



INTERIM INFORMATION

for the six month period ended 30 June 2018

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

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

		30 June 2018		31 December 2017	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	3	91,792	89,923	129,738	126,591
Securities in the trading book	2	62,047	30,680	49,175	18,284
Due from other banks		1,932	1,932	2,218	2,218
Derivative financial instruments	3	5,317	5,317	3,031	3,031
Loans to customers	1	1,187,706	1,198,284	1,098,327	1,102,927
Finance lease receivables	1	113,742	113,586	91,139	90,898
Investment securities at fair value	2	22,732	17,533	16,472	11,542
Investment securities held to collect cash flows	2	627,916	627,916	576,260	576,260
Investments in subsidiaries and associates	2	-	27,226	-	26,895
Intangible assets		4,538	1,676	4,535	1,684
Property, plant and equipment		10,297	9,664	10,702	10,068
Investment property		11,373	2,950	12,230	3,771
Current income tax prepayment		1,834	1,798	16	-
Deferred income tax asset		436	12	718	218
Other assets	3	35,782	13,360	36,201	15,579
Total assets		2,177,444	2,141,857	2,030,762	1,989,966
LIABILITIES					
Due to other banks and financial institutions		60,299	62,614	55,717	57,884
Derivative financial instruments		1,581	1,581	1,894	1,894
Due to customers	4	1,791,900	1,792,920	1,648,053	1,648,817
Special and lending funds	5	3,033	3,033	13,336	13,336
Debt securities in issue		20,077	20,077	20,003	20,003
Subordinated loan	12	31,709	31,709	34,203	34,203
Current income tax liabilities		59	-	3,735	3,440
Deferred income tax liabilities		553	-	525	-
Liabilities related to insurance activities		27,693	-	27,232	-
Other liabilities		16,201	8,677	16,088	8,430
Total liabilities		1,953,105	1,920,611	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	(571)	(571)	530	290
Retained earnings		56,146	53,227	70,147	62,476
Non-controlling interest		-	-	-	-
Total equity		224,339	221,246	209,976	201,959
Total liabilities and equity		2,177,444	2,141,857	2,030,762	1,989,966

The notes on pages 10 to 33 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

6 August 2018



Vytautas Sinus



Vita Urbonienė

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

for the six month period ended

	Notes	30 June 2018		30 June 2017	
		Group	Bank	Group	Bank
<i>Interest and similar income</i>	7	33,852	30,355	33,314	28,244
<i>Interest expense and similar charges</i>	7	(4,261)	(4,266)	(5,826)	(5,823)
Net interest income		29,591	26,089	27,488	22,421
<i>Fee and commission income</i>	8	9,020	8,799	7,548	7,316
<i>Fee and commission expense</i>	8	(2,584)	(2,516)	(2,517)	(2,432)
Net fee and commission income		6,436	6,283	5,031	4,884
<i>Net gain from operations with securities</i>	11	1,136	1,631	1,062	736
<i>Net gain from foreign exchange and related derivatives</i>		3,145	3,019	2,089	2,529
<i>Net loss from other derivatives</i>	11	(21)	(21)	(1,059)	(970)
<i>Net loss from changes in fair value of subordinated loan</i>	12	2,494	2,494	(5,706)	(5,706)
<i>Net gain from derecognition of financial assets</i>		291	291	2,662	2,662
<i>Net gain from disposal of tangible assets</i>		771	295	1,717	-
<i>Revenue related to other activities of Group companies</i>	11	3,249	-	6,437	-
<i>Other operating income</i>		641	309	723	203
<i>Salaries and related expenses</i>		(10,377)	(8,842)	(9,615)	(7,894)
<i>Depreciation and amortization expenses</i>		(979)	(824)	(969)	(736)
<i>Expenses related to other activities of Group companies</i>	11	(2,185)	-	(4,990)	-
<i>Other operating expenses</i>	9	(5,350)	(4,155)	(4,540)	(3,342)
Operating profit before impairment losses		28,842	26,569	20,330	14,787
<i>Allowance for impairment losses on loans and other assets</i>	10	25	(55)	2,165	2,118
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	2,10	-	331	-	(1,036)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>		-	4,619	-	6,447
Profit before income tax		28,867	31,464	22,495	22,316
<i>Income tax expense</i>	11	(1,817)	(1,452)	(3,258)	(2,539)
Net profit for the period		27,050	30,012	19,237	19,777
Net profit attributable to:					
<i>Owners of the Bank</i>		27,050	30,012	19,237	19,777
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.05		0.04	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.04		0.04	

The notes on pages 10 to 33 constitute an integral part of these financial statements.

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

for the three month period

	1 April - 30 June 2018		1 April - 30 June 2017	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	17,596	15,849	16,232	14,346
<i>Interest expense and similar charges</i>	(2,175)	(2,178)	(2,902)	(2,897)
Net interest income	15,421	13,671	13,330	11,449
<i>Fee and commission income</i>	4,721	4,614	3,771	3,649
<i>Fee and commission expense</i>	(1,403)	(1,368)	(1,268)	(1,218)
Net fee and commission income	3,318	3,246	2,503	2,431
<i>Net gain from operations with securities</i>	726	868	237	510
<i>Net gain from foreign exchange and related derivatives</i>	1,964	1,743	1,048	1,339
<i>Net loss from other derivatives</i>	(33)	(33)	(425)	(370)
<i>Net loss from changes in fair value of subordinated loan</i>	4,736	4,736	(5,173)	(5,173)
<i>Net gain from derecognition of financial assets</i>	186	175	56	56
<i>Net gain from disposal of tangible assets</i>	702	338	1,284	(1)
<i>Revenue related to other activities of Group companies</i>	1,602	-	2,935	-
<i>Other operating income</i>	408	209	380	84
<i>Salaries and related expenses</i>	(5,069)	(4,331)	(4,666)	(3,809)
<i>Depreciation and amortization expenses</i>	(476)	(398)	(478)	(363)
<i>Expenses related to other activities of Group companies</i>	(1,367)	-	(1,664)	-
<i>Other operating expenses</i>	(3,132)	(2,499)	(2,461)	(1,795)
Operating profit before impairment losses	18,986	17,725	6,906	4,358
<i>Allowance for impairment losses on loans and other assets</i>	(1,994)	(1,585)	(740)	220
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	-	-	-	(1,741)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	-	-	-	1,891
Profit before income tax	16,992	16,140	6,166	4,728
<i>Income tax expense</i>	208	428	(363)	(177)
Net profit for the period	17,200	16,568	5,803	4,551
Net profit attributable to:				
Owners of the Bank	17,200	16,568	5,803	4,551
Non-controlling interest	-	-	-	-

The notes on pages 10 to 33 constitute an integral part of these financial statements.

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

	for the six month period ended			
	30 June 2018		30 June 2017	
	Group	Bank	Group	Bank
Net profit for the period	27,050	30,012	19,237	19,777
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(239)	(239)	166	(53)
Deferred income tax on gain from revaluation of financial assets	36	36	(25)	8
Other comprehensive income, net of deferred tax	(203)	(203)	141	(45)
Total comprehensive income for the period	26,847	29,809	19,378	19,732
Total comprehensive income (loss) attributable to:				
Owners of the Bank	26,847	29,809	19,378	19,732
Non-controlling interest	-	-	-	-
	26,847	29,809	19,378	19,732

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

	for the three month period			
	1 April - 30 June 2018		1 April - 30 June 2017	
	Group	Bank	Group	Bank
Net profit for the period	17,200	16,568	5,803	4,551
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(179)	(179)	(18)	(201)
Deferred income tax on gain (loss) from revaluation of financial assets	27	27	2	30
Other comprehensive income (loss), net of deferred tax	(152)	(152)	(16)	(171)
Total comprehensive income for the period	17,048	16,416	5,787	4,380
Total comprehensive income (loss) attributable to:				
Owners of the Bank	17,048	16,416	5,787	4,380
Non-controlling interest	-	-	-	-
	17,048	16,416	5,787	4,380

The notes on pages 10 to 33 constitute an integral part of these financial statements.

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		-	-	141	-	19,237	19,378	-	19,378
30 June 2017		131,366	756	452	7,177	57,257	197,008	-	197,008
Total comprehensive income		-	-	78	-	12,890	12,968	-	12,968
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		-	-	(203)	-	27,050	26,847	-	26,847
30 June 2018		157,639	756	(571)	10,369	56,146	224,339	-	224,339

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		-	-	(45)	-	19,777	19,732
30 June 2017		131,366	756	232	7,071	51,363	190,788
Total comprehensive income		-	-	58	-	11,113	11,171
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		-	-	(203)	-	30,012	29,809
30 June 2018		157,639	756	(571)	10,195	53,227	221,246

The notes on pages 10 to 33 constitute an integral part of these financial statements.

