



## 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 3 months of 2014 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

A blue ink signature of Vytautas Sinius, written in a cursive style.

Vytautas Sinius

Chief Accountant

A blue ink signature of Vita Adomaitytė, written in a cursive style.

Vita Adomaitytė

19-05-2014



INTERIM FINANCIAL STATEMENT  
31 MARCH 2014

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# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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(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

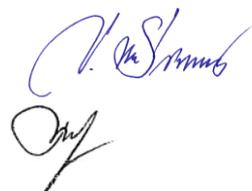
	Notes	Group	31-03-2014 Bank	Group	31-12-2013 Bank
<b>ASSETS</b>					
Cash and cash equivalents	2	536 846	536 798	481 002	480 999
Due from other banks	3	12 234	12 234	5 995	5 995
Trading securities	6	108 332	208 332	70 648	193 648
Derivative financial instruments		20 197	18 858	22 347	21 008
Loans to customers	4	2 284 641	2 633 802	2 375 700	2 723 662
Finance lease receivables	5	203 395	20 962	205 093	20 779
Investment securities:					
- available-for-sale	6	185 145	183 377	188 203	186 432
- held-to-maturity	6	1 386 336	1 370 916	1 309 375	1 300 833
Investments in subsidiaries and associates	6	-	51 562	-	51 562
Intangible assets		1 110	821	1 178	887
Property, plant and equipment		44 729	35 286	45 546	35 914
Investment property		57 639	18 578	86 637	47 565
Current income tax prepayment		-	-	10	-
Deferred income tax asset		4 542	3 033	6 183	4 723
Other assets	7	167 445	41 840	147 657	21 525
Assets classified as held for sale	6	381 117	160 704	388 360	155 296
<b>Total assets</b>		<b>5 393 708</b>	<b>5 297 103</b>	<b>5 333 934</b>	<b>5 250 828</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions	8	259 386	279 207	264 234	301 206
Liabilities at fair value through profit or loss	18	68 252	68 252	68 855	68 855
Due to customers	9	4 573 174	4 573 294	4 529 237	4 530 021
Special and lending funds	10	2 768	2 768	7 354	7 354
Current income tax liabilities		1 353	-	1 028	-
Deferred income tax liabilities		4 752	-	4 952	-
Liabilities related to assets classified as held for sale	6	91 303	-	92 620	-
Other liabilities	12	53 761	32 724	41 467	22 167
<b>Total liabilities</b>		<b>5 054 749</b>	<b>4 956 245</b>	<b>5 009 747</b>	<b>4 929 603</b>
<b>EQUITY</b>					
Share capital	13	250 000	250 000	250 000	250 000
Share premium	13	32 719	32 719	32 719	32 719
Reserve capital	13	2 611	2 611	2 611	2 611
Statutory reserve	13	5 005	4 403	3 243	2 641
Financial assets revaluation reserve		1 614	1 614	(1 990)	(1 990)
Retained earnings		46 504	49 511	37 104	35 244
Non controlling interest in equity		506	-	500	-
<b>Total equity</b>		<b>338 959</b>	<b>340 858</b>	<b>324 187</b>	<b>321 225</b>
<b>Total liabilities and equity</b>		<b>5 393 708</b>	<b>5 297 103</b>	<b>5 333 934</b>	<b>5 250 828</b>

The notes on pages 9-47 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

19 May 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 three month period ended			
		Group	31-03-2014 Bank	Group	31-03-2013 Bank
Interest and similar income	14	48 279	48 850	33 573	32 314
Interest expense and similar charges	14	(20 695)	(20 711)	(21 247)	(21 298)
<b>Net interest income</b>		<b>27 584</b>	<b>28 139</b>	<b>12 326</b>	<b>11 016</b>
Fee and commission income	15	6 651	6 794	4 773	4 818
Fee and commission expense	15	(3 032)	(2 643)	(2 461)	(2 094)
<b>Net fee and commission income</b>		<b>3 619</b>	<b>4 151</b>	<b>2 312</b>	<b>2 724</b>
Net (loss) from embedded derivatives		(3 758)	(3 758)	(1 309)	(1 309)
Net (loss) from financial liabilities at fair value through profit or loss		(544)	(544)	-	-
Net gain from operations with securities		1 975	1 975	6 250	6 250
Net foreign exchange gain		1 902	1 902	1 740	1 740
Net gain (loss) on disposal of assets		(994)	(966)	69	8
Other operating income	17	16 112	5 426	9 015	240
Other operating expenses	16	(29 253)	(17 795)	(22 518)	(12 894)
Operating profit before impairment losses		16 643	18 530	7 885	7 775
Allowance for impairment losses	17	(11 166)	(11 472)	(3 936)	(3 688)
Dividends from investments in subsidiaries		-	10 000	-	-
<b>Profit from continuing operations before income tax</b>		<b>5 477</b>	<b>17 058</b>	<b>3 949</b>	<b>4 087</b>
Profit from discontinued operations	6	6 843	-	566	-
Income tax (expense)		(1 152)	(1 029)	(800)	(672)
<b>Net profit for the period</b>		<b>11 168</b>	<b>16 029</b>	<b>3 715</b>	<b>3 415</b>
<b>Net profit attributable to:</b>					
Owners of the Bank		11 162	16 029	3 711	3 415
from continuing operations		4 319	16 029	3 145	3 415
from discontinued operations		6 843	-	566	-
Non-controlling interest		6	-	4	-
Basic earnings per share (in LTL per share) attributable to owners of the Bank	13	0,04		0,02	
From continuing operations		0,02		0,02	
From discontinued operations		0,02		0,00	
Diluted earnings per share (in LTL per share) attributable to owners of the Bank	13	0,04		0,02	
From continuing operations		0,02		0,02	
From discontinued operations		0,02		0,00	

The notes on pages 9-47 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

19 May 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 three month period ended			
	Group	31-03-2014 Bank	Group	31-03-2013 Bank
<b>Net profit for the period</b>	<b>11 168</b>	<b>16 029</b>	<b>3 715</b>	<b>3 415</b>
Other comprehensive income (loss):				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	4 262	4 262	(1 927)	(1 927)
Deferred income tax on gain (loss) from revaluation of financial assets	(658)	(658)	275	275
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>3 604</b>	<b>3 604</b>	<b>(1 652)</b>	<b>(1 652)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>14 772</b>	<b>19 633</b>	<b>2 063</b>	<b>1 763</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	14 766	19 633	2 059	1 763
From continuing operations	7 923	19 633	1 493	1 763
From discontinued operations	6 843	-	566	-
Non-controlling interest	6	-	4	-

The notes on pages 9-47 constitute an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

19 May 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 CASH FLOWS

	for the three month period ended			
	31-03-2014		31-03-2013	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received	35 969	37 436	26 001	22 812
Interest paid	(20 695)	(20 711)	(21 096)	(21 147)
Net cash received from service and commission fees	3 619	4 151	2 312	2 724
Cash inflows from trade in trading securities	694	694	6 381	6 381
Net inflows from foreign exchange operations	1 748	1 748	1 980	1 986
Recoveries on loans previously written off	351	22	137	27
Salaries and related payments to and on behalf of employees	(11 324)	(9 580)	(8 459)	(7 018)
Other net cash receipts (payments)	4 618	(2 706)	(3 105)	(4 711)
Income tax paid	(71)	-	(361)	-
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>14 909</b>	<b>11 054</b>	<b>3 790</b>	<b>1 054</b>
<b>Change in operating assets and liabilities:</b>				
(Increase) in trading securities	(33 782)	(10 782)	(38 394)	(38 400)
(Increase) in loans to credit and financial institutions	(6 239)	(6 239)	(4 254)	(4 254)
Decrease (increase) in loans to customers	78 440	74 589	(744 228)	(744 554)
(Increase) in other assets	(6 647)	(20 354)	(407 090)	(32 700)
(Decrease) in liabilities to credit and financial institutions	(5 995)	(23 146)	(5 801)	(8 038)
Increase in deposits, special and lending funds	39 351	38 687	2 486 864	2 501 814
Increase in other liabilities	9 796	9 296	115 053	17 504
<b>Change</b>	<b>74 924</b>	<b>62 051</b>	<b>1 402 150</b>	<b>1 691 372</b>
<b>Net cash flow (used in) from operating activities</b>	<b>89 833</b>	<b>73 105</b>	<b>1 405 940</b>	<b>1 692 426</b>
<b>Investing activities</b>				
(Acquisition) of property, plant and equipment and intangible assets	(1 278)	(1 198)	(34 617)	(34 617)
Disposal of property, plant and equipment and intangible assets	25 958	25 686	1 227	-
(Acquisition) of held-to-maturity securities	(128 064)	(121 186)	(985 373)	(1 129 965)
Proceeds from redemption of held-to-maturity securities	60 632	60 632	57 879	57 879
(Acquisition) of available-for-sale securities	(20 336)	(20 336)	(39 089)	(38 968)
Disposal of available-for-sale securities	29 108	29 105	53 296	53 296
(Acquisition) of subsidiaries	-	-	-	(140 739)
Dividends received	-	10 000	-	-
<b>Net cash from (used in) investing activities</b>	<b>(33 980)</b>	<b>(17 297)</b>	<b>(946 677)</b>	<b>(1 233 114)</b>
<b>Financing activities</b>				
Payment of dividends	(9)	(9)	-	-
Payment to minority shareholders	-	-	-	-
Debt securities in issue	-	-	-	-
Redemption of debt securities in issue	-	-	(22 529)	(22 529)
<b>Net cash flow from financing activities</b>	<b>(9)</b>	<b>(9)</b>	<b>(22 529)</b>	<b>(22 529)</b>
<b>Net increase in cash and cash equivalents</b>	<b>55 844</b>	<b>55 799</b>	<b>436 734</b>	<b>436 783</b>
<b>Cash and cash equivalents at 1 January</b>	<b>481 002</b>	<b>480 999</b>	<b>221 855</b>	<b>221 805</b>
<b>Cash and cash equivalents at 31 March</b>	<b>536 846</b>	<b>536 798</b>	<b>658 589</b>	<b>658 588</b>

