INTERIM INFORMATION

for the nine month period ended 30 September 2018

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, fax (8 41) 430 774
E-mail info@sb.lt
www.sb.lt

CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

for the nine month period ended 30 September 2018

Tilžės 149, LT-76348 Šiauliai
Tel. (8 41) 595 607, fax (8 41) 430 774
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(All amounts are in EUR thousand, unless otherwise stated)

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

		30 September 2018		31 December 2017	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		116,247	114,038	129,738	126,591
Securities in the trading book	2	59,906	27,700	49,175	18,284
Due from other banks		1,888	1,888	2,218	2,218
Derivative financial instruments	3	3,147	3,147	3,031	3,031
Loans to customers	1	1,229,917	1,239,367	1,098,327	1,102,927
Finance lease receivables	1	118,668	118,536	91,139	90,898
Investment securities at fair value	2	20,383	15,201	16,472	11,542
Investment securities held to collect cash flows	2	613,726	613,726	576,260	576,260
Investments in subsidiaries and associates	2	-	26,060	-	26,895
Intangible assets		4,352	1,555	4,535	1,684
Property, plant and equipment		9,449	8,851	10,702	10,068
Investment property		9,734	2,239	12,230	3,771
Current income tax prepayment		1,365	1,323	16	-
Deferred income tax asset		1,211	485	718	218
Other assets	3	36,022	14,621	36,201	15,579
Total assets		2,226,015	2,188,737	2,030,762	1,989,966
LIABILITIES					
Due to other banks and financial institutions		47,522	49,833	55,717	57,884
Derivative financial instruments	3	1,552	1,552	1,894	1,894
Due to customers	4	1,841,017	1,841,928	1,648,053	1,648,817
Special and lending funds	5	5,135	5,135	13,336	13,336
Debt securities in issue		20,099	20,099	20,003	20,003
Subordinated loan	12	29,244	29,244	34,203	34,203
Current income tax liabilities		106	-	3,735	3,440
Deferred income tax liabilities		550	-	525	-
Liabilities related to insurance activities		28,417	-	27,232	-
Other liabilities		16,717	8,418	16,088	8,430
Total liabilities		1,990,359	1,956,209	1,820,786	1,788,007
EQUITY					
Share capital	6	157,639	157,639	131,366	131,366
Share premium		-	-	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	10,369	10,195	7,177	7,071
Accumulated other comprehensive income	6	(700)	(700)	530	290
Retained earnings		67,592	64,638	70,147	62,476
Non-controlling interest		-	-	-	-
Total equity		235,656	232,528	209,976	201,959
Total liabilities and equity		2,226,015	2,188,737	2,030,762	1,989,966

The notes on pages 10 to 34 constitute an integral part of these financial statements.

Chief Executive Officer — Vytautas Sinius

Chief Accountant — Vita Urbonienė

Date: 5 November 2018

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

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

		for the nine month period ended			
		30 September 2018		30 September 2017	
	Notes	Group	Bank	Group	Bank
Interest and similar income	7	52,104	46,753	50,153	43,101
Interest expense and similar charges	7	(6,383)	(6,390)	(8,049)	(8,046)
Net interest income		45,721	40,363	42,104	35,055
Fee and commission income	8	14,056	13,714	11,489	11,146
Fee and commission expense	8	(3,788)	(3,682)	(3,607)	(3,504)
Net fee and commission income		10,268	10,032	7,882	7,642
Net gain from operations with securities	11	1,948	2,329	2,128	1,358
Net gain from foreign exchange and related derivatives		5,036	4,894	3,467	4,076
Net loss from other derivatives		(19)	(19)	(1,972)	(1,700)
Net loss from changes in fair value of subordinated loan	12	4,959	4,959	(10,520)	(10,520)
Net gain from derecognition of financial assets		424	424	2,936	2,822
Net gain from disposal of tangible assets		1,139	265	2,828	37
Revenue related to other activities of Group companies	11	4,858	-	8,552	-
Other operating income		919	413	1,079	276
Salaries and related expenses		(15,417)	(13,171)	(14,196)	(11,765)
Depreciation and amortization expenses		(1,468)	(1,235)	(1,461)	(1,117)
Expenses related to other activities of Group companies	11	(3,657)	-	(6,905)	-
Other operating expenses	9	(7,983)	(6,066)	(7,469)	(5,541)
Operating profit before impairment losses		46,728	43,188	28,453	20,623
Allowance for impairment losses on loans and other assets	10	(4,791)	(2,346)	2,040	2,207
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2,10	-	(834)	-	(2,261)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	4,619	-	7,681
Profit before income tax		41,937	44,627	30,493	28,250
Income tax expense	11	(3,441)	(3,204)	(5,848)	(4,871)
Net profit for the period		38,496	41,423	24,645	23,379
Net profit attributable to:					
Owners of the Bank		38,496	41,423	24,645	23,379
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.07		0.05	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.06		0.05	

The notes on pages 10 to 34 constitute an integral part of these financial statements.

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

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

for the three month period

	1 July - 30 September 2018		1 July - 30 September 2017	
	Group	Bank	Group	Bank
Interest and similar income	18,252	16,398	16,839	14,857
Interest expense and similar charges	(2,122)	(2,124)	(2,223)	(2,223)
Net interest income	16,130	14,274	14,616	12,634
Fee and commission income	5,036	4,915	3,941	3,830
Fee and commission expense	(1,204)	(1,166)	(1,090)	(1,072)
Net fee and commission income	3,832	3,749	2,851	2,758
Net gain from operations with securities	812	698	1,066	622
Net gain from foreign exchange and related derivatives	1,891	1,875	1,378	1,547
Net gain (loss) from other derivatives	2	2	(913)	(730)
Net gain (loss) from changes in fair value of subordinated loan	2,465	2,465	(4,814)	(4,814)
Net gain from derecognition of financial assets	133	133	274	160
Net gain (loss) from disposal of tangible assets	368	(30)	1,111	37
Revenue related to other activities of Group companies	1,609	-	2,115	-
Other operating income	278	104	356	73
Salaries and related expenses	(5,040)	(4,329)	(4,581)	(3,871)
Depreciation and amortization expenses	(489)	(411)	(492)	(381)
Expenses related to other activities of Group companies	(1,472)	-	(1,915)	-
Other operating expenses	(2,633)	(1,911)	(2,929)	(2,199)
Operating profit before impairment losses	17,886	16,619	8,123	5,836
Allowance for impairment losses on loans and other assets	(4,816)	(2,291)	(125)	89
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	(1,165)	-	(1,225)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	-	-	1,234
Profit before income tax	13,070	13,163	7,998	5,934
Income tax expense	(1,624)	(1,752)	(2,590)	(2,332)
Net profit for the period	11,446	11,411	5,408	3,602
Net profit attributable to:				
Owners of the Bank	11,446	11,411	5,408	3,602
Non-controlling interest	-	-	-	-

The notes on pages 10 to 34 constitute an integral part of these financial statements.

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

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

	for the nine month period ended			
	30 September 2018		30 September 2017	
	Group	Bank	Group	Bank
Net profit for the period	38,496	41,423	24,645	23,379
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(393)	(393)	258	44
Deferred income tax on gain from revaluation of financial assets	61	61	(39)	(7)
Other comprehensive income, net of deferred tax	(332)	(332)	219	37
Total comprehensive income for the period	38,164	41,091	24,864	23,416
Total comprehensive income (loss) attributable to:				
Owners of the Bank	38,164	41,091	24,864	23,416
Non-controlling interest	-	-	-	-
	38,164	41,091	24,864	23,416

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

	for the three month period			
	1 July - 30 September 2018		1 July - 30 September 2017	
	Group	Bank	Group	Bank
Net profit for the period	11,446	11,411	5,408	3,602
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(154)	(154)	92	97
Deferred income tax on gain (loss) from revaluation of financial assets	25	25	(14)	(15)
Other comprehensive income (loss), net of deferred tax	(129)	(129)	78	82
Total comprehensive income for the period	11,317	11,282	5,486	3,684
Total comprehensive income (loss) attributable to:				
Owners of the Bank	11,317	11,282	5,486	3,684
Non-controlling interest	-	-	-	-
	11,317	11,282	5,486	3,684

The notes on pages 10 to 34 constitute an integral part of these financial statements.

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

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank							
1 January 2017		109,472	756	311	4,157	64,821	179,517	-	179,517
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	(21,894)	-	-	-
Transfer to statutory reserve		-	-	-	3,020	(3,020)	-	-	-
Payment of dividends	6	-	-	-	-	(1,887)	(1,887)	-	(1,887)
Total comprehensive income		-	-	219	-	24,645	24,864	-	24,864
30 September 2017		131,366	756	530	7,177	62,665	202,494	-	202,494
Total comprehensive income		-	-	-	-	7,482	7,482	-	7,482
31 December 2017		131,366	756	530	7,177	70,147	209,976	-	209,976
Impact of change in accounting principles		-	-	(898)	-	(8,194)	(9,092)		(9,092)
1 January 2018		131,366	756	(368)	7,177	61,953	200,884	-	200,884
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	(26,273)	-	-	-
Transfer to statutory reserve		-	-	-	3,192	(3,192)	-	-	-
Payment of dividends	6	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Reversal of deferred income tax previously recognized directly in equity	11	-	-	-	-	(1,127)	(1,127)	-	(1,127)
Total comprehensive income		-	-	(332)	-	38,496	38,164	-	38,164
30 September 2018		157,639	756	(700)	10,369	67,592	235,656	-	235,656

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total
1 January 2017		109,472	756	277	4,157	58,281	172,943
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	(21,894)	-
Transfer to statutory reserve		-	-	-	2,914	(2,914)	-
Payment of dividends	6	-	-	-	-	(1,887)	(1,887)
Total comprehensive income		-	-	37	-	23,379	23,416
30 September 2017		131,366	756	314	7,071	54,965	194,472
Total comprehensive income		-	-	(24)	-	7,511	7,487
31 December 2017		131,366	756	290	7,071	62,476	201,959
Impact of change in accounting principles		-	-	(658)	-	(6,472)	(7,130)
1 January 2018		131,366	756	(368)	7,071	56,004	194,829
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	(26,273)	-
Transfer to statutory reserve		-	-	-	3,124	(3,124)	-
Payment of dividends	6	-	-	-	-	(2,265)	(2,265)
Reversal of deferred income tax previously recognized directly in equity	11					(1,127)	(1,127)
Total comprehensive income		-	-	(332)	-	41,423	41,091
30 September 2018		157,639	756	(700)	10,195	64,638	232,528

The notes on pages 10 to 34 constitute an integral part of these financial statements.

