



INTERIM INFORMATION

for the nine month period ended 30 September 2017

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

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the nine month period ended 30 September 2017

Tilžės 149, LT-76348 Šiauliai
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THE GROUP'S AND THE BANK'S CONDENSED
STATEMENTS OF FINANCIAL POSITION

	Notes	30 September 2017		31 December 2016	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		164,605	162,425	153,867	152,111
Securities at fair value through profit or loss	2	48,364	17,441	57,427	26,103
Due from other banks		1,800	1,800	5,337	5,337
Derivative financial instruments		4,110	4,086	8,983	8,687
Loans to customers	1	1,064,756	1,069,157	953,609	994,155
Finance lease receivables	1	86,841	83,964	69,807	48,170
Investment securities:		-	-	-	-
available-for-sale -	2	11,364	9,198	19,168	17,504
held-to-maturity -	2	555,059	555,059	524,054	524,054
Investments in subsidiaries and associates	2	-	25,460	-	26,665
Intangible assets		4,246	1,375	4,180	1,210
Property, plant and equipment		10,919	10,014	11,469	10,532
Investment property		9,705	1,055	16,804	1,112
Current income tax prepayment		9	-	70	-
Deferred income tax asset		985	398	665	-
Other assets	3	34,693	12,604	35,838	7,999
Total assets		1,997,456	1,954,036	1,861,278	1,823,639
LIABILITIES					
Due to other banks and financial institutions		90,136	90,895	89,793	92,079
Derivative financial instruments		3,237	3,237	175	175
Due to customers	4	1,613,575	1,614,559	1,495,087	1,495,478
Special and lending funds	5	7,512	7,512	28,326	28,326
Subordinated loan	12	32,581	32,581	22,064	22,064
Current income tax liabilities		3,837	3,419	4,790	4,650
Deferred income tax liabilities		469	-	468	30
Liabilities related to insurance activities		26,535	-	25,515	-
Other liabilities		17,080	7,361	15,543	7,894
Total liabilities		1,794,962	1,759,564	1,681,761	1,650,696
EQUITY					
Share capital	6	131,366	131,366	109,472	109,472
Share premium		-	-	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	7,177	7,071	4,157	4,157
Financial assets revaluation reserve		530	314	311	277
Retained earnings		62,665	54,965	64,821	58,281
Non-controlling interest		-	-	-	-
Total equity		202,494	194,472	179,517	172,943
Total liabilities and equity		1,997,456	1,954,036	1,861,278	1,823,639

The notes on pages 10 to 31 constitute an integral part of these financial statements.

Chief Executive Officer

Deputy Chief Accountant acting as Chief Accountant

6 November 2017

 Vytautas Sinius
 Žaneta Bytautienė

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

for the nine month period ended

	Notes	30 September 2017		30 September 2016	
		Group	Bank	Group (restated)	Bank (restated)
<i>Interest and similar income</i>	7	50,153	43,101	50,070	44,494
<i>Interest expense and similar charges</i>	7	(8,049)	(8,046)	(9,253)	(9,257)
Net interest income		42,104	35,055	40,817	35,237
<i>Fee and commission income</i>	8	11,489	11,146	10,014	9,717
<i>Fee and commission expense</i>	8	(3,607)	(3,504)	(3,478)	(3,233)
Net fee and commission income		7,882	7,642	6,536	6,484
<i>Net gain from operations with securities</i>		2,128	1,358	6,291	5,284
<i>Net gain from foreign exchange and related derivatives</i>		3,467	4,076	2,828	2,963
<i>Net loss from other derivatives</i>		(1,972)	(1,700)	(540)	(404)
<i>Net loss from changes in fair value of subordinated loan</i>	12	(10,520)	(10,520)	345	345
<i>Net gain from derecognition of financial assets</i>	11	2,936	2,822	11,868	11,868
<i>Net gain from disposal of tangible assets</i>		2,828	37	(92)	544
<i>Revenue related to other activities of Group companies</i>	11	8,552	-	10,380	-
<i>Other operating income</i>		1,079	276	1,275	402
<i>Salaries and related expenses</i>		(14,196)	(11,765)	(13,909)	(11,815)
<i>Depreciation and amortization expenses</i>		(1,461)	(1,117)	(1,292)	(972)
<i>Expenses related to other activities of Group companies</i>	11	(6,905)	-	(9,742)	-
<i>Other operating expenses</i>	9	(7,469)	(5,541)	(6,778)	(4,837)
Operating profit before impairment losses		28,453	20,623	47,987	45,099
<i>Allowance for impairment losses on loans and other assets</i>	10	2,040	2,207	(5,396)	(6,041)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	2,10	-	(2,261)	-	(1,300)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>		-	7,681	-	5,632
Profit before income tax		30,493	28,250	42,591	43,390
<i>Income tax expense</i>		(5,848)	(4,871)	(5,568)	(5,036)
Net profit for the period		24,645	23,379	37,023	38,354
Net profit attributable to:					
<i>Owners of the Bank</i>		24,645	23,379	37,023	38,354
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.05		0.08	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.05		0.08	

The notes on pages 10 to 31 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 July - 30 September 2017		1 July - 30 September 2016	
	Group	Bank	Group (restated)	Bank (restated)
<i>Interest and similar income</i>	16,839	14,857	16,444	14,572
<i>Interest expense and similar charges</i>	(2,223)	(2,223)	(2,933)	(2,935)
Net interest income	14,616	12,634	13,511	11,637
<i>Fee and commission income</i>	3,941	3,830	3,290	3,194
<i>Fee and commission expense</i>	(1,090)	(1,072)	(1,230)	(1,152)
Net fee and commission income	2,851	2,758	2,060	2,042
<i>Net gain from operations with securities</i>	1,066	622	3,349	2,501
<i>Net gain from foreign exchange and related derivatives</i>	1,378	1,547	1,117	1,177
<i>Net loss from other derivatives</i>	(913)	(730)	(866)	(749)
<i>Net loss from changes in fair value of subordinated loan</i>	(4,814)	(4,814)	865	865
<i>Net gain from derecognition of financial assets</i>	274	160	758	758
<i>Net gain from disposal of tangible assets</i>	1,111	37	251	197
<i>Revenue related to other activities of Group companies</i>	2,115	-	3,335	-
<i>Other operating income</i>	356	73	436	119
<i>Salaries and related expenses</i>	(4,581)	(3,871)	(4,608)	(3,959)
<i>Depreciation and amortization expenses</i>	(492)	(381)	(448)	(337)
<i>Expenses related to other activities of Group companies</i>	(1,915)	-	(3,765)	-
<i>Other operating expenses</i>	(2,929)	(2,199)	(2,382)	(1,621)
Operating profit before impairment losses	8,123	5,836	13,613	12,630
<i>Allowance for impairment losses on loans and other assets</i>	(125)	89	(1,033)	(1,306)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	-	(1,225)	-	-
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	-	1,234	-	86
Profit before income tax	7,998	5,934	12,580	11,410
<i>Income tax expense</i>	(2,590)	(2,332)	(1,798)	(1,662)
Net profit for the period	5,408	3,602	10,782	9,748
Net profit attributable to:				
<i>Owners of the Bank</i>	5,408	3,602	10,782	9,748
<i>Non-controlling interest</i>	-	-	-	-

The notes on pages 10 to 31 constitute an integral part of these financial statements.

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

	for the nine month period ended			
	30 September 2017		30 September 2016	
	Group	Bank	Group	Bank
Net profit for the period	24,645	23,379	37,023	38,354
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	258	44	(76)	(76)
Deferred income tax on gain from revaluation of financial assets	(39)	(7)	11	11
Other comprehensive income, net of deferred tax	219	37	(65)	(65)
Total comprehensive income for the period	24,864	23,416	36,958	38,289
Total comprehensive income (loss) attributable to:				
Owners of the Bank	24,864	23,416	36,958	38,289
Non-controlling interest	-	-	-	-
	24,864	23,416	36,958	38,289

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

	for the three month period			
	1 July - 30 September 2017		1 July - 30 September 2016	
	Group	Bank	Group	Bank
Net profit for the period	5,408	3,602	10,782	9,748
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	92	97	142	142
Deferred income tax on gain (loss) from revaluation of financial assets	(14)	(15)	(11)	(11)
Other comprehensive income (loss), net of deferred tax	78	82	131	131
Total comprehensive income for the period	5,486	3,684	10,913	9,879
Total comprehensive income (loss) attributable to:				
Owners of the Bank	5,486	3,684	10,913	9,879
Non-controlling interest	-	-	-	-
	5,486	3,684	10,913	9,879

The notes on pages 10 to 31 constitute an integral part of these financial statements.

