 20 countries in which the Group has debt security exposures:

	2019				2018			
	Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total
1.	Lithuania	245,137	2,714	247,851	Lithuania	315,970	2,687	318,657
2.	USA	-	46,648	46,648	USA	-	45,576	45,576
3.	Netherlands	-	30,563	30,563	Netherlands	-	34,937	34,937
4.	Poland	27,803	206	28,009	Poland	33,222	-	33,222
5.	France	-	21,850	21,850	France	1,879	23,572	25,451
6.	Ireland	16,859	4,532	21,391	Italy	16,802	6,447	23,249
7.	Italy	14,026	5,654	19,680	Romania	21,568	0	21,568
8.	Latvia	17,618	645	18,263	Ireland	17,333	4,178	21,511
9.	Mexico	8,565	8,382	16,947	Mexico	10,249	8,619	18,868
10.	Spain	10,469	3,517	13,986	Spain	10,476	3,889	14,365
11.	Romania	10,827	-	10,827	Latvia	13,791	-	13,791
12.	Great Britain	-	10,749	10,749	Slovenia	12,573	-	12,573
13.	Slovenia	9,629	207	9,836	Sweden	-	12,547	12,547
14.	Bulgaria	9,092	476	9,568	Great Britain	-	12,035	12,035
15.	Estonia	-	9,097	9,097	Czech Republic	1,046	10,373	11,419
16.	Czech Republic	1,049	7,982	9,031	Bulgaria	9,384	501	9,885
17.	Sweden	-	6,931	6,931	Slovakia	8,899	-	8,899
18.	Slovakia	6,776	-	6,776	Germany	-	7,801	7,801
19.	Germany	-	4,968	4,968	Finland	999	5,207	6,206
20.	Finland	-	3,262	3,262	Estonia	-	5,521	5,521
	Other countries	4,174	22,499	26,673	Other countries	6,610	32,727	39,337
	Total	382,024	190,882	572,906	Total	480,801	216,617	697,418

Top 20 countries in which the Bank has debt security exposures:

	2019				2018			
	Name of the country	Sovereign	Corporate	Total	Name of the country	Sovereign	Corporate	Total
1.	Lithuania	241,162	2,164	243,326	Lithuania	315,314	1,995	317,309
2.	USA	-	46,023	46,023	USA	-	45,365	45,365
3.	Netherlands	-	30,369	30,369	Netherlands	-	34,229	34,229
4.	Poland	27,707	-	27,707	Poland	32,259	-	32,259
5.	France	-	21,210	21,210	France	1,879	23,142	25,021
6.	Ireland	16,859	4,331	21,190	Italy	15,257	6,447	21,704
7.	Italy	13,771	5,145	18,916	Ireland	17,333	4,035	21,368
8.	Latvia	17,618	645	18,263	Romania	21,143	-	21,143
9.	Mexico	8,408	8,382	16,790	Mexico	9,389	8,465	17,854
10.	Spain	9,928	3,517	13,445	Spain	10,248	3,889	14,137
11.	Great Britain	-	10,125	10,125	Latvia	13,437	-	13,437
12.	Romania	9,734	-	9,734	Slovenia	12,498	-	12,498
13.	Bulgaria	9,092	476	9,568	Sweden	-	12,396	12,396
14.	Slovenia	9,554	-	9,554	Great Britain	-	11,482	11,482
15.	Estonia	-	8,663	8,663	Czech Republic	1,046	9,971	11,017
16.	Czech Republic	1,049	7,557	8,606	Bulgaria	9,074	338	9,412
17.	Slovakia	6,776	-	6,776	Slovakia	8,899	-	8,899
18.	Sweden	-	6,530	6,530	Germany	-	7,584	7,584
19.	Germany	-	4,446	4,446	Finland	999	5,207	6,206
20.	Finland	-	3,050	3,050	Estonia	-	5,080	5,080
	Other countries	3,045	21,247	24,292	Other countries	4,130	29,441	33,571
		374,703	183,880	558,583	Total	472,905	209,066	681,971

(All amounts are in EUR thousand, unless otherwise stated)

Sensitivity of securities risk

The sensitivity of debt securities portfolio (at fair value through profit or loss – i.e. trading book is included in profit and at fair value through other comprehensive income is included in other components of equity) to parallel shift of the interest rate curve by 1 percentage point is presented in the table below:

	31 December 2019		*31 December 2018*	
	Increase (decrease) in profit	Increase (decrease) in other components of equity	Increase (decrease) in profit	Increase (decrease) in other components of equity
Group:				
Interest rate increase by 1 p.p.	(406)	(170)	(1,517)	(751)
Interest rate decrease by 1 p.p.	578	184	1,588	804
Bank:				
Interest rate increase by 1 p.p.	(370)	(168)	(1,056)	(749)
Interest rate decrease by 1 p.p.	541	182	1,100	802

3. 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.

3.1. 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. The Bank seeks not to depend on the ability to borrow in the market in case of liquidity problems and constructs its liquidity strategy based on hypothetical scenario it does not have access to market funding. Due to that fact the Bank possesses a significant debt securities portfolio, which is highly liquid and can be used either as collateral for borrowing by repos, or sold.

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board. Liquidity risk is evaluated by analysing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Risk Management and Reporting Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 7 days) risk management is based on short-term cash flow analysis and projections. The Market and Treasury Department is responsible for this.

The Group controls short-term and long-term liquidity risk through established ratios and limits.

Starting from 2015, the Bank is subject to regulatory Liquidity coverage ratio (LCR). The Bank complied with this ratio with a substantial cushion (requirement for the LCR is set at 100%). As of 31 December 2019, Bank's LCR ratio (aggregate for all currencies) stood at 202% (31 December 2018: 277%).

Internal liquidity limit system was updated in 2019. It includes normative, prospective, quality and concentration ratios.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

3.2. Structure of assets and liabilities by maturity

The structure of the Group's assets and liabilities by maturity is presented in the table below. Maturity bands used in the table represent maturities of assets and liabilities under most likely scenario, which is contractual maturities scenario adjusted for expectations. For liabilities and assets with no payment breaches, contractual terms are used as the representation of most likely scenario unless information indicating otherwise is available. Past due part of the assets with payment breaches over 30 days and total amount of assets past due over 90 days are included in "Maturity undefined" band.

	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
At 31 December 2019:									
Assets									
Cash and cash equivalents	184,917	-	-	-	-	-	-	-	184,917
Due from other banks	-	66	-	78	1	-	99	36	280
Securities in the trading book	-	17	198	383	1,805	9,094	6,607	22,323	40,427
Derivative financial instruments	-	584	133	26	243	-	-	-	986
Loans to customers, finance lease receivables	-	50,782	94,141	126,139	202,712	545,140	630,306	22,955	1,672,175
Investment securities at fair value	-	1,259	175	395	906	4,754	1,464	5,106	14,059
Investment securities at amortized cost	-	944	9,061	35,954	18,261	139,373	342,256	-	545,849
Intangible assets	-	-	-	-	-	-	-	4,288	4,288
Property, plant and equipment and investment property	-	-	-	-	-	-	-	19,786	19,786
Other assets	396	7,174	635	569	906	2,882	4,997	7,860	25,419
Total assets	**185,313**	**60,826**	**104,343**	**163,544**	**224,834**	**701,243**	**985,729**	**82,354**	**2,508,186**
Due to other banks and financial institutions	46,564	6,896	927	316	1,541	4,941	13,210	-	74,395
Due to customers	1,106,578	109,913	123,870	173,815	299,552	173,879	46,042	-	2,033,649
Special and lending funds	7,060	-	-	-	-	-	-	-	7,060
Debt securities in issue	-	-	-	-	-	-	20,044	-	20,044
Liabilities related to insurance activities	74	340	87	176	373	2,667	29,780	-	33,497
Other liabilities	5,112	10,749	5,792	2,425	1,787	1,881	991	-	28,737
Shareholders' equity	-	-	-	-	-	-	-	310,804	310,804
Total liabilities and shareholders' equity	**1,165,388**	**127,898**	**130,676**	**176,732**	**303,253**	**183,368**	**110,067**	**310,804**	**2,508,186**
Net liquidity gap	**(980,075)**	**(67,072)**	**(26,333)**	**(13,188)**	**(78,419)**	**517,875**	**875,662**	**(228,450)**	**-**
At 31 December 2018:									
Assets									
Cash and cash equivalents	89,304	-	-	-	-	-	-	-	89,304
Due from other banks	-	229	181	-	-	151	637	892	2,090
Securities in the trading book	-	83	667	1,529	2,337	10,728	27,040	17,798	60,182
Derivative financial instruments	-	181	279	19	347	371	-	-	1,197
Loans to customers, finance lease receivables	-	35,105	56,615	89,475	147,956	485,824	544,516	26,764	1,386,255
Investment securities at fair value	-	16	60	1,558	2,056	5,521	10,957	939	21,107
Investment securities at amortized cost	-	10,711	25,438	5,259	86,496	123,738	387,013	-	638,655
Intangible assets	-	-	-	-	-	-	-	3,359	3,359
Property, plant and equipment and investment property	-	-	-	-	-	-	-	18,390	18,390
Other assets	6,283	6,214	7,300	727	7,211	3,201	4,225	6,029	41,190
Total assets	**95,587**	**52,539**	**90,540**	**98,567**	**246,403**	**629,534**	**974,388**	**74,171**	**2,261,729**
Due to other banks and financial institutions	40,794	6,181	2,688	408	1,502	4,054	13,525	-	69,152
Due to customers	945,064	99,291	122,144	168,506	308,623	175,711	26,449	-	1,845,788
Special and lending funds	3,192	-	-	-	-	-	-	-	3,192
Debt securities in issue	-	-	-	-	-	20,003	-	-	20,003
Liabilities related to insurance activities	-	378	104	193	437	1,258	25,597	-	27,967
Other liabilities	3,910	7,287	943	758	934	1,212	5,845	-	20,889
Shareholders' equity	-	-	-	-	-	-	-	274,738	274,738
Total liabilities and shareholders' equity	**992,960**	**113,137**	**125,879**	**169,865**	**311,496**	**202,238**	**71,416**	**274,738**	**2,261,729**
Net liquidity gap	**(897,373)**	**(60,598)**	**(35,339)**	**(71,298)**	**(65,093)**	**427,296**	**902,972**	**(200,567)**	**-**

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The structure of the Bank's assets and liabilities by maturity 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
At 31 December 2019:									
Assets									
Cash and cash equivalents	181,582	-	-	-	-	-	-	-	181,582
Due from other banks	-	66	-	78	1	-	99	36	280
Securities in the trading book	-	10	28	373	1,077	7,900	5,158	808	15,354
Derivative financial instruments	-	584	133	26	243	-	-	-	986
Loans granted to customers, finance lease receivables	-	46,149	178,063	114,618	189,341	521,637	599,309	18,475	1,667,592
Investment securities at fair value	-	1,259	175	-	906	4,754	1,464	933	9,491
Investment securities at amortized cost	-	936	9,052	35,904	18,237	139,169	332,181	-	535,479
Investments in subsidiaries	-	-	-	-	-	-	-	31,491	31,491
Intangible assets	-	-	-	-	-	-	-	2,921	2,921
Property, plant and equipment and investment property	-	-	-	-	-	-	-	11,537	11,537
Other assets	396	6,403	125	213	149	74	34	5,711	13,105
Total assets	181,978	55,407	187,576	151,212	209,954	673,534	938,245	71,912	2,469,818
Due to other banks and financial institutions	47,882	6,896	927	356	1,562	5,341	13,710	-	76,674
Due to customers	1,109,603	109,913	123,870	173,815	299,552	173,879	46,042	-	2,036,674
Debt securities in issue	-	-	-	-	-	-	20,044	-	20,044
Special and lending funds	7,060	-	-	-	-	-	-	-	7,060
Other liabilities	3,953	3,702	5,516	2,186	663	1,381	614	-	18,015
Shareholders' equity	-	-	-	-	-	-	-	311,351	311,351
Total liabilities and shareholders' equity	1,168,498	120,511	130,313	176,357	301,777	180,601	80,410	311,351	2,469,818
Net liquidity gap	(986,520)	(65,104)	57,263	(25,145)	(91,823)	492,933	857,835	(239,439)	-
At 31 December 2018 (restated):									
Assets									
Cash and cash equivalents	87,732	-	-	-	-	-	-	-	87,732
Due from other banks	-	229	181	-	-	151	637	892	2,090
Securities in the trading book	-	62	617	1,028	1,663	6,115	17,847	564	27,896
Derivative financial instruments	-	181	279	19	347	371	-	-	1,197
Loans granted to customers, finance lease receivables	-	35,093	98,479	85,089	142,991	471,692	532,818	22,548	1,388,710
Investment securities at fair value	-	16	60	12	1,790	5,126	8,980	523	16,507
Investment securities at amortized cost	-	10,711	25,438	5,259	86,496	123,738	387,013	-	638,655
Investments in subsidiaries	-	-	-	-	-	-	-	29,450	29,450
Intangible assets	-	-	-	-	-	-	-	1,975	1,975
Property, plant and equipment and investment property	-	-	-	-	-	-	-	10,295	10,295
Other assets	6,283	5,683	4,450	226	576	159	47	4,598	22,022
Total assets	94,015	51,975	129,504	91,633	233,863	607,352	947,342	70,845	2,226,529
Due to other banks and financial institutions	41,884	6,181	3,345	408	1,502	4,075	13,925	-	71,320
Due to customers	946,066	99,291	122,144	168,506	308,623	175,711	26,449	-	1,846,790
Debt securities in issue	-	-	-	-	-	20,003	-	-	20,003
Special and lending funds	3,192	-	-	-	-	-	-	-	3,192
Other liabilities	2,752	1,601	139	172	553	476	5,635	-	11,328
Shareholders' equity	-	-	-	-	-	-	-	273,896	273,896
Total liabilities and shareholders' equity	993,894	107,073	125,628	169,086	310,678	200,265	46,009	273,896	2,226,529
Net liquidity gap	(899,879)	(55,098)	3,876	(77,453)	(76,815)	407,087	901,333	(203,051)	-

(All amounts are in EUR thousand, unless otherwise stated)

3.3. Non - derivative cash flows

Undiscounted cash flows in the table below describe contractual liability side outflows which are stated including nominal contract amounts together with interest till the end of the contract.

Group

31 December 2019	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	53,460	932	1,902	9,064	9,321	74,679
Due to customers	-	1,216,556	124,019	475,124	223,178	4,637	2,043,514
Debt securities in issue	-	-	-	1,230	4,920	26,150	32,300
Special and lending funds	-	7,060	-	-	-	-	7,060
Liabilities related to insurance activities	-	414	87	549	4,757	27,690	33,497
Total liabilities (contractual maturity dates)	-	1,277,490	125,038	478,805	241,919	67,798	2,191,050

Group

31 December 2018	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	46,974	6,650	1,906	7,621	6,032	69,183
Due to customers	-	1,044,372	122,266	478,794	203,742	4,392	1,853,566
Debt securities in issue	-	-	-	120	20,120	-	20,240
Subordinated loan	-	-	-	-	-	-	-
Special and lending funds	-	3,192	-	-	-	-	3,192
Liabilities related to insurance activities	-	459	104	630	3,820	22,954	27,967
Total liabilities (contractual maturity dates)	-	1,094,997	129,020	481,450	235,303	33,378	1,974,148

Bank

31 December 2019	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	54,779	932	1,963	9,964	9,321	76,959
Due to customers	-	1,219,581	124,019	475,124	223,178	4,637	2,046,539
Debt securities in issue	-	-	-	1,230	4,920	26,150	32,300
Special and lending funds	-	7,060	-	-	-	-	7,060
Total liabilities (contractual maturity dates)	-	1,281,420	124,951	478,317	238,062	40,108	2,162,858

Bank

31 December 2018	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities							
Due to banks	-	48,064	7,284	1,972	8,188	6,075	71,583
Due to customers	-	1,045,374	122,266	478,794	203,742	4,392	1,854,568
Debt securities in issue	-	-	-	120	20,120	-	20,240
Subordinated loan	-	-	-	-	-	-	-
Special and lending funds	-	3,192	-	-	-	-	3,192
Total liabilities (contractual maturity dates)	-	1,096,630	129,550	480,886	232,050	10,467	1,949,583

(All amounts are in EUR thousand, unless otherwise stated)

3.4. Remaining contractual maturity off - balance sheet items

Analysis of off-balance sheet items by the remaining maturity is as follows:

Group

At 31 December 2019	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	252,537	-	-	-	-	-	252,537
Guarantees	44,425	-	-	-	-	-	44,425
Lease commitments	1	2	4	4	5	-	16
Other commitments	5,069	348	-	2,220	8,358	-	15,995
Total	302,032	350	4	2,224	8,363	-	312,973

Group

At 31 December 2018	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	260,860	-	-	-	-	-	260,860
Guarantees	39,655	-	-	-	-	-	39,655
Lease commitments	118	223	321	619	1,706	68	3,055
Other commitments	4,832	474	-	-	-	1	5,307
Total	305,465	697	321	619	1,706	69	308,877

Bank

At 31 December 2019	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	280,208	-	-	-	-	-	280,208
Guarantees	44,489	-	-	-	-	-	44,489
Lease commitments	1	2	4	4	5	-	16
Other commitments	5,069	348	-	2,220	8,358	-	15,995
Total	329,767	350	4	2,224	8,363	-	340,708

Bank

At 31 December 2018	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Loan commitments	281,071	-	-	-	-	-	281,071
Guarantees	39,720	-	-	-	-	-	39,720
Lease commitments	100	186	265	504	1,516	68	2,639
Other commitments	4,832	474	-	-	-	1	5,307
Total	325,723	660	265	504	1,516	69	328,737

4. Fair value of financial assets and liabilities

4.1. Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's and Group's balance sheets at their fair value. The valuation methods for the assets and liabilities are summarized below.

a) Loans and advances to banks

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The fair value of fixed interest bearing deposits is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and finance lease receivables

Loans and advances and finance lease receivables are net of charges for impairment. The fair value of loans and advances to customers and finance lease receivables is estimated using valuation technique attributable to Level 3 in the fair value hierarchy. The estimated fair value of loans, advances and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates (average interest rates on outstanding loans published by the Bank of Lithuania) to determine fair value.

c) Investment securities

The fair value for held-to-collect assets 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.

d) Deposits from banks, due to customers, debt securities in issue and special lending funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits, debt securities in issue and special and lending funds not quoted in an active market is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new debts with similar remaining maturity. Interest rates for new deposits of Šiaulių bankas are used for calculation purposes as discount rates.

e) Other financial assets and other financial liabilities

The fair value of lease liabilities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy based on discounted cash flows using interest rates for new leases with similar remaining maturity. The estimated fair value of other financial assets and liabilities is similar to the carrying value due to short maturities of these assets and liabilities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Group

	As of 31 December 2019		As of 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	280	280	2,090	2,090
Loans	1,514,578	1,543,187	1,262,167	1,289,708
Loans to individuals:	356,728	575,908	243,078	257,888
Consumer loans -	134,519	144,697	91,524	100,349
Mortgages -	101,727	102,940	50,203	52,323
Multiapartment rennovation loans -	104,617	108,287	81,806	86,253
Other -	15,865	19,984	19,545	18,963
Loans to business customers	1,154,250	1,163,687	1,018,396	1,031,129
Central and other authorities -	104,628	101,387	97,907	95,356
Large corporates -	118,426	118,708	84,976	84,800
SME -	931,196	943,592	835,513	850,973
Loans and advances to financial institutions	3,600	3,592	693	691
Finance lease receivables	157,597	156,643	124,088	122,539
Investment securities at amortized cost	545,849	566,830	638,655	653,889
Government bonds -	375,502	390,595	463,943	477,950
Corporate bonds -	170,347	176,235	174,712	175,939
Other financial assets	7,875	7,875	13,213	13,213
Liabilities				
Due to other banks and financial institutions	74,395	74,394	69,152	69,171
Due to customers	2,033,649	2,039,774	1,845,788	1,850,187
Due to individuals	1,350,888	1,356,908	1,206,992	1,211,303
Due to private companies	459,134	459,194	452,713	452,787
Due to other enterprises	223,627	223,672	186,083	186,097
Debt securities in issue	20,044	20,044	20,003	19,850
Special and lending funds	7,060	7,060	3,192	3,192
Other financial liabilities	18,128	18,152	13,501	13,501

Bank

	As of 31 December 2019		As of 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Due from other banks	280	280	2,090	2,090
Loans	1,510,052	1,529,751	1,264,741	1,285,576
Loans to individuals:	244,257	254,574	178,632	186,667
Consumer loans -	22,048	23,363	27,078	29,128
Mortgages -	101,727	102,940	50,203	52,323
Multiapartment rennovation loans -	104,617	108,287	81,806	86,253
Other -	15,865	19,984	19,545	18,963
Loans to business customers	1,165,710	1,175,121	1,035,854	1,048,620
Central and other authorities -	104,628	101,386	97,907	95,356
Large corporates -	118,426	118,708	84,976	84,800
SME -	942,656	955,027	852,971	868,464
Loans and advances to financial institutions	100,085	100,056	50,255	50,289
Finance lease receivables	157,540	156,585	123,969	122,419
Investment securities at amortized cost	535,479	555,977	638,655	653,889
Government bonds -	370,825	385,664	463,943	477,950
Corporate bonds -	164,654	170,313	174,712	175,939
Other financial assets	7,229	7,229	12,708	12,708
Liabilities				
Due to other banks and financial institutions	76,674	76,714	71,320	71,339
Due to customers	2,036,674	2,042,799	1,846,790	1,851,189
Due to individuals	1,350,888	1,356,908	1,206,992	1,211,303
Due to private companies	461,349	461,409	453,091	453,165
Other	224,437	224,482	186,707	186,721
Debt securities in issue	20,044	20,044	20,003	19,850
Special and lending funds	7,060	7,060	3,192	3,192
Other financial liabilities	13,817	13,841	9,366	9,366

(All amounts are in EUR thousand, unless otherwise stated)

4.2. Financial assets and liabilities measured at fair value

a) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, NASDAQ Stock Exchange, London Stock Exchange, Frankfurt Stock Exchange) or public price quotations (for example, for Lithuanian government bonds, average price quotations from the most active banks that participate in the primary placement auctions of the Lithuanian Government securities are used).

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group uses fair value calculated based on Level 2 inputs for accounting of currency derivatives and derivatives related to prices of equity instruments.

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes Group's investments into unlisted equity securities, derivatives related to interest rate floor in variable rate loan contracts and liabilities designated at fair value through profit or loss. Details on fair value measurement of these instruments are described in subsection "Details on the main models used in valuation of Level III instruments" (Financial Risk Management disclosure, section 4.2.b), below.

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

		2019		*2018*
	Group	Bank	Group	Bank
LEVEL I				
Financial assets in the trading book				
Listed equity securities	805	805	560	560
Units of investment funds	21,515	-	17,234	-
Government bonds	4,876	2,535	13,533	5,637
Corporate bonds	11,712	10,495	26,626	19,470
Investment securities at fair value				
Government bonds	1,343	1,343	3,325	3,325
Corporate bonds	7,215	7,215	12,659	12,659
Investment fund units	311	311	92	92
Total Level I financial assets	47,777	22,704	74,029	41,743
LEVEL II				
Financial assets in the trading book				
Derivative financial instruments	986	986	1,197	1,197
Total Level II financial assets	986	986	1,197	1,197
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	(945)	(945)	(1,048)	(1,048)
Total Level II financial liabilities	(945)	(945)	(1,048)	(1,048)
LEVEL III				
Financial assets in the trading book				
Corporate bonds	1,516	1,516	2,225	2,225
Unlisted equity securities	3	3	4	4
Investment securities at fair value				
Corporate bonds	395	-	395	-
Unlisted equity securities	741	622	848	432
Investment fund units	4,054	-	3,788	-
Total Level III financial assets	6,709	2,141	7,260	2,661

Note: Level I and Level III asset amounts for 31 December 2018 were changed due to correction of error in previous financial statements. Previously reported as Level I assets investment fund units amounting to EUR 3,788 were priced according to Level III method.

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

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The following table presents the changes in Level III instruments during 2019 and 2018:

The Group

	Financial assets in the trading book				*Investment securities at fair value*						*Financial liabilities at fair value*	
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units		Subordinated loan	
	2019	2018	2019	2018	2019	2018		2018	2019	2018	2019	2018
Value as of 1 January	2,225	609	4	4	395	402	848	1,213	3,788	3,723	-	34,203
Additions / Recognition	8,528	7,023	355	47	-	-	-	-	-	250	-	-
Disposals	(9,211)	(5,433)	(356)	(47)	-	-	(335)	(383)	(39)	(248)	-	-
Conversion to shares	-	-	-	-	-	-	-	-	-	-	-	(20,000)
Derecognition	-	-	-	-	-	-	-	-	-	-	-	(4,732)
Changes due to interest accrued/paid	(26)	26	-	-	-	(7)	-	-	-	-	-	(428)
Revaluations through profit or loss	-	-	-	-	-	-	228	18	305	63	-	(9,043)
Value as of 31 December	1,516	2,225	3	4	395	395	741	848	4,054	3,788	-	-

The Bank

	Financial assets in the trading book				*Investment securities at fair value*						*Financial liabilities at fair value*	
	Corporate bonds		Unlisted equities		Corporate bonds		Unlisted equities		Investment fund units		Subordinated loan	
	2019	2018	2019	2018	2019	2018		2018	2019	2018	2019	2018
Value as of 1 January	2,225	609	4	4	-	-	432	414	-	-	-	34,203
Additions / Recognition	8,528	7,023	355	47	-	-	-	-	-	-	-	-
Disposals	(9,211)	(5,433)	(356)	(47)	-	-	(11)	-	-	-	-	-
Conversion to shares	-	-	-	-	-	-	-	-	-	-	-	(20,000)
Derecognition	-	-	-	-	-	-	-	-	-	-	-	(4,732)
Changes due to interest accrued/paid	(26)	26	-	-	-	-	-	-	-	-	-	(428)
Revaluations through profit or loss	-	-	-	-	-	-	201	18	-	-	-	(9,043)
Value as of 31 December	1,516	2,225	3	4	-	-	622	432	-	-	-	-

	2019		*2018*	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	533	201	9,124	9,061
from financial liabilities at fair value through profit or loss (subordinated loan)	*-*	*-*	*9,043*	*9,043*
from investment securities at fair value (unlisted equities)	*228*	*201*	*18*	*18*
from investment securities at fair value (investment fund units)	*305*	*-*	*63*	*-*

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

Unlisted debt securities. Most commonly used fair value measures in the Group are assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

Unlisted equity securities. Most commonly used fair value measures in the Group are: valuations from external independent certified appraisers or assessment of discounted cash flows from the security carried out by employees of the Group. The principles for the assessment of fair value of unlisted equity securities are stipulated in the Instruction for Accounting of Securities.

(All amounts are in EUR thousand, unless otherwise stated)

4.3. Offsetting financial assets and financial liabilities

As of 31 December 2019 and 31 December 2018, only currency derivative instruments were subject to master netting arrangements and similar arrangements. As of 31 December 2019, derivative financial instruments classified as assets in amount of EUR 434 thousand and derivative financial instruments classified as liabilities in amount of EUR 343 thousand were subject to those agreements. As of 31 December 2018, derivative financial instruments classified as assets in amount of EUR 440 thousand and derivative financial instruments classified as liabilities in amount of EUR 229 thousand were subject to those agreements.

The Group receives collateral in the form of marketable securities in respect of reverse repurchase agreements, which are included in loans to customers. Gross amount of reverse repurchase agreements: 31 December 2019: EUR 24,873 thousand; 31 December 2018: EUR 17,044 thousand. Securities received as a collateral for reverse repurchase agreements can be pledged or sold during the term of transaction but have to be returned on maturity of the transaction. The Group did not pledge or sell any collateral received for reverse repurchase agreements during 2019 and 2018.

4.4. Classes of financial instruments

A table below provides reconciliation of items of financial assets and liabilities as presented in Statement of Financial Position to classes of financial instruments:

	31 December 2019		*31 December 2018*	
	Group	Bank	Group	Bank
FINANCIAL ASSETS				
Financial assets mandatorily measured at fair value through profit or loss:	46,519	17,273	66,107	29,616
Trading securities	16,935	15,354	41,183	27,896
trading debt securities: government bonds -	*3,202*	*2,535*	*11,768*	*5,637*
trading debt securities: corporate bonds -	*12,925*	*12,011*	*28,851*	*21,695*
trading equities -	*808*	*808*	*564*	*564*
Other trading book securities	*23,492*	-	*18,999*	-
other trading book debt securities: government bonds -	*1,977*	-	*1,765*	-
other trading book equities -	*21,515*	-	*17,234*	-
Investment securities at fair value	*5,106*	*933*	*4,728*	*523*
non-trading equities -	*5,106*	*933*	*4,728*	*523*
Derivative financial instruments	986	986	1,197	1,197
Financial assets measured at fair value through other comprehensive income:	8,953	8,558	16,379	15,984
Debt securities at fair value through other comprehensive income	8,953	8,558	16,379	15,984
government bonds -	*1,343*	*1,343*	*3,325*	*3,325*
corporate bonds -	*7,610*	*7,215*	*13,054*	*12,659*
Financial assets measured at amortized cost:	2,253,499	2,234,622	2,005,429	2,005,926
Cash and cash equivalents	184,917	181,582	89,304	87,732
Due from other banks	280	280	2,090	2,090
Loans to customers	1,514,578	1,510,052	1,262,167	1,264,741
loans to financial institutions -	*3,600*	*100,085*	*693*	*50,255*
loans to individuals (retail): consumer loans -	*134,519*	*22,048*	*91,524*	*27,078*
loans to individuals (retail): mortgages -	*101,727*	*101,727*	*50,203*	*50,203*
loans to individuals (retail): multiapartment rennovation loans -	*104,617*	*104,617*	*81,806*	*81,806*
loans to individuals (retail): other -	*15,865*	*15,865*	*19,545*	*19,545*
loans to business customers: SME -	*931,196*	*942,656*	*835,513*	*852,971*
loans to business customers: large corporates -	*118,426*	*118,426*	*84,976*	*84,976*
loans to business customers: central and local authorities and other -	*104,628*	*104,628*	*97,907*	*97,907*
Investment securities at amortized cost	545,849	535,479	638,655	638,655
government bonds -	*375,502*	*370,825*	*463,943*	*463,943*
corporate bonds -	*170,347*	*164,654*	*174,712*	*174,712*
Other financial assets	7,875	7,229	13,213	12,708
Finance lease receivables:	157,597	157,540	124,088	123,969
Finance lease receivables	157,597	157,540	124,088	123,969
individuals -	*25,023*	*25,020*	*20,792*	*20,754*
business customers -	*132,574*	*132,520*	*103,296*	*103,215*
TOTAL FINANCIAL ASSETS	2,466,568	2,417,993	2,212,003	2,175,495
FINANCIAL LIABILITIES				
Financial liabilities mandatorily measured at fair value through profit or loss:	945	945	1,048	1,048
Derivative financial instruments	945	945	1,048	1,048
Financial liabilities measured at amortised cost:	2,153,276	2,154,269	1,951,636	1,950,671
Due to banks and financial institutions	74,395	76,674	69,152	71,320
Due to customers	2,033,649	2,036,674	1,845,788	1,846,790
due to individuals -	*1,350,888*	*1,350,888*	*1,206,992*	*1,206,992*
due to private companies -	*459,134*	*461,349*	*452,713*	*453,091*
other -	*223,627*	*224,437*	*186,083*	*186,707*
Special and lending funds	7,060	7,060	3,192	3,192
Debt securities in issue	20,044	20,044	20,003	20,003
Other financial liabilities	18,128	13,817	13,501	9,366
TOTAL FINANCIAL LIABILITIES	2,154,221	2,155,214	1,952,684	1,951,719

(All amounts are in EUR thousand, unless otherwise stated)

5. The risk inherent in insurance activities

The Bank's subsidiary Bonum Publicum (the company) is engaged in life insurance business.

Insurance risk

The insurance risk occurs from the uncertainty in estimation of the probability and timing of the insurance events used for the calculation of the insurance premium. This risk is random and therefore unpredictable.

For the portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The company issues the contracts with mortality, morbidity, survival, casualty risks.

The company manages acceptable insurance risk by valuating the health of the insured person, habits of living, and the history of the health of his family. The company uses a system of several levels of risk to ensure that the payable premium would conform to the state of health of the insured person.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

At present, these risks do not vary significantly in relation to the location of the risk insured by the company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

Concentration of risk is measured by the insurance amount of the accepted risks:

	2019	2018
Maturity	3.39%	3.94%
Death	32.82%	30.40%
Critical illness	10.43%	10.80%
Death in case of accident	13.41%	13.44%
Trauma	39.95%	41.43%

The company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

The company follows the principles of conservatism and prudence to settle the price for insurance risk therefore the increase in loss rate of any insurance risk would not impact the result of the Group significantly.

Mortality, survival, casualty and morbidity risks

Mortality, morbidity, survival, casualty risks occur because the frequency or severity of claims and benefits are greater than estimated, that will cause that future premiums will not be sufficient to cover the future claims in case of death, illnesses or trauma. For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The survival insurance risk appears due to the longer life time than planned. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The most significant factor that could increase the casualty insurance risk is the departure from occupational safety, use of obsolete equipment, increasing rate of accidents.

As the company started its operations recently and it does not have enough statistics on mortality, morbidity and casualty, for valuation of the mortality and casualty insurance risks the company uses statistics on mortality and casualty of the population of Lithuania. For valuation of the morbidity insurance risk the company uses morbidity tables of the reinsurance company that has a broad experience of similar activities.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, disability/morbidity, lapse rates, expense rates, discount rates which are estimated for calculating adequate value of insurance liabilities during the liability adequacy test.

Changes in variables represent reasonably possible changes in variables mentioned which could have occurred and would have led to significant changes in insurance liabilities as at the end of the reporting period. These reasonably possible changes represent neither expected changes in variables nor worst-case scenarios.

The analysis was prepared for a change in variables with all other assumptions remaining constant and ignores changes in the values of the related assets.

Sensitivity was calculated for the worse direction in movement; therefore, sensitivity to changes was calculated for a 10% increase in mortality, longevity, disability and morbidity, lapse rates and expense rates. Hence changes in discount rates are stated in 100 basis points for both directions.

The Company's sensitivity to the changes in key variables that have a material impact, 31 December 2019

Variable	*Change in variable*	*Change in profit/loss*	*Change in insurance liability*
Mortality	10%	(569)	569
Longevity	10%	(13)	13
Disability/Morbidity	10%	(351)	351
Lapse rate	10%	(138)	(138)
Expense rate	10%	(868)	868
Discount rate	100 bp	1,363	(1,363)
	(100 bp)	(1,626)	1,626

The Company's sensitivity to the changes in key variables that have a material impact, 31 December 2018

Variable	*Change in variable*	*Change in profit/loss*	*Change in insurance liability*
Mortality	10%	(408)	408
Longevity	10%	(10)	10
Disability/Morbidity	10%	(260)	260
Lapse rate	10%	(391)	391
Expense rate	10%	(685)	685
Discount rate	100 bp	1,190	(1,190)
	(100 bp)	(1,524)	1,524

Loss rate according to insurance groups:

	2019 (%)	2018 (%)
Life insurance		
Unit-linked insurance	14.2	14.0
Term life insurance	8.8	5.1
Endowment insurance	14.3	13.5
Scholarship insurance	123.8	101.6
Pension insurance	51.4	17.2
Overall loss rate	16.4	14.6

Loss rates by insurance groups were calculated by dividing total claims costs (including change in outstanding claims reserve) per insurance group by gross earned premiums.

Claims lag risk
Claims lag risk occurs when the event is incurred but not yet reported to the Company. If the part of incurred but not reported claims would increase or decrease by 10% during the reporting year, the profit and the equity of the Company would decrease or increase by EUR 6 thousand (2018 – EUR 7 thousand).

FINANCIAL RISK MANAGEMENT (continued)

Cancellation risk
Cancellation risk is a risk, when the insurance contract is terminated on the initiative of the policyholder earlier than the contract expires. The surrender value, paid to the policyholder, in case of the contract cancellation, consisted of share from the total mathematical technical provision (2019: 6.6%, 2018: 13.9%), except unearned premium technical provision for the end of the reporting year. Due to the fact that technical provision for every contract is not less than the surrender amount in case of the contract cancellation, therefore, increased number of cancellations shall not affect the results of the Company in the long run. Immediate profits in the current year are netted by decrease in the future income of the Company.

The company manages such risk through the prevention of the cancellation, by notifying the policyholder of possible cancellation due payment delay of a periodical insurance premium, by proposing to change the terms of the contract according to the present situation.