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

for the six month period ended

	Notes	30 June 2018		30 June 2017	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		28,400	24,919	26,021	22,165
Interest received on securities in the trading book		646	477	745	564
Interest paid		(4,459)	(4,464)	(5,521)	(5,518)
Fees and commissions received		9,020	8,799	7,548	7,316
Fees and commissions paid		(2,584)	(2,516)	(2,517)	(2,432)
Net cash inflows from trade in securities in the trading book		(10,584)	(8,913)	12,005	12,154
Net inflows from foreign exchange operations		(2,089)	(1,884)	8,424	8,864
Net inflows from derecognition of financial assets		291	291	122	122
Net inflows from derecognition of non-financial assets		1,084	352	7,064	71
Cash inflows related to other activities of Group companies		3,890	309	7,160	203
Cash outflows related to other activities of Group companies		(2,185)	-	(4,990)	-
Recoveries on loans previously written off		670	393	662	225
Salaries and related payments to and on behalf of employees		(11,310)	(9,775)	(9,408)	(7,687)
Payments related to operating and other expenses		(6,038)	(4,925)	(5,788)	(3,111)
Income tax paid		(7,002)	(6,056)	(6,225)	(5,800)
Net cash flow from operating activities before change in operating assets and liabilities		(2,250)	(2,993)	35,302	27,136
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		286	286	2,531	2,321
(Increase) in loans to customers and finance lease receivables		(121,110)	(125,248)	(52,430)	(45,553)
Decrease (increase) in other assets		823	2,262	(4,199)	(2,891)
Decrease (increase) in due to banks and financial institutions		4,580	4,728	(3,504)	(10,699)
Increase (decrease) increase in due to customers		144,047	144,303	86,554	87,978
Increase in special and lending funds		(10,303)	(10,303)	(16,535)	(16,535)
Increase (decrease) in other liabilities		2,195	1,742	(1,546)	(1,693)
Change		20,518	17,770	10,871	12,928
Net cash flow from (used in) from operating activities		18,268	14,777	46,173	40,064
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(443)	(443)	(204)	(353)
Disposal of property, plant and equipment, investment property and intangible assets		1,325	1,231	1,087	815
Acquisition of securities held to collect cash flows		(121,539)	(121,539)	(124,053)	(124,053)
Proceeds from redemption of securities held to collect cash flows		68,411	68,411	35,302	35,302
Interest received on securities held to collect cash flows		5,082	5,082	5,892	5,892
Dividends received		26	4,636	-	6,447
Acquisition of investment securities at fair value		(8,755)	(8,486)	(3,889)	(3,589)
Sale or redemption of investment securities at fair value		1,780	1,764	7,533	7,533
Interest received on investment securities at fair value		61	61	297	297
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		(54,052)	(49,283)	(78,035)	(72,453)
Financing activities					
Payment of dividends		(2,162)	(2,162)	(1,876)	(1,876)
Net cash flow (used in) financing activities		(2,162)	(2,162)	(1,876)	(1,876)
Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents at 1 January		129,738	126,591	153,867	152,111
Cash and cash equivalents at 30 June		91,792	89,923	120,129	117,846

The notes on pages 10 to 33 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 63 customer service outlets (2017: 65 outlets). As at 30 June 2018 the Bank had 712 employees (31 December 2017: 702). As at 30 June 2018 the Group had 813 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 June 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 June 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 six month period ended 30 June 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 described in more detail in Note 6 to the condensed interim financial statements, 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 assessment, 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.

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:

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

	<i>30 June 2018</i>		<i>31 December 2017</i>	
	<i>Group</i>	<i>Bank</i>	<i>Group</i>	<i>Bank</i>
<i>Loans and advances to banks</i>	1,932	1,932	2,218	2,218
<i>Loans and advances to customers:</i>	1,187,706	1,198,284	1,098,327	1,102,927
<i>Loans and advances to financial institutions</i>	17	47,061	18	39,756
<i>Loans to individuals (Retail)</i>	145,423	87,760	133,441	77,455
<i>Loans to business customers</i>	1,042,266	1,063,463	964,868	985,716
<i>Finance lease receivables</i>	113,742	113,586	91,139	90,898
<i>Debt securities at fair value through profit or loss</i>	43,750	29,985	30,589	17,755
<i>Derivative financial instruments</i>	5,317	5,317	3,031	3,031
<i>Debt securities at fair value through other comprehensive income</i>	17,304	16,901	11,322	10,914
<i>Debt securities at amortized cost</i>	627,916	627,916	576,260	576,260
<i>Other assets subject to credit risk</i>	7,403	6,883	10,485	9,616
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	36,717	36,784	33,787	33,814
<i>Letters of credit</i>	2,443	2,443	262	262
<i>Loan commitments and other credit related liabilities</i>	157,500	174,844	173,233	188,725
<i>Total</i>	2,201,730	2,214,875	2,030,653	2,036,420

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

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
Gross	1,228,311	1,232,382	1,131,562	1,132,480
<i>Subtract: allowance for impairment</i>	(40,605)	(34,098)	(33,235)	(29,553)
Net	1,187,706	1,198,284	1,098,327	1,102,927

Note: data as of 30 June 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 June 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:		
<i>As presented in 31 December 2017 financial statements (IAS39)</i>	1,131,562	1,132,480
<i>Accrued income adjustment (see Note 3)</i>	2,350	2,350
Gross amount as of 1 January 2018 (IFRS9)	1,133,912	1,134,830
Allowance for impairment:		
<i>As presented in 31 December 2017 financial statements (IAS39)</i>	(33,235)	(29,553)
<i>Adjustment of allowances for individually assessed loans</i>	(9,269)	(6,981)
<i>Reversal of collective allowances for incurred but not reported losses</i>	1,138	767
Allowance for impairment as of 1 January 2018 (IFRS9)	(41,366)	(35,767)
Net amount:		
<i>As presented in 31 December 2017 financial statements (IAS39)</i>	1,098,327	1,102,927
<i>Adjustment due to IFRS9 implementation</i>	(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):

	30 June 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:										
<i>Gross amount</i>	933,715	63,939	2,548	1	1,000,203	855,286	60,111	195	-	915,592
<i>Allowance for impairment</i>	(4,811)	(896)	(65)	-	(5,772)	(3,973)	(794)	(30)	-	(4,797)
Net amount	928,904	63,043	2,483	1	994,431	851,313	59,317	165	-	910,795
Stage 2:										
<i>Gross amount</i>	137,942	16,689	13,877	143	168,651	141,700	13,151	7,672	-	162,523
<i>Allowance for impairment</i>	(3,243)	(441)	(1,966)	(1)	(5,651)	(4,282)	(314)	(1,661)	-	(6,257)
Net amount	134,699	16,248	11,911	142	163,000	137,418	12,837	6,011	-	156,266
Stage 3:										
<i>Gross amount</i>	15,741	276	1,520	41,920	59,457	7,054	5,040	1,027	42,676	55,797
<i>Allowance for impairment</i>	(10,670)	(200)	(708)	(17,604)	(29,182)	(4,656)	(2,560)	(547)	(22,549)	(30,312)
Net amount	5,071	76	812	24,316	30,275	2,398	2,480	480	20,127	25,485
Total:										
<i>Gross amount</i>	1,087,398	80,904	17,945	42,064	1,228,311	1,004,040	78,302	8,894	42,676	1,133,912
<i>Allowance for impairment</i>	(18,724)	(1,537)	(2,739)	(17,605)	(40,605)	(12,911)	(3,668)	(2,238)	(22,549)	(41,366)
Net amount	1,068,674	79,367	15,206	24,459	1,187,706	991,129	74,634	6,656	20,127	1,092,546

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

	Bank									
	30 June 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	947,359	57,354	2,119	1	1,006,833	866,344	53,347	-	-	919,691
Allowance for impairment	(2,877)	(257)	(6)	-	(3,140)	(2,634)	(195)	-	-	(2,829)
Net amount	944,482	57,097	2,113	1	1,003,693	863,710	53,152	-	-	916,862
Stage 2:										
Gross amount	142,993	16,689	10,607	143	170,432	145,899	13,151	4,613	-	163,663
Allowance for impairment	(3,271)	(441)	(496)	(1)	(4,209)	(4,294)	(314)	(365)	-	(4,973)
Net amount	139,722	16,248	10,111	142	166,223	141,605	12,837	4,248	-	158,690
Stage 3:										
Gross amount	14,721	99	1,039	39,258	55,117	6,126	4,899	702	39,749	51,476
Allowance for impairment	(10,537)	(63)	(340)	(15,809)	(26,749)	(4,593)	(2,452)	(299)	(20,621)	(27,965)
Net amount	4,184	36	699	23,449	28,368	1,533	2,447	403	19,128	23,511
Total:										
Gross amount	1,105,073	74,142	13,765	39,402	1,232,382	1,018,369	71,397	5,315	39,749	1,134,830
Allowance for impairment	(16,685)	(761)	(842)	(15,810)	(34,098)	(11,521)	(2,961)	(664)	(20,621)	(35,767)
Net amount	1,088,388	73,381	12,923	23,592	1,198,284	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 assessment based on contract-specific circumstances if it would result in more precise assessment of the risk of the contract):

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

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

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

Finance lease receivables

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

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
Business customers	97,151	96,289	76,468	75,576
Individuals	18,992	18,885	16,069	15,926
Gross	116,143	115,174	92,537	91,502
Subtract: Allowance for impairment	(2,401)	(1,588)	(1,398)	(604)
Net	113,742	113,586	91,139	90,898

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

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 incurred 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					1 January 2018				
	30 June 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	69,967	21,656	-	-	91,623	51,793	12,292	42	-	64,127
Allowance for impairment	(256)	(65)	-	-	(321)	(190)	(60)	-	-	(250)
Net amount	69,711	21,591	-	-	91,302	51,603	12,232	42	-	63,877
Stage 2:										
Gross amount	13,337	3,179	5,566	-	22,082	14,218	10,771	1,096	-	26,085
Allowance for impairment	(470)	(68)	(53)	-	(591)	(606)	(252)	(37)	-	(895)
Net amount	12,867	3,111	5,513	-	21,491	13,612	10,519	1,059	-	25,190
Stage 3:										
Gross amount	8	219	6	2,205	2,438	-	-	47	2,313	2,360
Allowance for impairment	-	(102)	(2)	(1,385)	(1,489)	-	-	(34)	(1,784)	(1,818)
Net amount	8	117	4	820	949	-	-	13	529	542
Total:										
Gross amount	83,312	25,054	5,572	2,205	116,143	66,011	23,063	1,185	2,313	92,572
Allowance for impairment	(726)	(235)	(55)	(1,385)	(2,401)	(796)	(312)	(71)	(1,784)	(2,963)
Net amount	82,586	24,819	5,517	820	113,742	65,215	22,751	1,114	529	89,609

	Bank					1 January 2018				
	30 June 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	69,921	21,636	-	-	91,557	51,707	12,267	42	-	64,016
Allowance for impairment	(256)	(64)	-	-	(320)	(189)	(60)	-	-	(249)
Net amount	69,665	21,572	-	-	91,237	51,518	12,207	42	-	63,767
Stage 2:										
Gross amount	13,337	3,179	5,564	-	22,080	14,218	10,771	1,057	-	26,046
Allowance for impairment	(470)	(68)	(53)	-	(591)	(606)	(252)	(36)	-	(894)
Net amount	12,867	3,111	5,511	-	21,489	13,612	10,519	1,021	-	25,152
Stage 3:										
Gross amount	3	219	6	1,309	1,537	-	-	5	1,470	1,475
Allowance for impairment	-	(102)	(2)	(573)	(677)	-	-	(2)	(1,002)	(1,004)
Net amount	3	117	4	736	860	-	-	3	468	471
Total:										
Gross amount	83,261	25,034	5,570	1,309	115,174	65,925	23,038	1,104	1,470	91,537
Allowance for impairment	(726)	(234)	(55)	(573)	(1,588)	(795)	(312)	(38)	(1,002)	(2,147)
Net amount	82,535	24,800	5,515	736	113,586	65,130	22,726	1,066	468	89,390

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.

