



## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Audrius Žiugžda and Chief Accountant Vita Adomaitytė, confirm that as far as we know, consolidated financial statements for the 1st half-year of 2013 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. As far as we know, the interim report contains the correct review of the business development and activities.

Chief Executive Officer

A handwritten signature in blue ink, consisting of a stylized 'A' and 'Ž'.

Audrius Žiugžda

Chief Accountant

Vita Adomaitytė

20-08-2013



A PARTNER OF SMALL AND MEDIUM-SIZED BUSINESS

## INTERIM FINANCIAL STATEMENT

30 JUNE 2013

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**THE GROUP'S AND BANK'S STATEMENT OF FINANCIAL POSITION**

		30-06-2013		31-12-2012	
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	2	214 557	214 553	221 855	221 805
Due from other banks	3	5 895	5 895	4 137	4 137
Trading securities	6	163 359	286 406	51 198	51 198
Derivative financial instruments		11 388	11 388	13 690	13 690
Loans to customers	4	2 430 781	2 789 296	1 731 858	2 052 809
Finance lease receivables	5	251 283	72 782	183 863	-
Investment securities:					
- available-for-sale	6	226 985	224 639	207 611	205 385
- held-to-maturity	6	1 337 860	1 329 414	273 031	273 031
Investments in subsidiaries, associates	6	-	51 791	-	51 791
Intangible assets		1 067	767	1 207	903
Tangible fixed assets		57 972	44 032	52 988	38 211
Investment property		80 829	42 136	37 508	7 517
Prepaid income tax		31	-	208	-
Deferred income tax assets		7 514	6 114	6 997	5 553
Other assets	7	162 843	22 695	156 552	5 436
Assets related with subsidiaries to sale	6	358 882	140 739	-	-
Total assets		5 311 246	5 242 647	2 942 703	2 931 466
LIABILITIES					
Due to other banks and financial institutions	8	309 850	309 903	406 270	408 568
Subordinated loan	18	69 377	69 377	-	-
Due to customers	9	4 472 995	4 512 755	2 165 691	2 165 852
Special and lending funds	10	16 864	16 864	7 294	7 294
Debt securities in issue	11	-	-	22 912	22 912
Income tax liabilities		700	-	390	-
Deferred income tax liabilities		5 571	-	5 668	-
Liabilities related with subsidiaries to sale	6	84 396	-	-	-
Other liabilities	12	39 555	17 658	20 022	7 984
Total liabilities		4 999 308	4 926 557	2 628 247	2 612 610
EQUITY					
Share capital	13	250 000	250 000	234 858	234 858
Share premium	13	32 719	32 719	47 861	47 861
Reserve capital	13	2 611	2 611	2 611	2 611
Statutory reserve	13	3 243	2 641	1 891	1 289
Financial assets revaluation reserve		(2 675)	(2 675)	5 194	5 194
Retained earnings		25 192	30 794	21 206	27 043
Non controlling interest in equity		848	-	835	-
Total equity		311 938	316 090	314 456	318 856
Total liabilities and equity		5 311 246	5 242 647	2 942 703	2 931 466

The notes on pages 11-38 constitute an integral part of these financial statements

Chief executive Officer

Chief accountant

20 August 2013



Audrius Žiugžda

Vita Adomaitytė

**THE GROUP'S AND BANK'S STATEMENT OF COMPREHENSIVE INCOME**

	Notes	30-06-2013		30-06-2012	
		Group	Bank	Group	Bank
<b>Continuing operations</b>					
Interest and similar income	14	81 055	79 069	62 249	61 645
Interest expense and similar charges	14	(51 215)	(51 332)	(34 327)	(34 326)
<b>Net interest income</b>		<b>29 840</b>	<b>27 737</b>	<b>27 922</b>	<b>27 319</b>
Fee and commission income	15	11 874	11 996	7 735	7 801
Fee and commission expense	15	(5 414)	(4 663)	(4 020)	(3 967)
<b>Net fee and commission income</b>		<b>6 460</b>	<b>7 333</b>	<b>3 715</b>	<b>3 834</b>
Allowance for impairment losses	17	(9 142)	(7 534)	(11 227)	(10 583)
Result from associate company		-	-	-	-
Net gain on operations with derivative financial instruments		(2 494)	(2 494)	-	-
Net gain on operations with securities		4 899	4 899	3 507	2 507
Net foreign exchange gain		2 912	2 912	2 045	2 045
Gain on disposal of assets		273	(13)	1 825	219
Other income	17	18 784	731	13 579	536
Administrative and other operating expenses	16	(48 134)	(28 861)	(32 592)	(18 813)
<b>(Losses) profit from continuing operations</b>		<b>3 398</b>	<b>4 710</b>	<b>8 774</b>	<b>7 064</b>
Dividends from investments in subsidiaries		-	2 400	-	1 000
<b>(Losses) profit before income tax</b>		<b>3 398</b>	<b>7 110</b>	<b>8 774</b>	<b>8 064</b>
<b>Discontinued operations:</b>					
(Losses) profit from discontinued operations before tax	6	4 350	-	(469)	-
Income tax expense		(1 223)	(833)	(1 154)	(1 041)
<b>(Losses) profit for the year</b>		<b>6 525</b>	<b>6 277</b>	<b>7 151</b>	<b>7 023</b>
<b>Other comprehensive (loss) income</b>					
Gain (losses) from revaluation of financial assets		(9 263)	(9 263)	1 661	1 661
Deferred income tax on (loss) gain from revaluation of financial assets		1 394	1 394	(219)	(219)
Other comprehensive (loss) income, net of tax		(7 869)	(7 869)	1 442	1 442
<b>Total comprehensive (losses) income</b>		<b>(1 344)</b>	<b>(1 592)</b>	<b>8 593</b>	<b>8 465</b>
<b>Profit is attributable to:</b>					
Equity holders of the Bank		6 512	6 277	7 057	7 023
from continuing operations		2 162	6 277	7 526	7 023
from discontinued operations		4 350	-	(469)	-
Non controlling interest		13	-	94	-
<b>(Losses) profit for the year</b>					
Equity holders of the Bank		(1 357)	(1 592)	8 499	8 465
Non controlling interest		13	-	94	-
Basic earnings (losses) per share, net (in LTL per share)	13	0,03	0,03	0,03	0,03

The notes on pages 11-38 constitute an integral part of these financial statements

Chief executive Officer



Audrius Žiugžda

Chief accountant

Vita Adomaitytė

20 August 2013

**THE GROUP'S AND BANK'S INCOME STATEMENT FOR THE PERIOD**

	<b>FROM 04 TO 06 MONTH 2013</b>		<b>FROM 04 TO 06 MONTH 2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Continuing operations</b>				
Interest and similar income	47 482	46 755	30 889	30 889
Interest expense and similar charges	(29 968)	(30 034)	(17 140)	(17 139)
<b>Net interest income</b>	<b>17 514</b>	<b>16 721</b>	<b>13 749</b>	<b>13 750</b>
Fee and commission income	7 101	7 178	4 101	4 135
Fee and commission expense	(2 953)	(2 569)	(2 092)	(2 047)
<b>Net fee and commission income</b>	<b>4 148</b>	<b>4 609</b>	<b>2 009</b>	<b>2 088</b>
Allowance for impairment losses	(5 206)	(3 846)	(6 893)	(6 891)
Net gain on operations with securities	(1 351)	(1 351)	1 651	1 651
Income from associates	-	-	( 3)	-
Net gain on operations with derivative financial instruments	(1 185)	(1 185)	-	-
Net foreign exchange gain	1 172	1 172	1 113	1 112
Gain on disposal of assets	204	( 21)	1 744	169
Other income	9 769	491	12 292	270
Administrative and other operating expenses	(25 616)	(15 967)	(21 131)	(8 798)
<b>(Losses) profit from continuing operations</b>	<b>( 551)</b>	<b>623</b>	<b>4 531</b>	<b>3 351</b>
Dividends from investments in subsidiaries	-	2 400	-	1 000
<b>(Losses) profit before income tax</b>	<b>( 551)</b>	<b>3 023</b>	<b>4 531</b>	<b>4 351</b>
<b>Discontinued operations:</b>				
(Losses) profit from discontinued operations before tax	3 784	-	( 177)	-
Income tax expense	( 423)	( 161)	( 668)	( 633)
<b>(Losses) profit for the period</b>	<b>2 810</b>	<b>2 862</b>	<b>3 686</b>	<b>3 718</b>
Equity holders of the Bank	2 801	2 862	3 592	3 718
Non controlling interest	9	-	94	-

**THE GROUP'S AND BANK'S CASH FLOW STATEMENT**

	<b>30-06-2013</b>		<b>30-06-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Operating activities</b>				
Interest received	60 293	56 300	53 644	52 952
Interest paid	(51 215)	(51 332)	(33 987)	(33 986)
Net cash received from service and commission fees	6 460	7 333	3 715	3 834
Net cash received from operations in trading securities	8 342	8 342	3 527	2 527
Net cash received from operations in foreign currency	3 049	3 049	2 363	2 363
Cash received from previously written-off loans	326	102	826	586
Salaries and related payments to and on behalf of employees	(18 730)	(15 655)	(13 195)	(11 262)
Other receipts (payments)	(3 249)	(10 211)	(2 855)	(5 811)
Income tax paid	(1 350)	-	-	-
<b>Net cash flow from operating activities before change in short-term assets and liabilities</b>	<b>3 926</b>	<b>(2 072)</b>	<b>14 038</b>	<b>11 203</b>
<b>(Increase) decrease in assets:</b>				
Decrease in trading securities	(113 249)	(236 296)	(46 019)	(46 019)
Decrease in loans to credit and financial institutions	(1 758)	(1 758)	(440)	(517)
(Increase) in loans to customers	(776 019)	(815 556)	10 220	(5 936)
Decrease in other assets	(262 521)	(17 250)	(81 582)	1 248
<b>Increase in liabilities</b>				
Increase in liabilities to credit and financial institutions	(27 043)	(29 288)	(34 873)	(34 861)
Increase in deposits, special and lending funds	2 316 874	2 356 473	100 526	101 341
Increase in other liabilities	102 963	8 707	10 109	(534)
<b>Change</b>	<b>1 239 247</b>	<b>1 265 032</b>	<b>(42 059)</b>	<b>14 722</b>
<b>Net cash flow from operating activities</b>	<b>1 243 173</b>	<b>1 262 960</b>	<b>(28 021)</b>	<b>25 925</b>
<b>Investing activities</b>				
(Purchase) of tangible and intangible fixed assets	(52 530)	(42 560)	(4 657)	(616)
Disposal of tangible and intangible fixed assets	2 504	917	2 480	1 136
(Acquisition) of held to maturity securities	(1 128 131)	(1 119 685)	(4 598)	(4 598)
Proceeds from redemption of held to maturity securities	77 975	77 975	56 060	52 992
(Acquisition) of available-for-sale securities	(176 348)	(176 227)	(136 707)	(136 707)
Disposal of available-for-sale securities	151 765	151 764	61 066	61 067
(Acquisition) of subsidiary	(101 649)	(140 739)	18 392	(35 357)
Dividends received	-	2 400	59	1 059
<b>Net cash used in investing activities</b>	<b>(1 226 414)</b>	<b>(1 246 155)</b>	<b>(7 905)</b>	<b>(61 024)</b>
<b>Financing activities</b>				
Increase in share capital	-	-	-	-
Dividends paid	(1 145)	(1 145)	-	-
Payment to non controlling interest	-	-	827	-
Debt securities issued	-	-	-	-
Debt securities repurchased and redeemed	(22 912)	(22 912)	(15 000)	(15 000)
<b>Net cash flow from financing activities</b>	<b>(24 057)</b>	<b>(24 057)</b>	<b>(14 173)</b>	<b>(15 000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(7 298)</b>	<b>(7 252)</b>	<b>(50 099)</b>	<b>(50 099)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>221 855</b>	<b>221 805</b>	<b>223 846</b>	<b>223 844</b>
<b>Cash and cash equivalents at 30 June</b>	<b>214 557</b>	<b>214 553</b>	<b>173 747</b>	<b>173 745</b>

**THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Attributable to equity holders of the Bank							Total equity:
	Share capital	Share premium	Reserve capital	Statutory reserve and others reserves	Retained earnings	Total:	Non controlling interest	
<b>31 December 2011</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>( 222)</b>	<b>9 110</b>	<b>294 218</b>	<b>-</b>	<b>294 218</b>
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Financial assets revaluation reserve	-	-	-	1 661	-	1 661	-	<b>1 661</b>
Recognition of deferred income tax	-	-	-	( 219)	-	( 219)	-	<b>( 219)</b>
Profit (loss) for the year	-	-	-	-	7 057	7 057	94	<b>7 151</b>
Other transfers	-	-	-	931	( 930)	1	733	<b>734</b>
<b>30 June 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>2 151</b>	<b>15 237</b>	<b>302 718</b>	<b>827</b>	<b>303 545</b>
Financial assets revaluation reserve	-	-	-	5 857	-	5 857	-	<b>5 857</b>
Recognition of deferred income tax	-	-	-	( 923)	-	( 923)	-	<b>( 923)</b>
Other transfers	-	-	-	-	( 1)	( 1)	1	-
Profit for the year	-	-	-	-	5 970	5 970	7	<b>5 977</b>
<b>31 December 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>7 085</b>	<b>21 206</b>	<b>313 621</b>	<b>835</b>	<b>314 546</b>
Financial assets revaluation reserve	-	-	-	(9 263)	-	(9 263)	-	<b>(9 263)</b>
Recognition of deferred income tax	-	-	-	1 394	-	1 394	-	<b>1 394</b>
Other transfers	15 142	(15 142)	-	1 352	(2 526)	(1 174)	-	<b>(1 174)</b>
Profit (loss) for the year	-	-	-	-	6 512	6 512	13	<b>6 525</b>
<b>30 June 2013</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>568</b>	<b>25 192</b>	<b>311 090</b>	<b>848</b>	<b>311 938</b>



**THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and others reserves	Retained earnings	Total equity:
<b>31 December 2011</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>(1 182)</b>	<b>648</b>	<b>12 812</b>	<b>297 608</b>
Transfer to statutory reserve	-	-	-	-	641	( 641)	-
Financial assets revaluation reserve	-	-	-	1 661	-	-	<b>1 661</b>
Recognition of deferred income tax	-	-	-	( 219)	-	-	<b>( 219)</b>
Profit (loss) for the year	-	-	-	-	-	7 023	<b>7 023</b>
<b>30 June 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>260</b>	<b>1 289</b>	<b>19 194</b>	<b>306 073</b>
Financial assets revaluation reserve	-	-	-	5 857	-	-	<b>5 857</b>
Recognition of deferred income tax	-	-	-	( 923)	-	-	<b>( 923)</b>
Others transfers	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	7 849	<b>7 849</b>
<b>31 December 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>5 194</b>	<b>1 289</b>	<b>27 043</b>	<b>318 856</b>
Financial assets revaluation reserve	-	-	-	(9 263)	-	-	<b>(9 263)</b>
Recognition of deferred income tax	-	-	-	1 394	-	-	<b>1 394</b>
Others transfers	15 142	(15 142)	-	-	1 352	(2 526)	<b>(1 174)</b>
Profit (loss) for the year	-	-	-	-	-	6 277	<b>6 277</b>
<b>30 June 2013</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>(2 675)</b>	<b>2 641</b>	<b>30 794</b>	<b>316 090</b>

## 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 Commercial Banks of the Republic of Lithuania and the Statute of the Bank.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of 30 June 2013 the Bank had 678 employees (31 December 2012: 481). As of 30 June 2013 the Group (except subsidiaries held for sale) had 822 employees (31 December 2012: 626 employees).

The Bank's shares are listed on the Official List of the National Stock Exchange of Lithuania (NSEL).

On 23 February 2013, an agreement was signed between Ūkio Bankas AB registered in Lithuania (legal entity's code 112020136, hereinafter Ūkio Bankas), Šiaulių Bankas AB (legal entity's code 112025254) and a state-owned enterprise Indėlių ir Investicijų Draudimas (legal entity's code 110069451, hereinafter Deposit Insurance Fund or DIF) 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. Under the agreement, Šiaulių Bankas takes over LTL 1.9bn assets (rights) and LTL 2.7bn liabilities from Ūkio Bankas. The difference of LTL 800m between the liabilities and the assets taken over will be covered by the Deposit Insurance Fund. The assets of Ūkio Bankas transferred to Šiaulių Bankas are based on a preliminary valuation carried out by an audit company, the results of which have been approved by the Board of the Bank of Lithuania. To have an accurate estimation of assets and liabilities transferred, a more detailed final valuation of assets and liabilities transferred is being carried out. If the results of the final valuation show that the value of the assets transferred is higher than that established during the preliminary valuation, Šiaulių Bankas will refund to Ūkio Bankas the difference between the values of the assets established during the preliminary and the final valuations. If the results of the final valuation show that the value of the assets transferred is lower than that established during the preliminary valuation, DIF will pay to Šiaulių Bankas the difference between the values of the assets established during the preliminary and the final valuations (the total amount payable by DIF cannot exceed LTL 800m). In addition, the agreement provides for the possibility for the creditors of Ūkio Bankas to sell five different portfolios of assets within 6 months after the date when final valuation of the assets and liabilities is finished: (a) portfolio of real estate transferred into the ownership of Šiaulių Bankas, (b) portfolio of higher risk (potentially lower-quality performance) loan groups, (c) portfolio of subsidiaries of Ūkio Bankas engaged in real estate development activities, (d) portfolio of shares of subsidiaries of Ūkio Bankas engaged in other activities – Ūkio Banko Lizingas UAB and life insurance company Bonum Publicum UAB, (e) portfolio consisting of higher risk loans and foreclosed assets. Another important clause in the agreement says that in case the value of the assets transferred to Šiaulių Bankas increases after 2 years, Šiaulių Bankas will have to refund a part of such increase in the value of the assets to the creditors of Ūkio Bankas. This clause is applicable to lower risk (potentially higher-quality performance) loan groups and collateral real estate repossessed and sold. In this case the Bank bears no risk, because portfolio of the assets would be fully exchanged in another form of asset – cash, also covering all related administration, financing and other expenses which are foreseen in the agreement.

The transactions had not been fully completed as of 30 June 2013 as the final valuation of assets and liabilities was not completed yet.

