INTERIM INFORMATION

for the three month period ended 31 March 2018

Tilžės 149, LT-76348 Šiauliai
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CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

for the three month period ended 31 March 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)

CONDENSED STATEMENTS OF FINANCIAL POSITION

		31 March 2018		31 December 2017	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	3	176,661	174,440	129,738	126,591
Securities in the trading book	2	55,707	24,661	49,175	18,284
Due from other banks		2,107	2,107	2,218	2,218
Derivative financial instruments	3	942	942	3,031	3,031
Loans to customers	1	1,119,136	1,129,447	1,098,327	1,102,927
Finance lease receivables	1	99,916	99,732	91,139	90,898
Investment securities at fair value	2	18,192	13,094	16,472	11,542
Investment securities held to collect cash flows	2	591,080	591,080	576,260	576,260
Investments in subsidiaries and associates	2	-	27,226	-	26,895
Intangible assets		4,645	1,806	4,535	1,684
Property, plant and equipment		10,424	9,820	10,702	10,068
Investment property		11,490	3,048	12,230	3,771
Current income tax prepayment		36	-	16	-
Deferred income tax asset		1,854	1,431	718	218
Other assets	3	32,539	11,305	36,201	15,579
Total assets		2,124,729	2,090,139	2,030,762	1,989,966
LIABILITIES					
Due to other banks and financial institutions		61,484	64,120	55,717	57,884
Derivative financial instruments		1,836	1,836	1,894	1,894
Due to customers	4	1,739,748	1,740,528	1,648,053	1,648,817
Special and lending funds	5	5,379	5,379	13,336	13,336
Debt securities in issue		20,056	20,056	20,003	20,003
Subordinated loan	12	36,445	36,445	34,203	34,203
Current income tax liabilities		4,198	3,962	3,735	3,440
Deferred income tax liabilities		528	-	525	-
Liabilities related to insurance activities		27,264	-	27,232	-
Other liabilities		19,373	11,856	16,088	8,430
Total liabilities		1,916,311	1,884,182	1,820,786	1,788,007
EQUITY					
Share capital	6	131,366	131,366	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	(419)	(419)	530	290
Retained earnings		66,346	64,059	70,147	62,476
Non-controlling interest		-	-	-	-
Total equity		208,418	205,957	209,976	201,959
Total liabilities and equity		2,124,729	2,090,139	2,030,762	1,989,966

The notes on pages 9 to 32 constitute an integral part of these financial statements.

Chief Executive Officer — Vytautas Sinius

Chief Accountant — Vita Urbonienė

7 May 2018

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

CONDENSED INCOME STATEMENTS

		for the three month period ended			
		31 March 2018		31 March 2017	
	Notes	Group	Bank	Group	Bank
Interest and similar income	7	16,256	14,506	17,082	13,898
Interest expense and similar charges	7	(2,086)	(2,088)	(2,924)	(2,926)
Net interest income		**14,170**	**12,418**	**14,158**	**10,972**
Fee and commission income	8	4,299	4,185	3,777	3,667
Fee and commission expense	8	(1,181)	(1,148)	(1,249)	(1,214)
Net fee and commission income		**3,118**	**3,037**	**2,528**	**2,453**
Net gain from operations with securities	11	410	763	825	226
Net gain from foreign exchange and related derivatives		1,181	1,276	1,041	1,190
Net loss from other derivatives		12	12	(634)	(600)
Net loss from changes in fair value of subordinated loan	12	(2,242)	(2,242)	(533)	(533)
Net gain from derecognition of financial assets		105	116	2,606	2,606
Net gain from disposal of tangible assets		69	(43)	433	1
Revenue related to other activities of Group companies	11	1,647	-	3,502	-
Other operating income		233	100	343	119
Salaries and related expenses		(5,308)	(4,511)	(4,949)	(4,085)
Depreciation and amortization expenses		(503)	(426)	(491)	(373)
Expenses related to other activities of Group companies	11	(818)	-	(3,326)	-
Other operating expenses	9	(2,218)	(1,656)	(2,079)	(1,547)
Operating profit before impairment losses		**9,856**	**8,844**	**13,424**	**10,429**
Allowance for impairment losses on loans and other assets	10	2,019	1,530	2,905	1,898
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2,10	-	331	-	705
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	4,619	-	4,556
Profit before income tax		**11,875**	**15,324**	**16,329**	**17,588**
Income tax expense		(2,025)	(1,880)	(2,895)	(2,362)
Net profit for the period		**9,850**	**13,444**	**13,434**	**15,226**
Net profit attributable to:					
Owners of the Bank		9,850	13,444	13,434	15,226
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.02		0.03	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.02		0.03	

The notes on pages 9 to 32 constitute an integral part of these financial statements.

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	for the three month period ended			
	31 March 2018		31 March 2017	
	Group	Bank	Group	Bank
Net profit for the period	9,850	13,444	13,434	15,226
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(60)	(60)	184	148
Deferred income tax on gain from revaluation of financial assets	9	9	(27)	(22)
Other comprehensive income, net of deferred tax	(51)	(51)	157	126
Total comprehensive income for the period	9,799	13,393	13,591	15,352
Total comprehensive income (loss) attributable to:				
Owners of the Bank	9,799	13,393	13,591	15,352
Non-controlling interest	-	-	-	-
	9,799	13,393	13,591	15,352

The notes on pages 9 to 32 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
Transfer to statutory reserve		-	-	-	3,020	(3,020)	-	-	-
Payment of dividends	6	-	-	-	-	(1,887)	(1,887)	-	(1,887)
Total comprehensive income		-	-	157	-	13,434	13,591	-	13,591
31 March 2017		109,472	756	468	7,177	73,348	191,221	-	191,221
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	(21,894)	-	-	-
Total comprehensive income		-	-	62	-	18,693	18,755	-	18,755
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
Transfer to statutory reserve		-	-	-	3,192	(3,192)	-	-	-
Payment of dividends	6	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Total comprehensive income		-	-	(51)	-	9,850	9,799	-	9,799
31 March 2018		131,366	756	(419)	10,369	66,346	208,418	-	208,418

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
Transfer to statutory reserve		-	-	-	2,914	(2,914)	-
Payment of dividends	6	-	-	-	-	(1,887)	(1,887)
Total comprehensive income		-	-	126	-	15,226	15,352
31 March 2017		109,472	756	403	7,071	68,706	186,408
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	(21,894)	-
Total comprehensive income		-	-	(113)	-	15,664	15,551
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
Transfer to statutory reserve		-	-	-	3,124	(3,124)	-
Payment of dividends	6	-	-	-	-	(2,265)	(2,265)
Total comprehensive income		-	-	(51)	-	13,444	13,393
31 March 2018		131,366	756	(419)	10,195	64,059	205,957

The notes on pages 9 to 32 constitute an integral part of these financial statements.

