


## CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Vytautas Sinius and Chief Accountant Vita Adomaitytė, confirm that as far as we know, the financial statements for six months of 2016 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Vytautas Sinius

Chief Accountant



Vita Adomaitytė

19 August 2016



CONDENSED INTERIM  
FINANCIAL STATEMENTS  
(unaudited)

for the six month period ended 30 June 2016

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

	Notes	30 June 2016		31 December 2015	
		Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and cash equivalents	3	68 108	67 167	105 012	104 286
Securities at fair value through profit or loss	2	59 360	30 374	71 116	42 726
Due from other banks		4 944	4 911	6 529	6 499
Derivative financial instruments		8 747	8 228	9 292	8 754
Loans to customers	1	898 252	964 081	851 296	912 669
Finance lease receivables	1	64 299	18 552	57 812	1 145
Investment securities:		-	-	-	-
available-for-sale -	2	19 817	19 250	20 468	19 821
held-to-maturity -	2	528 761	528 761	494 645	494 645
Investments in subsidiaries and associates	2	-	31 425	-	32 175
Intangible assets		4 068	1 069	3 770	798
Property, plant and equipment		11 003	10 079	10 946	10 023
Investment property		17 411	2 407	18 348	3 291
Current income tax prepayment		265	-	46	-
Deferred income tax asset		1 104	-	1 385	46
Other assets	3	41 190	9 079	44 105	7 091
Assets classified as held for sale	2	11	400	270	13 888
<b>Total assets</b>		<b>1 727 340</b>	<b>1 695 783</b>	<b>1 695 040</b>	<b>1 657 857</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions		48 177	49 618	50 376	53 383
Derivative financial instruments		445	445	136	136
Due to customers	4	1 450 337	1 451 465	1 436 388	1 436 712
Special and lending funds		2 950	2 950	8 191	8 191
Subordinated loan	12	20 963	20 963	20 457	20 457
Current income tax liabilities		2 709	2 610	1 322	947
Deferred income tax liabilities		902	284	977	-
Liabilities related to insurance activities		24 538	-	23 515	-
Other liabilities		13 815	7 153	13 085	5 518
Liabilities related to assets classified as held for sale	2	23	-	3 529	-
<b>Total liabilities</b>		<b>1 564 859</b>	<b>1 535 488</b>	<b>1 557 976</b>	<b>1 525 344</b>
<b>EQUITY</b>					
Share capital	6	109 472	109 472	91 226	91 226
Share premium		-	-	-	-
Reserve capital		754	756	756	756
Statutory reserve	6	4 159	4 157	2 468	2 290
Financial assets revaluation reserve		700	700	896	896
Retained earnings		47 396	45 210	41 718	37 345
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>162 481</b>	<b>160 295</b>	<b>137 064</b>	<b>132 513</b>
<b>Total liabilities and equity</b>		<b>1 727 340</b>	<b>1 695 783</b>	<b>1 695 040</b>	<b>1 657 857</b>

The notes on pages 9-29 constitute an integral part of these financial statements.

Chief Executive Officer  
Chief Accountant

19 August 2016



Vytautas Sinius  
Vita Adomaitytė

## THE GROUP'S AND THE BANK'S CONDENSED INCOME STATEMENTS

	for the six month period ended				
	Notes	30 June 2016		30 June 2015	
		Group	Bank	Group	Bank
<b>Continuing operations</b>					
Interest and similar income	7	38 483	34 779	30 758	26 732
Interest expense and similar charges	7	(6 320)	(6 322)	(9 671)	(9 718)
<b>Net interest income</b>		<b>32 163</b>	<b>28 457</b>	<b>21 087</b>	<b>17 014</b>
Fee and commission income	8	6 724	6 523	5 172	5 111
Fee and commission expense	8	(2 248)	(2 081)	(1 971)	(1 764)
<b>Net fee and commission income</b>		<b>4 476</b>	<b>4 442</b>	<b>3 201</b>	<b>3 347</b>
Net gain (loss) from operations with securities	11	2 942	2 783	746	(28)
Net gain from foreign exchange and related derivatives		1 711	1 786	1 598	1 170
Net gain (loss) from embedded derivatives		326	345	(2 056)	(2 056)
Net loss from changes in fair value of subordinated loan		(520)	(520)	(77)	(77)
Net gain from derecognition of financial assets	11	11 110	11 110	2 477	2 477
Net gain from disposal of tangible assets		(343)	347	2 342	2 307
Revenue related to other activities of Group companies	11	7 011	-	7 087	-
Other operating income		839	283	818	347
Salaries and related expenses		(9 301)	(7 856)	(7 817)	(6 230)
Depreciation and amortization expenses		(844)	(635)	(750)	(515)
Expenses related to other activities of Group companies	11	(5 977)	-	(8 014)	-
Other operating expenses	9	(4 396)	(3 216)	(4 579)	(3 416)
<b>Operating profit before impairment losses</b>		<b>39 197</b>	<b>37 326</b>	<b>16 063</b>	<b>14 340</b>
Allowance for impairment losses on loans and other assets	10	(9 220)	(9 592)	(5 251)	(3 704)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	2.10	-	(1 300)	-	-
Dividends from investments in subsidiaries and subsidiaries classified as held for sale		-	5 546	-	3 475
<b>Profit from continuing operations before income tax</b>		<b>29 977</b>	<b>31 980</b>	<b>10 812</b>	<b>14 111</b>
Income tax expense		(3 770)	(3 374)	(2 124)	(1 712)
<b>Profit from continuing operations</b>		<b>26 207</b>	<b>28 606</b>	<b>8 688</b>	<b>12 399</b>
Profit (loss) from discontinued operations, net of tax		34	-	6 510	-
<b>Net profit for the year</b>		<b>26 241</b>	<b>28 606</b>	<b>15 198</b>	<b>12 399</b>
<b>Net profit attributable to:</b>					
Owners of the Bank		26 241	28 606	15 198	12 399
From continuing operations		26 207	28 606	8 688	12 399
From discontinued operations		34	-	6 510	-
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR per share) attributable to owners of the Bank		0.07		0.04	
From continuing operations		0.07		0.02	
From discontinued operations		0.00		0.02	
Diluted earnings per share (in EUR per share) attributable to owners of the Bank		0.07		0.04	
From continuing operations		0.07		0.02	
From discontinued operations		0.00		0.02	

The notes on pages 9-29 constitute an integral part of these financial statements.

THE GROUP'S AND THE BANK'S CONDENSED  
INCOME STATEMENTS FOR THE QUARTER

for the three month period

	1 April - 30 June 2016		1 April - 30 June 2015	
	Group	Bank	Group	Bank
<b>Continuing operations</b>				
Interest and similar income	20 317	18 510	15 395	13 272
Interest expense and similar charges	(3 077)	(3 078)	(4 598)	(4 644)
<b>Net interest income</b>	<b>17 240</b>	<b>15 432</b>	<b>10 797</b>	<b>8 628</b>
Fee and commission income	3 433	3 324	2 893	2 858
Fee and commission expense	(1 186)	(1 101)	(908)	(800)
<b>Net fee and commission income</b>	<b>2 247</b>	<b>2 223</b>	<b>1 985</b>	<b>2 058</b>
Net gain (loss) from operations with securities	2 214	2 009	(1 601)	(1 081)
Net gain from foreign exchange and related derivatives	1 123	1 020	498	734
Net gain (loss) from embedded derivatives	1 431	1 450	(825)	(825)
Net loss from changes in fair value of subordinated loan	(1 320)	(1 320)	(36)	(36)
Net gain from derecognition of financial assets	715	715	2 091	2 091
Net gain from disposal of tangible assets	(734)	65	400	374
Revenue related to other activities of Group companies	3 678	-	3 170	-
Other operating income	473	138	430	142
Salaries and related expenses	(4 616)	(3 820)	(3 708)	(2 911)
Depreciation and amortization expenses	(432)	(324)	(348)	(252)
Expenses related to other activities of Group companies	(3 436)	-	(2 522)	-
Other operating expenses	(2 294)	(1 710)	(2 410)	(1 643)
<b>Operating profit before impairment losses</b>	<b>16 289</b>	<b>15 878</b>	<b>7 921</b>	<b>7 279</b>
Allowance for impairment losses on loans and other assets	(7 114)	(7 678)	(3 645)	(1 613)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	-	(1 829)	-	-
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	-	2 029	-	579
<b>Profit from continuing operations before income tax</b>	<b>9 175</b>	<b>8 400</b>	<b>4 276</b>	<b>6 245</b>
Income tax expense	(717)	(470)	(1 097)	(904)
<b>Profit from continuing operations</b>	<b>8 458</b>	<b>7 930</b>	<b>3 179</b>	<b>5 341</b>
Profit (loss) from discontinued operations, net of tax	50	-	6 582	-
<b>Net profit for the year</b>	<b>8 508</b>	<b>7 930</b>	<b>9 761</b>	<b>5 341</b>
<b>Net profit attributable to:</b>				
Owners of the Bank	8 508	7 930	9 761	5 341
From continuing operations	8 458	7 930	3 179	5 341
From discontinued operations	50	-	6 582	-
Non-controlling interest	-	-	-	-

The notes on pages 9-29 constitute an integral part of these financial statements.

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

	for the six month period ended			
	30 June 2016		30 June 2015	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>26 241</b>	<b>28 606</b>	<b>15 198</b>	<b>12 399</b>
<b>Other comprehensive income</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain from revaluation of financial assets	(218)	(218)	(533)	(533)
Deferred income tax on gain from revaluation of financial assets	22	22	78	78
<b>Other comprehensive income, net of deferred tax</b>	<b>(196)</b>	<b>(196)</b>	<b>(455)</b>	<b>(455)</b>
<b>Total comprehensive income for the period</b>	<b>26 045</b>	<b>28 410</b>	<b>14 743</b>	<b>11 944</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	26 045	28 410	14 743	11 944
from continuing operations	26 011	28 410	8 233	11 944
from discontinued operations	34	-	6 510	-
Non-controlling interest	-	-	-	-
	26 045	28 410	14 743	11 944

## THE GROUP'S AND THE BANK'S CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER

	for the three month period			
	1 April - 30 June 2016		1 April - 30 June 2015	
	Group	Bank	Group	Bank
<b>Net profit for the period</b>	<b>8 508</b>	<b>7 930</b>	<b>9 761</b>	<b>5 341</b>
<b>Other comprehensive income (loss)</b>				
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain (loss) from revaluation of financial assets	(1 116)	(1 116)	(766)	(766)
Deferred income tax on gain (loss) from revaluation of financial assets	181	181	113	113
<b>Other comprehensive income (loss), net of deferred tax</b>	<b>(935)</b>	<b>(935)</b>	<b>(653)</b>	<b>(653)</b>
<b>Total comprehensive income for the period</b>	<b>7 573</b>	<b>6 995</b>	<b>9 108</b>	<b>4 688</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Owners of the Bank	7 573	6 995	9 108	4 688
from continuing operations	7 523	6 995	2 526	4 688
from discontinued operations	50	-	6 582	-
Non-controlling interest	-	-	-	-
	7 573	6 995	9 108	4 688

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## THE GROUP'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
Attributable to the owners of the Bank										
<b>1 January 2015</b>		<b>78 197</b>	<b>3 684</b>	<b>756</b>	<b>516</b>	<b>1 450</b>	<b>22 009</b>	<b>106 612</b>	-	<b>106 612</b>
Increase in share capital through bonus issue of shares	6	6 734	(3 684)	-	-	-	(3 050)	-	-	-
Transfer to statutory reserve		-	-	-	-	1 018	(1 018)	-	-	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)	-	(196)
Total comprehensive income		103	-	-	(455)	-	15 198	14 846	-	14 846
<b>30 June 2015</b>		<b>85 034</b>	<b>-</b>	<b>756</b>	<b>61</b>	<b>2 468</b>	<b>32 943</b>	<b>121 262</b>	<b>-</b>	<b>121 262</b>
Increase in share capital on business combination	6	6 192	-	-	-	-	257	6 449	-	6 449
Total comprehensive income		-	-	-	835	-	8 518	9 353	-	9 353
<b>31 December 2015</b>		<b>91 226</b>	<b>-</b>	<b>756</b>	<b>896</b>	<b>2 468</b>	<b>41 718</b>	<b>137 064</b>	<b>-</b>	<b>137 064</b>
Increase in share capital through bonus issue of shares	6	18 246	-	-	-	-	(18 246)	-	-	-
Transfer to/from statutory reserve		-	-	-	-	1 689	(1 689)	-	-	-
Payment of dividends	6	-	-	-	-	-	(628)	(628)	-	(628)
Total comprehensive income		-	-	-	(196)	-	26 241	26 045	-	26 045
<b>30 June 2016</b>		<b>109 472</b>	<b>-</b>	<b>756</b>	<b>700</b>	<b>4 157</b>	<b>47 396</b>	<b>162 481</b>	<b>-</b>	<b>162 481</b>

## THE BANK'S CONDENSED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
<b>1 January 2015</b>		<b>78 197</b>	<b>3 684</b>	<b>756</b>	<b>516</b>	<b>1 275</b>	<b>20 301</b>	<b>104 729</b>
Increase in share capital through bonus issue of shares	6	6 734	(3 684)	-	-	-	(3 050)	-
Transfer to statutory reserve		-	-	-	-	1 015	(1 015)	-
Payment of dividends	6	-	-	-	-	-	(196)	(196)
Total comprehensive income		103	-	-	(455)	-	12 399	12 047
<b>30 June 2015</b>		<b>85 034</b>	<b>-</b>	<b>756</b>	<b>61</b>	<b>2 290</b>	<b>28 439</b>	<b>116 580</b>
Increase in share capital on business combination	6	6 192	-	-	-	-	257	6 449
Total comprehensive income		-	-	-	835	-	8 649	9 484
<b>31 December 2015</b>		<b>91 226</b>	<b>-</b>	<b>756</b>	<b>896</b>	<b>2 290</b>	<b>37 345</b>	<b>132 513</b>
Increase in share capital through bonus issue of shares	6	18 246	-	-	-	-	(18 246)	-
Transfer to statutory reserve		-	-	-	-	1 867	(1 867)	-
Payment of dividends	6	-	-	-	-	-	(628)	(628)
Total comprehensive income		-	-	-	(196)	-	28 606	28 410
<b>30 June 2016</b>		<b>109 472</b>	<b>-</b>	<b>756</b>	<b>700</b>	<b>4 157</b>	<b>45 210</b>	<b>160 295</b>

The notes on pages 9-29 constitute an integral part of these financial statements.



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

for the six month period ended

	30 June 2016		30 June 2015	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received on loans and advances	30 955	27 544	23 430	18 645
Interest received on debt securities at fair value through profit or loss	914	705	1 484	1 267
Interest paid	(7 259)	(7 261)	(9 671)	(10 930)
Net fee and commission income	4 476	4 442	3 201	3 347
Cash inflows from trade in securities at fair value through profit or loss	2 262	2 103	1 678	904
Net inflows from foreign exchange operations	2 353	2 428	1 903	1 466
Recoveries on loans previously written off	501	49	488	40
Salaries and related payments to and on behalf of employees	(9 109)	(7 739)	(7 892)	(6 235)
Other net cash receipts (payments)	9 355	7 832	7 335	1 672
Income tax paid	(2 396)	(1 355)	(1 279)	(534)
<b>Net cash flow from operating activities before change in operating assets and liabilities</b>	<b>32 052</b>	<b>28 748</b>	<b>20 677</b>	<b>9 642</b>
<b>Change in operating assets and liabilities:</b>				
Decrease (increase) in securities at fair value through profit or loss	11 961	12 557	(10 102)	21 098
Decrease (increase) in loans to credit and financial institutions	1 893	1 588	(21 102)	(21 402)
(Decrease) increase in loans to customers	(62 267)	(76 816)	(57 804)	(79 300)
Decrease (Increase) in other current assets	2 276	(1 974)	2 014	(7 336)
Increase (decrease) in liabilities to credit and financial institutions	(2 303)	(3 869)	(10 273)	(13 150)
Increase (decrease) in deposits	14 979	21 709	(17 028)	(2 346)
Decrease in special and lending funds	(5 241)	(5 241)	(648)	(648)
Increase (decrease) in other liabilities	(1 926)	(4 412)	2 184	(465)
<b>Change</b>	<b>(40 628)</b>	<b>(56 458)</b>	<b>(112 759)</b>	<b>(103 549)</b>
<b>Net cash flow from (used in) operating activities</b>	<b>(8 576)</b>	<b>(27 710)</b>	<b>(92 082)</b>	<b>(93 907)</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment, investment property and intangible assets	(2 236)	(853)	(315)	(127)
Disposal of property, plant and equipment, investment property and intangible assets	2 308	1 499	8 195	5 813
Acquisition of held-to-maturity securities	(120 145)	(120 145)	(113 084)	(113 084)
Proceeds from redemption of held-to-maturity securities	81 629	81 629	82 624	83 125
Interest received on held-to-maturity securities	10 004	10 004	10 255	10 214
Dividends received	32	5 048	-	3 475
Acquisition of available-for-sale securities	(2 298)	(2 298)	(17 896)	(17 896)
Sale of available-for-sale securities	2 637	2 556	8 759	8 698
Interest received on available-for-sale securities	366	340	614	614
Inflows from subsidiaries held for sale	-	13 986	-	-
Instalments to cover losses and to strengthen the capital of subsidiaries	-	(550)	-	-
<b>Net cash flow used in investing activities</b>	<b>(27 703)</b>	<b>(8 784)</b>	<b>(20 848)</b>	<b>(19 168)</b>
<b>Financing activities</b>				
Payment of dividends	(625)	(625)	(191)	(191)
<b>Net cash flow from financing activities</b>	<b>(625)</b>	<b>(625)</b>	<b>(191)</b>	<b>(191)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(36 904)</b>	<b>(37 119)</b>	<b>(113 121)</b>	<b>(113 266)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>105 012</b>	<b>104 286</b>	<b>197 436</b>	<b>196 481</b>
<b>Cash and cash equivalents at 30 June</b>	<b>68 108</b>	<b>67 167</b>	<b>84 315</b>	<b>83 215</b>

The notes on pages 9-29 constitute an integral part of these financial statements.