# 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:
<b>31 December 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>7 085</b>	<b>21 206</b>	<b>313 621</b>	835	<b>314 456</b>
Other movements in equity	-	-	-	1 352	(2 505)	(1 153)	(1)	(1 154)
Total comprehensive income (loss)	-	-	-	(1 652)	3 711	2 059	4	2 063
<b>31 March 2013</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>6 785</b>	<b>22 412</b>	<b>314 527</b>	<b>838</b>	<b>315 365</b>
Increase in share capital	15 142	(15 142)	-	-	-	-	-	-
Other movements in equity	-	-	-	-	(21)	(21)	(427)	(448)
Total comprehensive income (loss)	-	-	-	(5 532)	14 713	9 181	89	9 270
<b>31 December 2013</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>1 253</b>	<b>37 104</b>	<b>323 687</b>	<b>500</b>	<b>324 187</b>
Transfer to statutory reserve	-	-	-	1 762	(1 762)	-	-	-
Total comprehensive income (loss)	-	-	-	3 604	11 162	14 766	6	14 772
<b>31 March 2014</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>6 619</b>	<b>46 504</b>	<b>338 453</b>	<b>506</b>	<b>338 959</b>

# 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:
<b>31 December 2012</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>5 194</b>	<b>1 289</b>	<b>27 043</b>	<b>318 856</b>
Other movements in equity	-	-	-	-	1 352	(2 526)	(1 174)
Total comprehensive income (loss)	-	-	-	(1 652)	-	3 415	1 763
<b>31 March 2013</b>	<b>234 858</b>	<b>47 861</b>	<b>2 611</b>	<b>3 542</b>	<b>2 641</b>	<b>27 932</b>	<b>319 445</b>
Increase in share capital	15 142	(15 142)	-	-	-	-	-
Other movements in equity	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	(5 532)	-	7 312	1 780
<b>31 December 2013</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>(1 990)</b>	<b>2 641</b>	<b>35 244</b>	<b>321 225</b>
Transfer to statutory reserve	-	-	-	-	1 762	(1 762)	-
Total comprehensive income (loss)	-	-	-	3 604	-	16 029	19 633
<b>31 March 2014</b>	<b>250 000</b>	<b>32 719</b>	<b>2 611</b>	<b>1 614</b>	<b>4 403</b>	<b>49 511</b>	<b>340 858</b>

# 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 March 2014 the Bank had 676 employees (31 December 2013: 680). As of 31 December 2013 the Group (except subsidiaries held for sale) had 817 employees (31 December 2013: 824 employees).

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

### **As of 31 March 2014 and 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).

### **As of 31 March 2014 and 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 March 2014 and 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).

According to the agreement signed among Šiaulių Bankas AB, administrator of Ūkio Bankas AB and a state-owned enterprise Indėlių ir Investicijų Draudimas signed 23 February 2013 and its subsequent amendments (details on the transaction are disclosed in financial statements of Šiaulių bankas for the year 2013), 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. None of the five options, under which a part of the assets acquired by Šiaulių Bankas from Ūkio Bankas could be sold, was realised.

The expiration of the options did not cause changes in the accounting of Šiaulių Bankas.

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.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## 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.

## 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

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Cash and other valuables	66 557	66 554	59 986	59 983
Compulsory reserves in national currency	126 746	126 746	122 863	122 863
Correspondent bank accounts	60 919	60 874	50 008	50 008
Time deposits in banks	22 990	22 990	32 765	32 765
Correspondent account with central bank	259 634	259 634	215 380	215 380
<b>Total:</b>	<b>536 846</b>	<b>536 798</b>	<b>481 002</b>	<b>480 999</b>

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

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Deposits in other banks	6 000	6 000	5 995	5 995
Loans to other banks	6 234	6 234	-	-
<b>Total:</b>	<b>12 234</b>	<b>12 234</b>	<b>5 995</b>	<b>5 995</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 4 LOANS TO CUSTOMERS

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

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

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

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

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

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Loans and advances to banks	12 234	12 234	5 995	5 995
Loans and advances to customers:	2 284 641	2 633 802	2 375 700	2 723 662
- Loans and advances to financial institutions	-	209 396	-	215 734
- Loans to individuals (Retail)	221 329	190 893	227 319	195 246
- Loans to business customers	2 063 312	2 233 513	2 148 381	2 312 682
Finance lease receivables	203 395	20 962	205 093	20 779
Trading assets:				
- Debt securities	107 795	207 795	70 146	193 146
Derivative financial instruments	20 197	18 858	22 347	21 008
Securities available for sale:				
- Debt securities	181 596	181 596	184 663	184 663
Investment securities held to maturity:				
- Debt securities	1 386 336	1 370 916	1 309 375	1 300 833
Other financial assets	29 484	23 755	7 695	423
Credit risk exposures relating to off –balance sheet items are as follows:				
- Financial guarantees	110 028	111 128	103 673	104 473
- Letters of credit	3 715	3 715	7 039	7 039
- Loan commitments and other credit related liabilities	260 673	290 834	243 202	252 847
<b>Total</b>	<b>4 600 094</b>	<b>4 875 595</b>	<b>4 534 928</b>	<b>4 814 868</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

Loans are summarised as follows:

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Loans to business customers	2 662 118	3 043 207	2 739 281	3 120 652
Loans to individuals	247 552	216 066	252 854	219 695
Subtract: Fair value revaluation on acquisition*	(471 303)	(471 303)	(473 782)	(473 782)
<b>Gross</b>	<b>2 438 367</b>	<b>2 787 970</b>	<b>2 518 353</b>	<b>2 866 565</b>
Subtract: Allowance for impairment	(153 726)	(154 168)	(142 653)	(142 903)
<b>Net</b>	<b>2 284 641</b>	<b>2 633 802</b>	<b>2 375 700</b>	<b>2 723 662</b>

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Neither past due not impaired	1 838 668	2 189 469	1 957 779	2 305 869
Past due but not impaired	370 859	366 819	344 608	342 075
Impaired	228 840	231 682	215 966	218 621
<b>Gross</b>	<b>2 438 367</b>	<b>2 787 970</b>	<b>2 518 353</b>	<b>2 866 565</b>
Subtract: Allowance for impairment	(153 726)	(154 168)	(142 653)	(142 903)
<b>Net</b>	<b>2 284 641</b>	<b>2 633 802</b>	<b>2 375 700</b>	<b>2 723 662</b>

\* 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 and the gross value of the above-mentioned loans.

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 license 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

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Past due up to 7 days	124 243	122 800	79 942	78 595
Past due 8 to 30 days	49 307	48 338	44 497	43 418
Past due 31-60 days	12 641	11 032	11 818	11 740
Past due 61-90 days	9 247	9 230	31 218	31 196
Past due more than 90 days	175 421	175 419	177 133	177 126
<b>Total Net loans:</b>	<b>370 859</b>	<b>366 819</b>	<b>344 608</b>	<b>342 075</b>
Fair value of collateral	347 404	345 824	302 636	302 636

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## Loans and advances impaired

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
<b>Impaired loans</b>	<b>228 840</b>	<b>231 682</b>	<b>215 966</b>	<b>218 621</b>
Allowance for impairment	(153 726)	(154 168)	(142 653)	(142 903)
Fair value of collateral	108 671	112 798	98 283	102 410

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

## NOTE 5 FINANCE LEASE RECEIVABLES

Šiaulių Banko Lizingas UAB was established on 16th August 1999. The main business of the company is financial lease.

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

Finance lease receivables are summarised as follows:

Group	31-03-2014	31-12-2013
Business customers	261 122	265 121
Individuals	10 331	10 108
Subtract: Fair value revaluation on acquisition*	(64 930)	(66 853)
<b>Gross</b>	<b>206 523</b>	<b>208 376</b>

	31-03-2014	31-12-2013
Neither past due not impaired	158 025	162 943
Past due but not impaired	37 752	34 149
Impaired	10 746	11 284
<b>Gross</b>	<b>206 523</b>	<b>208 376</b>
Subtract: Allowance for impairment	(3 128)	(3 283)
<b>Net</b>	<b>203 395</b>	<b>205 093</b>

Finance lease receivables by type of assets leased:	31-03-2014		Total:
	Individuals	Business customers	
transport vehicles	7 476	48 878	56 354
real estate	1 556	105 553	107 109
airplanes	-	5 879	5 879
production equipment	6	12 119	12 125
other equipment	267	18 213	18 480
other assets	1 026	5 550	6 576
<b>Total:</b>	<b>10 331</b>	<b>196 192</b>	<b>206 523</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

	31-12-2013		
	Individuals	Business customers	Total:
Finance lease receivables by type of assets leased:			
transport vehicles	6 863	49 100	55 963
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
<b>Total:</b>	<b>10 108</b>	<b>198 268</b>	<b>208 376</b>

\* 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.

The Bank acquired some finance lease agreements from Ūkio bankas.

