

CONFIRMATION FROM THE RESPONSIBLE PERSONS

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

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Adomaitytė

24-02-2014



INTERIM FINANCIAL STATEMENT

31 DECEMBER 2013

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INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

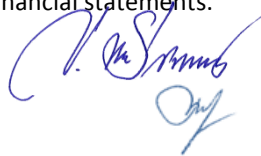
| | Notes | 31-12-2013 | | 31-12-2012 | |
|---|-------|------------------|------------------|------------------|------------------|
| | | Group | Bank | Group | Bank |
| ASSETS | | | | | |
| Cash and cash equivalents | 2 | 481 002 | 480 999 | 221 855 | 221 805 |
| Due from other banks | 3 | 5 995 | 5 995 | 4 137 | 4 137 |
| Trading securities | 6 | 70 648 | 193 648 | 51 198 | 51 198 |
| Derivative financial instruments | | 22 347 | 21 008 | 13 690 | 13 690 |
| Loans to customers | 4 | 2 375 700 | 2 723 662 | 1 731 858 | 2 052 809 |
| Finance lease receivables | 5 | 205 093 | 20 779 | 183 863 | - |
| Investment securities: | | | | | |
| - available-for-sale | 6 | 188 203 | 186 432 | 207 611 | 205 385 |
| - held-to-maturity | 6 | 1 309 375 | 1 300 833 | 273 031 | 273 031 |
| Investments in subsidiaries and associates | 6 | - | 51 562 | - | 51 791 |
| Intangible assets | | 1 178 | 887 | 1 207 | 903 |
| Property, plant and equipment | | 45 546 | 35 914 | 52 988 | 38 211 |
| Investment property | | 86 637 | 47 565 | 37 508 | 7 517 |
| Current income tax prepayment | | 10 | - | 208 | - |
| Deferred income tax asset | | 6 183 | 4 723 | 6 997 | 5 553 |
| Other assets | 7 | 147 657 | 21 525 | 156 552 | 5 436 |
| Assets classified as held for sale | 6 | 388 360 | 155 296 | - | - |
| Total assets | | 5 333 934 | 5 250 828 | 2 942 703 | 2 931 466 |
| LIABILITIES | | | | | |
| Due to other banks and financial institutions | 8 | 264 234 | 301 206 | 406 270 | 408 568 |
| Liabilities at fair value through profit or loss | 18 | 68 855 | 68 855 | - | - |
| Due to customers | 9 | 4 529 237 | 4 530 021 | 2 165 691 | 2 165 852 |
| Special and lending funds | 10 | 7 354 | 7 354 | 7 294 | 7 294 |
| Debt securities in issue | 11 | - | - | 22 912 | 22 912 |
| Current income tax liabilities | | 1 028 | - | 390 | - |
| Deferred income tax liabilities | | 4 952 | - | 5 668 | - |
| Liabilities related to assets classified as held for sale | 6 | 92 620 | - | - | - |
| Other liabilities | 12 | 41 467 | 22 167 | 20 022 | 7 984 |
| Total liabilities | | 5 009 747 | 4 929 603 | 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 | | (1 990) | (1 990) | 5 194 | 5 194 |
| Retained earnings | | 37 104 | 35 244 | 21 206 | 27 043 |
| Non controlling interest in equity | | 500 | - | 835 | - |
| Total equity | | 324 187 | 321 225 | 314 456 | 318 856 |
| Total liabilities and equity | | 5 333 934 | 5 250 828 | 2 942 703 | 2 931 466 |

The notes on pages 12-40 constitute an integral part of these financial statements.

Chief executive Officer

Chief accountant

24 February 2014



Vytautas Sinius

Vita Adomaitytė

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

| | Notes | for the twelve month period ended | | | |
|--|-------|-----------------------------------|---------------|---------------|---------------|
| | | 31-12-2013 | | 31-12-2012 | |
| | | Group | Bank | Group | Bank |
| Interest and similar income | 14 | 177 197 | 177 665 | 126 111 | 124 041 |
| Interest expense and similar charges | 14 | (94 494) | (94 626) | (68 612) | (68 611) |
| Net interest income | | 82 703 | 83 039 | 57 499 | 55 430 |
| Fee and commission income | 15 | 26 374 | 26 817 | 16 545 | 16 617 |
| Fee and commission expense | 15 | (11 655) | (10 257) | (8 445) | (7 944) |
| Net fee and commission income | | 14 719 | 16 560 | 8 100 | 8 673 |
| Result from associated company | | - | - | 89 | - |
| Net gain (loss) from embedded derivatives | | (5 014) | (4 482) | 4 185 | 4 185 |
| Net gain from financial liabilities at fair value through profit or loss | | 536 | 536 | - | - |
| Net gain from operations with securities | | 6 684 | 6 684 | 10 608 | 9 606 |
| Net foreign exchange gain | | 7 212 | 7 213 | 4 866 | 4 865 |
| Net gain on disposal of assets | | 293 | 41 | 1 999 | 57 |
| Other operating income | 17 | 60 067 | 14 582 | 31 020 | 1 009 |
| Other operating expenses | 16 | (112 857) | (65 415) | (72 813) | (39 503) |
| Operating profit before impairment losses | | 54 343 | 58 758 | 45 553 | 44 322 |
| Allowance for impairment losses | 17 | (50 526) | (48 558) | (30 402) | (28 192) |
| Dividends from investments in subsidiaries | | - | 2 400 | - | 1 000 |
| Profit from continuing operations before income tax | | 3 817 | 12 600 | 15 151 | 17 130 |
| Profit from discontinued operations | 6 | 17 217 | - | - | - |
| Income tax (expense) | | (2 517) | (1 873) | (2 023) | (2 258) |
| Net profit for the period | | 18 517 | 10 727 | 13 128 | 14 872 |
| Net profit attributable to: | | | | | |
| Owners of the Bank | | 18 424 | 10 727 | 13 027 | 14 872 |
| from continuing operations | | 1 207 | 10 727 | 13 027 | 14 872 |
| from discontinued operations | | 17 217 | - | - | - |
| Non-controlling interest | | 93 | - | 101 | - |
| Basic earnings per share (in LTL per share) | 13 | 0,08 | | 0,06 | |

The notes on pages 12-40 constitute an integral part of these financial statements.

Chief executive Officer

Chief accountant

24 February 2014



Vytautas Sinius

Vita Adomaitytė

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

| | for the twelve month period ended | | | |
|---|-----------------------------------|----------------|---------------|---------------|
| | 31-12-2013 | | 31-12-2012 | |
| | Group | Bank | Group | Bank |
| Net profit for the period | 18 517 | 10 727 | 13 128 | 14 872 |
| Other comprehensive income (loss): | | | | |
| Gain (loss) from revaluation of financial assets | (5 422) | (5 422) | 6 244 | 6 244 |
| Gain (loss) from sale of financial assets | (2 626) | (2 626) | 1 830 | 1 830 |
| Amortization of revaluation related to held-to-maturity investments | (179) | (179) | (556) | (556) |
| Deferred income tax on gain (loss) from revaluation of financial assets | 1 043 | 1 043 | (1 142) | (1 142) |
| Other comprehensive income (loss), net of deferred tax | (7 184) | (7 184) | 6 376 | 6 376 |
| Total comprehensive income (loss) for the period | 11 333 | 3 543 | 19 504 | 21 248 |
| Total comprehensive income (loss) attributable to: | | | | |
| Owners of the Bank | 11 240 | 3 453 | 19 403 | 21 248 |
| Non-controlling interest | 93 | - | 101 | - |

The notes on pages 12-40 constitute an integral part of these financial statements.

Chief executive Officer

Chief accountant

24 February 2014



Vytautas Sinius

Vita Adomaitytė

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

| | FROM 10 TO 12 MONTH 2013 | | FROM 10 TO 12 MONTH 2012 | |
|--|--------------------------|---------------|--------------------------|---------------|
| | Group | Bank | Group | Bank |
| Interest and similar income | 50 119 | 51 106 | 33 028 | 32 093 |
| Interest expense and similar charges | (16 478) | (16 490) | (17 048) | (17 050) |
| Net interest income | 33 641 | 34 616 | 15 980 | 15 043 |
| Fee and commission income | 7 059 | 7 213 | 4 440 | 4 471 |
| Fee and commission expense | (3 226) | (2 904) | (2 305) | (1 989) |
| Net fee and commission income | 3 833 | 4 309 | 2 135 | 2 482 |
| Result from associated company | - | - | 89 | - |
| Net gain (loss) from embedded derivatives | (1 155) | (623) | 4 185 | 4 185 |
| Net gain from liabilities at fair value through profit or loss | 536 | 536 | - | - |
| Net gain from operations with securities | 425 | 425 | 3 935 | 3 935 |
| Net foreign exchange gain | 2 079 | 2 079 | 1 281 | 1 279 |
| Net gain (loss) from disposal of assets | (244) | 12 | 66 | (157) |
| Other operating income | 28 916 | 13 277 | 16 879 | 137 |
| Other operating expenses | (38 453) | (21 504) | (30 543) | (11 426) |
| Operating profit before impairment losses | 29 578 | 33 127 | 14 007 | 15 478 |
| Allowance for impairment losses | (31 388) | (29 661) | (12 908) | (11 213) |
| Dividends from investments in subsidiaries | - | - | - | - |
| Profit from continuing operations before income tax | (1 810) | 3 466 | 1 099 | 4 265 |
| Profit (losses) from discontinued operations | 6 612 | - | 723 | - |
| Income tax expense | (639) | (741) | 141 | (402) |
| Net profit for the period | 4 163 | 2 725 | 1 963 | 3 863 |
| Net profit attributable to: | | | | |
| Owners of the Bank | 4 109 | 2 725 | 1 960 | 3 863 |
| from continuing operations | (2 503) | 2 725 | 1 237 | 3 863 |
| from discontinued operations | 6 612 | - | 723 | - |
| Non-controlling interest | 54 | - | 3 | - |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