Technical provisions inadequacy risk
Technical provisions inadequacy risk is a risk that calculated insurance technical provisions will be insufficient to reflect (cover) company's underwriting insurance liabilities. In order to reduce the technical provisions inadequacy risk the company periodically tests technical provisions adequacy and ensures compliance with set limits.

6. 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 has prepared and continuously improves the operational risk management principles and tools applicable to the Bank and its subsidiaries, which are defined in the documents regulating the operational risk management of the Bank and subsidiaries of the Bank.

A system for registration of the operational risk events: the operation of the system is described in the Operational Risk Event Administration and Operational Risk Event Registration Manual, whereas, the events are registered in the Administrative Information System (AIS).

Monitoring system of operational risk indicators and their limits: reputation risk is managed by the Bank through an operational risk indicator system. Part of the events recorded in the system of operational risk indicators, both which have the features of Reputation risk and which may cause significant losses to the Bank, are included in the Register of operational risk Events, where they are monitored, analysed and evaluated accordingly.

Banking product design and development process: the process within the Bank includes all new products and services and / or those that are being replaced. The purpose of this process is to avoid unexpected banking risks and to help ensure the quality of new and / or improved products and services.

Business continuity management: the Bank is actively working to prevent Critical situations and / or enhance its ability to manage such Critical situations. The Bank distinguishes the following types of Critical situations: Emergencies; IT incidents; events related to violations of the Bank; liquidity problems. The Bank's Business Continuity Plan (BCP) consists of the documents regulating the Management of Critical Situations (Emergencies, Temporary Disruptions, IT Incidents, Disruptions in the Main Business Processes, Events Related to Banking Faults, Reputation Risks, Liquidity Issues), the Crisis Communication Plan and other pertinent important information.

In 2019, the Bank continued to improve the operational risk management system and internal control arrangements of the Bank and its subsidiaries. For this purpose, the following internal legislation has been updated: Operational Risk Management Procedure, Procedure for Investigation of Extremely Significant Operational Risk Events, Guidelines on Operational Risk Event Registration. Moreover, new internal legislation documents have been drafted: Procedures for the Administration of Operational Risk Events and Guidelines for the Operational Risk Management of the Subsidiaries of the Bank.

In 2020, attention will be paid to the Bank's business continuity management, improvement of internal control organization and formalization of data and information quality assurance processes.

7. IT risk

Information technology (IT) risk is a probability of loss caused by IT related incidents, when information systems fail or are misused, also when systems are insufficiently developed and lag behind market standards or do not comply with regulatory requirements. Timely development of electronic services remains as very important Bank's goal, therefore importance of IT risk management is increasing. Main goal of Bank's IT risk management – avoid or minimize losses caused by IT related factors.

Bank's IT risk is regulated by IT risk management procedure. System of key IT risk indicators (KRIs) helps in measurement and management of IT risk level, this system is constantly updated. Significant efforts remain devoted towards proper access management, personal data security, IT continuity and disaster recovery

In 2019 Bank continued implementing IT risk decreasing measures. In 2019 Q2 external IT company prepared Bank's IT governance improvement report. After analysis of this report, IT department implemented some IT governance improvements – organizational structure of IT department was renewed, cooperation with main banking system is being strengthened. Big part of remaining recommendations was included in 2020 IT strategical plan. Bank's IT security situation was significantly improved by workstation modernization project carried out with partner Telia Lietuva, project was successfully completed in 2019 Q3.

8. Compliance risk

Compliance risk is the risk that the Bank's activities do not comply with the financial institution regulatory requirements set forth in the national legal acts, the EBA (European Banking Authority), the ESMA (European Security and Markets Authority) and Bank of Lithuania guidelines and positions. The compliance function areas were established by the Bank taking into consideration the volume of operations, the complexity of the activities, transactions executed and their risk level. The compliance function performs compliance risk self assessment using risk-based approach on a regular basis and informs Bank's management about the identified risks and their mitigation measures. During 2019, the compliance function was active in area of anti-money laundering (AML) and terrorist financing prevention, strengthening the implementation of requirements of AML and terrorist financing prevention regulation. Compliance function actively encouraged process improvement and compliance in the financial instruments market field, consulted regarding anti-market abuse related rules and regulations.

9. Model risk

The Bank defines model risk as the risk to incur a financial loss or to make incorrect business decisions, publish false reporting disclosures because of the usage of models. In 2019, the Bank validated some of its most significant models and drew up actions plans for their improvement. It is planned to further strengthen integration of model risk management in Bank's daily processes.

10. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation, the Group also performs stress tests which are a part of Internal Capital Adequacy Assessment Process (ICAAP). During this process it is determined if the Bank's capital is sufficient to cover the possible losses which may occur because of the financial status deterioration. Stress testing for all of the risks is performed once a year in accordance with the requirements set by the Bank of Lithuania. Ad hoc stress tests for separate risks are performed in case there is a need to understand the possible impacts of underlying factors.

11. Capital management

The capital of the Group is calculated and allocated for the risk coverage following the Capital requirements regulation and directive – CRR/CRD IV. The Group's objectives when managing own funds are as follows:

1) to comply with the own funds requirements set by the European Parliament and the Council of the European Union as well as the internal target capital requirements;
2) to safeguard the Bank's and the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders;
3) to support the development of the Group's business with the help of the strong capital base.

Information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the CRR/CRD IV requirements.

The Group's own funds are divided into two tiers:

1) Tier 1 capital consists of paid capital instruments, share premium, previous years retained earnings, eligible profit or loss, accumulated other comprehensive income, provisions for general banking risk and other reserves. This capital is reduced by CET1 deductions of prudential filters, goodwill, intangible assets and deferred tax assets;
2) Tier 2 capital consists additional Tier 2 capital, which is comprised of eligible subordinated loans.

(All amounts are in EUR thousand, unless otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The Bank is subject to following capital requirements set by supervisory authorities:

	%
Minimal own funds requirement	4.5
Pillar 2 requirement	1.4
CET1 ratio	5.9
Tier 1 capital ratio	9.4
Capital conservation buffer	2.5
O-SII (other systematically important institution) buffer	0.5
Countercyclical capital buffer	1.0
Total capital ratio	13.4

The Bank is also subject to a non-binding recommendatory Pillar 2 guidance (P2G) buffer of 1.0%, thus recommended prudential total capital requirement is 14.4%.

The risk-weighted assets are measured under a standardised approach using risk weights classified according to the nature of each assets and counterpart, taking into account collaterals and guarantees eligible for risk mitigation.A similar treatment with some adjustments is adopted for the off-balance sheet exposures. Capital requirements for operational risk are calculated using the Basic Indicator Approach.

The table below summarizes the main capital ratios of the Bank and Group for the years ended 31 December 2019 and 2018.

	2019		2018	
	Group	Bank	Group	Bank
CET1 = Tier 1 capital	247,369	249,744	219,876	214,977
Tier 2 capital	20,000	20,000	-	-
Total own funds	267,369	269,744	219,876	214,977
Total risk weighted exposure amount	1,654,110	1,676,058	1,470,692	1,450,395
CET1 = Tier 1 capital ratio	14.95%	14.90%	14.95%	14.82%
Total capital ratio	16.16%	16.09%	14.95%	14.82%

The profit of the current year is not included in Tier 1 capital until it is verified by independent auditors. If the profit for the year 2019 was included in Owns funds of the Group and the Bank as of 31 December 2019, it would cause the Total capital ratio to increase to 18.87% and 18.74% respectively.

According to Solvency II directive Bank's subsidiary Bonum Publicum GD UAB has to ensure that all the time its own funds must be higher than Solvency Capital Requirement and Minimum Capital Requirement, which enables the company to cover potential losses and reasonably assure policyholders that payables will be paid out. Solvency II ratio is being calculated and reported quarterly to supervisory authority, the Bank of Lithuania, the minimum requirement is set at 100%. Company's Solvency II ratio was 192.13% as of 31 December 2019 (239.16% as of 31 December 2018).

Other companies comprising the Group are not subject to supervisory requirements on a company level. General principles stipulated in the Republic of Lithuania Law on Limited Liability Companies apply – i.e. share capital of the company cannot be less than EUR 2.5 thousand, it the company's shareholders' equity becomes less than ½ of the share capital in the charter of the company, the company has to remediate the situation over the prescribed period of time.

During the years ended 31 December 2019 and 31 December 2018, the Group and the Bank complied with prudential requirements to which it was subject.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment losses on loans and finance lease receivables. The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining the impairment loss amount, the Group makes multiple judgements and estimates, including forward looking assumptions. When making expected credit loss estimate, the Bank and the Group analyse financial information received from a client and client's performance in servicing its loans. The methodology and assumptions used (the credit rating of the client; the recoverability ratio applied; discounted market value of pledged assets) for assessment of client's ability to service debt and estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. However due to inherent limitations of the methodology, the calculated impairment loss as at 31 December 2019 may be inadequate to reflect the losses of the loan portfolio. Please see section 1.3.b of Financial risk management dislosure for the impairment loss sensitivity analysis.

Impairment losses on investments in subsidiaries. The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank establishes recoverable amount of investments in subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by investment management and real estate development subsidiaries are based on estimated inflow from sales of financial and other assets held by these subsidiaries less estimated cash outflow related to management and development costs. Future net cash flows from subsidiary involved in leasing operations are estimated based on future expected interest income to be earned on lease portfolio less cash outflows related to financing activities and administration costs. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Impairment of goodwill. Goodwill is tested for impairment annually. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated is valued using present value techniques, which are further described in Note 17. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing, changes in these judgements and estimates can significantly affect the assessed value of goodwill. Increase of discount rate used in impairment testing by 2% (other factors held constant) would decrease the net present value of cash generating unit by EUR 892 thousand and would not result in additional impairment of goodwill (2018: decrease the value by EUR 2,799 thousand and result in additional impairment of goodwill of EUR 1,352 thousand).

Inventories. Net realizable value of apartments held for sale and property for development is based either on current estimated sales price of an asset or on expected discounted future cash flows from future development and realization of an asset based on the Group's management plans with respect to a certain asset. Inputs in estimating sales price and future cash flows from development of an asset are based on current market prices. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Liabilities related to insurance activities. The value of liabilities related to insurance activities (technical insurance provisions) is determined by making assumptions and estimates that have impact on the reported amounts. These estimates and assumptions are regularly reviewed and based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Please see section 5. of Financial risk management dislosure for the liabilities related to insurance activities sensitivity analysis.

Taxes. The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period from 1998 to 2000). There were no significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

The deferred tax assets recognised at 31 December 2019 have been based on future profitability assumptions of the Bank over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

(All amounts are in EUR thousand, unless otherwise stated)

SEGMENT INFORMATION

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 year then ended is presented in the table below.

	Traditional banking operations and lending	*Treasury*	*Non-core banking activities*	*Other activities*	*Eliminations*	*Total*
Internal	(471)	-	412	17	42	-
External	69,868	9,470	849	437	-	80,624
Interest income	69,397	9,470	1,261	454	42	80,624
Internal	(17)	-	-	(359)	376	-
External	(5,357)	(2,740)	(101)	(14)	-	(8,212)
Interest expenses	(5,374)	(2,740)	(101)	(373)	376	(8,212)
Internal	(488)	-	412	(342)	418	-
External	64,511	6,730	748	423	-	72,412
Net interest income	64,023	6,730	1,160	81	418	72,412
Internal	107	-	-	(115)	8	-
External	16,746	-	-	(32)	-	16,714
Net fee and commission income	16,853	-	-	(147)	8	16,714
Internal	(381)	-	412	(457)	426	-
External	81,257	6,730	748	391	-	89,126
Net interest, fee and commissions income	80,876	6,730	1,160	(66)	426	89,126
Internal	(45)	-	-	(46)	91	-
External	(32,108)	(3,094)	-	(11,562)	-	(46,764)
Operating expenses	(32,153)	(3,094)	-	(11,608)	91	(46,764)
Amortisation charges	(702)	(77)	-	(56)	-	(835)
Depreciation charges	(2,165)	(221)	-	(374)	-	(2,760)
Internal	-	-	1,541	246	(1,787)	-
External	(7,661)	-	(76)	(655)	-	(8,392)
Impairment expenses	(7,661)	-	1,465	(409)	(1,787)	(8,392)
Internal	(118)	-	4,805	(83)	(4,604)	-
External	9,047	3,485	1,871	14,974	-	29,377
Net other income	8,929	3,485	6,676	14,891	(4,604)	29,377
Profit (loss) before tax	47,124	6,823	9,301	2,378	(5,874)	59,752
Income tax	(7,190)	(690)	-	(350)	-	(8,230)
Profit (loss) per segment after tax	39,934	6,133	9,301	2,028	(5,874)	51,522
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	39,934	6,133	9,301	2,028	(5,874)	51,522
Total segment assets	1,796,872	767,074	22,430	66,456	(144,646)	2,508,186
Total segment liabilities	1,573,157	670,357	19,602	48,704	(114,438)	2,197,382
Net segment assets (shareholders' equity)	223,715	96,717	2,828	17,752	(30,208)	310,804

(All amounts are in EUR thousand, unless otherwise stated)

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 year then ended is presented below:

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Internal	2,248	-	549	-	(2,797)	-
External	58,438	10,766	1,204	852	-	71,260
Interest income	**60,686**	**10,766**	**1,753**	**852**	**(2,797)**	**71,260**
Internal	(2,302)	-	-	(603)	2,905	-
External	(5,305)	(3,196)	72	(5)	-	(8,434)
Interest expenses	**(7,607)**	**(3,196)**	**72**	**(608)**	**2,905**	**(8,434)**
Internal	(54)	-	549	(603)	108	-
External	53,133	7,570	1,276	847	-	62,826
Net interest income	**53,079**	**7,570**	**1,825**	**244**	**108**	**62,826**
Internal	202	-	-	(116)	(86)	-
External	14,222	-	-	(23)	-	14,199
Net fee and commission income	**14,424**	**-**	**-**	**(139)**	**(86)**	**14,199**
Internal	148	-	549	(719)	22	-
External	67,355	7,570	1,276	824	-	77,025
Net interest, fee and commissions income	**67,503**	**7,570**	**1,825**	**105**	**22**	**77,025**
Internal	(49)	(3)	-	(16)	68	-
External	(27,717)	(2,702)	-	(6,742)	-	(37,161)
Operating expenses	**(27,766)**	**(2,705)**	**-**	**(6,758)**	**68**	**(37,161)**
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)
Impairment expenses	**(2,983)**	**-**	**(3,789)**	**(2,298)**	**1,327**	**(7,743)**
Internal	12	-	4,662	11	(4,685)	-
External	6,953	2,447	10,365	8,097	-	27,862
Net other income	**6,965**	**2,447**	**15,027**	**8,108**	**(4,685)**	**27,862**
Profit (loss) before tax	**42,127**	**7,145**	**13,063**	**(1,066)**	**(3,268)**	**58,001**
Income tax	(4,942)	(474)	-	53	-	(5,363)
Profit (loss) per segment after tax	**37,185**	**6,671**	**13,063**	**(1,013)**	**(3,268)**	**52,638**
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	37,185	6,671	13,063	(1,013)	(3,268)	52,638
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
Net segment assets (shareholders' equity)	182,678	93,583	5,539	16,861	(23,923)	274,738

Distribution of the Group's assets and revenue according to geographical segmentation

All Bank's and Group's non-current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 1
NET INTEREST INCOME

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

NOTE 2
NET FEE AND COMMISSION INCOME

	2019		2018	
	Group	Bank	Group	Bank
Fee and commission income:				
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
Total fee and commission income	22,791	23,222	19,518	19,109
Fee and commission expense:				
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)
Total fee and commission expense	(6,077)	(5,909)	(5,319)	(5,196)
Net fee and commission income	16,714	17,313	14,199	13,913

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 3
NET GAIN FROM TRADING ACTIVITIES

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

NET GAIN FROM OPERATIONS WITH SECURITIES

	2019		2018	
	Group	Bank	Group	Bank
Securities in the trading book:				
Realised gain (loss) on equity securities	161	49	79	(16)
Unrealised gain (loss) on equity securities	3,252	17	(1,195)	(5)
Realised gain on debt securities	414	378	335	353
Unrealised gain (loss) on debt securities	552	549	(841)	(367)
Dividend and other income from equity securities in the trading book	35	35	25	25
Net gain (loss) on securities in the trading book	4,414	1,028	(1,597)	(10)
Investment securities:				
Realised gain (loss) on investment equities at fair value through profit or loss	163	151	5	(24)
Unrealised gain on investment equities at fair value through profit or loss	516	211	69	6
Realised gain on debt securities at fair value through other comprehensive income	166	166	74	74
Realised gain on debt securities at amortized cost	1,923	1,923	2,399	2,399
Dividend and other income from investment equities	7	7	12	3
Net gain on investment securities	2,775	2,458	2,559	2,458
Total	7,189	3,486	962	2,448

Group's net gain on operations with securities in the trading book includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net gain of EUR 3,342 thousand in 2019 and a net loss of EUR 1,135 thousand in 2018.

NET GAIN FROM FOREIGN EXCHANGE AND RELATED DERIVATIVES

	2019		2018	
	Group	Bank	Group	Bank
Net gain from foreign exchange	3,703	3,638	2,152	1,983
Net gain (loss) from derivatives related with foreign exchange	4,152	4,152	4,779	4,779
Total	7,855	7,790	6,931	6,762

Group's net gain from foreign exchange includes investment result of the insurance company assets under unit-linked contracts (see Note 5): a net gain of EUR 65 thousand in 2019 and a net gain of EUR 162 thousand in 2018.

NET GAIN (LOSS) FROM OTHER DERIVATIVES

	2019		2018	
	Group	Bank	Group	Bank
Net gain (loss) from derivatives related to prices of financial instruments	(31)	(31)	4	4
Total	(31)	(31)	4	4

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 4
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)
Total	(15,158)	(11,330)	(12,146)	(9,117)

NOTE 5
REVENUE AND EXPENSES RELATED TO INSURANCE ACTIVITIES

Bank's subsidiary Bonum Publicum GD UAB (insurance company) is engaged in life insurance business. Revenue and expenses from main activities of this company are presented in the tables below.

REVENUE RELATED TO INSURANCE ACTIVITIES

	2019		2018	
	Group	Bank	Group	Bank
Revenue related to insurance activities	6,962	-	6,465	-
Total	6,962	-	6,465	-

EXPENSES RELATED TO INSURANCE ACTIVITIES

	2019		2018	
	Group	Bank	Group	Bank
Expenses related to insurance activities:				-
*change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	(3,447)	-	931	-
other changes of the technical insurance provisions	(1,481)	-	(1,493)	-
insurance benefits paid	(3,271)	-	(2,903)	-
commission expenses incurred and other	(565)	-	(465)	-
Total	(8,764)	-	(3,930)	-

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

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

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 6
OTHER INCOME

NET GAIN FROM DISPOSAL OF TANGIBLE ASSETS

In 2019 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 3,462 thousand (Bank: net gain of EUR 198 thousand).In 2018 net gain on disposal of tangible assets (mostly real estate, accounted for as Property, plant and equipment, Investment property or Inventories in the statement of financial position) at the Group amounted to EUR 2,449 thousand (Bank: net gain of EUR 273 thousand).

NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS

Net gain from derecognition of financial assets (for the year ended 31 December 2018: Group EUR 2,442 thousand, Bank EUR 1,184 thousand; for the year ended 31 December 2018: Group EUR 582 thousand, Bank EUR 582 thousand) is based on the difference of the carrying value of loans at the moment of sale and the proceeds from sale.

OTHER OPERATING INCOME

		2019		*2018*
	Group	Bank	Group	Bank
Income from rent of investment property and other income from investment property	803	157	626	275
Income from rent of other assets	199	111	252	167
Net gain (loss) from modification of financial assets	124	124	(42)	(42)
Other income	372	188	539	110
Total	1,498	580	1,375	510

NOTE 7
IMPAIRMENT LOSSES

		2019		*2018*
	Group	Bank	Group	Bank (restated)
Impairment losses on loans:				
Impairment charge for the year, net (see Note 13)	8,000	4,674	4,834	4,090
Recoveries of loans previously written off	(1,808)	(422)	(1,407)	(656)
Total impairment losses (reversals) on loans	6,192	4,252	3,427	3,434
Impairment losses on finance lease receivables:				
Impairment charge for the year, net (see Note 14)	1,341	1,367	(316)	(305)
Recovered previously written-off finance lease receivables	(375)	-	(170)	-
Total impairment losses (reversals) on finance lease receivables	966	1,367	(486)	(305)
Total impairment losses (reversals) on loans and finance lease receivables	7,158	5,619	2,941	3,129
Impairment losses on financial assets other than loans and finance lease receivables:				
Due from other banks: impairment charge, net (see Note 10)	9	9	(9)	(9)
Debt securities: impairment charge, net (see Note 15)	(62)	(70)	68	68
Other financial assets: impairment charge, net (see Note 19)	134	138	73	75
Total impairment losses on financial assets other than loans and finance lease receivables:	81	77	132	134
Non-financial assets:				
Goodwill: impairment charge	-	-	1,400	-
Non-financial assets other than goodwill: impairment charge	1,100	616	3,543	1,321
Non-financial assets other than goodwill: reversal of impairment charge	(385)	(135)	(627)	(2)
Total impairment losses on non-financial assets:	715	481	4,316	1,319
Provisions (see Note 25):				
Provisions for pending legal issues: charge	-	-	103	103
Provisions for commitments and guarantees given: charge	438	-	251	-
Total provisions:	438	-	354	103
Total impairment losses on other assets	1,234	558	4,802	1,556
Impairment losses on subsidiaries (see Note 16) (restated):				
Investments in subsidiaries: impairment charge	-	-	-	1,996
Investments in subsidiaries: reversal of impairment charge	-	(1,996)	-	-
Total impairment losses on subsidiaries	-	(1,996)	-	1,996
Total	8,392	4,181	7,743	6,681

Impairment losses on other non-financial assets other than goodwill include impairment of investment properties (Note 26), inventories, assets classified as held for sale and other non-financial assets (Note 19).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 8
INCOME TAX

	2019		2018	
	Group	Bank	Group	Bank
Current tax	8,477	7,581	5,471	4,747
Deferred taxes	81	(353)	(379)	(274)
Deferred tax adjustment due to change in tax rate	(29)	(29)	-	-8,
Adjustment of previous year income tax	(299)	(299)	271	271
Total	8,230	6,900	5,363	4,744

The tax on the Bank's and the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019		2018	
	Group	Bank	Group	Bank (restated)
Profit before income tax from continuing operations	59,752	60,003	58,001	56,755
Tax calculated at a tax rate of 15%	8,963	9,000	8,700	8,513
Income not subject to tax	(2,982)	(1,593)	(3,913)	(2,413)
Expenses not deductible for tax purposes	2,894	133	2,468	532
Additional deduction of film, charity expenses	(341)	(341)	(1,032)	(1,032)
Adjustments of previous year income tax	(311)	(299)	271	271
(Utilisation of) tax losses for which no deferred tax asset was recognized	-	-	(4)	-
Unrecognized deferred tax assets for recognized tax losses	7	-	-	-
Tax impact of IFRS9 adoption	-	-	(1,127)	(1,127)
Income tax charge	8,230	6,900	5,363	4,744

Deferred tax assets

	Group							Bank				
	Revaluation of financial instruments and .	*Impairment of investment property and inventories*	*Accruals*	*IFRS 9 adoption impact*	*Right of use*	*Tax losses carried forward*	*Total*	*Accruals*	*IFRS 9 adoption impact*	*Right of use*	*Revaluation of financial instruments and .*	*Total*
At 1 January 2018	-	(403)	(278)	(1,127)	-	(59)	(1,867)	(256)	(1,127)	-	-	(1,383)
To be credited/(charged) to net profit	-	(189)	(46)	-	-	(22)	(257)	(44)	-	-	-	(44)
Reclassifications	(273)	(3)	22	-	-	-	(254)	-	-	-	(273)	(273)
To be credited/ (charged) to other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
To be credited directly to equity	-	-	-	1,127	-	-	1,127	-	1,127	-	-	1,127
At 31 December 2018	(273)	(595)	(302)	-	-	(81)	(1,251)	(300)	-	-	(273)	(573)
Impact of change in accounting principles	-	-	-	-	(7)	-	(7)	-	-	(7)	-	(7)
At 1 January 2019	(273)	(595)	(302)	-	(7)	(81)	(1,258)	(300)	-	(7)	(273)	(580)
To be credited/(charged) to net profit	(239)	33	(128)	-	16	55	(263)	(130)	-	16	(239)	(353)
To be credited/ (charged) to other comprehensive income	131	-	-	-	-	-	131	-	-	-	131	131
Tax rate change effect	(14)	-	(15)	-	-	-	(29)	(15)	-	-	(14)	(29)
At 31 December 2019	(395)	(562)	(445)	-	9	(26)	(1,419)	(445)	-	9	(395)	(831)

Deferred tax liabilities

	Group			Bank
	Right of use	Revaluation of financial instruments and other assets	Total	Revaluation of financial instruments and other assets
At 1 January 2018	-	547	547	38
To be credited/(charged) to net profit	-	(122)	(122)	(230)
Reclassification	-	254	254	273
To be credited/ (charged) to other comprehensive income	-	(81)	(81)	(81)
At 31 December 2018	-	598	598	-
Impact of change in accounting principles	(2)	-	(2)	-
At 1 January 2019	(2)	598	596	
To be credited/(charged) to net profit	1	343	344	-
To be credited/ (charged) to other comprehensive income	-	(23)	(23)	-
At 31 December 2019	(1)	918	917	-

NOTE 8
INCOME TAX (continued)

Taxable losses of the Group and the Bank are carried forward for indefinite term through the use of future taxable profits. Management of the Bank has estimated that future taxable profits of the Bank and the Group will be sufficient to realize the accumulated tax losses. Therefore deferred tax asset from the accumulated tax losses was recognized. Projected terms of expected utilization of deferred tax assets are presented in the table below:

	2019		2018	
	Group	Bank	Group	Bank
Up to 1 year	(874)	-	600	520
2-5 years	1,376	831	53	53
Total	502	831	653	573

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2019		2018	
	Group	Bank	Group	Bank
Deferred tax assets	(1,419)	(831)	(1,251)	(573)
Deferred tax liabilities	917	-	598	-

NOTE 9
EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. There were no potential ordinary shares at 31 December 2019 and 31 December 2018, therefore the Group had no dilutive potential ordinary shares and diluted earnings per share are equal to basic earnings per share.

The number of shares in issue for the year ended 31 December 2019 and 31 December 2018 was 600,726 thousand. Weighted average number of shares in issue for the year ended 31 December 2019 was 600,707 thousand (2018: 546,401 thousand).

Basic earnings per share

Group

	2019	2018
Net profit from continuing operations attributable to equity holders	51,522	52,638
Net profit (loss) from discontinued operations attributable to equity holders	-	-
Net profit attributable to equity holders	**51,522**	**52,638**
Weighted average number of shares in issue during the period (thousand units)	600,707	546,401
Basic earnings per share (EUR)	0.09	0.10
Basic earnings per share (EUR) from continuing operations	0.09	0.10
Basic earnings per share (EUR) from discontinued operations	-	-

NOTE 10
CASH AND CASH EQUIVALENTS

	2019		2018	
	Group	Bank	Group	Bank
Cash and other valuables	63,322	63,206	48,380	46,997
Balances in bank correspondent accounts:				
Gross value	31,424	28,205	28,936	28,747
Allowance for impairment	(13)	(13)	(11)	(11)
Total balances in bank correspondent accounts, net value	31,411	28,192	28,925	28,736
Placements with Central Bank:				
Correspondent account with Central Bank	69,961	69,961	-	-
Mandatory reserves in local currency, gross value	20,233	20,233	12,000	12,000
Mandatory reserves in local currency, allowance for impairment	(10)	(10)	(1)	(1)
Total placements with Central Bank, net value	90,184	90,184	11,999	11,999
Total	184,917	181,582	89,304	87,732

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 10
CASH AND CASH EQUIVALENTS (continued)

The compulsory reserves held in the Bank of Lithuania are estimated on a monthly basis based on the value of indicated liabilities using the established compulsory reserve rate. With effect from 1 January 2015, the compulsory reserve rate was set at 1%. The mandatory reserves are held with the Bank of Lithuania in the form of current deposits. The Bank is free to use the funds held in the current account with the Bank of Lithuania, the average monthly amount of which may be not less than the estimated compulsory reserves.

The balances in bank correspondent accounts and placements with Central Bank are classified as Stage 1 financial assets. Breakdown of balances in bank correspondent accounts by credit rating is presented in the table below:

Rating *

	2019		2018	
	Group	Bank	Group	Bank
From AA- to AA+	10,887	8,704	13,285	13,161
From A- to A+	6,907	6,907	1,340	1,340
From BBB- to BBB+	7,684	6,778	8,884	8,830
Lower than BBB-	1,553	1,553	1,960	1,960
No external credit rating (Standard internal rating)	4,393	4,263	3,467	3,456
Total	31,424	28,205	28,936	28,747

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

Reconciliation of allowance for impairment of cash and cash equivalents (including due from banks presented in Note 11) is presented in the table below:

	Group	Bank
Allowance for impairment of cash equivalents and due from banks as of 1 January 2018:	22	22
Change in allowance for impairments	(9)	(9)
Allowance for impairment of cash equivalents and due from banks as of 31 December 2018:	13	13
Change in allowance for impairment	9	9
FX and other movements	1	1
Allowance for impairment of cash equivalents and due from banks as of 31 December 2019:	23	23

No cash and cash equivalents were pledged as of 31 December 2019 and 2018.

Liabilities from financing activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2019				2018		
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Total
As at 1 January	16	20,003	3,625	23,644	23	20,003	20,026
Dividends declared	17,421	-	-	17,421	2,265	-	2,265
Issuance in cash	-	20,000	-	20,000	-	-	-
Contract additions / terminations	-	-	528	528	-	-	-
Payment in cash	(17,382)	-	(1,431)	(18,813)	(2,272)	-	(2,272)
Redemption in cash	-	(20,000)	-	(20,000)	-	-	-
Accrued interest	-	161	58	219	-	120	120
Coupon payments in cash	-	(120)	-	(120)	-	(120)	(120)
As at of 31 December	55	20,044	2,780	22,879	16	20,003	20,019

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	2019				2018		
	Dividends payable	Debt securities in issue	Lease liabilities	Total	Dividends payable	Debt securities in issue	Total
As at 1 January	16	20,003	3,131	23,150	23	20,003	20,026
Dividends declared	17,421	-	-	17,421	2,265	-	2,265
Issuance in cash	-	20,000	-	20,000	-	-	-
Contract additions / terminations	-	-	563	563	-	-	-
Payment in cash	(17,382)	-	(1,214)	(18,596)	(2,272)	-	(2,272)
Redemption in cash	-	(20,000)	-	(20,000)	-	-	-
Accrued interest	-	161	52	213	-	120	120
Coupon payments in cash	-	(120)	-	(120)	-	(120)	(120)
As at of 31 December	55	20,044	2,532	22,631	16	20,003	20,019

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 11
DUE FROM OTHER BANKS

	2019		2018	
	Group	Bank	Group	Bank
Pledged deposits	46	46	893	893
Term deposits	100	100	789	789
Loans	134	134	409	409
Gross value	280	280	2,091	2,091
Allowance for impairment	0	0	(1)	(1)
Net value	280	280	2,090	2,090
Breakdown due from other banks by the maturity:				
Short-term (up to 1 year)	145	145	409	409
Long-term (over 1 year)	135	135	1,681	1,681
Total	280	280	2,090	2,090

As of 31 December 2019, pledged deposits consisted of funds pledged for derivatives contracts (as of 31 December 2018 - for customers operations in the joint ATM network and for derivatives contracts). As of 31 December 2019, term deposits amounting to EUR 100 thousand (31 December 2018: EUR 789 thousand) were pledged for the guarantees or letters of credit issued for the Bank's clients.

All amounts due from banks are classified as Stage 1 financial assets. Breakdown of balances due from banks by credit rating is presented in the table below:

Rating *

	2019		2018	
	Group	Bank	Group	Bank
From AA- to AA+	99	99	436	436
From A- to A+	145	145	762	762
From BBB- to BBB+	36	36	893	893
Total	280	280	2,091	2,091

* for local banks that are subsidiaries of foreign banks, credit rating of the parent institution is used in case no credit rating of the local institution is available.

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK

Total balances of financial assets and liabilities in the trading book are presented in the table below:

	2019		2018	
	Group	Bank	Group	Bank
Assets:				
Derivatives:	986	986	1,197	1,197
currency derivatives	*437*	*437*	*479*	*479*
derivatives related to prices of financial instruments	*549*	*549*	*718*	*718*
Securities in the trading book	40,427	15,354	60,182	27,896
Liabilities:				
Derivatives:	(945)	(945)	(1,048)	(1,048)
currency derivatives	*(374)*	*(374)*	*(267)*	*(267)*
derivatives related to prices of financial instruments	*(571)*	*(571)*	*(781)*	*(781)*

Derivative Financial Instruments – Currency Derivatives

As of 31 December 2019 and 31 December 2018, the Group and the Bank had exposure to currency forwards, which represent commitments to purchase and/or sell foreign and local currency in the future at a fixed price.

	2019		2018	
	Group	Bank	Group	Bank
Currency forwards:				
Assets	437	437	479	479
Liabilities	(374)	(374)	(267)	(267)
Notional amount	86,604	86,604	83,674	83,674
Net gain (loss) from currency derivatives in profit or loss	4,152	4,152	4,779	4,779

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (continued)

Derivative Financial Instruments – Derivatives Related to Prices of Financial Instruments

The Bank has issued fixed term deposits with additional interest that may be paid for the entire deposit term, if the value of the underlying assets (a group of equity or other financial instruments) linked with the deposit reaches the barrier. Deposit additional interest condition is a call option sold to the customer therefore it is treated as a derivative embedded in the host contract (deposit). The Bank uses call options bought from other counterparties to close the position resulting from embedded options in the deposit contracts. Details on the Bank's options related to prices of financial instruments are presented below:

		2019		*2018*
	Group	Bank	Group	Bank
Options bought				
Assets (carrying amount of the options bought)	549	549	718	718
Potential maximal inflow for the options bought	2,018	2,018	2,788	2,788
Revaluation of the options bought through profit or loss	(632)	(632)	113	113
Options sold				
Liabilities (carrying amount of the options sold)	(571)	(571)	(781)	(781)
Potential maximal outflow for the options sold	2,132	2,132	3,008	3,008
Revaluation of the options sold through profit or loss	601	601	(109)	(109)
Net gain (loss) from derivatives related to prices of financial instruments in profit or loss	(31)	(31)	4	4

Securities in the Trading Book

		2019		*2018*
	Group	Bank	Group	Bank
Trading debt securities:				
Government bonds	3,202	2,535	11,768	5,637
Corporate bonds	12,925	12,011	28,851	21,695
Other trading book debt securities:				
Government bonds	1,977	-	1,765	-
Total debt securities	**18,104**	**14,546**	**42,384**	**27,332**
Trading equity securities	808	808	564	564
Other trading book equity securities	21,515	-	17,234	-
Total equity securities	**22,323**	**808**	**17,798**	**564**
Total securities in the trading book	**40,427**	**15,354**	**60,182**	**27,896**
Breakdown of debt securities by time remaining to maturity:				
Short-term (up to 1 year)	2,403	1,488	4,615	3,369
Long-term (over 1 year)	15,701	13,058	37,769	23,963
Total	**18,104**	**14,546**	**42,384**	**27,332**

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.

Securities in the trading book have not been pledged as at 31 December 2019 and 2018.

All of the securities in the trading book, except for unlisted securities, are accounted at fair value that is determined using level 1 requirements as described in fair value hierarchy in Section 4.2 of Financial Risk Management, i.e. fair value is based on quoted prices in active markets for identical assets and liabilities. Unlisted securities are accounted at fair value that is determined using level 3 requirements.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 12
FINANCIAL ASSETS AND LIABILITIES IN THE TRADING BOOK (continued)

Breakdown of securities in the trading book as at 31 December 2019 and 2018:

	2019		2018	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	16,127	14,546	40,619	27,332
AAA	-	-	-	-
from AA- to AA+	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
Equities	808	808	564	564
listed	805	805	560	560
unlisted	3	3	4	4
units of investment funds	-	-	-	-
Total trading securities	16,935	15,354	41,183	27,896
Other trading book securities:				
Debt securities	1,977	-	1,765	-
AAA	-	-	-	-
from AA- to AA+	-	-	-	-
from A- to A+	1,202	-	1,437	-
from BBB- to BBB+	472	-	328	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	303	-	-	-
Equities	21,515	-	17,234	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	21,515	-	17,234	-
Total other trading book securities	23,492	-	18,999	-
TOTAL	40,427	15,354	60,182	27,896

NOTE 13
LOANS TO CUSTOMERS

	2019		2018	
	Group	Bank	Group	Bank
Gross loans to customers	1,553,087	1,542,117	1,304,933	1,301,592
Allowance for loan impairment	(38,509)	(32,065)	(42,766)	(36,851)
NET LOANS TO CUSTOMERS	1,514,578	1,510,052	1,262,167	1,264,741
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	425,280	479,679	293,342	325,872
Long-term (over 1 year)	1,089,298	1,030,373	968,825	938,869
Total	1,514,578	1,510,052	1,262,167	1,264,741

In line with its strategic objectives to expand lending activities, the Group actively increased its loan portfolio during 2019 and 2018 with most of the attention devoted to its strategic segments – corporate (mostly SME) and consumer financing. From 2019, the Group became more active in the retail mortgage segment. New loans were originated organically, no material acquisitions were made. The Group considers its loan portfolio migration between stages and ECL coverage as typical, corresponding its risk appetite, state of the economy and loan risk parameters (such as riskiness of customers and collateral coverage).

