



INTERIM INFORMATION

for the twelve month period ended 31 December 2017

Tilžės 149, LT-76348 Šiauliai
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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the twelve month period ended 31 December 2017

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



		31 December 2017		31 December 2016	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		129,738	126,591	153,867	152,111
Securities at fair value through profit or loss	2	49,175	18,284	57,427	26,103
Due from other banks		2,218	2,218	5,337	5,337
Derivative financial instruments		3,031	3,031	8,983	8,687
Loans to customers	1	1,098,327	1,102,927	953,609	994,155
Finance lease receivables	1	91,139	90,898	69,807	48,170
Investment securities:		-	-	-	-
available-for-sale -	2	16,472	11,542	19,168	17,504
held-to-maturity -	2	576,260	576,260	524,054	524,054
Investments in subsidiaries and associates	2	-	26,895	-	26,665
Intangible assets		4,535	1,684	4,180	1,210
Property, plant and equipment		10,702	10,068	11,469	10,532
Investment property		12,230	3,771	16,804	1,112
Current income tax prepayment		16	-	70	-
Deferred income tax asset		718	218	665	-
Other assets	3	36,201	15,579	35,838	7,999
Total assets		2,030,762	1,989,966	1,861,278	1,823,639
LIABILITIES					
Due to other banks and financial institutions		55,717	57,884	89,793	92,079
Derivative financial instruments		1,894	1,894	175	175
Due to customers	4	1,648,053	1,648,817	1,495,087	1,495,478
Special and lending funds	5	13,336	13,336	28,326	28,326
Debt securities in issue	5	20,003	20,003	-	-
Subordinated loan	12	34,203	34,203	22,064	22,064
Current income tax liabilities		3,735	3,440	4,790	4,650
Deferred income tax liabilities		525	-	468	30
Liabilities related to insurance activities		27,232	-	25,515	-
Other liabilities		16,088	8,430	15,543	7,894
Total liabilities		1,820,786	1,788,007	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	290	311	277
Retained earnings		70,147	62,476	64,821	58,281
Non-controlling interest		-	-	-	-
Total equity		209,976	201,959	179,517	172,943
Total liabilities and equity		2,030,762	1,989,966	1,861,278	1,823,639

The notes on pages 10 to 27 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

28 February 2018

Vytautas Sinus

Vita Urbonienė

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

for the twelve month period ended					
	Notes	31 December 2017 Group	31 December 2017 Bank	31 December 2016 Group	31 December 2016 Bank
<i>Interest and similar income</i>	7	67,078	58,136	65,934	58,569
<i>Interest expense and similar charges</i>	7	(9,921)	(9,915)	(12,013)	(12,019)
Net interest income		57,157	48,221	53,921	46,550
<i>Fee and commission income</i>	8	15,752	15,294	14,115	13,711
<i>Fee and commission expense</i>	8	(4,800)	(4,660)	(4,702)	(4,364)
Net fee and commission income		10,952	10,634	9,413	9,347
<i>Net gain from operations with securities</i>		2,923	1,556	6,164	4,872
<i>Net gain from foreign exchange and related derivatives</i>		4,829	5,514	4,477	4,248
<i>Net loss from other derivatives</i>		(2,885)	(2,589)	(1,913)	(1,671)
<i>Net loss from changes in fair value of subordinated loan</i>	12	(12,139)	(12,139)	(1,644)	(1,644)
<i>Net gain from derecognition of financial assets</i>	11	3,178	3,070	12,644	12,671
<i>Net gain from disposal of tangible assets</i>		2,897	37	612	656
<i>Revenue related to other activities of Group companies</i>	11	10,539	-	15,293	-
<i>Other operating income</i>		1,366	380	1,688	543
<i>Salaries and related expenses</i>		(20,192)	(16,727)	(18,340)	(15,558)
<i>Depreciation and amortization expenses</i>		(1,863)	(1,510)	(1,773)	(1,339)
<i>Expenses related to other activities of Group companies</i>	11	(8,686)	-	(12,766)	-
<i>Other operating expenses</i>	9	(10,293)	(7,574)	(9,677)	(6,835)
Operating profit before impairment losses		37,783	28,873	58,099	51,840
<i>Allowance for impairment losses on loans and other assets</i>	10	1,974	2,043	(7,775)	(7,496)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	2,10	-	(1,261)	-	(6,060)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>		-	7,681	-	9,632
Profit before income tax		39,757	37,336	50,324	47,916
<i>Income tax expense</i>		(7,630)	(6,446)	(6,658)	(6,239)
Net profit for the period		32,127	30,890	43,666	41,677
Net profit attributable to:					
<i>Owners of the Bank</i>		32,127	30,890	43,666	41,677
<i>Non-controlling interest</i>		-	-	-	-
<i>Basic earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.07		0.10	
<i>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</i>		0.07		0.10	

The notes on pages 10 to 27 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 October - 31 December 2017		1 October - 31 December 2016	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	16,925	15,035	15,864	14,075
<i>Interest expense and similar charges</i>	(1,872)	(1,869)	(2,760)	(2,762)
<i>Net interest income</i>	15,053	13,166	13,104	11,313
<i>Fee and commission income</i>	4,263	4,148	4,101	3,994
<i>Fee and commission expense</i>	(1,193)	(1,156)	(1,224)	(1,131)
<i>Net fee and commission income</i>	3,070	2,992	2,877	2,863
<i>Net gain from operations with securities</i>	795	198	(127)	(412)
<i>Net gain from foreign exchange and related derivatives</i>	1,362	1,438	1,649	1,285
<i>Net loss from other derivatives</i>	(913)	(889)	(1,373)	(1,267)
<i>Net loss from changes in fair value of subordinated loan</i>	(1,619)	(1,619)	(1,989)	(1,989)
<i>Net gain from derecognition of financial assets</i>	242	248	776	803
<i>Net gain from disposal of tangible assets</i>	69	-	704	112
<i>Revenue related to other activities of Group companies</i>	1,987	-	4,913	-
<i>Other operating income</i>	287	104	413	141
<i>Salaries and related expenses</i>	(5,996)	(4,962)	(4,431)	(3,743)
<i>Depreciation and amortization expenses</i>	(402)	(393)	(481)	(367)
<i>Expenses related to other activities of Group companies</i>	(1,781)	-	(3,024)	-
<i>Other operating expenses</i>	(2,824)	(2,033)	(2,899)	(1,998)
<i>Operating profit before impairment losses</i>	9,330	8,250	10,112	6,741
<i>Allowance for impairment losses on loans and other assets</i>	(66)	(164)	(2,379)	(1,455)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	-	1,000	-	(4,760)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	-	-	-	4,000
<i>Profit before income tax</i>	9,264	9,086	7,733	4,526
<i>Income tax expense</i>	(1,782)	(1,575)	(1,090)	(1,203)
<i>Net profit for the period</i>	7,482	7,511	6,643	3,323
<i>Net profit attributable to:</i>				
<i>Owners of the Bank</i>	7,482	7,511	6,643	3,323
<i>Non-controlling interest</i>	-	-	-	-

The notes on pages 10 to 27 constitute an integral part of these financial statements.