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

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

		for the nine month period ended			
	Notes	30 September 2018		30 September 2017	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		43,816	38,465	39,532	33,766
Interest received on securities in the trading book		964	705	995	725
Interest paid		(6,326)	(6,333)	(7,655)	(7,652)
Fees and commissions received		14,056	13,714	11,489	11,146
Fees and commissions paid		(3,788)	(3,682)	(3,607)	(3,504)
Net cash inflows from trade in securities in the trading book		(7,314)	(4,654)	10,011	9,781
Net inflows from foreign exchange operations		3,577	2,145	9,379	9,988
Net inflows from derecognition of financial assets		424	424	2,936	2,822
Net inflows from derecognition of non-financial assets		2,856	339	6,670	304
Cash inflows related to other activities of Group companies		5,777	413	9,631	276
Cash outflows related to other activities of Group companies		(3,657)	-	(6,905)	-
Recoveries on loans previously written off		1,386	439	1,068	501
Salaries and related payments to and on behalf of employees		(15,415)	(13,169)	(14,206)	(11,775)
Payments related to operating and other expenses		(8,035)	(5,402)	(11,852)	(8,321)
Income tax paid		(8,887)	(8,234)	(7,101)	(6,536)
Net cash flow from operating activities before change in operating assets and liabilities		19,434	15,170	40,385	31,521
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		330	330	3,722	3,537
(Increase) in loans to customers and finance lease receivables		(176,549)	(172,461)	(127,714)	(108,916)
Decrease (increase) in other assets		763	(18)	(5,886)	(4,970)
Decrease (increase) in due to banks and financial institutions		(8,153)	(8,009)	10,284	(1,763)
Increase (decrease) increase in due to customers		192,865	193,012	118,670	119,263
Increase in special and lending funds		(8,201)	(8,201)	(20,814)	(20,814)
Increase (decrease) in other liabilities		1,480	(346)	2,583	(507)
Change		2,535	4,307	(19,155)	(14,170)
Net cash flow from (used in) from operating activities		21,969	19,477	21,230	17,351
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(675)	(651)	(1,808)	(1,045)
Disposal of property, plant and equipment, investment property and intangible assets		3,900	2,468	6,872	1,491
Acquisition of securities held to collect cash flows		(107,178)	(107,178)	(130,435)	(130,435)
Proceeds from redemption of securities held to collect cash flows		67,715	67,715	99,430	99,430
Interest received on securities held to collect cash flows		7,583	7,583	8,686	8,686
Dividends received		29	4,639	-	8,425
Acquisition of investment securities at fair value		(7,070)	(6,818)	(3,000)	(3,000)
Sale or redemption of investment securities at fair value		2,334	2,334	11,252	11,644
Interest received on investment securities at fair value		167	143	387	387
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	-	-	256
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	-	-	(1,000)
Net cash flow (used in) from investing activities		(33,195)	(29,765)	(8,616)	(5,161)
Financing activities					
Payment of dividends		(2,265)	(2,265)	(1,876)	(1,876)
Net cash flow (used in) financing activities		(2,265)	(2,265)	(1,876)	(1,876)
Net increase (decrease) in cash and cash equivalents		(13,491)	(12,553)	10,738	10,314
Cash and cash equivalents at 1 January		129,738	126,591	153,867	152,111
Cash and cash equivalents at 30 September		116,247	114,038	164,605	162,425

The notes on pages 10 to 34 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, ŠiauliųBankas AB is referred to as the Bank, ŠiauliųBankas 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 62 customer service outlets (2017: 65 outlets). As at 30 September 2018 the Bank had 721 employees (31 December 2017: 702). As at 30 September 2018 the Group had 823 employees (31 December 2017: 805 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 30 September 2018 and 31 December 2017 the Bank owned the following directly controlled subsidiaries:

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

As of 30 September 2018 and 31 December 2017 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 2 *Securities*.

This condensed interim financial information for the nine month period ended 30 September 2018 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2017.

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

New and amended standards, and interpretations
The Group adopted IFRS9 from 1 January 2018. The impact of adoption of the standard is described in Bank's annual financial statements for the year ended 31 December 2017. The impact of IFRS9 adoption to accumulated comprehensive income is decribed in more detail in Note 6 to the condensed interim financial staments, the impact to loans and finance lease receivables - in Note 1, the impact to derivative financial instruments – in Note 3, the impact to allowance for impairment – in Note 10.

IFRS16, which will be effective for annual periods starting from 1 January 2019 or later, also may have a material impact to the Group's financial statements. The impact of IFRS16 is described in Bank's annual financial statements for the year ended 31 December 2017.

Except for the standards mentioned above, the Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2018 will have a material impact on the Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2018, and that would have a material impact on the Bank's financial information.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Except for the impact of above-described IFRS9 (most importantly, to the financial assets impairment assessent, the model of which changed from incurred loss to expected loss), in preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2017.

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

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

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

From 1 January 2018 the Group adopted IFRS9 "Financial Instruments". The Group designed and implemented an ECL (expected credit loss) measurement model, which covers four main groups of financial assets: loan and finance lease portfolio; debt securities; due from banks; other financial assets. Model for loan and finance lease portfolio ECL measurement is based on Group's historical credit loss experience (for calculation of probabilities of default based on internal ratings – 7 years, for calculation of loss given default based on recovery ratios of different types of collateral – 5 years) adjusted by factors to reflect the differences between the economic conditions of the period of which historical data was used, and economic developments expected over the next 12 months or estimated life of instruments. The Group performed ECL calculations for segments of customers that share similar risk characteristics (segments of corporate customers were defined using economic sector, individual customers were split between consumer financing and other). Model for other financial assets uses simplified assumptions from the loan and finance lease portfolio model. Models for debt securities and due from banks rely on external ratings and probability of default and recovery rate data of Moody's Investors Service.

Aggregated assessment of impact of the standard to the allowance for impairment at 1 January 2018 is presented in the table:

Increase in allowance for impairment at IFRS9 adoption	*Group*	*Bank*
Loans to customers	8,130	6,214
Finance lease receivables	1,565	1,543
Debt securities	296	291
Due from banks	22	22
Other financial assets	307	288
Total increase in allowance for impairment of financial assets	10 320	8 358

The reconciliation of allowance for impairment of financial assets is presented in Note 10.

Credit risk management procedure was also reviewed and renewed. New version of the procedure came into force from 1 January 2018. Besides changes necessary for IFRS9 adoption, internal risk indicators systems was reviewed and expanded.

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

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Loans and advances to banks	1,888	1,888	2,218	2,218
Loans and advances to customers:	1,229,917	1,239,367	1,098,327	1,102,927
Loans and advances to financial institutions	17	50,996	18	39,756
Loans to individuals (Retail)	154,615	93,291	133,441	77,455
Loans to business customers	1,075,285	1,095,080	964,868	985,716
Finance lease receivables	118,668	118,536	91,139	90,898
Debt securities at fair value through profit or loss	40,913	27,003	30,589	17,755
Derivative financial instruments	3,147	3,147	3,031	3,031
Debt securities at fair value through other comprehensive income	14,968	14,565	11,322	10,914
Debt securities at amortized cost	613,726	613,726	576,260	576,260
Other assets subject to credit risk	7,998	7,425	10,485	9,616
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	34,198	34,264	33,787	33,814
Letters of credit	1,141	1,141	262	262
Loan commitments and other credit related liabilities	214,326	235,952	173,233	188,725
Total	2,280,890	2,297,014	2,030,653	2,036,420

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017.

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

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

Loans to customers

Loans and advances are summarised as follows:

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Gross	1,272,275	1,274,454	1,131,562	1,132,480
Subtract: allowance for impairment	(42,358)	(35,087)	(33,235)	(29,553)
Net	**1,229,917**	**1,239,367**	**1,098,327**	**1,102,927**

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017. The change in carrying value of loans to customers attributable to IFRS9 adoption is presented in the table below:

	Group	*Bank*
Gross amount:		
As presented in 31 December 2017 financial statements (IAS39)	1,131,562	1,132,480
Accrued income adjustment (see Note 3)	2,350	2,350
Gross amount as of 1 January 2018 (IFRS9)	**1,133,912**	**1,134,830**
Allowance for impairment:		
As presented in 31 December 2017 financial statements (IAS39)	(33,235)	(29,553)
Adjustment of allowances for individually assessed loans	(9,269)	(6,981)
Reversal of collective allowances for incurrred but not reported losses	1,138	767
Allowance for impairment as of 1 January 2018 (IFRS9)	**(41,366)**	**(35,767)**
Net amount:		
As presented in 31 December 2017 financial statements (IAS39)	1,098,327	1,102,927
Adjustment due to IFRS9 implementation	(5,781)	(3,864)
1 January 2018 (IFRS9)	**1,092,546**	**1,099,063**

The distribution of loans by stages and days past due (comparative information amounts calculated using IFRS9):

	Group									
	30 September 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	987,667	62,251	2,471	6	1,052,395	855,286	60,111	195	-	915,592
Allowance for impairment	(5,437)	(1,058)	(71)	-	(6,566)	(3,973)	(794)	(30)	-	(4,797)
Net amount	**982,230**	**61,193**	**2,400**	**6**	**1,045,829**	**851,313**	**59,317**	**165**	**-**	**910,795**
Stage 2:										
Gross amount	124,402	19,739	9,222	3	153,366	141,700	13,151	7,672	-	162,523
Allowance for impairment	(2,594)	(474)	(2,231)	-	(5,299)	(4,282)	(314)	(1,661)	-	(6,257)
Net amount	**121,808**	**19,265**	**6,991**	**3**	**148,067**	**137,418**	**12,837**	**6,011**	**-**	**156,266**
Stage 3:										
Gross amount	20,042	2,377	2,055	42,040	66,514	7,054	5,040	1,027	42,676	55,797
Allowance for impairment	(11,134)	(1,505)	(642)	(17,212)	(30,493)	(4,656)	(2,560)	(547)	(22,549)	(30,312)
Net amount	**8,908**	**872**	**1,413**	**24,828**	**36,021**	**2,398**	**2,480**	**480**	**20,127**	**25,485**
Total:										
Gross amount	1,132,111	84,367	13,748	42,049	1,272,275	1,004,040	78,302	8,894	42,676	1,133,912
Allowance for impairment	(19,165)	(3,037)	(2,944)	(17,212)	(42,358)	(12,911)	(3,668)	(2,238)	(22,549)	(41,366)
Net amount	**1,112,946**	**81,330**	**10,804**	**24,837**	**1,229,917**	**991,129**	**74,634**	**6,656**	**20,127**	**1,092,546**

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

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

Bank

	30 September 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	1,000,646	54,819	1,982	6	1,057,453	866,344	53,347	-	-	919,691
Allowance for impairment	(3,222)	(254)	(1)	-	(3,477)	(2,634)	(195)	-	-	(2,829)
Net amount	997,424	54,565	1,981	6	1,053,976	863,710	53,152	-	-	916,862
Stage 2:										
Gross amount	129,470	19,739	5,631	3	154,843	145,899	13,151	4,613	-	163,663
Allowance for impairment	(2,633)	(474)	(463)	-	(3,570)	(4,294)	(314)	(365)	-	(4,973)
Net amount	126,837	19,265	5,168	3	151,273	141,605	12,837	4,248	-	158,690
Stage 3:										
Gross amount	18,985	2,208	1,489	39,476	62,158	6,126	4,899	702	39,749	51,476
Allowance for impairment	(10,974)	(1,375)	(209)	(15,482)	(28,040)	(4,593)	(2,452)	(299)	(20,621)	(27,965)
Net amount	8,011	833	1,280	23,994	34,118	1,533	2,447	403	19,128	23,511
Total:										
Gross amount	1,149,101	76,766	9,102	39,485	1,274,454	1,018,369	71,397	5,315	39,749	1,134,830
Allowance for impairment	(16,829)	(2,103)	(673)	(15,482)	(35,087)	(11,521)	(2,961)	(664)	(20,621)	(35,767)
Net amount	1,132,272	74,663	8,429	24,003	1,239,367	1,006,848	68,436	4,651	19,128	1,099,063

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

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

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

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

Finance lease receivables

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

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Business customers	101,716	100,860	76,468	75,576
Individuals	19,697	19,609	16,069	15,926
Gross	121,413	120,469	92,537	91,502
Subtract: Allowance for impairment	(2,745)	(1,933)	(1,398)	(604)
Net	118,668	118,536	91,139	90,898