### As of 30 June 2013 the Bank owned the following subsidiaries:

1. "Šiaulių Banko Lizingas" UAB (finance and operating lease activities);
2. "Šiaulių Banko Investicijų Valdymas" UAB (investment management activities);
3. "Šiaulių Banko Turto Fondas" UAB (real estate management activities);
4. "Minera" UAB (real estate management activities);
5. "SBTF" UAB (real estate management activities);
6. "Pavasaris" UAB (development of the area of multi-apartment residential houses);
7. "Kėdainių oda" UAB (indirect control, leather processing, production activities);

**As of 30 June 2013 the Bank owned directly controlled subsidiaries held for sale :**

8. "Ūkio Banko Lizingas" UAB (finance lease activities);
9. "Bonum Publicum" GD UAB (life insurance activities);
10. "Eastern Europe Development Fund" UAB (real estate management activities);
11. "Sporto Klubų Investicijos" UAB (real estate management activities);
12. "Trade Project" UAB (real estate management activities);
13. "Investicinio Turto Valdymas" UAB (real estate management activities);
- 14-18. "ŽSA 1" UAB, "ŽSA 2" UAB, "ŽSA 3" UAB , "ŽSA 4" UAB , "ŽSA 5" UAB (real estate management activities);

**As of 30 June 2013 the Bank had the indirectly controlled subsidiaries held for sale :**

19. "Žalgirio Sporto Arena" UAB (real estate management activities);
20. "Nacionalinis Futbolo Stadionas" UAB (development of the football stadium).

The preparation of financial statements in conformity with International Financial Reporting Standards require 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.

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.

Amounts shown in these financial statements are presented in the local currency, Litas (LTL). Since 2 February 2002 the exchange rate of the litas was pegged to the euro at a rate of LTL 3.4528 = EUR 1.

**Financial risk management**

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at the Group aims at ensuring a sufficient return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

The Risk Management Policy approved by the Bank Board as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk , concentration risk and operational risk. Market risk includes currency risk, interest rate and equity price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

## 1 NOTE 1 CREDIT INSTITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 61 client service units.

## NOTE 2 CASH AND CASH EQUIVALENTS

	30-06-2013		31-12-2012	
	Group	Bank	Group	Bank
Cash and other valuables	72 381	72 379	47 107	47 106
Term deposit in central bank	-	-	-	-
Mandatory reserves in national currency	96 467	96 467	85 630	85 630
Correspondent bank accounts	45 131	45 129	21 647	21 598
Time deposits in banks	-	-	5 000	5 000
Correspondent account with central bank	578	578	62 471	62 471
<b>Total:</b>	<b>214 557</b>	<b>214 553</b>	<b>221 855</b>	<b>221 805</b>

Mandatory reserves comprise the funds calculated on a monthly basis as a 3 % share of the average balance of deposits of the previous month. The mandatory reserves are held with the Bank of Lithuania in the form of deposits. The compensation for deposits held is calculated according to the Regulations of the Bank of Lithuania.

## NOTE 3 DUE FROM OTHER BANKS

	30-06-2013		31-12-2012	
	Group	Bank	Group	Bank
Due from other banks	5 895	5 895	4 137	4 137
<b>Total:</b>	<b>5 895</b>	<b>5 895</b>	<b>4 137</b>	<b>4 137</b>

## NOTE 4 LOANS TO CUSTOMERS

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

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Loans and advances to banks	5 895	5 895	4 137	4 137
Loans and advances to customers:	2 430 781	2 789 296	1 731 858	2 052 809
Loans and advances to financial institutions	-	205 987	-	216 789
Loans to individuals (Retail)	235 687	202 921	194 394	159 927
Loans to business customers	2 195 094	2 380 388	1 537 464	1 676 093
Finance lease receivables	251 283	72 782	183 863	-
Trading assets:				
Debt securities	162 986	286 033	50 741	50 741
Derivative financial instruments	11 388	11 388	13 690	13 690
Securities available for sale				
Debt securities	222 896	222 896	203 641	203 641
Investment securities held to maturity				
Debt securities	1 337 860	1 329 414	273 031	273 031
Other financial assets	12 510	3 849	5 970	133
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	95 888	95 933	88 313	88 360
Letters of credit	4 028	4 028	3 541	3 541
Loan commitments and other credit related liabilities	186 059	193 068	114 483	115 966
<b>Total</b>	<b>4 721 574</b>	<b>5 014 582</b>	<b>2 673 268</b>	<b>2 806 049</b>

Loans are summarised as follows:

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Loans to business customers	2 779 392	3 170 517	1 631 892	1 987 154
Loans to individuals	256 735	222 971	211 565	176 086
<b>Gross</b>	<b>3 036 127</b>	<b>3 393 488</b>	<b>1 843 457</b>	<b>2 163 240</b>
Subtract: Allowance for impairment	(118 779)	(117 625)	(111 599)	(110 431)
Subtract: Fair value revaluation on acquisition*	(486 567)	(486 567)	-	-
<b>Net</b>	<b>2 430 781</b>	<b>2 789 296</b>	<b>1 731 858</b>	<b>2 052 809</b>

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Neither past due not impaired	2 089 501	2 454 192	1 517 839	1 841 997
Past due but not impaired	733 202	728 128	128 477	125 920
Impaired	213 424	211 168	197 141	195 323
<b>Gross</b>	<b>3 036 127</b>	<b>3 393 488</b>	<b>1 843 457</b>	<b>2 163 240</b>
Subtract: Allowance for impairment	(118 779)	(117 625)	(111 599)	(110 431)
Subtract: Fair value revaluation on acquisition*	(486 567)	(486 567)	-	-
<b>Net</b>	<b>2 430 781</b>	<b>2 789 296</b>	<b>1 731 858</b>	<b>2 052 809</b>

\* Fair value revaluation on acquisition is the difference between the estimated fair value by appraisers (as of 30 June 2013, the assessment was preliminary) of the loans acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas (see General Information for more details on this transaction) and the gross value of the above-mentioned loans.

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

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

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

The list of loss events:

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

### Loans and advances past due but not impaired

	30-06-2013		31-12-2012	
	Group	Bank	Group	Bank
<b>Gross loans:</b>				
Past due up to 7 days	121 992	120 586	50 672	48 969
Past due 8 to 30 days	63 104	59 525	37 278	36 572
Past due 31-60 days	12 414	12 350	11 561	11 480
Past due 61-90 days	57 362	57 337	1 670	1 627
Past due more than 90 days	478 330	478 330	27 296	27 272
<b>Total Gross loans:</b>	<b>733 202</b>	<b>728 128</b>	<b>128 477</b>	<b>125 920</b>
<b>Net loans (incl. Fair value revaluation on acquisition):</b>				
Past due up to 7 days	114 635	113 229	50 672	48 969
Past due 8 to 30 days	62 675	59 096	37 278	36 572
Past due 31-60 days	12 004	11 940	11 561	11 480
Past due 61-90 days	28 663	28 638	1 670	1 627
Past due more than 90 days	189 182	189 192	27 296	27 272
<b>Total Net loans:</b>	<b>407 159</b>	<b>402 095</b>	<b>128 477</b>	<b>125 920</b>
Fair value of collateral	617 953	615 609	113 502	113 502

### Loans and advances impaired

	30-06-2013		31-12-2012	
	Group	Bank	Group	Bank
<b>Impaired loans</b>	<b>213 424</b>	<b>211 168</b>	<b>197 141</b>	<b>195 323</b>
Allowance for impairment	(118 779)	(117 625)	(111 599)	(110 431)
Fair value revaluation on acquisition	( 17)	( 17)	-	-
Fair value of collateral	98 882	98 882	91 757	91 757

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.).

**NOTE 5 FINANCE LEASE RECEIVABLES**

“Šiaulių banko lizingas” UAB was established on 16th August 1999. The main business of the company is financial lease.

Leasing activities mainly depend on the attracted financial resources. The funds allocated to provide funding to leasing operations are formed from two following sources: own funds and bank's loans. The leasing company pays interest to the bank for the borrowed funds

Finance lease receivables are summarised as follows:

<b>Group</b>	<b>30-06-2013</b>	<b>31-12-2012</b>
Business customers	284 958	176 195
Individuals	9 463	9 417
<b>Gross</b>	<b>294 421</b>	<b>185 612</b>

	<b>30-06-2013</b>	<b>31-12-2012</b>
Neither past due not impaired	189 251	156 089
Past due but not impaired	94 318	25 371
Impaired	10 852	4 152
<b>Gross</b>	<b>294 421</b>	<b>185 612</b>
Subtract: Allowance for impairment	(2 552)	(1 749)
Subtract: Fair value revaluation on acquisition	(40 586)	-
<b>Net</b>	<b>251 283</b>	<b>183 863</b>

	<b>30-06-2013</b>		
	<b>Individuals</b>	<b>Business customers</b>	<b>Total:</b>
Finance lease receivables by sector:			
transport vehicles	5 612	42 700	48 312
residential real estate	1 680	190 135	191 815
airplanes	-	6 879	6 879
production equipment	15	21 392	21 407
other equipment	449	20 129	20 578
other assets	1 707	3 723	5 430
<b>Total:</b>	<b>9 463</b>	<b>284 958</b>	<b>294 421</b>

	<b>31-12-2012</b>		
	<b>Individuals</b>	<b>Business customers</b>	<b>Total:</b>
Finance lease receivables by sector:			
transport vehicles	4 957	41 386	46 343
residential real estate	1 587	89 615	91 202
airplanes	-	7 623	7 623
production equipment	34	12 540	12 574
other equipment	554	18 344	18 898
other assets	2 285	6 687	8 972
<b>Total:</b>	<b>9 417</b>	<b>176 195</b>	<b>185 612</b>

The Bank acquired some finance lease agreements from Ūkio bankas (see General Information).

**The Bank**

	<b>30-06-2013</b>	<b>31-12-2012</b>
Business customers	113 368	-
Individuals	-	-
<b>Gross</b>	<b>113 368</b>	<b>-</b>
	<b>30-06-2013</b>	<b>31-12-2012</b>
Neither past due not impaired	51 995	-
Past due but not impaired	61 373	-
Impaired	-	-
<b>Gross</b>	<b>113 368</b>	<b>-</b>
Subtract: Allowance for impairment	-	-
Subtract: Fair value revaluation on acquisition	(40 586)	-
<b>Net</b>	<b>72 782</b>	<b>-</b>

	<b>30-06-2013</b>		
	<b>Individuals</b>	<b>Business customers</b>	<b>Total:</b>
Finance lease receivables by sector:			
transport vehicles	-	440	440
residential real estate	-	103 735	103 735
airplanes	-	-	-
production equipment	-	9 138	9 138
other equipment	-	55	55
other assets	-	-	-
<b>Total:</b>	<b>-</b>	<b>113 368</b>	<b>113 368</b>

The Bank had no finance lease as of 31-12-2012.

**NOTE 6 SECURITIES**
**Trading securities**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Debt securities:</b>				
Government bonds of the Republic of Lithuania	90 586	90 586	19 939	19 939
Government bonds of foreign states	5 712	5 712	661	661
Private enterprise bonds	58 584	181 631	23 569	23 569
State companies bonds of foreign states	8 104	8 104	6 572	6 572
<b>Equity securities:</b>				
Listed equity securities	273	273	357	357
Unlisted equity securities	2	2	3	3
Units of funds	98	98	97	97
<b>Total:</b>	<b>163 359</b>	<b>286 406</b>	<b>51 198</b>	<b>51 198</b>



**INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB**  
 (all amounts are in LTL thousand, unless otherwise stated)

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	State companies debt securities	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
<b>Bank 30-06-2013</b>					
from AA-to AAA	2 395	5 129	16 747	-	-
from A- to A+	-	-	11 995	-	-
from BBB- to BBB+	5 709	91 169	26 608	-	-
from BB- to BB+	-	-	3 234	-	-
below už BB-	-	-	-	-	-
no rating	-	-	123 047	275	98
<b>Total:</b>	<b>8 104</b>	<b>96 298</b>	<b>181 631</b>	<b>275</b>	<b>98</b>

	State companies debt securities	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
<b>Bank 31-12-2012</b>					
from AA-to AAA	-	-	3 437	-	-
from A- to A+	4 752	-	13 199	-	-
from BBB- to BBB+	1 820	20 600	6 933	-	-
from BB- to BB+	-	-	-	-	-
below už BB-	-	-	-	38	-
no rating	-	-	-	322	97
<b>Total:</b>	<b>6 572</b>	<b>20 600</b>	<b>23 569</b>	<b>360</b>	<b>97</b>

	State companies debt securities	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
<b>Group 30-06-2013</b>					
from AA-to AAA	2 395	5 129	16 747	-	-
from A- to A+	-	-	11 995	-	-
from BBB- to BBB+	5 709	91 169	26 608	-	-
from BB- to BB+	-	-	3 234	-	-
below už BB-	-	-	-	-	-
no rating	-	-	-	275	98
<b>Total:</b>	<b>8 104</b>	<b>96 298</b>	<b>58 584</b>	<b>275</b>	<b>98</b>

	State companies debt securities	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
<b>Group 31-12-2012</b>					
from AA-to AAA	-	-	3 437	-	-
from A- to A+	4 752	-	13 199	-	-
from BBB- to BBB+	1 820	20 600	6 933	-	-
from BB- to BB+	-	-	-	-	-
below už BB-	-	-	-	38	-
no rating	-	-	-	322	97
<b>Total:</b>	<b>6 572</b>	<b>20 600</b>	<b>23 569</b>	<b>360</b>	<b>97</b>

**Investment securities**
**Securities available-for-sale:**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Debt securities</b>				
Government bonds of the Republic of Lithuania	-	-	-	-
Government bonds of foreign states	38 834	38 834	21 293	21 293
Private enterprise bonds of foreign states	34 001	34 001	35 037	35 037
<b>Equity securities</b>	150 060	150 060	147 311	147 311
Listed equity securities				
Unlisted equity securities	-	-	-	-
Units of funds	3 617	1 391	3 617	1 391
<b>Total:</b>	353	353	353	353
<b>Debt securities</b>	<b>226 865</b>	<b>224 639</b>	<b>207 611</b>	<b>205 385</b>

**Securities held-to-maturity**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Debt securities</b>				
Private enterprise bonds the Republic of Lithuania	8 446	-	-	-
Government bonds of the Republic of Lithuania	1 013 447	1 013 447	209 340	209 340
Government bonds of foreign states	45 242	45 242	31 172	31 172
Private enterprise bonds of foreign states	270 725	270 725	32 519	32 519
<b>Total:</b>	<b>1 337 860</b>	<b>1 329 414</b>	<b>273 031</b>	<b>273 031</b>

	<b>Treasury bills</b>	<b>State companies debt securities</b>	<b>Corporate debt securities</b>
<b>Bank 30-06-2013</b>			
<b>from AA-to AAA</b>	18 925	-	63 957
<b>from A- to A+</b>	17 606	13 855	119 769
<b>from BBB- to BBB+</b>	1 016 745	20 449	52 695
<b>from BB- to BB+</b>	5 413	-	-
<b>below už BB-</b>	-	-	-
<b>no rating</b>	-	-	-
<b>Total:</b>	<b>1 058 689</b>	<b>34 304</b>	<b>236 421</b>

	<b>Treasury bills</b>	<b>State companies debt securities</b>	<b>Corporate debt securities</b>
<b>Bank 31-12-2012</b>			
<b>from AA-to AAA</b>	8 092	-	6 811
<b>from A- to A+</b>	17 704	-	8 615
<b>from BBB- to BBB+</b>	209 340	2 681	14 412
<b>from BB- to BB+</b>	5 376	-	-
<b>below už BB-</b>	-	-	-
<b>no rating</b>	-	-	-
<b>Total:</b>	<b>240 512</b>	<b>2 681</b>	<b>29 838</b>

	Treasury bills	State companies debt securities	Corporate debt securities
<b>Group 30-06-2013</b>			
from AA-to AAA	18 925	-	63 957
from A- to A+	17 606	13 855	119 769
from BBB- to BBB+	1 016 745	20 449	52 695
from BB- to BB+	5 413	-	-
below už BB-	-	-	-
no rating	-	-	8 446
<b>Total:</b>	<b>1 058 689</b>	<b>34 304</b>	<b>244 867</b>

	Treasury bills	State companies debt securities	Corporate debt securities
<b>Group 31-12-2012</b>			
from AA-to AAA	8 092	-	6 811
from A- to A+	17 704	-	8 615
from BBB- to BBB+	209 340	2 681	14 412
from BB- to BB+	5 376	-	-
below už BB-	-	-	-
no rating	-	-	-
<b>Total:</b>	<b>240 512</b>	<b>2 681</b>	<b>29 838</b>

**Investments in subsidiaries**

	30-06-2013		
	Share in equity %	Acquisition cost	Carrying value
"ŠB Lizingas" UAB	100	5 000	3 000
"ŠB Investicijų Valdymas" UAB	100	4 040	1 658
"ŠB Turto Fondas" UAB	100	5 117	4 271
"Minera" UAB	100	5 505	5 505
"SBTF" UAB	100	2 000	2 000
"Pavasaris" UAB	98	35 357	35 357
<b>Total:</b>		<b>57 019</b>	<b>51 791</b>

	30-06-2013		
<b>Investments in consolidated indirectly controlled subsidiaries</b>	Share in equity %	Acquisition cost	Carrying value
"Kėdainių oda" UAB	100	12 000	11 990

	31-12-2012		
	Share in equity %	Acquisition cost	Carrying value
"ŠB Lizingas" UAB	100	5 000	3 000
"ŠB Investicijų Valdymas" UAB	100	4 040	1 658
"ŠB Turto Fondas" UAB	100	5 117	4 271
"Minera" UAB	100	5 505	5 505
"SBTF" UAB	100	2 000	2 000
"Pavasaris" UAB	98	35 357	35 357
<b>Total:</b>		<b>57 019</b>	<b>51 791</b>

Investments in consolidated indirectly controlled subsidiaries	31-12-2012		
	Share in equity %	Acquisition cost	Carrying value
"Kėdainių oda" UAB	100	12 000	11 990

Within 2012 Bank recognised an impairment loss of LTL 1 455 thousand for investment into "Šiaulių banko investicijų valdymas" UAB and reversed an impairment loss of LTL 1 000 thousand for investment into "Šiaulių banko lizingas" UAB. Additional information: within 2009 value decrease of LTL 4 773 thousand (among them covered activity's loss of "Šiaulių banko lizingas" UAB comprises LTL 3000 thousand, value decrease of "Šiaulių banko turto fondas" UAB – LTL 846 thousand, "Šiaulių banko investicijų valdymas" UAB – LTL 927 thousand) was acknowledged in the balance of Šiaulių bankas AB as well as in the profit (loss) report.

### 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 (see general information), Šiaulių bankas AB acquired 100 % control over following subsidiaries:

i) 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 own 100 % shares of "Žalgirio Sporto Arena" UAB; "Žalgirio Sporto Arena" UAB owns 100 % shares of "Nacionalinis Futbolo Stadionas" UAB) and

ii) subsidiaries engaged in other activities: "Ūkio Banko Lizingas" UAB and "Bonum Publicum" GD UAB.

