



**INTERIM CONSOLIDATED FINANCIAL REPORT  
OF ŠIAULIŲ BANKAS AB FOR THE 6 MONTHS 2010**

Prepared on August 2010 in Šiauliai

### **1. Accounting period covered in the Consolidated Interim Report**

The Consolidated Interim Report of Šiaulių bankas AB is prepared for the first half-year of 2010.

### **2. Contacts of Šiaulių bankas AB**

Name – Šiaulių bankas AB  
Legal form – Public Limited Company  
Date of registration – 4 February, 1992  
Manager of register – State Enterprise Centre of Registers  
Company's code – 112025254  
Head office – Tilžės street 149, LT-76348 Šiauliai  
Telephones: + 370 41 522 117, 595 602, 595 653  
Fax + 370 41 430 774  
E-mail [info@sb.lt](mailto:info@sb.lt)  
Internet website [www.sb.lt](http://www.sb.lt)

### **3. Contacts of Šiaulių bankas' Group**

Šiaulių bankas AB has five subsidiaries: Šiaulių banko lizingas UAB, Šiaulių banko investicijų valdymas UAB, Šiaulių banko turto fondas UAB, Minera UAB and SBTF UAB.

- Name – Šiaulių banko lizingas UAB  
Legal form – Private Limited Company  
Date of registration – 16 August, 1999  
Manager of register – State Enterprise Centre of Registers  
Company's code – 145569548  
Head office – Vilniaus street 167, LT-76352 Šiauliai  
Telephone: + 370 41 420 855, 502 990  
Fax + 370 41 423 437  
E-mail [lizingas@sb.lt](mailto:lizingas@sb.lt)  
Internet website [www.sblizingas.lt](http://www.sblizingas.lt)
- Name – Šiaulių banko turto fondas UAB  
Legal form – Private Limited Company  
Date of registration – 13 August, 2002  
Manager of register – State Enterprise Centre of Registers  
Company's code – 145855439  
Head office – Vilniaus street 167, LT-76352 Šiauliai  
Telephone + 370 41 525 322  
Fax + 370 41 525 321  
E-mail [turtofondas@sb.lt](mailto:turtofondas@sb.lt)  
Internet website [www.sbturtofondas.lt](http://www.sbturtofondas.lt)
- Name – Šiaulių banko investicijų valdymas UAB  
Legal form – Private Limited Company  
Date of registration – 31 August, 2000  
Manager of register – State Enterprise Centre of Registers  
Company's code – 145649065  
Head office – Vilniaus street 167, LT-76352 Šiauliai  
Telephone + 370 41 429 227  
Fax + 370 41 525 285  
E-mail [valdymas@sb.lt](mailto:valdymas@sb.lt)  
Internet website [www.sбив.lt](http://www.sбив.lt)
- Name – SBTF UAB  
Legal form – Private Limited Company  
Date of registration – 24 November, 2004  
Manager of register – State Enterprise Centre of Registers

Company's code –300069309  
 Head office – Vilniaus street 167, LT-76352 Šiauliai  
 Telephone + 370 525 322  
 Fax + 370 525 321  
 E-mail [z.kilciauskiene@sb.lt](mailto:z.kilciauskiene@sb.lt)

- Name – Minera UAB  
 Legal form – Private Limited Company  
 Date of registration – 30 September, 1992  
 Manager of register – State Enterprise Centre of Registers  
 Company's code – 121736330  
 Head office – Vilniaus street 167, LT-76352 Šiauliai  
 Telephone/Fax + 370 399 423

#### **4. Nature of Šiaulių bankas' main activity**

Šiaulių bankas is a universal bank, providing all the banking services. Šiaulių bankas AB has 51 territorial subdivisions operating in 31 towns of Lithuania. The network of Šiaulių bankas covers the main Lithuanian cities and financially active regional centres.

The Bank provides the following financial services in compliance with the Law and legal acts of the Republic of Lithuania and the Charter:

- accepts deposits and other returnable funds into accounts opened by the customers and manages them;
- grants and takes the loans;
- issues monetary warranties, guarantees and other warranty liabilities;
- issues and performs operations with payable documents (cheques, letters of credits, bills of exchange, etc.);
- performs operations with securities (shares, bonds, etc.);
- performs operations in foreign currency;
- takes customers' valuables for safeguarding and rents safes located at the bank's vault to safeguard valuables and documents;
- provides services and consultations regarding banking activities, finance and customers' investment management issues;
- issues and manages monetary instruments of credit;
- performs other operations in compliance with nature of business of credit institutions defined in the legal acts of the Bank of Lithuania.

#### **5. Group of Šiaulių bankas' subsidiaries**

As of 30 June 2010 Šiaulių bankas AB Group consisted of Šiaulių bankas AB and five subsidiary companies. Share of the Bank in the Group's subsidiaries is provided in the following table:

Subsidiary	Activity and authorized capital	Share of the capital managed by the Bank, %
Šiaulių banko lizingas UAB Address: Vilniaus street 167, Šiauliai	<ul style="list-style-type: none"> <li>▪ Nature of business: financial and operational lease. Enterprise has representative offices in Vilnius, Kaunas and Klaipėda.</li> <li>▪ Authorized capital: LTL 2 million.</li> <li>▪ Assets: LTL 108,939 million.</li> </ul>	100
Šiaulių banko investicijų valdymas UAB Address: Vilniaus street 167, Šiauliai	<ul style="list-style-type: none"> <li>▪ Nature of business: privatization of companies, restructuring and funding of reorganization projects, investments into debt and equity securities as well as into small and medium-sized enterprises, rendering of financial management experience.</li> <li>▪ Authorized capital: LTL 4 million.</li> <li>▪ Assets: LTL 50,19 million.</li> </ul>	100