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

for the twelve month period ended				
	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Net profit for the period	32,127	30,890	43,666	41,677
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	257	15	(688)	(728)
Deferred income tax on gain from revaluation of financial assets	(38)	(2)	103	109
Other comprehensive income, net of deferred tax	219	13	(585)	(619)
Total comprehensive income for the period	32,346	30,903	43,081	41,058
Total comprehensive income (loss) attributable to:				
Owners of the Bank	32,346	30,903	43,081	41,058
Non-controlling interest	-	-	-	-
	32,346	30,903	43,081	41,058

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

for the three month period				
	1 October - 31 December 2017		1 October - 31 December 2016	
	Group	Bank	Group	Bank
Net profit for the period	7,482	7,511	6,643	3,323
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(1)	(29)	(612)	(652)
Deferred income tax on gain (loss) from revaluation of financial assets	1	5	92	98
Other comprehensive income (loss), net of deferred tax	-	(24)	(520)	(554)
Total comprehensive income for the period	7,482	7,487	6,123	2,769
Total comprehensive income (loss) attributable to:				
Owners of the Bank	7,482	7,487	6,123	2,769
Non-controlling interest	-	-	-	-
	7,482	7,487	6,123	2,769

The notes on pages 10 to 27 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
Increase in share capital through bonus issue of shares	6	18,246	-	-	-	(18,246)	-	-	-
Transfer to/from statutory reserve		-	-	-	1,689	(1,689)	-	-	-
Payment of dividends	6	-	-	-	-	(628)	(628)	-	(628)
Total comprehensive income		-	-	(585)	-	43,666	43,081	-	43,081
31 December 2016		109,472	756	311	4,157	64,821	179,517	-	179,517
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	(21,894)	-	-	-
Transfer to statutory reserve		-	-	-	3,020	(3,020)	-	-	-
Payment of dividends	6	-	-	-	-	(1,887)	(1,887)	-	(1,887)
Total comprehensive income		-	-	219	-	32,127	32,346	-	32,346
31 December 2017		131,366	756	530	7,177	70,147	209,976	-	209,976

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
Increase in share capital through bonus issue of shares	6	18,246	-	-	-	(18,246)	-
Transfer to statutory reserve		-	-	-	1,867	(1,867)	-
Payment of dividends	6	-	-	-	-	(628)	(628)
Total comprehensive income		-	-	(619)	-	41,677	41,058
31 December 2016		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		-	-	13	-	30,890	30,903
31 December 2017		131,366	756	290	7,071	62,476	201,959

The notes on pages 10 to 27 constitute an integral part of these financial statements.

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

	Twelve month period ended			
	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Operating activities				
Interest received on loans and advances	51,105	43,818	53,682	46,835
Interest received on debt securities at fair value through profit or loss	1,254	901	1,800	1,382
Interest paid	(9,647)	(9,641)	(13,106)	(13,112)
Fees and commissions received	15,752	15,294	14,115	13,711
Fees and commissions paid	(4,800)	(4,660)	(4,702)	(4,364)
Net cash inflows from trade in securities at fair value through profit or loss	20,796	20,541	14,915	16,558
Net inflows from foreign exchange operations	9,152	9,837	4,812	4,583
Net inflows from derecognition of financial assets	2,026	1,918	17,441	17,441
Net inflows from disposal of tangible assets	5,962	362	96	3,093
Cash inflows related to other activities of Group companies	11,905	380	16,946	543
Cash outflows related to other activities of Group companies	(7,391)	-	(8,284)	-
Recoveries on loans previously written off	1,245	555	975	139
Salaries and related payments to and on behalf of employees	(19,953)	(16,488)	(18,190)	(15,408)
Payments related to operating and other expenses	(10,293)	(7,762)	(7,800)	(4,750)
Income tax paid	(8,664)	(7,901)	(2,900)	(1,717)
Net cash flow from operating activities before change in operating assets and liabilities	58,449	47,154	69,800	64,934
Change in operating assets and liabilities:				
Decrease in due from other banks	3,119	3,119	1,440	1,162
(Increase) in loans to customers and finance lease receivables	(176,188)	(149,502)	(129,184)	(140,921)
Decrease (increase) in other assets	(4,694)	(10,698)	5,505	(7,137)
Increase (decrease) in due to banks and financial institutions	(22,406)	(34,664)	39,198	38,476
Increase (decrease) increase in due to customers	153,161	153,534	59,975	59,984
Increase (decrease) in special and lending funds	(14,990)	(14,990)	20,135	20,135
Increase (decrease) in other liabilities	2,039	313	(3,059)	195
Change	(59,959)	(52,888)	(5,990)	(28,106)
Net cash flow (used in) from operating activities	(1,510)	(5,734)	63,810	36,828
Investing activities				
Acquisition of property, plant and equipment, investment property and intangible assets	(1,786)	(1,578)	(4,044)	(2,133)
Disposal of property, plant and equipment, investment property and intangible assets	8,450	398	2,692	2,740
Acquisition of held-to-maturity securities	(149,508)	(149,508)	(87,659)	(87,659)
Proceeds from redemption of held-to-maturity securities	85,897	85,897	55,794	55,794
Interest received on held-to-maturity securities	13,177	13,177	13,229	13,229
Dividends received	15	7,681	62	9,694
Acquisition of available-for-sale securities	(14,806)	(6,306)	(5,776)	(4,758)
Sale or redemption of available-for-sale securities	17,322	12,593	10,743	10,743
Interest received on available-for-sale securities	481	465	628	580
Inflows from subsidiaries held for sale	-	256	-	13,942
Business acquisition	-	-	1	-
Instalments to cover losses and to strengthen the capital of subsidiaries	-	(1,000)	-	(550)
Net cash flow from (used in) from investing activities	(40,758)	(37,925)	(14,330)	11,622
Financing activities				
Payment of dividends	(1,864)	(1,864)	(625)	(625)
Issue of debt securities	20,003	20,003	-	-
Net cash flow (used in) financing activities	18,139	18,139	(625)	(625)
Net increase (decrease) in cash and cash equivalents	(24,129)	(25,520)	48,855	47,825
Cash and cash equivalents at 1 January	153,867	152,111	105,012	104,286
Cash and cash equivalents at 31 December	129,738	126,591	153,867	152,111

The notes on pages 10 to 27 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 (2016: 68 outlets). As at 31 December 2017 the Bank had 702 employees (31 December 2016: 722). As at 31 December 2017 the Group had 805 employees (31 December 2016 (except subsidiaries held for sale): 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 31 December 2017 the Bank owned the following directly controlled subsidiaries:

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

As of 31 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).

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 twelve month period ended 31 December 2017 has been prepared in accordance with applicable accounting standards. 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. More detailed disclosures will be included in the annual financial statements of the Bank for the year ended 31 December 2017.

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.

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:

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	2,218	2,218	5,337	5,337
<i>Loans and advances to customers:</i>	1,098,327	1,102,927	953,609	994,155
<i>Loans and advances to financial institutions</i>	18	39,756	17	58,862
<i>Loans to individuals (Retail)</i>	133,441	77,455	116,564	67,458
<i>Loans to business customers</i>	964,868	985,716	837,028	867,835
<i>Finance lease receivables</i>	91,139	90,898	69,807	48,170
<i>Debt securities at fair value through profit or loss</i>	30,589	17,755	39,785	25,658
<i>Derivative financial instruments</i>	3,031	3,031	8,983	8,687
<i>Debt securities available for sale</i>	11,322	10,914	17,034	16,631
<i>Debt securities held to maturity</i>	576,260	576,260	524,054	524,054
<i>Other assets subject to credit risk</i>	10,485	9,616	4,136	3,078
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	33,787	33,814	21,253	21,320
<i>Letters of credit</i>	262	262	2,185	2,185
<i>Loan commitments and other credit related liabilities</i>	173,233	188,725	116,403	140,416
Total	2,030,653	2,036,420	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:

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Loans to business customers</i>	992,209	1,052,838	867,355	957,018
<i>Loans to individuals</i>	139,353	79,642	123,056	69,577
Gross	1,131,562	1,132,480	990,411	1,026,595
<i>Less: allowance for impairment</i>	(33,235)	(29,553)	(36,802)	(32,440)
<i>of which: for individually assessed loans</i>	(32,097)	(28,786)	(35,435)	(31,500)
<i>of which: for collectively assessed loans</i>	(1,138)	(767)	(1,367)	(940)
Net	1,098,327	1,102,927	953,609	994,155