The Bank	31-03-2014		31-12-2013
	Business customers	85 920	-
Individuals	-	-	-
Subtract: Fair value revaluation on acquisition*	(64 930)	-	(66 853)
<b>Gross</b>	<b>20 990</b>	<b>20 990</b>	<b>20 779</b>

	31-03-2014		31-12-2013
	Neither past due not impaired	12 439	-
Past due but not impaired	8 397	-	9 751
Impaired	154	-	-
<b>Gross</b>	<b>20 990</b>	<b>20 990</b>	<b>20 779</b>
Subtract: Allowance for impairment	( 28)	-	-
<b>Net</b>	<b>20 962</b>	<b>20 962</b>	<b>20 779</b>

	31-03-2014		
	Individuals	Business customers	Total:
Finance lease receivables by type of assets leased:			
transport vehicles	-	225	225
real estate	-	19 814	19 814
production equipment	-	900	900
other equipment	-	51	51
<b>Total:</b>	<b>-</b>	<b>20 990</b>	<b>20 990</b>

	31-12-2013		
	Individuals	Business customers	Total:
Finance lease receivables by type of assets leased:			
transport vehicles	-	267	267
real estate	-	20 450	20 450
production equipment	-	12	12
other equipment	-	50	50
<b>Total:</b>	<b>-</b>	<b>20 779</b>	<b>20 779</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 6 SECURITIES

### Trading securities

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
<b>Debt securities:</b>				
Government bonds	39 528	39 528	18 884	18 884
Corporate bonds	63 544	163 544	44 405	167 405
Debt securities of state companies	4 723	4 723	6 857	6 857
<b>Equity securities:</b>				
Listed equity securities	430	430	397	397
Unlisted equity securities	2	2	-	-
Units of investment funds	105	105	105	105
<b>Total:</b>	<b>108 332</b>	<b>208 332</b>	<b>70 648</b>	<b>193 648</b>

Bank 31-03-2014	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
from AA-to AAA	-	16 121	-	-
from A- to A+	-	20 843	-	-
from BBB- to BBB+	39 528	27 821	-	-
from BB- to BB+	-	3 482	-	-
below BB-	-	-	-	-
no rating	-	100 000	432	105
<b>Total:</b>	<b>39 528</b>	<b>168 267</b>	<b>432</b>	<b>105</b>

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 BB-	-	-	-	-
no rating	-	123 000	397	105
<b>Total:</b>	<b>18 884</b>	<b>174 262</b>	<b>397</b>	<b>105</b>

Group 31-03-2014	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
from AA-to AAA	-	16 121	-	-
from A- to A+	-	20 843	-	-
from BBB- to BBB+	39 528	27 821	-	-
from BB- to BB+	-	3 482	-	-
below BB-	-	-	-	-
no rating	-	-	432	105
<b>Total:</b>	<b>39 528</b>	<b>68 267</b>	<b>432</b>	<b>105</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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 BB-	-	-	-	-
no rating	-	-	397	105
<b>Total:</b>	<b>18 884</b>	<b>51 262</b>	<b>397</b>	<b>105</b>

## Investment securities

Securities available-for-sale:	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
<b>Debt securities</b>				
Local government bonds	23 995	23 995	31 574	31 574
Foreign government bonds	34 076	34 076	30 332	30 332
Foreign corporate bonds	123 525	123 525	122 757	122 757
<b>Equity securities</b>				
Listed equity securities	-	-	-	-
Unlisted equity securities	3 158	1 390	3 162	1 391
Investment fund units	391	391	378	378
<b>Total:</b>	<b>185 145</b>	<b>183 377</b>	<b>188 203</b>	<b>186 432</b>

Securities held-to-maturity	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
<b>Debt securities</b>				
Local corporate bonds	15 420	-	8 542	-
Local government bonds	1 023 529	1 023 529	995 595	995 595
Foreign government bonds	65 888	65 888	45 019	45 019
Foreign corporate bonds	281 499	281 499	260 219	260 219
<b>Total:</b>	<b>1 386 336</b>	<b>1 370 916</b>	<b>1 309 375</b>	<b>1 300 833</b>

Bank 31-03-2014	Government bonds	Corporate bonds
	from AA-to AAA	18 535
from A- to A+	17 780	123 157
from BBB- to BBB+	1045 526	84 731
from BB- to BB+	7 576	10 945
below BB-	-	-
no rating	-	-
<b>Total:</b>	<b>1 089 417</b>	<b>281 499</b>

Bank 31-12-2013	Government bonds	Corporate bonds
	from AA-to AAA	18 480
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 BB-	-	-
no rating	-	-
<b>Total:</b>	<b>1 040 614</b>	<b>260 219</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

	Government bonds	Corporate bonds
<b>Group 31-03-2014</b>		
from AA-to AAA	18 535	62 666
from A- to A+	17 780	123 157
from BBB- to BBB+	1045 526	84 731
from BB- to BB+	7 576	10 945
below BB-	-	-
no rating	-	15 420
<b>Total:</b>	<b>1 089 417</b>	<b>296 919</b>

	Government bonds	Corporate bonds
<b>Group 31-12-2013</b>		
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 BB-	-	-
no rating	-	8 542
<b>Total:</b>	<b>1 040 614</b>	<b>268 761</b>

## Investments in subsidiaries

			31-03-2014
	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
<b>Total:</b>		<b>60 372</b>	<b>51 562</b>

## Investments in consolidated indirectly controlled subsidiaries

	Share in equity %	Acquisition cost	31-03-2014 Carrying value
Kėdainių oda UAB	100	12 000	9 180

## Investments in subsidiaries

			31-12-2013
	Share in equity %	Acquisition cost	Carrying value
ŠB Lizingas UAB	100	5 000	3 000
ŠB Investicijų Valdymas UAB	100	7 040	1 076
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	99	35 710	35 710
<b>Total:</b>		<b>60 372</b>	<b>51 562</b>

## Investments in consolidated indirectly controlled subsidiaries

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

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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, Šiaulių Bankas AB acquired 100 % control over following subsidiaries:

i) subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB together own 100% shares of Žalgirio Sporto Arena UAB; Žalgirio Sporto Arena UAB owns 100% shares of Nacionalinis Futbolo Stadionas UAB) and

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

Above-mentioned subsidiaries are classified as subsidiaries held for sale. Initially, they are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result (in case of profit, the value is increased; in case of loss, the value is decreased).

	31-03-2014		
	Entities engaged in real estate development	Entities engaged in other activities	Total:
Assets held for sale attributable to the group of entities	131 308	243 205	374 513
Liabilities attributable to assets held for sale attributable to the group of entities	21 063	70 240	91 303
Profit (loss) of the current year	110	6 733	6 843

	31-12-2013		
	Entities engaged in real estate development	Entities engaged in other activities	Total:
Assets held for sale attributable to the group of entities	131 235	255 929	387 164
Liabilities attributable to assets held for sale attributable to the group of entities	21 450	71 170	92 620
Profit (loss) of the current year from the date of acquisition of the entities 03-03-2013	(65)	631	566

During the three month period ended 31 March 2014 and the three month period ended 31 March 2013, the Group did not incur any gain or loss related to 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, real estate objects, which are expected by the Bank to be sold during the year are also included in assets held for sale. The fair value of such objects included in assets held for sale was LTL 6 604 thousand as of 31 March 2014 (31 December 2013: one object with a fair value of LTL 1 196 thousand).

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 7 OTHER ASSETS

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Assets held for sale	113 570	-	111 629	-
Amounts receivable	29 484	23 755	7 695	423
Deferred expenses	2 850	1 634	4 580	3 261
Prepayments	13 254	12 517	16 042	13 884
Foreclosed assets	2 288	2 045	2 288	2 045
Other	5 999	1 889	5 423	1 912
<b>Total:</b>	<b>167 445</b>	<b>41 840</b>	<b>147 657</b>	<b>21 525</b>

## NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	10 196	28 698	9 443	45 102
Time deposits	44 815	46 134	35 071	36 384
<b>Total:</b>	<b>55 011</b>	<b>74 832</b>	<b>44 514</b>	<b>81 486</b>
Loans received:				
Loans from other banks	44 670	44 670	47 516	47 516
Loans from financial institutions	87 997	87 997	94 602	94 602
Loans from international organisations	71 708	71 708	77 602	77 602
<b>Total:</b>	<b>204 375</b>	<b>204 375</b>	<b>219 720</b>	<b>219 720</b>
<b>Total:</b>	<b>259 386</b>	<b>279 207</b>	<b>264 234</b>	<b>301 206</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 9 DUE TO CUSTOMERS

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
<b>Demand deposits:</b>				
National government institutions	29 066	29 066	30 636	30 636
Local government institutions	113 092	113 092	67 136	67 136
Governmental and municipal companies	16 403	16 403	16 175	16 175
Corporate entities	293 210	293 330	307 676	308 460
Non-profit organisations	20 571	20 571	23 507	23 507
Individuals	450 819	450 819	443 191	443 191
Unallocated amounts due to customers	22 410	22 410	15 419	15 419
<b>Total demand deposits:</b>	<b>945 571</b>	<b>945 691</b>	<b>903 740</b>	<b>904 524</b>
<b>Time deposits:</b>				
National government institutions	1 527	1 527	1 939	1 939
Local government institutions	2 394	2 394	2 331	2 331
Governmental and municipal companies	9 853	9 853	10 540	10 540
Corporate entities	169 313	169 313	174 242	174 242
Non-profit organisations	14 274	14 274	14 321	14 321
Individuals	3 430 242	3 430 242	3 422 124	3 422 124
<b>Total time deposits:</b>	<b>3 627 603</b>	<b>3 627 603</b>	<b>3 625 497</b>	<b>3 625 497</b>
<b>Total:</b>	<b>4 573 174</b>	<b>4 573 294</b>	<b>4 529 237</b>	<b>4 530 021</b>

## NOTE 10 SPECIAL AND LENDING FUNDS

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Special funds	2 768	2 768	7 354	7 354
<b>Total:</b>	<b>2 768</b>	<b>2 768</b>	<b>7 354</b>	<b>7 354</b>

Special funds consist of compulsory social security and health insurance funds. Special funds have to be available to their contributors on their first demand.