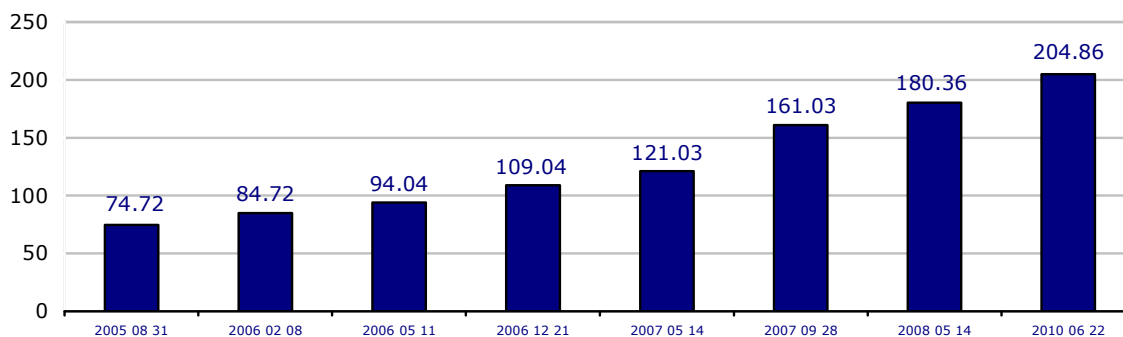
Šiaulių banko turto fondas UAB Address: Vilniaus street 167, Šiauliai	<ul style="list-style-type: none"> <li>▪ Nature of business: long-term investments into land, preparation of infrastructure, investments into other real estate, purchase of constructions and buildings, reconstruction, change of their purpose, organization of construction of the own objects, rent of buildings, premises and land, consultations regarding the implementation of the long-term investment projects and monitoring issues.</li> <li>▪ Authorized capital: LTL 5 million.</li> <li>▪ Assets: LTL 33,18 million.</li> </ul>	100
SBTF UAB Address: Vilniaus street 167, Šiauliai	<ul style="list-style-type: none"> <li>▪ Nature of business: transactions in real estate property, supportive activities in financial services, management consultancy activities.</li> <li>▪ Authorized capital: LTL 1,99 million.</li> <li>▪ Assets: LTL 12,65 million.</li> </ul>	100
Minera UAB Adress: Vilniaus street 167, Šiauliai	<ul style="list-style-type: none"> <li>▪ Nature of business: transactions in real estate property, supportive activities in financial services, management consultancy activities.</li> <li>▪ Authorized capital: LTL 1,99 million.</li> <li>▪ Assets: LTL 14,51 million.</li> </ul>	100

## 6. Bank's authorized capital

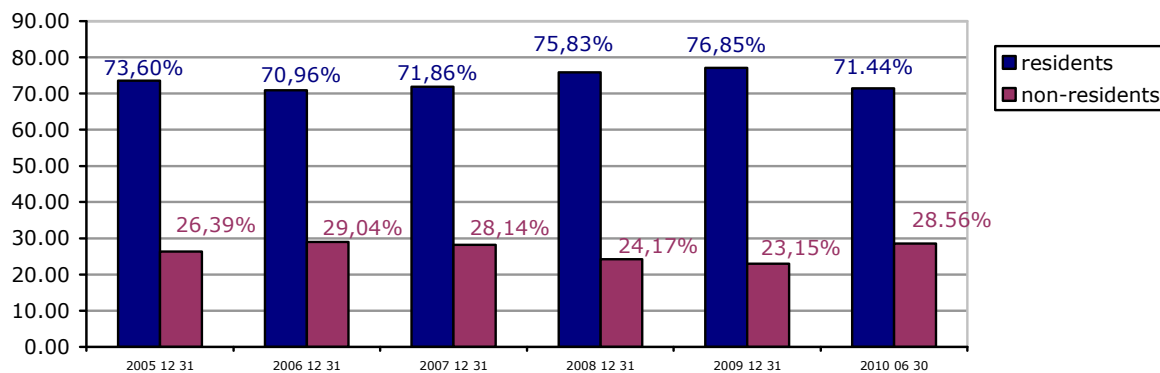
The authorized capital of Šiaulių bankas is LTL 204 857 533. As of 30 June 2010 71.44 per cent of the authorized capital of Šiaulių bankas is owned by the enterprises and private entities registered in Lithuania. Structure of the Bank's authorized capital:

Type of shares	Number of shares, units	Par value, LTL	Total par value, LTL
Ordinary registered shares, ISIN LT0000102253	204 857 533	1	204 857 533

Growth of the Bank's authorized capital since 2005 (in LTL million):



The shareholders by the place of residence:



The Bank's shareholders are entitled to the following property rights:

- to receive the share of the bank's profit (dividend);
- to receive the share of assets of the liquidated bank;
- to receive the bank's shares free of charge in case the bank's authorized capital is increased from the Bank's own funds except the cases defined in the laws;
- when the shareholder is a natural entity – to bequeath the entire shares or a portion of them to one or several individuals;
- to sell or otherwise transfer the entire shares or the portion of them to the ownership of other individuals in compliance with the applicable law;
- to acquire the shares and converted bonds issued by the Bank exercising the pre-emptive right except the cases when the General Meeting of Shareholders makes a resolution to revoke this right from all the shareholders in compliance with the applicable law;
- to credit the Bank in compliance with the applicable law, however, the Bank borrowing from its shareholders has no right to pledge its assets to the shareholders. When the bank is borrowing from its shareholder the interest cannot exceed the average interest rate applied in the commercial banks located in the lender's residential place or business place at the moment of the conclusion of agreement. In such case the bank and the shareholders are not allowed to agree about the higher rate of interest;
- other rights in compliance with the applicable law.