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank							
1 January 2016		91,226	756	896	2,468	41,718	137,064	-	137,064
<i>Increase in share capital through bonus issue of shares</i>	6	18,246	-	-	-	(18,246)	-	-	-
<i>Transfer to/from statutory reserve</i>		-	-	-	1,689	(1,689)	-	-	-
<i>Payment of dividends</i>	6	-	-	-	-	(628)	(628)	-	(628)
<i>Total comprehensive income</i>		-	-	(65)	-	37,023	36,958	-	36,958
30 September 2016		109,472	756	831	4,157	58,178	173,394	-	173,394
<i>Total comprehensive income</i>		-	-	(520)	-	6,643	6,123	-	6,123
31 December 2016		109,472	756	311	4,157	64,821	179,517	-	179,517
<i>Increase in share capital through bonus issue of shares</i>	6	21,894	-	-	-	(21,894)	-	-	-
<i>Transfer to statutory reserve</i>		-	-	-	3,020	(3,020)	-	-	-
<i>Payment of dividends</i>	6	-	-	-	-	(1,887)	(1,887)	-	(1,887)
<i>Total comprehensive income</i>		-	-	219	-	24,645	24,864	-	24,864
30 September 2017		131,366	756	530	7,177	62,665	202,494	-	202,494

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
1 January 2016		91,226	756	896	2,290	37,345	132,513
<i>Increase in share capital through bonus issue of shares</i>	6	18,246	-	-	-	(18,246)	-
<i>Transfer to statutory reserve</i>		-	-	-	1,867	(1,867)	-
<i>Payment of dividends</i>	6	-	-	-	-	(628)	(628)
<i>Total comprehensive income</i>		-	-	(65)	-	38,354	38,289
30 September 2016		109,472	756	831	4,157	54,958	170,174
<i>Total comprehensive income</i>		-	-	(554)	-	3,323	2,769
31 December 2016		109,472	756	277	4,157	58,281	172,943
<i>Increase in share capital through bonus issue of shares</i>	6	21,894	-	-	-	(21,894)	-
<i>Transfer to statutory reserve</i>		-	-	-	2,914	(2,914)	-
<i>Payment of dividends</i>	6	-	-	-	-	(1,887)	(1,887)
<i>Total comprehensive income</i>		-	-	37	-	23,379	23,416
30 September 2017		131,366	756	314	7,071	54,965	194,472

The notes on pages 10 to 31 constitute an integral part of these financial statements.

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

for the nine month period ended

	Notes	30 September 2017		30 September 2016	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		39,532	33,766	42,191	36,992
Interest received on debt securities at fair value through profit or loss		995	725	1,349	1,037
Interest paid		(7,655)	(7,652)	(10,243)	(10,247)
Fees and commissions received		11,489	11,146	10,014	9,717
Fees and commissions paid		(3,607)	(3,504)	(3,478)	(3,233)
Net cash inflows from trade in securities at fair value through profit or loss		10,011	9,781	21,810	23,497
Net inflows from foreign exchange operations		9,379	9,988	3,892	4,027
Net inflows from derecognition of financial assets		2,936	2,822	16,826	16,826
Net inflows from derecognition of non-financial assets		6,670	304	3,908	2,366
Cash inflows related to other activities of Group companies		9,631	276	11,636	402
Cash outflows related to other activities of Group companies		(6,905)	-	(9,742)	-
Recoveries on loans previously written off		1,068	501	733	72
Salaries and related payments to and on behalf of employees		(14,206)	(11,775)	(13,922)	(11,828)
Payments related to operating and other expenses		(11,852)	(8,321)	(2,953)	(4,123)
Income tax paid		(7,101)	(6,536)	(2,508)	(1,493)
Net cash flow from operating activities before change in operating assets and liabilities:		40,385	31,521	69,513	64,012
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		3,722	3,537	1,639	1,357
(Increase) in loans to customers and finance lease receivables		(127,714)	(108,916)	(129,542)	(141,815)
Decrease (increase) in other assets		(5,886)	(4,970)	(7,285)	(10,322)
Decrease (increase) in due to banks and financial institutions		10,284	(1,763)	(796)	(2,908)
Increase (decrease) increase in due to customers		118,670	119,263	44,476	52,039
Increase in special and lending funds		(20,814)	(20,814)	10,094	10,094
Increase (decrease) in other liabilities		2,583	(507)	6,274	2,734
Change		(19,155)	(14,170)	(75,140)	(88,821)
Net cash flow from (used in) from operating activities		21,230	17,351	(5,627)	(24,809)
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,808)	(1,045)	(1,883)	(1,236)
Disposal of property, plant and equipment, investment property and intangible assets		6,872	1,491	2,967	2,643
Acquisition of held-to-maturity securities		(130,435)	(130,435)	(134,431)	(134,431)
Proceeds from redemption of held-to-maturity securities		99,430	99,430	102,828	102,828
Interest received on held-to-maturity securities		8,686	8,686	15,278	15,278
Dividends received		-	8,425	32	5,047
Acquisition of available-for-sale securities		(3,000)	(3,000)	(3,172)	(3,166)
Sale or redemption of available-for-sale securities		11,252	11,644	5,678	5,596
Interest received on available-for-sale securities		387	387	519	481
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	256	-	14,414
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	(1,000)	-	(550)
Net cash flow (used in) from investing activities		(8,616)	(5,161)	(12,184)	6,904
Financing activities					
Payment of dividends		(1,876)	(1,876)	(625)	(625)
Net cash flow (used in) financing activities		(1,876)	(1,876)	(625)	(625)
Net increase (decrease) in cash and cash equivalents		10,738	10,314	(18,436)	(18,530)
Cash and cash equivalents at 1 January		153,867	152,111	105,012	104,286
Cash and cash equivalents at 30 September		164,605	162,425	86,576	85,756

The notes on pages 10 to 31 constitute an integral part of these financial statements.

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 65 customer service outlets (31 December 2016: 68 outlets). As at 30 September 2017 the Bank had 707 employees (31 December 2016: 722). As at 30 September 2017 the Group (except subsidiaries held for sale) had 812 employees (31 December 2016: 829 employees).

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

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

As of 30 September 2017 the Bank owned the following directly controlled subsidiaries:

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

As of 30 September 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).

As of 30 September 2017 the Bank owned directly controlled subsidiaries held for sale:

- 12-15. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB (real estate management activities).

As of 31 December 2016 the Bank owned the following directly controlled subsidiaries:

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

As of 31 December 2016 the Bank owned the following indirectly controlled subsidiaries:

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

As of 31 December 2016 the Bank owned directly controlled subsidiaries held for sale:

- 11.-15. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

As of 31 December 2016 the Bank had the indirectly controlled subsidiary held for sale:

16. Žalgirio Sporto Arena UAB (real estate management activities).

Investments in subsidiaries are described in more detail in Note 2 *Securities*.

This condensed interim financial information for the nine month period ended 30 September 2017 has been prepared in accordance with 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 2016, 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 2016.

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

There are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2017, and that would have a material impact on the Bank's financial information.

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 except for IFRS9, which is effective for annual periods beginning on or after 1 January 2018. The impact of IFRS9 is described in the annual financial statements of the Bank for the year ended 31 December 2016.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2016.

GENERAL INFORMATION (continued)

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.

RESTATEMENT OF FINANCIAL INFORMATION

The amounts presented in the interim financial statements for the nine month period ended 30 September 2016 were restated in order to eliminate the presentation error related to the accounting treatment of payments received from non-performing loans. Before restatement, payments received from non-performing loans were allocated according to the legal principles set in the civil code therefore in some cases upon the reception of payments from non-performing loans, both delinquency income (included in interest income) and impairment expenses were recognized. The Bank restated the amounts in its financial statements so that upon reception of payments from non-performing loans no additional impairment would be recognized. The amount of assets and net profit were not affected by the restatements. The impact of restatements on the financial statements:

- income statement - interest income and impairment expenses reduced by the same amount (the amount of delinquency penalties recognized in interest income which caused the increase in impairment expenses);
- statement of financial position – no changes;
- information presented in the notes to the financial statements – gross value of loans and allowance for loan impairment reduced by the same amount.

The impact of the restatements on the Group's and Bank's financial statements is presented in the table below:

	<i>The Group</i>			<i>The Bank</i>		
	Nine month period ended 30 September 2016			Nine month period ended 30 September 2016		
	As previously presented	Restatement adjustment	As restated	As previously presented	Restatement adjustment	As restated
<i>Income statement for the period:</i>						
<i>Interest and similar income</i>	56,365	(6,295)	50,070	50,789	(6,295)	44,494
<i>Allowance for impairment losses on loans and other assets</i>	(11,691)	6,295	(5,396)	(12,336)	6,295	(6,041)
<i>Information presented in the notes to the financial statements:</i>						
<i>Gross value of loans at the end of the period</i>	1,004,379	(5,145)	999,234	1,052,590	(5,145)	1,047,445
<i>Allowance for loan impairment at the end of the period</i>	(48,817)	5,145	(43,672)	(43,591)	5,145	(38,446)
<i>Loans written-off during the period</i>	(6,785)	1,150	(5,635)	(6,785)	1,150	(5,635)

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	1,800	1,800	5,337	5,337
<i>Loans and advances to customers:</i>	1,064,756	1,069,157	953,609	994,155
<i>Loans and advances to financial institutions</i>	18	41,491	17	58,862
<i>Loans to individuals (Retail)</i>	131,557	76,644	116,564	67,458
<i>Loans to business customers</i>	933,181	951,022	837,028	867,835
<i>Finance lease receivables</i>	86,841	83,964	69,807	48,170
<i>Debt securities at fair value through profit or loss</i>	30,317	16,878	39,785	25,658
<i>Derivative financial instruments</i>	4,110	4,086	8,983	8,687
<i>Debt securities available for sale</i>	9,207	8,662	17,034	16,631
<i>Debt securities held to maturity</i>	555,059	555,059	524,054	524,054
<i>Other assets subject to credit risk</i>	7,185	4,012	4,136	3,078
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	26,580	26,647	21,253	21,320
<i>Letters of credit</i>	529	529	2,185	2,185
<i>Loan commitments and other credit related liabilities</i>	187,133	210,740	116,403	140,416
Total	1,973,517	1,981,534	1,762,586	1,789,691