Reconciliation of the gross loan amount is presented in the following tables.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Gross carrying amount as at 1 January	1,086,571	140,917	77,445	1,304,933	915,592	162,521	55,799	1,133,912
Transfer between stages:								
from Stage 1 to Stage 2	*(57,914)*	*57,914*	*-*	*-*	*(34,665)*	*34,665*	*-*	*-*
from Stage 1 to Stage 3	*(16,247)*	*-*	*16,247*	*-*	*(11,302)*	*-*	*11,302*	*-*
from Stage 2 to Stage 1	*19,080*	*(19,080)*	*-*	*-*	*35,140*	*(35,140)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(6,946)*	*6,946*	*-*	*-*	*(24,670)*	*24,670*	*-*
from Stage 3 to Stage 1	*2,466*	*-*	*(2,466)*	*-*	*157*	*-*	*(157)*	*-*
from Stage 3 to Stage 2	*-*	*571*	*(571)*	*-*	*-*	*11*	*(11)*	*-*
New loans originated or loan amounts increased	566,667	24,786	8,335	599,788	390,950	41,434	3,884	436,268
Loans derecognized during the period (other than write-offs)	(257,480)	(66,531)	(15,420)	(339,431)	(209,375)	(37,881)	(14,590)	(261,846)
Loans written-off during the period	-	-	(12,257)	(12,257)	-	-	(3,434)	(3,434)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	1,343,181	131,631	78,275	1,553,087	1,086,571	140,917	77,445	1,304,933

Bank gross loans to customers

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Gross carrying amount as at 1 January	1,085,739	141,666	74,187	1,301,592	919,691	163,664	51,475	1,134,830
Transfer between stages:								
from Stage 1 to Stage 2	*(55,963)*	*55,963*	*-*	*-*	*(33,117)*	*33,117*	*-*	*-*
from Stage 1 to Stage 3	*(14,618)*	*-*	*14,618*	*-*	*(10,376)*	*-*	*10,376*	*-*
from Stage 2 to Stage 1	*18,311*	*(18,311)*	*-*	*-*	*34,501*	*(34,501)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(6,138)*	*6,138*	*-*	*-*	*(24,183)*	*24,183*	*-*
from Stage 3 to Stage 1	*2,410*	*-*	*(2,410)*	*-*	*128*	*-*	*(128)*	*-*
from Stage 3 to Stage 2	*-*	*566*	*(566)*	*-*	*-*	*5*	*(5)*	*-*
New loans originated or loan amounts increased	523,951	21,751	7,286	552,988	350,938	39,131	2,993	393,062
Loans derecognized during the period (other than write-offs)	(221,533)	(67,153)	(14,371)	(303,057)	(176,100)	(35,544)	(11,682)	(223,326)
Loans written-off during the period	-	-	(9,460)	(9,460)	-	-	(3,007)	(3,007)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	1,338,335	128,344	75,438	1,542,117	1,085,739	141,666	74,187	1,301,592

Group gross loans to individuals (retail)

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Gross carrying amount as at 1 January	230,823	10,412	11,181	252,416	181,461	12,635	6,208	200,304
Transfer between stages:								
from Stage 1 to Stage 2	*(3,414)*	*3,414*	*-*	*-*	*(2,054)*	*2,054*	*-*	*-*
from Stage 1 to Stage 3	*(2,189)*	*-*	*2,189*	*-*	*(4,284)*	*-*	*4,284*	*-*
from Stage 2 to Stage 1	*1,052*	*(1,052)*	*-*	*-*	*1,151*	*(1,151)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(1,791)*	*1,791*	*-*	*-*	*(3,506)*	*3,506*	*-*
from Stage 3 to Stage 1	*2,433*	*-*	*(2,433)*	*-*	*141*	*-*	*(141)*	*-*
from Stage 3 to Stage 2	*-*	*188*	*(188)*	*-*	*-*	*11*	*(11)*	*-*
New loans originated or loan amounts increased	190,566	3,346	1,256	195,168	116,859	3,474	1,194	121,527
Loans derecognized during the period (other than write-offs)	(72,012)	(3,411)	(1,390)	(76,813)	(62,451)	(3,105)	(2,737)	(68,293)
Loans written-off during the period	-	-	(3,386)	(3,386)	-	-	(1,122)	(1,122)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	347,259	11,106	9,020	367,385	230,823	10,412	11,181	252,416

Bank gross loans to individuals (retail)

	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
Gross carrying amount as at 1 January	166,903	6,770	8,354	182,027	127,874	9,579	3,162	140,615
Transfer between stages:								
from Stage 1 to Stage 2	*(1,463)*	*1,463*	*-*	*-*	*(506)*	*506*	*-*	*-*
from Stage 1 to Stage 3	*(744)*	*-*	*744*	*-*	*(3,358)*	*-*	*3,358*	*-*
from Stage 2 to Stage 1	*283*	*(283)*	*-*	*-*	*512*	*(512)*	*-*	*-*
from Stage 2 to Stage 3	*-*	*(895)*	*895*	*-*	*-*	*(3,019)*	*3,019*	*-*
from Stage 3 to Stage 1	*2,377*	*-*	*(2,377)*	*-*	*112*	*-*	*(112)*	*-*
from Stage 3 to Stage 2	*-*	*183*	*(183)*	*-*	*-*	*5*	*(5)*	*-*
New loans originated or loan amounts increased	100,983	312	186	101,481	66,651	979	302	67,932
Loans derecognized during the period (other than write-offs)	(32,630)	(1,128)	(1,195)	(34,953)	(24,382)	(768)	(675)	(25,825)
Loans written-off during the period	-	-	(589)	(589)	-	-	(695)	(695)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	235,709	6,422	5,835	247,966	166,903	6,770	8,354	182,027

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to individuals (retail): Consumer loans

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	91,756	3,952	3,211	98,919	70,976	3,225	3,220	77,421
Transfer between stages:								
from Stage 1 to Stage 2	(2,261)	2,261	-	-	(1,772)	1,772	-	-
from Stage 1 to Stage 3	(1,696)	-	1,696	-	(1,081)	-	1,081	-
from Stage 2 to Stage 1	926	(926)	-	-	674	(674)	-	-
from Stage 2 to Stage 3	-	(945)	945	-	-	(569)	569	-
from Stage 3 to Stage 1	92	-	(92)	-	48	-	(48)	-
from Stage 3 to Stage 2	-	20	(20)	-	-	7	(7)	-
New loans originated or loan amounts increased	95,207	3,092	1,139	99,438	68,391	2,627	1,140	72,158
Loans derecognized during the period (other than write-offs)	(50,088)	(2,454)	(307)	(52,849)	(45,480)	(2,436)	(2,229)	(50,145)
Loans written-off during the period	-	-	(3,130)	(3,130)	-	-	(515)	(515)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	133,936	5,000	3,442	142,378	91,756	3,952	3,211	98,919

Bank gross loans to individuals (retail): Consumer loans

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	27,836	310	384	28,530	17,389	169	174	17,732
Transfer between stages:								
from Stage 1 to Stage 2	(310)	310	-	-	(224)	224	-	-
from Stage 1 to Stage 3	(251)	-	251	-	(155)	-	155	-
from Stage 2 to Stage 1	157	(157)	-	-	35	(35)	-	-
from Stage 2 to Stage 3	-	(49)	49	-	-	(82)	82	-
from Stage 3 to Stage 1	36	-	(36)	-	19	-	(19)	-
from Stage 3 to Stage 2	-	15	(15)	-	-	1	(1)	-
New loans originated or loan amounts increased	5,624	58	90	5,772	18,183	132	248	18,563
Loans derecognized during the period (other than write-offs)	(10,706)	(171)	(112)	(10,989)	(7,411)	(99)	(167)	(7,677)
Loans written-off during the period	-	-	(333)	(333)	-	-	(88)	(88)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	22,386	316	278	22,980	27,836	310	384	28,530

Group gross loans to individuals (retail): Mortgages

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	44,990	4,180	1,914	51,084	36,975	4,686	2,076	43,737
Transfer between stages:								
from Stage 1 to Stage 2	(1,073)	1,073	-	-	(75)	75	-	-
from Stage 1 to Stage 3	(209)	-	209	-	(188)	-	188	-
from Stage 2 to Stage 1	74	(74)	-	-	312	(312)	-	-
from Stage 2 to Stage 3	-	(264)	264	-	-	(278)	278	-
from Stage 3 to Stage 1	55	-	(55)	-	31	-	(31)	-
from Stage 3 to Stage 2	-	110	(110)	-	-	-	-	-
New loans originated or loan amounts increased	58,780	48	8	58,836	12,910	395	45	13,350
Loans derecognized during the period (other than write-offs)	(5,853)	(430)	(554)	(6,837)	(4,975)	(386)	(171)	(5,532)
Loans written-off during the period	-	-	(223)	(223)	-	-	(471)	(471)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084

Bank gross loans to individuals (retail): Mortgages

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	44,990	4,180	1,914	51,084	36,975	4,686	2,076	43,737
Transfer between stages:								
from Stage 1 to Stage 2	(1,073)	1,073	-	-	(75)	75	-	-
from Stage 1 to Stage 3	(209)	-	209	-	(188)	-	188	-
from Stage 2 to Stage 1	74	(74)	-	-	312	(312)	-	-
from Stage 2 to Stage 3	-	(264)	264	-	-	(278)	278	-
from Stage 3 to Stage 1	55	-	(55)	-	31	-	(31)	-
from Stage 3 to Stage 2	-	110	(110)	-	-	-	-	-
New loans originated or loan amounts increased	58,780	48	8	58,836	12,910	395	45	13,350
Loans derecognized during the period (other than write-offs)	(5,853)	(430)	(554)	(6,837)	(4,975)	(386)	(171)	(5,532)
Loans written-off during the period	-	-	(223)	(223)	-	-	(471)	(471)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	96,764	4,643	1,453	102,860	44,990	4,180	1,914	51,084

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to individuals (retail): Multiapartment rennovation loans

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	81,983	-	-	81,983	60,704	-	-	60,704
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	34,977	-	-	34,977	30,736	-	-	30,736
Loans derecognized during the period (other than write-offs)	(11,720)	-	-	(11,720)	(9,457)	-	-	(9,457)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	105,240	-	-	105,240	81,983	-	-	81,983

Bank gross loans to individuals (retail): Multiapartment rennovation loans

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	81,983	-	-	81,983	60,704	-	-	60,704
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	34,977	-	-	34,977	30,736	-	-	30,736
Loans derecognized during the period (other than write-offs)	(11,720)	-	-	(11,720)	(9,457)	-	-	(9,457)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	105,240	-	-	105,240	81,983	-	-	81,983

Group gross loans to individuals (retail): Other

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	12,094	2,280	6,056	20,430	12,806	4,724	912	18,442
Transfer between stages:								
from Stage 1 to Stage 2	(80)	80	-	-	(207)	207	-	-
from Stage 1 to Stage 3	(284)	-	284	-	(3,015)	-	3,015	-
from Stage 2 to Stage 1	52	(52)	-	-	165	(165)	-	-
from Stage 2 to Stage 3	-	(582)	582	-	-	(2,659)	2,659	-
from Stage 3 to Stage 1	2,286	-	(2,286)	-	62	-	(62)	-
from Stage 3 to Stage 2	-	58	(58)	-	-	4	(4)	-
New loans originated or loan amounts increased	1,602	206	109	1,917	4,822	452	9	5,283
Loans derecognized during the period (other than write-offs)	(4,351)	(527)	(529)	(5,407)	(2,539)	(283)	(337)	(3,159)
Loans written-off during the period	-	-	(33)	(33)	-	-	(136)	(136)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	11,319	1,463	4,125	16,907	12,094	2,280	6,056	20,430

Bank gross loans to individuals (retail): Other

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	12,094	2,280	6,056	20,430	12,806	4,724	912	18,442
Transfer between stages:								
from Stage 1 to Stage 2	(80)	80	-	-	(207)	207	-	-
from Stage 1 to Stage 3	(284)	-	284	-	(3,015)	-	3,015	-
from Stage 2 to Stage 1	52	(52)	-	-	165	(165)	-	-
from Stage 2 to Stage 3	-	(582)	582	-	-	(2,659)	2,659	-
from Stage 3 to Stage 1	2,286	-	(2,286)	-	62	-	(62)	-
from Stage 3 to Stage 2	-	58	(58)	-	-	4	(4)	-
New loans originated or loan amounts increased	1,602	206	88	1,896	4,822	452	9	5,283
Loans derecognized during the period (other than write-offs)	(4,351)	(527)	(529)	(5,407)	(2,539)	(283)	(337)	(3,159)
Loans written-off during the period	-	-	(33)	(33)	-	-	(136)	(136)
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	11,319	1,463	4,104	16,886	12,094	2,280	6,056	20,430

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to financial institutions

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	28	681	-	709	18	-	-	18
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	-	3,623	-	3,623	27	681	-	708
Loans derecognized during the period (other than write-offs)	(13)	(681)	-	(694)	(17)	-	-	(17)
Loans written-off during the period	-				-			
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	15	3,623	-	3,638	28	681	-	709

Bank gross loans to financial institutions

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	49,590	681	-	50,271	39,756	-	-	39,756
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	-	-	-	-
from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	-	-	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	46,926	3,623	-	50,549	9,851	681	-	10,532
Loans derecognized during the period (other than write-offs)	(16)	(681)	-	(697)	(17)	-	-	(17)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	96,500	3,623	-	100,123	49,590	681	-	50,271

Group gross loans to business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	855,720	129,824	66,264	1,051,808	734,113	149,886	49,591	933,590
Transfer between stages:								
from Stage 1 to Stage 2	*(54,500)*	*54,500*	-	-	*(32,611)*	*32,611*	-	-
from Stage 1 to Stage 3	*(14,058)*	-	*14,058*	-	*(7,018)*	-	*7,018*	-
from Stage 2 to Stage 1	*18,028*	*(18,028)*	-	-	*33,989*	*(33,989)*	-	-
from Stage 2 to Stage 3	-	*(5,155)*	*5,155*	-	-	*(21,164)*	*21,164*	-
from Stage 3 to Stage 1	*33*	-	*(33)*	-	*16*	-	*(16)*	-
from Stage 3 to Stage 2	-	*383*	*(383)*	-	-	-	-	-
New loans originated or loan amounts increased	376,101	17,817	7,079	400,997	274,064	37,279	2,690	314,033
Loans derecognized during the period (other than write-offs)	(185,455)	(62,439)	(14,030)	(261,924)	(146,907)	(34,776)	(11,853)	(193,536)
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	995,907	116,902	69,255	1,182,064	855,720	129,824	66,264	1,051,808

Bank gross loans to business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	869,246	134,215	65,833	1,069,294	752,061	154,085	48,313	954,459
Transfer between stages:								
from Stage 1 to Stage 2	*(54,500)*	*54,500*	-	-	*(32,611)*	*32,611*	-	-
from Stage 1 to Stage 3	*(13,874)*	-	*13,874*	-	*(7,018)*	-	*7,018*	-
from Stage 2 to Stage 1	*18,028*	*(18,028)*	-	-	*33,989*	*(33,989)*	-	-
from Stage 2 to Stage 3	-	*(5,243)*	*5,243*	-	-	*(21,164)*	*21,164*	-
from Stage 3 to Stage 1	*33*	-	*(33)*	-	*16*	-	*(16)*	-
from Stage 3 to Stage 2	-	*383*	*(383)*	-	-	-	-	-
New loans originated or loan amounts increased	376,042	17,816	7,100	400,958	274,436	37,471	2,691	314,598
Loans derecognized during the period (other than write-offs)	(188,887)	(65,344)	(13,176)	(267,407)	(151,701)	(34,776)	(11,007)	(197,484)
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	1,006,126	118,299	69,603	1,194,028	869,246	134,215	65,833	1,069,294

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to business customers: Large corporates

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	82,937	2,191	101	85,229	87,643	1,555	-	89,198
Transfer between stages:								
from Stage 1 to Stage 2	*(898)*	*898*	-	-	*(893)*	*893*	-	-
from Stage 1 to Stage 3	*(1,503)*	-	*1,503*	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	*(155)*	*155*	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	56,183	483	1,495	58,161	7,637	299	31	7,967
Loans derecognized during the period (other than write-offs)	(20,859)	(1,672)	(1,204)	(23,735)	(11,450)	(401)	(85)	(11,936)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229

Bank gross loans to business customers: Large corporates

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	82,937	2,191	101	85,229	87,643	1,555	-	89,198
Transfer between stages:								
from Stage 1 to Stage 2	*(898)*	*898*	-	-	*(893)*	*893*	-	-
from Stage 1 to Stage 3	*(1,503)*	-	*1,503*	-	-	-	-	-
from Stage 2 to Stage 1	-	-	-	-	-	-	-	-
from Stage 2 to Stage 3	-	-	-	-	-	*(155)*	*155*	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	56,183	483	1,495	58,161	7,637	299	31	7,967
Loans derecognized during the period (other than write-offs)	(20,859)	(1,672)	(1,204)	(23,735)	(11,450)	(401)	(85)	(11,936)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	115,860	1,900	1,895	119,655	82,937	2,191	101	85,229

Group gross loans to business customers: SME

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	676,048	126,761	64,619	867,428	534,593	145,250	48,193	728,036
Transfer between stages:								
from Stage 1 to Stage 2	*(53,602)*	*53,602*	-	-	*(31,672)*	*31,672*	-	-
from Stage 1 to Stage 3	*(12,551)*	-	*12,551*	-	*(6,999)*	-	*6,999*	-
from Stage 2 to Stage 1	*17,731*	*(17,731)*	-	-	*33,395*	*(33,395)*	-	-
from Stage 2 to Stage 3	-	*(5,135)*	*5,135*	-	-	*(20,809)*	*20,809*	-
from Stage 3 to Stage 1	*33*	-	*(33)*	-	*16*	-	*(16)*	-
from Stage 3 to Stage 2	-	*383*	*(383)*	-	-	-	-	-
New loans originated or loan amounts increased	298,111	16,707	5,571	320,389	246,748	36,727	2,641	286,116
Loans derecognized during the period (other than write-offs)	(148,847)	(60,510)	(12,733)	(222,090)	(100,107)	(32,661)	(11,677)	(144,445)
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	776,961	114,077	65,872	956,910	676,048	126,761	64,619	867,428

Bank gross loans to business customers: SME

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January	689,574	131,152	64,188	884,914	552,541	149,449	46,915	748,905
Transfer between stages:								
from Stage 1 to Stage 2	*(53,602)*	*53,602*	-	-	*(31,672)*	*31,672*	-	-
from Stage 1 to Stage 3	*(12,367)*	-	*12,367*	-	*(6,999)*	-	*6,999*	-
from Stage 2 to Stage 1	*17,731*	*(17,731)*	-	-	*33,395*	*(33,395)*	-	-
from Stage 2 to Stage 3	-	*(5,223)*	*5,223*	-	-	*(20,809)*	*20,809*	-
from Stage 3 to Stage 1	*33*	-	*(33)*	-	*16*	-	*(16)*	-
from Stage 3 to Stage 2	-	*383*	*(383)*	-	-	-	-	-
New loans originated or loan amounts increased	298,052	16,706	5,592	320,350	247,120	36,919	2,642	286,681
Loans derecognized during the period (other than write-offs)	(152,279)	(63,415)	(11,879)	(227,573)	(104,901)	(32,661)	(10,831)	(148,393)
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	38	-	16	54	74	(23)	(18)	33
Gross carrying amount as at 31 December	787,180	115,474	66,220	968,874	689,574	131,152	64,188	884,914

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group gross loans to business customers: Central and local authorities and other

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	96,735	872	1,544	99,151	111,877	3,081	1,398	116,356
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	(46)	46	-	-
from Stage 1 to Stage 3	(4)	-	4	-	(19)	-	19	-
from Stage 2 to Stage 1	297	(297)	-	-	594	(594)	-	-
from Stage 2 to Stage 3	-	(20)	20	-	-	(200)	200	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	21,807	627	13	22,447	19,679	253	18	19,950
Loans derecognized during the period (other than write-offs)	(15,749)	(257)	(93)	(16,099)	(35,350)	(1,714)	(91)	(37,155)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	103,086	925	1,488	105,499	96,735	872	1,544	99,151

Bank gross loans to business customers: Central and local authorities and other

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January	96,735	872	1,544	99,151	111,877	3,081	1,398	116,356
Transfer between stages:								
from Stage 1 to Stage 2	-	-	-	-	(46)	46	-	-
from Stage 1 to Stage 3	(4)	-	4	-	(19)	-	19	-
from Stage 2 to Stage 1	297	(297)	-	-	594	(594)	-	-
from Stage 2 to Stage 3	-	(20)	20	-	-	(200)	200	-
from Stage 3 to Stage 1	-	-	-	-	-	-	-	-
from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New loans originated or loan amounts increased	21,807	627	13	22,447	19,679	253	18	19,950
Loans derecognized during the period (other than write-offs)	(15,749)	(257)	(93)	(16,099)	(35,350)	(1,714)	(91)	(37,155)
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Gross carrying amount as at 31 December	103,086	925	1,488	105,499	96,735	872	1,544	99,151

Movements in allowance for loan impairment by separate class are provided below:

Group loss allowance against loans to customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	5,839	4,462	32,465	42,766	4,807	6,220	30,339	41,366
Movements with impact to profit or loss:								
New loans originated	4,777	2,021	2,243	9,041	3,617	1,947	2,507	8,071
Loans derecognized during the period (other than write-offs)	(1,666)	(1,857)	(953)	(4,476)	(1,180)	(1,077)	(1,582)	(3,839)
Changes due to change in credit risk (net)	(1,100)	(114)	5,326	4,112	(940)	(2,140)	4,912	1,832
Update in the methodology for loss allowance estimation	171	(509)	(339)	(677)	(465)	(489)	(276)	(1,230)
Total movements with impact to profit or loss:	2,182	(459)	6,277	8,000	1,032	(1,759)	5,561	4,834
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(12,257)	(12,257)	-	-	(3,434)	(3,434)
FX and other movements	-	-	-	-	-	1	(1)	-
Total movements without impact to profit or loss:	-	-	(12,257)	(12,257)	-	1	(3,435)	(3,434)
Amount as at 31 December	8,021	4,003	26,485	38,509	5,839	4,462	32,465	42,766

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	3,399	2,948	30,504	36,851	2,829	4,972	27,964	35,765
Movements with impact to profit or loss:								
New loans originated	2,141	874	1,675	4,690	1,727	811	1,845	4,383
Loans derecognized during the period (other than write-offs)	(1,054)	(1,238)	(173)	(2,465)	(509)	(502)	(877)	(1,888)
Changes due to change in credit risk (net)	(1,491)	(287)	2,584	806	(957)	(2,122)	4,611	1,532
Update in the methodology for loss allowance estimation	1,557	(38)	124	1,643	308	(212)	(33)	63
Total movements with impact to profit or loss:	1,153	(689)	4,210	4,674	569	(2,025)	5,546	4,090
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(9,460)	(9,460)	-	-	(3,007)	(3,007)
FX and other movements	-	-	-	-	1	1	1	3
Total movements without impact to profit or loss:	-	-	(9,460)	(9,460)	1	1	(3,006)	(3,004)
Amount as at 31 December	4,552	2,259	25,254	32,065	3,399	2,948	30,504	36,851

Group loss allowance against loans to customers: Loans to individuals (Retail)

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	3,728	2,060	3,550	9,338	2,871	1,914	3,785	8,570
Movements with impact to profit or loss:								
New loans originated	3,298	1,227	715	5,240	2,734	1,222	1,250	5,206
Loans derecognized during the period (other than write-offs)	(767)	(720)	(921)	(2,408)	(767)	(599)	(722)	(2,088)
Changes due to change in credit risk (net)	34	24	3,857	3,915	(685)	(128)	601	(212)
Update in the methodology for loss allowance estimation	(1,121)	(456)	(465)	(2,042)	(425)	(349)	(242)	(1,016)
Total movements with impact to profit or loss:	1,444	75	3,186	4,705	857	146	887	1,890
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,386)	(3,386)	-	-	(1,122)	(1,122)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(3,386)	(3,386)	-	-	(1,122)	(1,122)
Amount as at 31 December	5,172	2,135	3,350	10,657	3,728	2,060	3,550	9,338

Bank loss allowance against loans to customers: Loans to individuals (Retail)

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	1,288	498	1,609	3,395	893	618	1,418	2,929
Movements with impact to profit or loss:								
New loans originated	662	80	147	889	844	87	588	1,519
Loans derecognized during the period (other than write-offs)	(155)	(101)	(141)	(397)	(94)	(24)	(16)	(134)
Changes due to change in credit risk (net)	(338)	(101)	571	132	(703)	(111)	313	(501)
Update in the methodology for loss allowance estimation	266	15	(2)	279	348	(72)	1	277
Total movements with impact to profit or loss:	435	(107)	575	903	395	(120)	886	1,161
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(589)	(589)	-	-	(695)	(695)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(589)	(589)	-	-	(695)	(695)
Amount as at 31 December	1,723	391	1,595	3,709	1,288	498	1,609	3,395

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	3,451	1,712	2,232	7,395	2,657	1,390	2,489	6,536
Movements with impact to profit or loss:								
New loans originated	2,962	1,161	579	4,702	2,692	1,208	796	4,696
Loans derecognized during the period (other than write-offs)	(683)	(675)	(788)	(2,146)	(748)	(584)	(715)	(2,047)
Changes due to change in credit risk (net)	16	157	3,534	3,707	(759)	(20)	420	(359)
Update in the methodology for loss allowance estimation	(1,682)	(497)	(490)	(2,669)	(391)	(282)	(243)	(916)
Total movements with impact to profit or loss:	613	146	2,835	3,594	794	322	258	1,374
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(3,130)	(3,130)	-	-	(515)	(515)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(3,130)	(3,130)	-	-	(515)	(515)
Amount as at 31 December	4,064	1,858	1,937	7,859	3,451	1,712	2,232	7,395

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Consumer loans

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	1,011	150	291	1,452	679	94	163	936
Movements with impact to profit or loss:								
New loans originated	326	14	11	351	802	73	134	1,009
Loans derecognized during the period (other than write-offs)	(71)	(56)	(8)	(135)	(75)	(9)	(9)	(93)
Changes due to change in credit risk (net)	(356)	32	269	(55)	(777)	(3)	91	(689)
Update in the methodology for loss allowance estimation	(295)	(26)	(27)	(348)	382	(5)	-	377
Total movements with impact to profit or loss:	(396)	(36)	245	(187)	332	56	216	604
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(333)	(333)	-	-	(88)	(88)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(333)	(333)	-	-	(88)	(88)
Amount as at 31 December	615	114	203	932	1,011	150	291	1,452

Group loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	58	271	552	881	54	360	911	1,325
Movements with impact to profit or loss:								
New loans originated	23	44	88	155	31	7	2	40
Loans derecognized during the period (other than write-offs)	(39)	(15)	(102)	(156)	(9)	(14)	(6)	(29)
Changes due to change in credit risk (net)	228	(100)	117	245	-	(68)	116	48
Update in the methodology for loss allowance estimation	199	22	10	231	(18)	(14)	-	(32)
Total movements with impact to profit or loss:	411	(49)	113	475	4	(89)	112	27
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(223)	(223)	-	-	(471)	(471)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(223)	(223)	-	-	(471)	(471)
Amount as at 31 December	469	222	442	1,133	58	271	552	881

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Mortgages

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	58	271	552	881	54	360	911	1,325
Movements with impact to profit or loss:								
New loans originated	23	44	88	155	31	7	2	40
Loans derecognized during the period (other than write-offs)	(39)	(15)	(102)	(156)	(9)	(14)	(6)	(29)
Changes due to change in credit risk (net)	228	(100)	117	245	-	(68)	116	48
Update in the methodology for loss allowance estimation	199	22	10	231	(18)	(14)	-	(32)
Total movements with impact to profit or loss:	411	(49)	113	475	4	(89)	112	27
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(223)	(223)	-	-	(471)	(471)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(223)	(223)	-	-	(471)	(471)
Amount as at 31 December	469	222	442	1,133	58	271	552	881

Group loss allowance against loans to customers: Loans to individuals (Retail) – Multiapartment rennovation loans

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	177	-	-	177	138	-	-	138
Movements with impact to profit or loss:								
New loans originated	-	-	-	-	-	-	-	-
Loans derecognized during the period (other than write-offs)	-	-	-	-	-	-	-	-
Changes due to change in credit risk (net)	91	-	-	91	47	-	-	47
Update in the methodology for loss allowance estimation	355	-	-	355	(8)	-	-	(8)
Total movements with impact to profit or loss:	446	-	-	446	39	-	-	39
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	623	-	-	623	177	-	-	177

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Multiapartment rennovation loans

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	177	-	-	177	138	-	-	138
Movements with impact to profit or loss:								
New loans originated	-	-	-	-	-	-	-	-
Loans derecognized during the period (other than write-offs)	-	-	-	-	-	-	-	-
Changes due to change in credit risk (net)	91	-	-	91	47	-	-	47
Update in the methodology for loss allowance estimation	355	-	-	355	(8)	-	-	(8)
Total movements with impact to profit or loss:	446	-	-	446	39	-	-	39
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	623	-	-	623	177	-	-	177

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to individuals (Retail) – Other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	42	77	766	885	22	164	385	571
Movements with impact to profit or loss:								
New loans originated	313	22	48	383	11	7	452	470
Loans derecognized during the period (other than write-offs)	(45)	(30)	(31)	(106)	(10)	(1)	(1)	(12)
Changes due to change in credit risk (net)	(301)	(33)	206	(128)	27	(40)	65	52
Update in the methodology for loss allowance estimation	7	19	15	41	(8)	(53)	1	(60)
Total movements with impact to profit or loss:	(26)	(22)	238	190	20	(87)	517	450
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(33)	(33)	-	-	(136)	(136)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(33)	(33)	-	-	(136)	(136)
Amount as at 31 December	16	55	971	1,042	42	77	766	885

Bank loss allowance against loans to customers: Loans to individuals (Retail) – Other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	42	77	766	885	22	164	344	530
Movements with impact to profit or loss:								
New loans originated	313	22	48	383	11	7	452	470
Loans derecognized during the period (other than write-offs)	(45)	(30)	(31)	(106)	(10)	(1)	(1)	(12)
Changes due to change in credit risk (net)	(301)	(33)	185	(149)	27	(40)	106	93
Update in the methodology for loss allowance estimation	7	19	15	41	(8)	(53)	1	(60)
Total movements with impact to profit or loss:	(26)	(22)	217	169	20	(87)	558	491
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(33)	(33)	-	-	(136)	(136)
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(33)	(33)	-	-	(136)	(136)
Amount as at 31 December	16	55	950	1,021	42	77	766	885

Group loss allowance against loans to customers: Loans to financial institutions

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	-	16	-	16	-	-	-	-
Movements with impact to profit or loss:								
New loans originated	-	172	-	172	-	16	-	16
Loans derecognized during the period (other than write-offs)	-	(150)	-	(150)	-	-	-	-
Changes due to change in credit risk (net)	-	12	-	12	-	(1)	-	(1)
Update in the methodology for loss allowance estimation	-	(12)	-	(12)	-	1	-	1
Total movements with impact to profit or loss:	-	22	-	22	-	16	-	16
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	-	38	-	38	-	16	-	16

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to financial institutions

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	-	16	-	16	-	-	-	-
Movements with impact to profit or loss:								
New loans originated	-	172	-	172	-	16	-	16
Loans derecognized during the period (other than write-offs)	-	(150)	-	(150)	-	-	-	-
Changes due to change in credit risk (net)	-	12	-	12	-	(1)	-	(1)
Update in the methodology for loss allowance estimation	-	(12)	-	(12)	-	1	-	1
Total movements with impact to profit or loss:	-	22	-	22	-	16	-	16
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	-	38	-	38	-	16	-	16

Group loss allowance against loans to customers: Loans to business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	2,111	2,386	28,915	33,412	1,936	4,306	26,554	32,796
Movements with impact to profit or loss:								
New loans originated	1,479	622	1,528	3,629	883	709	1,257	2,849
Loans derecognized during the period (other than write-offs)	(899)	(987)	(32)	(1,918)	(413)	(478)	(860)	(1,751)
Changes due to change in credit risk (net)	(1,134)	(150)	1,469	185	(255)	(2,011)	4,311	2,045
Update in the methodology for loss allowance estimation	1,292	(41)	126	1,377	(40)	(141)	(34)	(215)
Total movements with impact to profit or loss:	738	(556)	3,091	3,273	175	(1,921)	4,674	2,928
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	-	-	-	-	-	1	(1)	-
Total movements without impact to profit or loss:	-	-	(8,871)	(8,871)	-	1	(2,313)	(2,312)
Amount as at 31 December	2,849	1,830	23,135	27,814	2,111	2,386	28,915	33,412

Bank loss allowance against loans to customers: Loans to business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	2,111	2,434	28,895	33,440	1,936	4,354	26,546	32,836
Movements with impact to profit or loss:								
New loans originated	1,479	622	1,528	3,629	883	708	1,257	2,848
Loans derecognized during the period (other than write-offs)	(899)	(987)	(32)	(1,918)	(415)	(478)	(861)	(1,754)
Changes due to change in credit risk (net)	(1,153)	(198)	2,013	662	(254)	(2,010)	4,298	2,034
Update in the methodology for loss allowance estimation	1,291	(41)	126	1,376	(40)	(141)	(34)	(215)
Total movements with impact to profit or loss:	718	(604)	3,635	3,749	174	(1,921)	4,660	2,913
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	-	-	-	-	1	1	1	3
Total movements without impact to profit or loss:	-	-	(8,871)	(8,871)	1	1	(2,311)	(2,309)
Amount as at 31 December	2,829	1,830	23,659	28,318	2,111	2,434	28,895	33,440

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Group loss allowance against loans to customers: Loans to business customers – Large corporates

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	192	61	-	253	309	12	-	321
Movements with impact to profit or loss:								
New loans originated	385	10	17	412	93	-	-	93
Loans derecognized during the period (other than write-offs)	(118)	(85)	(5)	(208)	(92)	(8)	-	(100)
Changes due to change in credit risk (net)	(167)	34	100	(33)	(74)	59	-	(15)
Update in the methodology for loss allowance estimation	773	27	5	805	(44)	(2)	-	(46)
Total movements with impact to profit or loss:	873	(14)	117	976	(117)	49	-	(68)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	1,065	47	117	1,229	192	61	-	253

Bank loss allowance against loans to customers: Loans to business customers – Large corporates

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	192	61	-	253	309	12	-	321
Movements with impact to profit or loss:								
New loans originated	385	10	17	412	93	-	-	93
Loans derecognized during the period (other than write-offs)	(118)	(85)	(5)	(208)	(92)	(8)	-	(100)
Changes due to change in credit risk (net)	(167)	34	100	(33)	(74)	59	-	(15)
Update in the methodology for loss allowance estimation	773	27	5	805	(44)	(2)	-	(46)
Total movements with impact to profit or loss:	873	(14)	117	976	(117)	49	-	(68)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	1,065	47	117	1,229	192	61	-	253

Group loss allowance against loans to customers: Loans to business customers – SME

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	1,491	2,226	28,198	31,915	1,267	4,045	25,999	31,311
Movements with impact to profit or loss:								
New loans originated	1,065	608	1,504	3,177	653	702	1,257	2,612
Loans derecognized during the period (other than write-offs)	(751)	(899)	(27)	(1,677)	(286)	(469)	(860)	(1,615)
Changes due to change in credit risk (net)	(645)	(108)	1,456	703	(144)	(1,919)	4,149	2,086
Update in the methodology for loss allowance estimation	400	(50)	117	467	1	(134)	(34)	(167)
Total movements with impact to profit or loss:	69	(449)	3,050	2,670	224	(1,820)	4,512	2,916
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	-	-	-	-	-	1	(1)	-
Total movements without impact to profit or loss:	-	-	(8,871)	(8,871)	-	1	(2,313)	(2,312)
Amount as at 31 December	1,560	1,777	22,377	25,714	1,491	2,226	28,198	31,915

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 13
LOANS TO CUSTOMERS (continued)

Bank loss allowance against loans to customers: Loans to business customers – SME

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	1,491	2,274	28,178	31,943	1,267	4,093	25,991	31,351
Movements with impact to profit or loss:								
New loans originated	1,065	608	1,504	3,177	653	701	1,257	2,611
Loans derecognized during the period (other than write-offs)	(751)	(899)	(27)	(1,677)	(288)	(469)	(861)	(1,618)
Changes due to change in credit risk (net)	(664)	(156)	2,000	1,180	(143)	(1,918)	4,136	2,075
Update in the methodology for loss allowance estimation	399	(50)	117	466	1	(134)	(34)	(167)
Total movements with impact to profit or loss:	49	(497)	3,594	3,146	223	(1,820)	4,498	2,901
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(8,871)	(8,871)	-	-	(2,312)	(2,312)
FX and other movements	-	-	-	-	1	1	1	3
Total movements without impact to profit or loss:	-	-	(8,871)	(8,871)	1	1	(2,311)	(2,309)
Amount as at 31 December	1,540	1,777	22,901	26,218	1,491	2,274	28,178	31,943

Group loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	428	99	717	1,244	360	249	555	1,164
Movements with impact to profit or loss:								
New loans originated	29	4	7	40	137	7	-	144
Loans derecognized during the period (other than write-offs)	(30)	(3)	-	(33)	(35)	(1)	-	(36)
Changes due to change in credit risk (net)	(322)	(76)	(87)	(485)	(37)	(151)	162	(26)
Update in the methodology for loss allowance estimation	119	(18)	4	105	3	(5)	-	(2)
Total movements with impact to profit or loss:	(204)	(93)	(76)	(373)	68	(150)	162	80
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	224	6	641	871	428	99	717	1,244

Bank loss allowance against loans to customers: Loans to business customers – Central and local authorities and other

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	428	99	717	1,244	360	249	555	1,164
Movements with impact to profit or loss:								
New loans originated	29	4	7	40	137	7	-	144
Loans derecognized during the period (other than write-offs)	(30)	(3)	-	(33)	(35)	(1)	-	(36)
Changes due to change in credit risk (net)	(322)	(76)	(87)	(485)	(37)	(151)	162	(26)
Update in the methodology for loss allowance estimation	119	(18)	4	105	3	(5)	-	(2)
Total movements with impact to profit or loss:	(204)	(93)	(76)	(373)	68	(150)	162	80
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	-	-	-	-	-	-
Amount as at 31 December	224	6	641	871	428	99	717	1,244

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES

As part of its lending services, the Bank offers its customers various types of finance lease contracts. Main finance lease model of the Bank is to finance goods or services sold by vendors to the customers. The Bank acts as a lender, although legally it is the owner of the assets leased.