The bank's shareholders are entitled to the following non-property rights:

- to participate in General Shareholders' Meetings;
- to vote in the meetings according to the rights granted by the owned shares;
- to submit the Bank with the questions in advance on the agenda issues of the General Shareholders' Meetings;
- to receive information about the Bank defined in the Law on Public Limited Liability Companies;
- to address the court with the claim requiring to compensate the damage done to the Bank because of the Bank's Chief Executive Officer's or the members of the Bank's Board failure to fulfill the duties or inappropriate fulfillment of duties in accordance with the applicable law or the Bank's Charter as well as in other cases defined in the law;
- to authorize a natural or legal person to represent him in relations with the Bank and other individuals;
- other non-property rights in compliance with the applicable law.

A person acquires all the rights and commitments granted by the portion of the owned Bank's authorized capital and (or) voting rights: in case of capital increase – from the day of registration of the Charter, the amendments of which are related to the increase of the authorized capital and (or) voting rights; in other cases – from the origin of the ownership rights to the bank's authorized capital and (or) voting rights.

## **7. Information about trading in shares of the subsidiaries belonging to the Group in regulated markets**

Only the shares of Šiaulių bankas AB are quoted on the Main Securities Trading List of Vilnius Stock Exchange (AB NASDAQ OMX Vilnius). ISIN code LT0000102253, number of shares – 204 857 533. The shares of the bank's subsidiaries are issued for non-public trading.

In the course of six month of 2010 the biggest trading in bank's shares was registered during the trading session on January 21 2010, when 355 014 units of shares had been purchased/sold for the amount of LTL 387,9 thou. The highest price per share was registered on February 3, 2010, i.e. LTL 1.18, while the lowest – in June 2010, i.e. LTL 0.98.

Below we provide the graphs indicating the bank's share price and trading within the first half-year of this year which are placed on the website of AB NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start\\_d=1&start\\_m=1&start\\_y=2010&end\\_d=30&end\\_m=6&end\\_y=2010](http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2010&end_d=30&end_m=6&end_y=2010)



The graphs below show changes in share price of OMX Vilnius index and Šiaulių bankas AB during the period starting from 01-01-2007 up to 30-06-2010. The information is taken from the website of the NASDAQ OMX Vilnius AB:

[http://www.nasdaqomxbaltic.com/market/?pg=charts&idx\\_main%5B%5D=OMXV&add\\_index=OMXBBPI&add\\_equity=LT0000102253&idx\\_equity%5B%5D=LT0000102253&period=other&start\\_d=1&start\\_m=1&start\\_y=2009&end\\_d=30&end\\_m=6&end\\_y=2009&lang=en](http://www.nasdaqomxbaltic.com/market/?pg=charts&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000102253&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2009&end_d=30&end_m=6&end_y=2009&lang=en)

**Baltic market indexes:**



Graph data:

Index/Shares	01-01-2007	30-06-2010	+/-%
OMX Vilnius	492,65	305,49	-39,99
SABIL	LTL 3,13	LTL 1,00	-68,09

On 30 June 2010 the Bank's share capitalisation was LTL 204.86 million (EUR 59.33 million); on 30 December 2009 it amounted to LTL 202.00 million (EUR 58.50).

Below we provide the capitalization of Šiaulių bankas' shares and total capitalization of listing shares of AB NASDAQ OMX Vilnius on the last trading day of the first half-year of 2010 and 2009. The information is taken from the website of the AB NASDAQ OMX Vilnius:

[http://www.nasdaqomxbaltic.com/market/?pg=capital&currency=0&market=XVSE&stocktype%5B%5D=main&period=other&start\\_d=1&start\\_m=1&start\\_y=2010&end\\_d=30&end\\_m=6&end\\_y=2010](http://www.nasdaqomxbaltic.com/market/?pg=capital&currency=0&market=XVSE&stocktype%5B%5D=main&period=other&start_d=1&start_m=1&start_y=2010&end_d=30&end_m=6&end_y=2010)

List of Baltic shares	30-12-2009	30-06-2010	Change
SABIL	EUR 58 503 370,59	EUR 59 330 842,80	+1.41%
Vilnius Market, total	EUR 3 219 512 569,74	EUR 3 224 103 591,64	+0.14%

During the first half-year of 2010 the following bonds issued by the Bank were listed on Debt securities list of Vilnius Stock Exchange:

- ISIN LT1000401240, amount of issue EUR 1.22 million, interest – 7.8 per cent; issue redeemed on 15 July 2010.
- ISIN LT1000401299, amount of issue EUR 4.12, interest – 5 per cent; redemption date – 2 December 2010.

There were no transactions with the mentioned bonds made over the first half-year of 2010.

### **8. Information on agreements with intermediaries in public circulation of securities**

Šiaulių bankas has agreements on the accounting (safe custody) of securities and on acceptance and execution of orders with the following intermediaries in public circulation of securities:

- Finasta Bank AB;
- Danske Bank A/S Lithuanian branch;
- Parex Bank AB;
- DnB NORD Bank AB;
- Swedbank, AB;
- SEB Bank AB.

Šiaulių bankas has an agreement with AB Ūkio bankas regarding protection of interests of the owners of bonds issued by the Bank.

### **9. 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 Šiaulių bankas AB. The Bank has not acquired its own shares and has not transferred them to other entities.

