



INTERIM INFORMATION

for the twelve month period ended 31 December 2018

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CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

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

		31 December 2018		31 December 2017	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		89,304	87,732	129,738	126,591
Securities in the trading book	2	60,182	27,896	49,175	18,284
Due from other banks		2,090	2,090	2,218	2,218
Derivative financial instruments	3	1,197	1,197	3,031	3,031
Loans to customers	1	1,262,167	1,264,741	1,098,327	1,102,927
Finance lease receivables	1	124,088	123,969	91,139	90,898
Investment securities at fair value	2	21,107	16,507	16,472	11,542
Investment securities at amortized cost	2	638,655	638,655	576,260	576,260
Investments in subsidiaries and associates	2	-	24,659	-	26,895
Intangible assets		3,359	1,975	4,535	1,684
Property, plant and equipment		8,630	8,018	10,702	10,068
Investment property		9,760	2,277	12,230	3,771
Current income tax prepayment		1,477	1,435	16	-
Deferred income tax asset		1,251	573	718	218
Other assets	3	38,462	20,014	36,201	15,579
Total assets		2,261,729	2,221,738	2,030,762	1,989,966
LIABILITIES					
Due to other banks and financial institutions		69,152	71,320	55,717	57,884
Derivative financial instruments	3	1,048	1,048	1,894	1,894
Due to customers	4	1,845,788	1,846,790	1,648,053	1,648,817
Special and lending funds	5	3,192	3,192	13,336	13,336
Debt securities in issue		20,003	20,003	20,003	20,003
Subordinated loan	12	-	-	34,203	34,203
Current income tax liabilities		233	-	3,735	3,440
Deferred income tax liabilities		598	-	525	-
Liabilities related to insurance activities		27,967	-	27,232	-
Other liabilities		19,010	10,275	16,088	8,430
Total liabilities		1,986,991	1,952,628	1,820,786	1,788,007
EQUITY					
Share capital	6	174,211	174,211	131,366	131,366
Share premium		3,428	3,428	-	-
Reserve capital		756	756	756	756
Statutory reserve	6	10,369	10,195	7,177	7,071
Accumulated other comprehensive income	6	(492)	(492)	530	290
Retained earnings		86,466	81,012	70,147	62,476
Non-controlling interest		-	-	-	-
Total equity		274,738	269,110	209,976	201,959
Total liabilities and equity		2,261,729	2,221,738	2,030,762	1,989,966

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

Chief Executive Officer

Chief Accountant

28 February 2019



Vytautas Sinius



Vita Urbonienė

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

for the twelve month period ended					
	Notes	31 December 2018		31 December 2017	
		Group	Bank	Group	Bank
Interest and similar income	7	71,260	63,741	67,078	58,136
Interest expense and similar charges	7	(8,434)	(8,443)	(9,921)	(9,915)
Net interest income		62,826	55,298	57,157	48,221
Fee and commission income	8	19,518	19,109	15,752	15,294
Fee and commission expense	8	(5,319)	(5,196)	(4,800)	(4,660)
Net fee and commission income		14,199	13,913	10,952	10,634
Net gain from operations with securities	11	962	2,448	2,923	1,556
Net gain from foreign exchange and related derivatives		6,931	6,762	4,829	5,514
Net gain (loss) from other derivatives	11	4	4	(2,885)	(2,589)
Net gain (loss) from changes in fair value of subordinated loan	12	9,043	9,043	(12,139)	(12,139)
Net gain from derecognition of financial assets		582	582	3,178	3,070
Net gain from disposal of tangible assets		2,449	273	2,897	37
Revenue related to other activities of Group companies	11	6,516	-	10,539	-
Other operating income		1,375	510	1,366	380
Salaries and related expenses		(21,085)	(17,935)	(20,192)	(16,727)
Depreciation and amortization expenses		(1,982)	(1,672)	(1,863)	(1,510)
Expenses related to other activities of Group companies	11	(3,976)	-	(8,686)	-
Other operating expenses	9	(12,100)	(9,117)	(10,293)	(7,574)
Operating profit before impairment losses		65,744	60,109	37,783	28,873
Allowance for impairment losses on loans and other assets	10	(7,743)	(4,685)	1,974	2,043
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2,10	-	(2,234)	-	(1,261)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	4,619	-	7,681
Profit before income tax		58,001	57,809	39,757	37,336
Income tax expense	11	(5,363)	(4,744)	(7,630)	(6,446)
Net profit for the period		52,638	53,065	32,127	30,890
Net profit attributable to:					
Owners of the Bank		52,638	53,065	32,127	30,890
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.10		0.06	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.10		0.06	

The notes on pages 10 to 34 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 2018		1 October - 31 December 2017	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	19,156	16,988	16,925	15,035
<i>Interest expense and similar charges</i>	(2,051)	(2,053)	(1,872)	(1,869)
Net interest income	17,105	14,935	15,053	13,166
<i>Fee and commission income</i>	5,462	5,395	4,263	4,148
<i>Fee and commission expense</i>	(1,531)	(1,514)	(1,193)	(1,156)
Net fee and commission income	3,931	3,881	3,070	2,992
<i>Net gain from operations with securities</i>	(986)	119	795	198
<i>Net gain from foreign exchange and related derivatives</i>	1,895	1,868	1,362	1,438
<i>Net gain (loss) from other derivatives</i>	23	23	(913)	(889)
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	4,084	4,084	(1,619)	(1,619)
<i>Net gain from derecognition of financial assets</i>	158	158	242	248
<i>Net gain (loss) from disposal of tangible assets</i>	1,310	8	69	-
<i>Revenue related to other activities of Group companies</i>	1,658	-	1,987	-
<i>Other operating income</i>	456	97	287	104
<i>Salaries and related expenses</i>	(5,668)	(4,764)	(5,996)	(4,962)
<i>Depreciation and amortization expenses</i>	(514)	(437)	(402)	(393)
<i>Expenses related to other activities of Group companies</i>	(319)	-	(1,781)	-
<i>Other operating expenses</i>	(4,117)	(3,051)	(2,824)	(2,033)
Operating profit before impairment losses	19,016	16,921	9,330	8,250
<i>Allowance for impairment losses on loans and other assets</i>	(2,952)	(2,339)	(66)	(164)
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	-	(1,400)	-	1,000
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	-	-	-	-
Profit before income tax	16,064	13,182	9,264	9,086
<i>Income tax expense</i>	(1,922)	(1,540)	(1,782)	(1,575)
Net profit for the period	14,142	11,642	7,482	7,511
Net profit attributable to:				
Owners of the Bank	14,142	11,642	7,482	7,511
Non-controlling interest	-	-	-	-

The notes on pages 10 to 34 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 2018		31 December 2017	
	Group	Bank	Group	Bank
Net profit for the period	52,638	53,065	32,127	30,890
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(560)	(560)	257	15
Deferred income tax on gain from revaluation of financial assets	84	84	(38)	(2)
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	352	352	N/A	N/A
Other comprehensive income, net of deferred tax	(124)	(124)	219	13
Total comprehensive income for the period	52,514	52,941	32,346	30,903
Total comprehensive income (loss) attributable to:				
Owners of the Bank	52,514	52,941	32,346	30,903
Non-controlling interest	-	-	-	-
	52,514	52,941	32,346	30,903

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

for the three month period

	1 October - 31 December 2018		1 October - 31 December 2017	
	Group	Bank	Group	Bank
Net profit for the period	14,142	11,642	7,482	7,511
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	(167)	(167)	(1)	(29)
Deferred income tax on gain (loss) from revaluation of financial assets	23	23	1	5
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	352	352	N/A	N/A
Other comprehensive income (loss), net of deferred tax	208	208	-	(24)
Total comprehensive income for the period	14,350	11,850	7,482	7,487
Total comprehensive income (loss) attributable to:				
Owners of the Bank	14,350	11,850	7,482	7,487
Non-controlling interest	-	-	-	-
	14,350	11,850	7,482	7,487

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

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Priskirtina Banko akcininkams								
1 January 2017		109,472	-	756	311	4,157	64,821	179,517	-	179,517
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	-	(21,894)	-	-	-
Transfer to statutory reserve		-	-	-	-	3,020	(3,020)	-	-	-
Payment of dividends	6	-	-	-	-	-	(1,887)	(1,887)	-	(1,887)
Total comprehensive income		-	-	-	219	-	32,127	32,346	-	32,346
31 December 2017		131,366	-	756	530	7,177	70,147	209,976	-	209,976
Impact of change in accounting principles		-	-	-	(898)	-	(8,194)	(9,092)	-	(9,092)
1 January 2018		131,366	-	756	(368)	7,177	61,953	200,884	-	200,884
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	-	(26,273)	-	-	-
Conversion of subordinated loan to share capital	6	16,572	3,428	-	-	-	4,732	24,732	-	24,732
Transfer to statutory reserve		-	-	-	-	3,192	(3,192)	-	-	-
Payment of dividends	6	-	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Reversal of deferred income tax previously recognized directly in equity	11	-	-	-	-	-	(1,127)	(1,127)	-	(1,127)
Total comprehensive income		-	-	-	(124)	-	52,638	52,514	-	52,514
31 December 2018		174,211	3,428	756	(492)	10,369	86,466	274,738	-	274,738

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Accumulated other comprehensive income	Statutory reserve	Retained earnings	Total
1 January 2017		109,472	-	756	277	4,157	58,281	172,943
Increase in share capital through bonus issue of shares	6	21,894	-	-	-	-	(21,894)	-
Transfer to statutory reserve		-	-	-	-	2,914	(2,914)	-
Payment of dividends	6	-	-	-	-	-	(1,887)	(1,887)
Total comprehensive income		-	-	-	13	-	30,890	30,903
31 December 2017		131,366	-	756	290	7,071	62,476	201,959
Impact of change in accounting principles		-	-	-	(658)	-	(6,472)	(7,130)
1 January 2018		131,366	-	756	(368)	7,071	56,004	194,829
Increase in share capital through bonus issue of shares	6	26,273	-	-	-	-	(26,273)	-
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	4,732	24,732
Transfer to statutory reserve		-	-	-	-	3,124	(3,124)	-
Payment of dividends	6	-	-	-	-	-	(2,265)	(2,265)
Reversal of deferred income tax previously recognized directly in equity	11	-	-	-	-	-	(1,127)	(1,127)
Total comprehensive income		-	-	-	(124)	-	53,065	52,941
31 December 2018		174,211	3,428	756	(492)	10,195	81,012	269,110

