

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Audrius Žiugžda and Chief Accountant Vita Adomaitytė, confirm that as far as we know, the financial statements for 9 months of 2013 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Audrius Žiugžda

Chief Accountant

Vita Adomaitytė

20-11-2013



A PARTNER OF SMALL AND MEDIUM-SIZED BUSINESS

INTERIM FINANCIAL STATEMENT

30 SEPTEMBER 2013

Tilžės g. 149, LT-76348 Šiauliai
tel. +370 41 595 607, fax +370 41 430 774
e-mail info@sb.lt
www.sb.lt

CONTENTS

THE GROUP'S AND BANK'S STATEMENT OF FINANCIAL POSITION	3
THE GROUP'S AND BANK'S INCOME STATEMENT	4
THE GROUP'S AND BANK'S STATEMENT OF COMPREHENSIVE INCOME	5
THE GROUP'S AND BANK'S INCOME STATEMENT FOR THE PERIOD	6
THE GROUP'S AND BANK'S CASH FLOW STATEMENT	7
THE GROUP'S AND BANK'S STATEMENT OF CHANGES IN EQUITY	8
GENERAL INFORMATION	10
NOTES TO THE FINANCIAL STATEMENTS	12
ADDITIONAL INFORMATION	41

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

	Notes	30-09-2013		31-12-2012	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	2	235 654	235 589	221 855	221 805
Due from other banks	3	5 014	5 014	4 137	4 137
Trading securities	6	119 486	242 510	51 198	51 198
Derivative financial instruments		9 831	9 831	13 690	13 690
Loans to customers	4	2 482 680	2 828 838	1 731 858	2 052 809
Finance lease receivables	5	247 619	71 055	183 863	-
Investment securities:					
- available-for-sale	6	207 471	205 199	207 611	205 385
- held-to-maturity	6	1 312 485	1 303 986	273 031	273 031
Investments in subsidiaries and associates	6	-	52 144	-	51 791
Intangible assets		1 036	740	1 207	903
Property, plant and equipment		49 918	39 000	52 988	38 211
Investment property		85 863	46 443	37 508	7 517
Current income tax prepayment		10	-	208	-
Deferred income tax asset		7 026	5 626	6 997	5 553
Other assets	7	156 551	23 602	156 552	5 436
Assets related to subsidiaries that are held for sale	6	358 931	140 739	-	-
Total assets		5 279 575	5 210 316	2 942 703	2 931 466
LIABILITIES					
Due to other banks and financial institutions	8	318 550	318 567	406 270	408 568
Subordinated loans	18	69 378	69 378	-	-
Derivative financial instruments		90	90	-	-
Due to customers	9	4 430 958	4 474 695	2 165 691	2 165 852
Special and lending funds	10	12 979	12 979	7 294	7 294
Debt securities in issue	11	-	-	22 912	22 912
Current income tax liabilities		1 054	-	390	-
Deferred income tax liabilities		5 416	-	5 668	-
Liabilities related to subsidiaries that are held for sale	6	86 367	-	-	-
Other liabilities	12	34 475	15 837	20 022	7 984
Total liabilities		4 959 267	4 891 546	2 628 247	2 612 610
EQUITY					
Share capital	13	250 000	250 000	234 858	234 858
Share premium	13	32 719	32 719	47 861	47 861
Reserve capital	13	2 611	2 611	2 611	2 611
Statutory reserve	13	3 243	2 641	1 891	1 289
Financial assets revaluation reserve		(1 720)	(1 720)	5 194	5 194
Retained earnings		32 995	32 519	21 206	27 043
Non controlling interest in equity		460	-	835	-
Total equity		320 308	318 770	314 456	318 856
Total liabilities and equity		5 279 575	5 210 316	2 942 703	2 931 466

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

Chief executive Officer

Chief accountant

20 November 2013



Audrius Žiugžda

Vita Adomaitytė

THE GROUP'S AND THE BANK'S INCOME STATEMENTS

	Notes	for the nine month period ended			
		30-09-2013		30-09-2012	
		Group	Bank	Group	Bank
Continuing operations					
Interest and similar income	14	127 078	126 559	93 083	91 948
Interest expense and similar charges	14	(78 016)	(78 136)	(51 564)	(51 561)
Net interest income		49 062	48 423	41 519	40 387
Fee and commission income	15	19 315	19 604	12 105	12 146
Fee and commission expense	15	(8 429)	(7 353)	(6 140)	(5 955)
Net fee and commission income		10 886	12 251	5 965	6 191
Allowance for impairment losses	17	(19 138)	(18 897)	(17 494)	(16 979)
Net loss on operations with derivative financial instruments		(3 859)	(3 859)	-	-
Net gain on operations with securities		6 259	6 259	6 673	5 671
Net foreign exchange gain		5 133	5 134	3 585	3 586
Gain on disposal of assets		537	29	1 933	214
Other income	17	31 151	1 305	14 141	872
Administrative and other operating expenses	16	(74 404)	(43 911)	(42 270)	(28 077)
Operating profit		5 627	6 734	14 052	11 865
Dividends from investments in subsidiaries		-	2 400	-	1 000
Profit from continuing operations before income tax		5 627	9 134	14 052	12 865
Discontinued operations:					
Profit (loss) from discontinued operations	6	10 605	-	(723)	-
Income tax (expense)		(1 878)	(1 132)	(2 164)	(1 856)
Net profit for the period		14 354	8 002	11 165	11 009
Net profit (loss) is attributable to:					
Owners of the Bank		14 315	8 002	11 067	11 009
from continuing operations		3 710	8 002	11 790	11 009
from discontinued operations		10 605	-	(723)	-
Non-controlling interest		39	-	98	-
Basic earnings per share (in LTL per share)	13	0,06	0,03	0,05	0,05

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

Chief executive Officer

Chief accountant

20 November 2013



Audrius Žiugžda

Vita Adomaitytė

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

	for the nine month period ended			
	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Net profit for the period	14 354	8 002	11 165	11 009
Other comprehensive income (loss):				
Gain (loss) on revaluation of financial assets	(8 120)	(8 120)	5 418	5 418
Deferred income tax on gain (loss) on revaluation of financial assets	1 206	1 206	(808)	(808)
Other comprehensive income (loss), net of deferred tax	(6 914)	(6 914)	4 610	4 610
Total comprehensive income (loss) for the period	7 440	1 088	15 775	15 619
Total comprehensive income (loss) attributable to:				
Owners of the Bank	7 401	1 088	15 677	15 619
Non-controlling interest	39	-	98	-

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

Chief executive Officer

Chief accountant

20 November 2013



Audrius Žiugžda

Vita Adomaitytė

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

	FROM 07 TO 09 MONTH 2013		FROM 07 TO 09 MONTH 2012	
	Group	Bank	Group	Bank
Continuing operations				
Interest and similar income	46 023	47 490	30 834	30 303
Interest expense and similar charges	(26 801)	(26 804)	(17 237)	(17 235)
Net interest income	19 222	20 686	13 597	13 068
Fee and commission income	7 441	7 608	4 370	4 345
Fee and commission expense	(3 015)	(2 690)	(2 120)	(1 988)
Net fee and commission income	4 426	4 918	2 250	2 357
Allowance for impairment losses	(9 996)	(11 363)	(6 267)	(6 396)
Net gain on operations with securities	1 360	1 360	3 166	3 164
Net loss on operations with derivative financial instruments	(1 365)	(1 365)	-	-
Net foreign exchange gain	2 221	2 222	1 540	1 541
Gain on disposal of assets	264	42	108	(5)
Other income	12 367	574	562	336
Administrative and other operating expenses	(26 270)	(15 050)	(9 678)	(9 264)
Operating profit	2 229	2 024	5 278	4 801
Dividends from investments in subsidiaries	-	-	-	-
Profit from continuing operations before income tax	2 229	2 024	5 278	4 801
Discontinued operations:				
Profit (losses) from discontinued operations	6 255	-	(254)	-
Income tax expense	(655)	(299)	(1 010)	(815)
Net profit for the period	7 829	1 725	4 014	3 986
Net profit attributable to:				
Equity holders of the Bank	7 803	1 725	4 010	3 986
Non controlling interest	26	-	4	-

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

	for the nine month period ended			
	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Operating activities				
Interest received	89 950	87 433	79 713	78 381
Interest paid	(78 016)	(78 136)	(51 105)	(51 102)
Net cash received from service and commission fees	10 886	12 251	5 965	6 191
Net cash received from operations in trading securities	9 309	9 309	7 182	6 180
Net cash received from operations in foreign currency	4 627	4 628	3 696	3 697
Cash received from previously written-off loans	472	126	908	535
Salaries and related payments to and on behalf of employees	(29 233)	(24 567)	(20 147)	(17 144)
Other (payments)	(1 084)	(15 556)	(4 820)	(8 828)
Income tax paid	(92)	-	-	-
Net cash flow from operating activities before change in short-term assets and liabilities	6 819	(4 512)	21 392	17 910
(Increase) decrease in assets:				
(Increase) in trading securities	(65 488)	(188 512)	(34 712)	(34 712)
(Increase) decrease in loans to credit and financial institutions	(877)	(877)	123	10
(Increase) decrease in loans to customers	(828 961)	(859 502)	2 125	(13 016)
(Increase) decrease in other assets	(262 481)	(18 154)	(80 365)	1 505
Increase in liabilities				
(Decrease) in liabilities to credit and financial institutions	(18 342)	(20 623)	(68 362)	(68 345)
Increase in deposits, special and leanding funds	2 270 952	2 314 528	196 719	196 672
Increase in other liabilities	100 246	7 265	9 679	22
Change	1 195 049	1 234 125	25 207	82 136
Net cash flow from operating activities	1 201 868	1 229 613	46 599	100 046
Investing activities				
(Acquisition) of tangible and intangible fixed assets	(54 685)	(42 833)	(5 574)	(1 031)
Disposal of tangible and intangible fixed assets	5 506	1 389	3 053	1 709
(Acquisition) of securities held-to-maturity	(1 147 411)	(1 138 912)	(5 628)	(5 628)
Proceeds from redemption of securities held-to-maturity	132 527	132 527	58 742	55 674
(Acquisition) of available-for-sale securities	(333 042)	(332 991)	(252 906)	(252 905)
Disposal of available-for-sale securities	330 749	330 744	119 352	119 352
(Acquisition) of subsidiary	(97 278)	(144 092)	18 392	(35 357)
Dividends received	-	2 400	60	1 060
Net cash used in investing activities	(1 163 634)	(1 191 768)	(64 509)	(117 126)
Financing activities				
Increase in share capital	-	-	-	-
Dividends paid	(1 149)	(1 149)	-	-
Payment to non controlling interest	(374)	-	832	-
Debt securities issued	-	-	4 864	4 864
Debt securities repurchased and redeemed	(22 912)	(22 912)	(27 972)	(27 972)
Net cash flow from financing activities	(24 435)	(24 061)	(22 276)	(23 108)
Net increase in cash and cash equivalents	13 799	13 784	(40 186)	(40 188)
Cash and cash equivalents at 1 January	221 855	221 805	223 846	223 844
Cash and cash equivalents at 30 September	235 654	235 589	183 660	183 656