No other material income except for the finance income (included in net interest income - see Note 1) is earned by the Bank from the finance lease. The Bank does not provide any buy-back guarantees or residual value guarantees at its own risk. In some cases when such guarantees are offered to customers that use Bank's finance lease products, the vendor of the assets leased provides such guarantees. In such cases the Bank additionally assesses the vendor's capacities to meet such obligations.

Risk profile of finance lease contracts is described in detail in part 1.6. of the Financial Risk Management disclosure.

The Group

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Gross investments in leasing:							
Balance at 31 December 2018	41,317	33,292	26,192	24,252	9,726	2,272	137,051
Change during 2019	14,155	8,997	15,594	(3,116)	874	144	36,648
Balance at 31 December 2019	55,472	42,289	41,786	21,136	10,600	2,416	173,699
Unearned finance income on finance leases:							
Balance at 31 December 2018	(4,334)	(3,023)	(1,791)	(894)	(200)	(75)	(10,317)
Change during 2019	(1,045)	(571)	(282)	93	(39)	20	(1,824)
Balance at 31 December 2019	(5,379)	(3,594)	(2,073)	(801)	(239)	(55)	(12,141)
Net investments in leasing before provisions:							
At 31 December 2018	36,983	30,269	24,401	23,358	9,526	2,197	126,734
At 31 December 2019	50,093	38,695	39,713	20,335	10,361	2,361	161,558
Changes in provisions:							
Balance at 31 December 2018	(1,233)	(358)	(289)	(274)	(111)	(381)	(2,646)
Provisions reversed / (additional provisions charged)	(438)	(251)	(337)	(44)	(51)	(220)	(1,341)
Provisions for finance lease debts written off	-	-	-	-	-	26	26
Balance at 31 December 2019	(1,671)	(609)	(626)	(318)	(162)	(575)	(3,961)
Net investments in leasing after provisions:							
At 31 December 2018	35,750	29,911	24,112	23,084	9,415	1,816	124,088
At 31 December 2019	48,422	38,086	39,087	20,017	10,199	1,786	157,597

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

The Bank

	Up to 1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*Over 5 years*	*Total*
Gross investments in leasing:							
Balance at 31 December 2018	40,397	33,287	26,192	24,252	9,726	2,272	136,126
Change during 2019	14,244	9,002	15,594	(3,116)	874	144	36,742
Balance at 31 December 2019	54,641	42,289	41,786	21,136	10,600	2,416	172,868
Unearned finance income on finance leases:							
Balance at 31 December 2018	(4,332)	(3,023)	(1,791)	(894)	(200)	(75)	(10,315)
Change during 2019	(1,047)	(571)	(282)	93	(39)	20	(1,826)
Balance at 31 December 2019	(5,379)	(3,594)	(2,073)	(801)	(239)	(55)	(12,141)
Net investments in leasing before provisions:							
At 31 December 2018	36,065	30,264	24,401	23,358	9,526	2,197	125,811
At 31 December 2019	49,262	38,695	39,713	20,335	10,361	2,361	160,727
Changes in provisions:							
Balance at 31 December 2018	(429)	(358)	(289)	(274)	(111)	(381)	(1,842)
Provisions reversed / (additional provisions charged)	(464)	(251)	(337)	(44)	(51)	(220)	(1,367)
Provisions for finance lease debts written off	-	-	-	-	-	22	22
Balance at 31 December 2019	(893)	(609)	(626)	(318)	(162)	(579)	(3,187)
Net investments in leasing after provisions:							
At 31 December 2018	35,636	29,906	24,112	23,084	9,415	1,816	123,969
At 31 December 2019	48,369	38,086	39,087	20,017	10,199	1,782	157,540

Movements in provision for impairment of finance lease receivables by class are as follows:

Group loss allowance against finance lease receivables

				2019				*2018*
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	349	537	1,760	2,646	250	895	1,819	2,964
Movements with impact to profit or loss:								
New loans originated	452	124	607	1,183	256	190	200	646
Loans derecognized during the period (other than write-offs)	(67)	(145)	(296)	(508)	(70)	(302)	(820)	(1,192)
Changes due to change in credit risk (net)	(197)	(75)	785	513	(31)	(150)	577	396
Update in the methodology for loss allowance estimation	156	4	(7)	153	(55)	(96)	(15)	(166)
Total movements with impact to profit or loss:	344	(92)	1,089	1,341	100	(358)	(58)	(316)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(26)	(26)	-	-	(1)	(1)
FX and other movements	-	-	-	-	(1)	-	-	(1)
Total movements without impact to profit or loss:	-	-	(26)	(26)	(1)	-	(1)	(2)
Loss allowance as at 31 December	693	445	2,823	3,961	349	537	1,760	2,646

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

Bank loss allowance against finance lease receivables

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	349	538	955	1,842	250	894	1,004	2,148
Movements with impact to profit or loss:								
New loans originated	452	124	607	1,183	256	190	199	645
Loans derecognized during the period (other than write-offs)	(67)	(145)	(270)	(482)	(69)	(301)	(818)	(1,188)
Changes due to change in credit risk (net)	(198)	(76)	786	512	(32)	(149)	579	398
Update in the methodology for loss allowance estimation	156	4	(6)	154	(55)	(96)	(9)	(160)
Total movements with impact to profit or loss:	343	(93)	1,117	1,367	100	(356)	(49)	(305)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(22)	(22)	-	-	-	-
FX and other movements	-	-	-	-	(1)	-	-	(1)
Total movements without impact to profit or loss:	-	-	(22)	(22)	(1)	-	-	(1)
Loss allowance as at 31 December	692	445	2,050	3,187	349	538	955	1,842

Group loss allowance against finance lease receivables - individuals

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	89	47	173	309	89	36	122	247
Movements with impact to profit or loss:								
New loans originated	126	15	41	182	54	33	55	142
Loans derecognized during the period (other than write-offs)	(15)	(10)	(56)	(81)	(14)	(4)	(31)	(49)
Changes due to change in credit risk (net)	(77)	(24)	(6)	(107)	(9)	26	30	47
Update in the methodology for loss allowance estimation	102	12	-	114	(31)	(44)	(3)	(78)
Total movements with impact to profit or loss:	136	(7)	(21)	108	-	11	51	62
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(26)	(26)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(26)	(26)	-	-	-	-
Loss allowance as at 31 December	225	40	126	391	89	47	173	309

Bank loss allowance against finance lease receivables - individuals

				2019				2018
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January	89	47	137	273	88	37	83	208
Movements with impact to profit or loss:								
New loans originated	126	15	41	182	54	34	54	142
Loans derecognized during the period (other than write-offs)	(15)	(10)	(56)	(81)	(13)	(4)	(29)	(46)
Changes due to change in credit risk (net)	(78)	(24)	(6)	(108)	(9)	24	32	47
Update in the methodology for loss allowance estimation	102	12	1	115	(31)	(44)	(3)	(78)
Total movements with impact to profit or loss:	135	(7)	(20)	108	1	10	54	65
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	(22)	(22)	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Total movements without impact to profit or loss:	-	-	(22)	(22)	-	-	-	-
Loss allowance as at 31 December	224	40	95	359	89	47	137	273

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 14
FINANCE LEASE RECEIVABLES (continued)

Group loss allowance against finance lease receivables – business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	260	490	1,587	2,337	161	859	1,697	2,717
Movements with impact to profit or loss:								
New loans originated	326	109	566	1,001	202	157	145	504
Loans derecognized during the period (other than write-offs)	(52)	(135)	(240)	(427)	(56)	(298)	(789)	(1,143)
Changes due to change in credit risk (net)	(120)	(51)	791	620	(22)	(176)	547	349
Update in the methodology for loss allowance estimation	54	(8)	(7)	39	(24)	(52)	(12)	(88)
Total movements with impact to profit or loss:	208	(85)	1,110	1,233	100	(369)	(109)	(378)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	(1)	(1)
FX and other movements	-	-	-	-	(1)	-	-	(1)
Total movements without impact to profit or loss:	-	-	-	-	(1)	-	(1)	(2)
Loss allowance as at 31 December	468	405	2,697	3,570	260	490	1,587	2,337

Bank loss allowance against finance lease receivables – business customers

	Stage 1	Stage 2	Stage 3	2019 Total	Stage 1	Stage 2	Stage 3	2018 Total
Loss allowance as at 1 January	260	491	818	1,569	162	857	921	1,940
Movements with impact to profit or loss:								
New loans originated	326	109	566	1,001	202	156	145	503
Loans derecognized during the period (other than write-offs)	(52)	(135)	(214)	(401)	(56)	(297)	(789)	(1,142)
Changes due to change in credit risk (net)	(120)	(52)	792	620	(23)	(173)	547	351
Update in the methodology for loss allowance estimation	54	(8)	(7)	39	(24)	(52)	(6)	(82)
Total movements with impact to profit or loss:	208	(86)	1,137	1,259	99	(366)	(103)	(370)
Movements without impact to profit or loss:								
Loans written-off during the period	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	(1)	-	-	(1)
Total movements without impact to profit or loss:	-	-	-	-	(1)	-	-	(1)
Loss allowance as at 31 December	468	405	1,955	2,828	260	491	818	1,569

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES

Investment securities are comprised of:
- non-trading equities. The Group chose to measure these securities at fair value through profit or loss;
- debt securities at fair value through other comprehensive income;
- debt securities at amortized cost (held to collect cash flows).

	2019		2018	
	Group	Bank	Group	Bank
INVESTMENT SECURITIES AT FAIR VALUE:				
Non-trading securities at fair value:				
Debt securities at fair value through other comprehensive income:	8,953	8,558	16,379	15,984
Government bonds	1,343	1,343	3,325	3,325
Corporate bonds	7,610	7,215	13,054	12,659
Non-trading equity securities at fair value through profit or loss	5,106	933	4,728	523
Total non-trading securities at fair value	14,059	9,491	21,107	16,507
TOTAL INVESTMENT SECURITIES AT FAIR VALUE	14,059	9,491	21,107	16,507
INVESTMENT SECURITIES AT AMORTIZED COST:				
Securities at amortized cost:				
Debt securities:				
Government bonds	375,502	370,825	463,943	463,943
Corporate bonds	170,347	164,654	174,712	174,712
Total securities at amortized cost	545,849	535,479	638,655	638,655
TOTAL INVESTMENT SECURITIES AT AMORTIZED COST	545,849	535,479	638,655	638,655
Breakdown of debt securities by time remaining to maturity:				
Debt securities at fair value through other comprehensive income:				
Short-term (up to 1 year)	2,735	2,340	1,878	1,878
Long-term (over 1 year)	6,218	6,218	14,501	14,106
Total debt securities at fair value through other comprehensive income	8,953	8,558	16,379	15,984
Debt securities at amortized cost:				
Short-term (up to 1 year)	64,220	64,129	127,904	127,904
Long-term (over 1 year)	481,629	471,350	510,751	510,751
Total debt securities at amortized cost	545,849	535,479	638,655	638,655

As at 31 December 2019, government bonds at amortized cost with a carrying value of EUR 5,595 thousand (31 December 2018 – government bonds at amortized cost with a carrying value of EUR 5,660 thousand) were pledged as collateral for currency forwards (Note 12). As at 31 December 2018, government bonds at amortized cost with a carrying value of EUR 40,515 thousand were pledged to the Bank of Lithuania as a collateral for Eurosystem market operations (of which, EUR 17,082 thousand were pledged against the outstanding loan of EUR 16,166 thousand and remaining EUR 23,433 thousand was unused collateral – they were pledged for having the opportunity to borrow the funds immediately when needed).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (continued)

Staging and impairment of the Group's/Bank's investment debt securities:

Group investment debt securities at fair value through other comprehensive income

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	1,343	-	-	1,343	3,327	-	-	3,327
Less: allowance for impairment	0	-	-	0	(2)	-	-	(2)
Government bonds, net	1,343	-	-	1,343	3,325	-	-	3,325
Corporate bonds, gross	7,443	181	-	7,624	12,914	160	-	13,074
Less: allowance for impairment	(9)	(5)	-	(14)	(13)	(7)	-	(20)
Corporate bonds, net	7,434	176	-	7,610	12,901	153	-	13,054
Total, gross	8,786	181	-	8,967	16,241	160	-	16,401
Less: allowance for impairment	(9)	(5)	-	(14)	(15)	(7)	-	(22)
Total, net	8,777	176	-	8,953	16,226	153	-	16,379

Bank investment debt securities at fair value through other comprehensive income

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	1,343	-	-	1,343	3,327	-	-	3,327
Less: allowance for impairment	0	-	-	0	(2)	-	-	(2)
Government bonds, net	1,343	-	-	1,343	3,325	-	-	3,325
Corporate bonds, gross	7,043	181	-	7,224	12,514	160	-	12,674
Less: allowance for impairment	(4)	(5)	-	(9)	(8)	(7)	-	(15)
Corporate bonds, net	7,039	176	-	7,215	12,506	153	-	12,659
Total, gross	8,386	181	-	8,567	15,841	160	-	16,001
Less: allowance for impairment	(4)	(5)	-	(9)	(10)	(7)	-	(17)
Total, net	8,382	176	-	8,558	15,831	153	-	15,984

Group investment debt securities at amortized cost

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	375,655	-	-	375,655	463,085	1,054	-	464,139
Less: allowance for impairment	(153)	-	-	(153)	(188)	(8)	-	(196)
Government bonds, net	375,502	-	-	375,502	462,897	1,046	-	463,943
Corporate bonds, gross	169,477	1,006	1,014	171,497	173,853	1,005	1,013	175,871
Less: allowance for impairment	(111)	(25)	(1,014)	(1,150)	(114)	(32)	(1,013)	(1,159)
Corporate bonds, net	169,366	981	-	170,347	173,739	973	-	174,712
Total, gross	545,132	1,006	1,014	547,152	636,938	2,059	1,013	640,010
Less: allowance for impairment	(264)	(25)	(1,014)	(1,303)	(302)	(40)	(1,013)	(1,355)
Total, net	544,868	981	-	545,849	636,636	2,019	-	638,655

Bank investment debt securities at amortized cost

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds, gross	370,975	-	-	370,975	463,085	1,054	-	464,139
Less: allowance for impairment	(150)	-	-	(150)	(188)	(8)	-	(196)
Government bonds, net	370,825	-	-	370,825	462,897	1,046	-	463,943
Corporate bonds, gross	163,779	1,006	-	164,785	173,853	1,005	-	174,858
Less: allowance for impairment	(106)	(25)	-	(131)	(114)	(32)	-	(146)
Corporate bonds, net	163,673	981	-	164,654	173,739	973	-	174,712
Total, gross	534,754	1,006	-	535,760	636,938	2,059	-	638,997
Less: allowance for impairment	(256)	(25)	-	(281)	(302)	(40)	-	(342)
Total, net	534,498	981	-	535,479	636,636	2,019	-	638,655

Reconciliation of allowance for impairment of investment debt securities is presented in the table below:

	2019		*2018*	
	Group	Bank	Group	Bank
Allowance for impairment of investment debt securities as of 1 January:	1,377	359	1,318	291
Change in allowance for impairment	(62)	(70)	74	74
Update in the methodology for loss allowance estimation	-	-	(6)	(6)
Change in FX rates	2	1	(9)	-
Allowance for impairment of investment debt securities as of 31 December:	1,317	290	1,377	359

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 15
INVESTMENT SECURITIES (continued)

Breakdown of the Group's/Bank's investment securities as at 31 December 2019 and 2018:

	2019		2018	
	Group	Bank	Group	Bank
Investment securities at fair value:				
Debt securities	8,953	8,558	16,379	15,984
AAA	-	-	-	-
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	-
Equities	5,106	933	4,728	524
listed	-	-	-	-
unlisted	741	622	848	432
units of investment funds	4,365	311	3,880	92
Total investment securities at fair value	14,059	9,491	21,107	16,508
Investment securities at amortized cost:				
Debt securities	545,849	535,479	638,655	638,655
AAA	-	-	-	-
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	-	-	-	-
Total investment securities at amortized cost	545,849	535,479	638,655	638,655

No material reclassifications between securities portfolios were performed during 2019 and 2018.

Movements in the financial instruments revaluation reserve:

	The Group			The Bank		
	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes	Financial instruments revaluation reserve, before taxes	Deferred income tax asset (liabilities)	Financial instruments revaluation reserve, after taxes
1 January 2018	(372)	4	(368)	(372)	4	(368)
Revaluation	(486)	-	(486)	(486)	-	(486)
Sale or redemption of securities	(74)	-	(74)	(74)	-	(74)
Conversion of subordinated loan	352	-	352	352	-	352
Deferred income tax	-	84	84	-	84	84
31 December 2018	(580)	88	(492)	(580)	88	(492)
Revaluation	766	-	766	766	-	766
Sale or redemption of securities	(166)	-	(166)	(166)	-	(166)
Recognition of own credit risk attributable to unit-linked insurance liabilities	13	-	13	-	-	-
Deferred income tax	-	(130)	(130)	-	(130)	(130)
31 December 2019	33	(42)	(9)	20	(42)	(22)

Bank's cash flows and other movements of investment securities at amortized cost:

	2019		2018	
	Group	Bank	Group	Bank
As at 1 January	638,655	638,655	576,260	576,260
Acquisitions	48,293	37,876	133,985	133,985
Redemptions	(119,491)	(119,491)	(53,503)	(53,503)
Disposals	(15,939)	(15,939)	(14,282)	(14,282)
Accrued interest	9,132	9,008	10,233	10,233
Received coupon payment	(14,902)	(14,739)	(13,900)	(13,900)
Foreign currency exchange rate impact	61	61	233	233
Impairment	54	62	(343)	(343)
Reclassifications	(14)	(14)	(28)	(28)
As at 31 December	545,849	535,479	638,655	638,655

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 16
INVESTMENTS IN SUBSIDIARIES

The Group consists of the Bank and its subsidiaries listed below in this note. All of the entities comprising the Group operate in Lithuania.

Carrying amount

Bank	Share in equity	31 December 2019			31 December 2018 (restated)			1 January 2018 (restated)		
		Gross amount	Impair-ment	Net carrying amount	Gross amount	Impair-ment	Net carrying amount	Gross amount	Impair-ment	Net carrying amount
Investments in consolidated directly controlled subsidiaries:										
Bonum Publicum GD UAB	100.00%	10,741	-	10,741	10,529	(1,996)	8,533	10,829	-	10,829
Minera UAB	100.00%	2,925	-	2,925	2,829	-	2,829	3,217	-	3,217
Pavasaris UAB	100.00%	2	-	2	0	-	0	149	-	149
SB Lizingas UAB	100.00%	10,749	-	10,749	11,630	-	11,630	11,776	-	11,776
SBTF UAB	100.00%	1,703	-	1,703	1,634	-	1,634	683	-	683
Šiaulių Banko Investicijų Valdymas UAB	100.00%	933	-	933	442	-	442	1,038	-	1,038
Šiaulių Banko Lizingas UAB	100.00%	1,074	-	1,074	1,074	-	1,074	1,074	-	1,074
Šiaulių Banko Turto Fondas UAB	100.00%	3,364	-	3,364	3,308	-	3,308	3,969	-	3,969
Total		**31,491**	**-**	**31,491**	**31,466**	**(1,996)**	**29,450**	**32,735**	**-**	**32,735**

As of 31 December 2018, as the net value of investment in Pavasaris UAB was negative, the Bank recognized a constructive obligation to cover the losses of the subsidiary amounting to EUR 5 thousand. It was included in statement of financial position line "Other non-financial liabilities".

Reconciliation of Bank's investment in subsidiary amounts is presented in the table below:

	2019	2018
Net book value at 1 January	29,450	32,735
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	4,713	3,327
Increase in the investment amount	135	-
Dividends paid by the subsidiaries to the Bank	(4,800)	(4,619)
Impairment	1,996	(1,996)
Other changes (changes due constructive obligation to cover losses and rounding)	(3)	3
Net book value at 31 December	31,491	29,450

In addition, the Group had indirectly controlled subsidiaries with 100% share in equity: at 31 December 2019, Apželdinimas UAB (indirectly controlled by Šiaulių Banko Turto Fondas UAB), Sandworks UAB (indirectly controlled by Šiaulių Banko Investicijų Valdymas UAB); at 31 December 2018, Apželdinimas UAB (indirectly controlled by Šiaulių Banko Turto Fondas UAB), Sandworks UAB (indirectly controlled by Šiaulių Banko Investicijų Valdymas UAB) and ŽSA 5 UAB (indirectly controlled by Šiaulių Banko Investicijų Valdymas UAB). ŽSA5 UAB had no material assets and liabilities and was liquidated in 2019.

In 2018, the Bank recognized an impairment of EUR 1,996 thousand to investment in Bonum Publicum GD UAB through income statement line "Allowance for impairment losses on investments in subsidiaries". In 2019, the whole impairment amount of EUR 1,996 thousand was reversed through income statement. At 31 December 2019 and 2018 Bank's subsidiary Šiaulių Banko Turto Fondas UAB had recognized an impairment for the whole amount of investment in Apželdinimas UAB (impairment amount EUR 300 thousand). Bank's subsidiary Bonum Publicum GD UAB was tested for impairment using embedded value approach as of 31 December 2019 and discounted cash flows approach as of 31 December 2018. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate of 6.50% that reflects current market assessment of the time value of money and the related risks. Discounted cash flows reflect the management estimation of amounts of distributable net profit that were discounted using the discount rate of 6.6%. At 31 December 2019 and 2018 due to major uncertainties regarding future cash flows Bank's subsidiary Šiaulių Banko Turto Fondas UAB had recognized an impairment for the whole amount of investment in Apželdinimas UAB. No impairment triggers were identified regarding other subsidiaries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 17
INTANGIBLE ASSETS

Software and licences

	Group	Bank
As at 1 January 2018:		
Cost	5,424	5,068
Accumulated amortisation	(3,641)	(3,384)
Net book value	1,783	1,684
Year ended 31 December 2018:		
Net book value at 1 January	1,783	1,684
Acquisitions	894	866
Write-offs	-	-
Amortisation charge	(670)	(575)
Net book value at 31 December	2,007	1,975
As at 31 December 2018:		
Cost	6,238	5,854
Accumulated amortisation	(4,231)	(3,879)
Net book value	2,007	1,975
Year ended 31 December 2019:		
Net book value at 1 January	2,007	1,975
Acquisitions	1,766	1,713
Write-offs	(2)	-
Amortisation charge	(835)	(767)
Net book value at 31 December	2,936	2,921
As at 31 December 2019:		
Cost	7,990	7,557
Accumulated amortisation	(5,054)	(4,636)
Net book value	2,936	2,921
Economic life (in years)	3 – 9	3 – 9

Goodwill

	2019	*2018*
Goodwill arising from acquisition of:		
Bonum Publicum	1,352	1,352
Net book value	1,352	1,352

Goodwill impairment test

For the purpose of impairment testing, goodwill is allocated to one cash generating unit - subsidiary of the Bank Bonum Publicum. The recoverable amount of cash generating unit is determined by applying the embedded value calculations. Embedded value equals to the value of in-force business plus the value of the free capital. Value of in-force business is calculated using management estimations of the cash flows from the insurance portfolio and the income from capital-in-lock discounted to net present value using the discount rate of 6.50% that reflects current market assessment of the time value of money and the risks related to cash generating unit.

No impairment loss for goodwill was identified in 2019 as a result of the test. In 2018, an impairment loss of goodwill in amount of EUR 1,400 thousand was identified. The company's business expansion outlook and future cash flows were reassessed, and the assessment resulted in reduced net present value of projected future cash flows of the company, which was the main cause for the goodwill impairment recognition. The impairment was included in the income statement line "Allowance for impairment losses on other assets" and written-off.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, premises and land	Vehicles	Office equipment	Construction in progress	Total
As at 1 January 2018:					
Cost	10,160	2,742	6,574	90	19,566
Accumulated depreciation	(2,824)	(886)	(5,154)	-	(8,864)
Net book value	**7,336**	**1,856**	**1,420**	**90**	**10,702**
Year ended 31 December 2018:					
Net book value at 1 January	7,336	1,856	1,420	90	10,702
Acquisitions	-	1,038	322	49	1,409
Reclassifications	(1,901)	-	-	-	(1,901)
Disposals and write-offs	(50)	(343)	(6)	-	(399)
Depreciation charge	(191)	(399)	(591)	-	(1,181)
Net book value at 31 December	5,194	2,152	1,145	139	8,630
As at 31 December 2018:					
Cost	7,561	2,974	6,172	139	16,846
Accumulated depreciation	(2,367)	(822)	(5,027)	-	(8,216)
Net book value	**5,194**	**2,152**	**1,145**	**139**	**8,630**
Year ended 31 December 2019:					
Net book value at 1 January	5,194	2,152	1,145	139	8,630
Acquisitions	1	1,132	1,346	331	2,810
Reclassifications	99	-	3	(188)	(86)
Disposals and write-offs	(1)	(625)	(50)	(4)	(680)
Depreciation charge	(142)	(429)	(637)	-	(1,208)
Net book value at 31 December	5,151	2,230	1,807	278	9,466
As at 31 December 2019:					
Cost	7,635	2,904	5,844	278	16,661
Accumulated depreciation	(2,484)	(674)	(4,037)	-	(7,195)
Net book value	**5,151**	**2,230**	**1,807**	**278**	**9,466**
Economic life (in years)	15-50	5-12	3-20	-	-

Right-of-use assets and lease liabilities

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various offices, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 4 months to 8 years, but may have extension options. The terminations of agreementy by lesee mostly from 3 to 6 months notice. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Group: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
As at 1 January 2019:				
Cost	8,590	210	18	8,818
Accumulated depreciation	(5,162)	(92)	-	(5,254)
Net book value	**3,428**	**118**	**18**	**3,564**
Year ended 31 December 2019:				
Net book value at 1 January	3,428	118	18	3,564
Contract additions	852	51	-	903
Contract terminations	(321)	(48)	(6)	(375)
Charge to other bank's income	(10)	-	-	(10)
Depreciation charge	(1,281)	(44)	(7)	(1,332)
Net book value at 31 December	2,668	77	5	2,750
As at 31 December 2019:				
Cost	8,243	184	12	8,439
Accumulated depreciation	(5,575)	(107)	(7)	(5,689)
Net book value	**2,668**	**77**	**5**	**2,750**
Economic life (in years)	2-20	2-7	3	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (continued)

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
Short-term (up to 1 year)	*1,103*	*1,331*
Long-term (over 1 year)	*1,677*	*2,294*
Prepayments received	(110)	(133)
Lease liabilities, carrying value	2,670	3,492

The Group recognized in its income statetement for the year ended 31 December 2019 lease expense for the low value leases amounting to EUR 26 thousand.

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
As at 1 January 2018:					
Cost	9,681	1,931	6,242	90	17,944
Accumulated depreciation	(2,500)	(487)	(4,889)	-	(7,876)
Net book value	**7,181**	**1,444**	**1,353**	**90**	**10,068**
Year ended 31 December 2018:					
Net book value at 1 January	7,181	1,444	1,353	90	10,068
Acquisitions	-	849	294	44	1,187
Disposals and write-offs	-	(293)	(5)	-	(298)
Depreciation charge	(185)	(292)	(561)	-	(1,038)
Reclassification to assests held for sale	(1,901)	-	-	-	(1,901)
Net book value at 31 December	5,095	1,708	1,081	134	8,018
As at 31 December 2018:					
Cost	7,144	2,214	5,842	134	15,334
Accumulated depreciation	(2,049)	(506)	(4,761)	-	(7,316)
Net book value	**5,095**	**1,708**	**1,081**	**134**	**8,018**
Year ended 31 December 2019:					
Net book value at 1 January	5,095	1,708	1,081	134	8,018
Acquisitions	1	900	1,311	323	2,535
Disposals and write-offs	(1)	(491)	(42)	(4)	(538)
Depreciation charge	(139)	(322)	(607)	-	(1,068)
Reclassifications	99	-	-	(383)	(284)
Net book value at 31 December	5,055	1,795	1,743	70	8,663
As at 31 December 2019:					
Cost	7,218	2,282	5,498	70	15,068
Accumulated depreciation	(2,163)	(487)	(3,755)	-	(6,405)
Net book value	**5,055**	**1,795**	**1,743**	**70**	**8,663**
Economic life (in years)	15-50	5-12	3-20	-	-

Bank: right-of-use assets	Buildings, premises and land	Vehicles	Office equipment	Total
As at 1 January 2019:				
Cost	8,125	210	-	8,335
Accumulated depreciation	(5,162)	(92)	-	(5,254)
Net book value	**2,963**	**118**	**-**	**3,081**
Year ended 31 December 2019:				
Net book value at 1 January	2,963	118	-	3,081
Contract additions	882	51	-	933
Contract terminations	(322)	(48)	-	(370)
Charge to other bank's income	(10)	-	-	(10)
Depreciation charge	(1,083)	(44)	-	(1,127)
Net book value at 31 December	2,430	77	-	2,507
As at 31 December 2019:				
Cost	7,907	184	-	8,091
Accumulated depreciation	(5,477)	(107)	-	(5,584)
Net book value	**2,430**	**77**	**-**	**2,507**
Economic life (in years)	2-20	2-7	-	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 18
PROPERTY, PLANT AND EQUIPMENT (continued)

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

	31 December 2019	*1 January 2019*
Lease liabilities before prepayments	2,532	3,131
Short-term (up to 1 year)	*938*	*1,063*
Long-term (over 1 year)	*1,594*	*2,068*
Prepayments received	(80)	(97)
Lease liabilities, carrying value	**2,454**	**3,034**

The Bank recognized in its income statetement for the year ended 31 December 2019 lease expense for the low value leases amounting to EUR 4 thousand.

The total balance of the assets in the tables above includes assets leased under lease agreements as follows:

			Group			Bank
	Vehicles	*Equipment*	*Total*	*Vehicles*	*Equipment*	*Total*
As at 1 January 2018:						
Cost	44	502	546	-	502	502
Accumulated depreciation	(16)	(501)	(517)	-	(501)	(501)
Net book value	**28**	**1**	**29**	**-**	**1**	**1**
Year ended 31 December 2018:						
Net book value at 1 January	28	1	29	-	1	1
Additions (+), disposals and write-offs (-)	45	-	45	-	-	-
Depreciation charge	(21)	(1)	(22)	-	(1)	(1)
Net book value at 31 December	52	-	52	-	-	-
As at 31 December 2018:						
Cost	89	481	570	-	481	481
Accumulated depreciation	(37)	(481)	(518)	-	(481)	(481)
Net book value	**52**	**-**	**52**	**-**	**-**	**-**
Year ended 31 December 2019:						
Net book value at 1 January	52	-	52	-	-	-
Additions (+), disposals and write-offs (-)	(33)	-	(33)	-	-	-
Depreciation charge	(19)	-	(19)	-	-	-
Net book value at 31 December	-	-	-	-	-	-
As at 31 December 2019:						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net book value	**-**	**-**	**-**	**-**	**-**	**-**
Economic life (in years)	6-12	6-15	-	-	6-15	-

As at 31 December 2019 and 31 December 2018, there were no property, plant and equipment pledged to third parties.

Future minimum lease payments to be received under non-cancellable lease agreements for the Bank and the Group were as follows (this includes investment property disclosed in Note 26):

			2019			*2018*
	up to 1 year	*1-5 years*	*over 5 years*	*up to 1 year*	*1-5 years*	*over 5 years*
Group	508	479	90	130	139	43
Bank	33	7	-	47	57	43

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 19
OTHER ASSETS

	2019		2018	
	Group	Bank	Group	Bank
Financial assets:				
Amounts receivable	7,875	7,229	13,213	12,708
Breakdown of financial assets according to maturity				
Short-term (up to 1 year)	7,035	6,373	13,041	12,542
Long-term (over 1 year)	840	856	172	166
Non-financial assets:				
Breakdown of non-financial assets according to maturity				
Short-term (up to 1 year)	12,464	1,918	22,518	6,097
Long-term (over 1 year)	3,617	3,127	2,731	1,209
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 held for sale	1,004	1,004	1,794	1,794
Other	2,332	2,278	851	745
TOTAL OTHER ASSETS	**23,956**	**12,274**	**38,462**	**20,014**

Balances of other financial assets include impairment. Reconciliation of allowance for impairment of other financial assets is presented in the table below:

	Group	Bank
Allowance for impairment of other financial assets as of 1 January 2018:	330	303
Change in allowance for impairment	73	75
Other financial assets written-off during the period	(5)	(3)
Reclassifications and other movements	(3)	(3)
Allowance for impairment of other financial assets as of 31 December 2018:	395	372
Change in allowance for impairment	134	138
Other financial assets written-off during the period	(13)	(5)
Reclassifications and other movements	1	-
Allowance for impairment of other financial assets as of 31 December 2019:	517	505

Inventories relate to real estate projects under development and real estate held for sale by the Bank's subsidiaries Šiaulių Banko Turto Fondas UAB, SBTF UAB, Minera UAB and Pavasaris UAB. All inventories are accounted at lower of cost and net realisable value. Inventories are not pledged.

Real estate properties that are planned to be sold within one year are included in assets classified as held for sale. As of 31 December 2019, such real estate assets consisted of nine properties with a fair value of EUR 1,004 thousand (as of 31 December 2018: ten properties with a fair value of EUR 1,794 thousand). An impairment expense of EUR 424 thousand related to the repricing these properties down to the realisable value was recognized in 2019 (2018: EUR 1,282 thousand). No income or expenses related to these properties were recorded in profit or loss of discontinued operations.

A net impairment expense of EUR 291 thousand related to repricing inventories and other non-financial assets down to realisable value was included in year 2019 income statement for the Group (the Bank – net expense of EUR 57 thousand). In 2018, the Group included a net impairment expense on inventories and other non-financial assets of EUR 701 thousand in its income statement (the Bank – net expense of EUR 37 thousand).

