ŠIAULIŲ BANKAS

INTERIM INFORMATION

for the three month period ended 31 March 2019

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

ŠIAULIŲ BANKAS

CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited) 3

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF FINANCIAL POSITION 4

THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS 5

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME 6

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY 6

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY 7

THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF CASH FLOWS 8

GENERAL INFORMATION 9

NOTE 1 LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES 10

NOTE 2 SECURITIES 13

NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS 16

NOTE 4 DUE TO CUSTOMERS 17

NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS 17

NOTE 6 CAPITAL 17

NOTE 7 NET INTEREST INCOME 18

NOTE 8 NET FEE AND COMMISSION INCOME 19

NOTE 9 OTHER OPERATING EXPENSES 19

NOTE 10 IMPAIRMENT LOSSES 20

NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS 21

NOTE 12 RELATED-PARTY TRANSACTIONS 22

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS 23

NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE 26

NOTE 15 SEGMENT INFORMATION 28

NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP 30

ADDITIONAL INFORMATION 32

INFORMATION ON THE PERFOMANCE RESULTS 33

PERFORMANCE RATIOS & COMPLIANCE WITH PRUDENTIAL REQUIREMENTS 35

AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK 36

DIVIDENDS 37

BANK'S MANAGEMENT 38

OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS 39

CONFIRMATION FROM THE RESPONSIBLE PERSONS 40

ŠIAULIŲ BANKAS

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

for the three month period ended 31 March 2019

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

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

		31 March 2019		31 December 2018	
	Notes	Group	Bank	Group	Bank
ASSETS					(restated)
Cash and cash equivalents		126,727	122,220	89,304	87,732
Securities in the trading book	2	37,100	14,845	60,182	27,896
Due from other banks		5,251	5,251	2,090	2,090
Derivative financial instruments		2,557	2,557	1,197	1,197
Loans to customers	1	1,284,135	1,286,283	1,262,167	1,264,741
Finance lease receivables	1	127,924	127,840	124,088	123,969
Investment securities at fair value	2	21,586	17,287	21,107	16,507
Investment securities at amortized cost	2	651,279	643,136	638,655	638,655
Investments in subsidiaries and associates	2	-	27,649	-	30,046
Intangible assets		3,348	1,969	3,359	1,975
Property, plant and equipment	3	12,073	11,035	8,630	8,018
Investment property		9,718	2,287	9,760	2,277
Current income tax prepayment		1,308	1,264	1,477	1,435
Deferred income tax asset		975	320	1,251	573
Other assets	3	31,090	15,900	38,462	20,014
Total assets		**2,315,071**	**2,279,843**	**2,261,729**	**2,227,125**
LIABILITIES					
Due to other banks and financial institutions		54,552	56,680	69,152	71,320
Derivative financial instruments		1,214	1,214	1,048	1,048
Due to customers	4	1,892,057	1,894,837	1,845,788	1,846,790
Special and lending funds		2,628	2,628	3,192	3,192
Debt securities in issue		20,033	20,033	20,003	20,003
Current income tax liabilities		304	-	233	-
Deferred income tax liabilities		645	-	598	-
Liabilities related to insurance activities		29,869	-	27,967	-
Other liabilities	5	40,624	31,535	19,010	10,280
Total liabilities		**2,041,926**	**2,006,927**	**1,986,991**	**1,952,633**
EQUITY					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Reserve capital		756	756	756	756
Statutory reserve	6	14,472	14,246	10,369	10,195
Reserve for acquisition of own shares	6	10,000	10,000	-	-
Accumulated other comprehensive income		(148)	(148)	(492)	(492)
Other equity	6	811	784	-	-
Retained earnings		69,615	69,639	86,466	86,394
Non-controlling interest		-	-	-	-
Total equity		**273,145**	**272,916**	**274,738**	**274,492**
Total liabilities and equity		**2,315,071**	**2,279,843**	**2,261,729**	**2,227,125**

The notes on pages 9 to 31 constitute an integral part of these financial statements.

Chief Executive Officer — Vytautas Sinius

Chief Accountant — Vita Urbonienė

6 May 2019

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

for the three month period ended

	Notes	31 March 2019 Group	31 March 2019 Bank	31 March 2018 Group	31 March 2018 Bank (restated)
Interest revenue calculated using the effective interest method	7	16,843	15,050	14,796	13,164
Other similar income	7	1,635	1,555	1,460	1,342
Interest expense and similar charges	7	(1,921)	(1,920)	(2,086)	(2,088)
Net interest income		**16,557**	**14,685**	**14,170**	**12,418**
Fee and commission income	8	5,351	5,219	4,299	4,185
Fee and commission expense	8	(1,394)	(1,357)	(1,181)	(1,148)
Net fee and commission income		**3,957**	**3,862**	**3,118**	**3,037**
Net gain from trading activities	11	4,424	2,870	1,603	2,051
Net gain (loss) from changes in fair value of subordinated loan	12	-	-	(2,242)	(2,242)
Net gain (loss) from derecognition of financial assets		(72)	78	105	116
Net gain (loss) from disposal of tangible assets		1,141	49	69	(43)
Revenue related to insurance activities		1,630	-	1,597	-
Other operating income		309	183	283	100
Salaries and related expenses		(5,560)	(4,772)	(5,308)	(4,511)
Depreciation and amortization expenses		(854)	(720)	(503)	(426)
Expenses related to insurance activities	11	(2,760)	-	(785)	-
Other operating expenses	9	(2,177)	(1,412)	(2,251)	(1,656)
Operating profit before impairment losses		**16,595**	**14,823**	**9,856**	**8,844**
Allowance for impairment losses on loans and other assets	10	659	(334)	2,019	1,530
Allowance for impairment losses on investments in subsidiaries		-	-	-	-
Share of the profit or loss of investments in subsidaries accounted for using the equity method	11	-	2,383	-	1,363
Profit before income tax		**17,254**	**16,872**	**11,875**	**11,737**
Income tax expense		(2,529)	(2,112)	(2,025)	(1,880)
Net profit for the period		**14,725**	**14,760**	**9,850**	**9,857**
Net profit attributable to:					
Owners of the Bank		14,725	14,760	9,850	9,857
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.02		0.02	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.02		0.02	

The notes on pages 9 to 31 constitute an integral part of these financial statements.

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

for the three month period ended

	31 March 2019		31 March 2018	
	Group	Bank	Group	Bank (restated)
Net profit for the period	14,725	14,760	9,850	9,857
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	404	404	(60)	(60)
Deferred income tax on gain from revaluation of financial assets	(60)	(60)	9	9
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	-	-	-	-
Other comprehensive income, net of deferred tax	344	344	(51)	(51)
Total comprehensive income for the period	15,069	15,104	9,799	9,806
Total comprehensive income (loss) attributable to:				
Owners of the Bank	15,069	15,104	9,799	9,806
Non-controlling interest	-	-	-	-
	15,069	15,104	9,799	9,806

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controling interest	Total equity
		Attributable to owners of the Bank										
1 January 2018		131,366	-	756	(368)	7,177	-	-	61,953	200,884	-	200,884
Transfer to statutory reserve		-	-	-	-	3,192	-	-	(3,192)	-	-	-
Payment of dividends	6	-	-	-	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Total comprehensive income		-	-	-	(51)	-	-	-	9,850	9,799	-	9,799
31 March 2018		131,366	-	756	(419)	10,369	-	-	66,346	208,418	-	208,418
Increase in share capital through bonus issue of shares		26,273	-	-	-	-	-	-	(26,273)	-	-	-
Reversal of deferred income tax previously recognized directly in equity		-	-	-	-	-	-	-	(1,127)	(1,127)	-	(1,127)
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	-	-	4,732	24,732	-	24,732
Total comprehensive income		-	-	-	(73)	-	-	-	42,788	42,715	-	42,715
31 December 2018		174,211	3,428	756	(492)	10,369	-	-	86,466	274,738	-	274,738
Impact of change in accounting principles		-	-	-	-	-	-	-	(52)	(52)	-	(52)
31 December 2018, restated		174,211	3,428	756	(492)	10,369	-	-	86,414	274,686	-	274,686
Transfer to statutory reserve		-	-	-	-	4,103	-	-	(4,103)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	10,000	-	(10,000)	-		-
Recognition of other equity	6	-	-	-	-	-	-	811	-	811	-	811
Payment of dividends	6	-		-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income		-		-	344	-			14,725	15,069	-	15,069
31 March 2019		174,211	3,428	756	(148)	14,472	10,000	811	69,615	273,145	-	273,145

The notes on pages 9 to 31 constitute an integral part of these financial statements.

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
1 January 2018		131,366	-	756	(368)	7,071	-	-	56,004	194,829
Impact of change in accounting principles		-	-	-	-	-	-	-	4,438	4,438
1 January 2018, restated		131,366	-	756	(368)	7,071	-	-	60,442	199,267
Transfer to statutory reserve		-	-	-	-	3,124	-	-	(3,124)	-
Payment of dividends	6	-	-	-	-	-	-	-	(2,265)	(2,265)
Total comprehensive income (restated)		-	-	-	(51)	-	-	-	9,857	9,806
31 March 2018		131,366	-	756	(419)	10,195	-	-	64,910	206,808
Increase in share capital through bonus issue of shares		26,273	-	-	-	-	-	-	(26,273)	-
Reversal of deferred income tax previously recognized directly in equity		-	-	-	-	-	-	-	(1,127)	(1,127)
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	-	-	4,732	24,732
Total comprehensive income (restated)		-	-	-	(73)	-	-	-	44,152	44,079
31 December 2018		174,211	3,428	756	(492)	10,195	-	-	86,394	274,492
Impact of change in accounting principles		-	-	-	-	-	-	-	(43)	(43)
31 December 2018, restated		174,211	3,428	756	(492)	10,195	-	-	86,351	274,449
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares		-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity		-	-	-	-	-	-	784	-	784
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	344	-	-	-	14,760	15,104
31 March 2019		174,211	3,428	756	(148)	14,246	10,000	784	69,639	272,916

The notes on pages 9 to 31 constitute an integral part of these financial statements.