| | for the twelve month period ended | | | |
|--|-----------------------------------|------------------|------------------|------------------|
| | 31-12-2013 | | 31-12-2012 | |
| | Group | Bank | Group | Bank |
| Operating activities | | | | |
| Interest received | 120 760 | 119 628 | 105 620 | 103 312 |
| Interest paid | (94 494) | (94 626) | (66 991) | (66 990) |
| Net cash received from service and commission fees | 14 719 | 16 560 | 8 100 | 8 673 |
| Cash inflows from trade in trading securities | 9 450 | 9 450 | 10 154 | 9 152 |
| Net inflows from foreign exchange operations | 6 942 | 6 943 | 4 796 | 4 795 |
| Recoveries on loans previously written off | 636 | 159 | 1 243 | 715 |
| Salaries and related payments to and on behalf of employees | (43 156) | (36 974) | (29 088) | (23 399) |
| Other net cash receipts (payments) | 12 195 | (13 380) | 11 653 | (13 258) |
| Income tax paid | (540) | - | (957) | - |
| Net cash flow from operating activities before change in operating assets and liabilities | 26 512 | 7 760 | 44 530 | 23 000 |
| Change in operating assets and liabilities: | | | | |
| Decrease (increase) in trading securities | 292,913 | 169,913 | (33,154) | (33,154) |
| (Increase) decrease in loans to credit and financial institutions | (1,858) | (1,858) | 10 | 10 |
| (Increase) in loans to customers | (64,039) | (84,614) | (807) | (18,192) |
| (Increase) decrease in other assets | (266,179) | (18,966) | (56,805) | 2,052 |
| (Decrease) in liabilities to credit and financial institutions | (77,104) | (42,430) | (64,619) | (62,332) |
| (Decrease) increase in deposits, special and leanding funds | (359,858) | (359,235) | 262,200 | 262,079 |
| Increase in other liabilities | 113,396 | 13,595 | 3,692 | 1,058 |
| Change | (362,729) | (323,595) | 110,517 | 151,521 |
| Net cash flow (used in) from operating activities | (336,217) | (315,835) | 155,047 | 174,521 |
| Investing activities | | | | |
| (Acquisition) of property, plant and equipment and intangible assets | (16,955) | (5,855) | (5,296) | (2,439) |
| Disposal of property, plant and equipment and intangible assets | 7,120 | 1,821 | 4,778 | 2,719 |
| (Acquisition) of held-to-maturity securities | (176,954) | (168,412) | (31,400) | (31,400) |
| Proceeds from redemption of held-to-maturity securities | 253,672 | 253,672 | 76,405 | 73,337 |
| (Acquisition) of available-for-sale securities | (336,996) | (336,790) | (349,138) | (349,006) |
| Disposal of available-for-sale securities | 354,792 | 354,713 | 188,519 | 188,519 |
| (Acquisition) of subsidiaries | (352) | (353) | (16,973) | (35,357) |
| Dividends received | 67 | 2,467 | 60 | 1,060 |
| Cash from the transaction of transfer of assets, rights, transactions and liabilities of Ūkio bankas | 535,459 | 497,827 | - | - |
| Net cash from (used in) investing activities | 619,853 | 599,090 | (133,045) | (152,567) |
| Financing activities | | | | |
| Payment of dividends | (1,149) | (1,149) | - | - |
| Payment to minority shareholders | (428) | - | - | - |
| Debt securities in issue | - | - | 1,514 | 1,514 |
| Redemption of debt securities in issue | (22,912) | (22,912) | (25,507) | (25,507) |
| Net cash flow from financing activities | (24,489) | (24,061) | (23,993) | (23,993) |
| Net increase in cash and cash equivalents | 259,147 | 259,194 | (1,991) | (2,039) |
| Cash and cash equivalents at 1 January | 221,855 | 221,805 | 223,846 | 223,844 |
| Cash and cash equivalents at 31 December | 481,002 | 480,999 | 221,855 | 221,805 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Attributable to equity holders of the Bank | | | | | | | |
|-----------------------------------|--|---------------|-----------------|---------------------------------------|-------------------|----------------|--------------------------|----------------|
| | Share capital | Share premium | Reserve capital | Statutory reserve and others reserves | Retained earnings | Total: | Non controlling interest | Total equity: |
| 31 December 2011 | 234 858 | 47 861 | 2 611 | (222) | 9 110 | 294 218 | - | 294 218 |
| Transfer to statutory reserve | - | - | - | 931 | (931) | - | - | - |
| Acquisition of subsidiary | - | - | - | - | - | - | 734 | 734 |
| Total comprehensive income (loss) | - | - | - | 6 376 | 13 027 | 19 403 | 101 | 19 504 |
| 31 December 2012 | 234 858 | 47 861 | 2 611 | 7 085 | 21 206 | 313 621 | 835 | 314 456 |
| Transfer to statutory reserve | - | - | - | 1 352 | (1 352) | - | - | - |
| Payment of dividends | - | - | - | - | (1 174) | (1 174) | - | (1 174) |
| Increase in share capital | 15 142 | (15 142) | - | - | - | - | - | - |
| Acquisition of subsidiary | - | - | - | - | - | - | (428) | (428) |
| Total comprehensive income (loss) | - | - | - | (7 184) | 18 424 | 11 240 | 93 | 11 333 |
| 31 December 2013 | 250 000 | 32 719 | 2 611 | 1 253 | 37 104 | 323 687 | 500 | 324 187 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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: |
|-----------------------------------|----------------|---------------|-----------------|--|---|-------------------|----------------|
| 31 December 2011 | 234 858 | 47 861 | 2 611 | (1 182) | 648 | 12 812 | 297 608 |
| Transfer to statutory reserve | - | - | - | - | 641 | (641) | - |
| Total comprehensive income (loss) | - | - | - | 6 376 | - | 14 872 | 21 248 |
| 31 December 2012 | 234 858 | 47 861 | 2 611 | 5 194 | 1 289 | 27 043 | 318 856 |
| Transfer to statutory reserve | - | - | - | - | 1 352 | (1 352) | - |
| Payment of dividends | - | - | - | - | - | (1 174) | (1 174) |
| Increase in share capital | 15 142 | (15 142) | - | - | - | - | - |
| Total comprehensive income (loss) | - | - | - | (7 184) | - | 10 727 | 3 543 |
| 31 December 2013 | 250 000 | 32 719 | 2 611 | (1 990) | 2 641 | 35 244 | 321 225 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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 31 December 2013 the Bank had 680 employees (31 December 2012: 481). As of 31 December 2013 the Group (except subsidiaries held for sale) had 824 employees (31 December 2012: 626 employees).

The Bank's shares are listed on the Official List of the Vilnius Stock Exchange - NASDAQ OMX Vilnius AB.

On 23 February 2013, an agreement (hereinafter – the 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 assets (rights) and liabilities from Ūkio Bankas. The difference between the liabilities and the assets taken over is to be covered by the Deposit Insurance Fund. The assets of Ūkio Bankas transferred to Šiaulių Bankas were based on a preliminary valuation carried out by an audit company, KPMG Baltic UAB (legal entity's code 111494971, registered in Lithuania, hereinafter - KPMG) 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 was carried out. On 11 October 2013 the KPMG provided Šiaulių Bankas with the final valuation report of the assets and liabilities taken over from Ūkio Bankas under the Agreement. The difference between the assets and liabilities taken over from Ūkio Bankas was covered by cash payments or assumption of liabilities from DIF to Šiaulių Bankas. In addition, the agreement provides for the possibility for the creditors of Ūkio Bankas to sell five different portfolios of assets: (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. This right expired in February 2014. 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. Another important clause in the agreement says that in case the value of the assets transferred to Šiaulių Bankas increases until the year-end 2014, 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 some categories of real estate and subsidiaries engaged in real estate activities.

Fair values of assets acquired and liabilities assumed in the above-mentioned transaction, as of 3 March 2013:

| | |
|--|----------------------|
| Assets acquired from Ūkio bankas | 1 797 606 |
| - Cash and cash equivalents | 366 665 |
| - Securities | 586 408 |
| - Subsidiaries | 154 100 |
| - Loans | 652 230 |
| - Other assets | 38 203 |
| Consideration received from DIF | 930 317 |
| Liabilities (deposits) assumed from Ūkio bankas | 2 727 923 |
| Total assets acquired in the transaction | 2 727 923 |
| Total liabilities assumed in the transaction | 2 727 923 |

No equity interests of Šiaulių bankas or Ūkio bankas were transferred by the transaction.

As of 31 December 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).

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

As of 31 December 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 31 December 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 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

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.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTES

NOTE 1 ACTIVITIES OF THE CREDIT INSTITUTION

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 63 client service units.

NOTE 2 CASH AND CASH EQUIVALENTS

| | 31-12-2013 | | 31-12-2012 | |
|--|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Cash and other valuables | 59 986 | 59 983 | 47 107 | 47 106 |
| Compulsory reserves in national currency | 122 863 | 122 863 | 85 630 | 85 630 |
| Correspondent bank accounts | 50 008 | 50 008 | 21 647 | 21 598 |
| Time deposits in banks | 32 765 | 32 765 | 5 000 | 5 000 |
| Correspondent account with central bank | 215 380 | 215 380 | 62 471 | 62 471 |
| Total: | 481 002 | 480 999 | 221 855 | 221 805 |

The compulsory reserves held in the Bank of Lithuania are estimated on a monthly basis based on the value of indicated liabilities using the established compulsory reserve rate. With effect from 24 January 2013, the compulsory reserve rate has been reduced from 4% to 3%. The mandatory reserves are held with the Bank of Lithuania in the form of current deposits. The Bank is free to use the funds held in the current account with the Bank of Lithuania, the average monthly amount of which may be not less than the estimated compulsory reserves.

NOTE 3 DUE FROM OTHER BANKS

| | 31-12-2013 | | 31-12-2012 | |
|-------------------------|--------------|--------------|--------------|--------------|
| | Group | Bank | Group | Bank |
| Deposits in other banks | 5 995 | 5 995 | 4 137 | 4 137 |
| Total: | 5 995 | 5 995 | 4 137 | 4 137 |

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.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

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

| | 31-12-2013 | | 31-12-2012 | |
|--|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Loans and advances to banks | 5 995 | 5 995 | 4 137 | 4 137 |
| Loans and advances to customers: | 2 375 700 | 2 723 662 | 1 731 858 | 2 052 809 |
| - Loans and advances to financial institutions | - | 215 734 | - | 216 789 |
| - Loans to individuals (Retail) | 227 319 | 195 246 | 194 394 | 159 927 |
| - Loans to business customers | 2 148 381 | 2 312 682 | 1 537 464 | 1 676 093 |
| Finance lease receivables | 205 093 | 20 779 | 183 863 | - |
| Trading assets: | | | | |
| - Debt securities | 70 146 | 193 146 | 50 741 | 50 741 |
| Derivative financial instruments | 22 347 | 21 008 | 13 690 | 13 690 |
| Securities available for sale: | | | | |
| - Debt securities | 184 663 | 184 663 | 203 641 | 203 641 |
| Investment securities held to maturity: | | | | |
| - Debt securities | 1 309 375 | 1 300 833 | 273 031 | 273 031 |
| Other financial assets | 7 695 | 423 | 5 970 | 133 |
| Credit risk exposures relating to off –balance sheet items are as follows: | | | | |
| - Financial guarantees | 103 673 | 104 473 | 88 313 | 88 360 |
| - Letters of credit | 7 039 | 7 039 | 3 541 | 3 541 |
| - Loan commitments and other credit related liabilities | 243 202 | 252 847 | 114 483 | 115 966 |
| Total | 4 534 928 | 4 814 868 | 2 673 268 | 2 806 049 |

| Loans are summarised as follows: | | | | |
|--|------------------|------------------|------------------|------------------|
| | 31-12-2013 | | 31-12-2012 | |
| | Group | Bank | Group | Bank |
| Loans to business customers | 2 739 281 | 3 120 652 | 1 631 892 | 1 987 154 |
| Loans to individuals | 252 854 | 219 695 | 211 565 | 176 086 |
| Subtract: Fair value revaluation on acquisition* | (473 782) | (473 782) | - | - |
| Gross | 2 518 353 | 2 866 565 | 1 843 457 | 2 163 240 |
| Subtract: Allowance for impairment | (142 653) | (142 903) | (111 599) | (110 431) |
| Net | 2 375 700 | 2 723 662 | 1 731 858 | 2 052 809 |

| | 31-12-2013 | | 31-12-2012 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Neither past due not impaired | 1 957 779 | 2 305 869 | 1 517 839 | 1 841 997 |
| Past due but not impaired | 344 608 | 342 075 | 128 477 | 125 920 |
| Impaired | 215 966 | 218 621 | 197 141 | 195 323 |
| Gross | 2 518 353 | 2 866 565 | 1 843 457 | 2 163 240 |
| Subtract: Allowance for impairment | (142 653) | (142 903) | (111 599) | (110 431) |
| Net | 2 375 700 | 2 723 662 | 1 731 858 | 2 052 809 |

* Fair value revaluation on acquisition is the difference between the estimated fair value by appraisers 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.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

Loans and advances neither past due not impaired are loans which are not impaired and payments of which are not past due.

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

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

The list of loss events:

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

Loans and advances past due but not impaired

| | 31-12-2013 | | 31-12-2012 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Past due up to 7 days | 79 942 | 78 595 | 50 672 | 48 969 |
| Past due 8 to 30 days | 44 497 | 43 418 | 37 278 | 36 572 |
| Past due 31-60 days | 11 818 | 11 740 | 11 561 | 11 480 |
| Past due 61-90 days | 31 218 | 31 196 | 1 670 | 1 627 |
| Past due more than 90 days | 177 133 | 177 126 | 27 296 | 27 272 |
| Total Net loans: | 344 608 | 342 075 | 128 477 | 125 920 |
| Fair value of collateral | 302 636 | 302 636 | 113 502 | 113 502 |

Loans and advances impaired

| | 31-12-2013 | | 31-12-2012 | |
|--------------------------|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Impaired loans | 215 966 | 218 621 | 197 141 | 195 323 |
| Allowance for impairment | (142 653) | (142 903) | (111 599) | (110 431) |
| Fair value of collateral | 98 283 | 102 410 | 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.).