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017. The change in carrying value of finance lease receivables attributable to IFRS9 adoption is presented in the table below:

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

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

	Group	Bank
Gross amount:		
As presented in 31 December 2017 financial statements (IAS39)	92,537	91,502
Accrued income adjustment	35	35
Gross amount as of 1 January 2018 (IFRS9)	**92,572**	**91,537**
Allowance for impairment:		
As presented in 31 December 2017 financial statements (IAS39)	(1,398)	(604)
Adjustment of allowances for individually assessed receivables	(1,633)	(1,611)
Reversal of collective allowances for incurrred but not reported losses	68	68
Allowance for impairment as of 1 January 2018 (IFRS9)	**(2,963)**	**(2,147)**
Net amount:		
As presented in 31 December 2017 financial statements (IAS39)	91,139	90,898
Adjustment due to IFRS9 implementation	(1,530)	(1,508)
1 January 2018 (IFRS9)	**89,609**	**89,390**

The distribution of finance lease receivables by stages and days past due (comparative information amounts calculated using IFRS9):

Group

	30 September 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	68,658	22,750	116	-	91,524	51,793	12,292	42	-	64,127
Allowance for impairment	(230)	(87)	(2)	-	(319)	(190)	(60)	-	-	(250)
Net amount	**68,428**	**22,663**	**114**	**-**	**91,205**	**51,603**	**12,232**	**42**	**-**	**63,877**
Stage 2:										
Gross amount	12,716	4,913	6,206	-	23,835	14,218	10,771	1,096	-	26,085
Allowance for impairment	(431)	(223)	(226)	-	(880)	(606)	(252)	(37)	-	(895)
Net amount	**12,285**	**4,690**	**5,980**	**-**	**22,955**	**13,612**	**10,519**	**1,059**	**-**	**25,190**
Stage 3:										
Gross amount	247	-	4	5,803	6,054	-	-	47	2,313	2,360
Allowance for impairment	(112)	-	-	(1,434)	(1,546)	-	-	(34)	(1,784)	(1,818)
Net amount	**135**	**-**	**4**	**4,369**	**4,508**	**-**	**-**	**13**	**529**	**542**
Total:										
Gross amount	81,621	27,663	6,326	5,803	121,413	66,011	23,063	1,185	2,313	92,572
Allowance for impairment	(773)	(310)	(228)	(1,434)	(2,745)	(796)	(312)	(71)	(1,784)	(2,963)
Net amount	**80,848**	**27,353**	**6,098**	**4,369**	**118,668**	**65,215**	**22,751**	**1,114**	**529**	**89,609**

Bank

	30 September 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	68,630	22,730	116	-	91,476	51,707	12,267	42	-	64,016
Allowance for impairment	(231)	(86)	(2)	-	(319)	(189)	(60)	-	-	(249)
Net amount	**68,399**	**22,644**	**114**	**-**	**91,157**	**51,518**	**12,207**	**42**	**-**	**63,767**
Stage 2:										
Gross amount	12,716	4,913	6,205	-	23,834	14,218	10,771	1,057	-	26,046
Allowance for impairment	(430)	(223)	(226)	-	(879)	(606)	(252)	(36)	-	(894)
Net amount	**12,286**	**4,690**	**5,979**	**-**	**22,955**	**13,612**	**10,519**	**1,021**	**-**	**25,152**
Stage 3:										
Gross amount	246	-	-	4,913	5,159	-	-	5	1,470	1,475
Allowance for impairment	(111)	-	-	(624)	(735)	-	-	(2)	(1,002)	(1,004)
Net amount	**135**	**-**	**-**	**4,289**	**4,424**	**-**	**-**	**3**	**468**	**471**
Total:										
Gross amount	81,592	27,643	6,321	4,913	120,469	65,925	23,038	1,104	1,470	91,537
Allowance for impairment	(772)	(309)	(228)	(624)	(1,933)	(795)	(312)	(38)	(1,002)	(2,147)
Net amount	**80,820**	**27,334**	**6,093**	**4,289**	**118,536**	**65,130**	**22,726**	**1,066**	**468**	**89,390**

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

Securities in the trading book

Securities in the trading book are comprised of trading securities and other securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary. These securities are measured at fair value through profit or loss. In the 2017 financial statements these securities were presented as Securities at fair value through profit or loss. IFRS9 adoption resulted in no changes except for the change of line title.

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Debt securities:	40,913	27,003	30,589	17,755
Government bonds	16,129	8,265	13,406	5,905
Corporate bonds	24,784	18,738	17,183	11,850
Equity securities	18,993	697	18,586	529
Total	59,906	27,700	49,175	18,284

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	39,153	27,003	29,103	17,755
from AA- to AAA	1,769	1,214	1,209	1,209
from A- to A+	14,509	10,894	8,703	5,970
from BBB- to BBB+	16,041	9,606	12,549	6,576
from BB- to BB+	4,418	2,873	4,395	1,753
lower than BB-	49	49	543	543
no rating	2,367	2,367	1,704	1,704
Equity securities	697	697	529	529
listed	637	637	470	470
unlisted	5	5	4	4
units of investment funds	55	55	55	55
Total trading securities	39,850	27,700	29,632	18,284
Other trading book securities:				
Debt securities	1,760	-	1,486	-
from AA- to AAA	-	-	-	-
from A- to A+	1,462	-	936	-
from BBB- to BBB+	298	-	550	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	18,296	-	18,057	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	18,296	-	18,057	-
Total other trading book securities	20,056	-	19,543	-
TOTAL	59,906	27,700	49,175	18,284

Group's other trading book securities portfolio consists of securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary.

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

NOTE 2
SECURITIES (continued)

Investment securities

Investment securities are comprised of:
- non-trading equities. In 2017 financial statements these securities were presented as available-for-sale equities. In adoption of IFRS9, the Group chose to measure these securities at fair value through profit or loss.
- debt securities at fair value through other comprehensive income. In 2017 financial statements these securities were presented as available-for-sale debt securities. On adoption of IFRS9, allowance for impairment was recognized against these securities: Group EUR 13 thousand; Bank EUR 8 thousand.
- debt securities held to collect cash flows. In 2017 financial statements these securties were presented as held-to-maturity debt securities. These securities are measured at amortized cost. On adoption of IFRS9, additional allowance for impairment of EUR 283 thousand was recognized against these securities.

	30 September 2018		31 December 2017	
	Group	Bank	Group	Bank
Securities at fair value (31 December 2017 - Securities available for sale):				
Debt securities:	14,968	14,565	11,322	10,914
Government bonds	5,140	5,140	-	-
Corporate bonds	9,828	9,425	11,322	10,914
Equity securities	5,415	636	5,150	628
Total	20,383	15,201	16,472	11,542
Securities at amortized cost (31 December 2017 - Held-to-maturity securities):				
Debt securities:	613,726	613,726	576,260	576,260
Government bonds	469,760	469,760	418,063	418,063
Corporate bonds	143,966	143,966	158,197	158,197
Total	613,726	613,726	576,260	576,260

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017.

	30 September 2018		31 December 2017	
	Group	Bank	Group	Bank
Securities at fair value (31 December 2017 - Securities available for sale):				
Debt securities	14,968	14,565	11,322	10,914
from AA- to AA+	-	-	-	-
from A- to A+	6,907	6,907	3,760	3,760
from BBB- to BBB+	7,517	7,517	6,992	6,992
from BB- to BB+	-	-	162	162
lower than BB-	141	141	-	-
no rating	403	-	408	-
Equities	5,415	636	5,150	628
listed	-	-	-	-
unlisted	1,227	428	1,212	414
units of investment funds	4,188	208	3,938	214
Total	20,383	15,201	16,472	11,542
Securities at amortized cost (31 December 2017 - Held-to-maturity securities):				
Debt securities	613,726	613,726	576,260	576,260
from AA- to AA+	10,143	10,143	14,034	14,034
from A- to A+	453,110	453,110	404,663	404,663
from BBB- to BBB+	146,944	146,944	153,905	153,905
from BB- to BB+	3,529	3,529	3,658	3,658
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	613,726	613,726	576,260	576,260

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017.

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

NOTE 2
SECURITIES (continued)

Credit stages of investment debt securities (comparative information amounts calculated using IFRS9):

	30 September 2018		*1 January 2018*	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	626,323	625,915	587,070	586,662
Allowance for impairment	(293)	(288)	(294)	(289)
Net amount	**626,030**	**625,627**	**586,776**	**586,373**
Stage 2:				
Gross amount	2,713	2,713	512	512
Allowance for impairment	(49)	(49)	(2)	(2)
Net amount	**2,664**	**2,664**	**510**	**510**
Stage 3:				
Gross amount	1,009	-	1,022	-
Allowance for impairment	(1,009)	-	(1,022)	-
Net amount	-	-	-	-

During the nine month periods ended 30 September 2018 and 2017, no material reclassifications between portfolios of securities were performed. No positions were reclassified among portfolios on IFRS9 adoption.

Investments in subsidiaries

	30 September 2018			31 December 2017		
	Share in equity, %	*Acquisition cost*	*Carrying amount*	*Share in equity, %*	*Acquisition cost*	*Carrying amount*
Bank						
Investments in consolidated directly controlled subsidiaries:						
Bonum Publicum GD UAB	100.00%	8,399	8,399	100.00%	8,399	8,399
Minera UAB	100.00%	6,165	2,795	100.00%	6,165	3,566
Pavasaris UAB	100.00%	10,456	0	100.00%	10,456	119
SB lizingas UAB	100.00%	8,862	8,862	100.00%	8,862	8,862
SBTF UAB	100.00%	1,029	1,029	100.00%	1,029	579
Šiaulių Banko Investicijų Valdymas UAB	100.00%	5,479	747	100.00%	5,479	747
Šiaulių Banko Lizingas UAB	100.00%	4,460	1,069	100.00%	4,460	1,069
Šiaulių Banko Turto Fondas UAB	100.00%	3,999	3,159	100.00%	3,999	3,554
Total		**48,849**	**26,060**		**48,849**	**26,895**

	30 September 2018			31 December 2017		
	Share in equity	*Acquisition cost*	*Carrying amount*	*Share in equity*	*Acquisition cost*	*Carrying amount*
Investments in consolidated indirectly controlled subsidiaries:						
*Apželdinimas UAB ***	100.00%	300	-	100.00%	300	-
*Sandworks UAB **	100.00%	35	35	100.00%	35	35
*ŽSA5 UAB **	100.00%	308	308	100.00%	308	308

*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB
** Indirectly controlled by subsidiary Šiaulių Banko Turto Fondas UAB

During the nine month period ended 30 September 2018, the Bank recognized impairment losses to the following investments in subsidiaries: EUR 770 thousand to investment in Minera UAB and EUR 395 thousand to investment in Šiaulių Banko Turto Fondas UAB (due to losses incurred by these subsidiaries); EUR 119 thousand investment in Pavasaris UAB (value of the investment reduced after the same amount of dividends were paid by the entity) and reversed an EUR 450 thousand impairment to the investment in SBTF UAB.

During the nine month period ended 30 September 2017, the Bank recognized EUR 2,966 thousand impairment to investment in Pavasaris UAB (value of the investment reduced by EUR 2,966 thousand after the dividends from the subsidiary of EUR 3,116 thousand were received), the Bank reversed an EUR 760 thousand impairment to investment in Šiaulių Banko Turto Fondas UAB (due to the improved financial performance of subsidiary). The Bank incurred a loss of EUR 55 thousand on revaluation of subsidiaries held for sale (the book value of these subsidiaries was reduced to nil).