## 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 Banks of the Republic of Lithuania and the Charter of the Bank. In this document, Šiaulių Bankas AB is referred to as the Bank, Šiaulių Bankas AB and its subsidiaries - the Group.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. At the end of the reporting period the Bank had 69 customer service outlets (31 December 2015: 70 outlets). As at 30 June 2016 the Bank had 722 employees (31 December 2015: 719). As at 30 June 2016 the Group (except subsidiaries held for sale) had 831 employees (31 December 2015: 861 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Banks of the Republic of Lithuania and the Charter of the Bank.

The Bank's shares are listed on the Baltic Main List of the Nasdaq Stock Exchange.

**As of 30 June 2016 and 31 December 2015 the Bank owned the following directly controlled 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. SB Lizingas UAB (consumer financing activities),
8. Bonum Publicum GD UAB (life insurance activities).

**As of 30 June 2016 and 31 December 2015 the Bank owned directly controlled subsidiaries held for sale:**

10. Trade Project UAB (real estate management activities),
11. Investicinio Turto Valdymas UAB (real estate management activities),
- 12-16. ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB, ŽSA 5 UAB (real estate management activities).

**As of 30 June 2016 and 31 December 2015 the Bank had the indirectly controlled subsidiary held for sale:**

17. Žalgirio Sporto Arena UAB (real estate management activities).

**As of 30 June 2016 and 31 December 2015 the Bank owned the following indirectly controlled subsidiary:**

9. Sandworks UAB (real estate management activities).

This condensed interim financial information for the six month period ended 30 June 2016 has been prepared in accordance with with IAS 34, "Interim Financial Reporting" as adopted by the EU. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU. Except for the points described below, all the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of the Bank for the year ended 31 December 2015.

Income tax

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards, and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Bank with effect from 2016, and that would have a material impact on the Bank's financial information. The Bank's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Bank's reporting periods beginning on or after 1 January 2017 will have a material impact on the Bank's financial statements.

The preparation of financial statements in conformity with IFRS 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. In preparing these condensed interim financial statements, the significant judgements made in applying Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2015.

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.

No significant amounts of the Group's and the Bank's income or expenses are of a substantial seasonal nature.

## NOTE 1

### LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES

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

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

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

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

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

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans and advances to banks</i>	4 944	4 911	6 529	6 499
<i>Loans and advances to customers:</i>	<b>898 252</b>	<b>964 081</b>	<b>851 296</b>	<b>912 669</b>
<i>Loans and advances to financial institutions</i>	20	87 400	27	98 986
<i>Loans to individuals (Retail)</i>	112 161	63 514	110 019	61 528
<i>Loans to business customers</i>	786 071	813 167	741 250	752 155
<i>Finance lease receivables</i>	64 299	18 552	57 812	1 145
<i>Debt securities at fair value through profit or loss</i>	43 727	29 981	55 730	42 388
<i>Derivative financial instruments</i>	8 747	8 228	9 292	8 754
<i>Debt securities available for sale</i>	18 579	18 176	18 014	17 612
<i>Debt securities held to maturity</i>	528 761	528 761	494 645	494 645
<i>Other assets subject to credit risk</i>	8 697	7 387	6 658	5 557
<i>Credit risk exposures relating to off-balance sheet items are as follows:</i>				
<i>Financial guarantees</i>	18 031	18 058	22 255	22 282
<i>Letters of credit</i>	4 963	4 963	5 929	5 929
<i>Loan commitments and other credit related liabilities</i>	167 819	180 958	111 967	116 259
<b>Total</b>	<b>1 766 819</b>	<b>1 784 056</b>	<b>1 640 127</b>	<b>1 633 739</b>

NOTE 1

LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

Loans to customers

Loans and advances are summarised as follows:

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Loans to business customers</i>	829 952	944 425	777 220	887 014
<i>Loans to individuals</i>	119 356	65 585	116 742	63 595
<b>Gross</b>	<b>949 308</b>	<b>1 010 010</b>	<b>893 962</b>	<b>950 609</b>
<i>Less: allowance for impairment</i>	(51 056)	(45 929)	(42 666)	(37 940)
<i>of which: for individually assessed loans</i>	(49 642)	(44 859)	(41 395)	(37 000)
<i>of which: for collectively assessed loans</i>	(1 414)	(1 070)	(1 271)	(940)
<b>Net</b>	<b>898 252</b>	<b>964 081</b>	<b>851 296</b>	<b>912 669</b>

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Neither past due nor individually impaired</i>	756 860	830 424	720 915	788 302
<i>Past due but not individually impaired</i>	115 744	111 382	105 111	102 409
<i>Individually impaired</i>	76 704	68 204	67 936	59 898
<b>Gross</b>	<b>949 308</b>	<b>1 010 010</b>	<b>893 962</b>	<b>950 609</b>
<i>Less: allowance for impairment</i>	(51 056)	(45 929)	(42 666)	(37 940)
<i>of which: for individually assessed loans</i>	(49 642)	(44 859)	(41 395)	(37 000)
<i>of which: for collectively assessed loans</i>	(1 414)	(1 070)	(1 271)	(940)
<b>Net</b>	<b>898 252</b>	<b>964 081</b>	<b>851 296</b>	<b>912 669</b>

\* Difference between acquisition value and gross value is the difference between the acquisition value of the loans acquired under the transaction transfer of assets, rights, transactions and liabilities of Ūkio Bankas and the gross value of the above-mentioned loans.

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

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

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

**The list of loss events:**

1. significant financial difficulties of the debtor or issuer, i.e. the borrower's financial status is evaluated as poor or bad;
2. violation of the loan agreement (non-payment of the periodic loan payments (the part of the loan or interest)) for more than 30 days;
3. the loan is being recovered;
4. funds granted to the borrower are used not according to the loan purpose and the implementation terms of investment project are violated or decrease in collateral value, when repayment terms of the evaluated loans directly depend on the value of the object of security measure;
5. third parties related to the borrower do not fulfil their obligations, which impacts the borrower's ability to fulfil its financial obligations;
6. other loss events (termination or cancellation of the 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 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Past due up to 7 days</i>	63 432	62 164	68 405	67 039
<i>Past due 8 to 30 days</i>	27 754	26 062	12 513	11 192
<i>Past due 31-60 days</i>	3 077	3 063	2 175	2 170
<i>Past due 61-90 days</i>	4 925	4 921	1 573	1 569
<i>Past due more than 90 days</i>	16 556	15 172	20 445	20 439
<b>Total</b>	<b>115 744</b>	<b>111 382</b>	<b>105 111</b>	<b>102 409</b>
<i>Allowance for impairment of collectively assessed loans</i>	(217)	(141)	(171)	(106)
<i>Fair value of collateral</i>	69 106	67 753	46 840	46 840

## NOTE 1

### LOANS TO CUSTOMERS AND FINANCE LEASE RECEIVABLES (continued)

#### Loans and advances individually impaired

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Impaired loans</b>	<b>76 704</b>	<b>68 204</b>	<b>67 936</b>	<b>59 898</b>
Allowance for impairment of individually assessed loans	(49 642)	(44 859)	(41 395)	(37 000)
Allowance for impairment of collectively assessed loans	(30)	(30)	(23)	(23)
<b>Fair value of collateral</b>	<b>47 230</b>	<b>47 230</b>	<b>41 305</b>	<b>41 305</b>

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.).

#### Finance lease receivables

##### Segment information

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Business customers</i>	55 748	15 247	50 729	1 207
<i>Individuals</i>	10 141	3 348	8 533	-
<b>Gross</b>	<b>65 889</b>	<b>18 595</b>	<b>59 262</b>	<b>1 207</b>
<i>Neither past due not impaired</i>	57 049	17 246	44 325	1 095
<i>Past due but not impaired</i>	6 228	1 330	12 141	1
<i>Impaired</i>	2 612	19	2 796	111
<b>Gross</b>	<b>65 889</b>	<b>18 595</b>	<b>59 262</b>	<b>1 207</b>
<i>Subtract: Allowance for impairment</i>	(1 590)	(43)	(1 450)	(62)
<i>of which: for individually assessed finance lease receivables</i>	(1 564)	(19)	(1 447)	(61)
<i>of which: for collectively assessed finance lease receivables</i>	(26)	(24)	(3)	(1)
<b>Net</b>	<b>64 299</b>	<b>18 552</b>	<b>57 812</b>	<b>1 145</b>

	Group					
	30 June 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	374	2 825	3 199	441	2 355	2 796
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	8 773	20 558	29 331	7 056	16 947	24 003
<i>real estate -</i>	846	24 308	25 154	870	23 030	23 900
<i>airplanes -</i>	-	975	975	-	1 157	1 157
<i>production equipment -</i>	-	1 797	1 797	-	2 147	2 147
<i>other equipment -</i>	74	5 216	5 290	79	4 951	5 030
<i>other assets -</i>	74	69	143	87	142	229
<b>Total</b>	<b>10 141</b>	<b>55 748</b>	<b>65 889</b>	<b>8 533</b>	<b>50 729</b>	<b>59 262</b>

	Bank					
	30 June 2016			31 December 2015		
	Individuals	Business customers	Total	Individuals	Business customers	Total
<i>Unsecured finance lease receivables</i>	71	423	494	-	28	28
<i>Finance lease receivables secured by:</i>						
<i>transport vehicles -</i>	2 997	8 537	11 534	-	29	29
<i>real estate -</i>	261	4 718	4 979	-	1 011	1 011
<i>airplanes -</i>	-	-	-	-	-	-
<i>production equipment -</i>	-	55	55	-	131	131
<i>other equipment -</i>	19	1 514	1 533	-	8	8
<i>other assets -</i>	-	-	-	-	-	-
<b>Total</b>	<b>3 348</b>	<b>15 247</b>	<b>18 595</b>	<b>-</b>	<b>1 207</b>	<b>1 207</b>

## NOTE 2 SECURITIES

### Securities at fair value through profit or loss

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Debt securities:</b>	<b>43 727</b>	<b>29 981</b>	<b>55 730</b>	<b>42 388</b>
Government bonds	28 976	20 347	37 597	29 634
Corporate bonds	14 751	9 634	18 133	12 754
<b>Equity securities</b>	<b>15 633</b>	<b>393</b>	<b>15 386</b>	<b>338</b>
<b>Total securities at fair value through profit or loss</b>	<b>59 360</b>	<b>30 374</b>	<b>71 116</b>	<b>42 726</b>
	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Trading securities:</b>				
<b>Debt securities</b>	<b>42 036</b>	<b>29 981</b>	<b>54 115</b>	<b>42 388</b>
from AA- to AAA	900	900	1 733	1 733
from A- to A+	24 490	22 463	27 710	24 951
from BBB- to BBB+	11 749	3 369	20 591	13 179
from BB- to BB+	4 382	2 734	3 754	2 198
lower than BB-	-	-	-	-
no rating	515	515	327	327
<b>Equity securities</b>	<b>393</b>	<b>393</b>	<b>338</b>	<b>338</b>
listed	343	343	301	301
unlisted	2	2	7	7
units of investment funds	48	48	30	30
<b>Total trading securities</b>	<b>42 429</b>	<b>30 374</b>	<b>54 453</b>	<b>42 726</b>
<b>Securities designated at fair value through profit or loss at initial recognition:</b>				
<b>Debt securities</b>	<b>1 691</b>	<b>-</b>	<b>1 615</b>	<b>-</b>
from AA- to AAA	157	-	300	-
from A- to A+	629	-	573	-
from BBB- to BBB+	905	-	742	-
from BB- to BB+	-	-	-	-
lower than BB-	-	-	-	-
no rating	-	-	-	-
<b>Equity securities</b>	<b>15 240</b>	<b>-</b>	<b>15 048</b>	<b>-</b>
listed	-	-	-	-
unlisted	-	-	-	-
units of investment funds	15 240	-	15 048	-
<b>Total securities designated at fair value through profit or loss at initial recognition</b>	<b>16 931</b>	<b>-</b>	<b>16 663</b>	<b>-</b>
<b>TOTAL</b>	<b>59 360</b>	<b>30 374</b>	<b>71 116</b>	<b>42 726</b>

Group's securities designated at fair value through profit or loss at initial recognition portfolio consists of securities that cover technical insurance provisions under unit-linked insurance contracts of life insurance subsidiary.

### Investment securities

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>Securities available for sale:</b>				
<b>Debt securities:</b>	<b>18 579</b>	<b>18 176</b>	<b>18 014</b>	<b>17 612</b>
Government bonds	104	104	256	256
Corporate bonds	18 475	18 072	17 758	17 356
<b>Equity securities</b>	<b>1 238</b>	<b>1 074</b>	<b>2 454</b>	<b>2 209</b>
<b>Total securities available for sale</b>	<b>19 817</b>	<b>19 250</b>	<b>20 468</b>	<b>19 821</b>
<b>Held-to-maturity securities:</b>				
<b>Debt securities:</b>	<b>528 761</b>	<b>528 761</b>	<b>494 645</b>	<b>494 645</b>
Government bonds	419 522	419 522	381 943	381 943
Corporate bonds	109 239	109 239	112 702	112 702
<b>Total held-to-maturity securities</b>	<b>528 761</b>	<b>528 761</b>	<b>494 645</b>	<b>494 645</b>



**NOTE 2**  
**SECURITIES (continued)**

Assets classified as held for sale

**Subsidiaries held for sale:**

3 March 2013, under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas, based on which a part of assets, rights, transactions and liabilities of Ūkio Bankas was transferred to Šiaulių Bankas, Šiaulių Bankas AB acquired 100 % control over following subsidiaries 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 owned 100% shares of Žalgirio Sporto Arena UAB; Žalgirio Sporto Arena UAB owned 100% shares of Nacionalinis Futbolo Stadionas UAB). Above-mentioned subsidiaries are classified as subsidiaries held for sale. Initially, they are accounted at acquisition value which is equal to their fair value and subsequently adjusted by the amount of activity result (in case of profit, the value is increased; in case of loss, the value is decreased).

In the first quarter of 2015, Nacionalinis Futbolo Stadionas UAB was liquidated. In the second quarter of 2015, Kėdainių Oda UAB, indirectly owned subsidiary held for sale, and Semelitas UAB, indirectly owned subsidiary, were sold. On 30 June 2015 investment properties consisting of real estate objects located in territory between Olimpiečių, Rinktinės and Šeimyniškių streets in Vilnius were sold. The properties were sold by Bank's subsidiaries held for sale Žalgirio Sporto Arena UAB, Investicinio Turto Valdymas UAB, Trade Project UAB, profit from the transaction is included in Group's result of discontinued operations. Later the subsidiaries paid out dividends to the Bank and the liquidation process of these entities was started.

Investment in subsidiaries classified as held for sale, as of 30 June 2016 and result of discontinued operations for the six month period ended 30 June 2016:

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Other entities held for sale	TOTAL
<i>Assets held for sale attributable to entity/ group of entities</i>	11	-	11
<i>Liabilities attributable to assets held for sale attributable to entity/ group of entities</i>	23	-	23
<i>Profit (loss) of the year (recorded in Discontinued operations line of the income statement)</i>	34	-	34

Investment in subsidiaries classified as held for sale, as of 31 December 2015 and result of discontinued operations for the six month period ended 30 June 2015:

	Entities acquired under the agreement on the transfer of assets, rights, transactions and liabilities of Ūkio Bankas	Other entities held for sale	TOTAL
<i>Assets held for sale attributable to entity/ group of entities</i>	238	-	238
<i>Liabilities attributable to assets held for sale attributable to entity/ group of entities</i>	3 529	-	3 529
<i>Profit (loss) of the year (recorded in Discontinued operations line of the income statement)</i>	7 166	(656)	6 510

During six month periods ended 30 June 2016 and 30 June 2015, the Group did not incur any gain or loss related to the measurement to fair value less cost to sell of the subsidiaries held for sale. During the six month period ended 30 June 2016 no subsidiaries held for sale were sold. A loss of EUR 656 thousand resulting from the sale of the subsidiaries held for sale was included in the result of discontinued operations for the six month period ended 30 June 2015.

As all of the entities attributed to assets held for sale are 100%-owned, the whole amount of the profit (loss) from discontinued operations is attributable to equity owners of the Group.

**Real estate held for sale:**

In addition to the subsidiaries held for sale, real estate properties that are planned to be sold within one year are included in assets classified as held for sale. As of 30 June 2016, carrying amount of such real estate assets was nil (31 December 2015: EUR 32 thousand).



## NOTE 3

### SIGNIFICANT INFORMATION ON CHANGES IN OTHER ASSET ITEMS

#### Cash and cash equivalents

During the six month period ended 30 June 2016, the Group's cash and cash equivalents decreased by 35%, from EUR 105 012 thousand in the beginning of the year to EUR 68 108 thousand in the end of the reporting period (Bank: -36%, from EUR 104 286 thousand to EUR 67 167 thousand). This change is attributable to the loan portfolio growth, which caused the reduction in excess liquidity by reducing the demand deposit balances in correspondent accounts of central bank and other highly rated banks to the level required for operational needs.

