

## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Adomaitytė, confirm that as far as we know, the financial statements for 12 months of 2015 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 Adomaitytė

29 February 2016



## CONDENSED INTERIM FINANCIAL STATEMENTS

for the twelve month period ended 31 December 2015

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

	31 December 2015			31 December 2014	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	3	105,012	104,286	197,436	196,481
Securities at fair value through profit or loss	2	71,116	42,726	52,098	56,068
Due from other banks		6,529	6,499	5,665	5,265
Derivative financial instruments		9,292	8,754	7,097	6,650
Loans to customers	1	851,296	912,669	720,191	790,756
Finance lease receivables	1	57,812	1,145	53,670	3,068
Investment securities:					
available-for-sale -	2	20,468	19,821	22,118	21,844
held-to-maturity -	2	494,645	494,645	454,116	447,757
Investments in subsidiaries and associates	2	-	32,175	-	29,686
Intangible assets		3,770	798	3,325	412
Property, plant and equipment		10,946	10,023	11,223	10,083
Investment property		18,348	3,291	20,166	3,303
Current income tax prepayment		46	-	83	-
Deferred income tax asset		1,385	46	622	-
Other assets	3	44,105	7,091	54,642	11,113
Assets classified as held for sale	2	270	13,888	37,557	27,620
Total assets		1,695,040	1,657,857	1,640,009	1,610,106
LIABILITIES					
Due to other banks and financial institutions		50,376	53,383	55,839	61,979
Derivative financial instruments		136	136	-	-
Due to customers	4	1,436,388	1,436,712	1,415,313	1,415,716
Special and lending funds		8,191	8,191	2,499	2,499
Subordinated loan	12	20,457	20,457	19,295	19,295
Current income tax liabilities		1,322	947	919	535
Deferred income tax liabilities		977	-	1,360	108
Liabilities related to insurance activities		23,515	-	19,945	-
Other liabilities		13,085	5,518	14,329	5,245
Liabilities related to assets classified as held for sale	2	3,529	-	3,898	-
Total liabilities		1,557,976	1,525,344	1,533,397	1,505,377
EQUITY					
Share capital	6	91,226	91,226	78,197	78,197
Share premium		-	-	3,684	3,684
Reserve capital		756	756	756	756
Statutory reserve		2,468	2,290	1,450	1,275
Financial assets revaluation reserve		896	896	516	516
Retained earnings		41,718	37,345	22,009	20,301
Non-controlling interest		-	-	-	-
Total equity		137,064	132,513	106,612	104,729
Total liabilities and equity		1,695,040	1,657,857	1,640,009	1,610,106

The notes on pages 10 - 28 constitute an integral part of these financial statements

Chief Executive Officer

Chief accountant

29 February 2016



Vytautas Sinius



Vita Adomaitytė

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

for the twelve month period					
	1 January 2015 - 31 December 2015			1 January 2014 – 31 December 2014	
	Notes	Group	Bank	Group (restated)	Bank
<b>Continuing operations</b>					
Interest and similar income	7	65,795	57,929	63,211	55,113
Interest expense and similar charges	7	(16,976)	(16,981)	(23,424)	(23,436)
<b>Net interest income</b>		<b>48,819</b>	<b>40,948</b>	<b>39,787</b>	<b>31,677</b>
Fee and commission income	8	12,158	12,002	10,759	10,718
Fee and commission expense	8	(4,119)	(3,743)	(4,254)	(3,635)
<b>Net fee and commission income</b>		<b>8,039</b>	<b>8,259</b>	<b>6,505</b>	<b>7,083</b>
Net gain from operations with securities		1,087	866	3,323	2,703
Net foreign exchange gain		3,213	2,689	3,657	3,163
Net loss from derivatives		(1,632)	(1,855)	(2,830)	(2,919)
Net gain (loss) from changes in fair value of subordinated loan		(1,165)	(1,165)	330	330
Net gain from derecognition of financial assets	11	4,825	4,825	7,456	7,456
Net gain from disposal of tangible assets		2,690	2,765	828	342
Revenue related to other activities of Group companies	11	14,376	-	12,489	-
Other operating income		1,861	683	2,154	1,023
Salaries and related expenses		(16,644)	(13,292)	(14,856)	(11,389)
Depreciation and amortization expenses		(1,595)	(1,140)	(1,506)	(1,137)
Expenses related to other activities of Group companies	11	(13,824)	-	(11,711)	-
Other operating expenses	9	(10,818)	(7,993)	(9,185)	(7,177)
<b>Operating profit before impairment losses</b>		<b>39,232</b>	<b>35,590</b>	<b>36,441</b>	<b>31,155</b>
Allowance for impairment losses on loans and other assets	10	(23,032)	(16,918)	(20,764)	(17,141)
Allowance for impairment losses on investments in subsidiaries and revaluation of subsidiaries classified as held for sale	10	-	(15,163)	-	(7,401)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	18,374	-	6,097
<b>Profit from continuing operations before income tax</b>		<b>16,200</b>	<b>21,883</b>	<b>15,677</b>	<b>12,710</b>
Income tax expense		(1,019)	(953)	(2,009)	(1,814)
<b>Profit from continuing operations</b>		<b>15,181</b>	<b>20,930</b>	<b>13,668</b>	<b>10,896</b>
Profit (loss) from discontinued operations, net of tax		8,638	221	(1,894)	(292)
<b>Net profit for the period</b>		<b>23,819</b>	<b>21,151</b>	<b>11,774</b>	<b>10,604</b>
<b>Net profit attributable to:</b>					
Owners of the Bank		23,819	21,151	11,774	10,604
from continuing operations		15,181	20,930	13,668	10,896
from discontinued operations		8,638	221	(1,894)	(292)
Non-controlling interest		-	-	-	-
<b>Basic earnings per share (in EUR per share) attributable to owners of the Bank</b>					
		0.08		0.04	
from continuing operations		0.05		0.05	
from discontinued operations		0.03		(0.01)	
<b>Diluted earnings per share (in EUR per share) attributable to owners of the Bank</b>					
		0.08		0.04	
from continuing operations		0.05		0.05	
from discontinued operations		0.03		(0.01)	

The notes on pages 10 - 28 constitute an integral part of these financial statements.

Chief Executive Officer

Chief accountant

29 February 2016

 Vytautas Sinius  
 Vita Adomaitytė

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

	for the twelve month period			
	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group (restated)	Bank
<b>Net profit for the period</b>	<b>23,819</b>	<b>21,151</b>	<b>11,774</b>	<b>10,604</b>
<b>Other comprehensive income (loss)</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	790	868	2,559	2,559
(Loss) from sale of financial assets	(287)	(365)	(1,167)	(1,167)
Amortisation of revaluation related to portfolio reclassified to held-to-maturity category	(57)	(57)	(104)	(104)
Deferred income tax on gain from revaluation of financial assets	(66)	(66)	(196)	(196)
<b>Other comprehensive income, net of deferred tax</b>	<b>380</b>	<b>380</b>	<b>1,092</b>	<b>1,092</b>
<b>Total comprehensive income for the period</b>	<b>24,199</b>	<b>21,531</b>	<b>12,866</b>	<b>11,696</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	24,199	21,531	12,866	11,696
from continuing operations	15,561	21,310	14,760	11,988
from discontinued operations	8,638	221	(1,894)	(292)
Non-controlling interest (from continuing operations)	-	-	-	-
	24,199	21,531	12,866	11,696

The notes on pages 10 - 28 constitute an integral part of these financial statements:

Chief Executive Officer

Chief accountant

29 February 2016.

 Vytautas Sinius  
 Vita Adomaitytė

## THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS FOR THE PERIOD

for the three month period

	1 October 2015 - 31 December 2015		1 October 2014 - 31 December 2014	
	Group	Bank	Group (restated)	Bank
<b>Continuing operations</b>				
Interest and similar income	18,147	16,390	15,620	13,679
Interest expense and similar charges	(2,865)	(2,938)	(5,433)	(5,436)
<b>Net interest income</b>	<b>15,282</b>	<b>13,452</b>	<b>10,187</b>	<b>8,243</b>
Fee and commission income	3,497	3,697	3,496	3,473
Fee and commission expense	(1,115)	(1,121)	(1,201)	(1,059)
<b>Net fee and commission income</b>	<b>2,382</b>	<b>2,576</b>	<b>2,295</b>	<b>2,414</b>
Net gain (loss) from operations with securities	1,465	810	(59)	347
Net foreign exchange gain	660	698	1,067	894
Net gain (loss) from derivatives	1,271	1,053	(375)	(464)
Net gain (loss) from changes in fair value of subordinated loan	(990)	(990)	363	363
Net gain from derecognition of financial assets	1,577	1,577	742	742
Net gain from disposal of tangible assets	264	202	494	109
Revenue related to other activities of Group companies	4,367	-	4,136	-
Other operating income	550	213	815	373
Salaries and related expenses	(4,708)	(4,064)	(3,638)	(2,589)
Depreciation and amortization expenses	(432)	(362)	(396)	(267)
Expenses related to other activities of Group companies	(4,465)	-	(4,219)	-
Other operating expenses	(4,035)	(3,050)	(2,468)	(1,735)
<b>Operating profit before impairment losses</b>	<b>13,188</b>	<b>12,115</b>	<b>8,944</b>	<b>8,430</b>
Allowance for impairment losses on loans and other assets	(10,709)	(8,258)	(5,824)	(6,882)
Allowance for impairment losses on investments in subsidiaries and revaluation of subsidiaries classified as held for sale	-	(799)	-	(290)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	-	-	-
<b>Profit from continuing operations before income tax</b>	<b>2,479</b>	<b>3,058</b>	<b>3,120</b>	<b>1,258</b>
Income tax expense	1,723	1,301	41	110
<b>Profit from continuing operations</b>	<b>4,202</b>	<b>4,359</b>	<b>3,161</b>	<b>1,368</b>
Profit (loss) from discontinued operations, net of tax	2,377	221	(1,581)	(292)
<b>Net profit for the period</b>	<b>6,579</b>	<b>4,580</b>	<b>1,580</b>	<b>1,076</b>
<b>Net profit attributable to:</b>				
Owners of the Bank	6,579	4,580	1,580	1,076
From continuing operations	4,202	4,359	3,161	1,368
From discontinued operations	2,377	221	(1,581)	(292)
Non-controlling interest	-	-	-	-

The notes on pages 10 - 28 constitute an integral part of these financial statements.

## THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank								
<b>31 December 2013</b>		<b>72,405</b>	<b>9,476</b>	<b>756</b>	<b>(576)</b>	<b>939</b>	<b>10,746</b>	<b>93,746</b>	<b>145</b>	<b>93,891</b>
Transfer to statutory reserve		-	-	-	-	511	(511)	-	-	-
Increase in share capital through bonus issue of shares	6	5,792	(5,792)	-	-	-	-	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	(145)	(145)
Total comprehensive income		-	-	-	1,092	-	11,774	12,866	-	12,866
<b>31 December 2014</b>		<b>78,197</b>	<b>3,684</b>	<b>756</b>	<b>516</b>	<b>1,450</b>	<b>22,009</b>	<b>106,612</b>	<b>-</b>	<b>106,612</b>
Transfer to statutory reserve		-	-	-	-	1,018	(1,018)	-	-	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)	-	(196)
Increase in share capital through bonus issue of shares	6	6,734	(3,684)	-	-	-	(3,050)	-	-	-
Increase in share capital on business combination	6	6,192	-	-	-	-	257	6,449	-	6,449
Currency change of share capital	6	103	-	-	-	-	(103)	-	-	-
Total comprehensive income		-	-	-	380	-	23,819	24,199	-	24,199
<b>31 December 2015</b>		<b>91,226</b>	<b>-</b>	<b>756</b>	<b>896</b>	<b>2,468</b>	<b>41,718</b>	<b>137,064</b>	<b>-</b>	<b>137,064</b>

## THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation	Statutory reserve	Retained earnings	Total
<b>31 December 2013</b>		<b>72,405</b>	<b>9,476</b>	<b>756</b>	<b>(576)</b>	<b>764</b>	<b>10,208</b>	<b>93,033</b>
Transfer to statutory reserve		-	-	-	-	511	(511)	-
Increase in share capital through bonus issue of shares	6	5,792	(5,792)	-	-	-	-	-
Total comprehensive income		-	-	-	1,092	-	10,604	11,696
<b>31 December 2014</b>		<b>78,197</b>	<b>3,684</b>	<b>756</b>	<b>516</b>	<b>1,275</b>	<b>20,301</b>	<b>104,729</b>
Transfer to statutory reserve		-	-	-	-	1,015	(1,015)	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)
Increase in share capital through bonus issue of shares	6	6,734	(3,684)	-	-	-	(3,050)	-
Increase in share capital on business combination	6	6,192	-	-	-	-	257	6,449
Currency change of share capital	6	103	-	-	-	-	(103)	-
Total comprehensive income		-	-	-	380	-	21,151	21,531
<b>31 December 2015</b>		<b>91,226</b>	<b>-</b>	<b>756</b>	<b>896</b>	<b>2,290</b>	<b>37,345</b>	<b>132,513</b>