### **10. Shareholders**

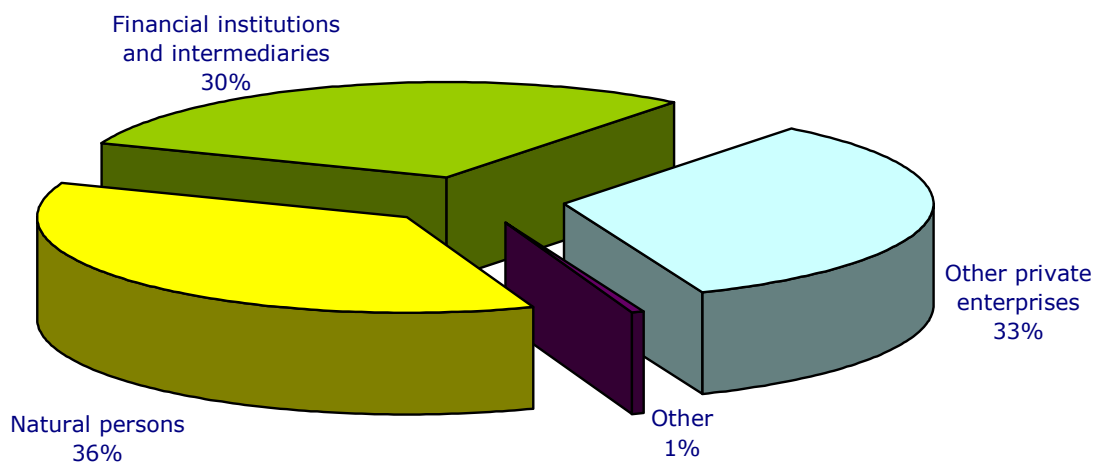
As of 30 June 2010 the total number of Šiaulių bankas' shares comprised 3 499 (while on 31 December 2009 it was 3 525). The holders of all issued shares are entitled to equal rights in compliance with the Law on Public Limited Liability Companies of the Republic of Lithuania and the Charter of the Bank.

Shareholders, who owned more than 5 per cent of the Bank's authorized capital under right of ownership as of 30 June 2010:

No.	Shareholder	Number of shares under the right of ownership	Share of the authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with related persons, %
1.	European Bank for Reconstruction and Development (EBRD) address: One Exchange Square, London EC2A 2JN, Great Britain	45 965 344	22.44	22.44	48.36
2.	Gintaras Kateiva	14 910 214	7.28	7.28	48.36
3.	Algirdas Butkus	10 590 328	5.17	5.17	48.36

Sixteen shareholders of Šiaulių bankas - the European Bank for Reconstruction and Development, Trade-house Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė and Donatas Savickas – comprise the group, having a consent from the Bank of Lithuania to acquire the qualified share of the Bank’s authorized capital and voting rights, reaching or exceeding 50 per cent. On 30 June 2010 this group had 48.36 per cent of the Bank’s authorized capital and voting rights.

Allocation of the authorized capital by the type of shareholders:



**There are no restrictions to securities transfer.** The shareholders are entitled to property and nonproperty rights and have their duties foreseen by the Law on Public Limited Liability Companies of the Republic of Lithuania.

**Shareholders, having special control rights and description of these rights.** The shareholders control the Bank through the elected Supervisory Council. Its functions are defined by the Law on Public Limited Liability Companies of the Republic of Lithuania.

**Restrictions to voting rights.** All the bank’s shares granting a voting right are of the equal par value and each share gives one vote in the General Shareholders’ Meeting.

A shareholder has no right to vote in making decisions regarding the pre-emptive right to acquire the shares issued by the Bank or regarding the recall of the converted bonds, in case the agenda of the General Shareholders’ Meeting foresees that such a right to acquire these securities is to be granted to him, his close relative, shareholder’s spouse or to cohabitant, when the partnership is registered under the applicable law, and to the spouse’s close relative, in case the shareholder is a natural entity, as well as to the shareholder’s parent company or shareholder’s subsidiary, in case the shareholder is a legal entity.



An entity wishing to acquire  $\frac{1}{10}$  of the Bank's authorized capital and (or) such a share of the voting rights or to increase it to the extent when the share of the possessed authorized capital and (or) of voting rights would comprise  $\frac{1}{5}$ ,  $\frac{1}{3}$ ,  $\frac{1}{2}$  or to the extent the Bank would become controlled by him, should receive the consent from the Bank of Lithuania in advance. In case the entity acquires  $\frac{1}{10}$  of the Bank's authorized capital and (or) such a share of the voting rights without a supervisory consent from the Bank of Lithuania when such a consent is necessary or when the supervisory institution comes to the resolution to cancel the right to use voting rights, then all the possessed share of the authorized capital and (or) such a share of the voting rights lose the voting right in the General Shareholders' Meeting.

### **11. Information on the execution of all the prudential requirements limiting the activity risks of the Bank**

During the accounting period Šiaulių bankas operated in compliance with all the prudential requirements limiting the activity risks of the Bank set by the Bank of Lithuania.

### **12. Risk management**

The Group of Šiaulių bankas analyses, evaluates, accepts and manages 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 of Šiaulių bankas 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 efficiency of the risk management process in the Group. The goal of the risk management policy is to identify the risks as well as their management principles in the Group's activities. Due to the fact that various risks experienced by the Group are interdependent; their management is centralized. Arrangement and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

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 securities (share) price risk. Other types of risks 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 uprise of various types of banking risks.

### **13. Ratings provided by the international rating agencies and their amendments**

On 26 June 2009 the international rating agency "Moody's Investors Service" set the reviewed ratings of Šiaulių bankas AB:

- long-term deposit rating – Ba3;
- financial strength rating – D-;
- short-term deposit rating – NP;
- long-term rating outlook – negative.