## NOTE 11 DEBT SECURITIES IN ISSUE

During the three month period ended 31 March 2014 the Bank did not issue debt securities. As of 31 March 2014 and as of 31 December 2013, the Bank did not have any liabilities related to holders of its debt securities.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 12 OTHER LIABILITIES

	31-03-2014		31-12-2013	
	Group	Bank	Group	Bank
Accrued charges	15 086	12 732	18 552	12 879
Deferred income	10 751	1 006	9 835	1 011
Advances received from the buyers of assets	1 377	-	1 318	-
Amounts payable for finance lease agreements	2 567	-	2 470	-
Other liabilities	23 980	18 986	9 292	8 277
<b>Total:</b>	<b>53 761</b>	<b>32 724</b>	<b>41 467</b>	<b>22 167</b>

## NOTE 13 SHARE CAPITAL

As of 31 March 2014 and 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. The ordinary meeting of shareholders of Šiaulių bankas that took place on 28 March 2014 passed a resolution to increase Bank's share capital by LTL 20 million using Bank's own resources. After the procedures of registration are complete, the share capital of the Bank will amount to LTL 270 million.

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, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus) and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group votes of which are calculated together. As of 31 March 2014, this group possessed 42.37 percent of the authorised capital and votes of the Bank.

As at 31 March 2014, the Bank had 3 520 shareholders (as at 31 December 2013: 3 592). A share of capital held by Bank's shareholders by the place of residence : 31-03-2014 residents 66.33 % , non-residents 33.67 %; 12-31-2013 residents 66.36 % , non-residents 33.64 %.

As of 31 March 2014, the shareholders holding over 5 % of the Bank's shares are listed in the table below:

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

Another 18 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.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(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. The ordinary meeting of shareholders of Šiaulių bankas that took place on 28 March 2014 passed a resolution to increase this reserve by LTL 1 762 thousand.

## Dividends

In 2014 the annual general meeting of shareholders decided to not to pay dividends. On 28 March 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.

## Basic earnings per share

Group	31-03-2014	31-03-2013
Net profit from continuing operations attributable to equity holders	4 319	3 145
Net profit from discontinued operations attributable to equity holders	6 843	566
<b>Net profit attributable to equity holders</b>	<b>11 162</b>	<b>3 711</b>
Weighted average number of shares in issue during the period (thousand units)	250 000	234 858
<b>Basic earnings per share (LTL)</b>	<b>0,04</b>	<b>0,02</b>
Basic earnings per share (LTL) from continuing operations	0,02	0,02
Basic earnings per share (LTL) from discontinued operations	0,02	0,00

## Diluted earnings per share

Group	31-03-2014	31-03-2013
Net profit from continuing operations attributable to equity holders	4 319	3 145
Adjustments to net profit from continuing operations related to potential dilutive shares	1 753	-
Adjusted net profit from continuing operations attributable to equity holders	6 072	3 145
Net profit from discontinued operations attributable to equity holders	6 843	566
<b>Net profit (loss) attributable to equity holders</b>	<b>12 915</b>	<b>3 711</b>
Weighted average number of shares in issue during the period (thousand units)	250 000	234 858
Weighted average number of potential dilutive shares in issue during the period (thousand units)	69 056	-
<b>Total</b>	<b>319 056</b>	<b>234 858</b>
<b>Diluted earnings per share (LTL)</b>	<b>0,04</b>	<b>0,02</b>
Diluted earnings per share (LTL) from continuing operations	0,02	0,02
Diluted earnings per share (LTL) from discontinued operations	0,02	0,00

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 14 NET INTEREST INCOME

	Group	31-03-2014 Bank	Group	31-03-2013 Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	534	2 239	469	2 166
on loans to customers	33 156	32 443	23 391	22 631
on debt securities	11 558	13 388	7 013	7 013
on finance leases	3 031	780	2 700	504
<b>Total interest income</b>	<b>48 279</b>	<b>48 850</b>	<b>33 573</b>	<b>32 314</b>
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(2 349)	(2 365)	(2 752)	(2 752)
on customer deposits and other repayable funds	(13 293)	(13 293)	(15 045)	(15 096)
on debt securities issued	-	-	( 117)	( 117)
compulsory insurance of deposits	(5 053)	(5 053)	(3 333)	(3 333)
<b>Total interest expense</b>	<b>(20 695)</b>	<b>(20 711)</b>	<b>(21 247)</b>	<b>(21 298)</b>
<b>Net interest income</b>	<b>27 584</b>	<b>28 139</b>	<b>12 326</b>	<b>11 016</b>

## NOTE 15 NET FEE AND COMMISSION INCOME

	Group	31-03-2014 Bank	Group	31-03-2013 Bank
Fee and commission income:				
for money transfer operations	3 724	3 788	3 005	3 044
for payment card services	801	801	559	559
for base currency exchange	1 074	1 074	530	531
for operations with securities	97	203	51	51
other fee and commission income	955	928	628	633
<b>Total fee and commission income</b>	<b>6 651</b>	<b>6 794</b>	<b>4 773</b>	<b>4 818</b>
Fee and commission expense:				
for payment card services	(1 810)	(1 810)	(1 559)	(1 559)
for money transfer operations	( 791)	( 780)	( 522)	( 511)
for operations with securities	( 53)	( 53)	( 23)	( 23)
for base currency exchange	-	-	-	-
other fee and commission expenses	( 378)	-	( 357)	( 1)
<b>Total fee and commission expense</b>	<b>(3 032)</b>	<b>(2 643)</b>	<b>(2 461)</b>	<b>(2 094)</b>
<b>Net fee and commission income</b>	<b>3 619</b>	<b>4 151</b>	<b>2 312</b>	<b>2 724</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	31-03-2014		31-03-2013	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(12 514)	(10 850)	(8 785)	(7 330)
Raw materials and consumables used	(1 768)	-	(2 368)	-
Construction works	(6 934)	-	(3 781)	-
Rent and maintenance of premises	(2 388)	(2 288)	(1 703)	(1 555)
Office equipment maintenance	( 567)	( 554)	( 482)	( 476)
Depreciation of fixed tangible assets	(1 271)	( 974)	(1 135)	( 738)
Amortisation of intangible assets	( 89)	( 82)	( 77)	( 72)
Transportation, post and communications expenses	( 602)	( 667)	( 490)	( 515)
Real estate tax and other taxes	( 629)	( 173)	( 874)	( 34)
Advertising and marketing expenses	( 169)	( 50)	( 224)	( 185)
Training and business trip expenses	( 44)	( 9)	( 27)	( 13)
Charity	( 32)	( 32)	( 34)	( 30)
Service organisation expenses	( 778)	( 871)	(1 006)	( 991)
Other operating expenses	(1 468)	(1 245)	(1 532)	( 955)
<b>Total:</b>	<b>(29 253)</b>	<b>(17 795)</b>	<b>(22 518)</b>	<b>(12 894)</b>

## NOTE 17 ALLOWANCE FOR IMPAIRMENT LOSSES

	31-03-2014		31-03-2013	
	Group	Bank	Group	Bank
Impairment losses on loans	(11 701)	(11 447)	(3 895)	(3 726)
Recoveries of loans previously written-off	351	22	137	27
Impairment losses on finance lease receivables	183	-	168	-
Recovered previously written-off finance lease receivables	-	-	-	-
Impairment losses on investment in subsidiaries	-	-	-	-
Impairment losses on other assets	1	( 47)	( 346)	11
<b>Total:</b>	<b>(11 166)</b>	<b>(11 472)</b>	<b>(3 936)</b>	<b>(3 688)</b>

## OTHER OPERATING INCOME

	31-03-2014		31-03-2013	
	Group	Bank	Group	Bank
Revenue from sale of goods	2 076	-	2 538	-
Revenue from sale of apartments	8 071	-	5 433	-
Change in valuation adjustment *	4 416	4 416	-	-
Income from lease of assets	937	541	664	150
Other income	612	469	380	90
<b>Total:</b>	<b>16 112</b>	<b>5 426</b>	<b>9 015</b>	<b>240</b>

\* 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 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).

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

(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 2013, 2014 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:

	31-03-2014		31-12-2013	
	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	1 417	5 612	1 303	6 896
Other related parties (excluding subsidiaries of the Bank)	11 251	135 497	6 418	146 180
<b>Total:</b>	<b>12 668</b>	<b>141 109</b>	<b>7 721</b>	<b>153 076</b>

### 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 68 252 thousand as of 31 March 2014 (31 December 2013: LTL 68 855 thousand). 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. During the three month period ended 31 March 2014, subordinated loan related interest expenses amounted to LTL 1 209 thousand, a loss of LTL 544 thousand related to revaluation of the liability (during three month period ended 31 March 2013 - interest expenses of LTL 346 thousand).

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 692 thousand during the three month period ended 31 March 2013.