The notes on pages 10 - 28 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

	1 January 2015 - 31 December 2015		1 January 2014 - 31 December 2014	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received on loans and advances	49,937	41,700	50,104	40,815
Interest received on debt securities at fair value through profit or loss	2,760	2,758	918	918
Interest paid	(19,087)	(19,092)	(23,424)	(23,436)
Fees and commissions received	12,158	12,002	9,425	9,384
Fees and commissions paid	(4,119)	(3,743)	(4,254)	(3,635)
Cash inflows from trade in securities at fair value through profit or loss	5,747	5,303	2,542	1,852
Net inflows from foreign exchange operations	3,437	2,914	4,108	3,613
Recoveries on loans previously written off	1,178	260	1,069	37
Salaries and related payments to and on behalf of employees	(16,661)	(13,263)	(14,680)	(11,154)
Other net cash receipts (payments)	6,268	(4,143)	1,359	577
Income tax paid	(1,561)	(538)	(999)	-
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>40,057</b>	<b>24,158</b>	<b>26,168</b>	<b>18,971</b>
<b>Change in operating assets and liabilities:</b>				
(Increase) decrease in securities at fair value through profit or loss	20,768	47,089	(9,601)	2,634
Increase in loans to credit and financial institutions	(546)	(1,234)	(3,195)	(3,528)
(Decrease) in loans to customers	(131,300)	(133,359)	(5,885)	(20,227)
Decrease (Increase) in other current assets	32,540	2,951	(14,761)	(5,026)
Decrease in liabilities to credit and financial institutions	(5,597)	(8,730)	(21,005)	(25,572)
(Decrease) increase in deposits	(37,916)	(32,108)	103,555	103,731
Increase in special and lending funds	5,692	5,692	369	369
Increase (decrease) in other liabilities	531	3,046	(563)	(1,407)
<b>Change</b>	<b>(115,828)</b>	<b>(116,653)</b>	<b>48,914</b>	<b>50,974</b>
<b>Net cash flow (used in) from operating activities</b>	<b>(75,771)</b>	<b>(92,495)</b>	<b>75,082</b>	<b>69,945</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment, investment property and intangible assets	(5,993)	(3,165)	(8,247)	(950)
Disposal of property, plant and equipment, investment property and intangible assets	11,039	7,348	15,714	10,793
Acquisition of held-to-maturity securities	(165,939)	(165,939)	(165,995)	(162,773)
Proceeds from redemption of held-to-maturity securities	118,516	118,977	91,856	91,797
Interest received on held-to-maturity securities	11,795	11,754	11,845	11,762
Dividends received	85	18,459	92	6,170
Acquisition of available-for-sale securities	(24,045)	(23,625)	(37,297)	(37,271)
Sale of available-for-sale securities	25,862	25,815	71,228	71,217
Interest received on available-for-sale securities	1,056	1,056	715	715
Disposal of subsidiaries	-	2,350	666	666
Business acquisition	11,166	14,691	(114)	(114)
Instalments to cover losses and to strengthen the capital of subsidiaries	-	(7,226)	-	(4,779)
<b>Net cash flow from (used in) investing activities</b>	<b>(16,458)</b>	<b>495</b>	<b>(19,537)</b>	<b>(12,767)</b>
<b>Financing activities</b>				
Payment of dividends	(195)	(195)	(4)	(4)
Payment to minority shareholders	-	-	(145)	-
<b>Net cash flow from (used in) financing activities</b>	<b>(195)</b>	<b>(195)</b>	<b>(149)</b>	<b>(4)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(92,424)</b>	<b>(92,195)</b>	<b>55,396</b>	<b>57,174</b>
<b>Cash and cash equivalents at 1 January</b>	<b>197,436</b>	<b>196,481</b>	<b>142,040</b>	<b>139,307</b>
<b>Cash and cash equivalents at 31 December</b>	<b>105,012</b>	<b>104,286</b>	<b>197,436</b>	<b>196,481</b>

The notes on pages 10 - 28 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 70 customer service outlets (31 December 2014: 74 outlets). As at 31 December 2015 the Bank had 719 employees (31 December 2014: 677). As at 31 December 2015 the Group (except subsidiaries held for sale) had 861 employees (31 December 2014: 829 employees).

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

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

### As of 31 December 2015 the Bank owned the following directly controlled subsidiaries:

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. Minera UAB (real estate management activities),
5. SBTf UAB (real estate management activities),
6. Pavasaris UAB (development of the area of multi-apartment residential houses),
7. SB Lizingas UAB (name changed from Ūkio Banko Lizingas UAB; consumer financing activities),
8. Bonum Publicum GD UAB (life insurance activities).

### As of 31 December 2015 the Bank owned the following indirectly controlled subsidiary:

9. Sandworks UAB (real estate management activities).

### As of 31 December 2015 the Bank owned directly controlled subsidiaries held for sale:

10. Trade Project UAB (real estate management activities),
11. Investicinio Turto Valdymas UAB (real estate management activities),
- 12-16. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

### As of 31 December 2015 the Bank had the indirectly controlled subsidiary held for sale:

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

### As of 31 December 2014 the Bank owned the following directly controlled subsidiaries:

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. Minera UAB (real estate management activities),
5. SBTf UAB (real estate management activities),
6. Pavasaris UAB (development of the area of multi-apartment residential houses),
7. Ūkio Banko Lizingas UAB (consumer financing activities),
8. Bonum Publicum GD UAB (life insurance activities).

### As of 31 December 2014 the Bank owned the following indirectly controlled subsidiaries:

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

### As of 31 December 2014 the Bank owned directly controlled subsidiaries held for sale:

11. Sporto Klubų Investicijos UAB (real estate management activities),
12. Trade Project UAB (real estate management activities),
13. Investicinio Turto Valdymas UAB (real estate management activities),
- 14.-18. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

### As of 31 December 2014 the Bank had the indirectly controlled subsidiaries held for sale:

19. Kėdainių Oda UAB (leather processing, production activities),
20. Žalgirio Sporto Arena UAB (real estate management activities),
21. Nacionalinis Futbolo Stadionas UAB (development of the football stadium).

This condensed interim financial information for the twelve month period ended 31 December 2015 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 2014, 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 2014.

#### Income tax

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

#### Functional and presentation currency

This condensed interim financial information is presented in the national currency the euro (EUR), which is the Bank's and Financial Group's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas (LTL). The litas was pegged to the euro at the exchange rate of LTL 3.4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3.4528 to EUR 1. The Bank converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3.4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 6.

#### New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2015, and that would have a material impact on the Bank's financial information. The Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2016 will have a material impact on the Bank's financial statements.

## GENERAL INFORMATION (continued)

In 2015, the Group sold the subsidiary Semelitas UAB. This transaction caused restatements in the comparative financial information of the Group for the twelve month period ended 31 December 2014, which was restated to include the activity results of Semelitas UAB in discontinued operations. Total activity result of the Group was not affected by this restatement, amounts were represented between the results of Continuing and Discontinued operations and line items of Continuing operations. The tables in the financial statements, which have been impacted the restatements described above, are marked with the word "restated" in the header.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2014.

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

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

## NOTE 1 LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	6,529	6,499	5,665	5,265
<i>Loans and advances to customers:</i>	851,296	912,669	720,191	790,756
<i>Loans and advances to financial institutions</i>	27	98,986	9	58,600
<i>Loans to individuals (Retail)</i>	110,019	61,528	103,114	56,233
<i>Loans to business customers</i>	741,250	752,155	617,068	675,923
<i>Finance lease receivables</i>	57,812	1,145	53,670	3,068
<i>Debt securities at fair value through profit or loss</i>	55,730	42,388	38,770	55,956
<i>Derivative financial instruments</i>	9,292	8,754	7,097	6,650
<i>Debt securities available for sale</i>	18,014	17,612	21,316	21,316
<i>Debt securities held to maturity</i>	494,645	494,645	454,116	447,757
<i>Other assets subject to credit risk</i>	6,658	5,557	4,474	3,435
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	22,255	22,282	29,202	29,219
<i>Letters of credit</i>	5,929	5,929	315	315
<i>Loan commitments and other credit related liabilities</i>	111,967	116,259	101,444	103,704
<b>Total</b>	<b>1,640,127</b>	<b>1,633,739</b>	<b>1,436,260</b>	<b>1,467,441</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
Loans to business customers	849,105	958,899	760,392	876,630
Loans to individuals	117,765	64,618	111,133	59,488
Subtract: Difference between acquisition value and gross value *	(72,908)	(72,908)	(103,698)	(103,698)
<b>Gross</b>	<b>893,962</b>	<b>950,609</b>	<b>767,827</b>	<b>832,420</b>
Less: allowance for impairment	(42,666)	(37,940)	(47,636)	(41,664)
of which: for individually assessed loans	(41,395)	(37,000)	(47,261)	(41,664)
of which: for collectively assessed loans	(1,271)	(940)	(375)	-
<b>Net</b>	<b>851,296</b>	<b>912,669</b>	<b>720,191</b>	<b>790,756</b>

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
Neither past due nor individually impaired	720,915	788,302	609,692	687,090
Past due but not individually impaired	105,111	102,409	84,323	80,215
Individually impaired	67,936	59,898	73,812	65,115
<b>Gross</b>	<b>893,962</b>	<b>950,609</b>	<b>767,827</b>	<b>832,420</b>
Less: allowance for impairment	(42,666)	(37,940)	(47,636)	(41,664)
of which: for individually assessed loans	(41,395)	(37,000)	(47,261)	(41,664)
of which: for collectively assessed loans	(1,271)	(940)	(375)	-
<b>Net</b>	<b>851,296</b>	<b>912,669</b>	<b>720,191</b>	<b>790,756</b>

\* Difference between acquisition value and gross value is the difference between the acquisition value of the loans acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the gross value of the above-mentioned loans.

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

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

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

**The list of loss events:**

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

**Loans and advances past due but not impaired**

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
Past due up to 7 days	68,405	67,039	29,331	27,947
Past due 8 to 30 days	12,513	11,192	11,364	9,926
Past due 31-60 days	2,175	2,170	14,106	14,100
Past due 61-90 days	1,573	1,569	2,688	1,479
Past due more than 90 days	20,445	20,439	26,834	26,763
<b>Total</b>	<b>105,111</b>	<b>102,409</b>	<b>84,323</b>	<b>80,215</b>
Allowance for impairment of collectively assessed loans	(171)	(106)	(92)	-
<b>Fair value of collateral</b>	<b>46,840</b>	<b>46,840</b>	<b>64,019</b>	<b>62,832</b>

## NOTE 1

### LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

#### Loans and advances individually impaired

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Impaired loans</b>	<b>67,936</b>	<b>59,898</b>	<b>73,812</b>	<b>65,115</b>
Allowance for impairment of individually assessed loans	(41,395)	(37,000)	(47,260)	(41,664)
Allowance for impairment of collectively assessed loans	(23)	(23)		
<b>Fair value of collateral</b>	<b>41,305</b>	<b>41,305</b>	<b>36,707</b>	<b>37,814</b>

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

#### Finance lease receivables

##### Segment information

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Business customers</b>	<b>61,281</b>	<b>11,759</b>	<b>65,918</b>	<b>19,011</b>
<b>Individuals</b>	<b>8,533</b>	<b>-</b>	<b>5,577</b>	<b>-</b>
Subtract: Difference between acquisition value and gross value *	(10,552)	(10,552)	(15,882)	(15,882)
<b>Gross</b>	<b>59,262</b>	<b>1,207</b>	<b>55,613</b>	<b>3,129</b>
<b>Neither past due not impaired</b>	<b>44,325</b>	<b>1,095</b>	<b>38,434</b>	<b>2,748</b>
<b>Past due but not impaired</b>	<b>12,141</b>	<b>1</b>	<b>14,546</b>	<b>271</b>
<b>Impaired</b>	<b>2,796</b>	<b>111</b>	<b>2,633</b>	<b>111</b>
<b>Gross</b>	<b>59,262</b>	<b>1,207</b>	<b>55,613</b>	<b>3,129</b>
Subtract: Allowance for impairment	(1,450)	(62)	(1,943)	(61)
of which: for individually assessed finance lease receivables	(1,447)	(61)	(1,939)	(61)
of which: for collectively assessed finance lease receivables	(3)	(1)	(4)	-
<b>Net</b>	<b>57,812</b>	<b>1,145</b>	<b>53,670</b>	<b>3,068</b>

\* Difference between acquisition value and gross value is the difference between the acquisition value of the finance lease receivables acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the gross value of the above-mentioned finance lease receivables.

	The Group					
	31 December 2015			31 December 2014		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	441	2,355	2,796	19	323	342
Finance lease receivables secured by:						
transport vehicles -	7,056	16,947	24,003	3,789	15,439	19,228
real estate -	870	23,030	23,900	1,012	24,886	25,898
airplanes -	-	1,157	1,157	-	1,372	1,372
production equipment -	-	2,147	2,147	3	2,598	2,601
other equipment -	79	4,951	5,030	261	4,719	4,980
other assets -	87	142	229	493	699	1,192
<b>Total</b>	<b>8,533</b>	<b>50,729</b>	<b>59,262</b>	<b>5,577</b>	<b>50,036</b>	<b>55,613</b>

	The Bank					
	31 December 2015			31 December 2014		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	-	28	28	-	90	90
Finance lease receivables secured by:						
transport vehicles -	-	29	29	-	29	29
real estate -	-	1,011	1,011	-	2,819	2,819
airplanes -	-	-	-	-	-	-
production equipment -	-	131	131	-	179	179
other equipment -	-	8	8	-	12	12
other assets -	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,207</b>	<b>1,207</b>	<b>-</b>	<b>3,129</b>	<b>3,129</b>

## NOTE 2 SECURITIES

### Securities at fair value through profit or loss

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Debt securities:</b>				
Government bonds	37,597	29,634	24,962	17,836
Corporate bonds	18,133	12,754	13,808	38,120
<b>Equity securities</b>	<b>15,386</b>	<b>338</b>	<b>13,328</b>	<b>112</b>
<b>Total securities at fair value through profit or loss</b>	<b>71,116</b>	<b>42,726</b>	<b>52,098</b>	<b>56,068</b>

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>54,115</b>	<b>42,388</b>	<b>37,259</b>	<b>55,956</b>
from AA- to AAA	1,733	1,733	2,539	2,425
from A- to A+	27,710	24,951	23,933	20,954
from BBB- to BBB+	20,591	13,179	10,075	3,615
from BB- to BB+	3,754	2,198	598	-
lower than BB-	-	-	114	-
no rating	327	327	-	28,962
<b>Equity securities</b>	<b>338</b>	<b>338</b>	<b>112</b>	<b>112</b>
listed	301	301	112	112
unlisted	7	7	-	-
units of investment funds	30	30	-	-
<b>Total trading securities</b>	<b>54,453</b>	<b>42,726</b>	<b>37,371</b>	<b>56,068</b>
<b>Securities designated at fair value through profit or loss at initial recognition:</b>				
<b>Debt securities</b>	<b>1,615</b>	<b>-</b>	<b>1,511</b>	<b>-</b>
from AA- to AAA	300	-	286	-
from A- to A+	573	-	589	-
from BBB- to BBB+	742	-	636	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equity securities</b>	<b>15,048</b>	<b>-</b>	<b>13,216</b>	<b>-</b>
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	15,048	-	13,216	-
<b>Total securities designated at fair value through profit or loss at initial recognition</b>	<b>16,663</b>	<b>-</b>	<b>14,727</b>	<b>-</b>
<b>TOTAL</b>	<b>71,116</b>	<b>42,726</b>	<b>52,098</b>	<b>56,068</b>