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Loans to business customers</i>	961,020	1,020,590	867,355	957,018
<i>Loans to individuals</i>	137,830	78,433	123,056	69,577
Gross	1,098,850	1,099,023	990,411	1,026,595
<i>Less: allowance for impairment</i>	(34,094)	(29,866)	(36,802)	(32,440)
<i>of which: for individually assessed loans</i>	(32,859)	(29,107)	(35,435)	(31,500)
<i>of which: for collectively assessed loans</i>	(1,235)	(759)	(1,367)	(940)
Net	1,064,756	1,069,157	953,609	994,155

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Neither past due nor individually impaired</i>	974,381	989,376	871,480	922,637
<i>Past due but not individually impaired</i>	70,393	63,409	60,372	52,930
<i>Individually impaired</i>	54,076	46,238	58,559	51,028
Gross	1,098,850	1,099,023	990,411	1,026,595
<i>Less: allowance for impairment</i>	(34,094)	(29,866)	(36,802)	(32,440)
<i>of which: for individually assessed loans</i>	(32,859)	(29,107)	(35,435)	(31,500)
<i>of which: for collectively assessed loans</i>	(1,235)	(759)	(1,367)	(940)
Net	1,064,756	1,069,157	953,609	994,155

Loans and advances neither past due nor impaired are loans which are not impaired and payments of which are not past due.

Past due but not impaired loans are loans for which principal or interest is past due but no allowance for impairment is recognized.

Impaired loan is a loan to which a loss event is recognized and allowance for impairment is made.

The list of loss events:

1. significant financial difficulties of the debtor or issuer, i.e. the borrower's financial status is evaluated as poor or bad;
2. violation of the loan agreement (non-payment of the periodic loan payments (the part of the loan or interest)) for more than 30 days;
3. the loan is being recovered;
4. funds granted to the borrower are used not according to the loan purpose and the implementation terms of investment project are violated or decrease in collateral value, when repayment terms of the evaluated loans directly depend on the value of the object of security measure;
5. third parties related to the borrower do not fulfil their obligations, which impacts the borrower's ability to fulfil its financial obligations;
6. other loss events (termination or cancellation of the licence validity of the borrower or issuer engaged in licensed activity; the death of the borrower or issuer).

Loans and advances past due but not impaired

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Past due up to 7 days</i>	32,477	30,467	23,608	21,506
<i>Past due 8 to 30 days</i>	16,043	11,482	17,333	13,374
<i>Past due 31-60 days</i>	1,404	1,404	2,812	2,803
<i>Past due 61-90 days</i>	2,321	2,321	777	775
<i>Past due more than 90 days</i>	18,148	17,735	15,842	14,472
Total	70,393	63,409	60,372	52,930
<i>Allowance for impairment of collectively assessed loans</i>	(293)	(48)	(179)	(54)
<i>Fair value of collateral</i>	55,368	55,368	48,812	48,812

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans and advances individually impaired

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
Impaired loans	54,076	46,238	58,559	51,028
Allowance for impairment of individually assessed loans	(32,859)	(29,107)	(35,435)	(31,500)
Allowance for impairment of collectively assessed loans	(13)	(13)	(197)	(197)
<i>Fair value of collateral</i>	33,332	33,332	44,626	44,626

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.).

Finance lease receivables

Segment information

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Business customers</i>	72,939	69,182	58,904	41,044
<i>Individuals</i>	15,329	15,157	12,211	7,327
Gross	88,268	84,339	71,115	48,371
<i>Neither past due not impaired</i>	62,746	60,784	53,104	35,661
<i>Past due but not impaired</i>	23,603	22,795	16,188	12,469
<i>Impaired</i>	1,919	760	1,823	241
Gross	88,268	84,339	71,115	48,371
<i>Subtract: Allowance for impairment</i>	(1,427)	(375)	(1,308)	(201)
<i>of which: for individually assessed finance lease receivables</i>	(1,363)	(311)	(1,256)	(150)
<i>of which: for collectively assessed finance lease receivables</i>	(64)	(64)	(52)	(51)
Net	86,841	83,964	69,807	48,170

Group

	30 September 2017			31 December 2016		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	214	4,280	4,494	346	3,453	3,799
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	14,098	32,782	46,880	10,924	23,729	34,653
<i>real estate -</i>	914	25,839	26,753	820	24,047	24,867
<i>airplanes -</i>	-	625	625	-	625	625
<i>production equipment -</i>	-	897	897	-	1,437	1,437
<i>other equipment -</i>	51	8,509	8,560	55	5,569	5,624
<i>other assets -</i>	52	7	59	66	44	110
Total	15,329	72,939	88,268	12,211	58,904	71,115

Bank

	30 September 2017			31 December 2016		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	133	4,074	4,207	125	2,585	2,710
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	14,060	32,657	46,717	6,501	18,014	24,515
<i>real estate -</i>	914	23,977	24,891	682	16,463	17,145
<i>airplanes -</i>	-	-	-	-	-	-
<i>production equipment -</i>	-	-	-	-	-	-
<i>other equipment -</i>	50	8,474	8,524	19	3,982	4,001
<i>other assets -</i>	-	-	-	-	-	-
Total	15,157	69,182	84,339	7,327	41,044	48,371

NOTE 2
SECURITIES

Securities at fair value through profit or loss

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
Debt securities:	30,317	16,878	39,785	25,658
Government bonds	15,105	7,552	27,090	18,131
Corporate bonds	15,212	9,326	12,695	7,527
Equity securities	18,047	563	17,642	445
Total securities at fair value through profit or loss	48,364	17,441	57,427	26,103
	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	28,837	16,878	38,314	25,658
from AA- to AAA	1,218	1,218	4,356	4,356
from A- to A+	10,639	7,923	12,897	11,023
from BBB- to BBB+	12,053	5,293	15,231	7,580
from BB- to BB+	3,969	1,486	5,313	2,315
lower than BB-	248	248	253	120
no rating	710	710	264	264
Equity securities	563	563	445	445
listed	533	533	409	409
unlisted	2	2	5	5
units of investment funds	28	28	31	31
Total trading securities	29,400	17,441	38,759	26,103
Securities designated at fair value through profit or loss at initial recognition:				
Debt securities	1,480	-	1,471	-
from AA- to AAA	158	-	125	-
from A- to A+	774	-	430	-
from BBB- to BBB+	548	-	916	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	17,484	-	17,197	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,484	-	17,197	-
Total securities designated at fair value through profit or loss at initial recognition	18,964	-	18,668	-
TOTAL	48,364	17,441	57,427	26,103

Group's securities designated at fair value through profit or loss at initial recognition portfolio consists of securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary.

Investment securities

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities:	9,207	8,662	17,034	16,631
Government bonds	-	-	-	-
Corporate bonds	9,207	8,662	17,034	16,631
Equity securities	2,157	536	2,454	2,209
Total securities available for sale	11,364	9,198	19,488	18,840
Held-to-maturity securities:				
Debt securities:	555,059	555,059	524,054	524,054
Government bonds	390,599	390,599	420,755	420,755
Corporate bonds	164,460	164,460	103,299	103,299
Total held-to-maturity securities	555,059	555,059	524,054	524,054

NOTE 2
SECURITIES (continued)

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities	9,207	8,662	17,034	16,631
from AA- to AA+	-	-	483	483
from A- to A+	3,328	3,328	4,350	4,350
from BBB- to BBB+	5,168	5,168	9,715	9,715
from BB- to BB+	166	166	2,083	2,083
lower than BB-	-	-	-	-
no rating	545	-	403	-
Equities	2,157	536	2,134	873
listed	-	-	-	-
unlisted	1,039	420	1,087	766
units of investment funds	1,118	116	1,047	107
Total securities available for sale	11,364	9,198	19,168	17,504
Held-to-maturity securities:				
Debt securities	555,059	555,059	524,054	524,054
from AA- to AA+	14,206	14,206	10,349	10,349
from A- to A+	379,910	379,910	402,509	402,509
from BBB- to BBB+	157,779	157,779	100,236	100,236
from BB- to BB+	3,164	3,164	8,295	8,295
lower than BB-	-	-	2,665	2,665
no rating	-	-	-	-
Total held-to-maturity securities	555,059	555,059	524,054	524,054

During the nine month periods ended 30 September 2017 and 2016, no reclassifications between portfolios of securities were performed.

