

## 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 nine months of 2016 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

21 November 2016



CONDENSED INTERIM  
FINANCIAL STATEMENTS  
(unaudited)

for the nine month period ended 30 September 2016

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

		30 September 2016		31 December 2015	
	Notes	Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and cash equivalents		86 576	85 756	105 012	104 286
Securities at fair value through profit or loss	2	54 161	23 783	71 116	42 726
Due from other banks		5 171	5 142	6 529	6 499
Derivative financial instruments		7 174	6 772	9 292	8 754
Loans to customers	1	955 562	1 008 999	851 296	912 669
Finance lease receivables	1	68 114	33 063	57 812	1 145
Investment securities:		-	-	-	-
available-for-sale -	2	17 777	17 206	20 468	19 821
held-to-maturity -	2	519 555	519 555	494 645	494 645
Investments in subsidiaries and associates	2	-	31 425	-	32 175
Intangible assets		4 119	1 139	3 770	798
Property, plant and equipment		10 926	10 052	10 946	10 023
Investment property		16 709	1 740	18 348	3 291
Current income tax prepayment		72	-	46	-
Deferred income tax asset		1 115	-	1 385	46
Other assets	3	45 959	15 061	44 105	7 091
Assets classified as held for sale	2	-	58	270	13 888
<b>Total assets</b>		<b>1 792 990</b>	<b>1 759 751</b>	<b>1 695 040</b>	<b>1 657 857</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions		49 733	50 628	50 376	53 383
Derivative financial instruments		267	267	136	136
Due to customers	4	1 479 731	1 481 692	1 436 388	1 436 712
Special and lending funds	5	18 285	18 285	8 191	8 191
Subordinated loan	12	20 102	20 102	20 457	20 457
Current income tax liabilities		4 257	4 095	1 322	947
Deferred income tax liabilities		849	339	977	-
Liabilities related to insurance activities		25 781	-	23 515	-
Other liabilities		20 588	14 169	13 085	5 518
Liabilities related to assets classified as held for sale	2	3	-	3 529	-
<b>Total liabilities</b>		<b>1 619 596</b>	<b>1 589 577</b>	<b>1 557 976</b>	<b>1 525 344</b>
<b>EQUITY</b>					
Share capital	6	109 472	109 472	91 226	91 226
Share premium		-	-	-	-
Reserve capital		754	756	756	756
Statutory reserve	6	4 159	4 157	2 468	2 290
Financial assets revaluation reserve		831	831	896	896
Retained earnings		58 178	54 958	41 718	37 345
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>173 394</b>	<b>170 174</b>	<b>137 064</b>	<b>132 513</b>
<b>Total liabilities and equity</b>		<b>1 792 990</b>	<b>1 759 751</b>	<b>1 695 040</b>	<b>1 657 857</b>

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

Chief Executive Officer

Chief Accountant

21 November 2016



Vytautas Sinius

Vita Adomaitytė

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

for the nine month period ended					
	Notes	30 September 2016 Group	30 September 2016 Bank	30 September 2015 Group	30 September 2015 Bank
<b>Continuing operations</b>					
Interest and similar income	7	56 365	50 789	47 648	41 539
Interest expense and similar charges	7	(9 253)	(9 257)	(14 111)	(14 043)
<b>Net interest income</b>		<b>47 112</b>	<b>41 532</b>	<b>33 537</b>	<b>27 496</b>
Fee and commission income	8	10 014	9 717	8 661	8 305
Fee and commission expense	8	(3 478)	(3 233)	(3 004)	(2 622)
<b>Net fee and commission income</b>		<b>6 536</b>	<b>6 484</b>	<b>5 657</b>	<b>5 683</b>
Net gain (loss) from operations with securities	11	6 291	5 284	(378)	56
Net gain from foreign exchange and related derivatives		2 828	2 963	2 553	1 991
Net gain (loss) from embedded derivatives		(540)	(404)	(2 903)	(2 908)
Net gain (loss) from changes in fair value of subordinated loan		345	345	(175)	(175)
Net gain from derecognition of financial assets	11	11 868	11 868	3 248	3 248
Net gain (loss) from disposal of tangible assets		(92)	544	2 426	2 563
Revenue related to other activities of Group companies	11	10 362	-	10 009	-
Other operating income		1 274	402	1 311	470
Salaries and related expenses		(13 909)	(11 815)	(11 936)	(9 228)
Depreciation and amortization expenses		(1 292)	(972)	(1 163)	(778)
Expenses related to other activities of Group companies	11	(9 742)	-	(9 359)	-
Other operating expenses	9	(6 778)	(4 837)	(6 783)	(4 943)
<b>Operating profit before impairment losses</b>		<b>54 263</b>	<b>51 394</b>	<b>26 044</b>	<b>23 475</b>
Allowance for impairment losses on loans and other assets	10	(11 691)	(12 336)	(12 323)	(8 660)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2,10	-	(1 300)	-	(14 363)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	5 632	-	18 373
<b>Profit from continuing operations before income tax</b>		<b>42 572</b>	<b>43 390</b>	<b>13 721</b>	<b>18 825</b>
Income tax expense		(5 568)	(5 036)	(2 742)	(2 254)
<b>Profit from continuing operations</b>		<b>37 004</b>	<b>38 354</b>	<b>10 979</b>	<b>16 571</b>
Profit (loss) from discontinued operations, net of tax		19	-	6 261	-
<b>Net profit for the year</b>		<b>37 023</b>	<b>38 354</b>	<b>17 240</b>	<b>16 571</b>
<b>Net profit attributable to:</b>					
Owners of the Bank		37 023	38 354	17 240	16 571
From continuing operations		37 004	38 354	10 979	16 571
From discontinued operations		19	-	6 261	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.10		0.05	
From continuing operations		0.10		0.03	
From discontinued operations		0.00		0.02	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.09		0.05	
From continuing operations		0.09		0.03	
From discontinued operations		0.00		0.02	

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

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

	for the three month period	
	1 July - 30 September 2016	1 July - 30 September 2015
	Group	Bank
	Group	Bank
<b>Continuing operations</b>		
Interest and similar income	17 882	16 010
Interest expense and similar charges	(2 933)	(2 935)
<b>Net interest income</b>	<b>14 949</b>	<b>13 075</b>
Fee and commission income	3 290	3 194
Fee and commission expense	(1 230)	(1 152)
<b>Net fee and commission income</b>	<b>2 060</b>	<b>2 042</b>
Net gain (loss) from operations with securities	3 349	2 501
Net gain from foreign exchange and related derivatives	1 117	1 177
Net gain (loss) from embedded derivatives	(866)	(749)
Net gain (loss) from changes in fair value of subordinated loan	865	865
Net gain from derecognition of financial assets	758	771
Net gain (loss) from disposal of tangible assets	251	197
Revenue related to other activities of Group companies	3 351	-
Other operating income	435	119
Salaries and related expenses	(4 608)	(3 959)
Depreciation and amortization expenses	(448)	(337)
Expenses related to other activities of Group companies	(3 765)	-
Other operating expenses	(2 382)	(1 621)
<b>Operating profit before impairment losses</b>	<b>15 066</b>	<b>14 068</b>
Allowance for impairment losses on loans and other assets	(2 471)	(2 744)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	-
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	86
<b>Profit from continuing operations before income tax</b>	<b>12 595</b>	<b>11 410</b>
Income tax expense	(1 798)	(1 662)
<b>Profit from continuing operations</b>	<b>10 797</b>	<b>9 748</b>
Profit (loss) from discontinued operations, net of tax	(15)	-
<b>Net profit for the year</b>	<b>10 782</b>	<b>9 748</b>
<b>Net profit attributable to:</b>		
Owners of the Bank	10 782	9 748
From continuing operations	10 797	9 748
From discontinued operations	(15)	-
Non-controlling interest	-	-

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

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

for the nine month period ended				
	30 September 2016		30 September 2015	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>37 023</b>	<b>38 354</b>	<b>17 240</b>	<b>16 571</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	(76)	(76)	(956)	(954)
Deferred income tax on gain from revaluation of financial assets	11	11	143	143
<b>Other comprehensive income, net of deferred tax</b>	<b>(65)</b>	<b>(65)</b>	<b>(813)</b>	<b>(811)</b>
<b>Total comprehensive income for the period</b>	<b>36 958</b>	<b>38 289</b>	<b>16 427</b>	<b>15 760</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	36 958	38 289	16 427	15 760
from continuing operations	36 939	38 289	10 166	15 760
from discontinued operations	19	-	6 261	-
Non-controlling interest	-	-	-	-
	36 958	38 289	16 427	15 760

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

for the three month period				
	1 July - 30 September 2016		1 July - 30 September 2015	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>10 782</b>	<b>9 748</b>	<b>2 042</b>	<b>4 172</b>
<b>Other comprehensive income (loss)</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	142	142	(423)	(421)
Deferred income tax on gain (loss) from revaluation of financial assets	(11)	(11)	65	65
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>131</b>	<b>131</b>	<b>(358)</b>	<b>(356)</b>
<b>Total comprehensive income for the period</b>	<b>10 913</b>	<b>9 879</b>	<b>1 684</b>	<b>3 816</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	10 913	9 879	1 684	3 816
from continuing operations	10 928	9 879	1 933	3 816
from discontinued operations	(15)	-	(249)	-
Non-controlling interest	-	-	-	-
	10 913	9 879	1 684	3 816

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## 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>1 January 2015</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>106,612</b>
Currency change of share capital		103					(103)	-	-	-
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
Transfer to statutory reserve		-	-	-	-	1 018	(1 018)	-	-	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)	-	(196)
Sale of subsidiaries		-	-	-	-	-	1 901	1 901	-	1 901
Total comprehensive income		-	-	-	(813)	-	17 240	16 427	-	16 427
<b>30 September 2015</b>		<b>91 226</b>	<b>-</b>	<b>756</b>	<b>(297)</b>	<b>2 468</b>	<b>37 040</b>	<b>131 193</b>	<b>-</b>	<b>131 193</b>
Total comprehensive income		-	-	-	1 193	-	4 678	5 871	-	5 871
<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>
Increase in share capital through bonus issue of shares	6	18 246	-	-	-	-	(18 246)	-	-	-
Transfer to/from statutory reserve		-	-	-	-	1 689	(1 689)	-	-	-
Payment of dividends	6	-	-	-	-	-	(628)	(628)	-	(628)
Total comprehensive income		-	-	-	(65)	-	37 023	36 958	-	36 958
<b>30 September 2016</b>		<b>109 472</b>	<b>-</b>	<b>756</b>	<b>831</b>	<b>4 157</b>	<b>58 178</b>	<b>173 394</b>	<b>-</b>	<b>173 394</b>

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

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
<b>1 January 2015</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>
Currency change of share capital		103	-	-	-	-	(103)	-
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
Transfer to statutory reserve		-	-	-	-	1 015	(1 015)	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)
Total comprehensive income		-	-	-	(811)	-	16 571	15 760
<b>30 September 2015</b>		<b>91 226</b>	<b>-</b>	<b>756</b>	<b>(295)</b>	<b>2 290</b>	<b>32 765</b>	<b>126 742</b>
Total comprehensive income		-	-	-	1 191	-	4 580	5 771
<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>
Increase in share capital through bonus issue of shares	6	18 246	-	-	-	-	(18 246)	-
Transfer to statutory reserve		-	-	-	-	1 867	(1 867)	-
Payment of dividends	6	-	-	-	-	-	(628)	(628)
Total comprehensive income		-	-	-	(65)	-	38 354	38 289
<b>30 September 2016</b>		<b>109 472</b>	<b>-</b>	<b>756</b>	<b>831</b>	<b>4 157</b>	<b>54 958</b>	<b>170 174</b>