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							Total equity:
	Share capital	Share premium	Reserve capital	Statutory reserve and others reserves	Retained earnings	Total:	Non controlling interest	
31 December 2011	234 858	47 861	2 611	(222)	9 110	294 218	-	294 218
Change in fair value of financial assets	-	-	-	5 418	-	5 418	-	5 418
Recognition of deferred income tax	-	-	-	(808)	-	(808)	-	(808)
Profit (loss) for the year	-	-	-	-	11 067	11 067	98	11 165
Other transfers	-	-	-	931	(832)	99	734	833
30 September 2012	234 858	47 861	2 611	5 319	19 345	309 994	832	310 826
Change in fair value of financial assets	-	-	-	2 100	-	2 100	-	2 100
Recognition of deferred income tax	-	-	-	(334)	-	(334)	-	(334)
Other transfers	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	1 861	1 861	3	1 864
31 December 2012	234 858	47 861	2 611	7 085	21 206	313 621	835	314 456
Change in fair value of financial assets	-	-	-	(8 120)	-	(8 120)	-	(8 120)
Recognition of deferred income tax	-	-	-	1 206	-	1 206	-	1 206
Other transfers	15 142	(15 142)	-	1 352	(2 526)	(1 174)	(414)	(1 588)
Profit (loss) for the year	-	-	-	-	14 315	14 315	39	14 354
30 September 2013	250 000	32 719	2 611	1 523	32 995	319 848	460	320 308

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and others reserves	Retained earnings	Total equity:
31 December 2011	234 858	47 861	2 611	(1 182)	648	12 812	297 608
Other transfers	-	-	-	-	641	(641)	-
Change in fair value of financial assets	-	-	-	5 418	-	-	5 418
Recognition of deferred income tax	-	-	-	(808)	-	-	(808)
Profit (loss) for the year	-	-	-	-	-	11 009	11 009
30 September 2012	234 858	47 861	2 611	3 428	1 289	23 180	313 227
Change in fair value of financial assets	-	-	-	2 100	-	-	2 100
Recognition of deferred income tax	-	-	-	(334)	-	-	(334)
Other transfers	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	3 863	3 863
31 December 2012	234 858	47 861	2 611	5 194	1 289	27 043	318 856
Change in fair value of financial assets	-	-	-	(8 120)	-	-	(8 120)
Recognition of deferred income tax	-	-	-	1 206	-	-	1 206
Other transfers	15 142	(15 142)	-	-	1 352	(2 526)	(1 174)
Profit (loss) for the year	-	-	-	-	-	8 002	8 002
30 September 2013	250 000	32 719	2 611	(1 720)	2 641	32 519	318 770

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Commercial Banks of the Republic of Lithuania and the Statute of the Bank.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of 30 September 2013 the Bank had 681 employees (31 December 2012: 481). As of 30 September 2013 the Group (except subsidiaries held for sale) had 823 employees (31 December 2012: 626 employees).

Banko akcijos yra įtrauktos į vertybinių popierių biržos AB NASDAQ OMX Vilnius Oficialųjį sąrašą.

On 23 February 2013, an agreement was signed between Ūkio Bankas AB registered in Lithuania (legal entity's code 112020136, hereinafter Ūkio Bankas), Šiaulių Bankas AB (legal entity's code 112025254) and a state-owned enterprise Indėlių ir Investicijų Draudimas (legal entity's code 110069451, hereinafter Deposit Insurance Fund or DIF) on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas. Under the agreement, Šiaulių Bankas takes over LTL 1.9bn (preliminary value) assets (rights) and LTL 2.7bn (preliminary value) liabilities from Ūkio Bankas. The difference between the liabilities and the assets taken over will be covered by the Deposit Insurance Fund. The assets of Ūkio Bankas transferred to Šiaulių Bankas are based on a preliminary valuation carried out by an audit company, KPMG Baltic UAB (legal entity's code 111494971, registered in Lithuania) the results of which have been approved by the Board of the Bank of Lithuania. To have an accurate estimation of assets and liabilities transferred, a more detailed final valuation of assets and liabilities transferred is being carried out. If the results of the final valuation show that the value of the assets transferred is higher than that established during the preliminary valuation, Šiaulių Bankas will refund to Ūkio Bankas the difference between the values of the assets established during the preliminary and the final valuations. If the results of the final valuation show that the value of the assets transferred is lower than that established during the preliminary valuation, DIF will pay to Šiaulių Bankas the difference between the values of the assets established during the preliminary and the final valuations. In addition, the agreement provides for the possibility for the creditors of Ūkio Bankas to sell five different portfolios of assets within 6 months after the date when final valuation of the assets and liabilities is finished: (a) portfolio of real estate transferred into the ownership of Šiaulių Bankas, (b) portfolio of higher risk (potentially lower-quality performance) loan groups, (c) portfolio of subsidiaries of Ūkio Bankas engaged in real estate development activities, (d) portfolio of shares of subsidiaries of Ūkio Bankas engaged in other activities – Ūkio Banko Lizingas UAB and life insurance company Bonum Publicum UAB, (e) portfolio consisting of higher risk loans and foreclosed assets. Another important clause in the agreement says that in case the value of the assets transferred to Šiauliai Bankas increases after 2 years, Šiaulių Bankas will have to refund a part of such increase in the value of the assets to the creditors of Ūkio Bankas. This clause is applicable to lower risk (potentially higher-quality performance) loan groups and collateral real estate repossessed and sold. In this case the Bank bears no risk, because portfolio of the assets would be fully exchanged in another form of asset – cash, also covering all related administration, financing and other expenses which are foreseen in the agreement.

The transactions had not been fully completed as of 30 September 2013 as the final valuation of assets and liabilities was not completed yet. The final valuation was completed in October 2013 - see Note 23 for details.

As of 30 September 2013 the Bank owned the following subsidiaries:

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

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

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

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

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

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

Financial risk management

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

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

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

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

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 61 client service units.

NOTE 2 CASH AND CASH EQUIVALENTS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Cash and other valuables	55 603	55 601	47 107	47 106
Time deposits in central bank	-	-	-	-
Compulsory reserves in national currency	123 034	123 034	85 630	85 630
Correspondent bank accounts	49 389	49 326	21 647	21 598
Time deposits in banks	-	-	5 000	5 000
Correspondent account with central bank	7 628	7 628	62 471	62 471
Total:	235 654	235 589	221 855	221 805

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

NOTE 3 DUE FROM OTHER BANKS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Deposits in other banks	5 014	5 014	4 137	4 137
Total:	5 014	5 014	4 137	4 137

NOTE 4 LOANS TO CUSTOMERS

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

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

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

13 / 62

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

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

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Loans and advances to banks	5 014	5 014	4 137	4 137
Loans and advances to customers:	2 482 680	2 828 838	1 731 858	2 052 809
- Loans and advances to financial institutions	-	204 158	-	216 789
- Loans to individuals (Retail)	235 827	205 723	194 394	159 927
- Loans to business customers	2 246 853	2 418 957	1 537 464	1 676 093
Finance lease receivables	247 619	71 055	183 863	-
Trading assets:				
- Debt securities	118 982	242 006	50 741	50 741
Derivative financial instruments	9 831	9 831	13 690	13 690
Securities available for sale:				
- Debt securities	203 440	203 440	203 641	203 641
Investment securities held to maturity:				
- Debt securities	1 312 485	1 303 986	273 031	273 031
Other financial assets	10 321	1 419	5 970	133
Credit risk exposures relating to off –balance sheet items are as follows:				
- Financial guarantees	90 805	91 850	88 313	88 360
- Letters of credit	18 236	18 236	3 541	3 541
- Loan commitments and other credit related liabilities	226 425	233 867	114 483	115 966
Total	4 725 838	5 009 542	2 673 268	2 806 049

Loans are summarised as follows:

	2013-09-30		2012-12-31	
	Group	Bank	Group	Bank
Loans to business customers	2 836 479	3 214 077	1 631 892	1 987 154
Loans to individuals	256 931	225 829	211 565	176 086
Gross	3 093 410	3 439 906	1 843 457	2 163 240
Subtract: Allowance for impairment	(124 914)	(125 252)	(111 599)	(110 431)
Subtract: Fair value revaluation on acquisition*	(485 816)	(485 816)	-	-
Net	2 482 680	2 828 838	1 731 858	2 052 809

	2013-09-30		2012-12-31	
	Group	Bank	Group	Bank
Neither past due not impaired	2 096 873	2 445 675	1 517 839	1 841 997
Past due but not impaired	783 576	778 694	128 477	125 920
Impaired	212 961	215 537	197 141	195 323
Gross	3 093 410	3 439 906	1 843 457	2 163 240
Subtract: Allowance for impairment	(124 914)	(125 252)	(111 599)	(110 431)
Subtract: Fair value revaluation on acquisition*	(485 816)	(485 816)	-	-
Net	2 482 680	2 828 838	1 731 858	2 052 809