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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:

Group

| | 31-12-2013 | 31-12-2012 |
|--|----------------|----------------|
| Business customers | 265 121 | 176 195 |
| Individuals | 10 108 | 9 417 |
| Subtract: Fair value revaluation on acquisition* | (66 853) | - |
| Gross | 208 376 | 185 612 |

| | 31-12-2013 | 31-12-2012 |
|------------------------------------|----------------|----------------|
| Neither past due not impaired | 162 943 | 156 089 |
| Past due but not impaired | 34 149 | 25 371 |
| Impaired | 11 284 | 4 152 |
| Gross | 208 376 | 185 612 |
| Subtract: Allowance for impairment | (3 283) | (1 749) |
| Net | 205 093 | 183 863 |

| | 31-12-2013 | | |
|--------------------------------------|---------------|--------------------|----------------|
| | Individuals | Business customers | Total: |
| Finance lease receivables by sector: | | | |
| transport vehicles | 6 863 | 49 100 | 55 963 |
| residential real estate | 1 670 | 108 087 | 109 757 |
| railway equipment | - | 6 114 | 6 114 |
| production equipment | 9 | 11 512 | 11 521 |
| other equipment | 1 247 | 4 927 | 6 174 |
| other assets | 319 | 18 528 | 18 847 |
| Total: | 10 108 | 198 268 | 208 376 |

| | 31-12-2012 | | |
|--------------------------------------|--------------|--------------------|----------------|
| | Individuals | Business customers | Total: |
| 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 |
| Total: | 9 417 | 176 195 | 185 612 |

* Fair value revaluation on acquisition is the difference between the estimated fair value by appraisers of the finance lease receivables 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 receivables.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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

The Bank

| | 31-12-2013 | 31-12-2012 |
|--|---------------|------------|
| Business customers | 87 632 | - |
| Individuals | - | - |
| Subtract: Fair value revaluation on acquisition* | (66 853) | - |
| Gross | 20 779 | - |

| | 31-12-2013 | 31-12-2012 |
|------------------------------------|---------------|------------|
| Neither past due not impaired | 11 028 | - |
| Past due but not impaired | 9 751 | - |
| Impaired | - | - |
| Gross | 20 779 | - |
| Subtract: Allowance for impairment | - | - |
| Net | 20 779 | - |

| | 31-12-2013 | | |
|--------------------------------------|-------------|--------------------|---------------|
| | Individuals | Business customers | Total: |
| Finance lease receivables by sector: | | | |
| transport vehicles | - | 267 | 267 |
| residential real estate | - | 20 450 | 20 450 |
| airplanes | - | - | - |
| production equipment | - | 12 | 12 |
| other equipment | - | 50 | 50 |
| other assets | - | - | - |
| Total: | - | 20 779 | 20 779 |

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

NOTE 6 SECURITIES

| Trading securities | 31-12-2013 | | 31-12-2012 | |
|------------------------------------|---------------|----------------|---------------|---------------|
| | Group | Bank | Group | Bank |
| Debt securities: | | | | |
| Government bonds | 18 884 | 18 884 | 20 600 | 20 600 |
| Corporate bonds | 44 405 | 167 405 | 23 569 | 23 569 |
| Debt securities of state companies | 6 857 | 6 857 | 6 572 | 6 572 |
| Equity securities: | | | | |
| Listed equity securities | 397 | 397 | 357 | 357 |
| Unlisted equity securities | - | - | 3 | 3 |
| Units of investment funds | 105 | 105 | 97 | 97 |
| Total: | 70 648 | 193 648 | 51 198 | 51 198 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

| Bank 31-12-2013 | Treasury bills | Corporate debt securities | Corporate equity securities | Investment fund units |
|-------------------|----------------|---------------------------|-----------------------------|-----------------------|
| from AA-to AAA | 7 344 | 19 190 | - | - |
| from A- to A+ | - | 5 677 | - | - |
| from BBB- to BBB+ | 11 540 | 22 963 | - | - |
| from BB- to BB+ | - | 3 432 | - | - |
| below už BB- | - | - | - | - |
| no rating | - | 123 000 | 397 | 105 |
| Total: | 18 884 | 174 262 | 397 | 105 |

| Bank 31-12-2012 | Treasury bills | Corporate debt securities | Corporate equity securities | Investment fund units |
|-------------------|----------------|---------------------------|-----------------------------|-----------------------|
| from AA-to AAA | - | 3 437 | - | - |
| from A- to A+ | - | 17 951 | - | - |
| from BBB- to BBB+ | 20 600 | 8 753 | - | - |
| from BB- to BB+ | - | - | - | - |
| below už BB- | - | - | 38 | - |
| no rating | - | - | 322 | 97 |
| Total: | 20 600 | 30 141 | 360 | 97 |

| Group 31-12-2013 | Treasury bills | Corporate debt securities | Corporate equity securities | Investment fund units |
|-------------------|----------------|---------------------------|-----------------------------|-----------------------|
| from AA-to AAA | 7 344 | 19 190 | - | - |
| from A- to A+ | - | 5 677 | - | - |
| from BBB- to BBB+ | 11 540 | 22 963 | - | - |
| from BB- to BB+ | - | 3 432 | - | - |
| below už BB- | - | - | - | - |
| no rating | - | - | 397 | 105 |
| Total: | 18 884 | 51 262 | 397 | 105 |

| Group 31-12-2012 | Treasury bills | Corporate debt securities | Corporate equity securities | Investment fund units |
|-------------------|----------------|---------------------------|-----------------------------|-----------------------|
| from AA-to AAA | - | 3 437 | - | - |
| from A- to A+ | - | 17 951 | - | - |
| from BBB- to BBB+ | 20 600 | 8 753 | - | - |
| from BB- to BB+ | - | - | - | - |
| below už BB- | - | - | 38 | - |
| no rating | - | - | 322 | 97 |
| Total: | 20 600 | 30 141 | 360 | 97 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

Investment securities

Securities available-for-sale:

| | 31-12-2013 | | 31-12-2012 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Debt securities | | | | |
| Local government bonds | 31 574 | 31 574 | 21 293 | 21 293 |
| Foreign government bonds | 30 332 | 30 332 | 35 037 | 35 037 |
| Foreign corporate bonds | 122 757 | 122 757 | 147 311 | 147 311 |
| Equity securities | | | | |
| Listed equity securities | - | - | - | - |
| Unlisted equity securities | 3 162 | 1 391 | 3 617 | 1 391 |
| Investment fund units | 378 | 378 | 353 | 353 |
| Total: | 188 203 | 186 432 | 207 611 | 205 385 |

Securities held-to-maturity

| | 31-12-2013 | | 31-12-2012 | |
|--------------------------|------------------|------------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Debt securities | | | | |
| Local corporate bonds | 8 542 | - | - | - |
| Local government bonds | 995 595 | 995 595 | 209 340 | 209 340 |
| Foreign government bonds | 45 019 | 45 019 | 31 172 | 31 172 |
| Foreign corporate bonds | 260 219 | 260 219 | 32 519 | 32 519 |
| Total: | 1 309 375 | 1 300 833 | 273 031 | 273 031 |

Bank 31-12-2013

| | Government bonds | Corporate bonds |
|-------------------|------------------|-----------------|
| from AA-to AAA | 18 480 | 59 428 |
| from A- to A+ | 17 752 | 128 191 |
| from BBB- to BBB+ | 998 982 | 61 765 |
| from BB- to BB+ | 5 400 | 10 835 |
| below už BB- | - | - |
| no rating | - | - |
| Total: | 1 040 614 | 260 219 |

Bank 31-12-2012

| | Government bonds | Corporate bonds |
|-------------------|------------------|-----------------|
| from AA-to AAA | 8 092 | 6 811 |
| from A- to A+ | 17 704 | 8 615 |
| from BBB- to BBB+ | 209 340 | 17 093 |
| from BB- to BB+ | 5 376 | - |
| below už BB- | - | - |
| no rating | - | - |
| Total: | 240 512 | 32 519 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

| | Government bonds | Corporate bonds |
|-------------------------|------------------|-----------------|
| Group 31-12-2013 | | |
| from AA-to AAA | 18 480 | 59 428 |
| from A- to A+ | 17 752 | 128 191 |
| from BBB- to BBB+ | 998 982 | 61 765 |
| from BB- to BB+ | 5 400 | 10 835 |
| below už BB- | - | - |
| no rating | - | 8 542 |
| Total: | 1 040 614 | 268 761 |

| | Government bonds | Corporate debt securities |
|-------------------------|------------------|---------------------------|
| Group 31-12-2012 | | |
| from AA-to AAA | 8 092 | 6 811 |
| from A- to A+ | 17 704 | 8 615 |
| from BBB- to BBB+ | 209 340 | 17 093 |
| from BB- to BB+ | 5 376 | - |
| below už BB- | - | - |
| no rating | - | - |
| Total: | 240 512 | 32 519 |

Investments in subsidiaries

| | 31-12-2013 | | |
|--|-------------------|------------------|----------------|
| | Share in equity % | Acquisition cost | Carrying value |
| Šiaulių Banko Lizingas UAB | 100 | 5 000 | 3 000 |
| Šiaulių Banko Investicijų Valdymas UAB | 100 | 7 040 | 1 076 |
| Šiaulių Banko Turto Fondas UAB | 100 | 5 117 | 4 271 |
| Minera UAB | 100 | 5 505 | 5 505 |
| SBTF UAB | 100 | 2 000 | 2 000 |
| Pavasaris UAB | 99 | 35 710 | 35 710 |
| Total: | | 60 372 | 51 562 |

Investments in consolidated indirectly controlled subsidiaries

| | 31-12-2013 | | |
|------------------|-------------------|------------------|----------------|
| | Share in equity % | Acquisition cost | Carrying value |
| Kėdainių oda UAB | 100 | 12 000 | 9 180 |

Investments in subsidiaries

| | 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 |
| Total: | | 57 019 | 51 791 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

Investments in consolidated indirectly controlled subsidiaries

Kėdainių Oda UAB

| 31-12-2012 | | |
|-------------------|-------------|----------------|
| Share in equity % | Acquisition | |
| | cost | Carrying value |
| 100 | 12 000 | 11 990 |

In 2013, the Bank recognised an impairment loss of LTL 3,582 thousand on an investment in Šiaulių Banko Investicijų Valdymas UAB (the Bank covered subsidiary's losses in amount of LTL 3,000 thousand and recognized additional impairment of LTL 582 thousand). In 2012, the Bank recognised an impairment loss of LTL 1,455 thousand on an investment in Šiaulių Banko Investicijų Valdymas UAB and reversed an impairment loss of LTL 1,000 thousand on an investment in Šiaulių Banko Lizingas UAB.

In 2013, an impairment of an investment in an indirectly controlled subsidiary Kėdainių Oda UAB of LTL 2,820 thousand was recognized. In Group's financial statements, it is accounted for as an impairment of fixed assets.

Assets classified as held for sale

Subsidiaries held for sale

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas (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 Stadions 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 February 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. In addition, the management of Šiaulių Bankas AB is committed to a plan to sell these subsidiaries in case Ūkio Bankas AB does not execute its right. As above-mentioned subsidiaries were acquired in a transaction of transfer of assets, rights, transactions and liabilities of Ūkio Bankas, they initially are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result (in case of profit, the value is increased as Šiaulių Bankas has the right to distribute the profit earned after the acquisition despite the rights of Ūkio Bankas to sell the subsidiary; in case of loss, the value is decreased). Fair values have been established by KPMG Baltic UAB.

Assets held for sale attributable to the group of entities
Liabilities attributable to assets held for sale attributable to the group of entities
Profit (loss) of the current year from the date of acquisition of the entities 03-03-2013

| 31-12-2013 | | | |
|---|--------------------------------------|--|---------|
| Entities engaged in real estate development | Entities engaged in other activities | | Total: |
| | | | |
| 131 235 | 255 929 | | 387 164 |
| 21 450 | 71 170 | | 92 620 |
| (973) | 18 190 | | 17 217 |

During the twelve month period ended 31 December 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.