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

	31-03-2014		31-12-2013	
	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	183	209 484	782	192 754
Financial institutions	19 758	318 586	36 972	341 536
<b>Total:</b>	<b>19 941</b>	<b>528 070</b>	<b>37 754</b>	<b>534 290</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## Transactions with subsidiaries:

	<b>31-03-2014</b>	<b>31-12-2013</b>
<b>Assets</b>		
Loans	428 070	411 290
Debt securities	100 000	123 000
Other assets	111	102
<b>Liabilities and shareholders' equity</b>		
Deposits	19 941	37 756
Bank's investment in subsidiaries	51 562	51 562
Bank's investment in subsidiaries classified as assets held for sale	154 100	154 100
Other liabilities	180	330
<b>Income</b>	<b>31-03-2014</b>	<b>31-03-2013</b>
Interest	5 133	3 125
Commission income	193	55
Income from foreign exchange operations	-	1
Dividends	10 000	-
Other income	174	62
<b>Expenses</b>		
Interest	( 16)	( 51)
Commission charges	-	-
Foreign exchange	-	-
Operating expenses	( 326)	( 198)
Impairment loss on loans	-	-
Impairment loss on investment in subsidiaries	-	-

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 19 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 March 2014 the Group's liquidity ratio was 57.42% (31-12-2013 - 54.07%), and the Bank's – 56.99% (31-12-2013 – 53.94%).

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 March 2014 was as follows:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
<b>Total assets</b>	514 294	143 103	179 958	257 903	381 613	1 134 974	2 050 048	731 815	5 393 708
<b>Total liabilities and shareholder's equity</b>	953 137	409 843	629 818	851 462	1 537 496	407 588	163 177	441 187	5 393 708
<b>Net liquidity gap</b>	(438 843)	(266 740)	(449 860)	(593 559)	(1 155 883)	727 386	1 886 871	290 628	-

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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:
<b>Total assets</b>	471 161	69 486	162 942	252 955	422 218	1 153 869	2 029 961	771 342	5 333 934
<b>Total liabilities and shareholder's equity</b>	922 180	499 831	583 848	855 212	1 449 589	424 599	166 659	432 016	5 333 934
<b>Net liquidity gap</b>	(451 019)	(430 345)	(420 906)	(602 257)	(1 027 371)	729 270	1 863 302	339 326	-

The structure of the Bank's liabilities by maturity as of 31 March 2014 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
<b>Total assets</b>	514 094	151 817	193 465	303 633	589 708	1 121 064	1 960 485	462 837	5 297 103
<b>Total liabilities and shareholder's equity</b>	970 173	405 058	628 850	851 533	1 534 919	398 569	162 774	345 227	5 297 103
<b>Net liquidity gap</b>	(456 079)	(253 241)	(435 385)	(547 900)	(945 211)	722 495	1 797 711	117 610	-

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:
<b>Total assets</b>	471 044	97 466	295 435	302 855	528 541	1 122 109	1 933 737	499 641	5 250 828
<b>Total liabilities and shareholder's equity</b>	957 335	495 542	582 653	853 950	1 448 301	416 159	166 256	330 632	5 250 828
<b>Net liquidity gap</b>	(486 291)	(398 076)	(287 218)	(551 095)	(919 760)	705 950	1 767 481	169 009	-

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 20 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.

### 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:

	31-03-2014		31-12-2013	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
CHF	-	-	1	1
GBP	2	2	1	1
NOK	28	28	95	95
USD	135	135	80	80
other currencies	111	111	272	272
<b>Total:</b>	<b>276</b>	<b>276</b>	<b>449</b>	<b>449</b>

The presumable FX rate change makes an impact on the Group's / Bank's profit LTL 276 thousand in 2014 (2013: LTL 449 thousand).

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

The Group's open positions of prevailing currencies as of 31 March 2014 were as follows:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	179 120	41 428	220 548	1 254 730	3 918 430	5 393 708
Liabilities and shareholder's equity	181 981	36 550	218 531	1 258 679	3 916 498	5 393 708
Net balance sheet position	(2 861)	4 878	2 017	(3 949)	1 932	-
Currency swaps	(503)	(3 398)	(3 901)	3 898	-	(3)
<b>Net open position</b>	<b>(3 364)</b>	<b>1 480</b>	<b>(1 884)</b>	<b>(51)</b>	<b>1 932</b>	<b>(3)</b>

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
<b>Net open position</b>	<b>2 000</b>	<b>5 558</b>	<b>7 558</b>	<b>(7 148)</b>	<b>(402)</b>	<b>8</b>

The Bank's open positions of prevailing currencies as of 31 March 2014 were as follows:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	179 119	41 428	220 547	1 255 420	3 821 136	5 297 103
Liabilities and shareholder's equity	181 981	36 550	218 531	1 257 883	3 820 689	5 297 103
Net balance sheet position	(2 862)	4 878	2 016	(2 463)	447	-
Currency swaps	(503)	(3 398)	(3 901)	3 898	-	(3)
<b>Net open position</b>	<b>(3 365)</b>	<b>1 480</b>	<b>(1 885)</b>	<b>1 435</b>	<b>447</b>	<b>(3)</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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
<b>Net open position</b>	<b>1 999</b>	<b>5 558</b>	<b>7 557</b>	<b>(7 195)</b>	<b>( 354)</b>	<b>8</b>

## Interest rate risk

Interest rate risk is the risk to incur loss because of uncoordinated re-evaluation of the Bank's assets and liabilities. The risk management is regulated by the Interest Rate Risk Management Procedures which define the risk assessment approaches as well as risk management measures. The present procedure specifies that the Bank shall avoid 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 31-03-2014

	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	391 434	606 185	991 715	138 804	1 786 271	1 479 299	5 393 708
Liabilities and shareholder's equity	520 307	689 293	864 473	1 476 498	313 130	1 530 007	5 393 708
Net interest sensitivity gap	(128 873)	(83 108)	127 242	(1 337 694)	1 473 141	(50 708)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 235)	( 693)	795	(3 344)	-	-	(4 477)

### 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	(1 185 828)	1 289 355	(26 657)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 424)	( 256)	641	(2 965)	-	-	(4 004)

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## Bank 31-03-2014

	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	406 202	630 394	1 050 025	349 086	1 732 271	1 129 125	5 297 103
Liabilities and shareholder's equity	520 307	689 293	865 787	1 476 503	313 130	1 432 083	5 297 103
Net interest sensitivity gap	(114 105)	(58 899)	184 238	(1 127 417)	1 419 141	(302 958)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 094)	(491)	1 151	(2 819)	-	-	(3 253)

## 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	(1 055 321)	1 323 977	(305 453)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 169)	590	550	(2 638)	-	-	(2 667)

## Operational risk

Objectives of the operational risk management of the Bank are: to properly identify and assess the operational risk; to prevent the occurrence of major events and losses by implementing effective internal controls; to properly organize and maintain the internal control environment by regularly reviewing internal control methods; to concentrate time and resources on the identification and management of key sources of operational risk of the Bank across all lines of its activity; to assure the enforcement of the compliance legislation.

In view of operational risk management system, the Bank's activities are grouped into the following categories: credit facilities, other financial services to customers, cash and other valuables, tangible assets, areas not related to the provision of financial services to customers, and information security.

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.

The following key sources of the operational risk are distinguished within the Bank based on the type and volume of the activity:

1. internal fraud;
2. external fraud;
3. working conditions and occupational safety;
4. customers, products and business environment;
5. damage of tangible assets;
6. business process malfunctions and system errors;
7. execution, delivery and process management.

The Bank accumulates the historical data related to operational risk and losses caused by it with the aim to gather information on operational risk events. For this purpose, the Bank developed a system the operation of which is described by the Operational Risk Events Registration Instruction.

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.

## Stress testing

Stress testing is an integral part of the Group's Internal Capital Adequacy Assessment Process (ICAAP). Stress testing covers risks identified as material during the process of self-assessment. Stress testing evaluates whether the Group's capital is sufficient to cover the possible losses that may occur due to the deterioration of Group's financial condition. Stress testing is performed in accordance 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)

## NOTE 21 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 March 2014 and in the income statement for the three month period ended 31 March 2014 is presented below:

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	5 117	(1 496)	35	( 549)	(3 107)	-
External	23 022	3 902	12	648	-	27 584
<b>Net interest income</b>	28 139	2 406	47	99	(3 107)	27 584
Internal	5 310	(1 559)	35	( 497)	(3 289)	-
External	26 980	3 523	12	688	-	31 203
<b>Net interest, fee and commissions income</b>	32 290	1 964	47	191	(3 289)	31 203
Internal	( 326)	( 50)	( 6)	( 10)	392	-
External	(16 413)	( 888)	( 153)	(10 439)	-	(27 893)
<b>Operating expenses</b>	(16 739)	( 938)	( 159)	(10 449)	392	(27 893)
<b>Amortisation charges</b>	( 82)	( 4)	( 2)	( 1)	-	( 89)
<b>Depreciation charges</b>	( 974)	( 104)	( 4)	( 189)	-	(1 271)
Internal	-	-	-	-	-	-
External	(11 472)	258	-	48	-	(11 166)
<b>Impairment expenses</b>	(11 472)	258	-	48	-	(11 166)
Internal	10 174	-	33	51	(10 258)	-
External	3 861	67	27	10 738	-	14 693
<b>Net other income</b>	14 035	67	60	10 789	(10 258)	14 693
Profit before tax	17 058	1 243	( 58)	389	(13 155)	5 477
Profit from discontinued operations	-	-	-	-	6 843	6 843
Income tax	(1 029)	( 131)	-	8	-	(1 152)
<b>Profit per segment after tax</b>	16 029	1 112	( 58)	397	(6 312)	11 168
<b>Profit for the period attributable to:</b>	16 029	1 112	( 58)	397	(6 312)	11 168
Owners of the bank						11 162
Non-controlling interest						6
<b>Total segment assets</b>	<b>5 297 103</b>	<b>218 878</b>	<b>26 675</b>	<b>613 697</b>	<b>(762 645)</b>	<b>5 393 708</b>
<b>Total segment liabilities</b>	<b>4 956 245</b>	<b>215 059</b>	<b>24 393</b>	<b>422 565</b>	<b>(563 513)</b>	<b>5 054 749</b>
<b>Net segment assets (shareholders' equity)</b>	<b>340 858</b>	<b>3 819</b>	<b>2 282</b>	<b>191 132</b>	<b>(199 132)</b>	<b>338 959</b>

