



## INTERIM INFORMATION

for the six month period ended 30 June 2019

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CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)	3
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF FINANCIAL POSITION	4
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS	5
THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS FOR THE QUARTER	6
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	7
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER	7
THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY	8
THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY	9
THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF CASH FLOWS	10
GENERAL INFORMATION	11
NOTE 1      LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES	12
NOTE 2      SECURITIES	15
NOTE 3      SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS	18
NOTE 4      DUE TO CUSTOMERS	19
NOTE 5      SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS	19
NOTE 6      CAPITAL	19
NOTE 7      NET INTEREST INCOME	20
NOTE 8      NET FEE AND COMMISSION INCOME	21
NOTE 9      OTHER OPERATING EXPENSES	21
NOTE 10     IMPAIRMENT LOSSES	22
NOTE 11     SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS	23
NOTE 12     RELATED-PARTY TRANSACTIONS	24
NOTE 13     LIQUIDITY, MARKET AND OPERATIONAL RISKS	25
NOTE 14     FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	28
NOTE 15     SEGMENT INFORMATION	30
NOTE 16     SELECTED INFORMATION OF FINANCIAL GROUP	32
CONSOLIDATED REPORT FOR THE PERIOD OF 6 MONTHS OF 2019	34
INFORMATION ON THE PERFORMANCE RESULTS	35
COMPLIANCE WITH PRUDENTIAL REQUIREMENTS	37
BANK'S AUTHORIZED CAPITAL, SHAREHOLDERS	37
ACQUISITION OF OWN SHARES	37
DIVIDENDS	40
AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION	40
INFORMATION ON DERTIMENTAL TRANSACTIONS	40
EMPLOYEES	41
COMMITTEES FORMED WITHIN THE BANK, THEIR ACTIVITY AREAS	42
BANK'S MANAGEMENT	44
GROUP OF THE BANK'S COMPANIES	45
OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS	46
CONFIRMATION FROM THE RESPONSIBLE PERSONS	47



CONDENSED INTERIM  
FINANCIAL STATEMENTS  
(unaudited)

for the six month period ended 30 June 2019

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

		30 June 2019		31 December 2018	
	Notes	Group	Bank	Group	Bank
<b>ASSETS</b>					(restated)
Cash and cash equivalents		124,355	120,493	89,304	87,732
Securities in the trading book	2	40,939	18,904	60,182	27,896
Due from other banks		1,480	1,480	2,090	2,090
Derivative financial instruments		1,475	1,475	1,197	1,197
Loans to customers	1	1,361,845	1,362,766	1,262,167	1,264,741
Finance lease receivables	1	149,994	149,916	124,088	123,969
Investment securities at fair value	2	18,118	13,802	21,107	16,507
Investment securities at amortized cost	2	638,357	628,374	638,655	638,655
Investments in subsidiaries and associates	2	-	28,442	-	30,046
Intangible assets		3,416	2,046	3,359	1,975
Property, plant and equipment	3	11,818	10,892	8,630	8,018
Investment property		9,691	2,274	9,760	2,277
Current income tax prepayment		55	-	1,477	1,435
Deferred income tax asset		1,133	506	1,251	573
Other assets	3	31,121	16,835	38,462	20,014
<b>Total assets</b>		<b>2,393,797</b>	<b>2,358,205</b>	<b>2,261,729</b>	<b>2,227,125</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions		56,220	58,529	69,152	71,320
Derivative financial instruments		1,566	1,566	1,048	1,048
Due to customers	4	1,961,875	1,964,380	1,845,788	1,846,790
Special and lending funds		9,496	9,496	3,192	3,192
Debt securities in issue		20,063	20,063	20,003	20,003
Current income tax liabilities		552	394	233	-
Deferred income tax liabilities		705	-	598	-
Liabilities related to insurance activities		30,712	-	27,967	-
Other liabilities	5	25,459	17,033	19,010	10,280
<b>Total liabilities</b>		<b>2,106,648</b>	<b>2,071,461</b>	<b>1,986,991</b>	<b>1,952,633</b>
<b>EQUITY</b>					
Share capital	6	174,211	174,211	174,211	174,211
Share premium		3,428	3,428	3,428	3,428
Reserve capital		756	756	756	756
Statutory reserve	6	14,468	14,246	10,369	10,195
Reserve for acquisition of own shares	6	10,000	10,000	-	-
Accumulated other comprehensive income		26	26	(492)	(492)
Other equity	6	1,552	1,344	-	-
Retained earnings		82,708	82,733	86,466	86,394
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>287,149</b>	<b>286,744</b>	<b>274,738</b>	<b>274,492</b>
<b>Total liabilities and equity</b>		<b>2,393,797</b>	<b>2,358,205</b>	<b>2,261,729</b>	<b>2,227,125</b>

The notes on pages 11 to 33 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

5 August 2019



Vytautas Sinius



Vita Urbonienė

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

for the six month period ended

		30 June 2019		30 June 2018	
	Notes	Group	Bank	Group	Bank
					(restated)
Interest revenue calculated using the effective interest method	7	34,572	30,611	30,863	27,599
Other similar income	7	3,340	3,230	2,989	2,756
Interest expense and similar charges	7	(3,916)	(3,913)	(4,261)	(4,266)
<b>Net interest income</b>		<b>33,996</b>	<b>29,928</b>	<b>29,591</b>	<b>26,089</b>
Fee and commission income	8	11,330	11,146	9,020	8,799
Fee and commission expense	8	(2,995)	(2,914)	(2,584)	(2,516)
<b>Net fee and commission income</b>		<b>8,335</b>	<b>8,232</b>	<b>6,436</b>	<b>6,283</b>
Net gain from trading activities	11	8,120	6,036	4,260	4,629
Net gain (loss) from changes in fair value of subordinated loan	12	-	-	2,494	2,494
Net gain (loss) from derecognition of financial assets		676	115	291	291
Net gain (loss) from disposal of tangible assets		1,815	44	771	295
Revenue related to insurance activities		3,303	-	3,199	-
Other operating income		577	299	691	309
Salaries and related expenses		(11,258)	(9,666)	(10,377)	(8,842)
Depreciation and amortization expenses		(1,723)	(1,466)	(979)	(824)
Expenses related to insurance activities	11	(4,565)	-	(2,166)	-
Other operating expenses	9	(5,817)	(4,047)	(5,369)	(4,155)
<b>Operating profit before impairment losses</b>		<b>33,459</b>	<b>29,475</b>	<b>28,842</b>	<b>26,569</b>
Allowance for impairment losses on loans and other assets	10	(1,157)	(849)	25	(55)
Allowance for impairment losses on investments in subsidiaries		-	-	-	-
Share of the profit or loss of investments in subsidiaries accounted for using the equity method		-	3,067	-	1,931
<b>Profit before income tax</b>		<b>32,302</b>	<b>31,693</b>	<b>28,867</b>	<b>28,445</b>
Income tax expense		(4,486)	(3,839)	(1,817)	(1,452)
<b>Net profit for the period</b>		<b>27,816</b>	<b>27,854</b>	<b>27,050</b>	<b>26,993</b>
<b>Net profit attributable to:</b>					
Owners of the Bank		27,816	27,854	27,050	26,993
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.05		0.05	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.05		0.05	

The notes on pages 11 to 33 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 April - 30 June 2019		1 April - 30 June 2018	
	Group	Bank	Group	Bank
				(restated)
<i>Interest revenue calculated using the effective interest method</i>	17,729	15,561	16,067	14,435
<i>Other similar income</i>	1,705	1,675	1,529	1,414
<i>Interest expense and similar charges</i>	(1,995)	(1,993)	(2,175)	(2,178)
<b><i>Net interest income</i></b>	<b>17,439</b>	<b>15,243</b>	<b>15,421</b>	<b>13,671</b>
<i>Fee and commission income</i>	5,979	5,927	4,721	4,614
<i>Fee and commission expense</i>	(1,601)	(1,557)	(1,403)	(1,368)
<b><i>Net fee and commission income</i></b>	<b>4,378</b>	<b>4,370</b>	<b>3,318</b>	<b>3,246</b>
<i>Net gain from trading activities</i>	3,696	3,166	2,657	2,578
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	-	4,736	4,736
<i>Net gain (loss) from derecognition of financial assets</i>	748	37	186	175
<i>Net gain (loss) from disposal of tangible assets</i>	674	(5)	702	338
<i>Revenue related to insurance activities</i>	1,673	-	1,602	-
<i>Other operating income</i>	268	116	408	209
<i>Salaries and related expenses</i>	(5,698)	(4,894)	(5,069)	(4,331)
<i>Depreciation and amortization expenses</i>	(869)	(746)	(476)	(398)
<i>Expenses related to insurance activities</i>	(1,805)	-	(1,381)	-
<i>Other operating expenses</i>	(3,640)	(2,635)	(3,118)	(2,499)
<b><i>Operating profit before impairment losses</i></b>	<b>16,864</b>	<b>14,652</b>	<b>18,986</b>	<b>17,725</b>
<i>Allowance for impairment losses on loans and other assets</i>	(1,816)	(515)	(1,994)	(1,585)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	684	-	568
<b><i>Profit before income tax</i></b>	<b>15,048</b>	<b>14,821</b>	<b>16,992</b>	<b>16,708</b>
<i>Income tax expense</i>	(1,957)	(1,727)	208	428
<b><i>Net profit for the period</i></b>	<b>13,091</b>	<b>13,094</b>	<b>17,200</b>	<b>17,136</b>
<b><i>Net profit attributable to:</i></b>				
<i>Owners of the Bank</i>	13,091	13,094	17,200	17,136
<i>Non-controlling interest</i>	-	-	-	-

The notes on pages 11 to 33 constitute an integral part of these financial statements.

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

	for the six month period ended			
	30 June 2019		30 June 2018	
	Group	Bank	Group	Bank (restated)
<b>Net profit for the period</b>	<b>27,816</b>	<b>27,854</b>	<b>27,050</b>	<b>26,993</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain from revaluation of financial assets	603	603	(239)	(239)
Deferred income tax on gain from revaluation of financial assets	(85)	(85)	36	36
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
<b>Other comprehensive income, net of deferred tax</b>	<b>518</b>	<b>518</b>	<b>(203)</b>	<b>(203)</b>
<b>Total comprehensive income for the period</b>	<b>28,334</b>	<b>28,372</b>	<b>26,847</b>	<b>26,790</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	28,334	28,372	26,847	26,790
Non-controlling interest	-	-	-	-
	28,334	28,372	26,847	26,790

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

	for the three month period			
	1 April - 30 June 2019		1 April - 30 June 2018	
	Group	Bank	Group	Bank (restated)
<b>Net profit for the period</b>	<b>13,091</b>	<b>13,094</b>	<b>17,200</b>	<b>17,136</b>
<b>Other comprehensive income (loss)</b>				
Items that may be subsequently reclassified to profit or loss:				
Gain (loss) from revaluation of financial assets	199	199	(179)	(179)
Deferred income tax on gain (loss) from revaluation of financial assets	(25)	(25)	27	27
Items that may not be subsequently reclassified to profit or loss:				
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-	-	-
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>174</b>	<b>174</b>	<b>(152)</b>	<b>(152)</b>
<b>Total comprehensive income for the period</b>	<b>13,265</b>	<b>13,268</b>	<b>17,048</b>	<b>16,984</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	13,265	13,268	17,048	16,984
Non-controlling interest	-	-	-	-
	13,265	13,268	17,048	16,984

The notes on pages 11 to 33 constitute an integral part of these financial statements.

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

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the owners of the Bank										
<b>1 January 2018</b>		<b>131,366</b>	<b>-</b>	<b>756</b>	<b>(368)</b>	<b>7,177</b>	<b>-</b>	<b>-</b>	<b>61,953</b>	<b>200,884</b>	<b>-</b>	<b>200,884</b>
Transfer to statutory reserve		-	-	-	-	3,192	-	-	(3,192)	-	-	-
Increase in share capital through bonus issue of shares		26,273	-	-	-	-	-	-	(26,273)	-	-	-
Payment of dividends	6	-	-	-	-	-	-	-	(2,265)	(2,265)	-	(2,265)
Reversal of deferred income tax previously recognized directly in equity		-	-	-	-	-	-	-	(1,127)	(1,127)	-	(1,127)
Total comprehensive income		-	-	-	(203)	-	-	-	27,050	26,847	-	26,847
<b>30 June 2018</b>		<b>157,639</b>	<b>-</b>	<b>756</b>	<b>(571)</b>	<b>10,369</b>	<b>-</b>	<b>-</b>	<b>56,146</b>	<b>224,339</b>	<b>-</b>	<b>224,339</b>
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	-	-	4,732	24,732	-	24,732
Total comprehensive income		-	-	-	79	-	-	-	25,588	25,667	-	25,667
<b>31 December 2018</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,369</b>	<b>-</b>	<b>-</b>	<b>86,466</b>	<b>274,738</b>	<b>-</b>	<b>274,738</b>
Impact of change in accounting principles		-	-	-	-	-	-	-	(54)	(54)	-	(54)
<b>31 December 2018, restated</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,369</b>	<b>-</b>	<b>-</b>	<b>86,412</b>	<b>274,684</b>	<b>-</b>	<b>274,684</b>
Transfer to statutory reserve		-	-	-	-	4,099	-	-	(4,099)	-	-	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	10,000	-	(10,000)	-	-	-
Recognition of other equity	6	-	-	-	-	-	-	1,552	-	1,552	-	1,552
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)	-	(17,421)
Total comprehensive income		-	-	-	518	-	-	-	27,816	28,334	-	28,334
<b>30 June 2019</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>26</b>	<b>14,468</b>	<b>10,000</b>	<b>1,552</b>	<b>82,708</b>	<b>287,149</b>	<b>-</b>	<b>287,149</b>

The notes on pages 11 to 33 constitute an integral part of these financial statements.