Investments in subsidiaries

	30 September 2017			31 December 2016		
	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%	6,166	3,566	100.00%	5,165	2,566
Pavasaris UAB	100.00%	10,456	119	100.00%	10,456	3,084
SB lizingas UAB	100.00%	8,862	8,862	100.00%	8,862	8,862
SBTF UAB	100.00%	1,029	579	100.00%	1,029	579
Šiaulių Banko Investicijų Valdymas UAB	100.00%	5,044	312	100.00%	5,044	312
Šiaulių Banko Lizingas UAB	100.00%	4,460	69	100.00%	4,460	69
Šiaulių Banko Turto Fondas UAB	100.00%	3,999	3,554	100.00%	3,999	2,794
Total		48,415	25,460		47,414	26,665

	30 September 2017			31 December 2016		
	Share in equity	Acquisition cost	Carrying amount	Share in equity	Acquisition cost	Carrying amount
<i>Investments in consolidated indirectly controlled subsidiaries:</i>						
Sandworks UAB *	100.00%	3	3	100.00%	3	3
ŽSA5 UAB *	100.00%	308	308	-	-	-
Apželdinimas UAB **	100.00%	300	300	100.00%	300	300

* Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

** Indirectly controlled by subsidiary Šiaulių Banko Turto Fondas UAB

During the second quarter of 2017, the Bank transferred ŽSA 5 UAB from the subsidiaries held for sale to the consolidated subsidiaries. The subsidiary did not perform active operations and had no material assets or liabilities, the reason for this transfer was that the Šiaulių Bankas group needed an entity to be used as a special purpose vehicle therefore its management decided to save the costs of setting up an entity by using one of the existing entities that performed no active operations. The Bank increased its share capital by asset contribution (equities with a value of EUR 297 thousand) and during the third quarter of 2017 sold the entity to the subsidiary Šiaulių Banko Investicijų Valdymas UAB. During the first quarter of 2017 Žalgirio Sporto Arena UAB, a subsidiary held for sale, was liquidated. The remaining subsidiaries held for sale do not perform active operations and have no material assets or liabilities, the liquidation process for these entities was started in the second quarter of 2017.

NOTE 2 SECURITIES (continued)

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

During the nine month period ended 30 September 2016, the Bank recognized impairment losses to the following investments in subsidiaries: EUR 550 thousand investment in Šiaulių Banko Lizingas UAB (Bank covered losses of the subsidiary), EUR 750 thousand investment in Pavasaris UAB (value of the investment reduced by EUR 750 thousand after the dividends from the subsidiary of EUR 1,500 thousand were received).

NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	7,185	4,012	4,136	3,078
<i>Inventories</i>	17,304	-	24,936	-
<i>Deferred charges</i>	741	682	615	539
<i>Assets under reinsurance and insurance contracts</i>	622	-	697	-
<i>Prepayments</i>	4,182	3,652	3,979	3,428
<i>Foreclosed assets</i>	855	617	989	628
<i>Assets classified as held for sale</i>	-	-	-	58
<i>Other</i>	3,804	3,641	486	268
Total	34,693	12,604	35,838	7,999

NOTE 4 DUE TO CUSTOMERS

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	13,662	13,662	10,543	10,543
<i>Local government institutions</i>	112,648	112,648	42,682	42,682
<i>Governmental and municipal companies</i>	16,937	16,937	5,780	5,780
<i>Corporate entities</i>	229,139	229,741	230,215	230,591
<i>Non-profit organisations</i>	10,595	10,595	10,602	10,602
<i>Individuals</i>	291,946	291,946	270,241	270,241
<i>Unallocated amounts due to customers</i>	57,432	57,814	29,445	29,460
Total demand deposits	732,359	733,343	599,508	599,899
<i>Time deposits:</i>				
<i>National government institutions</i>	8,742	8,742	359	359
<i>Local government institutions</i>	1,080	1,080	1,067	1,067
<i>Governmental and municipality companies</i>	767	767	615	615
<i>Corporate entities</i>	42,906	42,906	37,690	37,690
<i>Non-profit organisations</i>	2,631	2,631	2,455	2,455
<i>Individuals</i>	825,090	825,090	853,393	853,393
Total time deposits	881,216	881,216	895,579	895,579
Total	1,613,575	1,614,559	1,495,087	1,495,478

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 28,326 thousand in the beginning of the year to EUR 7,512 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6 CAPITAL

As of 30 September 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. As of 31 December 2016 the Bank's share capital amounted to EUR 109,471,658.33, it comprised 377,488,477 ordinary registered shares with par value of EUR 0.29 each.

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 (20.0%) 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 accounting date of the shares (13 April 2017).

The ordinary meeting of shareholders of Šiaulių bankas that took place on 30 March 2016 passed a resolution to increase Bank's share capital by EUR 18,245 thousand (20.0%) 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 26 May 2016, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2016).

NOTE 6
CAPITAL (continued)

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

	Share of the authorized capital held, % 30 September 2017	Share of the authorized capital held, % 31 December 2016
<i>European Bank for Reconstruction and Development</i>	18.24	18.24
<i>Invalda INVL 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, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 30 September 2017, this group possessed 38.82% of the authorised capital and votes of the Bank (31 December 2016: 39.10%).

As at 30 September 2017, the Bank had 4,467 (as at 31 December 2016: 3,401) shareholders.

Dividends:

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. On 30 March 2016 the ordinary general meeting of shareholders made a decision to pay EUR 0.002 (i.e. 0.69%) 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.

NOTE 7
NET INTEREST INCOME

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group (restated)	Bank (restated)
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	234	2,012	404	3,062
<i>on loans to customers</i>	37,252	29,640	37,388	31,621
<i>on debt securities</i>	9,444	9,129	9,516	9,152
<i>on finance leases</i>	3,223	2,320	2,762	659
Total interest income	50,153	43,101	50,070	44,494
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(741)	(741)	(1,068)	(1,068)
<i>on financial liabilities measured at amortised cost</i>	(7,139)	(7,136)	(8,175)	(8,179)
<i>on other liabilities</i>	(169)	(169)	(10)	(10)
Total interest expense	(8,049)	(8,046)	(9,253)	(9,257)
Net interest income	42,104	35,055	40,817	35,237

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	2,663	2,663	2,828	2,828
for settlement services	2,817	2,823	2,639	2,663
for cash operations	2,360	2,360	1,847	1,847
for account administration	1,632	1,632	839	839
for guarantees, letters of credit, documentary collection	274	274	315	315
for collection of utility and similar payments	214	222	316	331
for services related to securities	877	980	648	750
other fee and commission income	652	192	582	144
Total fee and commission income	11,489	11,146	10,014	9,717
<i>Fee and commission expense:</i>				
for payment cards	(2,129)	(2,129)	(1,972)	(1,972)
for cash operations	(636)	(636)	(562)	(562)
for correspondent bank and payment system fees	(284)	(185)	(380)	(147)
for services of financial data vendors	(130)	(130)	(130)	(130)
for services related to securities	(285)	(285)	(203)	(203)
other fee and commission expenses	(143)	(139)	(231)	(219)
Total fee and commission expense	(3,607)	(3,504)	(3,478)	(3,233)
Net fee and commission income	7,882	7,642	6,536	6,484

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1,050)	(907)	(1,070)	(923)
Utility services for buildings and premises	(475)	(433)	(523)	(475)
Other expenses related to buildings and premises	(179)	(177)	(297)	(276)
Transportation expenses	(313)	(297)	(297)	(328)
Legal costs	(40)	(40)	(38)	(38)
Personnel and training expenses	(128)	(113)	(102)	(79)
IT and communication expenses	(1,493)	(1,338)	(1,462)	(1,339)
Marketing and charity expenses	(1,541)	(936)	(870)	(194)
Service organisation expenses	(893)	(794)	(748)	(707)
Non-income taxes, fines	(419)	(25)	(541)	(59)
Costs incurred due to debt recovery	(310)	(217)	(245)	(126)
Other expenses	(628)	(264)	(585)	(293)
Total	(7,469)	(5,541)	(6,778)	(4,837)

NOTE 10 IMPAIRMENT LOSSES

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group (restated)	Bank (restated)
(Impairment losses)/Reversal of impairment losses on loans	1,610	1,748	(6,680)	(6,140)
Recoveries of loans previously written-off	964	501	623	87
(Impairment losses) on finance lease receivables	(120)	(51)	(18)	(3)
Recovered previously written-off finance lease receivables	104	-	110	-
Impairment losses on subsidiaries	-	(2,206)	-	(1,300)
Revaluation of subsidiaries classified as held for sale	-	(55)	-	-
(Impairment losses)/Reversal of impairment losses on other assets	(518)	9	533	1
Recoveries of other assets previously written-off	-	-	-	-
Reversal of provisions for off-balance sheet items	-	-	36	14
Total	2,040	(54)	(5,396)	(7,341)

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group (restated)	Bank (restated)
Allowance for impairment of loans				
As at 1 January	36,802	32,440	42,666	37,940
Change in allowance for loan impairment	(1,610)	(1,748)	6,680	6,140
Loans written off during the period	(1,101)	(829)	(5,635)	(5,635)
Other factors (reclassification, FX rate shift, etc.)	3	3	(39)	1
As at 30 September	34,094	29,866	43,672	38,446
Allowance for impairment of finance lease receivables				
As at 1 January	1,308	201	1,450	62
Change in allowance for impairment of finance lease receivables	120	51	18	3
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(1)	123	-	-
As at 30 September	1,427	375	1,468	65

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of EUR 2,936 thousand during the nine month period ended 30 September 2017 (nine month period ended 30 September 2016: EUR 11,868 thousand) is mainly attributable to the derecognition of the acquisition value adjustment (i.e. the difference between acquisition value and the gross value) for the fully or partially repaid/refinanced or sold loans.