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

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

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

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

The list of loss events:

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

Loans and advances past due but not impaired

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Gross loans:				
Past due up to 7 days	98 856	97 766	50 672	48 969
Past due 8 to 30 days	62 837	61 664	37 278	36 572
Past due 31-60 days	16 412	16 368	11 561	11 480
Past due 61-90 days	8 335	5 767	1 670	1 627
Past due more than 90 days	597 136	597 129	27 296	27 272
Total Gross loans:	783 576	778 694	128 477	125 920
Net loans (incl. Fair value revaluation on acquisition):				
Past due up to 7 days	98 494	97 404	50 672	48 969
Past due 8 to 30 days	54 480	53 307	37 278	36 572
Past due 31-60 days	16 109	16 065	11 561	11 480
Past due 61-90 days	8 274	5 706	1 670	1 627
Past due more than 90 days	237 964	237 957	27 296	27 272
Total Net loans:	415 321	410 439	128 477	125 920
Fair value of collateral	672 675	670 137	113 502	113 502

Loans and advances impaired

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Impaired loans	212 961	215 537	197 141	195 323
Allowance for impairment	(124 914)	(125 252)	(111 599)	(110 431)
Fair value revaluation on acquisition	11	11	-	-
Fair value of collateral	99 369	103 496	91 757	91 757

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

NOTE 5 FINANCE LEASE RECEIVABLES

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

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

Finance lease receivables are summarised as follows:

Group	30-09-2013	31-12-2012	
Business customers	281 090	176 195	
Individuals	9 526	9 417	
Gross	290 616	185 612	
	30-09-2013	31-12-2012	
Neither past due not impaired	198 168	156 089	
Past due but not impaired	82 095	25 371	
Impaired	10 353	4 152	
Gross	290 616	185 612	
Subtract: Allowance for impairment	(2 411)	(1 749)	
Subtract: Fair value revaluation on acquisition	(40 586)	-	
Net	247 619	183 863	
	30-09-2013		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	6 105	43 166	49 271
residential real estate	1 634	187 653	189 287
airplanes	-	6 494	6 494
production equipment	12	19 422	19 434
other equipment	361	19 615	19 976
other assets	1 414	4 740	6 154
Total:	9 526	281 090	290 616
	31-12-2012		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	4 957	41 386	46 343
residential real estate	1 587	89 615	91 202
airplanes	-	7 623	7 623
production equipment	34	12 540	12 574
other equipment	554	18 344	18 898
other assets	2 285	6 687	8 972
Total:	9 417	176 195	185 612

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

16 / 62

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

The Bank

	30-09-2013	31-12-2012
Business customers	111 641	-
Individuals	-	-
Gross	111 641	-

	30-09-2013	31-12-2012
Neither past due not impaired	50 356	-
Past due but not impaired	61 285	-
Impaired	-	-
Gross	111 641	-
Subtract: Allowance for impairment	-	-
Subtract: Fair value revaluation on acquisition	(40 586)	-
Net	71 055	-

	30-09-2013		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	-	397	397
residential real estate	-	103 095	103 095
airplanes	-	-	-
rolling-stock	-	8 094	8 094
production equipment	-	55	55
other equipment	-	-	-
Total:	-	111 641	111 641

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

NOTE 6 SECURITIES
Trading securities

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Debt securities:				
Government bonds of the Republic of Lithuania	57 452	57 452	19 939	19 939
Government bonds of foreign states	4 005	4 005	661	661
Private enterprise bonds	49 427	172 451	23 569	23 569
State companies bonds of foreign states	8 098	8 098	6 572	6 572
Equity securities:				
Listed equity securities	399	399	357	357
Unlisted equity securities	2	2	3	3
Units of funds	103	103	97	97
Total:	119 486	242 510	51 198	51 198

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

17 / 62

	Debt securities of state companies	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
Bank 30-09-2013					
from AA-to AAA	2 326	3 437	16 865	-	-
from A- to A+	-	-	5 903	-	-
from BBB- to BBB+	5 772	58 020	23 339	-	-
from BB- to BB+	-	-	3 321	-	-
below BB-	-	-	-	-	-
no rating	-	-	123 023	401	103
Total:	8 098	61 457	172 451	401	103

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

	Debt securities of state companies	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
Group 30-06-2013					
from AA-to AAA	2 326	3 437	16 865	-	-
from A- to A+	-	-	5 903	-	-
from BBB- to BBB+	5 772	58 020	23 339	-	-
from BB- to BB+	-	-	3 321	-	-
below BB-	-	-	-	-	-
no rating	-	-	-	401	103
Total:	8 098	61 457	49 428	401	103

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

18 / 62

Investment securities
Securities available-for-sale:

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Debt securities				
Government bonds of the Republic of Lithuania	36 997	36 997	21 293	21 293
Government bonds of foreign states	34 075	34 075	35 037	35 037
Private enterprise bonds of foreign states	132 368	132 368	147 311	147 311
Equity securities				
Listed equity securities	-	-	-	-
Unlisted equity securities	3 663	1 391	3 617	1 391
Units of funds	368	368	353	353
Total:	207 471	205 199	207 611	205 385

Securities held-to-maturity

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	8 499	-	-	-
Government bonds of the Republic of Lithuania	990 803	990 803	209 340	209 340
Government bonds of foreign states	44 946	44 946	31 172	31 172
Private enterprise bonds of foreign states	241 720	241 720	32 519	32 519
State companies bonds of foreign states	26 517	26 517	0	-
Total:	1 312 485	1 303 986	273 031	273 031

Bank 30-09-2013	Debt securities of state companies		Corporate debt securities
	Treasury bills		
from AA-to AAA	26 207	-	27 499
from A- to A+	-	-	57 260
from BBB- to BBB+	41 350	-	47 609
from BB- to BB+	1 834	-	-
below BB-	1 681	-	-
no rating	-	-	-
Total:	71 072	-	132 368

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

19 / 62

	Treasury bills	Debt securities of state companies	Corporate debt securities
Group 30-06-2013			
from AA-to AAA	26 207	-	27 499
from A- to A+	-	-	57 260
from BBB- to BBB+	41 350	-	47 609
from BB- to BB+	1 834	-	-
below BB-	1 681	-	-
no rating	-	-	8 499
Total:	71 072	-	140 867

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

Investments in subsidiaries

	Share in equity %	Acquisition cost	30-09-2013 Carrying value
ŠB Lizingas UAB	100	5 000	3 000
ŠB Investicijų Valdymas UAB	100	7 040	1 658
ŠB Turto Fondas UAB	100	5 117	4 271
Minera UAB	100	5 505	5 505
SBTF UAB	100	2 000	2 000
Pavasaris UAB	99	35 710	35 710
Total:		60 372	52 144

Investments in consolidated indirectly controlled subsidiaries

	Share in equity %	Acquisition cost	30-09-2013 Carrying value
Kėdainių oda UAB	100	12 000	9 170

Investments in subsidiaries

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

20 / 62

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

In 2013, the Bank recognised an impairment loss of LTL 3 000 thousand on an investment in Šiaulių Banko Investicijų Valdymas UAB (Bank covered subsidiary's losses). 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. Additional information: in 2009, an impairment loss of LTL 4 773 thousand was recognised (incl. loss cover of Šiaulių banko lizingas UAB of LTL 3000 thousand, impairment of an investment in Šiaulių Banko Turto Fondas UAB of LTL 846 thousand, and impairment of an investment in Šiaulių Banko Investicijų Valdymas UAB – LTL 927 thousand).

Subsidiaries held for sale

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas (see general information), Šiaulių Bankas AB acquired 100 % control over following subsidiaries:

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

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

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

	30-09-2013		
	Entities engaged in real estate development	Entities engaged in other activities	Total:
Assets held for sale attributable to the group of entities	108 875	250 056	358 931
Liabilities attributable to assets held for sale attributable to the group of entities	19 603	66 764	86 367
Profit (loss) of the current year from the date of acquisition of the entities 03-03-2013	(1 014)	11 619	10 605

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

NOTE 7 OTHER ASSETS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Assets held for sale	117 357	-	132 803	-
Amounts receivable	10 321	1 419	5 970	133
Deferred expenses	4 620	3 440	3 280	1 902
Prepayments	13 544	12 185	4 545	0
Foreclosed assets	2 381	1 984	2 422	1 995
Other	8 328	4 574	7 532	1 406
Total:	156 551	23 602	156 552	5 436

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	55 325	55 337	13 179	15 472
Time deposits	24 357	24 362	27 383	27 388
Total:	79 682	79 699	40 562	42 860
Loans received:				
Loans from other banks	57 032	57 032	76 421	76 421
Loans from financial institutions	98 701	98 701	74 035	74 035
Loans from international organisations	83 135	83 135	215 252	215 252
Total:	238 868	238 868	365 708	365 708
Total:	318 550	318 567	406 270	408 568

NOTE 9 DUE TO CUSTOMERS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bankas
Demand deposits:				
National government institutions	33 130	33 130	37 033	37 033
Local government institutions	96 739	96 739	53 094	53 094
Governmental and municipal companies	18 298	18 298	24 849	24 849
Corporate entities	224 585	266 770	219 489	219 650
Non-profit organisations	20 647	20 647	13 128	13 128
Individuals	414 946	414 946	205 037	205 037
Unallocated amounts due to customers	23 740	23 740	7 364	7 364
Total demand deposits:	832 085	874 270	559 994	560 155
Time deposits:				
National government institutions	1 717	1 717	2 198	2 198
Local government institutions	7 462	7 462	2 011	2 011
Governmental and municipal companies	14 232	14 232	24 277	24 277
Corporate entities	156 885	158 437	155 991	155 991
Non-profit organisations	15 584	15 584	9 160	9 160
Individuals	3 402 993	3 402 993	1 412 060	1 412 060
Total time deposits:	3 598 873	3 600 425	1 605 697	1 605 697
Total:	4 430 958	4 474 695	2 165 691	2 165 852