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

CONDENSED STATEMENTS OF CASH FLOWS

	Notes	31 March 2018 Group	31 March 2018 Bank	31 March 2017 Group	31 March 2017 Bank
		for the three month period ended			
Operating activities					
Interest received on loans and advances		13,490	11,740	13,702	11,100
Interest received on securities in the trading book		347	264	476	380
Interest paid		(2,251)	(2,253)	(2,701)	(2,703)
Fees and commissions received		4,299	4,185	3,777	3,667
Fees and commissions paid		(1,181)	(1,148)	(1,249)	(1,214)
Net cash inflows from trade in securities in the trading book		(6,322)	(5,443)	12,291	9,661
Net inflows from foreign exchange operations		1,001	1,427	4,497	4,646
Net inflows from derecognition of financial assets		105	116	1,134	1,134
Net inflows from derecognition of non-financial assets		428	748	-	18
Cash inflows related to other activities of Group companies		1,880	100	3,845	119
Cash outflows related to other activities of Group companies		(818)	-	(3,321)	-
Recoveries on loans previously written off		386	236	386	159
Salaries and related payments to and on behalf of employees		(5,114)	(4,317)	(4,738)	(3,874)
Payments related to operating and other expenses		(2,543)	(1,635)	(1,973)	(1,948)
Income tax paid		(2,716)	(2,571)	(294)	(253)
Net cash flow from operating activities before change in operating assets and liabilities		*991*	*1,449*	*25,832*	*20,892*
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		111	111	102	(117)
(Increase) decrease in loans to customers and finance lease receivables		(41,142)	(45,541)	7,559	5,579
Decrease (increase) in other assets		4,092	3,583	6,355	(1,331)
Decrease (increase) in due to banks and financial institutions		5,772	6,241	(9,977)	(11,412)
Increase in due to customers		91,855	91,871	41,222	50,106
(Decrease) in special and lending funds		(7,957)	(7,957)	(21,087)	(21,087)
Increase in other liabilities		3,123	3,232	3,082	2,480
Change		55,854	51,540	27,256	24,218
Net cash flow from operating activities		56,845	52,989	53,088	45,110
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(359)	(325)	(1,694)	(146)
Disposal of property, plant and equipment, investment property and intangible assets		1,080	1,034	188	411
Acquisition of securities held to collect cash flows		(40,253)	(40,253)	(102,214)	(102,214)
Proceeds from redemption of securities held to collect cash flows		25,433	25,433	22,904	22,904
Interest received on securities held to collect cash flows		6,627	6,627	2,709	2,709
Dividends received		10	4,620	-	4,556
Acquisition of investment securities at fair value		(3,267)	(3,083)	(2,668)	(2,668)
Sale or redemption of investment securities at fair value		767	767	2,234	2,234
Interest received on investment securities at fair value		40	40	169	169
Net cash flow (used in) investing activities		(9,922)	(5,140)	(78,372)	(72,045)
Financing activities					
Payment of dividends		-	-	-	-
Net cash flow (used in) financing activities		-	-	-	-
Net increase (decrease) in cash and cash equivalents		46,923	47,849	(25,284)	(26,935)
Cash and cash equivalents at 1 January		129,738	126,591	153,867	152,111
Cash and cash equivalents at 31 March		176,661	174,440	128,583	125,176

The notes on pages 9 to 32 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document, Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries - 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 65 customer service outlets (2017: 65 outlets). As at 31 December 2017 the Bank had 705 employees (31 December 2017: 702). As at 31 December 2017 the Group had 809 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 31 March 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 31 March 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 three month period ended 31 March 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.

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

<u>New and amended standards, and interpretations</u>
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 allowance for impairment – in Note 10. The Group chose the option not to recalculate comparative financial information therefore data as of reporting date is not fully comparable with the data as of 31 December 2017 or earlier dates.

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. 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 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 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 system was reviewed and expanded.

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

	31 March 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Loans and advances to banks	2,107	2,107	2,218	2,218
Loans and advances to customers:	1,119,136	1,129,447	1,098,327	1,102,927
Loans and advances to financial institutions	18	42,488	18	39,756
Loans to individuals (Retail)	135,948	81,992	133,441	77,455
Loans to business customers	983,170	1,004,967	964,868	985,716
Finance lease receivables	99,916	99,732	91,139	90,898
Debt securities at fair value through profit or loss	37,451	23,990	30,589	17,755
Derivative financial instruments	942	942	3,031	3,031
Debt securities at fair value through other comprehensive income	12,889	12,486	11,322	10,914
Debt securities at amortized cost	591,080	591,080	576,260	576,260
Other assets subject to credit risk	6,508	5,791	10,485	9,616
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	34,500	34,527	33,787	33,814
Letters of credit	1,875	1,875	262	262
Loan commitments and other credit related liabilities	161,954	173,717	173,233	188,725
Total	2,068,358	2,075,694	2,030,653	2,036,420

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

	31 March 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Gross	1,158,616	1,163,031	1,131,562	1,132,480
Subtract: allowance for impairment	(39,480)	(33,584)	(33,235)	(29,553)
Net	**1,119,136**	**1,129,447**	**1,098,327**	**1,102,927**

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

	31 March 2018	
	Group	Bank
Stage 1:		
Gross amount	925,228	933,748
Allowance for impairment	(4,695)	(2,545)
Net amount	**920,533**	**931,203**
Stage 2:		
Gross amount	179,170	179,285
Allowance for impairment	(5,922)	(4,497)
Net amount	**173,248**	**174,788**
Stage 3:		
Gross amount	54,218	49,998
Allowance for impairment	(28,863)	(26,542)
Net amount	**25,355**	**23,456**

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.

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

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

Finance lease receivables

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

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Business customers	85,685	84,813	76,468	75,576
Individuals	17,244	17,118	16,069	15,926
Gross	102,929	101,931	92,537	91,502
Subtract: Allowance for impairment	(3,013)	(2,199)	(1,398)	(604)
Net	99,916	99,732	91,139	90,898

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

	31 March 2018	
	Group	Bank
Stage 1:		
Gross amount	70,358	70,270
Allowance for impairment	(268)	(267)
Net amount	70,090	70,003
Stage 2:		
Gross amount	28,311	28,284
Allowance for impairment	(780)	(779)
Net amount	27,531	27,505
Stage 3:		
Gross amount	4,260	3,377
Allowance for impairment	(1,965)	(1,153)
Net amount	2,295	2,224

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

NOTE 2 SECURITIES

Securities in the trading book

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

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Debt securities:	37,451	23,990	30,589	17,755
Government bonds	16,103	8,287	13,406	5,905
Corporate bonds	21,348	15,703	17,183	11,850
Equity securities	18,256	671	18,586	529
Total	55,707	24,661	49,175	18,284

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	35,627	23,990	29,103	17,755
from AA- to AAA	1,165	1,165	1,209	1,209
from A- to A+	10,864	8,107	8,703	5,970
from BBB- to BBB+	15,626	9,122	12,549	6,576
from BB- to BB+	4,554	2,178	4,395	1,753
lower than BB-	514	514	543	543
no rating	2,904	2,904	1,704	1,704
Equity securities	671	671	529	529
listed	607	607	470	470
unlisted	1	1	4	4
units of investment funds	63	63	55	55
Total trading securities	36,298	24,661	29,632	18,284
Other trading book securities:				
Debt securities	1,824	-	1,486	-
from AA- to AAA	-	-	-	-
from A- to A+	972	-	936	-
from BBB- to BBB+	724	-	550	-
from BB- to BB+	128	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	17,585	-	18,057	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,585	-	18,057	-
Total other trading book securities	19,409	-	19,543	-
TOTAL	55,707	24,661	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. On 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 securities 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.

	31 March 2018		*31 December 2017*	
	Group	Bank	Group	Bank
Securities at fair value (31 December 2017 - Securities available for sale):				
Debt securities:	12,889	12,486	11,322	10,914
Government bonds	1,965	1,965	-	-
Corporate bonds	10,924	10,521	11,322	10,914
Equity securities	5,303	608	5,150	628
Total	18,192	13,094	16,472	11,542
Securities held to collect cash flows (31 December 2017 - Held-to-maturity securities):				
Debt securities:	591,080	591,080	576,260	576,260
Government bonds	437,199	437,199	418,063	418,063
Corporate bonds	153,881	153,881	158,197	158,197
Total	591,080	591,080	576,260	576,260

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

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

NOTE 2

SECURITIES (continued)