Revenues and expenses related to other activities of Group companies

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group	Bank
Revenue related to insurance activities	4,676	-	4,461	-
Revenue from sale of apartments	3,876	-	5,900	-
Profit from discontinued operations	-	-	19	-
Total revenue related to other activities of Group companies	8,552	-	10,380	-
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	(270)	-	(613)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(3,189)	-	(3,530)	-
Cost of apartments sold	(3,436)	-	(5,599)	-
Loss from discontinued operations	(10)	-	-	-
Total expenses related to other activities of Group companies	(6,905)	-	(9,742)	-

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

	1 January - 30 September 2017		1 January - 30 September 2016	
	Group	Bank	Group	Bank
Interest and similar income	31	-	38	-
Net gain (loss) from operations with securities	825	-	704	-
Net gain (loss) from foreign exchange	(586)	-	(129)	-
Total	270	-	613	-

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 2017 and 2016, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions

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

	30 September 2017		31 December 2016	
	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>	2,119	1,004	952	1,009
<i>Other related parties (excluding subsidiaries of the Bank)</i>	18,683	55,320	14,770	53,447
Total	20,802	56,324	15,722	54,456

The Group and the Bank held debt securities of one entity attributable to related parties. On 30 September 2017 debt securities attributable to related parties exposure amounted to EUR 570 thousand for the Group and EUR 25 thousand for the Bank (31 December 2016: EUR 617 thousand and EUR 214 thousand, respectively).

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 32,581 thousand as of 30 September 2017 (31 December 2016: EUR 22,064 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Subordinated loan related interest expenses amounted to EUR 741 thousand, a loss of EUR 10,520 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement for the nine month period ended 30 September 2017 (nine month period ended 30 September 2016: interest expenses EUR 1,068 thousand, revaluation gain EUR 345 thousand). Increased price of Bank's shares is the main driver of revaluation loss and increase in the liability during the nine month period ended 30 September 2017. The price of Bank's shares, which increased by 52% during the nine month period ended 30 September 2017 and caused an appreciation of the conversion option, is the main driver of subordinated loan value increase and revaluation loss.

NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

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

	30 September 2017		31 December 2016	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	1,595	22,820	401	39,723
<i>Financial institutions</i>	148	64,803	2,276	80,163
	1,743	87,623	2,677	119,886

Bank's total balances with subsidiaries:

	30 September 2017	31 December 2016
Assets		
<i>Loans</i>	64,173	95,641
<i>Other assets</i>	23	88
<i>Bank's investment in subsidiaries</i>	25,460	26,665
<i>Bank's investment in subsidiaries classified as assets held for sale</i>	-	58
Liabilities and shareholders' equity		
<i>Deposits</i>	1,743	2,677
<i>Other liabilities</i>	5	646

Income and expenses arising from transactions with subsidiaries:

	1 January– 30 September 2017	1 January– 30 September 2016
Income		
<i>Interest</i>	2,329	3,119
<i>Commission income</i>	191	202
<i>Dividends</i>	7,672	5,632
<i>Other income</i>	243	158
Expenses		
<i>Interest</i>	(5)	(4)
<i>Operating expenses</i>	(78)	(102)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	(2,261)	(1,300)
<i>Allowance for impairment losses on loans</i>	(7)	-

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 September 2017 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	166,493	47,196	58,562	86,206	151,574	574,631	822,345	90,449	1,997,456
Total liabilities and shareholders' equity	748,417	90,078	203,325	209,057	298,987	165,279	75,830	206,483	1,997,456
Net liquidity gap	(581,924)	(42,882)	(144,764)	(122,851)	(147,413)	409,352	746,515	(116,034)	(0)

The structure of the Group's assets and liabilities by maturity as at 31 December 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	154,453	36,668	66,226	80,566	208,363	522,103	697,168	95,731	1,861,278
Total liabilities and shareholders' equity	629,464	134,105	143,794	199,330	358,069	142,331	74,668	179,517	1,861,278
Net liquidity gap	(475,011)	(97,437)	(77,568)	(118,764)	(149,706)	379,772	622,500	(83,786)	-

The structure of the Bank's assets and liabilities by maturity as at 30 September 2017 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	164,313	39,395	54,547	115,500	149,735	548,521	801,015	81,010	1,954,036
Total liabilities and shareholders' equity	748,726	83,823	201,930	208,744	298,091	163,019	51,664	198,039	1,954,036
Net liquidity gap	(584,413)	(44,428)	(147,383)	(93,244)	(148,356)	385,502	749,351	(117,029)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	152,691	29,676	97,471	94,838	212,141	484,683	672,633	79,506	1,823,639
Total liabilities and shareholders' equity	630,319	128,756	142,470	199,688	356,895	141,047	51,521	172,943	1,823,639
Net liquidity gap	(477,628)	(99,080)	(44,999)	(104,850)	(144,754)	343,636	621,112	(93,437)	-

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 September 2017:

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non monetary	Total
<i>Assets</i>	219,008	311,087	455,509	56,474	673,039	282,339	1,997,456
<i>Liabilities and equity</i>	68,401	214,148	212,399	294,145	188,983	1,019,380	1,997,456
<i>Net interest sensitivity gap</i>	150,607	96,939	243,110	(237,671)	484,056	(737,041)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	1,443	808	1,519	(594)	-	-	3,176

Group 31 December 2016:

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non monetary	Total
<i>Assets</i>	199,704	269,284	399,786	94,755	580,395	317,354	1,861,278
<i>Liabilities and equity</i>	121,663	156,228	189,154	352,819	150,077	891,337	1,861,278
<i>Net interest sensitivity gap</i>	78,041	113,056	210,632	(258,064)	430,318	(573,983)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	748	942	1,316	(645)	-	-	2,361

Bank 30 September 2017:

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non monetary	Total
<i>Assets</i>	214,105	308,681	485,319	59,099	639,449	247,383	1,954,036
<i>Liabilities and equity</i>	68,170	213,804	212,245	293,851	164,160	1,001,806	1,954,036
<i>Net interest sensitivity gap</i>	145,935	94,877	273,074	(234,752)	475,289	(754,423)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	1,399	791	1,707	(587)	-	-	3,310

Bank 31 December 2016:

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non monetary	Total
<i>Assets</i>	192,039	294,138	406,446	108,909	551,758	270,349	1,823,639
<i>Liabilities and equity</i>	121,663	156,230	189,194	352,819	150,677	853,056	1,823,639
<i>Net interest sensitivity gap</i>	70,376	137,908	217,252	(243,910)	401,081	(582,707)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	674	1,149	1,358	(610)	-	-	2,571

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.

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

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

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.

In 2016, the Bank continued to develop systems of operational risk management, prepared regulations on the principles for reliable and appropriate internal control system, improved the process for conducting investigations on very important operational risk events. The spectre of operational risk indicators was expanded, their use for the Bank was increased, the risk indicators used were supplemented with the registers to trace continuous monitoring and control actions. The Guidelines for Business Continuity Organization, which regulate the business continuity plans and measures and protect Bank's activity from adverse impact of the incidents were introduced. Employees perception of operational risk was strengthened by organizing operational risk training of new employees. In 2017, the Bank intends to continue development of operational risk management system and improving internal control system and its components.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the nine month period ended 30 September 2017, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2016. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the nine month period ended 30 September 2017, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	30 September 2017		31 December 2016	
	Group	Bank	Group	Bank
LEVEL I				
<i>Financial assets at fair value through profit or loss</i>	47,697	16,955	57,372	26,048
<i>Available for sale financial assets</i>	10,325	8,778	18,081	16,738
Total Level I financial assets	58,022	25,733	75,453	42,786
LEVEL II				
<i>Financial assets at fair value through profit or loss</i>	658	658	3,417	3,417
<i>Financial liabilities at fair value through profit or loss</i>	(3,237)	(3,237)	(175)	(175)
LEVEL III				
<i>Financial assets at fair value through profit or loss</i>	4,119	3,914	5,621	5,325
<i>Available for sale financial assets</i>	1,039	420	1,087	766
Total Level III financial assets	5,158	4,334	6,708	6,091
<i>Financial liabilities at fair value through profit or loss</i>	32,581	32,581	22,064	22,064
Total Level III financial liabilities	32,581	32,581	22,064	22,064

There were no transfers between fair value hierarchy levels during 2017 and 2016.