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Neither past due nor individually impaired</i>	988,199	1,003,378	871,480	922,637
<i>Past due but not individually impaired</i>	90,715	83,664	60,372	52,930
<i>Individually impaired</i>	52,648	45,438	58,559	51,028
Gross	1,131,562	1,132,480	990,411	1,026,595
<i>Less: allowance for impairment</i>	(33,235)	(29,553)	(36,802)	(32,440)
<i>of which: for individually assessed loans</i>	(32,097)	(28,786)	(35,435)	(31,500)
<i>of which: for collectively assessed loans</i>	(1,138)	(767)	(1,367)	(940)
Net	1,098,327	1,102,927	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

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Past due up to 7 days</i>	50,402	48,238	23,608	21,506
<i>Past due 8 to 30 days</i>	20,984	16,511	17,333	13,374
<i>Past due 31 - 60 days</i>	2,653	2,652	2,812	2,803
<i>Past due 61 - 90 days</i>	4,107	4,107	777	775
<i>Past due more than 90 days</i>	12,569	12,156	15,842	14,472
Total	90,715	83,664	60,372	52,930
<i>Allowance for impairment of collectively assessed loans</i>	(189)	(61)	(179)	(54)
<i>Fair value of collateral</i>	76,101	76,101	48,812	48,812

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans and advances individually impaired

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Impaired loans	52,648	45,438	58,559	51,028
Allowance for impairment of individually assessed loans	(32,097)	(28,786)	(35,435)	(31,500)
Allowance for impairment of collectively assessed loans	(12)	(12)	(197)	(197)
Fair value of collateral	33,083	33,083	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

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Business customers</i>	76,468	75,576	58,904	41,044
<i>Individuals</i>	16,069	15,926	12,211	7,327
Gross	92,537	91,502	71,115	48,371
<i>Neither past due not impaired</i>	65,552	65,467	53,104	35,661
<i>Past due but not impaired</i>	25,110	25,038	16,188	12,469
<i>Impaired</i>	1,875	997	1,823	241
Gross	92,537	91,502	71,115	48,371
<i>Subtract: Allowance for impairment</i>	(1,398)	(604)	(1,308)	(201)
<i>of which: for individually assessed finance lease receivables</i>	(1,330)	(536)	(1,256)	(150)
<i>of which: for collectively assessed finance lease receivables</i>	(68)	(68)	(52)	(51)
Net	91,139	90,898	69,807	48,170

Group						
	31 December 2017			31 December 2016		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	198	4,519	4,717	346	3,453	3,799
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	14,844	35,013	49,857	10,924	23,729	34,653
<i>real estate -</i>	886	26,503	27,389	820	24,047	24,867
<i>airplanes -</i>	-	-	-	-	625	625
<i>production equipment -</i>	-	834	834	-	1,437	1,437
<i>other equipment -</i>	76	9,599	9,675	55	5,569	5,624
<i>other assets -</i>	65	-	65	66	44	110
Total	16,069	76,468	92,537	12,211	58,904	71,115

Bank						
	31 December 2017			31 December 2016		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	165	4,514	4,679	125	2,585	2,710
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	14,820	35,005	49,825	6,501	18,014	24,515
<i>real estate -</i>	886	26,493	27,379	682	16,463	17,145
<i>airplanes -</i>	-	-	-	-	-	-
<i>production equipment -</i>	-	-	-	-	-	-
<i>other equipment -</i>	55	9,564	9,619	19	3,982	4,001
<i>other assets -</i>	-	-	-	-	-	-
Total	15,926	75,576	91,502	7,327	41,044	48,371

NOTE 2 SECURITIES

Securities at fair value through profit or loss

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Debt securities:	30,589	17,755	39,785	25,658
Government bonds	13,406	5,905	27,090	18,131
Corporate bonds	17,183	11,850	12,695	7,527
Equity securities	18,586	529	17,642	445
Total securities at fair value through profit or loss	49,175	18,284	57,427	26,103

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	29,103	17,755	38,314	25,658
from AA- to AAA	1,209	1,209	4,356	4,356
from A- to A+	8,703	5,970	12,897	11,023
from BBB- to BBB+	12,549	6,576	15,231	7,580
from BB- to BB+	4,395	1,753	5,313	2,315
lower than BB-	543	543	253	120
no rating	1,704	1,704	264	264
Equity securities	529	529	445	445
listed	470	470	409	409
unlisted	4	4	5	5
units of investment funds	55	55	31	31
Total trading securities	29,632	18,284	38,759	26,103
Securities designated at fair value through profit or loss at initial recognition:				
Debt securities	1,486	-	1,471	-
from AA- to AAA	-	-	125	-
from A- to A+	936	-	430	-
from BBB- to BBB+	550	-	916	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	18,057	-	17,197	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	18,057	-	17,197	-
Total securities designated at fair value through profit or loss at initial recognition	19,543	-	18,668	-
TOTAL	49,175	18,284	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

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities:	11,322	10,914	17,034	16,631
Government bonds	-	-	-	-
Corporate bonds	11,322	10,914	17,034	16,631
Equity securities	5,150	628	2,134	873
Total securities available for sale	16,472	11,542	19,168	17,504
Held-to-maturity securities:				
Debt securities:	576,260	576,260	524,054	524,054
Government bonds	418,063	418,063	420,755	420,755
Corporate bonds	158,197	158,197	103,299	103,299
Total held-to-maturity securities	576,260	576,260	524,054	524,054

NOTE 2
SECURITIES (continued)

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities	11,322	10,914	17,034	16,631
from AA- to AA+	-	-	483	483
from A- to A+	3,760	3,760	4,350	4,350
from BBB- to BBB+	6,992	6,992	9,715	9,715
from BB- to BB+	162	162	2,083	2,083
lower than BB-	-	-	-	-
no rating	408	-	403	-
Equities	5,150	628	2,134	873
listed	-	-	-	-
unlisted	1,212	414	1,087	766
units of investment funds	3,938	214	1,047	107
Total securities available for sale	16,472	11,542	19,168	17,504
Held-to-maturity securities:				
Debt securities	576,260	576,260	524,054	524,054
from AA- to AA+	14,034	14,034	10,349	10,349
from A- to A+	404,663	404,663	402,509	402,509
from BBB- to BBB+	153,905	153,905	100,236	100,236
from BB- to BB+	3,658	3,658	8,295	8,295
lower than BB-	-	-	2,665	2,665
no rating	-	-	-	-
Total held-to-maturity securities	576,260	576,260	524,054	524,054

During the twelve month periods ended 31 December 2017 and 2016, no material reclassifications between portfolios of securities were performed.

Investments in subsidiaries

	31 December 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%	6,165	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%	5,479	747	100.00%	5,044	312
Šiaulių Banko Lizingas UAB	100.00%	4,460	1,069	100.00%	4,460	69
Šiaulių Banko Turto Fondas UAB	100.00%	3,999	3,554	100.00%	3,999	2,794
Total		48,849	26,895		47,414	26,665

	31 December 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>						
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 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. The remaining subsidiaries held for sale were liquidated during 2017.

NOTE 2 SECURITIES (continued)

During the twelve month period ended 31 December 2017, the Bank recognized an impairment loss of EUR 2,996 thousand in investment in Pavasaris UAB (value of the investment reduced after dividends (total amount EUR 3,116 thousand) were paid by Pavasaris UAB and recognised in the income statement of the Bank). The Bank reversed an EUR 760 thousand impairment to investment in Šiaulių Banko Turto Fondas UAB (due to the improved financial performance of subsidiary) and an EUR 1,000 thousand impairment to investment in Šiaulių Banko Lizingas UAB (due to the increase in recoverable amount from the investment). 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 twelve month period ended 31 December 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 760 thousand investment in Šiaulių Banko Turto Fondas UAB (Bank recognized a loss on investment in the subsidiary); EUR 4,750 thousand investment in Pavasaris UAB (value of the investment reduced after dividends (total amount EUR 5,500 thousand) were paid by Pavasaris UAB and recognised in the income statement of the Bank).

NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
Amounts receivable	10,485	9,616	4,136	3,078
Inventories	18,316	-	24,936	-
Deferred charges	888	859	615	539
Assets under reinsurance and insurance contracts	650	-	697	-
Prepayments	4,188	3,607	3,979	3,428
Foreclosed assets	764	712	989	628
Assets classified as held for sale	-	-	-	58
Other	910	785	486	268
Total	36,201	15,579	35,838	7,999

NOTE 4 DUE TO CUSTOMERS

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
National government institutions	21,553	21,553	10,543	10,543
Local government institutions	75,060	75,060	42,682	42,682
Governmental and municipal companies	23,431	23,431	5,780	5,780
Corporate entities	274,888	275,321	230,215	230,591
Non-profit organisations	13,309	13,309	10,602	10,602
Individuals	305,237	305,237	270,241	270,241
Unallocated amounts due to customers	40,099	40,430	29,445	29,460
Total demand deposits	753,577	754,341	599,508	599,899
<i>Time deposits:</i>				
National government institutions	231	231	359	359
Local government institutions	948	948	1,067	1,067
Governmental and municipality companies	1,718	1,718	615	615
Corporate entities	61,522	61,522	37,690	37,690
Non-profit organisations	2,433	2,433	2,455	2,455
Individuals	827,624	827,624	853,393	853,393
Total time deposits	894,476	894,476	895,579	895,579
Total	1,648,053	1,648,817	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 13,336 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

Debt securities in issue

At 31 December 2017, the Bank had EUR 20,003 thousand debt securities issued, which consisted of a 3 year bond issue of EUR 20,000 thousand. Privately placed bonds were issued on 21 December 2017, annual interest rate is 0.60%. The Bank has a right to call the bonds after 2 years. The issue terms includes listing of the issued bonds on a regulated market - within 12 months from the date of distribution they are intended to be admitted to the Nasdaq Baltic Debt Securities List. The Bank had no debt securities in issue at 31 December 2016.

NOTE 6 CAPITAL

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 (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 the day of accounting of rights of the Meeting (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 18,246 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 the day of accounting of rights of the Meeting (13 April 2016).

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

	Share of the authorized capital held, % 31 December 2017	Share of the authorized capital held, % 31 December 2016
<i>European Bank for Reconstruction and Development</i>	18.24	18.24
<i>Invalda INVIL 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 31 December 2017, this group possessed 38.52 percent (31 December 2016: 39.10 percent) of the authorised capital and votes of the Bank.

As at 31 December 2017, the Bank had 4,496 shareholders (as at 31 December 2016: 3,401).

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 - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	94	2,426	523	3,911
<i>on loans to customers</i>	50,303	40,420	49,118	41,388
<i>on debt securities</i>	12,300	11,884	12,550	12,066
<i>on finance leases</i>	4,381	3,406	3,743	1,204
Total interest income	67,078	58,136	65,934	58,569
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(992)	(992)	(1,394)	(1,394)
<i>on financial liabilities measured at amortised cost</i>	(8,719)	(8,713)	(10,597)	(10,603)
<i>on other liabilities</i>	(210)	(210)	(22)	(22)
Total interest expense	(9,921)	(9,915)	(12,013)	(12,019)
Net interest income	57,157	48,221	53,921	46,550

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	3,571	3,571	4,178	4,178
<i>for settlement services</i>	3,894	3,901	3,749	3,780
<i>for cash operations</i>	3,287	3,287	2,570	2,570
<i>for account administration</i>	2,307	2,307	1,058	1,058
<i>for guarantees, letters of credit, documentary collection</i>	377	377	388	388
<i>for collection of utility and similar payments</i>	279	288	420	440
<i>for services related to securities</i>	1,168	1,306	918	1,055
<i>other fee and commission income</i>	869	257	834	242
Total fee and commission income	15,752	15,294	14,115	13,711
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(2,863)	(2,861)	(2,645)	(2,645)
<i>for cash operations</i>	(848)	(848)	(797)	(797)
<i>for correspondent bank and payment system fees</i>	(370)	(237)	(526)	(203)
<i>for services of financial data vendors</i>	(176)	(176)	(183)	(183)
<i>for services related to securities</i>	(362)	(357)	(271)	(271)
<i>other fee and commission expenses</i>	(181)	(181)	(280)	(265)
Total fee and commission expense	(4,800)	(4,660)	(4,702)	(4,364)
Net fee and commission income	10,952	10,634	9,413	9,347

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1,396)	(1,208)	(1,442)	(1,239)
Utility services for buildings and premises	(653)	(591)	(727)	(665)
Other expenses related to buildings and premises	(258)	(256)	(366)	(353)
Transportation expenses	(439)	(406)	(408)	(441)
Legal costs	(63)	(63)	(47)	(47)
Personnel and training expenses	(305)	(209)	(246)	(222)
IT and communication expenses	(2,097)	(1,890)	(2,054)	(1,849)
Marketing and charity expenses	(2,078)	(1,231)	(1,381)	(452)
Service organisation expenses	(1,141)	(993)	(943)	(871)
Non-income taxes, fines	(550)	(37)	(780)	(96)
Costs incurred due to debt recovery	(417)	(285)	(361)	(193)
Other expenses	(896)	(405)	(922)	(407)
Total	(10,293)	(7,574)	(9,677)	(6,835)

NOTE 10 IMPAIRMENT LOSSES

	1 January - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
(Impairment losses)/Reversal of impairment losses on loans	1,313	1,492	(restated) (8,281)	(restated) (7,532)
Recoveries of loans previously written-off	1,104	555	831	139
(Impairment losses) on finance lease receivables	(101)	(29)	121	(58)
Recovered previously written-off finance lease receivables	141	-	144	-
Impairment losses on subsidiaries	-	(1,206)	-	(6,060)
Revaluation of subsidiaries classified as held for sale	-	(55)	-	-
(Impairment losses)/Reversal of impairment losses on other assets	(483)	25	(648)	(59)
Recoveries of other assets previously written-off	-	-	-	-
Reversal of provisions for off-balance sheet items	-	-	58	14
Total	1,974	782	(7,775)	(13,556)

	1 January - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
Allowance for impairment of loans			(restated)	(restated)
As at 1 January	36,802	32,440	42,666	37,940
Change in allowance for loan impairment	(1,313)	(1,492)	8,281	7,532
Loans written off during the period	(2,252)	(1,397)	(14,098)	(13,031)
Other factors (reclassification, FX rate shift, etc.)	(2)	2	(47)	(1)
As at 31 December	33,235	29,553	36,802	32,440
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	101	29	(121)	58
Finance lease receivables written off during the period	(15)	-	(21)	(19)
Other factors (reclassification, FX rate shift, etc.)	4	374	-	100
As at 31 December	1,398	604	1,308	201

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of: Group EUR 3,178 thousand, Bank EUR 3,070 thousand during the twelve month period ended 31 December 2017 (twelve month period ended 31 December 2016: Group EUR 12,644 thousand, Bank EUR 12,671 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 - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
Revenue related to insurance activities	6,390	-	6,176	-
Revenue from sale of apartments	4,149	-	9,082	-
Profit from discontinued operations	-	-	35	-
Total revenue related to other activities of Group companies	10,539	-	15,293	-
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	(650)	-	(1,481)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(4,349)	-	(3,171)	-
Cost of apartments sold	(3,677)	-	(8,114)	-
Loss from discontinued operations	(10)	-	-	-
Total expenses related to other activities of Group companies	(8,686)	-	(12,766)	-

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

	1 January - 31 December 2017		1 January - 31 December 2016	
	Group	Bank	Group	Bank
Interest and similar income	42	-	48	-
Net gain (loss) from operations with securities	1,269	-	1,211	-
Net gain (loss) from foreign exchange	(661)	-	222	-
Total	650	-	1,481	-

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

NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

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

	31 December 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>	2 036	133	952	1,009
<i>Other related parties (excluding subsidiaries of the Bank)</i>	19,667	53,335	14,770	53,447
Total	21,703	53,468	15,722	54,456

The Group and the Bank held debt securities of one entity attributable to related parties. On 31 December 2017 debt securities attributable to related parties exposure amounted to EUR 234 thousand for the Group and 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 34,203 thousand as of 31 December 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 992 thousand, a loss of EUR 12,139 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2017 (2016: interest expenses EUR 1,394 thousand, revaluation loss EUR 1,644 thousand). The price of Bank's shares, which increased by 57% during the twelve month period ended 31 December 2017 and caused an appreciation of the conversion option, is the main driver of subordinated loan value increase and revaluation loss.