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

for the three month period ended

	Notes	31 March 2019		31 March 2018	
		Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		15,796	13,931	13,490	11,740
Interest received on securities in the trading book		442	402	347	264
Interest paid		(1,849)	(1,848)	(2,251)	(2,253)
Fees and commissions received		5,351	5,219	4,299	4,185
Fees and commissions paid		(1,394)	(1,357)	(1,181)	(1,148)
Net cash inflows from trade in securities in the trading book		23,661	13,571	(6,322)	(5,443)
Net inflows from foreign exchange operations		566	516	1,001	1,427
Net inflows from derecognition of financial assets		(72)	78	105	116
Net inflows from derecognition of non-financial assets		1,141	49	428	748
Cash inflows related to other activities of Group companies		1,939	183	1,880	100
Cash outflows related to other activities of Group companies		(2,760)	-	(818)	-
Recoveries on loans previously written off		1,682	53	386	236
Salaries and related payments to and on behalf of employees		(5,664)	(4,876)	(5,114)	(4,317)
Payments related to operating and other expenses		(2,326)	(1,412)	(2,543)	(1,635)
Income tax paid		(1,966)	(1,688)	(2,716)	(2,571)
Net cash flow from operating activities before change in operating assets and liabilities		34,547	22,821	991	1,449
Change in operating assets and liabilities:					
Decrease (increase) in due from other banks		(3,161)	(3,161)	111	111
(Increase) in loans to customers and finance lease receivables		(25,182)	(26,217)	(41,142)	(45,541)
Decrease (increase) in other assets		11,059	8,134	4,092	3,583
Decrease (increase) in due to banks and financial institutions		(14,558)	(14,598)	5,772	6,241
Increase (decrease) increase in due to customers		46,155	47,933	91,855	91,871
Increase in special and lending funds		(564)	(564)	(7,957)	(7,957)
Increase (decrease) in other liabilities		855	130	3,123	3,232
Change		14,604	11,657	55,854	51,540
Net cash flow from (used in) from operating activities		49,151	34,478	56,845	52,989
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(1,224)	(845)	(359)	(325)
Disposal of property, plant and equipment, investment property and intangible assets		824	549	1,080	1,034
Acquisition of debt securities at amortized cost		(77,890)	(69,747)	(40,253)	(40,253)
Proceeds from redemption of debt securities at amortized cost		65,266	65,266	25,433	25,433
Interest received on debt securities at amortized cost		2,408	2,408	6,627	6,627
Dividends received		1	3,801	10	4,620
Acquisition of investment securities at fair value		(2,372)	(2,372)	(3,267)	(3,083)
Sale or redemption of investment securities at fair value		1,158	849	767	767
Interest received on investment securities at fair value		101	101	40	40
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	-	-	-
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	-	-	-
Net cash flow (used in) from investing activities		(11,728)	10	(9,922)	(5,140)
Financing activities					
Payment of dividends		-	-	-	-
Issue and interest on debt securities in issue		-	-	-	-
Net cash flow (used in) financing activities		-	-	-	-
Net increase (decrease) in cash and cash equivalents		37,423	34,488	46,923	47,849
Cash and cash equivalents at 1 January		89,304	87,732	129,738	126,591
Cash and cash equivalents at 31 March		126,727	122,220	176,661	174,440

The notes on pages 9 to 31 constitute an integral part of these financial statements.

ŠIAULIŲ BANKAS

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 (described in more detail in Note 2) - 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 (2018: 62 outlets). As at 31 March 2019 the Bank had 713 employees (31 December 2018: 714). As at 31 March 2019 the Group had 810 employees (31 December 2018: 815 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.

This condensed interim financial information for the three month period ended 31 March 2019 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018.

Investments in subsidiaries

Accounting principles for investments in subsidiaries were changed from 1 January 2019. Investments in subsidiaries are accounted for using equity method – i.e. investment is initially recognized at cost, and adjusted thereafter for the post-acquisition change in the Bank's share of net assets of the subsidiary. In previous financial statements investments in subsidiaries were accounted for at cost. The change in accounting method did not have any impact on Group's financial statements, but caused changes in Bank's separate financial statements. Bank's comparative financial information was restated to reflect the change in accounting method. The changes are summarized in tables below.

Impact of change in accounting method on Bank's Statement of Financial Position:

	31 December 2018			1 January 2018		
	Previously reported amount	*Restatement adjustment*	*Restated amount*	*Previously reported amount*	*Restatement adjustment*	*Restated amount*
ASSETS						
Investments in subsidiaries	24 659	5 387	30 046	26 895	4 438	31 333
LIABILITIES						
Other liabilities	10 275	5	10 280	8 430	-	8 430
EQUITY						
Retained earnings	81 012	5 382	86 394	56 004	4 438	60 442

Impact of change in accounting method on Bank's Income Statement:

	1 January 2018 – 31 March 2018		
	Previously reported amount	*Restatement adjustment*	*Restated amount*
Allowance for impairment losses on investments in subsidiaries	331	(331)	-
Dividends from investments in subsidiaries	4 619	(4 619)	n.d.
Share of the profit or loss of investments in subsidaries accounted for using the equity method	-	1 363	1 363
Profit before income tax	15 324	(3 587)	11 737
Net profit	13 444	(3 587)	9 857

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 IFRS 16 from 1 January 2019. The impact of adoption of the standard is described in Bank's annual financial statements for the year ended 31 December 2018. Also see Note 3 for additional disclosures.

GENERAL INFORMATION (continued)

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 2019 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 2019, 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 IFRS 16, 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 2018.

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

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

NOTE 1
LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Cash equivalents	86,725	86,521	40,924	40,735
Loans and advances to banks	5,251	5,251	2,090	2,090
Loans and advances to customers:	1,284,135	1,286,283	1,262,167	1,264,741
Loans and advances to financial institutions	3,612	58,328	693	50,255
Loans to individuals (Retail)	254,414	186,587	243,078	178,632
Loans to business customers	1,026,109	1,041,368	1,018,396	1,035,854
Finance lease receivables	127,924	127,840	124,088	123,969
Debt securities at fair value through profit or loss	17,853	14,043	42,384	27,332
Derivative financial instruments	2,557	2,557	1,197	1,197
Debt securities at fair value through other comprehensive income	17,157	16,754	16,379	15,984
Debt securities at amortized cost	651,279	643,136	638,655	638,655
Other assets subject to credit risk	10,864	11,324	13,213	12,708
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	37,523	37,588	39,655	39,720
Letters of credit	4,523	4,523	760	760
Loan commitments and other credit related liabilities	276,481	332,221	265,407	285,618

Loans to customers

Loans and advances are summarised as follows:

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Gross	1,327,082	1,322,642	1,304,933	1,301,592
Subtract: allowance for impairment	(42,947)	(36,360)	(42,766)	(36,851)
Net	1,284,135	1,286,282	1,262,167	1,264,741

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

The distribution of loans by stages and days past due:

Group

	31 March 2019					31 December 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	1,024,861	76,502	574	6	1,101,943	1,031,497	54,606	467	1	1,086,571
Allowance for impairment	(5,023)	(1,036)	(33)	-	(6,092)	(4,845)	(953)	(41)	-	(5,839)
Net amount	1,019,838	75,466	541	6	1,095,851	1,026,652	53,653	426	1	1,080,732
Stage 2:										
Gross amount	125,540	7,303	12,526	-	145,369	120,315	14,537	6,063	2	140,917
Allowance for impairment	(1,991)	(121)	(2,221)	-	(4,333)	(2,200)	(525)	(1,737)	-	(4,462)
Net amount	123,549	7,182	10,305	-	141,036	118,115	14,012	4,326	2	136,455
Stage 3:										
Gross amount	19,578	6,014	5,270	48,908	79,770	21,826	5,293	2,734	47,592	77,445
Allowance for impairment	(6,265)	(2,067)	(1,909)	(22,281)	(32,522)	(7,665)	(1,367)	(893)	(22,540)	(32,465)
Net amount	13,313	3,947	3,361	26,627	47,248	14,161	3,926	1,841	25,052	44,980
Total:										
Gross amount	1,169,979	89,819	18,370	48,914	1,327,082	1,173,638	74,436	9,264	47,595	1,304,933
Allowance for impairment	(13,279)	(3,224)	(4,163)	(22,281)	(42,947)	(14,710)	(2,845)	(2,671)	(22,540)	(42,766)
Net amount	1,156,700	86,595	14,207	26,633	1,284,135	1,158,928	71,591	6,593	25,055	1,262,167

Bank

	31 March 2019					31 December 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	1,032,595	68,384	324	6	1,101,309	1,038,871	46,718	149	1	1,085,739
Allowance for impairment	(3,241)	(309)	(1)	-	(3,551)	(3,139)	(260)	-	-	(3,399)
Net amount	1,029,354	68,075	323	6	1,097,758	1,035,732	46,458	149	1	1,082,340
Stage 2:										
Gross amount	129,482	7,303	8,391	-	145,176	124,707	14,537	2,420	2	141,666
Allowance for impairment	(1,991)	(121)	(404)	-	(2,516)	(2,248)	(525)	(175)	-	(2,948)
Net amount	127,491	7,182	7,987	-	142,660	122,459	14,012	2,245	2	138,718
Stage 3:										
Gross amount	19,297	5,758	4,438	46,664	76,157	21,568	5,099	2,054	45,466	74,187
Allowance for impairment	(6,073)	(1,891)	(1,343)	(20,986)	(30,293)	(7,483)	(1,235)	(428)	(21,358)	(30,504)
Net amount	13,224	3,867	3,095	25,678	45,864	14,085	3,864	1,626	24,108	43,683
Total:										
Gross amount	1,181,374	81,445	13,153	46,670	1,322,642	1,185,146	66,354	4,623	45,469	1,301,592
Allowance for impairment	(11,305)	(2,321)	(1,748)	(20,986)	(36,360)	(12,870)	(2,020)	(603)	(21,358)	(36,851)
Net amount	1,170,069	79,124	11,405	25,684	1,286,282	1,172,276	64,334	4,020	24,111	1,264,741

Loans are assigned to stages using the following principles (a deviation from these principles is allowed in the process of individual loan assement 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.