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



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

for the nine month period ended

	30 September 2016		30 September 2015	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received on loans and advances	48 486	43 287	36 268	29 754
Interest received on debt securities at fair value through profit or loss	1 349	1 037	1 989	1 747
Interest paid	(10 243)	(10 247)	(14 106)	(15 740)
Net fee and commission income	6 536	6 484	5 657	5 683
Cash inflows from trade in securities at fair value through profit or loss	4 703	4 401	154	583
Net inflows from foreign exchange operations	3 892	4 027	2 737	2 173
Recoveries on loans previously written off	733	72	719	56
Salaries and related payments to and on behalf of employees	(13 922)	(11 828)	(11 998)	(9 220)
Other net cash receipts (payments)	9 380	6 810	8 838	949
Income tax paid	(2 508)	(1 493)	(1 457)	(538)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>48 406</b>	<b>42 550</b>	<b>28 801</b>	<b>15 447</b>
<b>Change in operating assets and liabilities:</b>				
Decrease (increase) in securities at fair value through profit or loss	17 107	19 096	(9 779)	31 262
Decrease (increase) in loans to credit and financial institutions	1 639	1 357	(20 398)	(21 103)
Increase in loans to customers	(129 542)	(141 815)	(121 523)	(116 822)
Decrease (increase) in other current assets	(3 285)	(7 956)	24 532	(1 187)
Increase (decrease) in liabilities to credit and financial institutions	(796)	(2 908)	13 835	11 874
Increase (decrease) in deposits	44 476	52 039	18 058	(34 398)
Increase (decrease) in special and lending funds	10 094	10 094	(1 319)	(1 319)
Increase in other liabilities	6 274	2 734	13 884	2 668
<b>Change</b>	<b>(54 033)</b>	<b>(67 359)</b>	<b>(82 710)</b>	<b>(129 025)</b>
<b>Net cash flow from (used in) operating activities</b>	<b>(5 627)</b>	<b>(24 809)</b>	<b>(53 909)</b>	<b>(113 578)</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment, investment property and intangible assets	(1 883)	(1 236)	(1 420)	(1 015)
Disposal of property, plant and equipment, investment property and intangible assets	2 967	2 643	11 248	6 842
Acquisition of held-to-maturity securities	(134 431)	(134 431)	(193 027)	(167 651)
Proceeds from redemption of held-to-maturity securities	102 828	102 828	130 311	130 289
Interest received on held-to-maturity securities	15 278	15 278	15 161	15 571
Dividends received	32	5 047	28	18 401
Acquisition of available-for-sale securities	(3 172)	(3 166)	(21 068)	(20 710)
Sale of available-for-sale securities	5 678	5 596	18 293	18 258
Interest received on available-for-sale securities	519	481	840	840
Inflows from subsidiaries held for sale	-	14 414	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries	-	(550)	-	(3 208)
<b>Net cash flow used in investing activities</b>	<b>(12 184)</b>	<b>6 904</b>	<b>(39 634)</b>	<b>(2 383)</b>
<b>Financing activities</b>				
Payment of dividends	(625)	(625)	(192)	(192)
<b>Net cash flow from financing activities</b>	<b>(625)</b>	<b>(625)</b>	<b>(192)</b>	<b>(192)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(18 436)</b>	<b>(18 530)</b>	<b>(93 735)</b>	<b>(116 153)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>105 012</b>	<b>104 286</b>	<b>197 436</b>	<b>196 481</b>
<b>Cash and cash equivalents at 30 September</b>	<b>86 576</b>	<b>85 756</b>	<b>103 701</b>	<b>80 328</b>

The notes on pages 10 to 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 69 customer service outlets (31 December 2015: 70 outlets). As at 30 September 2016 the Bank had 719 employees (31 December 2015: 719). As at 30 September 2016 the Group (except subsidiaries held for sale) had 827 employees (31 December 2015: 861 employees).

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

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

### As of 30 September 2016 and 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 (consumer financing activities),
8. Bonum Publicum GD UAB (life insurance activities).

### As of 30 September 2016 and 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),
- 13-17. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

### As of 30 September 2016 and 31 December 2015 the Bank had the indirectly controlled subsidiary held for sale:

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

### As of 30 September 2016 and 31 December 2015 the Bank owned the following indirectly controlled subsidiary:

9. Sandworks UAB (real estate management activities).

This condensed interim financial information for the nine month period ended 30 September 2016 has been prepared in accordance with with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, 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 2015.

#### Income tax

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

#### New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2016, 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 2017 will have a material impact on the Bank's financial statements.

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 2015.

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:

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	5 171	5 142	6 529	6 499
<i>Loans and advances to customers:</i>	955 562	1 008 999	851 296	912 669
<i>Loans and advances to financial institutions</i>	-	76 335	27	98 986
<i>Loans to individuals (Retail)</i>	115 649	65 572	110 019	61 528
<i>Loans to business customers</i>	839 913	867 092	741 250	752 155
<i>Finance lease receivables</i>	68 114	33 063	57 812	1 145
<i>Debt securities at fair value through profit or loss</i>	37 525	23 358	55 730	42 388
<i>Derivative financial instruments</i>	7 174	6 772	9 292	8 754
<i>Debt securities available for sale</i>	16 573	16 166	18 014	17 612
<i>Debt securities held to maturity</i>	519 555	519 555	494 645	494 645
<i>Other assets subject to credit risk</i>	15 325	13 563	6 658	5 557
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	18 454	18 521	22 255	22 282
<i>Letters of credit</i>	3 017	3 017	5 929	5 929
<i>Loan commitments and other credit related liabilities</i>	145 269	164 533	111 967	116 259
<b>Total</b>	<b>1 791 739</b>	<b>1 812 689</b>	<b>1 640 127</b>	<b>1 633 739</b>

## NOTE 1

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

#### Loans to customers

Loans and advances are summarised as follows:

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans to business customers</i>	881 463	984 977	777 220	887 014
<i>Loans to individuals</i>	122 916	67 613	116 742	63 595
<b>Gross</b>	<b>1 004 379</b>	<b>1 052 590</b>	<b>893 962</b>	<b>950 609</b>
<i>Less: allowance for impairment</i>	(48 817)	(43 591)	(42 666)	(37 940)
<i>of which: for individually assessed loans</i>	(47 367)	(42 495)	(41 395)	(37 000)
<i>of which: for collectively assessed loans</i>	(1 450)	(1 096)	(1 271)	(940)
<b>Net</b>	<b>955 562</b>	<b>1 008 999</b>	<b>851 296</b>	<b>912 669</b>

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Neither past due nor individually impaired</i>	869 326	930 450	720 915	788 302
<i>Past due but not individually impaired</i>	61 046	56 781	105 111	102 409
<i>Individually impaired</i>	74 007	65 359	67 936	59 898
<b>Gross</b>	<b>1 004 379</b>	<b>1 052 590</b>	<b>893 962</b>	<b>950 609</b>
<i>Less: allowance for impairment</i>	(48 817)	(43 591)	(42 666)	(37 940)
<i>of which: for individually assessed loans</i>	(47 367)	(42 495)	(41 395)	(37 000)
<i>of which: for collectively assessed loans</i>	(1 450)	(1 096)	(1 271)	(940)
<b>Net</b>	<b>955 562</b>	<b>1 008 999</b>	<b>851 296</b>	<b>912 669</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:

- significant financial difficulties of the debtor or issuer, i.e. the borrower's financial status is evaluated as poor or bad;
- violation of the loan agreement (non-payment of the periodic loan payments (the part of the loan or interest)) for more than 30 days;
- the loan is being recovered;
- 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;
- third parties related to the borrower do not fulfil their obligations, which impacts the borrower's ability to fulfil its financial obligations;
- other loss events (termination or cancellation of the licence validity of the borrower or issuer engaged in licensed activity; the death of the borrower or issuer).

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

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Past due up to 7 days</i>	23 014	21 743	68 405	67 039
<i>Past due 8 to 30 days</i>	17 790	16 166	12 513	11 192
<i>Past due 31-60 days</i>	2 346	2 341	2 175	2 170
<i>Past due 61-90 days</i>	982	980	1 573	1 569
<i>Past due more than 90 days</i>	16 914	15 551	20 445	20 439
<b>Total</b>	<b>61 046</b>	<b>56 781</b>	<b>105 111</b>	<b>102 409</b>
<i>Allowance for impairment of collectively assessed loans</i>	(145)	(69)	(171)	(106)
<i>Fair value of collateral</i>	52 858	52 858	46 840	46 840

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

### Loans and advances individually impaired

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Impaired loans</i>	<b>74 007</b>	<b>65 359</b>	<b>67 936</b>	<b>59 898</b>
Allowance for impairment of individually assessed loans	(47 367)	(42 495)	(41 395)	(37 000)
Allowance for impairment of collectively assessed loans	(28)	(28)	(23)	(23)
<i>Fair value of collateral</i>	44 626	44 626	41 305	41 305

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

### Finance lease receivables

#### Segment information

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Business customers</i>	58 321	27 940	50 729	1 207
<i>Individuals</i>	11 242	5 269	8 533	-
<b>Gross</b>	<b>69 563</b>	<b>33 209</b>	<b>59 262</b>	<b>1 207</b>
<i>Neither past due nor impaired</i>	57 976	27 775	44 325	1 095
<i>Past due but not impaired</i>	8 909	5 214	12 141	1
<i>Impaired</i>	2 678	220	2 796	111
<b>Gross</b>	<b>69 563</b>	<b>33 209</b>	<b>59 262</b>	<b>1 207</b>
<i>Subtract: Allowance for impairment</i>	(1 449)	(146)	(1 450)	(62)
<i>of which: for individually assessed finance lease receivables</i>	(1 409)	(106)	(1 447)	(61)
<i>of which: for collectively assessed finance lease receivables</i>	(40)	(40)	(3)	(1)
<b>Net</b>	<b>68 114</b>	<b>33 063</b>	<b>57 812</b>	<b>1 145</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.

	Group			31 December 2015		
	30 September 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	350	2 897	3 247	441	2 355	2 796
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	9 864	21 700	31 564	7 056	16 947	24 003
<i>real estate -</i>	885	25 751	26 636	870	23 030	23 900
<i>airplanes -</i>	-	981	981	-	1 157	1 157
<i>production equipment -</i>	22	4 534	4 556	-	2 147	2 147
<i>other equipment -</i>	45	2 361	2 406	79	4 951	5 030
<i>other assets -</i>	76	97	173	87	142	229
<b>Total</b>	<b>11 242</b>	<b>58 321</b>	<b>69 563</b>	<b>8 533</b>	<b>50 729</b>	<b>59 262</b>

	Bank			31 December 2015		
	30 September 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	81	851	932	-	28	28
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	4 828	14 359	19 187	-	29	29
<i>real estate -</i>	338	9 680	10 018	-	1 011	1 011
<i>airplanes -</i>	-	-	-	-	-	-
<i>production equipment -</i>	22	3 007	3 029	-	131	131
<i>other equipment -</i>	-	-	-	-	8	8
<i>other assets -</i>	-	43	43	-	-	-
<b>Total</b>	<b>5 269</b>	<b>27 940</b>	<b>33 209</b>	<b>-</b>	<b>1 207</b>	<b>1 207</b>

## NOTE 2 SECURITIES

### Securities at fair value through profit or loss

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>37 525</b>	<b>23 358</b>	<b>55 730</b>	<b>42 388</b>
Government bonds	24 566	15 690	37 597	29 634
Corporate bonds	12 959	7 668	18 133	12 754
<b>Equity securities</b>	<b>16 636</b>	<b>425</b>	<b>15 386</b>	<b>338</b>
<b>Total securities at fair value through profit or loss</b>	<b>54 161</b>	<b>23 783</b>	<b>71 116</b>	<b>42 726</b>

