



CONDENSED INTERIM
FINANCIAL STATEMENTS
(unaudited)

for the twelve month period ended 31 December 2016

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CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Adomaitytė, confirm that as far as we know, the financial statements for twelve months of 2016 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant

Vita Adomaitytė

28 February 2017

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

	Notes	31 December 2016		31 December 2015	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents		153,867	152,111	105,012	104,286
Securities at fair value through profit or loss	2	57,427	26,103	71,116	42,726
Due from other banks		5,337	5,337	6,529	6,499
Derivative financial instruments		8,983	8,687	9,292	8,754
Loans to customers	1	953,609	994,155	851,296	912,669
Finance lease receivables	1	69,807	48,170	57,812	1,145
Investment securities:		-	-	-	-
available-for-sale -	2	19,168	17,504	20,468	19,821
held-to-maturity -	2	524,054	524,054	494,645	494,645
Investments in subsidiaries and associates	2	-	26,665	-	32,175
Intangible assets		4,180	1,210	3,770	798
Property, plant and equipment		11,469	10,532	10,946	10,023
Investment property		16,804	1,112	18,348	3,291
Current income tax prepayment		70	-	46	-
Deferred income tax asset		665	-	1,385	46
Other assets	3	35,838	7,941	44,105	7,091
Assets classified as held for sale	2	-	58	270	13,888
Total assets		1,861,278	1,823,639	1,695,040	1,657,857
LIABILITIES					
Due to other banks and financial institutions		89,793	92,079	50,376	53,383
Derivative financial instruments		175	175	136	136
Due to customers	4	1,495,087	1,495,478	1,436,388	1,436,712
Special and lending funds	5	28,326	28,326	8,191	8,191
Subordinated loan	12	22,064	22,064	20,457	20,457
Current income tax liabilities		4,790	4,650	1,322	947
Deferred income tax liabilities		468	30	977	-
Liabilities related to insurance activities		25,515	-	23,515	-
Other liabilities		15,539	7,894	13,085	5,518
Liabilities related to assets classified as held for sale	2	4	-	3,529	-
Total liabilities		1,681,761	1,650,696	1,557,976	1,525,344
EQUITY					
Share capital	6	109,472	109,472	91,226	91,226
Share premium		-	-	-	-
Reserve capital		754	756	756	756
Statutory reserve	6	4,159	4,157	2,468	2,290
Financial assets revaluation reserve		311	277	896	896
Retained earnings		64,821	58,281	41,718	37,345
Non-controlling interest		-	-	-	-
Total equity		179,517	172,943	137,064	132,513
Total liabilities and equity		1,861,278	1,823,639	1,695,040	1,657,857

The notes on pages 10 to 31 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

28 February 2017



Vytautas Sinius

Vita Adomaitytė

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

	for the twelve month period ended				
	Notes	31 December 2016		31 December 2015	
		Group	Bank	Group	Bank
Continuing operations					
Interest and similar income	7	65,934	58,569	65,795	57,929
Interest expense and similar charges	7	(12,013)	(12,019)	(16,976)	(16,981)
Net interest income		53,921	46,550	48,819	40,948
Fee and commission income	8	14,115	13,711	12,158	12,002
Fee and commission expense	8	(4,702)	(4,364)	(4,119)	(3,743)
Net fee and commission income		9,413	9,347	8,039	8,259
Net gain from operations with securities	11	6,164	4,872	1,087	866
Net gain from foreign exchange and related derivatives		4,477	4,248	3,393	2,869
Net loss from other derivatives		(1,913)	(1,671)	(1,812)	(2,035)
Net loss from changes in fair value of subordinated loan		(1,644)	(1,644)	(1,165)	(1,165)
Net gain from derecognition of financial assets	11	12,644	12,671	4,825	4,825
Net gain from disposal of tangible assets		612	656	2,690	2,765
Revenue related to other activities of Group companies	11	15,258	-	14,376	-
Other operating income		1,688	543	1,861	683
Salaries and related expenses		(18,340)	(15,558)	(16,644)	(13,292)
Depreciation and amortization expenses		(1,773)	(1,339)	(1,595)	(1,140)
Expenses related to other activities of Group companies	11	(12,766)	-	(13,824)	-
Other operating expenses	9	(9,677)	(6,835)	(10,818)	(7,993)
Operating profit before impairment losses		58,064	51,840	39,232	35,590
Allowance for impairment losses on loans and other assets	10	(7,775)	(7,496)	(23,032)	(16,918)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2,10	-	(6,060)	-	(15,163)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	9,632	-	18,374
Profit from continuing operations before income tax		50,289	47,916	16,200	21,883
Income tax expense		(6,658)	(6,239)	(1,019)	(953)
Profit from continuing operations		43,631	41,677	15,181	20,930
Profit (loss) from discontinued operations, net of tax		35	-	8,638	221
Net profit for the year		43,666	41,677	23,819	21,151
Net profit attributable to:					
Owners of the Bank		43,666	41,677	23,819	21,151
From continuing operations		43,631	41,677	15,181	20,930
From discontinued operations		35	-	8,638	221
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.12		0.07	
From continuing operations		0.12		0.04	
From discontinued operations		0.00		0.03	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.12		0.07	
From continuing operations		0.12		0.04	
From discontinued operations		0.00		0.03	

The notes on pages 10 to 31 constitute an integral part of these financial statements.

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

	for the three month period			
	1 October - 31 December 2016		1 October - 31 December 2015	
	Group	Bank	Group	Bank
Continuing operations				
Interest and similar income	15,864	14,075	18,147	16,390
Interest expense and similar charges	(2,760)	(2,762)	(2,865)	(2,938)
Net interest income	13,104	11,313	15,282	13,452
Fee and commission income	4,101	3,994	3,497	3,697
Fee and commission expense	(1,224)	(1,131)	(1,115)	(1,121)
Net fee and commission income	2,877	2,863	2,382	2,576
Net gain from operations with securities	(127)	(412)	1,465	810
Net gain from foreign exchange and related derivatives	1,649	1,285	840	878
Net loss from other derivatives	(1,373)	(1,267)	1,091	873
Net loss from changes in fair value of subordinated loan	(1,989)	(1,989)	(990)	(990)
Net gain from derecognition of financial assets	776	803	1,577	1,577
Net gain from disposal of tangible assets	704	112	264	202
Revenue related to other activities of Group companies	4,896	-	4,367	-
Other operating income	414	141	550	213
Salaries and related expenses	(4,431)	(3,743)	(4,708)	(4,064)
Depreciation and amortization expenses	(481)	(367)	(432)	(362)
Expenses related to other activities of Group companies	(3,024)	-	(4,465)	-
Other operating expenses	(2,899)	(1,998)	(4,035)	(3,050)
Operating profit before impairment losses	10,096	6,741	13,188	12,115
Allowance for impairment losses on loans and other assets	(2,379)	(1,455)	(10,709)	(8,258)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	(4,760)	-	(800)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	4,000	-	1
Profit from continuing operations before income tax	7,717	4,526	2,479	3,058
Income tax expense	(1,090)	(1,203)	1,723	1,301
Profit from continuing operations	6,627	3,323	4,202	4,359
Profit (loss) from discontinued operations, net of tax	16	-	2,377	221
Net profit for the year	6,643	3,323	6,579	4,580
Net profit attributable to:				
Owners of the Bank	6,643	3,323	6,579	4,580
From continuing operations	6,627	3,323	4,202	4,359
From discontinued operations	16	-	2,377	221
Non-controlling interest	-	-	-	-

The notes on pages 10 to 31 constitute an integral part of these financial statements.

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

	for the twelve month period ended			
	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Net profit for the period	43,666	41,677	23,819	21,151
Other comprehensive income				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(688)	(728)	446	446
Deferred income tax on gain from revaluation of financial assets	103	109	(66)	(66)
Other comprehensive income, net of deferred tax	(585)	(619)	380	380
Total comprehensive income for the period	43,081	41,058	24,199	21,531
Total comprehensive income (loss) attributable to:				
Owners of the Bank	43,081	41,058	24,199	21,531
from continuing operations	43,046	41,058	15,561	21,310
from discontinued operations	35	-	8,638	221
Non-controlling interest	-	-	-	-
	43,081	41,058	24,199	21,531

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

	for the three month period			
	1 October - 31 December 2016		1 October - 31 December 2015	
	Group	Bank	Group	Bank
Net profit for the period	6,643	3,323	6,579	4,580
Other comprehensive income (loss)				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(612)	(652)	1,402	1,400
Deferred income tax on gain (loss) from revaluation of financial assets	92	98	(209)	(209)
Other comprehensive income (loss), net of deferred tax	(520)	(554)	1,193	1,191
Total comprehensive income for the period	6,123	2,769	7,772	5,771
Total comprehensive income (loss) attributable to:				
Owners of the Bank	6,123	2,769	7,772	5,771
from continuing operations	6,107	2,769	5,395	5,550
from discontinued operations	16	-	2,377	221
Non-controlling interest	-	-	-	-
	6,123	2,769	7,772	5,771

The notes on pages 10 to 31 constitute an integral part of these financial statements.

THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity	
		Attributable to the owners of the Bank									
1 January 2015		78,197	3,684	756	516	1,450	22,009	106,612	-	106,612	
<i>Currency change of share capital</i>		103					(103)	-	-	-	
<i>Increase in share capital through bonus issue of shares</i>	6	6,734	(3,684)	-	-	-	(3,050)	-	-	-	
<i>Increase in share capital on business combination</i>	6	6,192	-	-	-	-	257	6,449	-	6,449	
<i>Transfer to statutory reserve</i>		-	-	-	-	1,018	(1,018)	-	-	-	
<i>Payment of dividends</i>	6	-	-	-	-	-	(196)	(196)	-	(196)	
<i>Sale of subsidiaries</i>		-	-	-	-	-	1,901	1,901	-	1,901	
<i>Total comprehensive income</i>		-	-	-	380	-	21,918	22,298	-	22,298	
31 December 2015		91,226	-	756	896	2,468	41,718	137,064	-	137,064	
<i>Increase in share capital through bonus issue of shares</i>	6	18,246	-	-	-	-	(18,246)	-	-	-	
<i>Transfer to/from statutory reserve</i>		-	-	-	-	1,689	(1,689)	-	-	-	
<i>Payment of dividends</i>	6	-	-	-	-	-	(628)	(628)	-	(628)	
<i>Total comprehensive income</i>		-	-	-	(585)	-	43,666	43,081	-	43,081	
31 December 2016		109,472	-	756	311	4,157	64,821	179,517	-	179,517	

THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
1 January 2015		78,197	3,684	756	516	1,275	20,301	104,729
<i>Currency change of share capital</i>		103	-	-	-	-	(103)	-
<i>Increase in share capital through bonus issue of shares</i>	6	6,734	(3,684)	-	-	-	(3,050)	-
<i>Increase in share capital on business combination</i>	6	6,192	-	-	-	-	257	6,449
<i>Transfer to statutory reserve</i>		-	-	-	-	1,015	(1,015)	-
<i>Payment of dividends</i>	6	-	-	-	-	-	(196)	(196)
<i>Total comprehensive income</i>		-	-	-	380	-	21,151	21,531
31 December 2015		91,226	-	756	896	2,290	37,345	132,513
<i>Increase in share capital through bonus issue of shares</i>	6	18,246	-	-	-	-	(18,246)	-
<i>Transfer to statutory reserve</i>		-	-	-	-	1,867	(1,867)	-
<i>Payment of dividends</i>	6	-	-	-	-	-	(628)	(628)
<i>Total comprehensive income</i>		-	-	-	(619)	-	41,677	41,058
31 December 2016		109,472	-	756	277	4,157	58,281	172,943

The notes on pages 10 to 31 constitute an integral part of these financial statements.