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Securities at fair value (31 December 2017 - Securities available for sale):				
Debt securities	12,889	12,486	11,322	10,914
from AA- to AA+	-	-	-	-
from A- to A+	3,941	3,941	3,760	3,760
from BBB- to BBB+	8,392	8,392	6,992	6,992
from BB- to BB+	153	153	162	162
lower than BB-	-	-	-	-
no rating	403	-	408	-
Equities	5,303	608	5,150	628
listed	-	-	-	-
unlisted	1,203	404	1,212	414
units of investment funds	4,100	204	3,938	214
Total	18,192	13,094	16,472	11,542
Securities held to collect cash flows (31 December 2017 - Held-to-maturity securities):				
Debt securities	591,080	591,080	576,260	576,260
from AA- to AA+	14,037	14,037	14,034	14,034
from A- to A+	423,445	423,445	404,663	404,663
from BBB- to BBB+	148,976	148,976	153,905	153,905
from BB- to BB+	4,622	4,622	3,658	3,658
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	591,080	591,080	576,260	576,260

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

Credit stages of investment debt securities:

	31 March 2018	
	Group	Bank
Stage 1:		
Gross amount	602,778	602,370
Allowance for impairment	(300)	(295)
Net amount	602,478	602,075
Stage 2:		
Gross amount	1,526	1,526
Allowance for impairment	(35)	(35)
Net amount	1,491	1,491
Stage 3:		
Gross amount	1,019	-
Allowance for impairment	(1,019)	-
Net amount	-	-

During the three month periods ended 31 March 2018 and 2017, no material reclassifications between portfolios of securities were performed. No positions were reclassified among portfolios on IFRS9 adoption.

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

NOTE 2
SECURITIES (continued)

Investments in subsidiaries

	31 March 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	3,566	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	3,554	100.00%	3,999	3,554
Total		48,849	27,226		48,849	26,895

	31 March 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	300
*Sandworks UAB **	100.00%	35	35	100.00%	3	3
*ŽSA5 UAB **	100.00%	308	308	-	-	-

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

During the three month period ended 31 March 2018, the Bank recognized an impairment loss to the 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 three month period ended 31 March 2017 the Bank reversed an EUR 760 thousand impairment of investment in Šiaulių Banko Turto Fondas UAB.

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

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Cash and cash equivalents

The main reason for the increase in cash and cash equivalents is the increase in funds attracted via demand customer deposits.

On IFRS9 adoption, addional allowance for impairment against due from banks amounting to EUR 22 thousand was recognized using the expected loss model. As of 31 March 2018, the allowance for impairments on due from banks amounted to EUR 23 thousand.

Derivative financial instrumens

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

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Amounts receivable	6,508	5,791	10,485	9,616
Inventories	19,214	-	18,316	-
Deferred charges	652	752	888	859
Assets under reinsurance and insurance contracts	614	-	650	-
Prepayments	4,335	3,687	4,188	3,607
Foreclosed assets	705	653	764	712
Assets classified as held for sale	-	-	-	-
Other	511	422	910	785
Total	32,539	11,305	36,201	15,579

Note: data as of 31 March 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 31 March 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 31 March 2018, the allowance for impairment against amounts receivable amounted to: Group EUR 209 thousand, Bank EUR 189 thousand.

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

NOTE 4
DUE TO CUSTOMERS

	31 March 2018		31 December 2017	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	25,012	25,012	21,553	21,553
Local government institutions	144,967	144,967	75,060	75,060
Governmental and municipal companies	16,114	16,114	23,431	23,431
Corporate entities	272,445	272,785	274,888	275,321
Non-profit organisations	13,637	13,637	13,309	13,309
Individuals	316,347	316,347	305,237	305,237
Unallocated amounts due to customers	50,058	50,498	40,099	40,430
Total demand deposits	838,580	839,360	753,577	754,341
Time deposits:				
National government institutions	7,389	7,389	231	231
Local government institutions	976	976	948	948
Governmental and municipality companies	1,766	1,766	1,718	1,718
Corporate entities	60,580	60,580	61,522	61,522
Non-profit organisations	2,423	2,423	2,433	2,433
Individuals	828,034	828,034	827,624	827,624
Total time deposits	901,168	901,168	894,476	894,476
Total	1,739,748	1,740,528	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 5,379 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6
CAPITAL

As of 31 March 2018 and 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 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 bonus shares will be 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, % 31 March 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

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, 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 31 March 2018, this group possessed 38.46 percent (31 December 2017: 38.52 percent) of the authorised capital and votes of the Bank.

As at 31 March 2018, the Bank had 4,545 shareholders (as at 31 December 2017: 4,496).

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

NOTE 6
CAPITAL (continued)

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	Q1 other comprehensive income	Amount as at 31 Mar 2018	As reported in 31 Dec 2017 financialstatements	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	Q1 other comprehensive income	Amount as at 31 Mar 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)	(51)	(67)	(16)	-	(16)	(51)	(67)
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)	(51)	(419)	290	(658)	(368)	(51)	(419)

NOTE 7
NET INTEREST INCOME

	1 January - 31 March 2018		*1 January - 31 March 2017*	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	39	528	116	738
on loans to customers	12,093	9,980	12,979	9,606
on debt securities	2,851	2,750	3,059	2,949
on finance leases	1,273	1,248	928	605
Total interest income	16,256	14,506	17,082	13,898
Interest expense:				
on financial liabilities designated at fair value through profit or loss	(252)	(252)	(243)	(243)
on financial liabilities measured at amortised cost	(1,780)	(1,782)	(2,613)	(2,615)
on other liabilities	(54)	(54)	(68)	(68)
Total interest expense	(2,086)	(2,088)	(2,924)	(2,926)
Net interest income	14,170	12,418	14,158	10,972

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

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 31 March 2018		1 January - 31 March 2017	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	881	881	1,005	1,005
for settlement services	1,071	1,074	937	940
for cash operations	888	888	718	718
for account administration	695	695	463	463
for guarantees, letters of credit, documentary collection	105	105	81	81
for collection of utility and similar payments	64	64	93	98
for services related to securities	379	405	264	299
other fee and commission income	216	73	216	63
Total fee and commission income	4,299	4,185	3,777	3,667
Fee and commission expense:				
for payment cards	(755)	(754)	(749)	(749)
for cash operations	(192)	(192)	(211)	(199)
for correspondent bank and payment system fees	(69)	(38)	(87)	(60)
for services of financial data vendors	(45)	(45)	(47)	(47)
for services related to securities	(62)	(61)	(109)	(113)
other fee and commission expenses	(58)	(58)	(46)	(46)
Total fee and commission expense	(1,181)	(1,148)	(1,249)	(1,214)
Net fee and commission income	3,118	3,037	2,528	2,453

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 31 March 2018		1 January - 31 March 2017	
	Group	Bank	Group	Bank
Rent of buildings and premises	(353)	(304)	(348)	(300)
Utility services for buildings and premises	(206)	(188)	(200)	(181)
Other expenses related to buildings and premises	(75)	(69)	(50)	(50)
Transportation expenses	(99)	(80)	(102)	(103)
Legal costs	(20)	(20)	(7)	(7)
Personnel and training expenses	(28)	(25)	(27)	(23)
IT and communication expenses	(537)	(491)	(468)	(420)
Marketing and charity expenses	(290)	(98)	(305)	(148)
Service organisation expenses	(250)	(217)	(241)	(208)
Non-income taxes, fines	(92)	(14)	(100)	(1)
Costs incurred due to debt recovery	(56)	(31)	(75)	(46)
Other expenses	(212)	(119)	(156)	(60)
Total	(2,218)	(1,656)	(2,079)	(1,547)

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

NOTE 10
IMPAIRMENT LOSSES

The data presented in this note as of 1 January - 31 March 2018 and as of 1 January - 31 March 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 - 31 March 2018		1 January - 31 March 2017	
	Group	Bank	Group	Bank
Reversal of impairment losses on loans	1,021	1,284	1,480	1,731
Recoveries of loans previously written-off	376	236	352	159
(Impairment losses) on finance lease receivables	(50)	(52)	(77)	-
Recovered previously written-off finance lease receivables	10	-	34	-
(Impairment losses) on debt securities	(39)	(39)	-	-
(Impairment losses) on due from banks	(1)	(1)		
Reversal of / (impairment losses) on other financial assets	108	101	(6)	-
Reversal of impairment losses on subsidiaries	-	331	-	760
Revaluation of subsidiaries classified as held for sale	-	-	-	(55)
Reversal of impairment losses on other non-financial assets	594	1	1,122	8
Total	2,019	1,861	2,905	2,603