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

Finance lease receivables

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

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Business customers	109,415	108,605	105,634	104,784
Individuals	21,387	21,336	21,100	21,027
Gross	130,802	129,941	126,734	125,811
Subtract: Allowance for impairment	(2,878)	(2,101)	(2,646)	(1,842)
Net	127,924	127,840	124,088	123,969

The distribution of finance lease receivables by stages and days past due:

Group

	31 March 2019					31 December 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	86,478	14,253	7	-	100,738	81,625	15,481	9	-	97,115
Allowance for impairment	(308)	(48)	-	-	(356)	(307)	(42)	-	-	(349)
Net amount	86,170	14,205	7	-	100,382	81,318	15,439	9	-	96,766
Stage 2:										
Gross amount	12,664	3,087	2,388	-	18,139	12,947	3,528	1,650	-	18,125
Allowance for impairment	(386)	(54)	(68)	-	(508)	(300)	(146)	(91)	-	(537)
Net amount	12,278	3,033	2,320	-	17,631	12,647	3,382	1,559	-	17,588
Stage 3:										
Gross amount	557	4,977	227	6,164	11,925	5,625	135	6	5,728	11,494
Allowance for impairment	(247)	(95)	(102)	(1,570)	(2,014)	(278)	(55)	(3)	(1,424)	(1,760)
Net amount	310	4,882	125	4,594	9,911	5,347	80	3	4,304	9,734
Total:										
Gross amount	99,699	22,317	2,622	6,164	130,802	100,197	19,144	1,665	5,728	126,734
Allowance for impairment	(941)	(197)	(170)	(1,570)	(2,878)	(885)	(243)	(94)	(1,424)	(2,646)
Net amount	98,758	22,120	2,452	4,594	127,924	99,312	18,901	1,571	4,304	124,088

Bank

	31 March 2019					31 December 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	86,466	14,251	7	-	100,724	81,595	15,475	9	-	97,079
Allowance for impairment	(308)	(48)	-	-	(356)	(307)	(42)	-	-	(349)
Net amount	86,158	14,203	7	-	100,368	81,288	15,433	9	-	96,730
Stage 2:										
Gross amount	12,664	3,087	2,388	-	18,139	12,947	3,528	1,650	-	18,125
Allowance for impairment	(386)	(54)	(68)	-	(508)	(300)	(146)	(92)	-	(538)
Net amount	12,278	3,033	2,320	-	17,631	12,647	3,382	1,558	-	17,587
Stage 3:										
Gross amount	557	4,977	227	5,317	11,078	5,624	135	5	4,843	10,607
Allowance for impairment	(247)	(94)	(102)	(794)	(1,237)	(277)	(55)	(2)	(621)	(955)
Net amount	310	4,883	125	4,523	9,841	5,347	80	3	4,222	9,652
Total:										
Gross amount	99,687	22,315	2,622	5,317	129,941	100,166	19,138	1,664	4,843	125,811
Allowance for impairment	(941)	(196)	(170)	(794)	(2,101)	(884)	(243)	(94)	(621)	(1,842)
Net amount	98,746	22,119	2,452	4,523	127,840	99,282	18,895	1,570	4,222	123,969

NOTE 2
SECURITIES

Securities in the trading book

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

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Debt securities:	17,853	14,043	42,384	27,332
Government bonds	7,671	5,348	13,533	5,637
Corporate bonds	10,182	8,695	28,851	21,695
Equity securities	19,247	802	17,798	564
Total	37,100	14,845	60,182	27,896

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	16,097	14,043	40,619	27,332
from AA- to AAA	1,099	873	1,794	1,236
from A- to A+	5,911	5,708	15,097	11,071
from BBB- to BBB+	4,763	3,923	16,284	9,273
from BB- to BB+	2,344	1,559	3,948	2,256
lower than BB-	51	51	50	50
no rating	1,929	1,929	3,446	3,446
Equity securities	802	802	564	564
listed	797	797	560	560
unlisted	5	5	4	4
units of investment funds	-	-	-	-
Total trading securities	16,899	14,845	41,183	27,896
Other trading book securities:				
Debt securities	1,756	-	1,765	-
from AA- to AAA	-	-	-	-
from A- to A+	1,427	-	1,437	-
from BBB- to BBB+	329	-	328	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	18,445	-	17,234	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	18,445	-	17,234	-
Total other trading book securities	20,201	-	18,999	-
TOTAL	37,100	14,845	60,182	27,896

NOTE 2
SECURITIES (continued)

Investment securities

	31 March 2019		31 December 2018	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities:	17,157	16,754	16,379	15,984
Government bonds	3,220	3,220	3,325	3,325
Corporate bonds	13,937	13,534	13,054	12,659
Equity securities	4,429	533	4,728	523
Total	21,586	17,287	21,107	16,507
Securities at amortized cost:				
Debt securities:	651,279	643,136	638,655	638,655
Government bonds	472,952	467,718	463,943	463,943
Corporate bonds	178,327	175,418	174,712	174,712
Total	651,279	643,136	638,655	638,655

	31 March 2019		31 December 2018	
	Group	Bank	Group	Bank
Securities at fair value:				
Debt securities	17,157	16,754	16,379	15,984
from AA- to AA+	-	-	-	-
from A- to A+	5,542	5,542	5,563	5,563
from BBB- to BBB+	11,048	11,048	10,268	10,268
from BB- to BB+	-	-	-	-
lower than BB-	164	164	153	153
no rating	403	-	395	-
Equities	4,429	533	4,728	523
listed	-	-	-	-
unlisted	558	439	848	432
units of investment funds	3,871	94	3,880	91
Total	21,586	17,287	21,107	16,507
Securities at amortized cost:				
Debt securities	651,279	643,136	638,655	638,655
from AA- to AA+	10,246	10,038	9,990	9,990
from A- to A+	467,681	462,813	453,265	453,265
from BBB- to BBB+	170,107	167,254	172,370	172,370
from BB- to BB+	3,245	3,031	3,030	3,030
lower than BB-	-	-	-	-
no rating	-	-	-	-
Total	651,279	643,136	638,655	638,655

Credit stages of investment debt securities:

	31 March 2019		31 December 2018	
	Group	Bank	Group	Bank
Stage 1:				
Gross amount	666,555	658,004	653,179	652,779
Allowance for impairment	(317)	(312)	(317)	(312)
Net amount	666,238	657,692	652,862	652,467
Stage 2:				
Gross amount	2,234	2,234	2,219	2,219
Allowance for impairment	(36)	(36)	(47)	(47)
Net amount	2,198	2,198	2,172	2,172
Stage 3:				
Gross amount	1,022	-	1,013	-
Allowance for impairment	(1,022)	-	(1,013)	-
Net amount	-	-	-	-

During the three month periods ended 31 March 2019 and 2018, no material reclassifications between portfolios of securities were performed.

Investments in subsidiaries

31 March 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries:

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

As of 31 March 2019 and 31 December 2018 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).

Šiaulių Banko Turto Fondas UAB holds 100% shares in Apželdinimas UAB. Šiaulių Banko Investicijų Valdymas UAB holds 100% shares in Sandworks UAB and ŽSA 5 UAB.

Bank's investments in subsidiaries consisted of:

	31 March 2019	*31 December 2018*	*1 January 2018*
	Carrying amount	*Carrying amount* (restated)	*Carrying amount* (restated)
Bonum Publicum GD UAB	9,192	9,129	9,427
Minera UAB	2,857	2,829	3,217
Pavasaris UAB	0	0	149
SB lizingas UAB	9,480	11,630	11,776
SBTF UAB	1,251	1,634	683
Šiaulių Banko Investicijų Valdymas UAB	416	442	1,038
Šiaulių Banko Lizingas UAB	1,074	1,074	1,074
Šiaulių Banko Turto Fondas UAB	3,379	3,308	3,969
Total	27,649	30,046	31,333

NOTE 3
SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Property, plant and equipment

From 1 January 2019, the Group adopted IFRS 16 and recognized right-of-use assets as part of the property, plant and equipment. The Group chose the option to apply the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Differences in the carrying amounts of assets and liabilities resulting from adoption of IFRS 16 were recognized in retained earnings as at 1 January 2019 (see statement of changes in equity).