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

for the twelve month period ended

	31 December 2016		31 December 2015		
	Notes	Group	Bank	Group	Bank
Operating activities					
Interest received on loans and advances		53,682	46,835	49,937	41,700
Interest received on debt securities at fair value through profit or loss		1,800	1,382	2,760	2,758
Interest paid		(13,106)	(13,112)	(19,087)	(19,092)
Fees and commissions received		14,115	13,711	12,158	12,002
Fees and commissions paid		(4,702)	(4,364)	(4,119)	(3,743)
Net cash inflows from trade in securities at fair value through profit or loss		14,915	16,558	26,515	52,392
Net inflows from foreign exchange operations		4,812	4,583	3,437	2,914
Recoveries on loans previously written off		975	139	1,178	260
Salaries and related payments to and on behalf of employees		(18,190)	(15,408)	(16,661)	(13,263)
Other net cash receipts (payments)		9,092	4,337	6,268	(4,143)
Income tax paid		(2,900)	(1,717)	(1,561)	(538)
Net cash flow from operating activities before change in operating assets and liabilities		60,493	52,944	60,825	71,247
Change in operating assets and liabilities:					
Decrease (increase) in loans to credit and financial institutions		1,440	1,162	(546)	(1,234)
(Increase) in loans to customers		(124,414)	(136,151)	(131,300)	(133,359)
Decrease (increase) in other current assets		5,211	(2,697)	32,540	2,951
(Increase)Decrease in liabilities to credit and financial institutions		39,198	38,476	(5,597)	(8,730)
Increase (decrease) increase in deposits		59,975	59,984	(37,916)	(32,108)
Increase in special and lending funds		20,135	20,135	5,692	5,692
Increase (decrease) in other liabilities		819	2,280	531	3,046
Change		2,364	(16,811)	(136,596)	(163,742)
Net cash flow (used in) from operating activities		62,857	36,133	(75,771)	(92,495)
Investing activities					
Acquisition of property, plant and equipment, investment property and intangible assets		(4,044)	(2,133)	(5,993)	(3,165)
Disposal of property, plant and equipment, investment property and intangible assets		3,645	3,435	11,039	7,348
Acquisition of held-to-maturity securities		(87,659)	(87,659)	(165,939)	(165,939)
Proceeds from redemption of held-to-maturity securities		55,794	55,794	118,516	118,977
Interest received on held-to-maturity securities		13,229	13,229	11,795	11,754
Dividends received		62	9,694	85	18,459
Acquisition of available-for-sale securities		(5,776)	(4,758)	(24,045)	(23,625)
Sale or redemption of available-for-sale securities		10,743	10,743	25,862	25,815
Interest received on available-for-sale securities		628	580	1,056	1,056
Disposal of subsidiaries		-	-	-	2,350
Inflows from subsidiaries held for sale	2	-	13,942	-	-
Business acquisition		1	-	11,166	14,691
Instalments to cover losses and to strengthen the capital of subsidiaries	2	-	(550)	-	(7,226)
Net cash flow from (used in) investing activities		(13,377)	12,317	(16,458)	495
Financing activities					
Payment of dividends		(625)	(625)	(195)	(195)
Net cash flow from (used in) financing activities		(625)	(625)	(195)	(195)
Net (decrease) increase in cash and cash equivalents		48,855	47,825	(92,424)	(92,195)
Cash and cash equivalents at 1 January		105,012	104,286	197,436	196,481
Cash and cash equivalents at 31 December		153,867	152,111	105,012	104,286

The notes on pages 10 to 31 constitute an integral part of these financial statements.

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Banks of the Republic of Lithuania and the Charter of the Bank. In this document, Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 68 customer service outlets (31 December 2015: 70 outlets). As at 31 December 2016 the Bank had 722 employees (31 December 2015: 719). As at 31 December 2016 the Group (except subsidiaries held for sale) had 829 employees (31 December 2015: 861 employees).

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

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

As of 31 December 2016 the Bank owned the following directly controlled subsidiaries:

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

As of 31 December 2016 the Bank owned the following indirectly controlled subsidiaries:

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

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

- 11-15. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

As of 31 December 2016 the Bank had the indirectly controlled subsidiary held for sale:

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

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

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

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

9. Sandworks UAB (real estate management activities),

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

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

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

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

This condensed interim financial information for the twelve month period ended 31 December 2016 has been prepared in accordance with with applicable accounting standards. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2015.

Income tax

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

New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2016, and that would have a material impact on the Bank's financial information. The Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2017 will have a material impact on the Bank's financial statements.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2015.

GENERAL INFORMATION (continued)

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.

RESTATEMENT OF FINANCIAL INFORMATION

The amounts presented in the interim financial statements for the nine month period ended 30 September 2016 and six month period ended 30 June 2016 were restated in order to eliminate the presentation error related to the accounting treatment of payments received from non-performing loans. Before restatement, payments received from non-performing loans were allocated according to the legal principles set in the civil code therefore in some cases upon the reception of payments from non-performing loans, both delinquency income (included in interest income) and impairment expenses were recognized. The Bank restated the amounts in its financial statements so that upon reception of payments from non-performing loans no additional impairment would be recognized. The amount of assets and net profit were not affected by the restatements. The impact of restatements on the financial statements:

- income statement - interest income and impairment expenses reduced by the same amount (the amount of delinquency penalties recognized in interest income which caused the increase in impairment expenses);
- statement of financial position – no changes;
- information presented in the notes to the financial statements – gross value of loans and allowance for loan impairment reduced by the same amount.

The impact of the restatements on the Group's and Bank's financial statements is presented in the table below:

	<i>The Group</i>					
	Six month period ended 30 June 2016			Nine month period ended 30 September 2016		
	As previously presented	Restatement adjustment	As restated	As previously presented	Restatement adjustment	As restated
<i>Income statement for the period:</i>						
<i>Interest and similar income</i>	38,483	(4,857)	33,626	56,365	(6,295)	50,070
<i>Allowance for impairment losses on loans and other assets</i>	(9,220)	4,857	(4,363)	(11,691)	6,295	(5,396)
<i>Information presented in the notes to the financial statements:</i>						
<i>Gross value of loans at the end of the period</i>	949,308	(3,707)	945,601	1,004,379	(5,145)	999,234
<i>Allowance for loan impairment at the end of the period</i>	(51,056)	3,707	(47,349)	(48,817)	5,145	(43,672)
<i>Loans written-off during the period</i>	(1,689)	1,150	(539)	(6,785)	1,150	(5,635)
	<i>The Bank</i>					
	Six month period ended 30 June 2016			Nine month period ended 30 September 2016		
	As previously presented	Restatement adjustment	As restated	As previously presented	Restatement adjustment	As restated
<i>Income statement for the period:</i>						
<i>Interest and similar income</i>	34,779	(4,857)	29,922	50,789	(6,295)	44,494
<i>Allowance for impairment losses on loans and other assets</i>	(9,592)	4,857	(4,735)	(12,336)	6,295	(6,041)
<i>Information presented in the notes to the financial statements:</i>						
<i>Gross value of loans at the end of the period</i>	1,010,010	(3,707)	1,006,303	1,052,590	(5,145)	1,047,445
<i>Allowance for loan impairment at the end of the period</i>	(45,929)	3,707	(42,222)	(43,591)	5,145	(38,446)
<i>Loans written-off during the period</i>	(1,689)	1,150	(539)	(6,785)	1,150	(5,635)

RESTATEMENT OF FINANCIAL INFORMATION (continued)

Restated interim income statements of the Group and the Bank are presented in the table below.

	for the period							
	Group				Bank			
	Q2 2016 (restated)	H1 2016 (restated)	Q3 2016 (restated)	9mo 2016 (restated)	Q2 2016 (restated)	H1 2016 (restated)	Q3 2016 (restated)	9mo 2016 (restated)
Continuing operations								
Interest and similar income	15,460	33,626	16,444	50,070	13,653	29,922	14,572	44,494
Interest expense and similar charges	(3,077)	(6,320)	(2,933)	(9,253)	(3,078)	(6,322)	(2,935)	(9,257)
Net interest income	12,383	27,306	13,511	40,817	10,575	23,600	11,637	35,237
Fee and commission income	3,433	6,724	3,290	10,014	3,324	6,523	3,194	9,717
Fee and commission expense	(1,186)	(2,248)	(1,230)	(3,478)	(1,101)	(2,081)	(1,152)	(3,233)
Net fee and commission income	2,247	4,476	2,060	6,536	2,223	4,442	2,042	6,484
Net gain from operations with securities	2,214	2,942	3,349	6,291	2,009	2,783	2,501	5,284
Net gain from foreign exchange and related derivatives	1,123	1,711	1,117	2,828	1,020	1,786	1,177	2,963
Net loss from other derivatives	1,431	326	(866)	(540)	1,450	345	(749)	(404)
Net loss from changes in fair value of subordinated loan	(1,320)	(520)	865	345	(1,320)	(520)	865	345
Net gain from derecognition of financial assets	715	11,110	758	11,868	715	11,110	758	11,868
Net gain from disposal of tangible assets	(734)	(343)	251	(92)	65	347	197	544
Revenue related to other activities of Group companies	3,678	7,011	3,351	10,362	-	-	-	-
Other operating income	473	839	435	1,274	138	283	119	402
Salaries and related expenses	(4,616)	(9,301)	(4,608)	(13,909)	(3,820)	(7,856)	(3,959)	(11,815)
Depreciation and amortization expenses	(432)	(844)	(448)	(1,292)	(324)	(635)	(337)	(972)
Expenses related to other activities of Group companies	(3,436)	(5,977)	(3,765)	(9,742)	-	-	-	-
Other operating expenses	(2,294)	(4,396)	(2,382)	(6,778)	(1,710)	(3,216)	(1,621)	(4,837)
Operating profit before impairment losses	11,432	34,340	13,628	47,968	11,021	32,469	12,630	45,099
Allowance for impairment losses on loans and other assets	(2,257)	(4,363)	(1,033)	(5,396)	(2,821)	(4,735)	(1,306)	(6,041)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	-	-	-	(1,829)	(1,300)	-	(1,300)
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	-	-	-	2,029	5,546	86	5,632
Profit from continuing operations before income tax	9,175	29,977	12,595	42,572	8,400	31,980	11,410	43,390
Income tax expense	(717)	(3,770)	(1,798)	(5,568)	(470)	(3,374)	(1,662)	(5,036)
Profit from continuing operations	8,458	26,207	10,797	37,004	7,930	28,606	9,748	38,354
Profit (loss) from discontinued operations, net of tax	50	34	(15)	19	-	-	-	-
Net profit for the period	8,508	26,241	10,782	37,023	7,930	28,606	9,748	38,354
Net profit attributable to:								
Owners of the Bank	8,508	26,241	10,782	37,023	7,930	28,606	9,748	38,354
From continuing operations	8,458	26,207	10,797	37,004	7,930	28,606	9,748	38,354
From discontinued operations	50	34	(15)	19	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	5,337	5,337	6,529	6,499
<i>Loans and advances to customers:</i>	953,609	994,155	851,296	912,669
<i>Loans and advances to financial institutions</i>	17	58,862	27	98,986
<i>Loans to individuals (Retail)</i>	116,564	67,458	110,019	61,528
<i>Loans to business customers</i>	837,028	867,835	741,250	752,155
<i>Finance lease receivables</i>	69,807	48,170	57,812	1,145
<i>Debt securities at fair value through profit or loss</i>	39,785	25,658	55,730	42,388
<i>Derivative financial instruments</i>	8,983	8,687	9,292	8,754
<i>Debt securities available for sale</i>	17,034	16,631	18,014	17,612
<i>Debt securities held to maturity</i>	524,054	524,054	494,645	494,645
<i>Other assets subject to credit risk</i>	4,136	3,078	2,551	2,169
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	21,253	21,320	22,255	22,282
<i>Letters of credit</i>	2,185	2,185	5,929	5,929
<i>Loan commitments and other credit related liabilities</i>	116,403	140,416	111,967	116,259
Total	1,762,586	1,789,691	1,636,020	1,630,351

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans to business customers</i>	867,355	957,018	777,220	887,014
<i>Loans to individuals</i>	123,056	69,577	116,742	63,595
Gross	990,411	1,026,595	893,962	950,609
<i>Less: allowance for impairment</i>	(36,802)	(32,440)	(42,666)	(37,940)
<i>of which: for individually assessed loans</i>	(35,435)	(31,500)	(41,395)	(37,000)
<i>of which: for collectively assessed loans</i>	(1,367)	(940)	(1,271)	(940)
Net	953,609	994,155	851,296	912,669

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Neither past due nor individually impaired</i>	871,480	922,637	720,915	788,302
<i>Past due but not individually impaired</i>	60,372	52,930	105,111	102,409
<i>Individually impaired</i>	58,559	51,028	67,936	59,898
Gross	990,411	1,026,595	893,962	950,609
<i>Less: allowance for impairment</i>	(36,802)	(32,440)	(42,666)	(37,940)
<i>of which: for individually assessed loans</i>	(35,435)	(31,500)	(41,395)	(37,000)
<i>of which: for collectively assessed loans</i>	(1,367)	(940)	(1,271)	(940)
Net	953,609	994,155	851,296	912,669

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

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

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

The list of loss events:

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

Loans and advances past due but not impaired

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Past due up to 7 days</i>	23,608	21,506	68,405	67,039
<i>Past due 8 to 30 days</i>	17,333	13,374	12,513	11,192
<i>Past due 31-60 days</i>	2,812	2,803	2,175	2,170
<i>Past due 61-90 days</i>	777	775	1,573	1,569
<i>Past due more than 90 days</i>	15,842	14,472	20,445	20,439
Total	60,372	52,930	105,111	102,409
<i>Allowance for impairment of collectively assessed loans</i>	(179)	(54)	(171)	(106)
<i>Fair value of collateral</i>	48,812	52,858	46,840	46,840

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans and advances individually impaired