#### Other assets

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
Amounts receivable	4 629	3 943	2 551	2 169
Inventories	26 816	-	30 490	-
Deferred charges	736	671	793	711
Assets under reinsurance and insurance contracts	606	-	607	-
Prepayments	4 068	3 444	4 107	3 388
Foreclosed assets	3 815	750	4 081	603
Other	520	271	1 476	220
<b>Total</b>	<b>41 190</b>	<b>9 079</b>	<b>44 105</b>	<b>7 091</b>

## NOTE 4

### DUE TO CUSTOMERS

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<i>Demand deposits:</i>				
National government institutions	8 142	8 142	9 541	9 541
Local government institutions	49 864	49 864	28 950	28 950
Governmental and municipal companies	6 651	6 651	5 993	5 993
Corporate entities	169 387	170 452	175 084	175 408
Non-profit organisations	9 955	9 955	10 102	10 102
Individuals	254 678	254 678	237 824	237 824
Unallocated amounts due to customers	33 697	33 760	20 531	20 531
<b>Total demand deposits</b>	<b>532 374</b>	<b>533 502</b>	<b>488 025</b>	<b>488 349</b>
<i>Time deposits:</i>				
National government institutions	6 805	6 805	456	456
Local government institutions	471	471	531	531
Governmental and municipality companies	818	818	769	769
Corporate entities	39 634	39 634	39 041	39 041
Non-profit organisations	2 864	2 864	2 736	2 736
Individuals	867 371	867 371	904 830	904 830
<b>Total time deposits</b>	<b>917 963</b>	<b>917 963</b>	<b>948 363</b>	<b>948 363</b>
<b>Total</b>	<b>1 450 337</b>	<b>1 451 465</b>	<b>1 436 388</b>	<b>1 436 712</b>

## NOTE 5

### SIGNIFICANT INFORMATION ON CHANGES IN OTHER LIABILITY ITEMS

#### Debt securities in issue

As at 30 June 2016 and 31 December 2015, the Bank had deposit certificates issued (this liability was acquired in Finasta acquisition transaction), carrying amount of which was EUR 58 thousand, maturity term – December 2016. Held for trading governments bonds with a carrying value of EUR 53 thousand were pledged as collateral for deposit certificates.

## NOTE 6 CAPITAL

As of 30 June 2016 the Bank's share capital amounted to EUR 109,471,658.33, it comprised 377,488,477 ordinary registered shares with par value of EUR 0.29 each. As of 31 December 2015 the Bank's share capital amounted to EUR 91,226,381.99, it comprised 314,573,731 ordinary registered shares with par value of EUR 0.29 each.

The ordinary meeting of shareholders of Šiaulių bankas that took place on 30 March 2016 passed a resolution to increase Bank's share capital by EUR 18,245 thousand (20.0%) using Bank's own resources (retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 26 May 2016, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2016).

On 14 September 2015, the increase in share capital by additional contributions was registered as 21,353,731 ordinary registered shares (nominal value EUR 6,192 thousand) were distributed to one shareholder - Invalda INVL AB. This way, the Bank settled for the Finasta acquisition transaction. The difference between the fair value and nominal value of shares issued (EUR 257 thousand) was accounted for as change in retained earnings.

The ordinary meeting of shareholders of Šiaulių bankas that took place on 27 March 2015 passed a resolution to increase Bank's share capital by EUR 6,734 thousand (8.6%) using Bank's own resources (share premium and retained earnings). The amended Charter of the Bank with an increased authorised capital was registered in the Register of Legal Entities on 26 May 2015, the bonus shares were distributed among Bank's shareholders using the proportion of their stakes at the end of accounting date of the shares (13 April 2015).

According to local legislation, on 1 January 2015, as the Bank adopted euro, the nominal value of shares was rounded to two decimal digits, from EUR 0.28962 to EUR 0.29. This caused an increase in Bank's share capital by EUR 103 thousand, from EUR 78,197 thousand to EUR 78,300 thousand. The difference was accounted as change in retained earnings.

As at 30 June 2016, the Bank had 3,502 shareholders. 61.71% of share capital and votes are attributable to resident shareholders, 38.29% to non-resident shareholders (as at 31 December 2015: 3,476 shareholders, 62.95% of share capital and votes attributable to residents, 37.05% to non-residents).

The shareholders holding over 5% of the Bank's shares are listed in the table below:

	Share of the authorized capital held, % 30 June 2016	Share of the authorized capital held, % 31 December 2015
<i>European Bank for Reconstruction and Development</i>	18.24	18.24
<i>Invalda INVL AB</i>	6.79	6.79
<i>Gintaras Kateiva</i>	5.82	5.82

Another 19 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Shareholders of the Bank that have signed shareholders agreement - European Bank for Reconstruction and Development, Prekybos namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Arvydas Salda, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Kastytis Jonas Vyšniauskas, Algirdas Butkus, - and other shareholders votes of which are calculated together based on the legal acts of Republic of Lithuania, form a group of acting together shareholders. As of 30 June 2016, this group possessed 39.37% of the authorised capital and votes of the Bank (31 December 2015: 39.41%).

### Dividends:

On 30 March 2016 the ordinary general meeting of shareholders made a decision to pay EUR 0.002 (i.e. 0.69%) dividends per one ordinary registered share with EUR 0.29 nominal value each. On 27 March 2015 the ordinary general meeting of shareholders made a decision to pay EUR 0.000725 dividends per one ordinary registered share with EUR 0.29 nominal value each (i.e. 0.25% of the nominal value of the share).

### Statutory Reserve:

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

NOTE 7  
NET INTEREST INCOME

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
<i>Interest income:</i>				
<i>on loans to other banks and financial institutions and placements with credit institutions</i>	288	2 121	283	1 669
<i>on loans to customers</i>	30 170	26 349	21 693	17 647
<i>on debt securities</i>	6 264	6 020	6 904	7 111
<i>on finance leases</i>	1 761	289	1 878	305
<b>Total interest income</b>	<b>38 483</b>	<b>34 779</b>	<b>30 758</b>	<b>26 732</b>
<i>Interest expense:</i>				
<i>on financial liabilities designated at fair value through profit or loss</i>	(712)	(712)	(735)	(735)
<i>on financial liabilities measured at amortised cost</i>	(5 602)	(5 604)	(8 936)	(8 983)
<i>on other liabilities</i>	(6)	(6)	-	-
<b>Total interest expense</b>	<b>(6 320)</b>	<b>(6 322)</b>	<b>(9 671)</b>	<b>(9 718)</b>
<b>Net interest income</b>	<b>32 163</b>	<b>28 457</b>	<b>21 087</b>	<b>17 014</b>

Significant part of the increase in the interest income is attributable to non-recurring penalty interest received in the process of problem loan workout. Such interest amounted to: for the six month period ended 30 June 2016 – Group EUR 7,847 thousand, Bank EUR 7,610 thousand; for the six month period ended 30 June 2015 – Group EUR 821 thousand, Bank EUR 476 thousand.

NOTE 8  
NET FEE AND COMMISSION INCOME

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
<i>Fee and commission income:</i>				
<i>for administration of loans of third parties</i>	2 077	2 077	1 535	1 535
<i>for settlement services</i>	1 657	1 673	1 426	1 457
<i>for cash operations</i>	1 146	1 146	912	912
<i>for payment administration</i>	576	576	614	614
<i>for guarantees, letters of credit, documentary collection</i>	234	234	260	260
<i>for collection of utility and similar payments</i>	217	227	148	149
<i>for services related to securities</i>	433	498	63	128
<i>other fee and commission income</i>	384	92	214	56
<b>Total fee and commission income</b>	<b>6 724</b>	<b>6 523</b>	<b>5 172</b>	<b>5 111</b>
<i>Fee and commission expense:</i>				
<i>for payment cards</i>	(1 285)	(1 285)	(1 173)	(1 173)
<i>for cash operations</i>	(326)	(326)	(422)	(422)
<i>for correspondent bank and payment system fees</i>	(255)	(100)	(202)	(87)
<i>for services of financial data vendors</i>	(82)	(82)	(56)	(56)
<i>for services related to securities</i>	(126)	(124)	(22)	(22)
<i>other fee and commission expenses</i>	(174)	(164)	(96)	(4)
<b>Total fee and commission expense</b>	<b>(2 248)</b>	<b>(2 081)</b>	<b>(1 971)</b>	<b>(1 764)</b>
<b>Net fee and commission income</b>	<b>4 476</b>	<b>4 442</b>	<b>3 201</b>	<b>3 347</b>

NOTE 9  
OTHER OPERATING EXPENSES

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
Rent of buildings and premises	(724)	(621)	(631)	(574)
Utility services for buildings and premises	(381)	(349)	(409)	(382)
Other expenses related to buildings and premises	(197)	(177)	(128)	(115)
Transportation expenses	(209)	(230)	(252)	(283)
Legal costs	(29)	(29)	(78)	(78)
Personnel and training expenses	(78)	(65)	(55)	(44)
IT and communication expenses	(1 018)	(910)	(700)	(631)
Marketing and charity expenses	(425)	(115)	(718)	(286)
Service organisation expenses	(475)	(449)	(521)	(534)
Non-income taxes, fines	(380)	(41)	(335)	(91)
Costs incurred due to debt recovery	(120)	(48)	(213)	(140)
Other expenses	(360)	(182)	(539)	(258)
<b>Total</b>	<b>(4 396)</b>	<b>(3 216)</b>	<b>(4 579)</b>	<b>(3 416)</b>

NOTE 10  
IMPAIRMENT LOSSES

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
Impairment losses on loans	(10 117)	(9 678)	(4 213)	(3 745)
Recoveries of loans previously written-off	413	51	400	40
(Impairment losses)/Reversal of impairment losses on finance lease receivables	(140)	19	702	-
Recovered previously written-off finance lease receivables	89	-	84	-
Impairment losses on subsidiaries	-	(1 300)	-	-
Revaluation of subsidiaries classified as held for sale	-	-	-	-
(Impairment losses)/Reversal of impairment losses on other assets	513	16	(2 252)	1
Recoveries of other assets previously written-off	-	-	-	-
Reversal of provisions for off-balance sheet items	22	-	28	-
<b>Total</b>	<b>(9 220)</b>	<b>(10 892)</b>	<b>(5 251)</b>	<b>(3 704)</b>

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
<b>Allowance for impairment of loans</b>				
As at 1 January	42 666	37 940	47 636	41 664
Change in allowance for loan impairment	10 117	9 678	4 213	3 745
Loans written off during the period	(1 689)	(1 689)	(10 482)	(9 656)
Other factors (reclassification, FX rate shift, etc.)	(38)	-	194	194
<b>As at 30 June</b>	<b>51 056</b>	<b>45 929</b>	<b>41 561</b>	<b>35 947</b>
<b>Allowance for impairment of finance lease receivables</b>				
As at 1 January	1 450	62	1 943	61
Change in allowance for impairment of finance lease receivables	140	(19)	(702)	-
Finance lease receivables written off during the period	-	-	-	-
Other factors (reclassification, FX rate shift, etc.)	-	-	-	-
<b>As at 30 June</b>	<b>1 590</b>	<b>43</b>	<b>1 241</b>	<b>61</b>

## NOTE 11

### SIGNIFICANT INFORMATION ON OTHER INCOME STATEMENT ITEMS

#### Net gain from operations with securities

Net gain from operations with securities for the six month period ended 30 June 2016 includes one-off realised gain of EUR 1,749 thousand from the security included in available-for-sale portfolio.

#### Net gain from derecognition of financial assets

Net gain from derecognition of financial assets of EUR 11,110 thousand during the six month period ended 30 June 2016 (six month period ended 30 June 2015: EUR 2 477 thousand) is mainly attributable to the derecognition of the acquisition value adjustment (i.e. the difference between acquisition value and the gross value) for the fully or partially repaid/refinanced or sold loans.

#### Revenues and expenses related to other activities of Group companies

	1 January - 30 June 2016		1 January - 30 June 2015	
	Group	Bank	Group	Bank
<i>Revenue related to insurance activities</i>	2 917	-	1 399	-
<i>Revenue from sale of apartments</i>	4 094	-	2 518	-
<i>Expenses related to insurance activities</i>	(2 239)	-	(3 064)	-
<i>Cost of apartments sold</i>	(3 738)	-	(2 428)	-

The result from assets of life insurance subsidiary, which cover liabilities under unit-linked insurance contracts are not included in income-expenditure items presented in the table above. The result from the assets mentioned above is included in following items of income statement for the six month period ended 30 June 2016: Interest and similar income EUR 26 thousand, Net gain (loss) from operations with securities - a loss of EUR 15 thousand, Net foreign exchange gain - a loss of EUR 72 thousand (for the six month period ended 30 June 2015: Interest and similar income EUR 35 thousand, Net gain from operations with securities - a gain of EUR 935 thousand, Net foreign exchange gain - a gain of EUR 426 thousand).

## NOTE 12

### RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

- members of the Bank's Supervisory Council and Board (which also are the main decision makers of the Group), their close family members and companies that are controlled, jointly controlled or significantly influenced over by these related parties. For some companies the presumed significant influence threshold of 20% voting rights has been reduced if other evidence shows that a person/entity can exercise significant influence by additional means (e.g. by holding a seat in the Board of Directors of a particular entity);
- subsidiaries of the Bank and subsidiaries held for sale;
- the shareholders holding over 5 % of the Bank's share capital.

During 2016 and 2015, 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 June 2016		31 December 2015	
	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans and debt securities (incl.off-balance sheet credit commitments)
<i>Members of the Council and the Board</i>	1 741	1 077	682	1 075
<i>Other related parties (excluding subsidiaries of the Bank)</i>	3 344	48 734	4 080	48 121
<b>Total</b>	<b>5 085</b>	<b>49 811</b>	<b>4 762</b>	<b>49 196</b>

#### Transactions with EBRD:

The Group/Bank has a subordinated loan received from European Bank for Reconstruction and Development (hereinafter – EBRD), book value of which was EUR 20,963 thousand as of 30 June 2016 (31 December 2015: EUR 20,457 thousand). The agreement for the loan was signed at the end of February 2013. Loan amount is EUR 20 million, term – 10 years. Loan agreement provides a conversion option to EBRD, under which EBRD has a right to convert a part of or the whole loan to ordinary shares of the Bank at a price, which at certain scenarios could be more favourable than the market price (but in any case, not less than the nominal value of the share). Because of this option, which is an embedded derivative, the Bank chose to account for the whole instrument as a financial liability at fair value through profit or loss. Subordinated loan related interest expenses amounted to EUR 712 thousand, a loss of EUR 520 thousand related to revaluation of the liability to fair value was recorded in profit (loss) statement for the six month period ended 30 June 2016 (six month period ended 30 June 2015: interest expenses EUR 735 thousand, revaluation loss EUR 77 thousand).

## NOTE 12 RELATED-PARTY TRANSACTIONS (continued)

### Transactions with subsidiaries:

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

	30 June 2016		31 December 2015	
	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)	Balances of deposits	Balances of loans, debt securities (incl.off-balance sheet credit commitments)
<i>Non-financial institutions</i>	1 065	37 663	323	20 891
<i>Financial institutions</i>	1 502	96 350	2 937	100 735

### Bank's total balances with subsidiaries:

	30 June 2016	31 December 2015
<b>Assets</b>		
<i>Loans</i>	120 565	116 154
<i>Other assets</i>	37	22
<i>Bank's investment in subsidiaries</i>	31 425	32 175
<i>Bank's investment in subsidiaries classified as assets held for sale</i>	400	13 856
<b>Liabilities and shareholders' equity</b>		
<i>Deposits</i>	2 567	3 260
<i>Other liabilities</i>	10	39

### Income and expenses arising from transactions with subsidiaries:

	1 January– 30 June 2016	1 January– 30 June 2015
<b>Income</b>		
<i>Interest</i>	2 101	2 547
<i>Commission income</i>	131	98
<i>Dividends</i>	5 546	3 475
<i>Other income</i>	107	87
<b>Expenses</b>		
<i>Interest</i>	(2)	(1)
<i>Operating expenses</i>	(102)	(215)
<i>Reversal of impairment of loans</i>	-	-
<i>Impairment of investment in subsidiaries</i>	(1 300)	-

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS

### Liquidity risk

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.

### Liquidity risk management process

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. Liquidity risk management is regulated by the Procedures for Liquidity Risk Management 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.

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.

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The structure of the Group's assets and liabilities by maturity as at 30 June 2016 was as follows:

	On demand	Less than 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
<i>Total assets</i>	68 161	25 333	48 286	72 664	154 138	498 827	771 503	88 428	1 727 340
<i>Total liabilities and shareholders' equity</i>	526 797	123 086	155 983	229 907	337 180	118 597	69 136	166 654	1 727 340
<i>Net liquidity gap</i>	(458 636)	(97 753)	(107 697)	(157 243)	(183 042)	380 230	702 367	(78 226)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2015 was as follows:

	On demand	Less than 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
<i>Total assets</i>	80 998	54 647	79 750	71 495	126 336	480 448	679 559	121 807	1 695 040
<i>Total liabilities and shareholders' equity</i>	502 104	141 252	153 935	215 501	362 608	118 057	56 047	145 536	1 695 040
<i>Net liquidity gap</i>	(421 106)	(86 605)	(74 185)	(144 006)	(236 272)	362 391	623 512	(23 729)	-

The structure of the Bank's assets and liabilities by maturity as at 30 June 2016 was as follows:

	On demand	Less than 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
<i>Total assets</i>	72 456	67 906	44 188	67 682	202 782	452 730	678 111	90 216	1 676 071
<i>Total liabilities and shareholders' equity</i>	497 512	113 889	163 489	219 706	371 704	118 751	33 702	157 318	1 676 071
<i>Net liquidity gap</i>	(425 056)	(45 983)	(119 301)	(152 024)	(168 922)	333 979	644 409	(67 102)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2015 was as follows:

	On demand	Less than 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
<i>Total assets</i>	79 941	59 249	106 110	75 678	140 714	434 628	634 506	127 031	1 657 857
<i>Total liabilities and shareholders' equity</i>	504 560	136 961	153 591	215 282	361 495	116 573	34 519	134 876	1 657 857
<i>Net liquidity gap</i>	(424 619)	(77 712)	(47 481)	(139 604)	(220 781)	318 055	599 987	(7 845)	-

### 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.

### 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.

## NOTE 13 LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

### 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 June 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
<i>Assets</i>	202 576	249 629	363 317	57 726	618 091	236 001	1 727 340
<i>Liabilities and equity</i>	94 779	175 524	237 798	325 720	144 684	748 835	1 727 340
<i>Net interest sensitivity gap</i>	107 797	74 105	125 519	(267 994)	473 407	(512 834)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	1 033	618	784	(670)	-	-	1 765

Group 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
<i>Assets</i>	234 917	248 996	388 850	41 553	554 353	226 371	1 695 040
<i>Liabilities and equity</i>	143 261	169 961	209 612	339 125	145 887	687 194	1 695 040
<i>Net interest sensitivity gap</i>	91 656	79 035	179 238	(297 572)	408 466	(460 823)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	878	659	1 120	(744)	-	-	1 913

Bank 30 June 2016:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
<i>Assets</i>	199 869	227 233	356 980	128 648	589 212	193 841	1 695 783
<i>Liabilities and equity</i>	94 543	175 399	237 524	325 463	121 638	741 216	1 695 783
<i>Net interest sensitivity gap</i>	105 326	51 834	119 456	(196 815)	467 574	(547 375)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	1 009	432	747	(492)	-	-	1 696

Bank 31 December 2015:

	<i>Demand and less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>	<i>More than 1 year</i>	<i>Non monetary</i>	<i>Total</i>
<i>Assets</i>	235 395	260 523	369 794	69 345	527 214	195 586	1 657 857
<i>Liabilities and equity</i>	143 052	169 916	209 490	338 759	123 114	673 526	1 657 857
<i>Net interest sensitivity gap</i>	92 343	90 607	160 304	(269 414)	404 100	(477 940)	-
<i>Higher/lower impact on profit from balance sheet assets and liabilities</i>	885	755	1 002	(674)	-	-	1 968

### Operational risk

The Bank defines operational risk as the risk to incur losses due to inadequate internal control processes or incorrect process implementation, errors and/or illegal actions of employees, malfunctioning of information systems or external incidents.