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
Debt securities:	43,750	29,985	30,589	17,755
Government bonds	21,894	13,943	13,406	5,905
Corporate bonds	21,856	16,042	17,183	11,850
Equity securities	18,297	695	18,586	529
Total	62,047	30,680	49,175	18,284

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	41,976	29,985	29,103	17,755
from AA- to AAA	1,552	1,215	1,209	1,209
from A- to A+	18,690	15,480	8,703	5,970
from BBB- to BBB+	15,036	8,787	12,549	6,576
from BB- to BB+	4,292	2,097	4,395	1,753
lower than BB-	-	-	543	543
no rating	2,406	2,406	1,704	1,704
Equity securities	695	695	529	529
listed	615	615	470	470
unlisted	3	3	4	4
units of investment funds	77	77	55	55
Total trading securities	42,671	30,680	29,632	18,284
Other trading book securities:				
Debt securities	1,774	-	1,486	-
from AA- to AAA	-	-	-	-
from A- to A+	1,470	-	936	-
from BBB- to BBB+	304	-	550	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	17,602	-	18,057	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,602	-	18,057	-
Total other trading book securities	19,376	-	19,543	-
TOTAL	62,047	30,680	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.

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 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.

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
<u>Securities at fair value (31 December 2017 - Securities available for sale):</u>				
Debt securities:	17,304	16,901	11,322	10,914
Government bonds	5,128	5,128	-	-
Corporate bonds	12,176	11,773	11,322	10,914
Equity securities	5,428	632	5,150	628
Total	22,732	17,533	16,472	11,542
<u>Securities at amortized cost (31 December 2017 - Held-to-maturity securities):</u>				
Debt securities:	627,916	627,916	576,260	576,260
Government bonds	479,246	479,246	418,063	418,063
Corporate bonds	148,670	148,670	158,197	158,197
Total	627,916	627,916	576,260	576,260

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

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
<u>Securities at fair value (31 December 2017 - Securities available for sale):</u>				
Debt securities	17,304	16,901	11,322	10,914
from AA- to AA+	-	-	-	-
from A- to A+	7,199	7,199	3,760	3,760
from BBB- to BBB+	9,550	9,550	6,992	6,992
from BB- to BB+	-	-	162	162
lower than BB-	152	152	-	-
no rating	403	-	408	-
Equities	5,428	632	5,150	628
listed	-	-	-	-
unlisted	1,224	425	1,212	414
units of investment funds	4,204	207	3,938	214
Total	22,732	17,533	16,472	11,542
<u>Held-to-maturity securities:</u>				
Debt securities	627,916	627,916	576,260	576,260
from AA- to AA+	11,121	11,121	14,034	14,034
from A- to A+	460,196	460,196	404,663	404,663
from BBB- to BBB+	152,025	152,025	153,905	153,905
from BB- to BB+	4,574	4,574	3,658	3,658
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	627,916	627,916	576,260	576,260

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

NOTE 2 SECURITIES (continued)

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

	30 June 2018		1 January 2018	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	644,053	643,645	587,070	586,662
Allowance for impairment	(311)	(306)	(294)	(289)
Net amount	643,742	643,339	586,776	586,373
Stage 2:				
Gross amount	1,513	1,513	512	512
Allowance for impairment	(35)	(35)	(2)	(2)
Net amount	1,478	1,478	510	510
Stage 3:				
Gross amount	1,009	-	1,022	-
Allowance for impairment	(1,009)	-	(1,022)	-
Net amount	-	-	-	-

During the six month periods ended 30 June 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 June 2018			31 December 2017		
	Share in equity, %	Acquisition cost	Carrying amount	Share in equity, %	Acquisition cost	Carrying amount
Bank						
<i>Investments in consolidated directly controlled subsidiaries:</i>						
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	-	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

	30 June 2018			31 December 2017		
	Share in equity	Acquisition cost	Carrying amount	Share in equity	Acquisition cost	Carrying amount
<i>Investments in consolidated indirectly controlled subsidiaries:</i>						
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 six month period ended 30 June 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 six month period ended 30 June 2017, the Bank recognized EUR 1,741 thousand impairment to investment in Pavasaris UAB (value of the investment reduced by EUR 1,741 thousand after the dividends from the subsidiary of EUR 1,891 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).

NOTE 3

SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Cash and cash equivalents

The main reason for the decrease in cash and cash equivalents by 29% (Group – from EUR 129,738 thousand in the beginning of the year to EUR 91,792 thousand in the end of reporting period; Bank – from EUR 126,591 thousand in the beginning of the year to EUR 89,923 thousand in the end of reporting period) is the achieved growth in loans and finance lease portfolio that allowed to exit the excess liquidity.

On IFRS9 adoption, additional allowance for impairment against due from banks amounting to EUR 22 thousand was recognized using the expected loss model. As of 30 June 2018, the allowance for impairments on due from banks amounted to EUR 22 thousand.

Derivative financial instruments

	31 December 2017 (IAS 39)	Change on IFRS9 adoption	1 January 2018 (IFRS9)	Group, Bank 30 June 2018
Assets:				
Derivatives:	3,031	(2,284)	747	5,317
derivatives related to interest rate floor in variable rate loan contracts	2,284	(2,284)	-	-
currency derivatives	143	-	143	4,474
derivatives related to prices of financial instruments	604	-	604	843
Liabilities:				
Derivatives:	(1,894)	-	(1,894)	(1,581)
currency derivatives	(1,223)	-	(1,223)	(651)
derivatives related to prices of financial instruments	(671)	-	(671)	(930)

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 June 2018		31 December 2017	
	Group	Bank	Group	Bank
Amounts receivable	7,403	6,883	10,485	9,616
Inventories	20,161	-	18,316	-
Deferred charges	1,106	1,218	888	859
Assets under reinsurance and insurance contracts	581	-	650	-
Prepayments	4,915	3,825	4,188	3,607
Foreclosed assets	698	628	764	712
Assets classified as held for sale	-	-	-	-
Other	918	806	910	785
Total	35,782	13,360	36,201	15,579

Note: data as of 30 June 2018 and 31 December 2017 is not fully comparable as it was calculated using different reporting standards: IFRS9 at 30 June 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 June 2018, the allowance for impairment against amounts receivable amounted to: Group EUR 251 thousand, Bank EUR 232 thousand.

NOTE 4 DUE TO CUSTOMERS

	30 June 2018		31 December 2017	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	29,529	29,529	21,553	21,553
<i>Local government institutions</i>	142,498	142,498	75,060	75,060
<i>Governmental and municipal companies</i>	15,902	15,902	23,431	23,431
<i>Corporate entities</i>	300,538	300,793	274,888	275,321
<i>Non-profit organisations</i>	16,031	16,031	13,309	13,309
<i>Individuals</i>	341,995	341,995	305,237	305,237
<i>Unallocated amounts due to customers</i>	51,956	52,721	40,099	40,430
Total demand deposits	898,449	899,469	753,577	754,341
<i>Time deposits:</i>				
<i>National government institutions</i>	7,228	7,228	231	231
<i>Local government institutions</i>	961	961	948	948
<i>Governmental and municipality companies</i>	1,676	1,676	1,718	1,718
<i>Corporate entities</i>	58,023	58,023	61,522	61,522
<i>Non-profit organisations</i>	2,210	2,210	2,433	2,433
<i>Individuals</i>	823,353	823,353	827,624	827,624
Total time deposits	893,451	893,451	894,476	894,476
Total	1,791,900	1,792,920	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 3,033 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6 CAPITAL

As of 30 June 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 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 June 2018	Share of the authorized capital held, % 31 December 2017
<i>European Bank for Reconstruction and Development</i>	18.24	18.24
<i>Invalda INVLA AB</i>	6.79	6.79
<i>Gintaras Kateiva</i>	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, Sigita Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, - 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 June 2018, this group possessed 38.45 percent (31 December 2017: 38.52 percent) of the authorised capital and votes of the Bank.

As at 30 June 2018, the Bank had 4,746 shareholders (as at 31 December 2017: 4,496).