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

	Notes	Share capital	Share premium	Reserve capital	Financial instruments revaluation reserve	Statutory reserve	Reserve for acquisition of own shares	Other equity	Retained earnings	Total
<b>1 January 2018</b>		<b>131,366</b>	<b>-</b>	<b>756</b>	<b>(368)</b>	<b>7,071</b>	<b>-</b>	<b>-</b>	<b>56,004</b>	<b>194,829</b>
Impact of change in accounting principles		-	-	-	-	-	-	-	4,438	4,438
<b>1 January 2018, restated</b>		<b>131,366</b>	<b>-</b>	<b>756</b>	<b>(368)</b>	<b>7,071</b>	<b>-</b>	<b>-</b>	<b>60,442</b>	<b>199,267</b>
Transfer to statutory reserve		-	-	-	-	3,124	-	-	(3,124)	-
Increase in share capital through bonus issue of shares		26,273	-	-	-	-	-	-	(26,273)	-
Reversal of deferred income tax previously recognized directly in equity		-	-	-	-	-	-	-	(1,127)	(1,127)
Payment of dividends	6	-	-	-	-	-	-	-	(2,265)	(2,265)
Total comprehensive income, restated		-	-	-	(203)	-	-	-	26,993	26,790
<b>30 June 2018</b>		<b>157,639</b>	<b>-</b>	<b>756</b>	<b>(571)</b>	<b>10,195</b>	<b>-</b>	<b>-</b>	<b>54,646</b>	<b>222,665</b>
Conversion of subordinated loan to share capital		16,572	3,428	-	-	-	-	-	4,732	24,732
Total comprehensive income, restated		-	-	-	79	-	-	-	27,016	27,095
<b>31 December 2018</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,195</b>	<b>-</b>	<b>-</b>	<b>86,394</b>	<b>274,492</b>
Impact of change in accounting principles		-	-	-	-	-	-	-	(43)	(43)
<b>31 December 2018, restated</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>(492)</b>	<b>10,195</b>	<b>-</b>	<b>-</b>	<b>86,351</b>	<b>274,449</b>
Transfer to statutory reserve		-	-	-	-	4,051	-	-	(4,051)	-
Transfer to reserve for acquisition of own shares	6	-	-	-	-	-	10,000	-	(10,000)	-
Recognition of other equity	6	-	-	-	-	-	-	1,344	-	1,344
Payment of dividends	6	-	-	-	-	-	-	-	(17,421)	(17,421)
Total comprehensive income		-	-	-	518	-	-	-	27,854	28,372
<b>30 June 2019</b>		<b>174,211</b>	<b>3,428</b>	<b>756</b>	<b>26</b>	<b>14,246</b>	<b>10,000</b>	<b>1,344</b>	<b>82,733</b>	<b>286,744</b>

The notes on pages 11 to 33 constitute an integral part of these financial statements.

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

for the six month period ended

	Notes	30 June 2019		30 June 2018	
		Group	Bank	Group	Bank
<b>Operating activities</b>					
Interest received on loans and advances		32,772	30,196	28,400	24,919
Interest received on securities in the trading book		603	550	646	477
Interest paid		(3,440)	(3,437)	(4,459)	(4,464)
Fees and commissions received		11,330	11,146	9,020	8,799
Fees and commissions paid		(2,995)	(2,914)	(2,584)	(2,516)
Net cash inflows from trade in securities in the trading book		21,902	10,243	(10,584)	(8,913)
Net inflows from foreign exchange operations		4,390	3,714	(2,089)	(1,884)
Net inflows from derecognition of financial assets		676	115	291	291
Net inflows from derecognition of non-financial assets		5,197	49	1,084	352
Cash inflows related to other activities of Group companies		3,880	299	3,890	309
Cash outflows related to other activities of Group companies		(4,565)	-	(2,185)	-
Recoveries on loans previously written off		2,066	335	670	393
Salaries and related payments to and on behalf of employees		(12,598)	(11,006)	(11,310)	(9,775)
Payments related to operating and other expenses		(3,107)	(1,337)	(6,038)	(4,925)
Income tax paid		(2,520)	(1,943)	(7,002)	(6,056)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>		<b>53,591</b>	<b>36,010</b>	<b>(2,250)</b>	<b>(2,993)</b>
<b>Change in operating assets and liabilities:</b>					
Decrease (increase) in due from other banks		610	610	286	286
(Increase) in loans to customers and finance lease receivables		(128,102)	(122,675)	(121,110)	(125,248)
Decrease (increase) in other assets		2,781	3,220	823	2,262
Decrease (increase) in due to banks and financial institutions		(12,904)	(12,763)	4,580	4,728
Increase (decrease) increase in due to customers		115,583	117,086	144,047	144,303
Increase in special and lending funds		6,304	6,304	(10,303)	(10,303)
Increase (decrease) in other liabilities		7,824	1,626	2,195	1,742
<b>Change</b>		<b>(7,904)</b>	<b>(6,592)</b>	<b>20,518</b>	<b>17,770</b>
<b>Net cash flow from (used in) from operating activities</b>		<b>45,687</b>	<b>29,418</b>	<b>18,268</b>	<b>14,777</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment, investment property and intangible assets		(2,120)	(1,517)	(443)	(443)
Disposal of property, plant and equipment, investment property and intangible assets		1,092	985	1,325	1,231
Acquisition of debt securities at amortized cost		(74,701)	(64,718)	(121,539)	(121,539)
Proceeds from redemption of debt securities at amortized cost		74,999	74,999	68,411	68,411
Interest received on debt securities at amortized cost		4,761	4,761	5,082	5,082
Dividends received		26	3,826	26	4,636
Acquisition of investment securities at fair value		(3,903)	(4,200)	(8,755)	(8,486)
Sale or redemption of investment securities at fair value		6,435	6,432	1,780	1,764
Interest received on investment securities at fair value		156	156	61	61
Disposal of subsidiaries		-	-	-	-
Inflows from subsidiaries held for sale		-	-	-	-
Business acquisition		-	-	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries		-	-	-	-
<b>Net cash flow (used in) from investing activities</b>		<b>6,745</b>	<b>20,724</b>	<b>(54,052)</b>	<b>(49,283)</b>
<b>Financing activities</b>					
Payment of dividends		(17,381)	(17,381)	(2,162)	(2,162)
Issue and interest on debt securities in issue		-	-	-	-
<b>Net cash flow (used in) financing activities</b>		<b>(17,381)</b>	<b>(17,381)</b>	<b>(2,162)</b>	<b>(2,162)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>					
<b>Cash and cash equivalents at 1 January</b>		<b>89,304</b>	<b>87,732</b>	<b>129,738</b>	<b>126,591</b>
<b>Cash and cash equivalents at 30 June</b>		<b>124,355</b>	<b>120,493</b>	<b>91,792</b>	<b>89,923</b>

The notes on pages 11 to 33 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 (described in more detail in Note 2) - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 62 customer service outlets (2018: 62 outlets). As at 30 June 2019 the Bank had 724 employees (31 December 2018: 714). As at 30 June 2019 the Group had 823 employees (31 December 2018: 815 employees).

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

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

This condensed interim financial information for the six month period ended 30 June 2019 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2018.

### Investments in subsidiaries

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

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

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

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

	1 January 2018 – 30 June 2018		
	<i>Previously reported amount</i>	<i>Restatement adjustment</i>	<i>Restated amount</i>
<i>Allowance for impairment losses on investments in subsidiaries</i>	331	(331)	-
<i>Dividends from investments in subsidiaries</i>	4,619	(4,619)	N/A
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	-	1,363	1,363
<b>Profit before income tax</b>	<b>15,324</b>	<b>(3,587)</b>	<b>11,737</b>
<b>Net profit</b>	<b>13,444</b>	<b>(3,587)</b>	<b>9,857</b>

### Income tax

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

### New and amended standards, and interpretations

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

## GENERAL INFORMATION (continued)

Except for the standards mentioned above, the Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2019 will have a material impact on the Bank's financial statements, also there are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2019, and that would have a material impact on the Bank's financial information.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Except for the impact of above-described IFRS 16, in preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2018.

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

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

## LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES NOTE 1

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 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Cash equivalents</i>	76,611	76,202	40,924	40,735
<i>Loans and advances to banks</i>	1,480	1,480	2,090	2,090
<b><i>Loans and advances to customers:</i></b>	<b>1,361,845</b>	<b>1,362,766</b>	<b>1,262,167</b>	<b>1,264,741</b>
<i>Loans and advances to financial institutions</i>	4,703	75,528	693	50,255
<i>Loans to individuals (Retail)</i>	287,066	203,083	243,078	178,632
<i>Loans to business customers</i>	1,070,076	1,084,155	1,018,396	1,035,854
<i>Finance lease receivables</i>	149,994	149,916	124,088	123,969
<i>Debt securities at fair value through profit or loss</i>	20,864	17,835	42,384	27,332
<i>Derivative financial instruments</i>	1,475	1,475	1,197	1,197
<i>Debt securities at fair value through other comprehensive income</i>	13,463	13,060	16,379	15,984
<i>Debt securities at amortized cost</i>	638,357	628,374	638,655	638,655
<i>Other assets subject to credit risk</i>	11,644	11,201	13,213	12,708
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	36,039	36,157	39,655	39,720
<i>Letters of credit</i>	6,745	6,745	760	760
<i>Loan commitments and other credit related liabilities</i>	283,159	319,877	265,407	285,618

### Loans to customers

Loans and advances are summarised as follows:

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Gross</b>	1,404,652	1,398,696	1,304,933	1,301,592
<i>Subtract: allowance for impairment</i>	(42,807)	(35,930)	(42,766)	(36,851)
<b>Net</b>	<b>1,361,845</b>	<b>1,362,766</b>	<b>1,262,167</b>	<b>1,264,741</b>

## NOTE 1

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

The distribution of loans by stages and days past due:

	Group					31 December 2018				
	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>										
Gross amount	1,096,533	69,526	865	2	1,166,926	1,031,497	54,606	467	1	1,086,571
Allowance for impairment	(5,171)	(1,065)	(59)	-	(6,295)	(4,845)	(953)	(41)	-	(5,839)
<b>Net amount</b>	<b>1,091,362</b>	<b>68,461</b>	<b>806</b>	<b>2</b>	<b>1,160,631</b>	<b>1,026,652</b>	<b>53,653</b>	<b>426</b>	<b>1</b>	<b>1,080,732</b>
<b>Stage 2:</b>										
Gross amount	128,364	14,900	11,887	-	155,151	120,315	14,537	6,063	2	140,917
Allowance for impairment	(1,635)	(172)	(2,062)	-	(3,869)	(2,200)	(525)	(1,737)	-	(4,462)
<b>Net amount</b>	<b>126,729</b>	<b>14,728</b>	<b>9,825</b>	<b>-</b>	<b>151,282</b>	<b>118,115</b>	<b>14,012</b>	<b>4,326</b>	<b>2</b>	<b>136,455</b>
<b>Stage 3:</b>										
Gross amount	26,378	6,361	3,221	46,615	82,575	21,826	5,293	2,734	47,592	77,445
Allowance for impairment	(7,004)	(1,213)	(910)	(23,516)	(32,643)	(7,665)	(1,367)	(893)	(22,540)	(32,465)
<b>Net amount</b>	<b>19,374</b>	<b>5,148</b>	<b>2,311</b>	<b>23,099</b>	<b>49,932</b>	<b>14,161</b>	<b>3,926</b>	<b>1,841</b>	<b>25,052</b>	<b>44,980</b>
<b>Total:</b>										
Gross amount	1,251,275	90,787	15,973	46,617	1,404,652	1,173,638	74,436	9,264	47,595	1,304,933
Allowance for impairment	(13,810)	(2,450)	(3,031)	(23,516)	(42,807)	(14,710)	(2,845)	(2,671)	(22,540)	(42,766)
<b>Net amount</b>	<b>1,237,465</b>	<b>88,337</b>	<b>12,942</b>	<b>23,101</b>	<b>1,361,845</b>	<b>1,158,928</b>	<b>71,591</b>	<b>6,593</b>	<b>25,055</b>	<b>1,262,167</b>