	1 January - 31 March 2018		1 January - 31 March 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	(1,021)	(1,284)	(1,480)	(1,731)
Loans written off during the period	(899)	(899)	(296)	(271)
Other factors (reclassification, FX rate shift, etc.)	34	-	3	3
As at 31 March	39,480	33,584	35,029	30,441
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	50	52	77	-
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(1)	-
As at 31 March	3,013	2,199	1,384	201
Allowance for impairment of debt securities				
As at 31 December	1,022	-	36,802	32,440
Impact of change in accounting principles	296	291	-	-
As at 1 January	1,318	291	36,802	32,440
Change in allowance for impairment of debt securities	39	39	-	-
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(3)	-	3	3
As at 31 March	1,354	330	36,805	32,443
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	1	1	-	-
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 March	23	23	-	-
Allowance for impairment of other financial assets				
As at 31 December	23	15	1,308	201
Impact of change in accounting principles	307	288	-	-
As at 1 January	330	303	1,308	201
Change in allowance for impairment of other financial assets	(108)	(101)	6	-
Other financial assets written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(13)	(13)	(1)	-
As at 31 March	209	189	1,313	201

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

NOTE 11
SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from operations with securities

One-off profit of EUR 709 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 three month period ended 31 March 2018.

Revenues and expenses related to other activities of Group companies

	1 January - 31 March 2018		*1 January - 31 March 2017*	
	Group	Bank	Group	Bank
Revenue related to insurance activities	1,597	-	1,519	-
Revenue from sale of apartments	50	-	1,983	-
Profit from discontinued operations	-	-	-	-
Total revenue related to other activities of Group companies	**1,647**	**-**	**3,502**	**-**
*Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	383	-	(417)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(1,168)	-	(949)	-
Cost of apartments sold	(33)	-	(1,955)	-
Loss from discontinued operations	-	-	(5)	-
Total expenses related to other activities of Group companies	**(818)**	**-**	**(3,326)**	**-**

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

	1 January - 31 March 2018		*1 January - 31 March 2017*	
	Group	Bank	Group	Bank
Interest and similar income	10	-	10	-
Net gain (loss) from operations with securities	(301)	-	551	-
Net gain (loss) from foreign exchange	(92)	-	(144)	-
Total	**(383)**	**-**	**417**	**-**

(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:

	31 March 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	3,789	132	2,036	133
Other related parties (excluding subsidiaries of the Bank)	22,144	51,859	19,667	53,335
Total	**25,933**	**51,991**	**21,703**	**53,468**

The Group and the Bank held debt securities of one entity attributable to related parties. On 31 March 2018 debt securities attributable to related parties exposure amounted to EUR 173 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 36,445 thousand as of 31 March 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 related interest expenses amounted to EUR 252 thousand, a loss of EUR 2,242 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement fro the three month period ended 31 March 2018 (three month period ended 31 March 2017: interest expenses EUR 243 thousand, revaluation loss EUR 533 thousand). The increase in the price of Bank's shares, which caused an appreciation of the conversion option, is the main driver of subordinated loan value increase and revaluation loss.

(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:

	31 March 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	2,297	21,114	434	32,170
Financial institutions	1,120	60,175	2,497	49,167
	3,417	**81,289**	**2,931**	**81,337**

Bank's total balances with subsidiaries:

	31 December 2017	31 December 2017
Assets		
Loans	69,518	65,765
Other assets	528	21
Bank's investment in subsidiaries	27,226	26,895
Bank's investment in subsidiaries classified as assets held for sale	-	-
Liabilities and shareholders' equity		
Deposits	3,417	2,931
Other liabilities	2	-

Income and expenses arising from transactions with subsidiaries:

	1 January– 31 March 2018	1 January– 31 March 2017
Income		
Interest	642	840
Commission income	54	62
FX income	3	-
Dividends	4,619	4,556
Other income	10	33
Expenses		
Interest	(3)	(2)
Operating expenses	(7)	(27)
Allowance for impairment losses on loans	(20)	-
Allowance for impairment losses on investments in subsidiaries	331	705

As of 31 March 2018, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 62 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 31 March 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	180,735	36,139	64,620	72,439	174,891	625,760	888,835	81,310	2,124,729
Total liabilities and shareholders' equity	881,183	82,762	139,568	180,353	381,812	195,770	50,826	212,455	2,124,729
Net liquidity gap	(700,448)	(46,623)	(74,948)	(107,914)	(206,921)	429,990	838,009	(131,145)	-

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 31 March 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	178,487	43,015	57,014	71,025	195,967	604,012	866,620	73,999	2,090,139
Total liabilities and shareholders' equity	882,922	77,536	139,069	180,198	380,626	193,828	26,281	209,679	2,090,139
Net liquidity gap	(704,435)	(34,521)	(82,055)	(109,173)	(184,659)	410,184	840,339	(135,680)	-

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 31 March 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	230,754	331,493	474,133	81,253	708,062	299,034	2,124,729
Liabilities and equity	76,574	155,344	182,325	328,229	227,367	1,154,890	2,124,729
Net interest sensitivity gap	154,180	176,149	291,808	(246,976)	480,695	(855,856)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,478	1,468	1,824	(617)	-	-	4,153

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 31 March 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	237,415	325,336	475,178	113,950	673,977	264,283	2,090,139
Liabilities and equity	76,205	155,264	182,233	328,394	201,601	1,146,442	2,090,139
Net interest sensitivity gap	161,210	170,072	292,945	(214,444)	472,376	(882,159)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,545	1,417	1,831	(536)	-	-	4,257

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

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.

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

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 strengthens its opartional risk management and internal control systems. Attention is allocated towards Bank's business continuity management – i.e. improvement of 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 three month period ended 31 March 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 three month period ended 31 March 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

	31 March 2018		*31 December 2017*	
	Group	Bank	Group	Bank
LEVEL I				
Securities in the trading book and derivative financial instruments	53,890	22,844	48,562	17,671
Investment securities at fair value	16,585	12,690	14,852	11,128
Total Level I financial assets	70,475	35,534	63,414	28,799
LEVEL II				
Derivative financial instruments - assets	942	942	747	747
Derivative financial instruments - liabilities	(1,836)	(1,836)	(1,894)	(1,894)
LEVEL III				
Securities in the trading book and derivative financial instruments	1,817	1,817	2,897	2,897
Investment securities at fair value	1,607	404	1,620	414
Total Level III financial assets	3,424	2,221	4,517	3,311
Financial liabilities at fair value through profit or loss	36,445	36,445	34,203	34,203
Total Level III financial liabilities	36,445	36,445	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 three month period ended 31 March:

Group	*Securities in the trading book and derivative financial instruments*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 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	1,825	-	-	-	-	-
Disposals / redemption / derecognition	(644)	(95)	-	-	-	-
Changes due to interest accrued/paid	23	-	(3)	-	-	(3)
Changes in fair value	-	(651)	(10)	(11)	2,242	533
Loans written off during the period	1,817	4,875	1,607	1,076	36,445	22,594

Bank	*Securities in the trading book and derivative financial instruments*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 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	1,825	-	-	-	-	-
Disposals / redemption / derecognition	(644)	(145)	-	-	-	-
Changes due to interest accrued/paid	23	-	-	-	-	(3)
Changes in fair value	-	(617)	(10)	(12)	2,242	533
Loans written off during the period	1,817	4,563	404	754	36,445	22,594

	1 January – 31 March 2018		*1 January– 31 March 2017*	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(2,252)	(2,252)	(1,195)	(1,162)