As the sale of subsidiaries mentioned above is highly probable because the agreement under which the subsidiaries were acquired until Q1 2014 provides the opportunity to the creditors of the Ūkio bankas to sell these subsidiaries as two portfolios of assets: i) portfolio of subsidiaries of Ūkio bankas engaged in real estate development activities and ii) portfolio of shares of subsidiaries of Ūkio bankas engaged in other activities, the above-mentioned subsidiaries are included in the financial statements of the Group as subsidiaries held for sale.

Above-mentioned subsidiaries are accounted at the lower of fair value (which, in case of these subsidiaries, is equal to acquisition value) and carrying amount. According to the terms of the agreement, in case of sale of portfolios of assets, Šiaulių bankas AB has a guarantee that it will receive the amount of cash equal to acquisition value of these subsidiaries, therefore in case the carrying amount of acquired subsidiaries is lower than the acquisition value, the Group recognizes derivative assets in discontinued operations related to such subsidiaries, the carrying value of which is equal to the difference between the acquisition value of the portfolio of shares and the carrying amount.

	30-06-2013		
	Entities engaged in real estate development	Entities engaged in other activities	Total:
Assets held for sale attributable to the group of entities	109 188	249 694	358 882
Liabilities attributable to assets held for sale attributable to the group of entities	19 639	64 757	84 396
Profit (loss) of the current year from the date of acquisition of the entities 03-03-2013	(727)	5 077	4 350

During the six month period ended 30 June 2013, the Group did not incur any gain or loss related to the the measurement to fair value less costs to sell or on the disposal of the subsidiaries mentioned above.

**NOTE 7 OTHER ASSETS**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Assets held for sale	124 787	-	132 803	-
Amounts receivable	12 510	3 849	5 970	133
Deferred expenses	4 487	3 089	3 280	1 902
Prepayments	12 577	11 693	4 545	0
Foreclosed assets	2 592	1 984	2 422	1 995
Other	5 890	2 080	7 532	1 406
<b>Total:</b>	<b>162 843</b>	<b>22 695</b>	<b>156 552</b>	<b>5 436</b>

**NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	45 735	45 783	13 179	15 472
Time deposits	33 251	33 256	27 383	27 388
<b>Total:</b>	<b>78 986</b>	<b>79 039</b>	<b>40 562</b>	<b>42 860</b>
Loans received:				
Loans from other banks	69 936	69 936	76 421	76 421
Loans from financial institutions	105 130	105 130	74 035	74 035
Loans from international organisations	55 798	55 798	215 252	215 252
<b>Total:</b>	<b>230 864</b>	<b>230 864</b>	<b>365 708</b>	<b>365 708</b>
<b>Total:</b>	<b>309 850</b>	<b>309 903</b>	<b>406 270</b>	<b>408 568</b>

**NOTE 9 DUE TO CUSTOMERS**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Demand deposits:</b>				
National government institutions	36 066	36 066	37 033	37 033
Local government institutions	105 825	105 825	53 094	53 094
Governmental and municipal companies	14 710	14 710	24 849	24 849
Corporate entities	238 671	272 973	219 489	219 650
Non-profit organisations	19 641	19 641	13 128	13 128
Individuals	398 969	398 969	205 037	205 037
Unallocated amounts due to customers	19 222	19 222	7 364	7 364
<b>Total demand deposits:</b>	<b>833 104</b>	<b>867 406</b>	<b>559 994</b>	<b>560 155</b>
<b>Time deposits:</b>				
National government institutions	1 451	1 451	2 198	2 198
Local government institutions	8 336	8 336	2 011	2 011
Governmental and municipal companies	14 486	14 486	24 277	24 277
Corporate entities	157 432	162 890	155 991	155 991
Non-profit organisations	16 549	16 549	9 160	9 160
Individuals	3 441 637	3 441 637	1 412 060	1 412 060
<b>Total time deposits:</b>	<b>3 639 891</b>	<b>3 645 349</b>	<b>1 605 697</b>	<b>1 605 697</b>
<b>Total:</b>	<b>4 472 995</b>	<b>4 512 755</b>	<b>2 165 691</b>	<b>2 165 852</b>

**NOTE 10 SPECIAL AND LENDING FUNDS**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Special funds	3 807	3 807	2 835	2 835
Lending funds	13 057	13 057	4 459	4 459
<b>Total:</b>	<b>16 864</b>	<b>16 864</b>	<b>7 294</b>	<b>7 294</b>

Special funds consist of compulsory social security and health insurance funds. Special funds have to be available to their contributors on their first demand. Lending funds consist of loans from banks and financial institutions for granting of special purpose credits.

**NOTE 11 DEBT SECURITIES IN ISSUE**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
555 days coupon bonds in LTL with rate of 5.25 per cent, maturity 06-03-2013	-	-	15 268	15 268
505 days coupon bonds in LTL with rate of 4.25 per cent, maturity 03-01-2013	-	-	7 116	7 116
547 days coupon bonds in LTL with rate of 4.5 per cent, maturity 29-05-2013	-	-	528	528
<b>Total:</b>	<b>-</b>	<b>-</b>	<b>22 912</b>	<b>22 912</b>

**NOTE 12 OTHER LIABILITIES**

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Accrued charges	9 928	8 816	8 362	6 541
Deferred income	11 186	862	3 003	859
Advances received from the buyers of assets	1 824	-	2 056	-
Amounts payable for finance lease agreements	5 297	-	3 456	-
Payable dividends	58	58	29	29
Other liabilities	11 262	7 922	3 116	555
<b>Total:</b>	<b>39 555</b>	<b>17 658</b>	<b>20 022</b>	<b>7 984</b>

**NOTE 13 SHARE CAPITAL**

As of 30 June 2013 the Bank's share capital comprised 250 000 000 ordinary registered shares with par value of LTL 1 each. Authorized capital was registered in the Register of Legal Entities on 31 May 2013, using Bank's own resources (share premium), from which a new share issue of 15 142 467 ordinary shares was issued. The shares were distributed among bank's shareholders using the proportion of their stakes at the accounting date of the shares (12 April 2013) of the ordinary meeting of shareholders of Šiaulių bankas that took place on 28 March 2013.

Shareholders including the European Bank for Reconstruction and Development, Trade-house "Aiva" UAB, "Mintaka" UAB, Company Group "Alita" AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Audrius Žiugžda, Daiva Kiburienė, Jonas Bartkus, Vita Adomaitytė, Vytautas Sinius and Donatas Savickas comprise the group of shareholders, whose votes are calculated jointly. As of 30 June 2013, this group possessed 43.25 percent of the authorised capital and votes of the Bank.

As of 30 June 2013, the Bank had 3 673 shareholders (31 December 2012 – 3 671). A share of capital held by Bank's shareholders by the place of residence : 30-06-2013 residents 68.40 % , non-residents 31.60 %; 12-31-2012 residents 68.68 %, non-residents 31.32 %.

<b>Shareholder</b>	<b>Share of votes held together with the related persons, %</b>
The European Bank for Reconstruction and Development (EBRD)	19.57
Gintaras Kateiva	6.24
Skandinaviska Enskilda Banken customers	5.42
"Eglės" sanatorija AB	5.14
	<b>36.37</b>

Another 14 shareholders had less than 5 % but more than 1 of the Bank's share capital.

**Share premium**

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorised share capital.

## Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

## Statutory reserve

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

## Dividends

In 2012 the annual general meeting of shareholders it was decided to not to pay dividends. On 28-03-2013 the ordinary general meeting of shareholders made a decision to pay LTL 0.005 dividends per one ordinary registered share with LTL 1 nominal value each.

## General reserve to cover possible losses in assets

This reserve is formed from the Bank's profit or additional contributions of shareholders. The purpose of reserve is to cover losses incurred because of the risk related to the major activity of the Bank.

## Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. The Group and the Bank have no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

<b>Bank</b>	<b>30-06-2013</b>	<b>30-06-2012</b>
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	6 277	7 023
Weighted average number of issued shares (thousand of shares)	237 451	234 858
<b>Basic annual earnings per share (in LTL per share)</b>	<b>0,03</b>	<b>0,03</b>

<b>Group</b>	<b>30-06-2013</b>	<b>30-06-2012</b>
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	6 525	7 151
Weighted average number of issued shares (thousand of shares)	237 451	234 858
<b>Basic annual earnings per share (in LTL per share)</b>	<b>0,03</b>	<b>0,03</b>



**NOTE 14 NET INTEREST INCOME**

	<b>30-06-2013</b>		<b>30-06-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	924	4 268	980	4 100
on loans to customers	54 383	52 577	48 316	49 216
on debt securities	20 441	21 188	8 329	8 329
on finance leases	5 307	1 036	4 624	-
<b>Total interest income</b>	<b>81 055</b>	<b>79 069</b>	<b>62 249</b>	<b>61 645</b>
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(5 786)	(5 786)	(7 427)	(7 427)
on customer deposits and other repayable funds	(36 810)	(36 927)	(21 515)	(21 514)
on debt securities issued	( 122)	( 122)	( 973)	( 973)
compulsory insurance of deposits	(8 497)	(8 497)	(4 412)	(4 412)
on finance leases	-	-	-	-
<b>Total interest expense</b>	<b>(51 215)</b>	<b>(51 332)</b>	<b>(34 327)</b>	<b>(34 326)</b>
<b>Net interest income</b>	<b>29 840</b>	<b>27 737</b>	<b>27 922</b>	<b>27 319</b>

**NOTE 15 NET FEE AND COMMISSION INCOME**

	<b>30-06-2013</b>		<b>30-06-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Fee and commission income:				
for money transfer operations	6 878	6 974	4 832	4 876
for payment card services	1 253	1 253	1 069	1 069
for base currency exchange	1 390	1 392	917	920
for operations with securities	162	162	80	80
other fee and commission income	2 191	2 215	837	856
<b>Total fee and commission income</b>	<b>11 874</b>	<b>11 996</b>	<b>7 735</b>	<b>7 801</b>
Fee and commission expense:				
for payment card services	(3 417)	(3 417)	(3 129)	(3 129)
for money transfer operations	(1 199)	(1 179)	( 802)	( 795)
for operations with securities	( 65)	( 65)	( 42)	( 42)
for base currency exchange	( 1)	( 1)	( 1)	( 1)
other fee and commission expenses	( 732)	( 1)	( 46)	-
<b>Total fee and commission expense</b>	<b>(5 414)</b>	<b>(4 663)</b>	<b>(4 020)</b>	<b>(3 967)</b>
<b>Net fee and commission income</b>	<b>6 460</b>	<b>7 333</b>	<b>3 715</b>	<b>3 834</b>

**NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

	30-06-2013		30-06-2012	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(19 667)	(16 593)	(13 216)	(11 306)
Raw materials and consumables used *	(4 465)	-	-	-
Construction works	(8 841)	-	(8 456)	-
Rent and maintenance of premises	(3 651)	(3 519)	(2 402)	(2 368)
Office equipment maintenance	( 946)	( 931)	( 456)	( 446)
Depreciation of fixed tangible assets	(2 437)	(1 645)	(2 116)	(1 518)
Amortisation of intangible assets	( 153)	( 143)	( 149)	( 144)
Transportation, post and communications expenses	(1 140)	(1 207)	(1 001)	(1 055)
Real estate tax and other taxes	(1 776)	( 182)	(1 339)	( 148)
Advertising and marketing expenses	( 421)	( 284)	( 328)	( 261)
Training and business trip expenses	( 38)	( 33)	( 107)	( 81)
Charity	( 65)	( 61)	( 112)	( 108)
Service organisation expenses	(2 259)	(2 467)	( 505)	( 505)
Other operating expenses	(2 275)	(1 796)	(2 405)	( 873)
<b>Total:</b>	<b>(48 134)</b>	<b>(28 861)</b>	<b>(32 592)</b>	<b>(18 813)</b>

\* the Group accounted for "Kėdainių oda" UAB as a subsidiary held for sale as of 30 June 2012.

**NOTE 17 ALLOWANCE FOR IMPAIRMENT LOSSES**

	30-06-2013		30-06-2012	
	Group	Bank	Group	Bank
Impairment losses on loan	(7 721)	(7 647)	(10 914)	(11 168)
Recoveries of loans previously written-off	240	102	591	586
Impairment losses on finance lease receivables	(1 324)	-	( 66)	-
Recovered previously written-off finance lease receivables	86	-	240	-
Expenses for provision on other assets	( 423)	11	(1 078)	( 1)
<b>Total:</b>	<b>(9 142)</b>	<b>(7 534)</b>	<b>(11 227)</b>	<b>(10 583)</b>

**OTHER OPERATING INCOME**

	30-06-2013		30-06-2012	
	Group	Bank	Group	Bank
Revenue from sale of goods *	4 815	-	-	-
Revenue from sale of apartments	11 729	-	11 011	-
Income from lease of assets	966	202	1 843	402
Other income	1 274	529	725	134
<b>Total:</b>	<b>18 784</b>	<b>731</b>	<b>13 579</b>	<b>536</b>

\* the Group accounted for "Kėdainių oda" UAB as a subsidiary held for sale as of 30 June 2012.

**NOTE 18 RELATED-PARTY TRANSACTIONS**

Related parties with the Bank are classified as follows:

- the members of the Bank's Supervisory Council and the Bank's Board, their close family members and companies where the related parties own more than 5 per cent of shares and/or take managing positions;
- subsidiaries of the Bank;
- the shareholders owning more than 5 per cent of the Bank's shares.

In the ordinary course of business the Bank performs banking transactions with major shareholders, members of the Council and the Board, as well as with the subsidiaries.

During 2012, 2013 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:

	<b>30-06-2013</b>		<b>30-06-2012</b>	
	<b>Balances of deposits</b>	<b>Balances of loans</b>	<b>Balances of deposits</b>	<b>Balances of loans</b>
Members of the Council and the Board	1 193	6 490	1 031	4 857
Other related parties (excluding subsidiaries of the Bank)	4 604	148 990	5 353	121 954
<b>Total:</b>	<b>5 797</b>	<b>155 480</b>	<b>6 384</b>	<b>126 811</b>
Capital	375 368	375 368	299 797	299 797
a ratio of the capital, %	1,5	41,4	2,1	42,3

**Transactions with EBRD:**

The Bank had loans received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was LTL 69 377 thousand as of 30 June 2013 (31 December 2012: LTL 78 109 thousand). Interest and other expenses related to loans from EBRD amounted to LTL 2 509 thousand as of 30 June 2013 (31 December 2012: LTL 4 685 thousand). As of 30 June 2013, the loans received from EBRD consisted of EUR 20 million 10-year term subordinated loan, the agreement for which was signed at the end of February 2013.

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

	<b>30-06-2013</b>		<b>30-06-2012</b>	
	<b>Balances of deposits</b>	<b>Balances of loans</b>	<b>Balances of deposits</b>	<b>Balances of loans</b>
Non-financial institutions	1 537	203 657	161	154 609
Financial institutions	38 277	329 034	2 298	216 789
<b>Total:</b>	<b>39 814</b>	<b>532 691</b>	<b>2 459</b>	<b>371 398</b>

**Transactions with subsidiaries:**

<b>Assets</b>	<b>30-06-2013</b>	<b>31-12-2012</b>
Loans	409 644	371 398
Debt securities	123 047	-
Other assets	-	27
<b>Liabilities and shareholders' equity</b>		
Deposits	39 814	2 459
Bank's investment	192 530	51 791
Other liabilities	-	-

	30-06-2013	30-06-2012
<b>Income</b>		
Interest	7 287	6 364
Commission income	132	68
Income from foreign exchange operations	-	-
Dividends	2 400	1 000
Other income	94	110
<b>Expenses</b>		
Interest	( 102)	-
Commission charges	-	-
Operating expenses	( 721)	( 357)
Loss of impairment value of investment	-	-

## NOTE 19 CAPITAL MANAGEMENT

The capital of the Group is calculated and allocated for the risk coverage following the General Regulations for the Calculation of Capital Adequacy approved by the Bank of Lithuania Board. The Group's objectives when managing capital are as follows:

- 1) to comply with the capital requirements set by the Bank of Lithuania as well as the higher target capital requirements set by the major shareholder;
- 2) to safeguard the Bank's and the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders;
- 3) to support the development of the Group's business with the help of the strong capital base.

Capital adequacy and the use of the regulatory capital are monitored on a daily basis and information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the Bank of Lithuania requirements.

The Bank of Lithuania has set the following minimum capital requirements:

- 1) minimum level of capital held must be no less than 5 mill EUR;
- 2) minimum capital adequacy ratio, calculated as the regulatory capital to the risk-weighted assets, must be no less than 8%. Capital adequacy (solvency) ratio is calculated as a ratio of the capital of the Bank and the capital required to cover credit, trading book and operating risks multiplied by 0.08 and presented in percentage points.

Additional capital need for credit, operational, market and liquidity risk is subject to the regular stress-testing and Internal Capital Adequacy Assessment processing.

The Group's regulatory capital is divided into two tiers:

- 1) tier 1 capital consists of the share capital, share premium, reserve capital, retained earnings of the previous financial year and less the intangible assets;
- 2) tier II capital consist of 85 per cent of re-appraised reserves of financial assets if they are positive and Tier II additional capital comprising of the subordinated loans with the fixed maturity which meet the legal acts of other Lithuanian banks regulating the requirements set to the subordinated loans.

The regulatory capital is calculated as the sum of the previously mentioned tier 1 and tier 2 capital less the investments in other credit or financial institution.

The risk-weighted assets are measured by means of nine risk weights classified according to the nature of each assets and counterpart, taking into account collaterals and guarantees eligible for risk mitigation. A similar treatment with some adjustments is adopted for the off-balance sheet exposures. Capital requirements for operational risk are calculated using the Basic Indicator Approach.

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group as of 30 June 2013 and of 31 December 31 2012. During this period, the Group complied with capital requirements to which it is subject.