Property, plant and equipment held for sale

In addition to the subsidiaries held for sale, one real estate object in Vilnius with a fair value of LTL 1,196 thousand was included in assets held for sale (reclassified from property, plant and equipment with a value of LTL 1,675 thousand and revalued at fair value by recognizing an impairment loss of LTL 479 thousand). It is expected to be sold in the first half of 2014.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 7 OTHER ASSETS

| | 31-12-2013 | | 31-12-2012 | |
|----------------------|----------------|---------------|----------------|--------------|
| | Group | Bank | Group | Bank |
| Assets held for sale | 111 629 | - | 132 803 | - |
| Amounts receivable | 7 695 | 423 | 5 970 | 133 |
| Deferred expenses | 4 580 | 3 261 | 3 280 | 1 902 |
| Prepayments | 16 042 | 13 884 | 4 545 | 0 |
| Foreclosed assets | 2 288 | 2 045 | 2 422 | 1 995 |
| Other | 5 423 | 1 912 | 7 532 | 1 406 |
| Total: | 147 657 | 21 525 | 156 552 | 5 436 |

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 31-12-2013 | | 31-12-2012 | |
|--|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Correspondent accounts and deposits of other banks and financial institutions: | | | | |
| Correspondent accounts and demand deposits | 9 443 | 45 102 | 13 179 | 15 472 |
| Time deposits | 35 071 | 36 384 | 27 383 | 27 388 |
| Total: | 44 514 | 81 486 | 40 562 | 42 860 |
| Loans received: | | | | |
| Loans from other banks | 47 516 | 47 516 | 76 421 | 76 421 |
| Loans from financial institutions | 94 602 | 94 602 | 74 035 | 74 035 |
| Loans from international organisations | 77 602 | 77 602 | 215 252 | 215 252 |
| Total: | 219 720 | 219 720 | 365 708 | 365 708 |
| Total: | 264 234 | 301 206 | 406 270 | 408 568 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 9 DUE TO CUSTOMERS

| | 31-12-2013 | | 31-12-2012 | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Demand deposits: | | | | |
| National government institutions | 30 636 | 30 636 | 37 033 | 37 033 |
| Local government institutions | 67 136 | 67 136 | 53 094 | 53 094 |
| Governmental and municipal companies | 16 175 | 16 175 | 24 849 | 24 849 |
| Corporate entities | 307 676 | 308 460 | 219 489 | 219 650 |
| Non-profit organisations | 23 507 | 23 507 | 13 128 | 13 128 |
| Individuals | 443 191 | 443 191 | 205 037 | 205 037 |
| Unallocated amounts due to customers | 15 419 | 15 419 | 7 364 | 7 364 |
| Total demand deposits: | 903 740 | 904 524 | 559 994 | 560 155 |
| Time deposits: | | | | |
| National government institutions | 1 939 | 1 939 | 2 198 | 2 198 |
| Local government institutions | 2 331 | 2 331 | 2 011 | 2 011 |
| Governmental and municipal companies | 10 540 | 10 540 | 24 277 | 24 277 |
| Corporate entities | 174 242 | 174 242 | 155 991 | 155 991 |
| Non-profit organisations | 14 321 | 14 321 | 9 160 | 9 160 |
| Individuals | 3 422 124 | 3 422 124 | 1 412 060 | 1 412 060 |
| Total time deposits: | 3 625 497 | 3 625 497 | 1 605 697 | 1 605 697 |
| Total: | 4 529 237 | 4 530 021 | 2 165 691 | 2 165 852 |

NOTE 10 SPECIAL AND LENDING FUNDS

| | 31-12-2013 | | 31-12-2012 | |
|---------------|--------------|--------------|--------------|--------------|
| | Group | Bank | Group | Bank |
| Special funds | 7 354 | 7 354 | 2 835 | 2 835 |
| | - | - | 4 459 | 4 459 |
| Total: | 7 354 | 7 354 | 7 294 | 7 294 |

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

| | 31-12-2013 | | 31-12-2012 | |
|--|------------|----------|---------------|---------------|
| | Group | Bank | Group | Bank |
| 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 |
| Total: | - | - | 22 912 | 22 912 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 12 OTHER LIABILITIES

| | 31-12-2013 | | 31-12-2012 | |
|--|---------------|---------------|---------------|--------------|
| | Group | Bank | Group | Bank |
| Accrued charges | 18 552 | 12 879 | 10 529 | 6 541 |
| Deferred income | 9 835 | 1 011 | 3 003 | 859 |
| Advances received from the buyers of assets | 1 318 | - | 2 057 | - |
| Amounts payable for finance lease agreements | 2 470 | - | 3 456 | - |
| Other liabilities | 9 292 | 8 277 | 977 | 584 |
| Total: | 41 467 | 22 167 | 20 022 | 7 984 |

NOTE 13 SHARE CAPITAL

As of 31 December 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 of the Bank including the shareholders that have signed shareholders agreement (European Bank for Reconstruction and Development, UAB prekybos namai „Aiva“, UAB „Mintaka“, Įmonių grupė „Alita“ AB, Sigita Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda and Kastytis Jonas Vyšniauskas) and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group votes of which are calculated together. As of 31 December 2013, this group possessed 42.93 percent of the authorised capital and votes of the Bank.

As at 31 December 2013, the Bank had 3,592 shareholders (as at 31 December 2012: 3,671). A share of capital held by Bank's shareholders by the place of residence: 31-12-2013 residents 66.36 %, non-residents 33.64 %; 12-31-2012 residents 68.68 %, non-residents 31.32 %.

| Shareholder | Share of votes held, % |
|--|------------------------|
| The European Bank for Reconstruction and Development (EBRD); | 19,57 |
| Gintaras Kateiva | 6,24 |
| Total: | 25,81 |

Another 17 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.

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(all amounts are in LTL thousand, unless otherwise stated)

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.

| Group | 31-12-2013 | 31-12-2012 |
|---|-------------|-------------|
| Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand) | 18 424 | 13 027 |
| Weighted average number of issued shares (thousand of shares) | 243 777 | 234 857 |
| Basic annual earnings per share (in LTL per share) | 0,08 | 0,06 |

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(all amounts are in LTL thousand, unless otherwise stated)

NOTE 14 NET INTEREST INCOME

| | 31-12-2013 | | 31-12-2012 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Group | Bank | Group | Bank |
| Interest income: | | | | |
| on loans to other banks and financial institutions and placements with credit institutions | 1 866 | 8 532 | 1 928 | 8 585 |
| on loans to customers | 121 262 | 117 298 | 97 631 | 98 049 |
| on debt securities | 42 930 | 49 295 | 17 407 | 17 407 |
| on finance leases | 11 139 | 2 540 | 9 145 | - |
| Total interest income | 177 197 | 177 665 | 126 111 | 124 041 |
| Interest expense: | | | | |
| on liabilities to other banks and financial institutions and amounts due to credit institutions | (10 446) | (10 572) | (13 548) | (13 547) |
| on customer deposits and other repayable funds | (65 330) | (65 336) | (44 310) | (44 310) |
| on debt securities issued | (122) | (122) | (1 621) | (1 621) |
| compulsory insurance of deposits | (18 596) | (18 596) | (9 133) | (9 133) |
| Total interest expense | (94 494) | (94 626) | (68 612) | (68 611) |
| Net interest income | 82 703 | 83 039 | 57 499 | 55 430 |

NOTE 15 NET FEE AND COMMISSION INCOME

| | 31-12-2013 | | 31-12-2012 | |
|---|-----------------|-----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Fee and commission income: | | | | |
| for money transfer operations | 15 453 | 15 658 | 10 360 | 10 466 |
| for payment card services | 2 947 | 2 947 | 2 254 | 2 254 |
| for base currency exchange | 3 338 | 3 343 | 1 983 | 1 990 |
| for operations with securities | 338 | 532 | 148 | 148 |
| other fee and commission income | 4 298 | 4 337 | 1 800 | 1 759 |
| Total fee and commission income | 26 374 | 26 817 | 16 545 | 16 617 |
| Fee and commission expense: | | | | |
| for payment card services | (7 244) | (7 244) | (6 026) | (6 026) |
| for money transfer operations | (2 863) | (2 863) | (1 860) | (1 838) |
| for operations with securities | (143) | (143) | (77) | (77) |
| for base currency exchange | (5) | (5) | (2) | (2) |
| other fee and commission expenses | (1 400) | (2) | (480) | (1) |
| Total fee and commission expense | (11 655) | (10 257) | (8 445) | (7 944) |
| Net fee and commission income | 14 719 | 16 560 | 8 100 | 8 673 |

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(all amounts are in LTL thousand, unless otherwise stated)

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

| | 31-12-2013 | | 31-12-2012 | |
|--|------------------|-----------------|-----------------|-----------------|
| | Group | Bank | Group | Bank |
| Salaries, social security and other related expenses | (43 800) | (37 537) | (29 440) | (23 630) |
| Raw materials and consumables used | (9 187) | - | (11 967) | - |
| Construction works | (26 595) | - | (7 740) | - |
| Rent and maintenance of premises | (8 515) | (8 245) | (5 017) | (4 639) |
| Office equipment maintenance | (2 383) | (2 324) | (1 189) | (1 132) |
| Depreciation of fixed tangible assets | (5 251) | (3 750) | (4 620) | (2 967) |
| Amortisation of intangible assets | (336) | (314) | (295) | (282) |
| Transportation, post and communications expenses | (2 983) | (3 030) | (2 059) | (2 081) |
| Real estate tax and other taxes | (3 456) | (514) | (2 882) | (294) |
| Advertising and marketing expenses | (999) | (729) | (1 055) | (791) |
| Training and business trip expenses | (221) | (164) | (172) | (122) |
| Charity | (148) | (134) | (196) | (192) |
| Service organisation expenses | (3 260) | (3 930) | (1 007) | (908) |
| Other operating expenses | (5 723) | (4 744) | (5 174) | (2 465) |
| Total: | (112 857) | (65 415) | (72 813) | (39 503) |

NOTE 17 ALLOWANCE FOR IMPAIRMENT LOSSES

| | 31-12-2013 | | 31-12-2012 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Group | Bank | Group | Bank |
| Impairment losses on loans | (40 976) | (41 827) | (28 199) | (28 359) |
| Recoveries of loans previously written-off | 505 | 207 | 955 | 715 |
| Impairment losses on finance lease receivables | (1 873) | - | (239) | - |
| Recovered previously written-off finance lease receivables | 179 | - | 288 | - |
| Impairment losses on investment in subsidiaries | - | (3 582) | - | (455) |
| Impairment losses on other assets | (8 361) | (3 356) | (3 207) | (93) |
| Total: | (50 526) | (48 558) | (30 402) | (28 192) |

OTHER OPERATING INCOME

| | 31-12-2013 | | 31-12-2012 | |
|----------------------------------|---------------|---------------|---------------|--------------|
| | Group | Bank | Group | Bank |
| Revenue from sale of goods | 10 501 | - | 14 747 | - |
| Revenue from sale of apartments | 32 097 | - | 12 517 | - |
| Change in valuation adjustment * | 12 172 | 12 172 | - | - |
| Income from lease of assets | 3 692 | 1 798 | 2 522 | 688 |
| Other income | 1 605 | 612 | 1 234 | 321 |
| Total: | 60 067 | 14 582 | 31 020 | 1 009 |

* Value adjustment is the difference between acquisition value of the loans acquired under the transaction of 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. The change in value adjustment is charged to profit or loss by these principles:

- for the good credit quality (performing) loans, it is amortized to profit or loss using the effective interest rate of the loan, or in case the loan is derecognized (i.e. repaid or refinanced), the full amount of value adjustment is charged to profit or loss;
- for the bad credit quality (non-performing) loans, the full amount of value adjustment is charged to profit or loss in case the loan is derecognized (i.e. repaid or refinanced).

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(all amounts are in LTL thousand, unless otherwise stated)

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:

| | 31-12-2013 | | 31-12-2012 | |
|--|----------------------|---|----------------------|---|
| | Balances of deposits | Balances of loans (incl.off-balance sheet credit commitments) | Balances of deposits | Balances of loans (incl.off-balance sheet credit commitments) |
| Members of the Council and the Board | 1 303 | 6 896 | 1 031 | 6 511 |
| Other related parties (excluding subsidiaries of the Bank) | 6 418 | 146 180 | 5 353 | 125 792 |
| Total: | 7 721 | 153 076 | 6 384 | 132 303 |
| Capital | 375 938 | 375 938 | 299 797 | 299 797 |
| a ratio of the capital % | 2,1 | 40,7 | 2,1 | 44,1 |

Transactions with EBRD:

The Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter — EBRD), book value of which was LTL 68,855 thousand as of 31 December 2013. The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 year. Loan agreement provides a prepayment option to Šiaulių bankas in 2018, and a conversion option to EBRD which can be carried out until 2018 by the terms prescribed in the agreement. Because of the latter option, the loan is accounted for as Financial liabilities at fair value through profit or loss. Subordinated loan related interest expenses amounted to LTL 3,729 thousand, a gain of LTL 536 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement in 2013. As of 31 December 2012, LTL 78 109 thousand loan from EBRD was outstanding. It was repaid in 2013. Interest and other expenses related to this loan amounted to LTL 1,045 thousand in 2013, and to LTL 4,685 thousand in 2012.