Transactions with subsidiaries:

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

	31 December 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>	434	32,170	401	39,723
<i>Financial institutions</i>	2,497	49,167	2,276	80,163
	2,931	81,337	2,677	119,886

Bank's total balances with subsidiaries:

	31 December 2017	31 December 2016
Assets		
<i>Loans</i>	65,765	95,641
<i>Other assets</i>	21	88
<i>Bank's investment in subsidiaries</i>	26,895	26,665
<i>Bank's investment in subsidiaries classified as assets held for sale</i>	-	58
Liabilities and shareholders' equity		
<i>Deposits</i>	2,931	2,677
<i>Other liabilities</i>	-	646

Income and expenses arising from transactions with subsidiaries:

	1 January– 31 December 2017	1 January– 31 December 2016
Income		
<i>Interest</i>	2,988	4,054
<i>Commission income</i>	242	263
<i>FX income</i>	9	1
<i>Dividends</i>	7,672	9,632
<i>Other income</i>	161	242
Expenses		
<i>Interest</i>	(7)	(5)
<i>Operating expenses</i>	(91)	(191)
<i>Allowance for impairment losses on loans</i>	(31)	(5)
<i>Allowance for impairment losses on investments in subsidiaries</i>	(1,261)	(6,060)

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.

G 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 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
<i>Total assets</i>	154 453	36 668	66 226	80 566	208 363	522 103	697 168	95 731	1 861 278
<i>Total liabilities and shareholders' equity</i>	629 464	134 105	143 794	199 330	358 069	142 331	74 668	179 517	1 861 278
<i>Net liquidity gap</i>	(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 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)	-

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
<i>Total assets</i>	152 691	29 676	97 471	94 838	212 141	484 683	672 633	79 506	1 823 639
<i>Total liabilities and shareholders' equity</i>	630 319	128 756	142 470	199 688	356 895	141 047	51 521	172 943	1 823 639
<i>Net liquidity gap</i>	(477 628)	(99 080)	(44 999)	(104 850)	(144 754)	343 636	621 112	(93 437)	-

NOTE 13

LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

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.

Sensitivity of interest rate risk

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

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

Group 31 December 2017:

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

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

Bank 31 December 2017:

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

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

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.

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 twelve month period ended 31 December 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 twelve month period ended 31 December 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

	31 December 2017		31 December 2016	
	Group	Bank	Group	Bank
LEVEL I				
<i>Financial assets at fair value through profit or loss</i>	48,562	17,671	57,372	26,048
<i>Available for sale financial assets</i>	14,852	11,128	18,081	16,738
Total Level I financial assets	63,414	28,799	75,453	42,786
LEVEL II				
<i>Financial assets at fair value through profit or loss</i>	747	747	3,417	3,417
<i>Financial liabilities at fair value through profit or loss</i>	(1,894)	(1,894)	(175)	(175)
LEVEL III				
<i>Financial assets at fair value through profit or loss</i>	2,897	2,897	5,621	5,325
<i>Available for sale financial assets</i>	1,620	414	1,087	766
Total Level III financial assets	4,517	3,311	6,708	6,091
<i>Financial liabilities at fair value through profit or loss</i>	34,203	34,203	22,064	22,064
Total Level III financial liabilities	34,203	34,203	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 twelve month period ended 31 December:

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 - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
As at 1 January	5,621	8,208	1,087	2,314	22,064	20,457
Additions	2,062	50	580	655	-	-
Disposals / redemption / derecognition	(1,901)	(717)	-	(1,821)	-	-
Changes due to interest accrued/paid	5	(2)	8	-	-	(37)
Changes in fair value	(2,890)	(1,918)	(55)	(61)	12,139	1,644
As at 31 December	2,897	5,621	1,620	1,087	34,203	22,064

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 - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
As at 1 January	5,325	7,670	766	2,069	22,064	20,457
Additions	2,062	50	-	400	-	-
Disposals / redemption / derecognition	(1,901)	(717)	(297)	(1,642)	-	-
Changes due to interest accrued/paid	5	(2)	-	-	-	(37)
Changes in fair value	(2,594)	(1,676)	(55)	(61)	12,139	1,644
As at 31 December	2,897	5,325	414	766	34,203	22,064

	1 January – 31 December 2017		1 January – 31 December 2016	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(15,029)	(14,733)	(3,562)	(3,320)

NOTE 15 SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2017 and in the Statement of comprehensive income for the twelve month period then ended is presented in the table below.

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Internal	(44)	-	699	(694)	39	-
External	48,258	7,898	211	790	-	57,157
Net interest income	48,214	7,898	910	96	39	57,157
Internal	216	-	-	(157)	(59)	-
External	10,948	-	-	4	-	10,952
Net fee and commission income	11,164	-	-	(153)	(59)	10,952
Internal	172	-	699	(851)	(20)	-
External	59,206	7,898	211	794	-	68,109
Net interest, fee and commissions income	59,378	7,898	910	(57)	(20)	68,109
Internal	(140)	(9)	-	(22)	171	-
External	(25,077)	(2,421)	-	(11,663)	(10)	(39,171)
Operating expenses	(25,217)	(2,430)	-	(11,685)	161	(39,171)
Amortisation charges	(398)	(39)	-	(55)	-	(492)
Depreciation charges	(1,104)	(112)	-	(155)	-	(1,371)
Internal	-	-	(1,292)	(558)	1,850	-
External	2,549	-	-	(575)	-	1,974
Impairment expenses	2,549	-	(1,292)	(1,133)	1,850	1,974
Internal	25	-	7,949	10	(7,984)	-
External	3,012	1,556	(8,920)	15,060	-	10,708
Net other income	3,037	1,556	(971)	15,070	(7,984)	10,708
Profit (loss) before tax	38,245	6,873	(1,353)	1,985	(5,993)	39,757
Income tax	(6,612)	(645)	-	(373)	-	(7,630)
Profit (loss) per segment after tax	31,633	6,228	(1,353)	1,612	(5,993)	32,127
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	31,633	6,228	(1,353)	1,612	(5,993)	32,127
Total segment assets	1,277,972	734,912	37,023	74,290	(93,435)	2,030,762
Total segment liabilities	1,139,600	660,327	33,265	56,578	(68,984)	1,820,786
Net segment assets (shareholders' equity)	138,372	74,585	3,758	17,712	(24,451)	209,976

NOTE 15 SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2016 and in the statement of comprehensive income for the twelve month period then ended is presented below:

