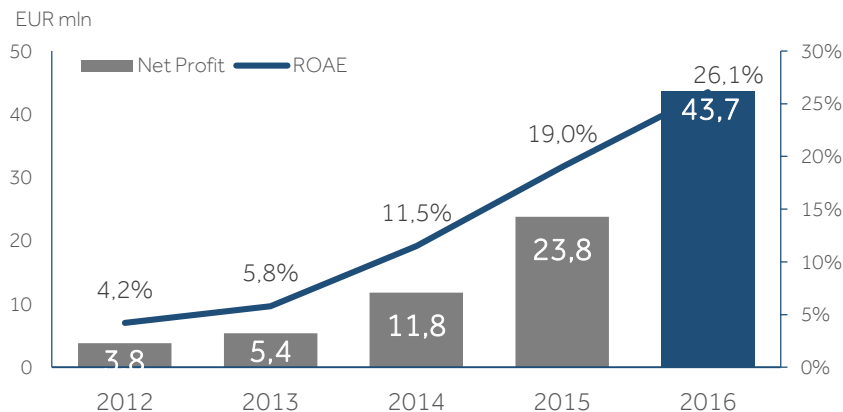


## Šiaulių Bankas Group has record profit

- 2016 net profit: EUR 43.7 mln for the Group, EUR 41.7 mln for the Bank
- Loan and financial lease portfolio grew 13 per cent in the year
- Share price on the exchange rose 81 per cent

Šiaulių Bankas Group's results for 2016, with the biggest profit in the bank's history, are a reflection of its steady expansion and sustainable growth in recent years. The Group earned an unaudited net profit of 43.7 million euros in the year, which is 83 per cent more than in 2015 when net profit was 23.8 million euros. Results of non-typical activities had a considerable effect on profitability: the overall rate of return on capital exceeded 26 per cent, with a cost-to-income ratio of 42 per cent.



"Seeking to improve the bank's operating efficiency and competitiveness, and to offer services that best meet clients' needs, during 2016 we worked out four priority areas of activity: financing for business, consumer financing, saving and investment, and everyday banking services. We set the strategic goal of becoming one of the country's top banks for customer service and in fact significantly improved the quality of customer service. Our successful work and strengthened capital base were praised by *Moody's Investors Service*, which upgraded the bank's rating," Šiaulių Bankas CEO Vytautas Sinius said.

The Group's loan and financial lease portfolio grew 13 per cent in 2016 and at the end of the year surpassed the level of 1 billion euros. In the course of the year nearly 500 million euros of new loan agreements were signed. The Group's deposit portfolio expanded 4 per cent during the year and at the end of December totalled nearly 1.5 billion euros. Asset quality indicators improved substantially during the year: the ratio of non-performing assets to total assets shrank from 7.5 per cent to 4.7 per cent, while the cost of risk ratio for 2016 was 0.7 per cent – down from nearly three times more in 2015.

All the Group's main types of income increased significantly in 2016. As credit volumes grew and resource costs shrank, net interest income rose 11 per cent in the year to 53.9 million euros. Active participation in the multi-apartment building modernization programme, new

investment products, and increasingly active clients helped boost net service fees and commission income to 9.4 million euros, 17 per cent more than in 2015. Profit from foreign exchange operations grew 39 per cent in January-December to 4.5 million euros, supported not only by larger trading volumes but also by new foreign exchange products which were introduced.

Results for the fourth quarter were influenced by some non-typical factors:

- due to the rise in the market price of the bank's shares, the conversion option embedded in the subordinated loan received from the EBRD increased in value. This had an unrealized 2-million-euro negative effect on the bank's results. If in the future the conversion option is exercised, the accumulated negative effect would increase the equity of all the bank's shareholders' by the corresponding amount;
- to provide a better picture of the impact of payments received for problem loans, during the fourth quarter of 2016 adjustments were made to the interim financial statements, offsetting equal amounts of interest income and impairment charges related to problem loans recognized in the second and third quarters of the year.

The Bank's highly successful operating results in the course of the year have been reflected in a positive change of its share price on the *NASDAQ Vilnius* securities exchange. The price rose 81 per cent during the year. The shares top the list of the most actively traded shares, with turnover of 23 million euros for the year.

In 2017 Šiaulių Bankas, like the entire banking sector, will face new challenges: increasing competition from other organizations that provide payment and alternative financing services, trends toward lower fees on everyday banking services for private individuals, and the onset of new regulatory requirements that will demand significant resources. But even keeping these things in mind and planned smaller income from non-typical activities, the Bank Group will pursue ambitious goals to keep its annual return on capital above the level of 15 per cent.