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>35 909</b>	<b>23 358</b>	<b>54 115</b>	<b>42 388</b>
from AA- to AAA	1 786	1 786	1 733	1 733
from A- to A+	16 654	14 593	27 710	24 951
from BBB- to BBB+	11 772	3 975	20 591	13 179
from BB- to BB+	5 226	2 533	3 754	2 198
lower than BB-	253	253	-	-
no rating	218	218	327	327
<b>Equity securities</b>	<b>425</b>	<b>425</b>	<b>338</b>	<b>338</b>
listed	383	383	301	301
unlisted	2	2	7	7
units of investment funds	40	40	30	30
<b>Total trading securities</b>	<b>36 334</b>	<b>23 783</b>	<b>54 453</b>	<b>42 726</b>
<b>Securities designated at fair value through profit or loss at initial recognition:</b>				
<b>Debt securities</b>	<b>1 616</b>	<b>-</b>	<b>1 615</b>	<b>-</b>
from AA- to AAA	162	-	300	-
from A- to A+	703	-	573	-
from BBB- to BBB+	751	-	742	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equity securities</b>	<b>16 211</b>	<b>-</b>	<b>15 048</b>	<b>-</b>
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	16 211	-	15 048	-
<b>Total securities designated at fair value through profit or loss at initial recognition</b>	<b>17 827</b>	<b>-</b>	<b>16 663</b>	<b>-</b>
<b>TOTAL</b>	<b>54 161</b>	<b>23 783</b>	<b>71 116</b>	<b>42 726</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

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<b><u>Securities available for sale:</u></b>				
<b>Debt securities:</b>	<b>16 573</b>	<b>16 166</b>	<b>18 014</b>	<b>17 612</b>
Government bonds	104	104	256	256
Corporate bonds	16 469	16 062	17 758	17 356
<b>Equity securities</b>	<b>1 204</b>	<b>1 040</b>	<b>2 454</b>	<b>2 209</b>
<b>Total securities available for sale</b>	<b>17 777</b>	<b>17 206</b>	<b>20 468</b>	<b>19 821</b>
<b><u>Held-to-maturity securities:</u></b>				
<b>Debt securities:</b>	<b>519 555</b>	<b>519 555</b>	<b>494 645</b>	<b>494 645</b>
Government bonds	413 777	413 777	381 943	381 943
Corporate bonds	105 778	105 778	112 702	112 702
<b>Total held-to-maturity securities</b>	<b>519 555</b>	<b>519 555</b>	<b>494 645</b>	<b>494 645</b>

NOTE 2  
SECURITIES (continued)

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Securities available for sale:</b>				
<b>Debt securities</b>	<b>16 573</b>	<b>16 166</b>	<b>18 014</b>	<b>17 612</b>
from AA- to AA+	472	472	463	463
from A- to A+	3 017	3 017	5 758	5 758
from BBB- to BBB+	10 507	10 507	11 250	11 250
from BB- to BB+	2 170	2 170	141	141
lower than BB-	-	-	-	-
no rating	407	-	402	-
<b>Equities</b>	<b>1 204</b>	<b>1 040</b>	<b>2 454</b>	<b>2 209</b>
listed	-	-	-	-
unlisted	1 095	931	2 314	2 069
units of investment funds	109	109	140	140
<b>Total securities available for sale</b>	<b>17 777</b>	<b>17 206</b>	<b>20 468</b>	<b>19 821</b>
<b>Held-to-maturity securities:</b>				
<b>Debt securities</b>	<b>519 555</b>	<b>519 555</b>	<b>494 645</b>	<b>494 645</b>
from AA- to AA+	10 372	10 372	15 207	15 207
from A- to A+	394 549	394 549	359 917	359 917
from BBB- to BBB+	102 507	102 507	109 431	109 431
from BB- to BB+	9 484	9 484	10 090	10 090
lower than BB-	2 643	2 643	-	-
no rating	-	-	-	-
<b>Total held-to-maturity securities</b>	<b>519 555</b>	<b>519 555</b>	<b>494 645</b>	<b>494 645</b>

During the nine month periods ended 30 September 2016 and 2015, no reclassifications between portfolios of securities were performed.

## Investments in subsidiaries

		30 September 2016			31 December 2015		
	Bank	Share in equity	Acquisition cost	Carrying amount	Share in equity	Acquisition cost	Carrying amount
Investments in consolidated directly controlled subsidiaries:							
	Šiaulių Banko Lizingas UAB	100.00%	4 460	69	100.00%	3 910	69
	Šiaulių Banko Investicijų Valdymas UAB	100.00%	5 044	312	100.00%	5 044	312
	Šiaulių Banko Turto Fondas UAB	100.00%	3 999	3 554	100.00%	3 999	3 554
	SBTF UAB	100.00%	1 029	579	100.00%	1 029	579
	Pavasaris UAB	100.00%	10 456	7 084	100.00%	10 456	7 834
	Minera UAB	100.00%	5 165	2 566	100.00%	5 165	2 566
	Bonum Publicum GD UAB	100.00%	8 399	8 399	100.00%	8 399	8 399
	SB Lizingas UAB	100.00%	8 862	8 862	100.00%	8 862	8 862
	Iš viso:		47 414	31 425		46 864	32 175
		30 September 2016			31 December 2015		
		Share in equity	Acquisition cost	Carrying amount	Share in equity	Acquisition cost	Carrying amount
Investments in consolidated indirectly controlled subsidiaries:							
	Sandworks UAB *	100.00%	9	9	100.00%	9	9

\*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

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

## NOTE 2 SECURITIES (continued)

### 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).

In the first quarter of 2015, Nacionalinis Futbolo Stadions 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. On 30 June 2015 investment properties consisting of real estate objects located in territory between Olimpiečių, Rinktinės and Šeimyniškių streets in Vilnius were sold. The properties were sold by Bank's subsidiaries held for sale Žalgirio Sporto Arena UAB, Investicinio Turto Valdymas UAB, Trade Project UAB, profit from the transaction is included in Group's result of discontinued operations. Later the subsidiaries paid out dividends to the Bank and the liquidation process of these entities was started.

Investment in subsidiaries classified as held for sale, as of 30 September 2016 and result of discontinued operations for the nine month period ended 30 September 2016:

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Other entities held for sale	TOTAL
Assets held for sale attributable to entity/ group of entities	-	-	-
Liabilities attributable to assets held for sale attributable to entity/ group of entities	3	-	3
Profit (loss) of the year (recorded in Discontinued operations line of the income statement)	19	-	19

Investment in subsidiaries classified as held for sale, as of 31 December 2015 and result of discontinued operations for the nine month period ended 30 September 2015:

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Other entities held for sale	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)	6 917	(656)	6 261

During nine month periods ended 30 September 2016 and 30 September 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 nine month period ended 30 September 2016 no subsidiaries held for sale were sold. A loss of EUR 656 thousand resulting from the sale of the subsidiaries held for sale was included in the result of discontinued operations for the nine month period ended 30 September 2015.

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 30 September 2016, carrying amount of such real estate assets was nil (31 December 2015: EUR 32 thousand).



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

### Other assets

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
Amounts receivable	11 281	10 124	2 551	2 169
Inventories	25 073	-	30 490	-
Deferred charges	721	635	793	711
Assets under reinsurance and insurance contracts	609	-	607	-
Prepayments	4 044	3 439	4 107	3 388
Foreclosed assets	3 843	603	4 081	603
Other	388	260	1 476	220
<b>Total</b>	<b>45 959</b>	<b>15 061</b>	<b>44 105</b>	<b>7 091</b>

## NOTE 4 DUE TO CUSTOMERS

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
National government institutions	12 293	12 293	9 541	9 541
Local government institutions	56 515	56 515	28 950	28 950
Governmental and municipal companies	7 563	7 563	5 993	5 993
Corporate entities	207 872	209 803	175 084	175 408
Non-profit organisations	9 899	9 899	10 102	10 102
Individuals	268 597	268 597	237 824	237 824
Unallocated amounts due to customers	29 906	29 936	20 531	20 531
<b>Total demand deposits</b>	<b>592 645</b>	<b>594 606</b>	<b>488 025</b>	<b>488 349</b>
<i>Time deposits:</i>				
National government institutions	2 835	2 835	456	456
Local government institutions	455	455	531	531
Governmental and municipality companies	820	820	769	769
Corporate entities	32 420	32 420	39 041	39 041
Non-profit organisations	2 658	2 658	2 736	2 736
Individuals	847 898	847 898	904 830	904 830
<b>Total time deposits</b>	<b>887 086</b>	<b>887 086</b>	<b>948 363</b>	<b>948 363</b>
<b>Total</b>	<b>1 479 731</b>	<b>1 481 692</b>	<b>1 436 388</b>	<b>1 436 712</b>

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

### Debt securities in issue

As at 30 September 2016 and 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 for trading governments bonds with a carrying value of EUR 53 thousand were pledged as collateral for deposit certificates.

### Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 8,191 thousand in the beginning of the year to EUR 18,285 thousand is attributable to routine fluctuations in these funds.

## NOTE 6 CAPITAL

As of 30 September 2016 the Bank's share capital amounted to EUR 109,471,658.33, it comprised 377,488,477 ordinary registered shares with par value of EUR 0.29 each. As of 31 December 2015 the Bank's share capital amounted to EUR 91,226,381.99, it comprised 314,573,731 ordinary registered shares with par value of EUR 0.29 each.

The ordinary meeting of shareholders of Šiaulių bankas that took place on 30 March 2016 passed a resolution to increase Bank's share capital by EUR 18,245 thousand (20.0%) using Bank's own resources (retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 26 May 2016, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2016).

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. The difference between the fair value and nominal value of shares issued (EUR 257 thousand) was accounted for as change in retained earnings.

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 bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2015).

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.

As at 30 September 2016, the Bank had 3,466 shareholders. 60.83% of share capital and votes are attributable to resident shareholders, 39.17% to non-resident shareholders (as at 31 December 2015: 3,476 shareholders, 62.95% of share capital and votes attributable to residents, 37.05% to non-residents).

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

	Share of the authorized capital held, % 30 September 2016	Share of the authorized capital held, % 31 December 2015
<i>European Bank for Reconstruction and Development</i>	18.24	18.24
<i>Invalda INVLA AB</i>	6.79	6.79
<i>Gintaras Kateiva</i>	5.82	5.82

Another 16 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, Sigita Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 30 September 2016, this group possessed 39.13% of the authorised capital and votes of the Bank (31 December 2015: 39.41%).

### Dividends:

On 30 March 2016 the ordinary general meeting of shareholders made a decision to pay EUR 0.002 (i.e. 0.69%) dividends per one ordinary registered share with EUR 0.29 nominal value each. 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).

### Statutory Reserve:

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

## NOTE 7 NET INTEREST INCOME

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	404	3 062	397	2 775
<i>on loans to customers</i>	43 683	37 916	33 970	28 153
<i>on debt securities</i>	9 516	9 152	10 046	10 158
<i>on finance leases</i>	2 762	659	3 235	453
<b>Total interest income</b>	<b>56 365</b>	<b>50 789</b>	<b>47 648</b>	<b>41 539</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(1 068)	(1 068)	(1 104)	(1 104)
<i>on financial liabilities measured at amortised cost</i>	(8 175)	(8 179)	(13 007)	(12 939)
<i>on other liabilities</i>	(10)	(10)	-	-
<b>Total interest expense</b>	<b>(9 253)</b>	<b>(9 257)</b>	<b>(14 111)</b>	<b>(14 043)</b>
<b>Net interest income</b>	<b>47 112</b>	<b>41 532</b>	<b>33 537</b>	<b>27 496</b>

Significant part of the increase in the interest income is attributable to non-recurring penalty interest received in the process of problem loan workout. Such interest amounted to: for the nine month period ended 30 September 2016 – Group EUR 9,003 thousand, Bank EUR 8,645 thousand; for the nine month period ended 30 September 2015 – Group EUR 1,982 thousand, Bank EUR 1,482 thousand.

## NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	2 828	2 828	2 844	2 844
<i>for settlement services</i>	2 639	2 663	2 472	2 489
<i>for cash operations</i>	1 847	1 847	1 422	1 422
<i>for account administration</i>	839	839	672	672
<i>for guarantees, letters of credit, documentary collection</i>	315	315	386	386
<i>for collection of utility and similar payments</i>	316	331	219	219
<i>for services related to securities</i>	648	750	280	190
<i>other fee and commission income</i>	582	144	366	83
<b>Total fee and commission income</b>	<b>10 014</b>	<b>9 717</b>	<b>8 661</b>	<b>8 305</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(1 972)	(1 972)	(1 798)	(1 798)
<i>for cash operations</i>	(562)	(562)	(577)	(577)
<i>for correspondent bank and payment system fees</i>	(380)	(147)	(316)	(125)
<i>for services of financial data vendors</i>	(130)	(130)	(84)	(84)
<i>for services related to securities</i>	(203)	(203)	(113)	(33)
<i>other fee and commission expenses</i>	(231)	(219)	(116)	(5)
<b>Total fee and commission expense</b>	<b>(3 478)</b>	<b>(3 233)</b>	<b>(3 004)</b>	<b>(2 622)</b>
<b>Net fee and commission income</b>	<b>6 536</b>	<b>6 484</b>	<b>5 657</b>	<b>5 683</b>

## NOTE 9 OTHER OPERATING EXPENSES

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1 070)	(923)	(995)	(876)
Utility services for buildings and premises	(523)	(475)	(583)	(504)
Other expenses related to buildings and premises	(297)	(276)	(270)	(224)
Transportation expenses	(297)	(328)	(340)	(417)
Legal costs	(38)	(38)	(107)	(107)
Personnel and training expenses	(102)	(79)	(84)	(67)
IT and communication expenses	(1 462)	(1 339)	(1 143)	(945)
Marketing and charity expenses	(870)	(194)	(1 037)	(300)
Service organisation expenses	(748)	(707)	(799)	(816)
Non-income taxes, fines	(541)	(59)	(560)	(137)
Costs incurred due to debt recovery	(245)	(126)	(272)	(196)
Other expenses	(585)	(293)	(593)	(354)
<b>Total</b>	<b>(6 778)</b>	<b>(4 837)</b>	<b>(6 783)</b>	<b>(4 943)</b>

## NOTE 10 IMPAIRMENT LOSSES

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
Impairment losses on loans	(12 975)	(12 435)	(9 353)	(8 652)
Recoveries of loans previously written-off	623	87	586	56
(Impairment losses)/Reversal of impairment losses on finance lease receivables	(18)	(3)	854	-
Recovered previously written-off finance lease receivables	110	-	129	-
Impairment losses on subsidiaries	-	(1 300)	-	(3 938)
Revaluation of subsidiaries classified as held for sale	-	-	-	(10 425)
(Impairment losses)/Reversal of impairment losses on other assets	533	1	(4 614)	(64)
Recoveries of other assets previously written-off	-	-	75	-
Reversal of provisions for off-balance sheet items	36	14	-	-
<b>Total</b>	<b>(11 691)</b>	<b>(13 636)</b>	<b>(12 323)</b>	<b>(23 023)</b>

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
<b>Allowance for impairment of loans</b>				
As at 1 January	42 666	37 940	47 636	41 664
Change in allowance for loan impairment	12 975	12 435	9 353	8 652
Loans written off during the period	(6 785)	(6 785)	(18 014)	(17 185)
Other factors (reclassification, FX rate shift, etc.)	(39)	1	1 405	183
<b>As at 30 September</b>	<b>48 817</b>	<b>43 591</b>	<b>40 380</b>	<b>33 314</b>
<b>Allowance for impairment of finance lease receivables</b>				
As at 1 January	1 450	62	1 943	61
Change in allowance for impairment of finance lease receivables	18	3	(854)	-
Finance lease receivables written off during the period	(19)	(19)	-	-
Other factors (reclassification, FX rate shift, etc.)	-	100	-	-
<b>As at 30 September</b>	<b>1 449</b>	<b>146</b>	<b>1 089</b>	<b>61</b>

## NOTE 11 SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

### Net gain from operations with securities

Net gain from operations with securities for the nine month period ended 30 September 2016 includes one-off realised gain of EUR 1,749 thousand from the security included in available-for-sale portfolio and one-off realised gain of 1,791 thousand from the security included in held-to-maturity portfolio.

## Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of EUR 11,868 thousand during the nine month period ended 30 September 2016 (nine month period ended 30 September 2015: EUR 3,248 thousand) is mainly attributable to the derecognition of the acquisition value adjustment (i.e. the difference between acquisition value and the gross value) for the fully or partially repaid/refinanced or sold loans.

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

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
Revenue related to insurance activities	4 461	-	4 456	-
Revenue from sale of apartments	5 901	-	5 553	-
<b>Total revenue related to other activities of Group companies</b>	<b>10 362</b>	<b>-</b>	<b>10 009</b>	<b>-</b>
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	(613)	-	(304)	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(3 530)	-	(3 732)	-
Cost of apartments sold	(5 599)	-	(5 323)	-
<b>Total expenses related to other activities of Group companies</b>	<b>(9 742)</b>	<b>-</b>	<b>(9 359)</b>	<b>-</b>

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

	1 January - 30 September 2016		1 January - 30 September 2015	
	Group	Bank	Group	Bank
Interest and similar income	38	-	53	-
Net gain (loss) from operations with securities	704	-	(121)	-
Net gain (loss) from foreign exchange	(129)	-	372	-
<b>Total</b>	<b>613</b>	<b>-</b>	<b>304</b>	<b>-</b>

## 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 2016 and 2015, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions

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

	30 September 2016		31 December 2015	
	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
Members of the Council and the Board	948	1 075	682	1 075
Other related parties (excluding subsidiaries of the Bank)	7 019	48 733	4 080	48 121
<b>Total</b>	<b>7 967</b>	<b>49 808</b>	<b>4 762</b>	<b>49 196</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 20,102 thousand as of 30 September 2016 (31 December 2015: EUR 20,457 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Subordinated loan related interest expenses amounted to EUR 1,068 thousand, a gain of EUR 345 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement for the nine month period ended 30 September 2016 (nine month period ended 30 September 2015: interest expenses EUR 1,104 thousand, revaluation loss EUR 175 thousand).

## NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

### Transactions with subsidiaries:

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

	30 September 2016		31 December 2015	
	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	1 937	38 809	323	20 891
Financial institutions	919	90 453	2 937	100 735

Bank's total balances with subsidiaries:

	30 September 2016	31 December 2015
<b>Assets</b>		
Loans	109 715	116 154
Other assets	52	22
Bank's investment in subsidiaries	31 425	32 175
Bank's investment in subsidiaries classified as assets held for sale	58	13 856
<b>Liabilities and shareholders' equity</b>		
Deposits	2 856	3 260
Other liabilities	9	39

Income and expenses arising from transactions with subsidiaries:

	1 January– 30 September 2016	1 January– 30 September 2015
<b>Income</b>		
Interest	3 119	2 547
Commission income	202	98
Dividends	5 632	3 475
Other income	158	87
<b>Expenses</b>		
Interest	(4)	(1)
Operating expenses	(102)	(215)
Impairment of investment in subsidiaries	(1 300)	-

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS

### Liquidity risk

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

#### Liquidity risk management process

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

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

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

The structure of the Group's assets and liabilities by maturity as at 30 September 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	85 258	34 569	52 471	87 975	219 329	506 534	721 538	85 316	1 792 990
<i>Total liabilities and shareholders' equity</i>	616 756	92 463	190 500	215 224	308 174	135 590	56 009	178 274	1 792 990
<i>Net liquidity gap</i>	(531 498)	(57 894)	(138 029)	(127 249)	(88 845)	370 944	665 529	(92 958)	-

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 Bank's assets and liabilities by maturity as at 30 September 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	84 416	30 400	54 842	126 115	239 099	461 074	690 881	72 924	1 759 751
<i>Total liabilities and shareholders' equity</i>	618 184	88 564	189 518	214 691	307 287	133 722	33 109	174 676	1 759 751
<i>Net liquidity gap</i>	(533 768)	(58 164)	(134 676)	(88 576)	(68 188)	327 352	657 772	(101 752)	-

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)	-

### Market risk

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

#### Interest rate risk

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

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

### Sensitivity of interest rate risk

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

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

Group 30 September 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	185 401	257 036	419 476	98 195	567 683	265 199	1 792 990
Liabilities and equity	94 198	197 132	212 412	298 874	149 766	840 608	1 792 990
Net interest sensitivity gap	107 797	74 105	125 519	(267 994)	473 407	(512 834)	-
Higher/lower impact on profit from balance sheet assets and liabilities	874	499	1 294	(502)	-	-	2 165

Group 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	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

Bank 30 September 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	174 231	253 169	442 981	128 267	537 316	223 787	1 759 751
Liabilities and equity	93 937	196 915	212 241	298 649	125 491	832 518	1 759 751
Net interest sensitivity gap	105 326	51 834	119 456	(196 815)	467 574	(547 375)	-
Higher/lower impact on profit from balance sheet assets and liabilities	769	469	1 442	(426)	-	-	2 254

Bank 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	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

### 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 2016, the Bank continued to develop and improve systems of operational risk management and internal control.

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

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

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

During the nine month period ended 30 September 2016, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2015. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the nine month period ended 30 September 2016, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	30 September 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
<i>Financial assets at fair value through profit or loss</i>	54 159	23 781	71 091	42 701
<i>Available for sale financial assets</i>	16 682	16 275	18 154	17 752
<b>Total Level I financial assets</b>	<b>70 841</b>	<b>40 056</b>	<b>89 245</b>	<b>60 453</b>
<b>LEVEL II</b>				
<i>Financial assets at fair value through profit or loss</i>	776	776	1 109	1 109
<i>Financial liabilities at fair value through profit or loss</i>	(267)	(267)	(136)	(136)
<b>LEVEL III</b>				
<i>Financial assets at fair value through profit or loss</i>	6 400	5 998	8 208	7 670
<i>Available for sale financial assets</i>	1 095	931	2 314	2 069
<b>Total Level III financial assets</b>	<b>7 495</b>	<b>6 929</b>	<b>10 522</b>	<b>9 739</b>
<i>Financial liabilities at fair value through profit or loss</i>	20 102	20 102	20 457	20 457
<b>Total Level III financial liabilities</b>	<b>20 102</b>	<b>20 102</b>	<b>20 457</b>	<b>20 457</b>

There were no transfers between fair value hierarchy levels during 2016 and 2015.

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

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

Group	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015
Value as of 1 January	8 208	7 097	2 314	677	20 457	19 295
Additions	-	3 257	-	91	-	-
Disposals	(1 268)	-	(1 729)	(13)	-	-
Changes due to interest accrued/paid	-	-	-	-	(10)	(5)
Changes in fair value	(540)	(2 903)	510	(72)	(345)	175
Value as of 30 September	6 400	7 451	1 095	683	20 102	19 465

Bank	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015	1 Jan - 30 Sep 2016	1 Jan - 30 Sep 2015
Value as of 1 January	7 670	35 612	2 069	403	20 457	19 295
Additions	-	3 262	-	24	-	-
Disposals	(1 268)	(28 962)	(1 648)	-	-	-
Changes due to interest accrued/paid	-	-	-	-	(10)	(5)
Changes in fair value	(404)	(2 908)	510	-	(345)	175
Value as of 30 September	5 998	7 004	931	427	20 102	19 465

	1 January – 30 September 2016		1 January – 30 September 2015	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	1 554	1 690	(3 150)	(3 083)

## NOTE 15 SEGMENT INFORMATION

### Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2016 and in the Statement of comprehensive income for the nine month period then ended is presented in the table below.