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

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

for the twelve month period ended

	Notes	31 December 2018		31 December 2017	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		60,002	52,483	55,595	48,309
Interest received on securities in the trading book		1,247	894	1,254	901
Interest paid		(8,913)	(8,062)	(9,647)	(9,641)
Fees and commissions received		19,518	19,109	15,752	15,294
Fees and commissions paid		(5,319)	(5,196)	(4,800)	(4,660)
Net cash inflows from trade in securities in the trading book		4,772	5,428	7,654	7,365
Net inflows from foreign exchange operations		5,637	5,468	9,152	9,837
Net inflows from derecognition of financial assets		582	582	2,026	1,918
Net inflows from derecognition of non-financial assets		8,373	282	5,962	362
Cash inflows related to other activities of Group companies		7,891	510	11,905	380
Cash outflows related to other activities of Group companies		(3,976)	-	(7,391)	-
Recoveries on loans previously written off		1,582	662	1,245	555
Salaries and related payments to and on behalf of employees		(20,422)	(17,272)	(19,953)	(16,488)
Payments related to operating and other expenses		(12,100)	(9,154)	(10,276)	(7,506)
Income tax paid		(10,704)	(9,893)	(8,664)	(7,901)
Net cash flow from operating activities before change in operating assets and liabilities		48,170	35,841	49,814	38,725
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		128	128	3,119	3,119
(Increase) in loans to customers and finance lease receivables		(209,498)	(200,829)	(155,379)	(140,816)
Decrease (increase) in other assets		(11,580)	(6,069)	(4,694)	(10,698)
Decrease (increase) in due to banks and financial institutions		14,075	13,216	(34,545)	(34,664)
Increase (decrease) increase in due to customers		197,499	197,737	153,161	153,534
Increase in special and lending funds		(10,144)	(10,144)	(14,990)	(14,990)
Increase (decrease) in other liabilities		2,994	1,213	2,039	313
Change		(16,526)	(4,748)	(51,289)	(44,202)
Net cash flow from (used in) from operating activities		31,644	31,093	(1,475)	(5,477)
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(2,328)	(2,053)	(1,450)	(1,578)
Disposal of property, plant and equipment, investment property and intangible assets		3,555	1,126	8,114	398
Acquisition of securities held to collect cash flows		(133,985)	(133,985)	(149,508)	(149,508)
Proceeds from redemption of securities held to collect cash flows		53,503	53,503	85,897	85,897
Interest received on securities held to collect cash flows		13,900	13,900	13,177	13,177
Dividends received		37	4,647	15	7,425
Acquisition of investment securities at fair value		(7,078)	(7,408)	(15,021)	(6,306)
Sale or redemption of investment securities at fair value		2,459	2,459	17,502	12,592
Interest received on investment securities at fair value		251	251	481	465
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	-	-	256
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	-	-	(1,000)
Net cash flow (used in) from investing activities		(69,686)	(67,560)	(40,793)	(38,182)
Financing activities					
Payment of dividends		(2,272)	(2,272)	(1,864)	(1,864)
Issue and interest on debt securities in issue		(120)	(120)	20,003	20,003
Net cash flow (used in) financing activities		(2,392)	(2,392)	18,139	18,139
Net increase (decrease) in cash and cash equivalents		(40,434)	(38,859)	(24,129)	(25,520)
Cash and cash equivalents at 1 January		129,738	126,591	153,867	152,111
Cash and cash equivalents at 31 December		89,304	87,732	129,738	126,591

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

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document, 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 62 customer service outlets (2017: 65 outlets). As at 31 December 2018 the Bank had 714 employees (31 December 2017: 702). As at 31 December 2018 the Group had 815 employees (31 December 2017: 805 employees).

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

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

As of 31 December 2018 and 31 December 2017 the Bank owned the following directly controlled subsidiaries:

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

As of 31 December 2018 and 31 December 2017 the Bank owned the following indirectly controlled subsidiaries:

9. Apželdinimas UAB (real estate management activities),
10. Sandworks UAB (real estate management activities),
11. ŽSA 5 UAB (activities of head offices).

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

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

Income tax

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

New and amended standards, and interpretations

The Group adopted IFRS9 from 1 January 2018. The impact of adoption of the standard is described in Bank's annual financial statements for the year ended 31 December 2017. The impact of IFRS9 adoption to accumulated comprehensive income is described in more detail in Note 6 to the condensed interim financial statements, the impact to loans and finance lease receivables - in Note 1, the impact to derivative financial instruments - in Note 3, the impact to allowance for impairment - in Note 10. As the Group chose not to recalculate comparative financial information, data as of 31 December 2017 and earlier dates may not be directly comparable to the data as of reporting date.

IFRS 16, which will be effective for annual periods starting from 1 January 2019 or later, also will have impact on Group's financial statements. The impact is planned to be disclosed in the 2018 annual financial statements.

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

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

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

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

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

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

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

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

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

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

	<i>31 December 2018</i>		<i>31 December 2017</i>	
	<i>Group</i>	<i>Bank</i>	<i>Group</i>	<i>Bank</i>
<i>Loans and advances to banks</i>	2,090	2,090	2,218	2,218
<i>Loans and advances to customers</i>	1,262,167	1,264,741	1,098,327	1,102,927
<i>Finance lease receivables</i>	124,088	123,969	91,139	90,898
<i>Debt securities at fair value through profit or loss</i>	42,384	27,332	30,589	17,755
<i>Derivative financial instruments</i>	1,197	1,197	3,031	3,031
<i>Debt securities at fair value through other comprehensive income</i>	16,379	15,984	11,322	10,914
<i>Debt securities at amortized cost</i>	638,655	638,655	576,260	576,260
<i>Other assets subject to credit risk</i>	13,213	12,708	10,485	9,616
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	34,198	34,264	33,787	33,814
<i>Letters of credit</i>	1,141	1,141	262	262
<i>Loan commitments and other credit related liabilities</i>	214,326	235,952	173,233	188,725
Total	2,349,838	2,358,033	2,030,653	2,036,420

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

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
Gross	1,304,933	1,301,592	1,131,562	1,132,480
<i>Subtract: allowance for impairment</i>	(42,766)	(36,851)	(33,235)	(29,553)
Net	1,262,167	1,264,741	1,098,327	1,102,927

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

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

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

	Group					1 January 2018				
	31 December 2018					1 January 2018				
	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
<i>Gross amount</i>	1,031,497	54,606	467	1	1,086,571	855,286	60,111	195	-	915,592
<i>Allowance for impairment</i>	(4,845)	(953)	(41)	-	(5,839)	(3,973)	(794)	(30)	-	(4,797)
Net amount	1,026,652	53,653	426	1	1,080,732	851,313	59,317	165	-	910,795
Stage 2:										
<i>Gross amount</i>	120,315	14,537	6,063	2	140,917	141,700	13,151	7,672	-	162,523
<i>Allowance for impairment</i>	(2,200)	(525)	(1,737)	-	(4,462)	(4,282)	(314)	(1,661)	-	(6,257)
Net amount	118,115	14,012	4,326	2	136,455	137,418	12,837	6,011	-	156,266
Stage 3:										
<i>Gross amount</i>	21,826	5,293	2,734	47,592	77,445	7,054	5,040	1,027	42,676	55,797
<i>Allowance for impairment</i>	(7,665)	(1,367)	(893)	(22,540)	(32,465)	(4,656)	(2,560)	(547)	(22,549)	(30,312)
Net amount	14,161	3,926	1,841	25,052	44,980	2,398	2,480	480	20,127	25,485
Total:										
<i>Gross amount</i>	1,173,638	74,436	9,264	47,595	1,304,933	1,004,040	78,302	8,894	42,676	1,133,912
<i>Allowance for impairment</i>	(14,710)	(2,845)	(2,671)	(22,540)	(42,766)	(12,911)	(3,668)	(2,238)	(22,549)	(41,366)
Net amount	1,158,928	71,591	6,593	25,055	1,262,167	991,129	74,634	6,656	20,127	1,092,546

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

		Bank									
		31 December 2018					1 January 2018				
		Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:											
Gross amount		1,038,871	46,718	149	1	1,085,739	866,344	53,347	-	-	919,691
Allowance for impairment		(3,139)	(260)	-	-	(3,399)	(2,634)	(195)	-	-	(2,829)
Net amount		1,035,732	46,458	149	1	1,082,340	863,710	53,152	-	-	916,862
Stage 2:											
Gross amount		124,707	14,537	2,420	2	141,666	145,899	13,151	4,613	-	163,663
Allowance for impairment		(2,248)	(525)	(175)	-	(2,948)	(4,294)	(314)	(365)	-	(4,973)
Net amount		122,459	14,012	2,245	2	138,718	141,605	12,837	4,248	-	158,690
Stage 3:											
Gross amount		21,568	5,099	2,054	45,466	74,187	6,126	4,899	702	39,749	51,476
Allowance for impairment		(7,483)	(1,235)	(428)	(21,358)	(30,504)	(4,593)	(2,452)	(299)	(20,621)	(27,965)
Net amount		14,085	3,864	1,626	24,108	43,683	1,533	2,447	403	19,128	23,511
Total:											
Gross amount		1,185,146	66,354	4,623	45,469	1,301,592	1,018,369	71,397	5,315	39,749	1,134,830
Allowance for impairment		(12,870)	(2,020)	(603)	(21,358)	(36,851)	(11,521)	(2,961)	(664)	(20,621)	(35,767)
Net amount		1,172,276	64,334	4,020	24,111	1,264,741	1,006,848	68,436	4,651	19,128	1,099,063

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

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

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

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

Finance lease receivables

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

		31 December 2018		31 December 2017	
		Group	Bank	Group	Bank
Business customers		105,634	104,784	76,468	75,576
Individuals		21,100	21,027	16,069	15,926
Gross		126,734	125,811	92,537	91,502
Subtract: Allowance for impairment		(2,646)	(1,842)	(1,398)	(604)
Net		124,088	123,969	91,139	90,898