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

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Derivative financial instrumens

Group, Bank

	31 December 2017 (IAS 39)	Change on IFRS9 adoption	1 January 2018 (IFRS9)	30 September 2018
Assets:				
Derivatives:	3,031	(2,284)	747	3,147
derivatives related to interest rate floor in variable rate loan contracts	*2,284*	*(2,284)*	*-*	*-*
currency derivatives	*143*	*-*	*143*	*2,284*
derivatives related to prices of financnial instruments	*604*	*-*	*604*	*863*
Liabilities:				
Derivatives:	(1,894)	-	(1,894)	(1,552)
currency derivatives	*(1,223)*	*-*	*(1,223)*	*(603)*
derivatives related to prices of financnial instruments	*(671)*	*-*	*(671)*	*(949)*

On IFRS9 adoption, the embedded derivative financial instruments related to interest rate floor in variable rate loan contracts were derecognized.

As the variable rate loans that contain such conditions pass the SPPI test and are held in line with the business model, main purpose of which is to collect cash flows from the financial instrument, the Group has to apply the classification requirements on the whole instrument and therefore embedded derivatives related to interest rate floor in variable rate loan contracts are no longer recognised separately on the balance sheet. The derecognition results in decrease of value of derivatives and retained earnings by EUR 2,284 thousand for the Group and the Bank.This impact is offset by change in accrued interest as when initially recognized, value of loan was reduced by value of embedded derivative, and later the difference was included in the effective interest rate and amortized through interest income. Change in accrued interest results in an increase in loans and retained earnings by EUR 2,385 thousand. Therefore the total effect of derecognition of embedded derivatives results in increase in retained earnings by EUR 101 thousand

Other assets

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Amounts receivable	7,998	7,425	10,485	9,616
Inventories	19,175	-	18,316	-
Deferred charges	1,008	986	888	859
Assets under reinsurance and insurance contracts	577	-	650	-
Prepayments	4,941	4,026	4,188	3,607
Foreclosed assets	128	76	764	712
Assets classified as held for sale	1,004	1,004	-	-
Other	1,191	1,104	910	785
Total	**36,022**	**14,621**	**36,201**	**15,579**

Note: data as of 30 September 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 September 2018 and IAS39 at 31 December 2017.

On IFRS9 adoption, additional allowance for impairment (Group EUR 307 thousand; Bank EUR 288 thousand) against amounts receivable was recognized using expected loss model. As at 30 September 2018, the allowance for impairment against amounts receivable amounted to: Group EUR 288 thousand, Bank EUR 255 thousand.

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

NOTE 4
DUE TO CUSTOMERS

	30 September 2018		31 December 2017	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	27,183	27,183	21,553	21,553
Local government institutions	125,284	125,284	75,060	75,060
Governmental and municipal companies	15,948	15,948	23,431	23,431
Corporate entities	365,859	366,118	274,888	275,321
Non-profit organisations	14,470	14,470	13,309	13,309
Individuals	356,003	356,003	305,237	305,237
Unallocated amounts due to customers	40,101	40,753	40,099	40,430
Total demand deposits	944,848	945,759	753,577	754,341
Time deposits:				
National government institutions	3,610	3,610	231	231
Local government institutions	905	905	948	948
Governmental and municipality companies	5,647	5,647	1,718	1,718
Corporate entities	61,204	61,204	61,522	61,522
Non-profit organisations	2,268	2,268	2,433	2,433
Individuals	822,535	822,535	827,624	827,624
Total time deposits	896,169	896,169	894,476	894,476
Total	1,841,017	1,841,928	1,648,053	1,648,817

NOTE 5
SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The decrease in special and lending funds from EUR 13,336 thousand in the beginning of the year to EUR 5,135 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 30 September 2018 the Bank's share capital amounted to EUR 157,639,187.84, it comprised 543,583,406 ordinary registered shares with par value of EUR 0.29 each. As of 31 December 2017 the Bank's share capital amounted to EUR 131,365,989.88, it comprised 452,986,172 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 16,571 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 will total to EUR 3,429 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 will be paid by offsetting mutual commitment between the Bank and EBRD under the subordinated convertible loan agreement signed 23 February 2013 (more information on subordinated loan is presented in Note 12). Bank aims to implement the decision during the fourth quarter of 2018.

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

The ordinary meeting of shareholders of Šiaulių bankas that took place on 30 March 2017 passed a resolution to increase Bank's share capital by EUR 21,894 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 6 June 2017, 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 2017).

The shareholders holding over 5% of the Bank's shares are listed in the table below:

	Share of the authorized capital held, % 30 September 2018	Share of the authorized capital held, % 31 December 2017
European Bank for Reconstruction and Development	18.24	18.24
Invalda INVL AB	6.79	6.79
Gintaras Kateiva	5.82	5.82

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

NOTE 6
CAPITAL (continued)

Shareholders of the Bank that have signed shareholders agreement - EBRD, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 30 September 2018, this group possessed 38.41 percent (31 December 2017: 38.52 percent) of the authorised capital and votes of the Bank. On 8 October 2018 the Bank was that the Bank's shareholders – Prekybos namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Gintaras Kateiva, Arvydas Salda, Algirdas Butkus, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius and EBRD - have signed the agreement to terminate the Shareholders' Agreement. The agreement states that Shareholders' Agreement will expire from the date when the shares from the issue confirmed by the shareholders meeting that took place on 24 September 2018 will be transferred to the EBRD's securities account.

As at 30 September 2018, the Bank had 4,752 shareholders (as at 31 December 2017: 4,496).

Dividends:
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. On 30 March 2017 the ordinary general meeting of shareholders made a decision to pay EUR 0.005 (i.e. 1.72%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

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

Accumulated Other Comprehensive Income:
Accumulated other comprehensive income consist of accumulated change in fair value of debt securities at fair value through other comprehensive income (net of tax) and amount of the change in the fair value of subordinated loan that is attributable to changes in the credit risk of that liability. On IFRS9 adoption, the accumulated change in fair value of available-for-sale equities (Group EUR 546 thousand, Bank EUR 306 thousand) was transferred from accumulated other comprehensive income to retained earnings, and the accumulated amount of change in the fair value of subordinated loan that is attributable to changes in the credit risk of that liability (negative amount of EUR 352 thousand) was transferred from retained earnings to accumulated other comprehensive income.

The reconciliation of accumulated other comprehensive income is presented in the table below:

	Group					*Bank*				
	As reported in 31 Dec 2017 financial statements	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	9mo other comprehensive income	Amount as at 30 Sep 2018	As reported in 31 Dec 2017 financialstatements	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	9mo other comprehensive income	Amount as at 30 Sep 2018
Items that may be subsequently reclassified to profit or loss:										
accumulated change in fair value of available-for-sale equities (after tax)	546	(546)	-	-	-	306	(306)	-	-	-
accumulated change in fair value of debt securities at fair value through other comprehensive income (after tax)	(16)	-	(16)	(332)	(348)	(16)	-	(16)	(332)	(348)
Items that may not be subsequently reclassified to profit or loss:										
accumulated amount of change in the fair value of subordinated loan that is attributable to changes in the credit risk of that liability	-	(352)	(352)	-	(352)	-	(352)	(352)	-	(352)
Total accumulated other comprehensive income	530	(898)	(368)	(332)	(700)	290	(658)	(368)	(332)	(700)

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

NOTE 7
NET INTEREST INCOME

	1 January - 30 September 2018		1 January - 30 September 2017	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	171	1,824	234	2,012
on loans to customers	39,483	32,857	37,252	29,640
on debt securities	8,390	8,076	9,444	9,129
on finance leases	4,015	3,951	3,223	2,320
other interest income	45	45	-	-
Total interest income	52,104	46,753	50,153	43,101
Interest expense:				
on financial liabilities designated at fair value through profit or loss	(753)	(753)	(741)	(741)
on financial liabilities measured at amortised cost	(5,452)	(5,459)	(7,139)	(7,136)
on other liabilities	(178)	(178)	(169)	(169)
Total interest expense	(6,383)	(6,390)	(8,049)	(8,046)

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 September 2018		1 January - 30 September 2017	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	2,773	2,773	2,663	2,663
for settlement services	3,728	3,737	2,817	2,823
for cash operations	3,075	3,075	2,360	2,360
for account administration	2,232	2,232	1,632	1,632
for guarantees, letters of credit, documentary collection	365	365	274	274
for collection of utility and similar payments	187	190	214	222
for services related to securities	1,030	1,099	877	980
other fee and commission income	666	243	652	192
Total fee and commission income	14,056	13,714	11,489	11,146
Fee and commission expense:				
for payment cards	(2,198)	(2,195)	(2,129)	(2,129)
for cash operations	(676)	(676)	(636)	(636)
for correspondent bank and payment system fees	(254)	(165)	(284)	(185)
for services of financial data vendors	(138)	(128)	(130)	(130)
for services related to securities	(344)	(340)	(285)	(285)
other fee and commission expenses	(178)	(178)	(143)	(139)
Total fee and commission expense	(3,788)	(3,682)	(3,607)	(3,504)
Net fee and commission income	10,268	10,032	7,882	7,642

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

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 September 2018		1 January - 30 September 2017	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1,087)	(943)	(1,050)	(907)
Utility services for buildings and premises	(483)	(437)	(475)	(433)
Other expenses related to buildings and premises	(238)	(238)	(179)	(177)
Transportation expenses	(328)	(257)	(313)	(297)
Legal costs	(151)	(151)	(40)	(40)
Personnel and training expenses	(136)	(120)	(128)	(113)
IT and communication expenses	(1,631)	(1,482)	(1,493)	(1,338)
Marketing and charity expenses	(1,819)	(1,063)	(1,541)	(936)
Service organisation expenses	(881)	(785)	(893)	(794)
Non-income taxes, fines	(335)	(72)	(419)	(25)
Costs incurred due to debt recovery	(318)	(215)	(310)	(217)
Other expenses	(576)	(303)	(628)	(264)
Total	(7,983)	(6,066)	(7,469)	(5,541)

NOTE 10
IMPAIRMENT LOSSES

The data presented in this note as of 1 January - 30 September 2018 and as of 1 January - 30 September 2017 is not fully comparable as it is calculated using different reporting standards: for calculation of impairment losses in 2018, expected loss model in line with IFRS9 was used, and in 2017 – incurred loss model in line with IAS 39 was used.