The rating agency reasoned the changes in the ratings and their negative outlooks by the impact of the recession on the Bank's yield and assets quality.

### **14. Information about the activity results**

The Bank, improving the quality of the existing loan portfolio, within the first quarter of 2010 formed LTL 8.96 million special provisions, which influenced the loss amounting to LTL 6.9 million over the first quarter. During the second quarter special provisions in the amount of LTL 9.7 million were formed; during

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January – June they totaled LTL 18.6 million (or by 36 per cent more than during the relevant period of last year). Thus, the Bank incurred loss in the amount of LTL 11.1 million within the first half-year of this year.

During the first quarter profit of the activity result of the Bank (without evaluation of special provisions and income fee) was LTL 0.757 million. The Bank incurred LTL 458 thousand in loss from the activity in January, while it earned a profit in the amount of LTL 149 thousand in February and made a profit of LTL 1.066 million in March. Within the second quarter of this year the Bank earned LTL 4.5 million operating profit before tax, dividend and provisions or by 2.2 times more comparing to the relevant quarter of the previous year. The operating profit for the first half-year of 2010 grew by 7 per cent and comprised LTL 5.3 million comparing to the first half-year of 2009.

Operating results of the Bank's Group for the first half-year before income fee, dividend and provisions totaled LTL 5.0 million or by 37 per cent less comparing to the relevant period of 2009 when the Group earned LTL 7.9 million. In 2010 special provisions of LTL 20.1 million were formed and they influenced the final loss in the amount of LTL 13 million.

Bank's net interest income during the first quarter comparing to the last quarter of 2009 decreased by LTL 1.4 million (23.3 per cent). Within the second quarter the Bank received LTL 11.2 million operating profit, i.e. by 37 per cent more than within the first quarter. It was determined by the increased net interest income, which in its turn was influenced by resources more frequently becoming cheaper than interest-earning assets.

The biggest part of the Bank's liabilities comprised deposits. Within the first half-year of 2010 the clients' deposits sum placed in the Bank amounted nearly to LTL 1 594 million; comparing to the first half-year of 2009 deposits increased by one tenth.

The assets of Šiaulių bankas at the end of the first half-year of 2010 comprised LTL 2 159,5 million; comparing to the first half-year of 2009 the assets increased by 4.3 per cent, i.e. by more than LTL 90 million. The biggest share of assets was loans extended to clients – during the accounting period the loans in the asset structure comprised more than 73 per cent.

Higher interest earning assets of the Bank was increasing more significantly in April-June. Debt securities portfolio increased by 14.1 per cent (LTL 43.8 million) within a second quarter, the growth totaled 65.3 per cent (LTL 140 million) within six months. Loan balances (without evaluation of special provisions, tax and accrued interest) grew by LTL 22 million within a quarter. This growth slightly exceeded a decrease of loan portfolio that was recorded in the first quarter. Šiaulių bankas became one of the few banks operating in Lithuania, which loan portfolio was increasing in 2010 – at the end of the accounting period credit portfolio of Šiaulių bankas comprised more than LTL 1 597 million.

On 22 June 2010 the amended Charter of Šiaulių bankas AB with an increased authorized capital up to LTL 204.9 million (EUR 59.3 million) was registered in the Register of Legal Entities of the Republic of Lithuania. The increased capital base of the Bank not only will improve the indexes assessing operational risk but also will allow increasing crediting volume as well as expanding scope of services provided by the Bank.

Profitability ratios:

		30-06-2010	31-12-2009	30-06-2009	31-12-2008
Bank	ROAA, %	-1.05	-1.47	-0.24	0.86
	ROAE, %	-8.47	-11.22	-1.72	6.34
	Cost/income, %	71.50	75.71	57.41	55.59
Financial group	ROAA, %	-1.04	-1.53	-0.43	0.84
	ROAE, %	-8.43	-11.74	-3.18	6.22
	Cost/income, %	68.90	71.81	60.86	56.73

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Entire group	ROAA, %	-1.22	-1.71	-0.72	0.65
	ROAE, %	-9.92	-12.96	-5.18	4.64
	Cost/income, %	75.62	78.42	68.81	59.27

In mid-2010 Šiaulių bankas AB was implementing all the prudential requirements limiting the activity risk set by the Bank of Lithuania. The liquidity ratio of the Bank remained high and in the middle of the year comprised 39.62 per cent (the requirement set by the Bank of Lithuania is 30 per cent). The Bank's capital adequacy ratio also remained at a high level and totaled 14.01 per cent, i.e. considerably exceeded the minimum capital adequacy ratio of 8 per cent set by the Bank of Lithuania.

Prudential requirements limiting the activity risks:

		30-06-2010	31-12-2009	30-06-2009	31-12-2008
Bank	Capital adequacy, % (>8%)	14.01	13.90	16.00	15.08
	Liquidity, % (>30%)	39.62	38.23	40.56	38.75
	Maximum loan per borrower, % (< 25%)	21.90	24.56	24.67	21.30
	Big exposure standard, % (< 800%)	210.23	198.85	176.11	166.20
	General open position in foreign currency, % (< 25%)	0.68	0.31	0.58	0.41
Financial group	Capital adequacy, % (>8%)	14.11	13.94	16.06	15.19
	Maximum loan per borrower, % (< 25%)	21.74	24.38	24.56	21.12
	Big exposure standard, % (< 800%)	168.50	152.08	128.34	111.86
	General open position in foreign currency, % (< 25%)	0.68	0.31	1.67	1.30
Entire group	Capital adequacy, %	14.11	13.90	15.85	15.21
	General open position in foreign currency, %	0.68	0.31	1.65	1.26

Šiaulių bankas is one of the Lithuanian Capital Bank with the biggest share of Lithuanian capital. The major shareholder of the Bank is the European Bank for Reconstruction and Development (EBRD), which currently controls 22.44 per cent of the shares.