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

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

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

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

	Group					1 January 2018				
	31 December 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	81,625	15,481	9	-	97,115	51,793	12,292	42	-	64,127
Allowance for impairment	(307)	(42)	-	-	(349)	(190)	(60)	-	-	(250)
Net amount	81,318	15,439	9	-	96,766	51,603	12,232	42	-	63,877
Stage 2:										
Gross amount	12,947	3,528	1,650	-	18,125	14,218	10,771	1,096	-	26,085
Allowance for impairment	(300)	(146)	(91)	-	(537)	(606)	(252)	(37)	-	(895)
Net amount	12,647	3,382	1,559	-	17,588	13,612	10,519	1,059	-	25,190
Stage 3:										
Gross amount	5,625	135	6	5,728	11,494	-	-	47	2,313	2,360
Allowance for impairment	(278)	(55)	(3)	(1,424)	(1,760)	-	-	(34)	(1,784)	(1,818)
Net amount	5,347	80	3	4,304	9,734	-	-	13	529	542
Total:										
Gross amount	100,197	19,144	1,665	5,728	126,734	66,011	23,063	1,185	2,313	92,572
Allowance for impairment	(885)	(243)	(94)	(1,424)	(2,646)	(796)	(312)	(71)	(1,784)	(2,963)
Net amount	99,312	18,901	1,571	4,304	124,088	65,215	22,751	1,114	529	89,609

	Bank					1 January 2018				
	31 December 2018					1 January 2018				
	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due <= 30 days	Past due 31-90 days	Past due >90 days	Total
Stage 1:										
Gross amount	81,595	15,475	9	-	97,079	51,707	12,267	42	-	64,016
Allowance for impairment	(307)	(42)	-	-	(349)	(189)	(60)	-	-	(249)
Net amount	81,288	15,433	9	-	96,730	51,518	12,207	42	-	63,767
Stage 2:										
Gross amount	12,947	3,528	1,650	-	18,125	14,218	10,771	1,057	-	26,046
Allowance for impairment	(300)	(146)	(92)	-	(538)	(606)	(252)	(36)	-	(894)
Net amount	12,647	3,382	1,558	-	17,587	13,612	10,519	1,021	-	25,152
Stage 3:										
Gross amount	5,624	135	5	4,843	10,607	-	-	5	1,470	1,475
Allowance for impairment	(277)	(55)	(2)	(621)	(955)	-	-	(2)	(1,002)	(1,004)
Net amount	5,347	80	3	4,222	9,652	-	-	3	468	471
Total:										
Gross amount	100,166	19,138	1,664	4,843	125,811	65,925	23,038	1,104	1,470	91,537
Allowance for impairment	(884)	(243)	(94)	(621)	(1,842)	(795)	(312)	(38)	(1,002)	(2,147)
Net amount	99,282	18,895	1,570	4,222	123,969	65,130	22,726	1,066	468	89,390

Securities in the trading book

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

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
Debt securities:	42,384	27,332	30,589	17,755
Government bonds	13,533	5,637	13,406	5,905
Corporate bonds	28,851	21,695	17,183	11,850
Equity securities	17,798	564	18,586	529
Total	60,182	27,896	49,175	18,284

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	40,619	27,332	29,103	17,755
from AA- to AAA	1,794	1,236	1,209	1,209
from A- to A+	15,097	11,071	8,703	5,970
from BBB- to BBB+	16,284	9,273	12,549	6,576
from BB- to BB+	3,948	2,256	4,395	1,753
lower than BB-	50	50	543	543
no rating	3,446	3,446	1,704	1,704
Equity securities	564	564	529	529
listed	560	560	470	470
unlisted	4	4	4	4
units of investment funds	-	-	55	55
Total trading securities	41,183	27,896	29,632	18,284
Other trading book securities:				
Debt securities	1,765	-	1,486	-
from AA- to AAA	-	-	-	-
from A- to A+	1,437	-	936	-
from BBB- to BBB+	328	-	550	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	17,234	-	18,057	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,234	-	18,057	-
Total other trading book securities	18,999	-	19,543	-
TOTAL	60,182	27,896	49,175	18,284

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

NOTE 2 SECURITIES (continued)

Investment securities

Investment securities are comprised of:

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

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
<u>Securities at fair value (31 December 2017 - Securities available for sale):</u>				
Debt securities:	16,379	15,984	11,322	10,914
Government bonds	3,325	3,325	-	-
Corporate bonds	13,054	12,659	11,322	10,914
Equity securities	4,728	523	5,150	628
Total	21,107	16,507	16,472	11,542
<u>Securities at amortized cost (31 December 2017 - Held-to-maturity securities):</u>				
Debt securities:	638,655	638,655	576,260	576,260
Government bonds	463,943	463,943	418,063	418,063
Corporate bonds	174,712	174,712	158,197	158,197
Total	638,655	638,655	576,260	576,260

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

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
<u>Securities at fair value (31 December 2017 - Securities available for sale):</u>				
Debt securities	16,379	15,984	11,322	10,914
from AA- to AA+	-	-	-	-
from A- to A+	5,563	5,563	3,760	3,760
from BBB- to BBB+	10,268	10,268	6,992	6,992
from BB- to BB+	-	-	162	162
lower than BB-	153	153	-	-
no rating	395	-	408	-
Equities	4,728	523	5,150	628
listed	-	-	-	-
unlisted	848	432	1,212	414
units of investment funds	3,880	91	3,938	214
Total	21,107	16,507	16,472	11,542
<u>Securities at amortized cost (31 December 2017 - Held-to-maturity securities):</u>				
Debt securities	638,655	638,655	576,260	576,260
from AA- to AA+	9,990	9,990	14,034	14,034
from A- to A+	453,265	453,265	404,663	404,663
from BBB- to BBB+	172,370	172,370	153,905	153,905
from BB- to BB+	3,030	3,030	3,658	3,658
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	638,655	638,655	576,260	576,260

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

NOTE 2 SECURITIES (continued)

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

	31 December 2018		1 January 2018	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	653,179	652,779	587,070	586,662
Allowance for impairment	(317)	(312)	(294)	(289)
Net amount	652,862	652,467	586,776	586,373
Stage 2:				
Gross amount	2,219	2,219	512	512
Allowance for impairment	(47)	(47)	(2)	(2)
Net amount	2,172	2,172	510	510
Stage 3:				
Gross amount	1,013	-	1,022	-
Allowance for impairment	(1,013)	-	(1,022)	-
Net amount	-	-	-	-

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

Investments in subsidiaries

	31 December 2018			31 December 2017		
	Share in equity, %	Acquisition cost	Carrying amount	Share in equity, %	Acquisition cost	Carrying amount
Bank						
<i>Investments in consolidated directly controlled subsidiaries:</i>						
Bonum Publicum GD UAB	100.00%	8,399	6,999	100.00%	8,399	8,399
Minera UAB	100.00%	6,165	2,794	100.00%	6,165	3,566
Pavasaris UAB	100.00%	10,456	0	100.00%	10,456	119
SB lizingas UAB	100.00%	8,862	8,862	100.00%	8,862	8,862
SBTF UAB	100.00%	1,029	1,029	100.00%	1,029	579
Šiaulių Banko Investicijų Valdymas UAB	100.00%	5,479	747	100.00%	5,479	747
Šiaulių Banko Lizingas UAB	100.00%	4,460	1,069	100.00%	4,460	1,069
Šiaulių Banko Turto Fondas UAB	100.00%	3,999	3,159	100.00%	3,999	3,554
Total		48,849	24,659		48,849	26,895

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

*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

** Indirectly controlled by subsidiary Šiaulių Banko Turto Fondas UAB

During the twelve month period ended 31 December 2018, EUR 1,400 thousand to investment in Bonum Publicum (amount equal to the goodwill impairment in Group's financial statements – see Note 17 for details), EUR 770 thousand to investment in Minera UAB and EUR 395 thousand to investment in Šiaulių Banko Turto Fondas UAB (due to losses incurred by these subsidiaries); EUR 119 thousand investment in Pavasaris UAB (value of the investment reduced after the same amount of dividends were paid by the entity) and reversed an EUR 450 thousand impairment to the investment in SBTF UAB (due to the increase in recoverable amount from the investment).

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).

NOTE 3

SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Derivative financial instruments

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

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

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

Other assets

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
Amounts receivable	13,213	12,708	10,485	9,616
Inventories	16,312	-	18,316	-
Deferred charges	895	848	888	859
Assets under reinsurance and insurance contracts	597	-	650	-
Prepayments	4,607	3,777	4,188	3,607
Foreclosed assets	193	142	764	712
Assets classified as held for sale	1,794	1,794	-	-
Other	851	745	910	785
Total	38,462	20,014	36,201	15,579

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

On IFRS9 adoption, additional allowance for impairment (Group EUR 307 thousand; Bank EUR 288 thousand) against amounts receivable was recognized using expected loss model. As at 31 December 2018, the allowance for impairment against amounts receivable amounted to: Group EUR 395 thousand, Bank EUR 372 thousand.

NOTE 4 DUE TO CUSTOMERS

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	24,043	24,043	21,553	21,553
<i>Local government institutions</i>	63,274	63,274	75,060	75,060
<i>Governmental and municipal companies</i>	28,558	28,558	23,431	23,431
<i>Corporate entities</i>	388,159	388,537	274,888	275,321
<i>Non-profit organisations</i>	15,284	15,284	13,309	13,309
<i>Individuals</i>	383,548	383,548	305,237	305,237
<i>Unallocated amounts due to customers</i>	44,838	45,462	40,099	40,430
Total demand deposits	947,704	948,706	753,577	754,341
<i>Time deposits:</i>				
<i>National government institutions</i>	1,334	1,334	231	231
<i>Local government institutions</i>	907	907	948	948
<i>Governmental and municipality companies</i>	5,498	5,498	1,718	1,718
<i>Corporate entities</i>	64,554	64,554	61,522	61,522
<i>Non-profit organisations</i>	2,347	2,347	2,433	2,433
<i>Individuals</i>	823,444	823,444	827,624	827,624
Total time deposits	898,084	898,084	894,476	894,476
Total	1,845,788	1,846,790	1,648,053	1,648,817

NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The decrease in special and lending funds from EUR 13,336 thousand in the beginning of the year to EUR 3,192 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

NOTE 6 CAPITAL

As of 31 December 2018 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each (31 December 2017 the Bank's share capital amounted to EUR 131,365,989.88, it comprised 452,986,172 ordinary registered shares with par value of EUR 0.29 each).