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	H1 other comprehensive income	Amount as at 30 Jun 2018	As reported in 31 Dec 2017 financialstatem ents	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	H1 other comprehensive income	Amount as at 30 Jun 2018
<i>Items that may be subsequently reclassified to profit or loss:</i>										
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)	(203)	(219)	(16)	-	(16)	(203)	(219)
<i>Items that may not be subsequently reclassified to profit or loss:</i>										
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)	(203)	(571)	290	(658)	(368)	(203)	(571)

NOTE 7 NET INTEREST INCOME

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
on loans to other banks and financial institutions and placements with credit institutions	100	1,156	211	1,428
on loans to customers	25,541	21,237	24,763	19,306
on debt securities	5,610	5,404	6,342	6,131
on finance leases	2,580	2,537	1,998	1,379
other interest income	21	21	-	-
Total interest income	33,852	30,355	33,314	28,244
<i>Interest expense:</i>				
on financial liabilities designated at fair value through profit or loss	(501)	(501)	(492)	(492)
on financial liabilities measured at amortised cost	(3,627)	(3,632)	(5,208)	(5,205)
on other liabilities	(133)	(133)	(126)	(126)
Total interest expense	(4,261)	(4,266)	(5,826)	(5,823)
Net interest income	29,591	26,089	27,488	22,421

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	1,793	1,793	1,719	1,719
for settlement services	2,333	2,340	1,880	1,885
for cash operations	1,942	1,942	1,535	1,535
for account administration	1,430	1,430	1,058	1,058
for guarantees, letters of credit, documentary collection	221	221	168	168
for collection of utility and similar payments	124	126	156	163
for services related to securities	739	788	594	657
other fee and commission income	438	159	438	131
Total fee and commission income	9,020	8,799	7,548	7,316
<i>Fee and commission expense:</i>				
for payment cards	(1,549)	(1,548)	(1,503)	(1,503)
for cash operations	(430)	(430)	(424)	(424)
for correspondent bank and payment system fees	(170)	(105)	(213)	(133)
for services of financial data vendors	(89)	(89)	(78)	(78)
for services related to securities	(237)	(235)	(197)	(197)
other fee and commission expenses	(109)	(109)	(102)	(97)
Total fee and commission expense	(2,584)	(2,516)	(2,517)	(2,432)
Net fee and commission income	6,436	6,283	5,031	4,884

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
Rent of buildings and premises	(705)	(608)	(702)	(606)
Utility services for buildings and premises	(334)	(302)	(340)	(304)
Other expenses related to buildings and premises	(154)	(154)	(121)	(119)
Transportation expenses	(199)	(157)	(213)	(209)
Legal costs	(73)	(73)	(18)	(18)
Personnel and training expenses	(115)	(103)	(63)	(52)
IT and communication expenses	(1,155)	(1,046)	(985)	(874)
Marketing and charity expenses	(1,287)	(829)	(685)	(323)
Service organisation expenses	(550)	(496)	(603)	(530)
Non-income taxes, fines	(198)	(30)	(250)	(13)
Costs incurred due to debt recovery	(224)	(169)	(203)	(139)
Other expenses	(356)	(188)	(357)	(155)
Total	(5,350)	(4,155)	(4,540)	(3,342)

NOTE 10 IMPAIRMENT LOSSES

The data presented in this note as of 1 January - 30 June 2018 and as of 1 January - 30 June 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 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(1,816)	(988)	1,514	1,896
Recoveries of loans previously written-off	596	393	589	225
Reversal of impairment losses / (impairment losses) on finance lease receivables	562	559	(101)	(11)
Recovered previously written-off finance lease receivables	74	-	73	-
(Impairment losses) on debt securities	(50)	(50)	-	-
Reversal of impairment losses on due from banks	1	1	-	-
Reversal of impairment losses / (impairment losses) on other financial assets	65	57	(7)	-
Reversal of impairment losses / (impairment losses) on subsidiaries	-	331	-	(981)
Revaluation of subsidiaries classified as held for sale	-	-	-	(55)
Reversal of impairment losses / (impairment losses) on other non-financial assets	593	(27)	97	8
Total	25	276	2,165	1,082

NOTE 10 IMPAIRMENT LOSSES (continued)

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
<u>Allowance for impairment of loans</u>				
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	1,816	988	(1,514)	(1,896)
Loans written off during the period	(2,651)	(2,651)	(625)	(600)
Other factors (reclassification, FX rate shift, etc.)	74	(6)	(1)	(1)
As at 30 June	40,605	34,098	34,662	29,943
<u>Allowance for impairment of finance lease receivables</u>				
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	(562)	(559)	101	11
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(1)	-
As at 30 June	2,401	1,588	1,408	212
<u>Allowance for impairment of debt securities</u>				
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	50	50	-	-
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(13)	-	(11)	-
As at 30 June	1,355	341	1,011	-
<u>Allowance for impairment of due from banks</u>				
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.)	1	1	-	-
As at 30 June	22	22	-	-
<u>Allowance for impairment of other financial assets</u>				
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	(65)	(57)	7	-
Other financial assets written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(14)	(14)	-	-
As at 30 June	251	232	37	15

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from operations with securities

One-off profit of EUR 1,485 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 six month period ended 30 June 2018. No sales of investment securities at amortized cost were performed during six month period ended 30 June 2017

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS (continued)

Revenues and expenses related to other activities of Group companies

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
Revenue related to insurance activities	3,199	-	3,132	-
Revenue from sale of apartments	50	-	3,305	-
Profit from discontinued operations	-	-	-	-
Total revenue related to other activities of Group companies	3,249	-	6,437	-
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	159	-	(9)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(2,325)	-	(2,084)	-
Cost of apartments sold	(19)	-	(2,891)	-
Loss from discontinued operations	-	-	(6)	-
Total expenses related to other activities of Group companies	(2,185)	-	(4,990)	-

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

	1 January - 30 June 2018		1 January - 30 June 2017	
	Group	Bank	Group	Bank
Interest and similar income	21	-	21	-
Net gain (loss) from operations with securities	(304)	-	413	-
Net gain (loss) from foreign exchange	124	-	(425)	-
Total	(159)	-	9	-

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).

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled 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);
- subsidiaries of the Bank and subsidiaries held for sale;
- 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 June 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)
<i>Members of the Council and the Board</i>	4,005	178	2,036	133
<i>Other related parties (excluding subsidiaries of the Bank)</i>	21,791	57,031	19,667	53,335
Total	25,796	57,209	21,703	53,468

The Group and the Bank held debt securities of one entity attributable to related parties. On 30 June 2018 debt securities attributable to related parties exposure amounted to EUR 42 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 fair value consists of:

	30 June 2018	31 December 2017
<i>Derivative part of the financial liability</i>	10,786	12,990
<i>Debt part of the financial liability</i>	20,923	21,213
Total value of financial liability at fair value through profit or loss:	31,709	34,203

Subordinated loan related interest expenses amounted to EUR 501 thousand, a gain of EUR 2,494 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement for the six month period ended 30 June 2018 (six month period ended 30 June 2017: interest expenses EUR 492 thousand, revaluation loss EUR 5,706 thousand).

NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

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

	30 June 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	2,204	22,926	434	32,170
Financial institutions	1,131	68,249	2,497	49,167
	3,335	91,175	2,931	81,337

Bank's total balances with subsidiaries:

	30 June 2017	31 December 2017
Assets		
Loans	73,665	65,765
Other assets	22	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	3,335	2,931
Other liabilities	1	-

1 Income and expenses arising from transactions with subsidiaries:

	1 January– 30 June 2018	1 January– 30 June 2017
Income		
Interest	1,354	1,604
Commission income	120	122
FX income	2	3
Dividends	4,619	6,447
Other income	22	212
Expenses		
Interest	(7)	(3)
Operating expenses	(15)	(54)
Reversal of allowance for impairment losses on loans	16	-
Reversal of allowance / (allowance) for impairment losses on investments in subsidiaries	331	(1,036)

As of 30 June 2018, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 28 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.

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The structure of the Group's assets and liabilities by maturity as at 30 June 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
<i>Total assets</i>	96,428	40,790	54,910	95,754	177,068	665,963	970,546	75,987	2,177,444
<i>Total liabilities and shareholders' equity</i>	927,470	90,354	127,412	230,391	308,308	204,574	59,541	229,394	2,177,444
<i>Net liquidity gap</i>	(831,042)	(49,564)	(72,502)	(134,637)	(131,241)	461,389	911,004	(153,407)	-

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
<i>Total assets</i>	137,164	33,595	70,372	89,021	140,363	604,350	862,794	93,103	2,030,762
<i>Total liabilities and shareholders' equity</i>	766,880	126,769	132,829	191,718	350,756	198,355	53,479	209,976	2,030,762
<i>Net liquidity gap</i>	(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 June 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
<i>Total assets</i>	94,559	40,760	53,815	104,103	194,681	642,338	943,473	68,128	2,141,857
<i>Total liabilities and shareholders' equity</i>	929,116	85,364	127,185	230,101	307,611	201,976	34,552	225,952	2,141,857
<i>Net liquidity gap</i>	(834,557)	(44,604)	(73,370)	(125,998)	(112,930)	440,362	908,921	(157,824)	-

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
<i>Total assets</i>	134,018	29,307	103,106	90,722	130,395	579,247	838,420	84,751	1,989,966
<i>Total liabilities and shareholders' equity</i>	768,144	121,322	132,220	191,191	349,964	196,569	28,597	201,959	1,989,966
<i>Net liquidity gap</i>	(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.