As of 30 June of 2010 Šiaulių bankas had 51 client service outlets operating in 31 towns of the country. Network of the Bank covered the main cities of Lithuania and financially active regions. Total number of active clients of Šiaulių bankas was nearly 130 thousand.

### 15. Activity plans, expansion and prognosis

The activity of Šiaulių bankas is directed at promotion of economic activity and financing of SME's. Collaborating with international institutions and financial partners the Bank will be searching for new crediting opportunities as well as seeking to contribute to the solution of problems that arose due to the economy recession and to the improvement of business conditions. The fact that the Bank actively participates in the credit market, contributes to the new business fostering models and pays a big attention to public, cultural and social projects, this leads to favorable conditions for the implementation of the Bank's strategy – to grow organic as well as develop activity in Lithuania.

### 16. The most important events during the accounting period

In 2010 the European Investment Fund (EIF) and Šiaulių bankas AB signed an agreement and started the implementation of a newly created modern financial engineering instrument under the JEREMIE initiative. This instrument aims at granting risk sharing loans and improving the conditions for enterprises to receive funds from the external sources of financing, i.e. to use EU structural support for 2007-2013. Implementing the financial instrument intended for granting risk sharing loans to micro, small and medium-sized enterprises, equal shares of funds of Holding Fund and the Bank's capital are used. Pursuant to this

agreement concluded between the Bank and EIF over LTL 138 million (EUR 40 million) is allocated for crediting SME in Lithuania.

On 23 March 2010 Šiaulių bankas AB acquired 100 per cent of shares and voting rights of SBTf UAB and Minera UAB. Purchased companies belonged to the Bank's subsidiaries up to the present; they will be engaged in real estate management.

At the end of May Šiaulių bankas and the European Investment Bank (EIB) signed an agreement regarding the financing programme of renovation of multi-apartment buildings. Šiaulių bankas became the first financial partner of the European Investment Bank in Lithuania using JESSICA financial instrument. Pursuant to the terms of the agreement for renovation of multi-apartment buildings Šiaulių bankas will provide the loans for a total amount of EUR 6 million (over LTL 20 million).

Šiaulių bankas together with Šiauliai City Municipality, Šiauliai Industrialists' Association, and Šiauliai Chamber of Commerce, Industry and Crafts awarded to the authors of the best projects of the contest "For the best project to Šiauliai city and business" with two incentive premiums.

### **17. Paid dividends**

	2005	2006	2007	2008	2009
Per cent from the nominal value	2.00	2.00	2.00	0.00	0.00
Amount of dividends per share, in LTL	0.02	0.02	0.02	0.00	0.00
Amount of dividends, in LTL	1 694 400	2 180 784	3 220 670	0	0

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides either to pay dividends or not while allocating the Bank's profit.

### **18. Principles of the Internal audit performance**

The goal of the Internal Audit is to inspect the activities independently and impartially and provide consultations, to assess the Bank's risk management systematically and comprehensively, to evaluate the Bank's internal control processes and foster its improvements, to assist the Bank in achieving its aims insuring that the internal control goals are achieved at the lowest possible costs and the functions of the internal control are implemented successfully as it is defined in the General Bank's Internal Control and Risk Evaluation (management) Organization Provisions approved by the Bank of Lithuania.

The activity of Internal Audit is defined in provisions of the Internal Audit Division and internal audit policies of Internal Audit Division (approved by the Internal Audit Committee). The Internal Audit Division performs its functions in accordance with the annual activity plan as well as long-term activity plan (2009-2011) approved by the Internal Audit Committee. The Internal Audit Division performs the finance audit, equivalence audit, activity audit, audit of information systems and projects.

The Internal Audit Division is under direct control of the Internal Audit Committee; Head of Internal Audit Division reports on the implementation of activity under the approved annual activity plan to the Bank Board and the Internal Audit Committee at least every quarter.

The officers of the Internal Audit Division prior to performance of each audit prepare the audit program, where the audit purpose, scope and time schedule are foreseen. Taking into consideration observations and recommendations made by the Internal Audit Division, the heads of the Bank's divisions approve the plan of implementation of recommendations of audited entity. The Heads of Internal Audit Division taking into consideration the significance of the provided observations, conclusions and recommendations assign the internal auditors to perform the control of the implemented recommendations (progress monitoring).

The post-audit activities (progress monitoring) also include inspections on elimination of defects detected by the external auditors and the Bank of Lithuania and implementation of their recommendations.

**19. Employees**

As of 30 June 2010, Šiaulių bankas employed 475 staff members, 72 per cent of whom had the university education, 16 per cent had college, 7 per cent secondary education (20 per cent of them are recently studying), 2 per cent had special secondary education and 3 per cent had vocational education. As of 30 June 2010, Šiaulių bankas' Group employed 538 employees in total.

**Implementing the Human Resource policy** the Bank seeks creating and developing the long-term collaboration with its employees. Over 20 per cent of employees have been working in the Bank for more than 10 years. The Bank's employees form the professional and tuneful team, which pays the special attention to the clients, partnership, and efficient and flexible decisions. The employees are provided with the opportunities to progress, facilitate the career as well as fulfill their capacities. The Bank has a name of an attractive employer insuring the social guarantees.