# 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 March 2013 and in the income statement for the three month period ended 31 March 2013 is presented below:

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	3 074	(1 514)	(109)	(1 022)	(429)	-
External	7 942	3 821	79	484	-	12 326
<b>Net interest income</b>	<b>11 016</b>	<b>2 307</b>	<b>(30)</b>	<b>(538)</b>	<b>(429)</b>	<b>12 326</b>
Internal	3 129	(1 565)	(109)	(1 022)	(433)	-
External	10 611	3 458	85	484	-	14 638
<b>Net interest, fee and commissions income</b>	<b>13 740</b>	<b>1 893</b>	<b>(24)</b>	<b>(538)</b>	<b>(433)</b>	<b>14 638</b>
Internal	(198)	(41)	(3)	(18)	260	-
External	(11 886)	(788)	(92)	(8 540)	-	(21 306)
<b>Operating expenses</b>	<b>(12 084)</b>	<b>(829)</b>	<b>(95)</b>	<b>(8 558)</b>	<b>260</b>	<b>(21 306)</b>
<b>Amortisation charges</b>	<b>(72)</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(77)</b>
<b>Depreciation charges</b>	<b>(738)</b>	<b>(203)</b>	<b>(5)</b>	<b>(189)</b>	<b>-</b>	<b>(1 135)</b>
Internal	-	-	-	-	-	-
External	(3 688)	(187)	(45)	(16)	-	(3 936)
<b>Impairment expenses</b>	<b>(3 688)</b>	<b>(187)</b>	<b>(45)</b>	<b>(16)</b>	<b>-</b>	<b>(3 936)</b>
Internal	62	-	9	9	(80)	-
External	6 867	125	3	8 770	-	15 765
<b>Net other income</b>	<b>6 929</b>	<b>125</b>	<b>12</b>	<b>8 779</b>	<b>(80)</b>	<b>15 765</b>
Profit before tax	4 087	795	(157)	(523)	(253)	3 949
Loss from discontinued operations	-	-	-	-	566	566
Income tax	(672)	(64)	-	(64)	-	(800)
<b>Profit per segment after tax</b>	<b>3 415</b>	<b>731</b>	<b>(157)</b>	<b>(587)</b>	<b>313</b>	<b>3 715</b>
<b>Profit for the period attributable to:</b>						
Equity holders of the bank						3 711
Non-controlling interest						4
<b>Total segment assets</b>	<b>5 422 443</b>	<b>221 669</b>	<b>18 333</b>	<b>195 697</b>	<b>(339 454)</b>	<b>5 518 688</b>
<b>Total segment liabilities</b>	<b>5 102 998</b>	<b>215 986</b>	<b>15 612</b>	<b>156 390</b>	<b>(287 663)</b>	<b>5 203 323</b>
<b>Net segment assets (shareholders' equity)</b>	<b>319 445</b>	<b>5 683</b>	<b>2 721</b>	<b>39 307</b>	<b>(51 791)</b>	<b>315 365</b>

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## NOTE 22 ADDITIONAL INFORMATION

### CONTACT INFORMATION OF THE BANK

*Name:* Šiaulių bankas AB

*Legal form:* public limited liability company

*Registration date:* 04/02/1992

*Registrar:* State Enterprise Centre of Registers

*Company code:* 112025254

*Head Office:* Tilžės str. 149, 76348 Šiauliai Tel. +370 41 595 607, fax +370 41430 774 E-mail: info@sb.lt, [www.sb.lt](http://www.sb.lt)

### CONTACT INFORMATION OF THE COMPANIES OF THE BANK GROUP

<i>Name</i>	„Šiaulių banko lizingas“ UAB	<i>Name</i>	„Šiaulių banko turto fondas“ UAB
<i>Legal form</i>	private limited liability company	<i>Legal form</i>	private limited liability company
<i>Registration date</i>	16/08/1999	<i>Registration date</i>	13/08/2002
<i>Registrar</i>	State Enterprise Centre of Registers	<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	45569548	<i>Company code</i>	45855439
<i>Head Office</i>	Vilniaus str. 167, 76352 Šiauliai Tel. +370 41 420 855, +370 5 272 3015, fax (+370 41) 423 437 E-mail: lizingas@sb.lt, www.sblizingas.lt	<i>Head Office</i>	Vilniaus str. 167, LT-76352 Šiauliai, Tel. +370 41 525 322, fax +370 41 525 321 E-mail turtofondas@sb.lt, www.sbp.lt
<i>Name</i>	„Šiaulių banko investicijų valdymas“ UAB	<i>Name</i>	„SBTF“ UAB
<i>Legal form</i>	private limited liability company	<i>Legal form</i>	private limited liability company
<i>Registration date</i>	31/08/2000	<i>Registration date</i>	24/11/2004
<i>Registrar</i>	State Enterprise Centre of Registers	<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	45649065	<i>Company code</i>	00069309
<i>Head Office</i>	Šeimyniškių str. 1 A, 09312 Vilnius Tel. + 370 5 272 2477 E-mail sbiv@sb.lt, www.sbp.lt	<i>Head Office</i>	Vilniaus str. 167, LT-76352 Šiauliai, Tel. +37041 525 322, fax +370 41 525 321 E-mail sbtf@sb.lt, www.sbp.lt
<i>Name</i>	„Minera“ UAB	<i>Name</i>	„Pavasaris“ UAB
<i>Legal form</i>	private limited liability company	<i>Legal form</i>	private limited liability company
<i>Registration date</i>	30/09/1992	<i>Registration date</i>	1992-09-25
<i>Registrar</i>	State Enterprise Centre of Registers	<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	21736330	<i>Company code</i>	121681115
<i>Head Office</i>	Vilniaus str. 167, 76352 Šiauliai Tel. +370 41 399,423, fax +370 41 399 423 E-mail: info@minera.lt, www.sbp.lt	<i>Head Office</i>	Šiltnamių str. 27, 04130 Vilnius Tel. +370 5 244 8096, fax +370 5 240 1623 E-mail: info@pavasaris.net www.pavasaris.net
<i>Name</i>	„Kėdainių oda“ UAB		
<i>Legal form</i>	private limited liability company		
<i>Registration date</i>	29/10/2008		
<i>Registrar</i>	State Enterprise Centre of Registers		
<i>Company code</i>	302190537		
<i>Head Office</i>	Biochemikų str. 7, 57234 Kėdainiai Tel. +370 347 55 089, fax +370 347 55 857 www.naturalioda.eu		

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

A share of Šiaulių bankas in the subsidiary companies as of 31 March 2014;

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 March 2014 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:

- subsidaries 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);
- subsidaries 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 until 02 February 2014, had been realized.

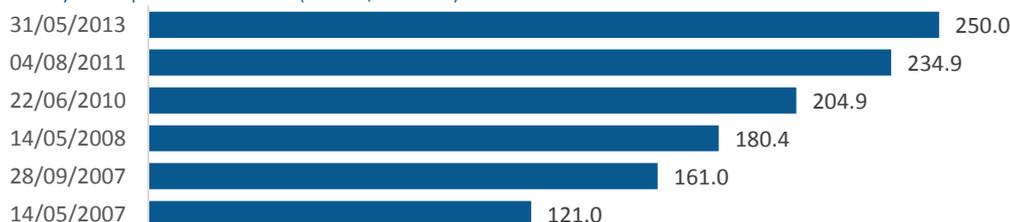
## AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

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

Allocation of the authorized capital by types of shareholders as of 31/03/2014 (in LTL, million)



History of capital formation (in LTL, million):



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 March 2014 the number of the Bank's shareholders comprised 3 520 (31 March 2013 – 3 650). All issued shares grant the shareholders equal rights foreseen by the Law on Companies and the Charter of the Bank.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

The share of capital owned by the Bank's shareholders by place of their residence (in per cent)



The shareholders of the Bank who owned more than 5 per cent of the authorized capital of the Bank as of 31 March 2014 are as follows:

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, %
European Bank for Reconstruction and Development (ERPB) address One Exchange Square, London, Great Britain	48,928,965	19.57	19.57	42.37
Gintaras Kateiva	15,605,433	6.24	6.24	42.37

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 42.37 per cent of the Bank's authorized capital and votes. as of 31 March 2014.