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 June 2018:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	196,487	333,402	566,331	75,805	785,607	219,812	2,177,444
Liabilities and equity	87,843	148,170	191,672	300,279	238,615	1,210,865	2,177,444
Net interest sensitivity gap	108,644	185,232	374,659	(224,474)	546,992	(991,053)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,041	1,544	2,342	(561)	-	-	4,366

Group 31 December 2017:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
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 June 2018:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	196,811	332,733	574,877	105,788	747,585	184,063	2,141,857
Liabilities and equity	87,557	148,072	191,414	300,556	212,327	1,201,931	2,141,857
Net interest sensitivity gap	109,254	184,661	383,463	(194,768)	535,258	(1,017,868)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,047	1,539	2,397	(487)	-	-	4,496

D Bank 31 December 2017:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
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

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 identification 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 six month period ended 30 June 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 six month period ended 31 June 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 June 2018		31 December 2017	
	Group	Bank	Group	Bank
LEVEL I				
Non-investment securities and derivative financial instruments	60,711	29,344	48,562	17,671
Investment securities at fair value	21,508	17,108	14,852	11,128
Total Level I financial assets	82,219	46,452	63,414	28,799
LEVEL II				
Derivative financial instruments - assets	5,317	5,317	747	747
Derivative financial instruments - liabilities	(1,581)	(1,581)	(1,894)	(1,894)
LEVEL III				
Non-investment securities and derivative financial instruments	1,336	1,336	2,897	2,897
Investment securities at fair value	1,224	425	1,620	414
Total Level III financial assets	2,560	1,761	4,517	3,311
Financial liabilities at fair value through profit or loss	31,709	31,709	34,203	34,203
Total Level III financial liabilities	31,709	31,709	34,203	34,203

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

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

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

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 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 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	3,740	859	-	-	-	-
Disposals / redemption / derecognition	(3,039)	(374)	(407)	-	-	-
Changes due to interest accrued/paid	22	3	-	-	-	(3)
Changes in fair value	-	(1,085)	11	(34)	(2,494)	5,706
Loans written off during the period	1,336	5,024	1,224	1,053	31,709	27,767

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 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 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	3,740	859	-	-	-	-
Disposals / redemption / derecognition	(3,039)	(374)	-	(297)	-	-
Changes due to interest accrued/paid	22	3	-	-	-	(3)
Changes in fair value	-	(998)	11	(36)	(2,494)	5,706
Loans written off during the period	1,336	4,815	425	433	31,709	27,767

	1 January – 30 June 2018		1 January – 30 June 2017	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	2,505	2,505	(6,825)	(6,740)

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 June 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities held to collect cash flows (as at 31 December 2017 – Investment securities held-to-maturity)	627,916	647,858	576,260	602,990

NOTE 15 SEGMENT INFORMATION

Business segments

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

	<i>Traditional banking operations and lending</i>	<i>Treasury</i>	<i>Non-core banking activities</i>	<i>Other activities</i>	<i>Eliminations</i>	<i>Total</i>
Continuing operations						
Internal	(59)	-	305	(306)	60	-
External	24,964	3,772	545	310	-	29,591
Net interest income	24,905	3,772	850	4	60	29,591
Internal	110	-	-	(63)	(47)	-
External	6,423	-	-	13	-	6,436
Net fee and commissions income	6,533	-	-	(50)	(47)	6,436
Internal	51	-	305	(369)	13	-
External	31,387	3,772	545	323	-	36,027
Net interest, fee and commissions income	31,438	3,772	850	(46)	13	36,027
Internal	(25)	(2)	-	(9)	36	-
External	(13,258)	(1,299)	-	(3,355)	-	(17,912)
Operating expenses	(13,283)	(1,301)	-	(3,364)	36	(17,912)
Amortisation charges	(261)	(27)	-	(31)	-	(319)
Depreciation charges	(526)	(56)	-	(78)	-	(660)
Internal	-	-	285	-	(285)	-
External	(603)	-	-	628	-	25
Impairment expenses	(603)	-	285	628	(285)	25
Internal	6	-	4,643	8	(4,657)	-
External	3,105	1,632	3,364	3,605	-	11,706
Net other income	3,111	1,632	8,007	3,613	(4,657)	11,706
Profit (loss) before tax	19,876	4,020	9,142	722	(4,893)	28,867
Income tax	(1,578)	(145)	-	(94)	-	(1,817)
Profit (loss) per segment after tax	18,298	3,875	9,142	628	(4,893)	27,050
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	18,298	3,875	9,142	628	(4,893)	27,050
Total segment assets	1,397,505	768,002	37,976	75,976	(102,015)	2,177,444
Total segment liabilities	1,249,375	688,670	34,053	57,977	(76,970)	1,953,105
Net segment assets (shareholders' equity)	148,130	79,332	3,923	17,999	(25,045)	224,339

NOTE 15 SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2017 and in the Statement of comprehensive income for the six 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	3	-	384	(384)	(3)	-
External	23,429	3,757	(109)	411	-	27,488
Net interest income	23,432	3,757	275	27	(3)	27,488
Internal	108	-	-	(64)	(44)	-
External	5,041	-	-	(10)	-	5,031
Net fee and commissions income	5,149	-	-	(74)	(44)	5,031
Internal	111	-	384	(448)	(47)	-
External	28,470	3,757	(109)	401	-	32,519
Net interest, fee and commissions income	28,581	3,757	275	(47)	(47)	32,519
Internal	(92)	(5)	-	(22)	119	-
External	(11,629)	(1,119)	-	(6,391)	(6)	(19,145)
Operating expenses	(11,721)	(1,124)	-	(6,413)	113	(19,145)
Amortisation charges	(185)	(17)	-	(27)	-	(229)
Depreciation charges	(559)	(56)	-	(125)	-	(740)
Internal	-	-	(1,036)	-	1,036	-
External	2,141	-	8	16	-	2,165
Impairment expenses	2,141	-	(1,028)	16	1,036	2,165
Internal	10	-	6,662	4	(6,676)	-
External	1,606	735	(3,056)	8,640	-	7,925
Net other income	1,616	735	3,606	8,644	(6,676)	7,925
Profit (loss) before tax	19,873	3,295	2,853	2,048	(5,574)	22,495
Income tax	(2,749)	(254)	-	(255)	-	(3,258)
Profit (loss) per segment after tax	17,124	3,041	2,853	1,793	(5,574)	19,237
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	17,124	3,041	2,853	1,793	(5,574)	19,237
Total segment assets	1,175,550	763,179	39,821	75,706	(107,258)	1,946,998
Total segment liabilities	1,052,675	686,922	35,842	57,709	(83,158)	1,749,990
Net segment assets (shareholders' equity)	122,875	76,257	3,979	17,997	(24,100)	197,008

NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP

As of 30 June 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 June 2018	31 December 2017
ASSETS		
Cash and cash equivalents	90,224	127,193
Securities in the trading book	30,680	18,284
Due from other banks	1,932	2,218
Derivative financial instruments	5,317	3,031
Loans to customers	1,201,521	1,112,395
Finance lease receivables	113,742	91,139
Investment securities at fair value	22,052	15,793
Investment securities held to collect cash flows	627,916	576,260
Investments in subsidiaries and associates	13,337	13,006
Intangible assets	1,711	1,740
Property, plant and equipment	9,936	10,333
Investment property	6,388	7,245
Current income tax prepayment	1,798	-
Deferred income tax asset	318	505
Other assets	20,867	21,884
Total assets	2,147,739	2,001,026
LIABILITIES		
Due to other banks and financial institutions	61,485	56,763
Derivative financial instruments	1,581	1,894
Due to customers	1,792,918	1,648,810
Special and lending funds	3,033	13,336
Debt securities in issue	20,077	20,003
Subordinated loan	31,709	34,203
Current income tax liabilities	31	3,542
Deferred income tax liabilities	490	466
Liabilities related to insurance activities	-	-
Other liabilities	13,912	14,037
Total liabilities	1,925,236	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	(571)	401
Retained earnings	54,438	68,378
Non-controlling interest	-	-
Total equity	222,503	207,972
Total liabilities and equity	2,147,739	2,001,026

NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the six month period ended	
	30 June 2018	30 June 2017
<i>Interest and similar income</i>	33,816	33,372
<i>Interest expense and similar charges</i>	(4,266)	(5,823)
<i>Net interest income</i>	29,550	27,549
<i>Fee and commission income</i>	9,063	7,604
<i>Fee and commission expense</i>	(2,577)	(2,490)
<i>Net fee and commission income</i>	6,486	5,114
<i>Net gain from operations with securities</i>	1,653	736
<i>Net gain from foreign exchange and related derivatives</i>	3,019	2,529
<i>Net loss from other derivatives</i>	(21)	(1,059)
<i>Net loss from changes in fair value of subordinated loan</i>	2,494	(5,706)
<i>Net gain from derecognition of financial assets</i>	291	2,662
<i>Net gain from disposal of tangible assets</i>	357	1,319
<i>Revenue related to other activities of Group companies</i>	-	-
<i>Other operating income</i>	527	425
<i>Salaries and related expenses</i>	(9,817)	(8,972)
<i>Depreciation and amortization expenses</i>	(919)	(866)
<i>Expenses related to other activities of Group companies</i>	-	-
<i>Other operating expenses</i>	(5,027)	(4,134)
<i>Operating profit before impairment losses</i>	28,593	19,597
<i>Allowance for impairment losses on loans and other assets</i>	(648)	2,165
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	331	(1,796)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	619	2,947
<i>Profit before income tax</i>	28,895	22,913
<i>Income tax expense</i>	(1,712)	(3,178)
<i>Net profit for the period</i>	27,183	19,735
<i>Net profit attributable to:</i>		
<i>Owners of the Bank</i>	27,183	19,735
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the six month period ended	
	30 June 2018	30 June 2017
<i>Net profit for the period</i>	27,183	19,735
<i>Other comprehensive income</i>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	(239)	(76)
<i>Deferred income tax on gain from revaluation of financial assets</i>	36	11
<i>Other comprehensive income, net of deferred tax</i>	(203)	(65)
<i>Total comprehensive income for the period</i>	26,980	19,670
<i>Total comprehensive income (loss) attributable to:</i>		
<i>Owners of the Bank</i>	26,980	19,670
<i>Non-controlling interest</i>	-	-
	26,980	19,670



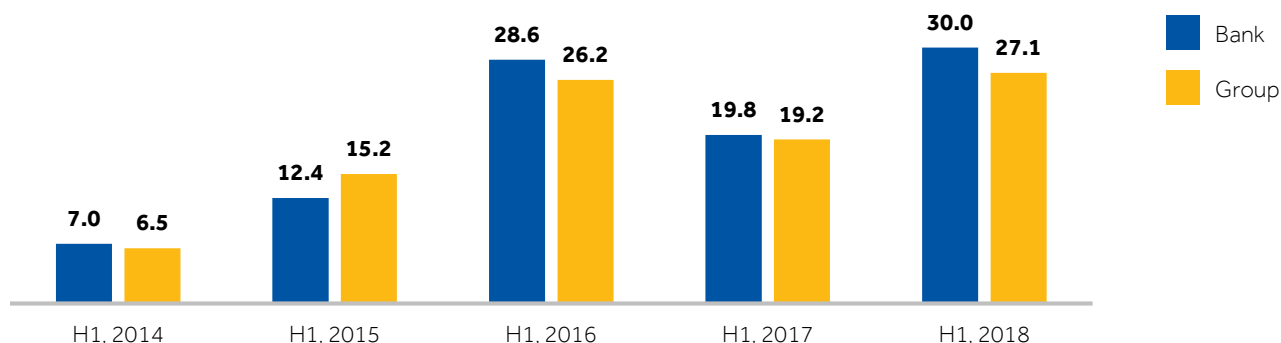
CONSOLIDATED REPORT FOR
THE PERIOD OF 6 MONTHS OF 2018

The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 6 months covers the period from 1 January 2018 to 30 June 2018.