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

| | 31-12-2013 | | 31-12-2012 | |
|----------------------------|----------------------|--|----------------------|--|
| | Balances of deposits | Balances of loans, debt securities (incl.off-balance sheet credit commitments) | Balances of deposits | Balances of loans, debt securities (incl.off-balance sheet credit commitments) |
| Non-financial institutions | 782 | 192 754 | 161 | 157 167 |
| Financial institutions | 36 972 | 341 536 | 2 298 | 217 605 |
| Total: | 37 754 | 534 290 | 2 459 | 374 772 |

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(all amounts are in LTL thousand, unless otherwise stated)

Transactions with subsidiaries:

| | 31-12-2013 | 31-12-2012 |
|--|------------|------------|
| Assets | | |
| Loans | 411 290 | 371 398 |
| Debt securities | 123 000 | - |
| Other assets | 102 | 27 |
| Liabilities and shareholders' equity | | |
| Deposits | 37 756 | 2 459 |
| Bank's investment in subsidiaries | 51 562 | 51 791 |
| Bank's investment in subsidiaries classified as assets held for sale | 154 100 | - |
| Other liabilities | 330 | - |
| Income | | |
| Interest | 13 107 | 9 429 |
| Commission income | 326 | 113 |
| Income from foreign exchange operations | - | 1 |
| Dividends | 2 400 | 1 000 |
| Other income | 185 | 146 |
| Expenses | | |
| Interest | (143) | - |
| Commission charges | - | - |
| Foreign exchange | - | - |
| Operating expenses | (1 161) | (549) |
| Impairment loss on loans | (1 492) | - |
| Impairment loss on investment in subsidiaries | (3 582) | (455) |

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.

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

1. tier I 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 31 December 2013 and of 31 December 31 2012. During this period, the Group complied with capital requirements to which it is subject.

| | 31-12-2013 | | 31-12-2012 | |
|--|----------------|----------------|----------------|----------------|
| | Group | Bank | Group | Bank |
| Tier 1 capital | | | | |
| 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 | (1 990) | (1 990) | - | - |
| Less: Intangible assets | (1 178) | (887) | (1 207) | (903) |
| Total Tier 1 capital | 304 085 | 309 611 | 294 193 | 297 887 |
| Tier 2 capital | | | | |
| 85 % financial assets revaluation reserve | - | - | 4 415 | 4 415 |
| Subordinated loan | 69 056 | 69 056 | - | - |
| Total Tier 2 capital | 69 056 | 69 056 | 4 415 | 4 415 |
| Less Investments in other credit or financial institutions | - | (2 729) | - | (2 505) |
| Total capital: | 373 141 | 375 938 | 298 608 | 299 797 |
| Capital requirement: | | | | |
| Standardised approach credit risk | 245 294 | 230 616 | 166 071 | 166 817 |
| Traded debt instruments | 4 126 | 9 306 | 2 335 | 2 335 |
| Equities | 80 | 80 | 73 | 73 |
| Foreign exchange risk exposure | 615 | 615 | 8 558 | 8 563 |
| Operational risk by Basic indicator's method | 17 822 | 13 605 | 11 885 | 9 453 |
| Other capital requirement | - | 9 542 | - | - |
| Total capital requirement: | 267 937 | 263 764 | 188 921 | 187 241 |
| Capital ratio, % | 11,14 | 11,40 | 12,64 | 12,81 |

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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 31 December 2013 the Group's liquidity ratio was 54.07% (31-12-2012 - 41.56 per cent), and the Bank's – 53.94% (31-12-2012 – 42.78%).

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 31 December 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: |
|---|-----------|---------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| Total assets | 471 161 | 69 486 | 162 942 | 252 955 | 422 218 | 1 153 869 | 2 029 961 | 771 342 | 5 333 934 |
| Total liabilities and shareholder's equity | 922 180 | 499 831 | 583 848 | 855 212 | 1 449 589 | 424 599 | 166 659 | 432 016 | 5 333 934 |
| Net liquidity gap | (451 019) | (430 345) | (420 906) | (602 257) | (1027 371) | 729 270 | 1 863 302 | 339 326 | - |

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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: |
|---|-----------|---------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| Total assets | 222 023 | 89 340 | 145 387 | 171 540 | 280 718 | 712 043 | 1 080 549 | 241 103 | 2 942 703 |
| Total liabilities and shareholder's equity | 574 971 | 205 409 | 370 533 | 474 223 | 669 357 | 228 896 | 95 012 | 324 302 | 2 942 703 |
| Net liquidity gap | (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 31 December 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: |
|---|-----------|---------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| Total assets | 471 044 | 97 466 | 295 435 | 302 855 | 528 541 | 1 122 109 | 1 933 737 | 499 641 | 5 250 828 |
| Total liabilities and shareholder's equity | 957 335 | 495 542 | 582 653 | 853 950 | 1 448 301 | 416 159 | 166 256 | 330 632 | 5 250 828 |
| Net liquidity gap | (486 291) | (398 076) | (287 218) | (551 095) | (919 760) | 705 950 | 1 767 481 | 169 009 | - |

The structure of the Bank's liabilities by maturity as of 31 December 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: |
|---|-----------|---------------|---------------|---------------|----------------|--------------|-------------------|--------------------|-----------|
| Total assets | 221 810 | 126 853 | 191 013 | 236 358 | 357 373 | 654 621 | 982 241 | 161 197 | 2 931 466 |
| Total liabilities and shareholder's equity | 575 883 | 200 300 | 369 718 | 473 643 | 666 781 | 228 128 | 94 999 | 322 014 | 2 931 466 |
| Net liquidity gap | (354 073) | (73 447) | (178 705) | (237 285) | (309 408) | 426 493 | 887 242 | (160 817) | - |

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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 Overall net open position (ONOP), which is the higher of the total short or total long positions. As of 31 December 2013 the ONOP to capital ratio was: Group's – 2.06% (31-12-2012: 1.02 %), Bank's – 2.04% (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 2013 and forecast that exchange rate fluctuations will have the same trends in 2014. 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 2014 |
|------------------|------------------------------|
| CHF | 2% |
| GBP | 4% |
| NOK | 8% |
| USD | 4% |
| other currencies | 6% |

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:

| | 31-12-2013 | | 31-12-2012 | |
|------------------|-------------------------------------|------------|-------------------------------------|------------|
| | Impact on profit or loss, on equity | | Impact on profit or loss, on equity | |
| | Group | Bank | Group | Bank |
| CHF | 80 | 80 | 26 | 26 |
| GBP | 1 | 1 | 3 | 3 |
| NOK | 1 | 1 | - | - |
| USD | 95 | 95 | 48 | 48 |
| other currencies | 272 | 272 | 74 | 74 |
| Total: | 449 | 449 | 151 | 151 |

The presumable FX rate change makes an impact on the Group's / Bank's profit LTL 449 thousand in 2013 (2012: LTL 151 thousand).

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(all amounts are in LTL thousand, unless otherwise stated)

The Group's open positions of prevailing currencies as of 31 December 2013 were as follows:

| | USD | Others currencies | Total currencies: | EUR | LTL | Total: |
|--------------------------------------|--------------|----------------------|----------------------|----------------|---------------|-----------|
| Assets | 182 650 | 46 526 | 229 176 | 1 215 648 | 3 889 110 | 5 333 934 |
| Liabilities and shareholder's equity | 174 375 | 36 727 | 211 102 | 1 233 320 | 3 889 512 | 5 333 934 |
| Net balance sheet position | 8 275 | 9 799 | 18 074 | - 17 672 | (402) | - |
| Currency swaps | (6 275) | (4 241) | (10 516) | 10 524 | - | 8 |
| Net open position | 2 000 | 5 558 | 7 558 | (7 148) | (402) | 8 |

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 |
| Net open position | (430) | 2 991 | 2 561 | 103 921 | (106 477) | 5 |

The Bank's open positions of prevailing currencies as of 31 December 2013 were as follows:

| | USD | Others currencies | Total currencies: | EUR | LTL | Total: |
|--------------------------------------|--------------|----------------------|----------------------|----------------|---------------|-----------|
| Assets | 182 649 | 46 526 | 229 175 | 1 215 601 | 3 806 052 | 5 250 828 |
| Liabilities and shareholder's equity | 174 375 | 36 727 | 211 102 | 1 233 320 | 3 806 406 | 5 250 828 |
| Net balance sheet position | 8 274 | 9 799 | 18 073 | - 17 719 | (354) | - |
| Currency swaps | (6 275) | (4 241) | (10 516) | 10 524 | - | 8 |
| Net open position | 1 999 | 5 558 | 7 557 | (7 195) | (354) | 8 |

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(all amounts are in LTL thousand, unless otherwise stated)

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

| | USD | 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 |
| Net open position | (431) | 2 991 | 2 560 | 105 083 | (107 638) | 5 |

Interest rate risk

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

Sensitivity of interest rate risk

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

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

Group 31-12-2013

| | 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 | 484 601 | 645 017 | 939 613 | 207 404 | 1 609 447 | 1 447 852 | 5 333 934 |
| Liabilities and shareholder's equity | 633 238 | 675 767 | 837 096 | 1 393 232 | 320 092 | 1 474 509 | 5 333 934 |
| Net interest sensitivity gap | (148 637) | (30 750) | 102 517 | (1185 828) | 1 289 355 | (26 657) | - |
| Higher/lower impact on profit from balance sheet assets and liabilities | (1 424) | (256) | 641 | (2 965) | - | - | (4 004) |

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 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

Bank 31-12-2013

| | 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 | 511 293 | 746 580 | 925 030 | 339 219 | 1 644 069 | 1 084 637 | 5 250 828 |
| Liabilities and shareholder's equity | 633 238 | 675 772 | 837 096 | 1 394 540 | 320 092 | 1 390 090 | 5 250 828 |
| Net interest sensitivity gap | (121 945) | 70 808 | 87 934 | (1055 321) | 1 323 977 | (305 453) | - |
| Higher/lower impact on profit from balance sheet assets and liabilities | (1 169) | 590 | 550 | (2 638) | - | - | (2 667) |

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 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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.

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

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 31 December 2013 and in the statement of comprehensive income for the twelve month period ended 31 December 2013 is presented below:

| | Banking | Leasing | Investment management | Other activity | Eliminations | Total: |
|--|------------------|----------------|-----------------------|----------------|------------------|------------------|
| Internal | 18 934 | (5 901) | (84) | (3 594) | (9 355) | - |
| External | 64 105 | 15 440 | 166 | 2 992 | - | 82 703 |
| Net interest income | 83 039 | 9 539 | 82 | (602) | (9 355) | 82 703 |
| Internal | 19 410 | (6 126) | 83 | (3 269) | (10 098) | - |
| External | 80 189 | 14 068 | 172 | 2 993 | - | 97 422 |
| Net interest, fee and commissions income | 99 599 | 7 942 | 255 | (276) | (10 098) | 97 422 |
| Internal | (1 609) | (148) | (16) | (44) | 1 817 | - |
| External | (59 742) | (3 621) | (492) | (43 414) | - | (107 269) |
| Operating expenses | (61 351) | (3 769) | (508) | (43 458) | 1 817 | (107 269) |
| Amortisation charges | (314) | (16) | - | (6) | - | (336) |
| Depreciation charges | (3 750) | (724) | (14) | (764) | - | (5 252) |
| Internal | (5 074) | - | (2 820) | 2 820 | 5 074 | - |
| External | (43 484) | (2 643) | (628) | (3 771) | - | (50 526) |
| Impairment expenses | (48 558) | (2 643) | (3 448) | (951) | 5 074 | (50 526) |
| Internal | 2 701 | - | 33 | 316 | (3 050) | - |
| External | 24 273 | (236) | 144 | 45 597 | - | 69 778 |
| Net other income | 26 974 | (236) | 177 | 45 913 | (3 050) | 69 778 |
| Profit before tax | 12 600 | 554 | (3 538) | 458 | (6 257) | 3 817 |
| Profit from discontinued operations | - | - | - | - | 17 217 | 17 217 |
| Income tax | (1 873) | (399) | - | (245) | - | (2 517) |
| Profit per segment after tax | 10 727 | 155 | (3 538) | 213 | 10 960 | 18 517 |
| Profit for the period attributable to: | 10 727 | 155 | (3 538) | 213 | 10 960 | 18 517 |
| Owners of the bank | | | | | | 18 424 |
| Non-controlling interest | | | | | | 93 |
| Total segment assets | 5 250 828 | 223 771 | 22 888 | 215 167 | (378 720) | 5 333 934 |
| Total segment liabilities | 4 929 603 | 221 064 | 20 548 | 168 163 | (329 631) | 5 009 747 |
| Net segment assets (shareholders' equity) | 321 225 | 2 707 | 2 340 | 47 004 | (49 089) | 324 187 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