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

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

Group	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016
As at 1 January	5,621	8,208	1,087	2,314	22,064	20,457
Additions	1,215	-	-	-	-	-
Disposals	(714)	(1,268)	-	(1,729)	-	-
Changes due to interest accrued/paid	8	-	-	-	(3)	(10)
Changes in fair value	(2,011)	(540)	(48)	510	10,520	(345)
As at 30 September	4,119	6,400	1,039	1,095	32,581	20,102

Bank	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2017	1 Jan - 30 Sep 2016
As at 1 January	5,325	7,670	766	2,069	22,064	20,457
Additions	1,034	-	-	-	-	-
Disposals	(714)	(1,268)	(297)	(1,648)	-	-
Changes due to interest accrued/paid	8	-	-	-	(3)	(10)
Changes in fair value	(1,739)	(404)	(49)	510	10,520	(345)
As at 30 September	3,914	5,998	420	931	32,581	20,102

	1 January – 30 September 2017		1 January – 30 September 2016	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(12,579)	(12,308)	315	451

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2017 and in the Statement of comprehensive income for the nine 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>
<i>Continuing operations</i>						
<i>Internal</i>	(16)	-	546	(548)	18	-
<i>External</i>	35,640	5,870	8	586	-	42,104
Net interest income	35,624	5,870	554	38	18	42,104
<i>Internal</i>	168	-	-	(118)	(50)	-
<i>External</i>	7,876	-	-	6	-	7,882
Net fee and commissions income	8,044	-	-	(112)	(50)	7,882
<i>Internal</i>	152	-	546	(666)	(32)	-
<i>External</i>	43,516	5,870	8	592	-	49,986
Net interest, fee and commissions income	43,668	5,870	554	(74)	(32)	49,986
<i>Internal</i>	(126)	(8)	-	(12)	146	-
<i>External</i>	(17,871)	(1,723)	-	(8,966)	(10)	(28,570)
Operating expenses	(17,997)	(1,731)	-	(8,978)	136	(28,570)
<i>Amortisation charges</i>	(289)	(28)	-	(40)	-	(357)
<i>Depreciation charges</i>	(831)	(84)	-	(189)	-	(1,104)
<i>Internal</i>	-	-	(2,268)	(558)	2,826	-
<i>External</i>	2,605	-	16	(581)	-	2,040
Impairment expenses	2,605	-	(2,252)	(1,139)	2,826	2,040
<i>Internal</i>	17	-	7,915	6	(7,938)	-
<i>External</i>	2,426	1,359	(7,621)	12,334	-	8,498
Net other income	2,443	1,359	294	12,340	(7,938)	8,498
Profit (loss) before tax	29,599	5,386	(1,404)	1,920	(5,008)	30,493
<i>Income tax</i>	(5,023)	(487)	-	(338)	-	(5,848)
Profit (loss) per segment after tax	24,576	4,899	(1,404)	1,582	(5,008)	24,645
<i>Non-controlling interest</i>	-	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	24,576	4,899	(1,404)	1,582	(5,008)	24,645
<i>Total segment assets</i>	1,236,287	745,942	32,140	72,100	(89,013)	1,997,456
<i>Total segment liabilities</i>	1,105,478	671,703	28,942	55,026	(66,187)	1,794,962
<i>Net segment assets (shareholders' equity)</i>	130,809	74,239	3,198	17,074	(22,826)	202,494

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2016 and in the statement of comprehensive income for the nine month period then ended is presented 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						
<i>Internal</i>	42	-	457	(571)	72	-
<i>External</i>	30,309	5,415	4,503	590	-	40,817
Net interest income	30,351	5,415	4,960	19	72	40,817
<i>Internal</i>	166	-	-	(87)	(79)	-
<i>External</i>	6,552	-	-	(16)	-	6,536
Net fee and commissions income	6,718	-	-	(103)	(79)	6,536
<i>Internal</i>	208	-	457	(658)	(7)	-
<i>External</i>	36,861	5,415	4,503	574	-	47,353
Net interest, fee and commissions income	37,069	5,415	4,960	(84)	(7)	47,353
<i>Internal</i>	(255)	(13)	-	(46)	314	-
<i>External</i>	(16,945)	(1,653)	-	(11,831)	-	(30,429)
Operating expenses	(17,200)	(1,666)	-	(11,877)	314	(30,429)
<i>Amortisation charges</i>	(220)	(20)	-	(21)	-	(261)
<i>Depreciation charges</i>	(782)	(77)	-	(172)	-	(1,031)
<i>Internal</i>	-	-	(1,300)	-	1,300	-
<i>External</i>	(6,186)	-	(287)	1,077	-	(5,396)
Impairment expenses	(6,186)	-	(1,587)	1,077	1,300	(5,396)
<i>Internal</i>	13	-	5,790	(1)	(5,802)	-
<i>External</i>	2,504	5,283	13,003	11,565	-	32,355
Net other income	2,517	5,283	18,793	11,564	(5,802)	32,355
Profit (loss) before tax	15,198	8,935	22,166	487	(4,195)	42,591
<i>Income tax</i>	(4,921)	(504)	-	(143)	-	(5,568)
Profit (loss) per segment after tax	10,277	8,431	22,166	344	(4,195)	37,023
<i>Non-controlling interest</i>	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	10,277	8,431	22,166	344	(4,195)	37,023
<i>Total segment assets</i>	1,151,907	651,463	48,452	82,253	(141,085)	1,792,990
<i>Total segment liabilities</i>	1,034,244	592,124	44,039	61,818	(112,629)	1,619,596
Net segment assets (shareholders' equity)	117,663	59,339	4,413	20,435	(28,456)	173,394

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP

As of 30 September 2017 and 31 December 2016 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and these subsidiaries comprised the Financial group):

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

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

Financial Group's condensed statement of financial position

	30 September 2017	31 December 2016
ASSETS		
Cash and cash equivalents	162,739	152,851
Securities at fair value through profit or loss	17,441	26,103
Due from other banks	1,800	5,337
Derivative financial instruments	4,110	8,983
Loans to customers	1,078,697	975,316
Finance lease receivables	86,841	69,807
Investment securities:		
available-for-sale -	10,864	18,966
held-to-maturity -	555,059	524,054
Investments in subsidiaries and associates	12,974	14,931
Intangible assets	1,446	1,375
Property, plant and equipment	10,406	10,974
Investment property	4,548	4,633
Current income tax prepayment	9	70
Deferred income tax asset	681	493
Other assets	18,213	18,403
Total assets	1,965,828	1,832,296
LIABILITIES		
Due to other banks and financial institutions	90,799	90,428
Derivative financial instruments	3,237	175
Due to customers	1,614,507	1,495,477
Special and lending funds	7,512	28,326
Subordinated loan	32,581	22,064
Current income tax liabilities	3,499	4,721
Deferred income tax liabilities	432	217
Liabilities related to insurance activities	-	-
Other liabilities	12,701	13,177
Total liabilities	1,765,268	1,654,585
EQUITY		
Share capital	131,366	109,472
Share premium	-	-
Reserve capital	756	756
Statutory reserve	7,071	4,157
Financial assets revaluation reserve	401	311
Retained earnings	60,966	63,015
Non-controlling interest	-	-
Total equity	200,560	177,711
Total liabilities and equity	1,965,828	1,832,296

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the nine month period ended	
	30 September 2017	30 September 2016 (restated)
<i>Interest and similar income</i>	50,185	49,939
<i>Interest expense and similar charges</i>	(8,046)	(9,278)
Net interest income	42,139	40,661
<i>Fee and commission income</i>	11,586	10,101
<i>Fee and commission expense</i>	(3,590)	(3,445)
Net fee and commission income	7,996	6,656
<i>Net gain from operations with securities</i>	1,358	5,266
<i>Net gain from foreign exchange and related derivatives</i>	4,076	2,963
<i>Net loss from other derivatives</i>	(1,972)	(540)
<i>Net loss from changes in fair value of subordinated loan</i>	(10,520)	345
<i>Net gain from derecognition of financial assets</i>	2,936	11,841
<i>Net gain from disposal of tangible assets</i>	1,757	244
<i>Revenue related to other activities of Group companies</i>	-	-
<i>Other operating income</i>	606	652
<i>Salaries and related expenses</i>	(13,291)	(13,076)
<i>Depreciation and amortization expenses</i>	(1,306)	(1,153)
<i>Expenses related to other activities of Group companies</i>	-	-
<i>Other operating expenses</i>	(6,883)	(5,950)
Operating profit before impairment losses	26,896	47,909
<i>Allowance for impairment losses on loans and other assets</i>	2,613	(5,990)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	(3,321)	(750)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	4,181	2,332
Profit before income tax	30,369	43,501
<i>Income tax expense</i>	(5,723)	(5,494)
Net profit for the period	24,646	38,007
Net profit attributable to:		
<i>Owners of the Bank</i>	24,646	38,007
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	for the nine month period ended	
	30 September 2017	30 September 2016
Net profit for the period	24,646	38,007
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	106	(76)
<i>Deferred income tax on gain from revaluation of financial assets</i>	(16)	11
Other comprehensive income, net of deferred tax	90	(65)
Total comprehensive income for the period	24,736	37,942
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	24,736	37,942
<i>Non-controlling interest</i>	-	-
	24,736	37,942

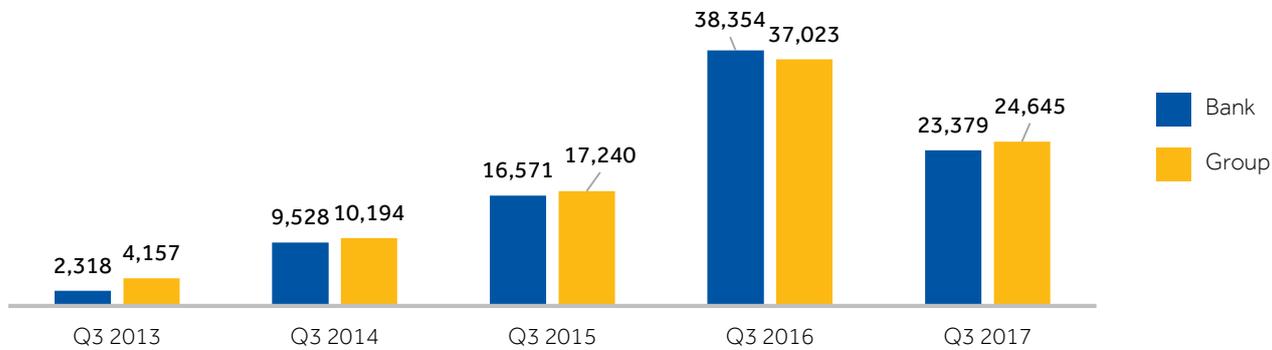


ADDITIONAL INFORMATION

INFORMATION ON THE PERFORMANCE RESULTS

In nine months of this year the Group earned an unaudited net profit of 24.6 million euros.