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 20
DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2019		2018	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	45,168	46,486	22,556	23,646
Time deposits	983	1,944	2,633	3,711
Total correspondent accounts and deposits of other banks and financial institutions	46,151	48,430	25,189	27,357
Due to central bank	-	-	16,166	16,166
Loans received from:				
Other banks	-	-	255	255
Other organisations	8,507	8,507	9,987	9,987
International organisations	19,737	19,737	17,555	17,555
Total loans received	28,244	28,244	27,797	27,797
Total	74,395	76,674	69,152	71,320
Breakdown of due to other banks and financial institutions according to maturity				
Short-term (up to 1 year)	56,244	57,623	51,573	53,320
Long-term (over 1 year)	18,151	19,051	17,579	18,000
Total	74,395	76,674	69,152	71,320

As at 31 December 2018, due to central bank consisted of short-term borrowings from Bank of Lithuania in a form of Eurosystem market operations. Government bonds with a carrying value of EUR 40,515 thousand were placed as a collateral for borrowings (of which, EUR 17,082 thousand were pledged against the outstanding loan and remaining EUR 23,433 thousand was unused collateral – they were pledged for having the opportunity to borrow the funds immediately when needed).

NOTE 21
DUE TO CUSTOMERS

	2019		2018	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	25,906	25,906	24,043	24,043
Local government institutions	73,856	73,856	63,274	63,274
Governmental and municipal companies	24,058	24,058	28,558	28,558
Corporate entities	402,900	405,115	388,159	388,537
Non-profit organisations	19,456	19,456	15,284	15,284
Individuals	491,616	491,616	383,548	383,548
Unallocated amounts due to customers	69,380	70,190	44,838	45,462
Total demand deposits	1,107,172	1,110,197	947,704	948,706
Time deposits:				
National government institutions	1,432	1,432	1,334	1,334
Local government institutions	796	796	907	907
Governmental and municipality companies	6,501	6,501	5,498	5,498
Corporate entities	56,234	56,234	64,554	64,554
Non-profit organisations	2,242	2,242	2,347	2,347
Individuals	859,272	859,272	823,444	823,444
Total time deposits	926,477	926,477	898,084	898,084
Total	2,033,649	2,036,674	1,845,788	1,846,790
Breakdown of due to customers according to maturity				
Short-term (up to 1 year)	1,813,728	1,816,753	1,643,628	1,644,630
Long-term (over 1 year)	219,921	219,921	202,160	202,160
Total	2,033,649	2,036,674	1,845,788	1,846,790

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 22
SPECIAL AND LENDING FUNDS

	2019		2018	
	Group	Bank	Group	Bank
Special funds	7,060	7,060	3,192	3,192
Lending funds	-	-	-	-
Total	7,060	7,060	3,192	3,192
Breakdown of special and lending funds according to maturity				
Short-term (up to 1 year)	7,060	7,060	3,192	3,192
Long-term (over 1 year)	-	-	-	-
	7,060	7,060	3,192	3,192

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.

NOTE 23
DEBT SECURITIES IN ISSUE

At 31 December 2019, the Bank had EUR 20,044 thousand subordinated debt securities issued, which consisted of a 10 year bond issue of EUR 20,000 thousand. The bonds were issued on 23 December 2019, annual interest rate is 6.15%. The Bank has a right to call the bonds after 5 years. The issue terms includes listing of the issued bonds on a regulated market - within 12 months from the date of distribution they are intended to be admitted to the Nasdaq Baltic Debt Securities List.

At 31 December 2018, the Bank had EUR 20,003 thousand debt securities issued, which consisted of a 3 year bond issue of EUR 20,000 thousand (ISIN code LT0000432015). The bonds were issued on 21 December 2017, annual interest rate is 0.60%. The Bank had a right to call the bonds after 2 years. From 6 December 2018 this issue was listed on Nasdaq Baltic Bond List. On 21 December 2019, the Bank exercised its call option and redeemed outstanding bonds paying the investors the nominal value of the bonds and accrued interest.

Cash flows and other movements of issued debt securities:

	2019		2018	
	Group	Bank	Group	Bank
As at 1 January	20,003	20,003	20,003	20,003
Issuance	20,000	20,000	-	-
Redemptions	(20,000)	(20,000)	-	-
Accrued interest	161	161	120	120
Coupon payments	(120)	(120)	(120)	(120)
As at 31 December	20,044	20,044	20,003	20,003

NOTE 24
LIABILITIES RELATED TO INSURANCE ACTIVITIES

Technical insurance provisions:

Bank's subsidiary Bonum Publicum GD UAB is engaged in life insurance business. For the years ended 31 December 2019 and 2018 the technical insurance provisions and their changes were as follows:

	Unearned premiums	Claims outstanding	Loss cover (mathematical)	Unit-linked	Total
Gross:					
At 1 January 2018	16	216	7,040	19,960	27,232
Change for the period	(1)	5	1,156	(425)	735
At 31 December 2018	15	221	8,196	19,535	27,967
Change for the period	-	(77)	1,095	4,512	5,530
At 31 December 2019	15	144	9,291	24,047	33,497
Reinsurance share:					
At 1 January 2018	(19)	(20)	(10)	-	(49)
Change for the period	-	10	4	-	14
At 31 December 2018	(19)	(10)	(6)	-	(35)
Change for the period	(6)	10	1	-	5
At 31 December 2019	(25)	-	(5)	-	(30)
Net value					
At 31 December 2018	(4)	211	8,190	19,535	27,932
At 31 December 2019	(10)	144	9,286	24,047	33,467

Liabilities under unit-linked insurance contracts are fully covered with assets: other securities in the trading book and cash (31 December 2019: securities EUR 23,492 thousand, cash EUR 555 thousand, 31 December 2018: securities EUR 18,999 thousand, cash EUR 536 thousand).ei

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 25
OTHER LIABILITIES

	Group 2019	Bank 2019	Group 2018	Bank 2018
Financial liabilities:				
Trade payables	4,910	2,022	3,410	824
Accrued charges	10,548	9,341	10,091	8,542
Lease liabilities (see Note 18)	2,670	2,454	-	-
Total financial liabilities	18,128	13,817	13,501	9,366
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	16,392	12,215	12,852	9,366
Long-term (over 1 year)	1,736	1,602	649	-
Non-financial liabilities:				
Advance amounts received from the buyers of assets	4,267	-	3,918	-
Deferred income	808	350	706	308
Provisions	660	-	284	-
Other liabilities	1,433	1,431	601	606
Total non-financial liabilities	7,168	1,781	5,509	914
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	6,980	1,660	4,816	762
Long-term (over 1 year)	188	121	693	152
Total non-financial liabilities	7,168	1,781	5,509	914

Provions are recognized as the Group's subsidiaries involved in the real estate activities grant service commitments for the properties they develop and sell or for pending legal issues against the Group companies. The movement of provisions is presented in the table below:

	Group 2019	Bank 2019	Group 2018	Bank 2018
Provisions at 1 January	284	-	60	60
Additions, including increases in existing provisions	438	-	354	103
Amounts used	(62)	-	(163)	(163)
Other movements (reclassifications)	-	-	33	-
Provisions at 31 December	660	-	284	-

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 26
INVESTMENT PROPERTY

Investment property

	Group	Bank
Year ended 31 December 2018:		
Carrying amount at 1 January	12,230	3,771
Acquisitions	30	-
Reclassifications to assets held for sale	(608)	(608)
Impairment	(933)	-
Depreciation charge	(131)	(59)
Disposals and write-offs	(828)	(827)
Carrying amount at 31 December 2018	9,760	2,277
As at 31 December 2018:		
Cost	10,670	2,510
Accumulated depreciation	(910)	(233)
Net carrying amount	9,760	2,277
Estimated fair value at 31 December 2018	10,288	2,568
Year ended 31 December 2019:		
Carrying amount at 1 January	9,760	2,277
Acquisitions	-	-
Reclassifications	62	(1)
Impairment	(63)	-
Depreciation charge	(220)	(34)
Disposals and write-offs	(1,969)	(1,875)
Carrying amount at 31 December 2019	7,570	367
As at 31 December 2019:		
Cost	8,716	543
Accumulated depreciation	(1,146)	(176)
Net carrying amount	7,570	367
Estimated fair value at 31 December 2019	8,582	425
Economic life (in years)	20-50	20-50

Income from rent of investment property is included in the income statement line "Other operating income" (see Note 6 "Other income"). Maintenance expenses related to investment property (Group: EUR 152 thousand in 2019, EUR 172 thousand in 2018; Bank: EUR 59 thousand in 2018, EUR 90 thousand in 2018) are included in the income statement line "Other operating expenses". Future minimum lease payments to be received under non-cancellable lease agreements disclosure in Note 18 includes the payments from the the investment property leases.

The Group tests the investment property for impairment mainly using valuations from external independent certified appraisers or valuations performed by Group's employees (as of 31 December 2019, 95% of the carrying value of the investment property was tested for impairment using valuations from external independent certified appraisers; as of 31 December 2018 – 67%). Income or comparative price methods, i.e. valuation techniques attributable to Level 3 (income method or comparative price method) are mostly used valuation techniques to test the investment property for impairment both by external and internal valuators.

NOTE 27
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 30). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 13 December 2018.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 27
CAPITAL (continued)

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).

Share premium

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised share capital. In 2018, the share premium of EUR 3,428 thousand was recognized in the subordinated loan conversion process (described above in this note).

Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

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 employess as part of variable remuneration.

During the year 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 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.

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

The Group has assessed fair value of shares option by the Black-Scholes model which is attributable to Level 3 in fair value hierarchy. The model inputs include grant date (28 March 2019), expiry day (15 April 2022), share price EUR 0.456 on grant day 28 March 2019, expected price volatility of the bank's shares 24%, risk free interest rate -0,2%.

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

As of 31 December 2019, other equity consists of:

	Group	Bank
options	1,097	970
shares distributable to the employees	439	375
Total	**1,536**	**1,345**

At 31 December 2018, Group's and Bank's liabilities to employees in cash and shares were included in other financial liabilities.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 28
CONTINGENT LIABILITIES AND COMMITMENTS

Contingent tax liabilities

The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2015 to 2019. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

Guarantees issued, letters of credit, commitments to grant loans and other commitments

		2019		*2018*
	Group	Bank	Group	Bank
Financial guarantees issued	44,425	44,489	39,655	39,720
Letters of credit	13,779	13,779	760	760
Commitments to grant loans	252,537	280,208	260,860	281,071
Lease commitments	16	16	3,055	2,639
Other commitments	2,216	2,216	4,547	4,547
Total	312,973	340,708	308,877	328,737

Fair value of the guarantees amounts to EUR 298 thousand at 31 December 2018 (31 December 2018: EUR 269 thousand). It is estimated as the amount of the guarantee fee to be paid by the customers less amortization over the contract period.

As the guarantees and letters of credit are either 100% secured by cash collaterals pledged by the customers to the Bank, or are issued using the credit line that the Bank has granted to the customer (which has its own collaterals and impairment is calculated for the credit line), no ECL impairment provisions are formed against these obligations. Commitments to grant loans are included in the EAD model in loan ECL calculations and the impairment is calculated for the whole instrument that includes both on-balance and off-balance sheet amounts, therefore the impairment for commitments to grant loans is included in the loan impairment amount.

The Group's liabilities include provisions for other contingent liabilities that are recognized using IAS 37 approach. Such provisions are disclosed in Note 25.

NOTE 29
DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed. On 29 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. The dividends were paid to shareholders as per their stakes at the end of the day of accounting of rights of the Meeting (11 April 2019). Total amount of dividends was EUR 17,421 thousand.

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. The dividends were paid to shareholders as per their stakes at the end of the day of accounting of rights of the Meeting (13 April 2018). Total amount of dividends was EUR 2,265 thousand.

Unpaid dividends are included in other financial liabilities in the statement of financial position. The table below shows the movements in dividends for the years 2019 and 2018:

	2019	2018
Unpaid dividend amount at 1 January:	16	23
Dividends declared	17,421	2,265
Dividends paid	(17,382)	(2,272)
Unpaid dividend amount at 31 December:	55	16

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 30
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, includes Apželdinimas UAB, Bonum Publicum GD UAB, Minera UAB, Pavasaris UAB, Sandworks UAB, SB Lizingas UAB, SBTF UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Lizingas UAB, Šiaulių Banko Turto Fondas UAB;
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.

The year-end balances of loans (incl. off-balance sheet commitments) granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and ranges of annual interest rates were as follows (data of the Bank):

	Deposits, at the year-end		*Range of annual interest rates, %*		*Loans, at the year-end*		*Range of annual interest rates, %*		*Off-balance sheet commitments, at the year-end*	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Members of the Council and the Board	1,535	3,176	0.00-0.05	0.00-0.50	-	192	-	0.49-17.00	31	51
Other related parties (excluding subsidiaries of the Bank)	3,365	2,346	0.00-0.70	0.00	20,070	21,225	1.17-3.87	1.25-3.87	5	8
Total	**4,900**	**5,522**	**-**	**-**	**20,070**	**21,417**	**-**	**-**	**36**	**59**
% of regulatory capital	1.82%	2.57%	-	-	7.44%	9.96%	-	-	0.01%	0.03%

As at 31 December 2019, loans to related parties (except for subsidiaries) with gross value before impairment provisions of EUR 20,078 thousand (31 December 2018: EUR 21,340 thousand) had collaterals.

At 31 December 2019 and 2018, Bank's subsidiaries had no material transactions with the related parties except for the Bank and its subsidiaries.

As at 31 December 2019, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 36 thousand. An impairment expense of EUR 4 thousand related to these loans was recorded profit or loss in 2019. As at 31 December 2018, balance of allowances for impairment losses that are related to balances of loans to related parties, except for subsidiaries, was equal to EUR 32 thousand. Adoption of IFRS9 resulted in recognition of impairment EUR 90 thousand that is related to balances of loans to related parties at 1 January 2018, an impairment of EUR 24 thousand was reversed through profit or loss in 2018, and an impairment of EUR 34 thousand was reclassified as the borrowers status change to unrelated party.

Transactions with EBRD:

The Group/Bank had a subordinated loan received from the European Bank for Reconstruction and Development (hereinafter – EBRD). In 2018, the loan was repaid by converting it to Bank's shares (see Note 27 for details on the conversion). In 2018, subordinated loan related interest expenses amounted to EUR 860 thousand, a gain of EUR 9,043 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement.

Transactions with subsidiaries:

Balances of Bank's transactions with the subsidiaries are given below:

	Deposits, at the year-end		*Range of annual interest rates, %*		*Loans, at the year-end*		*Range of annual interest rates, %*		*Off-balance sheet commitments, at the year-end*	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-financial institutions	4,164	2,043	0.00	0.00	7,539	10,426	2.3	2.3	1,725	3,461
Financial institutions	1,141	1,128	0.00-1.90	0.00-1.90	101,425	58,092	2.3-5.0	2.3-5.0	33,681	16,815

No collateral is obtained on loans to subsidiaries.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 30
RELATED-PARTY TRANSACTIONS (continued)

Bank's total balances with subsidiaries (see Note 16 for details on investment in subsidiaries):

	2019	2018 (restated)
Assets		
Loans	108,964	68,518
Other assets	69	19
Bank's investment in subsidiaries	31,491	29,450
Liabilities		
Term deposits	961	1,078
Demand deposits	4,344	2,093
Other liabilities	14	5

Income and expenses arising from transactions with subsidiaries:

	2019	2018 (restated)
Income		
Interest	4,049	2,865
Commission income	704	222
Income from foreign exchange operations	6	4
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	4,713	3,327
Other income	86	39
Expenses		
Interest	(18)	(14)
Operating expenses	(27)	(30)
Impairment of loans	(455)	(7)
Impairment of an investment to subsidiaries	1,996	(1,996)

As at 31 December 2019 balance of allowances for impairment losses that are related to balances of loans to subsidiaries was EUR 504 thousand (as at 31 December 2018: EUR 49 thousand).

Remuneration of the management of the Group/Bank

During 2019 the total amount of salaries and bonuses (total of payments in cash and in shares of the Bank), including social security contributions and guarantee fund payments, to the Bank's Board members amounted to EUR 2,233 thousand (2018: EUR 2,280 thousand). Liabilities related to long term benefits related to remuneration are presented in the table below:

	2019	2018
Short-term (up to 1 year)	481	707
Long-term (over 1 year)	1,485	682
Total	1,966	1,389

	Payment in cash due in:				*Payment in shares due in:*				*Total*
	up to 1 year	1 to 2 years	2 to 3 years	Total	up to 1 year	1 to 2 years	2 to 3 years	Total	
31 December 2019:									
for year 2016 salaries and bonuses	68	-	-	68	212	-	-	212	280
for year 2017 salaries and bonuses	68	68	-	136	133	133	-	266	402
for year 2018 salaries and bonuses	-	-	-	-	-	-	1,284	1,284	1,284
Total liability at 31 December 2019	136	68	-	204	345	133	1,284	1,762	1,966
31 December 2018:									
for year 2015 salaries and bonuses	40	-	-	40	186	-	-	186	226
for year 2016 salaries and bonuses	68	68	-	136	212	212	-	424	560
for year 2017 salaries and bonuses	68	68	68	204	133	133	133	399	603
Total liability at 31 December 2018	176	136	68	380	531	345	133	1,009	1,389

Note: payment in shares amounts at 31 December 2018 were changed due to correction of error in previous financial statements. Previously reported payment in shares to Bank's Board members amount of EUR 783 thousand excluded liability to one member.

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION

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 (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).

STATEMENT OF FINANCIAL POSITION

	31 December 2019		*31 December 2018*	
	Fin. Group	Bank	Fin. Group (restated)	Bank (restated)
ASSETS				
Cash and cash equivalents	181,903	181,582	87,990	87,732
Securities in the trading book	15,354	15,354	27,896	27,896
Due from other banks	280	280	2,090	2,090
Derivative financial instruments	986	986	1,197	1,197
Loans to customers	1,522,117	1,510,052	1,272,183	1,264,741
Finance lease receivables	157,597	157,540	124,088	123,969
Investment securities at fair value	14,059	9,491	20,810	16,507
Investment securities at amortized cost	535,479	535,479	638,655	638,655
Investments in subsidiaries	15,406	31,491	13,340	29,450
Intangible assets	2,922	2,921	1,996	1,975
Property, plant and equipment	11,590	11,170	8,333	8,018
Investment property	3,053	367	5,301	2,277
Current income tax prepayment	4	-	1,435	1,435
Deferred income tax asset	1,214	831	967	573
Inventories	2,523	-	5,256	-
Other financial assets	7,778	7,229	12,815	12,708
Other non-financial assets	6,039	5,045	8,258	7,306
Total assets	2,478,304	2,469,818	2,232,610	2,226,529
LIABILITIES				
Due to other banks and financial institutions	75,534	76,674	70,195	71,320
Derivative financial instruments	945	945	1,048	1,048
Due to customers	2,036,674	2,036,674	1,846,788	1,846,790
Special and lending funds	7,060	7,060	3,192	3,192
Debt securities in issue	20,044	20,044	20,003	20,003
Current income tax liabilities	1,488	1,472	97	-
Deferred income tax liabilities	917	-	575	-
Other financial liabilities	17,437	13,817	12,031	9,366
Other non-financial liabilities	6,406	1,781	4,282	914
Total liabilities	2,166,505	2,158,467	1,958,211	1,952,633
EQUITY				
Capital and reserves attributable to owners of the Bank				
Share capital	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	14,292	14,246	10,241	10,195
Financial instruments revaluation reserve	(22)	(22)	(492)	(492)
Reserve for acquisition of own shares	10,000	10,000	-	-
Other equity	1,524	1,345	-	-
Retained earnings	107,610	107,387	86,255	85,798
Total equity	311,799	311,351	274,399	273,896
Total liabilities and equity	2,478,304	2,469,818	2,232,610	2,226,529

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

INCOME STATEMENT

	2019 Fin. Group	2019 Bank	2018 Fin. Group (restated)	2018 Bank (restated)
Interest revenue calculated using the effective interest method	73,411	63,842	64,913	57,798
Other similar income	7,108	7,074	6,026	5,943
Interest expense and similar charges	(8,216)	(8,032)	(8,443)	(8,443)
Net interest income	**72,303**	**62,884**	**62,496**	**55,298**
Fee and commission income	22,920	23,222	19,659	19,109
Fee and commission expense	(6,045)	(5,909)	(5,319)	(5,196)
Net fee and commission income	**16,875**	**17,313**	**14,340**	**13,913**
Net gain from trading activities	11,562	11,245	9,306	9,214
Net gain (loss) from changes in fair value of subordinated loan	-	-	9,043	9,043
Net gain from derecognition of financial assets	2,442	1,184	582	582
Net gain from disposal of tangible assets	1,135	198	671	273
Other operating income	941	580	921	510
Salaries and related expenses	(21,549)	(19,607)	(19,953)	(17,935)
Depreciation and amortization expenses	(3,255)	(2,996)	(1,860)	(1,672)
Other operating expenses	(14,346)	(11,330)	(11,271)	(9,117)
Operating profit before impairment losses	**66,108**	**59,471**	**64,275**	**60,109**
Allowanceimpairment losses on loans and finance lease receivables	(7,634)	(5,619)	(2,967)	(3,129)
Allowancefor impairment losses on other assets	(961)	(558)	(2,176)	(1,556)
(Allowance) / reversal of allowance for impairment losses on investments in subsidiaries	1,996	1,996	(1,996)	(1,996)
Share of the profit or loss of investments in subsidaries accounted for using the equity method	1,263	4,713	730	3,327
Profit from before income tax	**60,772**	**60,003**	**57,866**	**56,755**
Income tax expense	(7,891)	(6,900)	(5,328)	(4,744)
Net profit for the year	**52,881**	**53,103**	**52,538**	**52,011**
Net profit attributable to:				
Owners of the Bank	52,881	53,103	52,538	52,011
Non-controlling interest	-	-	-	-
	52,881	53,103	52,538	52,011

STATEMENT OF COMPREHENSIVE INCOME

	2019 Fin. Group	2019 Bank	2018 Fin. Group	2018 Bank
Profit for the year	**52,881**	**53,103**	**52,538**	**52,011**
Other comprehensive income (loss):				
Items that may be subsequently reclassified to profit or loss:				
Financial assets valuation gains taken to other comprehensive income	766	766	(486)	(486)
Financial assets valuation result transferred to profit or loss	(166)	(166)	(74)	(74)
Deferred income tax on gain (loss) 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	-	-	352	352
Other comprehensive income (loss), net of deferred tax	**470**	**470**	**(124)**	**(124)**
Total comprehensive income	**53,351**	**53,573**	**52,414**	**51,887**
Total comprehensive income (loss) attributable to:				
Owners of the Bank	53,351	53,573	52,414	51,887
Non-controlling interest	-	-	-	-
	53,351	53,573	52,414	51,887

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

STATEMENT OF CASH FLOWS

	Year ended			
	31 December 2019		31 December 2018	
	Fin. Group	Bank	Fin. Group	Bank
Operating activities				
Interest received on loans and advances	65,300	55,527	54,082	46,976
Interest received on finance leases	6,907	6,871	5,599	5,507
Interest received on debt securities in the trading book	960	960	894	894
Interest paid	(7,357)	(7,053)	(8,062)	(8,062)
Fees and commissions received	22,829	23,131	19,677	19,127
Fees and commissions paid	(6,000)	(5,864)	(5,282)	(5,159)
Net cash inflows from trade in securities in the trading book	30,207	28,890	(8,927)	(11,253)
Net inflows from foreign exchange operations	7,940	7,940	5,468	5,468
Net inflows from derecognition of financial assets	2,442	1,184	582	582
Net inflows from disposal of tangible assets	2,268	420	671	273
Cash inflows related to other activities of Group companies	941	580	921	510
Recoveries on loans previously written off	2,162	422	1,582	662
Salaries and related payments to and on behalf of employees	(22,369)	(20,427)	(19,290)	(17,272)
Payments related to operating and other expenses	(13,038)	(10,073)	(11,975)	(9,145)
Income tax (paid)	(4,482)	(3,759)	(10,480)	(9,893)
Net cash flow from operating activities before change in operating assets and liabilities	88,710	78,749	25,460	19,215
Change in operating assets and liabilities:				
Decrease in due from other banks	1,810	1,810	128	128
Increase in loans to customers	(258,154)	(250,196)	(171,349)	(168,063)
Increase in financel lease receivable	(34,854)	(34,938)	(32,525)	(32,766)
Decrease (increase) in other financial assets	5,037	5,479	(3,175)	(3,092)
Decrease (increase) in other non-financial assets	(1,213)	1,235	(3,806)	(2,998)
Increase in due to banks and financial institutions	5,371	5,386	13,212	13,216
Increase in due to customers	188,993	188,991	198,499	197,737
Increase (decrease) in special and lending funds	3,868	3,868	(10,144)	(10,144)
Increase (decrease) in other financial liabilities	6,704	5,665	4,086	1,421
Increase (decrease) in other non-financial liabilities	(285)	(5,141)	(2,512)	(242)
Change	(82,723)	(77,841)	(7,586)	(4,803)
Net cash flow from operating activities	5,987	908	17,874	14,412

Investing activities				
(Acquisition) of property, plant and equipment, investment property and intangible assets	(4,448)	(4,245)	(2,709)	(2,053)
Disposal of property, plant and equipment, investment property and intangible assets	5,082	4,778	2,028	1,126
(Acquisition) of investment securities at amortized cost	(37,876)	(37,876)	(133,985)	(133,985)
Proceeds from redemption of investment securities at amortized cost	122,242	122,242	70,184	70,184
Interest received on investment securities at amortized cost	14,740	14,740	13,900	13,900
Dividends received	42	4,842	647	4,647
(Acquisition) of investment securities at fair value	(7,469)	(7,204)	(7,460)	(7,408)
Sale or redemption of investment securities at fair value	14,031	14,031	2,459	2,459
Interest received on investment securities at fair value	382	350	251	251
Net cash flow from (used in) investing activities	106,726	111,658	(54,685)	(50,879)

Financing activities				
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	(1,298)	(1,214)	-	
Net cash flow (used in) from financing activities	(18,800)	(18,716)	(2,392)	(2,392)

Net increase (decrease) in cash and cash equivalents	93,913	93,850	(39,203)	(38,859)
Cash and cash equivalents at 1 January	87,990	87,732	127,193	126,591
Cash and cash equivalents at 31 December	181,903	181,582	87,990	87,732

(All amounts are in EUR thousand, unless otherwise stated)

NOTE 31
FINANCIAL GROUP INFORMATION (continued)

FINANCIAL GROUP'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve capital	Financial instruments revaluation	Statutory reserve	*Reserve for acquisition of own shares*	*Other equity*	Retained earnings	Total
1 January 2018	131,366	-	756	(368)	7,071	-	-	60,090	198,915
Impact of change in accounting principles	-	-	-	-	-	-	-	1,730	1,730
1 January 2018 (restated)	131,366	-	756	(368)	7,071	-	-	61,820	200,645
Transfer to statutory reserve	-	-	-	-	3,170	-	-	(3,170)	-
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	-	-	-	-	-	-	-	(2,265)	(2,265)
Increase in share capital through bonus issue of shares	26,273	-	-	-	-	-	-	(26,273)	-
Total comprehensive income:	-	-	-	(124)	-	-	-	52,538	52,414
Net profit	-	-	-	-	-	-	-	*52,538*	*52,538*
Other comprehensive income	-	-	-	*(124)*	-	-	-	-	*(124)*
31 December 2018 (restated)	174,211	3,428	756	(492)	10,241	-	-	86,255	274,399
Impact of change in accounting principles	-	-	-	-	-	-	-	(54)	(54)
1 January 2019	174,211	3,428	756	(492)	10,241	-	-	86,201	274,345
Transfer to statutory reserve	-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares	-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity	-	-	-	-	-	-	1,524	-	1,524
Payment of dividends	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income:	-	-	-	470	-			52,881	53,351
Net profit	-	-	-	-	-			*52,881*	*52,881*
Other comprehensive income	-	-	-	*470*	-			-	470
31 December 2019	174,211	3,428	756	(22)	14,292	10,000	1,524	107,610	311,799

CAPITAL RATIOS AND COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

	31 December 2019		*31 December 2018*	
	Fin. Group	Bank	Fin. Group	Bank
Tier 1 capital	248,539	249,744	219,617	214,977
Tier 2 capital	20,000	20,000	-	-
Own funds	268,539	269,744	219,617	214,977
Total risk exposure amount	1,658,263	1,676,058	1,453,905	1,450,395
CET 1 Capital ratio	14.99%	14.90%	15.11%	14.82%
Tier 1 Capital ratio	14.99%	14.90%	15.11%	14.82%
Total capital ratio	16.19%	16.09%	15.11%	14.82%

During the years ended 31 December 2019 and 31 December 2018, the Financial group and the Bank complied with prudential requirements to which it was subject.

The profit of the current year is not included in Tier 1 capital until it is audited by independent auditors. If the profit for the year 2019 was included in Owns funds of the Financial group and the Bank as of 31 December 2019, it would cause the Total capital ratio to increase to 18.95% and 18.74%, respectively.

NOTE 32
EVENTS AFTER THE REPORTING PERIOD

On 9th of January 2020 Šiaulių bankas has signed an agreement with Danske Bank A/S acting through its Lithuania Branch regarding the acquisition of Danske Bank's personal portfolio consisting of lending products offered to natural persons with a gross value of 125 million EUR. The portfolio consists mostly of the mortgage loans. The transaction is expected to be completed within four months after signing the agreement.

CONSOLIDATED ANNUAL REPORTOF ŠIAULIŲ BANKAS AB FOR 2019

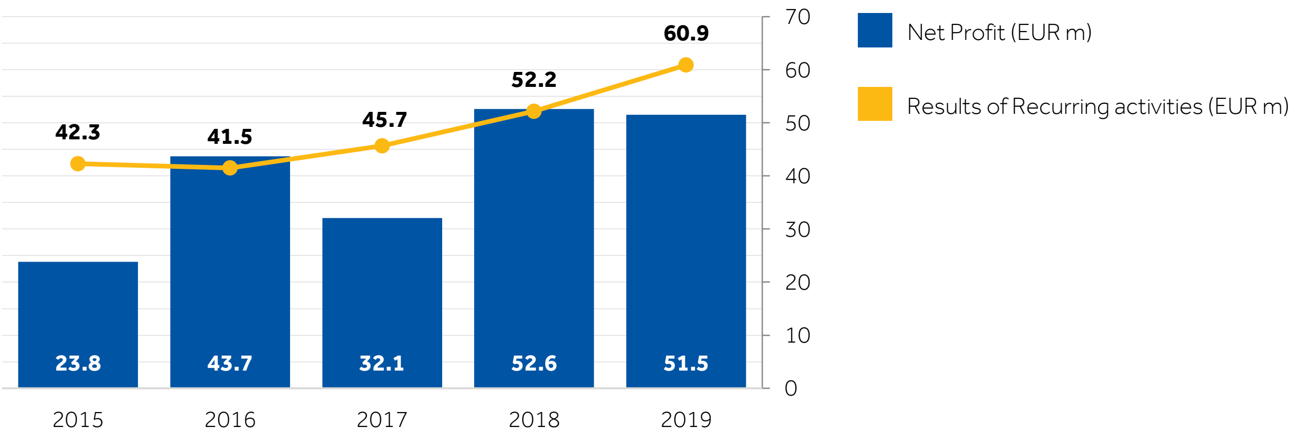
The consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) covers the period 01 January 2019 to 31 December 2019.

The description of alternative performance indicators is available on the Bank's website at: https://sb.lt/en/investors/financial-info/alternative-performance-measures.

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 per cent 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.



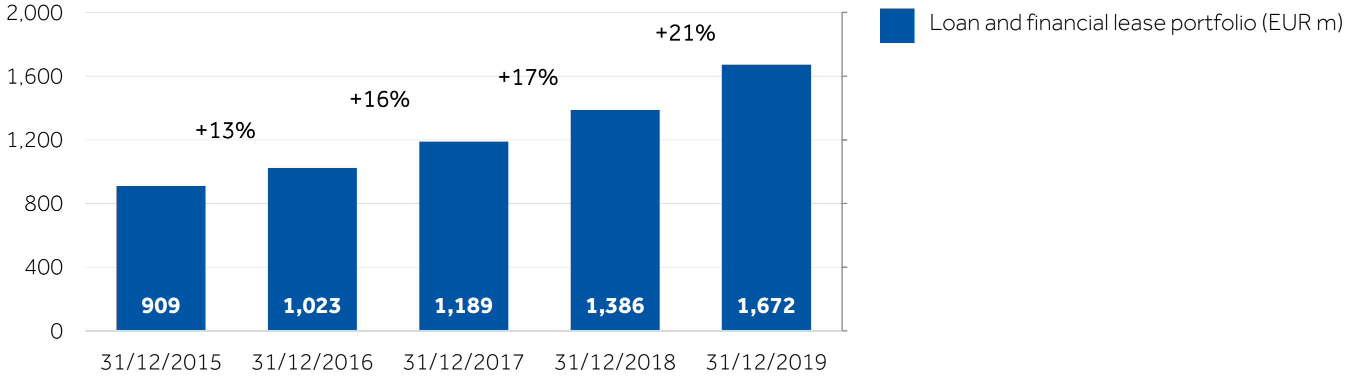
In a view of increasing lending volumes and low resource costs, net interest income grew by 15 per cent over the year and reached 72.4 million euros. High customer activity in using banking services resulted in 18 per cent growth in net fee and commission income over the year and totalled to 16.7 million 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.

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.

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		*2018*	
		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
Operating profit before impairment	60.864	7.280	52.244	13.500

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.

INFORMATION ON SANCTIONS IMPOSED

In October 2019, the Board of the Bank of Lithuania warned Bonum Publicum UAB about the violations of legal acts, which were detected during the inspection of the activities of this insurance company. The company was bound to remedy breaches of legislation and deficiencies identified during inspections by 31 December 2019.

In 2019 the Bank of Lithuania carried out a scheduled inspection of Šiaulių Bankas on credit risk management and compliance with requirements of anti-money laundering and counter terrorist financing (AML/CTF) and passed a resolution obliging Šiaulių Bankas to correct violations and deficiencies of legislation in the field of of credit risk management, to eliminate violations and deficiencies identified by the BoL in the area of AML/CTF 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 sanction (EUR 880 thousand) and for this purpose filed a complaint with the Vilnius Regional Administrative Court.

RISK MANAGEMENT, COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

A complete disclosure of all significant risks incurred by the Group is provided in the chapter Financial Risk Management of the explanatory note of the financial statement for 2019.

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/en/investors/financial-info/profitability-ratios.

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/en/investors/financial-info/prudential-standards.

ACTIVITY PLANS AND FORECASTS

At the meeting held on 21/02/2019, the Supervisory Council approved the Strategic Business Plan for 2019-2021 which set strategic goals that include increasing market share through efficient, high-quality performance responsive to customer needs:

Return on equity (ROE)	>15%
Capital adequacy ratio	>15%
Cost / Income (Recurring activities)	<45%
Market Share in Business Finance	10-12%
Market Share in Business Finance	9-11%
Customer Satisfaction (NPS)	>63

INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank is constantly investing and looking for ways to ensure expansion and better operational efficiency.

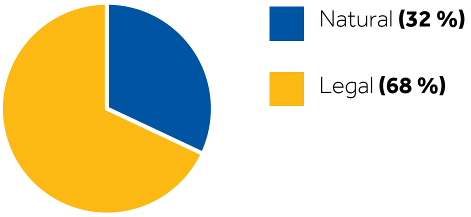
AUTHORIZED CAPITAL OF THE BANK, SHAREHOLDERS

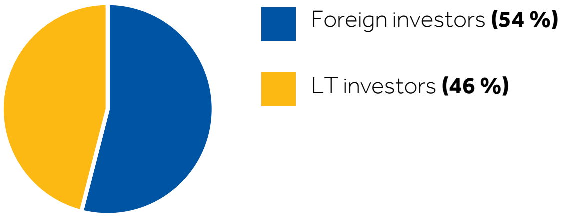
As of 31 December 2019, the authorized capital of the Bank totalled to EUR 174 210 616.27 and was divided 600 726 263 units of ordinary registered shares with a nominal value of EUR 0.29 each. The Bank's Charter was registered in the Register of Legal Entities after the last increase of the authorized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

Authorized capital:

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

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.