A summary of major indicators for the main business segments of the Group included in the statement of financial position as at 31 December 2012 and in the statement of comprehensive income for the twelve month period ended 31 December 2012 is presented below:

| | Banking | Leasing | Investment management | Other activity | Eliminations | Total: |
|--|------------------|----------------|-----------------------|-----------------|------------------|------------------|
| Internal | 12 639 | (6 000) | (818) | (5 171) | (650) | - |
| External | 42 791 | 12 708 | 311 | 1 689 | - | 57 499 |
| Net interest income | 55 430 | 6 708 | (507) | (3 482) | (650) | 57 499 |
| Internal | 12 803 | (6 142) | (818) | (5 191) | (652) | - |
| External | 51 300 | 12 222 | 385 | 1 692 | - | 65 599 |
| Net interest, fee and commissions income | 64 103 | 6 080 | (433) | (3 499) | (652) | 65 599 |
| Internal | (747) | (180) | (14) | (33) | 974 | - |
| External | (35 507) | (3 225) | (1 345) | (27 821) | - | (67 898) |
| Operating expenses | (36 254) | (3 405) | (1 359) | (27 854) | 974 | (67 898) |
| Amortisation charges | (282) | (8) | - | (5) | - | (295) |
| Depreciation charges | (2 967) | (894) | (14) | (745) | - | (4 620) |
| Internal | (455) | - | - | - | 455 | - |
| External | (27 737) | (80) | (1 454) | (1 131) | - | (30 402) |
| Impairment expenses | (28 192) | (80) | (1 454) | (1 131) | 455 | (30 402) |
| Internal | 1 244 | (1) | 34 | 67 | (1 344) | - |
| External | 19 478 | 1 153 | 815 | 31 321 | - | 52 767 |
| Net other income | 20 722 | 1 152 | 849 | 31 388 | (1 344) | 52 767 |
| Profit before tax | 17 130 | 2 845 | (2 411) | (1 846) | (567) | 15 151 |
| Loss from discontinued operations | - | - | - | - | - | - |
| Income tax | (2 258) | (419) | - | 654 | - | (2 023) |
| Profit per segment after tax | 14 872 | 2 426 | (2 411) | (1 192) | (567) | 13 128 |
| Equity holders of the bank | | | | | | 13 027 |
| Non-controlling interest | | | | | | 101 |
| Total segment assets | 2 931 466 | 230 008 | 18 527 | 188 692 | (425 990) | 2 942 703 |
| Total segment liabilities | 2 612 610 | 225 056 | 15 649 | 149 131 | (374 199) | 2 628 247 |
| Net segment assets (shareholders' equity) | 318 856 | 4 952 | 2 878 | 39 561 | (51 791) | 314 456 |

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 23 EVENTS AFTER THE REPORTING PERIOD

2 February 2014 was the date of the expiration of the option held by Ūkio Bankas to purchase back a part of assets acquired by Šiaulių Bankas under the transaction of transfer of assets, rights, transactions and liabilities based on an agreement signed among Šiaulių Bankas AB, Ūkio Bankas AB and State Company "Indėlių ir Investicijų Draudimas". Neither of the five options, under which a part of the assets acquired by Šiaulių Bankas from Ūkio Bankas could be sold, was realised.

ADDITIONAL INFORMATION

1. CONTACT INFORMATION OF THE BANK

Name — AB Šiaulių bankas

Legal form — public limited liability company

Registration date — 04/02/1992

Registrar — State Enterprise Centre of Registers

Company code — 112025254

Head Office — Tilžės St. 149, LT-76348 Šiauliai, Lithuania

Tel. +370 41 595 607, fax +370 41 430 774

E-mail info@sb.lt, www.sb.lt

2. CONTACT INFORMATION OF THE COMPANIES OF THE BANK GROUP

Name — „Šiaulių banko lizingas“ UAB

Legal form — private limited liability company

Registration date — 16/08/1999

Registrar — State Enterprise Centre of Registers

Company code — 145569548

Head Office — Vilniaus St. 167, LT-76352 Šiauliai Lithuania

Tel.: +370 41 420 855, +370 5 272 3015 fax +370 41 423 437

E-mail lizingas@sb.lt, www.sblizingas.lt

Name — „Šiaulių banko turto fondas“ UAB

Legal form — private limited liability company

Registration date — 13/08/2002

Registrar — State Enterprise Centre of Registers

Company code — 45855439

Head office — Vilniaus St. 167, LT-76352 Šiauliai, Lithuania

Tel. +37041 525 322, fax +370 41 525 321

E-mail turtofondas@sb.lt, www.sbp.lt

Name — „Šiaulių banko investicijų valdymas“ UAB

Legal form — private limited liability company

Registration date — 31/08/2000

Registrar — State Enterprise Centre of Registers

Company code — 45649065

Head office — Šeimyniškių St. 1 A, 09312 Vilnius

Tel.: + 370 5 272 2477

E-mail sbiv@sb.lt, www.sbp.lt

Name — „SBTF“ UAB

Legal form — private limited liability company

Registration date — 24/11/2004

Registrar — State Enterprise Centre of Registers

Company code — 00069309

Head office — Vilniaus St. 167, LT-76352 Šiauliai, Lithuania

Tel. +37041 525 322, fax +370 41 525 321

E-mail sbtf@sb.lt, www.sbp.lt

Name — „Minera“ UAB

Legal form — private limited liability company

Registration date — 30/09/1992

Registrar — State Enterprise Centre of Registers

Company code — 21736330

Head office — Vilniaus St. 167, LT-76352 Šiauliai, Lithuania

Tel. +37041 399 423, fax +370 41 399 423

E-mail info@minera.lt, www.sbp.lt

Name — „Pavasaris“ UAB

Legal form — private limited liability company

Registration date — 25/09/1992

Registrar — State Enterprise Centre of Registers

Company code — 121681115

Head office — Šiltnamių St. 27, LT-04130 Vilnius, Lithuania

Tel. +370 5 244 8096, fax +370 5 240 1623

E-mail info@pavasaris.net

www.pavasaris.net

Name — „Kėdainių oda“ UAB

Legal form — private limited liability company

Registration date — 29/10/2008

Registrar — State Enterprise Centre of Registers

Company code — 302190537

Head office — Biochemikų St. 7, 57234 Kėdainiai, Lithuania

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

www.naturalioda.eu

Additional information

A share of Šiaulių bankas in the subsidiary companies as of 31 December 2013;

| 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 | 98.91 |
| „Minera“ UAB | 100.00 |

As of 31 December 2013 the Bank controlled all the subsidiaries directly except „Kėdainių oda“ UAB.

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 the Bank it acquired 100 per cent control over following subsidiaries:

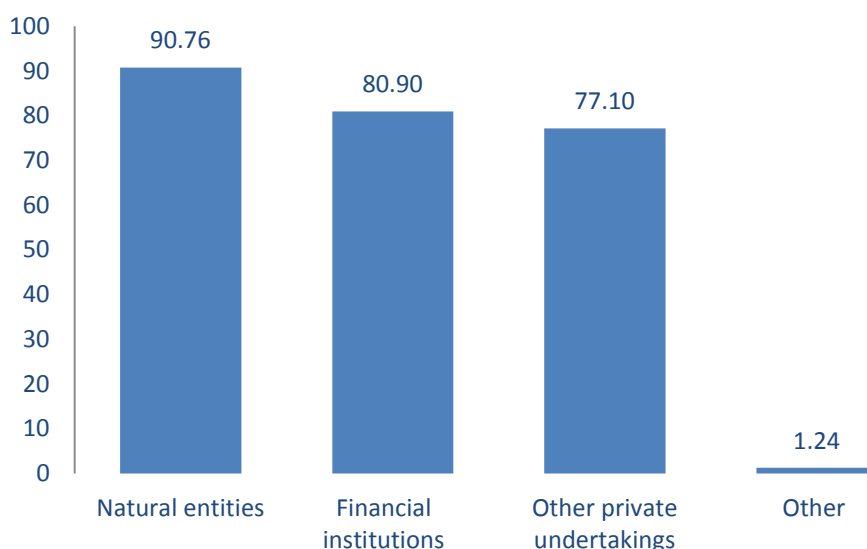
- subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB all together control 100 per cent 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" UAB.

In compliance with the agreement signed by Šiaulių bankas AB, temporary administrator of Ūkio bankas and the State undertaking "Deposit and Investment Insurance" dated 23 February 2013 with its further amendments the call option rights of Ūkio bankas AB to acquire the part of the assets taken over by Šiaulių bankas AB from the failed Ūkio bankas AB expired on 2 February 2014. Neither of five call options, during which the part of the assets taken over by Šiaulių bankas from Ūkio bankas were exposed to sale, had been realized.

3. 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, 66.36 per cent of the authorized capital belongs to the undertakings and private persons registered in Lithuania. The major shareholder of the Bank - the European Bank for Reconstruction and Development (EBRD) which owns 19.57 of the shares.

Allocation of the authorized capital by shareholders' types (in LTL mln) as of December 31, 2013:



Additional information

Over the recent five years the Bank's authorized capital has been increased by LTL 88.94 million, i.e. LTL 54.5 million from the additional contributions from the shareholders and LTL 34.44 million - from the Bank's own funds.

Structure of the Bank's authorized capital:

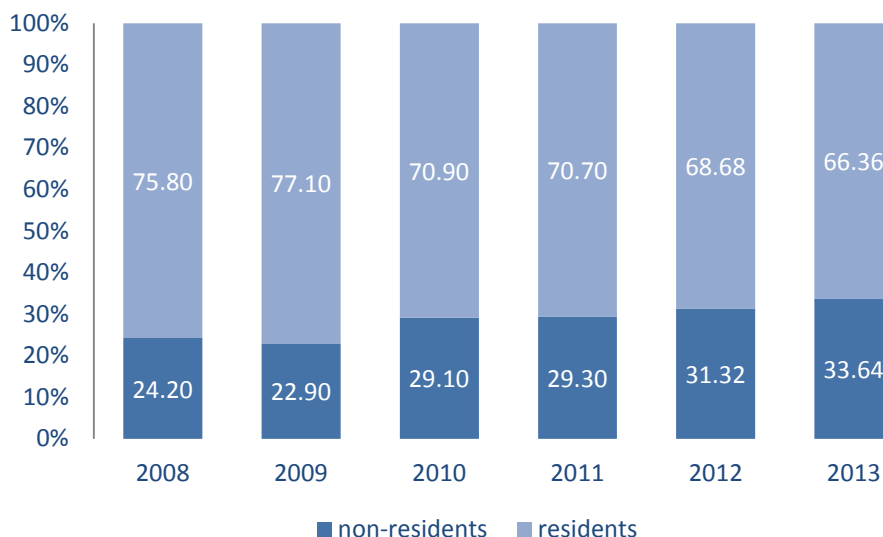
| Date | 14/05/2008 | 22/06/2010 | 04/08/2011 | 31/05/2013 |
|-------------------|-------------|-------------|-------------|-------------|
| Capital size, LTL | 180 357 533 | 204 857 533 | 234 857 533 | 250 000 000 |

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 31 December 2013 the number of the Bank's shareholders comprised 3 592 (late in 2012 – 3 671). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

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



The Bank's shareholders have to the following property rights:

- to receive a share of the Bank's profit (dividend);
- to receive the Bank's funds when the authorized capital of the Bank is reduced seeking to pay the Bank's funds to Shareholders;
- to receive the shares free of charge in case the authorized capital is increased from the Bank's funds, except the cases, provided in the laws;
- in case the shareholder is a natural person - to bequeath all or a part of the shares to one or several persons;
- following the procedure and according to the conditions stipulated by the laws, to sell or otherwise transfer all or a part of the shares to the ownership of other persons;
- the pre-emptive right to acquire the shares issued or converted bonds of the Bank, except the case when the Meeting decides to cancel this right to all the shareholders;
- to lend to the Bank in the ways, prescribed in the laws. However, the Bank, borrowing from its shareholders, is not entitled to mortgage its assets for the shareholders. In the case the Bank borrows from its shareholder, interest rate cannot exceed the average interest rate of the commercial banks, located in the living or business place of the lender, valid on the moment the loan agreement was concluded. In such case the Bank and the shareholders are prohibited from making an agreement regarding higher interest rate;
- other property rights, provided in the laws.