	Bank					31 December 2018				
	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>										
Gross amount	1,105,100	60,372	271	2	1,165,745	1,038,871	46,718	149	1	1,085,739
Allowance for impairment	(2,954)	(304)	-	-	(3,258)	(3,139)	(260)	-	-	(3,399)
<b>Net amount</b>	<b>1,102,146</b>	<b>60,068</b>	<b>271</b>	<b>2</b>	<b>1,162,487</b>	<b>1,035,732</b>	<b>46,458</b>	<b>149</b>	<b>1</b>	<b>1,082,340</b>
<b>Stage 2:</b>										
Gross amount	131,845	14,900	7,582	-	154,327	124,707	14,537	2,420	2	141,666
Allowance for impairment	(1,635)	(172)	(363)	-	(2,170)	(2,248)	(525)	(175)	-	(2,948)
<b>Net amount</b>	<b>130,210</b>	<b>14,728</b>	<b>7,219</b>	<b>-</b>	<b>152,157</b>	<b>122,459</b>	<b>14,012</b>	<b>2,245</b>	<b>2</b>	<b>138,718</b>
<b>Stage 3:</b>										
Gross amount	26,080	6,086	2,377	44,081	78,624	21,568	5,099	2,054	45,466	74,187
Allowance for impairment	(6,828)	(1,052)	(417)	(22,205)	(30,502)	(7,483)	(1,235)	(428)	(21,358)	(30,504)
<b>Net amount</b>	<b>19,252</b>	<b>5,034</b>	<b>1,960</b>	<b>21,876</b>	<b>48,122</b>	<b>14,085</b>	<b>3,864</b>	<b>1,626</b>	<b>24,108</b>	<b>43,683</b>
<b>Total:</b>										
Gross amount	1,263,025	81,358	10,230	44,083	1,398,696	1,185,146	66,354	4,623	45,469	1,301,592
Allowance for impairment	(11,417)	(1,528)	(780)	(22,205)	(35,930)	(12,870)	(2,020)	(603)	(21,358)	(36,851)
<b>Net amount</b>	<b>1,251,608</b>	<b>79,830</b>	<b>9,450</b>	<b>21,878</b>	<b>1,362,766</b>	<b>1,172,276</b>	<b>64,334</b>	<b>4,020</b>	<b>24,111</b>	<b>1,264,741</b>

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

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

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

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

## NOTE 1

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

#### Finance lease receivables

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

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Business customers</i>	130,599	129,788	105,634	104,784
<i>Individuals</i>	23,052	23,008	21,100	21,027
<b>Gross</b>	<b>153,651</b>	<b>152,796</b>	<b>126,734</b>	<b>125,811</b>
<i>Subtract: Allowance for impairment</i>	(3,657)	(2,880)	(2,646)	(1,842)
<b>Net</b>	<b>149,994</b>	<b>149,916</b>	<b>124,088</b>	<b>123,969</b>

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

		Group					31 December 2018				
		30 June 2019									
		Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>											
<i>Gross amount</i>		102,484	20,493	-	-	122,977	81,625	15,481	9	-	97,115
<i>Allowance for impairment</i>		(393)	(74)	-	-	(467)	(307)	(42)	-	-	(349)
<b>Net amount</b>		<b>102,091</b>	<b>20,419</b>	<b>-</b>	<b>-</b>	<b>122,510</b>	<b>81,318</b>	<b>15,439</b>	<b>9</b>	<b>-</b>	<b>96,766</b>
<b>Stage 2:</b>											
<i>Gross amount</i>		11,371	3,082	3,126	-	17,579	12,947	3,528	1,650	-	18,125
<i>Allowance for impairment</i>		(360)	(67)	(81)	-	(508)	(300)	(146)	(91)	-	(537)
<b>Net amount</b>		<b>11,011</b>	<b>3,015</b>	<b>3,045</b>	<b>-</b>	<b>17,071</b>	<b>12,647</b>	<b>3,382</b>	<b>1,559</b>	<b>-</b>	<b>17,588</b>
<b>Stage 3:</b>											
<i>Gross amount</i>		818	4,702	478	7,097	13,095	5,625	135	6	5,728	11,494
<i>Allowance for impairment</i>		(316)	(34)	(218)	(2,114)	(2,682)	(278)	(55)	(3)	(1,424)	(1,760)
<b>Net amount</b>		<b>502</b>	<b>4,668</b>	<b>260</b>	<b>4,983</b>	<b>10,413</b>	<b>5,347</b>	<b>80</b>	<b>3</b>	<b>4,304</b>	<b>9,734</b>
<b>Total:</b>											
<i>Gross amount</i>		114,673	28,277	3,604	7,097	153,651	100,197	19,144	1,665	5,728	126,734
<i>Allowance for impairment</i>		(1,069)	(175)	(299)	(2,114)	(3,657)	(885)	(243)	(94)	(1,424)	(2,646)
<b>Net amount</b>		<b>113,604</b>	<b>28,102</b>	<b>3,305</b>	<b>4,983</b>	<b>149,994</b>	<b>99,312</b>	<b>18,901</b>	<b>1,571</b>	<b>4,304</b>	<b>124,088</b>

		Bank					31 December 2018				
		30 June 2019									
		Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total	Not past due	Past due ≤ 30 days	Past due 31-90 days	Past due >90 days	Total
<b>Stage 1:</b>											
<i>Gross amount</i>		102,479	20,491	-	-	122,970	81,595	15,475	9	-	97,079
<i>Allowance for impairment</i>		(392)	(74)	-	-	(466)	(307)	(42)	-	-	(349)
<b>Net amount</b>		<b>102,087</b>	<b>20,417</b>	<b>-</b>	<b>-</b>	<b>122,504</b>	<b>81,288</b>	<b>15,433</b>	<b>9</b>	<b>-</b>	<b>96,730</b>
<b>Stage 2:</b>											
<i>Gross amount</i>		11,371	3,082	3,125	-	17,578	12,947	3,528	1,650	-	18,125
<i>Allowance for impairment</i>		(360)	(67)	(81)	-	(508)	(300)	(146)	(92)	-	(538)
<b>Net amount</b>		<b>11,011</b>	<b>3,015</b>	<b>3,044</b>	<b>-</b>	<b>17,070</b>	<b>12,647</b>	<b>3,382</b>	<b>1,558</b>	<b>-</b>	<b>17,587</b>
<b>Stage 3:</b>											
<i>Gross amount</i>		818	4,702	478	6,250	12,248	5,624	135	5	4,843	10,607
<i>Allowance for impairment</i>		(316)	(34)	(218)	(1,338)	(1,906)	(277)	(55)	(2)	(621)	(955)
<b>Net amount</b>		<b>502</b>	<b>4,668</b>	<b>260</b>	<b>4,912</b>	<b>10,342</b>	<b>5,347</b>	<b>80</b>	<b>3</b>	<b>4,222</b>	<b>9,652</b>
<b>Total:</b>											
<i>Gross amount</i>		114,668	28,275	3,603	6,250	152,796	100,166	19,138	1,664	4,843	125,811
<i>Allowance for impairment</i>		(1,068)	(175)	(299)	(1,338)	(2,880)	(884)	(243)	(94)	(621)	(1,842)
<b>Net amount</b>		<b>113,600</b>	<b>28,100</b>	<b>3,304</b>	<b>4,912</b>	<b>149,916</b>	<b>99,282</b>	<b>18,895</b>	<b>1,570</b>	<b>4,222</b>	<b>123,969</b>

## NOTE 2 SECURITIES

### Securities in the trading book

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

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>20,864</b>	<b>17,835</b>	<b>42,384</b>	<b>27,332</b>
Government bonds	7,959	5,630	13,533	5,637
Corporate bonds	12,905	12,205	28,851	21,695
<b>Equity securities</b>	<b>20,075</b>	<b>1,069</b>	<b>17,798</b>	<b>564</b>
<b>Total</b>	<b>40,939</b>	<b>18,904</b>	<b>60,182</b>	<b>27,896</b>
	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>19,100</b>	<b>17,835</b>	<b>40,619</b>	<b>27,332</b>
from AA- to AAA	1,179	1,179	1,794	1,236
from A- to A+	5,061	4,856	15,097	11,071
from BBB- to BBB+	8,304	7,612	16,284	9,273
from BB- to BB+	1,988	1,620	3,948	2,256
lower than BB-	377	377	50	50
no rating	2,191	2,191	3,446	3,446
<b>Equity securities</b>	<b>1,069</b>	<b>1,069</b>	<b>564</b>	<b>564</b>
listed	1,066	1,066	560	560
unlisted	3	3	4	4
units of investment funds	-	-	-	-
<b>Total trading securities</b>	<b>20,169</b>	<b>18,904</b>	<b>41,183</b>	<b>27,896</b>
<b>Other trading book securities:</b>				
<b>Debt securities</b>	<b>1,764</b>	<b>-</b>	<b>1,765</b>	<b>-</b>
from AA- to AAA	-	-	-	-
from A- to A+	1,436	-	1,437	-
from BBB- to BBB+	328	-	328	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equity securities</b>	<b>19,006</b>	<b>-</b>	<b>17,234</b>	<b>-</b>
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	19,006	-	17,234	-
<b>Total other trading book securities</b>	<b>20,770</b>	<b>-</b>	<b>18,999</b>	<b>-</b>
<b>TOTAL</b>	<b>40,939</b>	<b>18,904</b>	<b>60,182</b>	<b>27,896</b>

## NOTE 2 SECURITIES (continued)

### Investment securities

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Securities at fair value:</b>				
<i>Debt securities:</i>	<b>13,463</b>	<b>13,060</b>	<b>16,379</b>	<b>15,984</b>
Government bonds	1,238	1,238	3,325	3,325
Corporate bonds	12,225	11,822	13,054	12,659
<i>Equity securities</i>	<b>4,655</b>	<b>742</b>	<b>4,728</b>	<b>523</b>
<b>Total</b>	<b>18,118</b>	<b>13,802</b>	<b>21,107</b>	<b>16,507</b>
<b>Securities at amortized cost:</b>				
<i>Debt securities:</i>	<b>638,357</b>	<b>628,374</b>	<b>638,655</b>	<b>638,655</b>
Government bonds	459,745	454,537	463,943	463,943
Corporate bonds	178,612	173,837	174,712	174,712
<b>Total</b>	<b>638,357</b>	<b>628,374</b>	<b>638,655</b>	<b>638,655</b>

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Securities at fair value:</b>				
<i>Debt securities</i>	<b>13,463</b>	<b>13,060</b>	<b>16,379</b>	<b>15,984</b>
from AA- to AA+	-	-	-	-
from A- to A+	4,032	4,032	5,563	5,563
from BBB- to BBB+	8,859	8,859	10,268	10,268
from BB- to BB+	-	-	-	-
lower than BB-	169	169	153	153
no rating	403	-	395	-
<i>Equities</i>	<b>4,655</b>	<b>742</b>	<b>4,728</b>	<b>523</b>
listed	-	-	-	-
unlisted	542	423	848	432
units of investment funds	4,113	319	3,880	91
<b>Total</b>	<b>18,118</b>	<b>13,802</b>	<b>21,107</b>	<b>16,507</b>
<b>Securities at amortized cost:</b>				
<i>Debt securities</i>	<b>638,357</b>	<b>628,374</b>	<b>638,655</b>	<b>638,655</b>
from AA- to AA+	10,280	10,072	9,990	9,990
from A- to A+	460,163	454,713	453,265	453,265
from BBB- to BBB+	165,520	161,613	172,370	172,370
from BB- to BB+	2,394	1,976	3,030	3,030
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Total</b>	<b>638,357</b>	<b>628,374</b>	<b>638,655</b>	<b>638,655</b>

Credit stages of investment debt securities:

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>Stage 1:</b>				
Gross amount	650,982	640,591	653,179	652,779
Allowance for impairment	(306)	(301)	(317)	(312)
<b>Net amount</b>	<b>650,676</b>	<b>640,290</b>	<b>652,862</b>	<b>652,467</b>
<b>Stage 2:</b>				
Gross amount	1,174	1,174	2,219	2,219
Allowance for impairment	(30)	(30)	(47)	(47)
<b>Net amount</b>	<b>1,144</b>	<b>1,144</b>	<b>2,172</b>	<b>2,172</b>
<b>Stage 3:</b>				
Gross amount	1,014	-	1,013	-
Allowance for impairment	(1,014)	-	(1,013)	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the six month periods ended 30 June 2019 and 2018, no material reclassifications between portfolios of securities were performed.



## NOTE 2 SECURITIES (continued)

### Investments in subsidiaries

As of 30 June 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries:

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

As of 30 June 2019 and 31 December 2018 the Bank owned the following indirectly controlled subsidiaries:

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

Šiaulių Banko Turto Fondas UAB holds 100% shares in Apželdinimas UAB. Šiaulių Banko Investicijų Valdymas UAB holds 100% shares in Sandworks UAB and ŽSA 5 UAB. In the first half of 2019, the liquidation process of ŽSA 5 UAB was started.