RESULTS FOR THE FIRST HALF OF THE YEAR

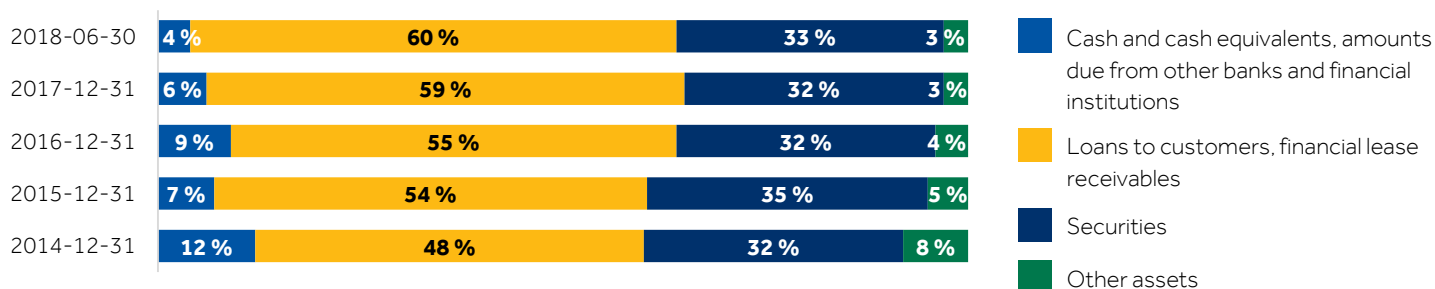
In the first six months of this year, the Šiaulių Bankas group had an unaudited net profit of 27 million EUR, which compares to 19 million EUR earned in the same period of 2017. The first-half profit for the bank alone was 30 million EUR, or 52 per cent more than in six months last year.

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



The assets of the Šiaulių Bankas group grew 7 per cent from the start of the year. The loan and financial lease portfolio, which makes up the largest part of assets, grew rapidly, expanding 7 per cent in the latest quarter alone and 21 per cent during the last 12 months to over 1.3 billion EUR at the end of June. In six months of this year more than 320 million EUR of new loan agreements were signed. Amid active borrowing by households for consumption, the group's consumer financing portfolio grew 15 per cent in the first half of the year. Increased lending volumes were ensured not only by established positions in the business and consumer financing segments, but also by active participation in building renovation programmes. New agreements on collaboration were signed with the Public Investment Development Agency (VIPA) regarding 36 million EUR of municipal public building renovation works, and with the European Investment Bank regarding the contribution of 50 million EUR of Šiaulių Bankas's own funds for the refurbishment of multi-apartment buildings under a pre-financing model. All of this gives grounds to expect growth of the loan and financial lease portfolio in the second half of the year as well.

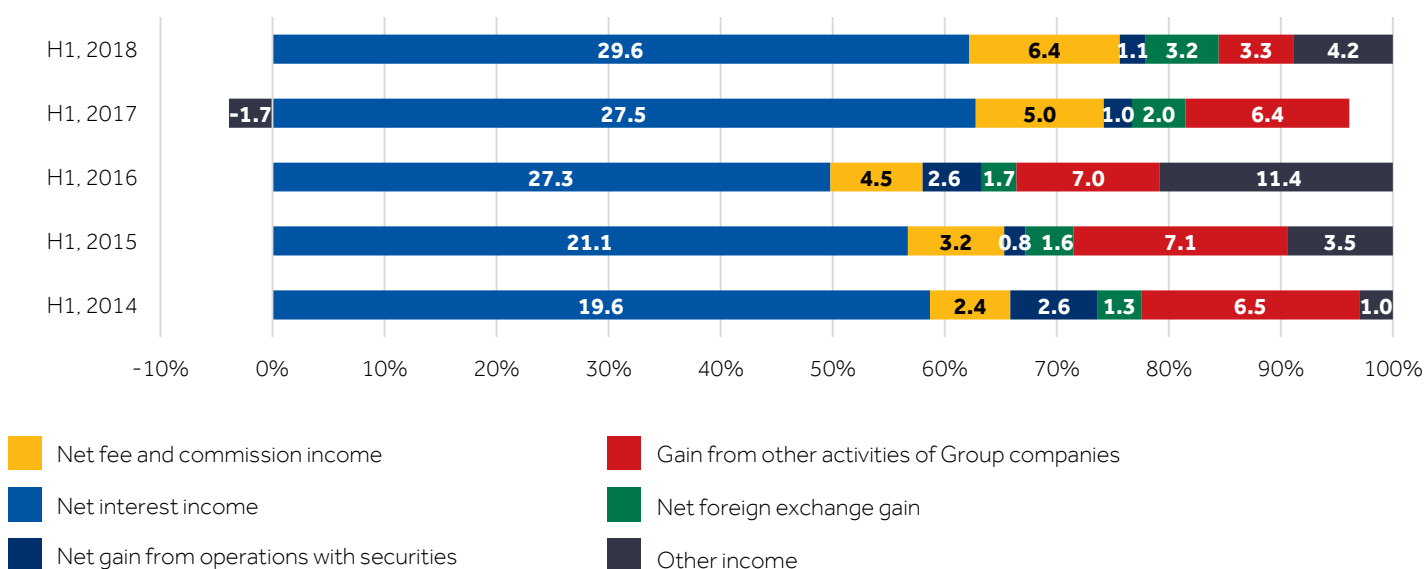
The Group's Asset Structure, in per cent



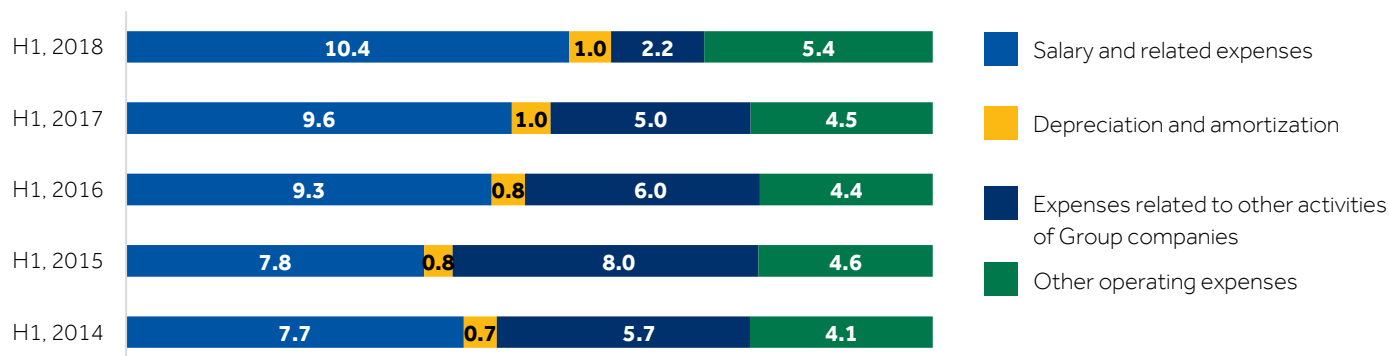
Deposits remain the bank's most important means for attracting resources. The group's deposit portfolio expanded by 8 per cent in the first half of this year, and by 13 per cent in the last 12 months, to nearly 1.8 billion EUR at the end of June.