	Banking	Leasing	Real estate development and other	Eliminations	Total
<b>Continuing operations</b>					
Internal	3 115	(2 616)	(571)	72	-
External	38 417	8 105	590	-	47 112
Net interest income	41 532	5 489	19	72	47 112
Internal	3 317	(2 652)	(658)	(7)	-
External	44 699	8 375	574	-	53 648
Net interest, fee and commissions income	48 016	5 723	(84)	(7)	53 648
Internal	(129)	(139)	(46)	314	-
External	(16 523)	(2 075)	(11 831)	-	(30 429)
Operating expenses	(16 652)	(2 214)	(11 877)	314	(30 429)
Amortisation charges	(201)	(39)	(21)	-	(261)
Depreciation charges	(771)	(88)	(172)	-	(1 031)
Internal	(1 300)	-	-	1 300	-
External	(12 336)	(432)	1 077	-	(11 691)
Impairment expenses	(13 636)	(432)	1 077	1 300	(11 691)
Internal	5 790	13	(1)	(5 802)	-
External	20 844	(54)	11 546	-	32 336
Net other income	26 634	(41)	11 545	(5 802)	32 336
Profit (loss) from continuing operations before tax	43 390	2 909	468	(4 195)	42 572
Profit (loss) from discontinued operations	-	-	-	19	19
Income tax	(5 036)	(389)	(143)	-	(5 568)
Profit (loss) per segment after tax	38 354	2 520	325	(4 176)	37 023
Non-controlling interest	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	38 354	2 520	325	(4 176)	37 023
Total segment assets	1 759 751	92 071	82 253	(141 085)	1 792 990
Total segment liabilities	1 589 577	80 830	61 818	(112 629)	1 619 596
Net segment assets (shareholders' equity)	170 174	11 241	20 435	(28 456)	173 394

## NOTE 15 SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 September 2015 and in the statement of comprehensive income for the nine month period then ended is presented below:

	Banking	Leasing	Real estate development and other	Eliminations	Total
<b>Continuing operations</b>					
Internal	3 709	(2 785)	(648)	(276)	-
External	23 769	8 813	955	-	33 537
Net interest income	27 478	6 028	307	(276)	33 537
Internal	3 855	(2 830)	(685)	(340)	-
External	29 457	8 774	963	-	39 194
Net interest, fee and commissions income	33 312	5 944	278	(340)	39 194
Internal	(387)	(81)	(37)	505	-
External	(14 335)	(2 564)	(11 179)	-	(28 078)
Operating expenses	(14 722)	(2 645)	(11 216)	505	(28 078)
Amortisation charges	(139)	(32)	(16)	-	(187)
Depreciation charges	(682)	(134)	(160)	-	(976)
Internal	(14 363)	-	-	14 363	-
External	(8 734)	862	(4 451)	-	(12 323)
Impairment expenses	(23 097)	862	(4 451)	14 363	(12 323)
Internal	18 490	8	47	(18 545)	-
External	5 479	88	10 524	-	16 091
Net other income	23 969	96	10 571	(18 545)	16 091
Profit (loss) from continuing operations before tax	18 641	4 091	(4 994)	(4 017)	13 721
Profit (loss) from discontinued operations	-	-	-	6 261	6 261
Income tax	(2 246)	(507)	11	-	(2 742)
Profit (loss) per segment after tax	16 395	3 584	(4 983)	2 244	17 240
Non-controlling interest	-	-	-	-	-
Profit (loss) for the period attributable to the owners of the Bank	16 395	3 584	(4 983)	2 244	17 240
Total segment assets	1 674 654	115 546	84 956	(170 892)	1 704 264
Total segment liabilities	1 542 321	102 718	62 986	(134 954)	1 573 071
Net segment assets (shareholders' equity)	132 333	12 828	21 970	(35 938)	131 193

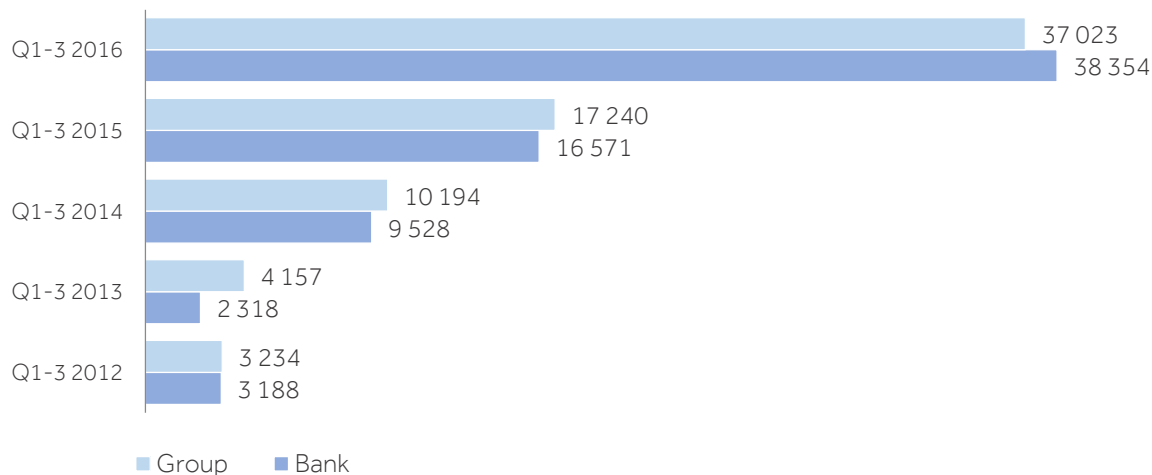


ADDITIONAL INFORMATION

## 1. INFORMATION ON THE BANK'S AND GROUP'S PERFORMANCE RESULTS

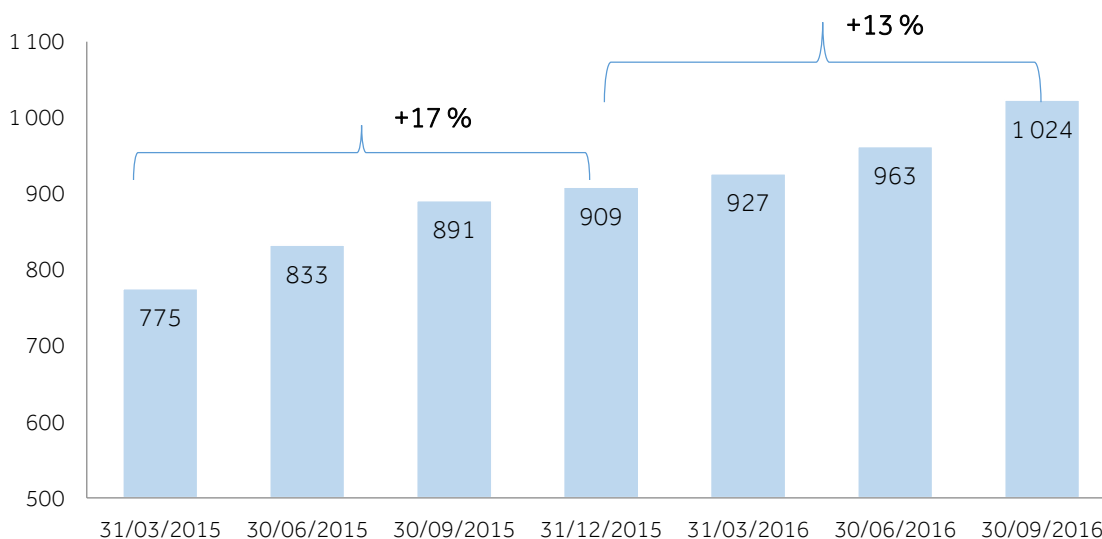
The Bank, the fourth largest bank in Lithuania, grew significantly in size and earnings in the first nine months of this year. The Group had an unaudited net profit of 37 million euros, or 2.1 times more than in the same period of 2015 when net profit was 17.2 million euros. The net profit of the Bank generated over nine months was 38.4 million euros. While over the same period last year it generated LTL 16.6 million.

### Net profit of the Bank and the Group, in EUR thousand

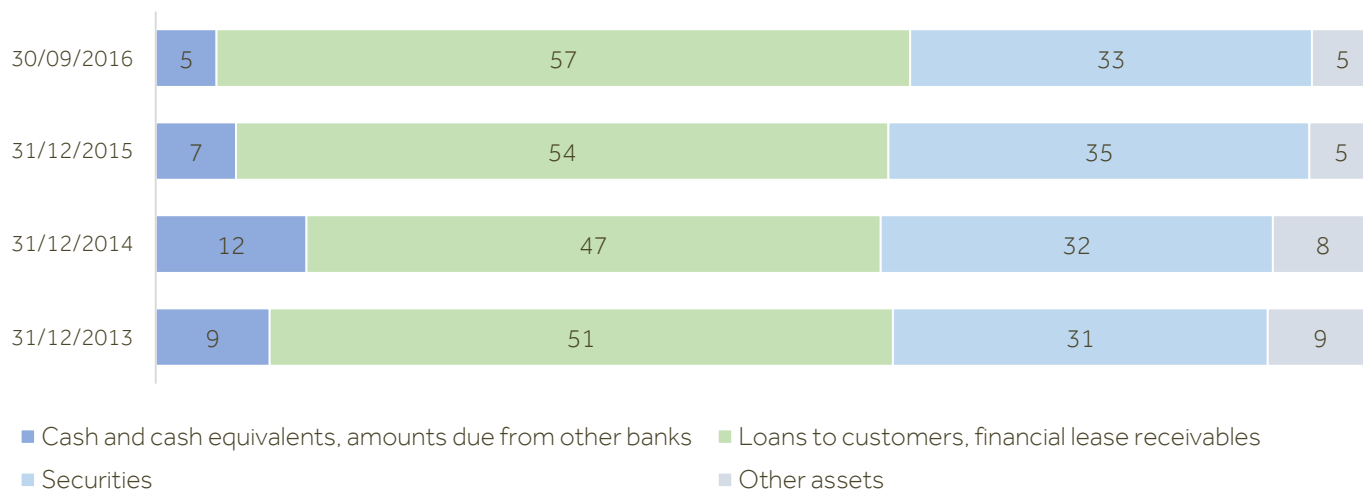


Loan and financial lease portfolio of the Group crossed the billion-euro threshold. Several factors drove the growth of the portfolio: positive expectations among individuals and business entities, increasing investments and consumption, and the low interest rate environment. In January-September, 385 million euros of new loans were issued and the size of the portfolio increased by 115 million euros, or 13 per cent.

### Loan and Financial Lease Portfolio, in EUR million

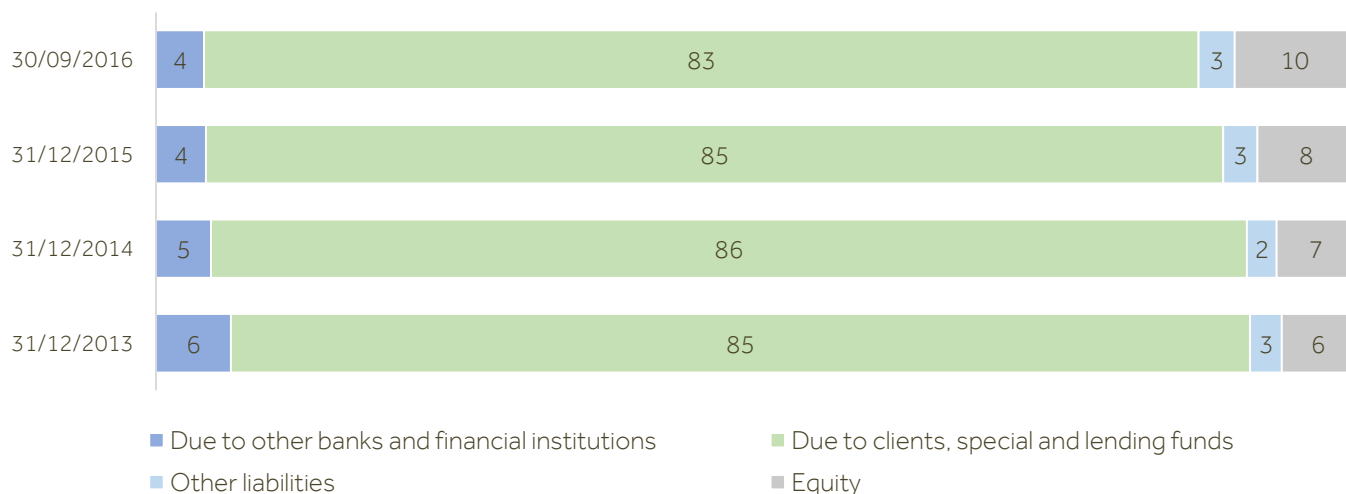


The priority lending areas continue to be loans to small and medium-sized enterprises (SMEs), consumer financing, and the multi-apartment building modernization programme where the Bank has more than 60 per cent of the market.