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Impaired loans	58,559	51,028	67,936	59,898
Allowance for impairment of individually assessed loans	(35,435)	(31,500)	(41,395)	(37,000)
Allowance for impairment of collectively assessed loans	(197)	(197)	(23)	(23)
<i>Fair value of collateral</i>	44,626	44,626	41,305	41,305

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

Finance lease receivables

Segment information

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Business customers</i>	58,904	41,044	50,729	1,207
<i>Individuals</i>	12,211	7,327	8,533	-
Gross	71,115	48,371	59,262	1,207
<i>Neither past due not impaired</i>	53,104	35,661	44,325	1,095
<i>Past due but not impaired</i>	16,188	12,469	12,141	1
<i>Impaired</i>	1,823	241	2,796	111
Gross	71,115	48,371	59,262	1,207
<i>Subtract: Allowance for impairment</i>	(1,308)	(201)	(1,450)	(62)
<i>of which: for individually assessed finance lease receivables</i>	(1,256)	(150)	(1,447)	(61)
<i>of which: for collectively assessed finance lease receivables</i>	(52)	(51)	(3)	(1)
Net	69,807	48,170	57,812	1,145

Group

	31 December 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	346	3,453	3,799	441	2,355	2,796
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	10,924	23,729	34,653	7,056	16,947	24,003
<i>real estate -</i>	820	24,047	24,867	870	23,030	23,900
<i>airplanes -</i>	-	625	625	-	1,157	1,157
<i>production equipment -</i>	-	1,437	1,437	-	2,147	2,147
<i>other equipment -</i>	55	5,569	5,624	79	4,951	5,030
<i>other assets -</i>	66	44	110	87	142	229
Total	12,211	58,904	71,115	8,533	50,729	59,262

Bank

	31 December 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	125	2,585	2,710	-	28	28
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	6,501	18,014	24,515	-	29	29
<i>real estate -</i>	682	16,463	17,145	-	1,011	1,011
<i>airplanes -</i>	-	-	-	-	-	-
<i>production equipment -</i>	-	-	-	-	131	131
<i>other equipment -</i>	19	3,982	4,001	-	8	8
<i>other assets -</i>	-	-	-	-	-	-
Total	7,327	41,044	48,371	-	1,207	1,207

NOTE 2
SECURITIES

Securities at fair value through profit or loss

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Debt securities:	39,785	25,658	55,730	42,388
Government bonds	27,090	18,131	37,597	29,634
Corporate bonds	12,695	7,527	18,133	12,754
Equity securities	17,642	445	15,386	338
Total securities at fair value through profit or loss	57,427	26,103	71,116	42,726
	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Trading securities:				
Debt securities	38,314	25,658	54,115	42,388
from AA- to AAA	4,356	4,356	1,733	1,733
from A- to A+	12,897	11,023	27,710	24,951
from BBB- to BBB+	15,231	7,580	20,591	13,179
from BB- to BB+	5,313	2,315	3,754	2,198
lower than BB-	253	120	-	-
no rating	264	264	327	327
Equity securities	445	445	338	338
listed	409	409	301	301
unlisted	5	5	7	7
units of investment funds	31	31	30	30
Total trading securities	38,759	26,103	54,453	42,726
Securities designated at fair value through profit or loss at initial recognition:				
Debt securities	1,471	-	1,615	-
from AA- to AAA	125	-	300	-
from A- to A+	430	-	573	-
from BBB- to BBB+	916	-	742	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
Equity securities	17,197	-	15,048	-
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	17,197	-	15,048	-
Total securities designated at fair value through profit or loss at initial recognition	18,668	-	16,663	-
TOTAL	57,427	26,103	71,116	42,726

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

Investment securities

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities:	17,034	16,631	18,014	17,612
Government bonds	-	-	256	256
Corporate bonds	17,034	16,631	17,758	17,356
Equity securities	2,134	873	2,454	2,209
Total securities available for sale	19,168	17,504	20,468	19,821
Held-to-maturity securities:				
Debt securities:	524,054	524,054	494,645	494,645
Government bonds	420,755	420,755	381,943	381,943
Corporate bonds	103,299	103,299	112,702	112,702
Total held-to-maturity securities	524,054	524,054	494,645	494,645

NOTE 2
SECURITIES (continued)

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
Securities available for sale:				
Debt securities	17,034	16,631	18,014	17,612
<i>from AA- to AA+</i>	483	483	463	463
<i>from A- to A+</i>	4,350	4,350	5,758	5,758
<i>from BBB- to BBB+</i>	9,715	9,715	11,250	11,250
<i>from BB- to BB+</i>	2,083	2,083	141	141
<i>lower than BB-</i>	-	-	-	-
<i>no rating</i>	403	-	402	-
Equities	2,134	873	2,454	2,209
<i>listed</i>	-	-	-	-
<i>unlisted</i>	1,087	766	2,314	2,069
<i>units of investment funds</i>	1,047	107	140	140
Total securities available for sale	19,168	17,504	20,468	19,821
Held-to-maturity securities:				
Debt securities	524,054	524,054	494,645	494,645
<i>from AA- to AA+</i>	10,349	10,349	15,207	15,207
<i>from A- to A+</i>	402,509	402,509	359,917	359,917
<i>from BBB- to BBB+</i>	100,236	100,236	109,431	109,431
<i>from BB- to BB+</i>	8,295	8,295	10,090	10,090
<i>lower than BB-</i>	2,665	2,665	-	-
<i>no rating</i>	-	-	-	-
Total held-to-maturity securities	524,054	524,054	494,645	494,645

During the twelve month periods ended 31 December 2016 and 2015, no reclassifications between portfolios of securities were performed.

Investments in subsidiaries

	31 December 2016			31 December 2015		
	Share in equity	Acquisition cost	Carrying amount	Share in equity	Acquisition cost	Carrying amount
Bank						
<i>Investments in consolidated directly controlled subsidiaries</i>						
<i>Šiaulių Banko Lizingas UAB</i>	100.00%	4,460	69	100.00%	3,910	69
<i>Šiaulių Banko Investicijų Valdymas UAB</i>	100.00%	5,044	312	100.00%	5,044	312
<i>Šiaulių Banko Turto Fondas UAB</i>	100.00%	3,999	2,794	100.00%	3,999	3,554
<i>SBTF UAB</i>	100.00%	1,029	579	100.00%	1,029	579
<i>Pavasaris UAB</i>	100.00%	10,456	3,084	100.00%	10,456	7,834
<i>Minera UAB</i>	100.00%	5,165	2,566	100.00%	5,165	2,566
<i>Bonum Publicum GD UAB</i>	100.00%	8,399	8,399	100.00%	8,399	8,399
<i>SB Lizingas UAB</i>	100.00%	8,862	8,862	100.00%	8,862	8,862
Iš viso:		47,414	26,665		46,864	32,175
<i>Investments in consolidated indirectly controlled subsidiaries:</i>						
<i>Sandworks UAB *</i>	100.00%	3	3	100.00%	3	3
<i>Apželdinimas UAB **</i>	100.00%	300	300	-	-	-

*Indirectly controlled by subsidiary Šiaulių Banko Investicijų Valdymas UAB

** Indirectly controlled by subsidiary Šiaulių Banko Turto Fondas UAB

During the twelve month period ended 31 December 2016, the Bank recognized impairment losses to the following investments in subsidiaries: EUR 550 thousand investment in Šiaulių Banko Lizingas UAB (Bank covered losses of the subsidiary); EUR 760 thousand investment in Šiaulių Banko Turto Fondas UAB (Bank recognized a loss on investment in the subsidiary); EUR 4,750 thousand investment in Pavasaris UAB (value of the investment reduced after the dividends (total amount EUR 5,500 thousand) were paid by Pavasaris UAB and recognised in the income statement of the Bank).

NOTE 2
SECURITIES (continued)

Acquisition of Apželdinimas UAB

In November 2016, the Group acquired 100% shares in an indirectly controlled subsidiary Apželdinimas UAB. The entity owns investment property in Kaunas and was acquired with the aim to achieve the maximum value in the problem debt collection of certain borrowers. The fair values of the consideration paid and assets and liabilities acquired on the date of acquisition are presented in the table below:

<i>Acquisition of Apželdinimas UAB</i>	
<u>Fair value of net assets of Apželdinimas UAB upon acquisition:</u>	
Investment property	538
Cash	1
Total assets	539
Amounts payable	(155)
Total liabilities	(155)
Net assets upon acquisition	384
<u>Fair value of consideration:</u>	
Cash paid upon acquisition	(300)
Liabilities to Group's entities of the acquiree	(150)
Total consideration upon acquisition	(450)
Goodwill	66
<u>Group's cash flow upon acquisition:</u>	
Cash paid upon acquisition	(300)
Cash acquired upon acquisition	1
Net cash outflow	(299)
<u>Contribution of the acquiree to the Group since acquisition:</u>	
Goodwill impairment expenses	(66)
Operating loss	(8)
Total	(74)

Fair values of assets and liabilities were derived using valuation techniques attributable to Level III in the fair value measurement hierarchy (discounted cash flows was the valuation technique used the most).

The goodwill resulting from acquisition was immediately written-off. Had Apželdinimas UAB been consolidated in the Group from the beginning of the year, the Group's net profit for the year 2016 would have been EUR 43,650 thousand.

Assets classified as held for sale

Subsidiaries held for sale:

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas, Šiaulių Bankas AB acquired 100 % control over following subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB together owned 100% shares of Žalgirio Sporto Arena UAB; Žalgirio Sporto Arena UAB owned 100% shares of Nacionalinis Futbolo Stadionas UAB). Above-mentioned subsidiaries are classified as subsidiaries held for sale. Initially, they are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result (in case of profit, the value is increased; in case of loss, the value is decreased).

NOTE 2 SECURITIES (continued)

In the first quarter of 2015, Nacionalinis Futbolo Stadionas UAB was liquidated. In the second quarter of 2015, Kėdainių Oda UAB, indirectly owned subsidiary held for sale, and Semelitas UAB, indirectly owned subsidiary, were sold. On 30 June 2015 investment properties consisting of real estate objects located in territory between Olimpiečių, Rinktinės and Šeimyniškių streets in Vilnius were sold. The properties were sold by Bank's subsidiaries held for sale Žalgirio Sporto Arena UAB, Investicinio Turto Valdymas UAB, Trade Project UAB, profit from the transaction is included in Group's result of discontinued operations. In 2015, these subsidiaries paid dividends to the Bank (total amount EUR 14,898 thousand, included in Bank's income statement line „Dividends from investments in subsidiaries and associates“), the loss on measurement to fair value less cost to sell of investment to these subsidiaries was recognised (total amount EUR 10,425 thousand, included in Bank's income statement line „Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale“), and the preparation for liquidation process of these entities was started. During 2016, these subsidiaries paid dividends of EUR 832 thousand to the Bank (included in Bank's income statement line „Dividends from investments in subsidiaries and associates“) and their share capital was reduced by paying out the money to the Bank (the value of Bank's investments in subsidiaries held for sale reduced by EUR 13,798 thousand, no impact to the income statement). Investicinio Turto Valdymas UAB and Trade Project UAB were liquidated in 2016. At 31 December 2016, the remaining companies (Žalgirio Sporto Arena UAB, ŽSA1 UAB, ŽSA2 UAB, ŽSA3 UAB, ŽSA4 UAB, ŽSA5 UAB) performed no activity, their external assets were nil and external liabilities amounted to EUR 4 thousand. No result from dividends and remeasurement was included in the Group's income statement as they were eliminated in the process of consolidation.

Investment in subsidiaries classified as held for sale, as of 31 December 2016 and result of discontinued operations in 2016

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas
<i>Assets held for sale attributable to entity/ group of entities</i>	-
<i>Liabilities attributable to assets held for sale attributable to entity/ group of entities</i>	4
<i>Profit (loss) of the year (recorded in Discontinued operations line of the income statement)</i>	35
<i>of which: gain on disposal of entities</i>	-

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

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

During the twelve month periods ended 31 December 2016 and 2015, the Group did not incur any gain or loss related to the measurement to fair value less cost to sell of the subsidiaries held for sale. For details on Bank's losses related to the measurement to fair value less cost to sell of the subsidiaries held for sale, please refer to the description in the beginning of this section.

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

Real estate held for sale:

In addition to the subsidiaries held for sale, real estate properties that are planned to be sold within one year are included in assets classified as held for sale. As of 31 December 2016, carrying amount of such real estate assets was nil (31 December 2015: EUR 32 thousand).