	<b>30-06-2013</b>		<b>31-12-2012</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Tier 1 capital</b>				
Ordinary shares	250 000	250 000	234 858	234 858
Share premium	32 719	32 719	47 861	47 861
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	18 680	24 517	8 179	12 171
Not audited result	-	-	-	-
Others reserve	3 243	2 641	1 891	1 289
Less: financial assets revaluation reserve	(2 675)	(2 675)	-	-
Less: Intangible assets	(1 067)	( 767)	(1 207)	( 903)
<b>Total Tier 1 capital</b>	<b>303 511</b>	<b>309 046</b>	<b>294 193</b>	<b>297 887</b>
<b>Tier 2 capital</b>				
85 % financial assets revaluation reserve	-	-	4 415	4 415
Subordinated loan	69 056	69 056	-	-
<b>Total Tier 2 capital</b>	<b>69 056</b>	<b>69 056</b>	<b>4 415</b>	<b>4 415</b>
Less Investments in other credit or financial institutions	-	(2 734)	-	(2 505)
<b>Total capital:</b>	<b>372 567</b>	<b>375 368</b>	<b>298 608</b>	<b>299 797</b>
<b>Capital requirement:</b>				
Standardised approach credit risk	256 725	243 594	166 071	166 817
Traded debt instruments	5 760	9 845	2 335	2 335
Equities	60	60	73	73
Foreign exchange risk exposure	5 931	5 894	8 558	8 563
Operational risk by Basic indicator's method	11 885	9 453	11 885	9 453
Other capital requirement	-	12 176	-	-
<b>Total capital requirement:</b>	<b>280 361</b>	<b>281 022</b>	<b>188 921</b>	<b>187 241</b>
<b>Capital ratio, %</b>	<b>10,63</b>	<b>10,69</b>	<b>12,64</b>	<b>12,81</b>

## NOTE 20 LIQUIDITY

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.

### The liquidity risk management

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.

The liquidity risk management is regulated by the Liquidity Risk Management Procedures 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.

As of 30 June 2013 the Group's liquidity ratio was 52.19 per cent (31-12-2012: 41.56 per cent), and the Bank's – 52.06 per cent (31-12-2012: 42.78 per cent.).

The 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.

The structure of the Group's liabilities by maturity as of 30 June 2013 was as follows:

	Demand	up to 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:
<b>Total assets</b>	215 876	70 191	140 481	187 044	389 141	1 444 713	2 112 453	751 347	5 311 246
<b>Total liabilities and shareholder's equity</b>	891 826	465 198	631 100	995 655	1 335 315	371 897	206 468	413 787	5 311 246
<b>Net liquidity gap</b>	(675 950)	(395 007)	(490 619)	(808 611)	(946 174)	1 072 816	1 905 985	337 560	-

The structure of the Group's liabilities by maturity as of December 31 st 2012 was as follows.:

	Demand	up to 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:
<b>Total assets</b>	222 023	89 340	145 387	171 540	280 718	712 043	1 080 549	241 103	2 942 703
<b>Total liabilities and shareholder's equity</b>	574 971	205 409	370 533	474 223	669 357	228 896	95 012	324 302	2 942 703
<b>Net liquidity gap</b>	(352 948)	(116 069)	(225 146)	(302 683)	(388 639)	483 147	985 537	(83 199)	-

The structure of the Bank's liabilities by maturity as of 30 June 2013 was as follows.:

	Demand	up to 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:
<b>Total assets</b>	215 675	89 317	178 336	292 935	629 503	1 361 248	2 018 541	457 092	5 242 647
<b>Total liabilities and shareholder's equity</b>	924 508	458 720	634 617	996 383	1 333 835	363 241	206 456	324 887	5 242 647
<b>Net liquidity gap</b>	(708 833)	(369 403)	(456 281)	(703 448)	(704 332)	998 007	1 812 085	132 205	-

The structure of the Bank's liabilities by maturity as of December 31st 2012 was as follows.:

	Demand	up to 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:
<b>Total assets</b>	221 810	126 853	191 013	236 358	357 373	654 621	982 241	161 197	2 931 466
<b>Total liabilities and shareholder's equity</b>	575 883	200 300	369 718	473 643	666 781	228 128	94 999	322 014	2 931 466
<b>Net liquidity gap</b>	(354 073)	(73 447)	(178 705)	(237 285)	(309 408)	426 493	887 242	(160 817)	-

## NOTE 21 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.

### Foreign exchange risk

The management of the currency exchange risk is regulated by the "Currency Exchange Risk Management Procedures" which specify the principles allowing the Group to reduce the incurred foreign currency fluctuation risk to minimum. The Group is not engaged in any speculative transactions through which it could expect to earn profit from the open currency positions after changes in currency rate. The Board of the Bank approves and reviews on regular bases the maximum limits set to the open currency positions at the level of the Bank's subsidiary companies and the Bank itself. The set limits are below the limits allowed by the Bank of Lithuania. The Treasury Department of the Bank bears responsibility for the Group's compliance with the "Currency Exchange Risk Management Procedures".

The Group and the Bank monitors the foreign currency risk by calculating open currency position, which is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. The position can be long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As of 30 June 2013 the TOP to capital ratio was: Group's – 3.87 % (31-12-2012: 1.02 %), Bank's – 3.84 % (31-12-2012: 1.02 %).

### Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the maximum fluctuations of currency exchange rate in 2012 and forecast that exchange rate fluctuations will reduce in 2013. The Group does not evaluate FX risk on open EUR position as LTL is pegged to EUR at a fixed rate (see General information).

Currency	Annual reasonable shift 2013
USD	6%
GBP	4.5%
DKK	0.3%
SEK	10%
LVL	0.5%
other currencies	4%

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	30-06-2013		31-12-2012	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
USD	308	308	26	26
GBP	131	131	3	3
DKK	1	1	1	1
SEK	60	60	74	74
LVL	2	2	1	1
other currencies	204	204	72	72
<b>Total:</b>	<b>706</b>	<b>706</b>	<b>177</b>	<b>177</b>

The presumable FX rate change makes an impact on the Group's / Bank's profit LTL 706 thousand in 2013 (2012: LTL 177 thousand).



The Group's open positions of prevailing currencies as of 30 June 2013 were as follows:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	230 361	18 711	249 072	1 277 645	3 784 529	5 311 246
Liabilities and shareholder's equity	220 718	37 488	258 206	1 222 835	3 830 205	5 311 246
Net balance sheet position	9 643	(18 777)	(9 134)	54 810	(45 676)	-
Currency swaps	(4 504)	28 042	23 538	4 894	(28 243)	189
<b>Net open position</b>	<b>5 139</b>	<b>9 265</b>	<b>14 404</b>	<b>59 704</b>	<b>(73 919)</b>	<b>189</b>

The Group's open positions of prevailing currencies as of 31 December 2012 were as follows:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	70 290	9 045	79 335	835 220	2 028 148	2 942 703
Liabilities and shareholder's equity	68 766	6 054	74 820	733 258	2 134 625	2 942 703
Net balance sheet position	1 524	2 991	4 515	101 962	(106 477)	-
Currency swaps	(1 954)	-	(1 954)	1 959	-	5
<b>Net open position</b>	<b>( 430)</b>	<b>2 991</b>	<b>2 561</b>	<b>103 921</b>	<b>(106 477)</b>	<b>5</b>

The Bank's open positions of prevailing currencies as of 30 June 2013 were as follows:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	230 360	18 711	249 071	1 276 925	3 716 651	5 242 647
Liabilities and shareholder's equity	220 718	37 488	258 206	1 222 577	3 761 864	5 242 647
Net balance sheet position	9 642	(18 777)	(9 135)	54 348	(45 213)	-
Currency swaps	(4 504)	28 042	23 538	4 894	(28 243)	189
<b>Net open position</b>	<b>5 138</b>	<b>9 265</b>	<b>14 403</b>	<b>59 242</b>	<b>(73 456)</b>	<b>189</b>

The Bank's open positions of prevailing currencies as of December 31st 2012 were as follows:

	USD currencies	Others currencies:	Total currencies:	EUR	LTL	Total:
Assets	70 289	9 045	79 334	836 170	2 015 962	2 931 466
Liabilities and shareholder's equity	68 766	6 054	74 820	733 046	2 123 600	2 931 466
Net balance sheet position	1 523	2 991	4 514	103 124	(107 638)	-
Currency swaps	(1 954)	-	(1 954)	1 959	-	5
<b>Net open position</b>	<b>( 431)</b>	<b>2 991</b>	<b>2 560</b>	<b>105 083</b>	<b>(107 638)</b>	<b>5</b>

### 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 presupposing about the future interest rates. The scope of the risk is assessed referring to the interest rate gap model.

### Sensitivity of interest rate risk

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

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

Group 30-06-2013

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	413 401	639 925	1 002 157	121 413	1 835 191	1 299 159	5 311 246
Liabilities and shareholder's equity	564 286	762 067	974 791	1 269 038	323 816	1 417 248	5 311 246
Net interest sensitivity gap	(150 885)	(122 142)	27 366	(1147 625)	1 511 375	- 118 089	-
Higher / lower impact on profit from balance sheet assets and liabilities	(1 446)	(1 018)	171	(2 869)	-	-	(5 162)

Group 31-12-2012

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	380 747	543 467	798 257	98 937	617 568	503 727	2 942 703
Liabilities and shareholder's equity	340 077	427 380	517 669	622 362	67 145	968 070	2 942 703
Net interest sensitivity gap	40 670	116 087	280 588	(523 425)	550 423	(464 343)	-
Higher / lower impact on profit from balance sheet assets and liabilities	390	967	1 754	(1 309)	-	-	1 802

**Bank 30-06-2013**

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	432 981	624 971	1 044 041	388 745	1 819 097	932 812	5 242 647
Liabilities and shareholder's equity	564 334	765 984	976 337	1 269 038	323 816	1 343 138	5 242 647
Net interest sensitivity gap	(131 353)	(141 013)	67 704	(880 293)	1495 281	(410 326)	0
Higher / lower impact on profit from balance sheet assets and liabilities	(1 259)	(1 175)	423	(2 201)	-	-	(4 212)

**Bank 31-12-2012**

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	419 951	529 989	798 003	199 256	631 388	352 879	2 931 466
Liabilities and shareholder's equity	340 238	427 380	517 669	622 367	67 145	956 667	2 931 466
Net interest sensitivity gap	79 713	102 609	280 334	(423 111)	564 243	(603 788)	-
Higher / lower impact on profit from balance sheet assets and liabilities	764	855	1 752	(1 058)	-	-	2 313

## Operational risk

The goals of the Bank's operational risk management include such areas as implementation of the internal control, processes and measures of the operational risk mitigation, prevention of accidents and losses; proper identification and assessment of the operational risks; concentration of funds and time on the establishment and management of the major operational risk sources in every area of the Bank's activity; proper arrangement of the internal control environment and monitoring constantly reviewing the applied methods and learning from the past.

Operational risk management system at the Bank covers all the areas of banking activities: work with cash (cash values), investment services (deposits, investment and pension funds), account payments (bank accounts, direct debit, fee collection), e-banking ("SB linija", "SMS bank", payment card), credits (credits, factoring, guarantees and documentary settlements), leasing, trading in foreign currency, etc.

The bank distinguishes a reputation risk as an operational risk sub-group. The reputation risk is the existing or foreseen risk, which might have a negative impact on the Bank's income and (or) capital with regard to unfavourable opinion about the Bank's reputation and which is made by the clients, parties of the agreement, shareholders and investors.

Considering the nature and scope of the banking activities, the following key sources of the operational risk are distinguished within the Bank:

1. Information systems (technical and software equipment, disorders in telecommunication systems, etc.);
2. Influence of human factors:
  - 2.1. a suspected unintended error or action of an employee;
  - 2.2. the bank's employees errors without establishing a motive of action;
  - 2.3. suspected illegal actions, fraud, deceit made by the bank's employees;
  - 2.4. illegal actions, fraud, deceit made by non- bank's employees.
3. Working conditions (violation of the safe working conditions, etc.).
4. The forces of nature.

In order to collect information about operational risk events, the Bank accumulates the historical data related to operational risk and losses caused by it. For this purpose the Operational Risk Event Registration procedure is approved by the Bank's Board.

To ensure continuity of the activities the Bank has approved the Activity Continuity Plan and Procedures for Provision of Banking Products, in case of the incident occurring in the Bank's Information Systems. According to the policies mentioned above the particular procedures and actions are taken in case of a contingency event and emergency cases seeking to minimize and avoid operational risks and loss of values if the daily activities of the Bank are disturbed.

The Bank's operational risk management system is supplemented by the Bank's Activity Continuity Plan and the Information Security and Emergency Management systems created and installed by the Information technologies agency "Blue Bridge".

## Stress testing

Alongside with the assessment of various types of risks and calculation of the capital requirement, the Group performs the stress testing to such types of risks which, after the self-assessment, fall under the high or very high level of risk. During the stress testing it is established if the Group's capital is adequate to cover the likely loss which could be incurred from the deterioration of the Group's financial status. The stress testing is performed in compliance with the requirements set by the Bank of Lithuania.

## 22 NOTE SEGMENT INFORMATION

### Business segments

A summary of major indicators for the main business segments of the Group included in the statement of financial position as at 30 June 2013 and in the statement of comprehensive income for the six month period ended 30 June 2013 is presented below:

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	7 185	(2 963)	( 120)	(2 238)	(1 864)	-
External	20 552	7 590	112	1 586	-	29 840
<b>Net interest income</b>	27 737	4 627	( 8)	( 652)	(1 864)	29 840
Internal	7 317	(3 073)	( 49)	(2 102)	(2 093)	-
External	27 753	6 849	112	1 586	-	36 300
<b>Net interest, fee and commissions income</b>	35 070	3 776	63	( 516)	(2 093)	36 300
<b>Provision expenses</b>	(7 534)	(1 468)	( 46)	( 94)	-	(9 142)
Internal	( 721)	( 74)	( 5)	( 9)	809	-
External	(26 352)	(1 671)	( 210)	(17 311)	-	(45 544)
<b>Operating expenses</b>	(27 073)	(1 745)	( 215)	(17 320)	809	(45 544)
<b>Amortisation charges</b>	( 143)	( 8)	-	( 2)	-	( 153)
<b>Depreciation charges</b>	(1 645)	( 403)	( 9)	( 380)	-	(2 437)
Internal	2 494	-	18	119	(2 631)	-
External	5 941	176	140	18 117	-	24 374
<b>Net other income</b>	8 435	176	158	18 236	(2 631)	24 374
Profit before tax	7 110	328	( 49)	( 76)	(3 915)	3 398
Profit from discontinued operations	-	-	-	-	4 350	4 350
Income tax	( 833)	( 224)	-	( 166)	-	(1 223)
<b>Profit per segment after tax</b>	6 277	104	( 49)	( 242)	435	6 525
<b>Profit for the period attributable to:</b>	6 277	104	( 49)	( 242)	435	6 525
Equity holders of the bank						6 512
Non-controlling interest						13
<b>Total segment assets</b>	<b>5242 647</b>	<b>218 094</b>	<b>28 304</b>	<b>237 296</b>	<b>(415 095)</b>	<b>5 311 246</b>
<b>Total segment liabilities</b>	<b>4926 557</b>	<b>215 438</b>	<b>25 475</b>	<b>197 456</b>	<b>(365 618)</b>	<b>4 999 308</b>
<b>Net segment assets (shareholders' equity)</b>	<b>316 090</b>	<b>2 656</b>	<b>2 829</b>	<b>39 840</b>	<b>(49 477)</b>	<b>311 938</b>

A summary of major indicators for the main business segments of the Group included in the statement of financial position as at 30 June 2012 and in the statement of comprehensive income for the six month period ended 30 June 2012 is presented below:

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	6 364	(2 812)	( 534)	(2 611)	( 407)	-
External	20 955	5 871	203	893	-	27 922
<b>Net interest income</b>	27 319	3 059	( 331)	(1 718)	( 407)	27 922
Internal	6 433	(2 871)	( 534)	(2 613)	( 415)	-
External	24 720	5 820	203	894	-	31 637
<b>Net interest, fee and commissions income</b>	31 153	2 949	( 331)	(1 719)	( 415)	31 637
<b>Provision expenses</b>	(10 583)	( 39)	-	( 605)	-	(11 227)
Internal	( 357)	( 89)	( 5)	( 17)	468	-
External	(16 794)	(2 113)	( 387)	(11 033)	-	(30 327)
<b>Operating expenses</b>	(17 151)	(2 202)	( 392)	(11 050)	468	(30 327)
<b>Amortisation charges</b>	( 144)	( 4)	-	( 1)	-	( 149)
<b>Depreciation charges</b>	(1 518)	( 484)	( 7)	( 107)	-	(2 116)
Internal	1 110	-	39	( 707)	( 442)	-
External	5 197	843	535	14 381	-	20 956
<b>Net other income</b>	6 307	843	574	13 674	( 442)	20 956
Profit before tax	8 064	1 063	( 156)	192	( 389)	8 774
Loss from discontinued operations	-	-	-	-	( 469)	( 469)
Income tax	(1 041)	( 68)	-	( 45)	-	(1 154)
<b>Profit per segment after tax</b>	7 023	995	( 156)	147	( 858)	7 151
<b>Profit for the period attributable to:</b>	7 023	995	( 156)	147	( 858)	7 151
Equity holders of the bank	-	-	-	-	-	7 057
Non-controlling interest	-	-	-	-	-	94
<b>Total segment assets</b>	<b>2 792 161</b>	<b>198 727</b>	<b>21 796</b>	<b>195 640</b>	<b>(399 512)</b>	<b>2 808 812</b>
<b>Total segment liabilities</b>	<b>2 486 088</b>	<b>195 206</b>	<b>16 663</b>	<b>154 576</b>	<b>(347 266)</b>	<b>2 505 267</b>
<b>Net segment assets (shareholders' equity)</b>	<b>306 073</b>	<b>3 521</b>	<b>5 133</b>	<b>41 064</b>	<b>(52 246)</b>	<b>303 545</b>

CONSOLIDATED INTERIM REPORT OF  
ŠIAULIŲ BANKAS AB FOR THE PERIOD OF 6  
MONTHS OF 2013



## 1. Reporting period, covered in the consolidated interim report

The present consolidated interim report of Šiaulių bankas AB (hereinafter — the Bank) covers the period from January 1, 2013 to June 30, 2013

## 2. Contact information of the Bank

Name	<b>Šiaulių bankas AB</b>
Legal form	Limited Liability Public Company
Registration date	04-02-1992
Registrar	State Enterprise Centre of Registers Entities
Company code	112025254
Reg. domicile address	Tilžės str.149, LT-76348 Šiauliai, Lithuania

**Contacts:**

Tilžės str.149, LT-76348 Šiauliai, Lithuania  
Tel. + 370 41 595 607, fax +370 41 430 774  
E-mail [info@sb.lt](mailto:info@sb.lt), [www.sb.lt](http://www.sb.lt)

## 3. Contact information of the companies of the Bank Group

Name	<b>“Šiaulių banko lizingas” UAB</b>
Legal form	Limited Liability Private Company
Registration date	16-08-1999
Registrar	State Enterprise Centre of Registers Entities
Company code	145569548
Reg. domicile address	Vilniaus str. 167, LT-76352 Šiauliai, Lithuania

**Contacts:**

Vilniaus str. 167, LT-76352 Šiauliai, Lithuania  
Tel.: +370 (41) 420 855, 502 990, fax +370 41 423 437  
E-mail [lizingas@sb.lt](mailto:lizingas@sb.lt), [www.sblizingas.lt](http://www.sblizingas.lt)