Persons who are the shareholders of the Bank at the end of the tenth business day following the date of the General meeting of Shareholders having adopted respective resolution, i.e. at the end of the day of accounting of rights, have the rights to dividends, free shares and pre-emptive right to gain the shares issued by the Bank.

Additional information

The Shareholders of the Bank have the following non-property rights:

- to participate in the General meeting of shareholders;
- to vote in the Meetings according to the rights, granted by the shares;
- to submit the questions to the Bank related to the agenda issues of the General meeting of shareholders in advance;
- to receive information on the Bank, as provided for in the Law on Companies;
- to apply to court with the claim, asking to compensate the loss, made to the Bank, that has occurred because of failure to execute obligations, provided for in the laws and present Charter, duly or their omission by the Head or Board members of the Bank, as well as in other cases, provided for in the laws;
- to authorize a natural or legal entity to represent him in relationship with the Bank or other persons;
- Other non-property rights, provided in the laws.

The person shall obtain all the rights and obligations granted to this person by the share of the authorized capital and (or) voting rights of the Bank: in case of the raise of the authorized capital of the Bank – from the date of registration of the changes related to the raise of the authorized capital and (or) voting rights of the Bank; in other cases – from the emergence of the property right to the share of the authorized capital and (or) voting rights of the Bank.

The shareholders of the Bank who owned more than 5 per cent of the authorized capital of the Bank as of 31 December 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 addr. One Exchange Square, London, Great Britain | 48 928 965 | 19.57 | 19.57 | 42.93 |
| 2 | Gintaras Kateiva | 15 605 433 | 6.24 | 6.24 | 42.93 |

European Bank for Reconstruction and Development (EBRD), Trade House „Aiva“, UAB, „Mintaka“ UAB, Enterprise group „Alita“ AB, Sigita Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement as well as other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 42.93 per cent of the Bank's authorized capital and votes.

There no restrictions set to transfer of the securities. The shareholders are entitled to property and non-property rights and have the duties defined in the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

The shareholders entitled to exclusive control rights and descriptions of those rights. The shareholders control the Bank through the elected Supervisory Council. Its functions are stipulated by the Law on Companies.

Restrictions to Exercise the Voting Right . All the issued shares of the Bank are ordinary registered shares of LTL 1 nominal value. Each share grants one voting right at the Bank's General Meeting of Shareholders. Restrictions to the voting rights can be applied in the cases foreseen by the laws.

The shareholders shall not have the right to vote when adopting a decision on the pre-emption right to acquire the shares of the Bank being issued or withdrawal of convertible bonds if it is stipulated in the agenda of the General Meeting of Shareholders that the right to acquire these securities is granted to him, his close relative, spouse or common-law spouse when partnership is registered in the procedure stipulated by the laws, and to a close relative of the spouse when the shareholder is a natural person as well as to the company patronizing the shareholder when the shareholder is a legal entity.

The person or persons acting jointly, having decided to acquire a qualified share of the authorized capital and (or) voting rights of the Bank or to raise it to such extent that the available share of the authorized capital and (or) voting rights of the Bank would be equal to or exceed 20 per cent, 30 per cent or 50 per cent or as much as the Bank would become controllable, shall be obliged to report this in writing to the Bank of Lithuania, which implements the supervisory function, specifying the qualified share of the authorized capital and (or) voting rights of the Bank

Additional information

intended to be purchased as well as to provide documents and data specified in the list given in Paragraph 2 of Article 25 of the Banks' Law. Failure to observe the requirement to receive a decision of the Bank of Lithuania not to be in conflict with surpassing the aforementioned limits does not cause the transaction to become ineffective; however, due to the failure to observe this requirement the whole share of the Bank's authorized capital and (or) voting rights owned by the person acquiring it shall lose the voting right in the Bank's General Meeting of Shareholders.

4. 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: 250000000. 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, OMX Baltic Banks PI and OMX Baltic Benchmark Cap (OMXBBCAPGI). Besides, shares issued by the Bank are included in the indices STOXX All Europe Total Market, STOXX Eastern Europe TMI, STOXX Eastern Europe TMI Small, STOXX EU Enlarged TMI, STOXX Global Total Market and STOXX Lithuania Total Market.

The change of the share price over the five years (a share price is provided in Euro as trading in shares is carried out in Euro since 22 November 2010):



Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2013

Turnover and price of the Bank's shares over the period of 2009 -2013:

| Year | Price of the last trading session, EUR | Max. price, EUR | Min. price EUR | Average price, EUR | Amount of shares, units | Turnover, mln. EUR |
|------|--|-----------------|----------------|--------------------|-------------------------|--------------------|
| 2009 | 0.324 | 0.446 | 0.180 | 0.267 | 20 746 641 | 5.54 |
| 2010 | 0.337 | 0.345 | 0.264 | 0.318 | 17 784 012 | 5.65 |
| 2011 | 0.245 | 0.372 | 0.225 | 0.298 | 17 899 502 | 5.34 |
| 2012 | 0.231 | 0.285 | 0.230 | 0.256 | 11 106 241 | 2.48 |
| 2013 | 0.266 | 0.31 | 0.227 | 0.266 | 20 496 506 | 5.45 |

Additional information

The chart of the Bank's share price and turnover in 2013:



Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2013&end_d=31&end_m=12&end_y=2013

The chart of the Bank's share price and turnover in IV q of 2013:

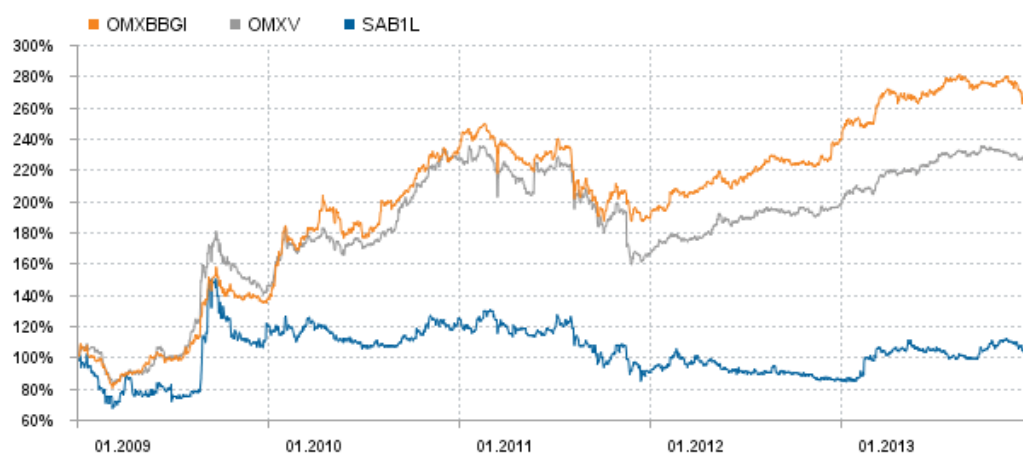


Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=10&start_y=2013&end_d=31&end_m=12&end_y=2013

Additional information

The charts of the share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares during the period of 2009-2013 are provided below:



The Chart's data:

| Index/Shares | 01/01/2009 | 31/12/2013 | +/-, % |
|-------------------------|------------|------------|--------|
| OMX Baltic Benchmark GI | 228.12 | 613.508 | 168.94 |
| OMX Vilnius | 179.25 | 421.608 | 135.20 |
| SAB1L | 0,25 EUR | 0,27 EUR | 5.12 |

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_index=OMXBBPI&add_equity=LT0000102253&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2013

As of 31 December 2013 the Bank's capitalization was LTL 229.61 million (EUR 66.50 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 AB Baltic market as of the last trading day of 2012 and 2013 is provided below:

| The list of the Baltic shares | 30/12/2012 | 30/12/2013 | Change |
|-------------------------------|----------------------|----------------------|---------|
| Šiaulių bankas – SAB1L | 54 252 090 EUR | 66 500 000 EUR | 22.58 % |
| The Baltic market in total: | 5 602 632 807.33 EUR | 5 731 270 188.87 EUR | 2.30 % |

Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&period=other&start_d=1&start_m=1&start_y=2013&end_d=30&end_m=12&end_y=2013

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

| Indicator | 31/12/2009 | 31/12/2010 | 31/12/2011 | 31/12/2012 | 31/12/2013 |
|-----------|------------|------------|------------|------------|------------|
| P/E | negative | negative | 14.10 | 13.29 | 22.96 |

5. 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.

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

During the accounting period the Bank complied with all the prudential requirements stipulated by the Bank of Lithuania. The Bank's interim financial statements are provided in the notes.

Additional information

7. 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 is approved and its implementation controlled by the Management 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 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 group of the Bank.

Since various risks encountered by the Bank Group 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 to organize and coordinate the management system of risks faced by the Bank Group.

The Bank's Group performs the 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 Bank Group include credit, market, liquidity, concentration and operational risks. The market risk encompasses the risk of currency exchange rate, interest rate, and price of securities. The more detailed information is provided in the chapter "Financial Risk Management" of the explanatory note of the financial statement for 2013.

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.

8. RATINGS ASSIGNED BY THE INTERNATIONAL AGENCIES

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

The international rating agency Moody's Investors Service updated the rating of Šiaulių bankas on 20 March 2013 as follows:

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

**2013 Moody's Investors Service, Inc. and/or its licensors and affiliates (MOODY'S). All rights reserved.*

9. INFORMATION ON THE RESULTS OF PERFORMANCE

In 2013 the increased Bank group generated LTL 18.4 million of the pre-audited net profit, which by 41 per cent exceeds the result achieved in 2012 when the Bank earned LTL 13.0 million. The Bank's pre-audited net profit compiled LTL 10.7 million, i.e. by 28 per cent less than in 2012 when it reached LTL 14.9 million. The annual net interest income of the Bank group increased by 44 per cent comparing to 2012 and formed almost LTL 83 million. The annual income from net service and commission fee had also increased - in 2013 it comprised LTL 14.7 which is by 82 per cent more than in 2012. The annual profit from the transactions in foreign currency grew by 48 and comprised LTL 7.2 million. Comparing the Bank's data for the year of 2013 with the information of the preceding year, please, pay your attention to the fact that the takeover of Ūkio bankas' assets and liabilities had a significant impact on the result of Šiaulių bankas' Group achieved over the previous year.

Additional information

The impairment of assets has had a negative impact on the result of the Bank Group's performance. The change of value of the assets of Bank Group as well as of the impairment of loans taken over from Ūkio bankas accounted for LTL 50.5 million of loss over the year. They had been partially compensated by the loans recovered from Ūkio bankas the positive impact of which in the amount of LTL 12.2. million was accounted in Group's other income. Assessing the mentioned impact the actual impairment loss incurred over the year reached LTL 38.4 million.

Over 2013 the Bank group incurred LTL 112.8 of costs which is by 55 per cent more than in 2012. To the large extend the growth of the operating costs have been influenced by the takeover of Ūkio bankas' assets and liabilities. This have had an impact on the activity ratios of the Bank Group. The cost to income ratio comprised 65.8 per cent, while the return on equity reached 5.8 per cent.

The Bank group's assets grew by more than 80 per cent up to LTL 5.3 billion over the year. The deposit portfolio had doubled over the reporting year and exceeded LTL 4.5 billion. Among the banks operating in Lithuania with its deposit market share of 9.7 per cent Šiaulių bankas rose to the fourth position. At the end of 2013 the Bank's loan portfolio comprised LTL 2.4 billion.

In compliance with the agreement signed by Šiaulių bankas AB, temporary administrator of Ūkio bankas and the State undertaking "Deposit and Investment Insurance" dated 23 February 2013 with its further amendments the call option rights of Ūkio bankas AB to acquire the part of the assets taken over by Šiaulių bankas AB from the failed Ūkio bankas AB expired on 2 February 2014 as it was foreseen. Neither of five call options, during which the part of the assets taken over by Šiaulių bankas from Ūkio bankas were exposed to sale, had been realized.

The number of Šiaulių bankas' customers has doubled over 2013 and currently exceeds 300 thou. The Bank operating through 77 outlets in 38 towns took the second position by the number of the client service points in Lithuania at the end of 2013 . The Bank's clients could use 230 ATMs belonging to bank's network operating in 56 cities and towns throughout Lithuania. At the end of 2013 the Bank's clients could withdraw cash or place their funds to the payment card accounts through 1800 terminals of "Perlo paslaugos" UAB all over Lithuania.