The value of right-of-use assets is determined by discounted lease payments (obligations) during the lease period planned by the management. The depreciation term of these assets corresponds to the lease term. Lease payments that do not meet the conditions of IFRS 16 are accounted for as operating expenses. The discount rate depends on the lease term and ranges from 0.265% to 5%.

As at 31 December 2018, the Group recognized non-cancellable operating lease commitments of EUR 3,055 thousand (the Bank: EUR 2,639 thousand). Short-term or low value leases are recognized on a straight-line basis as expense in income statement. For the remaining lease commitments on 1 January 2019 the Group recognized right-of-use assets of EUR 3,577 thousand and lease liabilities (after adjustments for prepayments) of EUR 3,512 thousand.

Amounts of right-of-use assets recognized in Group's statement of financial position:

	Amount as at 1 January 2019	*Additions / increases*	*Depreciation*	*Write-offs/ decreases*	*Amount as of 31 March 2019*
Right-of-use assets:					
Buildings and premises	3,441	128	(326)	(28)	3,215
Vehicles	118	20	(11)	-	127
Office and other equipment	18	-	(2)	-	16
Total right-of-use assets	**3,577**	**148**	**(339)**	**(28)**	**3,358**

Amounts of lease liabilities recognized in Group's statement of financial position:

	31 March 2019	*1 January 2019*
Lease liabilities before prepayments	3,396	3,609
Prepayments received	(97)	(97)
Lease liabilities, carrying value	**3,299**	**3,512**

Amounts recognized in Group's income statement in relation to right-of-use assets and liabilities:

	Buildings and premises	*Vehicles*	*Office and other equipment*	*Total*
Depreciation expense	(326)	(11)	(2)	(339)
Interest expense	(13)	-	-	(13)
Operating lease expense for the short-term leases	-	-	-	-
Operating lease expense for the low value leases	2	-	-	2

Other assets

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
Amounts receivable	10,864	11,324	13,213	12,708
Inventories	13,955	-	16,312	-
Deferred charges	947	880	895	848
Assets under reinsurance and insurance contracts	734	-	597	-
Prepayments	1,398	707	4,607	3,777
Foreclosed assets	312	228	193	142
Assets classified as held for sale	1,793	1,793	1,794	1,794
Other	1,087	968	851	745
Total	**31,090**	**15,900**	**38,462**	**20,014**

NOTE 4
DUE TO CUSTOMERS

	31 March 2019		31 December 2018	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	29,159	29,159	24,043	24,043
Local government institutions	90,174	90,174	63,274	63,274
Governmental and municipal companies	16,149	16,149	28,558	28,558
Corporate entities	367,431	368,606	388,159	388,537
Non-profit organisations	17,086	17,086	15,284	15,284
Individuals	402,753	402,753	383,548	383,548
Unallocated amounts due to customers	56,971	58,576	44,838	45,462
Total demand deposits	979,723	982,503	947,704	948,706
Time deposits:				
National government institutions	6,761	6,761	1,334	1,334
Local government institutions	906	906	907	907
Governmental and municipality companies	6,496	6,496	5,498	5,498
Corporate entities	62,874	62,874	64,554	64,554
Non-profit organisations	2,153	2,153	2,347	2,347
Individuals	833,144	833,144	823,444	823,444
Total time deposits	912,334	912,334	898,084	898,084
Total	1,892,057	1,894,837	1,845,788	1,846,790

NOTE 5
SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Other liabilities

Amount of Group's other liabilities increased 2.1 times, from EUR 19,010 thousand to EUR 40,624 thousand during the three month period ended 31 March 2019. Dividends payable was the main factor that caused the increase in other liabilities - on 28 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 17,421 thousand dividends. Also, lease liabilities were recognized on IFRS 16 adoption (see Note 3). At 31 March 2019 Group's lease liabilities amounted to EUR 3,299 thousand.

NOTE 6
CAPITAL

As of 31 March 2019 and 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.

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).

At 31 March 2019 and 31 December 2018, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 31 March 2019, the Bank had 5,305 shareholders (as at 31 December 2018: 4,992).

NOTE 6
CAPITAL (continued)

Dividends:
On 28 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 0.029 (i.e. 10.00%) dividends per one ordinary registered share with EUR 0.29 nominal value each. 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.

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.

Reserve for acquisition of own shares:
On 28 March 2019 the ordinary general meeting of shareholders made a decision to form a reserve for acquisition of own shares from retained earnings. The reserve can be used for two purposes – to preserve the market price of Bank's shares and to acquire the shares that will be granted to Group's employess as part of variable remuneration.

Other equity:
Other equity consists of amount that corresponds to the obligation to present Bank's shares to Group's employees as part of variable remuneration.

NOTE 7
NET INTEREST INCOME

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):	16,843	15,050	14,796	13,164
on loans to other banks and financial institutions and placements with credit institutions	*168*	*781*	*39*	*528*
on loans to customers	*14,172*	*11,789*	*12,093*	*9,980*
on debt securities at amortized cost	*2,422*	*2,407*	*2,596*	*2,596*
on debt securities at fair value through other comprehensive income	*81*	*73*	*68*	*60*
Other similar income:	1,635	1,555	1,460	1,342
on debt securities at fair value through profit or loss	*161*	*110*	*187*	*94*
on finance leases	*1,448*	*1,419*	*1,273*	*1,248*
other interest income	*26*	*26*	*-*	*-*
Total interest income	18,478	16,605	16,256	14,506
Interest expense:				
on financial liabilities designated at fair value through profit or loss	-	-	(252)	(252)
on financial liabilities measured at amortised cost	(1,823)	(1,826)	(1,780)	(1,782)
on other liabilities	(98)	(94)	(54)	(54)
Total interest expense	(1,921)	(1,920)	(2,086)	(2,088)
Net interest income	16,557	14,685	14,170	12,418

NOTE 8
NET FEE AND COMMISSION INCOME

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
Fee and commission income:				
for administration of loans of third parties	1,043	1,043	881	881
for settlement services	1,355	1,358	1,071	1,074
for cash operations	1,126	1,126	888	888
for account administration	974	974	695	695
for guarantees, letters of credit, documentary collection	158	158	105	105
for collection of utility and similar payments	65	66	64	64
for services related to securities	375	397	379	405
other fee and commission income	255	97	216	73
Total fee and commission income	5,351	5,219	4,299	4,185
Fee and commission expense:				
for payment cards	(809)	(809)	(755)	(754)
for cash operations	(240)	(240)	(192)	(192)
for correspondent bank and payment system fees	(117)	(81)	(69)	(38)
for services of financial data vendors	(36)	(36)	(45)	(45)
for services related to securities	(134)	(133)	(62)	(61)
other fee and commission expenses	(58)	(58)	(58)	(58)
Total fee and commission expense	(1,394)	(1,357)	(1,181)	(1,148)
Net fee and commission income	3,957	3,862	3,118	3,037

NOTE 9
OTHER OPERATING EXPENSES

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
Rent of buildings and premises	(50)	(49)	(353)	(304)
Utility services for buildings and premises	(218)	(200)	(206)	(188)
Other expenses related to buildings and premises	(85)	(80)	(75)	(69)
Transportation expenses	(76)	(57)	(99)	(80)
Legal costs	(116)	(116)	(20)	(20)
Personnel and training expenses	(19)	(15)	(28)	(25)
IT and communication expenses	(674)	(611)	(537)	(491)
Marketing and charity expenses	(495)	(157)	(290)	(98)
Service organisation expenses	(356)	(314)	(250)	(217)
Non-income taxes, fines	174	292	(92)	(14)
Costs incurred due to debt recovery	(75)	(41)	(56)	(31)
Other expenses	(187)	(64)	(245)	(119)
Total	(2,177)	(1,412)	(2,251)	(1,656)

NOTE 10
IMPAIRMENT LOSSES

	2019-01-01 - 2019-03-31		2018-01-01 - 2018-03-31	
	Group	Bank	Group	Bank
				(restated)
(Impairment losses) / reversal of impairment losses on loans	(887)	(204)	1,021	1,284
Recoveries of loans previously written-off	1,318	53	376	236
Reversal of impairment losses / (impairment losses) on finance lease receivables	(232)	(259)	(50)	(52)
Recovered previously written-off finance lease receivables	364	-	10	-
(Impairment losses) on debt securities	11	11	(39)	(39)
Reversal of impairment losses on due from banks	(8)	(8)	(1)	(1)
Reversal of impairment losses / (impairment losses) on other financial assets	74	71	108	101
(Impairment losses) on subsidiaries	-	-	-	-
(Impairment losses) / reversal of impairment losses on other non-financial assets	7	2	594	1
Recoveries of other non-financial assets previously written-off	12	-	-	-
Total	659	(334)	2,019	1,530