	Traditional banking operations and lending	Treasury	Non-core banking activities	Other activities	Eliminations	Total
Internal	(714)	-	1,419	(775)	70	-
External	42,026	7,443	3,637	815	-	53,921
Net interest income	41,312	7,443	5,056	40	70	53,921
Internal	215	-	-	(116)	(99)	-
External	9,435	-	-	(22)	-	9,413
Net fee and commission income	9,650	-	-	(138)	(99)	9,413
Internal	(499)	-	1,419	(891)	(29)	-
External	51,461	7,443	3,637	793	-	63,334
Net interest, fee and commissions income	50,962	7,443	5,056	(98)	(29)	63,334
Internal	(349)	(19)	-	(33)	401	-
External	(23,010)	(2,220)	-	(15,553)	-	(40,783)
Operating expenses	(23,359)	(2,239)	-	(15,586)	401	(40,783)
Amortisation charges	(309)	(28)	-	(30)	-	(367)
Depreciation charges	(1,068)	(106)	-	(232)	-	(1,406)
Internal	-	-	(6,065)	-	6,065	-
External	(7,227)	-	(341)	(207)	-	(7,775)
Impairment expenses	(7,227)	-	(6,406)	(207)	6,065	(7,775)
Internal	28	-	9,882	35	(9,910)	35
External	2,579	4,871	11,977	17,859	-	37,286
Net other income	2,607	4,871	21,859	17,894	(9,910)	37,321
Profit (loss) before tax	21,606	9,941	20,509	1,741	(3,473)	50,324
Income tax	(5,894)	(624)	-	(140)	-	(6,658)
Profit (loss) per segment after tax	15,712	9,317	20,509	1,601	(3,473)	43,666
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	15,712	9,317	20,509	1,601	(3,473)	43,666
Total segment assets	1,110,651	725,129	64,464	84,367	(123,333)	1,861,278
Total segment liabilities	1,000,006	656,362	58,351	66,322	(99,280)	1,681,761
Net segment assets (shareholders' equity)	110,645	68,767	6,113	18,045	(24,053)	179,517



ADDITIONAL INFORMATION

INFORMATION ON THE PERFORMANCE RESULTS

Sustainable results of the Bank, improved profitability and capital ratios as well as growing awareness among investors at international level have increased the Bank's share price on the Nasdaq Vilnius Stock Exchange. The price of the bank's shares rose 57 per cent during 2017. Trading in Šiaulių Bankas shares reached a record and ensured a leading position – turnover on the Nasdaq Baltic Market exceeded 44 million euros and the stock was most liquid on the exchange.

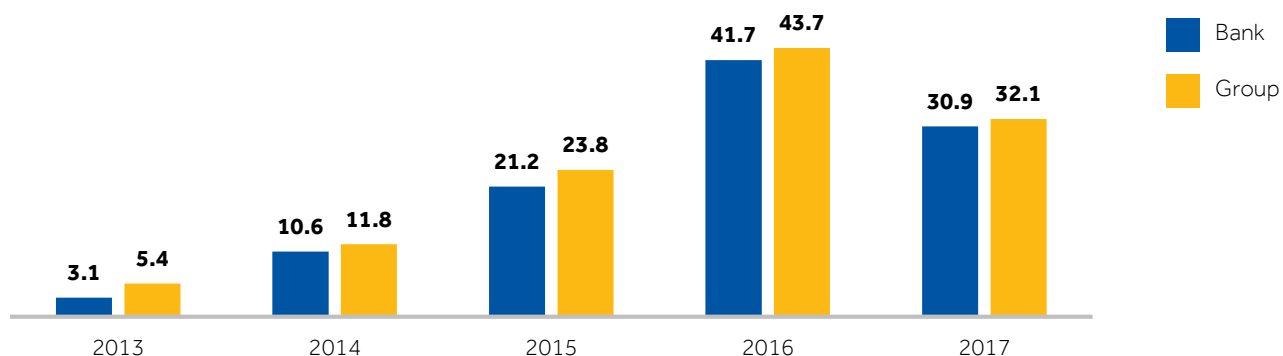
Consistently improving Bank's performance, credit risk management and financial stability, strong macroeconomic parameters of Lithuania as well as their positive trends were assessed by the international rating agency Moody's Investors Service, which assigned an investment-grade rating Baa3 with a positive outlook on 23 October:

- Long-term credit rating - Baa3;
- Short-term credit rating - P-3;
- Rating outlook - positive.

The investment rating will assist improving conditions for attracting funds which will be used to issue loans to corporate customers and to finance consumption.

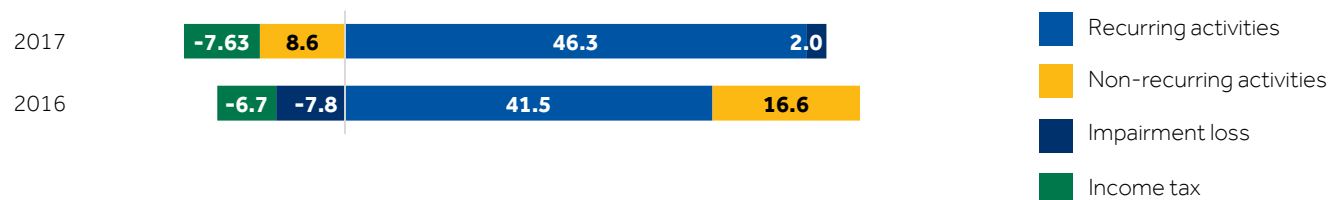
For the ninth year in a row the results of research conducted by Dive Lietuva showed that the customer service indicator at Šiaulių Bankas corresponds to the highest quality level - last year it reached a record of 98.1 per cent and ensured the second position in the banking sector with the average of 87.7 per cent. Almost all criteria attributed to the Bank were assessed at 90% and a higher score.

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



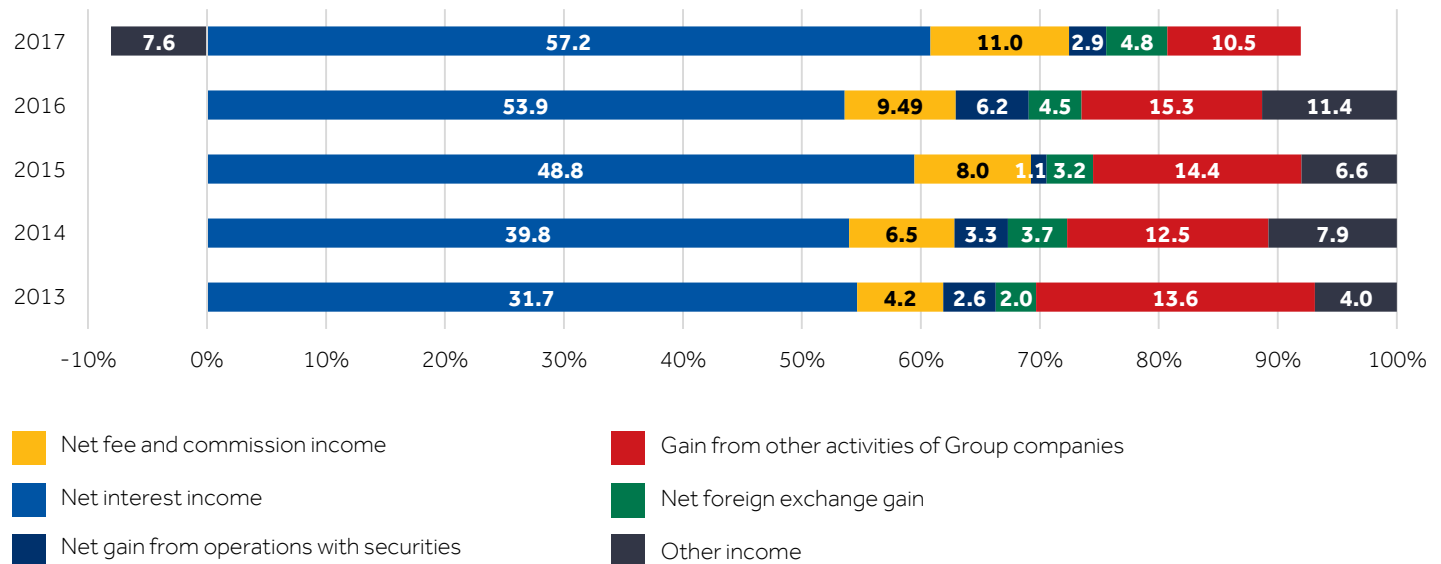
In 2017, the Group earned 32.1 million euro, the Bank - 30.9 million euro of unaudited net profit.