NOTE 10 SPECIAL AND LENDING FUNDS

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Special funds	9 816	9 816	2 835	2 835
Lending funds	3 163	3 163	4 459	4 459
Total:	12 979	12 979	7 294	7 294

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

NOTE 11 DEBT SECURITIES IN ISSUE

	30-09-2013		31-12-2012	
	Bank	Group	Bank	Group
555 days coupon bonds in LTL with rate of 5,25 per cent, maturity 06-03-2013	-	-	15 268	15 268
505 days coupon bonds in LTL with rate of 4,25 per cent, maturity 03-01-2013	-	-	7 116	7 116
547 days coupon bonds in LTL with rate of 4,5 per cent, maturity 29-05-2013	-	-	528	528
Total:	-	-	22 912	22 912

NOTE 12 OTHER LIABILITIES

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Accrued charges	9 754	8 119	8 362	6 541
Deferred income	10 229	1 050	3 003	859
Advances received from the buyers of assets	1 458	-	2 056	-
Amounts payable for finance lease agreements	2 130	-	3 456	-
Payable dividends	58	58	29	29
Other liabilities	10 846	6 610	3 116	555
Total:	34 475	15 837	20 022	7 984

NOTE 13 SHARE CAPITAL

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

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

As of 30 September 2013, the Bank had 3 648 shareholders (31 December 2012 - 3 671). A share of capital held by Bank's shareholders by the place of residence : 30-09-2013 residents 67.72 % , non-residents 32.28 %; 12-31-2012 residents 68.68 % , non-residents 31.32 %.

Shareholder	Share of votes held together with the related persons, %
The European Bank for Reconstruction and Development (EBRD);	19,57
Gintaras Kateiva	6,24
Skandinaviska Enskilda Banken customers	5,41
Eglės Sanatorija AB	5,12
Total:	36,34

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

Share Premium

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

Reserve capital

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

Statutory reserve

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

Dividends

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

General reserve to cover possible losses in assets

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

Earnings per share

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

Bank	30-09-2013	30-09-2012
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	8 002	11 009
Weighted average number of issued shares (thousand of shares)	241 680	234 858
Basic annual earnings per share (in LTL per share)	0,03	0,05
Group	30-09-2013	30-09-2012
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	14 354	11 067
Weighted average number of issued shares (thousand of shares)	241 680	234 858
Basic annual earnings per share (in LTL per share)	0,06	0,05

NOTE 14 NET INTEREST INCOME

	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	1 378	6 372	1 448	6 248
on loans to customers	85 756	82 938	71 935	72 870
on debt securities	31 815	35 467	12 830	12 830
on finance leases	8 129	1 782	6 870	-
Total interest income	127 078	126 559	93 083	91 948
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(8 273)	(8 273)	(10 669)	(10 669)
on customer deposits and other repayable funds	(56 000)	(56 120)	(32 829)	(32 826)
on debt securities issued	(122)	(122)	(1 340)	(1 340)
compulsory insurance of deposits	(13 621)	(13 621)	(6 726)	(6 726)
Total interest expense	(78 016)	(78 136)	(51 564)	(51 561)
Net interest income	49 062	48 423	41 519	40 387

NOTE 15 NET FEE AND COMMISSION INCOME

	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	11 059	11 209	7 510	7 581
for payment card services	2 074	2 074	1 671	1 671
for base currency exchange	2 381	2 383	1 465	1 471
for operations with securities	212	329	110	110
other fee and commission income	3 589	3 609	1 349	1 313
Total fee and commission income	19 315	19 604	12 105	12 146
Fee and commission expense:				
for payment card services	(5 231)	(5 231)	(4 560)	(4 560)
for money transfer operations	(2 044)	(2 014)	(1 346)	(1 333)
for operations with securities	(104)	(104)	(60)	(60)
for base currency exchange	(3)	(3)	-	(2)
other fee and commission expenses	(1 047)	(1)	(174)	-
Total fee and commission expense	(8 429)	(7 353)	(6 140)	(5 955)
Net fee and commission income	10 886	12 251	5 965	6 191

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(29 782)	(25 130)	(19 781)	(16 855)
Raw materials and consumables used *	(7 039)	-	-	-
Construction works	(14 850)	-	(7 485)	-
Rent and maintenance of premises	(5 971)	(5 735)	(3 596)	(3 393)
Office equipment maintenance	(1 491)	(1 452)	(807)	(778)
Depreciation of fixed tangible assets	(3 739)	(2 559)	(3 103)	(2 242)
Amortisation of intangible assets	(232)	(216)	(229)	(221)
Transportation, post and communications expenses	(1 746)	(1 814)	(1 436)	(1 557)
Real estate tax and other taxes	(2 475)	(327)	(1 941)	(216)
Advertising and marketing expenses	(582)	(402)	(549)	(420)
Training and business trip expenses	(81)	(62)	(151)	(99)
Charity	(125)	(118)	(147)	(143)
Service organisation expenses	(2 476)	(3 016)	(796)	(680)
Other operating expenses	(3 815)	(3 080)	(2 249)	(1 473)
Total:	(74 404)	(43 911)	(42 270)	(28 077)

* the Group accounted for Kėdainių Oda UAB as a subsidiary held for sale as of 30 September 2012. The activity results of the company as of 30 September 2012 were attributed to discontinued operations.

NOTE 17 ALLOWANCE FOR IMPAIRMENT LOSSES

	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Impairment losses on loans	(15 041)	(16 034)	(17 292)	(17 513)
Recoveries of loans previously written-off	126	126	535	535
Impairment losses on finance lease receivables	(947)	-	(98)	-
Recovered previously written-off finance lease receivables	346	-	373	-
Impairment losses on investment in subsidiaries	-	(3 000)	-	-
Expenses for provision on other assets	(3 622)	11	(1 012)	(1)
Total:	(19 138)	(18 897)	(17 494)	(16 979)

OTHER OPERATING INCOME

	30-09-2013		30-09-2012	
	Group	Bank	Group	Bank
Revenue from sale of goods *	7 761	-	-	-
Revenue from sale of apartments	20 067	-	11 037	-
Income from lease of assets	2 354	1 030	2 033	625
Other income	969	275	1 071	247
Total:	31 151	1 305	14 141	872

* the Group accounted for Kėdainių Oda UAB as a subsidiary held for sale as of 30 September 2012. The activity results of the company as of 30 September 2012 were attributed to discontinued operations.

NOTE 18 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

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

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

During 2012, 2013 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

	30-09-2013	30-09-2013	31-12-2012	31-12-2012
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Members of the Council and the Board	1 247	6 433	1 031	4 857
Other related parties (excluding subsidiaries of the Bank)	4 337	147 743	5 353	121 954
Total:	5 584	154 176	6 384	126 811
Capital	376 434	376 434	299 797	299 797
a ratio of the capital %	1,5	41,0	2,1	42,3

Transactions with EBRD:

The Bank had loans received from European Bank for Reconstruction and Development (hereinafter - EBRD), book value of which was LTL 69 378 thousand as of 30 September 2013 (31 December 2012: LTL 78 109 thousand). Interest and other expenses related to loans from EBRD amounted to LTL 3 639 thousand as of 30 September 2013 (31 December 2012: LTL 4 685 thousand). As of 30 September 2013, the loans received from EBRD consisted of EUR 20 million 10-year term subordinated loan, the agreement for which was signed at the end of February 2013.

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

	30-09-2013	30-09-2013	31-12-2012	31-12-2012
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Non-financial institutions	1 129	191 533	161	154 609
Financial institutions	42 625	327 182	2 298	216 789
Total:	43 754	518 715	2 459	371 398

Transactions with subsidiaries:

Assets	30-09-2013	31-12-2012
Loans	395 691	371 398
Debt securities	123 024	-
Other assets	102	27
Liabilities and shareholders' equity		
Deposits	43 754	2 459
Bank's investment	192 883	51 791
Other liabilities	147	-

	30-09-2013	30-09-2012
Income		
Interest	13 107	9 429
Commission income	326	113
Income from foreign exchange operations	-	1
Dividends	2 400	1 000
Other income	185	146
Expenses		
Interest	(143)	-
Commission charges	-	-
Foreign exchange	-	-
Operating expenses	(1 161)	(549)
Impairment loss on loans	(1 492)	-
Impairment loss on investment in subsidiaries	(3 000)	-

NOTE 19 CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

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

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

29 / 62

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

	30-09-2013		31-12-2012	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	250 000	250 000	234 858	234 858
Share premium	32 719	32 719	47 861	47 861
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	18 680	24 517	8 179	12 171
Not audited result	-	-	-	-
Others reserve	3 243	2 641	1 891	1 289
Less: financial assets revaluation reserve	(1 720)	(1 720)	-	-
Less: Intangible assets	(1 036)	(740)	(1 207)	(903)
Total Tier 1 capital	304 497	310 028	294 193	297 887
Tier 2 capital				
85 % financial assets revaluation reserve	-	-	4 415	4 415
Subordinated loan	69 056	69 056	-	-
Total Tier 2 capital	69 056	69 056	4 415	4 415
Less Investments in other credit or financial institutions	-	(2 650)	-	(2 505)
Total capital:	373 553	376 434	298 608	299 797
Capital requirement:				
Standardised approach credit risk	256 992	244 002	166 071	166 817
Traded debt instruments	4 810	8 776	2 335	2 335
Equities	81	81	73	73
Foreign exchange risk exposure	3 590	3 584	8 558	8 563
Operational risk by Basic indicator's method	11 884	9 453	11 885	9 453
Other capital requirement	-	12 130	-	-
Total capital requirement:	277 357	278 026	188 921	187 241
Capital ratio, %	10,77	10,83	12,64	12,81

NOTE 20 LIQUIDITY

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

The liquidity risk management

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market; and the liquidity of the market itself.