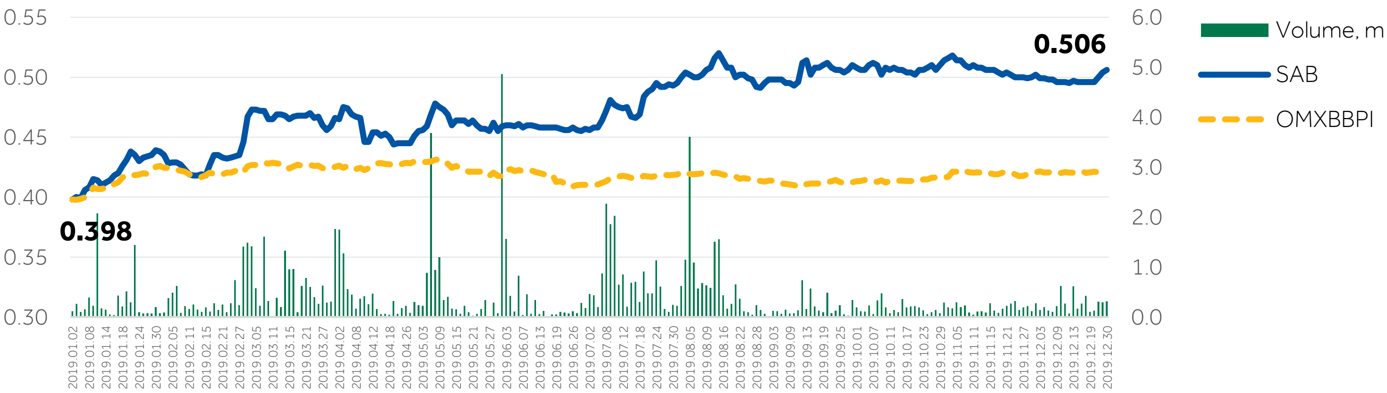
Shareholders owning more than 5% of the Bank"s shares and votes as of 31 December 2019:

	Share of shares and votes, %
EBRD	26.0
*Invalda INVL 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 12 months transfer restriction counting from their assignment day.

Turnover and price of the Bank's shares:



Information on shares:

	2015	*2016*	*2017*	*2018*	*2019*
Capitalization, m EUR	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/en/investors/financial-info/alternative-performance-measures.

The Bank' shares are traded on NASDAQ Baltic market; they are included into the Main List of this market. As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following Nasdaq indices:

- *OMX Baltic Benchmark (OMXBBGI, OMXBBPI, OMXBBCAPGI, OMXBBCAPPI) - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors*;
- *OMX Baltic 10 (OMXB10GI, OMXB10PI) - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges*;
- *OMX Baltic (OMXBGI, OMXBPI) – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares*;
- *OMX Vilnius (OMXVGI) – is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares*;
- *OMX Baltic Financials (B8300GI, B8300PI) – an index of the Baltic financial institutions*;
- *OMX Baltic Banks (B8300GI, B8300PI)- an index of the Baltic banks*.

Return indices (RIs) represent the total return on the shares included in the index and reflect not only stock price movements but also the dividends paid, making these indices a more complete measure of market performance than price indices.

Price indices (PIs) only reflect changes in the price of shares included in the index, regardless of dividends.

There is a cap on the weight of the shares (CAP) forming indices of a limited number of shares above which the number of shares included in the index is reduced to a cap.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI, STOXX All Europe Total Market, STOXX Eastern Europe 300, STOXX EU Enlarged TMI, STOXX Eastern Europe 300 Banks, STOXX Eastern Europe Small 100, STOXX Eastern Europe TMI Small, STOXX Global Total Market, STOXX Lithuania Total Market.*

Acquisition of own shares

The Bank and its subsidiaries, or persons acting on behalf of their subsidiaries, do not hold any shares in the Bank.

On 22 May 2019 the Bank acquired 1176485 its own shares for Eur 617654.63 which on 28 May 2019 were transferred to the Bank's and Bank subsidiaries' employees as a differed part of variable remuneration for the year 2015, 2016 and 2017.

Dividends

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

Information on the dividends paid:

The year for which the dividends are allocated and paid	*2014*	*2015*	*2016*	*2017*	*2018*
Per cent from nominal value	0.25	0.69	1.72	1.72	10
Dividend amount per share, Eur	0.000725	0.002	0.005	0.005	0.029
Dividend amount, Eur	195 750	629 147	1 887 442	2 264 938	17 421 064
Yields from dividends, %	0.3	0.7	1.1	0.8	6.2
Dividends to Group net profit, per cent	1.7	2.6	4.3	7.1	33.0

The description of alternative performance indicators is available on the Bank's website at: https://sb.lt/en/investors/financial-info/alternative-performance-measures.

Agreements with securities public trading intermediaries

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

According to data as of 31 December 2019 the Bank itself, as an intermediary of public trading, under agreements with the companies issuing securities conducted accounting of securities issued by 561 company – 726 issues in total (including shares of public and private companies, debt securities, investment fund units) The Bank also conducts market formation on the Nasdaq Baltic under a market making program and under agreements with issuers. As of the end of 2019, the Bank was the market maker of 9 securities issues.

Information about harmful transactions

During the reporting period, no harmful transactions that were not in accordance with the Bank's objectives, normal market conditions, harming the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or results of operations were concluded. There were also no transactions where the Bank's executives, controlling shareholders or other related parties would have been in a conflict of interest due to their different duties to the Bank and their private interests and / or duties.

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).

General Meeting of Shareholders takes place annually, within 3 months after the end of fiscal year. The shareholders, having no less than 1/10 of all the votes, as well as the Bank's Board and Supervisory Council have an initiative right of convening the meeting. The General Meeting of Shareholders is organized, voting is carried out and decisions are taken in accordance with the procedure established by the Law on Companies. More information on the rights of the General Meeting is provided in Annex "Governance Report" to the Consolidated Annual Report 2019.

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. More information on the functions of the Supervisory Council is provided in Annex "Governance Report" to the Consolidated Annual Report 2019.

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
					
Member since 1991, Chairman since 1999	Member since 2008	Independent members since 2012	Member since 2016	Member since 2016	Member since 2017
Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 09/05/2016/ end 2020	Tenure beginning 09/05/2016/ end 2020	Tenure beginning 26/06/2017/ end 2020
Klaipėda free economic zone management company UAB 110707092 Pramonės str. 8, Klaipėda (Board member)	**Litagra UAB** 304564478 Savanorių pr. 173, Vilnius (Chairman of the Board)	**Ars Domina VšĮ** 302897128 P. Vileišio str. 9-41, Vilnius (Director), **Lewben Art Foundation VšĮ** 302969378 Antano Tumėno str. 4, Vilnius (Board member)	**Invalda INVL AB** 121304349 Gynėjų str. 14, Vilnius (President, Board member), **INVL Asset Management UAB** 126263073 Gynėjų str. 14, Vilnius (Chairman of the Board), **Litagra UAB** 304564478 Savanorių pr. 173, Vilnius (Board member), **INVL Baltic Farmland UAB** 303299781 Gynėjų str. 14, Vilnius (Board member)	**PRO FINANCE UAB** 110886161 Odminių str. 8, Vilnius (Director, Counselor), **D Investicijų valdymas UAB** 302937334 Odminių str. 8, Vilnius (Director, Board member), Board member in other companies*	European Bank for Reconstruction Development
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	-

* Board member in other companies: AB Baltic Mill, UAB Malsena Plius, AS Rigas Dzirnavnieks (Latvia), Balti Veski (Estonia), Amber Trust Manageent S.A (Luxembourg), Amber Trust II Manageent S.A (Luxembourg), KJK Management S.A (Luxembourg), KJK Investment S.a.r.l (Luxembourg), KJK Capital OY (Finland), KJK Investicije 0-8 (Slovenia), Leader 96 Eood (Bulgaria), KJK Sports (Luxembourg).

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). More information on the functions of the Management Board is provided in Annex "Governance Report" to the Consolidated Annual Report 2019.

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

MEMBERS OF THE COMMITTEES FORMED WITHIN THE BANK, AREAS OF THEIR ACTIVITIES

The functions, procedures of formation and the policy of activities of the committees formed within the Bank are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL:

Information on the committee members as of 31 December 2019:

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

	Name, surname	
Chairman	Darius Šulnis	Member of the Supervisory Council
Members:	Miha Košak	Member of the Supervisory Council
	Arvydas Salda	Chairman of the Supervisory Council

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

	Name, surname	
Chairwoman	Ramunė Vilija Zabulienė	Member of the Supervisory Council
Members:	Martynas Česnavičius	Member of the Supervisory Council
	Gintaras Kateiva	Member of the Supervisory Council

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

	Name, surname	
Chairwoman	Ramunė Vilija Zabulienė	Member of the Supervisory Council
Members:	Darius Šulnis	Member of the Supervisory Council
	Miha Košak	Member of the Supervisory Council

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

	Name, surname	
Chairman	Gintaras Kateiva	Member of the Supervisory Council
Members:	Martynas Česnavičius	Member of the Supervisory Council
	Arvydas Salda	Chairman of the Supervisory Council

COMIMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD:

Information on the committee members as of 31 December 2019:

The Credit Committee assesses loan granting materials / documents and risks of loans, approves or disagrees with the decisions to grant loan and / or amendment of their terms, suggests regarding improvement of loan granting and administration procedures.

	Name, surname	Position
Chairman	Edas Mirijauskas	Director of Credit Risk Department
Members:	Vytautas Sinius	Chief Executive Officer
	Donatas Savickas	Head of Finance and Risk Management Division
	Daiva Šorienė	Head of Sales and Marketing Division
	Giedrius Sarapinas	Deputy Director of Credit Risk Department
	Ramūnas Dešukas	Director of the Problem Assets Department
	Aurelija Geležiūnė	Director of the Legal Department
	Diana Leonavičienė	Director of Regional Lending Unit

The Risk Management Committee performs the functions related to arrangement, coordination and control of the risk management system of the Bank, setting and monitoring the risk measuring metrics corresponding to the risk appetite acceptable to the Bank:

	Name, surname	Position
Chairman	Donatas Savickas	Head of Finance and Risk Management Division
Deputy Members:	Algimantas Gaulia	Director of Risk Management and Reporting Department
	Pranas Gedgaudas	Deputy Director of Markets and Treasury Department
	Edas Mirijauskas	Director of Credit Risk Department
	Vaidas Sasnauskas	Director of Compliance and Prevention Department
	Morena Liachauskienė	Director of Operational Risk Department
	Mindaugas Vingilis	IT security officer

INTERNAL CONTROL ASSESSMENT

Based on the Bank's acceptable risk appetite, integrated risk management principles are developed and implemented across the Group. The risk management principles are governed by the Bank's risk management policy.

The Bank's remuneration policy is an integral part of the Bank's risk management system. The remuneration policy is in line with the Bank's business strategy, the level of risk it undertakes, its objectives, values and long-term vision.

The Bank's internal control system is an integral and continuous process in its day-to-day activities arranged applying the three lines of defence approach. At the required level each employee is responsible of the Bank's internal control processes and each employee is involved in the internal control system and may affect it.

Internal control shall ensure legitimacy, economy, efficiency, effectiveness and transparency of the Bank's activities, implementation of strategic and other activity plans, protection of assets, reliability and comprehensiveness of information and reports in line with the fulfilment of contractual and other obligations to third parties and management of risk factors related to the aforementioned activities.

The Bank's compliance officer is assigned to be responsible for the implementation of a compliance function at the Bank as well as other compliance specialists assigned by the Bank as responsible for performing the compliance function in the areas assigned to them who perform their functions independently. All Bank's employees who performing their functions participate in the internal control system are also in charge for the compliance at the Bank, i.e., they are in charge that the activities of all Bank's employees comply with the requirements of the regulatory laws and other legislation.

The Bank Group's internal control system and assessment of the internal risk management is performed by the Bank's Internal Audit Division. This Division shall inform the Bank's Internal Audit Committee and the Board of the Bank of any deficiencies or irregularities noted.

EXTERNAL AUDIT

In 2019, the Bank's audit was carried out by the audit company PricewaterhouseCoopers UAB (company's address: J. Jasinskio str 16B, 01112 Vilnius tel. +370 5 300 2392, fax. +370 5 301 2392, the company registered on 29/12/1993, No. UĮ 93-369, code 111473315).

This audit company was selected after the Bank's Board interviewed a number of international audit companies and discussed their offers. The selection of the audit company is based on the reputation risk, the price of service and other factors.

29 March 2018 the Bank's General meeting of shareholders passed a resolution to elect PricewaterhouseCoopers UAB to verify the Bank's annual financial statements and and consolidated annual report for the year 2018 and 2019.

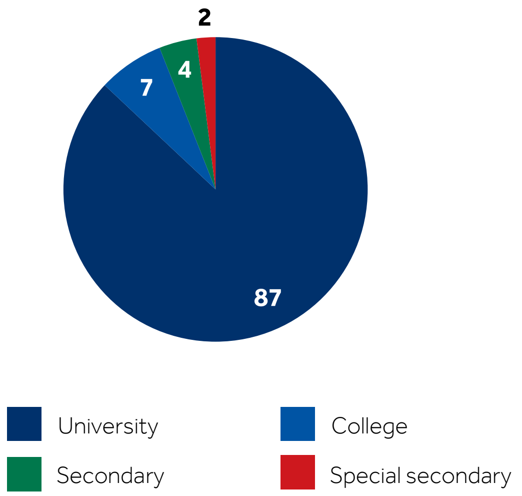
EUR thou (without VAT costs)	*Group*		*Bank*	
	2018	2019	2018	2019
Contractual auditing of financial statements	86	86	51	51
Cost for assurance and other related services	-	-	-	-
Costs for tax advice issues	3	-	3	-
Costs for other services	7	1	7	1
Total	96	87	61	52

EMPLOYEES

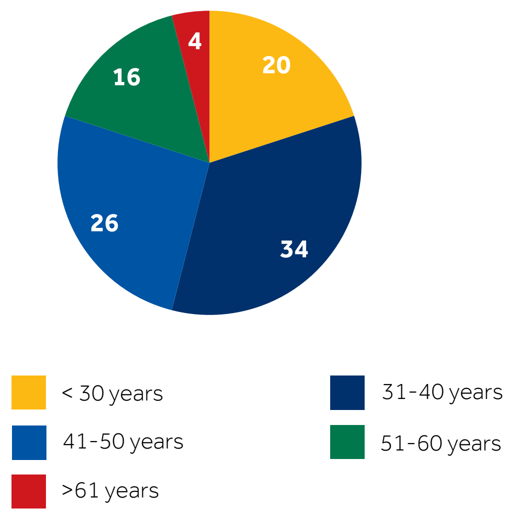
As of 31 December 2019, **the Bank** employed 737 people, whereas **the Group** had 831 employees. Compared to 31 December 2018 the number of employees increased by 3.2 per cent and together with the Group companies the number increased by 2 per cent.

As of 31 December 2019 **the Group** employed 80 per cent of women and 20 per cent of men.

Group's employees by education, per cent



Group's employees by age, per cent



Average monthly salary per employee before taxes:

	The Bank				*Group*			
	Leading employees		*Other employees*		*Leading employees*		*Other employees*	
	Average number of employees	Average salary per month, Eur	Average number of employees	Average salary per month, Eur	Average number of employees	Average salary per month, Eur	Average number of employees	Average salary per month, Eur
2018	84	6433	563	1459	99	6365	662	1458
2019	79	6971	581	1618	93	6797	678	1626

*Due to tax changes as of 01/01/2019, the amounts are indexed by1,289 coeff.

HR Strategy

Human resource management strategy focuses on the achievement of the Group's long-term goals, to attract and retain efficient employees, to educate and raise their level of expertise, to motivate and engage in the Group's activities, creating a culture of high performance.

Employee Relations

The Bank maintains long-term employment relationships with its employees. As of 31 December 2019, 30 per cent of the Bank's employees had worked for more than 10 years.

In 2019, the total turnover of the Bank's staff was 13.8 per cent (in 2018 it was 13.2 per cent).

For long-term work at the Bank, employees are encouraged through a special reward programme.

Activity appraisals

Once a year the Bank discusses and appraises the annual activities of its employees. During these appraisals, direct supervisors discuss the results of annual goals and implemented projects with their subordinates, they analyse employee's competencies, highlight strong areas and ones that should be developed, identify specific educational tools, and career opportunities. These conversations are based on mutual feedback, open and value-based communication and collaboration. So that each employee could feel contributing to and influencing the overall results of the Bank and, also, to show that all efforts go in one direction, during the appraisal the direct supervisor and employee set annual goals that would contribute to the overall The Bank performance.

Organizational structure

The Bank and the Group constantly strive to work efficiently, to respond to changes in the external environment and needs, to implement the Bank's strategic directions, to ensure the organizational structure as closely as possible to business needs, to ensure optimal organization of operations, process efficiency and staff competence.

In 2019, in order to make the Bank's operations more efficient, structural changes in the Bank's units were implemented and the organizational management structure of the units located in the regions was updated.

Employee training

All new employees of the Bank take part in the two-day event Newcomers' Days, where the Bank's representatives from different fields share their professional experience, introduce new colleagues to the Bank's structure, department functions, present the Bank's services, products, processes and projects. During "Newcomers' Days" we play the Bank's Values game.

At the beginning of 2019, we organized a workshop for the Bank's executives to present the Bank's strategic goals for 2019 - 2021, where the executives shared the trends and topicalities of the Bank. We continue strongly focusing on the middle management development. They also participated in leadership training with external partners organized to strengthen their competences of reflection and feedback. In 2019, we continued with the expansion of the Leadership Club created by the Academy of Leaders. The Leadership Club took place in three cities and was joined by newly recruited executives.

We strengthened the top management's governance skills by organizing a workshop for them.

In 2019, the Bank continued its unique "Financing Solutions Forum" programme for lending professionals and strengthening their functional and generic competencies. More than half of the Bank's staff attended the final conference of the Forum. The conference unveiled major international policy issues, digitalisation in the banking sector, future societies and the technological revolution and its impact on our lives as well as other topics.

In 2019, the Bank launched an in-house lecturer programme to select internal staff who, after a few training sessions and several trainings, are already conducting training for other colleagues in topics relating to sales and work organization.

In order to strengthen the organization of the procurement process and negotiation competences, the Bank organized training sessions for specialists and managers in these fields.

In autumn 2019, the anti-money laundering and counter terrorist financing training was conducted for employees working directly with clients. The Bank pays special attention to this area, and all employees' knowledge is constantly updated through video training, various tests and additional materials.

The employees of the central departments developed their expertise by participating in external conferences and seminars.

Internship opportunities

In 2019, the Bank continued its cooperation with Lithuanian higher education institutions by actively participating in career days, reading presentations, initiating student groups' visits to the Bank and providing students with opportunities for extensive internships at the Bank.

In 2019, 40 students took either compulsory or voluntary internships at various units of the Bank. The students had the opportunity to do internships at various units of the Bank, gain practical work experience and establish professional relationships relevant to their future careers. Most of the trainees' experience was gained in the field of customer service of the Bank in various cities of Lithuania.

Employee motivation

Most of the Group's employees for the implementation of the division's and personal goals could receive quarterly and/or annual bonuses in cash.

The annual variable remuneration may only be granted to the Group 's Nominated employees, who are assigned to nominated posts defined by the Board of the Bank in accordance with Commission Delegated Regulation (EU) No. 604/2014 and additional Group Criteria (where applicable) that identify the categories of employees whose professional activities have a material impact on the risk profile of the institution (the Group). For more information on Employee Remuneration, see the Remuneration Policy chapter in this Report.

In 2019, as a socially responsible employer, the Bank provided health insurance to all employees who went through a probationary period and those who returned after maternity leaves. Health insurance is one of the most appreciated additional motivation tools. It enables insured workers to access health-related services faster, for example, to receive treatment at selected health care institutions, take advantage of specialist medical visits, various tests, purchase medicines, and use other health care services.

Employees of Group can additionally accumulate for the pension at exceptional terms when part of the payment is paid by the employee and another - by the employer. A long-term incentive program Accumulate Together is prepared together with the Bank's subsidiary life insurance company Bonum Publicum UAB and more than 36 per cent of he employees take part in the aforementioned programme.

Other additional benefits for the Bank's employees that are not based on the employee's performance:

- additional vacation by post and for uninterrupted length of service;
- paid study leave;
- one-off bonuses for personal celebrations and significant events for the Bank;
- one-off payments in the event of the death of a member of the employee's family, in the event of cirtical accident, a critical illness, etc.;
- payment for the first 2 days of incapacity to work;
- free influenza vaccine and other discounts provided by the Bank's partners;
- traditional summer festivity and other team building events,
- possibility to participate in interbank and other tournaments of various sports;
- compensation of part of a sports club subscription.

REMUNERATION POLICY

Information is prepared and delivered in compliance with the Minimum Requirements Guidelines for Remuneration Policy to Credit Institutions and Brokerage Firms Employees prepared by the Board of Bank of Lithuania, Charter of the Bank, and resolutions of the Management Board and Supervisory Council of the Bank as well as other Bank's internal legislation.

Information regarding the decision-making process used in determining the remuneration policy as well as the number of meetings convened by the principal body responsible for supervision of remuneration during the financial year.

In 2019, the Remuneration Policy was revised and approved by the Bank's Supervisory Council, and with the approval of the Remuneration Committee, it came into effect on 29 March 2019. The Board of the Bank is responsible for the implementation of the Remuneration Policy. No external consultants were used for the preparation of this Remuneration Policy.

The composition of the Remuneration Committee is subject to the Supervisory Council's approval, the list of the Committee members and the areas of their performance are provided in this report in chapter *the Committees formed within the Bank.* 3 (two) meetings of the Remuneration Committee took place in 2019.

Information on the relationship between remuneration and activity result

The variable remuneration is paid to link the individual performance objectives of the employees with the long-term interests of the Group in order to ensure sustainable business development, to encourage employees to act honestly, fairly, transparently and professionally, taking into account the rights and interests of the clients.

The amount of variable pay is based on the joint Appraisal of results of employee, unit and the Group. The Variable Remuneration allocated to an employee may also depend on the position held by the employee, the importance of decision-making, which may have a significant impact on the Group's risk exposure.

In evaluating the employee's individual annual goals and achievements, not only the personal financial result achieved but also the non-financial / non-quantitative contribution is assessed, for example relationship with clients, colleagues, compliance with standards, fulfilling the requirements of internal rules, policies and procedures, initiative, responsibility, performance improvement, personal or unit contribution to the development of the Bank or its subsidiary and others.

The variable remuneration fund is formed only on the basis of the Bank's performance, taking into account current and future risks, the cost of capital employed and liquidity support. The variable remuneration fund and its size must not limit the Group's ability to strengthen its capital base.

The Policy is consistent with the Group's activity strategy, purposes, values as well as long-term concerns, it also defines the processes and principles, following which the Group pays remunerations to Employees, seeks to increase the value of the Bank's shares and aims stimulating reliable and efficient risk management.

The Policy strives to promote responsible business, fair treatment of customers, and avoid conflicts of interest with customers, so that forms of monetary and / or non-monetary remuneration do not become incentives for Employees to meet their or institution's interests in a way that is harmful to consumers. Employee incentive / motivation systems applied within the Group must comply with these principles.

Key features of the structure of the remuneration system, including information on the criteria used to measure performance and risk adjustment, deferral policy, and allocation criteria

The Group, considering its size, nature of operations performed, the extent and the activity's complexity as well as accepted risk, applying the following elements of the Remuneration system:

- fixed remuneration (official salary and additional benefits);
- variable remuneration.

Variable remuneration in the Group shall mean:

- One-off premiums - can be granted to all Group employees for individual or group-specific results, paid in cash;
- Bonuses - can be quarterly and / or annual and may be allocated to the majority of Group Employees (excluding the Nominated Employees), paid in cash, based on the performance of the Bank, the Group, individual Bank departments and their Employees for the previous quarter or other previous period;
- annual variable remuneration, granted only to the Nominated Employees whose professional activities have a material impact on the risk profile of the institution (the Group).

Annual variable remuneration depends on performance results and can be granted only to the Nominated Employees whose professional activities have a material impact on the risk profile of the institution (the Group). In order to promote sound and effective risk management, the annual variable remuneration shall be divided into two equal parts:

- Immediately payable part which consists of 50 (fifty) per cent of total annual variable remuneration and is paid in cash;
- Deferred part making 50 (fifty) per cent of the total annual variable remuneration is allocated by non-monetary means (in shares), taking into account the potential risks associated with the employee's annual valuation results. The granting of the deferred portion is deferred for a period of not less than 3 (three) years from the date of the allocation of the annual variable remuneration until the date of granting the deferred portion. A deferred portion of a Nominated employee is approved annually in proportion to the percentage of achievement of its goals or is not granted (when goals are not achieved, i.e. a qualitative criterion is not met), even if the Bank's financial performance is achieved. If the Nominated employee or the Bank exceeds the set targets, the assigned deferred portion cannot be increased, except for ex-post adjustments related to stock events or tax changes. Ex-post risk adjustments, as well as ex-post adjustments related to the activities of the Nominated Employee, may be a sufficient basis for the provision of deferred adjustments (whether reduced or not paid at all) to a particular Nominated Employee.

Quantitative and qualitative criteria shall be used to assess the achievement of the annual targets. It takes into account not only the level of achievement of personal goals set by the employee, the financial results of the unit and the Bank, but also the non-financial (qualitative) contribution, ie. y. compliance with customer relations, colleagues, standards, internal rules, policies and procedures, compliance, initiative, responsibility, adherence to the Bank's values, performance improvement, etc.

Fixed to variable remuneration

Variable remuneration may be granted to all Group employees while maintaining an appropriate balance between the fixed and variable remuneration ratio, and the ability to implement flexible policies related to Variable Remuneration Parts, i.e. the amount of variable remuneration awarded per 1 (one) calendar year shall not exceed 100% of the amount of the fixed remuneration elements received for the same 1 (one) calendar year for which variable remuneration was granted to promote sound and effective risk management, unless the General Meeting of Shareholders of the Bank increases the maximum ratio between the variable and the fixed remuneration to 200 per cent in accordance with the requirements set by the Minimum Remuneration Policy Requirements for Employees of Credit Institutions of the Board of the Bank of Lithuania.

Information on the performance result criteria on which the right to shares, options or variable components of remuneration is based

Payment of deferred annual variable remuneration in the Group applies only to the Nominated Employees whose professional activities have a material impact on the risk profile of the institution (the Group).

Annual variable remuneration, including part paid immediately and deferred part, may be paid and / or granted only in the Bank's sustainable financial position and without prejudice to legal requirements. Annual variable remuneration shall be reduced or unpaid if the Group's performance is not in line with the strategy, or the activities are loss-making, the Employee has been acting in bad faith or has caused the loss of the Bank or its subsidiary.

The right to the Bank's shares as a share of the variable remuneration is based on the same criteria of the assessment of the performance as applicable to the monetary share.

Reasons and criteria for the allocation of the variable components of remuneration and any other non-cash benefits

Non-cash variable remuneration is granted only in shares of the Bank to Group Employees whose professional activities have a material impact on the risk profile of the institution (the Group) in accordance with the legislation of the Bank of Lithuania and the Bank's Remuneration Policy.

General quantitative information on remuneration results in 2019

In compliance with the requirements of the Bank of Lithuania as of 31 December 2019 the Group had 34 Nominated Employees, of whom: 27 - at the Bank, 4 - in SB Lizingas UAB, 3 - in life insurance Bonum Publicum UAB holding the position of the Nominated Employees specified by the Board of the Bank in accordance with the Commission Delegated Regulation (EU) No 172/2011. 604/2014 and additional Group Criteria (where applicable) that identify the categories of employees whose professional activities have a material impact on the risk profile of the institution (the Group).

The tables in *the Remuneration Policy* chapter of this report provide information on the fixed and variable remuneration of the Bank's and the Group's Nominated Employees. Remuneration information is broken down by activity area, distinguishing executives (Board members) and other Nominated Employees.

	Employees assuming significant risk				
		Including Executives (Board members)			
THE BANK	*Executives (Board members)*	*Traditional banking and lending*	*Treasury and other activities*	*Business managemen t function*	*Total*
Fixed part of remuneration in 2019, thou EUR	1.244	676	112	1.769	2.558
Number of beneficiaries, units	7	8	2	17	27
VARIABLE REMUNERATION FOR 2018, allocated to 2019, thou EUR	1.110	598	88	1.448	2.134
Allocated in 2019 and not differed (paid) VR for 2018, in cash, thou EUR	555	299	44	724	1.067
Allocated in 2019 and differed (unpaid) VR for 2018, in cash, thou EUR	555	299	44	724	1.067
Allocated in 2019 and differed (unpaid) VR for 2018, in shares, units	1.284	691	101	1.675	2.467
Number of beneficiaries, units	7	10	2	19	30
Portion of variable remuneration from fixed remuneration,%	89%	88%	79%	82%	83%
Pay-outs related to contract termination in 2019, thou EUR					-
Largest exposure per party, thou EUR	-	-	-	-	-
Number of beneficiaries, units	-	-	-	-	-
Guaranteed variable remuneration in 2019, thou EUR	-	-	-	-	-
Number of beneficiaries, units	7	9	2	19	30
Paid differed VR in 2019 for 2015-2017, in cash, thou EUR	172	87	10	236	333
Paid differed VR in 2019 for 2015-2017, in shares, thou EUR	245	122	14	335	471
As of 31/12/2019 outstanding unpaid differed VR for 2016-2017, in cash, thou EUR	200	104	14	276	394
As of 31/12/2019 outstanding unpaid differed VR for 2016-2017, in shares, thou EUR	192	98	13	264	375

GROUP	Executives (Board members)	Traditional banking and lending	Treasury and other activities	Business management function	Total
	Employees assuming significant risk				
		Including Executives (Board members)			
Fixed part of remuneration in 2019, thou EUR	1.244	940	302	1.769	3.011
Number of beneficiaries, units	7	12	5	17	34
VARIABLE REMUNERATION FOR 2018, allocated to 2019, thou EUR	1.110	852	114	1.448	2.414
Allocated in 2019 and not differed (paid) VR for 2018, in cash, thou EUR	555	426	57	724	1.207
Allocated in 2019 and differed (unpaid) VR for 2018, in cash, thou EUR	555	426	57	724	1.207
Allocated in 2019 and differed (unpaid) VR for 2018, in shares, units	1.284	986	131	1.675	2.792
Number of beneficiaries, units	7	14	5	19	38
Portion of variable remuneration from fixed remuneration,%	89%	91%	38%	82%	80%
Pay-outs related to contract termination in 2019, thou EUR					-
Largest exposure per party, thou EUR	-	-	-	-	-
Number of beneficiaries, units	-	-	-	-	-
Guaranteed variable remuneration in 2019, thou EUR	-	-	-	-	-
Number of beneficiaries, units	7	13	4	19	36
Paid differed VR in 2019 for 2015-2017, in cash, thou EUR	172	128	22	236	386
Paid differed VR in 2019 for 2015-2017, in shares, thou EUR	245	189	31	335	555
As of 31/12/2019 outstanding unpaid differed VR for 2016-2017, in cash, thou EUR	200	152	32	276	460
As of 31/12/2019 outstanding unpaid differed VR for 2016-2017, in shares, thou EUR	192	143	31	264	438

MAIN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the main investments made by the Bank's group during the reporting period, in EUR thousand:

Acquisition of property, plant and equipment, investment property and intangible assets	4.248
Acquisition investment securities valued at depreciated cost	48.246
Acquisition of investment securities estimated at fair value,	7.469

MEMBERSHIP IN ASSOCIATED STRUCTURES

Organizations, associations and associates structures where the Bank takes part in:

- Association of Lithuanian Banks
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- Nasdaq Baltic Stock Exchanges (Nasdaq Vilnius, Nasdaq Riga and Nasdaq Tallinn)
- MasterCard Worldwide International Payment Card Organization
- ISACA
- Lithuanian Employers' Confederation
- Šiauliai Chamber of Commerce, Industry and Crafts
- Association of Šiauliai Industrialists
- Association of Entrepreneurs of Kelmė region
- Klaipėda Chamber of Commerce, Industry and Crafts
- Association of Klaipėda Industrialists
- Association of Entrepreneurs of Mažeikiai
- Association of Entrepreneurs of Akmenė region
- Kaunas Chamber of Commerce, Industry and Crafts
- Panevezys Chamber of Commerce, Industry and Crafts Utena branch;
- Association of Entrepreneurs of Tauragė district
- Panevežys Chamber of Commerce, Industry and Crafts
- Vilnius Chamber of Commerce, Industry and Crafts
- Union of of Entrepreneurs of Šilalė region
- Lithuanian Association of Financial Brokers
- Association of Personnel Management Professionals
- BNI Recommendation Marketing Service

BANK'S COMPANY GROUP

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

The Bank directly controls the following subsidiaries

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

The Bank indirectly controls the following subsidiaries:

*Sandworks UAB**	Management of real estate	10/10/2012	302896357	Skruzdynės str. 1, LT- 93123 Neringa	+370 615 34251
*Apželdinimas UAB"***	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 30 to the Bank's financial statements for the year 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 — Vytautas Sinius

6 March 2020

REPORT ON THE BANK'S CORPORATE GOVERNANCE

(Annex to the Consolidated Annual Report for 2019)

Following Article 23[1] s of the Law of the Republic of Lithuania on Financial reporting by Undertakings the Bank discloses its compliance its specific provisions and recommendations.

Clause 1. Reference (s) to the applicable Corporate Governance Code (Codes) and where it is (they are) published and / or a reference to all publicly available information on corporate governance practices.

The Bank's shares are traded on a regulated market and are listed on the Nasdaq Baltic Main List. Following Article 12 (3) of the Law on Securities of the Republic of Lithuania and clause 24.5 clause of the Listing Rules of Nasdaq Vilnius, the Governance Code for the companies quoted on the Nasdaq Vilnius applies to the Bank, which has been prepared by Nasdaq Vilnius in accordance with the Commission recommendation 2014/208/ES dated 09 April 2014 approved by the European Commission regarding quality of governance reporting provided by undertakings. The Bank follows the Corporate Governance Report form approved by the Board of Nasdaq Vilnius AB on15 January 2019 which is prepared in accordance with the Governance Code for Listed Companies approved by the Board of Nasdaq Vilnius on 15 January 2019.

Clause 2. In the event of a deviation from, and / or non-compliance with the applicable provisions of corporate governance code (s), the provisions being deviated from and / or not complied with and the reasons for it.

Following Article 12 (3) of the Law on Securities of the Republic of Lithuania and clause 24.5 clause of the Listing Rules of Nasdaq Vilnius AB, the Bank discloses its compliance with the Governance Code for the companies quoted on the Nasdaq Vilnius AB, its specific provisions and recommendations. Where the Bank does not meet some of its provisions or recommendations it is indicated which specific provisions or recommendations are not met and explanatory information is provided.

Free Form Summary of the Corporate Governance Report

The Bank's bodies are the General Meeting of Shareholders, the Supervisory Council, the Management Board and the Chief Executive Officer. The Bank's Supervisory Council is a collegial seven-member (statutory) supervisory body with one independent member. The Managment Board of the Bank is a seven-member collegiate executive body of the Company, consisting of the Chief Executive Officer, Deputy Chief Executive Officers and Heads of Bank Divisions. The Bank has 6 committees. 4 Committees - Risk, Audit, Appointment, Remuneration - are subordinate to the Supervisory Council, 2 Committees - Loan and Risk Management - to the Board.

The Supervisory Council is elected by the General Meeting of Shareholders for the term of 4 years. The Board of the Bank is also elected by the Supervisory Council for a 4-year term. The Board elects and dismisses the Chief Executive Officer and his Deputies, determines the remuneration of the Chief Executive Officer and other conditions of the labour contract.

In section 7 of the Corporate Governance Report, most of the recommendations are marked as non-compliant - it is related to the fact that after Article 20 (1) of the Law on Companies has been supplemented with item 6 there occurred a new provision stating that the Bank's Remuneration Policy is subject to the approval of the General Meeting of Shareholders and should be made public. Following the amendment of the Law, the first ordinary general meeting of shareholders of the Bank will be the ordinary general meeting of shareholders of the Bank held in 2020 and from this meeting the Bank will follow the recommendations of clause 7.