NOTE 3 SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

Other assets

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Amounts receivable</i>	4,136	3,078	2,551	2,169
<i>Inventories</i>	24,936	-	30,490	-
<i>Deferred charges</i>	615	539	793	711
<i>Assets under reinsurance and insurance contracts</i>	697	-	607	-
<i>Prepayments</i>	3,979	3,428	4,107	3,388
<i>Foreclosed assets</i>	989	628	4,081	603
<i>Other</i>	486	268	1,476	220
Total	35,838	7,941	44,105	7,091

NOTE 4 DUE TO CUSTOMERS

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
<i>National government institutions</i>	10,543	10,543	9,541	9,541
<i>Local government institutions</i>	42,682	42,682	28,950	28,950
<i>Governmental and municipal companies</i>	5,780	5,780	5,993	5,993
<i>Corporate entities</i>	230,215	230,591	175,084	175,408
<i>Non-profit organisations</i>	10,602	10,602	10,102	10,102
<i>Individuals</i>	270,241	270,241	237,824	237,824
<i>Unallocated amounts due to customers</i>	29,445	29,460	20,531	20,531
Total demand deposits	599,508	599,899	488,025	488,349
<i>Time deposits:</i>				
<i>National government institutions</i>	359	359	456	456
<i>Local government institutions</i>	1,067	1,067	531	531
<i>Governmental and municipality companies</i>	615	615	769	769
<i>Corporate entities</i>	37,690	37,690	39,041	39,041
<i>Non-profit organisations</i>	2,455	2,455	2,736	2,736
<i>Individuals</i>	853,393	853,393	904,830	904,830
Total time deposits	895,579	895,579	948,363	948,363
Total	1,495,087	1,495,478	1,436,388	1,436,712

NOTE 5 SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

Debt securities in issue

As at 31 December 2016, the Group and the Bank had no debt securities in issue. At 31 December 2015, the Bank had deposit certificates issued (this liability was acquired in Finasta acquisition transaction), carrying amount of which was EUR 58 thousand, maturity term – December 2016. Held for trading governments bonds with a carrying value of EUR 53 thousand were pledged as collateral for deposit certificates.

Special and lending funds

The special funds consist of the funds from the mandatory social and health insurance funds. The special funds have to be returned to the institutions which have placed them upon the first requirement of the latter. The increase in special and lending funds from EUR 8,191 thousand in the beginning of the year to EUR 28,326 thousand is attributable to routine fluctuations in these funds.

NOTE 6 CAPITAL

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

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

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

NOTE 6 CAPITAL (continued)

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

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

As of 31 December 2016, the shareholders holding over 5% of the Bank's shares are listed in the table below:

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

At 31 December 2016 another 19 shareholders (31 December 2015: 15) had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 31 December 2016, this group possessed 39.10 percent (31 December 2015: 39.41 percent) of the authorised capital and votes of the Bank.

As at 31 December 2016, the Bank had 3,401 shareholders (as at 31 December 2015: 3,476).

Dividends:

On 30 March 2016 the ordinary general meeting of shareholders made a decision to pay EUR 0.002 (i.e. 0.69%) dividends per one ordinary registered share with EUR 0.29 nominal value each. On 27 March 2015 the ordinary general meeting of shareholders made a decision to pay EUR 0.000725 dividends per one ordinary registered share with EUR 0.29 nominal value each (i.e. 0.25% of the nominal value of the share).

Statutory Reserve:

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

NOTE 7 NET INTEREST INCOME

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	523	3,911	593	3,877
<i>on loans to customers</i>	49,118	41,388	48,130	40,081
<i>on debt securities</i>	12,550	12,066	13,422	13,376
<i>on finance leases</i>	3,743	1,204	3,650	595
Total interest income	65,934	58,569	65,795	57,929
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(1,394)	(1,394)	(1,486)	(1,486)
<i>on financial liabilities measured at amortised cost</i>	(10,597)	(10,603)	(15,479)	(15,484)
<i>on other liabilities</i>	(22)	(22)	(11)	(11)
Total interest expense	(12,013)	(12,019)	(16,976)	(16,981)
Net interest income	53,921	46,550	48,819	40,948

NOTE 8
NET FEE AND COMMISSION INCOME

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
for administration of loans of third parties	4,178	4,178	3,944	3,944
for settlement services	3,749	3,780	3,418	3,481
for cash operations	2,570	2,570	1,953	1,953
for account administration	1,058	1,058	921	921
for guarantees, letters of credit, documentary collection	388	388	485	485
for collection of utility and similar payments	420	440	343	343
for services related to securities	918	1,055	564	697
other fee and commission income	834	242	530	178
Total fee and commission income	14,115	13,711	12,158	12,002
<i>Fee and commission expense:</i>				
for payment cards	(2,645)	(2,645)	(2,486)	(2,486)
for cash operations	(797)	(797)	(747)	(747)
for correspondent bank and payment system fees	(526)	(203)	(430)	(178)
for services of financial data vendors	(183)	(183)	(113)	(113)
for services related to securities	(271)	(271)	(151)	(151)
other fee and commission expenses	(280)	(265)	(192)	(68)
Total fee and commission expense	(4,702)	(4,364)	(4,119)	(3,743)
Net fee and commission income	9,413	9,347	8,039	8,259

NOTE 9
OTHER OPERATING EXPENSES

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
Rent of buildings and premises	(1,442)	(1,239)	(1,383)	(1,220)
Utility services for buildings and premises	(727)	(665)	(754)	(692)
Other expenses related to buildings and premises	(366)	(353)	(433)	(409)
Transportation expenses	(408)	(441)	(467)	(544)
Legal costs	(47)	(47)	(134)	(134)
Personnel and training expenses	(246)	(222)	(154)	(135)
IT and communication expenses	(2,054)	(1,849)	(1,745)	(1,609)
Marketing and charity expenses	(1,381)	(452)	(1,815)	(641)
Service organisation expenses	(943)	(871)	(1,156)	(1,191)
Non-income taxes, fines	(780)	(96)	(988)	(212)
Costs incurred due to debt recovery	(361)	(193)	(853)	(716)
Other expenses	(922)	(407)	(936)	(490)
Total	(9,677)	(6,835)	(10,818)	(7,993)

NOTE 10
IMPAIRMENT LOSSES

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<i>Impairment losses on loans</i>	(8,281)	(7,532)	(17,656)	(16,621)
<i>Recoveries of loans previously written-off</i>	831	139	936	259
<i>(Impairment losses)/Reversal of impairment losses on finance lease receivables</i>	121	(58)	465	-
<i>Recovered previously written-off finance lease receivables</i>	144	-	168	-
<i>Impairment losses on subsidiaries</i>	-	(6,060)	-	(4,738)
<i>Revaluation of subsidiaries classified as held for sale</i>	-	-	-	(10,425)
<i>(Impairment losses)/Reversal of impairment losses on other assets</i>	(648)	(59)	(7,045)	(556)
<i>Recoveries of other assets previously written-off</i>	-	-	72	-
<i>Reversal of provisions for off-balance sheet items</i>	58	14	28	-
Total	(7,775)	(13,556)	(23,032)	(32,081)

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<u>Allowance for impairment of loans</u>				
As at 1 January	42,666	37,940	47,636	41,664
<i>Change in allowance for loan impairment</i>	8,281	7,532	17,656	16,621
<i>Loans written off during the period</i>	(14,098)	(13,031)	(18,014)	(17,185)
<i>Other factors (reclassification, FX rate shift, etc.)</i>	(47)	(1)	1,405	183
As at 31 December	36,802	32,440	48,683	41,283
<u>Allowance for impairment of finance lease receivables</u>				
As at 1 January	1,450	62	1,943	61
<i>Change in allowance for impairment of finance lease receivables</i>	(121)	58	(465)	-
<i>Finance lease receivables written off during the period</i>	(21)	(19)	-	-
<i>Other factors (reclassification, FX rate shift, etc.)</i>	-	100	-	-
As at 31 December	1,308	201	1,478	61

NOTE 11

SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

Net gain from operations with securities

Net gain from operations with securities for the twelve month period ended 31 December 2016 includes one-off realised gain of EUR 1,749 thousand from the security included in available-for-sale portfolio and one-off realised gain of 1,791 thousand from the security included in held-to-maturity portfolio.

Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of EUR 12,644 thousand during the twelve month period ended 31 December 2016 (twelve month period ended 31 December 2015: EUR 4,825 thousand) is mainly attributable to the derecognition of the acquisition value adjustment (i.e. the difference between acquisition value and the gross value) for the fully or partially repaid/refinanced or sold loans.

Revenues and expenses related to other activities of Group companies

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<i>Revenue related to insurance activities</i>	6,176	-	6,193	-
<i>Revenue from sale of apartments</i>	9,082	-	8,183	-
<i>Total revenue related to other activities of Group companies</i>	15,258	-	14,376	-
<i>Part of the change of the technical insurance provisions that covers the result of investment of assets under unit-linked contracts*</i>	(1,481)	-	(1,134)	-
<i>Other changes of the technical insurance provisions and other expenses related to insurance activities</i>	(3,171)	-	(4,931)	-
<i>Cost of apartments sold</i>	(8,114)	-	(7,759)	-
<i>Total expenses related to other activities of Group companies</i>	(12,766)	-	(13,824)	-

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

	1 January - 31 December 2016		1 January - 31 December 2015	
	Group	Bank	Group	Bank
<i>Interest and similar income</i>	48	-	73	-
<i>Net gain (loss) from operations with securities</i>	1,211	-	544	-
<i>Net gain (loss) from foreign exchange</i>	222	-	517	-
<i>Total</i>	1,481	-	1,134	-

NOTE 12 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

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

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

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

	31 December 2016		31 December 2015	
	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	950	1,009	682	1,075
<i>Other related parties (excluding subsidiaries of the Bank)</i>	14,561	53,447	4,080	48,121
Total	15,511	54,456	4,762	49,196

Transactions with EBRD:

The Group/Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was EUR 22,064 thousand as of 31 December 2016 (31 December 2015: EUR 20,457 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Subordinated loan related interest expenses amounted to EUR 1,394 thousand, a loss of EUR 1,644 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2016 (2015: interest expenses EUR 1,486 thousand, revaluation loss EUR 1,165 thousand).

NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

Transactions with subsidiaries:

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

	31 December 2016		31 December 2015	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	376	38,421	323	20,891
<i>Financial institutions</i>	2,301	81,465	2,937	100,735

Bank's total balances with subsidiaries:

	31 December 2016	31 December 2015
Assets		
<i>Loans</i>	95,641	116,518
<i>Other assets</i>	88	22
<i>Bank's investment in subsidiaries</i>	26,665	32,175
<i>Bank's investment in subsidiaries classified as assets held for sale</i>	58	13,856
Liabilities and shareholders' equity		
<i>Deposits</i>	2,677	3,260
<i>Other liabilities</i>	646	39

Income and expenses arising from transactions with subsidiaries:

	1 January– 31 December 2016	1 January– 31 December 2015
Income		
<i>Interest</i>	4,054	4,797
<i>Commission income</i>	263	196
<i>Dividends</i>	9,632	18,374
<i>Other income</i>	243	144
Expenses		
<i>Interest</i>	(5)	(4)
<i>Operating expenses</i>	(191)	(445)
<i>Impairment of loans</i>	(5)	-
<i>Impairment of investment in subsidiaries</i>	(6,060)	(15,163)

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS

Liquidity risk

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

Liquidity risk management process

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

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

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The structure of the Group's assets and liabilities by maturity as at 31 December 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	154,453	36,668	66,226	80,566	208,363	522,103	697,168	95,731	1,861,278
<i>Total liabilities and shareholders' equity</i>	629,464	134,105	143,794	199,330	358,069	142,331	74,668	179,517	1,861,278
<i>Net liquidity gap</i>	(475,011)	(97,437)	(77,568)	(118,764)	(149,706)	379,772	622,500	(83,786)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2015 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	80,998	54,647	79,750	71,495	126,336	480,448	679,559	121,807	1,695,040
<i>Total liabilities and shareholders' equity</i>	502,104	141,252	153,935	215,501	362,608	118,057	56,047	145,536	1,695,040
<i>Net liquidity gap</i>	(421,106)	(86,605)	(74,185)	(144,006)	(236,272)	362,391	623,512	(23,729)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2016 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	152,691	29,676	97,471	94,838	212,141	484,683	672,633	79,506	1,823,639
<i>Total liabilities and shareholders' equity</i>	630,319	128,756	142,470	199,688	356,895	141,047	51,521	172,943	1,823,639
<i>Net liquidity gap</i>	(477,628)	(99,080)	(44,999)	(104,850)	(144,754)	343,636	621,112	(93,437)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2015 was as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
<i>Total assets</i>	79,941	59,249	106,110	75,678	140,714	434,628	634,506	127,031	1,657,857
<i>Total liabilities and shareholders' equity</i>	504,560	136,961	153,591	215,282	361,495	116,573	34,519	134,876	1,657,857
<i>Net liquidity gap</i>	(424,619)	(77,712)	(47,481)	(139,604)	(220,781)	318,055	599,987	(7,845)	-

Market risk

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

Interest rate risk

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

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

Sensitivity of interest rate risk

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

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

Group 31 December 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	199,704	269,284	399,786	94,755	580,395	317,354	1,861,278
Liabilities and equity	121,663	156,228	189,154	352,819	150,077	891,337	1,861,278
Net interest sensitivity gap	78,041	113,056	210,632	(258,064)	430,318	(573,983)	-
Higher/lower impact on profit from balance sheet assets and liabilities	748	942	1,316	(645)	-	-	2,361

Group 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	234,917	248,996	388,850	41,553	554,353	226,371	1,695,040
Liabilities and equity	143,261	169,961	209,612	339,125	145,887	687,194	1,695,040
Net interest sensitivity gap	91,656	79,035	179,238	(297,572)	408,466	(460,823)	-
Higher/lower impact on profit from balance sheet assets and liabilities	878	659	1,120	(744)	-	-	1,913

Bank 31 December 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	192,039	294,138	406,446	108,909	551,758	270,349	1,823,639
Liabilities and equity	121,663	156,230	189,194	352,819	150,677	853,056	1,823,639
Net interest sensitivity gap	70,376	137,908	217,252	(243,910)	401,081	(582,707)	-
Higher/lower impact on profit from balance sheet assets and liabilities	674	1,149	1,358	(610)	-	-	2,571

Bank 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
Assets	235,395	260,523	369,794	69,345	527,214	195,586	1,657,857
Liabilities and equity	143,052	169,916	209,490	338,759	123,114	673,526	1,657,857
Net interest sensitivity gap	92,343	90,607	160,304	(269,414)	404,100	(477,940)	-
Higher/lower impact on profit from balance sheet assets and liabilities	885	755	1,002	(674)	-	-	1,968

Operational risk

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

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

NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

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

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 self assessment performed by the Bank annually; evaluation of new products.