The extraordinary meeting of shareholders of Šiaulių bankas that took place on 24 September 2018 passed a resolution to increase Bank's share capital by EUR 16,572 thousand by additional contributions issuing 57 142 857 ordinary registered shares with nominal value of EUR 0.29 and setting the issue price of EUR 0.35 per issued share (i.e. share premium amounts to EUR 3,428 thousand). The European Bank for Reconstruction and Development (hereinafter - EBRD) was provided with the right to acquire all the shares of the new issue. These shares were paid by offsetting mutual commitment between the Bank and EBRD under the subordinated convertible loan agreement signed 23 February 2013 (more information on subordinated loan is presented in Note 12). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 13 December 2018.

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

The ordinary meeting of shareholders of Šiaulių bankas that took place on 30 March 2017 passed a resolution to increase Bank's share capital by EUR 21,894 thousand (20%) using Bank's own resources (retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 6 June 2017, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of the day of accounting of rights of the Meeting (13 April 2017).

At 31 December 2018, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

NOTE 6 CAPITAL (continued)

Shareholders of the Bank that had 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, formed a group of acting together shareholders. As of 31 December 2017, this group possessed 38.52 percent of the authorised capital and votes of the Bank. Shareholders agreement was terminated on 20 December 2018 – i.e. the date when the new share issue that converted subordinated loan into share capital was transferred to the EBRD's securities account.

As at 31 December 2018, the Bank had 4,992 shareholders (as at 31 December 2017: 4,496).

Dividends:

On 29 March 2018 the ordinary general meeting of shareholders made a decision to pay EUR 0.005 (i.e. 1.72%) dividends per one ordinary registered share with EUR 0.29 nominal value each. On 30 March 2017 the ordinary general meeting of shareholders made a decision to pay EUR 0.005 (i.e. 1.72%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

Statutory Reserve:

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

Accumulated Other Comprehensive Income:

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

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

	Group					Bank				
	As reported in 31 Dec 2017 financial statements	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	12mo other comprehensive income	Amount as at 31 Dec 2018	As reported in 31 Dec 2017 financial statements	Changes due to IFRS9 adoption	Initial amount as at 1 Jan 2018	12mo other comprehensive income	Amount as at 31 Dec 2018
Items that may be subsequently reclassified to profit or loss:										
accumulated change in fair value of available-for-sale equities (after tax)	546	(546)	-	-	-	306	(306)	-	-	-
accumulated change in fair value of debt securities at fair value through other comprehensive income (after tax)	(16)	-	(16)	(476)	(492)	(16)	-	(16)	(476)	(492)
Items that may not be subsequently reclassified to profit or loss:										
accumulated amount of change in the fair value of subordinated loan that is attributable to changes in the credit risk of that liability	-	(352)	(352)	352	-	-	(352)	(352)	352	-
Total accumulated other comprehensive income	530	(898)	(368)	(124)	(492)	290	(658)	(368)	(124)	(492)

NOTE 7 NET INTEREST INCOME

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
on loans to other banks and financial institutions and placements with credit institutions	332	2,565	94	2,426
on loans to customers	54,172	44,930	50,303	40,420
on debt securities	11,149	10,722	12,300	11,884
on finance leases	5,525	5,442	4,381	3,406
other interest income	82	82	-	-
Total interest income	71,260	63,741	67,078	58,136
<i>Interest expense:</i>				
on financial liabilities designated at fair value through profit or loss	(860)	(860)	(992)	(992)
on financial liabilities measured at amortised cost	(7,330)	(7,339)	(8,719)	(8,713)
on other liabilities	(244)	(244)	(210)	(210)
Total interest expense	(8,434)	(8,443)	(9,921)	(9,915)

NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	3,811	3,811	3,571	3,571
for settlement services	5,222	5,254	3,894	3,901
for cash operations	4,349	4,349	3,287	3,287
for account administration	3,069	3,069	2,307	2,307
for guarantees, letters of credit, documentary collection	516	516	377	377
for collection of utility and similar payments	253	257	279	288
for services related to securities	1,395	1,486	1,168	1,306
other fee and commission income	903	367	869	257
Total fee and commission income	19,518	19,109	15,752	15,294
<i>Fee and commission expense:</i>				
for payment cards	(3,097)	(3,093)	(2,863)	(2,861)
for cash operations	(916)	(916)	(848)	(848)
for correspondent bank and payment system fees	(422)	(303)	(370)	(237)
for services of financial data vendors	(185)	(185)	(176)	(176)
for services related to securities	(468)	(468)	(362)	(357)
other fee and commission expenses	(231)	(231)	(181)	(181)
Total fee and commission expense	(5,319)	(5,196)	(4,800)	(4,660)
Net fee and commission income	14,199	13,913	10,952	10,634

NOTE 9 OTHER OPERATING EXPENSES

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1,458)	(1,261)	(1,396)	(1,208)
Utility services for buildings and premises	(684)	(622)	(653)	(591)
Other expenses related to buildings and premises	(333)	(331)	(258)	(256)
Transportation expenses	(529)	(361)	(439)	(406)
Legal costs	(390)	(390)	(63)	(63)
Personnel and training expenses	(241)	(222)	(305)	(209)
IT and communication expenses	(2,430)	(2,210)	(2,097)	(1,890)
Marketing and charity expenses	(2,968)	(1,817)	(2,078)	(1,231)
Service organisation expenses	(1,302)	(1,147)	(1,141)	(993)
Non-income taxes, fines	(521)	(78)	(550)	(37)
Costs incurred due to debt recovery	(388)	(247)	(417)	(285)
Other expenses	(856)	(431)	(896)	(405)
Total	(12,100)	(9,117)	(10,293)	(7,574)

NOTE 10 IMPAIRMENT LOSSES

The data presented in this note as of 1 January - 31 December 2018 and as of 1 January - 30 December 2017 is not fully comparable as it is calculated using different reporting standards: for calculation of impairment losses in 2018, expected loss model in line with IFRS9 was used, and in 2017 – incurred loss model in line with IAS 39 was used.

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(4,834)	(4,090)	1,313	1,492
Recoveries of loans previously written-off	1,407	656	1,104	555
Reversal of impairment losses / (impairment losses) on finance lease receivables	316	305	(101)	(29)
Recovered previously written-off finance lease receivables	170	-	141	-
(Impairment losses) on debt securities	(68)	(68)	-	-
Reversal of impairment losses on due from banks	9	9	-	-
Reversal of impairment losses / (impairment losses) on other financial assets	(73)	(75)	(68)	-
(Impairment losses) on subsidiaries	-	(2,234)	-	(1,206)
Revaluation of subsidiaries classified as held for sale	-	-	-	(55)
(Impairment losses) on goodwill	(1,400)	-	-	-
(Impairment losses) / reversal of impairment losses on other non-financial assets	(2,916)	(1,319)	(415)	25
Provisions for guarantees given, legal and other off-balance sheet commitments	(354)	(103)	-	-
Total	(7,743)	(6,919)	1,974	782

NOTE 10 IMPAIRMENT LOSSES (continued)

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
<u>Allowance for impairment of loans</u>				
As at 31 December	33,235	29,553	36,802	32,440
Impact of change in accounting principles	8,131	6,214	-	-
As at 1 January	41,366	35,767	36,802	32,440
Change in allowance for loan impairment	4,834	4,090	(1,313)	(1,492)
Loans written off during the period	(3,434)	(3,007)	(2,252)	(1,397)
Other factors (reclassification, FX rate shift, etc.)	-	1	(2)	2
As at 31 December	42,766	36,851	33,235	29,553
<u>Allowance for impairment of finance lease receivables</u>				
As at 31 December	1,397	604	1,308	201
Impact of change in accounting principles	1,566	1,543	-	-
As at 1 January	2,963	2,147	1,308	201
Change in allowance for impairment of finance lease receivables	(316)	(305)	101	29
Finance lease receivables written off during the period	(1)	-	(15)	-
Other factors (reclassification, FX rate shift, etc.)	-	-	3	374
As at 31 December	2,646	1,842	1,397	604
<u>Allowance for impairment of debt securities</u>				
As at 31 December	1,022	-	1,022	-
Impact of change in accounting principles	296	291	-	-
As at 1 January	1,318	291	1,022	-
Change in allowance for impairment of debt securities	68	68	-	-
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	(9)	-	-	-
As at 31 December	1,377	359	1,022	-
<u>Allowance for impairment of due from banks</u>				
As at 31 December	-	-	-	-
Impact of change in accounting principles	22	22	-	-
As at 1 January	22	22	-	-
Change in allowance for impairment of due from banks	(9)	(9)	-	-
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 December	13	13	-	-
<u>Allowance for impairment of other financial assets</u>				
As at 31 December	23	15	30	15
Impact of change in accounting principles	307	288	-	-
As at 1 January	330	303	30	15
Change in allowance for impairment of other financial assets	73	75	68	-
Other financial assets written off during the period	-	-	(76)	-
Other factors (reclassification, FX rate shift, etc.)	(8)	(6)	1	-
As at 31 December	395	372	23	15

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from operations with securities

A gain of EUR 2,399 thousand resulting from the sale of debt securities at amortized cost (debt securities held to collect cash flows) is included in the net gain from operations with securities for the twelve month period ended 31 December 2018. During the twelve month period ended 31 December 2017, net gain from investment securities at amortized cost amounted to EUR 393 thousand.