	2019-01-01 - 2019-03-31		2018-01-01 - 2018-03-31	
	Group	Bank	Group	Bank
Allowance for impairment of loans				
As at 1 January	42,766	36,851	41,366	35,767
Change in allowance for loan impairment	887	204	(1,021)	(1,284)
Loans written off during the period	(706)	(695)	(899)	(899)
Other factors (reclassification, FX rate shift, etc.)	-	-	34	-
As at 31 March	42,947	36,360	39,480	33,584
Allowance for impairment of finance lease receivables				
As at 1 January	2,646	1,842	2,963	2,147
Change in allowance for impairment of finance lease receivables	232	259	50	52
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 March	2,878	2,101	3,013	2,199
Allowance for impairment of debt securities				
As at 1 January	1,377	359	1,318	291
Change in allowance for impairment of debt securities	(11)	(11)	39	39
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	9	-	(3)	-
As at 31 March	1,375	348	1,354	330
Allowance for impairment of due from banks				
As at 1 January	13	13	22	22
Change in allowance for impairment of due from banks	8	8	1	1
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
As at 31 March	21	21	23	23
Allowance for impairment of other financial assets				
As at 1 January	395	372	330	303
Change in allowance for impairment of other financial assets	(74)	(71)	(108)	(101)
Other financial assets written off during the period	(5)	(5)	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(13)	(13)
As at 31 March	316	296	209	189

NOTE 11
SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from trading activities

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
Net gain from foreign exchange and related derivatives	1,777	1,727	1,181	1,276
Net gain (loss) from other derivatives	(17)	(17)	12	12
Net gain (loss) on equity securities in the trading book	1,483	41	(246)	44
Net gain (loss) on debt securities in the trading book	404	355	(113)	(20)
Net gain on debt securities at fair value through other comprehensive income	14	14	39	39
Net gain (loss) on investment equities	17	2	11	(10)
Net gain on debt securities at amortized cost	745	747	709	709
Dividend and other income from equity securities in the trading book	1	1	1	1
Dividend and other income from investment equities	-	-	9	-
Total	4,424	2,870	1,603	2,051

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net gain of EUR 1,496 thousand for the three month period ended 31 March 2019; a net loss of EUR 393 thousand for the three month period ended 31 March 2018.

Expenses related to insurance activities

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
*Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts**	(1,507)	-	383	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(1,253)	-	(1,168)	-
Total expenses related to insurance activities	(2,760)	-	(785)	-

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

	2019-01-01 - 2019-03-31		*2018-01-01 - 2018-03-31*	
	Group	Bank	Group	Bank
Interest and similar income	11	-	10	-
Net gain (loss) from operations with securities	1,446	-	(301)	-
Net gain (loss) from foreign exchange	50	-	(92)	-
Total	1,507	-	(383)	-

NOTE 12
RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled over by these related parties;
b) subsidiaries of the Bank;
c) the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

During 2019 and 2018, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions. Starting from 2018, according to the local legislation, the information on executed material transactions with related parties is published on Bank's website (www.sb.lt › About bank › Information › Reports regarding the transactions with related parties).

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

	31 March 2019		*31 December 2018*	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
Members of the Council and the Board	2,554	148	3,176	243
Other related parties (excluding subsidiaries of the Bank)	2,919	21,116	2,346	21,233
Total	**5,473**	**21,264**	**5,522**	**21,476**

Transactions with EBRD:
The Group/Bank had a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), which was repaid in 2018 by converting it to Bank's shares (see Note 6 for details). During the three month period ended 31 March 2018 subordinated loan related interest expenses amounted to EUR 252 thousand, a net loss of EUR 2,242 thousand related to revaluation of the liability to fair value was recorded in income statement.

NOTE 12
RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	31 March 2019		*31 December 2018*	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
Non-financial institutions	3 752	13 891	2 043	13 887
Financial institutions	3 752	113 403	1 128	74 907
	4 908	**127 294**	**3 171**	**88 794**

Bank's total balances with subsidiaries:

	31 March 2019	31 December 2018
Assets		(restated)
Loans	71,509	68,518
Other assets	1,018	19
Bank's investment in subsidiaries (restated as of 31 December 2018)	27,649	30,046
Bank's investment in subsidiaries classified as assets held for sale	-	-
Liabilities and shareholders' equity		
Deposits	4,908	3,171
Other liabilities	1	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 March 2019	1 January – 31 March 2018
Income		(restated)
Interest	714	642
Commission income	49	54
FX income	2	3
Share of the profit or loss of investments in subsidaries accounted for using the equity method	2 383	1 363
Other income	8	10
Expenses		
Interest	(4)	(3)
Operating expenses	(7)	(7)
Impairment losses on loans	(12)	(20)
Allowance for impairment losses on investments in subsidiaries	-	-

As of 31 March 2019, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 61 thousand (31 December 2018: EUR 49 thousand).

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The structure of the Group's assets and liabilities by maturity as at 31 March 2019 was as follows:

	On demand	*Less than 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 3 years*	*More than 3 years*	*Maturity undefined*	*Total*
Total assets	135,783	61,524	83,916	141,540	205,972	637,082	969,400	79,854	2,315,071
Total liabilities and shareholders' equity	1,046,994	83,266	121,378	179,205	358,752	181,839	70,136	273,501	2,315,071
Net liquidity gap	(911,211)	(21,742)	(37,462)	(37,665)	(152,780)	455,243	899,264	(193,647)	-

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
Total assets	95,587	52,539	90,540	98,567	246,403	629,534	974,388	74,171	2,261,729
Total liabilities and shareholders' equity	992,960	113,137	125,879	169,865	311,496	202,238	71,416	274,738	2,261,729
Net liquidity gap	(897,373)	(60,598)	(35,339)	(71,298)	(65,093)	427,296	902,972	(200,567)	-

The structure of the Bank's assets and liabilities by maturity as at 31 March 2019 was as follows:

	On demand	*Less than 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 3 years*	*More than 3 years*	*Maturity undefined*	*Total*
Total assets	131,276	60,803	73,968	141,002	240,840	617,018	940,700	74,236	2,279,843
Total liabilities and shareholders' equity	1,050,170	77,045	120,486	178,457	357,799	179,113	43,790	272,983	2,279,843
Net liquidity gap	(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 2018 (restated) was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	94,015	51,975	129,504	91,633	233,863	607,352	947,342	71,441	2,227,125
Total liabilities and shareholders' equity	993,899	107,073	125,628	169,086	310,678	200,265	46,004	274,492	2,227,125
Net liquidity gap	(899,884)	(55,098)	3,876	(77,453)	(76,815)	407,087	901,338	(203,051)	-

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 March 2019:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	295,952	387,226	569,466	86,771	723,164	252,492	2,315,071
Liabilities and equity	70,735	113,649	177,313	351,891	225,328	1,376,155	2,315,071
Net interest sensitivity gap	225,217	273,577	392,153	(265,120)	497,836	(1,123,663)	-
Higher/lower impact on profit from balance sheet assets and liabilities	2,158	2,280	2,451	(663)	-	-	6,226

Group 31 December 2018:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	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

Bank 31 March 2019:

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	294,976	378,578	571,343	128,250	683,071	223,625	2,279,843
Liabilities and equity	70,339	113,538	177,245	351,415	197,450	1,369,856	2,279,843
Net interest sensitivity gap	224,637	265,040	394,098	(223,165)	485,621	(1,146,231)	-
Higher/lower impact on profit from balance sheet assets and liabilities	2,153	2,209	2,463	(558)	-	-	6,267

Bank 31 December 2018 (restated):

	Demand and less than 1 month	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*More than 1 year*	*Non monetary*	*Total*
Assets	217,441	426,417	598,765	126,182	685,307	173,013	2,227,125
Liabilities and equity	99,851	129,424	166,285	302,325	214,793	1,314,447	2,227,125
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

NOTE 13
LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

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 idenfication 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.

In 2019, the Bank continues to further improve its internal control organization, business continuity management, systems for registration of incidents and suggestions and information delivery channels, and the system of internal operational risk indicators.

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the three month period ended 31 March 2019, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2018. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the three month period ended 31 March 2019, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	31 March 2019		*31 December 2018*	
	Group	Bank	Group	Bank
LEVEL I				
Trading book securities	36,379	14,124	57,953	25,667
Investment securities at fair value	20,625	16,848	19,864	16,075
Total Level I financial assets	**57,004**	**30,972**	**77,817**	**41,742**
LEVEL II				
Derivative financial instruments - assets	2,557	2,557	1,197	1,197
Derivative financial instruments - liabilities	(1,214)	(1,214)	(1,048)	(1,048)
LEVEL III				
Trading book securities	721	721	2,229	2,229
Investment securities at fair value	961	439	1,243	432
Total Level III financial assets	**1,682**	**1,160**	**3,472**	**2,661**

There were no transfers between fair value hierarchy levels during 2019 and 2018.

NOTE 14
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the three month period ended 31 March:

Group	*Trading book securities*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018
As at 31 December	2,229	2,897	1,243	1,620	-	34,203
Impact of change in accounting principles	-	(2,284)	-	-	-	-
As at 1 January	2,229	613	1,243	1,620	-	34,203
Additions	1,527	1,825	-	-	-	-
Disposals / redemption / derecognition	(3,011)	(644)	(297)	-	-	-
Changes due to interest accrued/paid	(24)	23	-	(3)	-	-
Changes in fair value	-	-	15	(10)	-	2,242
As at 31 March	721	1,817	961	1,607	-	36,445

Bank	*Trading book securities*		*Investment securities at fair value*		*Financial liabilities at fair value through profit or loss*	
	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018
As at 31 December	2,229	2,897	432	414	-	34,203
Impact of change in accounting principles	-	(2,284)	-	-	-	-
As at 1 January	2,229	613	432	414	-	34,203
Additions	1,527	1,825	-	-	-	-
Disposals / redemption / derecognition	(3,011)	(644)	-	-	-	-
Changes due to interest accrued/paid	(24)	23	-	-	-	-
Changes in fair value	-	-	7	(10)	-	2,242
As at 31 March	721	1,817	439	404	-	36,445

	1 January – 31 March 2019		*1 January – 31 March 2018*	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	15	7	(2,252)	(2,252)

Fair value of investment securities held to collect cash flows:

The fair value for investment securities at amortized cost 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 at amortized cost portfolio of the Group.