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

	31 March 2018		*31 December 2017*	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment securities held to collect cash flows (as at 31 December 2017 – Investment securities held-to-maturity)	591 080	613 844	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 31 March 2018 and in the Statement of comprehensive income for the three 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	(24)	-	153	(152)	23	-
External	11,962	1,941	114	153	-	14,170
Net interest income	11,938	1,941	267	1	23	14,170
Internal	49	-	-	(31)	(18)	-
External	3,111	-	-	7	-	3,118
Net fee and commissions income	3,160	-	-	(24)	(18)	3,118
Internal	25	-	153	(183)	5	-
External	15,073	1,941	114	160	-	17,288
Net interest, fee and commissions income	15,098	1,941	267	(23)	5	17,288
Internal	(13)	(1)	-	(3)	17	-
External	(6,323)	(616)	-	(1,405)	-	(8,344)
Operating expenses	(6,336)	(617)	-	(1,408)	17	(8,344)
Amortisation charges	(130)	(13)	-	(15)	-	(158)
Depreciation charges	(277)	(29)	-	(39)	-	(345)
Internal	-	-	331	-	(331)	-
External	1,419	-	-	600	-	2,019
Impairment expenses	1,419	-	331	600	(331)	2,019
Internal	14	-	4,632	2	(4,648)	-
External	1,315	763	(2,082)	1,419	-	1,415
Net other income	1,329	763	2,550	1,421	(4,648)	1,415
Profit (loss) before tax	11,103	2,045	3,148	536	(4,957)	11,875
Income tax	(1,773)	(188)	-	(64)	-	(2,025)
Profit (loss) per segment after tax	9,330	1,857	3,148	472	(4,957)	9,850
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	9,330	1,857	3,148	472	(4,957)	9,850
Total segment assets	1,303,856	805,399	38,389	75,592	(98,507)	2,124,729
Total segment liabilities	1,171,316	726,037	34,606	58,032	(73,680)	1,916,311
Net segment assets (shareholders' equity)	132,540	79,362	3,783	17,560	(24,827)	208,418

(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 31 March 2017 and in the Statement of comprehensive income for the three month period then ended is presented in the table below.

	Banking	*Leasing*	*Real estate development and other*	*Eliminations*	*Total*
Continuing operations					
Internal	-	-	3	(3)	-
External	12,389	1,791	(22)	-	14,158
Net interest income	12,389	1,791	(19)	(3)	14,158
Internal	54	-	(38)	(16)	-
External	2,526	-	2	-	2,528
Net fee and commissions income	2,580	-	(36)	(16)	2,528
Internal	54	-	(35)	(19)	-
External	14,915	1,791	(20)	-	16,686
Net interest, fee and commissions income	14,969	1,791	(55)	(19)	16,686
Internal	(46)	(3)	(4)	53	-
External	(5,831)	(560)	(3,958)	-	(10,349)
Operating expenses	(5,877)	(563)	(3,962)	53	(10,349)
Amortisation charges	(93)	(8)	(13)	-	(114)
Depreciation charges	(285)	(29)	(63)	-	(377)
Internal	-	-	705	(705)	-
External	1,849	-	1,056	-	2,905
Impairment expenses	1,849	-	1,761	(705)	2,905
Internal	35	-	4,560	(4,595)	-
External	600	226	6,757	-	7,583
Net other income	635	226	11,317	(4,595)	7,583
Profit (loss) from continuing operations before tax	11,198	1,417	8,985	(5,266)	16,334
Profit (loss) from discontinued operations	-	-	-	(5)	(5)
Income tax	(2,442)	(236)	(217)	-	(2,895)
Profit (loss) per segment after tax	8,756	1,181	8,768	(5,271)	13,434
Non-controlling interest	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	8,756	1,181	8,768	(5,271)	13,434
Total segment assets	1,117,574	768,487	134,150	(130,284)	1,889,927
Total segment liabilities	1,001,696	691,381	111,108	(105,479)	1,698,706
Net segment assets (shareholders' equity)	115,878	77,106	23,042	(24,805)	191,221

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

As of 31 March 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

	31 March 2018	*31 December 2017*
ASSETS		
Cash and cash equivalents	174,720	127,193
Non-investment securities	24,661	18,284
Due from other banks	2,107	2,218
Derivative financial instruments	942	3,031
Loans to customers	1,133,555	1,112,395
Finance lease receivables	99,916	91,139
Investment securities:		
at fair value -	17,512	15,793
at amortized cost -	591,080	576,260
Investments in subsidiaries and associates	13,337	13,006
Intangible assets	1,859	1,740
Property, plant and equipment	10,072	10,333
Investment property	6,505	7,245
Current income tax prepayment	-	-
Deferred income tax asset	1,730	505
Other assets	17,918	21,884
Total assets	2,095,914	2,001,026
LIABILITIES		
Due to other banks and financial institutions	63,002	56,763
Derivative financial instruments	1,836	1,894
Due to customers	1,740,527	1,648,810
Special and lending funds	5,379	13,336
Debt securities in issue	20,056	20,003
Subordinated loan	36,445	34,203
Current income tax liabilities	4,025	3,542
Deferred income tax liabilities	468	466
Liabilities related to insurance activities	-	-
Other liabilities	17,324	14,037
Total liabilities	1,889,062	1,793,054
EQUITY		
Share capital	131,366	131,366
Share premium	-	-
Reserve capital	756	756
Statutory reserve	10,241	7,071
Accumulated other comprehensive income	(419)	401
Retained earnings	64,908	68,378
Non-controlling interest	-	-
Total equity	206,852	207,972
Total liabilities and equity	2,095,914	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 three month period ended	
	31 March 2018	31 March 2017
Interest and similar income	16,243	17,110
Interest expense and similar charges	(2,088)	(2,926)
Net interest income	**14,155**	**14,184**
Fee and commission income	4,320	3,806
Fee and commission expense	(1,178)	(1,241)
Net fee and commission income	**3,142**	**2,565**
Net gain from operations with securities	784	226
Net gain from foreign exchange and related derivatives	1,276	1,190
Net loss from other derivatives	12	(634)
Net loss from changes in fair value of subordinated loan	(2,242)	(533)
Net gain from derecognition of financial assets	105	2,606
Net gain from disposal of tangible assets	(43)	343
Revenue related to other activities of Group companies	-	-
Other operating income	204	227
Salaries and related expenses	(5,019)	(4,685)
Depreciation and amortization expenses	(474)	(440)
Expenses related to other activities of Group companies	-	-
Other operating expenses	(2,061)	(1,884)
Operating profit before impairment losses	**9,839**	**13,165**
Allowance for impairment losses on loans and other assets	1,419	2,834
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	331	(55)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	619	1,056
Profit before income tax	**12,208**	**17,000**
Income tax expense	(1,955)	(2,864)
Net profit for the period	**10,253**	**14,136**
Net profit attributable to:		
Owners of the Bank	10,253	14,136
Non-controlling interest	-	-

Financial Group's condensed statement of comprehensive income

	for the three month period ended	
	31 March 2018	31 March 2017
Net profit for the period	**10,253**	**14,136**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Gain from revaluation of financial assets	(60)	(76)
Deferred income tax on gain from revaluation of financial assets	9	11
Other comprehensive income, net of deferred tax	**(51)**	**(65)**
Total comprehensive income for the period	**10,202**	**14,071**
Total comprehensive income (loss) attributable to:		
Owners of the Bank	10,202	14,071
Non-controlling interest	-	-
	10,202	14,071