The principles for management operational risk in the Bank: proper identification and assessment of operational risk; preventing larger operational risk and losses by implementation of efficient internal control; proper organisation and supervision of internal control environment by continuous revision of applicable control methods; concentration of resources and time towards identification and management of main sources of operational risk in all the areas of Bank's activity; assuring the compliance with the requirements set by legal acts.

Bank's operational risk management procedure, which is an integral part of the Bank's risk management policy, defines the principles of operational risk management applicable to the Bank and its subsidiaries.



## NOTE 13

### LIQUIDITY, MARKET AND OPERATIONAL RISKS (continued)

The operational risk management methods are implemented in the Bank – the system for registration of operational risk events, functioning of which is regulated by the Instruction for registration of Operational risk events; the system of operational risk indicators and monitoring of limits of these indicators; operational risk self assessment performed by the Bank annually with the aim to distinguish the most risky areas of Bank's division/process which can cause to increase the level of operational risk in the Bank; evaluation of new products with the aim to ensure that the Bank does not take up activities with the risk unforeseen by the Bank, or the risk that cannot be managed.

In 2016, the Bank continued to develop and improve systems of operational risk management and internal control.

## NOTE 14

### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Types of inputs used in valuation techniques determine the following fair value hierarchy:

- Level I – Quoted prices (unadjusted) or public price quotations in active markets for identical assets or liabilities;
- Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level III – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the six month period ended 30 June 2016, the process of fair value measurement did not change significantly as compared to the process described in the annual financial statements for the year 2015. For the valuation of financial assets and liabilities purposes, estimates, valuation techniques and inputs used to develop those measurements have not changed significantly during the six month period ended 30 June 2016, no new circumstances that could have a significant impact on the fair values of financial assets and liabilities were identified during the period.

#### Measurement of financial assets and liabilities according to the fair value hierarchy

	30 June 2016		31 December 2015	
	Group	Bank	Group	Bank
<b>LEVEL I</b>				
<i>Financial assets at fair value through profit or loss</i>	59 358	30 372	71 091	42 701
<i>Available for sale financial assets</i>	18 716	18 313	18 154	17 752
<b>Total Level I financial assets</b>	<b>78 074</b>	<b>48 685</b>	<b>89 245</b>	<b>60 453</b>
<b>LEVEL II</b>				
<i>Financial assets at fair value through profit or loss</i>	776	776	1 109	1 109
<i>Financial liabilities at fair value through profit or loss</i>	(445)	(445)	(136)	(136)
<b>LEVEL III</b>				
<i>Financial assets at fair value through profit or loss</i>	7 973	7 454	8 208	7 670
<i>Available for sale financial assets</i>	1 101	937	2 314	2 069
<b>Total Level III financial assets</b>	<b>9 074</b>	<b>8 391</b>	<b>10 522</b>	<b>9 739</b>
<i>Financial liabilities at fair value through profit or loss</i>	20 963	20 963	20 457	20 457
<b>Total Level III financial liabilities</b>	<b>20 963</b>	<b>20 963</b>	<b>20 457</b>	<b>20 457</b>

There were no transfers between fair value hierarchy levels during 2016 and 2015.

NOTE 14  
FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Changes in Level III instruments during the six month period ended 30 June:

Group	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Value as of 1 January	8 208	7 097	2 314	677	20 457	19 295
Additions	-	489	-	26	-	-
Disposals	(561)	-	(1 723)	(13)	-	-
Changes due to interest accrued/paid	-	-	-	-	(14)	-
Changes in fair value	326	(1 231)	510	4	520	41
<b>Value as of 30 June</b>	<b>7 973</b>	<b>6 355</b>	<b>1 101</b>	<b>694</b>	<b>20 963</b>	<b>19 336</b>
Bank	Financial assets at fair value through profit or loss		Available for sale financial assets		Financial liabilities at fair value through profit or loss	
	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016	1 Jan - 30 Jun 2015
Value as of 1 January	7 670	35 612	2 069	403	20 457	19 295
Additions	-	488	-	-	-	-
Disposals	(561)	(28 962)	(1 642)	-	-	-
Changes due to interest accrued/paid	-	-	-	-	(14)	-
Changes in fair value	345	(1 231)	510	-	520	41
<b>Value as of 30 June</b>	<b>7 454</b>	<b>5 907</b>	<b>937</b>	<b>403</b>	<b>20 963</b>	<b>19 336</b>
			<i>1 January – 30 June 2016</i>		<i>1 January – 30 June 2015</i>	
			Group	Bank	Group	Bank
<i>Total result from revaluation of Level III instruments included in the income statement</i>			1 555	1 574	(2 205)	(2 133)

**NOTE 15**  
**SEGMENT INFORMATION**

**Business segments**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2016 and in the Statement of comprehensive income for the six month period then ended is presented in the table below.

	Banking	Leasing	Real estate development and other	Eliminations	Total
<b>Continuing operations</b>					
Internal	2 099	(1 798)	(381)	80	-
External	26 358	5 400	405	-	32 163
<b>Net interest income</b>	<b>28 457</b>	<b>3 602</b>	<b>24</b>	<b>80</b>	<b>32 163</b>
Internal	2 230	(1 823)	(438)	31	-
External	30 669	5 577	393	-	36 639
<b>Net interest, fee and commissions income</b>	<b>32 899</b>	<b>3 754</b>	<b>(45)</b>	<b>31</b>	<b>36 639</b>
Internal	(102)	(96)	(20)	218	-
External	(10 970)	(1 283)	(7 421)	-	(19 674)
<b>Operating expenses</b>	<b>(11 072)</b>	<b>(1 379)</b>	<b>(7 441)</b>	<b>218</b>	<b>(19 674)</b>
Amortisation charges	(123)	(22)	(14)	-	(159)
Depreciation charges	(512)	(60)	(113)	-	(685)
Internal	(1 300)	-	-	1 300	-
External	(9 592)	(642)	1 014	-	(9 220)
<b>Impairment expenses</b>	<b>(10 892)</b>	<b>(642)</b>	<b>1 014</b>	<b>1 300</b>	<b>(9 220)</b>
Internal	5 653	10	(7)	(5 656)	-
External	16 027	76	6 973	-	23 076
<b>Net other income</b>	<b>21 680</b>	<b>86</b>	<b>6 966</b>	<b>(5 656)</b>	<b>23 076</b>
<b>Profit (loss) from continuing operations before tax</b>	<b>31 980</b>	<b>1 737</b>	<b>367</b>	<b>(4 107)</b>	<b>29 977</b>
Profit (loss) from discontinued operations	-	-	-	34	34
Income tax	(3 374)	(277)	(119)	-	(3 770)
<b>Profit (loss) per segment after tax</b>	<b>28 606</b>	<b>1 460</b>	<b>248</b>	<b>(4 073)</b>	<b>26 241</b>
Non-controlling interest	-	-	-	-	-
<b>Profit (loss) for the period attributable to the owners of the Bank</b>	<b>28 606</b>	<b>1 460</b>	<b>248</b>	<b>(4 073)</b>	<b>26 241</b>
Total segment assets	1 695 783	102 146	80 919	(151 508)	1 727 340
Total segment liabilities	1 535 488	91 965	60 561	(123 155)	1 564 859
Net segment assets (shareholders' equity)	160 295	10 181	20 358	(28 353)	162 481

**NOTE 15**  
**SEGMENT INFORMATION (continued)**

A summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 30 June 2015 and in the statement of comprehensive income for the six month period then ended is presented below:

	<i>Banking</i>	<i>Leasing</i>	<i>Real estate development and other</i>	<i>Eliminations</i>	<i>Total</i>
<i>Continuing operations</i>					
<i>Internal</i>	2 546	(1 927)	(390)	(229)	-
<i>External</i>	14 468	5 903	716	-	21 087
<i>Net interest income</i>	17 014	3 976	326	(229)	21 087
<i>Internal</i>	2 644	(1 958)	(420)	(266)	-
<i>External</i>	17 717	5 853	718	-	24 288
<i>Net interest, fee and commissions income</i>	20 361	3 895	298	(266)	24 288
<i>Internal</i>	(215)	(56)	(31)	302	-
<i>External</i>	(9 431)	(1 640)	(9 339)	-	(20 410)
<i>Operating expenses</i>	(9 646)	(1 696)	(9 370)	302	(20 410)
<i>Amortisation charges</i>	(65)	(19)	(11)	-	(95)
<i>Depreciation charges</i>	(450)	(89)	(116)	-	(655)
<i>Internal</i>	-	-	-	-	-
<i>External</i>	(3 704)	584	(2 131)	-	(5 251)
<i>Impairment expenses</i>	(3 704)	584	(2 131)	-	(5 251)
<i>Internal</i>	3 559	-	67	(3 626)	-
<i>External</i>	4 056	158	8 721	-	12 935
<i>Net other income</i>	7 615	158	8 788	(3 626)	12 935
<i>Profit (loss) from continuing operations before tax</i>	14 111	2 833	(2 542)	(3 590)	10 812
<i>Profit (loss) from discontinued operations</i>	-	-	-	6 510	6 510
<i>Income tax</i>	(1 712)	(379)	(33)	-	(2 124)
<i>Profit (loss) per segment after tax</i>	12 399	2 454	(2 575)	2 920	15 198
<i>Non-controlling interest</i>	-	-	-	-	-
<i>Profit (loss) for the period attributable to the owners of the Bank</i>	12 399	2 454	(2 575)	2 920	15 198
<i>Total segment assets</i>	1 612 250	112 928	94 128	(181 786)	1 637 520
<i>Total segment liabilities</i>	1 488 898	101 230	73 420	(155 035)	1 508 513
<i>Net segment assets (shareholders' equity)</i>	123 352	11 698	20 708	(26 751)	129 007

NOTE 16  
SELECTED INFORMATION OF FINANCIAL GROUP

As of 30 June 2015 and 31 December 2014 the Bank owned the following directly controlled subsidiaries included in the prudential scope of consolidation (the Bank and these subsidiaries comprised the Financial group):

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. SB Lizingas UAB (consumer financing activities).

In the Financial Group financial statements, the subsidiaries of the Bank that are not included in the Financial Group are not consolidated in full as would be required by IFRS 10 but presented on the consolidated balance sheet of the Financial Group as investments in subsidiaries at cost less impairment, in the same way as presented on the balance sheet of the Bank. The investments in subsidiaries held for sale are presented on the balance sheet of the Financial Group at a lower of cost and fair value less cost to sell, in the same way as presented on the balance sheet of the Bank. Assets, liabilities and results of these subsidiaries are not consolidated in the financial information of the Financial Group. This presentation is consistent with the regulatory reporting made by the Bank according to the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Financial Group's condensed statement of financial position

	30 June 2016	31 December 2015
<b>ASSETS</b>		
Cash and cash equivalents	67 715	104 615
Securities at fair value through profit or loss	30 374	6 499
Due from other banks	4 911	42 726
Derivative financial instruments	8 747	9 292
Loans to customers	917 836	856 188
Finance lease receivables	64 299	57 812
Investment securities:		
available-for-sale -	19 772	20 423
held-to-maturity -	528 761	494 645
Investments in subsidiaries and associates	18 631	19 381
Intangible assets	1 265	991
Property, plant and equipment	10 608	10 564
Investment property	5 632	6 547
Current income tax prepayment	36	44
Deferred income tax asset	801	881
Other assets	22 128	23 130
Assets classified as held for sale	400	13 888
<b>Total assets</b>	<b>1 701 916</b>	<b>1 667 626</b>
<b>LIABILITIES</b>		
Due to other banks and financial institutions	48 801	50 483
Derivative financial instruments	445	136
Due to customers	1 451 464	1 436 709
Special and lending funds	2 950	8 191
Subordinated loan	20 963	20 457
Current income tax liabilities	2 709	1 108
Deferred income tax liabilities	437	156
Liabilities related to insurance activities	-	-
Other liabilities	11 803	14 372
Liabilities related to assets classified as held for sale	-	-
<b>Total liabilities</b>	<b>1 539 572</b>	<b>1 531 612</b>
<b>EQUITY</b>		
Share capital	109 472	91 226
Share premium	-	-
Reserve capital	755	756
Statutory reserve	4 158	2 464
Financial assets revaluation reserve	700	896
Retained earnings	47 259	40 672
Non-controlling interest	-	-
<b>Total equity</b>	<b>162 344</b>	<b>136 014</b>
<b>Total liabilities and equity</b>	<b>1 701 916</b>	<b>1 667 626</b>

NOTE 16

SELECTED INFORMATION OF FINANCIAL GROUP (continued)

Financial Group's condensed income statement

for the six month period ended

	30 June 2016	30 June 2015
<b>Continuing operations</b>		
Interest and similar income	38 351	30 709
Interest expense and similar charges	(6 344)	(9 717)
<b>Net interest income</b>	<b>32 007</b>	<b>20 992</b>
Fee and commission income	6 779	5 239
Fee and commission expense	(2 224)	(1 951)
<b>Net fee and commission income</b>	<b>4 555</b>	<b>3 288</b>
Net gain (loss) from operations with securities	2 765	(23)
Net gain from foreign exchange and related derivatives	1 786	1 168
Net gain (loss) from embedded derivatives	326	(2 056)
Net loss from changes in fair value of subordinated loan	(520)	(77)
Net gain from derecognition of financial assets	11 083	4 779
Net gain from disposal of tangible assets	18	2 345
Revenue related to other activities of Group companies	-	-
Other operating income	457	524
Salaries and related expenses	(8 722)	(7 297)
Depreciation and amortization expenses	(752)	(660)
Expenses related to other activities of Group companies	-	-
Other operating expenses	(3 857)	(4 138)
<b>Operating profit before impairment losses</b>	<b>39 146</b>	<b>18 845</b>
Allowance for impairment losses on loans and other assets	(9 772)	(5 216)
Allowance for impairment losses on investments in subsidiaries and loss on remeasurement of subsidiaries classified as held for sale	(750)	-
Dividends from investments in subsidiaries and subsidiaries classified as held for sale	2 246	579
<b>Profit from continuing operations before income tax</b>	<b>30 870</b>	<b>14 208</b>
Income tax expense	(3 716)	(2 112)
<b>Profit from continuing operations</b>	<b>27 154</b>	<b>12 096</b>
Profit (loss) from discontinued operations, net of tax	-	(656)
<b>Net profit for the year</b>	<b>27 154</b>	<b>11 440</b>
<b>Net profit attributable to:</b>		
Owners of the Bank	27 154	11 440
From continuing operations	27 154	12 096
From discontinued operations	-	(656)
Non-controlling interest	-	-

Financial Group's condensed statement of comprehensive income

for the six month period ended

	30 June 2016	30 June 2015
<b>Net profit for the period</b>	<b>27 154</b>	<b>11 440</b>
<b>Other comprehensive income</b>		
Items that may be subsequently reclassified to profit or loss:		
Gain from revaluation of financial assets	(218)	(533)
Deferred income tax on gain from revaluation of financial assets	22	78
<b>Other comprehensive income, net of deferred tax</b>	<b>(196)</b>	<b>(455)</b>
<b>Total comprehensive income for the period</b>	<b>26 958</b>	<b>10 985</b>
<b>Total comprehensive income (loss) attributable to:</b>		
Owners of the Bank	26 958	10 985
from continuing operations	26 958	11 641
from discontinued operations	-	(656)
Non-controlling interest	-	-
	26 958	10 985



CONSOLIDATED REPORT  
FOR THE PERIOD OF 6 MONTHS OF 2016

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## 1. REPORTING PERIOD COVERED IN THE CONSOLIDATED REPORT OF 6 MONTHS

The present consolidated report of Šiaulių Bankas AB (hereinafter — the Bank) of 6 months covers the period from 01 January 2016 to 30 June 2016.