Name	<b>“Šiaulių banko turto fondas” UAB</b>
Legal form	Limited Liability Private Company
Registration date	13-08-2002
Registrar	State Enterprise Centre of Registers Entities
Company code	145855439
Reg. domicile address	Vilniaus str. 167, LT-76352 Šiauliai, Lithuania

**Contacts:**

Vilniaus str. 167, LT-76352 Šiauliai, Lithuania  
Tel. + 370 41 525 322, fax +370 41 525 321  
E-mail [turtofondas@sb.lt](mailto:turtofondas@sb.lt), [www.sbp.lt](http://www.sbp.lt)



Name	<b>"Šiaulių banko investicijų valdymas" UAB</b>
Legal form	Limited Liability Private Company
Registration date	31-08-2000
Registrar	State Enterprise Centre of Registers Entities
Company code	145649065
Reg. domicile address	Vilniaus str. 167, LT-76352 Šiauliai, Lithuania

Contacts:  
Šeimyniškių str. 1A, LT-09312 Vilnius, Lithuania  
Tel. + 370 5 272 2477, fax +370 5 263 6144  
E-mail sbiv@sb.lt, [www.sbp.lt](http://www.sbp.lt)

Name	<b>"SBTF" UAB</b>
Legal form	Limited Liability Private Company
Registration date	24-11-2004
Registrar	State Enterprise Centre of Registers Entities
Company code	300069309
Reg. domicile address	Vilniaus str. 167, LT-76352 Šiauliai, Lithuania

Contacts:  
Vilniaus str. 167, LT-76352 Šiauliai, Lithuania  
Tel. + 370 41 525 322, fax +370 41 525 321  
E-mail sbrf@sb.lt, [www.sbp.lt](http://www.sbp.lt)

Name	<b>"Minera" UAB</b>
Legal form	Limited Liability Private Company
Registration date	30-09-1992
Registrar	State Enterprise Centre of Registers Entities
Company code	121736330
Reg. domicile address	Vilniaus str. 167, LT-76352 Šiauliai, Lithuania

Contacts:  
Vilniaus str. 167, LT-76352 Šiauliai, Lithuania  
Tel. + 370 41 399 423, fax +370 41 399 423  
E-mail info@minera.lt, [www.sbp.lt](http://www.sbp.lt)

Name	<b>"Pavasaris" UAB</b>
Legal form	Limited Liability Private Company
Registration date	25-09-1992
Registrar	State Enterprise Centre of Registers Entities
Company code	121681115
Reg. domicile address	Siltnamių str. 27, LT-04130 Vilnius, Lithuania

Contacts:  
Jonažolių str. 7-132, LT-04138 Vilnius, Lithuania  
Tel. + 370 5 244 8096, fax +370 5 240 1623  
E-mail info@pavasaris.net, [www.pavasaris.net](http://www.pavasaris.net)

Name	<b>"Kėdainių oda" UAB</b>
Legal form	Limited Liability Private Company
Registration date	29-10-2008
Registrar	State Enterprise Centre of Registers Entities
Company code	302190537
Reg. domicile address	Biochemikų str. 7, LT-57234 Kėdainiai, Lithuania

**Contacts:**

Biochemikų str. 7, LT-57234 Kėdainiai, Lithuania

Tel. + 370 347 55 089, fax +370 347 55 857

[www.naturalioda.eu](http://www.naturalioda.eu)

## 4. Bank's Strategy

The Bank rendering professional banking services aims to be a strong and advanced Lithuanian bank.

Communicating and collaborating with partners and customers in provision of financial services, the basic principles the Bank's performance ensuring long-term mutual relationship based on trust are simplicity, responsibility, professionalism and promptness.

**Our mission**

- We are here to help our clients grow, reach for their goals, fulfil their dreams and projects which assist in creating a new quality of life in Lithuania.

**Our visions**

- A professional, reliable and modern financial partner.

**Our values**

- Attention to clientèle.
- High internal standards, respect to each other and clients.
- Open communication.
- Constant growing.

## 5. Nature of the Bank's activities

In its activities the Bank follows the laws and other legal acts of the Republic of Lithuania, the Charter of the Bank and agreements concluded, the Bank is engaged in usual activity of commercial banks and renders the services typical to the sector. The key area of the Bank's activities is focused on lending to small and medium-sized business.

The private and corporate customers are entitled to the following banking services:

- opening and handling of bank accounts in litas and foreign currency to Lithuanian and foreign clients;
- domestic and international payments in litas and foreign currency;
- collection of utility bills and other charges, direct debit service, standing and conditional orders;
- management of accounts via "SB linija" on the Internet;
- mobile banking service "SMS bankas" and "SMS bankas plus" information on the mobile phone about balances and movements in the accounts and possibility to transfer funds to own accounts with Šiaulių bankas;
- trading in foreign currencies;
- conclusion of various types deposit agreements;
- issue, purchase and sales of cheques,

- granting of various short-term and long-term credits;
- issue and administration of payment cards;
- intermediation in entering transactions on the Stock Exchange;
- registration of transactions in securities off-stock trading;
- consulting regarding issue, acquisition and transfer of securities;
- handling of accounting of shares issued by the entities;
- issue of debt securities;
- preparation of share issue prospectus;
- dissemination of pension accumulation agreements;
- distribution of commemorative coins and numismatic sets, etc.

## 6. Involvement in associated structures

The Bank participates in the activities of the following organizations, associations, and associated structures:

- Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- "Visa Europe";
- "MasterCard Worldwide";
- Stock Exchange AB NASDAQ OMX Vilnius;
- International initiative under the UN – Global Compact;
- Association of Lithuanian Banks;
- Association of Lithuanian Financial Brokers;
- International Chamber of Commerce (ICC) Lithuania;
- Lithuanian Business Employers' Confederation;
- Kaunas Chamber of Commerce, Industry and Crafts;
- Klaipeda Chamber of Commerce, Industry and Crafts;
- Panevezys Chamber of Commerce, Industry and Crafts;
- Siauliai Chamber of Commerce, Industry and Crafts;
- Klaipeda Association of Industrialists;
- Siauliai Association of Industrialists;
- Kelme Association of Business People;
- Mazeikiai Association of Business People;
- Taurage Association of Business People.

## 7. Group of the Bank's Companies

As of 30 June 2013 the Bank had the following subsidiaries:

"Šiaulių banko lizingas" UAB (hereinafter — "SB lizingas"):

- assets: LTL 218,09 million
- nature of activities: finance leases (leasing) and leases.

"Šiaulių banko turto fondas" UAB (hereinafter — "SB turto fondas"):

- assets: LTL 69,93 million
- nature of activities: real estate management activities.

"Šiaulių banko investicijų valdymas" UAB (hereinafter — "SB investicijų valdymas"):

- assets: LTL 28,30 million
- nature of activities: investment management activities.

“SBTF” UAB (hereinafter – “SBTF”):

- assets: LTL 44,86 million
- nature of activities: real estate management activities.

“Minera” UAB (hereinafter – “Minera”):

- assets: LTL 53,80 million
- nature of activities: real estate management activities.

“Pavasaris” UAB (hereinafter – “Pavasaris”):

- assets: LTL 29,60 million
- nature of activities: development of residential apartment area.

“Kėdainių oda” UAB (hereinafter – “Kėdainių oda”):

- assets: LTL 13,32 million
- nature of activities: leather processing, production.

A share of the Bank in the Bank’s subsidiaries as of 30 June 2013 is provided below:

Company	A share of the authorized capital owned by the Bank, %
“Šiaulių banko lizingas” UAB	100,00
“Šiaulių banko investicijų valdymas” UAB (investment management)	100,00
“Šiaulių banko turto fondas” UAB (assets fund)	100,00
“SBTF” UAB	100,00
“Pavasaris” UAB	97,93
“Minera” UAB	100,00

As of 30 June 2013 the Bank controlled all the subsidiaries directly except “Kėdainių oda” UAB which is being managed indirectly.

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:

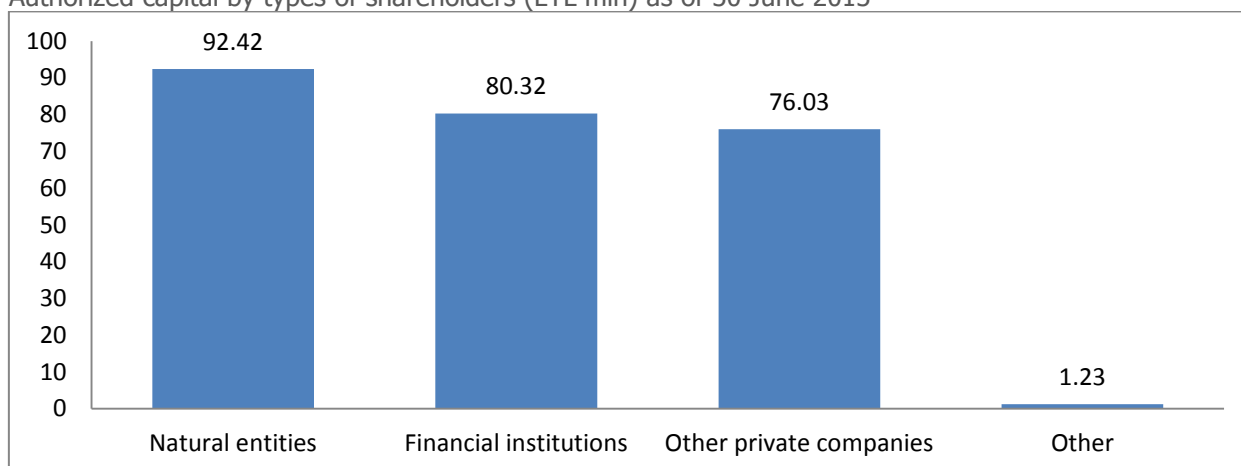
- subsidiaries engaged in real estate development activities: “Eastern Europe Development Fund” UAB, “Sporto Klubų Investicijos” UAB, “Trade Project” UAB, “Investicinio Turto Valdymas” UAB, “ŽSA 1” UAB, “ŽSA 2” UAB, “ŽSA 3” UAB, “ŽSA 4” UAB and “ŽSA 5” UAB (“ŽSA 1” UAB, “ŽSA 2” UAB, “ŽSA 3” UAB, “ŽSA 4” UAB and “ŽSA 5” UAB together own 100 % shares of “Žalgirio Sporto Arena” UAB; “Žalgirio Sporto Arena” UAB owns 100 % shares of “Nacionalinis Futbolo Stadionas” UAB);
- subsidiaries engaged in other activities: “Ūkio banko lizingas” UAB and life insurance “Bonum publicum” GD UAB.

Providing the sales of the above-mentioned subsidiaries are probable because these subsidiaries were acquired foreseeing the opportunity in the agreement for the creditors of the Ūkio bankas to sell these subsidiaries over the I q of 2014, the subsidiaries are included in the financial statements of the Bank Group as subsidiaries held for sale. The more detailed information is provided in the chapter “Subsidiaries held for sale” of the explanatory note of the interim financial statement for II quarters of 2013.

## 8. Authorized capital and shareholders of the Bank

The authorized capital of the Bank is LTL 250 000 000. The amendments of the Charter related to the capital increase were registered the Register of Legal Entities on 31 May 2013. The Bank increased its authorized capital by LTL 15.142 million from the Bank's own funds and distributed the shares to the shareholders proportionately to the number of shares owned by them.

Authorized capital by types of shareholders (LTL mln) as of 30 June 2013



Authorized capital of the Bank:

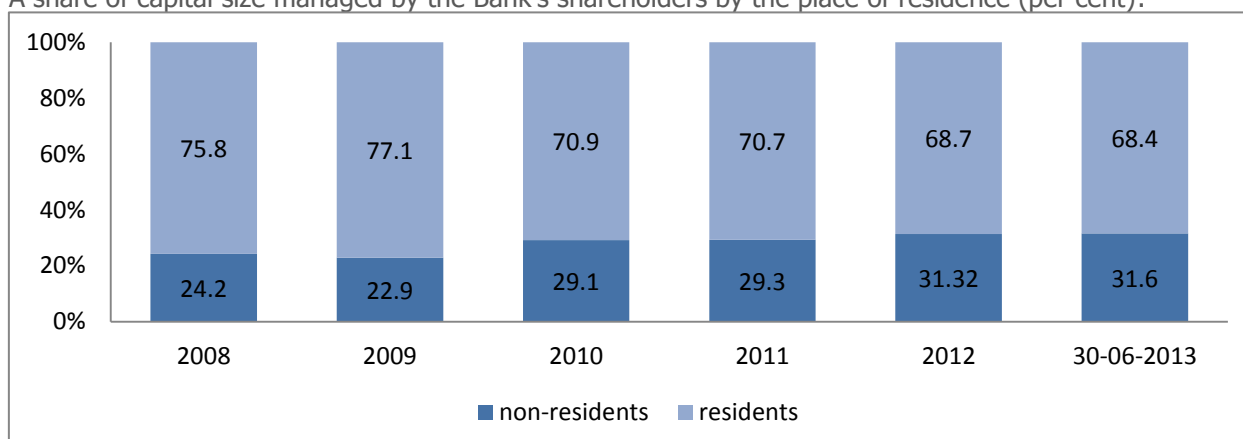
Date	14-05-2007	28-09-2007	14-05-2008	22-06-2010	04-08-2011	31-05-2013
Capital size, LTL	121 033 512	161 033 512	180 357 533	204 857 533	234 857 533	250 000 000

Structure of the Bank's authorized capital:

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares, ISIN LT0000102253	250 000 000	1	250 000 000

As of 30 June 2013 the number of the Bank's shareholders comprised 3 673 (late in 2012 – 3 671). All issued shares grant the shareholders equal rights foreseen by the Law on Companies and the Charter of the Bank.

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



The shareholders of the Bank who owned more than 5 per cent of the authorized capital of the Bank as of 30 June 2013 are as follows:

No.	Shareholder	Number of shares under the right of ownership, units	Share of authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with the related persons, %
1.	European Bank for Reconstruction and Development (ERPB) address One Exchange Square, London, Great Britain	48 928 965	19.57	19.57	43.25
2.	Gintaras Kateiva	15 605 433	6.24	6.24	43.25
3.	Clients of Skandinaviska Enskilda Banken, Sweden, address Sergels Torg 2, Stockholms, Sweden	13 557 820	5.42	5.42	5.42
4.	Sanatorium "Eglės" AB, address Eglės str. 1, Druskininkai	12 841 086	5.14	5.14	5.14

Shareholders of the Bank including the European Bank for Reconstruction and Development, Trade House "Aiva" UAB, "Mintaka" UAB, Enterprise Group "Alita" AB, Gintaras Kateiva, Algirdas Butkus, Arydas Salda, Kastytis Jonas Vyšniauskas, Sigita Baguckas, Vigintas Butkus, Vytautas Junevičius, Audrius Žiugžda, Vita Adomaitytė, Daiva Kiburienė, Jonas Bartkus, Donatas Savickas and Vytautas Sinius form a group of persons the votes possessed by whom are weighted together. 30 June 2013 this group possessed 43.25 per cent of the authorized capital and votes of the Bank.

## 9. Trade in shares of the companies of the Bank Group in regulated markets

In the official trading list of AB NASDAQ OMX Vilnius only the shares of the Bank are quoted. ISIN code LT0000102253, the number of shares – 250 000 000. Shares of the Bank's subsidiary companies are issued for non-public circulation.

Shares issued by the Bank are included in the comparative index of the OMX Baltic states securities market OMX Baltic Benchmark, which comprises shares of the highest capitalization and most liquid companies as well as in indices OMX Vilnius, OMX Baltic, OMX Baltic Financials, and OMX Baltic Benchmark Cap. Besides, shares issued by the Bank are included in the indices STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX EU Enlarged TMI, STOXX Global Total Market and STOXX Lithuania Total Market.

Changes in the share price within five years (in euros):



Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&do\\_wloadcsv=0&date=&start\\_d=30&start\\_m=6&start\\_y=2008&end\\_d=30&end\\_m=6&end\\_y=2013](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&do_wloadcsv=0&date=&start_d=30&start_m=6&start_y=2008&end_d=30&end_m=6&end_y=2013)

Turnover of the Bank's shares over the period from 2008 to the end of first half of 2013:

Year	Price of the last trading session, EUR	Max. price, EUR	Min. price EUR	Amount of shares, units	Turnover, mln. EUR
2008	0.269	0.235	1.014	41 718 397	24.33
2009	0.324	0.446	0.180	20 746 641	5.54
2010	0.337	0.345	0.264	17 784 012	5.65
2011	0.245	0.372	0.225	17 899 502	5.34
2012	0.231	0.285	0.230	11 106 241	2.48
30-06-2013	0.264	0.310	0.227	7 888 763	2.08



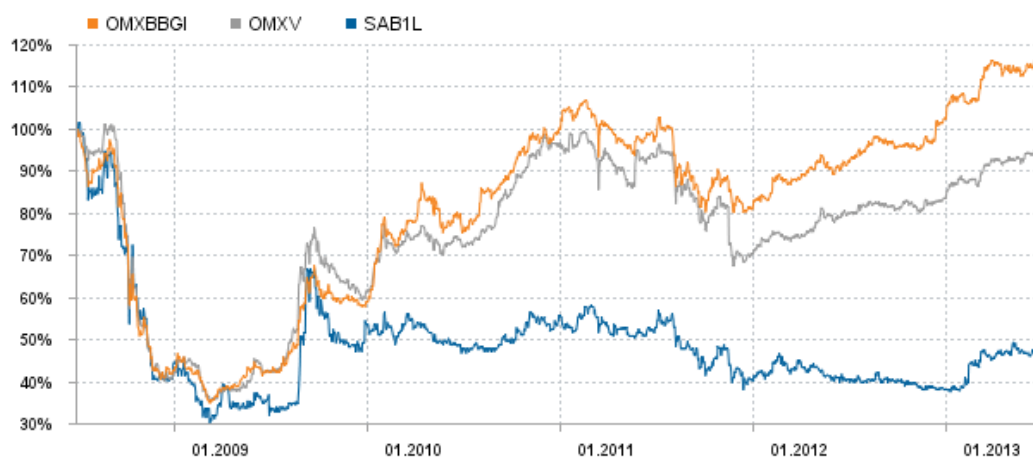
Price and turnover of the Bank's shares over the accounting period (in euros):



Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&do\\_wloadcsv=0&date=&start\\_d=1&start\\_m=1&start\\_y=2013&end\\_d=30&end\\_m=6&end\\_y=2013](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&do_wloadcsv=0&date=&start_d=1&start_m=1&start_y=2013&end_d=30&end_m=6&end_y=2013)

Further we are providing the charts of the Bank's share price and turnover from 2008 to end of the 1st half-year of 2013 placed on the website of NASDAQ OMX Vilnius AB at:



Grafiko duomenys:

Index/Shares	01-01-2008	31-12-2012	+/-, %
OMX Baltic Benchmark GI	530.70	616.09	16.09
OMX Vilnius	427.71	403.99	-5.55
SAB1L	0.57 EUR	0.26 EUR	-53.79

Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx\\_main%5B%5D=OMXBBGI&idx\\_main%5B%5D=OMXV&add\\_in dex=OMXBBPI&add\\_equity=LT0000102253&idx\\_equity%5B%5D=LT0000102253&period=other&start\\_d=30&start\\_m=6&start\\_y=2008&end\\_d=30&end\\_m=6&end\\_y=2013](http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_in dex=OMXBBPI&add_equity=LT0000102253&idx_equity%5B%5D=LT0000102253&period=other&start_d=30&start_m=6&start_y=2008&end_d=30&end_m=6&end_y=2013)

As of 30 June 2013 the Bank's capitalization was LTL 227.88 million (EUR 66 million) and as of 31 December 2012 it comprised LTL 187.32 million (EUR 54.25 million).