Bank's investments in subsidiaries consisted of:

	30 June 2019	31 December 2018	1 January 2018
	Carrying amount	Carrying amount (restated)	Carrying amount (restated)
<i>Bonum Publicum GD UAB</i>	9,230	9,129	9,427
<i>Minera UAB</i>	2,932	2,829	3,217
<i>Pavasaris UAB</i>	0	0	149
<i>SB Lizingas UAB</i>	9,915	11,630	11,776
<i>SBTF UAB</i>	1,335	1,634	683
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	484	442	1,038
<i>Šiaulių Banko Lizingas UAB</i>	1,074	1,074	1,074
<i>Šiaulių Banko Turto Fondas UAB</i>	3,472	3,308	3,969
<b>Total</b>	<b>28,442</b>	<b>30,046</b>	<b>31,333</b>

## NOTE 3

### SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

#### Property, plant and equipment

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

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

As at 31 December 2018, the Group recognized non-cancellable operating lease commitments of EUR 3,055 thousand (the Bank: EUR 2,639 thousand). Short-term or low value leases are recognized on a straight-line basis as expense in income statement. For the remaining lease commitments the Group recognized right-of-use assets of EUR 3,559 thousand and lease liabilities (after adjustments for prepayments) of EUR 3,512 thousand.

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

	Amount as at 1 January 2019	Additions / increases	Depreciation	Write-offs/ decreases	Amount as of 30 June 2019
<b>Right-of-use assets:</b>					
Buildings and premises	3,423	282	(653)	(59)	2,993
Vehicles	118	37	(22)	-	133
Office and other equipment	18	-	(3)	-	15
<b>Total right-of-use assets</b>	<b>3,559</b>	<b>319</b>	<b>(678)</b>	<b>(59)</b>	<b>3,141</b>

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

	30 June 2019	1 January 2019
Lease liabilities before prepayments	3,200	3,609
Prepayments received	(97)	(97)
<b>Lease liabilities, carrying value</b>	<b>3,103</b>	<b>3,512</b>

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

	Buildings and premises	Vehicles	Office and other equipment	Total
Depreciation expense	(653)	(22)	(3)	(678)
Interest expense	(23)	-	-	(23)
Operating lease expense for the short-term leases	-	-	-	-
Operating lease expense for the low value leases	2	-	-	2

#### Other assets

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
Amounts receivable	11,644	11,201	13,213	12,708
Inventories	11,674	-	16,312	-
Deferred charges	1,360	1,291	895	848
Assets under reinsurance and insurance contracts	935	-	597	-
Prepayments	1,785	842	4,607	3,777
Foreclosed assets	252	168	193	142
Assets classified as held for sale	1,835	1,835	1,794	1,794
Other	1,636	1,498	851	745
<b>Total</b>	<b>31,121</b>	<b>16,835</b>	<b>38,462</b>	<b>20,014</b>

## NOTE 4 DUE TO CUSTOMERS

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	40,461	40,461	24,043	24,043
<i>Local government institutions</i>	94,837	94,837	63,274	63,274
<i>Governmental and municipal companies</i>	20,809	20,809	28,558	28,558
<i>Corporate entities</i>	371,022	372,225	388,159	388,537
<i>Non-profit organisations</i>	16,473	16,473	15,284	15,284
<i>Individuals</i>	431,137	431,137	383,548	383,548
<i>Unallocated amounts due to customers</i>	81,101	82,403	44,838	45,462
<b>Total demand deposits</b>	<b>1,055,840</b>	<b>1,058,345</b>	<b>947,704</b>	<b>948,706</b>
<i>Time deposits:</i>				
<i>National government institutions</i>	5,060	5,060	1,334	1,334
<i>Local government institutions</i>	908	908	907	907
<i>Governmental and municipality companies</i>	1,493	1,493	5,498	5,498
<i>Corporate entities</i>	54,757	54,757	64,554	64,554
<i>Non-profit organisations</i>	2,364	2,364	2,347	2,347
<i>Individuals</i>	841,453	841,453	823,444	823,444
<b>Total time deposits</b>	<b>906,035</b>	<b>906,035</b>	<b>898,084</b>	<b>898,084</b>
<b>Total</b>	<b>1,961,875</b>	<b>1,964,380</b>	<b>1,845,788</b>	<b>1,846,790</b>

## SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

### Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 3,192 thousand in the beginning of the year to EUR 9,496 thousand in the end of the reporting period is attributable to routine fluctuations in these funds.

## NOTE 6 CAPITAL

As of 30 June 2019 and 31 December 2018 the Banks's share capital amounted to EUR 174,210,616.27, it comprised 600,726,263 ordinary registered shares with par value of EUR 0.29 each.

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

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

At 30 June 2019 and 31 December 2018, the European Bank for Reconstruction and Development possessed 26.02% of the authorised capital and votes of the Bank.

As at 30 June 2019, the Bank had 5,361 shareholders (as at 31 December 2018: 4,992).

## NOTE 6 CAPITAL (continued)

### Dividends:

On 28 March 2019 the ordinary general meeting of shareholders made a decision to pay EUR 0.029 (i.e. 10.00%) dividends per one ordinary registered share with EUR 0.29 nominal value each. On 29 March 2018 the ordinary general meeting of shareholders made a decision to pay EUR 0.005 (i.e. 1.72%) dividends per one ordinary registered share with EUR 0.29 nominal value each.

### Statutory Reserve:

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

### Reserve for acquisition of own shares:

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

During the six month period ended 30 June 2019 the Bank acquired 1,176 thousand own shares for EUR 618 thousand. The acquired shares were granted to the employees of the Bank and its subsidiaries as a deferred part of variable remuneration for 2015, 2016 and 2017. As of 30 June 2019, the Bank does not possess its own shares.

No own share acquisitions were performed during the six month period ended 30 June 2018.

### Other equity:

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

## NOTE 7 NET INTEREST INCOME

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
<i>Interest revenue calculated using the effective interest method (on financial assets at amortized cost and fair value through other comprehensive income):</i>	34,572	30,611	30,863	27,599
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	450	1,757	100	1,156
<i>on loans to customers</i>	29,153	23,958	25,541	21,237
<i>on debt securities at amortized cost</i>	4,817	4,760	5,083	5,083
<i>on debt securities at fair value through other comprehensive income</i>	152	136	139	123
<i>Other similar income:</i>	3,340	3,230	2,989	2,756
<i>on debt securities at fair value through profit or loss</i>	265	191	388	198
<i>on finance leases</i>	3,039	3,003	2,580	2,537
<i>other interest income</i>	36	36	21	21
<b>Total interest income</b>	<b>37,912</b>	<b>33,841</b>	<b>33,852</b>	<b>30,355</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	-	-	(501)	(501)
<i>on financial liabilities measured at amortised cost</i>	(3,746)	(3,751)	(3,627)	(3,632)
<i>on other liabilities</i>	(170)	(162)	(133)	(133)
<b>Total interest expense</b>	<b>(3,916)</b>	<b>(3,913)</b>	<b>(4,261)</b>	<b>(4,266)</b>
<b>Net interest income</b>	<b>33,996</b>	<b>29,928</b>	<b>29,591</b>	<b>26,089</b>

## NOTE 8 NET FEE AND COMMISSION INCOME

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	2,115	2,115	1,793	1,793
<i>for settlement services</i>	2,753	2,760	2,333	2,340
<i>for cash operations</i>	2,473	2,473	1,942	1,942
<i>for account administration</i>	1,922	1,922	1,430	1,430
<i>for guarantees, letters of credit, documentary collection</i>	333	333	221	221
<i>for collection of utility and similar payments</i>	130	132	124	126
<i>for services related to securities</i>	870	912	739	788
<i>other fee and commission income</i>	734	499	438	159
<b>Total fee and commission income</b>	<b>11,330</b>	<b>11,146</b>	<b>9,020</b>	<b>8,799</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(1,704)	(1,702)	(1,549)	(1,548)
<i>for cash operations</i>	(500)	(500)	(430)	(430)
<i>for correspondent bank and payment system fees</i>	(279)	(203)	(170)	(105)
<i>for services of financial data vendors</i>	(92)	(92)	(89)	(89)
<i>for services related to securities</i>	(305)	(302)	(237)	(235)
<i>other fee and commission expenses</i>	(115)	(115)	(109)	(109)
<b>Total fee and commission expense</b>	<b>(2,995)</b>	<b>(2,914)</b>	<b>(2,584)</b>	<b>(2,516)</b>
<b>Net fee and commission income</b>	<b>8,335</b>	<b>8,232</b>	<b>6,436</b>	<b>6,283</b>

## NOTE 9 OTHER OPERATING EXPENSES

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
<i>Rent of buildings and premises</i>	(95)	(100)	(705)	(608)
<i>Utility services for buildings and premises</i>	(406)	(369)	(334)	(302)
<i>Other expenses related to buildings and premises</i>	(299)	(295)	(154)	(154)
<i>Transportation expenses</i>	(166)	(123)	(199)	(157)
<i>Legal costs</i>	(180)	(180)	(73)	(73)
<i>Personnel and training expenses</i>	(126)	(116)	(115)	(103)
<i>IT and communication expenses</i>	(1,579)	(1,422)	(1,155)	(1,046)
<i>Marketing and charity expenses</i>	(1,564)	(773)	(1,287)	(829)
<i>Service organisation expenses</i>	(734)	(667)	(550)	(496)
<i>Non-income taxes, fines</i>	24	285	(198)	(30)
<i>Costs incurred due to debt recovery</i>	(175)	(77)	(224)	(169)
<i>Other expenses</i>	(517)	(210)	(375)	(188)
<b>Total</b>	<b>(5,817)</b>	<b>(4,047)</b>	<b>(5,369)</b>	<b>(4,155)</b>

## NOTE 10 IMPAIRMENT LOSSES

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
(Impairment losses) / reversal of impairment losses on loans	(2,066)	(179)	(1,816)	(988)
Recoveries of loans previously written-off	1,689	335	596	393
Reversal of impairment losses / (impairment losses) on finance lease receivables	(1,011)	(1,038)	562	559
Recovered previously written-off finance lease receivables	377	-	74	-
(Impairment losses) on debt securities	28	28	(50)	(50)
Reversal of impairment losses on due from banks	(3)	(3)	1	1
Reversal of impairment losses / (impairment losses) on other financial assets	41	36	65	57
(Impairment losses) on subsidiaries	-	-	-	-
(Impairment losses) / reversal of impairment losses on other non-financial assets	73	(28)	593	(27)
Recoveries of other non-financial assets previously written-off	-	-	-	-
Provisions for other liabilities	(285)	-	-	-
<b>Total</b>	<b>(1,157)</b>	<b>(849)</b>	<b>25</b>	<b>(55)</b>

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
<b><u>Allowance for impairment of loans</u></b>				
As at 1 January	42,766	36,851	41,366	35,767
Change in allowance for loan impairment	2,066	179	1,816	988
Loans written off during the period	(2,025)	(1,100)	(2,651)	(2,651)
Other factors (reclassification, FX rate shift, etc.)	-	-	74	(6)
<b>As at 30 June</b>	<b>42,807</b>	<b>35,930</b>	<b>40,605</b>	<b>34,098</b>
<b><u>Allowance for impairment of finance lease receivables</u></b>				
As at 1 January	2,646	1,842	2,963	2,147
Change in allowance for impairment of finance lease receivables	1,011	1,038	(562)	(559)
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
<b>As at 30 June</b>	<b>3,657</b>	<b>2,880</b>	<b>2,401</b>	<b>1,588</b>
<b><u>Allowance for impairment of debt securities</u></b>				
As at 1 January	1,377	359	1,318	291
Change in allowance for impairment of debt securities	(28)	(28)	50	50
Debt securities written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	1	-	(13)	-
<b>As at 30 June</b>	<b>1,350</b>	<b>331</b>	<b>1,355</b>	<b>341</b>
<b><u>Allowance for impairment of due from banks</u></b>				
As at 1 January	13	13	22	22
Change in allowance for impairment of due from banks	3	3	(1)	(1)
Due from banks written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	1	1
<b>As at 30 June</b>	<b>16</b>	<b>16</b>	<b>22</b>	<b>22</b>
<b><u>Allowance for impairment of other financial assets</u></b>				
As at 1 January	395	372	330	303
Change in allowance for impairment of other financial assets	(41)	(36)	(65)	(57)
Other financial assets written off during the period	(5)	(5)	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	(14)	(14)
<b>As at 30 June</b>	<b>349</b>	<b>331</b>	<b>251</b>	<b>232</b>

## NOTE 11

### SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

#### Net gain from trading activities

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
Net gain from foreign exchange and related derivatives	3,725	3,714	3,145	3,019
Net gain (loss) from other derivatives	(15)	(15)	(21)	(21)
Net gain (loss) on equity securities in the trading book	1,982	13	(239)	41
Net gain (loss) on debt securities in the trading book	674	617	(205)	41
Net gain on debt securities at fair value through other comprehensive income	45	45	54	54
Net gain (loss) on investment equities	215	157	15	(7)
Net gain on debt securities at amortized cost	1,468	1,479	1,485	1,485
Dividend and other income from equity securities in the trading book	24	24	14	14
Dividend and other income from investment equities	2	2	12	3
<b>Total</b>	<b>8,120</b>	<b>6,036</b>	<b>4,260</b>	<b>4,629</b>

Net gain from trading activities includes investment result of the insurance company assets under unit-linked contracts (see below): a net gain of EUR 1,991 thousand for the six month period ended 30 June 2019; a net loss of EUR 180 thousand for the six month period ended 30 June 2018.