**Structure of Group's Assets, in per cent**


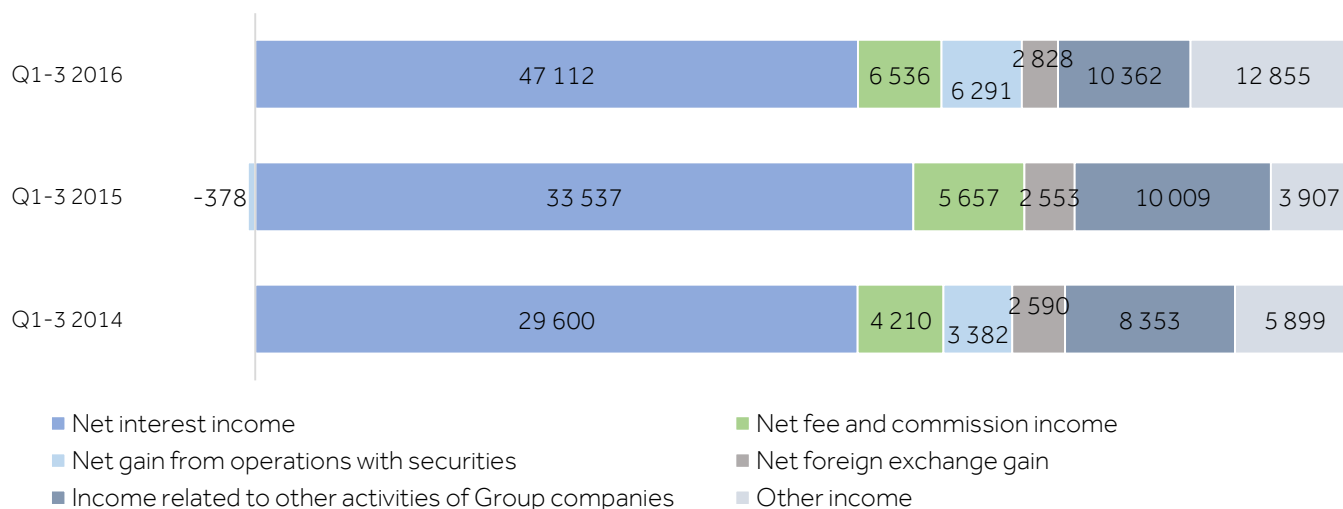
In order to enhance access to financing for innovative SMEs in the country, in September the European Investment Fund and the Bank signed a guarantee agreement which will enable the Bank to provide financing to SMEs and small mid-caps over the next two years at reduced interest rates. Some 450 businesses are expected to take advantage of this EU support, with the Bank creating a 50-million-euro portfolio of loans and financial leases.

The Group's deposit portfolio grew by 3 per cent from the start of the year to nearly 1.48 billion euros at the end of September. Responding to a growing need in the market for alternative saving products, the Bankj introduced a structured finance instrument – a fixed-term deposit whose interest rate is linked to changes in the price of oil company shares. During its month-long distribution, the new Bank's product attracted strong client interest, with 1600 of them choosing such saving instrument. In light of that market response, the Bank plans to offer more such products in the future.

**Structure of Group's Liabilities, in per cent**


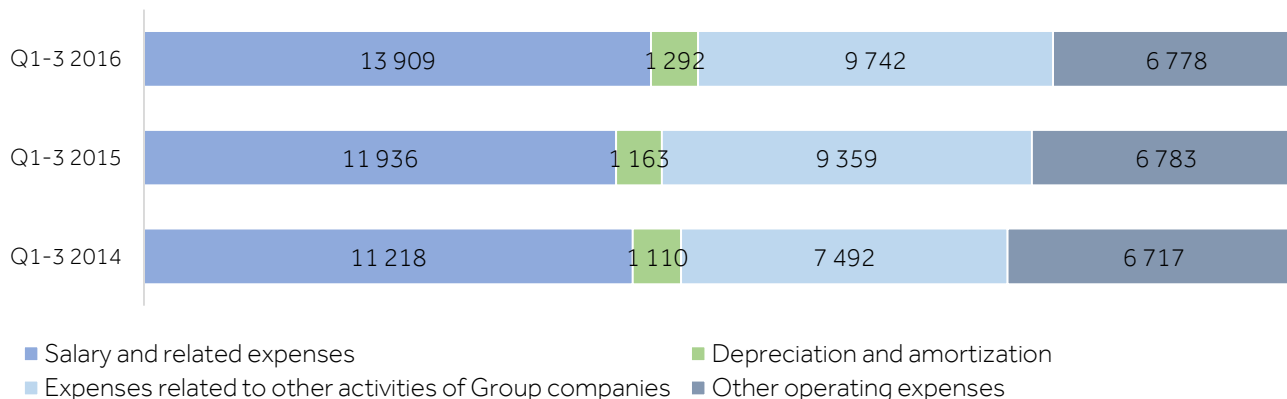
Net interest income increased by 40 per cent in the first nine months of this year and exceeded 47 million euros. Group net service fees and commission income also grew significantly over this period to 6.5 million euros, or 16 per cent more than in the same period last year.

## Structure of the Group's Operating Income, in EUR thousand



Profit from foreign exchange operations increased by 11 per cent in January-September 2016 to more than 2.8 million euros. New foreign exchange products offered by the Bank and increased client activity contributed to that growth. Profit from securities trading also had a noteworthy impact on earnings. The safe portfolio of investment securities which has been formed is not only generating stable income. In the first three quarters of this year the Group earned 6.3 million euros from securities trading, of which 3.5 million euros was profit from one-time transactions.

## Structure of the Group's Operating Expenses, in EUR thousand

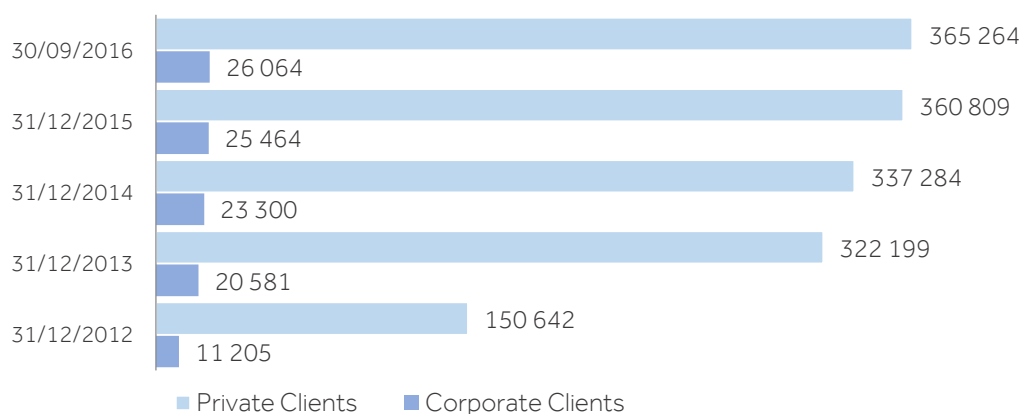


During the reporting period the Group's expenses decreased by 8 per cent comparing to the same period last year and amounted to 31.7 million euros in total. 44 per cent of operating expenses consisted of salary and related expenses, i.e. EUR 13.9 million. During the nine-month period of 2016 the Group incurred EUR 11.7 million impairment loss in loans and other assets (EUR 12.3 million of loss in three quarters of 2015).

The information on the Bank's and the Group's profitability ratios is available on the Bank's website at [www.sb.lt: About bank > To Bank's Investors -> Financial statements, ratios and prospectuses - Profitability ratios](http://www.sb.lt: About bank > To Bank's Investors -> Financial statements, ratios and prospectuses - Profitability ratios).

As of 30 September 2016 the Bank's network consisted of 69 customer service points operating in 38 cities and towns throughout Lithuania. The Bank's clients could use 207 ATMs (12 of them are cash accepting ATMs) belonging to bank's network operating in 47 locations throughout Lithuania.



**Changes in numbers of private and corporate customers:**


At the end of Q3 2016 the Bank's clients could withdraw cash or place their funds to the payment card accounts through 2074 terminals of Perlo paslaugos UAB all over the country.

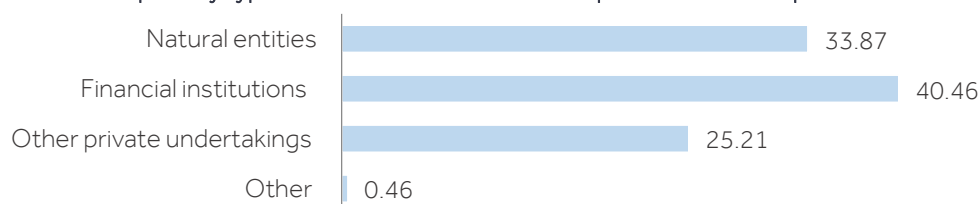
## 2. INFORMATION IN COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS SET TO THE BANK

According to the data as of 30 September 2016 the Bank complied with all the prudential requirements set by the Bank of Lithuania. The information is kept up-to-date and available on the Bank's website [www.sb.lt](http://www.sb.lt) at: *About bank › To Bank's Investors › Financial statements, ratios and prospectuses - Prudential standards.*

## 3. AUTHORIZE CAPITAL AND SHAREHOLDERS OF THE BANK

As of 30 September 2016 the Bank's authorized capital was EUR 109 471 658.33. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 26 May 2016.

60.83 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.

**Authorized capital by types of shareholders as of 30 September 2016, in per cent:**

**Authorized capital:**

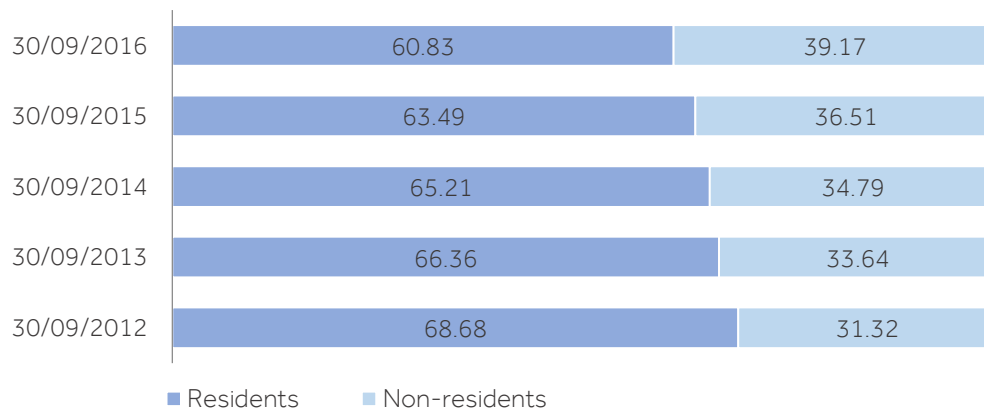
	04/08/2011	31/05/2013	03/06/2014	26/05/2015	14/09/2015	26/05/2016
Capital, EUR	68 108 685	72 500 000	78 300 000	+ 85 033 800	+ 91 226 381.99	109 471 658.33

**Structure of the Bank's authorized capital as of 30 September 2016:**

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares, ISIN LT0000102253	+ 377 488 477	0.29	109 471 658.33

As of 30 September 2016 the number of the Bank's shareholders comprised 3 466 (as of 31 December 2015 – 3 476). 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 controlled by the Bank's shareholders by place of residence, in per cent:



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

The Bank's shares are quoted in the official trading list of Nasdaq Baltics. The shares of other companies belonging to the Group are issued for non-public circulation. ISIN code of the Bank's shares is LT0000102253; the number of shares 377 488 477 units.