The capitalization of shares of the Bank and the total capitalization of shares quoted on the NASDAQ OMX Vilnius AB as of the last trading day of II q 2012 and II q 2013 is provided below:

The list of the Baltic shares	30-06-2012	30-06-2013	Change
Šiaulių bankas – SAB1L	57 774 953,12 EUR	66 000 000 EUR	+14.24 %
Vilnius market, in total	4 181 744 428,17 EUR	4 716 565 246,14 EUR	+12.79 %

Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&list%5B%5D=BAFN&market=&period=other&start\\_d=30&start\\_m=6&start\\_y=2012&end\\_d=30&end\\_m=6&end\\_y=2013](http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&list%5B%5D=BAFN&market=&period=other&start_d=30&start_m=6&start_y=2012&end_d=30&end_m=6&end_y=2013)

The indicator of the relation between the Bank's share market price and profit P/E:

Indicator	31-12-2008	31-12-2009	31-12-2010	31-12-2011	31-12-2012	30-06-2013
P/E	9.3	negative	negative	14.10	13.29	14.16

## 10. The Bank has concluded agreements with the following intermediaries in public circulation of securities:

- Bank "Finasta" AB;
- Danske Bank A/S Lithuania Branch;
- "Citadele" bankas AB;
- DnB Bankas AB;
- "Swedbank", AB;
- SEB bankas AB;
- "Barclays Capital" Bank;
- Commerzbank AG.

## 11. 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.

## 12. Information on compliance with the prudential requirements set to the Bank

During the 1st half-year of 2013 the Bank complied with all the prudential requirements stipulated by the Bank of Lithuania.

## 13. Risk Management

The Group of the Bank assumes, manages, analyses and evaluates the risks arising from its activities. The purpose of risk management in the group of the Bank is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the

Group of the Bank seeks not only minimization of potential risks, but also improvement of pricing and assurance of effective distribution of capital.

The risk management policy with the confirmation of the Bank's Supervisory Council is approved and its implementation controlled by the Board of the Bank. It defines the risks encountered in the activities of the Bank Group as well as principles of the risk management system. Creation of an appropriate risk management system, its on-going improvement and application of its measures in daily activities are one of the key assumptions ensuring the successful performance of the Bank Group in the long-term run. The procedures for the management of various types of risks prepared on the basis of the policy help to ensure the integrity of the risk management process throughout the Bank Group.

Since various risks encountered by the group of the Bank are interdependent, their management is centralized and performed by the Bank's Risk Management Committee. One of the main objectives of the Bank's Risk Management Committee is the establishment and coordination of the risk management system.

The Bank's Group performs annual self-assessment. This process analyses the risks that may arise from banking activities and have a significant impact on the Bank Group. The most important types of risks encountered by the group of the Bank include credit, market, liquidity, concentration and operational risks. The market risk encompasses the risk of currency exchange rate, interest rate, and price of securities.

In order to avoid conflict of interests, the outlets of the Bank which perform risk management functions are separated from the outlets direct activities of which are related with the emergence of risks characteristic to that activity.

The Bank group revises its risk management policies and systems regularly, not less than once a year, with regard to market changes, new products, and newly applied principles best practices.

## 14. Ratings assigned by international agencies

The international rating agency Moody's Investors Service updated the rating of the Bank on 20 March 2013:

Long-term credit rating	B1
Short-term credit rating	NP
Financial strength rating	E+
Rating outlook	developing

## 15. Information on results of performance

Despite the increased one-off expenses related to integration of the Ūkio bankas' part, the Bank Group earned LTL 6.5 million of unaudited net profit over the first half of the current year. The unaudited net profit earned by the Group over the respective period in 2012 comprised LTL 7.0 million. The Bank's unaudited net profit earned over the first half of the current year reached almost LTL 6.3 million or by 11 per cent less in comparison with the respective period last year.

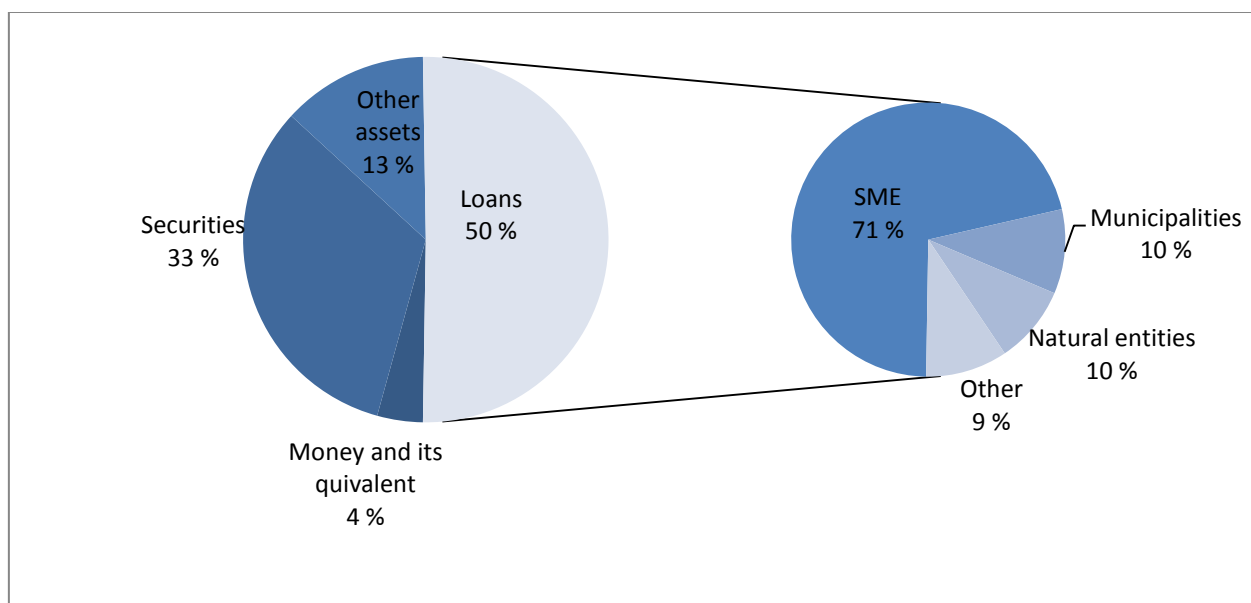
Comparing to the respective period of 2012 the net interest income of the Group increased by 7 per cent and exceeded LTL 29.8 million. The Group's income from net service and commission fee had grown significantly over the half a year – it comprised LTL 6.5 million which is by 74 per cent more than during the respective period last year. This was influenced by a significant increase in the number of customers and the increase in the Bank's business scope.

At the end of June significantly falling prices in the entire securities market had a negative impact on the result of transactions in securities over the second quarter by reducing the half-year profit of the Group to LTL 4.9 million.

The changes in the operating expenses were caused by the take-over of the part of Ūkio bankas' assets and liabilities and increased number of employees. Over the second quarter the Group incurred expenses which exceeded the expenses incurred during the first quarter by 14 per cent, while the expenses incurred over the half a year reached LTL 48.1 million. LTL 5.2 million of special provisions have been additionally formed over the third quarter, whereas since the beginning of the year the expenses on special provisions comprise almost LTL 9.1 million.

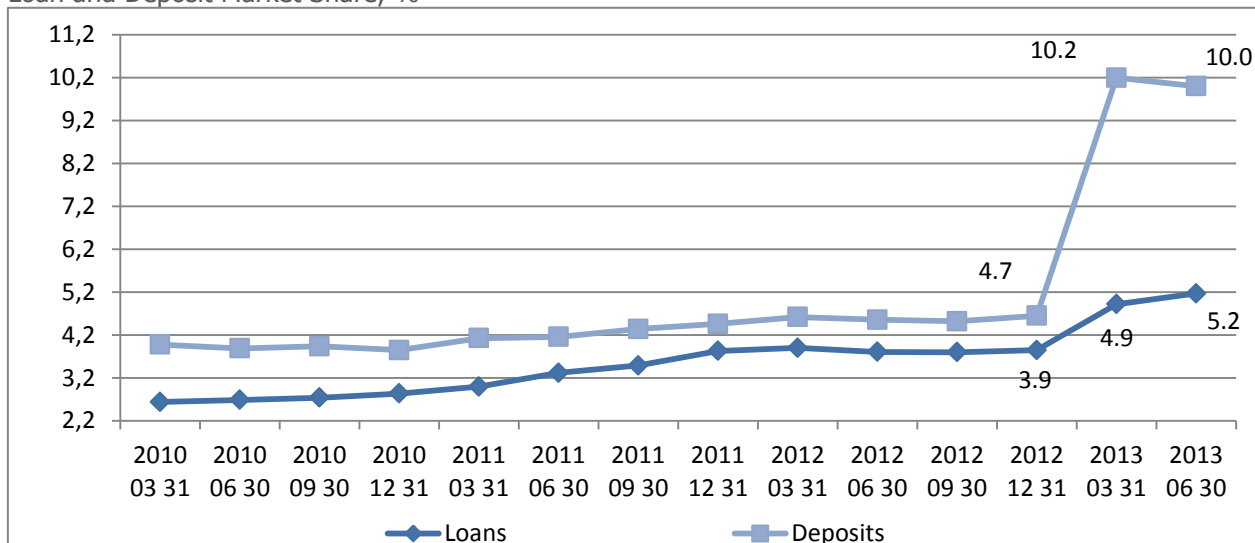
Increasing expenses related to integration of the Bank's processes made the impact on the Group's profitability ratios as well. The cost to income ratio over the second quarter increased by 6 percentage points and comprised 78.1 per cent at the end of June. The ROE and ROA ratios remained stable over the year and comprised 4.2 per cent and 0.3 per cent respectively after the period of three quarters.

According to the data as of the end of the half a year, the Bank takes the sixth position in terms of loan portfolio and manages 5 per cent of the loan market. The lending became more active during the second quarter and, despite the repaid loans, the newly issued credits allowed to increase the Bank's loan portfolio up to LTL 68 million, which comprised LTL 2.79 billion late in June. At the end of June the loan portfolio comprised LTL 2.79 billion. The takeover of the part of Ūkio bankas' assets led to changes in the structure of the assets generating interest. The increase in debt securities portfolio the share of which in the assets has almost doubled – up to 33 per cent will allow actively increasing the loan portfolio in the future.



Managing 10 per cent the Bank is in the fourth position in the market. According to the scope of individual deposits the market share of the deposits placed by natural entities reaches 14 per cent. During the second quarter of the current year the Bank's deposit portfolio decreased by 2.8 per cent to LTL 4.51 billion.

Loan and Deposit Market Share, %



The Bank's Head Office is located in Šiauliai and the network of the Bank's outlets covers all the main cities and centres of the financially active regions. On 30 June 2013 the network of the Bank consisted of 76 outlets (including 21 outlet of the former Ūkio bankas) operating in 36 towns all over Lithuania.

The Clients of the Bank can take advantage of 250 ATMs belonging to the joint ATM network and operating in 56 cities and towns throughout Lithuania

## 16. Activity Plans and Prognosis

I quarter of 2013 was the period of extraordinary changes and events to the Bank. The Board of the Bank of Lithuania recognized Ūkio bankas as insolvent and permanently revoked its activity licence which led to the conclusion of the tripartite agreement among the Bank, temporary administrator of Ūkio bankas and the state undertaking "Deposit and Investment Insurance" signed on 23 February 2013 according to which the part of Ūkio bankas' assets and liabilities was transferred to the Bank.

Right after the above mentioned event, resuming the provision of services to the former clients of Ūkio bankas, the Bank opened 25 outlets in different towns of Lithuania. After assessing the clients' flow the network of outlets was optimized over the first half-year of 2013 by transferring the Bank's outlets to locations more convenient to customers and abundantly visited by people (shopping malls, main streets and etc.).

Implementing its activity plans the Bank regularly analyses and plans to continue improving and optimizing the bank's servicing network transferring the profitable client service branches with good business potential to the locations more convenient for customers or setting up new bank branch closer to the customer, in the places preferred or abundantly visited by people and closing not prospective outlets. This would allow creating more qualitative relationship with clients, ensuring simple and warm

servicing, more expedient handling of clients' financial needs, finding mutually acceptable financial solutions and further strengthening the Bank's regional positions.

Actively expanding its activities in cities by attracting new customers, increasing the scope of services provided, applying the Bank's staff experience and knowledge, the Bank projects acceleration in its growth pace increasing the volume of credits and deposits. The Bank shall continue collaborating with international financial institutions.

## 17. The most important events over the accounting period

The following key events took place over the first half-year of 2013:

- on 15 January the United Nations development programme in Lithuania project "GATES: social and environmental business innovations" event dedicated at the promotion of corporate regional social responsibility, the Bank was awarded for its pro-activeness in representing ideas of responsible business. The Bank was nominated the leader of corporate social responsibility in Šiauliai district;
- on 7 February the Bank and the European Investment Bank (EIB) extended collaboration regarding implementation of renovation of multi-apartment houses under JESSICA (Joint European Support for Sustainable Investment in City Areas) finance facility (the agreement signed for the period of two years) – EUR 12 million (LTL 41.4 million) is to be additionally assigned to the Bank;
- on 13 February after temporary suspension of the banking activities of Ūkio bankas following the resolution of the Bank of Lithuania the Bank published notification that it was ready to start negotiating with the Bank of Lithuania regarding taking over the banking activities of Ūkio bankas seeking to resume the performance of Ūkio bankas and maintain the stability in the financial sector;
- on 23 February Šiaulių Bankas AB, the temporary administrator of Ūkio bankas AB and the State undertaking "Deposit and Investment Insurance" signed an agreement on the transfer of the part Ūkio bankas' assets and liabilities to the Bank;
- during the Bank's General Shareholders' Meeting held on 28 March it was resolved to increase the Bank's authorized capital by LTL 15 142 467 from the Bank's own funds from LTL 234 857 533 up to LTL 250 000 000 by issuing 15 142 467 new ordinary registered shares and distributing them to the Bank's shareholders in proportion to the owned number of shares;
- on 22 May the special offer was introduced to the farmers, i. e. the Bank's service packages "Ūkiškai" (economically) and "Ūkiškai PLUS" (economically PLUS) which allow the farmers to handle their financial affairs quicker and more economically as well as to insure against the accidents;
- the Bank's Charter with the increased authorized capital up to LTL 250 000 000 was registered on 31 May and the shares of the new issue were transferred to the personal securities accounts of the shareholders;
- On 20 June the Bank was awarded with the nomination of "The Business Stove" for fostering the high quality local banking traditions in the ceremony "Business Gourmets 2013" arranged in Vilnius for the country's companies and institutions encouraging to continue cooperation of business and institutions in the informal environment through sharing creative ideas and conceptions;
- on June 21 during the bachelor and master diploma granting celebration in the Faculty of Social Science of the Vytautas Magnus University (VMU) the III year student was granted a nominal scholarship of the Bank for academic achievements and constant striving for improvement in the field of studies (the first nominal scholarship was granted to the VMU student the first year master's student of the continuous education under the Finance and Banking study programme at the VMU Faculty of Economics and Management – the student was encouraged for her academic achievements and high aspirations in the field of finance and banking studies).

## 18. Social responsibility

Joining the international initiative of Global Compact in 2008 the Bank together the number of business enterprises and other organizations from all over the world for carries out its performance in with the respect to human and labour rights, to follow the principles of environment protection, and not contribute to the expansion of corruption.

Over the first half a year the number of the Bank's employees has significantly increased, therefore, more attention has been paid to their adaptation and training – the newcomers' christening was held in the Bank's units alongside with the implementation of the mentors training programme.

On the Bank's anniversary occasion in February the bonuses were granted to the long-time employees expressing gratitude for their loyalty, responsible and accurate work.

In 2013 the Bank's employees rode bicycles to Naisiai and Kurtuvėnai, moreover, the Bank's representatives participated in the inter-bank events "Inter-bank Basketball" and "Karting Championship" where they took the second place.

The Bank successfully revived in voluntary blood donation campaign which received support and active participation form the employees. In addition, the Bank has fostered a tradition for several years to promote a healthy lifestyle – the Bank provides incentives for sports clubs wishing to play sports.

In 2013 the Bank paid attention to the professional orientation of young people introducing them with the Bank's activities and banker's profession. In April the Bank had participated in "The Junior Colleague" programme arranged by "Lithuanian Junior Achievement" for the second year already – it was the programme of partnership between the school and the company. More than forty students visited the Bank's branches in Alytus, Panevėžys, Šiauliai, Kaunas and Tauragė in order to get familiar with the banker's profession and the performance itself. In June the students from Šiaulių "Juventa" progymnasium got the closer look at the activities of the Bank.

Also the Bank provided support to various organizations over the accounting period.

## 19. Dividends Paid

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides either to pay dividends or not while allocating the Bank's profit. A table provides data on the dividends paid by the Bank within the last five years:

	2009	2010	2011	2012	2013
Per cent from the nominal value	0.00	0.00	0.00	0.00	0.005
Amount of dividends per share, LTL	0.00	0.00	0.00	0.00	0.005
Amount of dividends, LTL	0.00	0.00	0.00	0.00	1 174 288

**Taxation of dividends** – profit taxation of legal entities is regulated by the Profit Law of the Republic of Lithuania No. IX-675 as of 20 December, 2001 (further – PL) and the resolutions and other legal acts adopted by the Government of the Republic of Lithuania on its basis. The charge of 15 per cent is applied to the paid dividends. The dividends of the Lithuanian unit that owns 10 per cent of issuer's capital for the period longer than one year are not subject to charges (with exceptions described in the chapter VII of the Profit Law of the Republic of Lithuania). The dividends of the foreign units are charged by applying an income tax rate of 15 per cent. If a foreign unit owns the shares granting at least 10 per cent of votes for a period of at least 12 months without interruption, the dividends paid to that foreign entity are not charged, except for the cases when a foreign entity receiving dividends is registered or otherwise organized in the targeted countries.