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

### Investment securities

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Securities available for sale:</b>				
<b>Debt securities:</b>	<b>18,014</b>	<b>17,612</b>	<b>21,316</b>	<b>21,316</b>
Government bonds	256	256	6,330	6,330
Corporate bonds	17,758	17,356	14,986	14,986
<b>Equity securities</b>	<b>2,454</b>	<b>2,209</b>	<b>802</b>	<b>528</b>
<b>Total securities available for sale</b>	<b>20,468</b>	<b>19,821</b>	<b>22,118</b>	<b>21,844</b>
<b>Held-to-maturity securities:</b>				
<b>Debt securities:</b>	<b>494,645</b>	<b>494,645</b>	<b>454,116</b>	<b>447,757</b>
Government bonds	381,943	381,943	335,863	335,863
Corporate bonds	112,702	112,702	118,253	111,894
<b>Total held-to-maturity securities</b>	<b>494,645</b>	<b>494,645</b>	<b>454,116</b>	<b>447,757</b>

## NOTE 2 SECURITIES (continued)

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>Securities available for sale:</b>				
<b>Debt securities</b>	<b>18,014</b>	<b>17,612</b>	<b>21,316</b>	<b>21,316</b>
from AA- to AA+	463	463	1,242	1,242
from A- to A+	5,758	5,758	10,226	10,226
from BBB- to BBB+	11,250	11,250	9,848	9,848
from BB- to BB+	141	141	-	-
lower than BB-	-	-	-	-
no rating	402	-	-	-
<b>Equities</b>	<b>2,454</b>	<b>2,209</b>	<b>802</b>	<b>528</b>
listed	-	-	-	-
unlisted	2,314	2,069	677	403
units of investment funds	140	140	125	125
<b>Total securities available for sale</b>	<b>20,468</b>	<b>19,821</b>	<b>22,118</b>	<b>21,844</b>
<b>Held-to-maturity securities:</b>				
<b>Debt securities</b>	<b>494,645</b>	<b>494,645</b>	<b>454,116</b>	<b>447,757</b>
from AA- to AA+	15,207	15,207	18,113	18,113
from A- to A+	359,917	359,917	347,027	347,027
from BBB- to BBB+	109,431	109,431	77,813	77,813
from BB- to BB+	10,090	10,090	4,804	4,804
lower than BB-	-	-	-	-
no rating	-	-	6,359	-
<b>Total held-to-maturity securities</b>	<b>494,645</b>	<b>494,645</b>	<b>454,116</b>	<b>447,757</b>

During the twelve month periods ended 31 December 2015 and 2014, no reclassifications between portfolios of securities were performed.

### Investments in subsidiaries

	31 December 2015		
	Share in equity	Acquisition cost	Carrying amount
<b>Bank</b>			
<i>Investments in consolidated directly controlled subsidiaries</i>			
Šiaulių Banko Lizingas UAB	100.00%	3,910	69
Šiaulių Banko Investicijų Valdymas UAB	100.00%	5,044	312
Šiaulių Banko Turto Fondas UAB	100.00%	3,999	3,554
SBTF UAB	100.00%	1,029	579
Pavasaris UAB	100.00%	10,456	7,834
Minera UAB	100.00%	5,165	2,566
Bonum Publicum GD UAB	100.00%	8,399	8,399
Ūkio Banko Lizingas UAB	100.00%	8,862	8,862
<b>Total</b>		<b>46,864</b>	<b>32,175</b>

	Share in equity	Acquisition cost	Carrying amount
<i>Investments in consolidated indirectly controlled subsidiaries:</i>			
Sandworks UAB*	100.00%	9	9

\*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

	31 December 2014		
	Share in equity	Acquisition cost	Carrying amount
<b>Bank</b>			
<i>Investments in consolidated directly controlled subsidiaries</i>			
Šiaulių Banko Lizingas UAB	100.00%	3,910	869
Šiaulių Banko Investicijų Valdymas UAB	100.00%	4,066	312
Šiaulių Banko Turto Fondas UAB	100.00%	1,482	1,237
SBTF UAB	100.00%	579	579
Pavasaris UAB	100.00%	10,456	7,834
Minera UAB	100.00%	1,884	1,594
Bonum Publicum GD UAB	100.00%	8,399	8,399
Ūkio Banko Lizingas UAB	100.00%	8,862	8,862
<b>Total</b>		<b>39,638</b>	<b>29,686</b>

	Share in equity	Acquisition cost	Carrying amount
<i>Investments in consolidated indirectly controlled subsidiaries:</i>			
Semelitas UAB*	100.00%	10	10
Sandworks UAB*	100.00%	9	9

\*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB



## NOTE 2 SECURITIES (continued)

In 2015, the Group sold the indirectly controlled subsidiary Semelitas UAB. In 2014, Kėdainių Oda UAB was reclassified from consolidated subsidiaries to subsidiaries held for sale. The entity was sold in 2015.

### Acquisition of Finasta

On 17 July 2015 the Bank acquired 100% shares of bank Finasta AB and brokerage firm Finasta AB and gained control over these entities. In settlement for the shares, the Bank presented 21.35 million new shares with a total nominal value of EUR 6.19 million to AB Invalda INVL for subscription. The new issue was registered on 14 September 2015.

The management of the Bank expects that acquisition and integration of these entities will allow the Bank to increase its market share, to expand the range of services provided with the investment-banking related services and to achieve the economy of scale.

The fair values of the consideration paid and assets and liabilities acquired on the date of acquisition are presented in the table below:

<i>Fair value of net assets acquired:</i>	
Cash and funds with the central bank	11,166
Financial assets at fair value through profit or loss	41,461
Loans and receivables	15,102
Available-for-sale securities	342
Property, plant and equipment	41
Intangible assets	74
Deferred tax assets	233
Other assets	684
Financial liabilities at fair value through profit or loss	(636)
Financial liabilities carried at amortised cost	(61,182)
Provisions	(43)
Other liabilities	(793)
<b>Total identifiable net assets acquired</b>	<b>6,449</b>

<b>Fair value of the consideration paid in issued shares</b>	<b>6,449</b>
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The following valuation techniques were used in establishing fair values of assets and liabilities acquired:

- Fair values of securities were established using market price quotations (Level I in fair value measurements hierarchy);
- Fair values of derivatives were obtained using valuation techniques that maximise the use of observable market data where it is available and rely on as little as possible on entity specific estimates (Level II in fair value measurement hierarchy);
- Fair values of other items of assets and liabilities were derived using valuation techniques attributable to Level III in the fair value measurement hierarchy (discounted cash flows was the valuation technique used the most).

On December 21 2015 the bank Finasta AB and brokerage firm Finasta AB were merged with the Bank. The amended Charter of the Bank was registered at the Register of Legal Entities, and the bank Finasta AB and brokerage firm Finasta AB were deregistered from the Register of Legal Entities, therefore the reorganization of the bank Finasta AB and brokerage firm Finasta AB by merge with the Bank was closed. The licenses of the bank Finasta and brokerage firm Finasta were revoked, the Bank took over all assets, rights and liabilities of the bank Finasta AB and brokerage firm Finasta AB.

### Assets classified as held for sale

#### **Subsidiaries held for sale:**

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas, Šiaulių Bankas AB acquired 100 % control over following subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB together owned 100% shares of Žalgirio Sporto Arena UAB; Žalgirio Sporto Arena UAB owned 100% shares of Nacionalinis Futbolo Stadions UAB).

Above-mentioned subsidiaries are classified as subsidiaries held for sale. Initially, they are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result (in case of profit, the value is increased; in case of loss, the value is decreased).



## NOTE 2 SECURITIES (continued)

In 2014, the Bank sold 100% shares of Eastern Europe Development Fund UAB.

In the first quarter of 2015, Nacionalinis Futbolo Stadionas UAB was liquidated.

In the second quarter of 2015, Kėdainių Oda UAB, indirectly owned subsidiary held for sale, and Semelitas UAB, indirectly owned subsidiary, were sold.

Investment in subsidiaries classified as held for sale, as of 31 December 2015 and result of discontinued operations in 2015

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Kėdainių Oda UAB	Semelitas UAB	TOTAL
Assets held for sale attributable to entity/ group of entities	238	-	-	238
Liabilities attributable to assets held for sale attributable to entity/ group of entities	3,529	-	-	3,529
Profit (loss) of the year (recorded in Discontinued operations line of the income statement) of which: gain on disposal of entities	8,304 29	312 409	22 54	8,638 492

Investment in subsidiaries classified as held for sale, as of 31 December 2014 and result of discontinued operations in 2014

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Kėdainių Oda UAB	Semelitas UAB	TOTAL
Assets held for sale attributable to entity/ group of entities	35,421	926	-	36,347
Liabilities attributable to assets held for sale attributable to entity/ group of entities	3,542	356	-	3,898
Profit (loss) of the year (recorded in Discontinued operations line of the income statement) of which: gain on disposal of entities	(113) (271)	(1,837) -	56 -	(1,894) (271)

During the year 2015, the Group did not incur any gain or loss related to the measurement to fair value less cost to sell of the subsidiaries held for sale. During the year 2014, the Group incurred a net loss of EUR 1,574 thousand related to the measurement to fair value less costs to sell of the subsidiaries held for sale. The whole amount is attributable to the revaluation of Kėdainių Oda UAB to fair value. It is included in discontinued operations line of the income statement.

As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations is attributable to equity owners of the Group.

### Real estate held for sale:

In addition to the subsidiaries held for sale, real estate properties that are planned to be sold within one year are included in assets classified as held for sale. As of 31 December 2015, carrying amount of such real estate assets was EUR 32 thousand (31 December 2014: EUR 1,210 thousand).

## NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

### Cash and cash equivalents

During the twelve month period ended 31 December 2015, the carrying amount of the Group's cash and cash equivalents reduced by EUR 92 424 thousand, from EUR 197,436 thousand at the beginning of the period to EUR 105,012 thousand at the end of the period. At the year-end 2014 the Bank had to hold larger than usual amount of cash and cash equivalents because of its preparation for adoption of euro as local currency in Lithuania. Major part of LTL-EUR exchange operations were performed during the first quarter of 2015, and in the end of the period there was no such demand for cash and cash equivalents as in the beginning of the year.

## NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS (continued)

### Other assets

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
Amounts receivable	2,551	2,169	667	135
Inventories	30,490	-	35,542	-
Deferred charges	793	711	849	526
Assets under reinsurance and insurance contracts	607	-	485	-
Prepayments	4,107	3,388	3,807	3,300
Foreclosed assets	4,081	603	10,895	5,681
Other	1,476	220	2,395	1,471
<b>Total</b>	<b>44,105</b>	<b>7,091</b>	<b>54,640</b>	<b>11,113</b>

## NOTE 4 DUE TO CUSTOMERS

	31 December 2015		31 December 2014	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
National government institutions	9,541	9,541	8,883	8,883
Local government institutions	28,950	28,950	25,289	25,289
Governmental and municipal companies	5,993	5,993	4,002	4,002
Corporate entities	175,084	175,408	132,308	132,711
Non-profit organisations	10,102	10,102	7,949	7,949
Individuals	237,824	237,824	187,572	187,572
Unallocated amounts due to customers	20,531	20,531	4,962	4,962
<b>Total demand deposits</b>	<b>488,025</b>	<b>488,349</b>	<b>370,965</b>	<b>371,368</b>
<i>Time deposits:</i>				
National government institutions	456	456	375	375
Local government institutions	531	531	540	540
Governmental and municipality companies	769	769	714	714
Corporate entities	39,041	39,041	51,545	51,545
Non-profit organisations	2,736	2,736	3,750	3,750
Individuals	904,830	904,830	987,424	987,424
<b>Total time deposits</b>	<b>948,363</b>	<b>948,363</b>	<b>1,044,348</b>	<b>1,044,348</b>
<b>Total</b>	<b>1,436,388</b>	<b>1,436,712</b>	<b>1,415,313</b>	<b>1,415,716</b>

## NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

### Debt securities in issue

As at 31 December 2015, the Bank had deposit certificates issued (this liability was acquired in Finasta acquisition transaction), carrying amount of which was EUR 58 thousand, maturity term – December 2016. Held-to-maturity governments bonds with a carrying value of EUR 55 thousand were pledged as collateral for deposit certificates. The Group and the Bank had no debt securities in issue as at 31 December 2014.

## NOTE 6 CAPITAL

As of 31 December 2015 the Bank's share capital comprised 314,573,731 ordinary registered shares with par value of EUR 0.29 each (31 December 2014 the Bank's share capital comprised 270,000,000 ordinary registered shares with par value of LTL 1 (EUR 0.28962) each).

According to local legislation, on 1 January 2015, as the Bank adopted euro, the nominal value of shares was rounded to two decimal digits, from EUR 0.28962 to EUR 0.29. This caused an increase in Bank's share capital by EUR 103 thousand, from EUR 78,197 thousand to EUR 78,300 thousand. The difference was accounted as change in retained earnings.

## NOTE 6 CAPITAL (continued)

The ordinary meeting of shareholders of Šiaulių bankas that took place on 27 March 2015 passed a resolution to increase Bank's share capital by EUR 6,734 thousand (8.6%) using Bank's own resources (share premium and retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 26 May 2015, the shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2015).

On 14 September 2015, the increase in share capital by additional contributions was registered as 21,353,731 ordinary registered shares (nominal value EUR 6,192 thousand) were distributed to one shareholder - Invalda INVLA AB. This way, the Bank settled for the Finasta acquisition transaction (see Note 2 for more details). The difference between the fair value and nominal value of shares issued (EUR 257 thousand) was accounted for as change in retained earnings)

The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 3 June 2014, after a new share issue of 20,000,000 ordinary shares (nominal value EUR 5,792 thousand) was issued using Bank's own resources (share premium). The shares were distributed to Bank's shareholders using the proportion of their stakes at the accounting date of the rights (11 April 2014) of the ordinary meeting of shareholders of Šiaulių Bankas, that took place on 28 March 2014.

As of 31 December 2015, the shareholders holding over 5% of the Bank's shares are listed in the table below:

	Share of the authorized capital held, %
<i>European Bank for Reconstruction and Development</i>	18.24
<i>Invalda INVLA AB</i>	6.79
<i>Gintaras Kateiva</i>	5.82
<b>Total</b>	<b>30.85</b>

Another 15 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 31 December 2015, this group possessed 39.41 percent of the authorised capital and votes of the Bank.

As at 31 December 2015, the Bank had 3,476 shareholders (as at 31 December 2014: 3,585).

### Dividends:

On 27 March 2015 the ordinary general meeting of shareholders made a decision to pay EUR 0.000725 dividends per one ordinary registered share with EUR 0.29 nominal value each (i.e. 0.25% of the nominal value of the share). On 28 March 2014 the annual general meeting of shareholders decided to not to pay dividends.