In 2016, the Bank continued to develop systems of operational risk management, prepared regulations on the principles for reliable and appropriate internal control system, improved the process for conducting investigations on very important operational risk events. The spectre of operational risk indicators was expanded, their use for the Bank was increased, the risk indicators used were supplemented with the registers to trace continuous monitoring and control actions. The Guidelines for Business Continuity Organization, which regulate the business continuity plans and measures and protect Bank's activity from adverse impact of the incidents were introduced. Employees perception of operational risk was strengthened by organizing operational risk training of new employees. In 2016, the Bank intends to continue development of operational risk management system and improving internal control system and its components.

NOTE 14 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

During the twelve month period ended 31 December 2016, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2015. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the twelve month period ended 31 December 2016, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

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

	31 December 2016		31 December 2015	
	Group	Bank	Group	Bank
LEVEL I				
<i>Financial assets at fair value through profit or loss</i>	57,372	26,048	71,091	42,701
<i>Available for sale financial assets</i>	18,081	16,738	18,154	17,752
Total Level I financial assets	75,453	42,786	89,245	60,453
LEVEL II				
<i>Financial assets at fair value through profit or loss</i>	3,417	3,417	1,109	1,109
<i>Financial liabilities at fair value through profit or loss</i>	(175)	(175)	(136)	(136)
LEVEL III				
<i>Financial assets at fair value through profit or loss</i>	5,621	5,325	8,208	7,670
<i>Available for sale financial assets</i>	1,087	766	2,314	2,069
Total Level III financial assets	6,708	6,091	10,522	9,739
<i>Financial liabilities at fair value through profit or loss</i>	22,064	22,064	20,457	20,457
Total Level III financial liabilities	22,064	22,064	20,457	20,457

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

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

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

Group	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
As at 1 January	8,208	7,097	2,314	677	20,457	19,295
Additions	50	2,698	655	69	-	-
Disposals	(717)	-	(1,821)	(74)	-	-
Changes due to interest accrued/paid	(2)	2	-	-	(37)	(3)
Changes in fair value	(1,918)	(1,589)	(61)	1,642	1,644	1,165
As at 31 December	5,621	8,208	1,087	2,314	22,064	20,457

Bank	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
As at 1 January	7,670	35,612	2,069	403	20,457	19,295
Additions	50	2,830	400	24	-	-
Disposals	(717)	(28,962)	(1,642)	-	-	-
Changes due to interest accrued/paid	(2)	2	-	-	(37)	(3)
Changes in fair value	(1,676)	(1,812)	(61)	1,642	1,644	1,165
As at 31 December	5,325	7,670	766	2,069	22,064	20,457

	1 January – 31 December 2016		1 January – 31 December 2015	
	Group	Bank	Group	Bank
Total result from revaluation of Level III instruments included in the income statement	(3,562)	(3,320)	(2,754)	(2,977)

NOTE 15
SEGMENT INFORMATION

Business segments

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2016 and in the Statement of comprehensive income for the twelve month period then ended is presented in the table below.

	<i>Traditional banking operations and lending</i>	<i>Treasury</i>	<i>Insurance, real estate and other activities</i>	<i>Eliminations</i>	<i>Total</i>
<i>Continuing operations</i>					
<i>Internal</i>	(3,344)	-	3,274	70	-
<i>External</i>	42,026	7,443	4,452	-	53,921
<i>Net interest income</i>	38,682	7,443	7,726	70	53,921
<i>Internal</i>	215	-	(116)	(99)	-
<i>External</i>	9,435	-	(22)	-	9,413
<i>Net fee and commission income</i>	9,650	-	(138)	(99)	9,413
<i>Internal</i>	(3,129)	-	3,158	(29)	-
<i>External</i>	51,461	7,443	4,430	-	63,334
<i>Net interest, fee and commissions income</i>	48,332	7,443	7,588	(29)	63,334
<i>Internal</i>	(349)	(19)	(33)	401	-
<i>External</i>	(23,010)	(2,220)	(15,553)	-	(40,783)
<i>Operating expenses</i>	(23,359)	(2,239)	(15,586)	401	(40,783)
<i>Amortisation charges</i>	(309)	(28)	(30)	-	(367)
<i>Depreciation charges</i>	(1,068)	(106)	(232)	-	(1,406)
<i>Internal</i>	-	-	(6,065)	6,065	-
<i>External</i>	(7,227)	-	(548)	-	(7,775)
<i>Impairment expenses</i>	(7,227)	-	(6,613)	6,065	(7,775)
<i>Internal</i>	28	-	9,917	(9,945)	-
<i>External</i>	2,579	4,871	29,836	-	37,286
<i>Net other income</i>	2,607	4,871	39,753	(9,945)	37,286
<i>Profit (loss) from continuing operations before tax</i>	18,976	9,941	24,880	(3,508)	50,289
<i>Profit (loss) from discontinued operations</i>	-	-	-	35	35
<i>Income tax</i>	(5,894)	(624)	(140)	-	(6,658)
<i>Profit (loss) per segment after tax</i>	13,082	9,317	24,740	(3,473)	43,666
<i>Non-controlling interest</i>	-	-	-	-	-
<i>Profit (loss) for the year attributable to the owners of the Bank</i>	13,082	9,317	24,740	(3,473)	43,666
<i>Total segment assets</i>	1,051,792	725,129	207,103	(122,746)	1,861,278
<i>Total segment liabilities</i>	946,729	656,362	177,589	(98,919)	1,681,761
<i>Net segment assets (shareholders' equity)</i>	105,063	68,767	29,514	(23,827)	179,517

In 2016, the Group changed the definition of segments in its financial statements because its management believes that the integration of activities of Šiaulių Banko Lizingas UAB to the Bank (in 2016, new finance lease contracts were issued by the Bank; some of the old finance lease contracts have been transferred from the leasing company to the Bank, and some remained at the leasing company while in 2015 the whole finance lease activity was within finance lease segment) makes the segment reporting using financial information of the Group's previously reported segments incomparable.

NOTE 15
SEGMENT INFORMATION (continued)

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2015 and in the statement of comprehensive income for the twelve month period then ended is presented below:

	<i>Traditional banking operations and lending</i>	<i>Treasury</i>	<i>Insurance, real estate and other activities</i>	<i>Eliminations</i>	<i>Total</i>
<i>Continuing operations</i>					
<i>Internal</i>	(3,701)	-	3,911	(210)	-
<i>External</i>	42,150	5,407	1,262	-	48,819
<i>Net interest income</i>	38,449	5,407	5,173	(210)	48,819
<i>Internal</i>	136	-	(197)	61	-
<i>External</i>	8,069	-	(30)	-	8,039
<i>Net fee and commission income</i>	8,205	-	(227)	61	8,039
<i>Internal</i>	(3,565)	-	3,714	(149)	-
<i>External</i>	50,219	5,407	1,232	-	56,858
<i>Net interest, fee and commissions income</i>	46,654	5,407	4,946	(149)	56,858
<i>Internal</i>	(501)	(45)	(72)	618	-
<i>External</i>	(22,724)	(2,083)	(16,479)	-	(41,286)
<i>Operating expenses</i>	(23,225)	(2,128)	(16,551)	618	(41,286)
<i>Amortisation charges</i>	(235)	(22)	(21)	-	(278)
<i>Depreciation charges</i>	(1,010)	(92)	(215)	-	(1,317)
<i>Internal</i>	-	-	(15,163)	15,163	-
<i>External</i>	(16,907)	-	(6,125)	-	(23,032)
<i>Impairment expenses</i>	(16,907)	-	(21,288)	15,163	(23,032)
<i>Internal</i>	-	-	20,952	(20,952)	-
<i>External</i>	1,343	866	23,046	-	25,255
<i>Net other income</i>	1,343	866	43,998	(20,952)	25,255
<i>Profit (loss) from continuing operations before tax</i>	6,620	4,031	10,869	(5,320)	16,200
<i>Profit (loss) from discontinued operations</i>	-	-	(435)	9,073	8,638
<i>Income tax</i>	(1,104)	(95)	180	-	(1,019)
<i>Profit (loss) per segment after tax</i>	5,516	3,936	10,614	3,753	23,819
<i>Non-controlling interest</i>	-	-	-	-	-
<i>Profit (loss) for the year attributable to the owners of the Bank</i>	5,516	3,936	10,614	3,753	23,819
<i>Total segment assets</i>	939,868	667,977	252,949	(165,754)	1,695,040
<i>Total segment liabilities</i>	862,483	614,585	215,567	(134,659)	1,557,976
<i>Net segment assets (shareholders' equity)</i>	77,385	53,392	37,382	(31,095)	137,064



ADDITIONAL INFORMATION

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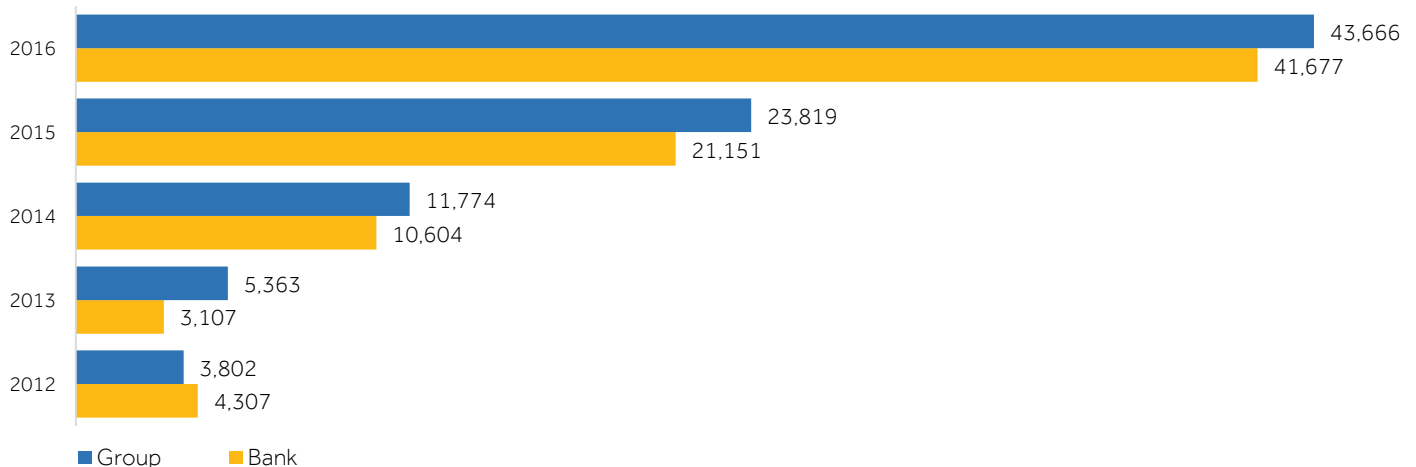
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1. INFORMATION ON THE PERFORMANCE RESULTS

The Group has shown rapid expansion and growth in recent years where the year of 2016 proved to be exceptionally successful - the Bank's profit was the biggest one ever earned in the history, revenue increased in all major segments, the range of services was further expanded and the customer service quality reached the highest level.