Taxation of citizens' income is regulated by the Law on Citizen's Income Tax of the Republic of Lithuania No. IX-1007 as of 2nd July, 2002 and the latter amendments of the Law as well as resolutions adopted on the basis of this Law. The dividends are charged by 20 per cent tax, which is deducted and paid to the budget by the Bank in compliance with the applicable orders.

## 20. Principles of the Internal Audit performance

The purposes, functions, organization of the performance, rights, duties and responsibilities of the Internal Audit Department are foreseen by the Provisions of the Internal Audit Department and Methodology of the Internal Audit. These documents are prepared in accordance with the laws of the Republic of Lithuania, resolutions passed by the Government of the Republic of Lithuania and the Bank of Lithuania, International Accounting Standards, International Internal Audit standards, the Code of Ethics, the general organization regulations of the Internal Audit of the Bank approved by the Board of the Bank of Lithuania, the Charter of the Bank, the resolutions of the General Shareholders' Meeting, Bank's Supervisory Council, Internal Audit Committee and the Bank's Board.

The Internal Audit Division by implementing its functions performs the financial, eligibility, activity, management and informational system audit. A purpose of the Internal Audit is to audit the Banks' activity independently and objectively, to provide consultancy, to evaluate the Bank's activity risk management systematically and comprehensively as well as the efficiency of the internal control system, to assist the Bank in implementation of its objectives seeking to ensure that the objectives of the internal control are achieved at the lowest cost and the functions of internal control are efficiently implemented.

The Internal Audit Division performs its functions by implementing the current and long-term 2011-2013 activity plans (the document are approved by the Internal Audit Committee).

The employees of the Internal Audit Division follow the principles of:

- **good faith**, i.e. to perform their work honestly, accurately, with responsibility, in compliance with the laws, do not participate in any illegal activities, do not take any actions, which could discredit an internal auditor's profession and the Bank, to respect lawful and ethic objectives of the Bank and to support their implementation;
- **objectivity**, i.e. do not participate in any activities and do not have any relations which harm or might harm their impartiality and would contradict with the Bank's interest, do not accept presents to avoid the impact on their professional opinion and to disclose all the important facts they are aware of;
- **confidentiality**, i.e. to use and store the information gained while performing their duties responsibly, do not use the information for their own purposes;
- **competence**, i.e. to provide only such services, for the performance of which they possess necessary knowledge, skills and experience, to render internal audit services in compliance with the International Audit Standards, to improve their qualification on regular basis as well as the quality and efficiency of the provided services.

The Internal Audit Department is under the direct control of the Internal Audit Committee and submits the reports to the latter on quarterly basis at least.

The purpose of the Internal Audit Committee is to supervise the process of the preparation of the Bank's financial statements, the efficiency of the Bank's internal control, risk management and internal audit systems, the process of the audit and internal audit performance, to discuss the information provided by the Internal Audit Department regarding the performed inspections, detected defects and their elimination, implementation of the Internal audit's plans and to ensure the independence of the Internal audit's performance.

The Bank's Internal Audit Committee consists of 4 members including the independent member of the Supervisory Council. The Internal Audit Committee performs functions foreseen in the regulations of the Internal Audit Committee (approved by the Supervisory Council of the Bank) and in the activity plan of the Internal Audit Committee for the current year (approved by the Chairman of the Internal Audit



Committee). The Internal Audit Committee reports on its activities to the Bank Supervisory Council once a year.

The employees of the Internal Audit prepare the inspection programme before each inspection, which shall foresee the purpose, volume and time of audit. Inspection programme shall be coordinated with the Head of Internal Audit Department. The prepared draft report is coordinated with the Head of audited unit and the Head of relevant division. The report is submitted to the members of the Board of the Bank.

Considering the recommendations and comments of the Internal Audit Department the heads of the Bank's divisions, approve the plan of measures for implementation of Recommendations, provided in the Internal Audit's report, prepared by the head of the audited subject. The Head of Internal Audit Department considering the significance of provided conclusions and recommendations assigns the employees to perform the implementation control of recommendations (monitoring of the progress).

The post-audit activities (monitoring of the progress) include the overcoming shortcomings established during the inspection by the external audits and the Bank of Lithuania as well as implementation inspections of provided recommendations.

On quarterly basis the director of the Internal Audit Department provides the Bank Board with the information regarding the recommendations submitted after the performed inspections and their implementation.

## **21. Assessment of internal control and risks management**

The risk management system of the Bank Group includes the risk management strategy, policy, the system of the risk limits, internal control and internal audit.

The risks incurred in the activities of the Bank's Group as well as the principles of their management are defined in the Risk Management Policy. The Bank distinguishes the following activity risk areas: concentration risk, credit risk, liquidity risk, operational risk, market risk. Due to the fact the risks experienced by the Bank are interdependent their management is centralized. Arrangement and coordination of the experienced credit risk management system is one of the main goals of the Bank's Risk Management Committee. Seeking to avoid the conflict of interest, the Bank's units performing the risk management functions are separated from the units, the direct performance of which is related to the emergence of various types of the Bank's risks.

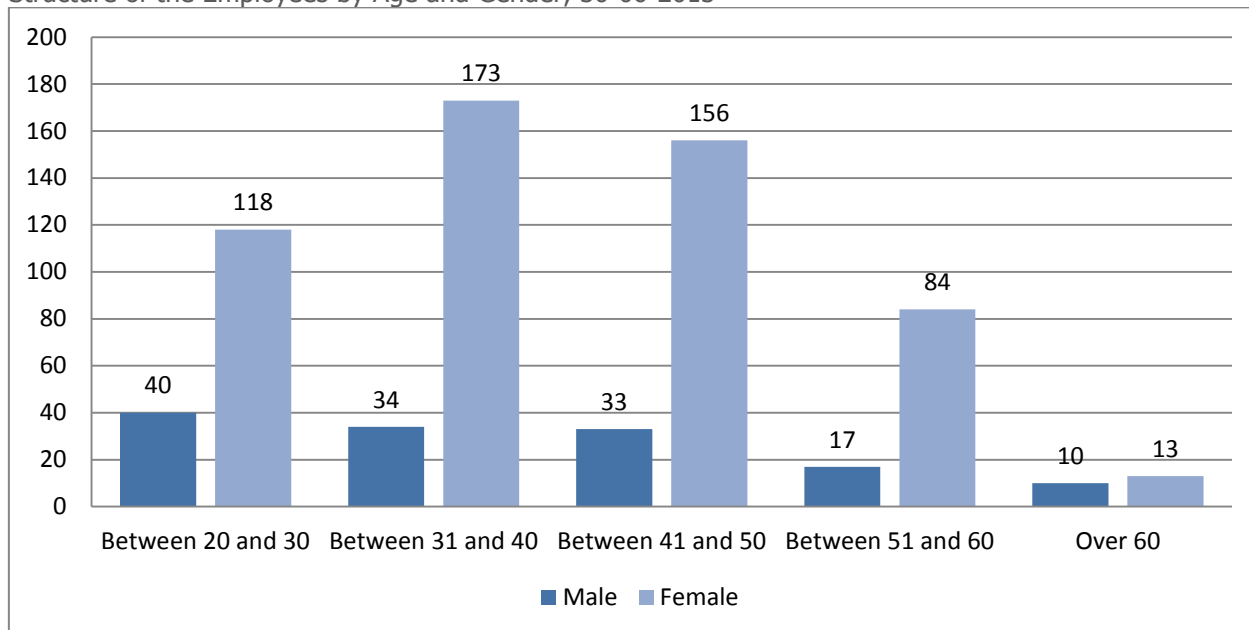
Compliance with and arrangement of the internal control as well as its monitoring are considered as one of the integral parts of the Bank's operational risk management process. The internal control is integral and continuous part of the Bank's daily activities. It operates in every level of the Bank's management and in each process, its elements are integrated into procedures of each process. The internal activity control at the Bank is ensured through the internal control system which consists of the Bank's organizational structure allowing ensuring the separation of functions, "BIS Forpost" operating within the Bank ensuring the collection, processing and usage of data on real time basis. Business continuity plans are prepared for unforeseen emergency in the Bank. The existing internal control system allows identifying and assessing the key risks faced by the Bank in its activities and ensures the timely delivery of internal and external information in appropriate form.

The internal audit of the Bank's internal control system and assessment of the internal risk management is performed by the Bank's Internal Audit Department, which informs the Bank's Internal Audit Committee and the Bank's Board regarding the detected shortcoming and violations.

## 22. Employees

As of 30 June 2013 the Bank employed 678 staff members, 81 per cent of the total number of the Bank's employees had the university education, 12 per cent had college, 4 per cent – secondary education and 3 per cent had special secondary education.

Structure of the Employees by Age and Gender, 30-06-2013



The number of employees has grown by 41 per cent over the first half a year of 2013 – such increase has been influenced by the takeover of the part of liabilities and assets of the Ūkio bankas.

As of 30 June, 2013 the Bank Group companies (excluding subsidiaries held for sale) employed 822 officers (626 employees as of 31 December, 2012).

Much attention has been paid to the processes of the employees' adaptation and their training over the first half a year of 2013. In order to train newcomers who started working this year quickly and effectively the Bank launched new employee training project. In customer servicing branches the competent and professional Bank's officers able to convey information clearly were selected and assigned as the tutors who work in compliance with the training programme prepared by the specialists in the central office. The tutors conduct trainings and provide consultation to the new employees, they also assist in tackling more difficult situations.

The monthly average salary of the appropriate group of employees before taxes.

Employees' Team	2009		2010		2011		2012		30-06-2013	
	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL	Average number of employees	Average monthly salary, in LTL
Leading employees	8	17 106	8	14 910	12	23 568	11	24 207	11	31 508
Officers	454	1 980	441	1 967	418	2 476	411	2 780	548	3 093

**The Bank does not have agreements with the employees foreseeing compensations** in case of retirement or dismissal without the reasonable ground or in case their capacities would be cancelled because of changes in the Bank's control.

**The Bank also is not the party of material agreements**, which would become effective, change or would be cancelled because of changes in the Bank's control.

## 23. Information on implementation of Remuneration policy

The information is prepared and delivered implementing the requirement set by the cl. 25 of the resolution No. 03-175 of the Board of the Bank of Lithuania as of December 23, 2010 regarding "The amendment of the "Policy of minimal requirements to remuneration of employees of credit institutions" approved by resolution No. 228 of the Board of the Bank of Lithuania as of December 10, 2009".

The updated Remuneration Policy was approved by the Supervisory Council of the Bank on 2 May, 2013. The services of the external consultants have not been engaged while creating the Remuneration Policy.

The major amendment is related to transfer of subordination of the Remuneration Committee into the level of the Supervisory Council. Other changes more obviously express the objective of the Remuneration Policy – to foster the Bank's employees to increase the value of the Bank's shares alongside with reliable and efficient risk management. Moreover, the updated document determines the maximum level of lump sum payments and declares that the variable remuneration of employees has to depend on implementation of goals and objectives set to them.

On 2 May 2013 the Bank's Supervisory Council approved the composition of the Remuneration Committee (see chapter 24) as well as Provisions of the Remuneration Committee.

The following authorizations are provided to the Remuneration Committee:

- to assess competently and interdependently the principles of the variable remuneration which are an integral part of the Remuneration Policy;
- to control of variable pays of senior officers in the risk management and compliance functions;
- to prepare draft resolutions on variable pay, which are decided by the Supervisory Council of the Bank considering long-term purposes of shareholders and investors of the Bank;
- to provide proposals regarding the principles of the variable remuneration, creation of calculation models and their application;

- to implement other functions which are necessary for improvements, assessment and monitoring of the Bank's variable remuneration policy and its efficiency.

**Aggregate quantitative information on remuneration to employees, highlighting the Bank's leaders** – aggregate amounts of fixed and variable remuneration (without taxes to soc. insurance and guarantee fund) as well as number of beneficiaries thou are provided in the table below in LTL, thou.

Bank's data:

<b>31-12-2012</b>	<b>Fixed portion of remuneration</b>	<b>Deferred portion of variable remuneration</b>	<b>Number of beneficiaries</b>
The senior management (members of the Board)	2 010	247	7
Employees	13 916	2 118	415
Total	15 926	2 365	422
<b>30-06-2013</b>	<b>Fixed portion of remuneration</b>	<b>Deferred portion of variable remuneration</b>	<b>Number of beneficiaries</b>
The senior management (members of the Board)	1 156	323	7
Employees	9 735	1 798	552
Total	10 891	2 121	559

Data of the Financial Group:

<b>31-12-2012</b>	<b>Fixed portion of remuneration</b>	<b>Deferred portion of variable remuneration</b>	<b>Number of beneficiaries</b>
The senior management (members of the Board)	2 398	281	12
Employees	14 991	2 201	456
Total	17 389	2 482	468
<b>30-06-2013</b>	<b>Fixed portion of remuneration</b>	<b>Deferred portion of variable remuneration</b>	<b>Number of beneficiaries</b>
The senior management (members of the Board)	1 373	388	12
Employees	10 291	1 911	591
Total	11 664	2 299	603

The pay outs of the variable remuneration in the form of bonuses for IV q. of 2012 were paid in I q of 2013, for IV q of 2011 were paid in I q of 2012, while the variable remuneration to the employees whose professional activities can have the significant impact on the risks accepted by the Bank was paid in 2012 and in II q of 2013.

The amounts of variable remuneration for 2012 split into monetary pay outs, pension contributions, Bank's shares, financial instruments related to the Bank's shares, other financial or non-monetary measures (amounts).

Bank's data:

<b>Deferred portion of variable remuneration</b>	
Monetary payments	396 thou LTL
Bank's shares	486 thou units
Pension contributions	-
Financial instruments related to shares	-

Other financial or non-monetary measures	-
--	---

Data of the Financial Group:

Deferred portion of variable remuneration	
Monetary payments	441 thou LTL
Bank's shares	536 thou units
Pension contributions	-
Financial instruments related to shares	-
Other financial or non-monetary measures	-

The data about amounts of outstanding deferred variable remuneration for 2011 cover both working and dismissed employees.

Bank's data:

Deferred portion of variable remuneration	
Monetary payments	96 thou LTL
Bank's shares	107 thou units

Data of the Financial Group:

Deferred portion of variable remuneration	
Monetary payments	103 thou LTL
Bank's shares	116 thou units

The data about amounts of outstanding deferred variable remuneration for 2012 cover both working and dismissed employees.

Bank's data:

Deferred portion of variable remuneration	
Monetary payments	158 thou LTL
Bank's shares	194 thou units

Data of the Financial Group:

Deferred portion of variable remuneration	
Monetary payments	176 thou LTL
Bank's shares	216 thou units

## 24. Members of the Committees formed within the Bank, the areas of their performance

The Loan, Internal Audit, Risk Management and Remuneration Committees are formed within the Bank. The functions, procedures of formation and the policy of activities of these committees are defined by the legal acts of the Republic of Lithuania, legal acts of the Bank of Lithuania as well as provisions of the certain committees approved by the Board and Supervisory Council of the Bank.

- The Internal Audit Committee monitors and discusses the process of financial statement preparation, the efficiency of the Bank's internal control, risk management and internal audit systems, the processes of the audit and internal audit performance on regular basis and performs other functions foreseen by the legal acts of the supervisory authority and provisions of the Internal Audit Committee. The composition, competences and arrangement of activities of the internal Audit Committee are defined by the provisions of the internal Audit Committee approved by the Bank's Supervisory Council.
- The Risk Management Committee performs the functions related to the efficiency of the Bank's activities taking into consideration the parameters of the acceptable risks and integrating the management of the interest rates, capital and liquidity, also, performs other functions foreseen by its provisions.
- The Loan Committee analyses loan application documents, decides regarding granting of loans and amendment of their terms, assesses risks of loans, suggests regarding loan granting, loan interest rates, improvement of loan administration procedures and performs other functions foreseen by its provisions.
- The Remuneration Committee evaluates the Policy of variable remuneration, practice and incentives created to manage the risks accepted by the Bank, its capital and liquidity, supervises the variable remuneration of the employees responsible for risk management and control of compliance, prepares draft resolutions regarding variable remunerations and performs other functions foreseen by its provisions.

Data of the members of the committees as of 30 June 2013:

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Place of Work
<b>Internal Audit Committee</b>			
Ramunė Vilija Zabulienė (chairperson)	29-03-2012 / 2016	0.00	Certificate of the Lithuanian resident for individual activity
Sigitas Baguckas	29-03-2012 / 2016	0.65	"Namų statyba" UAB
Vytautas Junevičius	29-03-2012 / 2016	0.13	Enterprise Group "Alita" AB
Rimantas Purtulis	29-03-2012 / 2016	0.10	Certificate of the Lithuanian resident for individual activity
<b>Risk Management Committee</b>			
Donatas Savickas (chairman)	29-05-2012 / operating on a continuous basis	0.11	Šiaulių bankas AB
Jolanta Dūdaitė	29-05-2012 / operating on a continuous basis	0.00	Šiaulių bankas AB
Pranas Gedgaudas	29-05-2012 / operating on a continuous basis	0.01	Šiaulių bankas AB
Morena Liachauskienė	29-05-2012 / operating on a continuous basis	0.00	Šiaulių bankas AB

Vytautas Sinius	29-05-2012 / operating on a continuous basis	0.08	Šiaulių bankas AB
<b>Loan Committee</b>			
Vytautas Sinius (chairman)	27-03-2012 / operating on a continuous basis	0.08	Šiaulių bankas AB
Edas Mirijauskas	27-03-2012 / operating on a continuous basis	0.01	Šiaulių bankas AB
Danutė Gaubienė	27-03-2012 / operating on a continuous basis	<0.01	Šiaulių bankas AB
Daiva Kiburienė	27-03-2012 / operating on a continuous basis	0.07	Šiaulių bankas AB
Aurelija Pociutė	27-03-2012 / operating on a continuous basis	<0.01	Šiaulių bankas AB
Giedrius Sarapinas	27-03-2012 / operating on a continuous basis	0.01	Šiaulių bankas AB
Donatas Savickas	27-03-2012 / operating on a continuous basis	0.11	Šiaulių bankas AB
<b>Remuneration Committee</b>			
Gintaras Kateiva (chairman)	02-05-2013 / operating on a continuous basis	6.24	Director General of "Litagra" UAB, Director of "Litagros mažmena" UAB
Pranas Gedgaudas	13-08-2012 / operating on a continuous basis	0.01	Šiaulių bankas AB
Ernesta Laurinavičienė	09-05-2011 / operating on a continuous basis	0.00	Šiaulių bankas AB
Živilė Skibarkienė	09-05-2011 / operating on a continuous basis	0.06	Šiaulių bankas AB

## 25. Bank's Management Bodies

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

### Exclusively the General Shareholders' Meeting:

- amends Charter of the Bank, except in cases, provided in the laws;
- amend the Bank's head office;
- elects the Bank's Supervisory Council members;
- recalls the Bank's Supervisory Council or its individual members;
- elects and recalls the audit company to audit the annual financial statements, sets the terms of payment for audit services;
- approves the set annual financial statements of the Bank;
- sets class, number, par value and minimum issue price of the shares, issued by the Bank;
- adopts resolution regarding:
  - issuing of convertible bonds;
  - cancellation of the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
  - conversion of the Bank's shares of one class into another, approval of the conversion order;
  - allocation of profit (loss);
  - making, use, reduction and cancellation of reserves;
  - increase of authorized capital;
  - reduction of authorized capital, except of the cases, provided in the laws;

- purchase by the Bank of its own shares;
- reorganization or demerge of the Bank, approving terms of such reorganization or demerge;
- restructuring of the Bank;
- liquidation of the Bank, cancellation of liquidation, except cases, provided in the laws;
- to select and cancel the Bank's liquidator, except cases, provided in the laws.