Recurring /Non-recurring activities (m Eur)



Compared to 2016, the group's revenue for recurring activities grew 12 per cent last year. The biggest factor behind that change was net interest income, which grew 6 per cent during the year to 57.2 million euros as lending increased and resource costs shrank. Amid larger payment volumes and steady levels of cash operations, net service fees and commission income increased 16 per cent in 2017. Significant here was strong client activity in choosing the new service plans for private and corporate clients which were introduced at the start of the year. Profit from foreign exchange operations grew 8 per cent during the year to more than 4.8 million euros.

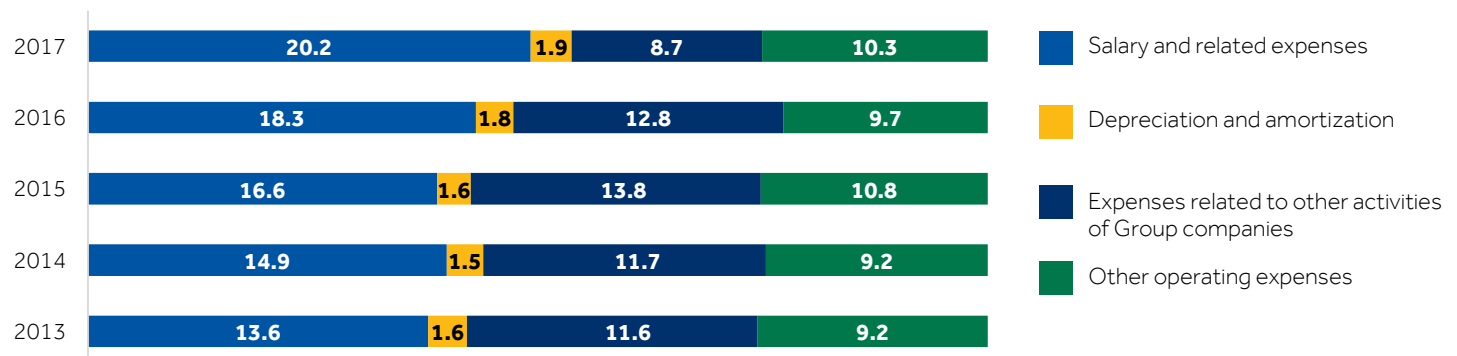
Structure of the Group's Operating Income (m Eur)



Due to growth in the market price of the Bank's shares, the value of the conversion option embedded in the subordinated loan from the EBRD increased. Growth in the value of the subordinated loan during 2017 had an unrealized negative effect of 12.1 million euros on other income. If the conversion option is exercised in the future, the accumulated negative effect would increase the equity of the bank's shareholders by a corresponding amount.

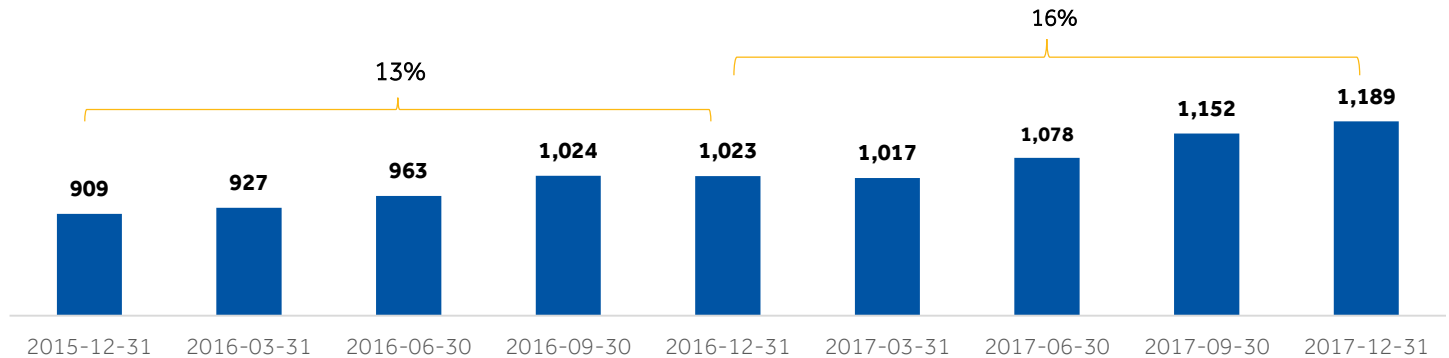
Despite growing needs and pressure on salary costs, the Group succeeds in balancing the rate of expenditure growth - it increased by 9% (not including the result of the other activities of the group companies).

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



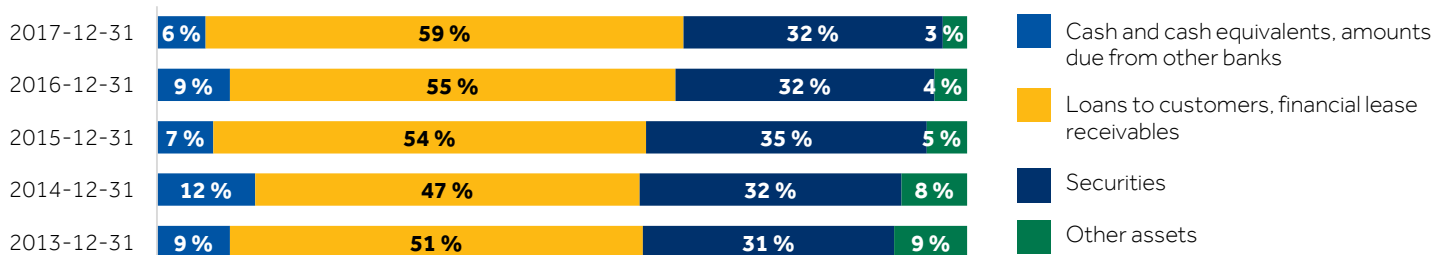
Successful activities related to the problem loans not only resulted in the overall improvement in the loan portfolio quality, but also had a positive impact on the performance of the Group - return of 2 million euros of impairment costs relating to loans and other assets was recorded in the income statement for 2017.

Loan and Lease Portfolio (m Eur)



In 2017, much attention was paid to the development and quality of the Bank's key areas of activities - corporate and consumer finance. The group's loan and financial lease portfolio grew 16 per cent in 2017 to more than 1.18 billion euros at year-end. Credit volumes have increased thanks to the choice of flexible and innovative financing solutions that the bank has continually offered clients. As an example, at the end of the year Šiaulių Bankas launched a new automated loan origination and processing system which shortened the time it takes for a client to get consumer credit. There are plans in future to also use the system to reduce the time it takes to grant other types of credit.

The Group's Asset Structure, in per cent



The group's deposit portfolio grew 9 per cent in 2017 and at the end of December exceeded 1.6 billion euros. A new saving solution – fixed-term deposits with extra interest tied to changes in the price of a certain financial asset – significantly contributed to deposit growth. Three such deposit issues were offered during the year.

The Group's Liability Structure, in per cent.



The Group maintained strong operational efficiency. The cost-to-income ratio was 52 per cent, while return on capital exceeded 16 per cent. Information on the profitability ratios is available on the Bank's internet site at: <https://www.sb.lt/en/about-bank/investors/prospectus-and-reports/> in the rubric „Profitability ratios”.

According to the data as of 31 December 2017 the Bank complied with all the prudential requirements. The information is kept up-to-date and available on the Bank's website www.sb.lt at: [About bank › To Bank's Investors › Financial statements, ratios and prospectuses - Prudential standards](#).

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

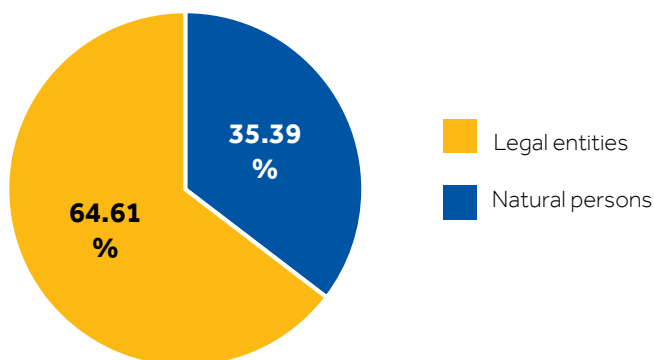
In its activities the Bank follows the laws and other legal acts of the Republic of Lithuania, the Charter of the Bank and agreements concluded, the Bank is engaged in usual activity of commercial banks.