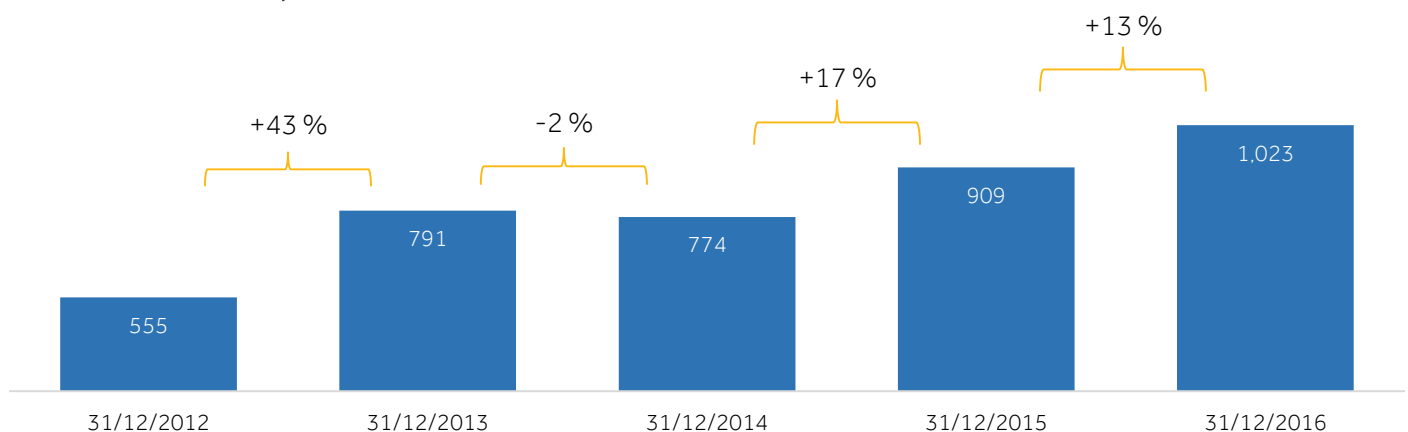
In 2016, the Group had an unaudited net profit of 43.7 million euros, or 83 per cent more than in the same period of 2015 when net profit was 23.8 million euros. The Bank's annual net profit was 41.7 million euros. In 2015, the Bank earned 21.2 million euros.

Net profit of the Bank and the Group, 2012-2016, EUR thousand:



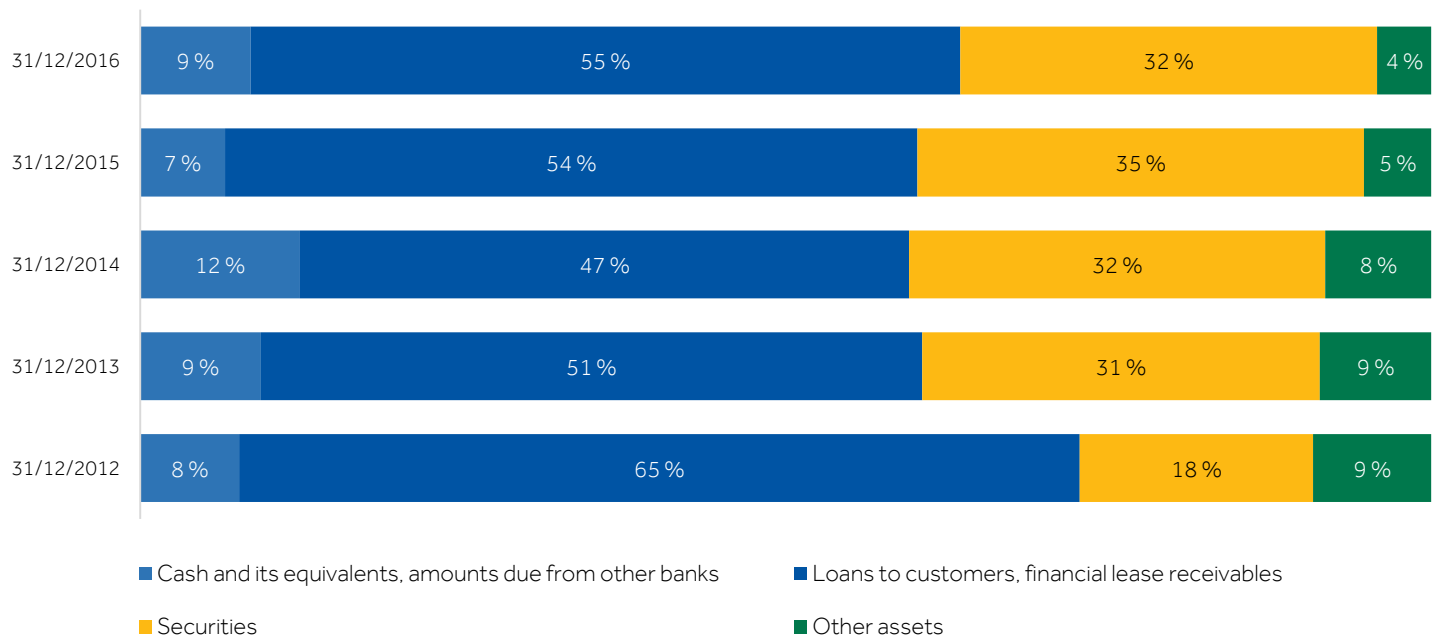
Loan and financial lease portfolio of the Group crossed the billion-euro threshold at the end of 2016. Several factors drove the growth of the portfolio: positive expectations among individuals and business entities, increasing investments and consumption, and the low interest rate environment. 469 million euros of new loans were issued per year and the size of the portfolio increased by 114 million euros, or 13 per cent over twelve months.

Loan and financial lease portfolio, 2012 – 2016, EUR m



The priority lending areas continue to be loans to small and medium-sized enterprises and consumer financing. The multi-apartment building modernization programme where the Bank has more than 60 per cent of the market is also considered as highly important area of activities. The Bank and the European Investment Fund signed a guarantee agreement which enabled the Bank to provide financing to innovative SMEs and small mid-caps at reduced interest rates.

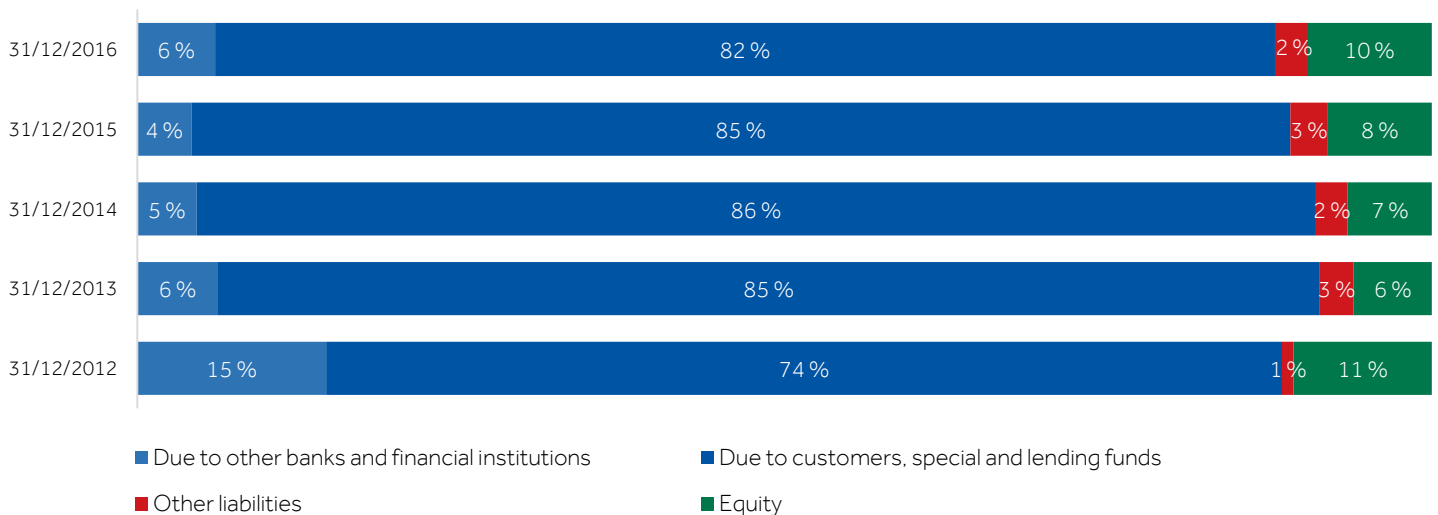
Group's Asset Structure 2012–2016, per cent



The Group's deposit portfolio grew by 4 per cent per annum to nearly 1.5 billion euros at the end of December 2016. As alternative to the low deposit interest environment the Bank introduced a new structural financial instrument - a fixed-term deposit whose interest rate is linked to financial assets.

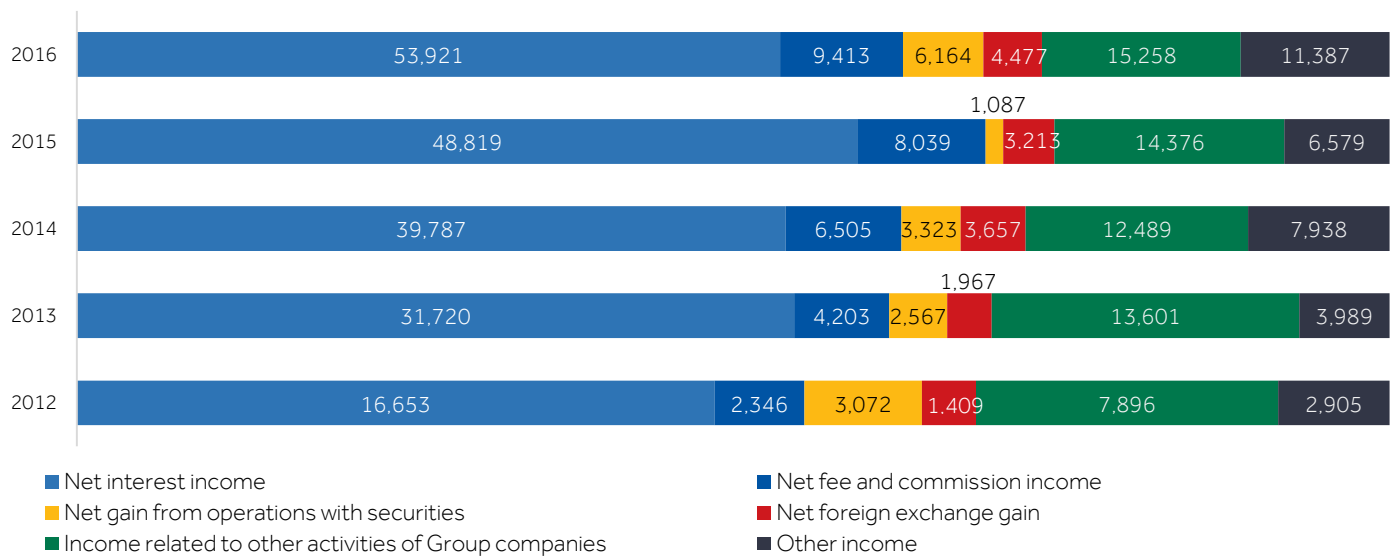
Among banks operating in Lithuania, the Bank currently stands fourth both in the loan and deposit markets.

Group's Liability Structure 2012–2016, per cent



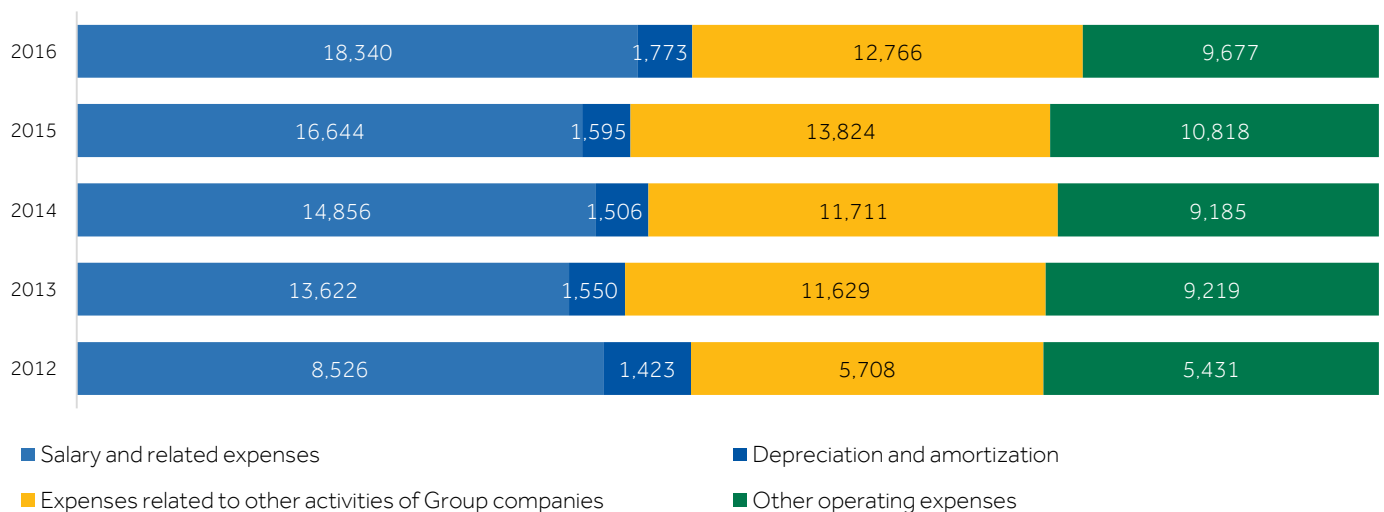
Net interest income increased by 11 per cent and amounted to almost 54 million euros. The Group's net fee and commission income also changed significantly last year—it amounted to EUR 9.4 million which was by 17 per cent more than in 2015. Active participation in the multi-apartment housing modernization programme ensured 6 per cent annual growth of this type of income. Other net fee and commission income grew by 28 per cent per annum due to increasing customer pro-activity and banking service range development.