Average monthly salary of the relevant employee group before taxes:

Employee group	30-06-2010		31-12-2009		30-06-2009	
	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL
Management	8	15 300	8	17 106	8	17 743
Officers	438	1 922	454	1 980	466	2 075

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

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

**20. The Bank's bodies**

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

The Supervisory Council is a collegial body supervising the activities of the Bank. It is directed by its Chairman. The General Meeting of the Shareholders elects the Supervisory Council, consisting of 7 members. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The Board is a collegial Bank management body consisting of 5 members. It manages the Bank, handles its matters and is liable under the laws for execution of the Bank's financial services. Order of the Board's work is set by the Rules of Procedure of the Board. The Board is elected by the Council for a term of 4 years.

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

Management bodies of the Bank follow the laws and other legal acts of the Republic of Lithuania and the authorizations set by the Charter of the Bank. The Bank's bodies are elected, assigned and dismissed from the capacities in accordance with the provisions of the mentioned documents.

## 21. Members of the Collegial bodies

### The Bank's Supervisory Council:

- **Arvydas Salda** – Chairman of the Bank's Supervisory Council. A consultant of Šiaulių banko turto fondas UAB, the member of the Supervisory Council of Šiaulių bankas AB since 1991 (the Chairman since 1999);
- **Sigitas Baguckas** – Procurist of Namų statyba UAB. Deputy Chairman of Council of Šiaulių bankas AB since 2000, member of Council since 1991;
- **Gintaras Kateiva** – Director of Litagros prekyba UAB; advisor of the director of Litagros mažmena UAB, member of the Supervisory Council of Šiaulių bankas AB since 2008;
- **Kastytis-Jonas Vyšniauskas** – Chairman of the Board of Sulinkiai UAB; member of the Supervisory Council of Šiaulių bankas AB since 1996;
- **Vigintas Butkus** – Director of Mintaka UAB; Director of trade house Aiva UAB (secondary capacity), member of the Supervisory Council of Šiaulių bankas AB since 2004;
- **Vytautas Junevičius** – General Director of Alita AB; A member of the Supervisory Council of Šiaulių bankas AB since 2006;
- **Michael Anthony Hesketh** – the European Bank for Reconstruction and Development (EBRD). Member of the Supervisory Council since 2010.

### The Bank's Board:

- **Algirdas Butkus** – the Chairman of the Board, Chief Executive Officer;
- **Donatas Savickas** – Deputy Chairman of the Board, Deputy Chief Executive Officer, Head of Finance and Credit Division;
- **Vita Adomaitytė** – member of the Board, Chief Financial Officer, Head of Accounting and Reporting Division;
- **Jonas Bartkus** – member of the Board, Deputy Chief Executive Officer, Head of Business Development Division;
- **Daiva Kiburienė** – member of the Board, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division.

Name, surname	Beginning/end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related entities, %
Arvydas Salda	Beginning 27-03-2008 End 2012	2.97	48.36
Sigitas Baguckas	Beginning 27-03-2008 End 2012	0.75	48.36
Kastytis Jonas Vyšniauskas	Beginning 27-03-2008 End 2012	1.12	48.36
Vigintas Butkus	Beginning 27-03-2008 End 2012	0.44	48.36
Vytautas Junevičius	Beginning 27-03-2008 End 2012	0.15	48.36
Michael Anthony Hesketh	Beginning 29-03-2010 End 2012	-	-
Gintaras Kateiva	Beginning 27-03-2008 End 2012	7.28	48.36
Algirdas Butkus	Beginning 27-03-2008	5.17	48.36

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	End 2012		
Donatas Savickas	Beginning 27-03-2008 End 2012	<0.01	48.36
Vita Adomaitytė	Beginning 27-03-2008 End 2012	0.02	48.36
Jonas Bartkus	Beginning 27-03-2008 End 2012	<0.01	48.36
Daiva Kiburienė	Beginning 27-03-2008 End 2012	0.01	48.36

Information on participation of the members of the Collegial bodies and Chief Financial Officer in the activity and capital of other companies:

Name, surname	Participation in the activity of other companies (name of the company, position)	Participation in the capital of other companies (percentage in the capital over 5%)
Arvydas Salda	<ul style="list-style-type: none"> <li>▪ Member of the Council of Šiauliai University</li> <li>▪ Member of the Board of Klaipėdos LEZ valdymo bendrovė UAB</li> <li>▪ Member of the Board of LEZ Projektų valdymas UAB</li> <li>▪ A consultant of Šiaulių banko turto fondas UAB</li> <li>▪ Member of the Board of Pavasaris UAB</li> </ul>	<ul style="list-style-type: none"> <li>▪ SLEZVB UAB – 11.05%</li> <li>▪ STIV UAB – 21.60%</li> <li>▪ Pamūrė UAB – 16.50%</li> </ul>
Sigitas Baguckas	<ul style="list-style-type: none"> <li>▪ Procurist of Namų statyba UAB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Namų statyba UAB – 47.12%</li> <li>▪ Pamūrė UAB – 16.50%</li> </ul>
Kastytis Jonas Vyšniauskas	<ul style="list-style-type: none"> <li>▪ Chairman of the Board of Sulinkiai UAB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sulinkiai UAB – 8.96%</li> </ul>
Vigintas Butkus	<ul style="list-style-type: none"> <li>▪ Director of trade house Aiva UAB</li> <li>▪ Director of Mintaka UAB (secondary capacity)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Šiaulių komercija AB – 9.82%</li> <li>▪ Aiva UAB – 9.25%</li> <li>▪ Mintaka UAB – 9.80%</li> </ul>
Vytautas Junevičius	<ul style="list-style-type: none"> <li>▪ Chairman of the Board, General Director of Alita AB</li> <li>▪ Chairman of the Board of the companies' group Alita</li> <li>▪ Chairman of the Board of Anykščių vynos AB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Alita AB – 41.89%</li> <li>▪ companies' group Alita AB – 41.90%</li> <li>▪ Aunuva UAB – 50.00%</li> </ul>
Gintaras Kateiva	<ul style="list-style-type: none"> <li>▪ Chairman of the Board and Director of Litagra UAB</li> <li>▪ Adviser Director of Litagros mažmena UAB</li> </ul>	<ul style="list-style-type: none"> <li>▪ Litagra UAB – 57.02%</li> <li>▪ KPC nekilnojamas turtas UAB – 33.33%</li> </ul>
Michael Anthony Hesketh	<ul style="list-style-type: none"> <li>▪ Principal Banker of the European Bank for Reconstruction and Development</li> <li>▪ Member of the Supervisory Council of TBC Bank (Georgia)</li> </ul>	-
Algirdas Butkus	-	<ul style="list-style-type: none"> <li>▪ Trade house Aiva UAB – 66.35%</li> <li>▪ Šiaulių komercija AB – 19.99%</li> <li>▪ Visnorus UAB – 24.94%</li> <li>▪ Mintaka UAB – 68.08%</li> <li>▪ Pamūrė UAB – 16.50%</li> </ul>
Donatas Savickas	-	-
Vita Adomaitytė	-	-