	1 January - 30 September 2018		1 January - 30 September 2017	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(3,724)	(2,051)	1,610	1,748
Recoveries of loans previously written-off	1,149	439	964	501
Reversal of impairment losses / (impairment losses) on finance lease receivables	218	214	(120)	(51)
Recovered previously written-off finance lease receivables	237	-	104	-
(Impairment losses) on debt securities	(46)	(46)	-	-
Reversal of impairment losses on due from banks	6	6	-	-
Reversal of impairment losses / (impairment losses) on other financial assets	37	44	(69)	-
(Impairment losses) on subsidiaries	-	(834)	-	(2,206)
Revaluation of subsidiaries classified as held for sale	-	-	-	(55)
(Impairment losses) / reversal of impairment losses on other non-financial assets	(2,668)	(952)	(449)	9
Total	(4,791)	(3,180)	2,040	(54)

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

NOTE 10
IMPAIRMENT LOSSES (continued)

	1 January - 30 September 2018		1 January - 30 September 2017	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
As at 31 December	33,235	29,553	36,802	32,440
Impact of change in accounting principles	8,131	6,214	-	-
As at 1 January	41,366	35,767	36,802	32,440
Change in allowance for loan impairment	3,724	2,051	(1,610)	(1,748)
Loans written off during the period	(2,726)	(2,726)	(625)	(600)
Other factors (reclassification, FX rate shift, etc.)	(6)	(5)	(1)	(1)
As at 30 September	42,358	35,087	34,566	30,091
Allowance for impairment of finance lease receivables				
As at 31 December	1,397	604	1,308	201
Impact of change in accounting principles	1,566	1,543	-	-
As at 1 January	2,963	2,147	1,308	201
Change in allowance for impairment of finance lease receivables	(218)	(214)	120	51
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(1)	-
As at 30 September	2,745	1,933	1,427	252
Allowance for impairment of debt securities				
As at 31 December	1,022	-	1,022	-
Impact of change in accounting principles	296	291	-	-
As at 1 January	1,318	291	1,022	-
Change in allowance for impairment of debt securities	46	46	-	-
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(13)	-	(11)	-
As at 30 September	1,351	337	1,011	-
Allowance for impairment of due from banks				
As at 31 December	-	-	-	-
Impact of change in accounting principles	22	22	-	-
As at 1 January	22	22	-	-
Change in allowance for impairment of due from banks	(6)	(6)	-	-
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	1	-	-
As at 30 September	17	17	-	-
Allowance for impairment of other financial assets				
As at 31 December	23	15	30	15
Impact of change in accounting principles	307	288	-	-
As at 1 January	330	303	30	15
Change in allowance for impairment of other financial assets	(37)	(44)	69	-
Other financial assets written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(14)	(14)	-	-
As at 30 September	279	245	99	15

NOTE 11
SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from operations with securities

One-off gain of EUR 2,155 thousand resulting from the sale of debt securities at amortized cost (debt securities held to collect cash flows) is included in the net gain from operations with securities for the nine month period ended 30 September 2018. During the nine month period ended 30 September 2017, net gain from investment securities at amortized cost amounted to EUR 393 thousand.

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

NOTE 11
SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS (continued)

Revenues and expenses related to other activities of Group companies

	1 January - 30 September 2018		*1 January - 30 September 2017*	
	Group	Bank	Group	Bank
Revenue related to insurance activities	4,808	-	4,676	-
Revenue from sale of apartments	50	-	3,876	-
Profit from discontinued operations	-	-	-	-
Total revenue related to other activities of Group companies	**4,858**	**-**	**8,552**	**-**
*Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	(123)	-	(270)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(3,508)	-	(3,189)	-
Cost of apartments sold	(26)	-	(3,436)	-
Loss from discontinued operations	-	-	(10)	-
Total expenses related to other activities of Group companies	**(3,657)**	**-**	**(6,905)**	**-**

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

	1 January - 30 September 2018		*1 January - 30 September 2017*	
	Group	Bank	Group	Bank
Interest and similar income	31	-	31	-
Net gain (loss) from operations with securities	(45)	-	825	-
Net gain (loss) from foreign exchange	137	-	(586)	-
Total	123	-	270	-

Income tax expense

After receiving the commentary from tax authority regarding the tax treatment of IFRS9 impairment provisions, which allows to add the result from changes of impairment provision on adoption of IFRS9 to the impairment expenses of 2018 for income tax calculation purposes, the Bank adjusted current year income tax and deferred income tax amounts. Accordingly, current year profit was increased by EUR 1,502 thousand (adjustments were made to the income statement line *Income tax expense*), and retained earnings was decreased by EUR 1,127 thousand (the amount, which was recognized in equity on IFRS9 adoption by recognizing deferred income tax assets and increasing retained earnings, was reversed directly in equity by reducing retained earnings).

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

NOTE 12
RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled or significantly influenced over by these related parties. For some companies the presumed significant influence threshold of 20% voting rights has been reduced if other evidence shows that a person/ entity can exercise significant influence by additional means (e.g. by holding a seat in the Board of Directors of a particular entity);
b) subsidiaries of the Bank and subsidiaries held for sale;
c) the shareholders holding over 5 % of the Bank's share capital.

During 2018 and 2017, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. Starting from 2018, according to the local legislation, the information on executed material transactions with related parties is published on Bank's website (www.sb.lt › About bank › Information › Reports regarding the transactions with related parties).

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

	30 September 2018		*31 December 2017*	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
Members of the Council and the Board	4,324	261	2,036	133
Other related parties (excluding subsidiaries of the Bank)	18,512	57,614	19,667	53,335
Total	22,836	57,875	21,703	53,468

The Group and the Bank held debt securities of one entity attributable to related parties. On 30 September 2018 debt securities attributable to related parties exposure amounted to EUR 117 thousand for the Group and the Bank (31 December 2017: EUR 234 thousand).

Transactions with EBRD:

The Group/Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was EUR 29,244 thousand as of 30 September 2018 (31 December 2017: EUR 34,203 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Subordinated loan fair value consists of:

	30 September 2018	31 December 2017
Derivative part of the financial liability	8,572	12,990
Debt part of the financial liability	20,672	21,213
Total value of financial liability at fair value through profit or loss:	29,244	34,203

Subordinated loan related interest expenses amounted to EUR 753 thousand, a gain of EUR 4,959 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement for the nine month period ended 30 September 2018 (nine month period ended 30 September 2017: interest expenses EUR 741 thousand, revaluation loss EUR 10,520 thousand).

On 6 August 2018 the Bank received a conversion notice from EBRD on the implementation of the right to convert the loan. The extraordinary general shareholders meeting passed resolutions, which allow to implement the conversion (see Note 6 for more details). Bank's management expects that the conversion procedures will be finalized during the fourth quarter of 2018. The carrying value of subordinated loan will increase Bank's shareholders equity (via Share capital, Share premium and Retained earnings lines) as a result of the conversion.

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

NOTE 12
RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

Balances of transactions with the subsidiaries (including subsidiaries held for sale) are presented below:

	30 September 2018		31 December 2017	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
Non-financial institutions	2,035	22,893	434	32,170
Financial institutions	1,187	74,919	2,497	49,167
	3,222	**97,812**	**2,931**	**81,337**

Bank's total balances with subsidiaries:

	30 September 2017	31 December 2017
Assets		
Loans	76,103	65,765
Other assets	19	21
Bank's investment in subsidiaries	26,060	26,895
Bank's investment in subsidiaries classified as assets held for sale	-	-
Liabilities and shareholders' equity		
Deposits	3,222	2,931
Other liabilities	-	-

Income and expenses arising from transactions with subsidiaries:

	1 January–30 September 2018	1 January–30 September 2017
Income		
Interest	2,118	2,329
Commission income	174	191
FX income	2	6
Dividends	4,619	7,672
Other income	23	237
Expenses		
Interest	(10)	(5)
Operating expenses	(17)	(78)
Reversal of allowance for impairment losses / (impairment losses) on loans	22	(7)
Reversal of allowance / (allowance) for impairment losses on investments in subsidiaries	(834)	(2,261)

As of 30 September 2018, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 40 thousand (31 December 2017: EUR 42 thousand).

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The structure of the Group's assets and liabilities by maturity as at 30 September 2018 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*
Total assets	121 939	50 797	74 210	105 051	215 785	654 021	925 066	79 146	2 226 015
Total liabilities and shareholders' equity	978 224	77 960	146 408	234 478	276 756	212 838	58 653	240 698	2 226 015
Net liquidity gap	(856 285)	(27 163)	(72 198)	(129 427)	(60 971)	441 183	866 413	(161 552)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2017 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
Total assets	137 164	33 595	70 372	89 021	140 363	604 350	862 794	93 103	2 030 762
Total liabilities and shareholders' equity	766 880	126 769	132 829	191 718	350 756	198 355	53 479	209 976	2 030 762
Net liquidity gap	(629 716)	(93 174)	(62 457)	(102 697)	(210 393)	405 995	809 315	(116 873)	-

The structure of the Bank's assets and liabilities by maturity as at 30 September 2018 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*
Total assets	119 731	54 794	71 593	147 635	197 408	631 008	896 161	70 407	2 188 737
Total liabilities and shareholders' equity	979 732	73 015	145 515	234 430	275 214	210 929	32 833	237 069	2 188 737
Net liquidity gap	(860 001)	(18 221)	(73 922)	(86 795)	(77 806)	420 079	863 328	(166 662)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2017 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
Total assets	134 018	29 307	103 106	90 722	130 395	579 247	838 420	84 751	1 989 966
Total liabilities and shareholders' equity	768 144	121 322	132 220	191 191	349 964	196 569	28 597	201 959	1 989 966
Net liquidity gap	(634 126)	(92 015)	(29 114)	(100 469)	(219 569)	382 678	809 823	(117 208)	-

Market risk

The Group takes on exposure to market risk, which means the risk for the Bank 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 equities prices (equity risk). The most significant market risk for a Group is interest rate risk while other market risks are of lower significance.

Interest rate risk

Interest rate risk is the risk to incur loss because of uncoordinated re-evaluation of the Bank's assets and liabilities. The risk management is regulated by the Interest Rate Risk Management Procedures which define the risk assessment approaches as well as risk management measures. The present procedure specifies that the Bank shall avoid guessing the future interest rates. The scope of the risk is assessed referring to the interest rate gap model.

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

Sensitivity of interest rate risk

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

The data provided in the table below specify the Group and the Bank's interest rate risk when the assets and liabilities shown at the carrying amount are allocated by the date of the interest rate review or by maturity of assets and liabilities, depending on which comes first. The scenarios presented in the table show the changes in Group's/Bank's profit in the event of interest rate increase by the number specified. In case interest rates decreased, the values of the changes in profit would be opposite.

Group 30 September 2018:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	287 865	359 013	526 966	105 598	711 578	234 995	2 226 015
Liabilities and equity	73 060	158 663	206 413	273 116	248 659	1 266 104	2 226 015
Net interest sensitivity gap	214 805	200 350	320 553	(167 518)	462 919	(1 031 109)	-
Higher/lower impact on profit from balance sheet assets and liabilities	2 059	1 670	2 003	(419)	-	-	5 313

Group 31 December 2017:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	191 637	336 088	498 565	58 390	692 923	253 159	2 030 762
Liabilities and equity	110 856	153 668	186 646	304 814	215 895	1 058 883	2 030 762
Net interest sensitivity gap	150 607	96 939	243 110	(237 671)	484 056	(737 041)	-
Higher/lower impact on profit from balance sheet assets and liabilities	774	1 520	1 949	(616)	-	-	3 627

Bank 30 September 2018:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	292 430	360 479	571 502	95 643	670 069	198 614	2 188 737
Liabilities and equity	72 755	158 507	206 883	272 777	221 612	1 256 203	2 188 737
Net interest sensitivity gap	219 675	201 972	364 619	(177 134)	448 457	(1 057 589)	-
Higher/lower impact on profit from balance sheet assets and liabilities	2 105	1 683	2 279	(443)	-	-	5 624

Bank 31 December 2017:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	188 377	369 033	500 852	54 938	659 698	217 068	1 989 966
Liabilities and equity	110 533	153 583	186 561	304 391	190 243	1 044 655	1 989 966
Net interest sensitivity gap	145 935	94 877	273 074	(234 752)	475 289	(754 423)	-
Higher/lower impact on profit from balance sheet assets and liabilities	746	1 795	1 964	(624)	-	-	3 881

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

Operational risk

The Bank defines operational risk as 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.