The liquidity risk management is regulated by the Liquidity Risk Management Procedures approved by the Board of the Bank. The management of the current and non-current liquidity risk is distinguished in the mentioned procedures. The current liquidity is based on the control of the incoming and outgoing cash flow. The non-current liquidity is managed on the limit system basis.

As of 30 September 2013 the Group's liquidity ratio was 50.49% (31-12-2012 - 41.56 per cent), and the Bank's – 50.44% (31-12-2012 – 42.78%).

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

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

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	235 705	89 018	135 145	163 216	507 129	1 247 098	2 071 223	831 041	5 279 575
Total liabilities and shareholder's equity	893 034	362 902	802 002	907 015	1 260 953	452 076	177 057	424 536	5 279 575
Net liquidity gap	(657 329)	(273 884)	(666 857)	(743 799)	(753 824)	795 022	1 894 166	406 505	-

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

31 / 62

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

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	222 023	89 340	145 387	171 540	280 718	712 043	1 080 549	241 103	2 942 703
Total liabilities and shareholder's equity	574 971	205 409	370 533	474 223	669 357	228 896	95 012	324 302	2 942 703
Net liquidity gap	(352 948)	(116 069)	(225 146)	(302 683)	(388 639)	483 147	985 537	(83 199)	-

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

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	235 594	125 809	192 475	347 039	610 831	1 175 749	1 977 621	545 198	5 210 316
Total liabilities and shareholder's equity	932 379	360 233	801 754	906 755	1 261 411	443 501	177 049	327 234	5 210 316
Net liquidity gap	(696 785)	(234 424)	(609 279)	(559 716)	(650 580)	732 248	1 800 572	217 964	-

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

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	221 810	126 853	191 013	236 358	357 373	654 621	982 241	161 197	2 931 466
Total liabilities and shareholder's equity	575 883	200 300	369 718	473 643	666 781	228 128	94 999	322 014	2 931 466
Net liquidity gap	(354 073)	(73 447)	(178 705)	(237 285)	(309 408)	426 493	887 242	(160 817)	-

NOTE 21 MARKET RISK

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

Foreign exchange risk

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

The Group and the Bank monitors the foreign currency risk by calculating open currency position, which is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. The position can be long and short. The Bank also calculates Overall net open position (ONOP), which is the higher of the total short or total long positions. As of 30 September 2013 the ONOP to capital ratio was: Group's – 3.63% (31-12-2012: 1.02 %), Bank's – 3.60% (31-12-2012: 1.02%).

Sensitivity of foreign exchange risk

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

Currency	Annual reasonable shift 2013
USD	6%
GBP	4,5%
DKK	0,3%
SEK	10%
LVL	0,5%
other currencies	4%

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

	30-09-2013		31-12-2012	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Grupė	Bankas	Grupė	Bankas
USD	275	275	26	26
GBP	75	75	3	3
DKK	1	1	1	1
SEK	77	77	74	74
LVL	3	3	1	1
Kitos valiutos	227	227	72	72
Iš viso:	658	658	177	177

The presumable FX rate change makes an impact on the Group's / Bank's profit LTL 657 thousand in 2013 (2012: LTL 177 thousand).

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

33 / 62

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

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	210 798	19 240	230 038	1 242 253	3 807 284	5 279 575
Liabilities and shareholder's equity	202 120	37 361	239 481	1 214 697	3 825 397	5 279 575
Net balance sheet position	8 678	(18 121)	(9 443)	27 556	(18 113)	-
Currency swaps	(4 094)	27 081	22 987	3 776	(26 855)	(92)
Net open position	4 584	8 960	13 544	31 332	(44 968)	(92)

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

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

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

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	210 797	19 240	230 037	1 241 476	3 738 803	5 210 316
Liabilities and shareholder's equity	202 120	37 361	239 481	1 213 993	3 756 842	5 210 316
Net balance sheet position	8 677	(18 121)	(9 444)	27 483	(18 039)	-
Currency swaps	(4 094)	27 081	22 987	3 776	(26 855)	(92)
Net open position	4 583	8 960	13 543	31 259	(44 894)	(92)

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

34 / 62

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

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

Interest rate risk

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

Sensitivity of interest rate risk

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

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

Group 30-09-2013

	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	378 420	776 237	949 428	248 894	1 639 589	1 287 007	5 279 575
Liabilities and shareholder's equity	515 588	865 176	922 028	1 232 361	324 166	1 420 256	5 279 575
Net interest sensitivity gap	(137 168)	(88 939)	27 400	(983 467)	1 315 423	-133 249	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 315)	(741)	171	(2 459)	-	-	(4 344)

Group 31-12-2012

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

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

36 / 62

Bank 30-09-2013

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	413 929	781 029	1 069 798	380 631	1 633 343	931 586	5 210 316
Liabilities and shareholder's equity	517 145	865 176	922 028	1 233 663	324 166	1 348 138	5 210 316
Net interest sensitivity gap	(103 216)	(84 147)	147 770	(853 032)	1309 177	(416 552)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(989)	(701)	924	(2 133)	-	-	(2 899)

Bank 31-12-2012

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

Operational risk

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

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

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

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

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

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

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

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

Stress testing

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

22 NOTE SEGMENT INFORMATION
Business segments

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

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	12 964	(4 434)	(114)	(2 741)	(5 675)	-
External	35 459	11 372	143	2 088		49 062
Net interest income	48 423	6 938	29	(653)	(5 675)	49 062
Internal	13 290	(4 605)	-	(2 541)	(6 144)	-
External	47 384	10 313	149	2 102		59 948
Net interest, fee and commissions income	60 674	5 708	149	(439)	(6 144)	59 948
Internal	(4 492)	-	(2 820)	2 820	4 492	-
External	(14 405)	(1 675)	(46)	(3 012)		(19 138)
Impairment expenses	(18 897)	(1 675)	(2 866)	(192)	4 492	(19 138)
Internal	(1 161)	(108)	(11)	(29)	1 309	-
External	(39 975)	(2 572)	(349)	(27 538)		(70 434)
Operating expenses	(41 136)	(2 680)	(360)	(27 567)	1 309	(70 434)
Amortisation charges	(216)	(12)	-	(3)		(231)
Depreciation charges	(2 559)	(596)	(12)	(572)		(3 739)
Internal	2 585	-	26	254	(2 865)	-
External	8 683	531	139	29 868		39 221
Net other income	11 268	531	165	30 122	(2 865)	39 221
Profit before tax	4 642	1 276	(5 744)	4 169	1 284	5 627
Profit from discontinued operations	-	-	-	-	10 605	10 605
Income tax	(1 132)	(329)	-	(417)	-	(1 878)
Profit per segment after tax	3 510	947	(5 744)	3 752	11 889	14 354
Profit for the period attributable to:	3 510	947	(5 744)	3 752	11 889	14 354
Owners of the bank						14 315
Non-controlling interest						39
Total segment assets	5 210 316	213 308	24 515	236 198	(404 762)	5 279 575
Total segment liabilities	4 891 546	209 809	21 561	191 613	(355 262)	4 959 267
Net segment assets (shareholders' equity)	318 770	3 499	2 954	44 585	(49 500)	320 308

INTERIM FINANCIAL STATEMENT OF ŠIAULIŲ BANKAS AB

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

39 / 62

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

	Banking	Leasing	Investment management	Other activity	Eliminations	Total:
Internal	9 429	(4 320)	(679)	(3 794)	(636)	-
External	30 958	9 096	267	1 198	-	41 519
Net interest income	40 387	4 776	(412)	(2 596)	(636)	41 519
Internal	9 542	(4 417)	(679)	(3 801)	(645)	-
External	37 036	8 915	329	1 204	-	47 484
Net interest, fee and commissions income	46 578	4 498	(350)	(2 597)	(645)	47 484
Provision expenses	(16 979)	44	-	(559)	-	(17 494)
Internal	(549)	(134)	(10)	(25)	718	-
External	(25 065)	(2 323)	(482)	(3 583)	-	(31 453)
Operating expenses	(25 614)	(2 457)	(492)	(3 608)	718	(31 453)
Amortisation charges	(221)	(6)	-	(2)	-	(229)
Depreciation charges	(2 242)	(689)	(10)	(162)	-	(3 103)
Internal	1 187	(1)	26	50	(1 262)	-
External	10 156	1 147	798	6 746	-	18 847
Net other income	11 343	1 146	824	6 796	(1 262)	18 847
Profit before tax	12 865	2 536	(28)	(132)	(1 189)	14 052
Loss from discontinued operations	-	-	-	-	(723)	(723)
Income tax	(1 856)	(172)	-	(136)	-	(2 164)
Profit per segment after tax	11 009	2 364	(28)	(268)	(1 912)	11 165
Profit for the period attributable to:	11 009	2 364	(28)	(268)	(1 912)	11 165
Equity holders of the bank						11 067
Non-controlling interest						98
Total segment assets	2 853 258	221 504	21 719	191 539	(418 414)	2 869 606
Total segment liabilities	2 540 031	216 614	16 458	151 845	(366 168)	2 558 780
Net segment assets (shareholders' equity)	313 227	4 890	5 261	39 694	(52 246)	310 826

NOTE 23 EVENTS AFTER THE REPORTING PERIOD

On 11 September 2013 the KPMG Baltics, UAB provided Šiaulių bankas AB with the final valuation report of the assets and liabilities taken over from Ūkio bankas AB under the Agreement on Transfer of Assets and Liabilities dated 23 February 2013 among Ūkio bankas AB, Šiaulių bankas AB and the state-owned enterprise Indėlių ir Investicijų Draudimas (hereinafter -Deposit Insurance Fund).

The KPMG Baltics has established that the value of the liabilities taken over by Šiaulių bankas comprises LTL 2725 million, while the value of the taken over assets is LTL 1798 million. The composition of the taken over assets is as follows: Cash and other liquid funds comprise LTL 367 million, debt securities - LTL 433 million, loans to clients - LTL 652 million, equity securities of Ūkio bankas' subsidiaries comprise LTL 154 million, equity securities of Ūkio bankas' subsidiaries comprise LTL 153 million, other assets - LTL38 million.