## 2. GROUP OF THE BANK'S COMPANIES, CONTACTS

### Contact information of the Bank

Šiaulių Bankas AB	
<i>Legal form</i>	limited liability public company
<i>Registration date</i>	04/02/1992
<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	112025254
<i>Domicile address</i>	Tilžės str. 149, 76348 Šiauliai Tel.: + 370 41 595 607 Fax +370 41 430 774 <a href="mailto:info@sb.lt">info@sb.lt</a> , <a href="http://www.sb.lt">www.sb.lt</a>

### Contact information of the companies of the Group

The subsidiaries managed by the Bank directly:

#### SB Lizingas UAB (hereinafter – SB Lizingas)

- assets: EUR 51.2 million
- nature of activities: finance lease, consumer credits

<i>Legal form</i>	limited liability private company
<i>Registration date</i>	14/07/1997
<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	234995490
<i>Domicile address</i>	Laisvės al. 80, LT- 44249 Kaunas Tel. + 370 37 407 200 Fax +370 37 407 203 <a href="mailto:info@sbl.lt">info@sbl.lt</a> , <a href="http://www.sblizingas.lt">www.sblizingas.lt</a>

#### Šiaulių Banko Lizingas UAB (hereinafter – Šiaulių Banko Lizingas)

- assets: EUR 51.0 million
- nature of activities: finance lease (leasing) and operating lease

<i>Legal form</i>	limited liability private company
<i>Registration date</i>	16/08/1999
<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	145569548
<i>Domicile address</i>	Vilniaus str. 167, LT-76352 Šiauliai Tel. : +370 41 598 010, +370 5 272 3015 Fax +370 41 399 481 <a href="mailto:lizingas@sb.lt">lizingas@sb.lt</a> , <a href="http://www.sb.lt">www.sb.lt</a>

#### Šiaulių Banko Turto Fondas UAB (hereinafter — ŠB Turto Fondas)

- assets: EUR 14.1 million
- nature of activities: real estate management

<i>Legal form</i>	limited liability private company
<i>Registration date</i>	13/08/2002
<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	145855439
<i>Domicile address</i>	Vilniaus str. 167, LT-76352 Šiauliai Tel.: + 370 41 525 322 Fax +370 41 525 321 <a href="mailto:turtofondas@sb.lt">turtofondas@sb.lt</a> , <a href="http://www.sbjp.lt">www.sbjp.lt</a>

#### SBTF UAB (hereinafter – SBTF)

- assets: EUR 8.5 million
- nature of activities: management and administration of real estate and movable assets

<i>Legal form</i>	limited liability private company
<i>Registration date</i>	24/11/2004
<i>Registrar</i>	State Enterprise Centre of Registers
<i>Company code</i>	300069309
<i>Domicile address</i>	Vilniaus str. 167, LT-76352 Šiauliai Tel.: + 370 41 525 322 Fax +370 41 525 321 <a href="mailto:sbtf@sb.lt">sbtf@sb.lt</a> , <a href="http://www.sbjp.lt">www.sbjp.lt</a>

**Minera UAB (hereinafter – Minera)**

- assets: EUR 12.6 million
- nature of activities: real estate management

Legal form	limited liability private company
Registration date	30/09/1992
Registrar	State Enterprise Centre of Registers
Company code	121736330
Domicile address	Dvaro str. 123A, LT-76208 Šiauliai Tel.: + 370 41 399 423 Fax +370 41 399 423 <a href="mailto:info@minera.lt">info@minera.lt</a> , <a href="http://www.sbp.lt">www.sbp.lt</a> , <a href="http://www.minera.lt">www.minera.lt</a>

**Pavasaris UAB (hereinafter – Pavasaris)**

- assets: EUR 5.5 million
- nature of activities: development of residential apartment area

Legal form	limited liability private company
Registration date	25/09/1992
Registrar	State Enterprise Centre of Registers
Company code	121681115
Domicile address	Jonažolių str. 3-113, LT-04138 Vilnius Tel.: + 370 5 244 8096 Fax +370 5 240 1623 <a href="mailto:info@pavasaris.net">info@pavasaris.net</a> , <a href="http://www.sbp.lt">www.sbp.lt</a> , <a href="http://www.pavasaris.net">www.pavasaris.net</a>

**Life insurance Bonum Publicum UAB (hereinafter — „Bonum Publicum“)**

- assets: EUR 30.9 million
- nature of activities: life insurance

Legal form	limited liability private company
Registration date	31/08/2000
Registrar	State Enterprise Centre of Registers
Company code	110081788
Domicile address	Laisvės pr. 3, LT-04215 Vilnius Tel.: + 370 5 236 2723 Fax +370 5 236 2724 <a href="mailto:life@bonumpublicum.lt">life@bonumpublicum.lt</a> , <a href="http://www.bonumpublicum.lt">www.bonumpublicum.lt</a>

**Šiaulių Banko Investicijų Valdymas UAB (hereinafter — ŠB Investicijų Valdymas)**

- assets: EUR 1.4 million
- nature of activities: investment management

Legal form	limited liability private company
Registration date	31/08/2000
Registrar	State Enterprise Centre of Registers
Company code	145649065
Domicile address	Šeimyniškių str. 1A, LT-09312 Vilnius Tel.: + 370 5 272 2477 Fax +370 5 263 6144 <a href="mailto:sbiv@sb.lt">sbiv@sb.lt</a> , <a href="http://www.sbp.lt">www.sbp.lt</a>

A subsidiary indirectly managed by the Bank:

**Sandworks UAB**

- assets: EUR 5.1 million
- nature of activities: real estate management

Legal form	limited liability private company
Registration date	10/10/2012
Registrar	State Enterprise Centre of Registers
Company code	302896357
Domicile address	Skruzdynės str. 1, LT-93123 Neringa tel. (8 615) 34251

As of 30 June 2016 ŠB Investicijų Valdymas, 100 per cent owned by the Bank, controlled 100 per cent of block of shares of Sandworks.

**The Bank's subsidiaries held for sale**

As of 30 June 2016 the Bank had the following subsidiaries held for sale: Trade Project UAB , Investicinio turto valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB , ŽSA 4 UAB , ŽSA 5 UAB, and Žalgirio sporto arena UAB.

As of 30 June 2016 the share of the Bank in all the subsidiaries held for sale comprised 100 per cent. The Bank directly controlled the following subsidiaries held for sale: Trade Project UAB, Investicinio Turto Valdymas UAB, ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB . The companies controlled by the bank ŽSA 1 UAB, ŽSA 2 UAB, ŽSA 3 UAB, ŽSA 4 UAB and ŽSA 5 UAB all together controlled 100 per cent of shares of Žalgirio sporto arena UAB.

### 3. THE BANK'S MISSION AND VALUES

The Bank's mission gives meaning to our mutual endeavours. We share our roots with the people of Lithuania which makes us unique and something we're proud of.

#### Mission

We come from the same roots. By providing financial services, we increase the well-being of Lithuania's people and businesses, and we grow together with them.

#### Our values

- Trust
- Professionalism
- Respect
- Responsibility

### 4. NATURE OF THE BANK'S ACTIVITIES

In its activities the Bank follows the laws and other legal acts of the Republic of Lithuania, the Charter of the Bank and agreements concluded, the Bank is engaged in usual activity of commercial banks.

The key area of the Bank's activities is focused on lending to small and medium-sized business.

The following services are provided to the private and corporate customers:

- opening and handling of bank accounts euros and foreign currency to Lithuanian and foreign clients;
- transfer of funds in euro and foreign currency to the accounts with the banks operating in Lithuania and abroad;
- collection utility bills and other settlements;
- e-invoice service, standing and conditional orders;
- account management on the on0line banking system;
- mobile banking services;
- issue and administration of payment cards;
- granting of various short-term and long-term credits;
- issue, purchase and sales of cheques,
- trading in foreign currencies;
- conclusion of various types deposit agreements;
- Investment services:
  - intermediation in entering transactions on the Stock Exchanges;
  - Securities transactions concluded over-the-counter;
  - consulting regarding issue, acquisition and transfer of securities;
  - handling of accounting of shares issued by the entities;
  - issue of debt securities;
  - preparation of share issue prospectus;
  - other investment services;
- distribution of commemorative coins and numismatic sets, etc.

The Bank' has headquarters in Šiauliai customer service points operating in all major cities and financial active regional centres of Lithuania. As of 30 June 2016 the Bank had 69 client service points in 38 towns of Lithuania. Maintaining one of the largest networks in the country, the Bank also provides access to its services through electronic channels to private and business customers that may take advantage of the Bank's on-line banking system and a mobile application.

## 5. INVOLVEMENT INTO ASSOCIATED STRUCTURES

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

- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- Visa Inc. Payment Card Association
- MasterCard Worldwide International Payment Card Organization
- International initiative under the UN – Global Compact
- Association of Lithuanian Banks
- Stock Exchange NASDAQ Vilnius AB;
- Association of Lithuanian Financial Brokers
- Lithuanian Employers' Confederation
- Association of Human Resources Professionals
- Lithuanian Association of Accountants and Auditors
- Vilnius Chamber of Commerce, Industry and Crafts
- Kaunas Chamber of Commerce, Industry and Crafts
- Klaipėda Chamber of Commerce, Industry and Crafts
- Šiauliai Chamber of Commerce, Industry and Crafts
- Panevėžys Chamber of Commerce, Industry and Crafts
- Klaipėda Association of Industrialists
- Šiauliai Association of Industrialists
- Akmenė Association of of Entrepreneurs
- Kelmė region Association of of Entrepreneurs
- Mažeikiai Association of of Entrepreneurs
- Tauragė Association of of Entrepreneurs
- Telšiai Association of of Entrepreneurs
- Šilalė region Association of of Entrepreneurs
- ISACA

## 6. AUTHORIZED CAPITAL AND SHAREHOLDERS OF THE BANK

As of 30 June 2016, the authorized capital of the Bank totalled to EUR 109 471 658.33 and consisted of 377 488 477 units of ordinary registered shares with a nominal value of EUR 0.29 each.

The General Meeting of Shareholders held on 30 March 2016 passed a resolution to increase the Bank's authorized capital by EUR 18.2 million (20 per cent) from the Bank's funds and to distribute issued shares to the shareholders in proportion to the shares owned by them at the end of the day of accounting of rights (13 April 2016).

62 914 746 shares were issued to increase the authorized capital. The amendments of the Charter related to the capital increase were registered at the Register of Legal Entities on 26 May 2016.

Change of the Bank's authorized capital:

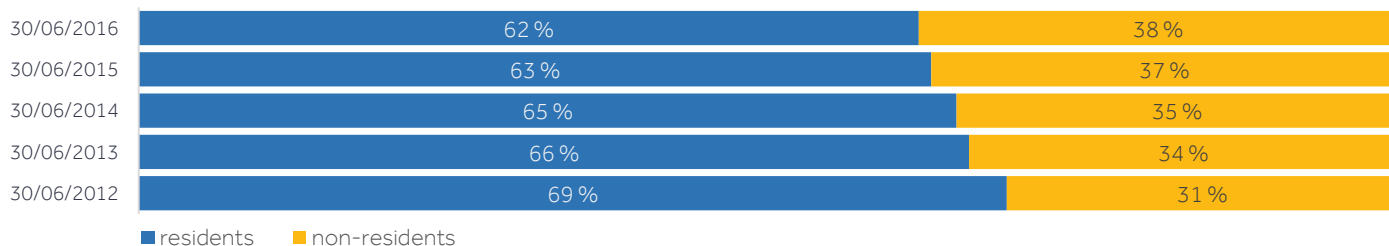
Registration date	22/06/2010	04/08/2011	31/05/2013	03/06/2014	26/05/2015	14/09/2015	26/05/2016
Kapitalo dydis, EUR	59 330 843	68 019 443	72 405 005	78 197 405	78 300 000	85 033 800	109 471 658,33

Structure of the Bank's authorized capital:

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares, ISIN LT0000102253	377 488 477	0.29	109 471 658.33

The number of the Bank's shareholder totalled to 3 502 as of 30 June 2016. 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 controlled by the Bank's shareholders by place of residence, (per cent):



The Bank's shareholders owning more than 5 per cent of the Bank's shares as of 30 June 2016:

Shareholder	Number of shares under the right of ownership, units	Share of authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with the related persons, %
European Bank for Reconstruction and Development	68 865 365	18.24	18.24	39.37
Invalda INVL AB	25 624 477	6.79	6.79	6.79
Gintaras Kateiva	21 963 961	5.82	5.82	39.37

European Bank for Reconstruction and Development (EBRD), Trade House Aiva, UAB, Mintaka UAB, Enterprise group Alita AB, Sigitas Baguckas, Algirdas Butkus, Vigintas Butkus, Vytautas Junevičius, Gintaras Kateiva, Arvydas Salda ir Kastytis Jonas Vyšniauskas who have signed the Shareholders' Agreement together with other shareholders whose votes are calculated together in compliance with the law of the Republic of Lithuania form a group that owned 39.37 per cent of the Bank's authorized capital and votes as of 30 June 2016.

## 7. TRADE IN SHARES OF THE COMPANIES OF THE BANK GROUP IN REGULATED MARKETS

Only the Bank's shares are quoted in the official trading list of Nasdaq Baltics. ISIN code LT0000102253; the number of shares 377 488 477 units. The shares of the Bank's subsidiaries are issued for non-public circulation.

The Bank's shares are included in to the OMX Baltic 10 which consists of shares of the 10 most liquid companies enrolled into the trading list of the OMX Baltic. Shares issued by the Bank are also included in the comparative index of the OMX Baltic states securities market OMX Baltic Benchmark, which consists of shares of the highest capitalization and most liquid companies as well as in indices OMX Vilnius (OMXV), OMX Baltic (OMXBGI), OMX Baltic Financials, OMX Baltic Banks and OMX Baltic Benchmark Cap (OMXBBCAPGI). Besides, shares issued by the Bank are included into such indices as STOXX Eastern Europe TMI, STOXX EU Enlarged TMI, STOXX Global Total Market, STOXX Eastern Europe 300 and STOXX Lithuania Total Market.

Changes in the Bank's share price within three years:

Source: [Nasdaq Baltic website](http://Nasdaq Baltic website)



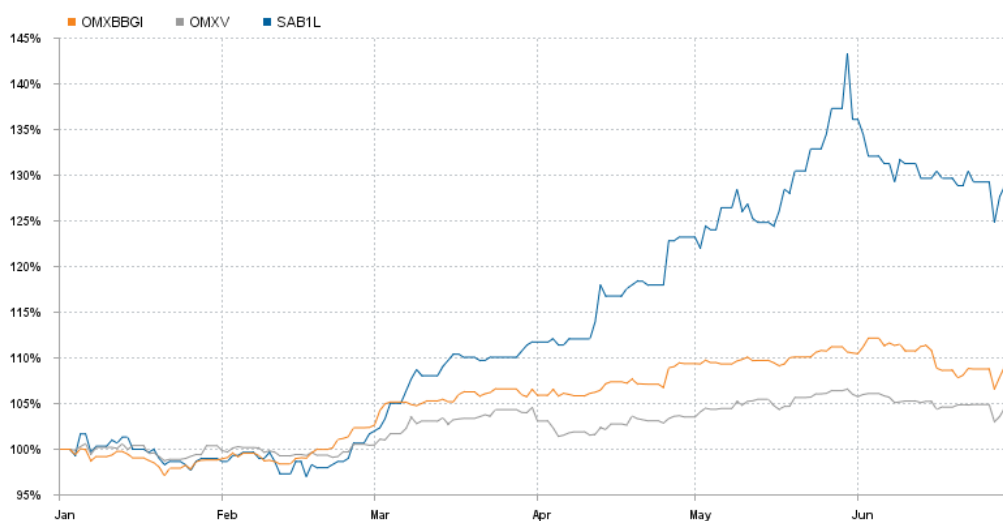
Changes in the Bank's share price in the first half of 2016:

Source: [Nasdaq Baltic website](http://NasdaqBalticwebsite)



The share price changes of OMX Vilnius index, OMX Baltic Benchmark and Bank's shares in the first half of 2016:

Source: [Nasdaq Baltic website](http://NasdaqBalticwebsite)



The Chart's data:

Index/Shares	01/01/2016	30/06/2016	+/-, %
OMX Baltic Benchmark GI	648.32	711.29	9.71
OMX Vilnius	485.99	510.69	5.08
SAB1L	EUR 0.248	EUR 0.328	32.08

The capitalization of the Bank was EUR 141.56 million as of 30 June 2016; half a year earlier, i.e. on 31 December 2015, it amounted to EUR 93.74 million.

Turnover of the Bank's shares over 5 recent years:

Year	Last trading session price, EUR	Max. price, EUR	Min. price, EUR	Average price, EUR	Number of shares, units	Turnover, EUR mln
2012	0.231	0.285	0.230	0.256	11 106 241	2.84
2013	0.266	0.310	0.227	0.266	20 496 506	5.46
2014	0.266	0.331	0.266	0.290	28 107 139	8.15
2015	0.298	0.323	0.267	0.295	43 084 506	12.70
First half of 2016	0.375	0.387	0.262	0.323	43 206 126	13.94

The capitalization the Bank and the total capitalization of shares quoted on the NASDAQ Baltics as of the last trading day as of 31 December 2015 and 30 June 2016 is provided below:

Source – [Nasdaq Vilnius webiste](http://NasdaqVilniuswebiste)

	31/12/2015	30/06/2016	Change
Šiaulių Bankas – SAB1L	EUR 93 742 971	EUR 123 816 220	32.08 %
The Baltic regulated market in total	6 533 175 201 EUR	6 284 263 840 EUR	-3.81 %

Price/Earnings (P/E) indicator of the Group:

	31/12/2013	31/12/2014	30/06/2015	31/12/2015	30/06/2016
P/E	13.12	6.12	2.89	3.73	2.29

## 8. INFORMATION ON AGREEMENTS WITH THE FOLLOWING INTERMEDIARIES IN PUBLIC CIRCULATION OF SECURITIES

The Bank's Securities Accounting Department is in charge of accounting of the securities issued by the Bank.