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS (continued)

Revenues and expenses related to other activities of Group companies

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
Revenue related to insurance activities	6,465	-	6,390	-
Revenue from sale of apartments	51	-	4,149	-
Profit from discontinued operations	-	-	-	-
Total revenue related to other activities of Group companies	6,516	-	10,539	-
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	(123)	-	(650)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(3,807)	-	(4,349)	-
Cost of apartments sold	(46)	-	(3,677)	-
Loss from discontinued operations	-	-	(10)	-
Total expenses related to other activities of Group companies	(3,976)	-	(8,686)	-

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

	1 January - 31 December 2018		1 January - 31 December 2017	
	Group	Bank	Group	Bank
Interest and similar income	31	-	42	-
Net gain (loss) from operations with securities	(45)	-	1,269	-
Net gain (loss) from foreign exchange	137	-	(661)	-
Total	123	-	650	-

Income tax expense

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

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

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

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

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

	31 December 2018		31 December 2017	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	3,176	243	2,036	133
<i>Other related parties (excluding subsidiaries of the Bank)</i>	12,697	51,983	19,667	53,335
Total	15,873	52,226	21,703	53,468

The Group and the Bank held debt securities of one entity attributable to related parties. On 31 December 2018 debt securities attributable to related parties exposure amounted to EUR 103 thousand for the Group and the Bank (31 December 2017: EUR 234 thousand).

Transactions with EBRD:

The Group/Bank had 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. In 2018, the loan was repaid by converting it to Bank's shares (see Note 6 for details). The agreement for the loan was signed at the end of February 2013. Loan amount was 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 860 thousand, a gain of EUR 9,043 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2018 (2017: interest expenses EUR 992 thousand, revaluation loss EUR 12,139 thousand).

NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

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

	31 December 2018		31 December 2017	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	2,043	13,887	434	32,170
<i>Financial institutions</i>	1,128	74,907	2,497	49,167
	3,171	88,794	2,931	81,337

Bank's total balances with subsidiaries:

	31 December 2017	31 December 2017
Assets		
<i>Loans</i>	68,518	65,765
<i>Other assets</i>	19	21
<i>Bank's investment in subsidiaries</i>	24,659	26,895
<i>Bank's investment in subsidiaries classified as assets held for sale</i>	-	-
Liabilities and shareholders' equity		
<i>Deposits</i>	3,171	2,931
<i>Other liabilities</i>	1	-

Income and expenses arising from transactions with subsidiaries:

	1 January– 31 December 2018	1 January– 31 December 2017
Income		
<i>Interest</i>	2,865	2,988
<i>Commission income</i>	222	242
<i>FX income</i>	4	9
<i>Dividends</i>	4,619	7,672
<i>Other income</i>	39	161
Expenses		
<i>Interest</i>	(14)	(7)
<i>Operating expenses</i>	(30)	(91)
<i>Reversal of allowance for impairment losses / (impairment losses) on loans</i>	(7)	(31)
<i>Reversal of allowance / (allowance) for impairment losses on investments in subsidiaries</i>	(2,234)	(1,261)

As of 31 December 2018, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 49 thousand (31 December 2017: EUR 42 thousand).

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued) NOTE 13

The structure of the Group's assets and liabilities by maturity as at 31 December 2018 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	95,587	52,539	90,540	98,567	246,403	629,534	974,388	74,171	2,261,729
<i>Total liabilities and shareholders' equity</i>	992,960	113,137	125,879	169,865	311,496	202,238	71,416	274,738	2,261,729
<i>Net liquidity gap</i>	(897,373)	(60,598)	(35,339)	(71,298)	(65,093)	427,296	902,972	(200,567)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2017 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	137,164	33,595	70,372	89,021	140,363	604,350	862,794	93,103	2,030,762
<i>Total liabilities and shareholders' equity</i>	766,880	126,769	132,829	191,718	350,756	198,355	53,479	209,976	2,030,762
<i>Net liquidity gap</i>	(629,716)	(93,174)	(62,457)	(102,697)	(210,393)	405,995	809,315	(116,873)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2018 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	94,015	51,975	129,504	91,633	233,863	607,352	947,342	66,054	2,221,738
<i>Total liabilities and shareholders' equity</i>	993,894	107,073	125,628	169,086	310,678	200,265	46,004	269,110	2,221,738
<i>Net liquidity gap</i>	(899,879)	(55,098)	3,876	(77,453)	(76,815)	407,087	901,338	(203,056)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2017 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	134,018	29,307	103,106	90,722	130,395	579,247	838,420	84,751	1,989,966
<i>Total liabilities and shareholders' equity</i>	768,144	121,322	132,220	191,191	349,964	196,569	28,597	201,959	1,989,966
<i>Net liquidity gap</i>	(634,126)	(92,015)	(29,114)	(100,469)	(219,569)	382,678	809,823	(117,208)	-

Market risk

The Group takes on exposure to market risk, which means the risk for the Bank to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (foreign currency risk), interest rates (interest rate risk) or equities prices (equity risk). The most significant market risk for a Group is interest rate risk while other market risks are of lower significance.

Interest rate risk

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

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

Sensitivity of interest rate risk

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

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

Group 31 December 2018:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	217,383	384,498	603,624	131,292	725,571	199,361	2,261,729
Liabilities and equity	100,229	128,928	166,438	302,762	241,248	1,322,124	2,261,729
Net interest sensitivity gap	117,154	255,570	437,186	(171,470)	484,323	(1,122,763)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,123	2,130	2,732	(429)	-	-	5,556

Group 31 December 2017:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	191,637	336,088	498,565	58,390	692,923	253,159	2,030,762
Liabilities and equity	110,856	153,668	186,646	304,814	215,895	1,058,883	2,030,762
Net interest sensitivity gap	80,781	182,420	311,919	(246,424)	477,028	(805,724)	-
Higher/lower impact on profit from balance sheet assets and liabilities	774	1,520	1,949	(616)	-	-	3,627

Bank 31 December 2018:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	217,441	426,417	598,765	126,182	685,307	167,626	2,221,738
Liabilities and equity	99,851	129,424	166,285	302,325	214,793	1,309,060	2,221,738
Net interest sensitivity gap	117,590	296,993	432,480	(176,143)	470,514	(1,141,434)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,127	2,475	2,703	(440)	-	-	5,864

Bank 31 December 2017:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	188,377	369,033	500,852	54,938	659,698	217,068	1,989,966
Liabilities and equity	110,533	153,583	186,561	304,391	190,243	1,044,655	1,989,966
Net interest sensitivity gap	77,844	215,450	314,291	(249,453)	469,455	(827,587)	-
Higher/lower impact on profit from balance sheet assets and liabilities	746	1,795	1,964	(624)	-	-	3,881

LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued) NOTE 13

Operational risk

Operational risk is 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. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

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.

The Bank prepares and continuously improves principles and tools for operational risk management in the Bank and its subsidiaries. They are documented in operational risk management procedure and instruction for management operational risk in subsidiaries, which are an integral part of the Bank's risk management policy.

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 indicator framework is used to manage reputational risk. Events that have signs of reputational risk and can cause the Bank to incur large losses, are included in the registry of operational risk events and are monitored, analysed and assessed accordingly.

In 2018, the Bank continued to develop systems of operational risk management and internal control organization measures. For that purpose, the Bank renewed the following internal documents: operational risk management procedure, provisions for organization of internal control, provisions for contingency planning organization.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE NOTE 14

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

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

	31 December 2018		31 December 2017	
	Group	Bank	Group	Bank
LEVEL I				
Non-investment securities and derivative financial instruments	57,953	25,667	48,562	17,671
Investment securities at fair value	20,259	16,075	14,852	11,128
Total Level I financial assets	78,212	41,742	63,414	28,799
LEVEL II				
Derivative financial instruments - assets	1,197	1,197	747	747
Derivative financial instruments - liabilities	(1,048)	(1,048)	(1,894)	(1,894)
LEVEL III				
Non-investment securities and derivative financial instruments	2,229	2,229	2,897	2,897
Investment securities at fair value	1,243	432	1,620	414
Total Level III financial assets	3,472	2,661	4,517	3,311
Financial liabilities at fair value through profit or loss	-	-	34,203	34,203
Total Level III financial liabilities	-	-	34,203	34,203

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

NOTE 14

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the twelve month period ended 31 December:

Group	Securities in the trading book and derivative financial instruments		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017
As at 31 December	2,897	5,621	1,620	1,087	34,203	22,064
Impact of change in accounting principles	(2,284)	-	(5)	-	-	-
As at 1 January	613	5,621	1,615	1,087	34,203	22,064
Additions	7,070	2,062	-	-	-	-
Disposals / redemption / derecognition	(5,480)	(1,901)	(383)	-	(24,732)	-
Changes due to interest accrued/paid	26	5	(7)	-	(428)	-
Changes in fair value	-	(2,890)	18	(48)	(9,043)	12,139
As at 31 December	2,229	2,897	1,243	1,039	-	34,203

Bank	Securities in the trading book and derivative financial instruments		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2018	1 Jan - 30 Sep 2017
As at 31 December	2,897	5,325	414	766	34,203	22,064
Impact of change in accounting principles	(2,284)	-	-	-	-	-
As at 1 January	613	5,325	414	766	34,203	22,064
Additions	7,070	2,062	-	-	-	-
Disposals / redemption / derecognition	(5,480)	(1,901)	-	(297)	(24,732)	-
Changes due to interest accrued/paid	26	5	-	-	(428)	-
Changes in fair value	-	(2,594)	18	(49)	(9,043)	12,139
As at 31 December	2,229	2,897	432	420	-	34,203

	1 January – 31 December 2018		1 January – 31 December 2017	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	9,043	9,043	(15,029)	(14,733)

Fair value of investment securities held to collect cash flows:

The fair value for investment securities held to collect cash flows is based on market prices or broker/dealer price quotations – i.e. it is estimated using valuation technique attributable to Level 1 in the fair value hierarchy. The estimated fair value of unlisted securities is estimated using valuation technique attributable to Level 3 in the fair value hierarchy, it represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Listed securities priced on market prices or broker/dealer quotations represent over 99% of the investment securities held to collect cash flows portfolio of the Group.