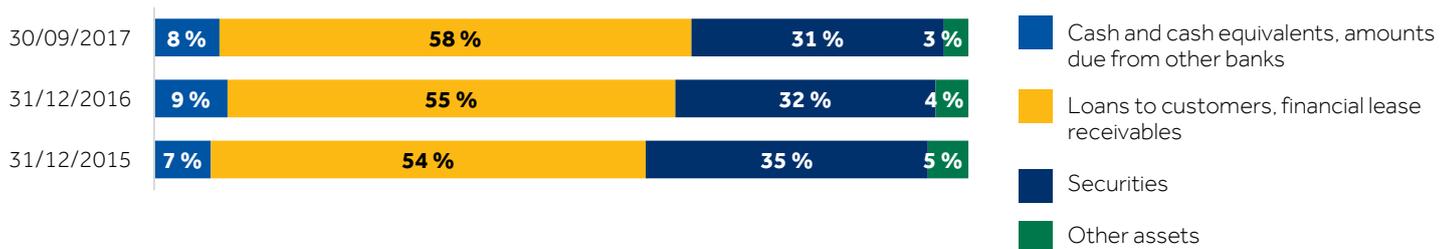
Net Profit earned by the Bank and Group, in thousand euros



The Group's loan and financial lease portfolio grew 13 per cent from the start of the year to more than 1.1 billion euros at the end of September. The third quarter of the year was especially dynamic as in July-September alone the loan portfolio increased 7 per cent, or 74 million euros.

Loan agreements signed with clients this year account for more than half a billion euros. One thing that helped increase clients' trust is the selection of flexible and innovative financing solutions which the banks offers, and which has been further expanded in light of clients' needs. A month ago risk-sharing loans with INVEGA guarantees for small and medium-size businesses have been offered – a further allocation of over 100 million euros for business financing is foreseen under this facility. It is significant that for several years now the bank's loan portfolio has been growing faster than the banking-sector average and its quality indicators are improving – that is confirmation that the bank's business model assumptions are correct.

The Group's Asset Structure, in per cent.



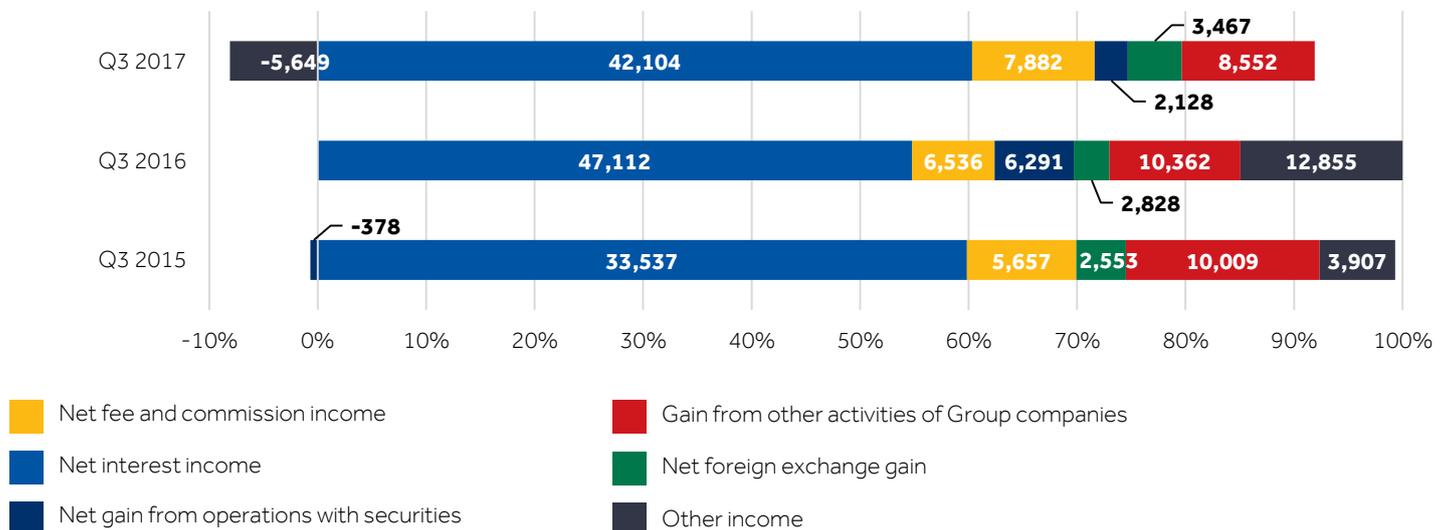
The deposit portfolio grew 9 per cent and at the end of September exceeded 1.6 billion euros, while the total duration of deposits rose. Contributing to these results was the successful début of a new saving solution – fixed-term deposits with extra interest tied to changes in the price of a certain financial asset. Over the past year, three such deposit issues have been offered.

The Group's Liability Structure, in per cent.



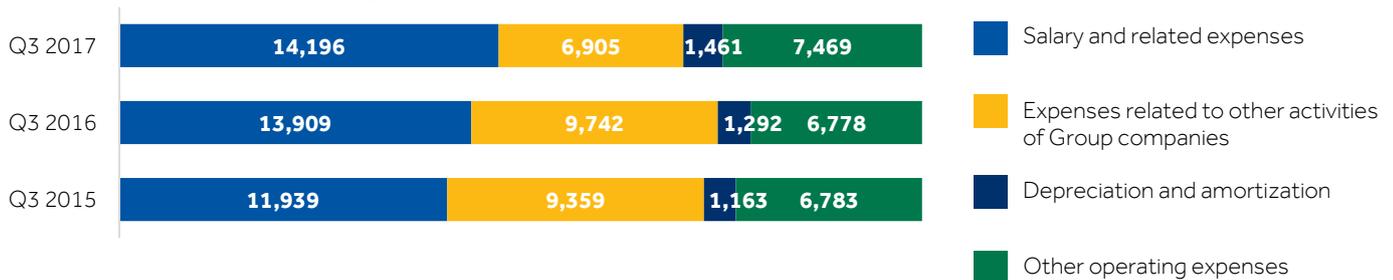
Growing assets and client activity created the conditions to bolster core revenues. In nine months of this year the Group had net interest income of 42.1 million euros, net service fees and commission income of 7.9 million euros, and foreign exchange trading income of 3.5 million euros. Each of these figures represents pronounced growth both compared with the year-earlier period and on a quarterly basis.

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



Further growth in the market price of Šiaulių Bankas's shares in the third quarter of this year had a negative impact on the bank's profit for the current period. The increased value of the conversion option embedded in the subordinated loan from the European Bank for Reconstruction and Development (EBRD) led to an additional loss of 4.8 million euros. Since the start of the year, to date an unrealized negative effect of 10.5 million euros has been recognized. Whether or not the conversion option is exercised, in the future the recognized loss will increase the equity of the bank's shareholders by a corresponding amount, therefore, it should be eliminated when assessing the performance of the group, it should be eliminated.

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



The group maintained strong operational efficiency, with the cost-to-income ratio at 51 per cent. Capital and liquidity levels remained solid, while return on capital exceeded 17 per cent. Information on the profitability ratios is available on the Bank's website at <https://www.sb.lt/en/about-bank/investors/prospectus-and-reports/>.

According to the data as of 30 September 2017 the Bank complied with all the prudential requirements set by the Bank of Lithuania. Information is available on the Bank's website at <https://www.sb.lt/en/about-bank/investors/prospectus-and-reports/>.

As of 30 September 2017, the Bank had 349 thousand clients, 324 thousand of whom account for individuals, and 25 thousand - for corporate customers. The customer service network of the Bank consisted of 65 units operating in 38 areas throughout Lithuania. The Bank's clients could use 209 ATMs (14 of the are ATMs accepting cash) belonging to banks' network. They could withdraw cash or place their funds to the payment card accounts through more than 2 000 terminals of Perlo paslaugos UAB all over Lithuania. The banking transactions are also available via the Bank's on-line system SB Linija and mobile application Šiaulių Bankas.