#### Expenses related to insurance activities

	1 January - 30 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*	(2,012)	-	159	-
Other changes of the technical insurance provisions and other expenses related to insurance activities	(2,553)	-	(2,325)	-
<b>Total expenses related to insurance activities</b>	<b>(4,565)</b>	<b>-</b>	<b>(2,166)</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 June 2019		1 January - 30 June 2018	
	Group	Bank	Group	Bank
Interest and similar income	21	-	21	-
Net gain (loss) from operations with securities	1,976	-	(304)	-
Net gain (loss) from foreign exchange	15	-	124	-
<b>Total</b>	<b>2,012</b>	<b>-</b>	<b>(159)</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 over by these related parties;
- subsidiaries of the Bank;
- the shareholders holding over 20% of the Bank's share capital or being a part of a voting group acting in concert that holds over 20% of voting rights therefore presumed to have a significant influence over the Group.

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

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

	30 June 2019		31 December 2018	
	Balances of deposits	Balances of loans (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	2,000	40	3,176	243
<i>Other related parties (excluding subsidiaries of the Bank)</i>	2,864	20,754	2,346	21,233
<b>Total</b>	<b>4,864</b>	<b>20,794</b>	<b>5,522</b>	<b>21,476</b>

### Transactions with EBRD:

The Group/Bank had a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), which was repaid in 2018 by converting it to Bank's shares (see Note 6 for details). During the six month period ended 30 June 2018 subordinated loan related interest expenses amounted to EUR 501 thousand, a net gain of EUR 2,494 thousand related to revaluation of the liability to fair value was recorded in income statement.



## NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

### Transactions with subsidiaries:

Balances of transactions with the subsidiaries are presented below:

	30 June 2019		31 December 2018	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
Non-financial institutions	1,213	15,293	2,043	13,887
Financial institutions	3,601	107,734	1,128	74,907
	<b>4,814</b>	<b>123,027</b>	<b>3,171</b>	<b>88,794</b>

Bank's total balances with subsidiaries:

	30 June 2019	31 December 2018
<b>Turtas</b>		(restated)
Loans	86,276	68,518
Other assets	73	19
Bank's investment in subsidiaries (restated as of 31 December 2018)	28,442	30,046
Bank's investment in subsidiaries classified as assets held for sale	-	-
<b>Liabilities and shareholders' equity</b>		
Deposits	4,814	3,171
Other liabilities	2	-

Income and expenses arising from transactions with subsidiaries:

	1 January – 31 June 2019	1 January – 31 June 2018
<b>Income</b>		(restated)
Interest	1,497	1,354
Commission income	271	120
FX income	2	2
Share of the profit or loss of investments in subsidiaries accounted for using the equity method	3,067	1,931
Other income	81	22
<b>Expenses</b>		
Interest	(8)	(7)
Operating expenses	(2)	(15)
Impairment losses on loans	7	6
Allowance for impairment losses on investments in subsidiaries	-	-

As of 30 June 2019, the balance of individual allowance for impairment losses on loans to subsidiaries amounted to EUR 42 thousand (31 December 2018: EUR 49 thousand).

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS

### Liquidity risk

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

#### Liquidity risk management process

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

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

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

The structure of the Group's assets and liabilities by maturity as at 30 June 2019 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	133,276	40,594	149,614	123,236	255,465	647,945	950,680	92,987	2,393,797
<i>Total liabilities and shareholders' equity</i>	1,107,568	90,075	111,010	195,777	337,021	187,415	77,292	287,639	2,393,797
<i>Net liquidity gap</i>	(974,292)	(49,481)	38,604	(72,541)	(81,556)	460,530	873,388	(194,652)	-

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

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

The structure of the Bank's assets and liabilities by maturity as at 30 June 2019 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	129,393	38,186	147,514	116,683	300,831	624,722	915,032	85,844	2,358,205
<i>Total liabilities and shareholders' equity</i>	1,110,571	84,316	110,466	195,025	336,171	184,242	50,338	287,076	2,358,205
<i>Net liquidity gap</i>	(981,178)	(46,130)	37,048	(78,342)	(35,340)	440,480	864,694	(201,232)	-

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

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

### Market risk

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

#### Interest rate risk

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

## LIQUIDITY, MARKET AND OPERATIONAL RISKS NOTE 13 (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 June 2019:

	<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	201,591	471,142	651,272	101,595	718,899	249,298	2,393,797
Liabilities and equity	78,255	108,021	198,937	323,304	237,108	1,448,172	2,393,797
Net interest sensitivity gap	123,336	363,121	452,335	(221,709)	481,791	(1,198,874)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,182	3,026	2,827	(554)	-	-	6,481

Group 31 December 2018:

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

Bank 30 June 2019:

	<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	199,712	470,153	647,744	152,160	667,759	220,677	2,358,205
Liabilities and equity	77,928	107,974	198,605	322,948	208,358	1,442,392	2,358,205
Net interest sensitivity gap	121,784	362,179	449,139	(170,788)	459,401	(1,221,715)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,167	3,018	2,807	(427)	-	-	6,565

Bank 31 December 2018 (restated):

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	217,441	426,417	598,765	126,182	685,307	173,013	2,227,125
Liabilities and equity	99,851	129,424	166,285	302,325	214,793	1,314,447	2,227,125
Net interest sensitivity gap	117,590	296,993	432,480	(176,143)	470,514	(1,141,434)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1,127	2,475	2,703	(440)	-	-	5,864

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

### Operational risk

Operational risk is the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and/or illegal actions of employees, malfunctioning of information systems or external incidents. Unlike other risks (credit, market, liquidity), which are not being taken on purposefully, with anticipation of benefits, operational risk occurs naturally in the course of Bank's business.

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

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

The operational risk management methods are implemented in the Bank – the system for registration of operational risk events in the administrative information system (AIS), functioning of which is regulated by the Instruction for registration of Operational risk events; the system of operational risk indicators and monitoring of limits of these indicators. Operational risk indicator framework is used to manage reputational risk. Events that have signs of reputational risk and can cause the Bank to incur large losses, are included in the registry of operational risk events and are monitored, analysed and assessed accordingly.

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

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

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

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

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

During the six month period ended 30 June 2019, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2018. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the six month period ended 30 June 2019, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	30 June 2019		31 December 2018	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
Trading book securities	39,342	17,307	57,953	25,667
Investment securities at fair value	17,173	13,379	19,864	16,075
<b>Total Level I financial assets</b>	<b>56,515</b>	<b>30,686</b>	<b>77,817</b>	<b>41,742</b>
<b>LEVEL II</b>				
Derivative financial instruments - assets	1,475	1,475	1,197	1,197
Derivative financial instruments - liabilities	(1,566)	(1,566)	(1,048)	(1,048)
<b>LEVEL III</b>				
Trading book securities	1,597	1,597	2,229	2,229
Investment securities at fair value	945	423	1,243	432
<b>Total Level III financial assets</b>	<b>2,542</b>	<b>2,020</b>	<b>3,472</b>	<b>2,661</b>

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

## NOTE 14

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

Changes in Level III instruments during the six month period ended 30 June:

Group	Trading book securities		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018
As at 31 December	2,229	2,897	1,243	1,620	-	34,203
Impact of change in accounting principles	-	(2,284)	-	-	-	-
As at 1 January	2,229	613	1,243	1,620	-	34,203
Additions	6,246	3,740	-	-	-	-
Disposals / redemption / derecognition	(6,867)	(3,039)	(324)	(407)	-	-
Changes due to interest accrued/paid	(11)	22	8	-	-	-
Changes in fair value	-	-	18	11	-	(2,494)
As at 30 June	1,597	1,336	945	1,224	-	31,709

Bank	Trading book securities		Investment securities at fair value		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2018
As at 31 December	2,229	2,897	432	414	-	34,203
Impact of change in accounting principles	-	(2,284)	-	-	-	-
As at 1 January	2,229	613	432	414	-	34,203
Additions	6,246	3,740	-	-	-	-
Disposals / redemption / derecognition	(6,867)	(3,039)	(11)	-	-	-
Changes due to interest accrued/paid	(11)	22	-	-	-	-
Changes in fair value	-	-	2	11	-	(2,494)
As at 30 June	1,597	1,336	423	425	-	31,709

	1 January – 30 June 2019		1 January – 30 June 2018	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	18	2	(2,505)	(2,505)

Fair value of investment securities held to collect cash flows:

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

	30 June 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Investment securities at amortized cost	638,357	661,554	638,655	653,889

## NOTE 15 SEGMENT INFORMATION

### Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2019 and in the Statement of comprehensive income for the six month period then ended is presented in the table below.

	<i>Traditional banking operations and lending</i>	<i>Treasury</i>	<i>Non-core banking activities</i>	<i>Other activities</i>	<i>Eliminations</i>	<i>Total</i>
<b>Continuing operations</b>						
Internal	(328)	-	194	(192)	326	-
External	29,704	3,743	319	230	-	33,996
<b>Net interest income</b>	<b>29,376</b>	<b>3,743</b>	<b>513</b>	<b>38</b>	<b>326</b>	<b>33,996</b>
Internal	272	-	-	(54)	(218)	-
External	8,355	-	-	(20)	-	8,335
<b>Net fee and commissions income</b>	<b>8,627</b>	<b>-</b>	<b>-</b>	<b>(74)</b>	<b>(218)</b>	<b>8,335</b>
Internal	(56)	-	194	(246)	108	-
External	38,059	3,743	319	210	-	42,331
<b>Net interest, fee and commissions income</b>	<b>38,003</b>	<b>3,743</b>	<b>513</b>	<b>(36)</b>	<b>108</b>	<b>42,331</b>
Internal	(9)	-	-	4	5	-
External	(14,357)	(1,370)	-	(5,913)	-	(21,640)
<b>Operating expenses</b>	<b>(14,366)</b>	<b>(1,370)</b>	<b>-</b>	<b>(5,909)</b>	<b>5</b>	<b>(21,640)</b>
Amortisation charges	(336)	(36)	-	(28)	-	(400)
Depreciation charges	(1,070)	(111)	-	(142)	-	(1,323)
Internal	-	-	7	-	(7)	-
External	(1,004)	-	26	(179)	-	(1,157)
<b>Impairment expenses</b>	<b>(1,004)</b>	<b>-</b>	<b>33</b>	<b>(179)</b>	<b>(7)</b>	<b>(1,157)</b>
Internal	74	-	3,150	23	(3,247)	-
External	4,304	2,338	374	7,475	-	14,491
<b>Net other income</b>	<b>4,378</b>	<b>2,338</b>	<b>3,524</b>	<b>7,498</b>	<b>(3,247)</b>	<b>14,491</b>
<b>Profit (loss) before tax</b>	<b>25,605</b>	<b>4,564</b>	<b>4,070</b>	<b>1,204</b>	<b>(3,141)</b>	<b>32,302</b>
Income tax	(3,903)	(384)	-	(199)	-	(4,486)
<b>Profit (loss) per segment after tax</b>	<b>21,702</b>	<b>4,180</b>	<b>4,070</b>	<b>1,005</b>	<b>(3,141)</b>	<b>27,816</b>
Non-controlling interest	-	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>21,702</b>	<b>4,180</b>	<b>4,070</b>	<b>1,005</b>	<b>(3,141)</b>	<b>27,816</b>
Total segment assets	1,617,040	804,569	25,087	65,708	(118,607)	2,393,797
Total segment liabilities	1,420,029	706,738	22,036	49,134	(91,289)	2,106,648
<b>Net segment assets (shareholders' equity)</b>	<b>197,011</b>	<b>97,831</b>	<b>3,051</b>	<b>16,574</b>	<b>(27,318)</b>	<b>287,149</b>

## 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 June 2018 and in the Statement of comprehensive income for the six month period then ended is presented in the table below.