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities held to collect cash flows (as at 31 December 2017 – Investment securities held-to-maturity)	638,655	653,889	576,260	602,990

NOTE 15 SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2018 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
Continuing operations						
Internal	(54)	-	549	(603)	108	-
External	53,133	7,570	1,276	847	-	62,826
Net interest income	53,079	7,570	1,825	244	108	62,826
Internal	202	-	-	(116)	(86)	-
External	14,222	-	-	(23)	-	14,199
Net fee and commissions income	14,424	-	-	(139)	(86)	14,199
Internal	148	-	549	(719)	22	-
External	67,355	7,570	1,276	824	-	77,025
Net interest, fee and commissions income	67,503	7,570	1,825	105	22	77,025
Internal	(49)	(3)	-	(16)	68	-
External	(27,717)	(2,702)	-	(6,742)	-	(37,161)
Operating expenses	(27,766)	(2,705)	-	(6,758)	68	(37,161)
Amortisation charges	(552)	(57)	-	(61)	-	(670)
Depreciation charges	(1,040)	(110)	-	(162)	-	(1,312)
Internal	-	-	(2,241)	914	1,327	-
External	(2,983)	-	(1,548)	(3,212)	-	(7,743)
Impairment expenses	(2,983)	-	(3,789)	(2,298)	1,327	(7,743)
Internal	12	-	4,662	11	(4,685)	-
External	6,953	2,447	10,365	8,097	-	27,862
Net other income	6,965	2,447	15,027	8,108	(4,685)	27,862
Profit (loss) before tax	42,127	7,145	13,063	(1,066)	(3,268)	58,001
Income tax	(4,942)	(474)	-	53	-	(5,363)
Profit (loss) per segment after tax	37,185	6,671	13,063	(1,013)	(3,268)	52,638
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	37,185	6,671	13,063	(1,013)	(3,268)	52,638
Total segment assets	1,471,291	772,909	45,742	67,370	(95,583)	2,261,729
Total segment liabilities	1,288,613	679,326	40,203	50,509	(71,660)	1,986,991
Net segment assets (shareholders' equity)	182,678	93,583	5,539	16,861	(23,923)	274,738

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 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
Continuing operations						
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 commissions 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 period 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 16 SELECTED INFORMATION OF FINANCIAL GROUP

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

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

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

Financial Group's condensed statement of financial position

	31 December 2018	31 December 2017
ASSETS		
Cash and cash equivalents	87,990	127,193
Securities in the trading book	27,896	18,284
Due from other banks	2,090	2,218
Derivative financial instruments	1,197	3,031
Loans to customers	1,272,183	1,112,395
Finance lease receivables	124,088	91,139
Investment securities at fair value	20,810	15,793
Investment securities at amortized cost	638,655	576,260
Investments in subsidiaries and associates	11,165	13,006
Intangible assets	1,996	1,740
Property, plant and equipment	8,333	10,333
Investment property	5,301	7,245
Current income tax prepayment	1,435	-
Deferred income tax asset	967	505
Other assets	26,329	21,884
Total assets	2,230,435	2,001,026
LIABILITIES		
Due to other banks and financial institutions	70,195	56,763
Derivative financial instruments	1,048	1,894
Due to customers	1,846,788	1,648,810
Special and lending funds	3,192	13,336
Debt securities in issue	20,003	20,003
Subordinated loan	-	34,203
Current income tax liabilities	97	3,542
Deferred income tax liabilities	575	466
Liabilities related to insurance activities	-	-
Other liabilities	16,308	14,037
Total liabilities	1,958,206	1,793,054
EQUITY		
Share capital	174,211	131,366
Share premium	3,428	-
Reserve capital	756	756
Statutory reserve	10,241	7,071
Accumulated other comprehensive income	(492)	401
Retained earnings	84,085	68,378
Non-controlling interest	-	-
Total equity	272,229	207,972
Total liabilities and equity	2,230,435	2,001,026

NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the twelve month period ended	
	31 December 2018	31 December 2017
<i>Interest and similar income</i>	70,939	67,036
<i>Interest expense and similar charges</i>	(8,443)	(9,915)
Net interest income	62,496	57,121
<i>Fee and commission income</i>	19,659	15,885
<i>Fee and commission expense</i>	(5,319)	(4,778)
Net fee and commission income	14,340	11,107
<i>Net gain from operations with securities</i>	2,540	1,687
<i>Net gain from foreign exchange and related derivatives</i>	6,762	5,514
<i>Net gain (loss) from other derivatives</i>	4	(2,885)
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	9,043	(12,139)
<i>Net gain from derecognition of financial assets</i>	582	3,178
<i>Net gain from disposal of tangible assets</i>	671	1,770
<i>Revenue related to other activities of Group companies</i>	-	-
<i>Other operating income</i>	921	882
<i>Salaries and related expenses</i>	(19,953)	(18,884)
<i>Depreciation and amortization expenses</i>	(1,860)	(1,753)
<i>Expenses related to other activities of Group companies</i>	-	-
<i>Other operating expenses</i>	(11,271)	(9,465)
Operating profit before impairment losses	64,275	36,133
<i>Allowance for impairment losses on loans and other assets</i>	(5,143)	2,523
<i>Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale</i>	(2,325)	(3,321)
<i>Dividends from investments in subsidiaries and subsidiaries classified as held for sale</i>	619	4,181
Profit before income tax	57,426	39,516
<i>Income tax expense</i>	(5,328)	(7,458)
Net profit for the period	52,098	32,058
Net profit attributable to:		
<i>Owners of the Bank</i>	52,098	32,058
<i>Non-controlling interest</i>	-	-

Financial Group's condensed statement of comprehensive income

	For the twelve month period	
	1 January – 31 December 2018	1 January – 31 December 2017
Profit for the year	52,098	32,058
Other comprehensive income (loss):		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Financial assets revaluation</i>	(560)	105
<i>Deferred income tax on gain (loss) from revaluation of financial assets</i>	84	(15)
<i>Items that may not be subsequently reclassified to profit or loss:</i>		
<i>Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk</i>	352	-
Other comprehensive income (loss), net of deferred tax	(124)	90
Total comprehensive income	51,974	32,148
Total comprehensive income (loss) attributable to:		
<i>Owners of the Bank</i>	51,974	32,148
<i>Non-controlling interest</i>	-	-
	51,974	32,148



ADDITIONAL INFORMATION

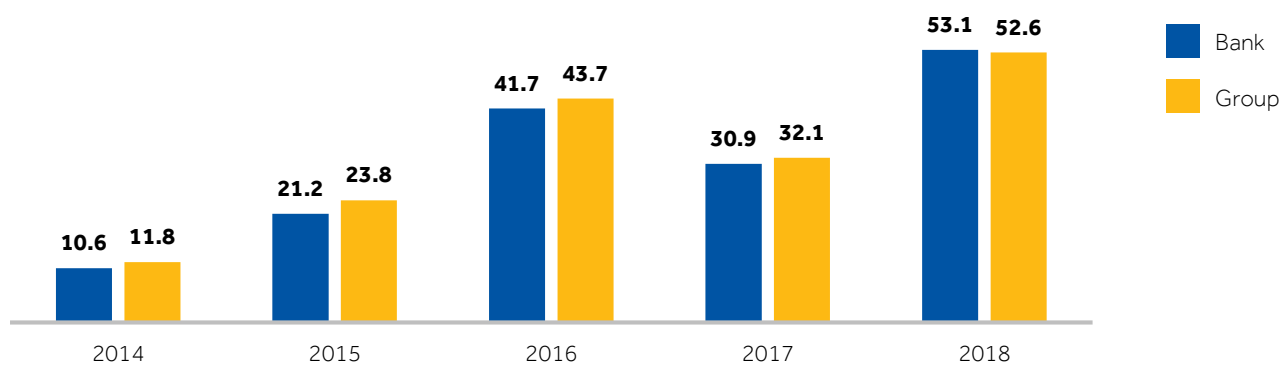
INFORMATION ON THE PERFORMANCE RESULTS

The year of 2018 was marked with significant achievements - a record-high net profit, consistent growth of sustainable income, stable growth of loan portfolio. "The results were improved by taking into account and responding promptly to customer needs and improving the quality of services - the ambitious goal set several years ago has been realized - according to an independent mystery shopper research Šiaulių Bankas took a leading position and the title of the best customer service bank in Lithuania.

In recent years, the change in the value of the EBRD's subordinated loan has had a significant impact on the bank's results, however, the results of the fourth quarter 2018 had been adjusted for the last time. At the end of 2018, the long-awaited process of the EBRD's subordinated loan conversion that used to cause uncertainty for some time was completed. The enhanced capital creates conditions for the Bank to continue expanding its activities and increasing its shares' attractiveness for investors.

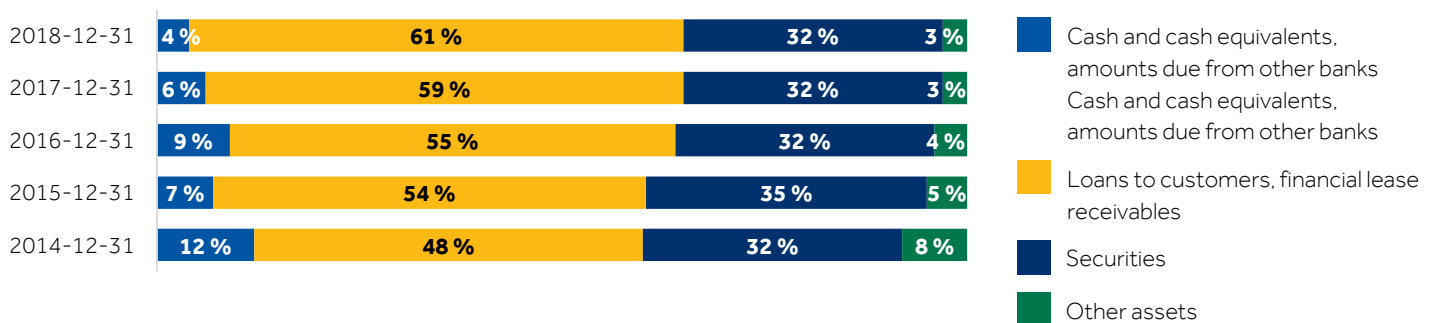
In 2018, the Group had an unaudited net profit of 52.6 million euros, or 64 per cent more than in the same period of 2017 when net profit was 32.1 million euros. The net profit of the Bank generated over Q4 reached 14.1 million euros. Results of recurring activities grew by 14 per cent over the year.