More information on the Bank's corporate governance, shareholders' rights, activities of the Supervisory Council, Board and Committees, members, internal control and risk management systems is provided in the Bank's consolidated annual report for the year ended 31 December 2019.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions

Structured table for disclosure

PRINCIPLES/ RECOMMENDATIONS	YES /NO/NOT APPLICABLE
I Principle General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.	
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms.	Yes
COMMENT The information required by legislation and the Bank's documents are publicly available on the Bank's website in Lithuanian and English. All shareholders have the same statutory rights to attend general meetings.	
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes
COMMENT The Bank's authorized capital consists of 600,726,263 ordinary registered shares with a par value of EUR 0.29 each. Each share grants one vote at the general meeting. All shares of the Bank entitle the holders to equal rights.	
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes
COMMENT The Bank's website contains the Bank's Charter which establish the rights granted to the holders of the Bank's shares. When new shares are issued, the rights granted by the shares shall be disclosed in the prospectus and in other publicly available issue documents.	
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes
COMMENT The General Meeting of Shareholders approves the transactions for which the right of approval has been established for it in accordance with the Law on Companies and the Charter of the Bank.	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes
COMMENT The General Meetings of the Bank are held in Šiauliai at an address and time announced in advance. Ordinary shareholders' meetings are held at the end of March. In 2019, the Annual General Meeting was held on 28 March 2019 at 3 pm. The notice convening the general meeting shall specify that the draft resolutions may be submitted in writing or by e-mail before the time indicated on the date of the meeting and shall be communicated to the chairman after he has announced the agenda of the meeting, until the meeting begins to discuss the agenda items.	

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. COMMENT All information and documents of the General Meeting of Shareholders are drafted in Lithuanian and English and are publicly available on the Bank's website and through the information delivery system regulated by the Nasdaq Baltic.	Yes
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. COMMENT The Bank's shareholders have the right to participate in the shareholders' meeting both in person and through a representative, by issuing a duly authorized proxy or concluding a transfer of voting rights in accordance with the procedure established by legal acts. Shareholders is also be provided with the opportunity to vote in writing in advance by completing the general ballot paper and delivering it to the Bank prior to the meeting.	Yes
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. COMMENT The Bank does not comply with this recommendation because it does not have the necessary technical and software installed. One of the reasons why the equipment is not installed is the risk of information uncertainty and security of transmission due to the presence of a significant part of the Bank's shares in nominee accounts opened in the name of account operators, which means that the Bank does not know the final beneficiaries of some of the shares until the disclosure at the meeting.	No
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. COMMENT Nominations for the members of the Supervisory Council shall be made public as soon as the initiators of the meeting or persons entitled to submit nominations provide the Bank with information about the proposed candidates. Candidate information published together with draft decisions shall include information on the candidates' education, professional experience and other positions held. The bonuses paid to members for their work on the Supervisory Council are specified in the Profit Allocation Draft submitted to the meeting for approval. The name of the audit firm to be proposed to the general meeting and the proposed remuneration for the audit services are set out in the draft resolution.	Yes
1.10. Members of the company's collegial management body, heads of the administration[2] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. COMMENT General meetings of shareholders, which are organized and coordinated in advance, are always attended by persons who can provide information related to the agenda of the meeting. Proposed candidates shall always attend the general meeting of shareholders who elect the members of the Supervisory Council.	Yes

[2] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions

II Principle. Supervisory Council

2.1 Functions and liability of the supervisory council

The supervisory council for the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory council should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. COMMENT The Rules of Procedure of the Supervisory Board, signed by all members of the Supervisory Board, establish that the Supervisory Board shall act in accordance with the principles of good governance and shall perform its functions taking into account the interests of the Bank's shareholders, depositors and other interested third parties.	Yes
2.1.2. Where decisions of the Supervisory Council may affect the interests of the company's shareholders differently, the Supervisory Council should treat all shareholders impartially. It should ensure that shareholders are properly informed about the company's strategy, risk management and control and resolution of conflicts of interest. COMMENT The members of the Supervisory Council assess their influence on the activities of the Bank and the shareholders of the Bank before making decisions. The Rules of Procedure of the Supervisory Council oblige the members to act in the interest of the Bank and its shareholders. The Bank shall comply with the disclosure requirements of listed companies and shall ensure that the Bank's shareholders are properly informed about the activities of the Bank and its management.	Yes
2.1.3. The supervisory council should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory council should act and pass decisions without an external influence from the persons who elected them. COMMENT The Supervisory Council of the Bank shall act independently in making decisions that are significant to the Bank's activities and strategy. The Rules of Procedure of the Supervisory Council include the provision stating that each member shall be prepared and able to act objectively, critically and independently and to make informed, objective and independent decisions.	Yes
2.1.4. Members of the supervisory council should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[3] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. COMMENT The members of the Supervisory Council shall have the right to express their opinion on all issues on the agenda of the meeting. The rules of procedure of the Supervisory Council oblige the members of the Supervisory Council to constructively and critically evaluate the proposals, explanations and information submitted to the Council.	Yes
2.1.5. The supervisory council should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. COMMENT The Bank's Supervisory Council oversees that all Bank's strategies are developed and implemented in accordance with the law, including tax planning strategies.	Yes

[3] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuaniai.

2.1.6. The company should ensure that the supervisory council is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory council and its committees. COMMENT The Bank ensures the Supervisory Council is provided with the resources necessary for its activities - it technically servicing the meetings of the Supervisory Council and providing all the necessary information. The rules of procedure of the Supervisory Council provide for the right of the Supervisory Council to address external experts on matters within its competence.	Yes

II Principle. Supervisory Council

2.2 Formation of the Supervisory Council

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the supervisory council elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory council, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. COMMENT Shareholders, in assessing the qualifications and professional experience of the members of the Supervisory Council, shall vote accordingly at the General Meeting of Shareholders in respect of the proposed candidates for the Supervisory Council. The diversity of the qualifications, professional experience and competences of the members of the Supervisory Council is ensured by the fact that the nomination committee and a member of the Supervisory Council (nominated or already elected at the shareholders' meeting) are allowed to start their duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the supervisory council when issuing authorizations.	Yes
2.2.2. Members of the supervisory council should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. COMMENT The Supervisory Council of the Bank is elected for four years. The number of term of office of a person in the Council shall not be limited. The General Meeting of Shareholders may remove the entire Supervisory Council or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Council.	Yes
2.2.3. Chair of the supervisory council should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory council either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervisio. COMMENT For the Chairman of the Bank's Supervisory Council, his other (current and former) duties shall not prevent him from acting impartially as Chairman of the Council. He has neither been the Chief Executive Officer nor a member of the Board.	Yes
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. COMMENT The members of the Supervisory Council shall devote sufficient time and attention to the duties of the member of the Supervisory Council. In 2019 there were five meetings of the Supervisory Council and one voting by way of survey. One member of the Supervisory Council did not attend two meetings.	Yes

2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. COMMENT There is one independent member in the current Supervisory Council, whose term is until the ordinary general meeting of shareholders in 2020. This was announced when this member was elected by the general meeting and it is also disclosed in the Bank's annual consolidated report. There are no other independent members in the current Supervisory Council. As the legislative requirements change, it is planned that more independent candidates will be proposed for election to the new Supervisory Council.	Yes
2.2.6. The amount of remuneration to members of the supervisory council for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. COMMENT Members of the current Supervisory Council who are not considered independent are not remunerated by the Bank for their activities and attendance, they can be paid tantiemes. An agreement has been signed with an independent member of the Supervisory Council regarding remuneration for work from the Bank's funds, but the approval of the amount of remuneration in the previous version of the LoC was not within the competence of the meeting. It is planned that in future the Bank will pay remuneration to the members of the Supervisory Council for its activities and attendance at meetings, the payment principles and amount of which will be determined by the remuneration policy to be approved by the General Meeting of Shareholders on 31/03/2020.	No
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. COMMENT Each year, the members of the Supervisory Council participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing its structure, organization and ability to act as a group, as well as assessing whether the Supervisory Council had achieved the set performance targets. The Bank publishes the internal structure of the Supervisory Council in its annual reports.	Yes

III Principle. Management Board

3.1 Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. COMMENT The Bank's Board ensures the implementation of the Bank's strategy as approved by the Supervisory Council.	Yes
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. COMMENT The Board performs the functions assigned to it by law and the Bank's Charter. In accordance with the Bank's Board Regulations, the Board acts in accordance with the principles of good governance and carries out its functions in the best interest of the Bank's shareholders, depositors and other interested third parties. The principles of good governance are those that promote more efficient work and create a good image of the Bank and the entire Group. It builds sustainable business.	Yes

3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. — Yes

COMMENT

The Board of the Bank ensures compliance with laws and internal policies. The Board approves and monitors the implementation of the Bank's risk management policy, independent risk management and compliance, effective functioning of the Bank's internal control system, governance structure, compliance with set principles, values, and code of conduct. The Board monitors and supervises the actions of the Bank's administration in accordance with the Bank's strategy, policies, implementation plans, budget implementation and, where appropriate, special external or internal factors (e.g. non-standard financial sector developments, regulatory changes, supervisory requirements, plans, budget) may revoke decisions made by the Chief Executive Officer.

3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[4] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. — Yes

COMMENT

The Board is responsible for enforcing applicable laws, regulations and standards in the areas of internal control, ethics and compliance, including those included in the OECD Guidance.

3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. — Yes

COMMENT

When appointing the Bank's Chief Executive Officer, the Board of the Bank shall take into account the balance of its qualifications, experience and competence, as well as whether the supervisory authority has not objected to such appointment.

III Principle. Management Board

3.2 Formation of the management board

3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. — Yes

COMMENT

The Supervisory Council assesses the qualifications and professional experience of the Board members by voting for the proposed candidates for the Board membership.
The diversity of the qualifications, professional experience and competences of the members of the members of the Board is ensured by the fact that the nomination committee and a member of the Management Board are allowed to their duties only with the permission of the supervisory authority. The supervisory authority shall also assess the collective suitability of the members of the Board when issuing authorizations.

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. — Yes

COMMENT

Information on candidates for membership of the Board of the Bank, including their curriculum vitae and declaration of interests, shall be submitted to the meeting of the Bank's Supervisory Board at which the Board or its individual members are being elected. Information about the positions held by the members of the Board or their participation in the activities of other companies is constantly collected, stored and presented in the Bank's consolidated annual report and on the Bank's website.

[4] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. COMMENT The members of the Board are acquainted with their duties, activities, organizational and management structure, strategy and activities of the Bank.	Yes
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and frequent reapproval of their status. COMMENT The Management Board of the Bank is elected for four years. The number of term of office of a person in the Boardshall not be limited. The General Meeting of Shareholders may remove the entire Board or its individual members before the end of the term of office and may elect new members until the end of the term of office of the existing Board.	Yes
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. COMMENT For the Chairman of the Board of the Bank, his other (current and former) duties shall not prevent him from acting impartially as Chairman of the Board. The fact that the Chairman of the Board is the Deputy Chief Executive Officer of the Bank ensures compliance with the requirement of Article 33 (2) of the Law on Banks of the Republic of Lithuania.	yes
3.2.6. Each member should devote sufficient time and attention to the duties of a board member. If a board member attended less than half of the board meetings during the financial year of the company, the company's supervisory council should be informed about it, if the supervisory council is not formed in the company - the general meeting of shareholders. COMMENT Board members devote sufficient time and attention to the performance of the duties of a board member. In 2019, 52 Board meetings were held with at least 2/3 of the Board members in.	Yes
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory council is not formed at the company, and some of its members will be independent [5], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. COMMENT Supervisory Council is formed at the Bank.	Not applicable
3.2.8. The amount of remuneration to members of the management board for their activity and participation in meetings of the management board should be approved by the general meeting of shareholders. COMMENT The Bank shall forms a supervisory council, which is responsible for the election and removal of the members of the board. The prior approval of the Supervisory Council is required for the determination of the remuneration and other terms and conditions of employment of the members of the Board who hold other positions in the Bank, the Chief Executive Officer and his deputies. The Supervisory Council approves the annual variable remuneration paid to the members of the Board, the amount of which depends on the performance and objectives of the Bank's field of activities supervised by each member of the Board. Under current law, the General Meeting of Shareholders has so far only approved the rules for granting Shares from the internal documents of the Bank's remuneration system. From 2020, the meeting will also approve the Remuneration Policy as well.	No

[5] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. COMMENT The Rules of Procedure of the Board stipulate that the Board shall act in accordance with the principles of good governance and perform its functions in the interests of the Bank's shareholders, depositors and other interested third parties. A member of the Board shall not have the right to vote and attend the Board meeting when dealing with issues related to his / her activities on the Board or his / her responsibility, as well as issues that may affect the member or other risk to the Bank.	Yes
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. COMMENT Each year, the members of the Board participate in the overall process of assessing the effectiveness of the Bank's internal management system, which includes assessing management structure, organization and ability to act as a group, as well as assessing whether the Board I had achieved the set performance targets. The Bank publishes the internal structure of the Board in its annual reports.	Yes

IV Principle. Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. COMMENT The legal acts regulating the activities of the Supervisory Council and the Board, the Charter and the Rules of Procedure of the Bank shall establish the principles and procedure of cooperation between the Supervisory Council and the Board and ensure that the supervisory and management bodies function properly.	Yes
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter: COMMENT The Supervisory Council and the Board of the Bank act in accordance with the procedures established in their rules of procedure. Meetings of the Supervisory Council shall be held at least four times a year and at intervals not exceeding four months. Meetings of the Management Board shall be convened periodically, but at least once a month, in accordance with the Rules of Procedure of the Management Board. In 2019, meetings were held almost every week.	Yes

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. COMMENT The rules of procedure of the Supervisory Council and the Management Board shall provide advance notice of meetings. All members shall be notified in writing at least seven working days in advance of a meeting of the Supervisory Council and not later than two working days in the case the issue is tackled by way of survey as provided for in the Regulation. The exact date and time of the meeting of the Management Board shall be communicated to the members of the Management Board at least one working day before the meeting, except in urgent cases. The agenda of the meeting and the draft resolutions shall be communicated to the members of the Board in advance. The Secretary of the Board, in agreement with the Chairman of the Board, shall ensure that the agenda, draft resolutions and other information are made available to all Board members at least one business day prior to the meeting. Additional urgent items may be included on the agenda of a Board meeting only with the consent of the Chairman of the Board.	Yes
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. COMMENT Supervisory board.	Yes

V Principle. Nomination, remuneration and audit committees

5.1 Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.
Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees [6]. COMMENT The Bank's Supervisory Council has formed Audit, Risk, Nomination and Remuneration Committees which operate at the Bank.	Yes
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. COMMENT *See comment of clause 5.1.1.*	Not applicable

[6] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. COMMENT *See comment of clause 5.1.1.*	Not applicable
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. COMMENT The four committees formed by the Supervisory Council consist of the three members each. The members of the committees are members of the Supervisory Council and are appointed to the committees according to their competences. The independent member of the current Supervisory Council is Chairman of the Audit Committee and Nomination Committee. The chairman of the Supervisory Council shall not chair any committee.	Yes
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. COMMENT The powers of the committees formed by the Supervisory Council are determined by the Supervisory Council. The Committees operate in accordance with the regulations of the Committees approved by the Supervisory Council and report to the Supervisory Council at least once a year. The powers of the Committees, their composition and other information are published in the Bank's annual and half-year reports.	Yes
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. COMMENT Only Bank employees or other persons (experts) invited by the Committee may attend and participate in the meetings of the Committees. The chairmen of the committees are enabled to communicate directly with the shareholders.	Yes

V Principle. Nomination, remuneration and audit committees

5.2 Nomination committee

5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning. COMMENT The main functions of the Bank's Nomination Committee are in line with this Recommendation.	Yes

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. COMMENT Consultations between the Nomination Committee and the Chief Executive Officer of the Bank take place through the information and documents required for the decisions of the Nomination Committee which are prepared by the Secretary of this Committee - Director of the Bank's Personnel Department who coordinated all the issues relating to labour relations with the Chief Executive Officer.	Yes

V Principle. Nomination, remuneration and audit committees

5.3 Remuneration committee

The main functions of the remuneration committee should be the following: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation. COMMENT The main functions of the Bank's Remuneration Committee are in line with this Recommendation.	Yes

V Principle. Nomination, remuneration and audit committees

5.4 Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities[7] of the audit committee. COMMENT The main functions of the Bank's Audti Committee are in line with this Recommendation.	Yes
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. COMMENT As provided for the Provisions of the Audit committee the members of the committee must be provided with detailed information regarding the specifics of the Bank's accounting, financial and operational activities. The Bank's management staff and persons responsible for accounting and compilation of the financial statements has to inform the Audit Committee of the methods of accounting for high value and non-conforming transactions, if the accounting of these transactions can be managed by different methods as well as activities in preferential trade zones and / or through specialist entities (enterprises, organizations) in order to find out whether such activity is justified.	Yes

[7] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes
COMMENT Unless the Committee decides otherwise, the meetings of the Committee may be attended by the Chairman of the Bank's Supervisory Council s and/or the members of the supervisory council who are not members of the Committee, the Chairman of the Board and/or the members of the Board, the Chief Executive Officer (CEO), employees of the Internal Audit Division or the auditor as well as external auditors. In carrying out its duties, the Committee shall be entitled to use the assistance of third parties for the purpose of conducting special investigations or other tasks and obtaining the necessary funding from the Bank. Agreements with third parties concerning the carrying out of the aforementioned investigations or other tasks must be made subject to the obligation of confidentiality of third parties.	
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes
COMMENT The Bank's Audit Committee, ensuring the effectiveness of the internal audit function, shall coordinate and periodically assess the work of internal audit and discuss the results of inspections, assess, how the identified deficiencies are being eliminated and internalaudit plans are being implemented, and, if necessary, take appropriate actions. In supervising external auditors or audit firms, the committee shall be aware of the auditors' work programme including the scope of assignments in the financial statements audit, the materiality level applied, and the process of identification of significant risks.	
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes
COMMENT Audit committee verifies if the Bank complies with the effective provisions concerning the possibility for employees to submit complaints or anonymously report suspicions that significant violations are are made within the Bank and aims to ensure that procedures are established for a proportionate and independent investigation of such issues and for the necessary follow-up. The Committee also may demands information on major events and non-compliance events, or whether they have been subject to appropriate measures in a timely manner.	
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	No
COMMENT The Bank's Audit Committee reports to the Supervisory Council once a year on submission of the financial statements for approval to the Bank's General Meeting.	

VI Principle. Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

The corporate governance framework should recognize the rights of the stakeholders as established by law and promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term "stakeholders" includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. COMMENT The recommendations are followed. This is ensured by the provisions of the rules of procedure of the supervisory council and the board that a member of the supervisory council and the board must avoid activities that may cause a conflict of interest and that he must disclose to the Bank any information that may or have arisen and keep the information up to date.	Yes

VII Principle. Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. COMMENT The Bank's Remuneration Policy as of the date of this report is approved by the Supervisory Council in accordance with the applicable legislation. This policy is not published on the Bank's website. From the Bank's internal documents regulating the remuneration system in the Bank, the Bank publishes only the rules for granting the Shares on the website. From 2020 the remuneration policy will be approved by the general meeting of shareholders and published on the Bank's website. *Art.20 of Law on Companies 1 (6) to pass a decision on Approval of the Remuneration Policy of Companies Listed on a Regulated Market - this should be done during the General Meeting of Shareholders*	No
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. COMMENT The Bank's Remuneration Policy, as adopted by the Supervisory Council at the time of writing this Report, practically covers all forms of remuneration applied by the Bank.	Yes
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. COMMENT At the time of writing this report, the remuneration policy of the Bank does not include any remuneration for the members of the Supervisory Council. Members of the Supervisory Council may be paid tantiemes.	No

7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. COMMENT At the time of writing this report, the Bank's remuneration policy does not regulate termination pay-outs.	No
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. COMMENT The Bank's Remuneration Policy in force at the time of writing this report provides for a system of financial instruments remuneration (in bank's shares), and the Bank's remuneration system documents provide for vesting of shares three years after the initial appointment (through the Employee Options). For members of the Board and for the Chief Executive Officer, retention of shares is not linked to the end of the term.	No
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. COMMENT It will be applicable later, as only the 2020 general meeting should approve the Bank's remuneration policy in accordance with the new provision of the Law on Companies set out in Art.20 Part 1(6).	No
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. COMMENT It will be applicable starting from the Ordinary General Meeting of Shareholders in 2020. The General Meeting of Shareholders of 2019 approved the Rules for Granting Shares in accordance with the wording of the Law on Companies at that time.	No

VIII Principle. Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. COMMENT The Bank identifies employees, shareholders, customers, suppliers and partners, regulators, communities and the public, associates and the media as key stakeholder groups. The rights and legitimate interests of all these groups are respected, and this is more fully disclosed in the Social Responsibility Report.	Yes

8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes
COMMENT Depending on the stakeholder group, participation is made possible. This is explained in more detail in the Social Responsibility Report. One of the Bank's exclusive instruments is employee participation in the share capital through the payment of part of the annual variable remuneration in the Bank's shares.	
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes
COMMENT Access to relevant information is always be available unless the information is confidential.	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes
COMMENT The Bank provides different channels for reporting to different stakeholder groups about illegal or unethical practices. For employees - through the Bank's internal information system AIS, for shareholders - through investor relations channels, for customers - through the Customer Information Center, etc..	

IX Principle. Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	
9.1.1. operating and financial results of the company;	Yes
COMMENT Disclosed quarterly in interim and annual financial statements.	
9.1.2. objectives and non-financial information of the company;	Yes
COMMENT Disclosed quarterly in interim and annual financial statements;	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary.	Yes
COMMENT It is disclosed on the Bank's website and in its interim and annual reports. The acquisition or disposal of a stake is also be publicly announced when the person or group of persons who have acquired or lost the stake inform the Bank thereof in accordance with the established procedure;	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes
COMMENT It is disclosed on the Bank's website and in its interim and annual reports.	

9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	No
COMMENT The composition and activities of the Committees are disclosed in an annual report. The number of committee meetings and attendance of members shall not be disclosed.	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes
9.1.7. the company's transactions with related parties;	Yes
COMMENT It is disclosed on the Bank's website in accordance with the criteria established by legal acts and internal documents of the Bank.	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes
COMMENT Disclosed through internal and external communication channels. 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. Šiaulių Bankas created the concept of image in cooperation with the design agency Andstudio.	
9.1.9. structure and strategy of corporate governance;	Yes
COMMENT It is disclosed on the Bank's website and in its interim and annual reports.	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts;	Yes
COMMENT Disclosed in the Social Reponsibility Report.	
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes
COMMENT The Bank discloses consolidated results for the Group as a whole through consolidated interim and annual reports and consolidated annual report.	
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes
COMMENT Information on the professional experience, qualifications and potential conflicts of interest of the Bank's Supervisory Council, Board and Chief Executive Officer that could affect their decisions is disclosed. The Consolidated Annual Report and the Consolidated Financial Statements disclose the total personnel costs, the total amount of salaries paid to key executives of the Bank during the year.	

9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. COMMENT Information to shareholders and investors to the same extent and simultaneously in Lithuanian and English languages and publicly available on the Bank's website.	Yes

X Principle. Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. COMMENT The Bank's consolidated financial statements are audited and the financial information presented in the annual report is audited by an independent firm of auditors in accordance with International Standards on Auditing as adopted by the EU.	Yes
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. COMMENT Both the Supervisory Council and the Management Board are formed at the Bank. Candidates of the audit firms are selected by the Board, however before being proposed to the general meeting, thery are coordinated with the Supervisory Council and the Audit committee.	Yes
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. COMMENT The fee information for the audit firm for non-audit services (if any) would be disclosed publicly in the Bank's annual consolidated statements. The Supervisory Council and Board have this information at their disposal.	Yes

Clause 3. Information on risk scope and risk management - describes risk management related to financial reporting, risk mitigation measures and the internal control system in place.

More details are provided in the Financial Risk Management disclosure in notes to the financial statements for the year 2019 (page 33) and on the internal control system in the Consolidated Annual Report 2019 " (page 144).

Clause 4. Information on significant direct or indirect holdings.

As of 31 December2019 the following shareholdings have been declared in accordance with the procedure established in the Law on Securities of the Republic of Lithuania and the Bank of Lithuania disclosure rules:

- European Bank for Reconstruction and Development (EBRD) holds 26.02% stake about acquisition of which was announced on 21 December 2018.
- Algirdas Butkaus together with his controlled companies Aiva Trading House UAB and Mintaka UAB holds a 5.59% stake about acquisition of which was announced on 18 September 2019.
- Gintaras Kateiva together with his spouse Vilinda Kateiviene own a 5.29% stake, about acquisition of which was announced on18 September 2019.
- Invalda INVL AB holding more than 5 per cent of the shares about acquisition of which was announced on17 September 2015. The size of the stock on the day of the notification was 6.79%, as of 31 December 2019, together with the holding company INVL Asset Management UAB, this stock represented 6.14% of the Bank's shares.

Clause 5. Information on related party transactions as provided for in Article 372 of the Law on Companies (identifying the parties to the transaction (legal form, name, code, register of the legal entity, register where the data concerning this entity are collected and stored; natural person's name, address for correspondence) and transaction value).

Pursuant to the provisions of the Law on Companies of the Republic of Lithuania, the Board of the Bank approved the "PROCEDURE FOR CONCLUDING TRANSACTIONS WITH PARTIES RELATED WITH THE BANK". This procedure provide for Transactions having a significant impact on the Bank, the Bank's finances, assets and liabilities in this procedure. Transactions are considered significant if their value is equal to or greater than 1/5 of the Bank's authorized capital.

During 2019, the Bank published on its website two notices regarding significant transactions of parties related with the Bank:

NOTIFICATION 27/02/2019

Transactions entered with SB Lizingas UAB, subsidiary of Šiaulių Bankas AB
Company code 234995490, address Laisvės Al. 80/Maironio G. 26 Kaunas.

Transaction information:

- Credit limit EUR 37 000 000 (maturity - on 30/03/2020, interest rate 5 per cent)
- Credit limit EUR 53 000 000 (maturity - on 30/03/2020, interest rate 5 per cent).

Credit transactions with the party related to Šiaulių Bankas AB have been entered in the ordinary course of Šiaulių Bankas business under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions.

NOTIFICATION 14/10/2019

Transactions entered with SB Lizingas UAB, subsidiary of Šiaulių Bankas AB
Company code 234995490, address Laisvės Al. 80/Maironio G. 26 Kaunas.

Transaction information:

- Credit limit EUR 16 000 000 (maturity - on 30/03/2020, interest rate 5 per cent)
- Credit limit EUR 73 000 000 (maturity - on 30/03/2020, interest rate 5 per cent).

Credit transactions with the party related to Šiaulių Bankas AB have been entered in the ordinary course of Šiaulių Bankas business under standard market conditions. According to the assessment of Šiaulių Bankas AB, credit transactions and credit transaction terms and conditions are fair and reasonable in relation to Šiaulių Bankas AB and its shareholders who are not parties to these credit transactions.

Clause 6. Information on and description of shareholders having special control rights.

There are no shareholders with special control rights in the Bank.

Clause 7. Details of any existing restrictions on voting rights, such as restrictions on the exercise of voting rights by a certain percentage or number of persons, the time limits by which voting rights may be exercised or the systems by which ownership of the securities is separated from the shareholder.

As of 31 December 2019 The Bank was not aware of any restrictions on the voting rights attaching to the Bank's shares, the time limits for exercising the voting rights, or any voting rights attached to the shares by any of the systems.

Clause 8. Information on the rules governing the election and replacement of the members of the Board as well as amendments to the Charter of the Company.

The rules of procedure of the Board shall determine the work of the Board. The members of the Board are elected, recalled and supervised by the Bank's Supervisory Council. The members of the Board are elected in compliance with the provisions of the Assessment Policy of Top Managers. The assessment survey is completed in accordance with it and the assessment survey with the assessment results are submitted to the Bank's Nomination Committee. Only after the Nomination Committee approves the assessment of the assessed person (Applicant to the Top

Management) it can be provide to the nominating/electing person/body for the final decision regarding his/her eligibility to take a respective office at the Bank.

Clause 9. Information on the powers of board members.

The Board of the Bank is a collegial management body of the Bank consisting of 7 (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 term of office of the Board shall be four years and the number of terms is not limited. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

The Bank's Board shall consider and approve:

- the Bank's annual report;
- the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- order of the Bank's loans granting, following the loan granting policy, approved by the Supervisory Council;
- order of issuing guarantees, securities and taking of other liabilities;
- order of writing-off of the loans and other debt liabilities;
- regulations of the Loan Committee and Risk Management Committee of the Bank;
- also the shall elect (assign) and remove from office the Chief Executive Officer and his deputies. The Board shall determine the remuneration of the Chief Executive Officer, other terms and conditions of the labour contract, approve his job description, promote him and impose penalties;
- also the determines the information to be considered commercial secret of the Bank.

The Board shall adopt:

- decisions on the Bank becoming the incorporator and/or member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on the mortgage or hypothec of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- decisions on issuing of non-convertible bonds;
- Board work regulation;
- decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- terms for shares issue of the Bank;
- order for issue of the bonds of the Bank. When the General Meeting decides on the issue of convertible bonds, the Board shall have the right to determine additional terms and conditions of their issue and approve the subscription agreements to which the Head of the Bank or a person authorized by the Bank is entitled to sign;
- order and cases of employment in the Bank, when the employees are engaged with the Board's approval.

The Board shall execute resolutions passed by the Meeting and Supervisory Council.

The Board shall analyse and evaluate the material submitted by the Chief Executive Officer on:

- implementation of the Bank's activities strategy;
- arrangement of the Bank's activities;
- the Bank's financial position;
- results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

The Board also analyses, evaluates and prepares the Bank's annual financial statements and draft for profit(loss) allocation for the Supervisory Council and the General Meeting of Shareholders, as well as resolves other issues of the Bank's activities if they are not assigned to the competence of other Bank's bodies.

The Board is responsible for convening and preparation of the General Meetings of Shareholders in a timely manner.

Clause 10. Information on the competence of the general meeting of shareholders, rights of shareholders and their implementation, if not provided by law.

The General Meeting of Shareholders shall be convened annually, at the latest within 3 months after the end of the financial year. Extraordinary General Meetings of Shareholders may also be convened. The Board of the Bank, the Supervisory Council and the shareholders having at least 1/10 of all votes have the right to convene the Meeting. The Law on Companies of the Republic of Lithuania provides for cases where other persons may convene the General Meeting of Shareholders.

The General Meeting of Shareholders is organized, voting is carried out, decisions are made in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. If the meeting cannot be held due to the absence of a quorum (more than 1/2 of all votes), a repeated meeting of shareholders shall be convened, where only the agenda of the failed meeting is valid.

Exclusively the General Shareholders' Meeting shall:

- amend Charter of the Bank, except in cases, provided by the laws;
- change the Bank's headquarters;
- elect members of the Supervisory Council;
- recall the Supervisory Council or its individual members;
- elect and recall the audit firm to audit the annual financial statements, sets the terms of payment for audit services;
- approve set of annual financial statements of the Bank;
- set class, number, par value and minimum issue price of the shares, issued by the Bank;
- pass a resolution regarding:
    - issues of convertible bonds;
    - cancelling the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
    - conversion of the Bank's shares of one class into another, approval of the conversion order;
    - Allocation of profit (loss);
    - making, use, reduction and cancellation of reserves;
    - increase of the authorized capital;
    - reduction of the authorized capital, except of the cases, provided by the laws;
    - acquisition of the the Bank's own shares;
    - approval of the rules for granting shares to employees and / or members of the bodies;
    - reorganization or of the Bank and approving terms of such reorganization or demerge; except of the cases, provided in the Law on Companies of the Republic of Lithuania;

- restructures of the Bank;
- liquidation of the Bank, cancelling of liquidation, except cases provided by the laws;
- Selecting and cancelling the Bank's liquidator, except cases, provided by the laws.

Clause 11. Information on the composition of the management, supervisory bodies and their committees, areas of their and company head's activity.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is chaired by the Chairperson. The Bank's Supervisory Council, consisting of seven members, is elected by the General Meeting of Shareholders for a 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.

Candidates are proposed before or during the meeting. Each candidate for membership of the Supervisory Council shall inform the General Meeting of his / her duties and responsibilities, as well as his / her other activities related to the Bank and other legal entities related to the Bank.

For the election of the members of the supervisory council, each shareholder shall have the number of votes attributable to the shares he holds and the number of members of the supervisory council elected. These votes are distributed at the shareholder's discretion, for one or more candidates. The candidates who obtain the most votes shall be elected.

1 (one) independent member was elected to the Supervisory Council for this term. The Charter of the Bank provide that the term of office of a member of the Supervisory Council shall not be limited.

The functions of the Supervisory Council are as follows:

- elect members of the Board and remove them from office, make recommendations to the Board regarding the candidature for the Chairman of the Board. The remuneration and other terms and conditions of employment of the members of the Board who hold other positions in the Bank, the Chief Executive Officer and his / her deputies shall be subject to the prior approval of the Supervisory Council. If the Bank is operating at a loss, the Supervisory Council must consider whether the members of the Board are suitable for the position;
- elect members of the Internal Audit Committee;
- supervise activities of the Board and the Chief Executive Officer;
- supervise the implementation of business plans of the Bank, analysis the Bank's income and expenses, own investments and capital adequacy issues;
- adopt Supervisory Council's work regulation;
- approve business plans of the Bank and annual budget;
- approve any type of policies related to the Bank's activities including the risk management policy;
- ensure the effective internal control system in the Bank;
- make proposals and comments to the General Shareholders' Meeting on the Bank's work strategy, the Bank's annual financial statements, draft of the profit (loss) distribution and the report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;
- approve loan granting policy and set order of borrowing subject to Supervisory Council's approval;
- make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the General Meeting of the Shareholders;
- set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
- adopt resolutions, assigned to the Supervisory Council's competence according to the orders, approved by the Supervisory Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the General Meeting of Shareholders;
- consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting which are subject to discussion and resolution of the Supervisory Council.

Chief Executive Officer is a single person management body of the Bank who arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

Functions of the CEO:

- to arrange everyday activities of the Bank;
- to engage and discharge employees, make work contracts with them and terminate them, induce them and impose sanctions. The CEO is entitled to authorize another Bank employee to perform actions listed therein;
- to represent the Bank in its relations with other persons, in court and arbitrage without special authorization;
- to grant and cancel powers of attorney and procurements;
- to issue orders;
- to perform other actions, necessary to perform

Chief Executive Officer is responsible for:

- arrangement of the Bank's activity and implementation of its aims;
- making of annual financial statements and preparation of the Bank's annual report;
- of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Supervisory Council in the cases, provided for in the laws or upon request;
- delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;
- delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;
- publication of the information, prescribed by the laws and other legal acts, in the media sources stated in this Charter;
- information delivery to the shareholders;
- execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer of the Bank shall act on behalf of the Bank and shall have the right to conclude transactions unilaterally, except as provided for in the Bank's Charter or decisions of the Bank's bodies.

The General Meeting of Shareholders of the Bank shall be attended by the Chief Executive Officer and members of the Board and the Supervisory Council. In 2019, Vytautas Sinius, CEO, Vita Adomaitytė, Head of the Bank's Accounting and Tax Division, as well as members of the Supervisory Council participated in the General Meeting of Shareholders. At the meeting, shareholders had the opportunity to give the questions to the Bank's management directly.

More information on the composition of the management bodies and committees is available in the section "Bank's Management" of the Consolidated Annual Report 2019.

Clause 12. The selection of the chief executive officer, members of the management body and supervisory bodies shall be subject to a diversity policy covering aspects such as age, gender, education, professional experience, description, objectives, methods of implementation and results for the reporting period. If the diversity policy is not applied, the reasons for the exclusion shall be explained.

The Bank does not apply the Diversity Policy, as the Bank is guided by internal documents such as the Code of Conduct which states that no forms of inequality, violence, psychological or similar pressures or forms of discrimination are tolerated.

Clause 13. Information on all the agreements between the shareholders (their substance, terms).

The Bank does not have any information about any mutual agreements between the shareholders related to the Bank's shares effective as of 31 December 2019.