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 idenfication and management of main sources of operational risk in all the areas of Bank's activity.

Bank's operational risk management procedure, which is an integral part of the Bank's risk management policy, defines the principles of operational risk management applicable to the Bank and its subsidiaries. Operational risk management procedure is subject to continuous improvement.

The operational risk management methods are implemented in the Bank – the system for registration of operational risk events in the administrative information system (AIS), functioning of which is regulated by the Instruction for registration of Operational risk events; the system of operational risk indicators and monitoring of limits of these indicators; operational risk self assessment performed by the Bank annually; evaluation of new products. The Bank set out the regulations on the principles for reliable and appropriate internal control system, guidelines for the business continuity organization.

In 2017 the Bank continued to develop systems of operational risk management and internal control, renewed the process for conducting investigations on very important operational risk events. The organization of business continuity was improved, i.e. the business continuity instructions for main processes and critical IT systems were prepared. The scope of risk indicators was reviewed and expanded. Employees perception of operational risk was strengthened by organizing operational risk training of new employees.

In 2018, the Bank further strengthened its operational risk management and internal control systems. In the beginning of the year, the provisions for organization of internal control were updated, in which the principles for assigning Bank's structural units to lines of defence were clarified. Attention is allocated towards Bank's business continuity management: update of provisions for business continuity organization, processes for extreme situations and Bank's information system incidents management.

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the nine month period ended 30 September 2018, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2017. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the nine month period ended 30 September 2018, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	30 September 2018		*31 December 2017*	
	Group	Bank	Group	Bank
LEVEL I				
Non-investment securities and derivative financial instruments	58,806	26,600	48,562	17,671
Investment securities at fair value	19,156	14,773	14,852	11,128
Total Level I financial assets	**77,962**	**41,373**	**63,414**	**28,799**
LEVEL II				
Derivative financial instruments - assets	3,147	3,147	747	747
Derivative financial instruments - liabilities	(1,552)	(1,552)	(1,894)	(1,894)
LEVEL III				
Non-investment securities and derivative financial instruments	1,100	1,100	2,897	2,897
Investment securities at fair value	1,227	428	1,620	414
Total Level III financial assets	**2,327**	**1,528**	**4,517**	**3,311**
Financial liabilities at fair value through profit or loss	29,244	29,244	34,203	34,203
Total Level III financial liabilities	**29,244**	**29,244**	**34,203**	**34,203**

There were no transfers between fair value hierarchy levels during 2018 and 2017.

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

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the nine month period ended 30 September:

Group	*Non-investment securities and derivative financial instruments*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017
As at 31 December	2,897	5,621	1,620	1,087	34,203	22,064
Impact of change in accounting principles	(2,284)	-	-	-	-	-
As at 1 January	613	5,621	1,620	1,087	34,203	22,064
Additions	4,755	1,215	-	-	-	-
Disposals / redemption / derecognition	(4,283)	(714)	(407)	-	-	-
Changes due to interest accrued/paid	15	8	-	-	-	(3)
Changes in fair value	-	(2,011)	14	(48)	(4,959)	10,520
Loans written off during the period	1,100	4,119	1,227	1,039	29,244	32,581

Bank	*Non-investment securities and derivative financial instruments*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017
As at 31 December	2,897	5,325	414	766	34,203	22,064
Impact of change in accounting principles	(2,284)	-	-	-	-	-
As at 1 January	613	5,325	414	766	34,203	22,064
Additions	4,755	1,034	-	-	-	-
Disposals / redemption / derecognition	(4,283)	(714)	-	(297)	-	-
Changes due to interest accrued/paid	15	8	-	-	-	(3)
Changes in fair value	-	(1,739)	14	(49)	(4,959)	10,520
Loans written off during the period	1,100	3,914	428	420	29,244	32,581

	1 January – 30 September 2018 Group	*1 January – 30 September 2018* Bank	*1 January– 30 September 2017* Group	*1 January– 30 September 2017* Bank
Total result from revaluation of Level III instruments included in the income statement	4,973	4,973	(12,579)	(12,308)

Fair value of investment securities held to collect cash flows:

The fair value for investment securities held to collect cash flows 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. The estimated fair value of unlisted securities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, it represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Listed securities priced on market prices or broker/dealer quotations represent over 99% of the investment securities held to collect cash flows portfolio of the Group.

	30 September 2018 Carrying value	*30 September 2018* Fair value	*31 December 2017* Carrying value	*31 December 2017* Fair value
Investment securities held to collect cash flows (as at 31 December 2017 – Investment securities held-to-maturity)	613,726	630,446	576,260	602,990

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

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2018 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Continuing operations						
Internal	(77)	-	465	(462)	74	-
External	38,736	5,667	849	469	-	45,721
Net interest income	38,659	5,667	1,314	7	74	45,721
Internal	159	-	-	(91)	(68)	-
External	10,251	-	-	17	-	10,268
Net fee and commissions income	10,410	-	-	(74)	(68)	10,268
Internal	82	-	465	(553)	6	-
External	48,987	5,667	849	486	-	55,989
Net interest, fee and commissions income	49,069	5,667	1,314	(67)	6	55,989
Internal	(31)	(2)	-	(14)	47	-
External	(19,696)	(1,923)	-	(5,438)	-	(27,057)
Operating expenses	(19,727)	(1,925)	-	(5,452)	47	(27,057)
Amortisation charges	(390)	(40)	-	(46)	-	(476)
Depreciation charges	(789)	(83)	-	(120)	-	(992)
Internal	-	-	(834)	(456)	1,290	-
External	(2,106)	-	(970)	(1,715)	-	(4,791)
Impairment expenses	(2,106)	-	(1,804)	(2,171)	1,290	(4,791)
Internal	9	-	4,644	12	(4,665)	-
External	5,005	2,330	6,036	5,893	-	19,264
Net other income	5,014	2,330	10,680	5,905	(4,665)	19,264
Profit (loss) before tax	31,071	5,949	10,190	(1,951)	(3,322)	41,937
Income tax	(3,396)	(320)	-	275	-	(3,441)
Profit (loss) per segment after tax	27,675	5,629	10,190	(1,676)	(3,322)	38,496
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	27,675	5,629	10,190	(1,676)	(3,322)	38,496
Total segment assets	1,439,437	772,571	41,900	75,334	(103,227)	2,226,015
Total segment liabilities	1,282,509	690,495	37,449	59,634	(79,728)	1,990,359
Net segment assets (shareholders' equity)	156,928	82,076	4,451	15,700	(23,499)	235,656

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

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2017 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below.

	Traditional banking operations and lending	*Treasury*	*Non-core banking activities*	*Other activities*	*Eliminations*	*Total*
Continuing operations						
Internal	(16)	-	546	(548)	18	-
External	35,640	5,870	8	586	-	42,104
Net interest income	35,624	5,870	554	38	18	42,104
Internal	168	-	-	(118)	(50)	-
External	7,876	-	-	6	-	7,882
Net fee and commissions income	8,044	-	-	(112)	(50)	7,882
Internal	152	-	546	(666)	(32)	-
External	43,516	5,870	8	592	-	49,986
Net interest, fee and commissions income	43,668	5,870	554	(74)	(32)	49,986
Internal	(126)	(8)	-	(12)	146	-
External	(17,871)	(1,723)	-	(8,966)	(10)	(28,570)
Operating expenses	(17,997)	(1,731)	-	(8,978)	136	(28,570)
Amortisation charges	(289)	(28)	-	(40)	-	(357)
Depreciation charges	(831)	(84)	-	(189)	-	(1,104)
Internal	-	-	(2,268)	(558)	2,826	-
External	2,605	-	16	(581)	-	2,040
Impairment expenses	2,605	-	(2,252)	(1,139)	2,826	2,040
Internal	17	-	7,915	6	(7,938)	-
External	2,426	1,359	(7,621)	12,334	-	8,498
Net other income	2,443	1,359	294	12,340	(7,938)	8,498
Profit (loss) before tax	29,599	5,386	(1,404)	1,920	(5,008)	30,493
Income tax	(5,023)	(487)	-	(338)	-	(5,848)
Profit (loss) per segment after tax	24,576	4,899	(1,404)	1,582	(5,008)	24,645
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	24,576	4,899	(1,404)	1,582	(5,008)	24,645
Total segment assets	1,236,287	745,942	32,140	72,100	(89,013)	1,997,456
Total segment liabilities	1,105,478	671,703	28,942	55,026	(66,187)	1,794,962
Net segment assets (shareholders' equity)	130,809	74,239	3,198	17,074	(22,826)	202,494

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

As of 30 September 2018 and 31 December 2017 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and these subsidiaries comprised the Financial group):

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

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

Financial Group's condensed statement of financial position

	30 September 2018	*31 December 2017*
ASSETS		
Cash and cash equivalents	114,473	127,193
Securities in the trading book	27,700	18,284
Due from other banks	1,888	2,218
Derivative financial instruments	3,147	3,031
Loans to customers	1,243,932	1,112,395
Finance lease receivables	118,668	91,139
Investment securities at fair value	19,703	15,793
Investment securities held to collect cash flows	613,726	576,260
Investments in subsidiaries and associates	12,565	13,006
Intangible assets	1,583	1,740
Property, plant and equipment	9,102	10,333
Investment property	5,275	7,245
Current income tax prepayment	1,323	-
Deferred income tax asset	913	505
Other assets	21,349	21,884
Total assets	2,195,347	2,001,026
LIABILITIES		
Due to other banks and financial institutions	48,647	56,763
Derivative financial instruments	1,552	1,894
Due to customers	1,841,927	1,648,810
Special and lending funds	5,135	13,336
Debt securities in issue	20,099	20,003
Subordinated loan	29,244	34,203
Current income tax liabilities	106	3,542
Deferred income tax liabilities	527	466
Liabilities related to insurance activities	-	-
Other liabilities	14,360	14,037
Total liabilities	1,961,597	1,793,054
EQUITY		
Share capital	157,639	131,366
Share premium	-	-
Reserve capital	756	756
Statutory reserve	10,241	7,071
Accumulated other comprehensive income	(700)	401
Retained earnings	65,814	68,378
Non-controlling interest	-	-
Total equity	233,750	207,972
Total liabilities and equity	2,195,347	2,001,026

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the nine month period ended 30 September 2018	30 September 2017
Interest and similar income	52,044	50,185
Interest expense and similar charges	(6,390)	(8,046)
Net interest income	45,654	42,139
Fee and commission income	14,116	11,586
Fee and commission expense	(3,774)	(3,590)
Net fee and commission income	10,342	7,996
Net gain from operations with securities	2,335	1,358
Net gain from foreign exchange and related derivatives	4,894	4,076
Net loss from other derivatives	(19)	(1,972)
Net loss from changes in fair value of subordinated loan	4,959	(10,520)
Net gain from derecognition of financial assets	424	2,936
Net gain from disposal of tangible assets	508	1,757
Revenue related to other activities of Group companies	-	-
Other operating income	709	606
Salaries and related expenses	(14,599)	(13,291)
Depreciation and amortization expenses	(1,377)	(1,306)
Expenses related to other activities of Group companies	-	-
Other operating expenses	(7,508)	(6,883)
Operating profit before impairment losses	46,322	26,896
Allowance for impairment losses on loans and other assets	(3,903)	2,613
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	(895)	(3,321)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	619	4,181
Profit before income tax	42,143	30,369
Income tax expense	(3,584)	(5,723)
Net profit for the period	38,559	24,646
Net profit attributable to:		
Owners of the Bank	38,559	24,646
Non-controlling interest	-	-