	31 March 2019		*31 December 2018*	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	651,279	670,117	638,655	653,889

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2019 and in the Statement of comprehensive income for the three month period then ended is presented in the table below.

	Traditional banking operations and lending	*Treasury*	*Non-core banking activities*	*Other activities*	*Eliminations*	*Total*
Continuing operations						
Internal	(23)	-	102	(100)	21	-
External	14,226	1,918	322	91	-	16,557
Net interest income	14,203	1,918	424	(9)	21	16,557
Internal	45	-	-	(32)	(13)	-
External	3,963	-	-	(6)	-	3,957
Net fee and commissions income	4,008	-	-	(38)	(13)	3,957
Internal	22	-	102	(132)	8	-
External	18,189	1,918	322	85	-	20,514
Net interest, fee and commissions income	18,211	1,918	424	(47)	8	20,514
Internal	(10)	(1)	-	(1)	12	-
External	(6,467)	(617)	-	(3,413)	-	(10,497)
Operating expenses	(6,477)	(618)	-	(3,414)	12	(10,497)
Amortisation charges	(159)	(17)	-	(14)	-	(190)
Depreciation charges	(534)	(55)	-	(75)	-	(664)
Internal	-	-	(12)	-	12	-
External	552	-	87	20	-	659
Impairment expenses	552	-	75	20	12	659
Internal	71	-	2,393	1	(2,465)	-
External	1,576	1,161	299	4,396	-	7,432
Net other income	1,647	1,161	2,692	4,397	(2,465)	7,432
Profit (loss) before tax	13,240	2,389	3,191	867	(2,433)	17,254
Income tax	(2,188)	(211)	-	(130)	-	(2,529)
Profit (loss) per segment after tax	11,052	2,178	3,191	737	(2,433)	14,725
Non-controlling interest	-	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	11,052	2,178	3,191	737	(2,433)	14,725
Total segment assets	1,502,502	822,994	26,162	67,747	(104,334)	2,315,071
Total segment liabilities	1,320,697	724,475	23,030	51,109	(77,385)	2,041,926
Net segment assets (shareholders' equity)	181,805	98,519	3,132	16,638	(26,949)	273,145

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 March 2018 and in the Statement of comprehensive income for the three month period then ended is presented in the table below.

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

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 31 March 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

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. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Financial Group's condensed statement of financial position

	31 March 2019	*31 December 2018*
ASSETS		(restated)
Cash and cash equivalents	122,525	87,990
Securities in the trading book	14,845	27,896
Due from other banks	5,251	2,090
Derivative financial instruments	2,557	1,197
Loans to customers	1,292,314	1,272,183
Finance lease receivables	127,924	124,088
Investment securities at fair value	21,586	20,810
Investment securities at amortized cost	643,136	638,655
Investments in subsidiaries and associates	13,643	13,935
Intangible assets	1,975	1,996
Property, plant and equipment	11,540	8,333
Investment property	5,259	5,301
Current income tax prepayment	1,264	1,435
Deferred income tax asset	701	967
Other assets	21,928	26,329
Total assets	2,286,448	2,233,205
LIABILITIES		
Due to other banks and financial institutions	55,525	70,195
Derivative financial instruments	1,214	1,048
Due to customers	1,894,836	1,846,788
Special and lending funds	2,628	3,192
Debt securities in issue	20,033	20,003
Current income tax liabilities	182	97
Deferred income tax liabilities	622	575
Other liabilities	38,007	16,313
Total liabilities	2,013,047	1,958,211
EQUITY		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,296	10,241
Reserve for acquisition of own shares	10,000	-
Financial instruments revaluation reserve	(148)	(492)
Financial instruments revaluation reserve	811	-
Retained earnings	70,047	86,850
Non-controlling interest	-	-
Total equity	273,401	274,994
Total liabilities and equity	2,286,448	2,233,205

NOTE 16
SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

	for the three month period ended	
	31 March 2019	31 March 2018 (restated)
Interest revenue calculated using the effective interest method	16,877	14,876
Other similar income	1,584	1,367
Interest expense and similar charges	(1,922)	(2,088)
Net interest income	**16,539**	**14,155**
Fee and commission income	5,383	4,320
Fee and commission expense	(1,388)	(1,178)
Net fee and commission income	**3,995**	**3,142**
Net gain from trading activities	2,858	2,072
Net gain (loss) from changes in fair value of subordinated loan	-	(2,242)
Net gain (loss) from derecognition of financial assets	(72)	105
Net gain (loss) from disposal of tangible assets	211	(43)
Revenue related to insurance activities	-	-
Other operating income	295	204
Salaries and related expenses	(5,243)	(5,019)
Depreciation and amortization expenses	(794)	(474)
Expenses related to insurance activities	-	-
Other operating expenses	(2,004)	(2,061)
Operating profit before impairment losses	**15,785**	**9,839**
Allowance for impairment losses on loans and other assets	640	1,419
Allowance for impairment losses on investments in subsidiaries	-	-
Share of the profit or loss of investments in subsidaries accounted for using the equity method	690	585
Profit before income tax	**17,115**	**11,843**
Income tax expense	(2,390)	(1,955)
Net profit for the period	**14,725**	**9,888**
Net profit attributable to:		
Owners of the Bank	14,725	9,888
Non-controlling interest	-	-

Financial Group's condensed statement of comprehensive income

	for the three month period ended	
	31 March 2019	31 March 2018 (restated)
Net profit for the period	**14,725**	**9,888**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Gain from revaluation of financial assets	404	(60)
Deferred income tax on gain from revaluation of financial assets	(60)	9
Other comprehensive income, net of deferred tax	**344**	**(51)**
Total comprehensive income for the period	**15,069**	**9,837**
Total comprehensive income (loss) attributable to:		
Owners of the Bank	15,069	9,837
Non-controlling interest	-	-
	15,069	9,837

ŠIAULIŲ BANKAS

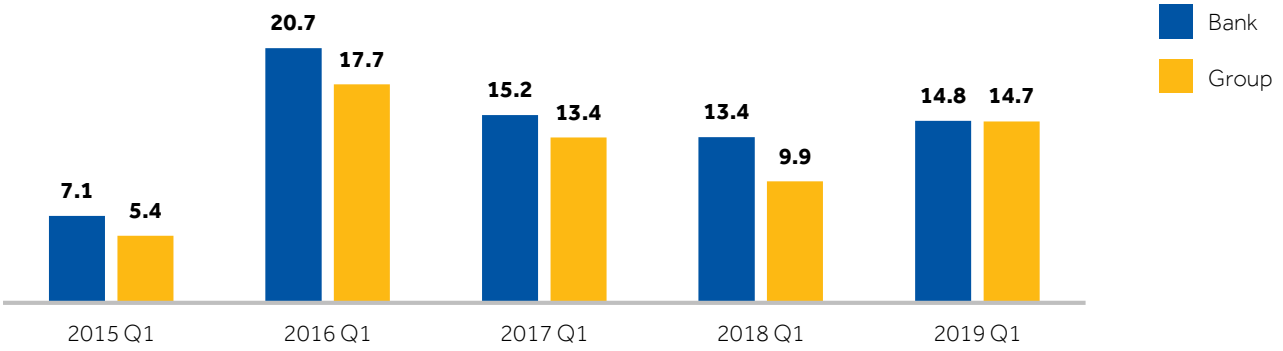
ADDITIONAL INFORMATION

The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 3 months covers the period from 01 January 2019 to 31 March 2019.

INFORMATION ON THE PERFOMANCE RESULTS

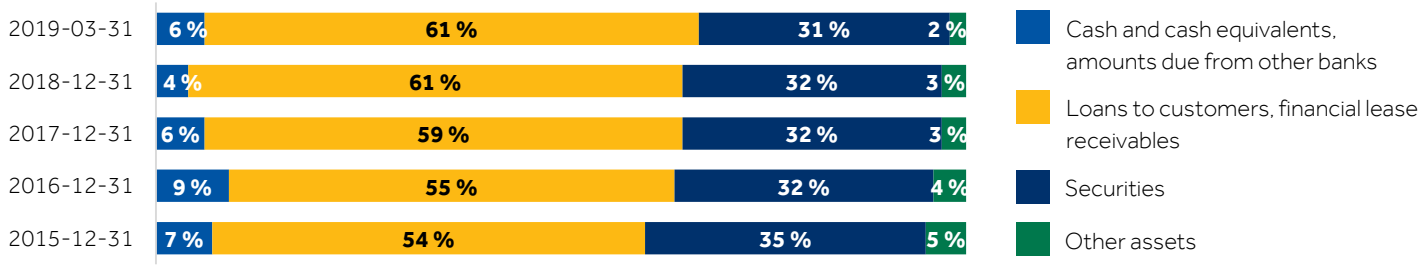
In the first quarter of the year, Šiaulių Bankas group had an unaudited net profit of 14.7 million euros which by 49 per cent more than in the first quarter last year. Compared to the same period of 2018, the group's first-quarter earnings for recurring activities increased practically by the third (32 per cent).