To execute and account other transactions with securities the Bank concluded agreements with the following intermediaries in public circulation of securities:

- with the Lithuanian branch of Danske Bank A/S - Investment service provision agreement.
- with DnB bankas AB - Agreement regarding management of financial instrument account and execution of orders.
- with Swedbank, AB - Agreements of securities account management and brokerage.
- with SEB bankas AB - Agreements of securities account management.
- with Raiffeisen Bank International AG - Agreements of securities account management and brokerage.
- with Privredna banka Zagreb – Agreement on custody service and storage and administration of financial instruments of the clients;
- with ERSTE Securities Polska SA – Brokerage services agreement for custodian clients;
- with Bank of Georgia – Subcustodial services agreement;
- with Caceis bank Deutschland – Custody agreement;
- with Commerzbank AG –Custodial account agreement;
- with Karoll AD – Brokerage agreement;
- with JSC BG Capital – Agency and service agreement
- KCG Europe Limited – Agency agreement;
- Swiss Capital – Agency agreement.

## 9. ACQUISITION OF OWN SHARES

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

The shares to those employees, who in compliance with the Bank's Remuneration Policy ought to receive the shares, were purchased at the Nasdaq Vilnius stock exchange on behalf of the group by the joint order which was covered from the Bank's funds.

## 10. INFORMATION IN COMPLIANCE WITH THE PRUDENTIAL REQUIREMENTS SET TO THE BANK

As of 30 June 2016 the Bank complied with all the prudential requirements to which it was subject. The information is kept up-to-date and available on the Bank's website [www.sb.lt](http://www.sb.lt) at: [About bank](#) > [To Bank's Investors](#) -> [Financial statements, ratios and prospectuses](#) -> [Profitability ratios](#).

## 11. RISK MANAGEMENT AND INTERNAL CONTROL

The Bank Group accepts, manages, analyses, and evaluates the risks arising from its activities. The purpose of risk management in the Group is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the Bank Group seeks not only to minimize the potential risks to the lowest possible extent, but also to ensure the optimal risk and profit ratio as well as an effective distribution of capital.

The Group's risk management system consists of the following:

- Policy on Risk Management in Banking Activities;
- Procedures for managing specific risks faced by the Bank;
- An internal control system and internal audit.

A complete disclosure of all significant risks incurred by the Group is provided in the *Financial Risk Management* section of the explanatory notes to the annual financial statements for 2015.



Details on the exposures, management and main changes in the main risks incurred by the Group are provided in the explanatory notes to the interim financial statement for the 6 months of 2016:

- Credit risk management - note 1;
- Liquidity, market and operational risks – Note 13.

Except for the disclosures provided for in the annual report for 2015 and interim financial report for the 6 months of 2016, the Bank has not identified any new factors that may have a significant impact on the risks incurred.

## 12. RATINGS ASSIGNED BY THE INTERNATIONAL AGENCIES

The credit rating of the Bank is determined by the international rating agency Moody's Investors Service LTD. On 17 June 2015 the agency upgraded ratings of the Bank improving the long-term deposit rating to Ba1 from Ba2:

Long-term deposit rating	Ba1
Short-term deposit rating	NP
Rating outlook	Stable

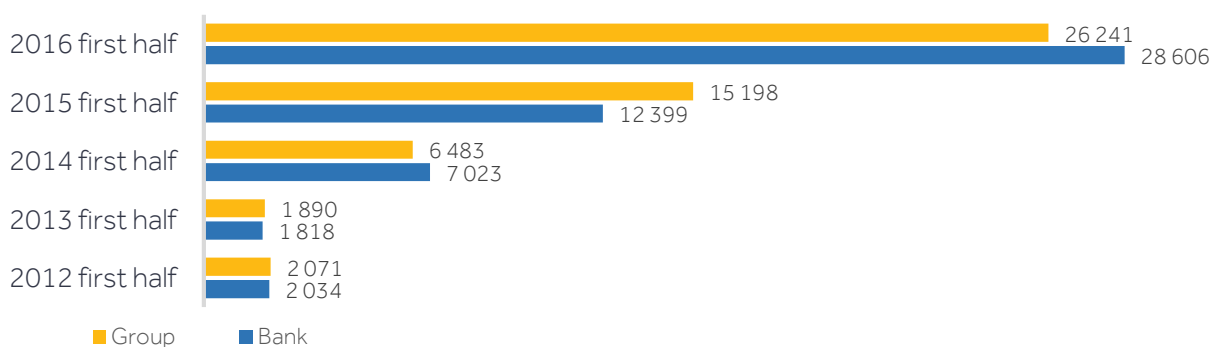
Moody's Investors Service also upgraded such indicators as the Bank's baseline credit assessment to ba3 from ba1, the Bank's short-term Counterparty Risk Assessment to P-3(cr) from NP(cr) and long-term Counterparty Risk Assessment to Baa3(cr) from Ba1(cr).

The financial capacity ratios were upgraded taking into account the strengthened key financial indicators of the Bank, its significantly growing profitability, decreased assets risk and problem loan ratio to meet the supervisory and capital adequacy requirements.

## 13. INFORMATION ON THE RESULTS OF PERFORMANCE

The Group, which has shown rapid expansion and growth in recent years, continued to improve its operating results in the first half of this year. The Group earned an unaudited net profit of EUR 26.2 million, which is up by 73% on the same period in 2015 when it earned EUR 15.2 million. The Bank's net profit for the six-month period was EUR 28.6 million. In the same period last year the Bank earned EUR 12.4 million.

Net Profit earned by the Bank and the Group, in EUR thousand:

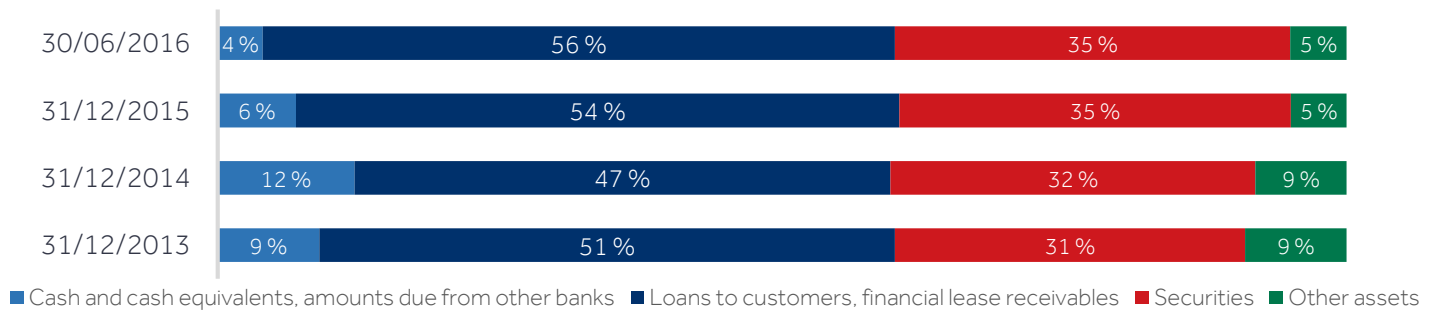


The positive operating results of the highly successful start to the year reflected in the price of the Bank's shares on the Nasdaq Balticc, which was up 50 per cent since the beginning of the year. The Bank's shares are included on the list of the most actively traded Baltic shares, with turnover of 13.9 million euros in six months of 2016 significantly exceeding this indicator last year.

The Group's loan and financial lease portfolio continues to grow steadily. During the first half a year, 277 million euros of new loans were granted and the size of the portfolio increased by 6 per cent to 962 million euros.

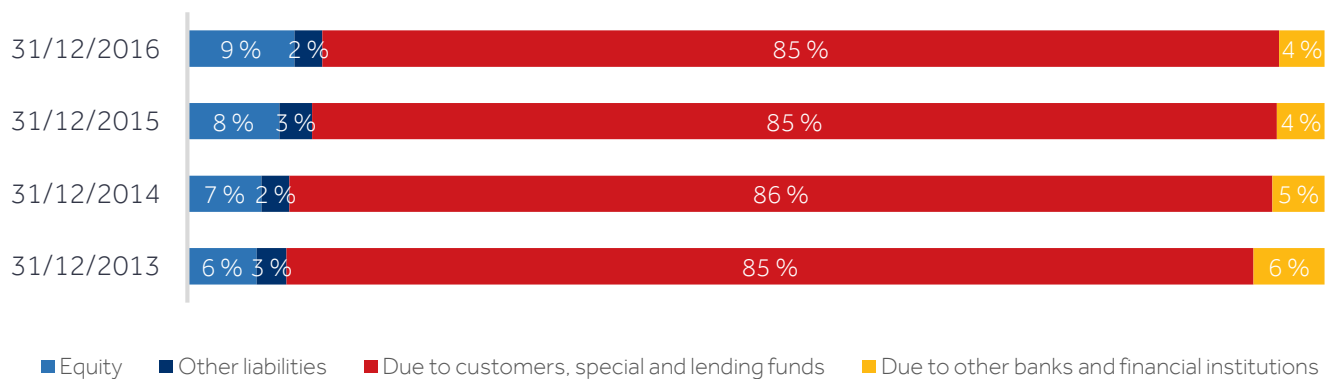


The Group's Asset Structure, per cent:



The Group's deposit portfolio grew by 1 per cent during the first half of the year 2016 to 1.45 billion euros at the end of June. In the markets for both loans and deposits, the Bank retained its No. 4 position among banks operating in Lithuania.

The Group's Liability Structure, per cent:

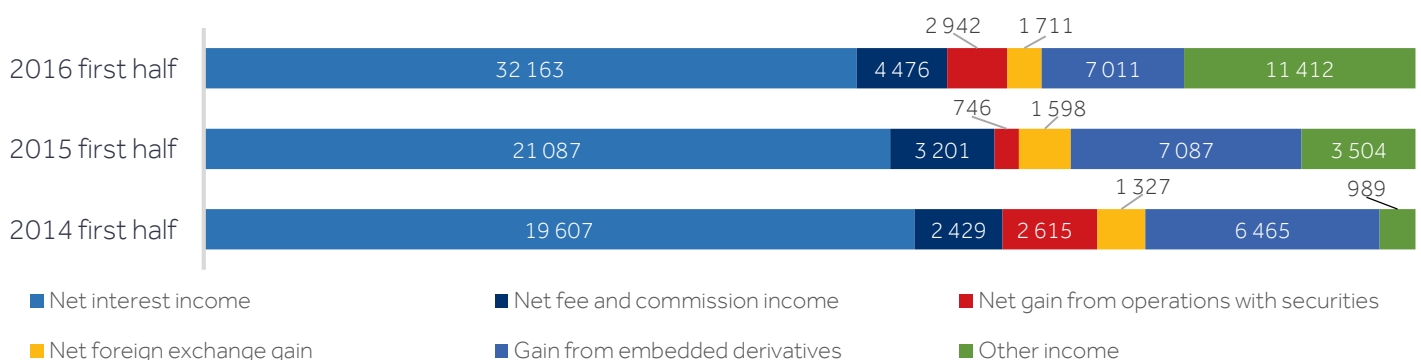


Net service fees and commission income showed a good trend in the first half of 2016 - 40 per cent growth was recorded comparing to the respective period last year 40 per cent. Income from the multi-apartment building modernization programme grew by 35 per cent, increased client activity led to a significant change in other net fee and commission income, which increased by 44 per cent.

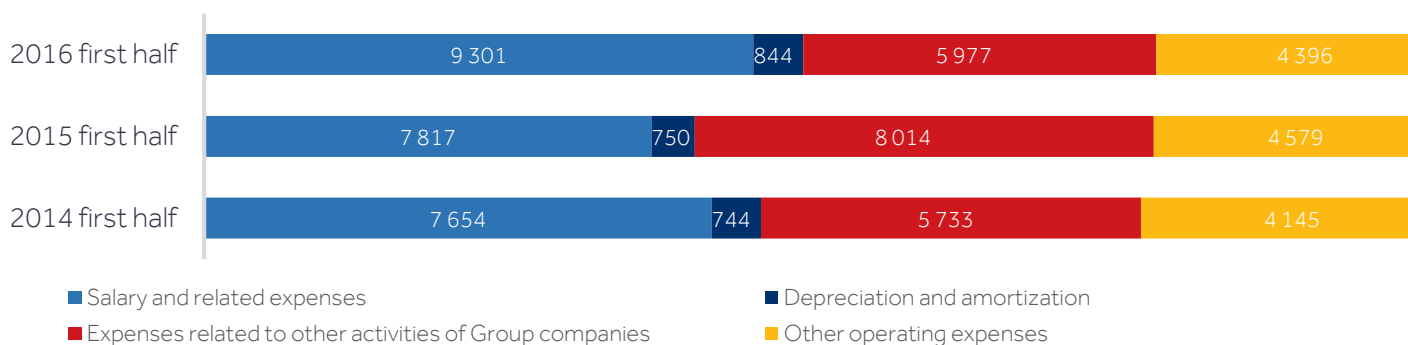
Profit from foreign exchange operations and securities trading also contributed to the good results. The Group earned 4.7 million euros from these activities in the first half of this year, or two times more than in the first half of the year 2015.

One-off penalty interest received in working out problem loans caused the Group's interest income in the first half of current year to increase by 7 million euros. As major part of this income was offset by additional impairment losses for these loans, total amount of it was not reflected in the final operating result.

Structure of the Group's Operating Income, in EUR thousand:



Structure of the Group's Operating Expenses, in EUR thousands:

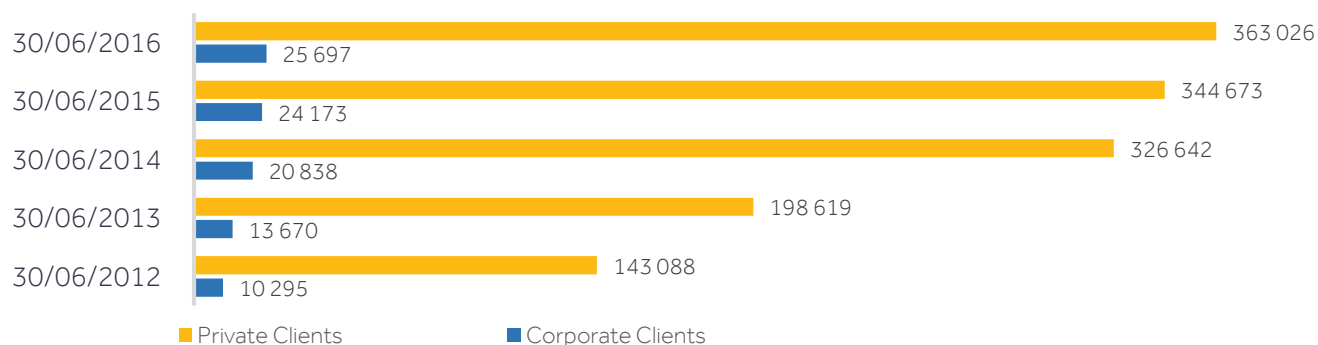


During the reporting period the Group's expenses decreased by 3 per cent comparing to the respective period last year and amounted to 20.5 million euros in total. 45 per cent of operating expenses consisted of salary and related expenses, i.e. EUR 9.3 million ( 43 per cent in Q1 2015). During the first half of 2016 the Group incurred EUR 9.2 million impairment in loans and other assets (EUR 5.3 million in Q1 2015).

The information on the Bank's and the Group's profitability ratios is available on the Bank's website [www.sb.lt](http://www.sb.lt): at [About bank](#) → [To Bank's Investors](#) → [Financial statements, ratios and prospectuses](#) → [Profitability ratios](#).

As of 30 June 2016, the Bank's clients could use 209 ATMs (6 of them are cash accepting ATMs) belonging to Bank's network operating in 49 cities and towns throughout Lithuania.

Changes in numbers of private and corporate customers:



At the end of H1 2016, the Bank's clients could withdraw cash or place their funds to the payment card accounts through 2 024 terminals of Perlo paslaugos UAB all over Lithuania.

## 14. MAJOR INVESTMENTS MADE OVER THE REPORTING PERIOD

The major investments made by the Group over the reporting period are provided in the table below, in thousand euros:

Acquisition of property, plant and equipment, investment property and intangible assets	2 236
Acquisition of held-to-maturity securities	120 145
Acquisition of available-for-sale securities	2 298

## 15. SOCIAL RESPONSIBILITY

Being a participant of an international initiative *Global Compact* since 2008 the takes ongoing commitment to strengthen its socially sustainable activities always following the principles of human and labour rights, environmental protection and anti-corruption.

The Bank takes care of its employees, actively contributes to the large community or society-based public projects in order to improve the quality of life, foster sustainable economic development and environmental protection.

Actively implementing the value-based culture during 2014-2015, in 2016 the Bank focused on development of employee-friendly environment making it favourable for professional improvement and work efficiency. The initiative *Fast and Simple* is currently implemented at the Bank in line with electronic document management system and *Lean* methodology. This will enable more convenient and better management of the Bank's documentation and ensure closer relationship among the employees, processes and technologies. It is estimated that these measures will assist increasing the customer service quality and customer satisfaction by 5.5 per cent.

The Bank continues fostering traditions of a healthy lifestyle and supporting staff sports activities making compensations for subscription in certain gyms, promoting participation in bike trips, sports tournaments and championships. In June, the Bank organized the third sports teams' camp in Palanga, which brought the representatives of all Bank's sports teams - basketball, volleyball and carting together.

In order to promote entrepreneurship in Lithuania rooted in close relationship and fruitful cooperation between business and academic youth, the Bank joined a unique initiative launched by the Business Practice Centre *Entrepreneurship Lab* under Vytautas Magnus University. The Bank's employees prepared real banking business challenges for students who, with Bank's professionals' assistance, would look for innovative solutions that could be realized in the future. Continuing its previous activities, the Bank granted a nominal scholarship to the student of the the Finance and Banking studies at the VMU Faculty of Economics and Management for her academic achievements and constant striving for improvement in the field of studies.