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



Economic growth in the country, growing consumption and low interest rate environment have ensured a steady growth of the loan portfolio. Over 700 million euros of new loans were issued per year which is 8 per cent more than in 2017.

The Group's Asset Structure, in per cent



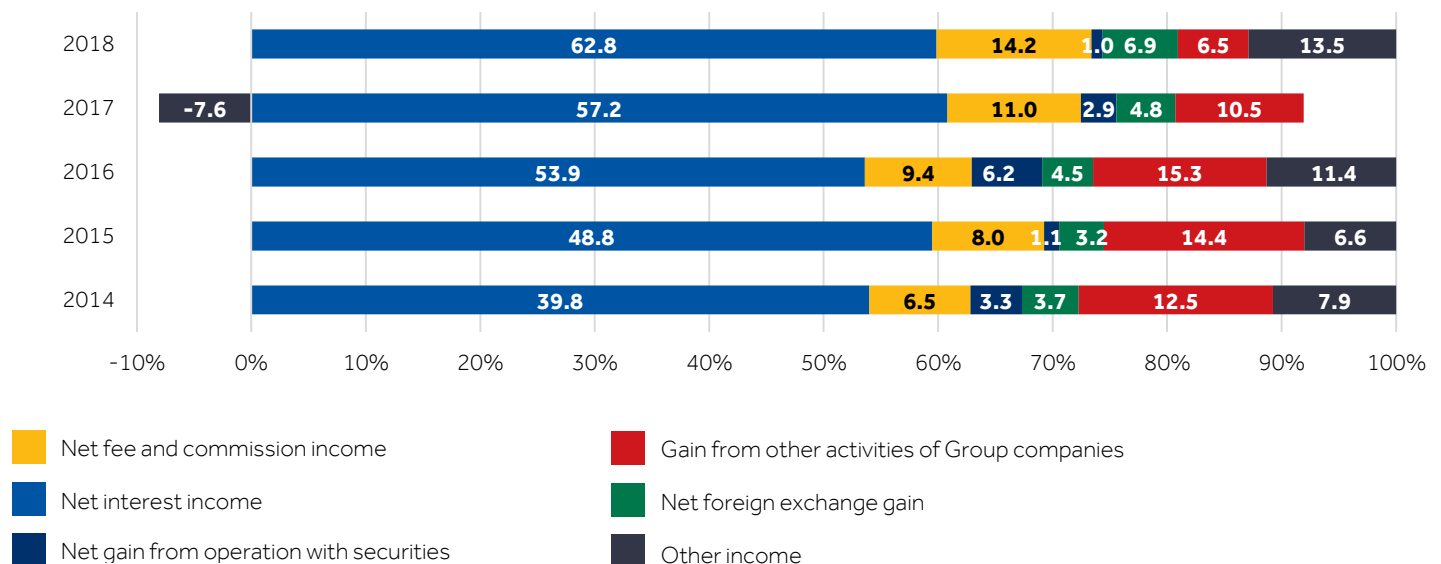
Deposits remain the main instrument for attracting the Bank's resources - deposit portfolio grew by 12 per cent over the year and at the end of 2018 exceeded 1.8 billion euros.

The Group's Liability Structure, in per cent.



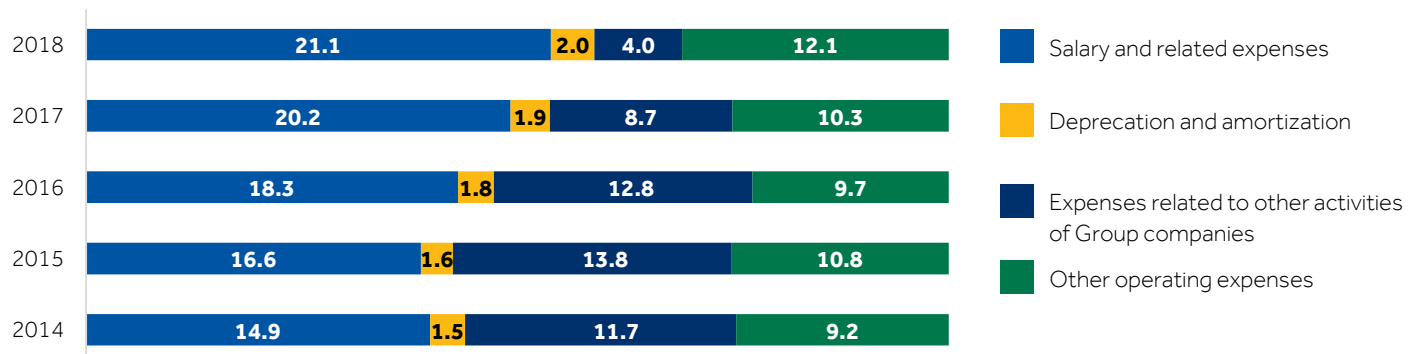
Net interest income increased by 10 per cent over the year up to 62.8 million euro in line with increasing lending volumes and low cost of resources. High activity of clients using the services of the Bank resulted in the net service and commission fee growth - this type of income grew by 30 per cent over the year and reached 14.2 million euros at the end of the year. In 2018, profit from foreign exchange operations also increased significantly - the Group earned 6.9 million euros per year, which by 44 per cent exceeded the result achieved during the respective period last year.

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



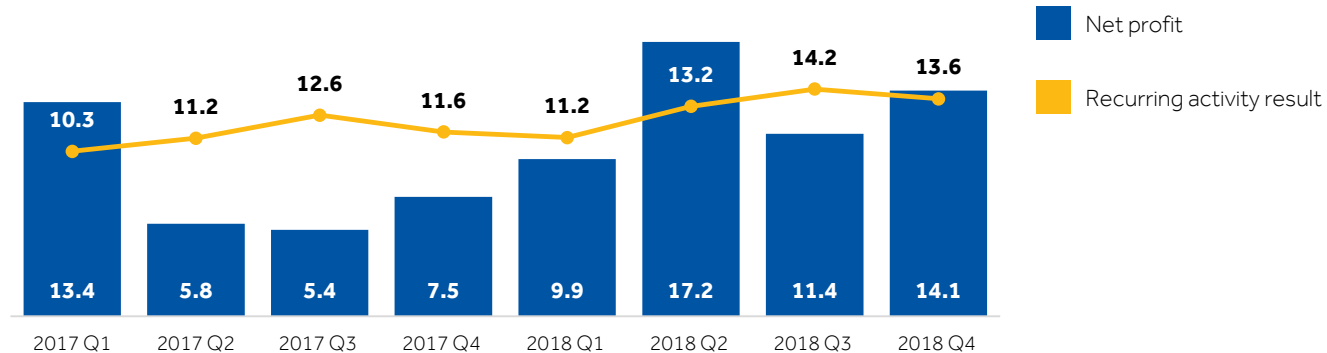
Despite growing needs of the Group the growth of operating costs has been managed. Over the year, salary costs, which account for the largest share of expenditure, grew by 4 per cent. In order to ensure the continuous development of information technologies, IT-related costs have increased by 16 per cent over the year.

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



Conservatively assessing assets in 2018, impairment losses on loans and other assets accounted for 7.7 million euros, 2.9 million euros of such losses were recognized as loans. The non-financial assets losses of 1.4 million euros incurred over the fourth quarter consisted of partial write-off of Bonum Publicum UAB goodwill arising from acquisition of the company in 2013 based on transfer of assets, rights, transactions and liabilities of Ūkio Bankas.

million eur



Non-recurring income means an indicator used by the Bank for the purpose of analysing the proportion of revenue arising from one-off transactions or transactions that are not typical to the Group's activities. The breakdown of operating result into recurring and non-recurring is provided below (thousand EUR):

	in thousand EUR	2018	2017
Results of recurring activities		52.244	45.661
Results of non-recurring activities		13.500	-7.878
Net profit (loss) from other financial derivatives		4	-2.885
Net gain (loss) from changes in fair value of subordinated loan		9.043	-12.139
Net gain from derecognition of financial assets		582	3.178
Net gain from disposal of tangible assets		2.449	2.897
Net gain from operations with securities (sale of investment securities at amortized cost)		2.399	393
Interest and similar income (adjustment of interest income of subsidiaries for the preceding year)		0	1.212
Other expenses		-977	-534
Impairment loss/recovery		-7.743	1.974
Income tax		-5.363	-7.630
Net profit		52.638	32.127

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

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

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

With the Bank's income growing quicker than expenses the high efficiency of the performance is being maintained - the cost to income ratio of the Group comprised 37 per cent at the end of the 2018. Information on the profitability ratios is available on the website of Šiaulių Bankas at [About bank → To Bank's Investors → Financial statements, ratios and prospectuses](#).

The capital and liquidity situation remains solid as prudential requirements are being met with a proper cushion. According to the data as of 31 December 2018 the Bank complied with all the prudential requirements set by the Bank of Lithuania. Information is available on the website of Šiaulių Bankas at: [About bank → To Bank's Investors → Financial statements, ratios and prospectuses](#).

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares, ISIN LT0000102253	600 726 263	0.29	174 210 616.27

The Bank's authorized capital was increased twice in 2018.

The ordinary General meeting of shareholders held on 29 March 2018 passed a resolution to increase the authorized capital of the Bank by EUR 26 273 197.86 from unallocated profit issuing 90 597 234 ordinary registered shares with EUR 0.29 nominal value and to distribute them to the shareholders who owned the Bank's shares at the end of the day of accounting of rights - i.e. on 13 April 2018.