**The Supervisory Council of the Bank** is a collegial body supervising the activities of the Bank. The Supervisory Council is directed by its Chairman. The Supervisory Council consisting of eight members is elected by the General Meeting of Shareholders for a term of four years. In accordance with the Bank's Charter the number of tenures of the Supervisory Council member is not limited.

The functions of the Supervisory Council are as follows:

- elect members of the Board and remove them from office, make recommendations to the Board regarding the candidature for the Chairman of the Board. Prior approval of the Supervisory Council is necessary to obtain before setting salaries of the Board members who hold other positions in the Bank, Chief Executive Officer and his deputies, as well as other terms of labour contract. If the Bank operates at a loss, the Supervisory Council must consider the suitability of the Board members for their positions;
- elect members of the Internal Audit Committee;
- supervise activities of the Board and the Chief Executive Officer;
- supervise the implementation of business plans of the Bank, analysis the Bank's income and expenses, own investments and capital adequacy issues;
- adopt Supervisory Council work regulation;
- approve business plans of the Bank and annual budget;
- approve any type of policies related to the Bank's activities including the risk management policy;
- approve the business strategy of every entity controlled by the Bank;
- ensure the effective internal control system in the Bank;
- make proposals and comments to the General Shareholders' Meeting on the Bank's work strategy, the Bank's annual financial statements, the draft of the profit (loss) distribution and the report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;
- approve loan granting policy and set order of borrowing subject to Supervisory Council's approval;
- make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the Meeting;
- set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
- adopt resolutions, assigned to the Supervisory Council's competence according to the orders, approved by the Council; such order shall be adopted by the Supervisory Council following the laws, this Charter or resolutions of the Meeting;
- consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

**The Board of the Bank** is a collegial Bank management body, consisting of seven members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board of the Bank is elected by the Council for a term of 4 years.

The Board shall consider and approve:

- the consolidated annual report of the Bank;
- the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- order of the Bank's loans granting, following the loan granting policy, approved by the Supervisory Council;
- order of issuing guarantees, securities and taking of other liabilities;



- order of writing-off of the loans and other debt liabilities;
- regulations of the Loan Committee and Risk Management Committee of the Bank;
- the Board shall elect and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer;
- the Board determines the information to be considered commercial secret of the Bank.

The Board shall adopt:

- decisions on the Bank becoming the incorporator, member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on the mortgage or hypothec of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- decisions on issuing of non-convertible bonds;
- Board work regulation;
- decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- terms for the shares issue of the Bank;
- order for issue of the bonds of the Bank. When the General Shareholders' Meeting adopts a resolution regarding the issuing of convertible bonds, the Board is entitled to set additional terms of issuing and to approve bond subscription agreements, signed by the Chief Executive Officer or his authorized person;
- order and cases of employment in the Bank, when the employees are engaged with the Board's approval.

The Board shall analysis and evaluate the material submitted by the Chief Executive Officer on:

- implementation of the Bank's activities strategy;
- arrangement of the Bank's activities;
- financial state of the Bank;
- results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

The Board shall also analysis, assess the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the Supervisory Council and Meeting. The Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.

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

**Chief Executive Officer** 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.

Chief Executive Officer:

- arranges everyday activities of the Bank;
- engages and discharges employees, makes work contracts with them and terminates them, induces them and imposes sanctions. The Head of the Bank is entitled to authorize another Bank employee to perform actions listed therein;

- without special authorization represents the Bank in its relations with other persons, in court and arbitration;
- grants and cancels powers of attorney and procurements;
- issues orders;
- performs other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

- arrangement of the Bank's activity and implementation of its aims;
- making of annual financial statements and preparation of the Bank's annual report;
- making of a contract with the audit company;
- delivery of information and documents to the Meeting, Board and Council in the cases, provided for in the laws or upon request;
- delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;
- delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;
- publication of the information, prescribed by the laws and other legal acts, in the newspapers, stated in this Charter;
- information delivery to the shareholders;
- execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except for the exceptions, stated therein or in the resolutions of the bodies of the Bank.

## 26. The members of Bank's Collegial bodies

### Supervisory Council of the Bank:

#### Arvydas Salda



The member of the Supervisory Council of Šiaulių bankas AB since 1991, Chairman of the Bank's Supervisory Council since 1999.

#### Education:

Kaunas Institute of Technology.  
Vilnius university, applicable mathematics.

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

A consultant of "SB turto fondas" UAB since 2004.

#### Sigitas Baguckas



Deputy Chairman of Supervisory Council of Šiaulių bankas AB since 2000, member of Supervisory Council since 1991.

#### Education:

Vilnius Civic Engineering Institute, an engineer-constructor.

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

A procurist of "Namų Statyba" UAB since 2007.

#### Gintaras Kateiva



The member of the Supervisory Council of Šiaulių bankas AB since 2008.

**Education:**

Vilnius Pedagogic Institute, a teacher

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

Chairman of the Board of "Litagra" UAB since 2005, director of "Litagros prekyba" UAB until 2008, director of "Litagros mažmena" UAB since 2008.

#### Vigintas Butkus



The member of the Supervisory Council of Šiaulių bankas AB since 2004.

**Education:**

Marijampole School of Culture, a director.

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

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

#### Vytautas Junevičius



The member of the Supervisory Council of Šiaulių bankas AB since 2006.

**Education:**

Kaunas Institute of Technology, an engineer-economist.  
Vilnius University, a specialist of international economy relations.

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

Director General of "Alita" AB until 2009, the Consultant of the Director General of the Company's Group "Alita" 2009-2011.

#### Peter Reiniger



The member of the Supervisory Council of Šiaulių bankas AB since 2011.

**Education:**

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

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

European Bank for Reconstruction and Development (EBRD), the Director of the Business Group until 2010, the Managing director 2010-2011. Chief Advisor of the First Vice-president and Executive Committee since 2011.

#### Ramunė Vilija Zabulienė



The independent member of the Supervisory Council of Šiaulių bankas AB since 04-05-2012.

**Education:**

Vilnius University, an engineer-economist.

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

Work experience: the member of the Board of the Bank of Lithuania, Deputy Chairman until 2011.

Activities under the certificate of the Lithuanian resident for individual activity.

Six meetings of the Bank's Supervisory Council took place over the first half a year of 2013. Neither member of the Supervisory Council missed more than half of the meetings.

### The Board of the Bank:

#### Algirdas Butkus



Chairman of the Board.

##### Education:

Kaunas Technology Institute, a master of economy.

##### Work experience

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

#### Audrius Žiugžda



Deputy Chairman of the Board, Chief Executive Officer.

##### Education:

Vytautas Magnus University, a master of Business Administration and Management.

##### Work experience

Chairman of the Board and President of SEB bankas AB 2006-2009, the Advisor of the Director General TEO LT, AB 2010-2011 m., the Chief Executive Officer of Siauliu bankas AB since February 2011.

#### Donatas Savickas



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

##### Education:

Vilnius University, a bachelor of economy.

Vytautas Magnus University, a master of Business Administration and Management.

##### Work experience

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 Kiburienė



The member of the Board, Deputy Chief Executive Officer, Head of Šiauliai region.

##### Education:

Vilnius University, a bachelor of economy.

Vytautas Magnus University, a master of Business Administration and Management.

##### Work experience

Deputy Chairman of the Board of Šiaulių bankas AB since 1998, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division since 2005, Head of Šiauliai region since 2011.

**Vita Adomaitytė**


The member of the Board, Chief Financial Officer, Head of Accounting and Reporting Division.

**Education:**

Vilnius University, a master of finance and credit.

**Work experience**

Chief Financial Officer of Šiaulių bankas since 2002, Head of Accounting and Reporting Division since 2005.

**Jonas Bartkus**


The member of the Board since 29-03-2012, Head of the IT Division.

**Education:**

Vilnius University, a master in mathematics.

**Work experience**

Head of Computerization of Šiaulių bankas AB since 2001, Head of Business Development Division since 2005, Head of the IT Division since 2011.

**Vytautas Sinius**


The member of the Board, Head of Corporate Banking Division.

**Education:**

Vilnius Higher School of Economics.

Vilnius University, a bachelor of economy.

Vytautas Magnus University, a master of Business Administration and Management.

**Work experience**

The Director of Retail Banking Division of SEB bankas AB 2006-2010, Head of Corporate Banking Division of Šiaulių bankas AB since May 2011.

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related persons, %
Arvydas Salda	beginning 29-03-2012 end 2016	2.59	43.25
Sigitas Baguckas	beginning 29-03-2012 end 2016	0.65	43.25
Vigintas Butkus	beginning 29-03-2012 end 2016	0.18	43.25
Vytautas Junevičius	beginning 29-03-2012 end 2016	0.13	43.25
Peter Reiniger	beginning 29-03-2012 end 2016	-	43.25
Gintaras Kateiva	beginning 29-03-2012 end 2016	6.24	43.25
Ramunė Vilija Zabulienė	beginning 04-05-2012 end 2016	-	-
Algirdas Butkus	beginning 29-03-2012 end 2016	4.42	43.25
Audrius Žiugžda	beginning 29-03-2012 end 2016	0.59	43.25
Donatas Savickas	beginning 29-03-2012 end 2016	0.11	43.25

Vita Adomaitytė	beginning 29-03-2012 end 2016	0.03	43.25
Daiva Kiburienė	beginning 29-03-2012 end 2016	0.07	43.25
Vytautas Sinius	beginning 29-03-2012 end 2016	0.08	43.25
Jonas Bartkus	beginning 29-03-2012 end 2016	0.06	43.25

The information regarding participation of the collegial bodies of the Bank and Chief Accountant in activities and capital of other undertakings is provided in the table below:

Name, surname	Participating in activities of other undertakings (name of the company, position)	Participating in capital of other undertakings (percentage in capital exceeding 5 %)
Arvydas Salda	<ul style="list-style-type: none"> <li>The member of the Board of "Klaipėdos LEZ valdymo bendrovė" UAB</li> <li>A consultant of "Šiaulių banko turto fondas" UAB (assets fund)</li> </ul>	-
Sigitas Baguckas	<ul style="list-style-type: none"> <li>procurist at "Namų Statyba" UAB</li> </ul>	<ul style="list-style-type: none"> <li>"Namų Statyba" UAB – 47.12 %</li> </ul>
Vigintas Butkus	<ul style="list-style-type: none"> <li>Director of Trade house "Aiva" UAB</li> <li>Director of "Mintaka" UAB</li> </ul>	<ul style="list-style-type: none"> <li>"Mintaka" UAB – 9.25 %</li> <li>"Mintaka" UAB – 9.80 %</li> </ul>
Vytautas Junevičius	<ul style="list-style-type: none"> <li>Senior advisor of Company Group "Alita" AB</li> <li>Chairman of the Board of "Anykščių vynos" AB</li> </ul>	<ul style="list-style-type: none"> <li>Company Group "Alita" AB</li> </ul>
Gintaras Kateiva	<ul style="list-style-type: none"> <li>Director General of "Litagra" UAB, Chairman of the Board</li> <li>Director of "Litagos" mažmena UAB</li> </ul>	<ul style="list-style-type: none"> <li>"Litagra" UAB – 36.95 %</li> </ul>
Ramunė Vilija Zabulienė	-	-
Peter Reiniger	<ul style="list-style-type: none"> <li>EBRD Chief Counsellor of the first Vice-President and Executive Committee</li> </ul>	-
Algirdas Butkus	-	<ul style="list-style-type: none"> <li>Trade house "Aiva" UAB – 66.35 %</li> <li>"Visnorus" UAB – 48.94 %</li> <li>"Mintaka" UAB – 68.08 %</li> </ul>
Donatas Savickas	-	-
Audrius Žiugžda	<ul style="list-style-type: none"> <li>Member of the Council of Vytautas Magnus University</li> <li>Member of the Board of "Limarko laivininkystės kompanija" AB</li> </ul>	-
Vita Adomaitytė	-	-
Daiva Kiburienė	<ul style="list-style-type: none"> <li>Chairperson of the Board "Kėdainių oda" UAB</li> </ul>	-
Vytautas Sinius	-	<ul style="list-style-type: none"> <li>Public undertaking Sporto šaltinis – 33,33 %</li> </ul>
Jonas Bartkus	-	-

Amounts of funds calculated in total and per member of the collegial body as well as provided guarantees over the period from 1 January 2013 to 30 June 2013:

Members of the Management Bodies	Number of people	Calculated total amounts, LTL	Average sizes, LTL	Transferred assets, LTL	Provided guarantees, LTL
The members of the Supervisory Council of the Bank	7	106 320	15 189	0	0
The members of the Board of the Bank	7	1 478 348	211 193	0	0
Chief Executive Officer and Chief Accountant	2	395 162	197 581	0	0

Loans granted to the members of the Supervisory Council and Bank's Board as of 30 June 2013:

Members of the Management Bodies	Loans granted, in LTL thou
The members of the Supervisory Council of the Bank	5 400
The members of the Board of the Bank	1 090
Total:	6 490

## 27. Transactions with related parties

Implementing its usual activities the Bank concludes the banking transactions with the members of the Council and Board, other related parties and subsidiary companies. The related parties of the Bank are as follows:

- the members of the Bank's Supervisory Council and the Bank's Board, their close family members and companies where the related parties own more than 5 per cent of shares and / or take managing positions;
- the Bank's subsidiaries;
- the Bank's shareholders owning more than 5 per cent of the Bank's shares.

All the transactions have been entered in terms of normal market conditions. The comprehensive description of the transactions is provided in the consolidated financial statement for the first half-year of 2013.

## 28. Information on malicious transactions

In compliance with article 76<sup>1</sup> of the Law on Banks of the Republic of Lithuania on 23 February 2013 Šiaulių bankas AB, Ūkio bankas AB represented by the temporary administrator and state undertaking "Deposit and Investment Insurance" signed the Agreement on Transfer of Assets and Liabilities. As long as the implementation of the agreement has not been completed yet neither damage nor gained received by the Bank can be identified currently.

Over the accounting period there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

## 29. Data on the publicly disclosed information

The following information was publicly disclosed over the first half a year of 2013:



- 14-01-2013 – the calendar of the Bank's information to be announced to the investors;
- 11-02-2013 – a pre-audited activity result of the Bank and the Group for 2012;
- 12-02-2013 – notification regarding assets with Ūkio bankas AB;
- 12-02-2013 – information regarding resolutions passed by the Bank's Board and Supervisory Council;
- 13-02-2013 – notification regarding signed letter of intent with respect to negotiations with the temporary administrator of Ūkio bankas AB;
- 13-02-2013 – announcement of the European Bank for Reconstruction and Development;
- 15-02-2013 – information regarding the provided application to the Competition Service;
- 19-02-2013 – resolution of the Board of the Bank of Lithuanian regarding transfer of Ūkio bankas' assets, rights, transactions and liabilities;
- 20-02-2013 – interim financial information of the Bank for 12 months of 2012;
- 23-02-2013 – the agreement on transfer of Ūkio bankas' assets, rights, transactions and liabilities was signed;
- 23-02-2013 – the subordinated loan agreement signed;
- 25-02-2013 – notification regarding the transfer of Ūkio bankas' assets, rights, transactions and liabilities ;
- 28-02-2013 – information on conditions of the transfer of Ūkio bankas' assets, rights, transactions and liabilities;
- 04-03-2013 – information to "Invalida" AB shareholders whose securities accounts are with Ūkio bankas;
- 04-03-2013 – document regarding transfer of Ūkio bankas' assets and liabilities were signed;
- 07-03-2013 – convocation of the Ordinary General Meeting of Shareholders;
- 07-03-2013 – the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders to be held on 28-03-2013;
- 08-03-2013 – corrected draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders to be held on 28-03-2013 (a corrected annex to the notification);
- 20-03-2013 – notification regarding transfer and trading of the clients' securities;
- 21-03-2013 – ratings provided by the rating agencies;
- 28-03-2013 – resolutions of the Ordinary General Meeting of Shareholders held on 28-03-2013;
- 29-03-2013 – annual information;
- 19-04-2013 – the unaudited activity result for the first quarter of 2013 of the Bank and the Group;
- 26-04-2013 – the dividend payment order announced;
- 29-04-2013 – report regarding concluded transactions, related to payment of the variable remuneration in the Bank's shares;
- 02-05-2013 – the final deed under the Agreement on Transfer of Ūkio bankas' Assets and Liabilities was signed;
- 17-05-2013 – interim information of the Bank for 3 months of 2013;
- 04-06-2013 – the amended Charter of the Bank with the increased authorized capital was registered;
- 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 website [www.sb.lt](http://www.sb.lt). Reports on the Meetings of Shareholders are additionally announced in the daily newspaper "Lietuvos rytas".

### 30. Procedures of Charter amendments

The Bank's Charter can be amended only by the resolution of the General Shareholders' Meeting at 2/3 majority of votes, except exclusive cases defined by the law.



### 31. Information regarding compliance with the Governance Code

The Bank operates in compliance with the many standards set in the Governance Code. Information about how the Bank complies with the particular articles of the Governance Code is provided in the annex enclosed to the present report together with the set of financial statements of 2012 and is also available on the website of the Bank [www.sb.lt](http://www.sb.lt).

Chief Executive Officer

20 August 2013



Audrius Žiugžda