Focusing on the country's small and medium-sized businesses (SMEs) since the very beginning of its activity and seeking to reduce economic disparities among the regions, the Bank continued to actively participate in multi-apartment housing renovation programme, which involves the SMEs as the project managers and construction contractors in all regions of the country. To ensure fast and smooth run of this useful programme, the Bank had already assigned EUR 120 million of its own funds, EUR 70 million of which were assigned in 2016.

In order to better know issues of its corporate clients and add value not only through provision of banking services, the Bank held the cycle of meetings with the corporate clients called Business Espresso in all 4 regions of the country in 2016. During these meetings the entrepreneurs were given the opportunity to share their business insights and receive free professional advice from the specialists of various fields. These meeting are held on quarterly basis.

The Bank is an active member of the Lithuanian communities focusing on traditions, culture and purposeful communication. In the first half of 2015, the Bank provided financial support for such sports events as the Olympic Day in Šiauliai, Lithuania Cup of show jumping, International marathon running "Amber nautical mile in Klaipėda and continued sponsoring the Šiauliai basketball club. Support was also provided to the international summer music festival Vivace Vilnius, to the festival Plays for Farmers'2016 arranged by Rokiškis Cultural Centre, Thomas Mann Cultural Centre, the Lithuanian Musicians Support Fund and to Šiauliai palliative care and nursing care centre.

The amount of EUR 780.4 was collected in the donation boxes placed in the customer service points of the Bank. The collected funds were transfer to the public undertaking Goodwill Projects that woks on attracting specialists operating in various areas such as business, science and society who are willing to use their experience for development, management and implementation of social support projects.

In April 2016, the Bank arranged a solid forest planting campaigned called *Investments into the Lithuania's Future*. The campaign encompassed all four regions of Lithuania and the employees belonging to the entire Group participated there not as separate individuals or representatives of respective units but as one large community. With this initiative the Bank has expressed its attitude towards good investments which may not be limited to finances. Actually, the most valuable investments are made in pursue of one goal taking responsibility for the environment that

will remain for the future generations. During this campaign almost 10 thousand trees were planted around four major cities - Vilnius, Kaunas, Kaipėda and Šiauliai.

## 16. DIVIDENDS PAID

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

Dividends paid by the Bank:

<i>Dividend allocation and disbursement year</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
<i>Per cent from the nominal value</i>	0.00	0.50	0.00	0.25	0.69
<i>Amount of dividends per share, EUR</i>	0.000000	0.001450	0.000000	0.000725	0.002000
<i>Amount of dividends, EUR</i>	0	340 097	0	195 750	629 147
<i>Dividends to net profit, %</i>	0.00	7.89	0.00	1.84	2.97

**Taxation of dividends.** Profit taxation of legal entities is regulated by the Profit Law of the Republic of Lithuania No. IX-675 (hereinafter referred to as the PoL) as of 20 December 2001 and the resolutions and other legal acts adopted by the Government of the Republic of Lithuania on its basis.

The charge of 15 per cent is applied to the paid dividends. The dividends of the Lithuanian unit that owns 10 per cent of issuer's capital for the period longer than one year are not subject to charges (with exceptions described in the chapter VII of the Profit Law of the Republic of Lithuania). The dividends of the foreign units are charged by applying an income tax rate of 15 per cent. If a foreign unit owns the shares granting at least 10 per cent of votes for a period of at least 12 months without interruption, the dividends paid to that foreign entity are not charged, except for the cases when a foreign entity receiving dividends is registered or otherwise organized in the targeted countries.

Taxation of citizens' income is regulated by the Law on Personal Income Tax of the Republic of Lithuania No. IX-1007 as of 2 July, 2002 and the latter amendments of the Law as well as resolutions adopted on the basis of this Law. The dividends received since 01 January 2014 are charged by 15 per cent tax, which is deducted and paid to the budget by the Bank in compliance with the applicable orders.

## 17. PRINCIPLES OF INTERNAL AUDIT'S PERFORMANCE

The following three lines of defence approach is applied at the Bank:

- the first line of defence consists of the units that are responsible for their own risk management practices;
- the second line of defence is formed of compliance and risk control units that ensure efficiency of instructions, rules and control mechanisms;
- the third line of defence is occupied by the Internal Audit Division inspecting integrity and performance of the entire control system.

The purposes, functions, organization, rights, duties and responsibilities of the Internal Audit Division are foreseen by the Provisions of the Internal Audit Division and Methodology of the Internal Audit. These documents are prepared in accordance with the laws of the Republic of Lithuania, resolutions passed by the Government of the Republic of Lithuania, and other legislation of the Republic of Lithuania regulating banks' performance, Guidelines for the Bank's Internal Audit approved by the Board of the Bank of Lithuania, International Financial Reporting Standards, International Internal Audit Standards, the Charter of the Bank, the Code of Ethics, the resolutions of the General Shareholders' Meeting, Bank's Supervisory Council, Internal Audit Committee and the Bank's Board.

The purpose of Internal Audit is to provide independent and objective assurance and consulting, to systematically and comprehensively evaluate and promote the improvement of the Bank's risk management and the efficiency of the internal control system. Also, to assist the Bank to achieve its goals seeking to ensure that the objectives of the internal control are achieved at the lowest cost and its functions are efficiently implemented.

The employees of the Internal Audit Division carrying out their functions follow the principles of:

- **INTEGRITY**, i.e., to perform their work honestly, with due diligence, in compliance with the laws, to not participate in any illegal activities, not take any actions, that could discredit an internal auditor's profession and the Bank, to respect lawful and ethical objectives of the Bank and to support their implementation;
- **OBJECTIVITY**, i.e., to not participate in any activities and not have any relations that harm or might harm their impartiality and would contradict with the Bank's interest, to not accept presents in order to avoid the impact on their professional opinion and to disclose all the important facts they are aware of;

- *CONFIDENTIALITY*, i.e., to use and store the information gained while performing their duties responsibly, to not use the information for their own purposes;
- *COMPETENCY* i.e., to provide only such services, for the performance of which they possess necessary knowledge, skills and experience, to provide internal audit services in compliance with the International Audit Standards, to improve their qualification on a regular basis, to improve the quality and efficiency of the services.

The Internal Audit Division operates under direct control of the Internal Audit Committee and reports to it on a quarterly basis. The Division functions in compliance with the strategic business plan for 2016-2018 and business plan of a current year approved by the Internal Audit Committee. In order to comply with requirements of the International internal audit standards the Bank periodically carries out an independent assessment of the internal audit function and annually approves the Quality Assurance and Improvement Programme.

The Bank's Internal Audit Committee consists of 4 members including an independent member of the Supervisory Council. The Internal Audit Committee reports on its activities to the Bank Supervisory Council once a year. The key objectives contained in the Internal Audit Committee's provisions seek to supervise the processes of implementation in such areas as the Bank's internal control, the Bank's risk management system, the internal audit efficiency, the external audit, and the Bank's operational compliance with laws and regulations.

The Internal Committee's functions shall also include monitoring of the Bank's financial reporting and supervision of the internal audit process as well as hearings of information provided by the Internal Audit on the performed inspections, identified deficiencies and progress of their elimination, also monitoring of implementation of the internal audit activity plans and assurance of Internal Audit's performance independence.

On a quarterly basis the Head of the Internal Audit Division provides the Bank's senior management with the information regarding the recommendations submitted after the performed inspections and their implementation.

## 18. EXTERNAL AUDIT

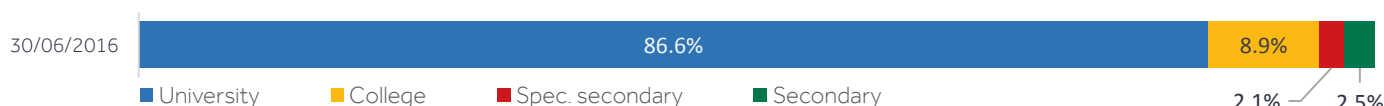
The Bank elected PricewaterhouseCoopers UAB (company code 111473315, address: J. Jasinskio str. 16B, 01112 Vilnius, Lithuania) to audit the Bank in 2016-2017. The company was selected after interviewing a number of international audit companies and discussing their offers. Reputation risk, price of services and other factors had been considered while selecting the audit company. Interim information for the six months of 2016 is unaudited.

## 19. INFORMATION ON MALICIOUS TRANSACTIONS

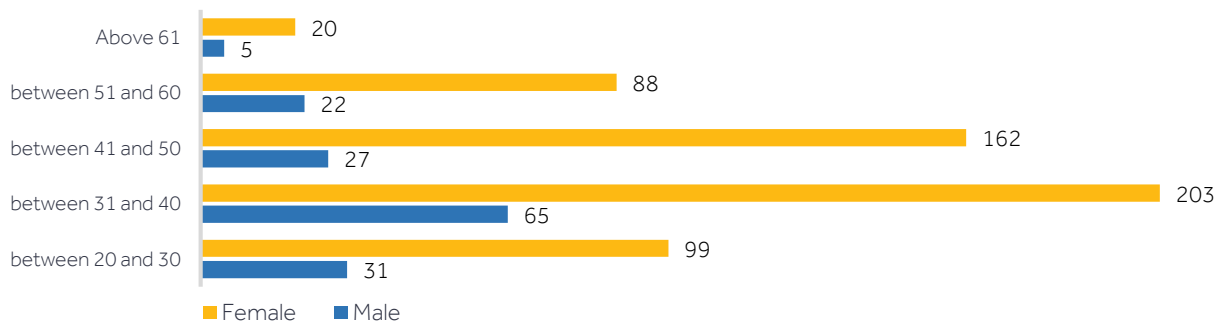
No malicious transactions not meeting the objectives of the Bank, normal market conditions, breaching the shareholders' or other group's interests which have had or will likely have a negative impact on the Bank's performance or activity results have been entered during the reporting period. Moreover, there were no transactions entered in terms of conflict of interest among the senior managers of the Bank, controlling shareholders or other related parties' positions to the Bank and their private interests and (or) positions.

## 20. EMPLOYEES

As of 30 June 2016 the Bank employed 722 officers (670 as of 30 June 2015), 625 (86.6 per cent) of the Bank's employees had the university education, 64 (8.9 per cent) had college, 15 (2.1 per cent) – special secondary education and 18 (2.5 per cent) had secondary education.



The structure of the Bank's employees by age and gender as of 30 June 2016:



As of 30 June 2016 the Group's companies employed 831 officers (excluding the Bank's subsidiaries held for sale) (825 employees as of 30 June 2015).

Since the end of 2015 upon completion of the bank Finasta AB and brokerage firm Finasta AB reorganization and extension of the Bank's investment services with a range of complementary investment services, as well as after, in the beginning of 2016, the Bank's customer service divisions started to provide services of Bank's subsidiary Šiaulių Banko Lizingas, much attention was paid at integration of the employees of these companies and familiarizing the Bank's employees with the new services.

The traditional three-day training for new recruits, organized according to the new employees' adaptation and training program being realized in the Bank, have been adjusted according to the needs of the employees of these companies and held in March. Active trainings were organized for all employees of the Bank during the first half of this year to present the new investment and leasing services.

Also, in order to consistently raise the bank employees' skills, professionals related to credit services in the first half of this year were offered trainings arranged by Investicijų ir verslo garantijos UAB (INVEGA) and seminar The General Lending Principles, Developments and Good Practice.

In order to strengthen image of the Bank as an employer and to attract new employees, we participated in the Career Contact Fair in Vilnius College, North Lithuania College and MRU Career Days, during which the students were introduced to the work and practice, as well as career realization opportunities in the Bank.

When the Bank's 24th anniversary was celebrated, the employees working in the Bank for more than ten years were honoured and encouraged with commemorative badges and bonuses. In June, traditional Bank's and its subsidiaries' sports and recreational event, the Summer Holiday, was held in Utena District.

The monthly average salary of the respective group of employees before taxes:

	2012		2013		2014		2015		30/06/2016	
Employees' Team	Average number of employees	Average monthly salary, in EUR	Average number of employees	Average monthly salary, in EUR	Average number of employees	Average monthly salary, in EUR	Average number of employees	Average monthly salary, in EUR	Average number of employees	Average monthly salary, in EUR
Leading employees	11	7 011	11	8 466	11	9 768	11	10 073	11	10 307
Officers	411	806	609	848	632	939	620	976	722	1 015

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

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



## 21. REMUNERATION POLICY

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

The updated Remuneration Policy of the Bank approved by the Board's resolution on 23 September 2015 came in force on 1 January 2016. The composition of the Remuneration Committee is subject to the Supervisory Council's approval, the list of the Committee members is provided in chapter 22 *Members of the Committees formed within the Bank and the areas of their performance*.

Aggregate quantitative information on remuneration to employees, highlighting the Bank's leaders - aggregate amounts (in thousand) of fixed and variable remuneration (without taxes to social insurance and guarantee fund) as well as number of beneficiaries are provided in the table below. The financial group includes the employees of the Bank, Šiaulių Banko Lizingas UAB, SB Lizingas UAB, Šiaulių Banko Turto Fondas and Šiaulių Banko Investicijų Valdymas UAB.

The Bank's data:

<i>01/01/2015 - 31/12/2015</i>	<i>Portion of fixed remuneration, in EUR thou</i>	<i>Portion of variable remuneration, in EUR thou</i>	<i>Number of shares, units</i>
<i>The senior management (members of the Board)</i>	720	215	7
<i>Employees</i>	6 769	965	624
<i>Total</i>	7 489	1 180	631

<i>01/01/2016 - 30/06/2016</i>	<i>Portion of fixed remuneration, in EUR thou</i>	<i>Portion of variable remuneration, in EUR thou</i>	<i>Number of shares, units</i>
<i>The senior management (members of the Board)</i>	370	362	7
<i>Employees</i>	3 777	893	726
<i>Total</i>	4 147	1 255	733

Data of the Financial Group:

<i>01/01/2015 - 31/12/2015</i>	<i>Portion of fixed remuneration, in EUR thou</i>	<i>Portion of variable remuneration, in EUR thou</i>	<i>Number of shares, units</i>
<i>The senior management (members of the Board)</i>	1 196	260	18
<i>Employees</i>	7 843	1 163	710
<i>Total</i>	9 039	1 423	728

<i>01/01/2016 - 30/06/2016</i>	<i>Portion of fixed remuneration, in EUR thou</i>	<i>Portion of variable remuneration, in EUR thou</i>	<i>Number of shares, units</i>
<i>The senior management (members of the Board)</i>	370	362	7
<i>Employees</i>	3 777	893	636
<i>Total</i>	4 147	1 255	643

The pay outs of the variable remuneration for Q4 2015 were paid in Q1 2016, while the employees whose professional activities can have the significant impact on the risks accepted by the Bank received their variable remuneration in 2015 and in Q2 2016.

The amounts of variable remuneration for 2015 split into monetary pay outs, pension contributions, Bank's shares, financial instruments related to the Bank's shares, other financial or non-monetary measures, (amounts):

The Bank's data:

<i>Deferred portion of variable remuneration</i>	
<i>Monetary payments</i>	402 thou EUR
<i>Bank's shares</i>	1 336 thou units
<i>Pension contributions</i>	-
<i>Financial instruments related to shares</i>	-
<i>Other financial or non-monetary measures</i>	-

Data of the Financial Group:

<i>Deferred portion of variable remuneration</i>	
<i>Monetary payments</i>	486 thou EUR
<i>Bank's shares</i>	1 618 thou units
<i>Pension contributions</i>	-
<i>Financial instruments related to shares</i>	-
<i>Other financial or non-monetary measures</i>	-

The amounts of outstanding deferred variable remuneration for 2013 and 2014 as of 30 June 2016 (data covers both operating and redundant employees):

The Bank's data:

<i>Deferred portion of variable remuneration</i>	
Monetary payments	EUR 83 thou
Bank's shares	300 thou units

Data of the Financial Group:

<i>Deferred portion of variable remuneration</i>	
Monetary payments	EUR 91 thou
Bank's shares	329 thou units

The amounts of outstanding deferred variable remuneration for 2015 as of 30 June 2016 (data covers both operating and redundant employees):

The Bank's data:

<i>Deferred portion of variable remuneration</i>	
Monetary payments	EUR 161 thou
Bank's shares	534 thou units

Data of the Financial Group:

<i>Deferred portion of variable remuneration</i>	
Monetary payments	EUR 195 thou
Bank's shares	646 thou units

## 22. MEMBERS OF THE COMMITTEES FORMED WITHIN THE BANK AND 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 Management Board or Supervisory Council of the Bank.

- **The Risk Committee** shall advise the management bodies of the Bank on the overall current and future risk acceptable to the Bank and strategy and assist in overseeing the implementation of the strategy at the Bank, shall verify whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy and shall also shall carry out other functions provided for in its provisions.
- **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 Nomination Committee** nominates and recommends, for the approval of the management bodies of the bank or for approval of the general meeting of shareholders, candidates to fill management body vacancies, evaluates the balance of skills, knowledge and experience of the management body of the Bank, submits comments and findings related to the matter, assesses the structure, size, composition, operating results, skills of its members, their experience and carries out other functions provided for in its provisions.
- **The Remuneration Committee** evaluates the Policy of variable remuneration, practice and incentives developed 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.
- **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 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.