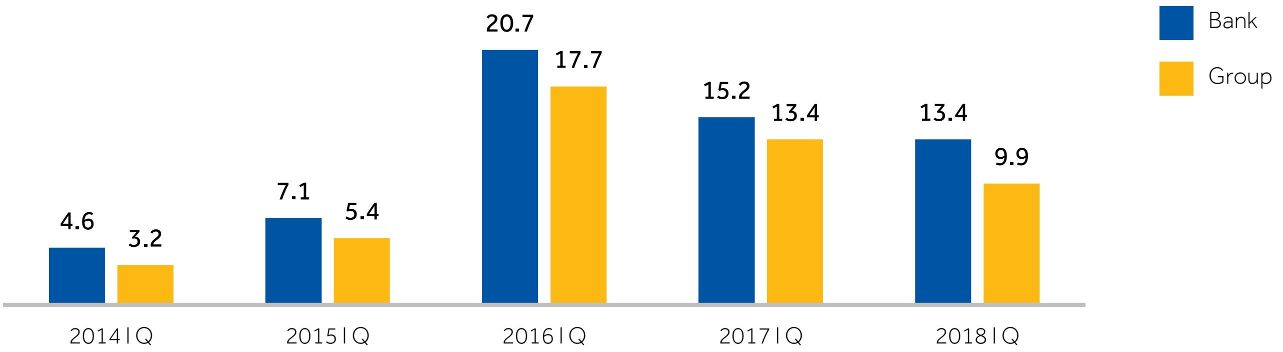
ŠIAULIŲ BANKAS

ADDITIONAL INFORMATION

INFORMATION ON THE PERFOMANCE RESULTS

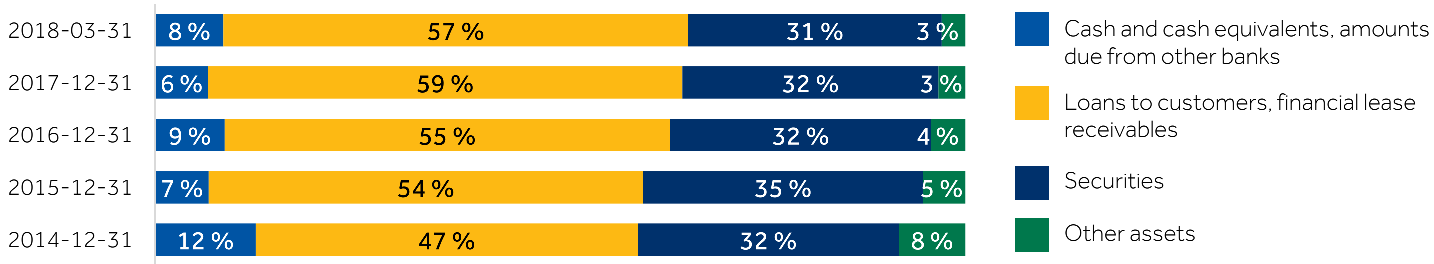
In the first quarter of 2018, the group had an unaudited net profit of 9.9 million euros and the net profit of the bank was 13.4 million euros. Compared to the same period of 2017, the group's first-quarter earnings for recurring activities increased 8 per cent. Dividends paid by subsidiaries had a significant impact on the bank's profit.

Dynamics of Net Profit earned by the Bank and Group, in thousand euros



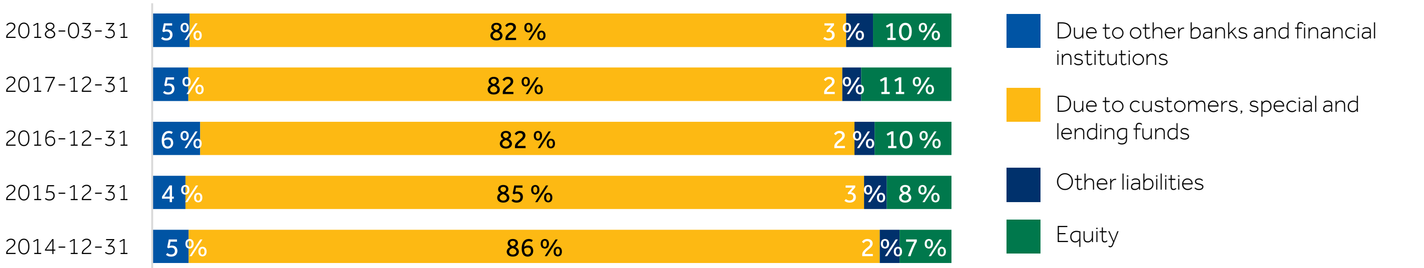
The group's loan and financial lease portfolio grew 20 per cent from 12 months earlier to more than 1.2 billion euros at the end of March. Nearly 150 million euros of new loan agreements were signed in the first three months of 2018, for portfolio growth of 30 million euros.

The Group's Asset Structure, in per cent



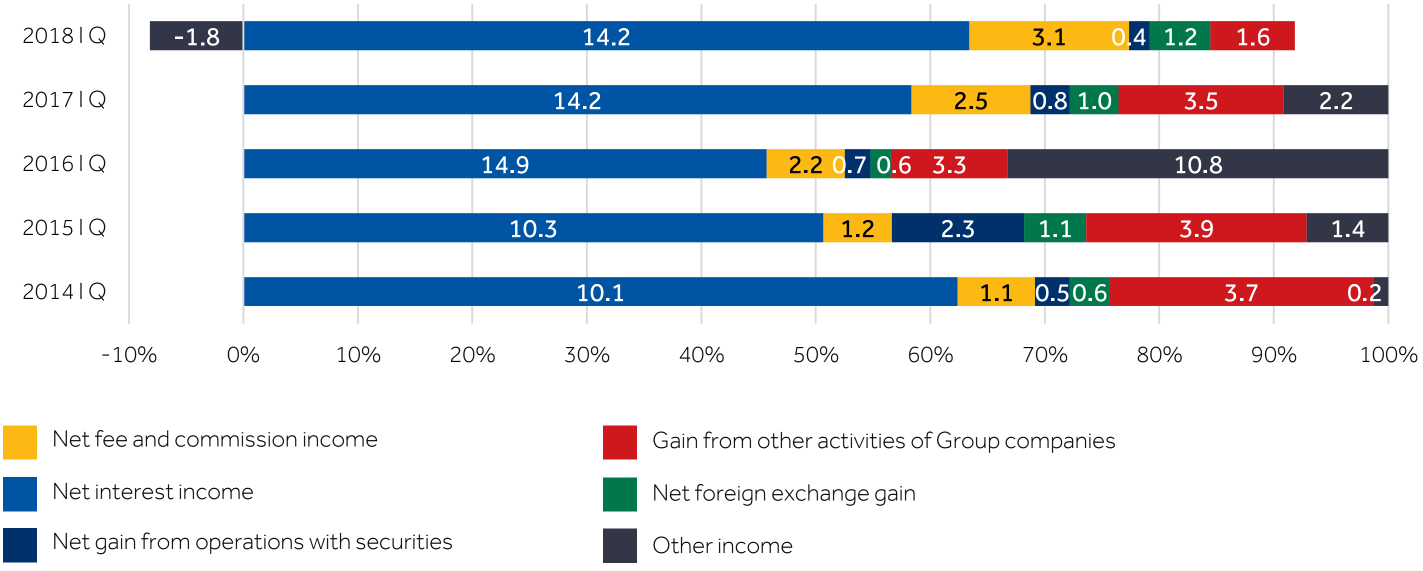
The group's deposit portfolio also grew rapidly, expanding 6 per cent in the first quarter and 13 per cent over the past year to more than 1.7 billion euros at the end of March. The new Deposit Plus fixed-term deposit product introduced in mid-2017 has gotten the attention of the bank's clients: its portfolio reached 300 million euros.

The Group's Liability Structure, in per cent.