As of 31 December 2017, the authorized capital of the Bank totalled to EUR 131,365,989.88 and is comprised of 452,986,172 units of ordinary registered shares with a nominal value of EUR 0.29 each.

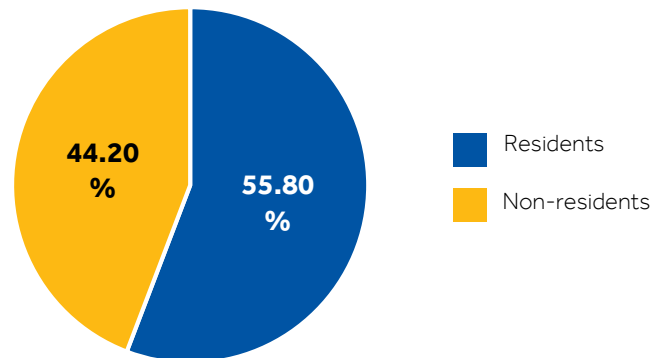
As of 31 December 2017 the number if the Bank's shareholders was 4,496 (at the end of 2016 m - 3401). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

Structure of the Bank's authorized capital as of 31 December 2017 (in per cent):

By types of shareholders



By place of residence



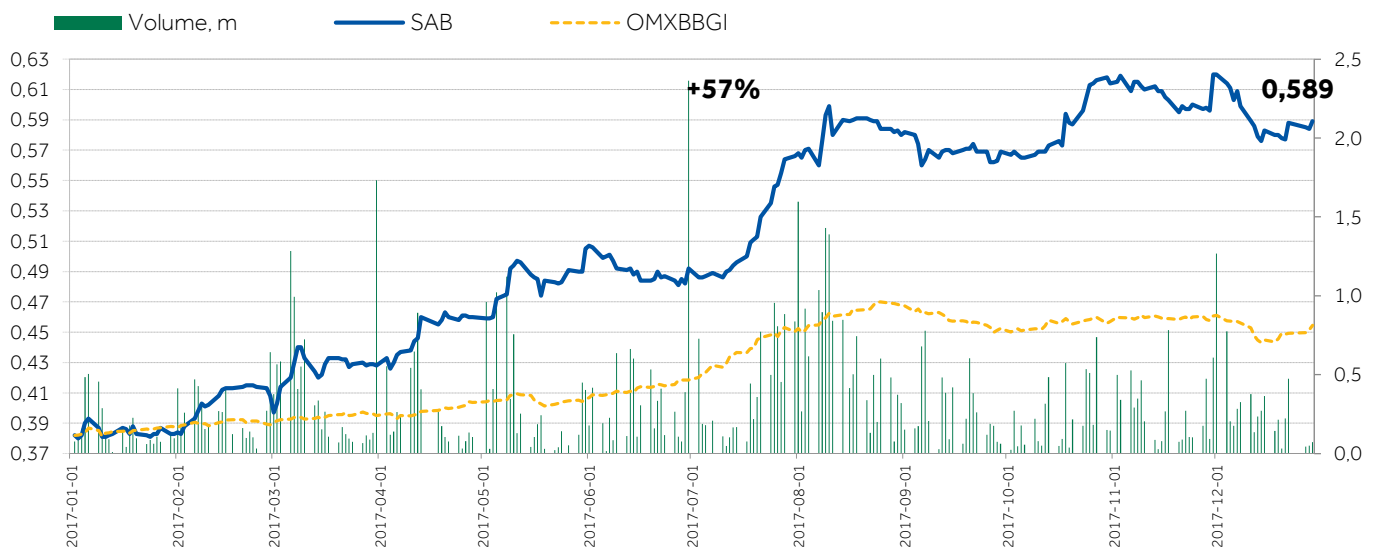
EBRD, Trade House Aiva UAB, Mintaka UAB, Enterprise group Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 38.52 per cent of the Bank's authorized capital and votes as of 31 December 2017.

General meeting of shareholders held on 30 March 2017 passed a resolution to increase the authorized capital of the Bank by EUR 21,894,331.55 from unallocated profit issuing 75,497,695 ordinary registered shares with EUR 0.29 nominal value and to distribute issued shares to the shareholders in proportion to the total nominal value of shares owned by them on the day of accounting of rights - on 13 April 2017. On 6 June 2017 amendments to the Charter related to the increase of the capital were registered with the Register of Legal Entities. Shareholders who owned the shares on the aforementioned day of accounting of the rights received 20 per cent of new shares to their personal securities accounts.

Authorized capital:

	2013-05-31	2014-06-03	2015-05-26	2018-09-14	2016-05-26	2017-06-06
Capital, EUR	72,500,000	78,300,000	85,033,800	91,226,382	109,471,658	131,365,990

Turnover and price of the Bank's shares:



Information on shares:

	2012	2013	2014	2015	2016	2017
Capitalisation, mEur	54.2	66.5	71.8	93.7	169.5	266.8
Turnover, mEur	2.8	5.5	8.1	12.7	23.1	44.5
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	8.3
Capital increase from retained earnings, %	6.5	8.0	8.6	20.0	20.0	n/d
Dividend yield, %	0.6	-	0.3	0.7	1.1	n/d

A description of the alternative performance indicators presented in the document is available on the Bank's website:

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

MANAGEMENT OF THE BANK

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

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Valdas Vitkauskas	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
						
Member since 1991, Chairman since 1999	Member since 2008	Member since 2014	I Independent member since 2012	Member since 2016	Member since 2016	Member since 2017
Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 09/05/2016/2020	Beginning / end of tenure - 09/05/2016/2020	Beginning / end of tenure - 26/06/2017/2020
Share of capital under the right of ownership, % (31/12/2017)						
2.28	5.82	0.00	0.00	0.00	0.00	0.00

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 office from 26 June 2017 upon receiving the permission from the Bank of Lithuania..

Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999, (Chairman of the Council between 1991 and 1999) Deputy Chief Executive Officer	Deputy Chairman of the Board since 2014 (In 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 Business Development 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 Assets Restructuring Division
Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020	Beginning / end of tenure - 30/03/2016/2020
Share of capital under the right of ownership, % (31/12/2017)						
3.05	0.15	0.12	0.04	0.08	0.10	0.02

GROUP OF THE BANK'S 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>
Šiaulių Bankas AB	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 operational leases	16/08/1999	145569548	Vilniaus str. 167, 76352 Šiauliai	(8 41) 598 010, (8 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 and movables)	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 management	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

ŽSA 5 UAB*	headquarters' activities (supervision and management of related units)	03/10/2012	302878779	Jogailos str. 9, LT-01116 Vilnius	8 688 56660	vaidotas@minera.lt
Sandworks UAB*	real estate management	10/10/2012	302896357	Skrudynės str. 1, LT-93123 Neringa	+370 615 34251	
Apželdinimas UAB**	afforestation, landscaping	05/02/1991	132443396	A. Mickevičiaus str. 56, LT-44244 Kaunas	+370 37 391 055	

* The Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas UAB controlled 100% shares of Sandworks UAB and ŽSA 5 UAB.

**The Bank's 100% owned subsidiary Šiaulių banko turto fondas controlled 100% shares of the company.

OTHER INFORMATION, PUBLISHED INFORMATION AND MAJOR EVENTS

Transactions with related parties

Information on these transactions with related parties is provided in [note 12](#) to the Bank's financial statements for the year 2017.

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

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

Chief Executive Officer
28 February 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 twelve 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

A handwritten signature in blue ink, appearing to read 'V. Sinius'.

Vytautas Sinius

Chief Accountant

A handwritten signature in blue ink, appearing to read 'V. Urbonienė'.

Vita Urbonienė

28 February 2018