## NOTE 7 NET INTEREST INCOME

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	593	3,877	549	2,444
<i>on loans to customers</i>	48,130	40,081	45,387	36,325
<i>on debt securities</i>	13,422	13,376	14,412	15,542
<i>on finance leases</i>	3,650	595	2,863	802
<b>Total interest income</b>	<b>65,795</b>	<b>57,929</b>	<b>63,211</b>	<b>55,113</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(1,486)	(1,486)	(1,325)	(1,325)
<i>on financial liabilities measured at amortised cost</i>	(15,479)	(15,484)	(20,774)	(22,111)
<i>on other liabilities</i>	(11)	(11)	-	-
<b>Total interest expense</b>	<b>(16,976)</b>	<b>(16,981)</b>	<b>(22,099)</b>	<b>(23,436)</b>
<b>Net interest income</b>	<b>48,819</b>	<b>40,948</b>	<b>39,787</b>	<b>31,677</b>

From 2015, the recognition of certain income related to the loans granted by the Bank using third-party funding was adjusted to include such income in commission income instead of interest income, therefore the comparative financial information was restated accordingly (twelve month period ended 31 December 2014: interest income decreased by EUR 1,334 thousand, commission income increased by the same amount).

## NOTE 8 NET FEE AND COMMISSION INCOME

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	3,944	3,944	1,334	1,334
for settlement services	2,929	2,992	2,877	2,940
for cash operations	1,775	1,775	1,699	1,699
for currency exchange	389	389	2,386	2,386
for payment administration	1,251	1,251	1,182	1,182
for guarantees, letters of credit, documentary collection	485	485	535	535
for collection of utility and similar payments	291	291	344	344
for services related to securities	564	697	126	232
other fee and commission income	530	178	276	66
<b>Total fee and commission income</b>	<b>12,158</b>	<b>12,002</b>	<b>10,759</b>	<b>10,718</b>
<i>Fee and commission expense:</i>				
for payment cards	(2,486)	(2,486)	(2,002)	(2,002)
for cash operations	(747)	(747)	(1,208)	(1,208)
for correspondent bank and payment system fees	(430)	(178)	(453)	(254)
for services of financial data vendors	(113)	(113)	(93)	(93)
for services related to securities	(151)	(151)	(63)	(46)
other fee and commission expenses	(192)	(68)	(435)	(32)
<b>Total fee and commission expense</b>	<b>(4,119)</b>	<b>(3,743)</b>	<b>(4,254)</b>	<b>(3,635)</b>
<b>Net fee and commission income</b>	<b>8,039</b>	<b>8,259</b>	<b>6,505</b>	<b>7,083</b>

## NOTE 9 OTHER OPERATING EXPENSES

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group (restated)	Bank
Rent of buildings and premises	(1,383)	(1,220)	(1,192)	(1,044)
Utility services for buildings and premises	(754)	(692)	(879)	(793)
Other expenses related to buildings and premises	(433)	(409)	(366)	(347)
Transportation expenses	(467)	(544)	(515)	(586)
Legal costs	(134)	(134)	(79)	(79)
Personnel and training expenses	(154)	(135)	(232)	(126)
IT and communication expenses	(1,745)	(1,609)	(1,784)	(1,550)
Marketing and charity expenses	(1,815)	(641)	(780)	(261)
Service organisation expenses	(1,156)	(1,191)	(900)	(1,077)
Non-income taxes, fines	(988)	(212)	(752)	(195)
Costs incurred due to debt recovery	(853)	(716)	(823)	(647)
Other expenses	(936)	(490)	(883)	(472)
<b>Total</b>	<b>(10,818)</b>	<b>(7,993)</b>	<b>(9,185)</b>	<b>(7,177)</b>

## NOTE 10 IMPAIRMENT LOSSES

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
<b>Impairment losses on loans:</b>				
Impairment charge for the year	24,464	23,341	20,470	20,189
Reversal of impairment charge for the year	(6,808)	(6,720)	(3,082)	(3,080)
Recoveries of loans previously written off	(936)	(259)	(986)	(37)
<b>Total impairment losses on loans</b>	<b>16,720</b>	<b>16,362</b>	<b>16,402</b>	<b>17,072</b>
<b>Impairment losses on finance lease receivables:</b>				
Impairment charge for the year	212	-	115	61
Reversal of impairment charge for the year	(677)	-	(1)	-
Recovered previously written-off finance lease receivables	(168)	-	(75)	-
<b>Total impairment losses (reversals) on finance lease</b>	<b>(633)</b>	<b>-</b>	<b>39</b>	<b>61</b>
<b>Impairment losses on other assets:</b>				
Claims: impairment charge	273	14	437	147
Claims: reversal of impairment charge	-	-	(279)	-
Provisions for pending legal issues: charge	-	-	71	-
Provisions for pending legal issues: reversal	(28)	-	-	-
Other assets: impairment charge	6,959	545	4,275	-
Other assets: reversal of impairment charge / reclassification	(187)	(3)	(181)	(139)
Other assets: recoveries of assets previously written-off	(72)	-	-	-
<b>Total impairment losses on other assets</b>	<b>6,945</b>	<b>556</b>	<b>4,323</b>	<b>8</b>
<b>Total impairment losses on loans and other assets</b>	<b>23,032</b>	<b>16,918</b>	<b>20,764</b>	<b>17,141</b>
<b>Impairment losses on subsidiaries:</b>				
Investments in subsidiaries: impairment charge	-	4,738	-	7,401
Investments in subsidiaries: reversal of impairment charge	-	-	-	-
<b>Total impairment losses on subsidiaries</b>	<b>-</b>	<b>4,738</b>	<b>-</b>	<b>7,401</b>
<b>Revaluation of subsidiaries classified as held for sale</b>	<b>-</b>	<b>10,425</b>	<b>-</b>	<b>-</b>
<b>Total impairment losses on investments in subsidiaries and revaluation of subsidiaries classified as held for sale</b>	<b>-</b>	<b>15,163</b>	<b>-</b>	<b>7,401</b>
<b>TOTAL</b>	<b>23,032</b>	<b>32,081</b>	<b>20,764</b>	<b>24,542</b>

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
<b>Allowance for impairment of loans</b>				
As at 1 January	47,636	41,664	46,312	41,388
Change in allowance for loan impairment	17,656	16,621	17,388	17,109
Loans written off during the period	(24,075)	(21,795)	(18,544)	(17,283)
Allowance for impairment acquired in business combination	1,226	1,226	-	-
Other factors (reclassification, FX rate shift, etc.)	223	224	2,480	450
<b>As at 31 December</b>	<b>42,666</b>	<b>37,940</b>	<b>47,636</b>	<b>41,664</b>
<b>Allowance for impairment of finance lease receivables</b>				
As at 1 January	1,943	61	2,648	-
Change in allowance for loan impairment	(464)	-	114	61
Loans written off during the period	(29)	-	(819)	-
<b>As at 31 December</b>	<b>1,450</b>	<b>61</b>	<b>1,943</b>	<b>61</b>

## NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

### Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of EUR 4,825 thousand during the twelve month period ended 31 December 2015 is attributable to the derecognition of the acquisition value adjustment (i.e. the difference between acquisition value and the gross value) for the fully or partially repaid/refinanced or sold loans that were acquired under the transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas.

## NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS (continued)

### Revenues and expenses related to other activities of Group companies

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
Revenue related to insurance activities	6,193	-	5,576	-
Revenue from sale of apartments	8,183	-	6,913	-
Expenses related to insurance activities	(6,065)	-	(5,298)	-
Cost of apartments sold	(7,759)	-	(6,413)	-

The result from assets of life insurance subsidiary, which cover liabilities under unit-linked insurance contracts are not included in income-expense items presented in the table above. The result from the assets mentioned above is included in following items of income statement for the year ended 31 December 2015: Interest and similar income EUR 73 thousand, Net gain (loss) from operations with securities - a gain of EUR 544 thousand, Net foreign exchange gain - a gain of EUR 517 thousand (for the year ended 31 December 2014: Interest and similar income EUR 72 thousand, Net gain from operations with securities - a gain of EUR 483 thousand, Net foreign exchange gain - a gain of EUR 491 thousand).

## NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled or significantly influenced over by these related parties. For some companies the presumed significant influence threshold of 20% voting rights has been reduced if other evidence shows that a person/entity can exercise significant influence by additional means (e.g. by holding a seat in the Board of Directors of a particular entity);
- subsidiaries of the Bank and subsidiaries held for sale;
- the shareholders holding over 5 % of the Bank's share capital.

During 2015 and 2014, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions

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

	31 December 2015		31 December 2014	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)
Members of the Council and the Board	682	1,075	677	1,330
Other related parties (excluding subsidiaries of the Bank)	4,080	48,121	2,190	35,543
<b>Total</b>	<b>4,762</b>	<b>49,196</b>	<b>2,867</b>	<b>36,873</b>

### Transactions with EBRD:

The Group/Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was EUR 20,457 thousand as of 31 December 2015 (31 December 2014: EUR 19,295 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Initial loan agreement provided a prepayment option to Šiaulių Bankas in 2018, but in 2014 the agreement was modified to exclude this option. Subordinated loan related interest expenses amounted to EUR 1,486 thousand, a loss of EUR 1,165 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2015 (2014: interest expenses EUR 1,325 thousand, revaluation gain EUR 330 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 2015		31 December 2014	
	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	323	20,891	316	65,659
Financial institutions	2,937	100,735	6,226	60,815

### Bank's total balances with subsidiaries:

	31 December 2015	31 December 2014
<b>Assets</b>		
Loans	116,154	121,994
Debt securities	-	28,962
Other assets	22	25
Bank's investment in subsidiaries	32,175	29,686
Bank's investment in subsidiaries classified as assets held for sale	13,856	26,410
<b>Liabilities and shareholders' equity</b>		
Term deposits	23	1
Demand deposits	3,237	6,542
Other liabilities	39	136

### Income and expenses arising from transactions with subsidiaries:

	1 January 2015 – 31 December 2015	1 January 2014 – 31 December 2014
<b>Income</b>		
Interest	4,797	5,709
Commission income	196	213
Income from foreign exchange operations	-	2
Dividends	18,374	6,097
Other income	144	161
<b>Expenses</b>		
Interest	(4)	(12)
Operating expenses	(445)	(532)
Impairment of loans	-	(531)
Impairment of an investment to subsidiaries	(15,163)	(7,401)

## 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 December 2015 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>	80,998	54,647	79,750	71,495	126,336	480,448	679,559	121,807	1,695,040
<i>Total liabilities and shareholders' equity</i>	502,104	141,252	153,935	215,501	362,608	118,057	56,047	145,536	1,695,040
<i>Net liquidity gap</i>	(421,106)	(86,605)	(74,185)	(144,006)	(236,272)	362,391	623,512	(23,729)	-

The structure of the Group's assets and liabilities by remaining maturity as at 31 December 2014 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>	147,715	84,536	94,363	95,527	167,174	365,181	536,863	148,650	1,640,009
<i>Total liabilities and shareholders' equity</i>	376,382	156,314	191,017	242,760	398,736	103,313	57,494	113,993	1,640,009
<i>Net liquidity gap</i>	(228,667)	(71,778)	(96,654)	(147,233)	(231,562)	261,868	479,369	34,657	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2015 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>	79,941	59,249	106,110	75,678	140,714	434,628	634,506	127,031	1,657,857
<i>Total liabilities and shareholders' equity</i>	504,560	136,961	153,591	215,282	361,495	116,573	34,519	134,876	1,657,857
<i>Net liquidity gap</i>	(424,619)	(77,712)	(47,481)	(139,604)	(220,781)	318,055	599,987	(7,845)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2014 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>	146,684	85,582	117,554	100,348	188,661	336,584	519,066	115,627	1,610,106
<i>Total liabilities and shareholders' equity</i>	381,964	152,334	190,127	241,885	398,092	99,696	39,414	106,594	1,610,106
<i>Net liquidity gap</i>	(235,280)	(66,752)	(72,573)	(141,537)	(209,431)	236,888	479,652	9,033	-

### 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 2015:

	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	234,917	248,996	388,850	41,553	554,353	226,371	1,695,040
Liabilities and equity	143,261	169,961	209,612	339,125	145,887	687,194	1,695,040
Net interest sensitivity gap	91,656	79,035	179,238	(297,572)	408,466	(460,823)	-
Higher/lower impact on profit from balance sheet assets and liabilities	878	659	1,120	(744)	-	-	1,913

Group 31 December 2014:

	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	202,788	260,256	291,216	84,553	444,344	356,852	1,640,009
Liabilities and equity	174,430	210,465	234,920	376,540	112,644	531,010	1,640,009
Net interest sensitivity gap	28,358	49,791	56,296	(291,987)	331,700	(174,158)	-
Higher/lower impact on profit from balance sheet assets and liabilities	272	415	352	(730)	-	-	309

Bank 31 December 2015:

	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	235,395	260,523	369,794	69,345	527,214	195,586	1,657,857
Liabilities and equity	143,052	169,916	209,490	338,759	123,114	673,526	1,657,857
Net interest sensitivity gap	92,343	90,607	160,304	(269,414)	404,100	(477,940)	-
Higher/lower impact on profit from balance sheet assets and liabilities	885	755	1,002	(674)	-	-	1,968

Bank 31 December 2014:

	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	200,509	266,716	278,416	116,334	454,294	293,837	1,610,106
Liabilities and equity	180,135	210,381	234,846	376,286	93,341	515,117	1,610,106
Net interest sensitivity gap	20,374	56,335	43,570	(259,952)	360,953	(221,280)	-
Higher/lower impact on profit from balance sheet assets and liabilities	195	470	272	(650)	-	-	287

#### Operational risk

The Bank defines operational risk as the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and/or illegal actions of employees, malfunctioning of information systems or external incidents.

The principles for management operational risk in the Bank: proper identification and assessment of operational risk; preventing larger operational risk and losses by implementation of efficient internal control; proper organisation and supervision of internal control environment by continuous revision of applicable control methods; concentration of resources and time towards identification and management of main sources of operational risk in all the areas of Bank's activity; assuring the compliance with the requirements set by legal acts.

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

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The operational risk management methods are implemented in the Bank – the system for registration of operational risk events, functioning of which is regulated by the Instruction for registration of Operational risk events; the system of operational risk indicators and monitoring of limits of these indicators; operational risk self assessment performed by the Bank annually with the aim to distinguish the most risky areas of Bank's division/process which can cause to increase the level of operational risk in the Bank; evaluation of new products with the aim to ensure that the Bank does not take up activities with the risk unforeseen by the Bank, or the risk that cannot be managed.