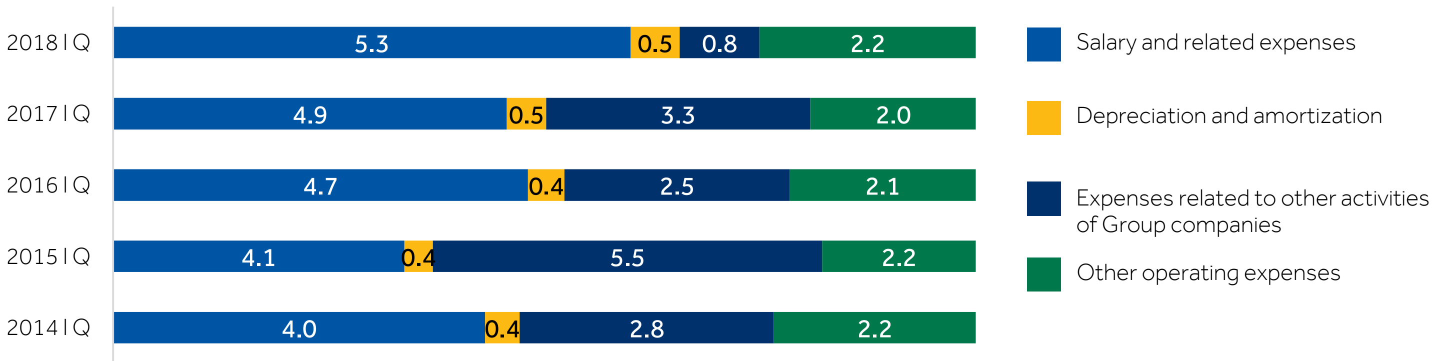
The group had net interest income of 14.2 million euros in the first quarter. Net service fees and commission income grew 23 per cent from the same period last year to more than 3.1 million euros. That was mainly due to income from service plans for private and corporate clients. Profit from foreign exchange operations increased 13 per cent compared to the first quarter last year, to 1.2 million euros. Gains from securities trading, meanwhile, were lower due to market volatility.

Structure of the Group's Operating Income, in thousand euros



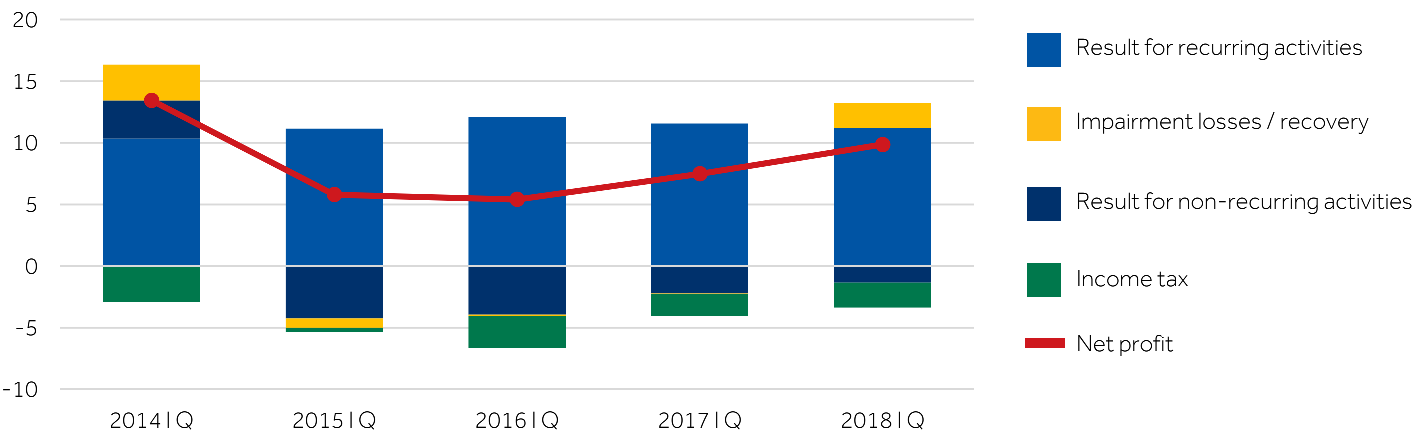
The main reason for the negative result for non-recurring activities, as has become usual, was the increased value of the subordinated loan, which is connected to Šiaulių Bankas's rising share price. In the first three months of this year an unrealized negative effect of 2.2 million euros was recognized. It was partly offset by one-off income from the sale of debt securities.

Structure of the Group's Operating Expenses. in thousand euros



Changed accounting principles led to a 10-million-euro increase in the group's balance of provisions at the start of this year. though due to favourable economic conditions and the improved situation of borrowers. 1.4 million euros was recovered through the income statement in the first quarter.

Profit by type of activity. in million euros



	Q1 2018	Q1 2017
Result for recurring activities	11,203	10,340
Result for non-recurring activities:	-1,347	3,084
Net profit (loss) from financial derivatives	12	-634
Net gain (loss) from changes in fair value of subordinated loan	-2,242	-533
Net gain from derecognition of financial assets	105	2,606
Net gain (loss) from disposal of tangible assets	69	433
Net gain from operations with securities (sale of investment securties held to collect cash flows)	709	0
Interest and similar income (adjustment of previous year interest income of subsidiaries)	0	1,212
Impairment losses / recovery	2,019	2,905
Income tax	-2,025	-2,895
NET PROFIT	9,850	13,434

Compared to the figures presented in the annual report for 2017. the Group's interest income related to adjustments to the interest income of subsidiaries for the previous year is attributable to the result for non-recurring activity. The full impact is recorded in the result of Q1 2017. the revised result for the Group's non-recurring activity in 2017 would amount to 7 344 thousand euro in loss.

The bank continues successfully participating in programmes to finance building renovation. A tender was won to renovate municipal public buildings under which Šiaulių Bankas will provide loans of up to 36 million euros. That agreement complements the bank's active work in financing multi-apartment building renovation. where Šiaulių Bankas remains the market leader.

As of 31 March 2018 the Bank's clientèle totalled to 352 thousand - 326 thousand of individuals and 26 thousand of corporate customers. The customer service network of the Bank consisted of 65 units operating in 38 areas throughout Lithuania. The Bank's clients could use 201 ATMs (16 of the are ATMs accepting cash) belonging to bank's network operating in 47 locations throughout Lithuania. They could withdraw cash or place their funds to the payment card accounts through 1 936 terminals of Perlo paslaugos UAB all over Lithuania.

According to the international rating agency Moody's Investors Service the deposit ratings assigned to Šiaulių Bankas are as follows:

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

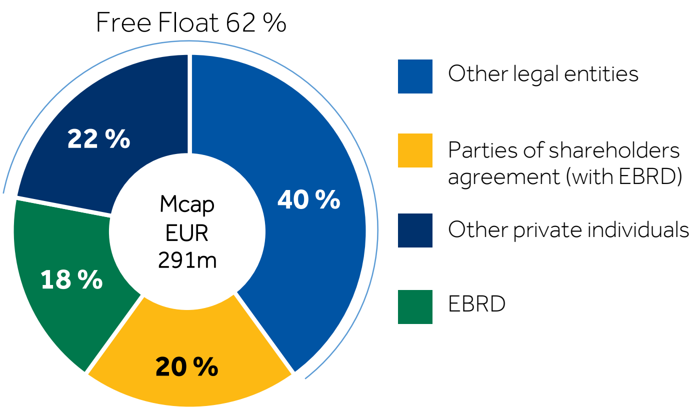
COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS

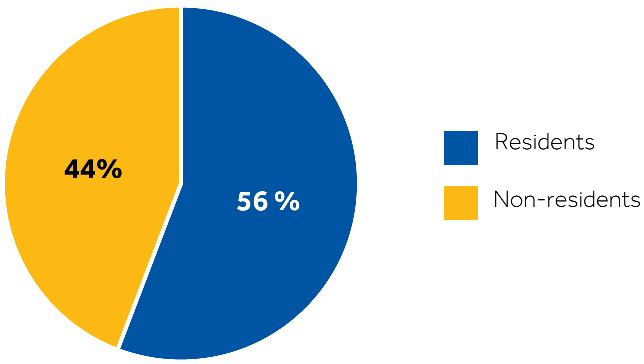
With revenues growing faster than expenses. operational efficiency remains strong- a cost to income ratio of the Group comprised 47 per cent at the end of March 2017. Information on the profitability ratios is available on the Bank's internet site at: https://www.sb.lt/en/about-bank/investors/prospectus-and-reports/.