The international rating agency Moody's Investors Service on 23 October assigned Šiaulių Bankas an investment-grade long-term credit rating of Baa3 with a positive outlook, citing the bank's sustainable operations, its improving levels of profitability and capitalization, and the stable macroeconomic environment in Lithuania with positive trends:

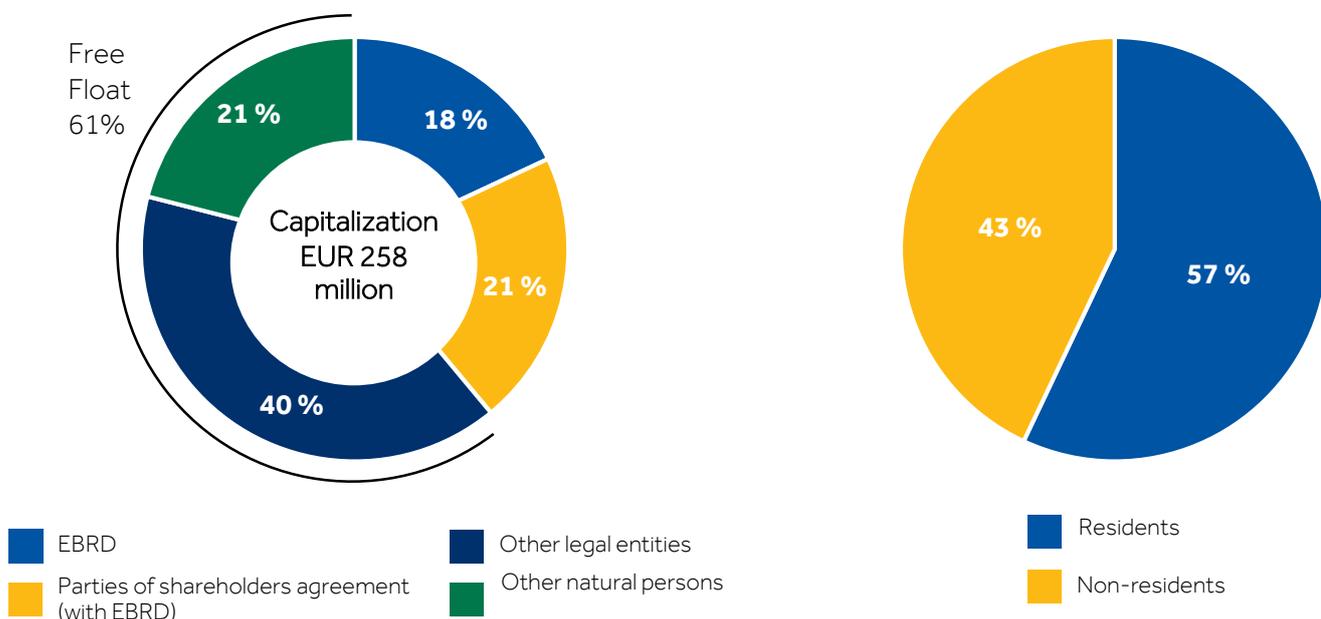
- long-term credit rating – Baa3;
- short-term credit rating – Baa3;
- rating outlook - Positive.

A received investment-grade rating is not just a symbolic step – it will help attract financing on better terms for use in lending to corporate clients and providing consumer finance.

AUTHORIZED CAPITAL AND SHAREHOLDERS

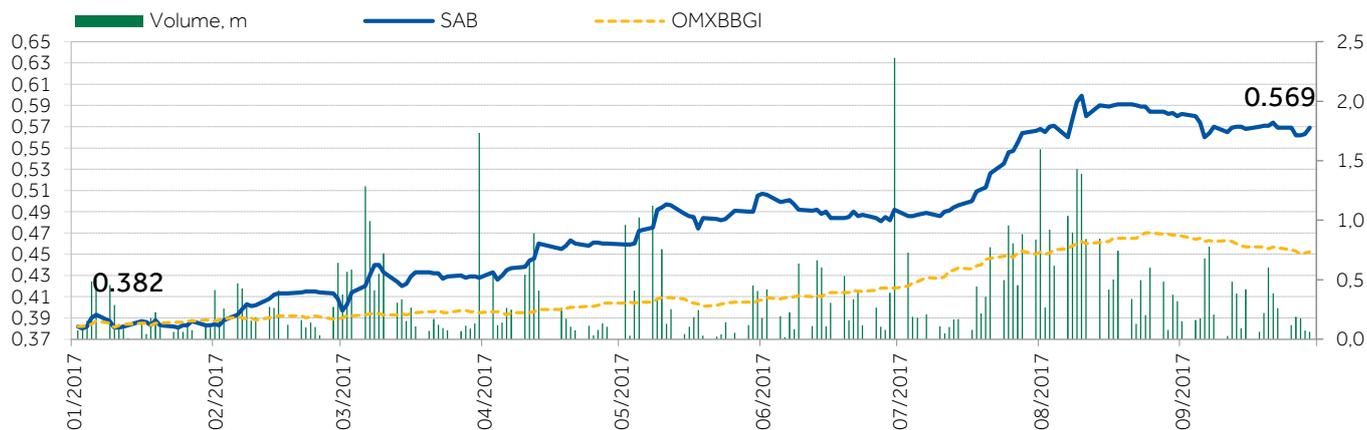
As of 30/09/2017 the authorized capital of the Bank amounted to EUR 131,365,989.88. It is comprised of 452,986,172 units of ordinary registered shares with a nominal value of EUR 0.29 each. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 06 June 2017.

As of 30 September 2017 the number of the Bank's shareholders was 4,467 (3,401 at the end of 2016).



European Bank for Reconstruction and Development (EBRD), Trade House Aiva, „Mintaka“ UAB , Enterprise group Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 38.82 per cent of the Bank's authorized capital and votes as of 30 September 2017.

BANK'S SHARE PRICE AND TURNOVER



	2012	2013	2014	2015	2016	30 sept 2017
<i>Share data</i>						
Capitalisation, mEur	54.2	66.5	71.8	93.7	169.5	257.7
Turnover, mEur	2.8	5.5	8.1	12.7	23.1	34.5
P/BV	0.6	0.7	0.7	0.7	1.0	1.3
P/E	14.3	12.4	6.1	3.9	3.9	7.8
Capital increase from retained earnings, %	6.5	8.0	8.6	20.0	20.0	n/a
Dividend yield, %	0.6	-	0.3	0.7	1.1	n/a

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

[Home page](#) › [About bank](#) › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#) › [Alternative performance measures](#)

BANK'S MANAGEMENT

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

30 March 2017 Peter Reiniger resigned from the Bank's Supervisory Council members. During the General meeting of shareholders held on 30 March 2017 **Miha Košak** was elected as a new member of the Supervisory Council who started taking his **Supervisory Council member's office from 26 June 2017 after receiving the permission from the Bank of Lithuania.**

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Valdas Vitkauskas	Ramunė Vilija Zabulienė	Darius Šulinis	Martynas Česnavičius	Miha Košak
Member since 1991, Chairman since 1999	Member since 2008	Member since 2014	Independent member since 2012	Member since 2016	Member since 2016	Member since 2017
Beginning of the tenure 30/03/2016/ end 2020	Beginning of the tenure 30/03/2016/ end 2020	Beginning of the tenure 30/03/2016/ end 2020	Beginning of the tenure 30/03/2016/ end 2020	Beginning of the tenure 09/05/2016/ end 2020	Beginning of the tenure 09/05/2016/ end 2020	Beginning of the tenure 26/06/2017/ end 2020
Share of capital under the right of ownership, % (30/09/2017)						
2.42	5.82	0	0	0	0	0

Board of the Bank

Algirdas
Butkus



Chairman since 1999,
(Chairman of the
Supervisory Council
1991-1999)
Deputy Chief
Executive Officer

Beginning of the
tenure 30/03/2016/
end 2020

Vytautas
Sinius



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

Beginning of the
tenure 30/03/2016/
end 2020

Donatas
Savickas



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

Beginning of the
tenure 30/03/2016/
end 2020

Daiva
Šorienė



Member since 2005

Deputy Chief
Executive Officer,
Head of Business
Development Division

Beginning of the
tenure 30/03/2016/
end 2020

Vita
Adomaitytė



Member since 2011

Chief Accountant,
Head of Accounting
and Tax Division

Beginning of the
tenure 30/03/2016/
end 2020

Jonas
Bartkus



Member since 2012

Head of IT Division

Beginning of the
tenure 30/03/2016/
end 2020

Ilona
Baranauskienė



Member since 2014

Head of Assets
Restructuring Division

Beginning of the
tenure 30/03/2016/
end 2020

Share of capital under the right of ownership, % (30/09/2017)

3.05

0.15

0.12

0.05

0.08

0.10

0.02

OTHER INFORMATION, PUBLISHED
INFORMATION AND THE MAJOR EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website www.sb.lt at [Reports on Stock Events](#). Reports on the Meeting of Shareholders was additionally announced in the daily newspaper *Lietuvos rytas*.

Other important events are available on the Bank's website www.sb.lt at [Significant Events and Dates](#).

Chief Executive Officer
6 November 2017

Vytautas Sinius

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Deputy Chief Accountant acting as Chief Accountant Žaneta Bytautienė, confirm that as far as we know, the financial statements for nine months of 2017 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Deputy Chief Accountant
acting as Chief Accountant



Žaneta Bytautienė

6 November 2017