In 2015, the Bank continued to develop systems of operational risk management and internal control, strengthened the internal control function. Employees perception of operational risk was strengthened by organizing operational risk training of new employees. In 2016, the Bank intends to continue development of operational risk management system and improving internal control system.

## NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the twelve month period ended 31 December 2015, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2014. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the twelve month period ended 31 December 2015, 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 2015		31 December 2014	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
Financial assets at fair value through profit or loss	71,091	42,701	52,098	27,106
Available for sale financial assets	18,154	17,752	21,441	21,441
<b>Total Level I financial assets</b>	<b>89,245</b>	<b>60,453</b>	<b>73,539</b>	<b>48,547</b>
<b>LEVEL II</b>				
Financial assets at fair value through profit or loss	1,109	1,109	-	-
Financial liabilities at fair value through profit or loss	(136)	(136)	-	-
<b>LEVEL III</b>				
Financial assets at fair value through profit or loss	8,208	7,670	7,097	35,612
Available for sale financial assets	2,314	2,069	677	403
<b>Total Level III financial assets</b>	<b>10,522</b>	<b>9,739</b>	<b>7,774</b>	<b>36,015</b>
Financial liabilities at fair value through profit or loss	20,457	20,457	19,295	19,295
<b>Total Level III financial liabilities</b>	<b>20,457</b>	<b>20,457</b>	<b>19,295</b>	<b>19,295</b>

There were no transfers between fair value hierarchy levels during 2015 and 2014.

## NOTE 14

### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

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

Group	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014
Value as of 1 January	7,097	6,472	677	916	19,295	19,941
Additions	2,698	3,455	69	25	-	-
Disposals	-	-	(74)	(11)	-	-
Changes due to interest accrued/paid	2	-	-	-	(3)	(316)
Revaluations through other comprehensive income	-	-	1,642	-	-	-
Revaluations through profit or loss	(1,589)	(2,830)	-	(253)	1,165	(330)
Value as of 31 December	8,208	7,097	2,314	677	20,457	19,295

Bank	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014	1 Jan 2015 – 31 Dec 2015	1 Jan 2014 – 31 Dec 2014
Value as of 1 January	35,612	41,708	403	403	19,295	19,941
Additions	2,830	3,484	24	-	-	-
Disposals	(28,962)	(6,661)	-	-	-	-
Changes due to interest accrued/paid	2	-	-	-	(3)	(316)
Revaluations through other comprehensive income	-	-	1,642	-	-	-
Revaluations through profit or loss	(1,812)	(2,919)	-	-	1,165	(330)
Value as of 31 December	7,670	35,612	2,069	403	20,457	19,295

	1 January 2015 – 31 December 2015		1 January 2014 – 31 December 2014	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(2,754)	(2,977)	(2,753)	(2,589)

## 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 2015 and in the Statement of comprehensive income for the twelve month period then ended is presented in the table below.

	Banking	Leasing	Real estate development and other	Eliminations	Total Group
<b>Continuing operations</b>					
Internal	4,793	(3,701)	(882)	(210)	-
External	36,155	11,492	1,172	-	48,819
Net interest income	40,948	7,791	290	(210)	48,819
Internal	4,989	(3,761)	(1,079)	(149)	-
External	44,218	11,498	1,142	-	56,858
Net interest, fee and commissions income	49,207	7,737	63	(149)	56,858
Internal	(445)	(101)	(72)	618	-
External	(20,840)	(3,967)	(16,479)	-	(41,286)
Operating expenses	(21,285)	(4,068)	(16,551)	618	(41,286)
Amortisation charges	(216)	(41)	(21)	-	(278)
Depreciation charges	(924)	(178)	(215)	-	(1,317)
Internal	(15,163)	-	-	15,163	-
External	(16,918)	(1,486)	(4,628)	-	(23,032)
Impairment expenses	(32,081)	(1,486)	(4,628)	15,163	(23,032)
Internal	18,518	-	2,434	(20,952)	-
External	8,664	510	16,081	-	25,255
Net other income	27,182	510	18,515	(20,952)	25,255
Profit (loss) from continuing operations before tax	21,883	2,474	(2,837)	(5,320)	16,200
Profit (loss) from discontinued operations	221	-	(656)	9,073	8,638
Income tax	(953)	(246)	180	-	(1,019)
Profit (loss) per segment after tax	21,151	2,228	(3,313)	3,753	23,819
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	21,151	2,228	(3,313)	3,753	23,819
Total segment assets	1,657,857	115,245	87,692	(165,754)	1,695,040
Total segment liabilities	1,525,344	103,773	63,518	(134,659)	1,557,976
Net segment assets (shareholders' equity)	132,513	11,472	24,174	(31,095)	137,064

## NOTE 15 SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group (restated) included in the Statement of financial position as at 31 December 2014 and in the statement of comprehensive income for the year then ended is presented below:

	Banking	Leasing	Real estate development and other	Eliminations	Total Group
<b>Continuing operations</b>					
Internal	5,697	(4,408)	(606)	(683)	-
External	25,980	12,389	1,418	-	39,787
Net interest income	31,677	7,981	812	(683)	39,787
Internal	5,910	(4,506)	(710)	(694)	-
External	32,850	12,077	1,365	-	46,292
Net interest, fee and commissions income	38,760	7,571	655	(694)	46,292
Internal	(532)	(116)	(36)	684	-
External	(18,034)	(3,373)	(14,345)	-	(35,752)
Operating expenses	(18,566)	(3,489)	(14,381)	684	(35,752)
Amortisation charges	(116)	(19)	(22)	-	(157)
Depreciation charges	(1,021)	(163)	(165)	-	(1,349)
Internal	(7,931)	-	(1,574)	9,505	-
External	(16,611)	(3,502)	(651)	-	(20,764)
Impairment expenses	(24,542)	(3,502)	(2,225)	9,505	(20,764)
Internal	6,260	-	177	(6,437)	-
External	11,936	410	15,061	-	27,407
Net other income	18,196	410	15,238	(6,437)	27,407
Profit (loss) from continuing operations before tax	12,711	808	(900)	3,058	15,677
Profit (loss) from discontinued operations	(293)	-	-	(1,601)	(1,894)
Income tax	(1,814)	(163)	(32)	-	(2,009)
Profit (loss) per segment after tax	10,604	645	(932)	1,457	11,774
Non-controlling interest	-	-	-	-	-
Profit (loss) for the year attributable to the owners of the Bank	10,604	645	(932)	1,457	11,774
Total segment assets	1,610,106	113,037	108,255	(191,389)	1,640,009
Total segment liabilities	1,505,377	100,896	88,293	(161,169)	1,533,397
Net segment assets (shareholders' equity)	104,729	12,141	19,962	(30,220)	106,612

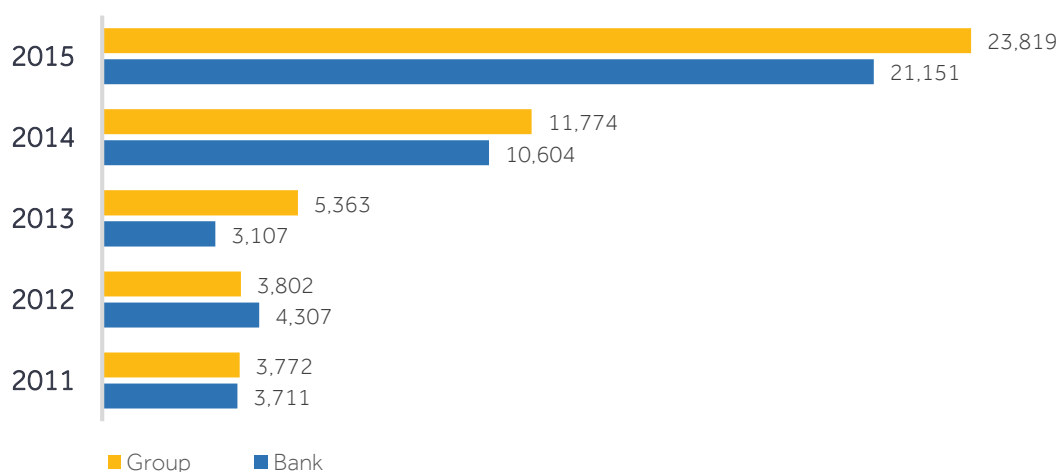
## ADDITIONAL INFORMATION

### 1. INFORMATION ON PERFORMANCE RESULTS

Population, business and entire industry of Lithuania faced several very important changes in the course of 2015 and the Bank's contribution to their implementation was significant. At the beginning of the year the Bank actively contributed to the introduction of the euro while at the end of the year it participated in changes related to accession to the Single Euro Payments Area (SEPA). Challenges were numerous, nonetheless, the Bank managed to align its efforts reaching the exclusive performance results.

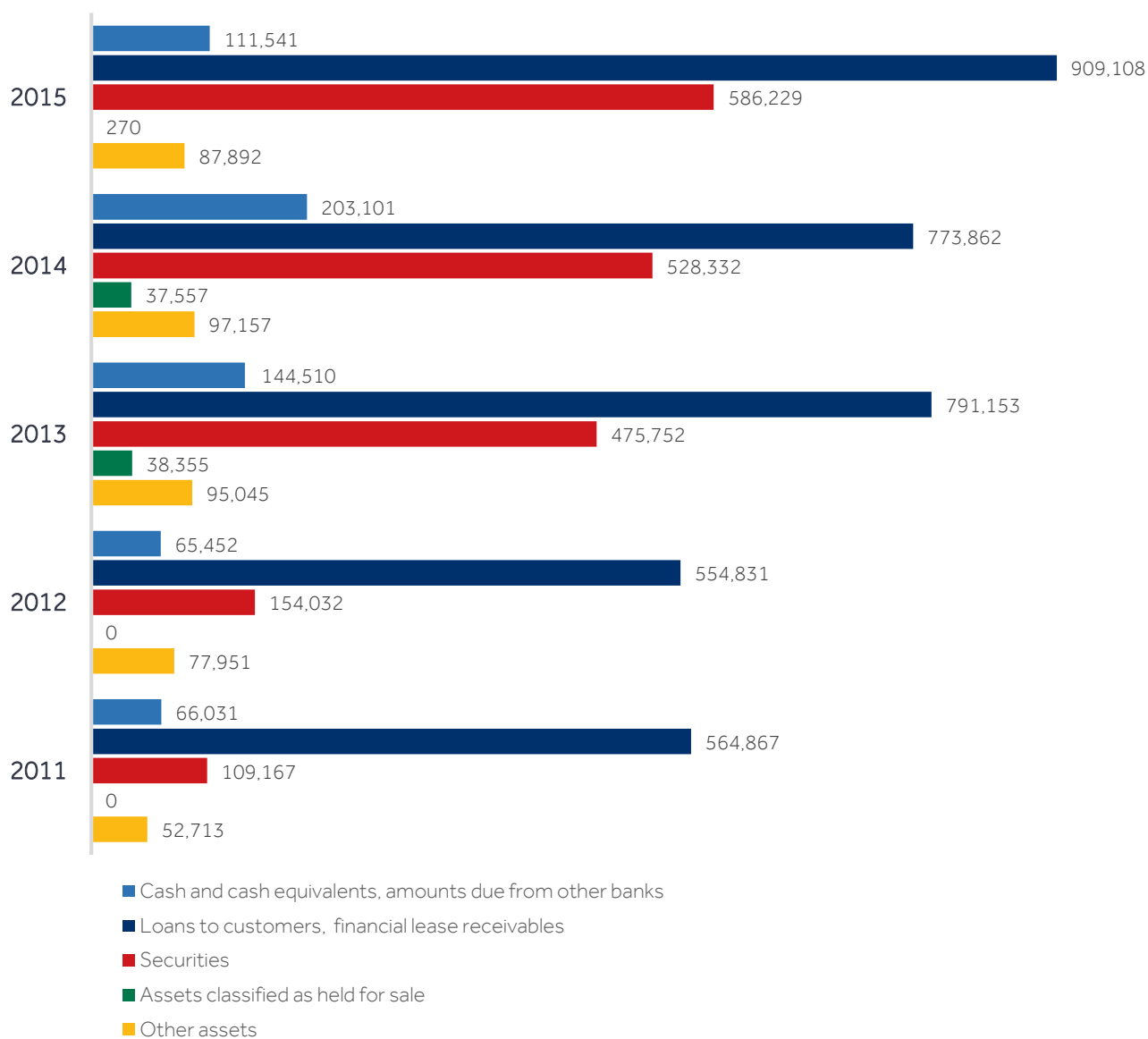
Both the Group and the Bank had been continuously growing and doubled their performance results over the year. During the reporting period the Group generated EUR 23.8 million of the pre-audited net profit, which by 2 times exceeded the result achieved in 2014 when the net profit amounted to EUR 11.8 million. The pre-audited net profit of the Bank compiled EUR 21.2 million in 2015, which was twice more than than in 2014 when the profit reached EUR 10.9 million.