The Group's Liability Structure, in per cent

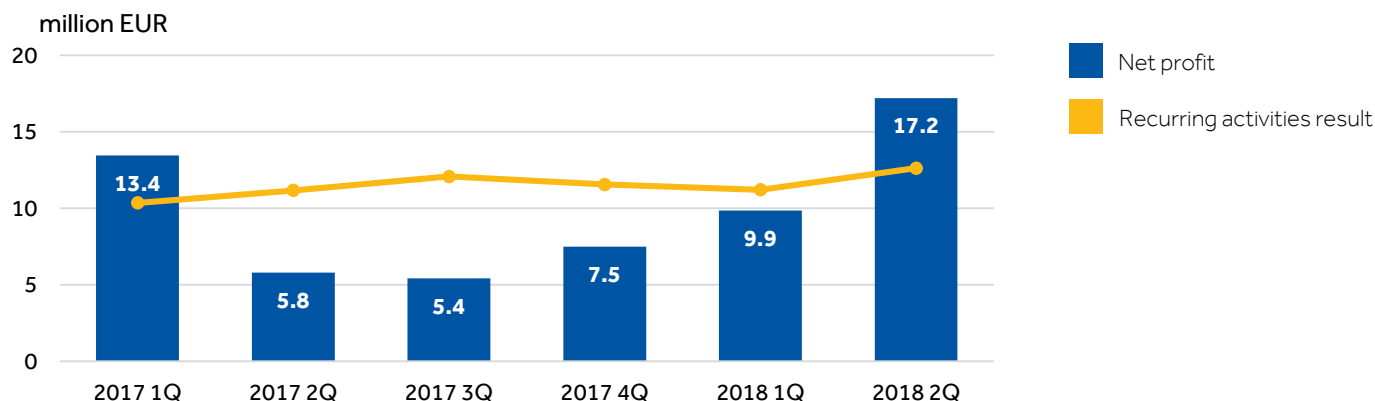

Compared with the same period of 2017, net interest income in the first half of this year grew 8 per cent, while net service fees and commission income rose 28 per cent. Profit from foreign exchange operations also grew significantly, with gains of 3.1 million EUR for the Šiaulių Bankas group in the six months. The bank's second-quarter result was influenced positively by a change in the value of a subordinated loan. The change in the value of the subordinated loan had a positive effect on the result of the second quarter – due to decrease in difference between the market price of Šiaulių bankas shares and their book value revaluation of the option in the second quarter produced a gain of 4.7 million EUR.

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


During the second quarter, the bank adjusted its calculation of income tax expense due to adoption of the IFRS 9 accounting standard. The bank group's income tax expense in the first half of the year was 1.8 million euros, which is 44 per cent less than in the same period last year.

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


The first half of this year was successful for all areas of the bank's recurring activities, with the results of core operations remaining consistently improving despite the dynamic impact of non-recurring activities.



	<i>in thousand EUR</i>	<i>H1 2018</i>	<i>H1 2017</i>
Results of Recurring activities		23,823	21,504
Results of Non-Recurring activities		5,019	-1,174
Net profit (loss) from financial derivatives		-21	-1,059
Net gain (loss) from changes in fair value of subordinated loan		2,494	-5,706
Net gain from derecognition of financial assets		291	2,662
Net gain (loss) from disposal of tangible assets		771	1,717
Net gain from operations with securities (sales of investment securities valued at depreciated cost)		1,484	0
Interest and similar income (adjustment of interest income of subsidiaries for the preceding year)		0	1,212
Impairment losses /recovery		25	2,165
Income tax		-1,817	-3,258
Net profit		27,050	19,237

In contrast to the trends that dominate on the market, Šiaulių Bankas is maintaining and upgrading a wide network of customer service points throughout Lithuania. Five customer service points will be refurbished in line with new interior-decorating standards this year. As of 30 June 2018 the Bank serves clients at 63 customer service points in 38 Lithuanian cities and towns.

International rating agency Moody's Investors Service announced the following ratings of the Bank:

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

COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS

High efficiency of the performance is sustained with the income growing quicker than expenses – The cost to income ratio of the Group comprised 40 per cent at the end of June. Information on profitability ratios is available on the Bank's website at: About bank › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#).

Capital and liquidity position remain robust – prudential requirements are implemented with adequate reserve. According to the data as of 30 June 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](#).

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

In its activities the Bank follows the laws and other legal acts of the Republic of Lithuania, the Charter of the Bank and agreements concluded, the Bank is engaged in usual activity of commercial banks.

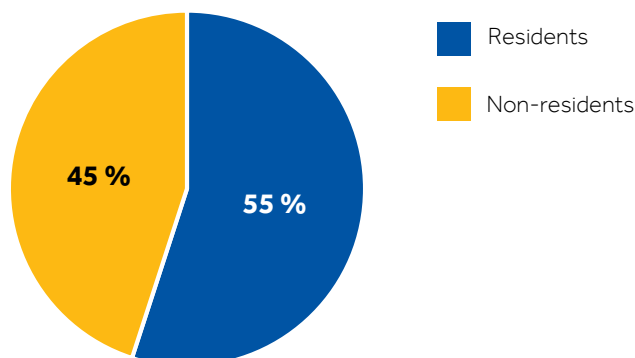
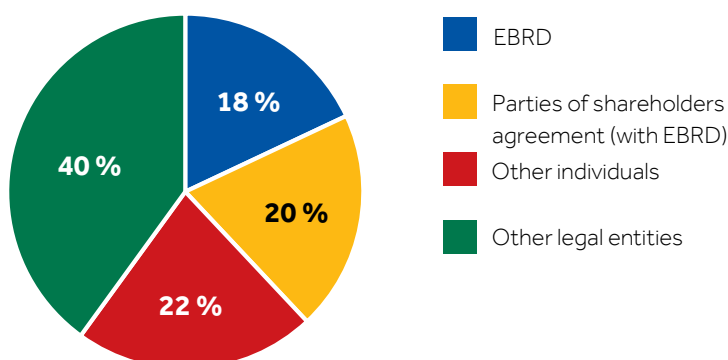
General meeting of shareholders held on 29 March 2018 passed a resolution to increase the authorized capital of the Bank by EUR 26273197.86 from unallocated profit issuing 90 597 234 ordinary registered shares with EUR 0.29 nominal value and to distribute issued shares to the shareholders at the end of the day of accounting of rights of the Meeting on 13 April 2018 (20%). The shareholders who owned shares on the day of accounting of rights, i.e. on 08/06/2018 received 20 per cent of new shares to their personal securities accounts. As of 30 June 2018 the authorized capital of the Bank totalled to EUR 157639187.74 and is comprised of 543583406 units of ordinary registered shares with a nominal value of EUR 0.29 each. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 01 June 2018.

The Bank's shares are traded on NASDAQ Baltic market; they are included into the Baltic Main List. Trading in Šiaulių Bankas' shares 2018 in the first half of the year remained active too - by the number of transactions in the Nasdaq Baltic market Šiaulių Bankas' shares were in the first place, by turnover - in the fourth. As one of the most traded stocks in the Baltic market, the Bank's shares are included in the following Nasdaq indices:

- *OMX Baltic Benchmark (OMXBB)* - the Baltic benchmark index consists of the largest and most traded stocks on the Nasdaq Baltic Market representing all sectors;
- *OMX Baltic 10 (OMXB10)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXB)* - is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXV)* - is an all-share index which includes all the shares listed on the Main and Secondary lists on the Nasdaq Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials* - an index of the Baltic financial institutions;
- *OMX Baltic Banks* - an index of the Baltic banks.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI*, *STOXX All Europe Total Market*, *STOXX Eastern Europe 300*, *STOXX EU Enlarged TMI*, *STOXX Eastern Europe 300 Banks*, *STOXX Eastern Europe Small 100*, *STOXX Eastern Europe TMI Small*, *STOXX Global Total Market*, *STOXX Lithuania Total Market*.

30 June 2018, the number of the Bank's shareholders amounted to 4 746 (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.



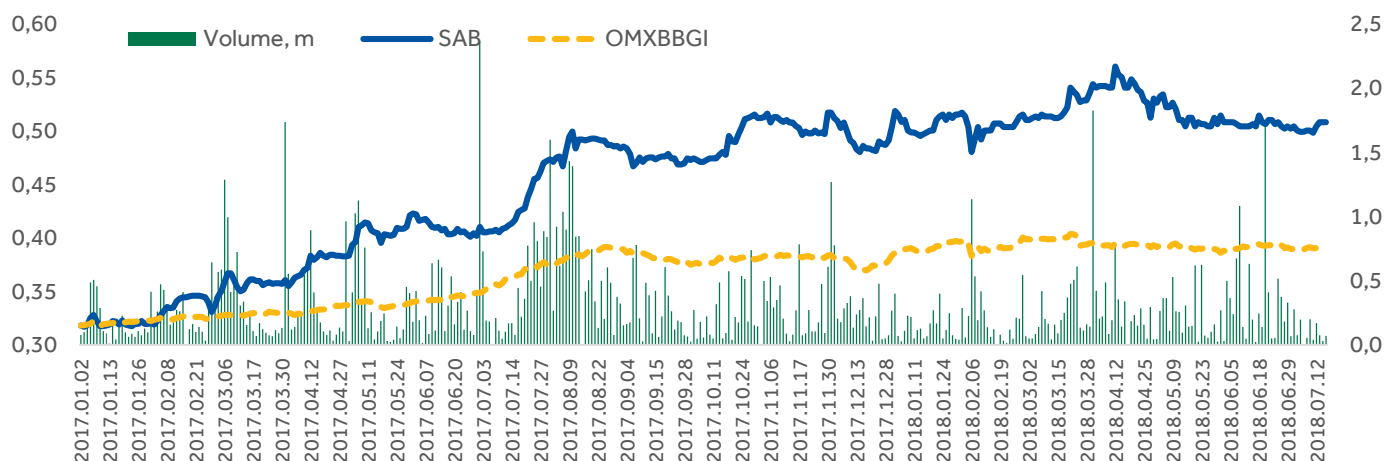
European Bank for Reconstruction and Development (EBRD), Trade House Aiva, UAB, Mintaka UAB, Enterprise group Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 38.45 per cent of the Bank's authorized capital and votes as of 30 June 2018.