Members of the Bank's Committees as of 30 June 2016:

#### The Risk Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Darius Šulnis</i>	09/05/2016 / 2020	0.00	Invalda INVL AB, INVL Asset Management UAB, Invalda LT Investments UAB
<i>Arvydas Salda</i>	30/03/2016 / 2020	2.42	Šiaulių Banko Turto Fondas UAB, Eglės AB sanatorium
<i>Peter Reiniger</i>	30/03/2016 / 2020	0.00	An independent consultant

#### Internal Audit Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Ramunė Vilija Zabulienė</i>	30/03/2016 / 2020	0.00	Ministry of Culture of the Republic of Lithuania
<i>Martynas Česnavičius</i>	30/03/2016 / 2020	0.00	D Investicijų Valdymas UAB, Fund Amber Trust I S.C.A., Amber Trust II S.C.A, Pro Finance UAB, KJK management S. A.
<i>Valdas Vitkauskas</i>	30/03/2016 / 2020	0.00	European Bank for Reconstruction and Development
<i>Rimantas Purtulis</i>	30/03/2016 / 2020	0.09	Individual activity

#### The Nomination Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Valdas Vitkauskas</i>	30/03/2016 / 2020	0.00	European Bank for Reconstruction and Development
<i>Ramunė Vilija Zabulienė</i>	30/03/2016 / 2020	0.00	Ministry of Culture of the Republic of Lithuania
<i>Darius Šulnis</i>	09/05/2016 / 2020	0.00	Invalda INVL AB, INVL Asset Management UAB, Invalda LT Investments UAB

#### Remuneration Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Gintaras Kateiva</i>	30/03/2016 / 2020	5.82	Litagra UAB, Litagros Mažmena UAB
<i>Peter Reiniger</i>	30/03/2016 / 2020	0.00	An independent consultant
<i>Martynas Česnavičius</i>	09/05/2016 / 2020	0.00	D Investicijų Valdymas UAB, Fund Amber Trust I S.C.A., Amber Trust II S.C.A, Pro Finance UAB, KJK management S. A.

#### Loan Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Vytautas Sinius</i>	13/01/2015 / operating on a continuous basis	0.14	Šiaulių Bankas AB
<i>Edas Mirijauskas</i>	13/01/2015 / operating on a continuous basis	0.03	Šiaulių Bankas AB
<i>Giedrius Sarapinas</i>	13/01/2015 / operating on a continuous basis	0.01	Šiaulių Bankas AB
<i>Danutė Gaubienė</i>	13/01/2015 / operating on a continuous basis	0.01	Šiaulių Bankas AB
<i>Daiva Šorienė</i>	13/01/2015 / operating on a continuous basis	0.08	Šiaulių Bankas AB
<i>Donatas Savickas</i>	13/01/2015 / operating on a continuous basis	0.10	Šiaulių Bankas AB
<i>Aurelija Geležūnė</i>	20/10/2015 / operating on a continuous basis	0.01	Šiaulių Bankas AB
<i>Mindaugas Rudys (a substitute member)</i>	26/04/2016 / operating on a continuous basis	0.01	Šiaulių Bankas AB

#### Risk Management Committee

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Employer</i>
<i>Donatas Savickas</i>	17/11/2015 / operating on a continuous basis	0.10	Šiaulių Bankas AB
<i>Algimantas Gaulia</i>	17/11/2015 / operating on a continuous basis	0.00	Šiaulių Bankas AB
<i>Jolanta Dūdaitė</i>	17/11/2015 / operating on a continuous basis	0.00	Šiaulių Bankas AB
<i>Pranas Gedgaudas</i>	17/11/2015 / operating on a continuous basis	0.03	Šiaulių Bankas AB
<i>Morena Liachauskienė</i>	17/11/2015 / operating on a continuous basis	0.00	Šiaulių Bankas AB
<i>Edas Mirijauskas</i>	17/11/2015 / operating on a continuous basis	0.03	Šiaulių Bankas AB

## 23. 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 (hereinafter - Head of the Bank).

**General Meeting of Shareholders** takes place annually, within three months after the end of fiscal year. The extraordinary meeting of shareholder may also be convened. The shareholders, having no less than 1/10 of all the votes, as well as the Board and Council have an initiative right of convening the meeting. The Law on Companies of the Republic of Lithuania specifies the cases when a general meeting can be convened by other persons.

**General Meeting of Shareholders** is organized, voting is carried out and resolutions passed in compliance with the Law on Companies of the Republic of Lithuania. If the meeting cannot take place due to lack of a quorum (more than ½ of the total votes), the re-convened meeting of shareholders with the valid agenda of the previous meeting shall be summoned.

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

**The 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 members of the Bank's Management Board are elected, recalled and supervised by the Bank's Supervisory Council. The number of tenures of the Board member is not limited. If individual Board members are elected, they are elected till the end of the active Board's term.

**Chief Executive Officer** arranges everyday activities of the Bank and performs other actions to ensure the Bank's performance and implementation of the resolutions passed by the Bank's bodies. 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.

## 24. THE MEMBERS OF THE BANK'S COLLEGIAL BODIES

Supervisory Council of the Bank:

### *Arvydas Salda*



Member of the Supervisory Council since 1991. Chairman of the Supervisory Council of the Bank since 1999

**Education:**

Kaunas Institute of Technology, Vilnius University, Master of applicable mathematics.

**Other current positions:**

- A consultant of SB Turto Fondas UAB since 2004
- Consultant of Sanatorium Eglės AB since 2014
- Member of the Board Klaipėdos LEZ Valdymo Bendrovė UAB since 1998

### *Gintaras Kateiva*



Member of the Supervisory Council of the Bank since 2008

**Education:**

Vilnius Pedagogic Institute, a teacher.

**Other current positions:**

- Chairman of the Board of Litagra UAB since 2005
- Director of Litagros Prekyba UAB until 2008

### *Valdas Vitkauskas*



Member of the Supervisory Council of the Bank since 2014, representing the European Bank for Reconstruction and Development

**Education:**

Vytautas Magnus University, Master of Business Administration and Management; Southern Methodist University (USA), Master.

**Other current positions:**

- EBRD chief banker since 2011
- Member of the Council of the bank belonging to the Societe Generale Group in Mobiasbank (Moldova).

### *Peter Reiniger*



Member of the Supervisory Council of the Bank since 2011

**Education:**

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

**Other current positions:**

- An independent consultant since 2011
- Member Investment Committee and member of the Board at *European Fund For Southeast Europe*
- Took various capacities (up to executive director) at the European Bank for Reconstruction and Development until 2011

*Ramunė Vilija Zabulienė*



Independent member of the Supervisory Council of the Bank since 2012

**Education:**

Vilnius University, an engineer-economist.

**Other current positions:**

- Minister's Counsellor at the Ministry of Culture of the Republic of Lithuania since 2014

*Darius Šulnis*



Member of the Supervisory Council of the Bank since 09 May 2016

**Education:**

Vilnius University, Master of Economy.

**Other current positions:**

- President of Invalda INVL AB since 2013, member of the Board since 2006
- Director General and Chairman of the Board at INVL Asset Management UAB since 2015
- Director and member of the Board at Invalda LT Investments UAB since 2014
- Member of the Board at INVL Baltic Farmland AB since 2014
- Member of the Board at Litagra UAB since 2011
- Member of the Supervisory Council at INVL Asset Management IPAS (Latvia) since 2015
- Member of the Supervisory Council at INVL Asset Management IPAS (Latvia) since 2015

*Martynas Česnavičius*



Member of the Supervisory Council of the Bank since 09 May 2016

**Education:**

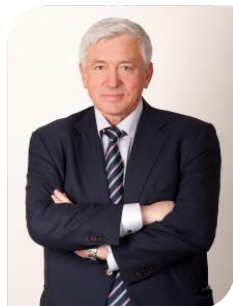
Vilnius University, an economist.

**Other current positions:**

- Chairman of the Board at Malsena plus UAB since 2012
- Chairman of the Board at Baltic Mill AB since 2015
- Member of the Board and Director at D Investicijų valdymas UAB since 2012
- Member of the Board at Laisvas nepriklausomas kanalas UAB since 2003
- Member of the Board at Litagra UAB since 2003
- Member of the Board at AS Rigas Dzirnavnieks since 2013
- Member of the Board at Amber Trust II Management SA since 2009
- Member of the Board at Amber Trust Management SA since 2009
- Member of the Board at Atradimų studija UAB since 2005
- Member of the Board at Kitron ASA since 2012
- Counsellor at Fund Amber Trust I S.C.A. since 2003
- Counsellor at Fund Amber Trust II S.C.A. since 2003
- Counsellor at Pro Finance UAB since 2006
- Counsellor at KJK management S.A. since 2003

The Management Board of the Bank:

*Algirdas Butkus*



Chairman of the Board of the Bank, Deputy Chief Executive Officer

**Education:**

Kaunas Technology Institute, Master of Economy

*Vytautas Sinius*



Member of the Board, Chief Executive Officer

**Education:**

Vilnius Higher School of Economics, a bank officer; Vilnius University, Bachelor of Economy; Vytautas Magnus University, Master of Business Administration and Management

*Donatas Savickas*



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

**Education:**

Vilnius University, Master of Economy; Vytautas Magnus University, Master of Business Administration and Management

*Daiva Šorienė*



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

**Education:**

Vilnius University, Master of Economy; Vytautas Magnus University, Master of Business Administration and Management

*Vita Adomaitytė*



Member of the Board of the Bank, Chief Accountant, Head of Accounting and Tax Division

**Education:**

Vilnius University, Master of Finance and Credit

*Jonas Bartkus*



Member of the Board of the Bank, Head of the IT Division

**Education:**

Vilnius University, Master of Mathematics

*Ilona Baranauskienė*



Member of the Board of the Bank, Head of the Assets Restructuring Division

**Education:**

Kaunas University of Technology, Bachelor of Business Administration; Šiauliai University, Master of Economy

<i>Name, surname</i>	<i>Beginning / end of tenure</i>	<i>Share of capital under the right of ownership, %</i>	<i>Share of votes together with the related persons, %</i>
<i>Arvydas Salda</i>	beginning 30/03/2016/ end 2020	2.42	39.37
<i>Gintaras Kateiva</i>	beginning 30/03/2016/ end 2020	5.82	39.37
<i>Peter Reiniger</i>	beginning 30/03/2016/ end 2020	0.00	0.00
<i>Valdas Vitkauskas</i>	beginning 30/03/2016/ end 2020	0.00	0.00
<i>Ramunė Vilija Zabulienė</i>	beginning 30/03/2016/ end 2020	0.00	0.00
<i>Darius Šulnis</i>	beginning 09/05/2016/ end 2020	0.00	39.37
<i>Martynas Česnavičius</i>	beginning 09/05/2016/ end 2020	0.00	39.37
<i>Algirdas Butkus</i>	beginning 09/05/2016/ end 2020	3.40	39.37
<i>Vytautas Sinius</i>	beginning 30/03/2016/ end 2020	0.14	39.37
<i>Donatas Savickas</i>	beginning 30/03/2016/ end 2020	0.10	39.37
<i>Daiva Šorienė</i>	beginning 30/03/2016/ end 2020	0.08	39.37
<i>Vita Adomaitytė</i>	beginning 30/03/2016/ end 2020	0.06	39.37
<i>Jonas Bartkus</i>	beginning 30/03/2016/ end 2020	0.09	39.37
<i>Ilona Baranauskienė</i>	beginning 30/03/2016/ end 2020	0.01	39.37



## 25. TRANSACTIONS WITH RELATED PARTIES

The members of the Bank's Supervisory Council and the Management Board work for the benefit of the shareholders avoiding the conflicts of interest. All transactions with the Bank's senior management are entered under the market conditions.

The regulation stipulating the work of the Board provides that a member of the Board must avoid any conduct that could cause a conflict of interest. Prior to starting the term of office as the member of the Board, the candidate must reveal all the information to the Bank that could potentially cause a conflict of interest and keep the relevant information constantly updated. Board members abstain from voting and participating in the Board meeting that addresses a question pertaining to his/her activity in the Board or his/her responsibility as well as issues that could be related to the Board member's interest or cases where the absence of the Board member's impartiality could pose any risk.

Each prospective member of the Supervisory Council must inform the General Shareholders Meeting of any occupation and duties exercised as well as details of how such activity is connected with the Bank or other legal entities involved with the Bank.

In the Bank, transactions with the executives are separated from the rest of the transactions by means of technology. Information on these transactions is provided in the note 12 of the explanatory note of the interim financial statements as of 30 June 2016.

The Bank follows a conflict of interest policy that establishes the requirements for internal procedures and measures that help identify and manage any circumstances that may give rise to a conflict of interest related to the provision of the banking services and specifies the ways and actions to be followed in case such conflicts arise. The policy applies to all Bank employees and executives, including members of the Board and the Supervisory Council. Apart from other measures described in the policy, the person in charge of performing internal control is also responsible for monitoring those financial transactions that could potentially cause a conflict of interest and must immediately report of any instances of procedural violations in writing to the Internal Audit Committee and the Board of the Bank.

## 26. THE MOST IMPORTANT EVENTS OVER THE ACCOUNTING PERIOD

The Bank has started the year 2016 successfully implementing all changes associated with accession to the Single Euro Payments Area (SEPA) allowing the clients in Lithuania as well as in other member states belonging to the SEPA to transfer the funds in euros in unified formats, scope of information and in compliance with the same regulations.

From 01 January the range of financing services provided by the Bank encompasses leasing services with respect to vehicles and other large property rendered to private and corporate customers previously provided by Šiaulių Banko Lizingas UAB patronized by the Bank.

On January 11, the Bank announced about a new e-invoice service which replaced a direct debit service previously rendered by the Bank which failed complying the requirements set to the payment orders in euros in the SEPA environment.

On January 25, it was announced that big companies may receive the loans issued by the Bank with the guarantees provided by Investment and Business Guarantees (INVEGA).

On January 29, in order to ensure the higher security of electronic settlement transactions, the Bank provided the possibility to register payment cards on the secure on-line payment programme MasterCard SecureCode.

On February 23, it was announced that in order to increase on-line payment security the clients would have to sign some of the transaction on the on-line banking system SB Linija with an additional password sent by SMS.

On 21 March, the magazine Global Finance selected top banking performers in emerging markets in Central and Eastern Europe for the twenty-third year and recognized the Bank as the best bank in Lithuania in 2015.

A resolution to increase the Bank's authorized capital by 18.2 million euros from the Bank's retained earnings was passed during the General Meeting of Shareholders of the Bank held on 30 March. After the share issue the authorized capital of the Bank grew up to 109.5 million euros.

On 19 April, it was announced that the General meeting of shareholders held on 30 March 2016 approved allocation of profit of the Bank which included payment of dividends.

On 22 April, the Bank signed an amendment to the cooperation agreement with the European Investment Bank and a pre-financing agreement under which the Bank acquired a right to assign 30 million euros from its own funds to finance modernization projects.

On 26 April, the Bank's Board passed a resolution to start the liquidation process of the subsidiaries Investicinio Turto Valdymas UAB and Trade Project UAB directly controlled by the Bank and Žalgirio Sporto Arena UAB indirectly controlled by the Bank.

On 09 May, following the resolution of the Director of the Supervisory Service of the Bank of Lithuania Darius Šulnis and Martynas Česnavičius were allowed to become the members of the Supervisory Council of the Bank. The members of the Supervisory Council were elected for the new tenure during the General meeting of shareholders held on 30 March 2016.

From 12 May the clients of the on-line banking system SB Linija were provided with an extra- service allowing to trade in securities in the Baltic markets.

The Bank invited its private customers to take advantage of the exclusive facility *A Credit of Opportunities* during the period between 16 May and 18 September.

On 26 May, the amended Charter of the Bank with the authorized capital increased up to EUR 109 471 658.33 was registered at the the Registry of Legal Entities. The Bank's authorized capital was increased in accordance with the resolution of the Ordinary Meeting of Shareholders held on 30 March 2016.

On 27 May, the Bank signed a cooperation agreement with the European Investment Bank (EIB) under which EUR 80 million were additionally contributed to the multi-apartment building renovation programme (EUR 40 million from the Bank's funds and EUR 40 million from the EIB's funds).

On 16 June Moody's Investors Service LTD announced the better ratings of the Bank: the long-term deposit rating improved from to Ba1 from Ba2, the rating outlook was stable.

## 27. DATA ON PUBLICLY DISCLOSED INFORMATION

The following information was publicly disclosed in the first half year of 2016:

26/02/2016	the interim information for twelve months of the Bank and the Group for 2015;
09/03/2016	convocation of the Ordinary General Meeting of Shareholders;
09/03/2016	the draft resolutions prepared by the Board for the Ordinary General Meeting of Shareholders held on 30 March 2016;
30/03/2016	resolutions of the Ordinary General Meeting of Shareholders held on 30 March 2016;
30/03/2016	Annual Report for 2015
31/03/2016	Announcement about resolutions passed by the Supervisory Council and Management Board of the Bank (regarding election of the Chairman of the Supervisory Council and members of the Management Board).
19/04/2016	The dividend payment order was announced.
25/04/2016	Announcement on arrangement with European Investment Bank regarding allocation of the Bank's additional funds to modernization projects.
26/04/2016	The unaudited activity result for Q1 of 2016 of the Bank and the Group;
27/04/2016	Announcement on approval of liquidation of three non-financial subsidiaries of the Bank.
03/05/2016	Announcement on the Bank's presentation at the Nasdaq Vilnius meeting
10/05/2016	Announcement on permission received from the Bank of Lithuania allowing Darius Šulnis and Martynas Česnavičius to become the members of the Supervisory Council of the Bank.
19/05/2016	Announcement on permission to register an amendment made to the Bank's Charter
20/05/2016	Interim information for 3 months of 2016
27/05/2016	The amended Charter with the increased authorized capital was registered
01/06/2016	Announcement on concluded transactions, related to payment of the variable remuneration in the Bank's shares;
02/06/2016	The Bank signed another agreement with the EIB regarding financing of the Multi-apartment Building Modernisation Programme
02/06/2016	Information on the shares and authorized capital
17/06/2016	International rating agency updated ratings of the Bank reports regarding the transactions with the Banks shares entered by the Bank's top management

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 site [www.sb.lt](http://www.sb.lt). A report on the Meeting of Shareholders was additionally announced in the daily newspaper *Lietuvos rytas*.

Chief Executive Officer

19 August 2016



Vytautas Sinius