Net profit of the Bank and the Group, 2011-2015, EUR thousand:



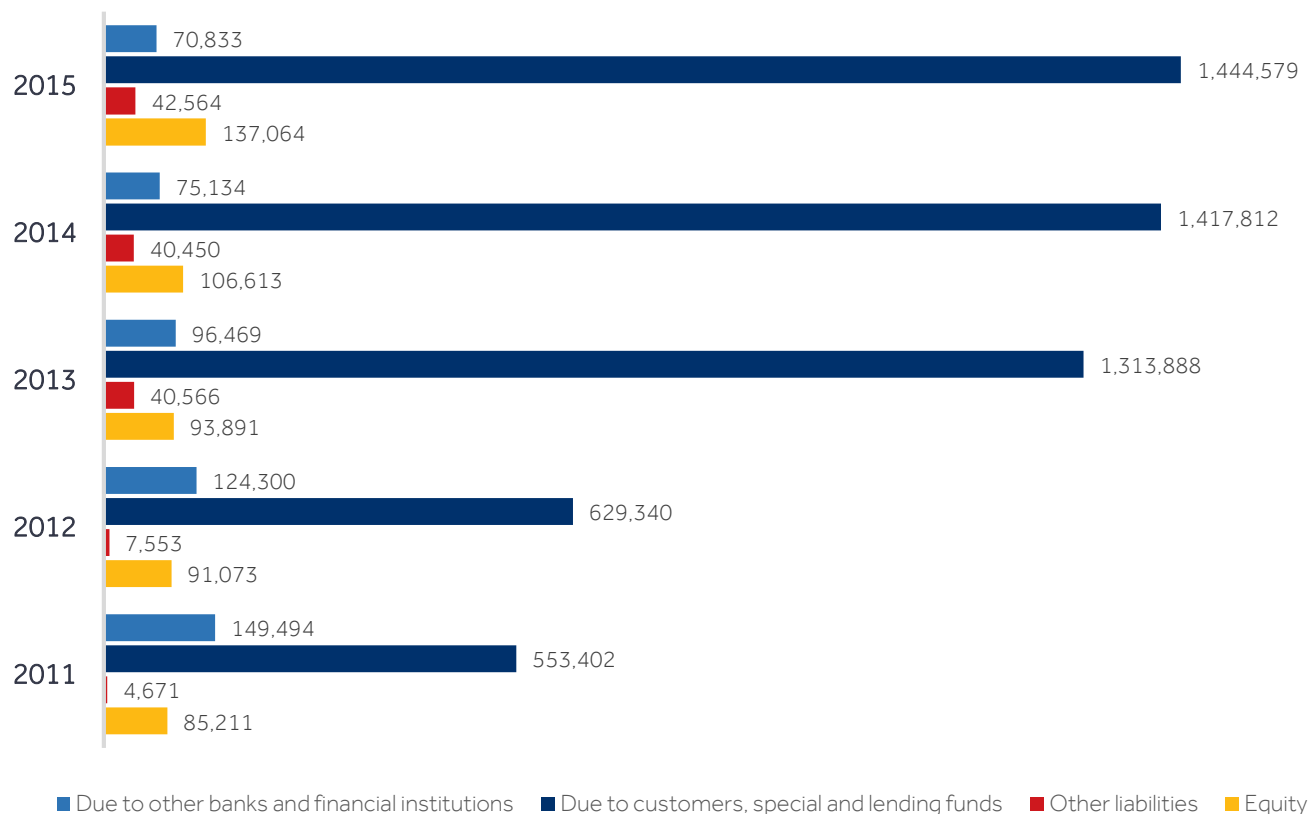
Free funds invested into securities increased the securities portfolio by 11 per cent and reached EUR 586 million at the end of 2015.

Group's Asset Structure 2011–2015, EUR thousand



Deposits remained the most popular means of saving for the country's population. The Group's deposit portfolio exceeded EUR 1.44 billion at the end of the year, i.e. increased by 2 per cent from the beginning of the year. One of the key factors of the increase was an inclusion of the bank Finasta AB into the Group.

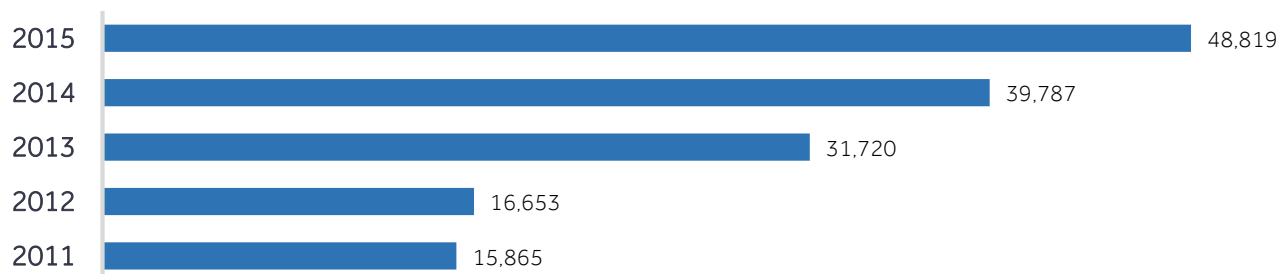
Group's Liability Structure 2011–2015, EUR thousand:



The loan to deposit ratio increased by 8 percentage points over the year and comprised 63 per cent at the end of 2015. Among banks operating in Lithuania, the Bank currently ranks fourth both in the loan and deposit markets.

Accelerating lending fostered the net interest income increase – it increased by 23 per cent compared to 2014 and on 31 December 2015 amounted to nearly EUR 48.8 million.

Group's Net Interest Income, 2011–2015, EUR thousand

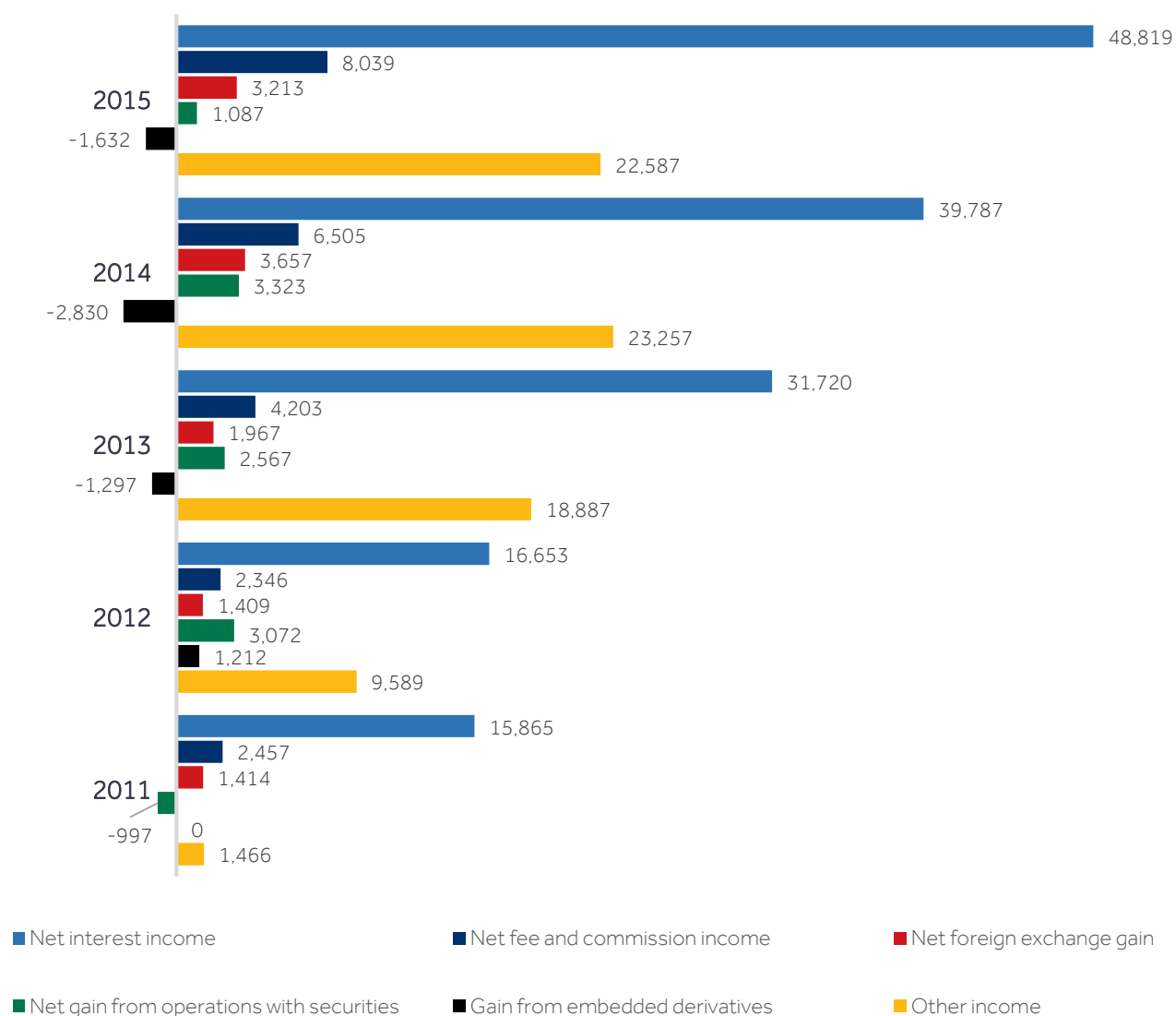


Interest income generated by the Group grew by 4 per cent per annum while constantly decreasing costs of the main funding source – term deposits led to 28 per cent lower interest expenses comparing to 2014.

The Group's net fee and commission income also changed significantly during the reporting period – it amounted to EUR 8 million which was by 24 per cent more than in 2014. Several years of the Bank's expertise in housing renovation programme financing, growing number of customers and their pro-activity had contributed much to such result.

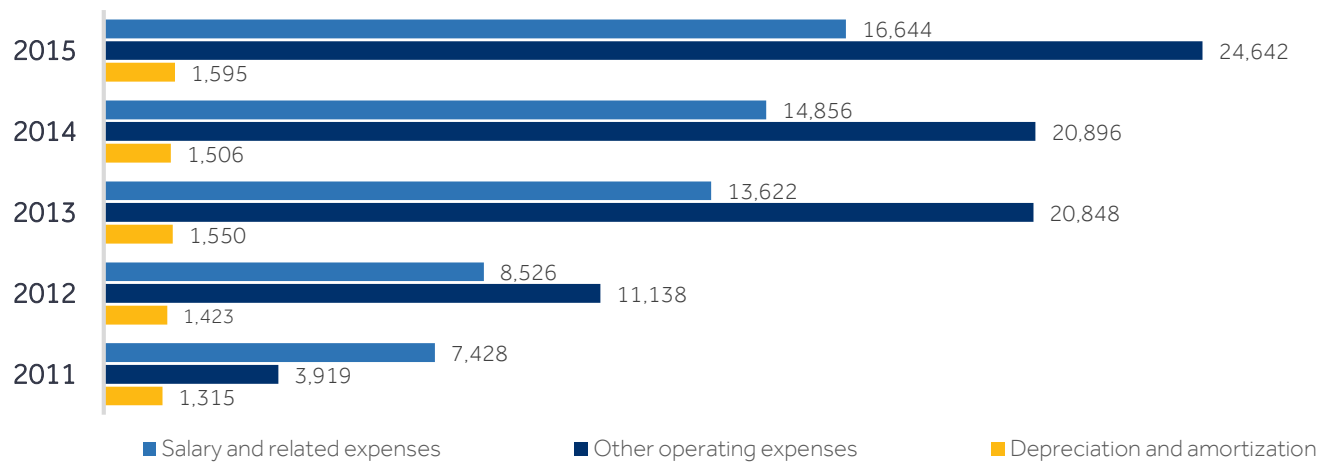


Group's Operating Income Structure 2011–2015, EUR thousand:



During the reporting period the Group's expenses grew by 15 per cent - operating expenses amounted to EUR 42.9 million. Almost 40 per cent of operating expenses consisted of salary expenses, i.e. EUR 16.6 million. Amortization and depreciation expenses grew by 2 per cent and comprised EUR 1.6 million. Other operating expenses increased by 18 per cent and comprised EUR 24.6 million over the year.

## Group's Operating Expenses Structure in 2011-2014, EUR mln



In 2015 increased operating expenses made a positive impact on the return ratios of the Group - annual ratios of the return on equity and return on assets had doubled and comprised 18.95 per cent and 1.43 per cent respectively. The cost to income ratio comprised 52.22 per cent.

## Profitability ratios, in 2011-2015, EUR thousand

Profitability ratios, %		2011	2012	2013	2014	2015
The Bank	Cost / income	60.35	47.13	52.68	38.74	38.65
	ROAA, %	0.49	0.52	0.20	0.68	1.30
	ROAE, %	4.61	4.79	3.36	10.38	17.35
Financial group	Cost / income	60.59	47.64	52.70	39.65	39.24
	ROAA, %	0.53	0.54	0.16	0.70	1.31
	ROAE, %	4.87	4.90	2.65	10.69	17.31
Group	Cost / income	68.66	61.52	62.05	50.58	52.22
	ROAA, %	0.49	0.46	0.34	0.74	1.43
	ROAE, %	4.63	4.24	5.79	11.45	18.95

Increase in the authorized capital of the Bank was registered on 14 September 2015 and went in line with implementation of other capital strengthening measures. These actions have ensured the Bank's compliance with the capital adequacy ratios with a comfortable cushion. According to the data as of 31 December 2015 the Bank complied with all the prudential requirements to which it is subject.

As of 31 December 2015 the customer service network of the Bank consisted of 70 units operating in 38 towns throughout Lithuania. The Bank's clients could use 216 ATMs (4 of them are ATMs accepting cash) belonging to Bank's network operating in 48 cities and towns throughout Lithuania. At the end of 2015 the Bank's clients could withdraw cash or place their funds to the payment card accounts through 1 964 terminals of Perlo paslaugos UAB all over Lithuania.

One of the largest transactions in the market last year was closed in less than a year – the bank Finasta AB and brokerage firm Finasta AB had been acquired by way of merger with the Bank. The Bank expanded a range of its services with investment, securities trading and brokerage services.

Last year the Bank renewed its brand and introduced a new image strategy and even more fortified its leading position in multi-apartment renovation financing programme.

According to the data of the customer service quality survey conducted in the banking sector by company *Dive Lietuva* at the end of the year, the customer service quality at the Bank was higher than the banking sector's average and accounted for the largest improvement among all the banks operating in Lithuania, i.e. it jumped up by four positions. The overall customer service quality ratio of the Bank comprised 90.3 per cent reaching the highest level of the customer service quality.

Assessing the Bank's activities over the recent year, the influential international magazine *The Banker* issued by *The Financial Times* recognized the Bank as The Best Bank in Lithuania' 2015. Such a prestigious award has been assigned to the Bank for the second time.

## 2. INFORMATION IN COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS SET TO THE BANK

In 2015 the Bank and Group met all prudential requirements and complied with the standards set out for liquidity reserve and counterbalancing capacity. The relevant information on compliance with the prudential requirements is provided on the Bank's internet site at: <http://www.sb.lt/en/about-bank/investors/prospectus-and-reports/> see Prudential Standards

## 3. AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

The authorized capital of the Bank is EUR 91,226,381.99. The amendments of the Charter related to the capital increase were registered with the Register of Legal Entities on 14 September 2015.

62.95 per cent of the Bank's authorized capital is owned by the private persons and companies incorporated in Lithuania. The major shareholder of the Bank is the European Bank for Reconstruction and Development (EBRD) that owns 18.24 per cent of the Bank's shares.