According to Article 76¹ of the Law on Banks of the Republic of Lithuania, the Deposit Insurance Fund covered the difference in value between the final and preliminary assessment of LTL 128 million by undertaking the financial liability to Šiaulių bankas AB.



A PARTNER OF SMALL AND MEDIUM-SIZED BUSINESS

ADDITIONAL INFORMATION

1. Contact information of the Bank

Name	Šiaulių bankas AB
Legal form	limited liability public company
Registration date	04/02/1992
Registrar	State Enterprise Centre of Registers
Company's code	112025254
Domicile address	Tilžės str. 149, 76348 Šiauliai

Contacts:
Tilžės str. 149, 76348 Šiauliai
Tel.: + 370 41 595 607, fax +370 41 430 774
E-mail info@sb.lt, www.sb.lt

2. Contact information of the companies of the Bank Group

Name	„Šiaulių banko lizingas“ UAB
Legal form	limited liability public company
Registration date	16/08/1999
Registrar	State Enterprise Centre of Registers
Company's code	145569548
Domicile address	Vilniaus str. 167, 76352 Šiauliai

Contacts:
Vilniaus str. 167, 76352 Šiauliai
Tel. : +370 (41) 420 855, 502 990, fax +370 41 423 437
E-mail lizingas@sb.lt, www.sblizingas.lt

Name	„Šiaulių banko turto fondas“ UAB
Legal form	limited liability private company
Registration date	13/08/2002
Registrar	State Enterprise Centre of Registers
Company's code	145855439
Domicile address	Vilniaus str. 167, 76352 Šiauliai

Contacts:
Vilniaus str. 167, 76352 Šiauliai
Tel.: + 370 41 525 322, fax +370 41 525 321
E-mail turtofondas@sb.lt, www.sbp.lt

Name	„Šiaulių banko investicijų valdymas“ UAB
Legal form	limited liability private company
Registration date	31/08/2000
Registrar	State Enterprise Centre of Registers
Company's code	145649065
Domicile address	Vilniaus str. 167, 76352 Šiauliai

Contacts:

Šeimyniškių str. 1A, 09312 Vilnius
Tel.: + 370 5 272 2477, fax +370 5 263 6144
E-mail sbiv@sb.lt, www.sbp.lt

Name	„SBTF“ UAB
Legal form	limited liability private company
Registration date	24/11/2004
Registrar	State Enterprise Centre of Registers
Company's code	300069309
Domicile address	Vilniaus str. 167, 76352 Šiauliai

Contacts:

Vilniaus str. 167, 76352 Šiauliai
Tel.: + 370 41 525 322, fax +370 41 525 321
E-mail sbiv@sb.lt, www.sbp.lt

Name	„Minera“ UAB
Legal form	limited liability private company
Registration date	30/09/1992
Registrar	State Enterprise Centre of Registers
Company's code	121736330
Domicile address	Vilniaus str. 167, 76352 Šiauliai

Contacts:

Vilniaus str. 167, 76352 Šiauliai
Tel.: + 370 41 399 423, fax +370 41 399 423
E-mail info@minera.lt, www.sbp.lt

Name	„Pavasaris“ UAB
Legal form	limited liability private company
Registration date	25/09/1992
Registrar	State Enterprise Centre of Registers
Company's code	121681115
Domicile address	Šiltnamių str. 27, 04130 Vilnius

Contacts:

Jonažolių str. 7-132, 04138 Vilnius
Tel.: + 370 5 244 8096, fax +370 5 240 1623
E-mail info@pavasaris.net, www.pavasaris.net

Name	„Kėdainių oda“ UAB
Legal form	limited liability private company
Registration date	29/10/2008
Registrar	State Enterprise Centre of Registers
Company's code	302190537
Domicile address	Biochemikų str. 7, 57234 Kėdainiai

Contacts:

Biochemikų str. 7, 57234 Kėdainiai

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

www.naturalioda.eu

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 % control over following subsidiaries:

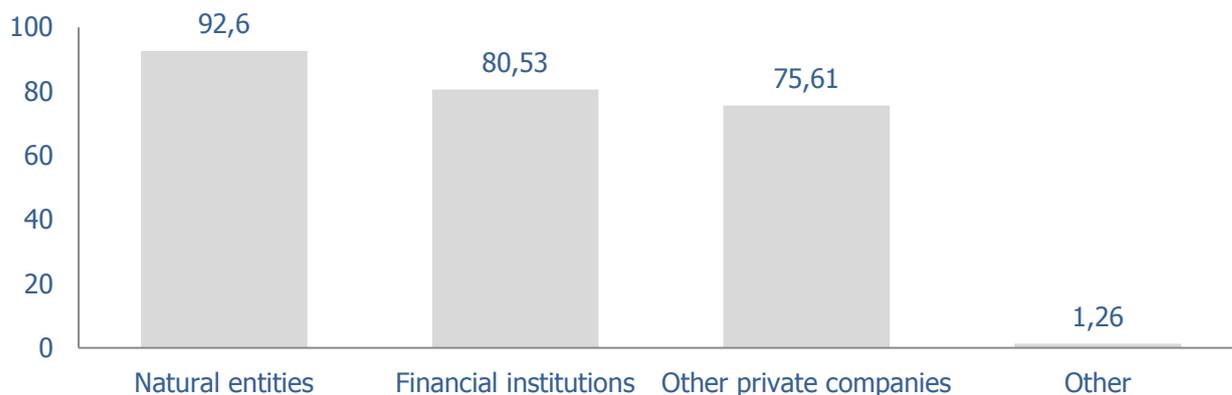
- subsidiaries engaged in real estate development activities: Eastern Europe Development Fund UAB, Sporto Klubų Investicijos UAB, Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB (ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB together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

Considering the circumstances that sales of the above mentioned subsidiaries are likely as the agreement under which the subsidiaries were acquired foresees the possibility to the creditors of the Ūkio bankas to sell these subsidiaries over the I q of 2014, the above-mentioned subsidiaries are included in the financial statements of the Bank Group as subsidiaries held for sale. The more detailed information is provided in the chapter "Subsidiaries held for sale" of the Notes of interim financial statement for III quarters of 2013.

3. Authorized capital and shareholders of the Bank

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

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



Authorized capital of the Bank:

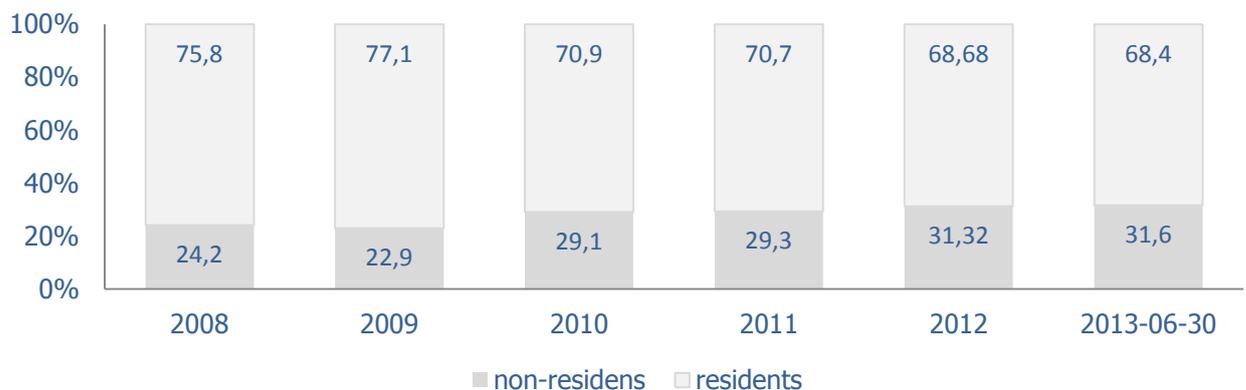
Date	14/05/2007	28/09/2007	14/05/2008	22/06/2010	04/08/2011	31/05/2013
Capital size, LTL	121 033 512	161 033 512	180 357 533	204 857 533	234 857 533	250 000 000

Structure of the Bank's authorized capital:

Type of shares	Number of shares	Total nominal value, LTL	Total nominal value, LTL
Ordinary registered shares, ISIN LT0000102253	250000000	1	250000000

As of 30 September 2013 the Bank had 3648 shareholders comprised (late in 2012 – 3671). All issued shares grant the shareholders equal rights foreseen by the Law on Companies of the Republic of Lithuania and the Charter of the Bank.

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



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

No.	Shareholder	Number of shares under the right of ownership, units	Share of authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with the related persons, %
1.	European Bank for Reconstruction and Development (ERPB) address One Exchange Square, London, Great Britain	48928965	19.57	19.57	43.25
2.	Gintaras Kateiva	15605433	6.24	6.24	43.25
3.	Clients of Skandinaviska Enskilda Banken, Sweden, address Sergels Torg 2, Stockholms, Sweden	13512503	5.41	5.41	5.41
4.	Sanatorium "Eglės" AB, address Eglės str. 1, Druskininkai	12811086	5.12	5.12	5.12

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

4. Trade in shares of the companies of the Bank Group in regulated markets

In the official trading list of AB NASDAQ OMX Vilnius, only the shares of the Bank are quoted. ISIN code LT0000102253; the number of shares: 250000000. Shares of the Bank's subsidiary companies are issued for non-public circulation.