**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 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.

## 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.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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



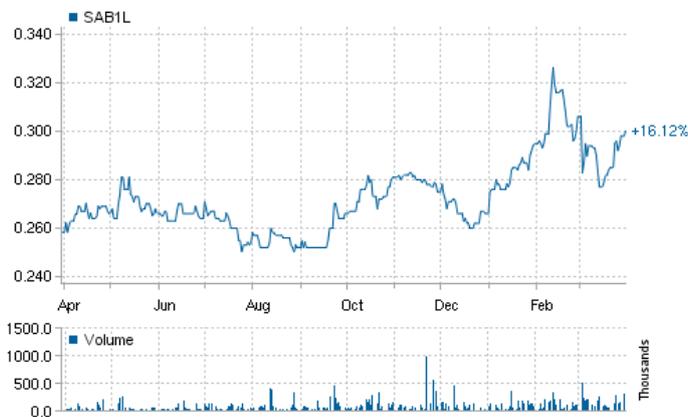
Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start\\_d=1&start\\_m=1&start\\_y=2009&end\\_d=31&end\\_m=3&end\\_y=2014&lang=en](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=3&end_y=2014&lang=en)

Turnover of the Bank's shares over the period of 2009 -2013 and I q. of 2014:

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
I q. 2014	0.30	0.326	0.255	0.294	7 652 811	2.25

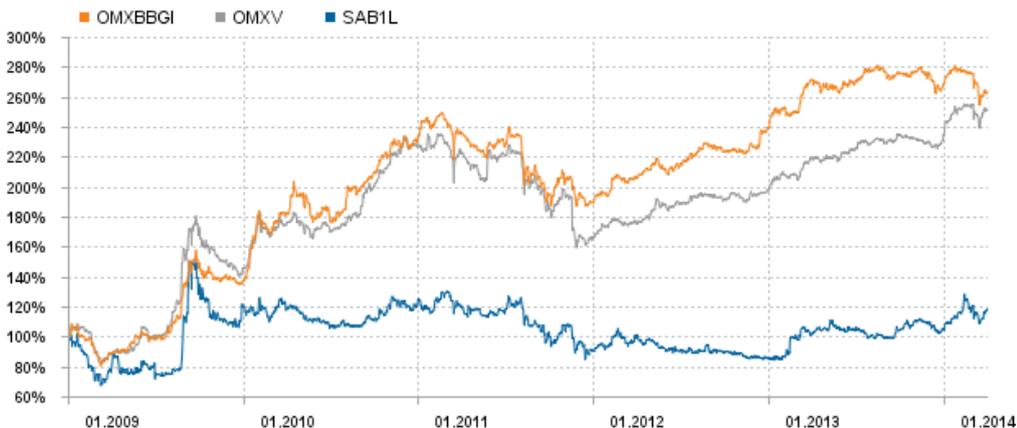
Turnover and price of the Bank's shares over the period between 31/03/2013 and 31/03/2014 (EUR)



Source: NASDAQ OMX Vilnius AB website

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start\\_d=30&start\\_m=3&start\\_y=2013&end\\_d=31&end\\_m=3&end\\_y=2014&lang=en](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&currency=0&downloadcsv=0&date=&start_d=30&start_m=3&start_y=2013&end_d=31&end_m=3&end_y=2014&lang=en)

The charts of the share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares during the period of 2009-2014 I q. are provided below:



Šaltinis: AB NASDAQ OMX Vilnius interneto tinklalapis

[http://www.nasdaqomxbaltic.com/market/?pg=charts&idx\\_main%5B%5D=OMXBBGI&idx\\_main%5B%5D=OMXV&add\\_index=OMXBBPI&add\\_equality=LT0000102253&idx\\_equality%5B%5D=LT0000102253&period=other&start\\_d=1&start\\_m=1&start\\_y=2009&end\\_d=31&end\\_m=3&end\\_y=2014&lang=en](http://www.nasdaqomxbaltic.com/market/?pg=charts&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equality=LT0000102253&idx_equality%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=3&end_y=2014&lang=en)

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

The Chart's data:

Index/Shares	01/01/2009	31/03/2014	+/-, %.
■ OMX Baltic Benchmark GI	228.12	601.0	163.46
■ OMX Vilnius	179.25	451.48	151.87
■ SAB1L	0,25 EUR	0,30 EUR	18.56

The capitalization of shares of the Bank and the total capitalization of shares quoted on the Baltic regulated markets as of 01/01/2009 and 31/03/2014;

The list of the Baltic shares	01/01/2009	31/03/2014	Change
Šiaulių bankas – SAB1L	EUR 48 578 692	EUR 75 000 000	+54,39 %
The Baltic regulated market in total	EUR 5 229 422 817	EUR 5 972 964 073	+14,22 %

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=2&start\\_m=1&start\\_y=2009&end\\_d=31&end\\_m=3&end\\_y=2014](http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&period=other&start_d=2&start_m=1&start_y=2009&end_d=31&end_m=3&end_y=2014)

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	31/03/2014
P/E	negative	negative	14.10	13.29	22.96	4.05

## INFORMATION ABOUT THE AGREEMENTS WITH THE FOLLOWING INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES:

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

- with the bankas Finasta AB - Investment service provision agreement;
- with the Lithuanian branch of Danske Bank A/S - Investment service provision agreement.
- with DnB bankas AB - Agreement regarding management of financial instrument account and execution of orders.
- with „Swedbank“, AB - Agreements of securities account management and brokerage.
- with SEB bankas AB - Agreements of securities account management.
- with „Credit Suisse“ bank - Order transfer and execution agreement.

## 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.

## INFORMATION ON 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.

## RATINGS ASSIGNED BY 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

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## INFORMATION ON RESULTS OF PERFORMANCE

Over the first quarter of 2014 the Bank's Group earned LTL 11.2 million of the unaudited net profit which is a three-times better result comparing to the same period in 2013 when the Group generated LTL 3.7 million. The unaudited net profit earned by the Bank over the first quarter reached LTL 16 million while over the first three months last year it generated LTL 3.4 million.

The net interest income of the Group grew more than twice comparing to the first quarter of 2013, though, it decreased by 18 per cent in comparison to the last quarter of the previous year. To a large extent due to a substantially reduced positive effect associated with the revaluation of the acquisition value of the deposits taken over from Ūkio bankas, the interest expenses incurred over the first three months of the year increased by 26 per cent in comparison with the last three months of previous year. Generally a more passive first quarter resulted in lower net income from net service and commission fee which comprised LTL 3.6 million.

The results of the Bank's Group were positively influenced by the reduced operating expenses. Over the three quarters of the current year the Group incurred LTL 29.3 of operating costs which is by 24 per cent less than over the last quarter of the previous year.

The impairment of loans had a negative impact on the Group's performance results - the impairment loss comprised LTL 11.2 million over the quarter, however, it was partially compensated by the loans repaid by the former customers of Ūkio bankas. The positive impact of these loans amounting to LTL 4.4 is accounted in other Group's income. Considering the latter, the actual loan impairment loss incurred over the quarter formed LTL 6.8 million.

The Group's cost to income ratio improved by 3.6 percentage points from the beginning of the year and reached 62.2 per cent at the end of the first quarter of the current year, while the return on equity amounted to 13.8 per cent.

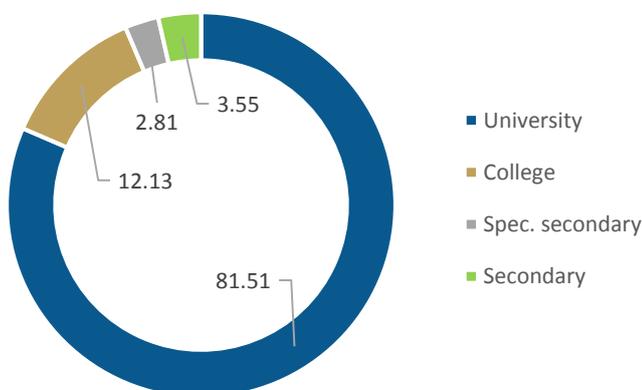
The assets of the Bank's Group comprised LTL 5.4 billion at the end of the first quarter of the year. Over the first three months the deposit portfolio of the Bank grew by LTL 24 million and reached LTL 4.6 billion. The loan portfolio comprised almost LTL 2.3 billion. Despite the active lending, the Group's loan portfolio has reduced.

## EMPLOYEES

As of 31 March 2014 the Bank employed 676 staff members. Comparing to the 1<sup>st</sup> q of 2013 the number of the employees at the Bank decreased by 1.5 per cent over the year. It was caused by optimization of human resource. The companies belonging to the Bank Group employed 817 staff members in total at the end of the accounting period.

81.5 per cent of the total number of the Bank's employees had university education, 12 per cent gained college education, 3.5 per cent had secondary education and 2.8 per cent – special secondary education.

As of 31 March 2014 the structure of the employees' education by the level of education:



Over the first quarter of 2014 the directors of the Bank's departments participated in such trainings as "Management of Competences required for Project Management", "Discussions on Annual Performance" as well as in the event according to the specifics of their activities.

## BANK'S MANAGEMENT BODIES

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

### Exclusively the General Shareholders' Meeting:

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

**The Supervisory Council of the Bank** is a collegial body supervising the activities of the Bank. The Council and directed by its Chairman. The Supervisory Council consisting of eight members is elected by the General Meeting of Shareholders for a term of four years. In accordance with the Bank's Charter the number of tenures of the 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 Council work regulation;
- approve business plans of the Bank and annual budget;
- approve any type of policies related to the Bank's activities including the risk management policy;
- approve the business strategy of every entity controlled by the Bank;
- ensure the effective internal control system in the Bank;
- make proposals and comments to the General Shareholders' Meeting on the Bank's work strategy, the Bank's annual financial statements, the draft of the profit (loss) distribution and the report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;
- approve loan granting policy and set order of borrowing subject to Supervisory Council's approval;
- make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the Meeting;
- set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
- adopt resolutions, assigned to the 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 Meeting;
- consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

2 meetings of the Bank's Supervisory Council took place over the first quarter of 2013. All members of the Supervisory Council participated in these meetings.