All in all over, the five recent years the Bank's authorized capital increased by EUR 31.90 million: EUR 14.89 million was raised from the additional contributions from the shareholders and EUR 17.01 million from the Bank's own funds:

Registration date	22/06/2010	04/08/2011	31/05/2013	03/06/2014	01/01/2015	26/05/2015	14/09/2015
Capital, EUR	59,330,843	68,019,443	72,405,005	78,197,405	78,300,000	85,033,800	91,226,381.99

Authorized capital by types of shareholders as of 31 December 2015 (EUR mln):

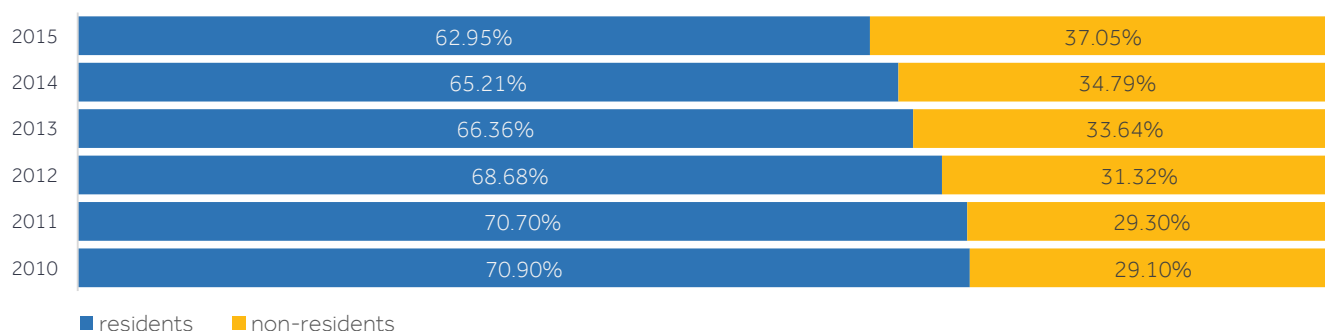


Structure of the Bank's authorized capital as of 31 December 2015

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares, ISIN LT0000102253	314,573,731	0.29	91,226,381.99

As of 31 December 2015 the number of the Bank's shareholders comprised 3,476 (31 December 2014 – 3,585). 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.

A share of capital managed by the Bank's shareholders by the place of residence (per cent)



## 4. TRADE IN SHARES OF THE COMPANIES OF THE BANK GROUP IN REGULATED MARKETS

In the Main trading list of NASDAQ Vilnius AB, only the shares of the Bank are quoted. ISIN code LT0000102253; the number of shares: 314,573,731. Shares of the Bank's subsidiaries are issued for non-public circulation.

The Bank's shares are included in to the trading index *OMX Baltic 10* (OMXB10) which consists of the shares of the 10 the most liquid companies of the Baltic states traded on the stock exchanges of the Baltic NASDAQ. Shares issued by the Bank are also included in the comparative index of the OMX Baltic states securities market *OMX Baltic Benchmark Gross Index* (OMXBBGI), which is comprised of the shares of the highest capitalization and most liquid companies as well as in such indexes as *OMX Baltic All Share Price Index* (OMXBPI), *OMX Baltic Benchmark Capped Price* (OMXBBCPP) and *OMX Baltic Benchmark Price* (OMXBBPI). Besides, shares issued by the Bank are included in the indices *STOXX All Europe Total Market*, *STOXX Eastern Europe TMI*, *STOXX Eastern Europe TMI Small*, *STOXX EU Enlarged TMI*, *STOXX Global Total Market* and *STOXX Lithuania Total Market*.

Change in share price over the period of 2013 – 2015:

Source: NASDAQ Vilnius AB website

<http://www.nasdaqbaltic.com/market/?instrument=LT0000102253&list=2&date=2015-02-24&pg=details&tab=historical&currency=0&downloadcsv=0&start=2013.01.01&end=2015.12.31&lang=en>



Turnover the Bank's shares over the period of 2013 -2015:

Year	Last trading session price, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares, units	Turnover, EUR mln
2013	0.266	0.310	0.227	0.266	20,496,506	5.45
2014	0.266	0.331	0.266	0.290	28,107,139	8.15
2015	0.298	0.323	0.267	0.295	43,084,506	12.70

Turnover and price of the Bank's shares over the reporting period (EUR):

Source: NASDAQ Vilnius AB website

<http://www.nasdaqbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start=2014.12.31&end=2015.12.31&lang=en>



The charts of the share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares during the period of 2013-2015:

Source: NASDAQ Vilnius AB website

[http://market.lt.omxgroup.com/market/?pg=charts&idx\\_main\[0\]=OMXBBGI&idx\\_main\[1\]=OMXV&add\\_index=OMXBBI&add\\_equity=LT0000128696&idx\\_equity\[0\]=LT0000102253&period=other&start=2013.01.01&end=2015.12.31&lang=en](http://market.lt.omxgroup.com/market/?pg=charts&idx_main[0]=OMXBBGI&idx_main[1]=OMXV&add_index=OMXBBI&add_equity=LT0000128696&idx_equity[0]=LT0000102253&period=other&start=2013.01.01&end=2015.12.31&lang=en)



The Chart's data:

Index/Shares	01/01/2013	31/12/2015	+/-, %
OMX Baltic Benchmark GI	546.98	648.32	18.53
OMX Vilnius	355.08	485.99	36.87
SAB1L	EUR 0.185	EUR 0.298	61.06

The capitalization of the Bank was EUR 66.50 million as of 31 December 2013; on 31 December 2015 it comprised EUR 93.74 million.

The capitalization the Bank and the total capitalization of shares quoted on the NASDAQ AB as of the last trading day of 2013 and 2015:

The list of the Baltic shares	31/12/2013	31/12/2015	Change
Šiaulių Bankas – SAB1L	EUR 66,500,000	EUR 93,742,971.84	40.97 %
The Baltic market in total:	EUR 5,731,270,188.87	EUR 6,533,175,201.63	13.99 %

Source: NASDAQ Vilnius AB website

<http://www.nasdaqbaltic.com/market/?pg=capital&list%255B%255D=BAFN&period=other&start=2014.01.01&end=2014.12.31&lang=en>

Price/Earnings (P/E) indicator of the Group:

	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015
P/E	14.10	13.29	13.12	6.12	3.73

## 5. AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES:

The Bank's Securities Accounting Department is in charge of accounting of the securities issued by the Bank.

To execute and account for other transactions with securities the Bank has concluded agreements with the following intermediaries in public circulation of securities:

- with the Lithuanian branch of Danske Bank A/S - Investment service provision agreement;
- with DnB bankas AB - Agreement regarding management of financial instrument account and execution of orders;
- With Swedbank, AB - Agreements of securities account management and brokerage;
- with SEB bankas AB - Agreements of securities account management;
- with „Credit Suisse“ bank - Order transfer and execution agreement;
- with Raiffeisen Bank International AG - Agreements of securities account management and brokerage;
- with Privredna banka Zagreb – Agreement on custody service and storage and administration of financial instruments of the clients;
- with ERSTE Securities Polska SA – Brokerage services agreement for custodian clients;
- with Bank of Georgia – Subcustodial services agreement;
- with State Street Banque SA – Custodial account agreement;
- with Caceis bank Deutschland – Custody agreement;
- with Commerzbank AG – Custodial account agreement;
- with Karoll AD – Brokerage agreement;
- with JSC BG Capital – Agency and service agreement.

## 6. ACQUISITION OF OWN SHARES

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

## 7. RATINGS ASSIGNED BY THE INTERNATIONAL AGENCIES

The credit rating agencies are registered and certified in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. The credit rating of the Bank is determined by the international rating agency Moody's Investors Service LTD, the licence of which was updated on 31 October 2011.

On 17 June 2015 the Moody's Investors Service updated the Banks rating improving the long-term deposit rating by two notches from B1 to Ba2:

Long-term credit rating	Ba2
Short-term credit rating	NP
Rating outlook	Stable

The agency Moody's upgraded the financial strength ratings of the Bank considering that the Bank had improved its financial fundamentals, mainly strengthening profitability and decreasing volumes of non-performing loans.

## 8. BANK'S MANAGEMENT BODIES

**The management 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 of the Bank).

**General Meeting of Shareholders** takes place annually, within 3 months after the end of fiscal year. The shareholders, having no less than 1/10 of all the votes, as well as the Board and Council have an initiative right of convening the meeting. The Law on Companies of the Republic of Lithuania specifies the cases when a general meeting can be convened by other persons.

General Meeting of Shareholders is organized, voting is carried out and resolutions passed in compliance with the Law on Companies. If the meeting cannot take place due to lack of a quorum (more than 1/2 of the total votes), the re-convened meeting of shareholders with the valid agenda of the previous meeting shall be summoned.

**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 eight members is elected by the General Meeting of Shareholders for a term of four years. The initiators of the Meeting or the shareholders holding shares that grant at least 1/20 of the Bank's shares, shall have the right of proposing the members of the Supervisory Council.

The candidates are proposed before the Meeting or during such Meeting. Each candidate to the Supervisory Council's members shall inform the Meeting about his current capacity and how his activities are related to the Bank or to other legal entities associated with the Bank.

While electing the Supervisory Council's members each shareholder shall have such number of votes which is equal to the product of the numbers of votes granted to him by the shares owned and number of the Supervisory Council's members to be elected. These votes are allocated by the shareholder at his own discretion - for one or several candidates. The candidates who receive the biggest number of votes are elected.

1 (one) independent member is elected to the current tenure of the Supervisory Council. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

**The Board of the Bank** is a collegial Bank management body, consisting of seven members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations.

The Board members are elected, recalled and supervised by the Bank's Supervisory Council. The Board of the Bank is elected by the Council for a term of 4 years - the number of tenures is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

The Board shall convene and hold the General Shareholders' Meetings in due time.

**Chief Executive Officer** is a single person management body of the Bank who arranges activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

**The Chief Executive Officer and the members of the Board and Supervisory Council participate in the general meetings of shareholders.** Chief Executive Officer of the Bank Vytautas Sinius, Head of Accounting and Tax Division of the Bank Vita Adomaitytė as well as members of the Supervisory Council of the Bank participated in the General meeting of



shareholders held in 2015. The shareholders had an opportunity to discuss the issues of concern with the senior management of the Bank directly.

## 9. THE MEMBERS OF THE BANK'S COLLEGIAL BODIES

Supervisory Council of the Bank:

### *Arvydas Salda*



Member of the Supervisory Council of Šiaulių Bankas AB since 1991, Chairman of the Supervisory Council since 1999.

#### **Education:**

Kaunas Institute of Technology, Vilnius University, Master in applicable mathematics.

#### **Work experience (not less than 5 years):**

Consultant of SB Turto Fondas UAB since 2004.

### *Sigitas Baguckas*



Deputy Chairman of Council of Šiaulių Bankas AB since 2000, Member of Council since 1991.

#### **Education:**

Vilnius Civic Engineering Institute, an engineer-constructor.

#### **Work experience (not less than 5 years):**

Procurist and director at Namų Statyba UAB since 2007.

### *Gintaras Kateiva*



Member of the Supervisory Council of Šiaulių Bankas AB since 2008.

#### **Education:**

Vilnius Pedagogic Institute, a teacher.

#### **Work experience (not less than 5 years):**

Chairman of the Board of Litagra UAB since 2005, Director of Litagros Prekyba UAB until 2008.

### *Vigintas Butkus*



Member of the Supervisory Council of Šiaulių Bankas AB since 2004.

#### **Education:**

Marijampole School of Culture, a director.

#### **Work experience (not less than 5 years):**

Director of Mintaka UAB since 2000, Director of Trade House Aiva UAB since 2002.

### *Valdas Vitkauskas*



Member of the Supervisory Council of Šiaulių Bankas AB since 2014.

#### **Education:**

Vytautas Magnus University, Master of Business Administration and Management;

#### **Work experience (not less than 5 years):**

Head of the EBRD representative office in Minsk until 2011, EBRD senior banker since 2011, member of the Council of the bank belonging to the Societe Generale Group in Mobiasbank (Moldova).

### *Peter Reiniger*



Member of the Supervisory Council of Šiaulių Bankas AB since 2011.

#### **Education:**

Technical University of Budapest, an engineer-mechanic, an engineer of production organization.

#### **Work experience (not less than 5 years):**

Director of the EBRD Business Group until 2010, Managing Director since 2010, Chief Advisor of the Executive Committee since 2011.

### *Ramunė Vilija Zabulienė*



Independent member of the Supervisory Council of Šiaulių Bankas AB since May 2012.

#### **Education:**

Vilnius University, an engineer-economist.

#### **Work experience (not less than 5 years):**

Member of the Board of the Bank of Lithuania, Deputy Chairman of the Board until 2011. Director of ArsDomina since 2012.

The Management Board of the Bank:

*Algirdas Butkus*



Chairman of the Board of Šiaulių Bankas AB  
**Education:**  
 Kaunas Technology Institute, Master of Economy.  
**Work experience (not less than 5 years):**  
 Chairman of the Board, Chief Executive Officer of Šiaulių Bankas AB from 1999 to February 2011, the Deputy Chief Executive Officer since 2011.

*Vytautas Sinius*



Member of the Board, Chief Executive Officer of Šiaulių Bankas AB from 1 February 2014.  
**Education:**  
 Vilnius Higher School of Economics, a bank officer.  
 Vilnius University, Bachelor of Economy.  
 Vytautas Magnus University, Master of Business Administration and Management.  
**Work experience (not less than 5 years):**  
 Director of Retail Banking Division of SEB AB 2006-2010, Head of Corporate Banking Division of Šiaulių Bankas AB 2011 - 2014.

*Donatas Savickas*



Member of the Board of Šiaulių Bankas AB, Deputy Chief Executive Officer, Head of Finance and Risk Management Division.  
**Education:**  
 Vilnius University, Bachelor of Economy.  
 Vytautas Magnus University, Master of Business Administration and Management.  
**Work experience (not less than 5 years):**  
 Deputy Chairman of the Board of Šiaulių bankas AB since 1995, Deputy Chief Executive Officer, Head of Finance and Credit Division since 2005, Head of Finance and Risk Management Division since 2011.

*Daiva Šorienė*



Member of the Board of Šiaulių Bankas AB, Deputy Chief Executive Officer, Head of Business Development Division.  
**Education:**  
 Vilnius University, Master of Economy.  
 Vytautas Magnus University, Master of Business Administration and Management.  
**Work experience (not less than 5 years):**  
 Deputy Chairperson of the Board of Šiaulių Bankas AB since 1998, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division since 2005, Head of Business Development Division since 2014.

*Vita Adomaitytė*



Member of the Board of Šiaulių Bankas AB, Chief Accountant, Head of Accounting and Tax Division.  
**Education:**  
 Vilnius University, Master of Finance and Credit.  
**Work experience (not less than 5 years):**  
 Chief Accountant of Šiaulių Bankas since 2002, Head of Accounting and Tax Division since 2005.