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



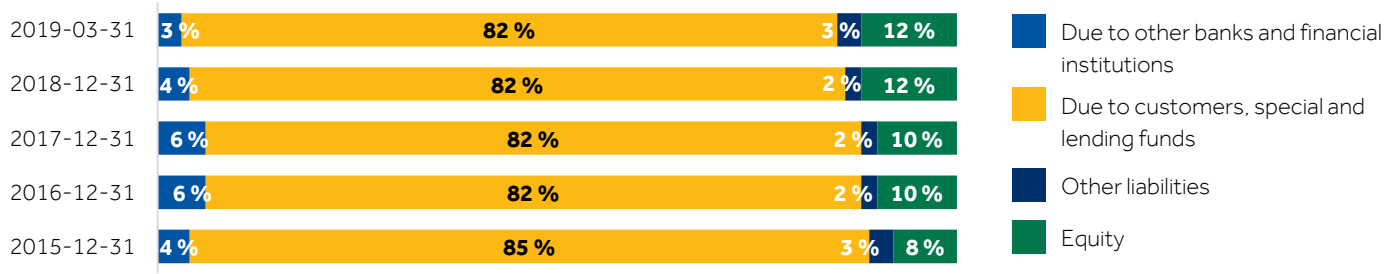
The group's loan and financial lease portfolio grew 16 per cent over 12 months to more than 1.4 billion euros at the end of March. Nearly 180 million euros of new loan agreements were signed in the first three months of the year. Portfolio quality remains good - recovery of 0.7 million euros of impairment losses was recorded in the first quarter of this year.

The Group's Asset Structure, in per cent



The group's deposits expanded by 2 per cent in the first quarter and 9 per cent over the past twelve months to more than 1.9 billion euros at end of March in 2019. In order to diversify the financing portfolio, a fixed-term deposit service for German customers was launched. The fund attraction programme was started very successfully - the interest of depositors exceeded expectations.

The Group's Liability Structure, in per cent.

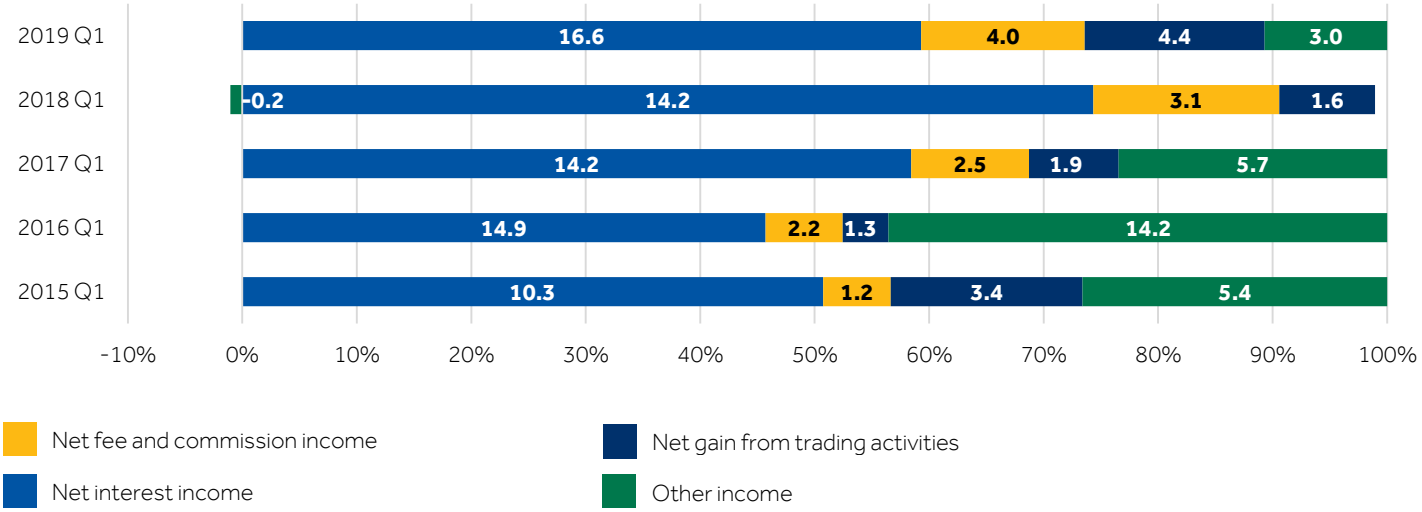


In the first quarter of this year, the Group earned 16.6 million euros of net interest income, which is 17 per cent more than in the first quarter last year.

Net fee and commission income compared to the same period last year increased by 27 per cent and exceeded 3.9 million EUR. The largest impact was made by the growing volume of settlements, non-decreasing net turnover of cash transactions and service plans actively chosen by the clients.

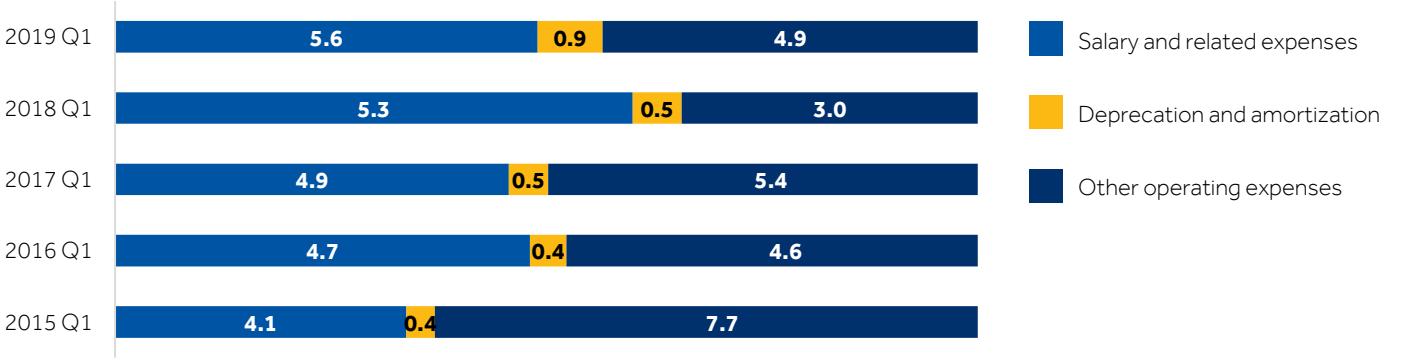
Customers' activity and fluctuations in markets have led to higher net profit from trading activities earning 4.4 million euros in three months of this year.

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

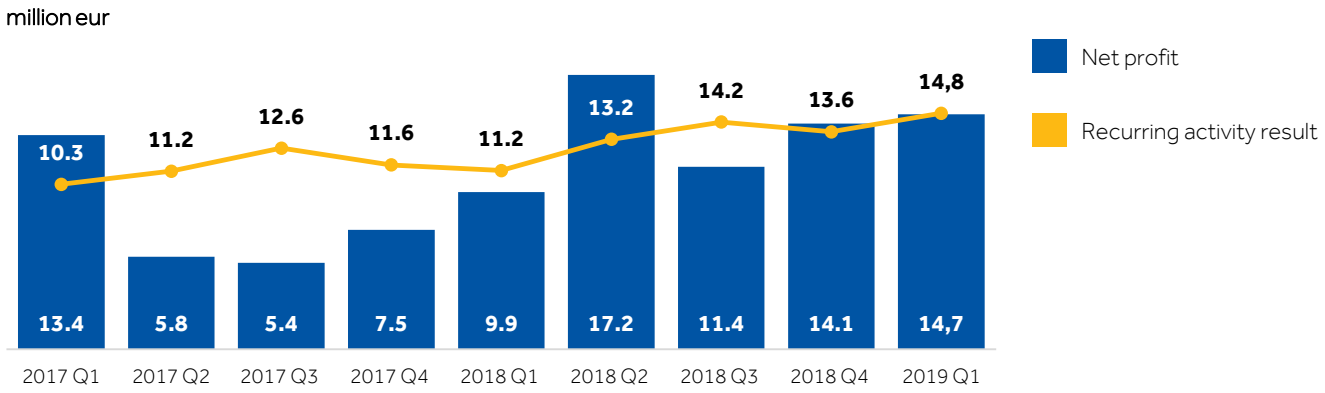


In line with growing income operating efficiency of Šiaulių Bankas group remains strong - a cost to income ratio of recurring activities comprised 43 per cent at the end of March. Return on equity reached 23 per cent and prudential requirements are being met with appropriate cushion.

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



Non-recurring activities shall mean an indicator used the Bank's analyses to show a portion of income based on the result from one-time transactions or transactions that are not recurring in the Group's typical activities. Breakdown of operating profit into recurring and non-recurring activities is provided below (in thou EUR).



in thousand EUR	*2019 Q1*	*2018 Q1*
Results of recurring activities	14.796	11.203
Results of non-recurring activities	1.799	-1.347
Net profit (loss) from financial derivatives	-17	12
Net profit(loss) from changes in fair value of subordinated loan	0	-2.242
Net profit from derecognition of financial assets	-72	105
Net gain (loss) from disposal of tangible assets	1.141	69
Realized profit from held-to-maturity securities	747	709
Impairment loss/recovery	659	2.019
Income tax	-2.529	-2.025
Net profit	**14.725**	**9.850**

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.

As of 31 March 2019 the Bank had 318 thousand clients - more than 291 thousand of them were private customers, 27 thousand - corporate customers. The network of the Bank's units consisted of 62 customer service points operating in 37 cities and towns of Lithuania.