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Jonas Bartkus	-	-
Daiva Kiburienė	-	-

Amounts of funds in total and average amounts per members of the collegial body calculated during the first half-year of 2010:

Members of management bodies	Number of people	total amounts, LTL	Average amounts, LTL
Members of the Bank's Council	7	0	0
Members of the Bank's Board	5	648 002	129 600
CEO and CFO	2	437 704	218 852

Loans granted to the members of the Council and Board as of 30 June 2010:

Members of management bodies	Granted loans, LTL
Members of the Bank's Council	6 938 433
Members of the Bank's Board	146 358
TOTAL	7 084 791

There were no guarantees or warranties issued during the first half-year of 2010 regarding the fulfillment of liabilities of management bodies' members.

## 22. Transactions with related parties

There were quite many banking transactions entered with related parties in the course of the first half-year of 2010. The related parties of the Bank are as follows: the members of the Bank's Supervisory Council and the Bank's Board, shareholders acting together under the Shareholders' Agreement, close family members of the mentioned related parties as well the Bank's subsidiaries and the companies which are controlled by the related parties, jointly controlled companies or companies, in which these related parties have a significant influence. All the transactions have been entered into on usual market terms. The comprehensive description of the transactions is provided in the explanatory note of the financial statement of Šiaulių bankas AB for the first half-year of 2010.

## 23. Data on the publicly disclosed information

Publicly disclosed information during the first half a year of 2010:

- 27-01-2010 the Board of the Bank expressed its opinion on the compulsory non competitive offer to buy the shares of the Bank;
- 17-02-2010 implementation report on the received compulsory non competitive official offer is announced;
- 22-02-2010 pre-audited activity result of Šiaulių bankas AB and Šiaulių bankas' Group of 2009;
- 26-02-2010 Interim financial information of Šiaulių bankas AB for the 12 months of 2009;
- 03-03-2010 the amended interim financial information of Šiaulių bankas AB for the 12 months of 2009;
- 05-03-2010 the Convocation of the Ordinary General Shareholders' Meeting;
- 09-03-2010 draft resolutions for the General Shareholders' Meeting to be held on 29-03-2010;
- 10-03-2010 the amended draft resolutions prepared by the Board for the General Shareholders' Meeting to be held on 29-03-2010 are announced;
- 22-03-2010 a report on the resignation of the member of Supervisory Board;
- 24-03-2010 information on the real estate companies for asset management acquired by the Bank;
- 29-03-2010 resolutions of the General Shareholders' Meeting;
- 30-03-2010 audited annual information for 2009;
- 15-04-2010 summoning of extraordinary General Shareholders' Meeting;
- 26-04-2010 draft resolutions for the Extraordinary General Shareholders' Meeting to be held on 18-05-2010.



- 05-05-2010 pre-audited activity result of Šiaulių bankas AB and Šiaulių bankas' Group for the first quarter of 2010;
- 18-05-2010 draft resolutions for the extraordinary General Shareholders' Meeting;
- 28-05-2010 financial statement of Šiaulių bankas AB for the first quarter 2010;
- 22-06-2010 information on the registered amended Charter by increasing the authorised capital;
- Reports regarding the transactions with the Bank's shares made by the Bank's senior management.

Šiaulių bankas AB has informed the Securities Commission of the Republic of Lithuania and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the stock events in accordance with the procedures set by the Charter and the legal acts of the Republic of Lithuania, the reports were announced in the central regulated data base and on Šiaulių bankas' website [www.sb.lt](http://www.sb.lt). The notifications regarding shareholders' meeting were additionally published in the daily newspapers "Lietuvos rytas" and "Šiaulių kraštas".

#### **24. Procedures of Charter amendments**

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

#### **25. Information regarding compliance with the Corporate Governance Code**

The Bank operates in compliance with the many standards set in the Corporate Governance Code. Information about how the bank complies with the particular articles of the Corporate Governance Code did not change over the first half-year of 2010. The entire information is provided together with the consolidated financial report of the first half-year of 2010. The entire information is also available on the website of Šiaulių bankas [www.sb.lt](http://www.sb.lt).

Deputy Chief Executive Officer



Donatas Savickas