*Jonas Bartkus*



Member of the Board of Šiaulių Bankas AB, Head of IT Division.  
**Education:**  
 Vilnius University, Master in mathematics.  
**Work experience (not less than 5 years):**  
 Head of Business Development Division of the Bank since 2005, Head of the IT Division since 2011.

*Ilona Baranauskienė*



Member of the Board since February 2014, Head of Assets Restructuring Division.  
**Education:**  
 Kaunas University of Technology, Bachelor of Business Administration and Management;  
 Šiauliai University, Master of Economy.  
**Work experience (not less than 5 years):**  
 Director General of SLEZVB UAB until 2013, Director of Šiaulių Banko Turto Fondas UAB since 2004, Deputy Director of SBTF UAB since 2006, Director of the Special Financing Department of Šiaulių Bankas AB since 2013.



Information on the share of Bank's capital and votes owned under the right of ownership by the members of the collegial bodies and chief accountant together with the related parties:

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Share of votes together with the related persons, %</i>
Arvydas Salda	beginning 29/03/2012/ end 2016	2.42	39.41
Sigitas Baguckas	beginning 29/03/2012/ end 2016	0.61	39.41
Vigintas Butkus	beginning 29/03/2012/ end 2016	0.03	39.41
Vytautas Junevičius	beginning 29/03/2012 /end 22/04/2015	0.39	39.41
Gintaras Kateiva	beginning 29/03/2012/ end 2016	5.82	39.41
Peter Reiniger	beginning 29/03/2012/ end 2016	—	—
Ramunė Vilija Zabulienė	beginning 04/05/2012/ end 2016	—	—
Valdas Vitkauskas	beginning 28/03/2014/ end 2016	—	—
Algirdas Butkus	beginning 29/03/2012/ end 2016	3.60	39.41
Vytautas Sinius	beginning 29/03/2012/ end 2016	0.11	39.41
Donatas Savickas	beginning 29/03/2012/ end 2016	0.09	39.41
Daiva Šorienė	beginning 29/03/2012/ end 2016	0.06	39.41
Vita Adomaitytė	beginning 29/03/2012/ end 2016	0.05	39.41
Jonas Bartkus	beginning 29/03/2012/ end 2016	0.07	39.41
Ilona Baranauskienė	beginning 12/02/2014/ end 2016	0.02	39.41

## 10. MAJOR EVENTS DURING REPORTING PERIOD

The year 2015 was full of a number of important changes in the country (the introduction of Euro, joining the SEPA), in the implementation whereof the Bank played an active role, including many structural and development changes within the Bank itself.

Since 23 January the Bank has chosen MasterCard as a strategic partner in providing payment card services, and signed a cooperation agreement.

In February, the Dive Lietuva Company (Slapto pirkėjo tyrimai UAB) announced the findings of the survey, whereby the Bank client service quality index increased by one fifth in 2014 as compared with 2013.

Since 17 February the Bank has introduced a new service: clients can deposit their cash into their payment card accounts free of charge at cash ATMs installed in Akropolis Shopping Centres in Vilnius, Kaunas, Klaipėda and Šiauliai.

On 7 March the Bank and Invalda LT signed a letter of intent for the potential acquisition of the bank Finasta AB owned by Invalda LT.

On 18 March the Bank arranged celebration of the Client's Day in the Bank units.

On 27 March the meeting of the Bank's shareholders adopted a resolution to increase the authorized capital of the Bank by 6,733,800 euros (up to 85 million euros) out of the Bank's funds by issuing 23,220,000 ordinary registered shares with a nominal value of EUR 0.29, and to gratuitously distribute them to the shareholders in proportion to the total nominal value of shares held by the shareholders at the end of the accounting day of the meeting.

On 31 March the Bank launched a new brand strategy and the Bank's updated logo.

On 2 April the Bank announced startups enablement with online savings account and formation of the authorized capital.

On 30 April Žalgirio Sporto Arena UAB, Investicinio Turto Valdymas UAB, and Trade Project UAB, the subsidiary companies of the Bank, entered into contracts for the sale of real estate properties within the territory of Olimpiečių, Rinktinės and Šeimyniškių Streets in Vilnius.

In May clients using Omnitel communication services have been able to get a mobile signature in the Bank units free of charge. Earlier, e-signatures were available in the Bank units only to Tele2 clients.

On 8 May Ūkio Banko Lizingas UAB, owned by the Bank, declared to have been renamed to SB lizingas UAB and assured it would continue to provide consumer leasing and hire purchase services.

On 11 May the Bank signed an agreement for purchase of 100 percent shares of the bank Finasta AB from Invalda INVL AB and minority shareholders, and 100 percent shares of Finasta AB FMJ from Invalda INVL AB.

On 26 May the amended Charter of the Bank, including the authorized capital increased up to 85,033,800 euros, were registered with the Register of Legal Entities.

On 4 June the Bank's activities and results were presented in the traditional summit meeting of the leadership of the companies listed on the NASDAQ Stock Exchange and the investors.

On 17 June Moody's Investors Service, the international credit rating agency, announced that the Bank's long-term credit rating was upgraded from B1 to Ba2.

On 22 June the Extraordinary General Meeting of the Shareholders of the Bank adopted a resolution to increase the authorized capital of the Bank by 6,771,500 euros with additional contributions by issuing 23,350,000 ordinary registered shares with a nominal value of EUR 0.29.

On 17 July, following permissions obtained from the Competition Board and the Bank of Lithuania, the Bank completed the transaction on the purchase of 100 percent shares of the bank Finasta AB and Finasta AB FMĮ.

On 10 August the Bank introduced the following two new payment cards: the Debit MasterCard and the Debit MasterCard Business, and offered its clients the opportunity to change the PIN code at the network ATMs.

On 17 August it was declared that the Bank had signed an agreement for the allocation of additional 68 million euros from Jessica II Fund to the renovation of 350 apartment houses. In addition, the Bank agreed to allocate 30 million euros of its own funds to the renovation of another 125 apartment houses.

At the end of August, having updated the mobile banking application, the Bank was one of the first banks in Lithuania to give its clients the opportunity to pay installments and taxes by cell phone.

As of 1 September the Bank and the Lithuanian branch of the ERGO Insurance SE insurance company have offered the MasterCard Gold and Visa Gold holders better terms of insurance and a few new types of coverage under travel and money insurance contracts concluded between the Bank and ERGO Insurance SE Lithuanian branch.

From 7 to 14 December, the Bank arranged free seminars *The Single Euro Payments Area (SEPA) and its Requirements* for business clients in Vilnius, Kaunas, Klaipėda and Šiauliai.

On 14 September the Bank joined Information System of Cash-Flow Restrictions (Lithuanian abbr. PLAIS) developed by the State Enterprise Centre of Registers.

On 14 September the amended Charter of the Bank, including the authorized capital increased up to 91,226,381.99 euros, were registered with the Register of Legal Entities. Invalda INVL AB purchased all shares by offsetting which accounted for the Bank's debt of 6,182,581.99 Euros due to the company for the purchase of the Finasta AB bank and Finasta AB FMĮ.

On 23 September the Management Board of the Bank adopted a decision to reorganize the bank Finasta AB and Finasta AB FMĮ by way of merger with the Bank. The terms and conditions of reorganization and the Charter of the Bank following the reorganization were approved.

On 1 October the Bank announced that as of that date, the Bank has been using the minimum 9 percent Common Equity Tier 1 ratio and the total capital adequacy ratio of 12.5 percent, covering the capital conservation buffer and an additional capital requirement, in accordance with Regulation (EU) No. 575/2013 and the general provisions of the supervisory review and evaluation process approved by the Board of the Bank of Lithuania.

On 19 October the Bank was declared the leader of the guaranteed loans granted to farmers in Lithuania. In collaboration with the Agricultural Credit Guarantee Fund, the Bank granted over 40 percent of the total amount of the given type of credit in the country over three quarters of the year.

On 30 October the Bank announced the terms and conditions of a new e-invoice service.

In November, the Bank became a partner in *The Car of the Year 2016* traditional competition by nominating the most sensible car for an Optimum Choice Award. The winner was awarded at the closing ceremony of the competition held in December.

In November, following the end of the payment card campaign *The Best Time to Pay with a Payment Card* the winners were awarded with smart watches and sanatorium vouchers.

On 1 December and 7 December the Bank of Lithuania authorized the reorganization of the Finasta AB bank and Finasta AB FMĮ respectively, by merging them with the Bank.

On 1 December the Bank launched the campaign *A Great Place to Gain a Credit Card*, during which clients were offered favourable terms and conditions of MasterCard credit card issuance and use.

Since the beginning of December, the Bank has offered the two new types of accounts: a fixed-term savings account and a cumulative deposit account.

On 4 December the International Banker Magazine published by the Financial Times declared the Bank The Best Bank of Lithuania 2015. It was the second time that the Bank received this prestigious award.

On 17 December a notice of the Bank of Lithuania was received whereby the Bank was recognised as other systematically important institution accordingly it was subject to additional capital buffer applied to other systematically

important institutions, i.e. 0.5 percent of the total risk exposure amount. This capital buffer must be accumulated by 31 December 2016.

On 21 December the Bank starting to render the services of Šiaulių Banko Lizingas UAB. Following the reorganization, the registration of the companies with the Register of Legal Entities and their licenses were cancelled and all their assets, rights and obligations were taken over by the Bank.

On 22 December, the Bank announced that from the beginning of next year starting to render the services of Šiaulių Banko Lizingas UAB it would complement the range of its directly provided financial services with vehicle and other large-scale asset leasing services to private and business customers. At the end of December, the Bank was ready to smoothly join the Single Euro Payments Area (SEPA). Clients were notified of future developments in payment services.

## 11. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed over the three quarters of 2015:

02/02/2015	notification on received offers regarding acquisition of Žalgiris stadium and surrounding plots of land;
02/02/2015	information on the sold part of the real estate;
03/02/2015	supplemented information on the sold part of the real estate;
26/02/2015	a pre-audited activity result of the Bank and the Group for 2014 and interim information for twelve months;
02/03/2015	information on the final negative adjustment amount payable to Ūkio Bankas BAB;
06/03/2015	convocation of the Ordinary General Meeting of Shareholders;
06/03/2015	the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders to be held on 27/03/2015;
09/03/2015	notification regarding a Letter of Intent with Invalda LT AB
27/03/2015	resolutions of the Ordinary General Meeting of Shareholders held on 27/03/2015;
27/03/2015	announcement of the annual information;
09/04/2015	information on resignation of the member of the Supervisory Council of the Bank;
13/04/2015	information on the results of the inspection carried out by the Bank of Lithuania;
15/04/2015	notification regarding acquisition of Finasta;
22/04/2015	unaudited performance result of the bank and Group for Q1 2015;
04/05/2015	information on the signed agreements of non-banking assets sales;
12/05/2015	notification regarding agreements signed with respect to acquisition of the bank Finasta and Finasta FMJ;
19/05/2015	interim information for 3 months of 2015;
19/05/2015	news on the received permit to register the amendment of the Bank's Charter;
21/05/2015	information on concluded transactions, related to payment of the variable remuneration in the Bank's shares;
27/05/2015	the Charter of the Bank with the increased authorized capital was registered.
29/05/2015	information on the shares and authorized capital;
29/05/2015	convocation of the Extra-Ordinary General Meeting of Shareholders;
29/05/2015	29/05/2015 - the draft resolutions prepared by the Board for the Extra-Ordinary General Meeting of Shareholders;
04/06/2015	information on the presentation of the Bank to Investors;
18/06/2015	notification regarding the upgraded rating of the Bank;
22/06/2015	information on the resolutions passed by of the Extra-Ordinary General Meeting of Shareholders;
02/07/2015	information on the Competition Council's permission for concentration based on acquisition of the bank Finasta and brokerage company Finasta.
03/07/2015	information on the amended Charter of the Bank;
14/07/2015	information on received permissions regarding acquisition of the bank Finasta and brokerage company Finasta.
20/07/2015	information on closing the transaction of the acquisition of the bank Finasta and brokerage company Finasta;
21/07/2015	a pre-audited activity result of the Bank and the Group for H1 of 2015;
18/08/2015	the Bank received a notification from the Bank of Lithuania regarding passed resolution to agree with reorganization of the bank Finasta AB by way of merge with Šiaulių Bankas AB.
20/08/2015	the Bank's interim information for 6 months;
08/09/2015	the Bank received consent from the Bank of Lithuania to register the Bank's Charter with the increased authorized capital;
15/09/2015	information on the amended Charter of the Bank;
17/09/2015	notification regarding acquisition of voting rights by Invalda INVL AB;
17/09/2015	information on the total number of shares issued by the Ban and votes granted by the latter;
18/09/2015	information on adjusted accounting records and corrected interim information for 6 months;
29/09/2015	notification regarding the resolution passed by the Management Board of the Bank to reorganize the bank Finasta and brokerage company Finasta by way of merge with Šiaulių Bankas AB;
01/10/2015	Information Regarding capital adequacy ratio
20/10/2015	the unaudited activity result for the 9 months of 2015 of Šiaulių Bankas AB and the Group;
20/11/2015	interim information for 9 months of 2015;

01/12/2015	Information on a notification from the Bank of Lithuania regarding passed resolution to agree with reorganization of the bank Finasta AB by way of merge with Šiaulių Bankas AB.
07/12/2015	Information on a permission from the Bank of Lithuania to reorganize the bank Finasta AB by way of merge with Šiaulių Bankas AB.
17/12/2015	It has been decided to recognize Šiaulių Bankas AB as systematically important institution
21/12/2015	Reorganization of the bank Finasta AB and brokerage firm Finasta AB merging these companies with Šiaulių Bankas AB was closed.
30/12/2015	It was reported that Šiaulių Bankas AB would form consolidated interim information and it would publish in compliance with the order set by the legislation.
30/12/2015	Announcement of the calendar of the Bank's information to be announced in 2016 reports regarding the transactions related to the Bank's shares entered by the Bank's senior managers.

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 site [www.sb.lt](http://www.sb.lt). Reports on the Meetings of Shareholders were additionally announced in the daily newspaper *Lietuvos rytas*.

After registration of the recast of the Bank's Charter on 02 July 2015, the notifications regarding meetings of shareholder shall be published in the electronic publication for announcement of public releases issued by the Legal Entities Registry Custodian.

Chief Executive Officer

29 February 2016



Vytautas Sinius