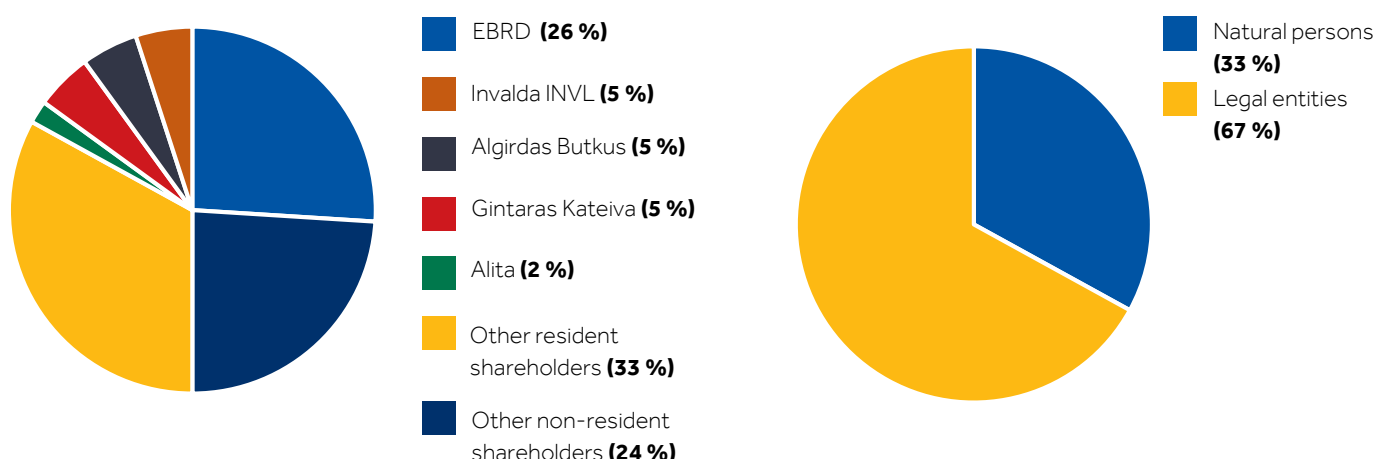
The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 01 June 2018. Personal securities accounts of the shareholders who owned shares on the above mentioned day of accounting of rights were credited with 20% of new shares.

On 24 September 2018 the Extraordinary General Meeting of Shareholders passed the resolution to increase the authorized capital of the Bank by additional contributions of 16 571 428.53 EUR by issuing 57 142 857 ordinary registered shares of 0.29 EUR nominal value at a price of 0.35 EUR. In order to implement the loan conversion right of the European Bank for Reconstruction and Development (EBRD) under the subordinated convertible loan agreement signed by the Bank and EBRD on 23 February 2013 by converting the EBRD loan to the Bank's shares, the Meeting cancelled the pre-emptive right of all the Bank's shareholders to acquire new shares in proportion to the total nominal value of the shares owned by them. All newly issued shares were acquired and subscribed by the EBRD. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 13 December 2018, the new shares were provided to the EBRD on 20 December 2018 recording then into EBRD's securities account with the account manager.

Authorized capital changes:

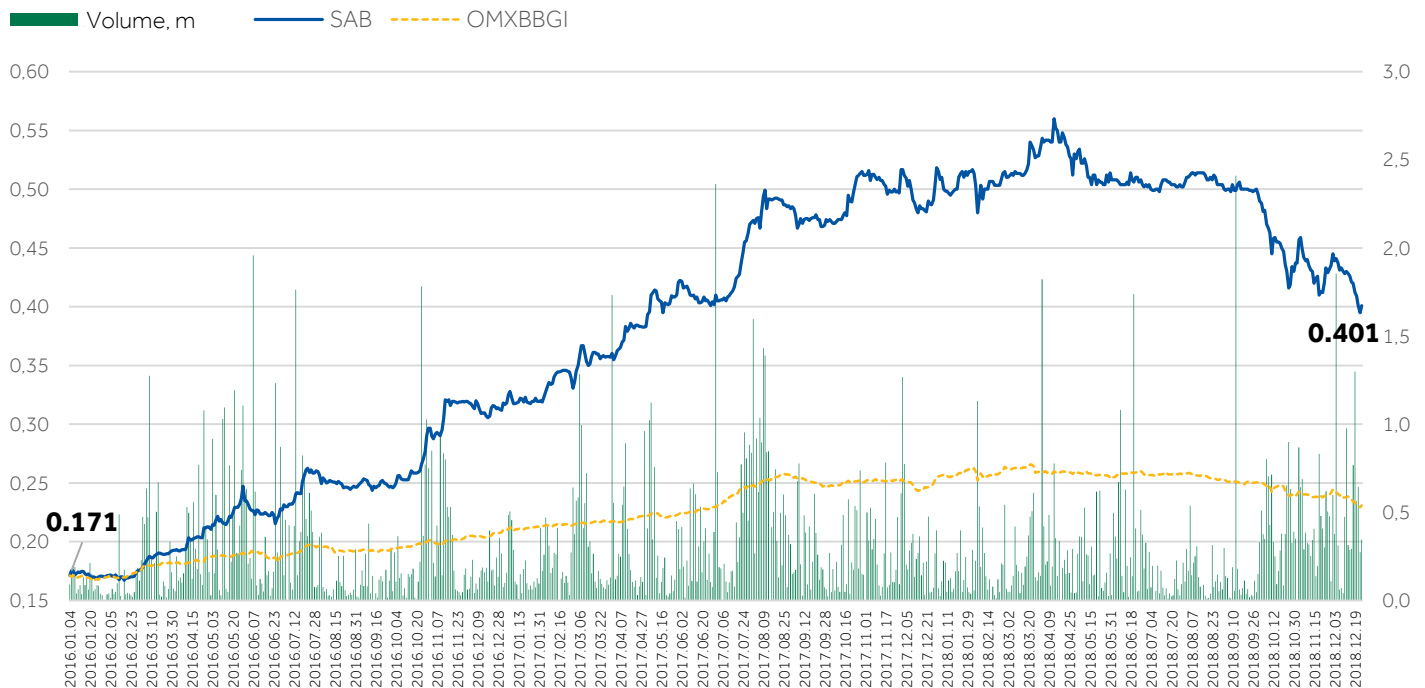
	01/01/2015	26/05/2015	14/09/2015	26/05/2016	06/06/2017	01/06/2018	13/12/2018
Capital, EUR	78 300 000	85 033 800	91 226 381.99	109 471 658.33	131 365 989.88	157 639 187.74	174 210 616.27

As of 31 December 2018 the number of the Bank's shareholders amounted to 4 992 (at the end of 2017 – 4 496). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.



The Bank's top managers whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 14.32 per cent of the Bank's authorized capital and votes as of 31 December 2018.

Bank's share price and turnover:



Share information:

	2012	2013	2014	2015	2016	2017	2018
Capitalization, EUR mln	54.2	66.5	71.8	93.7	169.5	266.8	240.9
Turnover, EUR mln	2.8	5.5	8.1	12.7	23.1	44.5	34.7
P/BV	0.6	0.7	0.7	0.7	1.0	1.3	0.9
P/E	14.3	12.4	6.1	3.9	3.9	8.3	4.6
Capital increase from retained earnings, %	6.5	8.0	8.6	20.0	20.0	20.0	-







The description of alternative performance indicators presented in the Bank's website is available 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, 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.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is directed by its Chairman. The Supervisory Council consisting of seven members is elected by the General Meeting of Shareholders for a term of four years. Upon receipt of a notice of resignation from the position of a member of the Supervisory Council on 05 May 2018 V. Vitkauskas ceased to serve as a member of the Council and committees. The Bank's Supervisory Council (elected on 30/03/2016, the term of office expires on 30-03-2020) currently consists of 6 members.

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulinis	Martynas Česnavičius	Miha Košak
					
Member since 1991, Chairman since 1999	Member since 2008	Independent Member since 2012	Member since 2016	Member since 2016	Member since 2017
Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 09/05/2016/ end 2020	Tenure beginning 09/05/2016/ end 2020	Tenure beginning 26/06/2017/ end 2020
Share of capital under the right of ownership, % (31/12/2018)					
2.06	5.26	-	-	-	-

The Board of the Bank is a collegial Bank management body, consisting of seven members. The Board of the Bank is elected by the Council for a term of 4 years. The Board members are elected, recalled and supervised by the Bank's Supervisory Council. Management Board of the Bank (elected on 30/03/2016; tenure ends on 30/03/2020).

Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbanienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the bank's Supervisory Council 1991 - 1999) Deputy Chief Executive Officer	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer	Deputy Chairman of the Board of the Bank since 1995, Deputy Chief Executive Officer, Head of Finance and Risk Management Division.	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division	Member since 2011 Chief Financial Officer, Head of Accounting and Tax Division	Member since 2012 Head of IT Division	Member since 2014 Head of Legal and Administration Division
Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020	Tenure beginning 30/03/2016/ end 2020
Share of capital under the right of ownership, % (31/12/2018)						
2.80	0.17	0.11	0.01	0.08	0.11	0.03

GROUP OF THE BANK'S COMPANIES

	Nature of activities	Registration date	Company code	Address	Tel.	E- mail, website
Šiaulių Bankas AB	commercial banking	04/02/1992	112025254	Tilžės str. 149 LT-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 lease (leasing) and operating leases	16/08/1999	145569548	Vilniaus str. 167, 76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt , www.sb.lt
Šiaulių Banko Turto Fondas UAB „SBTF“ UAB	Management of real estate	13/08/2002	145855439	Vilniaus str. 167, 76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt , www.sbp.lt
Minera UAB	management and administration of real estate	24/11/2004	300069309	Vilniaus str. 167, 76352 Šiauliai	+370 41 525 322	sbtf@sb.lt , www.sbp.lt
Pavasaris UAB	Management of real estate	30/09/1992	121736330	Dvaro str. 123A, LT-76208 Šiauliai	+370 41 399 423	info@minera.lt , www.sbp.lt , www.minera.lt
Life insurance Bonum Publicum UAB	Development of residential multi-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
Šiaulių banko investicijų valdymas	Life Insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	life@bonumpublicum.lt , www.bonumpublicum.lt
	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:

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

* Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas UAB controlled 100% of shares

** Bank's 100% owned subsidiary Šiaulių Banko Turto Fondas UAB controlled 100% of shares

OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS

TRANSACTIONS WITH RELATED PARTIES

More detailed information on transactions with related parties is provided in the [note 12](#) of the Bank's financial statements for 2018.

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

Other important events are available on the Bank's website <https://www.sb.lt/> under „[Significant events and dates](#)“ ir „[News/Announcements](#)“.

Chief Executive Officer
28 February 2019



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 2018 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Urbonienė

28 February 2019