The Bank's shares are included in the OMX Baltic 10 which consists of shares of the 10 the most liquid companies enrolled into the trading list of the OMX Baltic. Shares issued by the Bank are also included in the comparative index of the OMX Baltic states securities market OMX Baltic Benchmark, which comprises shares of the highest capitalization and most liquid companies as well as in indices OMX Vilnius (OMXV), OMX Baltic (OMXBGI), OMX Baltic Financials, OMX Baltic Banks and OMX Baltic Benchmark Cap (OMXBBCAPGI).

Besides, shares issued by the Bank are included in the indices STOXX Eastern Europe TMI, STOXX EU Enlarged TMI, STOXX Global Total Market, STOXX Eastern Europe 300 and STOXX Lithuania Total Market.

Changes in the Bank's share price within three years:

Source: [Nasdaq Baltic website](#):



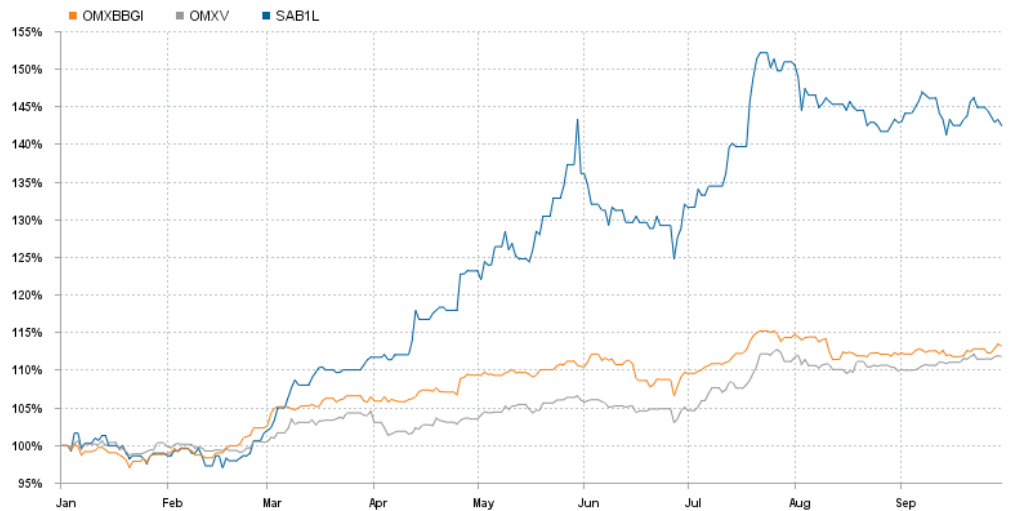
### Changes in the Bank's share price in January-September 2016

Source: [Nasdaq Baltic website:](#)



### The share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares in January-September 2016

Source: [Nasdaq Baltic website:](#)



The Chart's data:

	Index/Shares	01/01/2016	30/06/2016	+/-, %
■	OMX Baltic Benchmark GI	648.32	734.28	13.26
■	OMX Vilnius	485.99	543.58	11.85
■	SAB1L	0.248 EUR	0.354 EUR	42.55

The capitalization of the Bank was EUR 133.63 million as of 30 September 2016; on 31 December 2015 it comprised EUR 93.74 million.

### Turnover of the Bank's shares over 5 recent years:

Year	Last trading session price, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares, units	Turnover, EUR mln
2012	0.231	0.285	0.230	0.256	11 106 241	2.84
2013	0.266	0.310	0.227	0.266	20 496 506	5.46
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
January - September 2016	0.354	0.387	0.262	0.326	48 132 122	15.71

The capitalization the Bank and the total capitalization of shares quoted on the NASDAQ Baltics as of 31 December 2015 and 30 September 2016 is provided below:

	31/12/2015	30/09/2016	Change
Šiaulių bankas – SAB1L	EUR 93 742 971	EUR 133 630 921	42.55%
The Baltic regulated market in total	EUR 6 533 175 201	EUR 6 381 668 340	-2.32%

Source - [Nasdaq Vilnius website:](#)

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

	31/12/2013	31/12/2014	30/06/2015	31/12/2015	30/09/2016
P/E	13.12	6.12	2.89	3.73	2.66

## 5. INFORMATION ON AGREEMENTS WITH THE FOLLOWING 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 Bank's and its client's transactions with securities the Bank has concluded agreements with the intermediaries. The following agreement were effective as of 30 September 2016:

- 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 *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 *Caceis bank Deutschland* – Custody agreement;
- with *Commerzbank AG* –Custodial account agreement;
- with *Karoll AD* – Brokerage agreement;
- with *JSC BG Capital* – Agency and service agreement
- KCG Europe Limited – Agency agreement;
- Swiss Capital – Agency agreement.

## 6. ACQUISITION OF OWN SHARES

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies 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 accounting period.

The shares to those employees who in compliance with the Bank's Remuneration Policy should receive the shares are 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 of the Bank is determined by the international rating agency Moody's Investors Service LTD. On 16 June 2015 the agency upgraded ratings of the Bank improving the long-term deposit rating to Ba1 from Ba2.

Long-term credit rating	Ba1
Short-term credit rating	NP
Rating outlook	Stable

Moody's Investors Service also upgraded such indicators as the Bank's baseline credit assessment to ba3 from ba1, the Bank's short-term Counterparty Risk Assessment to P-3(cr) from NP(cr) and long-term Counterparty Risk Assessment to Baa3(cr) from Ba1 (cr).

## 8. BANK'S BODIES

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

**General Meeting of Shareholders** takes place annually, within 3 months after the end of fiscal year. The extraordinary meeting of shareholder may also be convened. 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 of the Republic of Lithuania. 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 seven 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. 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 members of the Bank's Management Board are elected, recalled and supervised by the Bank's Supervisory Council. The number of tenures of the Board member is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

**Chief Executive Officer** arranges everyday activities of the Bank and performs other actions to ensure the Bank's performance and implementation of the resolutions passed by the Bank's bodies. The Chief Executive Officer acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except for the exceptions, stated therein or in the resolutions of the bodies of the Bank.

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

### Supervisory Council of the Bank:

#### *Arvydas Salda*



Member of the Supervisory Council since 1991. Chairman of the Supervisory Council of the Bank since 1999.

#### **Education:**

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

#### **Other current capacities:**

Consultant of SB Turto Fondas UAB since 2004.

Consultant of Sanatorium Eglės AB since 2014

Member of the Board Klaipėdos LEZ Valdymo Bendrovė UAB since 1998

#### *Gintaras Kateiva*



Member of the Supervisory Council of the Bank since 2008.

#### **Education:**

Vilnius Pedagogic Institute, a teacher.

#### **Other current capacities:**

Chairman of the Board of Litagra UAB since 2005 and director general since 2008.

Director of Litagros Mažmena UAB since 2008.

#### *Valdas Vitkauskas*



Member of the Supervisory Council of the Bank since 2014, representing the European Bank for Reconstruction and Development

#### **Education:**

Vytautas Magnus University, Master of Business Administration and Management; Southern Methodist University (USA), Master.

#### **Other current capacities:**

EBRD chief 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 the Bank since 2011

#### **Education:**

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

#### **Other activities:**

Independent consultant since 2011  
Member Investment Committee and member of the Board at *European Fund For Southeast Europe*

Took various capacities (up to executive director) at the European Bank for Reconstruction and Development until 2011.

*Ramunė Vilija Zabulienė*



Independent member of the Supervisory Council of the Bank since 2012.

**Education:**

Vilnius University, an engineer-economist.

**Other current capacities:**

Minister's Counsellor at the Ministry of Culture of the Republic of Lithuania since 2014

*Darius Šulnis*



Member of the Supervisory Council of the Bank since 09 May 2016

**Education:**

Vilnius University, Bachelor of Economy.

**Other current capacities:**

President of Invalda INVIL AB since 2013, member of the Board since 2006  
Director General and Chairman of the Board at INVIL Asset Management UAB since 2015  
Member of the Board at INVIL Baltic Farmland AB since 2014  
Member of the Board at Litagra UAB since 2011  
Member of the Supervisory Council at INVIL Asset Management IPAS (Latvia) since 2015  
Member of the Supervisory Council at INVIL Asset Management IPAS (Latvia) since 2015

*Martynas Česnavičius*



Member of the Supervisory Council of the Bank since 09 May 2016

**Education:**

Vilnius University, an economist

**Other current capacities:**

Chairman of the Board at Malsena plus UAB since 2012  
Chairman of the Board at Baltic Mill AB since 2015  
Member of the Board and Director at D Investicijų valdymas UAB since 2012  
Member of the Board at Laisvas nepriklausomas kanalas UAB since 2003  
Member of the Board at Litagra UAB since 2003  
Member of the Board at AS Rigas Dzirnānieks since 2013  
Member of the Board at Amber Trust II Management SA since 2009  
Member of the Board at Amber Trust Management SA since 2009  
Member of the Board at Atradiņų studija UAB since 2005  
Member of the Board at Kitron ASA since 2012  
Counsellor at Fund Amber Trust I S.C.A. since 2003  
Counsellor at Fund Amber Trust II S.C.A. since 2003  
Counsellor at Pro Finance UAB since 2006  
Counsellor at KJK management S.A. since 2003



The Management Board of the Bank:

*Algirdas Butkus*



Chairman of the Board of the Bank,  
Deputy Chief Executive Officer

**Education:**

Kaunas Technology Institute, Master of  
Economy.

*Vytautas Sinius*



Deputy Chairman of the Management  
Board, Chief Executive Officer of the  
Bank

**Education:**

Vilnius Higher School of Economics, a  
bank officer; Vilnius University, Bachelor  
of Economy; Vytautas Magnus  
University, Master of Business  
Administration and Management

*Donatas Savickas*



Deputy Chairman of the Board, Deputy  
Chief Executive Officer of the Bank, Head  
of Finance and Risk Management  
Division.

**Education:**

Vilnius University, Master of Economy;  
Vytautas Magnus University, Master of  
Business Administration and  
Management

*Daiva Šorienė*



Member of the Board of the Board,  
Deputy Chief Executive Officer, Head of  
Business Development Division

**Education:**

Vilnius University, Master of Economy;  
Vytautas Magnus University, Master of  
Business Administration and  
Management

*Vita Adomaitytė*



Member of the Board of the Bank, Chief  
Accountant, Head of Accounting and Tax  
Division.

**Education:**

Vilnius University, Master of Finance and  
Credit

*Jonas Bartkus*



Member of the Board of the Bank, Head  
of the IT Division

**Education:**

Vilnius University, Master of Mathematics

*Ilona Baranauskienė*



Member of the Board of the Bank, Head  
of the Assets Restructuring Division

**Education:**

Kaunas University of Technology,  
Bachelor of Business Administration;  
Šiauliai University, Master of Economy



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 as of 30 September 2016:

<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>
<i>Arvydas Salda</i>	beginning 30/03/2016/ end 2020	2.42	39.13
<i>Gintaras Kateiva</i>	beginning 30/03/2016/ end 2020	5.82	39.13
<i>Peter Reiniger</i>	beginning 30/03/2016/ end 2020	—	—
<i>Valdas Vitkauskas</i>	beginning 30/03/2016/ end 2020	—	—
<i>Ramunė Vilija Zabulienė</i>	beginning 30/03/2016/ end 2020	—	—
<i>Darius Šulnis</i>	beginning 09/05/2016/ end 2020	—	39.13
<i>Martynas Česnavičius</i>	beginning 09/05/2016/ end 2020	0.39	39.13
<i>Algirdas Butkus</i>	beginning 30/03/2016/ end 2020	3.19	39.13
<i>Vytautas Sinius</i>	beginning 30/03/2016/ end 2020	0.14	39.13
<i>Donatas Savickas</i>	beginning 30/03/2016/ end 2020	0.10	39.13
<i>Daiva Šorienė</i>	beginning 30/03/2016/ end 2020	0.10	39.13
<i>Vita Adomaitytė</i>	beginning 30/03/2016/ end 2020	0.06	39.13
<i>Jonas Bartkus</i>	beginning 30/03/2016/ end 2020	0.09	39.13
<i>Ilona Baranauskienė</i>	beginning 30/03/2016/ end 2020	0.01	39.13

## 10. THE MOST IMPORTANT EVENTS OVER THE ACCOUNTING PERIOD

The Bank has started the year 2016 successfully implementing all changes associated with accession to the Single Euro Payments Area (SEPA) allowing the clients in Lithuania as well as in other member states belonging to the SEPA to transfer the funds in euros in unified formats, scope of information and in compliance with the same regulations.