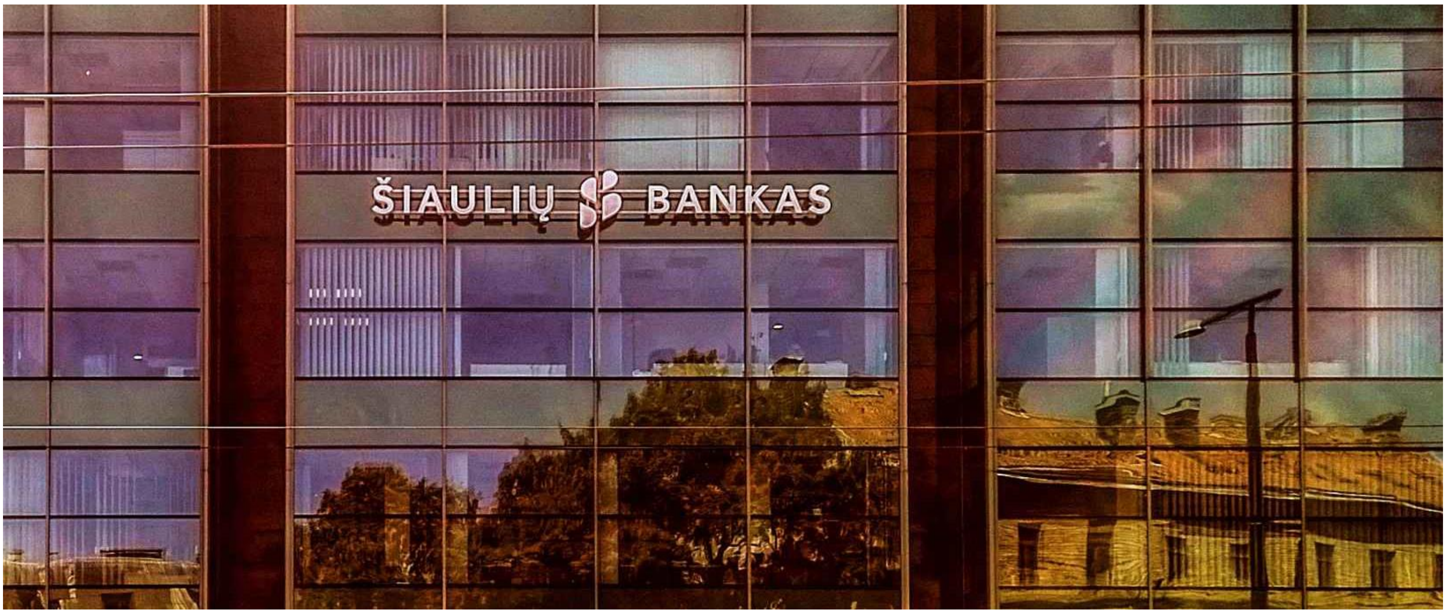
This does not mean that the Bank may not be aware of certain agreements between two banks' clients (owning the Bank's shares) on other issues - the Bank does not deem necessary to disclose such agreements therein.

A REPORT ON SOCIALLY RESPONSIBLE ACTIVITIES FOR THE YEAR 2019

developed in compliance with the standard of the global responsibility initiative

(Annex No. 2 to the Consolidated Annual Report for 2019)

About the report



Since 2008, Šiaulių Bankas has been a member of the "Global Compact" initiated by the United Nations. In its Social Responsibility Report, the Bank follows the principles of the Global Compact and, for the third time this year, reports basing on the recommendations of the Global Reporting Initiative (GRI).

Since 2010, the Bank has provided comprehensive Corporate Social Responsibility Reports, which are publicly available on the Bank's website under the heading "Social Responsibility" and "Global Compact". This report presents the social responsibility report of Šiaulių Bankas for January-December 2019.

The present Corporate Responsibility Report presents the Bank's relationship with employees, customers and the community in the areas of environment and responsibility.

Any questions or comments regarding the report on socially responsible activities should be addressed by sending an email to komunikacija@sb.lt

ŠIAULIŲ BANKAS

SOCIALLY RESPONSIBLE ACTIVITY REPORT 2019

(Annex No. 2 to the Consolidated Annual Report for 2019)

The CEO's word

Vytautas Sinius,

the Chief Executive Officer of Šiaulių Bankas

GRI 102-14

Every day we strive to be closer to our customers, closer to our communities and closer to Lithuania. We are a Lithuanian bank and we are proud of it! Our efforts and achievements are related to and influence the people of our land. By providing financial services to our clients, we undoubtedly contribute to their well-being, realisation of their ideas and ambitions.

Šiaulių Bankas is much more than a financial institution: for our clients we are creators of new opportunities, for the society we are the employer, creating jobs not only in the major cities of the country, but also in the towns. For communities, we are a supporter of initiatives. Well, for the employees, we are a partner for self-realisation, providing the opportunity to grow with professional knowledge and implementing a wide variety of projects.

Unlike other market players, we respond to the needs of the public by taking the position not to close customer service units, but rather to invest in their renovation.

We are happy to be a part of our society, but we are also aware of our responsibilities. Socially responsible activities give meaning to our work.

In the 2019 Corporate Social Responsibility Report, you can find out about the approach of Šiaulių Bankas to sustainable activities and the specific work that we have done being closer to Lithuania

Strategy and analysis

GRI 102-15

Main Impacts, Risks and Opportunities

The Bank continually assesses potential risks and opportunities, taking into account the nature and long-term strategy of the group companies. We are responsible and accountable to supervisors as well as to investors and our clients.

Economics

Every day the Bank contributes to the growth of the Lithuanian economy. By offering a wide range of financing instruments for small and medium-sized businesses, the Bank aims to promote the development and growth of these businesses. As a major partner of apartment building renovation in the country, the Bank contributes to energy efficiency increase projects.

Social Sphere

In order to contribute to the well-being of society, Šiaulių Bankas supports cultural, financial literacy, sports and social initiatives. It also encourages entrepreneurship among the population and regularly reports on business development opportunities.

Environment

The Bank aims to consistently reduce the amount of resources it consumes, preserve the environment, and encourage staff to use reusable tools in their daily operations.

Description of the company

Established in 1992, Šiaulių Bankas is a sustainably and stable growing financial institution with a diversified shareholder base distributed among Lithuanian and foreign shareholders, including the European Development and Reconstruction Bank, which owns 26 percent of the Bank's shares.

By providing professional financial services to private and corporate clients, the Bank strives to be a reliable, flexible and attentive financial partner that is committed to growing the country's potential as well as the well-being of its citizens and businesses.

Priority fields of activities of the Bank:

GRI 102-1

- business financing;
- consumer financing.

Services for private and business clients:

GRI 102-2

- Bank service plans for a set monthly fee (for Private Customers);
- opening and administration of bank accounts in euro and foreign currency for Lithuanian and foreign clients;
- transfer of funds in euro and foreign currency to accounts with banks operating in Lithuania and abroad;
- collection of utility bills and other contributions;
- electronic invoice service, periodic and escrow payments;
- account management in an online banking system;
- mobile banking services;
- issuance and administration of payment cards;
- provision of various short- and long-term credits;
- foreign currency exchange trading;
- conclusion of various types of deposit agreements;
- investment services:
- brokerage of securities transactions on stock exchanges;
- OTC trading of securities;
- consultancy with regard to the issue, acquisition and transfer of securities;
- accounting for shares issued by companies;
- issuance of debt securities;
- preparation of prospectuses for the emissions of securities;
- other investment services;
- distribution of commemorative coins, numismatic sets, etc.

Headquarters

GRI 102-3

The Bank's head office is located in Šiauliai.

Location of the Performance of Operation Activities

GRI 102-4

The Bank's branches operate in the main Lithuanian cities and regional centres, which are financially active. Banking services are provided throughout Lithuania.

Ownership and Legal Form

GRI 102-5

Šiaulių Bankas is a public limited liability company.

Served Markets

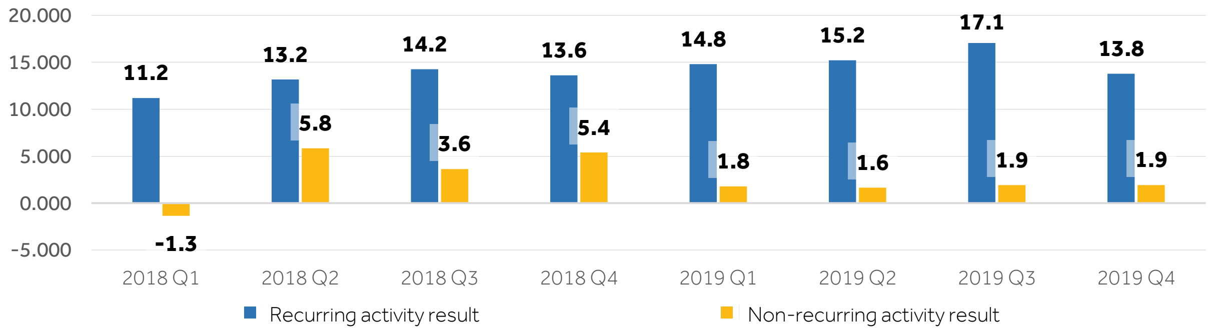
GRI 102-6

Banking services are provided in the Republic of Lithuania.

The Scale of the Organisation

In 2019, the Bank Group generated EUR 51.5 million in unaudited net profit. Compared to 2018, last year's typical operating income of the Bank Group grew by 16 percent.

Shares issued by the Bank are included in the Nasdaq indices. On 31 December 2019, the number of the Bank's shareholders was 5391.



Information on Employed Personnel and Other Workers

GRI 102-7

On 31 December 2019, the Bank had 737 employees, together with Bank Group companies - 831 employees.

GRI 102-8

On 31 December 2019, 80 percent of the Bank's employees were women and 20 percent men.

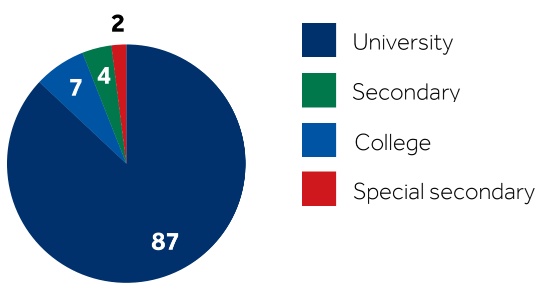
Precautionary Principle or Method

GRI 102-11

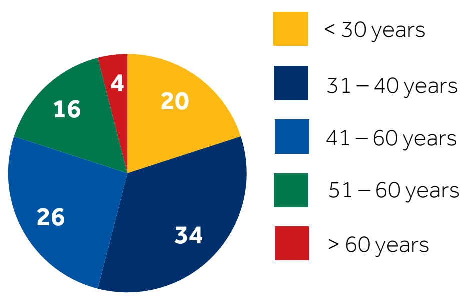
Refer to the report criterion 102-30.

More information is available in the Part "Financial Risk Management" of the Explanatory Notes to the Financial Statement for the Year 2019.

Distribution of the Group employees by education,%



Distribution of the Group employees by age,%



External Initiatives

GRI 102-12

Since 2010 Šiaulių Bankas is a participant of the United Nations initiative "Global Compact".

Membership in Associations

GRI 102-13

Organisations, associations and associate structures in which the Bank participates:

- Association of Lithuanian Banks
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- Nasdaq Baltic Stock Exchanges (Nasdaq Vilnius, Nasdaq Riga, Nasdaq Tallinn)
- MasterCard Worldwide international organisation of payment cards
- ISACA
- Lithuanian Confederation of Employers
- Šiauliai Chamber of Commerce, Industry and Crafts
- Šiauliai Association of Industrialists
- Kelme District Business Association
- Klaipeda Chamber of Commerce, Industry and Crafts
- Klaipėda Association of Industrialists
- Mažeikiai Business Association
- Akmene District Business Association
- Kaunas Chamber of Commerce, Industry and Crafts
- Panevezys Chamber of Commerce, Industry and Crafts Utena Branch
- Tauragė County Business Association
- Panevezys Chamber of Commerce, Industry and Crafts
- Vilnius Chamber of Commerce, Industry and Crafts
- Šilale District Business Union
- Lithuanian Association of Financial Brokers
- Association of Human Resource Management Professionals
- BNI Recommendation Marketing Service

Ethics and integrity

GRI 102-16

The employees of the bank follow three basic sets of principles in their daily activities:

- Bank values
- Code of Ethics
- Customer Service Standard

The Bank's four sustainable values (trust, professionalism, respect, responsibility) were purified by the employees of the bank who attended the 2014 Global Banking Conference.

Since 2015, a value game has been playing in the bank to make it easier to understand and adopt bank values and behaviours that describe them. Its purpose is to identify the behaviours most in line with the bank's values in everyday situations. The game of values encourages employees to collaborate, exchange views and make joint decisions. All new bank employees play such a game during Newbie's Days, which are held quarterly.

The Bank follows the Code of Ethics - it does not tolerate any form of inequality, violence, psychological or similar pressure manifestations or forms of discrimination at work.

The Bank has implemented a common anonymous reporting intranet channel designated to the Compliance Officer, through which any employee can report any breach of regulatory requirements happening in the bank. Such report is investigated and, if confirmed, prompt actions are taken to remedy the breach.

The customer service standard defines employee behaviours in customer service.

Consultation Mechanisms and Ethical Issues

GRI 102-17

GRI 102-18

The Bank has mechanisms for anonymous reporting to the Compliance Officer and to the Chairman of the Bank's Nominating Committee. Anonymous messages can be submitted at any time during the day on the bank's intranet site. The mechanism for reporting to the Compliance Officer is designated to notify about any possibly unlawful actions of the employees of the Bank Group (including also managers) - theft of the property of the bank, its clients, partners, employees, fraud, misuse of office position, conflicts of interests, allegations of non-compliance with the provisions of the Bank's Code of Ethics or other internal legal acts of the Bank, etc. The Bank's Compliance and Prevention Department is responsible for this mechanism.

The Notification to the Chairman of the Nomination Committee provides an opportunity to confidentially (albeit anonymously) report any committed or suspected violation of the opinion of an individual member of the Bank's body or of a small group of members that could harm the Bank's interests.

All communications are confidential and anonymous upon request. All new bank employees are introduced to the reporting channels during newbie training.

Information on ethical and unethical behaviour is provided in the Code of Ethics of the Bank.

No reports were received during the year 2019.

Management of the company

Management Structure

General Meeting of Shareholders

Supervisory Council – collegial supervisory body

Management Board – collegial management body

Chief Executive Officer – sole management body

Composition of the Supreme Management Body and its Committees

GRI 102-22

GRI 102-23

GRI 102-24

Members of the Management Board of the Bank:

- Algirdas Butkus – Chairman of the Board
- Vytautas Sinius
- Donatas Savickas
- Daiva Šorienė
- Vita Urbonienė
- Jonas Bartkus
- Ilona Baranauskienė

The Bank has Risk Committee, Audit Committee, Nomination Committee, Remuneration Committee, Loan Committee, Risk Management and Regional Loan Committees.

More details are available in the sections "Management of the Bank" and "Members of the Committees Established in the Bank and Their Activities" in the Annual Report

Chairman of the Supreme Management Body

The Chairman of the Management Board of the Bank is Algirdas Butkus.

Nomination and Election of the Supreme Management Body

The members of the Management Board are elected, recalled and supervised by the Bank's Supervisory Council. The term of the office of the Management Board shall be four years. The number of the terms of office shall be unlimited. If individual members of the Management Board are elected, they shall be elected until the end of the term of office of the existing Board.

GRI 102-25
GRI 102-26
GRI 102-27
GRI 102-28
GRI 102-29

Conflicts of interests

Members of the Bank's Supervisory Council and the Management Board act in the interest of the Bank and its shareholders, avoiding conflicts of interest. All transactions with the Bank's executives are made at market conditions. The Rules of Procedure of the Bank's Board of Directors state that a member of the Management Board must avoid activities that may cause a conflict of interests. Before taking up his duties, a member of the Management Board must disclose all information to the Bank which may give rise to a conflict of interests and keep this information up to date. A member of the Management Board shall not have the right to vote and participate in the meeting of the Management Board when dealing with the issue related to his / her activities on the Management Board or regarding his / her liability. Likewise, when the Management Board is dealing with matters that a member may have an interest in, or when the Bank may be in danger due to the lack of objectivity of the Board member.

The Role of the Supreme Management Body in Defining Purpose, Values and Strategy

The Management Board analyses and evaluates the material submitted by the CEO of the Bank on the implementation of the Bank's business strategy and organisation of the Bank's activities.

More detailed information is available in the section "Related Party Transactions" of the Annual Report.

The Collective Knowledge of the Supreme Management Body

Board members regularly attend the most important economic conferences in the country. Once a year there is a strategic top management session where the members of the Management Board and the Supervisory Council hear on topics ranging from global economic trends to socio-demographic environments, innovation, strategic management, etc.

The Assessment of the Performance of the Supreme Management Body

The Bank's Nomination Committee shall assess the structure, size, composition and performance of the Bank's management bodies on an annual basis and make recommendations for changes, as appropriate. The assessment of the management bodies shall be presented in the annual report of the Nomination Committee. One of the functions of the Nomination Committee is also to regularly assess the skills, knowledge and experience of individual directors and report to the collegial body.

Identification and Management of Economic, Environmental and Social Impacts

Economic, environmental and social impacts are assessed at top management level when planning the company's activities.

Every year Šiaulių Bankas' Group of Enterprises carries out self-assessment. This process analyses the types of risks that may arise from banking activities and have a significant impact on the Bank's Group. The main types of risks faced by the Group are the following: credit, market, liquidity, concentration, operational, IT and compliance risks.

More details are available in The section Financial Risk Management of the Explanatory Note to the Financial Statements 2019.

GRI 102-30
GRI 102-32

The Role of the Supreme Managing Body in Sustainability Reporting

The report is reviewed by the Manager of Administration of the Bank.

Risk Management Process Efficiency

The Bank analyses, assesses, assumes and manages the risks or groups of risks it faces in its operations.

The risk management policy adopted by the Bank's Supervisory Council and the risk management process developed on the basis thereof, helps to ensure the integrity of the risk management process within the Group.

The purpose of the risk management policy is to define the risks and the principles of the management thereof in the activities of the Group. Whereas various risks faced by the Group are interdependent, their management is centralised. For this purpose, the Bank has a Risk Management Committee. One of the main goals of the Bank's Risk Management Committee is to organise and coordinate the risk management system. The Group reviews its risk management procedures and systems regularly, at least annually, in the light of market developments, new products, and newly emerging best practice principles.

Employees

Remuneration Policy

GRI 102-35

GRI 102-36

Remuneration for employees at the Bank is determined by the Remuneration Policy, Procedure for Awarding Bonuses, Procedure for Allocation, Calculation and Payment of Variable Remuneration, Rules for Calculation and Payment of Wages and Related Benefits, Rules of Procedure and other internal legislation.

Section "Remuneration Policy" in the Annual Report

Process for Determining Salaries

Since 2017, the Bank has been relying on the Korn Ferry Hay Group methodology, which is based on salary scales for specific job levels determining salaries. The margins are determined by looking at the national market as a whole, also taking into account regional differences (except for managerial positions). This allows the internal and external justice of the remuneration to be assured.

Engagement of stakeholders

GRI 102-40

The List of Stakeholder Groups

Stakeholders	*Methods of Engagement*
Employees	▪ Social initiatives; ▪ Suggestion making and implementation possibilities. Possibility to notify the compliance officer; ▪ Annual activity discussion interview; ▪ The Bank's intranet; ▪ Events.
Shareholders	▪ Regular reports; ▪ Performance presentations to investors; ▪ Meetings of shareholders.
Customers	▪ Customer service quality research; ▪ Communication in social networks; ▪ The Bank's website; ▪ Events for customers.
Suppliers and partners	▪ Attendance at meetings.
Regulatory authorities	▪ Regular reports; ▪ Attendance at meetings.
Communities, society	▪ Sponsorship and support projects; ▪ Educational activities.
Associated structures	▪ Corporate Social Responsibility Report.
The media	▪ Press releases; ▪ Comments; ▪ Events; ▪ Meetings.

Identification and Selection of Stakeholders

GRI 102-42

Stakeholders have been selected in consideration of the nature of the activities of the organisation and on who or what the organisation can make direct or indirect influence as well as who or what makes influence on the organisation.

Approach for Stakeholder Engagement

GRI 102-43

Customer feedback is sought through Mystery Shopper and Net Promoter Score (NPS) surveys. Customer feedback is sought through Mystery Buyer Surveys, Customer Referral Index (NPS Indicator) Surveys and Customer Service Quality Surveys as well as Employee Sales Skills Surveys in the Lithuanian Commercial Banking Sector.

The Mystery Shopper Survey evaluates the quality of customer service at the bank's branches. The study assesses where customer service needs to be improved and where employees are performing flawlessly. The survey data is used as a basis for the annual training of customer service managers.

The purpose of the NPS indicator survey is to find out how private and business customers value Šiaulių Bankas. During the year 2019, two NPS studies were conducted. One was carried out by an external company and the other by responsible employees of the bank.

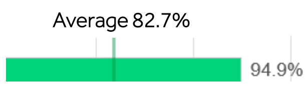
The purpose of the survey on customer service quality and employee sales skills in the Lithuanian commercial banking sector is to measure and compare the fulfilment of key customer service quality criteria in the Lithuanian commercial banking sector, to identify the strongest and weakest service areas and to evaluate customer service quality trends. The 2019 mystery buyer survey was conducted once by an external company.

Other ways of stakeholder engagement are presented in the section Indicator 102-40

Main Topics and Issues Raised

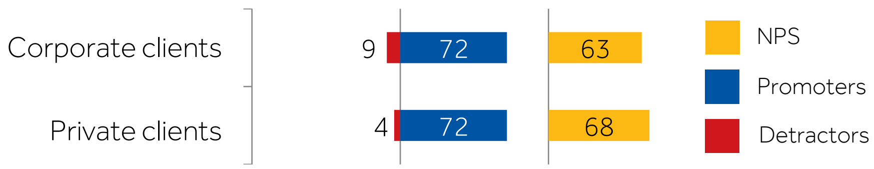
GRI 102-44

In 2019, for the second year in a row, Šiaulių Bankas became the best customer service bank. Customer service quality is rated at 94.9 percent and outperforms the market average by more than 12 percent.



The survey revealed the strengths and areas for improvement in customer service, with the best performing units being encouraged by awards.

According to the NPS indicator survey, lots of customers were satisfied with the banking services, and electronic banking was the most frequently identified as the area for improvement. The NPS figure was 65 in 2019 and 60 in 2018.



Parameters of the report

Defining the Boundaries of the Report Content and Topics

The report selects those topics and criteria for which the bank collects data and which can be precisely evaluated. New, additional criteria are measured each year.

Entities Included in the Consolidated Financial Statements

GRI 102-45

GRI 102-46

Subsidiaries of the Bank

Directly controlled subsidiaries:

- SB Lizingas UAB (financial lease, consumer loans)
- Šiaulių banko lizingas UAB (financial lease and operating lease)
- Šiaulių bankas Property Fund UAB (Real Estate Management)
- SBTF UAB (real estate and movable property management, administration)
- Minera UAB (real estate management)
- Pavasaris UAB (development of the quarter of Multi-Apartment Buildings)
- Bonum Publicum UAB (life insurance)
- Šiaulių Bankas Investment Management UAB (Investment Management)

Indirectly controlled subsidiaries:

- UAB Sandworks (real estate management)
- Apželdinimas UAB (landscaping, environmental management)

More detailed information is available in the section "Group of the Bank's Enterprises" of the Annual Report

The List of Important Topics

The socially responsible activities of the Bank aiming at improving the quality of life in Lithuania, promoting sustainable economic development and the environment are focused on the areas where the Bank can and does strive to make a positive impact, i.e.:

- employees;
- customers of the Bank;
- environmental protection;
- communities and general public.

This report covers topics relevant to all these areas.

Reporting Period

The report is for the year 2019.

Date of the Latest Report

GRI 102-47

Since 2017, the Bank has been reporting under the Global Reporting Initiative (GRI) standard. This report is the third.

GRI 102-50

Reporting Cycle

GRI 102-51

A report on socially responsible activities is prepared annually.

GRI 102-52

Contact Point for Questions Related to the Report

GRI 102-53

Questions and comments regarding the report on socially responsible activities can be submitted by e-mail komunikacija@sb.lt.

Notifications on Reporting in Compliance with GRI standards

GRI 102-54

The present report has been developed in compliance with the basic version of the GRI standards.

External Inspection

GRI 102-56

The present report is audited.

Economic efficiency

Direct Economic Value Created and Distributed

GRI 201-1

Basing on performance results, the Annual General Meeting decides on whether to pay dividends to shareholders.

Data on dividends paid by the bank:

Year, for which dividends are paid	2016	2017	2018
Percentage of face value	1.72	1.72	10
Amount of dividend per share, Eur	0.005	0.005	0.029
Dividend Amount, Eur	1 887 442	2 264 938	17 421 064
Dividend to Group Net Profit Ratio, Percentage	4.3	7.1	33.0

Significant Indirect Economic Impact

GRI 203-2

GRI 204-1

Small and Medium Business Financing

One of the priority activities of the Bank is financing of small and medium businesses. In developing this area of activity, the Bank also promotes the development of small and medium-sized enterprises (SMEs). The Bank actively uses a variety of financial engineering instruments to provide financing to companies that would not be able to obtain normal credit, thereby contributing to their growth.

Of all banks operating in Lithuania, Šiaulių Bankas has the most products with the European Union instruments administered by Invega UAB: a shared risk instrument for SME financing, various portfolio guarantees for SME loans, factoring and leasing.

Renovation of Multi-Apartment Buildings and Regional Development

The Bank aims to promote economic development in the country's regions and to reduce differences between them. One of the measures is financing of renovation (modernisation) of multi-apartment buildings. A large number of multi-apartment building renovation projects are taking place outside major cities. These projects involve the companies administering the buildings and the construction contractors, and create jobs in the regions.

Šiaulių Bankas is the leader in financing of the renovation of multi-apartment buildings - 2 out of 3 multi-apartment buildings renovated in Lithuania are financed by Šiaulių Bankas. At the end of 2018, Šiaulių Bankas signed a guarantee agreement with the European Investment Bank for the implementation of multi-apartment building renovation projects. Under this agreement, Šiaulių Bankas has allocated up to 150 million euros in addition for the renovation of multi-apartment buildings.

Other Projects of Modernisation

The Bank also participates in the energy efficiency improvement program. In 2018, an agreement was signed with the Public Investment Development Agency (PIDA) and continued in 2019, whereby the Bank, as a financial intermediary and contributing with its own funds, financed the modernisation of municipal buildings. The total amount for the implementation of the financial instrument is EUR 36.16 million. This financial measure is aimed at increasing the energy efficiency of municipal public buildings, reducing greenhouse gas (CO_2) emissions, and ensuring the compliance of public building infrastructure with hygiene standards. The measure is funded by the European Regional Development Fund.

Furthermore, since 2019 the Bank calls to submit credit applications for renovation of cultural heritage objects. Credit funds are invested in attractiveness of objects, commercial payback, adaptability to public needs. Funding is provided by the Cultural Heritage Fund established by the Public Investment Development Agency (PIDA), the Ministry of Finance of the Republic of Lithuania and the Ministry of Culture of the Republic of Lithuania. Šiaulių Bankas was selected as the fund manager. The Cultural Heritage Fund received EUR 5.2 million from the European Regional Development Fund.

Local Procurements

In 2019, over 90 percent of all purchases came from local suppliers.

Transparency and corruption prevention

Assessing the Risks in Relation to Corruption

Prevention of Money Laundering

The Bank exercises responsibly the prevention of money laundering and terrorist financing by consistently and purposefully implementing and developing existing and new measures to prevent money laundering and terrorist financing as well as applying them in the Bank's activities:

- identification of customers, customer representatives and beneficiaries;
- Collecting and verifying information about the purpose and nature of business relationships (applying the "Know Your Customer" rule);
- monitoring of business relationships and monetary transactions;
- identification of suspicious monetary transactions and information conveyance to the Financial Crime Investigation Service, etc.

Existing and new anti-money laundering measures are being developed taking into account: legal acts regulating the prevention of money laundering and terrorist financing in the Republic of Lithuania, FATF (Financial Action Task Force), EU, UN, US legal requirements.

GRI 205-1

Prevention of Corruption and Conflicts of Interests

The actions that can be defined as cases of intolerable corruption are defined in the Code of Ethics of Šiaulių Bankas AB.

To avoid potential conflicts of interest, the Bank's employees make annual declarations of financial interests.

The Bank pays all taxes to the State of Lithuania responsibly, complies with applicable legislation, prepares and participates in tenders in a transparent manner.

The Bank implements the requirements of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

Communication and Training on Anti-corruption Policies and Procedures

GRI 205-2

GRI 205-3

GRI 206-1

The employees of the Bank are committed to comply with the Code of Ethics of Šiaulių Bankas AB, which distinguishes the following principles, as the most important:

- the principle of good faith,
- responsibility and accountability,
- the principle of respect for the law, person and his/her rights
- the principle of impartiality, objectivity and justice,
- the principle of exemplary behaviour.

The Code of Ethics regulates which actions can be considered as intolerable cases of corruption. All new employees of the Bank are familiarised with the Code of Ethics.

Corruption cases confirmed and actions taken

Any corruption-related incidents were not identified in 2019.

Legal Action against Anticompetitive Behaviour and Antitrust Practices

Any such actions were not detected during the reporting period.

Environmental protection

Consumption of Materials for Packaging

1406 kg of various packaging products (envelopes, paper and plastic bags, promotional packaging, money locks, etc.) were manufactured for the Bank's needs. The production of plastic payment cards - 394 kg,

Energy Consumption in the Organisation

GRI 301-1

GRI 302-1

Fuel Consumption

	2017 Consumption in tonnes	2018 Consumption in tonnes	2019 Consumption in tonnes
Petrol	96.72 t	91.83 t	84.49 t
Diesel	67.70 t	72.00 t	82.21 t

Electricity Consumption

	2017	2018	2019
Electricity	2549.443MWh / 1127.046 MWh	2596.167 MWh / 1401.795 MWh	2641.681 MWh / 461.441 MWh
Percentage of renewable sources	44 %	54 %	17.47 %

Gas Consumption for Heating

158199 kWh of gas were consumed during the reporting period.

	2017	2018	2019
Gas	109306 kWh	207360 kWh	158199 kWh

There are two types of heating used in the organisation - central and gaseous. At present, it is not possible to estimate the energy resources used for central heating.

Reducing Energy Consumption

GRI 203-4

GRI 305-1

GRI 305-2

GRI 307-1

In order to minimise fuel consumption and reduce pollution emissions to atmosphere:

- The bank uses an electronic booking system for business cars, which allows planning business trips in groups and traveling to business trips by the minimum possible numbers of transport vehicles;
- Bank employees traveling on business trips within Lithuania are encouraged to travel by public transport (for example, by train, bus);
- the organization of meetings involving staff and partners from different cities in modern teleconferencing rooms in Vilnius, Kaunas, Klaipėda and Šiauliai, as well as the use of fixed telephones at workplaces, Skype and other means of communication are encouraged.

In order to reduce the amount of paper used, internal and external document management systems were continued in 2019 to reduce the need for printable documents.

Back in 2018, the bank launched the first robot to automate the manual operations related to payment card transactions.

Direct (Scope 1) Greenhouse Gas Emissions

Not calculated.

Indirect energy (Scope 2) GHG emissions

Not calculated.

Non-compliance with Environmental Laws and Regulations

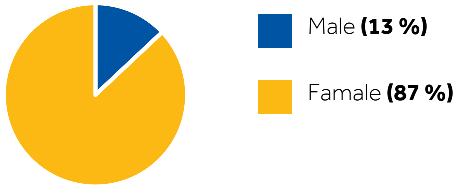
Any non-compliance with environmental laws and / or regulations was not identified during the reporting period.

Recruitment and Staff Turnover

The Bank promotes long-term working relationships with its employees. As of 31 December 2019, 30 percent of the Bank's employees had worked for more than 10 years. During the reporting period, the total turnover of employees was 13.8 per cent. (13.2 percent in 2018 and 14.5 percent in 2017).

On 31 December 2019, the Bank had a total of 737 employees and the Bank Group had 831 employees. Compared to 31 December 2018, the number of employees at the bank increased by 3.2 per cent.

New staff by gender in 2019:



Number of new employees by region in 2019.:

Region	Number of new employees
Kaunas Region	*30*
Klaipėda Region	*23*
Šiauliai Region	*19*
Vilnius Region	*52*
Total:	*124*

Parental Leave

All employees, regardless of gender, are entitled to parental leave.

Further details are available in: the section "Employees" of the Annual Report

GRI 401-1

GRI 401-3

Employees who took parental leave in 2019 *

Gender	The number of employees
Men	*0*
Women	*55*
Total	*55*

* this number includes both parental leave granted in 2019 and continuing parental leave.

Parental leave granted in 2019

Gender	The number of employees
Men	*7*

Number of employees returning to work after parental leave in 2019 by gender*

Gender	The number of employees
Men	*0*
Women	*27*
Total	*28*

* employees returning for work / redundancies after AVP.

The Average Number of Training Courses Per Employee Per Year

The average number of training days per year for bank network employees was 2.2 days. The staff of the Centre and the regional units received on average 9.5 hours of external training per year.

In-service Training and Transition Assistance Programs

Darbuotojų ugdymo sistema apima naujokų adaptacijos procesą, profesinius, specifinius

Newbie Days are designated for Newbie Adaptation Program. In 2019, the program for new employees was completely updated. All new employees of the Bank take part in the two-day lasting Newbie Days event, which introduces the Bank's activities, structure and functions of departments. They hear about the Bank's services and products, processes, ongoing projects. We play the Bank Values game. Managers from different fields share their professional experience, encourage, and wish for easy engagement. In 2019, nearly 100 new employees attended Newbie Days.

Every year the Bank's network employees - customer service managers and group managers - receive training on upgrading the bank's product knowledge and customer service skills. The purpose of these trainings is to provide, consolidate and develop customer service, proactive sales skills, change employee attitudes, and familiarize employees with existing or new Bank products and services. In 2019, 15 such training projects took place.

During the reporting period, the Bank also hosted a "Funding Solutions Forum", an in-house lecturer program, procurement process organisation and negotiation competency training, money laundering and terrorist financing prevention training. The staff of the Centre units developed their expertise by participating in external conferences and seminars.

In 2019, we continued with the expansion of the Club of Leaders created by the Academy of Management. The Club of Leaders was held in three cities and was joined by newly recruited executives.

GRI 401-3

GRI 404-1

GRI 404-2

Communities and the general public

Cooperation with Educational, Cultural Institutions or Organizations

In 2019, the bank sponsored:

- Cultural centres of Utena, Alytus District, Varena, Rokiskis;
- Utena Business and Information Centre;
- Panevėžys District Municipality Administration, Anykščiai District Municipality Administration and Visaginas Municipality Administration;
- The Faculty of Economics of Vilnius College.

In 2019, the bank cooperated:

GRI 413-1

- Assessed project work of 4th year students of International Banking, of the Faculty of Economics and Business Administration of Vilnius University;
- Lectured on economics lessons for the 10th form pupils of Tytuvėnai Youth School, students of Kelmė District Adult Education Centre, pupils of Šiauliai Romuva Gymnasium and Šiauliai Saulėtekis Gymnasium, Panevėžys Minties Gymnasium;
- Bank staff gave lectures to the 5th form pupils of the Ginkūnai Sofia and Vladimir Zubovas School in Šiauliai district and to the 3rd grade pupils of Šiauliai Juventa progymnasium;
- Participated in Wanted Career Days at Kaunas University of Technology and SMART START Career Fair organized by Vilnius College, Faculty of Economics.

Reducing Social Exclusion

Since 2014, in cooperation with the public institution "Good Will Projects", the Bank has been providing an opportunity for customers:

- To donate cash in donation boxes located in the Bank's branches;
- we also provide Bank Link service free of charge for the project aukok.lt.

In 2019, donations boxes collected EUR 1,767.63, which were transferred to the Public Institution Goodwill Projects

Strengthening Communities:

GRI 413-1

Being a Lithuanian capital bank and introducing a new image strategy to the public in 2019, the Bank strives to be closer to communities and focuses on fostering the traditions of cities and towns in the country, supporting cultural life in Lithuanian regions, and contributing to the promotion of sport and the promotion of financial literacy.

In 2019, the Bank provided over EUR 152,000 in support for community, cultural and sports projects:

- For city celebrations;
- Pažaislis Music Festival;
- Lithuanian Musician Support Fund;
- Sea Festival in Klaipeda;
- For basketball club Šiauliai;
- Dakar Rally (for the crew of V. Žala and S. Jurgelėnas);
- And for other projects.

Inconsistencies in Product and Service Information and Labelling

GRI 417-2

Any such cases were not detected by the Bank during the reporting period.

The Bank's Contact Centre registers customer complaints or claims for information about services or products.

GRI 418-1

In 2019, any cases of non-conformities, when the Bank or the Group's Enterprises would be fined or warned concerning inappropriate information about services, were not registered.

GRI 419-1

Justified Complaints about Customer Privacy Violations and Customer Data Loss

The Bank has not received any reasoned complaints about any violations of customers' privacy.

Non-compliance with Socio-economic Laws and Regulations:

The Bank has not identified any cases of non-compliance with social or economic laws or regulations.

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm hereby that the provided consolidated financial statements of Šiaulių bankas AB for 2019 are compiled in compliance with applicable accounting standards, correspond to the reality and correctly reveal the assets, liabilities, financial status, activity result and cash flows of Šiaulių bankas AB and its Group of Companies, moreover, we confirm that the review of the business development and activities, the status of the Bank and the Group, alongside with the description of the key risks and indeterminacies incurred, are correctly revealed in the consolidated annual report.

Chief Executive Officer	Vytautas Sinius
Chief Accountant	Vita Urbonienė

6 March 2020