PERFORMANCE RATIOS & COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

In line with growing income operating efficiency of Šiaulių Bankas group remains strong - a cost to income ratio of recurring activities comprised 43 per cent at the end of March. 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.*

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 31 March 2019 the Bank complied with all the prudential requirements set out 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.*

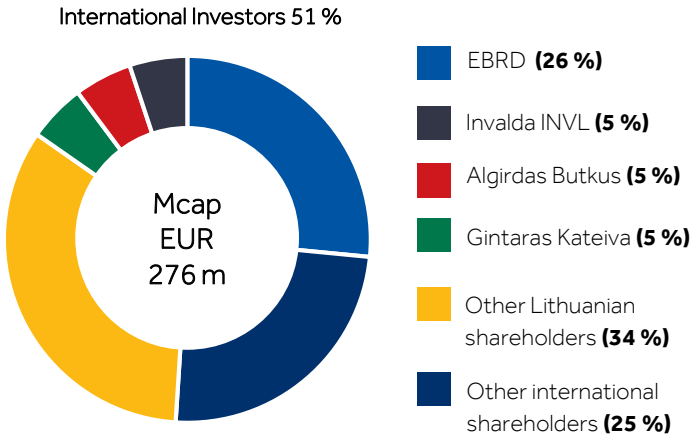
AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

The Bank's authorized capital was last increased on 13 December 2018 and comprised EUR 174 210 616.27 as of 31 March 2019, it is divided into 600 726 263 ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253).The Bank's authorized capital was not increased in the fisr quarter of 2019.

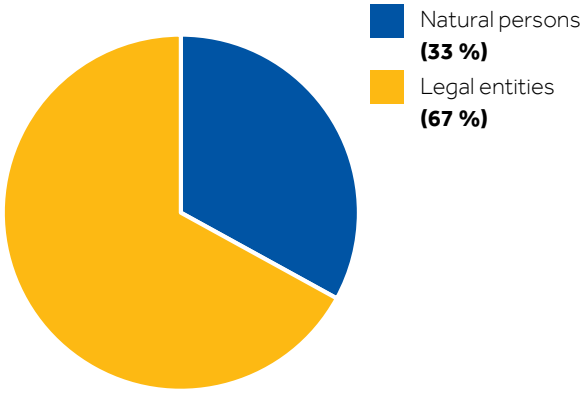
Authorized capital changes:

	2015-01-01	2015-05-26	2015-09-14	2016-05-26	2017-06-06	2018-06-01	2018-12-13
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

31 March 2019, the number of the Bank's shareholders amounted to 5 305 (31 March 2018 of 2017 – 4 545). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank.



Includes directly and indirectly controlled shares



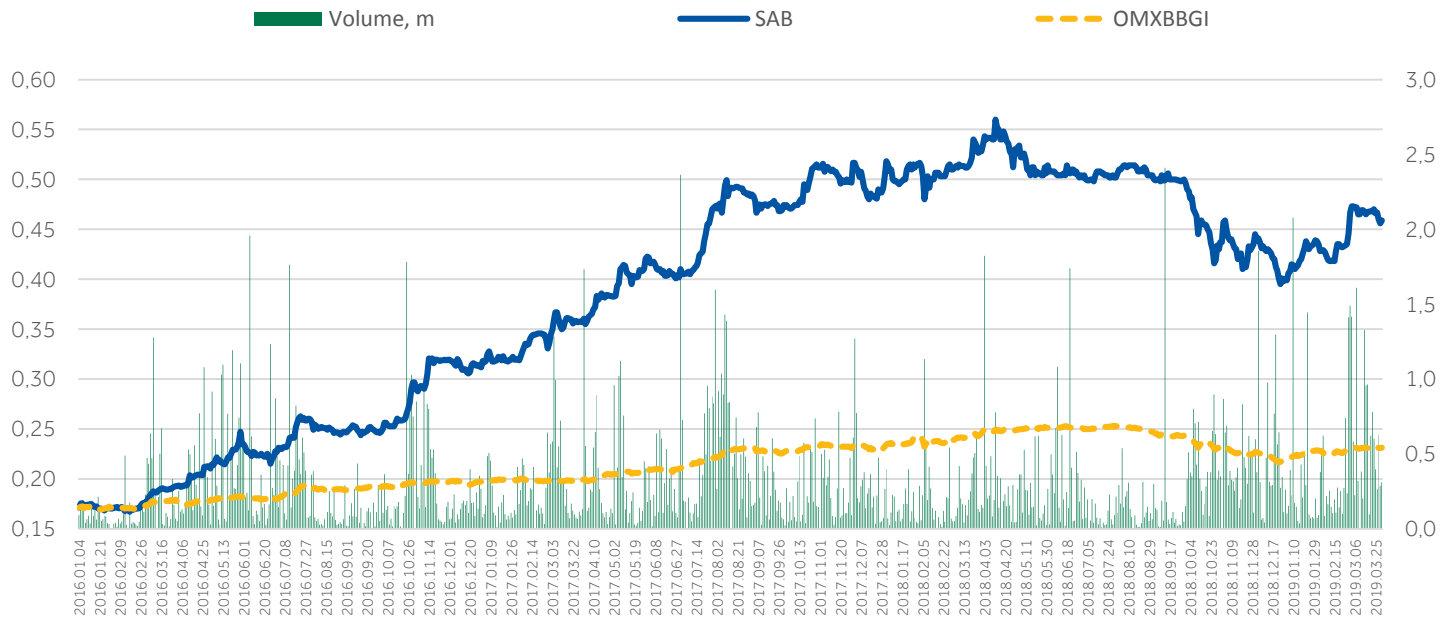
The top managers of the Bank whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 14.30 per cent of the Bank's authorized capital and votes as of 31 March 2019.

Share information:

	2015	2016	2017	2018	2019-03-31
Capitalization, EUR mln	93.7	169.5	266.8	240.9	275.7
Turnover, EUR mln	12.7	23.1	44.5	34.7	12.0
Share price on the last trading session day	0.298	0.449	0.589	0.401	0.459
Includes directly and indirectly controlled shares	0.421	0.458	0.448	0.448	0.454
P / BV	0.7	1.0	1.3	0.9	1.0
P/E	3.9	3.9	8.3	4.6	4.7
Capital increase from retained earnings, %	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 share price and turnover:



DIVIDENDS

In 2018, the Supervisory Council approved the dividend policy. Carrying out its activities and planning the capital the Bank seeks to ensure a competitive return on investment through dividends and increasing stock value . The Bank shall pay dividends on two assumptions - when external and internal capital and liquidity requirements will be sustained, and the level of capital after dividends will remain sufficient to carry out all approved investment and development plans and other capital-intensive activities. Taking into account the above-mentioned principles and assumptions, the Bank shall seek to allocate at least 25 per cent of the earned annual profit to dividends.

The General Meeting of Shareholders of the Bank held on 28/03/2019 allocating the bank's profit decided to pay dividends. Dividends totalled to 17,421 thousand euros, i.e.10 per cent nominal value. Dividends will be paid to the shareholders of the Bank having held the rights at the end of the accounting day - 11/04/2019.

Information on the dividends paid:

Year of dividend allocation and pay-out	*2014*	*2015*	*2016*	*2017*	*2018*
Per cent from nominal value	0.00	0.25	0.69	1.72	1.72
Dividend amount per share , Eur	0.00	0.000725	0.002	0.005	0.005
Dividend amount , Eur	0.00	195 750	629 147	1 887 442	2 264 938
Yields from dividends, %	-	0.3	0.7	1.1	0.8
Dividends to Group net profit, per cent	0.00	1.66	2.64	4.32	7.05

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).

Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
Member since 1991, Chairman since 1999 Tenure beginning 30/03/2016/ end 2020	Member since 2008 Tenure beginning 30/03/2016/ end 2020	Independent Member since 2012 Tenure beginning 30/03/2016/ end 2020	Member since 2016 Tenure beginning 09/05/2016/ end 2020	Member since 2016 Tenure beginning 09/05/2016/ end 2020	Member since 2017 Tenure beginning 26/06/2017/ end 2020
Share of capital under the right of ownership, % (31/03/2019)					
2.06	5.26	-	-	-	-
Share of votes together with the related persons, % (31/03/2019)					
14,30	14,30	-	-	14,30	-

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 Urbonienė	Jonas Bartkus	Ilona Baranauskienė
Chairman since 1999 (Chairman of the bank's Supervisory Council 1991 - 1999) Deputy Chief Executive Officer Tenure beginning 30/03/2016/ end 2020	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer Tenure beginning 30/03/2016/ end 2020	Deputy Chairman of the Board of the Bank since 1995, Deputy Chief Executive Officer, Head of Finance and Risk Management Division. Tenure beginning 30/03/2016/ end 2020	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division Tenure beginning 30/03/2016/ end 2020	Member since 2011 Chief Financial Officer, Head of Accounting and Tax Division Tenure beginning 30/03/2016/ end 2020	Member since 2012 Head of IT Division Tenure beginning 30/03/2016/ end 2020	Member since 2014 Head of Legal and Administration Division Tenure beginning 30/03/2016/ end 2020
Share of capital under the right of ownership, % (31/03/2019)						
2,80	0,17	0,11	0,01	0,08	0,11	0,01
Share of votes together with the related persons, % (31/03/2019)						
14,30	14,30	14,30	14,30	14,30	14,30	14,30

OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website https://www.sb.lt/ 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
6 May 2019

Vytautas Sinius

ŠIAULIŲ BANKAS

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm that as far as we know, the financial statements for three months of 2019 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
6 May 2019		