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

## NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP

According to local legislation the Bank is required to disclose certain information for the Financial group. As of 30 June 2019 and 31 December 2018 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and four subsidiaries comprised the Financial group, all of the entities attributable to Financial Group operate in Lithuania):

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

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

### Financial Group's condensed statement of financial position

	30 June 2019	31 December 2018
<b>ASSETS</b>		(restated)
Cash and cash equivalents	121,056	87,990
Securities in the trading book	18,904	27,896
Due from other banks	1,480	2,090
Derivative financial instruments	1,475	1,197
Loans to customers	1,369,685	1,272,183
Finance lease receivables	149,994	124,088
Investment securities at fair value	18,118	20,810
Investment securities at amortized cost	628,374	638,655
Investments in subsidiaries and associates	13,532	13,935
Intangible assets	2,047	1,996
Property, plant and equipment	11,338	8,333
Investment property	5,232	5,301
Current income tax prepayment	13	1,435
Deferred income tax asset	875	967
Other assets	22,674	26,329
<b>Total assets</b>	<b>2,364,797</b>	<b>2,233,205</b>
<b>LIABILITIES</b>		
Due to other banks and financial institutions	57,384	70,195
Derivative financial instruments	1,566	1,048
Due to customers	1,964,380	1,846,788
Special and lending funds	9,496	3,192
Debt securities in issue	20,063	20,003
Current income tax liabilities	402	97
Deferred income tax liabilities	705	575
Other liabilities	23,385	16,313
<b>Total liabilities</b>	<b>2,077,381</b>	<b>1,958,211</b>
<b>EQUITY</b>		
Share capital	174,211	174,211
Share premium	3,428	3,428
Reserve capital	756	756
Statutory reserve	14,292	10,241
Reserve for acquisition of own shares	10,000	-
Financial instruments revaluation reserve	26	(492)
Financial instruments revaluation reserve	1,539	-
Retained earnings	83,164	86,850
Non-controlling interest	-	-
<b>Total equity</b>	<b>287,416</b>	<b>274,994</b>
<b>Total liabilities and equity</b>	<b>2,364,797</b>	<b>2,233,205</b>



## NOTE 16 SELECTED INFORMATION OF FINANCIAL GROUP (continued)

### Financial Group's condensed income statement

	for the six month period ended	
	30 June 2019	30 June 2018 (restated)
<i>Interest revenue calculated using the effective interest method</i>	34,563	31,017
<i>Other similar income</i>	3,266	2,799
<i>Interest expense and similar charges</i>	(3,918)	(4,266)
<b>Net interest income</b>	<b>33,911</b>	<b>29,550</b>
<i>Fee and commission income</i>	11,394	9,063
<i>Fee and commission expense</i>	(2,975)	(2,577)
<b>Net fee and commission income</b>	<b>8,419</b>	<b>6,486</b>
<i>Net gain from trading activities</i>	6,067	4,651
<i>Net gain (loss) from changes in fair value of subordinated loan</i>	-	2,494
<i>Net gain (loss) from derecognition of financial assets</i>	676	291
<i>Net gain (loss) from disposal of tangible assets</i>	401	357
<i>Revenue related to insurance activities</i>	-	-
<i>Other operating income</i>	483	527
<i>Salaries and related expenses</i>	(10,599)	(9,817)
<i>Depreciation and amortization expenses</i>	(1,603)	(919)
<i>Expenses related to insurance activities</i>	-	-
<i>Other operating expenses</i>	(5,439)	(5,027)
<b>Operating profit before impairment losses</b>	<b>32,316</b>	<b>28,593</b>
<i>Allowance for impairment losses on loans and other assets</i>	(960)	(648)
<i>Allowance for impairment losses on investments in subsidiaries</i>	-	-
<i>Share of the profit or loss of investments in subsidiaries accounted for using the equity method</i>	778	785
<b>Profit before income tax</b>	<b>32,134</b>	<b>28,730</b>
<i>Income tax expense</i>	(4,294)	(1,712)
<b>Net profit for the period</b>	<b>27,840</b>	<b>27,018</b>
<b>Net profit attributable to:</b>		
<i>Owners of the Bank</i>	27,840	27,018
<i>Non-controlling interest</i>	-	-

### Financial Group's condensed statement of comprehensive income

	for the six month period ended	
	30 June 2019	30 June 2018 (restated)
<b>Net profit for the period</b>	<b>27,840</b>	<b>27,018</b>
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
<i>Gain from revaluation of financial assets</i>	603	(239)
<i>Deferred income tax on gain from revaluation of financial assets</i>	(85)	36
<b>Other comprehensive income, net of deferred tax</b>	<b>518</b>	<b>(203)</b>
<b>Total comprehensive income for the period</b>	<b>28,358</b>	<b>26,815</b>
<b>Total comprehensive income (loss) attributable to:</b>		
<i>Owners of the Bank</i>	28,358	26,815
<i>Non-controlling interest</i>	-	-
	28,358	26,815



CONSOLIDATED REPORT FOR  
THE PERIOD OF 6 MONTHS OF 2019

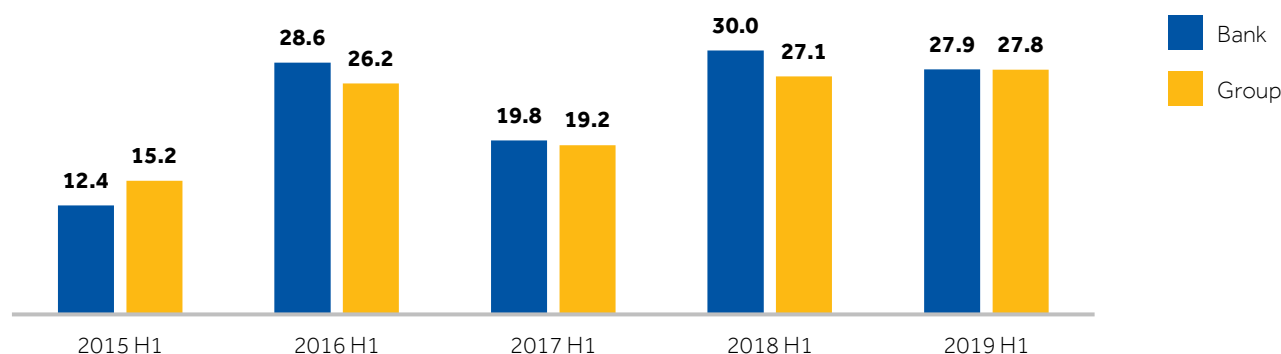
The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 6 months covers the period from 01 January 2019 to 30 June 2019.

The description of alternative performance indicators is available on the Bank's website [www.sb.lt](http://www.sb.lt) at:  
[Home page](#) › [About bank](#) › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#) › [Alternative performance measures](#).

## INFORMATION ON THE PERFORMANCE RESULTS

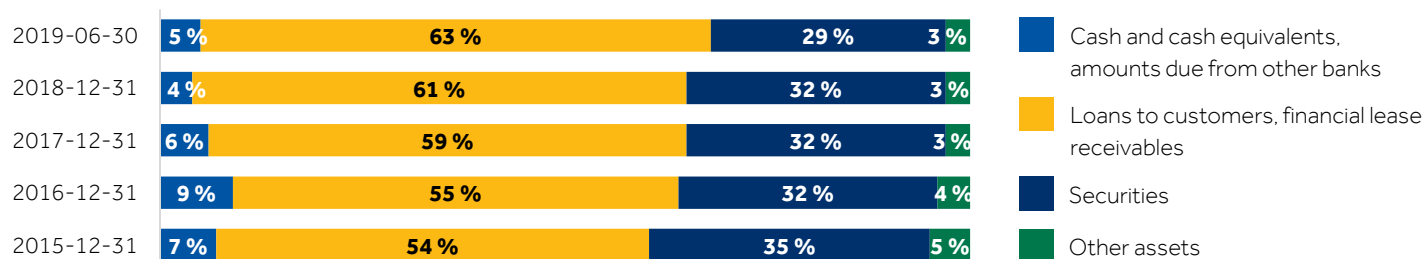
The first half of the year was very successful for Šiaulių Bankas Group - it reached the record half-year net profit and recurring activity indicators. The upward dynamics of recurring activity results allow projecting the sustainable results in the future as well - the result grew by 23 per cent over the year.

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



The Group's loan and finance lease portfolio grew by 16 per cent over 12 months and at the end of June exceeded EUR 1.5 billion. During the second quarter of this year only, the portfolio increased by 7 per cent. From the start of the year EUR 0.4 billion of new loan agreements were signed, 60% of which are made loans for business finance, a key strategic direction of the bank. As a result of the restructuring and streamlining of the processes, the portfolio of the Bank's other priority area - the consumer loan portfolio - grew rapidly. At the beginning of the second quarter of this year, the bank took active steps in the housing market segment - resuming the processes of issuing these loans and providing more attractive product terms to customers, a 20 percent growth in mortgage portfolio was recorded over the quarter. The initial results allow us expecting to strengthen the bank's position in this market segment in the nearest future.

**The Group's Asset Structure, in per cent**

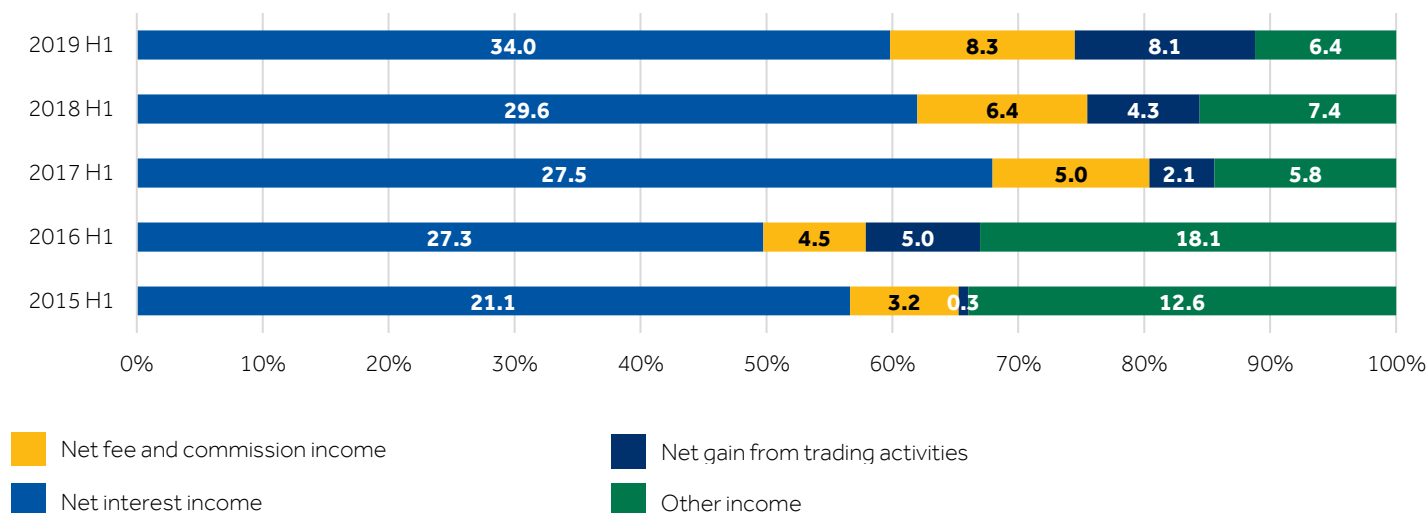


Consistent capitalization and sustained improvement in profitability, supported by lending growth and good margins, were evaluated by international rating agency Moody's Investors Service on May 16. Šiaulių Bankas received upgraded long-term credit rating from Baa3 to Baa2 and its outlook was rated as stable.

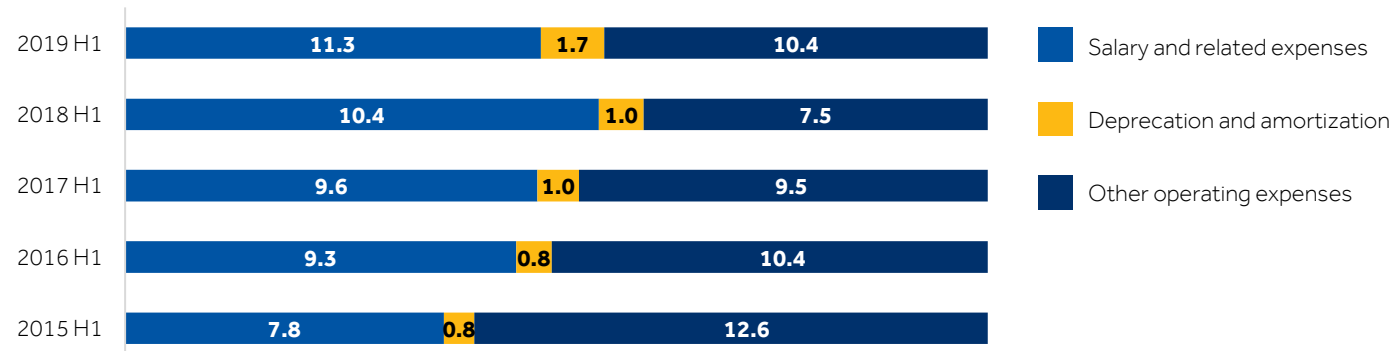
This Moody's rating is not only a positive message to customers and investors, but also a statement of credibility attracting resources in the international market. Using the virtual financial services platform Raisin, Šiaulių bankas concluded term deposit agreements in the German market for the amount of EUR 7 million during the second quarter of this year. Deposits of the Group increased by 7 per cent in the first half of this year and by 10 per cent over the last twelve months and reached nearly EUR 2 billion at the end of June 2019.