10. ASSESMENT OF INTERNAL CONTROL AND RISK MANAGEMENT

The risk management system of the Bank Group includes the policy of the risk management in the banking activities, individual procedures for management of different types of risks, as well as the internal control system and internal audit.

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 are related to the emergence of various types of the Bank's risks. Due to the fact the risks experienced by the Bank are interdependent their management is centralized. Arrangement and coordination of the system managing risks faced by the Bank is one of the main goals of the Bank's Risk Management Committee. The risks incurred in the activities of the Bank's Group as well as the principles of their management are defined in the Bank's Risk Management Policy. The most important types of risks encountered by the Bank include concentration, credit, liquidity, operational risks and market risk, which, on its turn, falls into interest rate risk, foreign currency risks and securities price risk.

The Bank's Remuneration policy is an integral part of the risk management system. The Remuneration policy is consistent with the Bank's strategy, level of assumed risks, the Bank's objectives, values and long-term vision.

Before calculating the internal capital requirement necessary to ensure the stable performance the Bank carries out the annual self-assessment. This process allows identifying all the risks faced by the Bank in its activities, defining their level, assessing the impact of risks on the Bank's income and capital.

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 function of compliance is decentralized at the Bank, i.e. its separate parts are implemented by the different units/persons according to the functions assigned to them in the staff regulations, provisions of the departments or in the other procedures of the Bank.

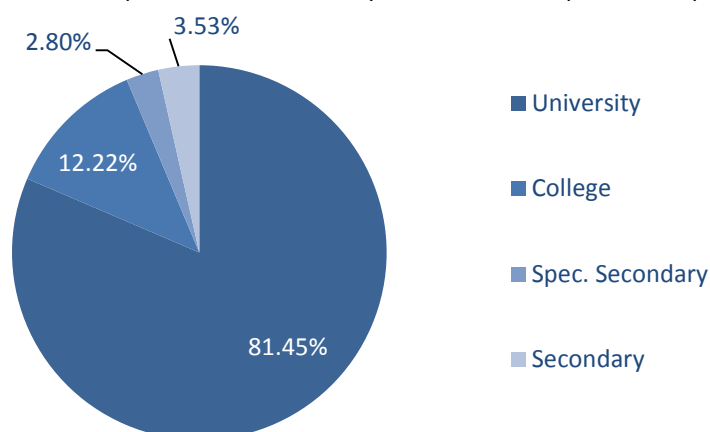
Additional information

The assessment of the Bank's internal control system, compliance and 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 shortcomings and violations.

11. EMPLOYEES

As of 31 December 2013 the Bank employed 680 staff members. Comparing to 2012 the number of the employees at the Bank increased by 41 per cent over the year. The number of the Bank's staff increased by 41 per cent. The growth of the employees was influenced by the takeover of the part of Ūkio bankas' assets and liabilities. The companies belonging to the Bank Group employed 761 staff members at the end of the accounting period.

82 per cent of the total number of the Bank's employees had university education, 12 per cent gained college education, 3 per cent had secondary education and 4 per cent – special secondary education.



Over the last quarter of 2013 more than 300 client service offices participated in the seminars called "Leading Sales" conducted by the external consultants. The heads of the Bank and directors of the departments participated "Project management" seminar and in other events corresponding the specifics of their work.

12. 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.

Additional information

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The Council is directed by its Chairman. The Supervisory Council consisting of eight members is elected by the General Meeting of Shareholders for a term of four years. The initiators of the Meeting or the shareholders holding shares that grant at least 1/20 of the Bank's shares, shall have the right of proposing the members of the Supervisory Council. The candidates are proposed before the Meeting or during such Meeting. Each candidate to the Supervisory Council's members shall inform the Meeting about his current capacity and how his activities are related to the Bank or to other legal entities associated with the Bank. While electing the Supervisory Council's members each shareholder shall have such number of votes which is equal to the product of the numbers of votes granted to him by the shares owned and number of the Supervisory Council's members to be elected. These votes are allocated by the shareholder at his own discretion - for one or several candidates. The candidates who receive the biggest number of votes are elected. 1 independent member is elected to the current tenure of the Supervisory Council. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The 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 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 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's 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 Council following the laws, this Charter or resolutions of the General Meeting of Shareholders;
- 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 which are subject to discussion and resolution of the Supervisory Council.

Nine meetings of the Supervisory Council were held in 2013. None of the Council members missed more than a half of the meetings over the accounting period.

The Board of the Bank is a collegial Bank's management body, consisting of eight members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board members are elected, recalled and supervised by the Bank's Supervisory Council. The Board of the Bank is elected by the Council for a term of 4 years - the number of tenures is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

The Board shall 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;

Additional information

- 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 General Meeting of Shareholders, 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.

Additional information

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 Supervisory 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.

13. THE MEMBERS OF THE 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, a master in applicable mathematics.

Work experience:

„Šiaulių banko turto fondas“ UAB (ASSETS FUND), a consultant since 2004.



Sigitas Baguckas

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

Education:

Vilnius Civic Engineering Institute, an engineer-constructor.

Work experience:

Director of „Namų statyba“ UAB till 2007, a procurist since prokuristas 2007.



Gintaras Kateiva

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

Education:

Vilnius Pedagogic Institute, a teacher.

Work experience:

Counsellor Director of "Litagros cmemija" UAB (currently - Litagra" UAB) until 2005, Chairman of the Board since 2005, Director General of „Litagros prekyba“ UAB until 2008.



Vigintas Butkus

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

Education:

Marijampole School of Culture, a director.

Work experience:

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

Additional information



Vytautas Junevičius

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:

Director General of "Alita" AB until 2009, Consultant of the Director General of the Enterprise Group Alita AB 2009-2011.



Peter Reiniger

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

Education:

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

Work experience:

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



Ramunė Vilija Zabulienė

Independent member of the Supervisory Council of Šiaulių bankas AB 04 May 2012.

Education:

Vilnius University, an engineer-economist.

Work experience:

the member of the Board of the Bank of Lithuania, Deputy Chairman until 2011 Director of Public undertaking ArsDomina since 2012.



Alexander Saveliev

The member of the Supervisory Council of Šiaulių bankas AB since August 2013.

Work experience:

Senior Banker at the European Bank for Reconstruction and Development (ERPB); Consultant of the „Megabank“ in the Ukraine, the member of the Supervisory Council and the Chairperson of the Strategic Development Committee.

The Board of the Bank:



Algirdas Butkus

Chairman of the Management 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 2011.



Vytautas Sinius

Member of the Board, Head of Corporate Banking Division, Chief Executive Officer since 01/02/2014.

Education:

Vilnius Higher School of Economics, a bank officer. Vilnius University, a bachelor of economy. Vytautas Magnus University, a master of Business Administration and Management.

Work experience:

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



Donatas Savickas

Member 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

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

Education:

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

Work experience:

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

Additional information



Vita Adomaitytė

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 Accountant of Šiaulių bankas since 2002, Head of Accounting and Reporting Division since 2005.



Jonas Bartkus

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



Audrius Žiugžda

Deputy Chairman of the Board and Chief Executive Officer until 31/01/2014.

Education:

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

Work experience:

Chairman of the Board and President of SEB AB 2006-2009, Advisor of the Director General TEO LT, AB 2010 - 2011 m.

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 | Member of the Board „Klaipėdos LEZ valdymo bendrovė“ UAB Consultant of „Šiaulių banko turto fondas“ UAB (ASSETS FUND) | — |
| Sigitas Baguckas | procurist at „Namų statyba“ UAB | „Namų statyba“ UAB - 47.12 % |
| Vigintas Butkus | Director of Trade house "Aiva" UAB Director of „Mintaka“ UAB | „Mintaka“ UAB - 9.25 % „Mintaka“ UAB - 9.80 % |
| Vytautas Junevičius | Senior advisor of Company Group „Alita“ AB Chairman of the Board of „Anykščių vynos“ AB | Company Group „Alita“ AB – 14.48 % |
| Gintaras Kateiva | Director General of „Litagra“ UAB, Chairman of the Board Director of „Litagros mažmena" UAB | „Litagra“ UAB - 35.68 % |
| Ramunė Vilija Zabulienė | Director of the Public Undertaking „ArsDomina“ | "Abiotek" UAB - 50 % |
| Peter Reiniger | Chief Counsellor of the first Vice-President and Executive Committee | — |
| Algirdas Butkus | — | Trade house "Aiva" UAB - 66.35 % „Visnorus“ UAB - 48.94 % „Mintaka“ UAB - 68.08 % |
| Donatas Savickas | — | — |
| Audrius Žiugžda | Member of the Council of Vytautas Magnus University Member of the Board of „Limarko laivininkystės kompanija“ AB | — |
| Vita Adomaitytė | — | — |
| Daiva Kiburienė | Chairperson of the Board „Kėdainių oda“ UAB | — |
| Vytautas Sinius | — | Public undertaking Sporto šaltinis – 33,33 % |
| Jonas Bartkus | — | — |

14. 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 explanatory note of the consolidated financial statement of the Bank for 2013.

15. THE MOST IMPORTANT EVENTS OVER THE ACCOUNTING PERIOD

The most important events in 2013:

- on 15 January the final event of United Nations development programme in Lithuania project "GATES: social and environmental business innovations" dedicated to the promotion of corporate regional social responsibility took place in Vilnius where the Bank was awarded for its pro-activeness in representing the ideas of sustainable business - the Bank was nominated as the leader of corporate social responsibility in Šiauliai region;
- on February 7 Šiaulių bankas and European Investment Bank (EIB) extended collaboration regarding implementation of renovation of multi-apartment houses under JESSICA financial facility (the agreement was signed two years ago) - 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, the temporary administrator of Ūkio bankas 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 General Shareholders' Meeting of the Bank 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 234857533 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;
- the Bank's Charter with the increased authorized capital up to LTL 250000000 was registered on 31 May and the shares of the new issue were transferred to the personal securities accounts of the shareholders;
- on 6 August Neringos customer service point (CSP) of Šiaulių bankas was opened - it is a single customer service point providing financial services in the entire Neringa;
- on 13 September Šiaulių bankas and European Investment Bank (EIB), the administrator of the JESSICA Holding Fund in Lithuania, signed the loan agreement amounting to LTL 40 million allowing to accelerate the implementation of energy-saving programmes in towns of Lithuania;
- on 3 October the Bank was presented with the „Straight-Through Processing Award 2012“ granted by the Germany's bank Commerzbank for the second year in turn for the excellent quality of processing international payment orders when more than 97 percent of the international payment orders submitted to Commerzbank are subject to fully automated processing and shouldn't be corrected manually;
- on 11 September the KPMG Baltics, UAB provided Šiaulių bankas AB with the final assessment report of the assets and liabilities taken over from Ūkio bankas AB under the Agreement on Transfer of Assets and Liabilities dated 23 February 2013 among Ūkio bankas AB, Šiaulių bankas AB and the State undertaking "Deposit and Investment Insurance";
- on 29 November the Bank won the exceptional award as "The Best Bank in Lithuania 2013" in the prestigious bank awards arranged by the international magazine "The Banker" issued by the "The Financial Times";
- on 3 December 77th customer service point of the Bank - Šeduvos customer service point – was opened in Radviliškis region;
- on 16 December it was announced that Deputy Chairman of the Board and Chief Executive Officer of Šiaulių bankas Audrius Žiugžda decided to finish his work at Šiaulių bankas. (He was the CEO until 31 January 2014);
- on 23 December the Management Board of Šiaulių bankas assigned a new Chief Executive Officer of the Bank – Vytautas Sinius has been taking this capacity since 01 February 2014.


16. DATA ON PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed over the fourth quarter of the year of 2013:

- 20/08/2013 – interim information for 6 months;
- 11/10/2013 – information about the report received regarding evaluation of assets and liabilities;
- 18/10/2013 – a pre-audited activity result of the Bank and the Bank Group for 9 months of 2013;
- 20/11/2013 – interim information for 9 months;
- 20/11/2013 – notification regarding loss of the voting rights;
- 16/12/2013 – information on resignation of Chief Executive Officer A. Žiugžda;
- 23/12/2013 – notification regarding appointment of V.Sinius to the position of the Chief Executive Officer instead of A. Žiugžda;
- 23/12/2013 – the calendar of the Bank's information to be announced to the investors for the year 2014;
- 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. Reports on the Meetings of Shareholders are additionally announced in the daily newspaper "Lietuvos rytas".

Chief Executive Officer
24 February 2014



Vytautas Sinius