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

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

The Board shall consider and approve:

- the consolidated annual report of the Bank
- the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- regulations of the branches, representatives and other separate subdivisions of the Bank;
- order of the Bank's loans granting, following the loan granting policy, approved by the Supervisory Council;
- order of issuing guarantees, securities and taking of other liabilities;
- order of writing-off of the loans and other debt liabilities;
- regulations of the Loan Committee and Risk Management Committee of the Bank.
- the Board shall elect and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer;
- the Board determines the information to be considered commercial secret of the Bank

The Board shall adopt:

- decisions on the Bank becoming the incorporator, member of other legal entities;
- decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over  $\frac{1}{2}$  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  $\frac{1}{2}$  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  $\frac{1}{2}$  of the Bank's authorized capital;
- decisions on the acquisition of long-term assets the price whereof exceeds  $\frac{1}{2}$  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 Board and Meeting. The Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.

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

**Chief Executive Officer** arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

Chief Executive Officer:

- arranges everyday activities of the Bank;
- engages and discharges employees, makes work contracts with them and terminates them, induces them and imposes sanctions. The Head of the Bank is entitled to authorize another Bank employee to perform actions listed therein;
- without special authorization represents the Bank in its relations with other persons, in court and arbitrage;
- grants and cancels powers of attorney and procurements;

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

- issues orders;
- performs other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

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

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

## THE MEMBERS OF BANK'S COLLEGIAL BODIES

### Supervisory Council of the Bank:

#### Arvydas Salda

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

*Education:* Kaunas Institute of Technology, Vilnius University, applicable mathematics.  
*Work experience (5 years):* A consultant of „SB turto fondas“ UAB since 2004.

#### Sigitas Baguckas

Deputy Chairman of Council of the Bank since 2000, Member of Council since 1991.

*Education:* Vilnius Civic Engineering Institute, an engineer-constructor.  
*Work experience (5 years):* procurist, director of „Namų statyba“ UAB since 2007.

#### Gintaras Kateiva

Member of the Supervisory Council of the Bank since 2008.

*Education:* Vilnius Pedagogic Institute, a teacher.  
*Work experience (5 years):* Chairman of the Board of "Litagra" UAB since 2005, director of "Litagros prekyba" UAB until 2008, Director of "Litagros mažmena" UAB since 2008.

#### Vigintas Butkus

Member of the Supervisory Council of the Bank since 2004.

*Education:* Marijampole School of Culture, a director.  
*Work experience (5 years):* Director of "Mintaka" UAB since 2000, Director of Trade House "Aiva" UAB since 2002.

#### Vytautas Junevičius

Member of the Supervisory Council of the Bank since 2006.

*Education:* Kaunas Institute of Technology, an engineer-economist, Vilnius University, a specialist of international economy relations.  
*Work experience (5 years):* Director General of "Alita" AB until 2009, the Consultant of the Director General of the Company's Group "Alita", 2009-2011.

#### Peter Reiniger

Member of the Supervisory Council of the Bank since 2011.

*Education:* Technical University of Budapest, an engineer-mechanic, an engineer of production organization.  
*Work experience (5 years):* European Bank for Reconstruction and Development (EBRD), Director of the Business Group until 2010, the RBRD Managing Director 2010-2011. Chief Advisor of the First Vice-president and Executive Committee since 2011.

#### Ramunė Vilija Zabulienė

An independent member of the Supervisory Council of the Bank since 04/05/2012.

*Education:* Vilnius University, an engineer-economist.  
*Work experience:* Work experience: the member of the Board of the Bank of Lithuania, Deputy Chairman until 2011. Acts in compliance with the certificate of the Lithuanian resident for individual activity. Director of the Public Undertaking „ArsDomina“.

#### Alexander Saveliev

Member of the Supervisory Council of the Bank from August 2013 to February 2014.

*Education:* Samara State Academy of Economics, economist, PhD in economy; School of Business at University of London, Master of Business Administration.  
*Work experience:* EBRD chief banker since 2009, an advisor, Member of the Supervisory Council, Chairman of the Strategic Development Committee at Megabank" bank in the Ukraine.

#### Valdas Vitkauskas

A member of the Supervisory Council of the Bank since April 2014.

*Education:* Vytautas Magnus University, Master of Business Administration and Management. Southern Methodist University (USA), Master.  
*Work experience:* Head of the EBRD representative office in Minsk until 2011, EBRD senior banker since 2011, member of the Council of the bank belonging to the Societe Generale Group in Mobiasbanka (Moldova).

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## The Management Board of the Bank:

### Algirdas Butkus

Chairman of the Board.

*Education:* Kaunas Technology Institute, Master of economy.

*Work experience:* Chairman of the Board, Chief Executive Officer of the Bank from 1999 to 2011, Deputy Chief Executive Officer since 2011.

### Vytautas Sinius

Member of the Board, Chief Executive Officer of the Bank since 1 February 2014.

*Education:* Vilnius Higher School of Economics, a bank officer. Vilnius University, a bachelor of economy. Vytautas Magnus University, Master of Business Administration and Management.

*Work experience:* Director of Retail Banking Division of SEB AB, Head of Corporate Banking Division of the Bank, Chief Executive Officer of the Bank since February 2014.

### Donatas Savickas

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

*Education:* Vilnius University, Bachelor of Economy. Vytautas Magnus University, Master of Business Administration and Management.

*Work experience:* Deputy Chairperson of the Board of the Bank since 1995, Deputy Chief Executive Officer, Head of Finance and Credit Division, Head of Finance and Risk Management Division.

### Daiva Kiburienė

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

*Education:* Vilnius University, Bachelor of Economy. Vytautas Magnus University, Master of Business Administration and Management.

*Work experience:* Deputy Chairperson of the Board of the Bank since 1998, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division, Head of Šiauliai region, Head of Business Development Division.

### 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 Financial Officer of the Bank since 2002, Head of Accounting and Reporting Division.

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

### Ilna Baranauskienė

Member of the Board since February 2014; Head of the Assets Restructuring Division.

*Education:* Kaunas University of Technology, a bachelor of Business Administration and Management. Šiauliai University, a master of economy.

*Work experience:* Director General of "SLEZVB" UAB until 2013, Deputy Director of "SBTF" UAB since 2006, Director of the Special Financing Department of Šiaulių bankas AB..

### Audrius Žiugžda

Deputy Chairman of the Board and Chief Executive Officer 31 January 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, the Advisor of the Director General TEO LT, AB 2010-2011 m., the Chief Executive Officer of the Bank until 31/01/2014.

In 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	Director of „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 vynas“ AB	Company Group „Alita“ AB
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	EBRD's Chief Counsellor of the first Vice-President and Executive Committee	—
Valdas Vitkauskas	EBRD senior banker since 2011, member of the Council at Societe Generale Group in Mobiasbanka (Moldova).	—
Algirdas Butkus	—	Trade house "Aiva" UAB - 66.35 % „Visnorus“ UAB - 48.94 % „Mintaka“ UAB - 68.08 %
Donatas Savickas	—	—
Vita Adomaitytė	—	—
Ilna Baranauskienė	Director of „Šiaulių banko turto fondas“ UAB, Deputy Director of "SBTF" UAB	—
Daiva Kiburienė	Chairperson of the Board „Kėdainių oda“ UAB	—
Vytautas Sinius	—	Public undertaking Sporto šaltinis – 33,33 %
Jonas Bartkus	—	—

# INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

## 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.

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.

## THE MOST IMPORTANT EVENTS OVER THE ACCOUNTING PERIOD

- 30/01/2014 NASDAQ OMX Baltic Stock Exchanges announced the results of the Baltic Market Awards where Šiaulių bankas received a nomination of "A Challenge of the Year" for taking over a "healthy" part of Ūkio bankas.
- A resolution to increase the bank's authorized capital by LTL 20 million from the bank's own funds was passed during the General meeting of shareholders of the Bank held on 28/03/2014. After registering the amended Charter the authorized capital of the Bank will reach LTL 270 million.
- 31/03/2014 the Bank implemented a possibility to login to the Internet banking system "SB linija" by means of a mobile e-signature.

## DATA ON THE PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed over the I quarter of 2014:

- 06/01/2014 - the calendar of the Bank's information was announced to the investors;
- 04/02/2014 - notification regarding the expiry of the call options rights with regard to the assets taken over from Ūkio bankas.
- 12/02/2014 - information regarding amendments in the Bank's Council and Management Board;
- 12/02/2014 - the calendar of the Bank's information was announced to the investors;
- 17/02/2014 - a pre-audited activity result of the Bank and the Group for 2013;
- 24/02/2014 - interim financial information of the Bank for 12 months of 2013;
- 07/03/2014 - convocation of the Ordinary General Meeting of Shareholders;
- 07/03/2014 - the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders held on 28-03-2014;
- 10/03/2014 - notification regarding sales transactions of real estate.
- 28/03/2014 - resolutions of the Ordinary General Meeting of Shareholders held on 28/03/2014;
- 28/03/2014 - annual information;

In accordance with the procedures set by the Charter of the Bank and the legal acts of the Republic of Lithuania all the stock events are announced in the Central regulated information base and on the Bank's website [www.sb.lt](http://www.sb.lt). Reports on the Meetings of Shareholders are additionally announced in the daily newspaper "Lietuvos rytas".