**The Group's Liability Structure, in per cent.**


In the first half of this year, the Group earned 34 million euros of net interest income, which is 15 per cent more than in respective period last year. Net interest margin remains stable. In the first half of this year, the Group earned 34 million euros of net interest income, which is 15 per cent more than in the respective period last year. Net interest margin remains stable. Due to the balanced structure of banking services and a number of one-off factors, net fee and commission income grew to EUR 8.3 million in the first half of the year. Not only customer activity but also fluctuations in the markets led to higher profits from foreign exchange and securities trading – the profit almost doubled in the first six months of this year.

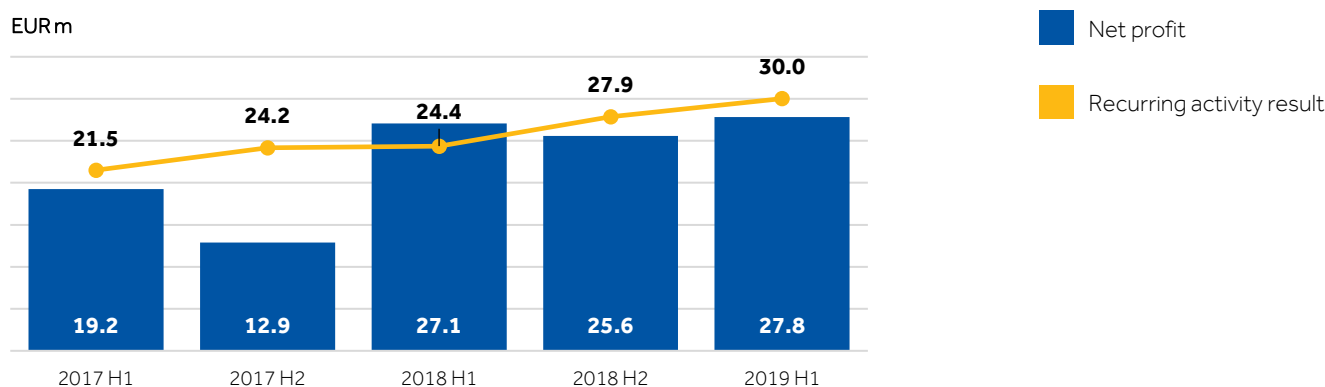
**Structure of the Group's Operating Income (m Eur)**


Operating expenses of the Group, excluding those related to insurance activities, increased by 12 per cent during the year and reached EUR 18.8 million.

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


During the first half of the year the Group accounted impairment loss of EUR 1.2 million for loans and other assets.

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



	<i>in thousand EUR</i>	<i>H1 2019</i>	<i>H1 2018</i>
Results of recurring activities		30.021	24.367
Results of non-recurring activities		3.438	4.475
Net profit (loss) from financial derivatives		-16	-21
Net profit (loss) from changes in fair value of subordinated loan		0	2.494
Net profit from derecognition of financial assets		676	291
Net gain (loss) from disposal of tangible assets		1.815	771
Realized profit from held-to-maturity securities		1.479	1.484
Operating costs		-516	-544
Impairment recovery		-1.157	25
Income tax		-4.486	-1.817
<b>Net profit</b>		<b>27.816</b>	<b>27.050</b>

As of 30 June 2019 the Bank's clientele totalled to 326 thousand - 299 thousand of individuals and 27 thousand of corporate customers. The customer service network of the Bank consisted of 62 units operating in 37 areas throughout Lithuania.

## COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

With revenues growing faster than expenses, operational efficiency remains strong- a cost to income ratio of the Group comprised 41 per cent at the end of the first half of the year. Information on the profitability ratios is available on the Bank's internet site at [About bank -> To Bank's Investors -> Financial statements, ratios and prospectuses](#).

Capital and liquidity position remain robust - prudential requirements are implemented with adequate reserve. According to the data as of 30 June 2019 the Bank complied with all the prudential requirements set out by the Bank of Lithuania. Data are available on the website of Šiaulių Bankas at: [About bank -> To Bank's Investors -> Financial statements, ratios and prospectuses](#).

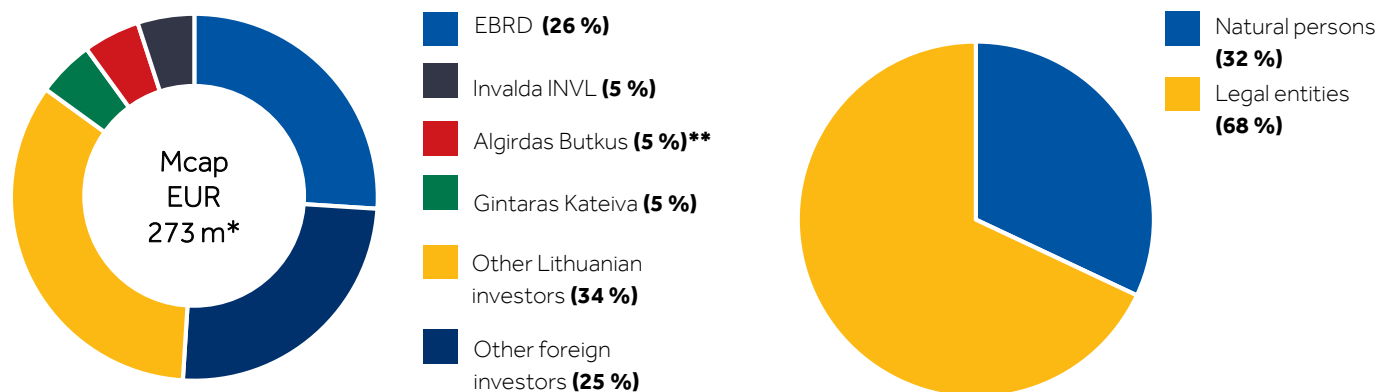
## BANK'S AUTHORIZED CAPITAL. SHAREHOLDERS

As of 30 June 2019, the authorized capital of the Bank totalled to EUR 174 210 616.27 and is divided into 600 726 263 ordinary registered shares with a nominal value of EUR 0.29 each (ISIN LT0000102253). The Bank's Charter was registered in the Register of Legal Entities on 13 December 2018 after the last increase of authorized capital by additional contributions. The Bank's authorized capital was not increased in the first half of the year in 2019.

**Authorized capital:**

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

As of 30 June 2019, the number of the Bank's shareholders amounted to 5 361 (31 December 2018 – 4 992). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the The Republic of Lithuania of Lithuania and the Charter of the Bank.

**Foreign Investors 51 %**


\* Data as of 30/06/2019

\*\* Incl. indirectly owned shares

The Bank's investors (shareholders and intermediaries in the accounts opened on whose behalf the shares are accounted), who owned at least 5% of the Bank's shares and votes as of 30/06/ 2019:

Shareholder	Number of shares owned under the right of ownership, units	Share of authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with related parties, %
European Bank for Reconstruction and Development	156 308 983	26.02	26.02	-
Swedbank AS (Estonia) clients	67 234 105	11.19	11.19	-
Invalida INVL AB	32 949 246	5.48	5.48	-
Gintaras Kateiva	31 628 103	5.26	5.26	13.64

The top managers of the Bank whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 13.64 per cent of the Bank's authorized capital and votes as of 30 June 2019.

There no restrictions set to transfer of the securities except shares assigned to the Bank's employees in accordance with the Remuneration Policy. These shares are subject to 12 month transfer restriction counting from their assignment day.

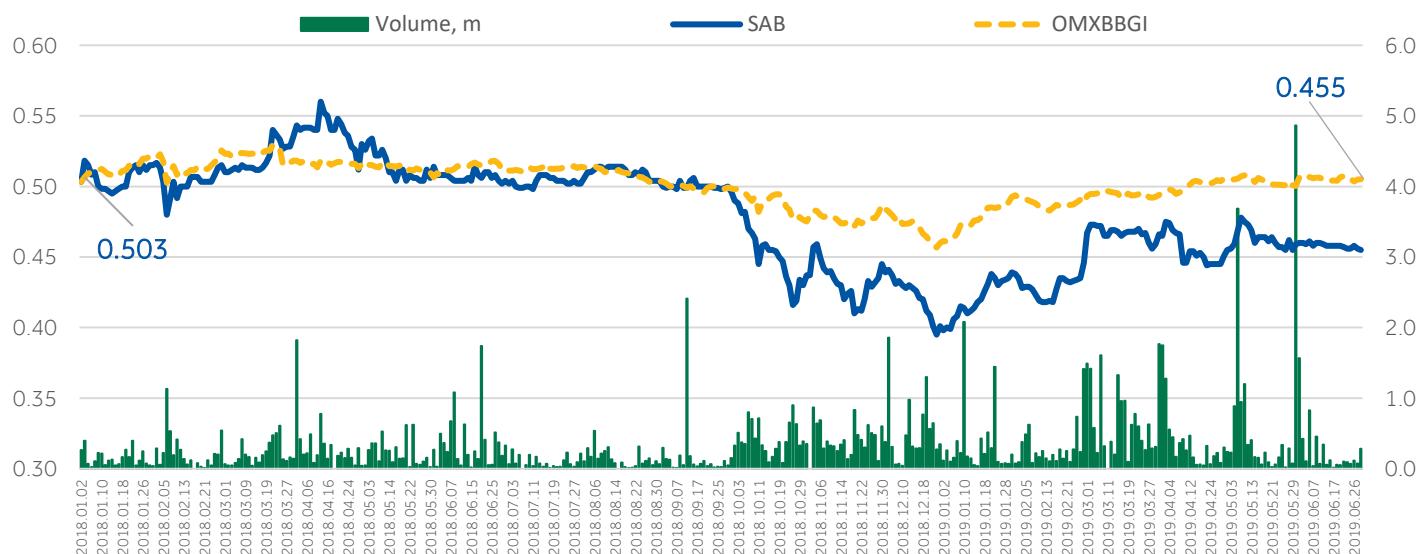
**Share information:**

	2015	2016	2017	2018	2019-06-30
Capitalization, m EUR	93.7	169.5	266.8	240.9	273.3
Turnover, mln. Eur	12.7	23.1	44.5	34.7	25.1
Share price on the last trading session day	0.298	0.449	0.589	0.401	0.455
Share book value	0.42	0.46	0.45	0.45	0.48
P/BV	0.7	1.0	1.3	0.9	1.0
P/E	3.9	3.9	8.3	4.6	4.9
Capital increase from retained earnings, %	20.0	20.0	20.0	-	-

The description of alternative performance indicators is available on the Bank's website [www.sb.lt](http://www.sb.lt) at: [Home page](#) › [About bank](#) › [To Bank's Investors](#) › [Financial statements, ratios and prospectuses](#) › [Alternative performance measures](#).

The sustainable performance of Šiaulių Bankas and the improved long-term credit rating increased the price of the bank's shares and trading turnover on the Nasdaq Baltic Stock Exchange.

### Turnover and price of the Bank's shares:



The Bank's shares are quoted in the official trading list of Nasdaq Baltics. Shares of other Group companies are issued for non-public trading. ISIN code of the Banks' shares - LT0000102253, the number of shares – 600 726 263 units.

The shares issued by the Bank are included in the *Nasdaq* indexes:

- *OMX Baltic Benchmark (OMXBB)* - the Baltic benchmark index consists of the largest and most traded stocks on the *Nasdaq Baltic* Market representing all sectors;
- *OMX Baltic 10 (OMXB10)* - is a tradable index of the Baltic states consisting of the 10 most actively traded stocks on the Baltic exchanges;
- *OMX Baltic (OMXB)* – is an all-share index consisting of all the shares listed on the Main and Secondary lists of the Baltic exchanges with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Vilnius (OMXV)* – is an all-share index which includes all the shares listed on the Main and Secondary lists on the *Nasdaq Vilnius* with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares;
- *OMX Baltic Financials* – an index of the Baltic financial institutions;
- *OMX Baltic Banks* - an index of the Baltic banks.

Besides, the Bank's shares are included into such indices as *STOXX Eastern Europe TMI*, *STOXX All Europe Total Market*, *STOXX Eastern Europe 300*, *STOXX EU Enlarged TMI*, *STOXX Eastern Europe 300 Banks*, *STOXX Eastern Europe Small 100*, *STOXX Eastern Europe TMI Small*, *STOXX Global Total Market*, *STOXX Lithuania Total Market*

## ACQUISITION OF OWN SHARES

There were no outstanding own shares acquired by the Bank as of 30 June 2019. On 24 May 2019 the Bank acquired 1176485 its own shares for EUR 617 655. The nominal value of the acquired shares was EUR 341,180.65, which comprise 0.20% of the authorized capital. The purpose of the Bank's own share acquisition was to provide the Group's employees with the shares as the deferred portion of the variable annual remuneration for the year 2015, 2016 and 2018. On 28 May 2019 all purchased shares were transferred to the Group's employees subject to the annual variable remuneration.