Capital and liquidity status remains strong - the prudential requirements are carried out with due caution. According to the data as of 31 March 2018 the Bank complied with all the prudential requirements set out by the Bank of Lithuania. Information is available on the Bank's internet site at: https://www.sb.lt/en/about-bank/investors/prospectus-and-reports/ .

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

As of 31 March 2018 the authorized capital of the Bank totalled to EUR 131365989.88 and is comprised of 452986172 units of ordinary registered shares with a nominal value of EUR 0.29 each.The Bank's Charter after the latest amendments related to the capital increase was registered the Register of Legal Entities on 06 June 2017.

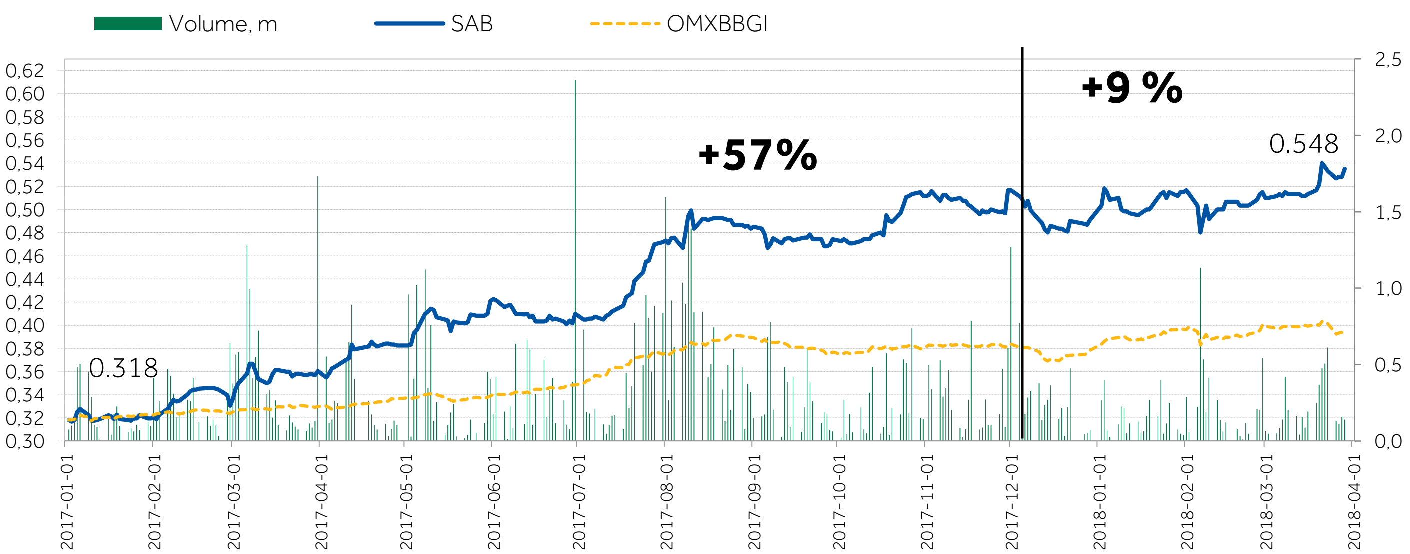




European Bank for Reconstruction and Development (EBRD). Trade House Aiva. UAB. Mintaka UAB . Enterprise group Alita AB. Sigitas Baguckas. Algirdas Butkus. Vigintas Butkus. Vytautas Junevičius. Gintaras Kateiva. Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 38.46 per cent of the Bank's authorized capital and votes as of 31 March 2018. The number of the Bank's shareholder was 4545 as of 31 March 2018.

General meeting of shareholders held on 29 March 2018 passed a resolution to increase the authorized capital of the Bank by EUR 26 273197.86 from retained earnings issuing 90 597 234 ordinary registered shares with EUR 0.29 nominal value and to distribute issued shares to the shareholders who own shares on the day of accounting of rights of the Meeting on 13 April 2018. In the Register of Legal Entities. the new version of the Charter of the Bank with increased authorized capital will be registered after the Bank of Lithuania issues a permission. Shareholders who owned shares on the above mentioned day of the accounting of rights will be credited with 20% of new shares to personal securities accounts.

Turnover and price of the Bank's shares:



Information on shares:

	2012	2013	2014	2015	2016	2017	2018-03-31
Capitalization. EUR million	54.2	66.5	71.8	93.7	169.5	266.8	290.8
Turnover. EUR mln	2.8	5.5	8.1	12.7	23.1	44.5	7.5
P/BV	0.6	0.7	0.7	0.7	1	1.3	1.4
P/E	14.3	12.4	6.1	3.9	3.9	8.3	7.4
Capital increase from retained earnings. %	6.5	8	8.6	20	20	20	-
Dividend yield. %	0.6	-	0.3	0.7	1.1	0.8	-
Dividend payout indicator. %	7.9	-	1.8	3	4.5	7.3	-

MANAGEMENT OF THE BANK

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 (hereinafter - CEO).**The management bodies** of the Bank are as follows: Board of the Bank and Chief Executive Officer.

Supervisory Council of the Bank

Arvydas Salda

Member since 1991. Chairman since 199

Tenure beginning 30/03/2016/ end 2020

Gintaras Kateiva

Member since 2008

Tenure beginning 30/03/2016/ end 2020

Valdas Vitkauskas

Member since 2014

Tenure beginning 30/03/2016/ end 2020

Ramunė Vilija Zabulienė

Independent members since 2012

Tenure beginning 30/03/2016/ end 2020

Darius Šulnis

Member since 2016

Tenure beginning 09/05/2016/ end 2020

Martynas Česnavičius

Member since 2016

Tenure beginning 09/05/2016/ end 2020

Miha Košak

Member since 2017

Tenure beginning 26/06/2017/ end 2020

Share of capital under the right of ownership. % (31/03/2018)

Arvydas Salda	Gintaras Kateiva	Valdas Vitkauskas	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
2.28	5.82	0.00	0.00	0.00	0.00	0.00

Board of the Bank

Algirdas Butkus

Chairman since 1999. (Chairman of the Bank's Supervisory Council between 1191 - 1999)
Deputy Chief Executive Officer

Tenure beginning 30/03/2016/ end 2020

Vytautas Sinius

Deputy Chairman of the Board since 2014 (at the Board since 2011)
Chief Executive Officer

Tenure beginning 30/03/2016/ end 2020

Donatas Savickas

Deputy Chairman of the Board since 1995
Deputy Chief Executive Officer. Head of Finance and Risk Management Division

Tenure beginning 30/03/2016/ end 2020

Daiva Šorienė

Member since 2005

Deputy Chief Executive Officer. Head of Business Development Division

Tenure beginning 30/03/2016/ end 2020

Vita Urbonienė

Member since 2011

Chief Financial Officer. Head of Accounting and Tax Division

Tenure beginning 30/03/2016/ end 2020

Jonas Bartkus

Member since 2012

Head of IT Division

Tenure beginning 30/03/2016/ end 2020

Ilona Baranauskienė

Member since 2014

Head of Assets Restructuring Division

Tenure beginning 30/03/2016/ end 2020

Share of capital under the right of ownership. % (31/03/2018)

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
3.05	0.15	0.11	0.02	0.08	0.10	0.02

OTHER INFORMATION. PUBLICLY AVAILABLE INFORMATION AND MAJOR EVENTS

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

Other important events are published in the Bank's website https://www.sb.lt/ at Significant events and dates.

Chief Executive Officer
07 May 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 three 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

7 May 2018