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

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¤cy=0&downloadcsv=0&date=&start_d=30&start_m=6&start_y=2008&end_d=30&end_m=6&end_y=2013&lang=en

Turnover of the Bank's shares over the period from 2011 to the end of September of 2013:

Quarter	Price of the last trading session, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares units	Turnover, mln. EUR
I - 2011	0.327	0.353	0.312	0,326	3428636	1.118
II - 2011	0.316	0.325	0.306	0.313	3428771	0.948
III - 2011	0.270	0.344	0.260	0.304	6880750	2.095
IV- 2011	0.245	0.292	0.230	0.259	4563345	1.181
I - 2012	0.272	0.285	0.242	0.261	2920163	0.763
II - 2012	0.246	0.27	0.242	0.259	5924381	1.534
III - 2012	0.243	0.256	0.241	0.245	885640	0.217
IV- 2012	0.231	0.245	0.230	0.236	1376057	0.325
2013- I	0.273	0.289	0.228	0.259	4974316	1.289
II - 2013	0.264	0.310	0.260	0.271	2914447	0.790
III - 2013	0.266	0.282	0.247	0.260	5572019	1.446

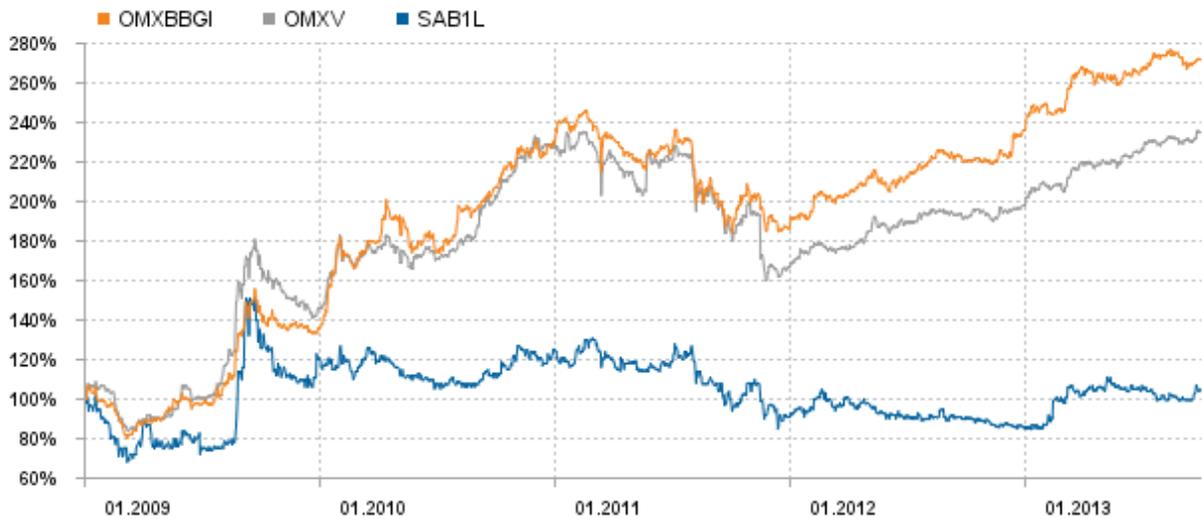
Turnover and price of the Bank's shares over the accounting period (in euros):



Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2013&end_d=30&end_m=9&end_y=2013&lang=en

Further we are providing the charts of the Bank's share price and turnover from 2009 to end of third quarter of 2013 placed on the website of NASDAQ OMX Vilnius AB.



Data of the charter:

Index/Shares	01/01/2009	30/09/2013	+/-, %
■ OMX Baltic Benchmark GI	228.12	630.17	175.24
■ OMX Vilnius	179.25	421.98	135.41
■ SAB1L	0,25 EUR	0,27 EUR	5.12

Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_idx=OMXBBPI&add_equity=LT0000128266&idx_equity%5B%5D=LT0000102253&period=other&start_d=2&start_m=1&start_y=2009&end_d=30&end_m=9&end_y=2013

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 30/09/2013:

The list of the Baltic shares	01/09/2009	30/09/2013	Change
Šiaulių bankas – SAB1L	48 578 692 EUR	66 500 000 EUR	+36.89 %
The Baltic regulated market in total	5 177 488 424 EUR	5 777 866 073 EUR	+11.60 %

Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?pg=capital&list%5B%5D=BAMT&list%5B%5D=BAIT&list%5B%5D=BAFN&period=other&start_d=1&start_m=1&start_y=2009&end_d=30&end_m=9&end_y=2013

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

Indicator	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	30/09/2013
P/E	9.3	negative	negative	14.10	13.29	22.96

5. Information about the 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 the Citadele bankas AB - Agreement of securities account management and investment service provision.
- With the DnB bankas AB - Agreement regarding management of financial instrument account and execution of orders.
- With the „Swedbank“, AB - Agreements of securities account management and brokerage.
- With the SEB bankas AB - Agreements of securities account management.
- With the „Credit Suisse“ bank - Order transfer and execution agreement.

6. Acquisition of own shares

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies do not hold any shares of the Bank. The Bank has not acquired its own shares and has not transferred them to others.

7. 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. This information is provided in the Notes of interim financial statement of the Šiaulių bankas AB.

The Group of the Bank assumes, manages, analyses and evaluates the risks arising from its activities. The purpose of risk management in the group of the Bank is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the Group of the Bank seeks not only minimization of potential risks, but also improvement of pricing and assurance of effective distribution of capital.

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

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

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

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

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

8. Ratings assigned by international agencies

The credit rating agencies are registered and certified in accordance with Regulation No 1060/2009 of the European Parliament and of the Council on credit rating. The credit rating of the Bank is established by MOODY's Investors Services LTD, the license 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.

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

9. Information on results of performance

The Bank earned LTL 8.0 million of the unaudited net profit over the nine months of the year 2013 which is by 27 per cent less than over the same period last year. The unaudited result of Bank's Group comprised LTL 14.3 million. The unaudited net profit earned by the Bank Group over the respective period last year comprised LTL 11.1 million.

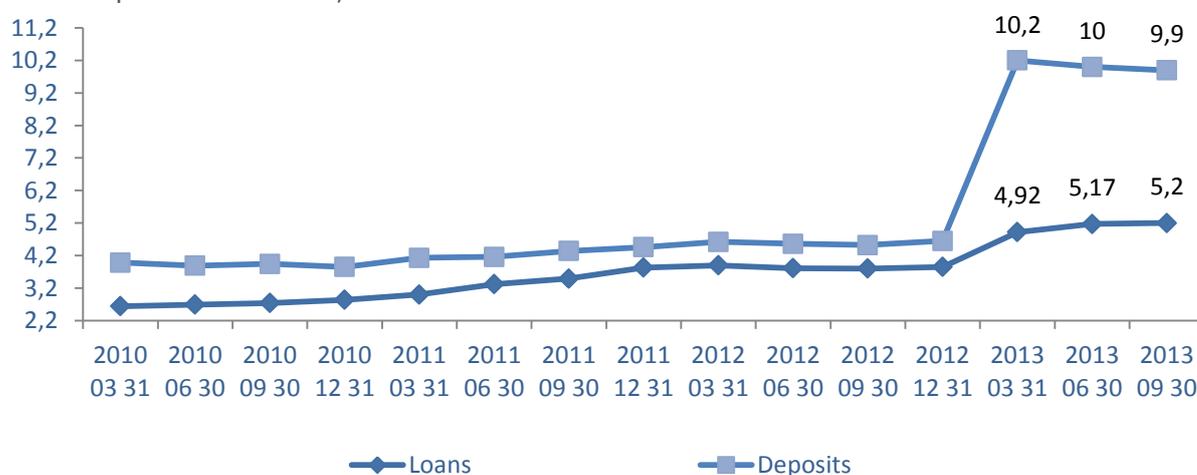
Over the third quarter of 2013 Bank's Group was improving its performance in all key areas. The declining price of the resources led to the significant growth of the net interest income. This type of income grew by 10 per cent over the third quarter, while the net interest income had increased by 18 per cent since the beginning of the year comparing with the respective period in 2012. The Bank Group's income from the net service and commission fee had been further growing, i.e. a 7 per cent increase comparing to the second quarter was recorded and the net service income and commission fee increased by 83 per cent up to LTL 10.9 million over the period of nine months. The bigger number of the clients and their activity made a positive impact on the result gained from of the net service income and commission fee as well as from the transactions in foreign currency. The quarterly result increased nearly twice and comprised LTL 2.2 million while the profit from transactions in foreign currency gained over the nine months increased by 43 per cent in comparison with the respective period in 2012 and comprised LTL5.1 million.

Comparing to the second quarter no significant changes in operating expenses have been recorded over the third quarter, however the impairment of the loans and other assets is still adversely affecting the result of the Bank Group's. The impairment costs accounted for almost LTL 10.0 million over the third quarter and LTL 19.1 million calculating from the beginning of the year.

Despite the increased one-off expenses related to integration of the Ūkio bankas' part, the income of Bank's Group were increasing faster than expenses, thus, leading to the increase of the business efficiency at the end of the third quarter. The cost to income ratio has decreased by 4.5 percentage points over the quarter and comprised 73.5 per cent at the end of September. The return on equity comprised 6.1 per cent while the return on assets was 0.4 per cent.

The assets of the Bank Group reached almost LTL 5.3 billion at the end of the third quarter of 2013. The loan portfolio growing by LTL 51.9 million over the quarter comprised almost LTL 2.5 billion, therefore the Bank took the sixth position among the banks operating in Lithuania in terms of the owned loan portfolio with 5.2 per cent of the Lithuanian loan market. The deposit portfolio, accounting for the major share of liabilities, reached LTL 4.4 billion as of 30 September 2013. The share of the deposit market managed by Šiaulių bankas comprised 9.9 per cent which ensured the fourth position among the banks operating in Lithuania.

Loan and deposit market share, %



On 13 September 2013 the European Investment Bank as the manager of the holding fund JESSICA in Lithuania, signed the loan agreement with the Bank amounting to EUR 40 million for renovation of the multi-apartment houses. This is already the third agreement the purpose of which is to increase the efficiency of consumption of energy in multi-apartment buildings. In close collaboration with the EIB, Ministry of Environment of the Republic of Lithuania, working together with municipalities and other institutions the active efforts are made to accelerate the implementation of energy-saving programmes in Lithuania.