## DIVIDENDS

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

The General Meeting of Shareholders of the Bank held on 28 March 2019 allocating the bank's profit decided to pay dividends. Dividends totalled to 17421 thousand euros, i.e. 10 per cent of the nominal value. On 11 April 2019 dividends were be paid to the shareholders of the Bank who held the share rights at the end of the accounting day.

### Information on the dividends paid by the Bank:

<i>Year of dividend allocation and pay-out</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<i>Per cent from nominal value</i>	0.25	0.69	1.72	1.72	10.0
<i>Dividend amount per share, Eur</i>	0.000725	0.002	0.005	0.005	0.029
<i>Dividend amount, Eur</i>	195 750	629 147	1 887 442	2 264 938	17 421 064
<i>Yields from dividends, %</i>	0.3	0.7	1.1	0.8	6.2
<i>Dividends to Group net profit, per cent</i>	1.66	2.64	4.32	7.05	33.0

The description of alternative performance indicators is available on the Bank's website [www.sb.lt](http://www.sb.lt) at:

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

## AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION

Agreements with public circulation intermediaries regarding the accounting of securities issued by the Bank are not concluded, this accounting is managed by the Bank's Securities Accounting Department. Moreover, the Bank has not entered into market-making agreements with respect to securities issued by the Bank.

As of 30 June 2019, the Bank itself, as an intermediary in public circulation, under agreements with securities issuing companies as of 30 June 2018 managed accounting of 633 securities issues (including shares of public and private companies, debt securities, and investment fund units). The Bank also executed market making and at the end of June 2019 was the market maker of 9 securities issues on the Nasdaq Baltic market (5 issues - according to the market making programme, 4 issues - under agreements with issuers).

## INFORMATION ON DETRIMENTAL TRANSACTIONS

During the reporting period no detrimental transactions inconsistent with the Bank's objectives, normal market conditions, violating the interests of shareholders or other groups of persons and which had or could have a negative impact on the Bank's activities or performance results were concluded. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

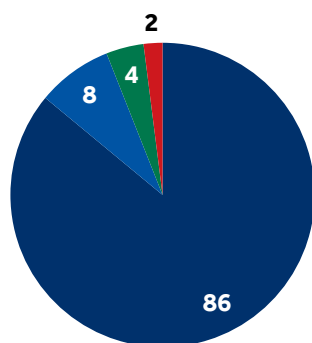


## EMPLOYEES

As of 30 June 2019 the Bank employed 724 Employees, whereas together with the Group's companies their number reached 823. (As of 30 June 2018 the Bank employed 712 employees, whereas together with the Group's companies their number was 813).

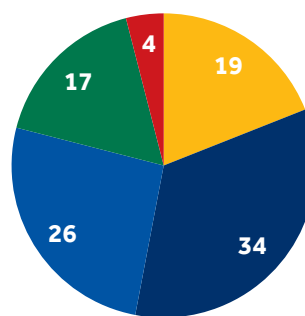
As of 30 June 2019 the Group's companies employed 80.6 per cent of women and 19.4 per cent of men. (As of 30 June 2018 the Group's companies employed 80.4 per cent of women and 19.6 per cent of men).

Group employees by education, in per cent



■ University  
■ College  
■ Secondary  
■ Special secondary

Group employees by age, in per cent



■ < 30 years  
■ 31 – 40 years  
■ 41 – 60 years  
■ 51 – 60 years  
■ > 60 years

Average monthly salary of the employees, before taxes:

H1, 2019	Leading Employees		Other Employees	
	Average number of employees	Average salary per month, Eur	Average number of employees	Average salary per month, Eur
Bank	83	6662	570	1517
Group	97	6635	664	1532

Information on the annual variable remuneration before taxes of the Bank's and its financial group companies' employees whose professional activities have a material impact on the risk profile of the institution (the Group):

	Bank	Bank Financial Group
<b>Deferred annual variable remuneration outstanding as of 31/12/2018*:</b>		
- in cash, thou EUR	564	657
- in shares, thou units	1516	1760
<b>Annual variable remuneration assigned in 2019 for the year 2018 **::</b>		
- in cash, thou EUR	1229	1395
- in shares, thou units	2906	3299
<b>Annual variable remuneration paid in H1, 2019 **::</b>		
- in cash, thou EUR	1400	1593
- in shares, thou units	1017	1174
<b>Deferred annual variable remuneration outstanding as of 30/06/2019 **::</b>		
- in cash, thou EUR	393	459
- in shares, thou units	3405	3885

\* The amounts shown are not indexed.

\*\* Due to tax changes as of 01/01/2019, the amounts are indexed by 1,289 coeff.

## COMMITTEES FORMED WITHIN THE BANK, THEIR ACTIVITY AREAS

The functions, procedures of formation and the policy of activities of the committees formed within the Bank are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Management Board or Supervisory Council of the Bank.

### COMMITTEES SUBORDINATE TO THE BANK'S SUPERVISORY COUNCIL:

Information on the members of the committees as of 30 June 2019:

**The Risk Committee** advises the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, verifies whether prices of liabilities and assets offered to clients take, fully into account the Bank's business model and risk strategy and shall also carries out other functions provided for in its provisions.

	Name, surname
<b>Chairman</b>	Darius Šulnis
<b>Members:</b>	Miha Košak Arvydas Salda

**The Audit Committee** monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. Following the laws and legal act of the supervisory authority the composition, competences and arrangement of activities of the internal Audit Committee are formed and controlled by the Bank's Supervisory Council.

	Name, surname
<b>Chairman</b>	Ramunė Vilija Zabulienė
<b>Members:</b>	Martynas Česnavičius Gintaras Kateiva

**The Nomination Committee** nominates and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, candidates to fill management body vacancies, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size, composition, operating results, skills of its members, their experience and carries out other functions provided for in its provisions.

	Name, surname
<b>Chairman</b>	Ramunė Vilija Zabulienė
<b>Members:</b>	Darius Šulnis Miha Košak

**The Remuneration Committee** evaluates the variable remuneration policies, practices and incentives designed to manage the risk, capital and liquidity of the Bank, supervises the variable remuneration of senior executives responsible for risk management and compliance, drafts variable remuneration decisions and performs other functions set forth in its policies.

	Name, surname
<b>Chairman</b>	Gintaras Kateiva
<b>Members:</b>	Martynas Česnavičius Arvydas Salda

## COMMITTEES SUBORDINATE TO THE BANK'S MANAGEMENT BOARD:

Information on the members of the committees as of 30 June 2019:

**The Loan Committee** analyses loan application documents, decides regarding granting of loans and amendment of their terms, assesses risks of loans, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.

	Name, surname	Position
<b>Chairman</b>	Edas Mirijauskas	Director of Credit Risk Department
<b>Members:</b>	Vytautas Sinius	Chief Executive Officer
	Giedrius Sarapinas	Deputy Director of Credit Risk Department
	Daiva Šorienė	Head of Sales and Marketing Division
	Donatas Savickas	Head of Finance and Risk Management Division
	Ramūnas Dešukas	Director of the Problem Assets Department
	Aurelija Geležienė	Director of the Legal Department
	Diana Leonavičienė	Head of Regional Lending Unit

**The Risk Management Committee** performs the functions related to arrangement, coordination and control of the risks assumed by the Bank, assessment and assurance of risk level corresponding the risk tolerance acceptable to the Bank and, also, performs other functions foreseen by its provisions:

	Name, surname	Position
<b>Chairman</b>	Donatas Savickas	Head of Finance and Risk Management Division
<b>Members:</b>	Algimantas Gaulia (Deputy)	Director of Risk Management and Reporting Department
	Pranas Gedgaudas	Deputy Director of Markets and Treasury Department
	Edas Mirijauskas	Director of Credit Risk Department
	Vaidas Sasnauskas	Director of Compliance and Prevention Department
	Morena Liachauskienė	Director of Operational Risk Department
	Mindaugas Vingilis	Lead of Projects at IT Infrastructure Development and Supervision Department

## BANK'S MANAGEMENT

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

### Supervisory Council of the Bank

Arvydas Salda	Gintaras Kateiva	Ramunė Vilija Zabulienė	Darius Šulnis	Martynas Česnavičius	Miha Košak
					
Member since 1991, Chairman since 1999 Tenure beginning 30/03/2016/ end 2020	Member since 2008 Tenure beginning 30/03/2016/ end 2020	Independent Member since 2012 Tenure beginning 30/03/2016/ end 2020	Member since 2016 Tenure beginning 09/05/2016/ end 2020	Member since 2016 Tenure beginning 09/05/2016/ end 2020	Member since 2017 Tenure beginning 26/06/2017/ end 2020
Share of capital under the right of ownership, % (30/06/2019)					
1.93	5.26	-	-	-	-
Share of votes together with the related persons, % (30/06/2019)					
13.64	13.64	-	-	13.64	-

### Board of the Bank

Algirdas Butkus	Vytautas Sinius	Donatas Savickas	Daiva Šorienė	Vita Urbonienė	Jonas Bartkus	Ilona Baranauskienė
						
Chairman since 1999 (Chairman of the bank's Supervisory Council 1991 - 1999) Deputy Chief Executive Officer Tenure beginning 30/03/2016/ end 2020	Deputy Chairman of the Board since 2014 (at the Board since 2011) Chief Executive Officer Tenure beginning 30/03/2016/ end 2020	Deputy Chairman of the Board of the Bank since 1995, Deputy Chief Executive Officer, Head of Finance and Risk Management Division. Tenure beginning 30/03/2016/ end 2020	Member since 2005 Deputy Chief Executive Officer, Head of Sales and Marketing Division Tenure beginning 30/03/2016/ end 2020	Member since 2011 Chief Financial Officer, Head of Accounting and Tax Division Tenure beginning 30/03/2016/ end 2020	Member since 2012 Head of IT Division Tenure beginning 30/03/2016/ end 2020	Member since 2014 Head of Legal and Administration Division Tenure beginning 30/03/2016/ end 2020
Share of capital under the right of ownership, % (30/06/2019)						
2.59	0.19	0.10	0.02	0.04	0.11	0.02
Share of votes together with the related persons, % (30/06/2019)						
13.64	13.64	13.64	13.64	13.64	13.64	13.64

## GROUP OF THE BANK'S COMPANIES

	<i>Nature of activities</i>	<i>Registration date</i>	<i>Company code</i>	<i>Address</i>	<i>Tel.</i>	<i>E-mail, website</i>
<b>Šiaulių Bankas AB</b>	commercial banking	04/02/1992	112025254	Tilžės str. 149 LT-76348 Šiauliai	+370 41 595 607	info@sb.lt, www.sb.lt

### The Bank directly controls the following subsidiaries

<b>SB Lizingas UAB</b>	finance lease, consumer credits	14/07/1997	234995490	Laisvės al. 80, LT-44249 Kaunas	+370 37 407 200	info@sbl.lt, www.sblizingas.lt
<b>Šiaulių Banko Lizingas UAB</b>	Finance lease (leasing) and operating leases	16/08/1999	145569548	Vilniaus str. 167, 76352 Šiauliai	+370 41 598 010, +370 5 272 3015	lizingas@sb.lt, www.sb.lt
<b>Šiaulių Banko Turto Fondas UAB</b>	Management of real estate	13/08/2002	145855439	Vilniaus str. 167, 76352 Šiauliai	+370 41 525 322	turtofondas@sb.lt, www.sbp.lt
<b>SBTF UAB</b>	management and administration of real estate	24/11/2004	300069309	Vilniaus str. 167, 76352 Šiauliai	+370 41 525 322	sbt@sb.lt, www.sbp.lt
<b>Minera UAB</b>	Management of real estate	30/09/1992	121736330	Dvaro str. 123A, LT-76208 Šiauliai	+370 41 399 423	info@minera.lt, www.sbp.lt, www.minera.lt
<b>Pavasaris UAB</b>	Development of residential multi-apartment area	25/09/1992	121681115	Jonažolių str. 3-113, 04138 Vilnius	+370 5 244 8096	info@pavasaris.net, www.sbp.lt, www.pavasaris.net
<b>Life insurance Bonum Publicum UAB</b>	Life Insurance	31/08/2000	110081788	Laisvės pr. 3, LT-04215 Vilnius	+370 5 236 2723	life@bonumpublicum.lt, www.bonumpublicum.lt
<b>Šiaulių banko investicijų valdymas</b>	Investment management	31/08/2000	145649065	Šeimyniškių str. 1A, LT-09312 Vilnius	+370 5 272 2477	sbiv@sb.lt, www.sbp.lt

### The Bank indirectly controls the following subsidiaries:

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

\* The Bank's 100% owned subsidiary Šiaulių Banko Investicijų Valdymas UAB controlled 100% shares. In the first half of 2019, the liquidation process of ŽSA 5 UAB was started.

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

## OTHER INFORMATION, PUBLICLY DISCLOSED INFORMATION AND MAJOR EVENTS

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

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

Chief Executive Officer  
5 August 2019



Vytautas Sinius

## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Urbonienė, confirm that as far as we know, the financial statements for six months of 2019 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Urbonienė

5 August 2019