Group's Operating Income Structure 2012–2016, EUR thousand



Profit from foreign exchange operations increased by 39 per cent in 2016 to more than 4.5 million euros. New foreign exchange products and increased client activity contributed to that growth. Profit earned from trading in securities significantly contributed to the results as well. The Group earned a net gain of EUR 6.2 million from securities trading including 3.5 million euros of profit from one-off transactions.

Structure of the Group's Operating Expenses 2012-2016, in EUR thousand



During the reporting period the Group's expenses decreased by 1 per cent comparing to 2015 and amounted to 42.6 million euros in total. 43 per cent of operating expenses consisted of salary and related expenses, i.e. EUR 18.3 million. In 2016 the Group incurred 7.8 million euros impairment loss in loans and other assets (12.3 million euros loss in 2015).

The Bank's and the Group's profitability ratios are available on the Bank's website www.sb.lt in the section *Financial statements, ratios and prospectuses* -> [Profitability ratios](#).

As of 31 December 2016 the Bank's clientèle totalled to 354 612 where private customers accounted for 328 296 and corporate entities – for 26 316. The customer service network of the Bank consisted of 68 units operating in 38 cities and towns throughout Lithuania.

At the end of 2016 the Bank's clients could use 209 ATMs (14 of theare ATMs accepting cash) belonging to banks' network operating in 48 towns throughout Lithuania. They could withdraw cash or debit their funds to the payment card accounts through 2,063 terminals of Perlo paslaugos UAB all over Lithuania The banking services are also available via the Bank's on-line system SB Linija and mobile application Šiauliy Bankas.

The results of the research conducted by company Dive Lietuva (Slapto pirkėjo tyrimai UAB) indicated that the Bank's general customer satisfaction indicator grew by 5.4 percentage points in 2016 and reached 95.7 per cent which

represents the highest level of servicing. This is the second best indicator among all 7 banks operating in Lithuania covered in the research.

Growing profitability, strengthened capital alongside with decreased assets risk and problem loan ratio affected the Bank's long-term deposit rating - on 16 June 2016 international rating agency Moody's Investors Service upgraded the rating to Ba1.

Two solid international business and finance magazines positively evaluated successful recent year performance of the Bank recognizing it as the Best Bank in Lithuania 2016 - The Banker issued by an influential Great Britain's daily newspaper The Financial Times and the special publication Global Finance. The Great Britain's magazine Global Banking & Finance Review recognized the Bank as the Best SME bank in Lithuania 2016.

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

According to the data as of 31 December 2016 the Bank complied with all the prudential requirements set by the Bank of Lithuania. This information is available on the Bank's website www.sb.lt in the section *Financial statements, ratios and prospectuses* -> [Prudential standards](#).

3. AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

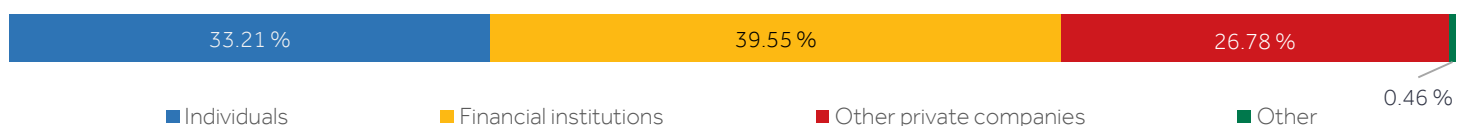
The authorized capital of the Bank totals to EUR 109 471 658.33 and is comprised of 377 488 477 units of ordinary registered shares with a nominal value of EUR 0.29 each. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 26 May 2016.

Over the recent five years the Bank's authorized capital increased by EUR 41.36 million, i.e. by EUR 6.19 million from the additional shareholders' contributions and by EUR 35.17 million - from the Bank's own funds.

Authorized capital:

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

Authorized capital by types of shareholders as of 31 December 2016, in per cent:

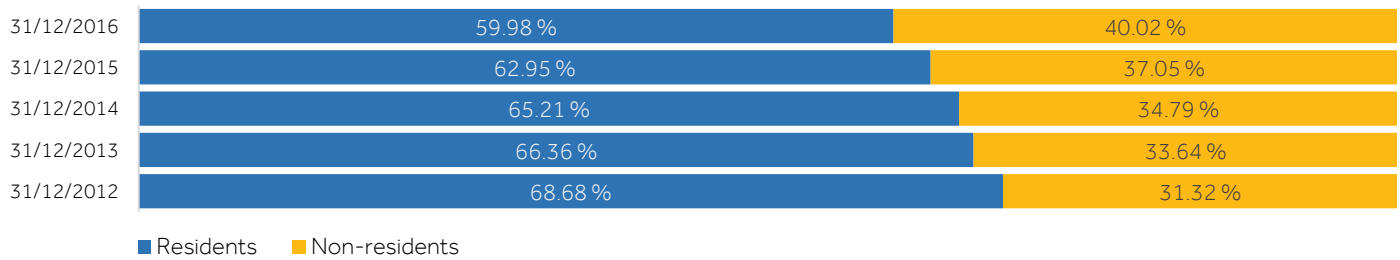


Structure of the Bank's authorized capital as of 31 December 2016:

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

As of 31 December 2016 the number of the Bank's shareholders amounted to 3,401 (at the end of 2015 – 3,476). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

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



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

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

The Bank's shares are included into the following Nasdaq indices:

- *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.

Change in share price over the period of 2014-2016:



Source: [Nasdaq Baltic website](http://www.nasdaq-baltic.com)

Turnover the Bank's shares over the period of 2014-2016:

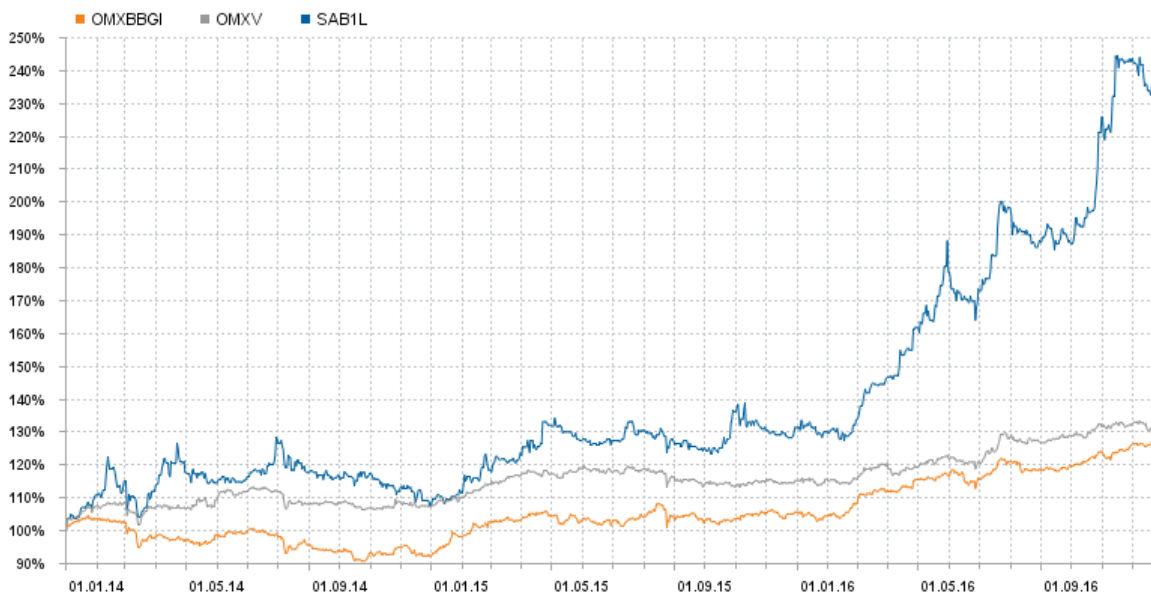
Year	Last trading session price, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares, units	Turnover, EUR mln
2014	0.266	0.331	0.266	0.290	28,107,139	8.15
2015	0.298	0.323	0.267	0.295	43,084,506	12.70
2016	0.449	0.469	0.262	0.352	65,709,337	23.12

Turnover and price of the Bank's shares over the reporting year, EUR:



Source: [Nasdaq Baltic website](http://NasdaqBaltic.com)

Changes of OMX Vilnius, OMX Baltic Benchmark indices and Bank's share price during the period of 2014-2016:



Source: [Nasdaq Baltic website](http://NasdaqBaltic.com)

<i>Index/Shares</i>	<i>01/01/2014</i>	<i>31/12/2016</i>	<i>+/-, %</i>
■ <i>OMX Baltic Benchmark GI</i>	613.50	788.17	+28.47
■ <i>OMX Vilnius</i>	421.60	558.50	+32.47
■ <i>SAB1L</i>	0.189 EUR	0.449 EUR	+137.57

The capitalization of the Bank was EUR 66.50 million as of 31 December 2013; on 31 December 2016 it comprised EUR 169.49 million.

The capitalization the Bank and the total capitalization of shares of companies quoted on the Nasdaq AB in the Baltics as of the last trading day of 2013 and 2016 is provided below:

	<i>31/12/2013</i>	<i>31/12/2016</i>	<i>Change</i>
<i>Šiaulių Bankas – SAB1L</i>	66,500,000.00 EUR	169,492,326.17 EUR	+154.88%
<i>The Baltic market in total:</i>	5,731,270,188.87 EUR	6,585,528,406.26 EUR	+14.91%

Source:
[Nasdaq Baltic website](#)

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

	<i>31/12/2012</i>	<i>31/12/2013</i>	<i>31/12/2014</i>	<i>31/12/2015</i>	<i>31/12/2016</i>
<i>P/E</i>	13.29	13.12	6.12	3.73	4.06

5. AGREEMENTS WITH INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES

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

To execute and account Bank's and its client's transactions with securities the Bank has concluded agreements with the intermediaries. The following agreements were effective as of 31 December 2016 with:

- *Lithuanian branch of Danske Bank A/S* – Investment service provision agreement;
- *DNB bankas AB* – Agreement regarding management of financial instrument account and execution of orders;
- *Swedbank, AB* – Agreements of securities account management and brokerage;
- *AB SEB banku* – Agreements of securities account management;
- *Raiffeisen Bank International AG* – Agreements of securities account management and brokerage;
- *Privredna banka Zagreb* – Agreement on custody service and storage and administration of financial instruments of the clients;
- *ERSTE Securities Polska SA* - Brokerage services agreement for custodian clients;
- *Bank of Georgia* - Subcustodial services agreement;
- *Caceis bank Deutschland* – Custody agreement;
- *Commerzbank AG* – Custodial account agreement;
- *Karoll AD* – Brokerage agreement;
- *Galt & Taggart* – Agency and service agreement;
- *KCG Europe Limited* – Agency agreement;
- *Swiss Capital* – Agency agreement;
- *Global Securities* - Agency agreement.

6. ACQUISITION OF OWN SHARES

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

7. RATINGS ASSIGNED BY THE INTERNATIONAL AGENCIES

The credit rating of the Bank is determined by the international rating agency Moody's Investors Service LTD. On 16 June 2016 the agency upgraded ratings of the Bank improving the long-term deposit rating to Ba1 from Ba2:

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

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

8. BANK'S MANAGEMENT BODIES

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

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

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

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Supervisory Council is directed by its Chairman. The Supervisory Council consisting of 7 (seven) members is elected by the General Meeting of Shareholders for a term of four years. The initiators of the Meeting or the shareholders holding shares that grant at least 1/20 of the Bank's shares, shall have the right of proposing the members of the Supervisory Council.