Financial Group's condensed statement of comprehensive income

	for the nine month period ended 30 September 2018	30 September 2017
Net profit for the period	38,559	24,646
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Gain from revaluation of financial assets	(393)	(76)
Deferred income tax on gain from revaluation of financial assets	61	11
Other comprehensive income, net of deferred tax	(332)	(65)
Total comprehensive income for the period	38,227	24,581
Total comprehensive income (loss) attributable to:		
Owners of the Bank	38,227	24,581
Non-controlling interest	-	-
	38,227	24,581

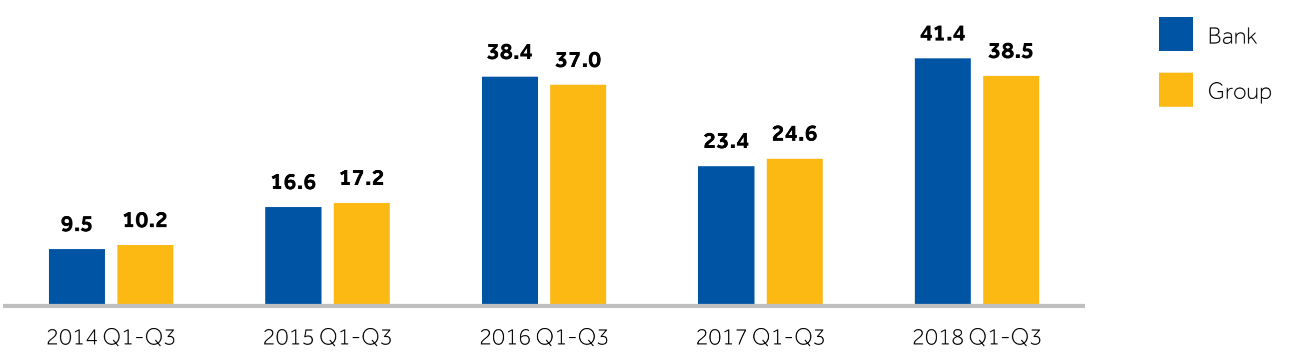
ŠIAULIŲ BANKAS

ADDITIONAL INFORMATION

RESULTS FOR THE FIRST THREE QUARTERS OF THE YEAR

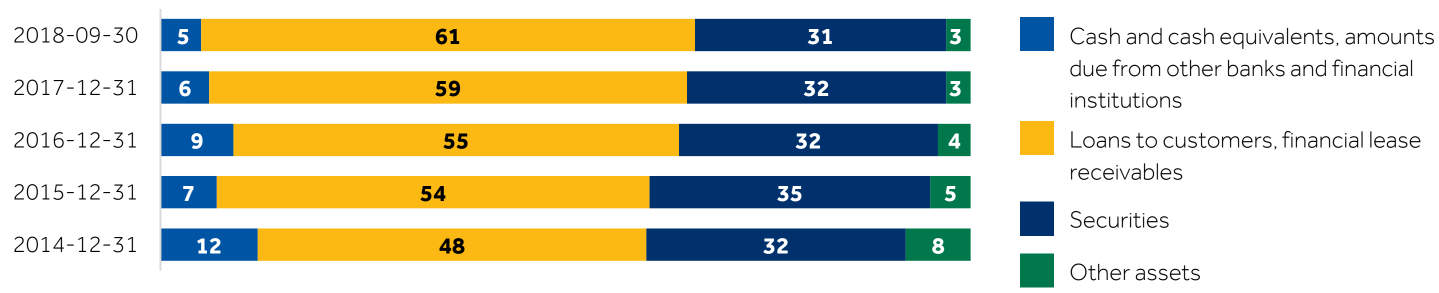
In nine months of this year, Šiaulių Bankas group had an unaudited net profit of 38 million euros, or 56 per cent more than in the same period last year. The profit of the bank alone in the three quarters was over 41 million euros, compared to the 23 million euros earned in respective period last year.

Net Profit earned by the Bank and Group, in million EUR



Šiaulių Bankas group's loan and financial lease portfolio is growing steadily: the size of the portfolio increased by 4 per cent during the third quarter and 13 per cent from the start of the year, to more than 1.3 billion euros at the end of September. In the first nine months of this year more than 0.5 billion euros of new loan agreements were signed.

The Group's Asset Structure, in per cent

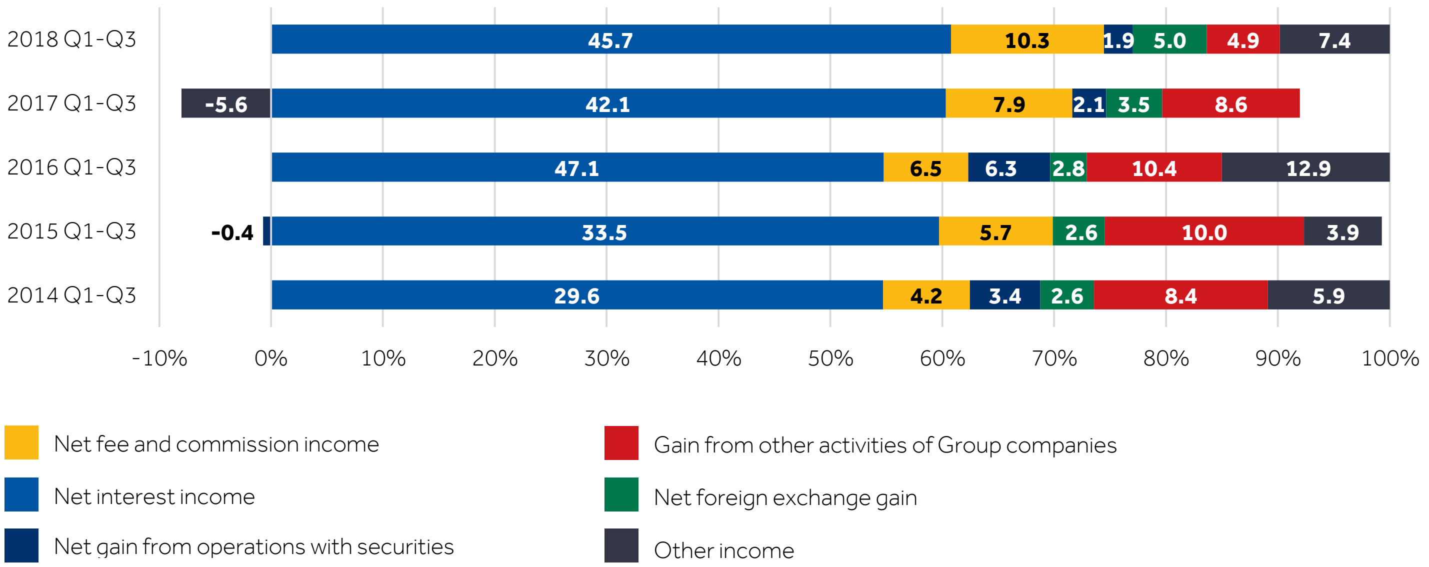


The group's deposit portfolio expanded by 3 per cent in the third quarter and 11 per cent from the start of the year, exceeding 1.8 billion euros as of the end of September 2018.

The Group's Liability Structure, in per cent

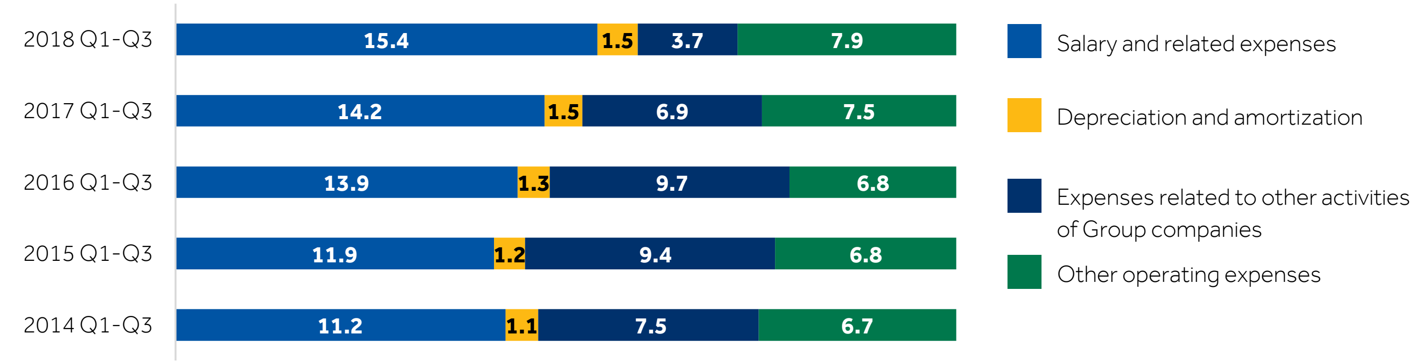
Growth of net interest income and net service fees and commission income also contributed heavily to earnings improvement. With the loan and lease portfolio expanding rapidly and loan yields held stable, the group earned 45.7 million euros of net interest income in nine months. Significant impact on the growth of net fee and commission income is caused by increasing settlement volumes and not decreasing cash transactions turnover. Net service fees and commission income grew 30 per cent compared with the same period last year to over 10 million euros. Profit from foreign exchange operations also grew notably, with gains of 5 million euros for the Šiaulių Bankas group in the first three quarters of the year. Assessing the condition of borrowers conservatively, an additional 2.1 million euros of loan impairment losses were recognized during the third quarter of this year, and a loss of 2.7 million euros due to the change in value of non-financial assets was also recognized.

Structure of the Group's Operating Income (million EUR)

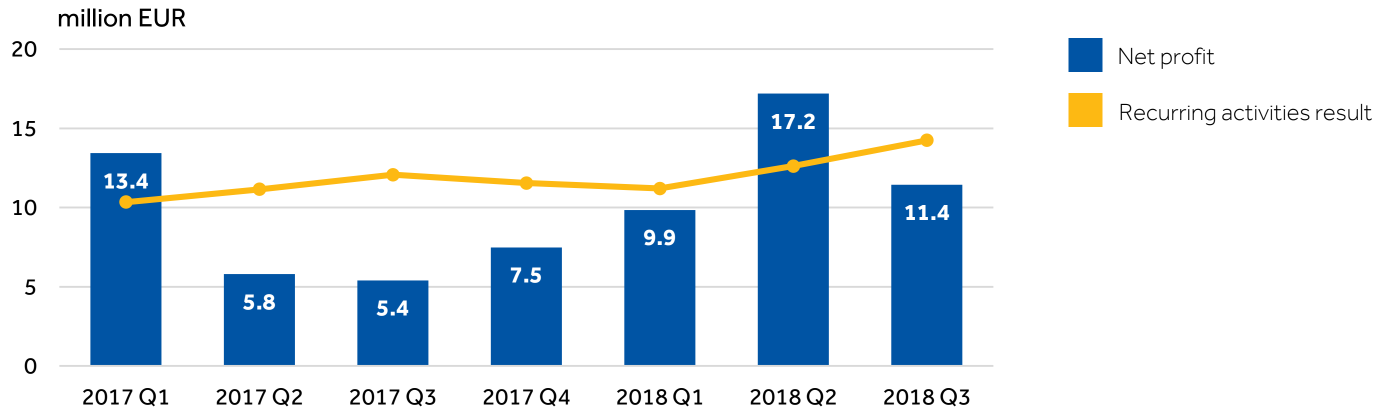


An extraordinary general meeting of shareholders on 24 September 2018 approved the conversion of the 20-million-euro European Bank for Reconstruction and Development (EBRD) subordinated loan and an increase of the authorized capital of Šiaulių Bankas through an issue of new shares. This process is expected to be completed by the end of this year. The change in the value of a subordinated loan, which has had a significant impact on bank results in recent years, was re-adjusted in the third quarter of this year, accounting for an unrealized positive effect of 2.5 million euros. After a loan conversion and all related procedures, this factor will not affect the results any longer. The decision that has been made and its approval by shareholders dispel the uncertainty which reigned for some time about possible conversion of the EBRD loan. The decision to strengthen the bank's capital not only shows that the largest shareholder has a positive view of the bank's operating strategy and its outlook, but also creates conditions for the bank to continue expanding its activities and increasing its shares' attractiveness for investors.