From 01 January the range of financing services provided by the Bank encompasses the vehicle and large assets leasing services rendered to private and corporate customers which previously used to be rendered by Šiaulių Banko Lizingas UAB patronized by the Bank.

On January 11, the Bank announced about a new e-invoice service which replaced a direct debit services previously rendered by the Bank and currently not meeting the requirements set out to the payment orders in euros in the SEPA environment.

On January 25, it was announced that big companies could apply for the loans issued by the Bank and supported by guarantees from *Investicijų ir verslo garantijos* UAB.

On January 29, in order to ensure higher security of electronic settlement transactions, the Bank provided the possibility to register payment cards on the secure on-line payment programme *MasterCard SecureCode*.

On February 23, it was announced that in order to increase on-line payment security the clients would have to sign some of the transaction on the on-line banking system SB Linija with an additional password sent by SMS.

On 21 March, the magazine Global Finance selected top banking performers in emerging markets in Central and Eastern Europe for the twenty-third year and recognized the Bank as the best bank in Lithuania.

A resolution to increase the Bank's authorized capital by 18.2 million euros from the Bank's retained earnings was passed during the General Meeting of Shareholders of the Bank held on 30 March. After the share issue the authorized capital of the Bank grew up to 109.5 million euros.

On 19 April, the procedure of payment of dividends allocated by the General meeting of shareholders was announced.

On 22 April, the Bank signed an amendment to the cooperation agreement with the European Investment Bank and a pre-financing agreement under which the Bank AB acquired a right to assign EUR 30 million from its own funds to finance housing renovation (modernization) projects.

On 26 April, The Bank's Board passed a resolution to start the liquidation process of the subsidiaries Investicinio turto valdymas UAB and Trade project UAB directly controlled by the Bank and Žalgirio Sporto Arena UAB indirectly controlled by the Bank.

On 09 May, following the resolution of the Director of the Supervisory Service of the Bank of Lithuania Darius Šulnis and Martynas Česnavičius were allowed to become the members of the Supervisory Council of the Bank. The members of the Supervisory Council were elected for the new tenure during the General meeting of shareholders held on 30 March 2016.

From 12 May the on-line banking system SB Linija clients were provided with a service allowing to trade in securities in the Baltic markets using the updated securities trading platform.

The Bank invited its private customers to take advantage of the exclusive facility *A Credit of Opportunities* available during the period between 16 May and 18 September.

On 26 May, the amended Charter of the Bank with the authorized capital increased up to EUR 109 471 658.33 was registered at the the Registry of Legal Entities.

On 27 May, the Bank signed a cooperation agreement with the European Investment Bank (EIB) under which EUR 80 million were additionally contributed to the multi-apartment building renovation programme ( EUR 40 million from the Bank's funds and EUR 40 million from the EIB's funds).

On 16 June Moody's Investors Service LTD announced the better ratings of the Bank: the long-term deposit rating improved to Ba1 from Ba2, the rating outlook was stable.

On 28 July six new cash accepting ATMs were installed in the major cities of Lithuania as a result of the ATM network update, thus, giving even more self-service options to the Bank's clients.

On 16 August the Bank supplemented a range of its services with the life risk insurance service *Safe Family* which had been rendered to the Bank's clients at favourable terms by the life insurance company Bonum Publicum UAB.

On 31 August, the Banks informed on resuming the vehicle leasing terms to natural persons and providing an opportunity to its clients acquire a car by lease without a down payment.

On 5 September, the Bank launched its new structural saving facility, i.e. a fixed-term deposit with additional interest linked to financial assets - to the oil sector companies' share rates. The deposit of such type was distributed for the period of one month.

On 7 September, the Bank received a special certificate *For introduction of employees' mutual service quality and performance assessment system* at the National Responsible Business Awards arranged by Social Security and Labour Ministry.

On 15 September, the Bank had been selected among top ten European companies in European Business Awards claiming for *The ELITE Award for Growth Strategy of the Year*.

On 29 September, the European Investment Fund and the Bank signed an agreement to enhance access to finance to innovative small and medium-sized enterprises in Lithuania. This transaction benefits from the support of the European Fund for Strategic Investments, the heart of the Investment Plan for Europe.

## 11. DATA ON PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed over the 9 months of 2016:

<i>Announced on</i>	<i>Information</i>
26/02/2016	The interim information for twelve months of the Bank and the Group for 2015
09/03/2016	Convocation of the Ordinary General Meeting of Shareholders
09/03/2016	The draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders held on 30 March 2016
30/03/2016	The resolutions of the Ordinary General Meeting of Shareholders held on 30 March 2016
30/03/2016	Annual Report for 2015
31/03/2016	The resolutions of the Supervisory Council and Management Board of the Bank (regarding election of the Chairman of the Supervisory Council and members of the Management Board)
19/04/2016	The dividend payment procedure
25/04/2016	The arrangement with European Investment Bank regarding allocation of the Bank's additional funds to finance modernization projects
26/04/2016	The unaudited activity result for Q1 2016 of the Bank and the Group
27/04/2016	The approval of liquidation of three non-financial subsidiaries of the Bank
03/05/2016	The Bank's presentation at the Nasdaq Vilnius meeting
10/05/2016	The Bank of Lithuania issued a permission allowing Darius Šulnis and Martynas Česnavičius to become the members of the Supervisory Council of the Bank
19/05/2016	A permit to register an amendment of the Bank's Charter has been received
20/05/2016	Interim information for 3 months of 2016
27/05/2016	The amended Charter with the increased authorized capital has been registered
01/06/2016	The transactions related to payment of the variable remuneration in the Bank's shares were concluded
02/06/2016	The Bank signed another agreement with the EIB regarding financing of the Multi-apartment Building Modernisation Programme
02/06/2016	Information on the shares and authorized capital
17/06/2016	Rating agency upgraded the Bank's ratings
26/07/2016	The unaudited activity result for H1 2016 of the Bank and the Group
19/08/2016	The information on H1 2016 performance results
	Reports regarding the transactions with the Banks 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 Meeting of Shareholders was additionally announced in the daily newspaper *Lietuvos rytas*.

Chief Executive Officer

21 November 2016



Vytautas Sinius

# CONDENSED STATEMENT OF FINANCIAL POSITION

EUR thousand  
30 September 2016

	Group	Financial Group	Bank
<b>ASSETS</b>			
Cash and cash equivalents	86 576	86 052	85 756
Securities at fair value through profit or loss	54 161	23 783	23 783
Due from other banks	5 171	5 142	5 142
Derivative financial instruments	7 174	7 174	6 772
Loans to customers	955 562	975 450	1 008 999
Finance lease receivables	68 114	68 114	33 063
Investment securities:	-	-	-
available-for-sale -	17 777	17 732	17 206
held-to-maturity -	519 555	519 555	519 555
Investments in subsidiaries and associates	-	18 631	31 425
Intangible assets	4 119	1 319	1 139
Property, plant and equipment	10 926	10 548	10 052
Investment property	16 709	4 952	1 740
Current income tax prepayment	72	22	-
Deferred income tax asset	1 115	812	-
Other assets	45 959	28 085	15 061
Assets classified as held for sale	-	58	58
<b>Total assets</b>	<b>1 792 990</b>	<b>1 767 429</b>	<b>1 759 751</b>
<b>LIABILITIES</b>			
Due to other banks and financial institutions	49 733	50 383	50 628
Derivative financial instruments	267	267	267
Due to customers	1 479 731	1 481 691	1 481 692
Special and lending funds	18 285	18 285	18 285
Subordinated loan	20 102	20 102	20 102
Current income tax liabilities	4 257	4 257	4 095
Deferred income tax liabilities	849	500	339
Liabilities related to insurance activities	25 781	-	-
Other liabilities	20 588	18 616	14 169
Liabilities related to assets classified as held for sale	3	-	-
<b>Total liabilities</b>	<b>1 619 596</b>	<b>1 594 101</b>	<b>1 589 577</b>
<b>EQUITY</b>			
Share capital	109 472	109 472	109 472
Share premium	-	-	-
Reserve capital	754	755	756
Statutory reserve	4 159	4 158	4 157
Financial assets revaluation reserve	831	831	831
Retained earnings	58 178	58 112	54 958
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>173 394</b>	<b>173 328</b>	<b>170 174</b>
<b>Total liabilities and equity</b>	<b>1 792 990</b>	<b>1 767 429</b>	<b>1 759 751</b>

# CONDENSED INCOME STATEMENT

EUR thousand  
Nine month period ended

	30 September 2016		
	Group	Financial group	Bank
<b>Continuing operations</b>			
Interest and similar income	56 365	56 234	50 789
Interest expense and similar charges	(9 253)	(9 278)	(9 257)
<b>Net interest income</b>	<b>47 112</b>	<b>46 956</b>	<b>41 532</b>
Fee and commission income	10 014	10 101	9 717
Fee and commission expense	(3 478)	(3 445)	(3 233)
<b>Net fee and commission income</b>	<b>6 536</b>	<b>6 656</b>	<b>6 484</b>
Net gain from operations with securities	6 291	5 266	5 284
Net gain from foreign exchange and related derivatives	2 828	2 963	2 963
Net gain (loss) from embedded derivatives	(540)	(540)	(404)
Net loss from changes in fair value of subordinated loan	345	345	345
Net gain from derecognition of financial assets	11 868	11 841	11 868
Net gain (loss) from disposal of tangible assets	(92)	244	544
Revenue related to other activities of Group companies	10 362	-	-
Other operating income	1 274	652	402
Salaries and related expenses	(13 909)	(13 076)	(11 815)
Depreciation and amortization expenses	(1 292)	(1 153)	(972)
Expenses related to other activities of Group companies	(9 742)	-	-
Other operating expenses	(6 778)	(5 950)	(4 837)
<b>Operating profit before impairment losses</b>	<b>54 263</b>	<b>54 204</b>	<b>51 394</b>
Allowance for impairment losses on loans and other assets	(11 691)	(12 285)	(12 336)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	(750)	(1 300)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	2 332	5 632
<b>Profit from continuing operations before income tax</b>	<b>42 572</b>	<b>43 501</b>	<b>43 390</b>
Income tax expense	(5 568)	(5 494)	(5 036)
<b>Profit from continuing operations</b>	<b>37 004</b>	<b>38 007</b>	<b>38 354</b>
Profit (loss) from discontinued operations, net of tax	19	-	-
<b>Net profit for the year</b>	<b>37 023</b>	<b>38 007</b>	<b>38 354</b>
<b>Net profit attributable to:</b>			
Owners of the Bank	37 023	38 007	38 354
From continuing operations	37 004	38 007	38 354
From discontinued operations	19	-	-
Non-controlling interest	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank	0.10		
From continuing operations	0.10		
From discontinued operations	0.00		
Diluted earnings per share (in EUR per share) attributable to owners of the Bank	0.09		
From continuing operations	0.09		
From discontinued operations	0.00		

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand  
Nine month period ended

30 September 2016

	Group	Financial group	Bank
<b>Net profit for the period</b>	<b>37 023</b>	<b>38 007</b>	<b>38 354</b>
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss:			
Gain (loss) from revaluation of financial assets	(76)	(76)	(76)
Deferred income tax on gain from revaluation of financial assets	11	11	11
<b>Other comprehensive income, net of deferred tax</b>	<b>(65)</b>	<b>(65)</b>	<b>(65)</b>
<b>Total comprehensive income for the period</b>	<b>36 958</b>	<b>37 942</b>	<b>38 289</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the Bank	36 958	37 942	38 289
from continuing operations	36 939	37 942	38 289
from discontinued operations	19	-	-
Non-controlling interest	-	-	-
	36 958	37 942	38 289