

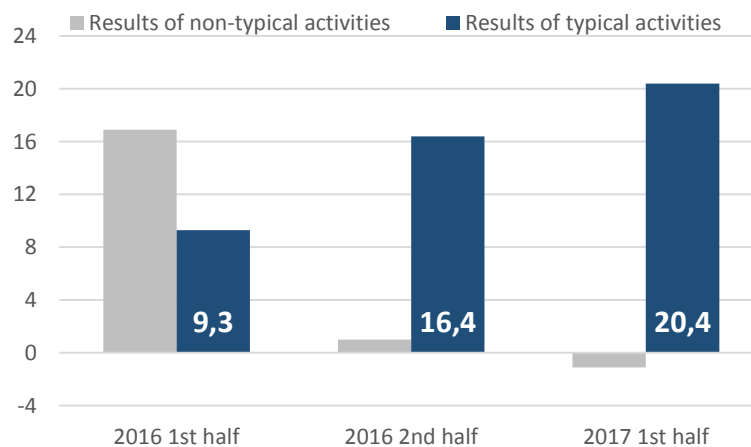
Šiaulių Bankas Group continues strong performance

- Group net profit for 1st half of year EUR 19.2 mln
- Loan and financial lease portfolio up 12%, net interest margin stable
- Increased value of subordinated loan conversion option negatively affected bank's results

The Šiaulių Bankas Group earned an unaudited net profit of 19.2 million euros in the first half of 2017, while the net profit of the bank for the six month period was 19.8 million euros.

The group's loan and financial lease portfolio has grown 12 per cent over the last 12 months and at the end of June exceeded 1.07 billion euros. In the second quarter of this year alone, the loan portfolio increased 6 per cent or 60 million euros. From the start of the year more than 330 million euros of new loan agreements were signed, while the deposit portfolio expanded 9 per cent over the last 12 months and at the end of June exceeded 1.58 billion euros.

"While nominal profit indicators this year are smaller than last year, dynamics of the results for typical activities, the growing loan portfolio, and the stable net interest margin all provide grounds to expect sustainable performance by the bank also in the future," Šiaulių Bankas CEO Vytautas Sinius said.



The group had net interest income of 27.5 million euros in January-June. The net interest margin for the half year excluding non-typical income was 3 per cent. The group's net service fees and commission income grew 12 per cent compared with the same period last year and exceeded 5 million euros. Profit from foreign exchange operations increased 22 per cent to more than 2 million euros.

The cost of risk ratio improved due to the reversal of impairment charges on loans and other assets: a recovery of 2.2 million euros has been recognised on the income statement for the first half of this year. The group met the established regulatory requirements at the end of June, with a capital adequacy position that remained robust and a high level of liquidity.

Financing for small and medium-size business, loans to which make up 65 per cent of the loan portfolio, remains a priority area for the bank. In the second quarter Šiaulių Bankas and Invega signed two new agreements for portfolio guarantees financed from the European Regional Development Fund. Thanks to the measure, 50 million euros will be allotted for SME financing.

Šiaulių Bankas's stably good operating results and increasing recognition among investors on an international scale have lifted its share price and turnover on the Nasdaq Vilnius exchange. In the first six months of this year the share price rose 31 per cent, and in terms of turnover it was one of the most liquid securities on the exchange.

The rising share price had an impact on the bank's profit for the current period which, though temporary, was negative. It caused an increase in the value of the conversion option embedded in the subordinated loan from the European Bank for Reconstruction and Development (EBRD), with an unrealized negative effect of 5.7 million euros recognized in the first half of 2017. Regardless of whether conversion option is exercised or not, the accumulated loss will increase the equity of the bank's shareholders by the corresponding amount in the future.

On 6 June 2017 the Lithuanian Register of Legal Entities registered the amended Charter of Šiaulių Bankas with an increase of its authorized capital to 131.4 million euros. The authorized capital was increased by 21.9 million euros, or 20 per cent, from the bank's own funds.

On 13 July this year Moody's Investors Service placed the ratings of Šiaulių Bankas on review for upgrade. The credit rating agency said the review was prompted by strengthening of the bank's asset quality, profitability and capitalization, as well as by positive results in the integration and sale of the parts of the failed Ūkio Bankas that it had acquired.