Structure of the Group's Operating Expenses (million EUR)



A sustainable and steady increase of profit is supported by the group's recurring activities, earnings for which grew by 13 per cent for the second consecutive quarter.



thou EUR	2018 Q I-III	2017 Q I-III
Results of recurring activities	38 070	33 576
Results of non-recurring activities	8 658	-5 123
Net profit (loss) from other financial derivatives	-19	-1 972
Net gain (loss) from changes in fair value of subordinated loan	4 959	-10 520
Net gain from derecognition of financial assets	424	2 936
Net gain (loss) from disposal of tangible assets	1 139	2 828
Net gain from operations with securities (sale of investment securities at amortized cost)	2 155	393
Interest and similar income (adjustment of interest income of subsidiaries for the preceding year)	0	1 212
Impairment loss/recovery	-4 791	2 040
Income tax	-3 441	-5 848
Net profit	38 496	24 645

According to the assessment of International rating agency Moody's Investors Service the following ratings apply to the Bank:

- a long-term deposit rating - Baa3;
- a short-term deposit rating - P-3;
- rating outlook - Positive.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

High efficiency of the performance is sustained with the income growing quickener than expenses – the cost to income ratio of the Group comprised 38 per cent at the end of September. Information on profitability ratios is available on the Bank's website at: About bank › To Bank's Investors › Financial statements, ratios and prospectuses › Profitability ratios.

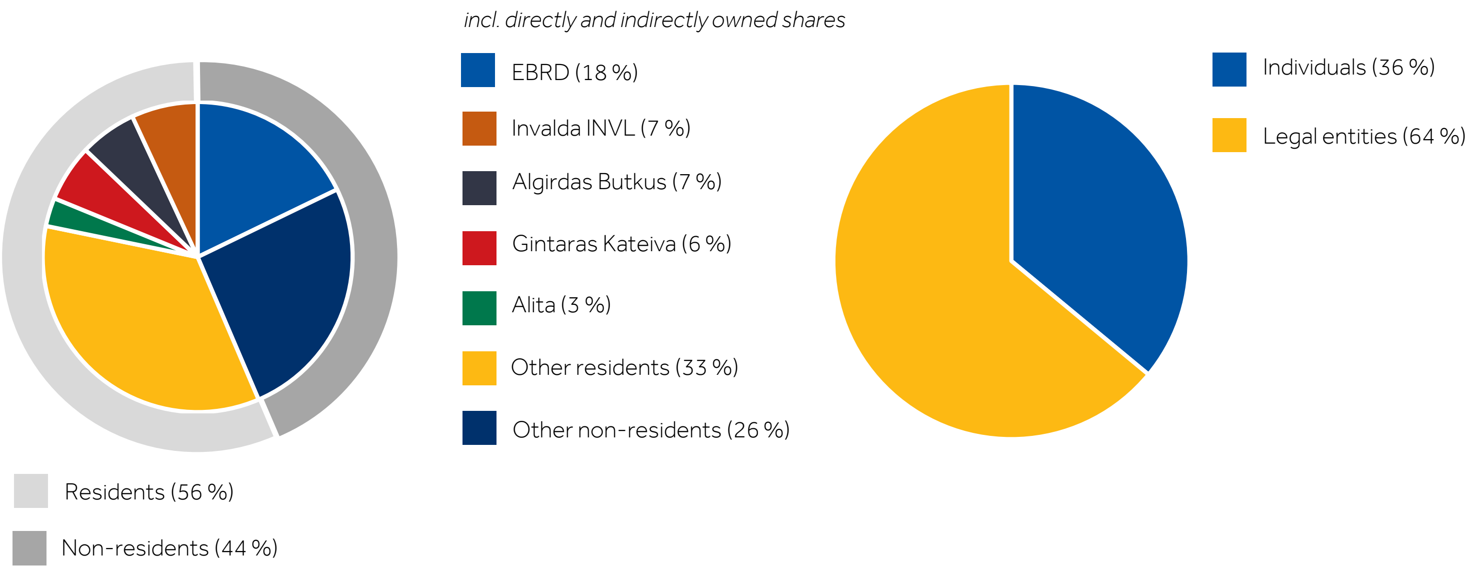
The capital and liquidity situation remains solid as prudential requirements are being met with a proper cushion According to the data as of 30 September 2018 the Bank complied with all the prudential requirements set by the Bank of Lithuania. Data are available on the website of Šiaulių Bankas at: About bank › To Bank's Investors › Financial statements, ratios and prospectuses › Prudential standards.

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

The Bank's authorized capital as of 30 September 2018 was 157,639,187.74 Eur, it is divided into 543,583,406 ordinary registered shares with a nominal value of 0.29 Eur (ISIN LT0000102253). The Charter of the Bank after the last increase of the authorized capital from the Bank's funds were registered at the Register of Legal Entities on 08 June 2018.

On 24 September 2018 the Extraordinary General Meeting of Shareholders passed the resolution to increase the authorized capital of the Bank by additional contributions of 19 999 999.95 EUR by issuing 57 142 857 ordinary registered shares of 0,29 EUR nominal value at a price of 0,35 EUR. The Meeting also passed a resolution to revoke all shareholders' pre-emptive right to acquire new issue shares in proportion to the total nominal value of the shares held by the shareholders and granted the right to purchase all issued shares for the European Bank for Reconstruction and Development, seeking to convert the subordinated convertible loan of EUR 20 million issued to the Bank into shares of the Bank.

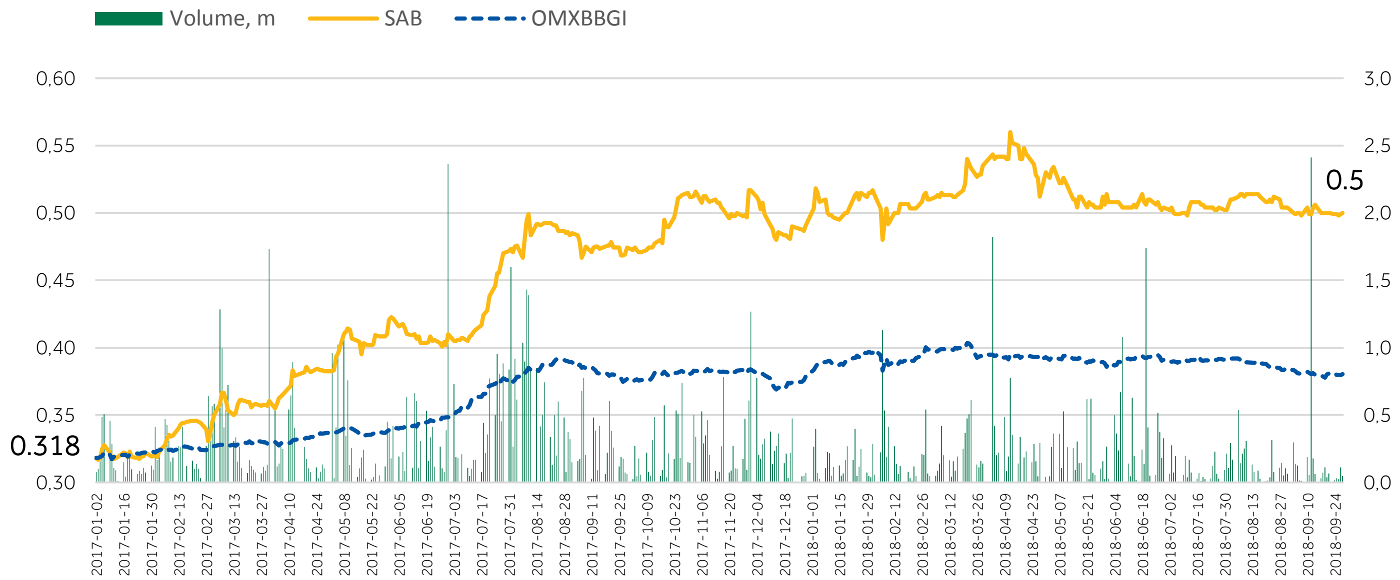
As of 30 September 2018 the number of the Bank's shareholders amounted to 4 752 (at the end of 2017 – 4 496). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.



European Bank for Reconstruction and Development (EBRD),Trade House Aiva, Mintaka UAB , Enterprise group Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 38.41 per cent of the Bank's authorized capital and votes as of 30 September 2018 .

On 08 October 2018 the Bank was informed that the Bank's shareholders – Trade House Aiva UAB, Mintaka UAB, Company Group Alita AB, Gintaras Kateiva, Arvydas Salda, Algirdas Butkus, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius and EBRD – signed the agreement to terminate the Shareholder's Agreement. The agreement provides for that the Shareholder Agreement will expire on the date when the EBRD's securities account is credited with the new share issue approved by the General Meeting of Shareholders on 24 September 2018.

Bank's share price and turnover:



Share information:

	2013	2014	2015	2016	2017	30/09/2018
Capitalization, EUR mln	66.5	71.8	93.7	169.5	266.8	271.8
Turnover, EUR mln	5.5	8.1	12.7	23.1	44.5	22.6
P/BV	0.7	0.7	0.7	1.0	1.3	1.2
P/E	12.4	6.1	3.9	3.9	8.3	5.3
Capital increase from retained earnings, %	8.0	8.6	20.0	20.0	20.0	-
Dividend yield,%	-	0.3	0.7	1.1	0.8	-
Dividend payout indicator, %	-	1.8	3.0	4.5	7.3	-

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

About bank › To Bank's Investors -› Financial statements, ratios and prospectuses -› Alternative performance measures.

BANK'S MANAGEMENT

The bodies of the Bank are as follows: the General Meeting of the Shareholders of the Bank, Council of the Bank, Board of the Bank and Chief Executive Officer. The management bodies of the Bank are as follows: Board of the Bank and Chief Executive Officer.

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 Member 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

Share of capital under the right of ownership, % (30/09/2018)

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
2.28	5.82	-	-	-	-

Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the bank's Supervisory 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 of the Bank 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 Financial Officer, Head of Accounting and Tax Division	Member since 2012 Head of IT Division	Member 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, % (30/09/2018)

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
3.10	0.18	0.12	0.02	0.10	0.12	0.03

OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS

Transactions with related parties

Information on these transactions is provided in note 12 to the interim financial statements as of 30 September 2018.

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 www.sb.lt in the rubric „Reports on stock events“.

Other important events are available on the Bank's website www.sb.lt skiltyje „Significant events and dates“.

Chief Executive Officer
5 November 2018

Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm that as far as we know, the financial statements for nine months of 2018 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer	Vytautas Sinius
Chief Accountant	Vita Urbonienė

5 November 2018