10. Assessment of Internal control and risks management

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

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

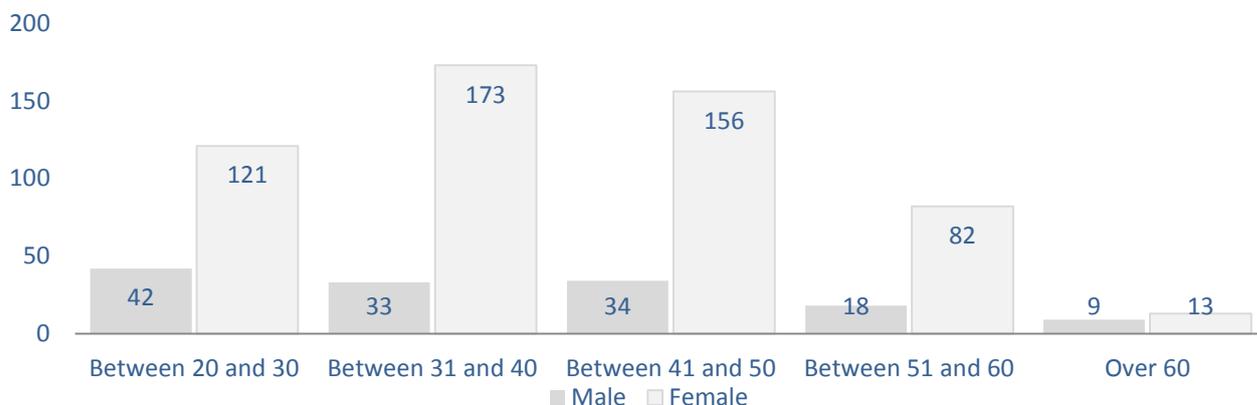
Compliance with and arrangement of the internal control as well as its monitoring are considered as one of the integral parts of the Bank's operational risk management process. The internal control is integral and continuous part of the Bank's daily activities. It operates in every level of the Bank's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

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

11. Employees

As of 30 September 2013 the Bank employed 681 staff members (as of 30 June 2013 the Bank had 678 employees), 81 per cent of the total number of the Bank's employees had the university education, 12 per cent had college, 3 per cent had special secondary education and 4 per cent – secondary education.

The structure of the employees by age and gender as of 30 September 2013:



Comparing to the same period previous year, the number of the Bank's employees increased significantly, i.e. almost three times. Such a significant growth in the number of employees was mainly caused by the takeover of the part of Ūkio bankas' assets and liabilities.

The number of the employees in the Bank's Group including the subsidiaries held for sale was 823 as of 30 September 2013 (822 employees were employed in the Group as of 30 June 2013).

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

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

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

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

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

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Place of Work
Internal Audit Committee			
Ramunė Vilija Zabulienė (chairperson)	29/03/2012 / 2016	0.00	Director of the Public Undertaking „ArsDomina“
Sigitas Baguckas	29/03/2012 / 2016	0.65	„Namų statyba“ UAB
Vytautas Junevičius	29/03/2012 / 2016	0.13	Enterprise Group „Alita“ AB
Rimantas Purtulis	29/03/2012 / 2016	0.10	Certificate of the Lithuanian resident for individual activity
Risk Management Committee			
Donatas Savickas (chairman)	29/05/2012 / operating on a continuous basis	0.11	Šiaulių bankas AB
Jolanta Dūdaitė	29/05/2012 / operating on a continuous basis	0.00	Šiaulių bankas AB
Pranas Gedgaudas	29/05/2012 / operating on a continuous basis	0.01	Šiaulių bankas AB
Morena Liachauskienė	29/05/2012 / operating on a continuous basis	0.00	Šiaulių bankas AB
Vytautas Sinius	29/05/2012 / operating on a continuous basis	0.08	Šiaulių bankas AB

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

13. Bank's Management Bodies

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

Exclusively the General Shareholders' Meeting:

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

- to select and cancel the Bank's liquidator, except cases, provided in the laws.

The Supervisory Council of the Bank is a collegial body supervising the activities of the Bank. The 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.

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

The Board shall consider and approve:

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

- the Board shall elect and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer;
- the Board determines the information to be considered commercial secret of the Bank.

The Board shall adopt:

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

The Board shall set:

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

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

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

The Board shall also analysis, assess the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the 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;

- 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.

14. The members of Bank's Collegial bodies

Supervisory Council of the Bank:

Arvydas Salda



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

Education:

Kaunas Institute of Technology.
Vilnius university, applicable mathematics.

Work experience (not less than 5 years):

A consultant of „SB turto fondas“ UAB since 2004.

Sigitas Baguckas



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

Education:

Vilnius Civic Engineering Institute, an engineer-constructor.

Work experience (not less than 5 years):

procurist at „Namų statyba“ UAB since 2007

Gintaras Kateiva


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

Education:

Vilnius Pedagogic Institute, a teacher

Work experience (not less than 5 years):

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

Vigintas Butkus


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

Education:

Marijampole School of Culture, a director.

Work experience (not less than 5 years):

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

Vytautas Junevičius


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

Education:

Kaunas Institute of Technology Kaunas Technology Institute, an engineer-economist.

Vilnius University, a specialist of international economy relations.

Work experience (not less than 5 years):

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

Peter Reiniger


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

Education:

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

Work experience (not less than 5 years):

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

Ramunė Vilija Zabulienė


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

Education:

Vilnius University, an engineer-economist.

Work experience (not less than 5 years):

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

Director of the Public Undertaking „ArsDomina“

Alexander Saveliev


The member of the Supervisory Council of Šiaulių bankas AB since 06/08/2013.

Education:

Samara State Academy of Economics, economist, PhD in economy; School of Business at University of London, Master of Business Administration.

Work experience (not less than 5 years):

EBRD senior banker until 2009, chief banker since 2009, an advisor, member of the Supervisory Council, Chairman of the Strategic Development Committee at „Megabank“ bank in the Ukraine.

The Board of the Bank:
Algirdas Butkus


Chairman of the Board.

Education:

Kaunas Technology Institute, a master of economy.

Work experience:

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

Audrius Žiugžda


The Deputy Chairman of the Board, Chief Executive Officer.

Education:

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

Work experience:

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

Donatas Savickas


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

Education:

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

Work experience:

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

Daiva Kiburienė


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

Education:

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

Work experience:

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

Vita Adomaitytė


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

Education:

Vilnius University, a master of finance and credit.

Work experience:

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

Jonas Bartkus


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

Education:

Vilnius University, a master in mathematics.

Work experience:

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

Vytautas Sinius


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

Education:

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

Work experience:

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

Name, surname	Beginning / end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related persons, %
Arvydas Salda	beginning 29/03/2012 end 2016	2.59	43.25
Sigitas Baguckas	beginning 29/03/2012 end 2016	0.65	43.25

Vigintas Butkus	beginning 29/03/2012 end 2016	0.18	43.25	
Vytautas Junevičius	beginning 29/03/2012 end 2016	0.13	43.25	
Peter Reiniger	beginning 29/03/2012 end 2016	-	43.25	
Gintaras Kateiva	beginning 29/03/2012 end 2016	6.24	43.25	
Ramunė Vilija Zabulienė	beginning 04/05/2012 end 2016	-	-	
Alexander Saveliev	beginning 06/08/2013 end 2016	-	43.25	
Algirdas Butkus	beginning 29/03/2012 end 2016	4.42	43.25	
Audrius Žiugžda	beginning 29/03/2012 end 2016	0.59	43.25	
Donatas Savickas	beginning 29/03/2012 end 2016	0.11	43.25	
Vita Adomaitytė	beginning 29/03/2012 end 2016	0.03	43.25	
Daiva Kiburienė	beginning 29/03/2012 end 2016	0.07	43.25	
Vytautas Sinius	beginning 29/03/2012 end 2016	0.08	43.25	
Jonas Bartkus	beginning 29/03/2012 end 2016	0.06	43.25	

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

Members of the Management Bodies	Loans granted, in LTL thou LTL	
The Supervisory Council of the Bank	5 320	
The members of the Board of the Bank	1 113	
Total:	6 433	

15. Transactions with related parties

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

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

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

16. The most important events over the accounting period

- In July 2013 the Bank's Mažeikiai branch moved to the new, more spacious premises which are more convenient customer servicing.
- In August a collaboration agreement was signed with the founders of service search and advertising system „Versliukai.lt“ that started operating on the internet more than a year ago and keeps successfully growing. The goal of this cooperation is to unify the representatives of the country's small and medium-sized business, individual entrepreneurs starting their own businesses , to provide them with comprehensive information on such issues as business development, Internet marketing, financing and to participate in common projects.
- On 6 August the extra-ordinary general meeting of shareholders passes the resolution to amend the Chapter of the Bank by increasing the number of the members of the Bank's Board up to 8. Moreover, the remuneration paid to the international audit company „PricewaterhouseCoopers“ which is auditing the Bank was increased and a new members of the Supervisory Council was elected.
- In August after some break 76th outlet of the Bank opened its door in Nida. The outlet was established in the very centre of the resort in the premises of the Bus station.

17. Data on the publicly disclosed information

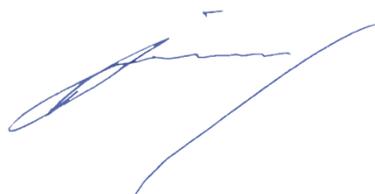
The following information was publicly disclosed over the III quarter of the year of 2013:

- 15/07/2013 - convocation of the Extra-Ordinary General Meeting of Shareholders;
- 15/07/2013 - the draft resolutions prepared by the Board for the Extra -Ordinary General Meeting of Shareholders to be held on 06/08/2013;
- 19/07/2013 - the unaudited activity result for the first semi-year of 2013 of the Bank and the Group;
- 06/08/2013 - information on the resolutions passed by of the Extra-Ordinary General Meeting of Shareholders;
- 20/08/2013 - The interim information for the six months of 2013;
- reports regarding the transactions with the Banks shares entered by the Bank's senior managers.

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

Chief Executive Officer

20 November 2013



Audrius Žiugžda