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

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

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

The Management Board of the Bank is a collegial Bank management body, consisting of 7 (seven) members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board members are elected, recalled and supervised by the Bank's Supervisory Council. The Board of the Bank is elected by the Council for a term of 4 years - the number of tenures is not limited. If individual Board members are elected, they are elected till the end of the active Board's term. The Board shall convene and hold the General Shareholders' Meetings in due time.

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

The Chief Executive Officer and the members of the Board and Supervisory Council participate in the general meetings of shareholders. Chief Executive Officer of the Bank Vytautas Sinius, Head of Accounting and Tax Division of the Bank Vita Adomaitytė as well as members of the Supervisory Council of the Bank participated in the General meeting of shareholders held in 2016. The shareholders had an opportunity to discuss the issues of concern with the senior management of the Bank directly.

9. MEMBERS OF THE BANK'S COLLEGIAL BODIES

Supervisory Council of the Bank:



Arvydas Salda

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

Education:

- Kaunas Institute of Technology; Vilnius University
- Master of applicable mathematics

Work experience (not less than 5 years):

- Member of the Board Klaipėdos LEZ Valdymo Bendrovė UAB since 1998
- A consultant of Šiaulių Banko Turto Fondas UAB since 2004
- Consultant of Sanatorium Eglės AB since 2014



Gintaras Kateiva

Member of the Supervisory Council of the Bank since 2008

Education:

- Vilnius Pedagogic Institute, a teacher

Work experience (not less than 5 years):

- Chairman of the Board of Litagra UAB since 2005 and director general since 2008
- Director of Litagros Mažmena UAB since 2008



Valdas Vitkauskas

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

Education:

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

Work experience (not less than 5 years):

- Banker of the EBRD representative office in Vilnius until 2007
- Chairman of the Audit Committee at Belarusian Small Business Bank until 2011
- Head of the EBRD representative office in Minsk until 2011
- EBRD associated director, chief banker since 2011
- Independent member of EPSO-G UAB since 2016



Peter Reiniger

Member of the Supervisory Council of the Bank since 2011

Education:

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

Work experience (not less than 5 years):

- Took various capacities (up to executive director) at the European Bank for Reconstruction and Development until 2011
- An independent consultant since 2011
- Member Investment Committee and member of the Board at European Fund For Southeast Europe since 2011



Ramunė Vilija Zabulienė

Independent member of the Supervisory Council of the Bank since 2012

Education:

- Vilnius University, an engineer-economist

Work experience (not less than 5 years):

- Member of the Board of the Bank of Lithuania, Deputy Chairman until 2011
- Director of ArsDomina VšĮ since 2012
- Minister's Counsellor at the Ministry of Culture of the Republic of Lithuania from 2014 till the end of the tenure at 2016



Darius Šulnis

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

Education:

- Duke University
USA, Global
Executive MBA
- Vilnius University,
Master of
Accounting and
Audit

Work experience (not less than 5 years):

- Member of the Board at Litagra UAB since 2011
- President of Invalda INVL AB since 2013, member if the Board since 2006
- Member of the Board at INVL Baltic Farmland AB since 2014
- Director General and Chairman of the Board at INVL Asset Management UAB since 2015
- Member of the Supervisory Council at Finasta Asset Management IPAS (Latvia) since 2015
- Member of the Supervisory Council at INVL atklātais pensiju fonds AS (Latvia) since 2015



Martynas Česnavičius

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

Education:

- Vilnius University, an
economist

Work experience (not less than 5 years):

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

The Management Board of the Bank:



Algirdas Butkus

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

Education:

- Kaunas Technology Institute,
Master of Economy

Work experience (not less than 5 years):

- Chairman of the Board, Chief Executive Officer of Šiaulių bankas AB from 1999 to 2011, Deputy Chief Executive Officer since February 2011



Vytautas Sinius

Member of the Board of the Bank, Chief Executive Officer

Education:

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

Work experience (not less than 5 years):

- Director of Retail Banking Division of SEB AB 2006 -2010
- Head of Corporate Banking Division of Šiaulių Bankas AB 2011 - 2014, Chief Executive Officer since 2014



Donatas Savickas

Member of the Board, Deputy Chief Executive Officer, Head of Finance and Risk Management Division

Education:

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

Work experience (not less than 5 years):

- Deputy Chairman of the Board of Šiaulių bankas AB since 1995, Deputy Chief Executive Officer, Head of Finance and Credit Division since 2005, Head of Finance and Risk Management Division since 2011



Daiva Šorienė

Member of the Board of the Bank, Deputy Chief Executive Officer, Head of Business Development Division valdymo tarnybos vadovas

Education:

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

Work experience (not less than 5 years):

- Deputy Chairperson of the Board of Šiaulių Bankas AB since 1998, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division since 2005, Head of Business Development Division since 2014



Vita Adomaitytė

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

Education:

- Vilnius University, Master of Finance and Credit

Work experience (not less than 5 years):

- Chief Accountant of Šiaulių Bankas AB since 2002, Head of Accounting and Reporting Division from 2005 to 2015, Head of Accounting and Tax Division since 2015



Jonas Bartkus

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

Education:

- Vilnius University, Master of Mathematics

Work experience (not less than 5 years):

- Head of Business Development Division of the Bank since 2005, Head of the IT Division since 2011



Ilona Baranauskienė

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

Education:

- Kaunas University of Technology, Bachelor of Business Administration and Management
- Šiauliai University, Master of Economy

Work experience (not less than 5 years):

- Director General of SLEZVB UAB until 2013
- Deputy Director of SBTf UAB since 2006
- Director of the Special Financing Department of Šiaulių Bankas AB since 2013

Information on the share of Bank's capital and votes owned under the right of ownership by the members of the Bank's collegial bodies and chief accountant together with the related parties as of 31 December 2016:

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Share of votes together with the related persons, %</i>
<i>Arvydas Saldas</i>	beginning 30/03/2016/ end 2020	2.42	39.10
<i>Gintaras Kateiva</i>	beginning 30/03/2016/ end 2020	5.82	39.10
<i>Peter Reiniger</i>	beginning 30/03/2016/ end 2020	—	—
<i>Ramunė Vilija Zabulienė</i>	beginning 30/03/2016/ end 2020	—	—
<i>Valdas Vitkauskas</i>	beginning 30/03/2016/ end 2020	—	—
<i>Darius Šulnis</i>	beginning 09/05/2016/ end 2020	—	39.10
<i>Martynas Česnavičius</i>	beginning 09/05/2016/ end 2020	—	39.10
<i>Algirdas Butkus</i>	beginning 30/03/2016/ end 2020	3.22	39.10
<i>Vytautas Sinius</i>	beginning 30/03/2016/ end 2020	0.14	39.10
<i>Donatas Savickas</i>	beginning 30/03/2016/ end 2020	0.10	39.10
<i>Daiva Šorienė</i>	beginning 30/03/2016/ end 2020	0.07	39.10
<i>Vita Adomaitytė</i>	beginning 30/03/2016/ end 2020	0.06	39.10
<i>Jonas Bartkus</i>	beginning 30/03/2016/ end 2020	0.09	39.10
<i>Ilona Baranauskienė</i>	beginning 30/03/2016/ end 2020	0.01	39.10

10. THE MOST IMPORTANT EVENTS OVER THE REPORTING PERIOD

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

On 01 January, the range of financing services provided by the Bank will encompass leasing services with respect to vehicles and other large assets rendered to private and corporate customers previously rendered by Šiaulių Banko Lizingas UAB, a subsidiary of the Bank.

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

On January 25, it was announced that big companies may receive the loans issued by the Bank with the guarantees provided by Investicijų ir verslo garantijos UAB.

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

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

On 21 March, the magazine Global Finance selected top banking performers in emerging markets in Central and Eastern Europe for the twenty-third year and recognized the Bank as the best bank in Lithuania in 2015.

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

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

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

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

On 09 May following the resolution of the Director of the Supervisory Service of the Bank of Lithuania Darius Šulnis and Martynas Česnavičius were allowed to become the members of the Supervisory Council of the Bank. The members of

the Supervisory Council were elected for the new tenure during the General meeting of shareholders held on 30 March 2016.

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

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

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

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

On 16 June Moody's Investors Service LTD announced the better ratings of the Bank: the long-term deposit rating improved by two notches from B2 to Ba1, the rating outlook was stable.

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

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

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

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

On 07 September the Bank received a special certificate *For introduction of employees' mutual service quality and performance assessment system* at the National Responsible Business Awards arranged by Social Security and Labour Ministry.

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

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

On 28 October, the Bank and MasterCard, its strategic partner in issuance of payment cards and provision of card-related services, invited the cardholders to know the world and enjoy experiences with the programme *Priceless Cities*.

On 10 November, in the traditional competition Car of the Year the Bank as the competition partner announced about its second nomination *The Dream Comes True* with 10 cars competing against each other.

On 11 November, the Bank and one of the largest consumer leasing companies SB Lizingas introduced a new MasterCard card which allows convenient purchase of goods and services on a lease.

On 30 November, the Bank announced about the changes related to the provided services and fees. Since 12 December the Bank's private customers were provided with the possibility to economically and conveniently use of the basic banking services subscribing to one of the following service plans which met their needs at most: Modern, Maximum, Traditional with a discount For Loyal or For Seniors or a free plan For the Youth. Since that date private and corporate customers can also order security programme to any payment card issued by the Bank which is useful if the card is lost.

On 30 November, Deputy Chief Executive Officer of the Bank Donatas Savickas presented the Bank's activities and prospects during the meeting between investors and CEOs of the companies listed on the Nasdaq Vilnius Stock Exchange.

On 02 December it was announced that the Bank signed the first loan agreement with the safe production company Seifuva under the new innovative business facility *InnovFin*. EUR 689 thousand were granted to the company for investments into advanced production system.

On 05 December, the Bank as the social partner of the Vytautas Magnus University (VMU) granted a nominal scholarship to a student of the Vytautas Magnus University (VMU) for the eight time in a row.

On 08 December, The Banker issued by Great Britain's daily newspaper The Financial Times announced the Bank as the Best Bank in Lithuania 2016. This is the third award of the prestigious business magazine granted to the Bank.

On 13 December, as alternative to the low deposit interest environment the Bank introduced a fixed-term deposit whose interest rate is linked to financial assets - the agricultural raw material price indices.

At the end of December the Bank's employees granted a hundred modern digital TV sets to three Lithuanian public charity and aid organizations - *Caritas*, *Save the Children* and *the Lithuanian Samaritan community*. TV sets were distributed among the centres and units of these organizations as well as to the deprived living in 20 locations throughout Lithuania

11. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed in 2016:

26/02/2016	The interim information for twelve months of the Bank and the Group for 2015
09/03/2016	Convocation of the Ordinary General Meeting of Shareholders
09/03/2016	The draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders held on 30 March 2016
30/03/2016	The resolutions of the Ordinary General Meeting of Shareholders held on 30 March 2016
30/03/2016	Annual Report for 2015
31/03/2016	The resolutions of the Supervisory Council and Management Board of the Bank (regarding election of the Chairman of the Supervisory Council and members of the Management Board)
19/04/2016	The dividend payment procedure
25/04/2016	The arrangement with European Investment Bank regarding allocation of the Bank's additional funds to finance modernization projects
26/04/2016	The unaudited activity result for Q1 2016 of the Bank and the Group
27/04/2016	The approval of liquidation of three non-financial subsidiaries of the Bank
03/05/2016	The Bank's presentation at the Nasdaq Vilnius meeting
10/05/2016	The Bank of Lithuania issued a permission allowing Darius Šulnis and Martynas Česnavičius to become the members of the Supervisory Council of the Bank
19/05/2016	A permit to register an amendment of the Bank's Charter has been received
20/05/2016	Interim information for 3 months of 2016
27/05/2016	The amended Charter with the increased authorized capital has been registered
01/06/2016	The transactions related to payment of the variable remuneration in the Bank's shares were concluded
02/06/2016	The Bank signed another agreement with the EIB regarding financing of the Multi-apartment Building Modernisation Programme
02/06/2016	Information on the shares and authorized capital
17/06/2016	Rating agency upgraded the Bank's ratings
26/07/2016	The unaudited activity result for H1 2016 of the Bank and the Group
19/08/2016	The information on H1 2016 performance results
25/10/2016	The unaudited activity result for 9 months of 2016 of the Bank and the Group
21/11/2016	Interim information for 9 months of 2016
29/11/2016	The requirement of other systemically important institution buffers applicable to the Bank remains unchanged
30/11/2016	The Bank's presentation at the Nasdaq Vilnius meeting
12/12/2016	The calendar of the Bank's information to be announced in 2017
27/12/2016	Regarding capital adequacy ratio
	Reports regarding the transactions with the Banks shares entered by the Bank's senior managers

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's site www.sb.lt. Reports on the Meeting of Shareholders was additionally announced in the daily newspaper *Lietuvos rytas*.

Chief Executive Officer

28 February 2017



Vytautas Sinius