The Bank's shareholders owning more than 5 per cent of the Bank's shares as of 30 June 2018 are as follows:

	<i>Number of shares under the right of ownership, units</i>	<i>Share of authorized capital under the right of ownership, %</i>	<i>Share of votes under the right of ownership, %</i>	<i>Share of votes together with the related persons, %</i>
European Bank for Reconstruction and Development	99,166,126	18.24	18.24	38.45
Invalida INVIL AB	36,899,246	6.79	6.79	-
Gintaras Kateiva	31,628,103	5.82	5.82	38.45

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

Turnover and price of the Bank's shares:



Information on shares:

	2012	2013	2014	2015	2016	2017	2018-06-30
Capitalization, m EUR	54.2	66.5	71.8	93.7	169.5	266.8	274.0
Turnover, EUR mln	2.8	5.5	8.1	12.7	23.1	44.5	17.9
P/BV	0.6	0.7	0.7	0.7	1.0	1.3	1.2
P/E	14.3	12.4	6.1	3.9	3.9	8.3	5.1
Capital increase from retained earnings, %	6.5	8.0	8.6	20.0	20.0	20.0	-
Yields from dividends, %	0.6	-	0.3	0.7	1.1	0.8	-
Dividend payout indicator, %	7.9	-	1.8	3.0	4.5	7.3	-

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

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

ACQUISITION OF OWN SHARES

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies do not hold any shares of the Bank. The Bank has not acquired its own shares and has not transferred them to others over the accounting period. The shares to those employees who in compliance with the Bank's Remuneration Policy should receive the shares are purchased at the Nasdaq Vilnius stock exchange on behalf of the group by the joint order which is covered from the Bank's funds.

DIVIDENDS

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting annually decides either to pay dividends or not while allocating the Bank's profit.

Dividends paid by the Bank:

<i>Dividend allocation and disbursement year</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<i>Per cent from nominal value</i>	0.50	0.00	0.25	0.69	1.72	1.72
<i>Amount of dividends per share, EUR</i>	0.00145	0.00	0.000725	0.002	0.005	0.005
<i>Amount of dividends, EUR</i>	340 097	0.00	195 750	629 147	1 887 442	2 264 938
<i>Dividends to net profit, per cent</i>	7.89	0.00	1.84	2.97	4.53	7.33

AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES

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

In 2018, the Bank itself, as an intermediary in public circulation, under agreements with securities issuing companies as of 30 June 2018 managed accounting of 402 securities issues and executed market making of 13 securities issues on the Nasdaq Baltic market (5 issues - according to the market making programme, 8 issues - under agreements with issuers).

INFORMATION ON MALICIOUS TRANSACTIONS

No malicious transactions not meeting the objectives of the Bank, normal market conditions, breaching the shareholders' or other group's interests which have had or will likely have a negative impact on the Bank's performance or activity results have been entered during the reporting period. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

BANK'S MANAGEMENT







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

Upon receipt of the notice of resignation from the position of the member of the Supervisory Council V.Vitkauskas ceased to hold office as a member of the Council and committees from 5 May 2018.

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulinis	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, % (30/06/2018)					
2.28	5.82	-	-	-	-
Share of votes together with the related persons, % (30/06/2018)					
38.45	38.45	-	38.45	38.45	-

Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Dalva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the Council 1991-1999) Deputy Chief Executive Officer	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer	Deputy Chairman of the Board since 1995 Deputy Chief Executive Officer, Head of Finance and Risk Management Division	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division	Member since 2011 Chief 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, % (30/06/2018)						
3.10	0.18	0.12	0.02	0.10	0.12	0.03
Share of votes together with the related persons, % (30/06/2018)						
38.45	38.45	38.45	38.45	38.45	38.45	38.45

MEMBERS OF THE COMMITTEES FORMED WITHIN THE BANK, THE AREAS OF THEIR PERFORMANCE

The functions, procedures of formation and the policy of activities of the committees formed within the Bank are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

COMMITTEES UNDER AUTHORITY OF THE BANK'S SUPERVISORY COUNCIL

The functions, procedures of formation and the policy of activities of the committees formed within the Bank are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

Information on the members of the committees as of 30 June 2018:

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

	Name, surname
Chairman	Darius Šulnis
Members:	Miha Košak Arvydas Salda

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

	Name, surname
Chairwoman	Ramunė Vilija Zabulienė
Members:	Martynas Česnavičius

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

	Name, surname
Chairwoman	Ramunė Vilija Zabulienė
Members:	Darius Šulnis

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

Name, surname	
Chairman	Gintaras Kateiva
Members:	Martynas Česnavičius Arvydas Salda

COMMITTEES UNDER AUTHORITY OF THE BANK'S MANAGEMENT BOARD:

Information on the members of the committees as of 30 June 2018:

The Loan Committee analyses loan application documents, decides regarding granting of loans and amendment of their terms, assesses risks of loans, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
Chairman	Vytautas Sinius	Chief Executive Officer
Members:	Edas Mirijauskas (deputy)	Director of Credit Risk Department
	Giedrius Sarapinas	Deputy Director of Credit Risk Department
	Daiva Šorienė	Head of Sales and Marketing Division
	Donatas Savickas	Head of Finance and Risk Management Division
	Ramūnas Dešukas	Director of the Problem Assets Department
	Mindaugas Rudys (deputy member)	Head of Services Development Division

The Risk Management Committee performs the functions related to arrangement, coordination and control of the risks assumed by the Bank, assessment and assurance of risk level corresponding the risk tolerance acceptable to the Bank and, also, performs other functions foreseen by its provisions:

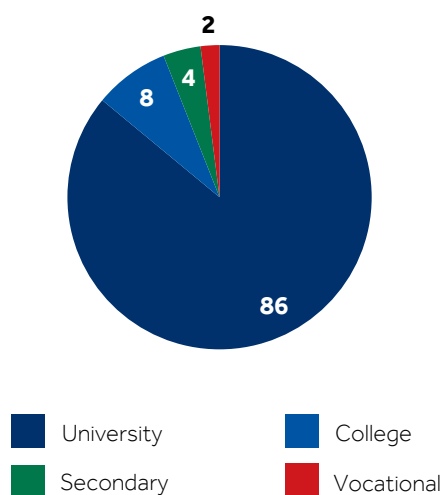
	Name, surname	Position
Chairman	Donatas Savickas	Head of Finance and Risk Management Division
Members:	Algimantas Gaulia (deputy)	Director of Risk Management and Reporting Department
	Pranas Gedgaudas	Deputy Director of Markets and Treasury Department
	Edas Mirijauskas	Director of Credit Risk Department
	Jolanta Dūdaitė	Director of Risk Management Unit
	Morena Liachauskienė	Director of Operational Risk Department

EMPLOYEES

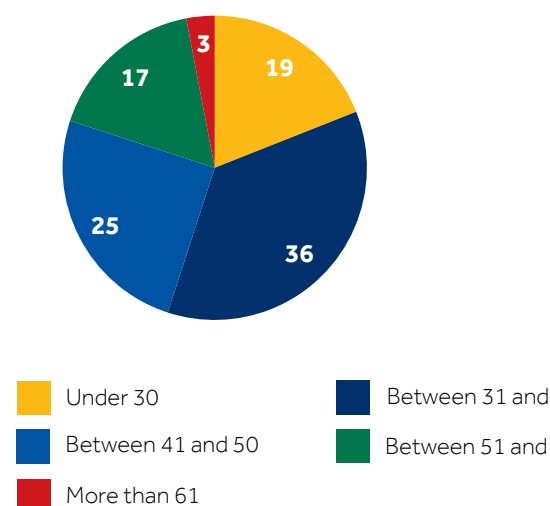
As of 30 June 2018 the Bank employed 712 employees, whereas together with the Group's companies their number reached 813. (As of 30 June 2017 the Bank employed 708 employees, whereas together with the Group's companies their number was 811).

As of 30 June 2018 the **Group's** companies employed 80.4 per cent of women and 19.6 per cent of men.

Employees by education (in per cent.):



Employees by age (in per cent.):



The monthly average salary of the Bank's employees before taxes:

	Leading employees		Other employees	
	Average number of employees	Average monthly salary, in EUR	Average number of employees	Average monthly salary, in EUR
H1, 2017	87	4,203	576	985
2017	87	4,274	577	972
H1, 2018	87	4,845	560	1,290

Information on the **variable remuneration** to the **Group's employees** whose professional performance and (or) decisions can have a significant impact on the risks assumed by the Bank not assessing the payments to Sodra and guarantee fund.

	Outstanding variable remuneration (excluding Sodra, guarantee fund) in thou units, in thou EUR	The Bank	The Group in total:
31/12/2017	Outstanding variable remuneration in cash	443	508
	Outstanding variable remuneration in shares	1,387	1,545
Allocated for 2017	Allocated variable remuneration in cash	779	910
	Allocated variable remuneration in shares	1,550	1,839
Paid in 2018	Variable remuneration paid in cash	658	758
	Variable remuneration paid in shares	1,421	1,625
30/06/2018	Outstanding variable remuneration in cash	564	660
	Outstanding variable remuneration in shares	1,516	1,759

GROUP COMPANIES

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

The Bank directly controls the following subsidiaries:

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

The Bank indirectly controls the following subsidiaries:

Sandworks UAB*	real estate management	10/10/2012	302896357	Skrudynės str. 1, LT-93123 Neringa	+370 615 34251	
ŽSA 5 UAB *	main headquarters activities (maintenance and management of related entities)	03/10/2012	302878779	Jogailos str. 9, LT-01116 Vilnius	+370 688 56660	
Apželdinimas UAB**	afforestation, landscaping	05/02/1991	132443396	A. Mickevičiaus str. 56, LT-44244 Kaunas	+370 37 391 055	

* The Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas UAB controls 100% shares.

**The Bank's 100% owned subsidiary Šiaulių Banko Turto Fondas UAB controls 100% shares.

OTHER INFORMATION, PUBLIC INFORMATION
AND SIGNIFICANT EVENTS

TRANSACTIONS WITH RELATED PARTIES

Information on the transactions with related parties is provided in Note 12 to the interim financial statements as of 30 June 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 <https://www.sb.lt/en> at [Reports on Stock Events](#).

Other important events are published in the Bank's website <https://www.sb.lt/en> at [Significant events and dates](#).

Chief Executive Officer
6 August 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 six 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

Chief Accountant

6 August 2018



Vytautas Sinius



Vita Urbonienė